

# Fiscal 2018 Earnings Briefing

## Tonaru Ore Storage (Niihama City)

The "Besshi Copper Mine," which was one of the three major copper mines in Japan, has many ruins of old buildings which convey its history. It is called the "Machu Picchu of the East" because its appearance and surrounding landscape are compared to the former Inca Empire's Machu Picchu, a World Heritage Site.



伊予銀行

June 7, 2019



<b>I . Summary of Earnings for Fiscal 2018</b>	<b>Pg</b>
◎Profit and Loss Conditions in Fiscal 2018	3
◎Factors in Increase / Decrease in Core Business Gross Profit (Fiscal 2018)	4
◎Conditions in Loans, Deposits, and Assets in Custody	5
◎Conditions in Credit Costs and Disclosed Non-performing Loans	6
◎Conditions in Evaluation Gain on Securities and Equity Ratio	7
<b>II. Main Strategies and Progress of the Fiscal 2018 Medium-Term Management Plan</b>	<b>Pg</b>
◎Progress in “Digital-Human-Digital Bank”	9
◎Major Numerical Targets of Fiscal 2018 Medium-Term Management Plan	10
◎Plans for Loans, Deposits, and Assets in Custody	11
◎[Consulting Strategy (Personal Banking)] Strengthen Comprehensive Proposal Capability for Each and Every Customer	12
◎[Consulting Strategy (Corporate Banking I)] Strengthen Ability to Offer Value through “Get to Know Customers” Sales	13
◎[Consulting Strategy (Corporate Banking II)] Strengthen Consulting Functions for Solving Management Issues of Customers	14
◎[Consulting Strategy (Corporate Banking III)] Strengthen Efforts in Maritime Business Cluster	15
◎[Online Business Strategy] Efforts for Providing Value and Enriching Services through Direct Channels	16
◎[ICT Strategy] Expansion and Improvement of Touch Point Utilizing Digital Technologies	17
◎[Branch Strategy] Review Branch Functions Toward Realizing “D-H-D Bank”	18
◎[BPR Strategy] Improvement of Productivity Through Utilization of Digital Technologies and Concentration on Headquarters	19
◎[Regional Revitalization Strategy] Revitalization of Regional Economies through Creation of “Business” and “Employment”	20
◎[Market Strategy I] Strategic Asset Allocation Responding to Low Interest Environment	21
◎[Market Strategy II] Ensure Earnings from Market Investment; Stabilize Foreign Currency Procurement	22
◎[Personnel Strategy] Develop Organizational Culture of Proactive, Mutual Enhancement Toward Realizing “D-H-D Bank”	23
◎Efforts for ESG and SDGs	24
◎Efforts for ESG and SDGs	25
◎Profit / Loss Forecasts for Fiscal 2019	26



# I . Summary of Earnings for Fiscal 2018

## Gujo Observatory (Shikokuchuo City)

An industrial district and city lights are seen along the Seto Inland Sea in this 180-degree panoramic view, which is among the biggest night view spot in Shikoku.

This location was registered as one of the "Top 100 Japanese Night Views" and a "night view inheritance of Japan" and is also a popular attraction for lovers.



# Profit and Loss Conditions in Fiscal 2018

IYO BANK

- Although profit was down year-on-year at every income level, a certain level of profit was secured as core business net income and net income exceeded the earnings forecast.

Earnings for Fiscal 2018 (Nonconsolidated)

(Units: Millions of yen)

	Fiscal 2018	YoY	Increase/ Decrease	Fiscal 2017
Core business gross profit (Note 1)	76,176	(1,386)	(1.8%)	77,562
Interest and dividend income	66,441	(3,328)		69,769
Fees and commissions	7,063	+421		6,642
Of which, revenue on assets in custody	2,098	+172		1,926
Other operating income (Excluding profit/loss associated with bonds including JGBs, etc.)	2,671	+1,521		1,150
Expenses ( - )	50,357	+1,246	+2.5%	49,111
Personnel expenses	26,334	(41)		26,375
Nonpersonnel expenses	21,079	+1,278		19,801
Taxes	2,944	+10		2,934
Core business net income (Note 2)	25,818	(2,632)	(9.3%)	28,450
Credit costs ( - ) ①+②-③	5,806	+2,290		3,516
Provision of reserve for general loan losses ①	205	+893		(688)
Amortization of non-performing loans ②	6,130	+1,343		4,787
Recoveries of written off claims ③	528	(53)		581
Gain (loss) related to securities	4,155	(1,888)		6,043
Gain (loss) related to bonds including JGBs	206	(75)		281
Gain (loss) related to stock, etc.	3,949	(1,812)		5,761
Other temporary gain (loss)	2,181	+236		1,945
Ordinary income	26,349	(6,574)	(20.0%)	32,923
Extraordinary income (loss)	(527)	(214)		(313)
Income before income taxes	25,821	(6,789)		32,610
Net income	18,262	(4,400)	(19.4%)	22,662
Ordinary revenue	107,222	+5,013	+4.9%	102,209
Business net income	25,819	(3,602)	+12.2%	29,421

(Note 1) Core business gross profit: "Business gross profit" excluding profit/loss related to bonds including JGBs, etc.

(Note 2) Core business net income: Core business gross profit - Expenses

## Key factors in increase / decrease, etc. (YoY)

### Core business gross profit: Down ¥1,386 million YoY

- Interest and dividend income down due to a decrease in interest and dividends from securities
- Fees and commissions up due to increases in revenue on assets in custody, solution-related commissions
- Other operating income up due to an increase in gain (loss) on foreign exchange transactions, etc.

### Expenses: Up ¥1,246 million YoY

- Nonpersonnel expenses up as strategic investments increased, etc.

Core business net income down as core business gross profit decreased and expenses increased, down ¥2,632 million YoY

### Credit costs: Up ¥2,290 million YoY

- Provision of reserve for general loan losses increased due to a rise in loan loss result, etc.
- Amortization of non-performing loans increased due to an increase in bankruptcies and downgrades, etc.

### Gain (loss) related to securities: Down ¥1,888 million YOY

Gain (loss) related to bonds including JGBs (Down ¥75 million YoY)

Gain (loss) related to stock, etc. (Down ¥1,812 million YoY)

- Gain (loss) related to stock, etc., down due to a decrease in gains on sales of securities, etc., and an increase in losses on devaluation of securities

### Other temporary gain (loss): Up ¥236 million YoY

- Temporary retirement benefit expenses down

Due to a decrease in core business net income and an increase in credit costs and other factors, ordinary income decreased, down ¥6,574 million YoY

### Extraordinary income (loss): Down ¥214 million YoY

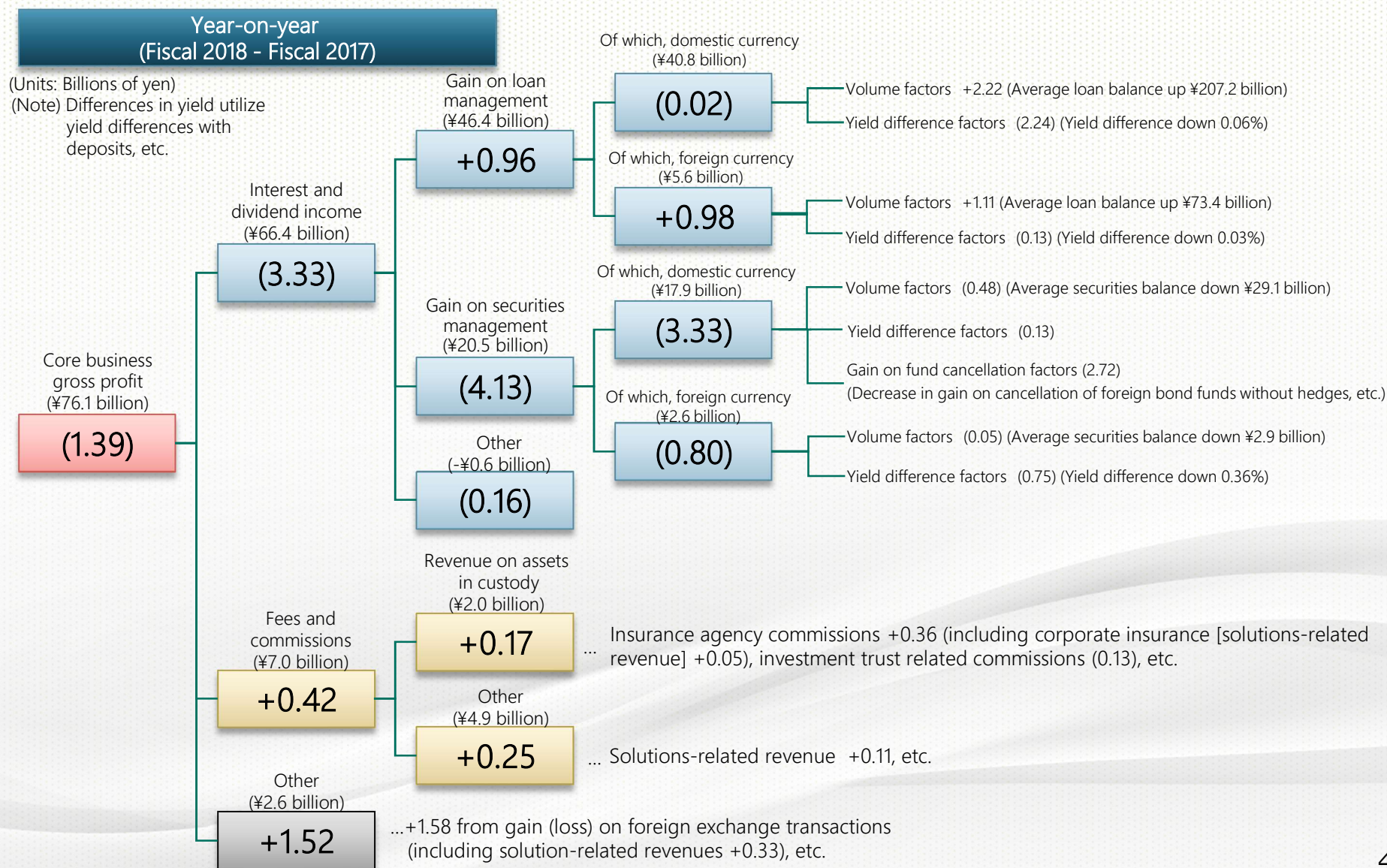
As a result, net income was down ¥4,400 million YoY



# Factors in Increase / Decrease in Core Business Gross Profit (Fiscal 2018)

IYO BANK

- Interest and dividend income were down due to a decrease in gain on fund cancellation, etc., despite an increase in gain on loan management
- Fees and commissions were up due to higher solutions-related revenue and revenue on assets in custody, etc.





# Conditions in Loans, Deposits, and Assets in Custody

IYO BANK

- "Deposits, etc." were up 3.0% year-on-year
- "Loans" were up 6.0% year-on-year. Loans and deposits both grew for the 22nd consecutive year

Balance of deposits, etc. by region

(Units: Billions of yen)

Region	Fiscal 2017	Fiscal 2018	YoY	Increase/Decrease
Within Ehime Prefecture	4,301.2	4,413.0	+111.8	+2.6%
Shikoku (excluding Ehime)	251.1	230.2	(20.9)	(8.3)%
Kyushu	171.4	166.0	(5.4)	(3.2)%
Chugoku	254.9	250.5	(4.4)	(1.7)%
Kinki	128.6	146.3	+17.7	+13.8%
Tokyo and Nagoya	391.1	425.9	+34.8	+8.9%
Overseas, etc.	47.2	80.5	+33.3	+70.6%
<b>Total</b>	<b>5,546.0</b>	<b>5,712.6</b>	<b>+166.6</b>	<b>+3.0%</b>

Balance of assets in custody

(Units: Billions of yen)

	Fiscal 2017	Fiscal 2018	YoY	Increase/Decrease
Group assets in custody	544.4	557.4	+13.0	+2.4%
Balance at the Bank	343.0	357.9	+14.9	+4.3%
Balance at Shikoku Alliance Securities	201.4	199.5	(1.9)	(0.9)%
Sales of Group assets in custody	138.5	117.6	(20.9)	(15.1)%
Sales at the Bank	61.4	56.7	(4.7)	(7.7)%
Sales at Shikoku Alliance Securities	77.0	60.8	(16.2)	(21.0)%

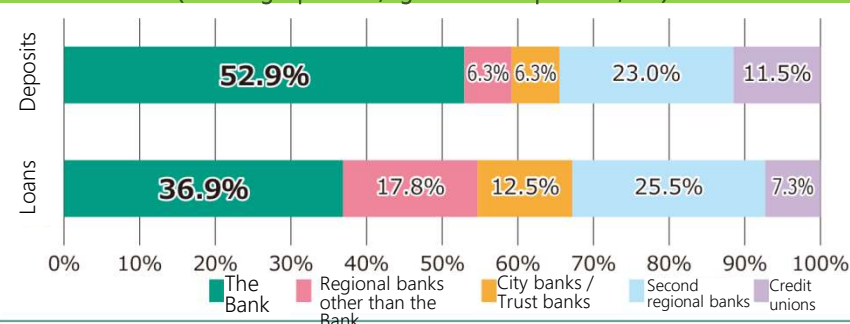
Balance of loans by region

(Units: Billions of yen)

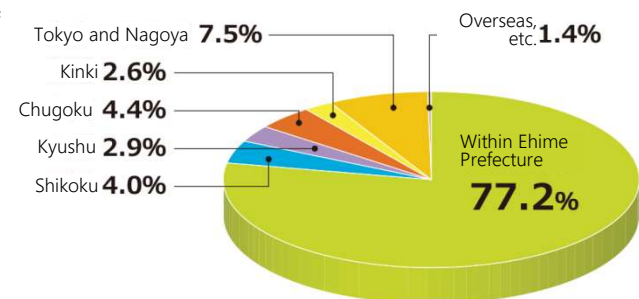
Region	Fiscal 2017	Fiscal 2018	YoY	Increase/Decrease
Within Ehime Prefecture	2,285.0	2,351.1	+66.1	+2.9%
Shikoku (excluding Ehime)	273.0	294.3	+21.3	+7.8%
Kyushu	281.9	295.1	+13.2	+4.7%
Chugoku	377.7	410.7	+33.0	+8.7%
Kinki	328.3	361.2	+32.9	+10.0%
Tokyo and Nagoya	596.0	625.8	+29.8	+5.0%
Financial Market Business Office	85.4	109.8	+24.4	+28.6%
<b>Total (domestic branches)</b>	<b>4,227.5</b>	<b>4,448.4</b>	<b>+220.9</b>	<b>+5.2%</b>
Overseas, etc.	65.1	102.4	+37.3	+57.3%
<b>Total</b>	<b>4,292.6</b>	<b>4,550.8</b>	<b>+258.2</b>	<b>+6.0%</b>

\*Please refer to pages 12 and 13 of the Reference Materials section for the breakdown, etc. of the balance of loans and deposits at the end of the period.

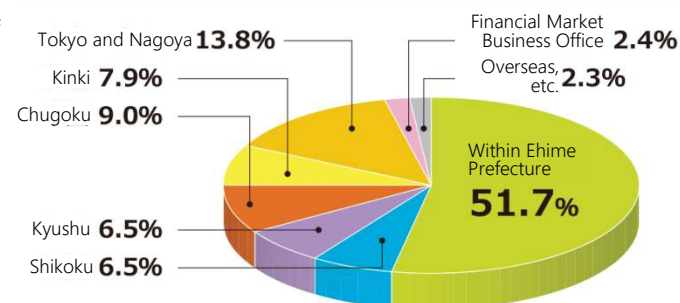
Share within Ehime Prefecture as of March 31, 2019  
(excluding Japan Post, agricultural cooperatives, etc.)



Composition by region for balance of deposits, etc.



