

# *Investor Meeting*

*~Interim Results for FY 2007~  
(ended September 30, 2007)*



株式会社 ほくほくフィナンシャルグループ  
Hokuhoku Financial Group, Inc.

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Hokuhoku Financial Group, Inc.

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*Summary of Interim Results  
for FY 2007*

# Summary of Interim Results I-①

Hokuhoku Financial Group, Inc.

<P/L : Consolidated and Total of Two Banks >

## ➤ Recorded the highest Interim Net Income ever

(¥ Bn)	Total of two banks + Hokugin Corp.		
	FY07 1H	change	FY06 1H
<b>Core Gross Business Profits</b>	<b>90.4</b>	<b>(0.0)</b>	<b>90.4</b>
Net Interest Income	67.9	(0.5)	68.4
Net Fees & Commissions	16.4	1.3	15.0
Net Trading Income	0.3	(0.2)	0.6
Net Other Income #1	5.6	(0.5)	6.2
General & Administrative Expenses	(44.9)	(0.9)	(44.0)
Personnel	(20.1)	(0.3)	(19.8)
Facilities	(22.1)	(0.6)	(21.5)
<b>Core Net Business Profits</b>	<b>45.4</b>	<b>(0.9)</b>	<b>46.4</b>
Net Gains (Losses) related to Bonds	0.5	1.8	(1.3)
Net Business Profits #2	45.9	0.9	45.0
Total Credit Costs	(12.8)	3.9	(16.7)
Net Gains (Losses) related to Stocks	(1.1)	(1.1)	(0.0)
<b>Ordinary Profits</b>	<b>32.0</b>	<b>3.3</b>	<b>28.6</b>
Net Extraordinary Gains (Losses)	(2.7)	(2.6)	(0.0)
Income Taxes	(13.0)	(0.2)	(12.7)
<b>Net Income</b>	<b>16.2</b>	<b>0.3</b>	<b>15.8</b>

	FY07 1H	change	FY06 1H
Net Interest Income(Domestic)	67.6	(0.8)	68.5
Loans & Discounts	69.2	6.1	63.1
Securities	8.5	0.7	7.8
Deposits	(10.5)	(8.2)	(2.3)
Net Interest Income (International)	0.2	0.3	(0.0)
	FY07 1H	change	FY06 1H
Income	22.8	1.7	21.1
Remittance	6.6	(0.1)	6.8
Investment Trust & Insurance	7.6	1.8	5.8
Expenses	(6.3)	(0.3)	(6.0)
Remittance	(1.0)	0.0	(1.1)
Loan related expenses	(4.1)	(0.1)	(3.9)
	FY07 1H	change	FY06 1H
Net Other Income #1	5.6	(0.5)	6.2
Foreign Exchange	5.3	1.1	4.1
Derivatives	0.3	(1.7)	2.0

FG consolidated	FY07 1H	change	FY06 1H
<b>Net income</b>	<b>16.4</b>	<b>1.3</b>	<b>15.1</b>
The difference between A and B	0.2	0.9	(0.7)
Other Subsidiaries	0.9	0.3	0.6
Amortization of goodwill	(1.1)	-	(1.1)
Elimination	0.4	0.6	(0.2)

(note #1) Excluding gains (losses) related to bonds (note #2) before provision for general reserve for possible loan losses

Based on Internal Data

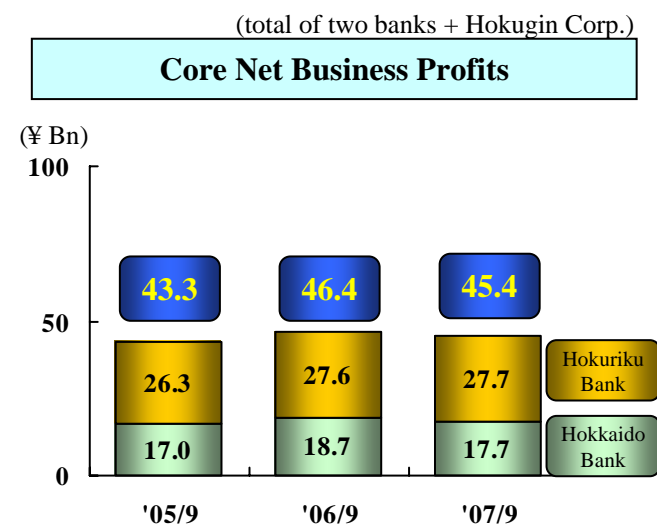
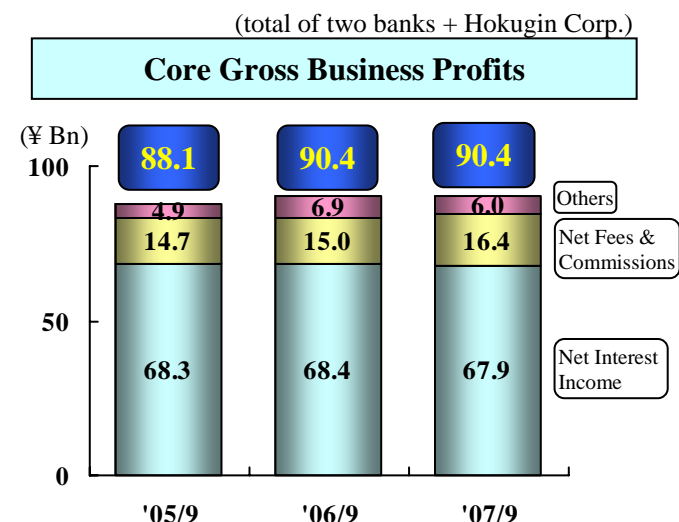
# Summary of Interim Results I-②

<P/L : Non-Consolidated, each bank>

Hokuhoku Financial Group, Inc.

(¥ Bn)	Hokuriku Bank + Hokugin Corp.			Hokkaido Bank		
	FY07 1H	change	FY06 1H	FY07 1H	change	FY06 1H
<b>Core Gross Business Profits</b>	<b>53.3</b>	<b>0.3</b>	<b>53.0</b>	<b>37.0</b>	<b>(0.3)</b>	<b>37.3</b>
Net Interest Income	38.6	(0.0)	38.6	29.2	(0.4)	29.7
Net Fees & Commissions	10.1	1.2	8.9	6.2	0.1	6.1
Net Trading Income	0.3	(0.2)	0.6	-	-	-
Net Other Income #1	4.2	(0.6)	4.8	1.4	0.0	1.4
General & Administrative Expenses	(25.6)	(0.2)	(25.3)	(19.2)	(0.6)	(18.6)
Personnel	(12.0)	(0.1)	(11.9)	(8.0)	(0.1)	(7.8)
Facilities	(12.2)	(0.1)	(12.0)	(9.9)	(0.4)	(9.4)
<b>Core Net Business Profits</b>	<b>27.7</b>	<b>0.0</b>	<b>27.6</b>	<b>17.7</b>	<b>(0.9)</b>	<b>18.7</b>
Net Gains (Losses) related to Bonds	0.1	0.0	0.0	0.3	1.8	(1.4)
Net Business Profits #2	27.8	0.0	27.7	18.1	0.8	17.2
Total Credit Costs	(8.8)	3.8	(12.7)	(3.9)	0.0	(4.0)
Net Gains (Losses) related to Stocks	(0.2)	(0.5)	0.2	(0.8)	(0.6)	(0.2)
<b>Ordinary Profits</b>	<b>18.9</b>	<b>2.7</b>	<b>16.1</b>	<b>13.0</b>	<b>0.5</b>	<b>12.5</b>
Net Extraordinary Gains (Losses)	(1.9)	(2.0)	0.1	(0.8)	(0.6)	(0.1)
Income Taxes	(7.7)	(0.0)	(7.7)	(5.2)	(0.2)	(5.0)
<b>Net Income</b>	<b>9.2</b>	<b>0.7</b>	<b>8.5</b>	<b>6.9</b>	<b>(0.3)</b>	<b>7.3</b>

(note #1) Excluding gains (losses) related to bonds (note #2) before provision for general reserve for possible loan losses



# Summary of Interim Results II-①

Hokuhoku Financial Group, Inc.

<B/S : Consolidated and Total of two Banks>

- Loans (Total of two banks and Hokugin Corporate) ... + ¥195.0 Billion (compared to the balance as of '06/9)
- Securities (Total of two banks) ... - ¥ 29.2 Billion (compared to the balance as of '06/9)
- Deposits (Total of two banks) ... + ¥156.3 Billion (compared to the balance as of '06/9)

(¥ Bn)	FG Consolidated			Total of two banks		
	End Sep 07		End Sep 06	End Sep 07		End Sep 06
		change			change	
<b>Assets</b>	<b>9,531.7</b>	<b>81.5</b>	<b>9,450.2</b>	<b>9,467.9</b>	<b>96.8</b>	<b>9,371.1</b>
Cash & Due from Banks	213.8	(30.0)	243.8	212.9	(29.6)	242.5
Call Loans	131.1	61.1	70.0	131.1	61.1	70.0
Other Debt Purchased	192.0	(19.5)	211.6	192.0	(19.5)	211.5
Loans & Bills Discounted	6,869.0	193.1	6,675.9	6,879.8	203.7	6,676.1
(+Hokugin Corp.)				6,895.0	195.0	6,699.9
Securities	1,644.9	(28.8)	1,673.7	1,698.3	(29.2)	1,727.5
Deferred Tax Assets	67.2	(23.3)	90.6	68.0	(23.2)	91.2
<b>Liabilities</b>	<b>9,082.6</b>	<b>48.8</b>	<b>9,033.8</b>	<b>9,064.0</b>	<b>61.5</b>	<b>9,002.5</b>
Deposits	8,378.6	149.1	8,229.5	8,439.0	156.3	8,282.6
NCDs	110.6	27.8	82.7	110.6	24.0	86.5
<b>Net Assets</b>	<b>449.0</b>	<b>32.6</b>	<b>416.3</b>	<b>403.8</b>	<b>35.2</b>	<b>368.5</b>
Capital Stock	70.8	20.8	50.0	233.9	-	233.9
Capital Surplus	253.2	(19.3)	272.5	31.7	-	31.7
Retained Earnings	105.1	35.9	69.1	112.5	38.7	73.8

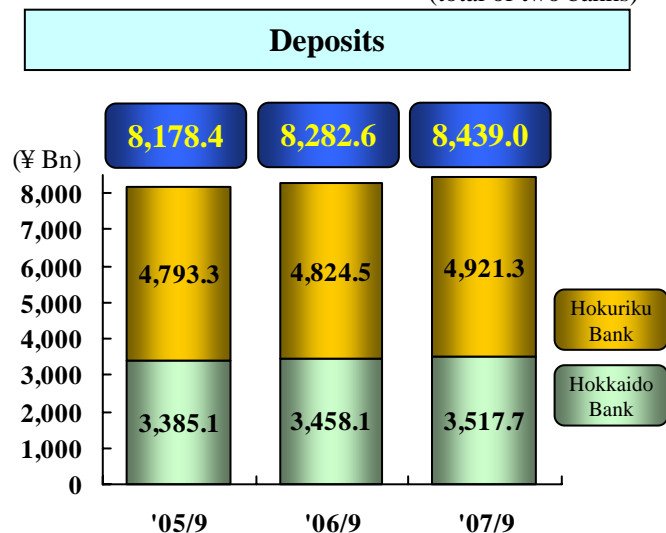
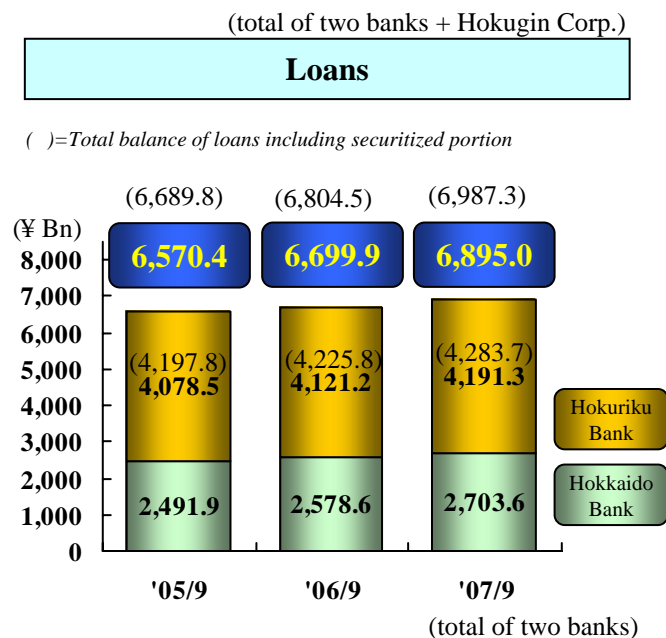
(+Hokugin Corp)	End Sep 07		End Sep 06
		change	
Loans & Bills Discounted	6,895.0	195.0	6,699.9
SMEs & Individuals	5,024.4	8.2	5,016.2
Housing & Consumer	1,791.8	90.7	1,701.1
<b>Securities</b>	<b>1,698.3</b>	<b>(29.2)</b>	<b>1,727.5</b>
Government Bonds	710.4	2.3	708.1
Local Government Bonds	186.5	42.5	144.0
Corporate Bonds	418.6	(23.1)	441.7
Stocks	251.2	(9.9)	261.1
<b>Deposits</b>	<b>8,439.0</b>	<b>156.3</b>	<b>8,282.6</b>
Individuals	5,816.1	197.7	5,618.4
<b>Deposits/Non-deposits for Individuals</b>	<b>6,730.0</b>	<b>352.9</b>	<b>6,377.0</b>
Deposits (¥ base)	5,796.5	205.2	5,591.3
Non-deposit Products	933.5	147.7	785.7
Foreign Currency Deposits	19.6	(7.4)	27.1
Public Bonds	331.0	(1.2)	332.3
Investment Trusts	582.9	156.5	426.3

# Summary of Interim Results II-②

<B/S : Non-Consolidated, each bank>

Hokuhoku Financial Group, Inc.

(¥ Bn)	Hokuriku Bank			Hokkaido Bank		
	07/9	06/9		07/9	06/9	
	a	a-b	b	a	a-b	b
<b>Assets</b>	5,614.2	(25.4)	5,639.6	3,853.6	122.2	3,731.4
Cash & Due from Banks	128.5	(21.5)	150.1	84.3	(8.0)	92.4
Call Loans	51.1	51.1	-	80.0	10.0	70.0
Other Debt Purchased	192.0	(19.5)	211.5	0.0	(0.0)	0.0
Loans & Bills Discounted	4,176.2	78.7	4,097.4	2,703.6	124.9	2,578.6
(+Hokugin Corp.)	4,191.3	70.0	4,121.2			
Securities	840.0	(19.8)	859.9	858.2	(9.3)	867.6
Deferred Tax Assets	43.7	(14.4)	58.1	24.3	(8.7)	33.1
<b>Liabilities</b>	5,376.6	(41.5)	5,418.2	3,687.3	103.1	3,584.2
Deposits	4,921.3	96.7	4,824.5	3,517.7	59.5	3,458.1
NCDs	52.4	(2.3)	54.7	58.2	26.4	31.7
<b>Net Assets</b>	237.6	16.1	221.4	166.2	19.0	147.1
Capital Stock	140.4	-	140.4	93.5	-	93.5
Capital Surplus	14.9	-	14.9	16.7	-	16.7
Retained Earnings	62.6	18.3	44.2	49.8	20.3	29.5



# Earnings Forecasts for FY 2007

Hokuhoku Financial Group, Inc.

(¥ Bn)

	<b>Hokuhoku FG (consolidated)</b> (Forecast for FY 2007)		
	<b>Full Year</b>		Change from FY 2006
	Interim Results		
Ordinary Income	125.7	<b>247.0</b>	4.8
Ordinary Profits	32.7	<b>64.0</b>	(6.0)
Net Income	16.4	<b>36.0</b>	(4.6)

**Annual Dividend Forecast**  
⇒ 2.5 yen per share of common stock  
(+0.5 yen compared to FY 2006)

	<b>Total of two banks</b> + Hokugin Corporate (Forecast for FY 2007)								
				Hokuriku Bank + Hokugin Corp.			Hokkaido Bank		
	<b>Full Year</b>		Change from FY 2006	<b>Full Year</b>		Change from FY 2006	<b>Full Year</b>		Change from FY 2006
	Interim Results			Interim Results			Interim Results		
Ordinary Income	113.6	<b>225.0</b>	6.0	67.0	<b>132.0</b>	1.5	46.6	<b>93.0</b>	4.6
Core Gross Business Profits	90.4	<b>181.0</b>	(0.8)	53.3	<b>105.5</b>	(1.6)	37.0	<b>75.5</b>	0.8
G & A Expenses	44.9	<b>90.0</b>	2.0	25.6	<b>51.5</b>	1.0	19.2	<b>38.5</b>	1.1
Core Net Business Profits	45.4	<b>91.0</b>	(2.8)	27.7	<b>54.0</b>	(2.5)	17.7	<b>37.0</b>	(0.2)
Total Credit Costs	12.8	<b>26.0</b>	0.4	8.8	<b>18.0</b>	(4.0)	3.9	<b>8.0</b>	4.4
Ordinary Profits	32.0	<b>65.0</b>	(5.4)	18.9	<b>36.0</b>	(2.5)	13.0	<b>29.0</b>	(2.9)
Net Income	16.2	<b>37.5</b>	(2.2)	9.2	<b>20.5</b>	1.6	6.9	<b>17.0</b>	(3.7)

*Enhancing Operating Performance*

# Asset-based Business I

<Balance of Loans, Loans to SMEs & Individuals >

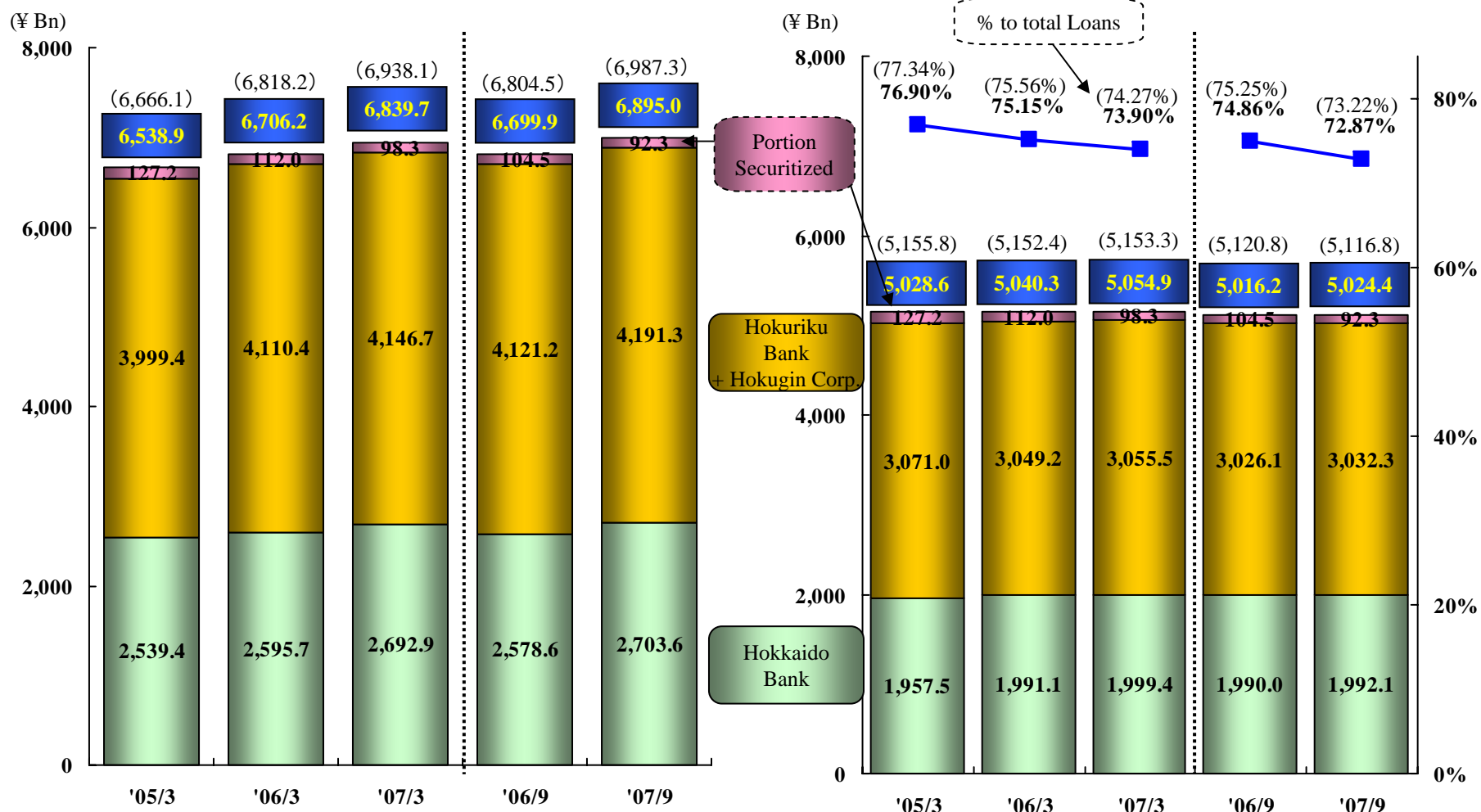
Hokuhoku Financial Group, Inc.

