

Sep 17, 2021

R&I Affirms A+, Stable: The Hokkoku Bank, Ltd.

Rating and Investment Information, Inc. (R&I) has announced the following:

ISSUER: The Hokkoku Bank, Ltd.
Issuer Rating: A+, Affirmed
Rating Outlook: Stable

RATIONALE:

The Hokkoku Bank, Ltd. retains a fairly strong market position in Ishikawa Prefecture and has extended its branch network to neighboring Toyama and Fukui Prefectures. Under the policy of pursuing customer-oriented business operations, the bank continues to enhance consulting sales so that it can deepen the understanding of customers and propose solutions to their issues. Lending is growing steadily in all three prefectures in the Hokuriku region due partly to the effect of implementing funding support programs under the COVID-19 pandemic. However, net interest income is projected to decline slightly. Meanwhile, since the bank has been developing the non-interest income business of card, leasing and consulting services as a focus area, the fees and commissions are expected to grow.

In April 2021, the bank revised its policy for developing a medium-term business plan. Specifically, its previous approach of updating a plan every three years was changed to a new one of updating every year in response to rapid changes in business environment, while having its vision over the next five to ten years under a medium- to long-term management strategy. The bank intends to take a step further into business efficiency improvement including the reduction of system operation and maintenance costs by using information technologies. Judging from the past productivity improvement initiatives, R&I believes the latest push will prove successful in the medium to long term.

Its risk resilience based on economic capital is slightly low for the A rating category. The capital adequacy ratio is low compared with peers compliant with the uniform international standard. The bank faces a high risk of price fluctuations, reflecting its abundant stock assets relative to equity capital. Interest rate risk is increasing for purposes of managing more surplus funds through, for instance, investment in ultra long-term government bonds. It is important for the bank to continue reducing stock holdings, while enhancing its ability to build internal reserves.

There have been only a limited number of companies that collapsed due to the COVID-19 pandemic. With outstanding credit to industries prone to a big impact from a voluntary restraint on economic activities being low, the bank keeps a relatively sound asset quality. If the local economy continues to be sluggish, this could increase the likelihood of undermining the asset quality across various industries. Therefore, R&I will keep track of future developments.

The primary rating methodologies applied to this rating are provided at "R&I's Basic Methodology for Corporate Credit Ratings", "Shared Rating Approach for Financial Institutions, etc.", "Depository Financial Institutions", "R&I's Analytical Approach to Financial Groups" and "R&I's Analytical Approach to Regulatory Capital Instruments and Financial Institutions". The methodologies are available at the web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating.

https://www.r-i.co.jp/en/rating/about/rating_method.html

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R&I RATINGS:

ISSUER: The Hokkoku Bank, Ltd. (Sec. Code: 8363)
Issuer Rating
RATING: A+, Affirmed
RATING OUTLOOK: Stable

Shelf Registration (Bonds)

ISSUE AMOUNT (mn): JPY 50,000
ISSUE PERIOD: From Dec 18, 2019 to Dec 17, 2021
RATING: A+, Affirmed (Preliminary)

Unsec. Sub. Bonds with a Non- viability Write-off Clause No.1	Issue Date	Maturity Date	Issue Amount (mn)
	Jul 22, 2020	Jul 22, 2030	JPY 10,000
RATING:	A, Affirmed		

Unsec. Sub. Bonds with a Non- viability Write-off Clause No.2	Issue Date	Maturity Date	Issue Amount (mn)
	Mar 10, 2021	Mar 10, 2031	JPY 10,000
RATING:	A, Affirmed		

A preliminary rating is assigned when a provisional credit rating is needed for an individual obligation on which final terms have not been determined. A credit rating finally assigned may differ from the preliminary rating depending on, among others, the details of the actual contract of the individual obligation.