

The Gunma Bank, Ltd.

# Financial Results Briefing Session for the three months ended June 2024

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August 7, 2024

Presenter : Takeo Uchibori, Senior managing director



## Key Points of the First Quarter

*Performance has been favorable. “Core business net profit : increase, Net credit costs: low level”*

- **Core net business profit**  
(excluding losses on cancellation of investment trusts) : consolidated
  - **13.4 billion yen**  
( YoY **+1.3 billion yen** due to increase on interest on loans, and non-interest business profit ) [achieving rate: 2Q plan 56.2%, annual plan 26.9%]
- **Net interest income**  
(non-consolidated)
  - YoY **+0.5 billion yen** ( excluding losses on cancellation of investment trusts **+1.9 billion yen** )
    - interest on loans **+2.4 billion yen** ( Volume **+1.8**, Rate **+0.6** ) : Domestic yields “reversed” **0.92%** ( YoY**+2bp** )
    - interest and dividends on securities **+0.7 billion yen** (excluding losses on cancellation of investment trusts **+2.2 billion yen**)
    - others **+0.5 billion yen** ( BOJ’s interest **+0.4 billion yen** )
    - interest expenses **+3.2 billion yen** (Volume **+2.1**, Rate **+1.1**)
- **Non-interest business profit** (consolidated)
  - YoY **+0.2 billion yen** ( corporate service revenue **+0.8 billion yen**, Deposits financial assets **+0.2 billion yen** , Dividend of group credit life insurance **-0.7 billion yen**, [achieving rate: 2Q plan 50.8%, annual plan 25.6%]
  - In corporate services, we have many potential deals, and we expect to achieve our targets (Sep. 2024 ).
- **Expenses / Over Head Ratio**
  - Progress almost in line. Over Head Ratio ( consolidated ) **50.6%** (YoY **-1.2 points**)
- **Securities**
  - Gains or losses on investment securities increased by **3.5 billion yen**
    - Gains ( losses ) on bonds **-4.4 billion yen** ( JGB **-1.9 billion yen**, foreign bonds **-2.5 billion yen**)
    - Gains (losses) on stock **+8.2 billion yen**  
( investment securities **+7.5 billion yen**, strategically held stock **+0.7 billion yen** )
- **Net credit costs**
  - Remain stable at low levels [achieving rate : 2Q plan 26.2%, annual plan 14.0%]
- **Profit attributable to owners of parent**
  - **11.1 billion yen** ( YoY **+2.1 billion yen** ) [achieving rate : 2Q plan 63.7%, annual plan 31.8%]

