

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

## The Amagasaki Shinkin Bank (security code: -)

<Affirmation>

Long-term Issuer Rating: A  
Outlook: Stable

### Rationale

- (1) The Amagasaki Shinkin Bank (the "Bank") is a large shinkin bank headquartered in Amagasaki City, Hyogo Prefecture with a fund volume of 2.9 trillion yen. Having the largest market share both for deposits and loans in the city, the Bank also operates many branches in Osaka Prefecture. The Bank's rating reflects solid business foundation in the local area, quality of loan assets that are well secured and diversified into small amounts, and sufficient capital adequacy relative to risk, etc. Key factors for the rating decision continue to be strengthening the earnings capacity and risk control in the market division.
- (2) While interest on loans was declining, core net business income excluding gains and losses on cancellation of investment trusts for the fiscal year ended March 2023 (FY2022) was 6.1 billion yen, flat from that of the previous fiscal year of 6.1 billion, due to a decrease in non-personnel expenses and other factors. Yield on loans has turned upward due to the effect of strictly applying the guideline interest rates, and declining interest on loans is now gradually increasing. Although expenses will increase to upgrade the core system and others going forward, JCR views that the profit level will remain at a current level. On the other hand, profitability indicators such as ROA are somewhat pale. JCR will pay attention to whether the Bank can strengthen the earnings capacity for the lending operation and non-interest business.
- (3) Non-performing loans ratio under the Financial Reconstruction Act is in the middle of 5% range, which is at a rather high level exceeding the shinkin bank average. However, loans are highly secured through using loans backed by the Credit Guarantee Corporation and adopting conservative provision methods. The ratio of categorized loans other than normal assets to the total credits is kept low considering the high composition ratio of business loans. This indicates that the Bank also has a solid credit management system including credit line management and credit assessment by industry. Credit costs have been kept low over the long term and will unlikely become a large amount going forward.
- (4) The market division's risk exposure is large as indicated by high securities-to-deposit ratio of around 40%. The Bank also has a large amount of valuation loss centering on yen-denominated bonds and foreign currency funds. It is working to reduce interest rate risk associated with yen-denominated bonds through squeezing the position of low-coupon long-term government bonds and purchasing bear funds. As for investment trusts, it is also containing expansion of price fluctuation risk through accumulating the balance while diversifying investment targets. JCR will continue to pay attention to whether the Bank can curb negative effects on earnings and financials through a series of risk control measures.
- (5) Consolidated core capital ratio has been hovering at a high level, in the 16% range. While risk-weighted assets are expanding over the medium term, the Bank has accumulated retained earnings through securing a certain amount of profits each fiscal year by keeping credit costs at a low level and gains on sales of securities. The capital level adjusted for valuation losses on securities, which JCR assesses as essential, also remains at a good level among regional financial institutions in the A categories.

Atsushi Kato, Michiya Kidani

### Rating

Issuer: The Amagasaki Shinkin Bank

<Affirmation>

Long-term Issuer Rating: A      Outlook: Stable



Rating Assignment Date: November 9, 2023

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" (November 7, 2014) 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.)

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