



THE CHIBA BANK, LIMITED

(Incorporated in Japan with limited liability)

Hong Kong Branch

Financial Disclosure Statement

As at 31 March 2020

Section A – Hong Kong Branch Information

I. General Information

The Chiba Bank, Limited is a company incorporated in Japan with limited liability. Its Hong Kong Branch is an overseas-incorporated Authorized Institution in Hong Kong. The branch mainly provides banking and financial services to corporate and banking customers.

II. Income Statement Information

	For the year ended 31-03-2020 HK\$'000	For the year ended 31-03-2019 HK\$'000
Interest income	275,486	276,546
Interest expense	<u>222,352</u>	<u>223,873</u>
Net interest income	53,134	52,673
Gross fees and commission income	3,520	5,480
Gross fees and commission expense	<u>1,597</u>	<u>1,777</u>
Net fees and commission income	1,923	3,703
Gains less losses arising from non-trading in foreign currencies	752	1,049
Gains less losses arising from non-trading investments	927	172
Other operating income	<u>28</u>	<u>28</u>
Total operating income	3,630	4,952
Staff and rental expense	21,540	21,248
Other operating expense	<u>7,100</u>	<u>7,480</u>
Total operating expense	28,640	28,728
Profit before taxation	28,124	28,897
Tax expense	<u>2,416</u>	<u>2,091</u>
Profit after taxation	<u>25,708</u>	<u>26,806</u>

Section A – Hong Kong Branch Information (Continue)

III. Balance Sheet Information

	31-03-2020	30-09-2019
	HK\$'000	HK\$'000
Assets		
Cash and balances with banks (except those included in amount due from overseas offices)	177,314	30,133
Due from Exchange fund	37,174	7,009
Amount due from overseas offices	133,083	0
Loans and advances to customers	4,135,971	4,358,392
Loans and advances to banks	648,108	734,298
Accrued interest and other accounts	224,326	163,483
Investment securities	4,832,078	5,111,359
Property, plant and equipment and investment properties	1,458	1,413
Total assets	<u>10,189,512</u>	<u>10,406,087</u>
Liabilities		
Deposits and balances from banks (except those included in amount due to overseas offices)	1,722,369	2,533,145
Demand deposits and current accounts	52,563	45,524
Savings deposits	112,981	139,486
Time, call and notice deposits	256,340	294,357
Amount due to overseas offices	7,772,241	7,196,554
Other liabilities	273,018	197,021
Total liabilities	<u>10,189,512</u>	<u>10,406,087</u>

Section A – Hong Kong Branch Information (Continue)

IV. Additional Balance Sheet Information

	31-03-2020	30-09-2019
	HK\$'000	HK\$'000
1. Loans and receivables		
Loans and advances to customers	4,135,971	4,358,392
Loans and advances to banks	648,108	734,298
Accrued interest	42,180	49,999
Other accounts	182,146	113,484
Provisions for impaired loans and receivables	0	0
Total	<u>5,008,405</u>	<u>5,256,173</u>
Provision booked for Hong Kong Branch at Head Office		
General provision	2,024	2,750
Specific provision	0	0
Total	<u>2,024</u>	<u>2,750</u>

Allowance for loan losses

The general allowances on loans are made centrally by the Head Office in Japan in accordance with the group policy.

Provision Policy

Chiba Bank records allowance for loan losses in accordance with internally established standards for write-offs and allowance for loan losses.

All claims are assessed by the branches and relevant departments at the Head Office based on the criteria for self-assessment of asset quality. Compliance and Risk Management Department, which is independent from the operating sections, monitors the results of such assessments and an allowance is provided based on the results of such assessments.

2. Impaired loans and advances to customers

There were no impaired loans and advances to customers (or banks) as at 31 March 2020 and 30 September 2019.

3. Overdue and rescheduled assets

There were no overdue and rescheduled assets as at 31 March 2020 and 30 September 2019.

4. Repossessed assets

There were no repossessed assets as at 31 March 2020 and 30 September 2019.

Section A – Hong Kong Branch Information (Continue)

IV. Additional Balance Sheet Information (Continue)

5. Loans and advances to customers by geographical area

The following are advances to customers by geographical areas which are classified according to the location of the counterparties after taking into account any recognized risk transfer. Countries to which not less than 10% of total advances to customers are shown as follows:

	31-03-2020	30-09-2019
	HK\$'000	HK\$'000
Japan	2,651,241	2,833,830
Other	1,484,730	1,524,562
Total	<u>4,135,971</u>	<u>4,358,392</u>

