

# Interim Financial Results for FY2013

*Frontier 70*



**November 20, 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

Market with High Growth Potential	13
Branch Network Strategy	14
Transactions with High Net Worth Clients	15
Business in Growth Sectors 1	16
Business in Growth Sectors 2	17
Business in Growth Sectors 3	18
Consumer Channel Strategy	19
Housing Loans	20
Unsecured Consumer Loans, Credit Card Business	21
Investment-type Financial Products	22
Capital Policy	23

» Summary of Financial Results

» » Business Strategy

## Summary of Financial Results

Consolidated	(¥ Bil.)	Interim	Interim	Change	Annual Projection	Progress
		FY12	FY13			
Ordinary profit		36.7	43.5	6.8	75.5	57.6%
Net income		22.0	26.6	4.5	45.0	59.1%
Difference with non-consolidated net income		1.2	1.2	0.0		

Non-consolidated	(¥ Bil.)	Interim	Interim	Change	Annual Projection	Progress
		FY12	FY13			
Gross business profits		77.2	76.5	(0.6)		
Net interest income		66.2	64.9	(1.3)		p.4
Net fees and commissions income		7.2	8.9	1.7		p.7
Trading income		0.5	0.6	0.1		
Profit from other business transactions		3.1	2.0	(1.1)		
Gains (losses) related to bonds		2.3	1.2	(1.1)		
Expenses (-)		41.2	41.2	(0.0)		p.8
Real net business income		35.9	35.3	(0.5)		
Core net business income		33.6	34.1	0.5	64.5	52.9%
Net transfer to general allowance for loan losses (-)		-	-	-		p.9
Net business income		35.9	35.3	(0.5)		
Non-recurrent income and losses		(2.3)	4.7	7.0		
Disposal of non-performing loans (-)		0.7	(0.4)	(1.2)		p.9
Gains (losses) related to stocks, etc.		(3.7)	0.5	4.3		
Ordinary profit		33.6	40.0	6.4	69.5	57.6%
Extraordinary income (loss)		(0.3)	(0.4)	(0.1)		
Net income		20.7	25.3	4.5	42.0	60.3%
Net credit costs (-)		0.7	(0.4)	(1.2)		p.9

### Favorable progress towards annual projection

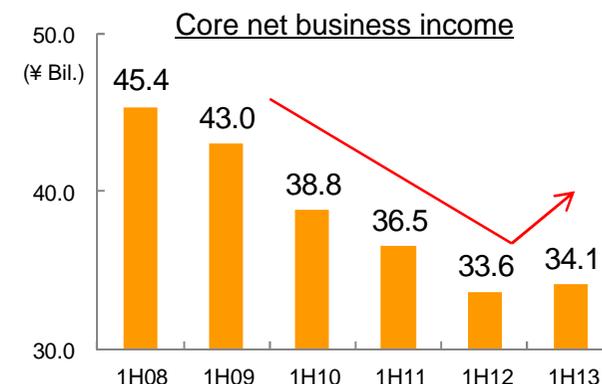
#### 【Consolidated】

- ✓ Interim Ordinary profit : ¥43.5 Bil.  
YoY: + ¥6.8 Bil.
- ✓ Interim Net income : ¥26.6 Bil.  
YoY: + ¥4.5 Bil.

#### 【Non-Consolidated】

- ✓ Core net business income: ¥34.1 Bil.  
YoY: + ¥0.5 Bil.

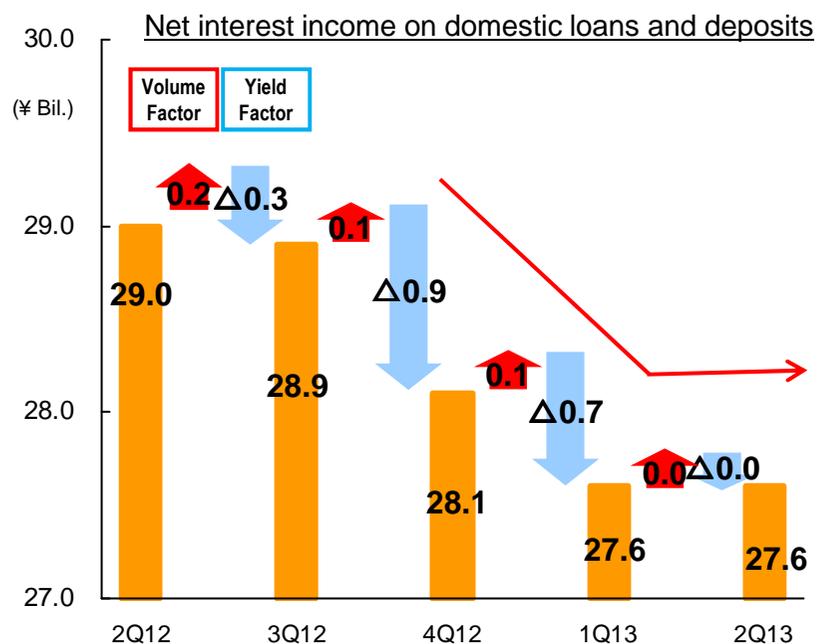
#### The first growth in five years



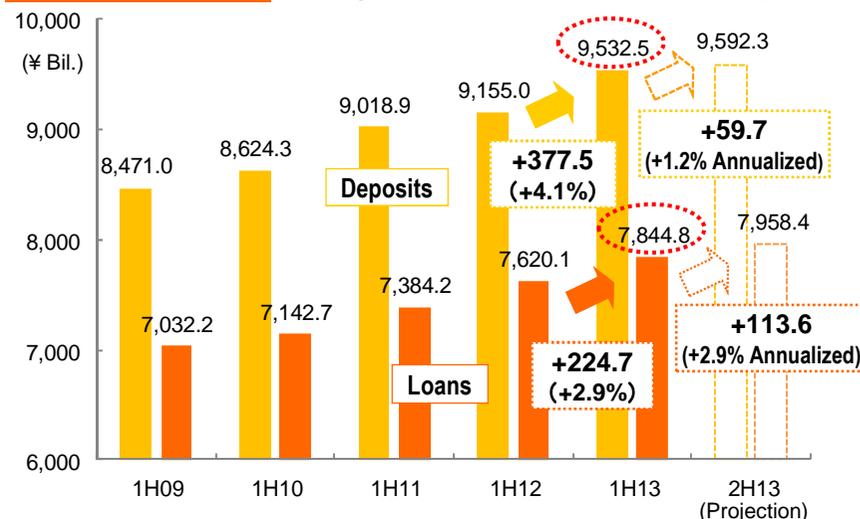
- ✓ Interim Ordinary profit : ¥40.0 Bil.  
YoY: + ¥6.4 Bil.
- ✓ Interim Net income : ¥25.3 Bil.  
YoY: + ¥4.5 Bil.

Loans and deposits increased favorably, Net interest income on domestic loans and deposits bottomed out

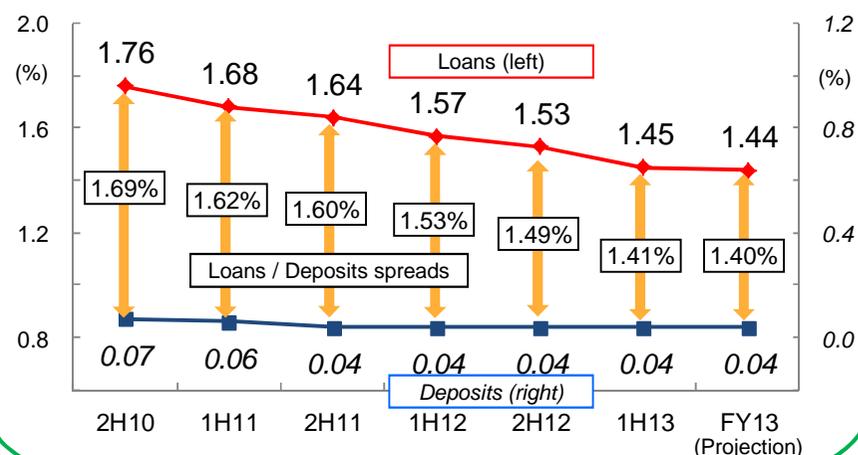
(¥ Bil.)	Interim FY12	Interim FY13	Change
Net interest income	66.2	64.9	(1.3)
Domestic	64.5	62.8	(1.6)
Loans and deposits	58.0	55.2	(2.7)
Loans	60.1	57.4	(2.7)
Deposits	2.1	2.1	(0.0)
Securities	7.6	8.1	0.4
International	1.7	2.0	0.3



Volume Factor Average balance of domestic loans and deposits



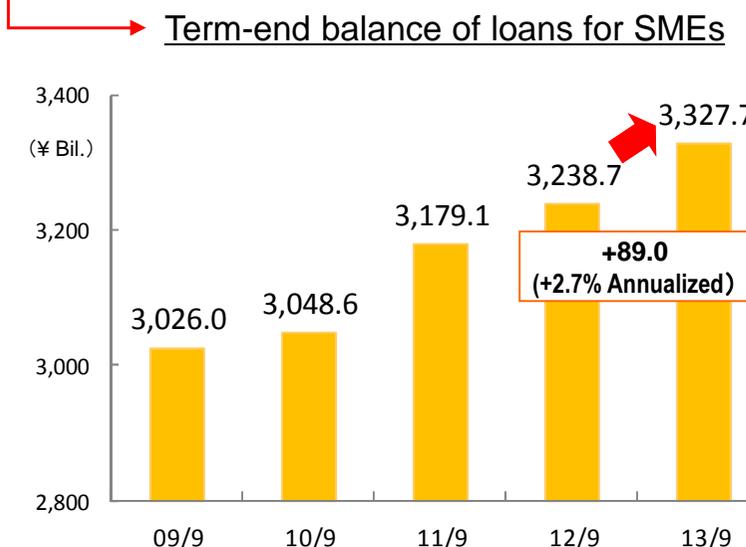
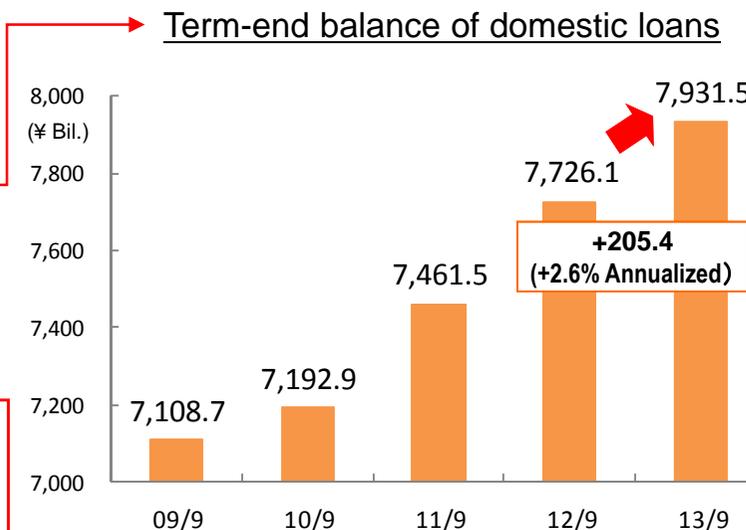
Yield Factor Domestic loans / Deposits spreads



