



# The Juroku Bank

## 31<sup>st</sup> Financial Results Briefing

[Fiscal year ended March 2018]



May 31, 2018



## Overview of Results for FY2018/3

Overview of results for FY2018/3	4-10
Capital	11

## Business strategy

Comprehensive business tie-up	13-15
Reform of sales structure	16
Efforts to improve profitability	17-18
Efforts to streamline operations	19
Efforts to reduce costs	20
Efficient branch operation	21
Juroku Bank's ESG	22

## FY2019/3 business forecasts

FY2019/3 earning forecasts	24
Profitability, Efficiency	25

Earnings forecasts and other future-related statements made in this document are based on information available at the time of publication and a certain level of assumptions that are considered to be reasonable. Actual results may differ significantly due to a wide range of factors.

# Overview of Results for FY2018/3

# Overview of Results for FY2018/3



## Non-consolidated

(Unit: 100 million yen)

	2016/3			2017/3			2018/3				YoY
	1H	2H	Full	1H	2H	Full (A)	1H (B)	2H (C)	(C) -( B)	Full (D)	(D) - (A)
Core gross operating profit	334	317	651	317	299	616	279	302	23	581	△ 35
Net interest income	289	283	572	280	270	550	239	247	8	486	△ 64
Fees and commissions	37	30	68	25	30	56	38	45	7	84	28
Other operating profit (except Gains / losses on JGBs and other debt securities)	7	3	10	11	△ 1	10	1	8	7	10	0
Expenses	263	253	516	259	252	511	252	235	△ 17	487	△ 24
Personnel expenses	146	143	290	144	141	285	140	130	△ 10	270	△ 15
Non-personnel expenses	100	98	198	98	99	197	95	93	△ 2	189	△ 8
Net core operating profit	71	63	135	57	47	105	26	67	41	93	△ 12
Gains / losses related to securities investment	35	24	60	26	△ 48	△ 22	19	3	△ 16	22	44
Gains / losses on JGBs and other debt securities	30	28	59	26	△ 76	△ 49	6	△ 39	△ 45	△ 32	17
Gains / losses on equities	5	△ 4	1	0	27	27	12	42	30	55	28
Credit costs	△ 8	36	28	9	△ 38	△ 28	△ 11	6	17	△ 5	23
Ordinary profit	133	57	190	86	33	119	62	59	△ 3	122	3
net income	95	26	122	61	30	91	46	46	0	93	2

## Consolidated

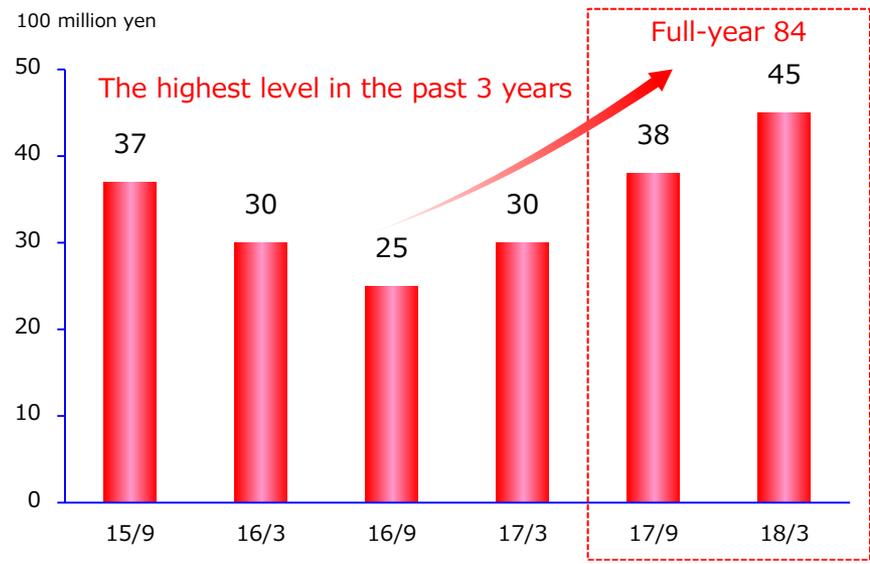
(Unit: 100 million yen)

	2016/3	2017/3	2018/3	YoY
Core gross operating profit	720	683	645	△ 37
Expenses	552	547	532	△ 15
Net core operating profit	168	135	113	△ 22
Ordinary profit	223	145	139	△ 6
Net income attributable to shareholders of the parent company	133	100	99	△ 1

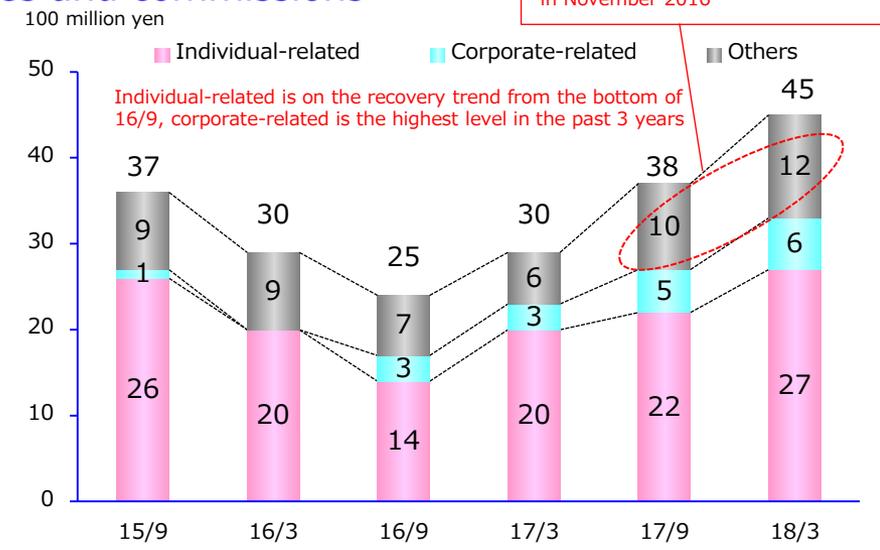
## Overview of non-consolidated results

- Ordinary profit increased by 0.3bio yen YoY to 12.2bio yen
- Net income increased by 0.2bio yen YoY to 9.3 billion yen
- Net core operating profit increased sharply in 2<sup>nd</sup> half of FY2018/3

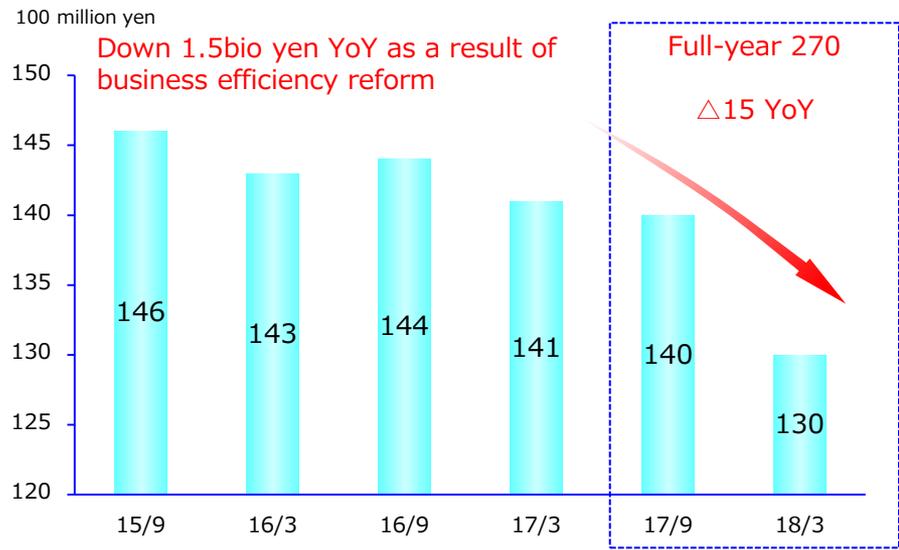
## Fees and commissions (half-year basis)



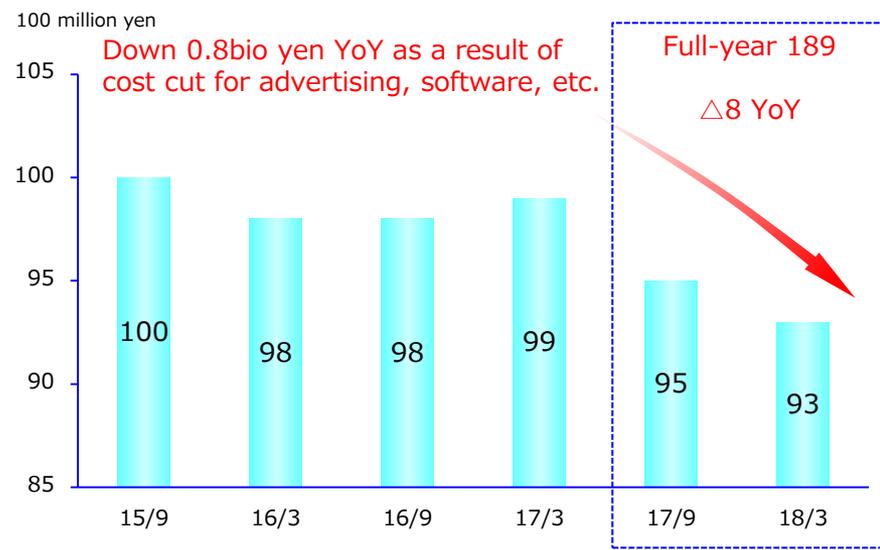
## Breakdown of fees and commissions



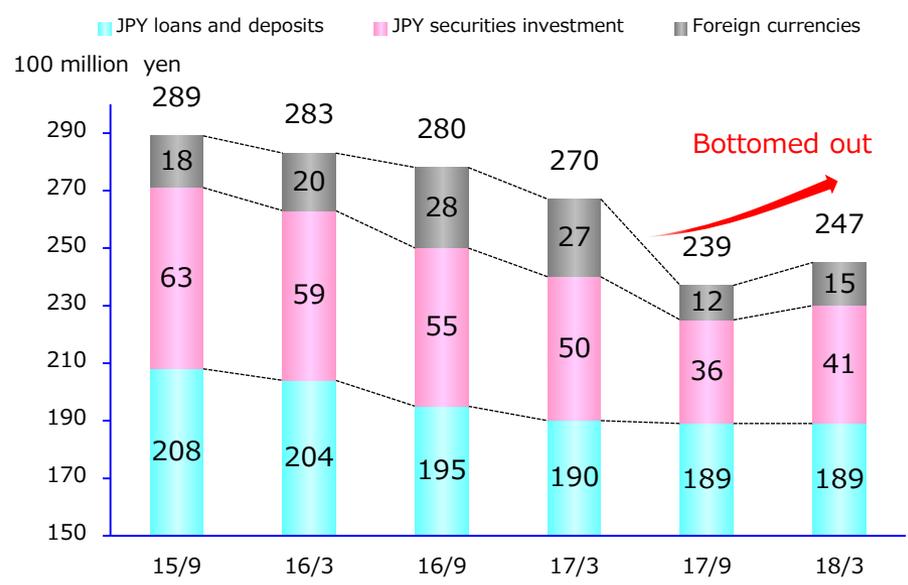
## Personnel expenses (half-year basis)



