

# *Investor Meeting*

*~Financial Results for FY 2007~  
(ended March 31, 2008)*



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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*Summary of Financial Results  
for FY 2007*

# Summary of Financial Results I-①

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

〈Consolidated〉 (JPY Bn)	[Forecasts]	FY2007	change	FY2006
Ordinary income	[ 247.0]	261.2	18.9	242.2
Ordinary profits	[ 64.0]	66.3	(3.7)	70.0
Net income	[ 36.0]	38.6	(2.0)	40.6

## 〈Total of two banks〉 (JPY Bn)

<b>Core gross business profits</b>	[ 181.0]	<b>178.9</b>	(2.9)	<b>181.8</b>
Net interest income		136.8	(0.4)	137.3
Domestic		136.1	(1.2)	137.4
Net fees & commissions		30.5	(1.3)	31.8
Net trading income		1.1	(0.1)	1.2
Net other income (excluding gains (losses) related to bonds)		10.4	(0.9)	11.3
General & administrative expenses	[ 90.0]	(89.9)	(1.9)	(88.0)
<b>Core net business profits</b>	[ 91.0]	<b>88.9</b>	(4.8)	<b>93.8</b>
Net gains (losses) related to bonds		3.2	4.9	(1.6)
Net business profits before credit costs		92.2	0.0	92.1
Net non-recurring gains (losses)		(27.7)	(0.0)	(27.7)
Total credit costs	[ 26.0]	(24.7)	0.8	(25.6)
Net gains (losses) related to stocks		(3.8)	(4.0)	0.1
<b>Ordinary profits</b>	[ 65.0]	<b>66.2</b>	(4.2)	<b>70.4</b>
Net extraordinary gains (losses)		(3.3)	(2.8)	(0.4)
Income taxes		(22.6)	7.6	(30.3)
<b>Net Income</b>	[ 37.5]	<b>40.2</b>	0.4	<b>39.7</b>

## 〈Consolidated〉

### Net income:

-¥2.0Bn compared to FY06

⇒+¥2.6Bn compared to forecast

## 〈Total of two banks〉

### Core net business profits:

-¥4.8Bn compared to FY06

...Decrease in gross business profits  
and increase in G&A expenses

### Ordinary profits:

-¥4.2Bn compared to FY06

...Losses related to stocks

### Net income:

+¥0.4Bn compared to FY06

...Decrease in income taxes-deferred

⇒Recorded the highest ever

(JPY Bn)	FY07	change	FY06
<b>A - B</b>	(1.5)	(2.4)	0.9
Other Subsidiaries	0.9	(2.5)	3.4※
Amortization of goodwill	(2.2)	-	(2.2)
Elimination	(0.2)	(0.0)	(0.2)

※Special factor in FY06 (in the guaranty company)

# Summary of Financial Results I - ②

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



(JPY Bn)	〈Hokuriku Bank〉			〈Hokkaido Bank〉		
	FY2007	change	FY2006	FY2007	change	FY2006
<b>Core gross business profits</b>	<b>105.6</b>	(1.4)	<b>107.1</b>	<b>73.2</b>	(1.4)	<b>74.7</b>
Net interest income	78.3	0.3	77.9	58.4	(0.8)	59.3
Domestic	78.4	(0.4)	78.8	57.7	(0.8)	58.5
Net fees & commissions	18.4	(0.7)	19.2	12.0	(0.6)	12.6
Net trading income	1.1	(0.1)	1.2	-	-	-
Net other income (excluding gains (losses) related to bonds)	7.6	(1.0)	8.6	2.7	0.0	2.6
General & administrative expenses	(51.1)	(0.5)	(50.5)	(38.8)	(1.4)	(37.4)
<b>Core net business profits</b>	<b>54.5</b>	(2.0)	<b>56.5</b>	<b>34.4</b>	(2.8)	<b>37.2</b>
Net gains (losses) related to bonds	0.6	0.4	0.1	2.5	4.4	(1.8)
Net business profits before credit costs	55.1	(1.5)	56.7	37.0	1.6	35.4
Net non-recurring gains (losses)	(18.2)	4.9	(23.2)	(9.5)	(5.0)	(4.5)
Total credit costs	(19.6)	2.3	(22.0)	(5.1)	(1.5)	(3.6)
Net gains (losses) related to stocks	(1.4)	(1.8)	0.4	(2.4)	(2.1)	(0.2)
<b>Ordinary profits</b>	<b>36.7</b>	(1.7)	<b>38.5</b>	<b>29.4</b>	(2.4)	<b>31.9</b>
Net extraordinary gains (losses)	(2.3)	(2.1)	(0.1)	(1.0)	(0.7)	(0.2)
Income taxes	(12.0)	7.2	(19.3)	(10.6)	0.3	(10.9)
<b>Net Income</b>	<b>22.3</b>	3.3	<b>18.9</b>	<b>17.8</b>	(2.9)	<b>20.7</b>

# Summary of Financial Results II-①

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

〈Total of two banks〉 (JPY Bn)	Mar-08	change	Mar-07
Loans	6,897.6	57.9	6,839.7
Loans to SMEs & individuals	5,013.7	(41.2)	5,054.9
Housing & consumer Loans	1,836.4	86.5	1,749.8
Securities	1,714.8	10.9	1,703.8
Deposits	8,407.4	(27.2)	8,434.6
Individual deposits	5,923.0	174.3	5,748.7
Total individual assets	6,771.2	197.8	6,573.3
Individual deposits (deposits in yen)	5,900.8	170.6	5,730.1
Investment products (for individuals)	870.4	27.2	843.2
Foreign currency deposits	22.2	3.6	18.5
Public bonds	324.2	5.2	318.9
Investment trusts	523.9	18.2	505.6
Balance of NPLs	260.7	(54.2)	315.0
NPL ratio	3.64%	(0.79%)	4.43%

## 〈Consolidated〉 (JPY Bn)

Capital adequacy ratio	10.39%	(0.05%)	10.44%
Tier1 capital ratio	7.48%	(0.26%)	7.74%
Net deferred tax assets / Tier1 capital ratio	16.10%	(1.44%)	17.54%
Valuation difference on available- for-sale securities	(9.0)	(46.1)	37.1

## 〈Total of two banks〉

**Loans: +¥57.9Bn compared to Mar-07**

...Mainly due to the increase of housing loans

**Securities: +¥10.9Bn compared to Mar-07**

...Mainly due to the increase of local bonds

**Deposits: -¥27.2Bn compared to Mar-07**

...Mainly due to the decrease of corporate deposits

**Total individual assets:**

**+¥197.8Bn compared to Mar-07**

...Mainly due to the increase of individual deposits, and investment trusts increased

**Balance of NPLs: -¥54.2Bn compared to Mar-07**

**NPL ratio: 3.64%**

...Achieved the target (Mar-09) : less than 4%

## 〈Consolidated〉

**Capital adequacy ratio: 10.39%**

...Repaid public funds (¥35.0Bn)

**Valuation difference on available-for-sale securities:**

**-¥9.0Bn**

...Unrealized gains on stocks dropped

...No Sub-Prime loan related asset contained within our portfolio

## Summary of Financial Results II-②

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

(JPY Bn)	〈Hokuriku Bank〉			〈Hokkaido Bank〉		
	Mar-08	change	Mar-07	Mar-08	change	Mar-07
Loans	4,210.7	63.9	4,146.7	2,686.8	(6.0)	2,692.9
Loans to SMEs & individuals	3,011.0	(44.4)	3,055.5	2,002.7	3.2	1,999.4
Housing & consumer Loans	922.3	64.2	858.0	914.1	22.3	891.7
Securities	820.9	(32.2)	853.2	893.8	43.2	850.6
Deposits	4,909.1	(8.3)	4,917.4	3,498.3	(18.8)	3,517.2
Individual deposits	3,328.5	106.0	3,222.5	2,594.4	68.2	2,526.1
Total individual assets	3,883.6	109.6	3,774.0	2,887.5	88.2	2,799.2
Individual deposits (deposits in yen)	3,311.8	103.3	3,208.4	2,589.0	67.3	2,521.6
Investment products (for individuals)	571.8	6.2	565.5	298.5	20.9	277.6
Foreign currency deposits	16.7	2.7	14.0	5.4	0.9	4.5
Public bonds	215.5	(13.7)	229.2	108.7	19.0	89.7
Investment trusts	339.5	17.3	322.2	184.3	0.9	183.3
Balance of NPLs	163.5	(38.6)	202.2	97.2	(15.5)	112.8
NPL ratio	3.72%	(0.93%)	4.65%	3.52%	(0.56%)	4.08%
Capital adequacy ratio	10.10%	0.94%	9.16%	10.13%	0.22%	9.91%
Tier1 capital ratio	6.94%	0.55%	6.39%	7.74%	0.37%	7.37%
Net deferred tax assets / Tier1 capital ratio	19.19%	(3.23%)	22.42%	13.73%	(3.98%)	17.71%
Valuation difference on available- for-sale securities	2.7	(27.0)	29.7	(1.7)	(17.4)	15.7

# Breakdown of Business Profits ①

<Net interest income>

- Loan-deposit margin decreased due to the competition with other banks.  
⇒ Offset by increase in average balances of loans and securities

## 【Breakdown of net interest income (domestic)】

(JPY Bn, %)	FY2006			FY2007			change			breakdown	
	Average balance	Rate	Interest	Average balance	Rate	Interest	Average balance	Rate	Interest	Average balance	Rate
<b>〈 Total of two banks 〉</b>											
Net interest income			136.9			135.7			(1.2)		
Loans	6,595.3	1.96%	129.2	6,773.9	2.07%	140.3	178.5	0.11%	11.0	3.5	7.4
Securities	1,612.4	0.98%	15.8	1,644.3	1.03%	17.0	31.9	0.05%	1.1	0.3	0.8
Deposits & NCDs	8,215.8	0.10%	8.4	8,404.2	0.26%	22.4	188.3	0.16%	13.9	0.3	13.6
<b>〈 Hokuriku bank 〉</b>											
Net interest income			78.4			78.0			(0.3)		
Loans	4,010.6	1.88%	75.6	4,100.2	2.00%	82.0	89.6	0.12%	6.4	1.7	4.7
Securities	765.3	0.97%	7.4	783.4	1.08%	8.4	18.1	0.11%	1.0	0.1	0.8
Deposits & NCDs	4,762.4	0.10%	5.0	4,855.6	0.27%	13.3	93.1	0.17%	8.3	0.1	8.1
<b>〈 Hokkaido bank 〉</b>											
Net interest income			58.5			57.7			(0.8)		
Loans	2,584.7	2.07%	53.6	2,673.6	2.17%	58.2	88.8	0.10%	4.6	1.8	2.7
Securities	847.0	0.99%	8.4	860.8	0.99%	8.5	13.8	0.00%	0.1	0.1	(0.0)
Deposits & NCDs	3,453.4	0.09%	3.3	3,548.6	0.25%	9.0	95.1	0.16%	5.6	0.1	5.5

## FY2008 (Projection) (Domestic)

<b>Total of two banks</b>		
	Average balance	Rate
Loans	+200.0	-0.01%
Securities	+ 60.0	+0.03%
Deposits & NCDs	+130.0	+0.03%
<b>Hokuriku bank</b>		
	Average balance	Rate
Loans	+200.0	-0.03%
Securities	0.0	-0.09%
Deposits & NCDs	+100.0	+0.03%
<b>Hokkaido bank</b>		
	Average balance	Rate
Loans	0.0	+0.01%
Securities	+ 60.0	+0.13%
Deposits & NCDs	+ 30.0	+0.03%

## Breakdown of Business Profits ②

<Fee revenue>

- Fees from investment trusts / insurance kept the same level as previous year.
- ATM and loan related expenses increased.
- Net income (expenses) on derivatives decreased.

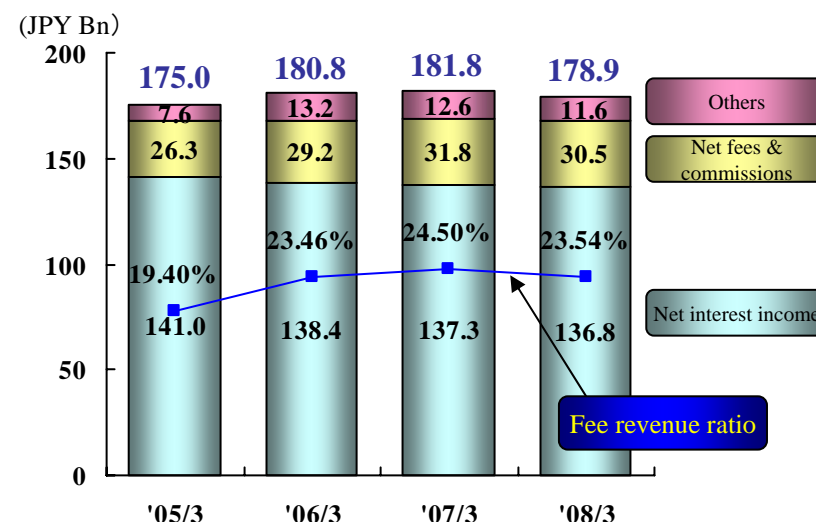
### 【Breakdown of fee revenue】

〈Total of two banks〉 (JPY Bn)	FY2007	change	FY2006
(1) Net fees & commissions	30.5	(1.3)	31.8
Fees and commissions	43.3	(0.6)	44.0
Remittance	13.3	(0.4)	13.8
Investment trusts	9.0	(0.0)	9.1
Insurance	4.4	0.1	4.2
Fees and commissions payments	12.8	0.7	12.1
Remittance	2.1	(0.0)	2.2
ATM (alliance with convenience stores)	1.8	0.4	1.4
Loan related expenses	8.3	0.3	7.9
(2) Net trading income	1.1	(0.1)	1.2
(3) Net other income (excluding gains(losses) related to bonds)	10.4	(0.9)	11.3
Net gains (losses) on foreign exchange transactions	10.9	2.2	8.7
Net income (expenses) on derivatives	(1.1)	(3.7)	2.5
Gains on sales of loans	0.6	0.6	0.0
(4) Fee revenue (1)+(2)+(3)	42.1	(2.4)	44.5
(5) Core gross business profits	178.9	(2.9)	181.8
(6) Fee revenue ratio (4)/(5)	23.54%	(0.96%)	24.50%