Increasing loans for SMEs and housing loans contribute to favorable domestic loan growth

(¥ Bil.)	Interim FY12	Interim FY13	Change	%
Loans	7,806.7	8,039.3	232.6	2.9%
Domestic loans	7,726.1	7,931.5	205.4	2.6%
ex. Public sector	7,369.3	7,597.7	228.4	3.0%
Corporate loans	4,569.6	4,692.5	122.9	2.6%
Large corporates	1,330.8	1,364.7	33.9	2.5%
SMEs	3,238.7	3,327.7	89.0	2.7%
Consumer loans	2,799.7	2,905.2	105.4	3.7%
Housing loans	2,709.1	2,812.3	103.2	3.8%
Public sector	356.7	333.7	(22.9)	△ 6.4%
Domestic loans	7,726.1	7,931.5	2,054.0	2.6%
Branches in Chiba	5,781.2	5,847.6	66.3	1.1%
Branches outside Chiba	1,944.8	2,083.9	139.0	7.1%
Wholesale branches* (Special branches*)	1,251.1	1,346.3	95.1	7.6%
Retail branches (ex. Special branches*)	693.6	737.6	43.9	6.3%

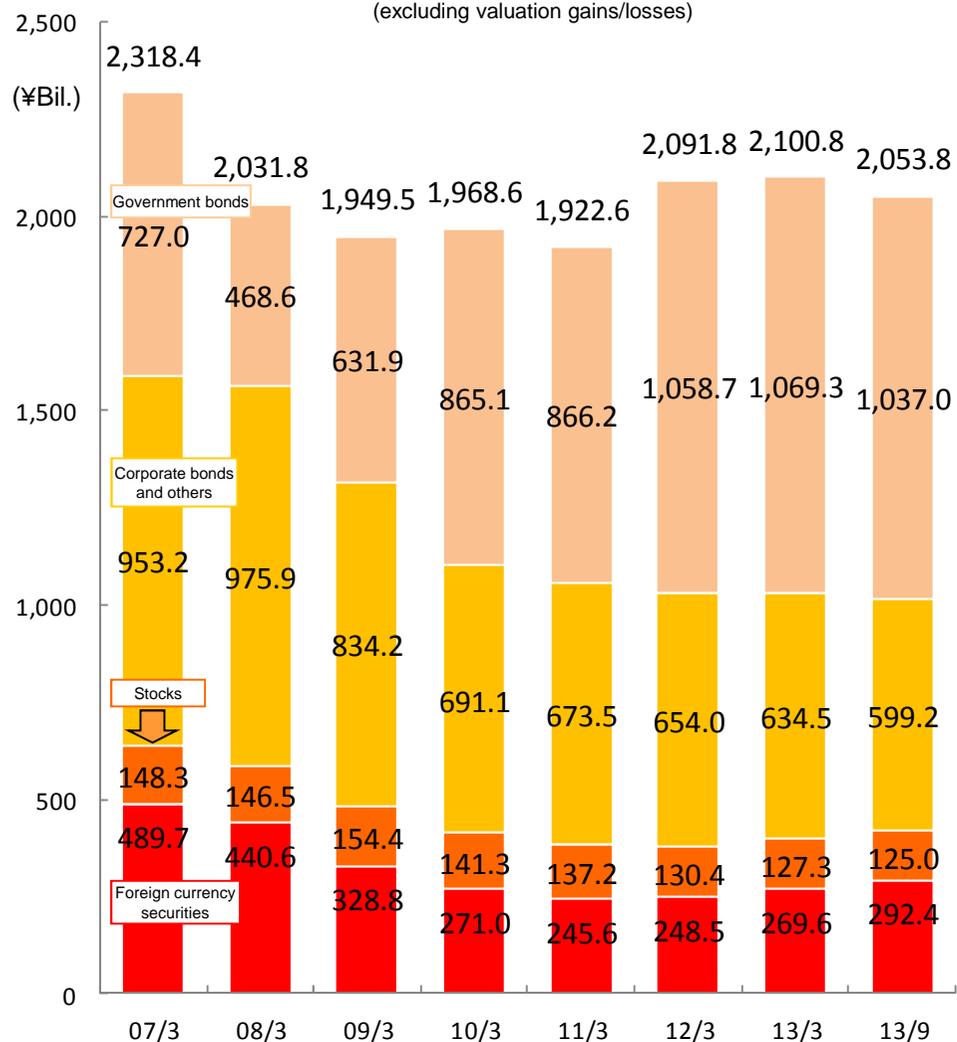
\*Tokyo Head Office, Shinjuku branch and Osaka branch



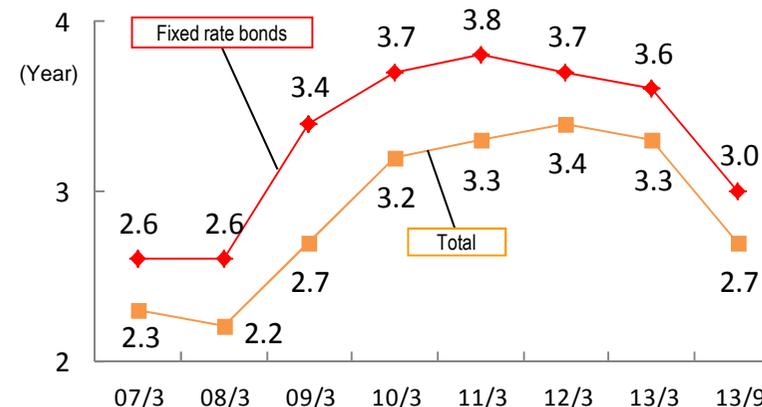
Investment policy to control interest rate risk

Balance of investment securities

(excluding valuation gains/losses)

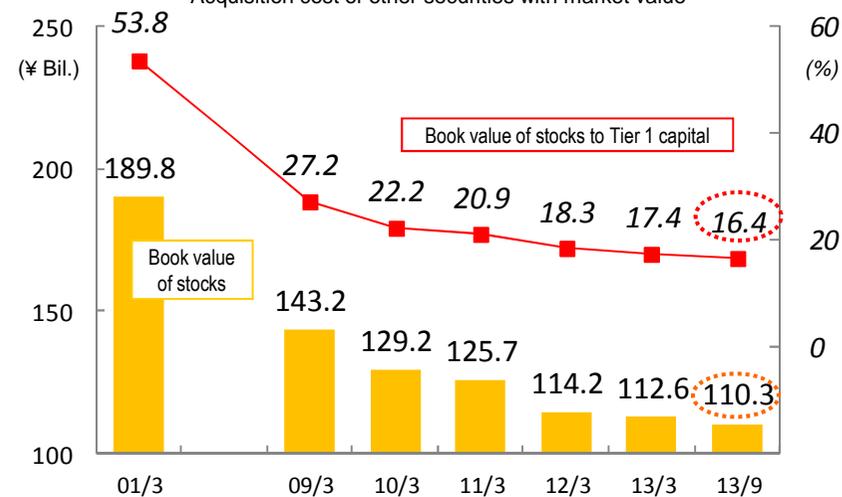


Average duration to maturity of yen bonds



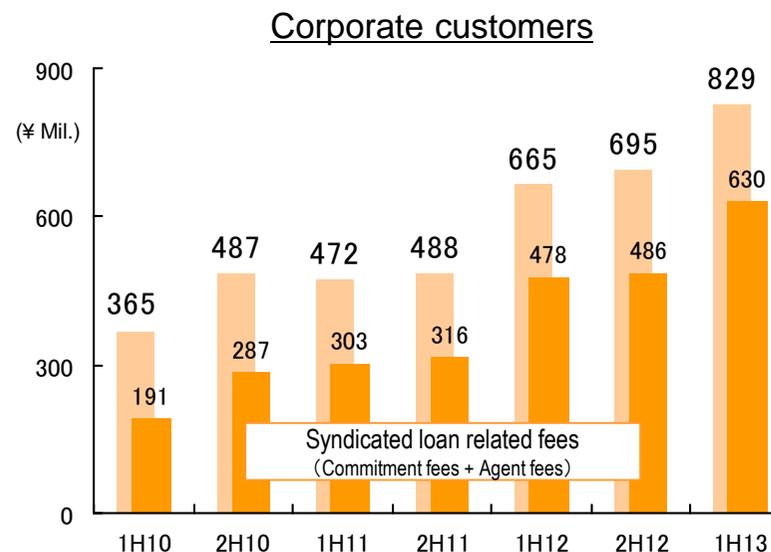
Book value\* of stocks and ratio to Tier 1 capital (Consolidated)