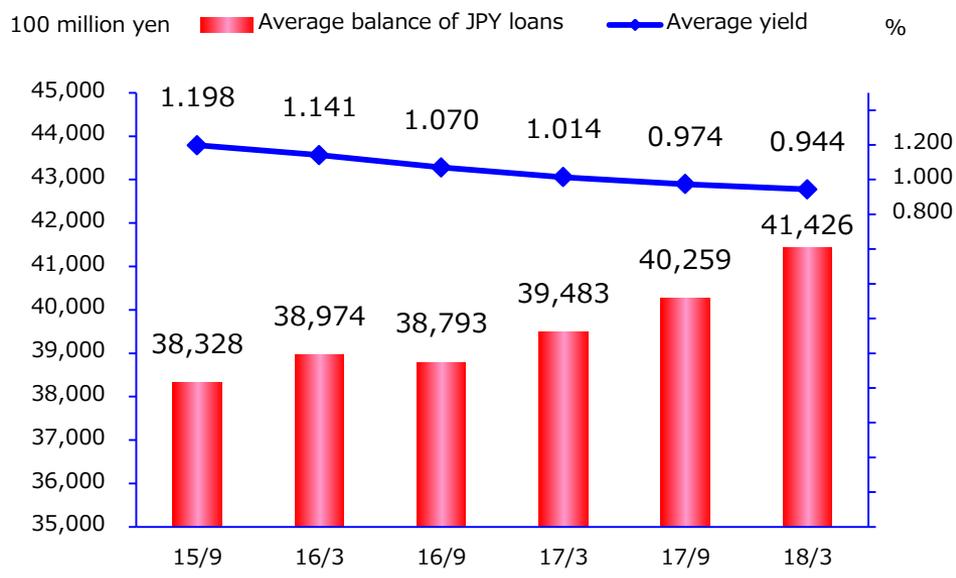
## Non-personnel expenses (half-year basis)



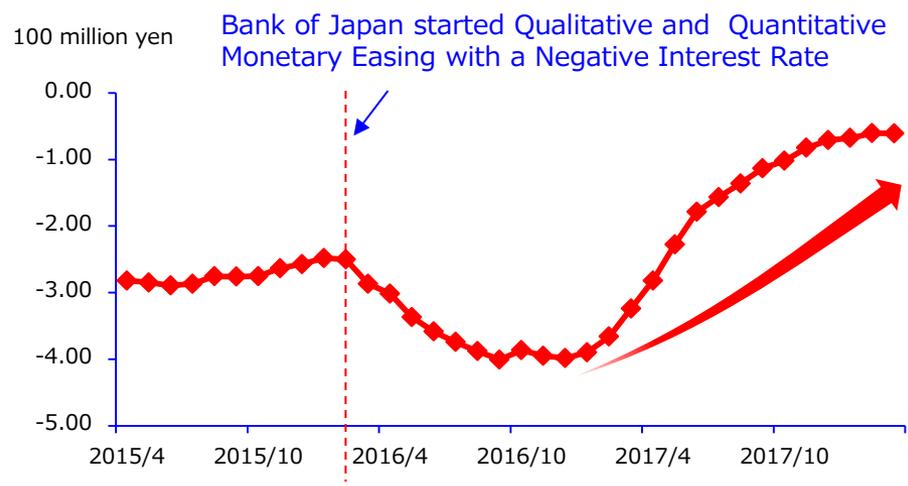
## Net interest income (half-year basis)



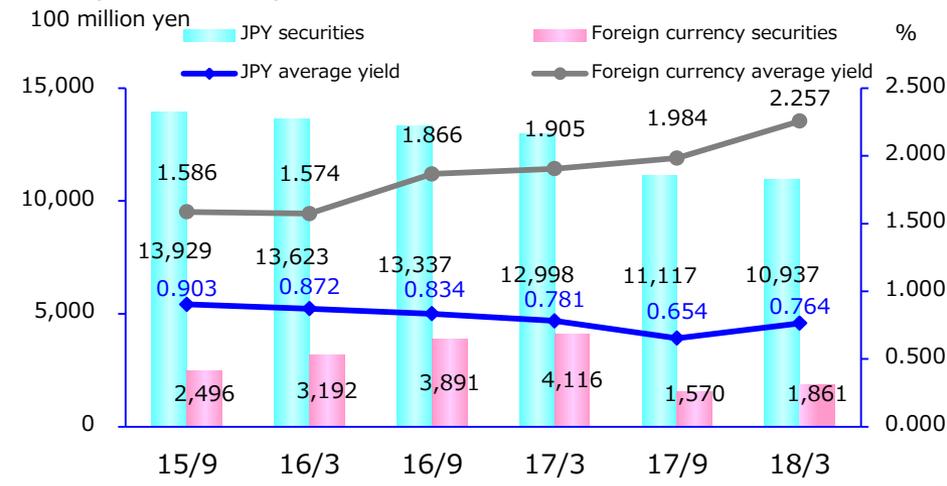
## Loan balance, Yield (half-year basis)



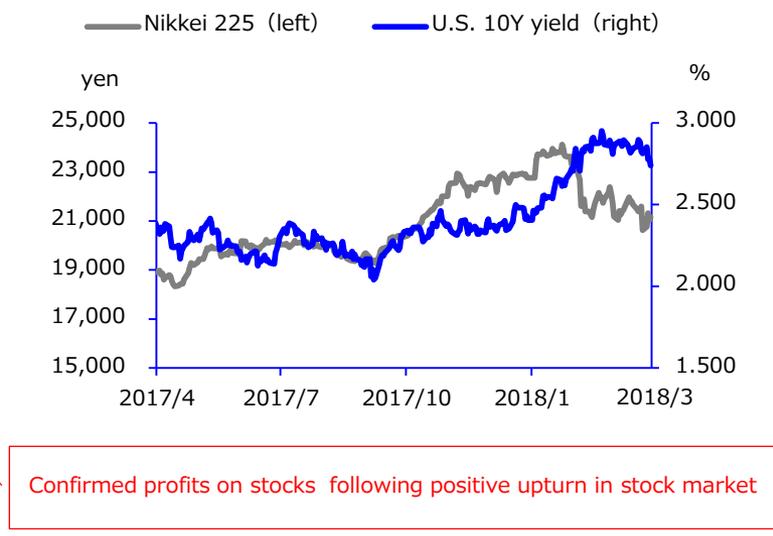
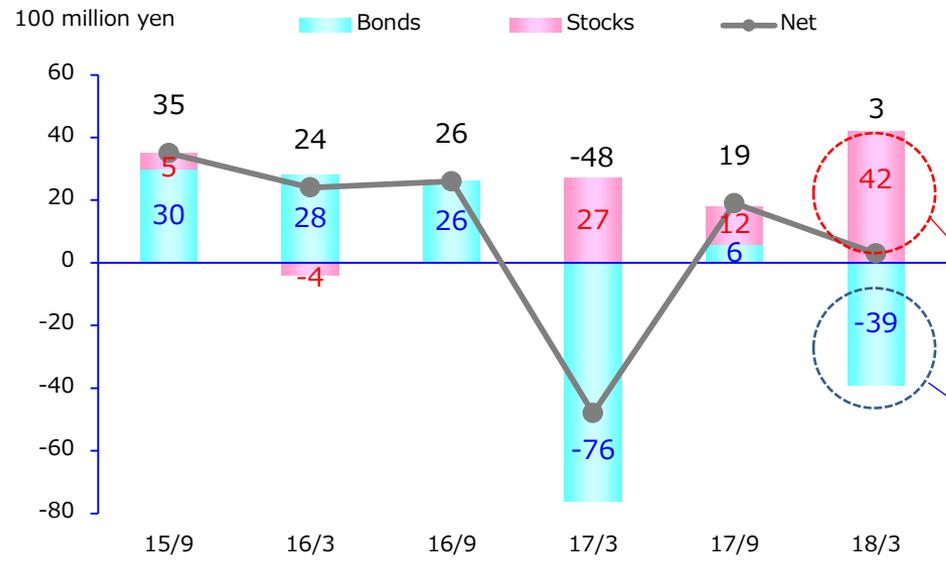
## Loan interest (year on year)



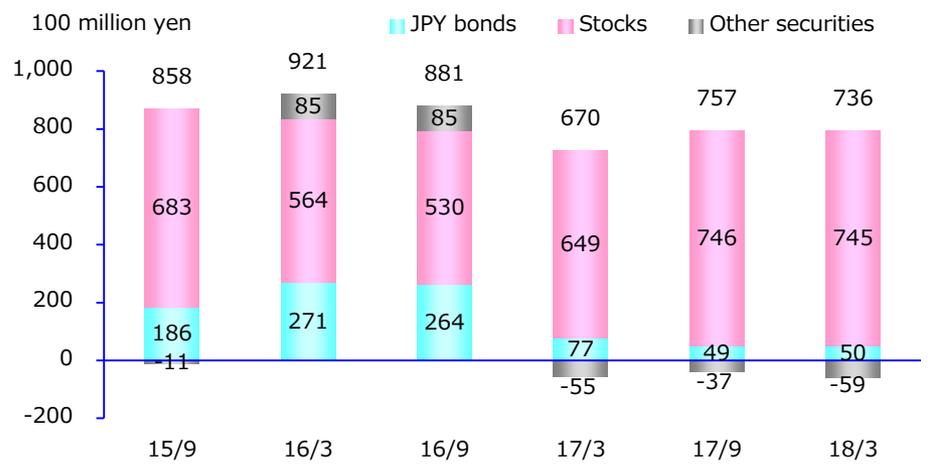
## Securities investment average balance, Average yield (half-year basis)



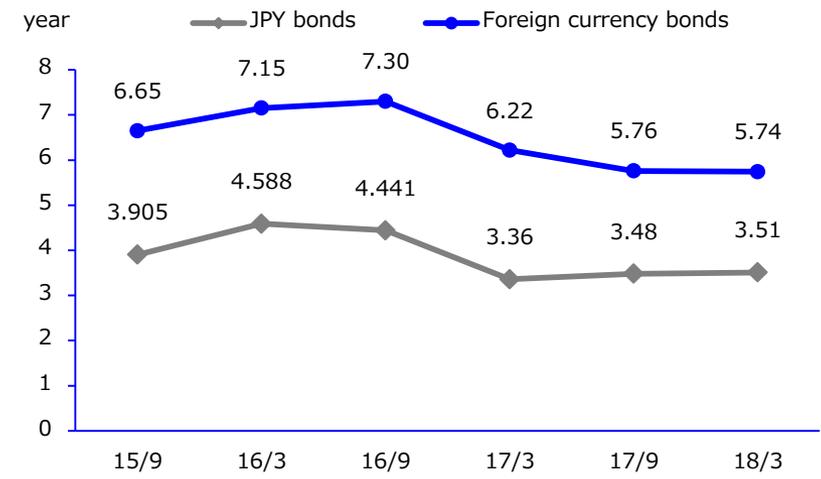
## Gains / losses related to securities (half-year basis)



