

Investor Meeting
~ Interim Results for FY 2019 ~
(Ended September 30, 2019)



HokuHoku Financial Group, Inc.



The Hokuriku bank, Ltd.



The Hokkaido bank, Ltd.

Table of Contents

| 【 I . Interim Results for FY 2019】 | | 【 II . Management Strategy】 | |
|-------------------------------------|----------|--|----------|
| ▪ Summary of Financial Results | 3 | ▪ Medium-term Management Plan | 24 |
| ▪ Financial Highlight for FY2019 1H | 7 | ▪ Strategy for corporate customers | 27 |
| ▪ Net Interest Income | 9 | ▪ Strategy for individual customers | 29 |
| ▪ Interest Yields | 10 | ▪ Digitalization & FinTech strategy | 31 |
| ▪ Deposits & NCDs | 11 | ▪ Community revitalization strategy | 32 |
| ▪ Loan Portfolio | 12 | ~ Initiatives for ESG/SDGs ~ | |
| ▪ Securities Portfolio | 15 | ▪ Business reform, Optimization of branch store network and Strategy for utilization of human resources | 34 |
| ▪ Net Fee and Commission Income | 16 | ▪ Hokuhoku Financial Group cooperation strategy | 35 |
| ▪ G&A Expenses | 17 | | |
| ▪ Net Credit Costs | 18 | | |
| ▪ Non-Performing Loan | 19 | | |
| ▪ Forecast for Deposits & Loans | 20 | | |
| ▪ Forecast for Securities Portfolio | 21 | | |
| ▪ Capital Adequacy Ratio | 22 | | |
| ▪ Earnings Forecast | 23 | 【Appendix】 | |



“Hokuhoku Financial Group SDG’s Declaration” (April 1, 2019)

Based on the management philosophy “Prospering together with the region”, “Fair & Steady Management” and “Progressive & Innovative Services,” Hokuhoku Financial Group aims to improve the sustainability of the local economy and community by actively working on “SDG’s” activities advocated by the United Nations.

Introduction

“Hokuhoku Financial Group” will continue to deliver comprehensive financial services with its extensive regional network to contribute to mutual prosperity with customers and the region.



Left: Eishin Ihori
President
(concurrently serving as president of
The Hokuriku Bank, Ltd.)

Right: Masahiro Sasahara
Deputy President
(concurrently serving as president of
The Hokkaido Bank, Ltd.)

Management Philosophy

Prospering together with the region: We execute social mission to prosper mutually with customers and local community.

Fair & Steady Management: We aim at fair and steady management to respond to social confidence.

Progressive & Innovative Services: We pursue creativity and innovation in vital workplace to provide attractive services.

Profile

(As of September 30, 2019)



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

Incorporation : 2003
Location of head office : Toyama City, Toyama
Capital : ¥ 70.8 billion
Capital adequacy ratio : (consolidated) 9.29 %
Ratings : A (R&I)



北陸銀行

The Hokuriku bank, Ltd.



Incorporation : 1943 (founded in 1877)
Location of head office : Toyama City, Toyama
Branches : Domestic 187 (145 branches, 42 sub-branches)
Overseas 6
Employees : 2,654
Capital : ¥ 140.4 billion
Capital adequacy ratio : (non-consolidated) 8.92 %
Ratings : A (R&I) • A- (S&P)



北海道銀行

The Hokkaido bank, Ltd.



Incorporation : 1951
Location of head office : Sapporo City, Hokkaido
Branches : Domestic 144 (136 branches, 8 sub-branches)
Overseas 3
Employees : 2,346
Capital : ¥ 93.5 billion
Capital adequacy ratio : (non-consolidated) 8.98 %
Ratings : A (R&I)

I . Interim Results for FY 2019

Summary of Financial Results

(JPY Bn)

| 【Hokuhoku FG consolidated】 | FY19 1H | | | | FY18 1H |
|---|---------|--------|--------|---------------------|------------|
| | Plan | Result | change | compared to plan | |
| Ordinary profits | 15.5 | 17.4 | (2.0) | 1.9 | 19.4 |
| Net income attributable to owners of the parent | 9.5 | 11.6 | (2.3) | 2.1 | 13.9 |

| 【Total of two banks】 | FY19 1H | | | | FY18 1H |
|---|---------|--------|--------|---------------------|------------|
| | Plan | Result | change | compared to plan | |
| Core gross business profits | 62.5 | 61.3 | (2.6) | (1.1) | 64.0 |
| Net interest income | | 52.8 | (2.3) | | 55.2 |
| Loans | | 42.1 | (1.3) | | 43.5 |
| Securities | | 11.6 | (1.8) | | 13.5 |
| Net fees & commissions | | 8.0 | (0.3) | | 8.3 |
| Net trading income | | 0.0 | (0.0) | | 0.0 |
| Net other income (※1) | | 0.4 | 0.0 | | 0.4 |
| G&A expenses (-) | 43.5 | 43.0 | (0.7) | (0.4) | 43.7 |
| Core net business profits | 19.0 | 18.3 | (1.9) | (0.6) | 20.3 |
| Core net business profits (※2) | | 16.9 | (1.9) | | 18.9 |
| Gains (losses) related to bonds | | 3.7 | 4.7 | | (0.9) |
| Net business profits (※3) | | 22.1 | 2.7 | | 19.3 |
| Net transfer to general allowance for loan losses (-) | | 1.1 | 1.2 | | (0.0) |
| Other non-recurring gains (losses) | | (3.2) | (4.4) | | 1.2 |
| Credit related costs (-) | | 3.9 | 3.3 | | 0.6 |
| Gains (losses) related to stocks | | 0.4 | (1.6) | | 2.1 |
| Ordinary profits | 16.5 | 17.7 | (2.8) | 1.2 | 20.6 |
| Net extraordinary gains (losses) | | (0.7) | 0.0 | | (0.7) |
| Income taxes (-) | | 4.5 | 0.3 | | 4.2 |
| Net income | 11.0 | 12.4 | (3.1) | 1.4 | 15.5 |
| Net credit costs (-) | 3.3 | 5.1 | 4.5 | 1.8 | 0.5 |

※1: Excluding gains (losses) related to bonds

※2: Excluding gains(losses) related to cancellation of investment trusts included in net interest on securities

※3: Before provision (reversal) of general allowance for loan losses

Financial Highlight for FY2019 1H

【Hokuhoku FG consolidated】

Ordinary profits : ¥17.4Bn

(-¥2.0Bn compared to FY18 1H)

Net income attributable to owners of the parent : ¥11.6Bn

(-¥2.3Bn compared to FY18 1H)

【Total of two banks】

Core net business profits : ¥18.3Bn

(-¥1.9Bn compared to FY18 1H)

Net interest income : Decreased by ¥2.3Bn mainly due to the decline in interest on loans and securities

G&A expenses : Decreased by ¥0.7Bn due to personnel expenses reduction.

Ordinary profits : ¥17.7Bn

(-¥2.8Bn compared to FY18 1H)

Gains related to bonds : Improved by ¥4.7Bn.

Gains related to stocks : Decreased by ¥1.6Bn.

Net credit costs : Increased by ¥4.5Bn due to the increase in credit related costs.

Net income : ¥12.4Bn

(-¥3.1Bn compared to FY18 1H)

Summary of Financial Results (Hokuriku bank)

(JPY Bn)

| 【Hokuriku Bank】 | FY19 1H | | | | FY18 1H |
|---|---------|--------|--------|---------------------|------------|
| | Plan | Result | change | compared to plan | |
| Core gross business profits | 33.5 | 33.3 | (1.6) | (0.1) | 35.0 |
| Net interest income | | 27.7 | (1.9) | | 29.6 |
| Loans | | 21.4 | (0.9) | | 22.4 |
| Securities | | 7.0 | (1.5) | | 8.6 |
| Net fees & commissions | | 5.2 | 0.2 | | 4.9 |
| Fees and commissions | | 8.9 | 0.2 | | 8.6 |
| Fees and commissions payments (-) | | 3.7 | 0.0 | | 3.6 |
| Net trading income | | 0.0 | (0.0) | | 0.0 |
| Net other income(※1) | | 0.4 | (0.0) | | 0.4 |
| G&A expenses (-) | 23.0 | 23.0 | (0.4) | 0.0 | 23.5 |
| Core net business profits | 10.5 | 10.2 | (1.1) | (0.2) | 11.4 |
| Core net business profits(※2) | | 9.5 | (0.8) | | 10.4 |
| Gains (losses) related to bonds | | 2.5 | 2.8 | | (0.3) |
| Net business profits(※3) | | 12.7 | 1.6 | | 11.0 |
| Net transfer to general allowance for loan losses (-) | | 1.0 | 1.0 | | — |
| Other non-recurring gains (losses) | | (1.7) | (3.3) | | 1.5 |
| Credit related costs (-) | | 3.2 | 3.2 | | (0.0) |
| Gains (losses) related to stocks | | 0.4 | (0.9) | | 1.3 |
| Ordinary profits | 9.5 | 9.9 | (2.7) | 0.4 | 12.6 |
| Net extraordinary gains (losses) | | (0.6) | 0.0 | | (0.6) |
| Income taxes (-) | | 2.6 | (0.0) | | 2.7 |
| Net income | 6.0 | 6.5 | (2.6) | 0.5 | 9.2 |
| Net credit costs (-) | 1.8 | 4.2 | 4.3 | 2.4 | (0.0) |

※1: Excluding gains (losses) related to bonds

※2: Excluding gains(losses) related to cancellation of investment trusts included in net interest on securities

※3: Before provision (reversal) of general allowance for loan losses

Financial Highlight for FY2019 1H

【Hokuriku bank】

Core net business profits : ¥10.2Bn

(-¥1.1Bn compared to FY18 1H)

Net interest income : Decreased by ¥1.9Bn mainly due to the decline in interest on loans and securities.

Net fees & commissions : Increased by ¥0.2Bn due to the increase in insurance fee.

G&A expenses : Decreased by ¥0.4Bn due to personnel expenses reduction.

Ordinary profits : ¥9.9Bn

(-¥2.7Bn compared to FY18 1H)

Gains related to bonds : Improved by ¥2.8Bn.

Gains related to stocks : Decreased by ¥0.9Bn.

Net credit costs : Increased by ¥4.3Bn due to the increase in credit related costs.

Net income : ¥6.5Bn

(-¥2.6Bn compared to FY18 1H)

Summary of Financial Results (Hokkaido bank)

(JPY Bn)

| 【Hokkaido Bank】 | FY19 1H | | | | FY18 1H |
|---|---------|--------|--------|---------------------|------------|
| | Plan | Result | change | compared to plan | |
| Core gross business profits | 29.0 | 28.0 | (1.0) | (0.9) | 29.0 |
| Net interest income | | 25.1 | (0.4) | | 25.6 |
| Loans | | 20.6 | (0.4) | | 21.1 |
| Securities | | 4.5 | (0.3) | | 4.9 |
| Net fees & commissions | | 2.8 | (0.5) | | 3.3 |
| Fees and commissions | | 7.7 | (0.6) | | 8.4 |
| Fees and commissions payments (-) | | 4.9 | (0.1) | | 5.0 |
| Net other income (※1) | | 0.0 | 0.0 | | 0.0 |
| G&A expenses (-) | 20.5 | 19.9 | (0.2) | (0.5) | 20.1 |
| Core net business profits | 8.5 | 8.0 | (0.7) | (0.4) | 8.8 |
| Core net business profits(※2) | | 7.3 | (1.0) | | 8.4 |
| Gains (losses) related to bonds | | 1.2 | 1.8 | | (0.6) |
| Net business profits (※3) | | 9.3 | 1.1 | | 8.2 |
| Net transfer to general allowance for loan losses (-) | | 0.0 | 0.1 | | (0.0) |
| Other non-recurring gains (losses) | | (1.4) | (1.1) | | (0.3) |
| Credit related costs (-) | | 0.7 | 0.0 | | 0.6 |
| Gains (losses) related to stocks | | 0.0 | (0.7) | | 0.8 |
| Ordinary profits | 7.0 | 7.8 | (0.1) | 0.8 | 8.0 |
| Net extraordinary gains (losses) | | (0.0) | 0.0 | | (0.0) |
| Income taxes (-) | | 1.9 | 0.3 | | 1.5 |
| Net income | 5.0 | 5.8 | (0.5) | 0.8 | 6.3 |
| Net credit costs (-) | 1.5 | 0.8 | 0.2 | (0.6) | 0.6 |

※1: Excluding gains (losses) related to bonds

※2: Excluding gains(losses) related to cancellation of investment trusts included in net interest on securities

※3: Before provision (reversal) of general allowance for loan losses

Financial Highlight for FY2019 1H

【Hokkaido bank】

Core net business profits : ¥8.0Bn

(-¥0.7Bn compared to FY18 1H)

Net interest income : Decreased by ¥0.4Bn due to the decline in interest on loans and securities.

Net fees & commissions : Decreased by ¥0.5Bn due to decrease in investment trust and insurance fee.

G&A expenses : Decreased by ¥0.2Bn due to cost reduction.

Ordinary profits : ¥7.8Bn

(-¥0.1Bn compared to FY18 1H)

Gains related to bonds : Improved by ¥1.8Bn.

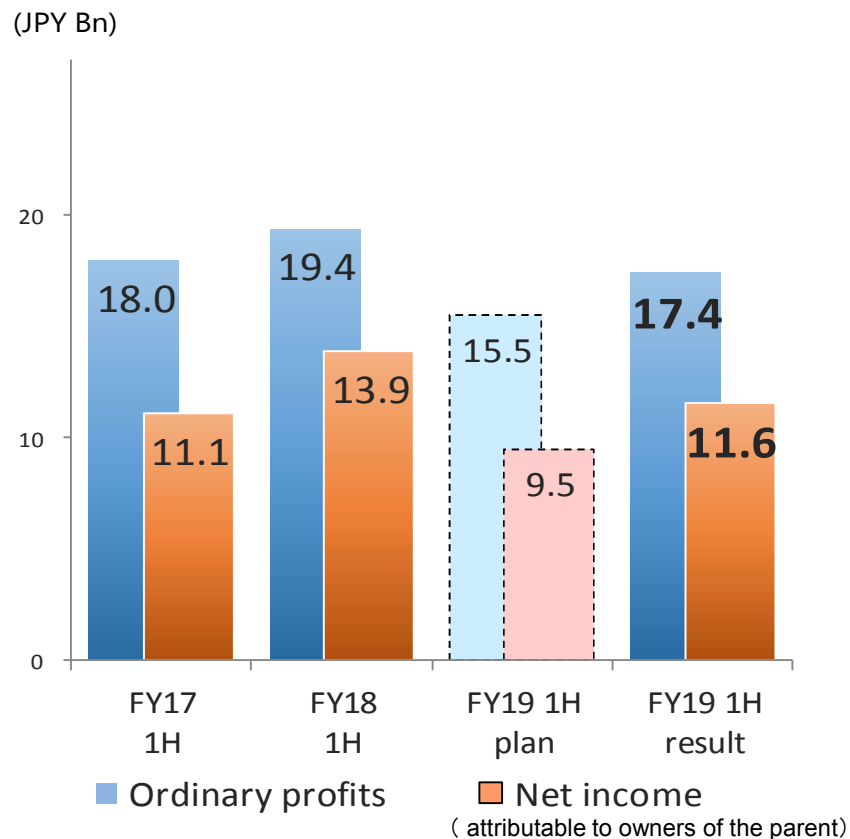
Gains related to stocks : Decreased by ¥0.7Bn.

