

# Financial Results for FY2011

*Frontier 70*



**May 25, 2012**  
**THE CHIBA BANK, LTD.**

» Summary of Financial Results

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»» Progress in Medium-Term Management Plan  
“Frontier 70”

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» **Summary of Financial Results**

» » Progress in Medium-Term Management Plan “Frontier 70”

## Summary of Financial Results

<b>Consolidated</b>						
		(¥ Bil.)	FY10	FY11	Change	From Projection
Ordinary profit			65.3	66.9	1.6	(1.5)
Net income			40.6	40.7	0.1	(4.2)

<b>Non-consolidated</b>							
		(¥ Bil.)	FY10	FY11	Change	From Projection	
Gross business profits			159.2	153.3	(5.9)	(2.1)	
Net interest income			137.6	134.5	(3.1)	(0.4)	p.4
Net fees and commissions income			14.1	14.5	0.3	0.0	p.7
Trading income			1.1	1.4	0.3	(0.0)	
Profit from other business transactions			6.3	2.7	(3.5)	(1.7)	
Gains (losses) related to bonds			3.9	0.9	(3.0)	(1.5)	
Expenses (-)			80.7	81.2	0.5	(1.7)	p.8
Real net business income			78.4	72.0	(6.4)	(0.4)	
Core net business income			74.5	71.0	(3.4)	1.0	
Net transfer to general allowance for loan losses (-)			0.4	-	(0.4)	-	p.9
Net business income			78.9	72.0	(6.9)	(0.4)	
Non-recurrent income and losses			(19.1)	(10.2)	8.9	(2.7)	
Disposal of non-performing loans (-)			16.2	2.2	(14.0)	1.7	p.9
Gains (losses) related to stocks, etc.			(4.5)	(9.2)	(4.6)	(1.0)	
Ordinary profit			59.7	61.7	1.9	(3.2)	
Extraordinary income (loss)			4.3	(0.7)	(5.1)	0.0	
Net income			38.1	36.0	(2.1)	(3.9)	
Net credit cost (-)			10.3	2.2	(8.1)	1.7	p.9

### 1 Consolidated net income increased for three successive fiscal years

➤ Consolidated ordinary profit  
¥66.9 bil. (YoY + ¥1.6 bil.)

➤ Consolidated net income  
¥40.7 bil. (YoY + ¥0.1 bil.)

( Gain on negative goodwill + ¥3.4 bil.  
Impact of changes in effective tax rate - ¥3.7 bil. )

### 2 Non-consolidated net income increased in substance

➤ Ordinary profit  
¥61.7 bil. (YoY + ¥1.9 bil.)

➤ Net income  
¥36.0 bil. (YoY - ¥2.1 bil.)

( Impact of changes in effective tax rate - ¥3.2 bil.  
⇒without impact above:  
**Net income ¥39.2 bil. (YoY + ¥1.0 bil.)** )

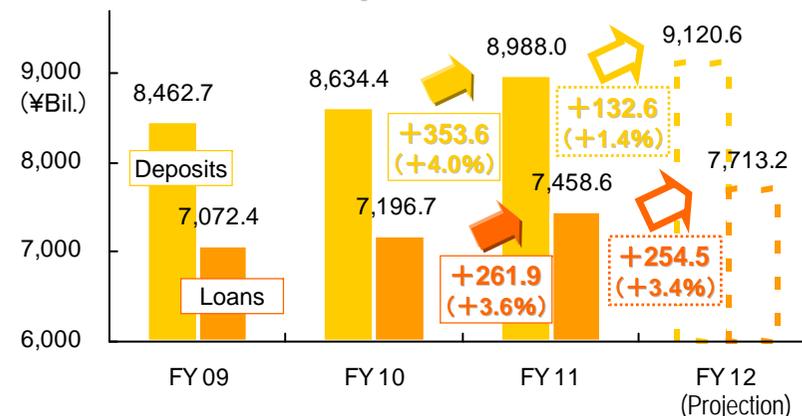
### 3 Core net business income + ¥1.0 bil. from projection

➤ Core net business income ¥71.0 bil.  
(+ ¥1.0 bil. from projection, YoY - ¥3.4 bil.)

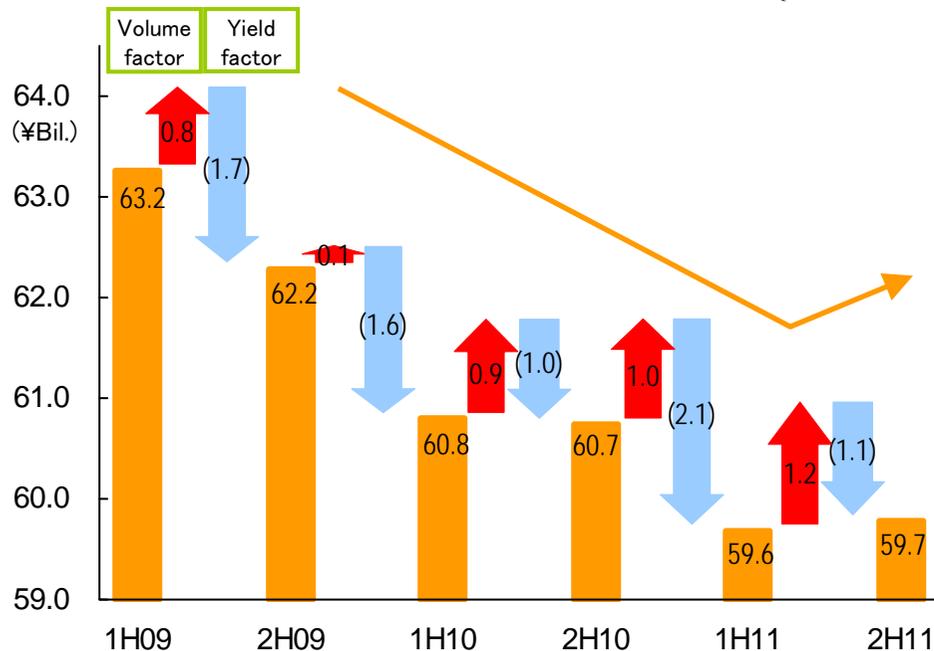
(¥ Bil.)	FY 10	FY 11	Change
Net interest income	137.6	134.5	(3.1)
Domestic	134.7	131.4	(3.3)
Loans and deposits	121.5	119.4	(2.0)
Loans	129.0	124.4	(4.5)
Deposits	7.4	5.0	(2.4)
Securities	15.3	14.1	(1.2)
International	2.9	3.1	0.1

**1 Net Interest Income on domestic loans and deposits hit the bottom (Half-year basis)**

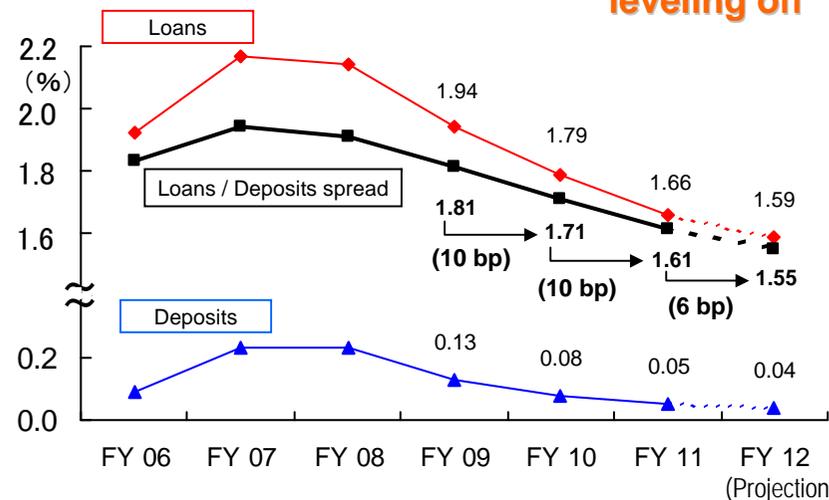
**2 Average balance of domestic loans and deposits increased favorably**



Net interest income on domestic loans and deposits



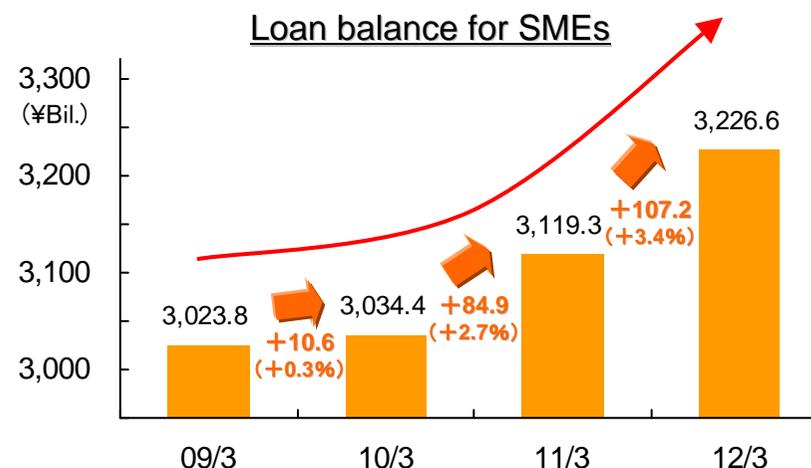
**3 Reduction in loan / deposit spreads is leveling off**



