25-D-1047
October 31, 2025

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

The Amagasaki Shinkin Bank (security code: -)

<Affirmation>
Long-term Issuer Rating: A
Outlook: Stable

Rationale

(1) The Amagasaki Shinkin Bank (the “Bank”) is a large shinkin bank headquartered in Amagasaki City, Hyogo Prefecture, with a fund volume of 2.9 trillion yen. It holds the largest deposit and loan shares in Amagasaki City and has many branches throughout Osaka Prefecture. The rating reflects a solid business base in the local area, the quality of loan assets with effective protection and diversification, and ample capital adequacy relative to risks. There has been an improvement in fundamental earning capacity, and the soundness of the quality of loan assets is maintained. On the other hand, the advantage in core capital levels has declined from the previous level due to expanded valuation losses on securities. JCR will pay attention to whether the Bank is able to appropriately control market risks and maintain the sound capital level.

(2) Earning capacity is basically commensurate with the rating. The ROA (based on core net business income) is somewhat low in the mid-0.2% range, but the core net business income (excluding gains/losses on cancellation of investment trusts) is on an uptrend. In the fiscal year ended March 2025 (FY2024), increases in deposit interest and expenses were offset by expansions in loan interest and surplus fund management income, resulting in a relatively large 25% income increase compared to the previous period. Looking ahead, expenses are expected to rise due to wage increases and system investments. However, JCR sees that the fundamental earnings will remain solid, supported by the expansion of surplus fund management income and other factors.

(3) The quality of loan assets maintains a certain level of soundness. The ratio of disclosed claims under the Financial Reconstruction Act was in the mid-5% range at the end of FY2024, which, even considering the high proportion of business loans, remains at a somewhat high level exceeding the average for shinkin banks. However, using credit guarantee corporation-backed loans, the coverage ratio of disclosed claims exceeds 90%, and the ratio of categorized loans remains relatively low. Concerns about the risk of credit concentration to large borrowers are also low. Credit costs have been suppressed over the long term, and the amount is unlikely to be large in the future.

(4) The security deposit ratio is high at around 40%, indicating significant risk held in the departments engaging in market transactions. The duration of yen-denominated bonds is comparatively long, and the volume of interest rate risk relative to capital is considerably large. For management of investment trusts, correlation is enhanced by leveraging the diversification of investment targets and using bear-type funds; however, due to the large balance held, price fluctuation risk is significant. With the rising market interest rates, the valuation losses on yen-denominated bonds have expanded, resulting in a relatively large valuation losses on available-for-sale securities as a whole. The Bank plans to shorten duration, working on the disposal of bonds with unrealized losses. Attention is focused on whether various risks can be properly controlled to limit negative impacts on earnings and finances.

(5) The capital adequacy is high. The consolidated core capital ratio remains at a high level of 15.2% as of the end of FY2024. The consolidated core capital ratio after adjustment for which JCR evaluates as its core has declined considerably due to the expanded valuation losses on securities and the application the finalization of Basel III standards framework, but it still maintains a favorable level among regional financial institutions in the A rating category. Going forward, the full implementation of Basel III finalization will be a factor that pushes up risk-weighted assets. Given the possibility of increasing valuation losses on bonds when interest rates rise, the trend in core capital levels should be closely watched.

Atsushi Kato, Michiya Kidani

Rating
Issuer: The Amagasaki Shinkin Bank

<Affirmation>
Long-term Issuer Rating: A Outlook: Stable

Rating Assignment Date: October 28, 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.

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