

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

GIFU SHINKIN BANK (security code: -)

<Affirmation>

Long-term Issuer Rating: A-
Outlook: Stable

Rationale

- (1) GIFU SHINKIN BANK (the “Bank”) is a large shinkin bank headquartered in Gifu City, Gifu Prefecture with a fund volume of 2.6 trillion yen. It is one of the leading companies in the shinkin industry. It has a certain presence with market shares of around 10% for both loans and deposits in the prefecture. Factors reflected in the rating include relatively good loan asset quality and capital adequacy relative to risks. JCR assumes that the Bank can maintain a certain level of earnings capacity for the time being thanks mainly to an increase in interest income from surplus fund management with a rise in market interest rates.
- (2) Basic earnings capacity is somewhat low. ROA (based on core net business income excluding gains on cancellation of investment trusts) came in the lower 0.2% range for the fiscal year ended March 2025 (FY2024). The Bank’s sales promotion area is a highly competitive financial district, and thus loan yields are low because of intensifying competition and so forth. Core net business income, which previously was on an uptrend, fell 5% from the previous year in FY2024 due to a decrease in net interest rate spread and growth in expenses. Even though net interest rate spread is hardly likely to improve even in FY2025, core net business income is expected to stay at around the current level with the increase in interest income from surplus fund management. Under a sales promotion structure clearly defining the roles of corporate and individual sales, the Bank is stepping up solution-based sales by creating more contact points with customers. JCR will watch whether it can increase earnings capacity by boosting fee income through initiatives in non-interest businesses while improving net interest rate spread primarily by enhancing SME lending.
- (3) The soundness of loan assets is maintained. Non-performing loans ratio under the Financial Reconstruction Act as of the end of FY2024 stood decent at around 2.5%. Credit costs remain low and sound. In FY2024, albeit a greater number of borrowers being reclassified into lower categories, credit costs remained at 20% of core net business income. Although attention needs to be paid to changes in the environment surrounding customers, including higher prices and manpower shortages, JCR assumes that credit costs are not likely to grow remarkably for the time being in light of such factors as the degree of credit diversification and conservative provisions for high-risk customers.
- (4) Risks associated with securities investment are somewhat large. As the Bank has expanded investments in long-term bonds and investment trusts amid the ultra-low interest rate environment, it faces considerable levels of interest rate risk and price fluctuation risk. Valuation losses on available-for-sale securities are fairly large relative to capital, amounting to around 14 billion yen as of the end of September 2025, but the Bank intends to keep these losses within a certain range under the risk capital allocation framework. In response to rising domestic interest rates, it plans to proceed with investments, primarily in medium-term public bonds, to cover redemptions and also aims to shorten duration, etc. through the use of asset swaps. JCR will watch whether it can appropriately control market risks in the phase of interest rate hikes.
- (5) Capital adequacy is commensurate with the rating, by and large. Consolidated core capital ratio adjusted for valuation losses on available-for-sale securities, etc. as at the end of March 2025 was in the mid-8% range. Looking ahead, not only risk assets are expected to increase with the implementation of the finalized Basel III framework, but valuation losses on available-for-sale securities may also become larger. Yet, JCR assumes that the Bank can maintain actual capital at a level decent for a regional financial institution in JCR’s A rating category, on the grounds that equity capital will likely build up steadily with the accumulation of retained earnings.

Akira Minamisawa, Kyohei Yamamoto

Rating

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<Affirmation>

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Rating Assignment Date: November 11, 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.

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

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