Net income : ¥5.8Bn

(-¥0.5Bn compared to FY18 1H)

Summary of Financial Results

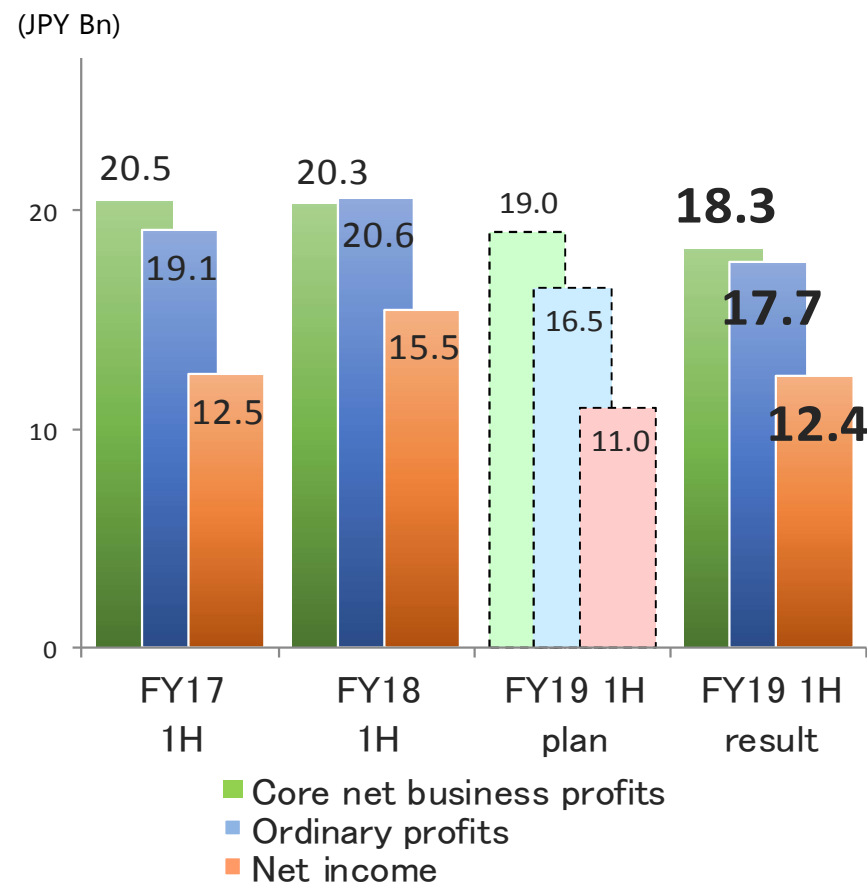
Financial Results <FG consolidated>



<FG consolidated>

Ordinary profits ¥17.4Bn (-¥2.0Bn compared to FY18 1H)
Net income attributable to owners of the parent ¥11.6Bn
 (-¥2.3Bn compared to FY18 1H)

Financial Results <Total of two banks>



<Total of two banks>

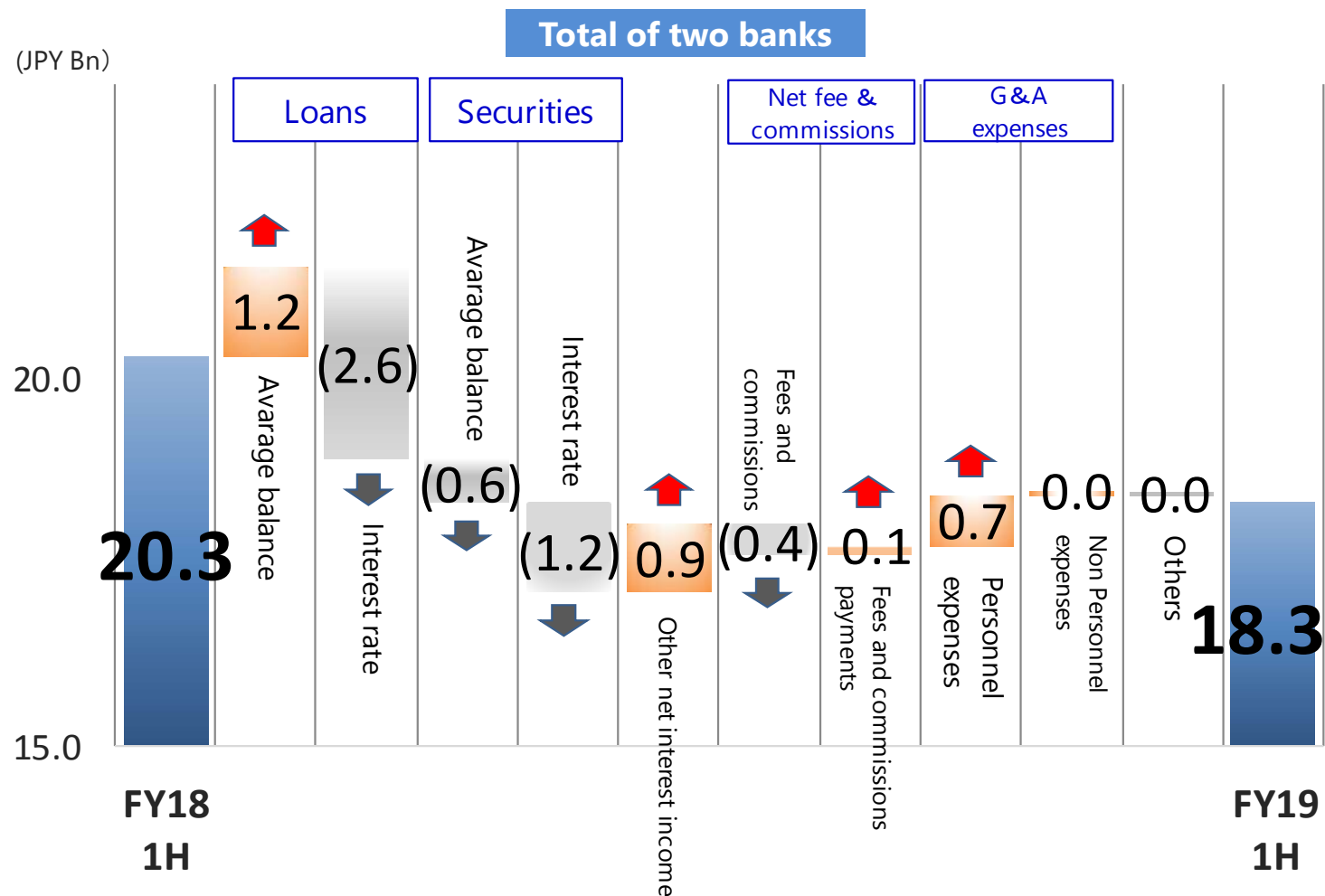
Core net business profits ¥18.3Bn (-¥1.9Bn compared to FY18 1H)
Ordinary profits ¥17.7Bn (-¥2.8Bn compared to FY18 1H)
Net income ¥12.4Bn (-¥3.1Bn compared to FY18 1H)

Financial Highlight for FY2019 1H

(Reason for change in core net business profits)

Core net business profits decreased by ¥1.9Bn mainly due to a decline in interest income on loans and securities.

Factors contributing to change in core net business profits

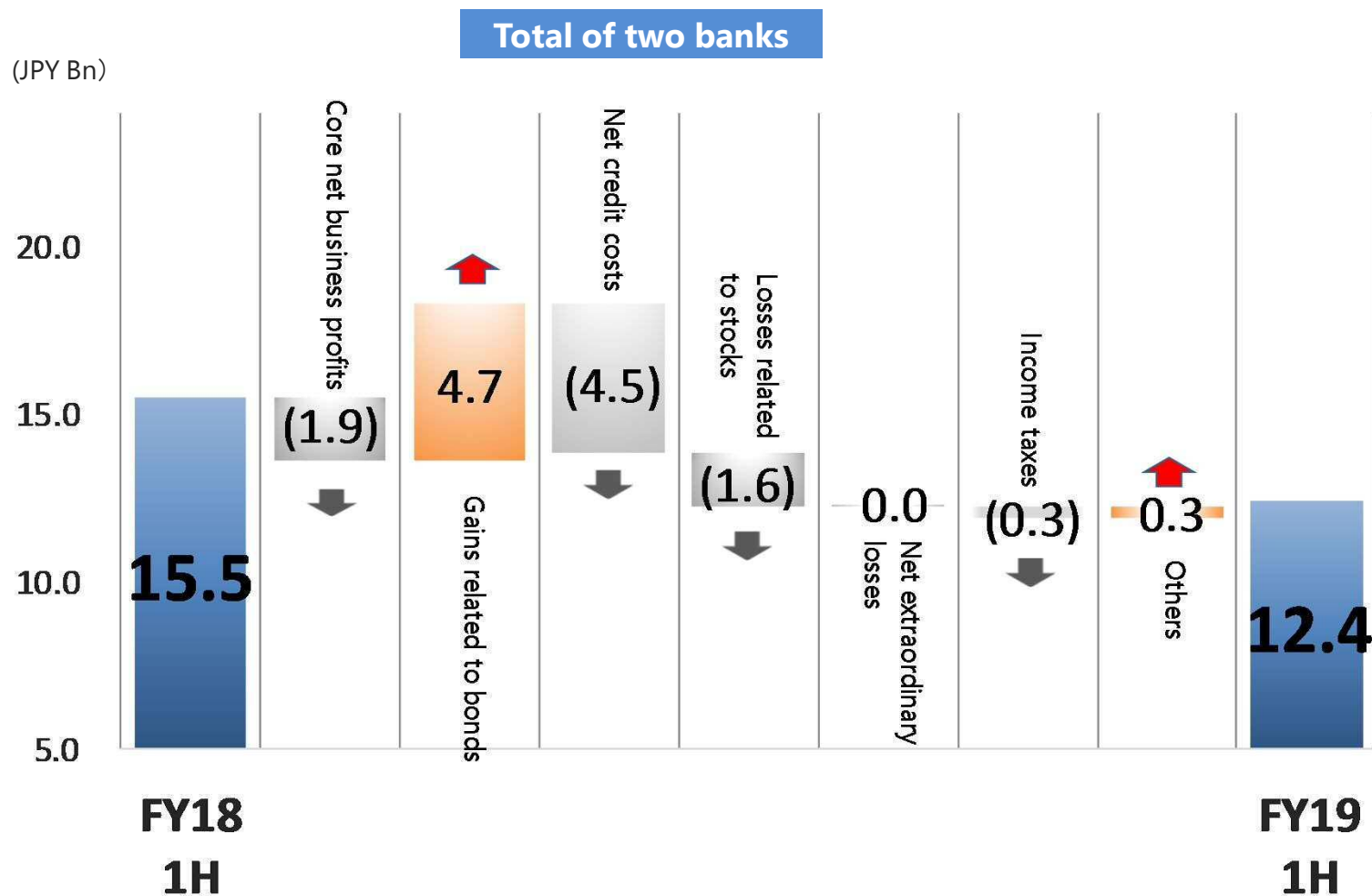


Financial Highlight for FY2019 1H

(Reason for change in net income)

Net income decreased by ¥3.1Bn mainly due to an increase in net credit costs.

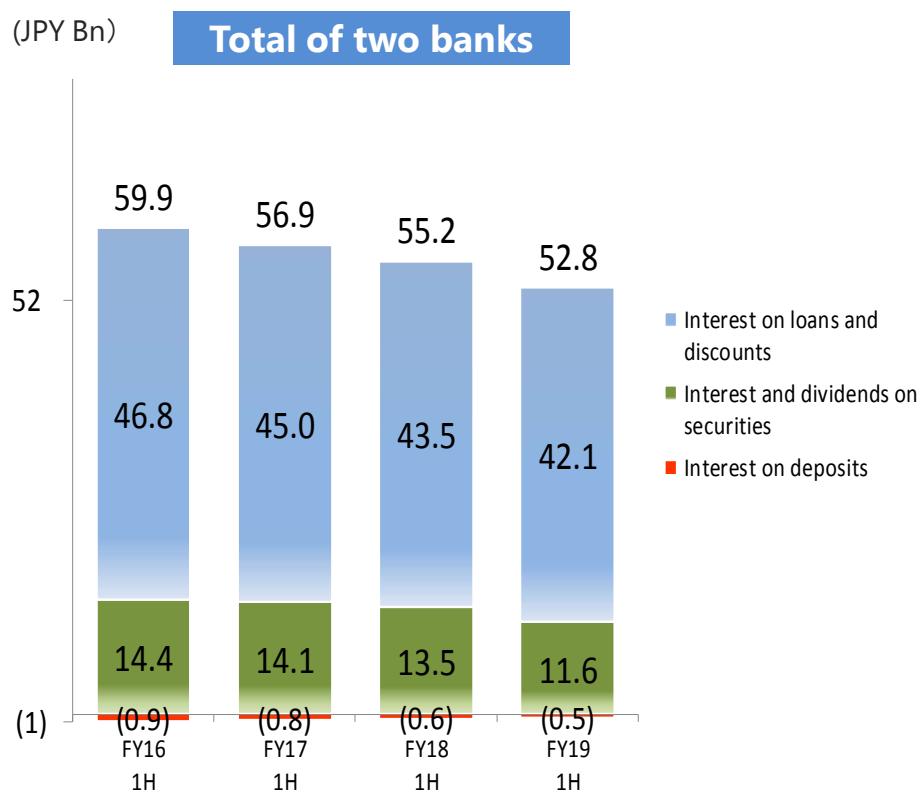
Factors contributing to change in net income



Net Interest Income

Interest income on loans decreased by ¥1.3Bn to ¥42.1Bn.
Interest income on securities decreased by ¥1.8Bn to ¥11.6Bn due to the maturity redemption of government bonds.

Breakdown of net interest income



(JPY Bn)

| 【Total of two banks】 | FY19 1H | change | FY18 1H |
|----------------------|-------------|--------|------------|
| Net interest income | 52.8 | (2.3) | 55.2 |
| Loans | 42.1 | (1.3) | 43.5 |
| Securities | 11.6 | (1.8) | 13.5 |
| Deposits & NCDs (-) | 0.5 | (0.0) | 0.6 |

(JPY Bn)

| 【Total of two banks】 | Avg. balance | Rate |
|----------------------|--------------|-------|
| Loans | 1.2 | (2.6) |
| Securities | (0.6) | (1.2) |
| Deposits & NCDs (-) | 0.0 | (0.0) |

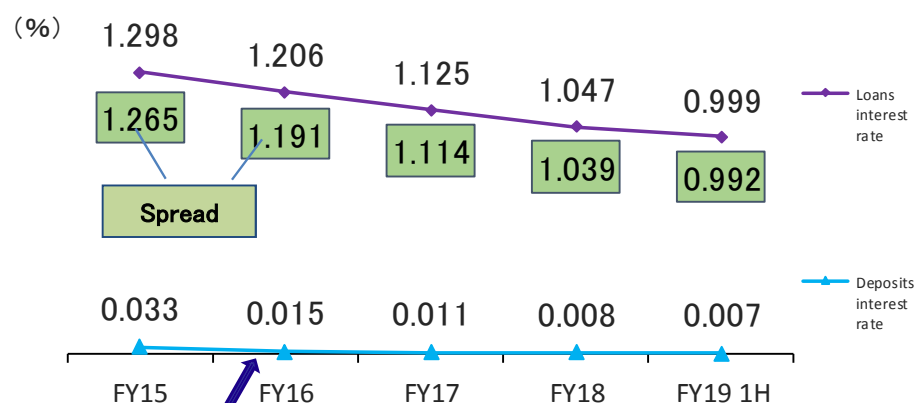
(JPY Bn)

| 【Total of two banks】 | | FY19 1H | change | FY18 1H |
|----------------------------|--------------|-----------------|---------|------------|
| Loans | Avg. balance | 8,382.7 | 236.3 | 8,146.3 |
| | Avg. rate | 1.00% | (0.06%) | 1.06% |
| Securities | Avg. balance | 1,731.9 | (94.7) | 1,826.6 |
| | Avg. rate | 1.34% | (0.14%) | 1.48% |
| Deposits & NCDs | Avg. balance | 11,522.7 | 250.3 | 11,272.4 |
| | Avg. rate | 0.01% | 0.00% | 0.01% |

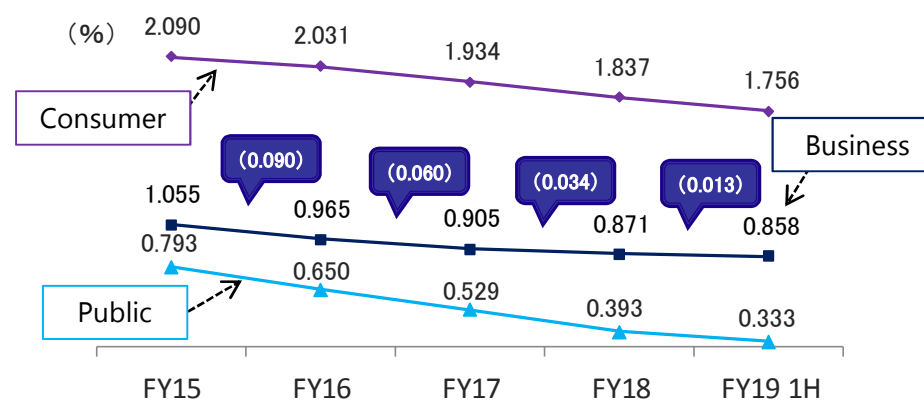
Interest Yields

Interest rate of yen denominated loans declined by 0.048% to 0.999% due to an increase in the weight of low-interest public loans. The rate of decline in business-loan was reduced to 0.013 points.

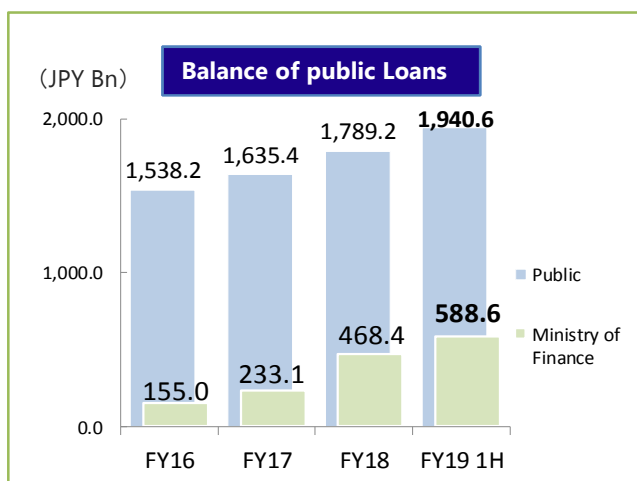
Interest rate of yen denominated loans and deposits



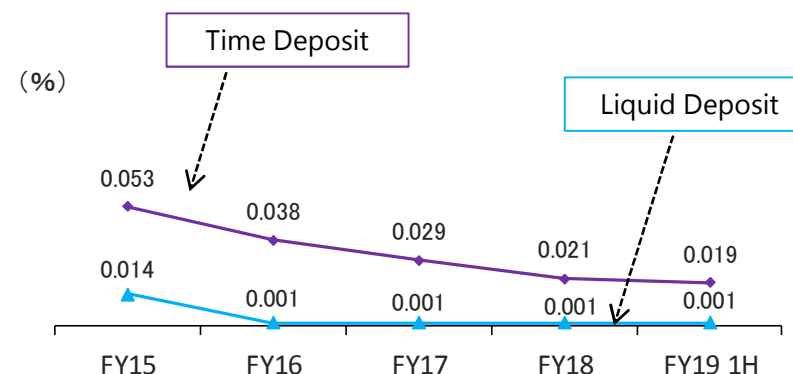
Interest rate of yen denominated loans



Negative interest rate policy started (2016/2)



