

THE KYOTO CHUO SHINKIN BANK

ANNUAL REPORT 2020

Company profile of the Kyoto Chuo Shinkin Bank

Customers/
members

Number of
members: 232,512
Capital: 20.2 billion yen

Deposits
Capital

Head Office: 91 Kankoboko-cho,
Shijo-dori Muromachi Higashi-iru,
Shimogyo-ku, Kyoto City, Kyoto Prefecture

Established: June 18, 1940

Deposit balance: 4,725.2 billion yen

Loan balance: 2,732.8 billion yen

Net business profit: 12.0 billion yen

Ordinary profit: 12.6 billion yen

Net profit: 10.1 billion yen

Capital adequacy ratio: 10.86%

Number of employees: 2,500

Number of branches: 130

Loans
Support
services

Customers/
members

(Year ended March 2020)

The Kyoto Chuo Shinkin Bank is a cooperative financial institution that operates under the shared philosophy of prosperity for all, including for local SMEs and individuals. The Kyoto Chuo Shinkin Bank serves Kyoto City and parts of Kyoto, Shiga, Osaka and Nara prefecture. The deposits we look after for our customers in the community are used for investments in customers that require capital, such as venture corporations, in order to foster the continued development of local economies and businesses. Moreover, we have formed a strong network characterized by close ties to the community. With a broad branch system, we provide products and services in-line with the demand of customers and assist them in improving their lives. We are also actively involved in activities designed to help the cultivation of human resources and engage in activities geared toward protecting and passing on to the next generation the local natural environment, scenery, and traditional culture in our community, including within an international city of culture and tourism; Kyoto. Thus, we contribute to development in our community not just financially, but in other various ways as well.

We are actively involved in activities that contribute to a society to which we are thankful.

Unlike city-based commercial banks, which do business on a national scale, credit associations are limited in their terms of where they do business. As such, credit associations cannot hope for their own development without the development of the communities where they do business. The Kyoto Chuo Shinkin Bank (as a financial institution headquartered in the land of the Kyoto Protocol) not only serves to help the region prosper through financial institution activities, but is also actively involved with environmental issues and continuously engages in various activities that contribute to a society we are grateful for.

Fund Procurement and Management

Deposit balances by account type

(Unit : million yen)

	Year ended March 2019 (Component ratio)	Year ended March 2020 (Component ratio)	Changes
Current deposits	88,587 (1.89%)	91,866 (1.94%)	3,279 (0.04%)
Ordinary deposits	1,937,266 (41.47%)	2,053,715 (43.46%)	116,449 (1.98%)
Savings deposits	53,564 (1.14%)	53,131 (1.12%)	△432 (△0.02%)
Deposits at notice	84,418 (1.80%)	45,091 (0.95%)	△39,326 (△0.85%)
Time deposits	2,237,605 (47.90%)	2,185,791 (46.25%)	△51,813 (△1.64%)
Fixed savings deposits	41,471 (0.88%)	38,821 (0.82%)	△2,649 (△0.06%)
Other deposits	228,164 (4.88%)	256,807 (5.43%)	28,642 (0.55%)
Total	4,671,076 (100.00%)	4,725,225 (100.00%)	54,149 (—)

(Notes) Foreign currency deposits are included in "Other deposits".

Deposit balances by depositor

(Unit : million yen)

	Year ended March 2019 (Component ratio)	Year ended March 2020 (Component ratio)	Changes
Individual customers	3,293,712 (70.51%)	3,317,058 (70.19%)	23,345 (△0.31%)
Corporate customers	1,040,612 (22.27%)	1,037,554 (21.95%)	△3,058 (△0.32%)
Public institutions	71,117 (1.52%)	69,612 (1.47%)	△1,504 (△0.04%)
Financial institutions	265,633 (5.68%)	301,000 (6.37%)	35,367 (0.68%)
Total	4,671,076 (100.00%)	4,725,225 (100.00%)	54,149 (—)

(Notes) Negotiable certificates of deposits are not included in this table.

