



NEWS RELEASE

Mar 5, 2010

R&I Affirms BBB+, Stable: Sapporo Hokuyo Group

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

ISSUER: Sapporo Hokuyo Holdings, Inc. (Sec. Code: 8328)
Issuer Rating

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

ISSUER: North Pacific Bank, Ltd. (Sec. Code: Unlisted)
Issuer Rating

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

RATIONALE:

North Pacific Bank, Ltd. has the largest share of deposits and loans in Hokkaido. Especially, its fund procurement base centered on personal deposits is very stable. The competitive edge in the mortgage loan segment also remains strong. The balance of loans extended to small and medium-sized enterprises decreased due mainly to the share adjustment before and after the merger with the Sapporo Bank, Ltd., an affiliated bank within the same group. However, the balance is recovering thanks to the promotion of loans guaranteed by the Credit Guarantee Corp., among others.

An increase in loans is mainly attributed to guaranteed loans, loans for local governments and mortgage loans, which are less risky compared to business loans. The ratio of net risk-monitored loans is lower than the average for regional banks. However, the Bank has extended substantial volumes of loans to sectors in the harsh business environment, such as construction. The prolonged economic slump in Hokkaido is also putting downward pressure on the quality of its assets.

The Bank posted large impairment losses in FY2008 ended March 2009, but the market risk of the securities portfolio is significant. Its current risk resilience is low compared to other financial institutions rated in the BBB zone. Now that it has shifted to a less risky funds investment policy, however, R&I considers that the risk resilience will recover gradually as a shuffle of the securities portfolio proceeds.

The Bank's ROA based on pre-provision profit (excluding net bond related profit) is at the same level as the average for regional banks. Due to fierce interest competition in Hokkaido, profitability based on earnings from customer dealing is lower than before. Meanwhile, with a decrease in credit costs for 1Q-3Q of FY2009, the Bank secures a decent level of profitability after deduction of credit costs. However, in consideration of a decline in interest and the downward pressure on the assets quality, it will not be easy for the Bank to maintain the current level, in R&I's view.

The non-consolidated earnings and financial position of Sapporo Hokuyo Holdings, Inc., a holding company of North Pacific Bank, is sound. The holding company intends to continue to avoid double leverage in the future, and thus the Issuer Rating is on par with that for North

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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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Pacific Bank.

The Rating Outlooks are both Stable.

The primary rating methodologies applied to this rating are provided at "Basic Methodologies for R&I's Credit Rating" and "R&I's Analytical Approach to Pure Holding Companies". The methodologies are 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: Sapporo Hokuyo Holdings, Inc. (Sec. Code: 8328)
ISSUER RATING: BBB+ (Affirmed)
RATING OUTLOOK: Stable

ISSUER: North Pacific Bank, Ltd. (Sec. Code: Unlisted)
ISSUER RATING: BBB+ (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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