



CHIBA BANK

The Chiba Bank Ltd.

Small Meeting After 1Q Release for the Fiscal Year Ending March 2022

August 10, 2021

Event Summary

[Company Name]	The Chiba Bank Ltd.	
[Fiscal Period]	FY2021 Q1	
[Date]	August 10, 2021	
[Time]	15:30 – 16:22 (Total: 52 minutes, Presentation: 11 minutes, Q&A: 41 minutes)	
[Venue]	Webcast	
[Number of Speakers]	2	
	Tadayoshi Shinozaki	Director, Senior Executive Officer, Group CSO, Group CDTO
	Nobukazu Odaka	Executive Officer, General Manager of Corporate Planning Division

Odaka: Hello, everyone. I am Nobukazu Odaka from the Corporate Planning Division of Chiba Bank. Thank you for taking time out of your busy schedules to participate in today's small meeting.

Now, Tadayoshi Shinozaki, Director and Senior Executive Officer, will provide an overview of the financial results for the first quarter of the fiscal year ending March 2022 for about 10 minutes, followed by a question-and-answer session. The entire meeting is scheduled for a maximum of 60 minutes.

For the materials to be used, please refer to the financial highlights posted on the Bank's website.

Now, we would like to start the meeting.

The 14th Medium Term Management Plan
NEXT STEP 2023

~ connect and go beyond, for the future ~

Summary of Financial Results

Non-consolidated	2021/3 1Q	2022/3 1Q	Change
Gross business profits	39.8	45.2	5.3
Net interest income	33.5	37.4	3.9
Net fees and commissions income	5.0	6.7	1.7
Trading income	0.4	0.2	(0.2)
Profit from other business transactions	0.8	0.7	(0.0)
Gains (losses) related to bonds (Government bonds, etc.)	0.6	0.2	(0.3)
Expenses (-)	20.5	20.8	0.3
Real net business income	19.3	24.3	4.9
Core net business income	18.6	24.0	5.3
Excluding gains (losses) on cancellation of investment trusts	17.5	22.4	4.8
Net transfer to general allowance for loan losses (-)	1.2	1.6	0.3
Net business income	18.0	22.6	4.5
Non-recurrent income and losses	1.3	0.7	(0.5)
Disposal of non-performing loans (-)	1.5	1.0	(0.5)
Gains (losses) related to stocks, etc.	3.0	1.1	(1.8)
Ordinary profit	19.4	23.4	4.0
Extraordinary income (loss)	(0.0)	0.0	0.0
Profit	14.8	17.9	3.1
Net credit costs (-)	2.8	2.6	(0.1)

Consolidated	2021/3 1Q	2022/3 1Q	Change
Ordinary profit	18.2	21.4	3.1
Profit attributable to owners of parent	12.9	15.3	2.3

- ◆ Net interest income increased by ¥3.9 billion YoY and net fees and commissions income increased by ¥1.7 billion YoY, which were strong. As a result, Gross business profits increased significantly by ¥5.3 billion YoY.
- ◆ Expenses were kept under control while increased due to the completion of the new head office building. Core net business income excluding gains (losses) on cancellation of investment trusts increased by ¥4.8 billion YoY, and core business were remained strong.
- ◆ Net credit costs decreased by ¥0.1 billion YoY, generally in line with the corresponding period of previous fiscal year. New downgrades decreased by ¥0.3 billion YoY to ¥1.2 billion.
- ◆ Profit also increased, with 64% of non-consolidated profit and 55% of consolidated profit progressing steadily against the 1H projection.

**Breakdown of changes in profit attributable to owners of parent
(Non-consolidated + Dif. between consolidated and non-consolidated)**

Item	Change (¥Bil.)
Net interest income	+3.9
Net fees and commissions income	+1.7
Trading · Other business transactions	0.3
Expenses	(0.3)
Net credit costs	+0.1
Others	1.9
Dif. between consolidated and non-consolidated	0.8
Total Change	2.3

Shinozaki: Hello, everyone. This is Tadayoshi Shinozaki. Please see page 1 of the materials. This shows a summary of our financial results.

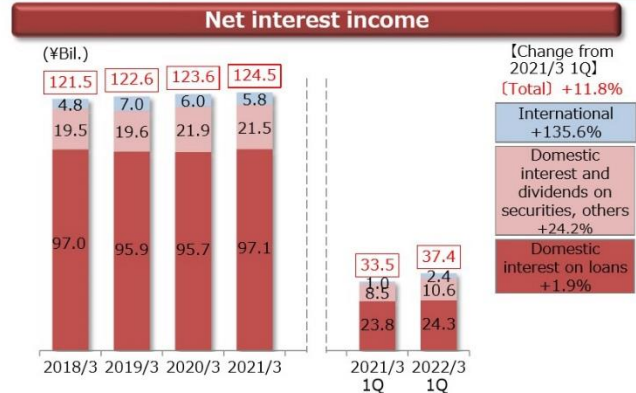
Net interest income increased by JPY3.9 billion YoY, and net fees and commissions income increased by JPY1.7 billion YoY, both increasing steadily. Gross business profits increased by JPY5.3 billion to JPY45.2 billion.

Expenses increased by JPY0.3 billion due to the recording of expenses for the new head office building and others. However, core net business income, excluding gains on cancellation of investment trusts, also increased by JPY4.8 billion, maintaining the strong performance of the core banking operations.

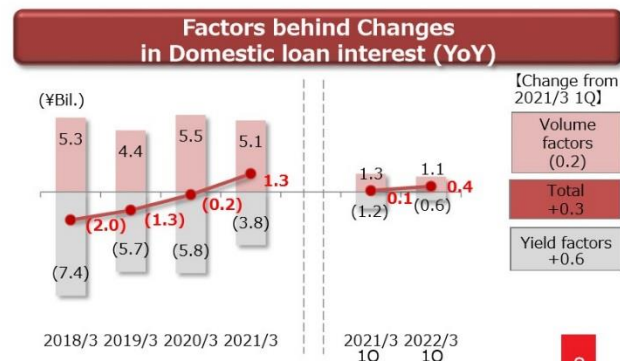
Net credit costs were flat YoY. Against the projection for the first half, non-consolidated profit showed progress of 64% and consolidated profit of 55%.