## Loans (term-end balance)

(total of two banks + Hokugin Corp.)

## Loans to SMEs & Individuals (term-end balance)

(total of two banks + Hokugin Corp.)



(note) ( ) = Total balance of loans including portion securitized

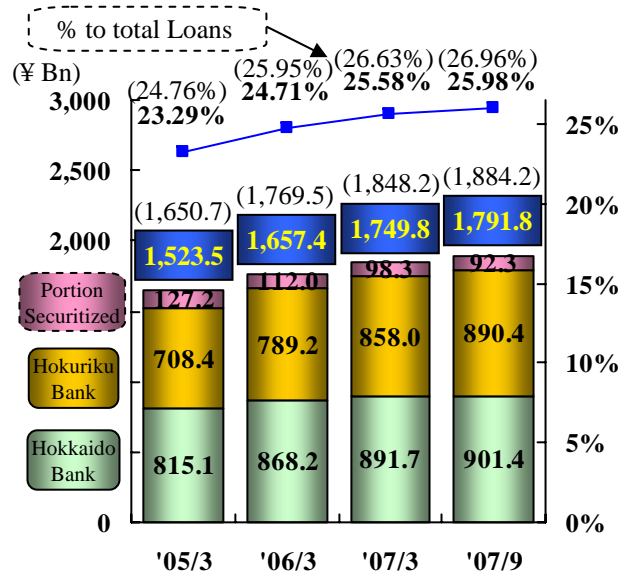
# Asset-based Business II

<Balance of Housing & Consumer Loans, Card Loans >

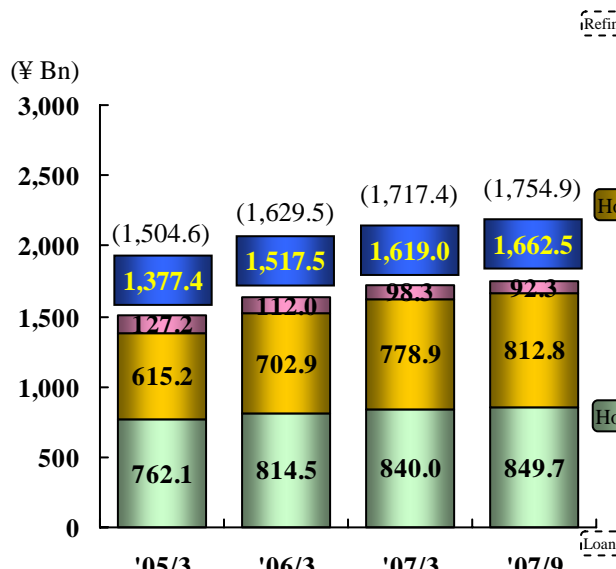
Hokuhoku Financial Group, Inc.

(total of two banks)

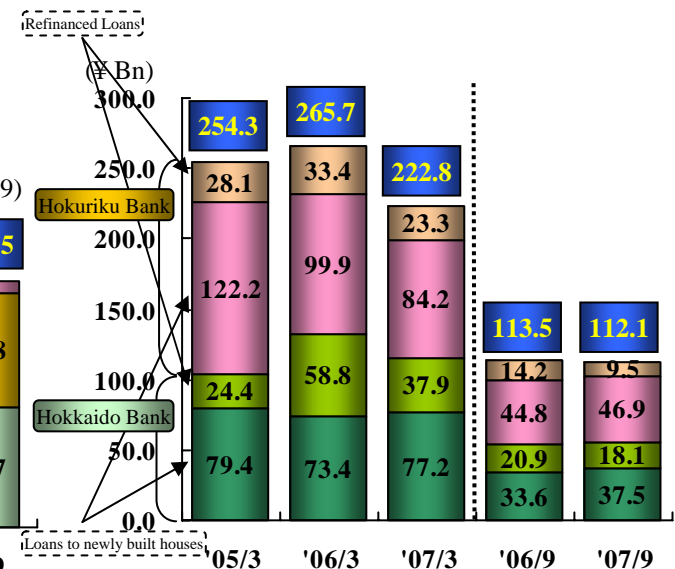
**Housing & Consumer Loans (term-end balance)**



**Housing Loans (term-end balance)**

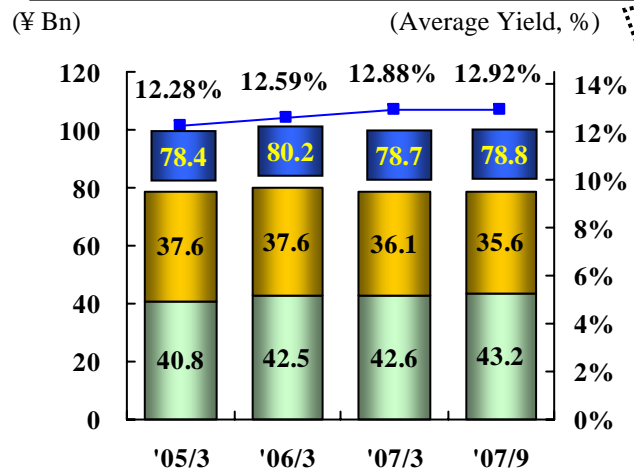


**Residential Housing Loans (Sales Amount)**

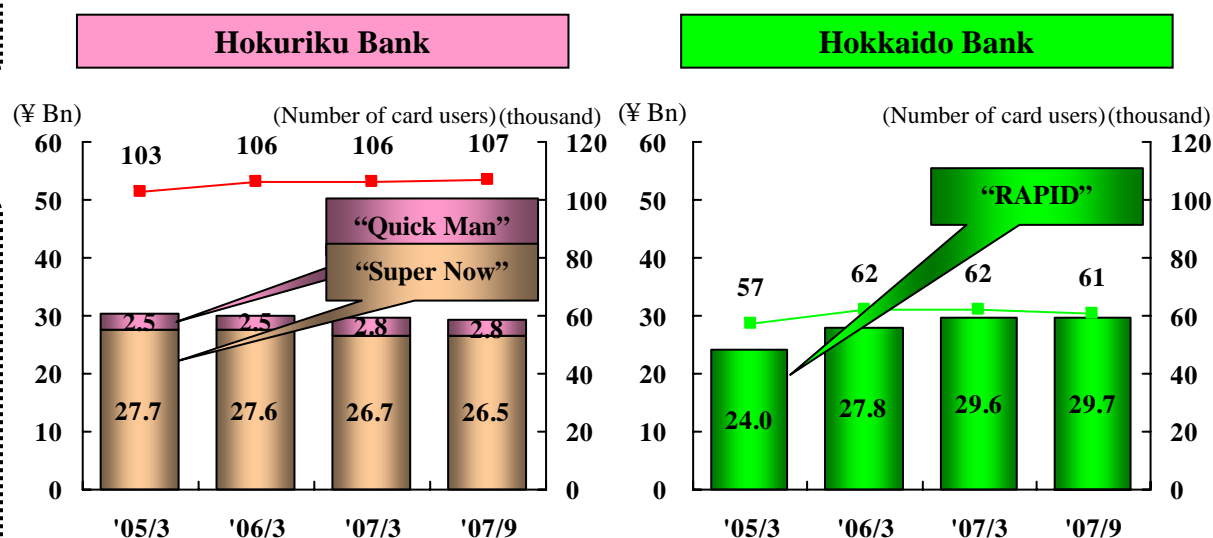


(note) ( ) = Total balance of loans including portion securitized

**Card Loans (term-end balance)**

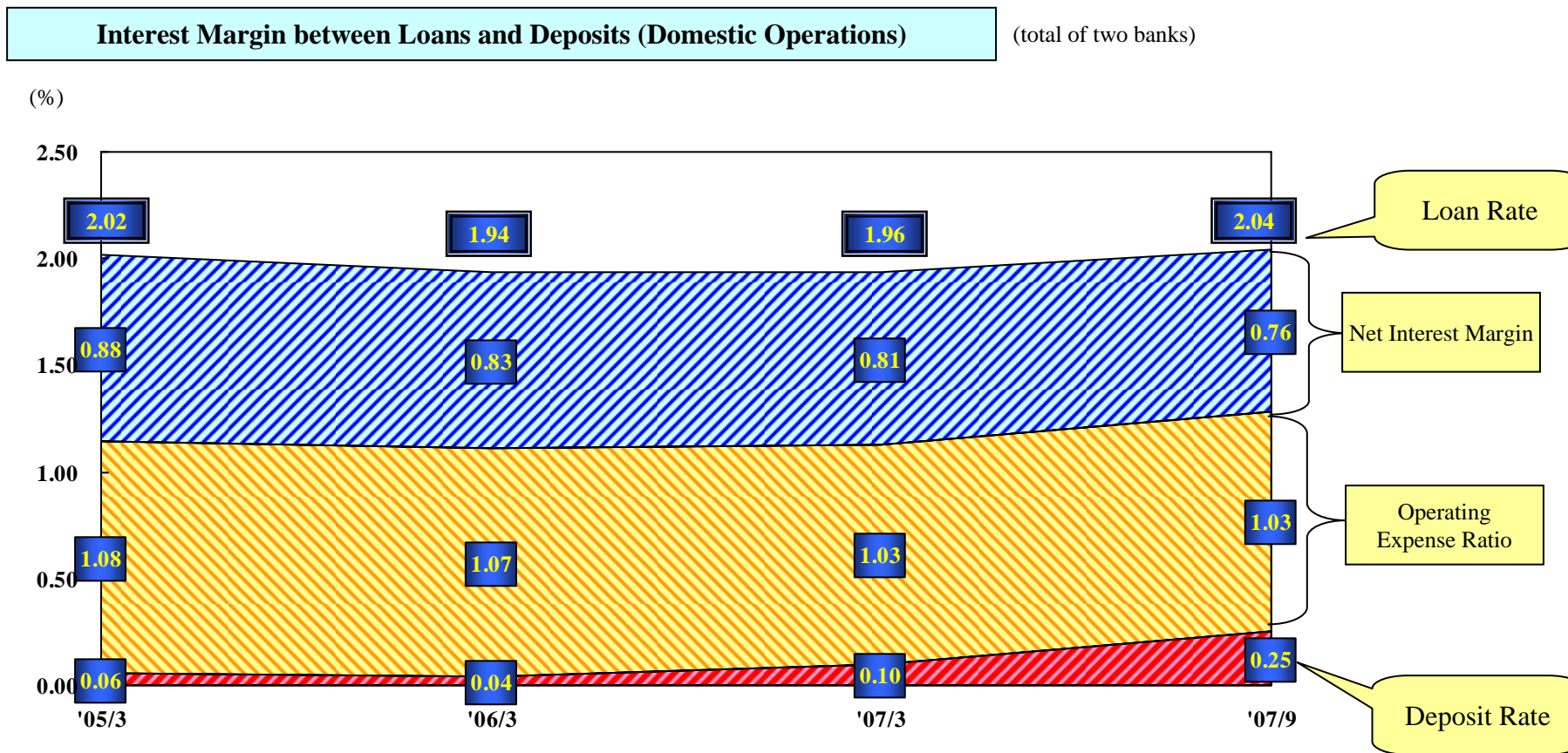


**Balance of Main Card Loan Products**



# Asset-based Business III

## <Interest Margins>



	Total of two banks				Hokuriku Bank				Hokkaido Bank			
	05/3	06/3	07/3	07/9	05/3	06/3	07/3	07/9	05/3	06/3	07/3	07/9
Loan Rate	2.02	1.94	1.96	2.04	1.94	1.85	1.88	1.98	2.16	2.09	2.07	2.15
Deposit Rate	0.06	0.04	0.10	0.25	0.08	0.05	0.10	0.25	0.04	0.03	0.09	0.24
Operating Expense Ratio	1.08	1.07	1.03	1.03	1.04	1.04	1.02	1.01	1.13	1.10	1.05	1.05
Net Interest Margin	0.88	0.83	0.81	0.76	0.82	0.75	0.75	0.70	0.98	0.95	0.92	0.85

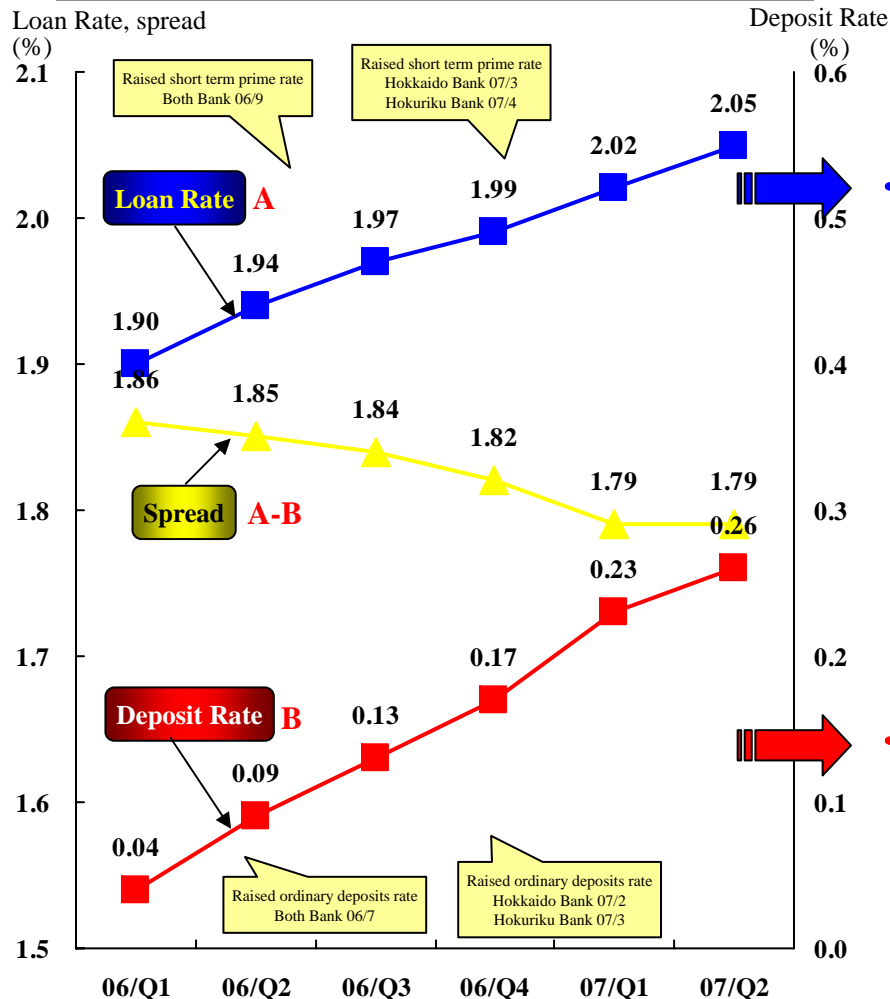
# Asset-based Business IV

<Effect of Interest Rate Rise >

In FY06, BOJ hiked policy rate twice ('06/7 +0.25%, '07/2 +0.25%).

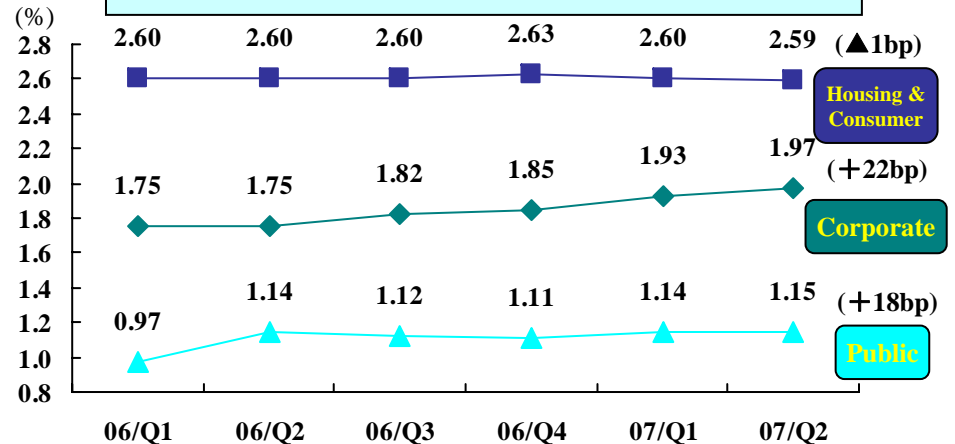
Deposit rate rose ahead of loan rate. Due to the competition with other banks, loan rate rise delayed.

Interest rate of Yen denominated Loans and Deposits (Quarterly)



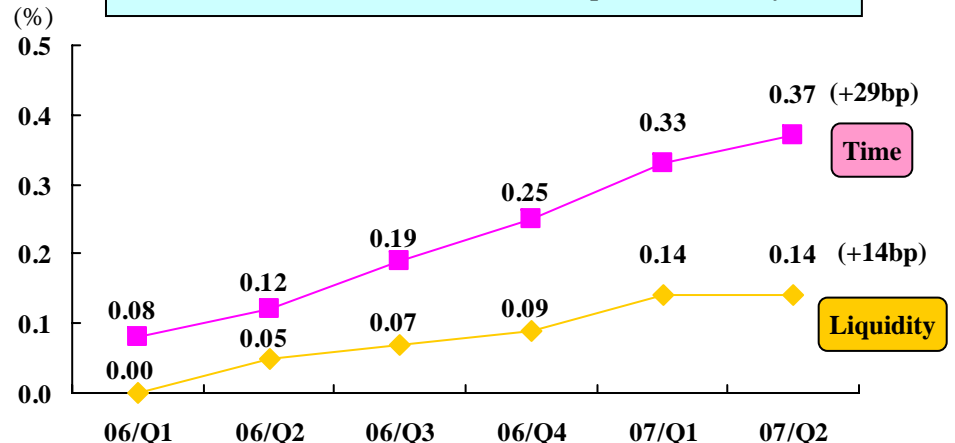
※ Internal management base

Interest rate of Yen denominated Loans (Quarterly)



※ Before partial direct write-offs

Interest rate of Yen denominated Deposits (Quarterly)



※ ( ) = change from 06/Q1

# Asset-based Business V

Hokuhoku Financial Group, Inc.

