



THE CHIBA BANK, LIMITED

(Incorporated in Japan with limited liability)

Hong Kong Branch

Financial Disclosure Statement

As at 30 September 2021

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 30-09-2021 HK\$'000	For the year ended 30-09-2020 HK\$'000
Interest income	34,535	62,765
Interest expense	10,927	37,500
Net interest income	<u>23,608</u>	<u>25,265</u>
Gross fees and commission income	699	619
Gross fees and commission expense	783	753
Net fees and commission income	<u>-84</u>	<u>-134</u>
Gains less losses arising from non-trading in foreign currencies	392	411
Other income	22	5
Total other operating income	<u>330</u>	<u>282</u>
Staff and rental expense	10,261	10,047
Other operating expense	1,680	2,098
Total operating expense	<u>11,941</u>	<u>12,145</u>
Profit before taxation	11,997	13,402
Tax expense	1,034	1,245
Profit after taxation	<u><u>10,963</u></u>	<u><u>12,157</u></u>

Section A – Hong Kong Branch Information (Continue)

III. Balance Sheet Information

	30-09-2021 HK\$'000	31-03-2021 HK\$'000
Assets		
Cash and balances with banks (except those included in amount due from overseas offices)	143,181	118,836
Due from Exchange fund	20,031	15,985
Amount due from overseas offices	7,211	0
Loans and advances to customers	3,399,981	3,452,704
Loans and advances to banks	338,051	491,957
Accrued interest and other accounts	91,373	131,658
Investment securities	3,788,401	4,673,474
Property, plant and equipment and investment properties	1,266	1,340
Total assets	<u>7,789,495</u>	<u>8,885,954</u>
Liabilities		
Deposits and balances from banks (except those included in amount due to overseas offices)	2,022,714	3,014,144
Demand deposits and current accounts	36,783	31,818
Savings deposits	174,419	180,365
Time, call and notice deposits	100,544	63,054
Amount due to overseas offices	5,300,276	5,002,859
Amount payable under repos*	0	344,887
Other liabilities	154,759	248,827
Total liabilities	<u>7,789,495</u>	<u>8,885,954</u>
* Value of securities sold under repo agreements	<u>0</u>	<u>360,446</u>

Section A – Hong Kong Branch Information (Continue)

IV. Additional Balance Sheet Information

	30-09-2021	31-03-2021
	HK\$'000	HK\$'000
1. Loans and receivables		
Loans and advances to customers	3,399,981	3,452,704
Loans and advances to banks	338,051	491,957
Accrued interest	27,603	34,279
Other accounts	63,770	97,379
Provisions for impaired loans and receivables	0	0
Total	<u>3,829,405</u>	<u>4,076,319</u>
Provision booked for Hong Kong Branch at Head Office		
General provision	1,547	2,074
Specific provision	0	0
Total	<u>1,547</u>	<u>2,074</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 2021 and 31 March 2021.

3. Overdue and rescheduled assets

There were no overdue and rescheduled assets as at 30 September 2021 and 31 March 2021.

4. Repossessed assets

There were no repossessed assets as at 30 September 2021 and 31 March 2021.

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:

	30-09-2021 HK\$'000	31-03-2021 HK\$'000
Japan	2,370,483	2,391,666
Other	1,029,498	1,061,038
Total	<u>3,399,981</u>	<u>3,452,704</u>

6. Loans and advances to customers by major sectors

	30-09-2021 HK\$'000	31-03-2021 HK\$'000
Loans and advances for use in Hong Kong		
Industrial, commercial and financial:		
- Property development	0	0
- Property investment	0	0
- Financial concerns	165,991	194,155
- Stockbrokers	0	0
- Wholesale and retail trade	7,787	8,553
- Manufacturing	12,500	15,500
- Transport and transport equipment	58,246	66,062
- Recreational activities	0	0
- Information technology	0	0
- Others	2,100	2,450
Individuals	0	0
Total loans and advances for use in Hong Kong	<u>246,624</u>	<u>286,720</u>
Trade financing	0	0
Loans and advances for use outside Hong Kong	<u>3,153,357</u>	<u>3,165,984</u>
Total	<u>3,399,981</u>	<u>3,452,704</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 30-09-2021			
Type of Counterparties			
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	642	0	642
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	10,503	0	10,503
Total	11,145	0	11,145
Total assets after provisions	7,789,495		
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 31-03-2021			
Type of Counterparties			
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	898	0	898
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	11,434	0	11,434
Total	12,332	0	12,332
Total assets after provisions	8,885,954		
On-balance sheet exposures as percentage of total assets	0.14%		

