

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

The Shiba Shinkin Bank (security code: -)

<Affirmation>

Long-term Issuer Rating: A-
Outlook: Stable

Rationale

- (1) The Shiba Shinkin Bank (the "Bank") is a large shinkin bank headquartered in Minato Ward, Tokyo with a fund volume of 1.1 trillion yen. Its main operating bases are established in favorable areas such as Minato, Ota and Shinagawa wards in Tokyo, and Yokohama and Kawasaki cities in Kanagawa Prefecture. The rating reflects relatively good capital adequacy and the quality of loan assets that are well-diversified and secured. Although it is difficult to increase the balance of deposit and loan due to the competitions and others, JCR sees it will be able to maintain certain earning capacity through improving yield on fund management.
- (2) Fundamental earning capacity is somewhat low. ROA based on core net business income remains in the lower 0.2% range. For the fiscal year ended March 2025 (FY2024), core net business income decreased just under 10% from the previous fiscal year. As for lending, the yield increased and interest income remained steady, but on the other hand, fund procurement cost significantly boosted by rising interest rate in Japan. Going forward, expenses are expected to increase to improve the treatment of employees, make DX investments and others. In addition, considering continuing early repayment of loans to real estate leasing companies, it is unforeseeable whether the Bank will be able to increase the loan balance sustainably. That said, since the yield on loans and surplus fund management is expected improve, JCR believes that core business income will be able to hover at around the current level.
- (3) The loan assets maintain a certain level of soundness. Non-performing loans ratio under the Financial Reconstruction Act was low in the middle of 2% range. Credit cost has remained at a low level and was reversed for FY2024 following the previous period. There are many borrowers requiring caution for loans to real estate leasing companies, showing a high proportion in the lending composition, but they are secured by collateral real estate. Considering the facts that the loan assets are well diversified into small amounts and conservative reserves are being made for relatively high-risk borrowers, it is unlikely that the credit cost will increase significantly into the future.
- (4) In securities investment, the Bank has not taken excessive risk. For FY2024, it shortened duration, and interest rate risk maintained at a relatively suppressed level against the capital. Attention should be paid to the fact that valuation loss has expanded for available-for-sale securities, but the Bank intends to control the loss within a certain range in the scope of risk capital framework. Going forward, it intends to gradually restore the balance of securities centering on government bonds, but JCR sees market risk will continue to be controlled appropriately because it has set a position limit for each financial product based on the market outlook.
- (5) Capital adequacy is relatively high. Adjusted consolidated core capital ratio after deducing valuation loss of available-for-sale securities was in the middle of 11% range as at the end of FY2024. Going forward, risk-weighted asset is expected to increase towards implementation of the Basel III finalization. In addition, valuation loss of available-for-sale securities may increase, but the equity capital appears to increase consistently through accumulation of retained earnings, and JCR sees it will be able to maintain a favorable level as a regional financial institution in A rating categories

Akira Minamisawa, Kei Aoki

Rating

Issuer: The Shiba Shinkin Bank

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Rating Assignment Date: October 31, 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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JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)
