

# Financial Results for FY2012

*Frontier 70*



**May 22, 2013**

**THE CHIBA BANK, LTD.**

» **Summary of Financial Results**

Summary of Financial Results	3
Net Interest Income	4
Loan Portfolio	5
Securities Portfolio	6
Net Fees and Commissions Income	7
Expenses	8
Net Credit Costs	9
Earnings Projections for FY2013	10
Capital Base	11

»» **Business Strategy**

Development Projects in Chiba	13
Branch Network Strategy	14
Consumer Channel Strategy	15
Housing Loans	16
Unsecured Consumer Loans	17
Securities Business	18
Corporate Customer Base	19
Business in Growth Sectors	20
International Business	21
IT Strategy	22
Capital Policy	23

» Summary of Financial Results

» » Business Strategy

<b>Consolidated</b>					
(¥ Bil.)	FY11	FY12	Change	From Projection	
Ordinary profit	66.9	72.7	5.8	3.7	
Net income	40.7	44.1	3.3	2.1	

<b>Non-consolidated</b>					
(¥ Bil.)	FY11	FY12	Change	From Projection	
Gross business profits	153.3	152.4	(0.8)	(1.0)	
Net interest income	134.5	130.1	(4.4)	(0.8)	p.4
Net fees and commissions income	14.5	15.4	0.9	0.4	p.7
Trading income	1.4	1.3	(0.1)	(0.1)	
Profit from other business transactions	2.7	5.4	2.7	(0.5)	
Gains (losses) related to bonds	0.9	3.8	2.9	(0.1)	
Expenses (-)	81.2	81.8	0.5	(1.1)	p.8
Real net business income	72.0	70.6	(1.3)	0.1	
Core net business income	71.0	66.7	(4.3)	0.2	
Net transfer to general allowance for loan losses (-)	-	(2.7)	(2.7)	(0.2)	p.9
Net business income	72.0	73.3	1.3	0.3	
Non-recurrent income and losses	(10.2)	(6.9)	3.3	2.0	
Disposal of non-performing loans (-)	2.2	11.7	9.5	2.2	p.9
Gains (losses) related to stocks, etc.	(9.2)	0.9	10.1	4.2	
Ordinary profit	61.7	66.4	4.6	2.4	
Extraordinary income (loss)	(0.7)	(0.5)	0.2	0.1	
Net income	36.0	41.2	5.2	1.2	
Net credit costs (-)	2.2	8.9	6.7	1.9	p.9

## Summary of Financial Results

### Consolidated net income increased

#### for four successive fiscal years

##### [Consolidated]

- ✓ Ordinary profit:  
¥72.7 Bil. (YoY + ¥ 5.8 Bil)
- ✓ Net income:  
¥44.1 Bil. (YoY + ¥ 3.3 Bil)
- ✓ Difference from  
Non-consolidated net income:  
¥ 2.9 Bil.

### Non-consolidated results

#### beat the projection

##### [Non-consolidated]

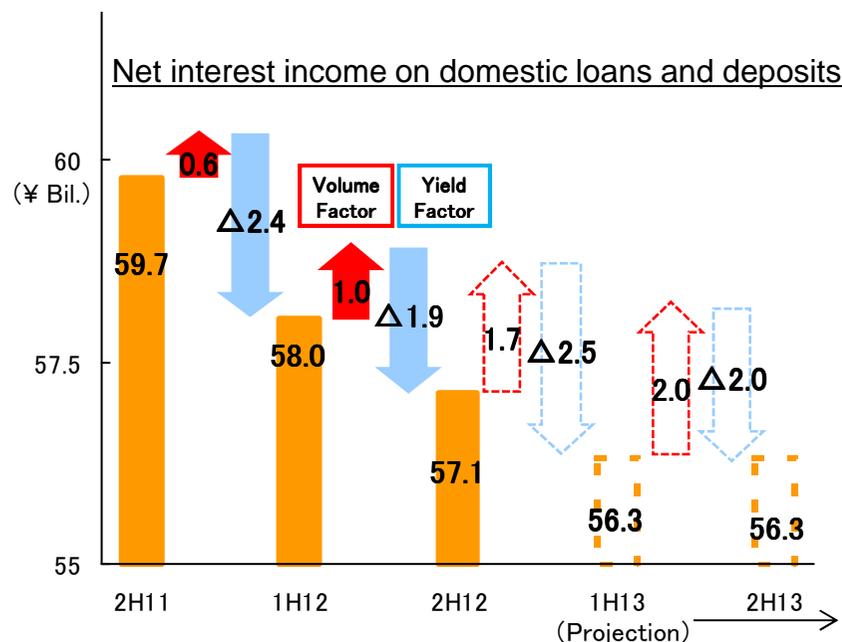
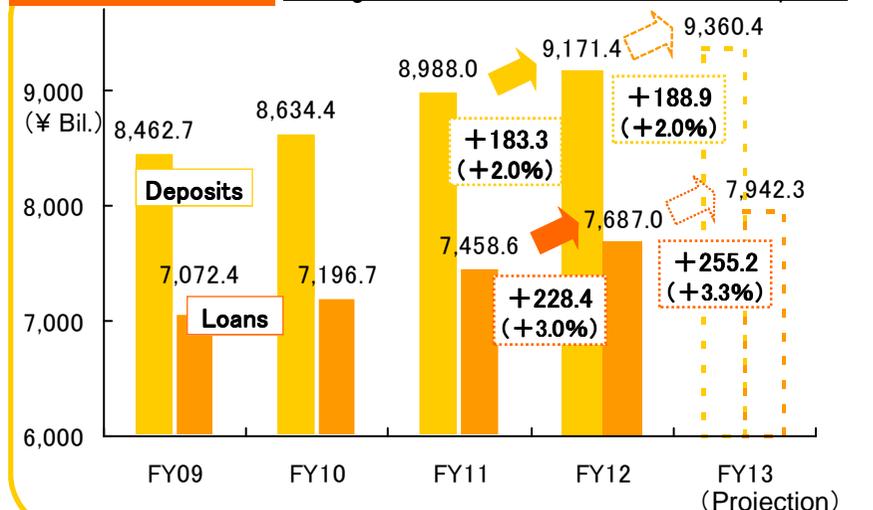
- ✓ Core net business income:  
¥ 66.7 Bil. (YoY - ¥ 4.3 Bil.)  
<+¥0.2Bil from projection>
- ✓ Ordinary profit:  
¥ 66.4 Bil. (YoY +¥ 4.6 Bil.)  
<¥+2.4Bil from projection>
- ✓ Net income:  
¥ 41.2 Bil. (YoY +¥ 5.2 Bil.)  
<¥+1.2Bil from projection>

# Net Interest Income

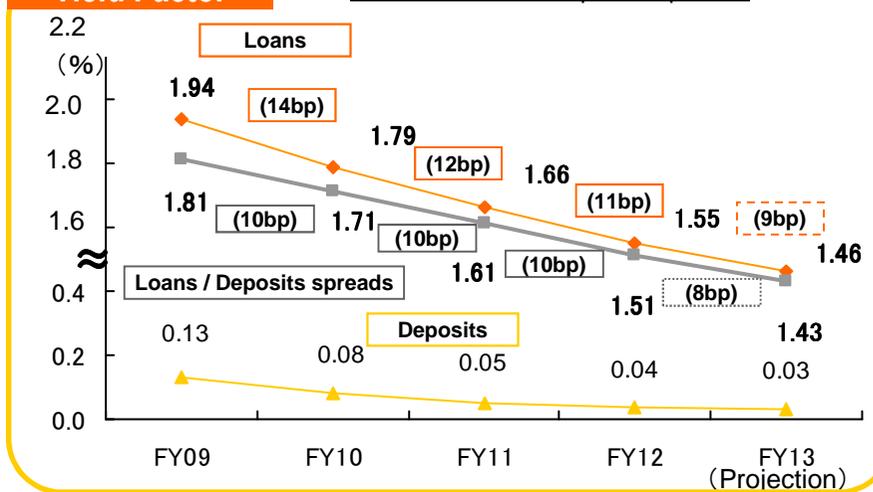
Net interest income on domestic loans and deposits will bottom out in 2H13

(¥ Bil.)	FY11	FY12	Change
Net interest income	134.5	130.1	(4.4)
Domestic	131.4	126.3	(5.0)
Loans and deposits	119.4	115.1	(4.2)
Loans	124.4	119.3	(5.0)
Deposits	5.0	4.2	(0.7)
Securities	14.1	13.5	(0.5)
International	3.1	3.7	0.6

**Volume Factor** Average balance of domestic loans and deposits



**Yield Factor** Domestic loans / deposits spreads



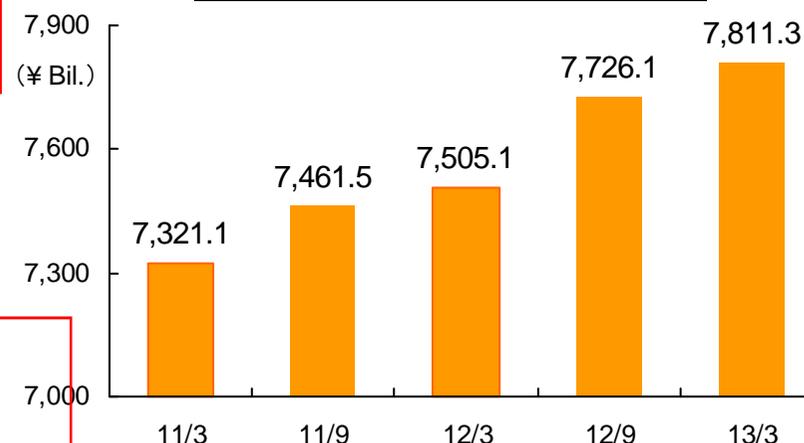
Domestic loans including SMEs increased favorably