<Result and Forecast of Net Interest Income >

**FY07 1st half** : Net interest income decreased due to the rising deposit rate preceding loan rate.

**FY07 Forecast** : Net interest income is expected to decrease continuously due to the rate factor, offsetting planned increase in average balances.

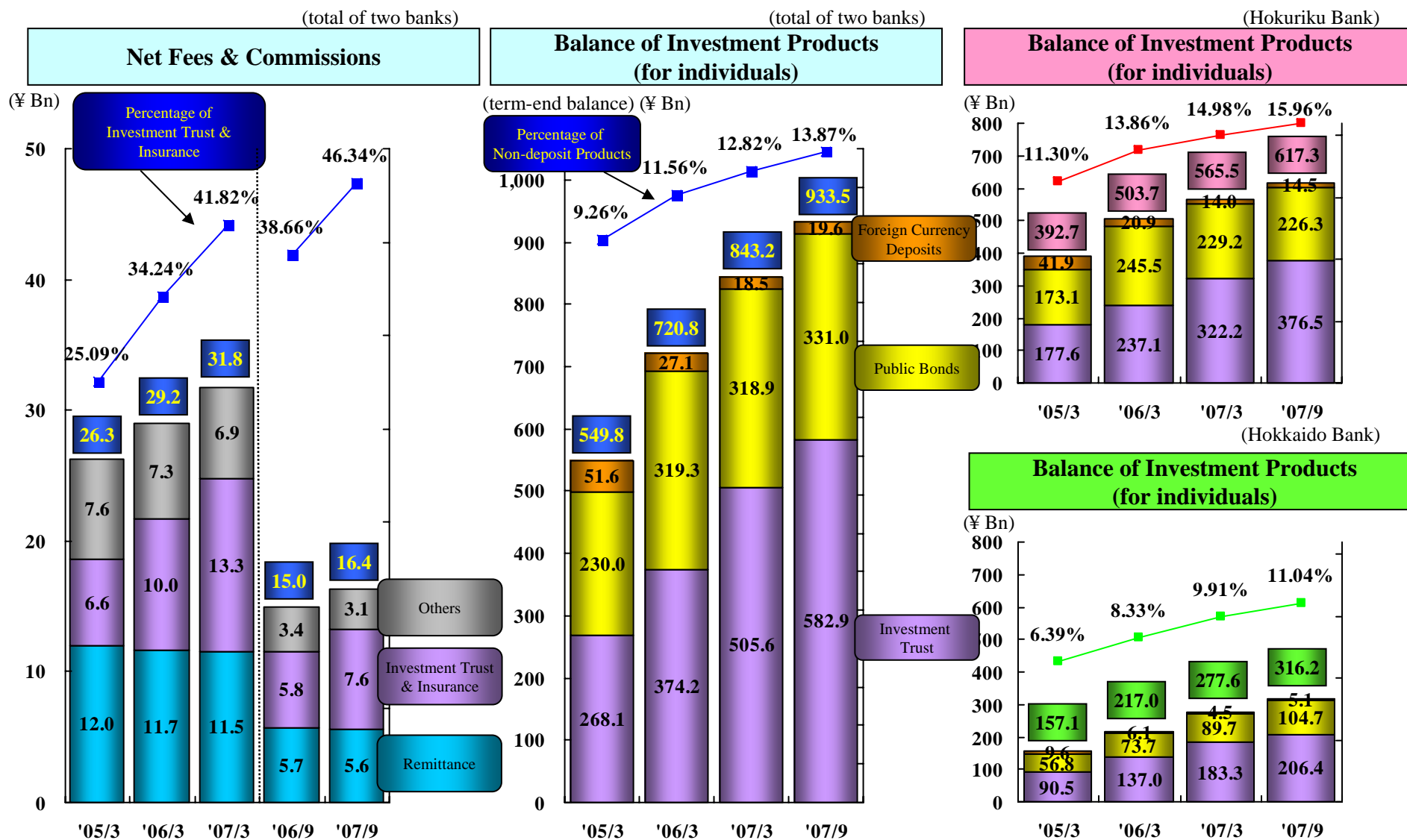
## Analysis of Factors influencing interest income (domestic)

	06/9			07/9			change					07/3			
	Average Balance	Rate	Interest	Average Balance	Rate	Interest	Average Balance	Rate	Interest	Analysis of Factors		Average Balance	Rate	Interest	
										Average Balance	Rate				
<b>Total of two banks</b>															
Net interest income			68.2			67.4			(0.7)						136.9
Loans	6,525.9	1.92%	62.8	6,721.1	2.04%	69.0	195.1	0.12%	6.1	1.9	4.1	6,595.3	1.96%	129.2	
Securities	1,617.4	0.96%	7.8	1,638.7	1.03%	8.5	21.3	0.07%	0.7	0.1	0.6	1,612.4	0.98%	15.8	
Doposits	8,198.5	0.05%	2.3	8,427.4	0.25%	10.5	228.8	0.20%	8.2	0.1	8.0	8,215.8	0.10%	8.4	
<b>Hokuriku Bank</b>															
Net interest income			38.9			38.5			(0.3)						78.4
Loans	3,977.5	1.84%	36.7	4,066.8	1.98%	40.3	89.3	0.14%	3.6	0.8	2.7	4,010.6	1.88%	75.6	
Securities	763.8	0.93%	3.5	781.2	1.02%	4.0	17.4	0.09%	0.4	0.0	0.3	765.3	0.97%	7.4	
Doposits	4,759.5	0.05%	1.3	4,863.7	0.25%	6.2	104.2	0.20%	4.9	0.0	4.8	4,762.4	0.10%	5.0	
<b>Hokkaido Bank</b>															
Net interest income			29.2			28.8			(0.3)						58.5
Loans	2,548.4	2.04%	26.1	2,654.2	2.15%	28.6	105.8	0.11%	2.5	1.1	1.3	2,584.7	2.07%	53.6	
Securities	853.5	0.99%	4.2	857.5	1.05%	4.5	3.9	0.06%	0.2	0.0	0.2	847.0	0.99%	8.4	
Doposits	3,439.0	0.05%	0.9	3,563.6	0.24%	4.3	124.6	0.19%	3.3	0.0	3.2	3,453.4	0.09%	3.3	

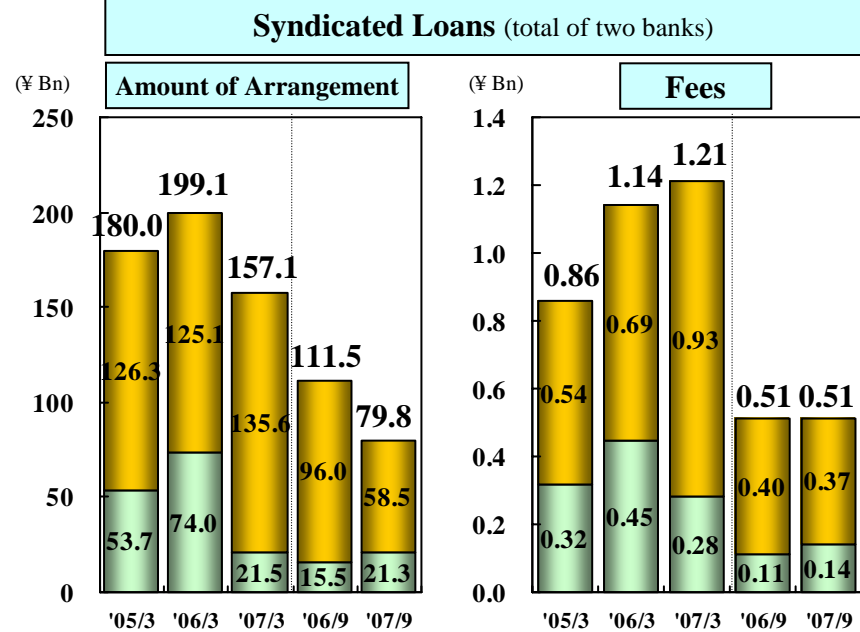
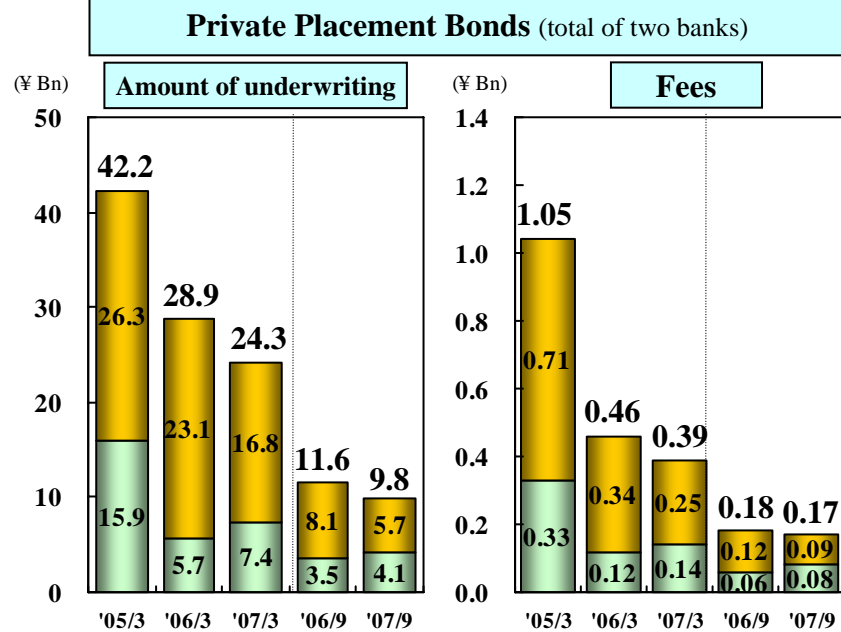
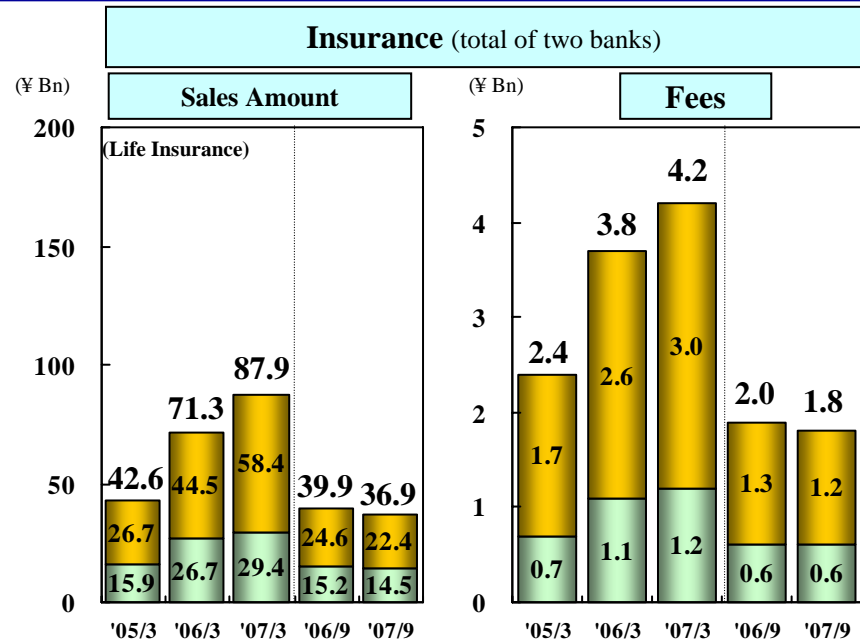
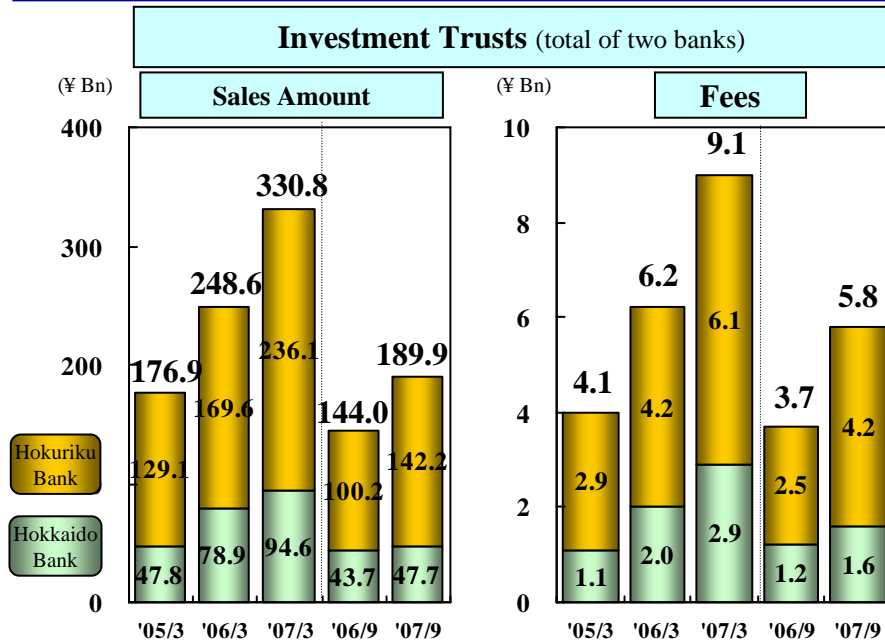
(¥ Bn, %)

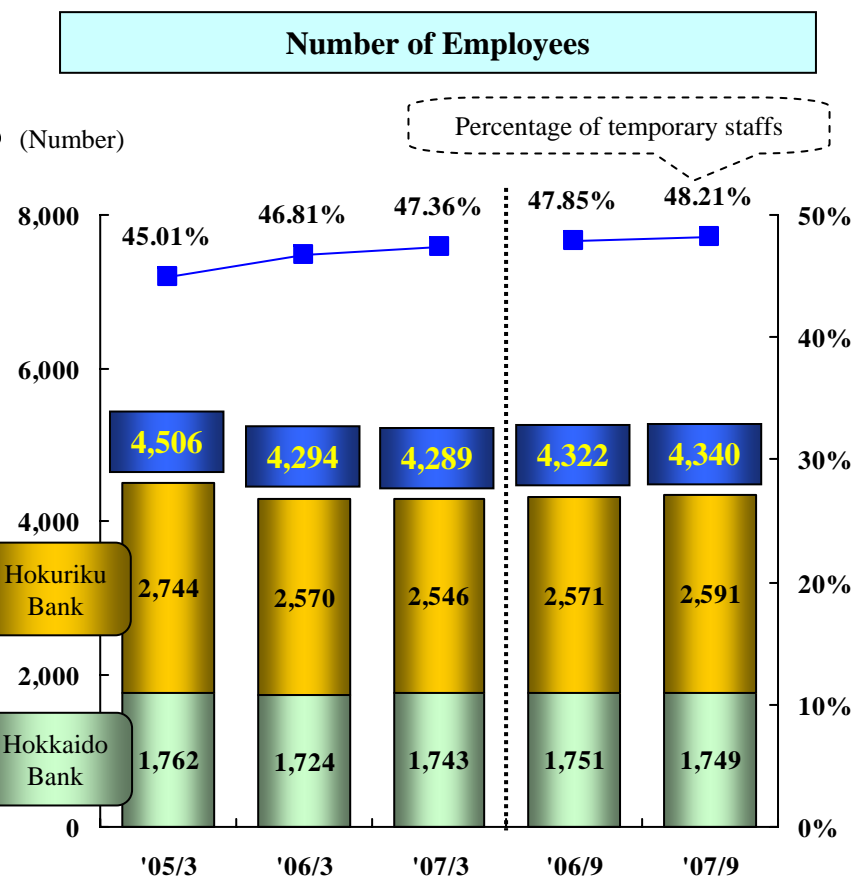
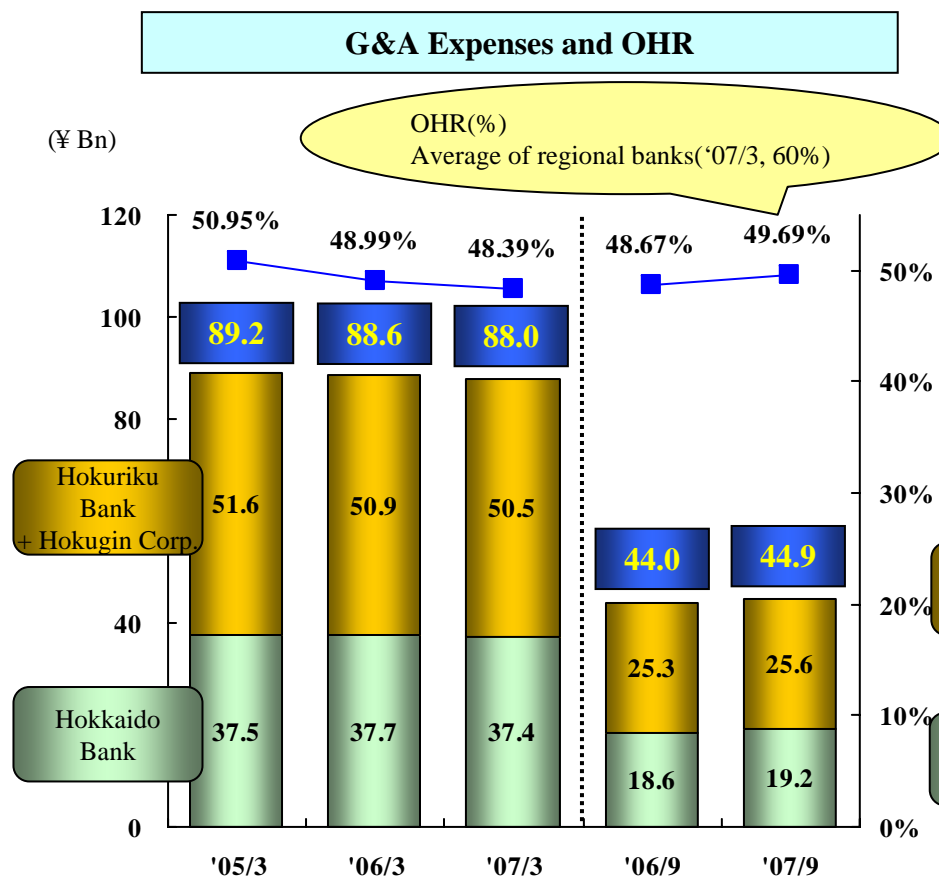
**08/3(Projection)**  
(Domestic)

Total of two banks	Average Balance	Rate
Loans	+195.0	+0.10%
Securities	+ 40.0	+0.10%
Doposits	+220.0	+0.16%
Hokuriku Bank	Average Balance	Rate
Loans	+100.0	+0.11%
Securities	+ 10.0	+0.13%
Doposits	+110.0	+0.17%
Hokkaido Bank	Average Balance	Rate
Loans	+ 95.0	+0.09%
Securities	+ 30.0	+0.07%
Doposits	+110.0	+0.16%



(Note) Percentage of Non-deposit Products = Non-deposit Products / (Deposits + Non-deposit Products)





More than 10% below the average OHR of regional banks (Avg.60%)

number of temporary staffs + part-time employees ('07/9)  
 (Hokuriku Bank) 2,635  
 (Hokkaido Bank) 1,405  
 (Total of two Banks) 4,040

