

FY2015 Earnings Results Briefing

June 2, 2016



Summary of FY2015 Earnings Results

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Section I

Summary of FY2015 Earnings Results

FY2015 Earnings Results —Summary—

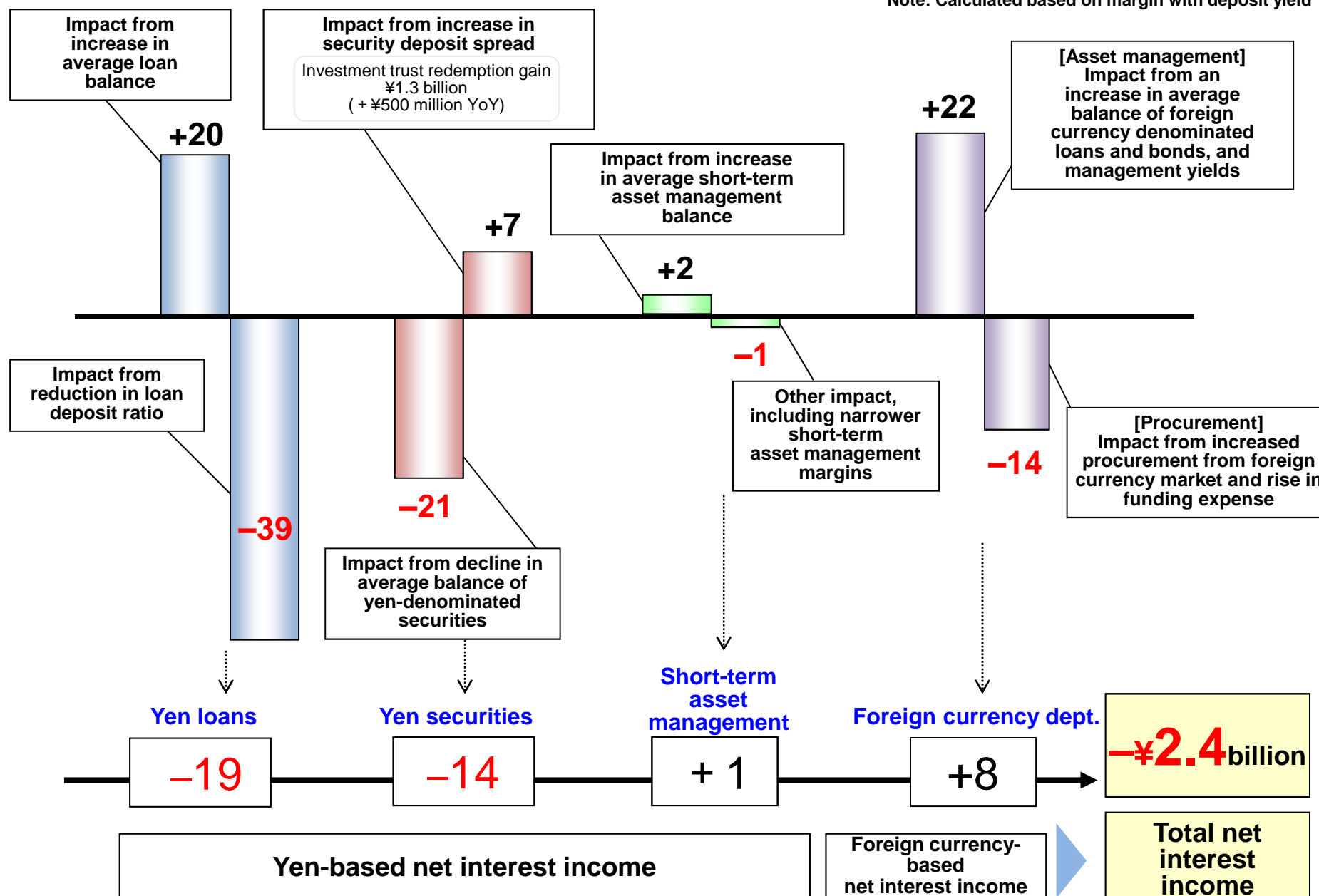
(100 million yen)	FY2012	FY2013	FY2014	FY2015	YoY	vs. Plan
Core business gross income	859	869	882	855	-27	4
Interest income	720	721	724	700	-24	-1
Fees and commissions	135	137	148	150	2	0
Other operating income	3	11	9	5	-4	5
Expenses (-)	-569	-565	-572	-554	-18	-4
Core business net income	290	304	309	301	-8	9
OHR (%)	66.2	65.0	64.9	64.8	-0	-1
Credit expense (Reveral (gain): +)	-23	108	-2	37	-39	3
Bond sales gains/redemption	10	-16	0	17	17	27
Equity sales gains/redemption	-14	26	37	33	-4	-5
Other	11	19	12	16	4	1
Ordinary income	273	441	357	406	49	30
Extraordinary gain/loss	-2	-2	-3	-3	0	0
Net income	169	270	209	259	50	8
Consolidated ordinary income	312	481	391	434	43	31
Consolidated net income	184	287	247	272	25	9

Profit results released on Nov. 9, 2015

- Core business net income declined ¥800 million YoY, as the decline in interest income was sharper than the decrease in expenses.
- Ordinary and net income increased YoY, reflecting a decline in credit expense (increase in reversals) and a rise in securities—related gains.

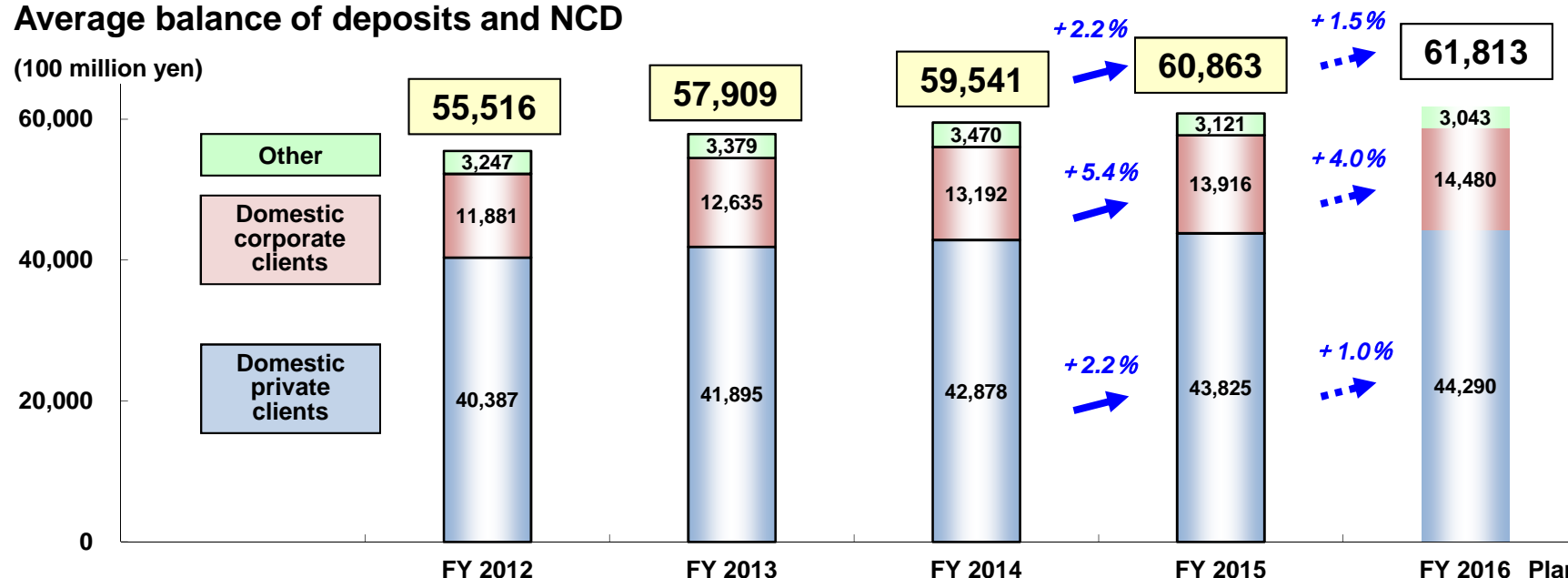
FY2015 Earnings Results —Change in net interest income—

Note: Calculated based on margin with deposit yield



Average balance of deposits and NCD

(100 million yen)



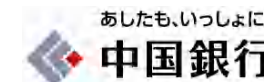
Ref: Balance of assets in custody

(100 million yen)		FY2012	FY2013	YoY	FY2014	YoY	FY2015	YoY	FY2016	YoY
									Plan	
	Public bonds	4,419	4,013	-406	3,486	-527	2,965	-521	2,870	-9
	Investment trusts (1)	2,181	2,137	-44	1,968	-169	1,814	-154	1,765	-4
	Financial instrument intermediary services	1,447	1,441	-6	1,734	293	1,867	133	1,990	12
	Investment trust portion (2)	221	478	257	652	174	806	154	950	14
	Insurance	3,275	3,388	113	3,423	35	3,402	-21	-	-
Bank parent		11,322	10,979	-343	10,611	-368	10,048	-563	-	-
Investment trust total (1+2)		2,402	2,615	213	2,620	5	2,620	0	2,715	9
Chugin Securities		574	674	100	931	257	795	-136	860	6

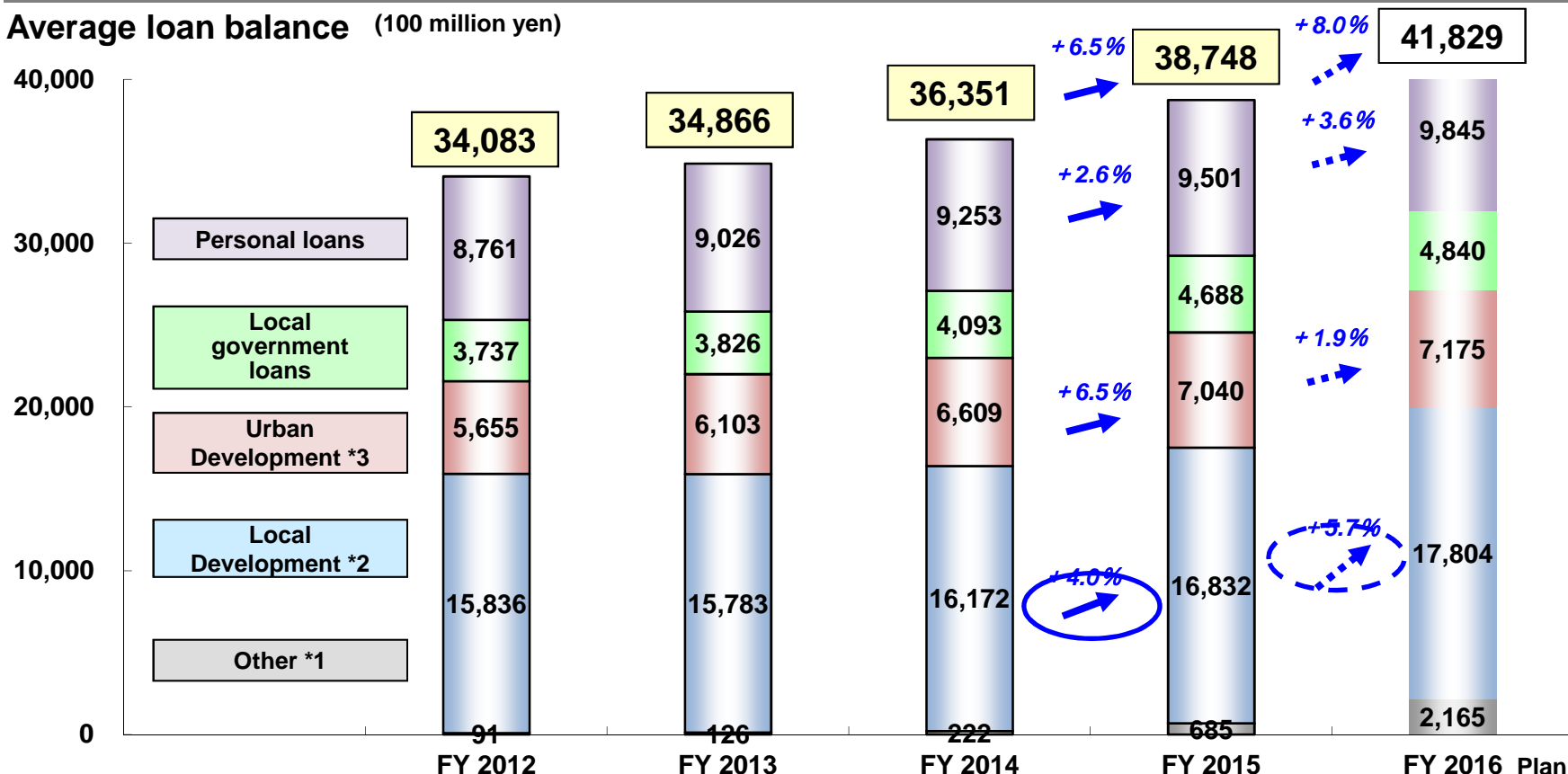
* Public bonds: average balance based on par value. Investment trusts: average balance based on net assets. Financial product intermediary services: average balance based on acquisition value. Insurance: average balance basis factoring in cancellations.
Chugin securities: ending balance for bonds, equities and investment trusts.

