26-D-0656
September 10, 2026

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

THE KYOTO CHUO SHINKIN BANK (security code: -)

<Affirmation>

Long-term Issuer Rating:	A+
Outlook:	Stable

Rationale

(1) THE KYOTO CHUO SHINKIN BANK (the “Bank”) is a shinkin bank headquartered in Kyoto City, Kyoto Prefecture with a fund volume of 5.4 trillion yen. It boasts the largest balances of deposits and loans in the shinkin industry. It has strong presence in its locality, as indicated by the share of over 20% for loans in the prefecture. Factors reflected in the rating include the stable operating base, constrained credit risk of loan assets and decent levels of earnings capacity and capital adequacy. That said, factors including the fact that the substantive capital level is affected by valuation losses on securities require attention.

(2) Fundamental earnings capacity is at a level more or less commensurate with the A rating category. ROA for the fiscal year ended March 2026 (FY2025) (based on core net business income excluding gains/losses on cancellation of investment trusts and gains/losses on derivative instruments) stayed in the higher 0.2% range. However, funding yields rose ahead of asset yields amid rising interest rates, temporarily weighing on ROA. JCR expects earnings capacity to improve going forward, supported by asset yields rising with a time lag and other factors. Although the Bank recorded substantial losses on bond sales as it reduced its bond holdings, these losses were offset by gains on sales of shares and gains on disposals of fixed assets, enabling net income for the period to exceed the level of FY2024.

(3) Credit risks associated with loan assets are small. Non-performing loans ratio under the Financial Reconstruction Act has remained at sound level of around 2%. The Bank curbs risks by taking such measures as securing coverage by collateral, etc. and diversifying credit into small amounts. JCR considers that the Bank conducts disciplined credit management under the robust screening system. Credit costs have long been remaining low and are not likely to increase significantly even in the future. That said, a certain level of attention should be paid to the fact that the degree of credit concentration to real estate companies is high and rising.

(4) The risks associated with securities investments are well controlled. The sale of a substantial amount of super-long-term Japanese government bonds and other securities reduced the Bank's previously high-interest-rate risk to a level more commensurate with its capital. Rising interest rates have increased unrealized losses on bonds, but diversification into equity-related assets has partially mitigated the impact. Nevertheless, unrealized losses on available-for-sale securities stood at approximately 20% of core capital as of March 31, 2026. As this has reduced the financial buffer to a certain extent, JCR will keep an eye on future developments.

(5) Capital adequacy is commensurate with the A rating category, but the impact of price fluctuations in securities requires attention. The consolidated core capital ratio, adjusted for valuation losses on available-for-sale securities, etc., was in the mid-9% range as of March 31, 2026. While the impact of growing risk-weighted assets on the consolidated core capital ratio has been offset by retained earnings accumulation, the adjusted consolidated core capital ratio has been pressured by unrealized losses on securities.

Tsuyoshi Ohishi, Ippei Koga

Rating

Issuer: THE KYOTO CHUO SHINKIN BANK

<Affirmation>

Long-term Issuer Rating: A+ Outlook: Stable

Rating Assignment Date: September 7, 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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