(note) OHR=General and Administrative Expenses / Core Gross Business Profits

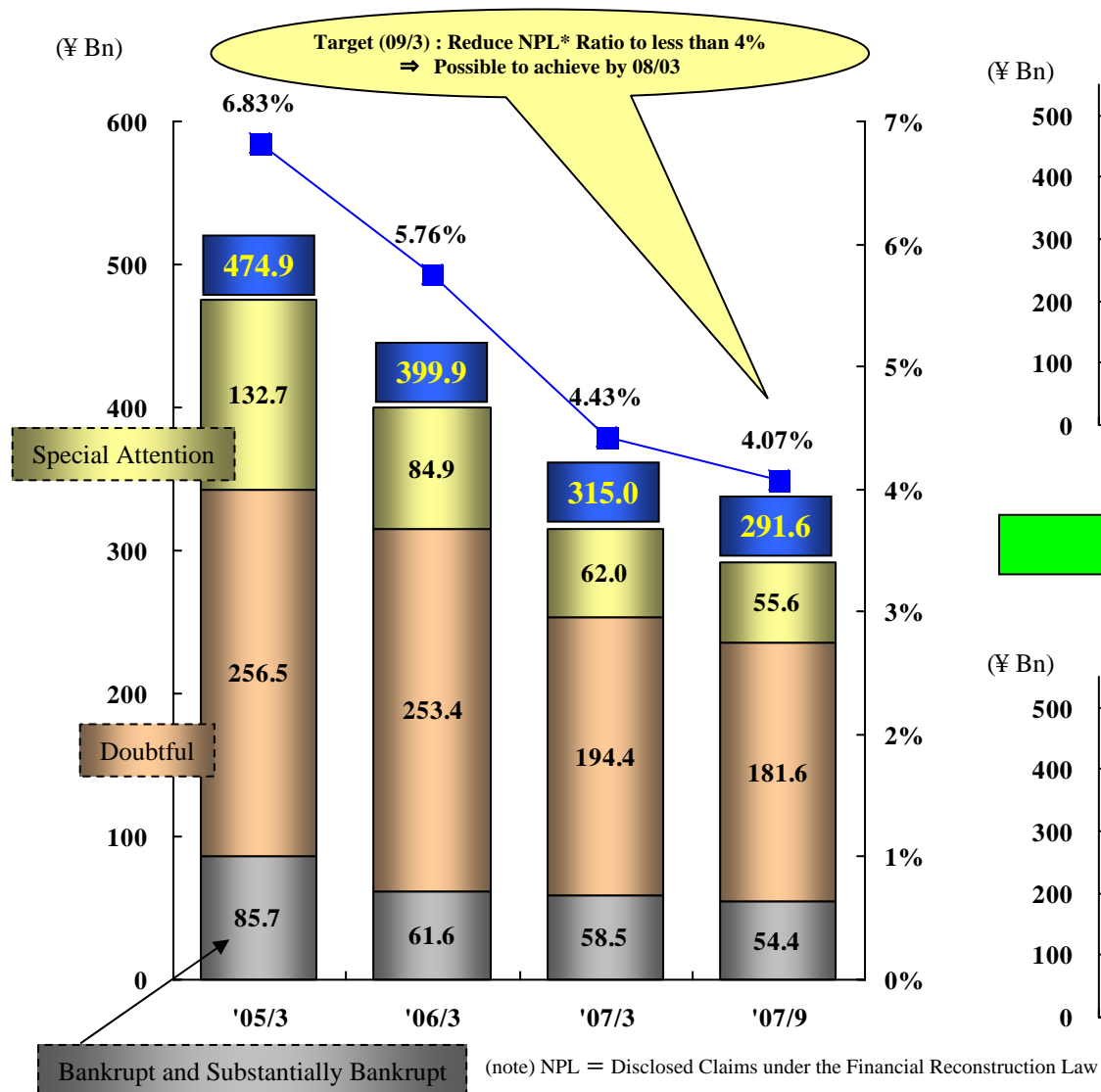
(note) Percentage of temporary staffs = (number of temporary staffs + part-time employees) / (number of employees + temporary staffs + part-time employees)

*Strengthening Balance Sheet*

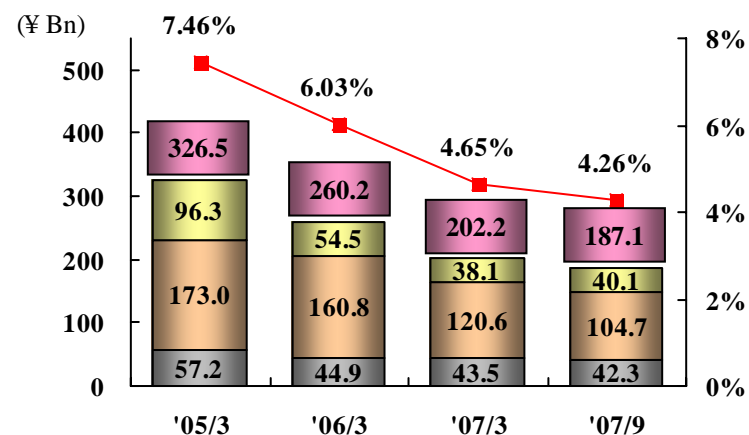
# Non-Performing Loans (“NPLs”)

Hokuhoku Financial Group, Inc.

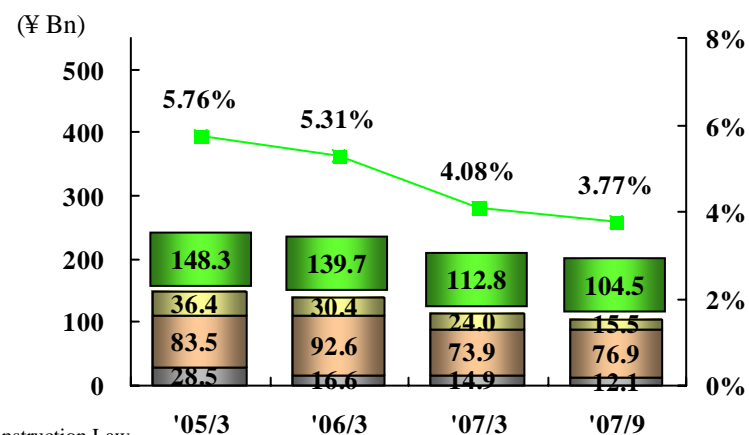
**Total of Two Banks (+ Hokugin Corporate)**



**Hokuriku Bank (+Hokugin Corporate)**

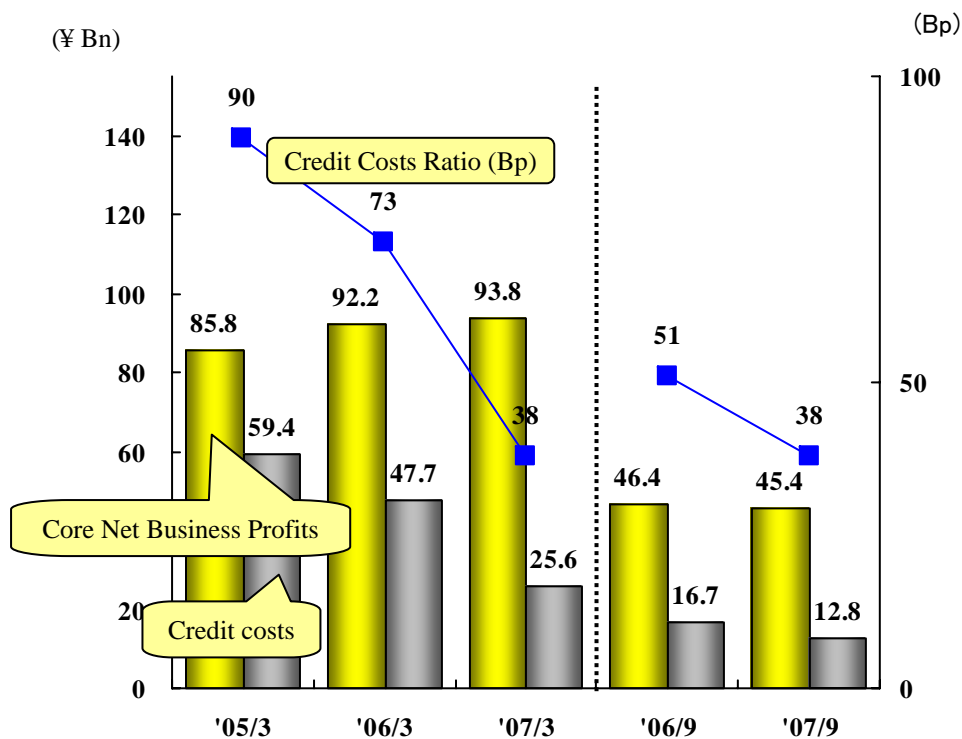


**Hokkaido Bank**



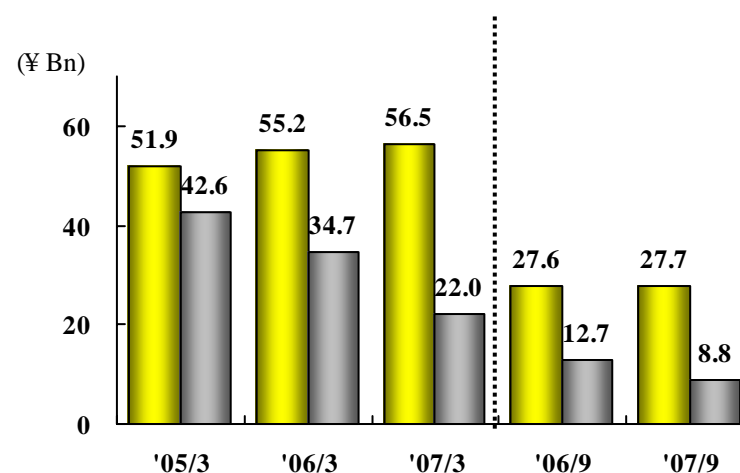
# Credit Costs

**Total of Two Banks (+ Hokugin Corporate)**

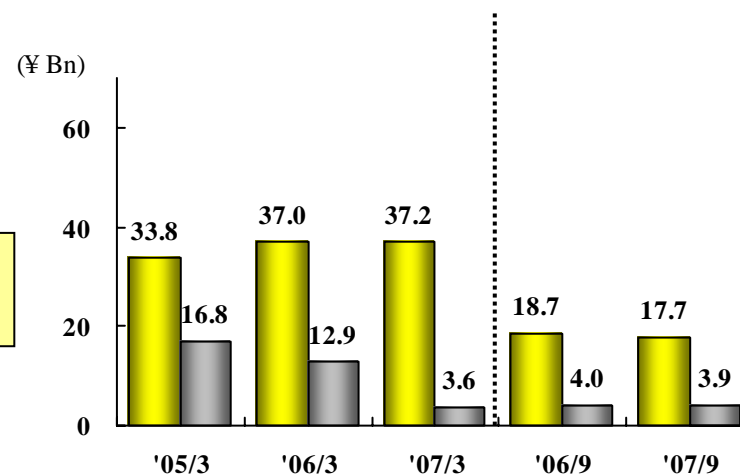


**Credit Costs ¥12.8 Billion ( - ¥3.9 Billion from FY06 1st Half)  
Credit Costs Ratio 38 Bp ( - 13 Bp from FY06 1st Half)**

**Hokuriku Bank (+Hokugin Corporate)**



**Hokkaido Bank**



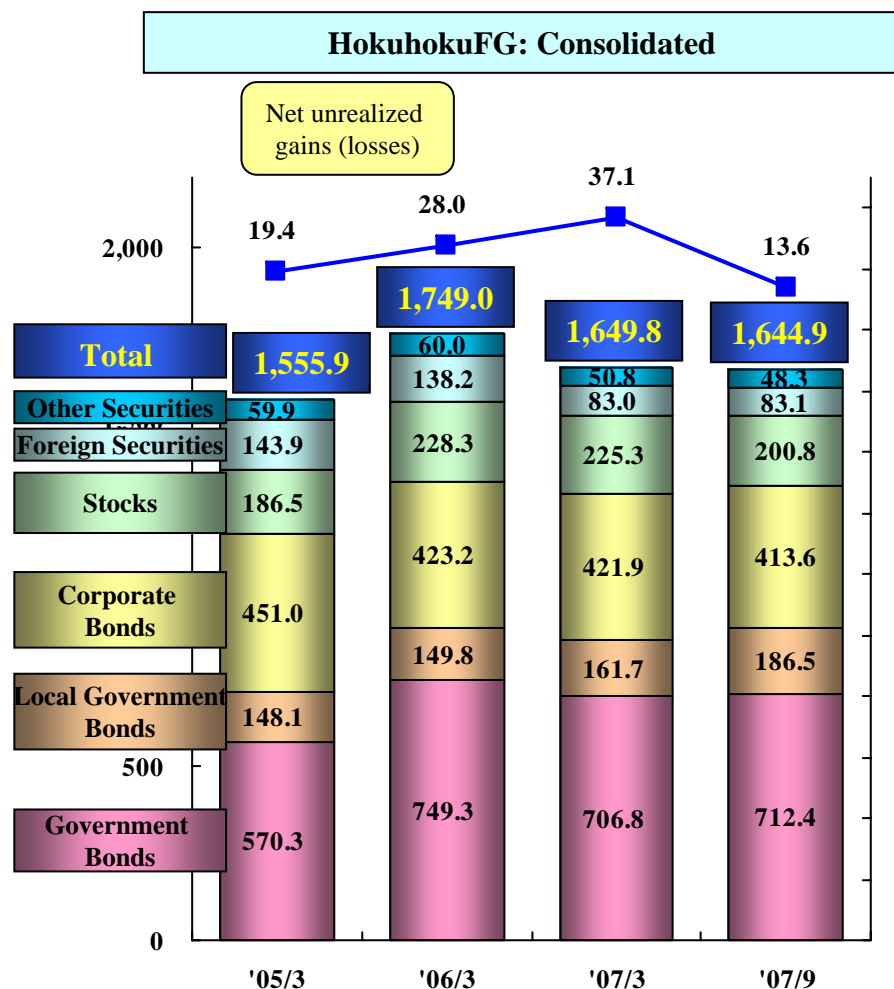
(note) Credit Costs Ratio

= Credit costs (including provision for general reserve for possible loan losses) / Average loans and bills discounted

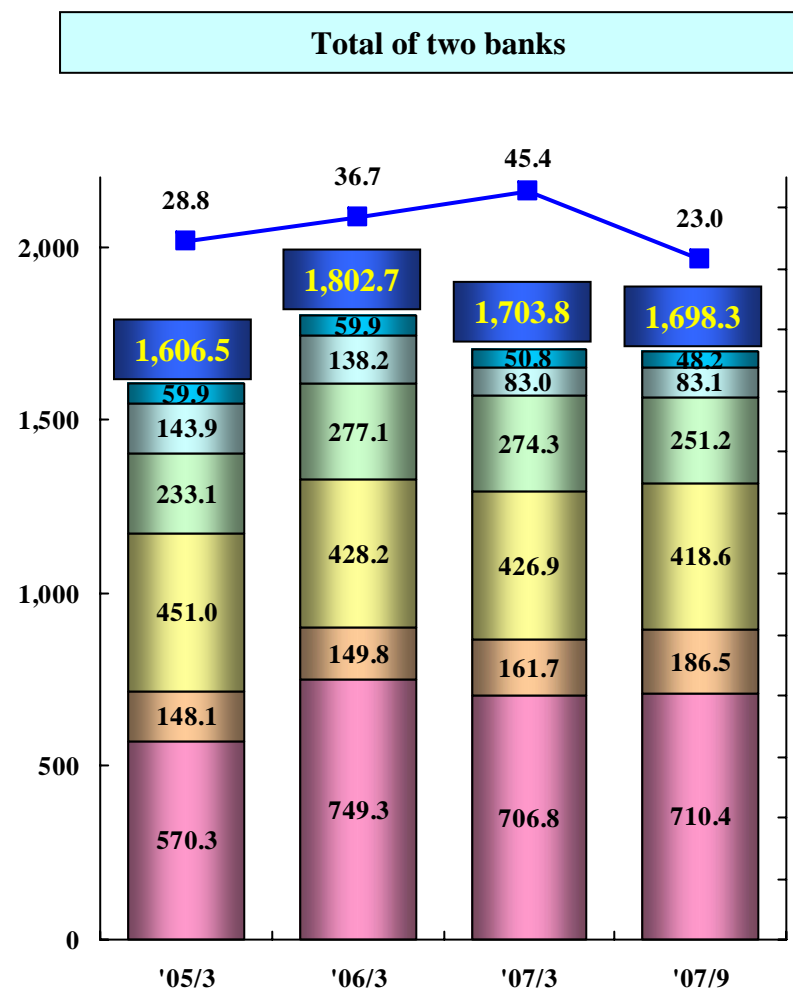
# Investment Securities (Consolidated and Total of two banks)

Hokuhoku Financial Group, Inc.