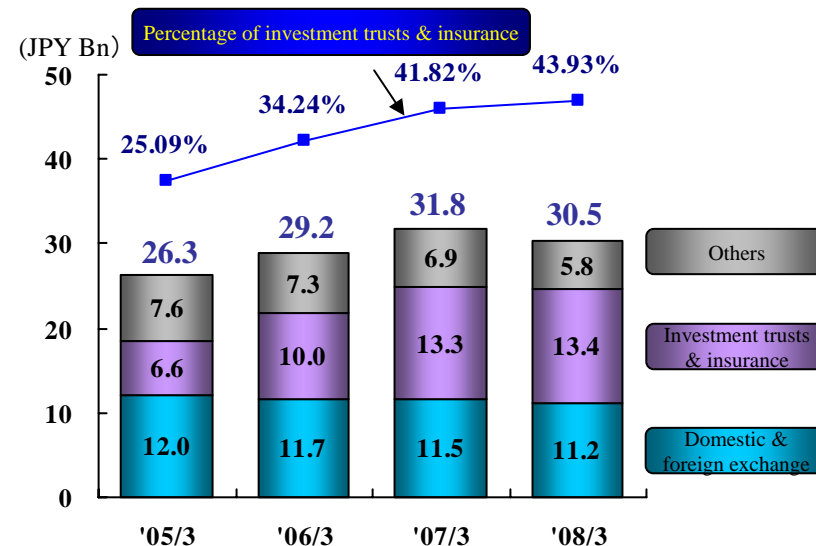
※Including -¥1.3Bn from option transaction related to bonds operation

⇒Gains on sales of bonds: ¥1.3Bn

### 【Core gross business profits】〈Total of two banks〉



### 【Net fees and commissions】〈Total of two banks〉



## Breakdown of Business Profits ③

<General and administrative expenses>

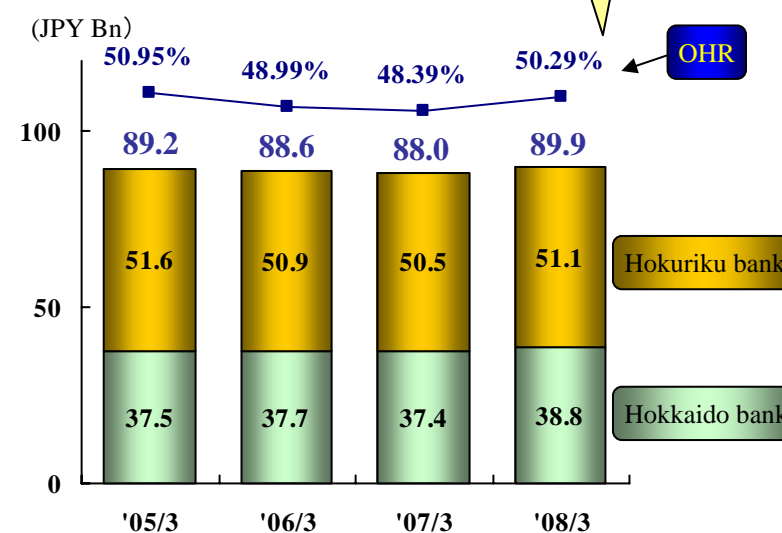
- General and administrative expenses increased due to the increase in personnel and IT system.

### 【Breakdown of G&A expenses】

〈Total of two banks〉 (JPY Bn)	FY2007	change	FY2006
General and administrative expenses	89.9	1.9	88.0
Personnel	40.1	0.6	39.4
Non-personnel	44.5	1.2	43.3
Taxes	5.2	0.0	5.2
OHR	50.29%	1.90%	48.39%
Number of employees (excluding temporary staffs) (A)	4,328	39	4,289
Temporary staffs (B)	3,951	91	3,860
Percentage of temporary staffs (B)/{(A)+(B)}	47.72%	0.36%	47.36%

※OHR = (G&A expenses / core gross business profits)

### 【G&A expenses・OHR】〈Total two banks〉



Personnel expenses: +¥0.6Bn

・・・Increase in staff numbers, etc

Non-personnel expenses: +¥1.2Bn

・・・IT system, etc

# Net Gains (Losses) related to Securities

- Net gains (losses) related to bonds: ¥3.2Bn (+¥4.9Bn compared to FY06)
- Net gains (losses) related to stocks: -¥3.8Bn(-¥4.0Bn compared to FY06)
  - ・ ・ ・ Impairment loss mainly due to decline of stock prices (No Sub-prime related loss)

## 【Net gains (losses) related to securities】

	〈Total of two banks〉			〈Hokuriku bank〉			〈Hokkaido bank〉		
(JPY Bn)	FY2007	change	FY2006	FY2007	change	FY2006	FY2007	change	FY2006
Gains (losses) on bonds	3.2	4.9	(1.6)	0.6	0.4	0.1	2.5	4.4	(1.8)
Gains on sales	3.6	3.0	0.5	0.6	0.4	0.1	3.0	2.6	0.3
Losses on sales	0.4	(1.8)	2.2	0.0	(0.0)	0.0	0.4	(1.8)	2.2
Gains (losses) on stocks	(3.8)	(4.0)	0.1	(1.4)	(1.8)	0.4	(2.4)	(2.1)	(0.2)
Gains on sales	5.2	4.2	1.0	5.2	4.4	0.7	0.0	(0.1)	0.2
Losses on sales	0.4	0.2	0.2	0.0	0.0	0.0	0.3	0.1	0.2
Losses on devaluation	8.7	8.1	0.6	6.6	6.3	0.3	2.1	1.8	0.2

※Including gains on sales due to TOB

※Including ¥1.3Bn from option transaction related to bonds operation  
 ⇒Expenses on derivatives: ¥1.3Bn

“Impairment loss” is recognized on the following assets classified based on self-assessment.

Assets requiring caution	“Market value has fallen below its acquisition cost”
Normal Assets	“Market value has fallen 50% or more from its acquisition cost, or market value has fallen more than 30% to less than 50% and market price has been below the certain level”

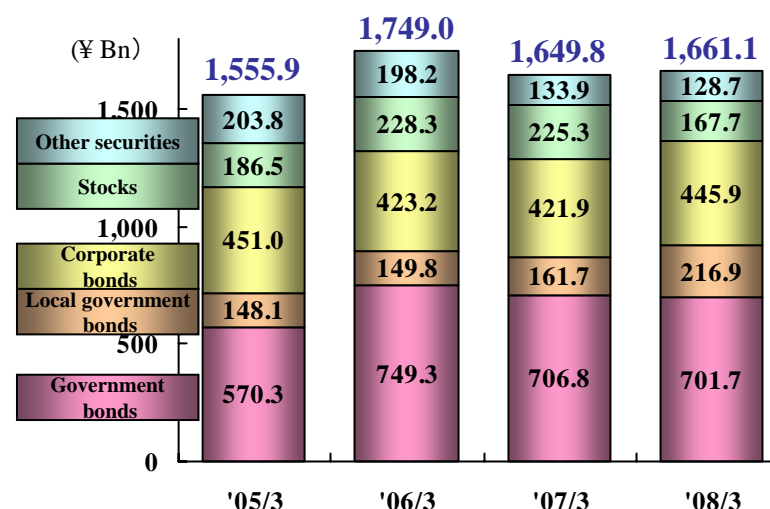
# Securities Portfolio and Valuation Difference

- Local government bonds led the increase of total balance of securities.
- Valuation difference dropped mainly due to the decline of stock prices.  
(No Sub-Prime related assets contained within our portfolio)

## 【Balance of securities】

〈Consolidated〉 (JPY Bn)	Mar-08	change	Mar-07
Securities	1,661.1	11.3	1,649.8
Government bonds	701.7	(5.1)	706.8
Local government bonds	216.9	55.2	161.7
Corporate bonds	445.9	24.0	421.9
Stocks	167.7	(57.6)	225.3
Other Securities	128.7	(5.2)	133.9

## 【Balance of securities】



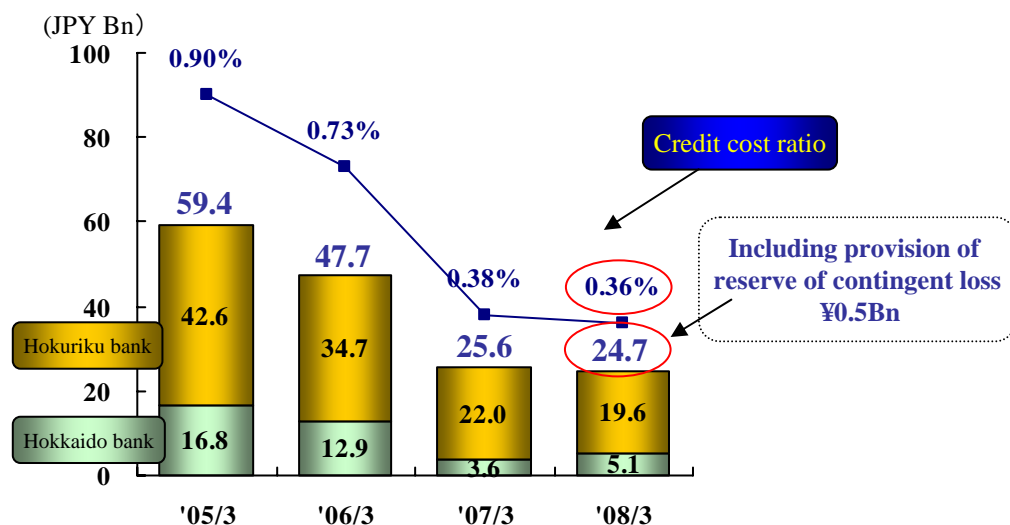
## 【Valuation difference】

〈Consolidated〉 (JPY Bn)	Acquisition cost (1)			Balance sheet amount (2)			Valuation difference (2)-(1)		
	Mar-08	change	Mar-07	Mar-08	change	Mar-07	Mar-08	change	Mar-07
Available-for-sale securities	1,429.6	67.8	1,361.8	1,420.6	21.6	1,398.9	(9.0)	(46.1)	37.1
Stocks	123.1	(5.4)	128.6	136.4	(53.4)	189.8	13.2	(48.0)	61.2
Bonds	1,185.4	68.0	1,117.3	1,169.3	77.0	1,092.2	(16.0)	9.0	(25.1)
Other	121.0	5.2	115.8	114.8	(1.9)	116.8	(6.2)	(7.1)	0.9

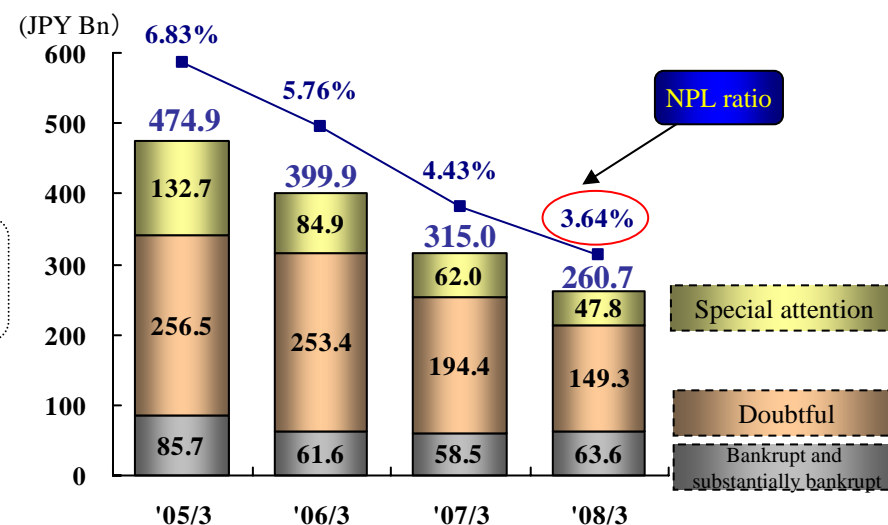
# Credit Costs and Non-Performing Loan

- Total credit costs was **¥24.7Bn** (-¥0.8Bn compared to FY2006), Credit cost ratio was **0.36%** (-0.02%)
- NPL ratio was **3.64%** (-0.79% compared to Mar-07) ■ ■ ■ Achieved the target (Mar-09) : less than 4%

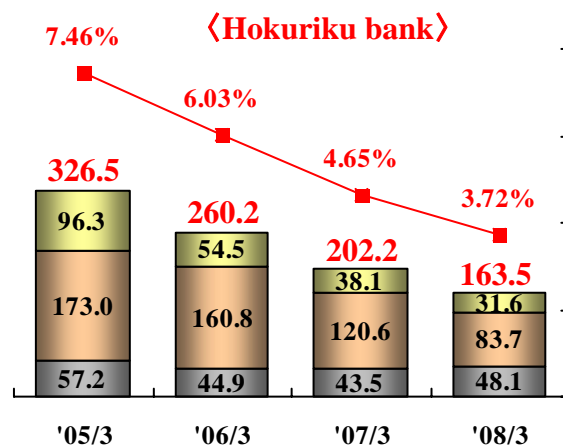
【Total credit costs】〈Total of two banks〉



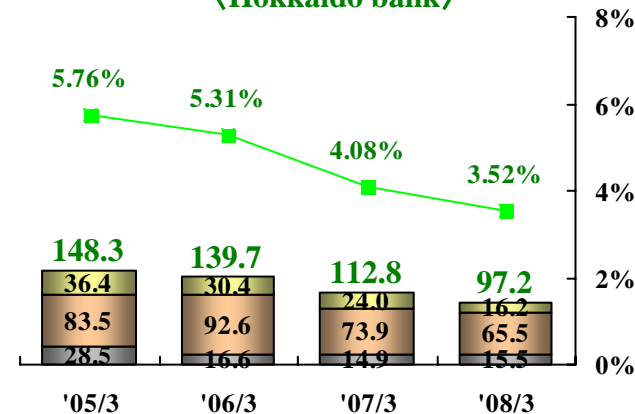
【Non-performing loan】〈Total of two banks〉



※ Total credit costs  
 = Credit related costs + Reversal (Provision) of general allowance for loan losses  
 ※ Credit cost ratio  
 = Total credit costs ÷ Average balance of Loans



〈Hokkaido bank〉



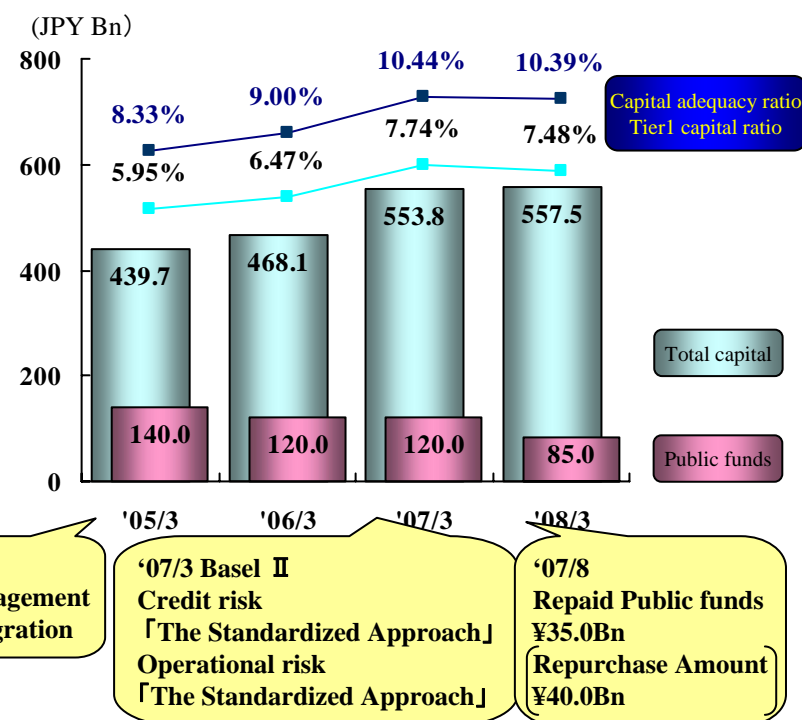
# Capital Adequacy Ratio

- Capital adequacy ratio was 10.39% (-0.05% compared to Mar-07),  
Tier1 capital ratio was 7.48% (-0.26%)
- Repaid public funds ¥35.0Bn in Aug-07, the outstanding balance is ¥85.0Bn.