(¥ Bil.)	12/3	13/3	Change	%
Domestic loans	7,505.1	7,811.3	306.2	4.0%
ex. Public sector	7,217.3	7,497.5	280.2	3.8%
Corporate loans	4,466.6	4,624.5	157.8	3.5%
Large corporates	1,240.0	1,334.6	94.6	7.6%
SMEs	3,226.6	3,289.9	63.2	1.9%
Consumer loans	2,750.6	2,873.0	122.3	4.4%
Housing loans	2,658.6	2,782.2	123.6	4.6%
Public sector	287.8	313.7	25.9	9.0%

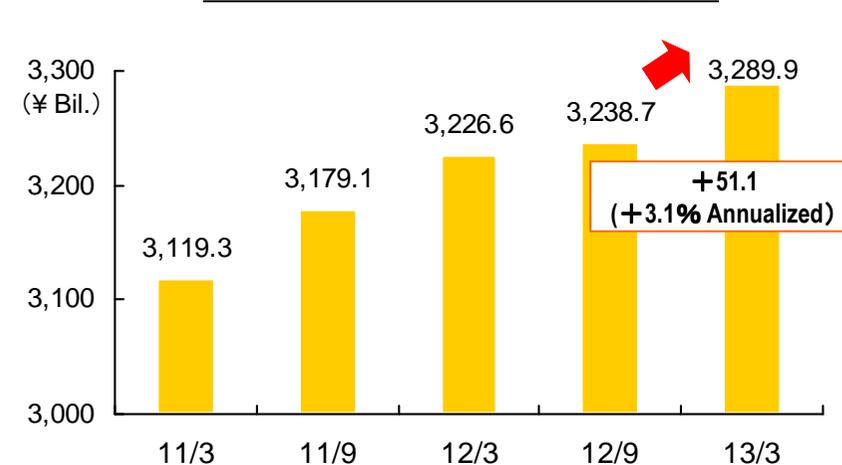
	12/3	13/3	Change	%
Domestic loans	7,505.1	7,811.3	306.2	4.0%
Branches in Chiba	5,672.9	5,806.5	133.5	2.3%
Branches outside Chiba	1,832.1	2,004.8	172.6	9.4%
Wholesale branches* (Special Branches*)	1,195.3	1,262.5	67.1	5.6%
Retail branches (ex. Special Branches*)	636.8	742.2	105.4	16.5%

\* Tokyo Head Office, Shinjuku branch and Osaka branch

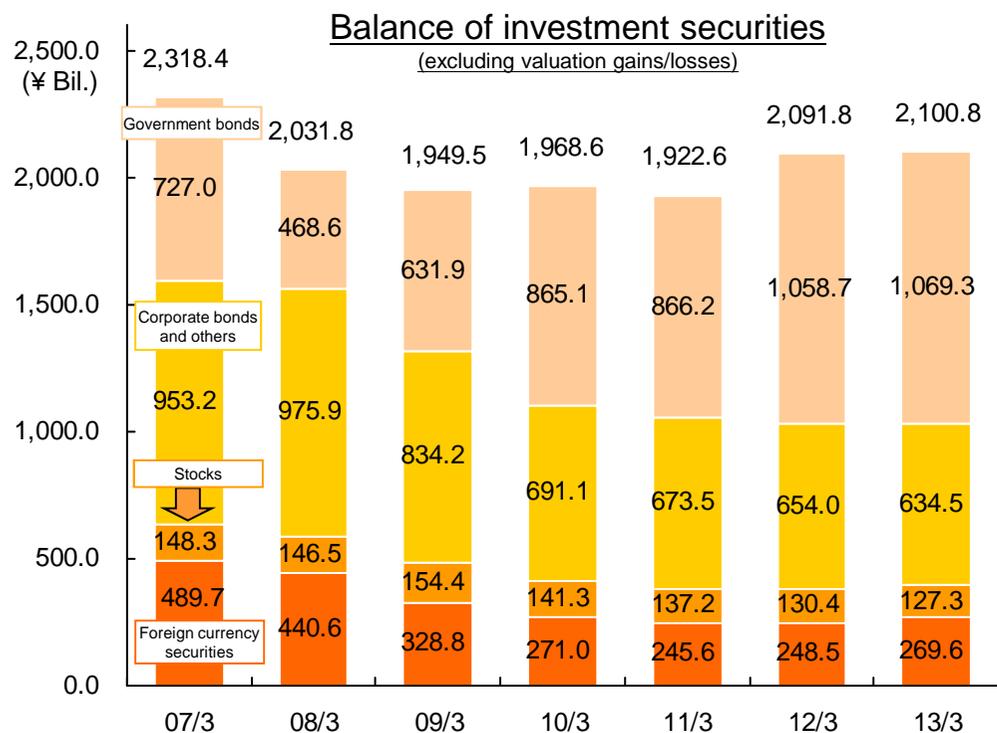
Term-end balance of domestic loans



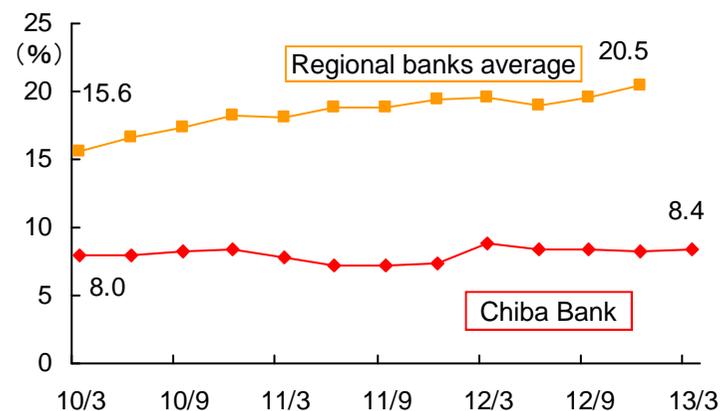
Term-end balance of loans for SMEs



Investment policy to control interest rate risk

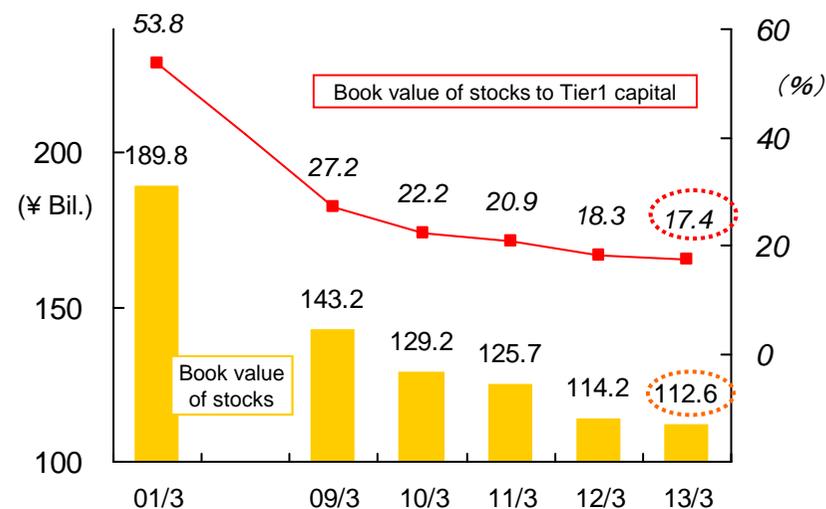


Tier1 vs Interest rate risk of yen bonds (100BPV)

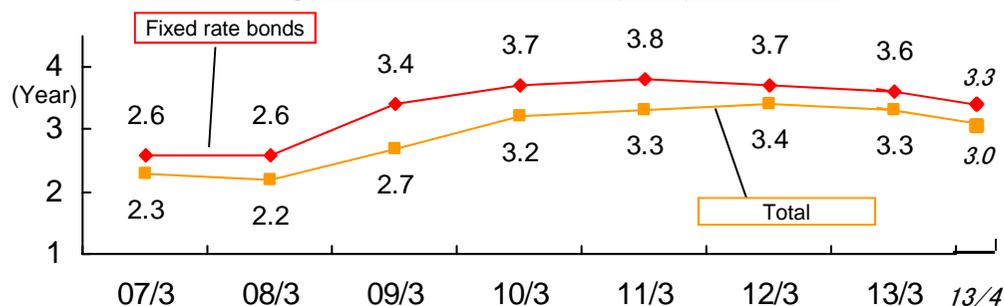


Book value\* of stocks and ratio to Tier 1 capital (Consolidated)

\*Acquisition cost of other securities with market value



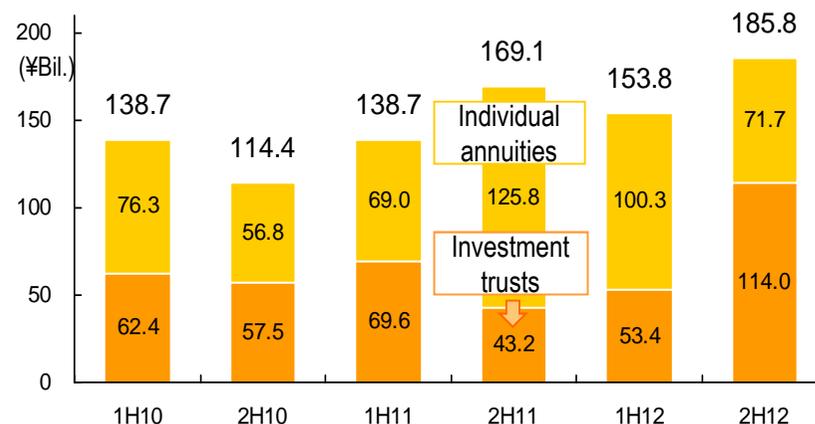
Average duration to maturity of yen bonds