Loan balances by account type

(Unit : million yen)

	Year ended March 2019	Year ended March 2020	Changes
Bills discounted	9,309	7,056	△2,253
Loans on bills	78,251	78,939	687
Loans on deeds	2,490,519	2,554,540	64,021
Overdrafts	84,626	92,353	7,726
Total	2,662,707	2,732,890	70,182

(Notes) The Bank does not distinguish between domestic and international operations.

Breakdown of loan balances by business type

(Unit : number, million yen)

	Year ended March 2019			Year ended March 2020		
	Number of borrowers	Loan balance	Component ratio	Number of borrowers	Loan balance	Component ratio
Manufacturing	2,611	126,753	4.76%	2,536	126,237	4.61%
Agriculture, forestry	45	548	0.02%	47	845	0.03%
Mining, quarrying, sand and gravel gathering	8	1,391	0.05%	9	1,508	0.05%
Construction	3,495	105,703	3.96%	3,574	111,978	4.09%
Electricity, gas, heat supply, water	28	698	0.02%	35	840	0.03%
Telecommunications	202	5,224	0.19%	211	5,292	0.19%
Transportation, postal industry	338	26,799	1.00%	375	29,039	1.06%
Wholesale business	1,412	75,450	2.83%	1,413	79,121	2.89%
Retail business	1,642	49,696	1.86%	1,614	53,061	1.94%
Finance, insurance	68	111,463	4.18%	68	121,024	4.42%
Real estate	5,425	562,939	21.14%	5,695	589,896	21.58%
Rental industry	38	3,942	0.14%	41	2,868	0.10%
Scientific research, specialist/technical services	441	8,001	0.30%	444	8,760	0.32%
Accommodation industry	124	16,112	0.60%	144	16,536	0.60%
Restaurant industry	1,234	24,982	0.93%	1,252	25,907	0.94%
Lifestyle-related service industries, entertainment industry	490	37,502	1.40%	516	44,523	1.62%
Education, study support industry	124	13,565	0.50%	137	13,307	0.48%
Medicine, welfare	831	58,155	2.18%	863	56,394	2.06%
Other services	1,378	52,098	1.95%	1,397	55,556	2.03%
Subtotal	19,934	1,281,029	48.11%	20,371	1,342,703	49.13%
Local public entities	26	154,042	5.78%	27	167,022	6.11%
Individual (housing, consumption, tax payment funds, etc.)	137,801	1,227,635	46.10%	133,201	1,223,164	44.75%
Total	157,761	2,662,707	100.00%	153,599	2,732,890	100.00%

(Notes) 1. Business categories are based on the large classification of Japan Standard Industry Classification.

2. Loans outside Japan are classified in the same manner as those in Japan and are included within their respective business category.

Fund management and securities business

Average balance by type of security

(Unit : million yen)

	Year ended March 2019	Year ended March 2020	Changes
Japanese government bonds	339,433	266,783	△72,650
Local government bonds	387,853	415,628	27,775
Corporate bonds	545,063	526,546	△18,517
Stocks	41,986	47,645	5,659
Foreign securities	228,024	226,388	△1,635
Other securities	76,442	89,961	13,518
Total	1,618,804	1,572,955	△45,849

Other Indicators

Foreign exchange transaction handling performance

(Unit : million US\$)

	Year ended March 2019	Year ended March 2020	Changes
Export exchange	110	93	△17
Import exchange	188	185	△2
Total	298	278	△20

Foreign currency denominated assets balance

(Unit : million US\$)

	Year ended March 2019	Year ended March 2020	Changes
Balance of foreign currency denominated assets	1,471	1,238	△232

About the Capital-to-Asset Ratio

Consolidated Capital-to-Asset Ratio (Basel III Domestic Framework)

(Unit : million yen)