## 【Capital adequacy ratio】

(JPY Bn)	Mar-08	change	Mar-07
Capital adequacy ratio	10.39%	(0.05%)	10.44%
Tier1 capital ratio	7.48%	(0.26%)	7.74%
Tier1 capital	401.5	(9.1)	410.7
Preferred shares (Public funds)	85.0	(35.0)	120.0
Preferred shares (Private sector)	53.7	-	53.7
Tier2 capital	157.7	12.5	145.1
Total capital	557.5	3.7	553.8
Risk-weighted assets	5,362.6	59.8	5,302.8
Credit risk portion	5,016.8	55.9	4,960.8
Operational risk portion	345.8	3.8	341.9

## 【Capital adequacy ratio and public funds】



## 【Outlier ratio】

	〈Hokuhoku FG〉			〈Hokuriku bank〉			〈Hokkaido bank〉		
(JPY Bn)	Mar-08	change	Mar-07	Mar-08	change	Mar-07	Mar-08	change	Mar-07
Total interest rate risk	64.9	7.0	57.9	36.2	3.9	32.2	28.7	3.0	25.7
Outlier ratio	11.62%	1.16%	10.46%	11.16%	0.22%	10.94%	13.23%	0.76%	12.47%

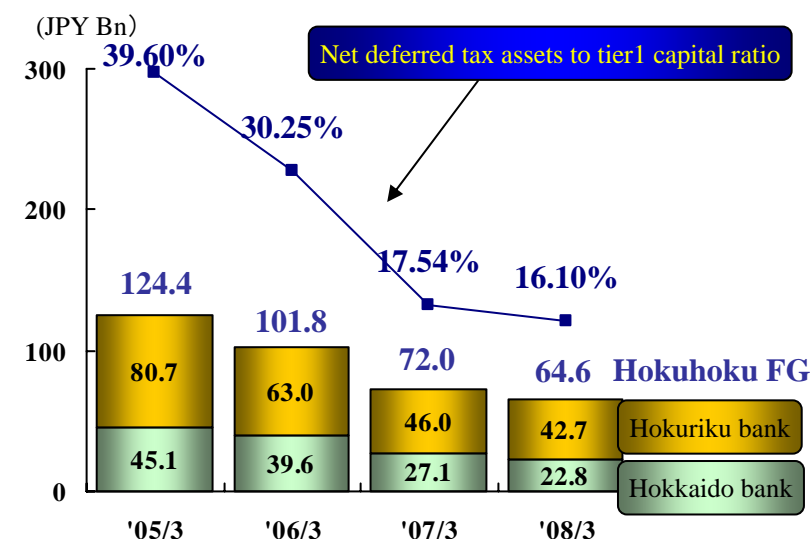
# Deferred Tax Assets

- Net deferred tax assets : ¥64.6Bn (-¥7.4Bn compared to Mar-07)
- Net deferred tax assets to tier1 capital ratio : 16.10% (-1.44% compared to Mar-07)

## 【Breakdown of deferred tax assets】

〈Consolidated〉 (JPY Bn)	Mar-08	change	Mar-07
Allowance for loan losses	75.9	(16.1)	92.0
Depreciation	2.0	(0.0)	2.1
Reserve for retirement benefits	15.6	1.3	14.2
Loss on valuation of securities	12.8	1.7	11.0
Valuation difference on available-for-sale securities	4.2	4.2	-
Other	4.8	1.4	3.4
Operating loss carryforwards	29.7	(13.4)	43.2
(1) Deferred tax assets	145.3	(20.8)	166.1
(2) Valuation allowance	73.6	(2.3)	75.9
(3) Total deferred tax assets (1)-(2)	71.6	(18.5)	90.1
(4) Deferred tax liabilities	6.9	(11.0)	18.0
(5) Net deferred tax assets (3)-(4)	64.6	(7.4)	72.0

## 【Change of deferred tax assets】



(JPY Bn)	〈Hokuriku bank〉		
	Mar-08	change	Mar-07
(1) Deferred tax assets	107.8	(13.1)	120.9
(2) Valuation allowance	63.8	(1.2)	65.1
(3) Total deferred tax assets (1)-(2)	43.9	(11.8)	55.8
(4) Deferred tax liabilities	1.1	(8.5)	9.7
(5) Net deferred tax assets (3)-(4)	42.7	(3.2)	46.0

(JPY Bn)	〈Hokkaido bank〉		
	Mar-08	change	Mar-07
(1) Deferred tax assets	27.7	(10.0)	37.8
(2) Valuation allowance	4.7	(0.7)	5.4
(3) Total deferred tax assets (1)-(2)	23.0	(9.3)	32.3
(4) Deferred tax liabilities	0.1	(5.0)	5.1
(5) Net deferred tax assets (3)-(4)	22.8	(4.3)	27.1

# Forecasts

## 【Earnings Forecasts】

### 〈Consolidated〉

(JPY Bn)	Interim	Full year	Change from FY2007
Ordinary income	124.5	<b>250.0</b>	(11.2)
Ordinary profits	30.0	<b>65.0</b>	(1.3)
Net income	18.0	<b>38.5</b>	(0.1)

## 【Dividend Forecasts】

### 〈Non-consolidated〉

	Interim	Year-end	Annual	Change from FY2007
Dividend per common share	-	¥3.00	¥3.00	¥0.50
Dividend per preferred share (Type1)	¥3.85	¥3.85	¥7.70	-
Dividend per preferred share (Type4)	¥3.31	¥3.31	¥6.62	-
Dividend per preferred share (Type5)	¥7.50	¥7.50	¥15.00	-

### 〈Total of two banks〉

(JPY Bn)	Interim	Full year	Change from FY2007
Ordinary income	112.5	<b>228.0</b>	(9.6)
Core gross business profits	89.0	<b>180.0</b>	1.1
G&A expenses	(46.0)	<b>(92.0)</b>	(2.1)
Core net business profits	43.0	<b>88.0</b>	(0.9)
Total credit costs	(11.5)	<b>(21.0)</b>	3.7
Ordinary profits	31.0	<b>66.0</b>	(0.2)
Net income	19.5	<b>41.0</b>	0.8

### 〈Hokuriku bank〉

	Interim	Full year	Change from FY2007
Ordinary income	66.5	<b>134.0</b>	(7.5)
Core gross business profits	52.0	<b>105.0</b>	(0.6)
G&A expenses	(26.0)	<b>(52.0)</b>	(0.9)
Core net business profits	26.0	<b>53.0</b>	(1.5)
Total credit costs	(7.5)	<b>(15.0)</b>	4.6
Ordinary profits	18.5	<b>38.0</b>	1.3
Net income	11.0	<b>23.0</b>	0.7

### 〈Hokkaido bank〉

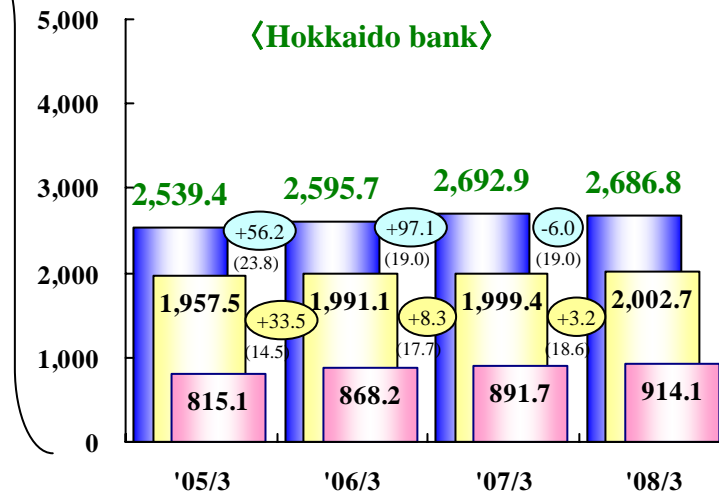
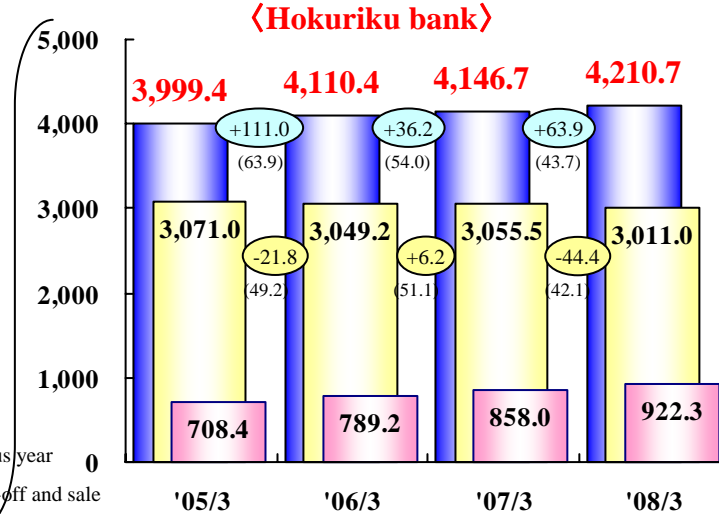
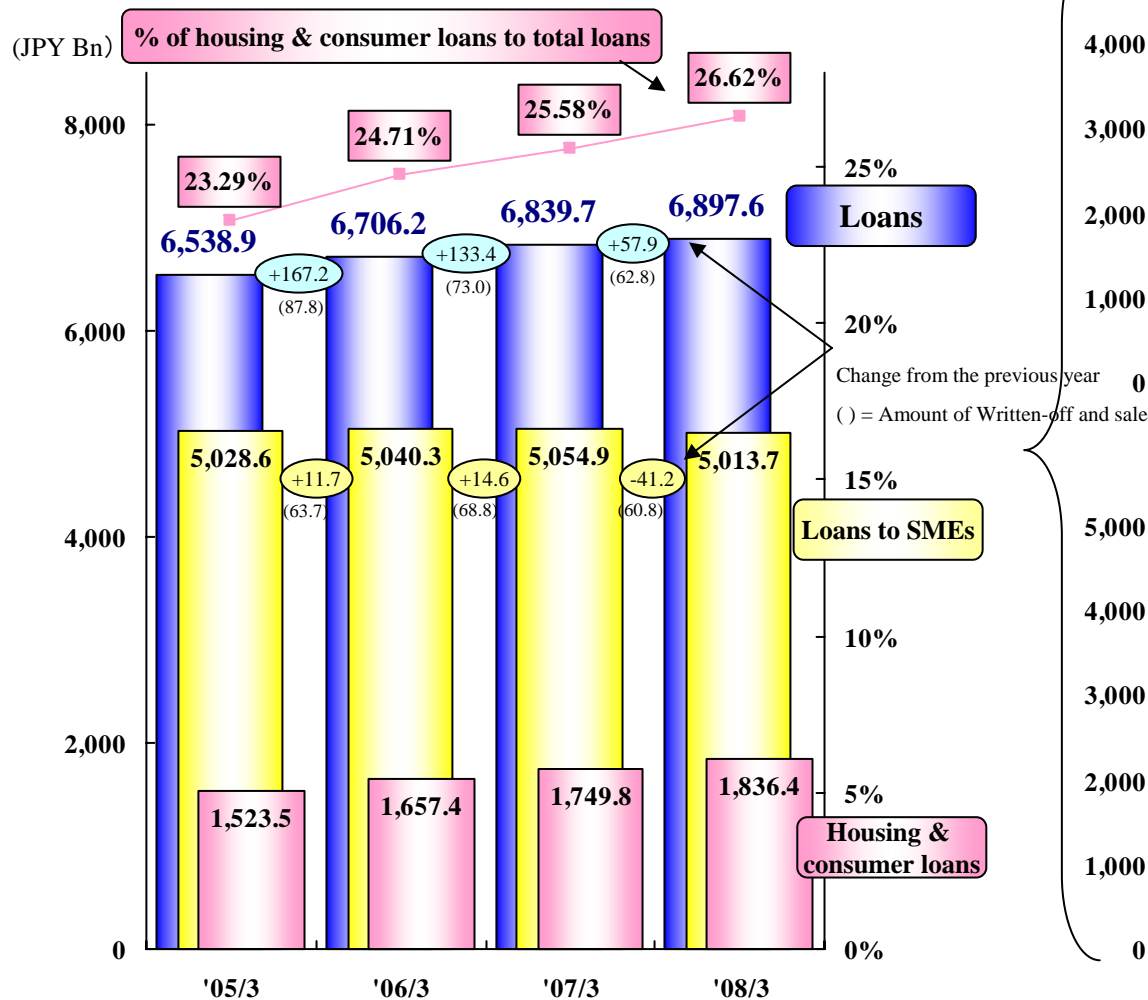
	Interim	Full year	Change from FY2007
Ordinary income	46.0	<b>94.0</b>	(2.0)
Core gross business profits	37.0	<b>75.0</b>	1.8
G&A expenses	(20.0)	<b>(40.0)</b>	(1.2)
Core net business profits	17.0	<b>35.0</b>	0.6
Total credit costs	(4.0)	<b>(6.0)</b>	(0.9)
Ordinary profits	12.5	<b>28.0</b>	(1.4)
Net income	8.5	<b>18.0</b>	0.2

# *Operating Performance*

# Loans

- Loans +¥57.9Bn(+0.8%) compared to Mar-07
- Loans to SMEs and Individuals -¥41.2Bn(-0.8%) compared to Mar-07
- Housing and consumer loans +¥86.5Bn(+4.9%) compared to Mar-07

