

First Half of Fiscal 2018 Earnings Briefing



Ozu Castle

Ozu City, which underwent significant damage during heavy rainfall in western Japan in July 2018, is referred to as the “Little Kyoto of Iyo,” and provides a charming townscape.

Four sets of turrets remaining from the Edo Period are designated as National Important Cultural Properties, and the entire castle complex is a Designated Prefectural Historic Site.



伊予銀行

December 7, 2018

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I. Summary of Earnings for the First Half of Fiscal 2018



Uchikoza

Uchikoza, constructed in 1916 to celebrate Emperor Taisho's ascension to the throne, was designated as a National Important Cultural Property in 2015.

Even today, over 100 years since its construction, it hosts kabuki as well as bunraku events, and plays a vital role as a base for artistic and cultural activities.

Profit and Loss Conditions for the First Half of Fiscal 2018

IYO BANK

- Although profit was down year-on-year at every income level, a high level of profit was secured, exceeding the earnings forecast announced in May 2018

Earnings for the first half of Fiscal 2018 (Nonconsolidated) (Units: Millions of yen)

	First half of Fiscal 2018	YoY	Increase/ Decrease	First half of Fiscal 2017
Core business gross profit (Note 1)	38,845	(117)	(0.3%)	38,962
Interest and dividend income	34,244	(1,163)		35,407
Fees and commissions	3,613	+398		3,215
Of which, revenue on assets in custody	1,078	+185		893
Other operating income (Excluding profit/loss associated with bonds including JGBs, etc.)	986	+648		338
Expenses (-)	25,107	+700	+2.9%	24,407
Personnel expenses	13,379	+62		13,317
Nonpersonnel expenses	10,191	+578		9,613
Taxes	1,536	+60		1,476
Core business net income (Note 2)	13,737	(817)	(5.6%)	14,554
Credit costs (-) ①+②-③	893	+259		634
Provision of reserve for general loan losses ①	(519)	(445)		(74)
Amortization of non-performing loans ②	1,702	+745		957
Recoveries of written off claims ③	289	+41		248
Gain (loss) related to securities	2,488	(1,745)		4,233
Gain (loss) related to bonds including JGBs	116	(103)		219
Gain (loss) related to stock, etc.	2,371	(1,642)		4,013
Other temporary gain (loss)	1,214	+380		834
Ordinary income	16,546	(2,441)	(12.9%)	18,987
Extraordinary income (loss)	(266)	(104)		(162)
Income before income taxes	16,279	(2,545)		18,824
Net income	11,471	(1,676)	(12.7%)	13,147
Ordinary revenue	55,386	+3,857	+7.5%	51,529
Business net income	14,373	(475)	(3.2%)	14,848

(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 ¥117 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 ¥700 million YoY

- ◎ Nonpersonnel expenses up as system investments increased, etc.

Core business net income down as core business gross profit decreased and expenses increased, down ¥817 million YoY

Credit costs: Up ¥259 million YoY

- ◎ Reversal of reserve for general loan losses increased due to decline of loan loss result
- ◎ Amortization of non-performing loans increased due to a decrease in upgrades, etc.

Gain (loss) related to securities: Down ¥1,745 million YoY

Gain (loss) related to bonds including JGBs (Down ¥103 million YoY)

Gain (loss) related to stock, etc. (Down ¥1,642 million YoY)

- ◎ Gain (loss) related to stock, etc., down due to a decrease in gains on sales of securities, etc.

Other temporary gain (loss): Up ¥380 million YoY

- ◎ Temporary retirement benefit expenses down

Due to decreases in core business net income and gain (loss) related to securities, ordinary income decreased, down ¥2,441 million YoY

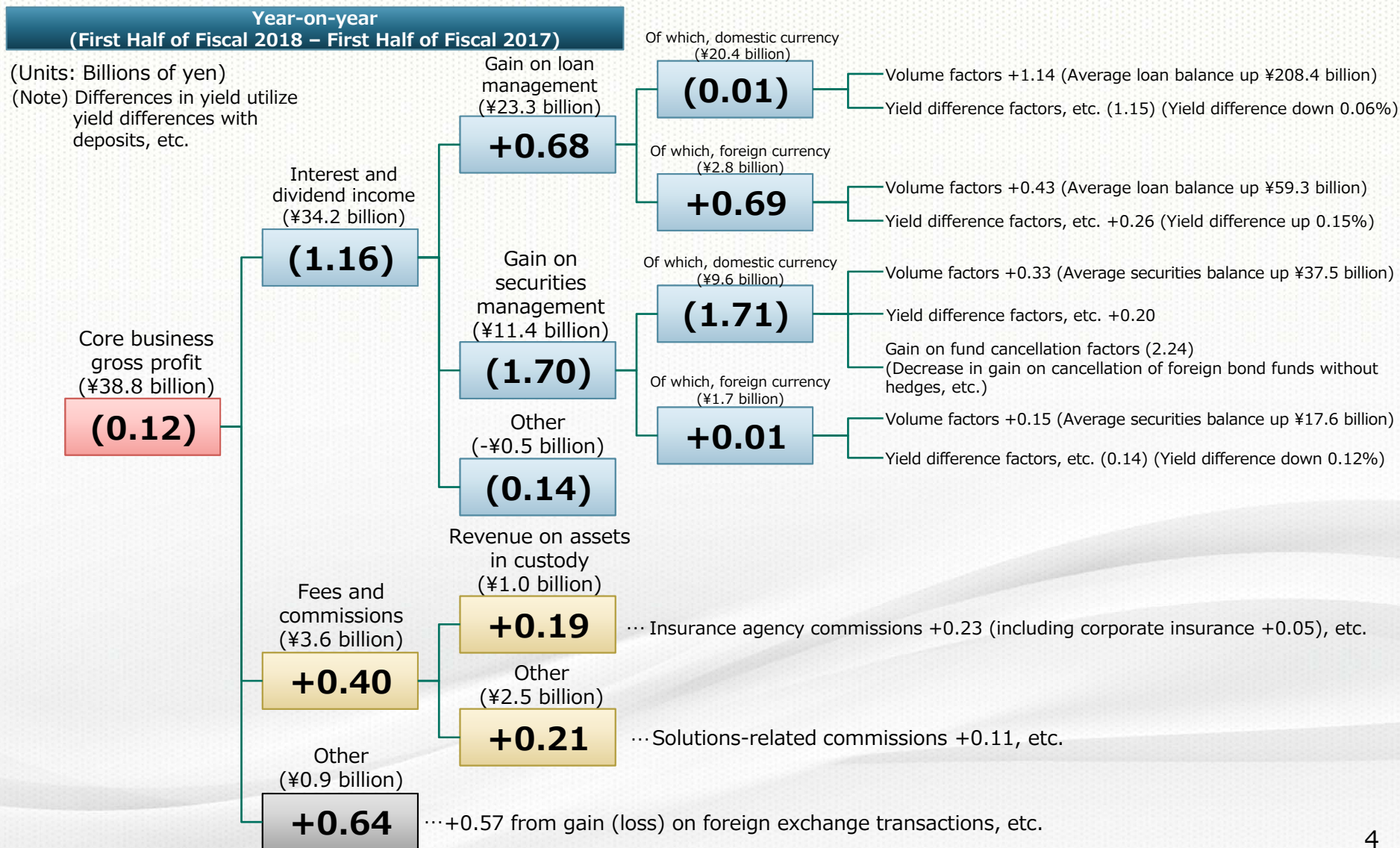
Extraordinary income (loss): Down ¥104 million YoY

As a result, net income was down ¥1,676 million YoY

Factors in Increase / Decrease in Core Business Gross Profit (First Half of Fiscal 2018)

IYO BANK

- Although interest and dividend income was down due to a decrease in gain on fund cancellation, gain on loan management shifted positive
- Fees and commissions were up due to higher solutions-related commissions and revenue on assets in custody, etc.



Conditions in Loans, Deposits, and Assets in Custody IYO BANK

- “Deposits, etc.,” were up mainly in Ehime Prefecture (+2.2% year-on-year)
- “Loans” were up in all regions (+7.2% year-on-year)

Balance of deposits, etc., by region

(Units: Billions of yen)

Region	First half of Fiscal 2017	First half of Fiscal 2018	YoY	Increase/Decrease
Within Ehime Prefecture	4,314.7	4,375.0	+60.3	+1.4%
Shikoku (excluding Ehime)	236.8	238.6	+1.8	+0.8%
Kyushu	167.8	163.2	(4.6)	(2.7)%
Chugoku	226.8	228.3	+1.5	+0.7%
Kinki	129.7	138.4	+8.7	+6.7%
Tokyo and Nagoya	325.9	357.0	+31.1	+9.5%
Overseas, etc.	22.6	41.3	+18.7	+82.7%
Total	5,424.5	5,542.2	+117.7	+2.2%

Balance of assets in custody

(Units: Billions of yen)

	First half of Fiscal 2017	First half of Fiscal 2018	YoY	Increase/Decrease
Group assets in custody	533.5	560.3	+26.8	+5.0%
Balance at the Bank	340.7	351.9	+11.2	+3.3%
Balance at Shikoku Alliance Securities	192.7	208.3	+15.6	+8.1%
Sales of Group assets in custody	56.0	61.8	+5.8	+10.4%
Sales at the Bank	24.7	28.9	+4.2	+17.0%
Sales at Shikoku Alliance Securities	31.2	32.8	+1.6	+5.1%

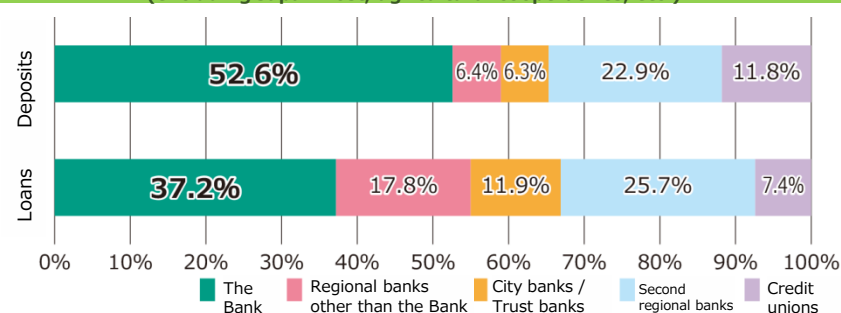
Balance of loans by region

(Units: Billions of yen)

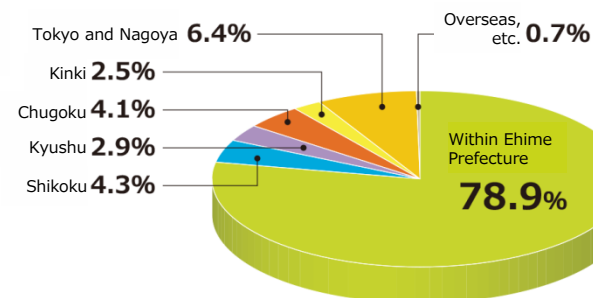
Region	First half of Fiscal 2017	First half of Fiscal 2018	YoY	Increase/Decrease
Within Ehime Prefecture	2,253.4	2,322.9	+69.5	+3.1%
Shikoku (excluding Ehime)	259.7	280.4	+20.7	+8.0%
Kyushu	274.7	283.8	+9.1	+3.3%
Chugoku	369.1	388.8	+19.7	+5.3%
Kinki	296.6	335.7	+39.1	+13.2%
Tokyo and Nagoya	574.3	629.8	+55.5	+9.7%
Financial Market Business Office	76.8	104.2	+27.4	+35.7%
Total (domestic branches)	4,105.0	4,345.9	+240.9	+5.9%
Overseas, etc.	27.4	85.5	+58.1	+212.0%
Total	4,132.4	4,431.5	+299.1	+7.2%

*Please refer to pages 11 and 12 of the Reference Materials section for the breakdown, etc. of the balance of loans and deposits at the end of the period.

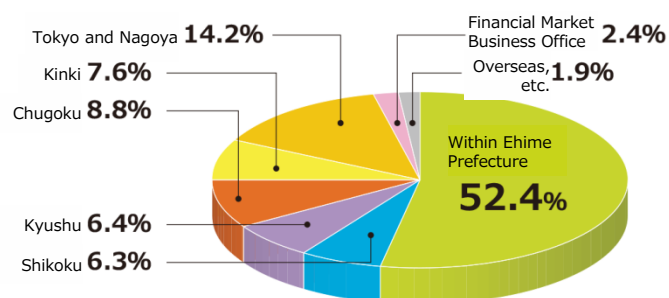
Share within Ehime Prefecture as of September 30, 2018
(excluding Japan Post, agricultural cooperatives, etc.)



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 remained at a low level
- Ratio of disclosed non-performing loans was 1.43%, falling to a record low

Credit costs by factor

(Units: Billions of yen)

	First Half	Fiscal 2015	First Half	Fiscal 2016	First Half	Fiscal 2017	First Half of Fiscal 2018	YoY
Credit costs total	0.7	1.8	(0.2)	0.6	0.6	3.5	0.8	+0.2
Provision of reserve for general loan losses	(0.6)	(1.3)	0.0	(0.8)	(0.0)	(0.6)	(0.5)	(0.4)
Amortization of non-performing loans	2.3	4.5	(0.0)	2.4	0.9	4.7	1.7	+0.7
Bankruptcies	0.7	1.4	0.0	0.2	0.3	0.8	0.5	+0.2
Downgrades, etc.	3.6	5.9	2.1	5.0	1.9	6.3	2.3	+0.4
Upgrades and collections	(2.0)	(2.8)	(2.2)	(2.9)	(1.3)	(2.3)	(1.1)	+0.2
Recoveries of written off claims (-)	0.9	1.3	0.3	0.8	0.2	0.5	0.2	+0.0
Credit management expense ratio (*)	0.02%	0.05%	(0.01%)	0.02%	0.02%	0.09%	0.02%	+0.00P

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

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

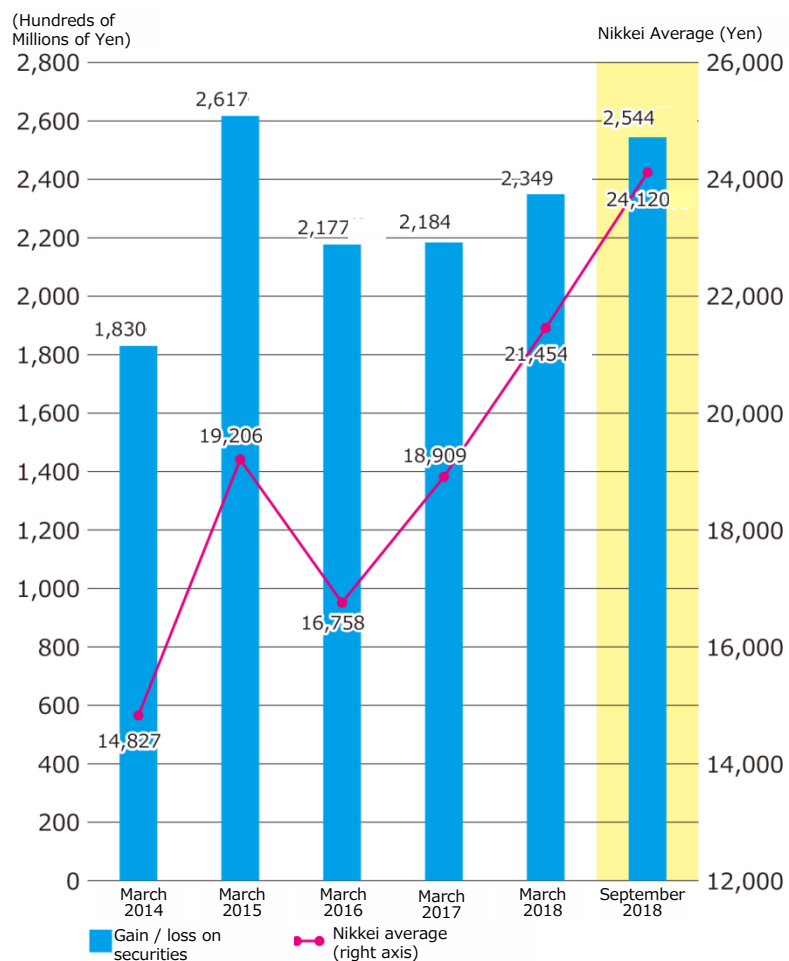
(Units: Billions of yen)