- In FY2015, private and corporate client deposits grew steadily.
- In FY2016, deposits are expected to continue to grow steadily but the overall annual rate of growth is likely to be slightly sluggish.

FY2015 Earnings Results —Major accounts (2) Loans—



Average loan balance (100 million yen)



*1 Other: Hong Kong branch, non-Japanese, structured finance center, credit cashing

*2 Local development: Regions other than Tokyo and Osaka

*3 Urban development: Tokyo and Osaka

Average loan balance at non-Japanese & structured finance center

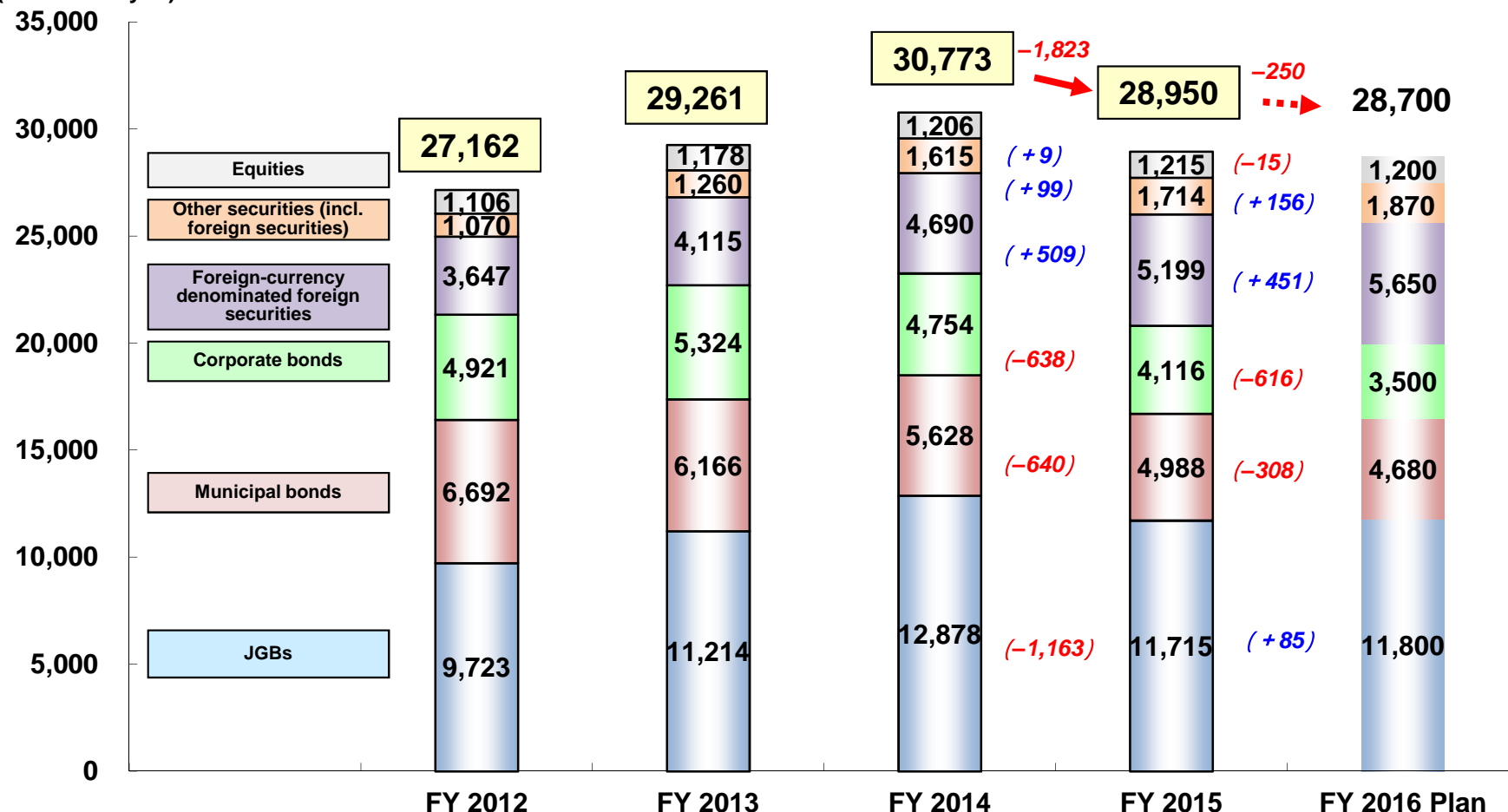
(100 million yen)	FY2014	FY2015		FY2016	
			YoY	Plan	YoY
Non-Japanese	85	318	233	715	397
SF Center	1	206	205	1,286	1,080
Total	86	524	438	2,001	1,477

- In FY2015, the annual rate of growth for local development capital rose 4.0%, mainly growth in financing for SMEs.
- In FY2016, we plan an annual rate of growth of 8.0% on the back of further build-up, mainly in local development capital.

FY2015 Earnings Results —Major accounts (3) Securities—

Average balance of securities

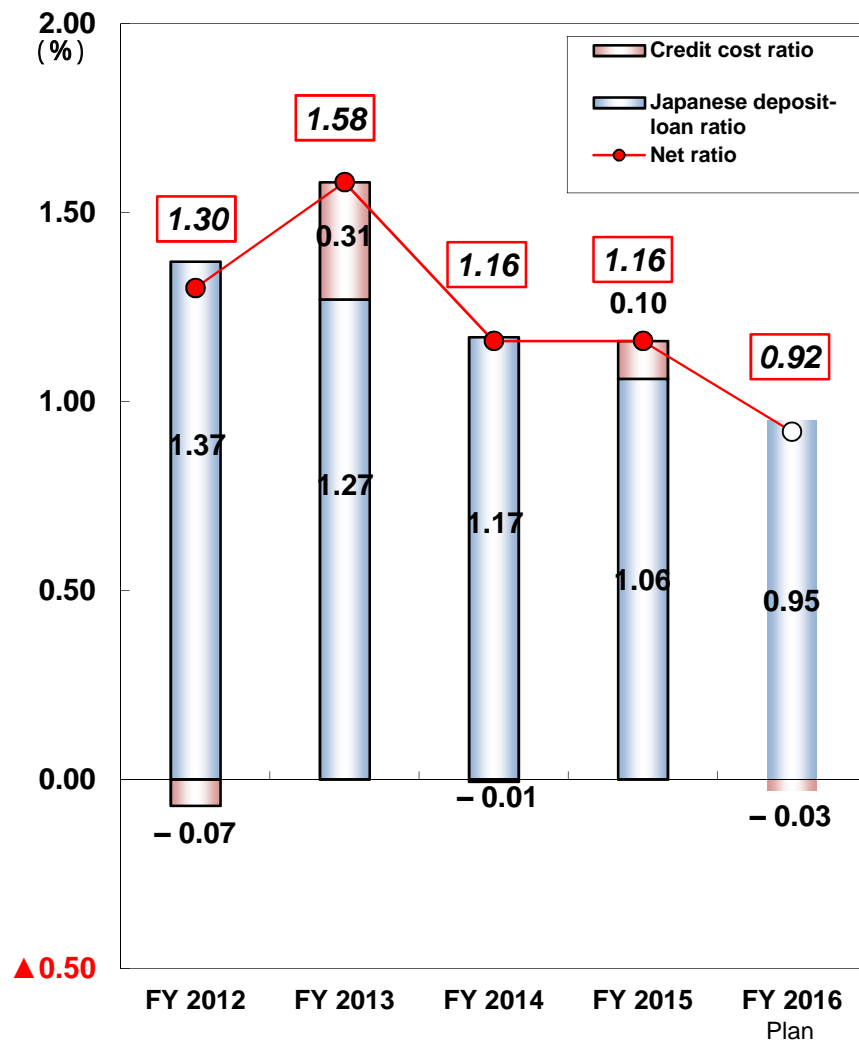
(100 million yen)



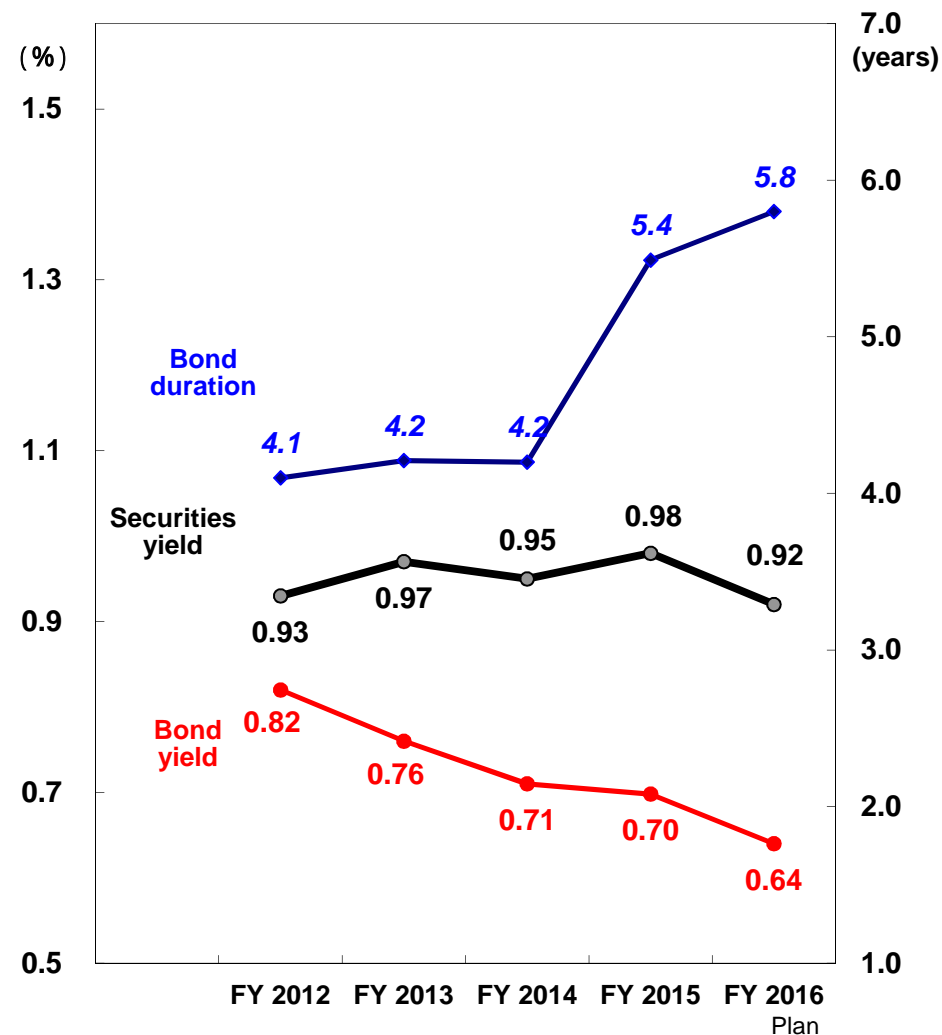
- In FY2015, the JGB balance shrank but we built up our balance of foreign bonds and investment trusts.
- Going forward, given the current low-interest rate environment, we anticipate a decline in the balance of domestic bonds, mainly municipal and corporate bonds, but we plan to build up our balance, mainly of foreign bonds and investment trusts, and expect our average balance of securities to remain nearly flat YoY.
- We plan to continue to shuffle our portfolio to address fluctuations in the market environment and plan to strengthen our diversified investments.

