# Financial Publication
# for Fiscal Year Ended March 31, 2017

June 23, 2017

Shin-Marunouchi Building, 5-1, Marunouchi 1-chome,
Chiyoda-ku, Tokyo
CJL K.K. (formerly Citibank Japan Ltd.)
Representative Director,
Iyer, Hari

## Balance Sheet

As of March 31, 2017
(Millions of Yen)

| Account Name | Amount | Account Name | Amount |
|---|---|---|---|
| Account receivable | 236,232 | Account payable | 1,818 |
| Income taxes receivable | 10,577 | Income taxes payable | 253 |
| | | Total liabilities | 2,072 |
| | | Capital stock | 123,100 |
| | | Capital surplus | 121,100 |
| | | Legal capital surplus | 121,100 |
| | | Retained earnings | 516 |
| | | Legal retained earnings | 2,000 |
| | | Other retained earnings | (1,483) |
| | | Retained earnings brought forward | (1,483) |
| | | Total shareholders' equity | 244,716 |
| | | Total net assets | 244,716 |
| Total assets | 246,789 | Total liabilities and net assets | 246,789 |

# Statement of Income

From April 1, 2016 to March 31, 2017

(Millions of Yen)

| Account Name | Amount | |
|---|---|---|
| Ordinary income | | 33,368 |
| Interest income | 16,864 | |
| Interest on loans and bills discounted | 5,416 | |
| Interest and dividends on securities | 174 | |
| Interest on receivables under resale agreements | 6,316 | |
| Interest on deposits with banks | 3,903 | |
| Other interest income | 1,052 | |
| Fees and commissions | 11,076 | |
| Fees and commissions on fund transfer | 4,983 | |
| Other fees and commissions | 6,092 | |
| Trading income | 112 | |
| Gains on securities and derivatives related to trading transactions | 112 | |
| Other ordinary income | 2,507 | |
| Gains on foreign exchange transactions | 2,213 | |
| Gains on sales of bonds | 208 | |
| Others | 85 | |
| Other income | 2,807 | |
| Reversal of allowance for loan losses | 23 | |
| Others | 2,784 | |
| Ordinary expenses | | 31,609 |
| Interest expenses | 6,842 | |
| Interest on deposits | 6,458 | |
| Interest on call money | 19 | |
| Interest on payables under repurchase agreements | 284 | |
| Interest on borrowings and rediscounts | 0 | |
| Other interest expenses | 80 | |
| Fees and commissions paid | 2,423 | |
| Fees and commissions on fund transfer | 634 | |
| Other fees and commissions | 1,788 | |
| Trading Losses | 49 | |
| Losses on trading-related derivatives transactions | 49 | |
| Other ordinary expenses | 115 | |
| Losses on sales of bonds | 79 | |
| Others | 35 | |
| General and administrative expenses | 20,944 | |
| Other expenses | 1,235 | |
| Others | 1,235 | |
| Ordinary profit | | 1,759 |
| Extraordinary income | | - |
| Extraordinary loss | | 6,904 |
| Losses on disposal of fixed assets | 8 | |
| Retirement benefit cost | 1,670 | |
| Loss on business transfer | 5,225 | |
| Loss before income taxes | | (5,145) |
| Income taxes - current | 334 | |
| Refund of income taxes | (4,667) | |
| Income taxes - deferred | 3,829 | |
| Total income taxes | | (503) |
| Net loss | | (4,642) |

Amounts less than one million yen have been omitted.

CJL transferred the entire business operations and personnel of CJL to a newly established Tokyo branch of Citibank, N.A., a U.S. national association, at the end of the day on March 31, 2017.

## 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 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 fiscal year-end.

“Trading income” and “Trading losses” include interest received or paid during the 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: | 4 to 20 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, and the Internal Audit Division, independently audits their assessment. 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 fiscal year.

(3) Provision for directors' bonuses

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

(4) Provision for retirement benefits

Provision for retirement benefits is reported in preparation for the payment of employee retirement allowance in the amount deemed accrued at the period, based on the projected retirement benefit obligation and the fair value of plan assets at the fiscal year-end. The basis for period recognition for the estimated retirement benefits adopts the benefit formula prorates approach. The unrecognized prior service cost and actuarial differences are recognized as profit and loss as follows;

Unrecognized prior service cost:

Amortized using the straight-line method for a period, primarily over 7 years, within the employees' average remaining service period, commencing on the fiscal year in which the services are provided.