Interest rate of yen denominated deposits

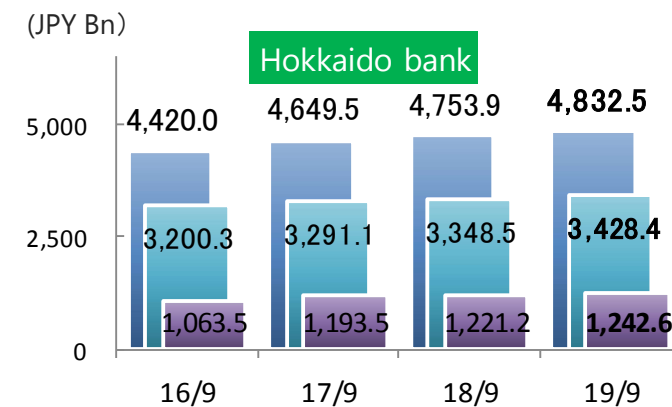
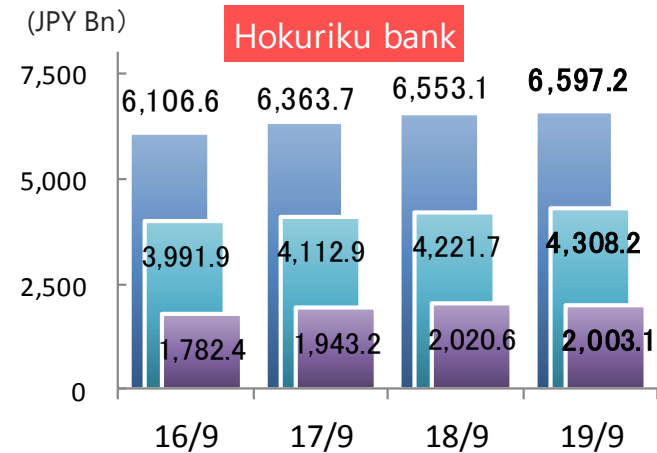
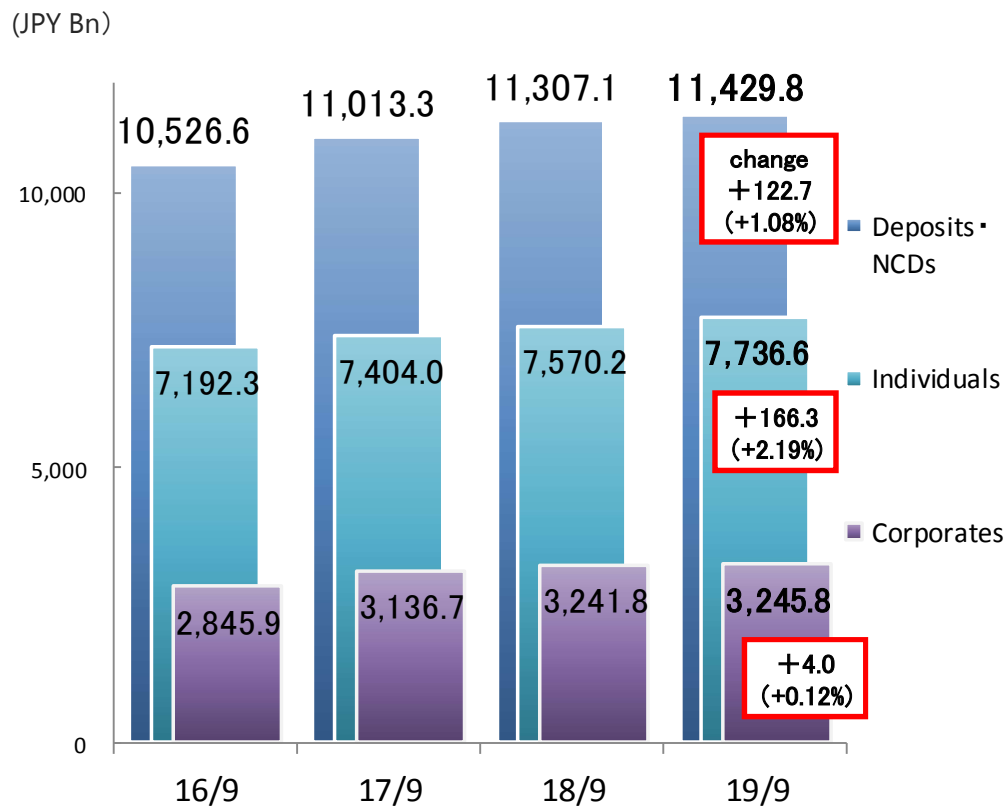


Deposits & NCDs

Balance of deposits increased by ¥122.7Bn to ¥11,429.8Bn.

Balance of deposits & NCDs

Total of two banks

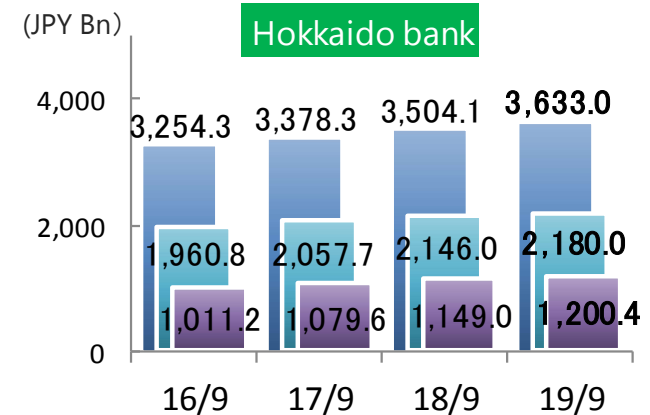
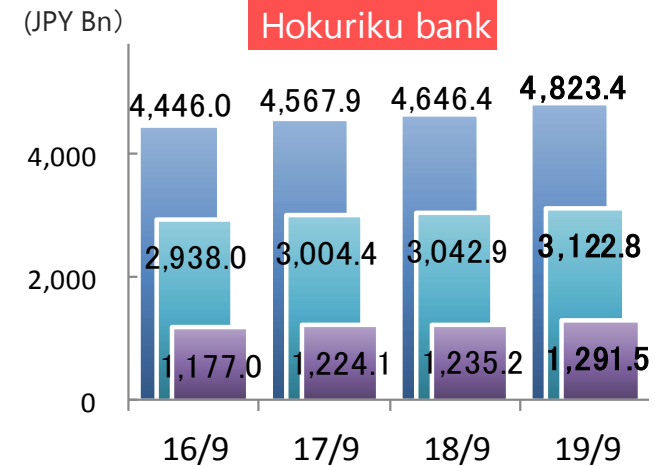
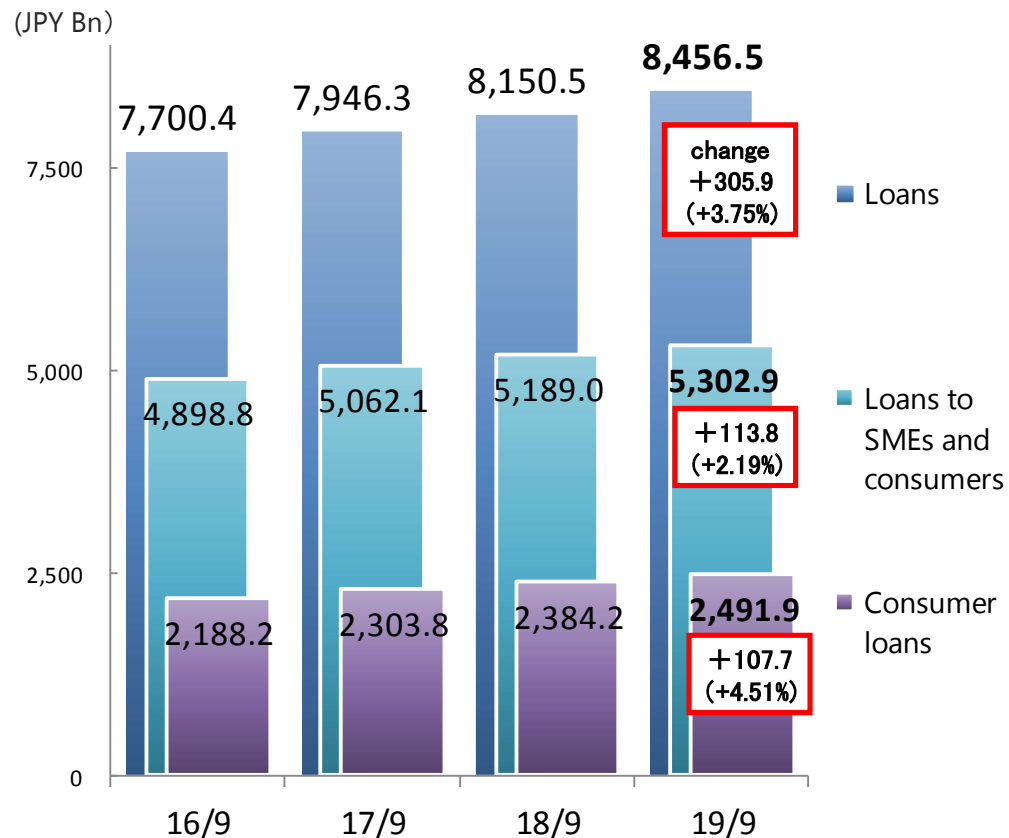


Loan Portfolio

Balance of loans increased by ¥305.9Bn to ¥8,456.5Bn mainly due to the increase in consumer loans and public loans.

Balance of loans

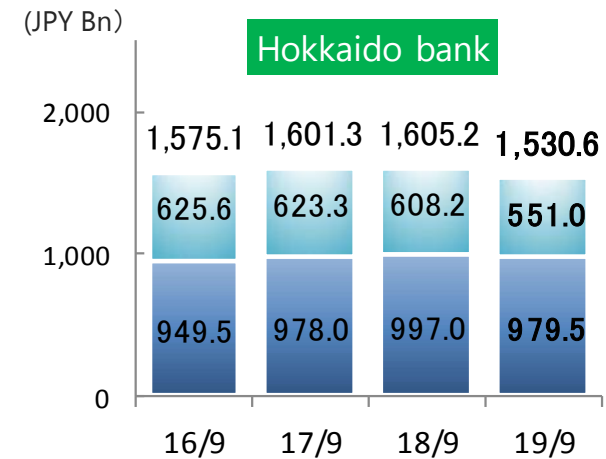
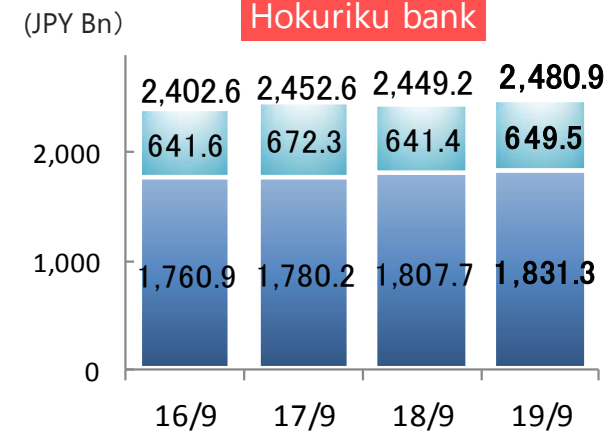
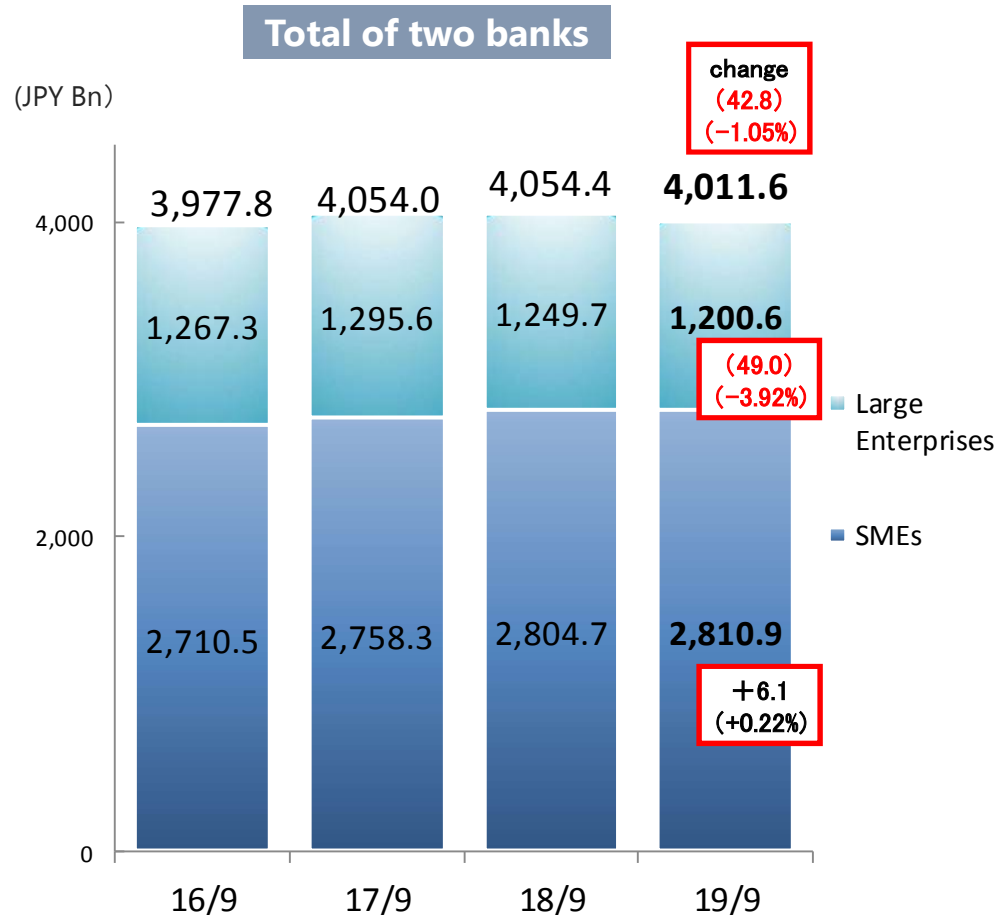
Total of two banks



Loan Portfolio (Business loans)

While loans to SMEs increased by ¥6.1bn, the total declined ¥42.8bn.

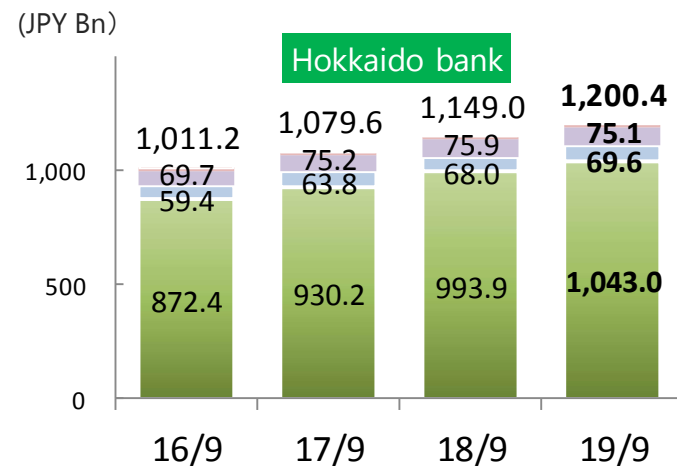
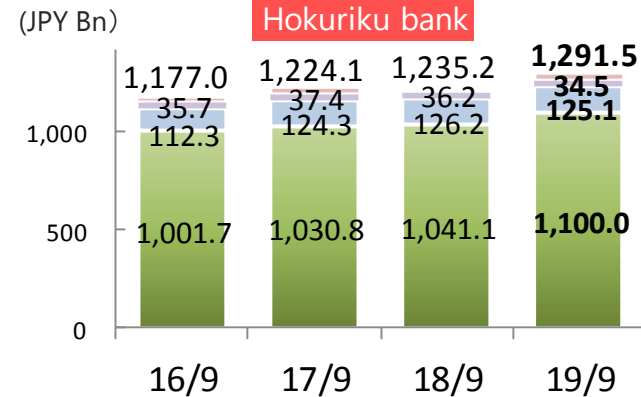
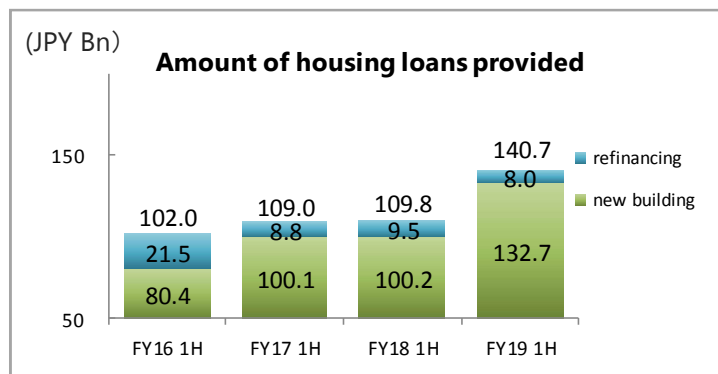
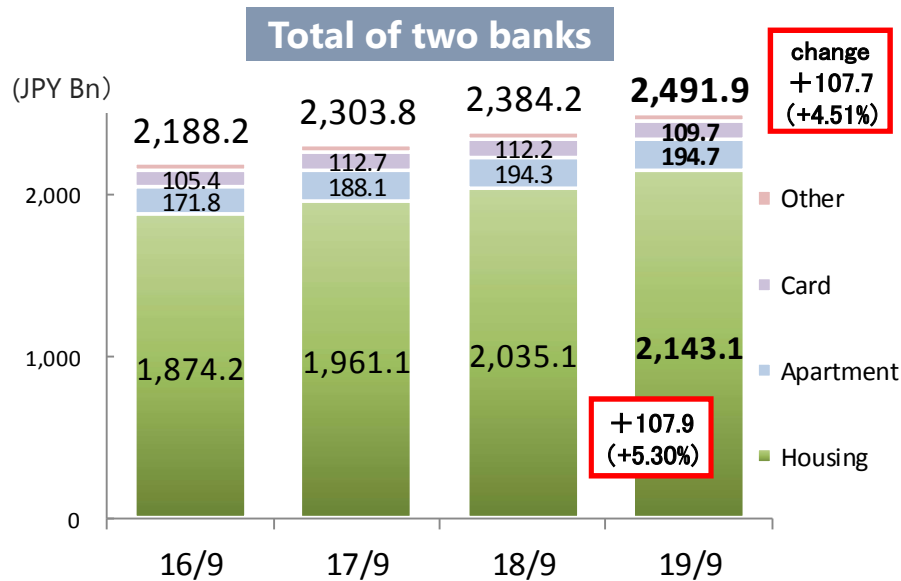
Balance of business loans



Loan Portfolio (Consumer loans)

Consumer loans increased by ¥107.7Bn to ¥2,491.9Bn mainly due to the increase in housing loans. The amount of housing loans provided was ¥140.7Bn, which was a record high for a first half of fiscal year.