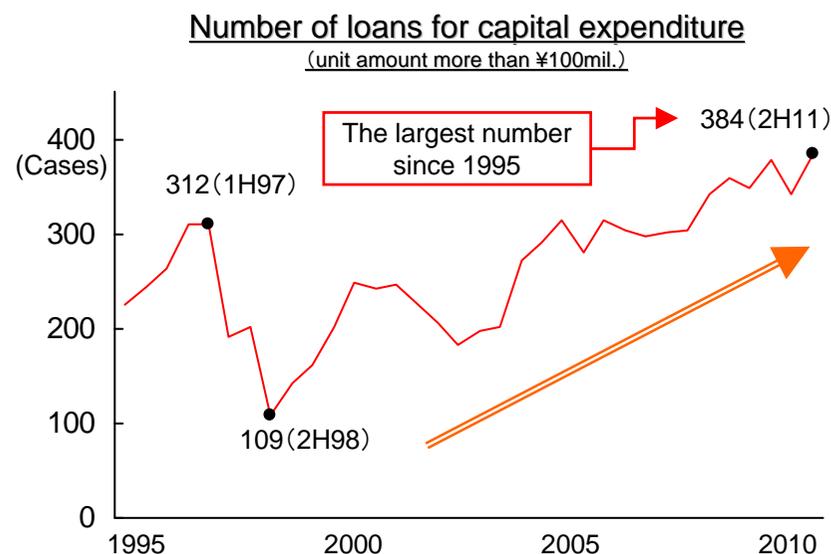
(¥ Bil.)	11/3	12/3	Change	%
Loans	7,371.4	7,581.7	210.2	2.8%
Domestic loans	7,321.1	7,505.1	183.9	2.5%
ex. Public sector	7,039.5	7,217.3	177.7	2.5%
Corporate loans	4,396.0	4,466.6	70.6	1.6%
Large corporates	1,276.6	1,240.0	(36.5)	(2.8%)
SMEs	3,119.3	3,226.6	107.2	3.4%
Consumer loans	2,643.5	2,750.6	107.1	4.0%
Housing loans	2,545.6	2,658.6	112.9	4.4%
Public sector	281.5	287.8	6.2	2.2%
Domestic loans	7,321.1	7,505.1	183.9	2.5%
Branches in Chiba	5,554.0	5,672.9	118.9	2.1%
Branches outside Chiba	1,767.1	1,832.1	65.0	3.6%
Wholesale branches (Special Branches*)	1,212.8	1,195.3	(17.5)	(1.4%)
Retail branches (ex. Special Branches*)	554.2	636.8	82.5	14.8%

\* Tokyo Head Office, Shinjuku branch and Osaka branch

**1 Growth of loan balance for SMEs accelerated**

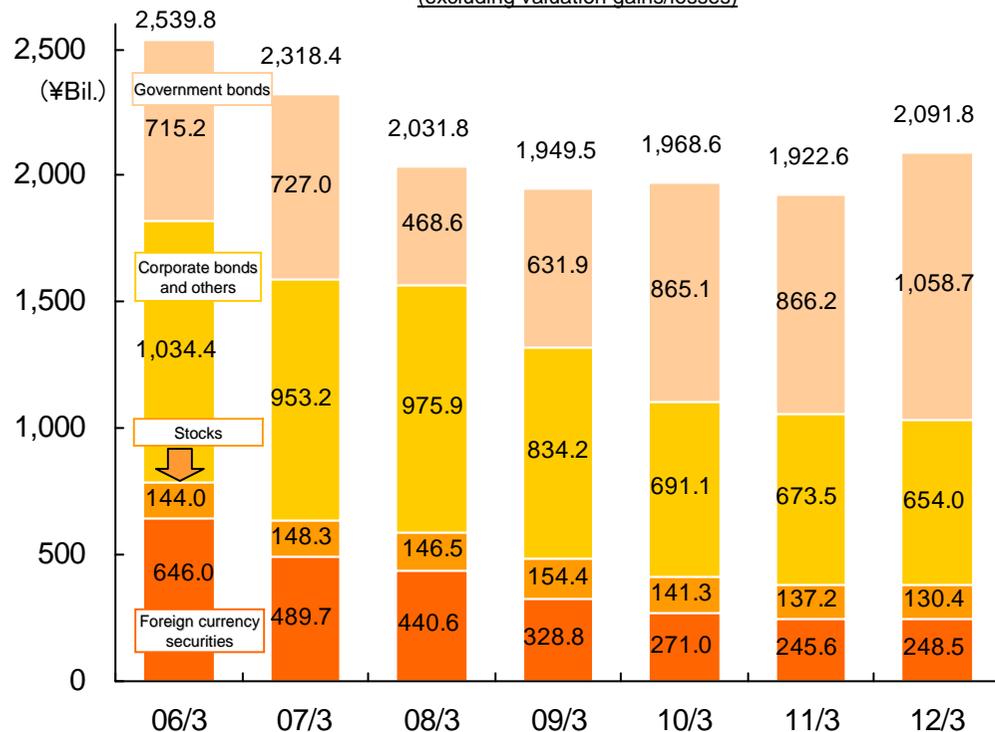


**2 Strong financing demands for capital expenditure**

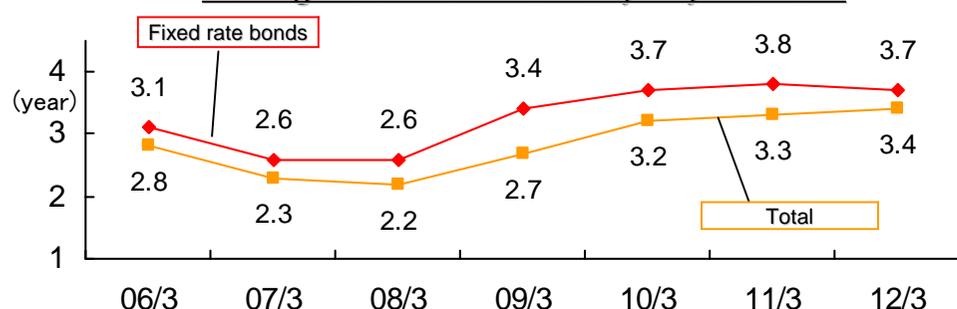


Balance of investment securities

(excluding valuation gains/losses)



Average duration to maturity of yen bonds



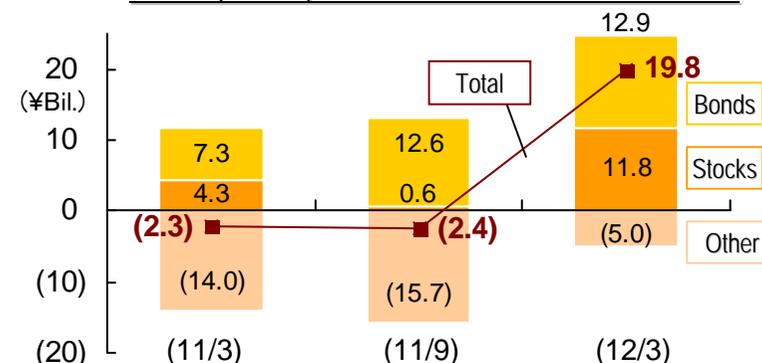
1 Investment policy to control interest rate risk

In case yields increase by 1% in every term  
 ⇒ Non-consolidated capital ratio : 13.75% → 13.12%  
 (the impact is only -0.63%)

Outlier ratio (12/3)  
 1.1% (≤20% : Target for regulatory monitoring)

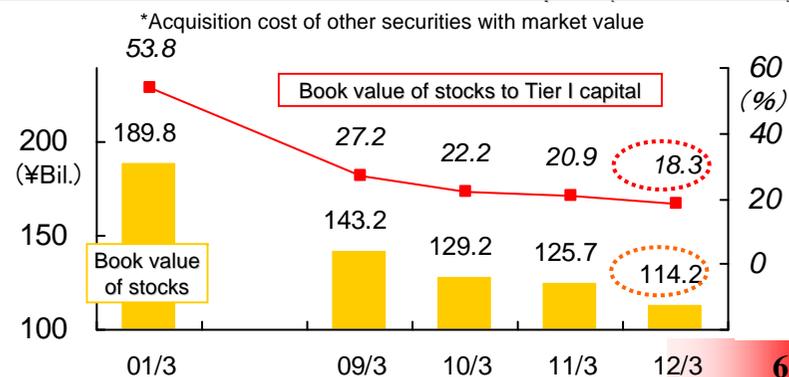
2 Cleaning up valuation losses

Gains (losses) on valuation of other securities



3 Mitigating market risk by reducing stock exposure

Book value\* of stocks and ratio to Tier I capital (Consolidated)



# Fees and Commissions income

(¥ Bil.)	FY09	FY10	FY11	Change
Net fees and commissions income	14.1	14.1	14.5	0.3
Fees and commissions	31.3	31.7	32.4	0.7
Investment trusts and personal annuities	8.0	8.8	9.3	0.5
Investment trusts	3.9	4.7	4.4	(0.3)
Personal annuities	4.0	4.0	4.9	0.8
Indemnity-type insurance	0.1	0.3	0.5	0.2
Fees and commissions payments	17.2	17.6	17.9	0.3
Guarantee charge and group insurance cost	10.2	10.6	10.8	0.2

## 1 Indemnity-type insurance

2012/4~  
Relaxing the regulations on the sale of insurance

Consulting Plazas  
(Chiba, Kashiwa, Funabashi)