(¥ Bn)



	'05/3	'06/3	'07/3	'07/9
Net unrealized gains (losses)	05/3	06/3	07/3	07/9
Available-for-sale Securities	19.4	28.0	37.1	13.6
Stocks	21.4	67.1	61.2	37.5
Bonds	1.9	(38.7)	(25.1)	(22.9)
Others	(4.0)	(0.3)	0.9	(0.9)

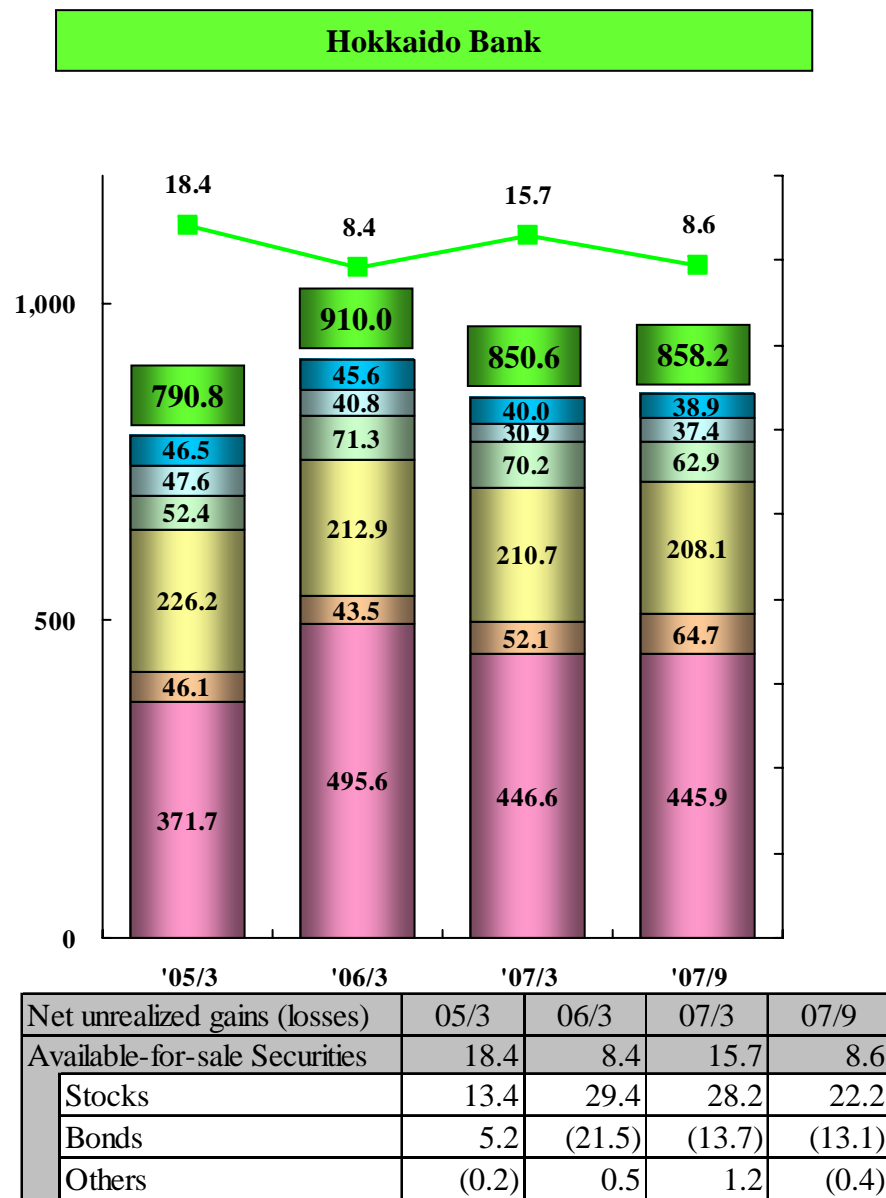
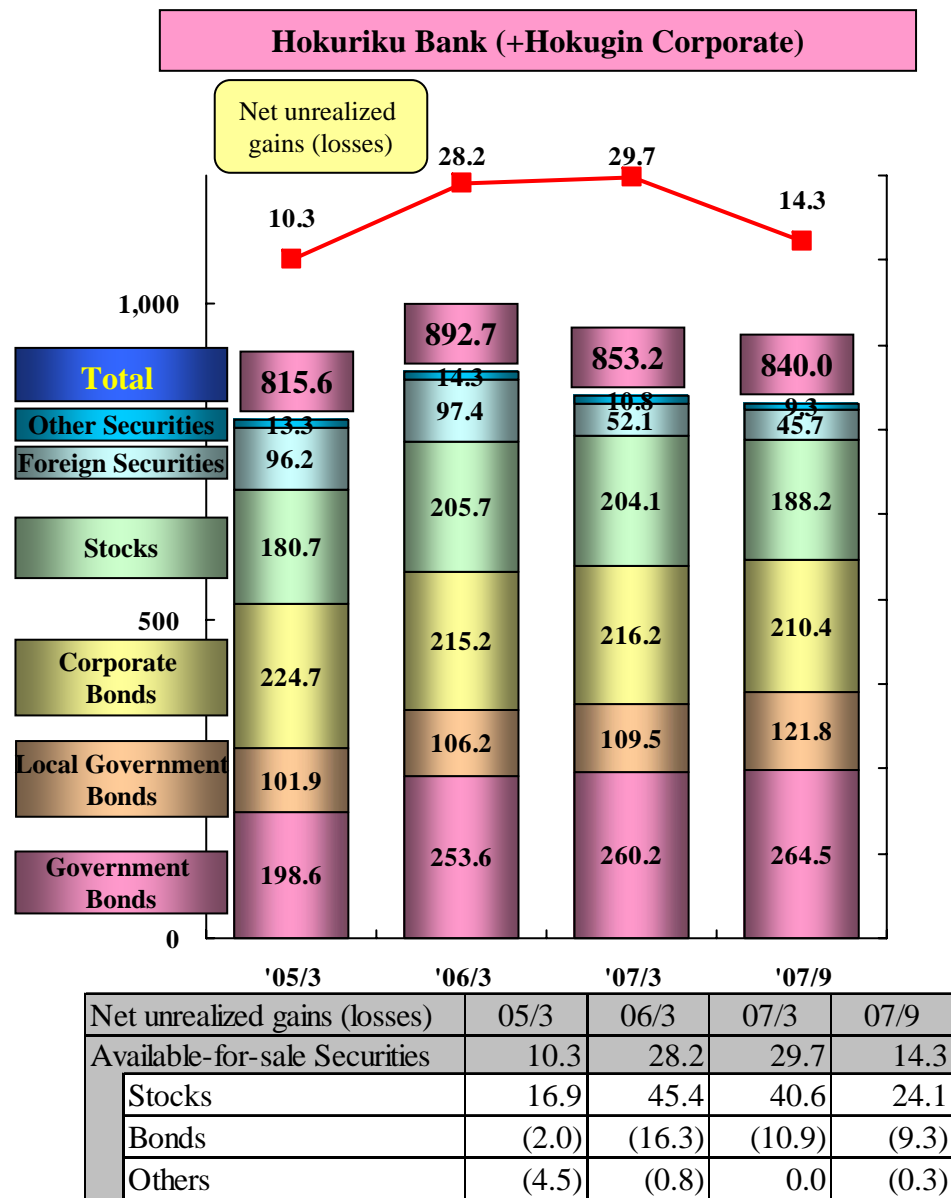


	'05/3	'06/3	'07/3	'07/9
Net unrealized gains (losses)	05/3	06/3	07/3	07/9
Available-for-sale Securities	28.8	36.7	45.4	23.0
Stocks	30.3	74.8	68.9	46.3
Bonds	3.1	(37.9)	(24.7)	(22.5)
Others	(4.7)	(0.2)	1.3	(0.7)

# Investment Securities (each bank)

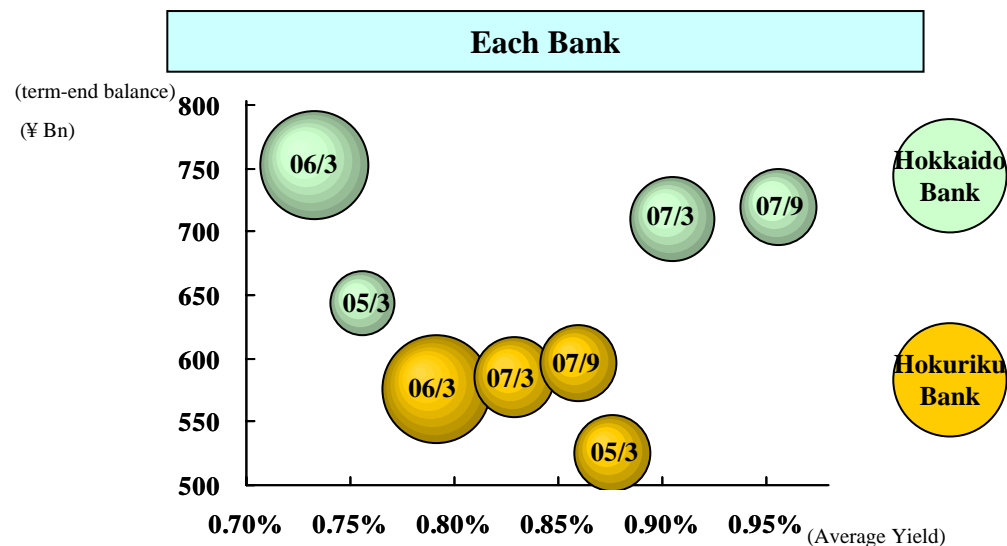
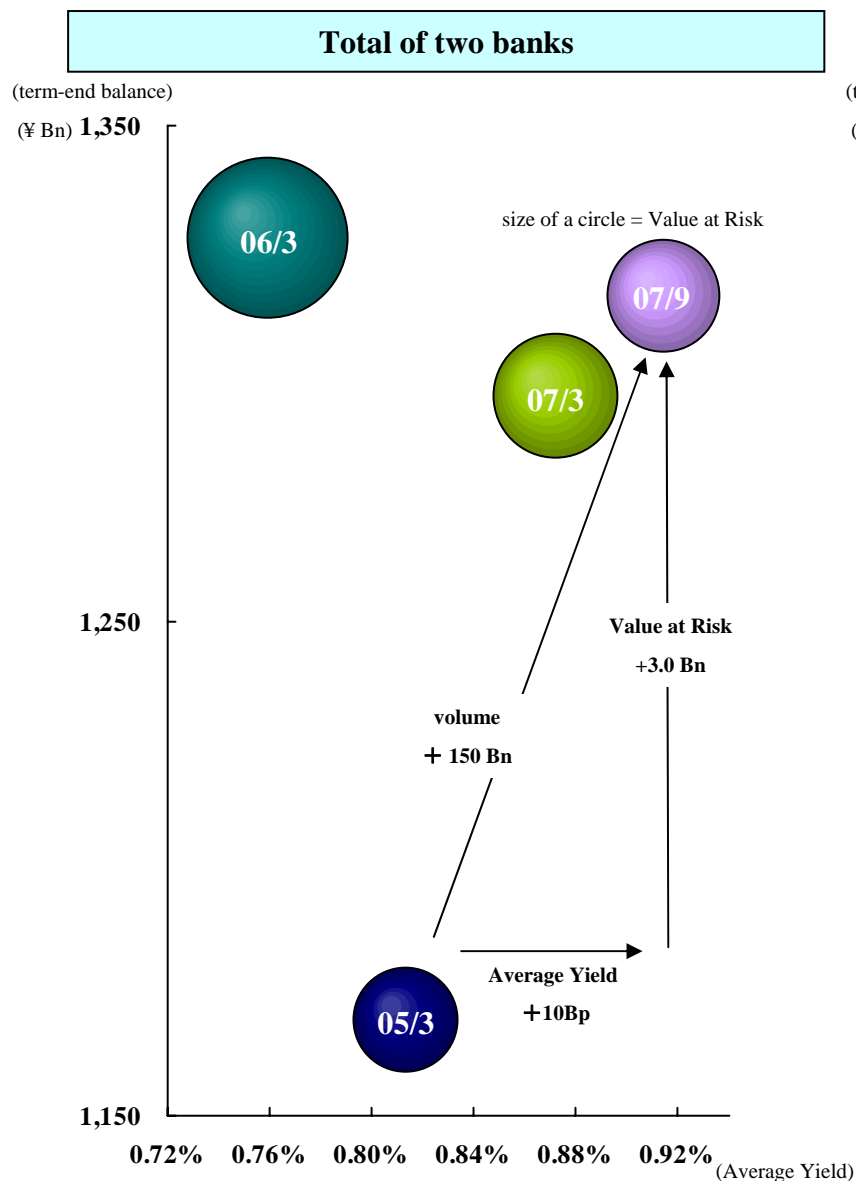
Hokuhoku Financial Group, Inc.

(¥ Bn)



# Bond Portfolio (yen denominated bonds)

Hokuhoku Financial Group, Inc.

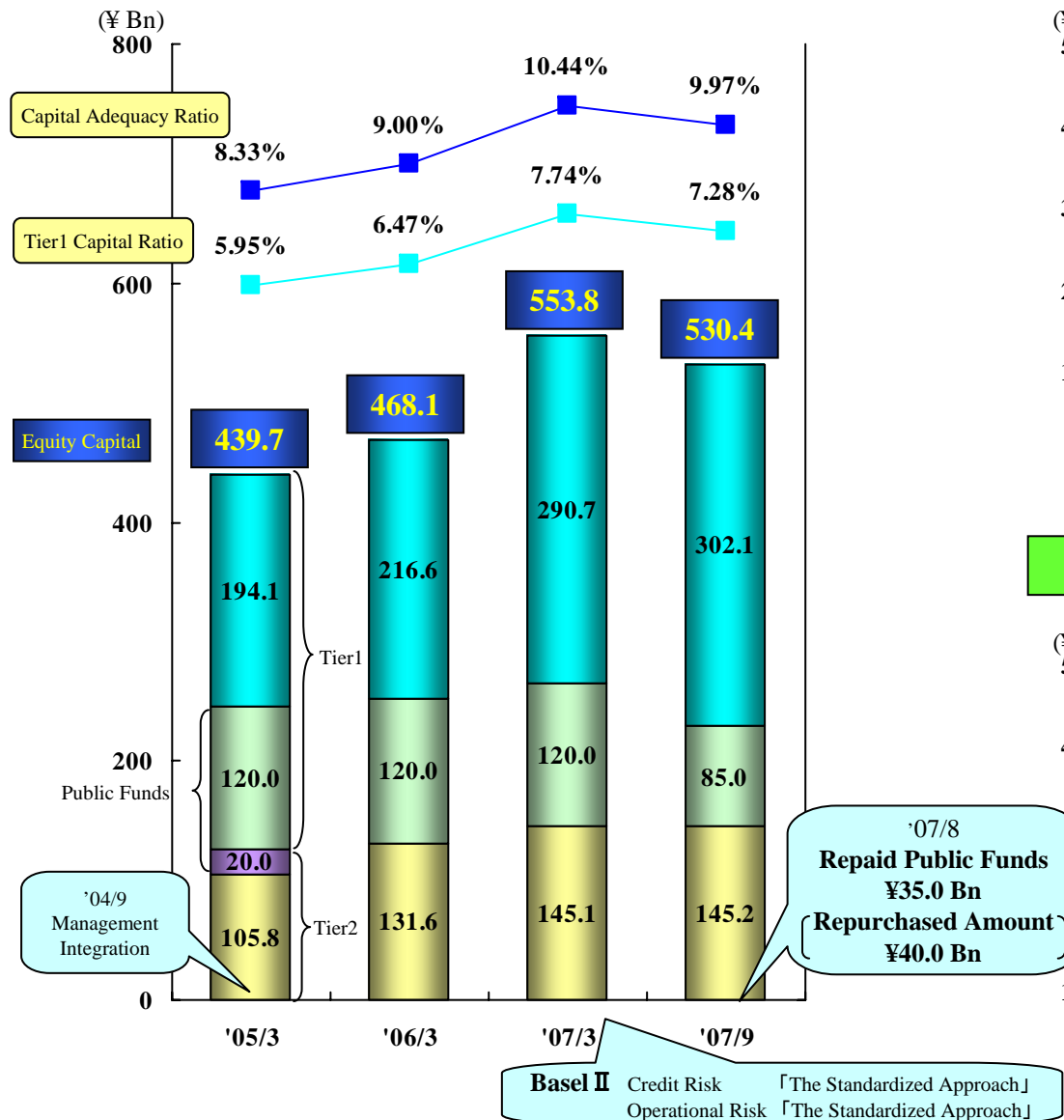


	05/3	06/3	07/3	07/9
<b>Total of two banks</b>				
Term-end Balance (¥ Bn)	1,169.5	1,327.3	1,295.5	1,315.6
Average Yield (%)	0.81%	0.75%	0.87%	0.91%
Duration (year)	3.08	3.07	2.72	2.52
Value at Risk (¥ Bn)	20.2	45.2	27.6	23.2
<b>Hokuriku Bank</b>				
Term-end Balance (¥ Bn)	525.3	575.1	586.0	596.7
Average Yield (%)	0.87%	0.79%	0.82%	0.86%
Duration (year)	4.21	3.70	3.21	3.02
Value at Risk (¥ Bn)	11.1	21.2	12.3	10.9
<b>Hokkaido Bank</b>				
Term-end Balance (¥ Bn)	644.1	752.2	709.4	718.8
Average Yield (%)	0.75%	0.73%	0.90%	0.95%
Duration (year)	2.15	2.59	2.32	2.10
Value at Risk (¥ Bn)	9.0	24.0	15.2	12.2

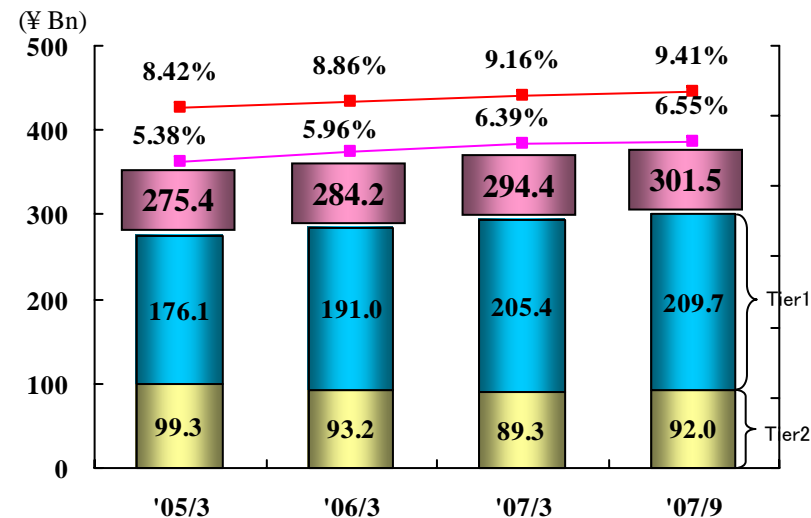
※ Internal management base

# Capital Ratios

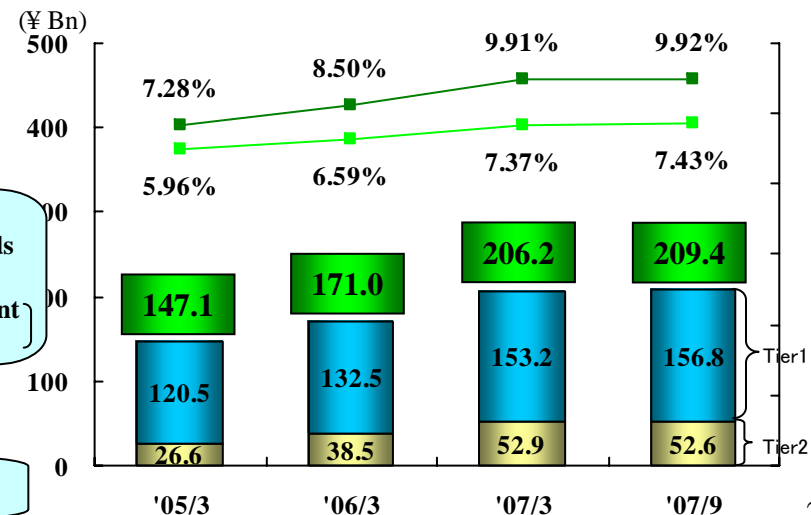
## Hokuhoku FG (consolidated)