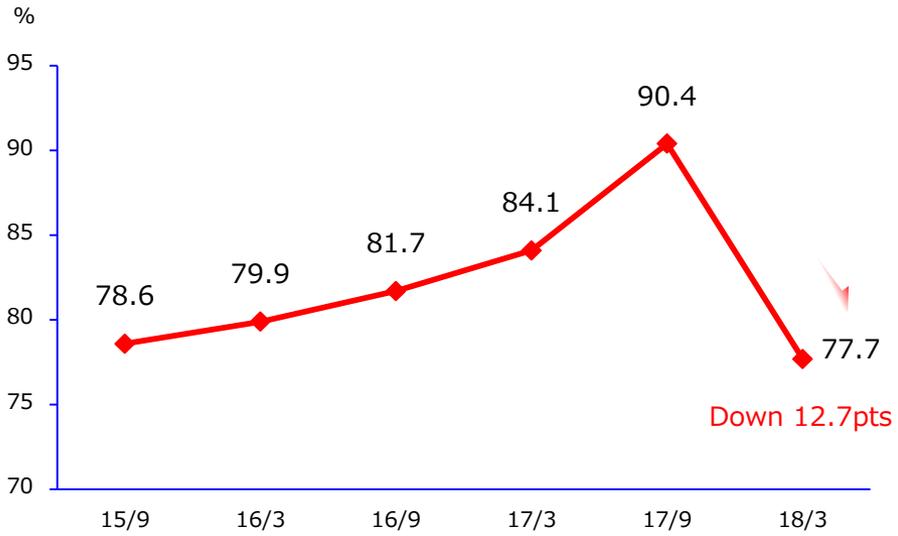
## Gains / losses on valuation of securities



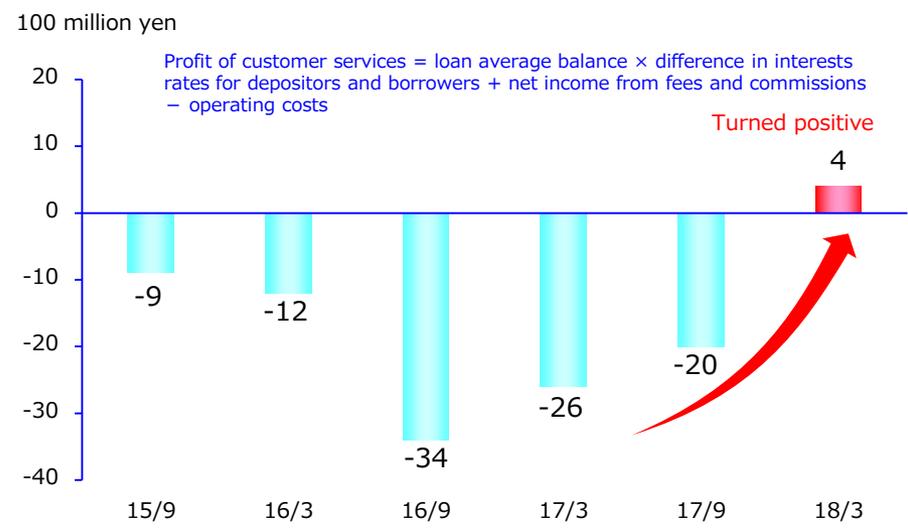
## Status of duration



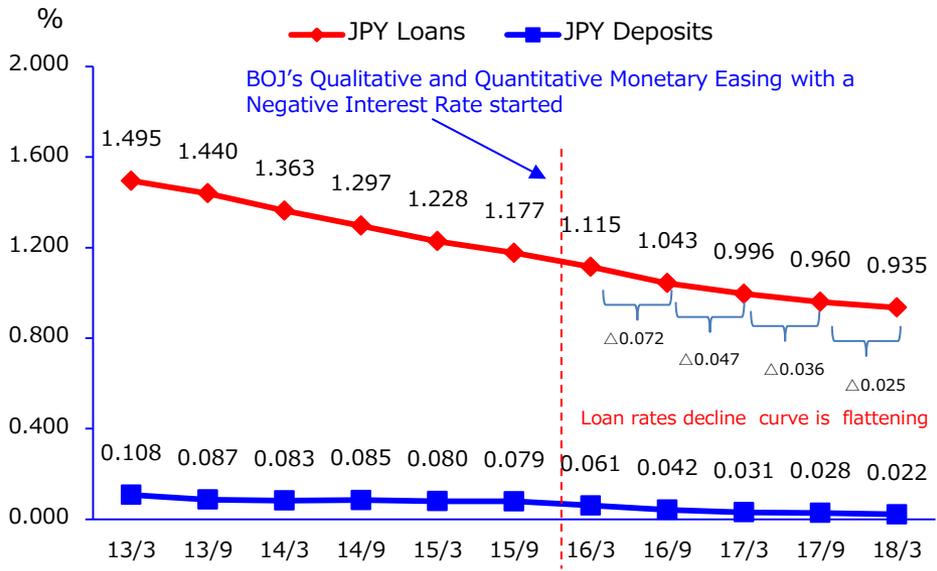
## Core OHR (half-year basis)



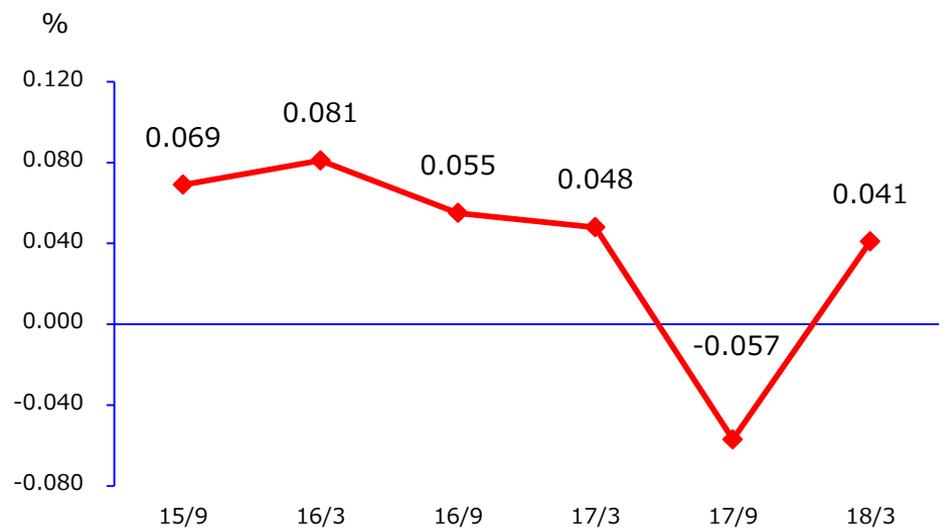
## Profit of customer services (half-year basis)



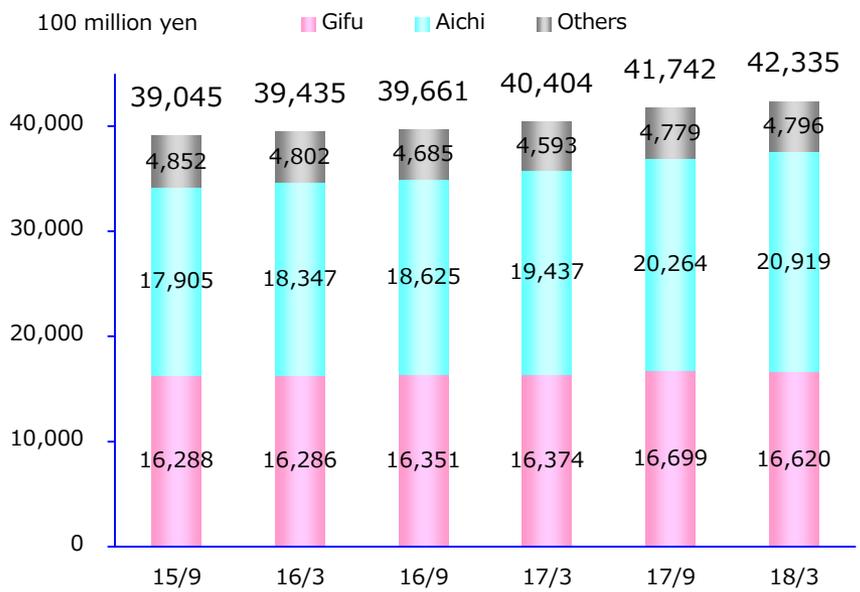
## Interest Rates on JPY deposits and JPY loans



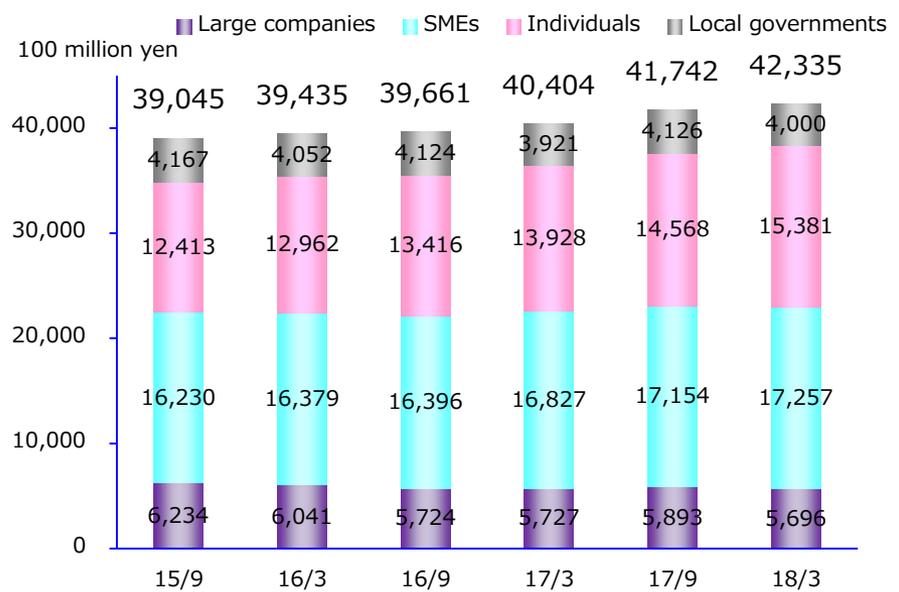
## Net interest margin (half-year basis)



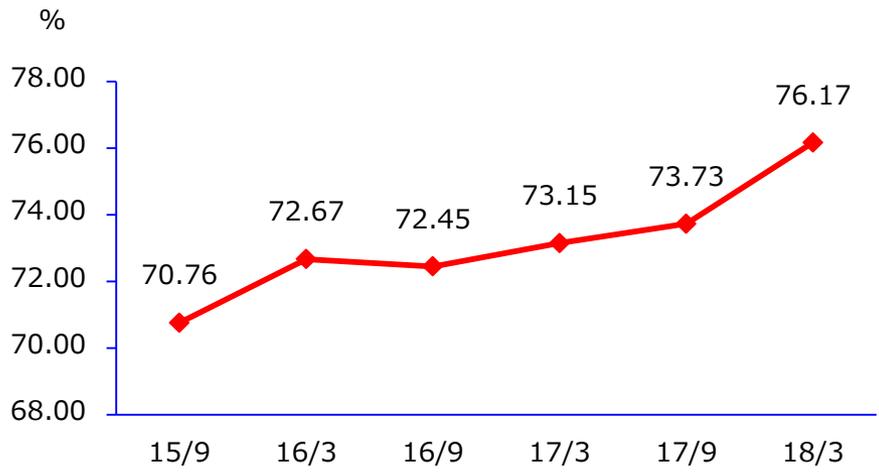
## Loan balance (by region)



