

26th Results Briefing The Juroku Bank, Ltd.

[First half of the year ending
March 2016 (FY3/16 1H)]

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Smile

こころにひびくサービスを



November 24, 2015



十六銀行

(TSE code: 8356)

◆ Overview of Results for FY3/16 1H

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Improve service quality by focusing on customers	...	20
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◆ Earnings forecasts and other forward-looking statements in this document are based on management's assumptions and beliefs in light of information available at the time of publication. Actual results may differ materially from forward-looking statements due to a wide range of factors.



Overview of Results for FY3/16 1H



Overview of results for FY3/16 1H – Consolidated and Non-consolidated –



▼ Non-consolidated

(Billion yen) ▼ Consolidated

No	Calc. formula	FY3/15 1H	FY3/16 1H	Change	FY3/16 1H
1	Gross operating profit [3+4+5]	38.0	36.5	-1.5	39.8
2	(Core gross operating profit) [1-6]	(35.3)	(33.4)	(-1.9)	(36.8)
3	Net interest income	31.5	28.9	-2.6	29.0
4	Fees and commissions	3.5	3.7	0.2	5.8
5	Other operating profit	2.9	3.7	0.8	4.9
6	Gain/losses on JGBs and other debt securities	2.7	3.0	0.3	3.0
7	Expenses	26.5	26.3	-0.2	28.1
8	Personnel expenses	14.5	14.6	0.1	
9	Non-personnel expenses	10.5	10.0	-0.5	
10	Taxes	1.4	1.6	0.2	
11	Net business profit [1-7]	11.5	10.1	-1.4	11.7
12	Net core operating profit [2-7]	8.7	7.1	-1.6	8.6
13	Net operating profit [11-15]	11.5	10.1	-1.4	11.7
14	Credit costs [15+16-17-18-19]	-0.2	-0.8	-0.6	-0.9
15	Provision of general loan-loss reserves	-	-	-	-
16	Write-downs of nonperforming loans	0.4	0.1	-0.3	0.1
17	Gain on reversal of loan loss reserves	0.6	0.9	0.3	1.0
18	Gain on collection of written-off loans	0.0	0.0	0.0	0.0
19	Gain on reversal of contingent loss	-	-	-	-
20	Gains/losses on equities	1.1	0.5	-0.6	0.5
21	Other extraordinary gains/losses	1.6	1.7	0.1	1.8
22	Investment trust financing expenses	0.0	0.0	-0.0	0.0
23	Ordinary profit [11-14+20+21-22]	14.4	13.3	-1.1	14.9
24	Extraordinary gains/losses	-0.0	-0.1	-0.1	-0.1
25	Net income before taxes	14.4	13.1	-1.3	14.7
26	Total income taxes	4.4	3.5	-0.9	4.0
27	Net income [25-26]	9.9	9.5	-0.4	*10.1

* Interim net income attributable to shareholders of the parent company

Overviews of non-consolidated results

Gross operating profit

- Despite growth in fees and commissions and other operating profit, gross operating profit declined ¥1.5 billion YoY to ¥36.5 billion due to a drop in net interest income amid lower yields on loans and marketable securities.

Net business profit

- Non-personnel expenses declined ¥0.5 billion, but net business profit fell ¥1.4 billion YoY to ¥10.1 billion due to the drop in gross operating profit.

Ordinary profit

<Second highest level on record>

- Credit costs improved ¥0.6 billion, but ordinary profit declined ¥1.1 billion YoY to ¥13.3 billion, due mainly to lower net business profit and gains on equities.

Net income

- Net income fell ¥0.4 billion YoY to ¥9.5 billion.

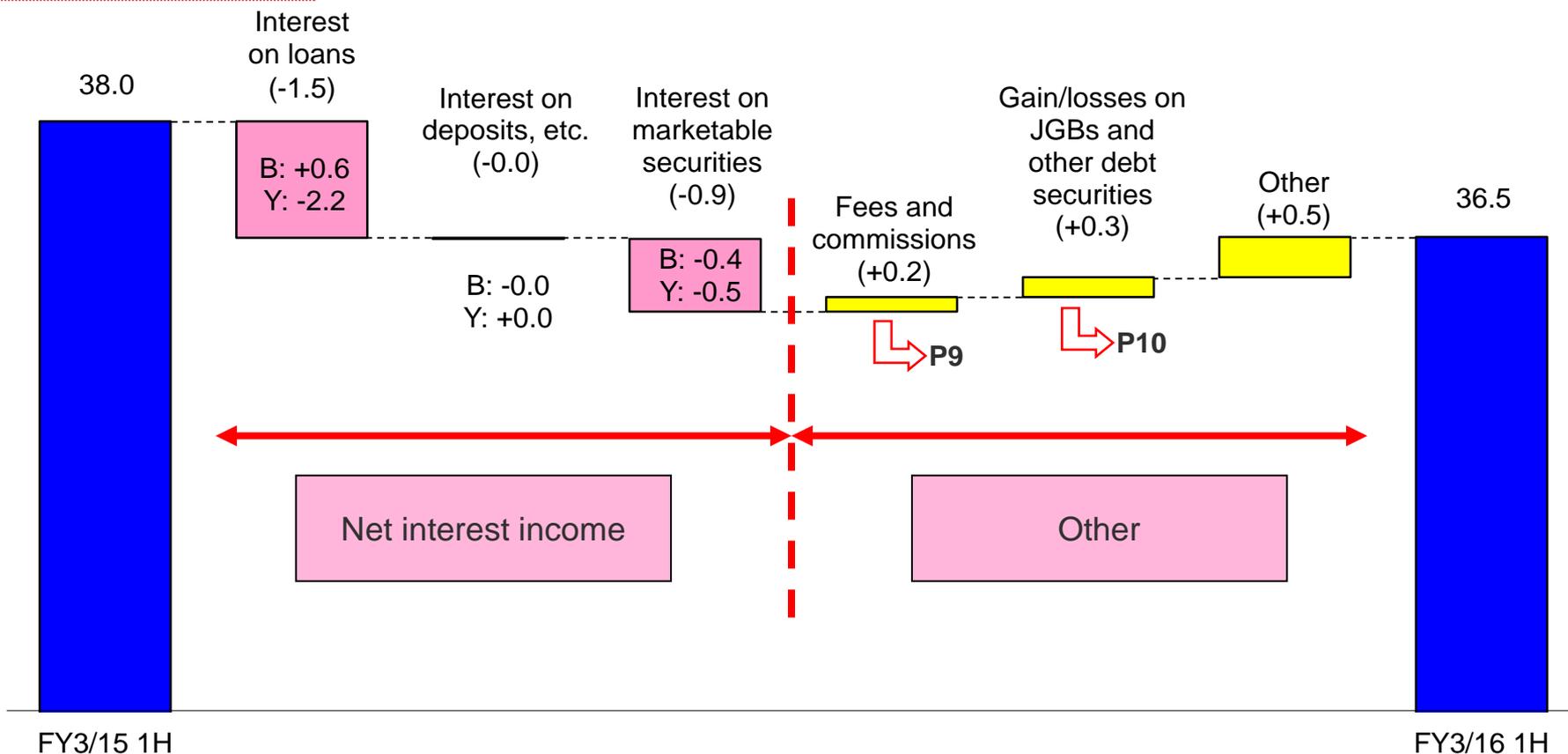
Factors affecting gross operating profit – Non-consolidated –



Gross operating profit fell ¥1.5 billion YoY to ¥36.5 billion due to declines in interest on loans and interest on marketable securities

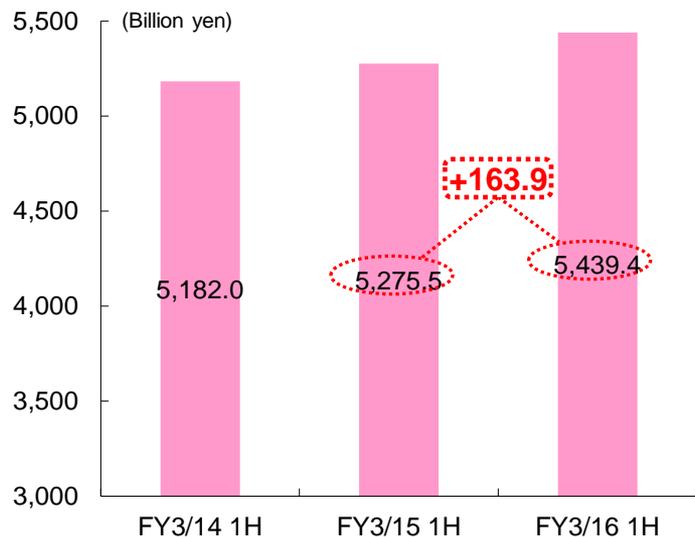
B: Balance factors
Y: Yield factors

(Billion yen)

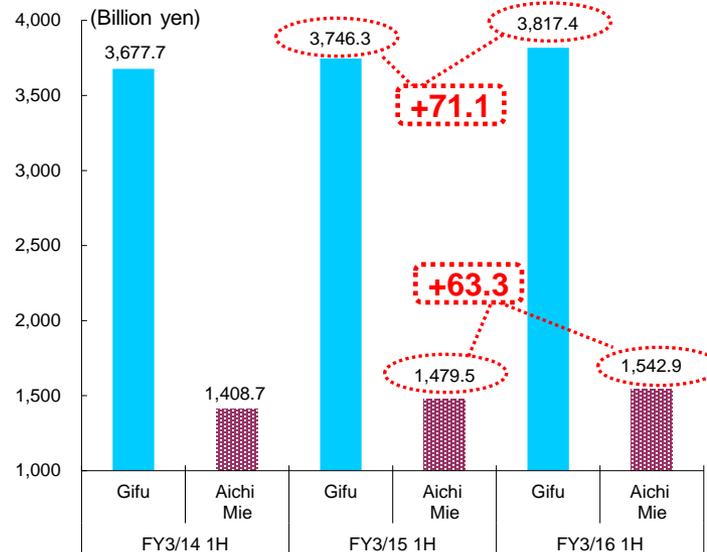


Key data (deposits, loans)

