

The Shoko Chukin Bank, Ltd.

The 2016 Resolution Plan

Section 1: Public Section

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(a) **Public Section**

[Introduction]¹

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 JPY218.6 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, 2016, the New York Branch has \$922million 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, 2016.

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 | 7 | 0.6% | 472 | 0.6% |
| | Global Total | 1,173 | 100% | 84,532 | 100% |

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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, 2016:

| Consolidated Balance Sheets | | | | |
|--|---------------------|---------------------|--------------------------|-------------------|
| The Shoko Chukin Bank, Ltd. and Subsidiaries As of March 31, 2016 and 2015 | | | | |
| | Millions of yen | | Millions of U.S. dollars | |
| | 2016 | 2015 | 2016 | 2015 |
| ASSETS | | | | |
| Cash and Due from Banks | ¥ 1,178,517 | ¥ 1,045,300 | \$ 10,458 | \$ 8,698 |
| Call Loans and Bills Purchased | 21,294 | 11,353 | 188 | 94 |
| Monetary Claims Purchased | 26,267 | 23,334 | 233 | 194 |
| Trading Assets | 26,576 | 23,406 | 235 | 194 |
| Investment Securities | 1,700,178 | 1,928,105 | 15,088 | 16,044 |
| Loans | 9,525,155 | 9,489,550 | 84,532 | 78,967 |
| Foreign Exchange | 16,877 | 17,770 | 149 | 147 |
| Other Assets | 122,614 | 113,048 | 1,088 | 940 |
| Tangible Fixed Assets | | | | |
| Buildings | 16,181 | 15,904 | 143 | 132 |
| Land | 23,803 | 23,844 | 211 | 198 |
| Leased Assets | 2 | 4 | 0 | 0 |
| Construction in Progress | 607 | 766 | 5 | 6 |
| Other Tangible Fixed Assets | 2,465 | 3,127 | 21 | 26 |
| Intangible Fixed Assets | | | | |
| Software | 11,610 | 11,595 | 103 | 96 |
| Other Intangible Fixed Assets | 1,083 | 2,557 | 9 | 21 |
| Net Defined Benefit Asset | 3,440 | 14,588 | 30 | 121 |
| Deferred Income Taxes | 52,502 | 56,942 | 465 | 473 |
| Customers' Liabilities for Acceptances and Guarantees | 102,623 | 98,678 | 910 | 821 |
| Reserve for Possible Loan Losses | (261,333) | (246,070) | (2,319) | (2,047) |
| Total Assets | ¥ 12,570,469 | ¥ 12,633,810 | \$ 111,559 | \$ 105,132 |