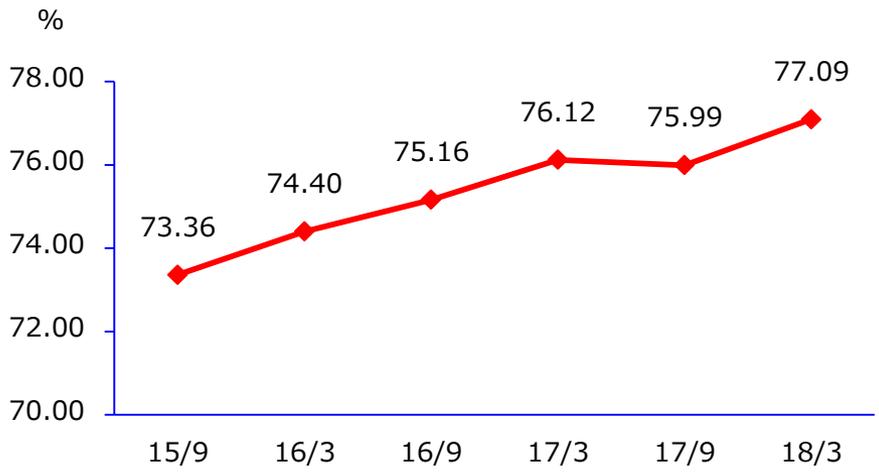
## Loan balance (by sector)



## Loan-to-deposit ratio



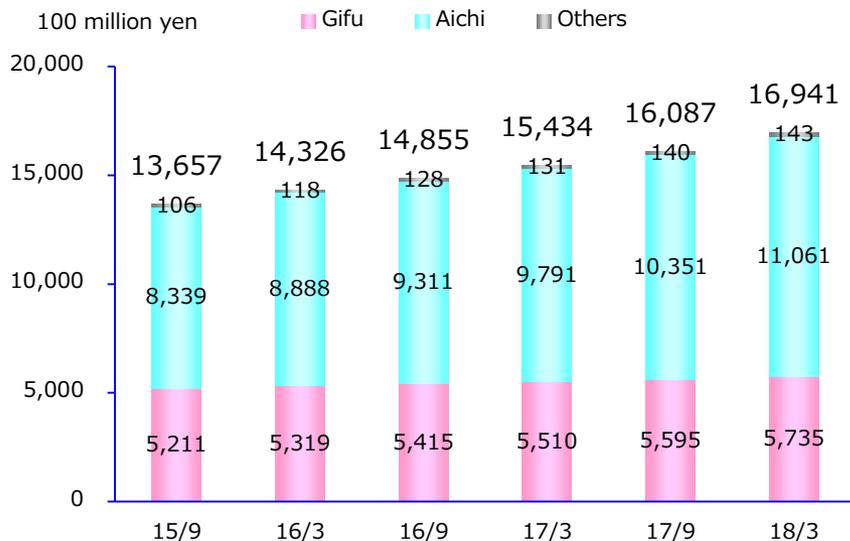
## Loan ratio to SMEs and individuals



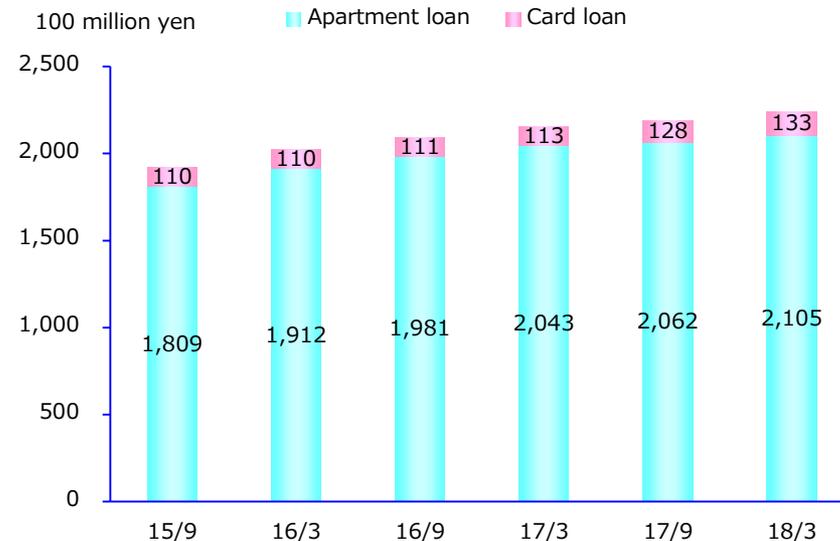
# Overview of Results for FY2018/3 (non-consolidated)



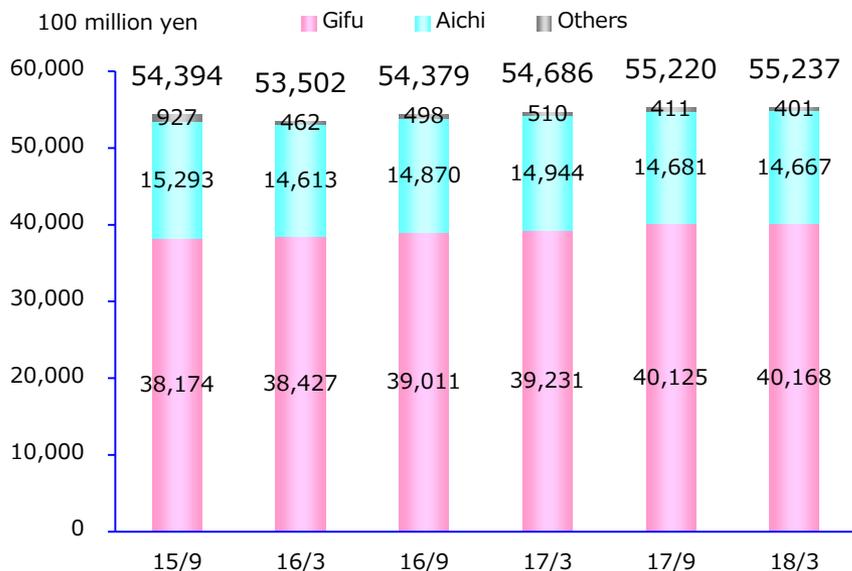
## Home loan balance (including apartment loan)



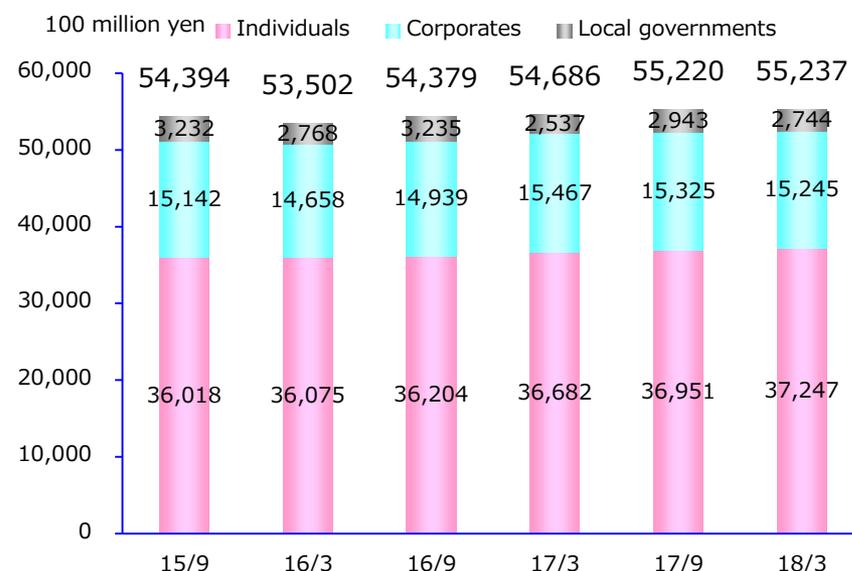
## Apartment loan / Card loan balance



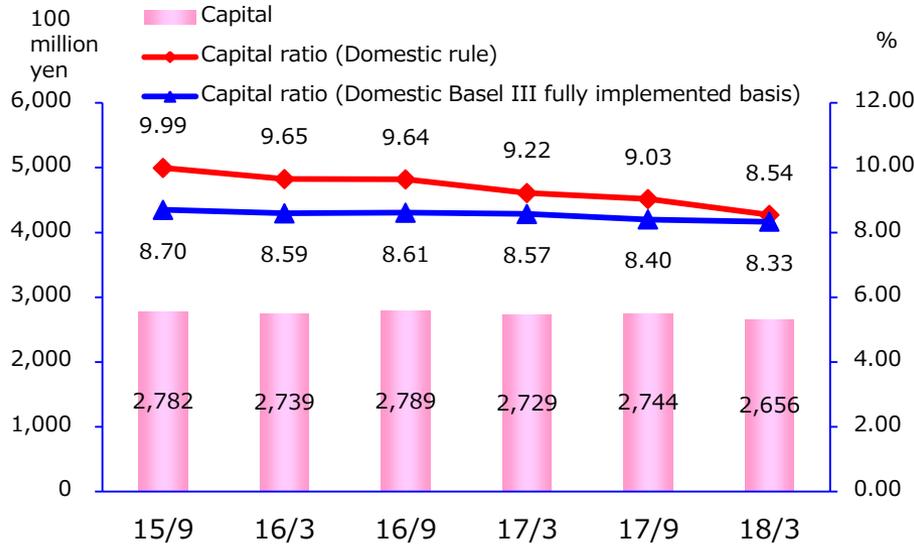
## Deposit balance (by region)



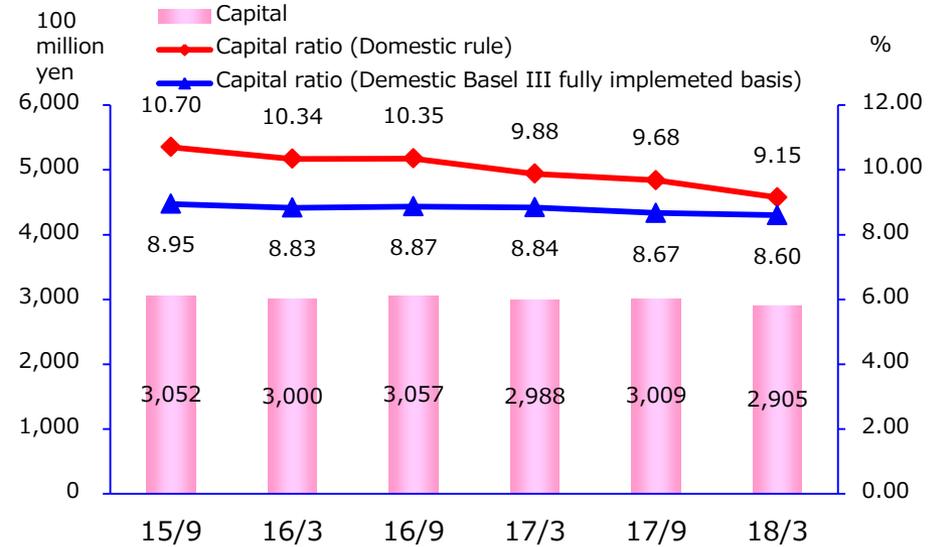
## Deposit balance (by sector)