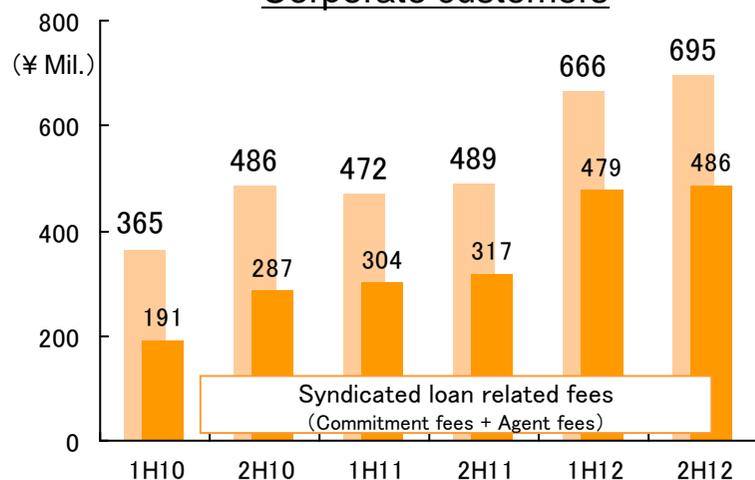
Growth in the sales of investment trusts; Net fees and commissions income steady

(¥ Bil.)	FY11	FY12	Change
Net fees and commissions income	14.5	15.4	0.9
Fees and commissions	32.4	33.5	1.1
Investment trusts and personal annuities	9.3	9.3	(0.0)
Investment trusts	4.4	5.2	0.8
Personal annuities	4.9	4.1	(0.8)
Indemnity-type insurance	0.5	0.7	0.1
Corporate customers	0.9	1.3	0.3
Fees and commissions payments	17.9	18.1	0.1
Guarantee charges and group insurance costs	10.8	11.2	0.3

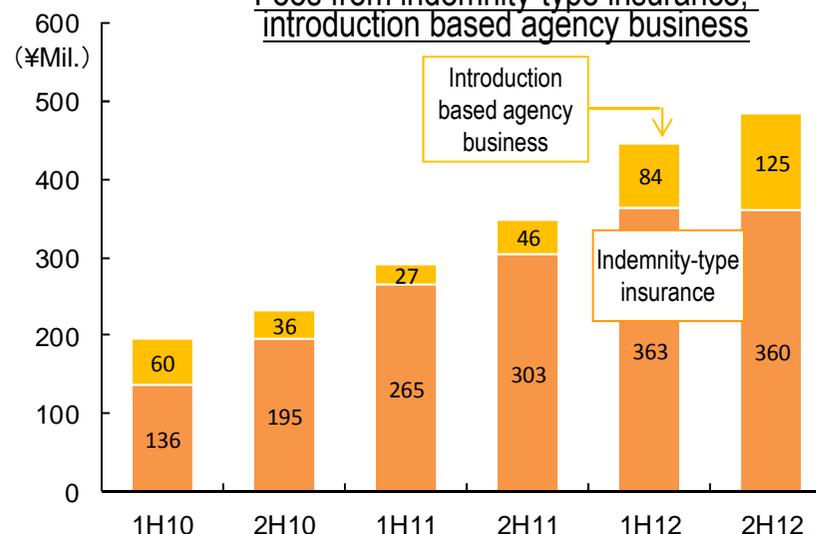
Sales of investment-type financial products



Corporate customers



Fees from indemnity-type insurance, introduction based agency business



Continuing investment for growth; radical cost-cuts

	FY11		FY12		FY13 (Projection)	
	(¥ Bil.)		Change	From Projection		Change
Expenses	81.2	81.8	0.5	(1.1)	81.5	(0.3)
Personnel	41.2	41.1	(0.1)	0.1	41.0	(0.1)
Non-personnel	35.8	36.6	0.7	(1.1)	36.1	(0.5)
Tax	4.1	4.1	(0.0)	(0.1)	4.4	0.3

Main increase/decrease factors in expenses

(¥ Bil.)	FY12 (Actual)	FY13 (Projection)
Personnel	-0.1 Employees decrease (-0.3) Retirement benefit costs (+0.1)	-0.1 Shift to younger (-0.1)
Non-personnel	0.7 Renewal of branch IT systems (+0.7) Opening new branches and renovating branches (+0.2) Investments for new projects(+0.1) Reversal of provisions belonging to the past fiscal year(+0.6) Refund of deposit insurance (-1.2)	-0.5 Renovating branches (+0.5) Depreciation expenses related to new branch IT systems (-0.9)
Tax		0.3 Consumption tax(+0.2)

✓ New Branch IT Systems

(12/3Completed)



✓ Branch Renewal, etc.

• Soga Business Center (12/6)



• Kamogawa Branch Renewal (13/3)



Despite default cases remaining historically low, applying conservative allowances

(¥ Bil.)	FY10 (Actual)	FY11 (Actual)	FY12 (Actual)	Change	FY13 (Forecast)	Change
Net credit costs	10.3	2.2	8.9	6.7	5.0	(3.9)
Net transfer to general allowance for loan losses	(0.4)	(7.9)	(2.7)	5.2	0.0	2.7
Disposal of non-performing loans	10.8	10.2	11.7	1.5	5.0	(6.7)
Write-off / allowance, etc.	16.2	13.4	15.3	1.8	8.5	(6.8)
New downgrades	14.5	13.3	12.5	(0.7)	10.0	(2.5)
Decreases in collateral value, etc.	2.4	1.0	1.5	0.4	1.0	(0.5)
Collections, etc.	(1.8)	(1.8)	(2.8)	(1.0)	(2.0)	0.8
Recoveries of written-off claims	(5.4)	(3.2)	(3.5)	(0.3)	(3.5)	0.0

(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.

Net credit costs ratio	14bp	2bp	11bp	6bp
------------------------	------	-----	------	-----

○Effect of changes in reserve ratio

Non-consolidated: +¥5.6 Bil.

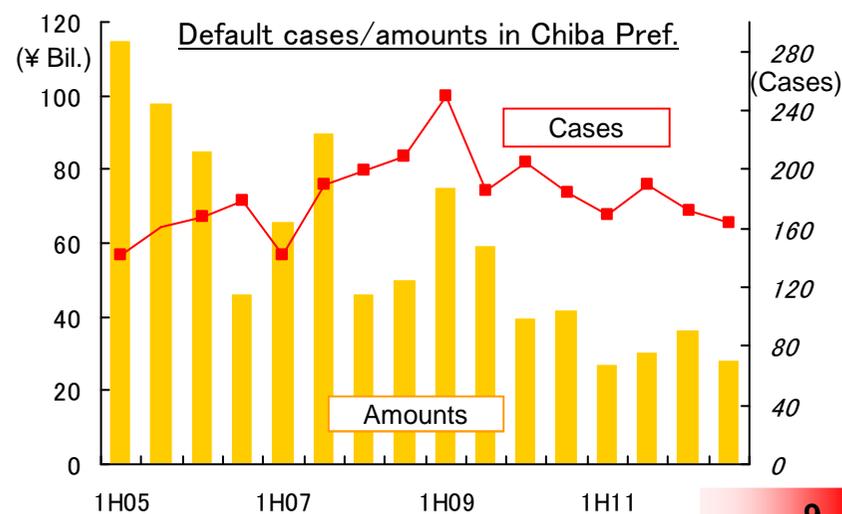
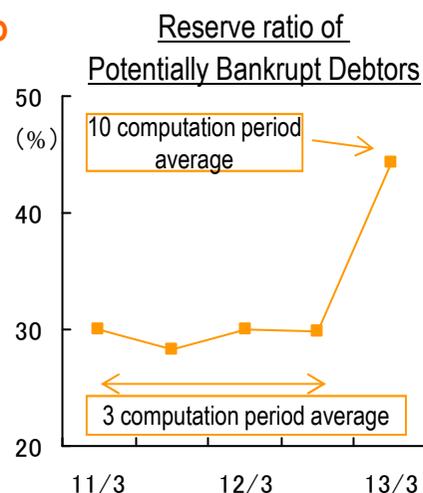
General allowance: +¥1.1 Bil.

Specific allowance: +¥4.5Bil.

Consolidated: +¥6.4Bil.

Chibagin Guarantee Co., Ltd.: +¥0.8 Bil.

+¥0.8 Bil.



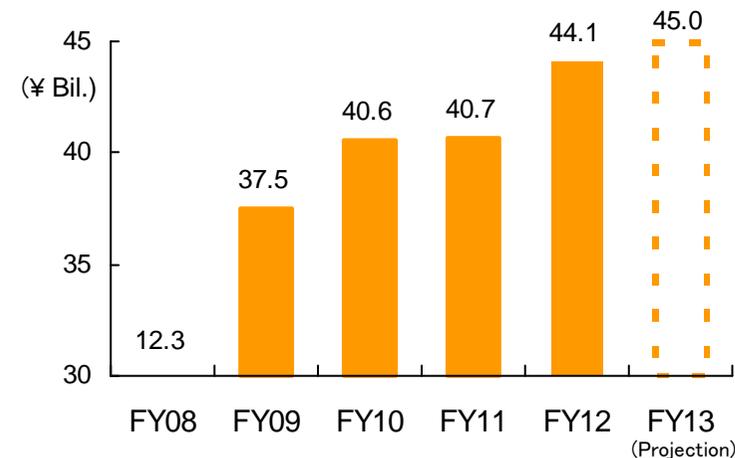
## Earnings Projections for FY2013

<b>Consolidated</b>			
(¥Bil.)	FY12	FY13 (Projection)	Change
Ordinary profit	72.7	74.0	1.2
Net income	44.1	45.0	0.8

