

The Juroku Bank

32nd Financial Results Briefing

[First half of the fiscal year ending March 2019]

November 28, 2018



Overview of results for 2018/9

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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 2018/9

Non-consolidated

(Unit: 100 million yen)

	2016/9	2017/9 A	2018/9 B	B - A
Core gross operating profit	317	279	289	10
Net interest income	280	239	250	11
Fees and commissions	25	38	40	2
Other operating profit (except profit on JGBs and other debt securities)	11	1	△ 1	△ 2
Expenses	259	252	227	△ 25
Personnel expenses	144	140	124	△ 16
Non-personnel expenses	98	95	88	△ 7
Net core operating profit	57	26	62	36
Profit related to securities investment	26	19	10	△ 9
Profit on JGBs and other debt securities	26	6	△ 2	△ 8
Profit on equities	0	12	13	1
Credit costs	9	△ 11	8	19
Ordinary profit	86	62	72	10
Interim net profit	61	46	52	6

Consolidated

(Unit: 100 million yen)

	2016/9	2017/9 A	2018/9 B	B - A
Core gross operating profit	350	310	323	13
Expenses	277	273	252	△ 21
Net core operating profit	72	37	70	33
Ordinary profit	97	72	79	7
Interim net profit attributable to shareholders of the parent company	64	49	54	5

Overview of non-consolidated results

Core gross operating profit increased by 1.0 billion yen YoY to 28.9 billion yen, due to an increase in Net interest income and Fees and commissions

Expenses decreased by 2.5 billion yen YoY to 22.7 billion yen, due to decrease in Personnel expenses and Non-personnel expenses

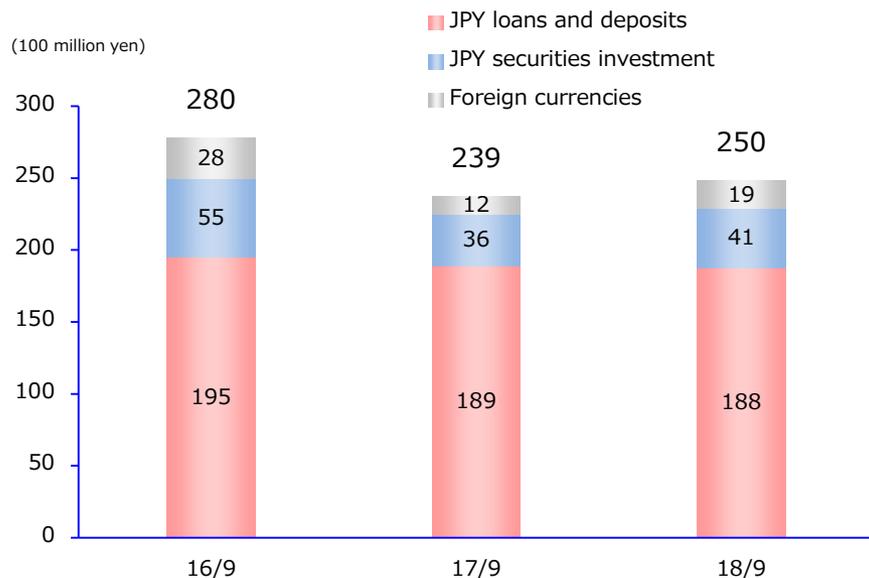
Net core operating profit increased by 3.6 billion yen YoY to 6.2 billion yen

Profit related to securities investment decreased by 0.9 billion yen YoY to 1.0 billion yen, as a result of promoting replacement of low yield US dollar bonds in US interest rates upward trend

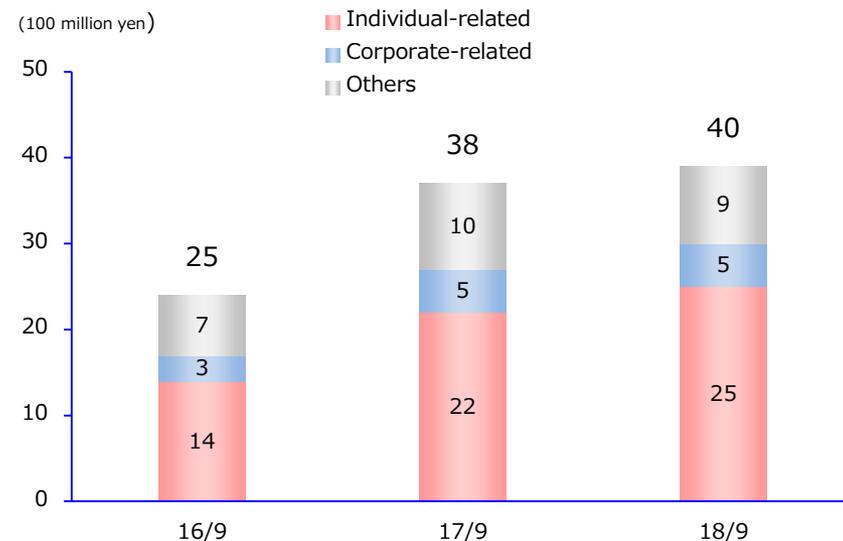
Credit costs increased by 1.9 billion yen YoY to 0.8 billion yen, due to no upgrades of large borrowers unlike the previous year

Ordinary profit increased by 1.0 billion yen YoY to 7.2 billion yen
Interim net profit increased 0.6 billion yen YoY to 5.2 billion yen

