



Business Strategies

Ⓞ 沖縄銀行

17th Medium-Term Business Plan



FY14 to FY16: Customer satisfaction and employee satisfaction are the top priority

From Customer Focused Operational Reforms to New Value Creation

1. Outline of Medium-Term Business Plan “CHANGE FOR VALUE – Three Years of New Value Creation –”

- From “Customer focused operational reforms (change)⁽¹⁾” to “Customer focused new value creation” -

We will continue to grow together with regional customers as the “PEOPLE’S BANK,” most loved by people in Okinawa, by materializing “operational reforms (change)” for the new era with our customer focused attitude that we have built to create and offer “customer focused new value” based on the well-established attitude.

Three basic strategies to undertake in “Three Years of New Value Creation”

“Customer focused” operational reforms

- Operational reforms materializing “customer’s point of view” (Delegation of power, downsizing, streamlining)
- Initiative toward fundamental improvement of customer waiting time
- Establishing sales structure which customers can feel the “attraction”

“Customer focused” new value creation

- Establish and put into practice the PDCA cycle for high quality human resource development
- Expand service value at “customer contact point (sales base)”
- Materialize new services combined with our brand strategy

Productivity improvement using strategic information

- Materialize PDCA that is backed by information
- Build strategies to utilize IT, whose value will be acknowledged by customers (Shift from using IT for streamlining to value creation)

Materialization of a new sustainable business model whose value will be recognized by customers

Contribute to revitalization of regional communities as the No.1 bank in the region



17th Medium-Term Business Plan



Achievements of “Customer Focused” Strategy - Clarifying the Top Priorities to Address

Medium-Term Business Plan - CHANGE FOR VALUE -

Priority	Basic concept
<p>1 Customer satisfaction</p>	<p>The significance of our existence is “customer satisfaction” through implementation of “management philosophy (deeply rooted in the community/contribution to the community),” and we define this as the top priority in order to survive the era of great competition.</p>
<p>2 Employee satisfaction</p>	<p>We will realize the “PEOPLE’S BANK,” loved by people in Okinawa, filled with motivation and dynamics of our employees, by putting into practice that “customer satisfaction” is the true reward for working</p>
<p>3 Profitability</p>	<p>Complete operational reforms to strengthen the top line revenue backed by customer satisfaction</p>
<p>4 Soundness</p>	<p>Maintain the No.1 soundness within the prefecture and contribute to continued development of Okinawa</p>
<p>5 Scale / share in prefecture</p>	<p>Steadily expand our customer base by being chosen by the customers, through increasing customer satisfaction level</p>