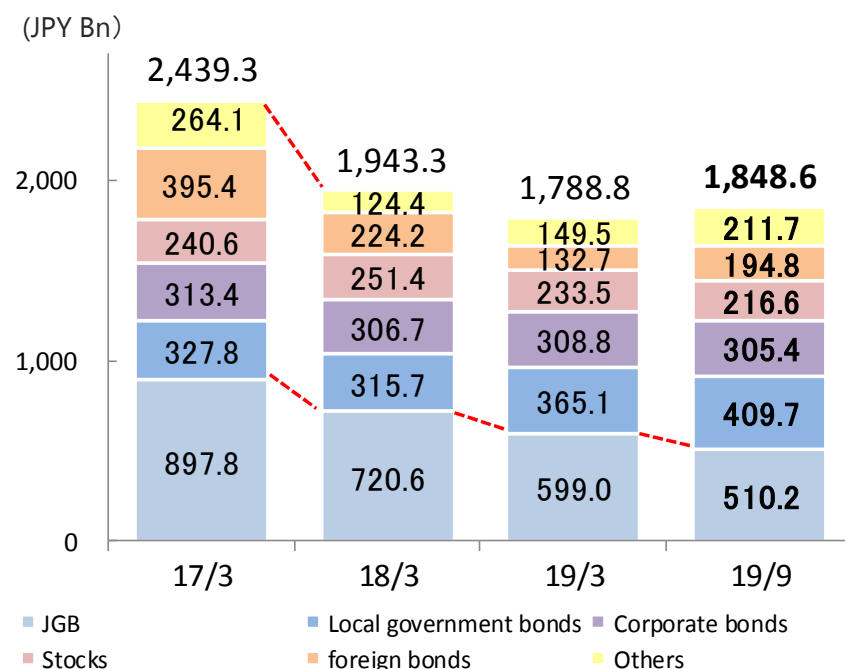
Balance of consumer loans



Securities Portfolio

The balance of securities increased by ¥59.7bn to ¥1,848.6bn, mainly due to an increase in local government bonds, foreign bonds, and investment trusts, although JGB decreased due to maturity redemption. Valuation gain on difference of Available-for-sale Securities is ¥122.1bn.

Balance of securities



| Duration of yen denominated bonds (year) | | | |
|--|------|------|------|
| 17/3 | 18/3 | 19/3 | 19/9 |
| 3.14 | 3.08 | 3.08 | 3.40 |

Revenue and Valuation difference

(JPY Bn)

| 【Total of two banks】 | 19/9 | change | 18/9 |
|---|-------|--------|-------|
| Securities interest | 11.6 | (1.8) | 13.5 |
| Bonds | 4.2 | (0.5) | 4.7 |
| Stocks | 2.8 | (0.6) | 3.4 |
| Others | 4.6 | (0.7) | 5.3 |
| Net sale profit/loss | 4.2 | 3.0 | 1.1 |
| Bonds | 3.7 | 4.7 | (0.9) |
| Stocks | 0.4 | (1.6) | 2.1 |
| Valuation difference of Available-for-sale Securities | 122.1 | (3.8) | 126.0 |
| Bonds | 12.9 | (1.9) | 14.9 |
| Stocks | 93.5 | (12.1) | 105.6 |
| Others | 15.5 | 10.1 | 5.4 |

Net Fee and Commission Income

Mainly due to a decrease in fees for investment trusts sales, Net fees and commissions decreased by ¥0.3bn to ¥8.0bn.

Fee revenue

(JPY Bn)

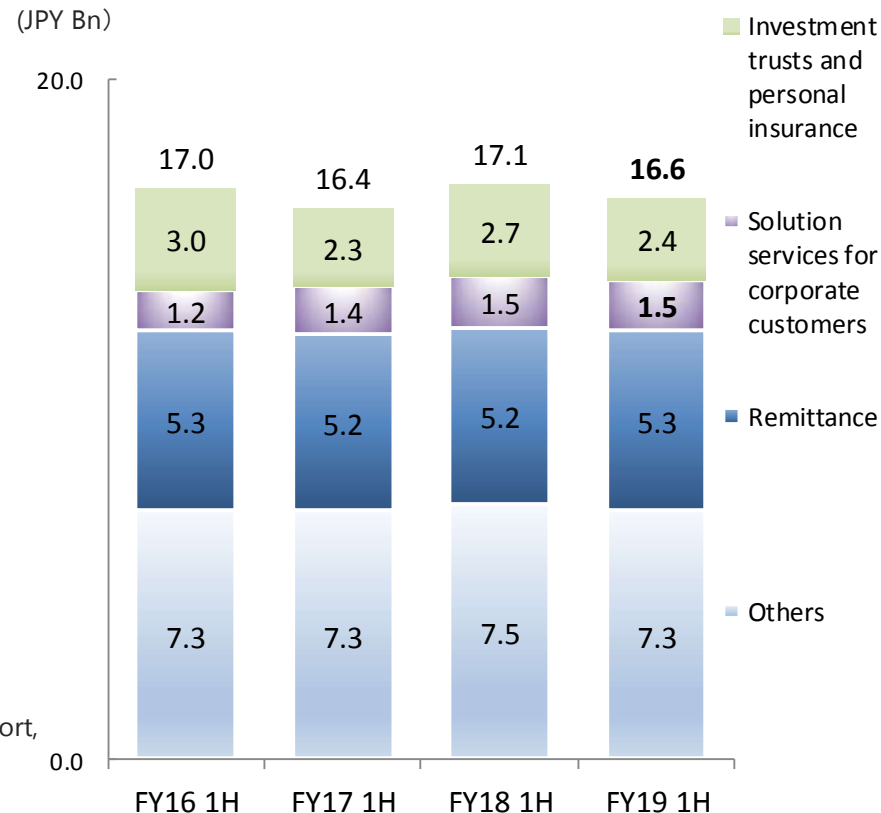
| 【Total of two banks】 | FY19 1H | change | FY18 1H |
|---|---------------|--------|------------|
| ① Net fees and commissions | 8.0 | (0.3) | 8.3 |
| Fees and commissions | 16.6 | (0.4) | 17.1 |
| Remittance | 5.3 | 0.0 | 5.2 |
| Investment trusts | 1.2 | (0.3) | 1.5 |
| Personal insurance | 1.2 | (0.0) | 1.2 |
| Solution services* | 1.5 | (0.0) | 1.5 |
| Fees and commissions payments | 8.6 | (0.1) | 8.7 |
| Remittance | 0.9 | (0.0) | 0.9 |
| Loan related expenses | 6.0 | 0.1 | 5.9 |
| ② Net trading income | 0.0 | (0.0) | 0.0 |
| ③ Net other income (excluding gains (losses) related to bonds) | 0.4 | 0.0 | 0.4 |
| Gains on foreign exchange transaction | 0.4 | 0.0 | 0.4 |
| ④ Fee revenue ①+②+③ | 8.5 | (0.2) | 8.8 |
| ⑤ Core gross business profits | 61.3 | (2.6) | 64.0 |
| ⑥ Fee revenue ratio ④/⑤ | 13.91% | 0.13% | 13.78% |

*(for corporate customers) Private placement bond, syndicated loan, M&A support, Business succession support, Business matching, etc.

Net fees and commissions

Total of two banks

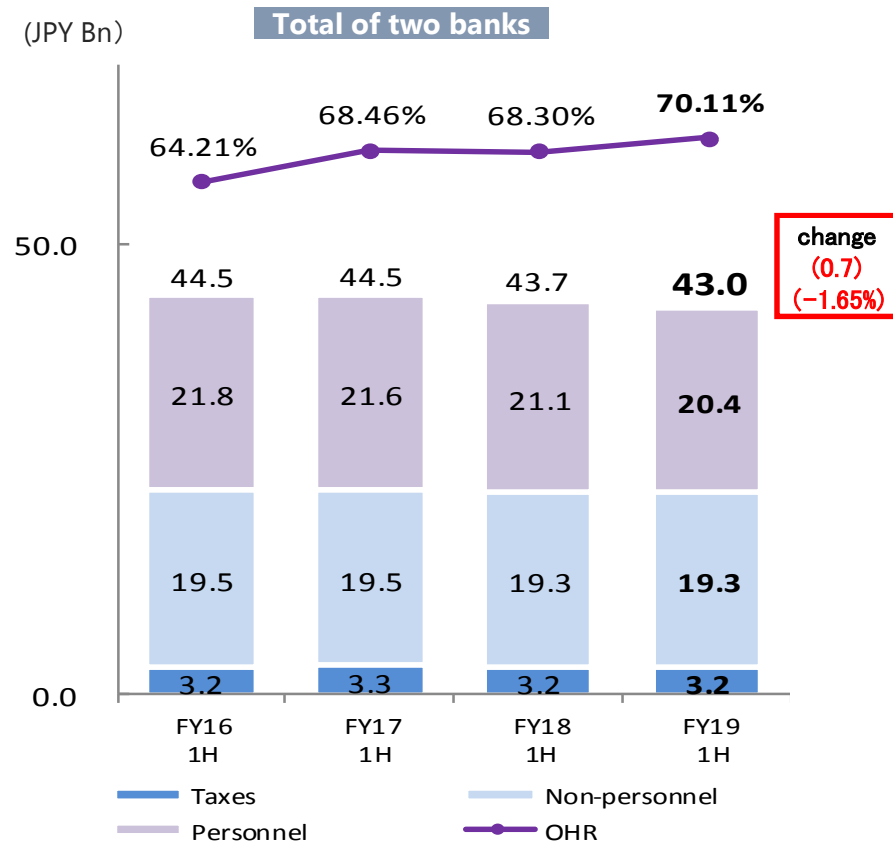
(JPY Bn)



G&A Expenses

G&A expenses decreased by ¥0.7Bn to ¥43.0Bn due to reduction of personnel expenses and non-personnel expenses through efforts to improve work efficiency.

G&A expenses and OHR



OHR = G&A expenses / Core gross business profits

Increase/decrease factors in G&A expenses

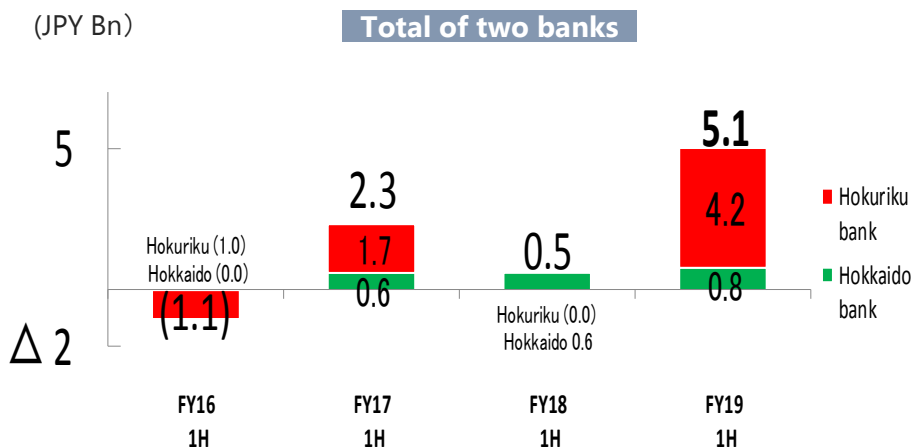
(JPY Bn)

| 【Total of two banks】 | FY19 1H | change | FY18 1H |
|----------------------|-------------|--------|------------|
| Personnel | 20.4 | (0.7) | 21.1 |
| Non-personnel | 19.3 | 0.0 | 19.3 |
| Taxes | 3.2 | (0.0) | 3.2 |
| G&A expenses | 43.0 | (0.7) | 43.7 |

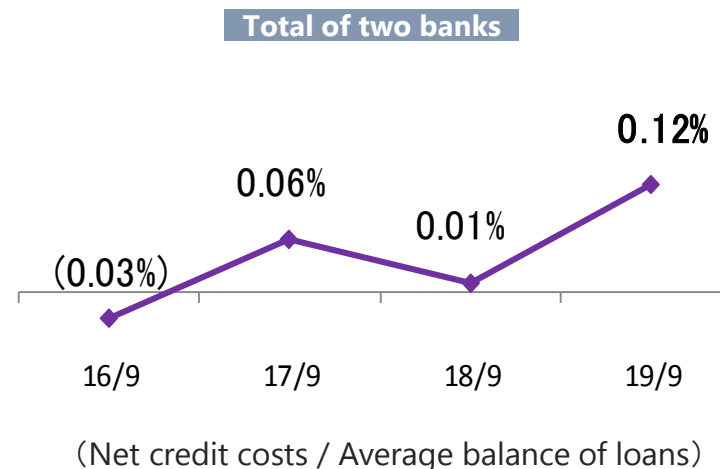
Net Credit Costs

Net credit costs increased by ¥4.5bn to ¥5.1bn due to an increase in net transfer to allowance for loan losses.

Net credit costs



Credit cost ratio



Increase/decrease factors in net credit costs

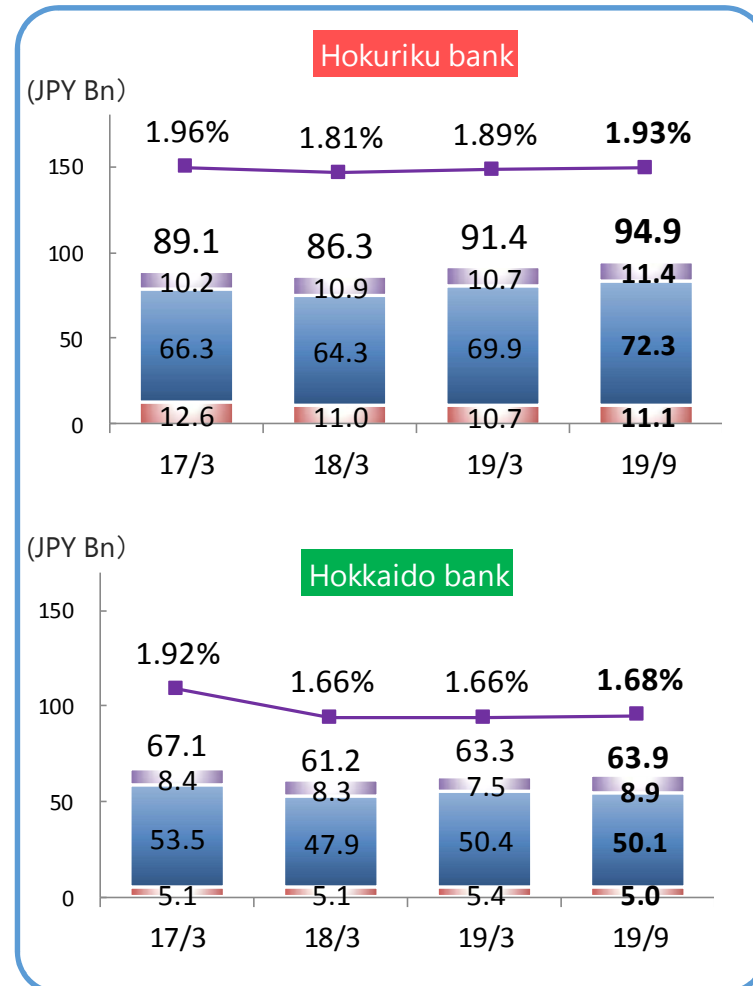
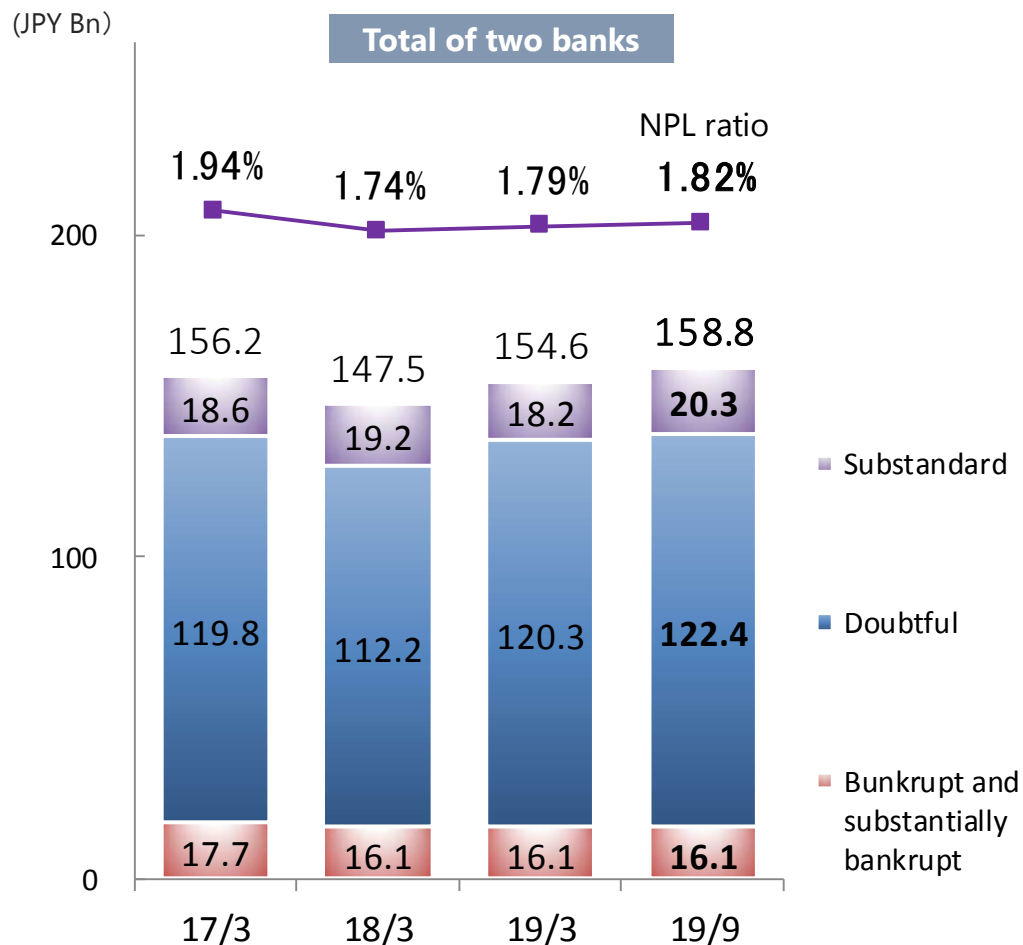
Total of two banks

| | FY19 1H | change | FY18 1H |
|--|------------|--------|------------|
| Net credit costs | 5.1 | 4.5 | 0.5 |
| Net transfer to general allowance for loan losses | 1.1 | 1.2 | (0.0) |
| Credit related costs | 3.9 | 3.3 | 0.6 |
| Reversal of general allowance for loan losses | - | 0.8 | (0.8) |
| Net transfer to individual allowance for loan losses | 3.8 | 2.3 | 1.4 |

Non-Performing Loan

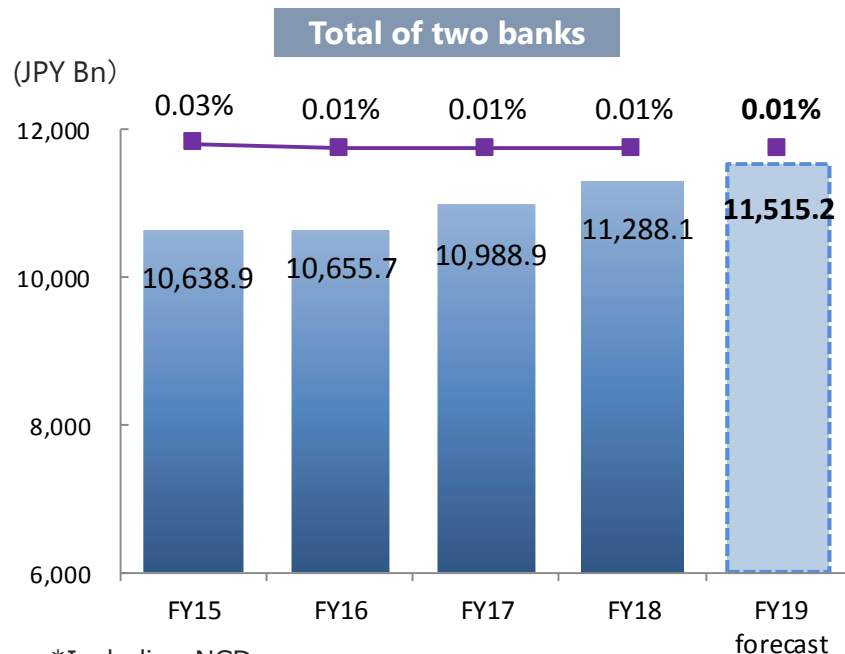
Balance of Non-Performing loans increased by ¥4.1Bn to ¥158.8Bn, and NPL ratio was 1.82%.

