CHIBA BANK

February 10, 2023 – Financial Results for the First Nine Months of FY2022 ending March 31, 2023 Main Questions and Answers

[Full-year Financial Results]

Q. What is your view of the business environment for the time being, such as economic and monetary policy? Based on this, how do you think about management stance and readiness, investment opportunities, and downside risks?

A. We plan to increase our dividend payment by 2 yen per common share as a show of confidence that we can achieve our target of 60 billion yen in net income for the full year. As we move towards the year-end, we will continue to monitor overall trends closely and we may consider rebalancing our securities portfolio as well as making precautionary provisions to reserves as an annual response

[Net fees and commissions]

Q. Corporate solutions-related revenue has continued to increase significantly. What is your confidence level regarding mid-term revenue growth for the next fiscal period and beyond, and what is the direction of earnings from the perspective of your confidence in the business as well as its sources?

A. Corporate solutions-related revenue increased significantly in 3Q and was a major driver of finance-related gains. Despite the changing business environment, we currently have a solid transaction pipeline and expect this revenue to continue to grow.

Q. Do you expect that the growth of your cashless operations will continue to accelerate in terms of transaction volume and revenue?

A. Starting from this fiscal year into the next, we will begin offering cashless service to major franchise merchants and we expect business to grow. In terms of transaction volume, we expect to nearly double the current level by the final year of the next mid-term plan, and as far as whole-Group top-line revenue, we expect cashless services to grow from the current level of approximately 4 billion yen to 6 billion yen in the next Mid-term Plan. We expect cashless services to be a major driver of net fees and commissions.

[Impact of the BOJ’s review of its monetary policy]

Q. According to your estimates, the revised YCC framework will increase net interest income by 4 billion yen in FY2025. Could you also give us some background on the calculation of the impact on corporate loans, residential loans, and bonds?

A. Please note that this is just a rough estimate based on the assumption that swap rates will rise after the YCC framework change and that our borrowing rates will also rise in tandem with the rise in interest rates. As for loans to corporate customers, the impact of the interest rate hike on medium- to long-term fixed rate loans is estimated to be approximately 4.5 trillion yen. The average increase in swap rates was about 13 basis points, and as such, we estimate that the percent increase in our lending rates linked to bond interest rates will be 50%, resulting in a 2.9 billion yen increase in net income. We assume approximately 150 billion yen in fixed-rate residential loans in the three years over the entire term of the loans. Multiplying this by an approximate 5-basis point increase in the 20-year swap rate, we estimate an approximately 100 million yen increase in net interest income. We are also assuming approximately 400 billion yen in new bond investments, including reinvesting bonds to be redeemed over the next three years. Assuming a 25-basis point improvement in interest rates on these bonds, we expect an increase of approximately 1 billion yen in net interest income. The total of the above effects is estimated to be approximately 4 billion yen.

Q. In response to the BOJ's review of its monetary policy, other banks have adopted a policy of slight adjustments of their risk limits on yen bonds. Are there any plans for Chiba to revise its yen bond investment policy, such as by actively utilizing common collateral operations?

A. We at the Chiba Bank consider common collateral operations to be one method that is effective in providing funding flexibility. We are also aware that some banks are utilizing these operations to purchase bonds with the same maturities; however, we are not currently considering changing our market operations policy. If it can be determined that common collateral operations are effective as an arbitrage trade, it will be considered as part of our overall investment strategy.

Q. Has the ratio of fixed rate corporate and residential loans increased post-BOJ YCC revision, or has the yield on fixed-income securities actually improved slightly at the bank?

A. Recently, fixed rate loans have increased slightly. However, we believe that our customers' needs for variable interest rates is still strong, and there are still no signs that variable interest rates will rise in the future. Yields on new fixed rate loans have improved as the swap rate has become the best rate for fixed rate loans

[Capital Policy]

Q. What is the message behind your decision to increase your dividend payment, and what are your thoughts on your future capital and shareholder return policies??

A. When compared to other banks, we are rated higher than the major banks and other regional banks in terms of P/B ratio. On the other hand, we are slightly behind other banks in terms of our dividend payout ratio and dividend yield, and we are working to improve these areas. We are aiming for a dividend payout ratio of 35%, and this dividend increase will allow us to raise the dividend payout ratio to approximately that level.

[Next Mid-term Plan]

Q. What are your current views on about your mid-term earnings targets?

A. Despite the difficult business environment, we would like to aim for a net income of 60 billion yen in the current fiscal year as a starting point and then aim even higher in the next Mid-term Plan, taking into account the growth rate of loans as well as net fees and commissions that make up our existing business operations in addition to the efficient management of new business ventures that we will consider in the future returns.

Q. I would like to know what kind of discussions are taking place internally regarding the appropriate capital level for the next Mid-term Plan.

A. Our ongoing philosophy is that the net income derived from our business activities should be appropriately allocated to investments for future growth as well as shareholder returns. While we were able to increase the dividend payout ratio to 34% for the current fiscal year through increased dividends, we are also considering setting a quantitative, numerical shareholder return target in the next Mid-term Plan. We will consider new initiatives to drive growth, such as raising the ratio of risk-weighted assets in loans or fud investments, as well as investments designed to achieve inorganic growth, such as alliances and acquisitions. Even after making these kind of growth investments, we would consider further shareholder returns through share buybacks and other means if the equity ratio exceeds a reasonable range. We are required to maintain a relatively high external credit rating to ensure our ability to raise foreign currency. Therefore, we must continue to maintain Tier 1 capital at or above a certain level.

[Alliance Strategy / Regional Bank Reorganization]

Q. In recent years, we have continued to see reorganizations of regional banks within the same prefecture, and there are a number of regional banks in Chiba Prefecture that have done so. With that in mind, what is Chiba Bank's opinion on the reorganization of regional banks within the same prefecture?

A. Our basic stance is that restructuring and consolidation are just one business model that regional banks and other financial institutions can use to achieve sustainable growth while solving local issues. In that sense, restructuring and consolidation are no different from other strategies that serve the same purpose, such as alliances with other organizations in the same or different industries. The Chiba Bank has prioritized its alliances with Tsubasa, Musashino, and Yokohama as a strategy to expand our top and bottom line results. In addition, last year we announced an alliance with Sony Bank, and I believe that, so far, investors have taken a positive view of our strategy that isn't focused on consolidation. While we are actively cooperating with two other banks in the prefecture in terms of administrative labor and ATM maintenance and management and I can't complete eliminate the possibility of reorganization or consolidation with other banks in the future, the market in Chiba Prefecture is particularly strong and is distinct from other areas where there have been recent moves to consolidate banks.

[Human Capital]

Q. What changes does the Chiba Bank plan to make to its disclosures regarding human capital? In addition, please tell us how you are positioning human capital in your new Mid-term Plan.

A. We are currently considering the quantitative and qualitative aspects of such disclosures. The Chiba Bank considers its human resources to be its most important management resource and has established a basic human resources policy that outlines its approach to the human resources required for its operations and we intend to clearly articulate our methods for actively investing in human capital for the sustainable development of the Bank and the regional community. We believe that it is necessary to disclose our progress not just conceptually but in terms of concrete results and numerical figures.