Composition by region for balance of loans





# Conditions in Credit Costs and Disclosed Non-performing Loans

IYO BANK

- Credit costs were up year-on-year mainly due to increases in bankruptcies and downgrades
- Ratio of disclosed non-performing loans was 1.48%, remaining at a low level

## Credit costs by factor

(Units: Billions of yen)

	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	YoY
Credit costs total	1.8	0.6	3.5	5.8	+2.3
Provision of reserve for general loan	(1.3)	(0.8)	(0.6)	0.2	+0.9
Amortization of non-performing loans	4.5	2.4	4.7	6.1	+1.3
Bankruptcies	1.4	0.2	0.8	1.0	+0.2
Downgrades, etc.	5.9	5.0	6.3	6.9	+0.6
Upgrades and collections	(2.8)	(2.9)	(2.3)	(1.8)	+0.5
Recoveries of written off claims ( - )	1.3	0.8	0.5	0.5	(0.1)
Credit management expense ratio (*)	0.05%	0.02%	0.09%	0.13%	+0.05P

(\*) Credit management expense ratio = Credit costs / Average loan balance

## Amounts and ratios of disclosed non-performing loans under the Financial Reconstruction Act

(Units: Billions of yen)

	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	YoY
Loans to bankrupt or effectively bankrupt borrowers	4.2	4.4	3.0	6.0	+3.0
Doubtful assets	45.5	39.8	44.1	46.6	+2.5
Credit subject to specific risk management	16.9	18.1	18.0	18.6	+0.6
Total disclosed non-performing loans	66.7	62.4	65.2	71.3	+6.1
Ratio of disclosed non-performing loans	1.64%	1.48%	1.44%	1.48%	+0.04P

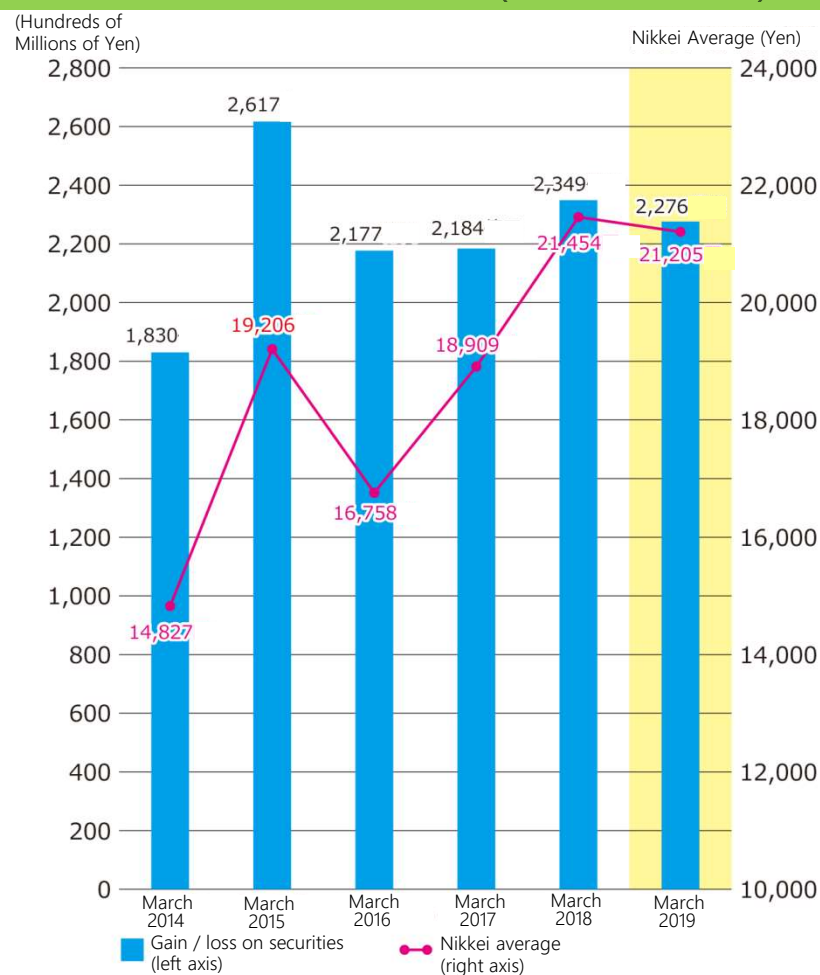


# Conditions in Evaluation Gain on Securities and Equity Ratio

IYO BANK

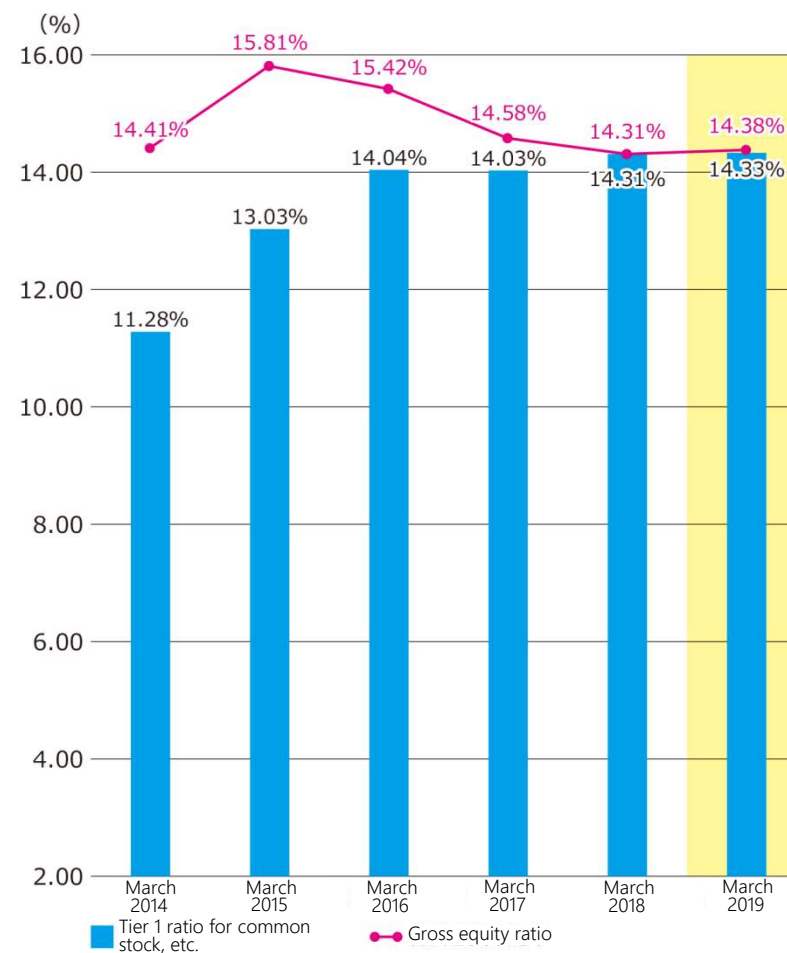
- Evaluation gain on securities was ¥227.6 billion, **maintaining a top class level among regional banks**
- Consolidated equity ratio (BIS standards) was 14.38%

## Evaluation Gain on Securities (Nonconsolidated)



(Note) Excludes evaluation gains / losses on money held in trust

## Consolidated Gross Equity Ratio





# II. Main Strategies and Progress of the Fiscal 2018 Medium-Term Management Plan

Second Stage for 150  
(April 1, 2018 – March 31, 2021)

## Mount Kamegamori (Saijo City)

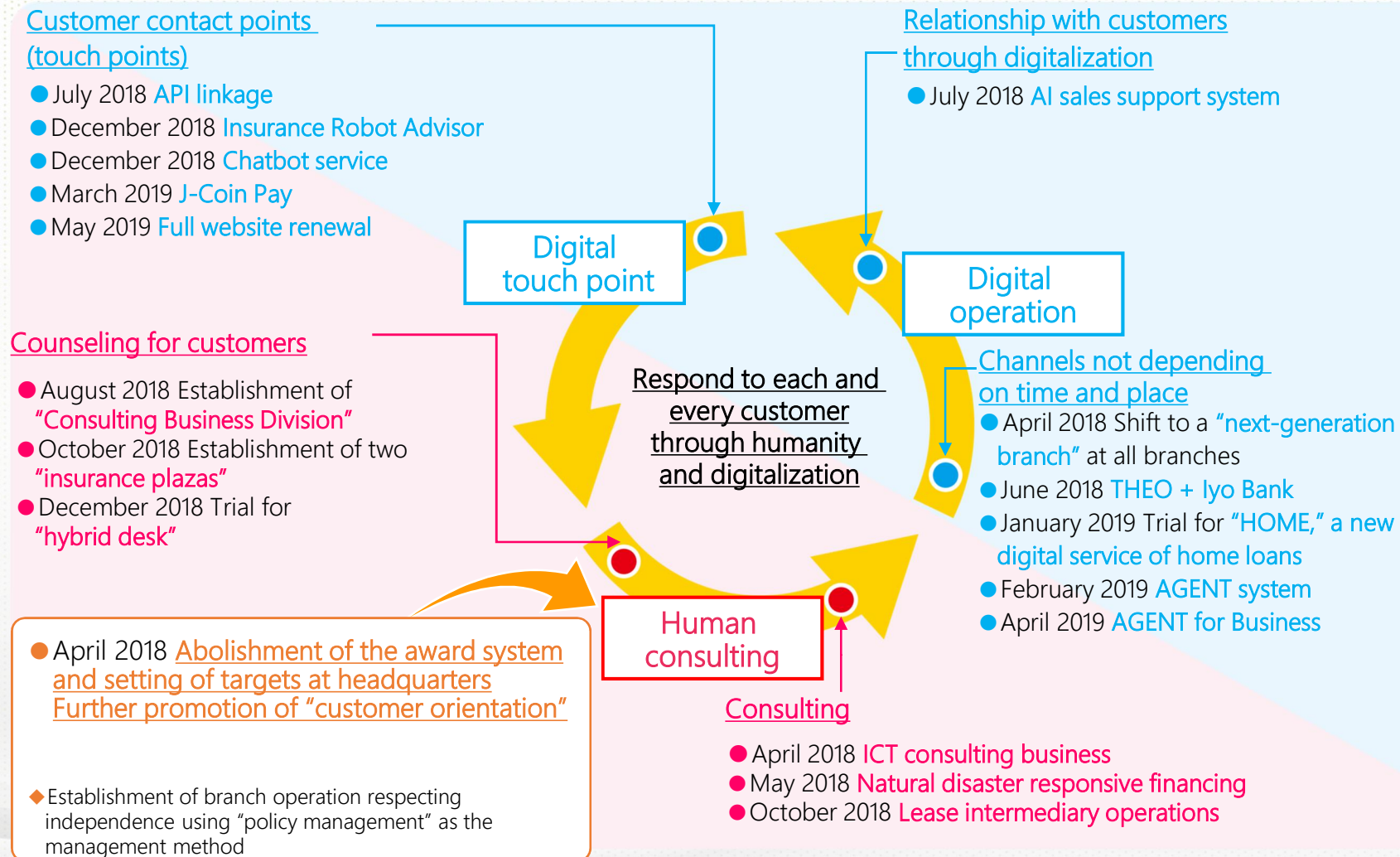
As one of the "Three Hundred Famous Mountains of Japan," Mount Kamegamori is a popular climbing spot for families.

Many mountain climbers are awestruck by Mount Ishizuchi, one of the highest mountains in western Japan, which can be seen in the distance. A gently sloping prairie of bamboo grass and snag forests with bleached white trunks provides natural beauty that make it worthy of being called the "Panorama Dai," or panoramic viewing platform of Shikoku.





## Digital touch point - Human consulting - Digital operation





# Major Numerical Targets of Fiscal 2018 Medium-Term Management Plan

IYO BANK

- Present progress is generally steady against numerical targets of the Medium-Term Management Plan
- Net income is planned for ¥20.5 billion for the final year due to implementation of various measures, despite continued expectations for a difficult business environment

Target items	Fiscal 2018	
	Targets	Results
Core business gross profit	¥75.0 billion	¥76.1 billion
Fees and commissions	¥7.0 billion	¥7.0 billion
Net income	¥18.0 billion	¥18.2 billion
ROE	3.0% or more	2.99%
Core OHR	70.0% or less	66.10%
Equity ratio (BIS standard)	15.0% or more	14.38%
Ratio of non-performing loans	2.0% or less	1.48%



Fiscal 2020 Targets
¥76.5 billion
¥8.5 billion
¥20.5 billion
3.0% or more
65.0% or less
15.0% or more
2.0% or less



# Plans for Loans, Deposits, and Assets in Custody

IYO BANK

- Deposits, etc., are planned to be increased approx. **¥270.0 billion** during the three years of the Medium-Term Management Plan, with an average balance totaling **¥5,724.0 billion** during fiscal 2020
- Loans are planned to be increased approx. **¥639.0 billion** during the three years of the Medium-Term Management Plan, with an average balance totaling **¥4,757.0 billion** during fiscal 2020

Plans for average deposits, etc., balance and assets in custody balance

(Units: Billions of yen)

	Fiscal 2017	Fiscal 2018		Fiscal 2019		Fiscal 2020		
		Results	YoY	Plan	YoY	Plan	YoY	Increase/decrease during the
Average deposits, etc., balance	5,453.7	5,576.3	+122.6	5,681.0	+104.7	5,724.0	+43.0	+270.3
Of which, individual deposits	3,387.1	3,417.2	+30.1	3,435.0	+17.8	3,450.0	+15.0	+62.9
Group assets in custody balance (including Shikoku Alliance Securities)	544.4	557.4	+13.0	579.0	+21.6	621.0	+42.0	+76.6
Of which, balance of assets in custody at the Bank	343.0	357.9	+14.9	367.0	+9.1	391.0	+24.0	+48.0
Of which, balance at Shikoku Alliance	201.4	199.5	(1.9)	212.0	+12.5	230.0	+18.0	+28.6

Plans for average loan balance

(Units: Billions of yen)

	Fiscal 2017	Fiscal 2018		Fiscal 2019		Fiscal 2020		
		Results	YoY	Plan	YoY	Plan	YoY	Increase/decrease during the
Average loan balance	4,118.0	4,398.6	+280.6	4,614.0	+215.4	4,757.0	+143.0	+639.0
Corporate loans	2,784.6	2,940.1	+155.5	3,051.0	+110.9	3,115.0	+64.0	+330.4
Of which, within Ehime	1,254.3	1,300.4	+46.1	1,315.0	+14.6	1,323.0	+8.0	+68.7
Individual loans	996.5	1,034.8	+38.3	1,078.0	+43.2	1,109.0	+31.0	+112.5
Municipal loans	236.8	241.5	+4.7	245.0	+3.5	249.0	+4.0	+12.2
Financial Market Business Office	74.4	98.8	+24.4	122.0	+23.2	144.0	+22.0	+69.6
Singapore Branch	25.5	83.2	+57.7	118.0	+34.8	140.0	+22.0	+114.5

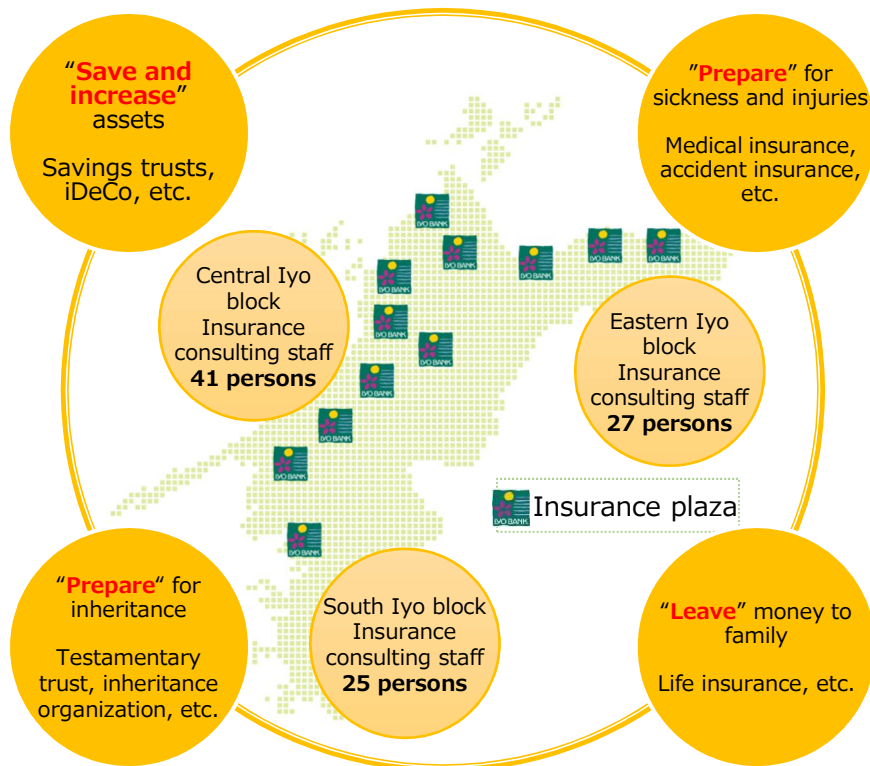


# Strengthen Comprehensive Proposal Capability for Each and Every Customer

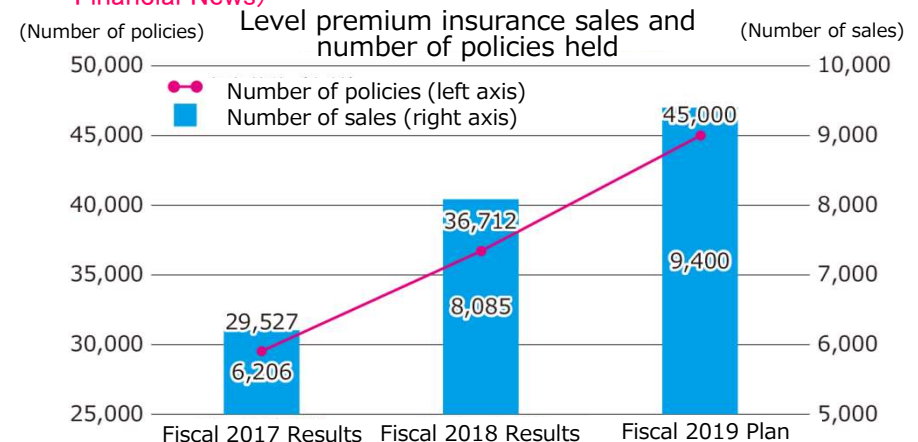
- Support to realize the rich future of customers through consulting with a high level of expertise

## Comprehensive proposals responding to “life events” and “thoughts”

- Realize lifetime transactions with households by connecting generations through finance
- Deployed 12 “insurance plazas” in Ehime Prefecture to respond to various customer needs
- Placed 93 “insurance consulting staff” members who are able to provide consulting services similar to “insurance plazas”

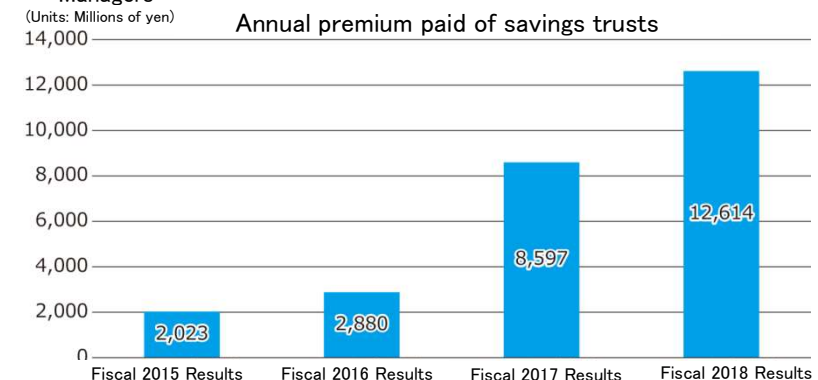


- Medical insurance sales results were 4,605 cases in fiscal 2018, which is No. 1 among regional banks (survey by The Japan Financial News)



## Expansion of range of asset management by investment education

- Strengthen proposals for savings trusts as a method of “protecting and growing” assets
- Continue investment education via customer seminars led by Bank Branch Managers





- Share our customers' management issues through "get to know customers" sales based on business feasibility assessment to offer smooth financing and solutions for issues
- Improve ability to offer value and strengthen the fee business through diversified support menus

### Sharing of management issues and optimal offering of value through business feasibility assessment

- Share customers' management issues using "Mirai Support Sheet" as a business feasibility assessment tool and the "business feasibility assessment investigation committee" held among the headquarters and branches

#### <Example> Company A (hotel business)

Ratings: Borrower requiring close monitoring  
(restructuring of lending terms)