Actuarial differences:

Amortized using the straight-line method, primarily over 7 years, within the employees' average remaining service period, commencing from the next fiscal year of incurrence.

(5) Provision for directors' retirement benefits

Provision for directors' retirement benefits is reported in preparation for the payment of director retirement allowance out of directors' estimated allowance for the amount allocable to the period.

**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 continually met.

**8. Accounting for consumption taxes**

National and Local Consumption Taxes are excluded from transaction amounts.

## Change in Accounting Policies

(Application of Practical Solution on a change in depreciation method due to Tax Reform 2016)

In accordance with the revision to the Corporation Tax Act, with effect from the first half period of the fiscal year, CJL has applied the "Practical Solution on a change in depreciation method due to Tax Reform 2016" (ASBJ Practical Issues Task Force(PITF) Solution No. 32, June 17, 2016). Accordingly, CJL has changed the depreciation method for building facilities acquired on and after April 1, 2016 from the declining-balance method to the straight-line method. As a result, there are no material impact to the ordinary profit and loss before income taxes.

## Notes to Balance Sheet

**1.** Account receivable related to the business transfer.

**2.** Account payable related to the transfer of employees.

**3.** Monetary assets to affiliates amounted to 236,232 million yen.

**4.** Stand-alone Capital Adequacy Ratio (National Standards) under the Banking Law Enforcement Regulations Article 19-2-1-3-ロ-(10). 423.35%

## Notes to Statement of Income

**1.** Income from transactions with affiliates

| | | |
|---|---|---|
| Total income of funding transaction | 2,967 | million yen |
| Total income of fees and commissions | 2,124 | million yen |
| Total income of other ordinary transactions | 27 | million yen |
| Total income of other transactions | 4,500 | million yen |
| Expenses from transactions with affiliates | | |
| Total expenses of funding transaction | 5,546 | million yen |
| Total expenses of fees and commissions | 209 | million yen |
| Total expenses of other ordinary transactions | 93,568 | million yen |
| Total expenses of other transactions | 8,748 | million yen |

**2.** Information with respect to related party transaction is as follows.

| Relation | Name | Address | Capital | Business | Percentage of stocks owned | Content of relations | | Description of transaction | Amount (million yen) | Name of account | Balance at Year end (million yen) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Directors | Business | | | | |
| Parent | Citibank, N.A. | South Dakota, United States of America | USD 751 Million | Banking | 100% (indirect) | — | Funding / Lending | Business transaction & interest | 709,947 (*2)<br>2,471 | Due from banks<br>Accrued income | -<br>- |
| | | | | | | | | Business transaction & interest | 760,372 (*2)<br>5,482 | Deposit<br>Accrued expenses | -<br>- |
| | | | | | | | | Settlement of foreign exchange | 473,889 (*2) | Due to foreign banks (their accounts) | - |
| | | | | | | | | Business transfer (*3)<br>Total assets<br>Total liabilities<br>Valuation difference on AFS securities<br>Loss on business transfer<br>Consideration for business transfer | <br>2,679,043<br>2,436,820<br>774<br>5,225<br>236,232 | Account Receivable | 236,232 |
| Subsidiary of parent | Citigroup Global Markets Japan Inc. | Chiyoda-ku, Tokyo | 151,900 Million Yen | Investment Banking | — | Double-hatted | Funding / Lending | Retirement benefit cost | 1,670 (*4) | Account Payable | 1,670 |
| Subsidiary of parent | Citigroup Global Markets Ltd. | Canary Wharf, London. United Kingdom | USD 1,505 Million | Investment Banking | — | — | Funding / Lending | Business transaction & Interest on payables under repurchase agreements | 22,908 (*2)<br>284 | payables under repurchase agreements | – |

*1 Condition of transactions and its policy are decided as same as third party transactions.
*2 Average balances for amount of transaction.
*3 Executed under negotiation, based on the company's calculated amounts.
*4 Retirement benefit cost from the transfer of employees.

## Notes related to Financial Instruments

**1.** Disclosure on Financial Instruments

(1) Policy on Financial Instruments

CJL is engaged in banking operations such as deposit taking business, credit extension business including loans, fund transfer and clearing business both in Yen and foreign currencies and investment business including marketable securities. The ALM, Asset and Liability Management, in CJL has related across these listed businesses. CJL has conducted integrated management of the Banking Portfolio, as ALM, for the purpose of managing interest rate and FX risk associated with market movement and liquidity risk from mismatch of future cash flows. Also it aims to minimize funding cost and maximize investment returns. As part of this effort, CJL enters into certain derivative transactions. As the banking portfolio in CJL, liabilities are sourced mainly from corporate customer deposits. And in asset, it has invested into securities, mainly in Japanese Government Bond (JGB), customer loans and Reverse Repo.