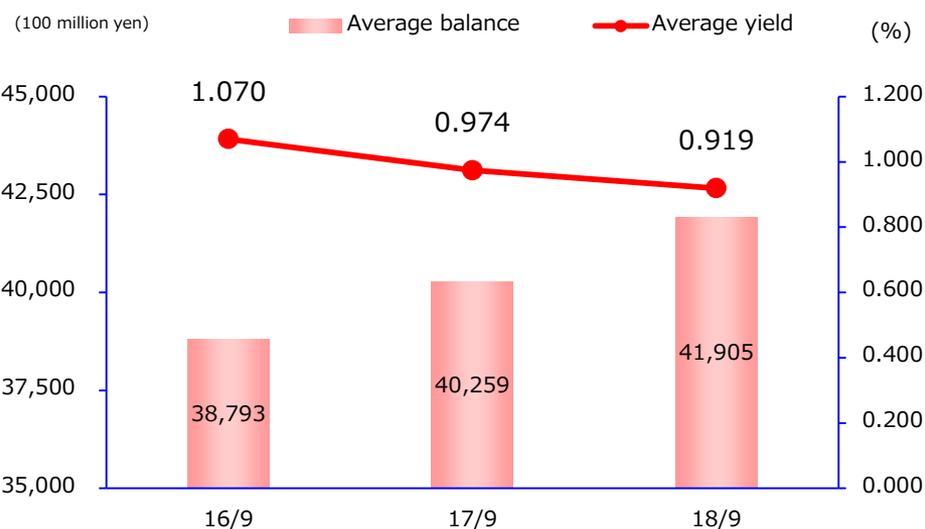
Net interest income



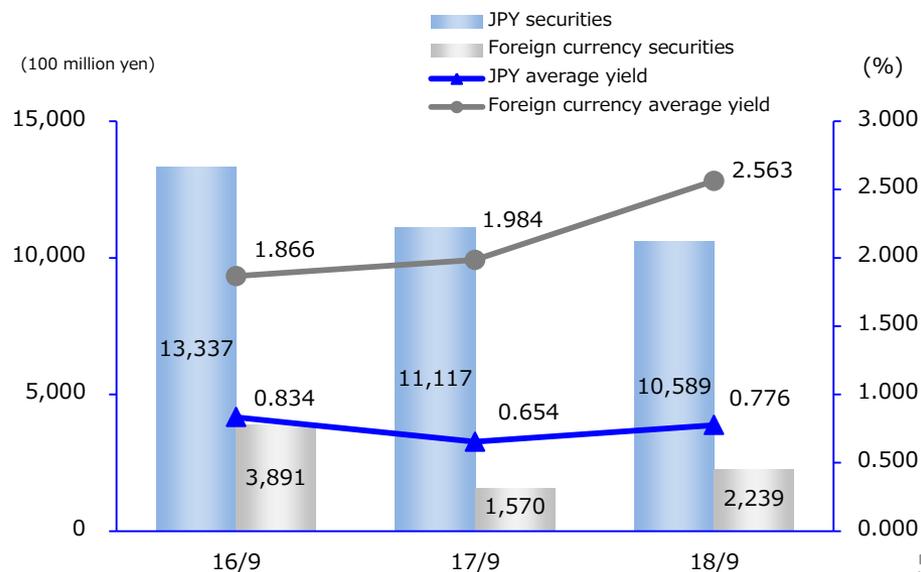
Fees and commissions



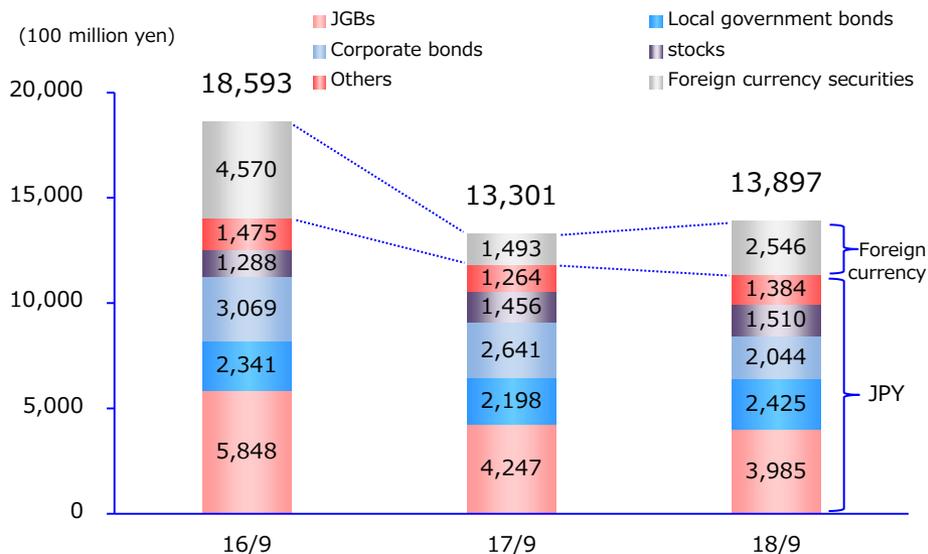
Average balance and yield of JPY loan



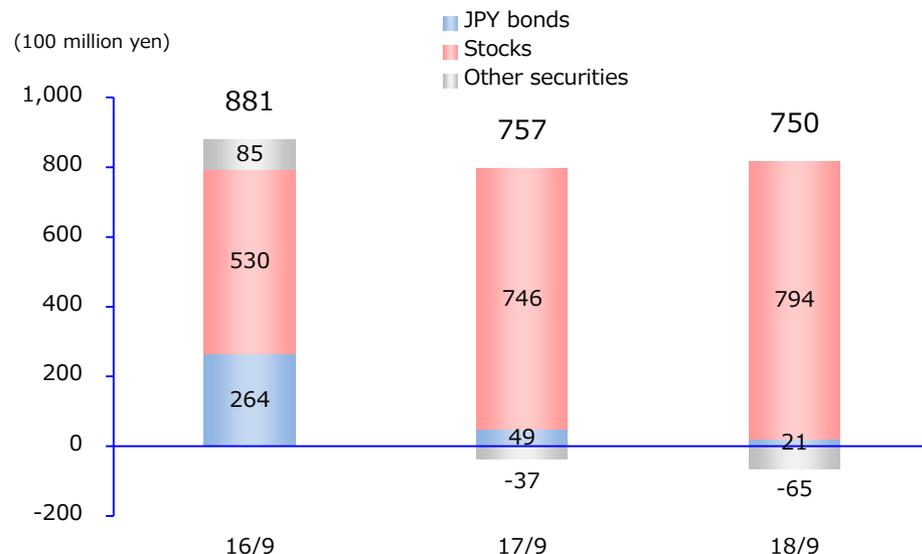
Average balance and yield of securities investment



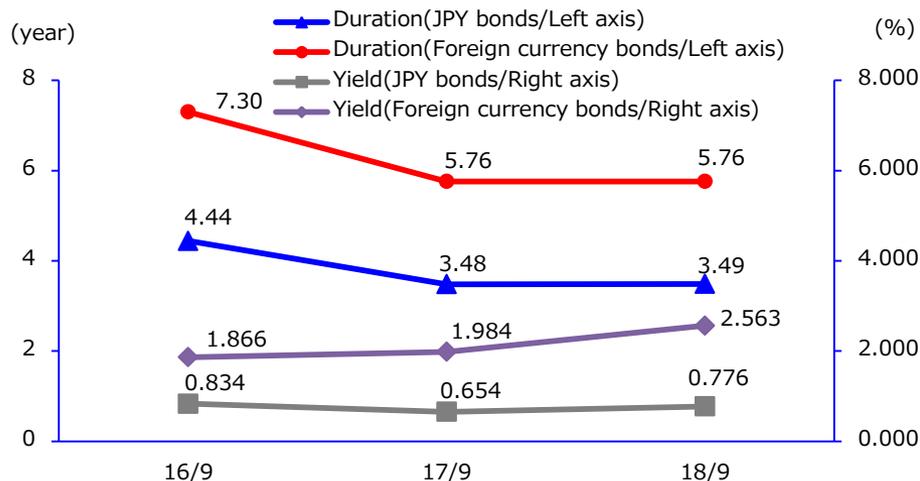
Balance of securities investment



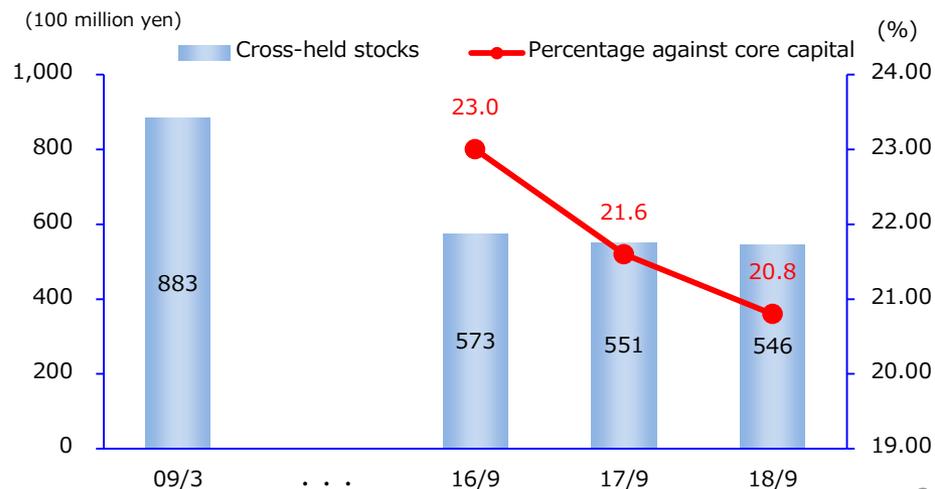
Valuation gains and losses of securities



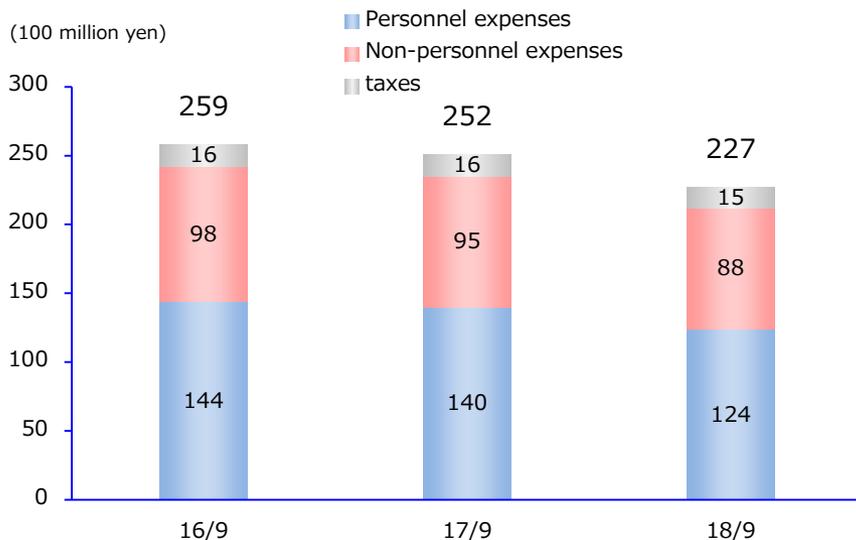
Average duration and yield of securities investment



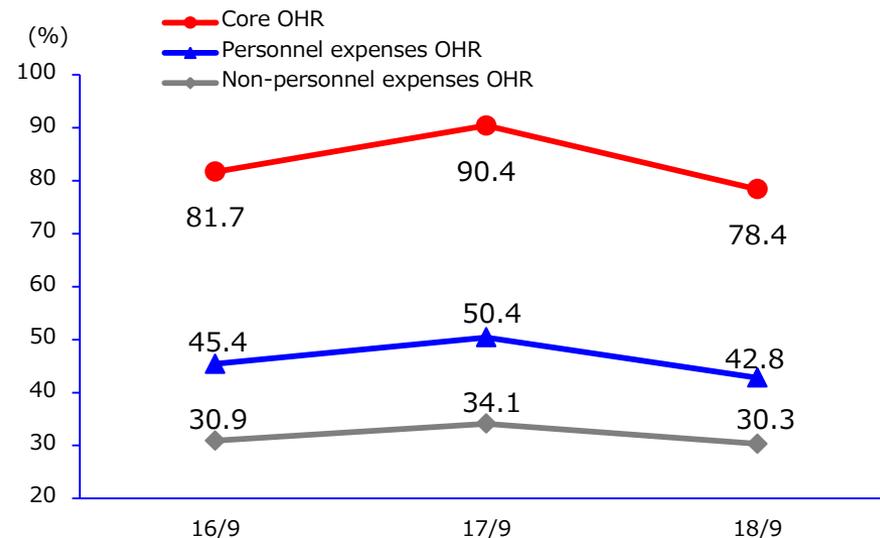
Cross-held stocks (book value basis)



