
Investor Meeting

~Interim Results for FY 2014~
(ended September 30, 2014)



Hokuhoku Financial Group, Inc.

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1 Interim Results for FY 2014 (ended September 30, 2014)

Summary of Interim Results

(JPY Bn)

【Consolidated】

	FY14 1H	change	FY13 1H
Ordinary income	96.4	1.1	95.2
Ordinary profits	21.8	(1.6)	23.5
Net income ①	13.8	1.5	12.3

【Total of two banks】

	FY14 1H	change	FY13 1H
Core Gross business profits	72.0	0.4	71.5
Net interest income	61.0	(0.4)	61.4
Net fees & commissions	9.5	0.7	8.7
Net trading income	0.1	(0.0)	0.1
Net other business profits	1.3	0.2	1.1
G&A expenses (-)	47.7	(0.1)	47.8
Core net business profits	24.3	0.6	23.7
Gains (losses) related to bonds	2.8	1.9	0.8
Net transfer to general allowance for loan losses (-)	0.0	0.0	-
Net business profits	27.1	2.5	24.5
Other non-recurring gains (losses)	(4.7)	(3.6)	(1.1)
Credit related costs (-)	2.9	2.9	0.0
Gains (losses) related to stocks	0.4	0.2	0.1
Ordinary profits	22.3	(1.0)	23.3
Net extraordinary gains (losses)	(0.4)	1.6	(2.1)
Corporate taxes (-)	7.0	(1.5)	8.5
Net income ②	14.8	2.1	12.6

【Consolidated】

Ordinary profits: ¥21.8Bn

(-¥1.6Bn compared to FY13 1H)
(+¥8.3Bn compared to earnings forecast
in the beginning of the period)

Net income: ¥13.8Bn

(+¥1.5Bn compared to FY13 1H)
(+¥6.3Bn compared to earnings forecast
in the beginning of the period)

【Total of two banks】

Core net business profits: ¥24.3Bn

(+¥0.6Bn compared to FY13 1H)
• Decrease in net interest income and
increase in net fees & commissions

Ordinary profits: ¥22.3Bn

(-¥1.0Bn compared to FY13 1H)
• Increase in gains (losses) related to bonds
and increase in credit related costs

Net income: ¥14.8Bn

(+¥2.1Bn compared to FY13 1H)
• Decrease in extraordinary losses and
corporate taxes

Difference between ① and ② (JPY Bn)

	FY14 1H	change	FY13 1H
Difference (①-②)	(1.0)	(0.6)	(0.3)
Net income of subsidiaries	0.8	(0.1)	0.9
Amortization of the goodwill	(1.0)	-	(1.0)
Others	(0.8)	(0.6)	(0.1)

Summary of Interim Results

	Hokuriku Bank			Hokkaido Bank			(JPY Bn)
	FY14 1H	change	FY13 1H	FY14 1H	change	FY13 1H	
Core Gross business profits	38.1	(0.8)	38.9	33.9	1.3	32.6	
Net interest income	31.9	(1.7)	33.6	29.1	1.2	27.8	
Net fees & commissions	5.1	0.6	4.5	4.3	0.1	4.2	
Net trading income	0.1	(0.0)	0.1	-	-	-	
Net other business profits	0.9	0.3	0.6	0.3	(0.1)	0.4	
G&A expenses (-)	25.9	0.0	25.8	21.7	(0.2)	21.9	
Core net business profits	12.2	(0.8)	13.0	12.1	1.5	10.6	
Gains (losses) related to bonds	2.7	1.9	0.8	0.0	0.0	0.0	
Net transfer to general allowance for loan losses (-)	(0.0)	(0.0)	-	0.0	0.0	0.0	
Net business profits	15.0	1.1	13.9	12.1	1.5	10.6	
Other non-recurring gains (losses)	(2.5)	(2.4)	(0.0)	(2.2)	(1.1)	(1.1)	
Credit related costs (-)	0.8	1.8	(0.9)	2.1	1.2	0.8	
Gains (losses) related to stocks	(0.0)	0.1	(0.1)	0.4	0.1	0.3	
Ordinary profits	12.5	(1.3)	13.9	9.8	0.3	9.4	
Net extraordinary gains (losses)	(0.4)	1.6	(2.0)	(0.0)	0.0	(0.0)	
Corporate taxes (-)	4.2	(0.3)	4.5	2.7	(1.2)	4.0	
Net income	7.8	0.5	7.2	7.0	1.6	5.4	

【Hokuriku bank】

Core net business profits: ¥12.2Bn
(-¥0.8Bn compared to FY13 1H)

- Decrease in net interest income and increase in sales commissions of insurance

Ordinary profits: ¥12.5Bn
(-¥1.3Bn compared to FY13 1H)

- Increase in credit related costs

【Hokkaido bank】

Core net business profits: ¥12.1Bn
(+¥1.5Bn compared to FY13 1H)

- Increase in interest and dividends on securities, sales commissions of insurance and investment trusts

Ordinary profits: ¥9.8Bn
(+¥0.3Bn compared to FY13 1H)

- Increase in credit related costs

Net Interest Income (Total of two banks)

- Interest incomes on loans decreased as the result of decline in average interest rate
- Interest and dividends on securities increased by improving investments in foreign bonds and investment trusts

【Breakdown of net interest income】

	(JPY Bn)		
	FY14 1H	change	FY13 1H
Net interest income	61.0	(0.4)	61.4
Loans	51.2	(2.4)	53.6
Securities(※)	12.5	1.0	11.5
Deposits & NCDs (-)	2.1	(0.7)	2.9

※Gains on cancellation of investment trusts:¥1.1 Bn
(+¥9.0Bn compared to FY13 1H)



Increase/decrease factors in net interest income

	(JPY Bn)	
	Balance	Rate
Loans	0.0	(2.4)
Securities	(0.4)	1.4
Deposits & NCDs (-)	0.0	(0.8)

【Avg. balance】

	(JPY Bn)		
	FY14 1H	change	FY13 1H
Loans	7,340.5	13.4	7,327.1
Securities	2,393.7	(84.2)	2,477.9
Deposits & NCDs	10,363.6	254.5	10,109.0

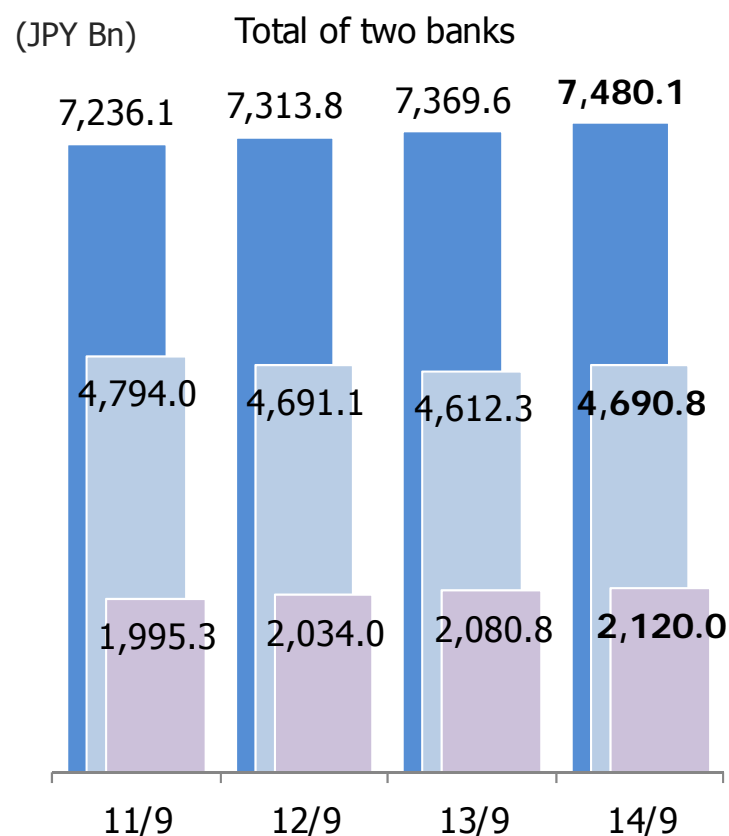
【Avg. rate】

	FY14 1H	change	FY13 1H
Loans	1.39%	(0.06%)	1.45%
Securities	1.04%	0.12%	0.92%
Deposits & NCDs	0.04%	(0.01%)	0.05%

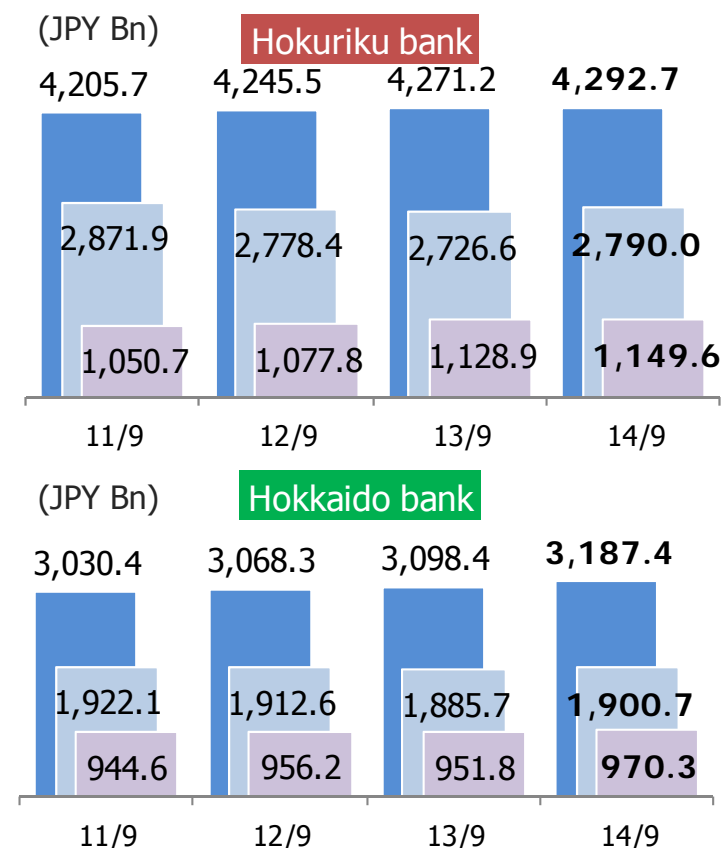
Loan Portfolio

- Balances of loans steadily increased , expanding amounts of increase compared to FY13 1H
- Balances of consumer loans continued to increase. Balances of loans to SMEs and consumers turned around to increase

【Balance of loans】



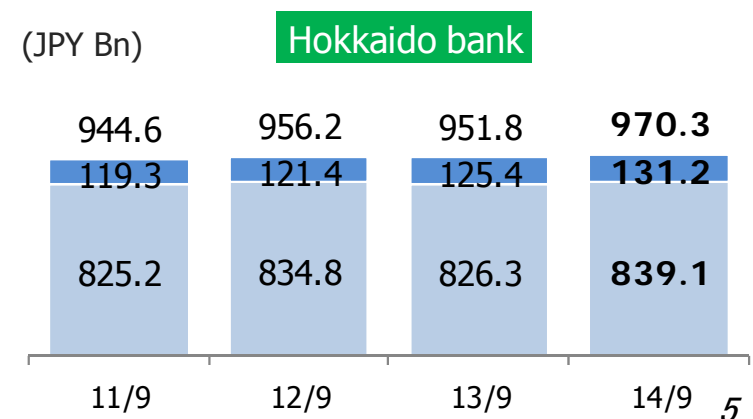
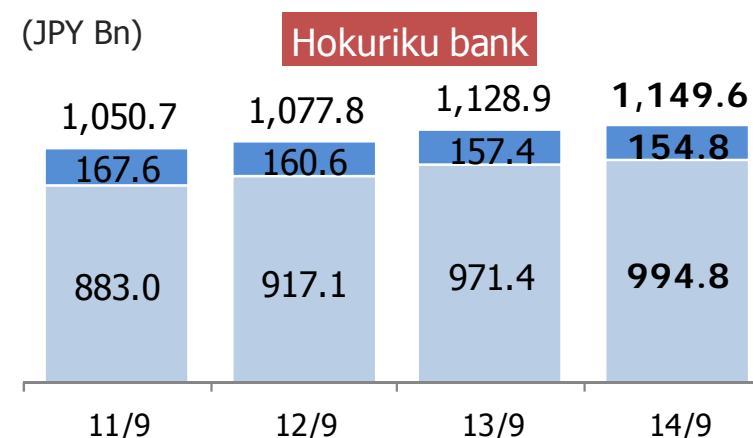
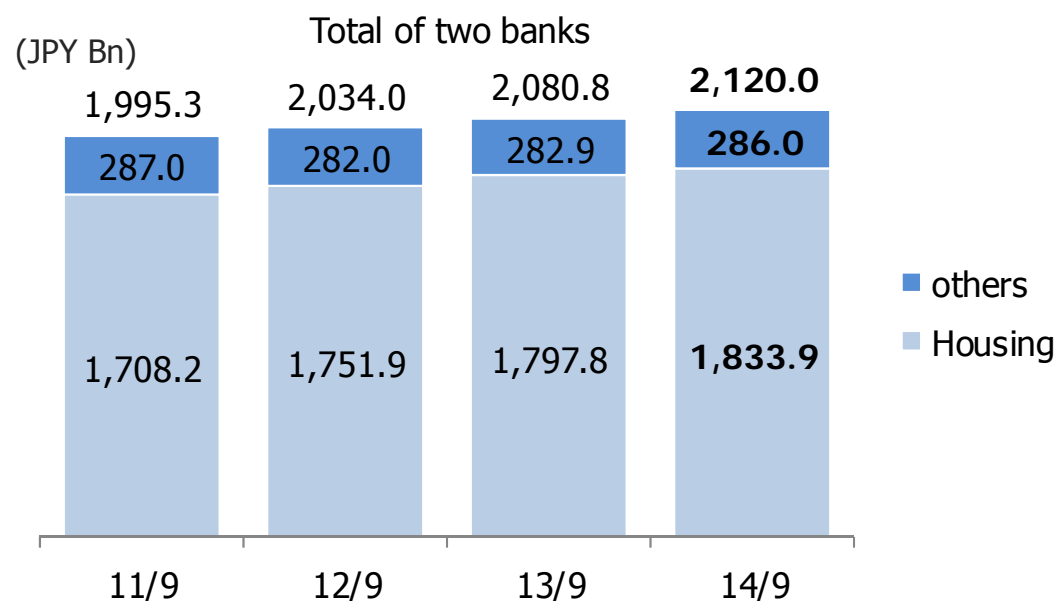
- Loans
- Loans to SMEs and consumers
- Consumer loans



Loan Portfolio

- Balances of consumer loans increased owing to increase in housing loans and card loans
- Sales amount of housing loans decreased in reaction to the spike demand ahead of the consumption tax hike

