News Release

Japan Credit Rating Agency, Ltd.

26-D-0961
October 30, 2026

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 shinkin bank headquartered in Minato Ward, Tokyo with a fund volume of 1.1 trillion yen. Its main operating bases are located in favorable areas such as Minato, Ota and Shinagawa Wards in Tokyo, and Yokohama and Kawasaki Cities in Kanagawa Prefecture. The long-term issuer rating reflects relatively good capital adequacy and the quality of loan assets that are well-diversified and secured. Although deposit and loan balances have been declining somewhat, JCR sees that the earning capacity will improve to some extent due to higher yields on invested funds.

(2) Its fundamental earning capacity is somewhat low. ROA (based on core net business income) remains in the low-0.2% range. Core net business income for the fiscal year ended March 2026 (FY2025) increased slightly year on year. Net interest income declined slightly because deposit rates increased ahead of lending rates following the rise in domestic interest rates. However, interest income from deposits increased significantly, absorbing the rise in expenses. Going forward, expenses are expected to increase, mainly reflecting higher personnel costs. In addition, given that early repayments of loans for the real estate leasing business due to property sales are ongoing, it is uncertain whether the loan balance can continue to grow steadily. That said, as the effect of increasing earnings driven by improved yields on loans and surplus fund management is significant, core net business income seems to increase from its current level.

(3) The soundness of loan assets is maintained at a certain level. The non-performing loans ratio under the Financial Reconstruction Act is low in the mid-2% range. Credit costs have remained low and, in recent years, have recorded reversals or remained at levels close to zero. Regarding loans to the real estate leasing sector, which account for a large portion of the loan portfolio, some loans are among the largest balances of loans to other borrowers requiring caution; however, they are adequately covered by real estate collateral. Moreover, considering that the loan assets are well-diversified into small lots and that conservative provisions are made for relatively high-risk borrowers, the likelihood of a significant increase in credit costs in the future is low.

(4) Excessive risk is not being taken in securities investment management. While the investment balance is being restored mainly through purchases of JGBs, the duration has been shortened, and the amount of interest rate risk is at a relatively restrained level relative to capital. On the other hand, losses on valuation of available-for-sale securities (the "valuation losses") are increasing and are somewhat large, accounting for 20% of equity at the end of FY2025. The Bank has a policy to control the valuation losses within a certain range under the risk capital allocation framework, and JCR will monitor whether the Bank can suppress further increases in the valuation losses through the sale of long-term bonds and other measures.

(5) Capital adequacy is relatively high. Adjusted consolidated core capital ratio after deducing the valuation losses was in the low 11% range as of the end of FY2025. Going forward, risk-weighted assets are expected to increase towards the full implementation of the Basel III finalization. In addition, although the valuation losses may increase, equity capital is expected to continue accumulating through retained earnings. JCR therefore believes that the Bank will be able to maintain capital adequacy commensurate with regional financial institutions in the A rating category.

Akira Minamisawa, Kei Aoki

Rating

Issuer: The Shiba Shinkin Bank

<Affirmation>
Long-term Issuer Rating: A- Outlook: Stable

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Rating Assignment Date: October 27, 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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