

77 BANK

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IR Presentation

Results for Fiscal Year Ended March 31, 2016

June 7, 2016

Materials were prepared for the Bank's presentation of its results for the fiscal year ended March 31, 2016 held on June 7, 2016.



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3. Projected Performance

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(JPY bn, %)

Summary of profits and losses (Non-consolidated)	FY2015	FY2016	YoY change	
			Increase/ decrease	Rate of change %
Gross operating income	80.1	75.1	(5.0)	(6.2)
[Core gross operating income]	[80.3]	[79.6]	[(0.7)]	[(0.9)]
Interest income	70.2	70.8	0.6	0.9
Fees and commissions	10.3	10.0	(0.3)	(3.4)
Other operating income	(0.4)	(5.7)	(5.3)	
Gains (losses) on bonds	(0.2)	(4.5)	(4.3)	
Gains (losses) on forex transactions	0.1	(1.2)	(1.3)	
Expenses	57.1	60.9	3.8	6.5
Operating income before provision of general reserve for possible loan losses	23.0	14.2	(8.8)	(38.1)
[Core operating income]	[23.2]	[18.7]	[(4.5)]	[(19.5)]
Provision of general reserve for possible loan losses	—	—	—	
Operating income	23.0	14.2	(8.8)	(38.1)
Special income and losses	7.5	10.1	2.6	
Bad debt disposals (-)	0.8	0.4	(0.4)	
Gains on reversal of reserve for possible loan loss	4.6	6.6	2.0	
Gains (losses) on stocks	1.0	1.5	0.5	
Gains (losses) on investments in money held in trust	2.9	1.8	(1.1)	
Ordinary income	30.5	24.3	(6.2)	(20.0)
Extraordinary income	—	—	—	
Extraordinary loss	0.2	0.4	0.2	
Income taxes (incl. deferred taxes)	13.4	8.2	(5.2)	
Net income	16.9	15.7	(1.2)	(7.1)
Credit-related expenses	(3.8)	(6.2)	(2.4)	

<Core operating income>

Interest income increased owing to increase in interest and dividends on securities, but core operating income decreased due to increased expenses related to the shift to MEJAR.

<Ordinary income/Net income>

Both decreased owing to increased amortization of bonds including JGBs and an increase in expenses despite a decrease in credit-related expenses mainly from gains on reversal of reserve for possible loan loss.

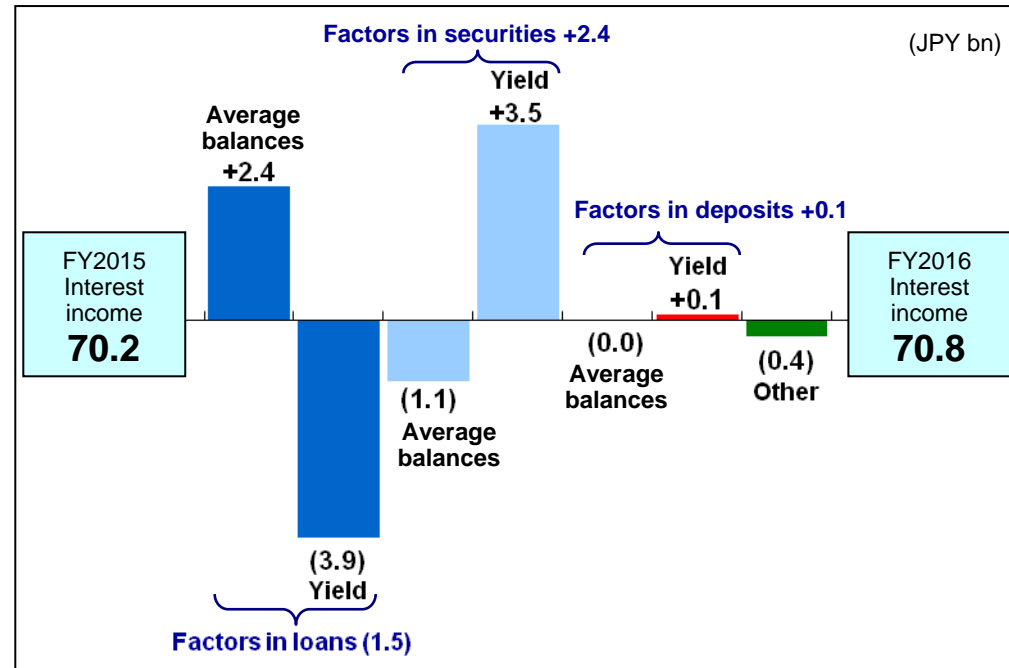
	FY2015	FY2016	YoY change
Interest income	70.2	70.8	0.6
Investment income	73.9	74.8	0.9
(Interest on loans and bills discounted)	45.4	43.9	(1.5)
(Interest and dividends on securities)	28.2	30.6	2.4
Fund procurement costs	3.7	4.0	0.3
(Interest on deposits)	2.9	2.8	(0.1)

(JPY bn)

FY2017 (Plan)	YoY change
70.9	0.1

<FY2016 summary>
 Interest income increased JPY 600 million YoY due to an increase in interest and dividends on securities despite a decrease in interest on loans owing to the decreased yield.

<Change factors in interest income>



(JPY bn)

Major accounts (average balances)	FY2015	FY2016	YoY change
Loans and bills discounted	4,054.5	4,266.8	212.3
Securities	3,616.9	3,469.0	(147.9)
Deposits and certificates of deposits	7,544.6	7,655.7	111.1

(%)

Interest rates/ Interest margin	FY2015	FY2016	YoY change
Loans and bills discounted interest rate	1.11	1.02	(0.09)
Securities interest rate	0.78	0.88	0.10
Interest rate on deposits	0.03	0.03	0.00
Interest rate spread	0.88	0.88	0.00
Net interest margin	0.13	0.10	(0.03)

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

<Reference> Trends of market interest rates

(%)

	FY2015	FY2016	YoY change
JPY TIBOR (3 months)	0.20	0.16	(0.04)
5-year JGBs	0.13	0.02	(0.11)
10-year JGBs	0.48	0.28	(0.20)

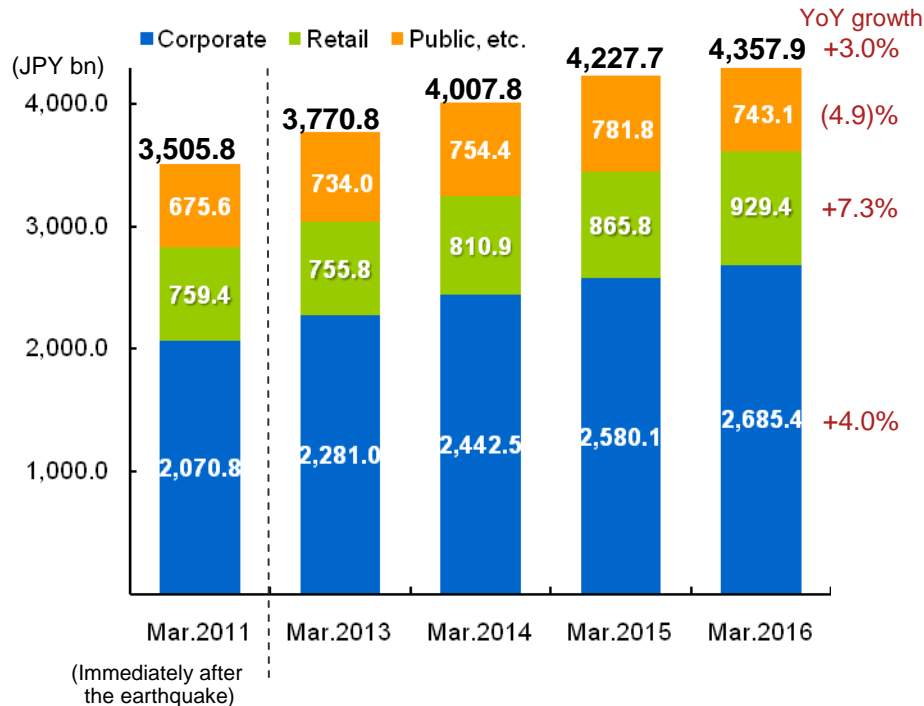
(JPY bn, %)

Loans and bills discounted (average balances)	FY2015	FY2016	
			YoY change
Loans and bills discounted	4,054.5	4,266.8	5.2
Corporate loans	2,485.2	2,628.6	5.7
[Excl. spread loans]	1,266.9	1,344.3	6.1
[Spread loans]	1,218.3	1,284.3	5.4
Retail loans	833.2	890.9	6.9
[Housing loans]	794.3	853.0	7.3
Loans for local governments	736.1	747.3	1.5

FY2017 (Plan)	YoY change
4,375.0	2.5

<FY2016 summary>
 Average balance increased 5.2% and term-end balance increased 3.0% YoY due to an increase in corporate loans and retail loans centering on housing loans.