【Balance of consumer loans】



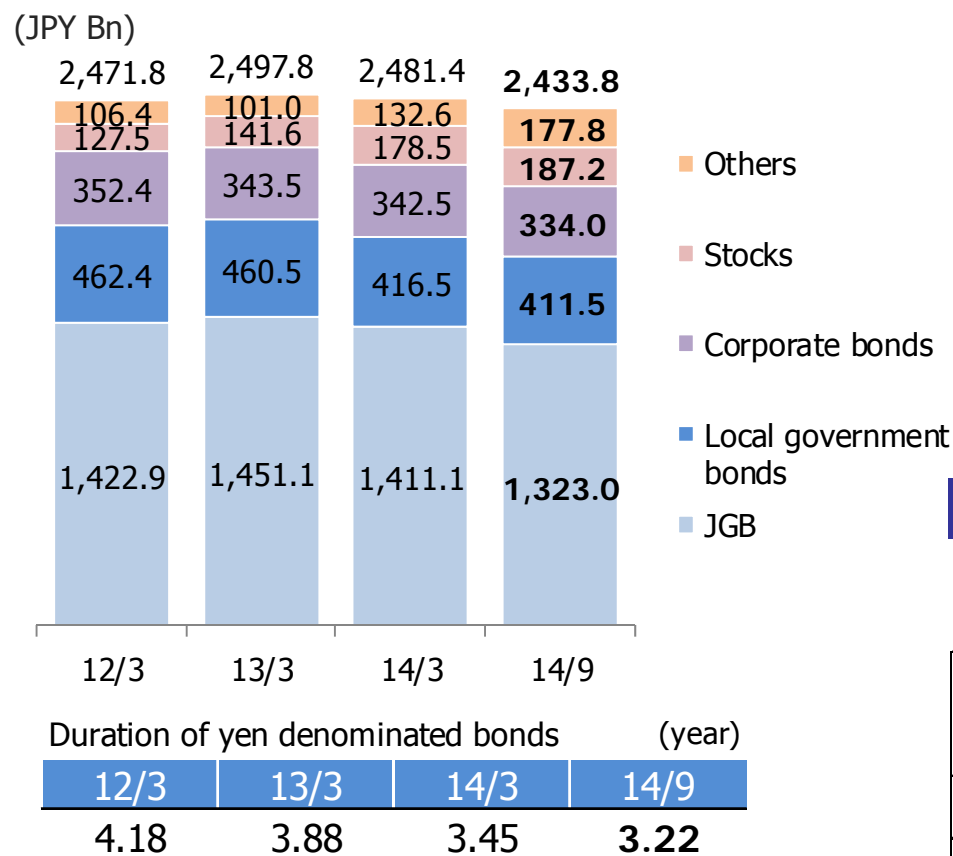
【Sales amount of housing loans】

	(JPY Bn)			
	FY11 1H	FY12 1H	FY13 1H	FY14 1H
Hokuriku bank	47.4	55.2	60.5	49.7
Hokkaido bank	34.2	38.7	34.0	37.1
Total of two banks	81.7	94.0	94.6	86.9

Securities Portfolio (Total of two banks)

- Balance of stocks and foreign securities increased , while balance of JGB decreased under the low interest rate environment
- Unrealized gains on available-for-sale securities increased by ¥17.7Bn reflecting uptrend of stock market

【Balance of securities】



【Valuation difference】

	(JPY Bn)		
	14/9	change	14/3
Available-for-sale securities	110.4	17.7	92.6
Bonds	65.1	17.6	47.4
Stocks	39.0	(1.5)	40.5
Others	6.2	1.5	4.6

【Balance, Yield, and Value at risk of yen denominated bonds】

	(JPY Bn)		
	14/9	change	14/3
Balance	2,068.7	(101.4)	2,170.2
Floating rate government bonds	385.0	(24.7)	409.7
Avg. yield	0.66%	(0.04%)	0.71%
VaR	20.3	(3.3)	23.7

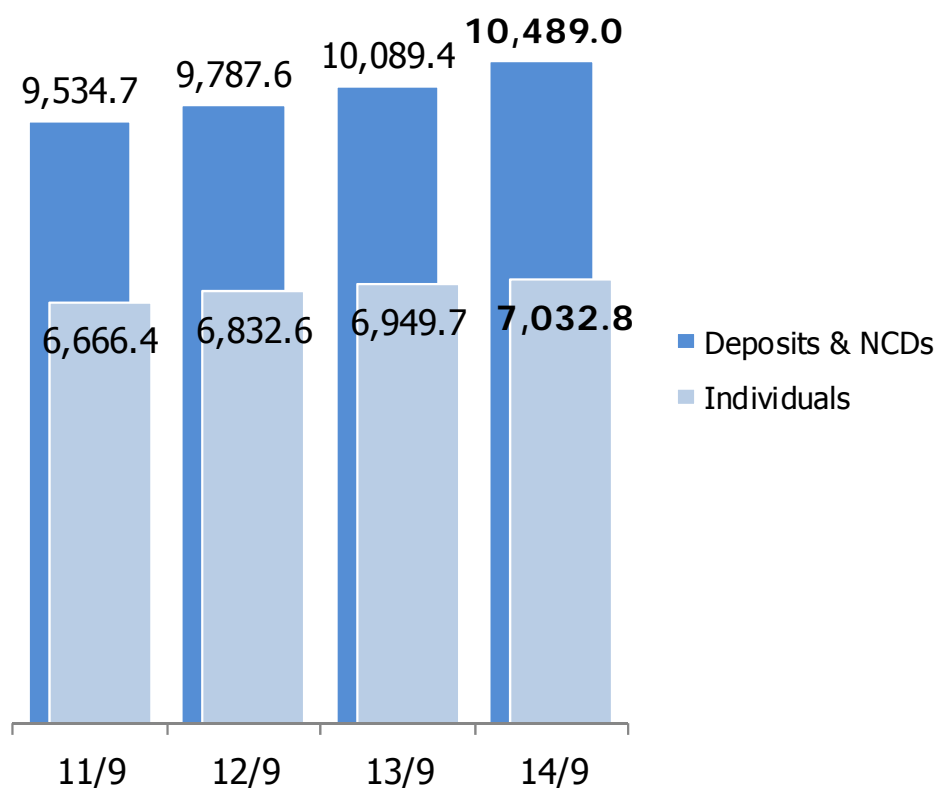
Deposits & NCDs

- Balances of deposits and NCDs increased in all segments
- Deposits of individuals increased by ¥83.1Bn to ¥7,032.8Bn

【Balance of deposits & NCDs】

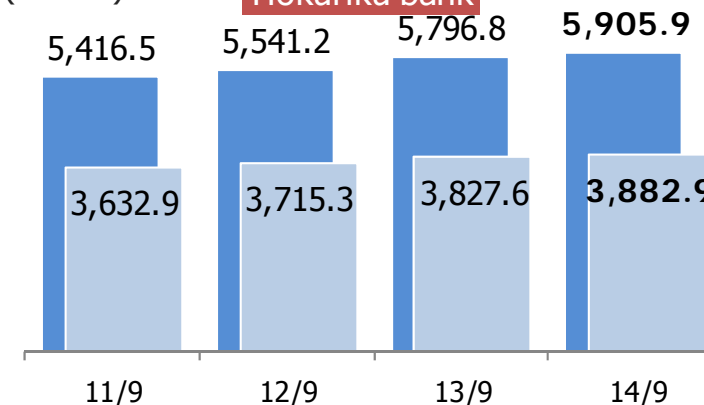
(JPY Bn)

Total of two banks



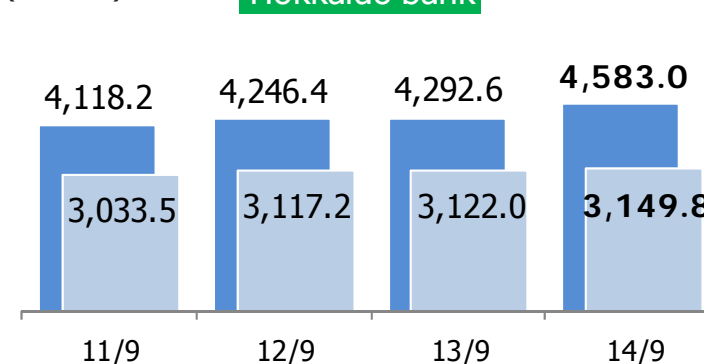
(JPY Bn)

Hokuriku bank



(JPY Bn)

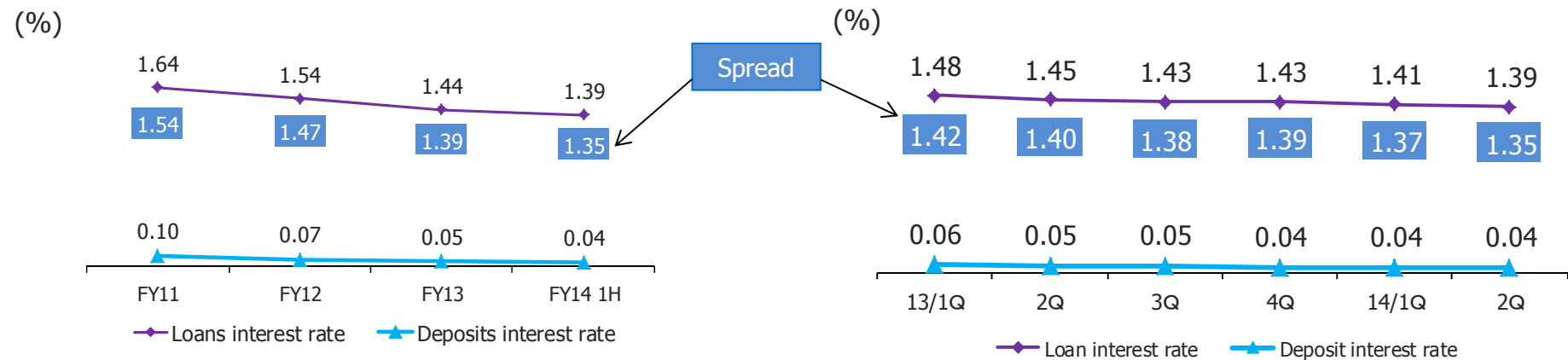
Hokkaido bank



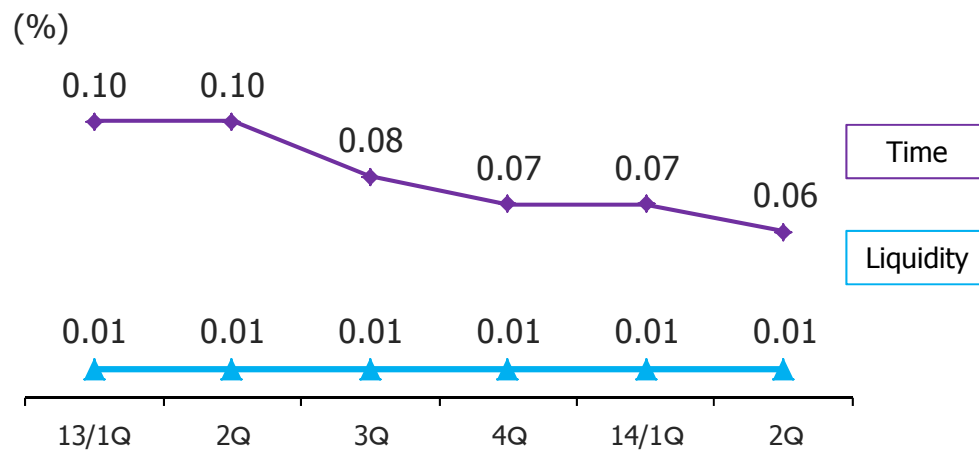
Interest Margins (Total of two banks)

- Interest rate of corporate loan has been ceasing to decline
- Interest rate of consumer loans continued to decline due to lower interest rate of new loans

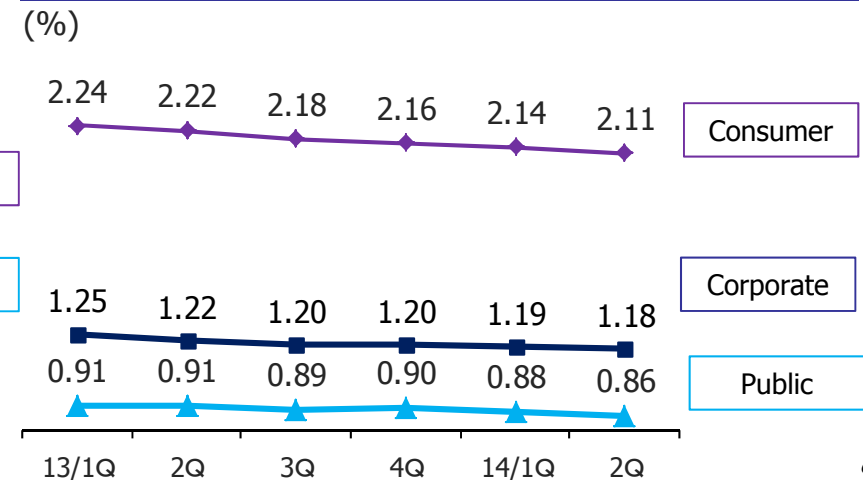
【Interest rate of yen dominated loans and deposits】



【Interest rate of yen dominated deposits】



【Interest rate of yen dominated loans】



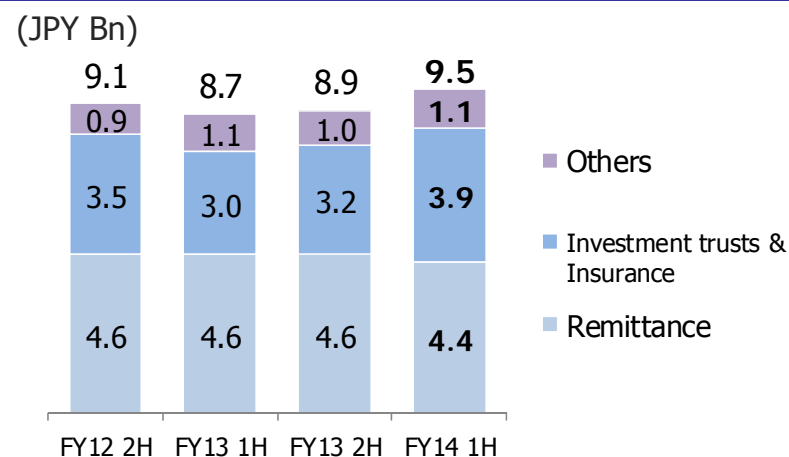
Net Fees and Commissions Income (Total of two banks)

- Net fees and commissions increased by ¥0.7Bn owing to the increasing sales commissions of insurance and investment trusts
- Balance and sales amount of investment trusts increased owing to the uptrend of stock market

