25-D-0966
October 17, 2025

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

# The Hiroshima Shinkin Bank (security code: -)

<Affirmation>

Long-term Issuer Rating: A
Outlook: Stable

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*Rationale*

(1) Headquartered in Hiroshima City, Hiroshima Prefecture, The Hiroshima Shinkin Bank (the "Bank") is the largest shinkin bank in the Chugoku region with a fund volume of around 1.7 trillion yen. It operates branches at a high density, mainly in Hiroshima City where there are many business opportunities. Factors reflected in the rating include decent earnings capacity underpinned by the solid customer base, etc.; quality of loan assets that are well-diversified into small amounts and well-covered; and sufficient capital adequacy against risks. JCR will continue watching the balance between investment/loan risks and capital, as well as trends in basic earnings capacity.

(2) Earnings capacity is commensurate with the rating, by and large. ROA based on core net business income is somewhat low, standing at around 0.25%, but nevertheless stays at a certain level. Core net business income (excluding gains and losses on cancellation of investment trusts) has been stable at around 4.5 billion yen. Over the past few years, deterioration in loan-deposit spreads has been offset by investment gains on securities and money deposited. Looking ahead, JCR assumes that loan-deposit spreads will improve as lending rates rise, consequently pushing up core net business income.

(3) The Bank maintains a certain level of soundness in loan asset quality. Non-performing loans ratio under the Financial Reconstruction Act is on an uptrend but still stays below the industry average, standing at 3.0% as of the end of the fiscal year ended March 2025. While there are many assets requiring caution, the ratio of categorized assets is kept relatively low thanks to good coverage. Credit cost ratio has long been remaining at the level of around 10 to 20 bps. Given the good diversification of loans into small amounts and strict credit management, the risk of credit costs growing large remains small even in the future.

(4) In the market division, the Bank primarily takes interest rate risk, and the risk amount is somewhat large relative to capital. As bond holdings are being accumulated mainly in the medium-to-long term zone, the duration is relatively long. The Bank reports valuation losses on available-for-sale securities as a whole because of an increase in valuation losses on yen-denominated bonds due to a rise in market interest rates. It continues investment in medium- and long-term bonds, and JCR will monitor trends in interest rate risk and valuation gains/losses.

(5) Capital adequacy is strong. Consolidated core capital ratio adjusted for valuation losses on securities, etc. remains at around 12%. As it stands, the size of valuation losses is not small, but the capital base is sufficiently robust to absorb such losses. The Bank also has relatively high resilience against a further increase in valuation losses. JCR assumes that the Bank will maintain the high capital level into the future by accumulating profits in line with the expansion of risk assets.

Michiya Kidani, Shuntaro Takasawa

*Rating*

Issuer: The Hiroshima Shinkin Bank

<Affirmation>

Long-term Issuer Rating: A Outlook: Stable

**Rating Assignment Date: October 14, 2025**

**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.**

**Japan Credit Rating Agency, Ltd.**
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