

THE KYOTO CHUO SHINKIN BANK

ANNUAL REPORT 2021

Company profile of the Kyoto Chuo Shinkin Bank

Customers/
members

Number of
members: 233,679
Capital: 20.0 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 / Certificate
of Deposit: 5,623.0 billion yen

Loan balance: 3,255.0 billion yen

Net business profit: 12.2 billion yen

Ordinary profit: 13.0 billion yen

Net profit: 10.3 billion yen

Capital adequacy ratio: 10.82%

Number of employees: 2,531

Number of branches: 132

Loans

Support
services

Customers/
members

(Year ended March 2021)

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 2020 (Component ratio)	Year ended March 2021 (Component ratio)	Changes
Current deposits	91,866 (1.94%)	107,332 (2.12%)	15,465 (0.17%)
Ordinary deposits	2,053,715 (43.46%)	2,447,234 (48.34%)	393,518 (4.87%)
Savings deposits	53,131 (1.12%)	55,799 (1.10%)	2,668 (△0.02%)
Deposits at notice	45,091 (0.95%)	41,022 (0.81%)	△4,069 (△0.14%)
Time deposits	2,185,791 (46.25%)	2,116,308 (41.80%)	△69,482 (△4.45%)
Fixed savings deposits	38,821 (0.82%)	37,232 (0.73%)	△1,588 (△0.08%)
Other deposits	256,807 (5.43%)	97,393 (1.92%)	△159,413 (△3.51%)
Total deposit reserve	4,725,225 (100.00%)	4,902,323 (96.83%)	177,097 (△3.16%)
Certificate of deposit	— (0.00%)	160,000 (3.16%)	160,000 (3.16%)
Total	4,725,225 (100.00%)	5,062,323 (100.00%)	337,097 (—)

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

Deposit balances by depositor

(Unit : million yen)

	Year ended March 2020 (Component ratio)	Year ended March 2021 (Component ratio)	Changes
Individual customers	3,317,058 (70.19%)	3,488,591 (68.91%)	171,533 (△1.28%)
Corporate customers	1,037,554 (21.95%)	1,129,755 (22.31%)	92,201 (0.35%)
Public institutions	69,612 (1.47%)	144,769 (2.85%)	75,156 (1.38%)
Financial institutions	301,000 (6.37%)	139,207 (2.74%)	△161,793 (△3.62%)
Total deposit reserve	4,725,225 (100.00%)	4,902,323 (96.83%)	177,097 (△3.16%)
Certificate of deposit	— (0.00%)	160,000 (3.16%)	160,000 (3.16%)
Total	4,725,225 (100.00%)	5,062,323 (100.00%)	337,097 (—)

Loan balances by account type

(Unit : million yen)

	Year ended March 2020	Year ended March 2021	Changes
Bills discounted	7,056	4,310	△2,746
Loans on bills	78,939	74,153	△4,785
Loans on deeds	2,554,540	2,866,837	312,296
Overdrafts	92,353	80,283	△12,070
Total	2,732,890	3,025,584	292,694