Net Interest Income

(¥Bil.)	2021/3 1Q	2022/3 1Q	Change
Net interest income	33.5	37.4	3.9
Domestic	32.4	34.9	2.5
Interest on Loans	23.8	24.3	0.4
Loans and bills discounted	24.0	24.5	0.4
Deposit (incl. NCD)	0.1	0.1	(0.0)
Interest and dividends on securities	8.3	10.3	1.9
Bonds	0.6	0.6	0.0
Stock dividends	5.9	6.9	0.9
Investment funds	0.0	(0.0)	(0.0)
Investment trusts	1.8	2.7	0.9
Gains (losses) on cancellation	0.9	1.1	0.2
Others (Market operation, etc.)	0.1	0.2	0.1
International	1.0	2.4	1.4
Loans and bills discounted	2.0	1.0	(1.0)
Foreign Securities	2.6	3.5	0.8
Foreign Securities	2.4	2.1	(0.3)
Foreign currency funds	(0.0)	0.9	0.9
Investment trusts	0.2	0.5	0.2
Gains (losses) on cancellation	0.2	0.4	0.2
Others (Funding and market operation, etc.)	(3.6)	(2.0)	1.5
Net interest income (Excluding gains (losses) on cancellation of investment trusts)	32.3	35.8	3.5
Gains (losses) on cancellation of investment trusts	1.1	1.6	0.4



[Change from 2021/3 1Q]
 (Total) +11.8%
 International +135.6%
 Domestic interest and dividends on securities, others +24.2%
 Domestic interest on loans +1.9%



[Change from 2021/3 1Q]
 Volume factors (0.2)
 Total +0.3
 Yield factors +0.6

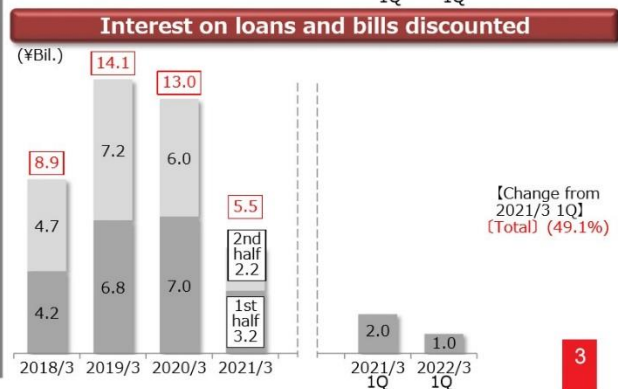
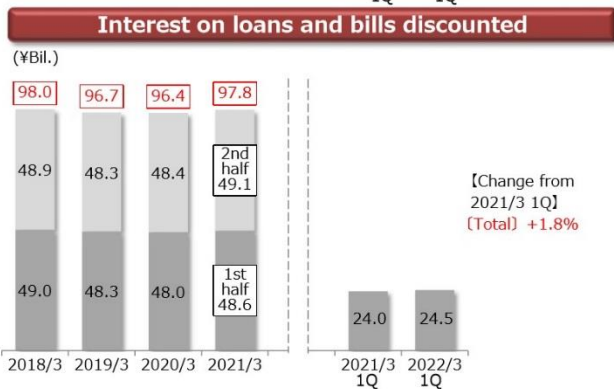
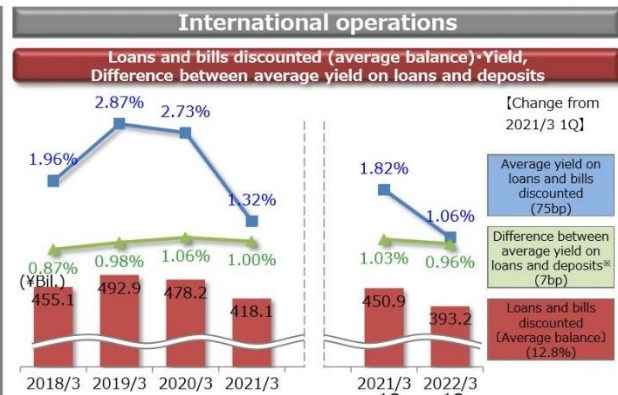
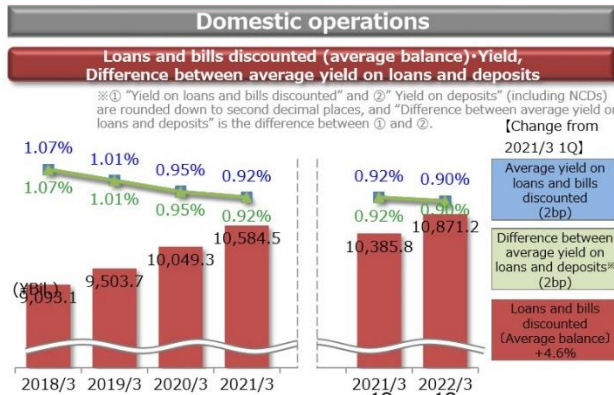
Please see page 2.

Domestic interest on loans increased by JPY0.4 billion YoY. It maintained the favorable trend in the previous year when it turned to increase for the first time in 12 years as the effect of the volume of loans surpassed that of declining yields.

In addition to this, dividends from shares and investment trust distributions also increased, resulting in a YoY increase of JPY2.5 billion in net interest income for the domestic operations as a whole. Net interest income from the international operations increased by JPY1.4 billion as procurement costs decreased as a result of the normalization of larger and longer funding, which had been used in the same period last year. In addition, there were distributions from foreign currency funds and gains on the cancellation of investment trusts.

