

Annual Report 2021

The Yokohama Shinkin Bank



Year Ended
March 31, 2021



The Yokohama Shinkin Bank

About Us

Established in 1923, the Yokohama Shinkin Bank is a regional cooperative financial institution that converted to a shinkin bank in 1951 when the Shinkin Bank Act was enacted.

With its base in Yokohama, an international trading port with a long tradition, Yokohama Shinkin Bank is playing an important role as a financial institution that supports a sustainable local community and regional economy.

Our mission is to provide high quality financial services to small and medium-sized businesses and individual customers in the region.



A handwritten signature in black ink that reads "Shigeru Omae".

Shigeru Omae
President

Basic Policy

- 1** We will always be aware of our social responsibility and public mission and strive to establish trust through sound business operations.
- 2** We will contribute to the development of the local community through our daily work.
- 3** We will always be grateful to our customers and members and build a truly community friendly Bank.
- 4** We will strive to comply with laws, regulations and rules, and to conduct our business operations with integrity and fairness in a manner that does not violate social norms.
- 5** We will create a mutually compatible, rewarding and positive workplace.

Our Logo

The three circles that surround the “Y” of Yokohama Shinkin Bank represent “local community,” “customers and members,” and “officers and employees and their families.” Our logo represents the hope that we will be mutually compatible and united by strong ties to move forward without limit as a regional financial institution.



General Situation of the Bank

Overview of the Bank

As of March 31, 2021

Date of Establishment: July 19, 1923
Share Capital (Paid-in Capital): ¥1,772 million
Deposits: ¥2,012,135 million
Loans and Bills Discounted: ¥1,137,854 million
Number of Employees and Officers: 1,282
Head Office:
 2-16-1, Onoe-cho, Naka-ku, Yokohama 231-8466, Japan
Telephone: 045-651-1451

Number of Branches: 61
Sales Areas - Kanagawa Prefecture:
 Yokohama-shi, Kawasaki-shi, Yokosuka-shi, Kamakura-shi, Fujisawa-shi, Chigasaki-shi, Zushi-shi, Miura-shi, Sagami-hara-shi, Atsugi-shi, Yamato-shi, Ebina-shi, Zama-shi, Ayase-shi, Miura-gun, Koza-gun, Aiko-gun Aikawamachi
 Tokyo: Ota-ku, Machida-shi

Main Business Activities

Deposit business	Deposits	Current deposits, ordinary deposits, savings deposits deposits at notice, time deposits, installment savings separate deposits, tax reserve deposits foreign currency deposits, etc.
	Negotiable certificates of deposit	Transferable deposits
Lending business	Loans	Loans on bills, loans on deeds, loans on electronically recorded monetary claims, overdrafts
	Discounts on bills and electronically recorded monetary claims	Banker's acceptances, commercial notes documentary bills, discounts on electronically recorded monetary claims
Securities trading business	Trading in public bonds such as Japanese Government Bonds	
Securities investment business	Investment in Japanese Government Bonds, local government bonds, corporate bonds, stocks and other securities for preparation for deposit payment and fund management	
Domestic exchange business	Money orders, transfers, bill collection, etc.	
Foreign exchange business	Export, import, and foreign remittances and other foreign exchange-related business	
Fiduciary business for public bonds and corporate bonds	Public bond offerings, management and fiduciary business for corporate bonds (privately-placed bonds)	
Ancillary business	Agency business	(i) Revenue agent services for the Bank of Japan and agency business for Japanese Government Bonds (ii) Handling public funds for local public organizations (iii) Agency services for trusts, etc. (iv) Accepting agency for payments for stock and stock dividends and payment agency for public bond principal and interest (v) Agency lending on behalf of Japan Finance Corporation, Japan Housing Finance Agency, etc.
	Safe deposit box business	
	Securities lending	
	Obligation guarantees	
	Gold dealing	
	Public bond underwriting	
	Over-the-counter sales of public bonds such as Japanese Government Bonds and investment trusts	
	Over-the-counter sales of insurance products (insurance solicitation conducted pursuant to Article 275, paragraph (1) of the Insurance Business Act)	
	Services in accordance with the Defined Contribution Pension Act	
	Business related to electronically recorded monetary claims	