Mirai Support Sheet <bank branch>

Remaining of restructured loans

Business succession plan not developed

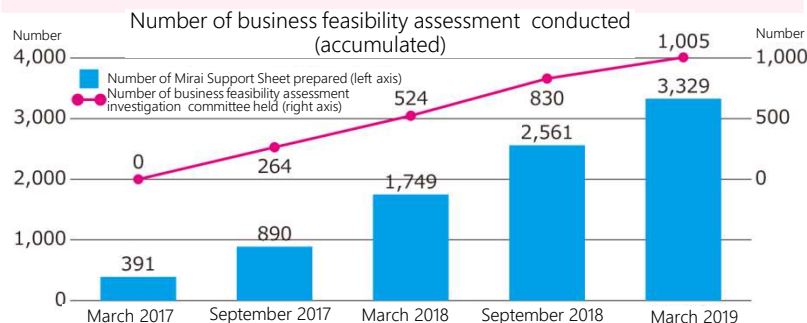
Business feasibility assessment investigation committee

<headquarters and bank branch>

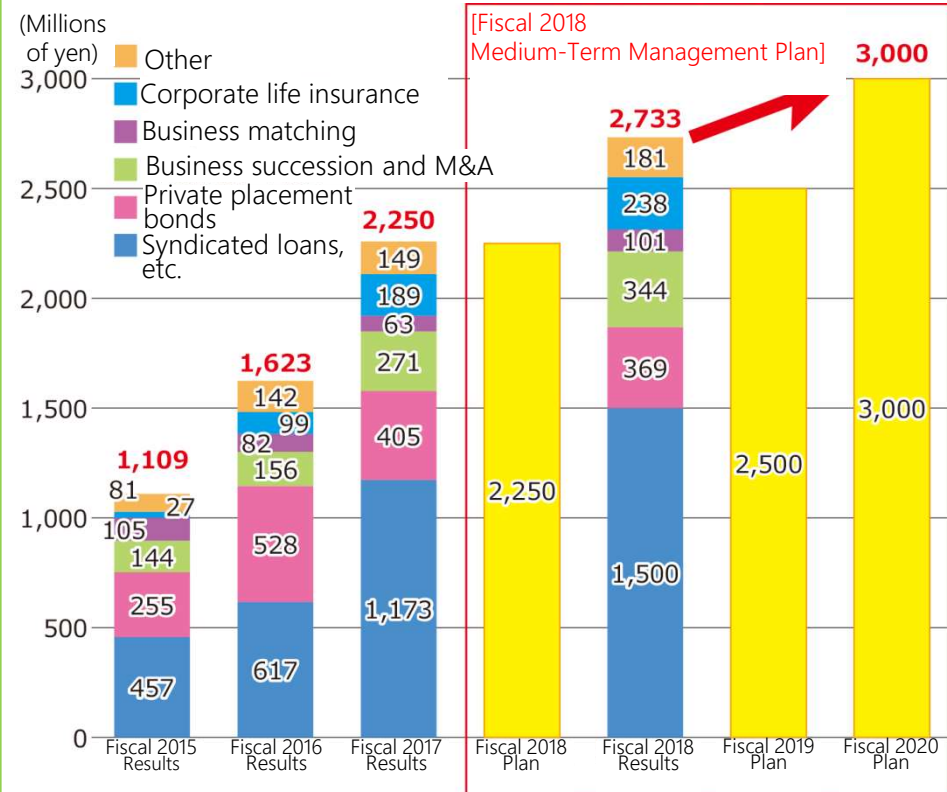
Review of repayment scheme

Support of business succession plan

Actions	Amount	Fee revenue
Execution of loans	¥1.5 billion	¥45 million
Underwriting of private bonds	¥0.7 billion	¥28 million
Advisory agreement on business succession	—	¥1.2 million



### Results and plans for solutions related revenue



- Results for fiscal 2018 were steady, significantly exceeding the plan
- Improve menus and strengthen the structure further toward achieving the Fiscal 2018 Medium-Term Management Plan target of ¥3,000 million



# [Consulting Strategy (Corporate Banking II)]

## Strengthen Consulting Functions for Solving Management Issues of Customers

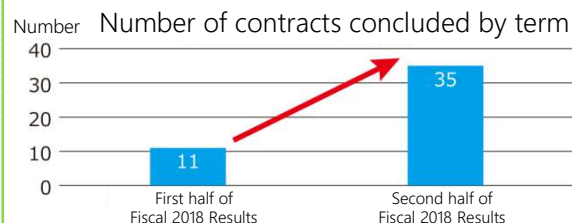
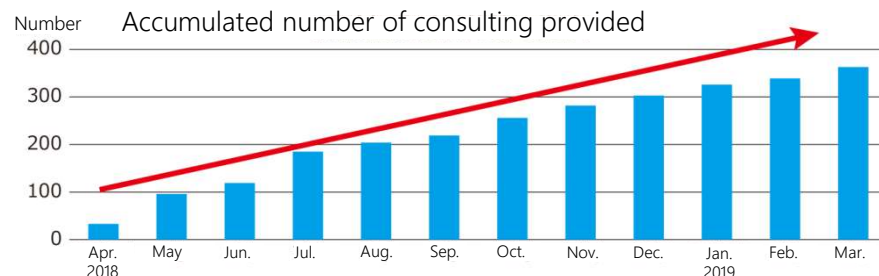
IYO BANK

- Strengthen consulting functions which **improve regional IT literacy**
- **Support customers' business succession through M&A** utilizing a broad network centered on the Setouchi region

### ICT Consulting Business

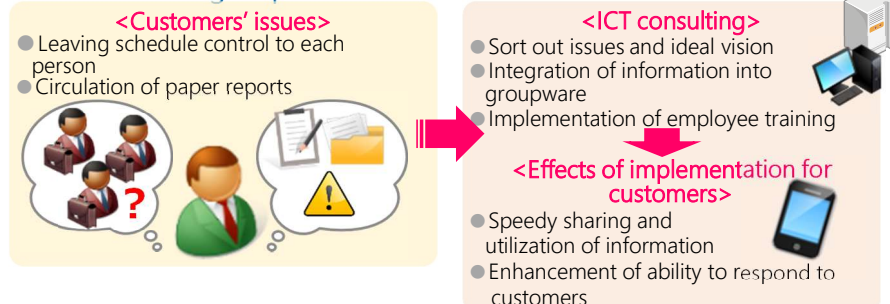
- Started to provide **advice on ICT utilization and support its introduction** from April 2018 for improving customers' operational efficiency and strengthening sales abilities

#### [ICT consulting]



**Fiscal 2018  
Actual revenues:  
¥22 million**

#### [Example case] Visualization of internal information through introduction of groupware

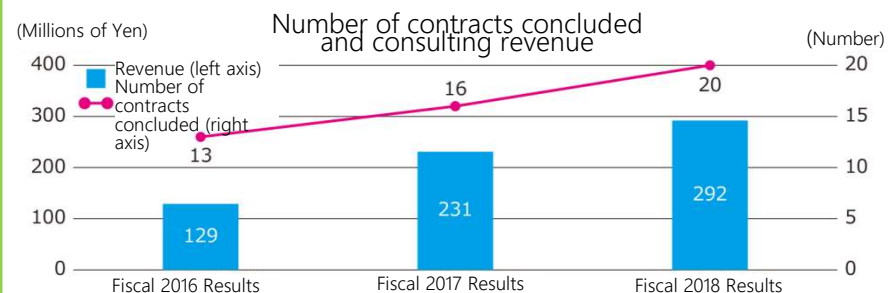
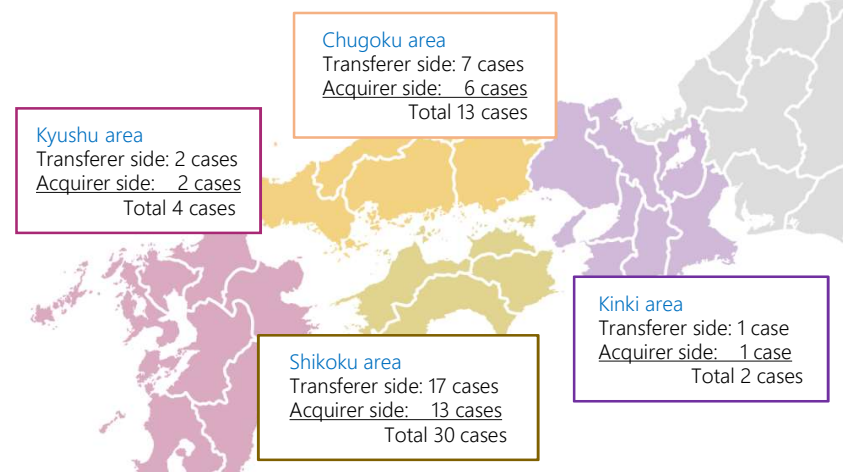


### Business succession through M&As

- Introduce **an optimal transaction partner with which synergy effects are expected** based on customer information
- **Realize matching within a broad area** utilizing a broad branch network and diverse information network

#### [M&A transactions concluded as an advisor]

\* Results from fiscal 2016 to fiscal 2018



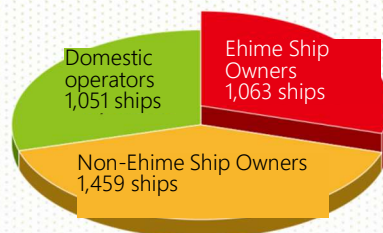


## Strengthen Efforts in Maritime Business Cluster

- Further strengthen relationships with the maritime industry centered on Ehime Prefecture
- Contribute to further development of the maritime industry by supporting development of human resources who support the future of the shipbuilding and shipping industries and technological research through industry-academia-public collaboration

Number of ocean-going vessels owned by ship owners in Ehime

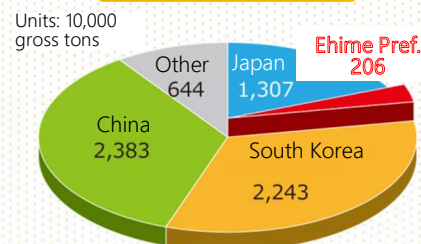
**No. 1 in Japan**



IRC survey (As of September 30, 2018)

Construction Results for Ehime Prefecture

**No. 2 in Japan**



Compiled by the Bank based on data from the Shikoku Transport & Tourism Bureau and The Shipbuilders' Association of Japan (As of 2017)

- Transactions with 70% of Ehime ship owners, building strong relations with ship owners
- Collect timely and high-quality information by increasing opportunities to communicate with maritime related companies at domestic and overseas bases and visiting European operators regularly
- Conduct external dispatch to domestic operators, trade companies, etc., and use the trainee system at the Bank to develop professional human resources in the maritime industry



Consortium for Center for Naval Architecture and Ocean Engineering, Ehime University



- Local shipbuilding and ship equipment manufacturers and financial institutions participated as advisors
- Started as a base of professional education of shipbuilding and joint research

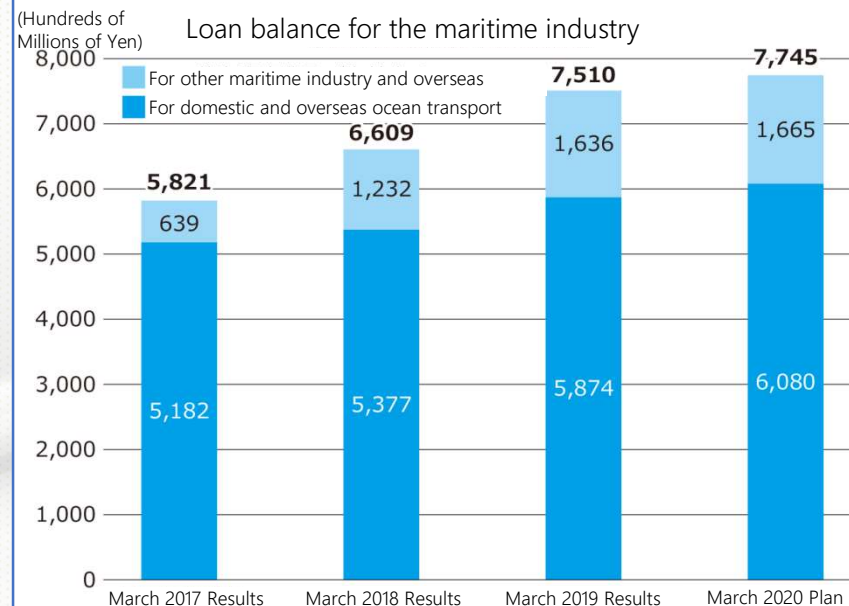
Develop human resources to support future shipbuilding and shipping industries

"Bari-Ship 2019" the biggest maritime event in West Japan



- Shipbuilding and ship equipment manufacturers, operators, ship owners, financial institutions, etc., gathered
- Gathering of information such as the latest maritime technologies and services

Collect worldwide industry information and strengthen relationships with maritime related companies

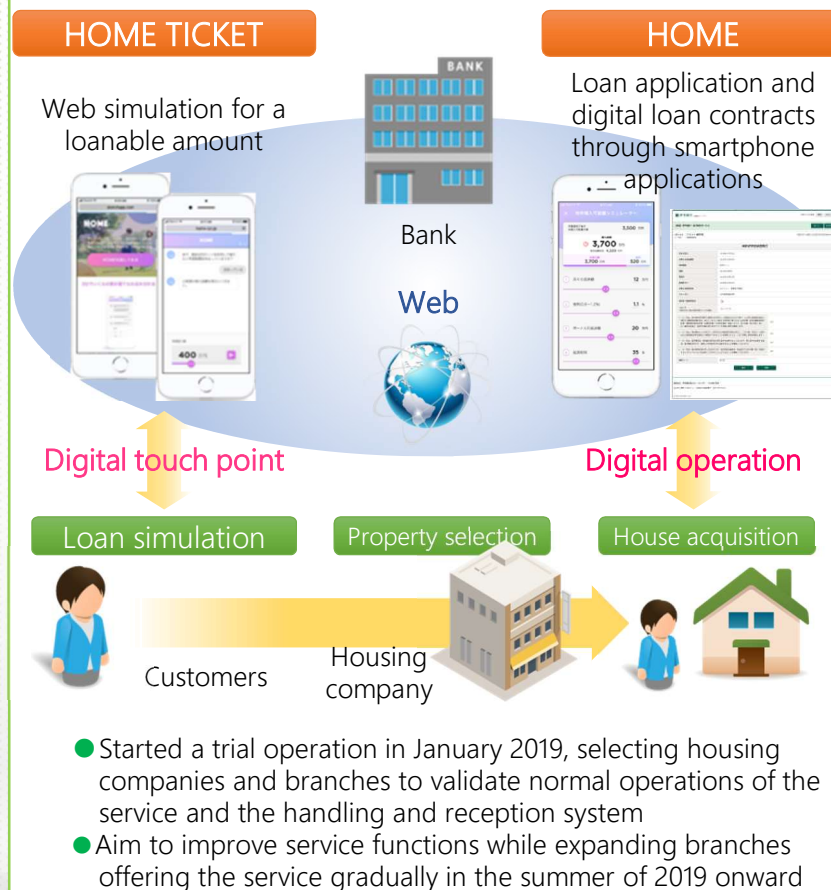




- Started a trial of the new digital service of home loan "HOME" in January 2019 while expanding branches offering the service gradually
- Strengthen direct services in areas such as after-sales service and additional sales of insurance products and business transactions (BPR and loans)

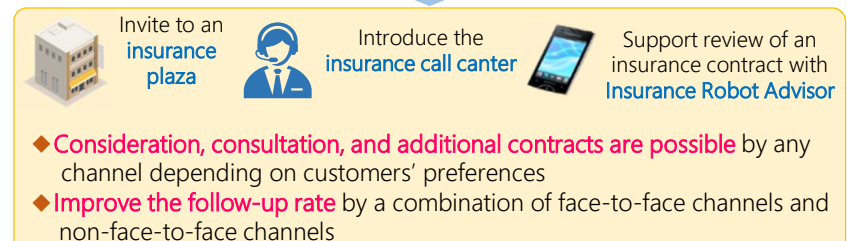
### Introduction of "HOME," the new digital service of home loan

- Realize the digital touch point (customer contact points) and digital operation (channels not depending on time and place)



### Strengthening of approach for personal insurance

- Strengthen the after-sales service and additional sales of insurance products by using DM (Plan to start in July 2019)
  - The details of the insurance contract and coverage range are sent by DM
  - Follow-up call from an "insurance plaza"



### Improvement of Web services for businesses

- Started operation of "AGENT for Business" in April 2019
- Preparation of "receipt and disbursement slips," "corporate IB application forms" and other forms on the Web and creation of the QR Codes
- Simplification of application procedures for customers and bank employees
- Consider making it a portal site for corporations



- Entirely web-based "Shobai Hanjo (prosperous business)" business loan (Planned to launch in September 2019)

- Improvement of customer convenience and enhancement of revenues



- Focus on **expansion and improvement of digital touch points** through efforts on channels, API linkage and payment services

## Renewal of Web channel

- Started offering the chatbot service
  - Started offering a communication tool in January 2019 for answering inquiries on products and services from customers 24 hours a day



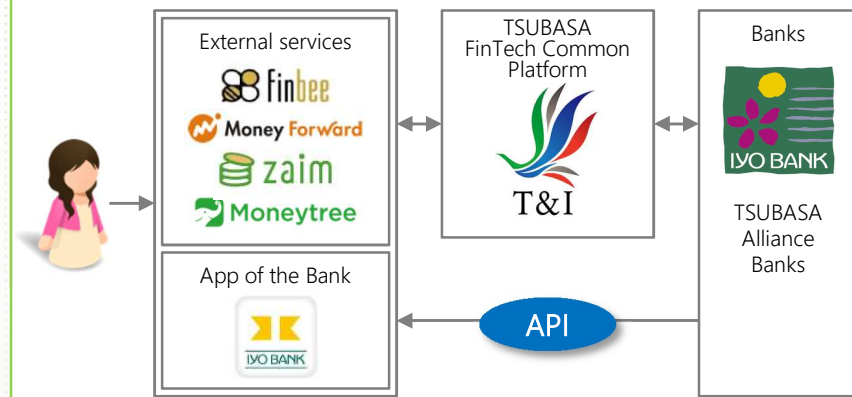
- Overall website renewal
  - Renewed the website system in May 2019
  - Completely changed the design so the layout can be easily operated from tablets and smartphones
  - Placed a menu and search function from which relevant information is easily accessible



