

Interim Financial Results Briefing Session for the First Half of 2019

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The Gunma Bank, Ltd.

First Section of the Tokyo
Stock Exchange: 8334

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I. Summary of Interim Financial Results for the First Half of 2019



1. Consolidated Profit and Loss Conditions

The Bank has achieved an increase in core business net profit by 1.2 billion yen compared to the announced plan, resulting in an increase in net income by 2.3 billion yen.

■ Profit and loss (consolidated)

(Unit: billion yen)

<Special comments>

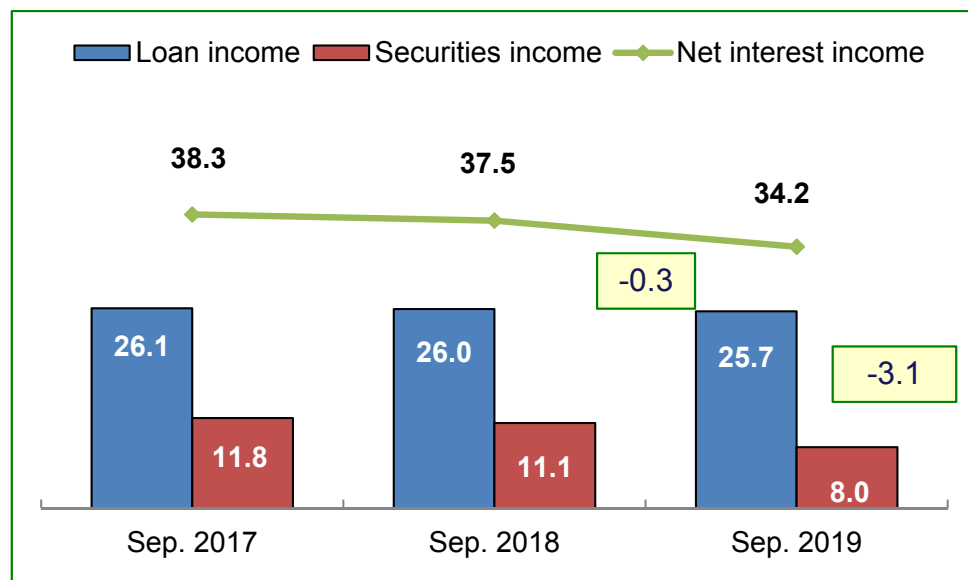
	No.	Sep. 2018	Sep. 2019	Compared with Sep. 2018	Compared with the plan
Core business gross profit	1	48.6	44.5	-4.1	0.9
Net interest income	2	39.4	35.8	-3.6	1.2
Profit from the cancellation of investment trusts	3	3.4	0.4	(1) -2.9	0.4
Excluding profit from the cancellation of investment trusts	4	36.0	35.3	(2) -0.7	0.8
Non-interest business profit	5	9.1	8.7	(3) -0.4	-0.3
Net fees and commissions	6	7.4	6.6	-0.7	-0.5
Other business profit	7	1.7	2.1	0.3	0.2
Expenses (excluding extraordinary expenses)	8	29.3	28.8	-0.5	-0.3
(Core business net profit)	1-8 9	19.3	15.7	-3.5	1.2
(excluding profit from the cancellation of investment trusts)	9-3 10	15.8	15.2	-0.6	0.8
(Gain and loss on securities, etc.)	11	8.2	(4) 5.7	-2.5	1.9
(Credit costs)	12	1.6	2.6	1.0	(5) 0.3
Others	13	-0.5	0.0	(6) 0.6	0.2
Ordinary profit	14	25.3	18.8	-6.5	3.1
Net income (attributable to owners of parent)	15	17.4	13.4	(7) -3.9	(8) 2.3
Bank, non-consolidated	16	16.4	12.2	-4.1	2.2
Difference between consolidated and non-consolidated accounting	17	0.9	1.1	0.1	0.1
Consolidated ROE (%)	18	6.4	5.0	-1.4	

- (1) Profit from the cancellation of investment trusts has not been included in the plan for FY2019.
An increase of 0.4 billion yen compared to the plan is due to gains on sales in favorable market conditions.
- (2) The decrease is mainly due to a decrease in interest on securities/dividend income in International transactions.
Securities -0.7 billion yen (Domestic transactions -0.1 billion yen, International transactions -0.6 billion yen)
- (3) A decrease of 0.4 billion yen in dividend on housing loans group credit life insurance
A decrease in deposit financial asset fees has been offset by corporate service fees.
Gungin Securities performed solidly.
- (4) Breakdown of 5.7 billion yen—achieved 70% of the annual plan
 - Bonds and domestic REIT: 1.3 billion yen
 - Stocks: 4.8 billion yen (Investment stocks: 1.2 billion yen, Strategically held stocks: 3.6 billion yen)
 - Impairment loss: -0.4 billion yen
- (5) Credit costs are in line with the plan
Annual plan: 4.7 billion yen on a consolidated basis, 4.0 billion yen on a non-consolidated basis
- (6) A year-on-year decrease of 0.6 billion yen in retirement benefit expenses
- (7) Main factors for a year-on-year decrease of 3.9 billion yen
 - 1) Curbed profits from the cancellation of investment trusts
 - 2) Concentrated previous year's gain and loss on securities, etc. in the previous interim period
- (8) Main factors for an increase of 2.3 billion yen compared to the plan
 - 1) An increase in net interest income (due to increased profits from domestic and foreign securities and decreased borrowing costs)
 - 2) Target gain on securities has been achieved ahead of the plan
 - 3) The Bank has increased the full-year forecast for net income by 1 billion yen both on consolidated and non-consolidated basis

2. Status of Net Interest Income (Non-consolidated)

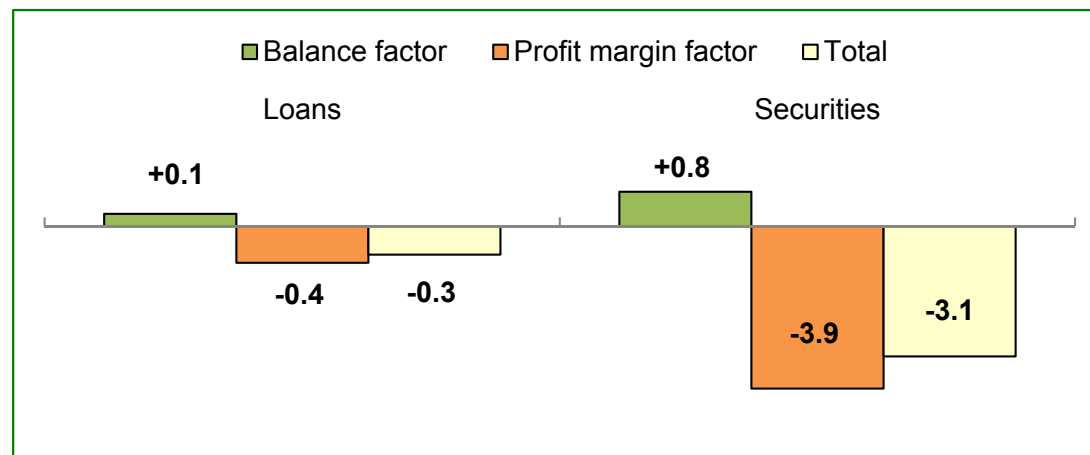
Loan income was the same level as the previous year and increased by 0.2 billion yen compared to Sep. 2017.

■ Changes in domestic transactions (*Excluding other profit)

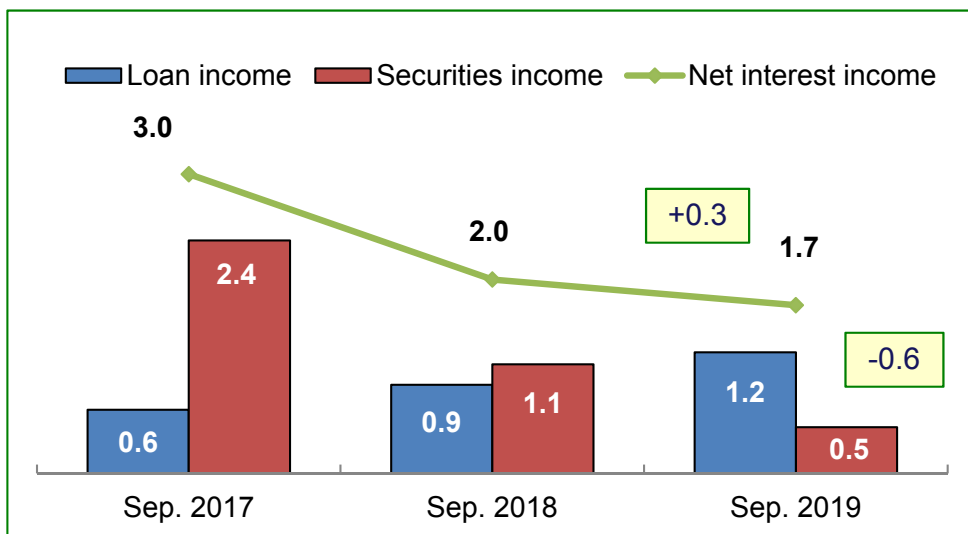


■ Factor for change

(Unit: billion yen)

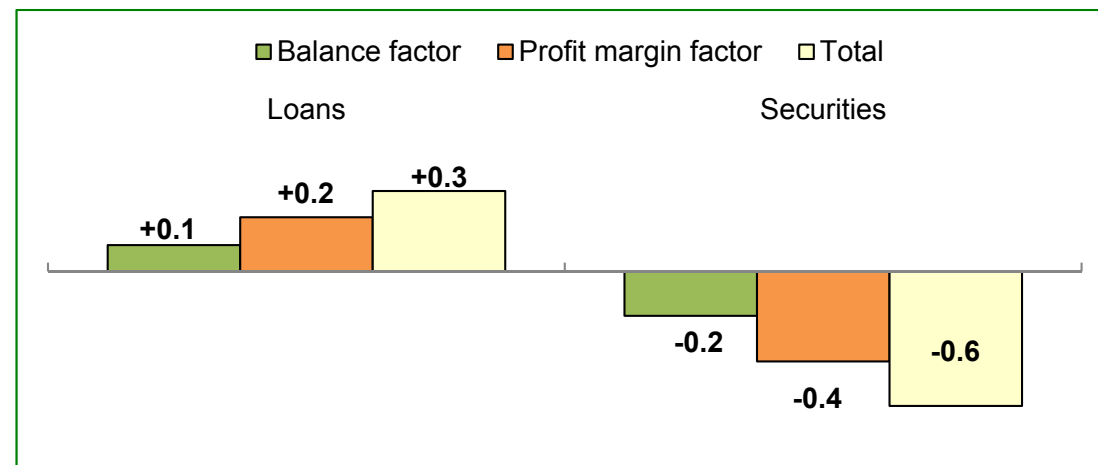


■ Changes in international transactions



■ Factor for change

(Unit: billion yen)



3. Status of Loans

Retail loans remain solid. Loans to SMEs have increased in all regions.

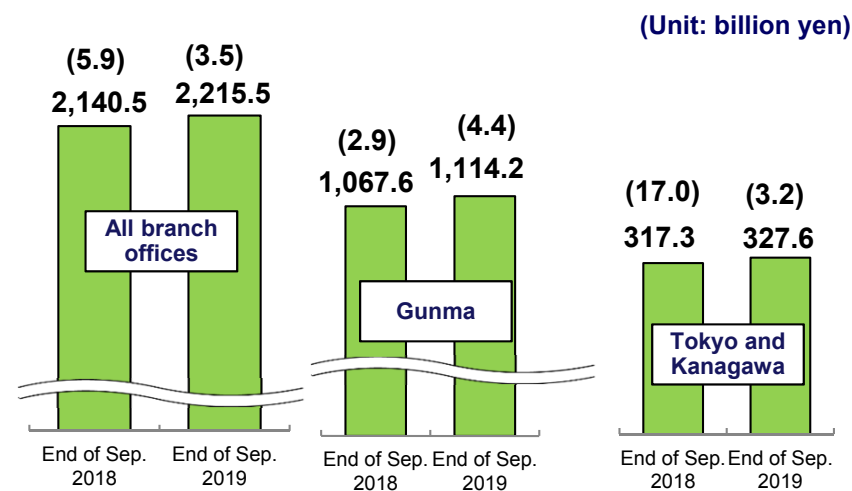
Breakdown of loans

	End of Sep. 2018	Compared to end of Sep. 2017		End of Sep. 2019	Compared to end of Sep. 2018	
		Change	Rate of change		Change	Rate of change
Loans	5,549.5	107.4	1.9	5,557.3	7.7	0.1
Retail	4,422.4	194.4	4.6	4,525.0	102.6	2.3
SMEs (*1)	2,140.5	119.6	5.9	2,215.5	74.9	3.5
Individuals	2,281.8	74.7	3.3	2,309.5	27.6	1.2
Housing-related loans	2,207.3	72.5	3.4	2,228.3	21.0	0.9
Housing loans	1,316.3	8.9	0.6	1,313.7	-2.6	-0.2
Apartment loans	613.3	44.8	7.8	641.7	28.4	4.6
Other	277.6	18.8	7.2	272.8	-4.8	-1.7
Unsecured loans	50.0	3.3	7.1	53.2	3.1	6.3
Other	946.0	23.5	2.5	891.2	-54.7	-5.7
Cross-border	100.5	11.7	13.1	106.1	5.5	5.5
Structured finance	7.4	7.4	-	12.4	5.0	68.3
Domestic large and second-tire enterprises	699.2	18.4	2.7	651.7	-47.5	-6.8
Other (*2)	138.8	-13.9	-9.1	120.9	-17.8	-12.9
Overseas branches	57.9	7.1	14.1	48.0	-9.9	-17.1
Public entities	123.2	-117.6	-48.8	93.0	-30.2	-24.5

*Regional public corporations and Tokyo/Osaka Branch accounts are not included in SMEs (*1) but are classified into Others (*2).

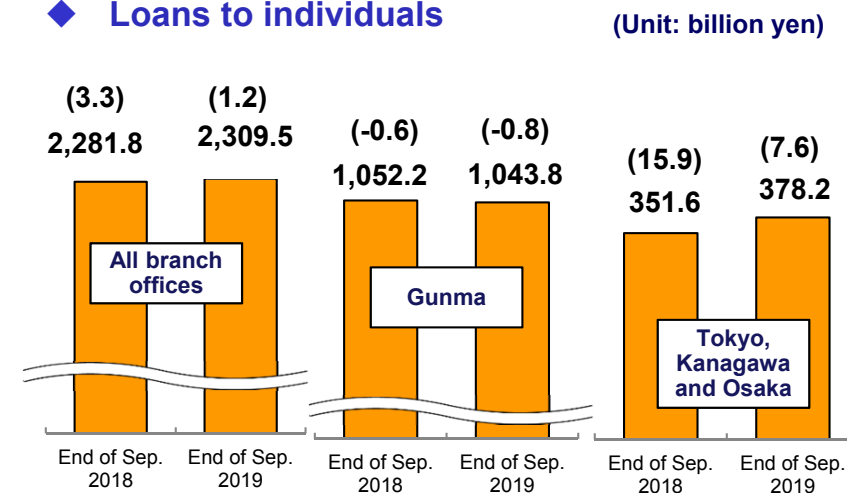
Status of retail loans by region

SMEs



*Tokyo/Osaka Branch accounts are not included.

Loans to individuals



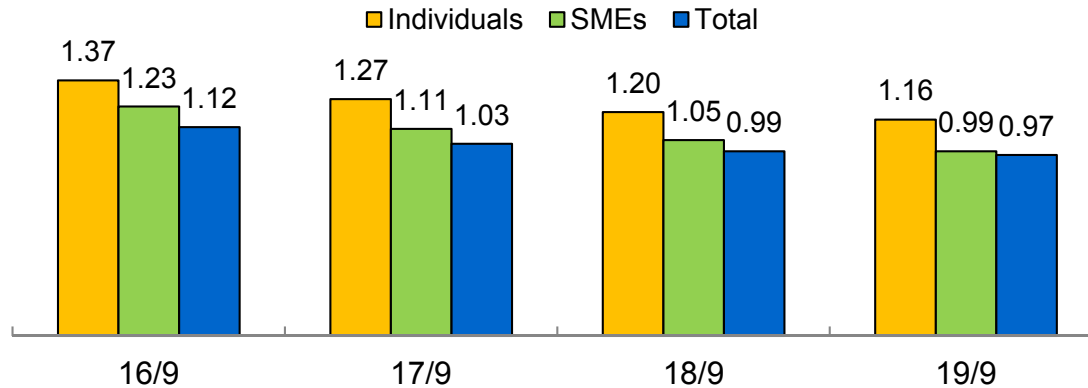
*Numbers in parentheses indicate year-on-year changes.

4. Status of Yield on Loans

A decline in yield on loans (domestic transactions) narrowed.

Changes in yield on loans (domestic transactions)

(Unit: %)



Breakdown of yield on loans

(Unit: %)

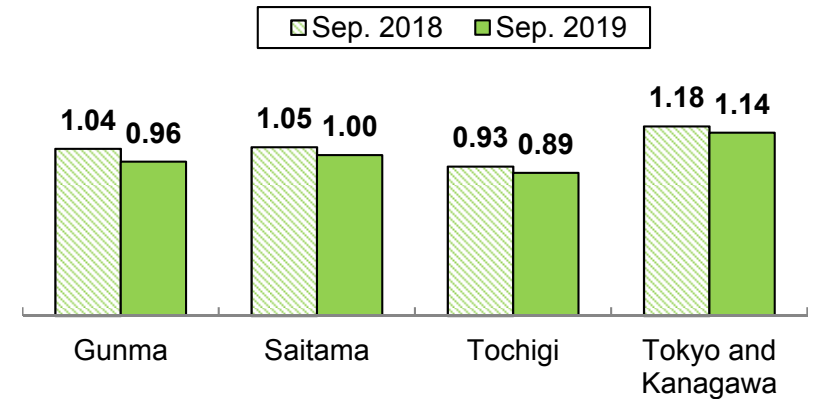
	Sep. 2018	Year-on-year	Sep. 2019	Year-on-year
Loan by domestic transactions *1	0.99	-0.04	0.97	-0.02
Retail	1.13	-0.07	1.08	-0.05
SMEs *2	1.05	-0.06	0.99	-0.06
Individuals	1.20	-0.07	1.16	-0.04
Housing-related loans	1.06	-0.07	1.01	-0.05
Housing loans	1.09	-0.07	1.03	-0.06
Apartment loans	1.01	-0.07	0.98	-0.03
Unsecured consumer loans	8.06	-0.03	7.80	-0.26
Large and second-tire enterprises	0.32	-	0.32	-
Public loans (Including loans to the Ministry of Finance (MOF))	0.43	-0.08	0.63	0.20

*1 The rates of yield on loans other than those marked with *1 do not include non-performing debt.

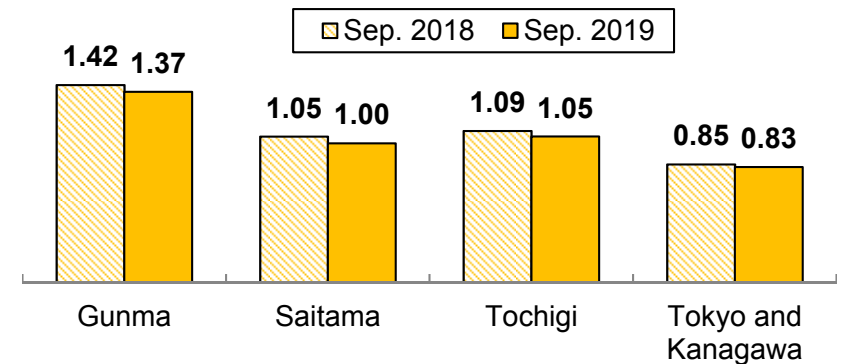
*2 SMEs do not include those of the accounts of regional public corporations and Tokyo/Osaka Branches.

Yield of loans to SMEs

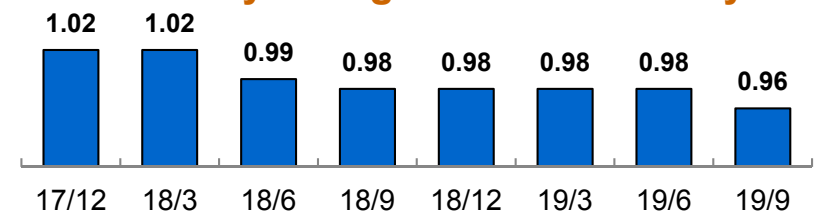
(Unit: %)



Yield of loans to individuals



Quarterly changes in the rates of yield

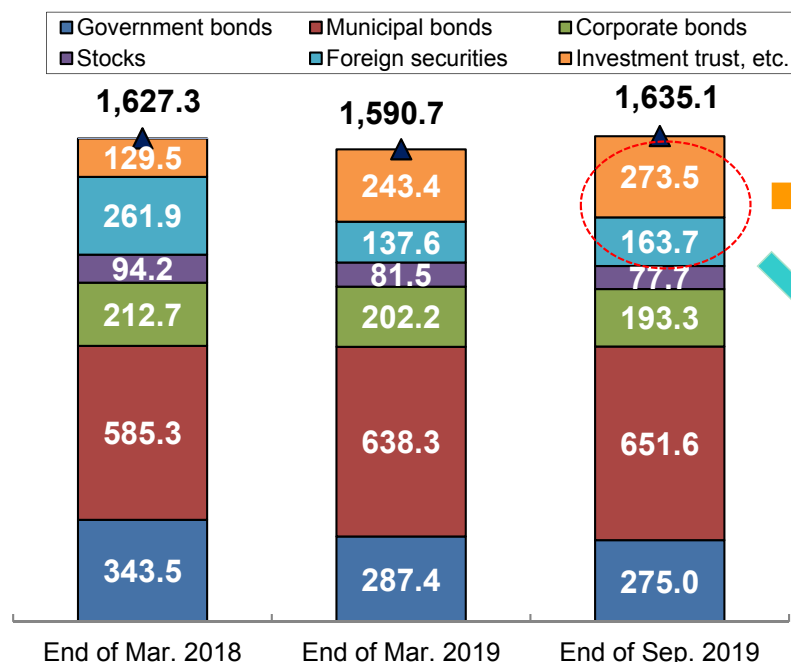


5. Status of Securities

Unrealized profits expanded mainly on investment trusts and foreign securities.

Ending balance of securities

(On the basis of not including profit/loss from valuation)



(Unit: billion yen)

Foreign bond investment trusts	130.0
Foreign stock investment trusts	63.2
REIT	39.4
Other	40.9
Total	273.5

Foreign currency-denominated foreign securities	93.0
US bonds	1.1
European bonds	28.7
Other foreign bonds	63.2
Other	70.7
Total	163.7

(Unit: billion yen)

Profit/loss from valuation of securities (Excluding held-to-maturity securities)

	End of Mar. 2018	End of Mar. 2019	End of Sep. 2019	Increase/decrease
Investment trust, etc.	2.2	5.5	17.9	12.4
Foreign securities	-0.6	2.5	5.9	3.3
Stocks	113.9	85.2	85.6	0.3
Strategically held stocks	98.6	80.3	81.7	1.3
Investment stocks	15.3	4.9	3.9	-1.0
Bonds	19.5	17.6	17.5	-0.1
Government bonds	8.4	5.8	6.1	0.2
Municipal bonds	9.6	9.4	8.3	-1.1
Corporate bonds	1.4	2.3	3.1	0.7
Total	135.1	111.0	127.0	15.9

Foreign bond investment trusts	6.2
Foreign stock investment trusts	3.4
REIT	9.6
Other	-1.3
Total	17.9

Foreign currency-denominated foreign securities	4.0
US bonds	0.0
European bonds	2.0
Other foreign bonds	2.0
Other	1.9
Total	5.9

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Profit/loss on sale

(Unit: billion yen)

	Sep. 2018	Sep. 2019	Increase/decrease
Gain and loss on securities, etc.	8.2	5.7	-2.5
Gain and loss on bonds	-2.3	1.3	3.6
Gains/losses on stocks, etc.	10.6	4.4	-6.1
Profit/loss on sale of stocks, etc.	10.6	4.8	-5.7
Strategically held stocks	5.6	3.6	-1.9
Investment securities	5.0	1.2	-3.8
Losses on equity securities charge-offs	-	0.4	0.4
Profit/loss on cancellation of investment trusts (Net interest income)	3.4	0.4	-2.9
Total	11.7	6.2	-5.4

Duration and yield

	Domestic bonds		Foreign bonds	
	End of Mar. 2019	End of Sep. 2019	End of Mar. 2019	End of Sep. 2019
Modified duration (year)	4.53	5.02	2.92	4.21
Bond average yield (%)	0.62	0.54	2.86	2.14

6. Status of Non-interest Business Profit

Corporate service fees are on an increasing trend.
Both the number of accounts and assets balance at Gungin Securities have been steadily increasing.