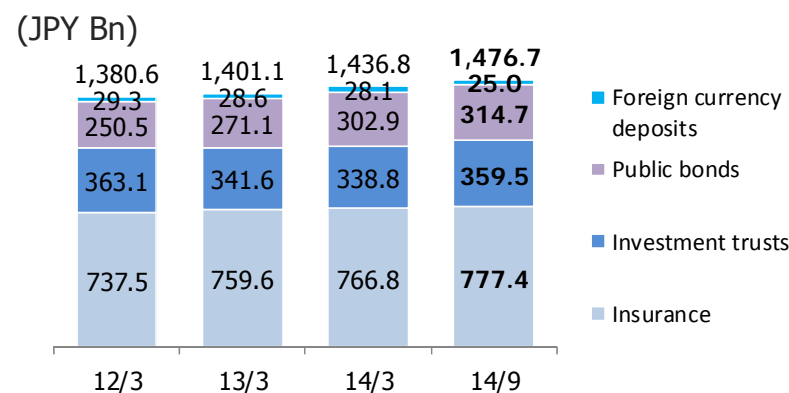
【Fee revenue】

	(JPY Bn)		
	FY14 1H	change	FY13 1H
① Net fees and commissions	9.5	0.7	8.7
Fees and commissions	17.1	0.6	16.4
Remittance	5.4	(0.1)	5.5
Investment trusts	2.3	0.2	2.1
Insurance	1.5	0.6	0.8
Fees and commissions payments	7.6	(0.0)	7.6
Remittance	0.9	(0.0)	0.9
Loan related expenses	4.8	(0.0)	4.9
② Net trading income	0.1	(0.0)	0.1
③ Net other income (excluding gains (losses) related to bonds)	1.3	0.2	1.1
Gains on foreign exchange transaction	0.6	(0.2)	0.8
Net income (expenses) on derivatives	0.7	0.4	0.3
④ Fee revenue ①+②+③	11.0	0.9	10.0
⑤ Core gross business profits	72.0	0.4	71.5
⑥ Fee revenue ratio ④/⑤	15.30%	1.20%	14.10%

【Net fees and commissions】



【Balance of investment products for individuals】

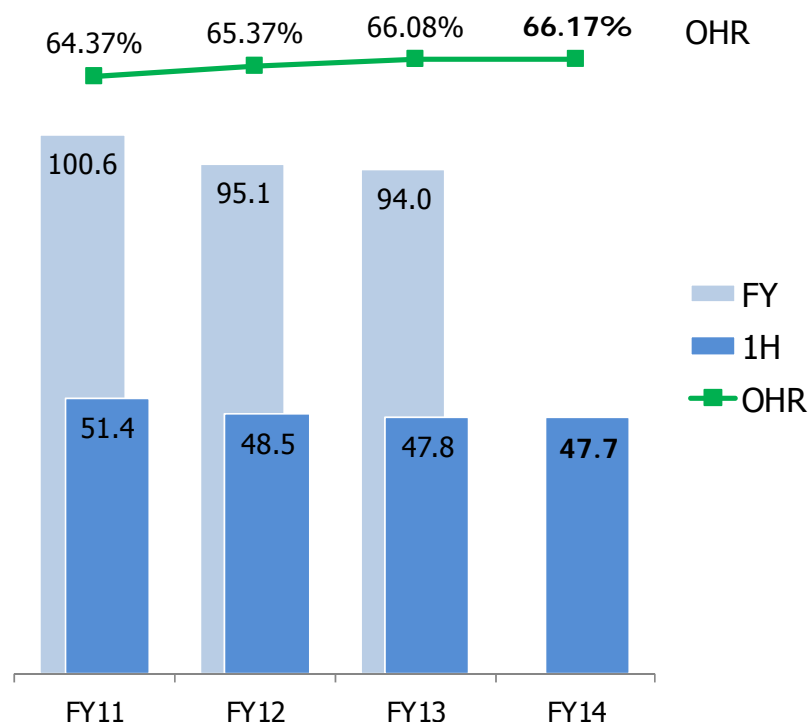


G&A Expenses (Total of two banks)

- G&A expenses decreased by ¥0.1Bn due to the decrease in personnel and non-personnel expenses , while taxes increased due to the consumption tax hike
- Core OHR remained at the same level

【G&A expenses and OHR】

(JPY Bn)



OHR=G&A expenses / core gross business profits

【Increase/decrease factors in G&A expenses】

(JPY Bn)

	FY14 1H	change	FY13 1H
Personnel	22.1	(0.1)	22.2
Non-personnel	22.9	(0.3)	23.2
Taxes	2.6	0.2	2.3
G&A expenses	47.7	(0.1)	47.8

【Number of employees】

	14/9	change	13/9
Employees (excluding temporary staffs)	5,283	(28)	5,311
Temporary staffs	3,176	(6)	3,182

Net Credit Costs (Total of two banks)

➤ Net credit costs increased as compared to FY13 1H , but still kept at low level

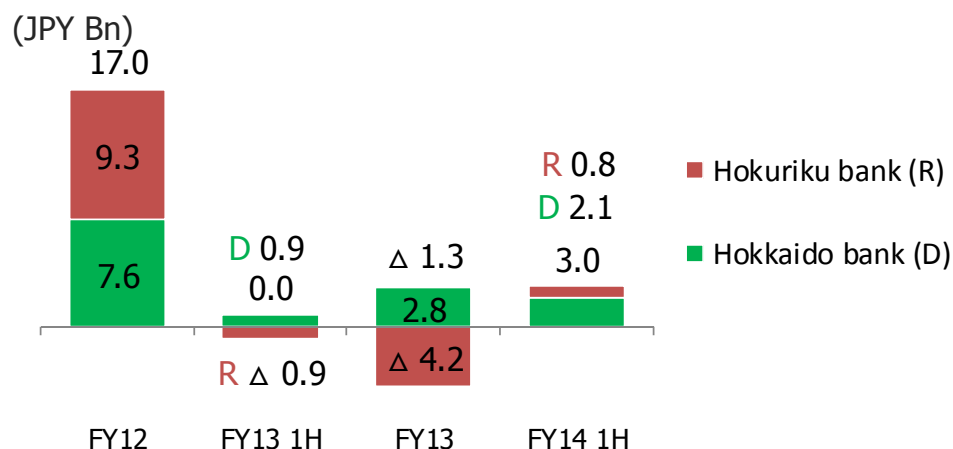
【Increase/decrease factors in net credit costs】

	(JPY Bn)		
	FY14 1H	change	FY13 1H
Net credit costs	3.0	2.9	0.0
Net transfer to general allowance for loan losses	0.0	0.0	[Δ0.3]
Credit related costs	2.9	2.9	0.0
Net transfer to specific allowance for loan losses	2.6	2.6	[0.2]
Reversal of allowance for loan losses	—	Δ 0.0	→ 0.0

Increase/decrease factors in specific allowance for loan losses

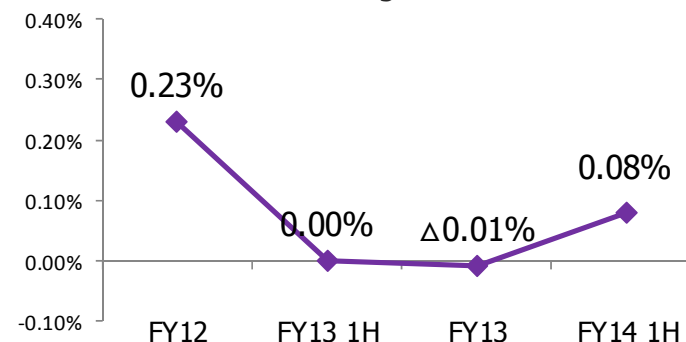
	(JPY Bn)		
	FY14 1H	change	FY13 1H
New downgrades	6.2	0.8	5.4
New upgrades	(0.5)	0.1	(0.7)
Decrease in collateral value, etc.	0.9	(0.1)	1.0
Collections, etc.	(3.6)	2.1	(5.7)

【Net credit costs】



【Credit cost ratio】

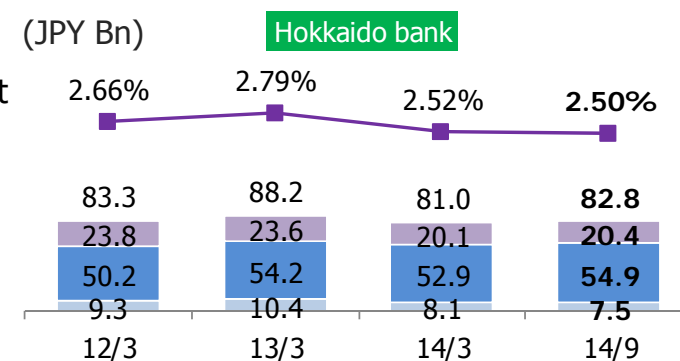
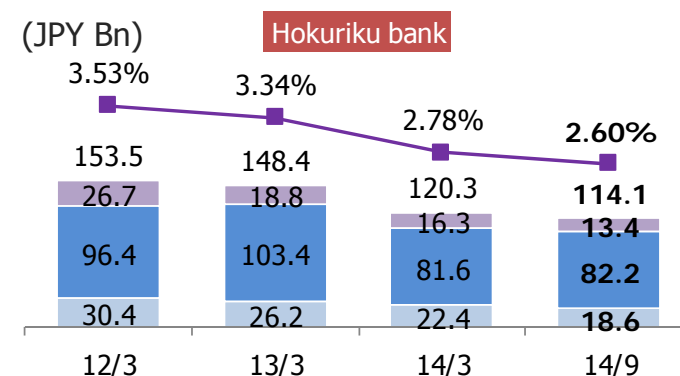
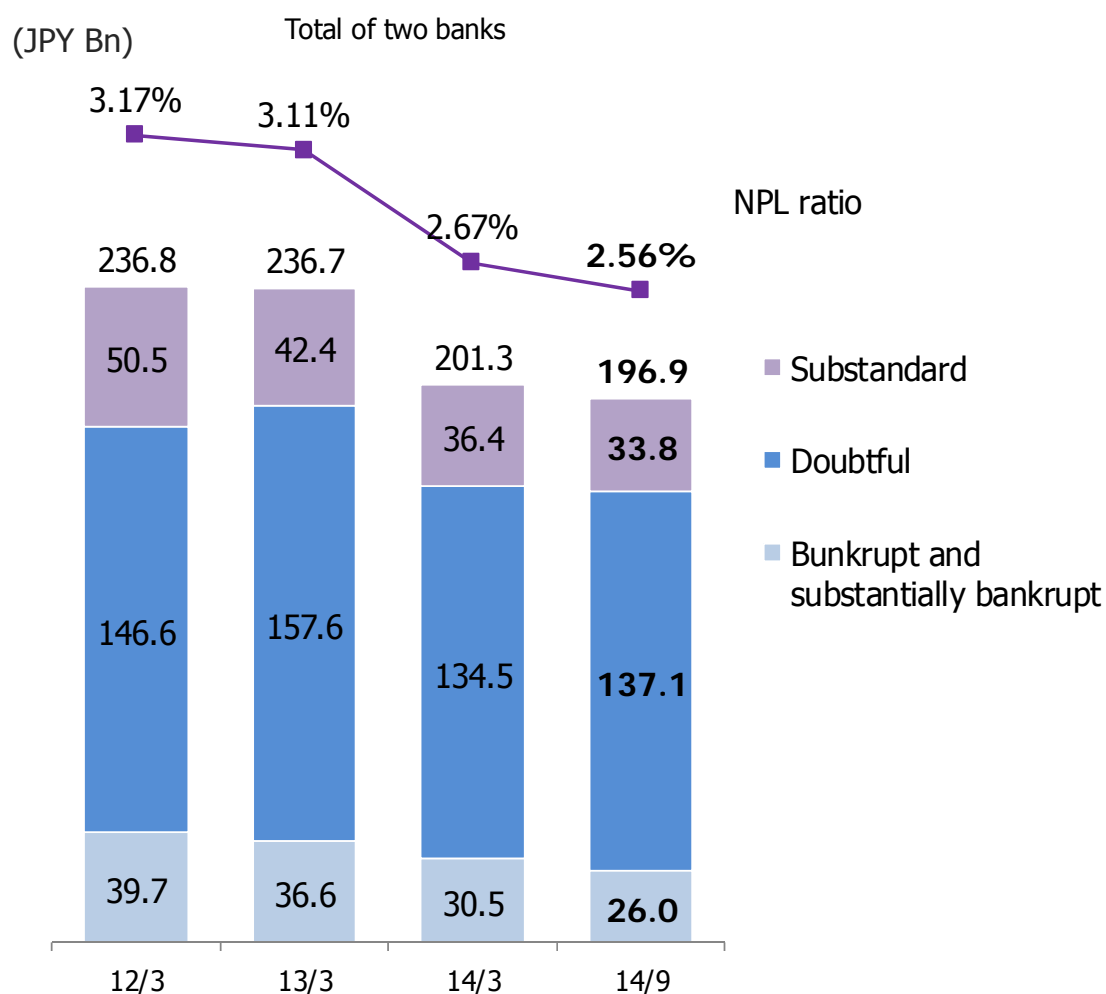
(Net credit costs / Average balance of loans)



Non-Performing Loan

- NPL decreased mainly in bankrupt and substantially bankrupt classification ,
NPL ratio improved by 0.11 points compared to Mar-13

【Balance of non-performing loan】



Capital

- Capital adequacy ratio decreased by 0.93 points , mainly due to the redemption of subordinated debts (¥45 Bn)

【Capital and risk-weighted assets】

【Basel III, Domestic Standard】

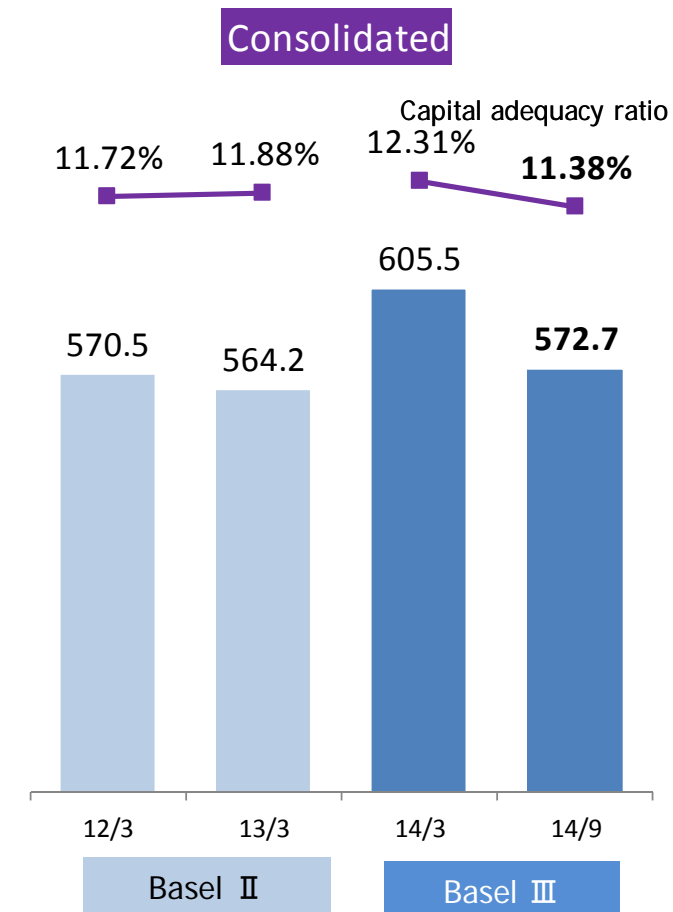
[Consolidated]	Transitional arrangements			(JPY Bn)
	14/9	change	14/3	Full implementation 14/9
Capital	572.7	(32.7)	605.5	386.1
Instruments and reserves	594.0	(33.8)	627.9	414.8
Regulatory adjustments (-)	21.2	(1.1)	22.4	28.7
Risk-weighted assets	5,030.2	111.5	4,918.6	5,015.3
Capital adequacy ratio	11.38%	△ 0.93%	12.31%	7.69%

