

ANNUAL REPORT

AML/CFT POLICY AND FINANCIAL REVIEW

For the Year Ended March 31, 2023

BASIC POLICY ON ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM

The Gifu Shinkin Bank

The Gifu Shinkin Bank (the “Bank”) considers measures on anti-money-laundering and combating the financing of terrorism (“AML/CFT”) as one of the most important business management challenges for the Bank and works on establishing the following internal management framework.

1. Organizational Framework

- (1) The Board of Directors of the Bank recognizes the importance of AML/CFT and actively works on measures on AML/CFT.
- (2) The Bank appoints a responsible director and controlling department for AML/CFT measures and establishes an integrated internal management framework.

2. Customer Management

The Bank complies with various laws and ordinances for AML/CFT measures and appropriately conducts customer management, such as customer identification before entering into transactions.

3. Suspicious Transactions Reporting

The Bank promptly reports to the authorities regarding suspicious transactions detected by reports from branches or during transaction monitoring.

4. Management of Correspondent Banks

The Bank collects and appropriately assesses information on Correspondent Banks and takes appropriate measures for each bank’s risk, if necessary. The Bank prohibits transactions with shell banks, which have no business presence.

5. Training for Officers and Employees

The Bank continually provides training to all of its officers and employees to enable them to acquire knowledge and raise their awareness of AML/CFT measures.

6. Evaluation of Compliance

The Bank regularly evaluates its compliance with AML/CFT measures and endeavors to improve the continuing and organizational framework.

As of March 31

●●● Balance Sheets

Assets	Millions of Yen		Thousands of U.S.Dollars
	2023	2022	2023
Cash	¥20,531	¥20,535	\$153,755
Due from Banks	530,959	578,373	3,976,327
Call Loans	2,227	795	16,677
Monetary Claims Bought	2,296	2,360	17,194
Money Held in Trust	1,998	2,000	14,962
Securities	702,841	692,501	5,263,543
Government Bonds	40,824	33,503	305,729
Local Government Bonds	201,106	208,842	1,506,073
Corporate Bonds	264,808	260,363	1,983,134
Stocks	28,090	27,156	210,364
Other Securities	168,010	162,635	1,258,219
Loans and Bills Discounted	1,432,643	1,402,102	10,728,997
Bills Discounted	9,983	8,957	74,762
Loans on Bills	76,454	75,346	572,560
Loans on Deeds	1,239,327	1,218,757	9,281,262
Overdrafts	106,878	99,041	800,404
Foreign Exchanges	1,603	3,473	12,004
Due from Foreign Banks (Our Accounts)	1,403	3,256	10,507
Foreign Bills Bought	28	35	209
Foreign Bills Receivable	170	181	1,273
Other Assets	13,653	13,696	102,246
Domestic Exchange Settlement Account, Debit	833	813	6,238
Investments in Shinkin Central Bank	9,888	9,888	74,050
Accrued Income	1,807	1,696	13,532
Derivatives other than for Trading-Assets	181	164	1,355
Other	942	1,134	7,054
Property, Plant and Equipment	22,689	22,479	169,916
Buildings	4,912	4,783	36,785
Land	15,787	15,727	118,228
Leased Assets	195	206	1,460
Construction in Progress	—	130	—
Other	1,793	1,629	13,427
Intangible Assets	1,184	1,101	8,866
Software	690	606	5,167
Other	494	494	3,699
Prepaid Pension Cost	310	—	2,321
Deferred Tax Assets	6,837	3,073	51,201
Guarantee of Obligation-Per Contra	4,434	4,945	33,206
Allowance for Loan Losses	(11,949)	(11,964)	(89,485)
(Allowance for Specific Loan Losses Included)	(5,474)	(5,487)	(40,994)
Total Assets	2,732,261	2,735,474	20,461,776