Item		Year ended March 2019	Year ended March 2020	Changes
Fundamental items related to core capital (A)	Member accounts related to ordinary investment	259,452	268,636	9,184
	(Investments and Capital surplus)	20,549	20,337	△ 211
	(Earned surplus)	241,297	250,846	9,548
	(Predicted outflow (－))	953	1,132	179
	(Other)	△ 1,442	△ 1,415	27
	General allowance for doubtful accounts	5,096	4,919	△ 176
	Fundamental items related to core capital among the 45% general amount of difference in reevaluation of land	2,902	2,236	△ 665
	Fundamental items related to core capital among non controlling interest	31	31	△ 0
	(A)	267,482	275,823	8,340
Adjusted items related to core capital (B)	Intangible fixed assets	1,873	2,257	384
	Deferred tax assets (excluding those relating to temporary differences)	1	－	△ 1
	(B)	1,874	2,257	382
Owned capital (C)	(A) – (B)	265,607	273,565	7,958
Risk assets, etc. (D)	Trust risk assets	2,278,641	2,363,553	84,912
	Amount derived by dividing the total amount equivalent to operational risk by 8%	85,146	83,376	△ 1,769
	(D)	2,363,787	2,446,930	83,143
Consolidated capital-to-asset ratio	$\frac{(C)}{(D)}$	11.23%	11.17%	△ 0.06%

(Notes) The above is calculated based on the "Standards for judging whether the owned capital Shinkin Bank or Shinkin Bank Association holds is appropriate according to the assets they possess based on the regulations in Article 14, Section 2 of the Banking Act applying to Article 89, Section 1 of the Shinkin Bank Act (Financial Services Agency announcement 21 of 2006)." Our group has adopted a domestic framework.

Consolidated Financial Statements

Consolidated balance sheet

(Unit : million yen)

(Assets)	As of March 31, 2019	As of March 31, 2020	Changes
Cash and due from banks	1,119,980	1,171,345	51,364
Bills purchased and call loans	608	471	△ 137
Monetary claims purchased	2,178	3,065	887
Trust funds	10,871	9,885	△ 985
Trading securities	1,388	1,274	△ 114
Investment securities	1,605,537	1,572,383	△ 33,153
Loans	2,659,469	2,731,877	72,408
Foreign exchange	594	640	46
Other assets	29,944	31,396	1,451
Tangible fixed assets	54,543	54,348	△ 195
Buildings	6,053	6,464	410
Land	43,339	43,976	636
Lease assets	1	—	△ 1
Construction work in progress	354	155	△ 199
Other tangible fixed assets	4,793	3,752	△ 1,041
Intangible fixed assets	2,605	3,137	532
Software	2,252	1,822	△ 429
Other intangible fixed assets	353	1,314	961
Deferred tax assets	1,206	8,029	6,823
Customers' liabilities for acceptances and guarantees	4,247	2,925	△ 1,321
Reserve for possible loan loss	△ 15,263	△ 15,605	△ 341
Reserve for investment loss	△ 51	△ 68	△ 16
Total assets	5,477,861	5,575,107	97,246

(Liabilities)	As of March 31, 2019	As of March 31, 2020	Changes
Deposits	4,648,600	4,703,874	55,273
Borrowings	398,700	387,082	△ 11,617
Bills sold and call money	91,798	39,665	△ 52,133
Bond lending transaction collateral received	—	117,341	117,341
Foreign exchange	20	17	△ 2
Other liabilities	26,085	24,958	△ 1,126
Reserve for bonuses	10	10	△ 0
Retirement benefit liability	11,031	11,205	174
Reserve for retirement bonuses for directors	828	791	△ 37
Reserve for reimbursement of deposits	321	340	18
Reserve for contingent losses	328	290	△ 37
Reserve for reward payments of deposits	82	71	△ 11
Deferred tax liabilities as for land revaluation	4,853	4,721	△ 131
Acceptances and guarantees	4,247	2,925	△ 1,321
Total liabilities	5,186,907	5,293,294	106,387
(Net assets)			
Investments	20,502	20,290	△ 211
Capital surplus	46	46	—
Earned surplus	241,297	250,846	9,548
Unsettled equity	△ 1,442	△ 1,415	27
Total members' equity	260,405	269,769	9,363
Net unrealized gains on available-for-sale securities	22,711	5,023	△ 17,687
Deferred hedging gains and losses	△ 272	△ 761	△ 489
Land revaluation surplus	8,045	7,703	△ 341
Total amount on valuation and translation	30,484	11,965	△ 18,518
Non controlling interest	63	78	14
Total net assets	290,953	281,812	△ 9,140
Total liabilities and net assets	5,477,861	5,575,107	97,246