\*Acquisition cost of other securities with market value

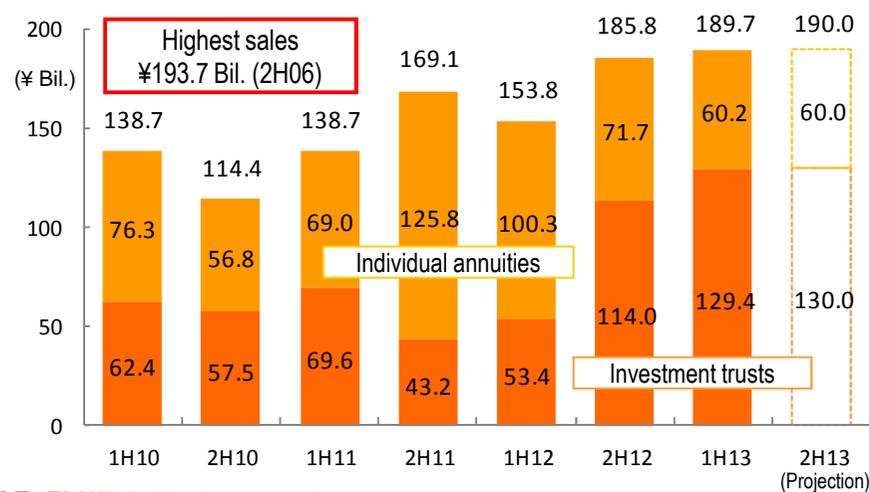


Growth in the sales of investment trusts; Net fees and commissions income steady

(¥ Bil.)	Interim FY12	Interim FY13	Change
Net Fees and commissions income	7.2	8.9	1.7
Fees and commissions income	16.3	18.0	1.7
Investment trusts and personal annuities	4.3	5.2	0.9
Investment trusts	1.9	3.5	1.6
Personal annuities	2.3	1.6	(0.7)
Indemnity-type insurance	0.3	0.5	0.1
Corporate customers	0.6	0.8	0.1
Fees and commissions payments	9.0	9.1	0.0
Guarantee charges and group insurance costs	5.5	5.6	0.1

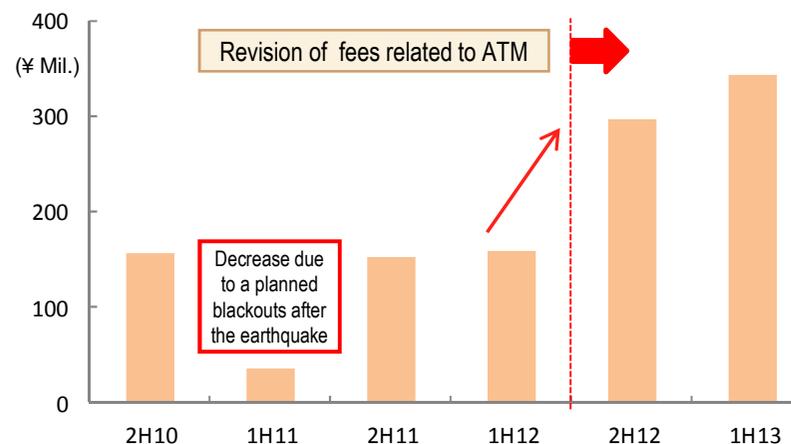


Sales of investment-type financial products



Fees related to ATM

(Fees for inter-bank ASC, Affiliated ATM and ATM cashing, etc.)



Continuing investment for growth; radical cost-cuts, increasing productivity

(¥ Bil.)	Interim FY12	Interim FY13	Change	FY13 (Projection)	Change
Expenses	41.2	41.2	(0.0)	82.5	0.6
Personnel	20.5	20.6	0.0	41.2	0.0
Non-personnel	18.6	18.6	(0.0)	36.9	0.2
Tax	2.1	1.9	(0.1)	4.4	0.2

Investment for growth

➤ Branch renewal, etc.

- Chibagin Himawari Lounge Tsudanuma (13/12)
- Tsukuba branch (14/1)
- Muromachi Chibagin Mitsui Building (14/2)  
(Tokyo Head Office, Treasury Division, Treasury Operation Division and Tokyo Office)

Main increase/decrease factors in expenses

(¥ Bil.)	1H13 (Actual)	FY13 (Projection)	
Personnel	<ul style="list-style-type: none"> <li>➤ Social insurance (+0.1)</li> <li>+0.0 ⬇️ Retirement benefit costs (-0.1)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Social insurance (+0.3)</li> <li>+0.0 ⬇️ Employees decrease (-0.1)</li> <li>⬇️ Retirement benefit costs (-0.1)</li> </ul>	
	Non-personnel	<ul style="list-style-type: none"> <li>➤ Investment for new projects (+0.2)</li> <li>➤ Renovating branches (+0.1)</li> <li>-0.0 ➤ Deposit insurance (+0.1)</li> <li>⬇️ Depreciation expenses related to branch IT systems (-0.4)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Investment for new projects (+0.5)</li> <li>➤ Renovating branches (+0.6)</li> <li>+0.2 ➤ Deposit insurance (+0.1)</li> <li>⬇️ Depreciation expenses related to branch IT systems (-0.9)</li> </ul>
Tax		-0.1 ⬇️ Consumption tax (-0.1)	+0.2 ➤ Consumption Tax (+0.2)

Expense management, cost saving

➤ Cost management

- Cost Management Committee (13/9)
- Present state analysis, goal setting and effect verification for costs (Manpower, goods and capital)
- ↓
- Improve cost efficiency

➤ Job efficiency

- Corporate Loan Business Project Team (13/9)
- Consumer Loan Business Project Team (13/10)
- Review of inefficient jobs
- ↓
- Increase productivity
- ⇒ Appropriate arrangement of staffs

Default cases and new downgrades remaining historically low

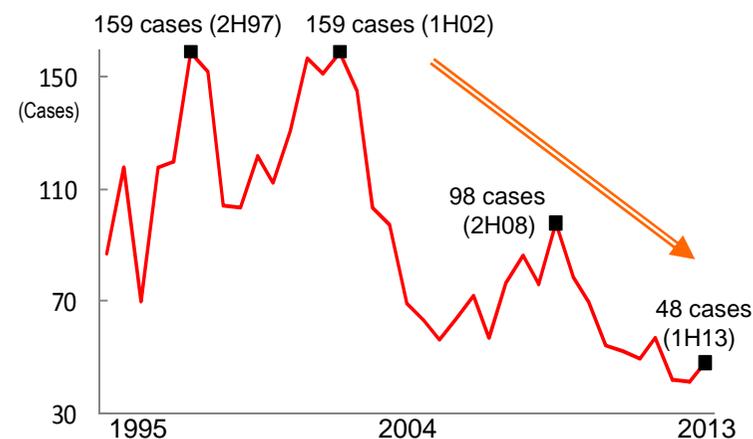
	FY12		FY13	
	1H (Actual)	2H (Actual)	1H (Actual)	2H (Projection)
Net credit costs	0.7	8.2	(0.4)	3.4
Net transfer to general allowance for loan losses	(2.5)	(0.2)	(2.4)	0.2
Disposal of non-performing loans	0.7	10.9	(0.4)	5.6
Write-off / allowance, etc.	5.1	10.1	3.1	4.1
New downgrades	5.5	6.9	4.1	5.0
Decreases in collateral value, etc.	0.8	0.7	0.4	1.0
Collections, etc.	(1.5)	(1.3)	(1.7)	(1.2)
Recoveries of written-off claims	(1.8)	(1.7)	(1.0)	(1.0)

Net credit costs ratio	2bp	20bp	(1bp)	8bp
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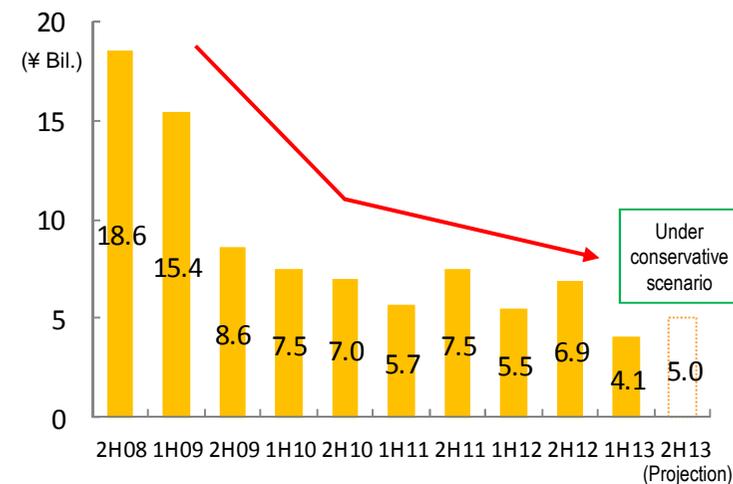
(Note)

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 above table to enable comparison with previous figures.

Default cases of customers



Net transfer to general allowance for loan losses (New downgrades)



## Earnings Projections for FY2013

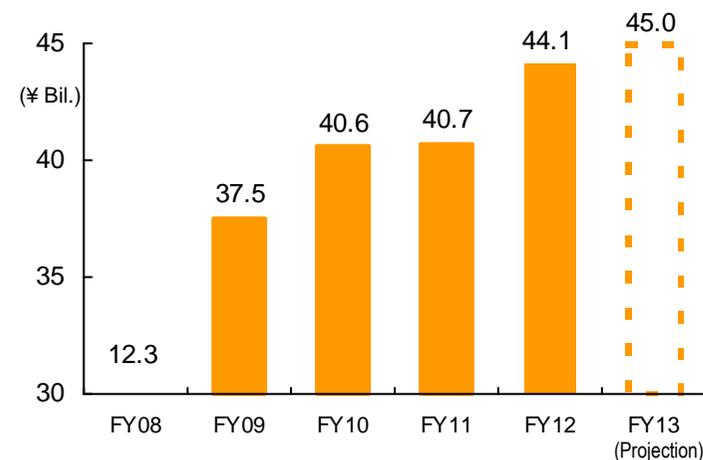
<b>Consolidated</b>				
(¥ Bil.)	FY12	FY13 (Projection)	Change	2H (Projection)
Ordinary profit	72.7	75.5	2.7	31.9
Net income	44.1	45.0	0.8	18.3