Second Year of Medium-Term Business Plan



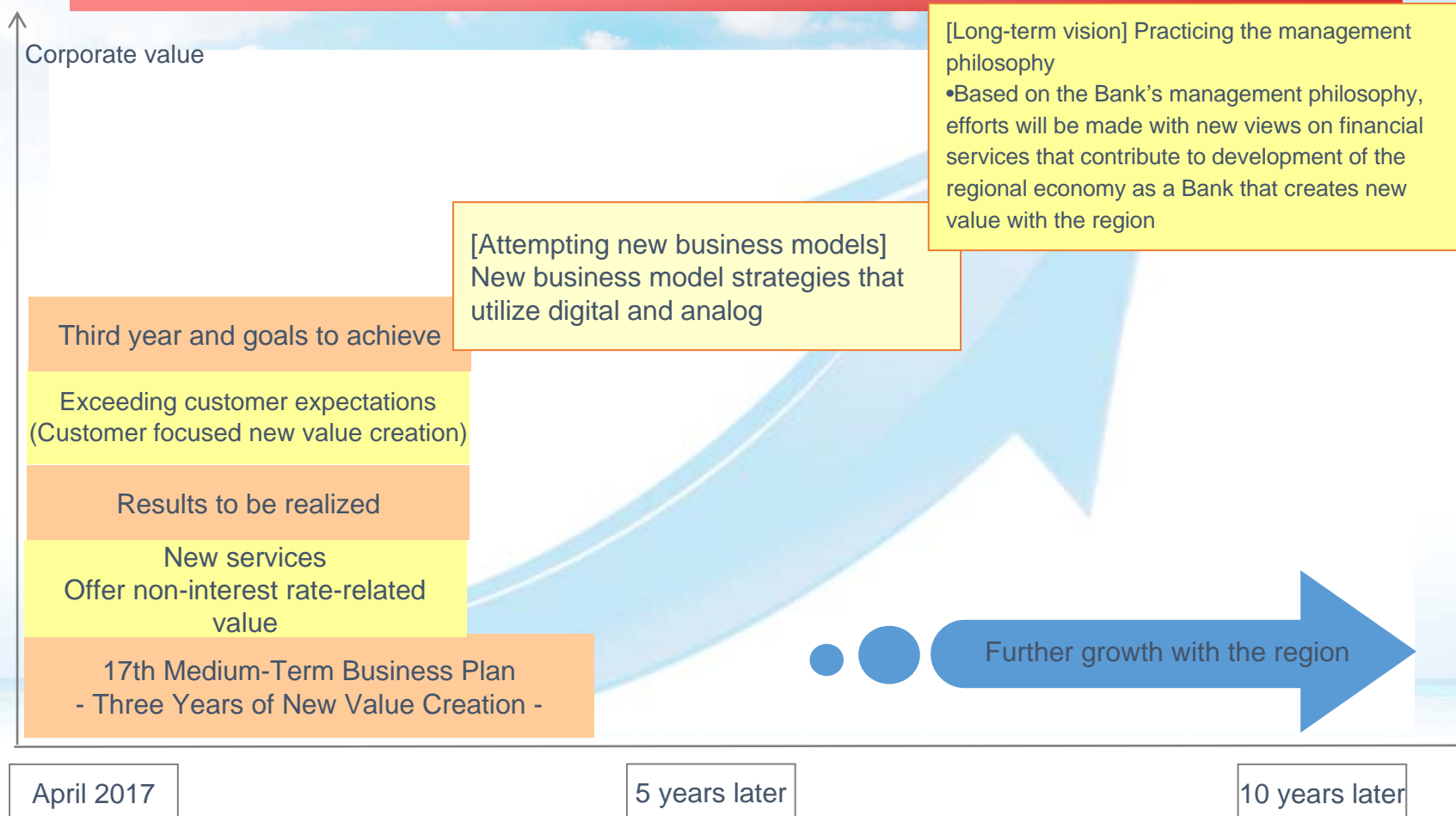
During the second year of the Medium-Term Business Plan, we worked to (1) Utilize IT toward increasing efficiency and concentration of operations, (2) Concentrate functions in administrative divisions, and (3) Diversify channels, aiming to satisfy customers' expectations.

	Management numerical targets	FY14 (Result)	FY15 (Result)	FY16 (Result)	FY17
Profitability	(1) ROE for consolidated net income	6.08%	6.16%	4.45%	Around 4.5%
	(2) Business profit on core banking operations	¥10.6 billion	¥10.1 billion	¥7.9 billion	¥7.2 billion
Growth potential	(3) 25% increase in the number of major corporate customers	5,735	5,868	6,588	7,000
	(4) 25% increase in the number of major individual customers	278,955	291,402	298,084	350,000
Soundness	(5) Non-performing loan ratio	1.61%	1.66%	1.53%	Around 2%
	(6) Capital ratio	11.13%	10.88%	10.44%	Around 11%