■ Non-interest business profit (consolidated)

(Unit: billion yen)

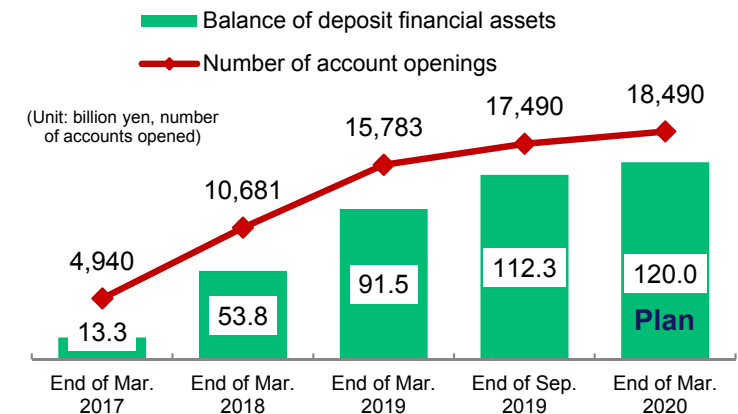
	Sep. 2018	Sep. 2019	Year-on-year	Mar. 2020 (plan)
Consolidated non-interest business profit	9.18	8.77	-0.41	17.5
Corporate service-related	1.17	1.35	0.18	3.0
(1) Syndicate loans	0.27	0.30	0.03	0.7
(2) Private placement bonds	0.13	0.13	0.00	0.3
(3) Business insurance for corporations	0.18	0.03	-0.15	0.1
M&A	0.08	0.15	0.07	0.3
(4) Business matching	0.14	0.21	0.07	0.3
Short-term continuous loan	-	0.01	0.01	0.1
Interest, currency derivatives	0.22	0.31	0.09	0.6
Financial product intermediation for corporations, others	0.15	0.21	0.06	0.6
Deposit financial assets-related (5)	2.78	2.60	-0.18	5.7
Investment trusts commissions	1.32	1.07	-0.25	2.4
Insurance sales commissions (individuals)	0.82	0.74	-0.08	1.6
Gungin Securities (for individuals), others	0.64	0.79	0.15	1.7
Others	5.22	4.81	-0.41	8.7
Dividend of group credit life insurance	1.35	0.96	-0.39	0.9
Base service commissions	4.12	4.24	0.12	8.4
Loan insurance premium	-3.11	-3.21	-0.10	-6.4
Gungin Leasing	1.24	1.30	0.06	2.6
Gunma Credit Guarantee	1.26	1.26	0.00	2.5
Others	0.36	0.26	-0.10	0.7

◆ Future initiatives

- (1) Syndicated loans
⇒ Focus on increasing the number of projects by strengthening collaboration with the Consulting Promotion Division and the Medical Care and Nursing Division.
- (2) Private placement bonds
⇒ Promote the benefits of issuers in order to increase the proportion of SDGs private placement bonds.
- (3) Business insurance for corporations
⇒ Slowing down due to changes in the sales environment.
Boost sales by launching new products.
- (4) Business matching
⇒ Continue to offer operating leases and subdivided real estate products for the well-to-do.
- (5) Deposit financial assets
⇒ Actively use public offerings of equity index linked bonds with a low knock-in level and new life insurance products.

◆ Changes in number of accounts and assets balance at Gungin Securities

The assets balance has been steadily increasing since the start of its business 3 years ago.



7. Status of Credit Costs (Non-consolidated)

Credit costs are in line with the plan. Continue to strengthen management of borrowers during the loan period.

Changes in and breakdown of credit costs

(Unit: billion yen, %)

	Mar. 2017	Mar. 2018	Mar. 2019	Mar. 2020 (Plan)	Year-on-year	Sep. 2019 (2Q)
(1) Credit costs	4.7	2.3	7.9	4.0	-3.9	2.3
Transfer to general provision for possible loan losses	0.4	-1.0	0.3	-1.9	-2.2	-0.7
Disposal of non-performing loans	4.3	3.4	7.6	5.9	-1.7	3.0
Gain on the collection of claims written-off (-)	0.0	0.0	0.0	0.0	0.0	0.0
(2) Loans (average balance)	5,072.1	5,332.8	5,491.3	5,511.5	20.2	5,509.5
Credit cost ratio (= (1)/(2))	0.09	0.04	0.14	0.07	-0.07	0.08

(Unit: billion yen)

	Mar. 2017	Mar. 2018	Mar. 2019	Mar. 2020 (Plan)	Year-on-year	Sep. 2019 (2Q)
Credit costs	4.7	2.3	7.9	4.0	-3.9	2.3
Due to changes to the provision ratio	0.8	-0.9	0.4	-0.8	-1.2	-0.5
Other factors	3.9	3.2	7.5	4.8	-2.7	2.8
DCF	-0.4	-0.3	-0.3	-1.4	-1.1	-0.3
Downgrade	6.2	4.9	9.7	7.7	-2.0	3.9
Collection, upgrade, etc.	-1.9	-1.4	-1.9	-1.5	0.4	-0.8

Examples of measures to strengthen management of borrowers during the loan period in Saitama, Tokyo and Kanagawa areas

- Targets: 935 SMEs
 - Extraction criteria: Rating of B4 or higher, with a credit balance at least 100 million yen and unsecured credit balance of less than 500 million yen (as of the end of March 2019)
 - Date of implementation: August to December 2019
- (1) Reconcile the balance of deposit in our bank recorded on the company's financial statements against the actual balance
 - (2) Identify problems in quantitative terms such as using a ratio of current income to current expense and alarm management systems to predict bankruptcy including "Arakan"
 - (3) Confirm current business conditions through trial calculations and cash flow statements
 - (4) Construct hypothetical problems based on the (1) to (3) above
 - (5) Interview with the company based on the hypothesis

Provision ratios for possible loan losses

			Provision target	Period	Mar. 2017	Mar. 2018	Mar. 2019	Mar. 2020 (Plan)	Sep. 2019
Normal borrowers			Entire claim amount	1 year	0.039	0.044	0.070	0.064	0.070
Borrowers requiring attention other than special attention	Borrowers without realistic, comprehensive business reconstruction plans	Classification 1	Entire claim amount	3 years	1.111	1.038	0.992	0.967	0.967
	Borrowers with realistic, comprehensive business reconstruction plans	Classification 2	Entire claim amount	3 years	8.106	7.200	6.664	6.325	6.325
Borrowers requiring special attention									
Classification III borrowers threatened with bankruptcy			Entire non-coverage amount	3 years	39.488	37.470	34.668	33.153	33.153

8. Business Forecast (for Year Ending March 2020)

The Bank has raised its full-year net income forecast from 21.0 billion yen to 22.0 billion yen. Non-interest business profit is expected to increase by 0.8 billion yen compared to the previous year.

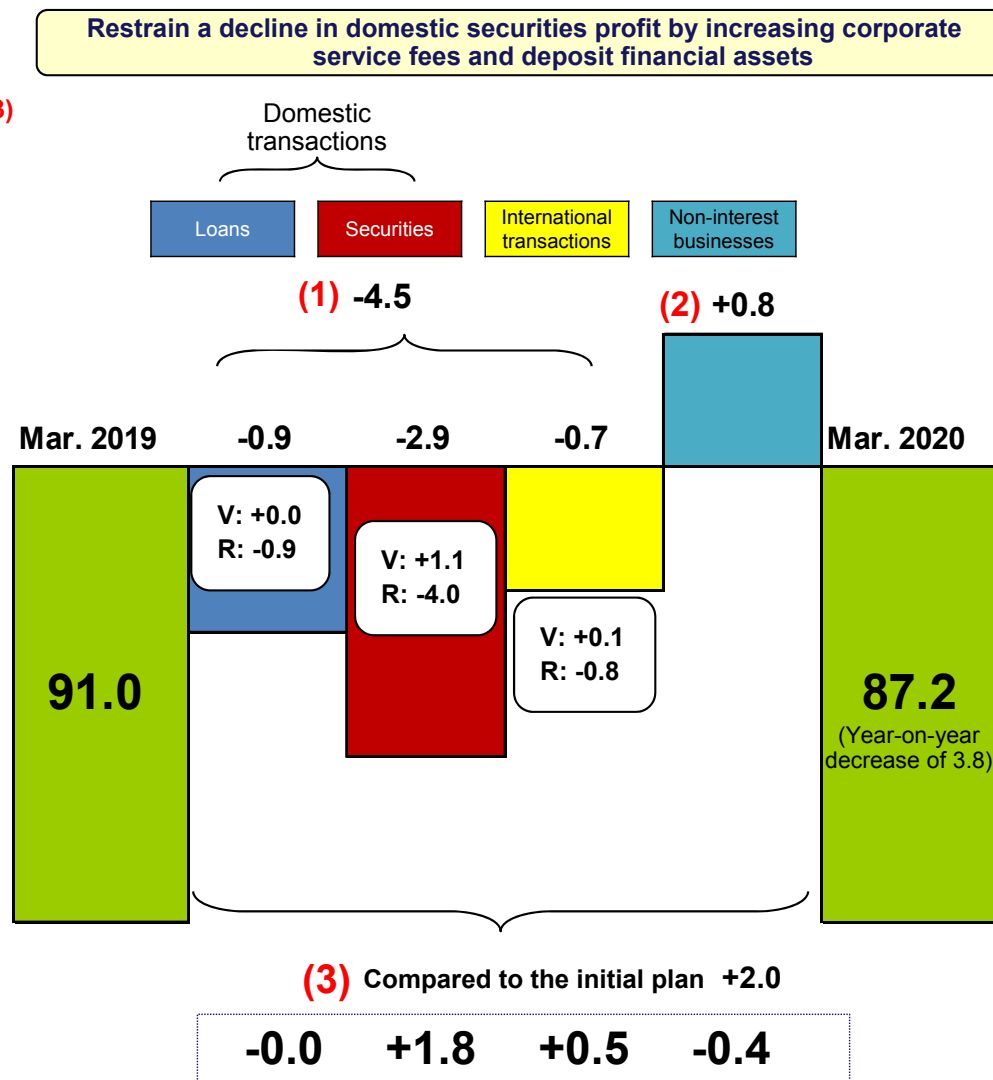
Profit and loss (consolidated)

(Unit: billion yen)

	No.	Mar. 2019	Mar. 2020	Year-on-year	Compared to the initial plan
Core business gross profit	1	91.0	87.2	-3.8	2.0
Net interest income	2	74.3	69.7	-4.5 (1)	
Non-interest business profit	3	16.7	17.5	0.8 (2)	
Expenses (excluding extraordinary expenses)	4	57.5	57.0	-0.5	
(Core business net profit)	1-4	33.4	30.2	-3.2	2.4
(Gain and loss on securities, etc.)	6	11.8	7.1	-4.7	
(Credit costs)	7	8.7	4.7	-4.0	
Ordinary profit	8	35.7	32.5	-3.2	1.5
Net income (attributable to owners of parent)	9	23.3	22.0	-1.3	1.0
Consolidated ROE (%)	10	4.4	4.0	-0.4	

Breakdown of changes in core business gross profits

(Unit: billion yen, %)



Average balance and yields (non-consolidated)

(Unit: billion yen, %)

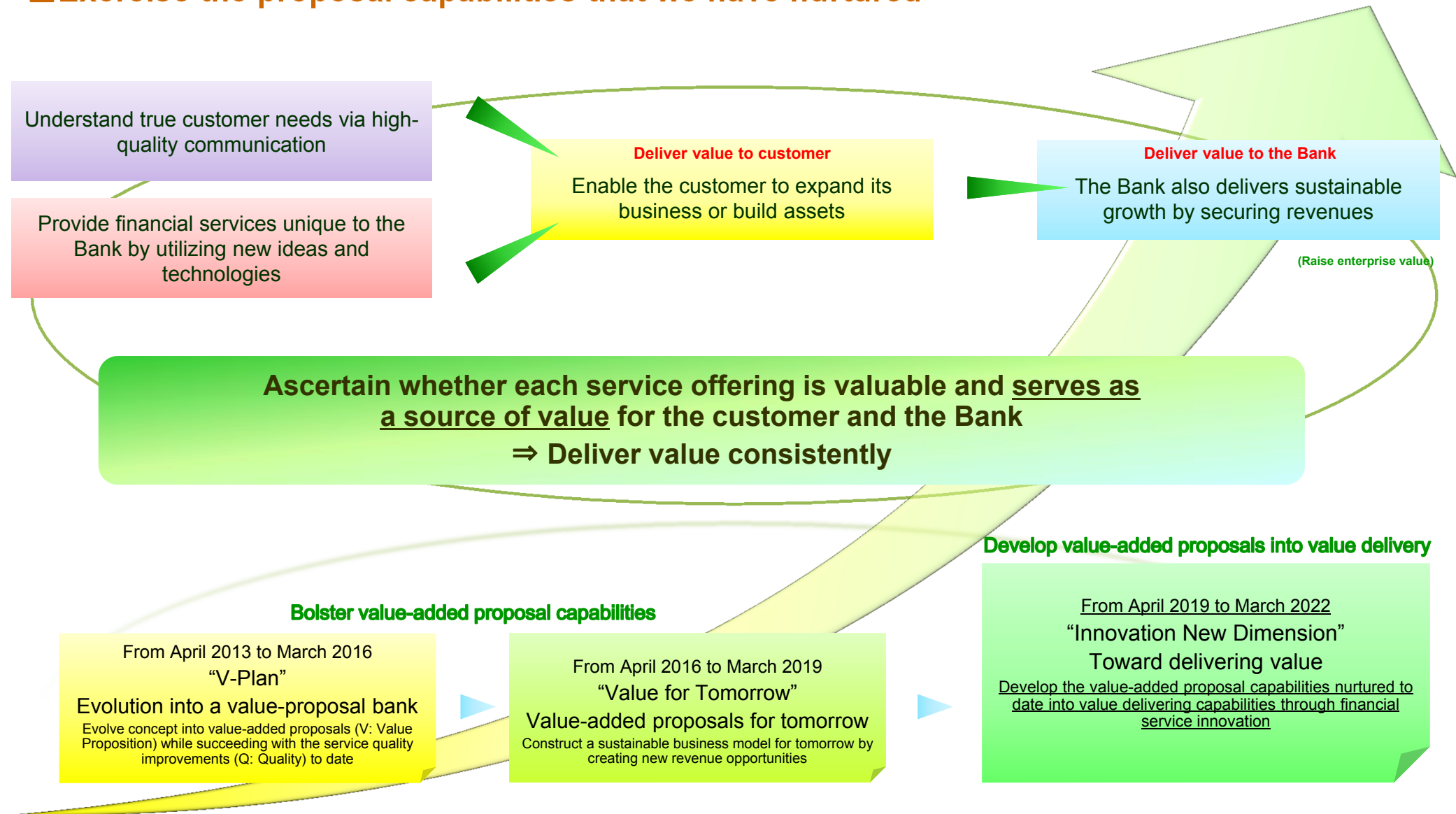
	Average balance	Yields	
		Year-on-year	Year-on-year
Loans	5,511.5	20.2	1.03
Domestic transactions	5,314.3	0.7	0.97
Securities	1,634.7	79.3	1.12
Domestic transactions	1,477.7	85.4	1.01
Deposits	6,705.3	94.4	0.02
Domestic transactions	6,646.9	93.7	0.00

II. Management Strategy

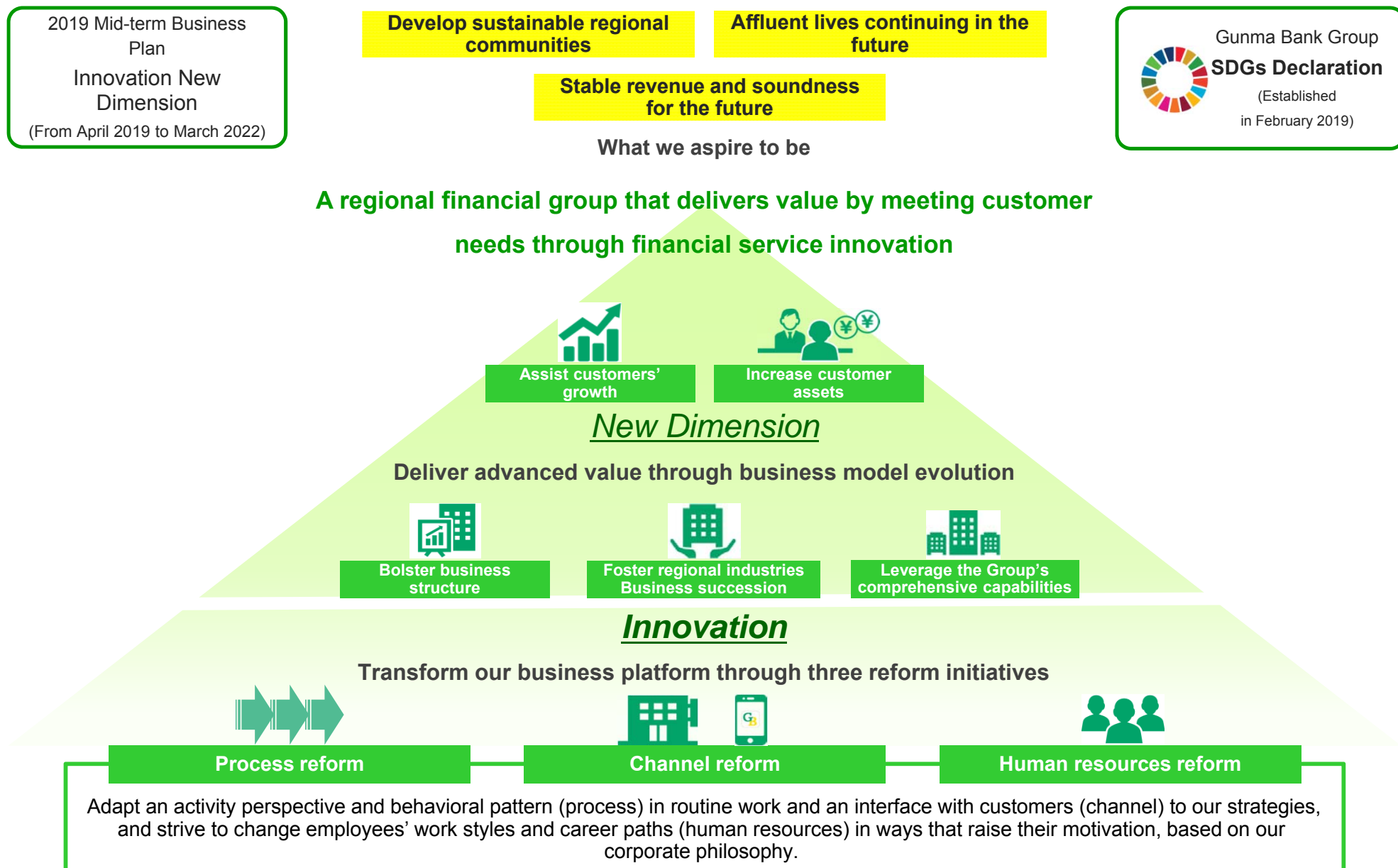


1-1. Value Delivery Aspired for by the Bank

■ Exercise the proposal capabilities that we have nurtured



1-2. Mid-Term Business Plan—Framework



2. Initiatives to Improve Profitability

Aim to improve profit margins and boost non-interest business profits through operating activities that take into account the standard profit margin (*1)

(*1) The standard profit margin is a uniform indicator that all banks use to measure transaction profitability with “profit margin after credit costs,” and is set by region or by the rating of corporate borrowers.

■ Strengthen efforts to improve profitability by individual company

○ Create and use “Profitability improvement sheet by individual company” (at branches)



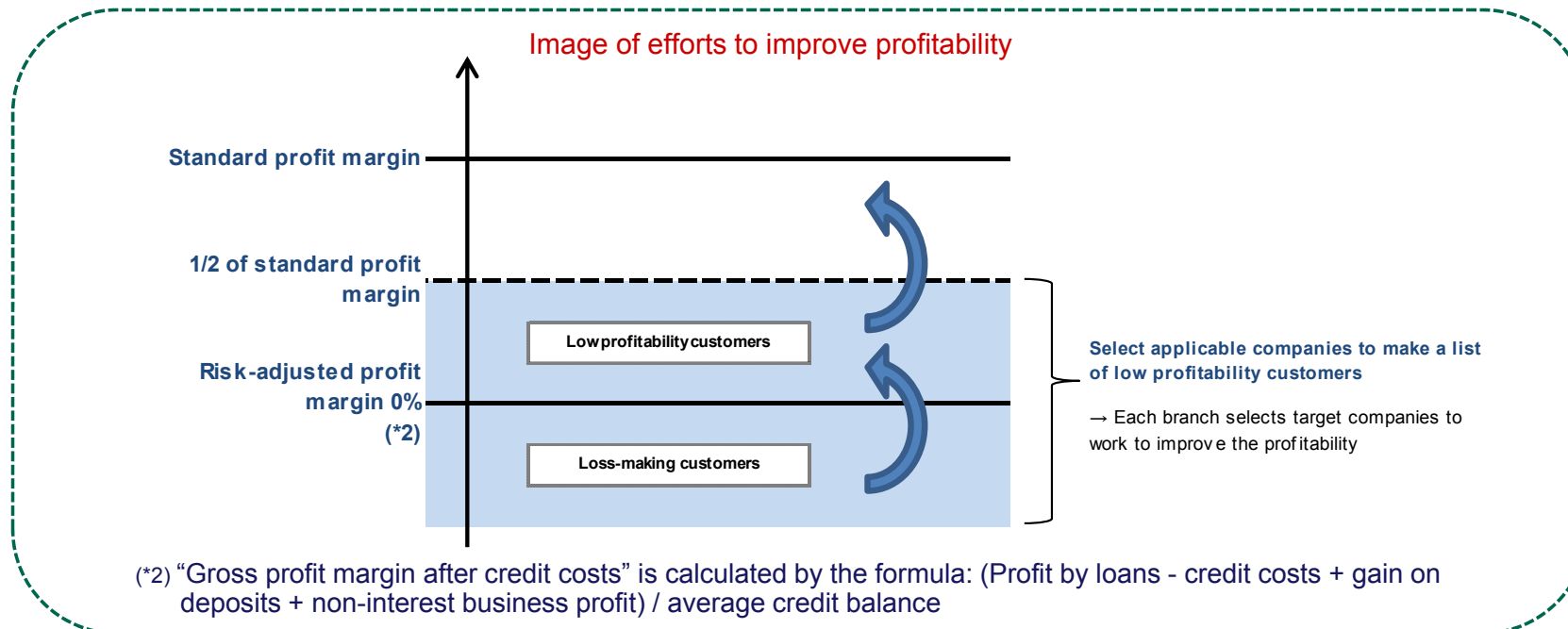
The Credit Department and Business Planning & Administration Department are actively involved in the initiative.

