

# **The Shoko Chukin Bank, Ltd.**

## **The 2018 Resolution Plan**

### **Section 1: Public Section**

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## **(a) Public Section**

The Shoko Chukin Bank, Ltd (the “Covered Company”) has developed a Resolution Plan (“RP”) to address the requirements for a resolution under the joint Board of Governors of the Federal Reserve System (“FRB”) and Federal Deposit Insurance Corporation (“FDIC”) rule implementing Section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “SIFI Rule”).

The primary goal of the RP is to ensure a rapid and orderly resolution in a manner that would not pose any serious adverse effects on U.S. financial stability while maximizing the value of the Core Business Lines (“CBLs”), providing the continuity of the Critical Operations (“COs”), and facilitating the orderly wind-down of the relevant Material Entities (“MEs”).

There have been no material changes since the submission of our 2015 Tailored Resolution Plan.

### **(1) The names of material entities**

The Covered Company was established in 1936 in Japan to conduct businesses necessary to facilitate financing for small and medium-sized enterprise cooperatives, other organizations that primary consist of small and medium-sized enterprises (“SMEs”) and their members. The Covered Company has JPY218.7 billion in capital, and the Japanese government has subscribed JPY101.6 billion. The Covered Company has 100 offices in Japan and 4 overseas offices including The Shoko Chukin Bank, Ltd., New York Branch (the “New York Branch”), which the Covered Company has identified as its only ME.

The New York Branch was established in 1986 in New York and its primary business is to provide lending services to SMEs. The New York Branch facilitates foreign business activities for the Covered Company’s Japan-based clients in the U.S., Canada and Mexico. As of March 31, 2018, the New York Branch has \$466million in total assets.

The Covered Company has identified the New York Branch as the sole ME in the U.S. because it provides access to the U.S. financial markets.

### **(2) A description of core business lines**

Pursuant to the analysis below, the Covered Company has determined that it does not have any operations or activities in the United States that would be a CBL as defined in the SIFI Rule.

While the Covered Company identified its loan business as global key business, the New York Branch’s loan business represented less than 1% of the revenue and assets of that global key business line for the year ended March 31, 2018.

Therefore, the Covered Company has not designated any CBLs.

		Metrics			
		Revenue (\$mm)	% of global total	Assets (\$mm)	% of global total
Loan business	The New York Branch	12	1.2%	393	0.5%
	<b>Global Total</b>	<b>975</b>	<b>100%</b>	<b>81,296</b>	<b>100%</b>

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### (3) Consolidated or segment financial information regarding assets, liabilities, capital and major funding sources

The below presents the consolidated balance sheet of the Covered Company as of March 31, 2018:

	Millions of yen		Millions of U.S. dollars	
	2018	2017	2018	2017
<b>ASSETS</b>				
Cash and Due from Banks	¥ 1,526,934	¥ 1,722,831	\$ 14,372	\$ 15,356
Call Loans and Bills Purchased	41,412	57,723	389	514
Monetary Claims Purchased	27,621	26,127	259	232
Trading Assets	21,413	20,485	201	182
Investment Securities	1,511,359	1,539,789	14,225	13,724
Loans	8,636,946	9,343,501	81,296	83,282
Foreign Exchange	15,586	15,708	146	140
Other Assets	178,015	146,301	1,675	1,304
<b>Tangible Fixed Assets</b>				
Buildings	17,515	16,795	164	149
Land	23,737	23,791	223	212
Leased Assets	0	1	0	0
Construction In Progress	949	909	8	8
Other Tangible Fixed Assets	2,163	2,356	20	21
<b>Intangible Fixed Assets</b>				
Software	6,873	9,388	64	83
Other Intangible Fixed Assets	4,086	1,569	38	13
<b>Net Defined Benefit Asset</b>				
	7,574	4,452	71	39
<b>Deferred Income Taxes</b>				
	38,723	47,414	364	422
<b>Customers' Liabilities for Acceptances and Guarantees</b>				
	102,699	103,466	966	922
<b>Reserve for Possible Loan Losses</b>				
	(206,262)	(237,584)	(1,941)	(2,117)
<b>Total Assets</b>	<b>¥ 11,957,351</b>	<b>¥ 12,845,033</b>	<b>\$ 112,550</b>	<b>\$ 114,493</b>