Positioning of the Third Year of Medium-Term Business Plan

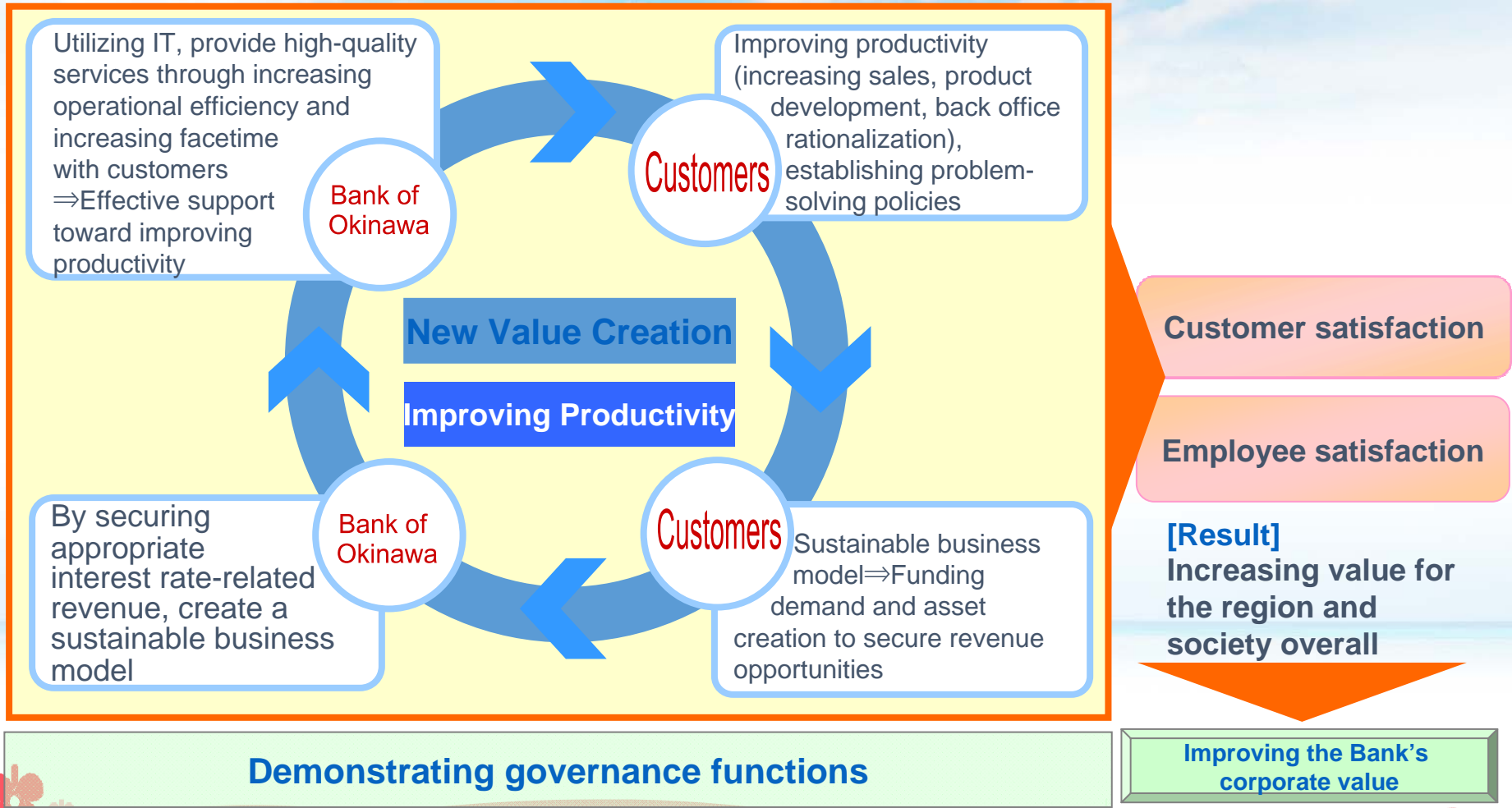
Toward realizing the long-term vision, a transitional year to the 18th Medium-Term Business Plan