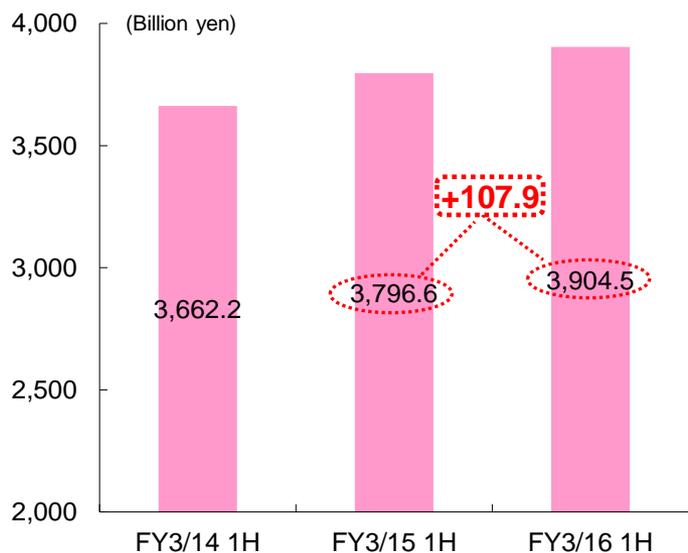
▼ Deposits



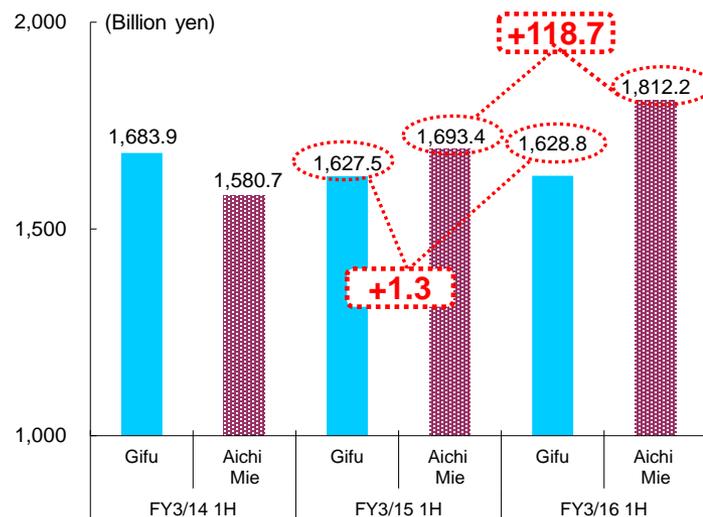
▼ Deposits by region



▼ Loans



▼ Loans by region

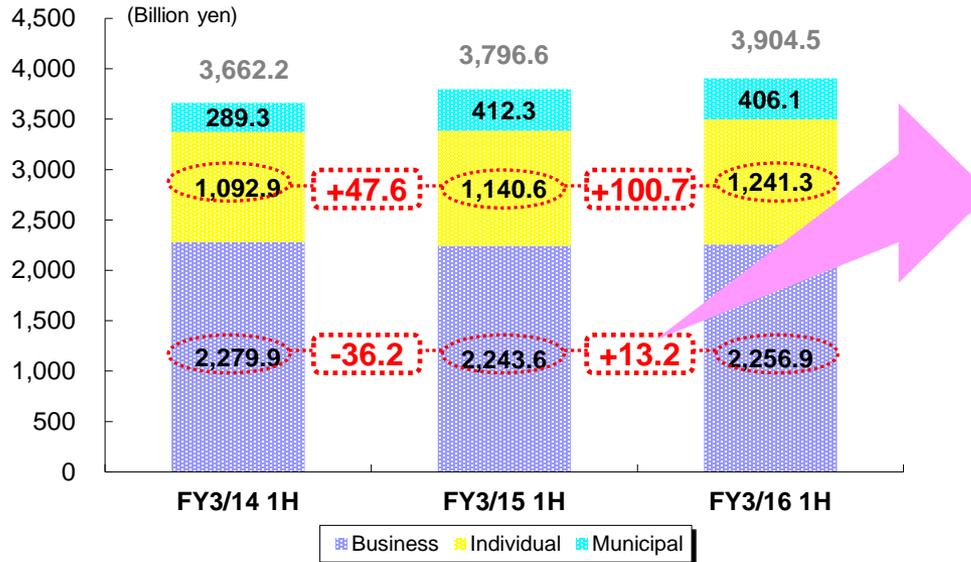


Key data (loans)

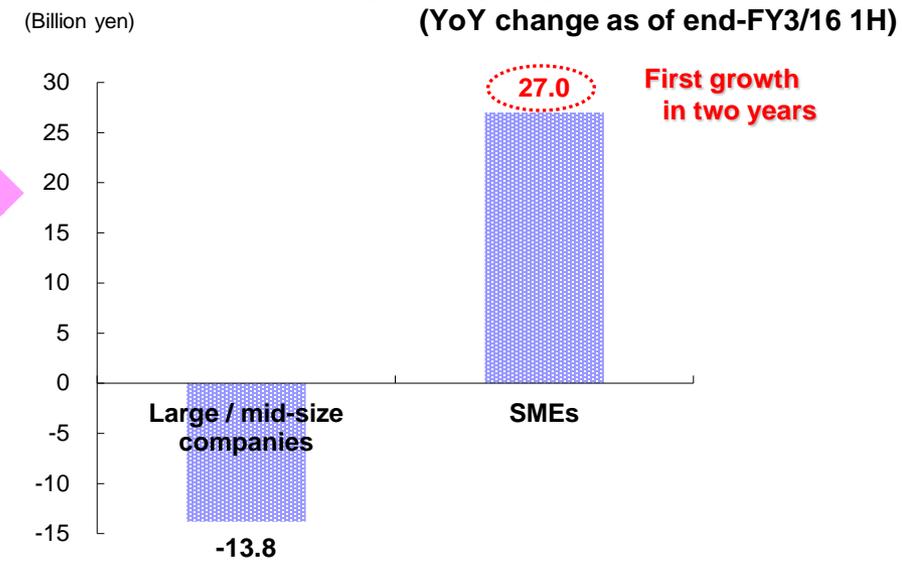


Loans to SMEs showed signs of improvement supported by a recovery in corporate earnings and other factors amid a moderate upturn in the economy

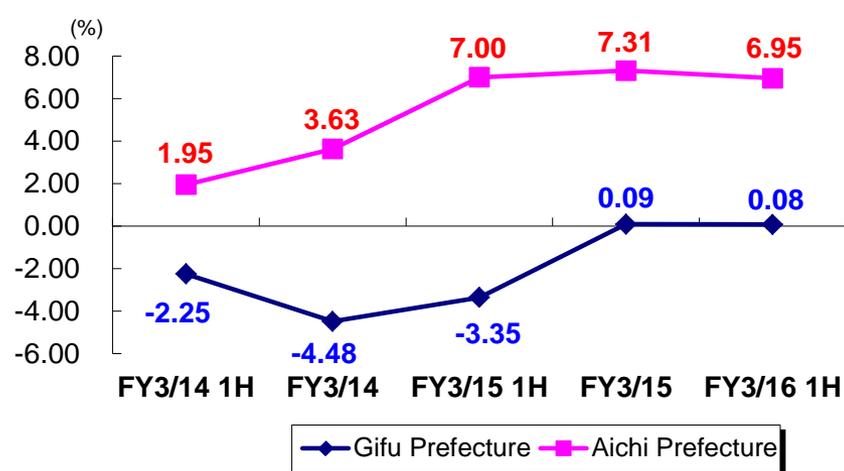
Loans by sector



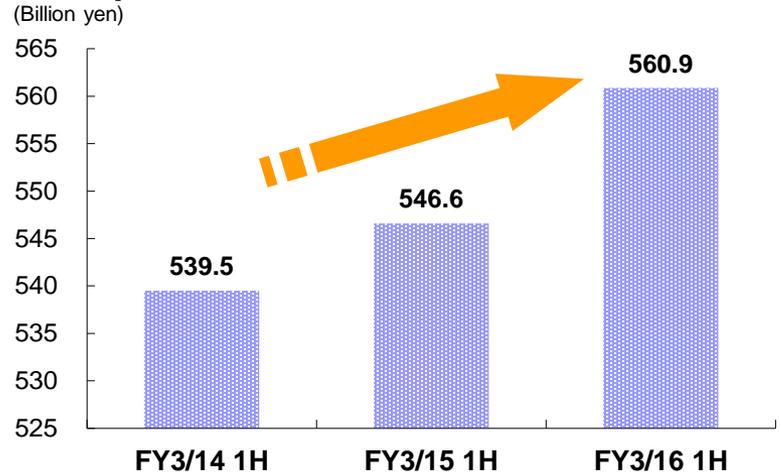
Business loans by company size



Loans by region (annualized growth)



Capital investment loans to SMEs

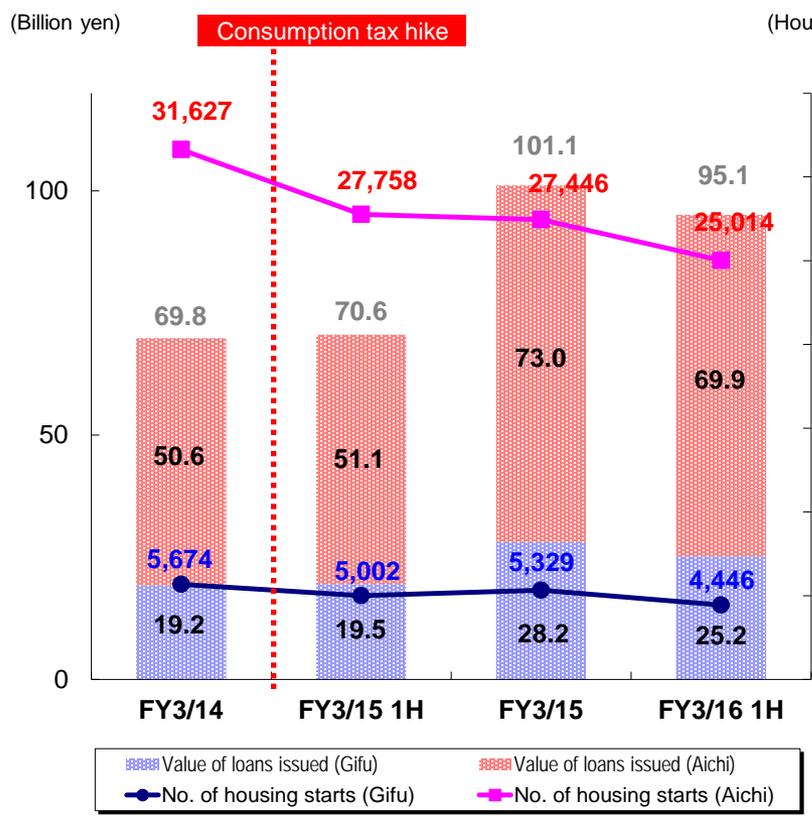


Key data (housing loans)

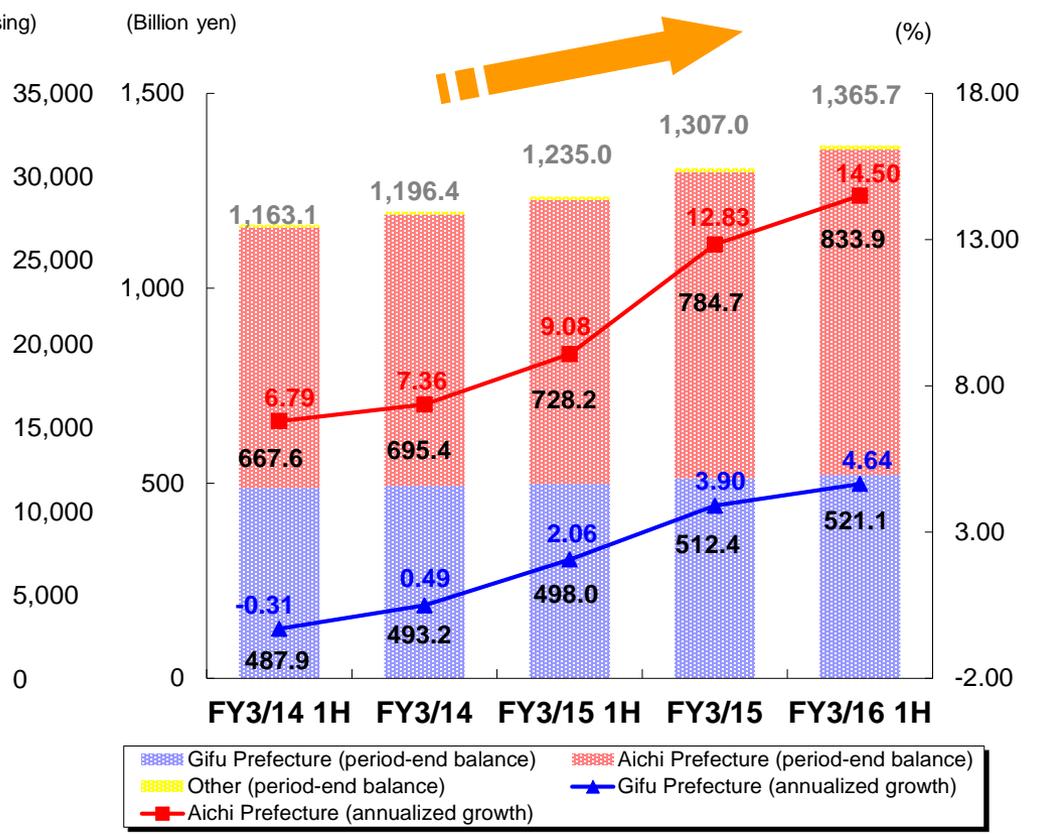


Housing loans rose sharply in Aichi Prefecture and showed some signs of recovery in Gifu Prefecture