## Improvement of the API linkage service

- Expand linkage between the external PFM services and the Bank's app

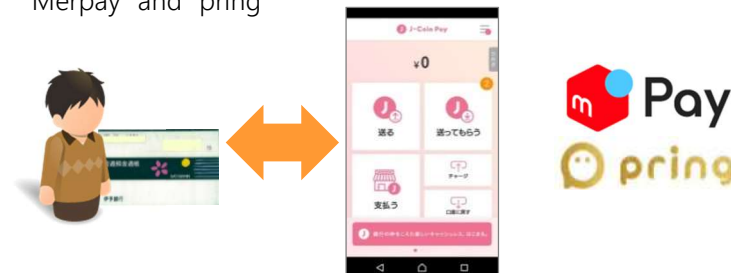
- Linkage with "Zaim" in December 2018 and "Moneytree" in May 2019
- Planning to improve services such as expansion of inquiry ranges by starting linkage with the Bank's "MoneyManager" app in August 2019



## Strengthening of linkage with cashless payment services

- Linkage with J-Coin Pay and external payment services

- Started linkage with "J-Coin Pay" in March 2019 and expanding member stores
- In other external payment services, account linkage started with "Merpay" and "pring"





# Review Branch Functions Toward Realizing "D-H-D Bank"

- Shift to a "place where customers' issues are solved" from a "place mainly for administrative tasks" to make "next-generation branches" those that are "required even after 10 years"

## Next-generation branches

### Image of the next-generation branch

Matsuyamakita Branch opened as a pilot next-generation branch in June 2017

Yogo Branch will open in February 2020 through new construction toward realizing a "D-H-D Bank"



Aim to "shift to a branch centered on the zero line (lobby)"

## [History of the branch strategy and BPR strategy] –Eliminate administrative tasks in Bank Branches–

From February 2017  
Call reception concentration and  
Operation Support Center introduced  
"Concentrating at headquarters"



Call reception center

[Introduction status]  
Completed in **all branches in Ehime Prefecture**

From February 2018  
Satto Madoguchi (Quick Counter)  
introduced  
"Cashless processing"



Satto Madoguchi

[Introduction status]  
Completed in **47 branches** (as of the end of May 2019)

From April 2018  
Immediate concentration storage of  
stored document started  
"Concentrating at headquarters"



Shigenobu Document Center

[Introduction status]  
Completed in **all branches**

From February 2019  
The AGENT System introduced  
"Digitalization of administrative tasks"



AGENT System

[Introduction status]  
Completed in **31 branches** (as of May 31, 2019)

## Improvement of Productivity through Utilization of Digital Technologies and Concentration on Headquarters

- Accelerate digitalization of administrative tasks to **reduce Bank Branch administrative staff by half and improve operational efficiency at headquarters**

### Improving branch administrative processing efficiency

#### ◇ Digitalization of Branch's administrative tasks

- Digitalization of approx. 40% of administrative tasks at Bank Branches through the "AGENT" System to become a "bank where procedures are the simplest in Japan"
- Full-scale introduction started in February 2019 and introduction in all branches will complete by the end of March 2020

"AGENT" Counter Reception Tablet  
(From February 2019)



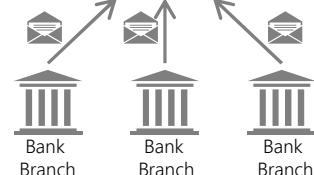
Web service for corporations  
(From April 2019)  
"AGENT for Business"



Bank Branch administrative staff reduction effect  
Projected to be about -150 persons

#### ◇ Concentration of administrative tasks for loans at headquarters "Loan Operation Support Center"

- Concentrate "administrative tasks" among loan procedures at Bank Branches on the headquarters
- Started trials at the Head Office, Business Department in the Head Office in April 2019 and aim to complete introduction by February 2022



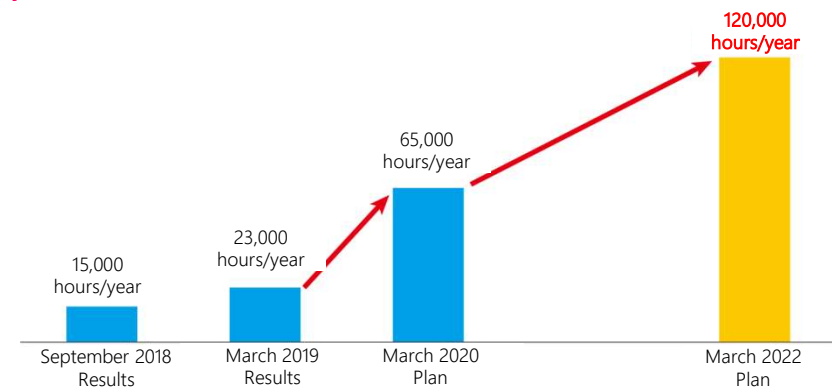
- ◆ Target procedures  
16 types of procedures including "corporate examination," "self-assessment," and "preparation of contracts"
- ◆ Person in charge  
Gradual transfer of personnel from Bank Branches

[Effects]  
Reduction of 89 persons in charge of loans ⇔  
25 persons deployed at the Loan Operation Support Center  
⇒ "Strategic redeployment of 64 persons"

### Improving operational efficiency at headquarters

#### ◇ Promotion of BPR (abolishment and review of operations) and RPA combined

- Continue to improve operational efficiency at headquarters to **reduce 5% of headquarters workload (approx. 120,000 hours/year) by March 2022**



#### ◇ BPR+RPA at headquarters

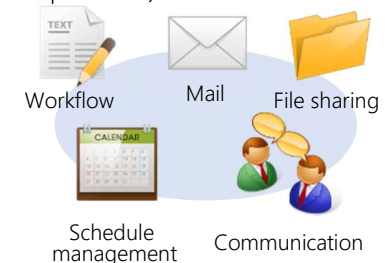
- Promote with a "person in charge of operational efficiency" placed at each division and office at headquarters
  - Arrange structures for developing RPA at the Bank
- Reduced approx. 23,000 hours/year of work at headquarters (as of March 31, 2019)**

Aim for further advancement by introducing server-type RPA



#### ◇ Other efforts

- Improved productivity by renewing groupware (from April 2019)



Considering further workload reduction plans in light of response to work style reform



# [Regional Revitalization Strategy] Revitalization of Regional Economies through Creation of “Business” and “Employment”

IYO BANK

- Support revitalization of the regional economy by **utilizing new services and strengthening cooperation through the public-private partnership and Shikoku Alliance**

## Foundation and Regional Revitalization Businesses Utilizing Crowdfunding

140th anniversary commemorative activity

For projects within Ehime Prefecture that reached target amounts, the Bank will provide amounts equivalent to 1/2 of contract fees (maximum ¥250,000; total 140 projects)

Projects results

- ◎22 projects were organized, among which, 18 projects achieved targets (as of April 30, 2019)
- ◎Half of organized projects are related to the disaster due to torrential rain in West Japan, contributing to recovery and restoration

[Examples of projects and achievement rates to the target amount]

Project name	Achievement rate	Area
Opening of a store generating smiles with macaroons and chocolates	186%	New foundation
Whetstones in Tobe, Ehime are born from the Earth. “SHOMA” is a calcinated whetstone that can be created only by a whetstone mining company!	428%	New product and service
Opening of an <i>ume</i> (plum) orchard for making Matsuno Town in Ehime Prefecture an “ <i>ume</i> town”!	141%	Regional revitalization
Want to communicate attractiveness of wool of which value has been reconfirmed at the occasion of torrential rain in west Japan!	227%	Regional revitalization (disaster restoration)
Cymbidiums, which we are proud of. Restoration of a flower farm	141%	Regional revitalization (disaster restoration)
A historic 97-year-old warehouse was flooded. We want to continue making <i>sake</i> in Ozu, our hometown!	177%	Regional revitalization (disaster restoration)



## Ano-kono Ehime

- Contribute to creation of regional employment and promotion of migration through **“Ano-kono Ehime,” a comprehensive job and migration information website for Ehime** utilizing IoT under a public-private partnership

Certified as a “‘Unique effort’ made by financial institutions, etc., contributing to regional revitalization” by the Cabinet Office

Transmit information about the latest job and migration information and regional life by utilizing IoT and the latest web technologies

More than 3,000 cases of job matching were achieved per year



## Shikoku Alliance (Comprehensive Cooperation Among Four Regional Banks in Shikoku)



- Hands-on investments have steadily increased under the **“Shikoku Alliance Capital Co., Ltd”** fund management company, which was jointly established by four banks
- The four banks’ affiliate think tanks are jointly conducting a **“Survey of current status and issues of accommodation facilities for Henro”**
- Demonstration tests utilizing AI** began toward advancing business matching and increasing success rates

# [Market Strategy I]

## Strategic Asset Allocation Responding to Low Interest Environment

IYO BANK

- Make diversified investments emphasizing liquidity to build a portfolio with superior risk versus return for responding to the market environment
- Ensure future investment capabilities by temporarily limiting balances according to the investment environment
- Plan ¥19.0 billion in gain on securities management by risk taking through foreign currency bonds (with/without forex hedges)

### New Investment Policy by Risk Category

(Risk category)		(New investment policy)
Yen-denominated bonds	Not change	Keep a certain amount as assets inversely correlated with stocks, while in view of interest trends.
Foreign bonds (with forex hedges)	Increase	In a continuing low interest environment in Japan, keep the balance as a bond including foreign bonds with hedges.
Foreign bonds (without forex)	Increase	Consider investment with forex risk to secure profit from carry trading as difference between short-term and long-term interest rates is shrinking (with strategic re-balancing implemented as well).
Domestic and overseas stocks (including investment trust)	Decrease	Assess and classify strategic equity holdings in terms of investment and policy, and sell off stocks if the necessity of holding is not recognized.
Alternatives, etc.	Not change	Consider investment to secure stable carrying and portfolio diversification.

### Gain on Securities Management and Yield

#### ● Gain on securities management (after deduction of procurement cost)

(Units: Billions of yen)

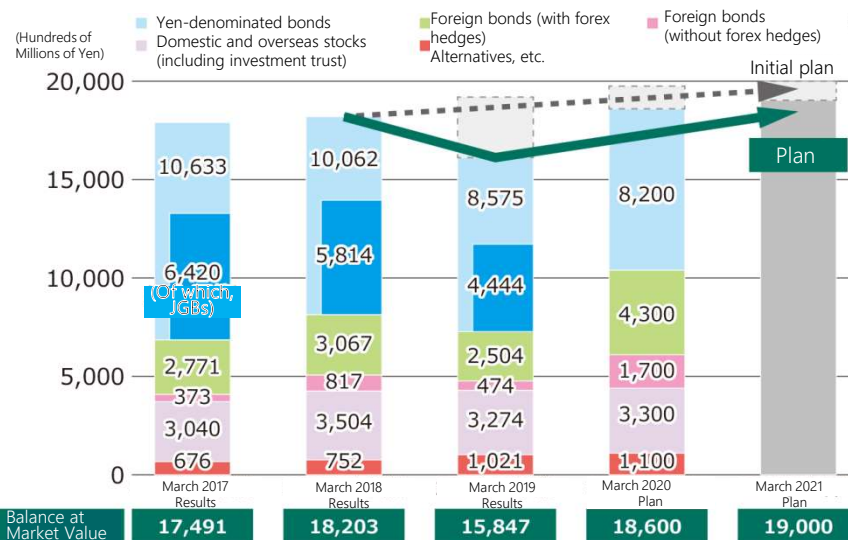
	Fiscal 2017 Results	Fiscal 2018 Results	Fiscal 2019 Plan (vs. Medium-Term Management Plan)	Fiscal 2020 Plan
Gain on securities management	25.1	20.8	19.0 (-1.0)	20.0

#### ● Yield

(Note) Gain on securities management = Interest and dividend income (after procurement cost deduction) + gain (loss) related to securities (excluding strategic equity holdings).



### Balance of Securities at Market Value by Risk Category



### Portfolio Risk Sensitivity and Duration

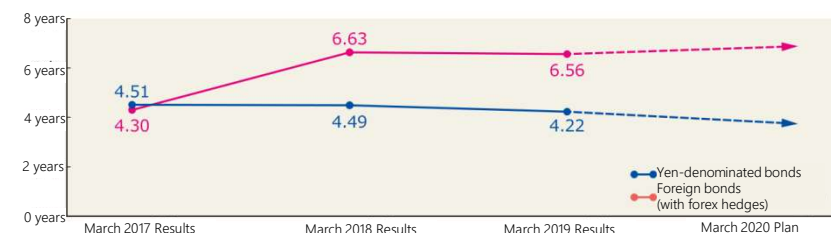
#### ● Portfolio risk sensitivity

Impact of fluctuations in interest rates, stock prices, and exchange rates on gain (loss) on valuation of securities

● Yen-denominated bond portfolio	10BPV	¥3.5 billion
● Foreign bond portfolio	10BPV	¥1.4 billion
● Stock portfolio	Nikkei Stock Average ¥1,000V	¥12.8 billion
● Forex portfolio	USD/JPY ¥10V	¥4.0 billion

(\*As of March 31, 2019)

#### ● Duration



(Note) Yen-denominated bond durations exclude variable rate government bonds from March 2018.



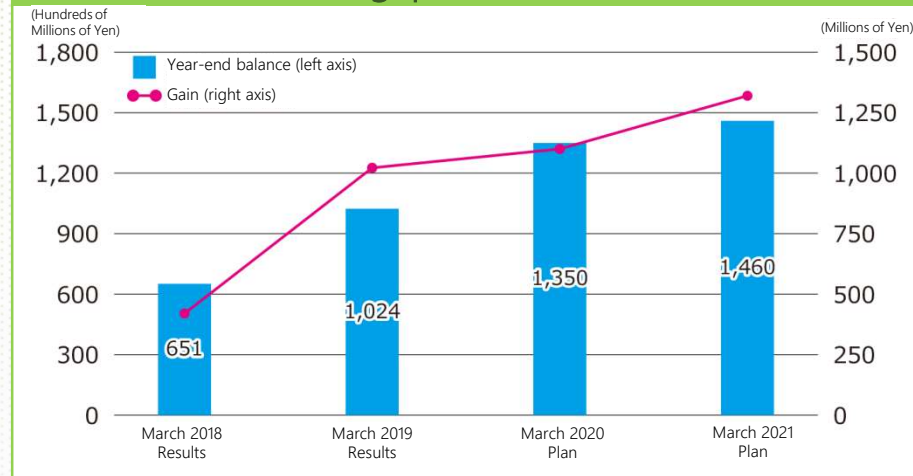
## [Market Strategy II]

### Ensure Earnings from Market Investment; Stabilize Foreign Currency Procurement

IYO BANK

- The loan balance has steadily increased in growth areas including the Singapore Branch and Financial Market Business Office, contributing to improvement in profitability
- Aim to stabilize the foreign currency portfolio by diversifying and stabilizing foreign currency procurement in response to an increase in foreign currency loan amounts

#### Singapore Branch



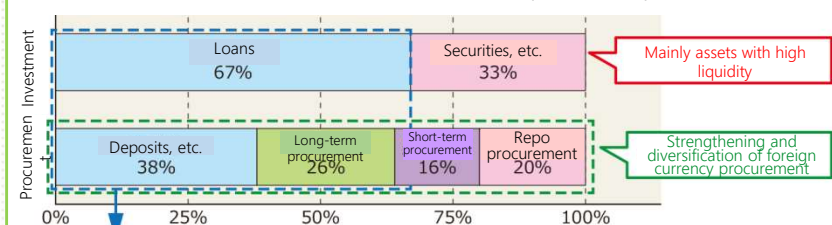
#### Financial Market Business Office



#### Status of Foreign Currency Investment and Procurement (March 31, 2019)

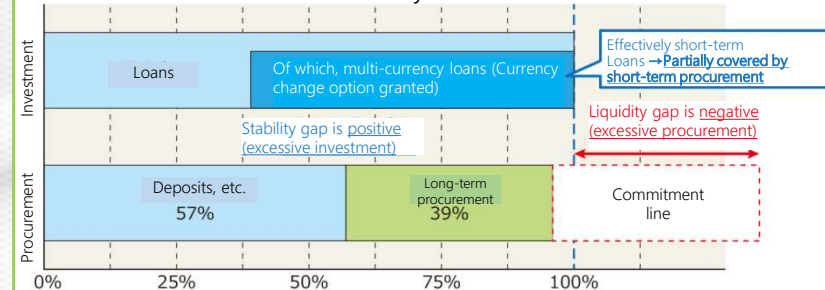
- Increase stability through strengthening foreign currency deposits and leveling long-term procurement
- Partially making short-term procurement from perspective of cost, paying attention to liquidity
- Primarily use repo procurement for securities related procurement

##### <Loans + Market Investment (Securities)>



- Proportion of deposits and long-term procurement in total procurement maintained 50% or more
- Sufficient liquidity is secured for loans through deposits, long-term procurement, and commitment lines ⇒ **Liquidity gap is negative (excessive procurement)**
- While the stability gap is positive (excessive investment), this is partially covered by short-term procurement considering the characteristics that the majority of loans are multi-currency loans (similar to short-term loans)

