



# NEWS RELEASE

Apr 19, 2021

## R&I Affirms A+, Stable: The Gunma Bank, Ltd.

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

**ISSUER:** The Gunma Bank, Ltd.  
**Issuer Rating:** A+, Affirmed  
**Rating Outlook:** Stable

### RATIONALE:

The Gunma Bank, Ltd. is the top regional bank in Gunma Prefecture, which has a comparatively large economy. Having a certain level of franchise in Tochigi Prefecture and Saitama Prefecture, the bank also established its branch network in the Keihin area, i.e. the southern part of Kanto, which has large markets. Since the bank has been capturing large demand for loans in the real estate leasing sector and the medical and nursing care sector, as well as for housing loans, outstanding loans outside Gunma Prefecture now account for the majority of its lending.

While the bank's earning capacity is weak for the rating, profits from customer transactions are relatively ample. Under persistent downward pressure on interest income, the bank intends to change its earnings structure by proceeding with the reform of its cost structure and enhancing fee and commission-based services. Through the cost structure reform, full-banking services are curtailed and property and labor expenses are expected to be reduced accordingly. With specialized personnel assigned to business succession and inheritance-related services on the basis of fees and commissions, the bank's headquarters and branches are making a unified effort on consulting sales. Such fee and commission-based services are expanding moderately, contributing to the improvement of customer transactions profitability.

While having certain concentration risk in respect of loans to Subaru Corp. and its suppliers as well as real estate financing, the bank's overall loan portfolio is diversified with small accounts. Reflecting non-high risk appetite in securities investment, market risk is comparatively small. Even though the bank has increasing risks due to large accounts being reclassified into higher risk categories and a rising balance of marketable securities, its risk resilience is still commensurate with the A rating category. In addition, there is no concern about its liquidity.

The bank's asset quality is sound. Credit cost for FY2020 (the year ended March 2021) is expected to increase significantly from the initially projected 9.9 billion yen due to deterioration in borrowers' business performance affected by the COVID-19 pandemic. With this spending, it seems that the bank has almost completed measures for its large accounts and the borrowers hit hard by the pandemic.

There is a concern about a ripple effect on a wide range of borrowers if it takes longer until the COVID-19 pandemic subsides. Downward pressure on the quality of assets could be stronger if credit cost remains high due, for instance, to an increase in borrowers reclassified into higher risk categories. R&I will keep an eye on future developments.

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.", "Depository Financial Institutions" 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](https://www.r-i.co.jp/en/rating/about/rating_method.html)

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## R&amp;I RATINGS:

**ISSUER:** The Gunma Bank, Ltd. (Sec. Code: 8334)  
**Issuer Rating**  
**RATING:** A+, Affirmed  
**RATING OUTLOOK:** Stable

**Unsec. Sub. Bonds with a Non- Issue Date Maturity Date Issue Amount (mn)**  
**viability Write-off Clause No.1**

Oct 28, 2016 Oct 28, 2026 JPY 10,000

**RATING:** A, Affirmed

**Unsec. Sub. Bonds with a Non- Issue Date Maturity Date Issue Amount (mn)**  
**viability Write-off Clause No.2**

Apr 28, 2017 Apr 28, 2027 JPY 10,000

**RATING:** A, Affirmed

**Unsec. Sub. Bonds with a Non- Issue Date Maturity Date Issue Amount (mn)**  
**viability Write-off Clause No.3**

Apr 27, 2018 Apr 27, 2028 JPY 10,000

**RATING:** A, Affirmed

**Unsec. Sub. Bonds with a Non- Issue Date Maturity Date Issue Amount (mn)**  
**viability Write-off Clause No.4**

Apr 26, 2019 Apr 26, 2029 JPY 10,000

**RATING:** A, Affirmed

**Unsec. Sub. Bonds with a Non- Issue Date Maturity Date Issue Amount (mn)**  
**viability Write-off Clause No.5**

Nov 26, 2019 Nov 26, 2029 JPY 10,000

**RATING:** A, Affirmed