

77 BANK

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IR Presentation

Results for First Half of Fiscal Year Ending March 31, 2016

December 1, 2015

Materials were prepared for the Bank's presentation of its results for the first half of fiscal year ending March 31, 2016 held on December 1, 2015.



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1. Financial Summary

Results for first half of FY2016

(JPY bn, %)

Summary of profits and losses (Non-consolidated)	First half FY2015	First half FY2016	YoY change	
			Increase/ decrease	Rate of change %
Gross operating income	40.6	39.6	(1.0)	(2.4)
[Core gross operating income]	[40.6]	[40.5]	[(0.1)]	[(0.1)]
Interest income	35.4	35.8	0.4	1.1
Fees and commissions	5.2	5.0	(0.2)	(4.0)
Other operating income	0.0	(1.2)	(1.2)	
Gains (losses) on bonds	0.0	(0.9)	(0.9)	
Expenses	29.0	27.2	(1.8)	(6.0)
Operating income before provision of general reserve for possible loan losses	11.6	12.4	0.8	6.4
[Core operating income]	[11.6]	[13.3]	[1.7]	[14.7]
Provision of general reserve for possible loan losses	—	—	—	
Operating income	11.6	12.4	0.8	6.4
Special income and losses	4.6	4.9	0.3	
Bad debt disposals (-)	0.2	0.2	0.0	
Gains on reversal of reserve for possible loan loss	2.6	4.2	1.6	
Gains (losses) on stocks	0.3	0.1	(0.2)	
Gains (losses) on investments in money held in trust	1.7	0.3	(1.4)	
Ordinary income	16.2	17.3	1.1	6.9
Extraordinary income	—	—	—	
Extraordinary loss	0.1	0.4	0.3	
Income taxes (incl. deferred taxes)	6.2	6.1	(0.1)	
Net income	9.9	10.8	0.9	9.1
Credit-related expenses	(2.4)	(4.0)	(1.6)	

<Core operating income>

Increased due to an increase in interest income mainly on interest and dividends on securities and decrease in expenses mainly in deposit insurance premiums.

<Ordinary income/Net income>

Both increased due to a decrease in credit-related expenses mainly from gains on reversal of reserve for possible loan loss.

1. Financial Summary

Interest income

	First half FY2015	First half FY2016	YoY change
Interest income	35.4	35.8	0.4
Investment income	37.1	37.9	0.8
(Interest on loans and bills discounted)	22.8	22.1	(0.7)
(Interest and dividends on securities)	14.2	15.6	1.4
Fund procurement costs	1.7	2.1	0.4
(Interest on deposits)	1.4	1.5	0.1

(JPY bn)

FY2016 (Plan)	YoY change
70.2	0.0

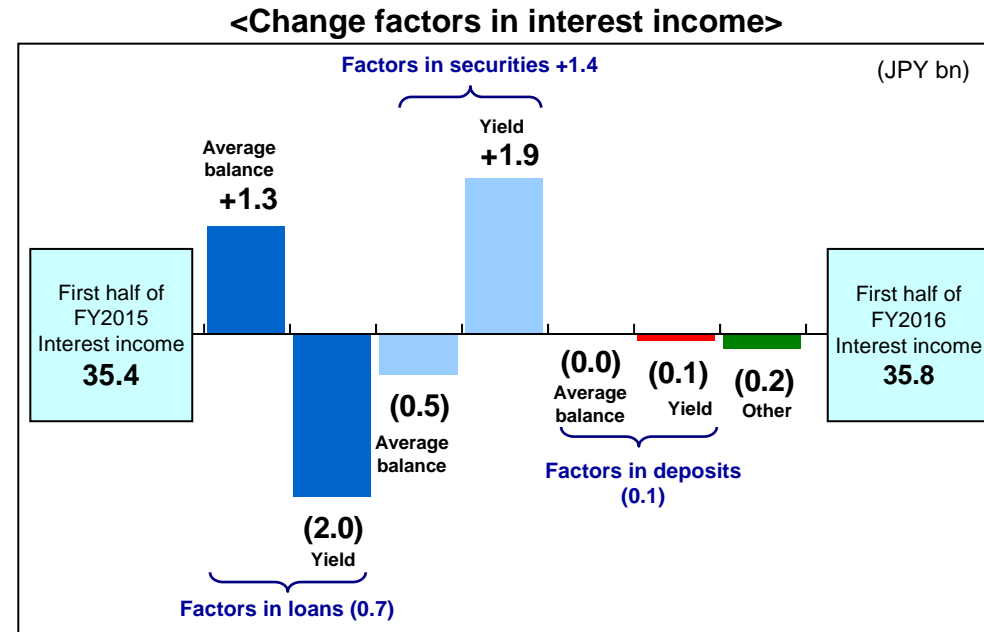
<First half of FY2016 summary>
Interest income increased ¥400 million YoY due to an increase in interest and dividends on securities despite a decrease in interest on loans and bills discounted.

(JPY bn)

Major accounts (average balances)	First half FY2015	First half FY2016	YoY change
Loans and bills discounted	3,991.7	4,232.5	240.8
Securities	3,640.3	3,521.9	(118.4)
Deposits and certificates of deposits	7,561.0	7,675.9	114.9

(%)

Interest rates/ Interest margin	First half FY2015	First half FY2016	YoY change
Loans and bills discounted interest rate	1.13	1.04	(0.09)
Securities interest rate	0.77	0.88	0.11
Interest rate on deposits	0.03	0.03	0.00
Interest rate spread	0.89	0.88	(0.01)
Net interest margin	0.14	0.19	0.05



<Reference> Trends of market interest rates

(%)

	First half of FY2015	First half of FY2016	YoY change
JPY TIBOR (3 months)	0.21	0.17	(0.04)
5-year JGBs	0.17	0.09	(0.08)
10-year JGBs	0.56	0.40	(0.16)

* Figures in change (increase/decrease) show percentage points.

1. Financial Summary

Loans and bills discounted

Loans and bills discounted (average balances)	First half FY2015	First half FY2016	YoY change
Loans and bills discounted	3,991.7	4,232.5	6.0
Corporate loans	2,445.8	2,601.0	6.3
[Excl. spread loans]	1,251.9	1,312.0	4.8
[Spread loans]	1,193.9	1,289.0	7.9
Retail loans	820.3	875.7	6.7
[Housing loans]	780.9	837.6	7.2
Loans for local governments	725.6	755.8	4.1

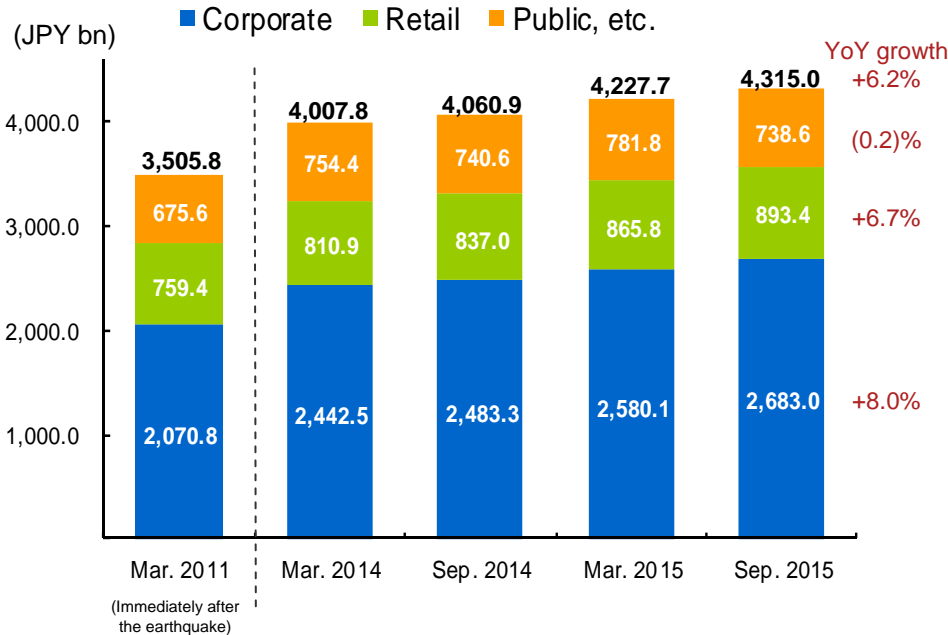
(JPY bn, %)

FY2016 (Plan)	YoY change
4,235.2	4.4

<First half of FY2016 summary>

Average balance increased 6.0% and term-end balance increased 6.2% YoY due to an increase in corporate loans and retail loans centering on housing loans.