##### <Only Loans>



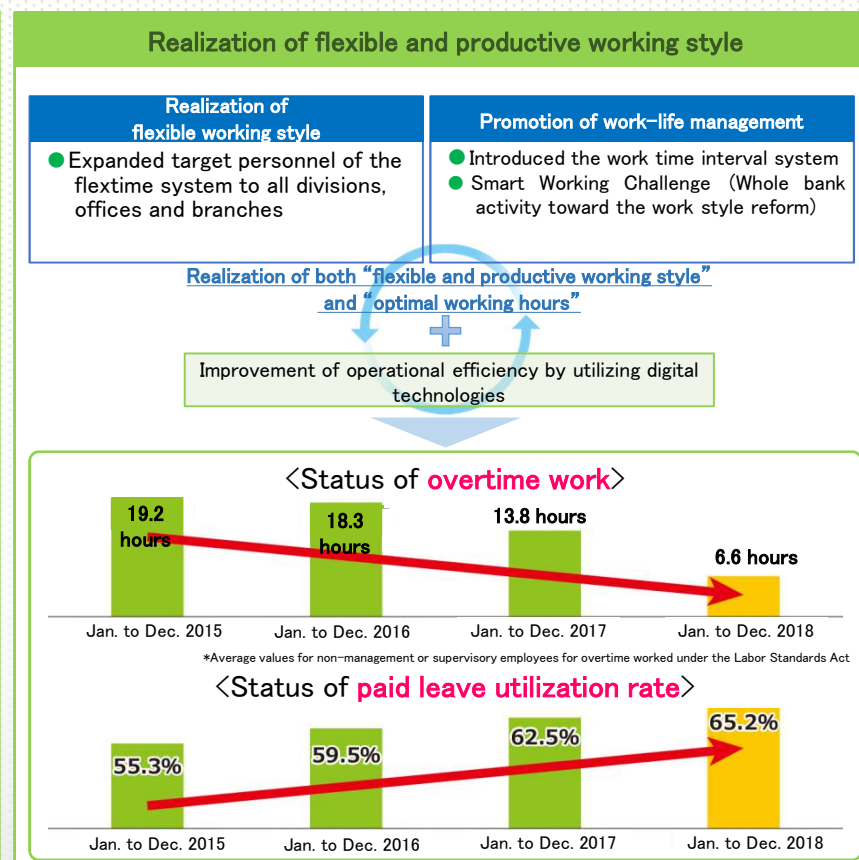
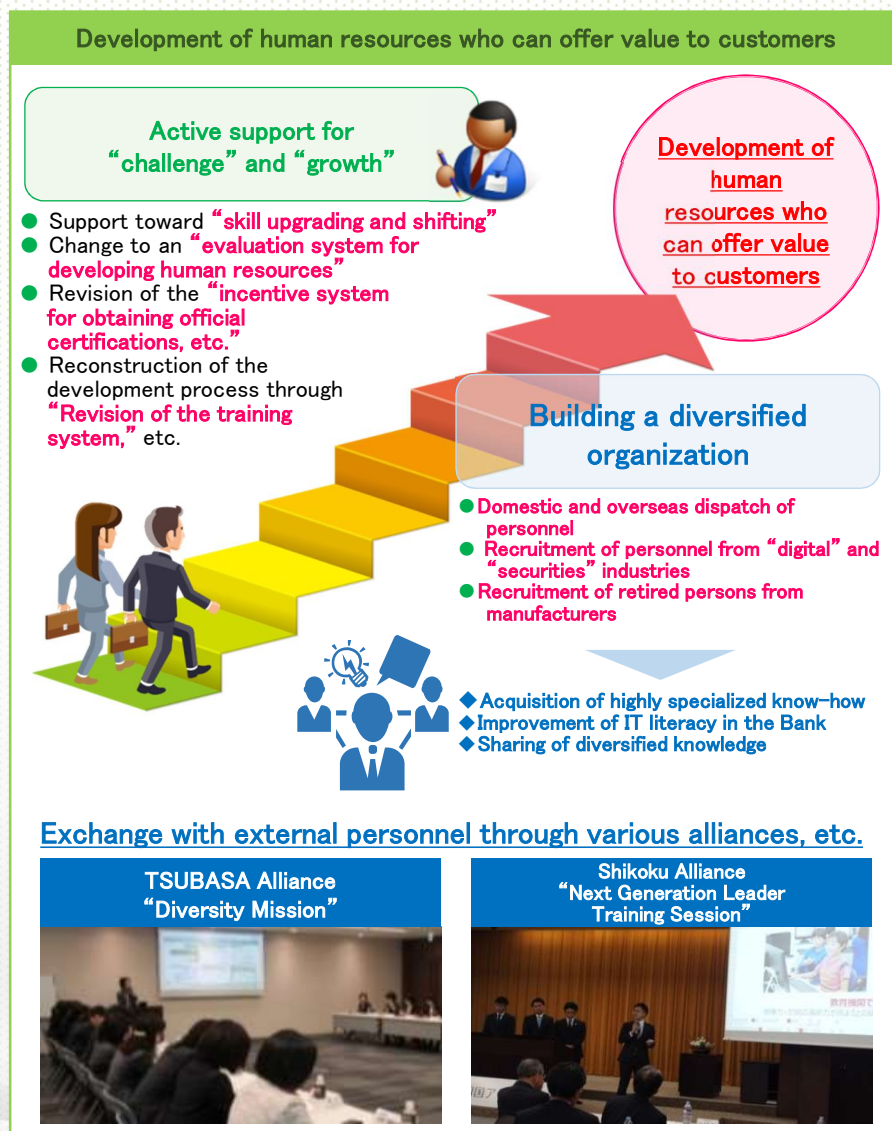
Liquidity gap: Loans - (deposits, etc. + long-term procurement + commitment line)

Stability gap: Loans - (deposits, etc. + long-term procurement)

# [Personnel Strategy] Develop Organizational Culture of Proactive, Mutual Enhancement

IYO BANK

- Develop organizational culture through **implementation of “human resource development and work style reform”**



**Promotion of Health and Productivity Management**

- ◆ Recognized under the 2019 Certified Health & Productivity Management Outstanding Organizations Recognition Program (White 500) of Ministry of Economy, Trade and Industry (Two consecutive years)

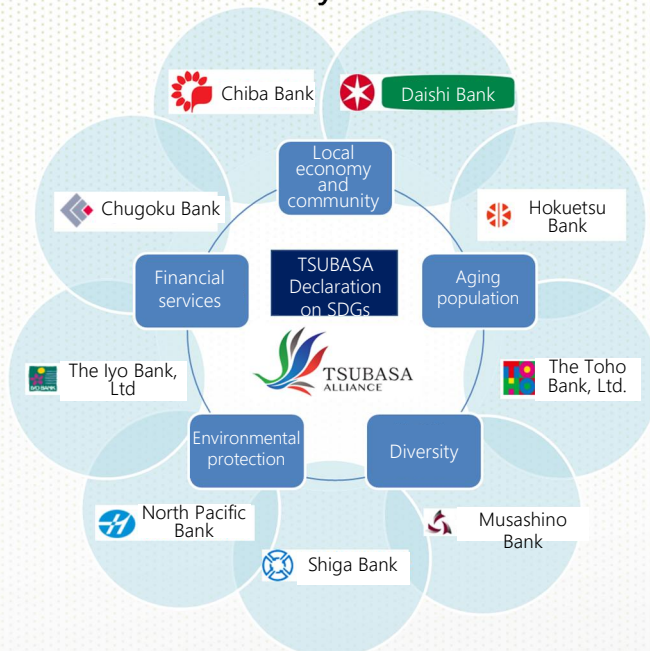
2019  
健康経営優良法人  
Health and productivity  
ホワイト500



# Efforts for ESG and SDGs

IYO BANK

- Announced **"TSUBASA Declaration on SDGs"** under the TSUBASA Alliance in May 2019



## "TSUBASA Declaration on SDGs"

In line with the Sustainable Development Goals (SDGs) adopted by the United Nations, the TSUBASA Alliance hereby declares that it will utilize the knowledge it has gathered on the common local issues listed below, as mutually recognized by each member bank, to tackle social and environmental issues in its respective localities in order to achieve sustainable growth in the region - which is one of the Alliance's main objectives.

- Local economy and community
- Aging population
- Financial services
- Diversity
- Environmental protection

Contribute to the vitalization of local economy and communities  
Support peace of mind and safe living for the elderly  
Provide financial services for a better life  
Promote diversity and work reforms  
Contribute to the preservation of a sustainable environment



## Environment

- Hand over a rich, beautiful nature to the next-generation through active environmental preservation activities



Iyo Bank Environment Foundation "Evergreen" (Public Trust) (established in 2008)

- Supporting activities for restoration and development of the environment while preserving the natural environment
- Cumulative total of approx. ¥51 million granted to 139 recipients



"Iyo Bank Evergreen Forest" Activities (started in 2008)

- Conducted forest cultivating activities under a partnership entered with Ehime Prefecture, Ozu City, and Forest Fund of Ehime.
- Contributed to maintaining the local environment by working together with the Shikoku Alliance banks



## Social

- Realize a lively local community via locally-based measures rooted in the region



Iyo Bank Social Welfare Fund (Public Interest Incorporated Foundation) (established in 1976)

- Increased scholarships and scholarship recipients as part of 140th anniversary commemorative activity
- Cumulative total of ¥632 million granted as scholarship and welfare equipment



Iyo Bank Regional Cultural Activity Assistance Program (established in 1992)

- Part of funds for carrying out "grassroots" cultural activities in Ehime granted to the related parties
- Cumulative total of ¥222 million granted to 1,168 groups





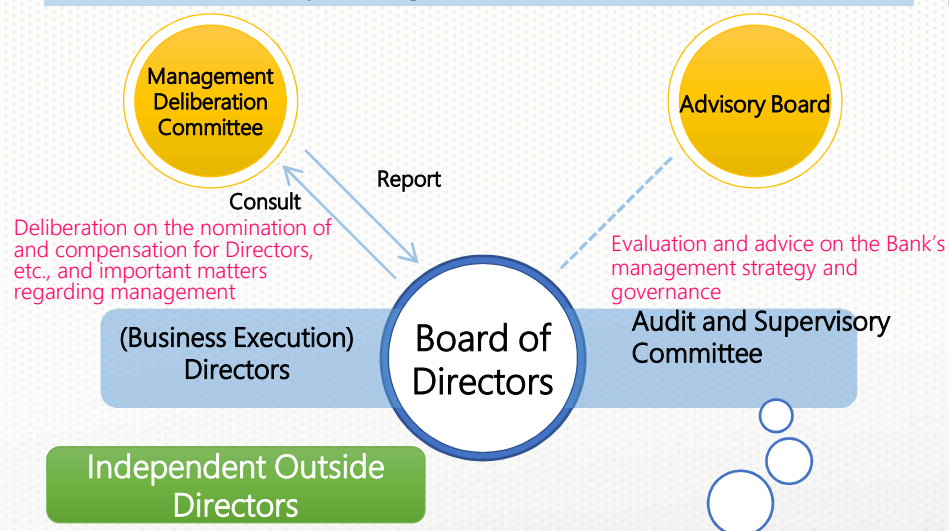
- Build structures that secure transparency and objectivity by strengthening corporate governance
- Conduct thorough examination and verification as well as strict risk management for contributing to countermeasures against money laundering and terrorism funding



## Governance



### Corporate governance structure



- ◆ 1/3 or more of Directors are Independent Outside Directors
- ◆ Appointment of female Directors
- ◆ Strengthening of audit and supervision functions and revitalization of the Board of Directors

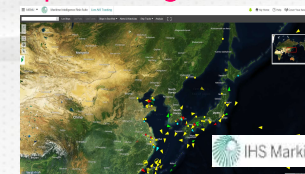
### Countermeasures against money laundering and terrorism funding

#### Thorough examination and verification

- Screening of transaction parties based on approx. 3.8 million pieces of the latest profile information
- Examination utilizing a database covering 70,000 listed companies and 300 million unlisted companies in 212 countries and regions
- ◆ Examination of negative information reported overseas in the past
- ◆ Comprehensive examination of officers, shareholders and substantial controllers of overseas business associates

#### Strict risk management

- Conduct **ship monitoring** by utilizing more than 2,200 shore antennas and more than 50 satellites under ship finance, the Bank's strength
- ◆ Entrance into each sanction area monitored in real time
- ◆ Strict risk management for ship financing





# Profit / Loss Forecasts for Fiscal 2019

IYO BANK

- Interest and dividend income to decrease year-on-year due to decreases in gain on securities management despite an increase in gain on loan management
- Fees and commissions to increase due to increases in revenue on assets in custody, etc.
- Net income to maintain at a certain level despite each income level is forecast to decrease year-on-year

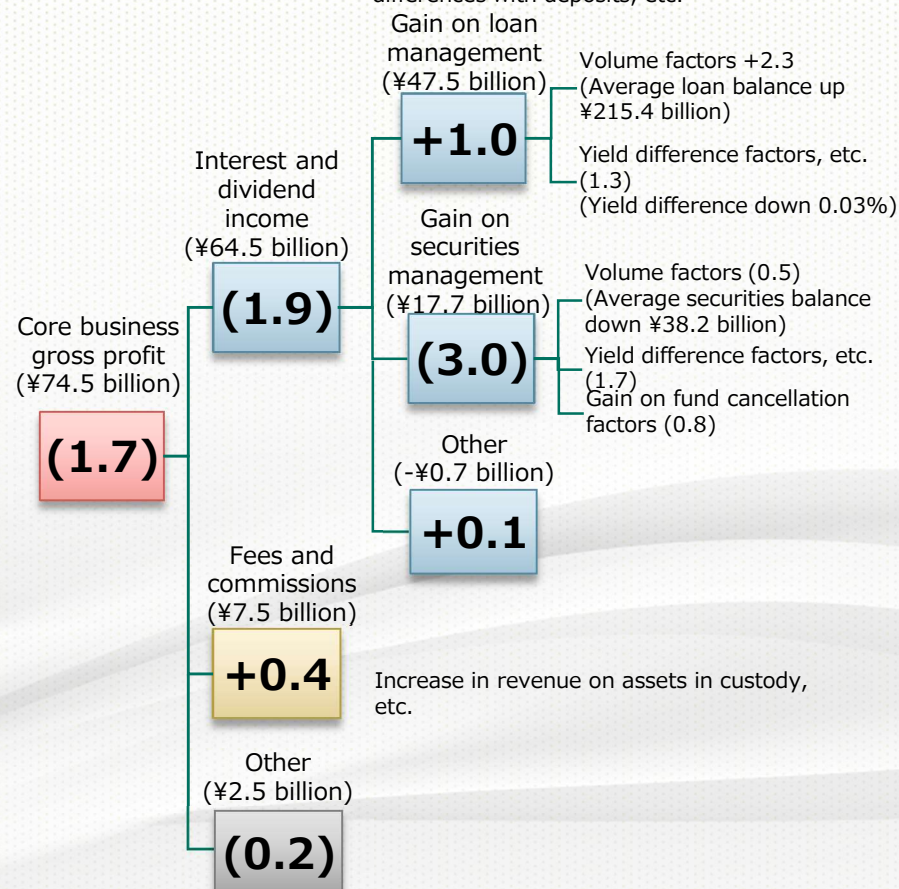
(Units: Billions of yen)

	Fiscal 2018 results		Fiscal 2019 forecast			
	Inter-mediate results		Inter-mediate results	YoY		YoY
Core business gross profit	38.8	76.1	37.0	(1.8)	74.5	(1.7)
Of which, interest and dividend income	34.2	66.4	31.9	(2.3)	64.5	(1.9)
Of which, fees and commissions	3.6	7.0	3.7	+0.1	7.5	+0.4
Expenses ( - )	25.1	50.3	26.0	+0.9	51.5	+1.1
Of which, personnel expenses	13.3	26.3	13.1	(0.2)	26.4	+0.1
Of which, nonpersonnel expenses	10.1	21.0	11.1	+1.0	21.9	+0.9
Core business net income	13.7	25.8	11.0	(2.7)	23.0	(2.8)
Credit costs ( - )	0.8	5.8	2.8	+2.0	5.5	(0.3)
Gain (loss) related to securities	2.4	4.1	3.1	+0.7	5.6	+1.4
Ordinary income	16.5	26.3	12.5	(4.0)	25.0	(1.3)
Net (intermediate) income	11.4	18.2	9.0	(2.5)	17.5	(0.8)

## Factors Contributing to Increase / Decrease in Core Business Gross Profit (Fiscal 2019 - Fiscal 2018)

(Units: Billions of yen)

(Note) Differences in yield utilize yield differences with deposits, etc.





Connecting hearts.  
Connecting the  
region.

<For inquiries regarding this document> Tachibana, General Planning Division, Iyo Bank TEL:089-941-1141/FAX:089-946-9104

Future business results contained in this document are based on information available as of announcement and assumptions regarding uncertain factors that may affect future business results. Future business results may differ due to changes in the management environment, etc.



# Iyo Bank Fiscal 2018 Earnings Briefing: Reference Materials

## Niihama Taiko Festival

One of the three major festivals in Shikoku held in every October deeply impresses spectators with luxuriously decorated floats called "taiko-dai (taiko drum-shaped floats)," which are shouldered and carried by festival participants.

It is also famous as one of the "three major Kenka festivals in Japan" and many tourists from inside and outside of Ehime visit this festival.