| | Millions of yen | | Millions of U.S. dollars | |
|---|---------------------|---------------------|--------------------------|-------------------|
| | 2016 | 2015 | 2016 | 2015 |
| LIABILITIES | | | | |
| Deposits | ¥ 5,158,981 | ¥ 5,012,815 | \$ 45,784 | \$ 41,714 |
| Negotiable Certificates of Deposit | 1,26,924 | 111,689 | 1,126 | 929 |
| Shoko Chukin Bank Debentures | 4,816,468 | 4,833,180 | 42,744 | 40,219 |
| Call Money and Bills Sold | 383 | 7,210 | 3 | 59 |
| Payables under Repurchase Agreements | 13,525 | 6,000 | 120 | 49 |
| Payables under Securities Lending Transactions | 105,546 | — | 936 | — |
| Trading Liabilities | 17,834 | 14,235 | 158 | 118 |
| Borrowed Money | 1,120,189 | 1,433,640 | 9,941 | 11,930 |
| Foreign Exchange | 85 | 166 | 0 | 1 |
| Other Liabilities | 167,312 | 178,444 | 1,484 | 1,484 |
| Reserve for Bonuses | 4,629 | 4,525 | 41 | 37 |
| Net Defined Benefit Liability | 26,385 | 25,499 | 234 | 212 |
| Reserve for Retirement Benefits for Directors | 136 | 121 | 1 | 1 |
| Reserve for Losses on Refund for Dormant Bonds | 5,257 | 5,010 | 46 | 41 |
| Reserve for Environmental Measures | 158 | 185 | 1 | 1 |
| Other Reserves | 73 | 73 | 0 | 0 |
| Deferred Tax Liabilities | 54 | 51 | 0 | 0 |
| Acceptances and Guarantees | 102,623 | 98,678 | 910 | 821 |
| Total Liabilities | 11,666,570 | 11,731,530 | 103,537 | 97,624 |
| NET ASSETS | | | | |
| Capital | 218,653 | 218,653 | 1,940 | 1,819 |
| Crisis Response Reserve | 150,000 | 150,000 | 1,331 | 1,248 |
| Special Reserve under the Shoko Chukin Bank Law | 400,811 | 400,811 | 3,557 | 3,335 |
| Capital Surplus | 0 | 0 | 0 | 0 |
| Retained Earnings | 1,26,186 | 118,223 | 1,119 | 983 |
| Treasury Stock | (1,026) | (1,015) | (9) | (8) |
| Total Shareholders' Equity | 894,624 | 886,672 | 7,939 | 7,378 |
| Unrealized Gains on Other Securities | 21,722 | 17,950 | 192 | 149 |
| Remeasurements of Defined Benefit Plans | (16,245) | (6,139) | (144) | (51) |
| Total Accumulated Other Comprehensive Income | 5,477 | 11,810 | 48 | 98 |
| Non-controlling Interests | 3,796 | 3,796 | 33 | 31 |
| Total Net Assets | 903,898 | 902,280 | 8,021 | 7,508 |
| Total Liabilities and Net Assets | ¥ 12,570,469 | ¥ 12,633,810 | \$ 111,559 | \$ 105,132 |

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:

| Membership | Description of the Membership | Legal Entity Owner of the Membership | Membership Status |
|---------------------|---|---|--|
| 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 Bank of Tokyo Mitsubishi UFJ | New York Branch | Through agent bank (Bank of Tokyo Mitsubishi UFJ Online Banking) |
| DTC | Custodian On-line banking system provided by BNY Mellon | New York Branch | Through agent bank (BNY Mellon Workbench) |
| SWIFT Alliance Lite | 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, 2016, the Covered Company had 100 domestic offices in Japan as well as four overseas offices outside of Japan, including 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:

| Name | Title |
|-------------------|---|
| Kenyu Adachi | President |
| Yoshiyuki Kikuchi | Deputy President |
| Isao Onoguchi | Managing Executive Officer |
| Masafumi Ishiguro | General Manager of International Division |

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

| Name | Title |
|------------------|---------------------------------------|
| Kiyoshi Nakajima | General Manager |
| Masaru Terada | Deputy General Manager and Compliance |
| Yusuke Shinozawa | Senior Manager of Risk Management |

(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 2016 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 in accordance with “Article 18 Other / 2. Permission, Submission and Reporting to authorities that would significantly affect management” in the Criteria for the Matters to Be Resolved by or Reported to the Management Meeting, which are set forth by the resolution of the Covered Company's Board of Directors and will be approved by the Management Meeting* at least once a year before the submission of the plan.

* The Management Meeting is a high-level governance body which is established by the resolution of the Board of the Directors and run in accordance with the Policy for the Management Committee also established by the Board resolution. The primary purpose of the Management Committee is to discuss and resolve, based on the fundamental policies set forth by the Board of Directors, the important management matters which the Board of Directors has delegated to the Committee.

The 2016 RP submitted to the FRB/FDIC has been formally reviewed and approved on December 12, 2016 – in accordance with the provisions set forth by the resolution of the Covered Company's Board of Directors – by the Management Meeting, which is a governance body established by the Board of Directors and to which the Board has delegated certain important management matters.

(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 NYBL 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 meets it 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)