Consolidated Financial Statements

Consolidated statement of income

(Unit : thousand yen)

	April 1, 2018 through March 31, 2019	April 1, 2019 through March 31, 2020	Changes
Ordinary income	69,259,912	70,030,889	770,976
Fund management income	51,681,052	52,443,580	762,528
Interest on loans	32,997,315	32,920,566	△ 76,749
Interest on deposits	1,604,828	1,410,706	△ 194,122
Interest on bills purchased and call loans	12,955	7,404	△ 5,550
Interest and dividends on securities	12,208,009	13,061,141	853,131
Other interest income	4,857,944	5,043,762	185,818
Fees and commissions	6,376,349	6,497,080	120,731
Other operating income	6,021,067	7,199,492	1,178,425
Other ordinary income	5,181,443	3,890,735	△ 1,290,707
Gain on reversal of allowance for doubtful accounts	743,641	—	△ 743,641
Bad debt recovered	1,234,427	386,365	△ 848,061
Other ordinary income	3,203,374	3,504,370	300,995
Ordinary expenses	54,941,238	56,748,406	1,807,168
Financing expenses	7,596,047	7,765,097	169,050
Interest on deposits	5,826,127	5,953,020	126,892
Interest on Fixed savings deposits	4,692	3,634	△ 1,057
Interest on borrowings	12,660	15,140	2,479
Interest on bills sold and call money	1,014,398	827,824	△ 186,573
Interest paid in bond lending transactions	674,330	841,606	167,275
Other interest expenses	63,836	123,871	60,034
Fees and commissions	6,085,450	6,083,422	△ 2,028
Other operating expenses	5,768,213	5,813,057	44,843
Expenses	34,391,357	34,087,015	△ 304,342
Other ordinary expenses	1,100,168	2,999,814	1,899,645
Provision of allowance for doubtful debt accounts	—	514,024	514,024
Other ordinary expenses	1,100,168	2,485,789	1,385,620
Ordinary profit	14,318,674	13,282,482	△ 1,036,192
Extraordinary profit	164,861	1,099,585	934,723
Gain on disposal of fixed assets	164,861	1,099,585	934,723
Extraordinary loss	280,341	237,101	△ 43,239
Loss on disposal of fixed assets	280,341	191,463	△ 88,877
Impairment losses	—	45,638	45,638
Net income before taxes and other adjustments	14,203,194	14,144,965	△ 58,229
Corporate tax, inhabitant tax and business tax	3,197,073	4,046,844	849,771
Adjustment with corporate tax, etc.	879,852	△ 59,419	△ 939,272
Total corporate tax, etc.	4,076,926	3,987,425	△ 89,501
Net income	10,126,268	10,157,539	31,271
Profit attributable to non-controlling interests	△ 1,103	△ 2,517	△ 1,414
Profit attributable to owners of parent	10,127,372	10,160,057	32,685

Consolidated statement of retained earnings

(Unit : thousand yen)