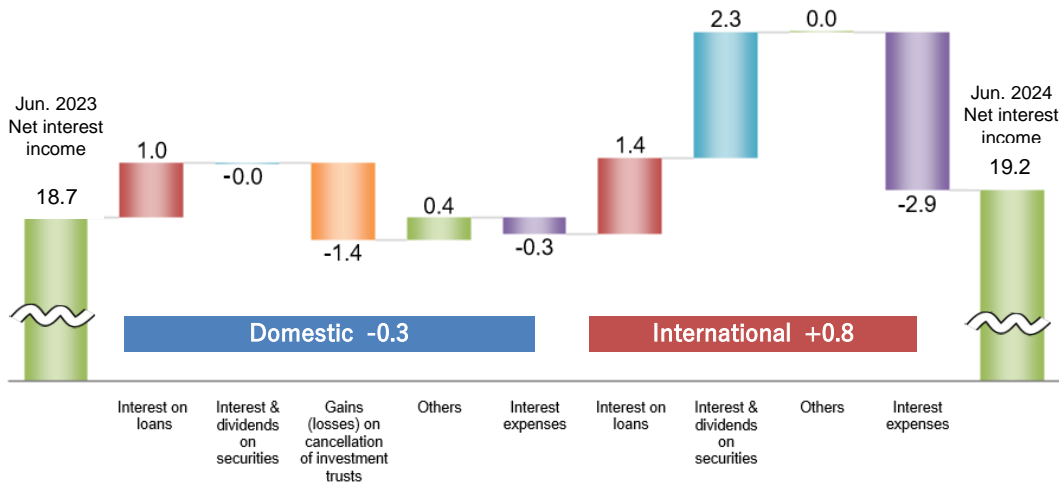
# Profit and Loss Conditions

## Consolidated

(Unit : Billions of yen)	Jun. 2024	YoY	achieving rate	Mar. 2025 forecast
Core business gross profit	25.7	0.7	25.7%	100.0
Net interest income	19.1	0.4	25.8%	74.0
gains (losses) on cancellation of investment trusts	-1.5	-1.4	39.5%	-4.0
Net interest income excluding gains (losses) on cancellation of investment trusts	20.6	1.9	26.5%	78.0
Non-interest business profit	6.6	0.2	25.6%	26.0
Expenses	13.8	0.8	25.6%	54.0
Core business net profit	11.9	-0.0	25.8%	46.0
Excluding gains(losses) on cancellation of investment trusts	13.4	1.3	26.9%	50.0
Ordinary profit	16.0	3.4	31.1%	51.5
Profit attributable to owners of parent	11.1	2.1	31.8%	35.0

## Analysis of net interest income (non-consolidated)

(Unit : Billions of yen)



## Non-consolidated

(Unit : Billions of yen)	Jun. 2024	YoY	achieving rate	Mar. 2025 forecast
Core business gross profit	24.0	0.5	26.1%	91.9
Net interest income	19.2	0.5	25.8%	74.4
Of which, interest on loans	19.0	2.4	24.3%	78.0
Of which, interest and dividends on securities	11.6	0.7	27.8%	42.0
Of which, gains (losses) on cancellation of investment trusts	-1.5	-1.4	39.5%	-4.0
Of which, interest expenses	12.2	3.2	25.2%	48.7
Non-interest business profit	4.8	0.0	27.7%	17.5
Net fees and commissions income	4.0	-0.1	26.2%	15.6
Profit from other business transactions	0.7	0.1	40.2%	1.9
Expenses	(-) 13.3	0.7	25.6%	51.9
Core business net profit	10.7	-0.2	26.8%	40.0
Excluding gains (losses) on cancellation of investment trusts	12.3	1.2	28.0%	44.0
Gains or losses on investment securities	3.8	3.5	63.8%	6.0
Net credit costs	(-) 0.4	0.2	14.0%	3.0
Other non-recurrent gains(losses)	0.7	0.5	30.2%	2.5
Ordinary profit	14.9	3.6	32.8%	45.5
Net profit	10.3	2.2	33.4%	31.0

## Interest on loans (non-consolidated) (YoY analysis)

(Unit : Billions of yen)

	Domestic	International	Total
Volume factor	0.7	1.1	1.8
Yield factor	0.3	0.3	0.6
Total	1.0	1.4	2.4

Domestic yield 0.92%  
(YoY +2bp)

# Status of Deposits and Loans

- Promote deposits in proportion to loan share. Loans are performing well in cross-border loans and structured finance. Loan yields are rising.

## Breakdown of deposit balance

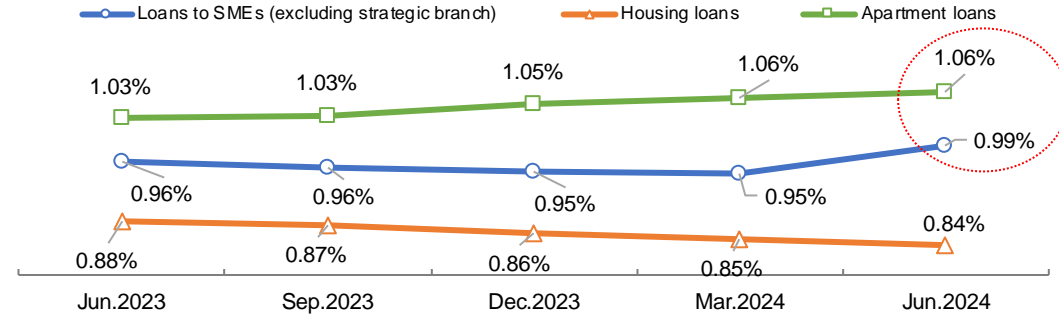
	Jun. 2024	Compared to Mar. 2024		Compared to Jun. 2023	
			Rate of change		Rate of change
(Unit : Billions of yen)					
Deposits, etc.	8,664.8	142.5	1.7%	274.3	3.3%
Deposits	8,387.0	70.8	0.9%	236.3	2.9%
Of which, deposits to individuals	5,786.0	53.3	0.9%	117.1	2.1%
Of which, deposits to corporations	2,104.0	75.9	3.7%	113.9	5.7%
Negotiable Certificate deposits	277.7	71.7	34.8%	37.9	15.8%