▼ Value of new housing loans issued



▼ Home loans by region



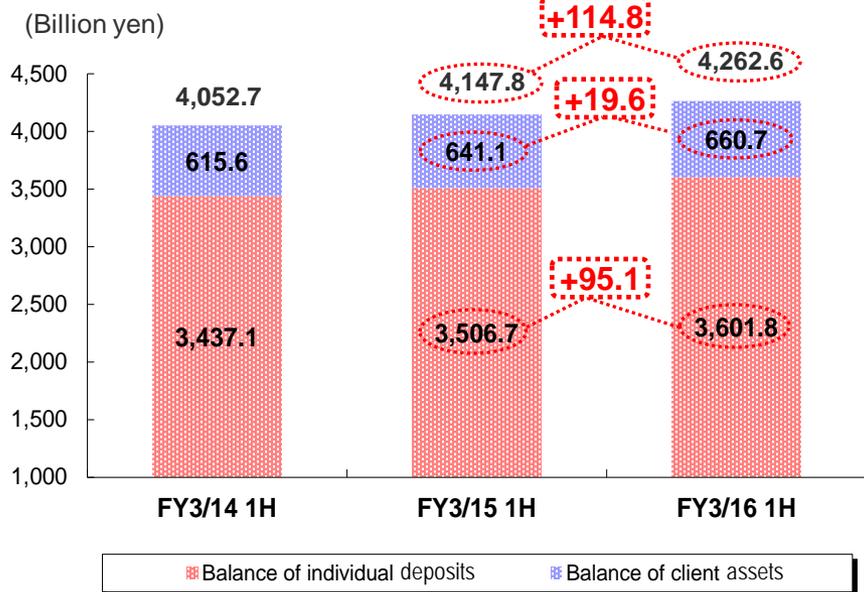
Note: FY3/16 1H housing starts as of August 2015

Key data (fees and commissions)

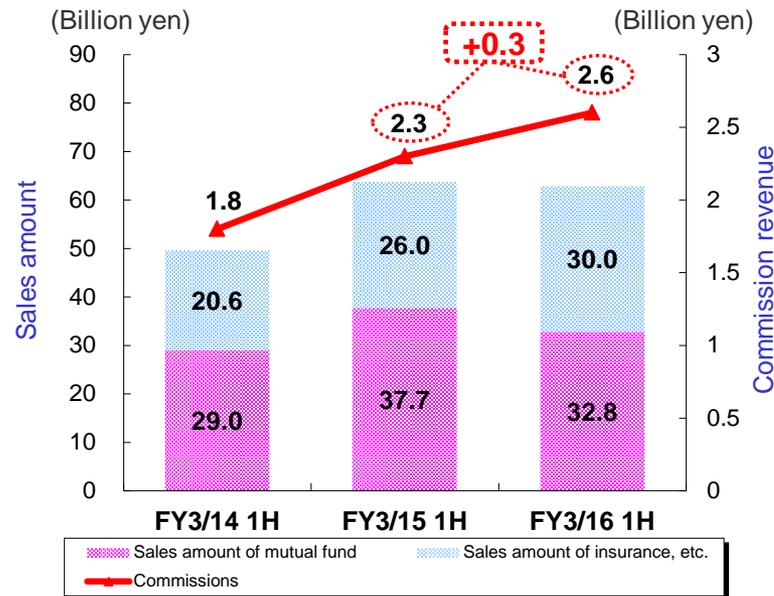


Individual client assets up ¥114.8 billion YoY to ¥4,262.6 billion as of end-Sep 2015, profits rise on efforts to promote comprehensive financial relationships with clients

▼ Individual client assets



▼ Mutual fund and insurance sales and commissions

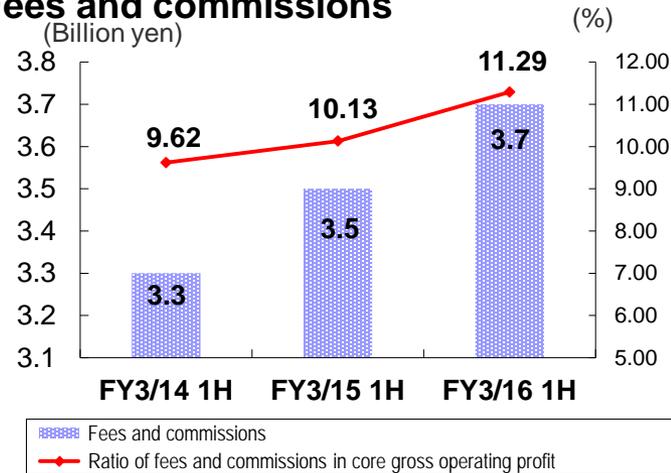


▼ Other client assets

(Billion yen)

	FY3/14 1H	FY3/15 1H	FY3/16 1H	YoY14	YoY
	(A)	(B)	(C)	(C)-(A)	(C)-(B)
Mutual fund	151.7	165.8	174.5	22.8	8.7
Individual annuity insurance	346.8	396.0	454.2	107.4	58.2
Public bond	117.1	79.2	31.9	-85.2	-47.3
Total	615.6	641.1	660.7	45.1	19.6

▼ Fees and commissions

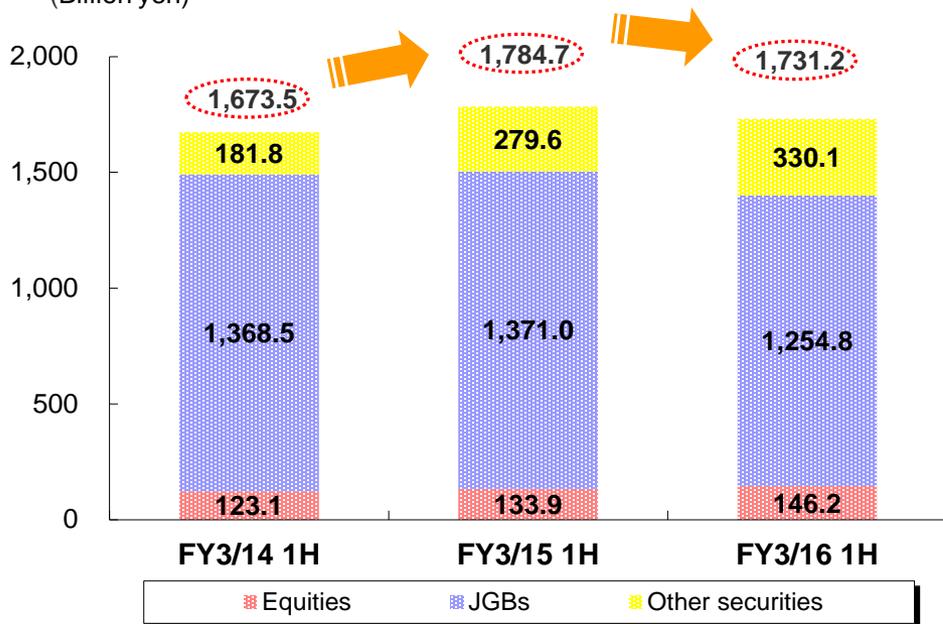


Key data (marketable securities)

Flexibly adjusting asset class allocations in response to market trends

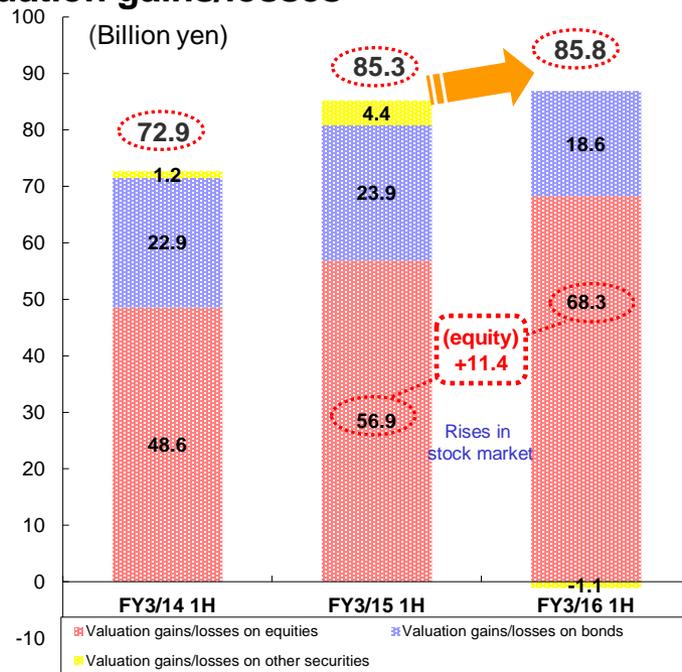
▼ Balance of marketable securities

(Billion yen)



▼ Valuation gains/losses

(Billion yen)



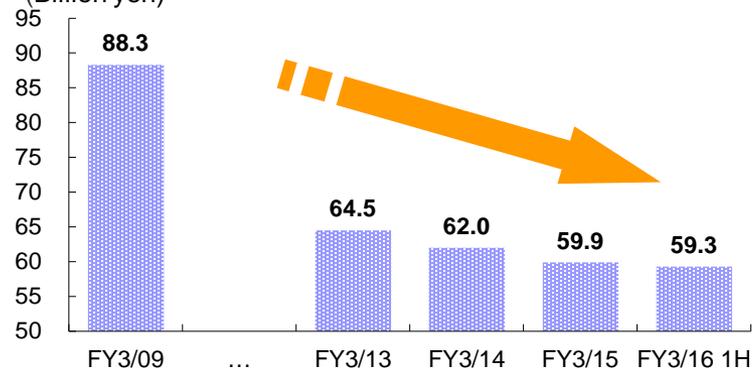
▼ Related gains/losses

(Million yen)

	FY3/15 1H	FY3/16 1H	Change
Gain/losses on JGBs and other debt securities	2,745	3,014	269
Gains	3,391	4,238	847
Losses	646	1,224	578
Gain/losses on equities	1,124	537	-587
Gains	1,223	686	-537
Losses	68	90	22
Depreciation	30	58	28

▼ Cross-held shares (book value basis)

(Billion yen)



Credit costs and nonperforming loans



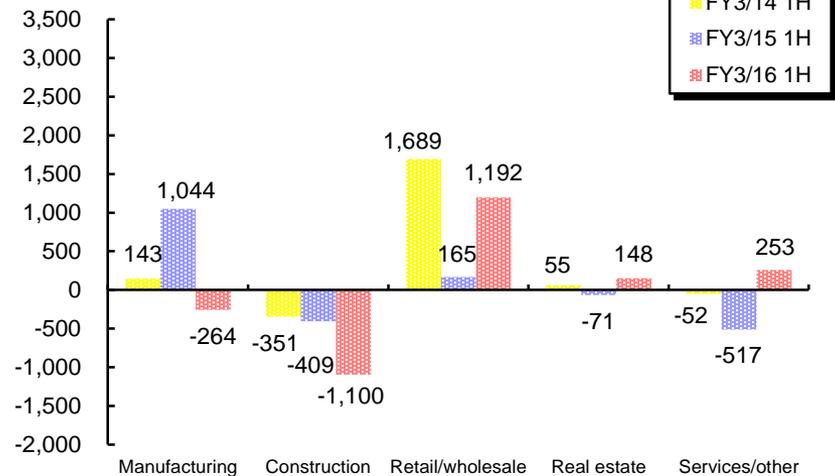
▼ Credit costs

(Billion yen)

	FY3/14 1H	FY3/15 1H	FY3/16 1H
Credit costs (1+2-3-4-5)	1.1	-0.2	-0.8
(1) Provision for general loan-loss reserves (gain on reversal)	-0.5	-	-
(2) Write-downs of nonperforming loans	1.7	0.4	0.1
Loans written off	-	-	-
Provisions for specific loan-loss reserves	1.4	-	-
Losses on bulk sales	0.0	0.1	0.1
Other	0.2	0.2	0.0
(3) Gain on reversal of loan loss reserves	-	0.6	0.9
(4) Gain on collection of written-off loans	0.0	0.0	0.0
(5) Gain on reversal of contingent loss reserves	-	-	-