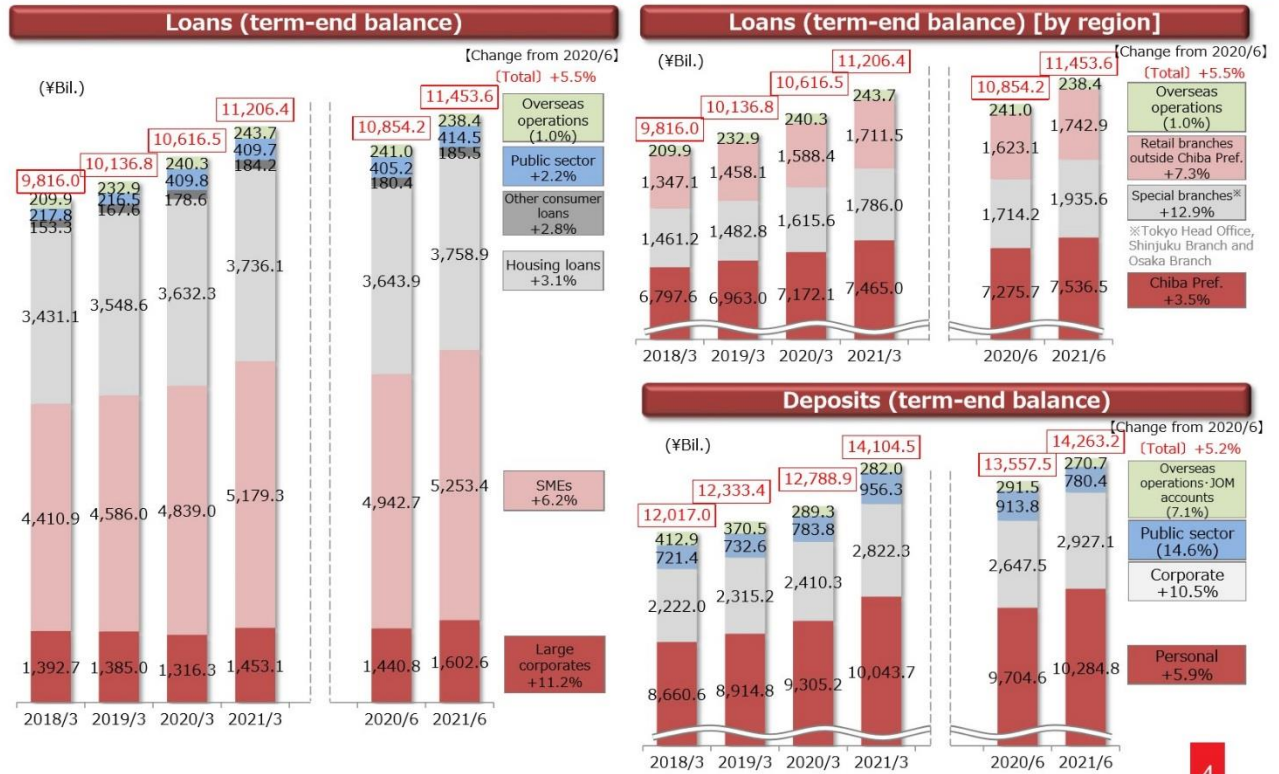
As a result, overall net interest income increased by JPY3.9 billion.

Yield · Interest on Loans



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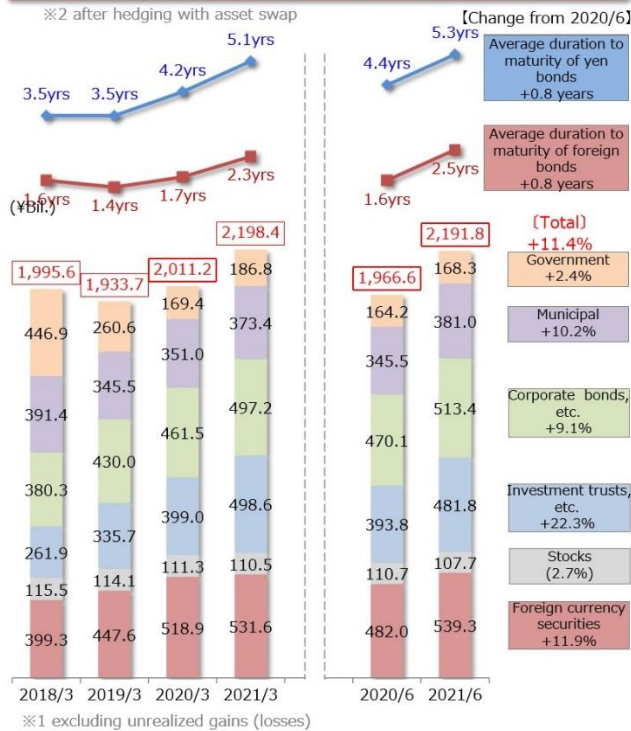
The yield on loans in the domestic operations has continued to decline, but the extent of the decline has been narrowing. As for the international operations, the yield on loans declined due to the global decline in interest rates, but the loan-deposit spread was maintained at around 100 basis points.



Please see page 4.

Loans to large corporate customers and SMEs, or housing loans and unsecured loans each maintained a steady pace, with overall loan growth of 5.5%. Deposits also grew steadily by 5.2% YoY.

Balance of securities*1 · Duration of securities*2



Gain (loss) on securities

(¥Bil.)	2021/3 1Q	2022/3 1Q	Change
Interest income on securities	11.0	13.8	2.7
Bonds	3.0	2.7	(0.3)
Domestic	0.6	0.6	0.0
International	2.4	2.1	(0.3)
Stocks	5.9	6.9	0.9
Investments trusts etc.	2.0	4.1	2.1
Gains(losses) from investment trust cancellations	1.1	1.6	0.4
Gains(losses) related to bonds(Government bonds, etc.)	0.6	0.2	(0.3)
Gains on sales	0.7	0.6	(0.0)
Gains(losses) related to stocks, etc.	3.0	1.1	(1.8)
Gains on sales	3.0	2.9	(0.0)

Unrealized gains (losses) on other securities



Please see page 5.

The balance of securities was approximately JPY2.2 trillion, almost unchanged from the end of March. Although the average duration to maturity became slightly longer due to the low interest rate environment, we manage our portfolio based on risk diversification and pay sufficient attention to the balance of liquidity and profitability.

Unrealized gains on other securities improved by JPY6.6 billion from the end of March.

