

Affirmed AA/Stable rating on senior debts of Gunma Bank

April 27, 2011

<Rationale>

The Gunma Bank, Ltd. is an upper ranking regional bank with its fund volume amounting over 5 trillion yen. It has made inroads into Saitama and Tochigi Prefectures in addition to Gunma Prefecture where it has the largest market share for deposits and loans, and its loans have been on the rise. Although profitability has been declining, drop in its core net business income has stopped thanks to firm trend in its net interest and dividend income as a result of increasing loans and decreasing financing cost and also control over expenses. Its non-performing loan ratio under the Financial Reconstruction Act remains good, and its credit costs in recent years have been approximately 20% of its core net business income. Both quality and quantity of its equity capital are good. JCR expects that its retained earnings will continue to accumulate, because it retains a certain level of earnings power and controls its credit costs within a low amount.

Issuer: The Gunma Bank, Ltd. (8334)

<Affirmation>

Senior debts: AA/Stable