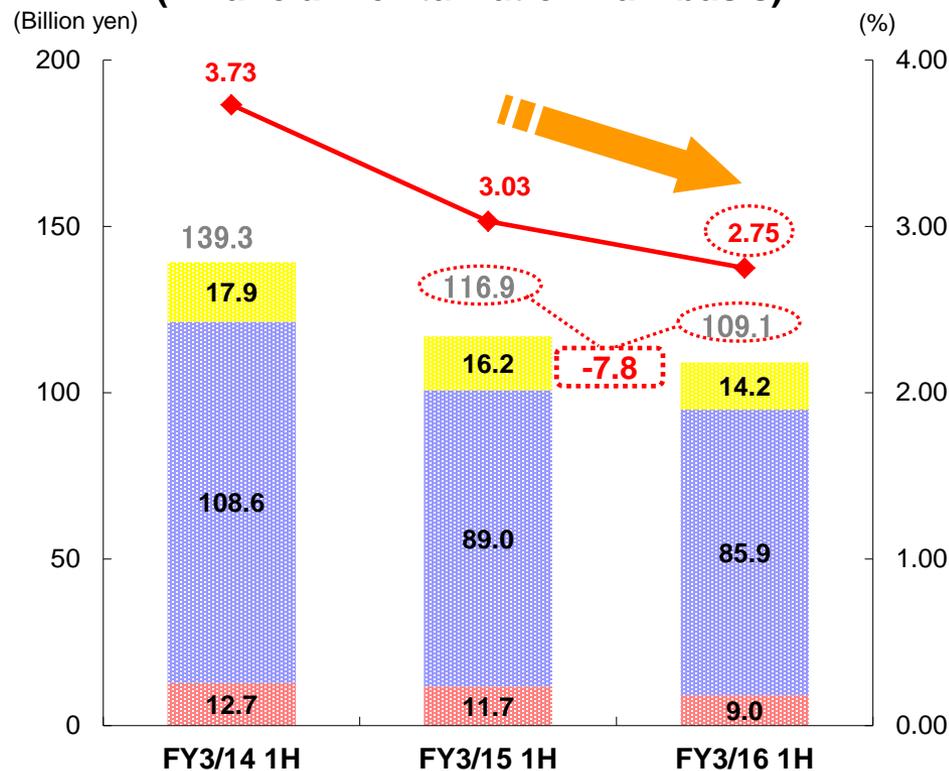
▼ Write-downs of nonperforming loans by sector

(Million yen)



■ Credit costs remain low
 ■ Nonperforming loan ratio was 2.75% as of end-FY3/16 1H

▼ Nonperforming loans (Financial Revitalization Law basis)



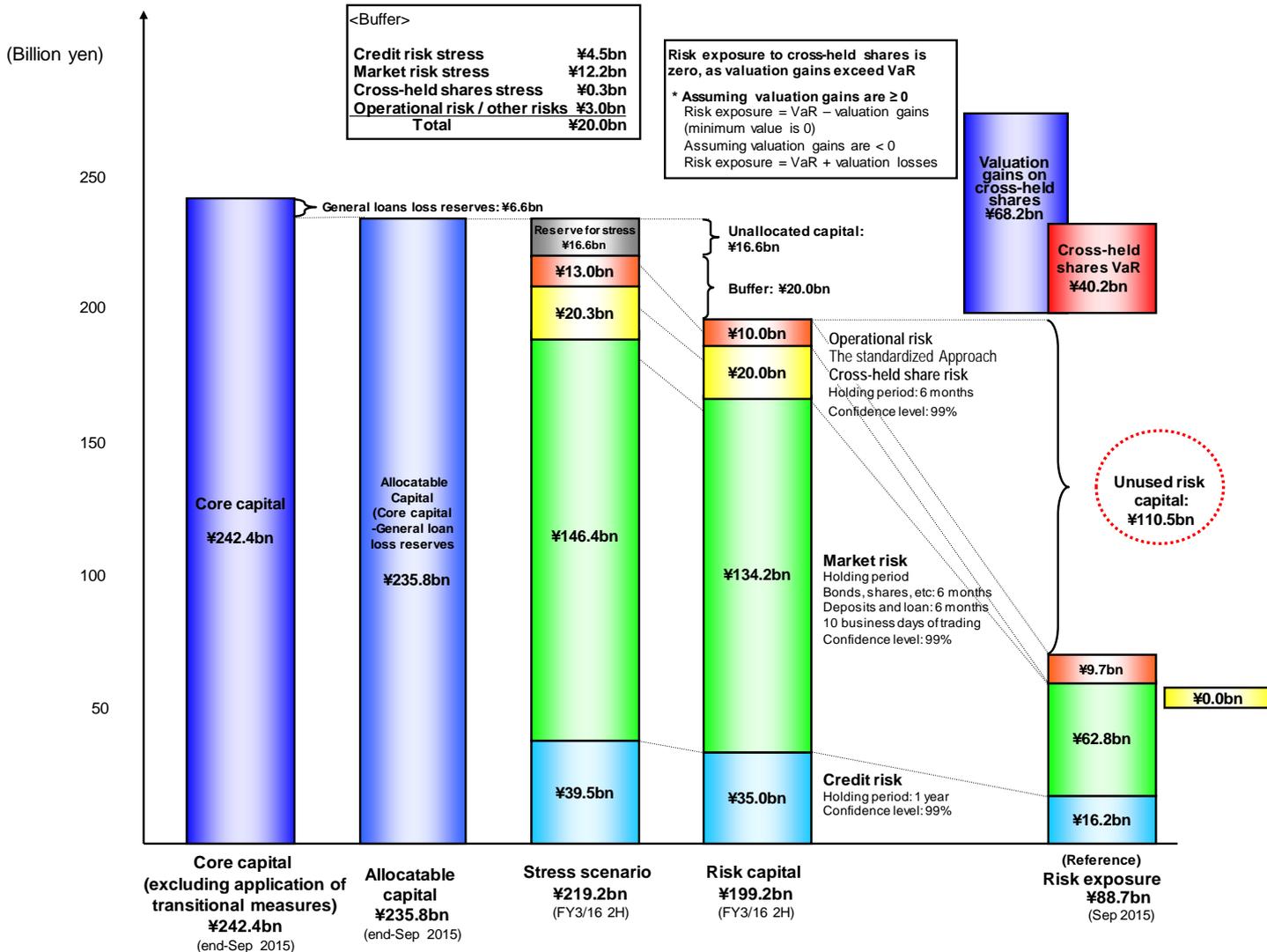
■ Loans to bankrupt and quasi-bankrupt borrowers
■ Doubtful loans
■ Loans requiring monitoring
—●— Nonperforming loan ratio

Total value at risk



● Total value at risk exposure is currently within the parameters of Juroku Bank's management capacity (allocatable capital)

Total value at risk

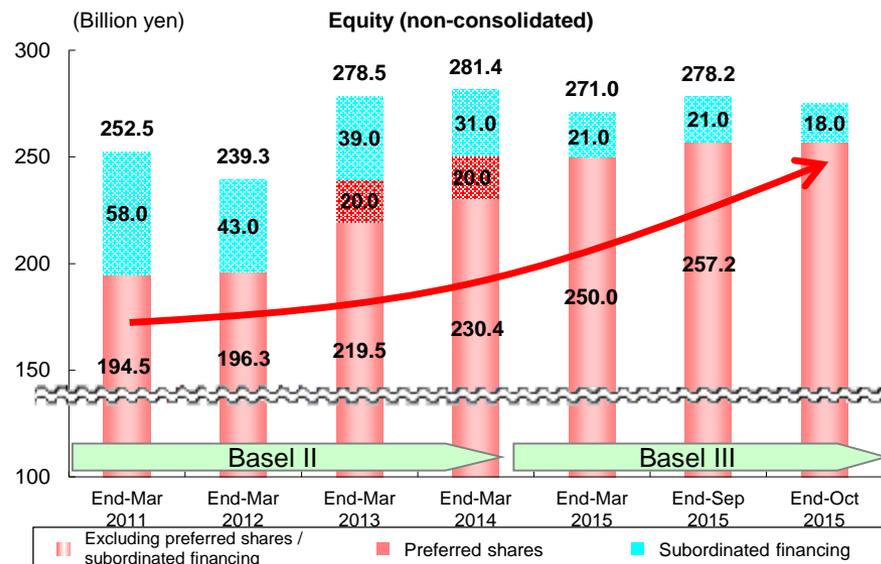
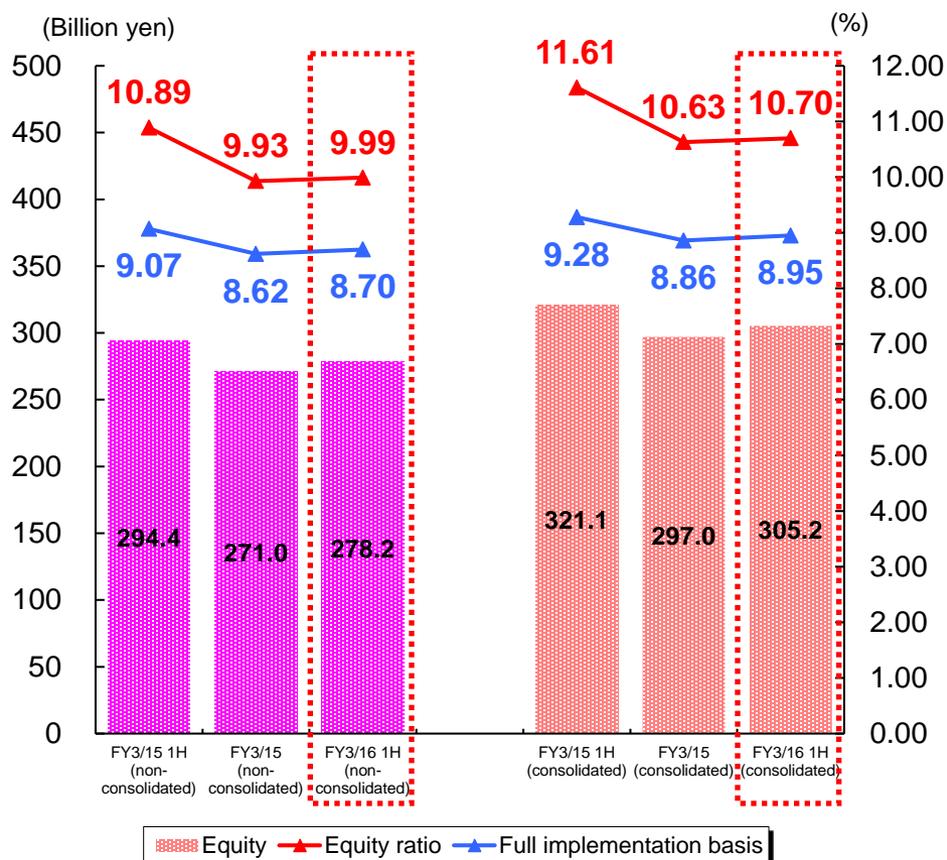


▼ Equity

● Equity ratio (consolidated) was 10.70% as of end-FY3/16 1H, or 8.95% on a full implementation basis

▼ Improvement in quality of capital

● Over four and a half years Juroku Bank has repaid a total of ¥40 billion in subordinated loans and subordinated bonds and retired ¥20 billion in Class 1 preferred shares



▼ Dividends

	FY3/14	FY3/15	FY3/16 (forecast)
Dividend per share (full year)	¥7.0	¥8.0 (including ¥1.0 commemorative dividend)	¥7.0