	Fiscal 2015	Fiscal 2016	Fiscal 2017	First Half of Fiscal 2018
Loans to bankrupt or effectively bankrupt borrowers	4.2	4.4	3.0	4.1
Doubtful assets	45.5	39.8	44.1	43.6
Credit subject to specific risk management	16.9	18.1	18.0	18.9
Total disclosed non-performing loans	66.7	62.4	65.2	66.7
Ratio of disclosed non-performing loans	1.64%	1.48%	1.44%	1.43%

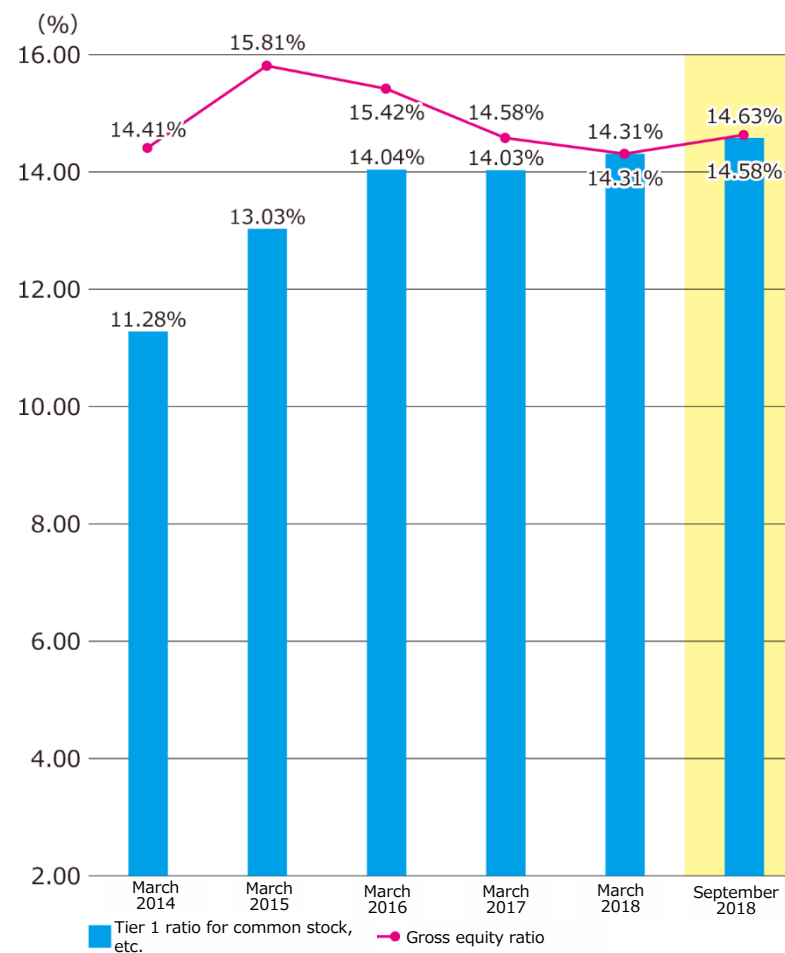
Conditions in Evaluation Gain on Securities and Equity Ratio IYO BANK

- Evaluation gain on securities was ¥254.4 billion, **maintaining a top class level among regional banks**
- Consolidated equity ratio (BIS standards) was 14.63%

Evaluation Gain on Securities (Nonconsolidated)



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)

Sadamisaki Lighthouse

The Sadamisaki lighthouse is located at the tip of the Sadamisaki Peninsula, which is the narrowest peninsula in Japan. In April 2017, it celebrated its 100th anniversary since it commenced lighting. Selected as one of the top 50 lighthouses in Japan, it also serves as a popular attraction for visiting couples.

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

IYO BANK

- Present progress is 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 2017 Results	Fiscal 2018 Targets	Fiscal 2020 Targets
Core business gross profit	¥77.5 billion	¥75.0 billion	¥76.5 billion
Fees and commissions	¥6.6 billion	¥7.0 billion	¥8.5 billion
Net income	¥22.6 billion	¥18.0 billion	¥20.5 billion
ROE	3.83%	3.0% or more	3.0% or more
Core OHR	63.31%	70.0% or less	65.0% or less
Equity ratio (BIS standard)	14.31%	15.0% or more	15.0% or more
Ratio of non-performing loans	1.44%	2.0% or less	2.0% or less

Plans for Loans, Deposits, and Assets in Custody

IYO BANK

- Deposits, etc., are planned to be increased approx. **¥132.0 billion** during the three years of the Medium-Term Management Plan, with an average balance totaling **¥5,586.0 billion** during fiscal 2020
- Loans are planned to be increased approx. **¥499.0 billion** during the three years of the Medium-Term Management Plan, with an average balance totaling **¥4,617.0 billion** during fiscal 2020

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

(Units: Billions of yen)

	Fiscal 2017 results	Fiscal 2018		Fiscal 2019		Fiscal 2020		
		Forecast	YoY	Plan	YoY	Plan	YoY	Increase/decrease during the Plan
Average deposits, etc., balance	5,453.7	5,508.0	+54.3	5,543.0	+35.0	5,586.0	+43.0	+132.3
Of which, individual deposits	3,387.1	3,423.0	+35.9	3,435.0	+12.0	3,450.0	+15.0	+62.9
Group assets in custody balance (including Shikoku Alliance Securities)	544.4	585.0	+40.6	622.0	+37.0	669.0	+47.0	+124.6
Of which, balance of assets in custody at the Bank	343.0	366.0	+23.0	386.0	+20.0	415.0	+29.0	+72.0
Of which, balance at Shikoku Alliance Securities	201.4	219.0	+17.6	236.0	+17.0	254.0	+18.0	+52.6

Plans for average loan balance

(Units: Billions of yen)

	Fiscal 2017 results	Fiscal 2018		Fiscal 2019		Fiscal 2020		
		Forecast	YoY	Plan	YoY	Plan	YoY	Increase/decrease during the Plan
Average loan balance	4,118.0	4,378.0	+260.0	4,474.0	+96.0	4,617.0	+143.0	+499.0
Corporate loans	2,784.6	2,925.0	+140.4	2,948.0	+23.0	3,012.0	+64.0	+227.4
Of which, within Ehime	1,254.3	1,292.0	+37.7	1,293.0	+1.0	1,301.0	+8.0	+46.7
Individual loans	996.5	1,030.0	+33.5	1,046.0	+16.0	1,077.0	+31.0	+80.5
Municipal loans	236.8	241.0	+4.2	246.0	+5.0	250.0	+4.0	+13.2
Financial Market Business Office	74.4	100.0	+25.6	125.0	+25.0	147.0	+22.0	+72.6
Singapore Branch	25.5	82.0	+56.5	109.0	+27.0	131.0	+22.0	+105.5

[Consulting Strategy (Personal Banking)]

Strengthen Consulting Ability and Improve Regional Awareness

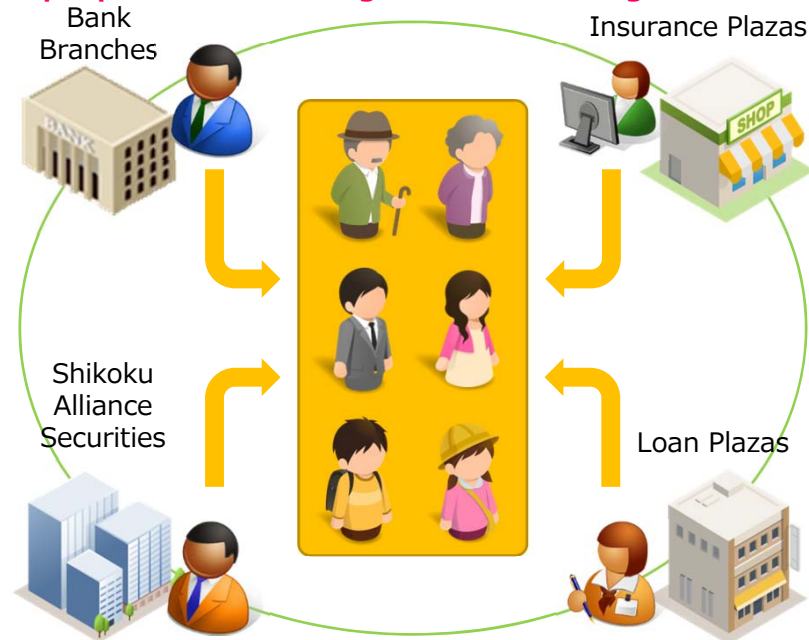
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- Provide **services responding to life events and consulting with a high level of expertise** in response to “100-Years Life Society”

Strengthening Consulting Structure

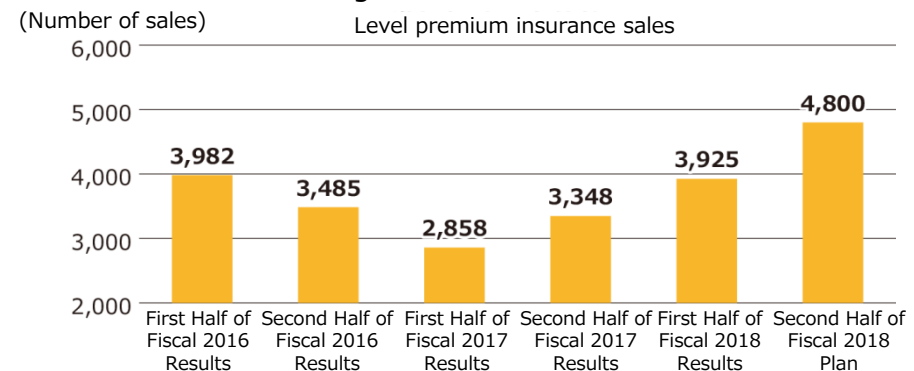
Providing services responding to life events

- Proposal structure to respond to variable life events
- **Realize lifetime transactions that connect affluent people with the next generations through finance**



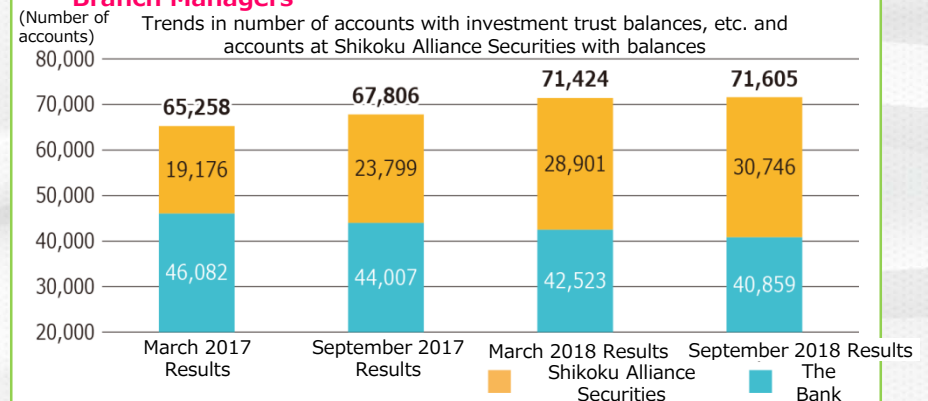
- Respond to **needs of affluent people by placing 136 “personnel dedicated to assets in custody”** within Ehime Prefecture
- Utilize **testamentary trusts** as an **inheritance consultation tool** to deal with issues such as “end of life preparations” and “aging” in the future
- Respond to **additional complex needs for securities** through **bank-securities cooperation with Shikoku Alliance Securities**

- **Opened an “insurance plaza” in Yawatahama and Saijo** in October 2018, **expanding to 12 stores**
- **Placed 77 “insurance consulting staffs”** to provide insurance consulting within Ehime Prefecture Bank Branches



Expand Range of Asset Management by Investment Education

- Enrich time-diversified investment through use of savings trusts
- **Investment education via customer seminars led by Bank Branch Managers**



[Consulting Strategy (Corporate Banking I)]

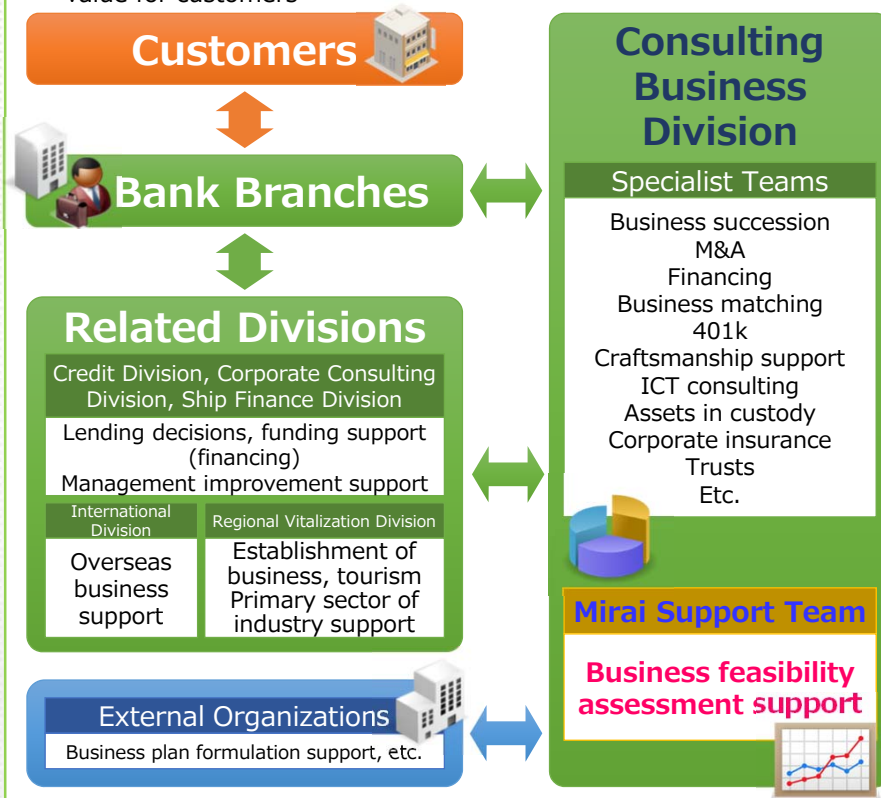
Strengthen Ability to Provide Value Responding to Business Stages

IYO BANK

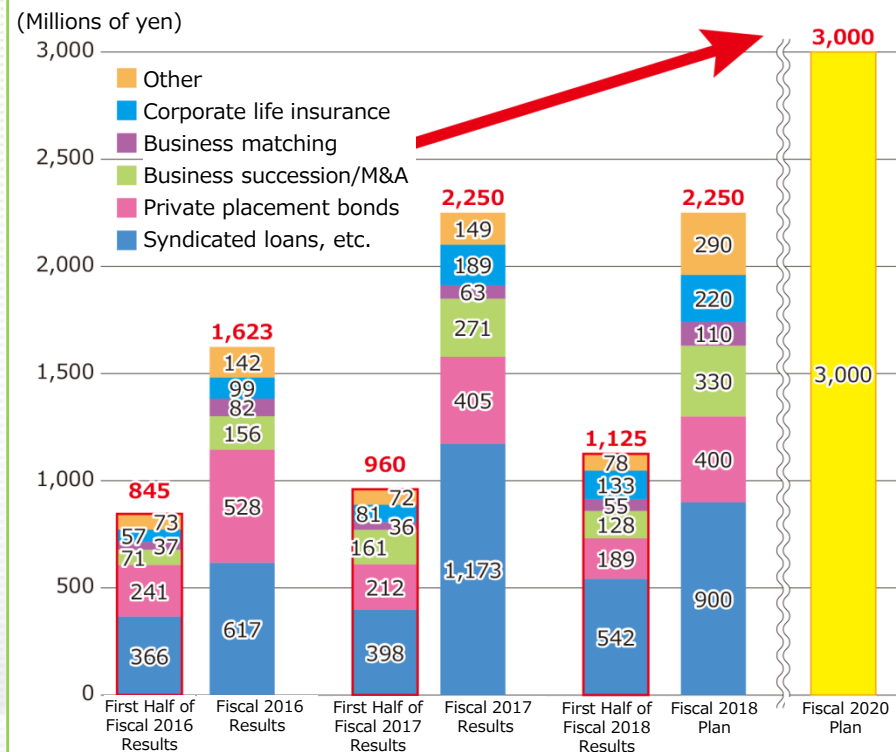
- Improve ability to offer value and strengthen fee business through **new establishment of "Consulting Business Division"**
- Share our customers' management issues through **"get to know customers" sales based on business feasibility assessment** to offer **smooth financing and solutions for issues**