## Breakdown of loan balance

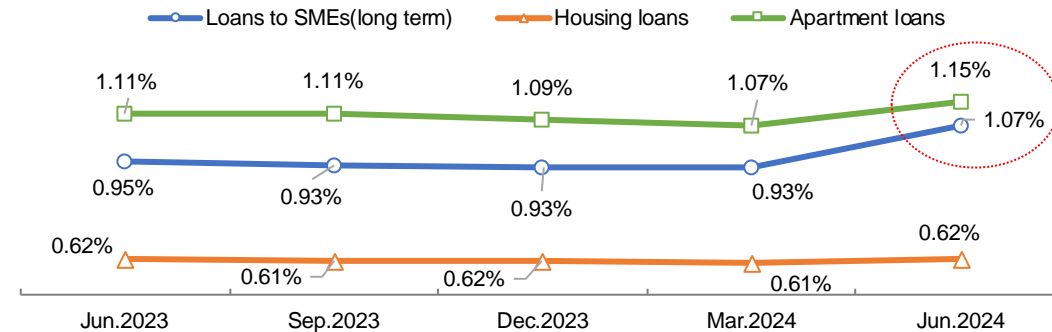
	Jun. 2024	Compared to Mar. 2024		Compared to Jun. 2023	
			Rate of change		Rate of change
(Unit : Billions of yen)					
Loans	6,503.5	35.6	0.6%	407.8	6.7%
Retail	4,826.9	2.4	0.1%	154.7	3.3%
SMEs	2,387.4	-11.5	-0.5%	94.6	4.1%
Individuals	2,439.4	13.9	0.6%	60.1	2.5%
Of which, Housing loans	1,425.7	9.5	0.7%	38.7	2.8%
Of which, Apartment loans	680.3	3.0	0.5%	17.8	2.7%
Of which, Unsecured loans	73.6	2.3	3.3%	8.2	12.6%
Others	1,457.6	21.1	1.5%	229.4	18.7%
Cross-border loans	184.5	10.6	6.1%	46.1	33.3%
Structured finance	147.9	17.2	13.2%	66.4	81.6%
Domestic large and second tier enterprises	970.1	-0.2	-0.0%	109.6	12.7%
Others *	154.9	-6.4	-4.0%	7.1	4.9%
Overseas branches	114.6	10.9	10.6%	27.5	31.7%
Public	104.3	1.1	1.1%	-3.9	-3.7%

\* Regional public corporations and Tokyo/Osaka Branch accounts are classified into Others .

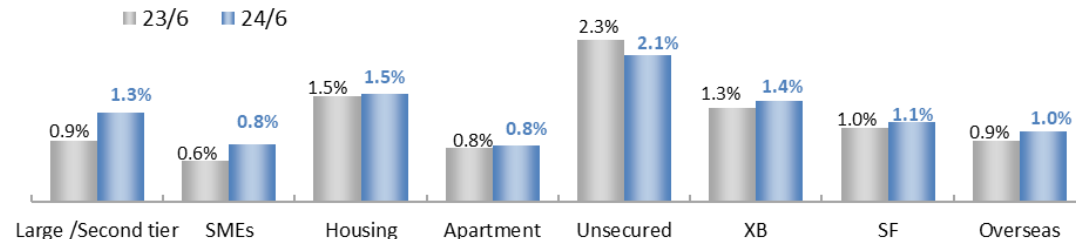
## Yield on loans(domestic)



## Interest rates of new loans granted



## Loans' RORA



※RORA = (net interest income + non-interest business profit - expenses - credit cost) × (1-30.5%)/risk weighted assets

