News Release

Japan Credit Rating Agency, Ltd.

25-D-1696
March 26, 2026

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

Osaka Shoko Shinkin Bank (security code: -)

<Affirmation>

Long-term Issuer Rating:	A-
Outlook:	Stable
Short-term Issuer Rating:	J-1

Rationale

(1) Osaka Shoko Shinkin Bank (the "Bank") is a shinkin bank headquartered in Osaka City with total funds of 800 billion yen. With Osaka City, which offers plenty of business opportunities, as its main operating base, the Bank has been building up its deposit and loan balances at a relatively fast pace. Although the Bank's investment and lending operations involve sizable risks, the long-term issuer rating reflects its relatively strong earnings capacity and reasonable capital adequacy. JCR will continue to closely monitor whether the Bank can further enhance its earning capacity and capital adequacy while appropriately controlling investment and lending risks.

(2) Earning capacity is relatively high. While the Bank mainly procures funds through high-interest time deposits, it is actively promoting lending to middle-risk borrowers, resulting in a large interest margin between deposits and loans. In addition, partly because of the fact that the loan-to-deposit ratio has remained at a relatively high level, ROA (based on core net business income) is in the 0.7% range, significantly higher than the average for shinkin banks. Core net business income has been on a long-term upward trend. In the first half of the fiscal year ending March 2026 (FY2025), growth has been somewhat sluggish because deposit rate hikes have come first, while lending rates have yet to rise, softening the loan–deposit margin. However, since the proportion of variable-rate loans is high, the bank is expected to benefit going forward from increases in benchmark interest rates and other factors. Taking into account the fact that the balances of loans and securities are on an increasing trend, JCR sees that core net business income to remain firm going forward.

(3) Although some attention is needed concerning the quality of loan assets, the risks are currently well controlled. A high proportion of loan assets are those to the real estate industry, and there is also a concentration of credit among large borrowers. Also, the proportion of loans to borrowers requiring caution in total credit is high. However, as a result of efforts to strengthen the screening structure and focus on collecting non-performing loans, the non-performing loans ratio disclosed under the Financial Reconstruction Act fell to 3.2% at the end of the first half of FY2025.Although current credit costs are stable, JCR will closely monitor whether the Bank can keep credit costs under control even amid rising inflation and higher interest rates.

(4) The risks faced in the departments involved in market transactions are somewhat high. As the bank is keeping the duration of yen-denominated bonds short, interest rate risk is small. The combined balance of investment trusts and private funds is large relative to capital and entails a commensurate level of market price fluctuation risk and liquidity risk; however, valuation gains have been maintained for the available-for-sale securities portfolio as a whole.

(5) The Bank's capital adequacy is commensurate with a regional financial institution in JCR's A rating category. Because retained earnings reserves have been accumulating at a pace exceeding the growth rate of risk-weighted assets, the adjusted standalone core capital ratio, which JCR evaluates as core, rose to the mid-11% range at the end of the first half of FY2025, placing it a relatively high level. In addition, the Bank has adequate loss-absorbing capacity for risks, including credit concentration risk in the real estate industry. Going forward, while the full implementation of the finalization of Basel III will act as a factor gradually weighing down capital levels, JCR expects capital levels to rise on the back of strong earning capacity.

Tsuyoshi Ohishi, Michiya Kidani

Rating
Issuer: Osaka Shoko Shinkin Bank

<Affirmation>
Long-term Issuer Rating: A- Outlook: Stable
Short-term Issuer Rating: J-1

Rating Assignment Date: March 23, 2026

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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