● Loans and bills discounted balances

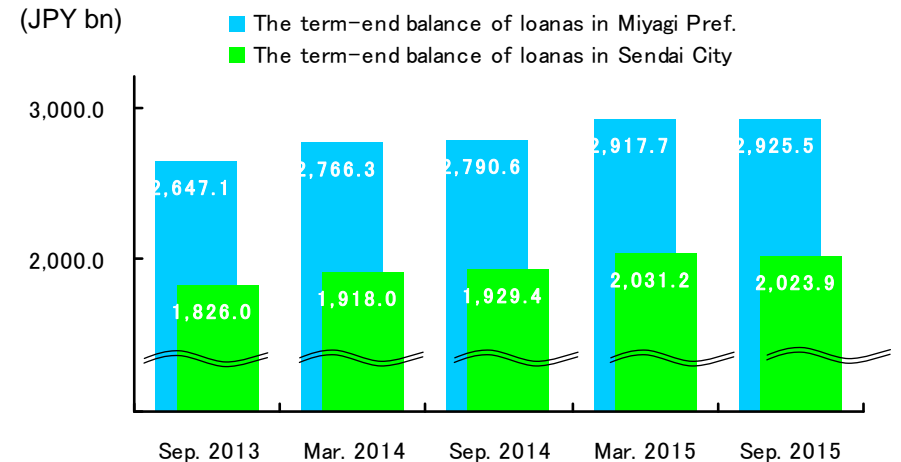


● Share in the loans in Miyagi Pref. (end of Sep. 2015)



* Excludes agricultural and fishery cooperatives

● Changes in the term-end balance of loans in Miyagi Pref. and Sendai City



(JPY bn, %)

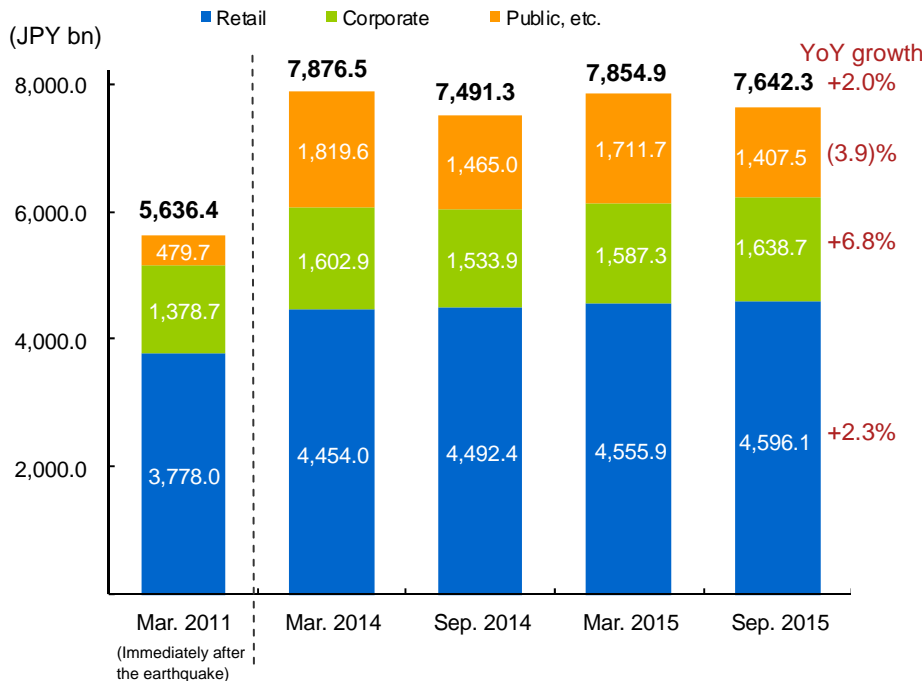
Deposits and certificates of deposits (average balances)	First half FY2015	First half FY2016	YoY change
Deposits and certificates of deposits	7,561.0	7,675.9	1.5
Retail deposits	4,493.7	4,598.2	2.3
Corporate deposits	1,611.3	1,661.2	3.0
Public deposits	1,432.3	1,389.2	(3.0)

FY2016 (Plan)	YoY change
7,538.6	0.0

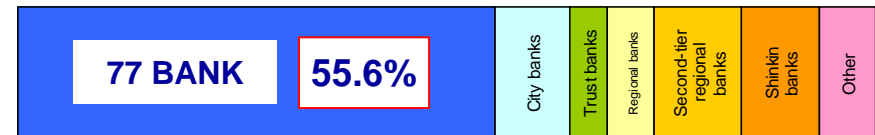
<First half of FY2016 summary>

Average balance increased 1.5% and term-end balance increased 2.0% YoY due to an increase in retail deposits and corporate deposits despite decrease in public deposits.

● Deposits and certificates of deposits balances



● Share in deposits in Miyagi Pref. (end of Sep. 2015)



* Excludes Japan Post Bank and agricultural and fishery cooperatives

<Number of salary deposit users in Miyagi Pref.>

77 Bank users	Number of workers in Pref. (*)	Share
685,000	956,000	72%

* Source: Economic Census 2012

<Number of pension deposit users in Miyagi Pref.>

77 Bank users	Number of 65 and older population in Pref. (*)	Share
283,000	571,000	50%

*Source: Basic resident register population handbook 2015

1. Financial Summary

Securities

Aiming to increase interest income by rebalancing marketable securities portfolio

○ Shift from a JGB-centered portfolio

- Rebalancing by investing redemption proceeds of JGB in investment trusts and other assets

○ Securing profits and expanding the source of profits

- Agile management taking advantage of unrealized gains and increased investment utilizing investment trusts and other assets

○ Maintaining a portfolio management focused on safety and liquidity

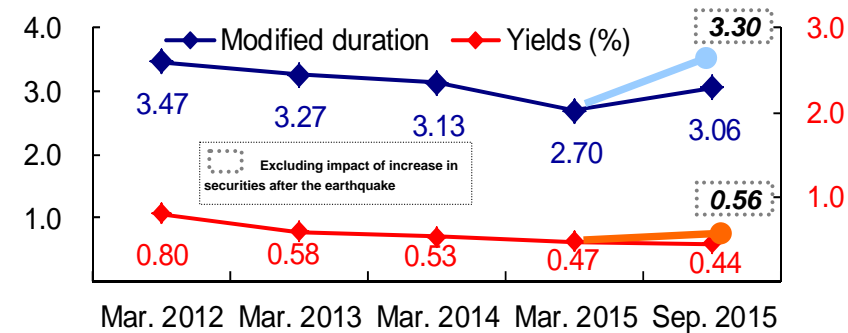
- Maintaining management of yen bond portfolio centering on short-to-medium-term notes

<Additional investment accompanying the significant increase in deposits following the earthquake>

	End-Mar. 2014	End-Mar. 2015	End-Sep.2015
Investment balance	Approx. JPY 940.0 billion	Approx. JPY 810.0 billion	Approx. JPY 660.0 billion
Yield	0.30%	0.31%	0.31%
Modified duration	2.48	2.35	2.31

● Yields and modified duration of yen-denominated bonds

*Yen-dominated bonds other than investment trusts



● Balance of securities (based on market value)

(JPY bn)

	End-Mar. 2014	End-Mar. 2015	End-Sep. 2015	YoY change	Gains (losses) from revaluation end-Sep. 2015	Change from end-Mar. 2015
Securities	3,716.5	3,683.6	3,541.8	(141.8)	155.8	(27.8)
Bonds	3,603.7	3,541.1	3,407.0	(134.1)	82.7	(20.6)
National gov. bonds	2,152.4	2,003.3	1,769.3	(234.0)	22.0	(0.5)
Local gov. bonds	76.5	75.6	147.2	71.6	1.3	0.4
Corporate bonds	933.9	950.7	928.6	(22.1)	16.2	0.5
Others	440.9	511.5	561.9	50.4	43.2	(21.0)
Investment trusts, etc.	214.6	274.7	299.7	25.0	43.2	(20.6)
Foreign bonds	226.3	236.8	262.2	25.4	0.0	(0.4)
Stocks	112.8	142.5	134.8	(7.7)	73.1	(7.2)

● Composition ratio by type (on an amortized cost base)

	Mar. 2012	Mar. 2013	Mar. 2014	Mar. 2015	Sep. 2015	Mar. 2016 Plan
National gov. bonds	55.4%	59.5%	59.1%	56.6%	51.6%	47.6%
Local gov. bonds	2.8%	2.6%	2.1%	2.1%	4.3%	5.9%
Corporate bonds	30.3%	25.5%	25.5%	26.7%	27.0%	28.4%
Others	9.1%	10.5%	11.6%	12.8%	15.3%	16.2%
Investment trusts, etc.	5.2%	5.4%	5.2%	6.0%	7.6%	7.8%
Foreign bonds	3.9%	5.1%	6.4%	6.8%	7.7%	8.4%
Stocks	2.4%	1.9%	1.7%	1.8%	1.8%	1.9%

1. Financial Summary

Assets in custody

Sales of assets in custody	First half FY2015	First half FY2016	YoY change
Investment trusts and insurance	42.6	51.9	21.8
Investment trusts	17.4	29.8	71.2
Insurance	25.2	22.1	(12.3)
Public bonds	60.8	7.3	(87.9)
Total	103.4	59.2	(42.7)