● Loans and bills discounted balances

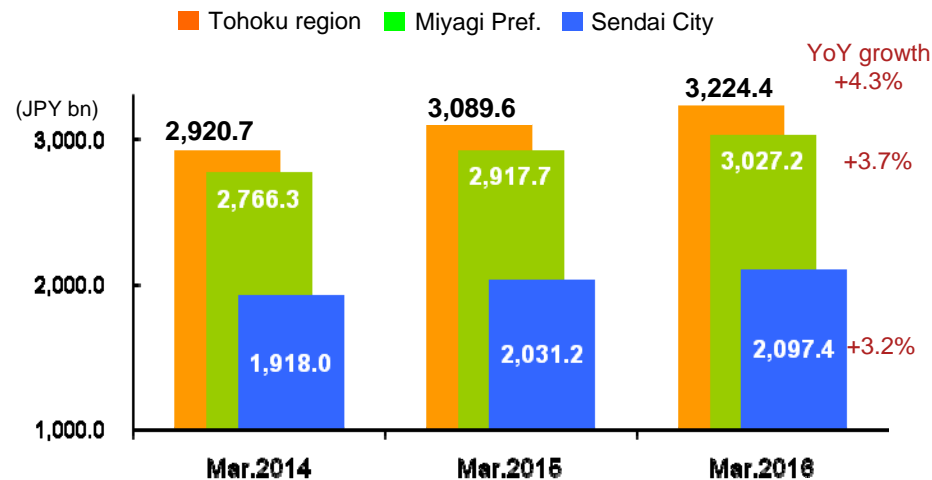


● Share in the loans in Miyagi Pref. (end of Mar. 2016)



* Excludes agricultural and fishery cooperatives

● Loans and bills discounted balances by region



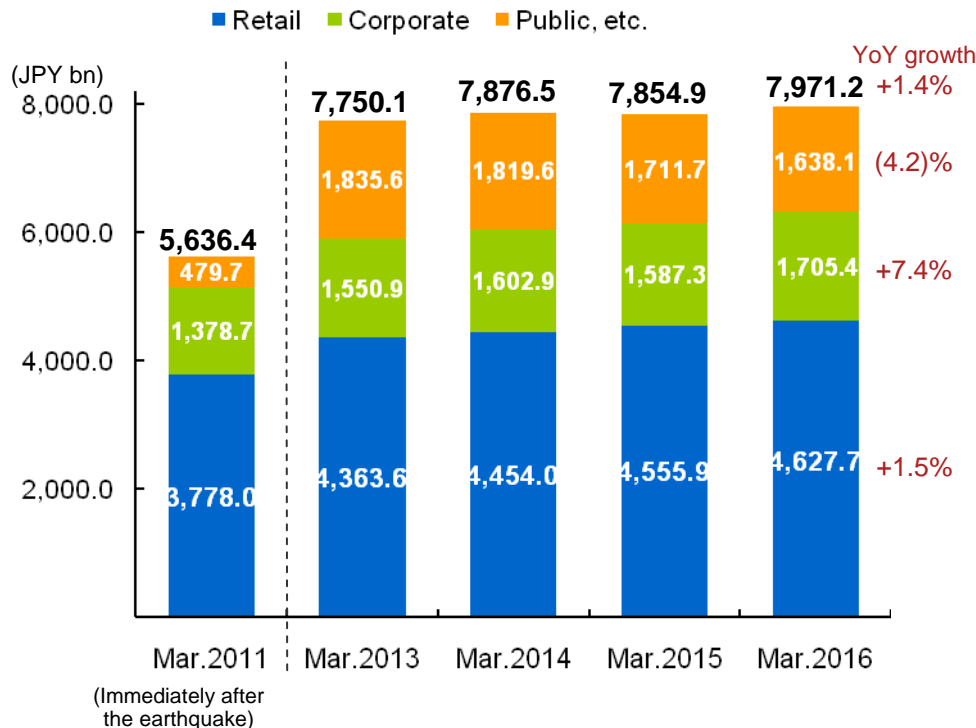
(JPY bn, %)

Deposits and certificates of deposits (average balances)	FY2015	FY2016	YoY change
Deposits and certificates of deposits	7,544.6	7,655.7	1.4
Retail deposits	4,517.9	4,615.7	2.1
Corporate deposits	1,594.9	1,666.6	4.4
Public deposits	1,407.8	1,348.5	(4.2)

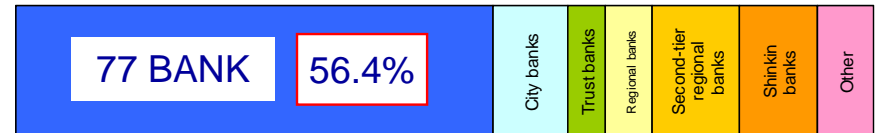
FY2017 (Plan)	YoY change
7,432.0	(2.9)

<FY2016 summary>
 Both average balance and term-end balance increased 1.4% YoY due to an increase in retail deposits and corporate deposits despite a decrease in public deposits.

● Deposits and certificates of deposits balances



● Share in deposits in Miyagi Pref. (end of Mar. 2016)



* Excludes Japan Post Bank and agricultural and fishery cooperatives

● Providing convenience to expand the customer base

● Expanded online banking services

- Foreign-currency deposits
- Auto-debiting of utility bills (to start in Jan. 2016)
- Asset composition inquiry (to start in Mar. 2016)

	Mar. 2013	Mar. 2014	Mar. 2015	Mar. 2016
No. of customers of direct banking services	237,000	255,000	271,000	285,000

● Enhancement of ATM functionality

- ATM Pay-easy
- ATM lotteries (to start in May 2016)

<FY2016 summary>

- Balance of marketable securities decreased owing to a decrease in public deposits
- Bolstered rebalancing of the securities portfolio in response to the market environment in order to expand revenue sources
 - Increasingly shifted from yen-denominated bonds to other assets such as investment trusts
 - Increasingly shifted from domestic to international assets through investment trusts
 - Secured spread by increasing investment in corporate bonds, etc.
- Secured revenues and expanded revenue sources by flexible trading

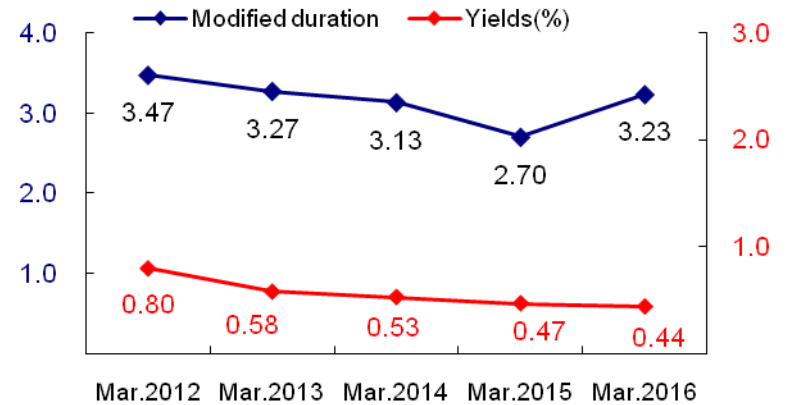
● Balance of securities (based on market value)

(JPY bn)

	End-Mar. 2014	End-Mar. 2015	End-Mar. 2016	YoY change	Gains (losses) from evaluation end-Mar. 2016	Change from end-Mar. 2015
Securities	3,716.5	3,683.6	3,478.9	(204.7)	152.1	(31.5)
Bonds	3,603.7	3,541.1	3,353.7	(187.4)	88.3	(15.0)
National gov. bonds	2,152.4	2,003.3	1,560.9	(442.4)	25.0	2.5
Local gov. bonds	76.5	75.6	229.0	153.4	5.5	4.6
Corporate bonds	933.9	950.7	997.2	46.5	18.9	3.2
Others	440.9	511.5	566.6	55.1	38.9	(25.3)
Investment trusts, etc.	214.6	274.7	327.8	53.1	39.3	(24.5)
Foreign bonds	226.3	236.8	238.8	2.0	(0.4)	(0.8)
Stocks	112.8	142.5	125.2	(17.3)	63.8	(16.5)

