

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

The Shiba Shinkin Bank (security code: -)

<Affirmation>

Long-term Issuer Rating: A-
Outlook: Stable

Rationale

- (1) The Shiba Shinkin Bank (the "Bank") is a large shinkin bank headquartered in Minato Ward, Tokyo with a fund volume of 1.2 trillion yen. Its main operating bases are established in favorable locations such as Minato, Ota and Shinagawa wards in Tokyo, and Yokohama and Kawasaki cities in Kanagawa Prefecture. The rating reflects relatively good capital adequacy and the quality of loan assets that are well-diversified and secured by collateral and/or guarantees. Core net business income (excluding gains and losses on cancellation of investment trusts, etc.) will likely be steady for the foreseeable future. In addition, it is predictable that credit costs remain at a low level, and the Bank will steadily accumulate retained earnings, in JCR's view.
- (2) Core net business income consecutively increased for three fiscal years to the fiscal year ended March 2023 (FY2022) due mainly to an increase in interest on loans, and ROA based on core net business income improved up to the middle of 0.2% range. While repayment of COVID-related loans is gaining momentum, loans for SMEs have been firm by using institutional loan program of ward offices, success of initiatives such as new customer development by the office specialized for loans. Given that yield on loans is also on upward trend after hitting the bottom in FY2021, JCR views that core net business income will likely remain at a current level in the situation where interest and dividends on securities and fees and commissions are weakening.
- (3) Loans to real estate companies account for slightly less than 50% of the entire balance, and most of which are in real estate leasing business. Given the facts that loans are secured by real estate, the property locations are good, and others, JCR believes an impact of credit concentration to the real estate industry on the credit costs is limited as of now. Non-performing loans ratio under the Financial Reconstruction Act was low in the lower 2% range. Furthermore, partly because loan assets have been diversified into small claims and borrowers with large amount of unsecured credits classified under borrowers requiring caution are not many, the credit costs are stable remaining at a low level. Although attention needs to be paid to changes in business conditions of borrowers caused by soaring raw material prices and others, JCR views that credit costs will unlikely become a large amount.
- (4) In securities investment, the Bank has increased multi-asset foreign securities while extending duration of domestic bonds in recent years. Since the Bank's exposure to interest rate risk is reasonably large and valuation losses on available-for-sale securities have expanded due to rising interest rates in Japan and abroad, JCR will closely watch the future trends. Having said that, consolidated core capital ratio adjusted for valuation losses, etc. was good standing at slightly more than 10% as at the end of March 2023. Considering the impact of falling market prices of securities holdings, it is still at a decent level as a regional financial institutions falling under the A-rating categories.

Akira Minamisawa, Kei Aoki

Rating

Issuer: The Shiba Shinkin Bank

<Affirmation>

Long-term Issuer Rating: A- Outlook: Stable

Rating Assignment Date: November 27, 2023

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" (November 7, 2014) 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.)