## Hokuriku Bank

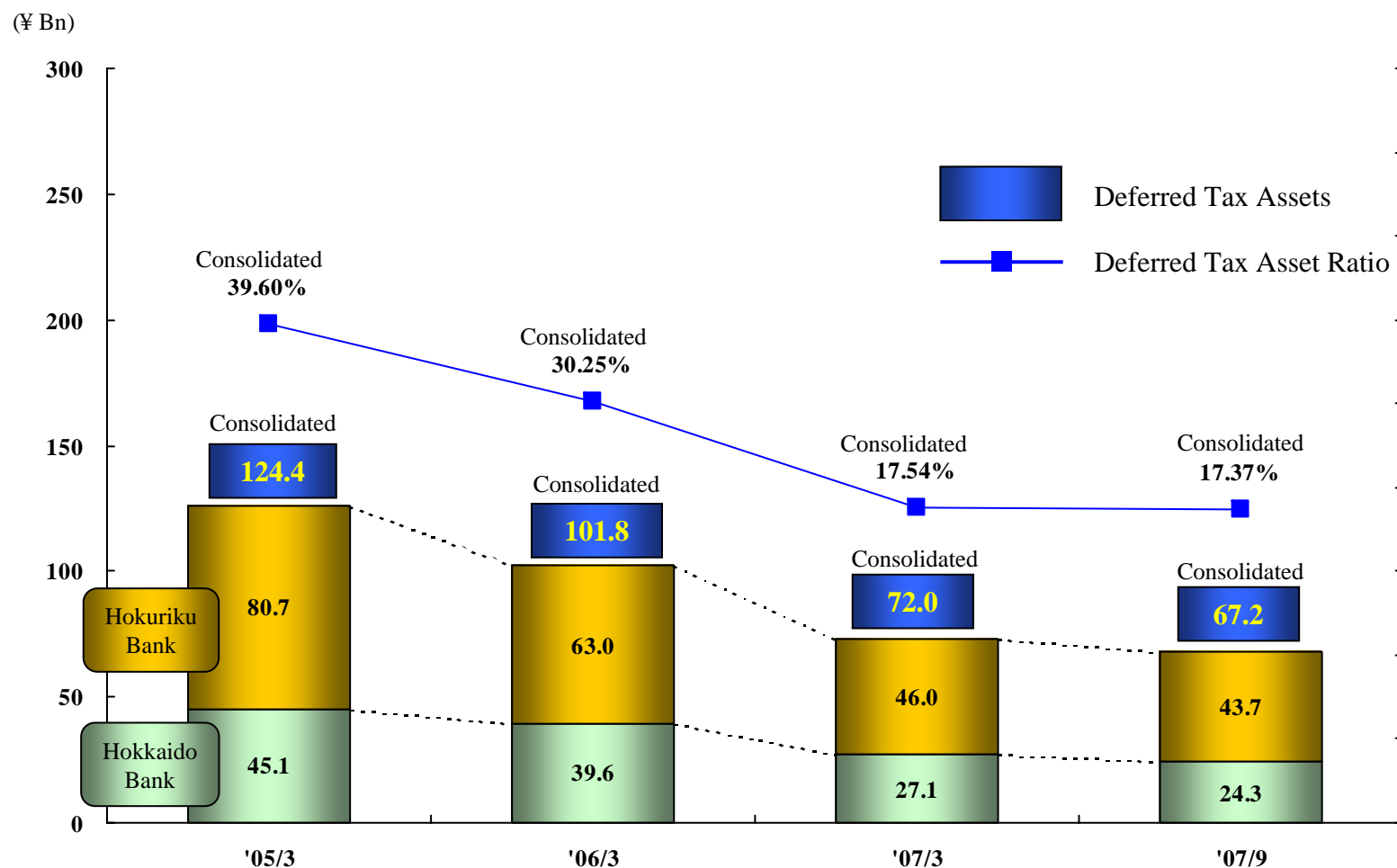


## Hokkaido Bank



# Deferred Tax Assets

●Deferred Tax Assets: ¥67.2Billion (-¥4.8 Bn compared to March 2007)  
 ●Target (by March 2008): Reduce the Deferred Tax Asset Ratio to 20% or below



※ Deferred Tax Asset Ratio = Deferred Tax Assets / Tier 1 Capital

*Business Strategy*

**March 2005**  
→ Issued Subordinated Bonds: ¥20.0 Bn  
**Sep. 2005**  
→ Issued Subordinated Bonds: ¥20.0 Bn  
**Sep. 2005**  
→ Repaid Subordinated Loans: ¥10.0 Bn  
**March 2006**  
→ Repaid Subordinated Loans: ¥10.0 Bn  
**Oct. ~ Nov. 2006**  
→ Issued Common Shares : ¥41.5 Bn  
**Aug. 2007**  
→ Repaid Public Funds : ¥35.0 Bn  
( Repurchased Amount : ¥40.0 Bn )

Amount of Outstanding Public Funds : **¥85.0 Bn**

	First-issue class 1 preferred stock	First-issue class 4 preferred stock
Number of shares	80 million shares	79 million shares
Issue price	@ JPY 500	@ JPY 570
Outstanding Amount	JPY 40.0 Bn	JPY 45.03 Bn
Dividend(yield)	@ JPY 7.70 (1.54%)	@ JPY 6.62 (1.16%)
Conversion price (As of 30-November-2007)	@ JPY 402.10 Reset Date : 31-July #1	@ JPY 402.10 Reset Date : 1-August #1
Mandatory conversion date	30-July-2010	1-August-2010

(Note #1) Average price of the closing prices of common stock traded on TSE, of the first 30 trading days during the 45 trading days prior to the corresponding date.

## Capital Policy

- |                 |   |
|-----------------|---|
| <b>1st Step</b> | <p>Aiming to repay all public funds by the end of FY2008(March 2009)</p> <p>→ Target Consolidated Tier 1 capital ratio : 6% (After repayment of public funds)</p> <p>→ Target Consolidated capital adequacy ratio : 9% ( After repayment of public funds)</p> |
| <b>2nd Step</b> | <p>Considering to increase common stock dividends after repayment of public funds</p> <p>→ Increasing dividend to level before injection of public funds</p>  |
| <b>3rd Step</b> | <p>Aiming to achieve consolidated Tier 1 capital ratio, 8%, considering repurchase of preferred stock owned by private sector shareholders</p> <p>→ Using Tier 1 capital for meeting requirements of risk-asset management</p>                                |
| <b>4th Step</b> | <p>Enhancing profit distribution to shareholders</p> <p>( Increasing dividend, repurchasing common stock, strategic investments etc.)</p>   |

# Management Plan

Hokuhoku Financial Group, Inc.

## Financial Target (Total of two banks)

<b>Net Income</b>	JPY 39.3 Bn
<b>ROA (Core Net Business Profits Base*1)</b>	1.03%
<b>OHR (Core Gross Business Profits Base *2)</b>	48.49%
<b>Capital Adequacy Ratio (consolidated)</b>	10.44%
<b>Ratio of Non-performing Loans</b>	4.43%

'07/03  
Results

## '09/03 Plan

<b>Above JPY 40 Bn</b>
<b>Above 1 %</b>
<b>Below 50 %</b>
<b>Above 9 %</b>
<b>3.00 ~ 3.99 %</b>

(Note)

\*1 ROA (Core Net Business Profits Base) = Core Net Business Profits / average balance of assets throughout the fiscal period

\*2 OHR (Core Gross Business Profits Base)= G&A Expenses / Core Gross Business Profits

(Note)

\*3 OHR = G&A Expenses / Gross Business Profits

\*4 Core Net Business Profits = Net Business Profits + Provision for general reserve for possible loan losses – gains (losses) related to bonds

\*5 Disposal of non-performing loans includes provision for general reserve for possible loan losses

\*6 Balance of Retained Earnings excludes legal earned reserve

## Financial Target ~Plan for Restoring Sound Management~

### 【Income Statement】(Total of two banks)

	06/03 Results	07/03 Plan	07/03 Results	07/09 Results	08/03 Plan	09/03 Plan	10/03 Plan
Gross Business Profits	180.0	175.6	179.7	90.6	182.2	186.2	188.8
G&A Expenses	88.5	89.5	87.9	44.8	91.3	92.4	92.8
OHR(*3)	49.16%	50.99%	48.94%	49.50%	50.13%	49.66%	49.16%
Net Business Profits	105.1	86.0	97.8	42.9	90.8	93.7	96.0
Core Net Business Profits(*4)	91.7	88.0	93.4	45.2	90.8	93.7	96.0
Disposal of Non-performing Loans(*5)	46.6	26.5	26.2	13.7	25.5	24.5	24.5
Ordinary Profits	50.6	60.3	70.1	30.9	64.8	68.2	70.5
Net Income	29.1	34.4	39.3	15.1	37.6	40.8	42.6

**Further strengthening our top-level profitability among regional banks**  
**['10/03 Target] Net Business Profits JPY 96.0Bn**  
**Net Income JPY 42.6Bn**

**Pursuing both efficiency and investment for sales promotion, customers' convenience and security**  
**['10/03 Target] OHR 49.16%**

**Stabilization and control of Non-performing loans**  
**['09/03 Target] Ratio of Non-performing loans less than 4%**

### 【Balance of Retained Earnings】(Hokuhoku FG+ Hokuriku Bank + Hokkaido Bank) (\*6)

	06/03 Results	07/03 Plan	07/03 Results	07/09 Results	08/03 Plan	09/03 Plan	10/03 Plan
Balance of Retained Earnings	68.1	97.4	102.4	113.1	127.2	159.4	192.8

**Sufficient accumulation of retained earnings for earlier repayment of public funds**  
**['10/03 Target] Retained earnings JPY192.8Bn(Compulsory Conversion July&Aug/'10, Public Funds JPY85.0Bn)**

### 【Capital Ratio】(Hokuhoku FG consolidated base)

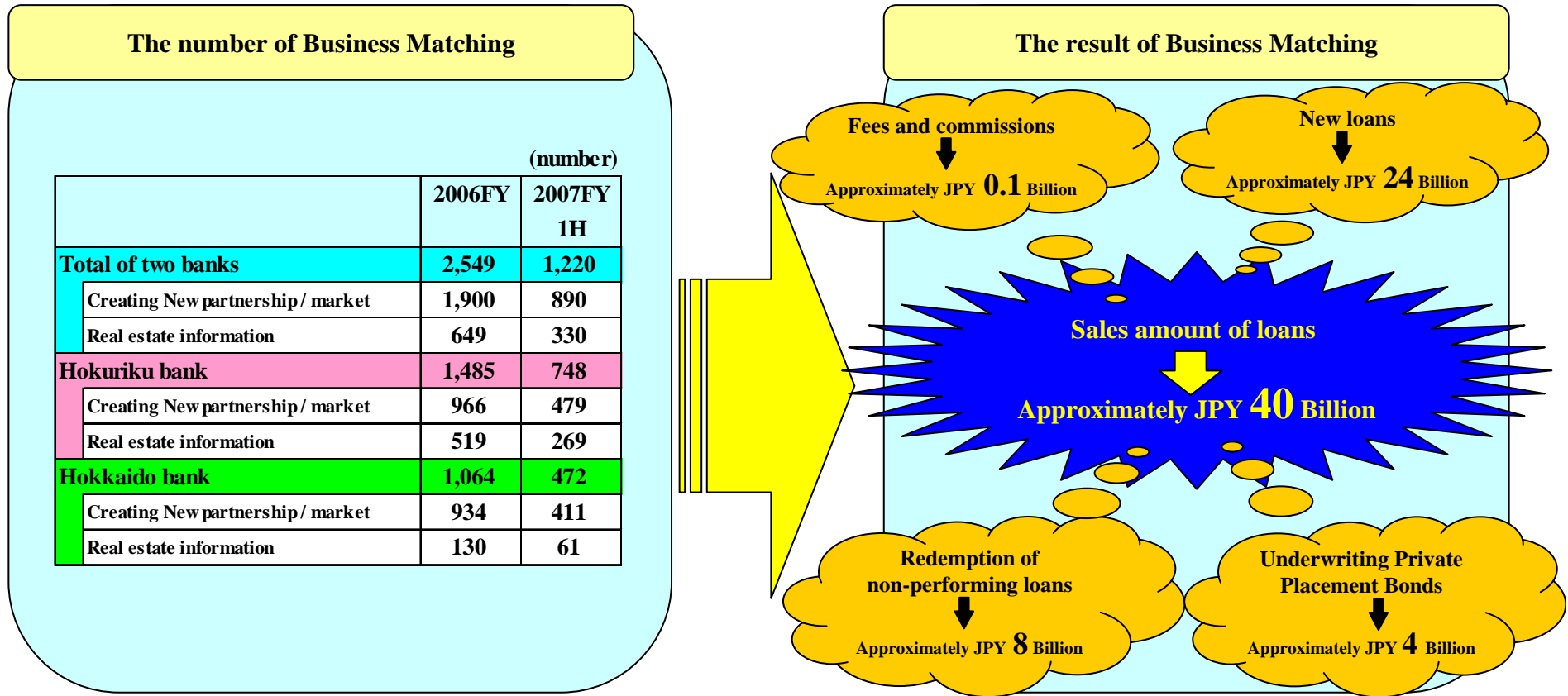
	06/03 Results	07/03 Plan	07/03 Results	07/09 Results	08/03 Plan	09/03 Plan	10/03 Plan
Capital Adequacy Ratio	9.00%	10.14%	10.44%	9.97%	10.64%	11.12%	11.57%
Tier1 Capital Ratio	6.47%	7.72%	7.74%	7.28%	8.26%	8.78%	9.32%

**Establishing a stable financial foundation**  
**[After repaying public funds]**

**Capital Adequacy Ratio Around 9%**  
**(Deferred tax assets to Tier1 capital ratio : Below 20%)**

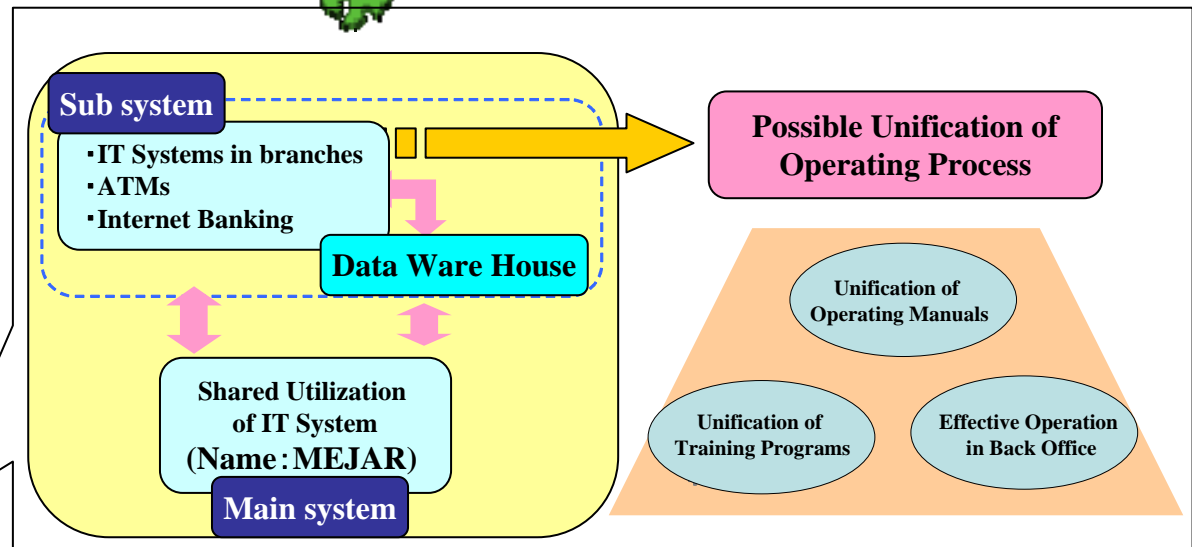
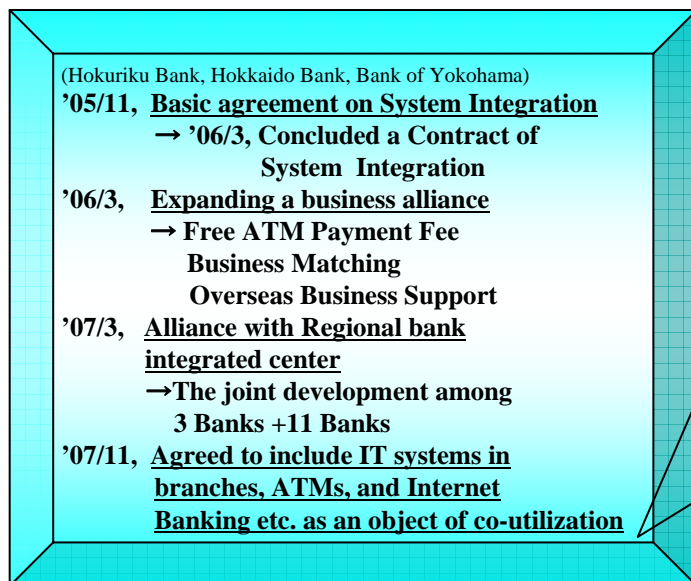
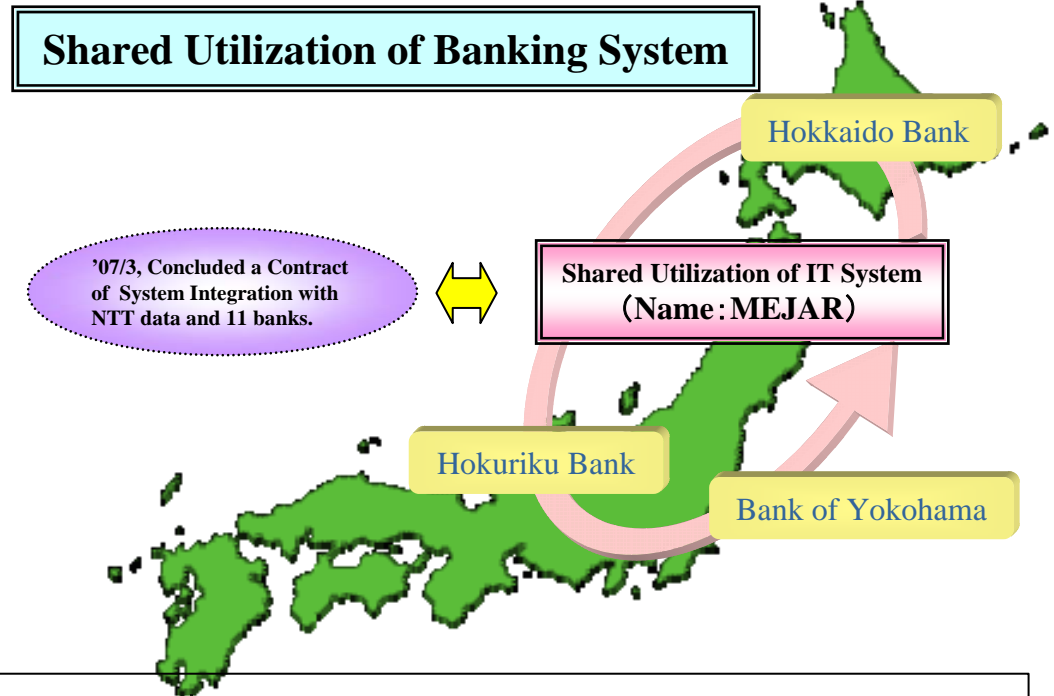
# Business Matching

Business Matching = Matching the needs and demands of our customers in different types of business and regions.



Based on Internal Data

Our objectives are to strengthen relationship with customers



## We support the overseas business for our clients

Holding of Business seminar and conference	Intermediating information exchange between clients
Offer timely local information	Alliance with each area

### A Top-level Southeast, Asian Network among Regional Banks



Organizing associations of clients in China and ASEAN as information network on business.

- **Hokuriku Choujou Association** ...520 companies (07/9)
- **Hokkaido Choujou Association** ...255 companies (07/9)
- **Shanghai Choujou Association** ...150 companies (07/9)
- **Hokuhoku ASEAN Association** ...130 companies (07/9)

Help our client who wants to develop their business more in China as a huge production base / consumption market.

June 2007 :

#### China Business-Matching

#### Conference in Shanghai 2007

Companies participated : 139

Sep. 2007 :

#### Alliance with State Bank of India

Oct. 2007 :

Delegating a party composed of Hokuriku, Hokkaido, and Bank of Yokohama's clients inspecting industry and corporate finance in China.

#### **New York Office**

Hokuriku



**Inquiries related to this presentation should be addressed to**

**Hokuhoku Financial Group, Inc.**

**Planning Group**

**TEL(81)76-423-7331**

**FAX(81)76-423-9545**

**E-MAIL:[honsha2@hokuhoku-fg.co.jp](mailto:honsha2@hokuhoku-fg.co.jp)**

**<http://www.hokuhoku-fg.co.jp/>**

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# *Investor Meeting Appendix*

*~Interim Results for FY 2007 ~  
(ended September 30, 2007)*



株式会社 ほくほくフィナンシャルグループ

Hokuhoku Financial Group, Inc.