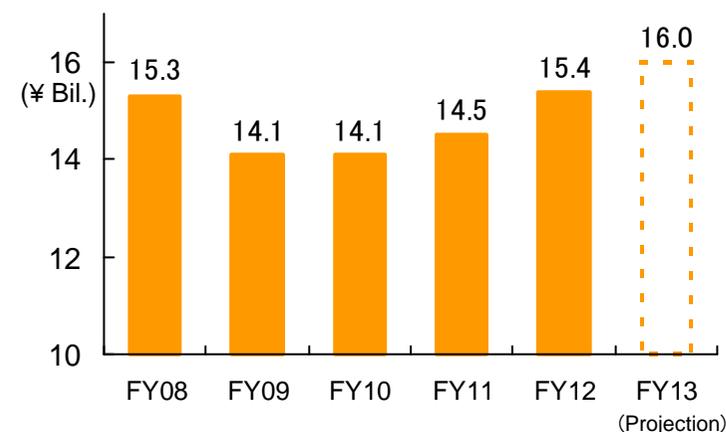
  

<b>Non-consolidated</b>			
(¥Bil.)	FY12	FY13 (Projection)	Change
Gross business profit	152.4	151.5	(0.9)
Net interest income	130.1	128.0	(2.1)
Net fees and commissions income	15.4	16.0	0.5
Trading income	1.3	2.0	0.6
Profit from other business transactions	5.4	5.5	0.0
Gains (losses) related to bonds	3.8	3.5	(0.3)
Expenses (-)	81.8	81.5	(0.3)
Real net business income	70.6	70.0	(0.6)
Core net business income	66.7	66.5	(0.2)
Net transfer to general allowance for loan losses (-)	(2.7)	0.0	2.7
Net business income	73.3	70.0	(3.3)
Non-recurrent income and losses	(6.9)	(2.0)	4.9
Disposal of non-performing loans (-)	11.7	5.0	(6.7)
Gains (losses) related to stocks, etc.	0.9	0.0	(0.9)
Ordinary profit	66.4	68.0	1.5
Extraordinary income (loss)	(0.5)	(0.5)	(0.0)
Net income	41.2	42.0	0.7
Net credit costs (-)	8.9	5.0	(3.9)

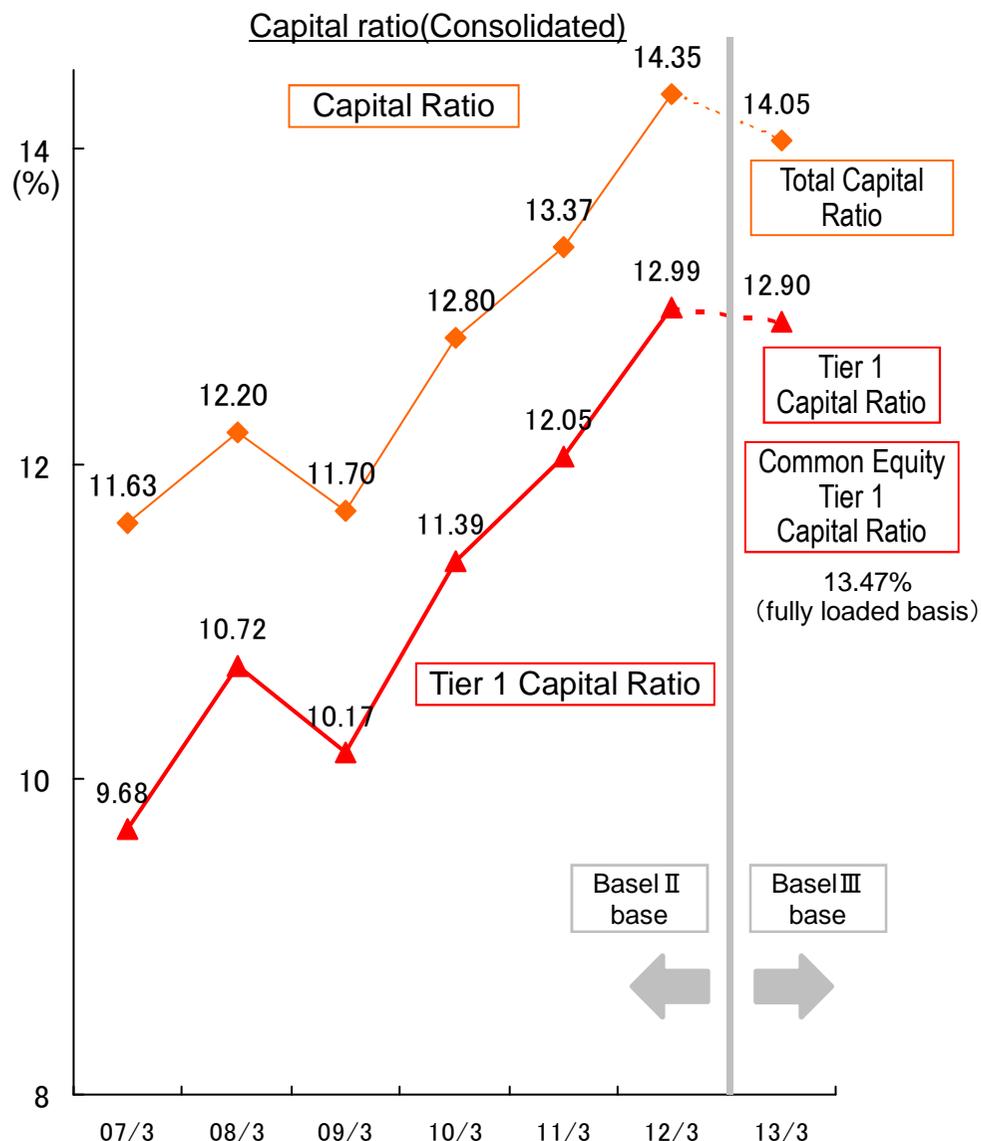
**Projected Consolidated net income for FY13: ¥45.0 Bil.**  
— Growing for five successive terms



**Net fees and commissions income projection: ¥16 Bil.**



Solid capital base in quality and quantity



Main increase/decrease factors in capital ratio

- ✓ Accumulation of profit (0.92%)
- ✓ Shareholders' return (-0.41%)
- ✓ Prepayment of subordinated debt (-0.90%)
- ✓ Increase in risk-weighted assets (-0.28%)
- ✓ Improvement in unrealized gains/losses of securities (+0.69%)
- ✓ Changing to Basel III base (0.19%)

Breakdown of capital and risk-weighted assets(Consolidated)

( ¥ Bil.)

Total Capital	702.4
Tier 1 Capital	645.2
Common Equity Tier 1 Capital	645.2
Total Risk-weighted Assets	4,999.8
Credit Risk	4,616.4
Market Risk	66.6
Operational Risk	301.2

» Summary of Financial Results

»» **Business Strategy**

Several development projects underway in Chiba prefecture, an attractive location

**Ken-O Expressway**

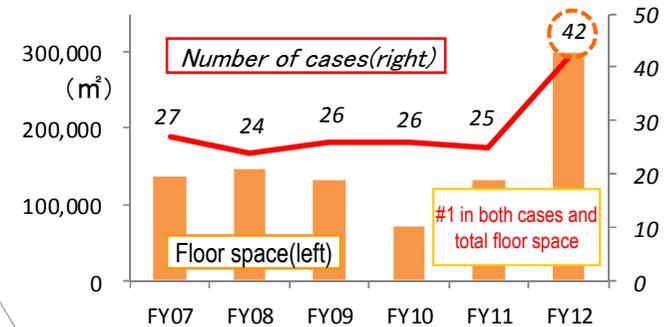
Opened 13/4/27 Kisarazu-Higashi IC~Togane IC•JCT **42.9Km**

Opening after FY13 Daiei JCT (tentative) ~Inashiki IC **20.5Km**



**Large-Scale Retail Stores**

New applications in Chiba based on Large-Scale Retail Store Law



**Attracting Companies**

**Many distribution bases**

**Tokyo-Bay area, Kashiwa**

Newly opened by Internet mail-order companies  
Ichikawa-Shiohama: #1 land price rate of increase\*

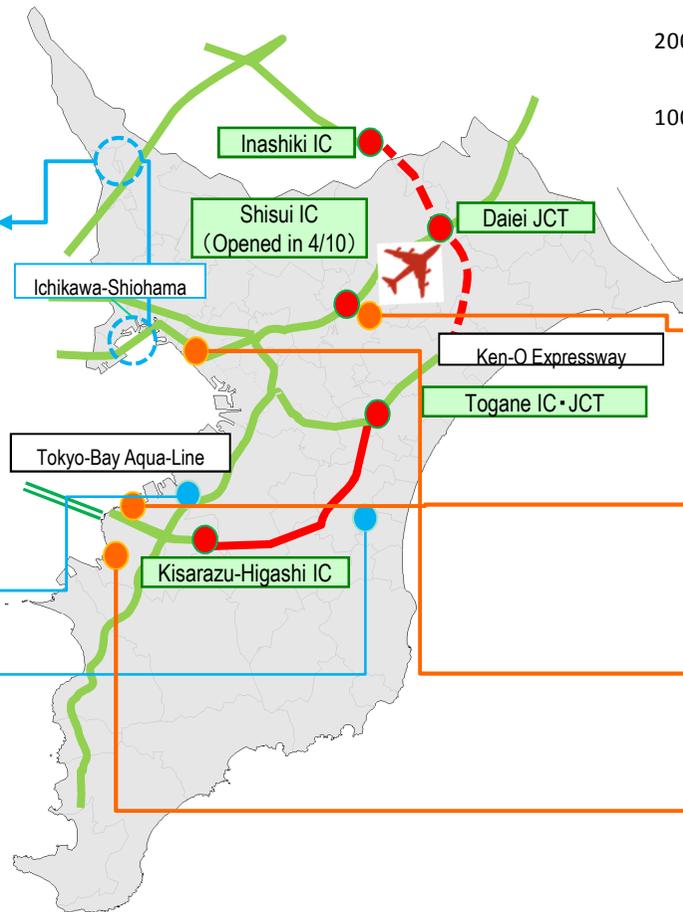
\*Industrial areas, 2013(As of January, 1st)