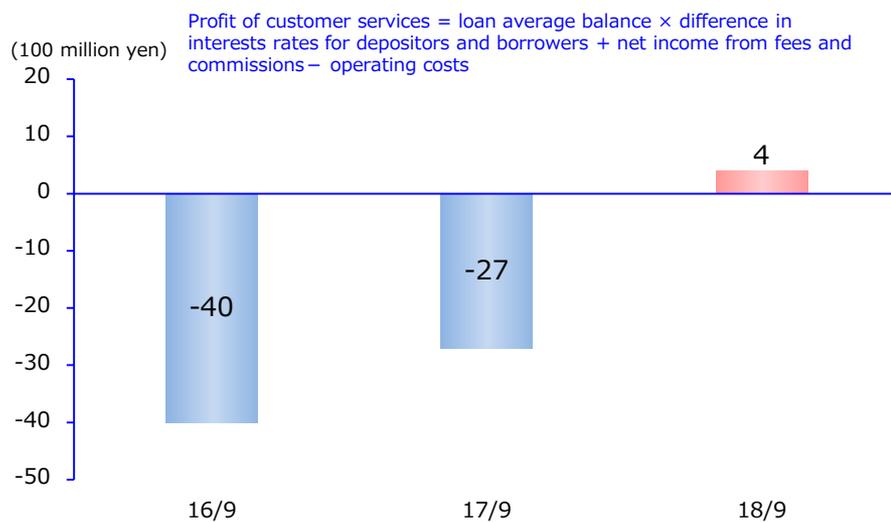
Expenses



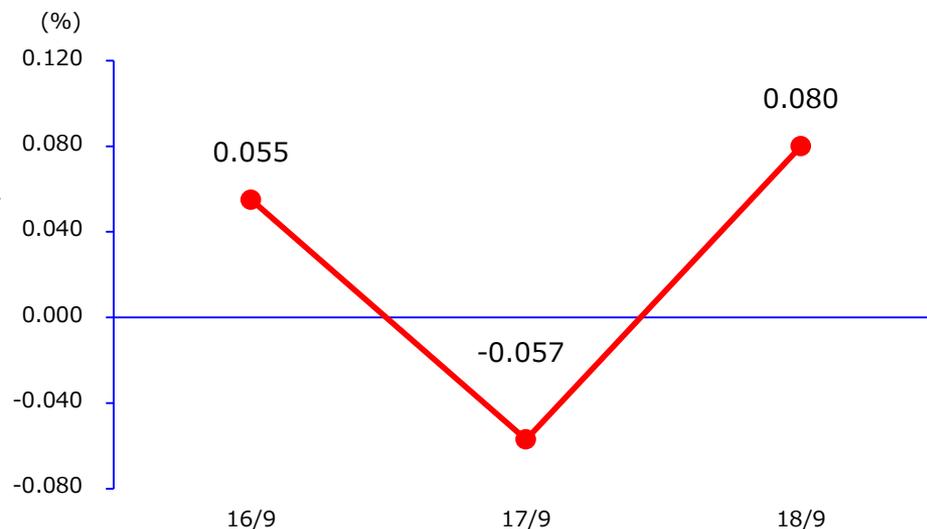
Core O H R



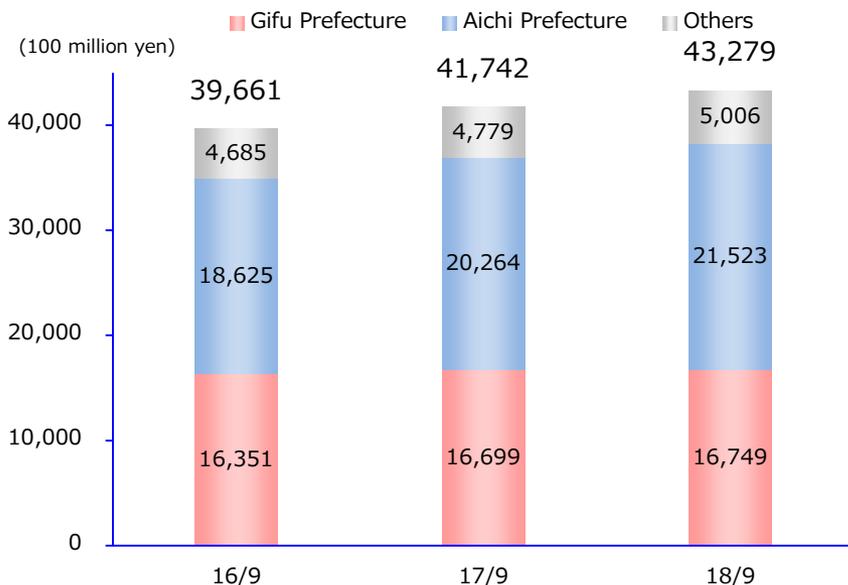
Profit of customer services



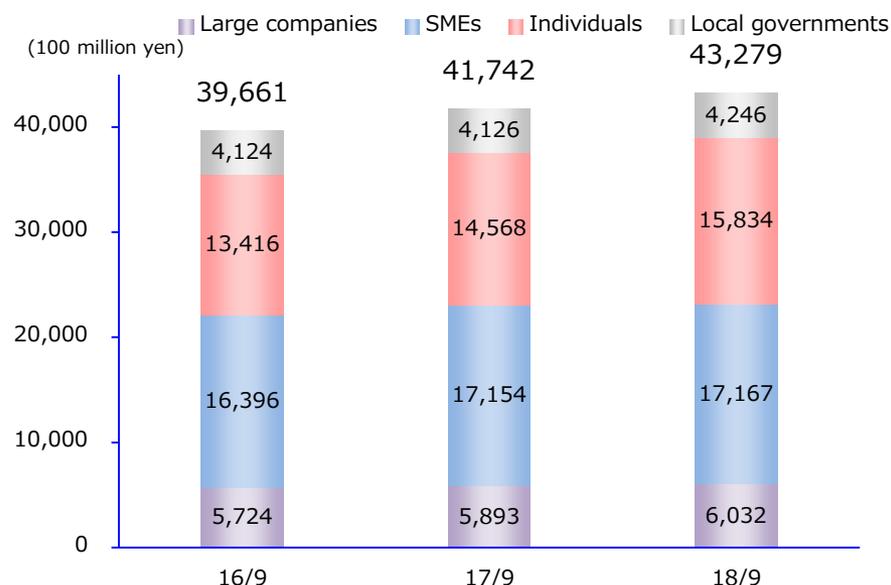
Net interest margin



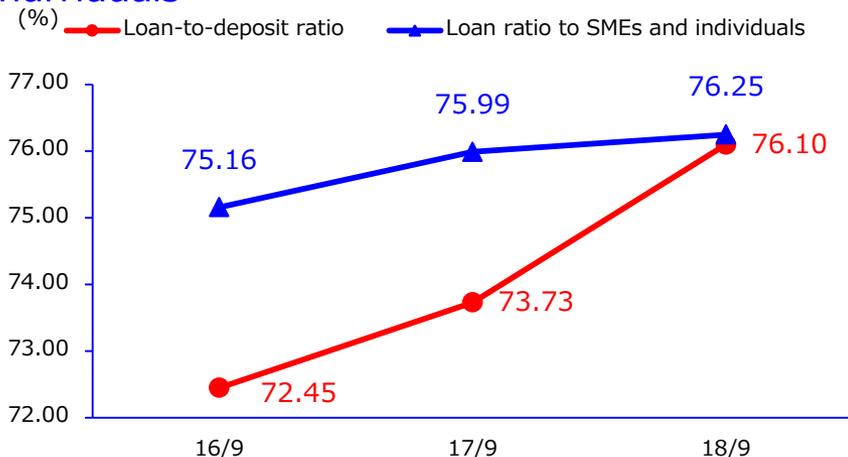
Loan balance (by region)



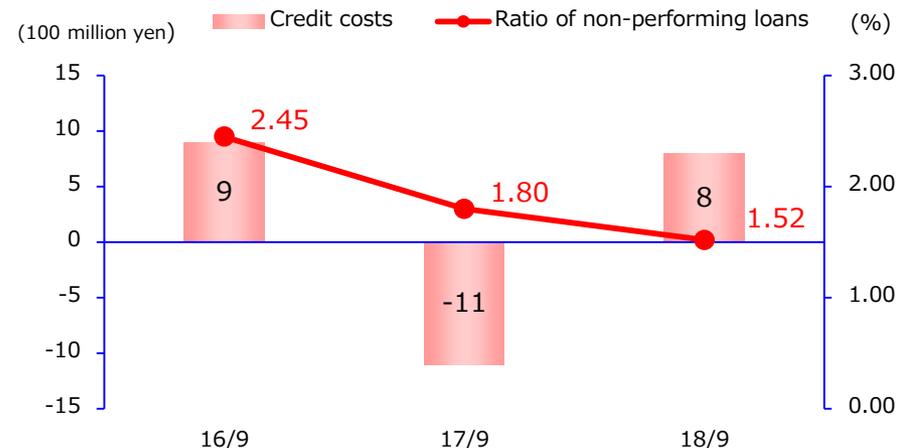
Loan balance (by sector)



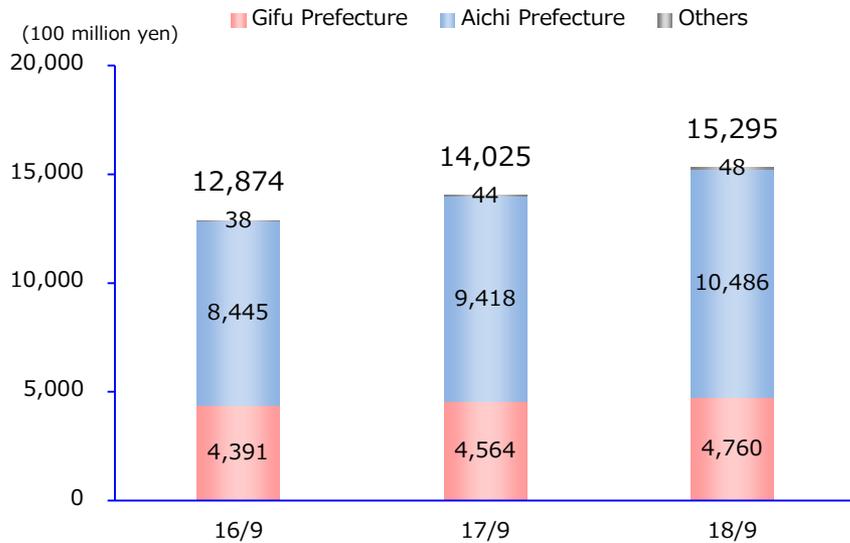
Loan-to-deposit ratio and loan ratio to SMEs and individuals