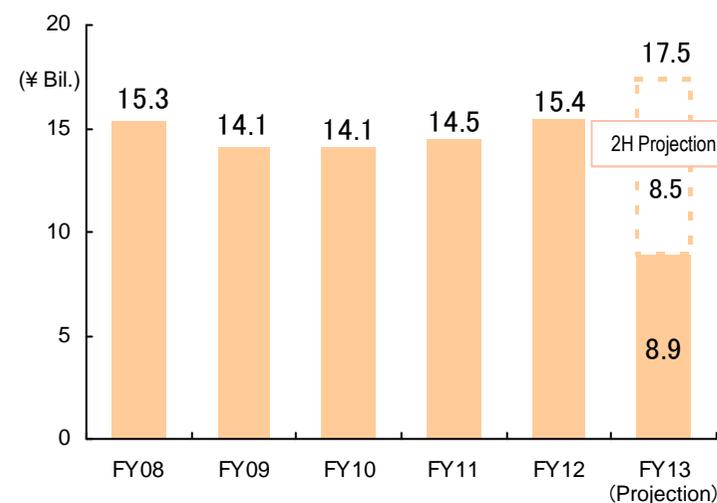
<b>Non-consolidated</b>				
(¥ Bil.)	FY12	FY13 (Projection)	Change	2H (Projection)
Gross business profits	152.4	150.0	(2.4)	73.4
Net interest income	130.1	126.0	(4.1)	61.0
Net fees and commissions income	15.4	17.5	2.0	8.5
Trading income	1.3	1.5	0.1	0.8
Profit from other business transactions	5.4	5.0	(0.4)	2.9
Gains (losses) related to bonds	3.8	3.0	(0.8)	1.7
Expenses (-)	81.8	82.5	0.6	41.2
Real net business income	70.6	67.5	(3.1)	32.1
Core net business income	66.7	64.5	(2.2)	30.3
Net transfer to general allowance for loan losses (-)	(2.7)	(2.2)	0.5	(2.2)
Net business income	73.3	69.7	(3.6)	34.3
Non-recurrent income and losses	(6.9)	(0.2)	6.7	(4.9)
Disposal of non-performing loans (-)	11.7	5.2	(6.5)	5.6
Gains (losses) related to stocks, etc.	0.9	0.8	(0.1)	0.2
Ordinary profit	66.4	69.5	3.0	29.4
Extraordinary income (loss)	(0.5)	(1.0)	(0.4)	(0.5)
Net income	41.2	42.0	0.7	16.6
Net credit costs (-)	8.9	3.0	(5.9)	3.4

Projected Consolidated net income for FY13: ¥45.0 Bil.

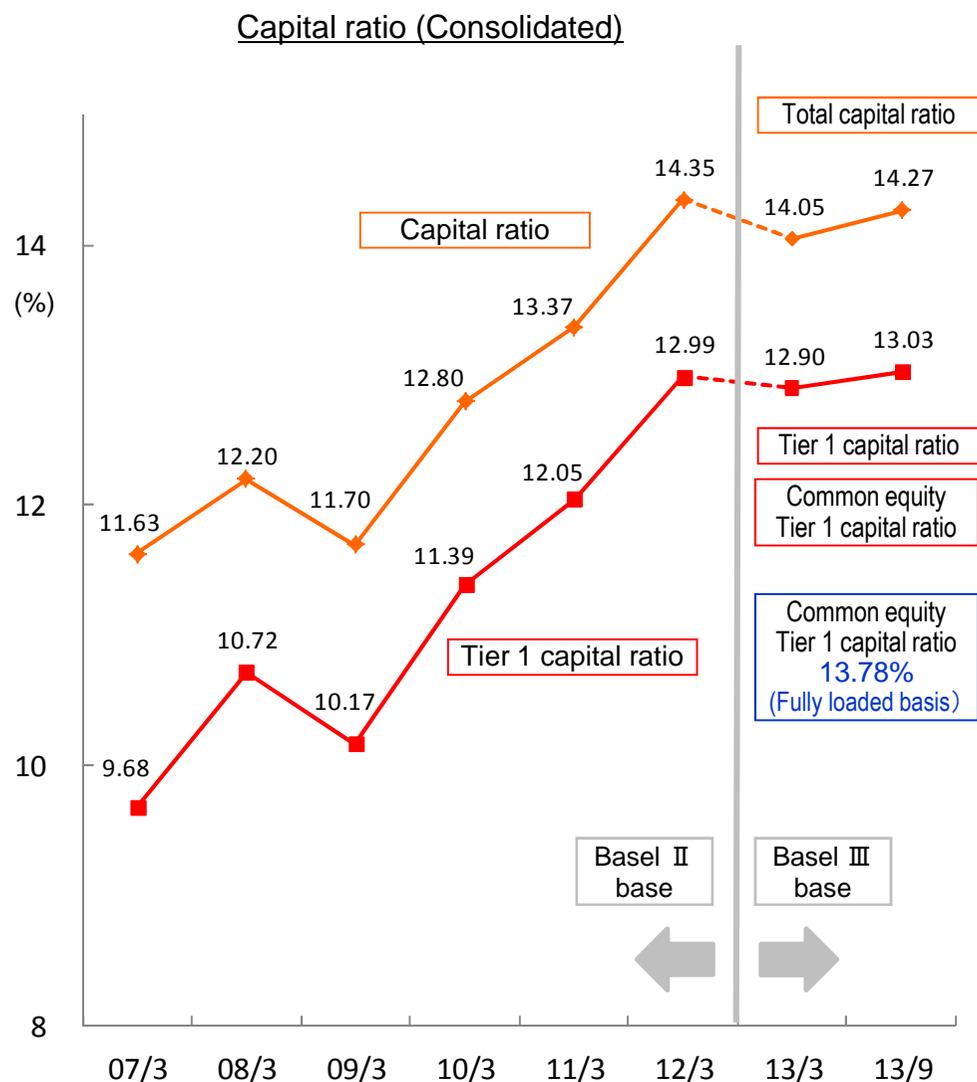
— Growing for five successive terms



Net fees and commissions income projection: ¥17.5 Bil.



Solid capital base in quality and quantity, complies with new indicators of Basel III



Breakdown of capital and risk-weighted assets (Consolidated)

(¥ Bil.)

	13/3	13/9	Change
<b>Total capital</b>	<b>702.4</b>	<b>733.7</b>	<b>31.2</b>
Tier 1 capital	645.2	670.0	24.7
Common equity Tier 1 capital	645.2	670.0	24.7
<b>Total risk-weighted assets</b>	<b>4,999.8</b>	<b>5,142.1</b>	<b>142.2</b>
Credit risk	4,616.4	4,577.1	(39.2)
Market risk	66.6	63.6	(2.9)
Operational risk	301.2	299.7	(1.4)

(Reference) Report of Quantitative impact study (13/3)

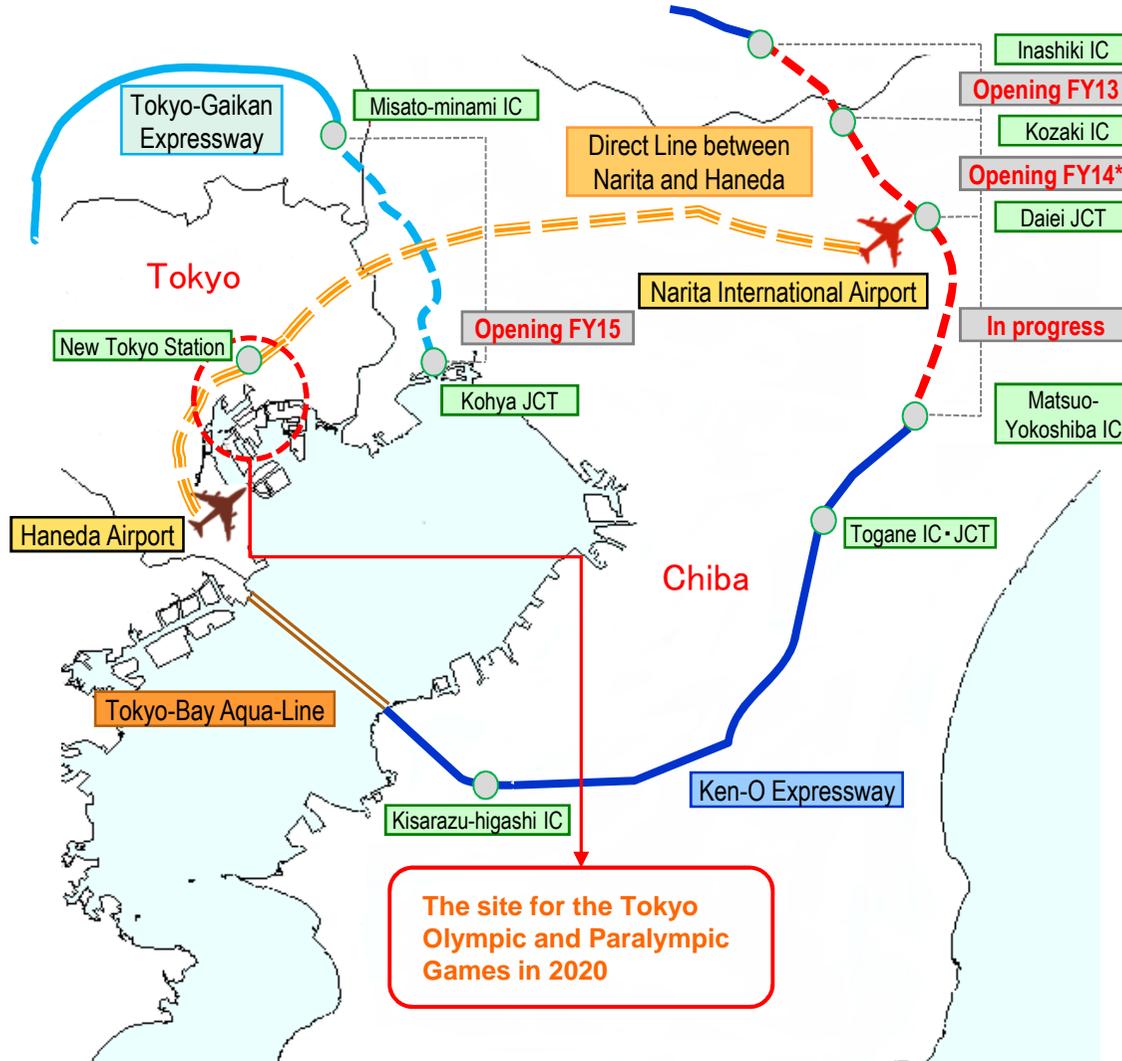
Basel III indicators	13/3	Regulation standard	Application date
Leverage ratio	5.65%	3%	Trial period
Liquidity coverage ratio (LCR)	114%	Not less than 100%	FY14~ Phase-in applying
Net stable funding ratio (NSFR)	106%	Greater than 100%	FY17~

» Summary of Financial Results

» » **Business Strategy**

For the Tokyo Olympic and Paralympic Games, accelerating infrastructure developments in both Chiba and Tokyo