FY2015 Earnings Results — Major yields and margins —

Loan/deposit ratio, credit cost ratio, net margin



Securities yield and duration

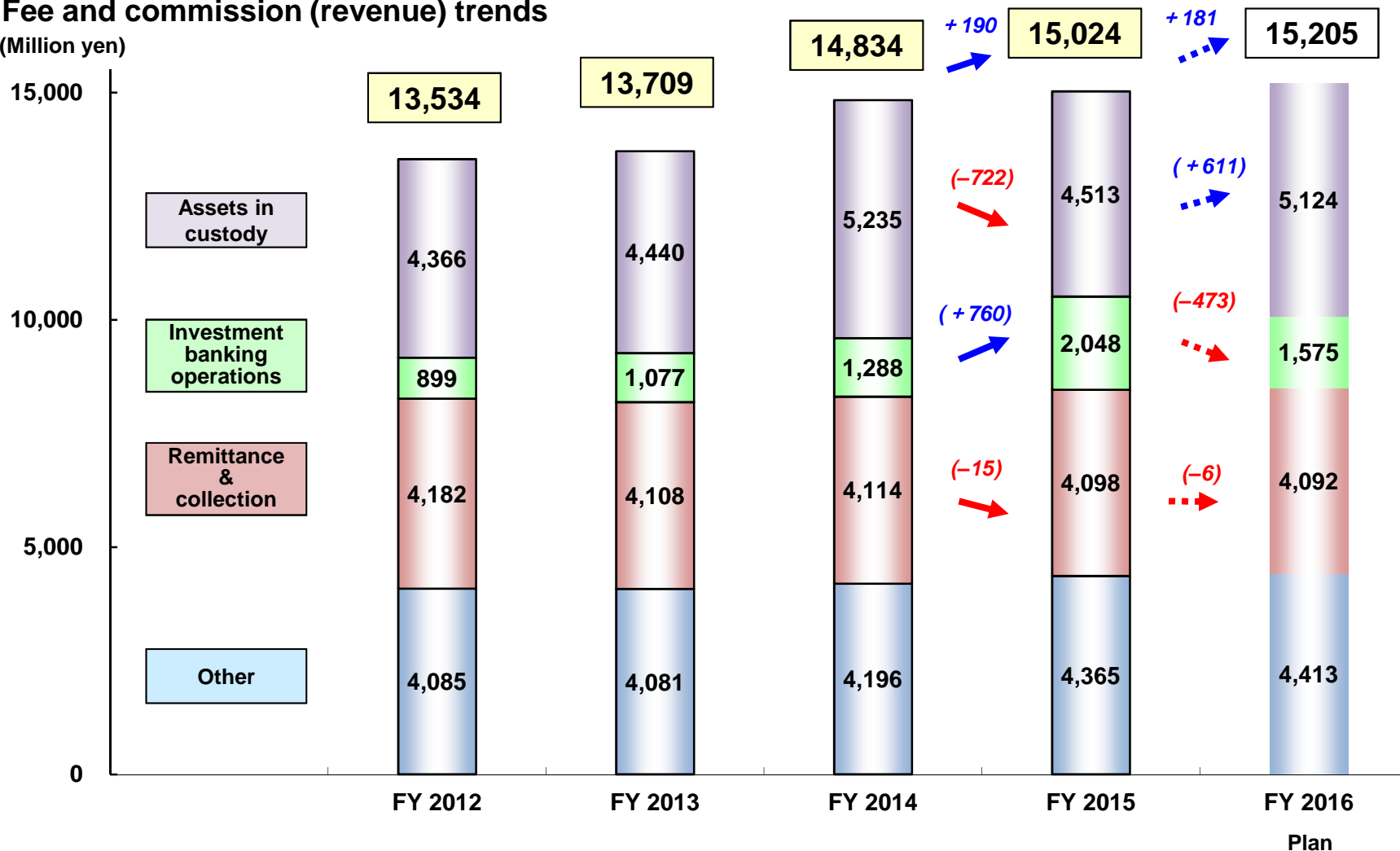


- Loan/deposit ratio is likely to continue to fall.
- The bond yield is expected to trend downward annually but we anticipate the securities yield, which includes the equities yield, is likely to remain at the 0.9%-level.

FY2015 Earnings Results —Change in fees and commissions—

Fee and commission (revenue) trends

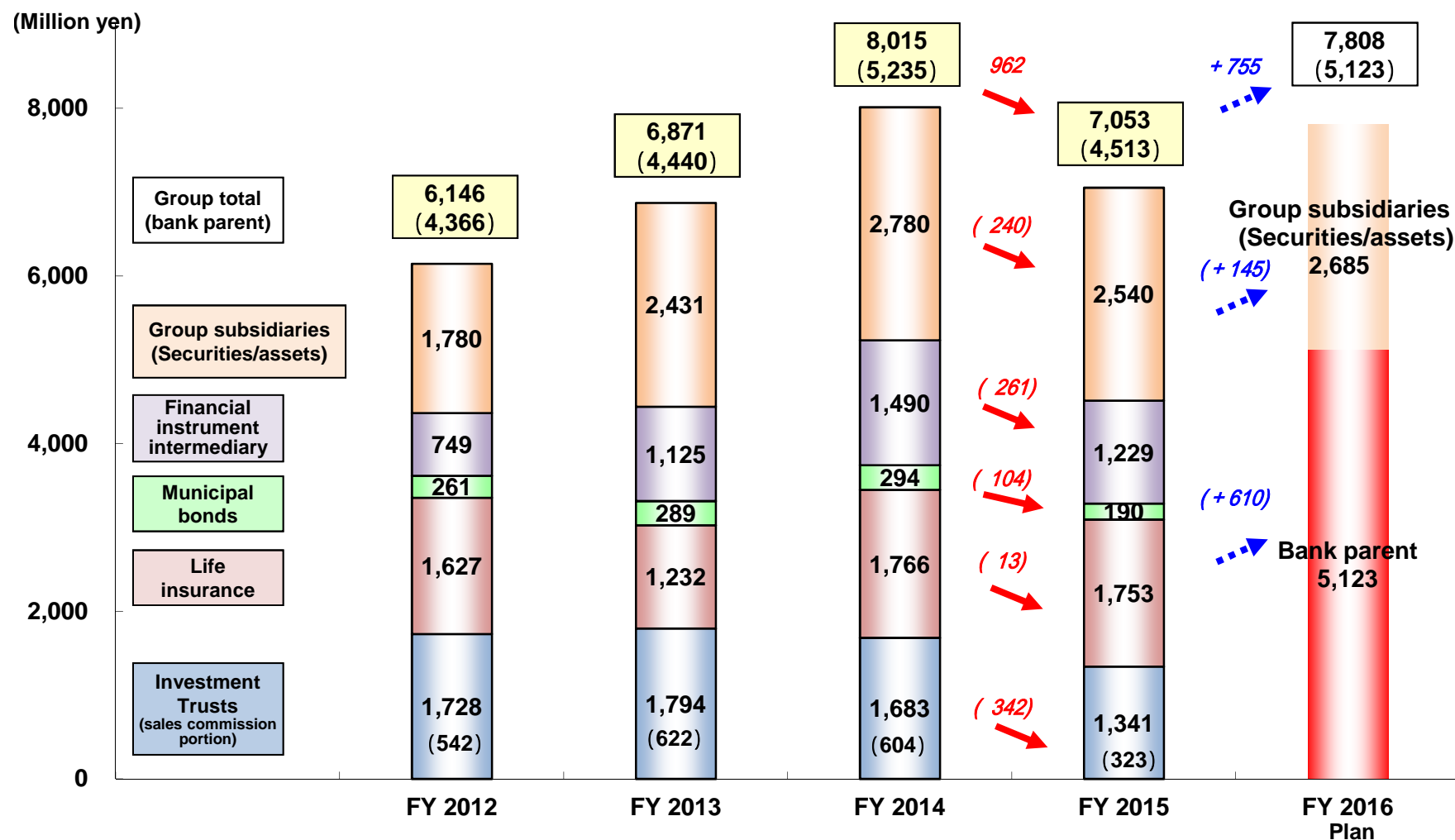
(Million yen)



- Fee and commission revenue rose ¥200 million YoY, trending steadily owing mainly to gains from investment banking operations
- We plan to focus our energy on assets in custody and thereby boost our fee and commission income by ¥200 million YoY.

FY2015 Earnings Results — Change in assets in custody —

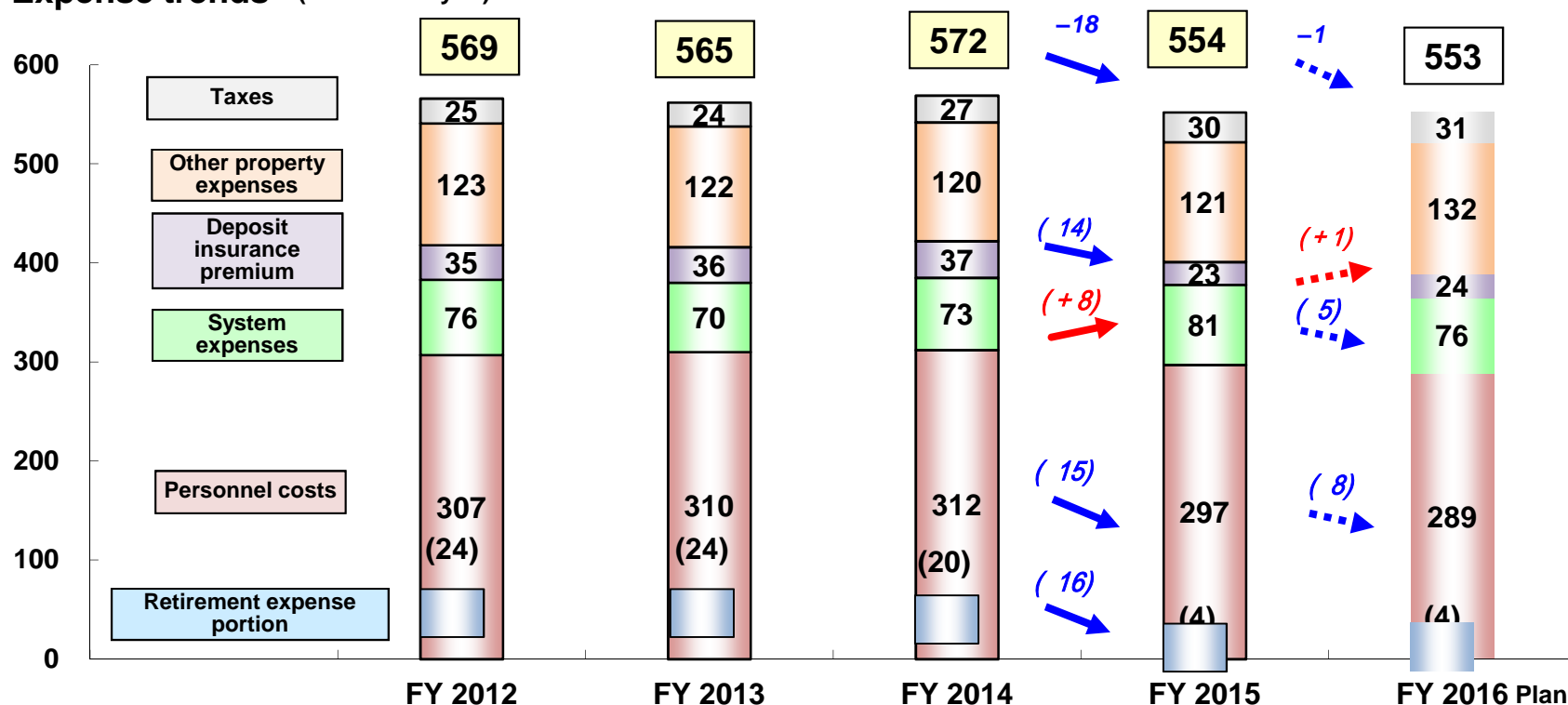
Revenues related to assets in custody



- In FY2015, sales were sluggish due to a listless market. Total group revenue related to assets in custody declined ¥1.0 billion YoY.
- In FY2016, we expect total group revenue related to assets in custody to rise ¥800 million, reflecting in part the introduction of new products from group subsidiaries.