### Number of staff handling insurance

**2 ⇒ 6 ⇒ 10 ⇒ 15**  
(09/9) (10/4) (11/4) (12/10 Scheduled)

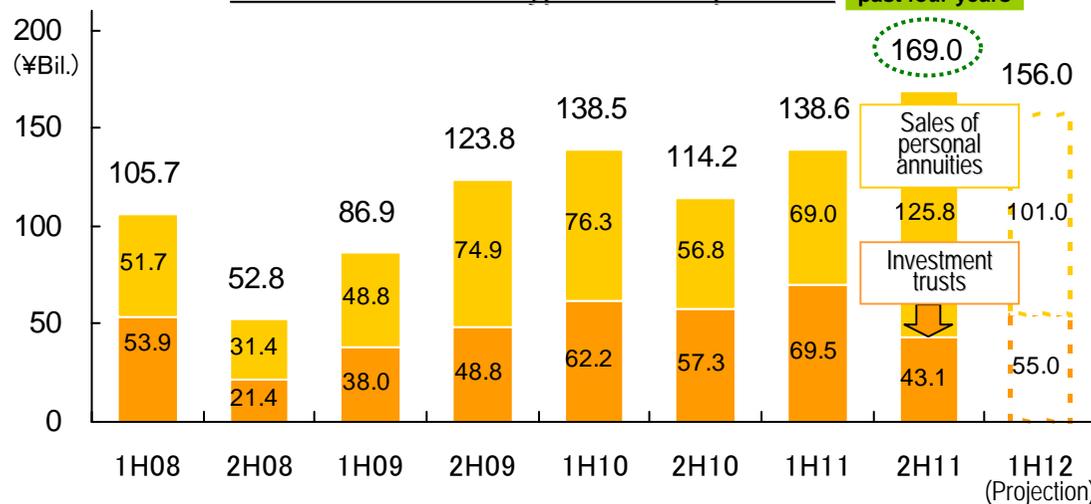
Consulting Plaza Chiba

**11/10  
Renewal**

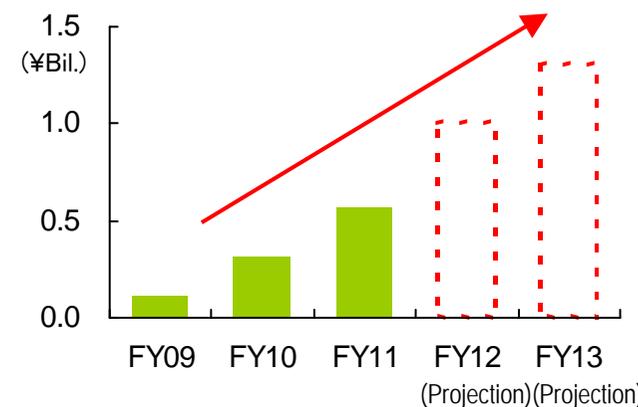


### Sales of investment-type financial products

The highest amount in the past four years



### Fees from sales of indemnity-type insurance



**1 Expenses for FY11:**  
- ¥1.7 bil. from projection

(¥ Bil.)	FY 10 (Actual)	FY 11 (Actual)	Change	FY 12 (Projections)	Change
Expenses	80.7	81.2	0.5	83.0	1.7
Personnel	41.5	41.2	(0.2)	41.2	(0.0)
Non-personnel	35.1	35.8	0.6	37.6	1.7
Tax	4.1	4.1	0.0	4.1	(0.0)

➤ Investment for growth

○ Aggressive branch network strategy

- Newly opened Koshigaya-laketown Branch (11/6)
- Inzai-makinohara Branch (11/12)
- Yotsukaido-minami Branch (12/2)
- Renovated Kisarazu-higashi Branch (11/11)
- Kisarazu Branch (12/2)

○ Launched new branch IT systems for all branches

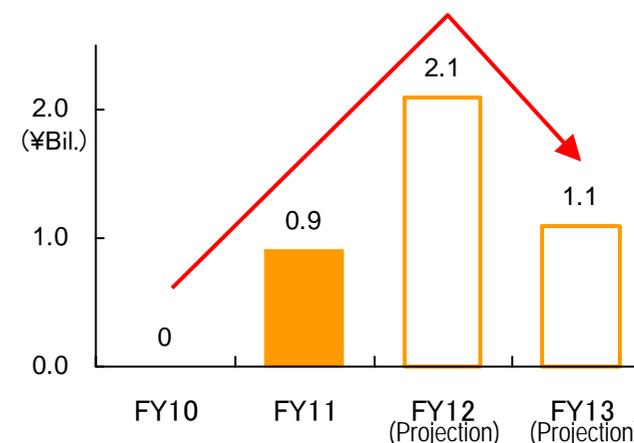
➤ Efforts to reduce costs

Main increase/decrease factors in personnel and non-personnel expenses

(¥ Bil.)	FY 11 (Actual)	FY 12 (Projections)
Personnel	<ul style="list-style-type: none"> <li>➡ Regular salaries (-0.2)</li> <li>➡ Bonuses (-0.1)</li> <li>➡ Social insurance (+0.1)</li> </ul>	<ul style="list-style-type: none"> <li>➡ Regular salaries (-0.1)</li> <li>➡ Bonuses (-0.1)</li> </ul>
	-0.2	0.0
	➡ Retirement benefit costs (+0.2)	
Non-personnel	<ul style="list-style-type: none"> <li>➡ Cost-cuts (-0.5)</li> <li>➡ Renewal of branch systems (+0.9)</li> <li>➡ Opening new branches and renovating branches (+0.3)</li> <li>➡ Other new projects (+0.3)</li> <li>➡ BCP (+0.1)</li> <li>➡ Provisions (-0.6)</li> <li>➡ Deposit insurance (+0.1)</li> </ul>	<ul style="list-style-type: none"> <li>➡ Cost-cuts (-0.5)</li> <li>➡ Renewal of branch systems (+1.2)</li> <li>➡ Opening new branches and renovating branches (+0.1)</li> <li>➡ Provisions (+0.6)</li> <li>➡ Deposit insurance (+0.3)</li> </ul>
	0.6	1.7

**2 Temporary increase in expenses for FY12**

Depreciation of new branch IT systems



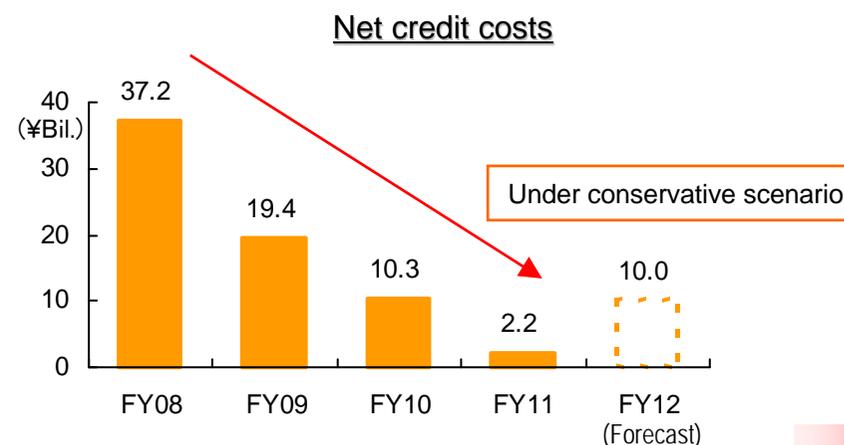
	(¥ Bil.)	FY09	FY10	FY11	Change	FY12	Change
		(Actual)	(Actual)	(Actual)		(Forecast)	
Net credit costs		19.4	10.3	2.2	(8.1)	10.0	7.7
Net transfer to general allowance for loan losses		0.6	(0.4)	(7.9)	(7.5)	(2.5)	5.4
Disposal of non-performing loans		18.7	10.8	10.2	(0.6)	12.5	2.2
Write-off / allowance, etc.		25.7	16.2	13.4	(2.8)	15.5	2.0
New downgrades		24.1	14.5	13.3	(1.2)	14.0	0.6
Decreases in collateral value, etc.		3.4	2.4	1.0	(1.3)	1.6	0.5
Collections, etc.		(2.0)	(1.8)	(1.8)	(0.0)	(1.5)	0.3
Recoveries of written-off claims		(6.9)	(5.4)	(3.2)	2.2	(3.0)	0.2
Net credit costs ratio		27bp	14bp	2bp		12bp	

(Note)  
According to "Practical Guidelines on Accounting Standards for Financial Instruments," the total sum of transfer to allowance for loan losses is expressed as "Reversal of allowance for loan losses", in the case of a reversal. However, it is not applied in the left-hand table to enable comparison with previous figures.