## Loans to SMEs

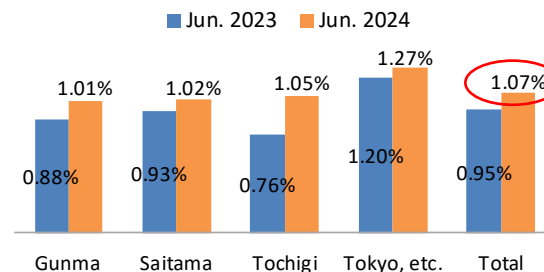
Loans in all regions are performing well. ( amounts and interest rates of new loans grated, RORA )

Amounts of new loans grated by region (Apr. ~ Jun. 2024)

(Unit : Billions of yen)

	Jun. 2024	YoY	increase rate	Characteristics by region Major industries with increasing loans
Total	107.0	20.0	23.0%	increasing equipment and working finance
Gunma	48.1	9.7	25.5%	grocery, w wholesale
Saitama	23.0	3.4	17.7%	real estate, service
Tochigi	11.9	2.1	22.5%	manufacturing(metal, machine), real estate
Tokyo, etc.	23.9	4.6	23.8%	real estate, service

(Interest rate of new loans grated)



RORA by region

	Jun. 2024	YoY
SMEs	0.83%	0.22%
Gunma	0.90%	0.28%
Saitama	0.64%	0.17%
Tochigi	0.74%	0.00%
Tokyo, etc.	0.92%	0.21%

## Unsecured loan

Unsecured loan balances and executions are performing well.

Achieving rate **98%** (Medium-term business plan of **75 billion yen**)

YoY **+12.6%** (by use of digital marketing platform and digital advertising )

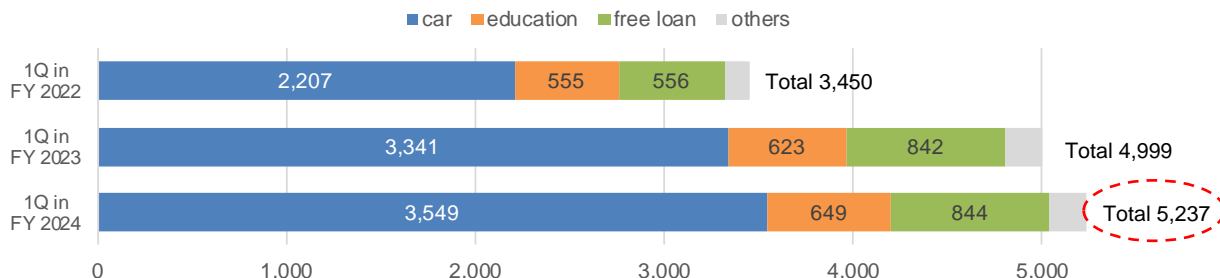
Balance

(Unit : Billions of yen)

	Jun. 2024	YoY	increase rate
Total	73.6	8.2	12.6%
Certificate Loan	51.8	7.6	17.3%
Of which, car	30.5	5.7	23.2%
Of which, education	10.8	0.5	5.5%
Card loan	21.7	0.5	2.6%

Amounts of new loans grated by region (Apr. ~ Jun. 2024)

(Unit : Millions of yen)



\*In-house production of Internet advertisement to Gungin Consulting (Apr. 2023~)

Successful use of digital marketing platform

Send e-mails with information on products, services, etc. at the optimum timing in accordance with customers' life events.