●●● Balance Sheets

As of March 31

Liabilities and Net Assets	Millions of Yen		Thousands of U.S.Dollars
	2023	2022	2023
Deposits	¥2,590,071	¥2,557,330	\$19,396,922
Current Deposits	117,078	119,899	876,791
Ordinary Deposits	1,399,059	1,311,561	10,477,488
Saving Deposits	28,950	28,746	216,805
Deposits at Notice	8,648	9,400	64,764
Time Deposits	971,351	1,018,946	7,274,402
Installment Savings	43,112	42,749	322,863
Other Deposits	21,870	26,027	163,783
Borrowed money	20,800	50,000	155,770
Borrowings	20,800	50,000	155,770
Foreign Exchanges	86	17	644
Foreign Bills Payable	86	17	644
Other Liabilities	4,409	3,994	33,018
Domestic Exchange Settlement Account, Credit	1,068	991	7,998
Accrued Expenses	497	437	3,722
Reserve for Interest on Installment Savings	3	4	22
Income Taxes Payable	1,061	564	7,945
Unearned Revenue	720	725	5,392
Refund Payable	107	82	801
Equity Payable	123	148	921
Derivatives other than for Trading-Liabilities	104	215	778
Lease Obligations	214	226	1,602
Other	508	600	3,804
Provision for Bonuses	634	639	4,747
Provision for Retirement Benefits	–	395	–
Provision for Directors' Retirement Benefits	444	423	3,325
Provision for Reimbursement of Deposits	157	193	1,175
Provision for Contingent Loss	263	299	1,969
Deferred Tax Liabilities for Land Revaluation	2,318	2,318	17,359
Guarantee of Obligation	4,434	4,945	33,206
Total Liabilities	2,623,621	2,620,558	19,648,176
Capital Stock	20,481	20,664	153,381
Common Shares	12,481	12,664	93,469
Other Shares	8,000	8,000	59,911
Capital Surplus	8,000	8,000	59,911
Legal Capital Surplus	8,000	8,000	59,911
Retained Earnings	84,033	79,948	629,319
Legal Retained Earnings	19,165	18,720	143,525
Other Retained Earnings	64,868	61,228	485,793
Special Reserve	59,800	56,000	447,839
Unappropriated Retained Earnings	5,068	5,228	37,954
Unappropriated Equity	(7)	(12)	(52)
Total Shareholders' Equity	112,507	108,600	842,559
Valuation Difference on Available-for-Sale Securities	(7,823)	2,358	(58,586)
Revaluation Reserve for Land	3,956	3,956	29,626
Total Valuation and Translation Adjustments	(3,867)	6,315	(28,959)
Total Net Assets	108,640	114,915	813,599
Total Liabilities and Net Assets	2,732,261	2,735,474	20,461,776