FY3/16 Earnings Forecasts



FY3/16 earnings forecasts – Consolidated / Non-consolidated –



▼ Non-consolidated

(Billion yen) ▼ Consolidated

No	Calc. formula	FY3/14 (Results)	FY3/15 (Results)	FY3/16 (Forecast)	Change (YoY)	FY3/16 (Forecast)
1	Gross operating profit [3+4+5]	69.5	80.1	71.0	-9.1	
2	(Core gross operating profit) [1-6]	(69.5)	(70.0)	(66.4)	(-3.6)	
3	Net interest income	61.8	61.4	57.3	-4.1	
4	Fees and commissions	6.9	7.6	7.8	0.2	
5	Other operating profit	0.8	11.0	5.9	-5.1	
6	Gain/losses on JGBs and other debt securities	-0.0	10.1	4.6	-5.5	
7	Expenses	51.5	52.3	51.7	-0.6	
8	Personnel expenses	29.0	29.0	29.2	0.2	
9	Non-personnel expenses	20.3	20.6	19.8	-0.8	
10	Taxes	2.1	2.6	2.7	0.1	
11	Net business profit [1-7]	17.9	27.8	19.3	-8.5	
12	Net core operating profit [2-7]	18.0	17.7	14.7	-3.0	
13	Net operating profit [11-15]	17.4	29.3	20.6	-8.7	
14	Credit costs [15+16-17-18-19]	3.5	2.8	2.3	-0.5	2.6
15	Provision of general loan-loss reserves	0.4	-1.5	-1.3	0.2	
16	Write-downs of nonperforming loans	3.0	4.3	3.6	-0.7	
17	Gain on reversal of loan loss reserves	-	-	-	-	
18	Gain on collection of written-off	0.0	0.0	0.0	0.0	
19	Gain on reversal of contingent loss	-	0.0	-	-0.0	
20	Gains/losses on equities	2.7	7.6	0.9	-6.7	
21	Other extraordinary gains/losses	1.2	2.2	2.6	0.4	
22	Investment trust financing expenses	0.0	0.0	0.0	0.0	
23	Ordinary profit [11-14+20+21-22]	18.4	34.9	20.5	-14.4	23.0
24	Extraordinary gains/losses	0.2	-0.1	-0.3	-0.2	
25	Net income before taxes	18.6	34.7	20.2	-14.5	
26	Total income taxes	6.3	13.2	6.2	-7.0	
27	Net income [25-26]	12.3	21.4	14.0	-7.4	*15.0

* Net income attributable to shareholders of the parent company

Forecasts for FY3/16

▼ Non-consolidated

Ordinary profit	¥20.5 billion
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Net income	¥14.0 billion
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▼ Consolidated

Ordinary profit	¥23.0 billion
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Net income attributable to shareholders of the parent company	¥15.0 billion
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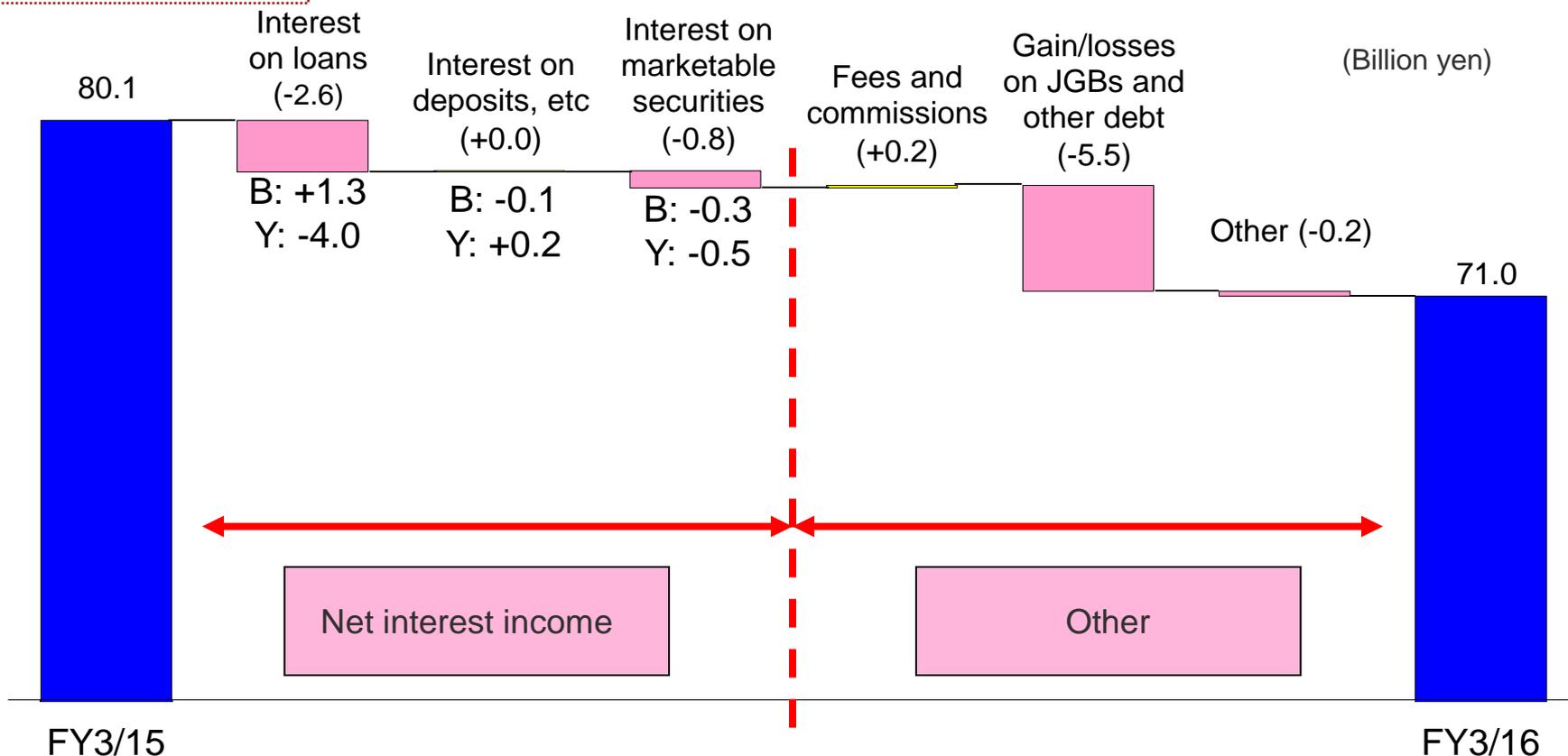
Forecasts of factors affecting gross operating profit

– Non-consolidated profit/loss –



Gross operating profit for FY3/16 is projected to decrease ¥9.1 billion YoY to ¥71.0 billion

B: Balance factors
Y: Yield factors





13th Medium-term Management Plan: Progress

13th Medium-term Management Plan: current position



▼ Numerical targets

Targets		FY3/15 1H Results	FY3/16 1H Results	Final year (end-Mar 2017)
Growth potential (customer base)	Deposit balance	¥5,275.5bn	¥5,439.4bn	¥5,600.0bn
	Number of retail borrowers	99,293	105,282	100,000 or more
Earning capability	Net income	¥9.9bn	¥9.5bn	¥10.0bn
Financial soundness	Core equity ratio (Full-implementation basis)	9.07%	8.70%	8.8% or more
	Ratio of credit cost to total loans	-0.01%	-0.04%	Less than 0.2%

■ Number of retail borrowers = SME borrowers (including proprietors) + Number of housing loans and apartment loans (based on the Bank's standards)

■ Core capital ratio = $\frac{\text{Core capital (before transitional arrangement)}}{\text{Risk assets (before transitional arrangement)}}$ (full implementation basis)

■ Ratio of credit cost to total loans = $\frac{\text{Credit costs}}{\text{Average loan balance}}$

Continued steady progress toward targets in medium-term management plan

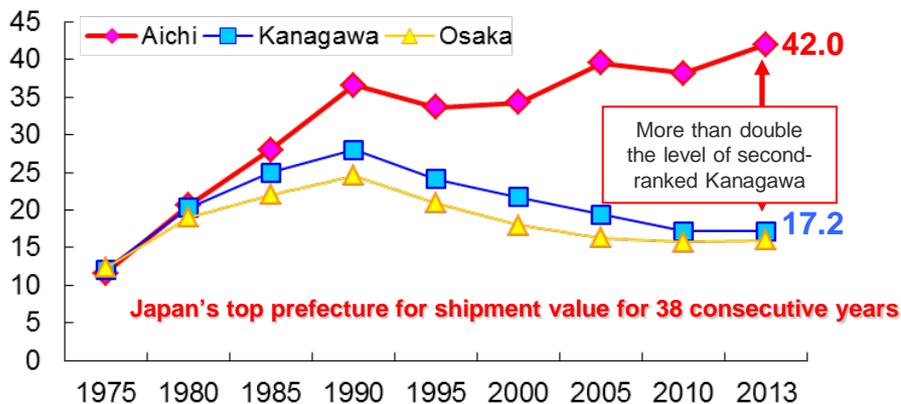


Basic Strategies



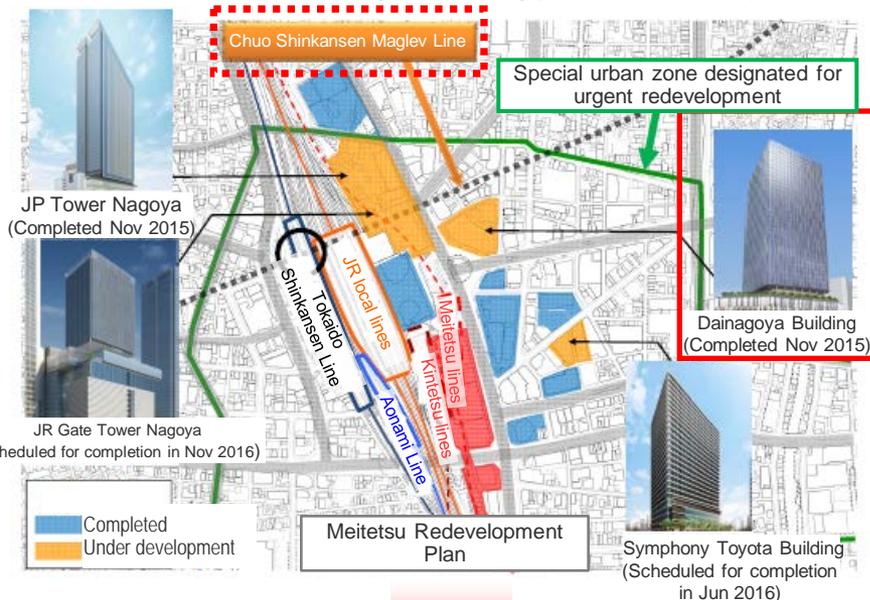
▼ Value of manufactured product shipments

(Trillion yen)



▼ Redevelopment of area around Nagoya Station

Source: Urban Planning Section, Housing Development Division, Nagoya City Chuo Shinkansen Maglev Line and Nagoya Station Area Redevelopment Plan



Nagoya has first and second highest rates of commercial land price growth in Japan (2015 standard land prices)

First: +45.7%

3-26-6 Meieki, Nakamura-ku, Nagoya (Meieki Furukawa Building)