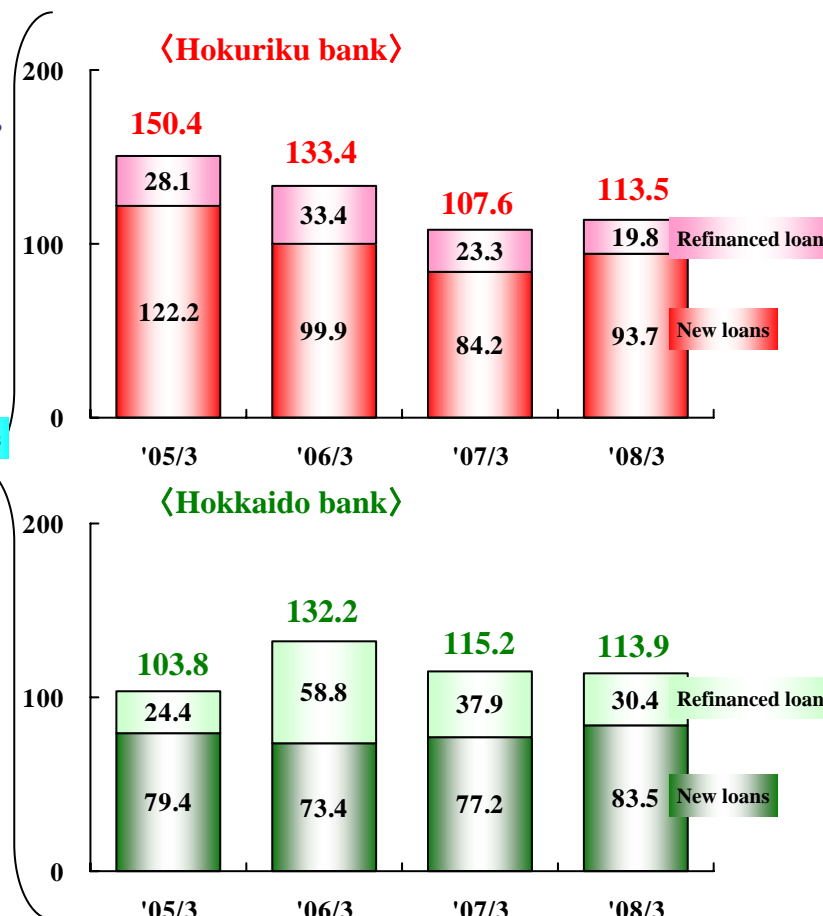
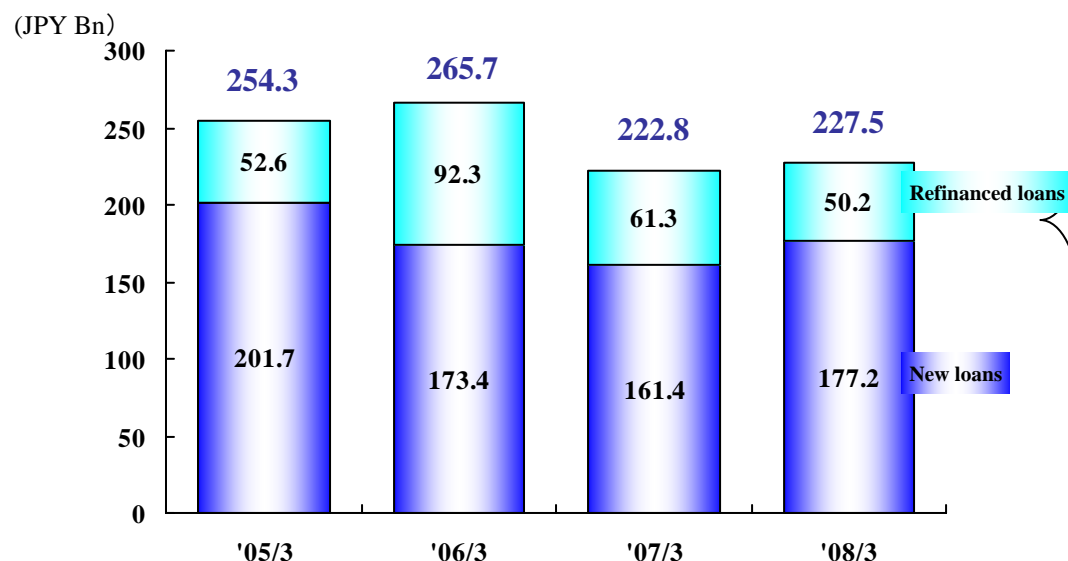
【Balance of loans】〈Total of two banks〉



# Housing Loans

- Sales amount of residential housing loans kept the same level as previous year.
- Balance of housing loans increased by ¥93.2Bn.

【Sales amount of residential housing loans】〈Total of two banks〉



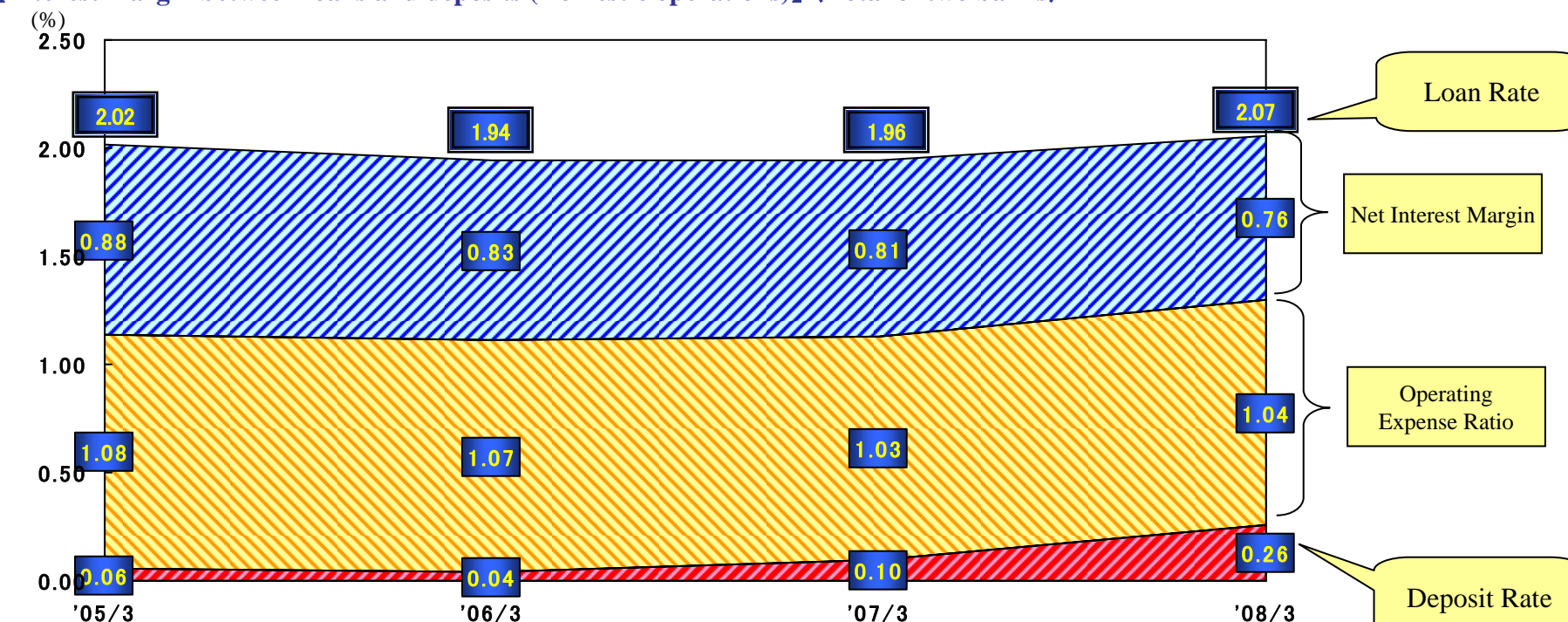
【Balance of housing loans】

(JPY Bn)	〈Total of two banks〉				〈Hokuriku bank〉				〈Hokkaido bank〉			
	Mar-05	Mar-06	Mar-07	Mar-08	Mar-05	Mar-06	Mar-07	Mar-08	Mar-05	Mar-06	Mar-07	Mar-08
Housing loans	1,377.4	1,517.5	1,619.0	1,712.2	615.2	702.9	778.9	849.4	762.1	814.5	840.0	862.8
Residential housing loans	1,250.8	1,378.8	1,457.3	1,536.0	582.6	658.8	708.5	758.6	668.2	720.0	748.7	777.3
Apartment loans	126.5	138.6	161.7	176.3	32.6	44.1	70.4	90.8	93.9	94.5	91.3	85.4

# Interest Margins ①

- **Loan rate** **+0.11% compared to FY2006**
- **Deposit rate** **+0.16% compared to FY2006**
- **Net interest margin** **-0.05% compared to FY2006**

【Interest margin between loans and deposits (Domestic operations)] <Total of two banks>



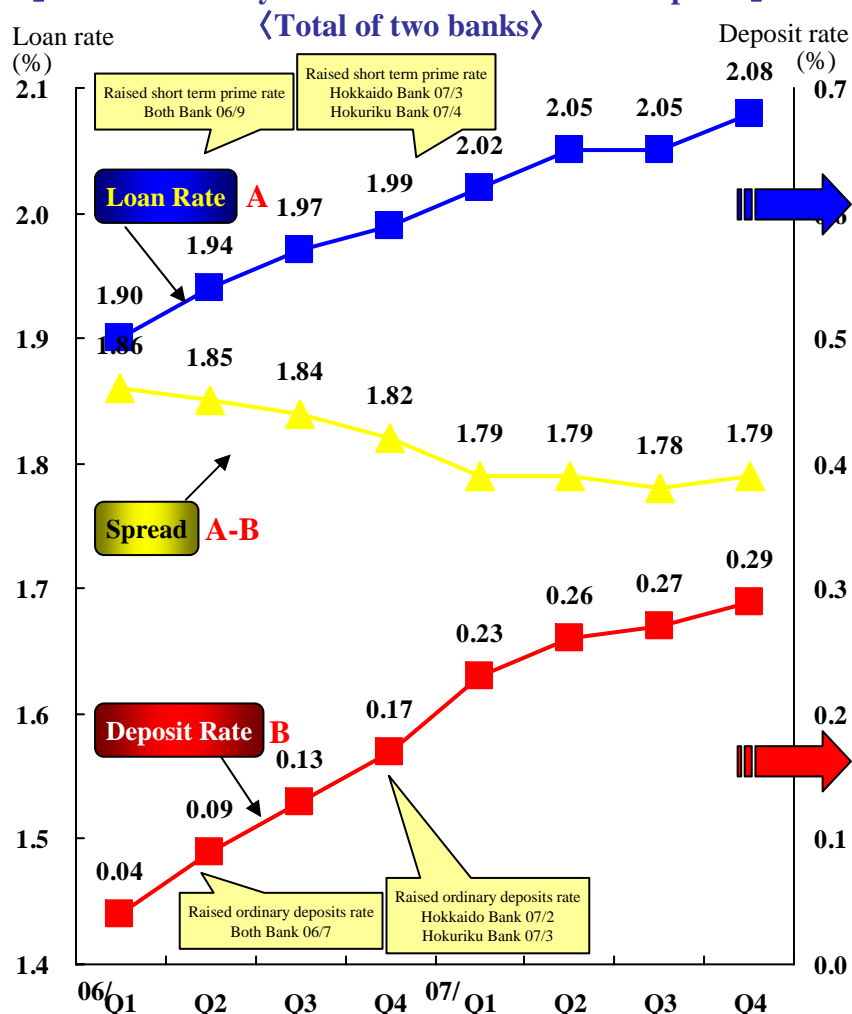
	〈Total of two banks〉				〈Hokuriku bank〉				〈Hokkaido bank〉			
(%)	FY2004	FY2005	FY2006	FY2007	FY2004	FY2005	FY2006	FY2007	FY2004	FY2005	FY2006	FY2007
Loan rate	2.02	1.94	1.96	2.07	1.94	1.85	1.88	2.00	2.16	2.09	2.07	2.17
Net interest margin	0.88	0.83	0.81	0.76	0.82	0.75	0.75	0.70	0.98	0.95	0.92	0.85
Operating expense ratio	1.08	1.07	1.03	1.04	1.04	1.04	1.02	1.01	1.13	1.10	1.05	1.06
Deposit rate	0.06	0.04	0.10	0.26	0.08	0.05	0.10	0.27	0.04	0.03	0.09	0.25

# Interest Margins ②

➤07/Q4 Loan rate : 2.08% (+0.18% compared to 06/Q1)

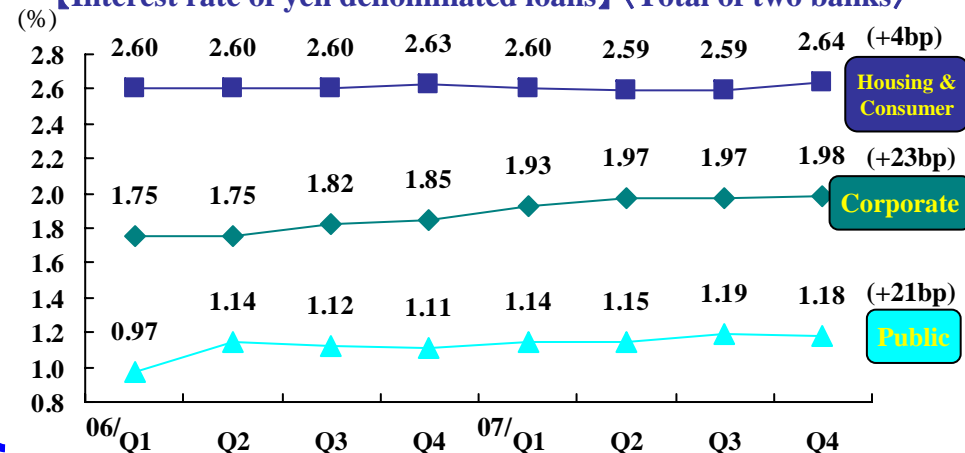
➤07/Q4 Deposit rate : 0.29% (+0.25% compared to 06/Q1)

【Interest rate of yen denominated loans and deposits】



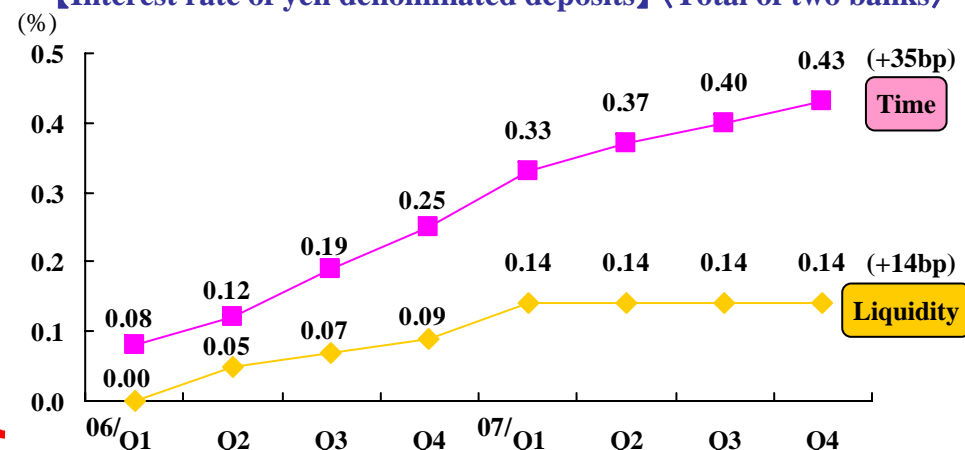
※ Internal management base

【Interest rate of yen denominated loans】〈Total of two banks〉



※ Before partial direct write-offs

【Interest rate of yen denominated deposits】〈Total of two banks〉



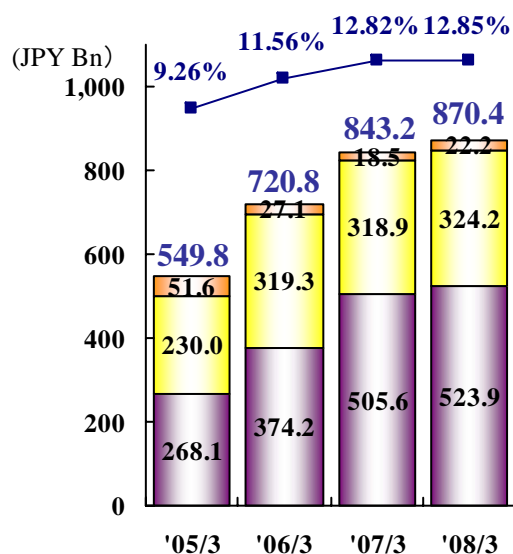
※ ( ) = change from 06/Q1 19

# Investment Products

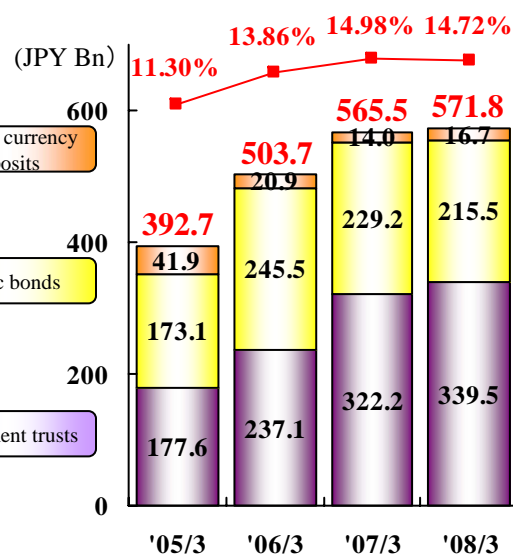
- Balance of investment products : +¥27.2Bn compared to Mar-o7 (Investment trusts +¥18.2Bn)
- Fees from investment trusts / insurance kept the same level as previous year, despite the decrease of the sales amount.