伊予銀行

June 7, 2019



Overview of the Iyo Bank	Pg
◎ Iyo Bank Profile	2
◎ Branch Network	3
◎ Summary of the Iyo Bank Group	4

Environment Surrounding the Iyo Bank	Pg
◎ Main Industries in Ehime Prefecture	5
◎ Manufacturing Industry in Ehime Prefecture	6
◎ Industrial Structure of the Setouchi Region	7
◎ Economic Indicators of the Setouchi Region I	8
◎ Economic Indicators of the Setouchi Region II	9

Status of Ocean Transport-Related Market	Pg
◎ Shipbuilding Yards in Ehime Prefecture	10
◎ Outlook of Dry Bulk Market Conditions	11

Conditions in Loans and Deposits	Pg
◎ Breakdown of Balance of Loans and Deposits at End of Period	12
◎ Balance and Composition of Loans by Industry	13
◎ Table of Changes in Borrower Classification	14

Status of Securities Management and Risk Management	Pg
◎ Market Strategy: Management by Risk Category	15
◎ Status of Integrated Risk Management	16
◎ Dividend Trends and Shareholder Benefit Program	17



Head Office	Matsuyama, Ehime Prefecture
Year of foundation	March 15, 1878 (The 29th National Bank)
Capital	¥20,900 million (Total number of issued shares: 323,775 thousand shares)
Number of employees	12 Officers, 2,798 employees (excluding temporary staff)
Number of branches	149 domestic (including 7 sub-branches), 1 overseas (Singapore)
	2 overseas representative offices (Shanghai, Hong Kong)
External credit ratings	A+: Rating and Investment (R&I)
	A: Standard & Poor's (S&P)
	AA: Japan Credit Rating Agency (JCR)

Consolidated equity ratio (BIS standards)	14.38%
Consolidated subsidiaries	15 companies
Consolidated employees (excluding temporary staff)	3,147 persons

(As of March 31, 2019)

# Branch Network

IYO BANK

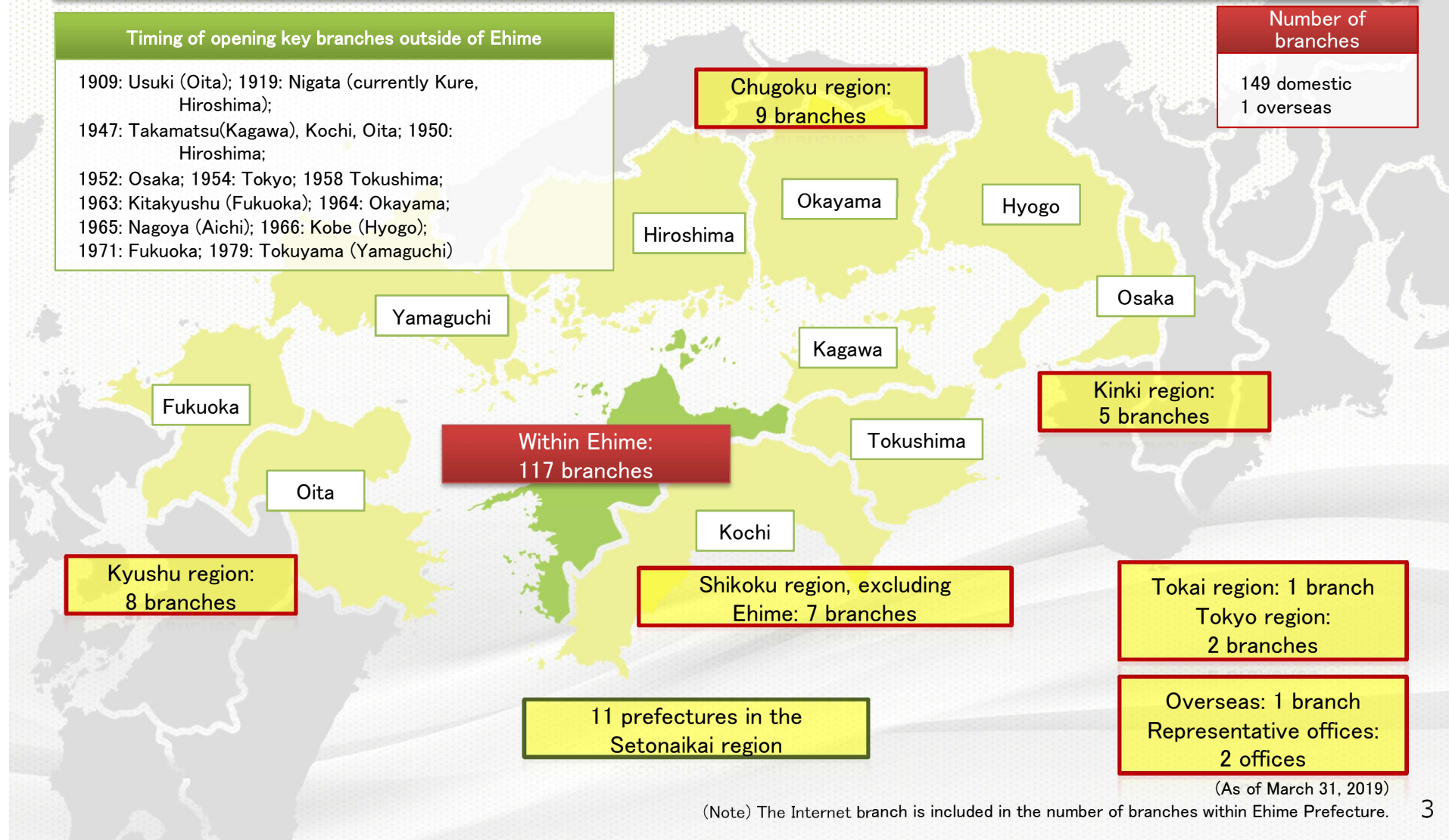
- Created the **No. 1 regional bank in terms of broad regional coverage**, in 13 prefectures centered on the Setouchi region
- Established a strong operating base by expanding outside of Ehime Prefecture from long ago

## Timing of opening key branches outside of Ehime

1909: Usuki (Oita); 1919: Nigata (currently Kure, Hiroshima);  
 1947: Takamatsu(Kagawa), Kochi, Oita; 1950: Hiroshima;  
 1952: Osaka; 1954: Tokyo; 1958 Tokushima;  
 1963: Kitakyushu (Fukuoka); 1964: Okayama;  
 1965: Nagoya (Aichi); 1966: Kobe (Hyogo);  
 1971: Fukuoka; 1979: Tokuyama (Yamaguchi)

## Number of branches

149 domestic  
1 overseas



(As of March 31, 2019)

(Note) The Internet branch is included in the number of branches within Ehime Prefecture.



# Summary of the Iyo Bank Group

IYO BANK

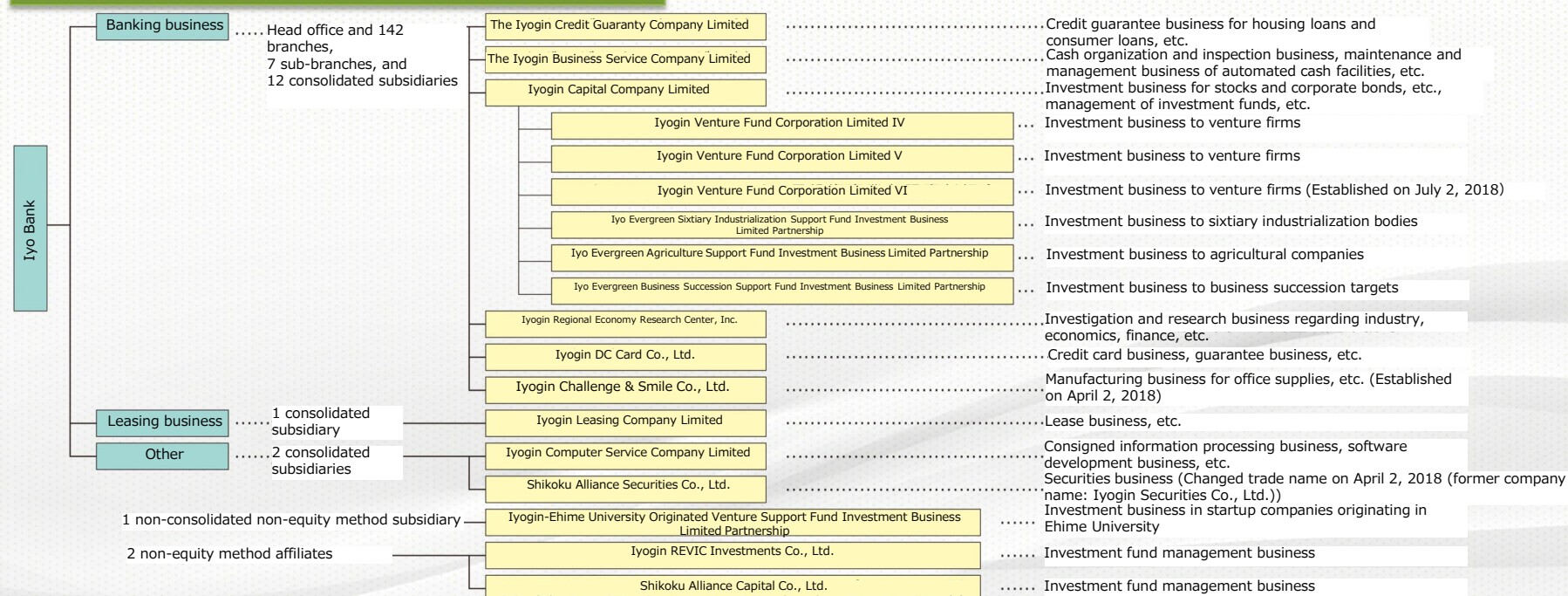
## Consolidated Earnings Summary

(Units: Millions of Yen)

[Consolidated]	Fiscal 2018	YoY		Fiscal 2017	Consolidated- nonconsolidate Difference (Note)
			Increase/ Decrease		
Ordinary revenue	126,286	5,301	+ 4.4%	120,985	19,064
Ordinary income	28,658	(7,441)	(20.6)%	36,099	2,309
Profit attributable to owners of parent	18,527	(5,112)	(21.6)%	23,639	265

(Note) The difference between consolidated and nonconsolidated.

## List of Iyo Bank Group Companies



(As of March 31, 2019)

# Main Industries in Ehime Prefecture

IYO BANK

- Industries with top national share concentrated in each region
- Manufactured product shipments from Ehime Prefecture totaled ¥3.8 trillion (45% of Shikoku) in 2016

...Total national share of Ehime Prefecture

## Matsuyama Region

The Matsuyama region has companies with large shares in products such as “small once-through steam boilers,” “farm machinery,” and “dried bonito shavings.”

## Imabari Region

29.8%  
(1,063 ships)

No. 1 in Japan

Number of ocean-going vessels owned by domestic ship owners (2018) (Note 1)  
3,573 total vessels in Japan (including operators)

62.7%  
(¥34.5 billion)

No. 1 in Japan

Towels (2016)  
¥55.1 billion shipped in Japan

## Uwajima Region

12.3%  
(¥61.4 billion)

No. 1 in Japan

Sea culture industry (2017) (Note 2)  
¥497.9 billion total national production

## Niihama and Saijo Region

Manufactured product shipments  
(2016)

**¥1,422.1 billion**

Approx. 37% of shipments of manufactured products in Ehime

Particularly in the Niihama area, as a corporate town under the Sumitomo Group, nonferrous metal, chemicals, steel, machinery and equipment are concentrated

## Shikokuchuo Region

7.9%  
(¥574.6 billion)

No. 2 in Japan

Pulp and paper industry (2016)  
¥7,273.1 billion shipped in Japan

(Note 1) Iyogin Regional Economy Research Center, Inc. (IRC) estimates; the ranking in Japan excludes operators.  
(Note 2) Prepared based on the total fishery output for 2017 (Ministry of Agriculture, Forestry and Fisheries)

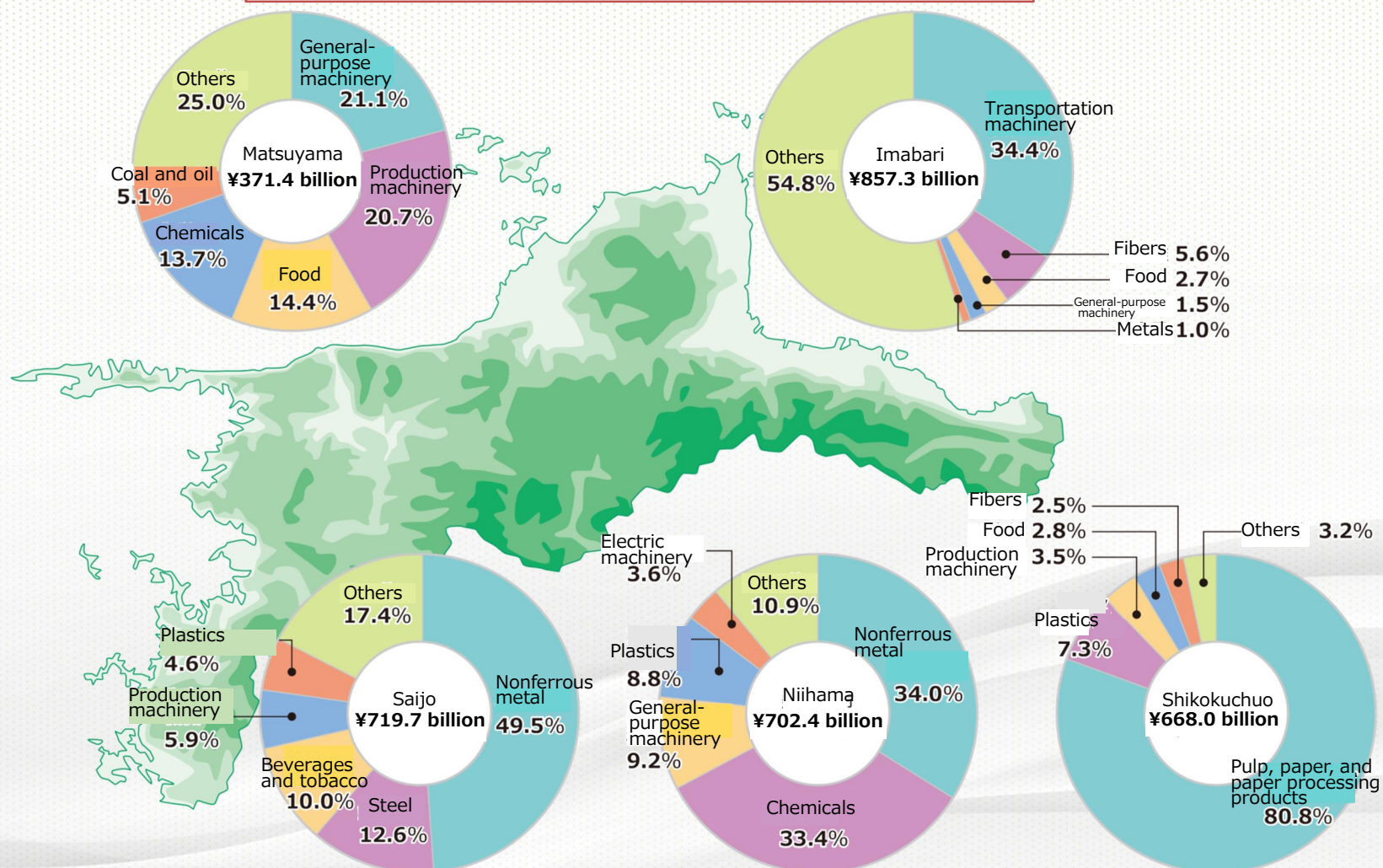


# Manufacturing Industry in Ehime Prefecture

IYO BANK

- Ehime Prefecture has manufacturing industries distinctive to each region

Composition of manufactured goods shipment by city (top five cities)



(Note 1) Prepared by Iyogin Regional Economy Research Center, Inc. (IRC) based on the Census of Manufacture 2017 (2016 results).

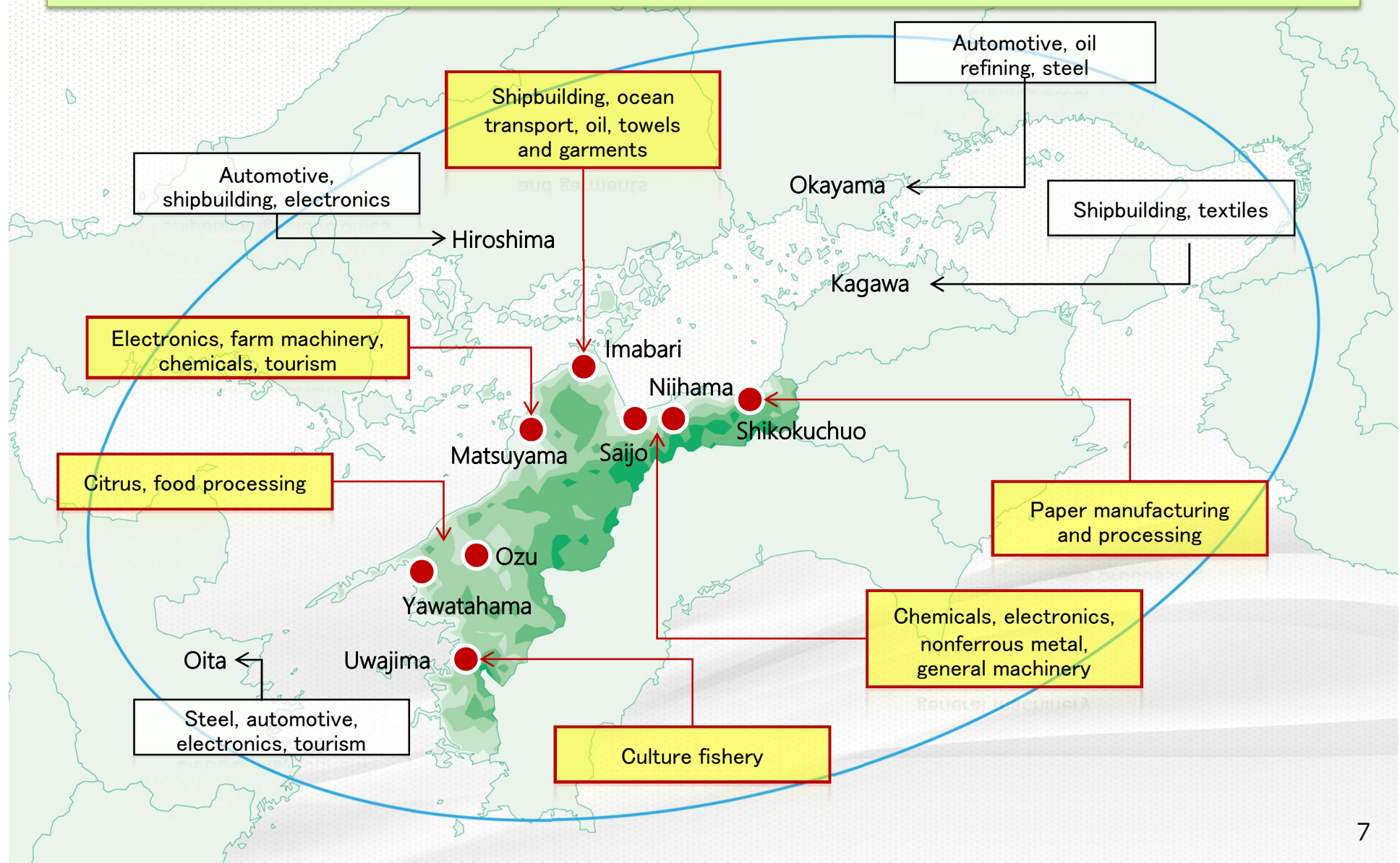
(Note 2) The shipment amount of "coal and oil" for Imabari City is a concealed value for statistical purposes, thus it is included in "others."