Second: +36.0%

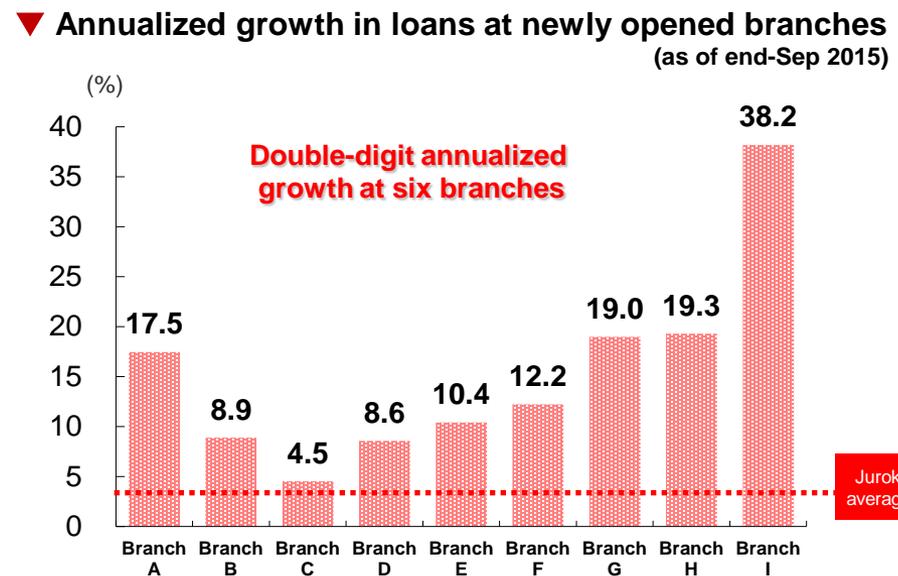
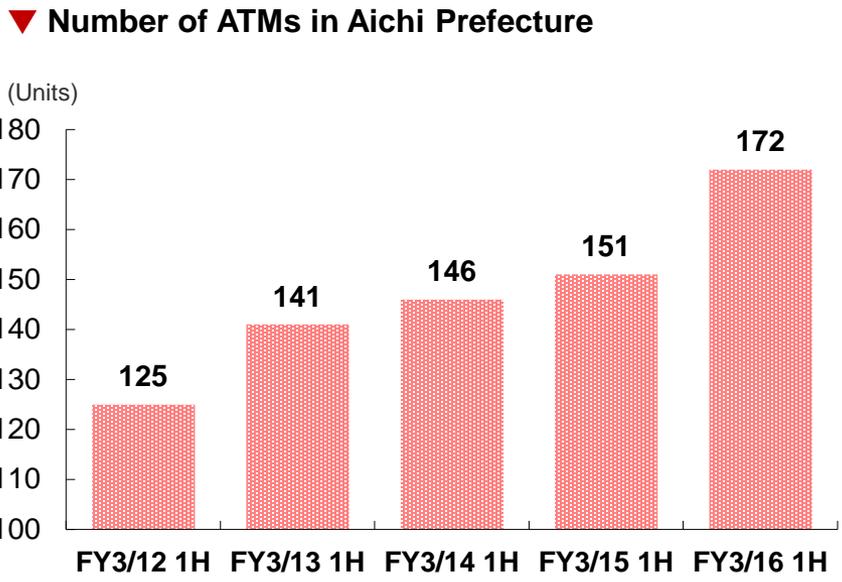
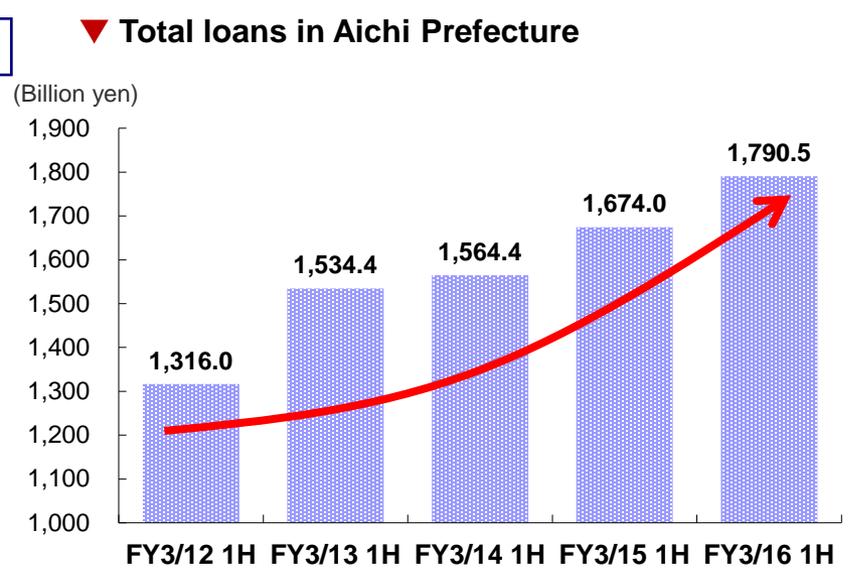
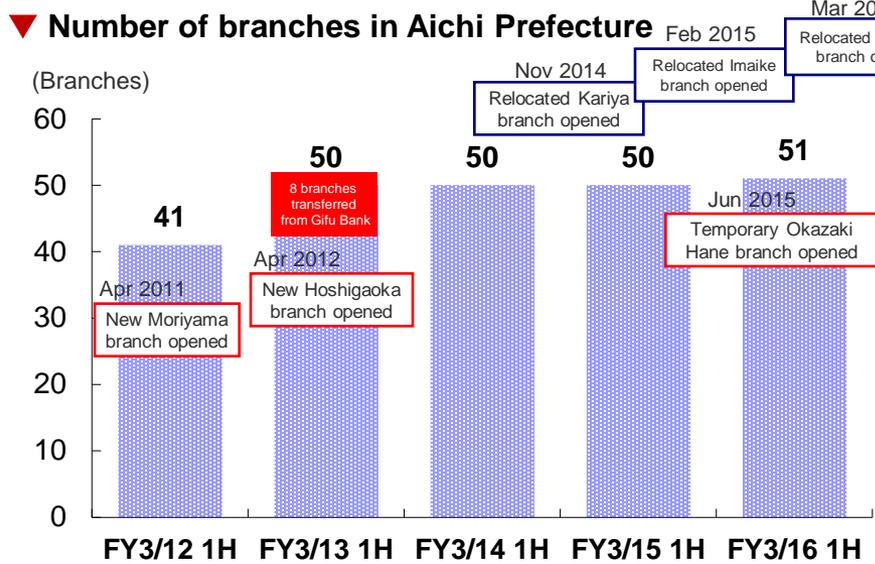
1-16 Tsubakicho, Nakamura-ku, Nagoya (Imon Nagoya Building)

Source: Standard Land Prices, Ministry of Land, Infrastructure, Transport and Tourism

Source: Indices of Industrial Production 2013, Ministry of Economy, Trade and Industry

▼ Sectors where Aichi leads Japan in shipment value (2013)

<p>Transportation machinery National share: 39.7% ¥23,091.3 billion</p>	<p>Industrial machinery National share: 16.9% ¥1,130.6 billion</p>
<p>Iron and steel National share: 13.6% ¥2,437.2 billion</p>	<p>Plastics National share: 12.6% ¥1,412.8 billion</p>
<p>Rubber products National share: 12.4% ¥385.7 billion</p>	<p>Electrical machinery and equipment National share: 12.3% ¥1,894.8 billion</p>
<p>Textiles National share: 10.8% ¥408.4 billion</p>	<p>Glass and ceramics National share: 10.7% ¥757.2 billion</p>
<p>Production machinery National share: 10.1% ¥1,534.1 billion</p>	<p>Furniture and fixtures National share: 8.6% ¥155.8 billion</p>



▼ New format branches

Nagoya Station branch



Opening ceremony for relocated Nagoya Station branch



Entrance



Relocated and opened
Nov 16 (Mon), 2015



Branch-front digital signage

Okazaki Hane branch



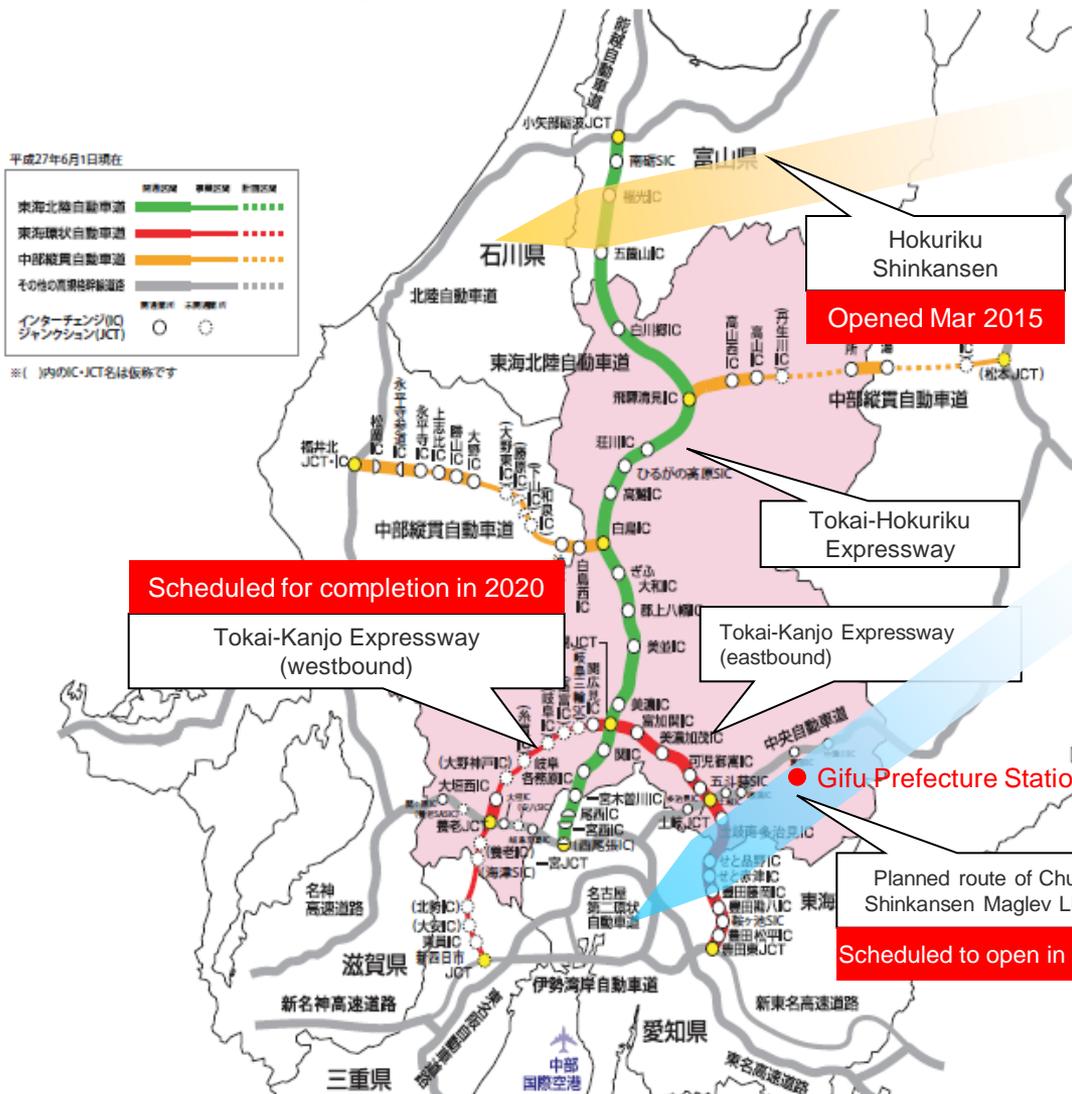
Newly built relocated
branch scheduled to open
in early March 2016



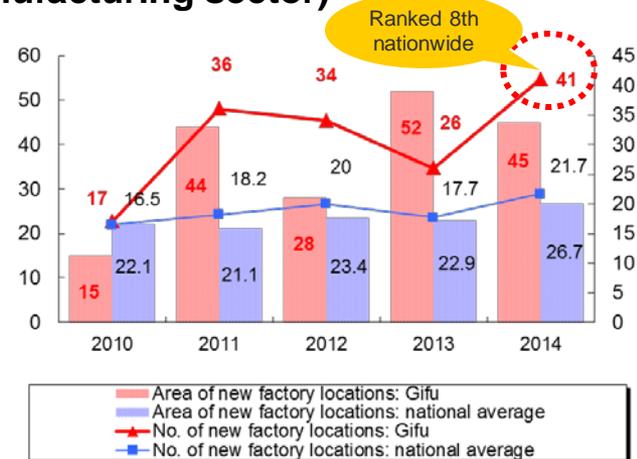
Design of completed Okazaki Hane branch

Temporary branch opened on second floor of Okazaki branch on June 25, 2015
Branch with separate books set up in existing branch (Branch in Branch)

▼ Better transport links attracting companies from various sectors

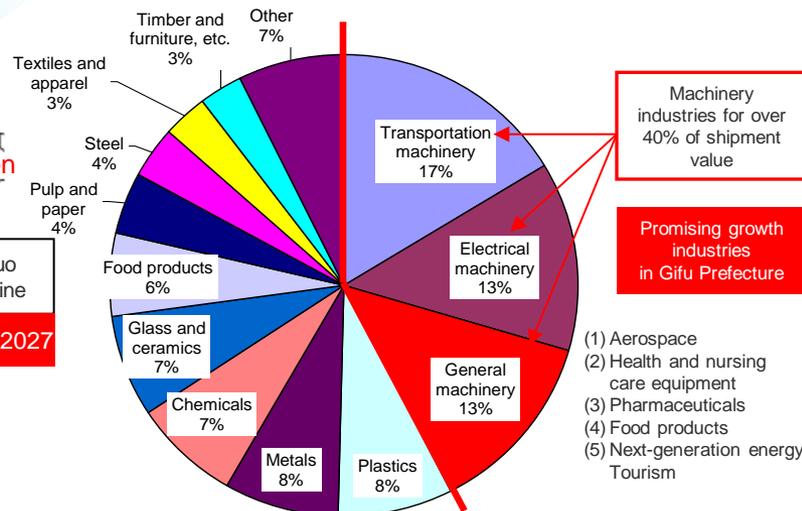


▼ Survey of Factory Location Trends (manufacturing sector)