FY2015 Earnings Results —Change in expenses—

Expense trends (100 million yen)



Ref. TSUBASA portion of expenses

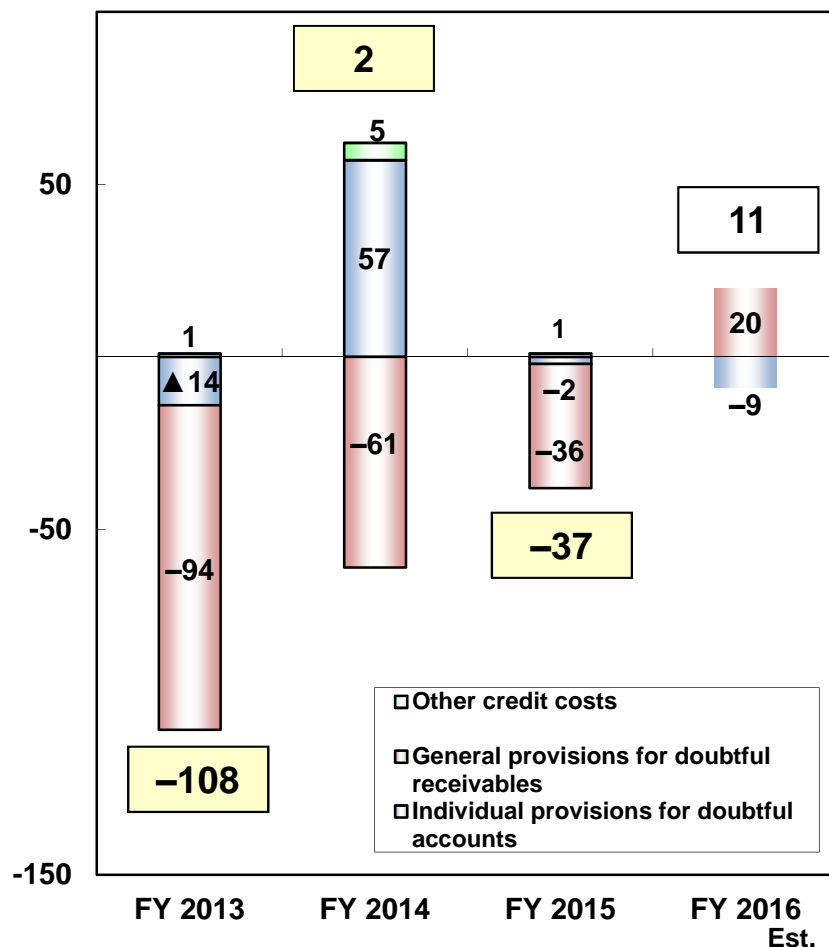
(100 million yen)	FY2014	FY2015		FY2016		FY2017		FY2018	
			YoY	Plan	YoY	Est.	YoY	Est.	YoY
Office relocation expenses*1 (Other property expenses)	0.4	1.5	1.1	4.7	3.2	1.3	-3.4	0.0	-1.3
System-related expenses (System expense)	11.2	21.4	10.2	16.4	-5.0	15.2	-1.2	13.4	-1.8
Total	11.5	22.8	11.3	21.1	-1.7	16.5	-4.6	13.4	-3.1

*1: Expenses for office supplies and advertising

- In FY2015, expenses decreased ¥1.8 billion YoY, primarily attributable to a decline in retirement expenses and deposit insurance premiums.
- In FY2016, although we look for a decline in personnel and system-related expenses, we expect expenses to remain flat YoY, due to an increase in expenses, including TSUBASA office relocation expenses.

FY2015 Earnings Results —Credit cost trends—

Credit cost trends (100 million yen)

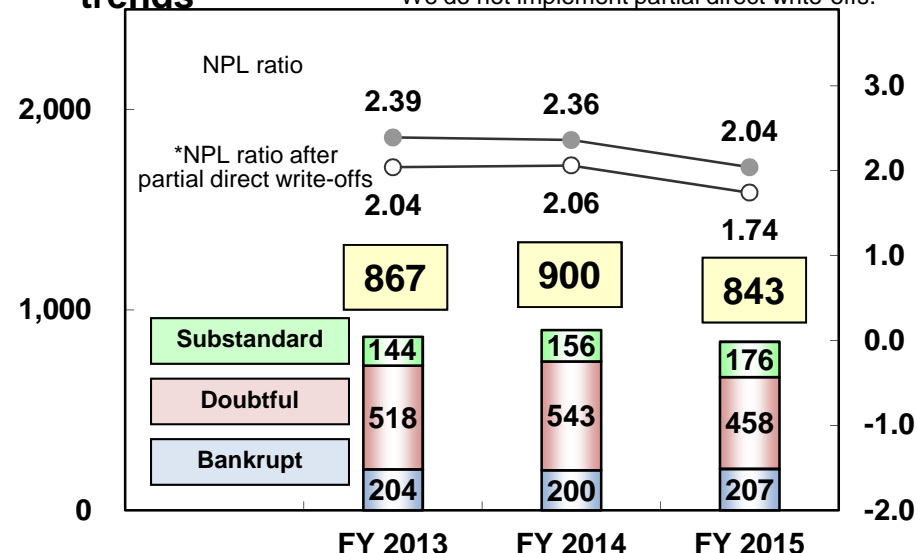


Credit cost = general provisions for doubtful receivables + individual provisions for doubtful accounts + loan write-offs + specific foreign borrowers + provisions for loss on claim sales + loss on claim sales — gain on reversal to loan loss account

Other credit costs = Loan loss write-offs, specific foreign borrowers, provisions for loss on claim sales, loss on claim sales

- In FY2015, there was a ¥3.7 billion reversal to total credit cost due to a reversal of general provisions for doubtful receivables reflecting a decline in the loan loss ratio forecast.
- In FY2016, we estimate low credit costs as we do not expect to incur any major credit expense.

Non-performing loan (NPL) trends (100 million yen)
*We do not implement partial direct write-offs.

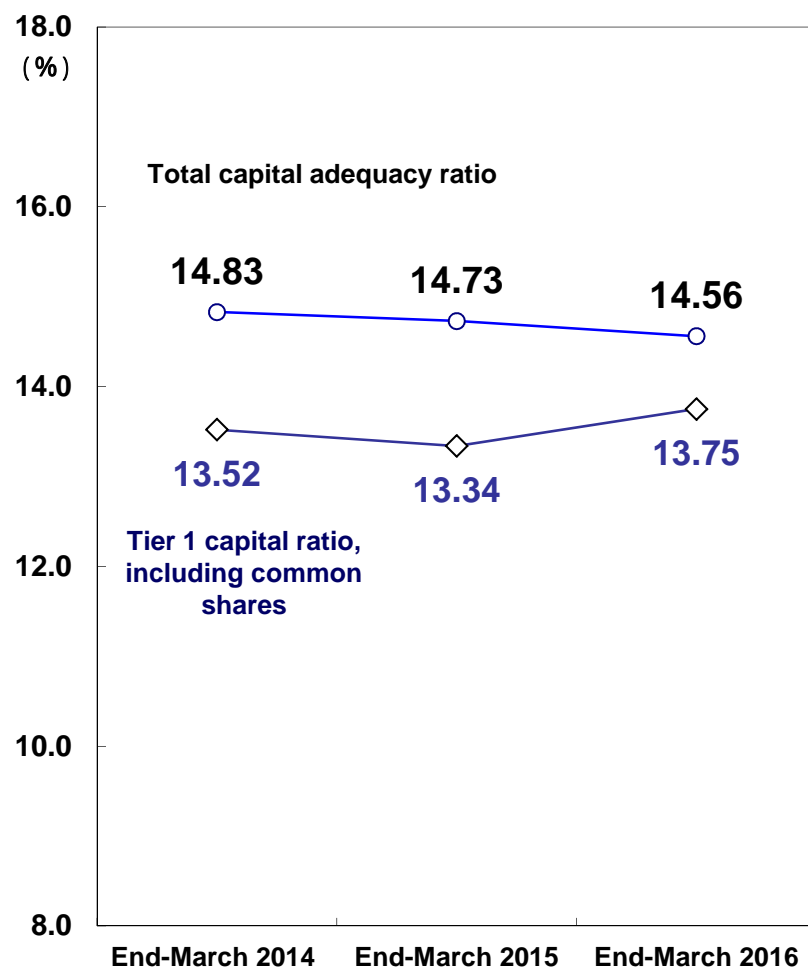


Outstanding balance by debtor (self-assessment)

(100 million yen)	FY2014		FY2015	
		Ratio		Ratio
Healthy accounts	34,888	91.5%	38,222	92.5%
Substandard	2,478	6.5%	2,422	5.9%
Doubtful	544	1.4%	459	1.1%
Virtually bankrupt	147	0.4%	165	0.4%
Legally bankrupt	54	0.1%	43	0.1%
Total	38,111	100.0%	41,310	100.0%

FY2015 Earnings Results — Capital adequacy ratio —

Capital adequacy ratio (Basel III) trends



Capital adequacy ratio (parent)

	FY2014	FY2015	YoY
(100 million yen)			
Total net worth	4,722	4,864	142
Tier I, including common shares	4,275	4,595	320
Tier II	446	269	-177
Risk assets, etc.	32,038	33,407	1,369
Credit risks	30,399	31,765	1,366
Operational risks	1,639	1,641	2

Other Basel regulations

	FY2014	FY2015	<Regulatory standards>
Consolidated leverage ratio	5.70%	5.91%	Trial period 3% and above
Parent liquidity coverage ratio (LCR)		143.9%	60% and above

*LCR at the end of FY2014 was not calculated

- Tier I capital ratio (including common shares) rose owing to a build up in profits and a recalculation of capital reflecting adjustments and translations due to transition measures.

Section II

FY2016 Forecasts & Major Initiatives

FY2016 Forecasts —Earnings forecasts—

(100 million yen)	FY2015	FY2016		
	Actual	Plan	YoY	Vs. Medium-term plan
Core business gross income	855	811	- 44	- 21
Interest income	700	671	- 29	- 28
Fees and commissions	150	152	2	3
Other operating income	5	-12	-17	4
Expenses (–)	-554	-553	1	4
Core business net income	301	257	- 44	-16
OHR (%)	64.8	68.2	3.4	1.2
Credit expense (–)	37	- 11	- 48	44
Bond sales gains/redemption	17	0	- 17	10
Equity sales gains/redemption	33	33	0	24
Other	16	- 3	-19	- 8
Ordinary income	(Con. 434) 406	(Con. 298) 276	(–136) - 130	53
Extraordinary gain/loss	- 3	- 4	- 1	3
Net income*	(Con. 272) 259	(Con.199) 188	(–73) - 71	49
[ROE forecast]	FY2015	FY2016		
	1-year	1-year	3-yr avg.	5-yr avg.
Consolidated ROE (%)	5.2	3.8	4.7	4.9

+Consolidated net income is net income attributable to owners of the parent

Core business net income and net income expected to decline YoY

YoY catalysts

Negative catalysts

- Decline in loan interest
- Decline in securities interest
- Increase in foreign-currency procurement costs
- Increase in credit expense
- Decrease in bond gains
- Increase in write-off of retirement expense

Catalysts vs. medium-term plan

Positive catalysts

- Decrease in credit expenses
- Improvement in gains on bonds and equities

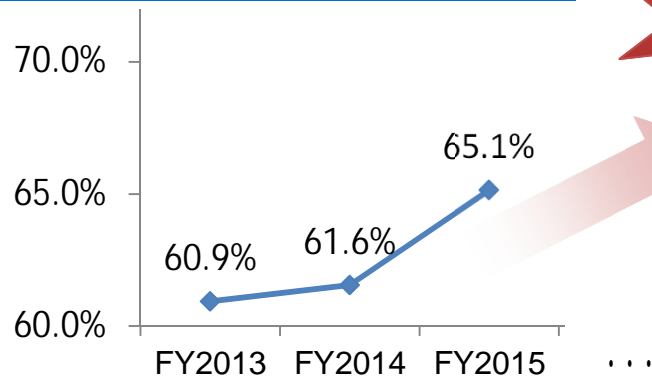
Negative catalysts

- Decrease in gains on financing due to lower margins

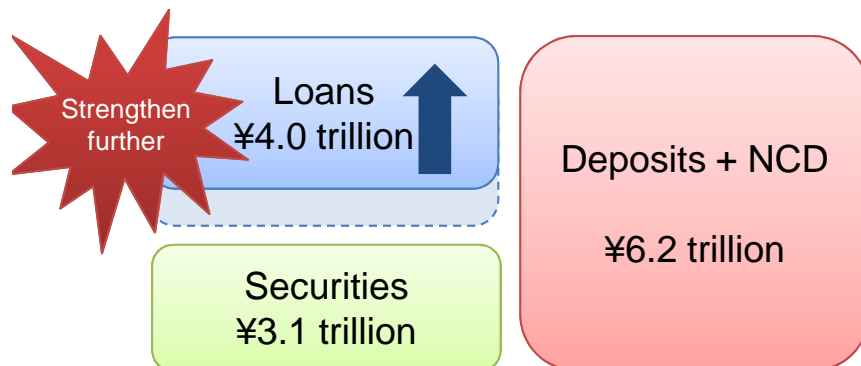
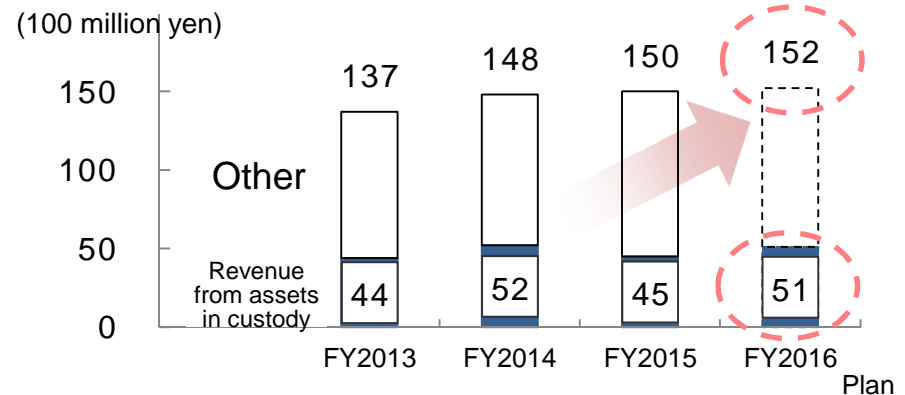
Difficult climate for securities investments & further decline in lending yield