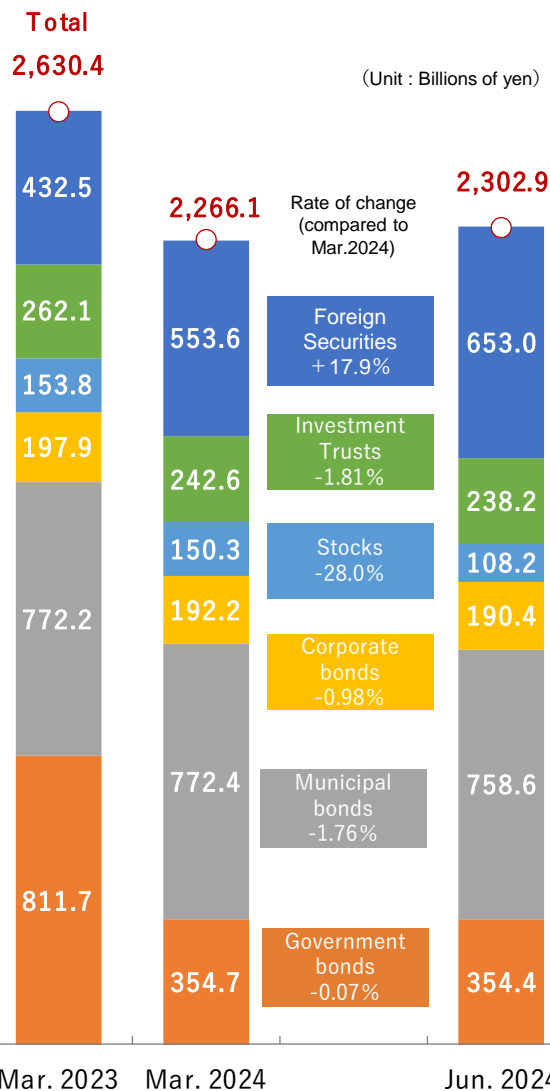


40~70% of people opened the email  
(Usually 10~20%)

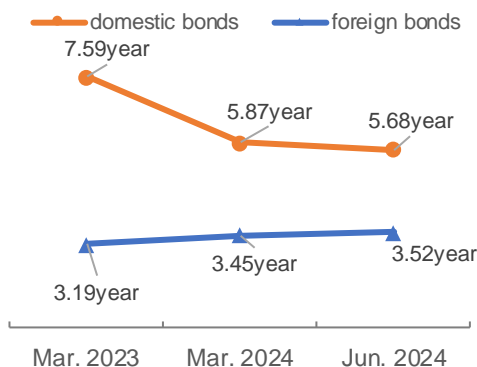
The Bank replaces low-yielding government bonds through trading. In addition, the Bank is buying new foreign bonds to increase net interest income.

(Unit : Billions of yen)

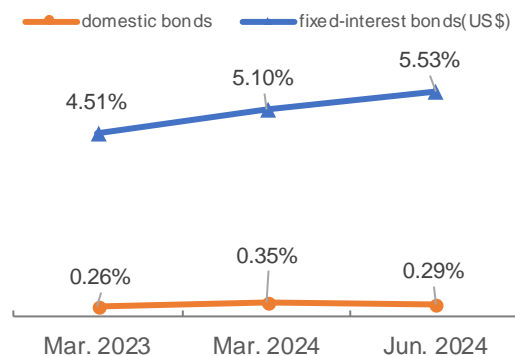
## Balance of securities (Book value basis)



## Duration



## Bond yield



## Unrealized gains (losses) valuation

	End of Mar. 2024	End of Jun. 2024	YoY
Unrealized gains (losses) from valuation	30.5	7.6	-22.9
Excluding domestic bonds	58.9	50.6	-8.3
Foreign securities	3.6	1.1	-2.4
Of which, fixed-interest bonds(US\$)	-5.2	-5.4	-0.1
Investment trust, etc.	-20.6	-19.1	1.4
Stocks	75.9	68.5	-7.4
Strategically held stocks	71.1	68.7	-2.4
Investment securities	4.7	-0.2	-4.9
Domestic bonds	-28.3	-42.9	-14.5
Of which, government bonds	-14.2	-19.7	-5.4

(Unit : Billions of yen)

## Gains (losses) on sales

	Jun. 2023	Jun. 2024	YoY
Gains (losses) on investment securities①	0.2	3.8	3.5
Gains(losses) on bonds	-9.7	-4.4	5.2
Of which, losses on bonds ( - )	10.6	4.4	-6.1
Of which, losses on JGB	10.6	1.9	-8.6
Of which, losses on foreign bonds	-	2.5	2.5
Gains(losses) on stocks, etc.	9.9	8.2	-1.7
Gains(losses) on sale of stocks, etc.	9.9	8.2	-1.6
Strategically held stock	3.0	0.7	-2.3
Investment securities	6.8	7.5	0.6
Losses on devaluation of stock, etc. ( - )	-	0.0	0.0
Gains (losses) on cancellation of investment trusts②	-0.1	-1.5	-1.4
Total(① + ②)	0.1	2.2	2.1

# Status of Non-interest Business Profit, Expenses and Net credit costs

- Non-interest business profit 6.6 billion yen ( YoY +0.2 billion yen, achieving rate 50.7 % ). Over head ratio continues to improve. Net credit costs remain at low level.