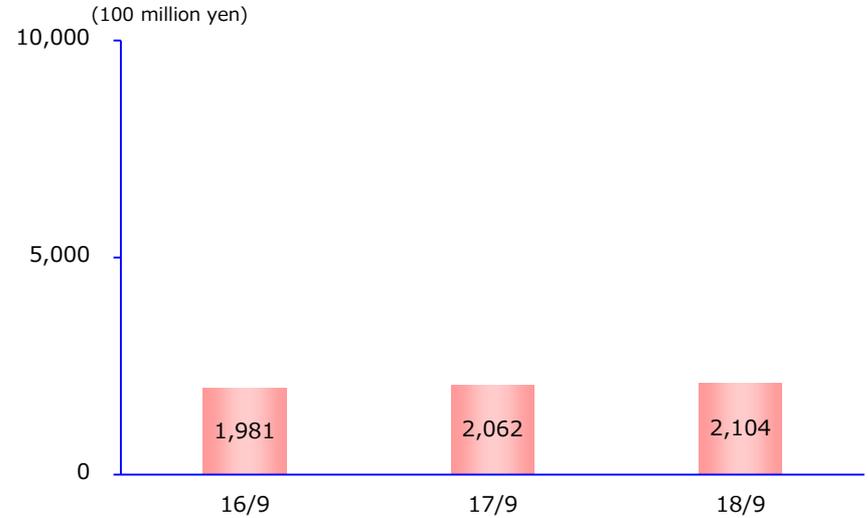
Credit costs and ratio of non-performing loans (Financial Revitalization Act basis)



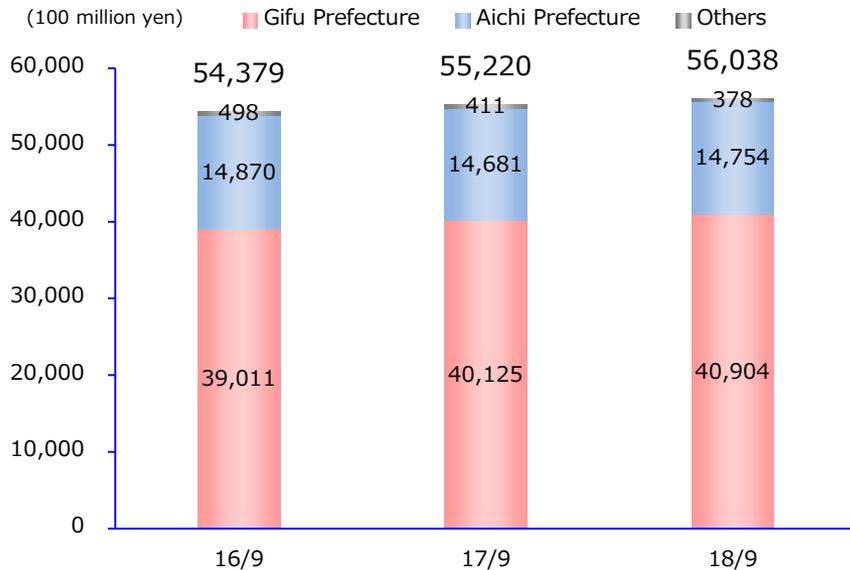
Home mortgage balance (except apartment loan)



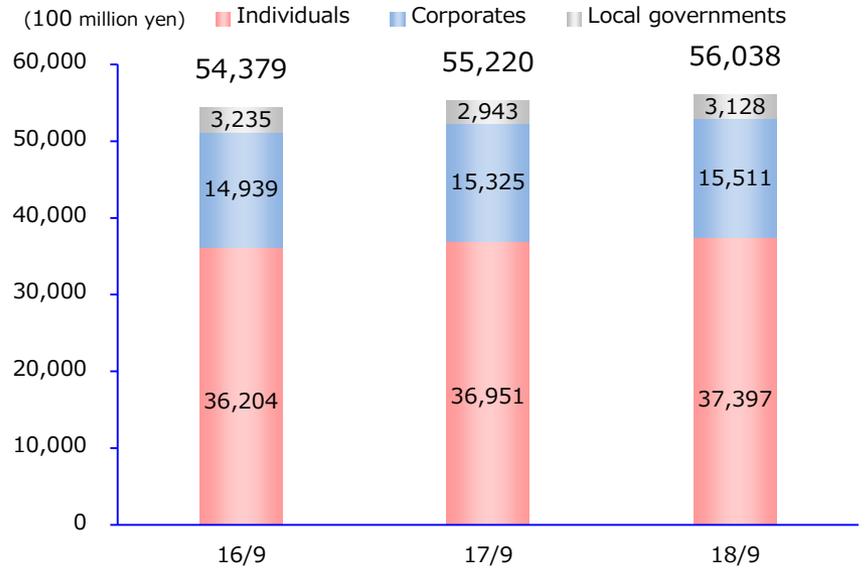
Apartment loan balance



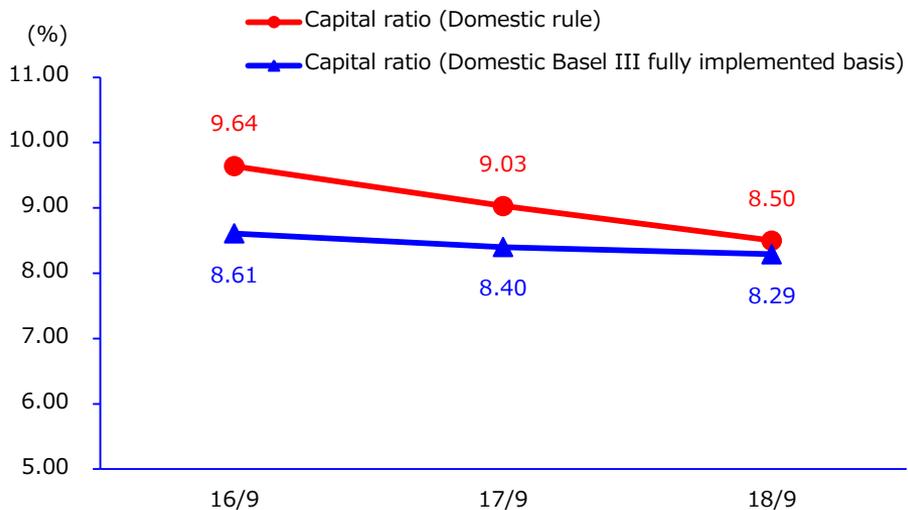
Deposit balance (by region)



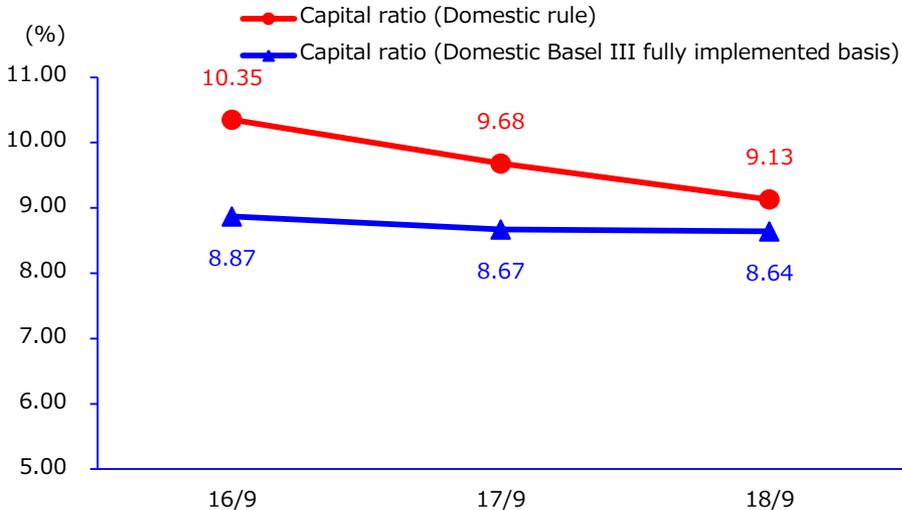
Deposit balance (by sector)



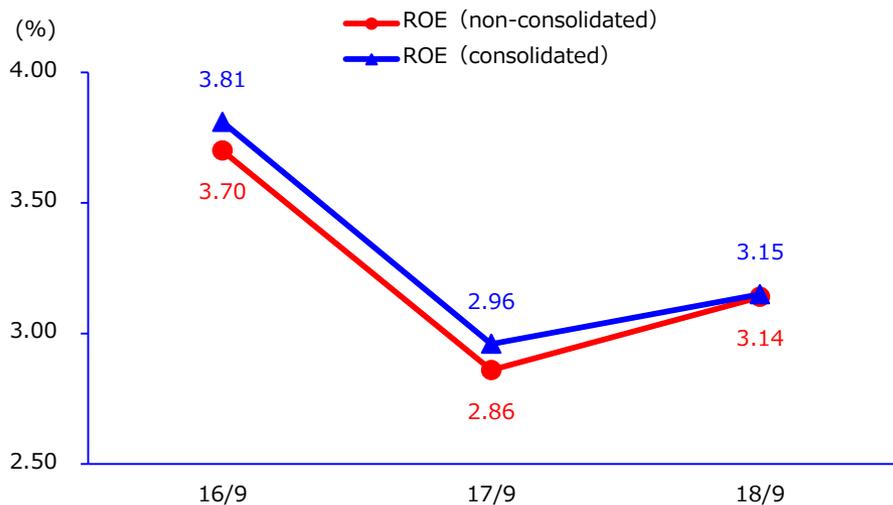
Capital ratio (non-consolidated)



