

[Translation]

Interim Financial Publication  
for 6 months ended September 30, 2018

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Interim Balance Sheet  
(As of September 30, 2018)

(Millions of Yen)

Account Name	Amount	Account Name	Amount
Cash and due from banks	1,830,093	Deposits	1,410,764
Receivables under resale agreements	272,564	Negotiable certificates of deposit	9,084
Monetary claims bought	6,797	Call money	2,952
Trading assets	10,104	Payables under repurchase agreements	3,407
Securities	61,443	Trading liabilities	7,599
Loans and bills discounted	322,553	Borrowed money	4
Foreign Exchanges	41,769	Foreign exchanges	44,793
Other assets	294,108	Other liabilities	297,030
Derivatives other than for trading - assets	280,428	Income taxes payable	2,910
Others	13,680	Derivatives other than for trading - liabilities	280,759
Tangible fixed assets	13	Asset retirement obligation	11
Intangible fixed assets	38	Others	13,348
Deferred tax assets	31	Provision for bonuses	463
Customers' liabilities for acceptances and guarantees	173,057	Acceptances and guarantees	173,057
Allowance for loan losses	(606)	Head office and branch accounts	1,276,958
Head office and branch accounts	220,322	Total liabilities	3,226,117
		Brought-in capital	2,000
		Retained earnings	3,724
		Valuation difference on AFS securities	448
		Total net assets	6,172
<b>Total assets</b>	<b>3,232,290</b>	<b>Total liabilities and net assets</b>	<b>3,232,290</b>

Interim Statement of Income  
(From April 1, 2018 to September 30, 2018)

(Millions of Yen)

Account Name	Amount
Ordinary income	23,523
Interest income	10,868
[Interest on loans and discounts]	[ 1,619 ]
[Interest and dividends on securities]	[ 71 ]
Fees and commissions	6,824
Trading income	369
Other ordinary income	3,988
Other income	1,471
Ordinary expenses	18,241
Interest expenses	6,918
[Interest on deposits]	[ 3,823 ]
Fees and commissions paid	1,520
Other ordinary expenses	0
General and administrative expenses	9,323
Other expenses	479
Ordinary profit	5,281
Income before income taxes	5,281
Income taxes-current	1,898
Income taxes-deferred	(263)
Total income taxes	1,635
Net income	3,645
Retained earnings brought forward at the beginning of the year	6,878
Remittance to head office	6,800
Retained earnings brought forward	3,724

Amounts less than one million yen have been omitted.

## **Accounting Policies**

### **1. Standard for valuation of trading assets and trading liabilities / booking of income and losses for trading purposes transaction**

Transactions for trading purposes, such as seeking gains arising from short-term changes in interest rates, foreign exchange rates, or securities prices and other market related indices or from variation among markets (hereinafter referred to as "Trading Purposes"), are included in "Trading assets" or "Trading liabilities" on the balance sheet on a trade date basis. Income and Expenses on trading-purpose transactions are recognized on a trading date basis, and recorded as "Trading income" and "Trading losses".

Securities and monetary claims purchased for trading purposes are stated at the interim fiscal year-end market value, and financial derivatives such as swaps, futures and options are stated at amounts that would be settled if the transactions were terminated at the interim fiscal year-end.

"Trading income" and "Trading losses" include interest received or paid during the interim fiscal year. The year-on-year valuation differences of securities and money claims are also recorded in the above-mentioned accounts. As for the derivatives, assuming that the settlement will be made in cash, the year-on-year valuation differences are also recorded in the above-mentioned accounts.

### **2. Standard and method for valuation of AFS securities**

AFS securities that have market prices are carried at their balance sheet date market prices (cost of securities sold is calculated using primarily the moving-average method). Net unrealized gains/losses on AFS securities, net of income taxes, are included in "Net assets".

### **3. Standard and method for valuation of derivative transaction**

Derivative transactions (excluding those for trading purposes) are carried at fair value.

### **4. Depreciation method for fixed assets**

#### **(1) Tangible fixed assets**

Tangible fixed assets are depreciated using the declining-balance method (with the exception of building facilities acquired on or after April 1, 2016, for which the straight-line had been applied).

The estimated useful lives are as follows:

Buildings: 10 to 15 years

Others: 3 to 15 years

#### **(2) Intangible fixed assets**

Intangible fixed assets are depreciated using the straight-line method. Capitalized software for internal use is depreciated over its estimated useful life (5 years).

### **5. Standard for the translation into Japanese yen**

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at the balance sheet date.

### **6. Standard for Allowance**

#### **(1) Allowance for loan losses**

Allowance for loan losses is provided as detailed below in accordance with the internal standards for write-offs and provisioning.