(1) Extract target companies (low-profitability or loss-making customers): about 800 companies that fall under the following conditions:

- Grade A or higher and transactions result in a risk-adjusted gross loss
- Low rating
- Large credit amount

(2) Concrete measures

- Increase loan spreads (business transactions according to the risk)
- Increase service fees (compound transactions including ones with individuals)
- Upgrade ratings and improve coverage amount
- Accumulate deposit transactions



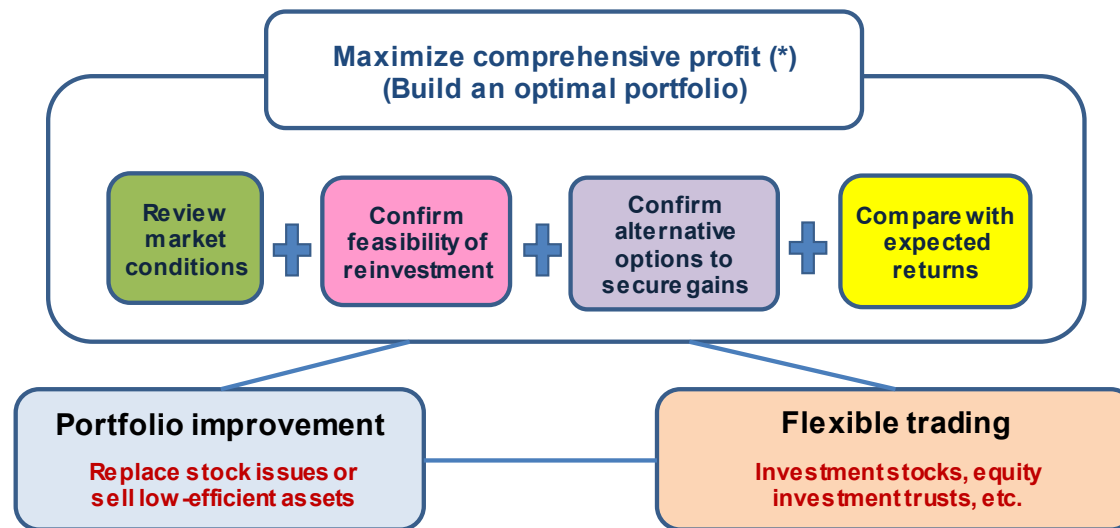
3. Investment in Securities

Strive to increase profits through comprehensive profit and loss management

■ Comprehensive profit and loss management

Build an optimal portfolio on the premise of expanding earnings on the basis of comprehensive profit and loss (net interest income + gains/losses on sale + unrealized gains/losses).

■ Our stance for gains on sale of securities



(*) The main target assets to be traded to maximize comprehensive profits are the below asset categories. The Bank considers and discusses sale of securities based on the standard of “**excess yield**” and “**absolute amount of profit/loss from valuation**”

(Example)

Asset category	Market review	Reinvestment	Alternative options	Response policy	Comparison with expected returns
Domestic stocks (privately placed investment trusts)					
Developed country stocks					
Domestic REIT
Foreign REIT					
Euro-denominated bonds					
European Investment Eligible Corporate Bond Funds					

■ Current investment policies

(1) Domestic bonds

Purchase JGBs (residual maturity of more than 10 years) at the timing of a rise in interest rates.

Continue to increase holdings of MBS issued by Japan Housing Finance Agency and publicly offered local bonds.

(2) Stocks

Secure gains on the timely sale of shares at the timing of fluctuations in stock prices, replace stock issues.

(3) Investment trusts

Continue to seek profitability through investment by risk appetite.

Secure profit from the partial cancellation of European Investment Eligible Corporate Bond Funds.

Realize gains on partial sale of domestic REITs.

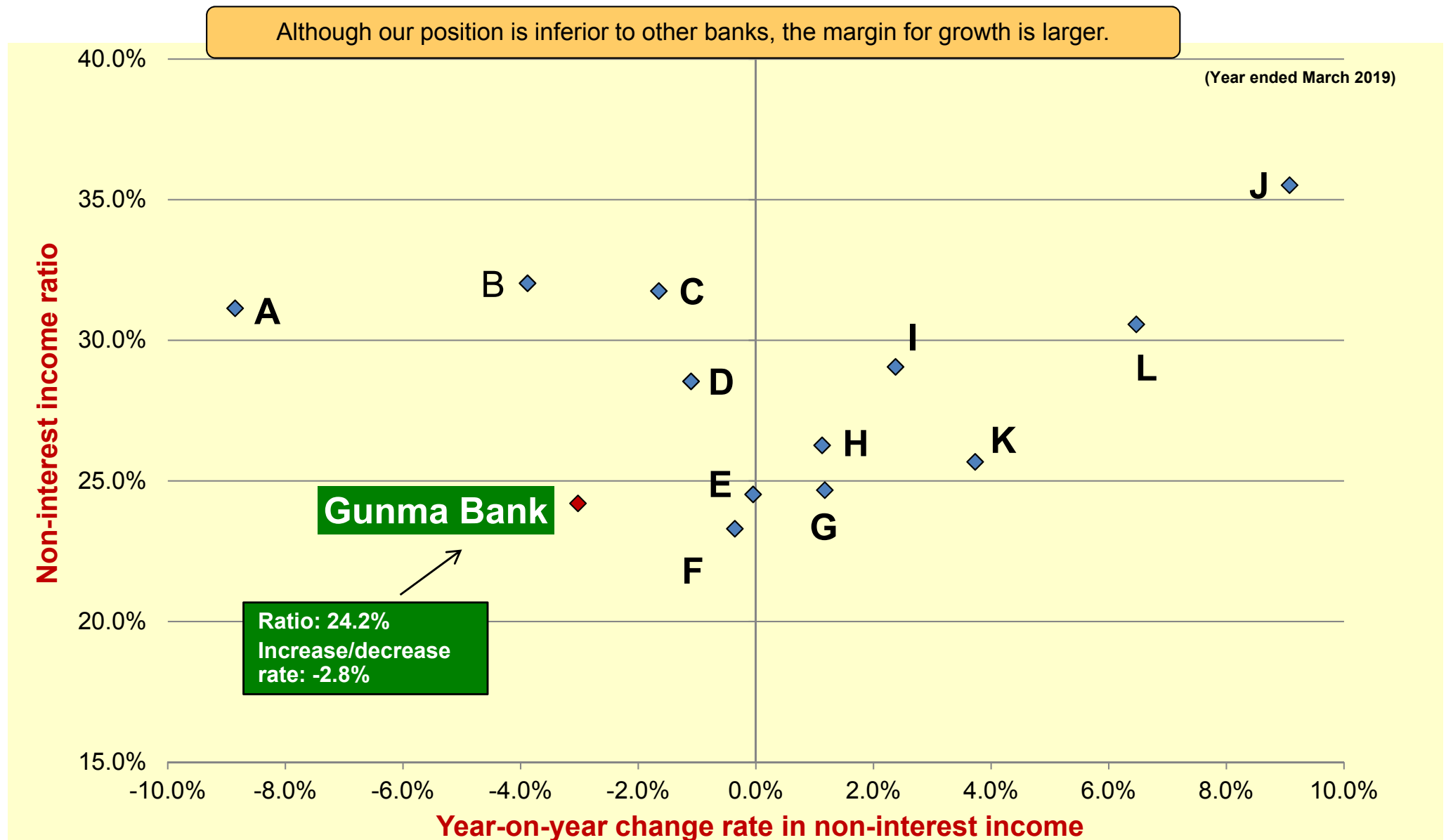
(4) Foreign bonds

No investment in U.S. bonds due to negative yields.

Purchase Euro-denominated bonds when yields rise into positive territory.

(5) PE (Private Equity) funds: Secure funds for investment up to around 6 to 7 billion yen per year.

4-1. Comparison of Non-interest Income Ratio with Other Banks

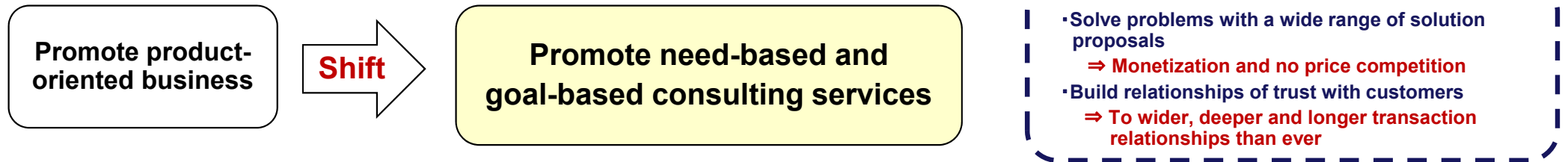


Non-interest income = Fees and commissions + Trading income + Other operating revenues (excluding gains (losses) on bonds)
Non-interest income ratio = Non-interest income / Core business gross profit (excluding profit from the cancellation of investment trusts)

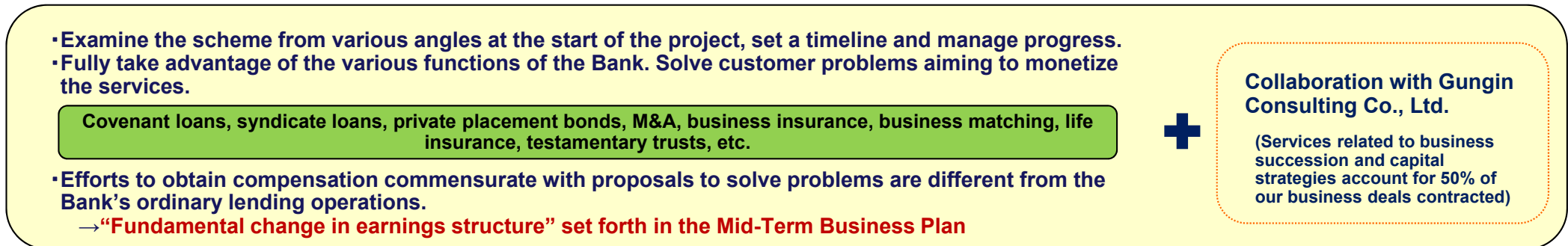
4-2. Business Succession

Strengthen cooperation with specialists at headquarters and consulting subsidiaries.
Respond to advanced needs of individual companies.

■ Consulting on business succession



■ Business succession support



■ Increase the number of personnel

⇒ Increase corporate service fees and enhance consulting functions

	Before the increase of personnel	Number and timing of the increase of personnel			After the increase of personnel
		Total number of personnel increased	August 2019	Up to April 2020	
(1) Business succession	6	6	2	4	12
(2) M&A	6	6	2	4	12
(3) Corporate consulting promotion group	11	2	2	0	13
Total	23	14	6	8	37

Target approximately 14,300 companies with successors undetermined

Increased the number of persons in charge of business succession by six in order to quickly respond based on understanding of the overall picture and in-depth communication.

Target approximately 3,100 customers with successors undetermined and net assets of 100 million yen or more

Increased the number of persons in charge of M&A by six, which is effective as one of the solutions for business succession.

→ With a shift from a block system to an area system, multiple personnel provide services across multiple blocks

4-3. Inheritance-related Business

Respond proactively to the growing needs of seniors.
Strengthen efforts to respond to the "Need to Leave."

■ Market size of inheritance-related business

(1) Customers with deposit financial assets (*) of 30 million yen or more and of 65 years old and over

*Those who have deposits, or hold any of public bonds, investment trusts, life insurance products, or intermediation products

(Unit: number of customers, billion yen)

	Number of customers	Of which, those who concluded a testamentary trust contract		Of which, those who hold a single-premium whole life policy		Financial assets held
			Percentage in the total number of customers		Percentage in the total number of customers	
Within Gunma Prefecture	7,088	201	2.8%	4,993	70.4%	408.1
Outside Gunma Prefecture	1,403	52	3.7%	943	67.2%	87.9
Total	8,491	253	3.0%	5,936	69.9%	496.0

(Note) As of end of August 2019

- The contract rate for single-premium whole life policies is 70%, indicating that many customers take inheritance measures with life insurance policies.
- The contract rate for testamentary trusts stands at around 3%, thus there is considerable scope for the development of inheritance-related business.

(2) Customers using loans as funds for apartments

(Unit: number of borrowers, billion yen)

	Under 65 years of age			65 years of age or older		
	Number of borrowers	Loan balance	Deposit balance	Number of borrowers	Loan balance	Deposit balance
Within Gunma Prefecture	2,441	146.3	15.6	2,359	187.6	21.2
Outside Gunma Prefecture	2,965	226.1	17.7	3,088	319.4	24.1
Total	5,406	372.4	33.4	5,447	507.1	45.4

(Note) Loans of 10 million yen or more as apartment loans or apartment funds (proper loans) as of March 2019

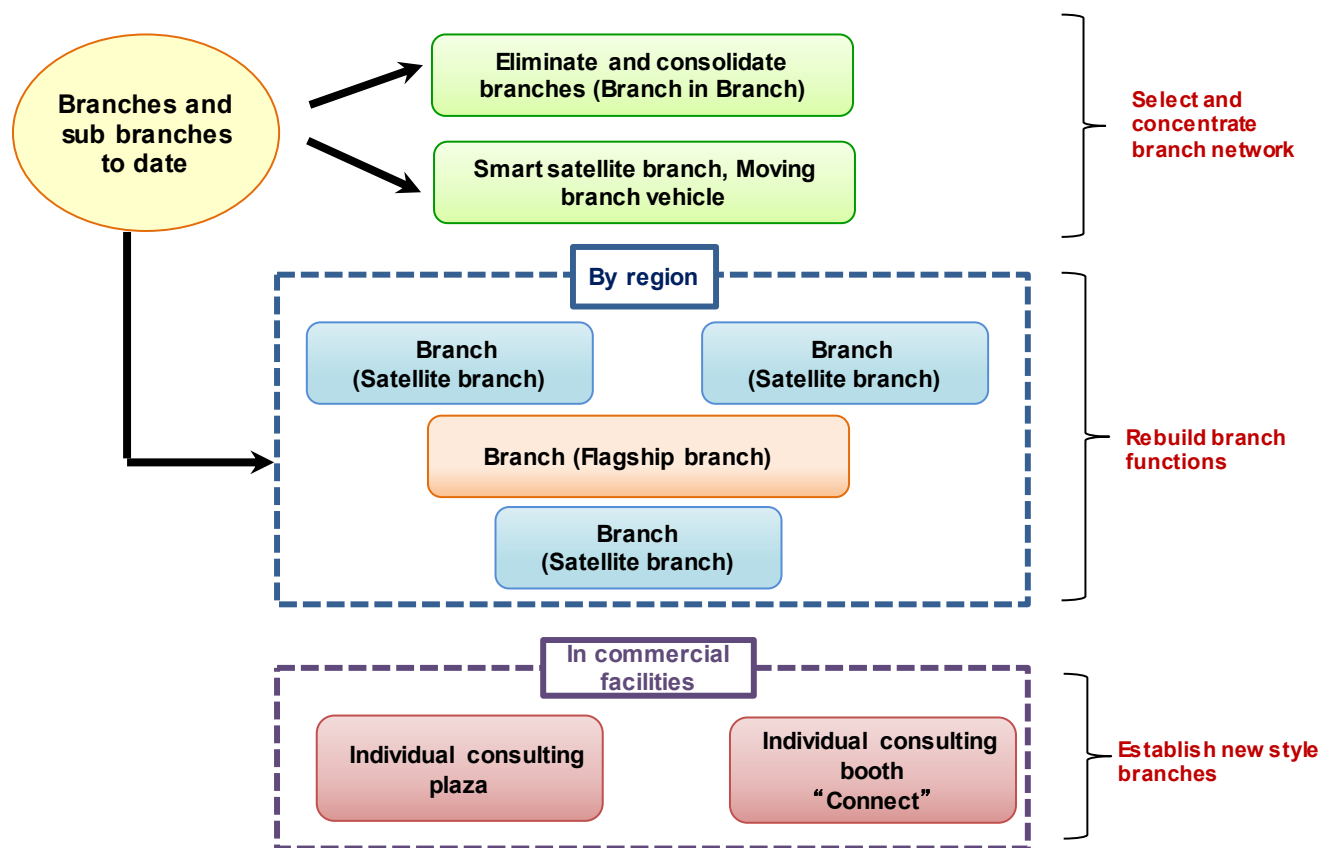
- We have 5,447 customers of 65 years old and older using funds for apartments.
- Most of them use the funds as an inheritance countermeasure. The Bank prioritizes customers and approach them according to the planned priority.

*The number of borrowers and amount of loans mentioned in (1) and (2) above partially overlap.

5. Status of Branch Strategy Initiatives

Aim to increase the efficiency of personnel allocation, etc. with the shift to branch-in-branch (BinB) and a flagship system

Future branch system



Flagship branch	Regional core branches: They perform a wide range of business operations and have highly specialized staff. [Number of staff: about 40 to 100]
Satellite branch	Located near a flagship branch. Branches that lighten some operations. [Number of staff: about 15 to 20]
Smart satellite branch, Moving branch vehicle	Small-scale branches specializing in cash transactions and consultations on financial assets. [Number of staff: about 3 to 5]
Branch in Branch	A branch structure that integrates multiple branches and sub branches within a single branch. Even after the integration, customers can continue to use their passbooks with the same account number.

Efficiency plan

Branch in branch (B in B)

	Target branches (Number of branches)	Staff members to be generated (Number of persons)	Annual maintenance costs (*)	Impairment loss
Three-year term of the Mid-term Business Plan (from April 2019 to March 2022)	More than 10 branches	About 50	About -200 million yen	About 150 million yen

*1 Total property and space costs expected to be reduced by BinB

*2 Branches will be used as ATMs and smart satellite branches for years ending March 2021 and March 2022, thus impairment losses are not expected.

Expenditure and expense plan

	Capitalization	One-time expenses
Three-year term of the Mid-term Business Plan (from April 2019 to March 2022)	About 2.5 billion yen	About 400 million yen

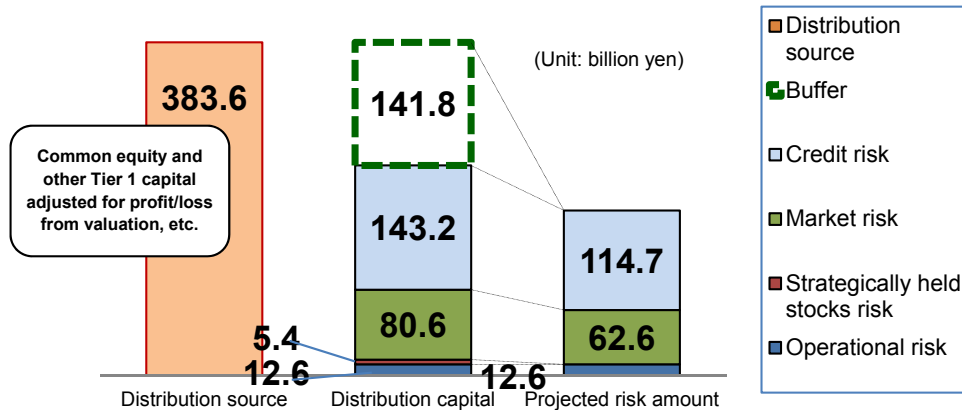
Transition to a flagship system

	Target	Staff members to be generated
Year ending March 2021	Block A within Gunma Prefecture	About 10
Year ending March 2022	All Blocks within Gunma Prefecture (Including part of Block A)	About 70
Total		About 80

6. Status of Capital, etc.

■ Capital adequacy assessment ⇒ Framework to assess capital adequacy based on risk status and adequacy requirement ratio

<Status of risk (period ended Sep. 2019, non-consolidated)>



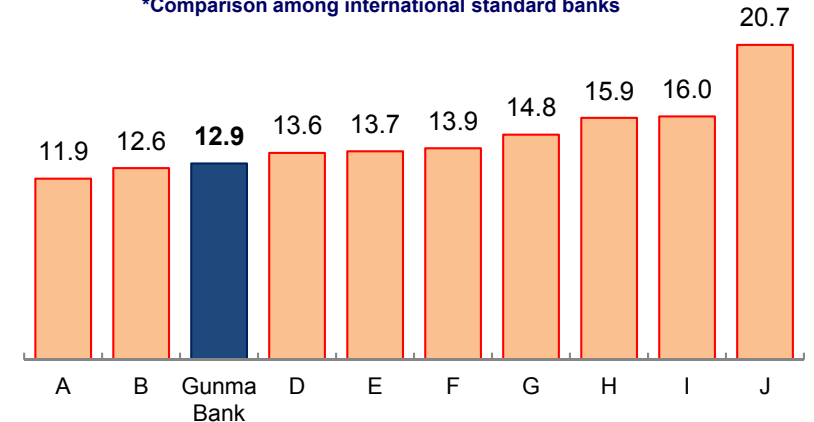
<<Evaluation>>

- The sufficiency of the buffer was verified by a stress test
- The capital level has been prepared assuming a risk

<Status of adequacy requirement ratio (end of Sep. 2019, consolidated)>

(Unit: %)

*Comparison among international standard banks



<<Evaluation>>

- Sep. 2019 (2Q) results: 12.9% (consolidated) (+0.7% compared to the end of March 2019)
- Acceptable level in comparison to adequacy requirements

■ Bolstering capital (issuing subordinated bonds)

Means to increase capital	Term	Amount	Coupon	Issue date	Effect of increasing capital ratio
Basel III, Tier 2 capital instruments (For institutional investors)	10-year bond (NC 5 years)	10 billion yen	0.40% (L + 0.44% in the fifth year and later)	Oct. 28, 2016	0.26%
Basel III, Tier 2 capital instruments (For individuals)	10-year bond (NC 5 years)	10 billion yen	0.50% (5 years SWAP +0.43% in the fifth year and later)	Apr. 28, 2017	0.26%
Basel III, Tier 2 capital instruments (For institutional investors)	10-year bond (NC 5 years)	10 billion yen	0.40% (L + 0.29% in the fifth year and later)	Apr. 27, 2018	0.24%
Basel III, Tier 2 capital instruments (For institutional investors)	10-year bond (NC 5 years)	10 billion yen	0.48% (L + 0.48% in the fifth year and later)	Apr. 26, 2019	0.24%
Basel III, Tier 2 capital instruments (For institutional investors)	10-year bond (NC 5 years)	10 billion yen	0.37% (L + 0.42% in the fifth year and later)	Nov. 26, 2019 (plan)	0.23%