New Establishment of "Consulting Business Division"

- Newly established **"Consulting Business Division"** with the aim of strengthening ability to offer value to customers based on the consulting strategy
- **Placed the "Mirai Support Team"** within said Division to support business feasibility assessments at Bank Branches and offer optimal value for customers



Results and Plans for Solutions Related Revenue



- Results for the first half of Fiscal 2018 were steady, with solutions related revenue at ¥1,125 million
- Strengthen fee business toward achieving the Fiscal 2018 Medium-Term Management Plan target of ¥3,000 million

[Consulting Strategy (Corporate Banking II)]

Further Enrichment of Solutions Menu

IYO BANK

- Diversify earnings power through **further enrichment of solutions menu**
- **Flexibly develop solutions menu** in accordance with regional economic conditions and events; **reconstruction support** for heavy rainfall disaster in western Japan

Enrichment of Solutions Menu

[ICT Consulting]

To improve customers' productivity, support introduction and use of ICT toward increasing operational efficiency and strengthening sales ability



[Lease Intermediary Operations]

Provide compound proposals of bank lending and lease products to realize diversified fund procurement for customers



[Natural Disaster Responsive Financing]

In May 2018, began handling products that forgive debt obligation for principal balance of loans if a contractually predefined earthquake occurs

[Results]

Contract date	Contract amount	Industry	Fund use
July 2018	¥1.2 billion	Hospital	Funds for medical examination center construction
July 2018	¥1.3 billion	Manufacturing	Funds related to plant construction

Efforts in Disaster Reconstruction Support

[Handling Diverse Financing Products]

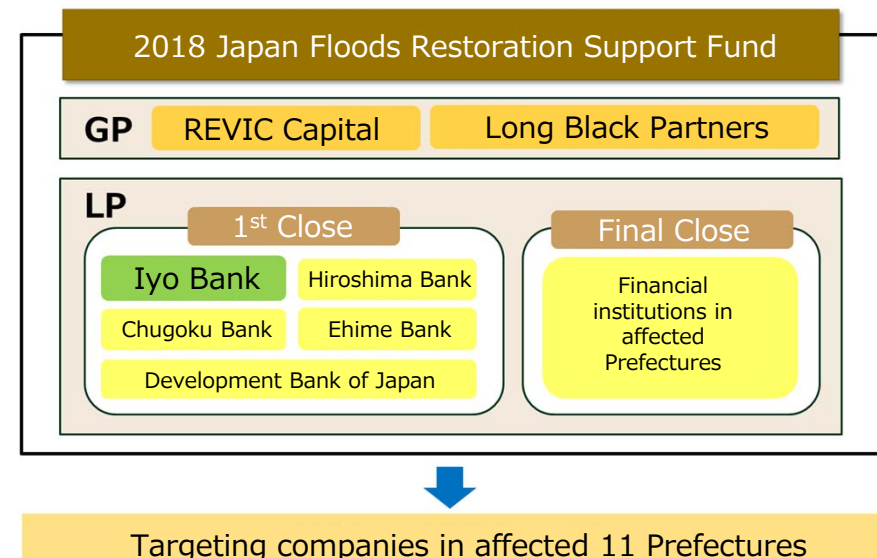
Began handling diverse financing products in accordance with customers' damage and reconstruction methods, etc.

"**Iyogin Special Fund**," special financing to support disaster relief
 "Disaster Related Countermeasure Funds" through **agreement with Ehime Prefecture Group subsidy bridge** loans

[Investment in Reconstruction Support Fund]

In October 2018, invested ¥0.5 billion in the "2018 Japan Floods Restoration Support Fund Limited Partnership for Investment" to provide human support and required funds toward reconstruction

Fund
scheme
➔

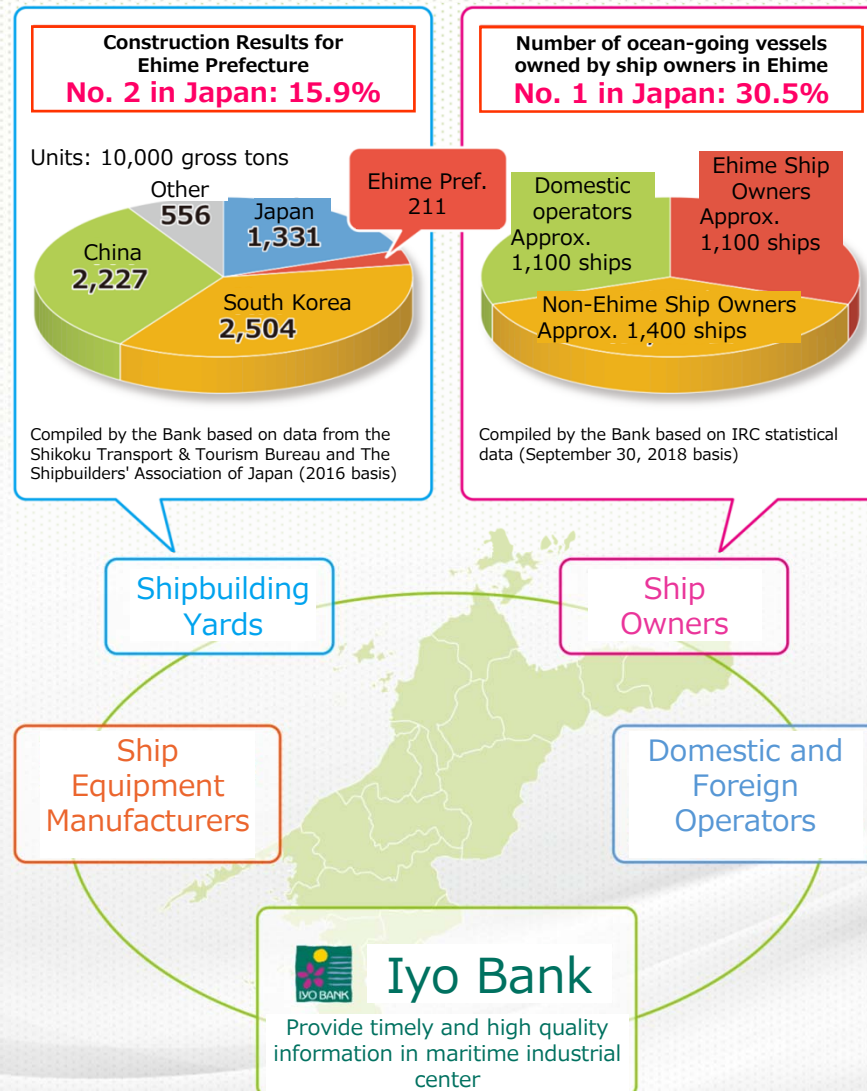


[Consulting Strategy (Corporate Banking III)]

Strengthen Efforts in Maritime Business Cluster

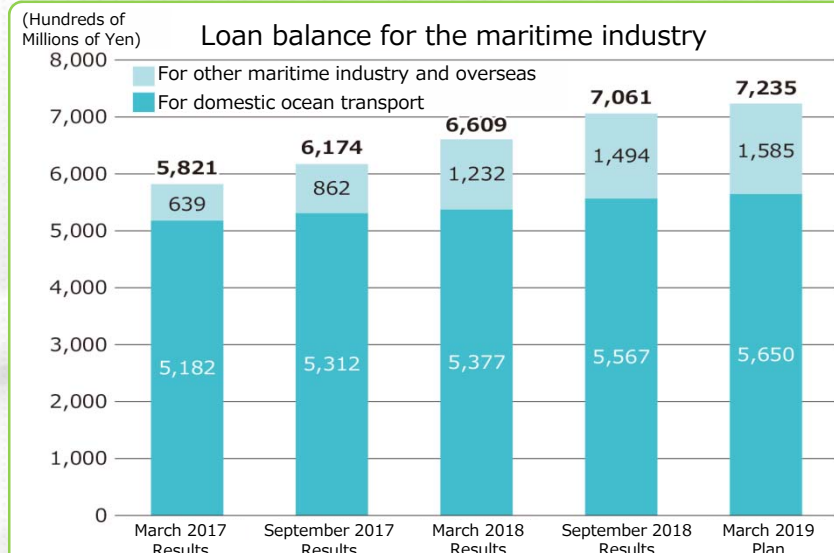
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- Strengthen **ability to collect information** in a maritime industrial center to **provide timely and high quality information**
- **Ship Finance Division, domestic bases, and the Singapore Branch** to work together to contribute to further development of the maritime industry



Further Strengthen Relationship with the Maritime Industry

- **Make transactions with over 60% of Ehime ship owners**, including global-leading owners of ocean-going vessels, **creating strong relations with local ship owners**
- **Develop professional maritime industry personnel** through training assignments to operators and trading companies, etc.
- **Diversification of information sources through increased contact with maritime related companies in the Ship Finance Division and domestic bases**
- **Expand transactions with the overall maritime industry**, including the shipbuilding industry, which boasts the largest shipbuilding volume in Japan, and ship equipment manufacturers



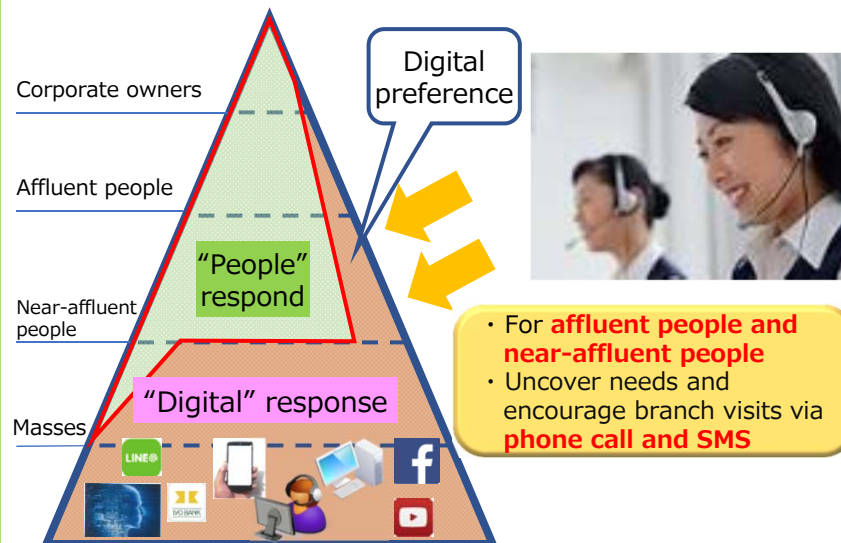
- Provide further value and enrich services while **efficiently approaching customers difficult to make contact and customers who prefer non-face-to-face transactions**

Strengthen Direct Channels and Direct Marketing

- Plan trial of “Hybrid Desk” from December 2018

- Operate without face-to-face contact, targeting customers who find it difficult to visit branches

Customer segment



- Direct Marketing Utilizing AI

- Use an AI sales support system to implement telemarketing and SMS

- Propose optimal asset management through investment trust follow-up
- Recommend card loans by actively monitoring attribute information and account records

Strengthen Individual Strategy

- Promotion of investment trust sales utilizing AI

- **Quickly respond to latent management needs** of customers through the use of AI



- Plan to introduce “Insurance Robot Advisor” in December 2018

- **Create personalized insurance** just by completing a simple web-based profile

- **Encouragement to visit Insurance Plaza by** Robot Advisor

- Promotion of level premium insurance via call centers

- Approach customers unable to be contacted via face-to-face channels

Strengthen Office Strategy

- Effective use of EBM for Offices

- **Acquired corporate EBM patent** (Make use of external DB for non-customer entities)
- New distribution of EBM using sales channel information; expansion of corporate EBM menu

- Strengthen promotion of corporate IB

- Introduction support via **headquarters IT support team** (Resolving problems upon introduction; proliferation and education of IB related services)

- Begin outbound calling for corporate customers

- Corporate 401K, guaranteed financing

- **Strengthen structures toward digitization** via headquarters structure changes to accelerate efforts in API use and channel enrichment, etc.

Establishment of Digital Planning Department to Strengthen Efforts in Digitization

(Until July 2018)

Business Strategy Department,
General Planning Division

- Branch strategy
- BPR strategy
- **ICT strategy**

Increase
Personnel /
Strengthen
structure

(From August 2018)

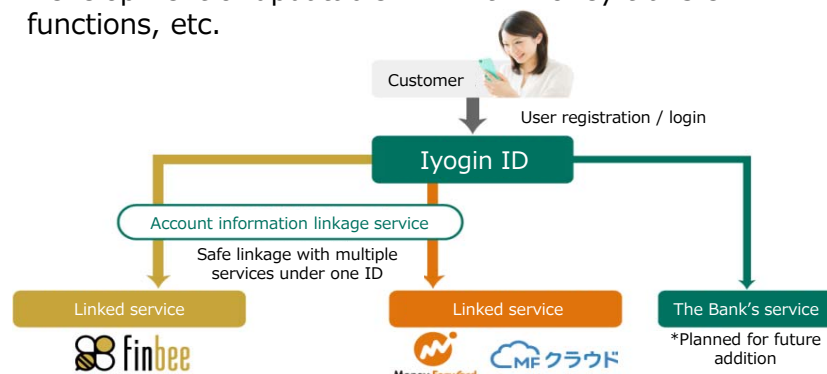
Digital Planning Department, General Planning Division

- ICT strategy **keyword** **Frictionless Payment, Digital & Human Interface**
 - ✓ Create new services through API use
 - ✓ Enrich cashless settlement services
 - ✓ Enrich non-face-to-face channels
 - ✓ Refined database marketing and collaboration among channels

Examples of Efforts

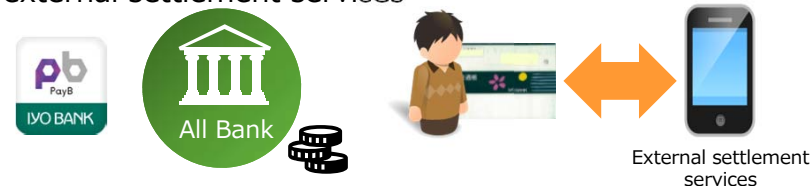
● Began operation of "TSUBASA FinTech Common Platform"

- Began API linkage with "finbee" and "Money Forward" in July 2018
- Expanded cooperation with PFM businesses and plan for linkage with the Bank's "Money Manager" smartphone app
- Development of updatable API with money transfer functions, etc.