**Creation of first industrial park by Chiba pref. in 10 years**

Starting in 2013, Offering for sale in 2017

Sodegaura Shii-no-mori Industrial Park  
(2<sup>nd</sup>, 3<sup>rd</sup> development)

Mobara Niiharu Industrial Park



**Shisui Premium Outlet**

Opened in 13/4

Total 121 Stores, Employment: about 1,000 ppl

**Mitsui Outlet Park Kisarazu**

Opened in 12/4

Total 171 Stores

(2<sup>nd</sup> development + 50 Stores, Opening in Summer 2014)

**AEON MALL Makuhari New City**

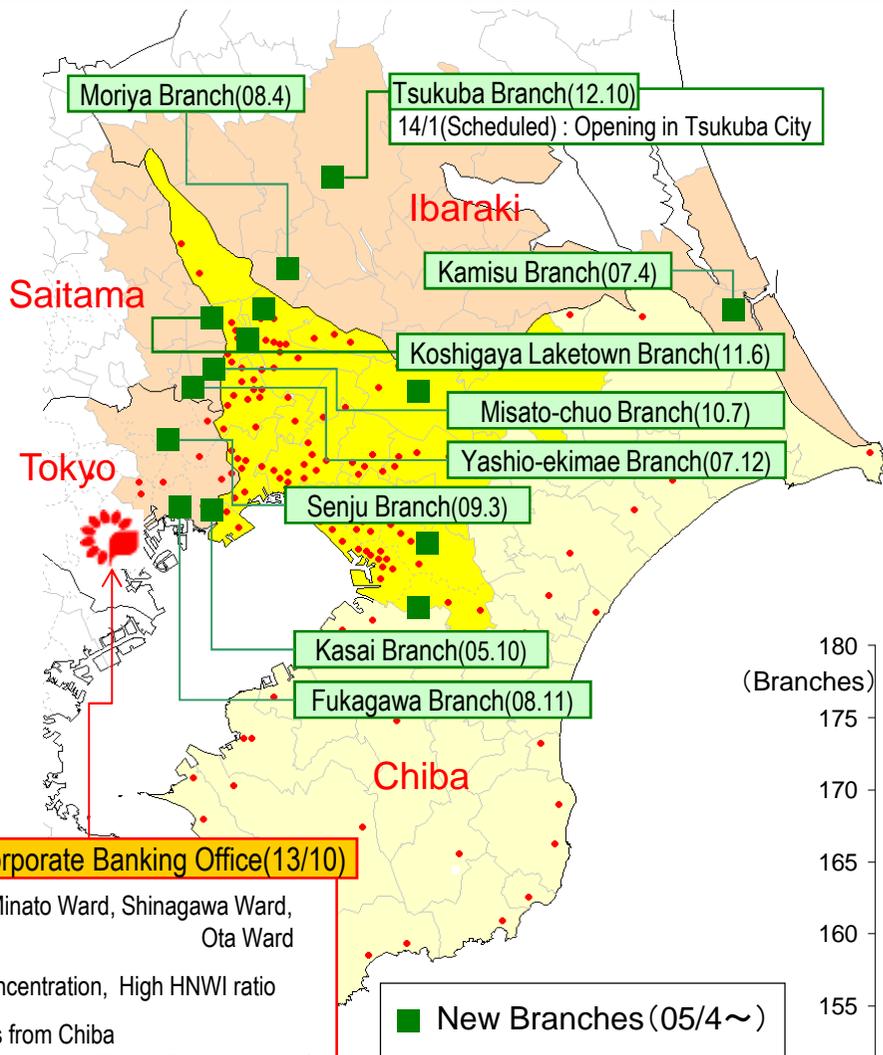
Opening in 13/12

**(tentative) AEON MALL Kisarazu**

Opening in Fall 2014

# Branch Network Strategy

Expanding the branch network into growth areas, especially in Tokyo Metropolitan area from now on

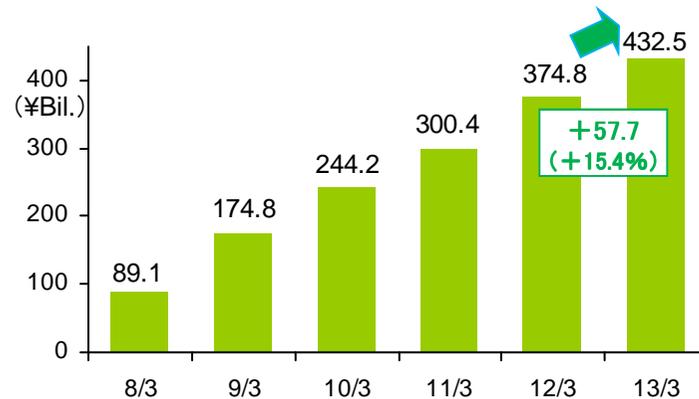


**Shinagawa Corporate Banking Office(13/10)**

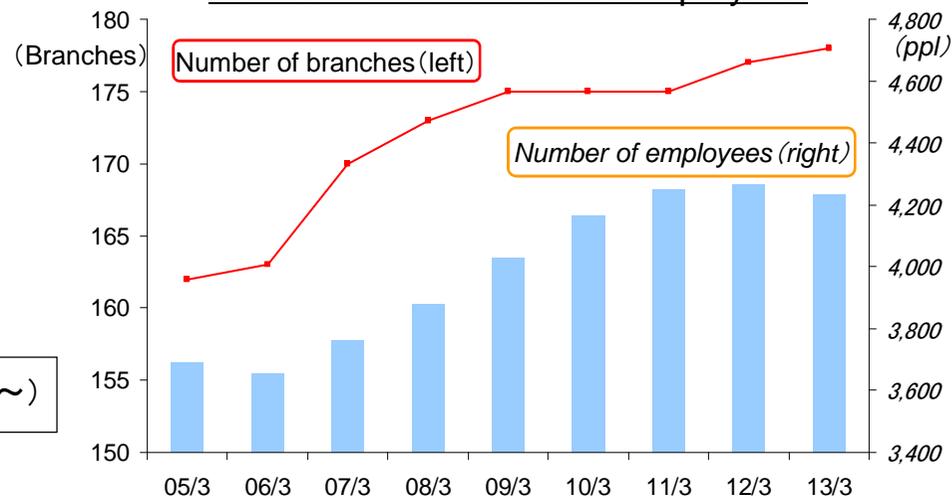
- Main area : Minato Ward, Shinagawa Ward, Ota Ward
- Business Concentration, High HNWI ratio
- Direct access from Chiba (Sobu-Yokosuka Line, Tokyo-Bay Aqua Line)
- Many Development Projects (Tohoku Jukan Line, New station project)

■ New Branches (05/4~)

Loan balance at new branches



Number of branches and employees



※Number of branches including sub-branches and virtual branches

Opening new types of branches for individual customers, enhancing direct channels

Opening new types of branches for individual customers

● 「Chibagin Himawari Lounge Tsudanuma」

(13/12)



- ✓ South of JR Tsudanuma Sta.
- ✓ Land readjustment project
- ✓ High-rise apartments
- ✓ Big shopping mall



➤ Extended operating hours, Open weekends

➤ Target: New families

➤ Consulting Zone

... Investment consultations in private booths

➤ Self Zone ⇒ Labour-saving, No bank staff

... ATM, Electronic slip stand, Self-service payment terminal

Enhancing direct channels

● Renewal of Chibagin MyAccess

- Improvement of usability:  
Internet banking, Mobile banking

● Enhancement of Internet Service

- Online balance check available for customers without internet banking agreement

● Development of channels for promoting Unsecured Consumer Loans

- Renewal of application form
- Application form for smartphones
- Renewal of homepage
- Enhancing internet advertising

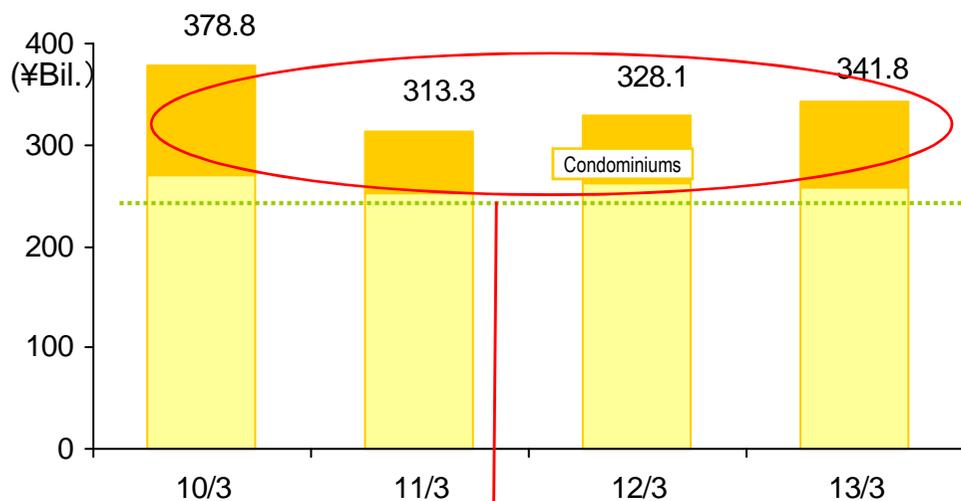
Internet website ranking  
#1 among regional banks and 2nd tier regional banks