Balance of non-performing loan

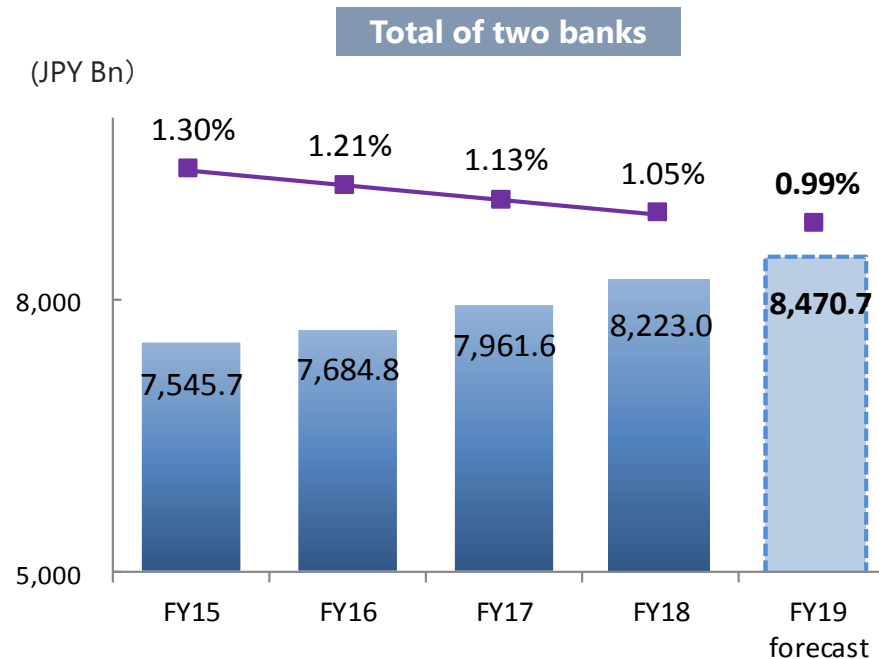


Forecast for Deposits & Loans

Ave. balance and rate of deposits*



Ave. balance and rate of Loans



(JPY Bn)

| 【Total of two banks】 | FY18 (A) | FY19 1H | FY19 forecast (B) | change (B-A) |
|----------------------|----------|----------|-------------------|--------------|
| Ave. balance | 11,288.1 | 11,522.7 | 11,515.2 | 227.0 |
| Ave. rate | 0.01% | 0.01% | 0.01% | (0.00%) |
| Interest expense | 1.2 | 0.5 | 1.1 | (0.1) |

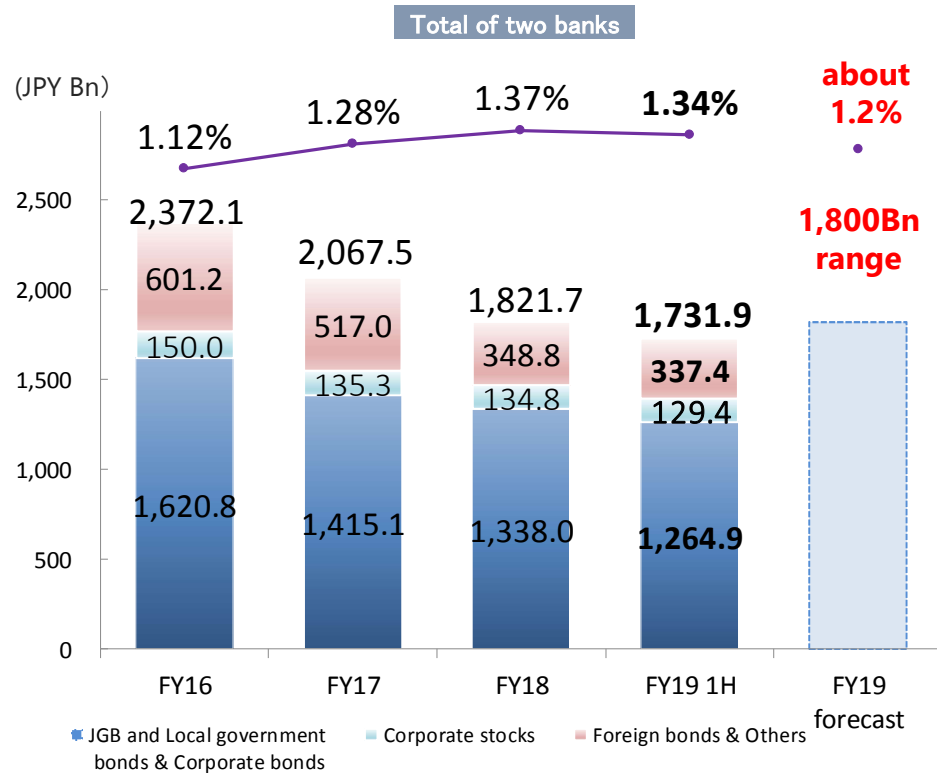
(JPY Bn)

| 【Total of two banks】 | FY18 (A) | FY19 1H | FY19 forecast (B) | change (B-A) |
|----------------------|----------|---------|-------------------|--------------|
| Ave. balance | 8,223.0 | 8,382.7 | 8,470.7 | 247.7 |
| Ave. rate | 1.05% | 1.00% | 0.99% | (0.06%) |
| Interest income | 86.6 | 42.1 | 84.6 | (2.0) |

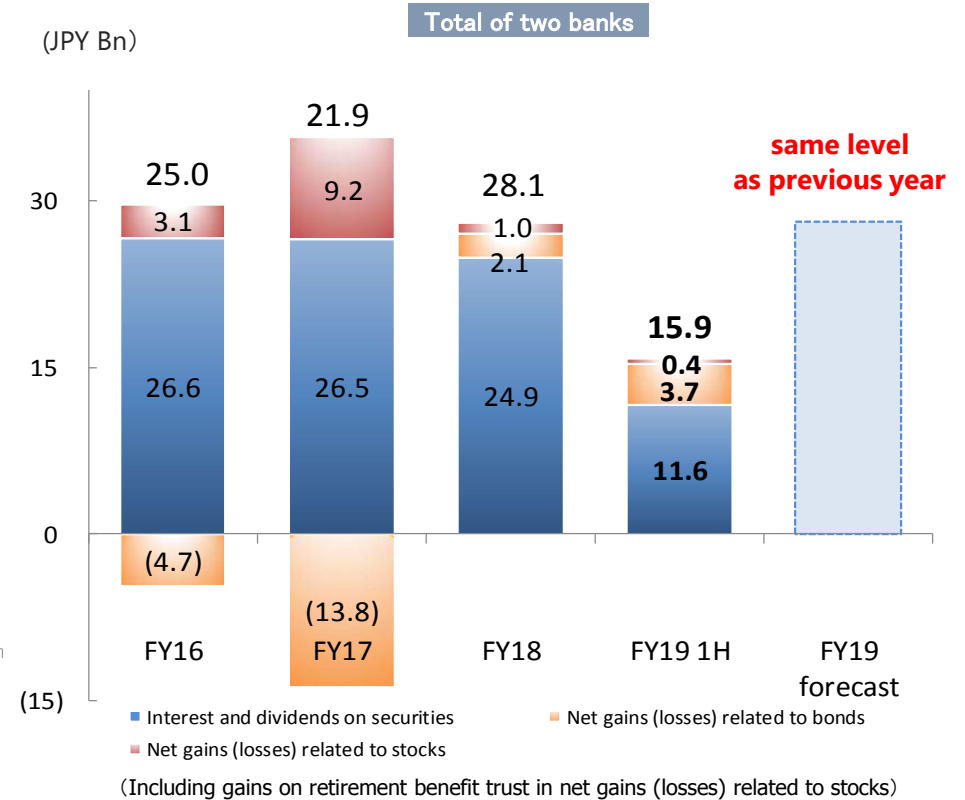
Forecast for Securities Portfolio

Given the risk of considerable amount of redemption of JGB, we will make efforts to gain interest and dividends income through diversified and risk-controlled investment on securities, as well as to gain profit through strategic and flexible trading.

Ave. balance and rate of securities



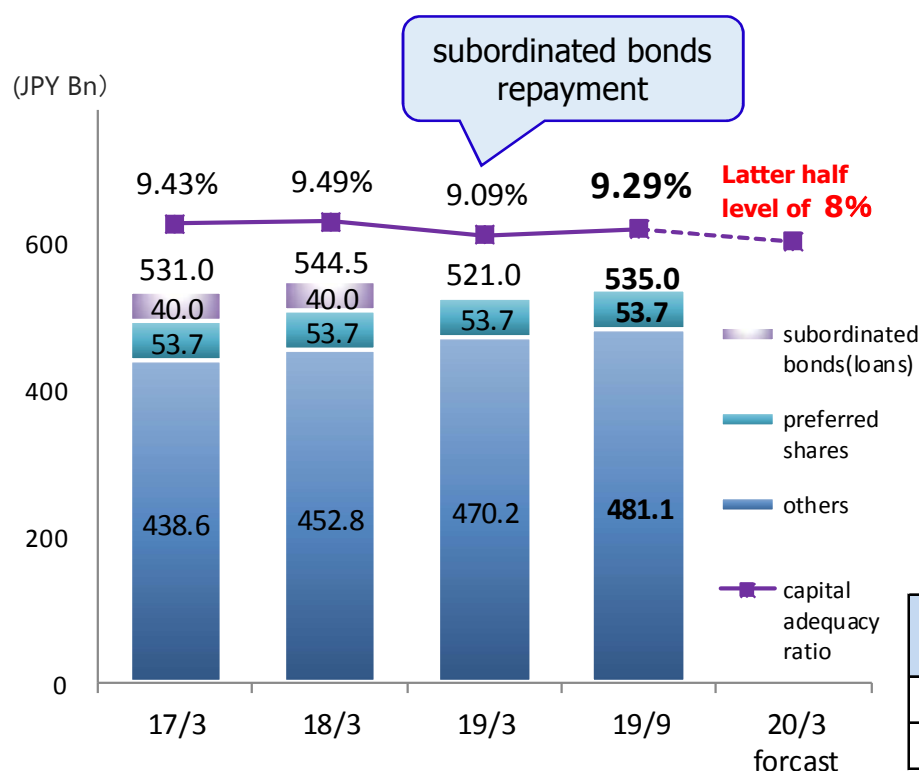
Profits on securities



Capital Adequacy ratio

Capital adequacy ratio increased by 0.20% to 9.29 % due to the accumulation of surpluses due to profits. On October 1, 2019, ¥5.3Bn of preferred shares was redeemed, and the forecast for the end of March 2020 is latter half of 8% level.

Capital adequacy ratio



Capital and risk-weighted assets

(JPY Bn)

| 【Consolidated】 | Transitional arrangements | | | Full implementation | | |
|----------------------------|---------------------------|--------|---------|---------------------|--------|---------|
| | 19/9 | change | 19/3 | 19/9 | change | 19/3 |
| Capital | 535.0 | 13.9 | 521.0 | 476.4 | 13.9 | 462.5 |
| Instruments and reserves | 551.9 | 12.3 | 539.5 | 493.2 | 12.3 | 480.9 |
| Regulatory adjustments (-) | 16.8 | (1.5) | 18.4 | 16.8 | (1.5) | 18.4 |
| Risk-weighted assets | 5,756.8 | 27.6 | 5,729.1 | 5,743.2 | 27.7 | 5,715.5 |
| Capital adequacy ratio | 9.29% | 0.20% | 9.09% | 8.29% | 0.20% | 8.09% |

ROE

| | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 1H |
|----------------------|------|------|------|------|------|------|-------------|
| 【Consolidated】 | 5.8% | 5.5% | 5.3% | 5.1% | 3.6% | 4.0% | 3.7% |
| 【Total of two banks】 | 6.4% | 5.9% | 5.8% | 5.7% | 4.4% | 4.8% | 4.5% |

Earnings Forecast

Forecasts for FY19

(JPY Bn)

<Consolidated>

| | FY19 forecasts | change |
|---|-------------------|--------|
| Ordinary profits | 31.5 | (3.8) |
| Net income attributable to owners of the parent | 19.5 | (4.8) |

| | 【Total of two banks】 | | 【Hokuriku bank】 | | 【Hokkaido bank】 | |
|-----------------------------|----------------------|--------|------------------|--------|------------------|--------|
| | FY19 forecast | change | FY19 forecast | change | FY19 forecast | change |
| Core gross business profits | 124.0 | (1.7) | 67.0 | (2.1) | 57.0 | 0.4 |
| G&A expenses | 87.0 | 0.4 | 46.5 | 0.0 | 40.5 | 0.3 |
| Core net business profits | 37.0 | (2.1) | 20.5 | (2.1) | 16.5 | 0.0 |
| Net credit costs | 8.5 | 3.8 | 6.0 | 3.1 | 2.5 | 0.7 |
| Ordinary profits | 33.0 | (3.7) | 19.0 | (3.1) | 14.0 | (0.5) |
| Net income | 22.0 | (4.6) | 12.0 | (3.5) | 10.0 | (1.0) |

Dividend forecasts for FY19

| | Interim | Year-end | Annual |
|---|---------|----------|--------|
| Dividend per common share | — | ¥40.00 | ¥40.00 |
| Dividend per preferred share (Type5) | ¥7.50 | ¥7.50 | ¥15.00 |

| FY10~FY12 | FY13 | FY14~FY15 | FY16~FY18 | FY19 forecast |
|-----------|-------|-----------|-----------|------------------|
| 37.50 | 40.00 | 42.50 | 44.00 | 40.00 |

•Hokuhoku Financial Group, Inc. implemented a common stock consolidation at a ratio of ten stocks to one stock on October 1, 2016. To enable comparison, the above dividend for previous years are calculated taking this stock consolidation into account.

(JPY Bn)

Transition of Net income attributable to owners of the parent

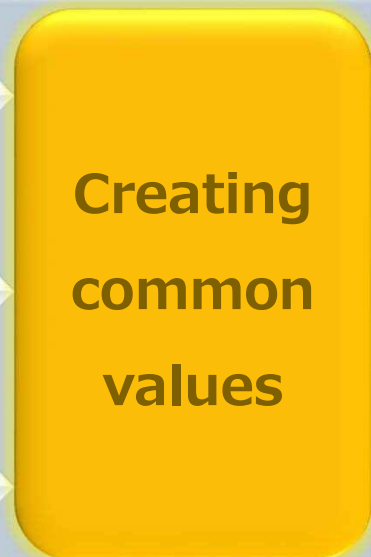
| FY10 | FY11 | FY12 | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 forecast |
|------|------|------|------|------|------|------|------|------|------------------|
| 18.4 | 14.1 | 18.1 | 27.3 | 28.2 | 28.8 | 28.1 | 21.1 | 24.3 | 19.5 |

II . Management Strategy

Medium-term Management Plan



《Medium-term Management Plan》

| | | |
|-----------------------|---|--|
| Title | <h1>ALL for the Region</h1> | |
| Positioning | <p>Period during which all employees of the Group evolve in terms of “services closely attracting customers at Face to Face” and “digital financial services pursuing convenience” and will continue to contribute to the local community</p> | |
| Basic policies | <ul style="list-style-type: none"> Contribution to community development Evolution and change to the future Exercise the group’s comprehensive strength | <ul style="list-style-type: none"> • Face problems together and work to provide solutions that contribute to the development of the region and customers • Provide financial services that capture technological innovation and changes in needs to meet customer expectations • Strengthen group collaboration and establish optimum business promotion and management system <div style="text-align: right; margin-top: 20px;">  </div> |

Create common values by providing service that respond to customer and community issues

Customer issues

- Asset formation
- Assets succession to the next generation
- Growth strategy
- Business succession problem
- Correspondence to AI/IoT

Community issues

- Declining birthrate and aging population
- Population decrease
- Concentration in urban areas
- Issues of ESG and SDGs



Financial issues

- Long term low interest rate
- Entry from different industries
- Expanding business of public financial institutions



Hokuhoku Financial Group, Inc.