Ongoing efforts

New Value Creation and Improving Productivity

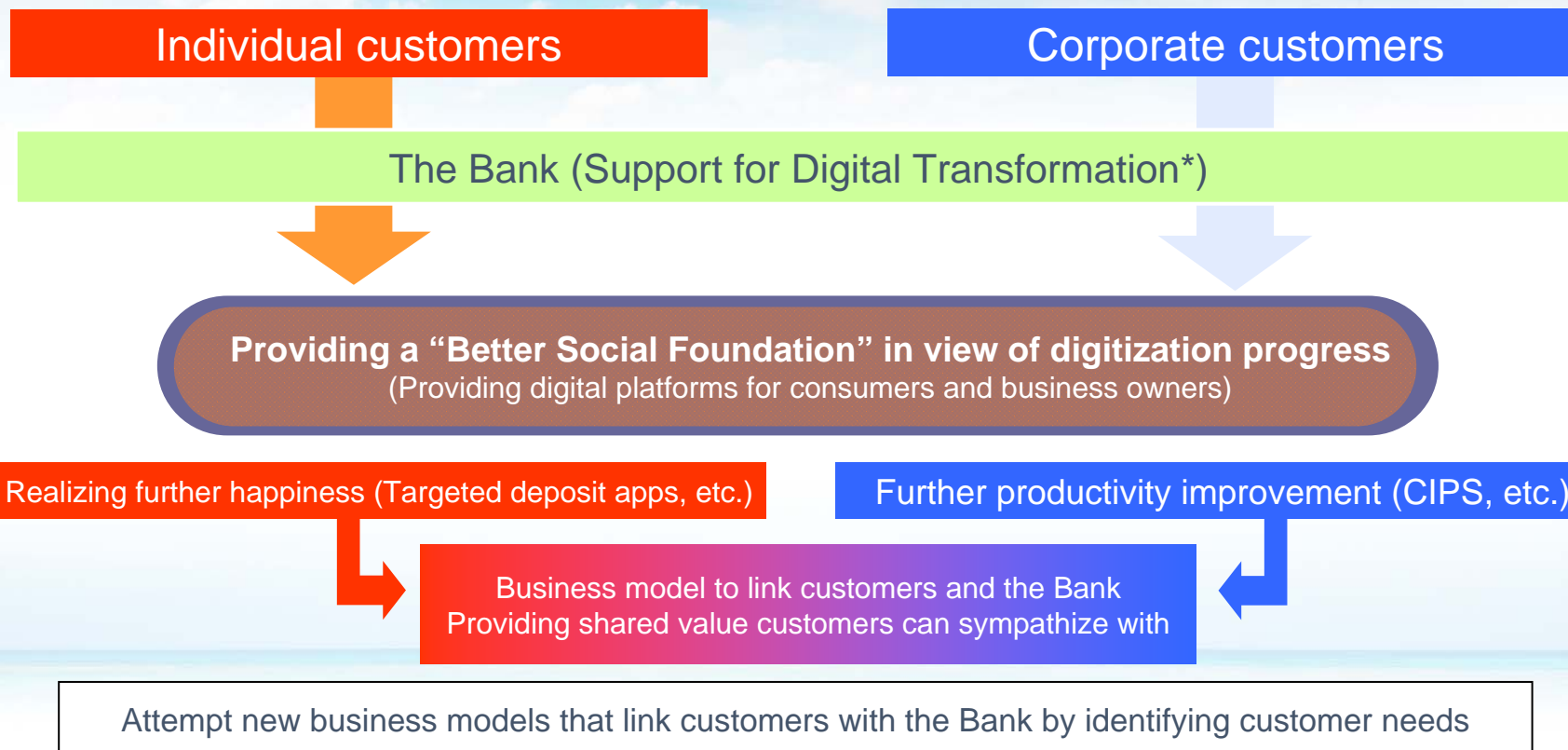


Third Year (FY2017) of Medium-Term Business Plan



Creating new value through service innovation (Realizing non-interest rate-related value through new services)

- From “Customer Focused Operational Reforms (Change)” to “Customer Focused New Value Creation” -



*The proliferation of IT to improve peoples' lives in various ways



Business Performance Forecasts for FY2017



(¥ billion)