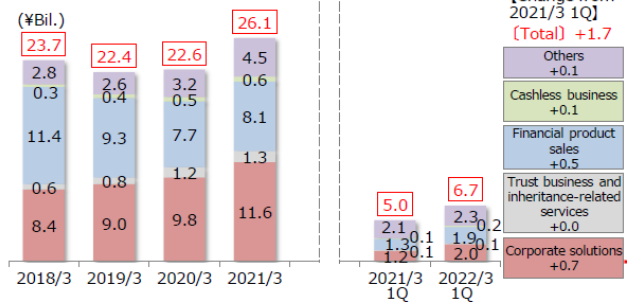
Net Fees and Commissions Income

NEXT STEP 2023

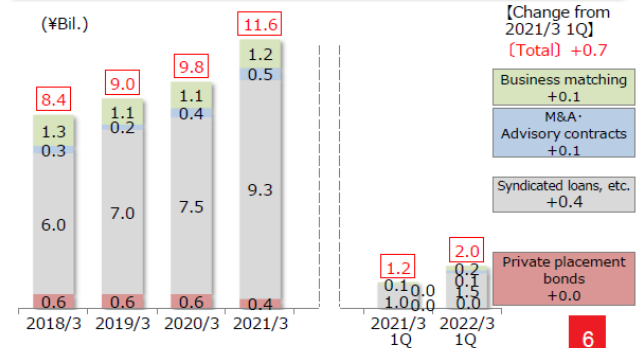
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	2021/3		2022/3	
	(¥Bil.)	1Q	1Q	Change
Net fees and commissions income		5.0	6.7	1.7
Net fees and commissions revenue		10.2	10.4	0.2
Net fees and commissions payments (-)		5.1	3.6	(1.5)
<Main breakdown>				
Investment trusts and personal annuities		1.3	1.9	0.5
Investment trusts		0.5	1.0	0.5
Annuities and whole life insurance		0.1	0.2	0.1
Level paying life insurance		0.5	0.3	(0.1)
Financial instrument intermediary		0.1	0.1	0.0
Corporate solutions		1.2	2.0	0.7
Private placement bonds		0.0	0.0	0.0
Syndicated loans		1.0	1.5	0.4
M&A and advisory contracts		0.0	0.1	0.1
Business matching		0.1	0.2	0.1
Trust business and inheritance-related services		0.1	0.1	0.0
Cashless payment and card business		0.1	0.2	0.1
Payment and settlement transactions		3.3	3.2	(0.0)
Guarantee charges and group insurance costs (-)		3.5	1.8	(1.6)

Net fees and commissions income



Fees and commissions income of corporate solutions

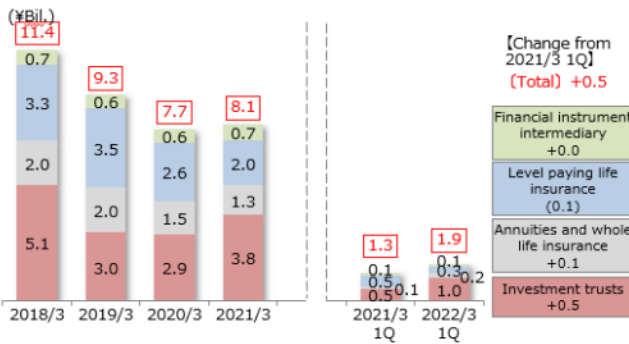


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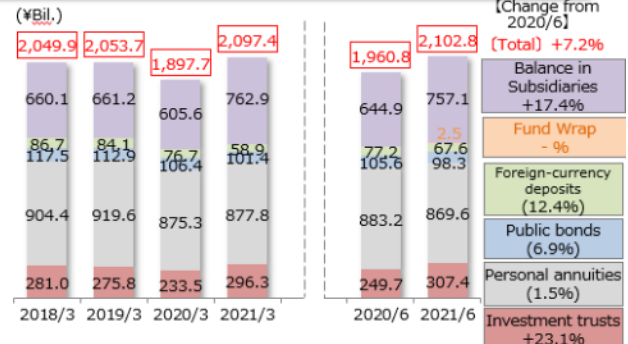
Please see page 6.

Net fees and commissions income increased by JPY1.7 billion YoY to JPY6.7 billion. In addition to an increase of JPY0.5 billion in income from investment trusts and personal annuities, that from corporate solutions increased by JPY0.7 billion due to proposals that met the needs of clients, driving the overall increase in income.

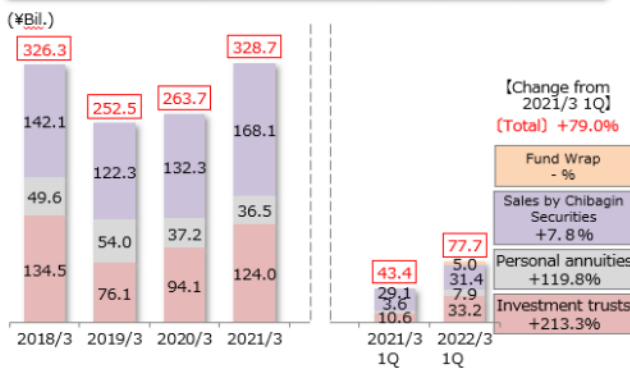
Fees and commissions income of financial products



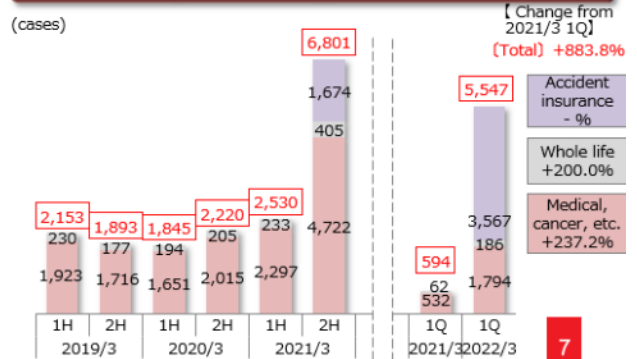
Balance of financial products (group total)



Financial products sales (group total)



