

TOWA BANK Revises Its Earnings Forecast Downward—No Impact on the Rating

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on a downward revision to the earnings forecast for the fiscal year ending March 2026 (FY2025) by THE TOWA BANK, LTD. (security code: 8558) mainly because of the sale of bonds with unrealized losses.

- (1) THE TOWA BANK, LTD. (the "Bank") announced today that it will revise its FY2025 forecast for ordinary profit on a standalone basis downward to 30.0 billion yen in loss from the previous projection of 3.5 billion yen in profit (the "Revision"). As a primary factor behind this, it will report a loss of 36.0 billion yen in connection with the sale of bonds with unrealized losses triggered by market interest rate hikes. As a result of this loss recognition, the Bank now expects core capital ratio on a standalone basis to fall to around 7% at March 31, 2026 from 9.71% a year before. Meanwhile, it intends to appropriate the proceeds from the sale of bonds for reinvestment in domestic bonds with remaining maturities of no more than three years and for business loans.
- (2) The Revision has no impact on the rating. JCR reviewed the Bank's long-term issuer rating in July 2025 and affirmed it to be BBB+ with Stable outlook. Factors that supported the rating included the capital level in addition to certain business bases established in Gunma and Saitama prefectures, centering on transactions with SMEs, and decent earnings capacity. Even though the Revision will result in a sharp drop in the Bank's core capital ratio, it will affect core capital ratio adjusted for unrealized losses on available-for-sale securities, etc., which JCR views as a key factor, only limitedly. Core net business income as of now is solid thanks to growth in net interest income. JCR will closely watch how far the Bank can improve its earnings capacity by replacing assets with the bonds and business loans, which offer higher yields than those being sold.

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<Reference>

Issuer: THE TOWA BANK, LTD.

Long-term Issuer Rating: BBB+ Outlook: Stable

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