● Yields and modified duration of yen-denominated bonds

*Yen-denominated bonds other than investment trusts



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

	Mar. 2014	Mar. 2015	Mar. 2016	Mar. 2017 Plan
National gov. bonds	59.1%	56.6%	↓ 46.2%	↓ 39.7%
Local gov. bonds	2.1%	2.1%	6.7%	7.6%
Corporate bonds	25.5%	26.7%	29.4%	31.0%
Others	11.6%	12.8%	↑ 15.8%	↑ 19.7%
Investment trusts, etc.	5.2%	6.0%	↑ 8.6%	↑ 11.7%
Foreign bonds	6.4%	6.8%	↑ 7.2%	↑ 8.0%
Stocks	1.7%	1.8%	1.9%	2.0%

Sales of assets in custody	FY2015	FY2016	
			YoY change
Investment trusts and insurance	91.7	96.0	4.6
Investment trusts	44.1	50.2	13.8
Insurance	47.6	45.8	(3.7)
Public bonds	89.0	15.4	(82.6)
Total	180.7	111.4	(38.3)

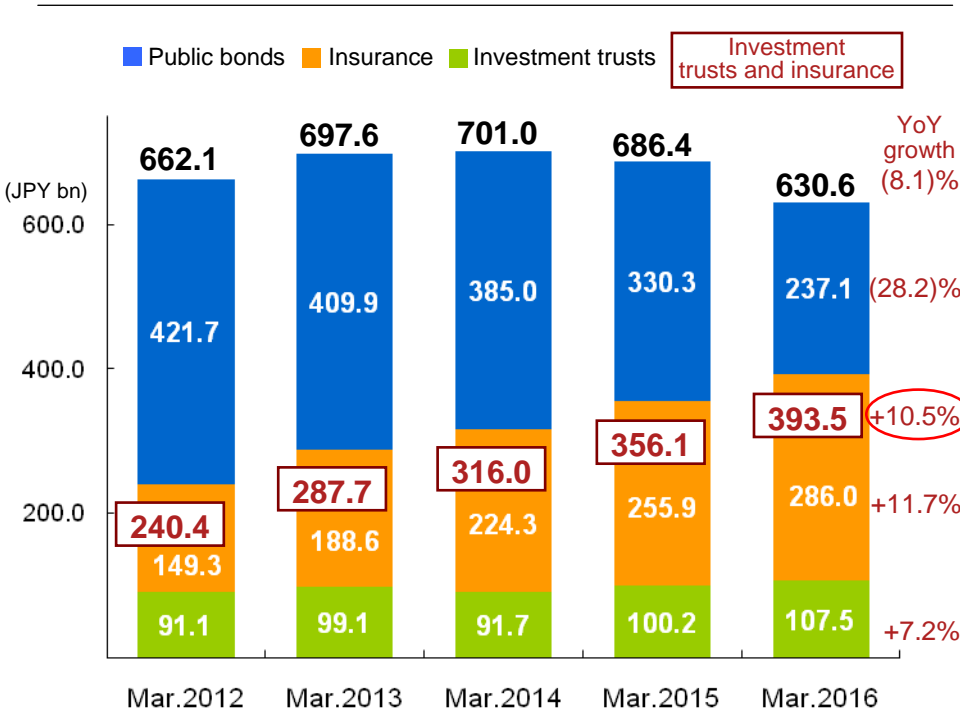
(JPY bn, %)

FY2017 (Plan)	YoY change
98.0	2.0

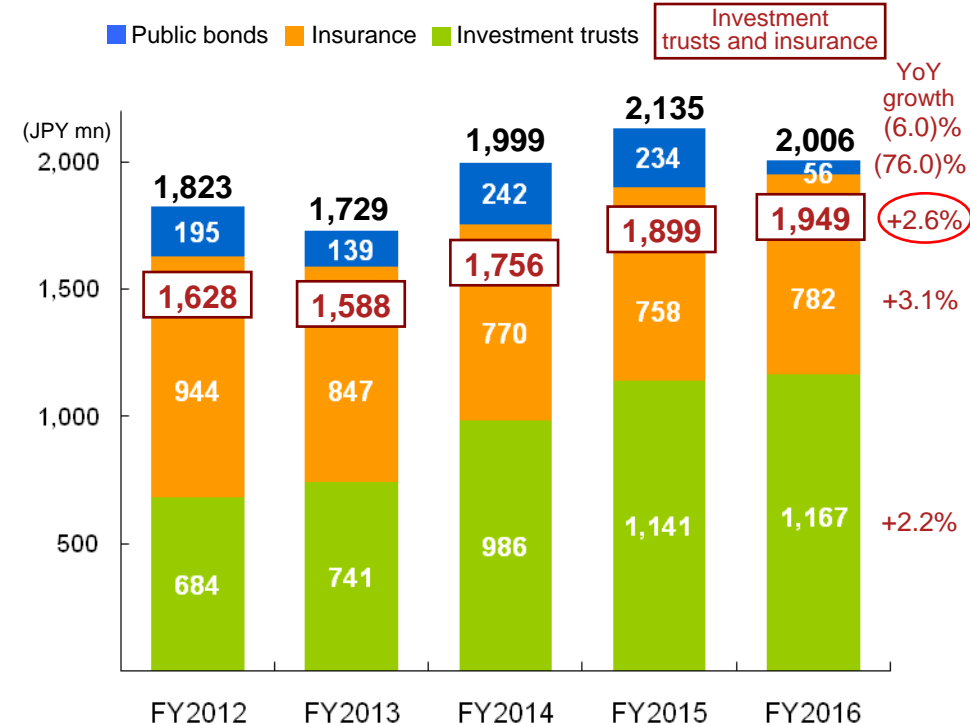
<FY2016 summary>

• Sales of insurance declined owing to a decrease in predicted interest, but with the steady sales of investment trusts, the investment trusts and insurance business as a whole grew year-on-year in sales, balance and sales commissions.

● Balance of assets in custody



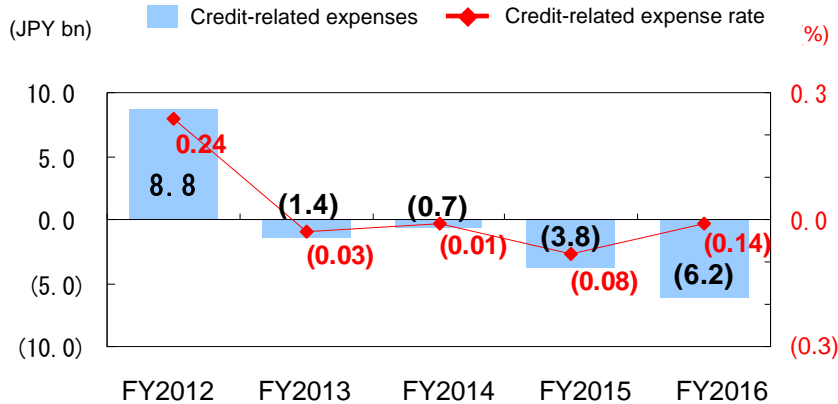
● Sales commissions of assets in custody