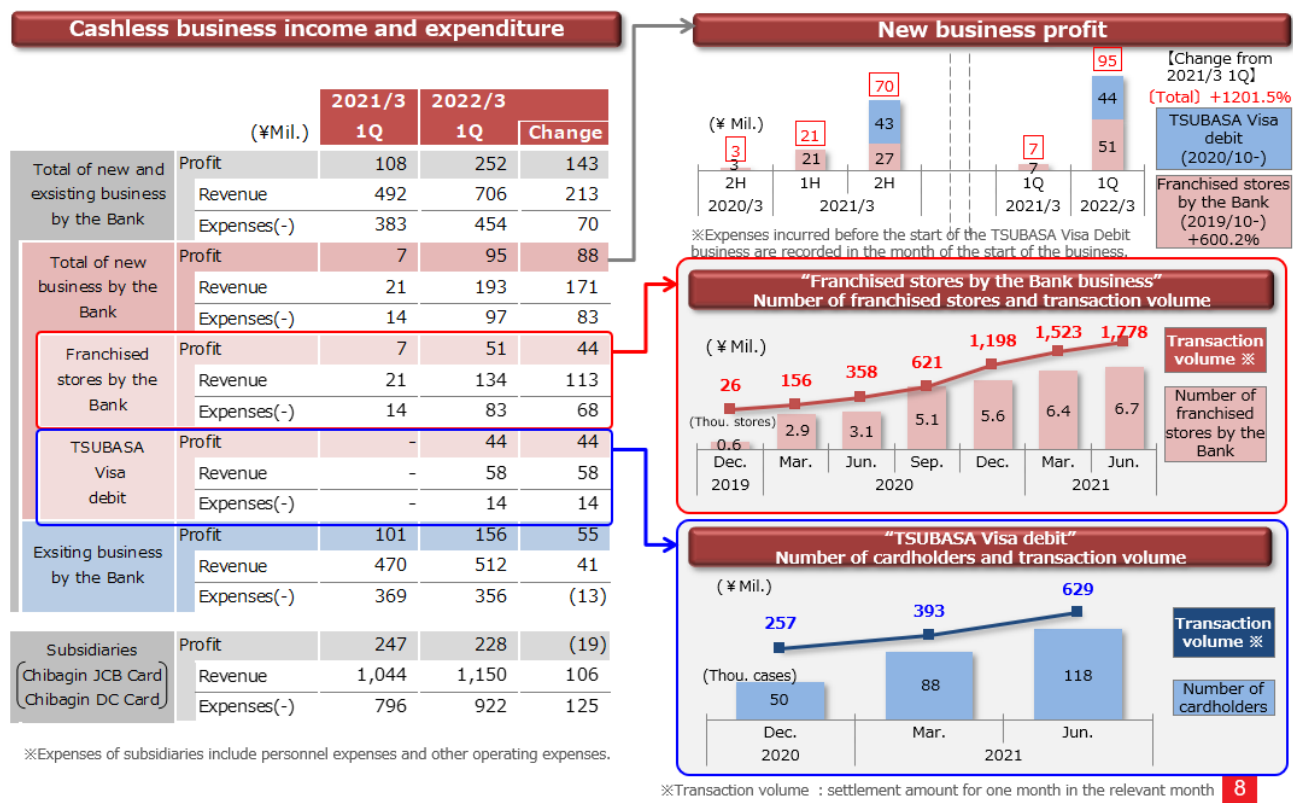
Number of protection-type insurance contracts



Please see page 7.

This shows the details of financial products. In terms of sales, investment trusts tripled YoY due to the global rise in stock prices, and annuities also doubled. On the other hand, sales of savings-type, level-payment annuities, whose yields have been declining due to low interest rates worldwide, have been weak, resulting in a decline in commissions.

The number of protection-type insurance contracts increased substantially, and we aim to expand them further. We have strengthened our proposals to the asset-building customer segment by opening “Hoken-no-Madoguchi” and assigning dedicated staff at branch offices.



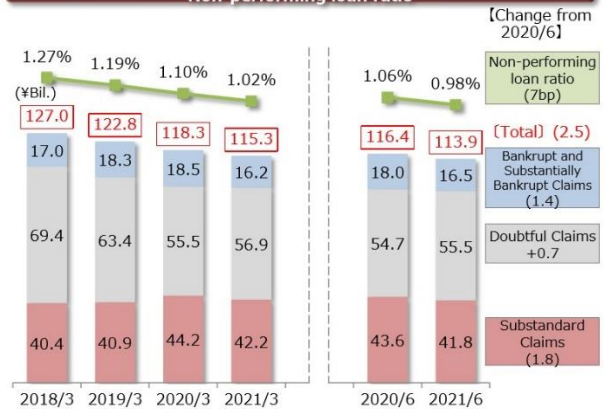
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As for the cashless business, which is one of the pillars of the income enhancement measures in the Medium-Term Management Plan, both the number of franchised stores and card members have steadily increased, and transaction volume has also expanded. As one of the few Japanese banks that have made a full-fledged entry into the cashless market, which is expected to grow in size, we will use our advantage to boost our earnings and revitalize the local economy.

Net credit costs

(\$Bil.)	2021/3		2022/3	
	1Q	1Q	1Q	Change
Net credit costs (-)	2.8	2.6	(0.1)	
Net transfer to general allowance for loan losses (-)	1.2	1.6	0.3	
Disposal of non-performing loans (-)	1.5	1.0	(0.5)	
Write-offs / Net transfer to specific allowance, etc. (-)	1.7	1.5	(0.2)	
New downgrades (-)	1.6	1.2	(0.3)	
Existing non-performing loans (-)	0.3	0.4	0.1	
Collections etc.	0.1	0.1	0.0	
Recoveries of written-off claims	0.2	0.4	0.2	
Net credit costs ratio (-)	10bp	9bp	(0bp)	

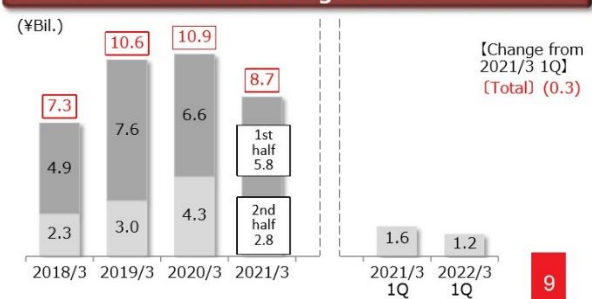
Disclosed claims under the Financial Reconstruction Law · Non-performing loan ratio



Net credit costs(-) transition



New downgrades

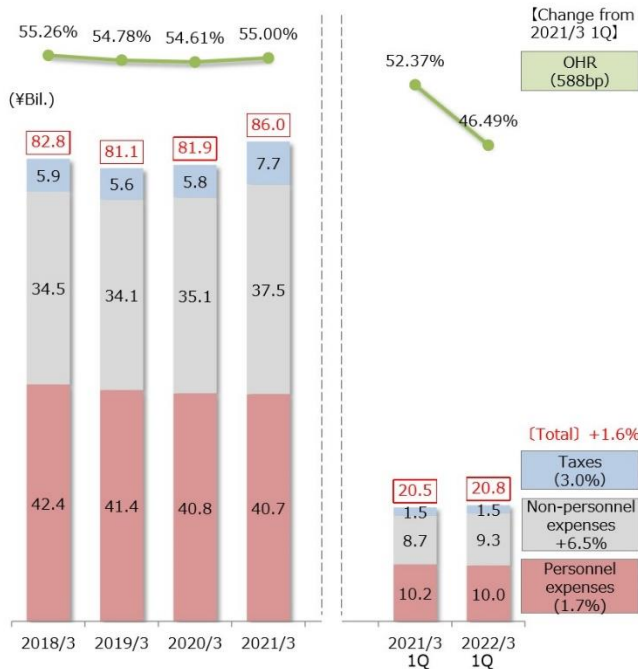


Please see page 9.