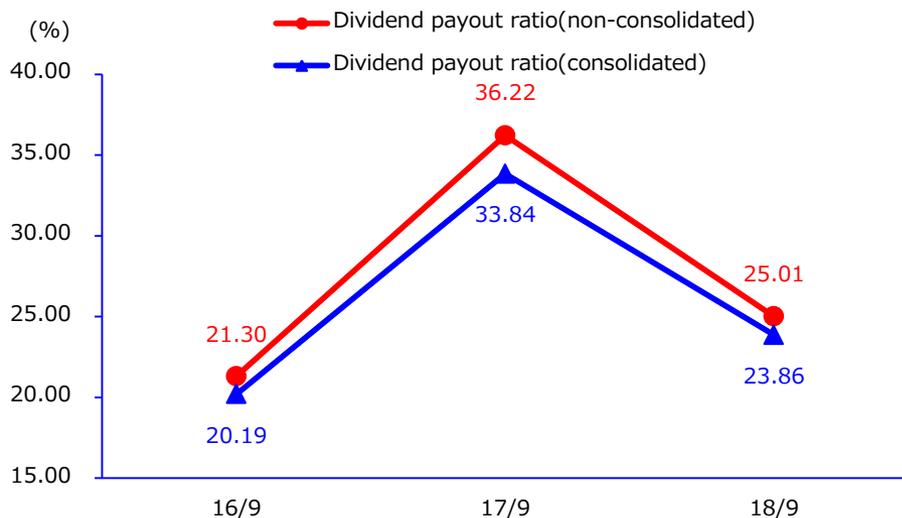
Capital ratio (consolidated)



ROE



Dividend payout ratio



14th Medium-term Management Plan

14th Medium-term Management Plan : Current status



Start April 2017

Midpoint  September 2018

End March 2020

14th Medium-term Management Plan

Major actions since the start of the plan

Sales structure reform	Establishment of customer-oriented business operation Introduced "Branch Activity Process Evaluation System" which evaluates efforts to establish long-term relationships with customers instead of seeking short-term profits
	Improvement of profitability Enhancement of financial intermediaries function Promoting loans to SMEs based on "evaluation of customers' business potentials", promoting corporate solution sales, promoting deposit asset sales, preparing for launch of joint venture subsidiary for securities business
Business process reform	Promotion of business process re-engineering Efficient branch operation Promoting "Branch Reform Project", slimming down Headquarter functions, expanding replacement of large scale full-banking type branches with less human compact branches
	Actions aiming at achieving core OHR 60% level Reducing costs through proper placement of human resources, cutting advertising expenses and software development expenses etc.

Numerical targets of 14th medium-term management plan

Contents		Before the plan (2017/3 Actual)	2018/3 (Actual)	2018/9 (Actual)	Targets for final FY (2020/3)
Earning capability	Net profit (consolidated)	10 billion yen	9.9 billion yen	5.4 billion yen	10 billion yen
Growth potential (Customer base)	Presence in local economy (deposit average balance + loan average balance)	9,350.1 billion yen	9,624.2 billion yen	9,801.0 billion yen	10 trillion yen
	Deposit average balance	5,410.8 billion yen	5,501.0 billion yen	5,565.6 billion yen	5,700 billion yen
	Loan average balance	3,939.3 billion yen	4,123.1 billion yen	4,235.4 billion yen	4,300 billion yen
Financial soundness	Capital ratio (consolidated) Domestic Basel III fully implemented basis	8.84%	8.60%	8.64%	Around 8.7%

Long-term target

Contents		Before the plan (2017/3 Actual)	2018/3 (Actual)	2018/9 (Actual)	Long-term target
Earning capability	ROE (consolidated)	3.00%	2.94%	3.15%	5.00% or above

Recent business activities

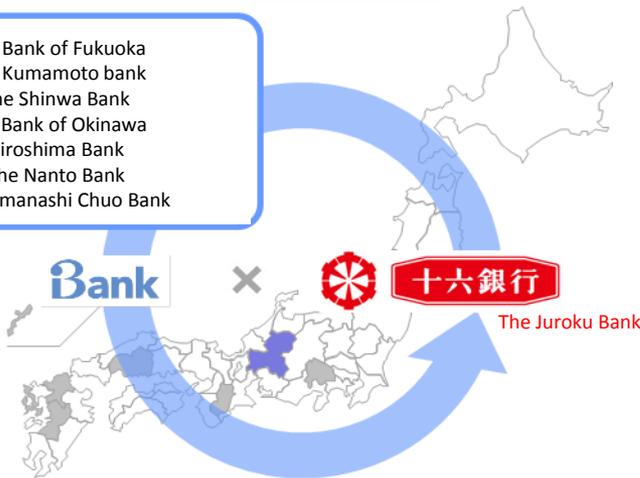
Participation in "iBank" alliance

Contracted basic agreement on start of negotiations for "iBank" alliance (November 2018)

First attempt in Central-Japan area

iBank service alliance

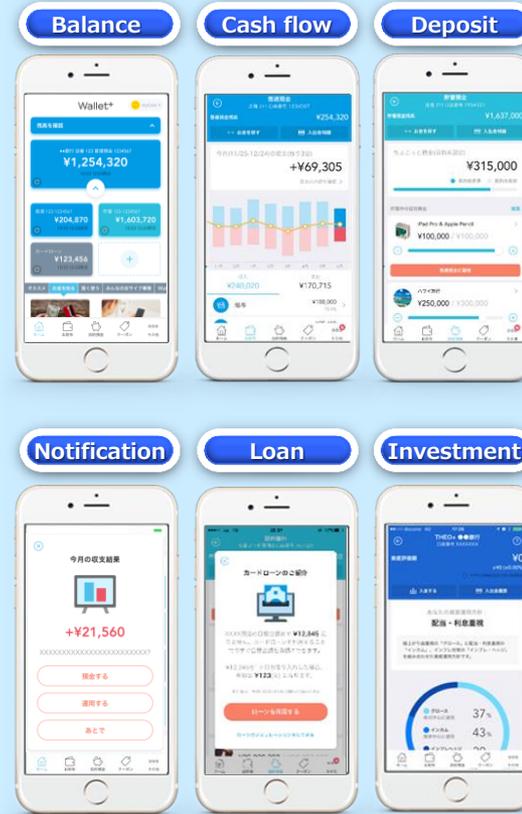
- The Bank of Fukuoka
- The Kumamoto bank
- The Shinwa Bank
- The Bank of Okinawa
- Hiroshima Bank
- The Nanto Bank
- The Yamanashi Chuo Bank



Considering capital participation and deployment of our employees

App for smartphone "Wallet+"

Financial functions

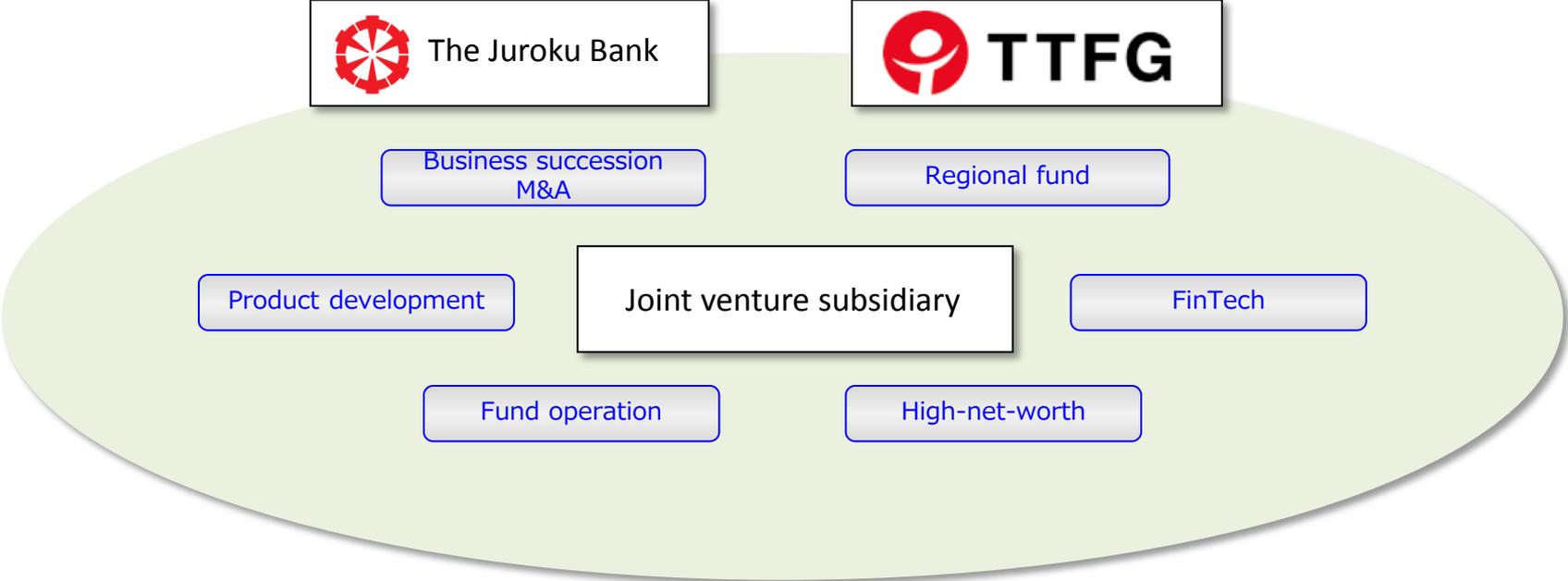


Non-financial functions



Realizing synergy effect through the tie-up

Will launch joint venture subsidiary for securities business as a first step, and provide next-generation's financial services to customers by making the best use of both companies' resources