Source: Survey of Factory Location Trends, Ministry of Economy, Trade and Industry
Gifu ranks 4th nationwide for number of factories opened by companies with head offices in other prefectures (20 factories)

▼ Breakdown of manufactured product shipment value by sector



▼ Rebuilding branches in Gifu Prefecture

Akasaka branch

- Designed to blend in with streetscape of Akasaka-Shukubamachi on the old Nakasendo road



Newly built relocated Akasaka branch

**Newly built relocated branch
scheduled to open in early April 2016**

**Relocated and opened
Nov 4 (Wed), 2015**



Toyota Mirai model purchased by Juroku Bank on show at preview opening of new branch



Fully automated safe deposit box available all year round

Takayama branch

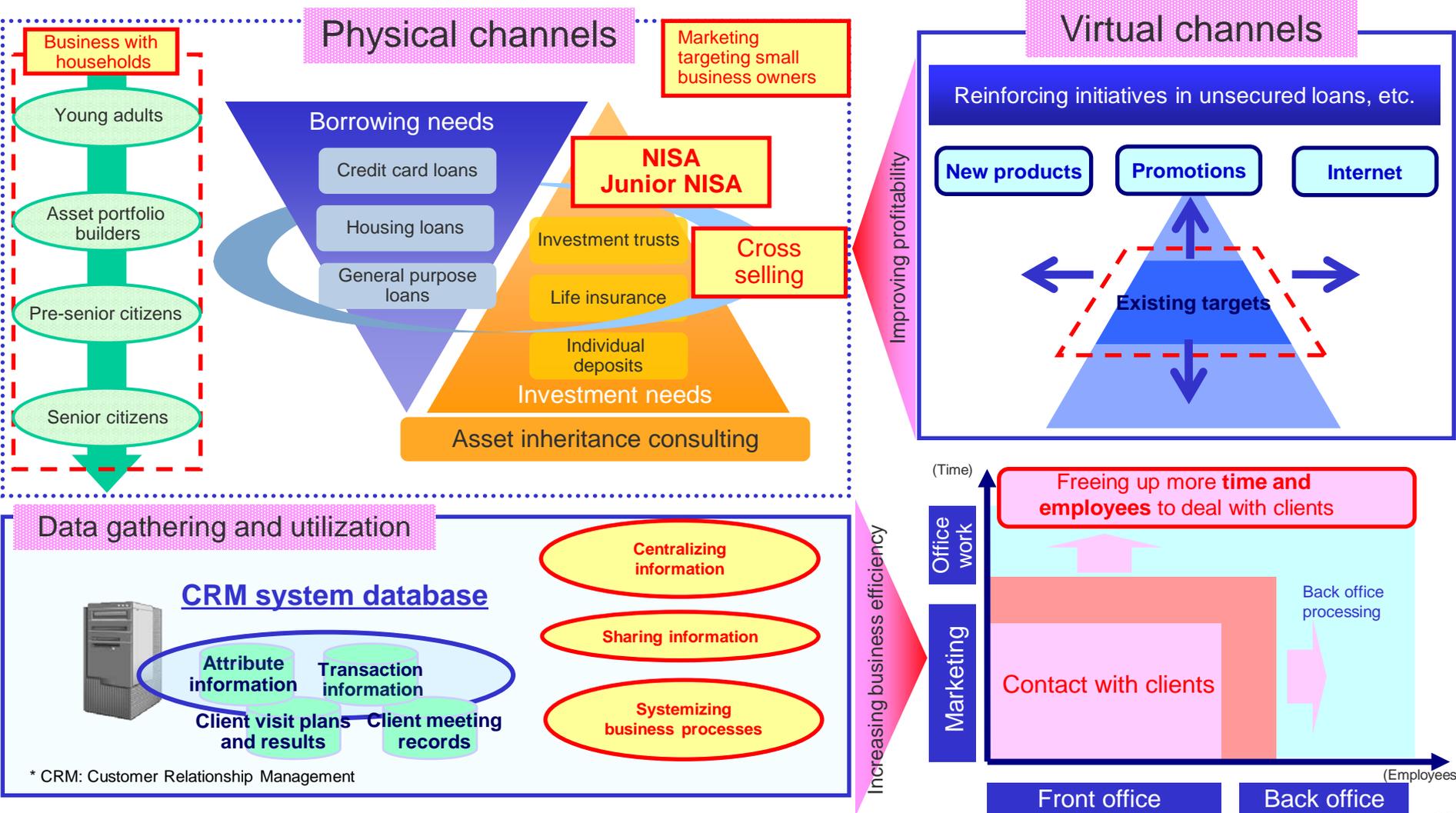
- Designed to blend in with the Hida Takayama streetscape



Design of completed Takayama branch

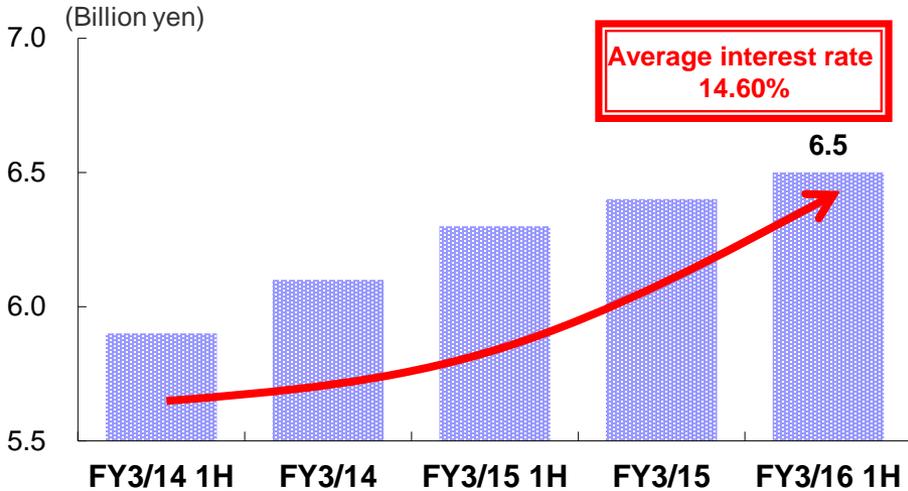
Stepping up efforts in the retail market and increasing business efficiency

Shifting focus from products to clients + utilizing system infrastructure

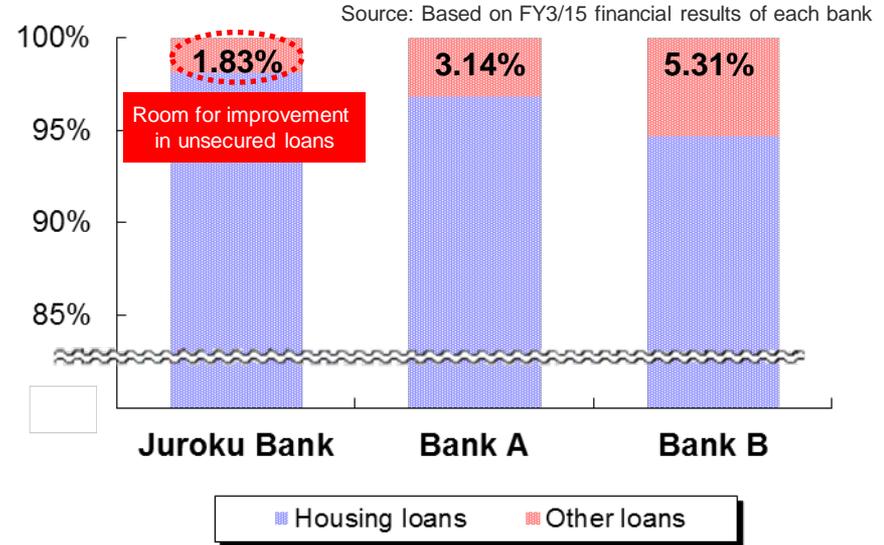


* CRM: Customer Relationship Management

▼ Q-loans

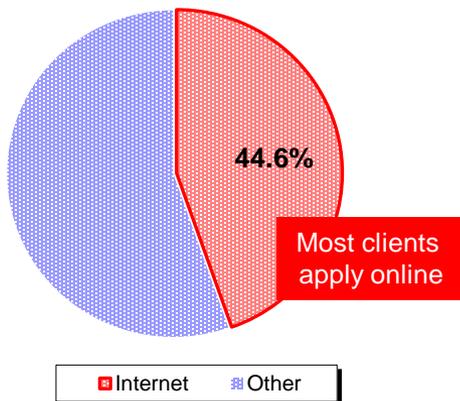


▼ Ratio of other loans in loan book / comparison with neighboring regional banks

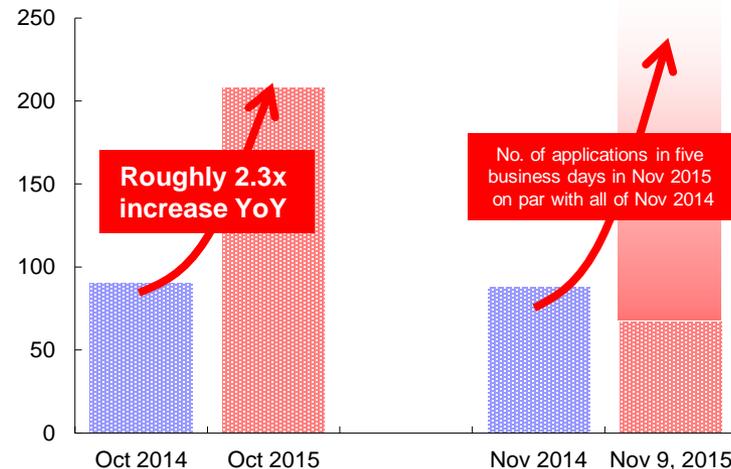


▼ Recent data for Q-loans (since Oct 2015)

<Application method>



<No. of applications>



Impact on net interest income

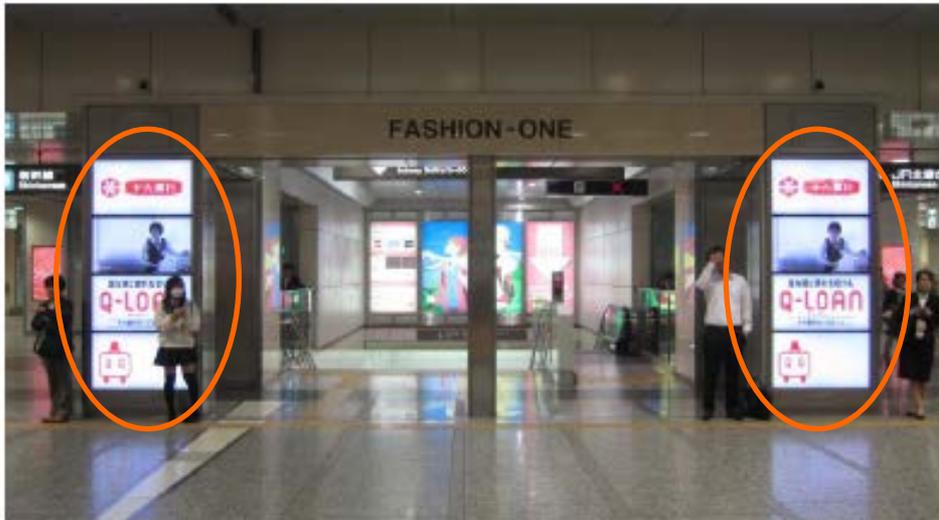
Projected rise in net interest income due to growth in Q-loans

Q-loan balance rises to ¥10 billion
⇒ + roughly ¥0.3 billion

Q-loan balance rises to ¥20 billion
⇒ + roughly ¥1 billion

* After deducting costs

▼ Credit card loan (Q-loan) advertising (since Oct 2015)



JR Nagoya Station digital signage



Adverts on Nagoya Municipal Subway carriages



Gifu Bus ad channel



Yahoo! online advertising brand panel



Nagoya Sakae Station ATM corner



Advertising in Nagoya city information magazines

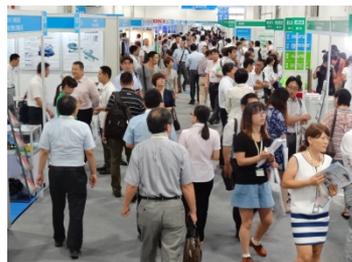
▼ Juroku Bank's network covers the whole ASEAN region



▼ No. of clients with presence in overseas markets – by country (as of end-Sep 2015)

Country	No. of clients	Country	No. of clients
China	531	Malaysia	46
Hong Kong	71	Philippines	41
India	32	Singapore	43
Thailand	239	Myanmar	10
Indonesia	90	ASEAN (other countries)	12
Vietnam	114	Subtotal for ASEAN countries	595
		Total	1,229

<Manufacturer trade fair meetings @ Shanghai, Bangkok>



Working with local banks, government agencies and other partners, we held a trade fair meeting in Bangkok in June 2015 and another in Shanghai the following September. The meetings were held to support the local Thai and Chinese businesses of companies taking part in the trade fair by increasing their procurement sites, widening the choice of subcontractors and expanding sales channels.