Net credit costs decreased by JPY0.1 billion YoY to JPY2.6 billion. Net transfer to general allowance for loan losses increased by JPY0.3 billion due to the impact of an increase in the cumulative default rate, but new downgrades decreased by JPY0.3 billion to JPY1.2 billion, which was well controlled against the full-year plan of JPY11.0 billion. I will explain the outlook for credit costs due to the impact of COVID-19 later.

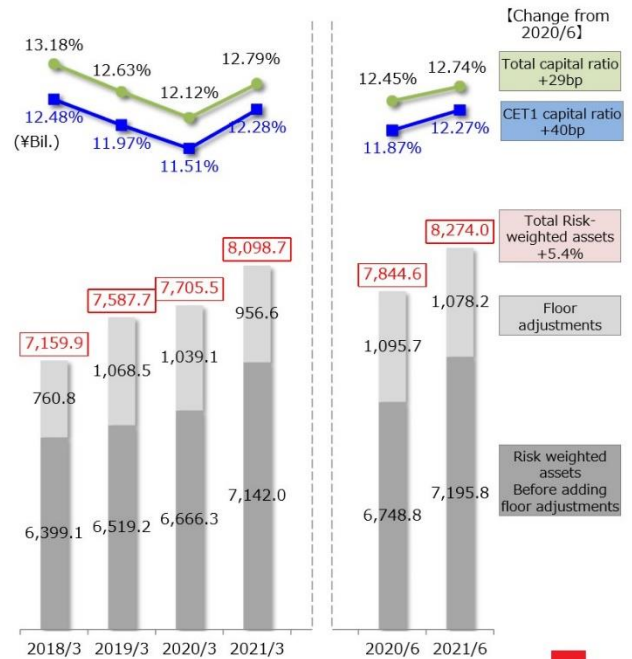
Expenses · OHR

※ OHR : Expenses / (Net business income – Gains (Losses) related to bonds, etc. + Net transfer to general allowance for loan losses + Expenses)



Capital ratios · Risk-weighted assets (Consolidated)

※ Preliminary figures



Please see page 10.

As for expenses, non-personnel expenses increased by JPY0.5 billion due to the recording of expenses for the new head office building, but the OHR declined to the mid-40% range due to the expansion of net business income. In order to maintain the efficiency that is one of the highest in Japanese banks, we will continue to make thorough efforts to reduce expenses through such means as improving operational efficiency by utilizing digital technology.

The consolidated common equity Tier 1 (CET1) ratio was 12.27%, which was an adequate level.

[Consolidated subsidiaries]

(¥Bil.)

Company name	Business Description	Investment ratio (Including indirect)	Profit items (After deduction of inter-subsidiary dividends)	2021/3		2022/3	
				1Q	1Q	1Q	Change
Chibagin Securities Co.,Ltd.	Securities business dealing in stocks, bonds, investment trusts and other financial products	100%	Ordinary profit	0.1	0.4	0.2	
			Profit	0.1	0.4	0.2	
Chibagin Leasing Co.,Ltd.	Leasing business of OA equipment, carriages, industrial machinery, store equipment, medical equipment, recycling equipment, etc.	100%	Ordinary profit	0.3	0.2	(0.1)	
			Profit	0.2	0.1	(0.0)	
Chibagin Guarantee Co.,Ltd	Guaranteeing business of mortgage loans and card loans, etc and collection agency business of sales charges, various fees, membership fees, etc.	100%	Ordinary profit	1.3	1.1	(0.1)	
			Profit	0.9	0.7	(0.1)	
Chibagin JCB Card Co.,Ltd	JCB brand's credit card and credit guarantee business	100%	Ordinary profit	0.2	0.2	(0.0)	
			Profit	0.1	0.1	(0.0)	
Total of 5 other companies	—	100%	Ordinary profit	0.1	0.1	0.0	
			Profit	0.0	0.1	0.0	
Total			Ordinary profit	2.3	2.3	(0.0)	
			Profit	1.5	1.6	0.0	

[Equity method subsidiaries]

Total of 6 companies	Profit according to equity method	0.0	0.0	(0.0)
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Dividends to parent company(-)	3.5	4.2	0.7
Difference between consolidated and non-consolidated ※	△ 1.8	△ 2.6	△ 0.8