	April 1, 2018 through March 31, 2019	April 1, 2019 through March 31, 2020	Changes
(Capital surplus)			
Capital surplus Balance at beginning of year	44,465	46,756	2,290
Increase in capital surplus	2,290	—	△ 2,290
Changes in equity for the acquisition of consolidated subsidiaries	2,290	—	△ 2,290
Capital surplus Balance at end of year	46,756	46,756	—
(Earned surplus)			
Earned surplus Balance at end of year	232,169,041	241,297,702	9,128,660
Increase in earned surplus	10,094,755	10,501,879	407,124
Profit attributable to owners of parent	10,127,372	10,160,057	32,685
Reversal of revaluation reserve for land	△ 32,616	341,821	374,438
Decrease in earned surplus	966,095	953,196	△ 12,898
Dividends	966,095	953,196	△ 12,898
Earned surplus at the end of the term	241,297,702	250,846,385	9,548,683

Segment information by business type

Some consolidated companies conduct credit guarantee business, etc., in addition to credit association business, but because the ratio of these business activities to all segments is minimal, segment information by business type is not included here.

Status of Loan Assets

Self-assessment and depreciation/allowance

The Bank has established standards in accordance with the financial inspections manual to ensure the health of assets. It has also rigorously implemented "self-assessment" in order to scrutinize its own assets individually, as well as "depreciation and allowance" in accordance with it.

In the self-assessment, the Bank assesses the repayment capacity of borrowers based on their financial condition, cash position and profitability. In accordance with the results of the assessment, they are classified into one of five groups consisting of "Normal entities," "Entities requiring caution," "Potentially bankrupt entities," "Entities bankrupt in substance" and "Bankrupt entities." Then, the Bank classifies each individual loan into one of four groups consisting of "Unclassified," "Classification II," "Classification III" and "Classification IV," based on the degree of the risk inherent in collection of the loan or based on the risk of damage to the value of the loan. The Bank has fully established regulations for depreciation and allowance. It processes based on the classification of borrowers and loans.

Self-assessment, disclosed loans, and coverage conditions (non-consolidated basis)

(Unit : 100 million yen)

	Self-assessment				Disclosure based on the Financial Reconstruction Law (loans and other claims)		Risk management loans (loans)		Coverage conditions		
	Unclassified	Classification II	Classification III	Classification IV*	Classification	Year ended March 2020	Classification	Year ended March 2020	Collectible amount by collateral, guarantees, etc.	Reserve of the Bank	Coverage ratio
Bankrupt entities	19	2	16	—	0	Bankrupt and quasi-bankrupt loans and claims	Loans to bankrupt entities	19	62	27	100.00%
Entities bankrupt in substance	70	6	37	—	27		Overdue loans	626			
Potentially bankrupt entities	556	245	229	81		Doubtful loans and claims		556	475	56	95.55%
Entities requiring caution	3,170	652	2,517			Substandard loans and claims		36	22	2	67.68%
						Subtotal		683			
Normal entities	23,551	23,551				Normal loans and claims		26,700	21,089	39	79.13%
Total						Total		27,383	21,650	125	79.52%

* Category IV assessment off balance due to amortization is 200 million yen.

* The value of "Disclosure based on the Financial Reconstruction Law" includes the value of privately placed bonds that the Bank guarantees.

In addition, "Coverage conditions" show ratios in proportion to the values shown under "Disclosure based on the Financial Reconstruction Law".

* Coverage ratio is rounded to the third decimal place.

Explanation of terms

	Self-assessment	Financial Reconstruction Law (loans and other claims)	Risk management loans (loans)
Disclosed loans	Bankrupt entities	Borrowers who are undergoing legal and formal bankruptcy proceedings	Loans to bankrupt entities
	Entities bankrupt in substance	Borrowers who are not undergoing legal and formal bankruptcy proceedings, but who are in serious financial difficulties and bankrupt in substance	"Bankrupt entities" in self-assessment
	Potentially bankrupt entities	Borrowers who are not bankrupt at present, but who are in financial difficulties, whose measures for management improvement are not progressing well, and who are recognized to be highly likely to become bankrupt in the future (including borrowers who are receiving support)	Overdue loans
	Entities requiring caution	Borrowers who require caution for the management of loans in the future because business is sluggish and unstable or they have problems in their financial conditions	i) Loans for which principal and interest payments are overdue for 3 months or more ii) Loans with eased lending conditions such as a reduction in interest or a moratorium on principal repayment, etc.
	Normal entities	Borrowers whose business conditions are good and who have no problems in their financial conditions	Loans overdue for 3 months or more Loans with eased lending conditions