Infrastructure developments in Chiba prefecture



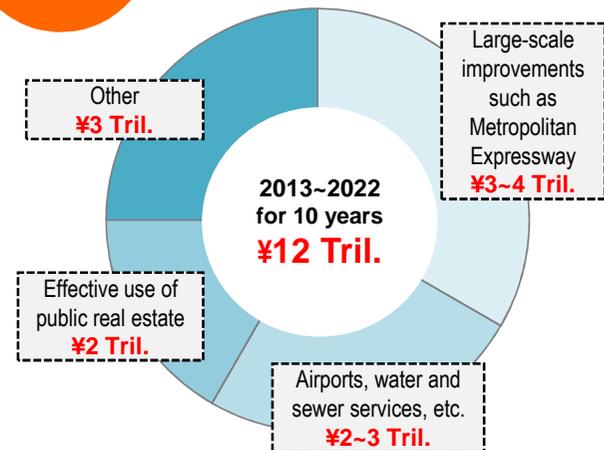
High growth with an acceleration of infrastructure developments

Transport infrastructure

- ✓ Facilities related to Narita airport
- ✓ Ken-O Expressway (Matsuo-Yokoshiba IC ~ Inashiki IC)
- ✓ Tokyo-Gaikan Expressway (Kohya JCT ~ Misato-minami IC)
- ✓ Direct Line (Narita ~ Haneda)

Use of PPP/PFI

The Action Plan for Radical Reform of PPP/PFI\*

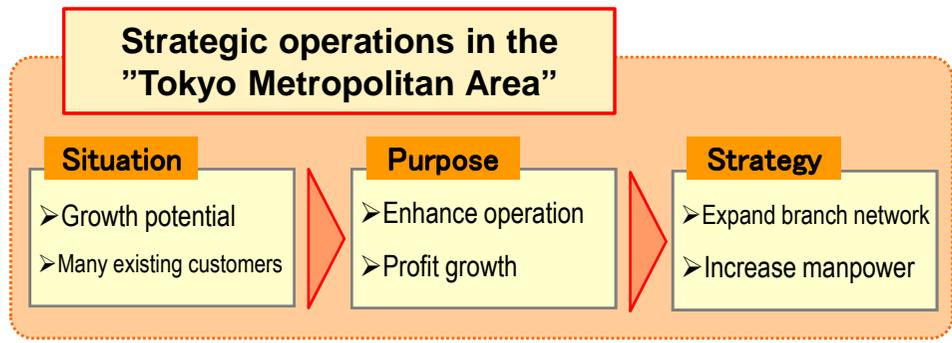


\*Decided at the Committee for the Promotion of PFI (13/6)

\*Assuming land acquisitions, etc. are completed without delay.

# Branch Network Strategy

Expanding the branch network into the Tokyo metropolitan area as the "Strategic Operating Area"

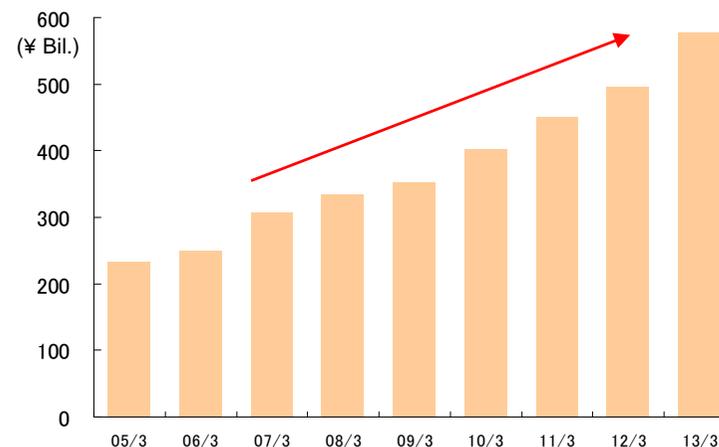


Corporate customers in Tokyo Metropolitan area



Loan balance at branches\* in Tokyo

\*Excluding Tokyo Head Office and Shinjuku branch



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

- ✓ Main area:  
Minato ward, Shinagawa ward and Ota ward

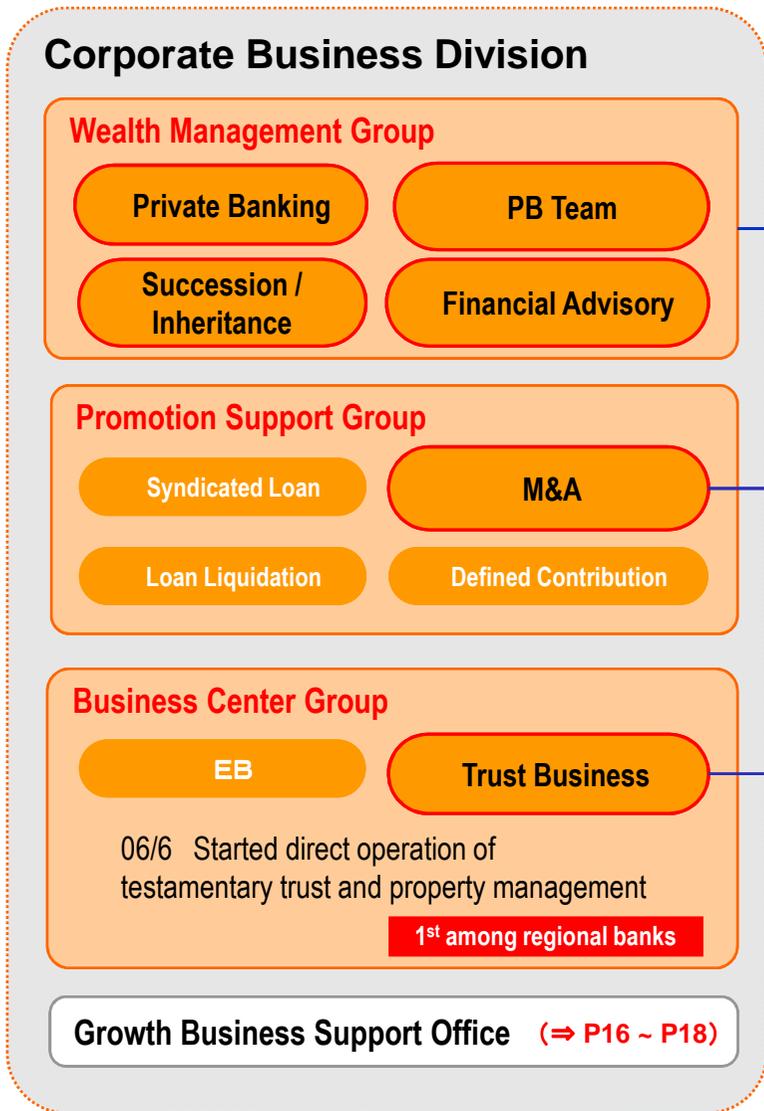
**Shinjuku Branch (Increased staff 13/10)**

- ✓ Sales staff specialized in SME loan business

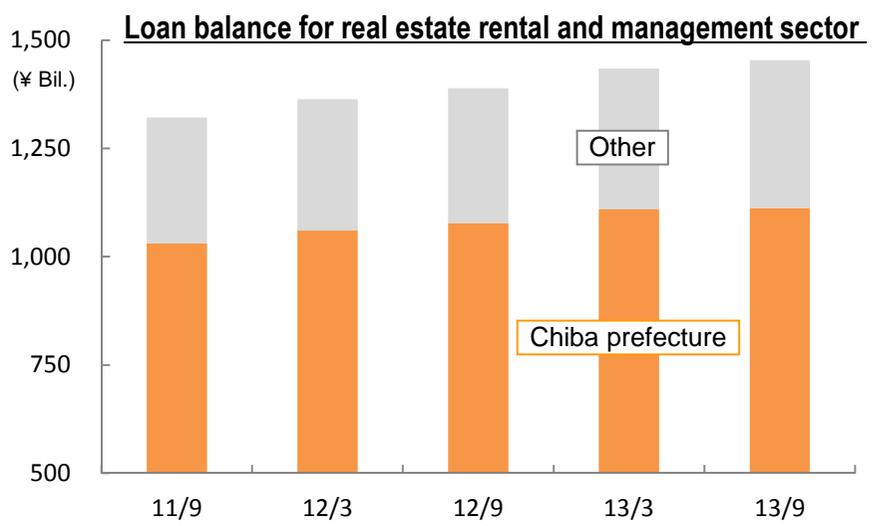
- Target  
Medium and small-sized enterprises, high net worth clients
- Market potential  
Many development projects, business concentration and high HNWI ratio

# Transactions with High Net Worth Clients

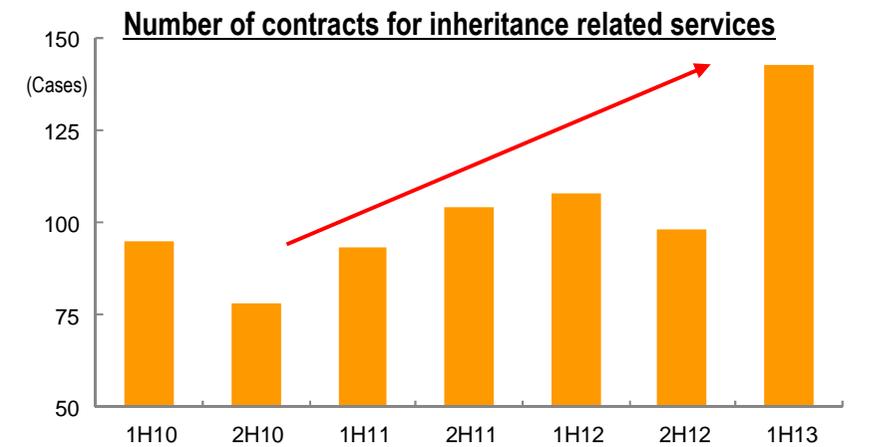
Targeting high net worth clients, proposing loans, inheritance related services and private banking