Part of the efforts under our SDGs Declaration

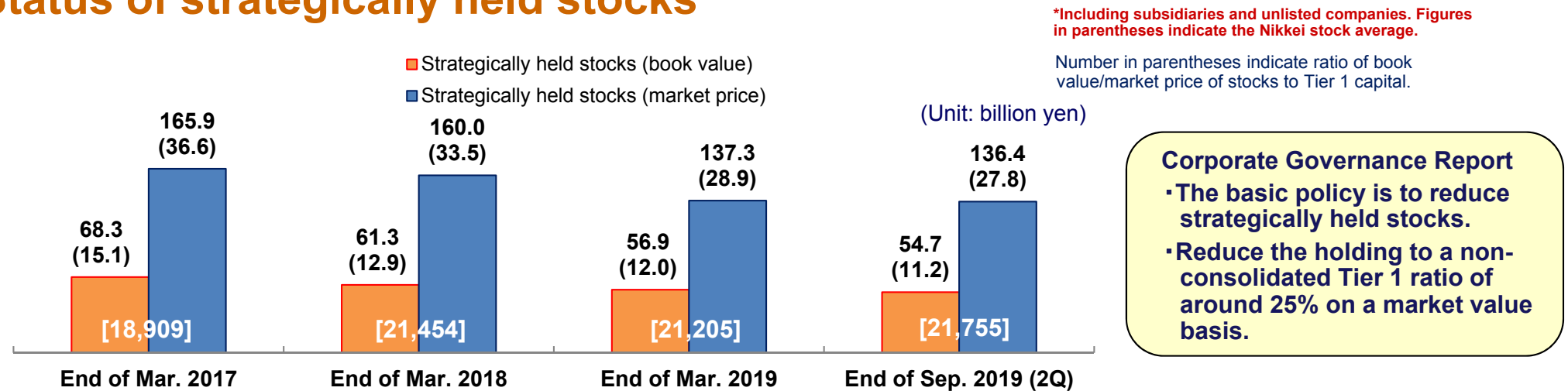
Issued the 5th series of subordinated bond as a green bond
(First environmental bond issued by a regional bank)

Use of funds

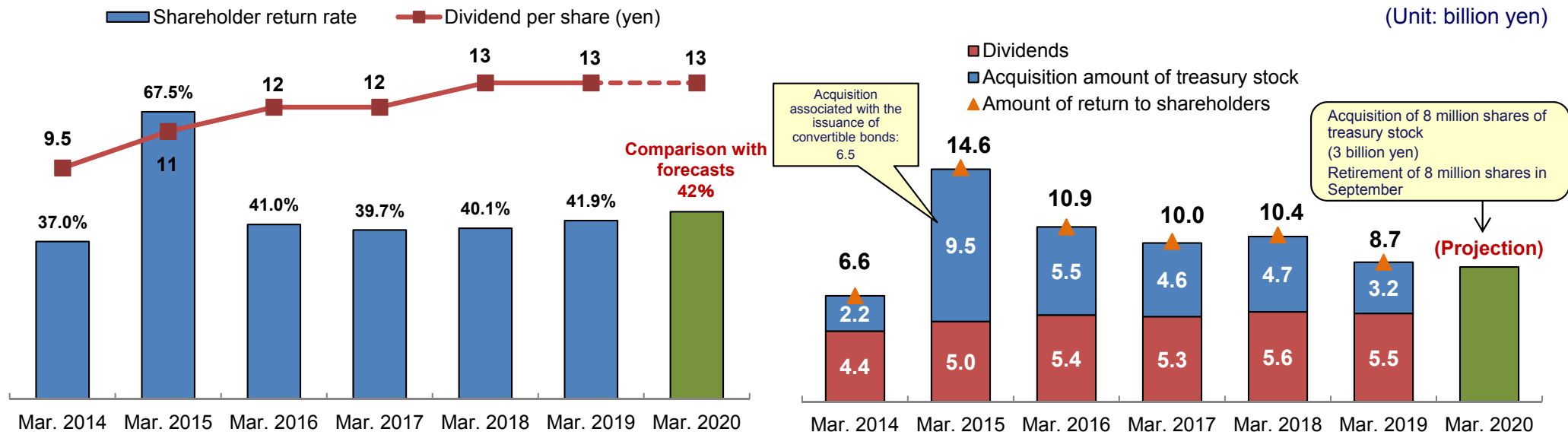
- (1) Renewable energy
- (2) Environmentally friendly private placement bonds
- (3) Energy efficiency
- (4) Clean transportation
- (5) Green buildings

7. Status of Strategically Held Stocks and Shareholder Return

■ Status of strategically held stocks



■ Status of shareholder return



8. ESG Initiatives—Environment

(1) Issuance of green bonds

■ Purpose of issuing a green bond



- Increase recognition of the Bank's SDGs initiatives by the first issuance of a green bond among regional banks in Japan
- Contribute to the sustainable development of local communities through active engagement in issues related to SDGs
- Raise awareness of environmental initiatives throughout the Group



■ Outline of the bond



- **Bond name:** Fifth Issuance of Basel III-compliant Subordinated Bonds with Early Redemption Clause
(Basel III-compliant Subordinated Bonds) (Green bond)
- **Issuance amount:** 10 billion yen Term: 10-year bond (NC 5 years)
- **Issuance date:** November 26, 2019 (planned)
- **Interest rate:** (i) For the first five years: 0.37% per annum
(ii) thereafter: 6-month Euro-yen LIBOR plus 0.42%
- **Interest payment date:** May 26 and November 26 of each year (First interest payment date: May 26, 2020)
- **Use of funds:** Apply to new and existing loans or expenditures that meet the eligibility criteria (*)
*(1) Renewable energy (2) Green private placement bonds (3) Energy efficiency (4) Clean transportation (5) Green buildings

- Established a green bond framework in line with the “Green Bond Principles 2018” of International Capital Markets Association's (ICMA) and “Green Bond Guidelines 2017” of the Ministry of the Environment of Japan.
- Obtained a second-party opinion from Sustainalytics as a third-party evaluation.
- Became eligible for a subsidy to be granted by Financial Support Programme for Green Bond Issuance 2019 of the Ministry of the Environment of Japan.



8. ESG Initiatives—Governance

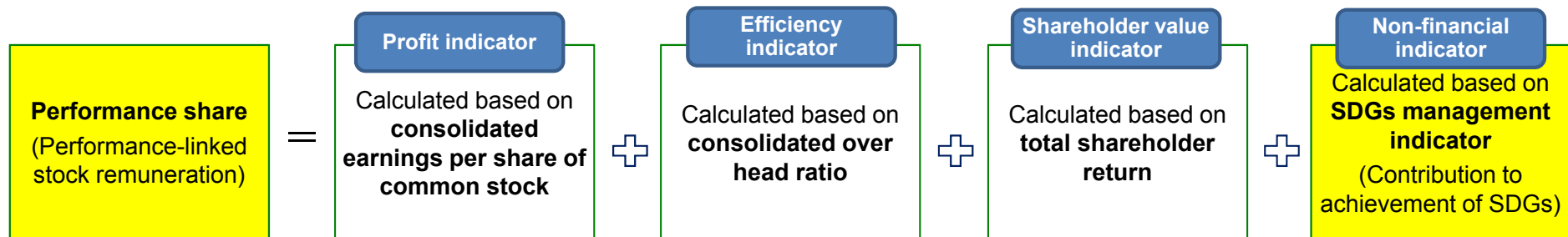
(2) Introduction of medium- to long-term incentive remuneration

■ Outline of remuneration structure (for directors excluding outside directors)

Remuneration features	Basic remuneration	Variable remuneration		
		Short-term incentive remuneration	Mid- to long-term incentive remuneration	
Cash/stock	Cash remuneration		Stock remuneration	
Performance-linked or not	Non-performance-linked	Short-term performance-linked	Performance-linked	Mid- to long-term performance-linked
Remuneration name	Monthly remuneration	Bonus	Stock with restriction on transfer	Performance share

■ Performance share

Purpose: Further motivate directors to contribute to the enhancement of corporate value over the medium-to-long term.
Foster a shared awareness of profits with shareholders and raise awareness of management focusing on shareholders.



Gunma Bank Group SDGs Declaration



Gunma Bank Group SDGs Declaration (GB Sustainability Policy 2030)

We strive to build a sustainable society and generate economic value by contributing to achieving Sustainable Development Goals (SDGs) through engaging in business activities in ways that always consider the development of local communities.

Priority issues and initiative policy

1. Sustained development of the regional economy

- We enhance the initiatives to assist the growth of regional business operators and vitalize regional communities while supporting the sustained development of regional economies by providing financial services befitting the diverse needs of customers.
- We endeavor to provide and expand various educational opportunities to nurture the next generation of leaders while enhancing financial and economic education to improve the financial literacy of the local communities.



2. Preservation and creation of global environment

- Under the Gunma Bank Environment Policy, we assist customers working to preserve the environment and create a beautiful environment and strive to lower environmental load from our operations.



3. Promote successful engagement by diverse personnel

- We enhance the diversity of directors and employees toward building a workplace in which all employees such as female, junior, and senior-age personnel can successfully work and foster them for the work and deliver a flexible work style.



4. Promote partnership

- We strive to build a sustainable society as a whole region through partnership with municipalities, corporate and individual customers.



(Established on February 25, 2019)

Under the Gunma Bank Group SDGs Declaration, the Bank Group strives to build a sustainable society and generate economic value by contributing to achieving Sustainable Development Goals (SDGs) through engaging in business.

This Mid-Term Business Plan was formulated under the philosophy. The Bank Group aims to generate stable revenues and attain future soundness by developing sustainable regional communities and realizing affluent future living as the Group strives to achieve the plan.

Corporate philosophy

SDGs Declaration

Mid-Term Business Plan
"Innovation New Dimension"

Interim Financial Results Briefing Session for the First Half of 2019

Data

November 21, 2019

The Gunma Bank, Ltd.

First Section of the Tokyo Stock Exchange: 8334

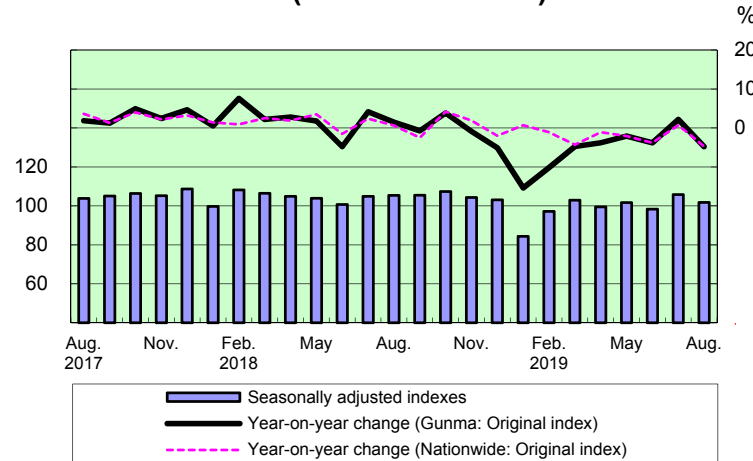
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This material has been prepared to provide information, not to solicit the transactions of specific securities. Descriptions in this material are subject to change without notice. Description on future business performance is included in this material. However, future business results are not guaranteed for the securities, which involve risks and uncertainties. Please be advised that future achievements may be different from targets due to changes in business environment, etc.

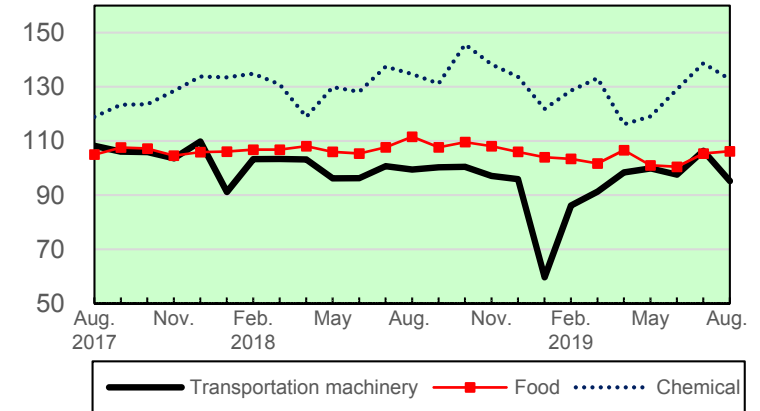
Economic Trends in Gunma Prefecture 1

■ Mining and manufacturing production index (Year 2015 = 100)



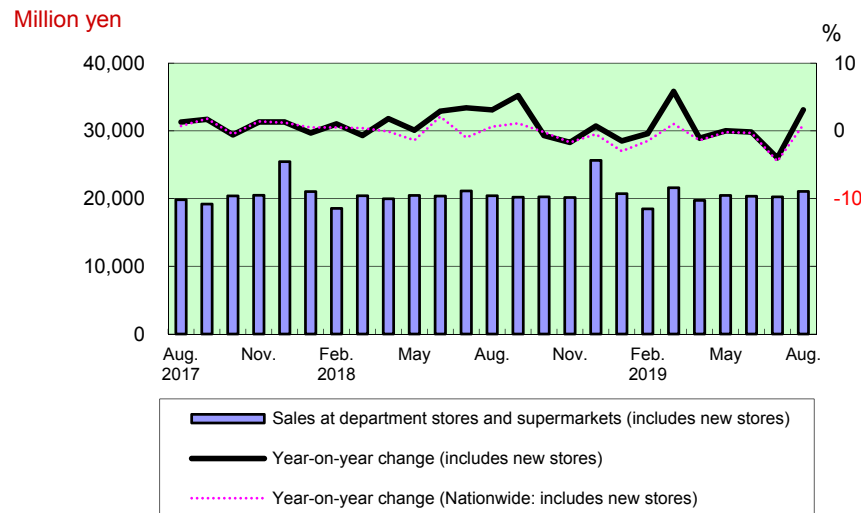
Source: Gunma Prefecture, Ministry of Economy, Trade and Industry

■ Production index by industry classification (Seasonally adjusted) (Year 2015 = 100, Top three industries by share)



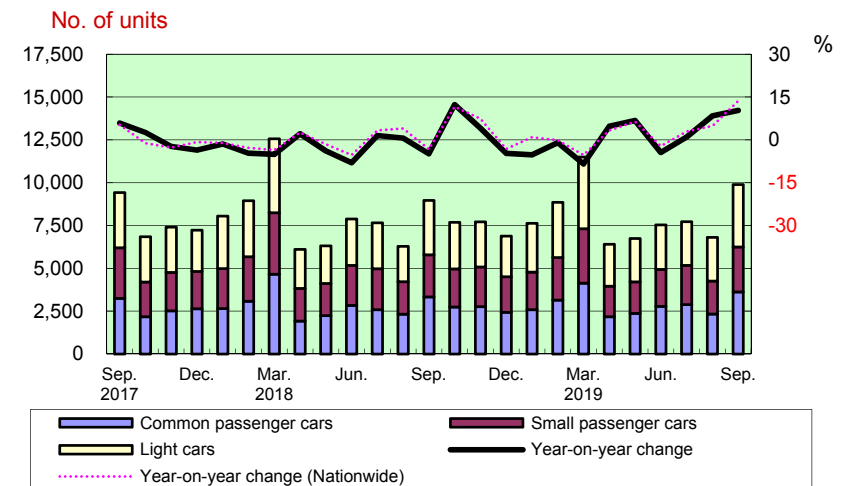
Source: Gunma Prefecture

■ Sales at department stores and supermarkets



Source: Ministry of Economy, Trade and Industry

■ Sales of passenger cars

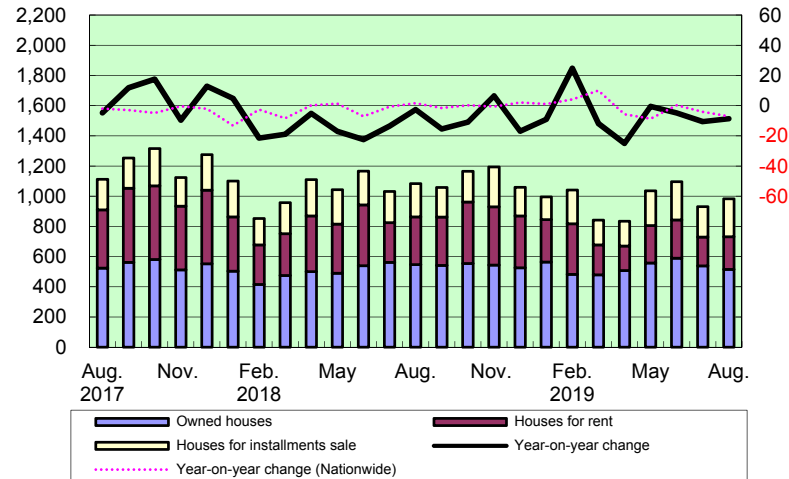


Sources: Japan Automobile Dealers Association, Japan Mini Vehicles Association, Japan Automobile Dealers Association Gunma Branch, Japan Mini Vehicles Association Gunma Branch

Economic Trends in Gunma Prefecture 2

■ New housing starts

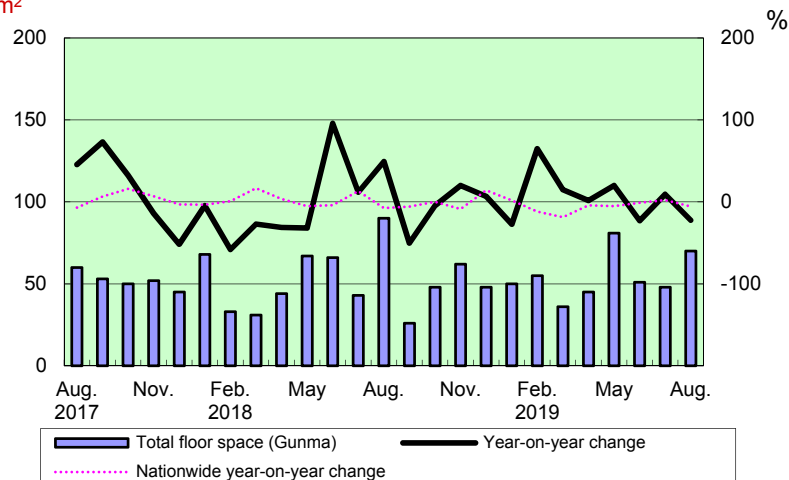
No. of houses



Source: Ministry of Land, Infrastructure, Transport and Tourism

■ Total floor space of construction starts (non-residential)

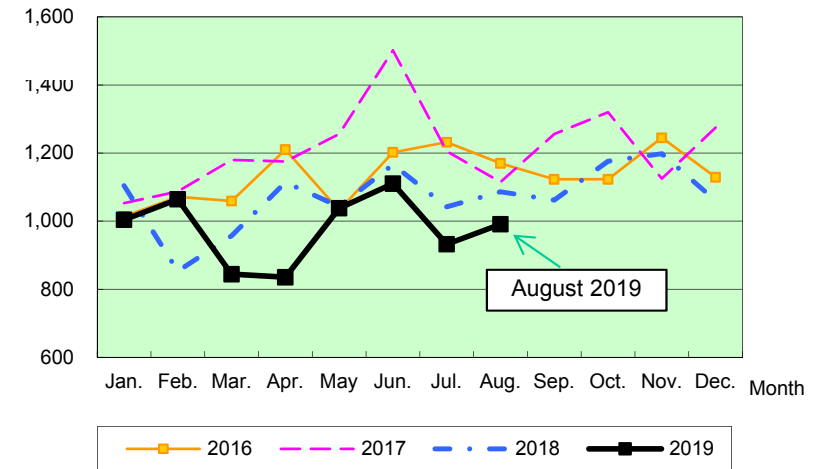
Thousand m²



Source: Ministry of Land, Infrastructure, Transport and Tourism

■ Monthly movements in new housing starts

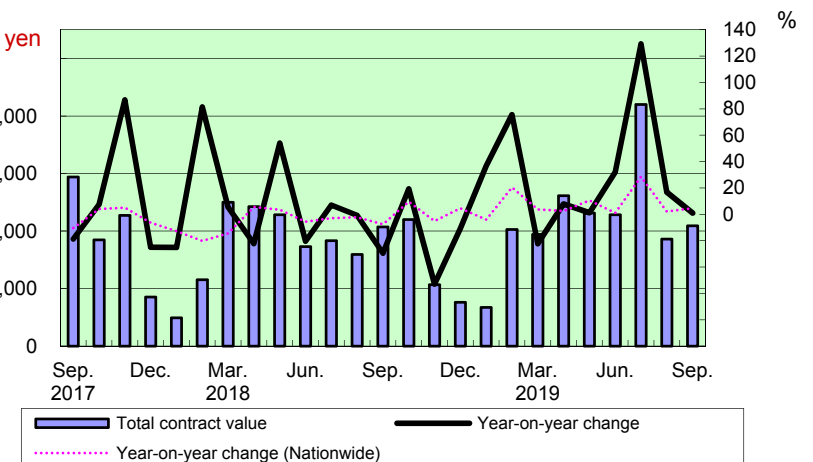
No. of houses



Source: Ministry of Land, Infrastructure, Transport and Tourism

■ Value of public works contracts

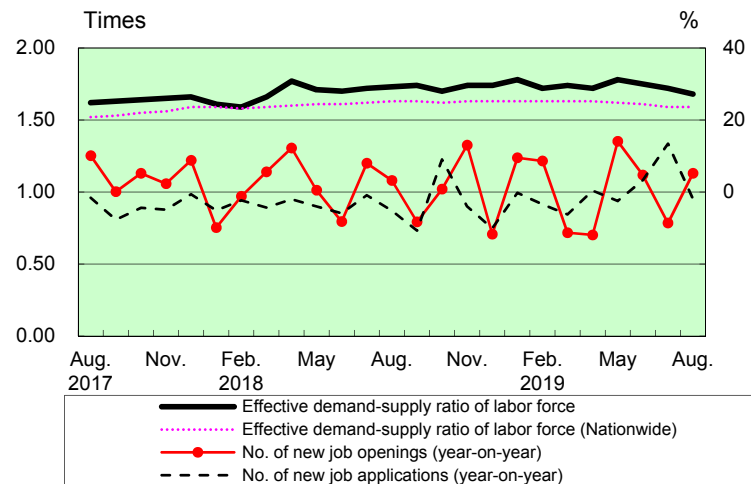
Million yen



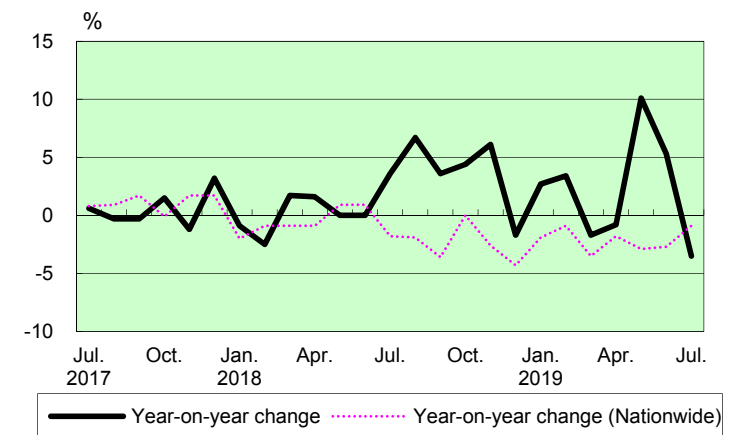
Source: East Japan Construction Surety Co., Ltd., etc.