(2) Types of and Risks associated with Financial Instruments

A majority of financial assets that CJL holds are loans to corporate customers in Japan and overseas, the securities and placements to the bank subsidiaries of Citigroup Inc. to which CJL belongs. Loans to corporate customers in Japan and overseas, for which CJL is exposed to credit risks potentially arising from the obligors' default and also there are risks on material adverse changes in economics, politics, and social environments. Securities are mainly low credit risk Japanese government bonds. These are exposed to interest rate risk and market price risks.
A majority of financing source of CJL is a stable source of deposits from corporate customers, and group companies. They are exposed to liquidity risk where we may not be able to be repaid timely on maturities. Interest rate exposure is managed by establishing risk limits, etc.
As to funding, CJL's funding sources are stable, consisting of deposits from institutional customers, and group companies. These funding activities associate liquidity risk in which CJL may not be able to repay timely on maturities and interest rate risk.
Derivative contracts include interest rate swaps, currency swaps, and forward FX for ALM purpose. In addition, we have trading bonds as well as trading positions that include interest rate related derivatives and currency related derivatives. These financial products are exposed to interest rate risk, foreign exchange rate risk, price risk and credit risk, etc.

(3) Risk Management System relating to Financial Instruments

① Credit Risk Management

CJL establishes consistent risk management framework and controls credit risks related to loans, trade finance and other financial products by undertaking credit analysis, controlling credit limits, assigning internal obligor risk ratings, obtaining parent support, guarantee or collateral and managing classified or delinquent accounts in accordance with Credit Risk Management Policy and related rules and procedures.
The key highlights of Credit Risk management aforementioned conducted by Risk Management Division are reported to Credit Risk Management Committee ("CRMC", as a sub-committee of the Management Committee) and Board of Directors' meeting ("BOD"), which takes place regularly. Moreover, the credit risk control process is assessed by internal auditor periodically.
Credit risk of issuers and counterparty risk of derivatives are controlled and monitored by Credit Risk Management Services Unit and Portfolio Management Unit in Risk Management Division by obtaining related credit information and marked-to market periodically.

② Market Risk Management

(A) Risk Management of Banking Book

CJL manages interest-rate risks on banking book through ALM. The risk management methods and procedures are clearly described in the "Market Risk Management for Accrual Portfolios Policy and Standards". CJL monitors and reviews its activity implementation status, also discusses action plans in the monthly Asset Liability Committee ("ALCO") meeting as per the ALCO Regulation which has been approved by the Management Committee.
On a day to day basis, Market Risk Management Unit captures consolidated profiles of interest rates and durations of the financial assets and liabilities, performs risk monitoring process using the gap analysis and

interest rate factor sensitivity analysis, and reports the results to the ALCO meeting on a monthly basis. For the purpose of hedging interest rate risks, CJL transacts some derivative trades such as interest rate swaps.

(B) Risk Management of Trading Book

CJL mainly manages interest-rate risks and foreign exchange price risks on trading book following the Market Risk Management Policy and ALCO Regulation approved by Management Committee. CJL's market risk amount is measured by Value-at-Risk (“VaR”) method and its regulated compliance status is monitored and reported to ALCO meeting on a monthly basis.

(C) Quantitative information on Market Risks

a) Trading purpose financial instruments

CJL adopted the Monte Carlo Method that simulates variance and covariance estimated from the historical times series data for VaR calculation (holding period of one day, with the confidence level of 99%) for trading securities and derivative products.
There are no applicable CJL market risk amount for trading activities (probable loss amount) because CJL transferred its Asset and Liability to Citibank, N.A., Tokyo Branch as of March 31, 2017 which is explained in the note to business combinations, etc..
CJL also conducts VaR back testing which is a comparative analysis of the VaR result calculated by the validated model against the actual profit and loss (P&L). As per the VaR back testing result for the period of Apr1, 2016 through Mar 31,2017, one exception was observed. However, VaR still may not pick up all probability of event under unpredictable market conditions so long as it is based on the certain probability calculated by statistical method using historical market movement.

