



THE CHIBA BANK, LIMITED

(Incorporated in Japan with limited liability)

Hong Kong Branch

Financial Disclosure Statement

As at 30 September 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 30-09-2020 HK\$'000	For the year ended 30-09-2019 HK\$'000
Interest income	62,765	148,293
Interest expense	<u>37,500</u>	<u>121,225</u>
Net interest income	25,265	27,068
Gross fees and commission income	619	2,054
Gross fees and commission expense	<u>753</u>	<u>852</u>
Net fees and commission income	-134	1,202
Gains less losses arising from non-trading in foreign currencies	411	362
Other income	<u>5</u>	<u>4</u>
Total other operating income	282	1,568
Staff and rental expense	10,047	10,838
Other operating expense	<u>2,098</u>	<u>3,321</u>
Total operating expense	12,145	14,159
Profit before taxation	13,402	14,477
Tax expense	<u>1,245</u>	<u>1,173</u>
Profit after taxation	<u>12,157</u>	<u>13,304</u>

Section A – Hong Kong Branch Information (Continue)

III. Balance Sheet Information

	30-09-2020	31-03-2020
	HK\$'000	HK\$'000
Assets		
Cash and balances with banks (except those included in amount due from overseas offices)	88,234	177,314
Due from Exchange fund	12,067	37,174
Amount due from overseas offices	3,379	133,083
Loans and advances to customers	3,542,508	4,135,971
Loans and advances to banks	550,986	648,108
Accrued interest and other accounts	172,738	224,326
Investment securities	4,957,409	4,832,078
Property, plant and equipment and investment properties	1,417	1,458
Total assets	<u>9,328,738</u>	<u>10,189,512</u>
Liabilities		
Deposits and balances from banks (except those included in amount due to overseas offices)	3,197,507	1,722,369
Demand deposits and current accounts	44,465	52,563
Savings deposits	195,640	112,981
Time, call and notice deposits	94,406	256,340
Amount due to overseas offices	5,512,064	7,772,241
Other liabilities	284,656	273,018
Total liabilities	<u>9,328,738</u>	<u>10,189,512</u>

Section A – Hong Kong Branch Information (Continue)

IV. Additional Balance Sheet Information

	30-09-2020	31-03-2020
	HK\$'000	HK\$'000
1. Loans and receivables		
Loans and advances to customers	3,542,508	4,135,971
Loans and advances to banks	550,986	648,108
Accrued interest	36,956	42,180
Other accounts	135,782	182,146
Provisions for impaired loans and receivables	0	0
Total	<u>4,266,232</u>	<u>5,008,405</u>
Provision booked for Hong Kong Branch at Head Office		
General provision	1,731	2,024
Specific provision	0	0
Total	<u>1,731</u>	<u>2,024</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 30 September 2020 and 31 March 2020.

3. Overdue and rescheduled assets

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

4. Repossessed assets

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

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:

	30-09-2020	31-03-2020
	HK\$'000	HK\$'000
Japan	2,395,621	2,651,241
Other	1,146,887	1,484,730
Total	<u>3,542,508</u>	<u>4,135,971</u>

6. Loans and advances to customers by major sectors

	30-09-2020	31-03-2020
	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	370,560	598,800
- Stockbrokers	0	0
- Wholesale and retail trade	9,300	118,979
- Manufacturing	18,500	21,500
- Transport and transport equipment	73,564	81,178
- Recreational activities	0	0
- Information technology	0	0
- Others	2,800	3,150
Individuals	0	0
Total loans and advances for use in Hong Kong	<u>474,724</u>	<u>823,607</u>
Trade financing	0	0
Loans and advances for use outside Hong Kong	<u>3,067,784</u>	<u>3,312,364</u>
Total	<u>3,542,508</u>	<u>4,135,971</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 30-09-2020			
Type of Counterparties			
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	1,151	0	1,151
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	11,510	0	11,510
Total	<u>12,661</u>	<u>0</u>	<u>12,661</u>
Total assets after provisions	9,328,738		
On-balance sheet exposures as percentage of total assets	0.14%		

			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%		

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-financial private sector	Others	Total
As at 30-09-2020						
Developed countries:	684	0	164	808	0	1,656
- Australia	528	0	164	553	0	1,245
- Japan	3	0	0	74	0	77
Offshore centres	756	356	2,424	1,198	0	4,734
- Hong Kong	311	67	481	227	0	1,086
- Singapore	361	289	1,428	433	0	2,511
Developing Asia and Pacific countries	499	536	1,067	701	0	2,803
- Thailand	226	0	460	133	0	819
Total	1,939	892	3,655	2,707	0	9,193
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
- Thailand	222	0	400	134	0	756
Total	2,164	843	3,820	3,177	0	10,004

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 30-09-2020				
Spot assets	8,302	295	280	8,877
Spot liabilities	8,772	297	121	9,190
Forward purchases	480	1	0	481
Forward sales	1	0	158	159
Net long (or net short) position	<u>9</u>	<u>-1</u>	<u>1</u>	<u>9</u>
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	<u>18</u>	<u>-2</u>	<u>2</u>	<u>18</u>

Notes:

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

Section A – Hong Kong Branch Information(Continue)

V. Off-Balance Sheet Exposures

	30-09-2020 HK\$'000	31-03-2020 HK\$'000
1. Contingent liabilities and commitments		
Contractual amounts:		
Commitments	1,411,999	1,607,730
Others	0	0
	<u>1,411,999</u>	<u>1,607,730</u>
2. Derivative transactions		
Notional amounts:		
Exchange rate contracts	482,422	730,530
Interest rate contracts	4,359,851	4,357,425
Others	20,000	0
	<u>4,862,273</u>	<u>5,087,955</u>
Fair value assets:		
Exchange rate contracts	490	1,571
Interest rate contracts	129,292	140,976
	<u>129,782</u>	<u>142,547</u>
Fair value liabilities:		
Exchange rate contracts	157	38
Interest rate contracts	0	12
	<u>157</u>	<u>50</u>

Notes:

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

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 30-09-2020	For the quarter ended 30-09-2019
3 months average	<u>101.21%</u>	<u>84.12%</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

	30-09-2020	31-03-2020
1. Capital Ratio		
Total capital ratio	12.44%	12.12%
Tier 1 capital ratio	11.89%	11.51%
Common equity Tier 1 capital ratio	11.89%	11.51%
	JPY Million	JPY Million
2. Shareholders' funds	879,089	859,396

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

	30-09-2020	31-03-2020
	JPY Million	JPY Million
Total assets	16,890,430	15,609,936
Total liabilities	15,906,547	14,680,602
Total advances (including loans and bills discounted)	10,912,406	10,565,697
Total deposits (including Negotiable Certificates of Deposit)	13,903,432	13,216,977
	30-09-2020	30-09-2019
	JPY Million	JPY Million
Pre-tax profit	38,610	39,882

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_FDS202002.pdf).