**1 Net credit costs dropped**

- Reversal of general allowance for loan losses : ¥7.9 bil.
- Conservative allowance for expiry of SME Financing Facilitation Act  
⇒ Adopted allowance ratio for substandard debtors
- Decreases in collateral value, etc. down to ¥1.0 bil.  
⇒ No Influence from the earthquake

**2 Net credit costs for FY12 conservatively estimated at ¥10.0 bil.**

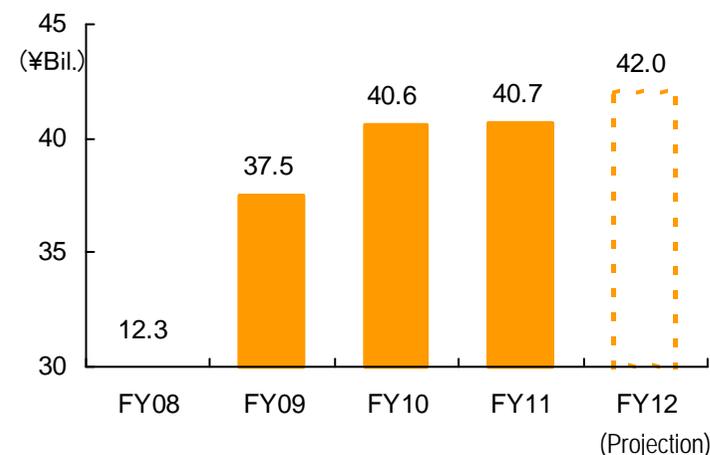


## Earnings Projections for FY2012

Consolidated	(¥ Bil.)	FY11	FY12	Change
			(Projections)	
Ordinary profit		66.9	69.0	2.0
Net income		40.7	42.0	1.2

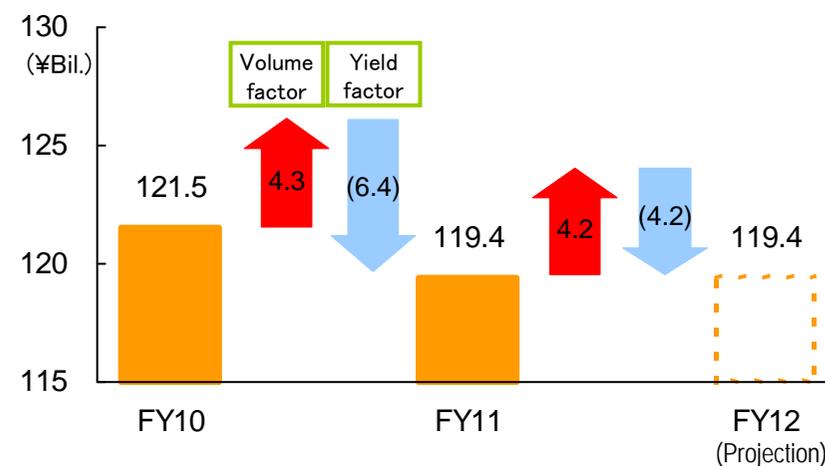
Non-consolidated	(¥ Bil.)	FY11	FY12	Change
			(Projections)	
Gross business profits		153.3	155.0	1.6
Net interest income		134.5	134.0	(0.5)
Net fees and commissions income		14.5	15.0	0.4
Trading income		1.4	2.0	0.5
Profit from other business transactions		2.7	4.0	1.2
Gains (losses) related to bonds		0.9	1.0	0.0
Expenses (-)		81.2	83.0	1.7
Real net business income		72.0	72.0	(0.0)
Core net business income		71.0	71.0	(0.0)
Net transfer to general allowance for loan losses (-)		-	-	-
Net business income		72.0	72.0	(0.0)
Non-recurrent income and losses		(10.2)	(8.0)	2.2
Disposal of non-performing loans (-)		2.2	10.0	7.7
Gains (losses) related to stocks, etc.		(9.2)	0.0	9.2
Ordinary profit		61.7	64.0	2.2
Extraordinary income (loss)		(0.7)	(0.6)	0.1
Net income		36.0	40.0	3.9
Net credit costs (-)		2.2	10.0	7.7

### 1 Consolidated net income for FY12: ¥42.0 bil. — Growing for four successive terms

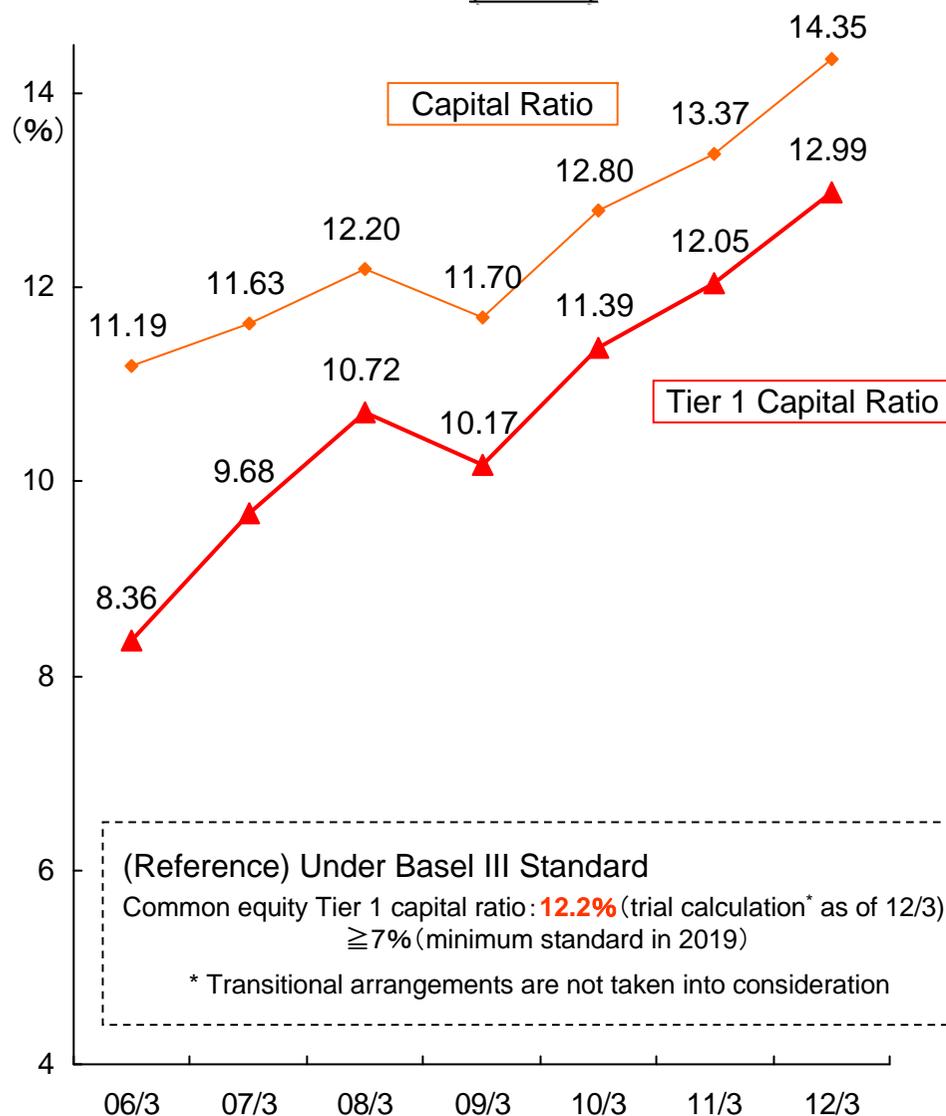


### 2 Non-consolidated gross business profits for FY12: ¥155.0 bil. — Increasing by ¥1.6 bil.

Net interest income on domestic loans and deposits



Capital ratio, tier 1 capital ratio (Consolidated)  
(Basel II)



**1 Solid capital base in quality and quantity**

Breakdown of tier 1 capital

	(¥ Bil.)
Tier 1 capital	621.6
Capital stock (fully composed of common stocks), Capital surplus	268.6
Retained earnings	376.0
Amount of minority interests held by consolidated subsidiaries (holding no preferred securities)	6.4
Others	(29.5)
(Reference)	
Deferred tax assets (B/S amount)	34.5
Intangible fixed assets	10.2
Risk assets	4,785.3

**2 Sufficient capital to provide smooth finance to the region**

**12/5 Announced acquisition of own shares**

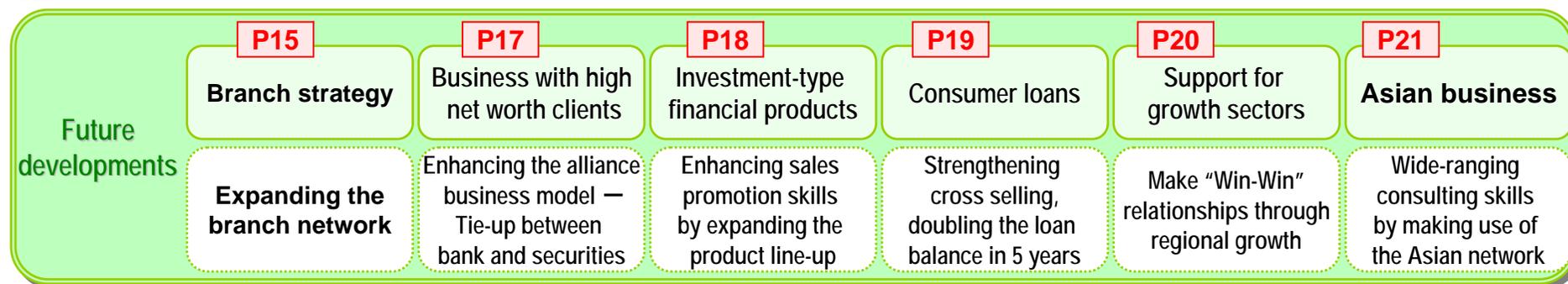
Period of acquisition: May 14, 2012 – June 15, 2012  
Total number of shares to be acquired: Up to 10 mil. shares  
Total cost of acquisition: Up to ¥6.0 bil.

