25-D-0784
September 24, 2025

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 total funds of 2.2 trillion yen. The Bank has established a certain business base in Tokyo’s wards and Tama area. The rating reflects its relatively favorable earning capacity and capital adequacy, the quality of well-secured loan assets, etc. Through improved returns on fund management with higher interest rates, JCR sees that core net business income (excluding gains/losses on cancellation of investment trusts) will be maintained at a reasonable level for the time being.

(2) The fundamental earning capacity is relatively good. Core net business income had continued to decline, but in the fiscal year ended March 2025 (FY2024), there was a year-on-year income increase, backed by an increase in interest income from its deposit due to rising interest rates, thereby maintaining ROA in the lower 0.4% range. The loans outstanding is on a declining trend, driven by the full-scale repayment of COVID-19 pandemic-related loans as well as prepayments accompanying the sale of properties financed for real estate leasing business. In addition, going forward, rising yields paid on customer deposits and an expansion in expenses are expected to be factors pushing profits down. However, as improvements in the yield on loans and surplus fund management support the net interest income, the Bank will likely be able to maintain the earning capacity commensurate with the A rating category for the time being.

(3) Loan assets maintain a certain level of soundness. The ratio of disclosed claims under the Financial Reconstruction Act was low, standing in the higher 1% range as of the end of March 2025. Credit costs have been at a low level, and there were reversals for three consecutive periods up to FY2024. Although there are many borrowers requiring caution for loans in the real estate leasing business, which account for high ratio in its loan composition, they are adequately secured by real estate collateral. In addition, regarding other borrowers requiring caution and potentially bankrupt borrowers, conservative allowance has been set aside for relatively high-risk loan loss allowance. Considering the status of credit preservation and the effect of diversification over many small accounts, credit costs are unlikely to significantly swell in the future.

(4) The risks related to securities investments are small. 80% of the surplus funds are managed as deposits, and the security deposit ratio was low at 6% in FY2024. Interest rate risk on held bonds is small, and price fluctuation risk is also controlled relative to capital. In the near-term investment policy for securities, no aggressive risk-taking is planned, and the risk of recording significant losses in surplus fund management is limited.

(5) The Bank is in the higher A rating category in terms of capital adequacy. The consolidated core capital ratio (adjusted for loan loss allowance and other factors) was around 13% at the end of March 2025. The capital buffer measured against risks related to loan assets and securities is high. JCR sees that its equity capital will continue to expand through the accumulation of retained earnings.

Akira Minamisawa, Shuntaro Takasawa

Rating

Issuer: THE SEIBU SHINKIN BANK

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

Rating Assignment Date: September 18, 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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