Economic Trends in Gunma Prefecture 3

■ Effective demand-supply ratio of labor force and number of new job openings and new job applications

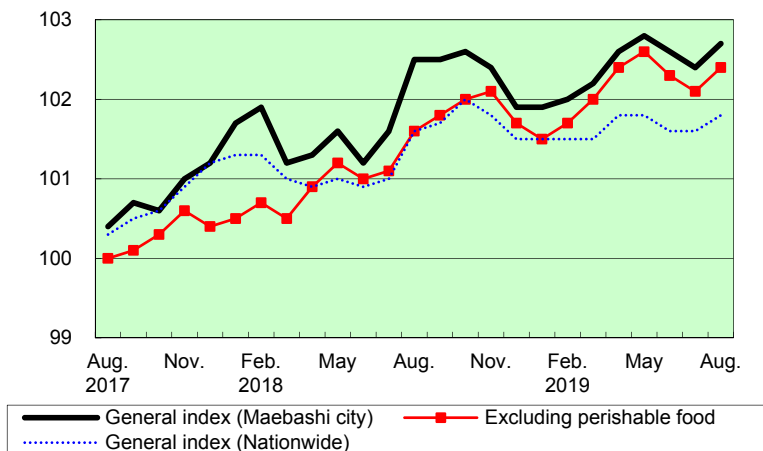


■ Total overtime hours

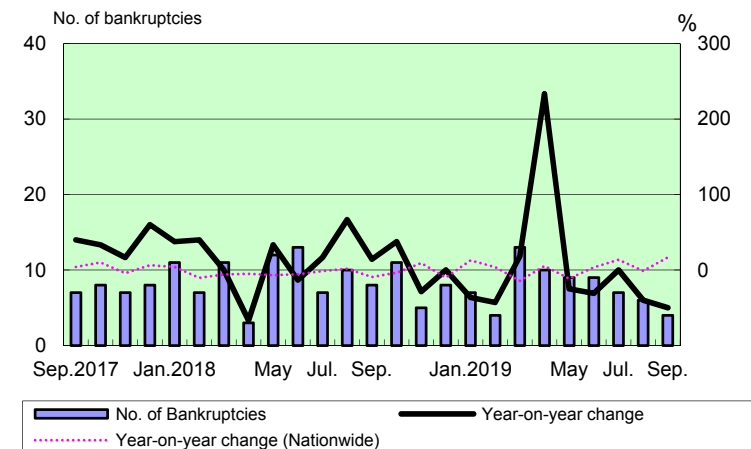


* All industries and offices with five employees or more
Sources: Ministry of Health, Labor and Welfare, Gunma Prefecture

■ Consumer price index (Year 2015 = 100)

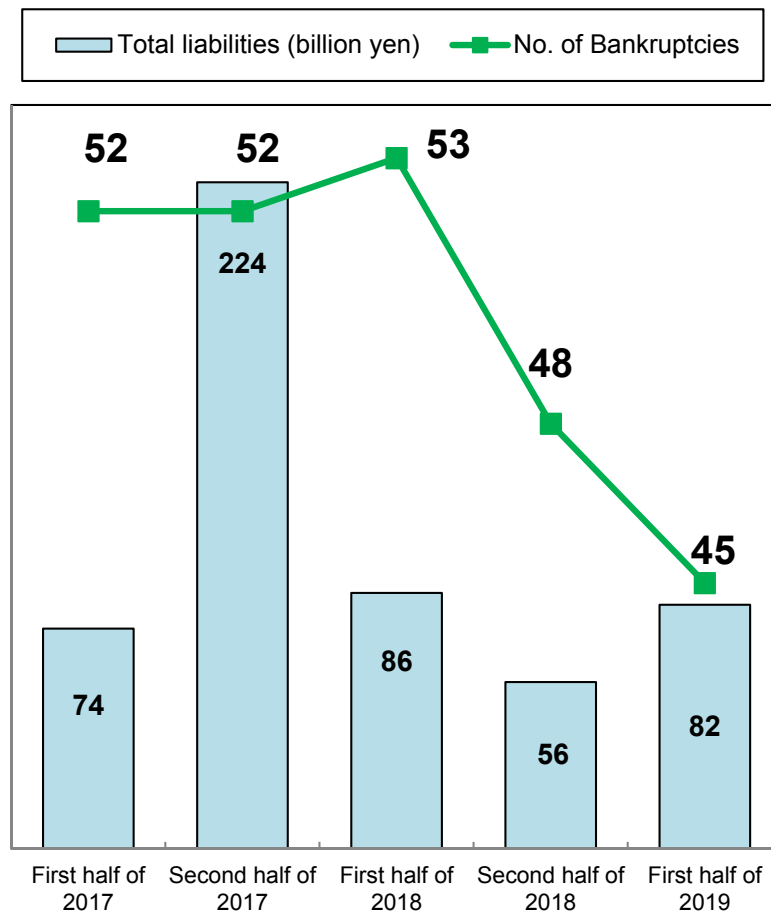


■ Number of bankruptcies

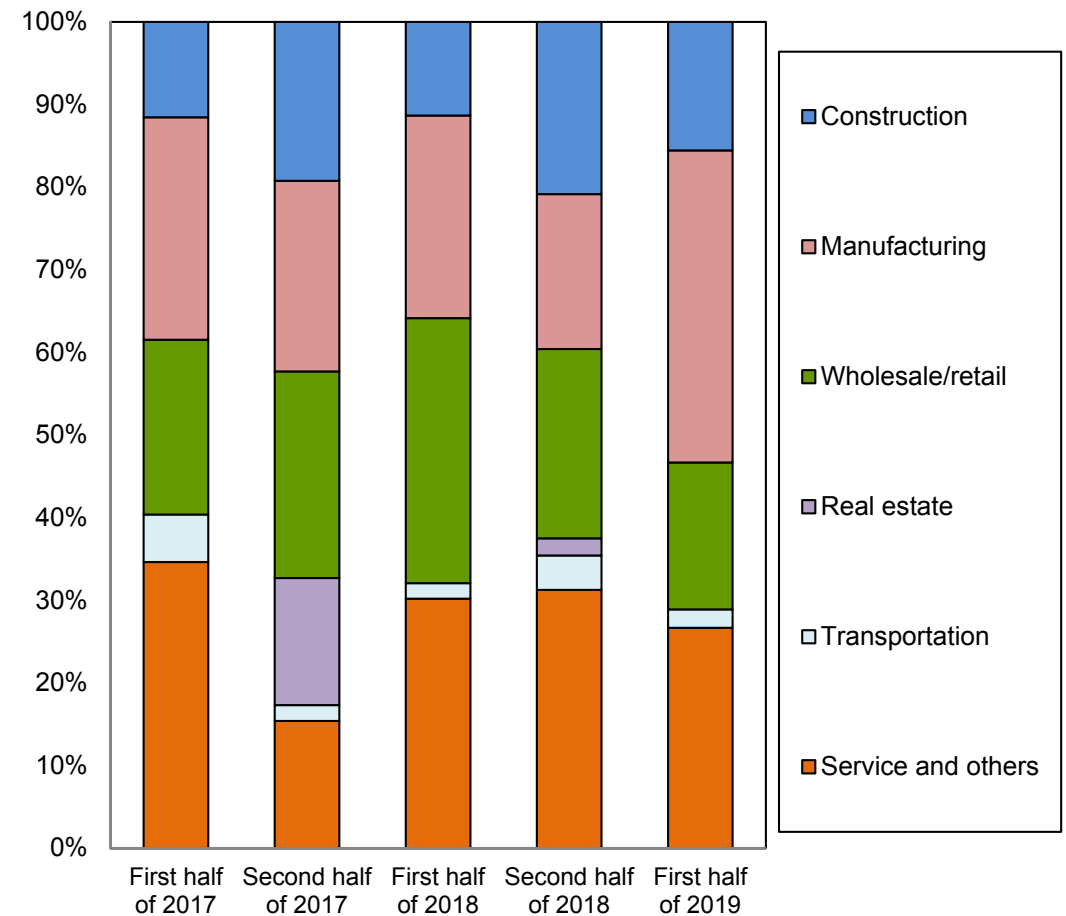


Economic Trends in Gunma Prefecture 4

■ Number of bankruptcies of Gunma companies and total liabilities



■ Industry breakdown of bankruptcies in Gunma (%)



(*) Based on Teikoku Databank figures, includes only bankruptcies with liabilities of 10 million yen or more.
Excludes voluntary liquidations (e.g., suspension of banking transactions) and includes only bankruptcies under the five bankruptcy laws (e.g., Corporate Rehabilitation Law).

(*) First half: April–September, Second half: October–March

Changes in Average of Earning Assets and Funds Balance

(Unit: billion yen)

	No.	Sep. 2015	Sep. 2016	Sep. 2017	Sep. 2018	Sep. 2019	Comparison with Sep. 2018
Loans	1	4,853.9	5,026.3	5,292.7	5,473.8	5,509.5	35.7
(Breakdown: large enterprises)	2	781.1	702.9	643.6	653.4	648.9	-4.5
(Breakdown: second-tier enterprises)	3	111.0	113.8	113.7	116.5	104.4	-12.1
(Breakdown: SMEs)	4	1,841.9	1,982.0	2,098.3	2,218.6	2,300.3	81.7
(Breakdown: individuals)	5	1,932.9	2,058.7	2,172.3	2,260.3	2,302.6	42.3
(Breakdown: public loans)	6	130.9	121.1	214.1	169.8	99.5	-70.3
Securities	7	2,100.8	1,974.5	1,851.5	1,572.4	1,640.7	68.3
Others	8	166.5	133.9	136.6	161.9	134.5	-27.4
Earning assets in total	9	7,121.2	7,134.7	7,280.8	7,208.1	7,284.8	76.7

*1

	No.	Sep. 2015	Sep. 2016	Sep. 2017	Sep. 2018	Sep. 2019	Comparison with Sep. 2018
Deposits	1	6,078.0	6,206.1	6,426.0	6,607.5	6,735.9	128.4
(Breakdown: individuals)	2	4,540.9	4,599.5	4,743.8	4,865.7	4,958.3	92.6
(Breakdown: corporations)	3	1,262.7	1,342.0	1,421.4	1,465.4	1,519.2	53.8
Liquid deposits	4	3,866.7	4,011.9	4,264.5	4,483.1	4,667.2	184.1
Fixed deposits	5	2,211.3	2,194.1	2,161.5	2,124.4	2,068.7	-55.7
Call money	6	78.6	69.2	48.8	19.7	17.8	-1.9
Borrowings	7	189.4	255.7	320.6	339.9	425.2	85.3
Others	8	520.8	573.3	626.8	424.7	447.0	22.3
Funds in total	9	6,866.8	7,104.3	7,422.2	7,391.8	7,626.0	234.2

*2

*1 Average balances totaled from all domestic branches are shown as breakdowns. Loans to regional public corporations and the Ministry of Finance (MOF) are included in public loans.

*2 Average balances totaled from all domestic branches are shown as breakdowns.

Changes in Average of Earning Assets and Funds Balance (Plan)

(Unit: billion yen)

	No.	Mar. 2019	Mar. 2020	Comparison with Mar. 2019
Loans	1	5,491.3	5,511.5	20.2
(Breakdown: large enterprises)	2	657.1	646.5	-10.6
(Breakdown: second-tier enterprises)	3	116.8	98.2	-18.6
(Breakdown: SMEs)	4	2,246.4	2,311.6	65.2
(Breakdown: individuals)	5	2,273.9	2,303.8	29.9
(Breakdown: public loans)	6	142.1	96.3	-45.8
Securities	7	1,555.4	1,634.7	79.3
Others	8	151.7	132.8	-18.9
Earning assets in total	9	7,198.5	7,279.0	80.5

*1

	No.	Mar. 2019	Mar. 2020	Comparison with Mar. 2019
Deposits	1	6,610.9	6,705.3	94.4
(Breakdown: individuals)	2	4,885.8	4,974.2	88.4
(Breakdown: corporations)	3	1,465.3	1,507.7	42.4
Liquid deposits	4	4,502.0	4,647.5	145.5
Fixed deposits	5	2,108.9	2,057.8	-51.1
Call money	6	26.1	50.8	24.7
Borrowings	7	356.7	428.2	71.5
Others	8	415.5	429.1	13.6
Funds in total	9	7,409.4	7,613.5	204.1

*2

*1 Average balances totaled from all domestic branches are shown as breakdowns. Loans to regional public corporations and the Ministry of Finance (MOF) are included in public loans.

*2 Average balances totaled from all domestic branches are shown as breakdowns.

Changes in the Rate of Change for Loans (by Region and Type)

(Unit: %)

[All branches]	End of Sep. 2017	End of Mar. 2018	End of Sep. 2018	End of Mar. 2019	End of Sep. 2019
Total loans	6.6	5.7	1.9	0.8	0.3
Loans to individuals	5.1	4.4	3.3	2.3	1.2
Loans to corporations	3.5	4.6	4.9	2.8	0.7

[Gunma Prefecture]	End of Sep. 2017	End of Mar. 2018	End of Sep. 2018	End of Mar. 2019	End of Sep. 2019
Total loans	0.9	1.9	2.0	0.8	0.4
Loans to individuals	0.4	-0.2	-0.6	-0.8	-0.8
Loans to corporations	2.2	4.4	5.1	2.8	2.1

[Saitama Prefecture]	End of Sep. 2017	End of Mar. 2018	End of Sep. 2018	End of Mar. 2019	End of Sep. 2019
Total loans	5.2	4.6	4.7	3.5	1.4
Loans to individuals	4.4	3.9	3.5	2.3	0.8
Loans to corporations	5.9	5.3	5.8	4.7	1.9

[Tochigi Prefecture]	End of Sep. 2017	End of Mar. 2018	End of Sep. 2018	End of Mar. 2019	End of Sep. 2019
Total loans	6.0	5.0	4.6	3.9	0.7
Loans to individuals	4.5	4.1	2.6	1.1	0.1
Loans to corporations	8.0	6.3	6.0	6.0	1.6

[Tokyo, Yokohama and Osaka]	End of Sep. 2017	End of Mar. 2018	End of Sep. 2018	End of Mar. 2019	End of Sep. 2019
Total loans	5.6	7.2	5.6	2.3	-0.3
Loans to individuals	25.2	21.7	15.9	11.5	7.6
Loans to corporations	0.4	2.8	2.2	-1.0	-3.2

[New branch offices]	End of Sep. 2017	End of Mar. 2018	End of Sep. 2018	End of Mar. 2019	End of Sep. 2019
Total loans	20.6	19.0	13.9	10.2	6.4
Loans to individuals	19.9	18.0	14.3	10.5	7.1
Loans to corporations	21.7	20.5	13.5	9.8	5.5

*Loans to individuals and corporations are totaled from all domestic branches.

- These figures are for 12 branches opened in and after 2001.
- (12 branches: Urawa, Kawagoe, Tokorozawa, Koshigaya, Ueda, Tachikawa, Matsudo, Sagami-hara, Ogikubo, Kawasaki, Kasai, Adachi)

Changes in the Rate of Change for Deposits (by Region and Type)

(Unit: %)

[All branches]	End of Sep. 2017	End of Mar. 2018	End of Sep. 2018	End of Mar. 2019	End of Sep. 2019
Total deposit	4.3	3.0	3.3	2.2	2.1
Deposit to individuals	3.4	2.9	2.3	1.9	1.6
Deposit to corporations	9.3	4.6	4.2	3.3	3.1

[Gunma Prefecture]	End of Sep. 2017	End of Mar. 2018	End of Sep. 2018	End of Mar. 2019	End of Sep. 2019
Total deposit	4.0	2.9	3.2	2.4	2.3
Deposit to individuals	3.4	2.9	2.3	2.0	1.8
Deposit to corporations	8.8	3.8	3.2	3.1	3.2

[Saitama Prefecture]	End of Sep. 2017	End of Mar. 2018	End of Sep. 2018	End of Mar. 2019	End of Sep. 2019
Total deposit	4.2	2.7	2.6	1.2	-0.2
Deposit to individuals	2.6	2.2	1.8	1.0	0.6
Deposit to corporations	10.1	4.8	5.1	2.0	-2.6

[Tochigi Prefecture]	End of Sep. 2017	End of Mar. 2018	End of Sep. 2018	End of Mar. 2019	End of Sep. 2019
Total deposit	2.5	1.7	1.4	0.7	-0.3
Deposit to individuals	1.0	0.8	0.9	-0.1	-0.5
Deposit to corporations	8.0	4.4	2.5	2.9	-0.2

[Tokyo, Yokohama and Osaka]	End of Sep. 2017	End of Mar. 2018	End of Sep. 2018	End of Mar. 2019	End of Sep. 2019
Total deposit	13.7	14.6	16.6	7.4	5.6
Deposit to individuals	13.1	12.8	8.8	8.5	4.7
Deposit to corporations	14.7	14.4	14.4	7.1	10.6

[New branch offices]	End of Sep. 2017	End of Mar. 2018	End of Sep. 2018	End of Mar. 2019	End of Sep. 2019
Total deposit	23.1	16.1	11.7	9.9	6.1
Deposit to individuals	19.9	19.3	15.1	14.0	9.3
Deposit to corporations	26.7	13.4	8.9	6.2	3.3

* Deposits from individuals and corporations are totaled from all domestic branches.

- These figures are for 12 branches opened in and after 2001.
- (12 branches: Urawa, Kawagoe, Tokorozawa, Koshigaya, Ueda, Tachikawa, Matsudo, Sagami-hara, Ogikubo, Kawasaki, Kasai, Adachi)

Changes in the Outstanding Balances of Loans and Deposits (by Region)

(Unit: billion yen)

Loans	End of Sep. 2017		End of Mar. 2018		End of Sep. 2018		End of Mar. 2019		End of Sep. 2019		Compared with Mar. 2019	
	Balance	Composition ratio	Balance	Composition ratio	Balance	Composition ratio	Balance	Composition ratio	Balance	Composition ratio	Balance	Composition ratio
Gunma	2,302.1	42.7%	2,339.1	42.8%	2,347.7	42.7%	2,356.8	42.7%	2,356.7	42.8%	-0.1	0.1%
Saitama	1,069.2	19.8%	1,101.2	20.1%	1,119.2	20.4%	1,139.4	20.7%	1,134.6	20.6%	-4.8	-0.1%
Tochigi	484.1	9.0%	495.0	9.1%	506.6	9.2%	514.2	9.3%	510.3	9.3%	-3.9	-
Tokyo, Kanagawa and Osaka	1,236.8	22.9%	1,270.9	23.2%	1,305.7	23.8%	1,299.8	23.6%	1,301.5	23.6%	1.7	-
Head Office, etc.	298.9	5.6%	262.9	4.8%	212.3	3.9%	202.3	3.7%	205.9	3.7%	3.6	-
Total	5,391.3	100.0%	5,469.3	100.0%	5,491.6	100.0%	5,512.7	100.0%	5,509.2	100.0%	-3.5	-

* Totalled from all domestic branches

(Unit: billion yen)

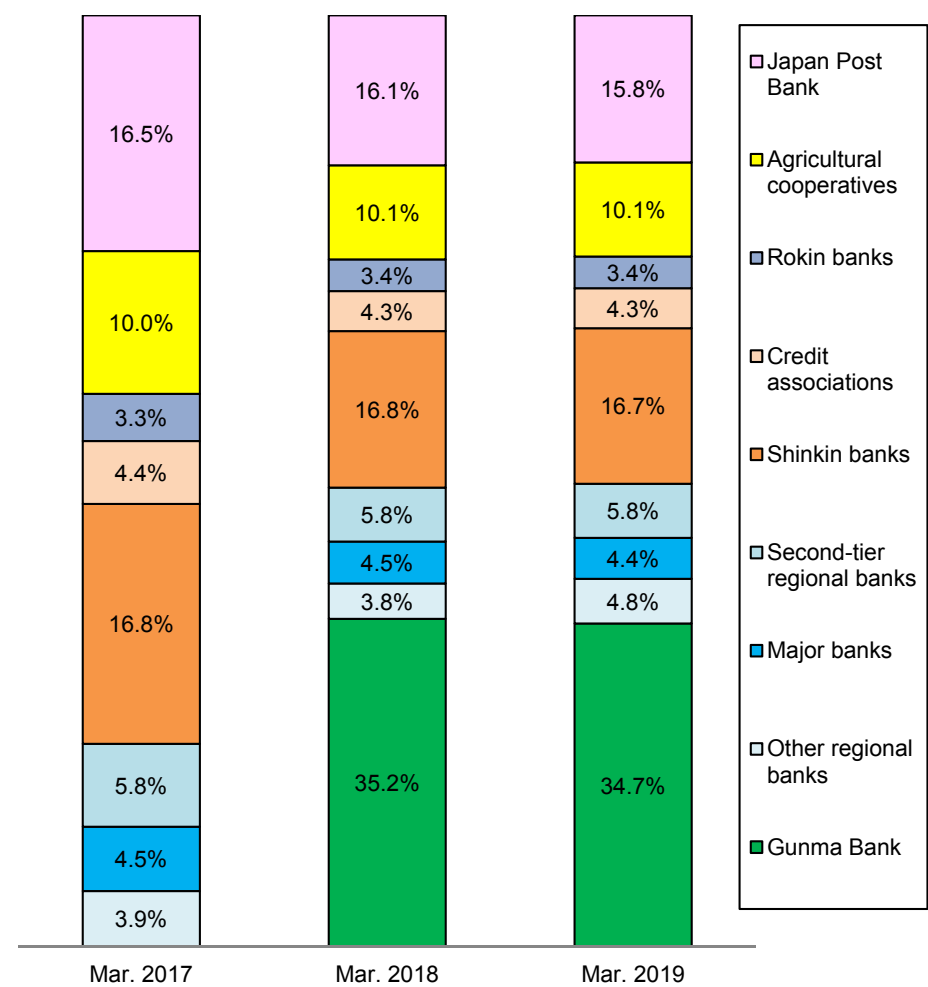
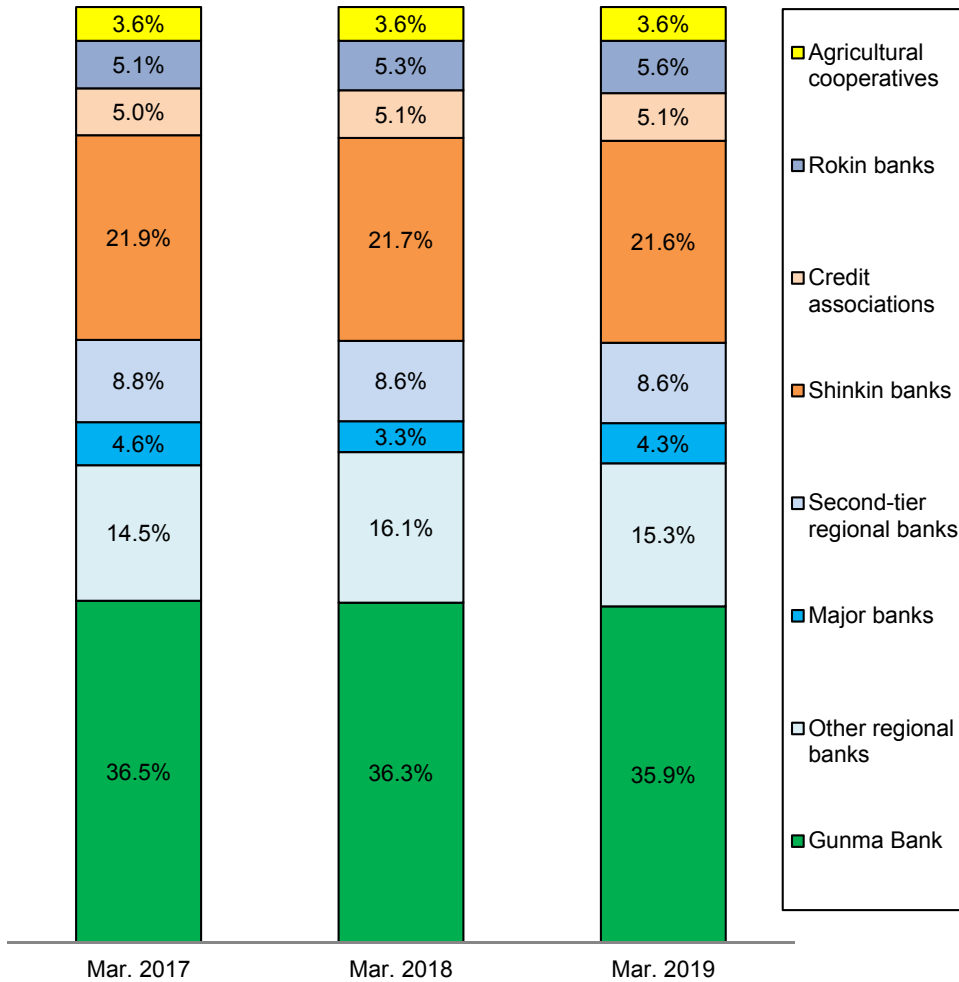
Deposits	End of Sep. 2017		End of Mar. 2018		End of Sep. 2018		End of Mar. 2019		End of Sep. 2019		Compared with Mar. 2019	
	Balance	Composition ratio	Balance	Composition ratio	Balance	Composition ratio	Balance	Composition ratio	Balance	Composition ratio	Balance	Composition ratio
Gunma	5,209.0	81.0%	5,407.9	81.3%	5,375.0	80.9%	5,537.7	81.5%	5,500.7	81.1%	-37.0	-0.4%
Saitama	639.2	9.9%	646.6	9.7%	655.6	9.9%	654.5	9.6%	654.2	9.6%	-0.3	-
Tochigi	360.4	5.6%	362.3	5.5%	365.3	5.5%	364.9	5.4%	364.1	5.4%	-0.8	-
Tokyo, Kanagawa and Osaka	192.5	3.0%	202.7	3.0%	224.6	3.4%	217.6	3.2%	237.1	3.5%	19.5	0.3%
Head Office, etc.	29.9	0.5%	33.2	0.5%	22.0	0.3%	22.8	0.3%	28.9	0.4%	6.1	0.1%
Total	6,431.3	100.0%	6,652.7	100.0%	6,642.7	100.0%	6,797.7	100.0%	6,785.1	100.0%	-12.6	-