	Millions of yen		Millions of U.S. dollars	
	2018	2017	2018	2017
<b>LIABILITIES</b>				
Deposits	¥ 4,885,242	¥ 5,103,175	\$ 45,983	\$ 45,486
Negotiable Certificates of Deposit	257,122	272,855	2,420	2,432
Shoko Chukin Bank Debentures	4,459,140	4,743,721	41,972	42,282
Call Money and Bills Sold	—	359	—	3
Payables under Securities Lending Transactions	580,278	474,944	5,461	4,233
Trading Liabilities	12,653	10,918	119	97
Borrowed Money	524,579	1,015,805	4,937	9,054
Foreign Exchange	8	86	0	0
Other Liabilities	105,991	142,457	997	1,269
Reserve for Bonuses	4,635	4,637	43	41
Net Defined Benefit Liability	24,830	25,378	233	226
Reserve for Retirement Benefits for Directors	114	90	1	0
Reserve for Losses on Refund for Dormant Bonds	27,395	11,541	257	102
Reserve for Environmental Measures	143	152	1	1
Other Reserves	80	75	0	0
Deferred Tax Liabilities	51	49	0	0
Acceptances and Guarantees	102,699	103,466	966	922
<b>Total Liabilities</b>	<b>10,984,966</b>	<b>11,909,714</b>	<b>103,397</b>	<b>106,156</b>
<b>NET ASSETS</b>				
Capital	218,653	218,653	2,058	1,948
Crisis Response Reserve	150,000	150,000	1,411	1,337
Special Reserve under the Shoko Chukin Bank Law	400,811	400,811	3,772	3,572
Capital Surplus	0	0	0	0
Retained Earnings	186,973	154,131	1,759	1,373
Treasury Stock	(1,049)	(1,038)	(9)	(9)
<b>Total Shareholders' Equity</b>	<b>955,388</b>	<b>922,557</b>	<b>8,992</b>	<b>8,223</b>
Unrealized Gains on Other Securities	25,543	23,540	240	209
Deferred Hedge Gains	24	48	0	0
Remeasurements of Defined Benefit Plans	(12,367)	(14,625)	(116)	(130)
<b>Total Accumulated Other Comprehensive Income</b>	<b>13,199</b>	<b>8,964</b>	<b>124</b>	<b>79</b>
Non-controlling interests	3,796	3,796	35	33
<b>Total Net Assets</b>	<b>972,384</b>	<b>935,318</b>	<b>9,152</b>	<b>8,336</b>
<b>Total Liabilities and Net Assets</b>	<b>¥ 11,957,351</b>	<b>¥ 12,845,033</b>	<b>\$ 112,550</b>	<b>\$ 114,493</b>

The above financial information was prepared in conformity with generally accepted accounting principles and practices in Japan.

#### (4) A description of derivative activities and hedging activities

The Covered Company engages in derivatives transactions such as interest rate swaps and currency swaps as part of its asset-liability management to hedge interest rate and foreign exchange rate fluctuation risks for securities, bonds, borrowings and foreign currency loans. Hedge accounting is adopted for the derivative transactions that satisfy the requirements. The effectiveness of the hedge

is evaluated by comparing the value of hedged items and hedge instruments at the start of the hedge and at the present.

The Covered Company also executes interest rate swaps, currency swaps, bond futures, foreign exchange forwards etc. in order to support clients' hedging needs and for the purpose of creating profit from interest rate or foreign exchange rate fluctuations.

