

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

THE OKAZAKI SHINKIN BANK (security code: -)

<Affirmation>

Long-term Issuer Rating: A
Outlook: Stable

Rationale

- (1) THE OKAZAKI SHINKIN BANK (the “Bank”) is a shinkin bank headquartered in Okazaki City, Aichi Prefecture. Boasting a fund volume of 3.6 trillion yen, it is one of the largest shinkin banks in Japan. It enjoys high market shares for deposits and loans in Okazaki City and has a certain level of operating bases in other places like Nagoya City as well. The long-term issuer rating reflects the Bank’s solid business foundation and the sound quality of its loan assets. While strengthening earning capacity remains a challenge, JCR expects further improvement going forward.
- (2) Although earning capacity is low, it is improving at a rapid pace. Core net business income (excluding gains on the cancellation of investment trusts, etc.; hereinafter the same) for the fiscal year ended March 2025 (FY2024) increased significantly to 7.6 billion yen, approximately three times that of the previous fiscal year, mainly due to a substantial improvement in earnings on securities driven by lower foreign-currency procurement costs. For the first half of FY2025, the Bank has maintained its earnings growth trend, with earnings approximately twice those of the same period last year. Floating-rate loans and deposits account for a large proportion of the Bank’s assets, making the earnings impact of rising interest rates relatively easy to foresee. In addition, an increase in the balance of yen-denominated bonds will also help boost earnings. Although ROA (based on core net business income) remains low at just over 0.2% in the first half of FY2025, JCR expects it to improve further going forward.
- (3) The quality of loan assets is sound. The non-performing loans ratio disclosed under the Financial Reconstruction Act remained at just over 2% as of the end of September 2025. The loan portfolio is well diversified, supported by the large proportion of housing loans, and is also well secured through guarantees and other credit enhancements. Credit costs have remained stable over a long period of time, and JCR expects them to remain at a restrained level going forward.
- (4) Risk amount associated with the Bank’s securities investment is high. Because the securities portfolio includes a sizable amount of equity-related assets, its exposure to price fluctuation risk is high. Although it has narrowed compared with the end of March 2025, supported by rising stock prices and the sale of low-yield bonds, available-for-sale securities still remain in a valuation-loss position. While the Bank is reducing its balance of foreign-currency-denominated bonds and increasing its yen-denominated bond balance, JCR will monitor whether it can improve profitability while keeping risks under control.
- (5) JCR deems the Bank’s capital adequacy to be commensurate with that of regional financial institutions in JCR’s A rating range. After adjustments, including valuation losses on available-for-sale securities, the Bank’s non-consolidated core capital ratio stood in the mid-10% range as of the end of September 2025. For the time being, attention is needed to the impact of market fluctuations in securities valuations, and the full implementation of the finalized Basel III framework will increase risk-weighted assets. However, as earning capacity shows signs of recovery, the outlook for retained-earnings accumulation has become clearer, and JCR believes that the current level of capital can be maintained.

Tsuyoshi Ohishi, Shuntaro Takasawa

Rating

Issuer: THE OKAZAKI SHINKIN BANK

<Affirmation>

Long-term Issuer Rating: A Outlook: Stable

Rating Assignment Date: February 9, 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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