CHIBA BANK

November 15, 2021 – Financial Results for the First Half of FY2021 ending March 31, 2022
Main Questions and Answers

Q. It has been less than half a year since you became the president, I would like to know if there are any issues that you have seen from new position, or what you would like to tackle in the future.

A. I am always thinking about what we should do for sustainable growth in the environment of coexisting with COVID-19. What we need to do to achieve sustainable growth is to further develop our 3 main strengths "the operating base", "the financial base", and "the alliance strategy". As a measure to strengthen 3 strengths, we are planning marketing that focuses in depth on characteristics of each business area.

Q. To what level do you expect net fees and commissions income to grow in the future? Please tell us about what you expect as a driver of net fees and commissions income for this fiscal year and next fiscal year.

A. In the first half of this fiscal year, overall fees and commissions income of ¥14.7 billion was the highest ever. Although there will be a negative impact of ¥0.4 billion from the revision of interbank commissions in the second half of this fiscal year, we plan to achieve ¥28.0 billion, a record high for the second consecutive year for the full fiscal year. And in the final year of the medium term management plan, we plan to achieve ¥30.0 billion. In terms of the major items, "Corporate solutions" has a large number of projects, including advisory business, M&A, and solution consideration. They have been growing steadily, and we believe that it will continue to grow for foreseeable. The second is "the sale of financial products". In the financial products business, sales of investment trusts doubled in the first half compared to last year. The main reason is that the market environment was good. In the second half of the fiscal year, if we post the same level of results as the previous year, we expect to exceed the planned ¥8.5 billion. Third, it is "cashless", has been lagging a little behind our initial plan. However, in the first half of the fiscal year, cashless business income for the Group as a whole increased by ¥300 million from the previous fiscal year, and the degree of contribution to earnings has been significant. The last is the trust business and inheritance-related business. Revenue for the first half was ¥850 million, a record high. The amount of assets held by customers and recognized by the Bank in trust business has reached ¥570 billion and is increasing by about ¥100 billion per year. Quarter of these assets are financial assets held at the other institutions, we believe that there are business opportunities here.

Q. What is the level that your bank considers appropriate for the capital ratio? In addition, if there is a surplus, how will you allocate it?

A. We think it is appropriate level that satisfies the capital adequacy ratio that does not impose restrictions on dividends even in a stressed environment in terms of risk management. We have created unique stress scenarios. This stress scenario is a very strict criterion, so the current level is slightly short. The CET1 ratio in March 2028, when the Basel III finalization is fully implemented, is estimated to be generally satisfied. We believe that there is not a surplus portion, and the current level is appropriate in term of the risk management.

Q. As for the full-year forecast, please tell us the background raising the net business profit while lowering the non-recurrent income and losses compared to the previous forecast.

A. The increase in net business income reflects the fact that the top line, gross business profits, for the first half of this year were the highest ever. Net interest income and net fees and commissions income were both strong. Although net interest income and expenses are planned conservatively, net business income for the full year is expected to be ¥2.3 billion higher. The reason for the reduction of ¥2.5 billion in non-recurrent income and losses is due to the revision of the plan for gains (losses) related to stocks, etc., but there is a possibility that it will be higher. Furthermore, although we have left the initial plan of ¥10.0 billion for credit costs unchanged, we believe this is a conservative level, as see new downgrades and overall credit costs progress rate. Taking all of these factors into consideration, we believe that there is a good chance that our full-year results will be higher than planned.

Q. Capital is at a fairly reasonable level even conservatively, and the Bank is performing very well, and the COVID-19 effect is easing. If that is the case, is there any direction for clarifying the capital policy, such as the total return ratio as before? If earnings are higher than the plan, is there room to consider additional returns without waiting for the full-year financial results?

A. We decided to buy back our own shares, because the impact of COVID-19 in Japan has calmed down somewhat, and both the top and bottom lines of the non-consolidated financial results for the first half of this fiscal year were the highest ever. If you look at overseas, there are still some countries where the number of people infected with COVID-19 has reached a record high, so in that sense, we have not yet been able to dispel the sense of uncertainty, and we are conservative in the full-year plan. As for the timing of the announcement of the return policy, I think it will be difficult to do so unless the situation of COVID-19 settles down. For example, timing of the end of third quarter, we would like to decide on our capital policy and return policy while taking a look at the progress.

Q. As for the target for the fiscal year ending March 31, 2023, what is your current progress toward 1.5 million digital customers or 50% digital customer gross profit mix, and what is your assessment of the challenges? In addition, is there any change in the profitability of digital customers? Is it safe to assume that this profitability will gradually increase with each launch of the app's functions in the future?

A. Revenue composition of digital customers has risen from 18% in March last year to 28% in September 2021. The app now has 400,000 registered users. We plan to progress digital banking strategy with the app, so we intend to increase the number of registered users through promotions and other means. Using both physical and digital services, we will aim to expand transactions with each customer by providing personalized proposals. We believe that the most important thing is how we can expand the 3 major elements of non-financial services, personalization, and regional ecosystems.

Q. Has the daily net interest income of mortgage loans continued to increase on a monthly basis in FY2021? If the headwind of the yield factor has weakened, what do you think is the reason behind this improvement?

A. Net interest income per day from housing-related loans has reversed for the first time in 12 years. The reason for this is that the increase in net interest income due to the increase in volume counteracted the decrease in net interest income due to the decline in yields, as with corporate loans. While volume has been growing steadily, the gap between stock and flow interest rate has narrowed, making it easier to achieve the volume effect. We have been able to compete with slightly higher interest rates by offering value-added the group credit life insurances for all injuries and illnesses. In addition, the increase in long-term fixed-rate lending has also had some effect.

Q. Do you feel that there is an opportunity to earn some kind of commission by providing SDGs consulting services to corporates or local governments?

A. In terms of local governments, there are cases where financial institutions have received fees for supporting the establishment of SDGs accreditation systems in other prefectures. Therefore, there is a good possibility that providing similar consulting services in Chiba prefecture. For corporates, they are now very much aware of the SDGs and there are a certain number of our advisory business about the SDGs related to business strategy. We may see an increase in the number of companies that offer consulting services before engaging in sustainable finance, and we intend to provide consulting services and receiving a fee, using the Chibagin Research Institute and outside consultants. I think the most important thing is how to create a framework that includes local governments, and how to calculate the amount of CO2 emissions while providing consulting services and working on sustainable finance. We believe that the needs of our customers are there as well, and we would like to lead the SDGs by working together with our customers.