For claims on borrowers that have entered into bankruptcy, special liquidation proceedings or similar legal proceedings ("bankrupt borrowers") or borrowers that are not legally or formally insolvent but are regarded as substantially in the same situation ("effectively bankrupt borrowers"), an allowance is provided based on the amount of claims, after the write-off stated in the additional paragraph below, net of the expected amount of recoveries from collateral and guarantees. For claims on borrowers that are not currently bankrupt but are perceived to have a high risk of falling into bankruptcy, an allowance is provided in the amount deemed necessary based on an overall solvency assessment of the claims, net of the expected amount of recoveries from collateral and guarantees. For other claims, an allowance is provided based on the expected loan-loss ratio assigned to each risk rating.

Responsible divisions for Self-Assessment and Front office mutually conduct assessment of all claims in accordance with the internal rules for self-assessment of assets. The allowance is provided based on the results of these assessments.

(2) Provision for bonuses

Provision for bonuses is reported in preparation for the payment of bonuses to the employees at the amount estimated for the payment of bonuses to the employees during the interim fiscal year.

**7. Method for hedge accounting**

The exceptional method is applied to certain interest rate swaps that meet the criteria for the exceptional treatments. No assessment is performed for hedge effectiveness of qualifying interest rate swaps accounted for by the exceptional treatments, as it is ascertained that the criteria for the exceptional treatments are continuously met.

**8. Accounting for consumption taxes**

National and Local Consumption Taxes are excluded from transaction amounts.

## Notes to interim Balance Sheet

1. For securities held as collateral under “receivables under resale agreements” and “derivative transactions” which can be sold or pledged without restrictions, 346,633 million yen were pledged and there was no held by Citibank, N.A., Tokyo Branch at the interim fiscal year-end.
2. There was no Bankrupt loans. Past due loans/non-accrual loans were 462 million yen.  
“Bankrupt loans” are loans on which accrued interest income is not recognized as there is substantial doubt about the ultimate collectability of either principal or interest because they are past due for a considerable period of time or for other reasons (excluding write-offs, hereinafter “non-accrual loans”), and as defined in Article 96-1-3 and 96-1-4 of the Enforcement Ordinance of the Japanese Corporate Tax Law.  
“Past due loans/non-accrual loans” are loans on which accrued interest income is not recognized, excluding “Bankrupt loans” and loans on which interest payments are deferred in order to support the borrowers’ recovery from financial difficulties.
3. There was no Past due loans (3 months or more).  
“Past due loans (3 months or more)” are loans on which the principal or interest is past due for three months or more, excluding “Bankrupt loans” and “Past due loans/non-accrual loans”.
4. There was no Restructured loans.  
“Restructured loans” are loans on which terms and conditions have been amended in favor of the borrowers (e.g. reduction of the original interest rate, deferral of interest payments, extension of principal repayments or debt forgiveness) in order to support the borrowers’ recovery from financial difficulties, excluding “Bankrupt loans,” “Past due loans/non-accrual loans” and “Past due loans (3 months or more)”.
5. The total amount of “Bankrupt loans”, “Past due loans/non-accrual loans”, “Past due loans (3 months or more)” and “Restructured loans” were 462 million yen.  
Claims shown from 2 to 5 are the amounts before the appropriate allowance.
6. Bills discounted are treated as financial transactions in accordance with JICPA Industry Audit Committee Report No.24. Citibank, N.A., Tokyo Branch has rights to sell or pledge bank acceptance bought, commercial bills discounted, documentary bills and foreign bills bought etc. without restrictions. The total face value was 35,896 million yen.
7. AFS securities of 58,144 million yen were pledged as collateral for settlements of FX transactions. In addition, other assets include other guarantee deposits of 4,606 million yen.
8. Overdraft facilities and commitment line contracts on loans are agreements to lend to customers up to a prescribed amount, as long as there is no violation of any condition established in the contracts.  
The amount of unused commitments was 257,622 million yen and the amount of those with remaining period within one year was 181,689 million yen.  
Since many of these commitments are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily represent actual future cash flow requirements. Many of these commitments include clauses under which we can reject an application from customers or reduce the contract amounts in the event that economic conditions change, we need to secure claims, or other events occur. In addition, we may request the customers to pledge collateral such as premises and securities at the time of the contracts, and take necessary measures such as monitoring customers’ financial positions, revising contracts when need arises and securing claims after contracts are made on a periodic basis.
9. Accumulated depreciation on tangible fixed assets: 46 million yen.

## Notes to Interim Statement of Income

### Head office cost sharing

(1) Direct expense (Expatriate salary etc.)	149 million yen
(2) Indirect charge	338 million yen

## Notes related to Financial Instruments

### Fair Value of Financial Instruments

Fair value and balance sheet amount of financial instruments as of September 30, 2018 are shown below.