(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 2020			Year ended March 2021		
	Number of borrowers	Loan balance	Component ratio	Number of borrowers	Loan balance	Component ratio
Manufacturing	2,536	126,237	4.61%	2,695	157,327	5.19%
Agriculture, forestry	47	845	0.03%	60	1,252	0.04%
Fishing	—	—	—	—	—	—
Mining, quarrying, sand and gravel gathering	9	1,508	0.05%	8	1,599	0.05%
Construction	3,574	111,978	4.09%	4,161	168,300	5.56%
Electricity, gas, heat supply, water	35	840	0.03%	36	1,045	0.03%
Telecommunications	211	5,292	0.19%	250	8,312	0.27%
Transportation, postal industry	375	29,039	1.06%	443	41,843	1.38%
Wholesale business	1,413	79,121	2.89%	1,489	98,032	3.24%
Retail business	1,614	53,061	1.94%	1,819	69,900	2.31%
Finance, insurance	68	121,024	4.42%	75	137,465	4.54%
Real estate	5,695	589,896	21.58%	6,062	645,944	21.34%
Rental industry	41	2,868	0.10%	53	2,931	0.09%
Scientific research, specialist/technical services	444	8,760	0.32%	569	13,919	0.46%
Accommodation industry	144	16,536	0.60%	200	20,750	0.68%
Restaurant industry	1,252	25,907	0.94%	1,735	45,643	1.50%
Lifestyle-related service industries, entertainment industry	516	44,523	1.62%	733	50,605	1.67%
Education, study support industry	137	13,307	0.48%	177	15,715	0.51%
Medicine, welfare	863	56,394	2.06%	1,026	71,275	2.35%
Other services	1,397	55,556	2.03%	1,586	71,893	2.37%
Subtotal	20,371	1,342,703	49.13%	23,177	1,623,759	53.66%
Local public entities	27	167,022	6.11%	26	167,198	5.52%
Individual (housing, consumption, tax payment funds, etc.)	133,201	1,223,164	44.75%	124,602	1,234,626	40.80%
Total	153,599	2,732,890	100.00%	147,805	3,025,584	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 2020	Year ended March 2021	Changes
Japanese government bonds	266,783	346,763	79,979
Local government bonds	415,628	417,445	1,816
Corporate bonds	526,546	516,490	△10,056
Stocks	47,645	44,491	△3,154
Foreign securities	226,388	221,272	△5,116
Other securities	89,961	98,463	8,501
Total	1,572,955	1,644,927	71,971

Other Indicators

Foreign exchange transaction handling performance

(Unit : million US\$)

	Year ended March 2020	Year ended March 2021	Changes
Export exchange	93	72	△21
Import exchange	185	162	△23
Total	278	234	△44

Foreign currency denominated assets balance

(Unit : million US\$)

	Year ended March 2020	Year ended March 2021	Changes
Balance of foreign currency denominated assets	1,238	1,259	21

About the Capital-to-Asset Ratio

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

(Unit : million yen)

Item		Year ended March 2020	Year ended March 2021	Changes
Fundamental items related to core capital (A)	Member accounts related to ordinary investment	268,636	278,241	9,604
	(Investments and Capital surplus)	20,337	20,126	△ 211
	(Earned surplus)	250,846	260,301	9,455
	(Predicted outflow (－))	1,132	745	△ 387
	(Other)	△ 1,415	△ 1,441	△ 26
	General allowance for doubtful accounts	4,919	6,004	1,085
	Fundamental items related to core capital among the 45% general amount of difference in reevaluation of land	2,236	1,652	△ 584
	Fundamental items related to core capital among non controlling interest	31	22	△ 8
	(A)	275,823	285,920	10,096
Adjusted items related to core capital (B)	Intangible fixed assets	2,257	2,832	575
		(B)	2,257	2,832
Owned capital (C)	(A) – (B)	273,565	283,087	9,521
Risk assets, etc. (D)	Trust risk assets	2,363,553	2,457,690	94,136
	Amount derived by dividing the total amount equivalent to operational risk by 8%	83,376	83,609	232
		(D)	2,446,930	2,541,299
Consolidated capital-to-asset ratio	$\frac{(C)}{(D)}$	11.17%	11.13%	△ 0.04%

(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, 2020	As of March 31, 2021	Changes
Cash and due from banks	1,171,345	1,445,215	273,870
Bills purchased and call loans	471	—	△ 471
Monetary claims purchased	3,065	3,000	△ 65
Trust funds	9,885	9,903	17
Trading securities	1,274	1,129	△ 144
Investment securities	1,572,383	1,695,373	122,989
Loans	2,731,877	3,023,162	291,284
Foreign exchange	640	34,511	33,870
Other assets	31,396	31,972	576
Tangible fixed assets	54,348	54,417	69
Buildings	6,464	6,655	190
Land	43,976	43,574	△ 401
Construction work in progress	155	662	507
Other tangible fixed assets	3,752	3,525	△ 227
Intangible fixed assets	3,137	3,932	795
Software	1,822	1,594	△ 227
Other intangible fixed assets	1,314	2,338	1,023
Deferred tax assets	8,029	705	△ 7,324
Customers' liabilities for acceptances and guarantees	2,925	2,653	△ 272
Reserve for possible loan loss	△ 15,605	△ 16,173	△ 568
Reserve for investment loss	△ 68	△ 71	△ 2
Total assets	5,575,107	6,289,733	714,625