● Strengthen efforts toward promoting cashless transactions

- Continue to seek for new cashless settlement services
- Expand linkage between the Bank's accounts and external settlement services



● Plan to introduce "Chatbot Service" in December 2018

- Communication tool available 24 hours a day to questions from customers regarding products and services



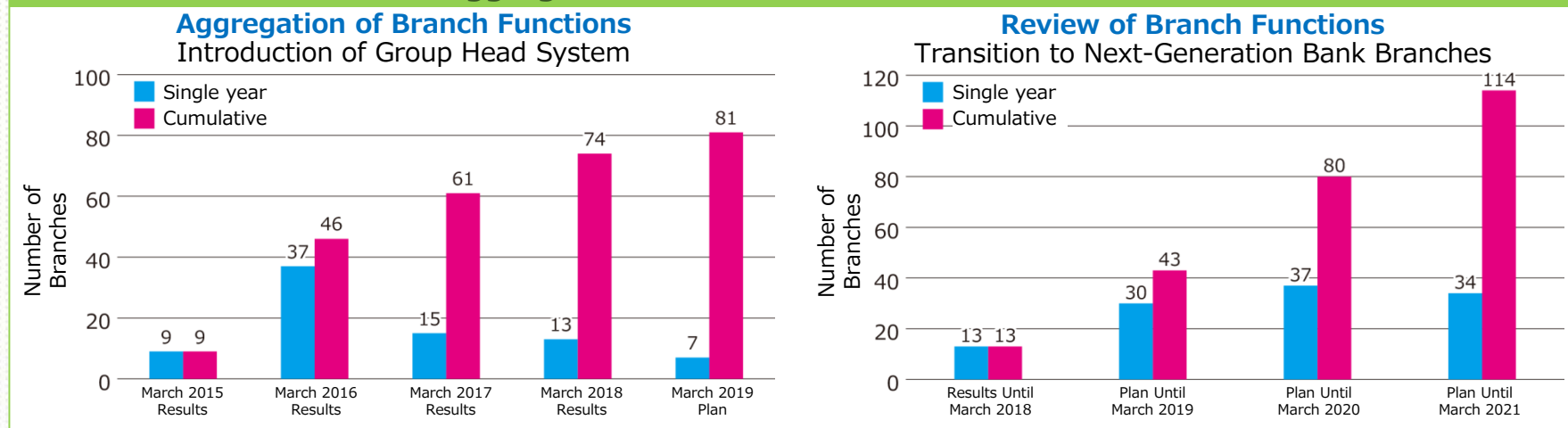
[Branch Strategy]

Improve Productivity and Strengthen Sales Ability by Reviewing Branch Functions

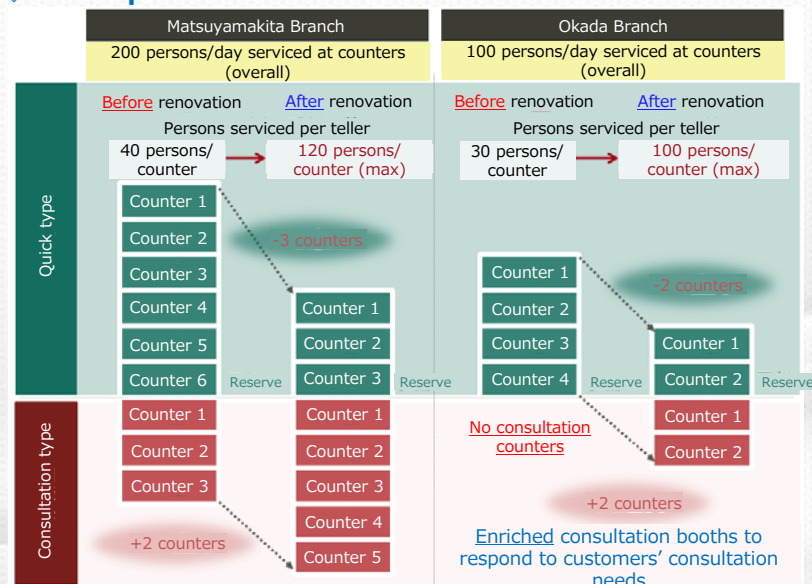
IYO BANK

- Review of customer contact points through **introduction of next-generation branches** and **aggregation of Bank Branch functions**

Aggregation and Review of Branch Functions



◇ Examples of Counter Refinement at Next-Generation Branches *Matsuyamakita Branch, Okada Branch



Satto Madoguchi (Quick counter)



Consultation booth (For consultation)



Improved counter productivity

Alongside the introduction of "Satto Madoguchi (Quick Counter)," fundamentally reviewed the number of quick counters to **improve productivity of counter tellers**

Realized transactions "not required to complete a form" and "not required to handle cash"

Strengthened sales capabilities

Through introduction and enrichment of comparted "consultation booth," created an **environment to respond to various consultation needs from customers**
Strengthened response abilities in "asset management consultations" and "loans," etc.

[BPR Strategy]

Improve Operational Efficiency by Utilizing Digital Technologies

IYO BANK

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

Improving Branch Administrative Processing Efficiency

- Transition from “paper form” to **“tablet”** in operation at branch counters
- Digitization of **approx. 40% of administrative work at a Bank Branch**, “fully from reception to processing”
“AGENT” Counter Reception Tablet



AGENT System

<Introduction Schedule>

◇From October 2018

Began test operation at Honmachi Branch, Minatomachi Branch, and Matsuyamakita Branch
“Ordinary deposit account opening” and “Time deposit account opening”

◇From February 2019

Full-scale operation to begin (Plan for rollout to all branches over a one-year period)

“Various notifications,” “Card issuance,” “Credit card issuance,” “Individual IB,” “Corporate IB,” “Inheritance,” “Automated remittance,” “Ordinary deposit account closing,” “Time deposit account closing,” and “Time deposit account renewal”

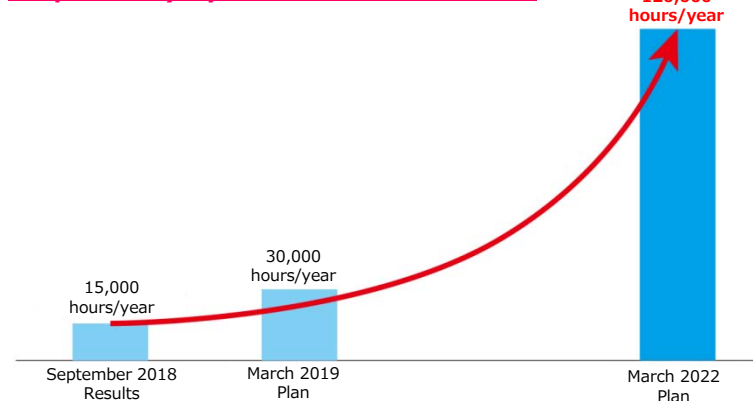
*Service menu planned to be consecutively expanded in February, April, and June

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



Improving Operational Efficiency at Headquarters

- Fundamental review of headquarters operations, using RPA, etc., as an entry point
- Aim for **reduction of 5% of headquarters administrative workload (approx. 120,000 hours/year, equivalent to 65 persons) by the end of fiscal 2021**



RPA

Began full-scale RPA operation in April 2018

Reduced approx. 15,000 hours/year of administrative work at headquarters (as of September 30, 2018)

(including BPR effects)
Enrich promotion structure to achieve further gains



Other efforts

Introduced smartphones for business use (From June 2018)
Distributed mobile PCs for business use and made the Bank's LAN wireless (from August 2018)



Plan to consider measures to reduce operational load in the future, such as “Use of chatbot within the Bank” and “AI-OCR”

[Regional Revitalization Strategy] Efforts to Create Regional “Earnings Power” and “Employment”

IYO BANK

- “Tourism” and “Establishment of Business” support via public-private partnership and introduction of new services
- Regional revitalization support by utilizing “Shikoku Alliance”

Participation in “West Shikoku Area Strategic Tourism Service Creation Business”

- A regional revitalization plan through the collaboration of the four regions of Saijo City and Kumakogen Town of Ehime Prefecture and Ino Town and Okawa Village of Kochi Prefecture, all located in the **Mount Ishizuchi area**, was approved by the Cabinet Office
- The bank also made an investment in November 2018 to establish “**Sorayama Ishizuchi Co., Ltd.**,” a third sector DMC



Municipalities

- Saijo City, Ehime Pref.
- Kumakogen Town, Ehime Pref.
- Ino Town, Kochi Pref.
- Okawa Village, Kochi Pref.

Private sector

- The Bank, Shikoku Bank
- Shikoku Electric, JR Shikoku
- Montbell
- JTB, etc.

DMC

Sorayama Ishizuchi Co., Ltd.

Strategy formulation

Providing information

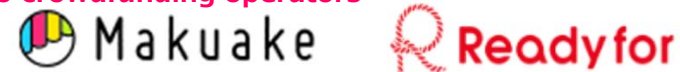
Tourism related business

Establish a highly attractive tourism region with high international competitiveness
Create a high added-value tourism industry

*DMC (Destination Management / Marketing / Company)
A for-profit organization that seeks earnings via sales of regional travel product and locally produced goods targeting tourists

Foundation and Regional Revitalization Businesses Utilizing Crowdfunding

- In September 2018, entered business partnerships with two crowdfunding operators



140th anniversary commemorative business

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)

First project

Suto Shuzo Co., Ltd. (Saijo City, Ehime Prefecture)
Project to create “sake for the last cup, which is made from standard rice rather than rice for sake-making”

Shikoku Alliance

(Comprehensive Cooperation Among Four Regional Banks in Shikoku)



- **Shikoku Alliance Capital Co., Ltd.** made investment in its first project for **hands-on support** in the “Shikoku Revitalization Fund”
- Launched a project team to accelerate efforts toward **“increasing additional values of resources in the Shikoku region”**
- The four-bank think tanks jointly announced the **“Survey for the Shikoku Regional Development Scheme Utilizing the Bullet Train”**

[Market Strategy I]

Policies and Plans for Securities Investments Considering Correlations, etc. of Assets

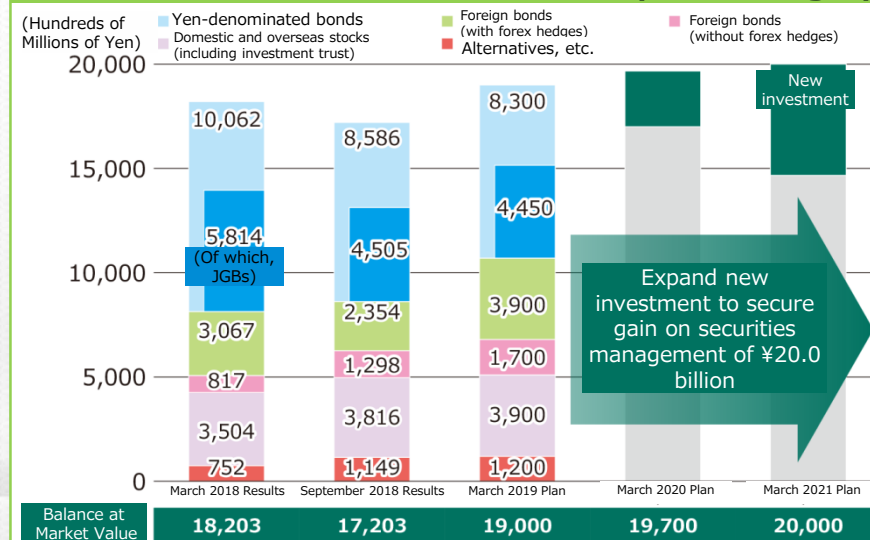
IYO BANK

- Continue to make diversified investments emphasizing liquidity to create a portfolio with superior risk versus return
- Maintain ¥20.0 billion in gain on securities management by risk taking through foreign bonds (without forex hedges) and alternative investments, in addition to traditional interest and stock risk

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 investing in view of interest trends.
Foreign bonds (with forex hedges)	Not change	In a continuing low interest environment in Japan, keep the balance as a bond unit including foreign bonds with hedges.
Foreign bonds (without forex hedges)	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.	Increase	Consider investment to secure stable carrying and portfolio diversification.

Balance of Securities at Market Value by Risk Category



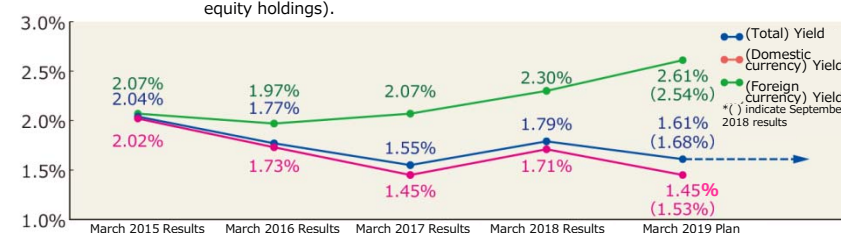
Gain on Securities Management and Yield

- Gain on securities management (after deduction of procurement cost) (Units: Billions of yen)

	Fiscal 2017 Results	Fiscal 2018 Results (First Half)	Fiscal 2018 Plan	Fiscal 2019 Plan	Fiscal 2020 Plan
Gain on securities management	25.1	11.3	20.0	20.0	20.0

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

Yield



Portfolio Risk Sensitivity and Duration

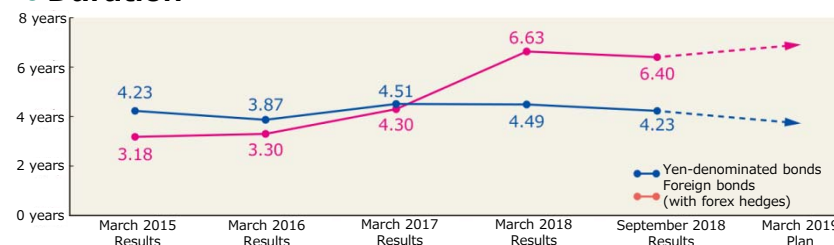
Portfolio risk sensitivity

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

- Yen bond portfolio: 10BPV ¥3.4 billion
- Foreign bond portfolio: 10BPV ¥1.3 billion
- Stock portfolio: Nikkei Stock Average ¥1,000V ¥12.8 billion
- Forex portfolio: USD/JPY ¥10V ¥11.4 billion

(*As of September 30, 2018)

Duration



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

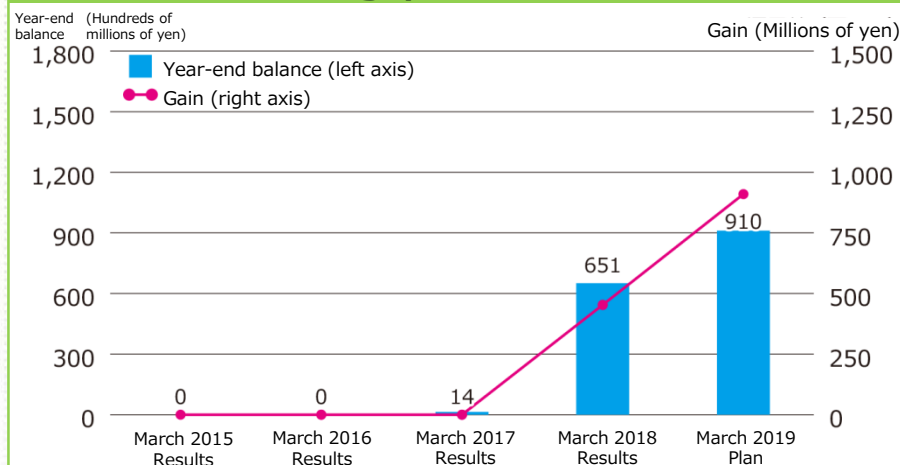
[Market Strategy II]

Ensure Stable Earnings from Market Investment;
Stabilize and Diversify Foreign Currency Procurement

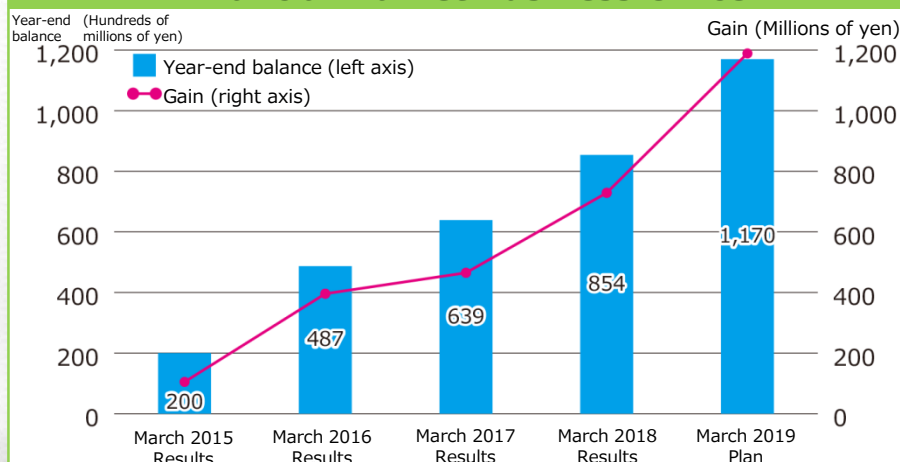
IYO BANK

- Through strengthening ship-related loans and corporate loans, the Singapore Branch is targeting a year-end balance of ¥91.0 billion for fiscal 2018
- Financial Market Business Office targets over ¥1.1 billion gain on investment in fiscal 2018
- Through effective use of commitment lines, etc., in recognition of the importance of foreign currency procurement, establish systems that can respond to changes in the market environment