(Millions of Yen)

	Balance sheet amount	Fair value	Difference
(1) Cash and due from banks	1,830,093	1,830,093	-
(2) Receivables under resale agreements	272,564	268,289	(4,274)
(3) Monetary claims bought (*1)	6,794	6,794	-
(4) Trading assets			
Trading securities	2,265	2,265	-
(5) Securities			
Other securities	61,443	61,443	-
(6) Loans and bills discounted	322,553		
Allowance for loan losses (*1)	(448)		
	322,105	321,394	(710)
(7) Foreign exchange (*1)	41,724	41,724	-
(8) Head office and branch accounts	220,322	220,322	-
<b>Total Assets</b>	<b>2,757,312</b>	<b>2,752,327</b>	<b>(4,984)</b>
(1) Deposits	1,410,764	1,410,764	-
(2) Negotiable certificates of deposits	9,084	9,084	-
(3) Call money	2,952	2,952	-
(4) Payables under repurchase agreements	3,407	3,407	-
(5) Borrowed money	4	4	-
(6) Foreign exchange	44,793	44,793	-
(7) Head office and branch accounts	1,276,958	1,276,958	-
<b>Total Liabilities</b>	<b>2,747,965</b>	<b>2,747,965</b>	<b>-</b>
Derivative transactions (*2)			
Trading	(50)	(50)	-
<b>Total derivative transactions</b>	<b>(50)</b>	<b>(50)</b>	<b>-</b>

Others	Contract amount	Fair value
Overdraft facilities and commitment line (*3)	257,622	1,493

(\*1) General allowance for loan losses and specific allowance for loan losses provided to "Loans and bills discounted" are separately shown in the above table. Allowance for loan losses provided to "Monetary claims bought" and "Foreign exchange" are directly deducted from the book value due to immateriality.

(\*2) Derivatives included in "Trading assets", "Trading liabilities", "Other assets" and "Other liabilities" are shown together. Negative amount indicates in case of liabilities exceeding the assets.

(\*3) Contract amount of Overdraft facilities and commitment line are unused amount.

### (Notes) Valuation method of financial instruments

#### (Assets)

##### (1) Cash and due from banks

For due from banks without maturity, the carrying amount is presented as the fair value, as the fair value approximates such carrying amount. For due from banks with maturity, fair value is determined as present value of total future cash flows, discounted by interest rate that would be applied to new acceptances. Total future cash flows are contractual payment of principal and interest. For due from banks with short remaining period (within 1 year), the carrying amount is presented as the fair value, as the fair value approximates such carrying amount.

- (2) Receivables under resale agreements  
 For Receivables under resale agreements with remaining period exceeding 1 year, fair value is determined as present future cash flows, discounted by interest rate that would be applied to new acceptance. Total future cash flows are contractual payment of principal and interest.  
 For Receivables under resale agreements with short remaining period (within 1 year), the carrying amount is presented as the fair value, as the fair value approximates such carrying amount.
- (3) Monetary claims bought  
 For monetary claims bought, the carrying amount is presented as the fair value, as the fair value approximates such carrying amount because they have short remaining period (within 1 year).
- (4) Trading assets  
 For securities such as bonds that are held for trading, the fair value is calculated based on their market prices.
- (5) Securities  
 For securities such as bonds that are available for sale, the fair value is calculated based on their market prices.
- (6) Loans and bills discounted  
 For loans without maturity, the carrying amount is presented as the fair value, as the fair value approximates such carrying amount because of their estimated maturity length and the interest rate conditions. For loans with short remaining period (within 1 year), the carrying amount is presented as the fair value, as the fair value approximates such carrying amount.  
 For loan with remaining period exceeding 1 year, fair value is determined as present value of total future cash flows, discounted by interest rate that would be applied to newly accepted loans. Total future cash flows are contractual payment of principal and interest.  
 As for the loans to bankrupt, de facto bankrupt, and potentially bankrupt borrowers, credit loss is estimated based on factors such as the present value of expected future cash flow or the expected amount to be collected from collaterals and guarantees. Since the fair value of these items approximates the carrying amount net of the currently expected credit loss amount, such carrying amount is presented as the fair value.
- (7) Foreign exchange  
 Foreign exchanges consist of foreign currency deposits with other banks (due from other foreign banks), short-term loans involving foreign currencies (due from other foreign banks), export bills etc. (purchased foreign bills), and loans on notes using import bills (foreign bills receivables). For these items, the carrying amount is presented as the fair value, as the fair value approximates such carrying amount because most of these items are deposits without maturity or have short contract term (within 1 year)
- (8) Head office and branch accounts  
 For Head office and branch accounts without maturity, the carrying amount is presented as the fair value, as the fair value approximates such carrying amount. For Head office and branch accounts with maturity, fair value is determined as present value of total future cash flows, discounted by interest rate that would be applied to new transactions. For Head office and branch accounts with short remaining period (within 1 year), the carrying amount is presented as the fair value, as the fair value approximates such carrying amount.