Consolidated non-interest business profit (Unit : Billions of yen)	Jun. 2024	YoY	achieving rate	Sep. 2024 forecast
Consolidated non-interest business profit	6.66	0.24	50.7%	13.1
Corporate service revenue	1.87	0.84	45.9%	4.0
Of w hich, syndicate loans	0.27	0.08	40.3%	0.6
Of w hich, business matching	0.14	0.02	32.6%	0.4
Of w hich, M&A	0.13	0.09	30.6%	0.4
Of w hich, gungin Consulting	0.09	0.04	33.9%	0.2
Of w hich, derivatives	0.72	0.49	91.1%	0.8
Deposits financial assets, etc. revenue	1.88	0.20	44.4%	4.2
Of w hich, investment trusts commissions	0.61	0.12	45.5%	1.3
Of which, insurance sales commissions(individuals)	0.56	- 0.07	38.2%	1.4
Of w hich, Gungin Securities	0.64	0.17	52.8%	1.2
Others	2.91	- 0.81	60.3%	4.8
Of which, dividend of group credit life insurance	1.13	- 0.71	93.0%	1.2
Of w hich, base service commissions (※)	2.05	0.05	51.4%	3.9

※ domestic exchange, agency service, etc.

## Initiatives to promote corporate consulting

- Practice of “Full-Spec Approach” ~ Connecting Process ~

⇒Proposed to a cumulative total of 6,000 clients ( 19,000 identifies needs ).  
A large percentage of needs like business succession, business facility expansion, SDGs, Human resources, improving operational efficiency ( DX, IT ).

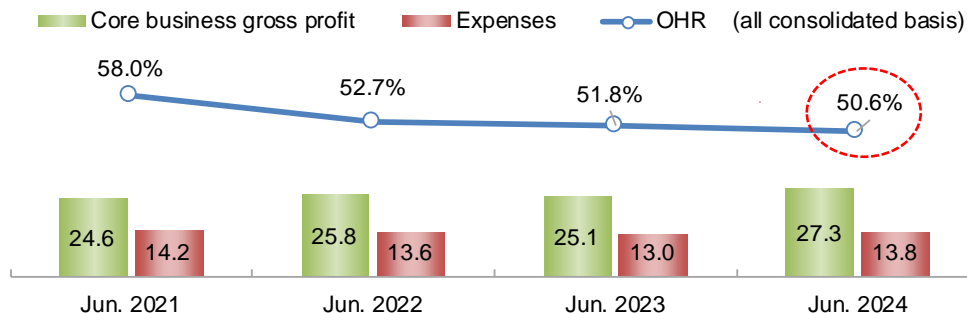
⇒Clarify deal status management, build PDCA cycle mechanism.

## Initiatives by Gungin Securities

- Expand sales base based on customer segmentation strategy  
⇒Sending customers with certain financial assets from banks to Gungin securities /  
Increasing staff / Establishing new sales offices  
branches +16 staff, head office +4 staff. Opening of resident office in Fukaya city. (Scheduled for Aug. 26)

## Status of expenses and OHR

( excluding gains (losses ) on cancellation of investment trusts ) (Unit : Billions of yen)



Expenses (non-consolidated)	Jun. 2024	YoY	Main factors (Billions of yen)
Personnel	7.2	0.3	salary +0.09, bonus+0.21
Non-personnel	5.2	0.3	machinery rental fee+0.07, maintenance management fee + 0.05
Tax	0.7	0.0	consumption tax + 0.01

## Breakdown of net credit costs(non-consolidated)

(Unit : Billions of yen)