Non-consolidated	FY16	FY17	YoY change
Ordinary income	38.3	35.2	(3.0)
Gross business profit	29.1	29.2	+0.0
Interest income	27.1	27.0	(0.1)
Fees and commissions	2.2	2.2	(0.0)
Fees and commissions (excluding trust fees)	1.9	2.0	+0.0
Trust account services	0.3	0.3	(0.1)
Other business profit	(0.3)	(0.1)	+0.2
Gains (losses) on bond trading	(0.1)	0.3	+0.4
Expenses (excluding non-recurrent items)	21.3	21.7	+0.4
Business profit on core banking operations	7.9	7.2	(0.7)
Provision of general allowance for possible loan losses	0.1	0.0	(0.1)
Net business profit	7.7	7.4	(0.2)
Non-recurrent items	0.1	0.0	(0.1)
Net gains (losses) on equity securities	1.1	0.7	(0.4)
Bad debt disposal (non-recurrent items)	1.0	0.6	(0.3)
Ordinary profit	7.8	7.5	(0.3)
Extraordinary gains (losses)	(0.1)	(0.0)	+0.0
Net income	5.3	5.3	+0.0
Credit costs	1.1	0.7	(0.4)

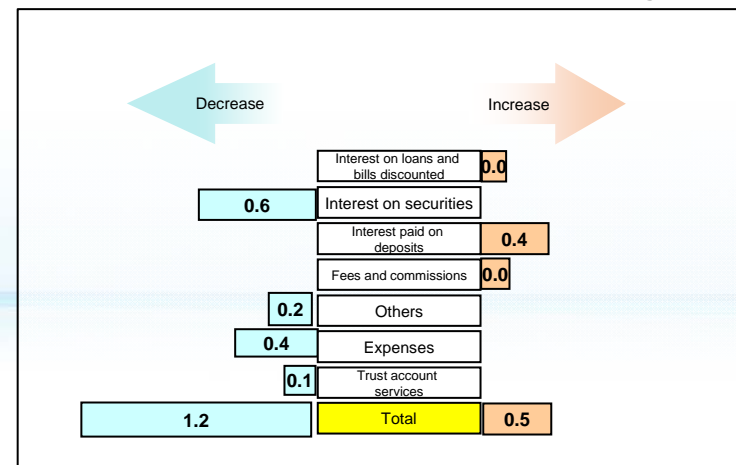
Interest income
→

Year-on-year changes forecast of interest income

(¥ billion, %)

	Average balance	Yield	Interest
Loans and bills discounted	+54.1	(0.05)	0.0
Securities	(46.6)	(0.03)	(0.6)
Deposits	+26.7	(0.03)	+0.4
Others	—	—	+0.0
Total	—	—	(0.1)