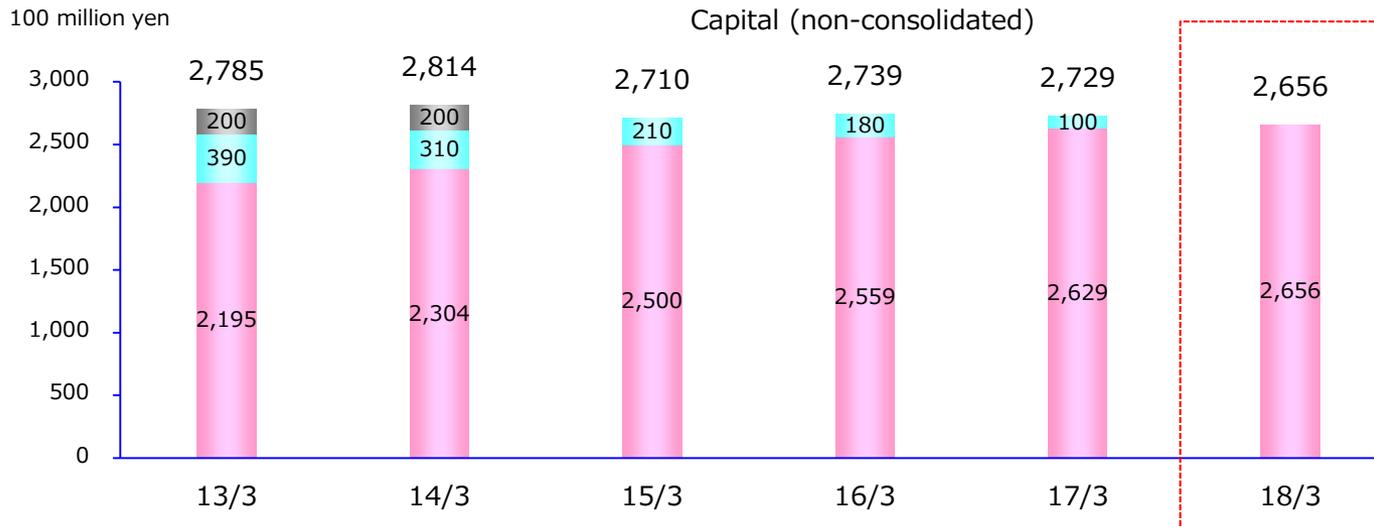
## Capital ratio (non-consolidated)



## Capital ratio (consolidated)



## Improvement in capital quality



Core capital consists of only Tier1 capital as of the end of March 2018

- Preferred shares
- Subordinated debt
- Common shares, Retained earnings, etc.

# Business policies

## Comprehensive business tie-up with Tokai Tokyo Financial Holdings

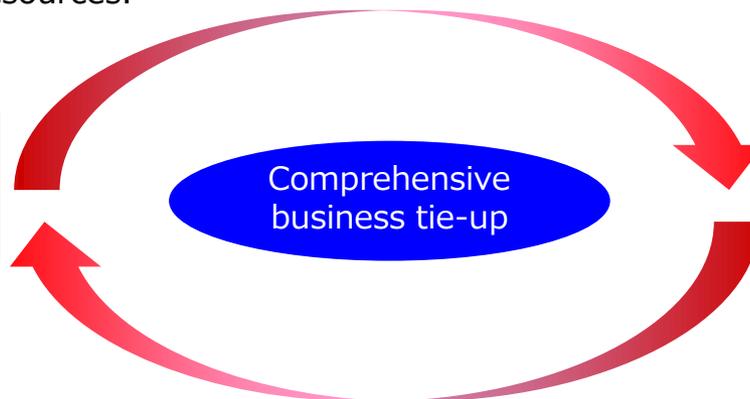


- In March 2018, Juroku Bank and Tokai Tokyo FH agreed on comprehensive business tie-up
- Launch joint venture subsidiary for securities business in FY2019, to achieve profit as early as 1st fiscal year

### 【Objectives of the tie-up】

1. To strengthen the business base of two companies which both operate in same business area, by supporting each other as equal partners.
2. To enhance two companies' corporate value by realizing new financial group's visions beyond banking and securities business and providing variety of high quality financial services to customers via making the best use of two companies' business resources.

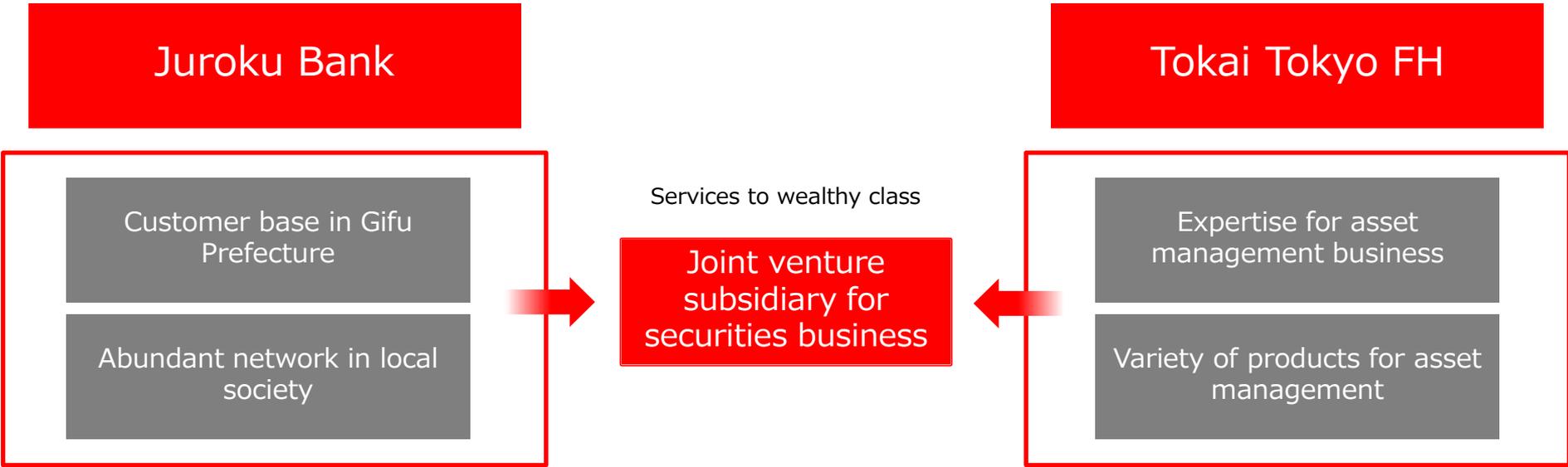
The largest bank in Tokai area  
(Central Japan area)



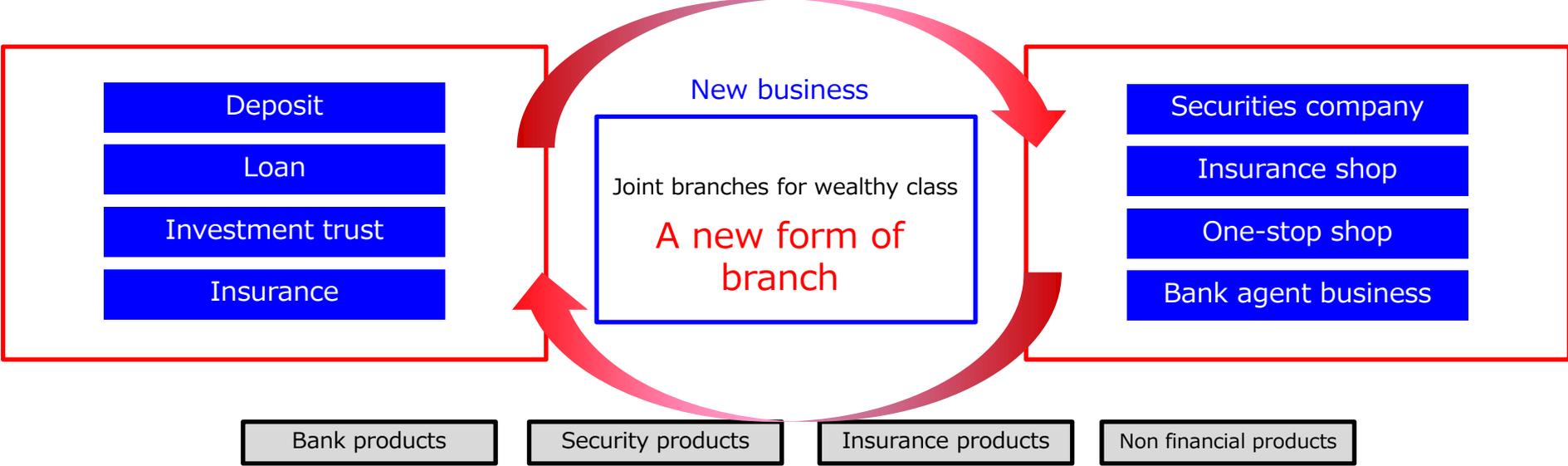
The largest securities company in  
Tokai area (Central Japan area)



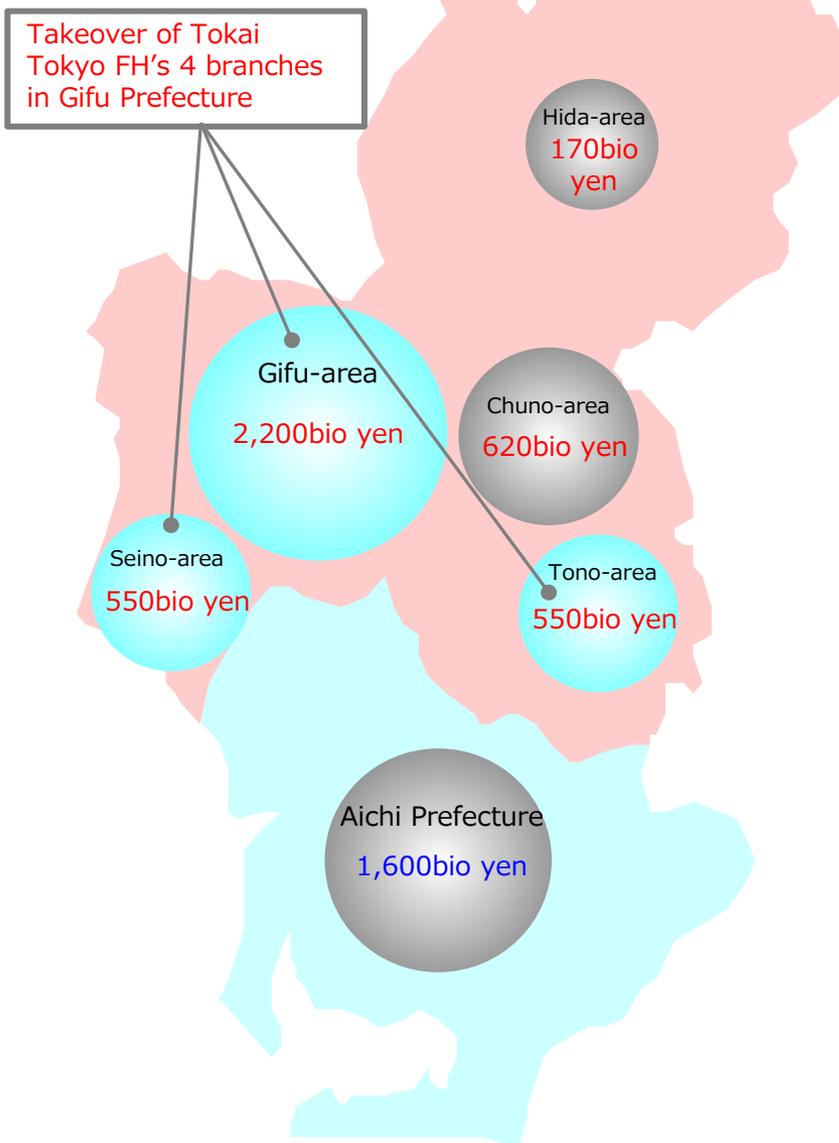
A new financial business model under integration of banking business and securities business