Board of Directors and Auditor

As of June 30, 2021

President	Shigeru Omae (*)	Director	Kenji Naito
Senior Managing Director	Katsumi Kawamoto	Director	Masaki Tomizawa
Managing Director	Kuniyasu Nakajima	Director	Atsushi Noda
Managing Director	Kunio Ohchi	Director	Yukio Toyoshima
Managing Director	Toshiki Nakamura	Director	Atsushi Miyashita
Director	Hiroshi Zama	Corporate Auditor	Hiroyuki Mukoyama
Director	Takashi Kasuga		

The director of the Bank marked with an asterisk (*) is a non-employee director in accordance with the shinkin banks' "Industry Agreement on Measures to Improve the Functioning of General Meetings."

Compliance Initiatives

As a financial institution trusted by our customers, we strictly comply with laws, regulations and rules, and always conduct our business with integrity and fairness, never violating social norms.

The Bank has established a “Basic Policy” and “Code of Conduct” to guide officers and employees. The Bank has also established a “Compliance Basic Policy” and “Compliance Rules” to foster a compliance mindset. In addition, the Bank establishes and maintains various regulations that must be followed in accordance with the “Compliance Program,” which is formulated each year, and conducts training for employees to ensure that they are well understood.

Efforts to Cut Off Relations With Anti-Social Forces

The Bank has established the “Basic Policy on the Handling of Anti-social Forces” and the “Rules for Handling Anti-social Forces,” and has been further strengthening efforts to cut off relations with anti-social forces. We ask our customers for their cooperation in signing and sealing the “Attestation on not being an Anti-social Force.”

Efforts to Prevent Money Laundering and Financing of Terrorism

The Bank has positioned the prevention of money laundering and financing of terrorism as one of the most important issues, established the “Basic Policy on the Prevention of Money Laundering and Financing of Terrorism,” and with the proactive involvement of the management team, implemented effective mitigation measures in accordance with the risks.

Compliance Basic Policy

In order to achieve the principles of the Bank’s Basic Policy and Code of Conduct, we have established the following basic policies related to compliance.

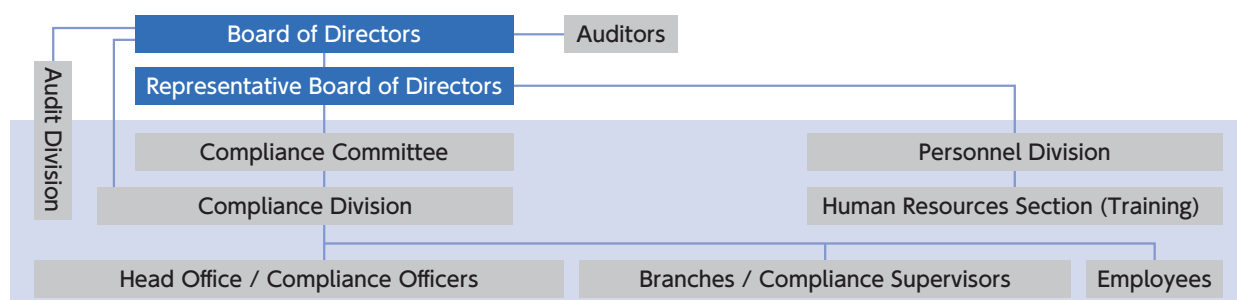
1. We will always be aware of our social mission and public nature as a regional financial institution, position the establishment of a compliance framework as one of the most important management issues, and strive to maintain and improve our organizational structure.
2. We will strictly comply with all laws, regulations and rules, and strive to establish and improve rules and regulations to ensure that our business operations are always conducted with integrity and fairness in a manner that does not violate social norms.
3. We will cut off any relationships with anti-social forces that threaten social order and safety, and actively work to establish a framework to eliminate illegal activities.
4. We will work on enhancing our countermeasures against money laundering and terrorism financing.
5. We will work to develop and improve our training and other systems, including our whistleblower system and monitoring system, to foster compliance awareness.

Basic Policy on the Prevention of Money Laundering and Financing of Terrorism

We have established the following basic policies in order to enhance the prevention of money laundering and financing of terrorism in the face of the threats posed by terrorism and other threats to the international community.

