

Dec 14, 2021

R&I Places on the Rating Monitor With View to Upgrading: SBI Holdings, Inc., SBI Securities Co., Ltd.

Rating and Investment Information, Inc. (R&I) has announced the following:

ISSUER: SBI Holdings, Inc.

Issuer Rating: (BBB+), With View to Upgrading, Previously BBB+
Commercial Paper: (a-2), With View to Upgrading, Previously a-2

SBI Securities Co., Ltd.

Issuer Rating: (A-), With View to Upgrading, Previously A-

RATIONALE:

SBI Holdings, Inc. (SBIHD) announced on December 11 its plan to make Shinsei Bank, Ltd. (Sec. Code: 8303, Issuer Rating: A-) its consolidated subsidiary as of December 17 by acquiring 47.77% shares in the bank as a result of a tender offer it conducted together with its subsidiary SBI Regional Bank Holdings Co., Ltd. R&I considers that the conversion of Shinsei Bank into a consolidated subsidiary will highly likely increase the SBI Group's creditworthiness. Based on this view, R&I has placed SBIHD and its core company SBI Securities Co., Ltd. on the Rating Monitor with a view to upgrading.

Most of the SBI Group's assets and earnings are accounted for by the financial services business conducted mainly by SBI Securities and the asset management business. The rating for core company SBI Securities directly reflects the group creditworthiness of A-. Although the rating for SBIHD is also based on the group creditworthiness, SBIHD is rated BBB+, one notch below SBI Securities, because of inherent structural subordination of holding companies and other factors.

Consolidating Shinsei Bank will add the banking business and non-banking operations at home and abroad to the SBI Group and reinforce the Group's franchise and earning capacity. Since there is little overlap between businesses and customers of the bank and the SBI Group, the Group will have more ample earnings and diversify its earnings sources further following the tender offer. While SBIHD's debt has increased due to the acquisition cost of 113.8 billion yen, its risk resilience will not be affected, in R&I's view, thanks to negative goodwill.

The SBI Group will be faced with the issue of repaying public funds put into Shinsei Bank. It is difficult to complete repayment in a short time in light of the level of the bank's stock price. The Group intends to consider repaying the public funds by leveraging the group synergy effects to increase the corporate value of the bank. R&I believes that SBIHD will maintain the bank's financial management policy of keeping the common equity tier 1 capital ratio at 10% or higher. Eyes will be on the plan to repay the public funds in the future.

SBIHD says that, when a path to enhance the corporate value of Shinsei Bank is secured, it will consider establishing an optimal organizational structure, including the conversion of a group company into a bank holding company, and acquiring a majority stake in the bank on the premise of obtaining approval from the Financial Services Agency. R&I will update the rating based on the Group's organizational and governance frameworks as well as business and financial strategies.

R&I has not placed SBI Securities' CP rating of a-1 on the Rating Monitor.

The primary rating methodologies applied to this rating are provided at "R&I's Basic Methodology for Corporate Credit Ratings", "Shared Rating Approach for Financial Institutions, etc.", "Securities Firms", "R&I's Analytical Approach to Financial Groups" and "R&I's Analytical Approach to Regulatory Capital Instruments and Financial Institutions". The methodologies are available at the web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating.

https://www.r-i.co.jp/en/rating/about/rating_method.html

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R&I RATINGS:

ISSUER: SBI Holdings, Inc. (Sec. Code: 8473)
Issuer Rating
RATING: (BBB+), With View to Upgrading

Shelf Registration (Bonds)

ISSUE AMOUNT (mn): JPY 250,000
ISSUE PERIOD: From Mar 02, 2021 to Mar 01, 2023
RATING: (BBB+), With View to Upgrading (Preliminary)

Unsec. Str. Bonds No.12	Issue Date	Maturity Date	Issue Amount (mn)
	Jun 22, 2017	Jun 22, 2022	JPY 17,000
RATING:	(BBB+), With View to Upgrading		

Unsec. Str. Bonds No.14	Issue Date	Maturity Date	Issue Amount (mn)
	Mar 27, 2018	Mar 27, 2023	JPY 18,000
RATING:	(BBB+), With View to Upgrading		