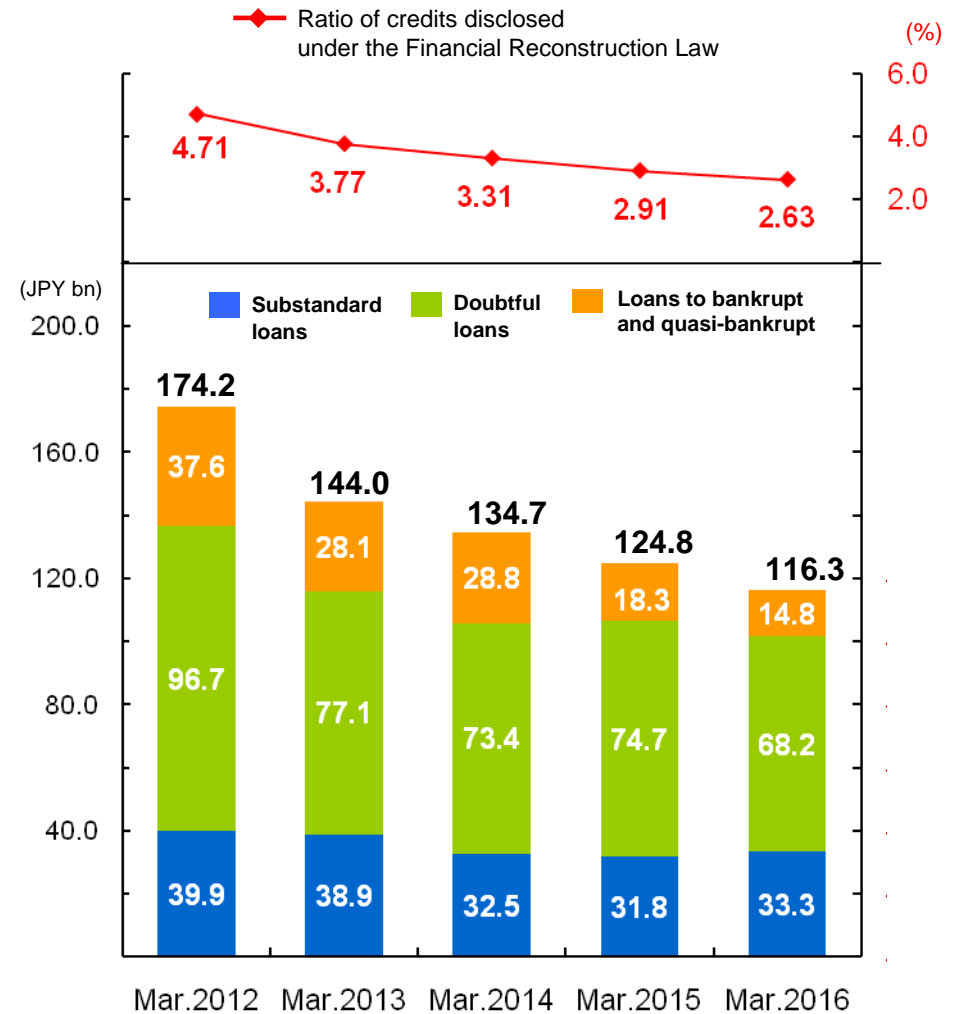
Credit-related expenses

Credits disclosed under the Financial Reconstruction Law

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

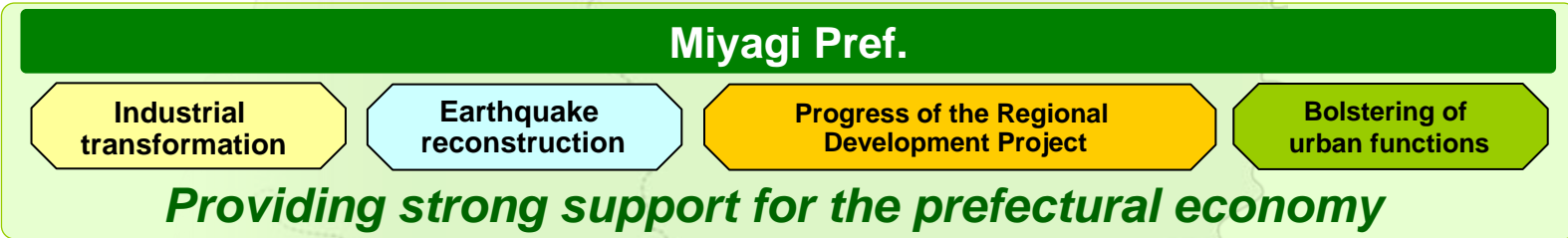


● Credits disclosed under the Financial Reconstruction Law



Capital adequacy ratio

	(JPY bn, %)	
	End-Mar. 2015	End-Mar. 2016
Capital adequacy ratio (non-consolidated/ domestic standards) (a/c)	12.19	10.90
Capital (a)	373.8	364.2
(Core capital: instruments and reserves)	373.8	364.3
(Subordinated loans) (b)	20.0	—
(Core capital: regulatory adjustments)	0.0	0.1
Risk assets (c)	3,065.9	3,340.4
(Ref.) Capital adequacy ratio [excluding subordinated loans] (a - b) / c	11.53	10.90



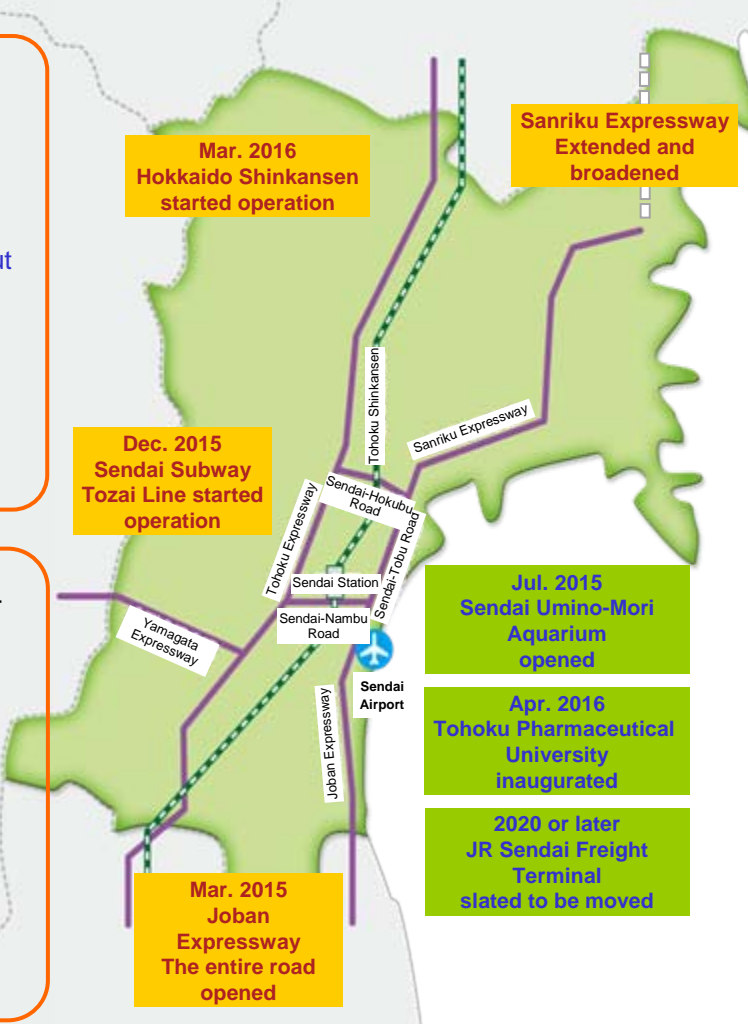
Fostering the advancement of the manufacturing industry

- Promoting local procurement through participation of local companies
- Helping related industries grow through job creation
- Toyota's third domestic production site (Miyagi, Iwate) Produces 500,000 units out of the annual domestic output of 3 million



Privatization of Sendai Airport

- July 2016, first privatization of a government-administered airport
- Expected to contribute to an expansion in tourism and human movement
- Aiming to become the airport that drives the reactivation of Tohoku Region Targeted traffic: 6 million passengers, freight 50,000 tons

Reinvigoration of local industries

- Sep. 2015 Ishinomaki Fish Market re-opened in full
- Acceleration of the reactivation of fishery and fish processing industries
- 2015 Ranking of fishing ports in amount of fish handled
 - 8th: Ishinomaki (104,000 tons)
 - 12th: Kesenuma (77,000 tons)
 - 13th: Onagawa (43,000 tons)



Inviting international conferences

- May 2016 held the G7 Finance Ministers and Central Bank Governors' Meeting
- Impressed the international community with recovery from the 2011 earthquakes and aimed to invite more international conferences
- UN World Conference on Disaster Risk Reduction (Mar. 2015): economic effect JPY 1.7 billion
- Sendai City aiming to host 250 international conferences (through 2018)



I. Strengthen earthquake recovery support

Meeting money needs in line with reconstruction stages

● Earthquake disaster-related loan performance

(after the earthquake to end-Mar. 2016)

22,375 cases / JPY 570.9 billion

● Corporate

(cases, JPY bn)

	Operating	Capital expenditure	Total
Cases	5,405	2,066	7,471
Amount	218.7	121.1	339.8

● Retail

(cases, JPY bn)