1. We will position the prevention of money laundering and financing of terrorism as one of the most important issues for management, and develop and enhance the Bank’s organizational structure with the proactive involvement of the management team.
2. We will identify and assess the risks the Bank faces in a timely and appropriate manner, taking into account factors such as our business environment and management strategies, and implement effective mitigation measures in accordance with the risks.
3. In accordance with the Act on Prevention of Transfer of Criminal Proceeds, we will properly confirm the identity of our customers and customer management information and implement continuous customer management.
4. In accordance with the Act on Prevention of Transfer of Criminal Proceeds, we will promptly notify the authorities of any transactions we deem to be suspicious and maintain a framework for this in the Bank.
5. We will raise awareness of the prevention of money laundering and financing of terrorism by providing appropriate and ongoing education bank-wide while retaining and cultivating staff with expertise and role suitability.
6. We will regularly conduct internal audits on the status of prevention of money laundering and financing of terrorism and strive to further improve our framework based on the results of these audits.

Compliance Framework



Risk Management Framework

Risk Management Framework

Risk management is the foundation of a financial institution's ability to conduct its business in a sound manner. We recognize risk management as an important management issue in the Bank and are continuously working to strengthen and enhance our management system.

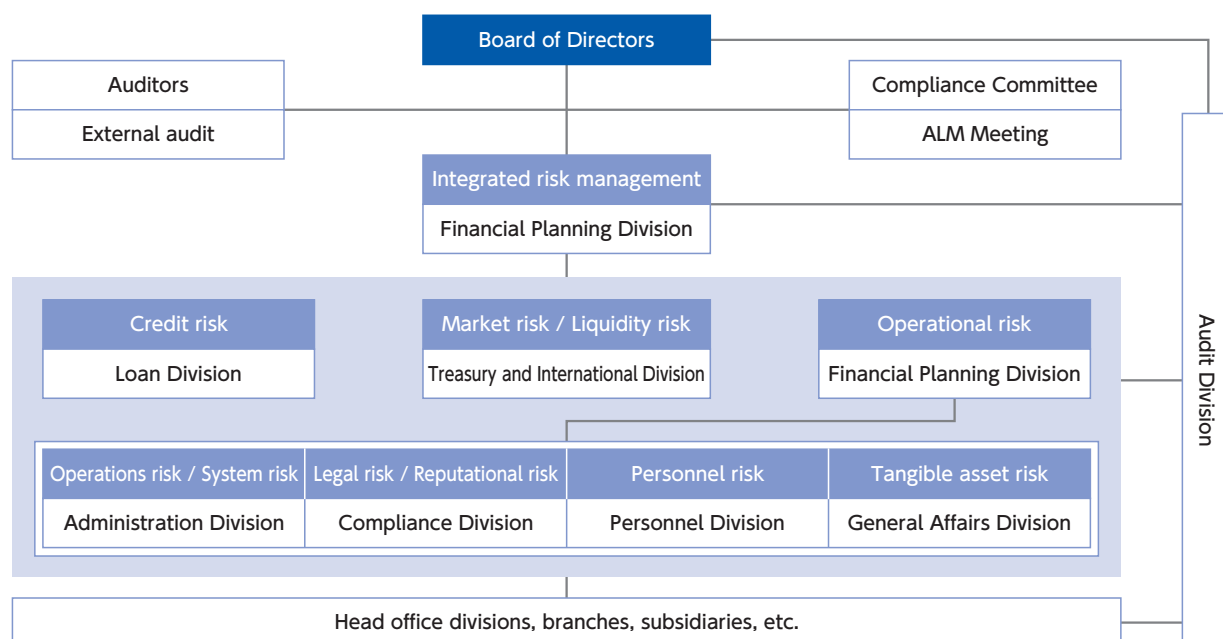
Currently, the Financial Planning Division is at the center of the Bank's efforts to establish a system to control and centrally manage various risks (credit risk, market risk, liquidity risk, operational risk, etc.). Together with quantifying and understanding these risks within a common framework to the greatest extent possible, we are implementing integrated risk management and manage risks in relation to our management strength such as capital.