Policy going forward: Improve loan-to-deposit ratio (strengthen lending), increase non-increase income (fees and commissions revenue), and reduce expenses

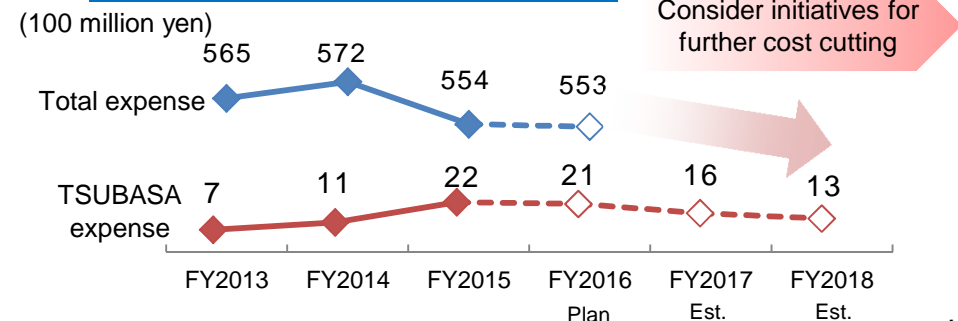
Improve loan-to-deposit ratio (strengthen lending)



Strengthen fee and commission income

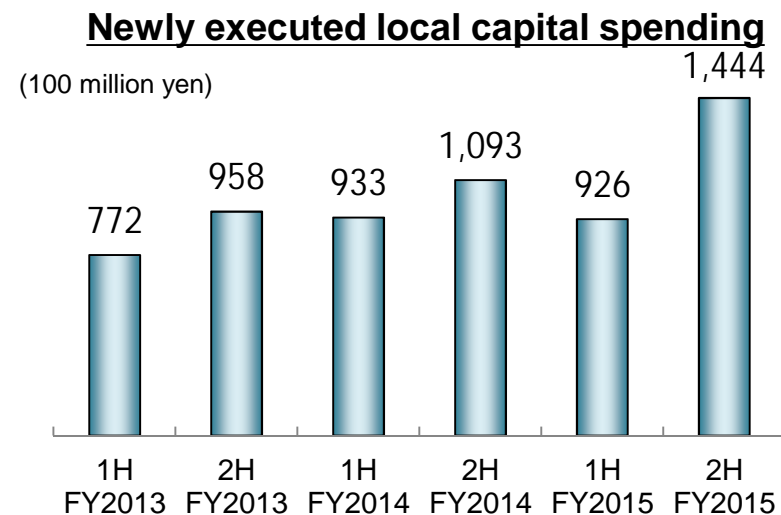
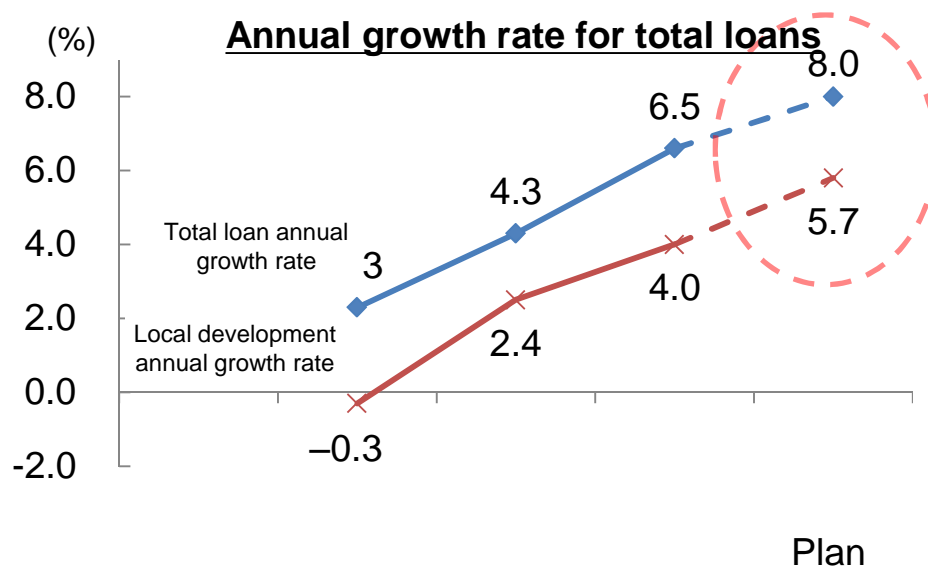


Expense reduction

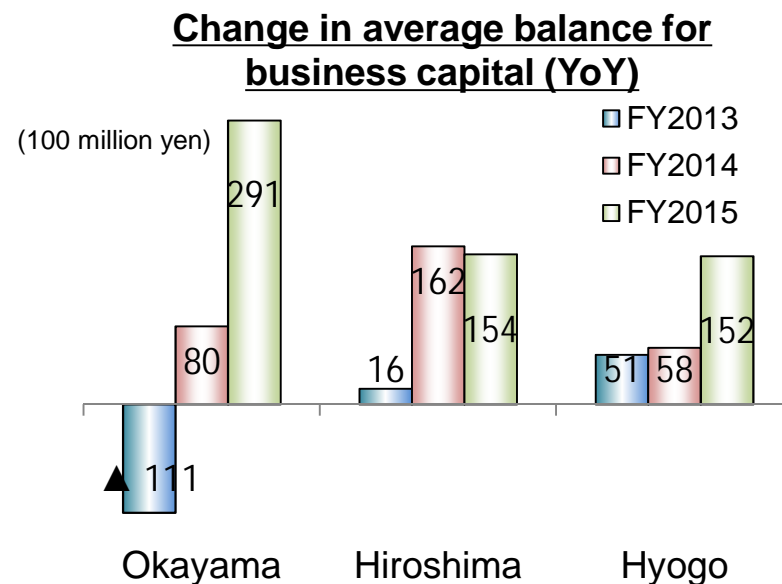
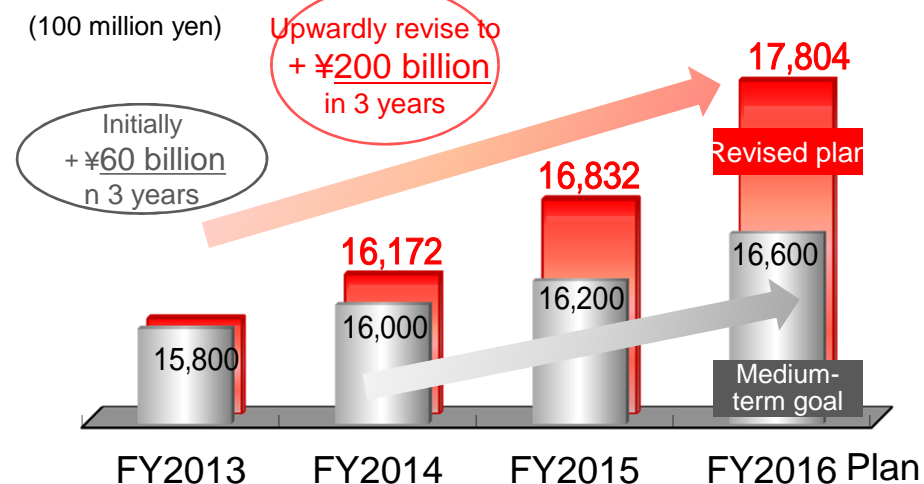


Improve loan-to-deposit ratio —Business capital—

Target annual growth rate of 8% for total average loan balance by actively increasing loans

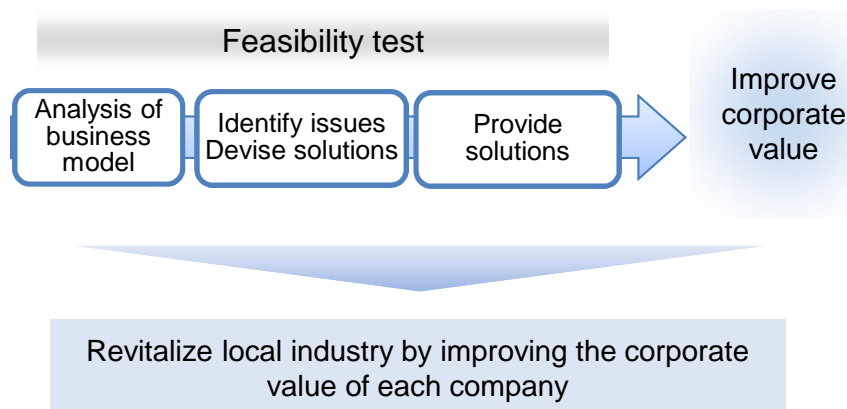


Average balance plan for local development capital

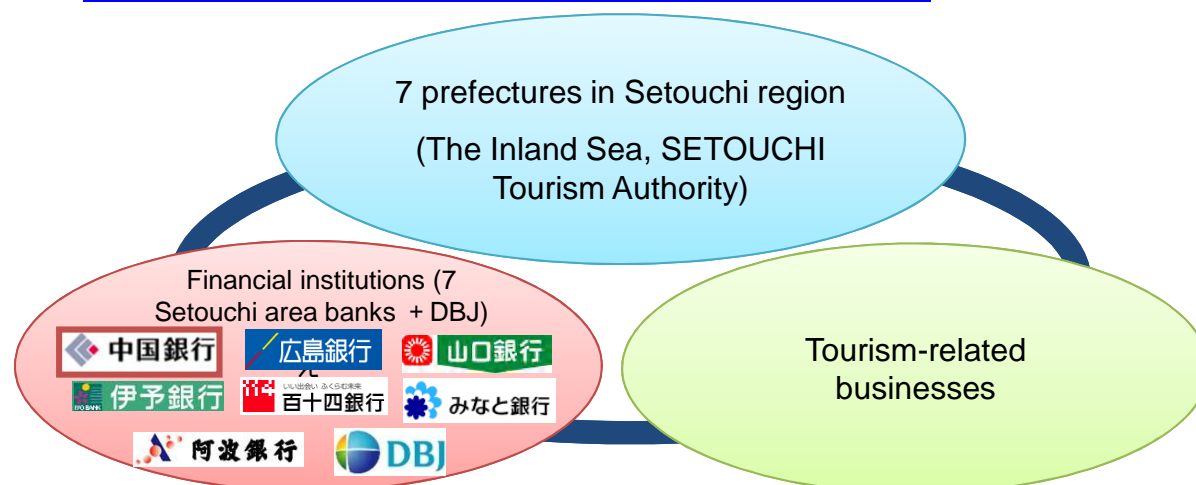


- We plan to further cultivate our community-based financial institution business model and implement initiatives we believe will revitalize regional economies by implementing feasibility tests