Best use of branch space and human resources created in business efficiency reform, for banking-securities tie-up branches and new businesses

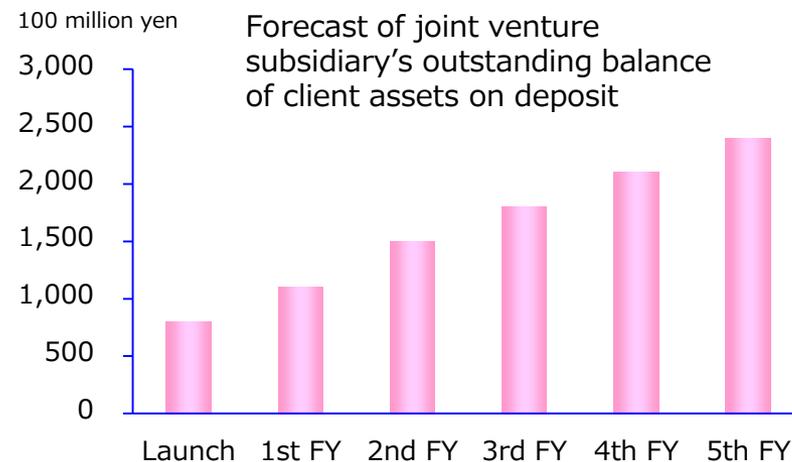


## Juroku Bank's client assets on deposit



### Joint venture subsidiary for securities business

- Starts business with approximately 100 staffs
- Takeovers Tokai Tokyo FH's 4 branches in Gifu Prefecture (Gifu, Ogaki, Tajimi, Nakatsugawa)
- Aims to obtain 1 to 2% equivalent of Juroku bank's total client assets of 3.3 trillion yen every fiscal year
- Aims to obtain 100 billion yen client assets in early stage
- Expands banking-securities tie-up business to Tokai Tokyo FH's uncovered Chuno-area and Hida-area



Started "Branch Activity Process Evaluation System" in April 2016

Abolished sales quota, customer-oriented sales process is highly evaluated



Flow of "Branch Activity Process Evaluation System"

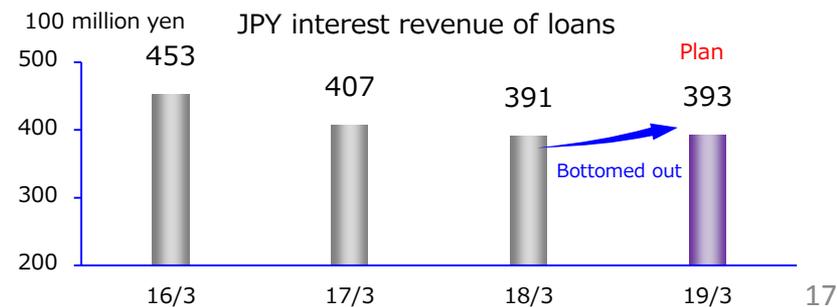
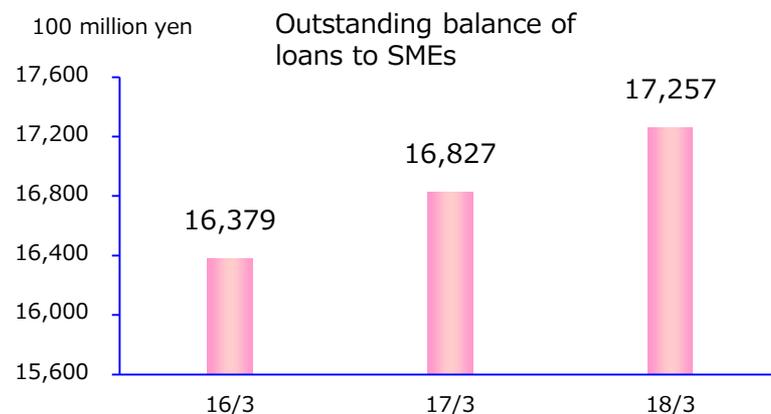
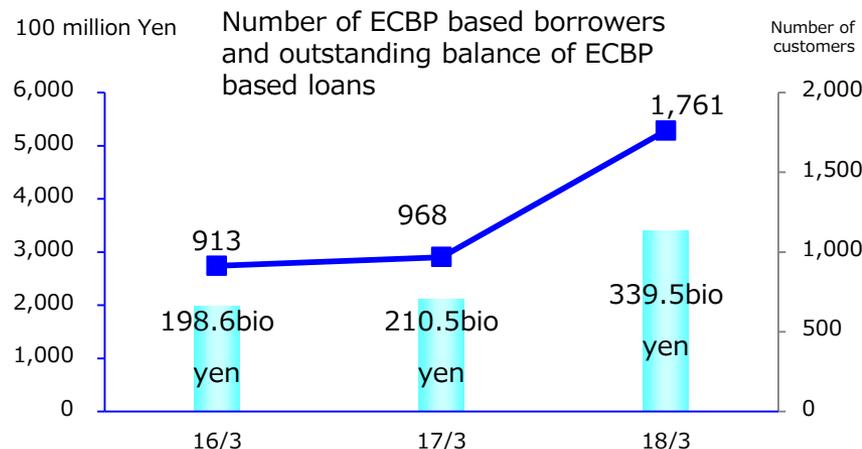
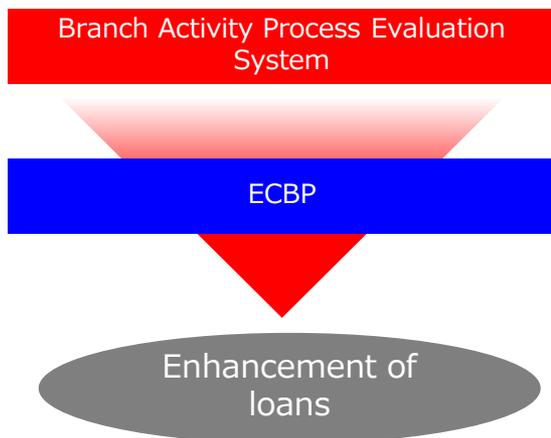
	PLAN	Do	CHECK	ACTION
<b>Branches</b>	Planning a business policy [ Branch Business Policy ]	Sales activity	Progress check	Activity review Action for next FY
<b>Headquarters</b>	Setting evaluation criteria [Activity Process Evaluation Criteria]	Feedback of activity results	Evaluation of activity process	
<b>Block Manager</b>				
Block Business Promotion Leader	Follow-up	Follow-up	On-site check	
Business Promotion Manager				1 <sup>st</sup> evaluation
Executive officer in charge				2 <sup>nd</sup> evaluation
Executive Board Meeting				Final evaluation

Business Promotion Manager conducts 1<sup>st</sup> evaluation with reference to results of on-site check and opinions of Headquarters and Block Managers

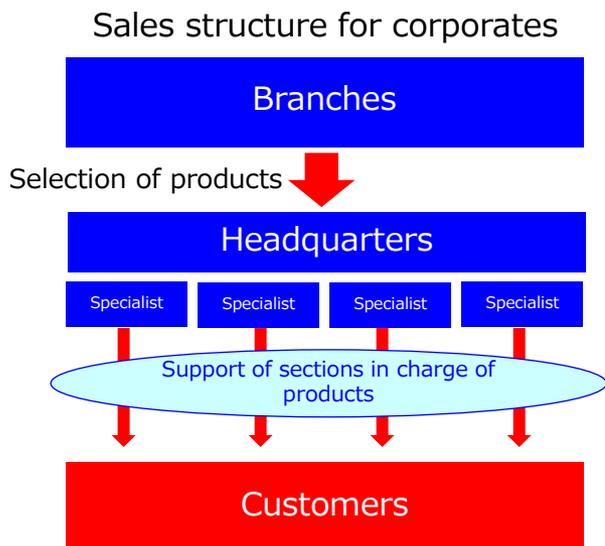
## Enhancement of loans

### Enhancement of customer engagement

- Introduction of a new tool for “evaluation of customers’ business potentials” (ECBP) (March 2018)  
Tied-up with i Connect Partners, introduced a system to share customers’ business issues by creating a database of customers’ business details  
**“A systematic ECBP” which does not rely on skills of individual officers**
- Establishment of “Financial Intermediary Enhancement Study Group” (January 2018)  
Tied-up with 9 regional banks, started studies for enhancement of ECBP  
**Advance the knowledge for ECBP**
- Release of “Growth Loan” (March 2018)  
Released a loan product which requires ECBP and creation of business plan documentation

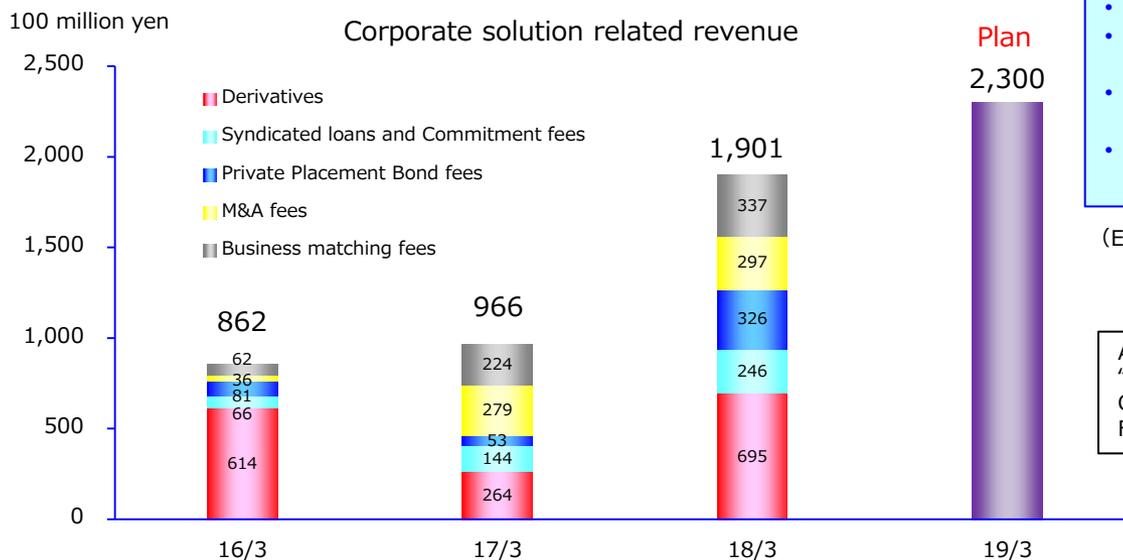
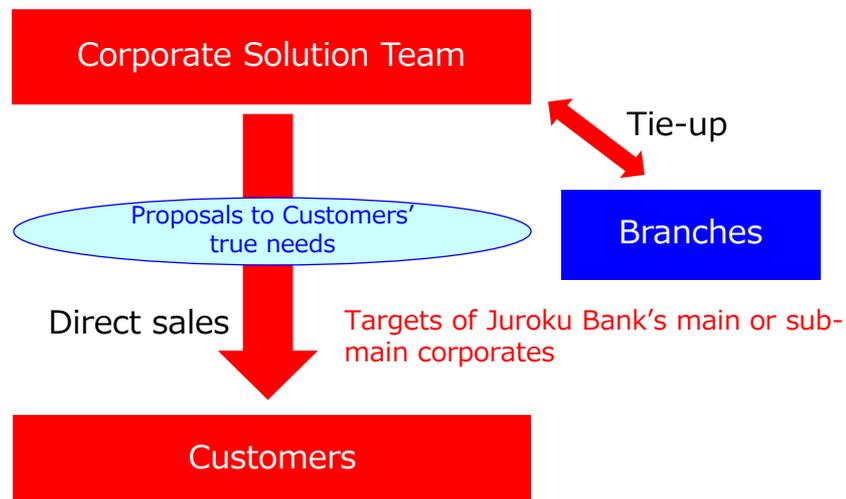


