26-D-0731
September 18, 2026

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 long-term issuer rating include the good business base, sufficient earning power, decent capital adequacy and well-covered loan assets quality.

(2) The Bank's earnings capacity is commensurate with its A- rating category among regional financial institutions. ROA (based on the core net business income excluding gains/losses on cancellation of investment trusts) for the fiscal year ended March 2026 (FY2025) was in the mid-0.4% range. Core net business income (excluding gains and losses on cancellation of investment trusts; the same applies herein after) increased substantially by the mid-50% range year on year, mainly due to lower foreign currency funding costs. Going forward, rising expenses will put downward pressure on profits. Nevertheless, JCR believes that core net business income will remain resilient, as the deposit-loan income balance is expected to remain at roughly the current level and market investment balance, including foreign currency funding costs, is expected to increase as foreign currency-denominated bonds are replaced with yen-denominated bonds.

(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 FY2025 was slightly high at around 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 for FY2025 increased to just under 3 billion yen, but this was largely due to the introduction of a new provisioning method. Excluding these effects, credit costs were not particularly significant, although there were downgrades of major borrowers. While the proportion of loans to the real estate industry in total credit has been on the rise and this should be monitored, JCR views that credit costs are not likely to grow large 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% range, the interest rate risk associated with domestic and foreign bonds is not particularly large relative to capital. Although the share of foreign currency-denominated bonds remains high, it has been declining as no new investments are being made, and holdings are being reduced through maturities and loss-cutting sales. The risk of price fluctuations in stocks, etc. is relatively high, but valuation provides a certain risk buffer. Looking ahead, the outstanding balance of foreign currency-denominated bonds is expected to continue declining, while the Bank intends to replace them with yen-denominated bonds. JCR will therefore closely monitor trends 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 in the lower 8% range at the end of FY2025. It decreased slightly from the end of the previous period, as risk assets increased due to an increase in loans outstanding and other factors. Although risk assets are highly likely to increase because of continued growth in loans not guaranteed by credit guarantee corporations and the reduction of transitional measures for the finalization of Basel III, JCR believes that the Bank can still maintain its current capital level as profits continue to accumulate on the back of resilient earnings.

Kengo Sakaguchi, Shuntaro Takasawa

Rating
Issuer: THE ASAHI SHINKIN BANK

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

Rating Assignment Date: September 15, 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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