The Hokuriku bank, Ltd. The Hokkaido bank, Ltd.

Management philosophy

Prospering together with the region

Fair & Steady Management

Progressive & Innovative Services

Capital to utilize

Financial capital
The 5th asset size among regional banks

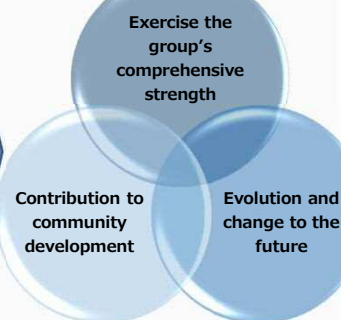
Human capital
Diligent and strong talent

Intellectual capital
Top-class know-how among regional banks and external collaboration

Society capital
High regional share and wide area network

Natural capital
Rich nature of Hokkaido and Hokuriku

Medium-term Management Plan



Practice of management philosophy

=

Solving customer and community issues

Value provided to each stakeholder

Shareholder

- Enrichment of shareholder returns
- Creating shareholder value over the medium to long term
- High transparency information disclosure

Community

- Regional activation
- Promote responsible investment and loan
- Improvement of financial literacy
- Reduction of environmental burden
- Realization of recycling-based society

Customer

- Activate financial assets
- Successful business and asset succession
- Business growth support
- Regional core industry support
- Provision of highly convenient and fulfilling services

Employee

- Fulfilling workplace
- Promotion of diversity
- Promotion of work-life balance

Return to community/Sharing issues through dialogue with stakeholders

We aim to evolve in terms of “services closely attracting customers at Face to Face” and “digital financial services pursuing convenience”, and aim to be a financial group that contributes to the region in a sustainable manner by raising “Main business profit”.

Financial Targets

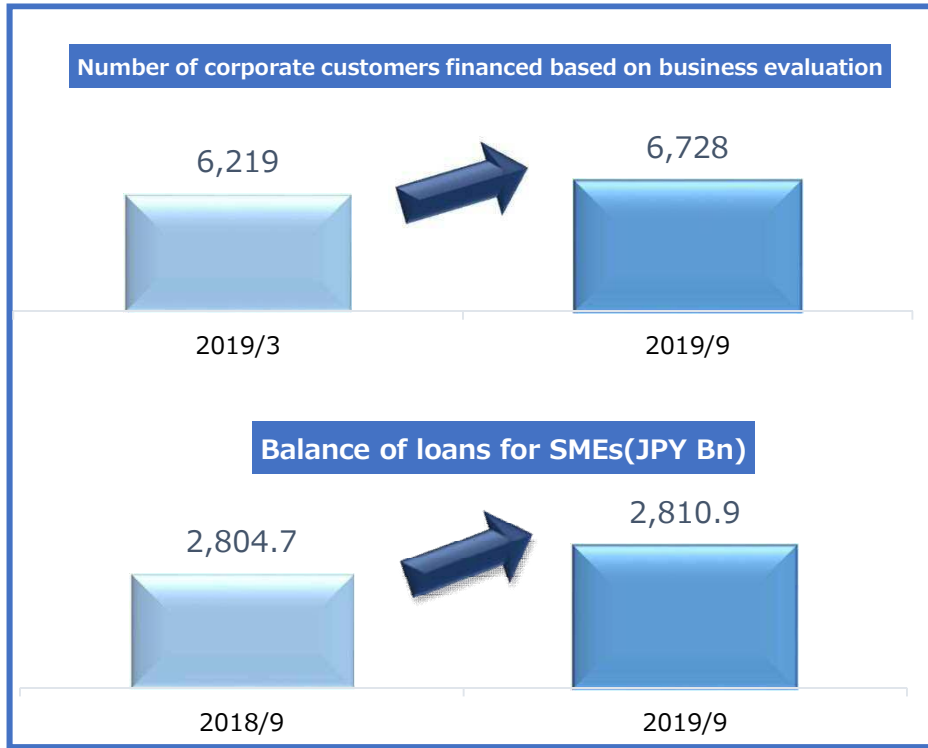
(JPY Bn)

| | FY18 Result | FY19 1H Result | Change | FY2021 Target |
|---|--------------------------|----------------|---------------|---------------------------------|
| Main business profit * | 8.6 (FY18 1H) | 7.8 | (0.8) | Over 22.0 |
| Net income attributable to owners of the parent | 13.9 (FY18 1H) | 11.6 | (2.3) | Over 22.0 |
| (Consolidated) Capital Adequacy Ratio | 9.09% | 9.29% | +0.20% | Maintain 8% level |
| (Core gross business profit basis) O H R | 68.85% | 70.11% | +1.26% | Maintain under 70% level |

* We calculate main business profit in line with our own standard

Exercise financial intermediation function

- ◆ **Analyze corporate customers' external environment and management issues by cooperating with external organizations such as consulting companies.**
- ◆ **Clarify measures to resolve customers' management issues through business evaluation using SWOT analysis and monitoring by PDCA cycle.**
- ◆ **Promote loans without relying on collateral or guarantee, and take appropriate measures for reviewing guarantee contracts.**



<Investment in agricultural corporation and management support>

- In July 2019, Hokkaido Bank provided management support by investing in agricultural corporations and dispatched employees as senior partner.
- The shortage of successors in agriculture in Hokkaido is a serious problem, and there are concerns about the increase in abandoned farmland in the future.
- In order to solve these problems, Hokkaido Bank will contribute to the development of agriculture in Hokkaido by working on "commercialization of Hokkaido agriculture" by concentrating management resources.



<Cooperation with Regional Economy Vitalization Corporation of Japan "REVIC">

- Hokuriku Bank and Hokkaido Bank are strengthening our business of management improvement cooperating with external organizations such as REVIC.
- In addition, we are working to develop human resources by utilizing REVIC's system of dispatching specific experts.

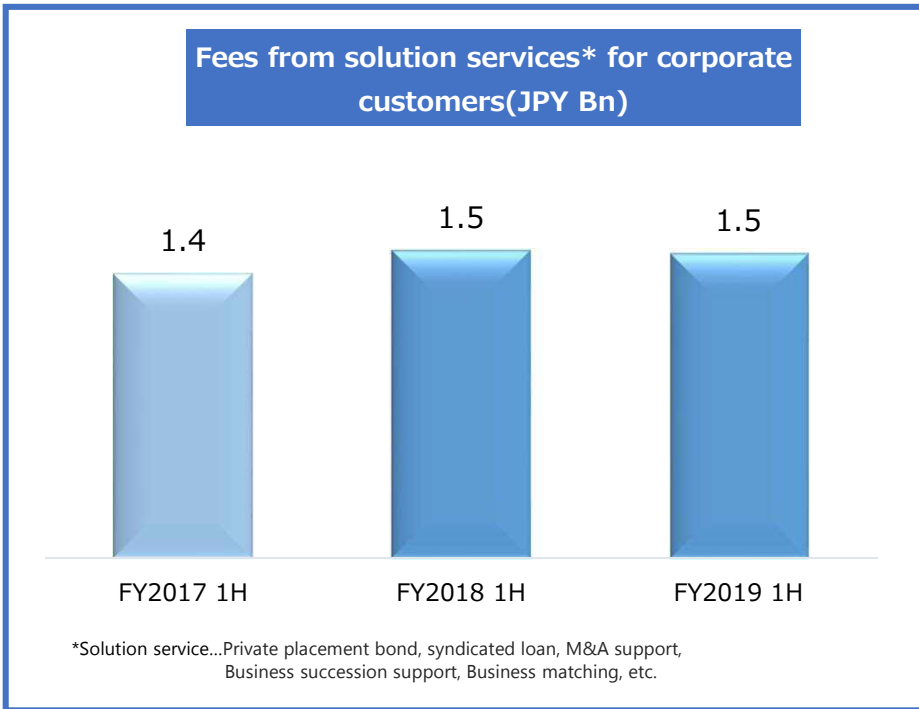


<Support for establishment, etc. by supporting public subsidy applications>

- Hokuriku Bank and Hokkaido Bank support the diversification of customers businesses by introducing public subsidy systems and supporting the formulation of applications.
- In addition, Hokuriku Bank and Hokkaido Bank provide expert advice and application support for customers considering application for subsidies.

Strengthen corporate consulting services

- ◆ Provide various support according to business stage such as founding period, growth period, and regeneration period.
- ◆ Entered the recruiting business and supported customers' efforts to secure human resources by utilizing wide-area branch network and consulting functions.
- ◆ Started providing loans with special agreement of repayment exemption in the event of an earthquake



◆Started providing “loans with special agreement of repayment exemption in the event of an earthquake”

•Hokuriku Bank and Hokkaido Bank started providing the above loan product* in April 2019. This product provides financial support for business continuity and recovery in the event of an earthquake.

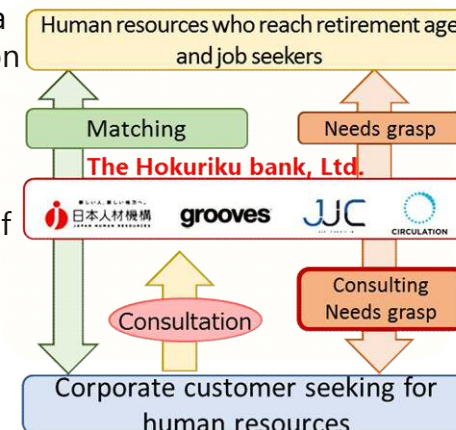
*this loan is a loan with a special agreement that exempts repayment of 100% or 50% of the principal in the event of an earthquake with a seismic intensity of 6 or higher at a pre-identified seismic intensity observation point.

◆Entered the recruitment services

•In July 2019, Hokuriku Bank entered into the recruitment services in partnership with four recruitment agencies. Hokuriku Bank serves as a point of contact, and introduces human resources with management positions or specialized knowledge to companies with recruitment needs.

•This is the first time that a bank in the Hokuriku region has obtained a license for recruitment services

•The recruitment service will encourage the return of urban human resources to local areas and help to solve the management issues of customers.



Strategy for individual customers

Strengthen consulting services to individual customers on asset formation / Expand individual customer base

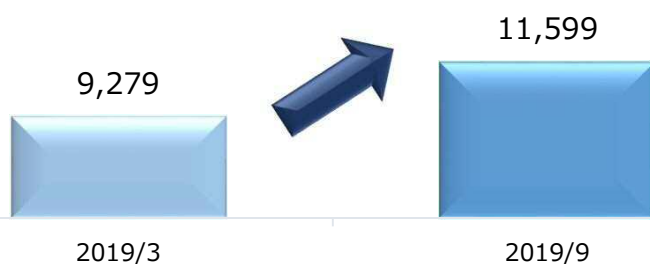
- ◆ Promote dollar-cost averaging investment products and make optimal proposals that contribute to financial asset formation of customers.
- ◆ Started providing trust services to strengthen consulting functions according to life stages.



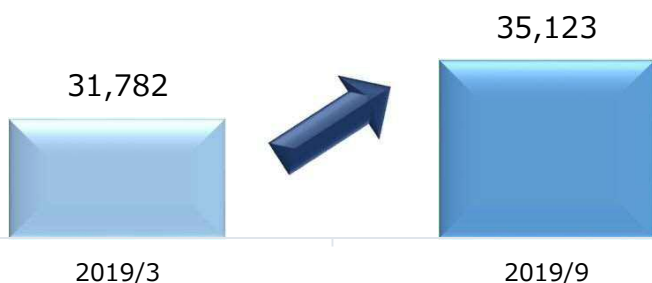
◆ Started providing trust services

- From April 2019, Hokuriku Bank started providing trust services.
- We provide a one-stop service for asset succession needs that are increasing as our society is aging.

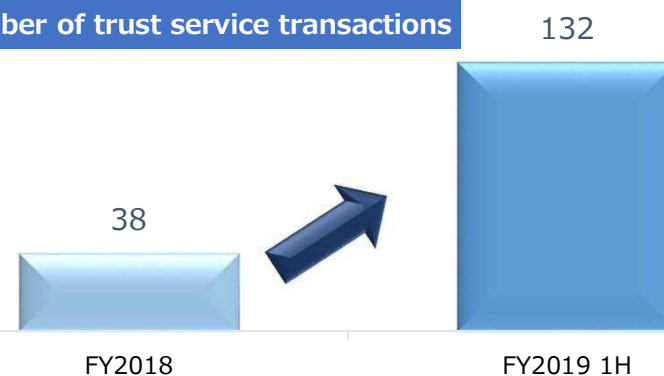
Number of dollar-cost averaging NISA and Junior NISA accounts



Number of dollar-cost averaging mutual fund holders



Number of trust service transactions



Strengthen consulting services to individual customers on loans



◆ Improved WEB application form

• In March 2019, Hokuriku Bank improved its WEB application form for housing loan to make it easier and faster to apply. Customers do not need to visit the branch to apply loan after this improvement.

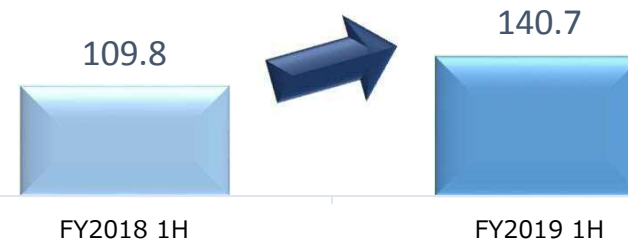
◆ Improved housing loan product

- In April 2019, Hokuriku Bank partially reviewed the product content of “Hokugin housing loan”
- Hokuriku bank is planning to provide “housing loan insurance for a married couple with protection against 8 major diseases”*. This will be the first time for a regional bank in the Hokuriku area to provide this insurance.
- Hokkaido Bank reviewed the longest loan period for housing loans.
- Our group will continue to expand the line of loan products to meet various needs of customers.

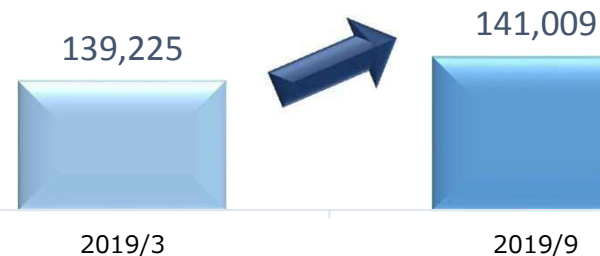
*When a couple uses a joint housing loan, if one of them were to die or to be highly disabled, they will be exempted from the loan repayment.

This insurance covers 8 major diseases, “cancer, myocardial infarction, stroke, high blood pressure, diabetes, chronic liver failure, cirrhosis, chronic pancreatitis”, in addition to death and severe disability.

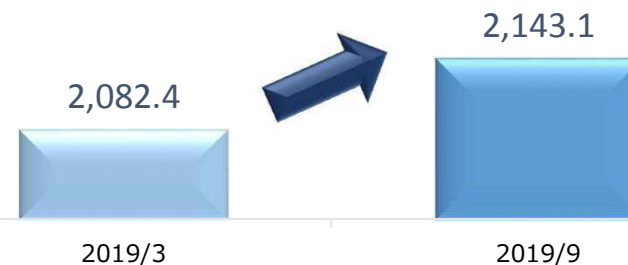
Amount of housing loan provided(JPY Bn)



Number of housing loan customers



Balance of housing loan (JPY Bn)



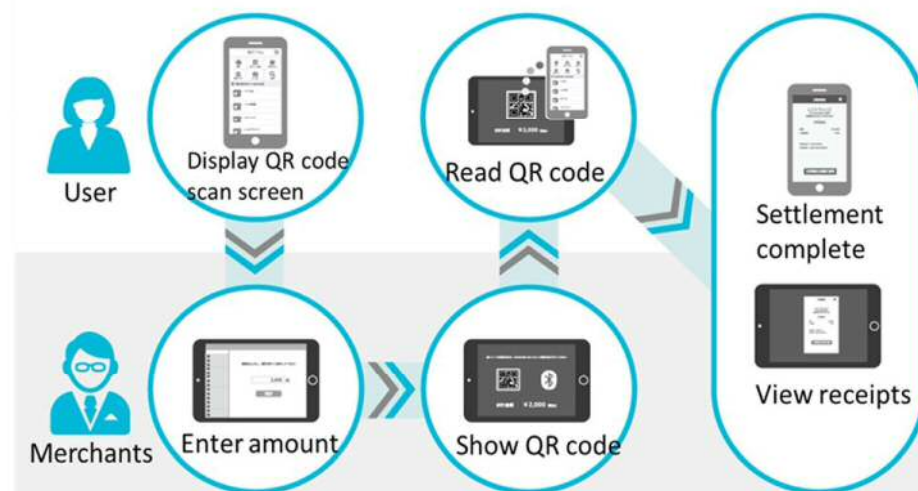
Contribute to development of cashless society

◆“Hokuhoku Pay” service Started



In November 2019, Hokuriku Bank and Hokkaido Bank started providing the smartphone payment service “Hokuhoku Pay”. “Hokuhoku Pay” is a service that allows you to immediately withdraw money from a pre-registered bank account by reading a QR code with your smartphone app when paying at a merchant with a contract with Hokuriku Bank or Hokkaido Bank. “Hokuhoku Pay” uses the “Bank Pay” platform system provided by GMO Payment Gateway Co., Ltd. and the “Multi-bank payment” function with the bank that introduces “Bank Pay” will be used. We improve regional customer convenience by providing this service.