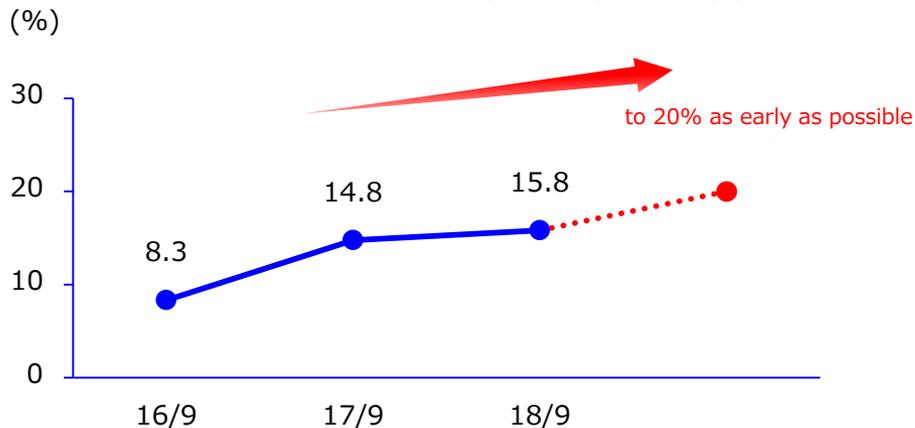
Progress of the tie-up



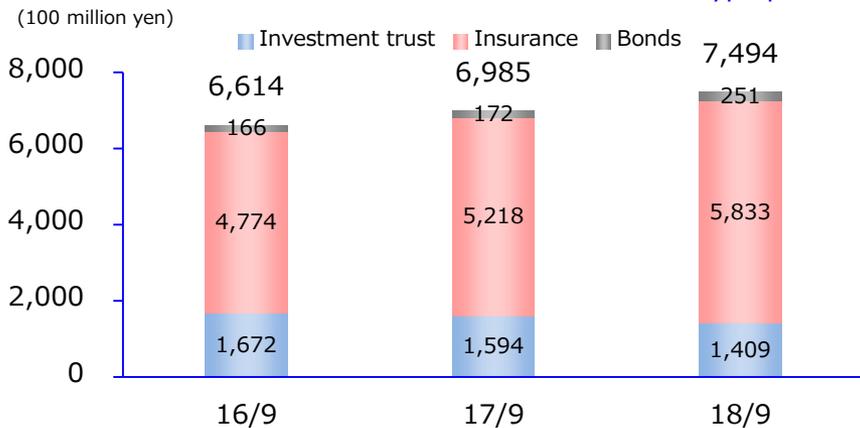
Ratio of fee revenue (fees and commissions + derivative related revenue) to core gross operating profit

Aiming to raise the ratio to 20% as early as possible from current 15% level to realize strong profitability against interest rate market volatilities

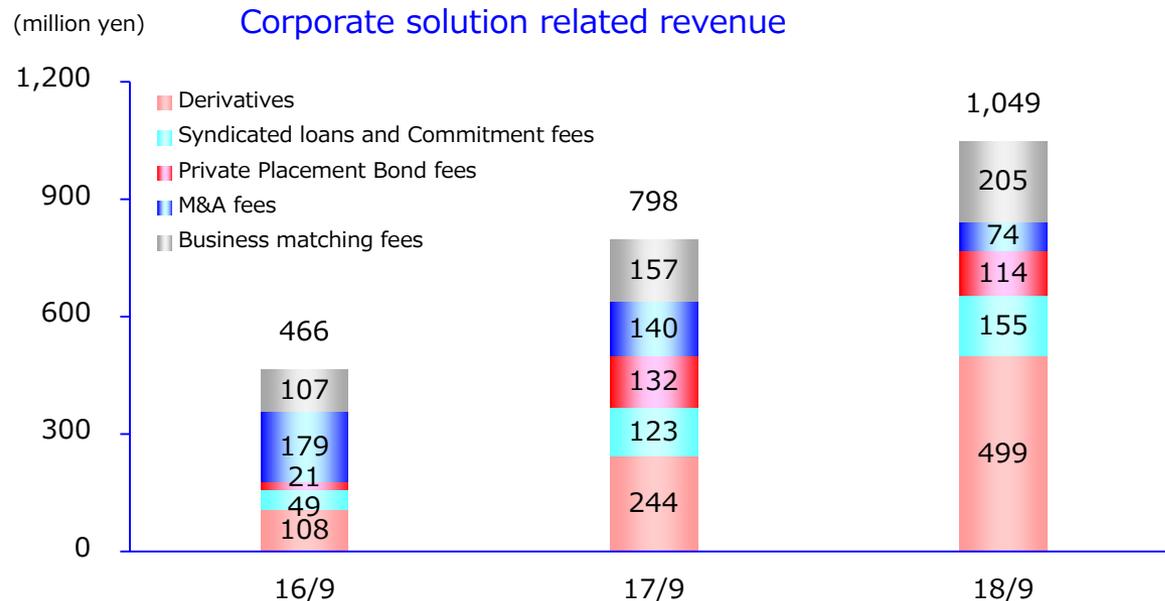
Ratio of fee revenue to core gross operating profit



Balance of individual client assets (Investment type product)



Corporate solution related revenue



Corporate solution related revenue grows steadily due to the effect of strengthening sales structure of setting up a “Corporate Solution Team” at headquarter in January 2018.

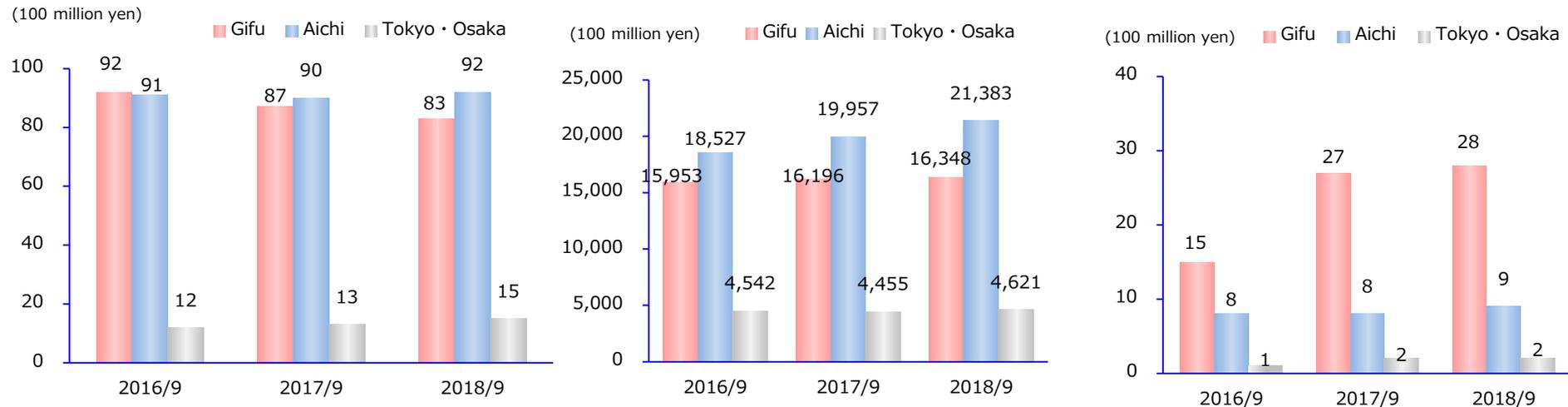
Derivative revenue is strong
 “Custom-made FX risk hedging product”, with which customers can adjust amount and timing of cash flow flexibly, successfully captured customer needs. FX risk hedging product **TARF** (Target Accrual Redemption Forward), which was released in 2017, also grows steadily.

In terms of net interest income on loans and deposits, Aichi exceeds Gifu.

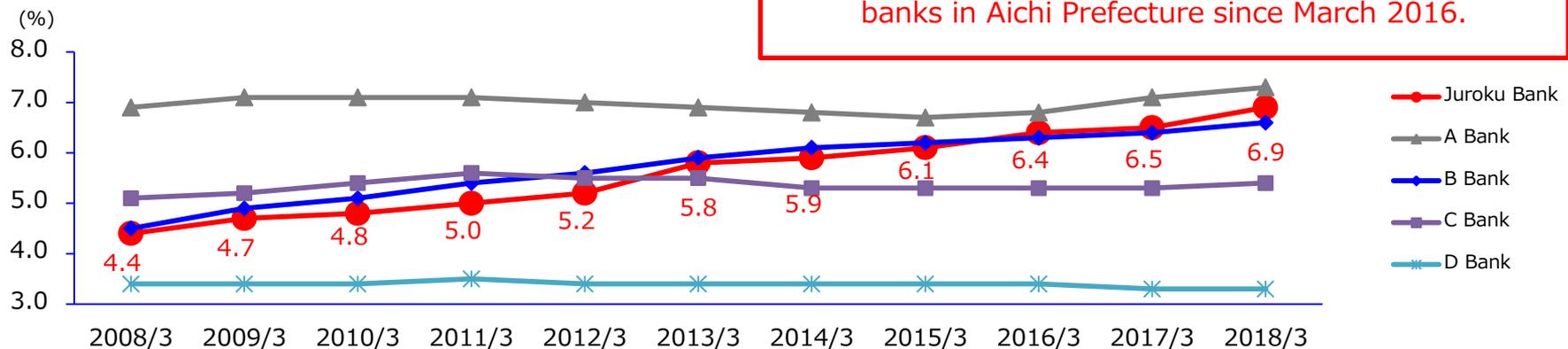
Net interest income on loans and deposits