	Unsecured	Housing	Total
Cases	4,044	10,860	14,904
Amount	7.0	224.1	231.1

Support for business clients to resolve issues

● Use of credit purchase corporations

(The Great East Japan Earthquake SME Reconstruction Support Fund, Organization for Industry Promotion)

(after the earthquake to end-Mar. 2016)

Support (to be) provided: 245 cases

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

(after the earthquake to end-Mar. 2016)

Agreements :215 cases

● Business operations improvement support (FY2016)

• Number of business turnaround plans developed

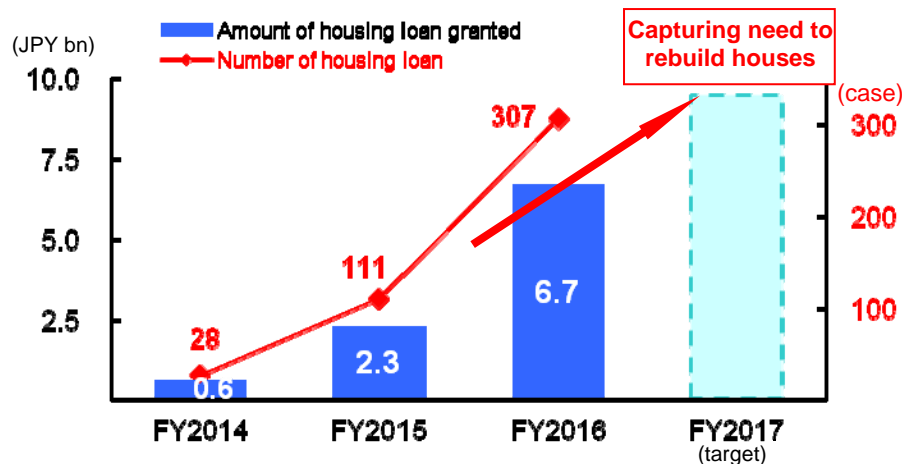
2,570 customers

• Of which, upgraded to higher borrower category

238 customers

Active support for housing reconstruction needs

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



Support for reconstruction through funds

Name of Funds	Size	Established	Operator and fund providers
Miyagi Reconstruction Bridge Fund	JPY 1.3 billion	Aug. 2011	Operator: Tohoku Reconstruction Partners, Fund providers: 77 Bank, Development Bank of Japan
SME Restoration from Great East Japan Earthquake Fund	JPY 8.8 billion	Jan. 2012	Operator: Daiwa Corporate Investment Co. Ltd., Fund providers: 77 Bank, Organization for Small & Medium Enterprises and Regional Innovation, JAPAN, etc.
Miyagi Reconstruction and Regional Revitalization Support Fund	JPY 5.0 billion	Dec. 2014	Operator: Tohoku Reconstruction Partners, Fund Providers: 77 Bank, Development Bank of Japan, Regional Economy Vitalization Corporation of Japan

Actual deals 17 cases / JPY 5.1 billion

II. Reinforce the earnings base (1)

Increasing interest on loans (Rebalancing loan assets)

Rebalancing loan customers

- Shifting to higher-margin SME and individual loans
- Risk taking through collaboration between sales promotion unit and credit department
- Promoting loans to customers that require attention

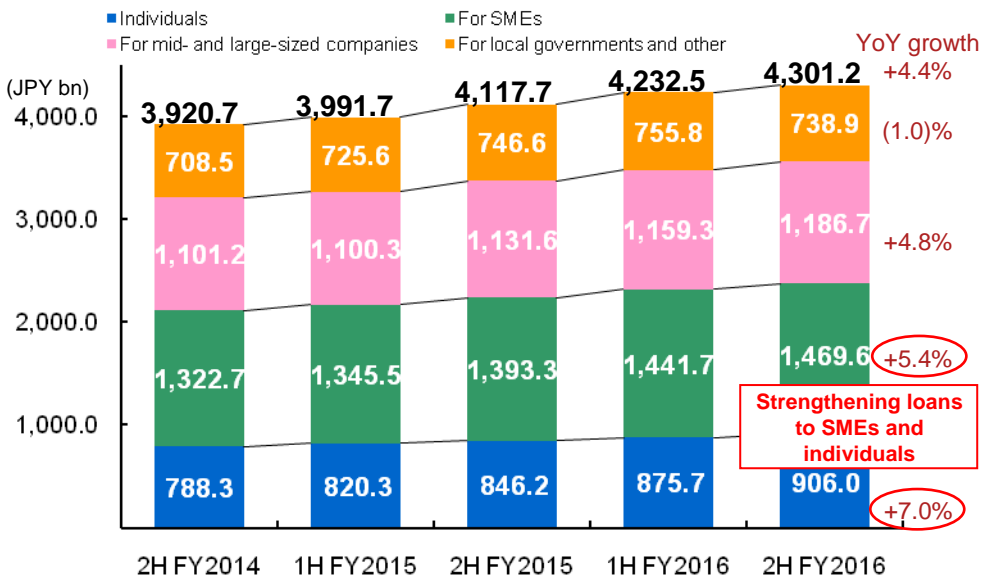
Rebalancing markets

- Shifting from Tokyo, Nagoya and Osaka to the local market
- Wide-area marketing based on extensive information
- Sales promotion through full usage of branch network and human resources

Rebalancing through increased use of consumer loans

- Thorough cross-selling to housing loan users
- Non-face-to-face channels such as ATM card loans (Scheduled in Nov. 2016)
- Expanded use of free-plan products (use of vacant houses, refinancing) (to start in May 2016)

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

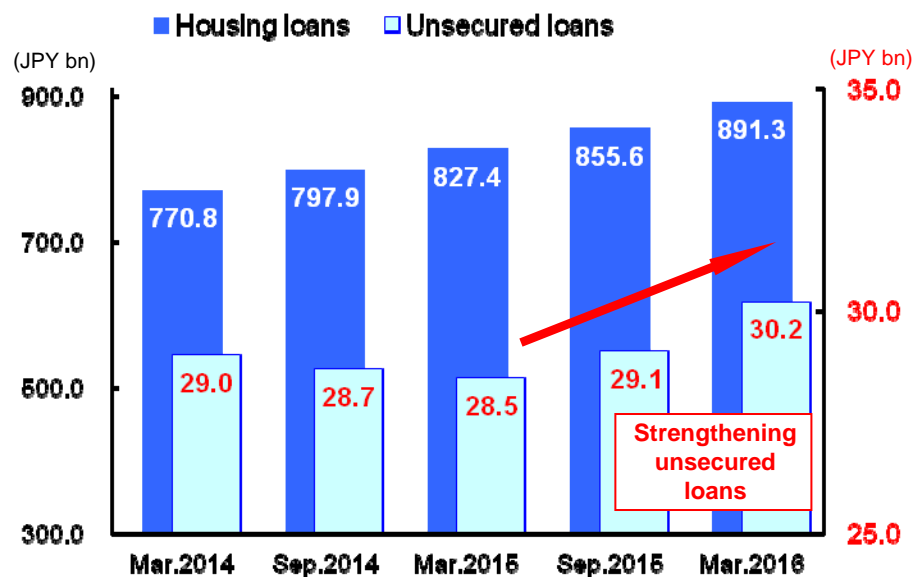


Changes in balances by region (year-end)

(JPY bn, %)

	Mar.2014	Mar.2015			Mar.2016		
	Balance	Balance	Increase	YoY change%	Balance	Increase (decrease)	YoY change%
Miyagi	2,766.3	2,917.7	151.4	5.4	3,027.2	109.5	3.7
Other areas	1,241.5	1,310.0	68.5	5.5	1,330.7	20.7	1.5
Tohoku	154.4	171.9	17.5	11.3	197.2	25.3	14.7
Sapporo	37.8	40.4	2.6	6.8	49.3	8.9	22.0
Tokyo, Nagoya, Osaka	1,049.3	1,097.7	48.4	4.6	1,084.2	(13.5)	(1.2)
Total	4,007.8	4,227.7	219.9	5.4	4,357.9	130.2	3.0

