

Policy of Selling Government Holdings of Shoko Chukin Bank—JCR Will Re-examine Possibility of Government Support

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the report compiled by the "Study Group on the future status of The Shoko Chukin Bank, Ltd. based on a New Business Model" (Committee), which was established to determine whether to privatize The Shoko Chukin Bank, Ltd.

- (1) On February 17, the Committee compiled the results of its study on the future status of The Shoko Chukin Bank, Ltd. ("Shoko Chukin Bank") in a report. Shoko Chukin Bank Limited Act will be retained and crisis response operations will be continued as a statutory responsibility. In light of the nature of Shoko Chukin Bank's operations, the special reserve and the crisis response reserve, both of which are funded by the government, will be retained, and the competent minister will retain general supervisory authority to ensure that crisis response operations are conducted properly. On the other hand, it was decided that the government's 46% stake in Shoko Chukin Bank would be sold entirely within two years of the revision of the Shoko Chukin Bank Limited Act, in order to further develop the business model established through management reform and to expand the scope of its business to be comparable to that of the Banking Act. The selection of the President will also be exempted from approval by the competent minister. In addition, it is decided that the Shoko Chukin Bank Limited Act would be reevaluated to determine whether it should be abolished.
- (2) JCR thinks that the fact that Shoko Chukin Bank will continue to exist as a special company under a special act and maintain its importance in terms of the government's policy due to its responsibility for crisis response operations means that its public character will be maintained in the future. However, the results of review for the future status has clarified a policy of weakening government involvement in the business areas other than crisis response operations. Since the sale of all government shares in Shoko Chukin Bank will lower the government's involvement in the governance, JCR believes that the possibility of the government providing timely and appropriate support to Shoko Chukin Bank in the event of stress in normal operations must be viewed more conservatively than in the past. As for Shoko Chukin Bank's issuer rating, JCR strongly incorporates the possibility of special government support into Shoko Chukin Bank's stand-alone creditworthiness. JCR will re-examine the possibility of government support and appropriately reflect it in the rating, taking into account the timetable for the amendment of the Act and other factors.

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<Reference>

Issuer: The Shoko Chukin Bank, Ltd.

Long-term Issuer Rating: AA+ Outlook: Stable

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