(Liabilities)

- (1) Deposits  
 For demand deposits, the amount payable on demand as of balance sheet date is considered to be the fair value. Time deposits are grouped by certain maturity lengths. The fair value of such deposits is the present value discounted by expected future cash flow. The discount rate is the risk free rates adjusted with funding spread of Citibank, N.A., Tokyo Branch as of balance sheet date. For deposits with short remaining period (within 6 months), the carrying amount is presented as the fair value as the fair value approximates such carrying amount.
- (2) Negotiable Certificates of Deposit  
 The carrying amount is presented as the fair value, as the fair value approximates such carrying amount.
- (3) Call Money  
 The carrying amount is presented as the fair value, as the fair value approximates such carrying amount.
- (4) Payables under repurchase agreements  
 For Payables under repurchase agreements with remaining period exceeding 1 year, fair value is determined as present future cash flows, discounted by interest rate that would be applied to new acceptance. Total future cash flows are contractual payment of principal and interest.

For Payables under repurchase agreements with short remaining period (within 1 year), the carrying amount is presented as the fair value, as the fair value approximates such carrying amount.

(5) Borrowed money

The carrying amount is presented as the fair value, as the fair value approximates such carrying amount.

(6) Foreign exchange

Among foreign exchange contracts, foreign currency deposits accepted from other banks and non-resident yen deposits are deposits without maturity. Furthermore, foreign currency short-term borrowing have no maturity. Thus, for the foreign exchanges, the carrying amount is presented as the fair value as the fair value approximates such carrying amount.

(7) Head office and branch accounts

For Head office and branch accounts without maturity, the carrying amount is presented as the fair value, as the fair value approximates such carrying amount. For Head office and branch accounts with maturity, fair value is determined as present value of total future cash flows, discounted by interest rate that would be applied to new transactions. For Head office and branch accounts with short remaining period (within 1 year), the carrying amount is presented as the fair value, as the fair value approximates such carrying amount.

(Derivative transactions)

Derivatives include interest rate related instruments (interest rate futures, interest rate options, interest rate swaps, etc.), currency related instruments (forward foreign exchange, currency options, currency swaps, etc.) and bond related instruments (bond futures, bonds future options, etc.). Fair values of these derivatives are based on market prices at exchanges, discounted present values, or amount calculated under the option pricing model. Derivative for hedge accounting is interest rate swap with exceptional treatment and the fair value of this hedging swap is included in the hedged loan.

(Others)

For overdraft facilities and commitment line, fair value is the present value discounted by the difference between the expected future cash flow calculated by contractual rate and fee rate that would be applied to newly acceptance at the balance sheet date for the contract with remaining period exceeding 1 year.



## Notes related to Securities

These include “Securities” and Trading securities in “Trading assets” on Interim Balance sheet.

### 1. Securities classified as trading purposes: (as of September 30, 2018)

(Unit: Millions of Yen)

	Valuations gains/(losses) included in the earnings for the interim fiscal year
Securities classified as trading purposes	0

### 2. AFS securities with market value are as follows: (as of September 30, 2018)

(Unit: Millions of Yen)

	Type	Interim Balance sheet amount	Acquisition cost	Valuations gains/(losses)
Interim Balance sheet amount exceeding acquisition cost	Bonds	53,423	53,083	339
	Japanese Government Bonds	50,121	50,006	115
	Corporate Bonds	3,301	3,077	224
	Sub Total	53,423	53,083	339
Interim Balance sheet amount equal or less than acquisition cost	Bonds	8,019	8,040	(21)
	Japanese Government Bonds	8,019	8,040	(21)
	Sub total	8,019	8,040	(21)
Total		61,443	61,124	318

### 3. AFS securities sold during the interim fiscal year are as follows: (from April 1, 2018 to September 30, 2018)

(Unit: Millions of Yen)

	Sold amount	Gains on sales	Losses on sales
Bonds	-	-	-
Japanese Government Bond	-	-	-
Total	-	-	-

## Notes related to Deferred tax accounting

The main causes for the deferred tax assets and deferred tax liabilities are as follows:

Deferred tax assets	(Millions of Yen)
Unearned commission	589
Accrued expense	575
Other securities	357
Fixed assets	289
Loan loss reserve	187
Bonus reserve	143
Accrued enterprise tax etc.	96
Other	188
Deferred tax assets total	<u>2,424</u>
Deferred tax liabilities	
Negative tax goodwill	<u>2,393</u>
Deferred tax liabilities total	<u>2,393</u>
Net deferred tax assets	<u><u>31</u></u>