» Summary of Financial Results

» » Progress in Medium-Term Management Plan “Frontier 70”

**The 11<sup>th</sup> Medium-Term Management Plan “Frontier 70”**

- From April 1, 2011 to March 31, 2014 (3 years) -



**Frontier**



**【Subject 1】Strengthening the business structure**

- 2012/4 Established “Committee for Improving Services for Customers” focused on product planning to suit changes in customers’ needs

**【Subject 3】Enhancing the management system**

**P22,23**

- Improving management efficiency through IT system investment
- **Effective use of capital** for future development

**【Subject 2】Assisting the regional economy**

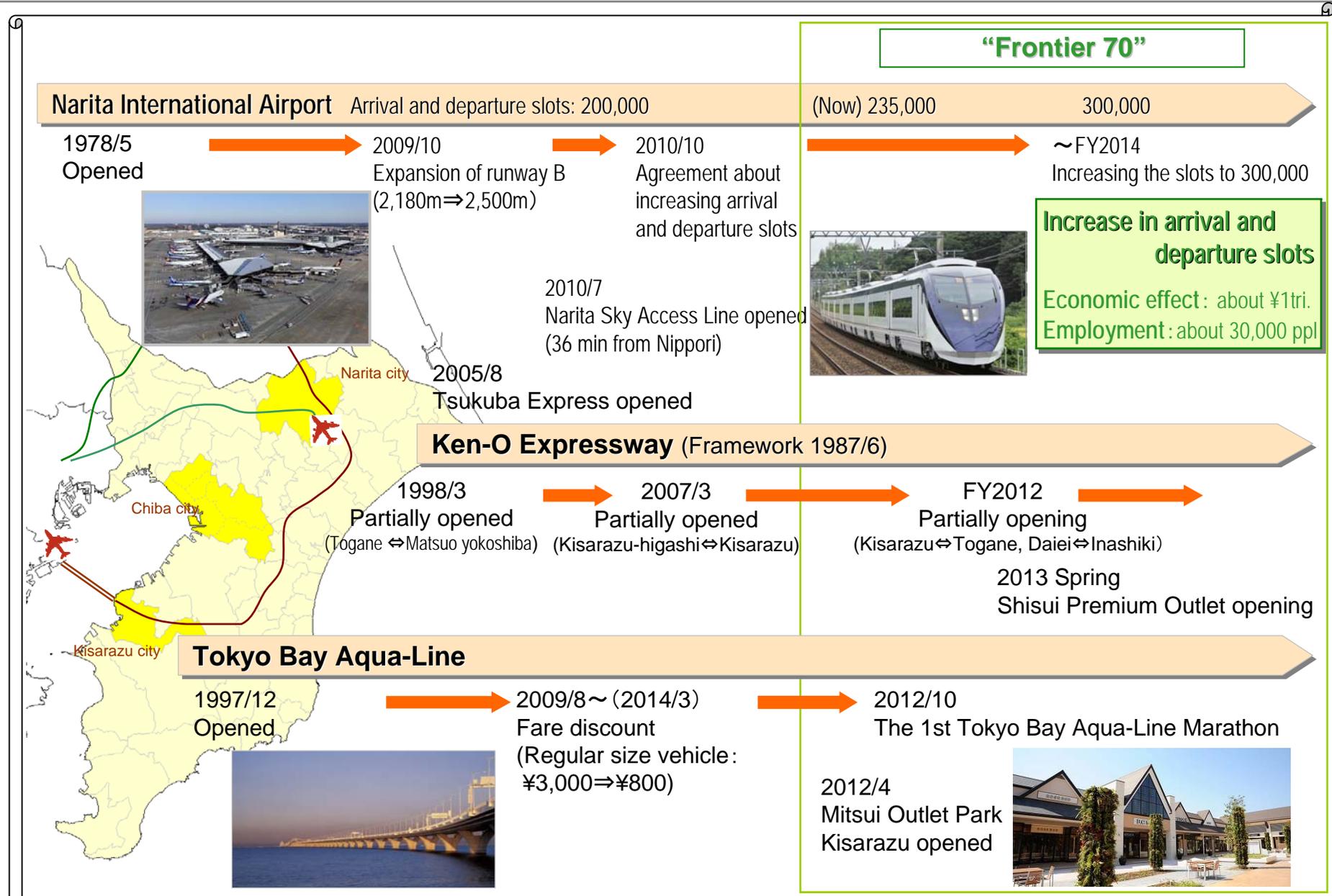
**P14**

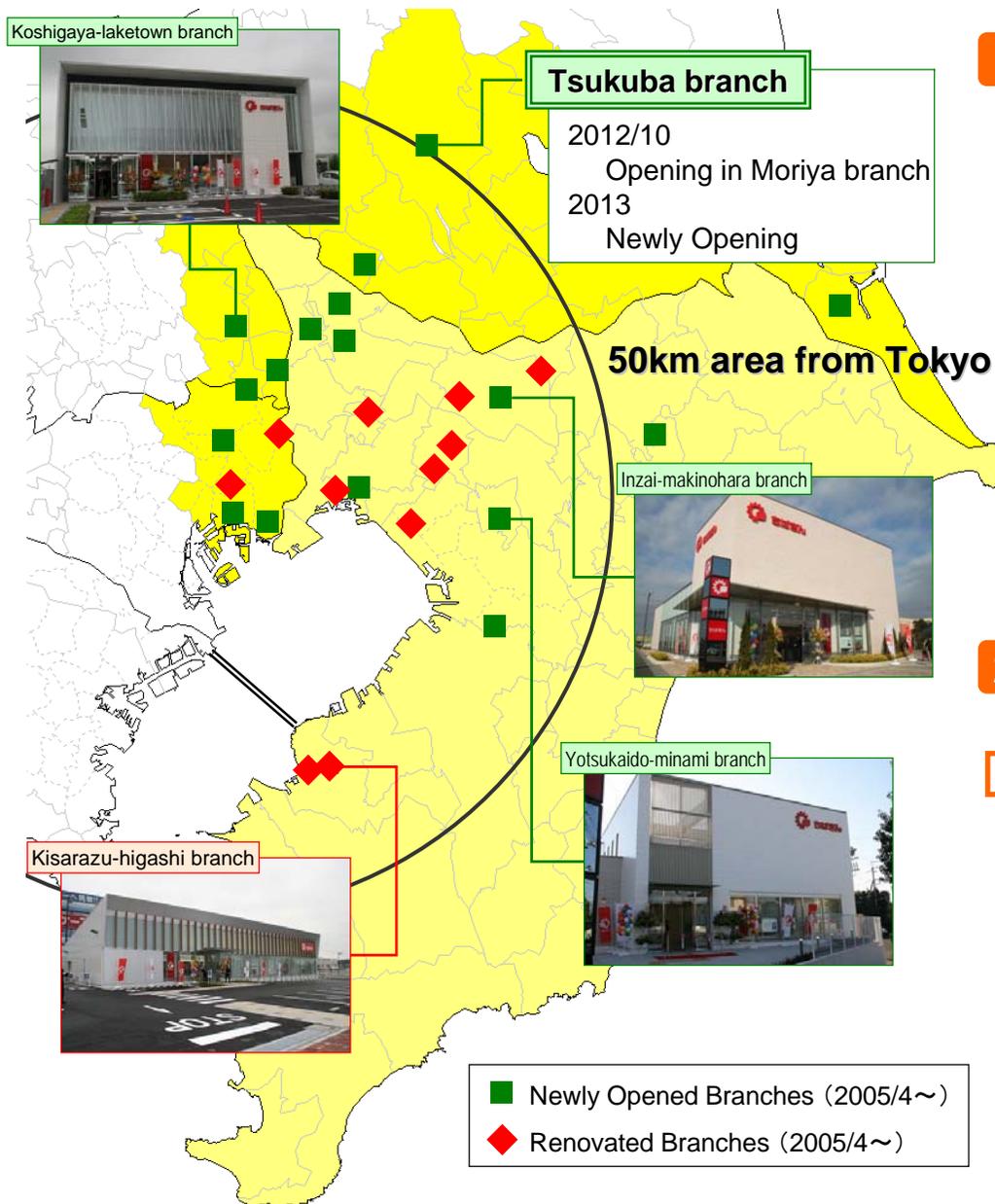
- Regional support by “Corporate Business Division” and “Regional Business Division”
- **Aiming to outperform regional growth** by strategic branch network development

**【Subject 4】Improving staff training**

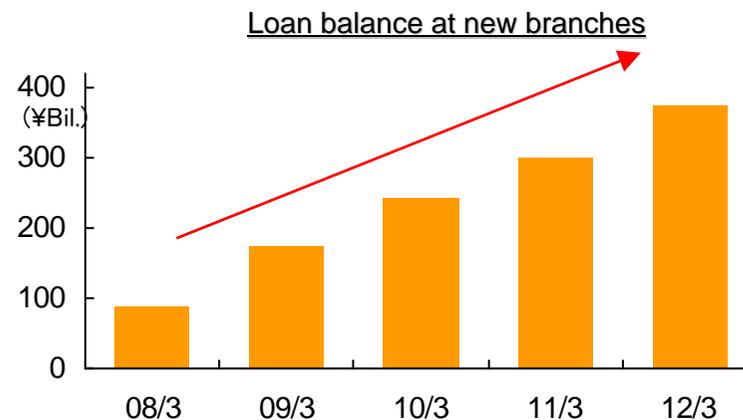
**P16**

- Reviewing the employment plan and improving staff training by strengthening OJT
- **Enhancing the quality and number of staff; strategic allocation to key businesses**





