

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

THE SEIBU SHINKIN BANK (security code: -)

<Affirmation>

Long-term Issuer Rating: A+
Outlook: Stable

Rationale

- (1) Headquartered in Nakano Ward, Tokyo, THE SEIBU SHINKIN BANK (the “Bank”) is a large shinkin bank with a fund volume of 2.2 trillion yen. It has established certain operating bases in Tokyo’s 23 wards and Tama area. The rating reflects evaluation on favorable profitability, capital adequacy, the quality of its well-secured loan assets, etc. Although its core net business income (excluding gains on cancellation of investment trusts) has decreased significantly over the past few years mainly due to a decline in the balance of loans for the real estate leasing business, it will be kept at a sufficient level to cover credit costs and others for the time being, in JCR’s view.
- (2) Its ROA (based on core net business income) for the fiscal year ended March 31, 2023 (FY2022) remains at a high level of just under 0.5%. However, core net business income keeps declining by around 10% every fiscal year due to a decrease in loan interest and an increase in expenses, and in FY2022, it decreased by 7% year on year to 11.9 billion yen. The balance of outstanding loans is declining because of the commencement of full-fledged repayments for COVID-19-related loans and the early repayments of loans for the real estate leasing industry, among others. Additionally, expenses are on the rise, mainly in system-related costs. In FY2023, there will likely be further downward pressure on basic earnings, and the Bank’s advantage in terms of earnings is fading. The Bank is stepping up its visits to possible customers it does not yet have business with, and is gradually starting to see results in new business cultivation. JCR will keep an eye on whether the Bank can accumulate lendings for companies in a wide range of industries and thereby alleviate the decline in core net business income.
- (3) The non-performing loans ratio disclosed under the Financial Reconstruction Act stays at a decent level, standing at 2.2% as of March 31, 2023. Although the balance of debts requiring caution is large, the majority of these are loans to the real estate leasing industry, which are well secured by real estate collateral. Furthermore, with regard to borrowers requiring caution or potentially bankrupt borrowers, the Bank conservatively sets aside provisions for loan losses for relatively high-risk borrowers. Credit costs have remained low if the impact of precautionary provisions is excluded, and are unlikely to increase significantly in the future, considering the degree of credit diversification and security status. Surplus funds are basically invested in deposits, and the risks associated with securities investment are limited. The interest rate risks associated with bond holdings are small. The holdings of stocks and investment trusts are small, and the risk of price fluctuations is suppressed relative to capital.
- (4) The consolidated core capital ratio adjusted for reserves for possible loan losses, etc. as of March 31, 2023 was just above 12%. The Bank has a high level of capital margin relative to risks associated with its loan assets and securities. JCR believes that equity capital will steadily increase due to the accumulation of retained earnings.

Akira Minamisawa, Kei Aoki

Rating

Issuer: THE SEIBU SHINKIN BANK

<Affirmation>

Long-term Issuer Rating: A+ Outlook: Stable

Rating Assignment Date: September 15, 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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