

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

THE ASAHI SHINKIN BANK (security code: -)

<Affirmation>

Long-term Issuer Rating: A-
Outlook: Stable
Short-term Issuer Rating: J-1

Rationale

- (1) THE ASAHI SHINKIN BANK (the “Bank”) is a shinkin bank headquartered in Taito Ward, Tokyo with a fund volume of 2.1 trillion yen. While there are many business opportunities in Tokyo, competition is fierce. Even so, the Bank has a certain share for deposits and loans in Taito and Edogawa Wards, its primary sales areas. Factors reflected in the ratings include the good business base, sufficient earning power, decent capital adequacy and well-covered loan assets quality. JCR views that profitability will recover due to factors such as a decrease in foreign currency procurement costs and an increase in investment yields and will pay close attention to whether the company will be able to further increase its capital adequacy through an acceleration in the pace of profit accumulation.
- (2) Profitability is improving to a relatively good level. Core net business profit (excluding gains on cancellations of investment trusts) for the fiscal year ended March 2025 (FY2024) was 6.6 billion yen, an increase of just under 40% from the previous quarter, due to a decrease in foreign currency procurement costs and an improvement in market investment income accompanying a rise in domestic interest rates. ROA based on core net business income also improved to approximately 0.3%. Although the balance of deposits and loans will decrease and system costs will increase in the fiscal year ended March 2026 (FY2025), foreign currency procurement costs will decrease significantly, and core business net income is expected to increase further. The Bank has shifted to an operating policy that emphasizes profitability more than lending volume, and JCR will focus on the accumulation of high-yielding loans and trends in foreign currency funding costs.
- (3) The quality of loan assets has maintained a certain level of soundness. The ratio of loans disclosed under the Financial Reconstruction Act as of the end of September 2025 was slightly high at just under 4%, and the proportion of loans to other borrowers requiring caution in total credit was also high at over 30%. However, the provision method is conservative, such as recording allowances that are not based on the actual bad debt rate, in addition to generous preservation through guarantees. Credit costs have been in excess of reversals since fiscal year ended March 2023 (FY2022) due to factors such as reversal of special reserves during the COVID-19 pandemic. While the proportion of loans to the real estate industry in total credit has been on the rise recently and this should be monitored, JCR views that credit costs are not likely to grow large for a while thanks to sufficient coverage and conservative provisions.
- (4) The risks involved in market investment are not excessive. Although the security deposit ratio is low at around 10%, foreign currency-denominated bonds against the securities portfolio is large at around 30%. However, the interest rate risk on bonds and the price fluctuation risk on stocks and REITs are not so large compared with capital. Looking ahead, while the outstanding balance of foreign currency-denominated bonds will decrease with redemption, the Bank intends to increase bond holdings, mainly yen-denominated bonds. Therefore, JCR will pay close attention to changes in the amount of each risk and profitability.
- (5) Capital adequacy is commensurate with the rating, by and large. The adjusted consolidated core capital ratio was just under 9% at the end of March 2025. Although it decreased slightly compared to the previous fiscal year, the main reason was an increase in risk assets due to the finalization of Basel III. Given also the exceptional provisions for COVID responses, the Bank secures a reasonable level of a buffer against risks. Although risk assets are highly likely to increase in the future because of growth in loans not guaranteed by credit guarantee corporations and the reduction of transitional measures for the finalization of Basel III, JCR assumes that the Bank can still maintain current level of capital as the pace of profit accumulation is expected to accelerate along with the recovery of earnings.

Kengo Sakaguchi, Shuntaro Takasawa

Rating

Issuer: THE ASAHI SHINKIN BANK

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Rating Assignment Date: December 8, 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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