### Loans for real estate rental and management

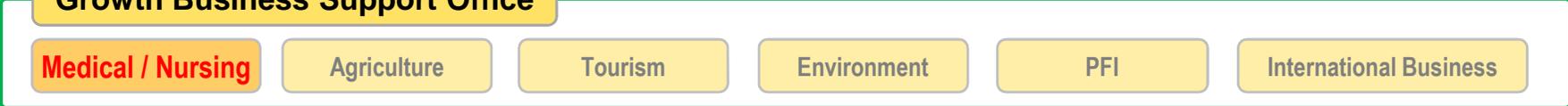


### Inheritance related services

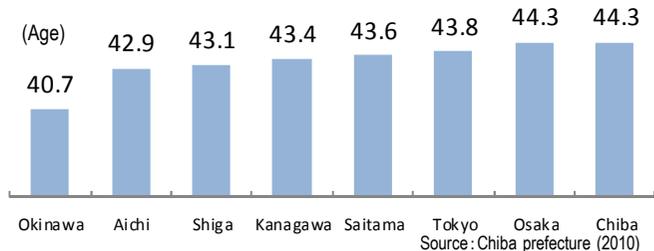


Specialty staff support customers in growth areas; both loan balance and profit grow steadily

**Growth Business Support Office**



Average age by prefecture (from youngest)



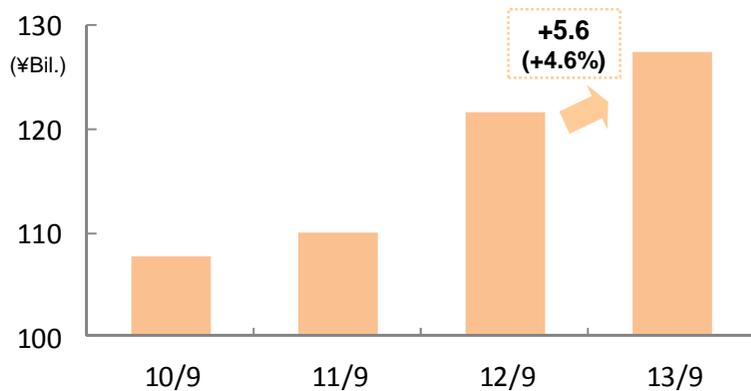
- Accelerating aging pace
- Need to improve both quality and quantity of medical and nursing services
- Loans for building hospitals and nursing facilities
- Specialty loan products (Chibagin Medical Loan, etc.)
- Provide information

**Medical**

➤ **“Hospital Bed Plan” for Chiba Prefecture**

**12/3** 54 medical institutions/ 3,206 new beds + **13/3** 9 medical institutions/ 446 new beds

Loan balance for medical sector

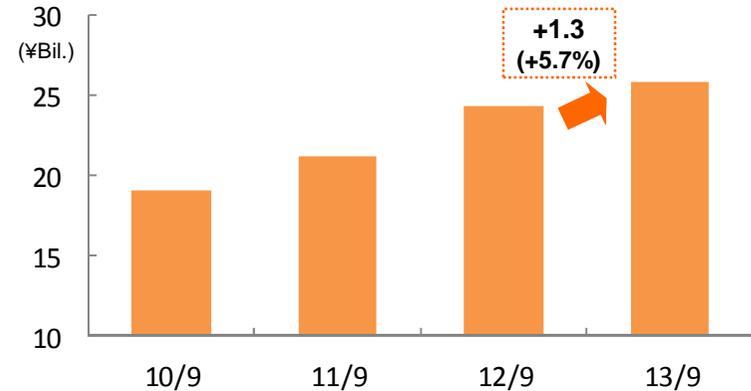


**Nursing**

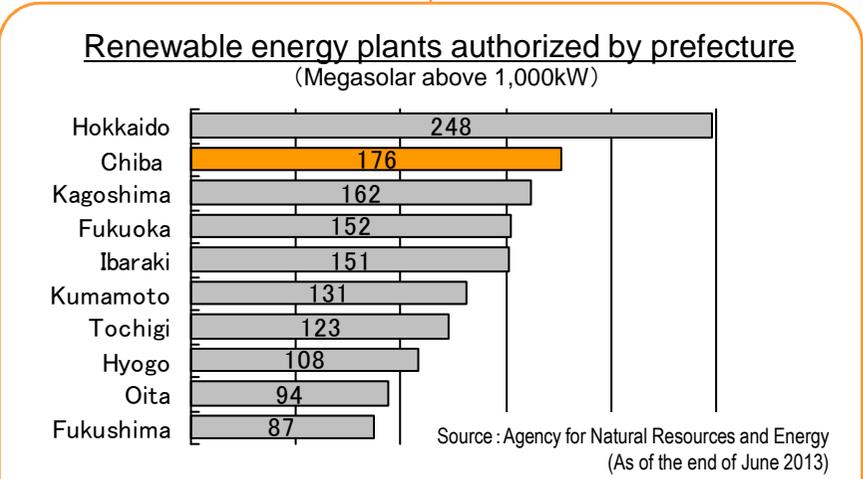
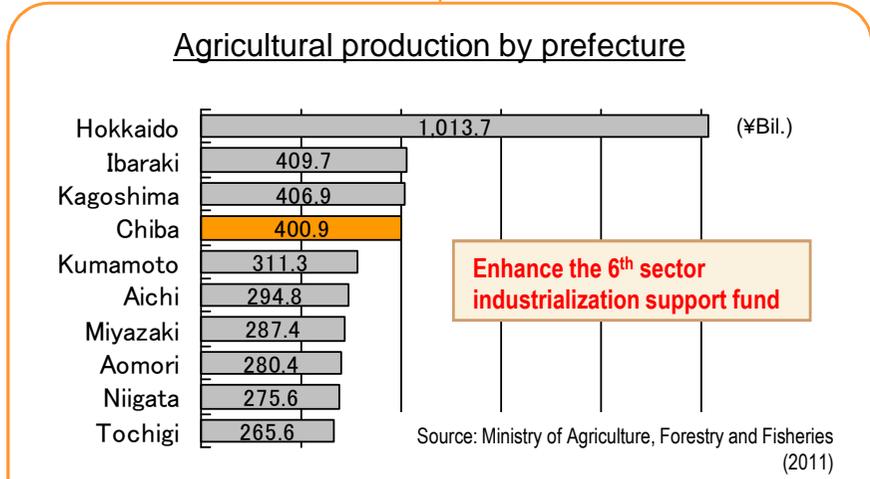
➤ **“Plan for Securing Stable Supply of Housing for Elderly” for Chiba Prefecture**

Number of registered housing units for elderly with support services: **1,519 units (2011)** → **9,000 units (2015)**

Loan balance for nursing sector

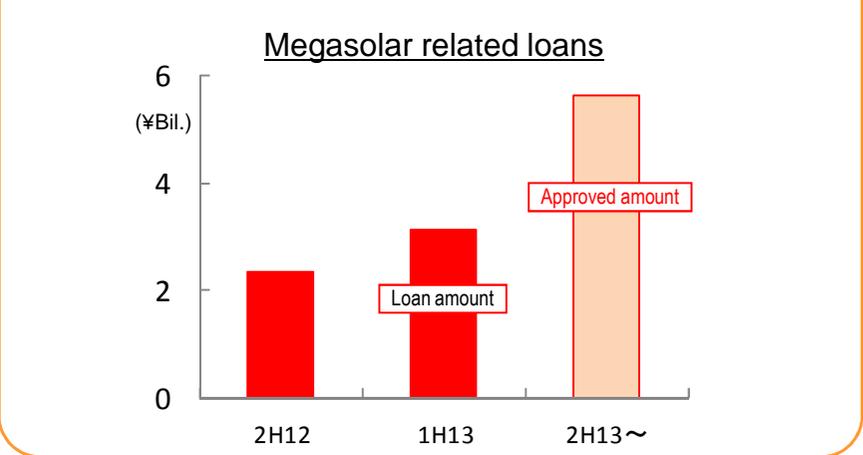
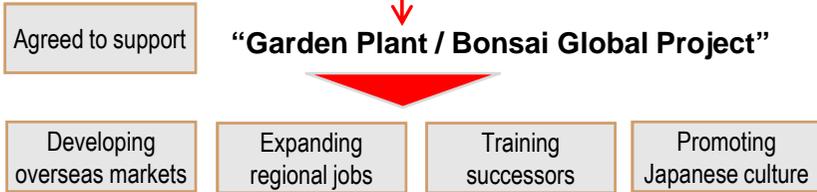


Creating new business models for growth sectors which utilize regional characteristics