Unsec. Str. Bonds No.16	Issue Date	Maturity Date	Issue Amount (mn)
	Dec 06, 2018	Dec 06, 2023	JPY 15,000
RATING:	(BBB+), With View to Upgrading		

Unsec. Str. Bonds No.17	Issue Date	Maturity Date	Issue Amount (mn)
	May 30, 2019	May 30, 2022	JPY 25,000
RATING:	(BBB+), With View to Upgrading		

Unsec. Str. Bonds No.18	Issue Date	Maturity Date	Issue Amount (mn)
	May 30, 2019	May 30, 2024	JPY 25,000
RATING:	(BBB+), With View to Upgrading		

Unsec. Str. Bonds No.19	Issue Date	Maturity Date	Issue Amount (mn)
	Dec 05, 2019	Dec 05, 2022	JPY 20,000
RATING:	(BBB+), With View to Upgrading		



NEWS RELEASE

Unsec. Str. Bonds No.20	Issue Date	Maturity Date	Issue Amount (mn)
	Dec 05, 2019	Dec 05, 2024	JPY 25,000

RATING: (BBB+), With View to Upgrading

Unsec. Str. Bonds No.21	Issue Date	Maturity Date	Issue Amount (mn)
	Jun 04, 2020	Jun 02, 2023	JPY 15,000

RATING: (BBB+), With View to Upgrading

Unsec. Str. Bonds No.22	Issue Date	Maturity Date	Issue Amount (mn)
	Jun 04, 2020	Jun 04, 2025	JPY 10,000

RATING: (BBB+), With View to Upgrading

Unsec. Str. Bonds No.23	Issue Date	Maturity Date	Issue Amount (mn)
	Dec 01, 2020	Dec 01, 2023	JPY 25,000

RATING: (BBB+), With View to Upgrading

Unsec. Str. Bonds No.24	Issue Date	Maturity Date	Issue Amount (mn)
	Dec 01, 2020	Dec 01, 2025	JPY 30,000

RATING: (BBB+), With View to Upgrading

Unsec. Str. Bonds No.25	Issue Date	Maturity Date	Issue Amount (mn)
	Jul 26, 2021	Jul 26, 2024	JPY 40,000

RATING: (BBB+), With View to Upgrading

Unsec. Str. Bonds No.26	Issue Date	Maturity Date	Issue Amount (mn)
	Jul 26, 2021	Jul 24, 2026	JPY 40,000

RATING: (BBB+), With View to Upgrading

Euro MTN Prog.

ISSUE LIMIT (mn): JPY 200,000

SUPPORT: Unsecured

RATING: (BBB+), With View to Upgrading

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ISSUE LIMIT (mn): Commercial Paper
JPY 5,000
SUPPORT: Unsecured
RATING: (a-2), With View to Upgrading

ISSUER: SBI Securities Co., Ltd.

RATING: Issuer Rating
(A-), With View to Upgrading

Unsec. Str. Security Token Bonds No.1	Issue Date	Maturity Date	Issue Amount (mn)
	Apr 27, 2021	Apr 27, 2022	JPY 100
RATING:	(A-), With View to Upgrading		

ISSUE LIMIT (mn): Euro MTN Prog.
JPY 150,000
SUPPORT: Unsecured
RATING: Senior Notes: (A-), With View to Upgrading
Dated Sub. Notes: (BBB+), With View to Upgrading

A credit rating for a medium-term note (MTN) program is assigned to the program and not to individual notes issued under the program. The credit rating of individual notes is generally the same as that of the program. As regards credit-linked notes, index-linked notes or other notes, however, there are some cases where the rating on each note will not be on par with the program or no rating will be assigned, depending on the details of the individual note contract. Upon the issuer's request, R&I may assign a credit rating to individual notes issued under the program.

A preliminary rating is assigned when a provisional credit rating is needed for an individual obligation on which final terms have not been determined. A credit rating finally assigned may differ from the preliminary rating depending on, among others, the details of the actual contract of the individual obligation.