## About Japanese Regional Banks

- |                                   |   |
|-----------------------------------|---|
| · Financial Institutions in Japan | 2 |
| · Outline of Regional Banks       | 3 |

## About Hokuhoku Financial Group

- |  |    |
|--|----|
| · History of Hokuhoku Financial Group                      | 5  |
| · Our Domestic Service Network (Branches and sub-branches) | 6  |
| · Our Overseas Service Network                             | 7  |
| · Market Share in Our Home Market (Loans, '07/03)          | 8  |
| · Market Share in Our Home Market (Deposits, '07/03)       | 9  |
| · Lending in the Region by Industry ('07/09)               | 10 |

## Regional Economy Trends

- |  |    |
|--|----|
| · Characteristics of Our Main Business Area      | 12 |
| · Economic Conditions                            | 13 |
| · Big Projects in the Hokuriku and Hokkaido Area | 14 |

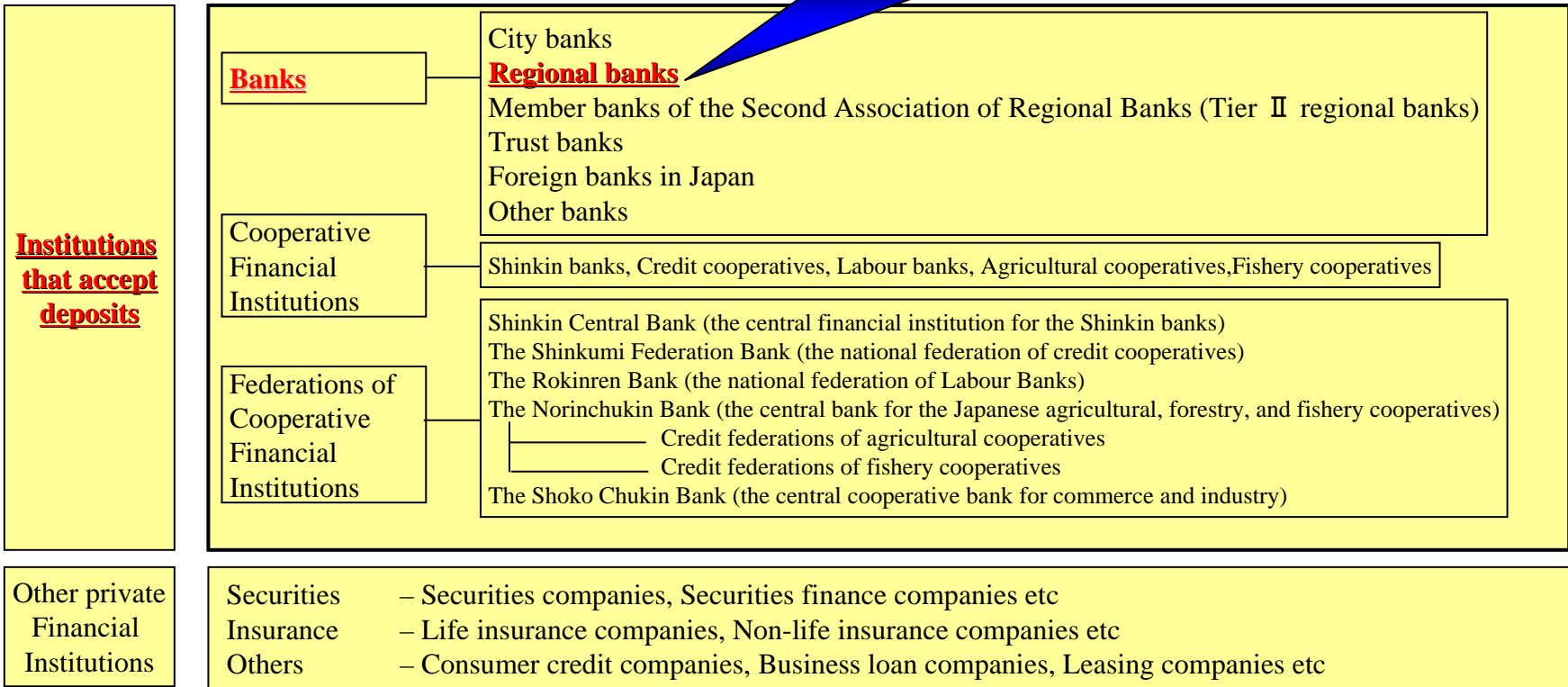
*About Japanese Regional Banks*

Source: Home page of Regional Banks Association of Japan

**1** Central Bank - Bank of Japan

**2** Private Financial Institutions

**Hokuhoku Financial Group, Inc.  
(Hokuriku Bank, Hokkaido Bank)**



**3** Public Financial Institutions

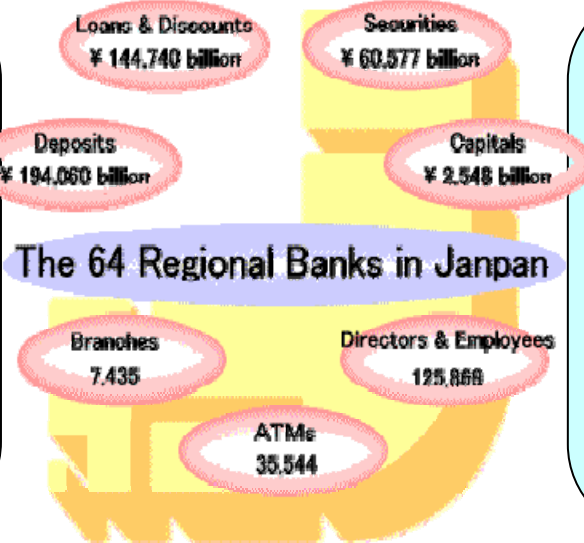
Japan Post Bank, Japan Post Insurance, Development Bank of Japan, National Life Finance Corporation, Japan Finance Corporation for Small and Medium Enterprise etc

## Current Situation of Regional Banks

*As of March 31, 2007, there are 64 regional banks. Headquarters for regional banks are located in major and mid-size cities throughout the country, around which they have built major business bases. The majority of their loan customers, more than 80 percent, are local small and medium-sized companies and consumers. As for deposits, individual deposits account for approximately 70 percent of all deposits.*

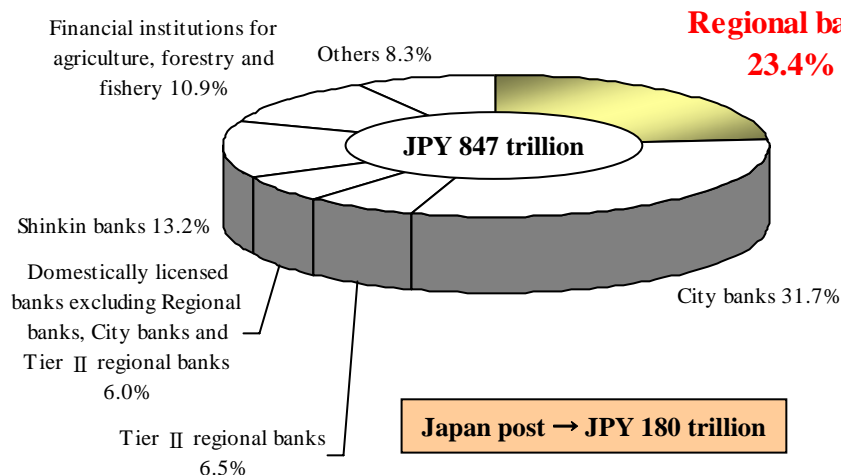
## Main Financial Institutions in the Regions

*The regional banks have the branch network mainly in the prefectures where their headquarters are located, with above 7,400 branches and approximately 35,500 ATMs all over the country. Through the networks, the regional banks have fulfilled various financial needs of their customers, mainly consist of individuals and small and medium-sized enterprises in the regions, and They have also been playing main roles in contributing to promotion and development of the regional communities.*

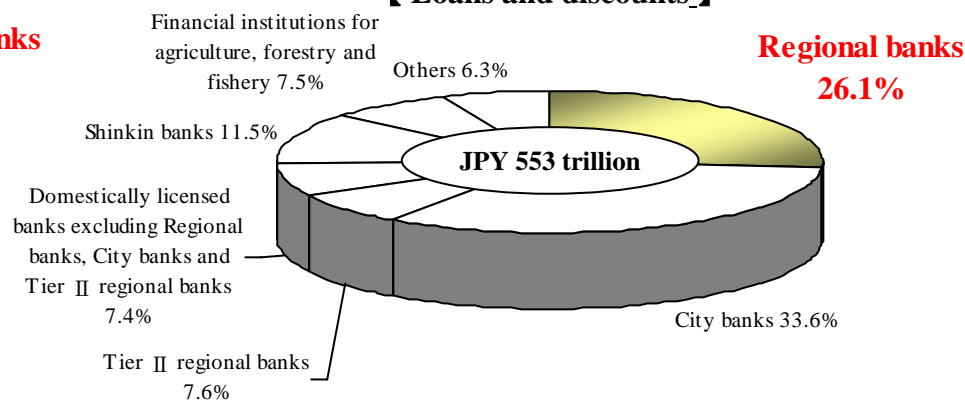


## Deposits and Loans Shares of Regional Banks in Private Financial Institutions

【 Deposits\_】



【 Loans and discounts\_】



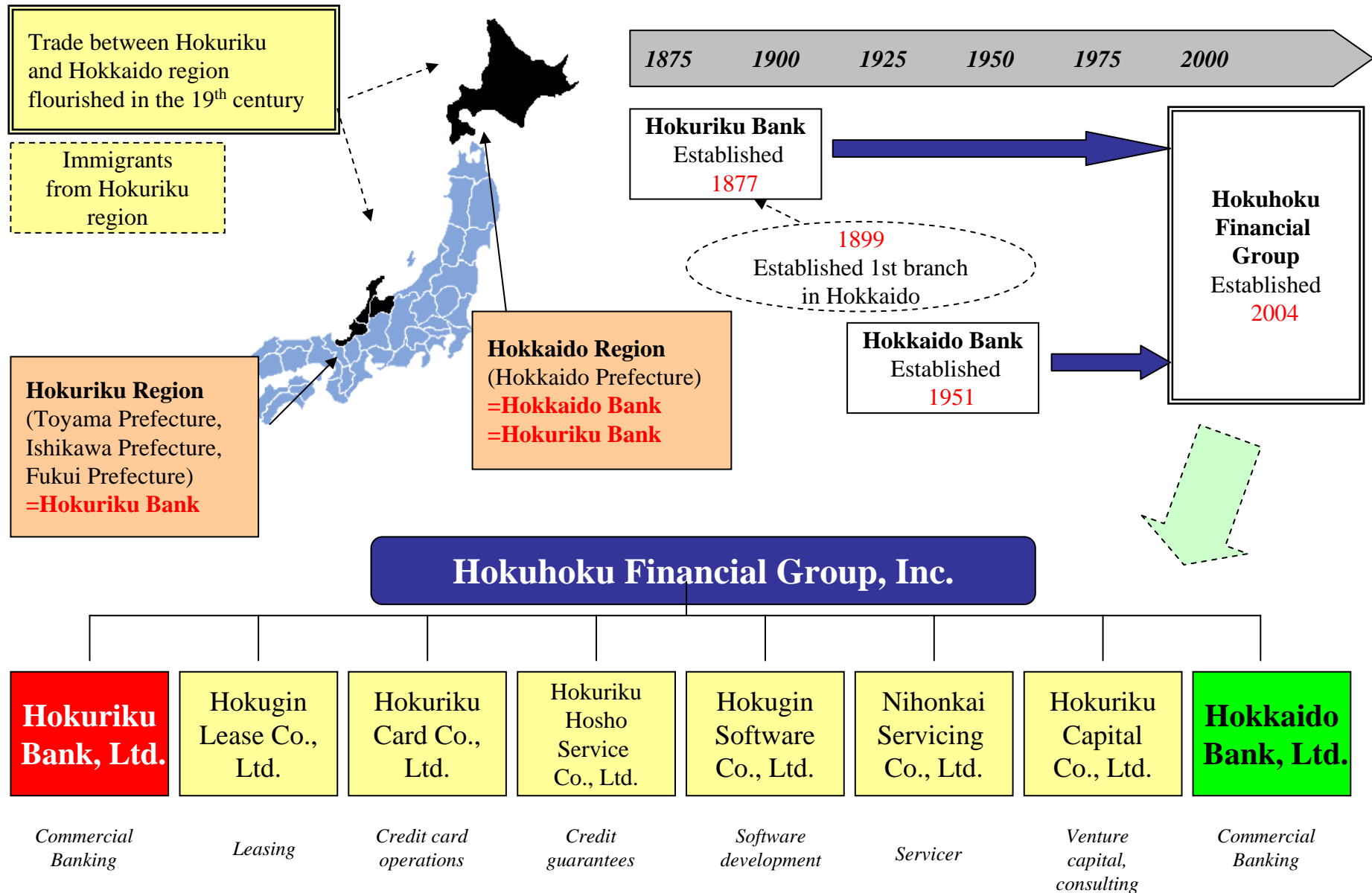
Source: Home page of Regional Banks Association of Japan

***About Hokuhoku Financial Group***

# History of Hokuhoku Financial Group

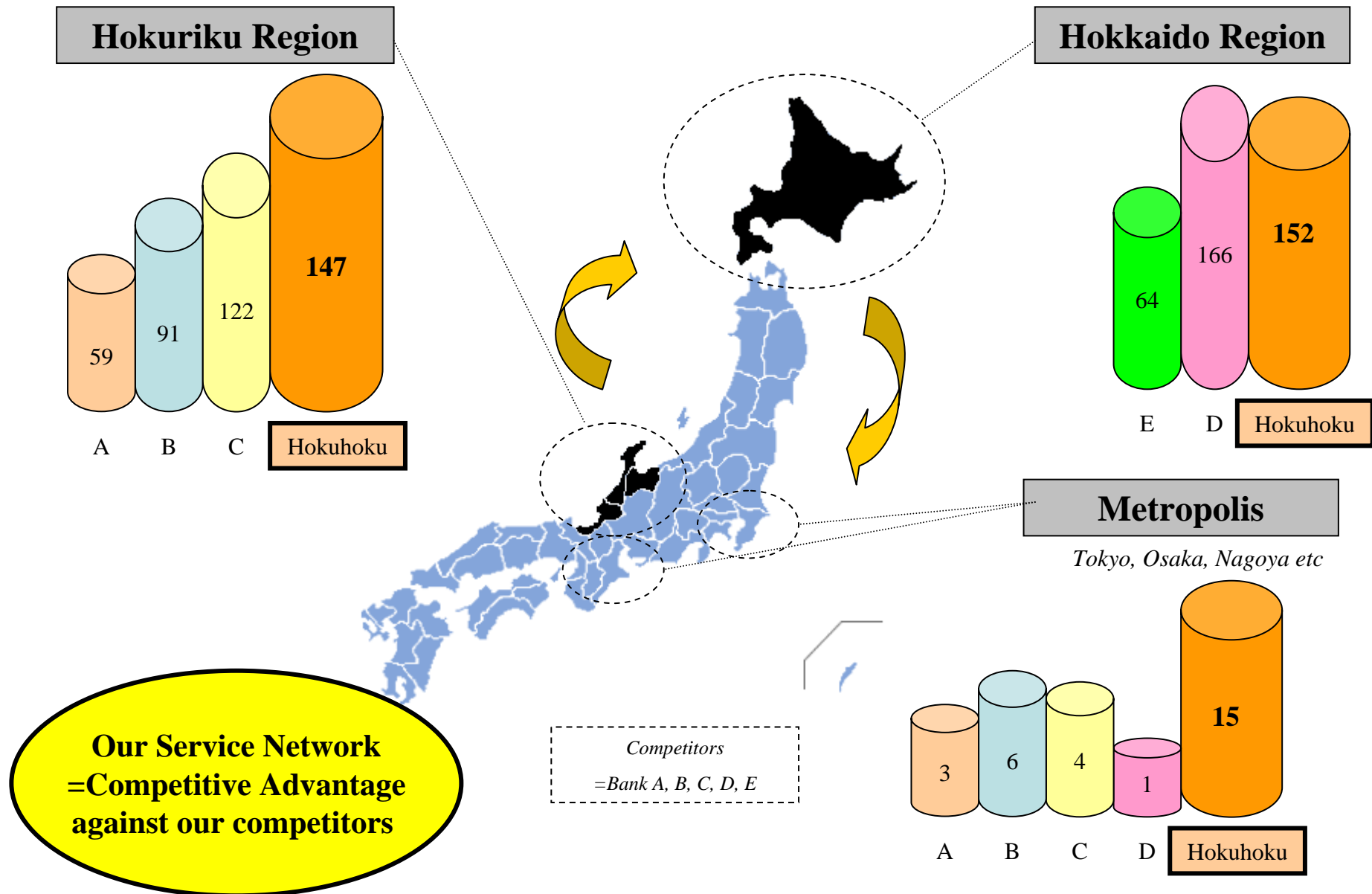
## (Hokuriku Bank and Hokkaido Bank)

Hokuhoku Financial Group, Inc.



# Our Domestic Service Network (Branches and sub-branches)

Hokuhoku Financial Group, Inc.



*We Strengthen Overseas Business Support For Our Corporate Clients*

- Membership Club for Business Clients expanding their business in China
  - Hokuriku Bank:670 members
  - Hokkaido Bank:255 members
- Counseling Service for Chinese Business
- Business Seminar for Chinese Business

**Hokuriku Bank Singapore Office**



**A Top-level Southeast, Asian Network among Regional Banks**



**Hokkaido Bank Shenyang Office**

**Beijing Office of Sapporo Municipal Office**  
 · Dispatch Hokkaido Bank's employee to the office

**Dalian Office of Toyama Prefectural Office**  
 · Dispatch Hokuriku Bank's employee to the office

**Hokuriku Bank Shanghai Office**

*Overseas Business Support toward Thai, Malaysia and Vietnam*

*In addition, Hokuriku Bank has a Representative Office in New York*

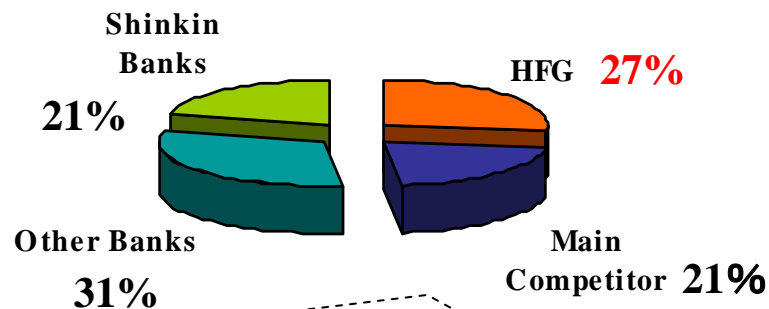


# Market Share in Our Home Market

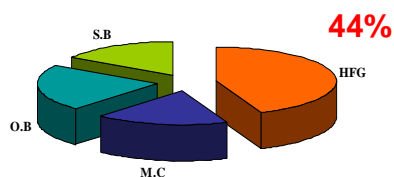
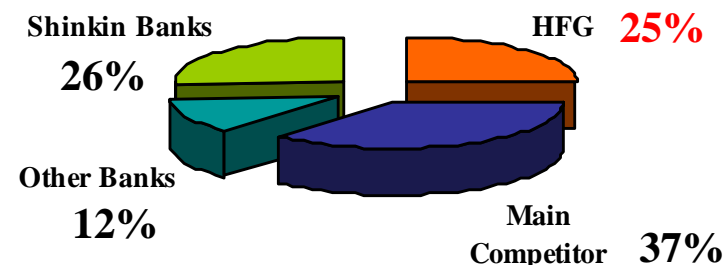
(Loans, '07/03)

Hokuhoku Financial Group, Inc.