**1 Expanding the branch network into growth areas**



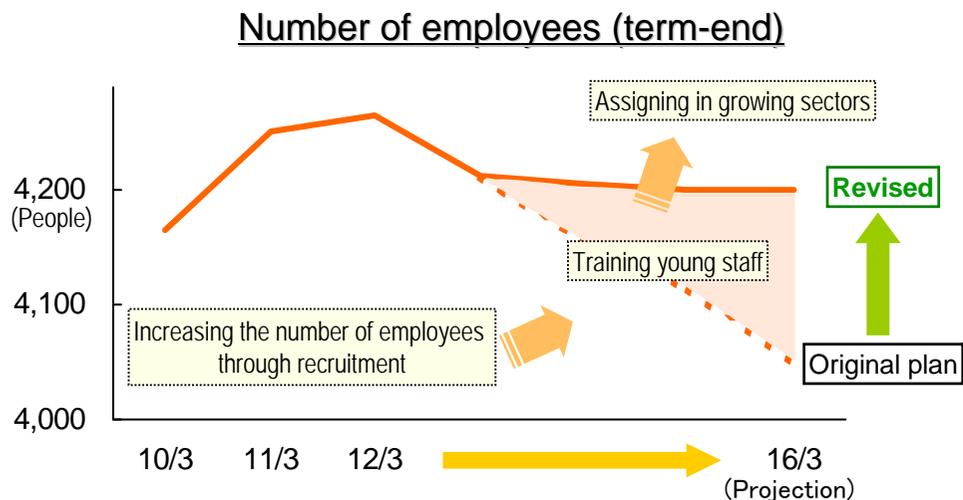
**2 Strategic renewal of branches**

Effect	Branches with consulting lounge*			
	1H10	1H11	Change	%
(Yachiyo branch, Nakayama branch) Kamagaya branch				
Number of visitors (including ATM)	3,759	4,065	306	8.1%
Accounts with auto-pension transfer and auto-salary transfer	35,225	35,879	654	1.9%
Sales-over-the-Counter-Ratio of AUM	32.9%	46.6%	13.6%	
Number of safety boxes	1,631	1,818	187	11.5%

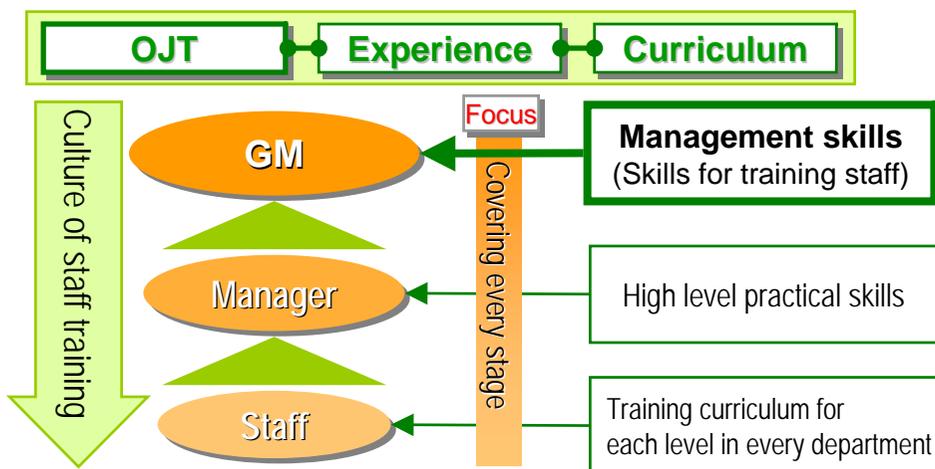
\*3 branches which were renovated with consulting lounges in 2H2010.

**Understaffing; bottleneck for our development**

~Revising employment planning~

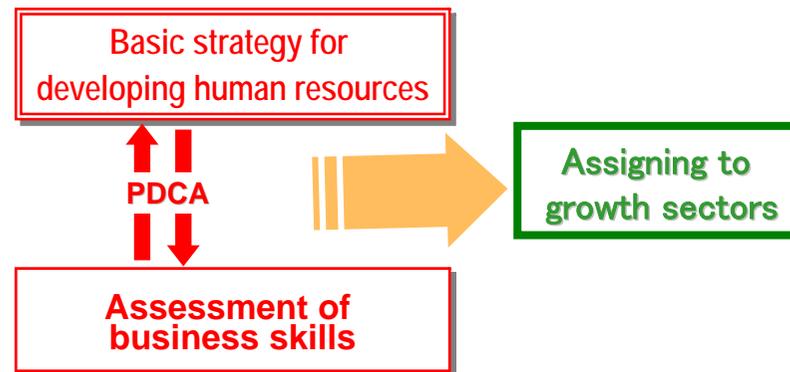


**Basic strategy for developing human resources**



THE CHIBA BANK, LTD.

**1 Emphasis on assigning staff to growth sectors**



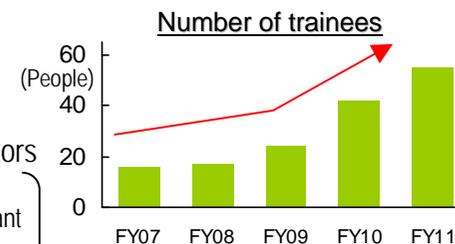
**2 Improving OJT**

- Enhancing OJT by improving management skills of GM
- Enhancing “Chibagin training school”  
[ Senior staff teach young staff of nearby branches ]
- Home learning tool via internet (12/8~)

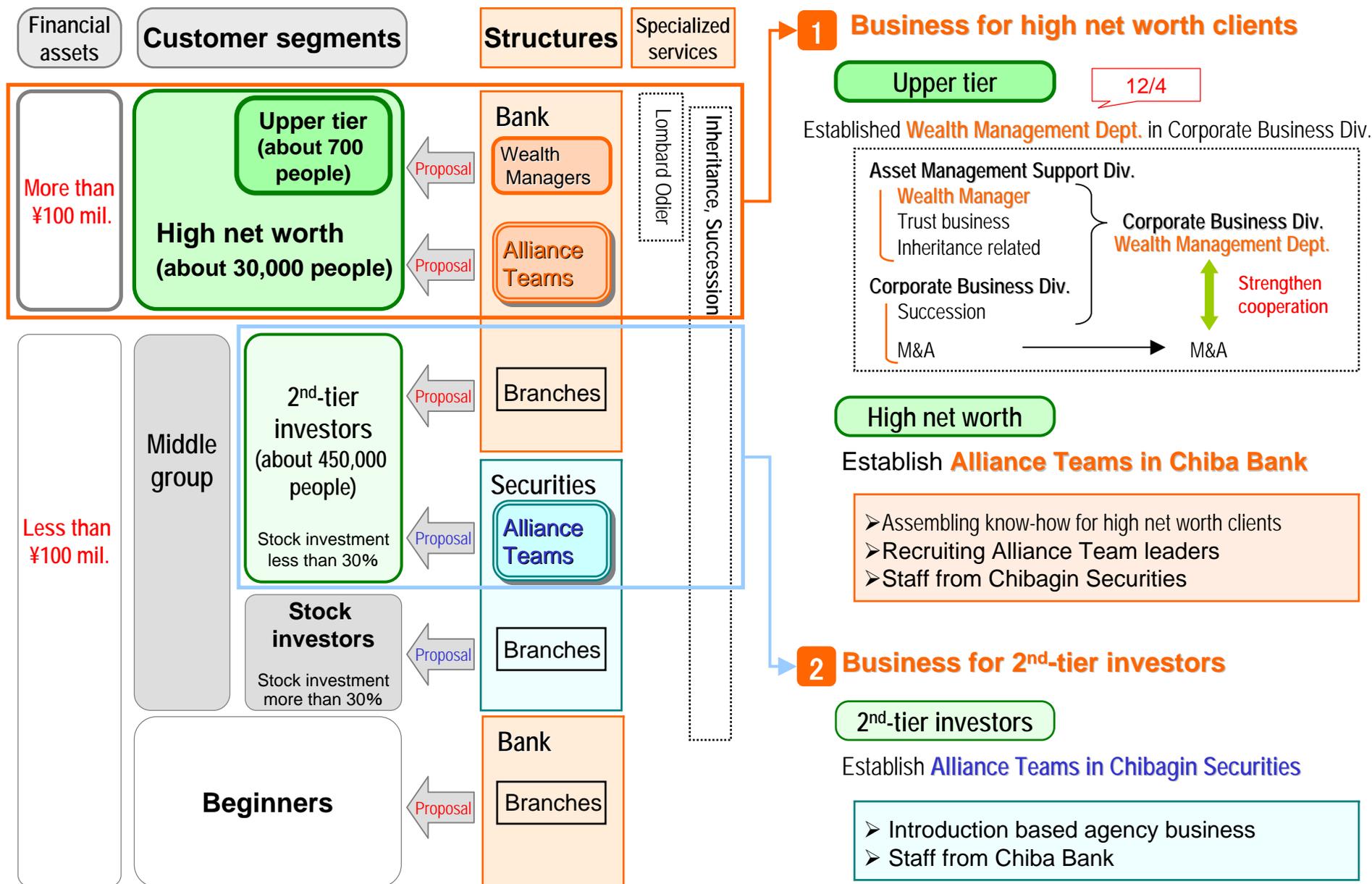


**3 Training specialized staff**

- Staff specializing in Asian business  
[ Business trainees  
Language training etc. ]
- Staff specializing in growth sectors  
[ Agri-business advisor  
Medical management consultant  
Foreign trade advisor etc. ]