※ranking by morningstar/Gomez consulting

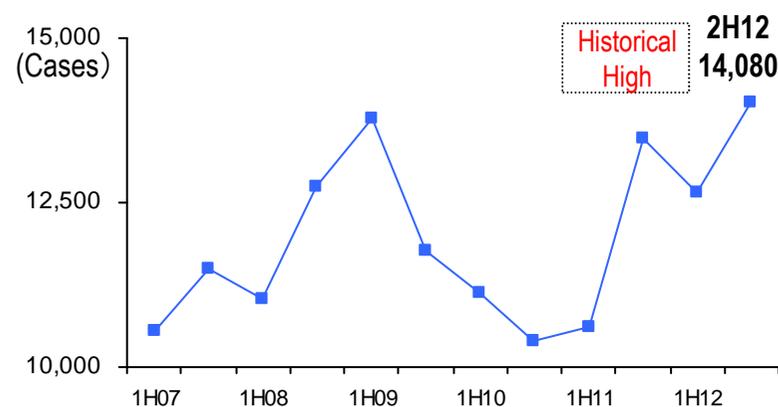


Solid housing demand in Chiba Prefecture, streamlining business structure

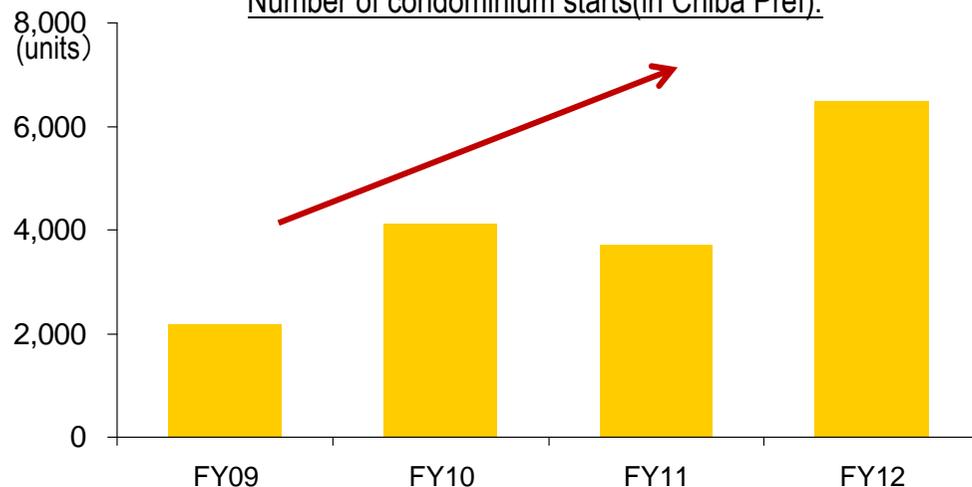
New housing loans



Pre-applications at Loan Centers



Number of condominium starts(in Chiba Pref.)

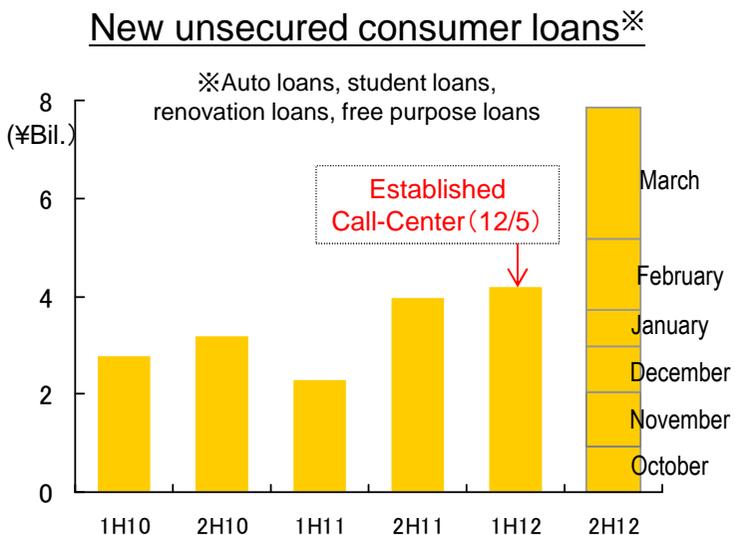
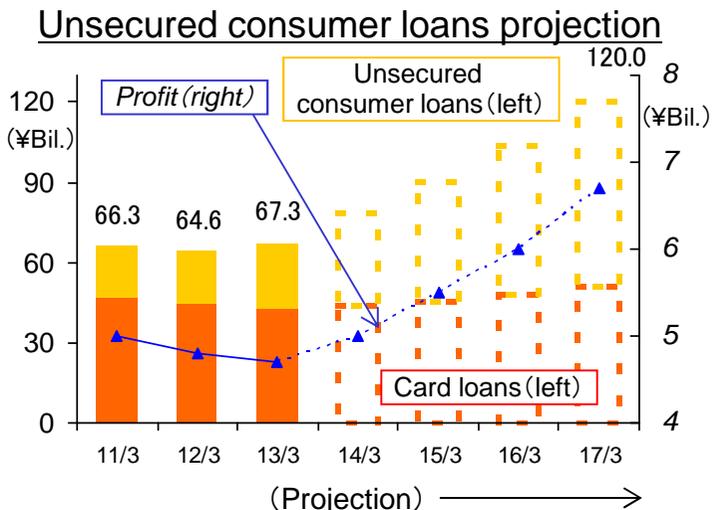


Increasing business efficiency for housing loans

- ✓ Increase work productivity  
ex) Application form renewal
- ✓ Review Loan Center functions regarding big condominium projects  
○ Approval powers & paperwork: transfer from branch offices to loan center
- ✓ Simplify business processes in branch offices  
→ Branch offices concentrate on business promotion
- ✓ Speed up screening processes  
→ Quick reply, avoid dropping cases

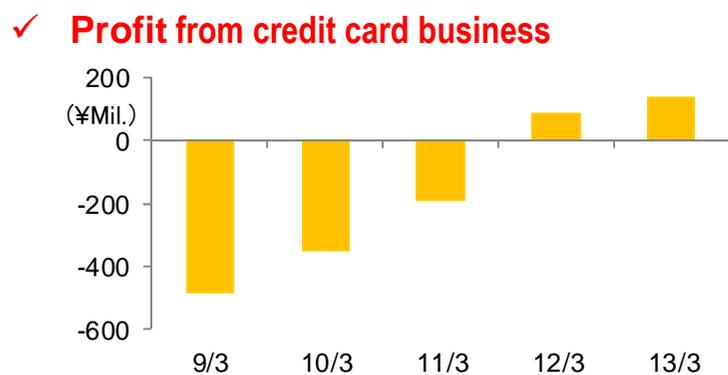
Increasing profits by enhancement of unsecured consumer loans, credit card business

Enhancement of unsecured consumer loans

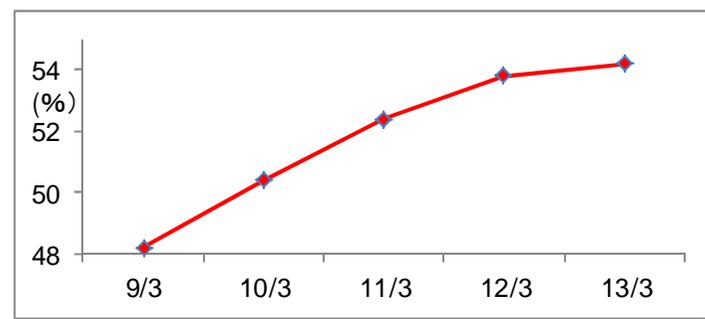


Credit card business

- ✓ **Enhancing customer services**
  - Full paperless online application service  
(1st among regional banks)
  - Added 10 new alliance partners  
(Grand total: 18 companies/1,800shops)

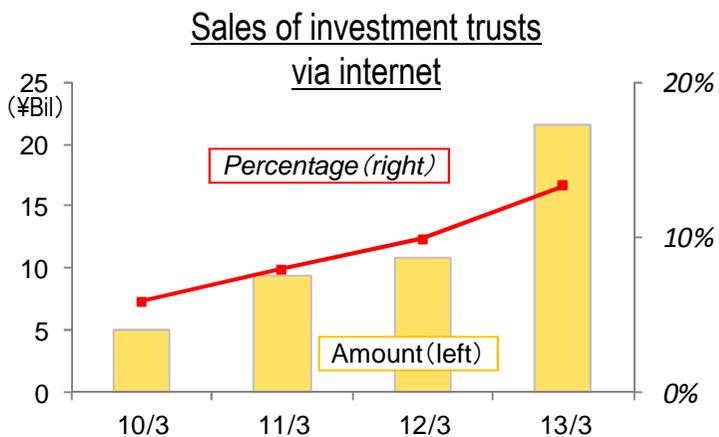
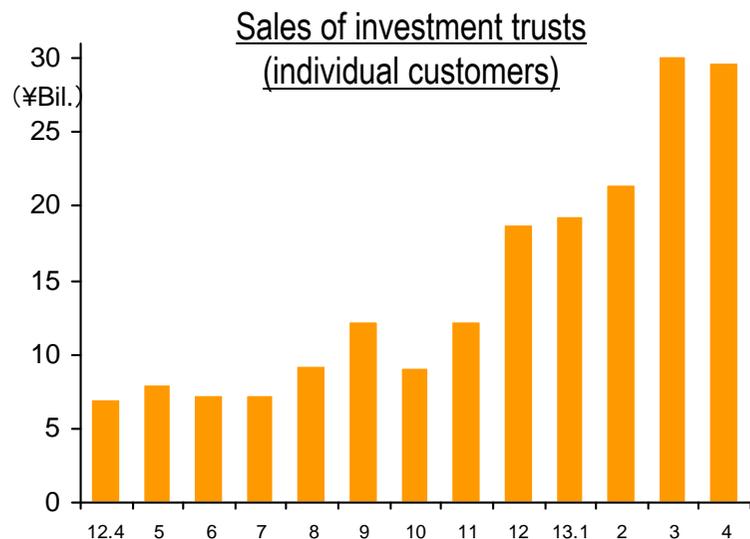