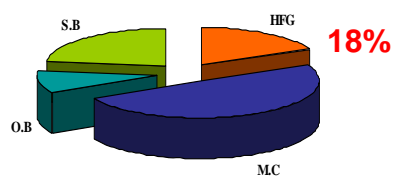
## Hokuriku Area



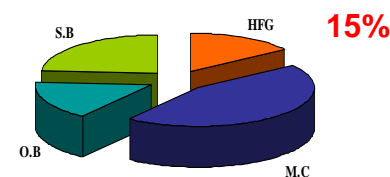
## Hokkaido Area



Toyama



Ishikawa



Fukui

※Figures of the Main Competitor and Other Banks are estimates.

(¥ Bn)

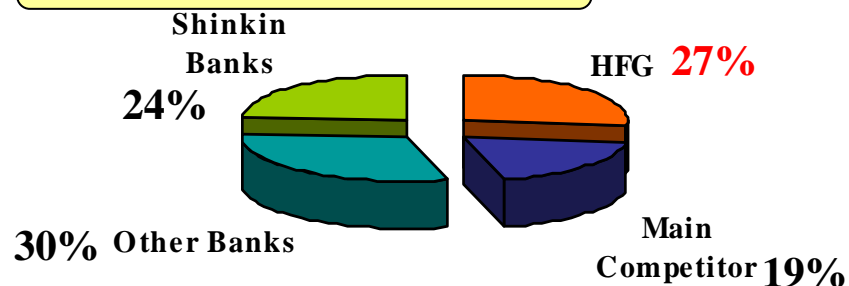
	Hokuriku Area				Hokkaido Area
		Toyama Pref.	Ishikawa Pref.	Fukui Pref.	
Banks	7,069.1(79.3%)	2,721.3(84.3%)	2,578.7(76.7%)	1,769.0(76.1%)	8,875.6(74.1%)
<b>HFG</b>	<b>2,398.3(26.9%)</b>	<b>1,432.0(44.4%)</b>	<b>606.8(18.0%)</b>	<b>359.4(15.5%)</b>	<b>3,057.1(25.5%)</b>
<b>Hokuriku Bank</b>	<b>2,398.3(26.9%)</b>	<b>1,432.0(44.4%)</b>	<b>606.8(18.0%)</b>	<b>359.4(15.5%)</b>	<b>529.7(4.4%)</b>
<b>Hokkaido Bank</b>	<b>0(0.0%)</b>	<b>0(0.0%)</b>	<b>0(0.0%)</b>	<b>0(0.0%)</b>	<b>2,527.4(21.1%)</b>
Main Competitor	1,838.0(20.6%)	585.0(18.1%)	1,627.4(48.4%)	1,038.2(44.7%)	4,425.5(37.0%)
Shinkin Banks	1,843.5(20.7%)	505.0(15.7%)	783.5(23.3%)	554.9(23.9%)	3,101.2(25.9%)
Total	8,912.6(100%)	3,226.3(100%)	3,362.2(100%)	2,323.9(100%)	11,976.8(100%)

# Market Share in Our Home Market

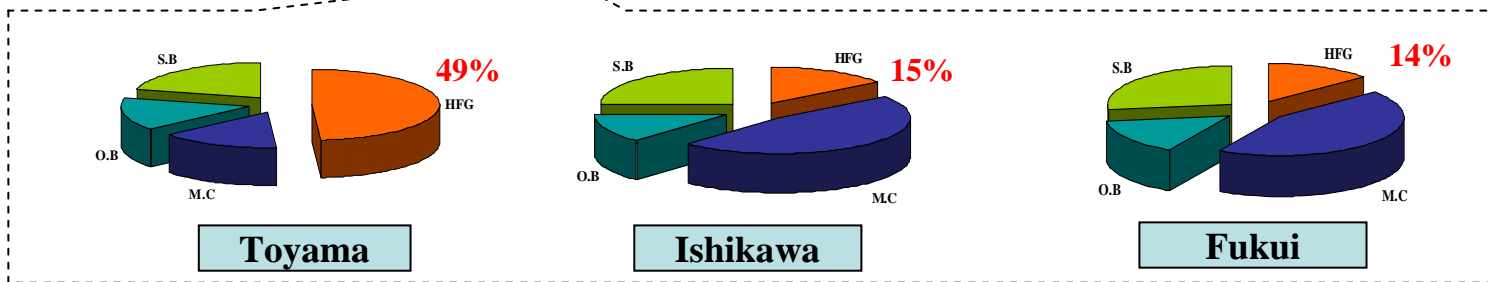
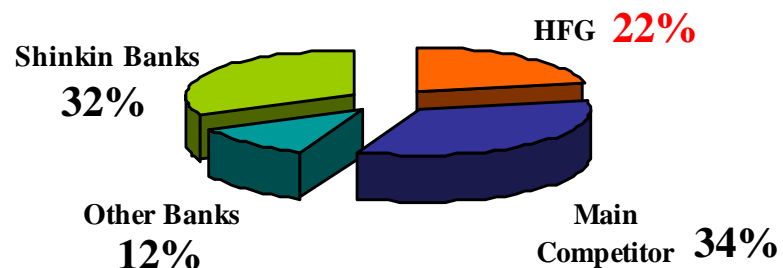
(Deposits, '07/03)

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## Hokuriku Area



## Hokkaido Area



※Figures of the Main Competitor and Other Banks are estimates.

(¥ Bn)

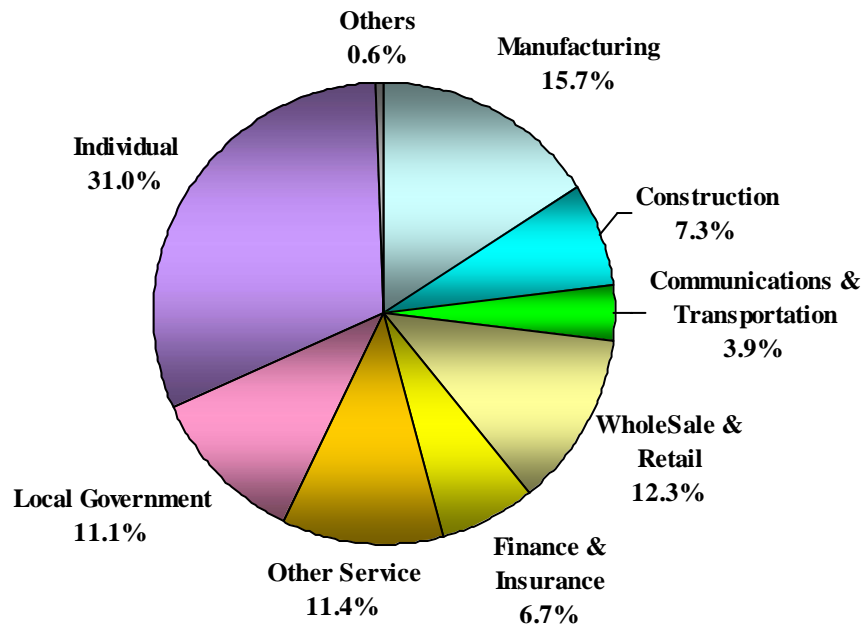
	Hokuriku Area				Hokkaido Area
		Toyama Pref.	Ishikawa Pref.	Fukui Pref.	
Banks	10,566.7(75.8%)	4,019.3(78.7%)	3,894.1(74.9%)	2,653.2(72.9%)	12,541.3 (68.0%)
<b>HFG</b>	<b>3,772.8(27.1%)</b>	<b>2,500.0(49.0%)</b>	<b>776.4(14.9%)</b>	<b>496.3(13.6%)</b>	<b>4,025.0(21.8%)</b>
<b>Hokuriku Bank</b>	<b>3,772.8(27.1%)</b>	<b>2,500.0(49.0%)</b>	<b>776.4(14.9%)</b>	<b>496.3(13.6%)</b>	<b>528.8(2.9%)</b>
<b>Hokkaido Bank</b>	<b>0(0.0%)</b>	<b>0(0.0%)</b>	<b>0(0.0%)</b>	<b>0(0.0%)</b>	<b>3,496.2(18.9%)</b>
Main Competitor	2,621.1(18.8%)	773.0(15.1%)	2,459.8(47.3%)	1,606.9(44.2%)	6,249.6(33.9%)
Shinkin Banks	3,377.6(24.2%)	1,085.3(21.3%)	1,306.5(25.1%)	985.7(27.1%)	5,913.8(32.0%)
Total	13,944.3(100%)	5,104.6(100%)	5,200.6(100%)	3,638.9(100%)	18,455.1(100%)

# Lending Portfolio in the Region by Industry

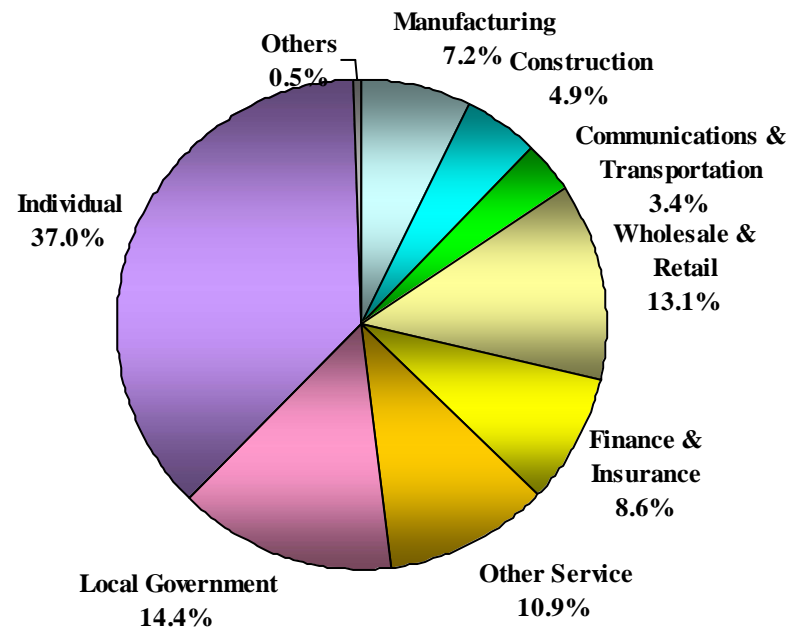
(2007/09)

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**Hokuriku Bank**



**Hokkaido Bank**



*Regional Economy Trends*

# Characteristics of Our Main Business Area

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Population and Square Measure						
	Toyama Prefecture a	Ishikawa Prefecture b	Fukui Prefecture c	Total a+b+c	Hokkaido Prefecture	Total
Population (Ranking)	1.11Mn (38th)	1.17Mn (35th)	0.82Mn (43rd)	3.10Mn	5.63Mn (7th)	<b>8.73Mn</b>
Density of Population (Ranking)	261.7pt (25th)	280.5pt (23rd)	196.1pt (32nd)	—	71.8pt (47th)	—
Square Measure (Ranking) km <sup>2</sup>	4,247 (33rd)	4,185 (35th)	4,189 (34th)	—	83,456 (1st)	—

Data from Ministry of Public Management, Home Affairs, Posts and Telecommunications

Same as Osaka,  
Kanagawa!

1 <sup>st</sup>	Tokyo
2 <sup>nd</sup>	Osaka (8.82Mn)
3 <sup>rd</sup>	Kanagawa (8.79Mn)

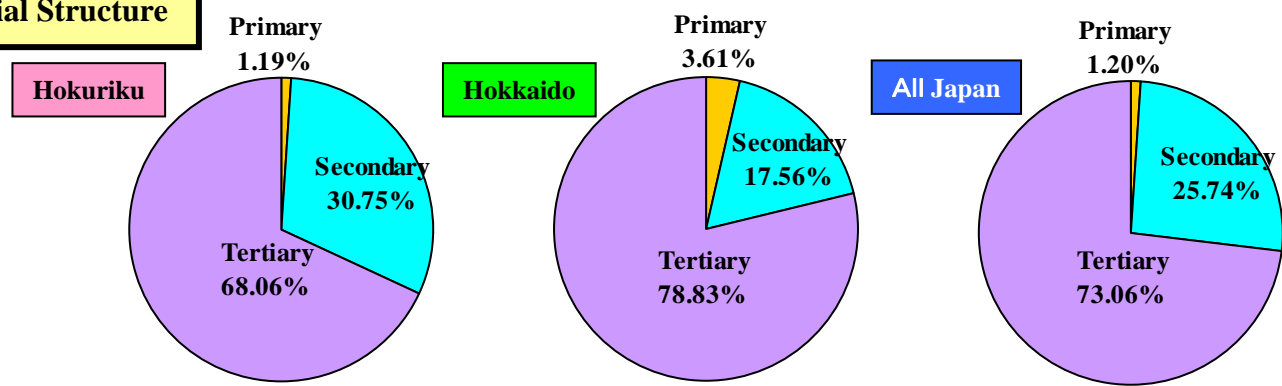
Gross Prefectural Product						
	Toyama a	Ishikawa b	Fukui c	Total a+b+c	Hokkaido	Total
GPP (Proportion) (Ranking)	4,672.2 (0.92%) (28th)	4,504.7 (0.89%) (31st)	3,264.3 (0.64%) (41st)	12,441.2 (2.45%)	19,661.7 (3.87%) (6th)	<b>32,103.0</b> <b>(6.31%)</b>

(¥ Bn)

Above Kanagawa!

1 <sup>st</sup>	Tokyo
2 <sup>nd</sup>	Osaka
3 <sup>rd</sup>	Aichi
4 <sup>th</sup>	Kanagawa (30,814.4)

## Industrial Structure



Same as Norway  
(Europe No13)!

1 <sup>st</sup>	Germany
2 <sup>nd</sup>	England
13 <sup>th</sup>	Norway (32,571.4)

	Monthly Economic Report (By the Cabinet Office)		Monthly Economic Report (By Bank of Japan)		Monthly Economic Report (By Bank of Japan)
	All Japan		Hokuriku Area		Hokkaido Area
	2007/9		2007/10		2007/10
<b>Economic Trend</b>	Recovering, while some weaknesses are seen recently		Recovering gradually		Continues to be flat
<b>Public Investment</b>	Generally sluggish	→	Less than last year	↘	Decreasing trend
<b>Business Investment</b>	Generally increasing	↗	Continues to increase	↗	Increasing
<b>Private consumption</b>	Picking up	↗	Continues to be picking up	↗	Continues to be flat
<b>Housing construction</b>	Generally flat	→	Less than last year	↘	Weak
<b>Production</b>	Flat	→	Continues to increase	↗	Generally flat
<b>Employment &amp; Income</b>	Improving steadily, though some severe aspects remain	↗	Continues to improve	↗	Remains flat
<b>Prices</b>	Flat	→	Less than last year	→	Exceeding the last year
<b>The number of bankrupt companies</b>	A tendency to slow increase	↘	Exceeding the last year, but total debt is less than the last year	→	Exceeding the last year, but total debt is less than the last year

# Big Projects in Hokuriku and Hokkaido Area

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## Hokkaido

### Construction of the Hokkaido Bullet Train

Constructing a 360 KM line from Shin-Aomori Station to Sapporo Station.

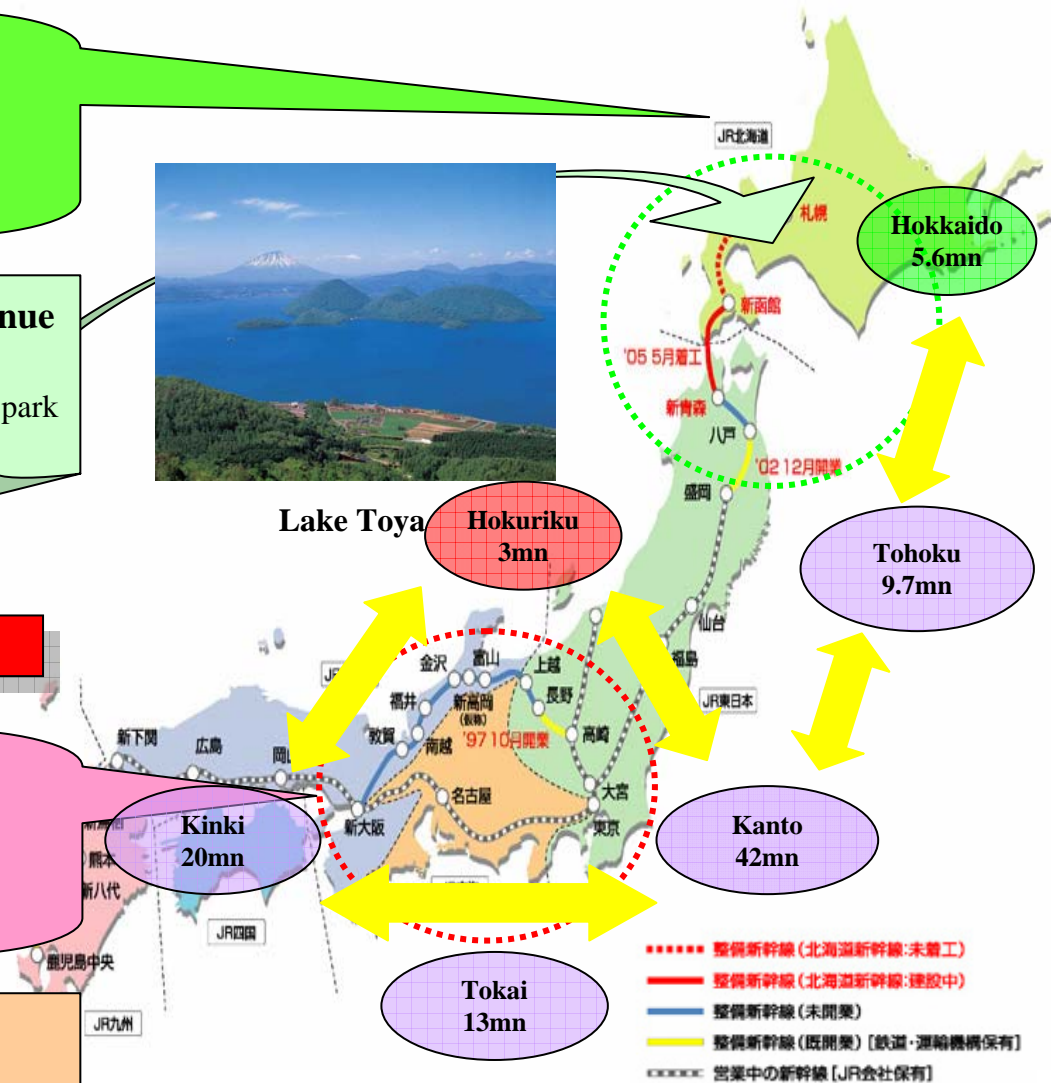
Expected to be completed in FY 2015  
(Shin-Aomori Station to Shin-Hakodate Station)

### Lake Toya area in Hokkaido is chosen as the venue for the 2008 G8 Summit Meeting.

The 27 square mile lake sits in the middle of scenic national park dotted by small volcanoes and hot springs.



Lake Toya



## Hokuriku

### Construction of the Hokuriku Bullet Train

Constructing a 700 KM line from Tokyo to Osaka via Nagano, Toyama, Kanazawa, Fukui.

Expected to be completed in FY 2014.

### Tokai Hokuriku Highway to be completed in July, 2008

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