YoY comparison of business profit on core banking operations

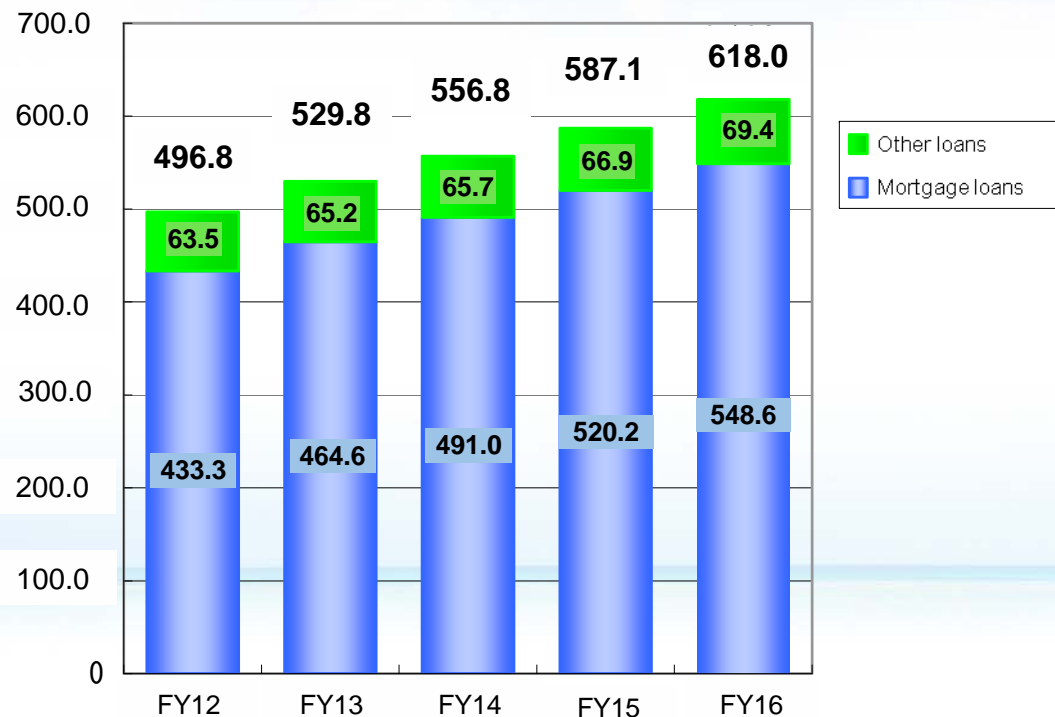


Strategy for Consumer Loans



**Plan: Mortgage loans executed: ¥60.0 billion (YoY comparison of average balance: +3.67%)
YoY comparison of average balance of other loans: +4.39%**

(¥ billion)



Market environment

- ◆ Solid housing demand (growth in population and number of households)
- ◆ Higher personal spending on the back of improving economic outlook

Okigin's strategies

- ◆ **Promotion of mortgage loans and apartment loans**
 - ・Strengthening promotion through housing manufacturer tasks and loan FPS
- ◆ **Strengthen the sales of small scale and high-yield products**
 - ・Cross-sell to housing loan clients (Card Loan Select)
 - ・Strengthen the sales of card loans (Plus-one Check-it)
 - ・**Strengthen promotion of automotive loans (Campaign)**
- ◆ **Improving convenience via the "Okigin App"**
 - ・**Okigin App (functions added in March 2017)**
 - Open deposit accounts
 - Individual loan application (additional function)
 - Search for branches and ATMs (additional function)

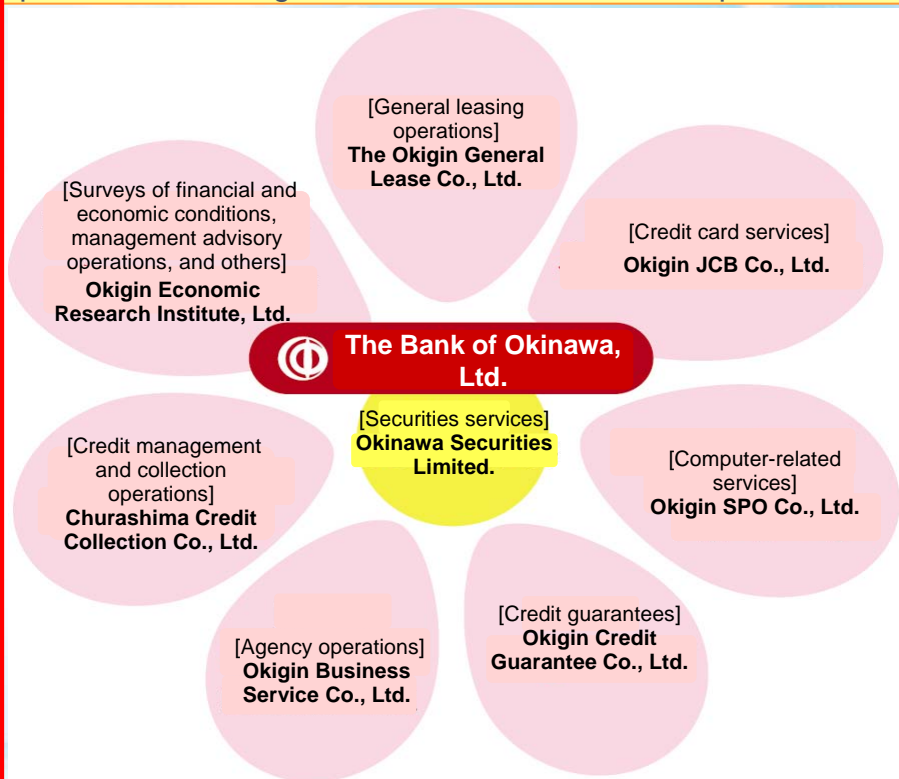


Strategy for Securities Assets in Custody (Bank Group)