Status of Loan Assets

Disclosure of loan assets

The Bank is obliged to disclose the “Disclosed claims based on the Financial Reconstruction Law” and “Risk management loans” based on the Shinkin Bank Act. The difference between the above-mentioned disclosed claims is that while “Disclosed claims based on the Financial Reconstruction Law” include claims other than loans and bills discounted, such as customers’ liabilities for acceptances and guarantees, “Risk management loans” include only loans and bills discounted.

The Bank has a total coverage ratio of 94.65% in combination with collateral, guarantees and reserves for disclosed claims based on the Financial Reconstruction Law (excluding normal loans and claims) and continues to maintain a sufficient level of reserves. The Bank believes that its mission is to contribute to the development of and support for the region, while securing sound management through establishing sufficient reserves.

Disclosed claims and reserve and coverage conditions under the Financial Reconstruction Law

(Disclosure criteria specified in Article 6 and Article 7 of the Law Concerning Emergency Measures for the Reconstruction of the Functions of the Financial System)

(Unit : 100 million yen)

Classification	Year ended March 2019	Year ended March 2020					
	Disclosure balance	Disclosure balance (A)	Ratio	Amount collectible by collateral, guarantee, etc. (B)	Reserve for possible loan loss (C)	Coverage ratio *1 ([B] + [C]) / (A)	Reserve rate *2 (C) / ([A] - [B])
Bankrupt and quasi-bankrupt loans and claims	86	89	0.33%	62	27	100.00%	100.00%
Doubtful loans and claims	565	556	2.03%	475	56	95.55%	69.47%
Substandard loans and claims	26	36	0.13%	22	2	67.68%	18.16%
Subtotal	678	683	2.49%	560	86	94.65%	70.19%
Normal loans and claims	26,018	26,700	97.51%	21,089	39	79.13%	0.70%
Total	26,697	27,383	100.00%	21,650	125	79.52%	2.19%

Reserve and coverage conditions of risk management loans

(Disclosure criteria specified in Article 89 of the Shinkin Bank Act)

The balance of risk management loans on a consolidated accounting basis for the year ended March 31, 2020 is the same as above.

(Unit : 100 million yen)

Classification	Year ended March 2019	Year ended March 2020					
	Disclosure balance	Disclosure balance (A)	Ratio*3	Amount collectible by collateral, guarantee, etc. (B)	Reserve for possible loan loss (C)	Coverage ratio *1 ([B] + [C]) / (A)	Reserve rate *2 (C) / ([A] - [B])
Loans to bankrupt entities	23	19	0.07%	19	0	100.00%	100.00%
Overdue loans	628	626	2.29%	518	83	96.05%	77.06%
Loans overdue for 3 months or more	—	—	0.00%	—	—	—	—
Loans with eased lending conditions	26	36	0.13%	22	2	67.68%	18.16%
Total risk management loans	678	682	2.50%	559	85	94.65%	70.12%

* 1. The coverage ratio indicates the coverage ratio of loans overall and is calculated using the following formula.

Coverage ratio = (estimated amounts collectible by collateral / guarantee, etc. + reserve for possible loan loss prepared for unrecoverable amounts) / claim amounts

* 2. The reserve rate indicates the reserve rate for unsecured balances.

* 3. The ratio of risk management loans shows the ratio of such loans against loans overall.

* 4. All rates within the table are rounded to the third decimal place.