## Launch of "Corporate Solution Team"



Beyond the framework of products, to a new sales structure to find customers' true needs and realize more speedy proposals from various angles

Launched "Corporate Solution Team" in January 2018



- Promotion of M&A with "Business Succession Team"
- Proposal of order-made derivatives products which meet customers' needs
- Proposal of CSR private placement bonds to customers eager to contribute to local society
- Support to develop customers' sales channels by holding business matching meetings

(Example) Gifu University × Juroku Bank × NEXCO Central Japan "Discover Local Ingredients Project"

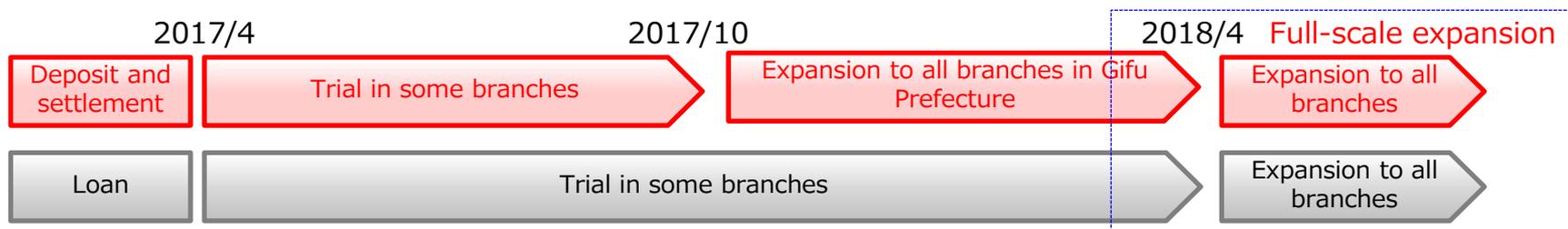
Awarded as a "characteristic effort" by Cabinet Office in February 2018



## Expansion of “Branch Reform Project”

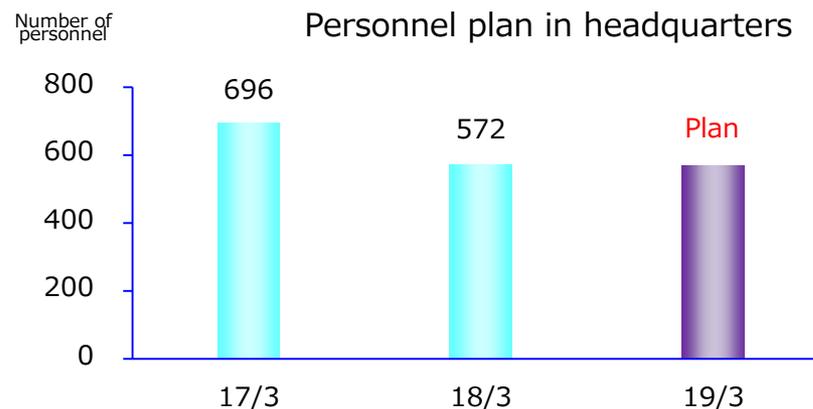
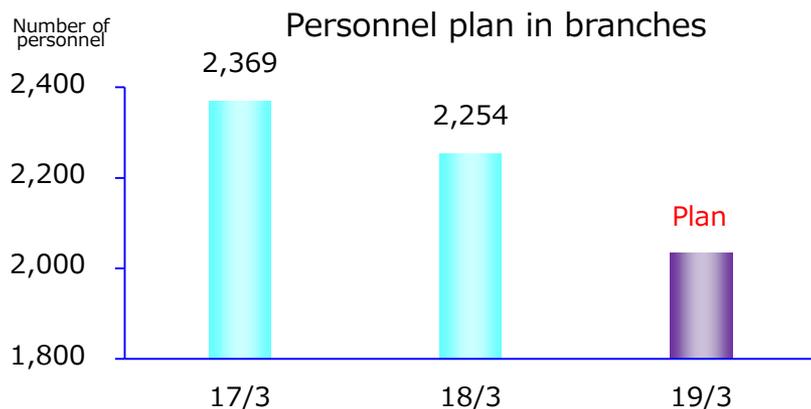
### Branch Reform Project

- Centralizes back office functions in branches to the headquarter to eliminate back office operations from branches
- Creates time for branch staffs to consult with customers
- Establishes a branch structure which realizes operations with less human resources

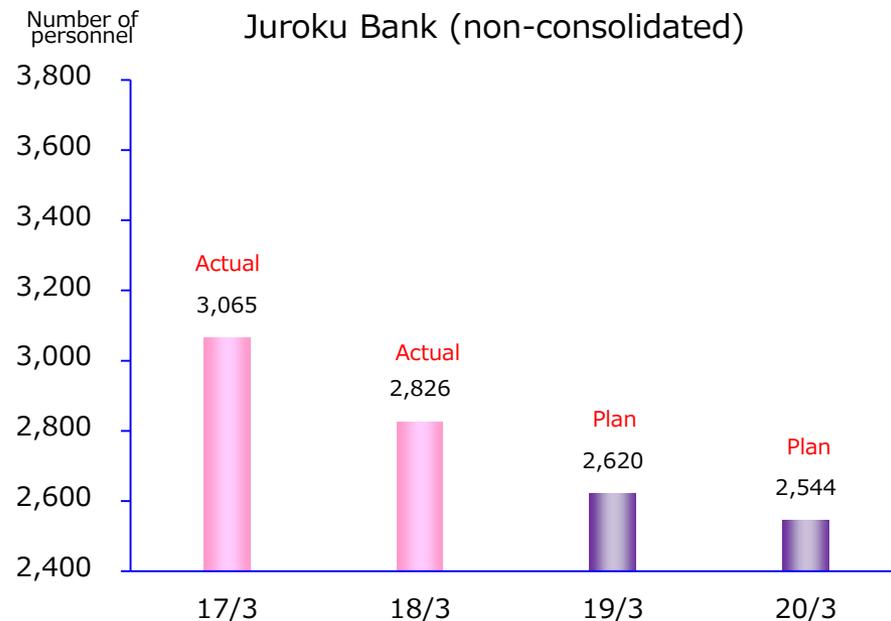
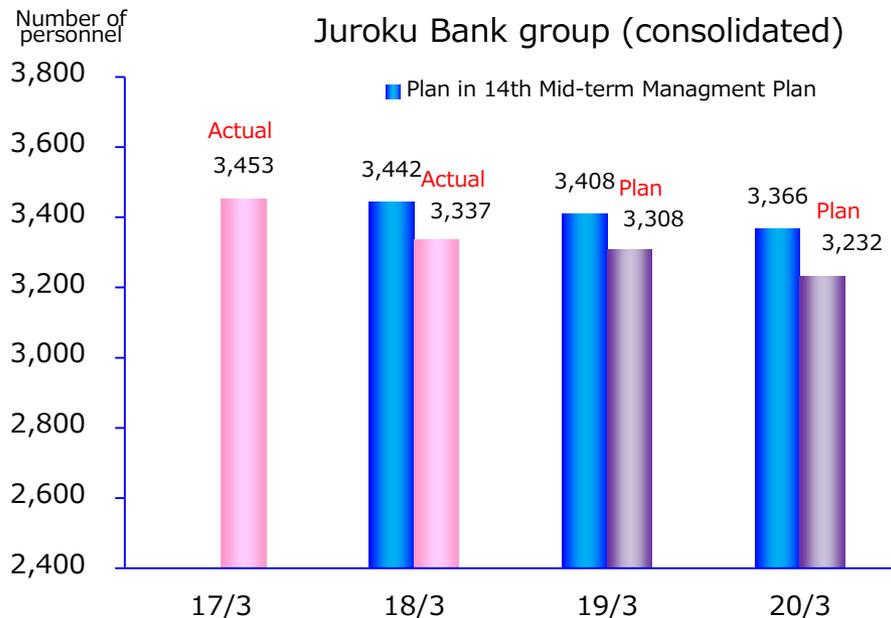


## Slimming down of Headquarter functions

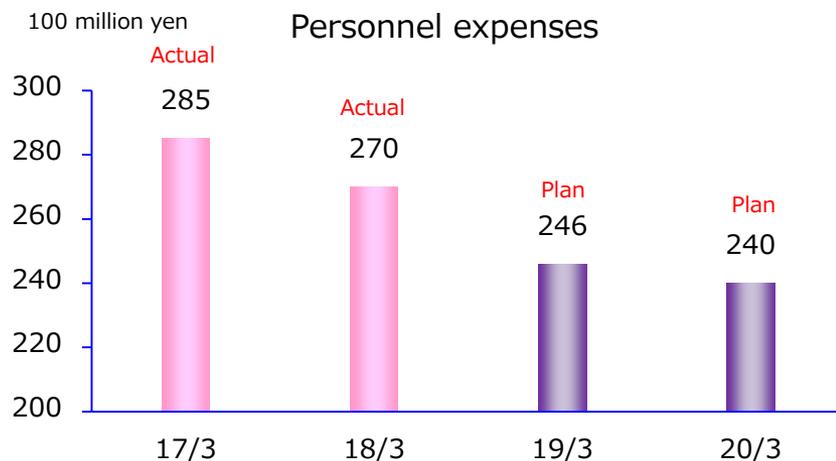
- Reorganized headquarters in June 2017, changed from “17 divisions 2 offices 45 groups structure” to “13 divisions 2 offices 35 groups structure” and eliminated duplicated works
- Realizing efficiency by reviewing work process
- Introduced wireless LAN in Headquarter building, realized more efficient and paper-less meetings
- Saved 2,000 hours a year by reducing meetings (abolished meetings, reduced frequency, reduced participants)