Okinawa Securities Limited. joined the Group in March 2017

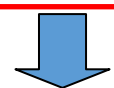
Differentiation from other banks in the prefecture as the only provider of banking and securities services in the prefecture



Providing varied services as a comprehensive financial group

Thorough implementation of measures for "Bank-securities cooperation"

- ◆ **Launch of customer referral to Okinawa Securities Limited. (scheduled in June 2017)**
Search for broad customer needs
- ◆ **Holding customer seminars, etc., by the Group to promote improvement of financial literacy within the prefecture**



Providing high-quality services to contribute to customer asset creation from a customer perspective

(¥ billion)

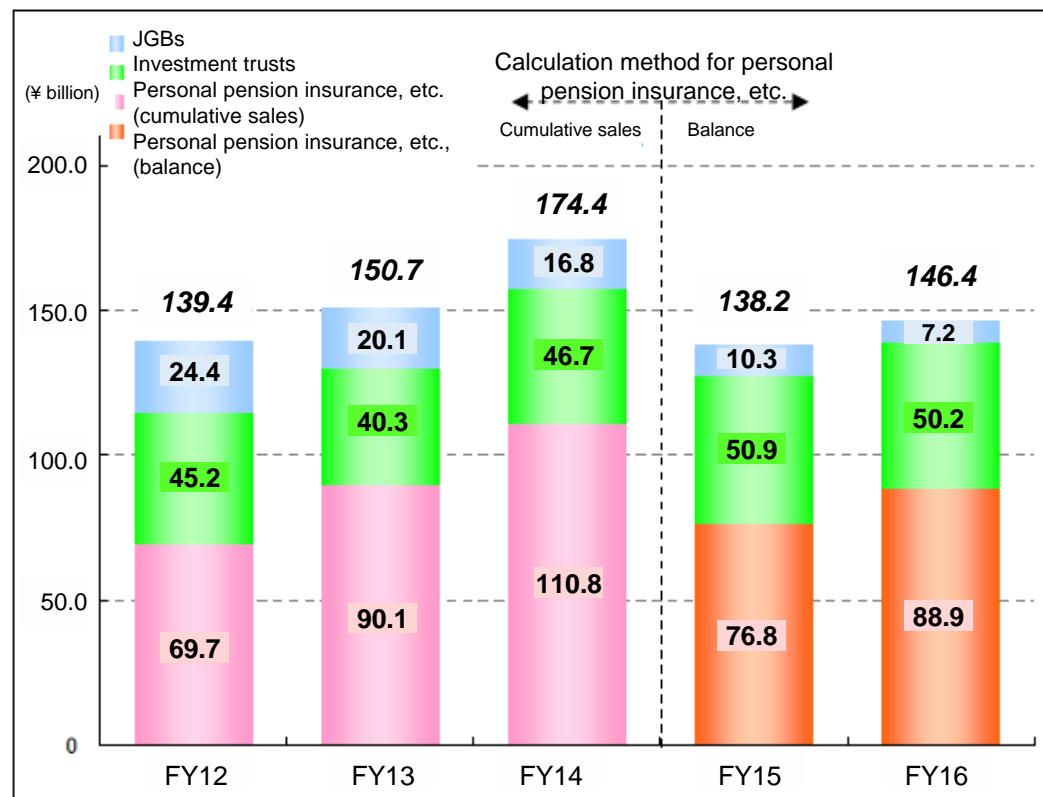
	Bank of Okinawa	Okinawa Securities	Total
Investment trusts	50.2	19.5	69.7
Bonds	7.2	6.3	13.5
Stocks	-	77.4	77.4
Total	57.4	103.3	160.7



Strategy for Assets in Custody, etc. (Non-consolidated)



Aim to increase balances via contributing to customer asset creation



* Figures shown for FY14 and prior are cumulative sales amounts, and for FY15 and later are balances.