Ref: Juroku Bank press release, September 10, 2015

Contributing to personnel development

<Juroku Scholarships for Asian Students in Japan – Award ceremony>

This scholarship scheme was set up in August 2014 as part of a partnership memorandum signed with Nagoya University School of Law in July 2014. A second round of scholarships was awarded to three students from Cambodia, Mongolia and Vietnam in 2015.



Ref: Juroku Bank press release, October 23, 2015

Strengthening support for clients moving into Asia

<Juroku Bank and Vietnam Foreign Investment Agency sign partnership>

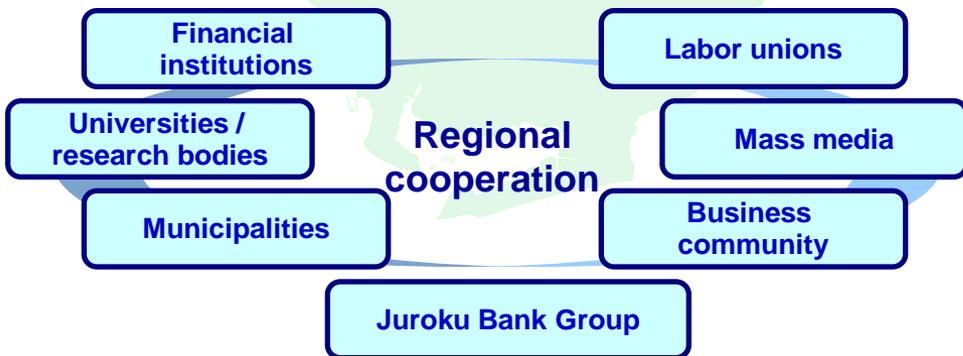
In November 2015, Juroku Bank signed a business partnership with the Vietnam Foreign Investment Agency as part of efforts to support Japanese companies moving into Vietnam. The agreement will help Juroku Bank step up its support for companies moving into Vietnam and their local businesses.



Ref: Juroku Bank press release, November 16, 2015

▼ Active efforts to revitalize the regional economy

- Playing an active role in developing and implementing the government's Comprehensive Regional Strategies
- Working to revitalize the regional economy in the medium- and long-term in conjunction with the Comprehensive Strategy for the Creation of Communities, People and Jobs



Support for people coming from other prefectures

<Partnership to promote immigration and long-term residency>

Juroku Bank has signed a partnership with Gifu Prefecture to promote immigration and long-term residency. We plan to develop financial products and run PR campaigns to encourage more people to move to Gifu from other prefectures and to support business creation in Gifu.

Ref: Juroku Bank press release, June 3, 2015



Using IT to revitalize the timber industry – first project of its kind in Japan

<New project to visualize timber assets>

Juroku Bank has signed a comprehensive cooperation agreement with local companies to help them visualize timber assets. The project will use IT to improve forest areas as part of Gifu Prefecture's goal to create productive forests.

Ref: Juroku Bank press release, September 29, 2015

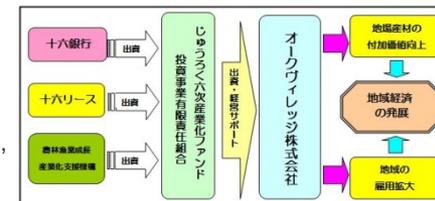


Juroku Bank's second investment in three Tokai prefectures

<Juroku Business Transformation Fund>

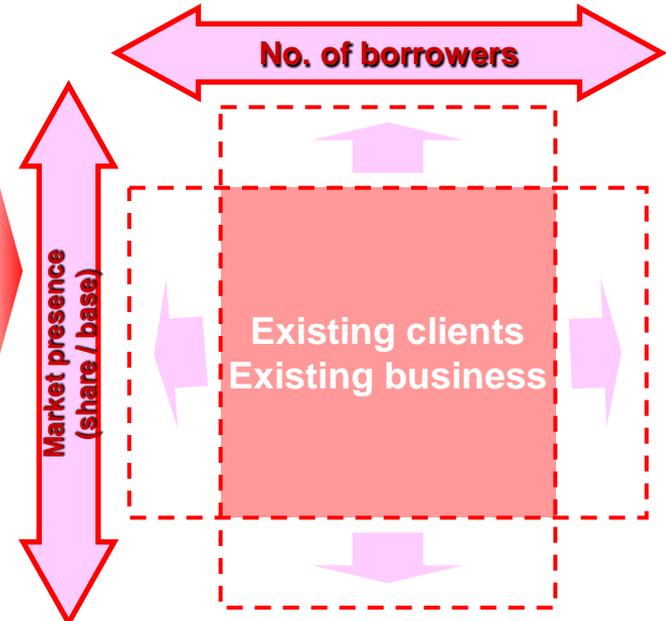
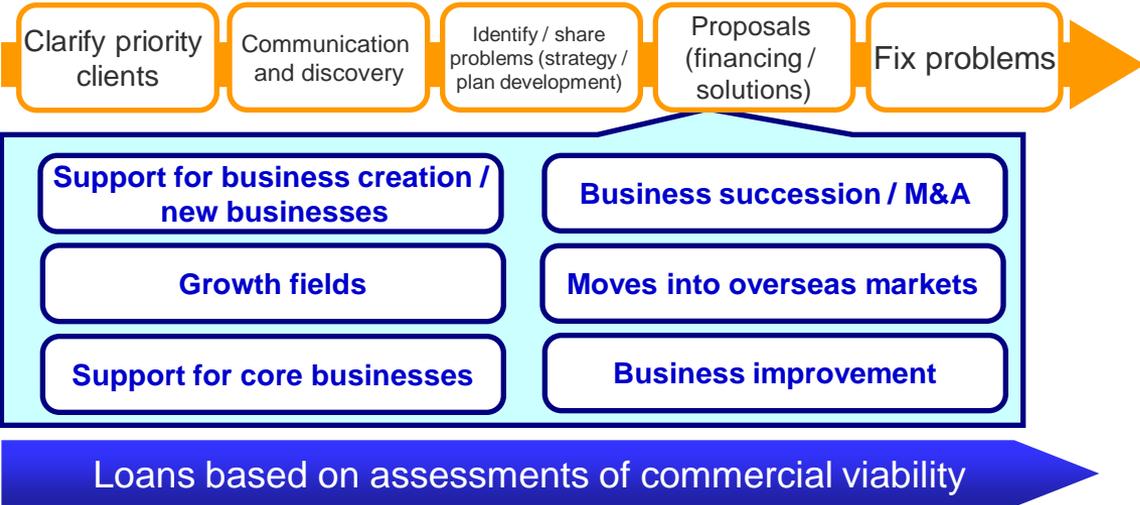
Juroku Bank has made a second investment through its business transformation fund. The investment target is Oak Village Co., Ltd., which is aiming to establish a locally sourced, sustainable hardwood utilization system and a scheme to use non-standard hardwood resources.

Ref: Juroku Bank press release, October 30, 2015



▼ Promoting lending based on assessments of commercial viability

▼ Deepening links with SME borrowers



Revitalize the regional economy by identifying and supporting entrepreneurs

<Supporting business creation and identifying / nurturing venture companies>



Juroku Bank established a new grant in July 2015 called NOBUNAGA First Stage. The grant is designed to help revitalize and support the development of the regional economy by identifying and nurturing business entrepreneurs.

Ref: Juroku Bank press release, July 15, 2015



First regional bank winner from the Tokai region

<Juroku Bank wins top Bank of the Year award from Nihon M&A Center>



At the third Bank of the Year Award Ceremony in June 2015, Juroku Bank was presented with the top award, Bank of the Year, by Nihon M&A Center, an organization supporting M&A activity in Japan.

Ref: Juroku Bank press release, June 5, 2015

▼ Shine Nadeshiko Project



Companies serious about supporting female employees – 2015 rankings

Full career support:
Companies where women can progress rapidly after joining the company and receive support for raising children

Category	Mark	Evaluation
Ratio of female employees	35.3%	A
Ratio of female employees hired for main career track	39.2%	A
Retention rate for new hires 3 years after joining	90.6%	A
Average length of service	12.6 years	A
Ratio of female managers	14.7%	A
Ratio of married female employees	48.4%	A
Ratio of female employees with children	35.4%	A
Ratio of female employees who have taken childcare leave	15.3%	A

Source: President Woman (Nov 2015 issue), PRESIDENT Inc.

▼ Female staff at the Okazaki Hane branch (due to open March 2016)



▼ Enhancing engagement between customers and us

13th Medium-term Management Plan

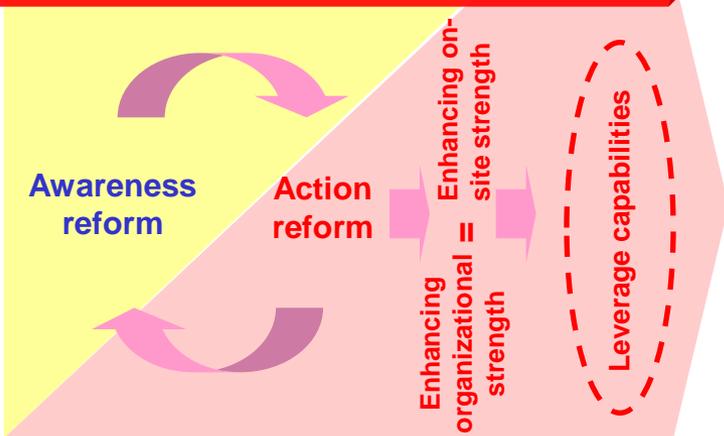
- Reform our awareness and actions to ensure an uncompromising focus on the customer
- Return to our roots as a regional financial institution
- Implement a growth strategy focused on our Aichi Prefecture Strategy



Long-term vision

Truly reliable local financial institution with sustainable growth potential

➤ Thorough focus on customers



Final year of medium-term plan

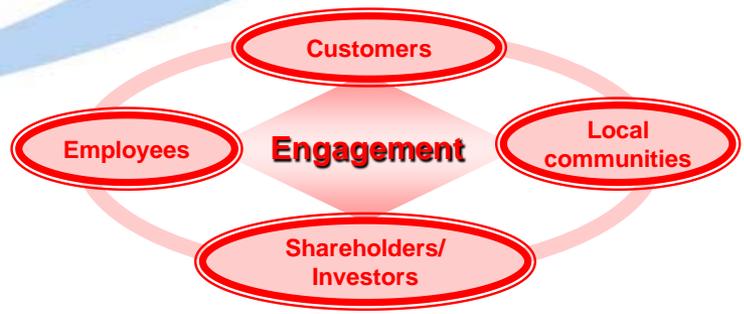
140th anniversary of Juroku Bank (October 1, 2017)

Current challenges

- ・ Narrowing loan-deposit spread
- ・ Weak growth in lending to SMEs
- ・ Improve productivity

Changes in business environment

- ・ Aging society
- ・ Risk of contraction in regional economy
- ・ Intensifying competition



We would like to thank you all
for your attention.

All For Your
Smile

こころにひびくサービスを

