

## Shoko Chukin Bank Acquires Its Government-owned Shares—JCR Will Confirm Probability of Recovery of Capital Level

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the policy of The Shoko Chukin Bank, Ltd. (security code: -) to acquire own shares in conjunction with the disposal of the government-owned shares.

- (1) On November 15, The Shoko Chukin Bank, Ltd. (Shoko Chukin Bank) resolved to submit a proposal to its extraordinary general meeting of shareholders on January 21, 2025 to acquire own shares targeting the government-owned shares. In July 2024, the government conducted the general competitive bidding of government-owned shares for the sale of all of the shares in Shoko Chukin Bank, but the successful bid rate was low at only 13%. The recent decision to acquire its own shares was made in light of the facts that a second bidding will be conducted for the remaining government-owned shares and that a policy indicating that Shoko Chukin Bank would be granted eligibility to participate in the bidding was shown.
- (2) The government holds 46% of the issued shares, and small- and medium-sized enterprise cooperatives and others hold 54%. All of the government-owned shares are to be sold within two years, in accordance with the revision of the Shoko Chukin Bank Limited Act in June 2023. The possibility of special support from the government is added to the Shoko Chukin Bank's standalone creditworthiness for the issuer rating. JCR considers that the standalone creditworthiness is assessed as equivalent to "AA-" based on factors such as the solid business foundation, reasonable earnings strength, and capital adequacy relative to risk. On the other hand, JCR believes that the extent of the rating upgrade due to government support after the sale of the shares should be one notch, based on the possibility of policy support premised on the provision of crisis response reserves, and the outlook is "Negative" in consideration of the possibility of downgrading the issuer rating to "AA."
- (3) Shoko Chukin Bank has set the total amount of government-owned shares that it acquires at 158 billion yen, which is the "maximum allowable amount" taking into account the amount that can be distributed under the Companies Act. Under the scenario proposed by Shoko Chukin Bank, there is a possibility that the common equity tier 1 ratio (CET1 ratio) excluding valuation differences will fall from around 11% at the end of March 2024 to below 10%, but in determining the actual acquisition price, etc., it states that it will consider recovering the ratio to around 10% over a period of about three years through measures such as accumulating the retained earnings and controlling the risk assets. The adjusted Tier 1 ratio, on which JCR places importance, will also decline, but JCR believes there is room to watch for the recovery of the capital level under the disciplined capital policy, and at this time JCR does not change the rating action assumption, and will follow the progress of the share acquisition procedures and confirm the probability of the recovery of the capital level.

Tomohiro Miyao, Akira Minamisawa

### <Reference>

Issuer: The Shoko Chukin Bank, Ltd.

Long-term Issuer Rating: AA+      Outlook: Negative

### Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan  
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

Information herein has been obtained by JCR from the issuers and other sources believed to be accurate and reliable. However, because of the possibility of human or mechanical error as well as other factors, JCR makes no representation or warranty, express or implied, as to accuracy, results, adequacy, timeliness, completeness or merchantability, or fitness for any particular purpose, with respect to any such information, and is not responsible for any errors or omissions, or for results obtained from the use of such information. Under no circumstances will JCR be liable for any special, indirect, incidental or consequential damages of any kind caused by the use of any such information, including but not limited to, lost opportunity or lost money, whether in contract, tort, strict liability or otherwise, and whether such damages are foreseeable or unforeseeable. JCR's ratings and credit assessments are statements of JCR's current and comprehensive opinion regarding redemption possibility, etc. of financial obligations assumed by the issuers or financial products, and not statements of opinion regarding any risk other than credit risk, such as market liquidity risk or price fluctuation risk. JCR's ratings and credit assessments are statements of opinion, and not statements of fact as to credit risk decisions or recommendations regarding decisions to purchase, sell or hold any securities such as individual bonds or commercial paper. The ratings and credit assessments may be changed, suspended or withdrawn as a result of changes in or unavailability of information as well as other factors. JCR receives a rating fee paid by issuers for conducting rating services in principle. JCR retains all rights pertaining to this document, including JCR's rating data. Any reproduction, adaptation, alteration, etc. of this document, including such rating data, is prohibited, whether or not wholly or partly, without prior consent of JCR.

JCR is registered as a "Nationally Recognized Statistical Rating Organization" with the U.S. Securities and Exchange Commission with respect to the following four classes. (1) Financial institutions, brokers and dealers, (2) Insurance Companies, (3) Corporate Issuers, (4) Issuers of government securities, municipal securities and foreign government securities.

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.)