Singapore Branch

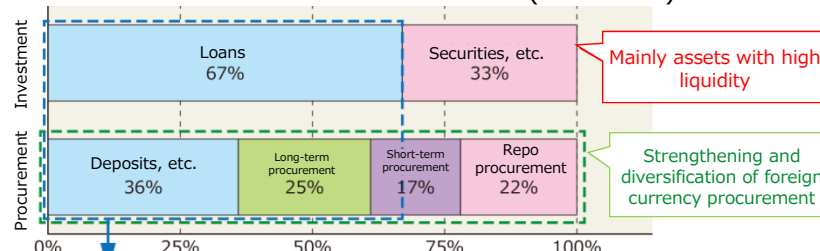


Financial Market Business Office



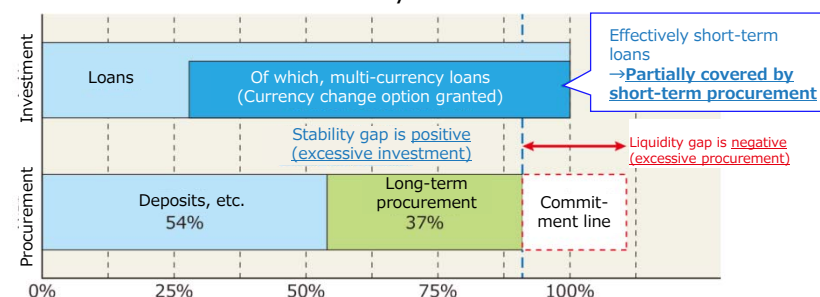
Status of Foreign Currency Investment and Procurement (September 30, 2018)

- 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
- 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 that the majority of loans have the characteristic of being multi-currency loans (≠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]

Efforts Toward Creating a “Company with Better Working Environment” and “Company with Job Satisfaction”

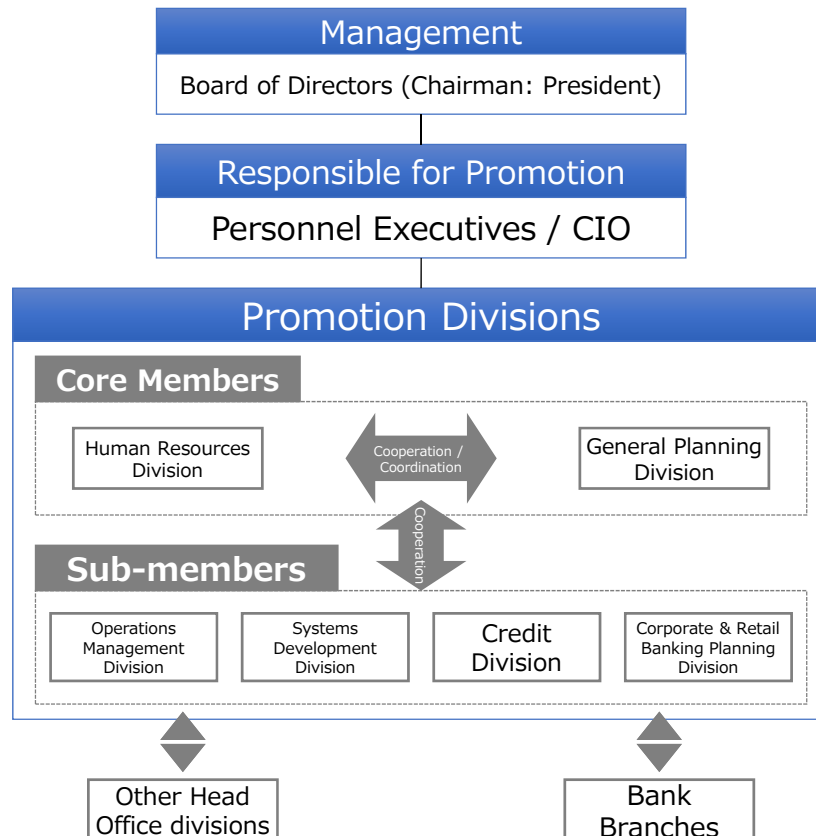
IYO BANK

● Implement measures to realize true “working style reform”

Working Style Reform

To enable each of the Bank’s employees to provide optimal services and earn customers’ trust, the Bank will promote reviewing of work environments and structures to change itself into a “company with better working environment and job satisfaction”

Established Working Style Reform Team led by the President

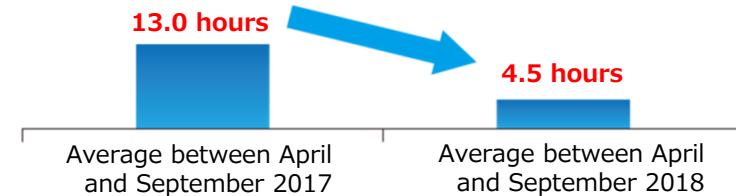


Company with Better Working Environment

Introduced flextime system
Flexible working styles

Introduced work time interval system
Optimizing work hours

<Status of **Overtime Work**>



*Average values for non-management or supervisory employees for overtime worked under the Labor Standards Act

“Promotion of Flexible Working Styles” and “Improving Productivity via Digitization”

Introduced Windows devices
Improved operational speed

Made internal LAN wireless
Realized nonterritorial office

Company with Job Satisfaction

- **Abolished the general award system for branches**
Established a branch operation structure with **Bank Branch Managers’ autonomy respected**
- Held first symposium with a **female outside director** and **female employees**



Efforts for ESG (Environment and Society)

IYO BANK

Creating a sustainable business model

Contribution to creation of a sustainable society

Corporate Credo
Creating a bright and prosperous future for the region

SDGs
Sustainable development goals

ESG and SDGs Understanding and Awareness, etc.

- **Realize a regional society that lives in harmony with nature** via active environmental preservation activities



Environment

Iyo Bank Environment Foundation
"Evergreen" (Public Trust)



- Established as a public trust in March 2008
- Cumulative total of **approx. ¥47 million** granted to **128 recipients**

Support environmental preservation activities that pass on the region's nature to the next generation

"Iyo Bank Evergreen Forest" Activities



- Entered partnership with Ozu City, Ehime Prefecture, and Forest Fund of Ehime.
- **Conducted forest creation activities** in four locations in Ehime Prefecture

Having promoted forest creation with the region's residents, we contributed to the reduction of approx. 37 tons of CO₂ over five years

Integration into Business Activities

- **Promote lively regional creation** via locally-based measures rooted in the region



Society

Iyo Bank Social Welfare Fund
(Public Interest Incorporated Foundation)



- Cumulative total of **¥628 million** granted as scholarship and welfare equipment
- **Doubled scholarships and scholarship recipients** as part of 140th anniversary commemorative business

Enriching social welfare and aiding in the development of leaders for the next generation

Iyogin Challenge & Smile Co., Ltd.



- **Established a special subsidiary company** with the aim of promoting employment of disabled persons
- **Planning and production of handmade goods**

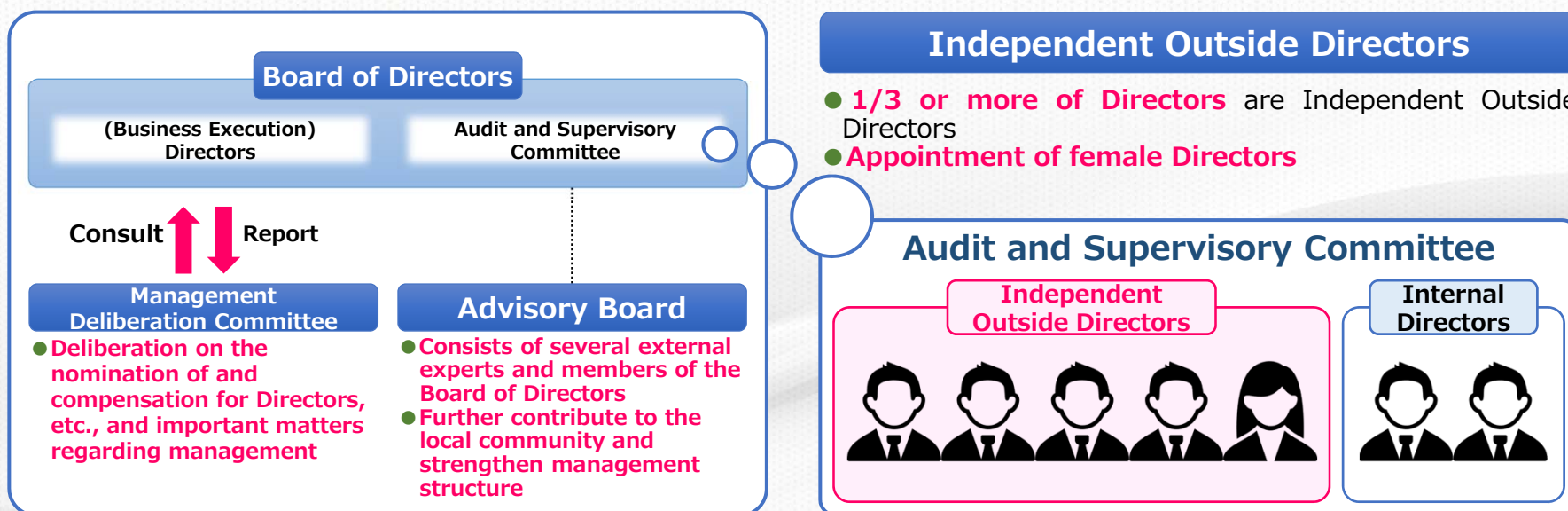
Offer a working environment where disabled persons can work in a comfortable and safe manner

- Create structures that secure transparency and objectivity by strengthening governance



Governance

- Strengthen governance functions to secure management transparency
- Through diverse advice, secure management objectivity



Profit / Loss Forecasts for Fiscal 2018

IYO BANK

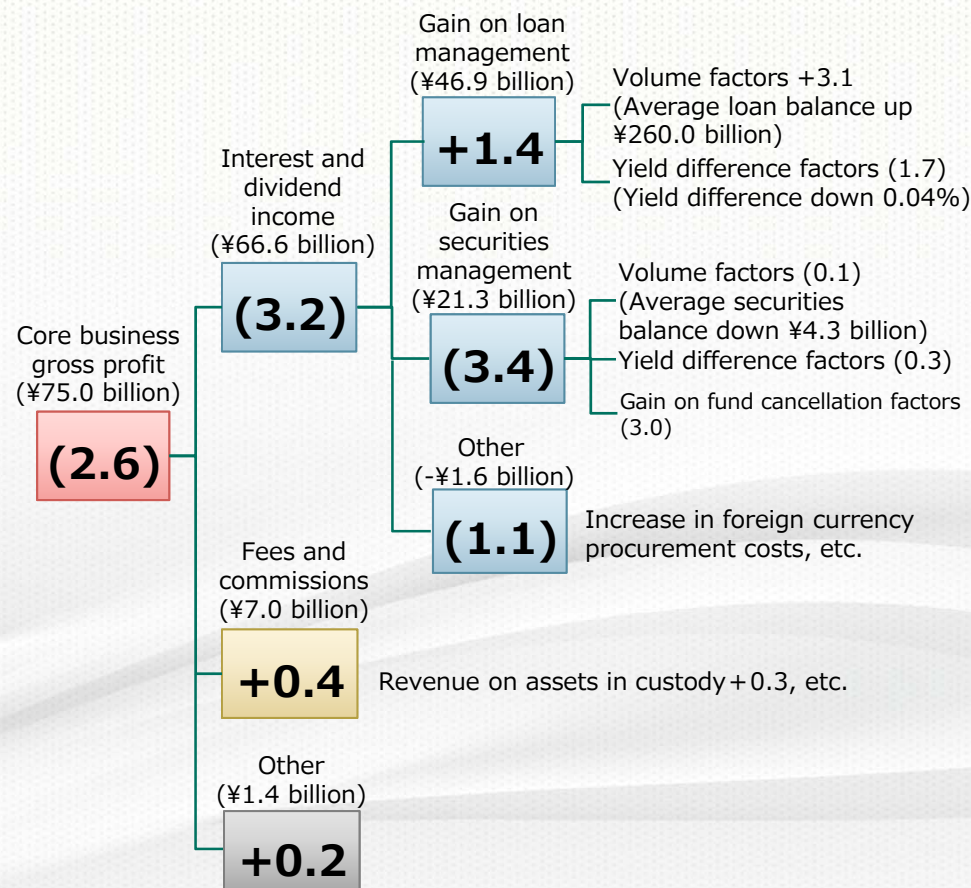
- Interest and dividend income to decrease year-on-year due to decreases in gain on fund cancellation despite a turnaround of gain on loan management
- Fees and commissions to increase due to an increase in revenue on assets in custody, etc.
- Net income to maintain at a certain level compared to prior years despite each income level is forecast to decrease year-on-year

(Units: Billions of yen)

	Fiscal 2017 Results	Fiscal 2018	
		Forecast	YoY
Core business gross profit	77.5	75.0	(2.6)
Of which, interest and dividend income	69.7	66.6	(3.2)
Of which, fees and commissions	6.6	7.0	+0.4
Expenses (-)	49.1	50.5	+1.4
Of which, personnel expenses	26.3	26.3	(0.0)
Of which, nonpersonnel expenses	19.8	20.8	+1.0
Core business net income	28.4	24.5	(4.0)
Credit costs (-)	3.5	2.9	(0.6)
Gain (loss) related to securities	6.0	2.2	(3.8)
Ordinary income	32.9	27.0	(5.9)
Net income	22.6	18.0	(4.7)

Factors Contributing to Increase / Decrease in Core Business Gross Profit (Fiscal 2018 - Fiscal 2017)

(Units: Billions of yen) (Note) Differences in yield utilize yield differences with deposits, etc.





Connecting hearts.
Connecting the
region.

感動の心をこめて
Challenge & Smile

 伊予銀行

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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 First Half of Fiscal 2018 Earnings Briefing: Reference Materials



Shimanami Kaido

Along the Shimanami Kaido, which runs over 70km, lies the first bicycle path in Japan that runs across a channel

In October 2018, the “International Cycling Event Cycling Shimanami 2018” was held, with avid cyclists from both Japan and overseas in attendance



伊予銀行

December 7, 2018

Overview of the Iyo Bank Pg

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Head Office	Matsuyama, Ehime Prefecture
Foundation	March 15, 1878 (The 29th National Bank)
Capital	¥20,900 million (Total number of issued shares: 323,775 thousand shares)
Number of Employees	13 Officers, 2,865 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	AA-: Rating and Investment (R&I)
	A: Standard & Poor's (S&P)
	AA: Japan Credit Rating Agency (JCR)

Consolidated equity ratio (BIS standards)	14.63%
Consolidated subsidiaries	15 companies
Consolidated employees (excluding temporary staff)	3,220 persons

(As of September 30, 2018)

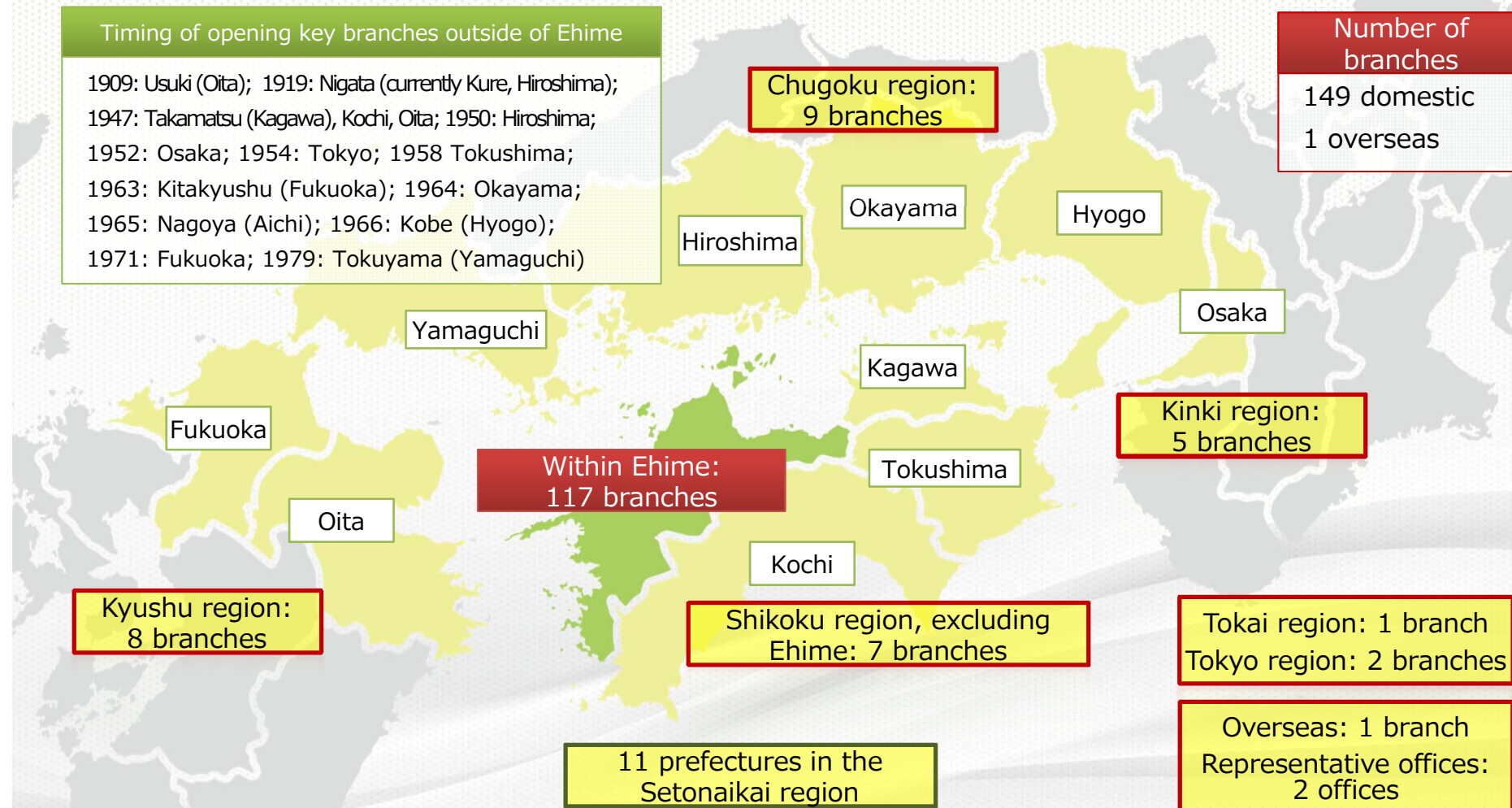
Branch Network

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)