【Interest rate risk in banking book】

Total of two banks	(JPY Bn)		
	14/9	change	14/3
Total interest rate risk	13.8	1.3	12.5
Outlier ratio	2.42%	0.35%	2.07%

【Capital adequacy ratio】

(JPY Bn)



Forecasts

【Earnings forecasts for FY14】

(JPY Bn)

Consolidated	FY14 Forecasts	Change from FY13
Ordinary income	185.0	(5.9)
Ordinary profits	35.0	(14.4)
Net income	21.0	(6.3)

【Dividend forecasts for FY14】

	Interim	Year-end	Annual
Dividend per common share	—	¥4.00	¥4.00
Dividend per preferred share (Type5)	¥7.50	¥7.50	¥15.00

【Earnings forecasts for FY14】

	Total of two banks		Hokuriku bank		Hokkaido bank (JPY Bn)	
	FY14 Forecasts	Change from FY13	FY14 Forecasts	Change from FY13	FY14 Forecasts	Change from FY13
Ordinary income	171.5	(6.5)	93.0	(4.7)	78.5	(1.7)
Core gross business profits	141.0	(1.2)	76.0	(1.0)	65.0	(0.2)
G&A expenses	95.0	0.9	51.0	0.4	44.0	0.5
Core net business profits	46.0	(2.2)	25.0	(1.4)	21.0	(0.7)
Net credit costs	9.0	10.3	4.0	8.2	5.0	2.1
Ordinary profits	35.0	(13.5)	20.0	(10.4)	15.0	(3.0)
Net income	22.0	(5.5)	12.0	(5.8)	10.0	0.3

2.Management Strategy

Medium-term Management Plan

Medium-term Management Plan “GO for IT !”

“A term for establishing optimized business strategy of sustainable growth”

(3Years : from April 2013 to March 2016)

Name

“GO for IT !”

Target
Corporate
Profile

Close and Reliable Financial Group for Local Customers

Activate regional economy & Raise corporate value

Strengthening
Marketing
Capabilities

- Expand customer base
- Strengthen consultation service
- Take advantage of our extensive network
- Improve marketing strategy for personal customer
- Increase investment in securities

Improving
Management
Efficiency

- Operational intensification / Promotion of joint operation
- Take advantage of shared use of banking system
- Enhance operational effectiveness /
Reconsider resource allocation of headquarters and branch

Cementing
Management
Foundation

- Improve quality of capital in line with Basel III
- Enhance asset quality
- Strengthen corporate revitalization

2-1

Strengthening Marketing Capability

Improve marketing strategy for personal customer

① Housing loans

- Increase loan balance by widely taking in customers' needs of housing purchase and housing reform

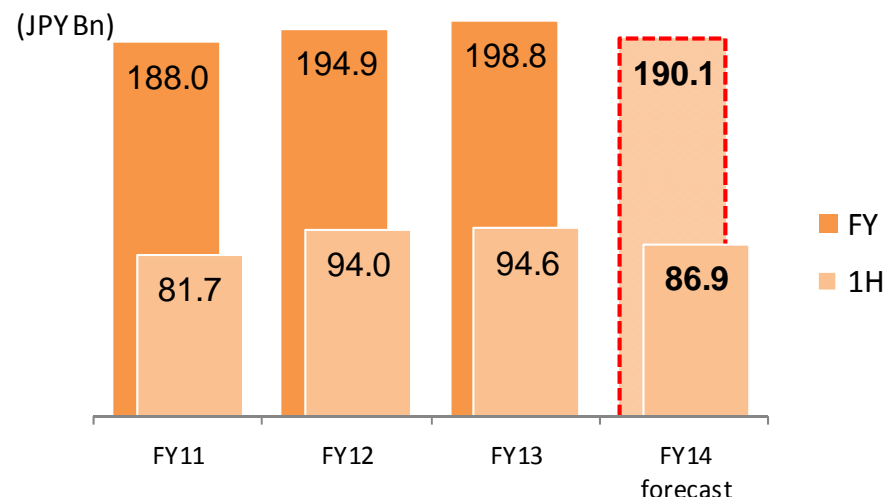
Adding extra value / Sales promotion

- New housing loan with insurance on spouse released
- Increased maximum amount of Reform Loan
- Sales campaign with promotional interest rates

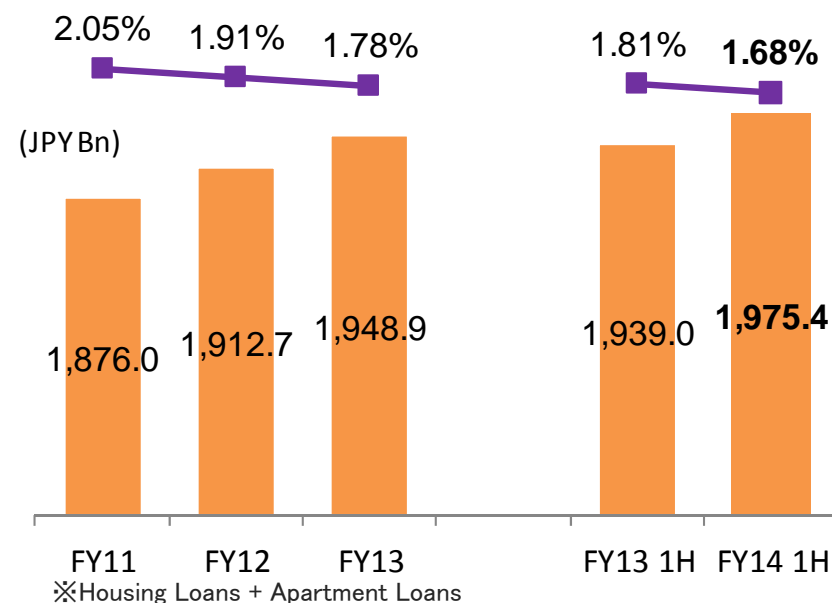
Expanding contacts with customers

- Web application for housing loans
- Web applications for early repayments and interest rate reset
- Active use of Housing Loan Plazas, where consulting counter opens on holidays
- Establish solid relationships with house constructors

【Sales amount of housing loans】



【Ave. balance and rate of housing loans(*)】



Improve marketing strategy for personal customer

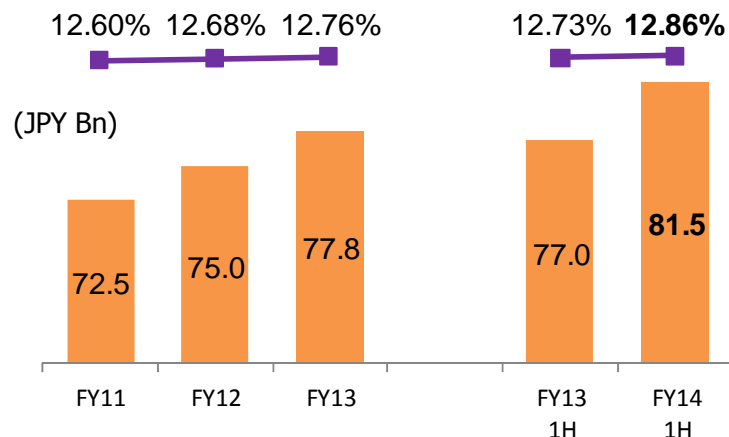
② Card Loans

- Increase high yield loan balance by taking in demand for small loans

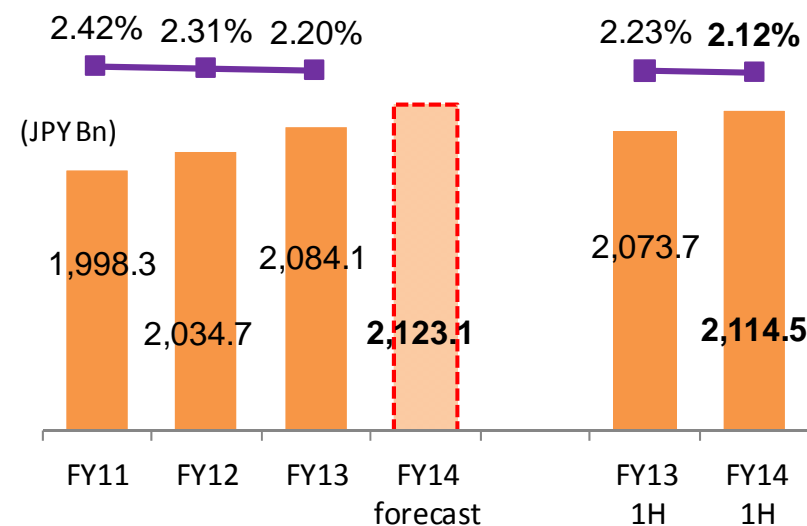
Acquisition of new customer / Promotion for loan utilization

- Expand TV commercials and newspaper advertisements
- Credit limit increase for customers with good payment history

【Ave. balance and rate of card loans】



【Ave. balance and rate of Consumer loans】



- Continue to increase consumer loan mainly by stable sales of housing loans
- Suppress decrease of interest rate by increasing high yield card loans

Improve marketing strategy for personal customer

③ Investment Products

- **Increase fees & commissions by taking in customers' needs for asset building and asset management**

Improve proposal skills

- Effective use of tablet terminals
- Implement Event-Based-Marketing

Extend customer base by increasing NISA accounts

	Sep-30,2013	Mar-31,2014	Sep-30,2014
①The number of investment trusts accounts	203, 935	206, 359	214, 733
②The number of NISA accounts	16, 502	29, 240	43, 665
The ratio(②/①)	8. 1%	14. 2%	20. 3%

- Hold asset management seminars for customers

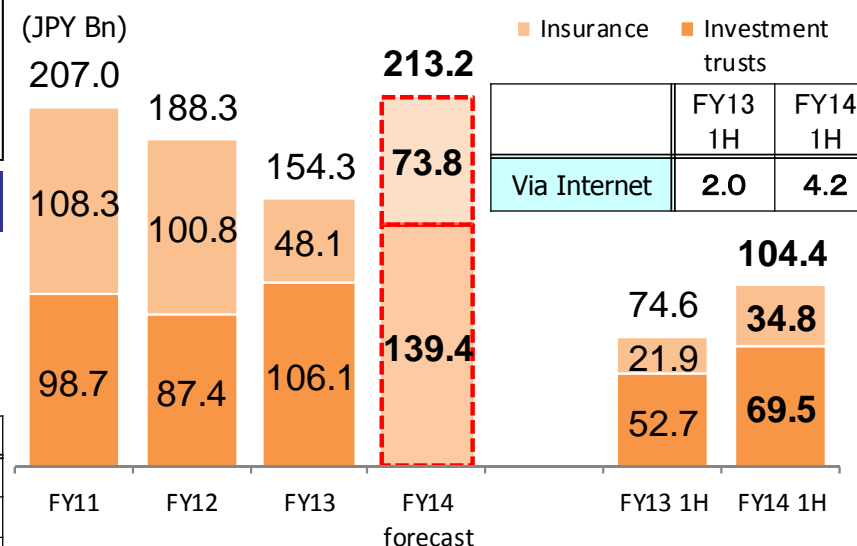
Internet banking

- Introduce investment products exclusively for internet banking
- Menu screen compatible with smartphones
- Enable public bond trade by internet banking

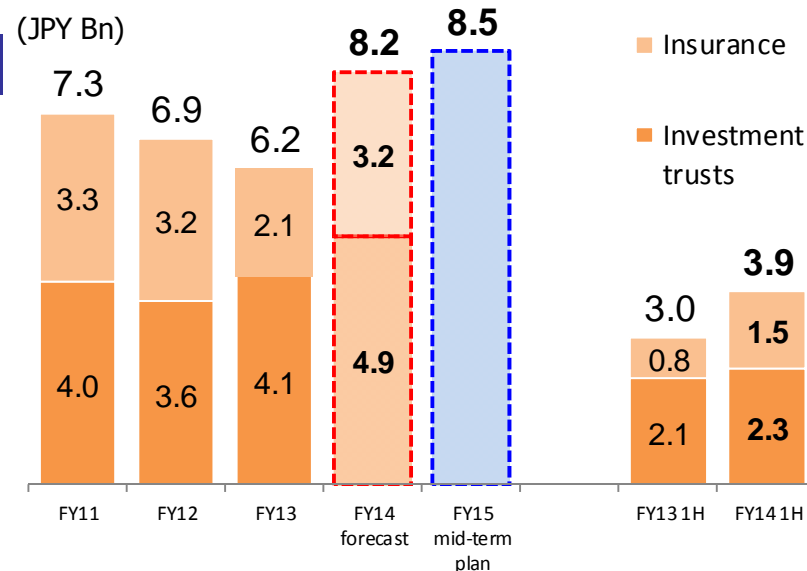
Human resources development

- Strengthen consultation at the bank counter
- Introduce sales staffs dedicated to sales of investment products

【Sales Amounts of investment products】



【Fees from investment products】



Strengthen customer relationship with consultation service

- Create fund demand by offering solutions to business problems of customers
- Expand business support for growing industries

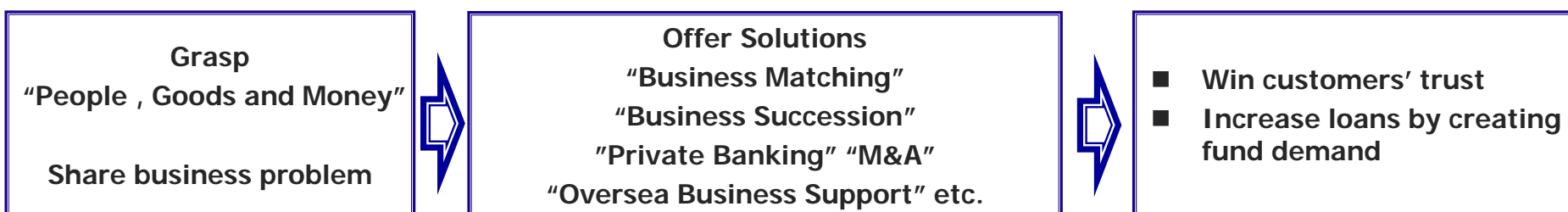


Put the breaks on decreasing business loans and declining interest rate

Share customers' needs and problems ⇒ Offer solutions

Hokuriku Bank : Select "The Support Theme" for each customer , standing on the customer's perspective

Hokkaido Bank : Strategically select customer to support with full efforts of the headquarter and the branch



Growing industries

Balance of loans (JPY Bn)

	13/3	14/3	14/9
Medical and Welfare (total of two banks)	199. 6	213. 6	223. 1
Agriculture etc. (Hokkaido bank)	27. 0	30. 3	32. 0

- Expand supports for companies of medical and welfare industries
- Support business expansion of farmers and food companies

Human resources development

Lawyer	CPA	Farming Adviser	Medical Management Consultant	Medical Management Specialist
4	12	68	2	21

M&A

- Hokuriku Bank and Hokkaido Bank were awarded "Banker of the year" etc. from "Nihon M&A Center Inc."