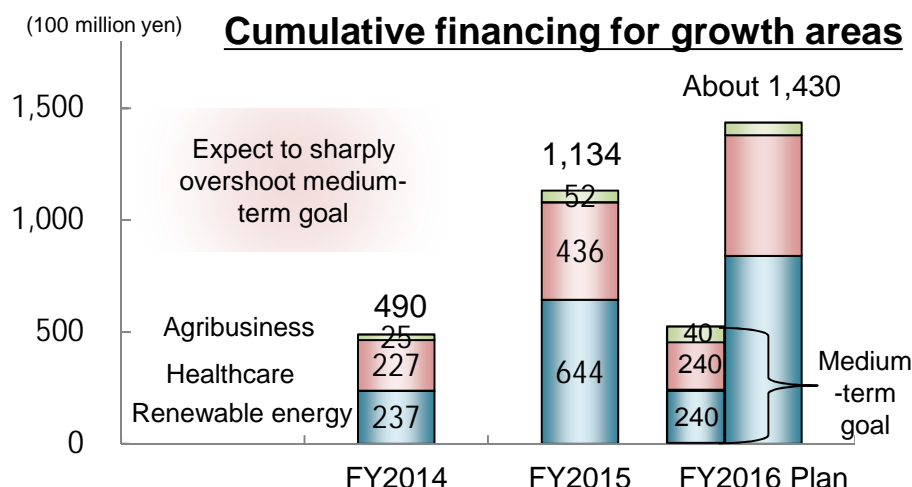
Chugin's local promotion project



Local tourism initiatives



Financing for growth areas



Work as one with local governments and implement initiatives to revitalize local tourism industry

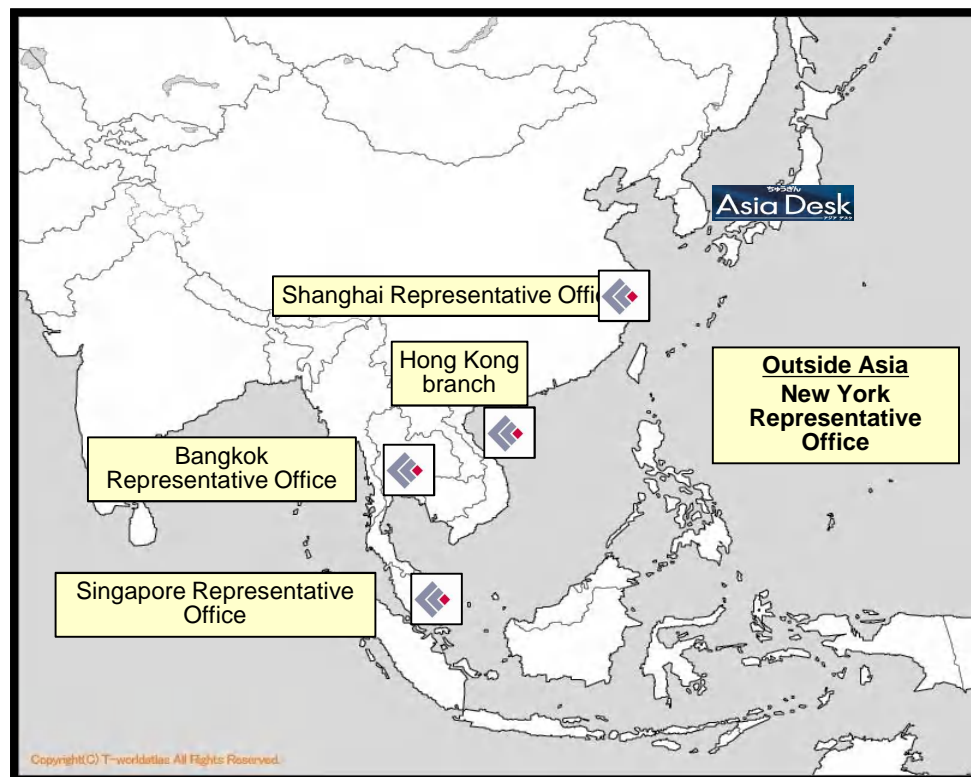
April 2016 onward

Create Setouchi tourism revitalization fund. Supply growth capital, mainly business financing, to tourism businesses.

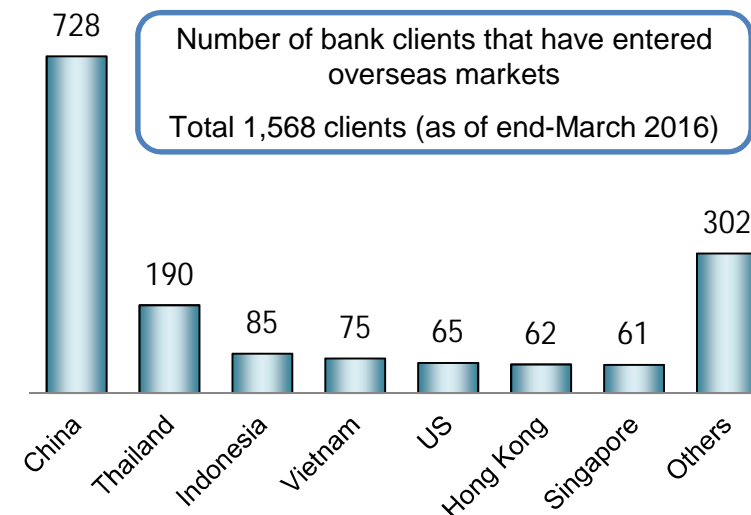
(To be established by 7 Setouchi region banks, DBJ, Setouchi Tourism Partners, and Cool Japan Fund)

Improve loan-to-deposit ratio —International operations—

Aim to expand network in Asia to support entry into overseas markets by bank clients

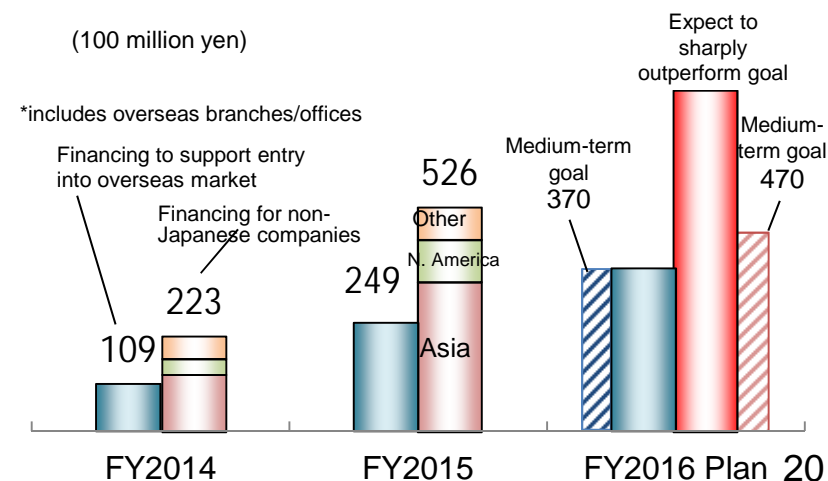


Region	Affiliated financial institutions in Asia
Japan	Affiliation with TSUBASA, Yamaguchi Bank
China	Bank of China, Industrial and Commercial Bank of China, Bank of Communi
Taiwan	CTBC Bank
Thailand	Kashikorn Bank
Indonesia	PT. Bank Negara Indonesia
India	State Bank of India
Vietnam	Joint Stock Commercial Bank for Foreign Trade of Vietnam
Philippines	Metropolitan Bank (China) Ltd.



Total International Financing

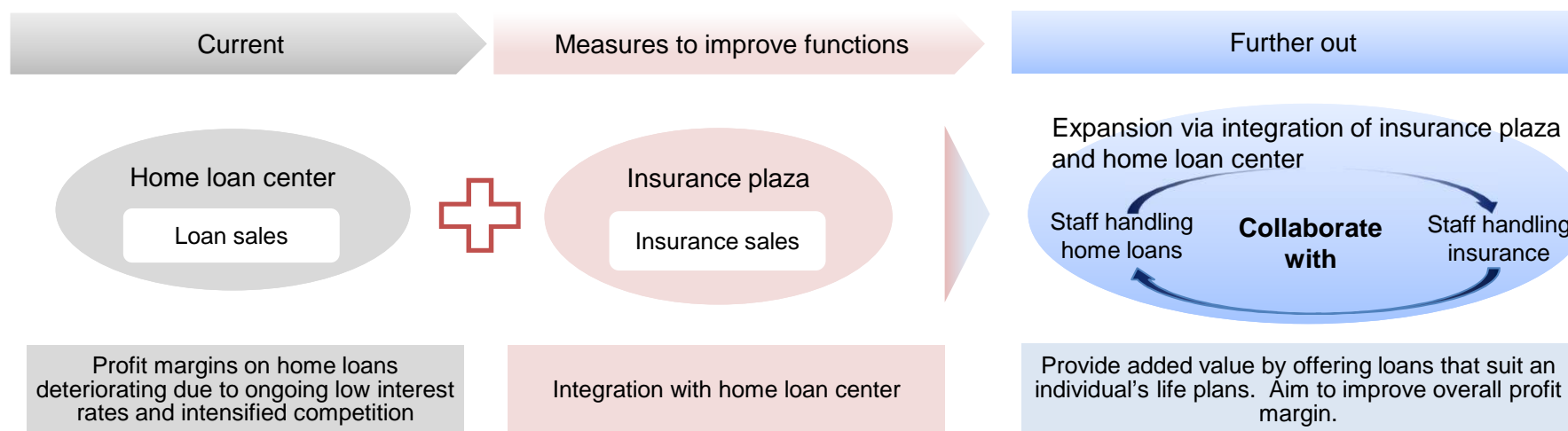
(100 million yen)



Improve loan-to-deposit ratio —Personal loans—

- Considering added an insurance plaza function to home loan centers to offer loans that suit the individual's life plans

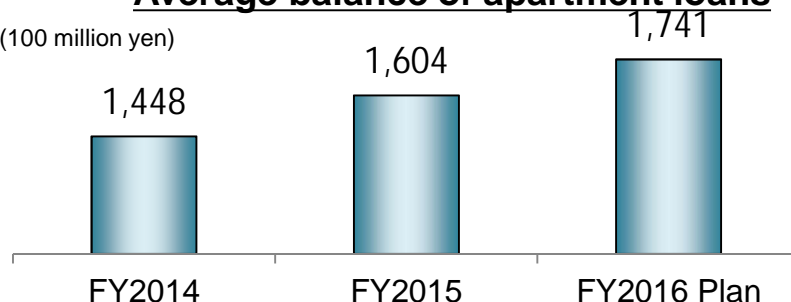
Initiatives to strengthen sales to private clients



Apartment loans

Average balance of apartment loans

(100 million yen)



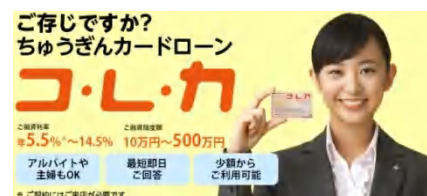
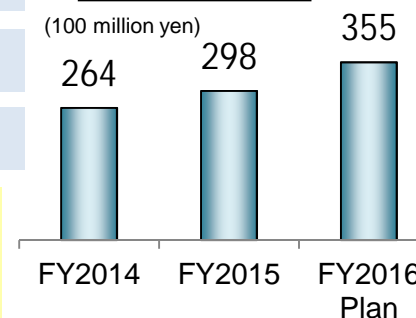
Apartment loans are increasing smoothly. Plan to continue to increase these loans by quickly reorganizing sales structure by delegating authority

Unsecured loans

- Promote by implementing out calls
- Implement campaigns
- Strengthen promotions