## 【Balance of Investment products】

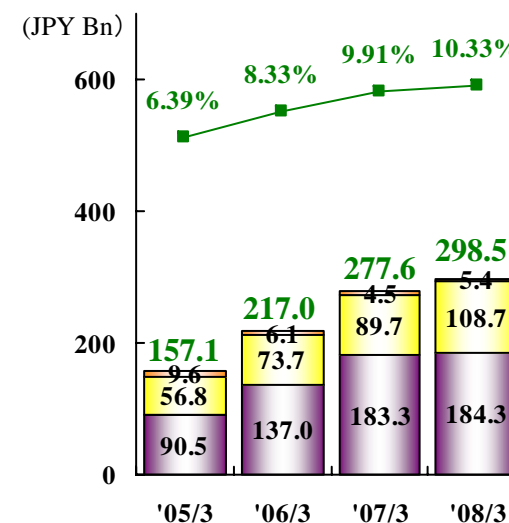
### 〈Total of two banks〉



### 〈Hokuriku bank〉



### 〈Hokkaido bank〉



## 【Sales amount of investment products and fees】

### 〈Total of two banks〉

### 〈Hokuriku bank〉

### 〈Hokkaido bank〉

(JPY Bn)	FY2004	FY2005	FY2006	FY2007	FY2004	FY2005	FY2006	FY2007	FY2004	FY2005	FY2006	FY2007
Sales amount of investment trusts	176.9	248.6	330.8	261.8	129.1	169.6	236.1	189.7	47.8	78.9	94.6	72.0
Sales amount of insurance	42.6	71.3	87.9	83.6	26.7	44.5	58.4	56.9	15.9	26.7	29.4	26.7
Fees from investment trusts	4.1	6.2	9.1	9.0	2.9	4.2	6.1	6.2	1.1	2.0	2.9	2.7
Fees from insurance	2.4	3.8	4.2	4.4	1.7	2.6	3.0	3.0	0.7	1.1	1.2	1.3

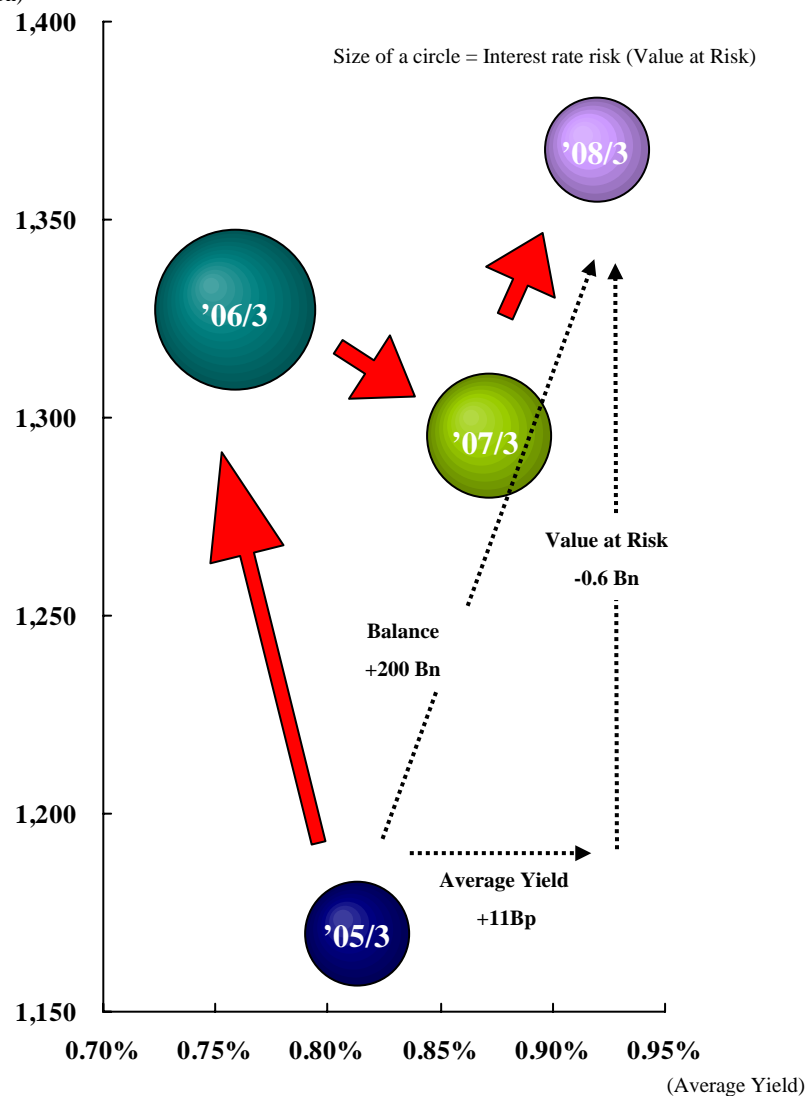
# Bond Portfolio *(yen denominated bonds)*

Hokuhoku Financial Group, Inc.

## 【Bond portfolio, yield, and Value at risk】〈Total of two banks〉

(term-end balance)

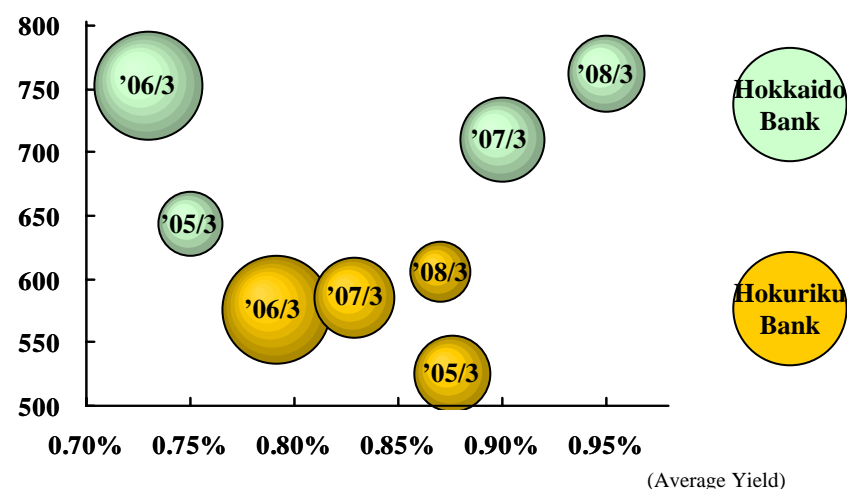
(¥ Bn)



## 〈Hokuriku bank〉 〈Hokkaido bank〉

(term-end balance)

(¥ Bn)

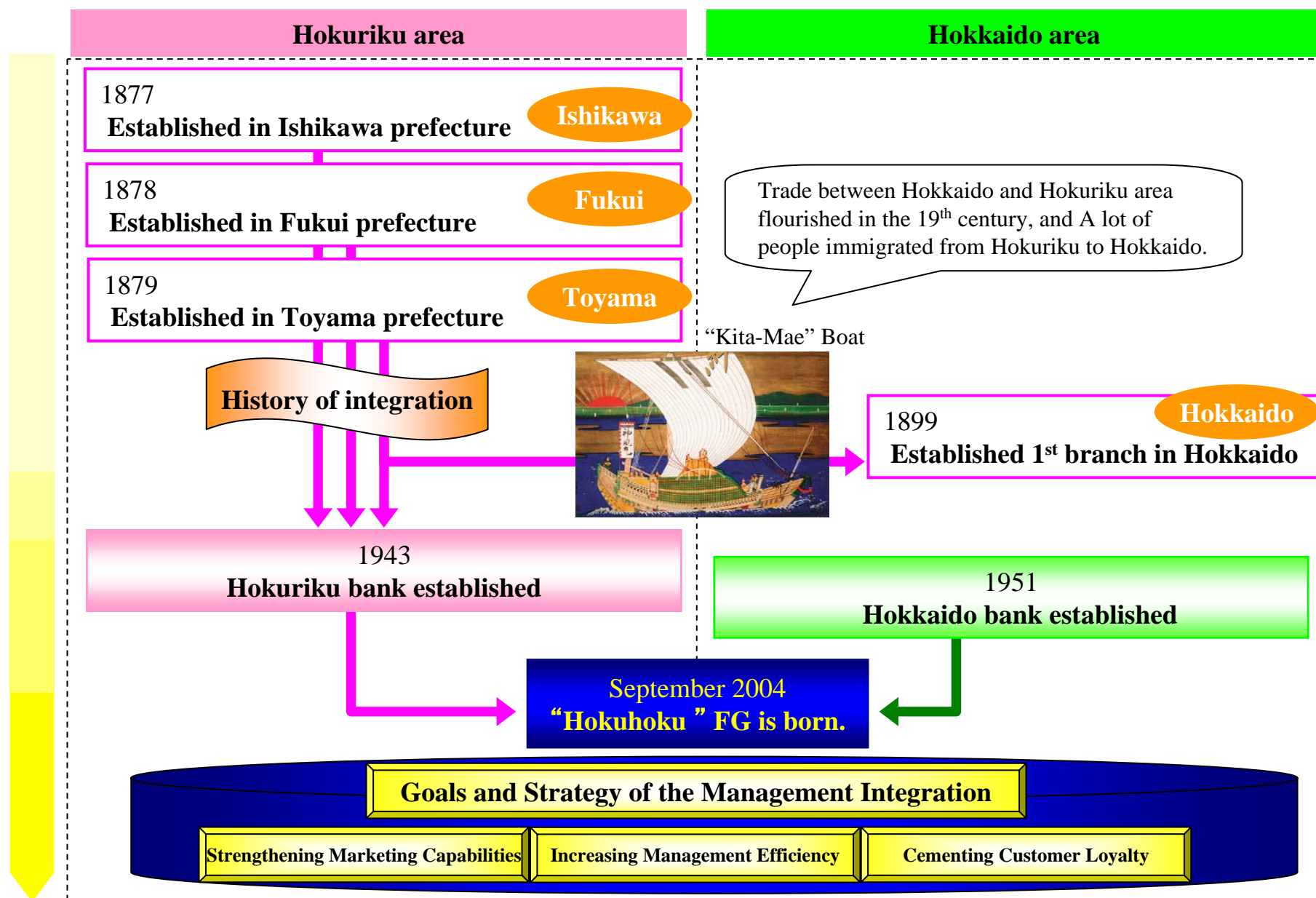


	Mar-05	Mar-06	Mar-07	Mar-08
<b>Total of two banks</b>				
Term-end Balance (¥ Bn)	1,169.5	1,327.3	1,295.5	1,367.6
Average Yield (%)	0.81%	0.75%	0.87%	0.92%
Duration (year)	3.08	3.07	2.72	2.29
Value at Risk (¥ Bn)	20.2	45.2	27.6	19.6
<b>Hokuriku Bank</b>				
Term-end Balance (¥ Bn)	525.3	575.1	586.0	606.1
Average Yield (%)	0.87%	0.79%	0.82%	0.87%
Duration (year)	4.21	3.70	3.21	2.85
Value at Risk (¥ Bn)	11.1	21.2	12.3	7.1
<b>Hokkaido Bank</b>				
Term-end Balance (¥ Bn)	644.1	752.2	709.4	761.5
Average Yield (%)	0.75%	0.73%	0.90%	0.95%
Duration (year)	2.15	2.59	2.32	1.85
Value at Risk (¥ Bn)	9.0	24.0	15.2	12.4

※ Internal management base

# *Management Strategy*

# History of Hokuhoku FG



## Goals and Strategy of the Management Integration

### Strengthening Marketing Capabilities

We possess a wide network including Japan's three major metropolises in addition to our main operational bases, Hokkaido and Hokuriku, and we aim to differentiate ourselves from other financial institutions and achieve stronger marketing power by linking our information and clients.

Beefing up the business matching services by utilizing our extensive regional network

Enhancing the proposal and solution services by sharing the know-how of the two banks

Extending services with corporations, their trading partners and employees by capitalizing on the customer bases of the two banks

### Increasing Management Efficiency

We will create a highly profitable and efficient operating system, which allows us to integrate redundant infrastructure in Hokkaido and capitalize on management resources more efficiently, while placing continuous emphasis on maintaining and developing solid relationships with customers of two banks.

Rebuilding an efficient and effective network of branches

Sharing the system of back-offices for efficient operation. Integrating mail delivery services and back-office services of two banks in Hokkaido.

### Cementing Customer Loyalty

We will create a more stable asset portfolio and become a highly-trusted and widely-supported regional financial group through extending services in two geographical areas with different economic environment.