Take advantage of our extensive network

Create business opportunities by utilizing our extensive network expanding in "Japan" "China" "Southeast Asia" "Russia".



Create fund demand and strengthen relationships by supporting customers' business expansion

Create business opportunities by utilizing our overseas network

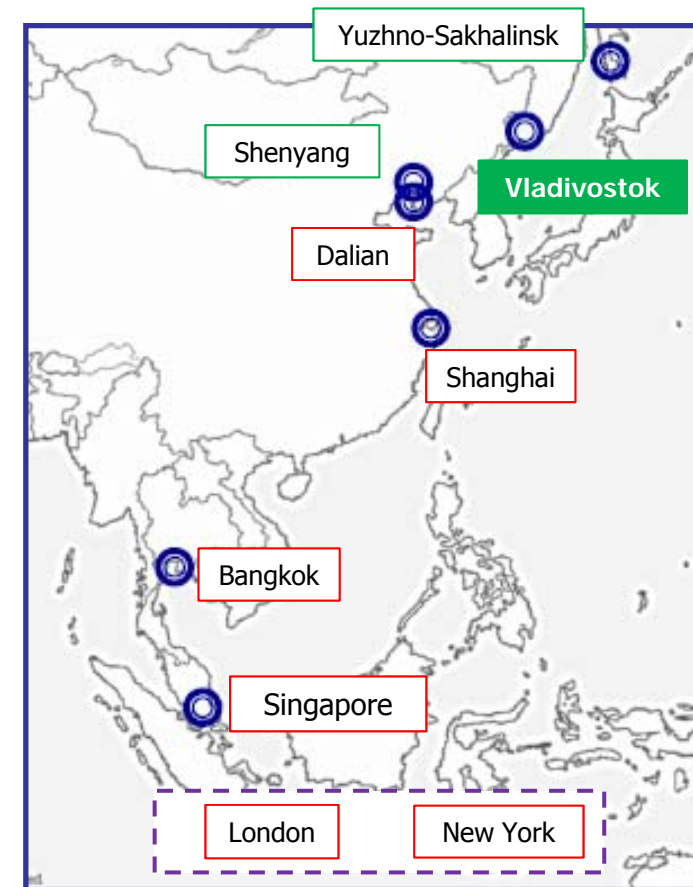
- New overseas office: Yuzhno-Sakhalinsk office established in March, 2014.
- Formed a business alliance with CTBC Financial Holding Co., Ltd. (Taiwan) in July, 2014.
- Provide information and creating business opportunities by holding business matching fairs and seminars

Create business opportunities by utilizing our domestic network

- Hokkaido and Tohoku business matching conference
- Find business partners using Hokuriku bank and Hokkaido Bank branch network

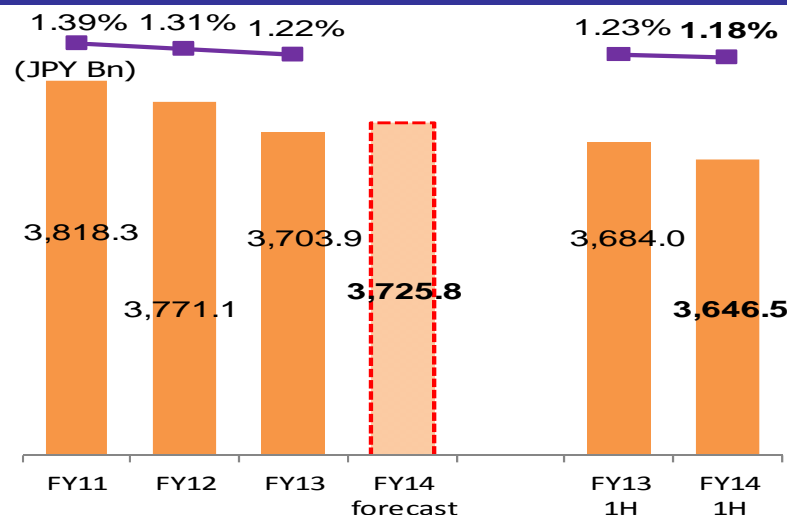
Human resources development

- Implementation of overseas training

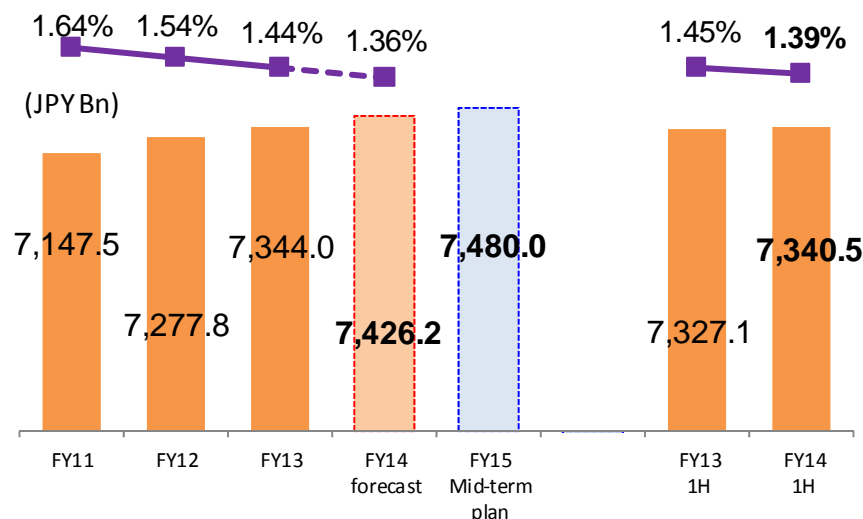


Forecast of Loans and Deposits

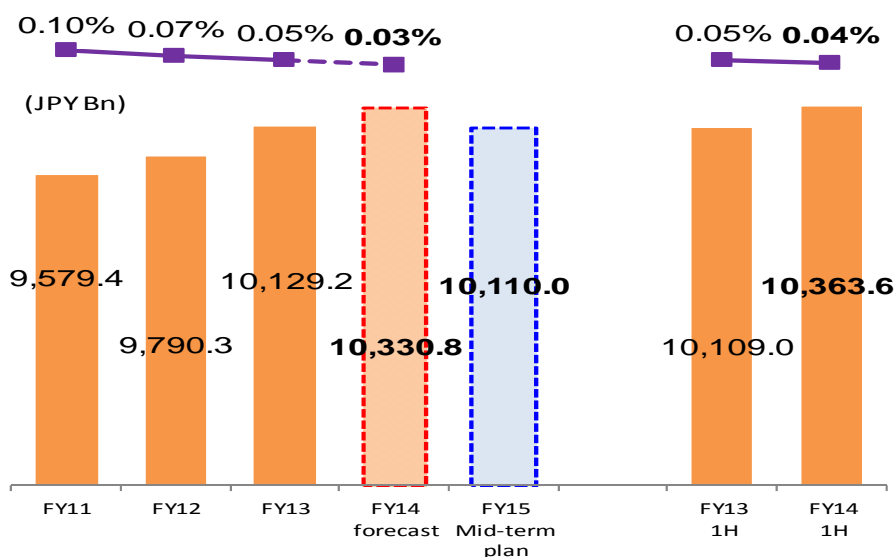
【Ave. balance and rate of business loans】



【Ave. balance and rate of Loans】



【Ave. balance and rate of deposits】



Loans

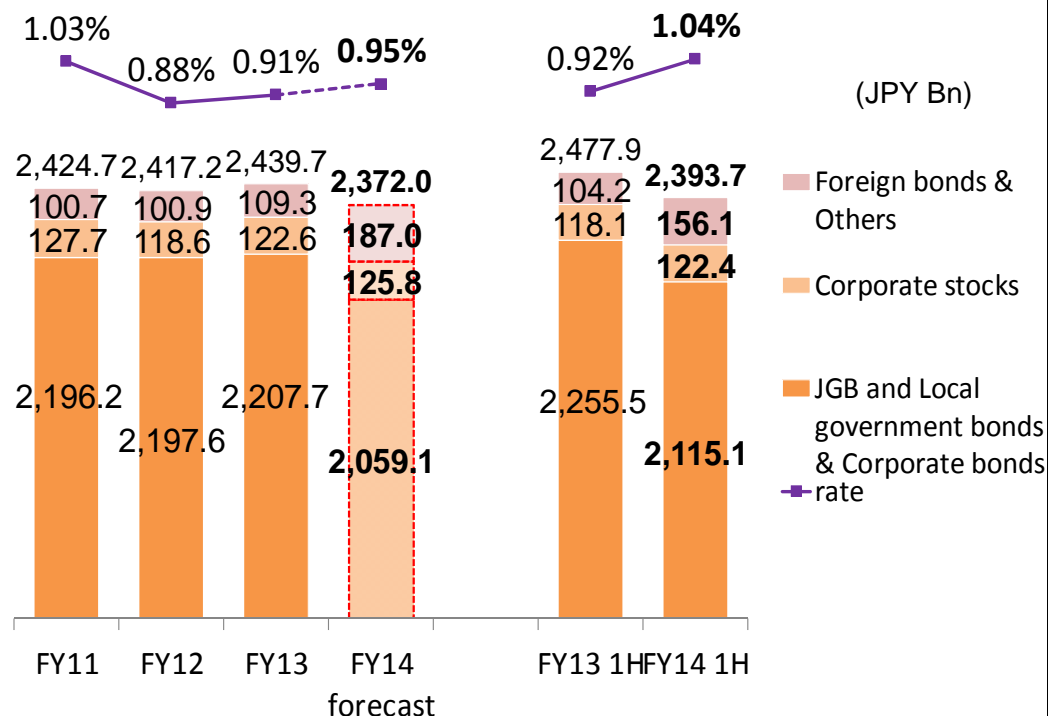
- Continue to increase loan balance aiming for the target for the final year of the Mid-term plan
- Suppress a decrease of interest rate by increasing "Card loan" and enhancing "Solution business"

Deposits

- Maintain deposit increase by expanding accounts used to receive salary and pension

Increase investment in securities

【 Ave. balance and rate of securities 】



- Improve average yield by increasing investment trusts and foreign bonds
- Flexibly buy and sell JGB in accordance with interest rate condition

【Forecast of Ave. balance】

(JPY Bn)

	FY14	change	FY13
Loans	7,426.2	82.1	7,344.0
Securities	2,372.0	△ 67.7	2,439.7
Deposits & NCDs	10,330.8	201.6	10,129.2

【Forecast of rate】

	FY14	change	FY13
Loans	1.36%	△0.07%	1.44%
Securities	0.95%	0.03%	0.91%
Deposits & NCDs	0.03%	△0.01%	0.05%

2-2

**Improving
Management Efficiency**

Measures for Operational Efficiency

Consolidated use of banking system

➤ The 77 Bank ,Ltd. to join “MEJAR” system in Jan. 2016.

- May. 2011 : Transition to “MEJAR” system
- Oct. 2015 : System renewal to Version II
Commonage of server system
- Jan.2016 : The 77 Bank ,Ltd. to join “MEJAR”

【MEJAR~Joint use of Banking System】



Reduction of the system cost of
development and maintenance

Branch operation restructuring

➤ Restructure branch operation in accordance with regional population trend

Urban area

Operate as groups each consist of a core branch and satellite branches to enhance efficiency keeping service quality. Skilled customer relations staff of core branch take charges of customers of a whole group including those of satellite branches.

Rural area

Provide sufficient service by small number of staff using head office support such as videophone consulting.

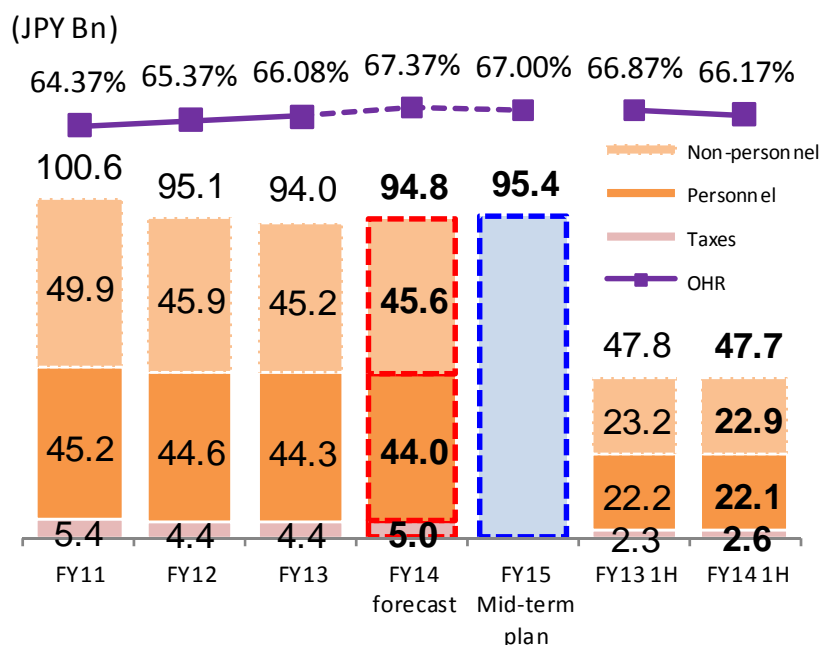
G&A Expenses / OHR

Accelerating effects of synergy

- **Reduce costs by accelerating unification and consolidation of business procedure.**
 - Consolidation of business management (Risk management , Auditing etc.)
 - Unification of branch business procedure and subsystem
 - Improvement of the business skills by exchanging human resources of each bank

【G&A Expenses - OHR】

- **Achieve cost reduction absorbing the effect of consumption tax hike.**



- Reducing personnel costs by centralizing business process.
- Review number and location of ATMs
- Lower the rent cost of branch offices
- Reducing costs by unification and consolidation of business procedure of two banks.