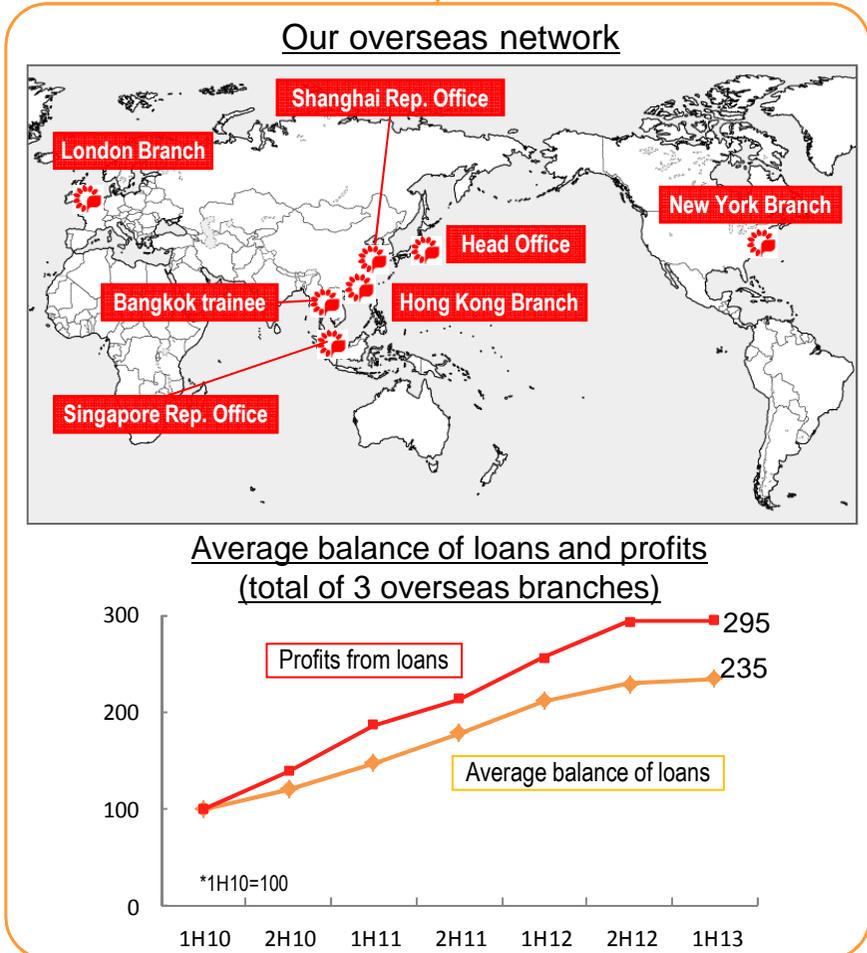
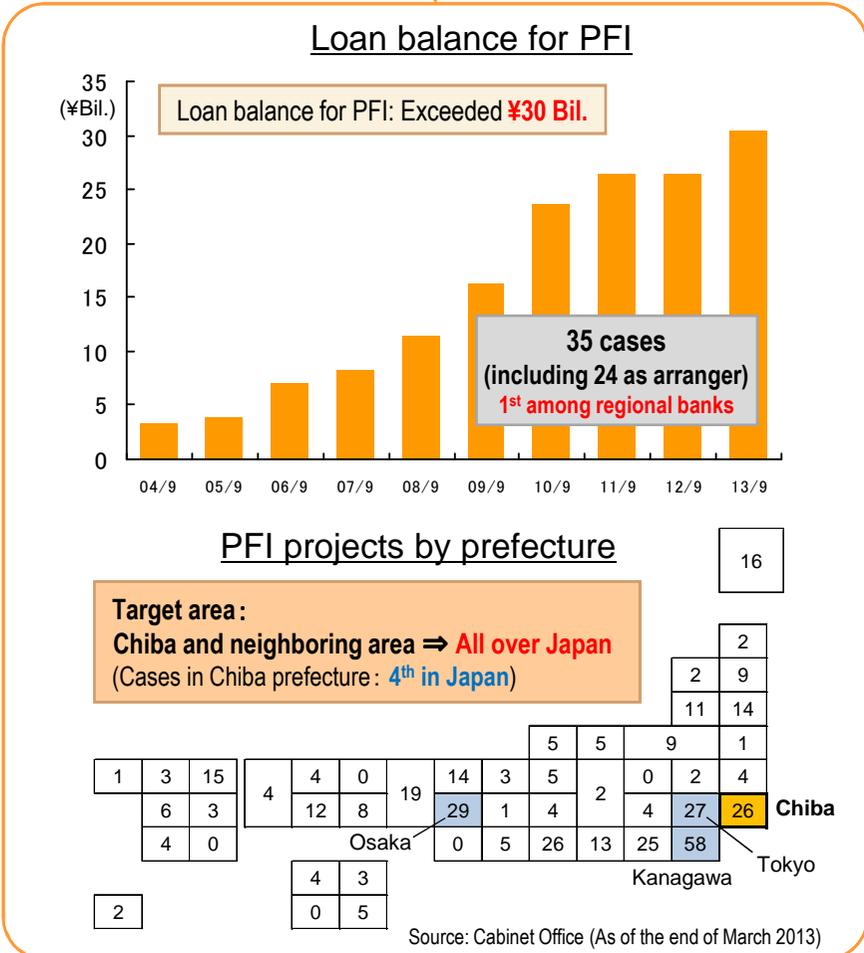


**The 6<sup>th</sup> Sector Industrialization Fund for Agriculture, Forestry and Fisheries in Chiba** (Founded 13/5)

Agriculture, forestry and fisheries Fund corporation for innovation, Value-chain and Expansion Japan (A-FIVE):  
**Decided to invest in 3 (including this one) of 327 projects in Japan**



Enhance loan growth for PFI, support Japanese customers in overseas branches



**Strengthen customer contacts by expanding access channels**

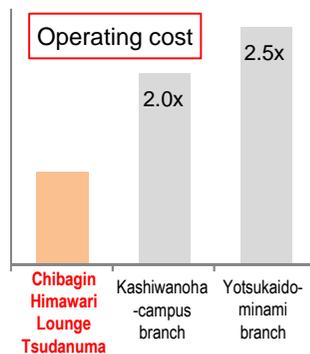
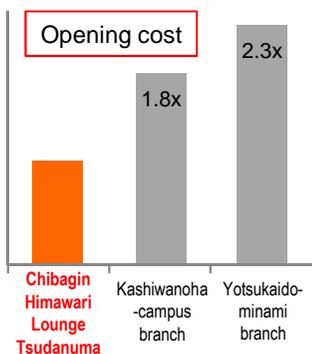
**Branches for consulting**

**Extend operating hours, open weekends**

**Chibagin Himawari Lounge Tsudanuma 13/12**

New banking equipment

Low opening and operating costs



**Consulting Plaza**

Consultations for investments, insurance and private banking, etc.

**Loan Plaza**

Consultation, application and contracting for various loans

**Direct channels**

**Create schemes without branches**

**Internet Banking Service**

Secure application for smart phone

**13/7**



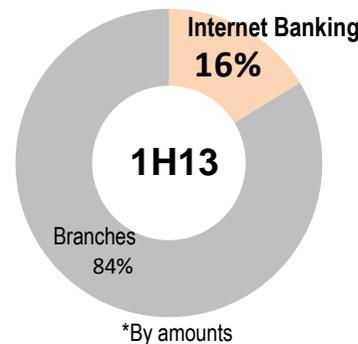
**Chibagin Loan Direct (Call Center)**

Consultation and pre-application for unsecured consumer loans

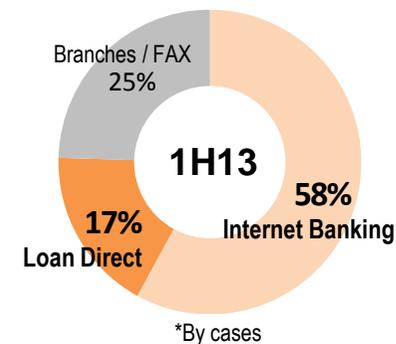
**12/5**



Sales of investment trusts by channel

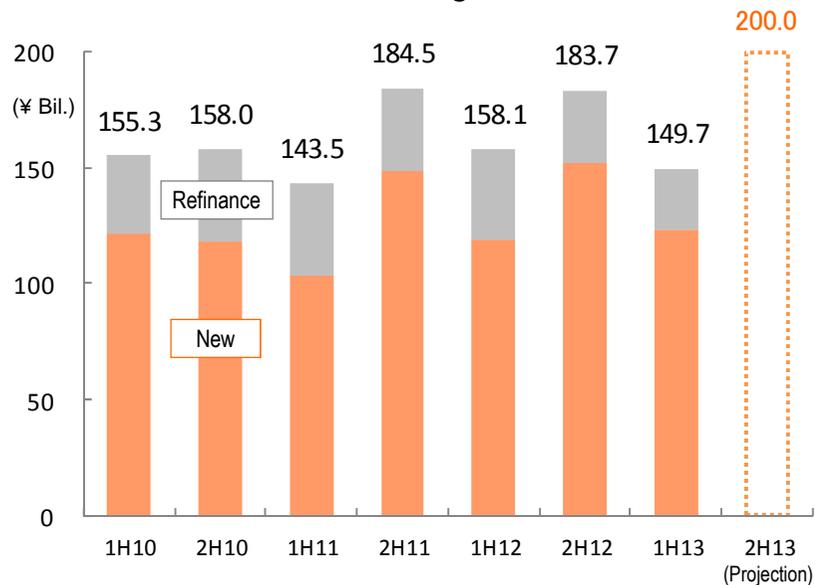


Applications for unsecured loans by channel

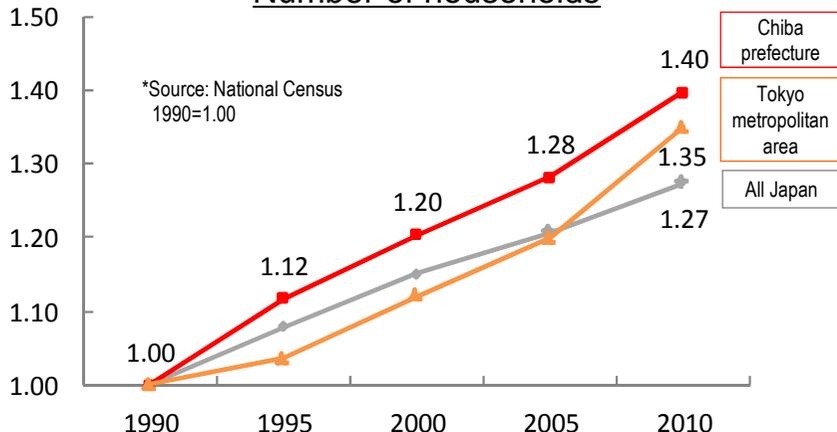


Solid housing demand in Chiba Prefecture, enhanced operations in Tokyo metropolitan area

New housing loans



Number of households

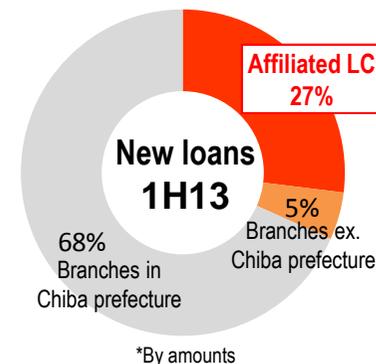


Enhancing Loan Center functions

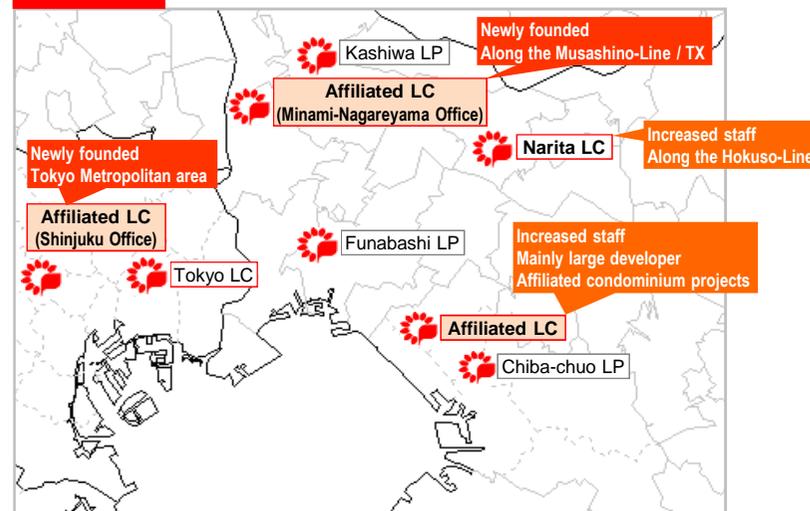
Affiliated Loan Center

13/2 Founded

- ✓ Large housing corporation
- ✓ Screening processes and paperwork regarding big condominium projects



