



# NEWS RELEASE

Mar 5, 2010

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

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

**ISSUER:** The Gunma Bank, Ltd. (Sec. Code: 8334)  
**Issuer Rating**

**R&I RATING:** A+ (Affirmed)  
**RATING OUTLOOK:** Stable

### **RATIONALE:**

The Gunma Bank, Ltd. is a regional bank that primarily operates in Gunma Prefecture. It has a strong market presence, with shares of both deposits/savings and lending in the prefecture staying in the 30% range. In adjacent Saitama and Tochigi Prefectures, the bank also has decent market shares as it has been focusing on housing loans and loans to small and medium enterprises (SMEs) from a relatively early stage. In recent years, the bank has been working to expand its customer base in the southern part of Saitama Prefecture.

Outstanding loans to SMEs have grown as the bank capitalizes on the government's emergency guarantee program. Given the weak demand for funds in Gunma Prefecture, it is not easy for the bank to continue to increase business loans. The bank is thus making efforts to acquire new clients. In Gunma and Saitama Prefectures, housing and other loans are on the rise. The bank's profitability, although slightly above the regional bank average, is lower than in the past due partly to narrower interest margins between loan and deposit rates. R&I will keep an eye on whether the bank can improve profitability by cultivating and retaining customers.

The quality of assets is sound, and the credit cost ratio is low. The economic downturn has resulted in downgrades of internal ratings for more borrowers. This has led to a higher credit risk, which requires attention. R&I expects a sharp rise in credit costs to be unlikely, however.

Thanks to the reduction of stockholdings, market risk has decreased. As a result, the bank's risk resilience is at a level corresponding to the upper A zone. The Rating Outlook is Stable.

The primary rating methodology applied to this rating is provided at "Basic Methodologies for R&I's Credit Rating". The methodology is available at the web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating.

<http://www.r-i.co.jp/eng/rating/rating/methodology.html>

### **R&I RATINGS:**

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

In principle, an Issuer Rating is R&I's opinion on an issuer's overall capacity to repay its financial obligations as agreed and is assigned to all issuers. The rating of individual obligations includes the prospect of recovery and reflects the terms and conditions of the agreement and it may be lower or higher than the Issuer Rating.

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Credit ratings are statements of R&I's opinions regarding an issuer's general capacity to fulfill its financial obligations and the certainty of the fulfillment of its individual obligations as promised (creditworthiness) and are not statements of fact. Further, R&I does not state its opinions about any risks other than credit risk, give advice regarding investment decisions or financial matters, or endorse the merits of any investment. R&I does not undertake any independent verification of the accuracy or other aspects of the related information when issuing a credit rating and makes no related representations or warranties. R&I is not liable in any way for any damage arising in relation to credit ratings (including amendment or withdrawal thereof). As a general rule, R&I issues a credit rating for a fee paid by the issuer. For details, please refer to <http://www.r-i.co.jp/eng/about.html>.

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