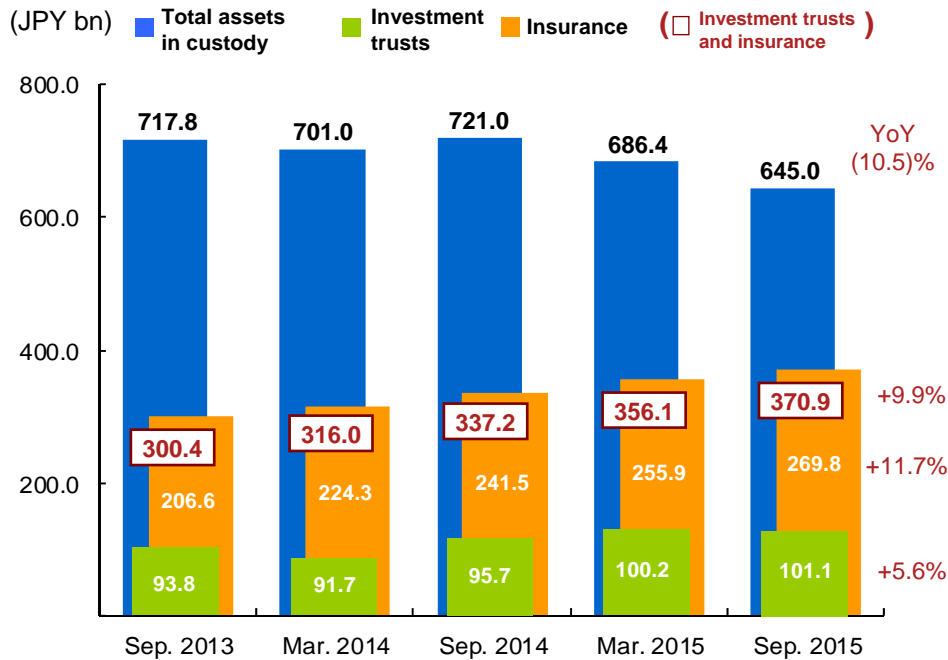
(JPY bn, %)

FY2016 (Plan)	YoY change
95.0	3.5

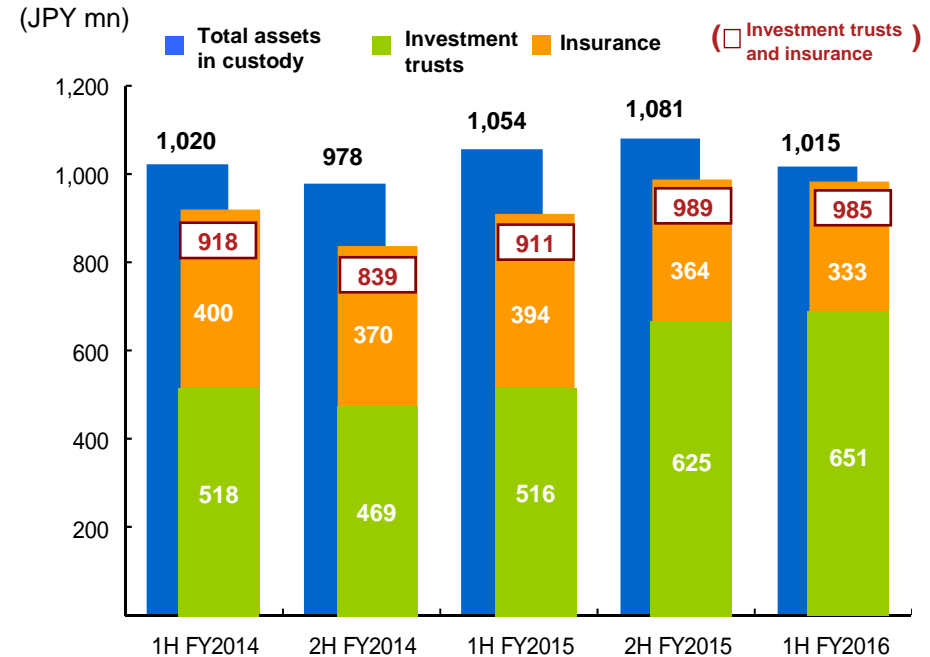
<First half of FY2016 summary>

- Sale of public bonds decreased due to decline in yield
- Sales of investment trusts were brisk and there was an increase in both balance and commissions

● Balance of assets in custody

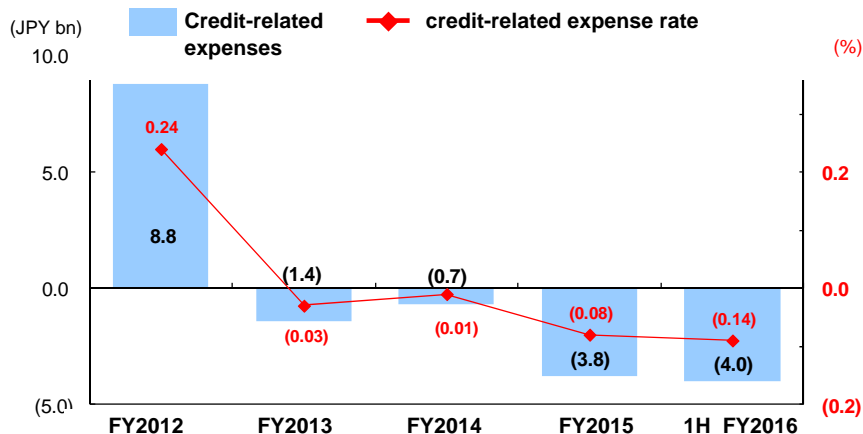


● Sales commissions of assets in custody



■ Credit-related expenses

● Credit-related expenses and credit-related expense rate trends



■ Capital adequacy ratio

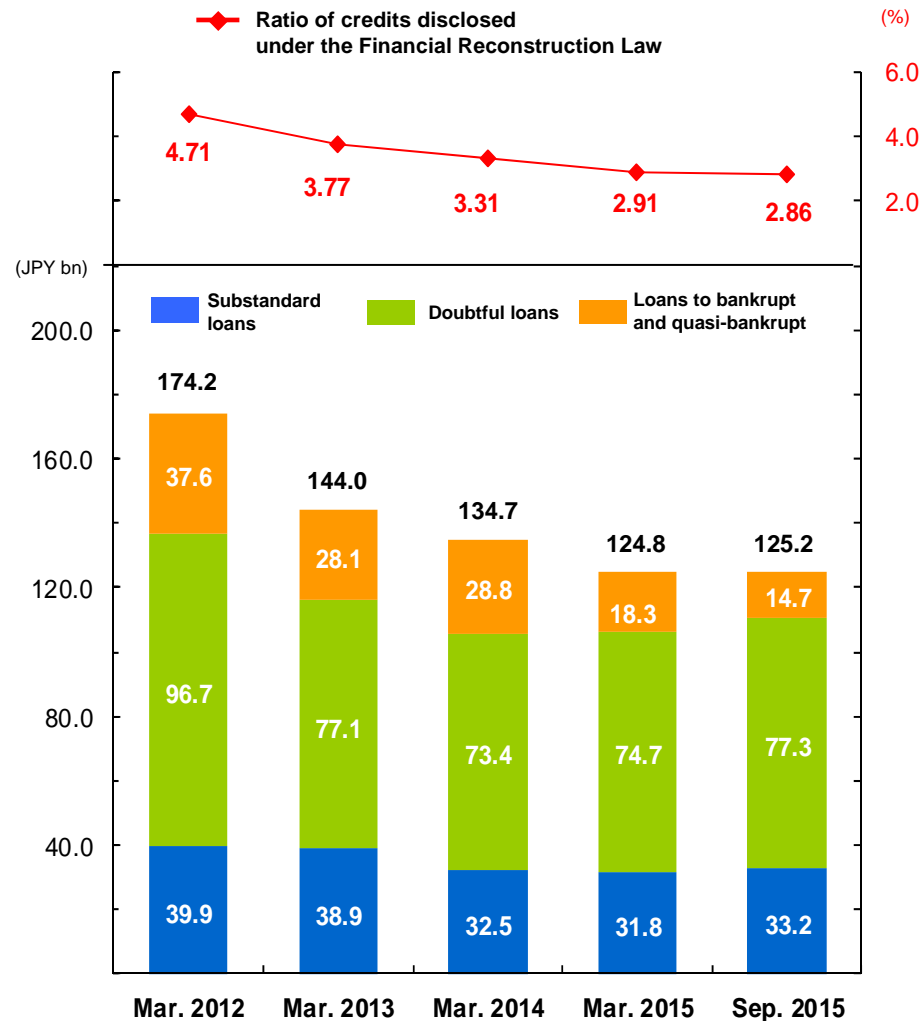
(JPY bn, %)

	End-Mar. 2015	End-Sep. 2015
Capital adequacy ratio (non-consolidated/ domestic standards) (a/c)	12.19	11.35
Capital (a)	373.8	360.2
(Core capital: instruments and reserves)	373.8	360.2
(Subordinated loans) * (b)	20.0	—
(Core capital: regulatory adjustments)	0.0	0.0
Risk assets (c)	3,065.9	3,172.7
(Ref.) Capital adequacy ratio [excluding subordinated loans] (a - b) / c	11.53	11.35

* We returned all of the 20 billion yen in subordinated loans (public funds) in June 2015.