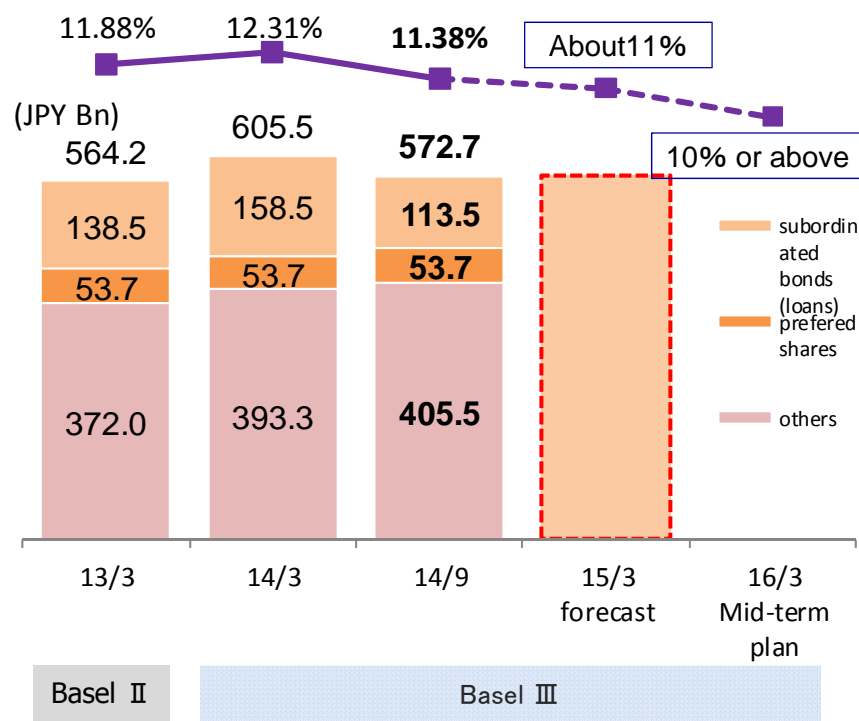
2-3

**Establish Solid
Management Foundation**

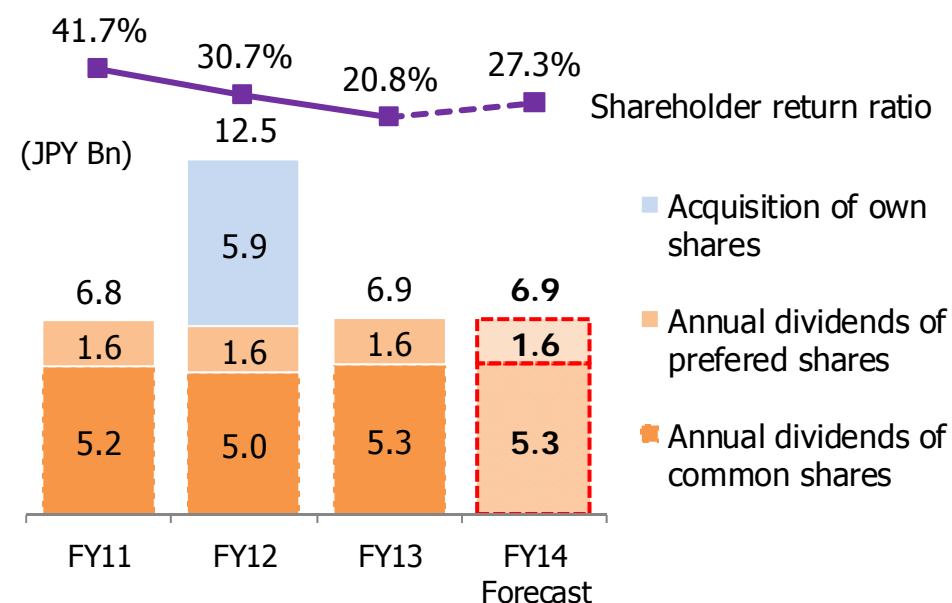
Improve capital quality / Enhance asset quality

- Pay back the subordinated capital reducing costs of funding
- Maintain 10% or above of capital adequacy ratio in the end of FY 15 by accumulating internal reserve and controlling risk in asset

【 Capital adequacy ratio 】



【 Shareholder returns 】



FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14 Forecast
2.50	3.00	3.50	3.75	3.75	3.75	4.00	4.00

Medium-Term Management Plan “GO for IT !”

【The progress from April-2013 to Sep-2014】

	FY13	FY14 1H (FY14 forecast)	FY15 plan
Avg. balance of Deposits	¥ 10,129.2 Bn	¥ 10,363.6 Bn (¥ 10,330.8 Bn)	¥ 10,110.0 Bn
Avg. balance of Loans	¥ 7,344.0 Bn	¥ 7,340.5 Bn (¥ 7,426.2 Bn)	¥ 7,480.0 Bn
Core net business profits	¥ 48.2 Bn	¥ 24.3 Bn (¥ 46.0 Bn)	¥ 47.0 Bn
Net income (Consolidated)	¥ 27.3 Bn	¥ 13.8 Bn (¥ 21.0 Bn)	¥ 18.5 Bn
Capital adequacy ratio (Consolidated)	12.31%	11.38%	10% or above
OHR (Core gross business profits basis)	66.08%	66.17% (67.37%)	67.00%
NPL ratio	2.67%	2.56%	Below 3%

Appendix

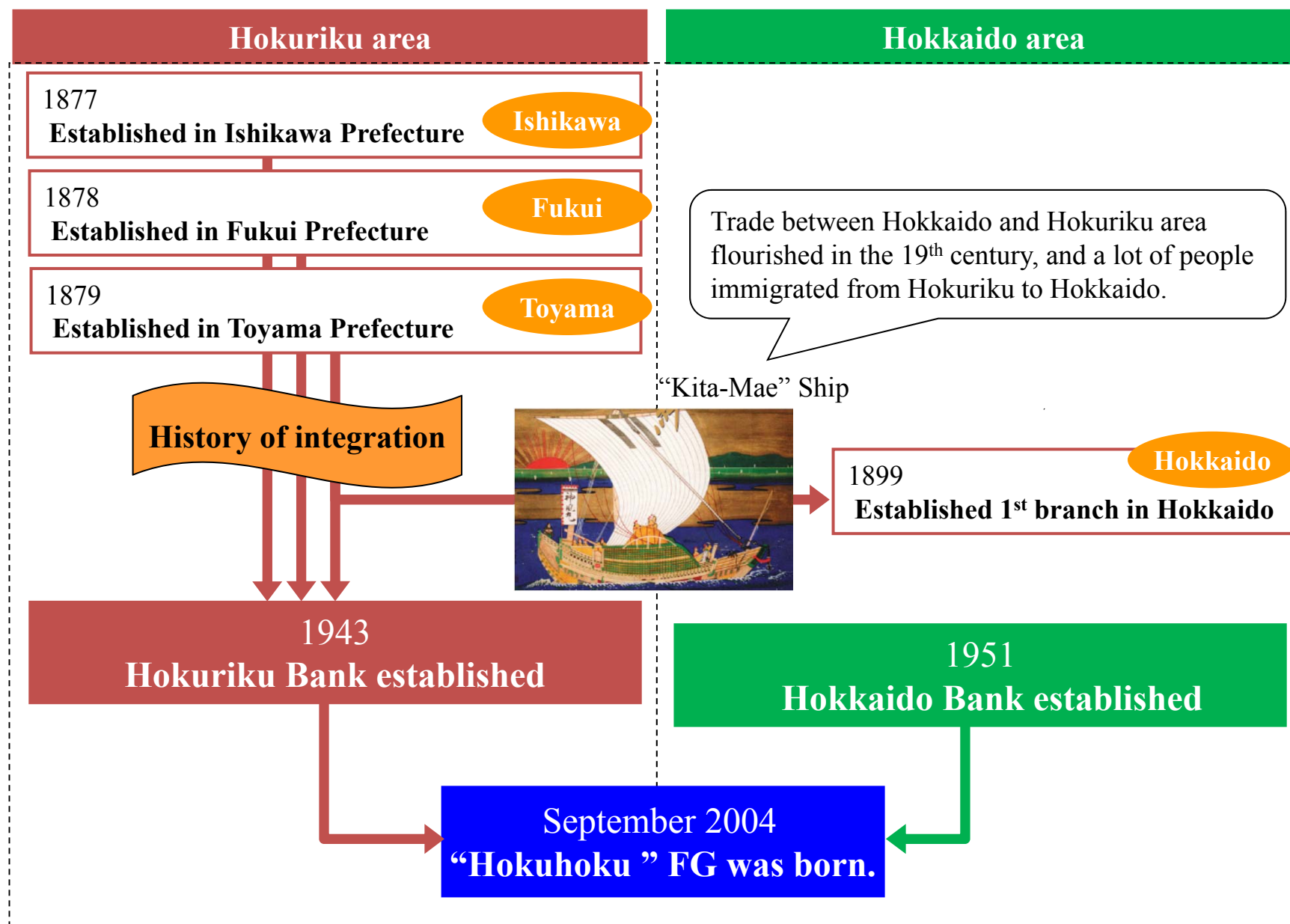
About Hokuhoku FG ①

Outline of Hokuhoku FG and Two Banks

Hokuhoku Financial Group, Inc.

(As of September 30, 2014)

	Hokuhoku FG	Hokuriku Bank	Hokkaido Bank
Date of establishment	September 26, 2003	July 31, 1943 (Started business in 1877)	March 5, 1951
Location of head office	1-2-26 Tsutsumicho-dori, Toyama City	1-2-26 Tsutsumicho-dori, Toyama City	4-1 Odori Nishi, Chuo-ku, Sapporo City
Capital	¥ 70,895 million	¥ 140,409.52 million	¥ 93,524.01 million
Shares issued and outstanding	Common stock 1,351,630,146 Preferred stock(Type5) 107,432,000	Common stock 1,047,542,335	Common stock 486,634,512 Preferred stock(Type2) 107,432,000
Total assets	(consolidated) ¥ 11,422.4 billion	¥ 6,453.4 billion	¥ 4,921.7 billion
Deposits & NCD	(consolidated) ¥ 10,468.1 billion	¥ 5,905.9 billion	¥ 4,583.0 billion
Loans	(consolidated) ¥ 7,463.4 billion	¥ 4,292.7 billion	¥ 3,187.4 billion
Capital adequacy ratio	(consolidated) 11.38%	(non-consolidated) 10.98%	(non-consolidated) 10.79%
Employees	69 (13 fulltime workers)	2,895	2,388
Ratings	A (R&I)	A (R&I)、A-(S&P)	A (R&I)、A (JCR)
Branches (Domestic) (Overseas)		145 branches, 42 sub-branches 6 representative offices	135 branches, 6 sub-branches 3 representative offices



About Hokuhoku FG ③

Historical Data (Hokuhoku FG)

Hokuhoku Financial Group, Inc.

(JPY Bn)

	FY2010	FY2011	FY2011	FY2012	FY2012	FY2013	FY2013	FY2014
	Full year	Interim	Full year	Interim	Full year	Interim	Full year	Interim
<Consolidated>								
Ordinary income	214.6	105.7	207.9	105.7	199.1	95.2	190.9	96.4
Ordinary profits	37.2	18.9	38.8	8.9	29.3	23.5	49.4	21.8
Net income	18.4	8.9	14.1	6.1	18.1	12.3	27.3	13.8
Capital adequacy ratio	11.29%	11.57%	11.72%	11.90%	11.88%	12.04%	12.31%	11.38%
<Total of two banks>								
Core gross business profits	155.4	77.3	156.3	73.5	145.5	71.5	142.2	72.0
General & administrative expenses	98.6	51.4	100.6	48.5	95.1	47.8	94.0	47.7
Core net business profits	56.7	25.9	55.7	25.0	50.3	23.7	48.2	24.3
Net gains(losses) related to securities	(1.0)	1.2	(1.4)	(3.5)	0.4	1.0	2.2	3.2
Credit costs	14.5	6.4	10.4	10.4	17.0	0.0	(1.3)	3.0
Ordinary profits	37.0	19.3	40.5	9.4	30.0	23.3	48.5	22.3
Net income	19.6	9.8	16.6	7.0	19.5	12.6	27.5	14.8
ROA	0.56%	0.49%	0.53%	0.47%	0.47%	0.43%	0.44%	0.43%
OHR	63.47%	66.46%	64.37%	65.98%	65.37%	66.87%	66.08%	66.17%
Loans	7,241.1	7,236.1	7,287.0	7,313.8	7,402.0	7,369.6	7,336.3	7,480.1
Deposits (including NCD)	9,523.8	9,534.7	9,700.8	9,787.6	10,008.1	10,089.4	10,172.0	10,489.0
Securities	2,315.1	2,465.8	2,471.8	2,392.6	2,497.8	2,540.4	2,481.4	2,433.8
Non performing loan	220.5	229.8	236.8	252.1	236.7	216.1	201.3	196.9
NPL ratio	2.96%	3.08%	3.17%	3.36%	3.11%	2.85%	2.67%	2.56%

About Hokuhoku FG ④
Historical Data (Hokuriku Bank)

Hokuhoku Financial Group, Inc.

(JPY Bn)

	FY2010 Full year	FY2011 Interim	FY2011 Full year	FY2012 Interim	FY2012 Full year	FY2013 Interim	FY2013 Full year	FY2014 Interim
Ordinary income	108.8	54.0	105.4	56.2	103.0	48.5	97.7	48.0
Core gross business profits	88.5	45.2	88.5	42.4	82.3	38.9	77.0	38.1
General & administrative expenses	53.8	27.7	54.2	25.9	50.9	25.8	50.5	25.9
Core net business profits	34.6	17.4	34.3	16.4	31.4	13.0	26.4	12.2
Net gains(losses) related to securities	(2.8)	(1.0)	(1.1)	(3.6)	(1.2)	0.6	1.6	2.7
Credit costs	7.1	1.9	4.4	9.5	9.3	(0.9)	(4.2)	0.8
Ordinary profits	22.9	13.8	27.4	2.3	18.3	13.9	30.4	12.5
Net income	11.9	6.9	11.4	1.9	12.3	7.2	17.8	7.8
Capital adequacy ratio	11.32%	11.62%	11.85%	11.89%	11.78%	11.95%	12.40%	10.98%
ROA	0.59%	0.58%	0.57%	0.55%	0.52%	0.42%	0.42%	0.38%
OHR	60.85%	61.32%	61.25%	61.17%	61.84%	66.39%	65.65%	67.98%
Loans	4,252.3	4,205.7	4,233.9	4,245.5	4,332.7	4,271.2	4,227.6	4,292.7
Deposits (including NCD)	5,439.9	5,416.5	5,545.1	5,541.2	5,726.2	5,796.8	5,909.0	5,905.9
Securities	1,217.5	1,285.7	1,315.4	1,178.2	1,269.6	1,296.1	1,238.3	1,219.1
Non performing loan	144.3	153.1	153.5	168.1	148.4	134.2	120.3	114.1
NPL ratio	3.28%	3.52%	3.53%	3.86%	3.34%	3.06%	2.78%	2.60%

About Hokuhoku FG ⑤

Historical Data (Hokkaido Bank)

Hokuhoku Financial Group, Inc.