For the Years Ended March 31

●●● Statements of Income

	Millions of Yen		Thousands of U.S.Dollars
	2023	2022	2023
Ordinary Income	¥29,187	¥28,841	\$218,580
Interest Income	21,277	20,875	159,342
Interest on Loans and Discounts	14,934	15,246	111,840
Interest on Deposits with Banks	729	688	5,459
Interest on Call Loans	64	1	479
Interest and Dividends on Securities	5,273	4,675	39,489
Other Interest Income	275	263	2,059
Fees and Commissions	5,454	5,329	40,844
Fees and Commissions on Domestic and Foreign Exchanges	1,659	1,759	12,424
Other Fees and Commissions	3,794	3,570	28,413
Other Ordinary Income	828	933	6,200
Gains on Foreign Exchange Transactions	141	99	1,055
Gains on Trading Account Securities Transactions	0	0	0
Gains on Sales of Bonds	46	52	344
Other	640	781	4,792
Other Income	1,628	1,702	12,192
Recoveries of Written off Claims	211	430	1,580
Gains on Sales of Stocks and Other Securities	1,412	1,244	10,574
Gains on Money Held in Trust	1	14	7
Other	2	14	14
Ordinary Expenses	23,099	22,821	172,987
Interest Expenses	204	302	1,527
Interest on Deposits	202	299	1,512
Transfer to Reserve for Interest on Installment Savings	1	2	7
Fees and Commissions Payments	2,569	2,623	19,239
Fees and Commissions on Domestic and Foreign Exchanges	585	660	4,381
Other Fees and Commissions	1,984	1,963	14,858
Other Ordinary Expenses	590	173	4,418
Losses on Sales of Bonds	50	5	374
Losses on Redemption of Bonds	530	161	3,969
Other	9	6	67
General and Administrative Expenses	18,053	17,892	135,198
Personal Expenses	10,946	10,688	81,974
General Expenses	6,796	6,926	50,894
Taxes	310	278	2,321
Other Expenses	1,681	1,828	12,588
Provision of Allowance for Loan Losses	570	1,398	4,268
Written-off of Loans	526	240	3,939
Losses on Sales of Stocks and Other Securities	29	46	217
Losses on Devaluation of Stocks and Other Securities	432	43	3,235
Losses on Money Held in Trust	1	40	7
Other Written-off of Assets	—	0	—
Other	120	58	898
Ordinary Income	6,088	6,019	45,592
Extraordinary Profits	—	2	—
Gains on Disposal of Non-Current Assets	—	2	—
Extraordinary Losses	155	73	1,160
Losses on Disposal of Non-Current Assets	105	47	786
Impairment Losses	49	26	366
Profit Before Income Taxes	5,933	5,948	44,431
Income Taxes-Current	1,551	949	11,615
Income Taxes-Deferred	43	554	322
Total Income Taxes	1,595	1,504	11,944
Profit	4,337	4,444	32,479
Retained Earnings Carried-over from Previous Year	730	745	5,466
Transfer from Revaluation Reserve for Land	—	39	—
Unappropriated Retained Earnings	5,068	5,228	37,954

●●● Statements of Retained Earnings

	Millions of Yen		Thousands of U.S.Dollars
	2023	2022	2023
Unappropriated Retained Earnings	¥5,068	¥5,228	\$37,954
Disposal of Retained Earnings	4,183	4,498	31,326
Legal Retained Earnings	434	445	3,250
Dividends for Common Shares	249	253	1,864
Special Reserve	(2% per annum) 3,500	(2% per annum) 3,800	26,211
Retained Earnings Brought Forward to the Next Year	885	730	6,627

As of March 31

Consolidated Balance Sheets

	Millions of Yen		Thousands of U.S.Dollars	Liabilities and Net Assets	Millions of Yen		Thousands of U.S.Dollars
	2023	2022	2023		2023	2022	2023
Assets							
Cash and Due from Banks	¥552,114	¥599,822	\$4,134,756	Deposits	¥2,577,617	¥2,545,707	19,303,654
Bills Bought and Call Loans	2,227	795	16,677	Borrowed Money	27,511	57,105	206,028
Monetary Claims Bought	2,296	2,360	17,194	Foreign Exchanges	86	17	644
Money Held in Trust	1,998	2,000	14,962	Other Liabilities	8,144	7,460	60,990
Securities	702,470	692,397	5,260,765	Provision for Bonuses	671	678	5,025
Loans and Bills Discounted	1,431,161	1,400,855	10,717,898	Net Defined Benefit Liability	287	717	2,149
Foreign Exchanges	1,603	3,473	12,004	Provision for Directors' Retirement Benefits	447	425	3,347
Other Assets	24,541	24,455	183,786	Provision for Reimbursement of Deposits	157	193	1,175
Property, Plant and Equipment	22,888	22,688	171,407	Provision for Contingent Loss	263	299	1,969
Buildings	4,912	4,784	36,785	Provision for Loss on Guarantees	1,310	1,388	9,810
Land	15,787	15,727	118,228	Deferred Tax Liabilities for Land Revaluation	2,318	2,318	17,359
Leased Assets	224	254	1,677	Guarantee of Obligation	4,434	4,945	33,206
Construction in Progress	–	130	–	Total Liabilities	2,623,251	2,621,258	19,645,405
Other	1,964	1,791	14,708	Capital Stock	20,481	20,664	153,381
Intangible Assets	1,224	1,138	9,166	Capital Surplus	8,000	8,000	59,911
Software	694	612	5,197	Retained Earnings	88,373	83,994	661,821
Leased Assets	33	29	247	Unappropriated Equity	(451)	(456)	(3,377)
Other	495	496	3,707	Total Shareholders' Equity	116,403	112,201	871,736
Net Defined Benefit Assets	310	–	2,321	Valuation Difference on Available-for-Sale Securities	(7,615)	2,544	(57,028)
Deferred Tax Assets	7,376	3,716	55,238	Revaluation Reserve for Land	3,956	3,956	29,626
Guarantee of Obligation-Per Contra	4,434	4,945	33,206	Total Valuation and Translation Adjustments	(3,658)	6,501	(27,394)
Allowance for Loan Losses	(12,639)	(13,004)	(94,652)	Non-Controlling Interests	6,011	5,683	45,016
Total Assets	2,742,007	2,745,645	20,534,763	Total Net Assets	118,755	124,387	889,350
				Total Liabilities and Net Assets	2,742,007	2,745,645	20,534,763