(Liabilities)	As of March 31, 2020	As of March 31, 2021	Changes
Deposits	4,703,874	4,894,296	190,422
Certificate of deposit	—	145,000	145,000
Borrowings	387,082	554,100	167,017
Bills sold and call money	39,665	33,821	△ 5,843
Bond lending transaction collateral received	117,341	307,357	190,016
Foreign exchange	17	110	93
Other liabilities	24,958	23,738	△ 1,220
Reserve for bonuses	10	10	0
Retirement benefit liability	11,205	11,393	187
Reserve for retirement bonuses for directors	791	553	△ 237
Reserve for reimbursement of deposits	340	365	25
Reserve for contingent losses	290	283	△ 7
Reserve for reward payments of deposits	71	47	△ 23
Deferred tax liability	—	721	721
Deferred tax liabilities as for land revaluation	4,721	4,670	△ 50
Acceptances and guarantees	2,925	2,653	△ 272
Total liabilities	5,293,294	5,979,125	685,830
(Net assets)			
Investments	20,290	20,079	△ 211
Capital surplus	46	46	—
Earned surplus	250,846	260,301	9,455
Unsettled equity	△ 1,415	△ 1,441	△ 26
Total members' equity	269,769	278,986	9,217
Net unrealized gains on available-for-sale securities	5,023	23,685	18,662
Deferred hedging gains and losses	△ 761	293	1,055
Land revaluation surplus	7,703	7,566	△ 136
Total amount on valuation and translation	11,965	31,546	19,580
Non controlling interest	78	75	△ 3
Total net assets	281,812	310,607	28,795
Total liabilities and net assets	5,575,107	6,289,733	714,625

Consolidated Financial Statements

Consolidated statement of income

(Unit : thousand yen)

	April 1, 2019 through March 31, 2020	April 1, 2020 through March 31, 2021	Changes
Ordinary income	70,030,889	64,252,939	△ 5,777,949
Fund management income	52,443,580	48,572,066	△ 3,871,513
Interest on loans	32,920,566	33,514,686	594,120
Interest on deposits	1,410,706	1,352,347	△ 58,358
Interest on bills purchased and call loans	7,404	1,584	△ 5,820
Interest and dividends on securities	13,061,141	12,054,100	△ 1,007,040
Other interest income	5,043,762	1,649,347	△ 3,394,415
Fees and commissions	6,497,080	6,496,956	△ 123
Other operating income	7,199,492	5,538,652	△ 1,660,839
Other ordinary income	3,890,735	3,645,263	△ 245,472
Bad debt recovered	386,365	579,673	193,307
Other ordinary income	3,504,370	3,065,589	△ 438,780
Ordinary expenses	56,748,406	50,348,529	△ 6,399,876
Financing expenses	7,765,097	2,637,397	△ 5,127,700
Interest on deposits	5,953,020	2,061,018	△ 3,892,001
Interest on Fixed savings deposits	3,634	2,816	△ 818
Certificate of deposit interest	—	5,243	5,243
Interest on borrowings	15,140	85,113	69,972
Interest on bills sold and call money	827,824	84,596	△ 743,228
Interest paid in bond lending transactions	841,606	251,899	△ 589,706
Other interest expenses	123,871	146,709	22,838
Fees and commissions	6,083,422	6,112,253	28,831
Other operating expenses	5,813,057	4,957,471	△ 855,585
Expenses	34,087,015	33,126,456	△ 960,558
Other ordinary expenses	2,999,814	3,514,951	515,136
Provision of allowance for doubtful debt accounts	514,024	1,526,157	1,012,132
Other ordinary expenses	2,485,789	1,988,793	△ 496,996
Ordinary profit	13,282,482	13,904,409	621,927
Extraordinary profit	1,099,585	745,388	△ 354,196
Gain on disposal of fixed assets	1,099,585	745,388	△ 354,196
Extraordinary loss	237,101	111,661	△ 125,440
Loss on disposal of fixed assets	191,463	111,661	△ 79,801
Impairment losses	45,638	—	△ 45,638
Net income before taxes and other adjustments	14,144,965	14,538,136	393,171
Corporate tax, inhabitant tax and business tax	4,046,844	3,620,267	△ 426,577
Adjustment with corporate tax, etc.	△ 59,419	467,617	527,037
Total corporate tax, etc.	3,987,425	4,087,885	100,459
Net income	10,157,539	10,450,251	292,711
Profit attributable to non-controlling interests	△ 2,517	△ 3,010	△ 492
Profit attributable to owners of parent	10,160,057	10,453,261	293,204