■ Credits disclosed under the Financial Reconstruction Law

● Credits disclosed under the Financial Reconstruction Law



Earthquake reconstruction

- Enhancement of infrastructure development
- Revitalization of disaster-affected businesses and agricultural / fishery industries
- Support recovery and development of sales channels
- Housing reconstruction supports

Industrial transformation

- Concentration of automotive industry and IED industry
- Development of growth fields and new businesses
- Local revitalization measure under cooperation among the industry, academics, and the government

Progress of the Regional Development Project

Privatization of Sendai Airport

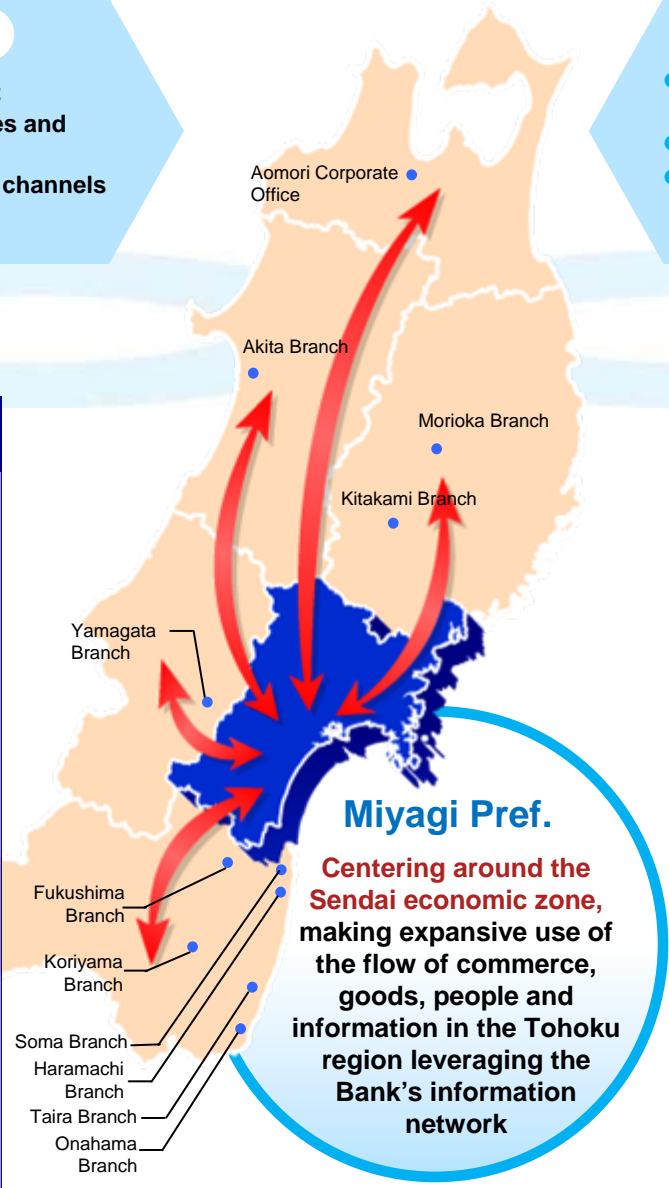
- First privatization of a government-administered airport
- Privatization to be complete by Jun. 2016
- Reinvigoration of tourism and other regional industries

Sendai Subway Tozai line

- To open on Dec. 6, 2015
- Length 13.9 km, 13 stops
- Estimated usage 80,000 passengers per day
- Promotes new flow of people and development of town centers

Establishment of Medical Dept.

- April 2016 Tohoku Pharmaceutical Univ. to evolve into Tohoku Medical and Pharmaceutical Univ.
- The first medical department to be set up in 37 years
- Expansion of the foundation of regional medical and nursing care



Economic activities of high levels

Population (Oct. 1) (Sendai City) **Increase of 30,000** (from before the Earthquake) 2010:1,040,000 2015:1,070,000

- Society as a whole continues to grow due to an increase in workers and students

Effective ratio of job offers to applicants **1.38** (Sep. 2015) Nationwide ranking 11th Nationwide average 1.24

- Maintaining a high level as reconstruction demand has led to increase in job openings in construction, healthcare and welfare fields

Housing starts **Two-fold** (from before the Earthquake) FY 2010: approx. 12,600 FY 2014: approx. 24,500

- Demand brisk due to reconstruction from the Earthquake and construction of public housing

Land price **Up three years in a row** Commercial area +2.1% Residential area +0.6%

- Benchmark land price has risen three years in a row both in commercial and residential areas due to reconstruction demand and progress of re-development

**Medium-term Management Plan “VALUE UP: Challenge Value Creation”
from April 1, 2015 to March 31, 2018**

<Basic Policies>

I. Strengthen earthquake recovery support

II. Reinforce the earnings base

III. Enhance the value of the region

IV. Smooth migration to and utilization of MEJAR

<Basic objectives>

Targets for the final year of the Plan (FY2018)

- Net income (*) JPY 20.0 billion or more
- Increase of interest on loans and discounted [compared with FY2015] JPY 1.5 billion or more
- Fees and commissions JPY 10.5 billion or more
- Core OHR (core gross operating income expense ratio) Less than 65%
- Increase of loans and bills discounted in Miyagi Pref. (balance as of March 31, 2018) [compared with the balance as of March 31, 2015] JPY 250.0 billion or more
- Increase of loans and bills discounted in Sendai (balance as of March 31, 2018) [compared with the balance as of March 31, 2015] JPY 150.0 billion or more

* When net income of JPY20.0 billion or more is achieved, ROE (net income basis) is expected to be around 5%.

<Bank Image Sought by The 77 Bank>

“Value-creating bank that grows together with and is the most trusted by the region”

<The Bank’s Configuration in 10 Years (Long-term vision)>

“Leading bank in the Tohoku region with scale and earnings power ranked within the top 10 regional banks based on the established earnings base capable of coping with any change in the business environment through creation of new value in the region”

1. Total of deposits, loans and assets in custody: around JPY 15 trillion (as of March 31, 2015: JPY 12.8 trillion)
—Achieve deposits of JPY 8 trillion and loans of JPY 5 trillion—
2. ROE (net income basis): around 7% (FY2015: 4.0%)



Helping to rebuild the regional economy by continuing with initiatives to strengthen earthquake recovery support

Active provision of risk money

Pin-point response to fund needs according to reconstruction stage

Earthquake disaster-related loan performance

Cumulative total of earthquake disaster-related loans (after the earthquake to end-Sep. 2015)

21,315 cases / JPY 536.0 billion

Corporate

(cases, JPY bn)

	Operating	Capital expenditure	Total
Cases	5,320	1,958	7,278
Amount	211.0	111.8	322.8

Retail

(cases, JPY bn)

	Unsecured	Housing	Total
Cases	3,945	10,092	14,037
Amount	6.8	206.4	213.2

Recovery development assistance projects for SME group facilities

Bridging finance performance (after the earthquake to end-Sep. 2015)

657 cases / JPY 46.2 billion

Portion of own funds performance (after the earthquake to end-Sep. 2015)

153 cases / JPY 11.0 billion

The first to the fourteenth offerings
Total amount of grants determined
220 groups (3,824 companies) / Approx. JPY 238.3 billion

ABL

ABL performance

(after the earthquake to end-Sep. 2015)

107 cases / JPY 17.0 billion

Of which, 1H FY2016 performance

17 cases / JPY 2.0 billion

- 17 personal property appraisal advisors (as of end-Sep. 2015)

Examples of collateral

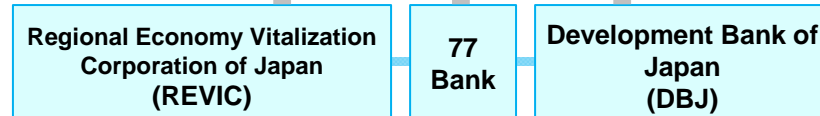
- Goods inventory: Rice, foodstuff such as frozen marine products, molds
- Accounts receivable: Electronically recorded monetary claims, medical fee receivables
- Other movables: Solar panels, boats, large cranes, power shovels



Miyagi Reconstruction and Regional Revitalization Support Fund

- Established in Dec. 2014

Fund size JPY 5.0 billion



- Investment case study

Support for mid-term management plan of an Akiu onsen ryokan

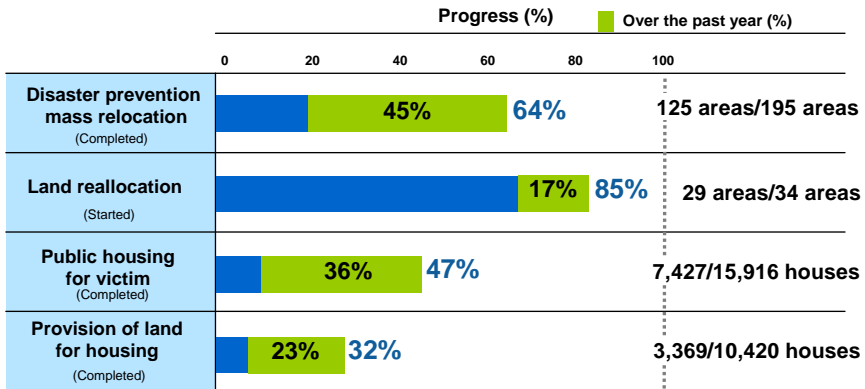
In Akiu onsen, a famous hot spring resort in Miyagi, we provided financial support for a mid-term management plan of an inn to help contribute to the promotion of local attraction.