* Totalled from all domestic branches

Changes in Gunma Bank's Shares in Loans and Deposits in Gunma Prefecture

Loans

Deposits

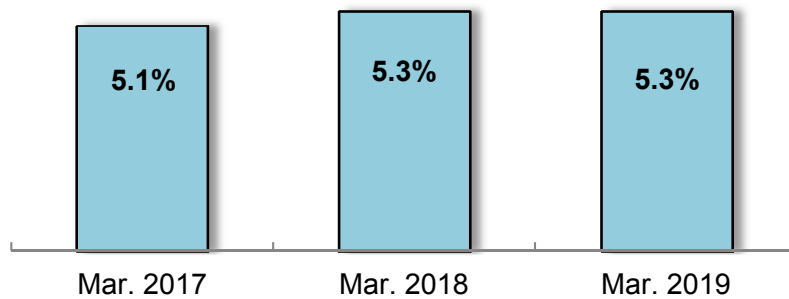


(Note) Source: "Financial Map" from an extra number of the "Financial Journal" 2020 edition

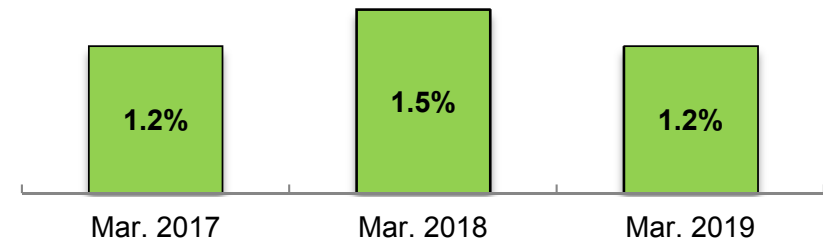
Changes in Gunma Bank's Shares in Loans and Deposits in Saitama and Tochigi Prefectures

Change in Gunma Bank's Shares in Loans and Deposits in Saitama Prefecture

Loans

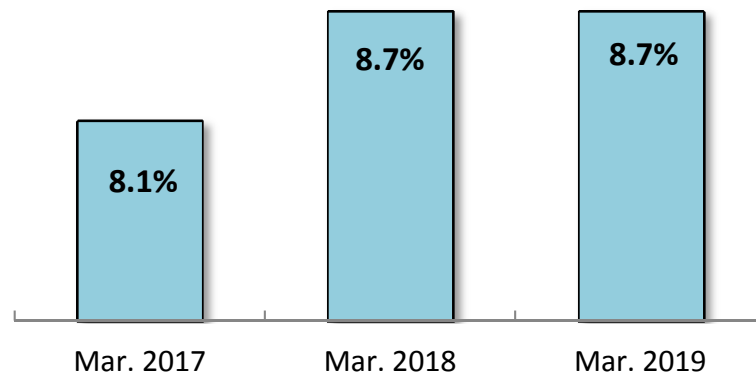


Deposits

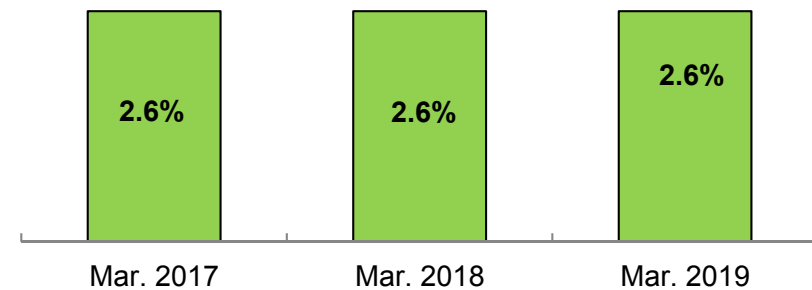


Changes in Gunma Bank's Shares in Loans and Deposits in Tochigi Prefecture

Loans



Deposits



(Note) Source: "Financial Map" from an extra number of the "Financial Journal" 2020 edition

Changes in Balances Divided by Type and by Size

(Unit: billion yen)

	End of Mar. 2016	End of Mar. 2017	End of Mar. 2018	End of Mar. 2019	End of Sep. 2019
Loans	5,047.3	5,224.2	5,518.6	5,565.4	5,557.3
Domestic branches	4,994.0	5,176.0	5,469.3	5,512.7	5,509.2
Corporations	2,781.8	2,808.6	2,927.3	2,991.5	2,986.3
Large enterprises	680.2	579.1	564.9	554.2	558.0
Second-tier enterprises	108.0	114.4	112.1	110.8	93.6
SMEs	1,993.6	2,115.0	2,250.2	2,326.4	2,334.6
* Excluding strategic branch offices	1,841.9	1,962.1	2,099.9	2,195.1	2,215.5
Public entities	109.5	106.7	102.2	97.8	94.7
Regional public corporations	3.0	2.9	2.7	2.5	1.7
Municipal authorities	106.5	103.8	99.5	95.3	93.0
Central government	-	20.9	89.4	-	-
Individuals	2,039.4	2,159.3	2,254.5	2,305.6	2,309.5
Housing-related loans	1,972.2	2,087.6	2,180.9	2,230.2	2,228.3
Housing loans	1,285.1	1,300.5	1,314.8	1,317.0	1,313.7
Apartment loans	491.9	546.9	593.4	631.6	641.7
Others	195.1	240.1	272.5	281.5	272.8
Unsecured consumer loans	38.6	44.8	48.8	51.5	53.2
Other loans to individuals	28.5	26.8	24.6	23.9	27.9
Cross-border, etc. (*)	63.2	80.3	95.8	117.6	118.5
Overseas branches	53.2	48.2	49.2	52.7	48.0

(*) Includes structured finance.

Breakdown of Housing-related Loans

(Unit: billion yen)

		End of Sep. 2018	End of Sep. 2019	Composition ratio		Year-on-year		Amount of new loans granted		The number of loans (cases)
					Year-on-year	Change	Rate of change		Year-on-year	
Housing-related loans		2,207.3	2,228.3	100.0%		21.0	1.0%	72.9	-25.7	
Housing loans		1,316.3	1,313.7	59.0%	-0.7%	-2.6	0.6%	40.8	-6.2	94,202
By region	Gunma	703.4	698.3	53.2%	-0.3%	-5.0	-0.7%	21.9	-0.7	56,956
	Saitama	327.7	324.1	24.7%	-0.2%	-3.5	-1.1%	8.4	-2.5	21,221
	Tochigi	115.8	113.1	8.6%	-0.2%	-2.6	-2.3%	2.7	-0.5	8,183
	Tokyo and Kanagawa	169.4	178.0	13.6%	0.7%	8.5	5.1%	7.7	-2.2	7,842
By interest rate	Floating	1,031.7	1,101.2	83.8%	5.4%	69.4	6.7%	40.0	-5.3	74,827
	Fixed	284.6	212.5	16.2%	-5.4%	-72.0	-25.3%	0.8	-0.9	19,375
Apartment loans		613.3	641.7	28.8%	1.0%	28.4	7.8%	26.7	-9.1	11,420
By region	Gunma	257.8	259.6	40.5%	-1.6%	1.8	0.7%	8.0	-1.7	5,040
	Saitama	141.4	150.2	23.4%	0.4%	8.8	6.3%	6.5	-2.9	2,663
	Tochigi	112.4	116.1	18.1%	-0.2%	3.7	3.3%	4.2	-0.8	1,947
	Tokyo and Kanagawa	101.6	115.6	18.0%	1.5%	14.0	13.9%	7.8	-3.5	1,770
Others related to housing loans		277.6	272.8	12.2%	-0.3%	-4.8	7.2%	5.2	-10.3	

Status of Loans for Housing-related Loans

Changes in the balance of loans for investment real estate

(Unit: billion yen, %)

	End of Mar.2018	Compared to end of Mar.2017		End of Mar.2019	Compared to end of Mar.2018		End of Sep.2019	Compared to end of Mar.2019		End of Sep.2019 Composition ratio
		Change	Rate of change		Change	Rate of change		Change	Rate of change	
Loans	5,518.6	294.3	5.6	5,565.4	46.8	0.8	5,557.3	-8.1	-0.1	100.0
For investment real estate	957.5	113.7	13.5	1,026.6	69.0	7.2	1,033.4	6.8	0.7	18.6
Whole building	207.0	53.4	34.8	227.2	20.1	9.7	224.8	-2.3	-1.0	4.0
Breakdown n: Asset management companies	51.9	16.0	44.8	61.0	9.1	17.6	60.5	-0.5	-0.9	1.1
Breakdown n: Salarie workers	31.8	6.8	27.5	32.5	0.7	2.2	32.1	-0.4	-1.4	0.6

※Loans to individuals(including asset management companies) for purchasing investment property (residence / accommodation), such as apartments, condominiums and guest houses.

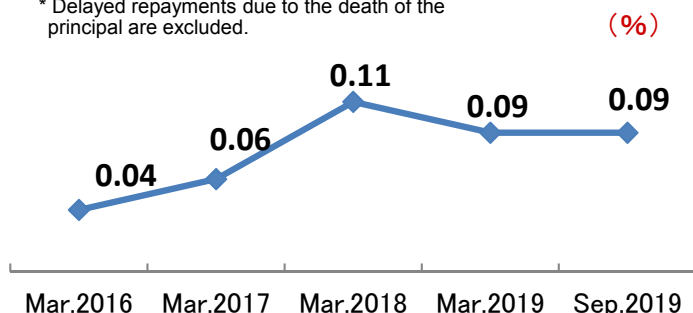
※Since we have improved the code system and additionally registered the collateral (which had not been completed) (from this time), the coefficients published before the end of March 2019 do not match.

Ratio of apartment loan borrowers delayed in repayments

Default percentage(FY2018)

DSCR and vacancy rate(FY2018)

* Delayed repayments due to the death of the principal are excluded.



Loans for investment real estate	
	Apartment loans
0.32%	0.07%
Year-on year 0.0%	Year-on year -

	Total	Maebashi City in Gunma	Takasaki City in Gunma	Tokyo and Kanagawa Pf.
Vacancy rate(%)	5.0	9.2	5.1	2.1
Year-on-year	▲0.6	0.2	▲0.6	▲0.7
DSCR(times)	1.36	1.30	1.34	1.45
Year-on-year	0.0	▲0.0	0.02	▲0.02

Breakdown of Loans (Outstanding Loan by Industry)

Breakdown of outstanding loans by industry (End of Sep. 2019) * Extracted data of outstanding loans exceeding 100 billion yen to SMEs by industry

(Unit: billion yen)

	Domestic branches	Large and second-tier enterprises, strategic branch offices	SMEs	Gunma	Tochigi	Saitama	Tokyo and Kanagawa	Others
Manufacturing	681.2	223.2	457.9	276.4	61.3	92.2	22.3	5.6
Construction	174.7	14.8	159.9	97.8	17.6	27.5	15.3	1.7
Transport and postal services	150.2	24.0	126.1	65.0	11.0	40.3	8.7	1.0
Wholesaling and retailing	449.4	113.0	336.4	180.2	35.8	76.5	39.7	4.3
Real estate	557.2	92.1	465.0	123.5	52.9	155.6	128.8	4.2
Healthcare and public welfare	316.0	46.5	269.4	114.2	14.6	64.9	73.0	2.8
Other services	252.4	10.9	241.5	130.1	30.1	49.9	29.5	1.8
Others including municipalities (corporations)	2,999.9	784.9	2,215.5	1,140.0	233.0	518.2	327.6	22.1

Year-on-year change in amount

Manufacturing	-5.8	-19.2	13.4	11.4	-0	1.8	-0.2	0.4
Construction	-0.6	-0.6	0	2.1	-0.2	-2.6	0.4	0.3
Transport and postal services	1.8	-2.7	4.5	-0.4	0.8	3.0	1.0	0.1
Wholesaling and retailing	-5.9	-18.6	12.7	7.0	0.4	3.9	1.5	-0.1
Real estate	7.0	-1.4	8.4	3.2	0.5	4.5	-0.4	0.7
Healthcare and public welfare	4.9	-3.3	8.2	0.5	0.6	1.2	5.9	-0.1
Other services	8.7	-0.8	9.5	4.6	3.1	0.4	2.3	-0.8
Others including municipalities (corporations)	14.0	-61.1	75.0	46.5	5.6	11.9	10.3	0.7

Changes in the Rates of Yield and the Profit Margins of Interest Rates

(Unit: %)

	No.	Sep. 2016	Sep. 2017	Sep. 2018	Sep. 2019	Compared with Sep. 2018 Change
Earning assets yield	1	1.18	1.23	1.19	1.07	-0.12
(Breakdown: domestic earning assets yield)	2	(1.12)	(1.13)	(1.08)	(0.97)	(-0.11)
Loans yield	3	1.13	1.05	1.04	1.04	-
(Breakdown: domestic loans yield)	4	(1.12)	(1.03)	(0.99)	(0.97)	(-0.02)
Securities yield	5	1.35	1.78	1.78	1.19	-0.59
(Breakdown: domestic securities yield)	6	(1.25)	(1.66)	(1.61)	(1.08)	(-0.53)
Deposit cost	7	0.02	0.03	0.03	0.03	-
(Breakdown: domestic deposit cost)	8	(0.01)	(0.01)	(0.01)	(0.00)	(-0.01)
Funding cost	9	0.06	0.10	0.10	0.08	-0.02
(Breakdown: domestic funding cost)	10	(0.02)	(0.01)	(0.01)	(0.00)	(-0.01)
Ratio of expenses	11	0.88	0.85	0.82	0.79	-0.03
Deposit and loan direct profit margin 3-7	12	1.11	1.02	1.01	1.01	-
(Breakdown: domestic deposit and loan direct profit margin) 4-8	13	(1.11)	(1.02)	(0.98)	(0.97)	(-0.01)
Overall direct profit margin 1-9	14	1.12	1.13	1.09	0.99	-0.10
(Breakdown: overall domestic direct profit margin) 2-10	15	(1.10)	(1.12)	(1.07)	(0.97)	(-0.10)
Overall profit margin	16	0.31	0.36	0.32	0.25	-0.07
(Breakdown: overall domestic profit margin)	17	(0.27)	(0.32)	(0.30)	(0.23)	(-0.07)

* Domestic: domestic operation division. Profit margins and changes are calculated on the table.

Changes in the Rates of Yield and the Profit Margins of Interest Rates (Plan)

(Unit: %)

	No.	Mar. 2019	Mar. 2020 (Projection)	Compared with Mar. 2019 Change
Earning assets yield	1	1.13	1.05	-0.08
(Breakdown: domestic earning assets yield)	2	(1.02)	(0.95)	(-0.07)
Loans yield	3	1.05	1.03	-0.02
(Breakdown: domestic loans yield)	4	(0.98)	(0.97)	(-0.01)
Securities yield	5	1.46	1.12	-0.34
(Breakdown: domestic securities yield)	6	(1.29)	(1.01)	(-0.28)
Deposit cost	7	0.03	0.03	-
(Breakdown: domestic deposit cost)	8	(0.00)	(0.00)	(-)
Funding cost	9	0.09	0.08	-0.01
(Breakdown: domestic funding cost)	10	(0.01)	(0.00)	(-0.01)
Ratio of expenses	11	0.81	0.79	-0.02
Deposit and loan direct profit margin 3-7	12	1.02	1.00	-0.02
(Breakdown: domestic deposit and loan direct profit margin) 4-8	13	(0.98)	(0.97)	(-0.01)
Overall direct profit margin 1-9	14	1.04	0.97	-0.07
(Breakdown: overall domestic direct profit margin) 2-10	15	(1.01)	(0.95)	(-0.06)
Overall profit margin	16	0.28	0.23	-0.05
(Breakdown: overall domestic profit margin)	17	(0.26)	(0.22)	(-0.04)

* Domestic: domestic operation division. Profit margins and changes are calculated on the table.

Category of Borrowers and Classification of Loans (Before Provision)

(Unit: billion yen)

Borrower categories employed in self-assessment		Classification			
		Not classified	Classification II	Classification III	Classification IV
Bankrupt borrowers 8.2		3.8	5.5	1.4 (1.4)	18.2 (18.2)
Virtually bankrupt borrowers 20.8				Specific provision for possible loan losses are shown in parentheses.	
Borrowers threatened with bankruptcy 37.2		13.2	7.1	16.9 (6.4)	
Borrowers requiring attention	Borrowers requiring special attention 52.6	10.3	42.2 (3.3)	General provision for possible loan losses are shown in parentheses.	
	Borrowers requiring attention other than borrowers requiring special attention 286.1	81.1	205.0 (6.6)		
Normal borrowers 5,226.9		5,226.9 (3.6)			
Total 5,632.1		Not classified 5,335.5	Classification II 260.0	Classification III 18.3	Classification IV 18.2

* The Gunma Bank does not apply the partial direct write-off method.

Transition in Borrower Categories

(The numbers of borrowers are shown in parentheses in the upper columns, and the amounts are shown in billions of yen in the lower columns.)

			Sep. 2019								
			Normal borrowers	Expected loss (1)	Expected loss (2)	Borrowers threatened with bankruptcy	Virtually bankrupt borrowers	Bankrupt borrowers	Others	Breakdown: full recovery/repayment	Breakdown: sale and write-off of loans
Mar. 2019	Normal borrowers	(24,783)	(23,079)	(853)	(22)	(14)	(16)	(7)	(792)	(791)	(1)
		2,944.4	2,866.0	51.3	3.3	0.9	0.4	1.0	21.5	21.5	0
	Expected loss (1)	(5,549)	(535)	(4,688)	(30)	(38)	(32)	(7)	(219)	(219)	-
		184.2	16.5	157.4	5.5	1.2	0.5	0.2	2.9	2.9	-
	Expected loss (2)	(441)	(9)	(13)	(384)	(22)	(2)	(2)	(9)	(8)	(1)
		80.7	4.6	1.2	71.2	3.4	0	0.1	0.2	0.2	0
	Borrowers threatened with bankruptcy	(567)	-	(5)	(2)	(504)	(24)	(4)	(28)	(26)	(2)
		30.5	-	0.1	0.1	28.3	0.7	0.1	1.2	0.4	0.7
	Virtually bankrupt borrowers	(308)	-	(2)	-	(3)	(220)	(15)	(68)	(51)	(17)
		20.3	-	0.1	-	0.2	16.9	2.4	0.7	0.5	0.2
	Bankrupt borrowers	(64)	-	-	-	-	-	(38)	(26)	(9)	(17)
		5.3	-	-	-	-	-	3.9	1.4	0.6	0.8
	Total	(31,712)	(23,623)	(5,561)	(438)	(581)	(294)	(73)	(1,142)	(1,104)	(38)
		3,266.8	2,887.3	210.3	80.2	34.1	18.7	8.0	28.2	26.3	1.9

Total	
Upgrade	Down-grade
-	(912)
-	56.9
(535)	(107)
16.5	7.4
(22)	(26)
5.8	3.5

(Below borrowers threatened with bankruptcy)

(9)	-
0.3	-

(566)	(1,045)
22.6	67.8

- (Note) 1. What is shown here is transition in borrower categories from the end of March 2019 to the end of September 2019.
2. Outstanding balances are calculated based on self-assessments, including loans, acceptances and guarantees, and foreign exchanges (excluding overseas balances, government/municipal authorities, and individual borrowers).
Those with outstanding balances not calculated based on self-assessments are aggregated into the "Normal" category.
3. The figures in the upper columns for "Others" indicate the number of borrowers who have resolved outstanding balances in the first half of FY2019 by full collection or repayment, final disposal (such as sale of loans), or other means.
4. The figures in the lower columns for "Others" indicate the amount decreased in the first half of FY2019.
5. Expected loss classification (1) consists of borrowers requiring attention other than special attention, excluding those with realistic, comprehensive business reconstruction plans. Expected loss classification (2) consists of borrowers requiring attention other than special attention who have realistic, comprehensive business reconstruction plans and borrower requiring special attention.

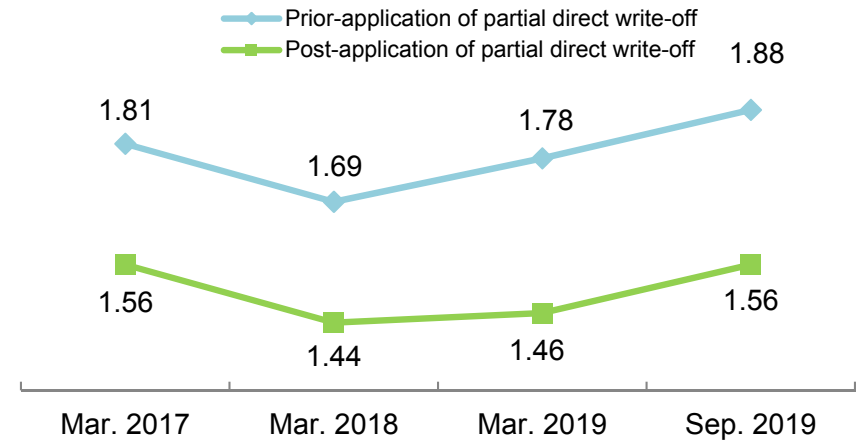
Status of Soundness

Changes in ratio of risk management loans

(Unit: %)

	Mar. 2017	Mar. 2018	Mar. 2019	Sep. 2019
Prior-application of partial direct write-off	1.81	1.69	1.78	1.88
Post-application of partial direct write-off	1.56	1.44	1.46	1.56

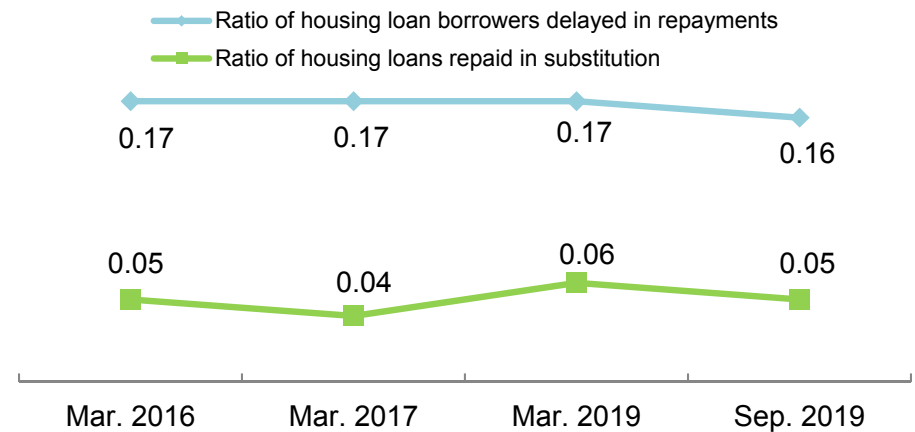
* The Gunma Bank does not apply the partial direct write-off method.



