

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

The Tokyo Shinkin Bank (security code: -)

<Outlook Change>

Long-term Issuer Rating: A-

Outlook: from Stable to Positive

Rationale

- (1) The Tokyo Shinkin Bank (the “Bank”) is a large-scale shinkin bank headquartered in Toshima Ward, Tokyo with a fund volume of 1.2 trillion yen. It has primary operating bases in the areas with abundant business opportunities, including the Toshima, Itabashi, Nerima and Shinjuku wards of Tokyo and southern Saitama Prefecture. It focuses on deposit and loan operations and has a business model based on in-person sales, mainly offering fixed-term deposits, and swift loan arrangements. Core net business income has long been on an uptrend, backed by the aforementioned operating bases and business models, giving it an advantage in terms of earning capacity. Capital adequacy relative to the risk amount is also increasing thanks to the accumulation of retained earnings. Based on this trend, JCR has changed the rating outlook on the Bank to “Positive.” JCR will assess trends in earning capacity and capital adequacy, and incorporate them into its rating.
- (2) Basic earnings capacity is relatively high. ROA based on core net business income was in the mid-0.5% range in the first half of fiscal year ending March 2026 (FY 2025), remaining high among entities in JCR’s A rating category. Core net business income has been on a long-term upward trend, supported by an increase in interest income resulting from the build-up in loans outstanding. In the first half of FY2025, it rose 20% from a year earlier. Because a large proportion of the Bank’s assets, such as variable-rate loans and deposits, are linked to market interest rates, the yield on fund management has risen significantly, enabling the Bank to offset the increase in funding costs with higher interest income on loans and deposits. JCR expects that the Bank’s core net business income will remain solid for the time being, given that the loan balance is steadily increasing, mainly for SMEs, and that the Bank is proceeding with reallocating assets related to surplus fund management.
- (3) The soundness of loan assets has been maintained. Non-performing loans ratio under the Financial Reconstruction Act as of the end of September FY2025 stood low at around 2%. Credit costs have been consistently kept low relative to core net business income and the Bank recorded reversals of credit costs in FY2024 and the first half of FY2025. Partly because the Bank conducts its self-assessment conservatively, credits to the real estate leasing industry, which make up a large share of its loan portfolio, have a large weight of other borrowers requiring caution. That said, given good coverage, favorable locations of the properties, strict screening and process management of credits, etc., credit costs are not likely to grow significantly for the time being even if inflation and interest rate hikes continue.
- (4) Risks in securities investment are contained. The Bank places 70% of its surplus funds in deposits, and thus the securities-to-deposits ratio is low in the low 10% range. A portfolio primarily composed of yen-denominated bonds has been constructed, and no investments are made in foreign currency-denominated bonds. Interest rate risk and price fluctuation risk are both kept small relative to capital and are being controlled, which contains the potential increase in valuation losses associated with rising interest rates.
- (5) The Bank’s capital adequacy is relatively high. The adjusted core capital ratio, after deducting items such as valuation losses on available-for-sale securities, stood at around 11% at the end of the first half of FY2025, which is favorable for a regional financial institution in the A rating category. While level of profitability is on an upward trend, the likelihood of a substantial increase in risk-weighted assets is low. Accordingly, JCR expects capital levels to continue improving for the time being.

Akira Minamisawa, Kei Aoki

Rating

Issuer: The Tokyo Shinkin Bank

<Outlook Change>

Long-term Issuer Rating: A- Outlook: Positive

Rating Assignment Date: March 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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