- ✓ **Credit card usage increased (monthly average)**



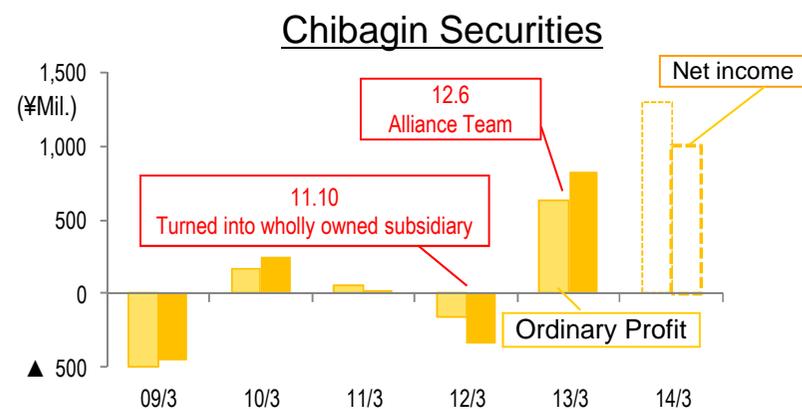
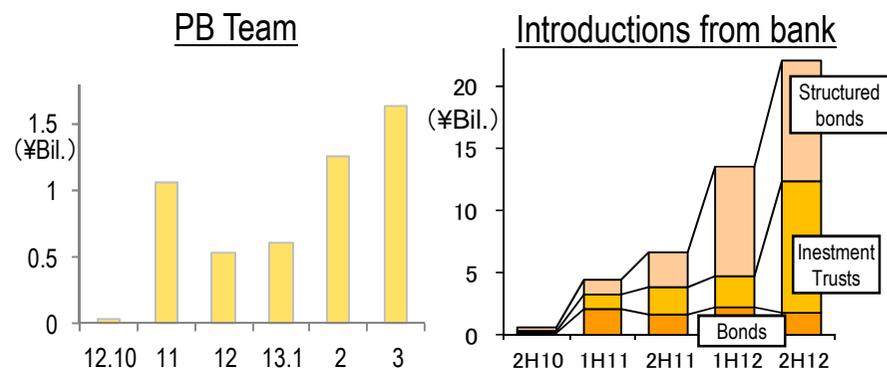
Rapid growth for the sales of investment trusts, enhancing group securities business strategy

Investment-type financial products



Integration between Chiba Bank and Chibagin Securities

OPB Team for high net worth clients made good progress  
 Sales in Chibagin Securities increased



#1 in Main bank research; diverse services for corporations and business owners

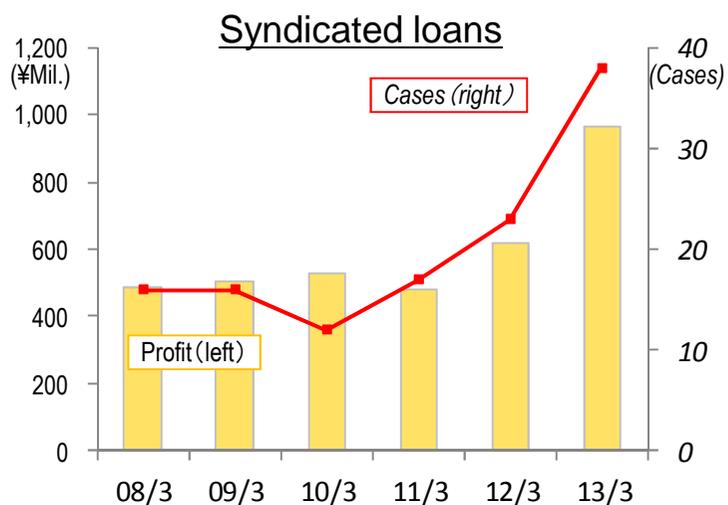
**Corporate loan customers : more than 40 thousand**

- Half of our customers have Chiba Bank as main bank

Main bank research(regional banks)

rank	bank	2012		2011
		company	change	company
1	Chiba Bank	20,275	667	19,608
2	Nishi Nippon City Bank	19,688	530	19,158
3	Bank of Fukuoka	18,743	709	18,034
4	Shizuoka Bank	16,747	268	16,479
5	Chugoku Bank	15,323	444	14,879
6	Bank of Yokohama	15,091	233	14,858

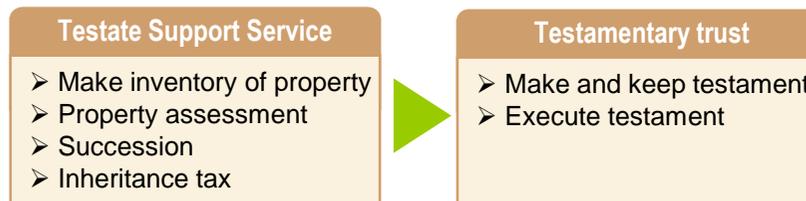
※Teikoku Data Bank



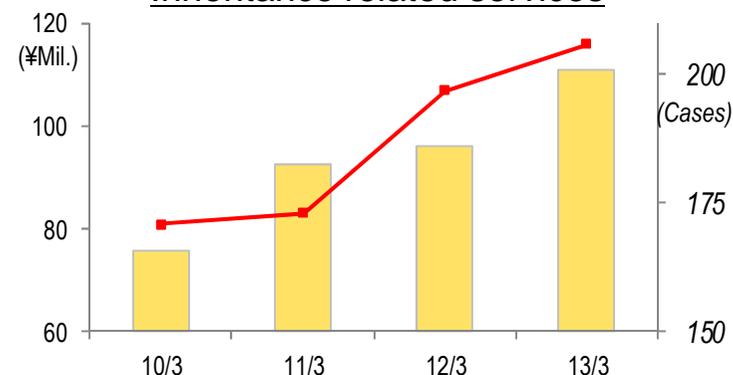
**Business owners**

First among regional banks

○ 06/6 Direct operation of trust business



Inheritance related services



○ 10/06 Alliance with Lombard' Odier Darier Hentsch (Japan)



Established	1796
Head Office	Geneva
Network	24 Places
Assets under management	Sfr. 189 Bil.
Staff	Approx. 2,000

Speciality staff support customers in growth areas; both loan balance and profit grow steadily

**Growth Business Support Office**

**Medical-Nursing**

**Agriculture** Establishing Agricultural Fund(13/5)

- General Partner: Chibagin Capital
- Total amount; ¥2Bil.
- Established by all financial institutions in Chiba Pref.

**Environment**

**Business Matching**

**Business matching fees**

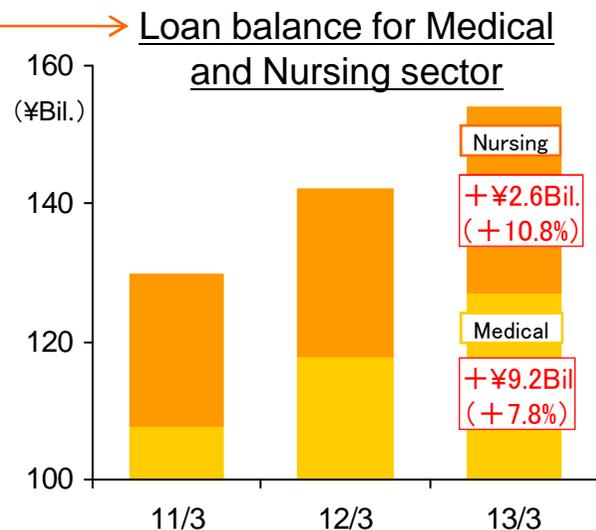
**Tourism**

**PFI**

- ✓ #1 Track record among regional banks
- ✓ Loan balance: ¥29.7Bil. (13/3)

**International Business**

p21



**Hospital Bed Plan for Chiba Pref.**

**12/3**

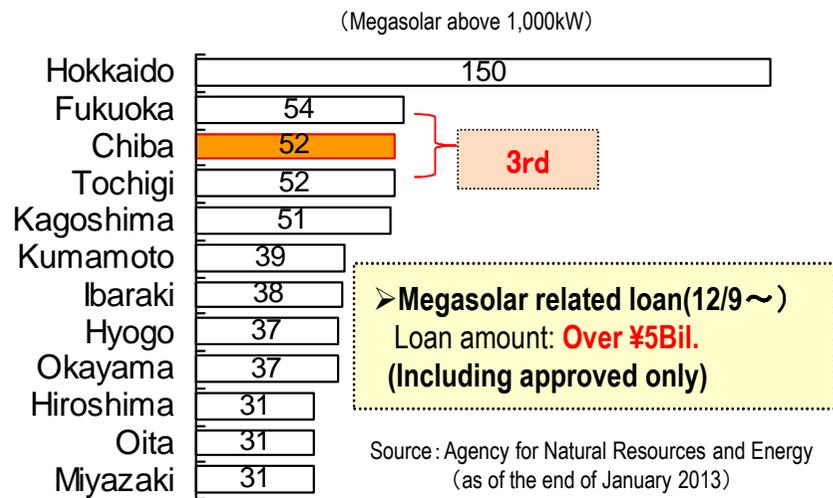
54 medical institutions/  
3,206 new beds