	Mar. 2022	Mar. 2023	Mar. 2024	Jun. 2024
Net credit costs	7.3	1.0	0.6	0.4
Provision of general allowance f or loan losses	-1.5	-1.8	-1.5	0.1
Change to the actual rate	-0.3	-0.8	-0.1	—
DCF	-0.9	-0.7	-0.9	0.2
Others	-0.2	-0.3	-0.5	-0.1
Disposal of non-performing loans	8.9	2.9	2.1	0.3
Downgrade	12.0	7.2	6.1	0.5
Collection, upgrade, etc.	-3.8	-4.5	-4.2	-0.2
Others	0.7	0.2	0.2	0.0
Recoveries of written off receivables	0.0	0.0	0.0	0.0



# Initiatives of “Connecting Process” for Realizing the Purpose

▶ We have proposed solutions utilizing the “Connecting Process” since October 2022.

● Conducting a series of sales activities from sharing goals and needs with clients (including pure depositors) to providing appropriate solutions as the “Connecting Process”. Taking a **full-spec approach** to **expand revenue opportunities in the Bank’s entire group** by utilizing all resources available at group companies.

## Full-spec approach

Approach to the front-end and back-end processes (the entire processes), not just financing ⇒ **expansion of revenue opportunities**

Connecting Process

Understanding target needs

Consulting

Financing

Consulting

Customer profit

## Example for full-spec approach (Initiatives starting with business succession)

- Based on connecting process, we proposed a simplified stock price valuation for M&A to Company A, which was concerned about future industry restructuring. (Understanding target needs, Consulting)
- M&A was concluded based on the proposal. (Shares were transferred to Company B, the same industry.), we **financed** company B. (Financing) ⇒ Receive **contingency fees** after the contract is signed.
- After receiving the transfer payment, our PB team proposed overseas real estate management & foreign currency insurance. (Consulting) ⇒ Received **business matching fees, insurance sales fees**.
- We **financed the purchase an apartment** as inheritance measure. (Consulting, Financing). In addition, we have caught the need to sell real estate held. (Understanding target need)

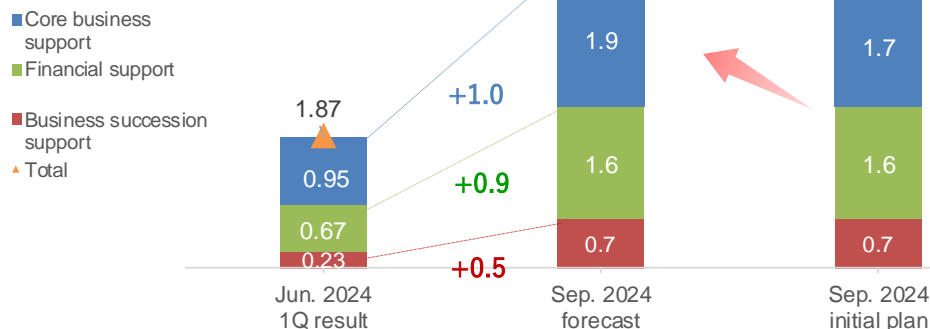
## Status of Corporate service revenue by support

• In corporate services (such as business succession), we have many **potential deals\***, and we expect to achieve our targets (Sep. 2024 ).

● The 1<sup>st</sup> half forecast for corporate service revenues (**4.3 billion yen : Jul. ~ Sep. deals** are considered **as of the end of Jun.**) will probably exceed the initial plan (4.0 billion yen).

(\*) Proposed (likely to be contracted), accepted, and procedure completed

(Unit : Billions of yen)



By support	Deals Jul.-Sep.	Contents
Core business	900 cases degree 1.0 billion yen	SDG s related fees, Business insurance for corps., Subsidy application support, Business matching, Derivatives (interest rate and foreign exchange), etc.
Financial	700 cases degree 0.9 billion yen	Syndicate loans, Structured covenant loans, Private placement bonds, Business matching, Gungin SLL, Real estate financing for sale, etc.
Business succession	100 cases degree 0.5 billion yen	Structured covenant loan, Business insurance for corps., M&A, Business matching

※Deals with high potential for contracts (end of Jun. 2024)



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