For the Years Ended March 31

Consolidated Statements of Income

	Millions of Yen		Thousands of U.S.Dollars
	2023	2022	2023
Ordinary Income	¥34,053	¥34,252	\$255,021
Interest Income	21,325	20,917	159,701
Interest on Loans and Discounts	14,978	15,286	112,169
Interest on Deposits with Banks	729	688	5,459
Interest on Bills Bought and Call Loans	64	1	479
Interest and Dividends on Securities	5,277	4,677	39,519
Other	275	263	2,059
Fees and Commissions	5,358	5,235	40,125
Other Ordinary Income	828	933	6,200
Other Income	6,540	7,166	48,977
Recoveries of Written off Claims	211	430	1,580
Other	6,328	6,735	47,390
Ordinary Expenses	27,111	27,019	203,033
Interest Expenses	241	338	1,804
Interest on Deposits	202	299	1,512
Transfer to Reserve for Interest on Installment Savings	1	2	7
Interest on Borrowings and Rediscounts	36	36	269
Fees and Commissions Payments	2,395	2,435	17,936
Other Ordinary Expenses	590	173	4,418
General and Administrative Expenses	17,731	17,581	132,786
Other Expenses	6,152	6,489	46,072
Provision of Allowance for Loan Losses	555	1,496	4,156
Other	5,597	4,993	41,915
Ordinary Income	6,941	7,233	51,980
Extraordinary Income	0	3	0
Gains on Disposal of Non-Current Assets	0	3	0
Extraordinary Loss	155	73	1,160
Losses on Disposal of Non-Current Assets	105	47	786
Impairment Loss	49	26	366
Profit Before Income Taxes	6,786	7,162	50,820
Income Taxes-Current	1,711	1,117	12,813
Income Taxes-Deferred	137	642	1,025
Total Income Taxes	1,848	1,760	13,839
Profit	4,938	5,402	36,980
Profit Attributable to Non-Controlling Interests	329	317	2,463
Profit Attributable to Owners of Parent	4,609	5,084	34,516

Consolidated Statements of Retained Earnings

	Millions of Yen		Thousands of U.S.Dollars
	2023	2022	2023
Capital Surplus			
Balance at the Beginning of Current Period	¥8,000	¥8,000	\$59,911
Balance at the End of Current Period	8,000	8,000	59,911
Retained Earnings			
Balance at the Beginning of Current Period	83,994	79,102	629,027
Increase in Retained Earnings	4,609	5,123	34,516
Profit Attributable to Owners of Parent	4,609	5,084	34,516
Reversal of Revaluation Reserve for Land	–	39	–
Decrease in Retained Earnings	229	232	1,714
Dividends	229	232	1,714
Balance at the End of Current Period	88,373	83,994	661,821