Okigin's strategies

◆ Enhancement of dedicated staff

- Area system via dedicated staff for assets in custody
- Acceptance of seconded staff to the Bank from securities and insurance companies / Mid-career recruitment
- Holding seminars via bank-securities cooperation

◆ Utilization of tablets

- Realize efficient sales activities via financial instrument sales on tablets to strengthen promotion
- Utilization of proposal tools via tablets (asset management navigator)

◆ Sales of life insurance for corporate customers

- Handling products for corporate managers (May 2016)

◆ Sales of iDeCo

- Holding seminars and strengthening promotion strengthening via campaigns



Measures for Revitalization of Regional Communities (Business Start-up, Growth and Improvement)



Cooperation with experts and support institutions

- Support application for Manufacturing Subsidies
- Support through Manufacturing Development Funds
- Support business start-up using business succession

FY2016 Results

Work item	
1. Support medical business start-up	9 cases
2. Management advisory meeting in cooperation with the Yorozu support base	13 times
3. Dispatch experts	12 cases

Initiatives for business growth (assisting sales channel cultivation)

Participated in The Third Great Okinawa Trade Fair

For the sake of successful Okigin Churashima Business Meeting, the Bank participated in the Great Okinawa Trade Fair, a large-scale international business exhibition, as a regular member.

- Held on November 21-22, 2016 at Okinawa Convention Center
- About 2,700 individual meetings were held during the two-day fair
- The Bank's 100 employees supported operation of the fair

Initiatives for business improvement and rehabilitation

- Provide business improvement support utilizing CIPS (Consulting & Communication Improve management Proposal Sales), the Bank's proprietary consulting tool
- Support business improvement and rehabilitation by utilizing SME Business Rehabilitation Support Co-operative and other external organizations

	FY03-FY13	FY14	FY15	FY16	Total	
Utilization of SME Business Rehabilitation Support Co-operative	No. of case handled by Co-operative (cases)	104	22	15	11	152
	(of which, cases involving the Bank) (cases)	62	10	9	5	86
	Ratio	59.6%	45.5%	60.0%	45.5%	56.6%
Utilization of Business improvement schedule formulation support program by certified supporting institution	Held seminars regarding the certified supporting institution and all-branch explanatory meeting by inviting lecturer from SME Section, Economy and Industry Department of Okinawa General Bureau. Of 244 applications of all Okinawa, 147 applications (60.2%) were handled by the Bank.					



Branch Network Strategy



Efficient branch allocation through area marketing
Setting up branches focusing on customer convenience

April 2015 Haebaru Branch relocated, newly built and re-opened for business

● July 2015 Newly built Nago Branch relocated, newly built and re-opened for business

● February 2016 Itoman Branch relocated and re-opened for business

[Schedule for newly building/relocating]
◆ February 2018 Motobu Branch
◆ May 2018 Kokuba Branch



Haebaru Branch



Nago Branch



Itoman Branch



Shareholder Returns



Commemorating the **60th anniversary of the Bank's founding**, dividend for the fiscal year ended March 31, 2016 was ¥85 per share, an increase of ¥15.

Additionally, the Bank implemented a share split (1.2 shares for 1 share) with July 1, 2016 as the effective date.

For FY16, an adjustment will not be made for the common dividend corresponding to the share split, and a common dividend of ¥70 will be paid, the same amount as the common dividend for FY15.

	FY12	FY13	FY14	FY15	FY16
Share price (yen)	3,955	4,355	5,040	3,695	4,260
Common dividend (yen)	65	65	70	70	70
Commemorative dividend (yen)	0	0	0	15	0
Total dividends (yen)	65	65	70	85	70
Dividend yield (%)	1.64%	1.49%	1.38%	2.30%	1.64%
Share buy back (million yen) (Note)	700	602	1,055	467	—

(Note) The share buy back shown is via a resolution of the Board of Directors.

	Number of shares held	Annual dividend expected (common dividend)
Before share split (FY15)	100 shares	¥7,000
After share split (FY16)	120 shares	¥8,400 (dividend increase by 20%)