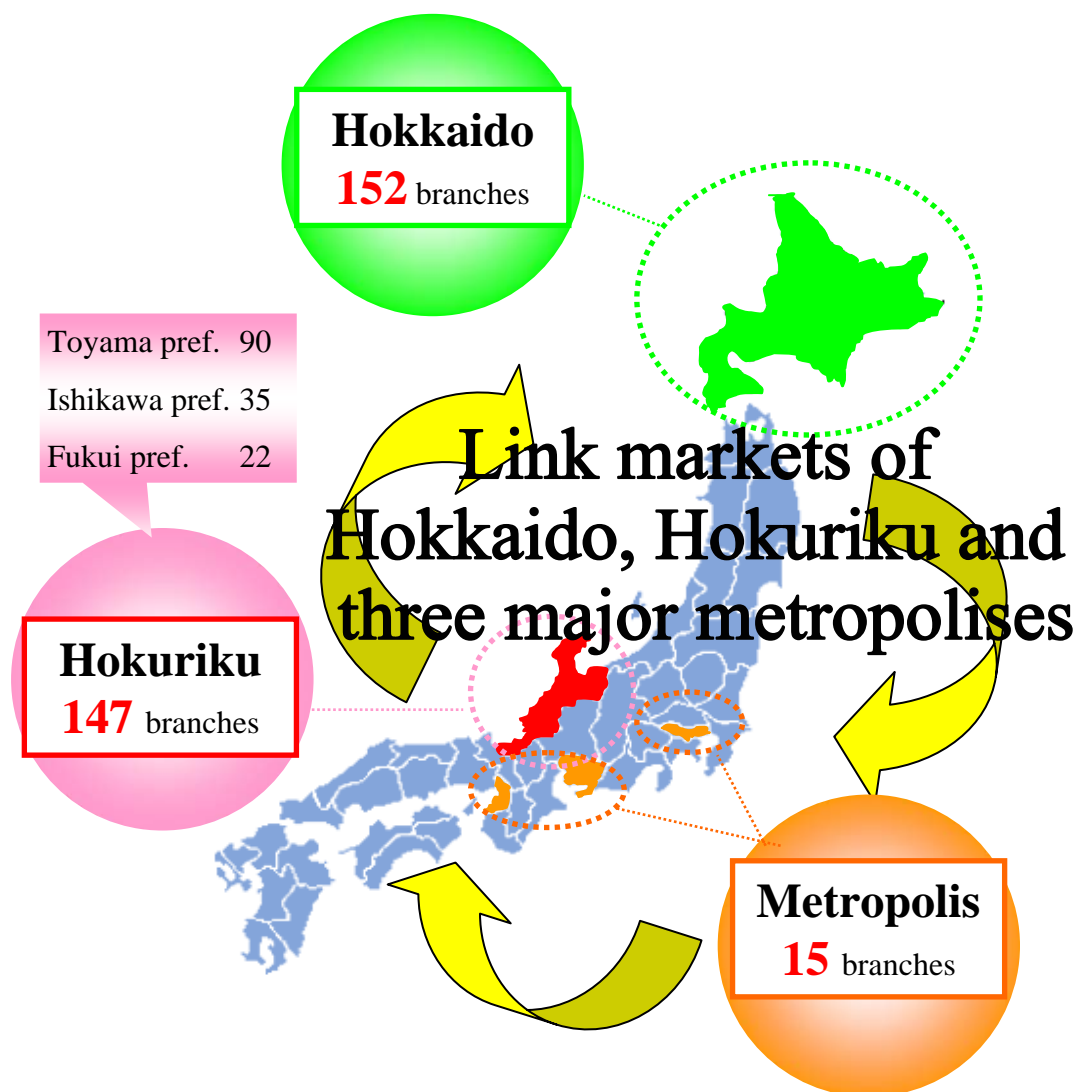
Building an asset portfolio diversified across various geographical areas and a wide range of industries

Implementing a comprehensive capital structure that enables a steady repayment of public funds

# Strengthening Marketing Capabilities ①

<Extensive regional network>

## Unique business model by capitalizing on extensive regional network



### Events for Business Matching

May-07 : Business summit 2007 in Nagoya
Jun-07 : Combined regional bank confab in Shanghai
Jan-07 : Business matching via the internet
Sep-07 : Hokkaido food special business conference in Sapporo
Sep-07 : Food business conference in Kanazawa
Nov-07 : Hokkaido business forum 2007 in Sapporo
Mar-08 : Product selection 2008 in Toyama

### Business Matching Services (FY2006~2007)

The number of businesses created through our business matching services	5,154
(Creating new partnership/market	3,825)
(Real estate information	1,329)

Sales amount of loans  
⇒ Approximately ¥55bn.  
(New loans ⇒ Approximately ¥32bn.)

Underwriting private placement bonds  
⇒ Approximately ¥5bn.

Collection of non-performing loan  
⇒ Approximately ¥10bn.

*<Overseas business support>*

**ほくほくフィナンシャルグループ**  
Hokuhoku Financial Group

We support customers expanding into overseas markets

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



## Business matching conference in Shanghai

Dec-05	Sponsored by 5 regional banks
Jul-06	Sponsored by 8 regional banks
Jun-07	Sponsored by 11 regional banks
Jul-08 (Plan)	Sponsoring by 12 regional banks

## Agreement with overseas government

Oct-04	Dalian city	(Hokuriku bank)
Nov-05	Shenyang city	(Hokkaido bank)
Apr-06	Shanghai city	(Hokuhoku FG)
Sep-06	Liaoning ministry	(Hokuhoku FG)
Nov-06	Vietnamese government	(Hokuriku bank)
Mar-07	Changchun city	(Hokkaido bank)
Jun-07	Suzhou City	(Hokuriku bank)
Feb-08	Guangdong ministry	(Hokuhoku FG)

## Business partnership with overseas financial institution

Dec-05	KASIKORNBANK	(Hokuriku bank)
Jul-06	Standard Chartered Bank	(Hokuriku bank)
Sep-07	State Bank of India	(Hokuriku bank)

## Associations of clients in China and ASEAN

(08/3)

Hokuriku Choujou Association	530 companies
Hokkaido Choujou Association	258 companies
Shanghai Choujou Association	150 companies
Hokuhoku ASEAN Association	150 companies



**New York Office**  
Hokuriku

## Hokkaido... “Food” and “Safety”

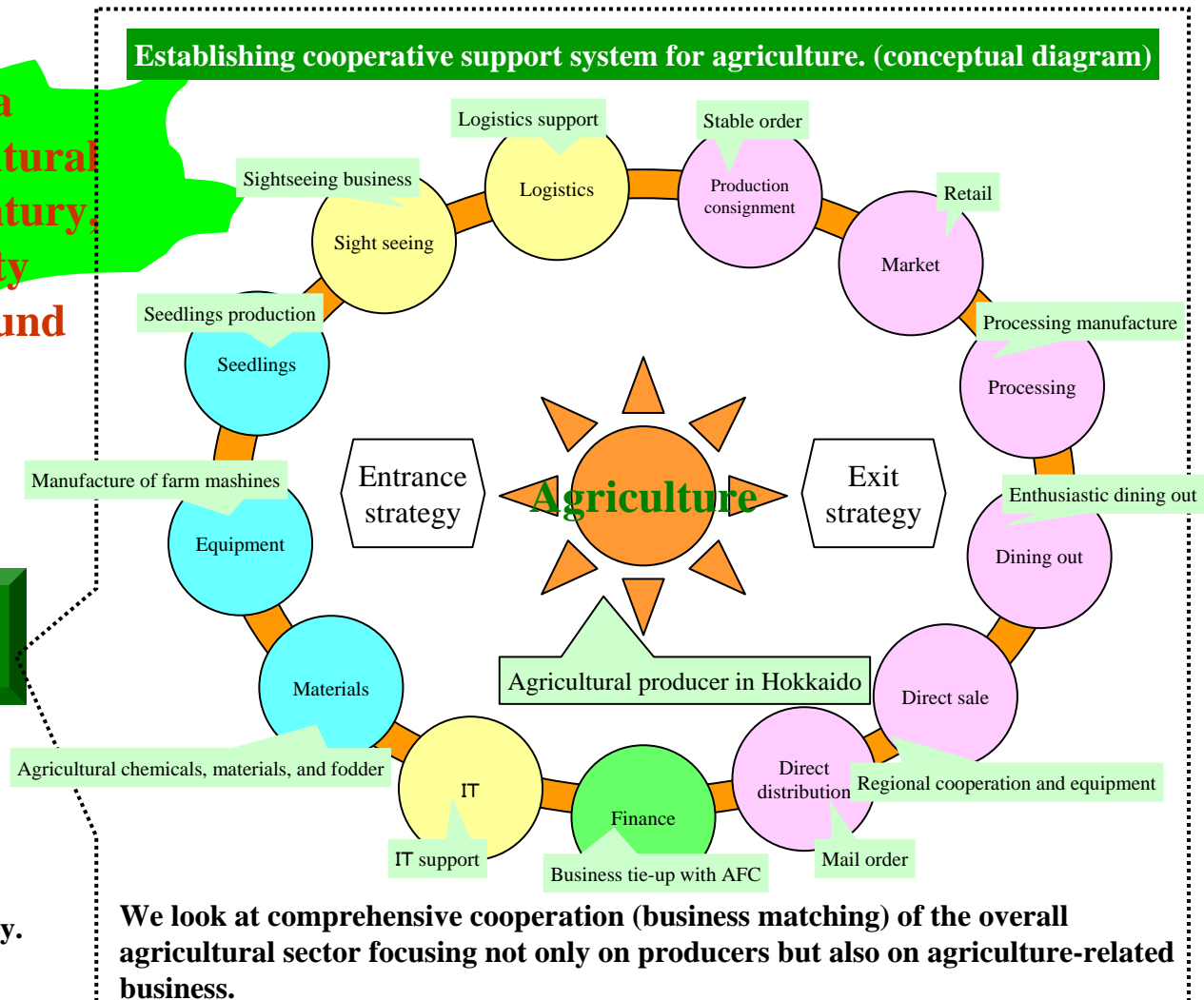
Hokkaido is expected, as a center of domestic agricultural production of the 21st century, to develop by its originality and uniqueness hardly found in other regions in Japan.

Approach by Hokkaido Bank  
("Agri-partners" Strategy)

➤ Providing financial services through a tie-up with AFC.

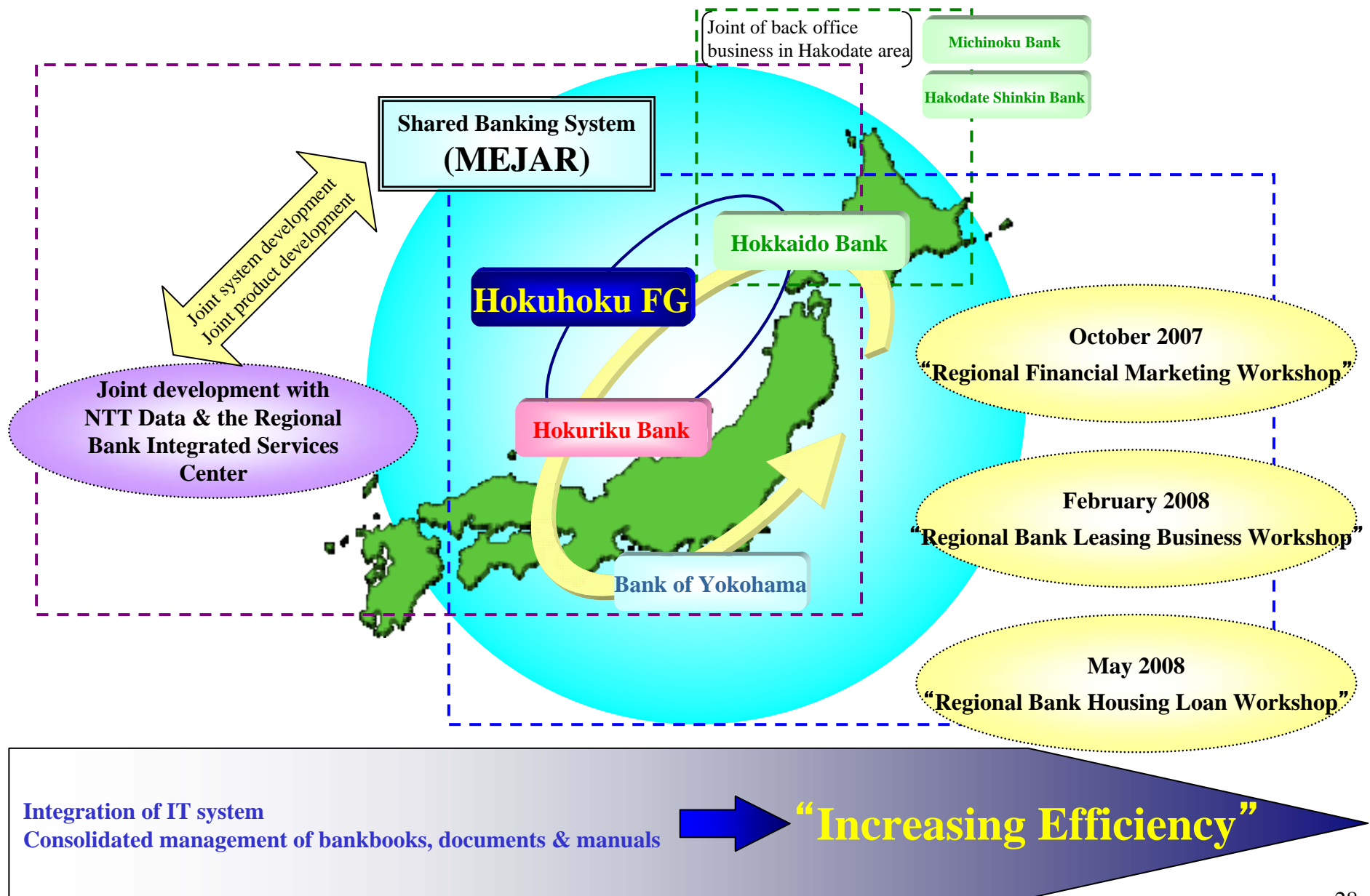
AFC = Agriculture, Forestry and Fisheries Finance Corporation in Japan

➤ Business alliance with Hokkaido Agricultural corporate-making laboratory.  
→ collaborative research of various schemes in agricultural areas



# Increasing Management Efficiency

<Integration of banking system>



# Cementing Customer Loyalty

<Capital policy>

Aiming to repay outstanding public funds  
(¥85.0Bn) in FY2008 (by March 2009)

Target (after repayment of public funds)