6. Loans and advances to customers by major sectors

	31-03-2020	30-09-2019
	HK\$'000	HK\$'000
Loans and advances for use in Hong Kong		
Industrial, commercial and financial:		
- Property development	0	0
- Property investment	0	0
- Financial concerns	598,800	644,605
- Stockbrokers	0	0
- Wholesale and retail trade	118,979	119,841
- Manufacturing	21,500	30,100
- Transport and transport equipment	81,178	89,598
- Recreational activities	0	0
- Information technology	0	0
- Others	3,150	3,500
Individuals	0	0
Total loans and advances for use in Hong Kong	<u>823,607</u>	<u>887,644</u>
Trade financing	0	0
Loans and advances for use outside Hong Kong	<u>3,312,364</u>	<u>3,470,748</u>
Total	<u>4,135,971</u>	<u>4,358,392</u>

Section A – Hong Kong Branch Information (Continue)

IV. Additional Balance Sheet Information (Continue)

7. Mainland Activities

Mainland exposure to non-bank counterparties are disclosed according to the categories in the Return of Mainland Activities submitted to HKMA:

			HK\$'000
	On-balance sheet exposure	Off- balance sheet exposure	Total exposure
As at 31-03-2020			
Type of Counterparties			
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	9,235	0	9,235
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	12,022	0	12,022
Total	<u>21,257</u>	<u>0</u>	<u>21,257</u>
Total assets after provisions	10,189,512		
On-balance sheet exposures as percentage of total assets	0.21%		

			HK\$'000
	On-balance sheet exposure	Off- balance sheet exposure	Total exposure
As at 30-09-2019			
Type of Counterparties			
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	1,682	0	1,682
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	10,579	0	10,579
Total	<u>12,261</u>	<u>0</u>	<u>12,261</u>
Total assets after provisions	10,406,087		
On-balance sheet exposures as percentage of total assets	0.12%		

Section A – Hong Kong Branch Information (Continue)

IV. Additional Balance Sheet Information (Continue)

8. International Claims

International claims refers to the sum of the branch's cross border claims in all currencies and local claims in foreign currencies determined based on the calculation methodology specified in the Return of International Banking Statistics submitted to HKMA.

The following are international claims classified according to the locations of counterparties after taking into account any recognized risk transfer. Country to which not less than 10% of total international claims are disclosed.

	HK\$ Million					
	Banks	Official sector	Non-bank financial institutions	Non-bank financial private sector	Others	Total
As at 31-03-2020						
Developed countries:	827	0	152	846	0	1,825
- Australia	375	0	152	592	0	1,119
- Japan	133	0	0	81	0	214
Offshore centres	765	293	2,597	1,409	0	5,064
- Hong Kong	328	92	713	336	0	1,469
- Singapore	360	201	1,365	476	0	2,402
Developing Asia and Pacific countries	572	550	1,071	922	0	3,115
Total	2,164	843	3,820	3,177	0	10,004
As at 30-09-2019						
Developed countries:	913	0	240	768	0	1,921
- Australia	733	0	240	526	0	1,499
- Japan	0	0	0	90	0	90
Offshore centres	968	261	2,431	1,240	0	4,900
- Hong Kong	324	62	758	347	0	1,491
- Singapore	561	199	1,151	371	0	2,282
Developing Asia and Pacific countries	739	584	1,234	913	0	3,470
Total	2,620	845	3,905	2,921	0	10,291

Section A – Hong Kong Branch Information (Continue)

IV. Additional Balance Sheet Information (Continue)

9. Currency risk

The net positions of the foreign currencies, which individually constitutes not less than 10% of the branch's total net position in all foreign currencies, are disclosed as follow:

	USD	JPY	AUD	HK\$ Million Total
As at 31-03-2020				
Spot assets	8,768	336	262	9,366
Spot liabilities	9,481	338	122	9,941
Forward purchases	731	0	0	731
Forward sales	0	0	138	138
Net long (or net short) position	18	-2	2	18

As at 30-09-2019

Spot assets	8,901	348	331	9,580
Spot liabilities	9,568	355	138	10,061
Forward purchases	682	6	0	688
Forward sales	6	0	192	198
Net long (or net short) position	9	-1	1	9

Notes:

There is neither structured position nor option position held as at 31 March 2020 and 30 September 2019.

Section A – Hong Kong Branch Information(Continue)

V. Off-Balance Sheet Exposures

	31-03-2020 HK\$'000	30-09-2019 HK\$'000
1. Contingent liabilities and commitments		
Contractual amounts:		
Commitments	1,607,730	1,899,136
Others	0	0
	<u>1,607,730</u>	<u>1,899,136</u>
2. Derivative transactions		
Notional amounts:		
Exchange rate contracts	730,530	688,186
Interest rate contracts	4,357,425	4,578,370
Others	0	108,412
	<u>5,087,955</u>	<u>5,374,968</u>
Fair value assets:		
Exchange rate contracts	1,571	1,455
Interest rate contracts	140,976	70,075
	<u>142,547</u>	<u>71,530</u>
Fair value liabilities:		
Exchange rate contracts	38	1
Interest rate contracts	12	12,817
	<u>50</u>	<u>12,818</u>

Notes:

No bilateral netting agreement for derivative transaction has been made as at 31 March, 2020 and 30 September, 2019.

