News Release

Japan Credit Rating Agency, Ltd.

26-D-0259
June 5, 2026

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

THE TONO SHINKIN BANK (security code: -)

<Affirmation>

Long-term Issuer Rating:	A-
Outlook:	Stable

Rationale

(1) THE TONO SHINKIN BANK (the "Bank") is a shinkin bank headquartered in Tajimi City, Gifu Prefecture, with a fund volume of 1.2 trillion yen. It maintains relatively high market shares for both deposits and loans in the Tono region, its main operating area. Factors reflected in the long-term issuer rating include the solid business base in the local market and high capital adequacy, among others. Although valuation losses on other securities available for sale are expanding, they have been absorbed by the sufficient amount of equity capital and financial soundness is being maintained. On the other hand, on the back of sluggish fund demand in the local market, intensified competition and others, the balance of loan is decreasing. JCR will pay attention to the trend in core net business income through improving the profit margin.

(2) Fundamental earning capacity is somewhat low. Core net business income (excluding gains and losses on cancellation of investment trusts; the same applies hereinafter) has been on a mild increase trend, but ROA based on core net business income remains in the lower 0.2% range. For the fiscal year ended March 2026 (FY2025), net interest income remained flat from the previous fiscal year due to increased interest rates on deposits. On the other hand, a decrease in expenses became a factor supporting profits. The balance of loans is in a downtrend due partly to sluggish fund demand of local SMEs, and JCR sees a further improvement of the yield gap between deposits and loans will be important to maintain and raise the earning capacity. Amid growing upward pressure on deposit yields due to intensified competition to acquire deposits, JCR will check whether the Bank will be able to accelerate the pace of improving yields on loans by setting fair interest rates considering profitability at the time of refinance of business loans and interest rate revisions.

(3) Certain soundness has been maintained for loan assets. Non-performing loans ratio under the Financial Reconstruction Act at the end of FY2025 was high, standing just under 6%. Credits extended to borrowers are well-diversified into small amounts, in principle, but the balance of high risk assets is relatively large on the back of deterioration in business conditions and credit costs will easily fluctuate due to factors of large borrowers. Although they were reversed for FY2025, borrowers with large amount of unsecured credits against core net business income can be often found among those classified in other borrowers requiring caution or lower categories. JCR will continue to closely watch the trend in credit cost because the external environment surrounding SMEs is becoming increasingly severe.

(4) The Bank's risk exposure in securities investment is large. Since the Bank has been building up the balance centering on long- and ultra-long-term yen-denominated bonds, the bank's interest rate risk exposure is large and the valuation losses have been expanding along with rising domestic interest rates. Other than holding down investments in long-term bonds to shorten duration, it is working on reducing interest rate risk exposure through selling low yield bonds and others. JCR will pay attention to whether the Bank will be able to control market risk against the capital while securing certain profitability through shifting to investment using deposits and other means.

(5) Capital adequacy is high. While adjusted core consolidated capital ratio deducing valuation losses on other securities available for sale, etc. has declined, it still remains high among the regional financial institutions in A categories, in the mid-13% at the end of FY2025. Considering risk of increasing credit cost and valuation losses on securities under certain stress scenarios, JCR sees the Bank can still maintain a higher capital adequacy among regional financial institutions in the A categories.

Akira Minamisawa, Seito Achiha

Rating
Issuer: THE TONO SHINKIN BANK

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

Rating Assignment Date: June 2, 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.

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