Outstanding balance of housing and unsecured loans



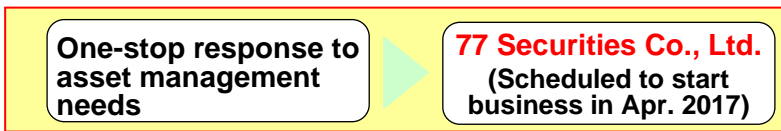
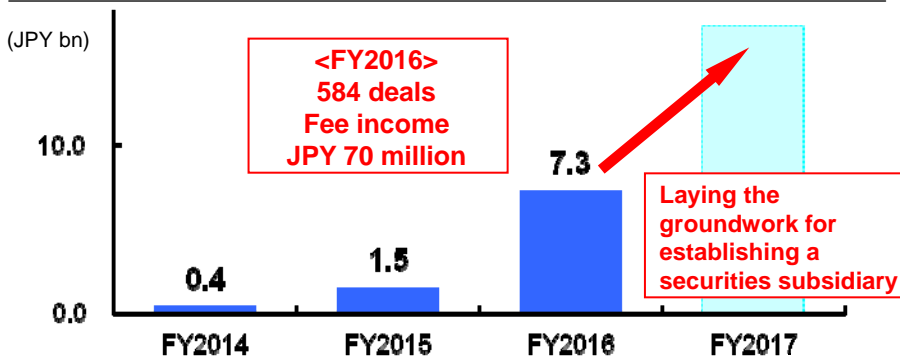
Strengthening assets in custody and securities business

● NISA accounts opened

	End-Sep. 2014	End-Mar. 2015	End-Mar. 2016
NISA accounts	Approx. 13,000	Approx. 17,000	Approx. 21,000
Percent of accounts with NISA contract	29.7%	39.1%	49.5%
Usage	JPY 2.4 billion	JPY 5.4 billion	JPY 8.8 billion

● Employee installment NISA started (Apr. 2016)

● Changes in the volume of financial product intermediary business



Handling business succession and inheritance management

● Periodically holding 77 Bank's consultation events for business succession

HQ staff in charge receive consultation every week to support smooth succession

● Assessment of capitalization value of the company and estimation of inheritance tax

Promoting loan and assets in custody business from business succession and inheritance management

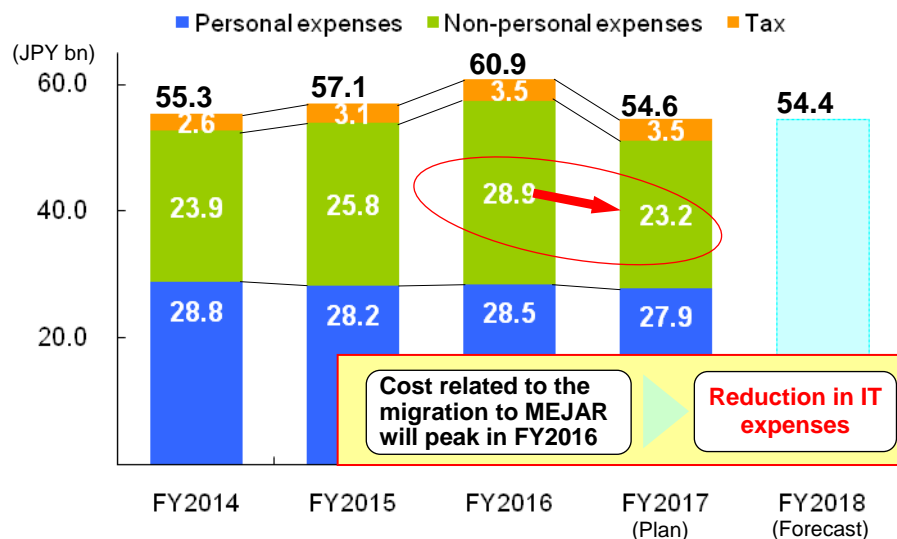
Reduction of expenses

● Promotion of business process reengineering (BPR)

- Loan operation** ▶ Streamlining of forms required when entering into a loan agreement
- Internal operation** ▶ Centralizing the verification processing for incoming money transfer
- Forex operation** ▶ Creation of remittance request on the Internet
- HQ operation** ▶ Centralization of postal operation



● Expenses



Efforts for regional revitalization

- Focus promotion points for regional revitalization

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

Regional value

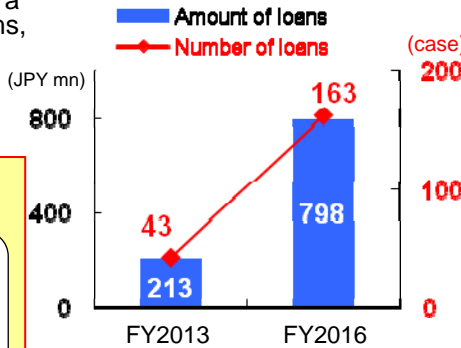
VALUE UP

77 Bank's value

Support for starting a new company or business

- Help in making up a new business plan
- Beefing up loan products for starting a new company or business (loan terms, amounts, etc.)
- Providing capital through a fund, etc.

Loans provided to help start a new company or business

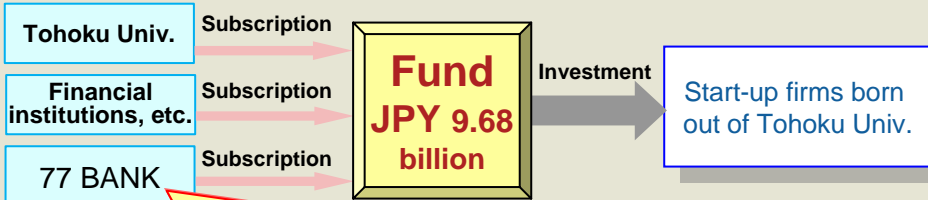


Providing growth money

77 Capital Co., Ltd.

To be established in the first half of FY2017, first fund of around JPY 1 billion to be created

● A venture fund initiated by Tohoku University



Shelled out JPY 700 mil., the biggest amount in the private sector

Dispatched staff to the operator of the fund to actively support management

Start-up firms with high technology

Commercialization and practical realization

Creative reconstruction and regional revitalization through establishment of a new industrial foundation

Support and develop regional core companies (Evaluation of business feasibility)

- Restoring and expanding sales channels
- Support for overseas expansion
- Helping companies expand business
- Support for growth areas
- Business succession, M&A

Housing loans for employees of companies newly establishing a foothold in Tohoku
400 cases / JPY 11.8 billion

Business succession proposals: 761 cases
M&A proposals: 125 cases

Promotion of urban development (Use of PPP/PFI)

- Holding "Community-building college"
- Promoting public-private initiatives (e.g., privatization of Sendai Airport)
- Taking part in urban development projects

Participation in PFI-backed projects in Miyagi Pref.: 10 cases

PFI: Improvement of effluent treatment facility in the fish processing complex in Onagawa Town



Promotion of tourism, job creation

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

Increase in human exchange

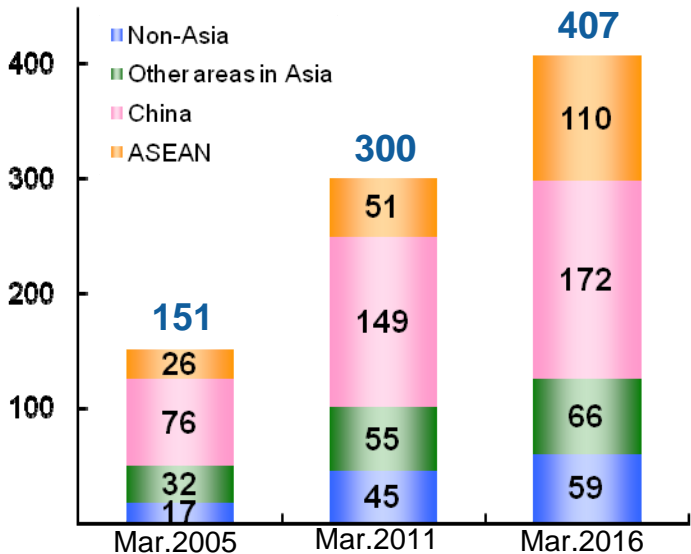
Discovering new tourist attractions
Establishing extensive tourist routes
Branding of regional resources