Investment of JPY 500 million

Reconstruction and revitalization of Miyagi tourism

■ Active support for housing reconstruction needs

■ Progress of housing reconstruction projects (As of Sep. 2015)

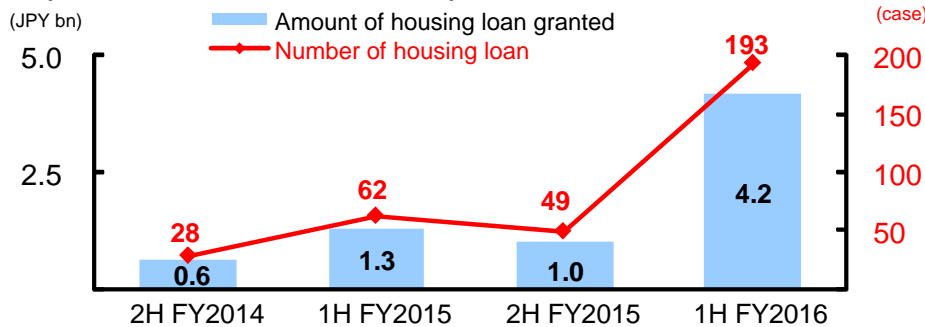


(Disaster prevention mass relocation)



(Land reallocation)

■ Performance of the handling of The 77 Bank Earthquake Reconstruction Support Housing Loans (for mass relocation/leased land)



■ Support for business clients to resolve issues

■ Business operations improvement

Business operations improvement support (1H FY2016)

- Number of business turnaround plan developed
- Of which, upgraded to higher borrower category

2,435 customers

149 customers

Assessment by resident credit officer (presence of locally-based credit officer)

- Swift credit response in earthquake-affected areas

▶ **Two employees stationed in Ishinomaki area starting Apr. 2015**

■ Business rehabilitation

Use of credit purchase corporations

(The Great East Japan Earthquake SME Reconstruction Support Fund, Organization for Industry Promotion) (after the earthquake to end-Sep. 2015)

Support (to be) provided: 235 cases

Use of guidelines for Individual Debtor Out-of-Court Workouts

(after the earthquake to end-Sep. 2015)

Agreements :209 cases

No cases of disagreement

■ Cooperation with external organizations

External specialists in the Credit Supervision Division

(end-Sep. 2015: six experts)

- Specialized support in coordination with the Enterprise Assistance Dept (12 members)
- Visiting customers together with external specialists

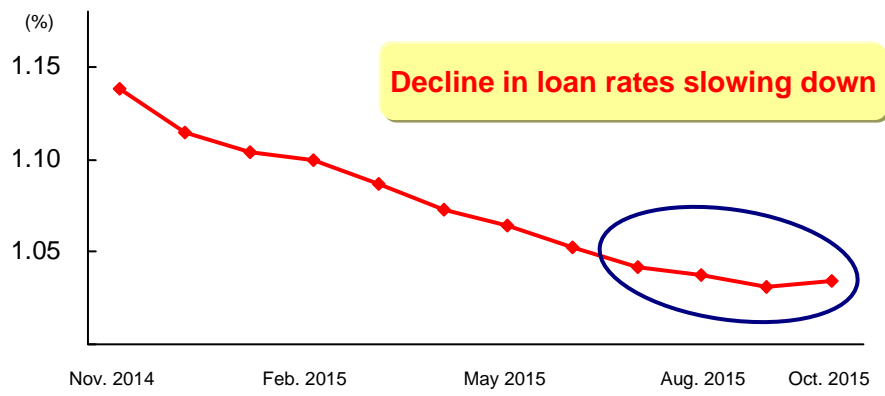
▶ **Learning from the expertise and know-how of outside experts, brushing up skills to assess business viability**

Cooperation with the Regional Economy Vitalization Corporation of Japan (REVIC)

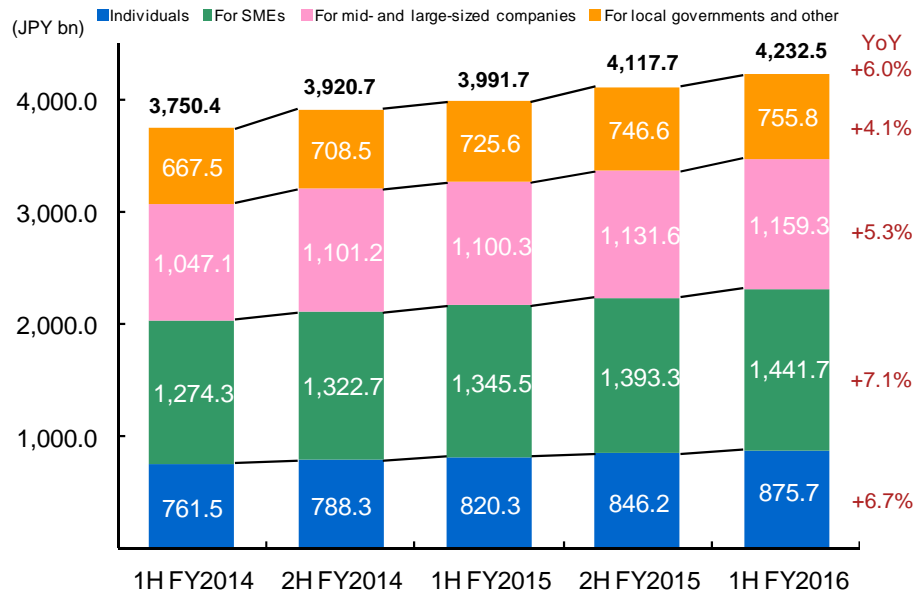
- Dispatching specified experts (on contracts dated Aug. 2014)
- Learning expertise through personnel exchanges (from Mar. 2015, one employee dispatched to REVIC)

■ Rebalancing of loan assets

● Interest rate on loans (Monthly average)



● Loan outstanding balance by type of borrowers (Average balance for the first half)

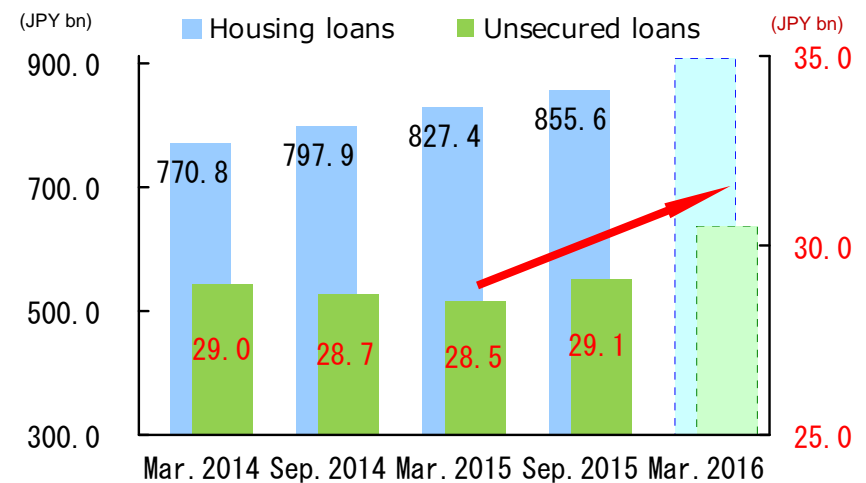


■ Retail loans

New products and services according to clients' life stage

For home buyers	<ul style="list-style-type: none"> Paperless application with the use of a tablet PC Faster credit evaluation with the use of the tablet PC of the real estate agent 	Introduced Oct. 2015 First among regional banks
For senior citizens	<ul style="list-style-type: none"> Reverse mortgage loans To respond to home related financing needs of the older generation 	Introduced Oct. 2015 First among regional banks in Tohoku
For students and their parents	<ul style="list-style-type: none"> Education loan (for medical students) Expanded the amount and term to respond to the needs of students of medical, dental and pharmaceutical departments 	Introduced Sep. 2015 Max. 30 million yen
For the general public	<ul style="list-style-type: none"> Credit card loans Contracts concluded on a non-face-to-face basis 	Introduced Jun. 2015 Mailed application

● Outstanding balance of housing and unsecured loans



Strengthening of consulting business aimed at genuine needs and problem solving through relationships and effective meetings