#### **(5) A list of memberships in material payment, clearing and settlement systems**

The below table highlights key memberships in material payment, clearing and settlement organizations of the New York Branch:

<b>Membership</b>	<b>Description of the Membership</b>	<b>Legal Entity Owner of the Membership</b>	<b>Membership Status</b>
Fedwire Chips	On-line banking system provided by BNY Mellon	New York Branch	Through agent bank (BNY Mellon Treasury Edge)
ACH	On-line banking system provided by MUFG Bank, Ltd.	New York Branch	Through agent bank (MUFG Bank, Ltd. Online Banking)
DTC	Custodian On-line banking system provided by BNY Mellon	New York Branch	Through agent bank (BNY Mellon Workbench)
SWIFT Alliance Lite 2	SWIFT message	New York Branch	Direct Member

#### **(6) A description of foreign operations**

The Covered Company is a Japanese governmental financial institution that provides general banking services including lending and deposits through its branches. The objective of the Covered Company is to conduct business necessary to facilitate finance to SMEs, other organizations that primarily consist of SMEs and their members. The Covered Company was established in 1936 and is headquartered in Tokyo, Japan. As of March 31, 2018, the Covered Company had 100 domestic offices in Japan as well as 4 overseas offices outside of Japan in New York, Hong Kong, Shanghai and Bangkok.

The Covered Company designated the New York Branch as its only U.S. ME for the purposes of the RP and the New York Branch does not have any offices or operations outside of the U.S.

## **(7) The identities of material supervisory authorities**

The Covered Company is supervised by the Small and Medium Enterprise Agency, Ministry of Economy, Trade and Industry, the Ministry of Finance Japan, and the Japanese Financial Services Agency.

The New York Branch is supervised by the FRB and the New York State Department of Financial Services.

## **(8) The identities of the principal officers**

The principal officers of the Covered Company are as follows:

<b>Name</b>	<b>Title</b>
Masahiro Sekine	President(Representative Director) & President and Executive Officer
Koushirou Umeda	Deputy President and Executive Officer
Takahisa Sato	Managing Executive Officer
Masahiko Oyabu	General Manager of International Division

The principal officers of the New York Branch are as follows:

<b>Name</b>	<b>Title</b>
Kenichi Hirano	General Manager
Masaru Terada	Deputy General Manager and Compliance
Keisuke Sekino	Senior Manager of Risk Management Group

## **(9) A description of the corporate governance structure and processes related to resolution planning**

The Covered Company is committed to high standards of governance and management. The Covered Company has established a robust corporate governance structure for the development, maintenance, implementation, and filing of the RP. For purposes of the 2018 RP, the Covered Company's governance leverages existing roles and responsibilities established for its regulatory issue management framework.

The RP will be reviewed and updated on an annual basis, based on year-end figures of the previous financials. Upon any event, occurrence, change in conditions or circumstances, or other change that results in, or could reasonably be foreseen to have, a material effect on the RP of the Covered Company (e.g. divestment of a significant business), the Covered Company will, as set forth in the SIFI rule, file a simple notice with FRB/FDIC and address such material event in the next annual RP or, if so jointly determined by FRB/FDIC, in the more frequently updated RP as appropriate.



The RP has been developed and will be approved by the President, who is a Representative Director and Executive Officer of the covered company and who is a delegee acting under the express authority of the board of directors of the covered company to approve the RP, at least once per year before the submission of the plan.

The 2018 RP submitted to the FRB and the FDIC has been formally reviewed and approved on December 12, 2018 – in accordance with the provisions set forth by the resolution of the Covered Company’s Board of Directors – by Mr. Masahiro Sekine, the President (Representative Director) & President and Executive Officer.

**(10) A description of material management information systems**

The primary responsibility of the New York Branch’s Management Information Systems (“MIS”) is to provide comprehensive information to the New York Branch’s Senior Management to manage the branch effectively and efficiently.

The New York Branch’s MIS consist of information security reporting, risk reporting, operational reporting, financial reporting and management reporting and regulatory reporting.

**(11) A description, at a high level, of the covered company’s resolution strategy, covering such items as the range of potential purchasers of the covered company, its material entities and core business lines**

Upon resolution, the New York Banking Law authorizes the Superintendent of the New York State Department of Financial Services (the “Superintendent”) to take possession of and liquidate the New York Branch. The Superintendent may also take possession of the New York Branch if the Covered Company is in liquidation or there is reason to believe that the New York Branch will not be able to meet its creditor’s needs or obligations.

The Covered Company believes that the resolution of the New York Branch would be orderly, given the simple nature of its activities, and the high quality liquid assets on its books. Therefore, there is likely to be no impact to the broader U.S. financial system.

(End)