Revitalization of industry

Job creation

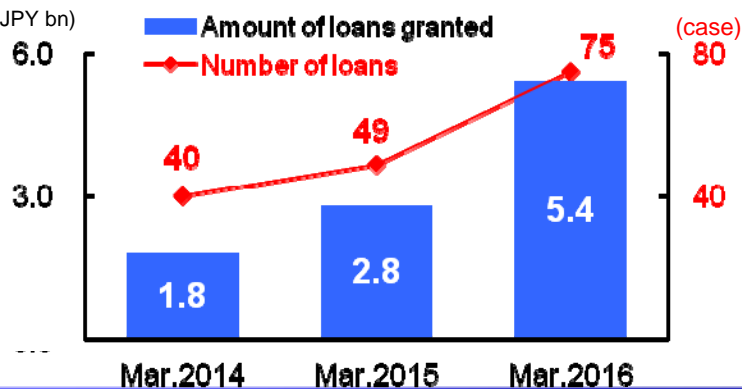
Support for overseas expansion

Changes in the number of business sites set up by local companies



To open a representative Office in Shanghai (Mar. 2005)
 Opened Asia Business Support Dept. (Mar. 2011)
 To open a representative office in Singapore (Mar. 2016)

Loans related to overseas expansion



Expansion in overseas network

Overseas offices: 2, Bank employees dispatched abroad: 14,
 Overseas partner financial institutions: 9, Other partners (both Japanese and overseas): 14

To open a representative office in Singapore (May 27, 2016) First for a regional bank in Tohoku

<14 employees dispatched abroad >

Region	City	No.
West	New York	1
	London	1
China Hong Kong	Shanghai	4
	Dalian	1
	Hong Kong	1
ASEAN	Singapore	4
	Bangkok	2

Offices and Partner Institutions shown on the map:

- Asia Business Support Dept.
- Miyagi Pref.'s Dalian Office
- Shinhan Bank, Shinhan Bank Japan
- Shanghai Representative Office
- Shanghai
- Hong Kong Trade Development Council
- Hong Kong
- Taiwan
- CTBC HD
- Manila
- Metropolitan Bank
- Singapore representative office
- Singapore
- United Overseas Bank Limited
- Jakarta
- Bank Negara Indonesia
- Bangkok Bank
- Bangkok
- Hanoi
- Vietcombank
- State Bank of India
- Mumbai
- Dalian
- Seoul

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Strengthen sales promotional structure

Stable operation of MEJAR, a new system

Changing gears

Strengthening HQ organization and sales promotion (accelerating forward-looking sales)

Increased use of IT

- Effective use of IT including FinTech
- Proposing new financial services
- Streamlining operation with IT

▶ **IT Strategy Office** newly established

Strengthening security management ability

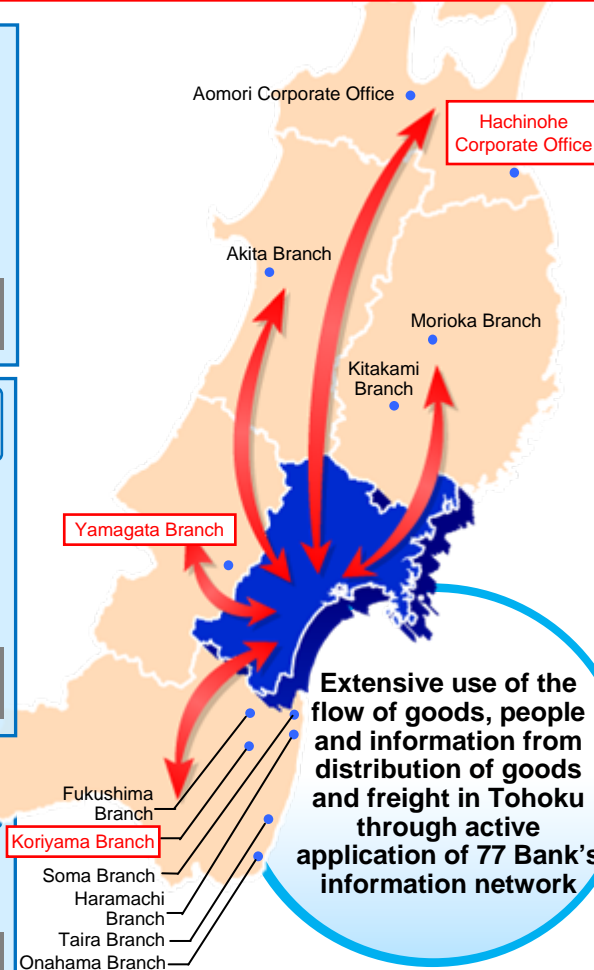
- Reorganized Capital Markets Dept. into three sections to better respond to the changing markets
- Strengthening planning and management functions concerning capital markets operations and centralizing P/L management

▶ **Market Planning Dept.** newly established

Promotion of diversity

- Promoting women workforce
- Emphasizing work-life balance

▶ **Diversity Promotion Office** newly established



To open Hachinohe Corporate Office (scheduled in Sep. 2016)

- The 2nd corporate sales oriented office in Aomori Pref.
- To cultivate relationships with local companies with good standing

Footholds in Yamagata and Koriyama Areas (from Mar. 2016)

- HQ staff are stationed to help structure deals for the local offices
- Seeking new loan customers in the area

Deployment of HQ specialists

- Support by M&A specialists and looking for earnings opportunities (from Mar. 2016)
- Strengthening abilities to structure higher-margin investment/loan deals with the support of structured finance specialists (scheduled in Sep. 2016)

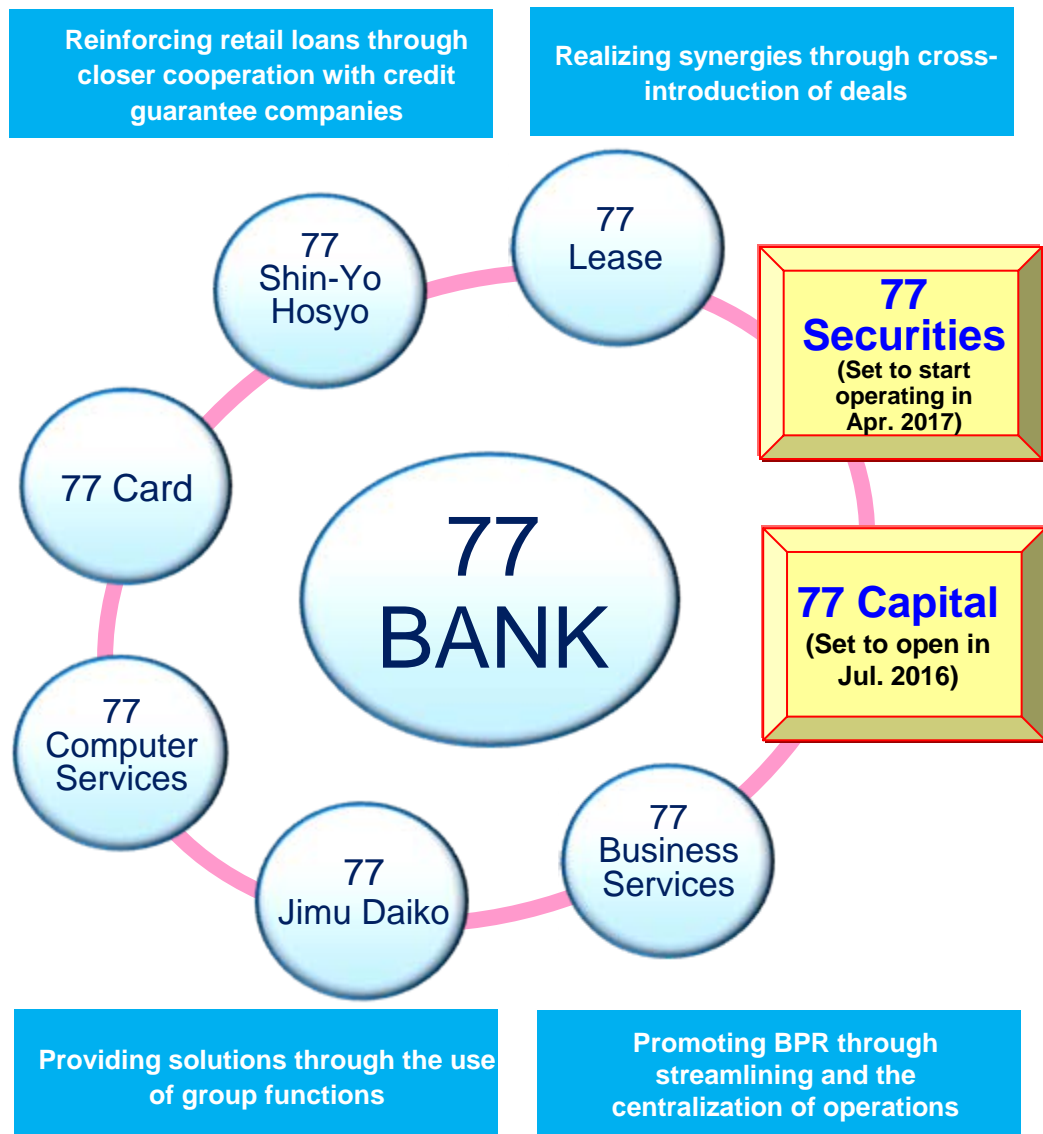
Diversifying revenue sources through expansion of business domains