Reinforcing efforts to market assets-in-custody services

Bolstering the line-up of investment trusts and insurance policies

- Addition of wrap funds and unit-type investment trusts
- Addition of foreign currency single premium whole life insurance
- Handling level premium whole life insurance in all branches in Tohoku and Hokkaido
- Lowering of minimum payment in installment-type trust funds (¥10,000 → ¥5,000)

Sales of assets in custody

(JPY bn)

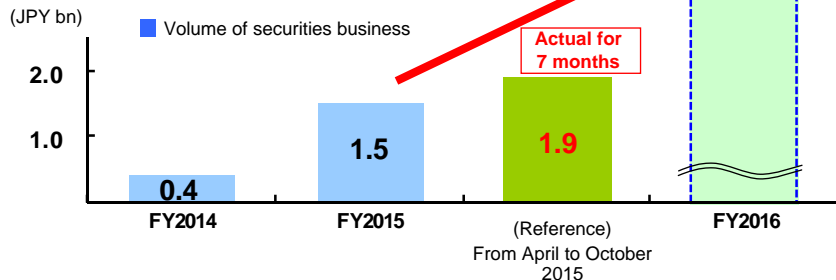
	Previous mid-term 3 years	New mid-term 3 years	First half FY2016	Progress
Total	236.2	270.0	51.9	19.2%
Investment trusts	97.9	120.0	29.8	24.8%
Insurance	138.3	150.0	22.1	14.7%

NISA accounts opened

	End-Sep. 2014	End-Mar. 2015	End-Sep. 2015
NISA accounts	Approx. 13,000	Approx. 17,000	Approx. 20,000
Percent of accounts with NISA contract	29.7%	39.1%	44.9%
Usage	2.4 billion yen	5.4 billion yen	6.7 billion yen

Reinforcement of the securities business

- All branches in Tohoku and Hokkaido now handle financial instruments intermediary service (public structured bonds)
- Promoting securities as investment alternative for proceeds from public bond redemption



Diversifying revenue sources by expanding business areas

Boosting of investment with emphasis on profitability

Syndicated loans, loans to non-residents

Arranged five loans
(First half FY2016)

Boosting of M&A business

Seeking latent needs and offering solutions through collaboration with Nihon M&A Center

72 proposals
(First half FY2016)

Dealing with business succession and inheritance needs

Proposal-based marketing capitalizing on relationships and trust

402 proposals (First half FY2016)

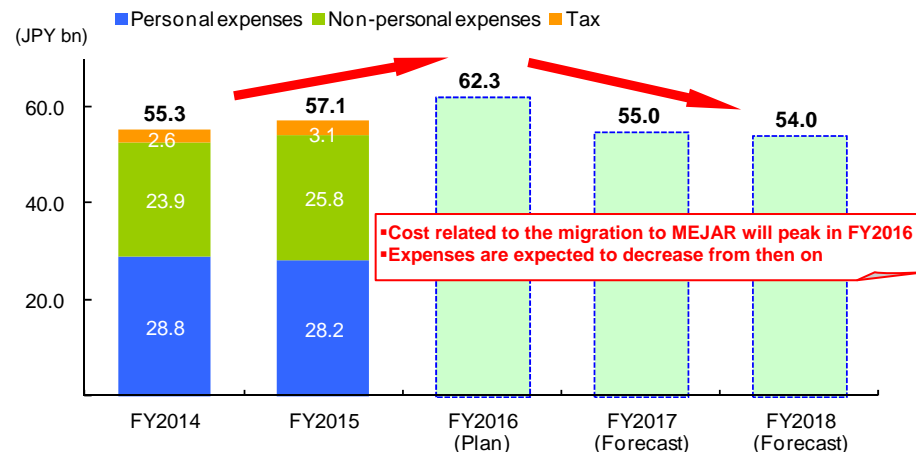
Bolstering business matching on commissions

Offering solutions for customer's issues and various needs

50 customers

Reduction of expenses

Expenses

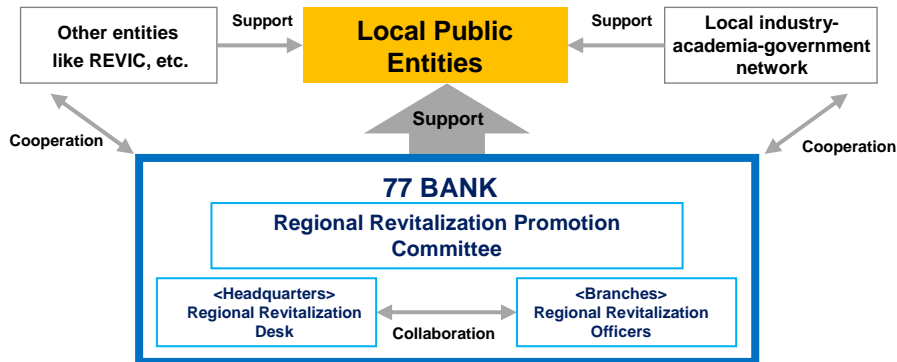


Regional revitalization

Set-up to promote regional revitalization

Capitalizing on regional network and contributing to the growth and development of the local economy

Raising the regional value and the Bank's value



Support for start-ups and new businesses

- Help in making up a new business plan
- Providing capital through funds
- Holding events for entrepreneurs

Promotion of urban development

- Use of PPP/PFI (privatization of Sendai Airport)
- Taking part in urban development projects
- Holding "Community-building college"

Support and develop regional core companies

- Restoring and expanding sales channels
- Helping companies expand business
- Helping promote the sixth industrialization

Tourism and creation of jobs

- Supporting and developing tourism promotion projects
- Initiatives in concert with regional industry, academia and government (U/I/J turns)

Investment in a venture fund started by Tohoku Univ.

Turn promising University-initiated technology into business by establishing, investing in and developing a venture

Fund total 9.68 billion yen
77 Bank invests 700 million yen, largest as a private company

- <Effects>
- Creation of a new industrial base
 - Regional revitalization through innovation
 - Dispatched one bank employee

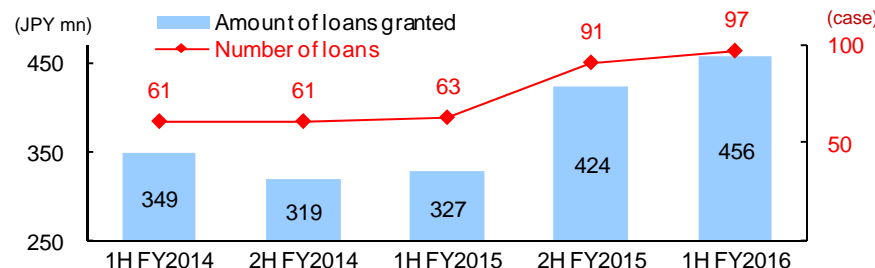
Partnership with Miyagi University

Promoting regional industries, helping resolve issues of local business owners

Helping promote the sixth industrialization

- <Effects>
- Turning primary industry into a growth industry
 - Marketing and sales channel expansion food industry
 - Support for starting businesses and regional core industry

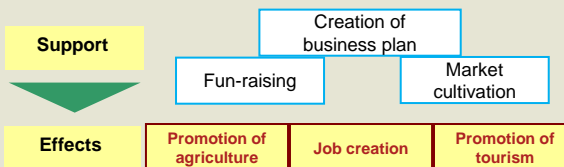
Start-up related loans



Case study Help for Akiu winery

As Miyagi's only winery, aims to produce and sell wine and cider from locally-grown fruit. Runs a restaurant as well to cater to tourists visiting the winery.

Vineyard: 1.3 ha
Production: wine 29,000 bottles (Annual)
Cider 7,000 bottles



Strengthening overseas network and providing related information and promoting and helping customer businesses to expand overseas

Expanding the overseas network

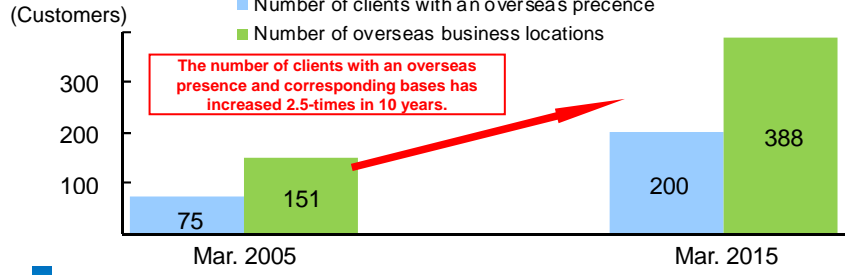
Support customer businesses to expand overseas



