

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"), headquartered in Gifu City, Gifu Prefecture, is a large shinkin bank with the fund volume of 2.4 trillion yen and one of the leading companies in the shinkin industry. It has a certain presence, holding approximately 10% market shares for both loans and deposits in the Prefecture. The rating reflects its relatively good loan receivables and degree of capital adequacy against the risk exposure. The Bank's fundamental earnings level and the trend, which are the Bank's issues to address, are continuously showing improvement trends as JCR expected and will likely be steady for the time being.
- (2) The Bank's core net business income significantly increased two consecutive fiscal years. The Bank is continuously cutting down expenses and increasing fees and commissions. For the fiscal year ended March 2021 (FY2020), its net interest income also increased. This was largely attributable that a substantial increase in loans extended to SMEs relating to the COVID-19 pandemic off set an impact of falling yield, and interest on loans and discounts reversed and increased. However, ROA (based on the core net business income) is slightly low at 0.2%, and improving profitability is still the Bank's issue to address. The Bank will be able to maintain the current or similar level of loan balance for a while as the terms of such loans relating to the pandemic are relatively long. The Bank is also working to solve problems of corporations through enhancing customer interactions; therefore, JCR sees that it can expect to increase solution relating income from corporate customers in addition to fee income for sale of investment products. Although margin to reduce expenses is getting smaller gradually, JCR views that the core net business income will unlikely decline significantly again given the Bank's policy to continuing risk taking activities to a certain extent in its securities investment and others.
- (3) The non-performing loans ratio under the Financial Reconstruction Act has been on downtrend, and was at a reasonable level, which was in the upper part of 2% as of March 31, 2021. As for credit costs, the Bank made preventive reserves in view of future situation in FY2019 and FY2020; however, the costs have been stable, hovering at a low level. Due to an impact of COVID-19 pandemic, borrowers classified under other borrowers requiring caution is increasing. Given the business environment, a certain number of borrowers may continuously reclassified under lower categories hereafter. However, JCR views that the Bank will unlikely record a large amount of credit costs in the future in the future as well given the degree of dispersion of credits and security status.
- (4) The Bank's capital has been increasing consistently due to accumulation of retained earnings. Consolidated core capital ratio adjusted to general allowance of bad debts, etc. was upper part of 9%, which is reasonable for banks falling under A range. For securities investment, the Bank has been securing income through reinvesting in long-term yen-denominated bonds or rebalancing from deposits with other banks to investment trusts while taking a certain amount of interest risk. JCR will keep an eye on whether the Bank will carry out operations with due care to the balance between risk exposure and capital continuously as its price fluctuation risk exposure is also gradually becoming bigger due to increased balance of investment trusts in addition to Interest Rate Risks in the Banking Book.

Tomohiro Miyao, Akira Minamisawa

### *Rating*

Issuer: GIFU SHINKIN BANK

### <Affirmation>

Long-term Issuer Rating: A-      Outlook: Stable

Rating Assignment Date: October 22, 2021

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/>).

## 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.)

Copyright © Japan Credit Rating Agency, Ltd. All rights reserved.