The allocation of risk capital is a fundamental management process at the Bank. Specifically, risk capital is allocated to the four main categories of credit risk, market risk, interest rate risk, and operational risk, with the amount of risk capital allocated to each category being managed so that the amount of risk does not exceed the amount of risk capital allocated. Each risk amount is continuously monitored at monthly ALM Meetings, the total amount and allocation of risk capital is reviewed annually and, furthermore, the metrics are reviewed and verified in an effort to ensure the effectiveness and enhancement of risk management.

Risks to Be Managed

Credit risk	Risk of loss due to factors such as the deterioration of the financial condition of the recipient of credit (lending), which could reduce or eliminate the value of the Bank's assets.
Market risk	Risk of loss due to fluctuations in the value of assets held by the Bank as a result of changes in various market risk factors such as interest rates, prices of securities, and exchange rates.
Liquidity risk	Risk of incurring a loss due to an unexpected outflow of funds leading to financial difficulty, or being forced to borrow funds at a significantly higher-than-normal interest rate (funding risk). The risk of incurring a loss due to not being able to trade on the market or being forced to trade at a significantly less favorable price due to factors such as market confusion (market liquidity risk).
Operational risk	Risk of loss due to inappropriate processes in a financial institution's operations, the activities of its officers and employees or systems, and exogenous events.
Operations risk	Risk of loss due to negligence on the part of an officer or employee to perform duties correctly or to cause an accident or fraud.
System risk	Risk of suffering losses due to system failures, such as computer system downtime or malfunction, and further risk of suffering losses due to unauthorized use of computers.
Legal risk	Violation of laws, regulations, internal rules, etc., or the threat of such violations may result in a loss of confidence in the Bank and the risk of loss or damage to the Bank.
Reputational risk	Risk of loss or damage from loss of credibility due to damage to reputation or the spread of rumors.
Personnel risk	Risk of loss or damage from discrimination or injustice (compensation, benefits, termination, etc.) in the management of human resources and sexual harassment, etc.
Tangible asset risk	Risk of loss due to damage to tangible assets or deterioration in the quality of the work environment etc., as a result of factors such as disasters and defective asset management.

Risk Management System Organization Chart



Financial Statements (Non-Consolidated)

Balance Sheets

Millions of yen

Accounts	The 69th period (as of March 31, 2020)	The 70th period (as of March 31, 2021)	Thousands of U.S. dollars
ASSETS:			
Cash	16,305	16,670	150,580
Due from Banks	381,900	611,660	5,524,892
Monetary Claims Purchased	55	32	296
Money Held in Trust	8,624	6,646	60,034
Trading Account Securities	281	352	3,182
Trading Account Local Government Bonds	281	352	3,182
Securities	488,597	491,974	4,443,816
Japanese Government Bonds	55,622	65,363	590,400
Local Government Bonds	117,073	111,921	1,010,940
Corporate Bonds	245,169	230,504	2,082,060
Stocks	9,719	11,966	108,088
Other Securities	61,012	72,219	652,327
Loans and Bills Discounted	1,033,052	1,137,854	10,277,797
Bills Discounted	12,289	8,211	74,169
Loans on Bills	41,030	33,113	299,100
Loans on Deeds	950,004	1,069,093	9,656,705
Overdrafts	29,729	27,436	247,824
Foreign Exchange	2,211	2,440	22,043
Due from Foreign Banks	807	688	6,218
Foreign Bills of Exchange Bought	734	830	7,501
Foreign Bills of Exchange Receivable	669	921	8,323
Other Assets	10,811	10,376	93,727
Domestic Exchange Settlement Account, Debit	416	471	4,261
Investment in the Shinkin Central Bank	7,606	7,606	68,706
Accrued Income	1,429	1,324	11,963
Derivative Financial Instruments	25	5	48
Other	1,333	968	8,749
Tangible Fixed Assets	22,447	21,947	198,244
Building	8,969	8,741	78,956
Land	12,308	12,122	109,494
Lease Assets	193	199	1,805
Other Tangible Fixed Assets	975	884	7,987
Intangible Fixed Assets	1,725	952	8,601
Software	1,493	721	6,519
Other Intangible Fixed Assets	232	230	2,082
Deferred Tax Assets	2,051	628	5,680
Customers Liabilities for Acceptances and Guarantees	1,427	2,114	19,104
Reserve for Possible Loan Losses	△ 4,296	△ 3,980	△ 35,953
(Individual Reserve for Possible Loan Losses)	(△ 3,431)	(△ 2,720)	(△ 24,569)
Total Assets	1,965,195	2,299,672	20,772,040