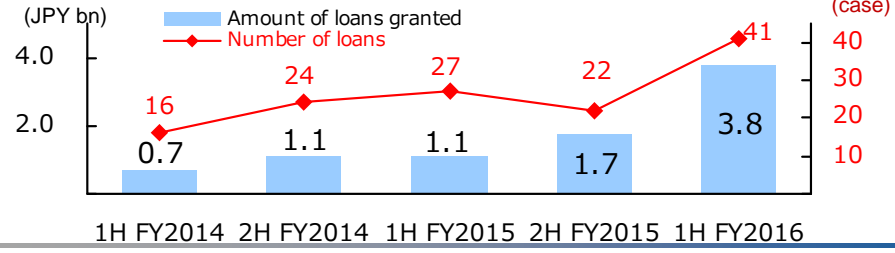
ASEAN To open a representative office in Singapore (To be opened in the first half of 2017) First for a regional bank in Tohoku

China/Hong Kong Shanghai Representative office 10th anniversary (Jul. 2015)

The overseas expansion of our clients

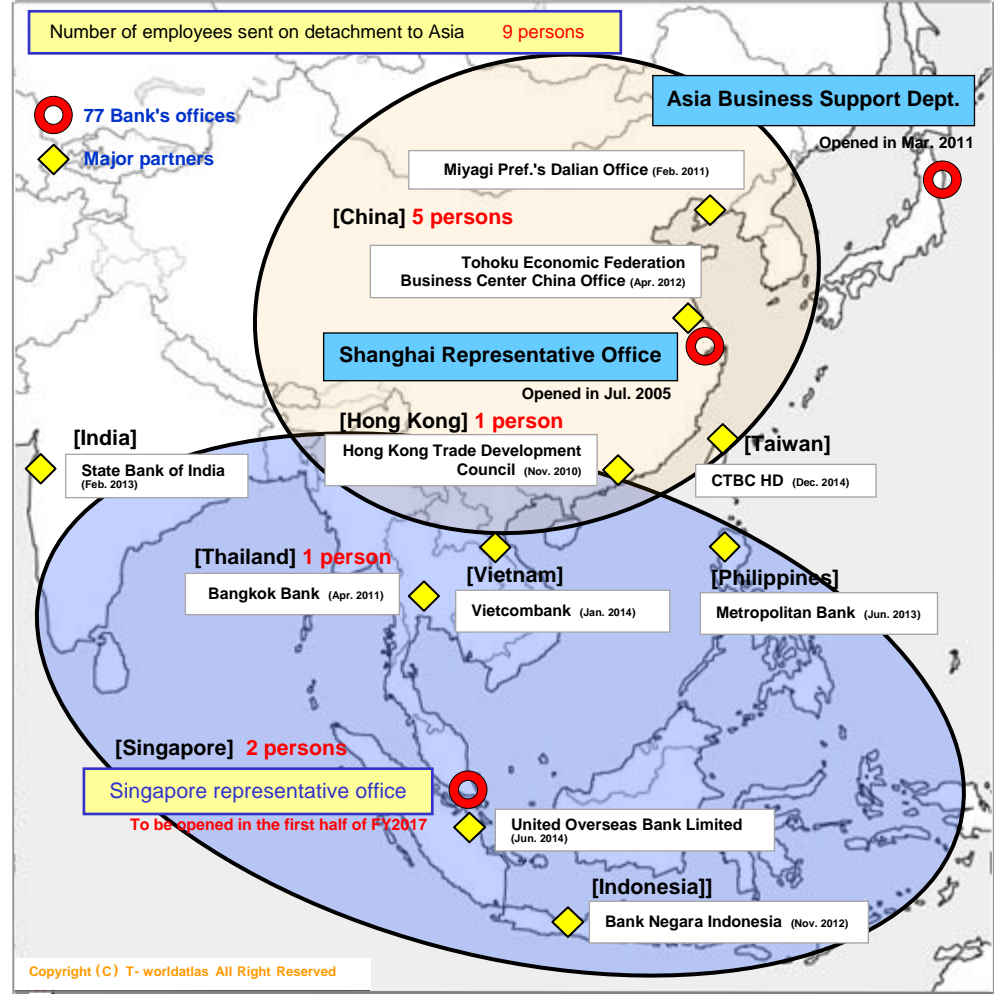


Loans related to overseas business support



The overseas network

Two overseas offices and 10 major partners



Enhance the 77 Bank Brand

Corporate governance

Looking to enhance corporate governance

Established the Corporate Governance Committee

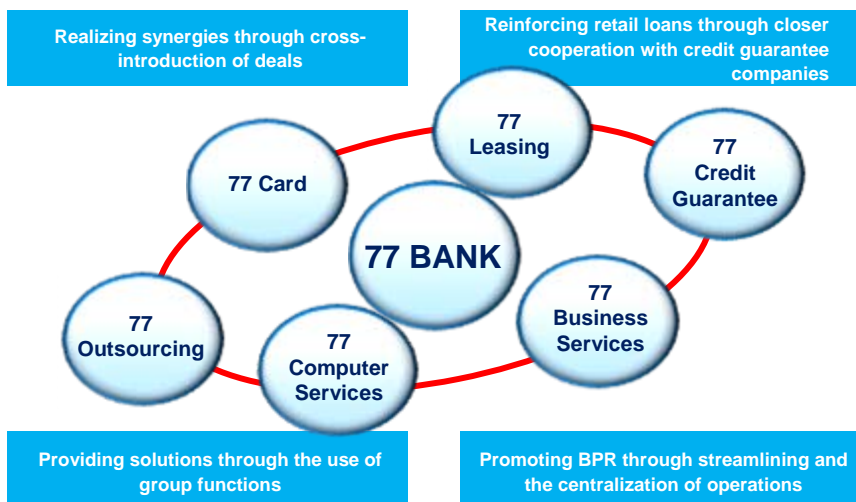
- Chairman and vice chairman: To be selected from outside directors
- Members: Outside directors and internal directors

Drafted the “Basic policy on corporate governance”

- We have established a basic policy and code of conduct on corporate governance with a view toward promoting the bank's continuous growth and improving its company value over a medium-to-long term

Provision of comprehensive financial services

Enlarging of customer base for the Bank and its Group and maximizing the profit



Initiative for diversity

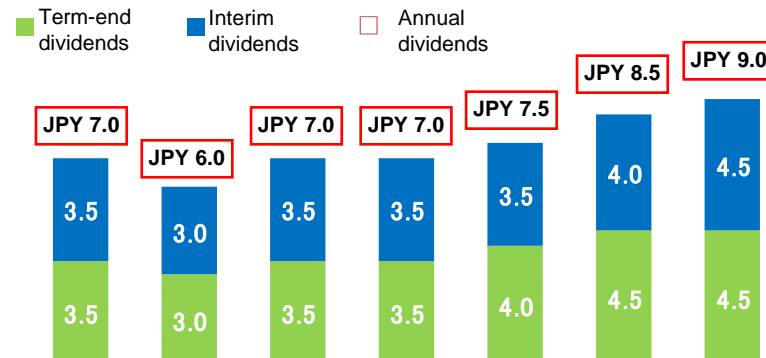
Creating a working environment more amenable to work-life balance
(Encouraging leaving on time, coming to work early in the morning, encouraging male employees to take child-care leave [FY2015: 76 employees])

Promoting female employees

Ratio of female employees	End-Mar. 2005 ①	End-Mar. 2010	End-Sep. 2015 ②	Number of female employees increased ②-①
Managerial position	4%	8%	10%	Approx. 90
Loan officers/sales rep.	8%	12%	23%	Approx. 180