⇒Capital adequacy ratio 9%

⇒Tier1 capital ratio 6%

After repayment of public funds,

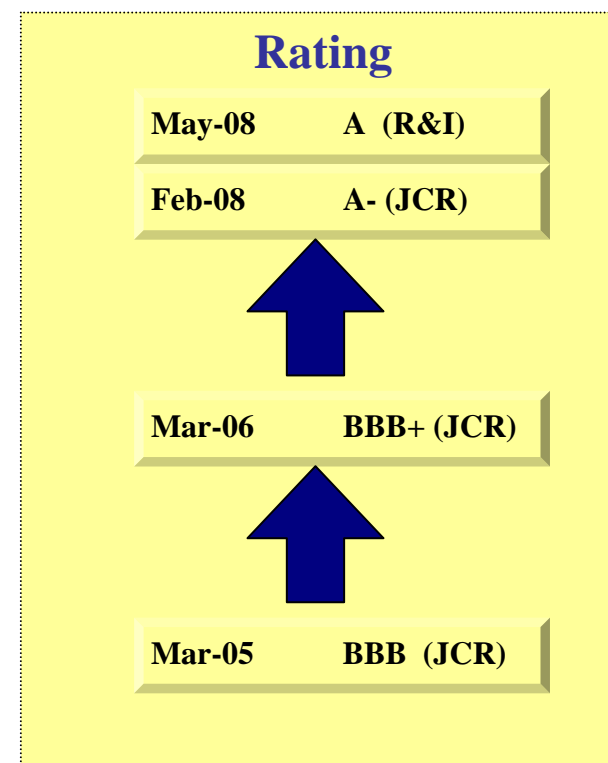
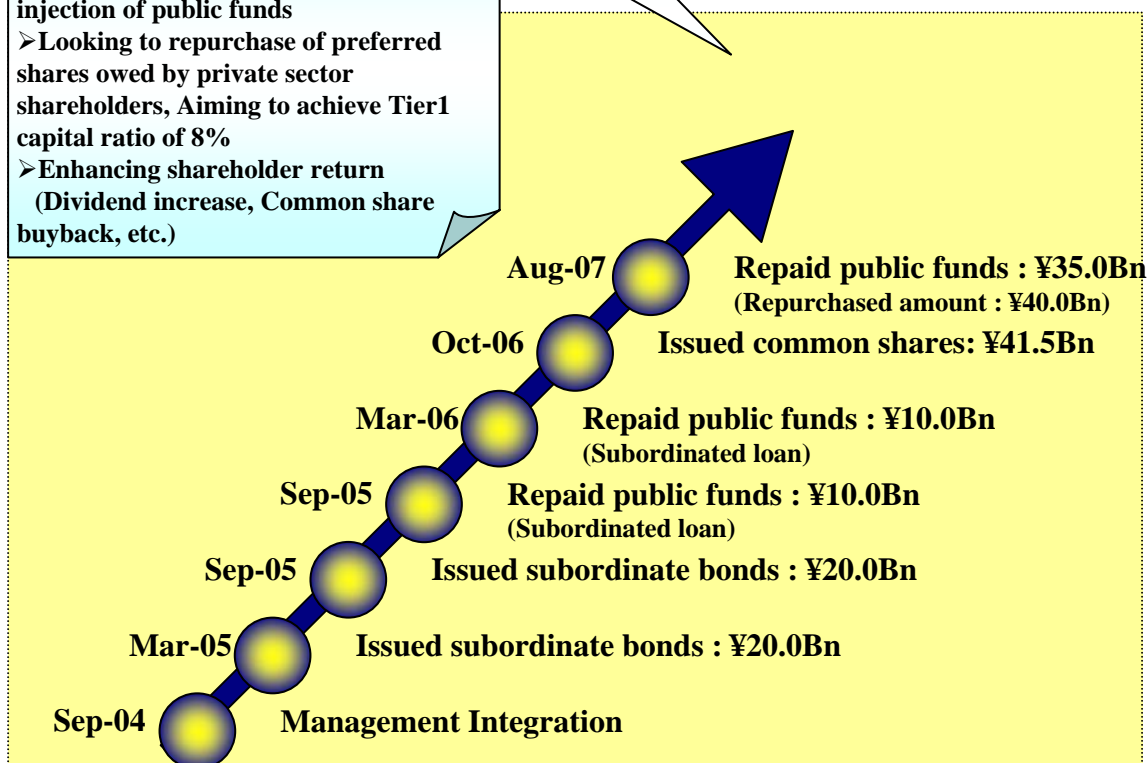
➢Looking to increase in dividend of common shares to the same level before injection of public funds

➢Looking to repurchase of preferred shares owed by private sector shareholders, Aiming to achieve Tier1 capital ratio of 8%

➢Enhancing shareholder return  
(Dividend increase, Common share buyback, etc.)

Type	Type 1 preferred share	Type 4 preferred share
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 Mar-2008)	@ 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.



# *Appendix*

# About Japanese Regional Banks ①

## Financial Institutions in Japan

Source: Home page of Regional Banks Association of Japan

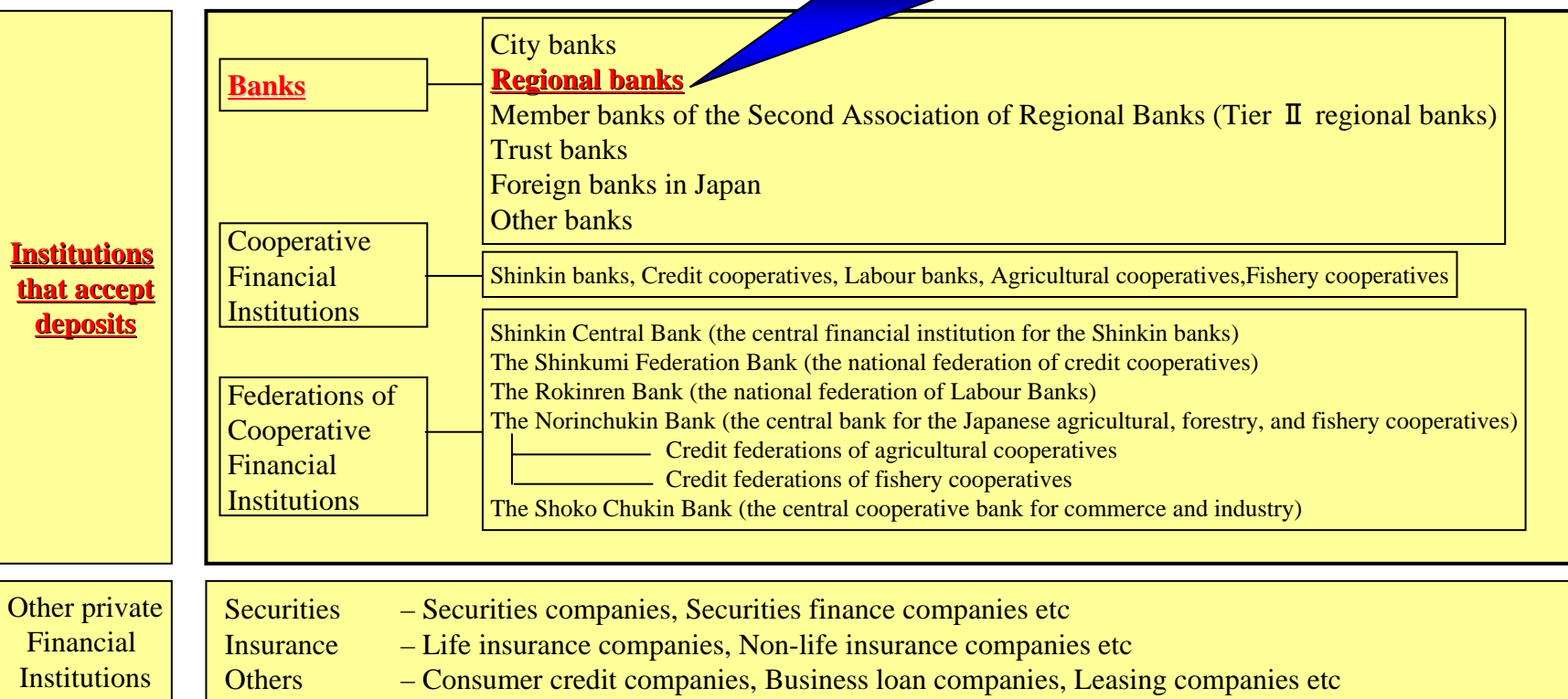
1

Central Bank - Bank of Japan

2

**Private Financial Institutions**

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



3

**Public Financial Institutions**

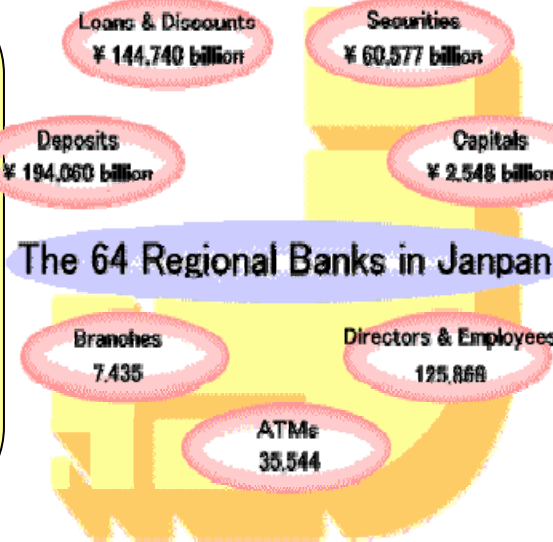
Japan Post Bank, Japan Post Insurance, Development Bank of Japan, National Life Finance Corporation, Japan Finance Corporation for Small and Medium Enterprise etc

# About Japanese Regional Banks ②

## Outline of Regional Banks

### Outline 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.*

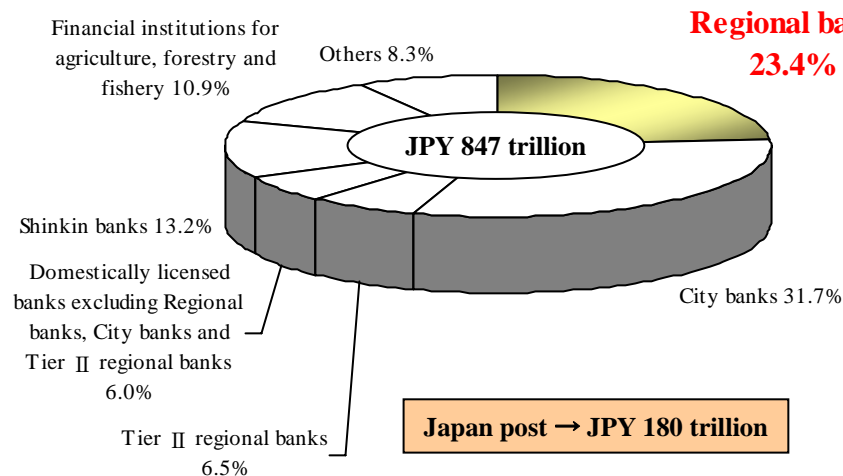


### Main Financial Institutions in the Regions

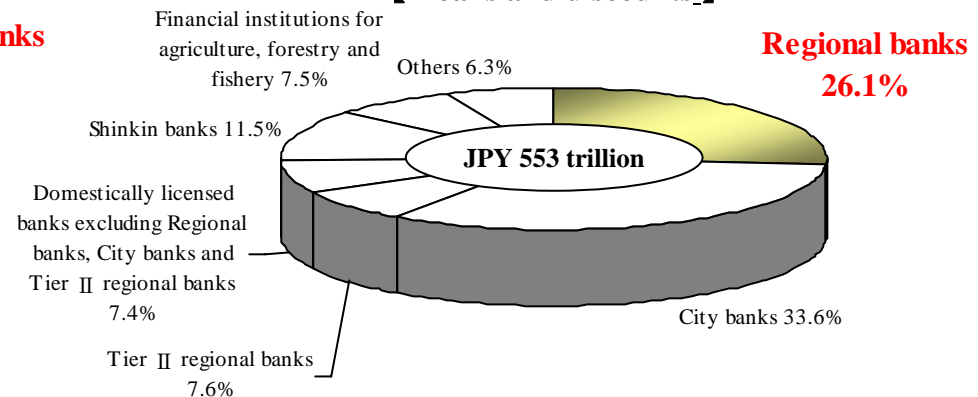
*The regional banks have branch networks mainly in the prefectures where their headquarters are located, totaling approximately 7,400 branches and approximately 35,500 ATMs all over the country. Through these networks, the regional banks have fulfilled various financial needs of their customers, mainly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

## Shares of Deposits and Loans of Private Financial Institutions

### 【 Deposits 】



### 【 Loans and discounts 】



Source: Home page of Regional Banks Association of Japan

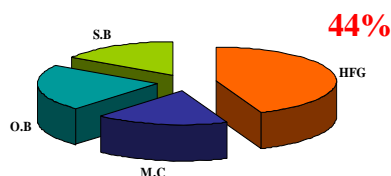
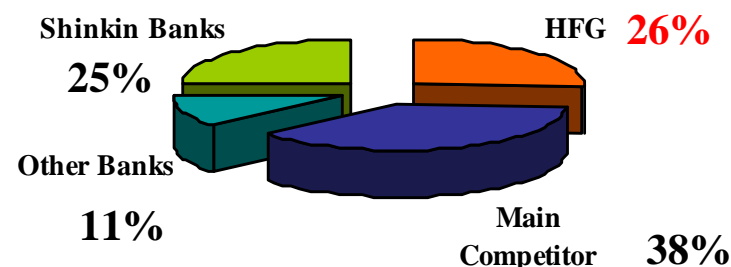
# About Hokuhoku FG ①

## Market Share in Our Home Market (Loans, Sep-07)

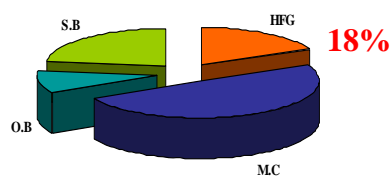
### Hokuriku Area



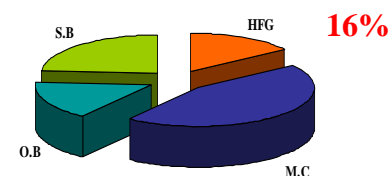
### Hokkaido Area



#### Toyama



#### Ishikawa



#### Fukui

※Figures of the Main  
 Competitor and Other  
 banks are estimated  
 figures

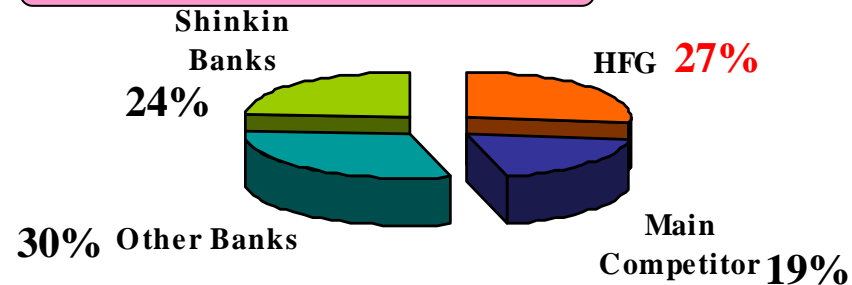
(¥ Bn)

