

Hachijuni Bank Reached Basic Agreement with NAGANOBANK on Business Integration—Limited Impact on Hachijuni Bank's Rating

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the basic agreement reached by The Hachijuni Bank, Ltd. (security code: 8359) with THE NAGANOBANK, LTD. (security code: 8521).

- (1) On September 28, The Hachijuni Bank, Ltd. (the "Bank") and THE NAGANOBANK, LTD. ("NAGANOBANK"), which is also based in Nagano Prefecture like the Bank, entered into a basic agreement regarding a business integration in which the Bank will become a wholly owning parent company and NAGANOBANK will become a wholly owned subsidiary on June 1, 2023, and the two banks will merge approximately two years later as the basic policy. Their integration will be discussed based on this basic policy.
- (2) JCR will examine the merger, but the rating is likely to be assessed with an eye on the merger with NAGANOBANK. As shown by the fact that the Bank's consolidated total assets reached 13.3 trillion yen and those of NAGANOBANK were 1.2 trillion yen as of March 31, 2022, the Bank significantly outperforms NAGANOBANK in terms of business base and income size. Although the profitability indicators and financial structure of the Bank may deteriorate on a consolidated basis after the integration, JCR believes that the degree of the deterioration will be limited, given the difference in size between the two banks. JCR will pay attention to the sharing of their know-how on fee business, investment and loans, and initiatives to improve management efficiency, such as branch consolidation and closure.
- (3) JCR has placed today the NAGANOBANK's long-term issuer rating under Credit Monitor with Positive direction (please refer to JCR's press release 22-D-0804).

Kenji Sumitani, Michiya Kidani

<Reference>

Issuer: The Hachijuni Bank, Ltd.

Long-term Issuer Rating: AA Outlook: Stable

Issuer: THE NAGANOBANK, LTD.

Long-term Issuer Rating: #BBB/Positive

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