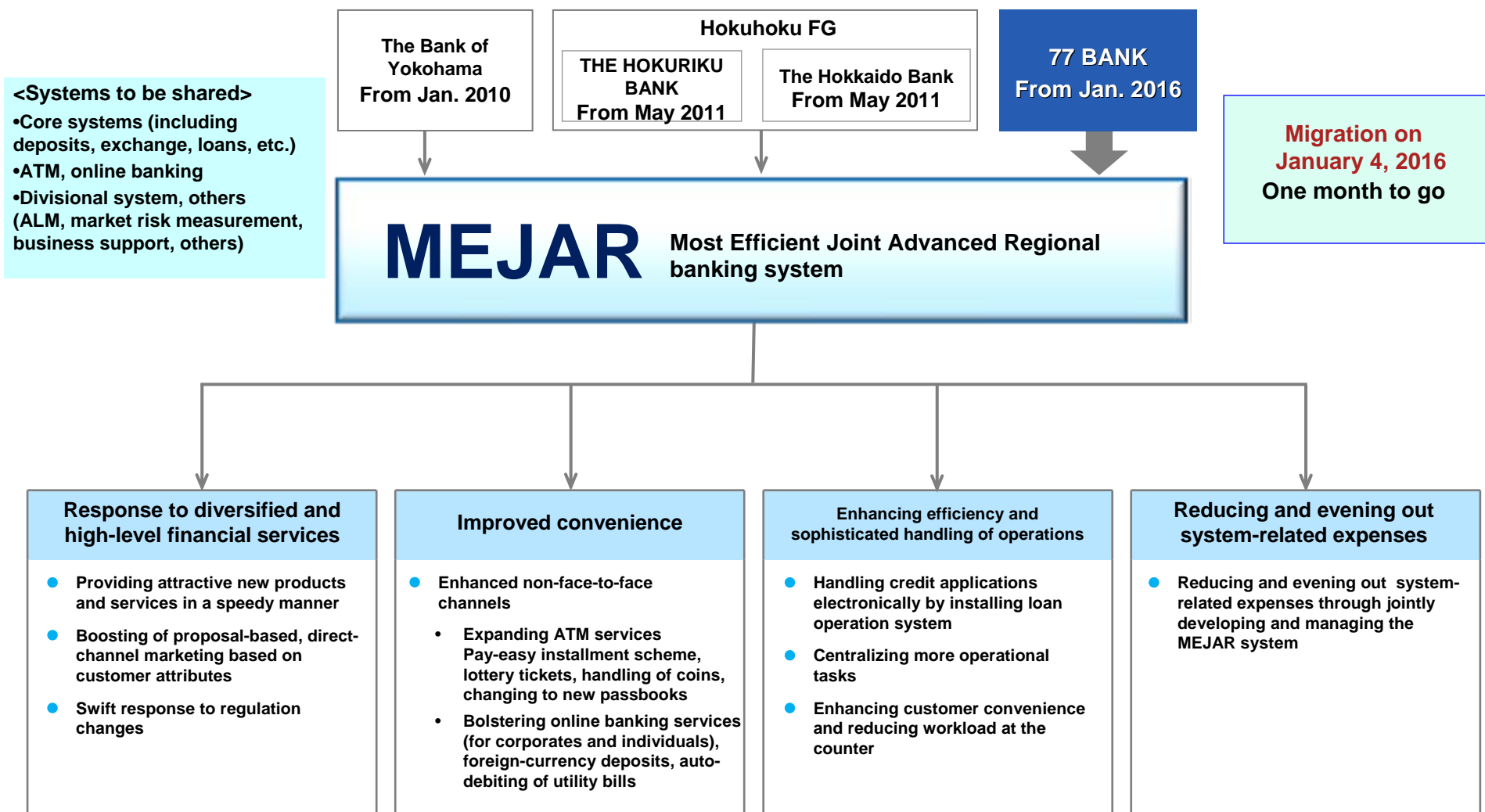
Improving shareholder value

Dividend payment and payout ratio



	Mar. 2010	Mar. 2011	Mar. 2012	Mar. 2013	Mar. 2014	Mar. 2015	Mar. 2016 (Forecast)
Dividend ratio	22.7%	—	24.6%	21.5%	19.0%	18.8%	21.0%
Total sum paid out (JPY mn)	2,655	2,264	2,616	2,617	2,805	3,180	3,400
Net income (JPY bn)	11.6	(30.6)	10.6	12.1	14.7	16.9	16.0

With the concerted efforts of the bank and the group, we are aiming to realize a smooth migration to and utilization of MEJAR



(JPY bn)

(JPY bn, %)

Projected performance (non-consolidated)	FY2015 (Results)	FY2016 (Plan)	YoY change
Gross operating income	80.1	78.0	(2.1)
[Core gross operating income]	[80.3]	[79.4]	[(0.9)]
Interest income	70.2	70.2	0.0
Fees and commissions	10.3	9.9	(0.4)
Other operating income	(0.4)	(2.1)	(1.7)
Gains (losses) on bonds	(0.2)	(1.4)	(1.2)
Expenses	57.1	62.3	5.2
Operating income before provision of general reserve for possible loan losses	23.0	15.7	(7.3)
[Core operating income]	[23.2]	[17.1]	[(6.1)]
Provision of general reserve for possible loan losses	—	—	—
Operating income	23.0	15.7	(7.3)
Special income (losses)	7.5	8.8	1.3
Bad debt disposals (-)	0.8	0.8	0
Gains on reversal of reserve for possible loan losses	4.6	6.8	2.2
Gains (losses) on stocks	1.0	1.3	0.3
Gains (losses) on investments in money held in trust	2.9	1.6	(1.3)
Ordinary income	30.5	24.5	(6.0)
Extraordinary losses	(0.2)	(0.4)	(0.2)
Income taxes (incl. deferred taxes)	13.4	8.1	(5.3)
Net income	16.9	16.0	(0.9)
Credit-related expenses	(3.8)	(6.0)	(2.2)

Ref.

Major accounts (average balances)	FY2015 (Results)	FY2016 (Plan)	YoY change
Loans and bills discounted	4,054.5	4,235.2	4.4
Securities	3,616.9	3,461.0	(4.3)
Deposits and certificates of deposits	7,544.6	7,538.6	0.0
Investment trusts and insurance (term-end balances)	356.1	390.0	9.5

(%)

Interest rates/Interest margin	FY2015 (Results)	FY2016 (Plan)	YoY change
Loans and bills discounted interest rate	1.11	1.04	(0.07)
Securities interest rate	0.78	0.86	0.08
Interest rate on deposits	0.03	0.03	0.00
Interest rate spread	0.88	0.88	0.00
Net interest margin	0.13	0.06	(0.07)

Note: Figures in YoY change shows percentage points

<Interest rates and other assumptions underlying the projection>

	FY2015 (Results)	FY2016 (Forecast)
Unsecured call rate O/N	0.07%	0.07%
JPY TIBOR (3 months)	0.20%	0.17%
5-year JGBs	0.13%	0.11%
10-year JGBs	0.48%	0.45%
Exchange rate (JPY/USD)	¥110	¥123
Nikkei Average (At the term-end)	¥19,206	¥19,000

1. Average balances of major accounts

(JPY bn, %)

	FY2015 results	1H FY2016 results	FY2016 plan	FY2017 forecast	FY2018 forecast	Change vs. FY2015	
						Change	
Loans and bills discounted	4,054.5	4,232.5	4,235.2	4,250.5	4,397.0	342.5	8.4
Corporate loans	2,485.2	2,601.0	2,608.9	2,626.0	2,710.0	224.8	9.0
Retail loans	833.2	875.7	886.5	891.5	927.0	93.8	11.2
Deposits and certificates of deposits (notes)	7,538.9	7,669.8	7,533.0	7,220.0	7,159.0	(379.9)	(5.0)
Retail deposits	4,507.5	4,589.6	4,605.3	4,645.0	4,708.0	200.5	4.4

2. Term-end balances

(JPY bn, %)

	FY2015 results	1H FY2016 results	FY2016 plan	FY2017 forecast	FY2018 Forecast	Change vs. FY2015	
						Change	
Loans and bills discounted	4,227.7	4,315.0	4,288.0	4,375.0	4,551.0	323.3	7.6
Balance of loans in Miyagi Pref.	2,917.7	2,925.5	2,972.0	3,030.0	3,170.0	252.3	8.6
Deposits and certificates of deposits (notes)	7,851.0	7,638.3	7,449.0	7,259.0	7,195.0	(656.0)	(8.3)
Sales of investment trusts and insurance	91.7	51.9	95.0	96.0	100.0	8.3	9.0
Balance of investment trusts and insurance	356.1	370.9	390.0	430.5	485.0	128.9	36.1

Note: We are expecting a decrease in the amount of deposits, mainly due to the outflow of public deposits in conjunction with the progress of the earthquake reconstruction.

3. Incomes and losses

(JPY bn, %)

	FY2015 results	1H FY2016 results	FY2016 plan	FY2017 forecast	FY2018 forecast	Change vs. FY2015
Core gross operating income	80.3	40.5	79.4	80.1	83.1	2.8
Interest income	70.2	35.8	70.2	71.1	74.5	4.3
Interest on loans and bills discounted	45.4	22.1	44.0	45.0	47.1	1.7
Fees and commissions	10.3	5.0	9.9	10.2	10.6	0.3
Expenses	57.1	27.2	62.3	55.0	54.0	(3.1)
Core operating income	23.2	13.3	17.1	25.1	29.1	5.9
Net income	16.9	10.8	16.0	Target for the final year of the medium-term plan: JPY 20 billion or more		
Core OHR	71.0	67.1	78.4	68.6	64.9	(6.1)
Capital adequacy ratio (domestic standard)	12.2	11.4	11.4	12.2	12.3	0.1

(Forecasts for main interest rates)

(% , JPY)

	FY2015 (results)	1H FY2016 results	FY2016	FY2017	FY2018
Unsecured call rate O/N	0.07	0.07	0.07	0.07	0.07
JPY TIBOR (3 months)	0.20	0.17	0.17	0.18	0.18
5-year JGBs	0.13	0.09	0.11	0.18	0.28
10-year JGBs	0.48	0.40	0.45	0.65	0.85
Exchange rate (JPY/USD)	110	122	123	127	131
Nikkei Average (At the term-end)	19,206	17,388	19,000	18,500	19,000

This is a Japanese-English translation of the presentation material for your convenience. In the case that there is any discrepancy between the Japanese and English versions, the Japanese version is assumed to be correct. Please note that the projections described in this document do not guarantee future performance. Future performance projections may differ from actual results due to uncertainty caused by factors such as changes in the business environment.

七十七銀行