(As of September 30, 2018)

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

Summary of the Iyo Bank Group

IYO BANK

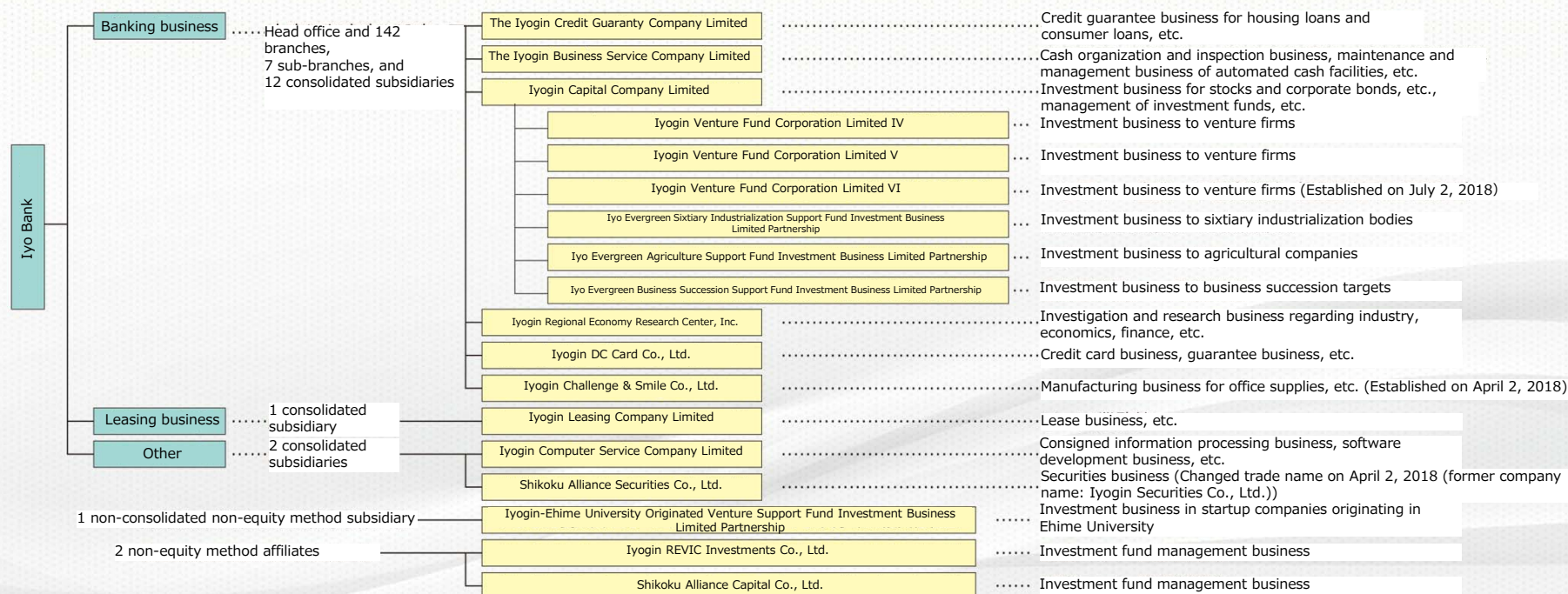
Consolidated Earnings Summary

(Units: Millions of yen)

[Consolidated]	First half of Fiscal 2018			First half of Fiscal 2017	Consolidated-nonconsolidated difference (Note)
		YoY	Increase/Decrease		
Ordinary revenue	64,931	4,174	+6.9%	60,757	9,545
Ordinary income	17,771	(2,827)	(13.7%)	20,598	1,225
Profit attributable to owners of parent	11,667	(1,993)	(14.6%)	13,660	196

(Note) The difference between consolidated and nonconsolidated.

List of Iyo Bank Group Companies



(As of September 30, 2018)

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. 2 in Japan

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

16.9%
(2.11 million gross tons)

No. 2 in Japan

New vessels completed in Japan (2016)
12.51 million gross tons in Japan

62.7%
(¥34.5 billion)

No. 1 in Japan

Towels (2016)
¥55.1 billion shipped in Japan

Uwajima Region

12.8%
(¥65.5 billion)

No. 1 in Japan

Sea culture industry (2016)
¥509.7 billion total national production

Niihama and Saijo Region

Manufactured product shipments
(2016)

¥1,370.4 billion

Approx. 36% of shipments of manufactured products in Ehime

As a corporate town under the Sumitomo Group, nonferrous metal, chemicals, steel, machinery and equipment are concentrated in the Niihama region

Shikokuchuo Region

7.9%
(¥574.6 billion)

No. 2 in Japan

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

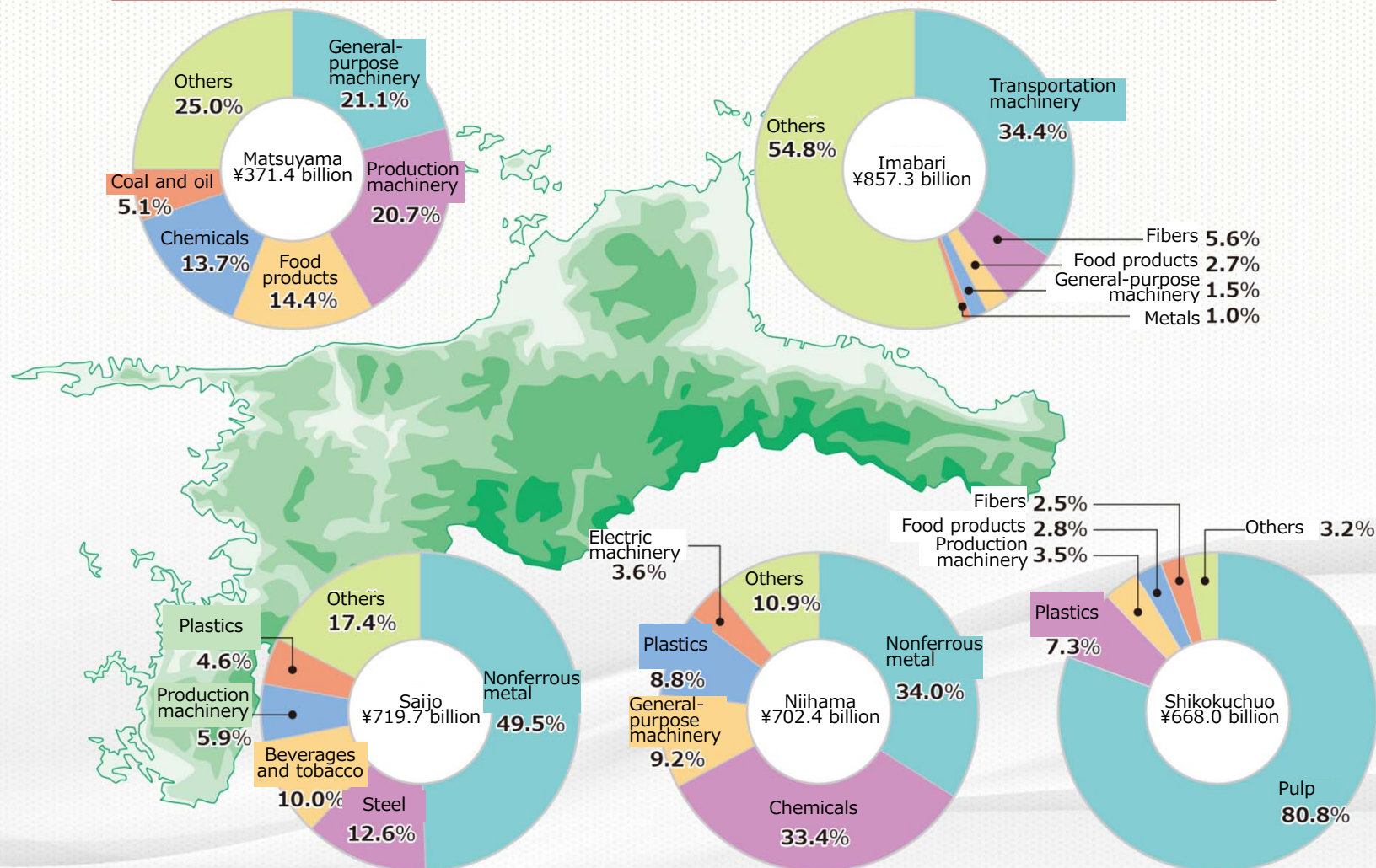
(Note 1) Number of ocean-going vessels owned by domestic ship owners (2018) is an Iyogin Regional Economy Research Center, Inc. (IRC) estimate.

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)



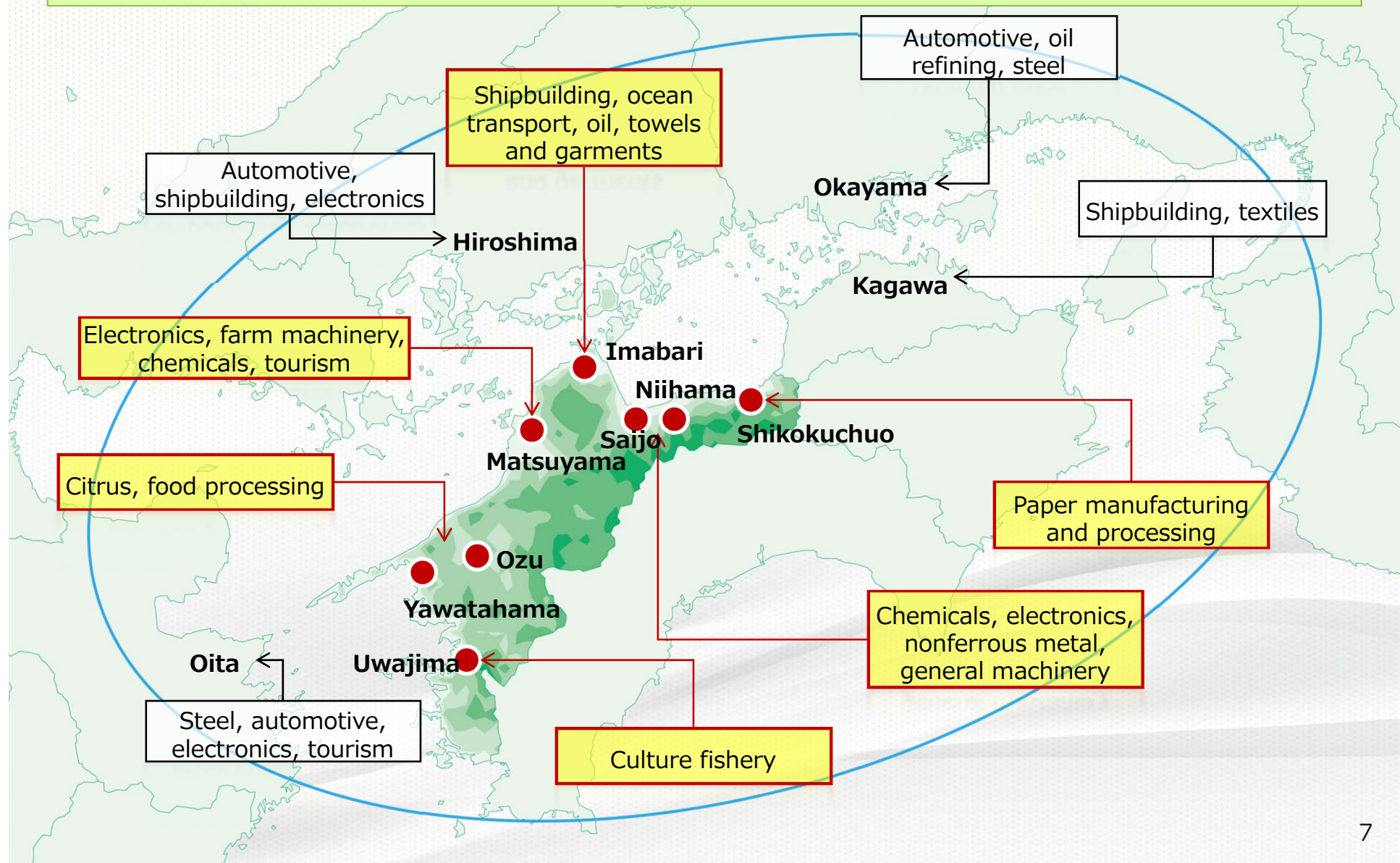
(Note 1) Prepared by Iyogin Regional Economy Research Center, Inc. (IRC) based on the Census of Manufacture 2016.