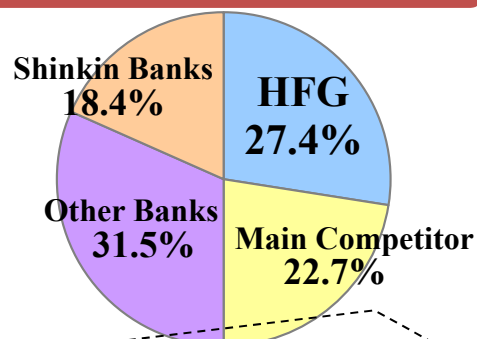
(JPY Bn)

	FY2010 Full year	FY2011 Interim	FY2011 Full year	FY2012 Interim	FY2012 Full year	FY2013 Interim	FY2013 Full year	FY2014 Interim
Ordinary income	87.0	43.2	87.5	42.3	81.6	40.2	80.2	41.6
Core gross business profits	66.8	32.1	67.8	31.0	63.1	32.6	65.2	33.9
General & administrative expenses	44.7	23.7	46.4	22.5	44.2	21.9	43.4	21.7
Core net business profits	22.1	8.4	21.4	8.5	18.9	10.6	21.7	12.1
Net gains(losses) related to securities	1.7	2.2	(0.2)	0.1	1.7	0.3	0.6	0.5
Credit costs	7.4	4.4	5.9	0.8	7.6	0.9	2.8	2.1
Ordinary profits	14.1	5.4	13.1	7.1	11.6	9.4	18.0	9.8
Net income	7.7	2.9	5.2	5.0	7.2	5.4	9.6	7.0
Capital adequacy ratio	10.59%	10.57%	10.80%	11.05%	11.23%	11.08%	10.76%	10.79%
ROA	0.51%	0.37%	0.47%	0.37%	0.41%	0.45%	0.47%	0.51%
OHR	66.93%	73.69%	68.44%	72.57%	69.98%	67.44%	66.60%	64.14%
Loans	2,988.8	3,030.4	3,053.0	3,068.3	3,069.3	3,098.4	3,108.6	3,187.4
Deposits (including NCD)	4,083.9	4,118.2	4,155.7	4,246.4	4,281.9	4,292.6	4,262.9	4,583.0
Securities	1,097.6	1,180.1	1,156.4	1,214.4	1,228.2	1,244.3	1,243.1	1,214.6
Non performing loan	76.3	76.7	83.3	84.0	88.2	81.9	81.0	82.8
NPL ratio	2.49%	2.47%	2.66%	2.66%	2.79%	2.56%	2.52%	2.50%

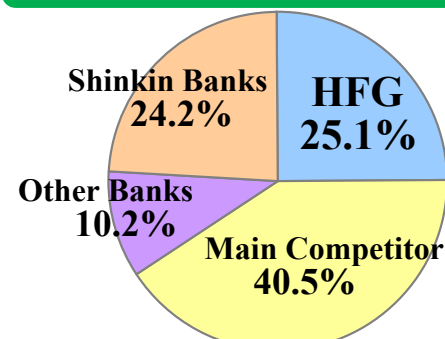
About Hokuhoku FG ⑥
Market Share in Our Home Market (Loans, Mar-14)

Hokuhoku Financial Group, Inc.

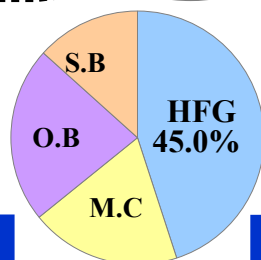
Hokuriku Area



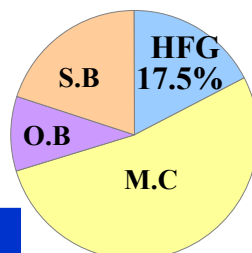
Hokkaido Area



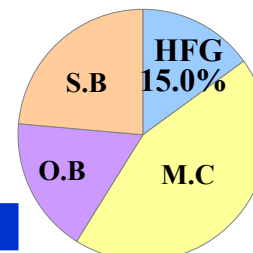
Toyama



Ishikawa



Fukui



*Data of the Main Competitor and Other banks are estimated figures. They don't include Japan Post Bank.

(JPY Bn)

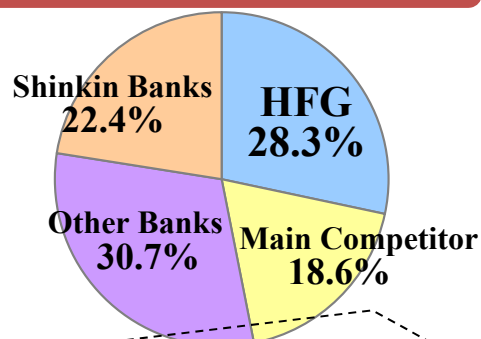
		Hokuriku				Hokkaido
		Area	Toyama Pref.	Ishikawa Pref.	Fukui Pref.	
Banks		7,309.7(81.6%)	2,968.1(86.6%)	2,667.5(80.1%)	1,674.1(76.3%)	9,500.5(75.8%)
Hokuhoku FG(HFG)		2,453.3(27.4%)	1,542.7(45.0%)	582.1(17.5%)	328.4(15.0%)	3,146.7(25.1%)
Hokuriku Bank (Loans + Securitized loans)		2,453.3(27.4%) (2,470.2)	1,542.7(45.0%) (1,553.0)	582.1(17.5%) (587.2)	328.4(15.0%) (329.8)	525.2(4.2%) (525.2)
Hokkaido Bank		0(0.0%)	0(0.0%)	0(0.0%)	0(0.0%)	2,621.5(20.9%)
Main Competitor		2,030.3(22.7%)	658.3(19.2%)	1,762.7(52.9%)	965.5(44.0%)	5,073.3(40.5%)
Shinkin Banks		1,644.1(18.4%)	461.0(13.4%)	661.6(19.9%)	521.4(23.7%)	3,030.2(24.2%)
Total		8,953.8(100 %)	3,429.1(100 %)	3,329.1(100%)	2,195.5(100%)	12,530.7(100%)

About Hokuhoku FG ⑦

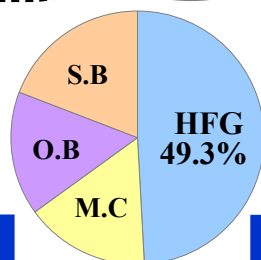
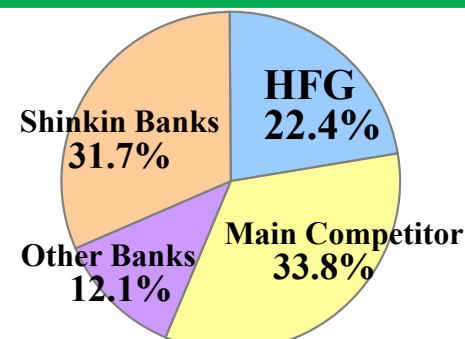
Market Share in Our Home Market (Deposits, Mar-14)

Hokuhoku Financial Group, Inc.

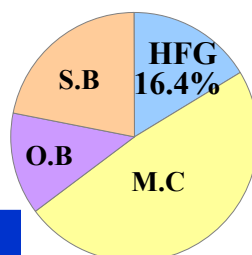
Hokuriku Area



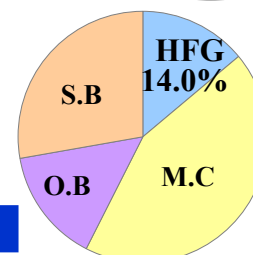
Hokkaido Area



Toyama



Ishikawa



Fukui

*Data of the Main Competitor and Other banks are estimated figures. They don't include Japan Post Bank.

(JPY Bn)

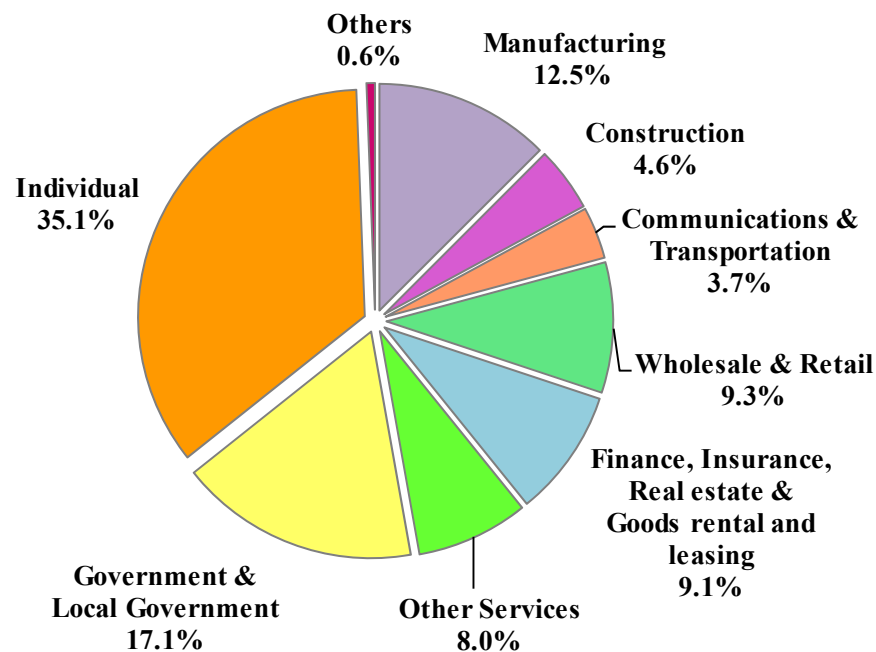
		Hokuriku				Hokkaido
		Area	Toyama Pref.	Ishikawa Pref.	Fukui Pref.	
Banks		12,472.5(77.6%)	4,956.9(80.9%)	4,549.9(78.0%)	2,965.7(72.1%)	14,575.3(68.3%)
Hokuhoku FG(HFG)		4,548.5(28.3%)	3,018.7(49.3%)	953.6(16.4%)	576.1(14.0%)	4,783.2(22.4%)
Hokuriku Bank		4,548.5(28.3%)	3,018.7(49.3%)	953.6(16.4%)	576.1(14.0%)	566.1(2.7%)
Hokkaido Bank		0(0.0%)	0(0.0%)	0(0.0%)	0(0.0%)	4,217.1(19.8%)
Main Competitor		2,992.7(18.6%)	964.1(15.7%)	2,809.2(48.2%)	1,794.6(43.6%)	7,209.5(33.8%)
Shinkin Banks		3,600.7(22.4%)	1,172.3(19.1%)	1,282.0(22.0%)	1,146.3(27.9%)	6,753.4(31.7%)
Total		16,073.2(100%)	6,129.2(100%)	5,831.9(100%)	4,112.0(100%)	21,328.7(100%)

About Hokuhoku FG ⑧

Lending in the Region by Industry (Sep-14)

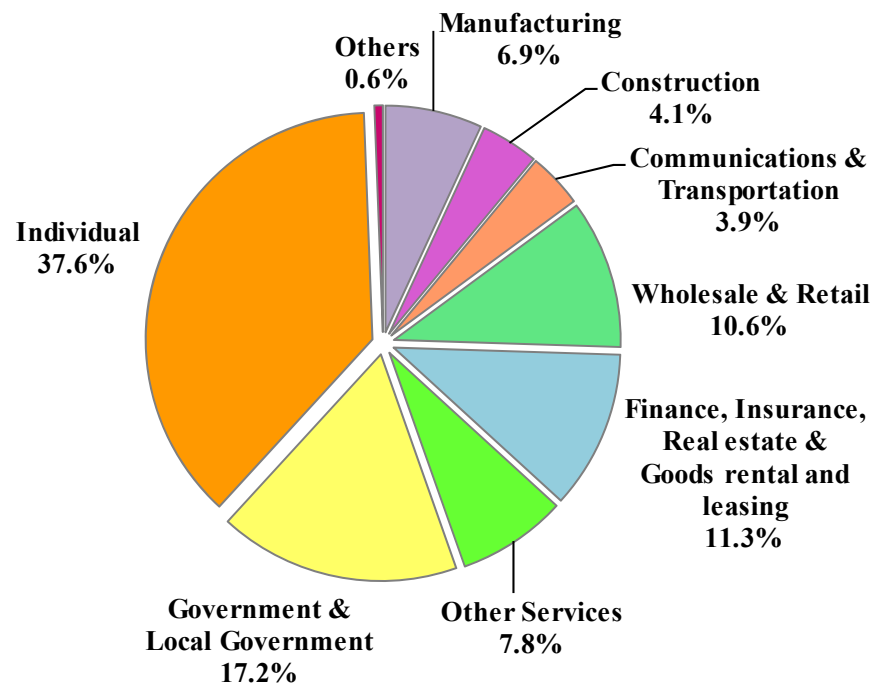
Hokuhoku Financial Group, Inc.