**+**

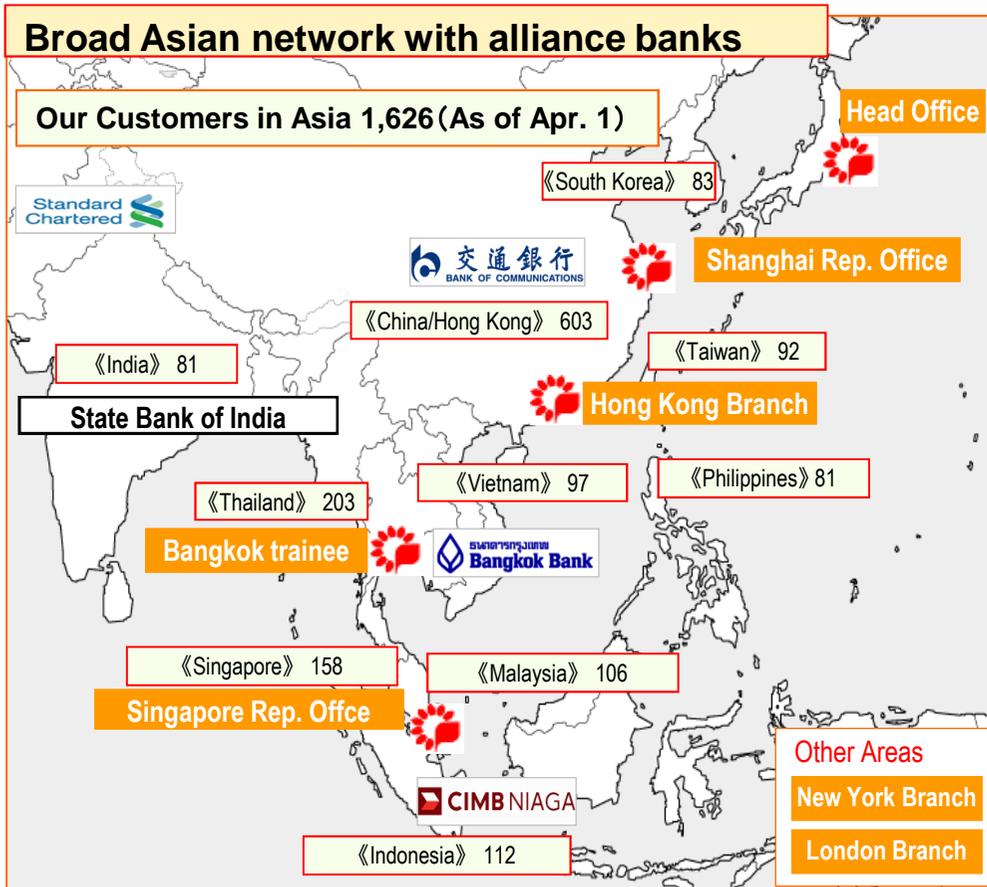
**13/3**

9 medical institutions/  
446 new beds

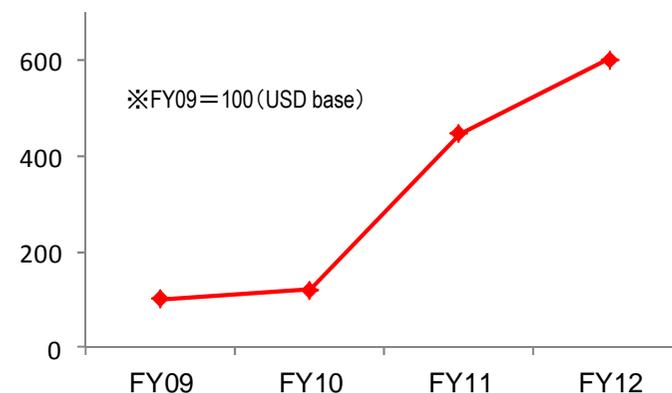
**Renewable energy plant authorization**



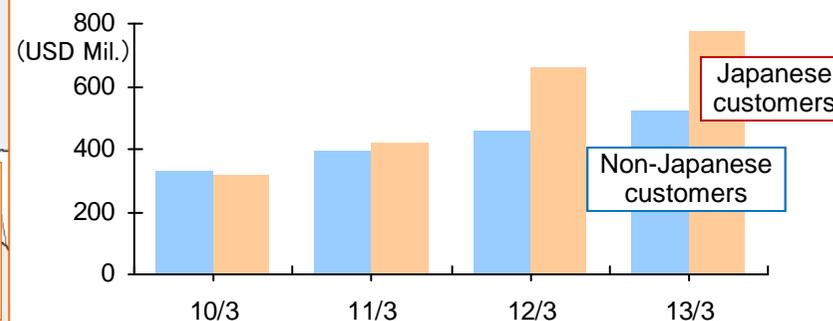
Supporting customers with various alliance partners, steady loan growth in overseas branches



Ordinary profit at 3 overseas branches



Loan amount in 3 overseas branches



Various Alliance Partners

<p><b>Logistics</b></p> <p>NIPPON EXPRESS</p>	<p><b>Marine Insurance</b></p> <p>NIPPONKOA INSURANCE</p>	<p><b>Trade Insurance</b></p> <p>Nippon Export and Investment Insurance</p>	<p><b>International Business Promotion</b></p> <p>Chiba Pref./Chiba City</p>	<p><b>Business Matching</b></p> <p>Hong Kong Trade Development Council</p>
---	---	---	--	--

Continuing effective IT investment, cost saving with TSUBASA project

**For sales strength**

**○Map Information System**

**Coordinate with CRM system**



- ✓ Efficient sales preparation
- ✓ Increase number of visits
- ✓ Effective practical use of information

↓

Color of households depends on the transaction

Check collateral value / sales history

Check real estate information

**Enhance skill of sales staff**

**○Tablet PC**

12/7 <b>Sales Staff</b> 220 Units	+	13/4 <b>Teller</b> 350 Units	=	<b>Total</b> 570 Units
---	---	------------------------------------	---	---------------------------



**Raise the level of proposals**

**For business efficiency**

**○ATM Improvement**

**Committee for Improving Services for Customers**

Examine requests and other feedback from customers

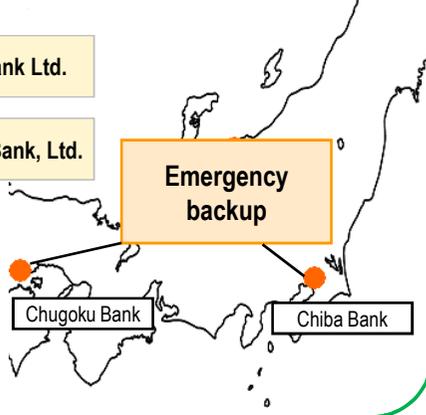
↓

Improve products and services

**TSUBASA Project**

**○Basic agreement on main system (12/10)**

16/1 Scheduled		Chiba Bank		
17/1 Scheduled		The Daishi Bank Ltd.		
17/5 Scheduled		The Chugoku Bank, Ltd.		



**Cost saving ¥500Mil./year**  
(Compared with sole development)

Effective usage for our development and flexible shareholder returns

For our development

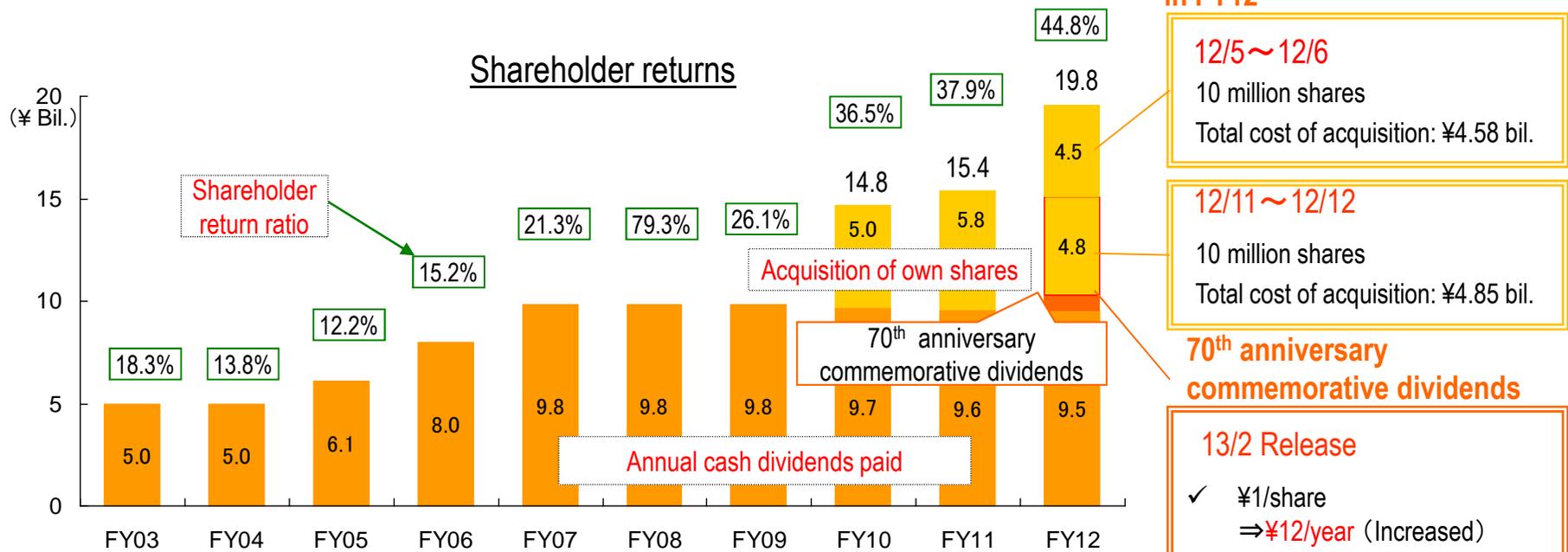
Growth potential in the region

- ✓ Development projects and economic growth expectations
- ✓ Rising finance needs
- ✓ Aggressive branch strategy

Increase risk-weighted assets

Profit growth

Flexible attitude toward shareholder returns









# 株式会社 千葉銀行

〒260-8720 千葉市中央区千葉港1-2

TEL 043-245-1111 (代表)

<http://www.chibabank.co.jp>