Section A – Hong Kong Branch Information (Continue)

VI. Liquidity information

The average value of Liquidity Maintenance Ratio (LMR) for the reporting periods are calculated based on the arithmetic mean of the average value of the ration for each calendar month as reported in the Liquidity Position Return submitted to HKMA for the reporting periods.

	For the quarter ended 31-03-2020	For the quarter ended 31-03-2019
3 months average	<u>97.87%</u>	<u>73.43%</u>

Liquidity risk

Liquidity risk consist of cash flow risk and market liquidity risk. Cash flow risk is the risk of incurring a loss due to failure to maintain cash flow as a result on the inability to secure necessary funds or the necessity of procuring funds at significantly higher interest rates than usual due to worsening of the financial institution's financial position or other circumstances. Market liquidity risk is the risk of incurring a loss due to the inability to trade on markets or the necessity of trading at prices significantly less favorable than usual due to market turmoil or other circumstances.

Liquidity risk management policy

Chiba Bank Group's basic policy is to implement proper funding liquidity risk management with two pillars:

- 1) "to pursue the balance between funding cost and stability" by various means of procurement, and
- 2) "emergency preparedness" by verifying procurement capability and countermeasures under stress environment and formulation of countermeasures in advance.

The Branch manages liquidity risk in accordance with Chiba Bank Group's basic policy and HKMA requirement to ensure sufficient liquidity is available for loans and repayments of deposits to customers and satisfy the branch's own cash flow needs.

Risk management framework and approaches for the liquidity risk

Chiba Bank takes global base liquidity risk management. The Branch, in accordance with related internal policies established by Head Office, will follow these policies in order to control, monitor and report our current and future funding situation, minimize liquidity risk, take proper action in an unexpected funding situation, etc.

Liquidity Stress testing

The Branch monitors cash flow mismatch on a daily basis for the net funding requirements under normal business conditions and conducts regular liquidity stress testing based on stress scenarios. Based on the results of the cash flow mismatch monitoring and liquidity stress testing, the Branch analyzes the soundness of liquidity position, otherwise takes countermeasures to improve condition.

Contingency Funding Plan

The Branch maintains Contingency Funding Plan in case the Branch faces difficulties in raising fund from money market. The plan specifies an approach for monitoring and evaluation of actual and potential liquidity events. The plan also specifies possible measures to secure cash liquidity in the event of the liquidity contingencies.

Section A – Hong Kong Branch Information (Continue)

VI. Liquidity information (Continue)

Funding Diversification and Liquidity Cushion

The Branch takes corporate customer deposits as important funding source and the Branch also broadens funding sources from money market with interbank deposits, asset swap transactions, etc. The Branch holds a pool of highly liquid, unencumbered assets that can be readily sold and pledged to secure borrowing under stressed conditions.

Oversight and Reporting

The results of LMR, daily cash flow mismatch and stress testing are reported to the senior managements of the Branch and head office on a regular basis.

VII. Remuneration policy

Pursuant to section 3.1.2 of Supervisory Policy Manual CG-5 “Guideline on a Sound Remuneration System” issued by HKMA, The Chiba Bank, Ltd., Hong Kong Branch as an overseas- incorporated Authorized Institution is not required to make separate disclosures in relation to its own remuneration system as Chiba Bank Group will provide the relevant disclosures in its annual report.

Section B – Consolidated Group Level information

Consolidated Group: Chiba Bank

All figures stated below are compiled with Japanese Generally Accepted Accounting Principles.

I. Capital and capital adequacy

	31-03-2020	30-09-2019
1. Capital Ratio		
Total capital ratio	12.12%	12.61%
Tier 1 capital ratio	11.51%	11.97%
Common equity Tier 1 capital ratio	11.51%	11.97%
	JPY Million	JPY Million
2. Shareholders' funds	859,396	844,418

The capital adequacy ratio is computed in accordance to the capital adequacy guidelines adopted by Financial Services Agency in Japan, applicable to Japanese banks with international operations, and has incorporated an allowance for Market Risk. The guidelines closely follow the risk-weighted approach proposed by the Basel Committee on Banking and Supervisory Practices of the Bank for the International Settlements.

II. Other financial information

	31-03-2020	30-09-2019
	JPY Million	JPY Million
Total assets	15,609,936	15,504,916
Total liabilities	14,680,602	14,539,000
Total advances (including loans and bills discounted)	10,565,697	10,503,441
Total deposits (including Negotiable Certificates of Deposit)	13,216,977	12,785,714
	31-03-2020	31-03-2019
	JPY Million	JPY Million
Pre-tax profit	68,775	72,221

This statement is readily accessible at our office located at Unit 2510, One Pacific Place, 88 Queensway, Hong Kong. This statement is also available on the website of The Chiba Bank Limited (https://www.chibabank.co.jp/english/corporate/pdf/HK_FDS.pdf).