(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

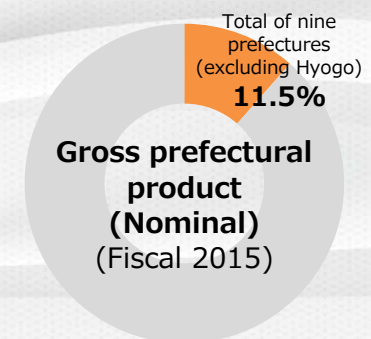
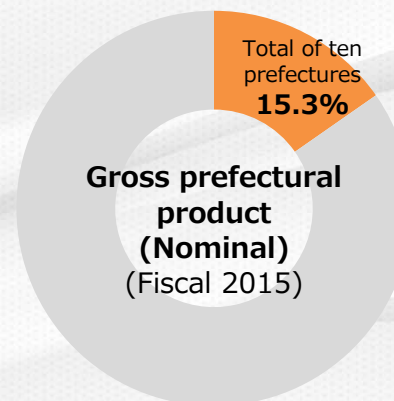
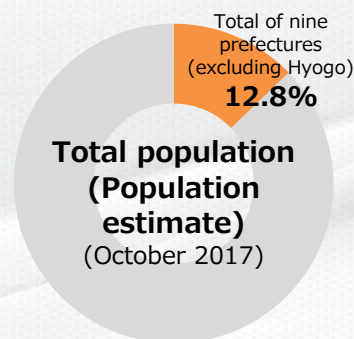
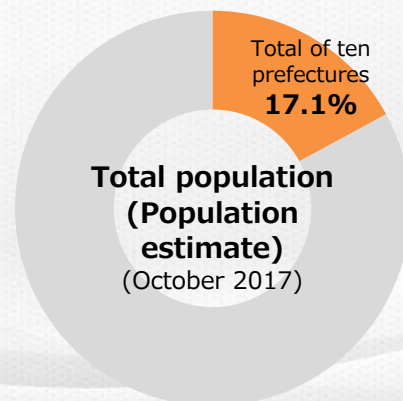
- The Setonaikai coastal region has established various industrial structures



Economic Indicators of the Setouchi Region I

IYO BANK

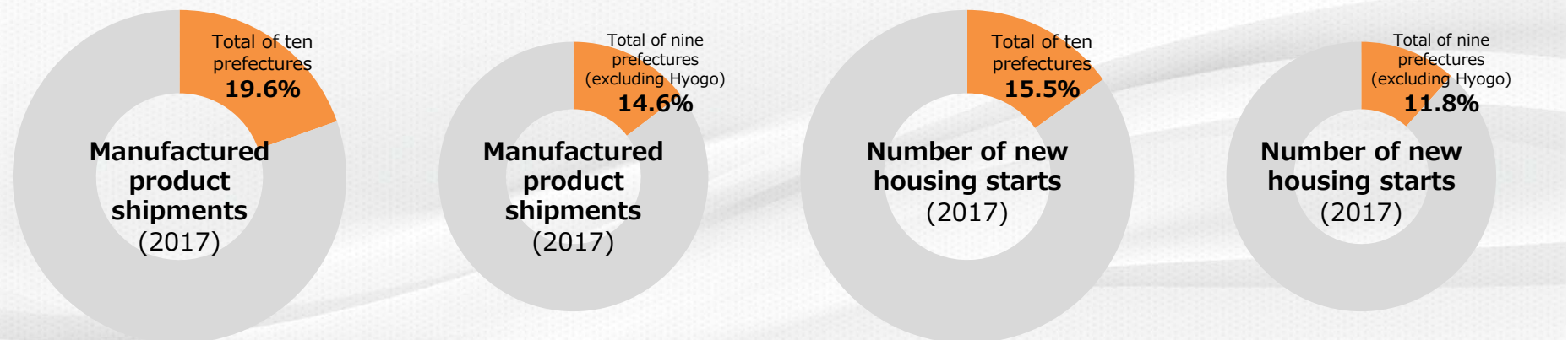
	Total population (Population estimate)	Total area (Geospatial Information Authority of Japan)	Number of offices (Private sector, excluding public sector)	Number of employees (Private sector, excluding public sector)	Prefecture total production (Nominal)	Prefectural gross product growth rate (Real)	Prefectural income per capita
	October 2017 (Persons)	2017 (k m ²)	2016 (Offices)	2016 (Persons)	Fiscal 2015 (Millions of yen)	Fiscal 2015 (%)	Fiscal 2015 (Thousands of yen)
Ehime	1,364,071	5,676	63,310	566,761	4,915,526	+1.1	2,535
Kagawa	967,445	1,877	46,774	429,167	3,777,955	+0.2	2,925
Tokushima	743,323	4,147	35,853	301,688	3,083,714	+0.5	2,921
Kochi	713,688	7,104	35,366	279,196	2,399,735	+1.4	2,532
Oita	1,152,257	6,341	52,973	483,206	4,378,232	(0.2)	2,619
Fukuoka	5,106,669	4,987	212,649	2,236,269	18,861,095	+2.1	2,724
Yamaguchi	1,382,901	6,113	61,385	577,791	5,870,248	(6.3)	2,774
Hiroshima	2,828,733	8,480	127,057	1,302,074	11,941,081	+2.8	3,074
Okayama	1,907,140	7,114	79,870	820,656	7,787,894	+2.9	2,744
Total of the above nine prefectures (A)	16,166,227	51,837	715,237	6,996,808	63,015,480		
(A)/(C)	12.8%	13.7%	13.4%	12.3%	11.5%		
Hyogo	5,503,111	8,401	214,169	2,203,102	20,494,996	+0.9	2,752
Total of ten prefectures (B)	21,669,338	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)	126,706,210	377,974	5,340,783	56,872,826	546,550,491	+1.6	3,190



Economic Indicators of the Setouchi Region II

IYO BANK

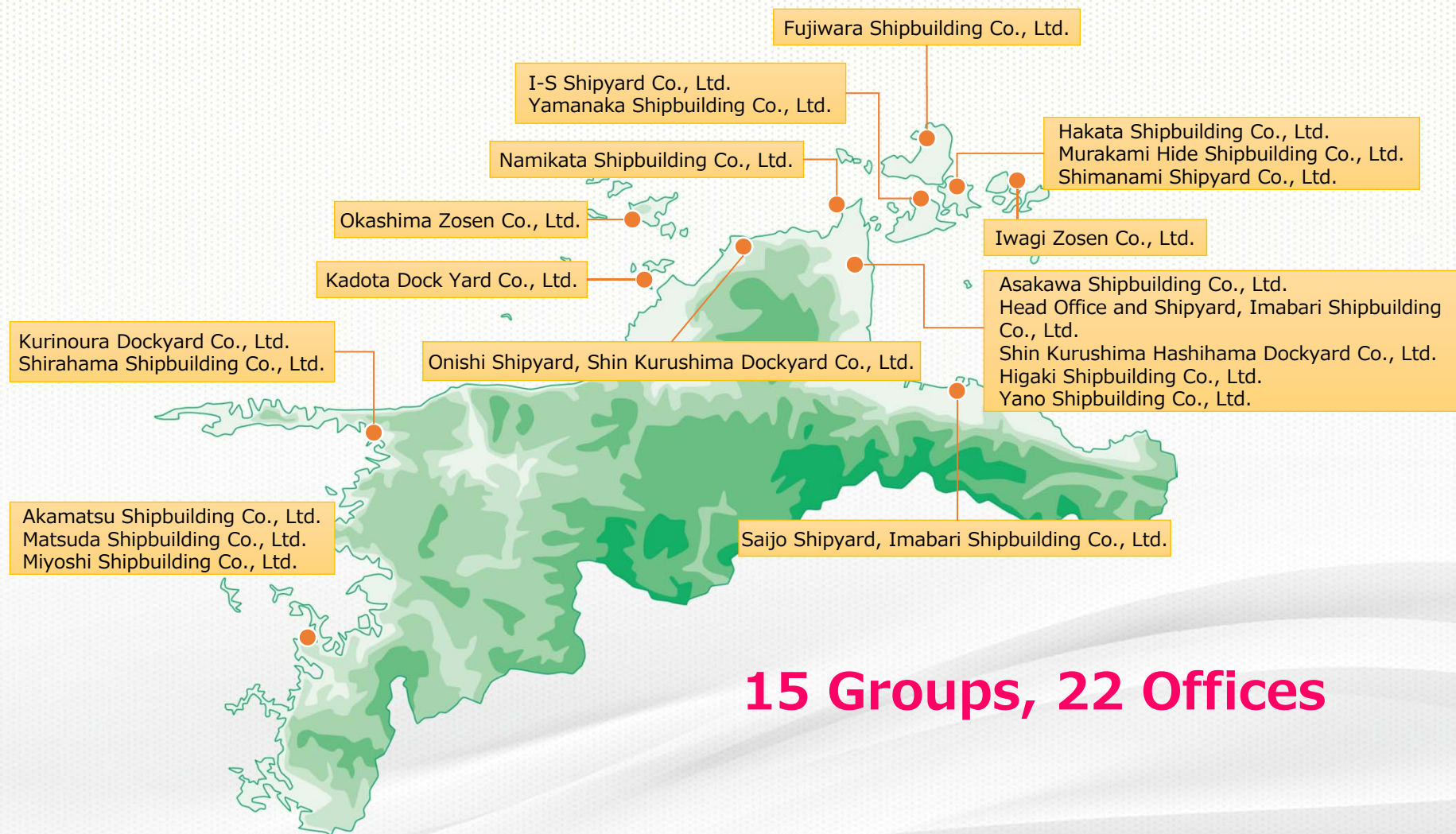
	Manufactured product shipments	Annual wholesale sales amount	Annual retail sales amount	Industrial production index (annual average)	Number of new housing starts	Jobs-to-applicants ratio (annual average)	Overall unemployment rate (annual average)
	2017 (Millions of yen)	2016 (Millions of yen)	2016 (Millions of yen)	2017 2010 = 100	2017 (Homes)	2017 (Times)	2017 (%)
Ehime	3,814,248	2,511,264	1,528,554	93.3	7,696	1.51	2.3
Kagawa	2,462,495	2,619,010	1,169,352	99.7	7,063	1.73	2.4
Tokushima	1,700,234	904,487	757,121	108.2	4,859	1.40	2.5
Kochi	567,796	874,256	753,371	100.5	3,326	1.18	3.0
Oita	3,694,883	1,344,689	1,235,257	94.1	6,889	1.42	2.4
Fukuoka	9,250,306	16,970,699	5,864,032	115.4	42,557	1.50	3.4
Yamaguchi	5,609,000	1,641,957	1,488,895	96.2	7,532	1.49	2.1
Hiroshima	9,941,466	9,166,762	3,309,726	110.5	20,944	1.81	2.3
Okayama	7,091,936	3,543,971	2,093,111	93.4	13,327	1.78	2.4
Total of the above nine prefectures (A)	44,132,364	39,577,095	18,199,419		114,193		
(A)/(C)	14.6%	9.1%	12.5%		11.8%		
Hyogo	15,105,350	10,219,241	5,726,476	101.4	34,903	1.28	2.8
Total of ten prefectures (B)	59,237,714	49,796,336	23,925,895		149,096		
(B)/(C)	19.6%	11.4%	16.5%		15.5%		
National total (C)	302,035,590	436,522,525	145,103,822	102.0	964,641	1.50	2.8



(Prepared based on various statistical data)

Shipbuilding Yards in Ehime Prefecture

IYO BANK



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

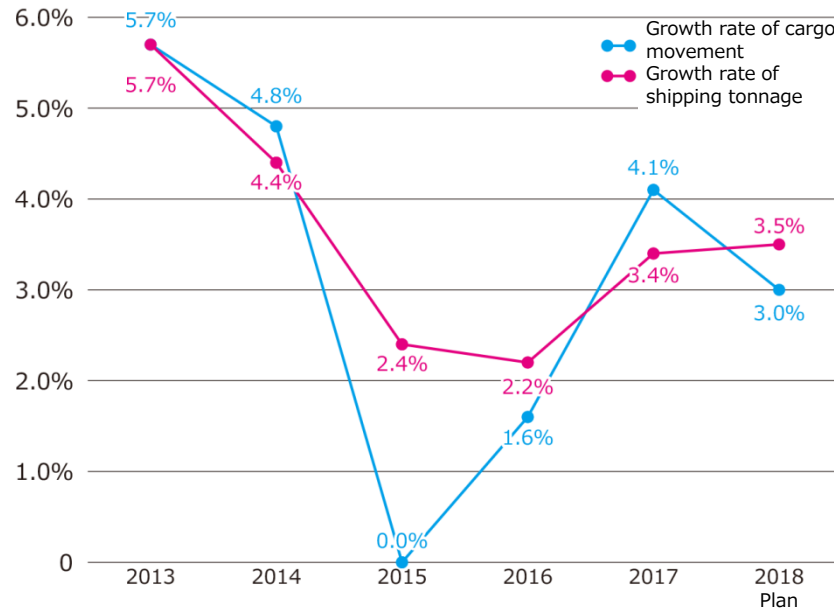
*Shipbuilding facilities currently in operation either constructing or repairing steel vessels of at least 500 gross tons or 50m or longer

Outlook of Dry Bulk Market Conditions

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Dry Bulk Transport Demand and Supply

● Volume of cargo movement and shipping tonnage



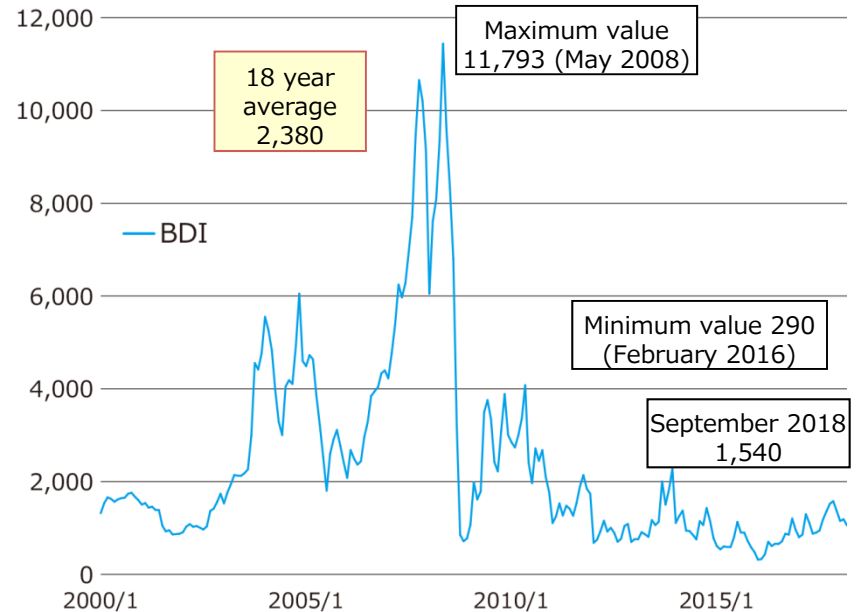
Source: Clarkson Shipping Intelligence Weekly (October 2018)

● Dry bulk transport demand and supply

- Trade volume is increasing by approx. 3.5% in 2018 amid the expanding world economy. Transport demand for dry bulk cargoes is increasing by approx. 3% year-on-year.
- Although dry bulk scrapping in 2018 is at low levels and down by 73% year-on-year at about 3.1 million tons, cargo movement increase and delivery of dry bulk ships is expected to be below 35 million tons for next two years and thus ship supply is estimated to remain at a low level.

Future Market Outlook

● Baltic Dry Index (BDI) trends



● Future market outlook

- Demand for freight transport is expected to increase for the near term and shipping tonnage of dry bulk vessels is expected to grow sluggishly for a few years; therefore the ocean transportation market is expected to recover.
- Further market recovery is expected if ship scrapping is accelerated due to factors such as environmental regulations; however there are some uncertainties such as effects by protectionism in the US.
- The BDI is showing a recovery trend as it rose from a record low of 290 in February 2016 to 693 on average in 2016, 1,150 on average in 2017, 1,344 on average in 2018, and most recently, 1,540 at the end of September.