Changes in ratio of housing loan borrowers delayed in repayments and the ratio of housing loans repaid in substitution

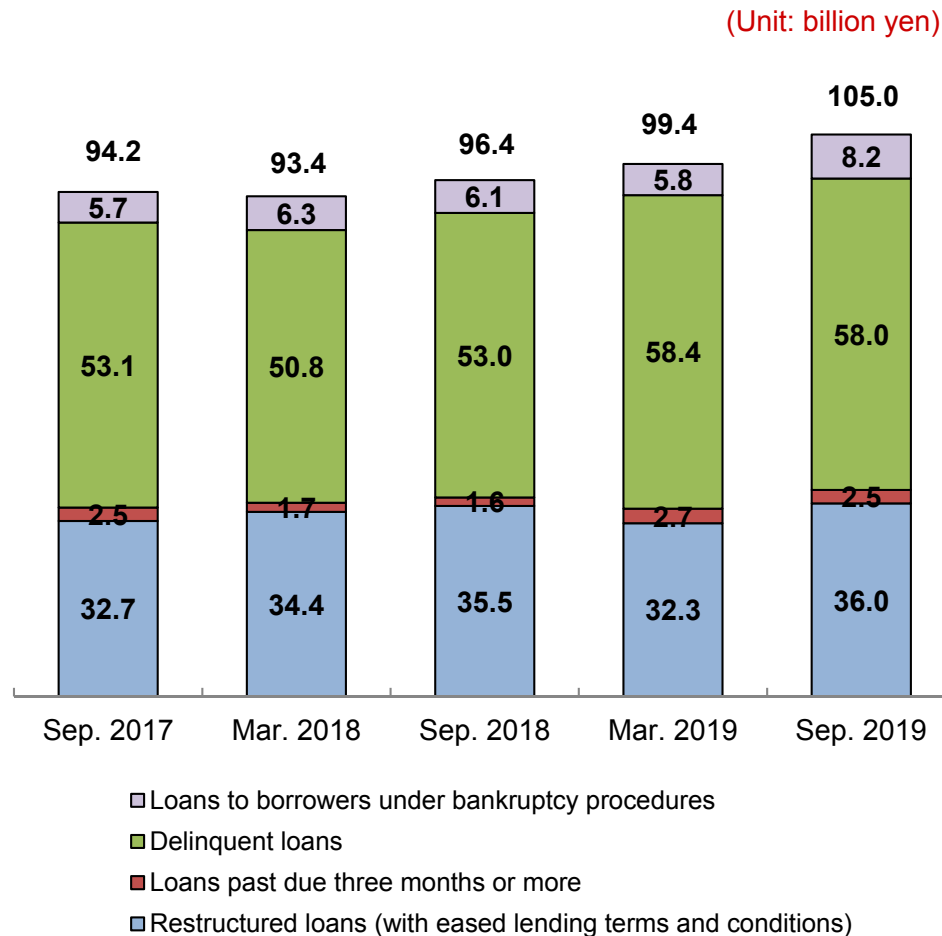
(Unit: %)

	Mar. 2017	Mar. 2018	Mar. 2019	Sep. 2019
Ratio of housing loan borrowers delayed in repayments	0.17	0.17	0.17	0.16
Ratio of housing loans repaid in substitution	0.05	0.04	0.06	0.05

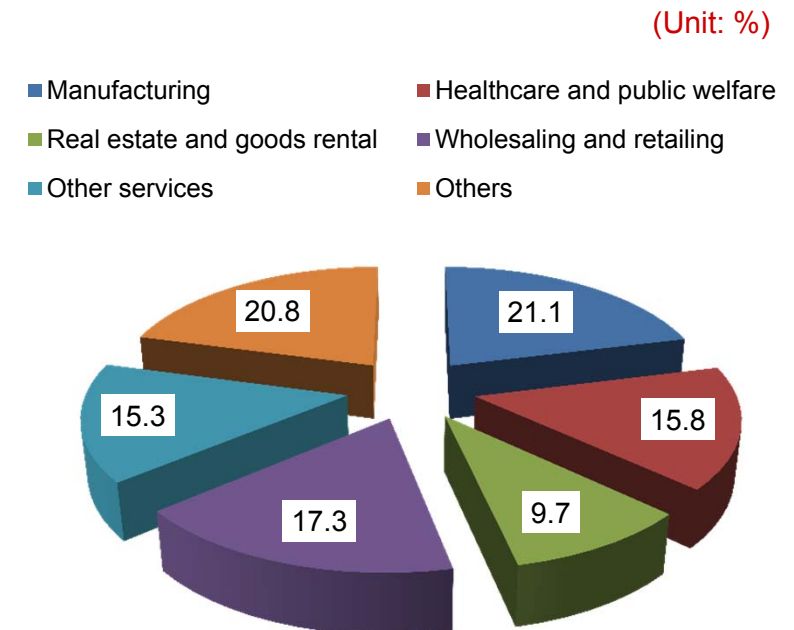


Changes in the Outstanding Balances of Risk Management Loans and Breakdown of Risk Management Loans by Industry

Change in outstanding balances of risk management loans



Breakdown of risk management loans by industry (Sep. 2019)



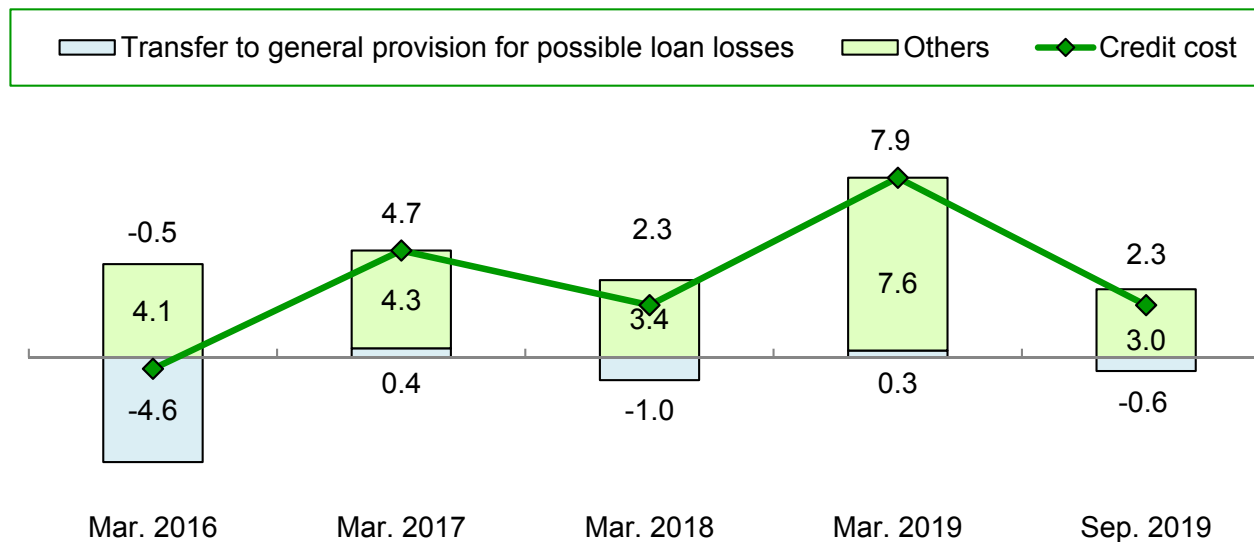
* The ratio of risk management loans to total loans is 1.88%.

The Gunma Bank does not apply the partial direct write-off method.

Changes in the Breakdown of Credit Cost

(Unit: billion yen, %)

	Mar. 2016	Mar. 2017	Mar. 2018	Mar. 2019	Sep. 2019
Credit cost	-0.5	4.7	2.3	7.9	2.3
Transfer to general provision for possible loan losses	-4.6	0.4	-1.0	0.3	-0.6
Others	4.1	4.3	3.4	7.6	3.0
Write-off of loans	0.3	0	0	0	0
Transfer to specific provision for possible loan losses	3.1	3.5	2.9	7.1	2.3
Transfer to reserve for contingent losses	-0.1	-0	-0	0	0
Loss on sales of loans	0.4	0.4	0.1	0.1	0.4
Burden charges under the Responsibility-sharing System of Credit Guarantee Corporations	0.2	0.2	0.2	0.3	0.1
Loans(Average balance)	4,905.6	5,072.1	5,332.8	5,491.3	5,509.5
Credit cost ratio	-0.01	0.09	0.04	0.14	0.08



Changes in Marketing Capability for Personal Deposit Financial Assets

○Balance

(Unit: billion yen)

	End of Sep. 2017	End of Mar. 2018	End of Sep. 2018	End of Mar. 2019	End of Sep. 2019
Individuals	829.1	819.0	828.4	828.9	833.5
Investment trusts	254.7	248.4	246.7	243.4	240.6
Pension insurance, etc.	487.6	474.9	473.9	473.9	472.4
Public bonds (JGBs)	64.3	58.6	55.0	48.4	44.3
Directly sale or intermediation by Gungin Securities	22.4	37.0	52.6	63.1	76.0

○Sales amounts

(Unit: billion yen)

	FY2018		FY2019		FY2020
	First half	Second half	First half	Second half	First half
Individuals	70.7	84.6	77.1	70.4	71.6
Investment trusts	39.3	48.6	35.0	29.4	28.7
Pension insurance, etc.	13.2	16.4	18.5	18.7	17.5
Public bonds (JGBs)	3.7	2.9	3.1	3.1	3.6
Directly sale or intermediation by Gungin Securities	14.3	16.7	20.4	19.0	21.7

Breakdown of Other Securities

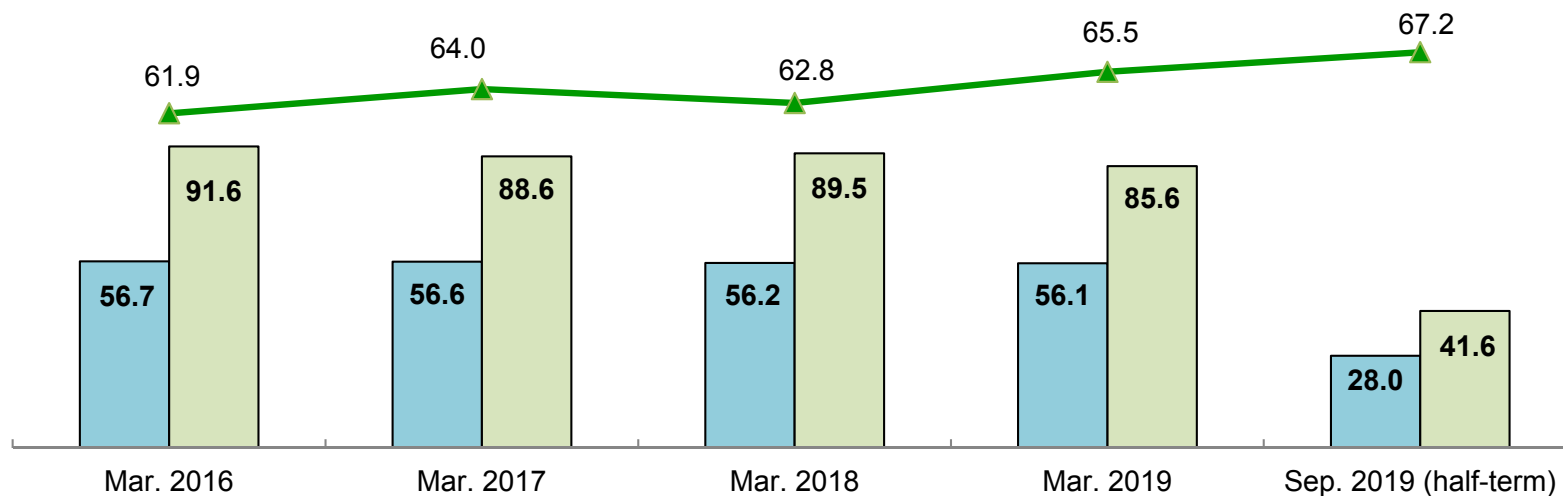
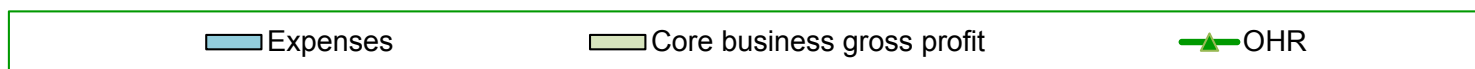
(Unit: billion yen)

	Amortized cost (book value after amortization)		Change	Valuation difference (profit/loss from valuation)		Change
	Mar. 2019	Sep. 2019		Mar. 2019	Sep. 2019	
Other securities	1,576.6	1,621.3	44.7	111.0	127.0	16.0
Government bonds	287.4	275.0	-12.4	5.8	6.1	0.2
Municipal bonds	638.3	651.6	13.3	9.4	8.3	-1.1
Corporate bonds	199.3	190.8	-8.4	2.3	3.0	0.7
Stocks	73.7	69.9	-3.8	85.2	85.6	0.3
Investment trusts	241.2	270.9	29.6	5.5	17.8	12.3
Others	2.9	4.0	1.1	0	0.1	0.1
Foreign securities	133.5	158.8	25.3	2.5	5.9	3.3
Yen-denominated securities	9.9	9.8	-0.1	0	0	0
Foreign-currency securities	123.5	149.0	25.5	2.5	5.8	3.3

Changes in Expenses

(Unit: billion yen, %)

	Mar. 2016	Mar. 2017	Mar. 2018	Mar. 2019	Sep. 2019 (half-term)
① Expenses	56.7	56.6	56.2	56.1	28.0
Personnel expense	32.4	32.0	30.7	30.2	14.9
Non-personnel expense	21.7	21.3	22.4	22.7	11.1
Tax	2.5	3.2	3.0	3.1	1.8
② Core business gross profit	91.6	88.6	89.5	85.6	41.6
OHR (①/②)	61.9	64.0	62.8	65.5	67.2



Capital Distribution

The distribution source for the second half of FY2019 is “Common equity and other Tier 1 capital adjusted for valuation gain and loss” as of the end of September 2019.

In preparation for unexpected economic environment changes, disaster risks, etc., 37.0% of the distribution source is secured.

(Unit: billion yen)

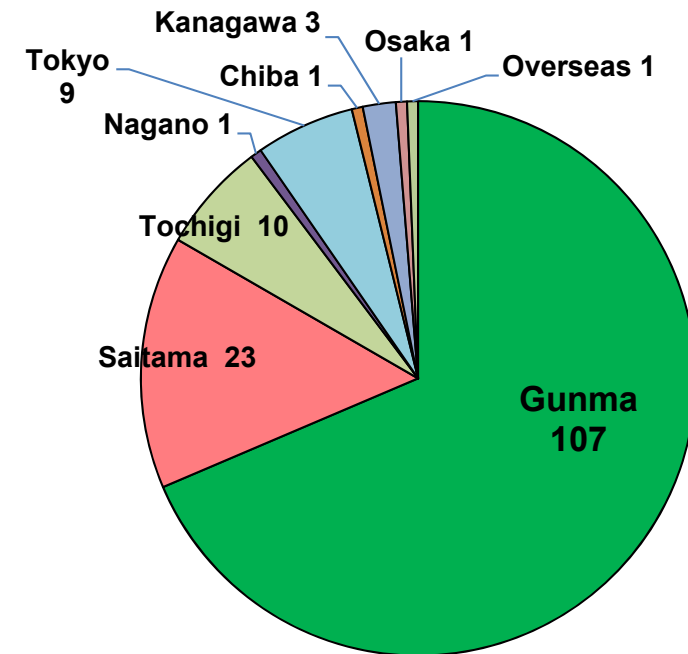
Risk categories	First half of FY2019			Second half of FY2019		Change
	Forecast risk amount	Capital to be distributed A	Composition ratio	Capital to be distributed B	Composition ratio	A - B
Credit risk	108.6	134.0	35.0%	143.2	37.3%	9.2
Total market risks	66.3	85.0	22.2%	80.6	21.0%	-4.4
Market risk (investment securities shares, investment trusts, etc.)	38.3	52.1	13.6%	48.7	12.7%	-3.4
Market risk (trading)	0.6	0.6	0.2%	0.5	0.1%	-0.1
Market risk (loans and deposits, bonds, etc.)	27.4	32.3	8.4%	31.4	8.2%	-0.9
Strategically held stocks	0	3.6	0.9%	5.4	1.4%	1.8
Operational risk	12.9	12.9	3.4%	12.6	3.3%	-0.3
Total capital distribution ... (a)	187.8	235.5	61.6%	241.8	63.0%	6.3
Distribution source ... (b)	-	382.5	100.0%	383.6	100.0%	1.1
Buffer (b) - (a)	-	147.0	38.4%	141.8	37.0%	-5.2

Branch Office Locations

○ Extensive branch network—156 branches including overseas

(Unit: location)

	End of Mar. 2019			End of Sep. 2019		
	Branch offices			Branch offices		
		Branch	Sub branch		Branch	Sub branch
Gunma	106	89	17	107	89	18
Saitama	23	23	0	23	23	0
Tochigi	10	9	1	10	9	1
Nagano	1	1	0	1	1	0
Tokyo	9	9	0	9	9	0
Chiba	1	1	0	1	1	0
Kanagawa	3	3	0	3	3	0
Osaka	1	1	0	1	1	0
Overseas	1	1	0	1	1	0
Total	155	137	18	156	137	19
Convenience stores ATMs	49,593			49,779		

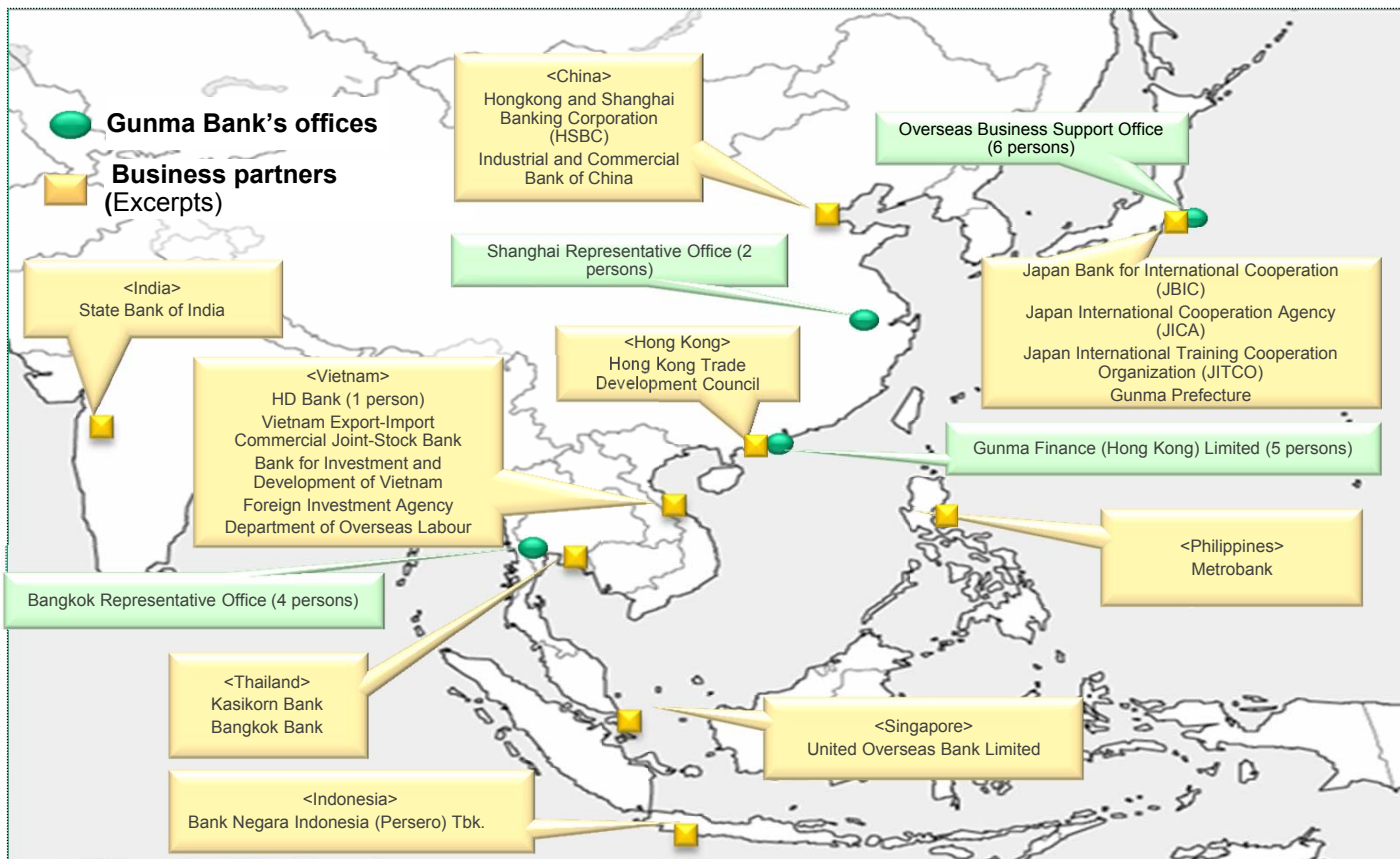


※In September 2019, Kasukawa Smart Sub branch office was opened in Gunma.