b) Non-trading purpose financial instruments

In CJL, the main financial instruments which to be influenced by interest rates as one of the key risk variables are, “Placements”, "Loans and bills discounted", "AFS securities", "Deposits", “Negotiable certificate of deposits”, "Borrowings" and "Reverse Repo". On the financial Assets and Liabilities, CJL calculates the effect amounts on profits and losses in the next one year when simulating reasonably expected moving range in the quantitative analysis for the purpose of managing interest rate risks. With respect to the revenue effect amount calculation, CJL splits respective financial asset and liability balances into groups of fixed or floating rate groups by tenor buckets responding to holding maturities and applies the interest rate moves by tenors. There are no applicable data on the scenario that interest rate to increase by 100 basis points (1%) for total portfolio, because CJL transferred its Asset and Liability to Citibank, N.A., Tokyo branch as of March 31, 2017 which is explained in the note to business combinations, etc..

③ Management of Liquidity Risk associated with Funding Activities

Liquidity risk management has been regulated by related policies and procedures. ALCO, which is subject to supervision of the Management Committee, has been constituted to ensure that CJL maintains adequate liquidity, has sufficient capital to meet regulatory and business needs, has appropriate funding for business growth. ALCO's monitoring and reviewing of capital, liquidity, balance sheet and the banking account management is an integral part of the overall risk management framework of CJL.

(4) Supplement Explanation for Fair Value of Financial Instruments

Fair value of financial instruments includes market prices as well as reasonably calculated prices in cases where there are no market prices available. Since the calculations of such prices are implemented under certain conditions and assumptions, the result of calculations may vary if different assumptions are used.

**2**. Fair Value of Financial Instruments

Fair value and balance sheet amount of financial instruments as of March 31, 2017 are shown below.

(Millions of Yen)

| | Balance sheet amount | Fair value | Difference |
|---|---|---|---|
| (1) Account receivable | 236,232 | 236,232 | - |
| (2) Income taxes receivable | 10,557 | 10,557 | - |
| Total Assets | 246,789 | 246,789 | - |
| (1) Account payable | 1,818 | 1,818 | - |
| (2) Income taxes payable | 253 | 253 | - |
| Total Liabilities | 2,072 | 2,072 | - |

(Notes) Valuation method of financial instruments

(Assets)

(1) Account receivable

For Account receivable, 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).

(2) Income taxes receivable

For Income taxes receivable, 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).

(Liabilities)

(1) Account payable

For Account payable, 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).

(2) Income taxes payable

For Income taxes payable, 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).

**Indicators by Share**

1. Net assets per share: 1.00 yen
2. Net loss per share: 0.01 yen

**Business combination, etc.**

**Transaction under common control**

1. Outline of the business transfer

(1) Name of the company to which the business was transferred

Citibank, N.A., Tokyo Branch

(2) Businesses to be transferred

The entire business operations of Citibank Japan Ltd.

(3) Main reason for the transfer

Providing banking products and services through a local branch of Citibank, N.A., Citi's primary bank subsidiary, will enhance Citi's ability to serve its Japanese and other multinational clients, particularly those clients that value Citi's global network. It also will allow Citi to operate its local banking business in a more capital-efficient manner.

(4) Date of business transfer

March 31, 2017

(5) Other information of the divestiture including its legal form

Executed by an agreement of business transfer.

2. Outline of accounting treatment of the business divestiture

This business combination as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No.21, issued on September 13, 2013) and the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, issued on September 13, 2013).

**Subsequent events**

1. Reduction of capital stock and capital surplus, and distribution out of surplus

Based on the extra-ordinary shareholder's resolution on April 1, 2017, the Company reduced capital stock and capital surplus, in order to make distribution out of surplus and executed the distribution of surplus given the condition those reductions were in effect as follows;

Amount of reduced capital stock 123,099,000,001 yen
Amount of reduced capital surplus 121,100,000,000 yen
Amount of increased other capital surplus 244,199,000,001 yen
Effective date of the reduction of capital stock and capital surplus May 18, 2017
Amount of distribution out of surplus 180,000,000,000 yen
Effective date of the distribution out of surplus May 18, 2017

2. Corporate name change

The Company transferred its all business to Citibank, N.A., Tokyo Branch as of the conclusion of March 31, 2017 and changed its corporate name to CJL K.K. on April 1, 2017.

3. Corporate organization change

Based on the resolution by the director and the consent by the shareholder on April 2, 2017, the Company will make change in its corporate organization to Goudou Kaisha effective as of June 26, 2017.