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 2015	September 2015	March 2016	September 2016	March 2017	September 2017	March 2018	September 2018	Vs. Sep. 2017
Total loans	3,869.9	3,896.2	3,911.1	3,936.3	4,043.3	4,132.4	4,292.6	4,431.5	299.1
General loans	3,644.0	3,667.5	3,677.4	3,705.5	3,802.3	3,899.0	4,054.6	4,192.2	293.2
Corporate loans (incl. overseas, etc.)	2,712.6	2,721.4	2,717.0	2,729.5	2,807.4	2,891.8	3,030.6	3,146.0	254.2
Corporate loans (domestic branches)	2,712.6	2,721.4	2,717.0	2,729.5	2,806.0	2,864.4	2,965.5	3,060.4	196.0
Individual financing	931.4	946.0	960.3	976.0	994.9	1,007.1	1,024.0	1,046.2	39.1
Housing loans	681.8	690.5	700.0	710.6	723.8	731.2	742.6	758.2	27.0
Apartment and building loans	161.7	168.2	173.3	179.1	184.0	186.3	191.3	198.0	11.7
Card loans	28.3	29.0	28.6	29.2	29.6	30.0	29.6	29.1	(0.9)
Municipal loans, etc.	225.9	228.7	233.8	230.7	241.0	233.4	238.1	239.2	5.8

(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 2015	September 2015	March 2016	September 2016	March 2017	September 2017	March 2018	September 2018	Vs. Sep. 2017
Total deposits, etc. + assets in custody A	5,639.4	5,684.7	5,676.5	5,644.4	5,789.1	5,765.3	5,889.0	5,894.2	128.9
Total deposits, etc.	5,281.7	5,348.5	5,343.1	5,317.8	5,457.0	5,424.5	5,546.0	5,542.2	117.7
Total deposits	4,916.9	4,968.0	5,018.0	4,892.9	5,006.8	4,987.1	5,099.6	5,057.7	70.6
Individual	3,328.4	3,341.6	3,348.3	3,343.4	3,354.6	3,376.3	3,392.1	3,412.0	35.7
General companies	1,356.9	1,392.9	1,397.6	1,392.1	1,434.4	1,429.1	1,442.0	1,455.4	26.3
Public	170.5	177.9	204.0	117.1	146.6	135.8	164.4	111.4	(24.4)
Financial	43.7	34.6	44.0	31.3	36.0	23.1	53.8	37.4	14.3
Overseas / offshore	17.4	20.9	24.1	8.7	35.2	22.6	47.3	41.3	18.7
NCD	364.8	380.5	325.1	424.9	450.2	437.4	446.4	484.4	47.0
General companies	309.5	302.4	295.9	293.5	354.7	319.6	375.4	345.1	25.5
Public	55.3	78.0	29.2	131.4	95.5	117.7	71.0	139.2	21.5
General company funds (incl. NCD)	1,666.4	1,695.4	1,693.5	1,685.7	1,789.1	1,748.8	1,817.4	1,800.6	51.8
Public funds (incl. NCD)	225.8	256.0	233.3	248.5	242.1	253.5	235.4	250.7	(2.8)
Foreign currency deposits (balance)	104.2	107.9	102.9	115.6	97.1	104.1	118.3	111.0	6.9
Individual deposits+individual assets in custody	3,665.5	3,659.0	3,665.6	3,654.9	3,673.2	3,703.7	3,722.5	3,751.4	47.7
Individual assets	3,328.4	3,341.6	3,348.3	3,343.4	3,354.6	3,376.3	3,392.1	3,412.0	35.7
Individual assets in custody	337.1	317.4	317.2	311.5	318.6	327.3	330.4	339.3	12.0

<Assets in custody (Term-end basis)>

Assets in custody at the Bank (excl. deposits, etc.) B	357.6	336.1	333.4	326.5	332.0	340.7	343.0	351.9	11.2
JGBs	59.9	47.0	40.1	32.5	27.2	25.0	25.4	24.0	(1.0)
Investment trusts	107.5	94.3	93.5	85.9	85.1	81.0	71.6	71.5	(9.5)
Personal pension insurance	171.1	176.8	184.9	187.8	191.5	202.1	206.2	210.8	8.7
Financial product intermediary	19.2	18.1	14.9	20.3	28.3	32.5	39.7	45.5	13.0
Shikoku Alliance Securities balance C	106.2	125.7	131.5	140.1	163.7	192.7	201.4	208.3	15.6
Balance of Group's assets in custody B + C = D	463.8	461.8	464.9	466.6	495.8	533.5	544.4	560.3	26.8
Assets in custody composition (D / A + C)	8.1%	7.9%	8.0%	8.1%	8.3%	9.0%	8.9%	9.2%	

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, %)

	September 2014		September 2015		September 2016		September 2017		September 2018		Vs. Sep. 2017	
		Composition		Composition		Composition		Composition		Composition	Balance	Rate of balance increase/decrease
Manufacturing	606.4	16.1	599.0	15.4	592.0	15.0	589.4	14.4	629.8	14.5	+40.4	+6.9%
Agricultural	2.0	0.1	2.6	0.1	2.6	0.1	2.5	0.1	2.8	0.1	+0.3	+11.4%
Forestry	0.2	0.0	0.2	0.0	0.1	0.0	0.2	0.0	0.2	0.0	+0.0	+0.0%
Fishing	11.8	0.3	12.7	0.3	11.8	0.3	12.3	0.3	11.1	0.3	(1.2)	(9.8%)
Mining	3.6	0.1	3.6	0.1	8.8	0.2	8.9	0.2	8.5	0.2	(0.4)	(4.5%)
Construction	117.7	3.1	113.5	2.9	110.0	2.8	105.0	2.6	111.2	2.6	+6.2	+5.9%
Electricity, gas, heat provision, water	87.9	2.3	91.1	2.3	89.2	2.3	97.5	2.4	122.5	2.8	+25.0	+25.6%
Information communications	22.4	0.6	27.6	0.7	27.2	0.7	28.5	0.7	21.7	0.5	(6.8)	(23.9%)
Transportation	642.0	17.1	647.2	16.6	603.3	15.3	649.2	15.8	703.3	16.2	+54.1	+8.3%
Of which, ocean transport	549.4	14.6	544.7	14.0	489.9	12.4	526.6	12.8	566.5	13.0	+39.9	+7.6%
Wholesale and retail	459.5	12.2	477.2	12.2	466.9	11.9	465.4	11.3	500.3	11.5	+34.9	+7.5%
Finance and insurance	145.6	3.9	165.6	4.3	180.3	4.6	198.7	4.8	208.9	4.8	+10.2	+5.1%
Real estate	180.1	4.8	191.1	4.9	213.4	5.4	238.4	5.8	259.0	6.0	+20.6	+8.6%
Various services	338.3	9.0	368.2	9.5	390.9	9.9	426.2	10.4	425.5	9.8	(0.7)	(0.2%)
Of which, medical-related	159.2	4.2	167.5	4.3	173.5	4.4	187.6	4.6	191.5	4.4	+3.9	+2.1%
Regional public entities	215.5	5.7	227.8	5.8	230.0	5.8	232.6	5.7	233.9	5.4	+1.3	+0.6%
Other	923.1	24.6	968.8	24.9	1,009.4	25.6	1,049.7	25.6	1,106.5	25.5	+56.8	+5.4%
Total	3,755.9	100.0	3,896.2	100.0	3,936.3	100.0	4,105.0	100.0	4,345.9	100.0	+240.9	+5.9%

(For domestic branches, excludes special international transactions account)

* "Goods rental" is included in "real estate."

"Real estate" for the six months ended September 30, 2018, excluding "goods rental," was ¥241.3 billion, which is an increase of ¥18.0 billion (+8.1%) compared with the six months ended September 30, 2017.

In addition, "other" includes "home renting by individuals" (¥207.0 billion for the six months ended September 30, 2018).

* 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 14 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)

Upper row: Number of borrowers
Lower row: Credit amount
(Hundreds of millions of yen)

			September 30, 2018							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			
September 30, 2017	Normal borrowers	20,180	18,271	17,708	496	27	16	18	6	0.20%		563
		29,033	29,457	28,669	768	12	4	2	1	0.02%		788
	Borrowers requiring close monitoring	1,917	1,801	455	1,281	23	36	4	2	2.19%	455	65
		4,004	3,868	1,188	2,544	30	93	8	6	2.67%	1,188	137
	Borrowers under strict observation	152	132	18	11	94	7	2	0	5.92%	29	9
		301	275	26	26	204	17	2	0	6.07%	52	18
	Borrowers at risk of bankruptcy	308	276	13	30	6	214	8	5		49	13
		384	347	4	25	5	308	3	1		35	4
	Substantially bankrupt borrowers	99	70	4	0	0	0	64	2		4	2
		16	11	1	0	0	0	10	0		1	0
	Bankrupt borrowers	33	14	0	0	0	0	0	14		0	
		13	5	0	0	0	0	0	5		0	
		22,689	20,564	18,198	1,818	150	273	96	29		537	652
		33,750	33,963	29,887	3,364	252	422	25	12		1,275	947

(Note 1) The chart displays the changes in the borrower classification from September 30, 2017 to September 30, 2018.

(Note 2) The balances after changes are the balances after write-offs as of September 30, 2018.

Market Strategy: Management by Risk Category

IYO BANK

(Units: Billions of yen)

Risk Category (*1)	Six months ended September 30, 2018											Source of main revenue and profit
	Book balance	Evaluation gain / loss	Market balance			Total profit / loss (*2)	Interest and dividend income					
				Composition	Vs. March 2018			Interest received (*3)	Procurement cost	Profit / loss from purchase, sale, and amortization	Increase/ decrease on gain / loss on evaluation vs. March 2018	
Yen-denominated bonds	839.6	+19.0	858.6	49.9%	(5.4%)	(1.6)	4.4	4.4	0.0	0.1	(6.1)	Difference in long and short term interest on yen interest
Of which, JGBs	438.6	+11.9	450.5	26.2%	(5.8%)	(1.4)	2.7	2.7	0.0	0.2	(4.3)	
Of which, 15-year variable interest JGBs	38.4	+0.4	38.8	2.3%	(0.2%)	(0.0)	0.1	0.1	0.0	0.0	(0.1)	Steepening yield curve
Of which, inflation-indexed JGBs	70.2	+0.2	70.4	4.1%	+0.2%	(0.8)	0.0	0.0	0.0	0.0	(0.8)	Rise in expected inflation rate
Foreign currency bonds (with hedges)	240.2	(4.8)	235.4	13.7%	(3.2%)	(3.3)	0.9	2.7	1.8	0.0	(4.2)	Difference in long and short term interest on overseas interest
Foreign currency bonds (without hedges)	128.3	+1.5	129.8	7.5%	+3.1%	2.6	(0.4)	(0.4)	0.0	0.0	+2.9	Gain on foreign exchange / interest revenue
Domestic and overseas stocks (incl. stock trusts)	149.2	+232.4	381.6	22.2%	+2.9%	32.8	4.8	4.8	0.0	2.4	+25.6	Growth in domestic companies centered on transaction partner
Alternatives, etc.	108.2	+6.7	114.9	6.7%	+2.5%	2.6	1.4	1.4	0.0	0.0	+1.2	
Hedge funds	48.3	+0.2	48.5	2.8%	+1.7%	(0.3)	0.1	0.1	0.0	0.0	(0.4)	Strategic diversification by external consigned management
Of which, currency swaps	10.0	+0.2	10.2	0.6%	+0.0%	0.0	0.1	0.1	0.0	0.0	(0.1)	Difference in long and short basis for currency swaps
Real estate-related	45.7	+6.6	52.3	3.0%	+0.7%	3.1	1.0	1.0	0.0	0.0	+2.0	Revenue from real estate rentals and profit from price increase
Private equity	4.9	+0.1	5.0	0.3%	+0.1%	0.2	0.2	0.2	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	0.2%	(0.0%)	(0.4)	0.0	0.0	0.0	0.0	(0.4)	Growth and foreign exchange gains in emerging markets
Cat bond	2.0	(0.0)	2.0	0.1%	+0.0%	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	1,465.4	+254.8	1,720.3	100.0%	-	32.9	11.1	12.9	1.8	2.4	+19.4	

*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.

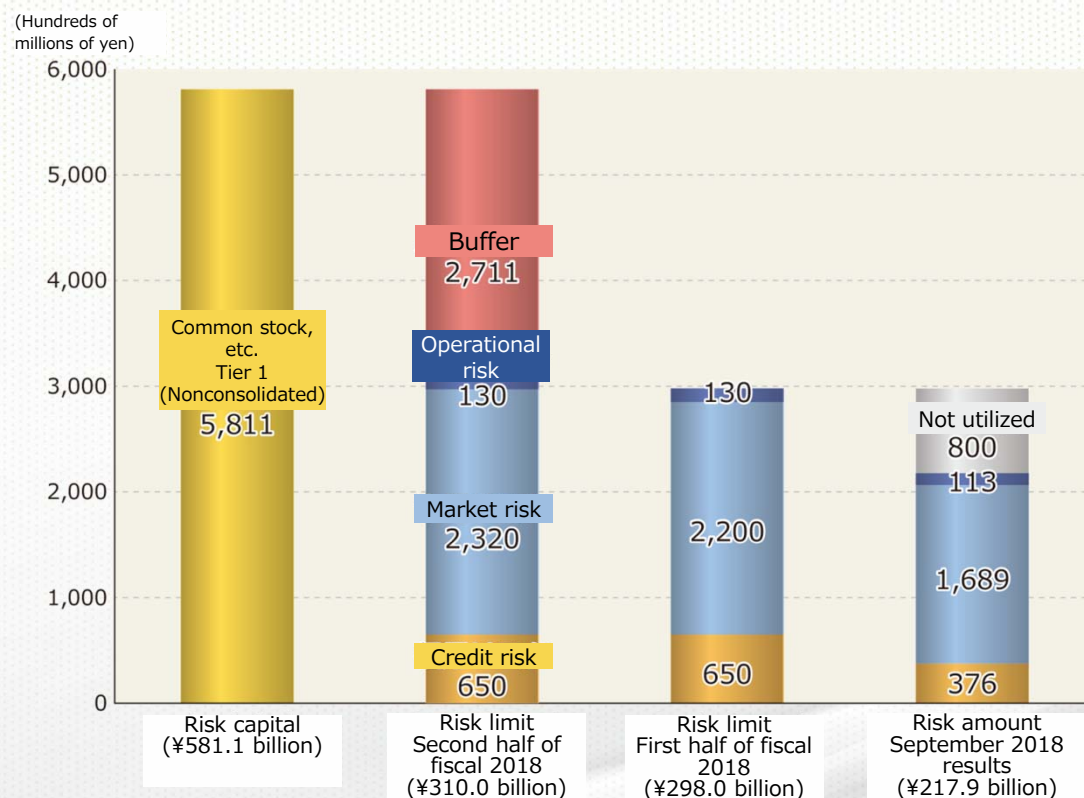
<Of yen-denominated bonds and foreign currency bonds, investment conditions in credit risk and securitized products, etc.>

Credit risk	211.2	(0.6)	210.6	12.2%	+0.8%	(0.3)	0.7	1.4	0.8	(0.1)	(0.9)	Business continuity of domestic and foreign companies
Securitized products	6.0	+0.0	6.0	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	217.2	(0.6)	216.6	12.6%	+0.4%	(0.3)	0.7	1.4	0.8	(0.1)	(0.9)	

Status of Integrated Risk Management

IYO BANK

[Status of integrated risk management (September 30, 2018)]



○ 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

(Note) The holding period changed to six months from the first half of 2018

○ Credit risk (holding period of one year, 99.9%)

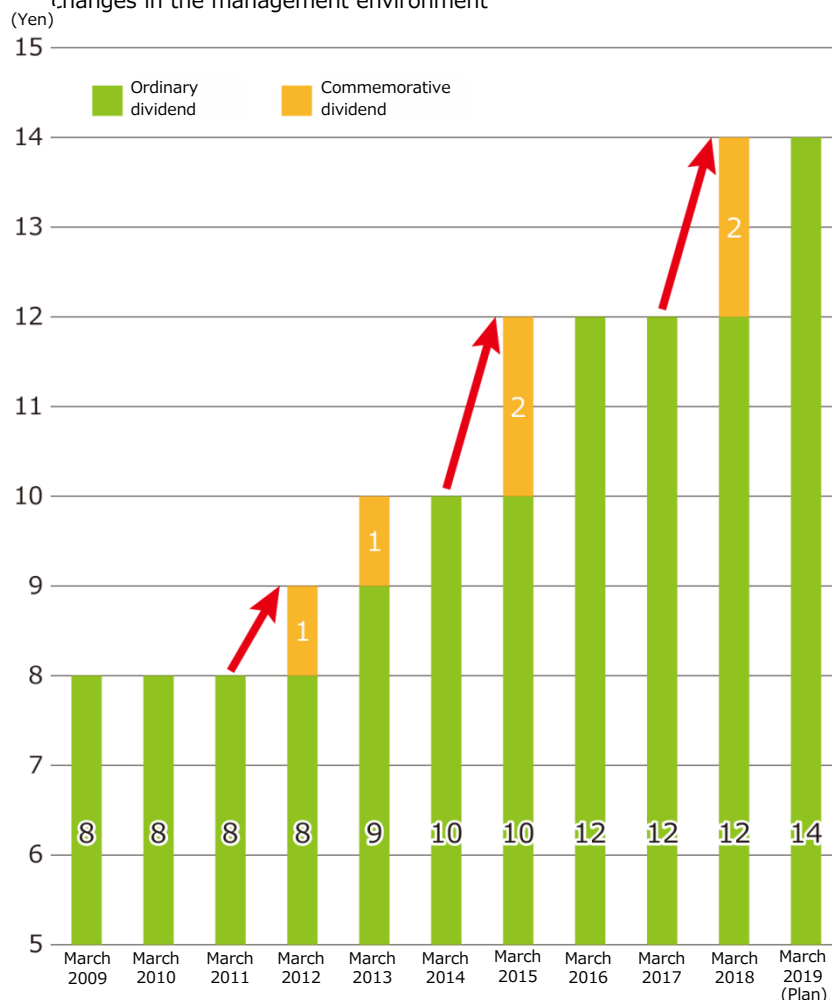
- Business loans, etc.: Monte Carlo method
- Loans for individuals: Analysis method

Dividend Trends and Shareholder Benefit Program

IYO BANK

Dividend Trends

- By working to maintain and improve business results, aim for **stable returns**
- At the same time, strengthen financial standing to withstand unexpected changes in the management environment



Shareholder Benefit Program

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

- Grant a shareholder benefit (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