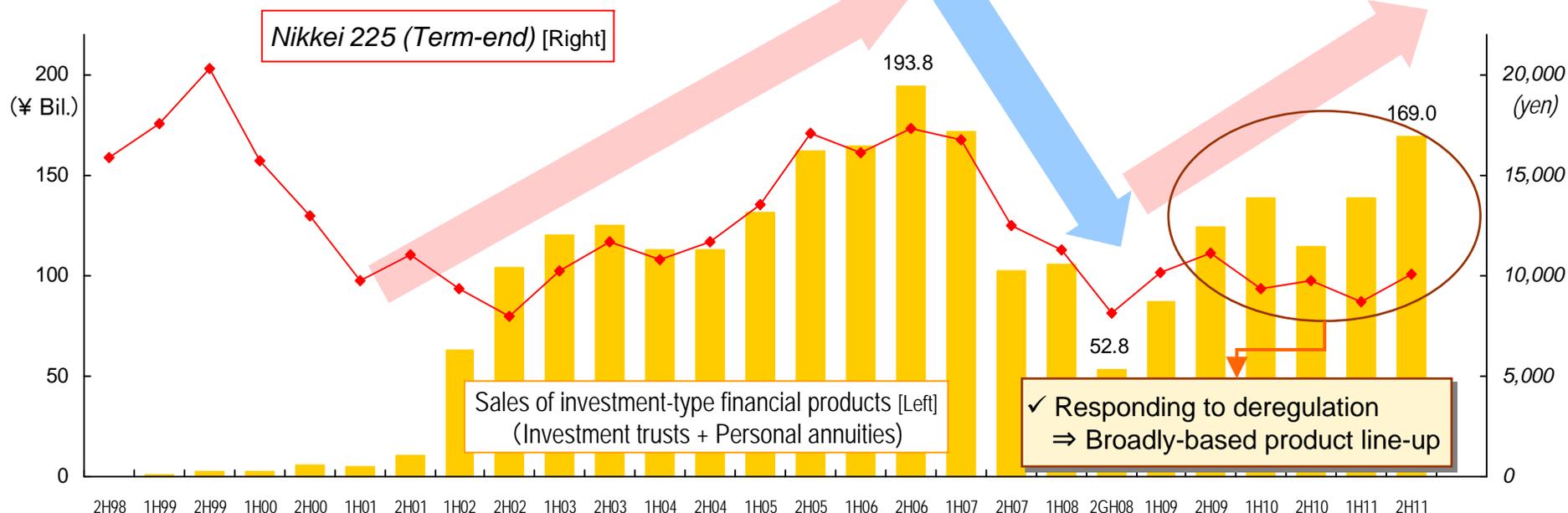


# Business Strategy for High Net Worth Clients — Integration of Securities Business with Bank



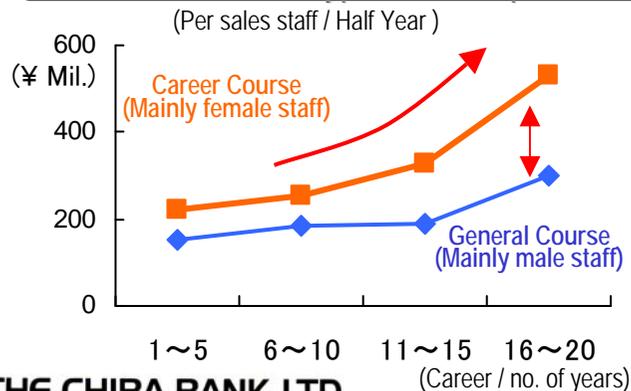
1 Stable sales results, unaffected by stock market

Sales of investment-type financial products



2 Female sales staff in the front line

Sales of investment-type financial products



Assigning female staff

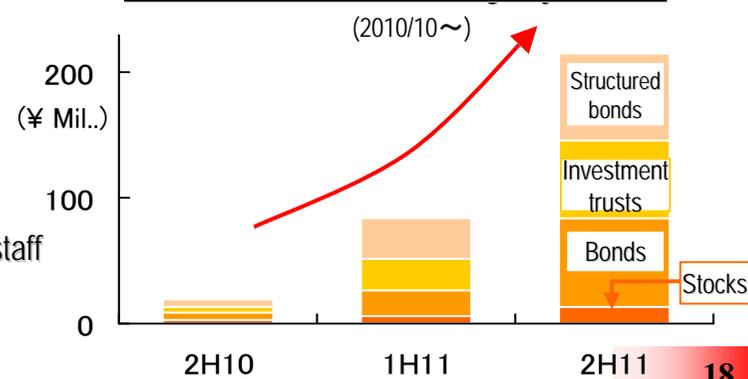
The number of female sales staff  
39 ⇒ 152  
(09/3) (12/3)

Supporting long-career of female staff

Established Female Support Team  
(2011/10~)

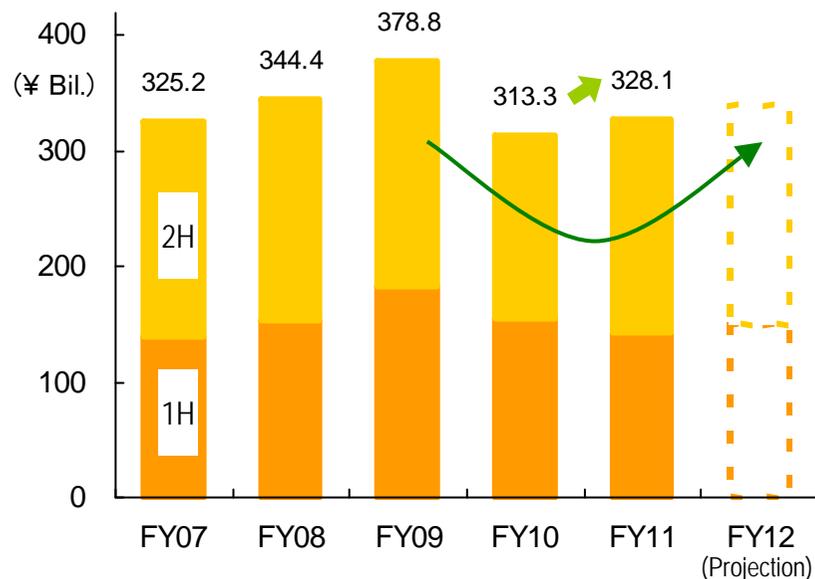
3 Increasing sales of introduction based agency business

Fees from introduction based agency business



# Loans for Personal Customers

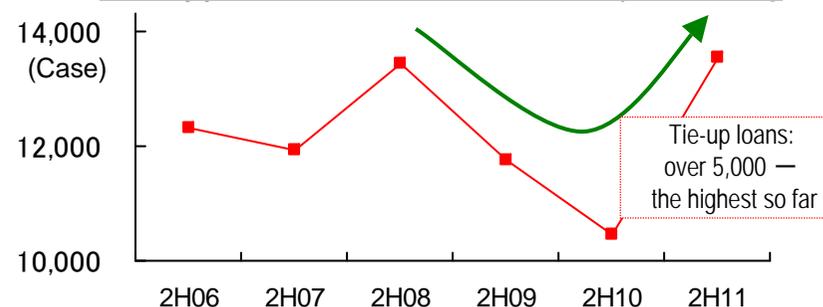
New housing loans



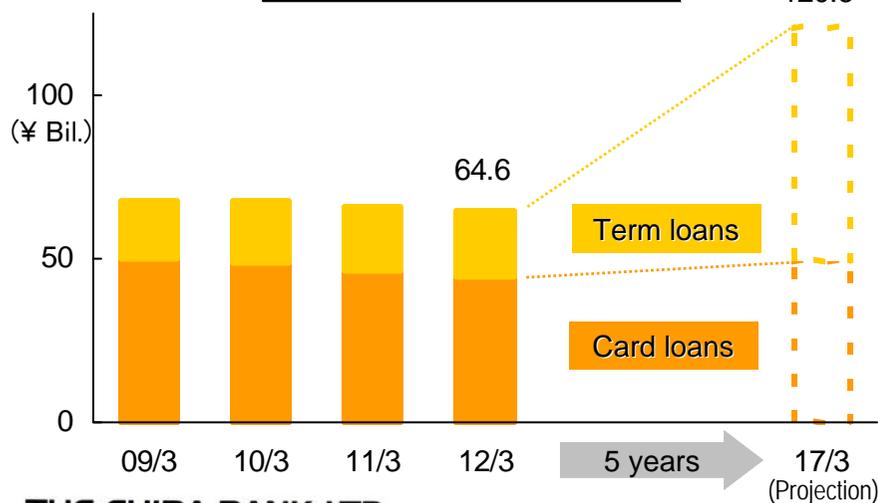
## 1 New housing loans growing steadily by directly approaching housing related companies

- Hokuso Loan Center moved to Narita Loan Center
- Number of apartment sales in Chiba Pref. increased  
⇒ Strengthening loan business by directly approaching housing related companies through Loan Centers

Pre-applications at Loan Centers (Oct.-Mar.)