		Hokuriku				Hokkaido
		Area	Toyama Pref.	Ishikawa Pref.	Fukui Pref.	
Banks		7,044.4(79.3%)	2,732.0(84.6%)	2,570.9(76.5%)	1,741.4(76.0%)	8,809.9(74.7%)
HFG		2,402.0(27.0%)	1,434.1(44.4%)	605.8(18.0%)	362.0(15.8%)	3,041.7(25.8%)
Hokuriku Bank		2,402.0(27.0%)	1,434.1(44.4%)	605.8(18.0%)	362.0(15.8%)	522.4 (4.4%)
Hokkaido Bank		0 (0.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)	2,519.3(21.4%)
Main Competitor		1,833.2(20.6%)	596.7(18.5%)	1,616.3(48.1%)	1,007.7(44.0%)	4,432.0(37.6%)
Shinkin Banks		1,837.8(20.7%)	499.1(15.4%)	789.0(23.5%)	549.6(24.0%)	2,987.0(25.3%)
Total		8,882.2 (100%)	3,231.1 (100%)	3,359.9 (100%)	2,291.0 (100%)	11,796.9 (100%)

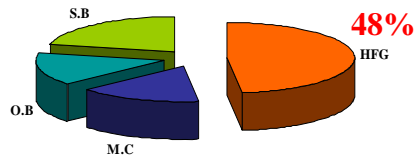
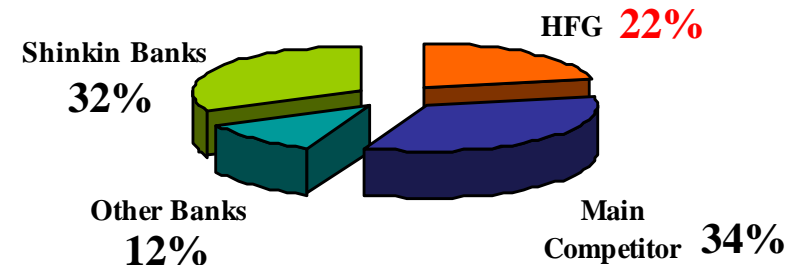
## About Hokuhoku FG ②

### Market Share in Our Home Market (Deposits, Sep-07)

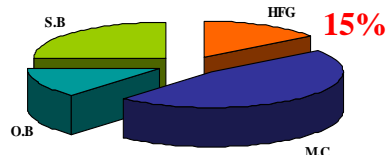
#### Hokuriku Area



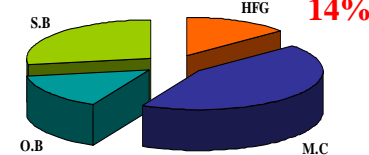
#### Hokkaido Area



#### Toyama



#### Ishikawa



#### Fukui

※Figures of the Main Competitor and Other banks are estimated figures

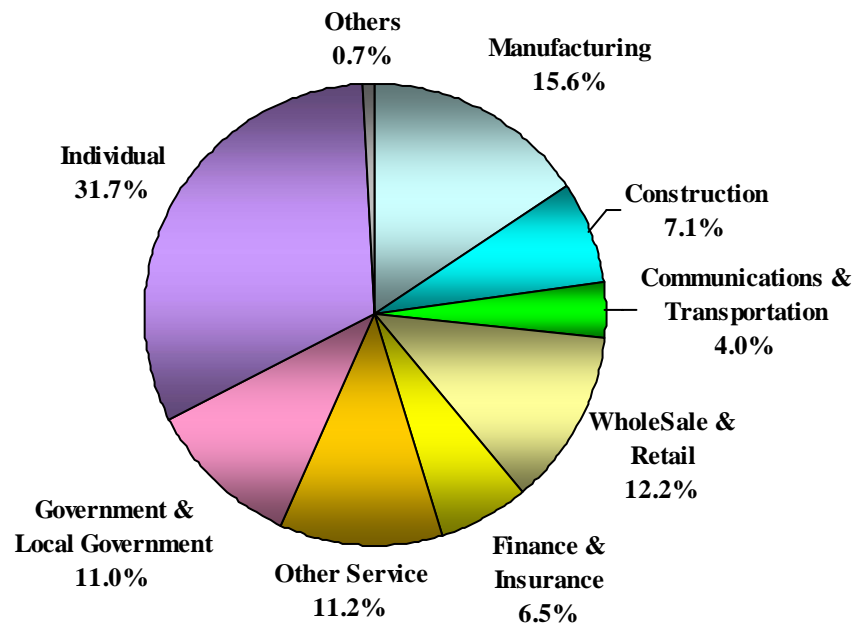
(¥ Bn)

	Hokuriku Area	Hokkaido Area			Hokkaido Area
		Toyama Pref.	Ishikawa Pref.	Fukui Pref.	
Banks	10,585.0(75.6%)	4,042.4(78.6%)	3,902.6(74.7%)	2,639.9(72.6%)	12,589.7(67.8%)
<b>HFG</b>	<b>3,751.1(26.8%)</b>	<b>2,469.1(48.0%)</b>	<b>782.6(15.0%)</b>	<b>499.2(13.7%)</b>	<b>4,041.2(21.7%)</b>
<b>Hokuriku Bank</b>	<b>3,751.1(26.8%)</b>	<b>2,469.1(48.0%)</b>	<b>782.6(15.0%)</b>	<b>499.2(13.7%)</b>	<b>546.4 (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>3,494.8(18.8%)</b>
Main Competitor	2,605.7(18.6%)	805.9(15.7%)	2,446.6(46.8%)	1,591.0(43.8%)	6,229.7(33.5%)
Shinkin Banks	3,422.6(24.4%)	1,101.8(21.4%)	1,324.9(25.3%)	995.8(27.4%)	5,991.7(32.2%)
Total	14,007.6 (100%)	5,144.2 (100%)	5,227.5 (100%)	3,635.7 (100%)	18,581.4 (100%)

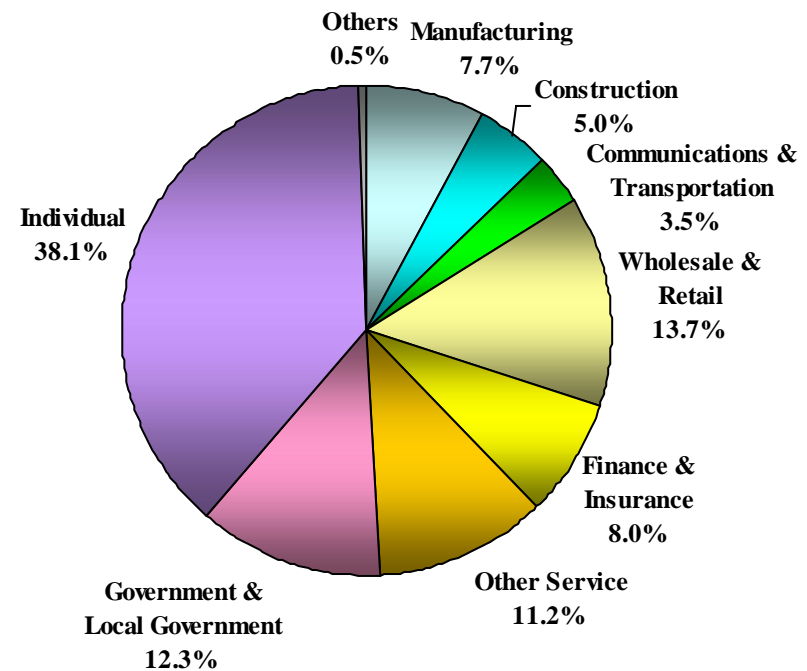
## About Hokuhoku FG ③

### Lending in the Region by Industry (Mar-08)

Hokuriku Bank



Hokkaido Bank



# The Present Condition of the Regional Economy ①

## Characteristics of Our Main Business Area

### Population and Square Measure

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

	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	5.60Mn (7th)	<b>8.70Mn</b>
Density of Population (Ranking)	261.3pt (25th)	279.9pt (23rd)	195.5pt (32nd)	—	71.4pt (47th)	—
Square Measure (Ranking) km <sup>2</sup>	4,247 (33rd)	4,185 (35th)	4,189 (34th)	—	83,456 (1st)	—

**Same as Osaka,  
Kanagawa!**

1 <sup>st</sup>	Tokyo
2 <sup>nd</sup>	Kanagawa (8.83Mn)
3 <sup>rd</sup>	Osaka (8.81Mn)

### Gross Prefectural Product

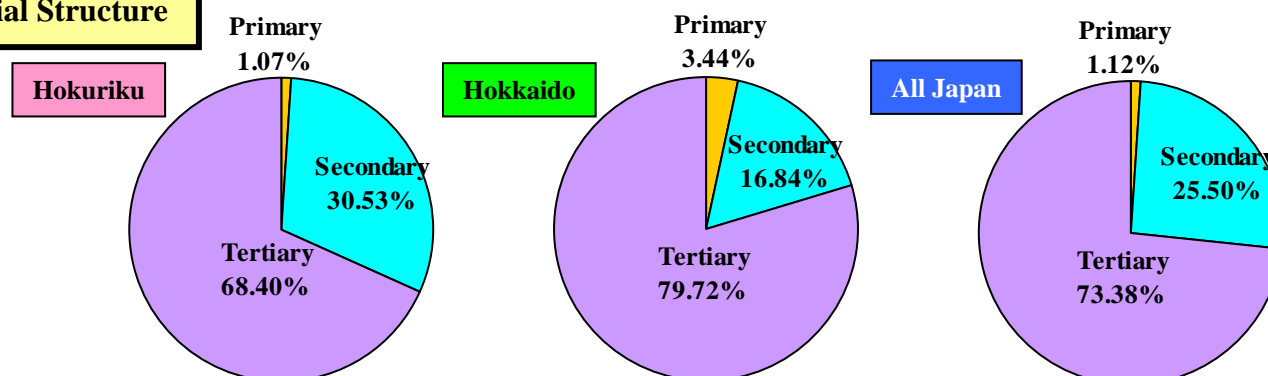
(¥ Bn)

	Toyama a	Ishikawa b	Fukui c	Total a + b + c	Hokkaido	Total
GPP (Proportion) (Ranking)	4,680.7 (0.91%) (28th)	4,612.8 (0.89%) (29st)	3,358.4 (0.65%) (41st)	12,652.0 (2.45%)	19,741.5 (3.83%) (7th)	<b>32,393.6</b> <b>(6.28%)</b>

**Above Kanagawa!**

1 <sup>st</sup>	Tokyo
2 <sup>nd</sup>	Osaka
3 <sup>rd</sup>	Aichi
4 <sup>th</sup>	Kanagawa (31,184.3)

### Industrial Structure



**Same as Denmark  
(Europe No15) !**

1 <sup>st</sup>	Germany
2 <sup>nd</sup>	England
15 <sup>th</sup>	Denmark (32,253.9)

# The Present Condition of the Regional Economy ②

## Economic Conditions

### Monthly Economic Report (By the Cabinet Office)

#### All Japan

2008/3

#### Economic Trend

**Recovery appears to be  
pausing recently**

#### Public Investment

Generally sluggish

#### Business Investment

Almost flat

#### Private consumption

Almost flat

#### Housing construction

Almost picked up

#### Production

Flat

#### Employment & Income

Improvement appears to be  
pausing

#### Prices

Risen only slightly

#### The number of bankrupt companies

A moderate upward trend

### Regional Economic Report (By Bank of Japan)

#### Hokuriku Area

2008/4

**Slowing**

Less than last year

Pause, due to its high level so far

Flat

Less than last year

Continues to increase

Improvement became modest

Exceeding the last year

Exceeding the last year

#### Hokkaido Area

2008/4

**Continues to be somewhat  
sluggish**

Generally sluggish

Solid

Somewhat sluggish

Weak

Picking up gradually

Remains flat

Exceeding the last year

Exceeding the last year

## The Present Condition of the Regional Economy ③

### Big Projects in Hokuriku and Hokkaido Area

#### 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

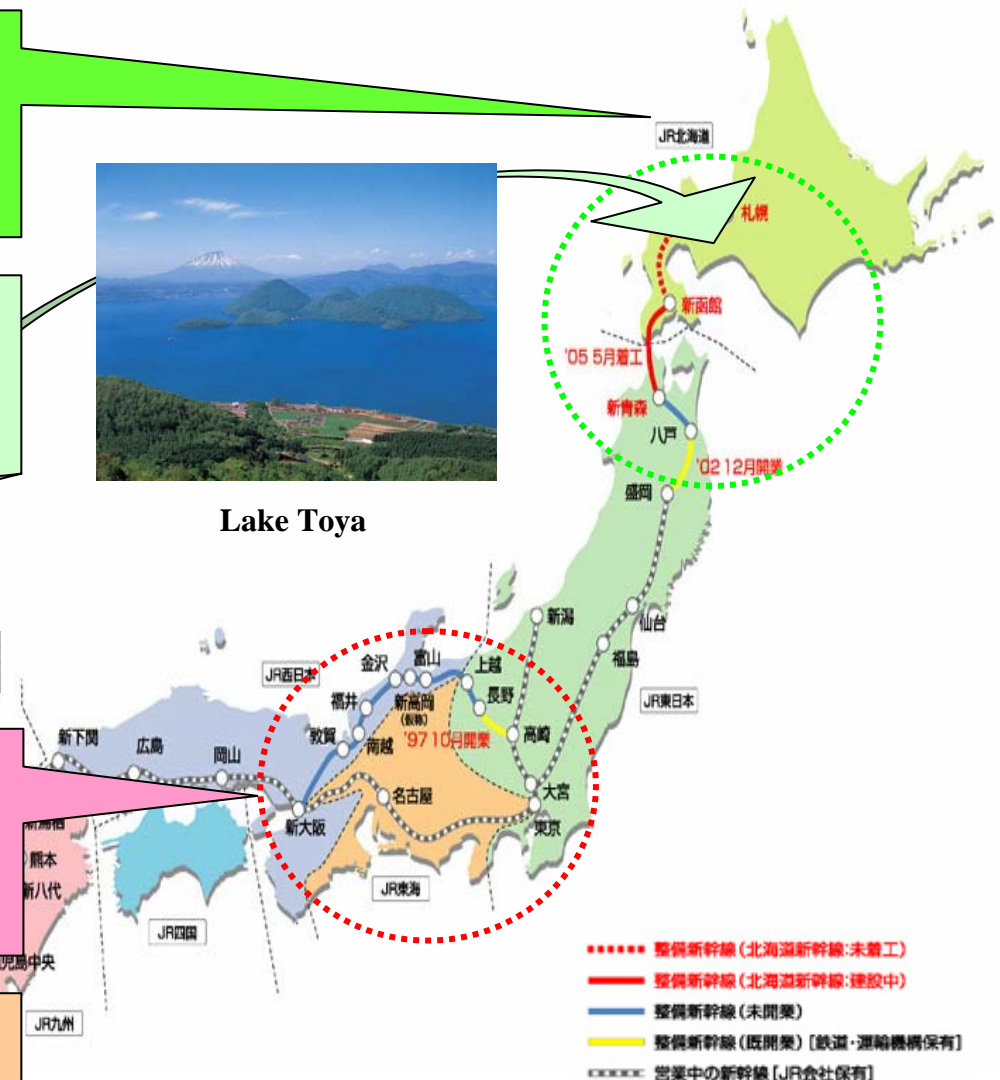
#### Hokuriku

##### ◎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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