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 30-09-2021						
Developed countries:	629	0	165	702	0	1,496
- Australia	415	0	165	523	0	1,103
- Japan	7	0	0	58	0	65
Offshore centres	620	360	1,867	904	0	3,751
- Hong Kong	176	75	275	195	0	721
- Singapore	360	285	1,368	333	0	2,346
Developing Asia and Pacific countries	604	248	940	685	0	2,477
- Thailand	222	0	506	106	0	834
Total	1,853	608	2,972	2,291	0	7,724
As at 31-03-2021						
Developed countries:	719	0	170	804	0	1,693
- Australia	533	0	170	557	0	1,260
- Japan	0	0	0	66	0	66
Offshore centres	696	358	2,085	1,109	0	4,248
- Hong Kong	250	72	304	223	0	849
- Singapore	362	286	1,476	349	0	2,473
Developing Asia and Pacific countries	659	432	1,027	727	0	2,845
- Thailand	223	0	522	93	0	838
Total	2,074	790	3,282	2,640	0	8,786

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 30-09-2021				
Spot assets	7,020	343	158	7,521
Spot liabilities	7,027	344	157	7,528
Forward purchases	17	0	0	17
Forward sales	0	0	0	0
Net long (or net short) position	<u>10</u>	<u>-1</u>	<u>1</u>	<u>10</u>
As at 31-03-2021				
Spot assets	8,008	338	262	8,608
Spot liabilities	8,304	357	90	8,751
Forward purchases	332	16	0	348
Forward sales	17	0	170	187
Net long (or net short) position	<u>19</u>	<u>-3</u>	<u>2</u>	<u>18</u>

Notes:

There is neither structured position nor option position held as at 30 September 2021 and 31 March 2021.

Section A – Hong Kong Branch Information(Continue)

V. Off-Balance Sheet Exposures

	30-09-2021 HK\$'000	31-03-2021 HK\$'000
1. Contingent liabilities and commitments		
Contractual amounts:		
Commitments	1,324,271	1,449,556
Others	0	0
	<u>1,324,271</u>	<u>1,449,556</u>
2. Derivative transactions		
Notional amounts:		
Exchange rate contracts	17,472	359,547
Interest rate contracts	3,325,191	3,982,889
Others	233,598	233,267
	<u>3,576,261</u>	<u>4,575,703</u>
Fair value assets:		
Exchange rate contracts	491	174
Interest rate contracts	55,229	87,198
	<u>55,720</u>	<u>87,372</u>
Fair value liabilities:		
Exchange rate contracts	0	11
Interest rate contracts	4,744	5,162
	<u>4,744</u>	<u>5,173</u>

Notes:

No bilateral netting agreement for derivative transaction has been made as at 30 September, 2021 and 31 March, 2021.

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 30-09-2021	For the quarter ended 30-09-2020
3 months average	<u>103.23%</u>	<u>101.21%</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

	30-09-2021	31-03-2021
1. Capital Ratio		
Total capital ratio	12.60%	12.79%
Tier 1 capital ratio	12.39%	12.28%
Common equity Tier 1 capital ratio	12.39%	12.28%
	JPY Million	JPY Million
2. Shareholders' funds	919,028	895,076

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

	30-09-2021	31-03-2021
	JPY Million	JPY Million
Total assets	18,471,662	17,898,168
Total liabilities	17,392,369	16,856,412
Total advances (including loans and bills discounted)	11,477,558	11,166,329
Total deposits (including Negotiable Certificates of Deposit)	14,567,045	14,543,283
	30-09-2021	30-09-2020
	JPY Million	JPY Million
Pre-tax profit	45,465	38,610

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_FDS202102.pdf).