Balance of consumer loans



## 2 Strengthening consumer loan business

- Expanding sales channels
  - Established "Loan Call Center" in Branch Support Div. ⇒ Follow-up calls for direct mailings  
In/out-bound calls at weekends
- Revising terms and conditions of consumer loans
  - Expand limits (Renovation loans for earthquake-proofing works, educational loans for medical students)
  - "Various rate-discounts from standard rate" ⇒ "Counter rates"

Established 12/5

Corporate Business Div.

Growth Business Support Office

Medical · Nursing

Agriculture

Environment

Tourism

PFI

International business ⇒P21

Business matching

Business Solution and Support Dept.

Syndicated Loans

Liquidation of credit receivables

Private placement bonds

Defined contribution pensions

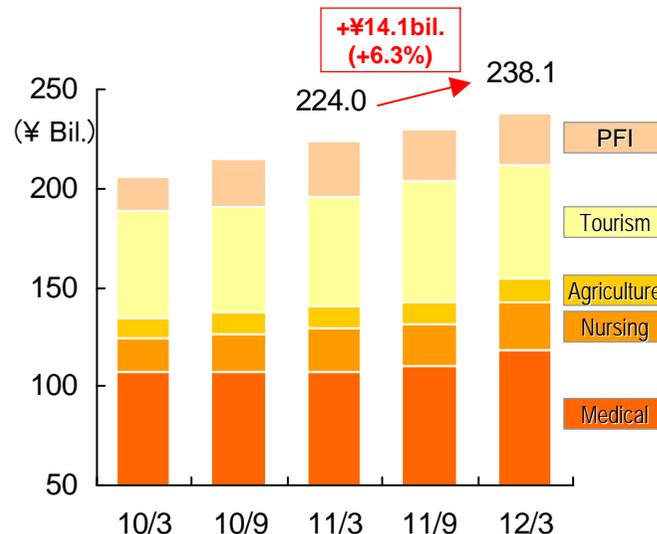
Wealth Management Dept.

(⇒P17)

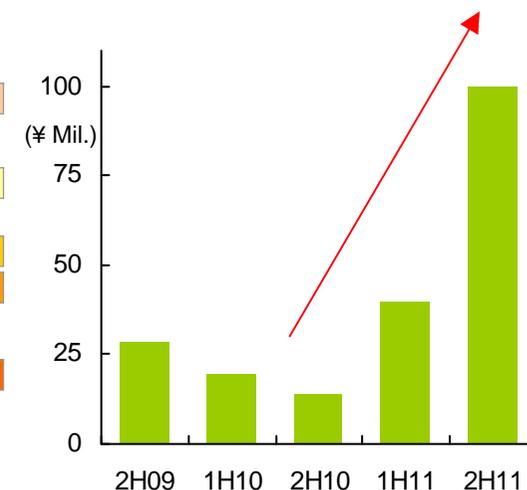
Business Center Dept.

**1 Expanding business in growth sectors by assigning specialized staff**

Loan balance for growth sectors

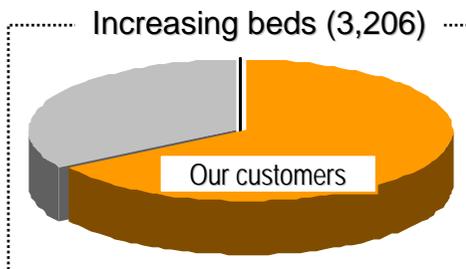


Fees income from business matching



**2 Building new hospitals and increasing the number of beds in hospitals**

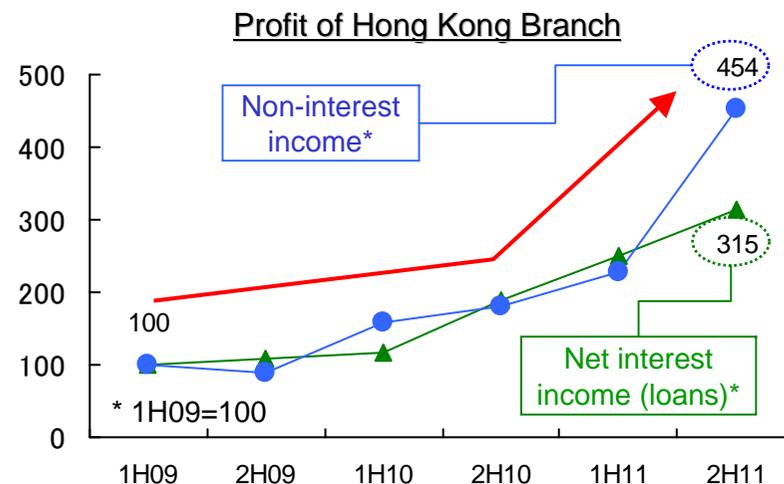
➤ According to Hospital Bed Plan of Chiba Prefecture, 3,206 new beds in 54 medical institutions approved in March, 2012.



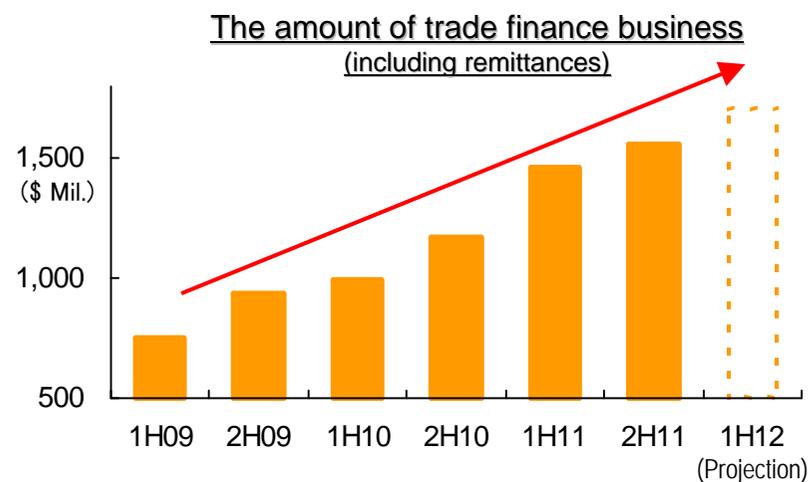
- ✓ Finance needs for building hospitals
- ✓ Business matching



**1 Increasing profit of Hong Kong Branch through expanding Asian network**



**2 The amount of trade finance business in domestic branches increased**





**1 Display for sales staff (CRM)**

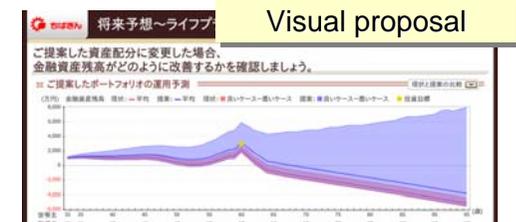
- ✓ Supporting branch operations by navigation system
- ✓ Supporting timely proposals by EBM functions

Navigation system for proposal of financial products



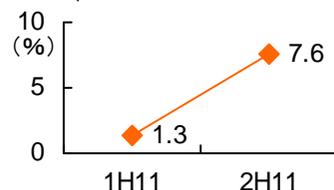
**2 Display for customers**

- ✓ Visual proposal with display
- ✓ Touch panel (Easy for customers)



**Event Based Marketing System**

Contract rate of AUM  
 (Contract / EBM notification)



**3 Cost-saving by cooperating with other regional banks in developing IT systems**

**TSUBASA Project**

- ✓ **Cost-saving: ¥700 mil.**  
 (Compared with solely development)

**1 Positive attitude towards shareholders' return**

**Acquisition of own shares**

10/10

11/5~6

12/5~6

**Acquisition of own shares**

10M shares  
¥5.06 bil.

12M shares  
¥5.82 bil.

Up to 10M shares  
Up to ¥6.0 bil.

FY10

FY11

FY12

FY13

**Cash dividends paid**

	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11(Scheduled)	FY12(Projection)
Cash dividends paid per share (annual)	¥6*	¥6	¥7	¥9	¥11	¥11	¥11	¥11	¥11	¥11

\*Including ¥1 memorial dividends

**Shareholders' return**

(¥ Bil.)	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11(Scheduled)	FY12(Projection)
Annual cash dividends paid ①	5.0	5.0	6.1	8.0	9.8	9.8	9.8	9.7	9.6	9.5
Own share acquisition ②	-	-	-	-	-	-	-	5.0	5.8	6.0
Shareholders' return ③=①+②	5.0	5.0	6.1	8.0	9.8	9.8	9.8	14.8	15.4	15.5
Consolidated net income ④	27.5	36.3	48.9	52.5	45.9	12.3	37.5	40.6	40.7	42.0
Payout ratio ①/④×100	18.3%	13.8%	12.2%	15.2%	21.3%	79.3%	26.1%	24.0%	23.6%	22.8%
Shareholders' return ratio ③/④×100	18.3%	13.8%	12.2%	15.2%	21.3%	79.3%	26.1%	36.5%	37.9%	37.0%

**2 Using capital effectively for our future development**

- Increasing loan balance
- Improving efficiency by effective investment
- Enhancing alliance strategy



2011/10~  
Wholly-owned subsidiary