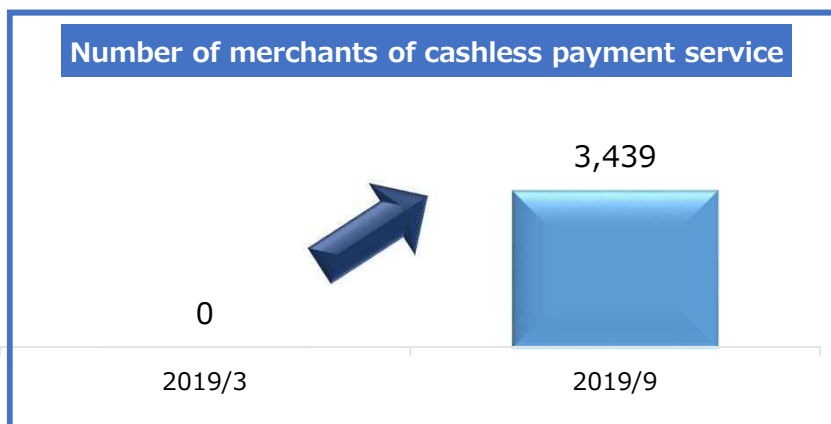
<Image of using the “Hokuhoku Pay” service(payment flow)>



◆Started “StarPay” contract agency service



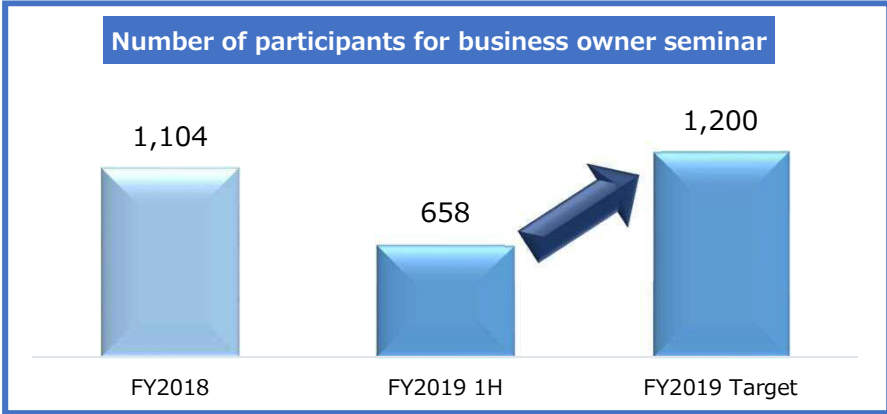
- In July 2019,Hokuriku Bank and Hokkaido Bank started an agency service for merchant contracts for the multi-QR code payment service “StarPay” .
- “StarPay” is a service that supports multiple QR code payments, and merchants can apply for multiple services such as “LinePay” and “PayPay” at once.
- By providing this service, we can meet various cashless payment needs of customers.



Realization of sustainable community

SDG s

- Concluded a partnership agreement between Toyama City and Hokuriku Bank for the promotion of SDGs
- Media Invitation Project Targeting Visitors to Japan
- Purchased green bonds that contribute to ESG-friendly environmental improvement



<Concluded a partnership agreement on the promotion of the SDGs>

- Hokuriku bank concluded a partnership agreement with Toyama City regarding the promotion of SDGs In August 2019. This is the first collaboration agreement with an external organization regarding the promotion of SDGs.
- Toyama City and the Hokuriku Bank will strengthen mutual cooperation and aim for the sustainable development of local communities through the promotion of SDGs.



Cooperation Agreements



1. Revitalization of the local economy
2. Promoting safe urban development
3. Health Promotion of Citizens
4. Environmental Conservation and Energy
5. The Promotion of educational culture
6. Improvement of citizen services and revitalization of local communities
7. Other measures to realize sustainable development of local communities

<Conducted a media invitation project targeting tourists from Taiwan and Russia>



- Hokkaido Bank introduced the appeal of Hokkaido's "food and tourism" to the Taiwanese media in May 2019, and introduced the attractions of tourism in Hokkaido, Tohoku and Niigata prefectures to media people in Russia in August.
- An invitation program aimed at attracting inbound tourists was implemented by disseminating information on tourism in Hokkaido.

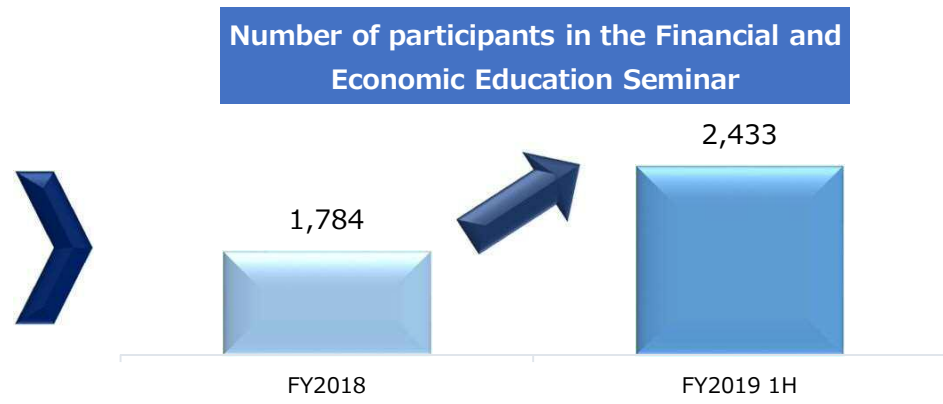


Improving financial literacy in the region

Financial and Economic Education

- Financial economics classes at all branches
- SDGs practical seminar
- Asset formation seminar
- Banking seminar for parents and children



<Asset formation seminar for customers>

- Every month, Hokkaido Bank holds asset formation seminars for customers.
- Hokkaido Bank provides various information on the concept of asset formation and provides opportunities for customers to learn.



<SDGs Practical Seminar >

- Hokuriku Bank held a "SDGs Practice Seminar for Business" in Toyama City.
- The purpose of this program is to encourage companies and business owners to deepen their understanding of the SDGs and expand their business opportunities.



<Financial economics classes at all branches>

- The Hokuriku Bank holds "delivery classes" at schools in all sales areas to promote financial and economic education for young people such as elementary, junior high and high school students.
- The branch manager serves as a lecturer and teaches the role of money and the importance of asset formation.



< Banking Seminar for Parents and Children >

- Hokkaido Bank held a financial education event for elementary school students, "Banking Seminar for Parents and Children during the summer vacation".
- 123 children participated in the event, where they experienced the weight of 100 million yen, experienced bill counting, and learned about banks.



Business reform, Optimization of branch store network and Strategy for utilization of human resources

Improve management efficiency, productivity and work environment

Improve operational efficiency and productivity

- Operational efficiency by utilizing RPA*
- Improve productivity by utilizing tablet PC



〈Promoting operational efficiency through RPA〉

- Hokuriku Bank and Hokkaido Bank are promoting to reduce working hours by expanding the scope of RPA operations and reviewing operations.
- By September 2019, a total of 52,142 working hours were reduced.

〈Utilization of tablet PC〉

- Our group has switched PCs used in our offices from conventional desktop PCs to tablet PCs.
- With tablet PCs, various activities, including activities of sales representatives, become more efficient and productive.
- In addition, the entire group is trying to use telework using tablet PCs.

〈Promoting diversity〉

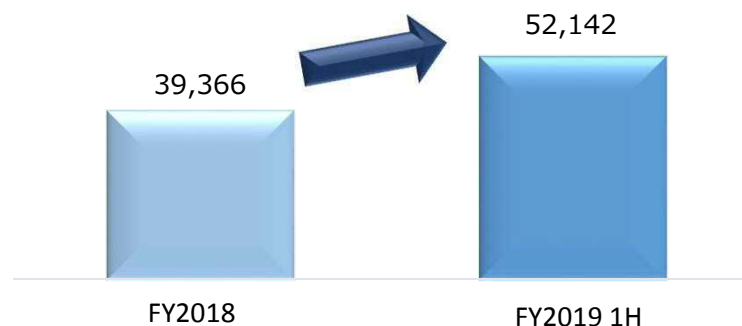
- Hokuriku bank, Intec Co., Ltd., and Hokuriku Electric Power Co., Ltd., established "COSMOS Project" and held seminars for female employees working while raising children.

- Discussions on the theme of "balancing work and family" provided an opportunity to think about career development and work styles and to improve motivation.



*Robotic process automation

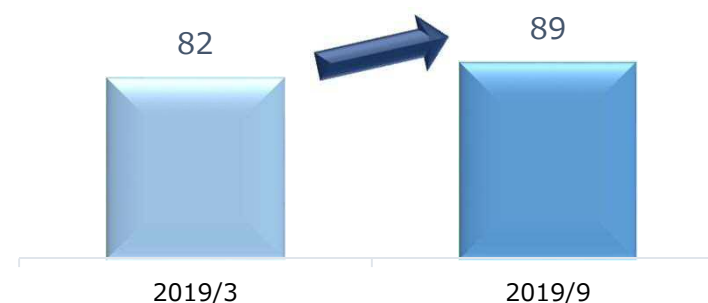
Working hours reduced by RPA(hours)



Use cases of RPA

- Data extraction for tax and deposit investigation
- Arrangement of loan applications submitted via WEB
- Reference work on housing loan
- Automatic creation of approval documents
- Automatic printing of regular printed materials
- Sorting and printing of account opening application information
- Aggregation of collateral re-evaluation

Number of women in management positions



Build an agile organizational structure

Unification of headquarter functions

- In June 2019, reorganization was implemented with the aim of unifying the headquarters departments and their functions of the Hokuriku Bank and Hokkaido Bank.
- In line with this reorganization, Hokuriku Bank and Hokkaido Bank have newly established the “Digital Strategy Department”, and have integrated the holding company’s planning department and those of both banks with the aim of speeding up the Group’s decision-making and improving operational efficiency.
- By strengthening cooperation, our group will build the functional organizational structure shown in the medium-term management plan.

Joint foreign exchange administration

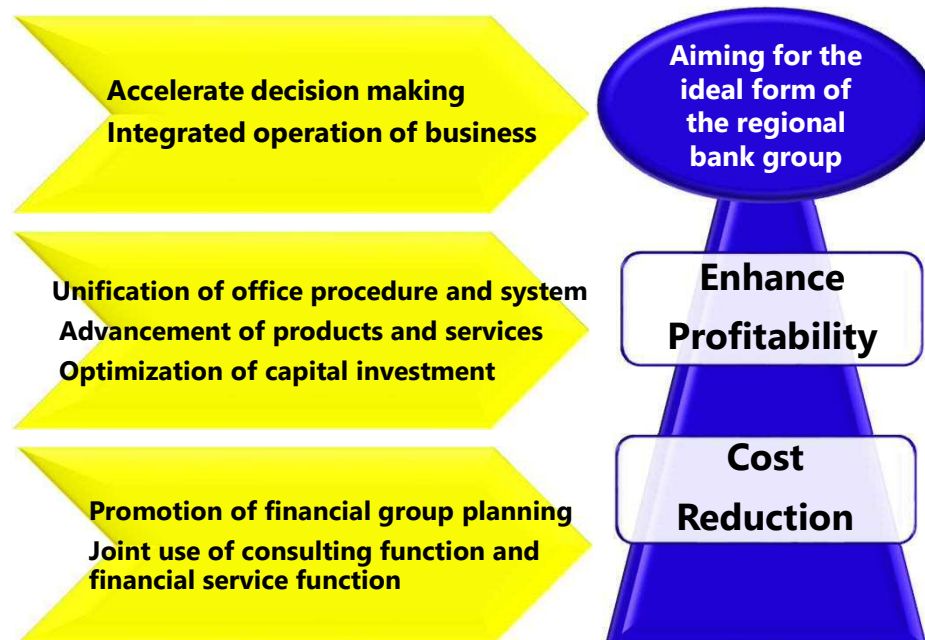
- Hokuriku bank and Hokkaido Bank will collaborate with the Bank of Yokohama for foreign exchange operations such as foreign remittance in order to streamline foreign exchange operations.
- We have reduced IT costs through the joint operation of the core system “MEJAR” with the Bank of Yokohama. This initiative is expected to further reduce costs and develop specialized human resources for foreign exchange operations.

Basic Agreement on the Next Joint-Use System

- In May 2019, the Hokuriku Bank, the Hokkaido Bank, the Bank of Yokohama, the 77 Bank and the Higashi-Nippon bank have reached an agreement to consider the adoption of “open platform technology” that allows flexible selection of hardware and software according to the environment in the next joint-use system.
- With this technology, we can expect expandability of system function, cost advantages, and utilization of the latest technology. Operation of the next joint-use system is scheduled for FY 2023.

ATM free partnership with Shinkin Bank in Hokkaido

- With the aim of improving the convenience of local customers, Hokkaido Bank established a couple of mutual free partnership of ATM with Kushiro Shinkin Bank in June 2019, Engaru Shinkin Bank in September, and Toshima Shinkin Bank and Kitatorachi Shinkin Bank in October.



Appendix

About Hokuhoku FG

Outline of Hokuhoku FG and Two Banks ①

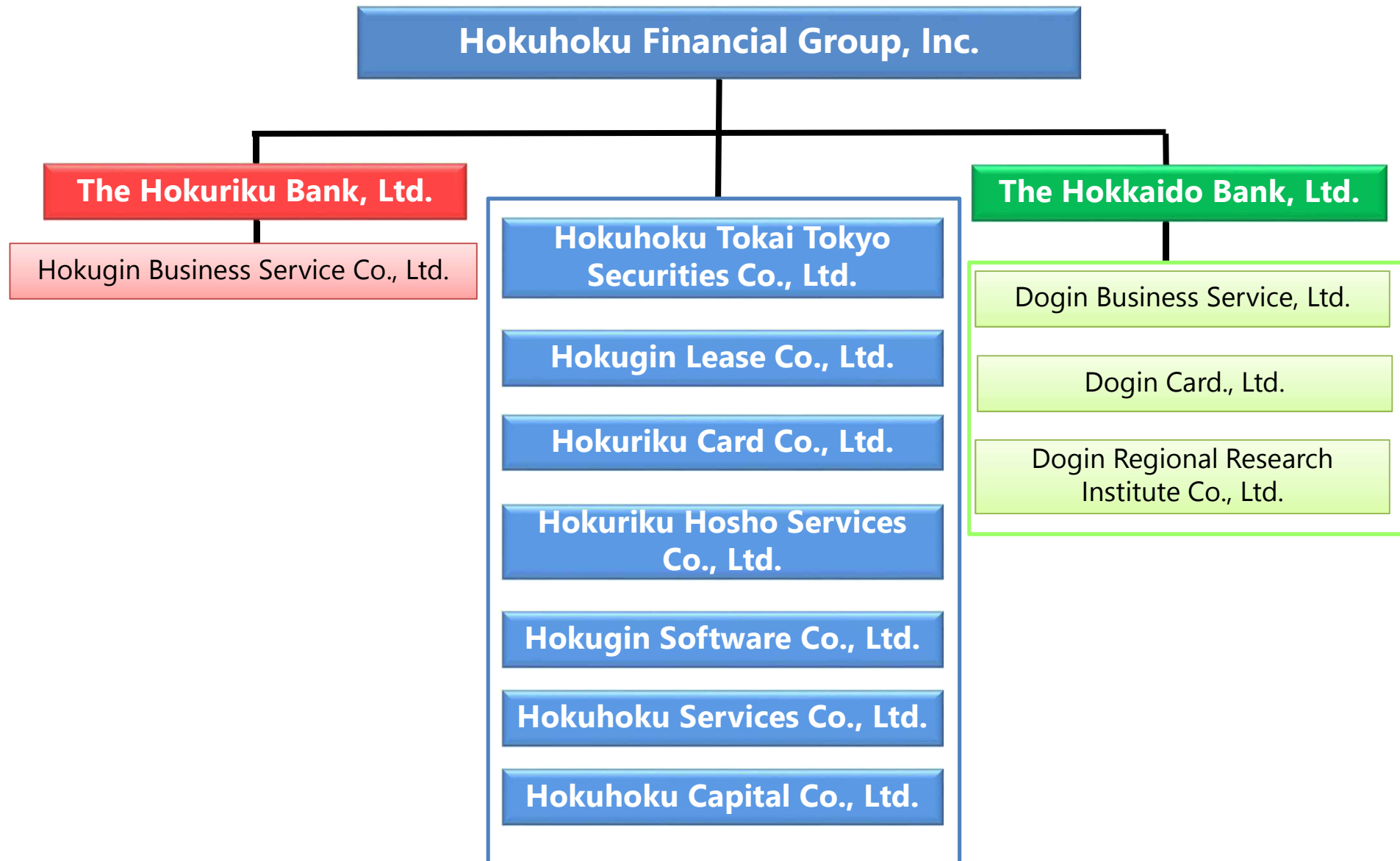


(As of September 30, 2019)

| | 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 | Toyama City, Toyama | Toyama City, Toyama | Sapporo City, Hokkaido |
| Capital | ¥ 70,895 million | ¥ 140,409.52 million | ¥ 93,524.01 million |
| Shares issued and outstanding | <ul style="list-style-type: none"> ▪ Common stock 132,163,014 ▪ Preferred stock (Type5)* 107,432,000 | <ul style="list-style-type: none"> ▪ Common stock 1,047,542,335 | <ul style="list-style-type: none"> ▪ Common stock 486,634,512 ▪ Preferred stock (Type2)* 107,432,000 |
| Total assets | (consolidated) ¥ 13,336.5 billion | ¥ 7,866.6 billion | ¥ 5,427.1 billion |
| Deposits & NCD | (consolidated) ¥ 11,407.5 billion | ¥ 6,597.2 billion | ¥ 4,832.5 billion |
| Loans | (consolidated) ¥ 8,440.9 billion | ¥ 4,823.4 billion | ¥ 3,633.0 billion |
| Capital adequacy ratio | (consolidated) 9.29 % | (non-consolidated) 8.92 % | (non-consolidated) 8.98 % |
| Employees | 5 (fulltime workers) | 2,654 | 2,346 |
| Ratings | A(R&I) | A(R&I)、A-(S&P) | A(R&I) |

*The preferred stock of Hokuhoku FG and Hokkaido bank acquired 10% of the outstanding shares as treasury shares on October 1, 2019.