Accounts	The 69th period (as of March 31, 2020)	The 70th period (as of March 31, 2021)	Thousands of U.S. dollars
LIABILITIES:			
Deposits	1,838,404	2,012,135	18,174,833
Current Deposits	71,828	80,436	726,552
Ordinary Deposits	943,972	1,132,820	10,232,319
Savings Deposits	17,511	18,561	167,658
Deposits at Notice	8,371	10,258	92,664
Time Deposits	742,214	717,554	6,481,388
Installment Savings	34,832	33,839	305,659
Other Deposits	19,672	18,664	168,593
Borrowed money	—	152,900	1,381,086
Borrowings from other banks	—	152,900	1,381,086
Call Money	9,524	11,113	100,384
Other Liabilities	5,304	4,624	41,772
Domestic Exchange Settlement Account, Credit	845	779	7,041
Accrued Expenses	984	952	8,608
Reserve for Replenishing Benefits	8	6	63
Income Taxes Payable	618	529	4,785
Unearned Income	444	613	5,539
Unsettled Drawback	25	24	225
Deposits from Employees	727	750	6,779
Derivative Financial Instruments	165	105	953
Lease Obligations	193	199	1,805
Asset Retirement Obligations	322	485	4,389
Other	968	175	1,583
Reserve for Employee Bonuses	1,005	1,002	9,053
Reserve for Executive Bonuses	10	30	271
Reserve for Employee Retirement Benefit	10,277	10,587	95,632
Reserve for Executive Retirement Allowances	250	289	2,613
Reserve for Reimbursement of Deposits	77	68	619
Reserve for Contingencies	788	766	6,927
Deferred Tax Liabilities for Land Revaluation	1,105	1,105	9,982
Acceptances and Guarantees	1,427	2,114	19,104
Total Liabilities	1,868,174	2,196,738	19,842,276
NET ASSETS:			
Share Capital	1,797	1,772	16,006
Common Shares	1,797	1,772	16,006
Retained Earnings	91,032	93,539	844,910
Legal Retained Earnings	2,282	2,282	20,615
(Excess Reserve for Legal Retained Earnings)	(485)	(510)	(4,609)
Other Retained Earnings	88,750	91,257	824,294
Special Reserve	85,907	87,679	791,975
(Reserve for Reduction Entry of Fixed Assets)	(186)	(186)	(1,689)
Balance at End of the Year	2,842	3,578	32,320
Disposal of Outstanding Equities	△ 56	△ 63	△ 572
Total Members' Equity	92,773	95,248	860,344
Unrealized Gains on Other Securities	5,437	8,875	80,172
Land Revaluation Excess	△ 1,190	△ 1,190	△ 10,752
Total Valuation and Translation Adjustments	4,247	7,685	69,420
Total Net Assets	97,020	102,934	929,764
Total Liabilities and Net Assets	1,965,195	2,299,672	20,772,040

Derivative Financial Instruments

We record a valuation gain or loss resulting from the deemed settlement of a derivative transaction. A valuation gain is recorded on an asset account, while a valuation loss is recorded on a liability account.

Deferred Tax Assets

When there is a temporary difference between financial and tax accounting as a result of the application of tax effect accounting, the deferred tax asset is the tax equivalent amount that has the effect of reducing taxable income when the difference is eliminated in the future.

Deferred Tax Liabilities for Land Revaluation

If the land is revalued in accordance with the Act on Revaluation of Land, and the book value after the revaluation exceeds the book value before the revaluation, the difference is multiplied by the effective statutory tax rate.