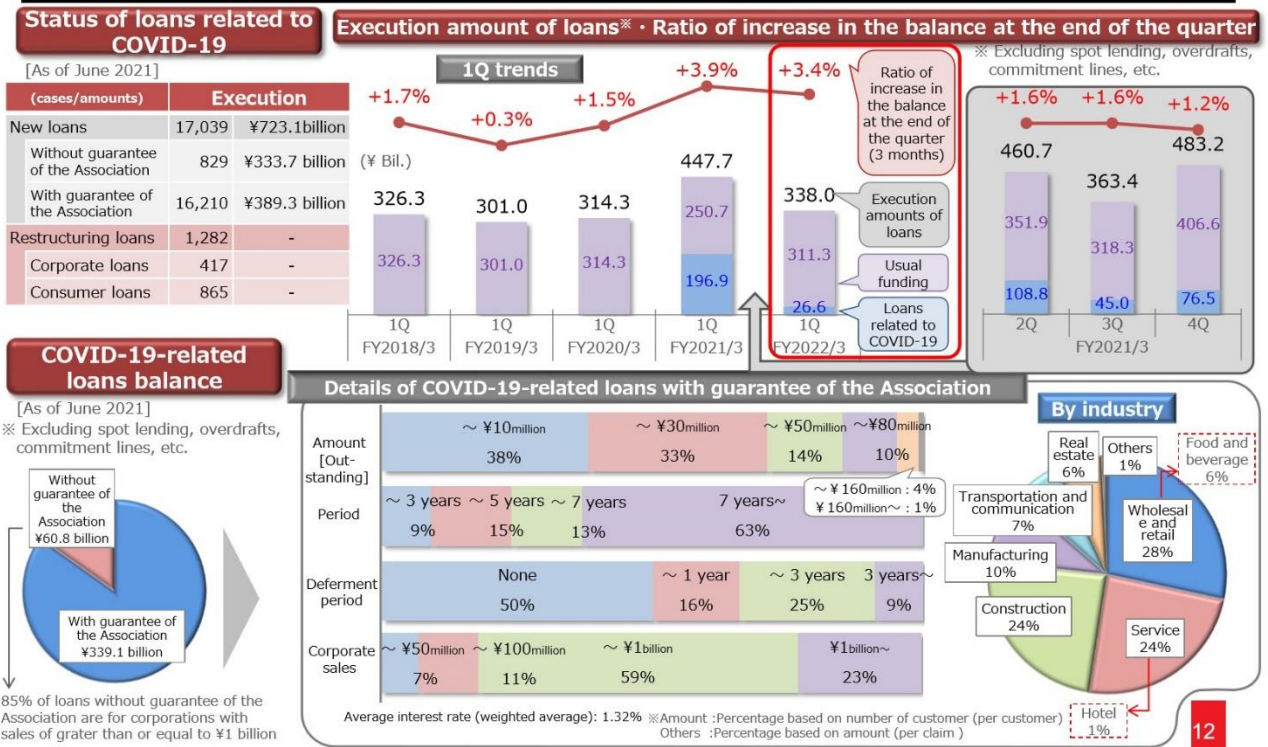
※After adjustment for unrealized gains, etc.

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Please see page 11.

As for the status of subsidiaries, Chibagin Securities recorded a YoY increase of JPY0.2 billion in profit due to its strong performance in handling stocks and other securities. Due to the strong financial results in the previous fiscal year, the subsidiaries increased dividends to the parent company by JPY0.7 billion, so the difference between the consolidated and non-consolidated results decreased by JPY0.8 billion.

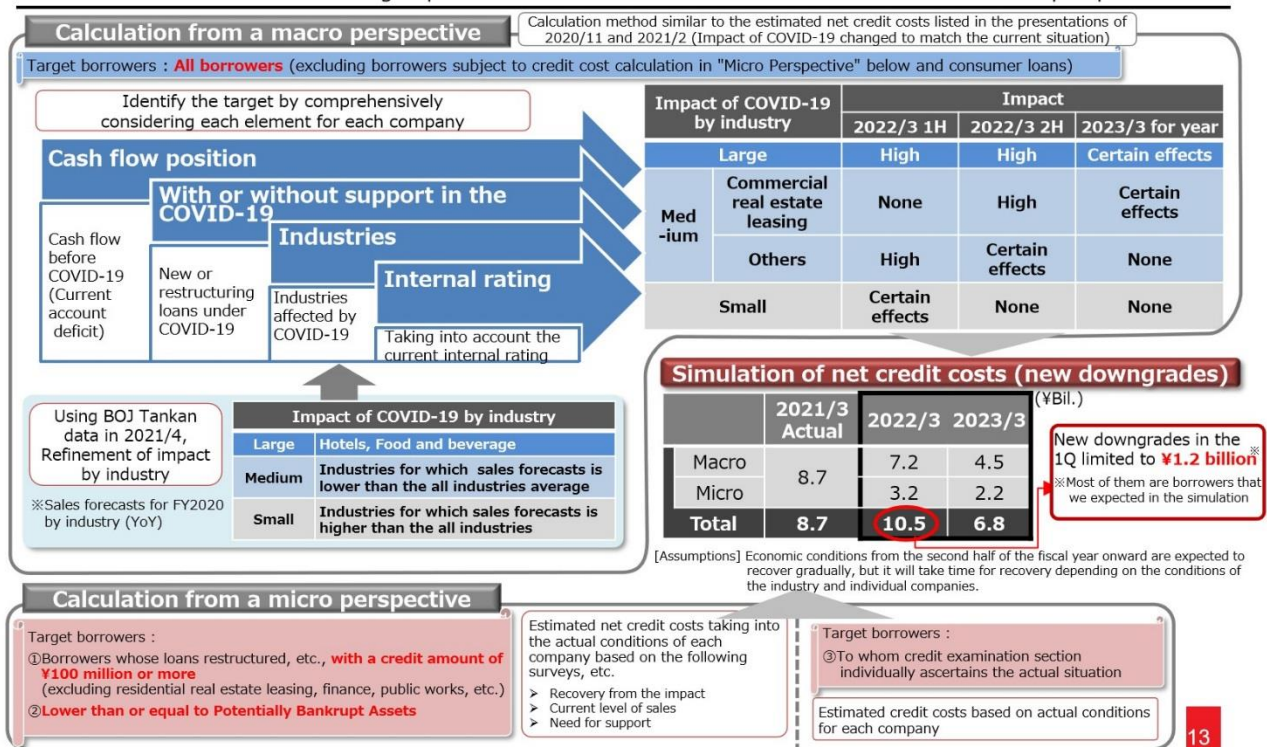
Even after the completion of loans related to COVID-19, the loan balance is steadily increasing



Please see page 12.

COVID-19-related loans have run their course, and the amount of loans executed in the first quarter was JPY26.6 billion. However, the amount of non-COVID-19 related working capital and equipment financing executed has recovered to the same level as in the pre-COVID-19 period, and the growth in outstanding loans has remained steady.

Estimated net credit costs taking impact of COVID-19 into account from both macro and micro perspectives



Please see page 13.

With regards to the stress test of credit costs, including the impact of COVID-19, there is no change from the simulation that we explained at the meeting in May, and we estimate that new NPLs under stress will be JPY10.5 billion.

However, the number of new downgrades in the first quarter was only JPY1.2 billion, so we believe that this scenario is conservative. On the other hand, a majority of the actual downgrades worth JPY1.2 billion was generated from the borrowers that we expected in this simulation, which indicates its high accuracy.

