

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

## **GIFU SHINKIN BANK (security code: -)**

<Affirmation>

Long-term Issuer Rating: A-  
Outlook: Stable

### *Rationale*

- (1) GIFU SHINKIN BANK (the "Bank") is a large shinkin bank headquartered in Gifu City, Gifu Prefecture with a fund volume of 2.6 trillion yen and one of the leading companies in the shinkin industry. It has a certain presence with market shares of around 10% for both loans and deposits in the prefecture. Factors reflected in the rating include relatively good loan asset quality and capital adequacy relative to risks. Basic earnings capacity has improved and is expected to remain stable for the time being. Soundness of loan assets is maintained, and a sharp rise in credit costs is unlikely. Meanwhile, the actual capital level has declined with a drop in the market value of securities holdings due to interest rate hikes both at home and abroad, and thus future trends will be watched.
- (2) Even though ROA based on core net business income is low in the 0.2% range, core net business income excluding gains on cancellation of investment trusts for the fiscal year ended March 2023 remained almost flat from the previous year when the highest level in recent years was marked. While the repayment of COVID-related loans is gaining momentum, the loan balance is on the rise as a result of the strengthened relations with customers through problem-solving sales, flexible setting of interest rates on housing loans, etc. Moreover, as the Bank continues to invest in securities that allow for risk-taking to a certain extent, net interest income is expected to remain steady. JCR assumes that the Bank will not only steadily build up assets under management but also secure relatively stable earnings in non-interest fields as well through M&A and syndicated loan initiatives. Taking these factors into consideration, JCR predicts that core net business income will remain steady despite the likelihood of an increase in expenses because of system investment, 100th anniversary projects, etc.
- (3) Non-performing loans ratio under the Financial Reconstruction Act stands decent at around 2.5%. The Bank keeps credit costs low and stable while recoding preventive reserves ahead of the schedule to prepare for the future. While attention should be paid to fluctuations in the business conditions of business partners due to changes in the external environment, including the yen's depreciation and soaring raw material prices, given such factors as the degree of credit diversification and high coverage ratio of non-performing loans disclosed, JCR assumes that credit costs will remain within the range fully absorbable by core net business income.
- (4) Consolidated core capital ratio adjusted for losses on valuation of available-for-sale securities, etc. as of March 31, 2023 was in the upper 8% range. It fell from a year before due to an increase in valuation losses but still remains at a reasonable level for a bank in JCR's A rating category. In terms of securities investment, price fluctuation risk and interest rate risk are at considerably high levels because of an increase in investment in investment trusts and long-term bonds, and the market value of these securities has fallen due to interest rate hikes at home and abroad. JCR will closely watch whether the Bank can appropriately control losses on valuation of available-for-sale securities relative to capital while reshuffling the securities portfolio.

Akira Minamisawa, Kyohei Yamamoto

### *Rating*

Issuer: GIFU SHINKIN BANK

<Affirmation>

Long-term Issuer Rating: A-      Outlook: Stable

Rating Assignment Date: November 16, 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.



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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.)

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