Statements of Income

Thousands of yen

Accounts	The 69th period (from April 1, 2019 to March 31, 2020)	The 70th period (from April 1, 2020 to March 31, 2021)	Thousands of U.S. dollars
Ordinary Income	25,550,533	26,441,805	238,838
Interest Income	21,184,335	22,098,327	199,606
Interest on Loans and Bills Discounted	16,550,065	17,538,368	158,417
Interest on Deposits with Banks	495,009	527,180	4,762
Interest on Securities	3,880,893	3,788,891	34,224
Other Interest Income	258,366	243,887	2,203
Fees and Commissions	3,874,365	3,472,336	31,364
Fees and Commissions on Domestic and Foreign Exchanges	2,099,422	2,038,465	18,413
Other Fees and Commissions	1,774,942	1,433,870	12,952
Other Operating Income	340,237	273,414	2,470
Gain on Foreign Exchange Transactions	65,921	89,319	807
Gain on Sales of Bonds	93,836	23,717	214
Income from Derivatives Other Than for Trading or Hedging	355	4,925	44
Other	180,124	155,451	1,404
Other Income	151,595	597,726	5,399
Income from Recovery of Bad Debts	3,912	3,678	33
Gain on Sales of Stocks and Other Securities	35,513	321,724	2,906
Gain on Money Held in Trust	25,673	248,453	2,244
Other	86,495	23,870	216
Ordinary Expenses	23,314,240	23,140,169	209,016
Interest Expenses	651,699	464,663	4,197
Interest on Deposits	456,714	413,324	3,733
Provision for Compensation Reserve	4,989	4,244	38
Interest on Call Money	185,066	41,896	378
Other Interest Expenses	4,929	5,198	47
Fees and Commissions	1,735,061	1,728,296	15,611
Fees and Commissions on Domestic and Foreign Exchanges	552,178	525,487	4,747
Other Fees and Commissions	1,182,882	1,202,808	10,864

Accounts	The 69th period (from April 1, 2019 to March 31, 2020)	The 70th period (from April 1, 2020 to March 31, 2021)	Thousands of U.S. dollars
Other Operating Expenses	82,889	277,200	2,504
Loss on Trading Account Securities Transactions	1,783	193	2
Loss on Sales of Bonds	76,430	130,561	1,179
Loss on Redemption of Bonds	—	141,696	1,280
Other	4,676	4,748	43
General and Administrative Expenses	19,860,526	19,311,379	174,432
Personnel Expenses	11,704,641	11,595,765	104,740
Non-personnel Expenses	7,722,191	7,275,418	65,716
Taxes	433,693	440,195	3,976
Other Expenses	984,062	1,358,629	12,272
Provision of Allowance for Loan Losses	230,794	631,246	5,702
Written-off of Loans	12	1	0
Loss on Sales of Stocks and Other Securities	32,806	147,410	1,332
Loss on Devaluation of Stocks and Other Securities	81,130	—	—
Loss on Money Held in Trust	90,270	75,023	678
Other	549,048	504,947	4,561
Ordinary Income	2,236,293	3,301,635	29,822
Extraordinary Income	9	125,677	1,135
Gain on Disposal of Non-current Assets	9	125,677	1,135
Extraordinary Losses	52,880	97,082	877
Loss on Disposal of Non-current Assets	1,494	77,530	700
Impairment Loss	13,386	18,741	169
Other	38,000	810	7
Income Before Income Taxes	2,183,421	3,330,230	30,081
Income Taxes - Current	756,633	693,068	6,260
Income Taxes - Deferred	△ 388,106	94,998	858
Total Income Taxes	368,526	788,067	7,118
Net Income	1,814,894	2,542,162	22,962
Balance carried forward (Balance at the beginning of the period)	1,037,378	1,035,971	9,358
Transfer from Land Revaluation Excess	△ 9,286	—	—
Balance at End of the Year	2,842,986	3,578,134	32,320

Unappropriated Retained Earnings

Thousands of yen

Accounts	The 69th period (from April 1, 2019 to March 31, 2020)	The 70th period (from April 1, 2020 to March 31, 2021)	Thousands of U.S. dollars
Balance at End of the Year	2,842,986	3,578,134	32,320
Total	2,842,986	3,578,134	32,320
Total Appropriations	1,807,015	2,542,463	22,965
Dividends	(2%/per annual) 35,015	(2%/per annual) 34,463	(2%/per annual) 311
Special Reserve	1,772,000	2,508,000	22,654
Balance carried forward (Balance at the end of the period)	1,035,971	1,035,670	9,355

Audit by Accounting Auditor

The balance sheets, statements of income, and statements of retained earnings for the fiscal years ended March 31, 2020 and 2021 have been audited by KPMG AZSA LLC in accordance with Article 38-2, paragraph (3) of the Shinkin Bank Act.

