News Release

Japan Credit Rating Agency, Ltd.

26-D-0964
November 13, 2026

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. The long-term issuer rating reflects relatively sound loan asset quality and capital adequacy relative to risks, among other factors. Against the backdrop of increased interest income from surplus funds, solid profit growth is expected for the time being. As the Bank strengthens sales initiatives centered on customer touchpoints, attention will be paid to whether it can accelerate improvements in loan-deposit income through increased lending to SMEs and thereby further improve its earning capacity.

(2) Although earning capacity is somewhat low relative to the rating, it is steadily improving. Core net business income (excluding gains/losses on cancellation of investment trusts; the same here inafter) for the first half of the fiscal year ending March 2027 (FY2026) increased by just under 40% year on year, and ROA (based on core net business income) rose to the mid-0.3% range. Although loan-deposit balance deteriorated due to a faster increase in deposit interest expenses amid rising market interest rates, interest income from deposits and securities expanded. Although expenses are trending upward due to improvements in employee compensation and system investments, JCR expects core net business income to maintain its upward trend, given the effect of higher yields on surplus fund investments resulting from measures such as the rebalancing of the securities portfolio.

(3) The soundness of loan assets is maintained. Non-performing loans ratio under the Financial Reconstruction Act as of the end of September 2026 stood decent at around 2.5%. Credit costs have remained low and stable, staying within a range that can be sufficiently absorbed by core net business income. Although the environment surrounding its customers is becoming increasingly challenging on the back of rising prices and labor shortages, given that credit exposure is well diversified and that precautionary provisions have been set aside for customers with relatively high risk, JCR believes that the likelihood of a significant increase in credit costs for the time being is low.

(4) Risks associated with securities investment are somewhat large. As the Bank has expanded investments in long-term bonds and investment trusts under the negative interest rate policy, it faces considerable levels of interest rate risk and price fluctuation risk. Valuation losses on available-for-sale securities were significant, amounting to approximately 20% of capital at the end of September 2026, but the Bank intends to keep these losses within a certain range under the risk capital allocation framework. Interest rate risk is being reduced through a portfolio review centered on the sale of long-term bonds and reinvestment in short-and medium-term bonds. JCR will focus on whether the Bank can build a portfolio that secures stable returns while limiting valuation losses.

(5) Capital adequacy is commensurate with the rating. The adjusted consolidated core capital ratio after deducting valuation losses on available-for-sale securities, etc. was in the lower 9% range at the end of FY2025. 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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Rating Assignment Date: November 10, 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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