Hokuriku Bank



Region: Toyama, Ishikawa, Fukui, Hokkaido

Hokkaido Bank



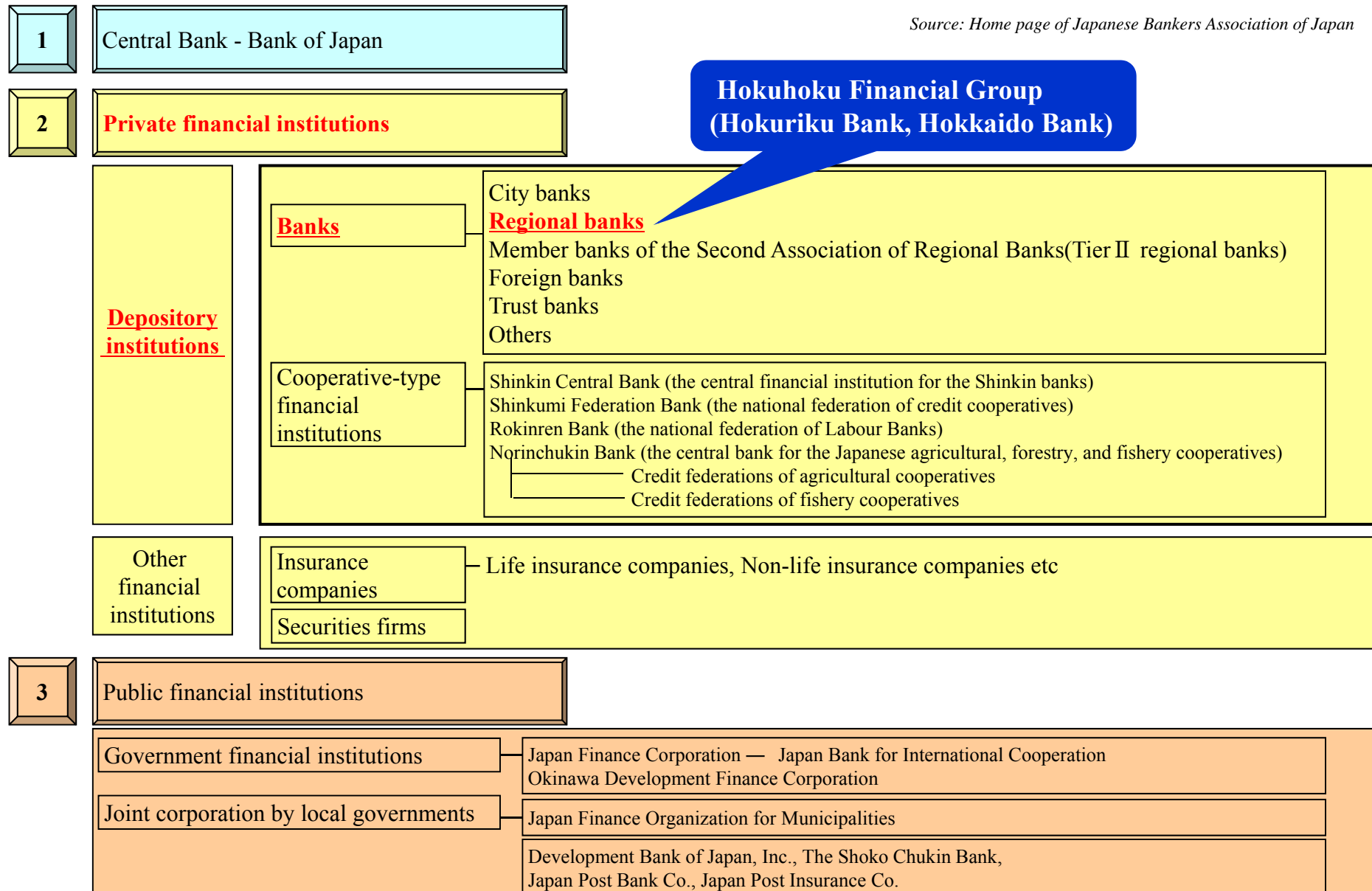
Region: Hokkaido

About Japanese Regional Banks ①

Financial Institutions in Japan

Hokuhoku Financial Group, Inc.

Source: Home page of Japanese Bankers Association of Japan



About Japanese Regional Banks ②

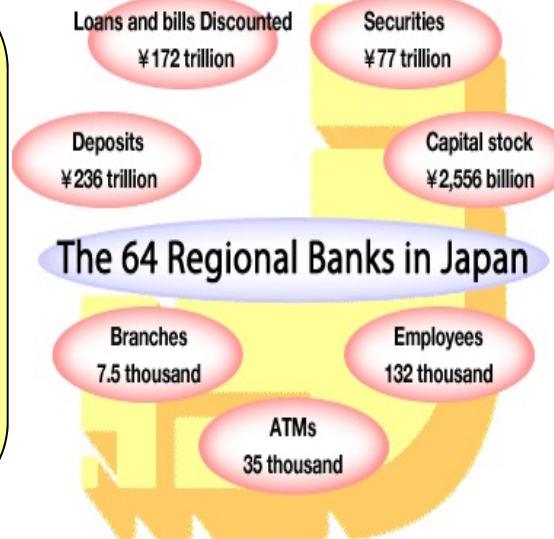
Outline of Regional Banks

Hokuhoku Financial Group, Inc.

Outline of Regional Banks

The 64 regional banks in Japan consistently enjoy wide patronage as banks that develop in step with the region.

In our ongoing quest to be financial institutions trusted by customers, the regional banks will strive to maintain soundness of management, as well as continuously be devoted to enhancing convenience for customers and to realizing vibrant regional communities.



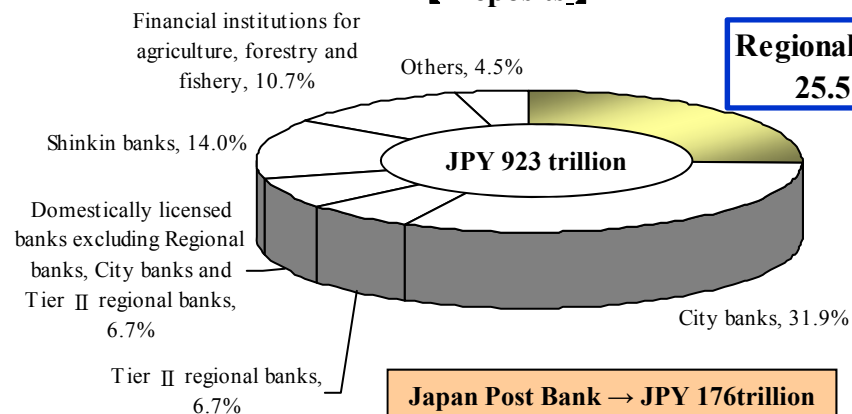
Leading Banks in the Regions

The regional banks have formed a dense branch network in the regions, mainly in the prefectures where their head offices are located, with some 7,500 branches and some 35,000 ATMs set up all over the country.

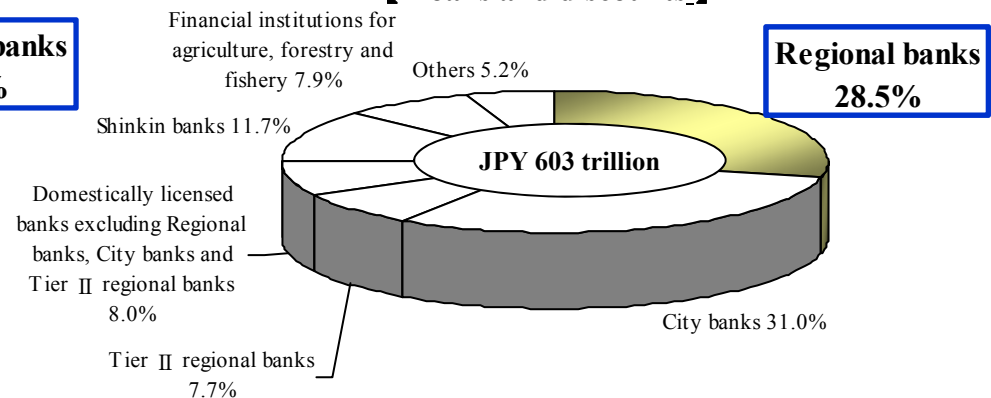
Through this branch network, the regional banks cater to the diversified financial needs of individual customers as well as medium-sized and small- and medium-sized corporate clients in the regions, and also play a leading role in regional finance for the promotion and development of regional communities.

Shares of Deposits and Loans of Private Financial Institutions (Mar-14)

【 Deposits 】



【 Loans and discounts 】



Source: Home page of Regional Banks Association of Japan

The Present Condition of the Regional Economy ①

Characteristics of Our Main Business Area

Hokuhoku Financial Group, Inc.

Population and Square Measure

Data from Ministry of Internal Affairs and Communications

	Toyama Prefecture a	Ishikawa Prefecture b	Fukui Prefecture c	Total a+b+c	Hokkaido	Total
Population (Ranking)	1.08Mn (37th)	1.16Mn (34th)	0.80Mn (43rd)	3.04Mn	5.46Mn (8th)	8.50Mn
Density of Population (Ranking)	254.7pt (25th)	277.8pt (23rd)	190.7pt (32nd)	—	69.6pt (47th)	—
Square Measure (Ranking) km ²	4,248 (33rd)	4,186 (35th)	4,190 (34th)	—	83,457 (1st)	—

Scale matching for Osaka!

1 st	Tokyo
2 nd	Kanagawa (9.07Mn)
3 rd	Osaka (8.86Mn)

Gross Prefectural Product

Data from Ministry of Internal Affairs and Communications and Cabinet Office

	Toyama a	Ishikawa b	Fukui c	Total a + b + c	Hokkaido	Total (JPY Bn)
GPP (Proportion) (Ranking)	4,436.5 (0.89%) (28th)	4,217.5 (0.85%) (32nd)	3,235.8 (0.65%) (41st)	11,889.9 (2.39%)	18,263.0 (3.67%) (8th)	30,152.9 (6.06%)

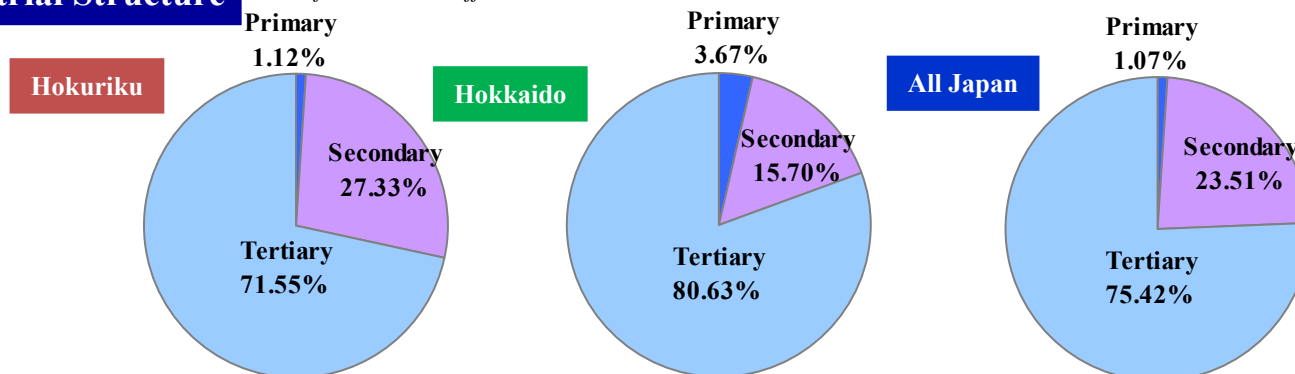
Almost equal to Kanagawa!

(JPY Bn)

1 st	Tokyo
2 nd	Osaka
3 rd	Aichi
4 th	Kanagawa (30,422.1)

Industrial Structure

Data from Cabinet Office



Exceed Denmark (Europe No14)

(JPY Bn)

1 st	Germany
2 nd	France
14 th	Denmark (25,125.0)

October-14

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

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

	All Japan	Hokuriku Area	Hokkaido Area
Economic Trend	Recovering moderately	Recovering moderately	Recovering moderately
Public Investment	Steady	Has been at a high level	Has been at a high level
Business Investment	Showing some weak movements recently, but it is on the increase.	Increasing	Increasing further
Private consumption	Appearing to be pausing recently, but it remains in picking up	Has been picking up moderately	Recovering
Housing construction	Decreasing moderately	Has begun to stop declining	Declining
Production	Decreasing	Increasing moderately	Increasing
Employment & Income	Improving steadily	Improving	Improving steadily
Prices	Rising at a slower tempo	Above the previous year's level	Above the previous year's level
The number of bankrupt companies	Almost flat	Below the previous year's level	Calm movement

The Present Condition of the Regional Economy ③

Big Projects in Hokuriku and Hokkaido Area

Hokuhoku Financial Group, Inc.

Hokkaido

◎Construction of the Hokkaido Shinkansen

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 Hokuto Station)

Planned to be completed to Sapporo 20 years later from the opening of business between Shin-Aomori and Shin-Hakodate Hokuto



Rendering of Shin-Hakodate・Hokuto Station

Hokuriku

◎Construction of the Hokuriku Shinkansen

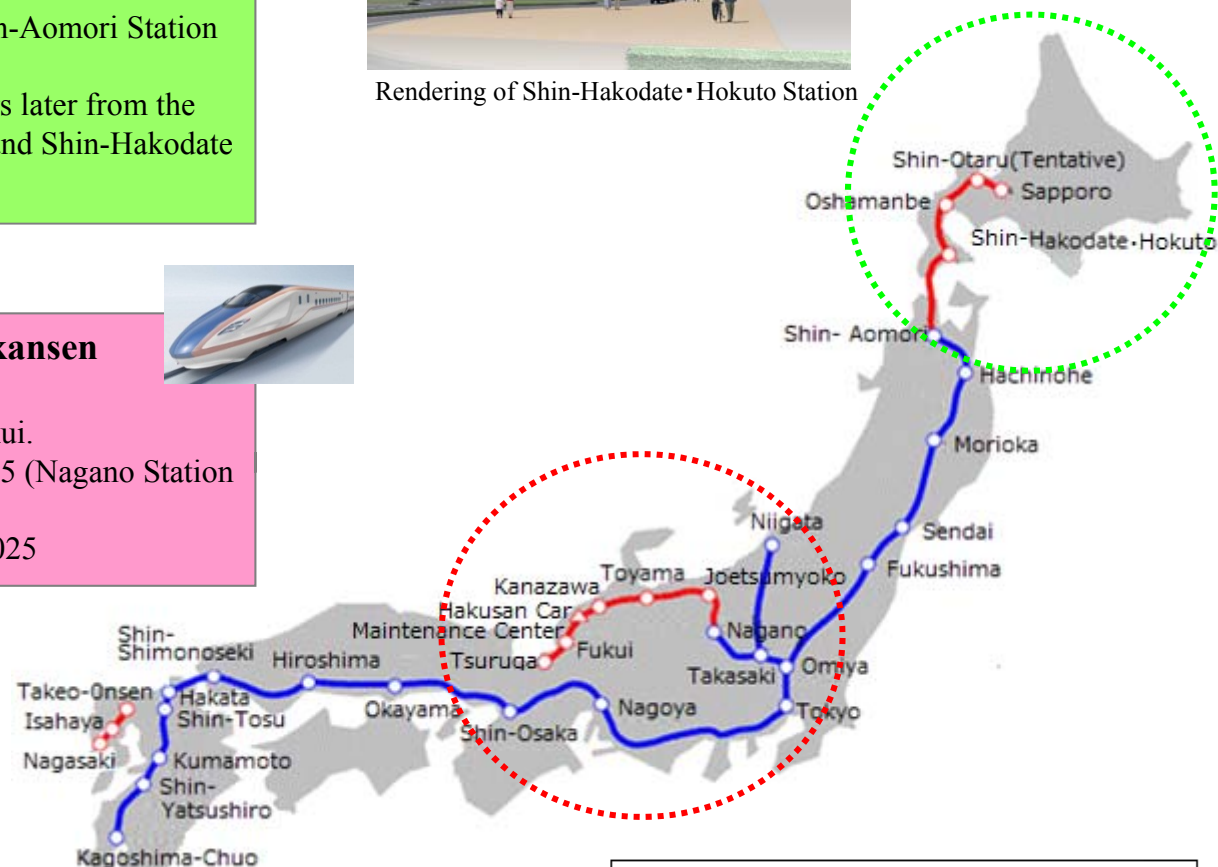
Constructing a 700 KM line from Tokyo to Osaka via Nagano, Toyama, Kanazawa, Fukui.

Expected to be completed on March 14, 2015 (Nagano Station to Kanazawa Station)

Planned to be completed to Tsuruga in FY2025



Design plan of Toyama Station



Legend	
—	Shinkansen line in service
—	New Shinkansen line (under construction)

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