We have verified the appropriateness of the balance sheet, statement of income, and statement of retained earnings (hereinafter the “financial statements”) for the fiscal year ended March 31, 2021 and the effectiveness of internal audits related to the preparation of the financial statements.

June 23, 2021

The Yokohama Shinkin Bank



Shigeru Omae
President

Directory

Treasury and International Division

2-16-1, Onoe-cho, Naka-ku, Yokohama 231-8466, Japan

Telephone: 045-680-6927

Facsimile: 045-651-5282

Swift Address: YOKO JPJM

Branches Offering Foreign Exchange Services

Head Office

2-16-1, Onoe-cho, Naka-ku, Yokohama 231-8466, Japan

Telephone: 045-651-2501

Yokohama Nishiguchi Branch

1-4-13, Kitasaiwai, Nishi-ku, Yokohama 220-0004, Japan

Telephone: 045-314-3721

Shin-Yokohama Branch

Dai-2 Kaede Bldg., 2-5-10, Shin-Yokohama, Kohoku-ku, Yokohama 222-0033, Japan

Telephone: 045-474-2411

Supplemental Consolidated Financial Information

The Yokohama Shinkin Bank and Consolidated Subsidiaries
Years Ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
For the Fiscal Year:			
Total Income	¥ 27,027	¥ 28,112	\$ 253,925
Total Expenses	24,795	24,747	223,537
Income Before Income Taxes and Others	2,231	3,364	30,388
Net Income Attributable to Owners of Parent	1,836	2,542	22,966
At Year-End:			
Deposits	¥1,837,748	¥2,011,408	\$18,168,267
Loans and Bills Discounted	1,031,137	1,136,034	10,261,358
Securities	488,548	491,926	4,443,376
Total Assets	1,967,397	2,301,665	20,790,037
Total Net Assets	98,367	104,286	941,979

Notes: 1. The supplemental consolidated financial information includes the accounts of the Bank and its four consolidated subsidiaries and affiliates as of March 31, 2021.

2. U.S. dollar amounts are converted, solely for convenience, at the prevailing rate on March 31, 2021 of ¥110.71=US\$1.

Corporate Directory

The Yokohama Shinkin Bank
As of March 31, 2021

Company Name	Location	Paid-in Capital	Percentage Owned	Principal Business
Consolidated Subsidiaries:				
Yokoshin Supply Co., Ltd.	Kanagawa, Japan	¥10 million	100.0%	Office supply sales
Yokoshin Business Service Co., Ltd.	Kanagawa, Japan	¥10 million	100.0%	Clerical services
Yokoshin System Service Co., Ltd.	Kanagawa, Japan	¥10 million	100.0%	System integration
Consolidated Affiliate:				
Yokoshin Leasing Co., Ltd.	Kanagawa, Japan	¥30 million	45.3%	Leasing

Composition of the Business Group

* All four companies end their fiscal year in March.

Company Name	Address	Paid-in Capital	Principal Business	Date of Establishment	Percentage of Shares, etc. Owned by the Bank	Percentage of Shares, etc. Owned by Subsidiaries, etc.
Yokoshin Supply Co., Ltd.	2-17, Onoe-cho, Naka-ku, Yokohama	¥10 million	Office supply sales	April 9, 1984	100%	—
Yokoshin Business Service Co., Ltd.	4-103, Tori-cho, Minami-ku, Yokohama	¥10 million	Clerical services	April 18, 1988	100%	—
Yokoshin System Service Co., Ltd.	1-5-7, Kita-Shin-Yokohama, Kohoku-ku, Yokohama	¥10 million	System integration	July 8, 1991	100%	—
Yokoshin Leasing Co., Ltd.	2-17, Onoe-cho, Naka-ku, Yokohama	¥30 million	Leasing	December 15, 1984	45.3%	—