# Industrial Structure of the Setouchi Region

IYO BANK

- The Setonaikai coastal region has established various industrial structures

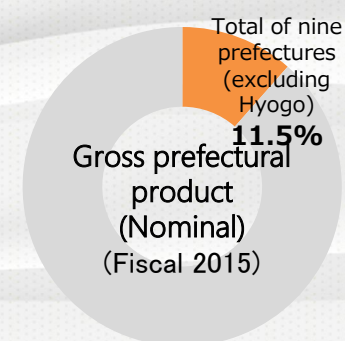
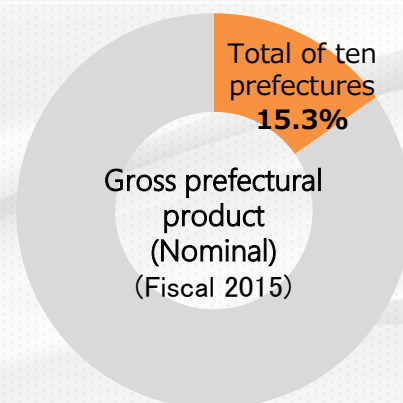
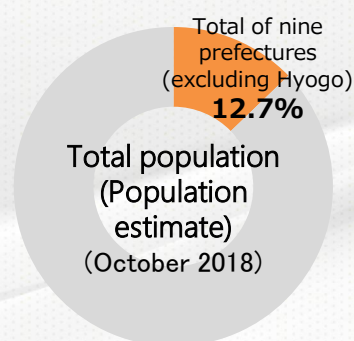
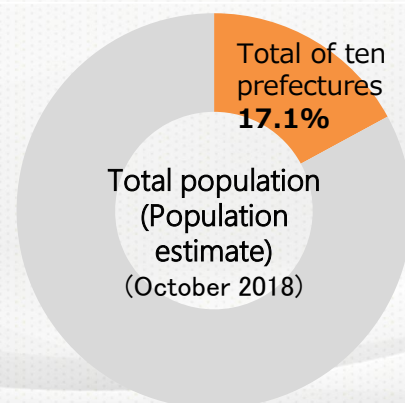




# Economic Indicators of the Setouchi Region I

IYO BANK

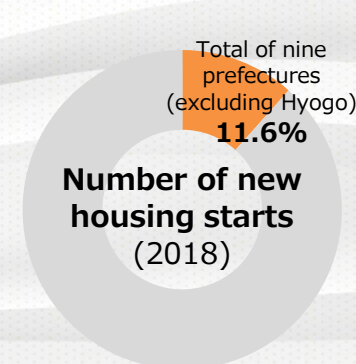
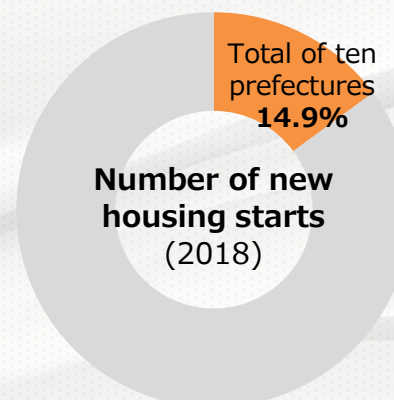
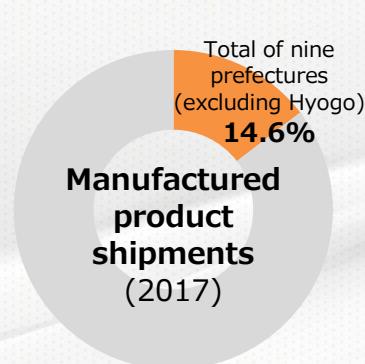
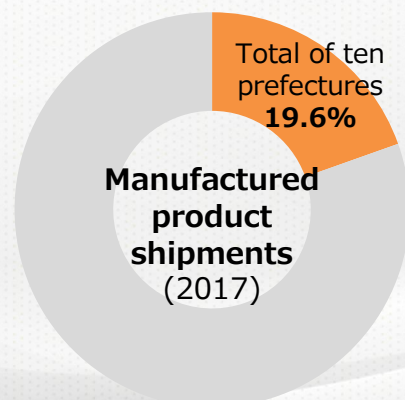
	Total population (Population estimate)	Total area (Geospatial Information Authority of Japan)	Number of offices (Private sector, excluding public sector)	Number of employees (Private sector, excluding public sector)	Prefecture total production (Nominal)	Prefectural gross product growth rate (Real)	Prefectural income per capita
	October 2018 (Persons)	2018 (k m <sup>2</sup> )	2016 (Offices)	2016 (Persons)	Fiscal 2015 (Millions of yen)	Fiscal 2015 (%)	Fiscal 2015 (Thousands of yen)
Ehime	1,351,783	5,676	63,310	566,761	4,915,526	+ 1.1	2,535
Kagawa	962,032	1,877	46,774	429,167	3,777,955	+ 0.2	2,925
Tokushima	735,970	4,147	35,853	301,688	3,083,714	+ 0.5	2,921
Kochi	706,126	7,104	35,366	279,196	2,399,735	+ 1.4	2,532
Oita	1,143,585	6,341	52,973	483,206	4,378,232	(0.2)	2,619
Fukuoka	5,107,267	4,987	212,649	2,236,269	18,861,095	+ 2.1	2,724
Yamaguchi	1,370,424	6,113	61,385	577,791	5,870,248	(6.3)	2,774
Hiroshima	2,817,157	8,480	127,057	1,302,074	11,941,081	+ 2.8	3,074
Okayama	1,898,237	7,114	79,870	820,656	7,787,894	+ 2.9	2,744
Total of the above nine prefectures (A)	16,092,581	51,837	715,237	6,996,808	63,015,480		
(A)/(C)	12.7%	13.7%	13.4%	12.3%	11.5%		
Hyogo	5,484,375	8,401	214,169	2,203,102	20,494,996	+ 0.9	2,752
Total of ten prefectures (B)	21,576,956	60,238	929,406	9,199,910	83,510,476		
(B)/(C)	17.1%	15.9%	17.4%	16.2%	15.3%		
National total (C)	126,443,180	377,974	5,340,783	56,872,826	546,550,491	+ 1.6	3,190



# Economic Indicators of the Setouchi Region II

IYO BANK

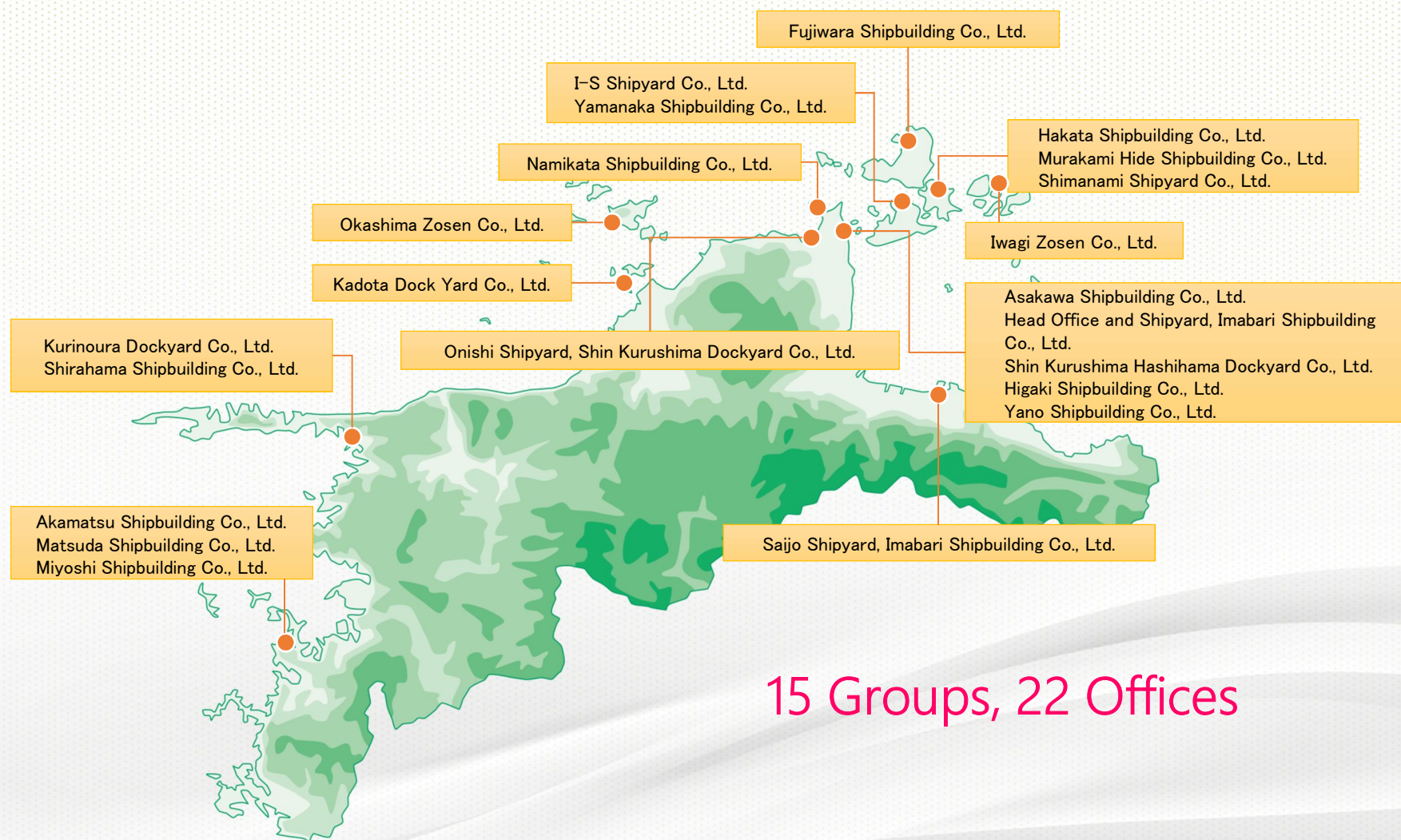
	Manufactured product shipments	Annual wholesale sales amount	Annual retail sales amount	Industrial production index (annual average)	Number of new housing starts	Jobs-to-applicants ratio (annual average)	Overall unemployment rate
	2017 (Millions of yen)	2016 (Millions of yen)	2016 (Millions of yen)	2017 2010=100	2018 (Homes)	2018 (Times)	2018 (%)
Ehime	3,814,248	2,511,264	1,528,554	93.3	7,178	1.61	1.7
Kagawa	2,462,495	2,619,010	1,169,352	99.7	5,913	1.79	2.2
Tokushima	1,700,234	904,487	757,121	108.2	4,335	1.45	1.9
Kochi	567,796	874,256	753,371	100.5	3,288	1.27	2.5
Oita	3,694,883	1,344,689	1,235,257	94.1	7,549	1.54	2.0
Fukuoka	9,250,306	16,970,699	5,864,032	115.4	40,704	1.60	2.9
Yamaguchi	5,609,000	1,641,957	1,488,895	96.2	8,369	1.58	1.8
Hiroshima	9,941,466	9,166,762	3,309,726	110.5	18,434	2.05	2.3
Okayama	7,091,936	3,543,971	2,093,111	93.4	13,118	1.95	2.3
Total of the above nine prefectures (A)	44,132,364	39,577,095	18,199,419		108,888		
(A)/(C)	14.6%	9.1%	12.5%		11.6%		
Hyogo	15,105,350	10,219,241	5,726,476	101.4	31,245	1.43	2.6
Total of ten prefectures (B)	59,237,714	49,796,336	23,925,895		140,133		
(B)/(C)	19.6%	11.4%	16.5%		14.9%		
National total (C)	302,185,204	436,522,525	145,103,822	102.0	942,370	1.61	2.4





# Shipbuilding Yards in Ehime Prefecture

IYO BANK



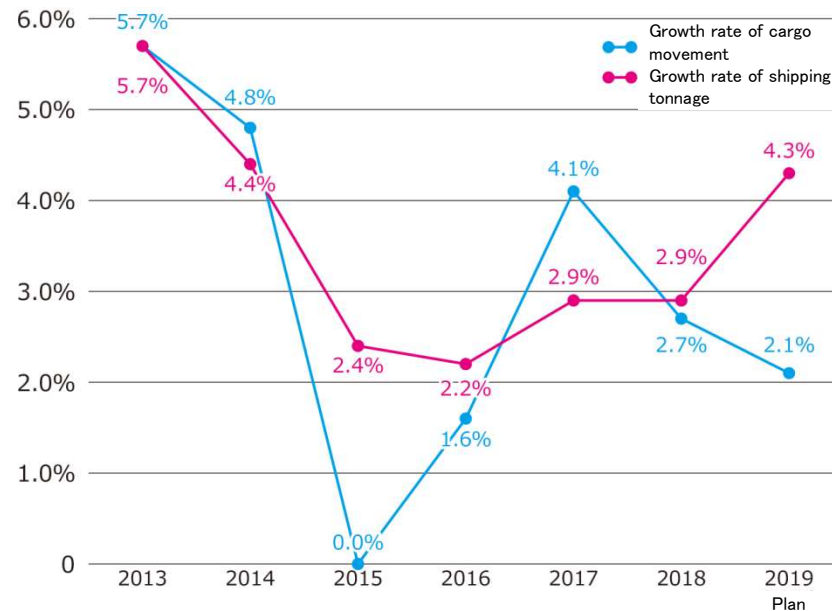
15 Groups, 22 Offices

Source: Prepared by the Bank based on "Documents for Shipbuilding Under Jurisdiction" published by the Shikoku Land Transport Office

\*Shipbuilding facilities currently in operation either constructing or repairing steel vessels of at least 500 gross tons or 50m or longer

## Dry Bulk Transport Demand and Supply

### ● Volume of cargo movement and shipping tonnage



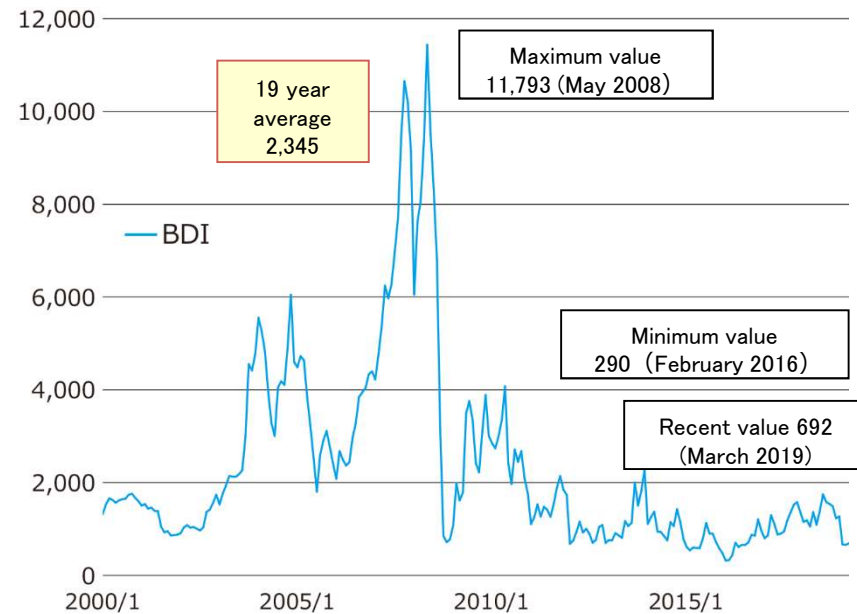
Source: Clarkson Shipping Intelligence Weekly (April 2019)

### ● Dry bulk transport demand and supply

- Shipping tonnage of dry bulk vessels increased by 23.8 million tons or 2.9% in 2018, remaining at a similar level as in the previous year. The volume of cargo movement was limited to a 2.7% increase due to US-China trade friction despite steady growth at the start of the year.
- The forecast of the growth rate of shipping tonnage is approx. 4.3% in 2019 as 36.5 million tons of new ship construction is expected. However, cargo movement is expected to grow at 2.1% due to the slower economy in China, which indicates a divergence. Meanwhile, a market recovery is expected as shipping tonnage self-adjusts, if scrapping of aging ships is accelerated due to environmental regulations beginning in 2020.

## Future Market Outlook

### ● Baltic Dry Index (BDI) trends



### ● Future market outlook

- Cargo movement has slowed since the early fall of 2018. This is possibly owing to growth in the volume of cargo movement slowing down due to US-China trade friction, a decreasing rate of economic growth in China, expanding domestic demand in China, and a lower volume of coal imports due to environmental concerns.
- In 2019, the capesize spot market recorded the lowest in the last two years, affected by suspended operation of a mine owned by Vale (Brazil) due to burst of a dam and hurricanes in Australia.
- A market recovery is expected if ship scrapping is accelerated due to factors such as sluggish market conditions and environmental regulations; however there are some uncertainties such as the effects of protectionism in the US.
- The BDI showed a recovery trend as it gradually rose from a record low of 290 in February 2016 to an average of 1,341 in 2018; however, it has been unusually weak at an average of 673 during the most recent three months.



# Breakdown of Balance of Loans and Deposits at End of Period

IYO BANK

## 1. Breakdown of balance of loans at end of period

(Units: Billions of Yen)

	March 2014	March 2015	March 2016	March 2017	March 2018	March 2019	Vs. March 2018
Total loans	3,725.3	3,869.9	3,911.1	4,043.3	4,292.6	4,550.8	258.2
General loans	3,520.1	3,644.0	3,677.4	3,802.3	4,054.6	4,310.7	256.1
Corporate loans (incl. overseas, etc.)	2,601.7	2,712.6	2,717.0	2,807.4	3,030.6	3,238.2	207.6
Corporate loans (domestic branches)	2,601.7	2,712.6	2,717.0	2,806.0	2,965.5	3,135.8	170.3
Individual financing	918.3	931.4	960.3	994.9	1,024.0	1,072.4	48.4
Housing loans	672.6	681.8	700.0	723.8	742.6	781.0	38.4
Apartment and building loans	157.5	161.7	173.3	184.0	191.3	202.2	10.9
Card loans	27.9	28.3	28.6	29.6	29.6	28.3	(1.3)
Municipal loans, etc.	205.3	225.9	233.8	241.0	238.1	240.1	2.0

(Note) The figures shown for apartment and building loans are the total of the "institutional finance" portion.