Status of Support for Overseas Expansion

Overseas expansion support system

Gunma Bank's offices	Business content
Overseas Business Support Office	Support for international operations (trade transactions, support for overseas expansion, proposal for hedging exchange risks, etc.)
New York Branch	General banking transactions
Gunma Finance (Hong Kong) Limited	Financing and securities business
Shanghai Representative Office	Providing local support and dispatching information related to finance and trade
Bangkok Representative Office	Providing local support and dispatching information related to finance and trade



Seminars and business conventions (First half of FY2019)

- <In Japan>**
Apr. 2019 (Takasaki city)
Conducting the 4th On-site Briefing Session by Overseas Office
- <Outside Japan>**
May 2019 (Bangkok)
Jointly Conducting a Business Talks and Networking Event among Japanese Companies in Thailand
Jun. 2019 (Hong Kong)
Jointly Conducting the 11th Business Talks and Networking Event among Japanese Companies in South China and Hong Kong
Jul. 2019 (Ho Chi Minh City)
Jointly Conducting Business Talks and Networking Event among Japanese Companies in Ho Chi Minh City

Conducting an On-site Briefing Session by Overseas Office (April 2019)



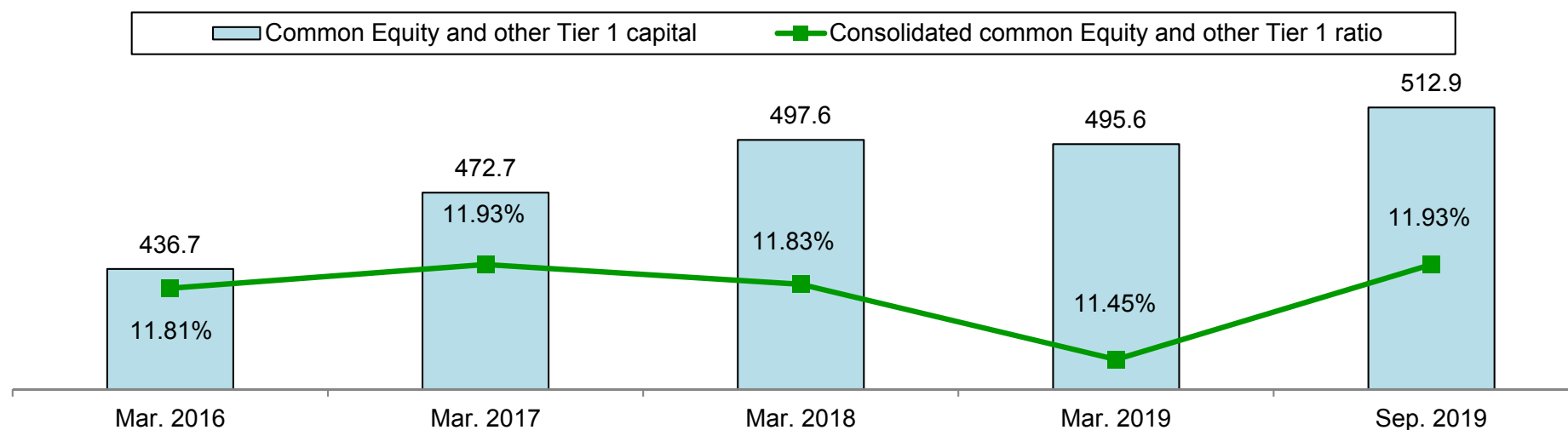
Conducting a Business Talks and Networking Event among Japanese Companies in Thailand (May 2019)



Consolidated Capital Ratio

(Unit: billion yen)

Basel III (Interim measures considered)	Mar. 2016	Mar. 2017	Mar. 2018	Mar. 2019	Sep. 2019
Total capital	467.0	498.7	522.0	529.9	557.4
Common Equity and other Tier 1 capital	436.7	472.7	497.6	495.6	512.9
Cumulative amounts of other comprehensive income	69.0	93.3	106.0	88.1	99.3
Other Tier 1 capital	-	0.7	2.9	2.7	2.9
Tier 2 capital	30.2	25.1	21.4	31.5	41.6
Cumulative amounts of other comprehensive income	33.1	15.8	-	-	-
Risk weighted assets	3,698.3	3,962.8	4,205.5	4,325.8	4,296.8
Consolidated total capital ratio	12.62%	12.58%	12.41%	12.25%	12.97%
Consolidated Tier 1 ratio	11.81%	11.94%	11.90%	11.52%	12.00%
Consolidated common Equity and other Tier 1 ratio	11.81%	11.93%	11.83%	11.45%	11.93%



Changes in Consolidated Accounting

		Sep. 2018 (half-term)	Sep. 2019 (half-term)	Mar. 2018	Mar. 2019
Ordinary income	Billion yen	80.1	73.5	150.3	148.7
Ordinary profit	Billion yen	25.3	18.8	42.4	35.7
Interim net income attributable to owners of parent	Billion yen	17.4	13.4	-	-
Net income attributable to owners of parent	Billion yen	-	-	28.3	23.3
Interim comprehensive income	Billion yen	12.3	24.7	-	-
Comprehensive income	Billion yen	-	-	18.4	5.6
Amount of net assets	Billion yen	545.1	550.8	536.6	531.9
Total assets	Billion yen	8,063.4	8,315.4	8,004.7	8,140.1
Amount of net assets per share	Yen	1,244.05	1,298.82	1,221.04	1,232.16
Interim net income per share	Yen	40.17	31.57	-	-
Net income per share	Yen	-	-	65.27	54.12
Diluted interim net income per share	Yen	40.09	31.51	-	-
Diluted net income per share	Yen	-	-	65.14	54.00

Rating

(As of November 15th, 2019)

Rating Agency Name of Bank	Moody's		S&P		R&I	JCR
	Long-term	Short-term	Long-term	Short-term		
Gunma Bank	A3	P-2	A-	A-2	A+	AA
Bank of Yokohama	A1	P-1			AA-	AA
Chiba Bank	A1	P-1	A	A-1	AA-	
Shizuoka Bank	A1	P-1	A	A-1	AA-	
Bank of Fukuoka	A3	P-2			AA-	A+
Joyo Bank	A3	P-2			A+	
77 Bank	A3	P-2			A	AA
Nishi-Nippon City Bank					A+	A
Bank of Kyoto			A	A-1	A	
Hiroshima Bank	A2	P-1			A+	AA-
Hachijuni Bank			A	A-1	A+	AA

* Long-term ratings by Moody's Corp. indicate those for deposits.

Outline of the Mid-Term Business Plan

◆ Name and What We Aspire to Be

Name

2019 Mid-Term Business Plan “Innovation New Dimension”—Toward delivering value

The name of the plan is “Innovation New Dimension” as we aim to develop into a financial group delivering value through innovating services on offer, based on value-added proposal capabilities nurtured over a period of 6 years from the 2013 Mid-Term Business Plan “V-Plan” to the 2016 Mid-Term Business Plan “Value for Tomorrow.”

Plan term

From April 2019 to March 2022 (3 years)

What we aspire to be

A regional financial group that delivers value by meeting customer needs through financial service innovation

We aim to deliver value for both the customer and the Bank through all directors and employees of the Group instantly meeting more diverse and advanced customer needs by combining new ideas and technologies with value-added proposal capabilities that we have acquired to date.

Two basic policies

Transform our business platform through three reform initiatives

We will greatly improve customer satisfaction by seeking to enhance communication with customers and build a mid- to long-term relationship with them through continuing the three reform initiatives for processes, channels, and human resources.

Deliver advanced value through business model evolution

We will work to deliver the best possible value for the customer by evolving our business model in the form of revenue source diversification, while succeeding to “Value-added Proposals” we have developed to date.

Outline of the Mid-Term Business Plan

◆ Framework of the Mid-Term Business Plan

2019 Mid-term Business Plan
Innovation New
Dimension
(from April 2019 to March 2022)

Develop sustainable regional
communities

Affluent lives continuing in the
future

Stable revenue and soundness
for the future



Gunma Bank Group
**SDGs
Declaration**
(established in
February 2019)

What we aspire to be

**A regional financial group that delivers value by meeting customer
needs through financial service innovation**



Assist customers' growth



Increase customer
assets

New Dimension

Deliver advanced value through business model evolution



Bolster business structure



Foster regional industries
Business succession



Leverage the Group's
comprehensive capabilities

Innovation

Transform our business platform through three reform initiatives



Process reform



Channel reform



Human resources reform

Adapt an activity perspective and behavioral pattern (process) in routine work and an interface with customers (channel) to our strategies, and strive to change employees' work styles and career paths (human resources) in ways that raise their motivation, based on our corporate philosophy.

Outline of the Mid-Term Business Plan

■ Numerical Plan (Numerical Targets)

● Consolidated numerical targets for the plan's final year (fiscal year ending March 31, 2022)

Item		Target	Fy 2018 Actual
Profitability indices	Net income attributable to the parent company's shareholders	24.0 billion yen	23.3 billion yen
	Non-interest business profit	20.0 billion yen	16.7 billion yen
	RORA	0.5% or higher	0.54%
Efficiency index	OHR	65% or so	63.2%
Soundness index	Consolidated total capital ratio	12% or plus	12.25%

● Long-term target

Profitability index	ROE	5% or higher	4.4%
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* RORA : A ratio of income to risk assets, which show s profitability against risk

$$\text{RORA} = \frac{\text{Net income attributable to the parent company's shareholders}}{\text{Risk assets}}$$

Reference: Interest rate scenario at the time the mid-term plan was formulated

(Unit: %)

○ Overall view on domestic interest rates

- The negative interest rate policy of the Bank of Japan will continue until fiscal 2021.

- Policy interest rate hike: April 2022 ▲0.1% ⇒ 0.0%

○ Overall view on U.S. dollar interest rates

- The current levels are likely to continue.

	Mar. 2019	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Policy interest rate (O/N)	-0.100				0.000	0.100
10-year JGBs	0.030				0.350	0.494
Short-term prime rate	1.975					
Dollar policy interest rate	2.500					

Outline of the Mid-Term Business Plan

◆ Numerical Plan (Key Numbers)

Key numbers toward achieving numerical targets

Item		Target	FY2018 Actual
Interest income	Ending balance of retail loans	4,780.0 billion yen	4,500.8 billion yen
	Ending balance of unsecured consumer loans	60.0 billion yen	51.5 billion yen
Non-interest business profit	Corporate service revenue (consolidated)	4.2 billion yen	2.2 billion yen
	Balance of deposit financial assets (consolidated)	1,000.0 billion yen	877.6 billion yen
Regional revitalization/SDGs	Number of issues resolved according to business assessment	1,500 cases	—
	Number of business succession aid recipients	6,000 recipients	—
	Number of business founding aid recipients	2,000 recipients	—
	Number of female managerial employees	An increase of 20% (compared to March 31, 2019)	An increase of 60% (compared to March 31, 2016)

- * Number of issues resolved according to business assessment : Number of resolutions of customer issues found due to a business assessment
- * Number of business succession aid recipients : Number of recipients of specific proposal given toward a smooth business succession and of execution aid
- * Number of business founding aid recipients : Number of aid recipients such as corporation and individual which plan to found a business within next 6 months or which have founded a business within the last 5 years
- * Number of female managerial employees : Number of female employees at a deputy branch manager level or higher

Main Initiatives for ESG (SDGs)

Gunma Bank's Environmental Policy

- The Gunma Bank cares for the natural environment of the home land, aiming to realize a truly rich community where the harmonious balance between the environment and industry is maintained.
We will actively engage in environmental conservation and fulfill our responsibilities as citizens.

【Environmental Action Standard】

<<Gungin's forest>>

1. Promote resource conservation, energy conservation, and recycling activities, and strive to reduce the burden on the environment
2. Support customers engaged in environmental preservation activities through the provision of financial products and services
3. Promote environmental education for executives and employees, and support environmental conservation activities of executives and employees
4. Support environmental conservation activities in



Efforts through Products and Services

◆Private Placement Bonds to Fund Environmentally Friendly Project

◆Natural environment preservation fund "Oze Kiko"

◆Interest rate discounts for eco-friendly loans for purchasing homes and cars

(Purchases of environmentally friendly homes and cars)

Gunma Bank Environment Foundation

- ◆ The Foundation was established in 1995 with the aim of contributing to the development of the local society by conducting business to develop and improve the environment to live comfortable and healthy lives and by securing an environment where nature and people can live together in harmony.

<Enlightenment activities>

"Eco Kids Camp in Akagiyama," "Environment Expedition Team"

<Grant activities>

"Gunma Bank Environment Foundation Education Award," "Gunma Bank Environment Foundation Award"

Type	Start time	The Number of bond issues	Issuance amount
Gunma Bank Private Placement Bonds to Fund Environmentally Friendly Project	October 2017 ~March 2019	272	34.19 billion yen
Credit Guarantee Association Private Placement Bonds to Fund Environmentally Friendly Project	October 2018 ~March 2019	7	0.33 billion yen
Gungin's private Placement Bond tor SDGs(Donation Support Type)	November 2008~	110	8.94billion yen
Gungin's private Placement Bond tor SDGs(Issure Suppot Type)	April 2019~	18	0.98billion yen

Other Initiatives for Environment

◆Issued 10 billion yen Green Bond (November 2019)

- ◆Engage in forest maintenance activities (Gungin's forest)
- ◆Promote energy saving at branches—install solar power generation system
- ◆Set up charging stands for electric vehicles at the Head Office

<<Solar panels at Maebashi Kita Branch>>



<<EV station at the Head Office Sales Department >>



Innovation New Dimension

Main Initiatives for ESG (SDGs)

- The Gunma Bank supports regional economic growth through the provision of a wide range of financial services, and also strives to contribute to the development of the regional community with its engagement in various social contribution activities.

Efforts to Regional Regeneration

◆ Efforts towards financial intermediation

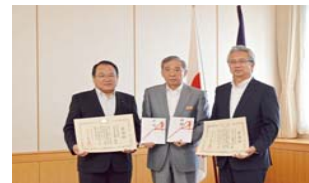
* As an indicator that objectively shows the status of activities and effectiveness, we disclose “Benchmark indexes that measure financial intermediary functions”

- ◆ Provision of optimal solutions based on evaluation of customers’ business potentials
- ◆ Contribution to communities through Gunma Bank Management Club
 - ◆ Support for commercialization of applicants’ business with “the Gungin Business Support Grand Award”
- ◆ Launch of an investment trust nicknamed “Silk Heritage of Gunma” to support activities to safeguard the Tomioka Silk Mill and Related Sites
- ◆ Assistance for human resource development of corporate customers through holding “New employee workshops,” etc.
 - ◆ Launch of the “Gunma Bank Private Placement Bond for the Revitalization of Regional Economies”

<<Donations made through the “Gunma Bank Private Placement Bond for the Revitalization of Regional Economies” (from January 2017 to March 2019)>>

Ale to the Future (tomorrow) (Donations to schools)	152	13.6 billion yen
Gunma no Chikara (Gunma’s power) (Donations to local public organizations, etc.)	74	8.47 billion yen

<<Presentation Ceremony for Donations through “Silk Heritage of Gunma” Fund>>



<<The Gungin Business Support Grand Award Ceremony>>



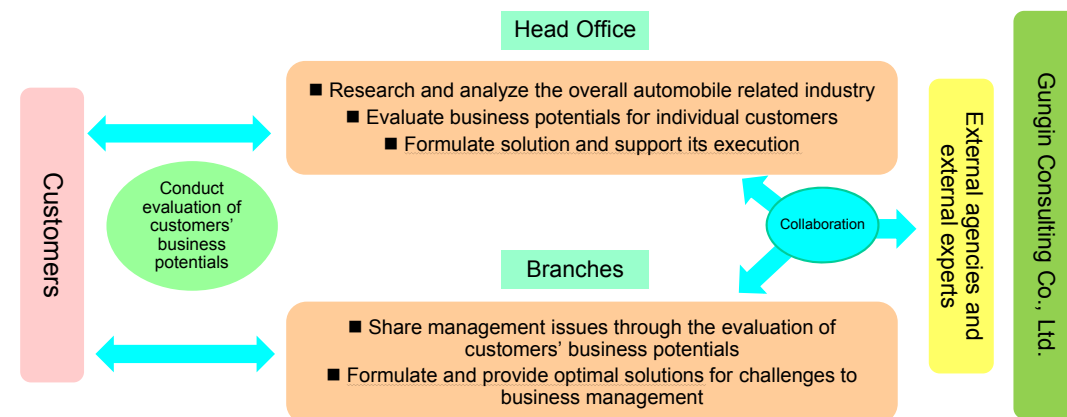
<<Lecture meeting of the Gunma Bank Management Club>>



<<Evaluation of customers’ business potentials: Results up to September 2019>>
 • 15 companies in the automobile related industry, 1,229 corporate customers of sales branch offices

* Evaluation of customers’ business potentials: Properly evaluate business and growth potential, etc. of corporate customers based on regional economies and industrial trends. During the evaluation process, share recognition on management issues (needs) from dialogue with the president, etc., leading to solution proposals.

[Evaluation system of customers’ business potentials]



* Established Gunjin Consulting Co., Ltd. to provide consulting services requiring higher level of expertise (Started business in October 2018)

Main Initiatives for ESG (SDGs)

- The Gunma Bank supports regional economic growth through the provision of a wide range of financial services, and also strives to contribute to the development of the regional community with its engagement in various social contribution activities.

Toward realization of a vibrant organizational climate

- ◆ Certification acquisition related to promotion of women in the workforce
 - ◆ Development and deployment of personnel with expert knowledge
 - ◆ Support for activities of diverse personnel
 - Creating a mechanism to develop younger employees
 - Promotion of women in the workforce
 - Introduction of child care support allowance and telecommuting

Innovation of
Work Styles

Efforts to contribute to society

- ◆ Activities of our volleyball team, “Gunma Bank Greenwings”
 - ◆ Promotion of culture and sports
 - ◆ Initiative for financial education

Initiative for barrier-free

- ◆ Establishment of communication tools, etc. at all branch offices
 - ◆ Introduction of barrier free designed ATMs
- ◆ Barrier free facilities and services provided at branch offices



<<Certification related to promotion of women in the workforce>>

▪ Acquired “Platinum Kurumin” certification

As an outstanding company that supports employees with childrearing based on the Act on Promotion of Measures to Support the Development of the Next-Generation

▪ Acquired “Eruboshi Grade 3 (highest level)” certification

As an excellent company, in terms of its efforts to promote women in the workforce according to the Act on Promotion of Women's Participation and Advancement in the Workplace



<<Promotion of women in the workforce>>



<<Greenwings>>



<<Visiting class by employees in their second year with the Bank>>



<<Gunma Symphony Orchestra>>



<<Meeting of dedicated teams composed of female employees>>



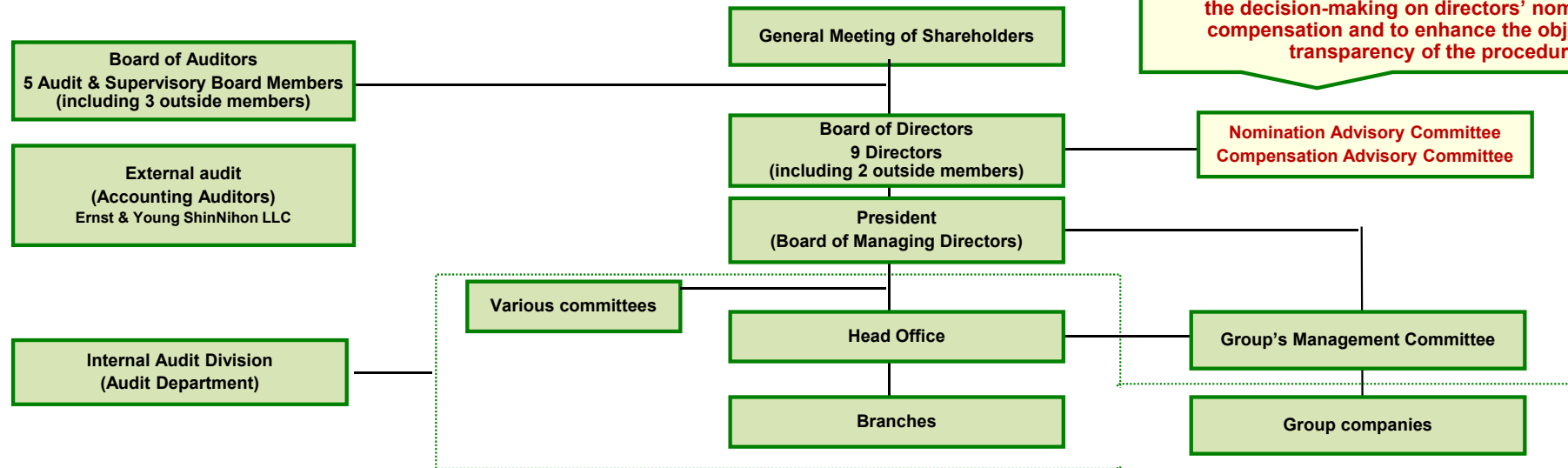
<<The Gunma tournament of “Economics Koshien”>>



Main Initiatives for ESG (SDGs)

- The Gunma Bank views the enhancement of corporate governance as the most important management issue and strives to establish high evaluation and firm trust from our customers, the local community and shareholders.

Corporate Governance Structure Diagram



Outside Directors/Outside Audit & Supervisory Board Members

Outside Directors		2 out of total of 9 Directors
Mr. Eiji Muto	Former Director, Bank of Japan	
Mr. Jun Kondo	Former Representative Director, the Board and Deputy President, Subaru Corporation	
Outside Audit & Supervisory Board Members		3 out of total of 5 Audit & Supervisory Board Members
Mr. Hirosuke Kobayashi	Former Representative Director and President, FM GUNMA Broadcasting Co., Ltd.	
Mr. Kaneo Fukushima	Former Director of the Gunma Prefectural Board of Education	
Mr. Makoto Tanaka	Representative Employee, Taksu Tax Accounting Office	

Remuneration systems with stock with restriction on transfer (RS) and/or performance-based stock (PS) were introduced in June 2019.

Performance indicators for PS (performance share)

$$\begin{array}{c} \text{Remuneration} \\ \text{systems with} \\ \text{performance-} \\ \text{based stock} \end{array} = \begin{array}{c} \text{(1) Profit Index} \\ \text{EPS growth} \\ \text{rate} \end{array} + \begin{array}{c} \text{(2) Efficiency} \\ \text{index} \\ \text{Consolidated} \\ \text{OHR} \end{array} + \begin{array}{c} \text{(3) Shareholder} \\ \text{Value Index} \\ \text{TSR} \\ \text{(Total stock} \\ \text{yield)} \end{array} + \begin{array}{c} \text{(4) Non-} \\ \text{financial index} \\ \text{SDGs} \\ \text{Management} \\ \text{Indicators} \\ \text{(Contribution to} \\ \text{achieving SDGs)} \end{array}$$

◆ Outside members comprise more than 30%. Outside perspectives are used for governance.

Main Initiatives for ESG (SDGs)

- As various environmental and social issues become more serious, our bank established the “Gunma Bank Group SDGs Declaration” (hereafter referred to as “SDGs Declaration”) in February 2019 in order to promote group-wide efforts to achieve the “Sustainable Development Goals (SDGs)” which was adopted by the United Nations.
- Under our SDGs Declaration, we position “preservation and creation of the global environment” as one of the priority issues as part of the realization of a sustainable society and the creation of economic value. Based on this stance, we assist customers who are working to preserve the environment and create a beautiful environment, and strive to lower environmental load from our operations.



Gunma Bank Group SDGs Declaration

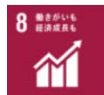
(GB Sustainability Policy 2030)

We strive to build a sustainable society and generate economic value by contributing to achieving Sustainable Development Goals (SDGs) through engaging in business activities in ways that always consider the development of local communities.

Priority issues and initiative policy

1. Sustained development of the regional economy

- We enhance the initiatives to assist the growth of regional business operators and vitalize regional communities while supporting the sustained development of regional economies by providing financial services befitting the diverse needs of customers.
- We endeavor to provide and expand various educational opportunities to nurture the next generation of leaders while enhancing financial and economic education to improve the financial literacy of the local communities.



2. Preservation and creation of global environment

- Under the Gunma Bank Environment Policy, we assist customers working to preserve the environment and create a beautiful environment and strive to lower environmental load from our operations.



3. Promote successful engagement by diverse personnel

- We enhance the diversity of directors and employees toward building a workplace in which all employees such as female, junior, and senior-age personnel can successfully work and foster them for the work and deliver a flexible work style.



4. Promote partnership

- We strive to build a sustainable society as a whole region through partnership with municipalities, corporate and individual customers.



(Established on February 25, 2019)

Initiatives for environmental issues	SDGs	Main examples
<ul style="list-style-type: none"> • Initiatives through our core business • Gunma Bank Environment Foundation • Initiatives to lower environmental load from our operations 		<ul style="list-style-type: none"> • Launched “Oze Kiko,” an investment trust fund to support nature conservation • Outstanding loans to solar power generation business: 104.2 billion yen (as of the end of March 2019) • Gunma Bank Environment Foundation presented Gunma Bank Environment Foundation Award to 7 recipients, Gunma Bank Environment Foundation Education Award to 11 recipients respectively • Promote paperless culture through the use of tablet devices at internal meetings • Promote the use of LED lighting at the head and branch offices • Installed a charging stand for electric vehicles in the head office parking lot



This document contains descriptions on the future performance of the banking group. These descriptions do not guarantee such future performance, for which naturally there are risks and uncertainty.

Please note that future performance may deviate from the targets due to changes in the business environment and other reasons.

If you have further inquiries, please contact:

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