Loan average balance

Fees and commissions



Market shares of loans in Aichi Prefecture

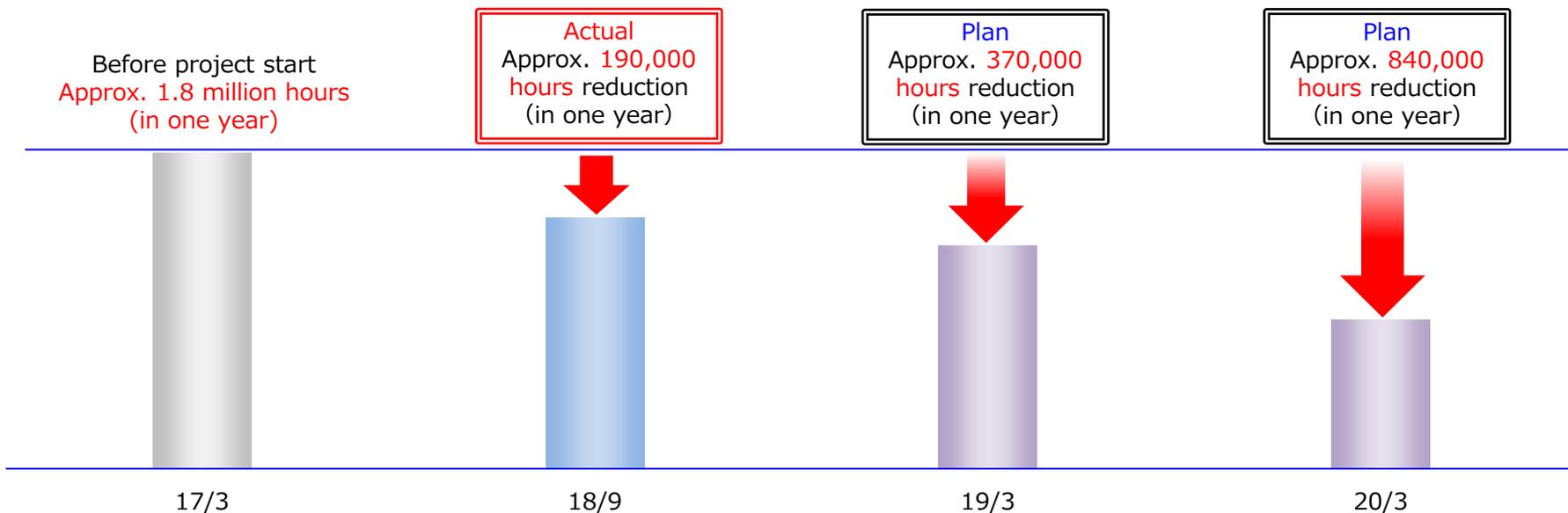


The Juroku Bank has been second among the regional banks in Aichi Prefecture since March 2016.

Branch reform project

By centralizing back office works at branches to headquarter, reviewing complicated work procedures and documents, utilizing IT, etc., eliminate back office operations from branches to create time for branch staffs to consult with customers

Changes in time required for back office works at branches by "Branch reform project"



Centralizing back office works

Processing center at headquarter undertakes back office works from branches in bulk



Back office works

Centralized processing

Improve efficiency

Headquarter



Measures after the first half of FY2018

- Further reduction of branch back office works by reassessment of decision authorities
- Centralization and automation of credit rating works
- Expansion of RPA covered works
- Introduction of electronic contract
- Introduction of tablet device for sales activity

Example of RPA covered work
Consolidated B/S spreadsheet
Automatic creation by RPA

Low cost branch operation and efficient sales activity

Expand compact branches with less human resources by reassessing branches with full-banking functions, and realize sales strength and efficiency by removing duplications of sales areas

10 branches with less human resource (BLHR)

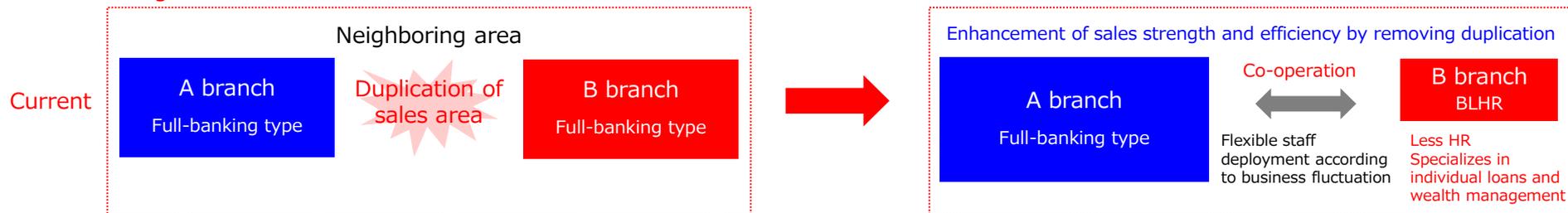
As of September 2018

Specializes in individual loans and wealth management, enables to be operated with less human resources than full-banking type branch



Further 20 to 30 full-banking type branches will be replaced with BLHRs by March 2020

Image of transformation to BLHR



Promotion of digitalization

Promote customer convenience and business efficiency by digitalization of channels and settlements

App for account opening

Launched March 2018 Account opening via smartphone

No need to visit, improve customer convenience

Juroku JCB debit card

Launched April 2018 Promote cashless settlements

Reduce cash related cost such as ATM's

Passbook-less account

Will be launched January 2019 Passbook function to Web

Improve customer convenience, reduce management cost

The Juroku Bank will actively address ESG related issues and aim to realize a sustainable community



Our environmental policy

Basic philosophy

The Juroku Bank Group recognizes that the whole society needs to be responsible for environmental conservation activities. As a good corporate citizen that serves local communities, we will contribute to the formation of a sustainable society and create corporate value by diligently addressing environmental issues through our business activities.

Guidelines

1. We will comply with environmental laws, regulations, agreements etc.
2. We recognize that effort to conserve the environment is one of our top management priorities, and strive to disclose information on our activities.
3. We will accurately grasp the environmental impact of our own corporate activities and work to reduce the environmental impact through energy saving and resource saving etc.
4. We will support customers' environmental conservation efforts through the development and provision of environment friendly financial products and services.
5. Based on a long-term perspective, we will promote contribution to society through wide range cooperation with community members.
6. We will educate our employees to improve their environmental awareness.

Environmental conservation activities Environment

Contribute to development of sustainable society through our environmental conservation activities, aiming to grow with the local society.

Participated in local volunteer activities

Nagara River clean up project (Gifu)



Toki River clean up activity (Gifu)



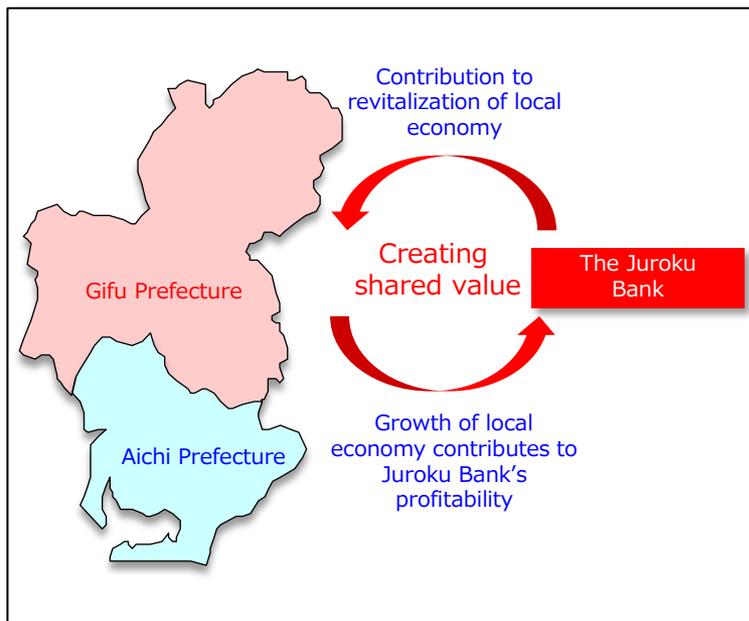
Forest protection activity

Activity at "Juroku Bank's Forest MITAKE"



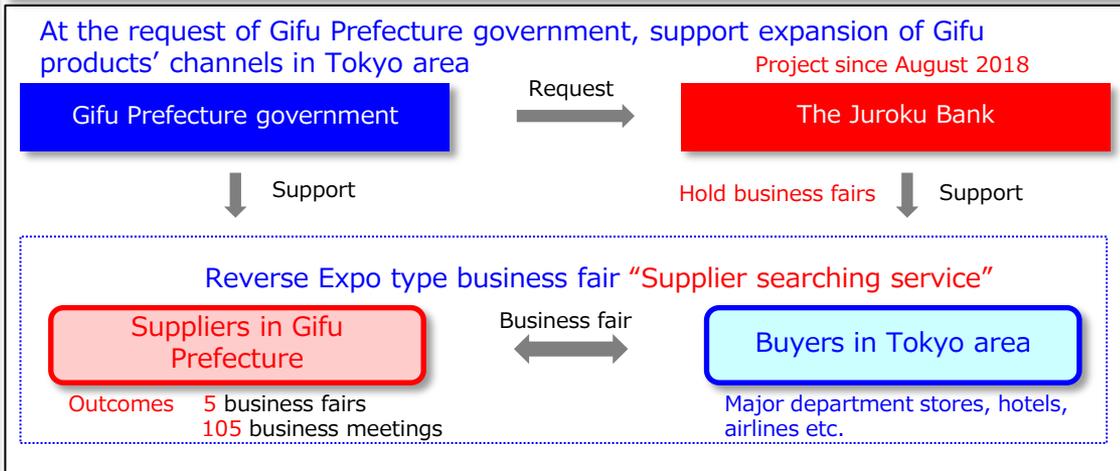
Investment in Green Bond

- Issuer Mitsubishi UFJ Lease
- Bond Green Bond #1
- Date of issue April 11, 2018
- Amount 400 million yen



“Gifu Brand” appeal project in Tokyo area Social

Gifu Prefecture government’s project to promote Gifu products in Tokyo area for Gifu Brand’s recognition and revitalization of local economy



Community development Social

Actively support community cheering events to increase inflow of people to the community and promote local economy

- Support for community cheering events**
- “Visit 16 Sake breweries at Nagara River” event
From June to December 2018
Tourism to visit to Sake breweries at Nagara River
Gifu prefecture is 7th place in terms of number of Sake breweries
 - “World’s TAMAMIYA Bar Ticket” event From August 2018
Support sales of tickets for local Sake and foods in “TAMAMIYA” area where bars and restaurants gather densely
 - “Nationwide entertainment festival” August 2018
Sub-culture event at YANAGASE shopping street in Gifu city
90 companies and groups participated
Approx. 30,000 people visited



Infrastructure development Social

Financially support Gifu Prefecture government’s large scale infrastructure projects, and promote revitalization of local economy through the region’s network infrastructure development