Responding to TCFD

Scenario analysis results (accrual of credit risk)

Physical risks

To 2050

- Large-scale storm and flood disasters, etc.
- Sea level rise

Damage to real estate collateral due to typhoons, torrential rains and other windstorms in Chiba Prefecture
Impact of collateral value on credit costs
¥3~4 bil.

- Loss of real estate collateral
- Business stagnation due to damage to customers' business locations
- Withdrawal from business due to damage to customers' business locations

Transition risks

To 2050

Transition to a decarbonized society

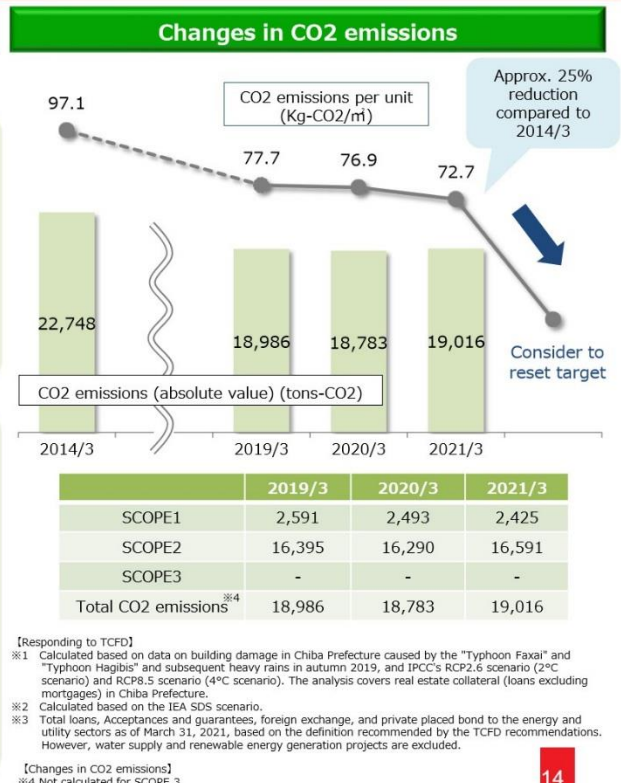
- Impact on customers' businesses due to changes in regulations, taxation, etc.
- Impact on customers' business due to failure of decarbonization-related technologies or changes in the market

Increase in credit costs ^{※2}
Maximum of ¥14 bil.

Ratio of carbon-related assets to total loans and other assets of the Bank **1.1%** ^{※3}

Oil, Gas, Coal

Power, Utilities



Please see page 14.

In conjunction with the publication of the Integrated Report in July, we have expanded the disclosure of information on our response to climate change. First of all, in response to TCFD, we conducted a scenario analysis for physical risks and transition risks. The total impact on credit costs will be about JPY18 billion, and we have confirmed that it will not have a significant impact on the Bank's business.

In addition, we disclosed CO2 emissions by SCOPE. As for the amount of reduction in the future, we will consider setting a new target.

Sustainable Finance

Target of sustainable finance

Sustainable Finance※ Execution amount target (from April, 2019 to March, 2031) **¥ 2 tri.**

Of which, environmental finance Execution amount target (from April, 2019 to March, 2031) **¥ 1 tri.**

※ Finance for solving environmental and social issue (Including financing to support customers' ESG and SDGs initiatives)

Environmental finance

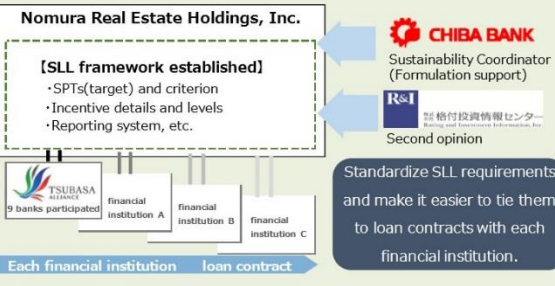
As of the end of 2021/6	Loans balance
Solar power generation	¥128.9 billion
Biomass generation	¥13.9 billion
Wind power generation	¥12.7 billion
Water power generation	¥0.6 billion
Total	¥156.1 billion

Amount of renewable energy generated from loans provided by the Bank (cumulative) ※
 ※Include projects under construction
 ・Annual power generation : Approx. 5.5 millionMWh
 ・Converted to households : Approx. 1.5 million households
 ・CO2 savings : Approx. 2.5 million tonnes

Sustainability linked loan initiative

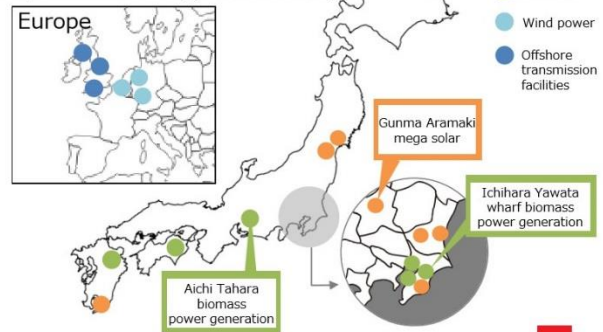
July, 2021 SLL for Nomura Real Estate Holdings, Inc.

- The first SLL initiative that utilizes the SLL framework in Japan
- 11.0 billion in total loans provided by banks participating in TSUBASA Alliance



Of which, project-finance※

※Japan: Executed in the past year (from 2020/4 to 2021/3)
 Europe: Loans with outstanding (as of the end of 2021/3)



Please see page 15.

We believe that the most important contribution we can make to society as a financial institution toward decarbonization is through finance. So, we have set a goal of achieving JPY2 trillion in sustainable finance execution by March 2031, of which JPY1 trillion will be in environmental finance.

In July, we executed a sustainability linked loan (SLL) initiative in collaboration with the TSUBASA Alliance partner banks, strengthening our sustainability efforts.

We are actively involved in environmental finance not only in Chiba Prefecture, but also in a wide range of regions throughout Japan and overseas.

The amount of renewable energy generated from loans provided by the Bank is equivalent to electricity demand from about 1.5 million households, of which about 520,000 households are in Chiba Prefecture, accounting for about 20% of the total 2.8 million households in the prefecture. We will continue to focus our efforts in this area.

That's all from me. Thank you very much for listening.