Beefing up Counseling Plazas (scheduled in Jul. 2016)

- To newly open 3 counseling plazas that are open on weekends and holidays
- 6 counselling plazas and 7 loan centers

Looking to form close business alliances with housing, construction and home improvement companies

Strengthening group functions by establishing 77 Securities and 77 Capital



77 Securities Co., Ltd.

Aims	<ul style="list-style-type: none"> To offer one-stop solution for customers' diversifying asset management needs With a wider range of products than from a bank, looking to provide highly specialized services by designated professionals
Business	<ul style="list-style-type: none"> Intermediating, brokering and acting as agent of buying and selling marketable securities
Business starts	<ul style="list-style-type: none"> Apr. 2017 (scheduled)

77 Capital Co., Ltd.

Aims	<ul style="list-style-type: none"> To actively offer growth money to companies that are at various life stages To provide consulting functions with high added value
Business	<ul style="list-style-type: none"> Investing in companies that contribute to regional economy reinvigoration and regional revitalization through a fund Realizing increase in corporate value by providing management support
Fund	<ul style="list-style-type: none"> To be established in the first half of FY2017 (scheduled)

CSR activities



Supporting financial education

- “Student City,” an experience-oriented educational program for elementary-school children
- Seminars provided by Tohoku Gakuin University
- 77 Bank Financial Museum



Student City

Promoting sports activities

- Technique coaching for sports clubs
- Volunteering at Sendai International Half Marathon
- Supporting professional teams as an official sponsor



Technique coaching for sports clubs

Contributing to social welfare

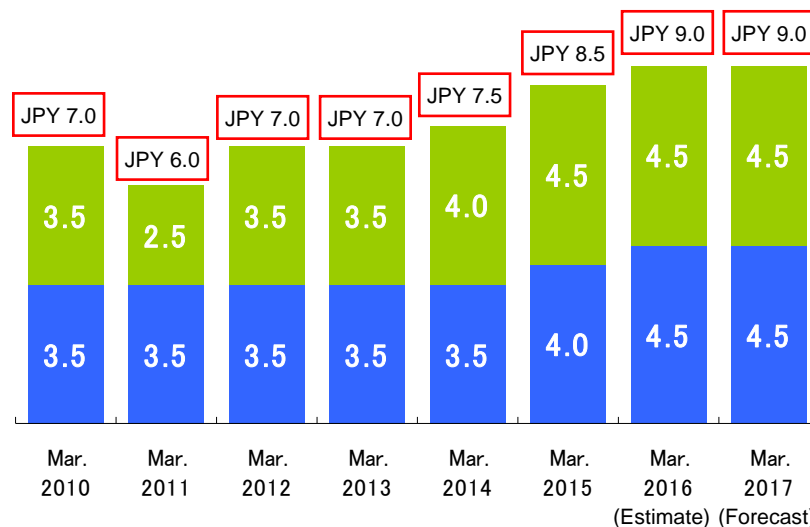
- Encouraging blood donation among employees
- Providing donations and relief supplies for victims of Kumamoto Earthquakes
- Donating former women employees' uniforms to developing nations



Encouraging blood donation

Shareholder return

■ Term-end dividends ■ Interim dividends □ Annual dividends



	Mar. 2010	Mar. 2011	Mar. 2012	Mar. 2013	Mar. 2014	Mar. 2015	Mar. 2016 (Estimate)	Mar. 2017 (Forecast)
Dividend ratio	22.7%	—	24.6%	21.5%	19.0%	18.8%	21.5%	18.7%
Total sum paid out (JPY mn)	2,655	2,264	2,616	2,617	2,805	3,180	3,368	3,368
Net income (JPY bn)	11.6	(30.6)	10.6	12.1	14.7	16.9	15.7	18.0

3. Projected Performance Progress of the Medium-term Management Plan

Medium-Term Management Plan: Basic Objectives

- 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

Medium-Term Management Plan: Progress

Items		Basic objectives (FY2018)	FY2016 Results
Enhancement of profitability	Net income	JPY 20.0 billion or more	JPY 15.7 billion
	Increase of interest on loans and discounted [compared with FY2015] [FY2015] (JPY 45.4 billion)	JPY 1.5 billion or more	[FY2016] (JPY 43.9 billion) JPY (1.5) billion
	Fees and commissions	JPY 10.5 billion or more	JPY 10.0 billion
Pursuit of efficiency	Core OHR	Less than 65%	76.48%
Increase of the market share	Increase of loans and bills discounted in Miyagi Pref. (balance as of March 31, 2018) [As of Mar. 31, 2015] [compared with the balance as of March 31, 2015] (JPY 2,917.7 billion)	JPY 250.0 billion or more	[As of Mar. 31, 2016] JPY 3,027.2 billion JPY 109.5 billion
	Increase of loans and bills discounted in Sendai (balance as of March 31, 2018) [As of Mar. 31, 2015] [compared with the balance as of March 31, 2015] (JPY 2,031.2 billion)	JPY 150.0 billion or more	[As of Mar. 31, 2016] JPY 2,097.4 billion JPY 66.2 billion

(JPY bn)

(JPY bn, %)

Projected performance (non-consolidated)	FY2016 (Results)	FY2017 (Plan)	YoY change
Gross operating income	75.1	76.5	1.4
[Core gross operating income]	[79.6]	[78.0]	[(1.6)]
Interest income	70.8	70.9	0.1
Fees and commissions	10.0	10.0	0.0
Other operating income	(5.7)	(4.4)	1.3
Gains (losses) on bonds	(4.5)	(1.5)	3.0
Gains (losses) on forex transactions	(1.2)	(3.0)	(1.8)
Expenses	60.9	54.6	(6.3)
Operating income before provision of general reserve for possible loan losses	14.2	21.9	7.7
[Core operating income]	[18.7]	[23.4]	[4.7]
Provision of general reserve for possible loan losses	—	—	—
Operating income	14.2	21.9	7.7
Special income (losses)	10.1	4.1	(6.0)
Bad debt disposals (-)	0.4	0.4	0.0
Gains on reversal of reserve for possible loan losses	6.6	2.4	(4.2)
Gains (losses) on stocks	1.5	1.3	(0.2)
Gains (losses) on investments in money held in trust	1.8	2.6	0.8
Ordinary income	24.3	26.0	1.7
Extraordinary losses	(0.4)	(0.2)	0.2
Income taxes (incl. deferred taxes)	8.2	7.8	(0.4)
Net income	15.7	18.0	2.3
Credit-related expenses	(6.2)	(2.0)	4.2

Major accounts (average balances)	FY2016 (Results)	FY2017 (Plan)	YoY change
Loans and bills discounted	4,266.8	4,375.0	2.5
Securities	3,469.0	3,190.7	(8.0)
Deposits and certificates of deposits	7,655.7	7,432.0	(2.9)
Ref. Investment trusts and insurance (term-end balances)	393.5	436.0	10.8

(%)

Interest rates/Interest margin	FY2016 (Results)	FY2017 (Plan)	YoY change
Loans and bills discounted interest rate	1.02	0.98	(0.04)
Securities interest rate	0.88	0.97	0.09
Interest rate on deposits	0.03	0.02	(0.01)
Interest rate spread	0.88	0.92	0.04
Net interest margin	0.10	0.18	0.08

Note: Figures in YoY change shows percentage points

<Interest rates and other assumptions underlying the projection>

	FY2016 (Results)	FY2017 (Forecast)
Unsecured call rate O/N	0.06%	0.00%
JPY TIBOR (3 months)	0.16%	0.10%
5-year JGBs	0.02%	(0.07)%
10-year JGBs	0.28%	0.07%
Exchange rate (JPY/USD)	¥121	¥115
Nikkei Average (At the term-end)	¥16,758	¥18,250

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