- Gifu Prefecture government’s large scale infrastructure projects**
- Tokai Loop Expressway West Route development
Budget **20.2 billion yen** (FY 2018)
 - Highways development
Budget **32.4 billion yen** (FY 2018)
- Financially support the projects by underwriting Gifu Prefecture Government bonds
- Actual underwriting in 1H FY 2018 19.8 billion yen**

Enhancement of financial intermediaries function

Social

Encourage engagement with customers, promote loan products which create strong relationships and commit long term supports

Loan product "Active Loan"

(Since December 2016)

Product features

- Main target is middle risk class
- Subject to create customers' business potentials evaluation sheet
- 7 years of maximum term (tail-heavy repayment equivalent to 15 years amortization possible)

Actual (as of September 2018)

- Number of execution : 1,042
- Total amount : 26.4 billion yen
- Average interest rate : 1.579%

Loan product "Growth Loan"

(Since March 2018)

Product features

- Subject to create business plan, set more than 3 KPIs, create customers' business potentials evaluation sheet
- 10 years of maximum term (tail-heavy repayment equivalent to 15 years amortization possible)

Actual (as of September 2018)

- Number of execution : 12
- Total amount : 2.1 billion yen
- Average interest rate : 1.692%

Engagement with customers by young employees

Social

Young employees of branches support customers' exhibition at Expo and expansion of business channels, which leads to deeper understanding of business contents of the customers

Hong Kong "Food Expo 2018"

In August 2018, at "Food Expo 2018" hosted by Hong Kong Trade Development Bureau, we provided supports to our customers such as recruiting exhibitors, holding preliminary meetings, reserving exhibition booths, assisting half of exhibition fees, creating PR brochures etc.

Young employees supported customers, strengthened engagement



Regional Bank Food Selection 2018

In October 2018, at the "Regional Bank Food Selection 2018" held at Tokyo Big Sight, we provided supports to our customers such as recruiting exhibitors, advising on improvement of products etc.

Young employees supported customers at Food Selection



Support tourism business

Social

Aiming to realize revitalization of local economy by promoting tourism with abundant local tourism resources

Rebirth of old Japanese folk house Supporting rebirth project of vacant old folk house to Japanese paper showroom with accommodations

Mino city, famous for its Japanese paper



Old townscape



Private business operator

Vacant

Old Japanese folk house

Renovation

Japanese paper showroom with accommodations

Appeals to the world as a center of Japanese paper

Paper wholesaler's house built about 100 years ago



Support

The Juroku Bank

Capital participation

Fund

ALL-JAPAN Tourism Fund

(MUFG Bank and 31 regional banks jointly invested) etc.

Gastronomy tourism

Four-party collaboration agreement on gastronomy tourism (April 2018)

The Juroku Bank

Juroku Research Institute

Alliance on gastronomy tourism

ANA strategic research institute

ONSEN & Gastronomy tourism association



What is gastronomy tourism?

It is a tourism aimed at enjoying the charm of local foods, local nature and local history etc.
It is popular around the world mainly in Europe and the United States.

Support for Asian students Social
 Contribute to legal system of Asia

Support for women Social
 Set numerical target on female appointment

Juroku SDGs Private Placement Bond Social
 Renewed former Juroku CSR Private Placement Bond

Juroku Bank's Scholarship for Asian students

The Juroku Bank

↑ Collaboration ↓

Nagoya University Graduate School of Law

Support Asian students / Support Asian legal system

Contribute to reduction of legal risks by supporting human resources on legal system of Asia where many of our customers are engaged in business

FY 2018 scholarship students

Nagoya University Graduate School of Law
 2 Vietnamese students
 (total 9 students since 2014)

Numerical targets

- Double the number of female employees in assistant manager positions or higher from 87 as of the end of FY 2014 to 174 by the end of FY 2020
Actual 118 as of September 2018
- Raise the ratio of female employees in leader positions or higher to 20% by the end of FY 2020
Actual 15.3% as of September 2018

※"Leader positions" are "assistant manager or higher", "Back office work leader", and "FA leader"

Renewed former Juroku CSR Private Placement Bond, newly launched Juroku SDGs Private Placement Bond "tsunagarukokoro" in November 2018

Financially support efforts to solve social problems in the region, and work with issuers to realize sustainable society

Juroku SDGs Private Placement Bond Issuer

→

Schools
 Local governments
 Public companies
 Social welfare entities
 NPOs etc.

Donates part of the issuance fee

Management Advisory Council Governance
 Ensure transparency and fairness of the Board of Directors

AML/CFT Governance
 Strengthen anti-money laundering and combating the financing of terrorism

Management Advisory Council (Since November 2015)

Human Resource Advisory Committee	Compensations and Others Advisory Committee
<p>Chairman Outside Director</p> <p>Member Outside Director 1 Inside Director 2 Outside Expert 1</p> <p>Advisory matters</p> <ul style="list-style-type: none"> • Matters concerning candidates for directors • Matters concerning candidates for auditors • Matters concerning selection of executive directors 	<p>Chairman Outside Director</p> <p>Member Outside Director 1 Inside Director 2 Outside Expert 1</p> <p>Advisory matters</p> <ul style="list-style-type: none"> • Matters concerning compensation etc. of directors • Matters concerning evaluation of effectiveness of the Board of Directors • Other management matters

- Actions so far**
- Established "Anti-Money Laundering Desk" in Risk Management Division (June 2018)
 - Identified and evaluated risks (July to September 2018)
 - Established "Anti-Money Laundering Policy" (October 2018)
 - Formulated risk reduction measures (November 2018)
 - Amended Risk Assessment Report (November 2018)
- Actions hereafter**
- Educate employees
 - Establish "Anti-Money Laundering Committee" where management members participate
 - Evaluate effectiveness regularly by PDCA cycle

2019/3 business forecasts

Non-consolidated

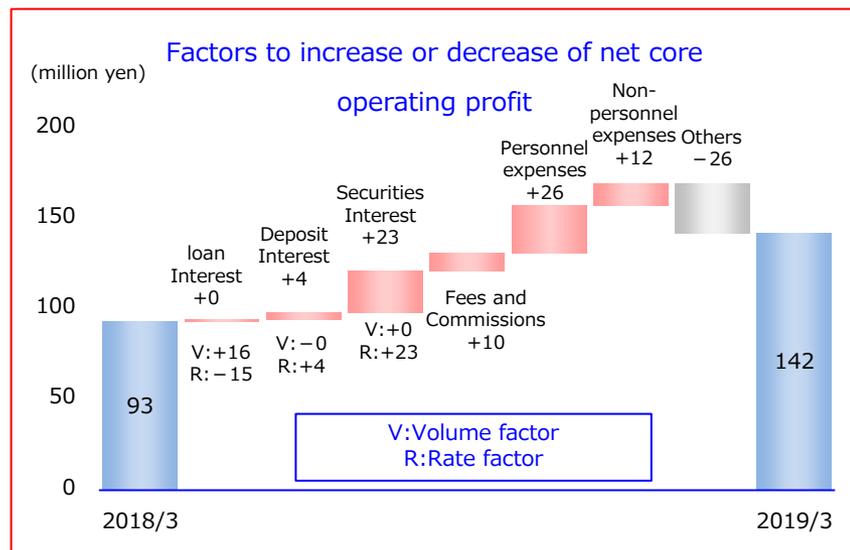
(unit : 100 million yen)

	2018/3 (actual)	2019/3 (forecasts)	YoY
Core gross operating profit	581	590	9
Net interest income	486	499	13
Fees and commissions	84	94	10
Other operating profit (except profit on JGBs and other debt securities)	10	△ 3	△ 13
Expenses	487	448	△ 39
Personnel expenses	270	244	△ 26
Non-personnel expenses	189	177	△ 12
Net core operating profit	93	142	49
Profit related to securities investment	22	15	△ 7
Profit on JGBs and other debt securities	△ 32	△ 12	20
Profit on equities	55	27	△ 28
Credit costs	△ 5	19	24
Ordinary profit	122	145	23
Net profit	93	100	7

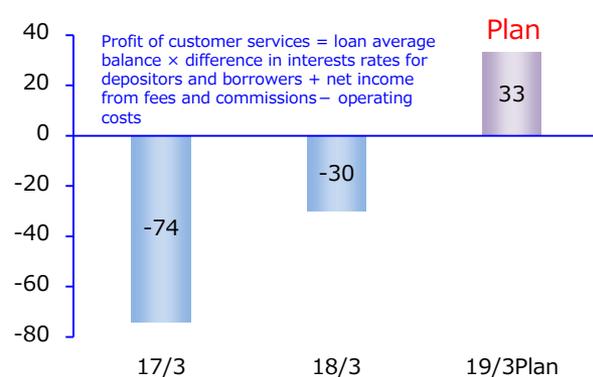
Consolidated

(unit : 100 million yen)

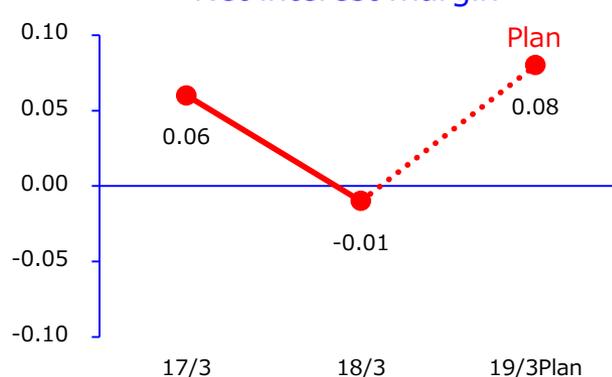
	2018/3 (actual)	2019/3 (forecasts)	YoY
Ordinary profit	139	151	12
Net income attributable to shareholders of the parent company	99	102	3



Profit of customer services



Net interest margin



Core OHR