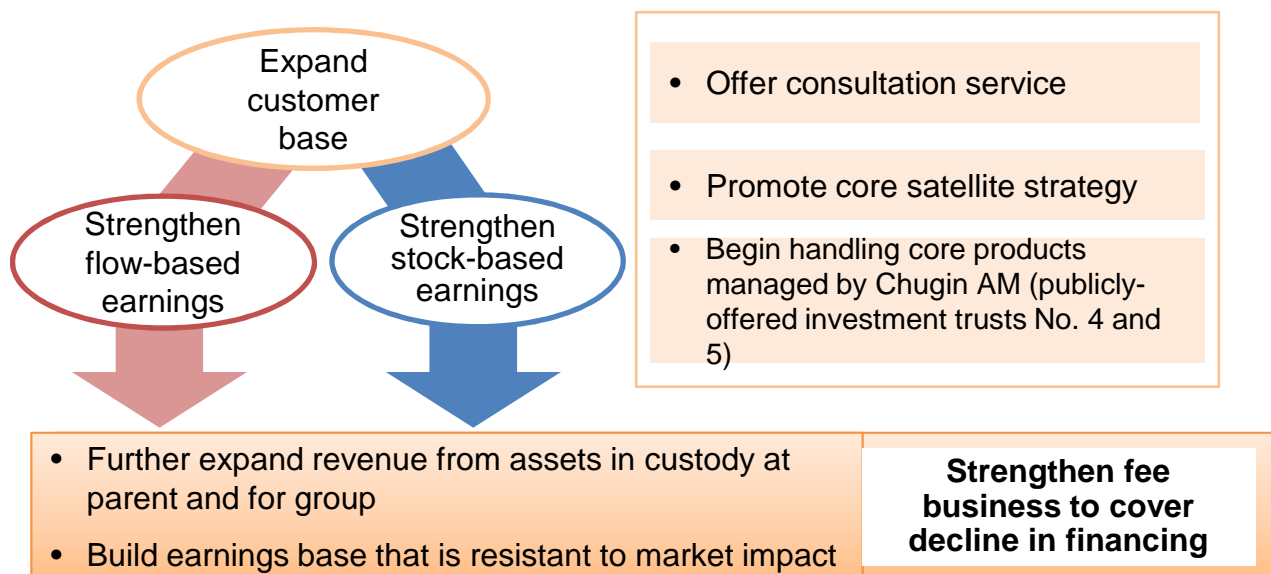
Average balance of unsecured loans

(100 million yen)



- Aim to enhance earning power by strengthening measures that contribute to clients' asset-building and by broadening the customer base

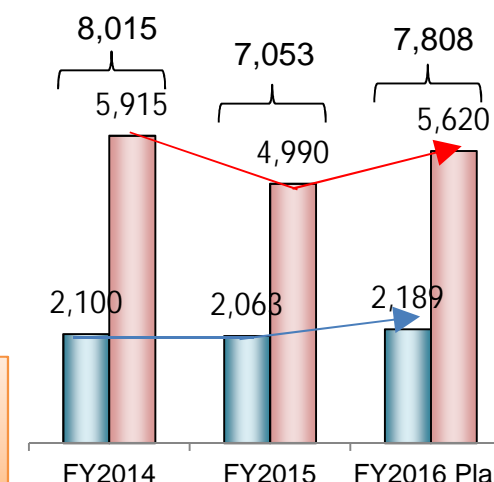
Measures for revenue from assets in custody



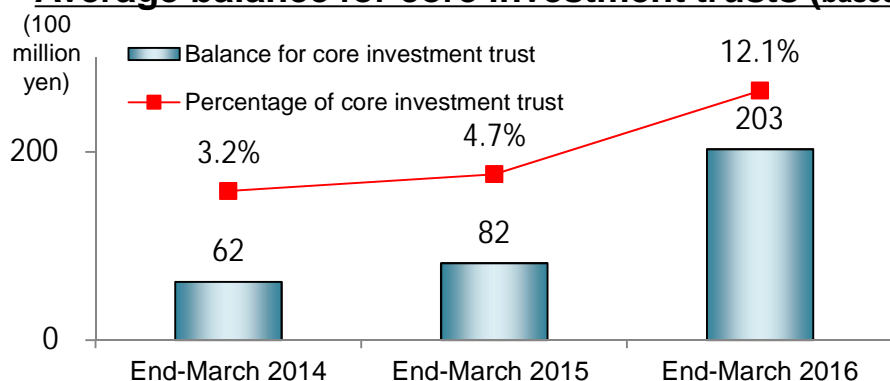
Revenue from group's assets in custody

(Total for bank parent, securities, and AM)

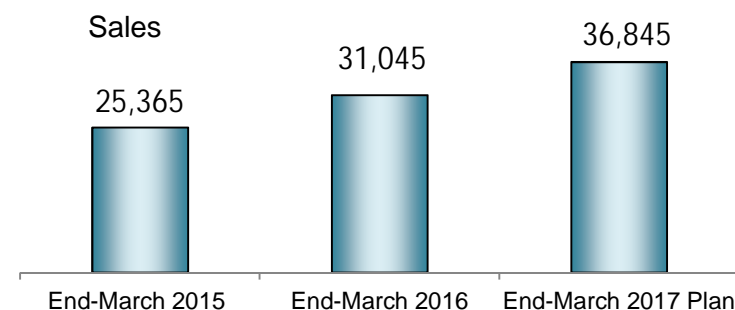
■ Stock-based earnings ■ Flow-based earnings



Average balance for core investment trusts (based on principal)

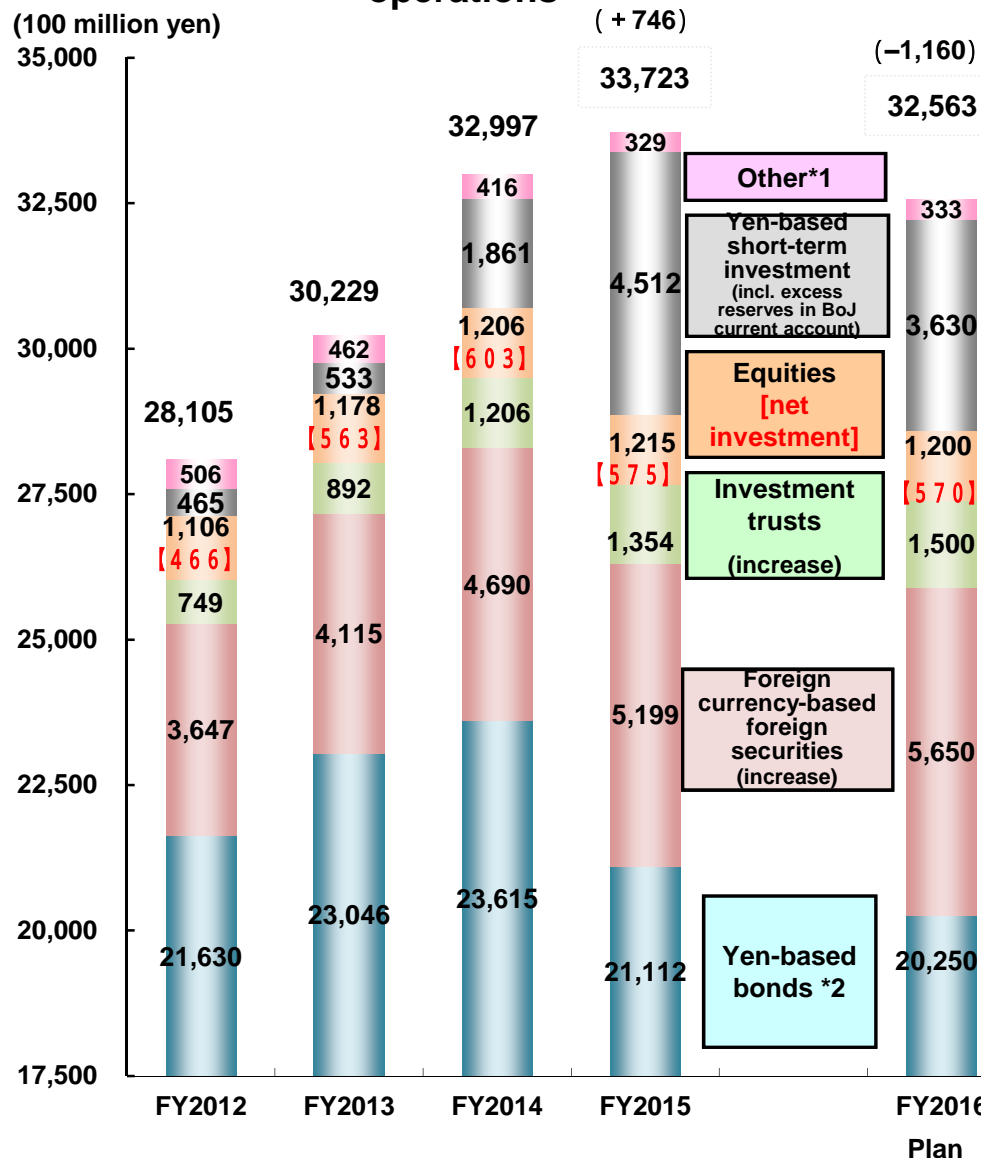


Cumulative net premiums



Securities management strategy —Asset allocation trends—

Premise: plans for average balance for market operations



Basic management policy to improve department earnings

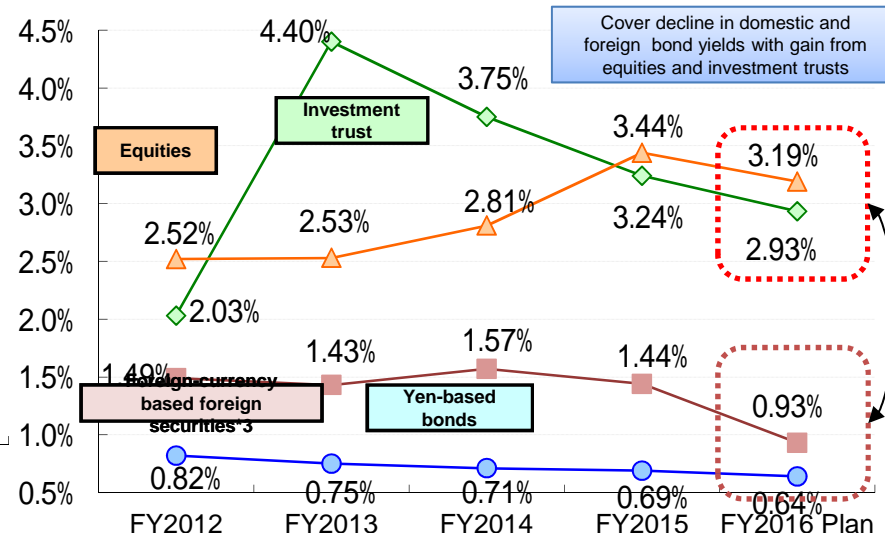
- Implement flexible asset allocation by improving forecasting capabilities
- Expand asset management categories by enhancing analysis of investment products

Management policy due to negative interest rates

In yen-based bonds, build up investments in ultra-long-term zone and enhance risk management. In foreign bonds, build up balance and diversify and enhance procurement methods. Control balances based on market trends for each asset type to fully optimize the balance between earnings and capital gains.

For the BoJ current account, do not build up balance of the negative interest portion by adjusting the amount of capital procured

Yields by type of investment assets



*1: Other: money held in trust, derivative time deposits, long-term beneficiary rights, investment partnerships, etc.