## Personnel plan



## Expenses plan



## Yamanote branch (Toyota city, Aichi Prefecture)



"Quick Counter" in Yamanote branch



### Special features of Yamanote branch

- "Quick Counter" enables branch staffs to operate **without touching cash**
- Open until **17:00** on weekdays and realizing Sunday operations due to the reduction of cash counting burdens
- Operations by 7 staffs

## Ginan branch (Ginan town, Gifu Prefecture)



### Special features of Ginan branch

- Provide variety of services as "Holiday Juroku Ginan" on Saturdays and holidays
- Open on holidays **from 10:00 to 17:00** (operations by 4 staffs)
- Juroku Bank's 3<sup>rd</sup> "Holiday Juroku"

## Environment

- Forest protection

### Forest protection activity at "Juroku Bank's Forest MITAKE"

Made an agreement on forest protection with Mitake Town and Gifu Prefecture, conducted forest protection activity at "Juroku Bank's Forest MITAKE"



Name of the forest	Juroku Bank's Forest MITAKE
Location	Mitake Town, Gifu Prefecture
Size	6.71 ha
Agreement term	Sep. 2017 ~ Mar. 2023
Activities	Maintenance of forest, promenades, Studies of environment

### "Comprehensive Agreement on Creation of Forest Resources and Gifu's Education for Forest" with Gifu Prefecture



Agreement date	February 20 <sup>th</sup> 2018
Purpose	To promote "Creation of River Island Gifu" by conducting sustainable activities related to "Creation of Forest Resources" and "Gifu's Education for Forest"
About "Gifu's Education for Forest"	"Gifu's Education for Forest" is an effort to connect Gifu's culture of sharing values with forests to the future. It is defined as "Studies from forests and woods" which can be achieved in nature-rich environment

## Social

- Activities to improve labor environment

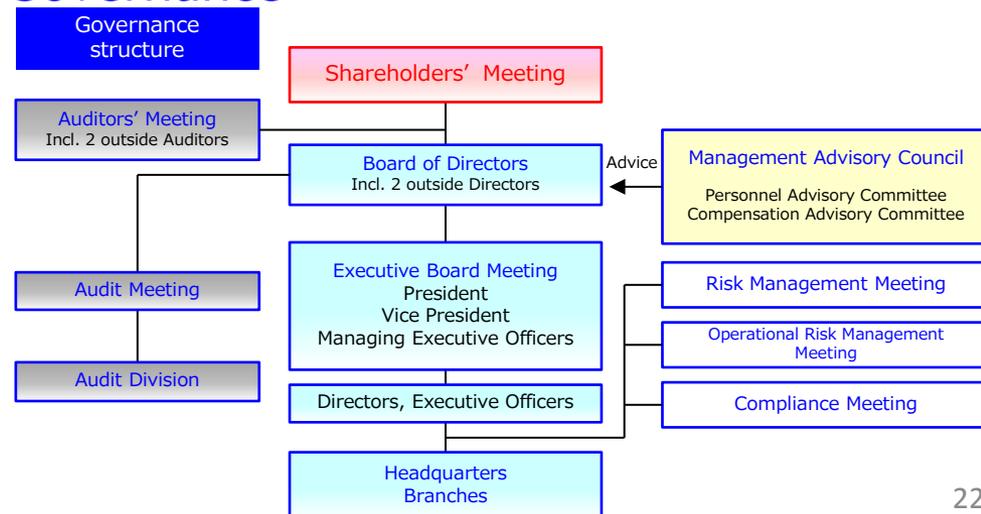
### "Comprehensive Agreement on Work Style Reform" with Gifu Labor Bureau



Held "Seminar for human resource shortage issues" 3 times to resolve human resource shortage issues in local economy

- Seminar for human resource shortage issues @Takayama City (Dec. 2017)
- Seminar for human resource shortage issues @Gifu City (Feb. 2018)
- Seminar for human resource shortage issues of inns, hotels and sightseeing businesses @Takayama City (Feb. 2018)

## Governance



FY2019/3 business forecasts

## Non-consolidated

(unit : 100 million yen )

	2018/3 (actual)	2019/3 (forecasts)	year-on -year
Core gross operating profit	581	592	11
Net interest income	486	493	7
Fees and commissions	84	97	13
Other operating profit (except Gains / losses on JGBs and other debt securities)	10	2	△ 8
Expenses	487	450	△ 37
Personnel expenses	270	247	△ 23
Non-personnel expenses	189	175	△ 14
Net core operating profit	93	142	49
Gains / losses related to securities investment	22	13	△ 9
Gains / losses on JGBs and other debt securities	△ 32	-	32
Gains / losses on equities	55	13	△ 42
Credit costs	△ 5	17	22
Ordinary profit	122	145	23
Net income	93	100	7

## Consolidated

(unit : 100 million yen )

	2018/3 (actual)	2019/3 (forecasts)	year-on -year
Ordinary profit	139	151	12
Net income attributable to shareholders of the parent company	99	102	3

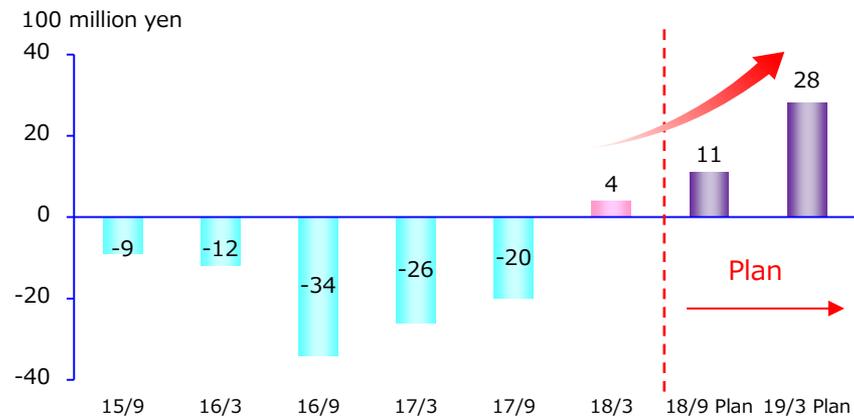
### Overview of non-consolidated forecast

- Net interest income up 0.7bio yen YoY
- Fees and commissions up 1.3bio yen YoY
- Expenses down 3.7bio yen YoY
- Gains / losses related to securities investment down 0.9bio yen YoY
- Ordinary profit up 2.3bio yen YoY
- Net income up 0.7bio yen YoY

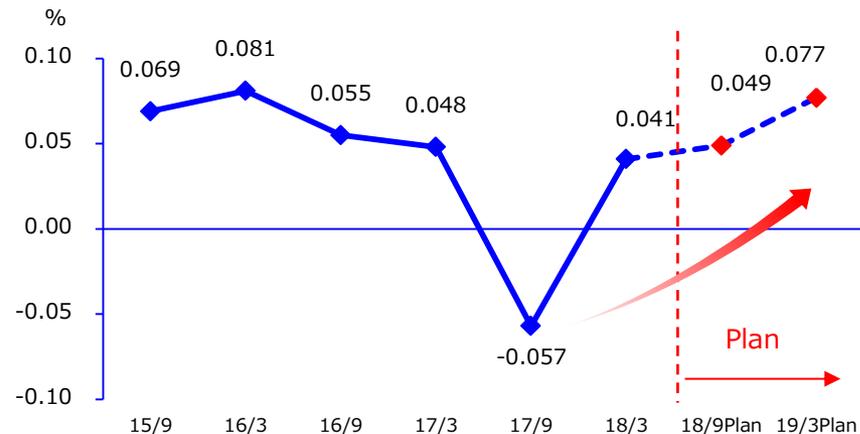
### 14<sup>th</sup> Medium-Term Management Plan: Progress

Item		2018/3 (actual)	2019/3 (forecasts)	Final year of plan (2020/3)
Earning capability	Net income (consolidated)	9.9 billion yen	10.2 billion yen	10 billion yen
Growth potential (Customer base)	Community presence (deposit average balance + loan average balance)	9,624.2 billion yen	9,943.2 billion yen	10 trillion yen
	Deposit average balance	5,501 billion yen	5,606.1 billion yen	5,700 billion yen
	Loan average balance	4,123.1 billion yen	4,337.1 billion yen	4,300 billion yen
Financial soundness	Capital ratio (consolidated) Domestic Basel III fully implemented basis	8.60%	Around 8.33%	Around 8.7%

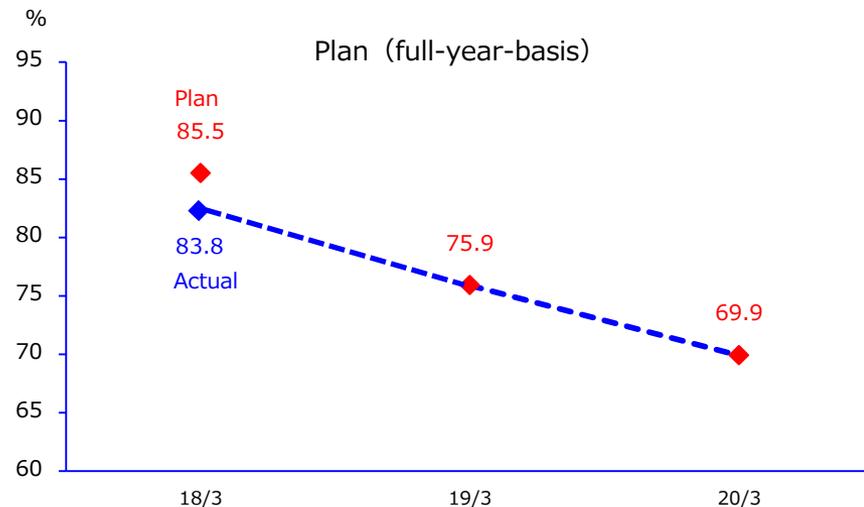
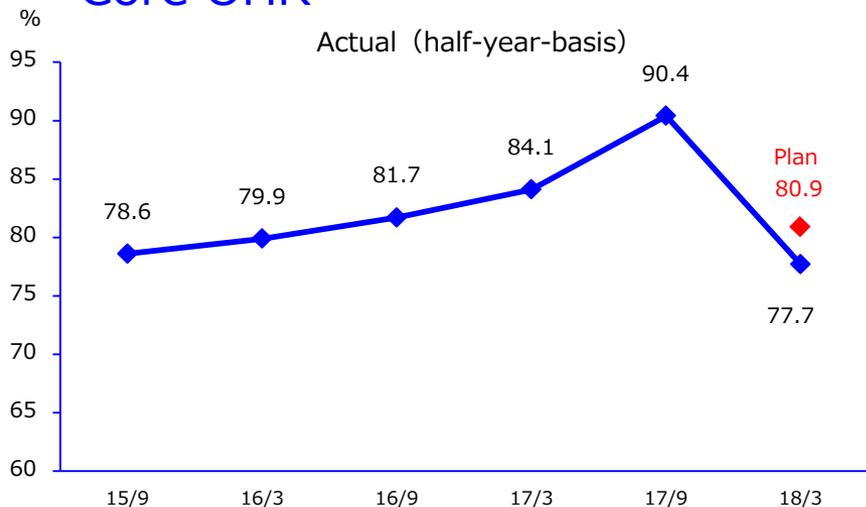
## Profit of customer services



## Net interest margin



## Core OHR



# All For Your Smile

こころにひびくサービスを



2nd Stage