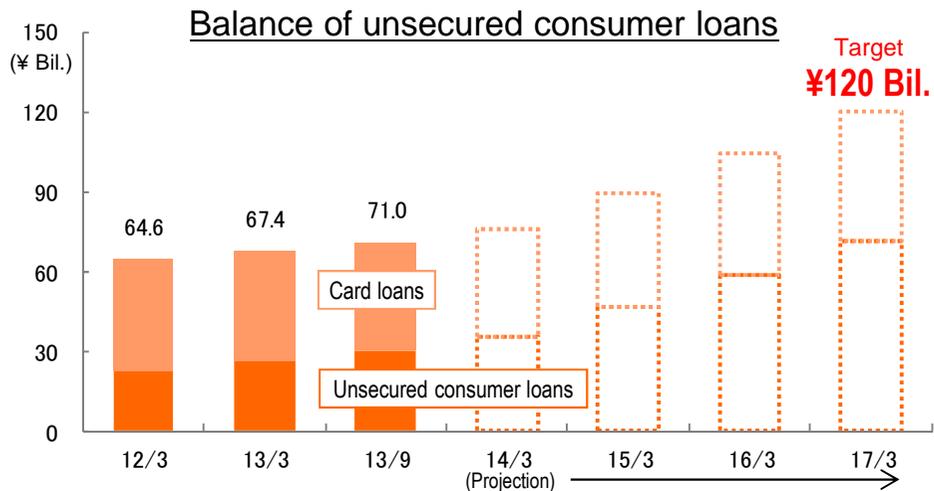
13/10 Loan Centers and Loan Plazas



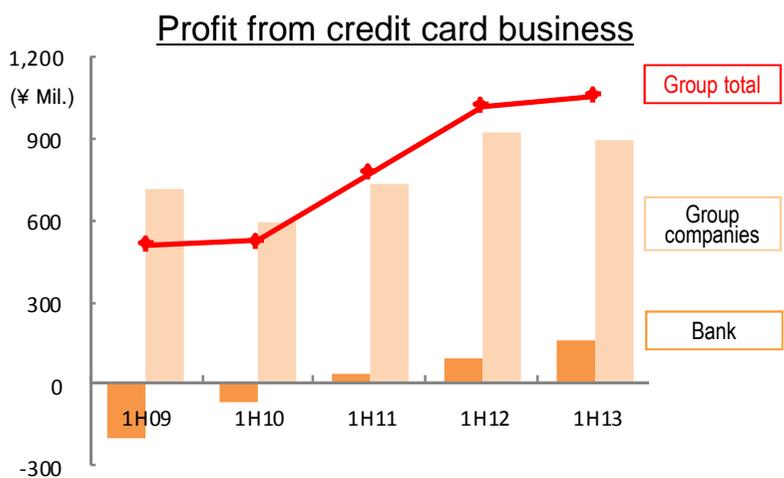
LP : Loan Plaza ( Opening hours : weekdays 10:00-18:00 / weekend 10:00-17:00 )  
 LC : Loan Center ( Projects and mediation by large housing corporation )

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

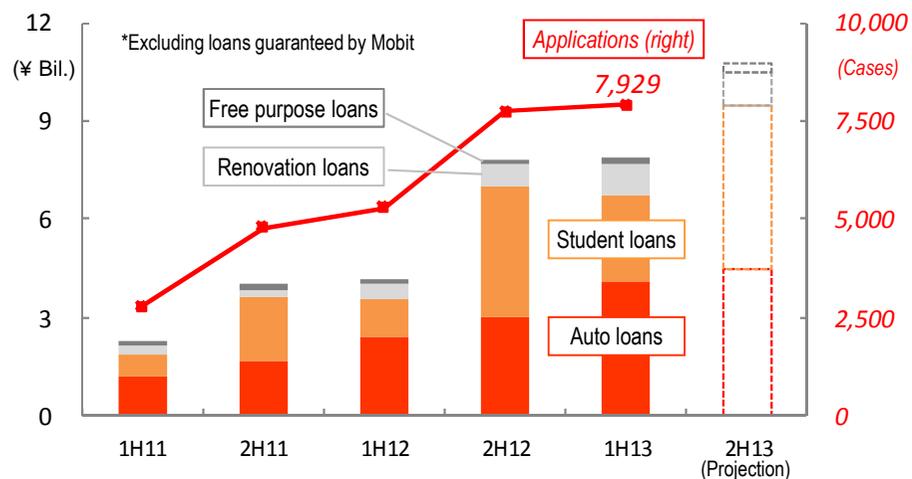
**Unsecured consumer loans**



**Credit card business**



**New unsecured consumer loans and applications**

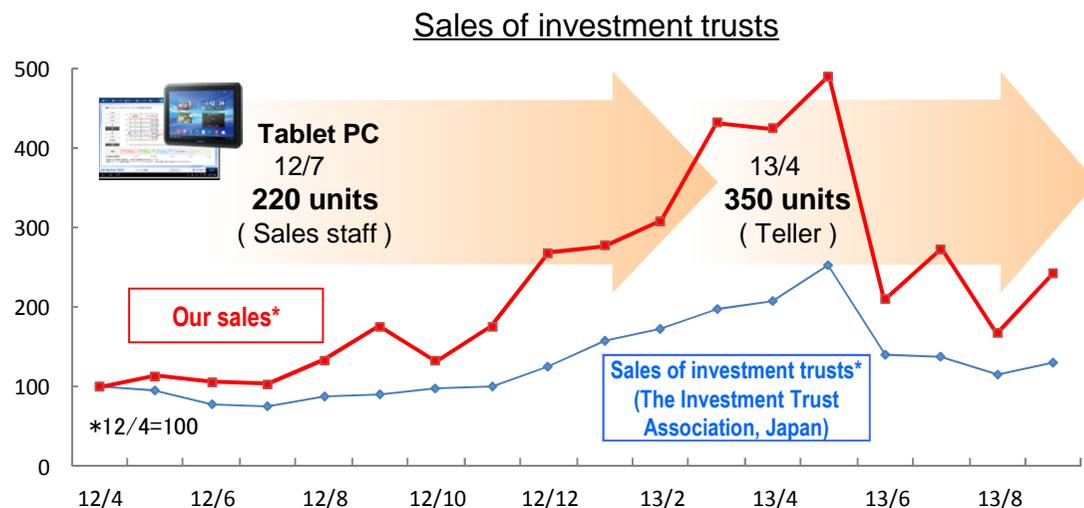


**Credit card shopping amounts and revenue**

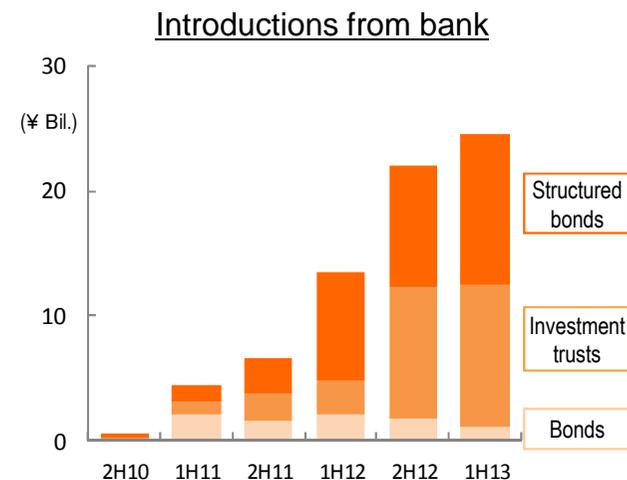


Growth in sales of investment trusts; expanding group securities business

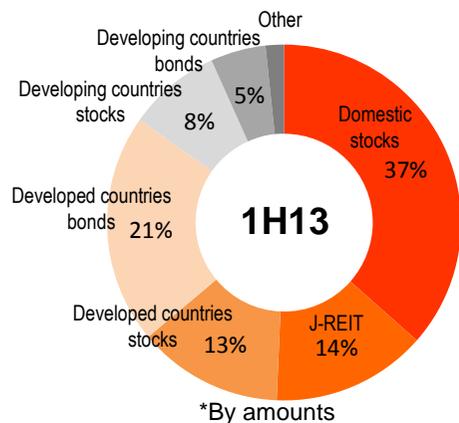
Investment-type financial products



Integration between Bank and Securities



Sales of investment trusts by asset category

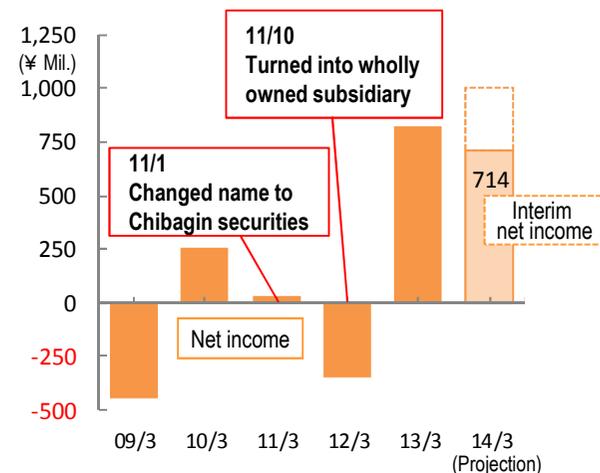


Account applications of Nippon Individual Savings Accounts (NISA)

Total **about 50 thousand** accounts  
As of the end of Sep. (Including Chibagin Securities)



Chibagin Securities



Effective use of capital for our development and flexible shareholder returns

**For our development**

**Growth potential in the region**

- ✓ Regional economic growth with an acceleration of infrastructure developments
- ✓ Rising finance needs
- ✓ Strategic branch development

**Increase in risk-weighted assets**

**Profit growth**

**Flexible approach toward shareholder returns**

**Acquisition of own shares**

10/10 ¥5.06 Bil. 10 million shares	11/5-6 ¥5.82 Bil. 12 million shares	12/5-6 ¥4.58 Bil. 10 million shares	13/11-12 ¥10.0 Bil. (Maximum) 15 million shares
12/11-12 ¥4.85 Bil. 10 million shares			