## 2. Breakdown of balance of assets in custody such as deposits, etc. at end of period

(Units: Billions of Yen)

	March 2014	March 2015	March 2016	March 2017	March 2018	March 2019	Vs. March 2018
Total deposits, etc. + assets in custody A	5,590.5	5,639.4	5,676.5	5,789.1	5,889.0	6,070.6	181.6
Total deposits, etc.	5,215.8	5,281.7	5,343.1	5,457.0	5,546.0	5,712.6	166.6
Total deposits	4,819.3	4,916.9	5,018.0	5,006.8	5,099.6	5,247.1	147.5
Individual	3,270.4	3,328.4	3,348.3	3,354.6	3,392.1	3,423.6	31.5
General companies	1,322.1	1,356.9	1,397.6	1,434.4	1,442.0	1,555.4	113.4
Public	156.4	170.5	204.0	146.6	164.4	126.4	(38.0)
Financial	59.2	43.7	44.0	36.0	53.8	61.0	7.2
Overseas / offshore	11.4	17.4	24.1	35.2	47.3	80.5	33.2
NCD	396.4	364.8	325.1	450.2	446.4	465.5	19.1
General companies	332.3	309.5	295.9	354.7	375.4	348.2	(27.2)
Public	64.2	55.3	29.2	95.5	71.0	117.3	46.3
General company funds (incl. NCD)	1,654.3	1,666.4	1,693.5	1,789.1	1,817.4	1,903.6	86.2
Public funds (incl. NCD)	220.6	225.8	233.3	242.1	235.4	243.7	8.3
Foreign currency deposits (balance)	118.7	104.2	102.9	97.1	118.3	111.0	(7.3)
Individual deposits+individual assets in custody	3,623.8	3,665.5	3,665.6	3,673.2	3,722.5	3,769.1	46.6
Individual assets	3,270.4	3,328.4	3,348.3	3,354.6	3,392.1	3,423.6	31.5
Individual assets in custody	353.4	337.1	317.2	318.6	330.4	345.4	15.0

### <Assets in custody (Term-end basis)>

Assets in custody at the Bank (excl. deposits, etc.) B	374.8	357.6	333.4	332.0	343.0	357.9	14.9
Public bonds	81.8	59.9	40.1	27.2	25.4	22.4	(3.0)
Investment trusts	108.3	107.5	93.5	85.1	71.6	68.6	(3.0)
Single premium policies	167.0	171.1	184.9	191.5	206.2	215.7	9.5
Financial product intermediary	17.7	19.2	14.9	28.3	39.7	51.0	11.3
Shikoku Alliance Securities balance C	62.2	106.2	131.5	163.7	201.4	199.5	(1.9)
Balance of Group's assets in custody B + C = D	437.0	463.8	464.9	495.8	544.4	557.4	13.0
Assets in custody composition (D / A + C)	7.7%	8.1%	8.0%	8.3%	8.9%	8.9%	-

(Note) The figures shown for foreign currency deposits (balance) are the total excluding overseas / offshore.

# Balance and Composition of Loans by Industry

IYO BANK

- There are no major changes in the composition of loans by industry, and the loans are well-balanced

(Units: Billions of Yen, %)

	March 2015		March 2016		March 2017		March 2018		March 2019		Vs. March 2018	
		Composition		Composition		Composition		Composition		Composition	Balance	Rate of balance increase/decrease
Manufacturing	600.8	15.5	593.8	15.2	583.0	14.4	611.7	14.5	643.0	14.5	+ 31.3	+ 5.1%
Agricultural	2.6	0.1	2.8	0.1	2.8	0.1	2.6	0.1	2.7	0.1	+ 0.1	+ 3.8%
Forestry	0.1	0.0	0.1	0.0	0.2	0.0	0.3	0.0	0.3	0.0	+ 0.0	+ 0.0%
Fishing	13.4	0.3	12.6	0.3	13.8	0.3	12.1	0.3	11.3	0.3	(0.8)	(6.6)%
Mining	3.3	0.1	9.0	0.2	8.8	0.2	8.7	0.2	8.6	0.2	(0.1)	(1.1)%
Construction	122.9	3.2	116.0	3.0	112.6	2.8	112.9	2.7	116.3	2.6	+ 3.4	+ 3.0%
Electricity, gas, heat provision, water	89.6	2.3	92.9	2.4	92.9	2.3	108.1	2.6	134.0	3.0	+ 25.9	+ 24.0%
Information communications	28.5	0.7	28.1	0.7	28.8	0.7	21.8	0.5	22.0	0.5	+ 0.2	+ 0.9%
Transportation	655.6	16.9	615.2	15.7	629.9	15.6	679.7	16.1	717.9	16.1	+ 38.2	+ 5.6%
Of which, ocean transport	554.7	14.3	511.3	13.1	510.3	12.6	542.1	12.8	580.3	13.0	+ 38.2	+ 7.0%
Wholesale and retail	485.6	12.5	466.7	11.9	471.2	11.7	469.4	11.1	511.6	11.5	+ 42.2	+ 9.0%
Finance and insurance	160.7	4.2	170.5	4.4	192.7	4.8	205.7	4.9	200.2	4.5	(5.5)	(2.7)%
Real estate	183.5	4.7	198.0	5.1	221.4	5.5	255.6	6.0	270.5	6.1	+ 14.9	+ 5.8%
Various services	353.7	9.1	382.5	9.8	412.7	10.2	435.1	10.3	438.5	9.9	+ 3.4	+ 0.8%
Of which, medical-related	166.4	4.3	169.6	4.3	181.3	4.5	193.7	4.6	192.2	4.3	(1.5)	(0.8)%
Regional public entities	224.8	5.8	232.9	6.0	240.2	5.9	232.7	5.5	234.8	5.3	+ 2.1	+ 0.9%
Other	944.7	24.4	989.3	25.3	1,030.8	25.5	1,071.2	25.3	1,136.1	25.5	+ 64.9	+ 6.1%
Total	3,869.9	100.0	3,911.1	100.0	4,041.8	100.0	4,227.5	100.0	4,448.4	100.0	+ 220.9	+ 5.2%

(For domestic branches, excludes special international transactions account)

\* “Goods rental” is included in “real estate” from the six months ended September 30, 2009.

“Real estate” for the year ended March 31, 2019, excluding “goods rental,” was ¥251.6 billion, which is an increase of ¥13.5 billion (+5.7%) compared with the year ended March 31, 2018.

In addition, “other” includes “home renting by individuals” (¥210.8 billion for the year ended March 31, 2019).

\* As “ocean transport” displays balances applicable to the “ocean transport industry” according to Japan Standard Industrial Classification, this figure does not match “Loan balance for the maritime industry” on page 15 of the Earnings Briefing.



# Table of Changes in Borrower Classification

IYO BANK

- Activities for supporting enhancement of corporate value are conducted through business feasibility assessments of customers
- Corporate revitalization support is provided mainly by the Corporate Consulting Division  
Use of various types of revitalization schemes, such as reconstruction funds and the SME Business Rehabilitation Support Co-operative, as well as solution sales

[Changes in borrower classification for business borrowers] (one year)

			March 31, 2019							Rate of degradation to at risk of bankruptcy or below	Improvement	Degradation
			Total	Normal borrowers	Borrowers requiring close monitoring	Borrowers under strict observation	Borrowers at risk of bankruptcy	Substantially bankrupt borrowers	Bankrupt borrowers			
March 31, 2018	Normal borrowers	20,015 31,052	18,175 31,370	17,604 30,472	503 861	21 12	27 23	14 1	6 1	0.23% 0.08%		571 897
	Borrowers requiring close monitoring	1,913 3,650	1,829 3,597	454 846	1,300 2,611	19 45	48 88	3 0	5 7	2.93% 2.61%	454 846	75 140
	Borrowers under strict observation	134 246	123 238	12 16	11 8	91 202	6 10	3 1	0 0	6.72% 4.46%	23 25	9 11
	Borrowers at risk of bankruptcy	288 429	253 393	12 4	20 20	8 8	196 332	9 21	8 7		40 32	17 28
	Substantially bankrupt borrowers	98 19	76 14	2 0	0 0	0 0	0 0	68 13	6 1		2 0	6 1
	Bankrupt borrowers	31 9	16 4	1 0	0 0	0 0	0 0	0 0	15 3		1 0	
		22,479 35,404	20,472 35,615	18,085 31,339	1,834 3,500	139 267	277 453	97 37	40 19		520 904	678 1,078

(Note 1) The chart displays the changes in the borrower classification from March 31, 2018 to March 31, 2019.

(Note 2) The balances after changes are the balances after write-offs as of March 31, 2019.

# Market Strategy: Management by Risk Category

IYO BANK

(Units: Billions of yen)

Risk Category (*1)	Year ended March 31, 2019											Source of main revenue and profit
	Book balance	Evaluation gain / loss	Market balance	Composition	Vs. Fiscal 2017	Total profit / loss (*2)	Interest and dividend income			Profit / loss from purchase, sale, and amortization	Increase/ decrease on gain / loss on evaluation vs. Fiscal 2017	
Yen-denominated bonds	836.4	+21.0	857.5	54.1%	(1.2%)	2.6	9.2	9.2	0.0	0.0	(6.6)	Difference in long and short term interest on yen interest
Of which, JGBs	433.5	+10.9	444.4	28.0%	(3.9%)	(0.3)	4.8	4.8	0.0	0.2	(5.3)	
Of which, 15-year variable interest JGBs	36.5	+0.3	36.8	2.3%	(0.1%)	(0.0)	0.2	0.2	0.0	0.0	(0.2)	Steepening yield curve
Of which, inflation-indexed JGBs	70.1	+0.3	70.4	4.4%	+0.5%	(0.8)	(0.1)	(0.1)	0.0	0.0	(0.7)	Rise in expected inflation rate
Foreign currency bonds (with hedges)	245.3	+5.1	250.4	15.8%	(1.0%)	7.5	1.7	5.3	3.6	(0.1)	+5.8	Difference in long and short term interest on overseas interest
Foreign currency bonds (without hedges)	47.3	+0.1	47.4	3.0%	(1.5%)	2.4	0.9	0.9	0.0	0.0	+1.5	Gain on foreign exchange / interest revenue
Domestic and overseas stocks (incl. stock trusts)	135.2	+192.2	327.4	20.7%	+1.4%	(3.3)	7.3	7.3	0.0	3.9	(14.6)	Growth in domestic companies centered on transaction partners
Alternatives, etc.	92.3	+9.7	102.1	6.4%	+2.3%	6.8	2.5	2.5	0.0	0.2	+4.2	
Hedge funds	38.3	(0.1)	38.2	2.4%	+1.3%	(0.4)	0.3	0.3	0.0	0.0	(0.7)	Strategic diversification by external consigned management
Of which, currency swaps	0.0	+0.0	0.0	0.0%	(0.6%)	0.0	0.3	0.3	0.0	0.0	(0.3)	Difference in long and short basis for currency swaps
Real estate-related	40.5	+10.0	50.4	3.2%	+0.9%	7.4	1.9	1.9	0.0	0.2	+5.3	Revenue from real estate rentals and profit from price increase
Private equity	6.3	+0.1	6.4	0.4%	+0.2%	0.3	0.3	0.3	0.0	0.0	+0.0	Rise in enterprise value due to management improvement of unlisted stocks, etc.
Emerging stocks	4.3	(0.2)	4.1	0.3%	+0.0%	(0.4)	0.0	0.0	0.0	0.0	(0.4)	Growth and foreign exchange gains in emerging markets
Cat bond	0.0	+0.0	0.0	0.0%	(0.1%)	0.0	(0.0)	0.0	0.0	0.0	+0.0	Revenue from casualty insurance premium
Other (corporate management, etc.)	3.0	+0.0	3.0	0.2%	+0.0%	0.0	0.0	0.0	0.0	0.0	+0.0	Seeking short-term profits due to market views
Total	1,356.5	+228.1	1,584.7	100.0%	-	17.4	20.5	24.1	3.6	4.1	(7.2)	

\*1 Assets invested by the Financial Market Division calculated based on primary risk, regardless of accounting item (on the basis of including money held in trust, unsecured repurchase agreement, etc.)

\*2 "Total profit / loss" and "interest and dividend income" eliminate three-month LIBOR interest, etc., as procurement costs, but this differs from actual procurement costs.

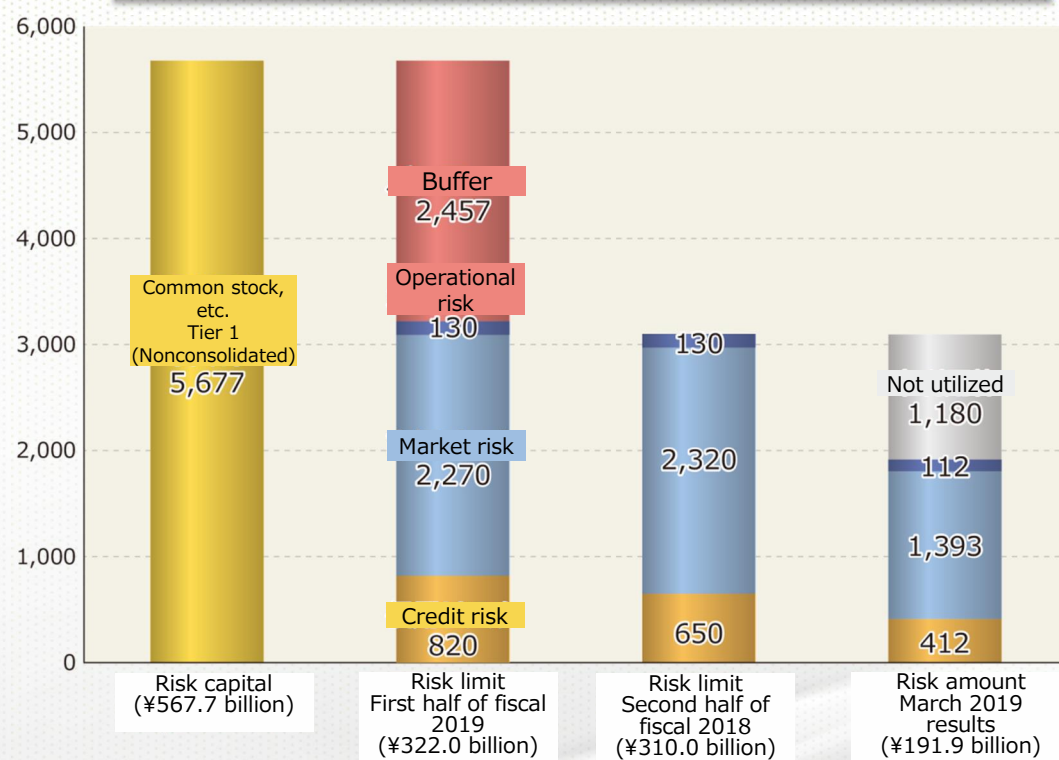
\*3 Interest received includes gain / loss on cancellation of funds, etc., recorded in asset management revenue.

<Of yen-denominated bonds and foreign currency bonds, investment conditions in credit risk and securitized products, etc.>

Credit risk	206.1	+2.4	208.5	13.2%	+1.8%	3.5	1.4	2.8	1.4	0.3	+2.1	Business continuity of domestic and foreign companies
Securitized products	5.3	+0.0	5.3	0.3%	(0.1%)	0.0	0.0	0.0	0.0	0.0	+0.0	Loan interest revenue from housing loans, etc.
Structured bonds	0.0	+0.0	0.0	0.0%	(0.3%)	0.0	0.0	0.0	0.0	0.0	+0.0	Arbitrage between JGBs and derivatives
Subtotal	211.3	+2.4	213.7	13.5%	+1.3%	3.5	1.4	2.8	1.4	0.3	+2.1	



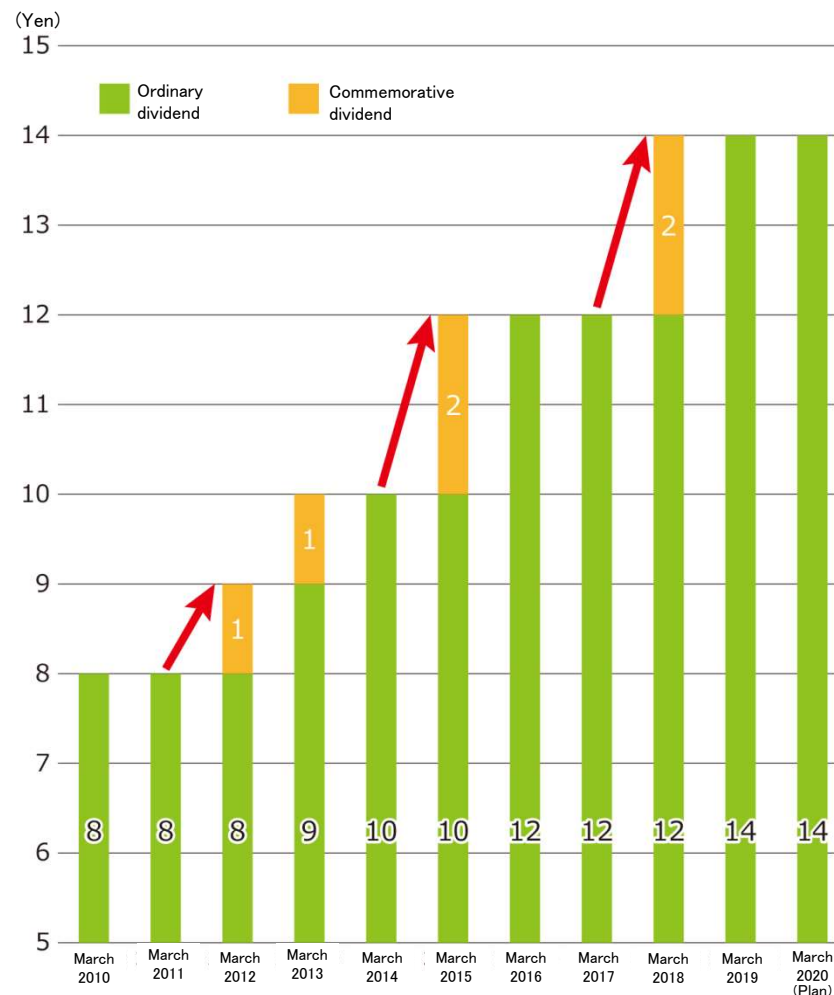
[Status of integrated risk management (March 31, 2019)]



- Operational risk
  - Calculated by The Standardized Approach
- Market risk (holding period of six months, 99.9%)
  - Take into account correlation between different risks
  - Core deposits: Use an internal model
  - Stock VaR: Includes strategic equity holdings
- Credit risk (holding period of one year, 99.9%)
  - Business loans, etc.: Monte Carlo method
  - Loans for individuals: Analysis method

## Dividend Trends

- Strive to maintain the business base and **stable dividends** by strengthening the financial position with internal reserves



## Shareholder Benefit Program

Shareholders holding 100 or more but less than 1,000 shares

- Grant shareholder benefits (Imabari towel)



Shareholders holding 1,000 shares or more

### Select one of the following three choices

- Goods made in Ehime Prefecture and special goods jointly designed by the TSUBASA Alliance
- Preferential time deposit accounts for shareholders
- Donation to the Japanese Red Cross Society