Consolidated statement of retained earnings

(Unit : thousand yen)

	April 1, 2019 through March 31, 2020	April 1, 2020 through March 31, 2021	Changes
(Capital surplus)			
Capital surplus Balance at beginning of year	46,756	46,756	—
Increase in capital surplus	—	—	—
Changes in equity for the acquisition of consolidated subsidiaries	—	—	—
Capital surplus Balance at end of year	46,756	46,756	—
(Earned surplus)			
Earned surplus Balance at end of year	241,297,702	250,846,385	9,548,683
Increase in earned surplus	10,501,879	10,588,185	86,306
Profit attributable to owners of parent	10,160,057	10,453,261	293,204
Reversal of revaluation reserve for land	341,821	134,924	△ 206,897
Decrease in earned surplus	953,196	1,132,706	179,510
Dividends	953,196	1,132,706	179,510
Earned surplus at the end of the term	250,846,385	260,301,864	9,455,479

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

For ensuring the health of assets, the Bank has 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 2021	Classification	Year ended March 2021	Collectible amount by collateral, guarantees, etc.	Reserve of the Bank	Coverage ratio
Bankrupt entities	13	2	11	—	Bankrupt and quasi-bankrupt loans and claims	75	Loans to bankrupt entities	13	49	26	100.00%
Entities bankrupt in substance	61	3	31	—			26	Overdue loans			
Potentially bankrupt entities	583	275	228	79	Doubtful loans and claims	583	Loans overdue for 3 months or more	—	504	58	96.44%
Entities requiring caution	4,058	1,146	2,912		Substandard loans and claims	12	Loans with eased lending conditions	12	8	0	73.04%
					Subtotal	671	Subtotal	670	562	85	96.39%
Normal entities	25,577	25,577			Normal loans and claims	29,640			23,787	52	80.43%
Total			30,294		Total	30,311			24,349	137	80.79%

* Category IV assessment off balance due to amortization is 800 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	Loans overdue for 3 months or more
	Normal entities	Borrowers whose business conditions are good and who have no problems in their financial conditions	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 96.39% 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 2020	Year ended March 2021					
	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	89	75	0.25%	49	26	100.00%	100.00%
Doubtful loans and claims	556	583	1.92%	504	58	96.44%	73.72%
Substandard loans and claims	36	12	0.04%	8	0	73.04%	18.82%
Subtotal	683	671	2.22%	562	85	96.39%	77.82%
Normal loans and claims	26,700	29,640	97.78%	23,787	52	80.43%	0.90%
Total	27,383	30,311	100.00%	24,349	137	80.79%	2.31%

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, 2021 is the same as above.

(Unit : 100 million yen)

Classification	Year ended March 2020	Year ended March 2021					
	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	19	13	0.05%	13	—	100.00%	100.00%
Overdue loans	626	644	2.13%	539	84	96.78%	80.23%
Loans overdue for 3 months or more	—	—	0.00%	—	—	—	—
Loans with eased lending conditions	36	12	0.04%	8	0	73.04%	18.82%
Total risk management loans	682	670	2.22%	561	85	96.39%	77.82%

* 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.