*2: Includes yen-denominated foreign bonds

*3: Management-procurement spread for foreign currency-based foreign securities

Long-term vision

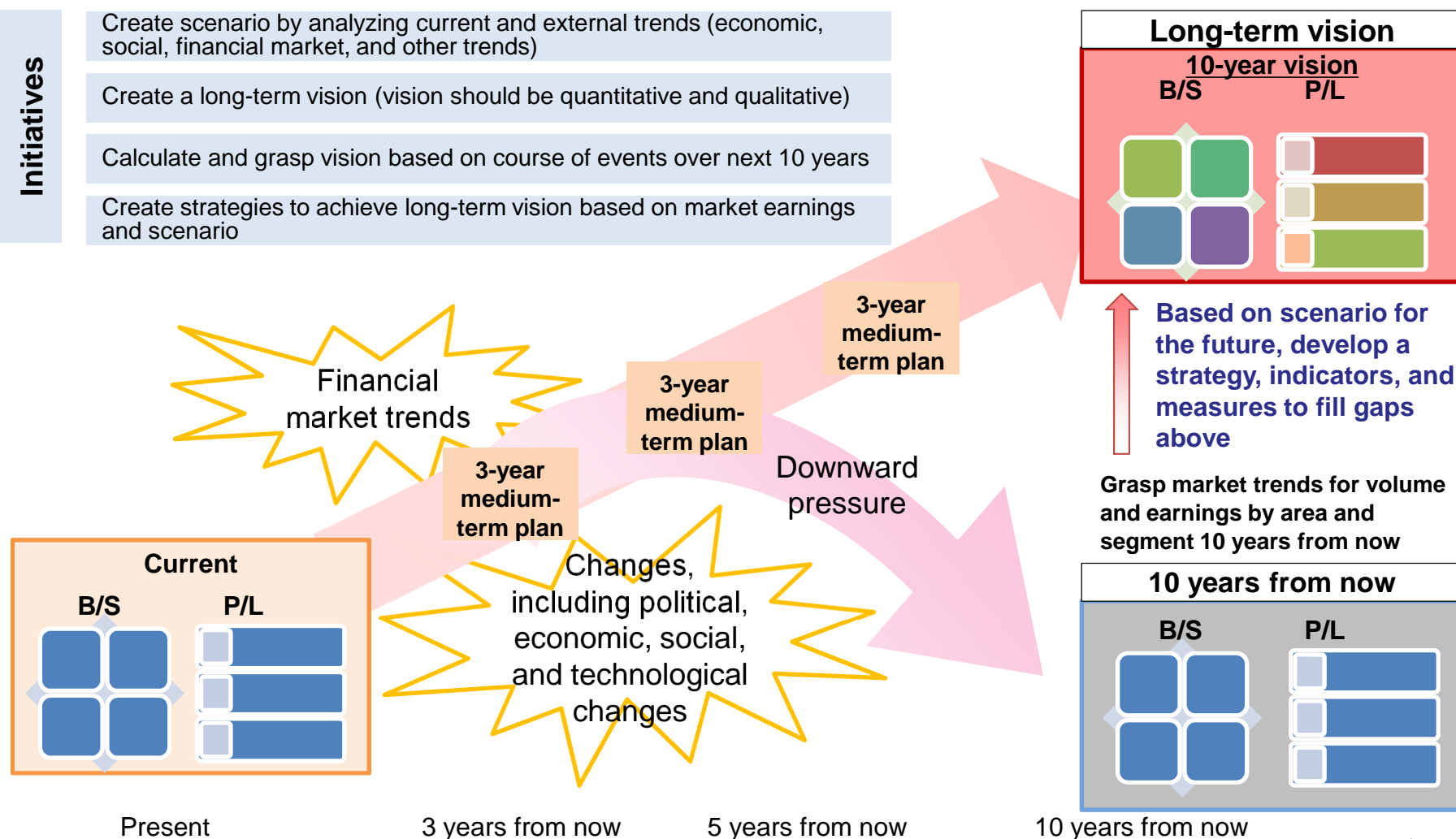
Launched 10-year strategic project to clarify long-term vision and formulate strategies to achieve this vision
(Jan. 2016 onward)

Goal

As conditions grow worse for regional economies, to fulfill their mission, regional banks must formulate a vision based on a long-term outlook and develop strategies to achieve this vision

Initiatives

- Create scenario by analyzing current and external trends (economic, social, financial market, and other trends)
- Create a long-term vision (vision should be quantitative and qualitative)
- Calculate and grasp vision based on course of events over next 10 years
- Create strategies to achieve long-term vision based on market earnings and scenario



Set up ICT Innovation Center as an organization to introduce FinTech (Feb. 2016)

Utilize innovative ICT in FinTech to provide financial services that are timely, extensive and tailored to each individual client.

[Main operations]

1. Gather information to promote FinTech
2. Plan a strategy for FinTech and implement measures
3. Promote ICT-related operations, including Internet banking, smartphone apps, and SNS marketing

In 1H FY2016, implement FinTech training to educate employees

Currently researching and analyzing a wide range of themes



Create TSUBASA financial system enhancement alliance to incorporate advanced IT technologies



Consider creating an alliance of six banks to provide products and services that offer a higher level of convenience to clients

[Key themes for consideration] (Examples)

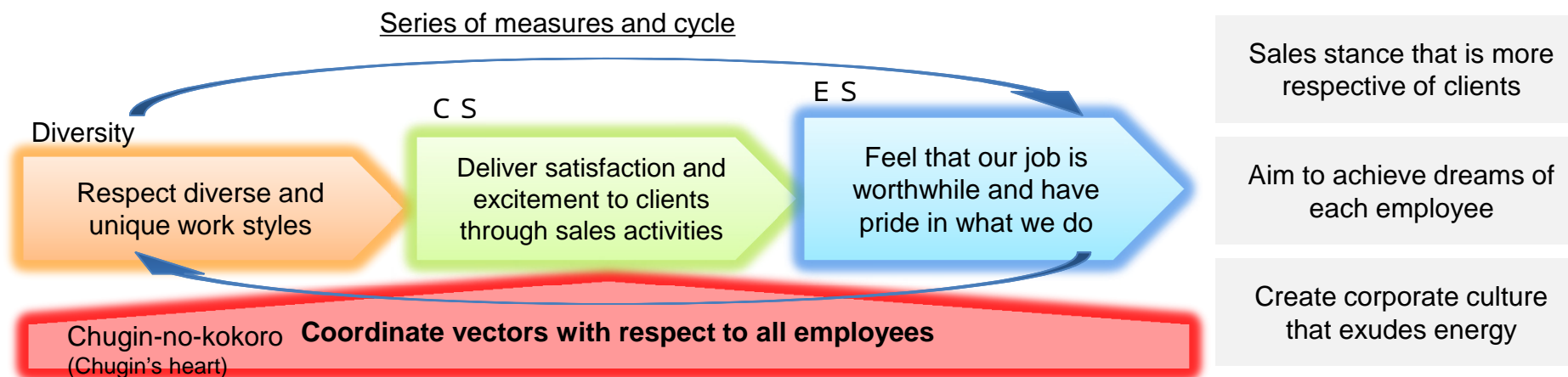
1. Artificial intelligence · · · Provide customers with more sophisticated advice and consulting
2. Mobile channels · · · Use smartphone apps, joint consideration of next-generation offices
3. Big Data · · · Marketing using new technologies
4. New services · · · Consider measures that contribute to accounts settlement, new types of financing, and regional revitalization

Jul. 2016 onward

Plan to establish T&I Innovation Center, a joint venture

Organization revitalization initiatives

Looking to break away from past precedence and working toward major reforms



Chugin-no-kokoro

Something to believe in or rely on as the basis for group employees' actions and decisions

Implement activities to instill in group employees

Meetings held by executives

Create supplementary materials and distribute to all employees

Promote employee understanding by having executives visit sales offices

Diversity

Accept diversity, utilize capabilities and uniqueness in management and implement the following to help the company grow and advance

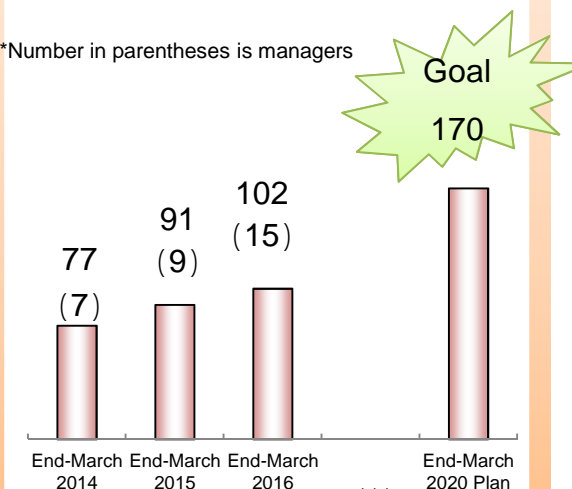
Establish system for paid time-off based on an hourly basis

In principle, make it possible for male employees to take time off to raise their children

Promote women's roles in the workplace
Increase number of female managers and auditors

Number of female managers/auditors

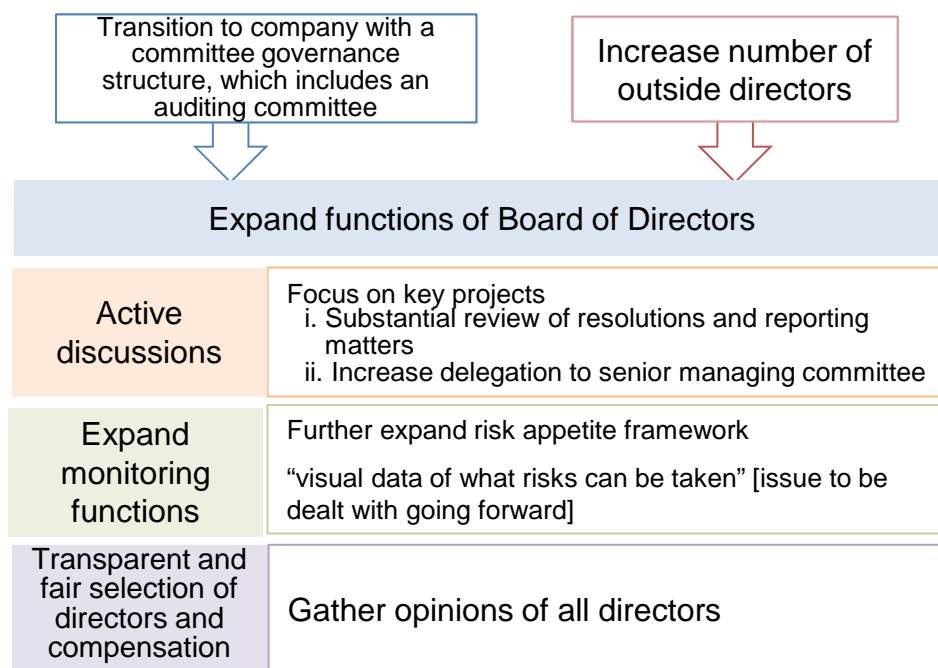
*Number in parentheses is managers



Corporate governance reforms

Various reforms are underway to achieve the growth-oriented governance required in the Corporate Governance Code.

We plan to strengthen and enhance our governance by taking into consideration the interests of all stakeholders, including shareholders, clients, local communities, and employees.



More dialogue and cooperation with shareholders (including increasing IR activities)

Expand disclosures

Cultivate a good corporate culture

- i. Instill Chugin-no-kokoro (Chugin's heart) philosophy
- ii. Continue to create culture that prioritizes compliance and morals

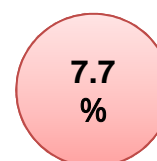
Transition to company with a committee governance structure, which includes an auditing committee after shareholders meeting in June 2016)

Goal

- Strengthen auditing and oversight functions
- Gain (and use) outside knowledge by increasing number of outside directors
- Increase discussion of important agendas, including corporate strategies
- Speed up decision-making

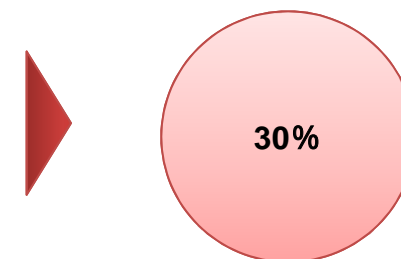
Ratio of outside directors

Present



1 outside director
/total 13 directors

After Jun 2016 shareholders meeting



6 outside directors (2
new appointments)
/total 20 directors

In medium/long term, boost ratio of outside directors to over one-third of total number of directors

Shareholder returns

Annual per-share dividend of ¥20 and total payout ratio of 35%

Dividend plan for FY2015

Stable per-share dividend
of ¥18

Annual dividend ¥20

As originally estimated

Dividend plan for FY2016

Dividend policy based on
current profit forecast

Annual dividend ¥20/share

Total payout ratio 35%

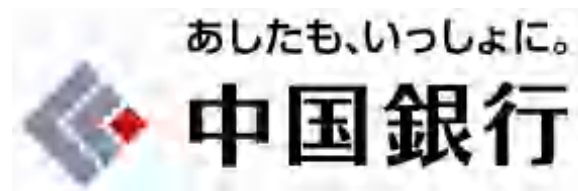
Shareholder hospitality

Offer regional products as perks
via the five TSUBASA banks

Shareholder returns

	Net income	Total dividend		Payout ratio ÷	Share buybacks	Unreturned portion	Total payout ratio (+ +) ÷
			Per-share dividend (interim)				
2017.3est.	188	39.2	¥20.00 (¥10.00)	20.9%	-	¥2.6 billion	about 35%
2016.3est.	259	39.2	¥20.00 (¥10.00)	15.1%	52 (of which ¥1.9 billion is being acquired)	0	35.2%
2015.3	209	35.6	¥18.00 (¥8.00)	17.0%	33	0	32.8%
2014.3	270	32.3	¥16.00 (¥7.50)	12.0%	49	0	30.3%
2013.3	169	28.4	¥14.00 (¥6.75)	16.8%	23	0	30.3%

*Share buyback as a factor in calculating payout ratio: Calculated based on buybacks during one year from time of shareholders meeting.



This document includes forward-looking statements. These statements are not a guarantee of future performance, and involve risks and uncertainties. Note that future performance could possibly differ from the goals and targets herein due to factors, including changes in the business environment.