

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

## Osaka Shoko Shinkin Bank (security code: -)

<Assignment>

Long-term Issuer Rating: A-

Outlook: Stable

### Rationale

- (1) Osaka Shoko Shinkin Bank (the “Bank”) is a shinkin bank with total funds of approximately 720 billion yen, headquartered in Osaka Prefecture. The Bank’s main business area is the center of Osaka City with rich business opportunities. The rating is supported by the Bank’s favorable operating base, high profitability backed by the concentration of management resources on SME transactions and increased lending mainly to middle-risk clients, and a reasonable level of capital. In addition to the concentration of credit to large customers, mainly to the real estate industry, it also has the risk of price fluctuations in securities investments. The key point in rating is whether the Bank can continue to appropriately control the risks of these investments and loans, while maintaining the high profitability, etc.
- (2) The Bank’s core net business income has been strong in recent years, and its ROA (based on core net business income) is around 0.7%, at a level well above the industry average. Even as the business expands, efficient business operations are being carried out, as shown by its OHR that is low in the 50% range. The Bank has continued to accumulate the balance of loans on the back of strong demand for funds in the local real estate industry, among others. During the COVID-19 pandemic, it actively worked to support customers’ financing, and as a result, loans with credit guarantee through a credit guarantee organization account for a considerable proportion of the total loans. Putting emphasis on profitability, it has promoted lending to middle-risk borrowers. Therefore, loan yields have been at a high level, and interest on loans have been maintained. Yields on securities have also been kept at a relatively high level, and increases in interest and dividends have been driving the core net business income. Taking these factors into consideration, JCR expects the core net business income to remain steady for the time being.
- (3) JCR believes that the risk of securities investments is not excessive. The security-deposit ratio remains at just under 20%, which suggests that the amount of the quantity of interest risks associated with bonds is suppressed relative to capital. Although it has been increasing their balance in investment trusts and other assets, and are facing a fair quantity of price fluctuation risks associated with equity-type assets, they are diversified by setting various investment targets. As interest rate risk has been suppressed, valuation gains on available-for-sale securities were recorded at the end of September 2023.
- (4) In loans, those to the real estate industry account for a high ratio, and there is a concentration of credits to large borrowers. In addition, as loans to middle-risk borrowers are increased, loans to other borrowers requiring caution account for a high proportion of the loan balance. However, thanks to efforts to strengthen the screening system, the current ratio of disclosed claims under the Financial Reconstruction Act is around 3%, which is low compared to the average for shinkin banks. Although it is necessary to closely monitor the trends of large borrowers when the real estate market deteriorates, given that a certain level of security measures are in effect and that the core net business income is trending well, JCR sees that credit costs will remain within the range that can be absorbed by the core net business income.
- (5) The non-consolidated core capital ratio as of the end of September 2023 was over 10%. Even after adjusting for general loan loss reserves, etc., the level is almost the same, maintaining a level suitable for a regional financial institution in the A rating category has been secured. Risk-weighted assets are likely to expand due to accumulation of the balance of loans and equity-type assets. However, JCR believes that the Bank will be able to maintain the current level of capital for the time being, as it is easy to predict the accumulation of retained earnings, backed by high profitability, etc.

Tsuyoshi Ohishi, Michiya Kidani



## Rating

Issuer: Osaka Shoko Shinkin Bank

<Assignment>

Long-term Issuer Rating: A-      Outlook: Stable

Rating Assignment Date: February 16, 2024

The assumptions for the credit ratings and the definitions of the rating symbols are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

Outline of the rating methodology is shown as "JCR's Rating Methodology" (February 1, 2024) and "Banks" (October 1, 2021) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

The rating stakeholder participated in the rating process of the aforementioned credit ratings.

## Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan  
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

---

Information herein has been obtained by JCR from the issuers and other sources believed to be accurate and reliable. However, because of the possibility of human or mechanical error as well as other factors, JCR makes no representation or warranty, express or implied, as to accuracy, results, adequacy, timeliness, completeness or merchantability, or fitness for any particular purpose, with respect to any such information, and is not responsible for any errors or omissions, or for results obtained from the use of such information. Under no circumstances will JCR be liable for any special, indirect, incidental or consequential damages of any kind caused by the use of any such information, including but not limited to, lost opportunity or lost money, whether in contract, tort, strict liability or otherwise, and whether such damages are foreseeable or unforeseeable. JCR's ratings and credit assessments are statements of JCR's current and comprehensive opinion regarding redemption possibility, etc. of financial obligations assumed by the issuers or financial products, and not statements of opinion regarding any risk other than credit risk, such as market liquidity risk or price fluctuation risk. JCR's ratings and credit assessments are statements of opinion, and not statements of fact as to credit risk decisions or recommendations regarding decisions to purchase, sell or hold any securities such as individual bonds or commercial paper. The ratings and credit assessments may be changed, suspended or withdrawn as a result of changes in or unavailability of information as well as other factors. JCR receives a rating fee paid by issuers for conducting rating services in principle. JCR retains all rights pertaining to this document, including JCR's rating data. Any reproduction, adaptation, alteration, etc. of this document, including such rating data, is prohibited, whether or not wholly or partly, without prior consent of JCR.

JCR is registered as a "Nationally Recognized Statistical Rating Organization" with the U.S. Securities and Exchange Commission with respect to the following four classes. (1) Financial institutions, brokers and dealers, (2) Insurance Companies, (3) Corporate Issuers, (4) Issuers of government securities, municipal securities and foreign government securities.

JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)

---