25-D-1661
March 18, 2026

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

THE HEKIKAI SHINKIN BANK (security code: -)

<Affirmation>
Long-term Issuer Rating: A+
Outlook: Stable

Rationale

(1) THE HEKIKAI SHINKIN BANK (the “Bank”) is a shinkin bank headquartered in Anjo City, Aichi Prefecture with a fund volume of 2.3 trillion yen. It has large market shares for deposits and loans in Anjo City and operates many branches in nearby areas, including Nagoya City. Factors supporting the rating include a solid local sales base, good loan assets, and a high level of capital adequacy. However, in the long term, the Bank’s capital adequacy has been on a declining trend, and its competitive advantage has weakened compared with the past. Core net business income (excluding gains/losses on cancellation of investment trusts; hereinafter the same) continued to decline in the fiscal year ended March 2024 (FY2023) and FY2024. JCR will watch whether the Bank can put the weakened earnings capacity back on an uptrend and also maintain its advantage in capital levels.

(2) The Bank’s earning capacity is low. FY2024’s core net business income declined by just under 20% year on year, partly because of restrained investment in securities amid rising interest rates and also because of increasing expenses. In the first half of FY2025, profits increased slightly a year-on-year, ROA (on a basis of core net business income) remains at around 0.2%. Although the profit level is expected to turn around with a rise in investment yields, JCR considers it necessary to monitor the extent and time frame of such recovery.

(3) The quality of loan assets is favorable. The ratio of disclosed claims under the Financial Reconstruction Act stood at the higher 2% range as of the end of September 2025, a reasonable level. The disclosed claims are well secured by collateral and other means, and there is no problem with credit concentration to specific large borrowers or industries. On the back of this prudent credit management, JCR sees that credit costs will continue to remain at a restrained level going forward.

(4) In securities investment, the Bank has a reasonable amount of risks. As with other shinkin banks, the Bank’s amount of yen interest rate risk is large, and that of foreign currency interest rates, credit and other exposures is not small. Amid rising yen interest rates, the Bank reported valuation losses on available-for-sale securities as of the end of September 2025, which has pushed down financial flexibility to a certain extent.

(5) Although the Bank’s capital adequacy has declined compared with the past, it remains high for a regional financial institution in JCR’s A rating category. The adjusted non-consolidated core capital ratio as of September 30, 2025 stood at around 12.5%. For the time being, in addition to the need to pay attention to the impact of fluctuations in the market value of securities, the full implementation of the finalized Basel III will be a factor that increases risk-weighted assets. However, as the accumulation of retained earnings is also progressing, JCR believes that the current level of capital can be maintained.

Tsuyoshi Ohishi, Shuntaro Takasawa

Rating
Issuer: THE HEKIKAI SHINKIN BANK

<Affirmation>
Long-term Issuer Rating: A+ Outlook: Stable

Rating Assignment Date: March 13, 2026

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" (October 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.

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