About Hokuhoku FG
Outline of Hokuhoku FG and Two Banks ②

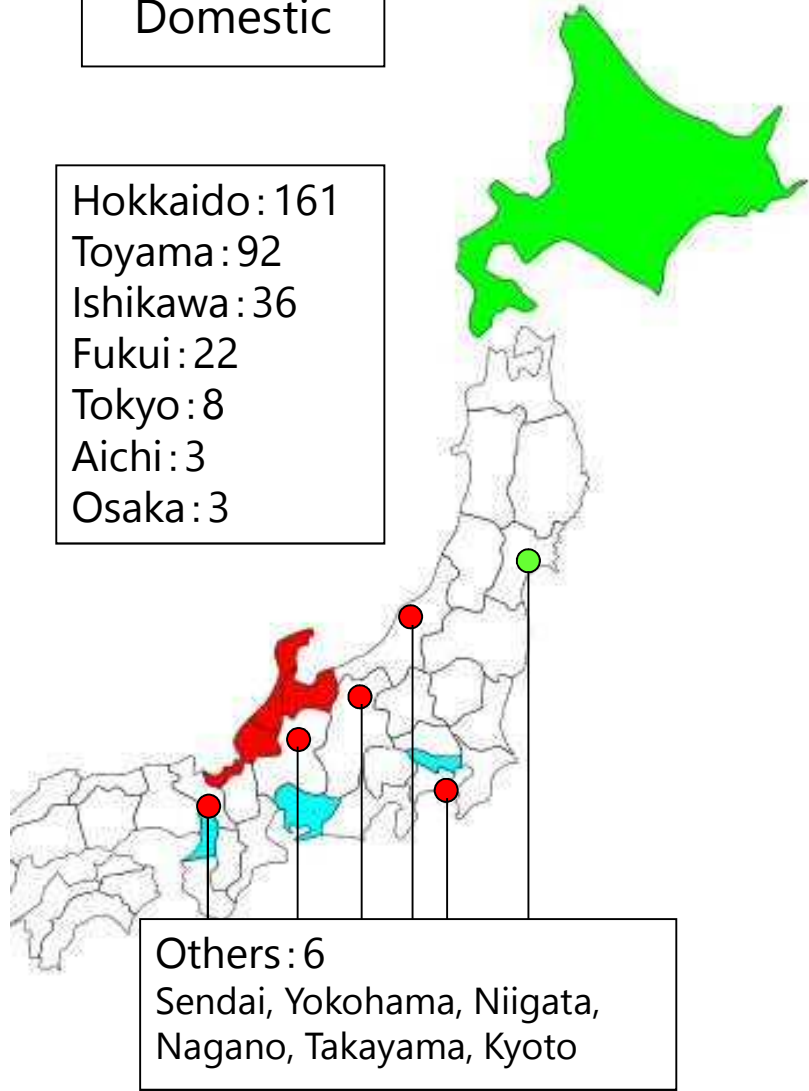


About Hokuhoku FG

Outline of Hokuhoku FG and Two Banks ③

Domestic

- Hokkaido: 161
- Toyama: 92
- Ishikawa: 36
- Fukui: 22
- Tokyo: 8
- Aichi: 3
- Osaka: 3



Oversea



• Representative offices

- | | |
|--------------|----------------------|
| 1. New York | 6. Dalian |
| 2. London | 7. Shenyang |
| 3. Bangkok | 8. Vladivostok |
| 4. Singapore | 9. Yuzhno-Sakhalinsk |
| 5. Shanghai | |

About Hokuhoku FG ②

Historical Data (Hokuhoku FG)



(JPY Bn)

| | FY2014 Full year | FY2015 Interim | FY2015 Full year | FY2016 Interim | FY2016 Full year | FY2017 Interim | FY2017 Full year | FY2018 Interim | FY2018 Full year | FY2019 Interim |
|---|---------------------|-------------------|---------------------|-------------------|---------------------|-------------------|---------------------|-------------------|---------------------|-------------------|
| <Consolidated> | | | | | | | | | | |
| Ordinary income | 193.9 | 99.1 | 192.5 | 93.9 | 187.4 | 91.7 | 180.9 | 91.8 | 183.6 | 90.6 |
| Ordinary profits | 48.1 | 26.1 | 46.4 | 23.7 | 39.4 | 18.0 | 31.7 | 19.4 | 35.3 | 17.4 |
| Net income attributable to owners of the parent | 28.2 | 16.6 | 28.8 | 16.7 | 28.1 | 11.1 | 21.1 | 13.9 | 24.3 | 11.6 |
| Capital adequacy ratio | 11.13% | 10.89% | 10.30% | 10.28% | 9.43% | 9.73% | 9.49% | 9.78% | 9.09% | 9.29% |
| <Total of two banks> | | | | | | | | | | |
| Core gross business profits | 144.8 | 72.9 | 143.0 | 69.4 | 133.8 | 65.0 | 130.7 | 64.0 | 125.7 | 61.3 |
| General & administrative expenses | 93.6 | 45.3 | 90.9 | 44.5 | 89.8 | 44.5 | 88.8 | 43.7 | 86.5 | 43.0 |
| Core net business profits | 51.2 | 27.5 | 52.0 | 24.8 | 43.9 | 20.5 | 41.9 | 20.3 | 39.1 | 18.3 |
| Net gains(losses) related to securities | 6.9 | 1.8 | 0.2 | (1.2) | (1.6) | 1.3 | (7.1) | 1.1 | 3.1 | 4.2 |
| Credit costs | 6.0 | 1.6 | 3.7 | (1.1) | (0.6) | 2.3 | 0.5 | 0.5 | 4.6 | 5.1 |
| Ordinary profits | 47.1 | 26.8 | 46.7 | 23.7 | 40.2 | 19.1 | 33.1 | 20.6 | 36.7 | 17.7 |
| Net income | 28.2 | 17.8 | 29.9 | 17.2 | 29.6 | 12.5 | 24.0 | 15.5 | 26.6 | 12.4 |
| ROA | 0.45% | 0.48% | 0.45% | 0.42% | 0.37% | 0.33% | 0.34% | 0.31% | 0.30% | 0.28% |
| OHR | 64.64% | 62.18% | 63.57% | 64.21% | 67.13% | 68.46% | 67.89% | 68.30% | 68.85% | 70.11% |
| Loans | 7,561.7 | 7,519.2 | 7,599.6 | 7,700.4 | 7,788.3 | 7,946.3 | 8,189.4 | 8,150.5 | 8,360.8 | 8,456.5 |
| Deposits (including NCD) | 10,651.3 | 10,635.7 | 10,502.6 | 10,526.6 | 10,731.0 | 11,013.3 | 11,180.7 | 11,307.1 | 11,439.7 | 11,429.8 |
| Securities | 2,481.4 | 2,423.1 | 2,395.8 | 2,452.2 | 2,439.3 | 2,126.3 | 1,943.3 | 1,991.5 | 1,788.8 | 1,848.6 |
| Non performing loan | 189.2 | 176.3 | 168.6 | 160.6 | 156.2 | 154.6 | 147.5 | 151.0 | 154.6 | 158.8 |
| NPL ratio | 2.43% | 2.28% | 2.15% | 2.02% | 1.94% | 1.88% | 1.74% | 1.79% | 1.79% | 1.82% |

About Hokuhoku FG ③

Historical Data (Hokuriku Bank)

(JPY Bn)

| | FY2014 Full year | FY2015 Interim | FY2015 Full year | FY2016 Interim | FY2016 Full year | FY2017 Interim | FY2017 Full year | FY2018 Interim | FY2018 Full year | FY2019 Interim |
|---|---------------------|-------------------|---------------------|-------------------|---------------------|-------------------|---------------------|-------------------|---------------------|-------------------|
| Ordinary income | 94.0 | 46.3 | 93.3 | 45.8 | 92.9 | 45.6 | 91.1 | 45.4 | 90.2 | 44.7 |
| Core gross business profits | 76.5 | 37.8 | 75.3 | 36.8 | 72.9 | 35.3 | 71.2 | 35.0 | 69.1 | 33.3 |
| General & administrative expenses | 50.4 | 24.3 | 48.6 | 23.8 | 48.2 | 23.8 | 47.5 | 23.5 | 46.4 | 23.0 |
| Core net business profits | 26.0 | 13.4 | 26.6 | 12.9 | 24.7 | 11.5 | 23.7 | 11.4 | 22.6 | 10.2 |
| Net gains(losses) related to securities | 3.6 | 1.0 | 0.4 | 0.6 | 0.3 | 0.8 | 2.1 | 0.9 | 2.1 | 2.9 |
| Credit costs | 1.7 | 0.8 | (1.1) | (1.0) | (0.6) | 1.7 | 1.8 | (0.0) | 2.8 | 4.2 |
| Ordinary profits | 24.5 | 12.9 | 26.7 | 14.5 | 24.8 | 10.8 | 24.1 | 12.6 | 22.1 | 9.9 |
| Net income | 14.6 | 8.2 | 16.5 | 10.7 | 18.7 | 6.5 | 15.7 | 9.2 | 15.5 | 6.5 |
| Capital adequacy ratio | 10.61% | 10.31% | 9.78% | 9.48% | 8.74% | 9.04% | 9.02% | 9.21% | 8.79% | 8.92% |
| ROA | 0.40% | 0.40% | 0.40% | 0.37% | 0.35% | 0.32% | 0.32% | 0.30% | 0.29% | 0.26% |
| OHR | 65.94% | 64.31% | 64.57% | 64.77% | 66.12% | 67.44% | 66.67% | 67.33% | 67.19% | 69.24% |
| Loans | 4,365.3 | 4,332.9 | 4,383.4 | 4,446.0 | 4,467.6 | 4,567.9 | 4,670.1 | 4,646.4 | 4,740.3 | 4,823.4 |
| Deposits (including NCD) | 6,076.0 | 6,006.7 | 6,117.6 | 6,106.6 | 6,243.3 | 6,363.7 | 6,505.8 | 6,553.1 | 6,636.8 | 6,597.2 |
| Securities | 1,275.4 | 1,272.1 | 1,343.9 | 1,384.2 | 1,457.6 | 1,364.6 | 1,317.1 | 1,319.0 | 1,197.0 | 1,194.4 |
| Non performing loan | 109.7 | 102.9 | 97.7 | 91.3 | 89.1 | 88.9 | 86.3 | 87.8 | 91.4 | 94.9 |
| NPL ratio | 2.46% | 2.33% | 2.18% | 2.01% | 1.96% | 1.91% | 1.81% | 1.85% | 1.89% | 1.93% |

About Hokuhoku FG ④

Historical Data (Hokkaido Bank)



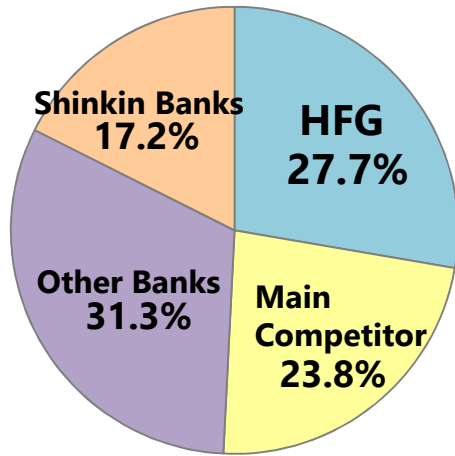
(JPY Bn)

| | FY2014 Full year | FY2015 Interim | FY2015 Full year | FY2016 Interim | FY2016 Full year | FY2017 Interim | FY2017 Full year | FY2018 Interim | FY2018 Full year | FY2019 Interim |
|---|---------------------|-------------------|---------------------|-------------------|---------------------|-------------------|---------------------|-------------------|---------------------|-------------------|
| Ordinary income | 85.4 | 45.4 | 85.5 | 40.5 | 78.9 | 38.7 | 78.2 | 38.2 | 75.5 | 36.5 |
| Core gross business profits | 68.3 | 35.0 | 67.6 | 32.5 | 60.8 | 29.6 | 59.5 | 29.0 | 56.5 | 28.0 |
| General & administrative expenses | 43.1 | 21.0 | 42.2 | 20.7 | 41.5 | 20.6 | 41.3 | 20.1 | 40.1 | 19.9 |
| Core net business profits | 25.1 | 14.0 | 25.3 | 11.8 | 19.2 | 9.0 | 18.2 | 8.8 | 16.4 | 8.0 |
| Net gains(losses) related to securities | 3.2 | 0.8 | (0.1) | (1.8) | (1.9) | 0.4 | (9.2) | 0.1 | 9.0 | 1.3 |
| Credit costs | 4.2 | 0.7 | 4.8 | (0.0) | (0.0) | 0.6 | (1.2) | 0.6 | 1.7 | 0.8 |
| Ordinary profits | 22.6 | 13.9 | 20.0 | 9.2 | 15.3 | 8.2 | 8.9 | 8.0 | 14.5 | 7.8 |
| Net income | 13.5 | 9.6 | 13.4 | 6.5 | 10.9 | 5.9 | 8.2 | 6.3 | 11.0 | 5.8 |
| Capital adequacy ratio | 10.75% | 10.45% | 10.23% | 10.05% | 9.34% | 9.53% | 9.28% | 9.44% | 8.69% | 8.98% |
| ROA | 0.53% | 0.58% | 0.52% | 0.49% | 0.40% | 0.35% | 0.36% | 0.33% | 0.31% | 0.29% |
| OHR | 63.18% | 59.88% | 62.47% | 63.57% | 68.33% | 69.67% | 69.35% | 69.47% | 70.89% | 71.14% |
| Loans | 3,196.4 | 3,186.3 | 3,216.1 | 3,254.3 | 3,320.7 | 3,378.3 | 3,519.2 | 3,504.1 | 3,620.5 | 3,633.0 |
| Deposits (including NCD) | 4,575.3 | 4,628.9 | 4,384.9 | 4,420.0 | 4,487.6 | 4,649.5 | 4,674.9 | 4,753.9 | 4,802.8 | 4,832.5 |
| Securities | 1,205.9 | 1,150.9 | 1,051.9 | 1,068.0 | 981.6 | 761.6 | 626.2 | 672.4 | 591.8 | 654.2 |
| Non performing loan | 79.6 | 73.3 | 70.9 | 69.3 | 67.1 | 65.6 | 61.2 | 63.2 | 63.3 | 63.9 |
| NPL ratio | 2.40% | 2.21% | 2.11% | 2.03% | 1.92% | 1.85% | 1.66% | 1.71% | 1.66% | 1.68% |

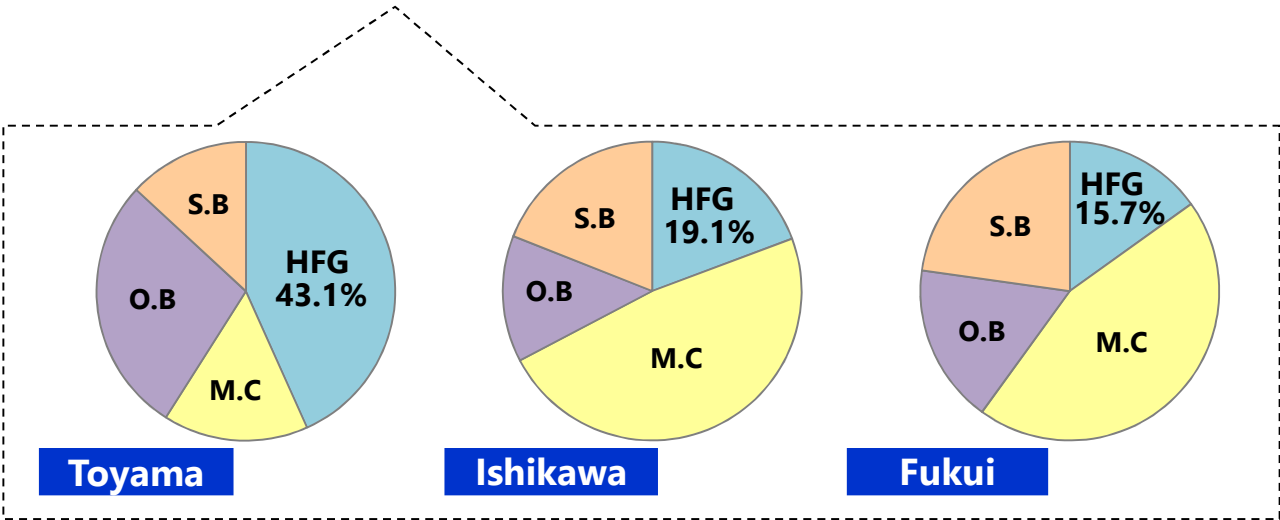
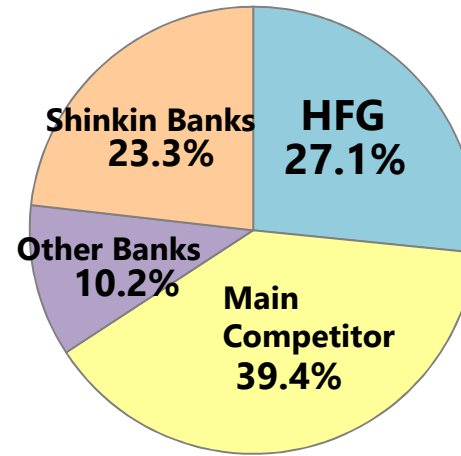
About Hokuhoku FG ⑤

Market Share in Our Home Market (Loans, Mar-19)

Hokuriku Area



Hokkaido Area

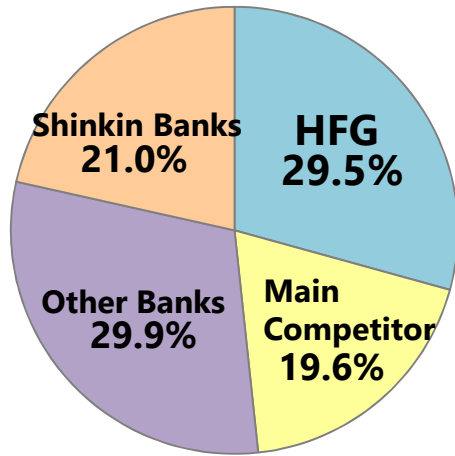


*Data of the Main Competitor and Other banks are estimated figures. They don't include Japan Post Bank.

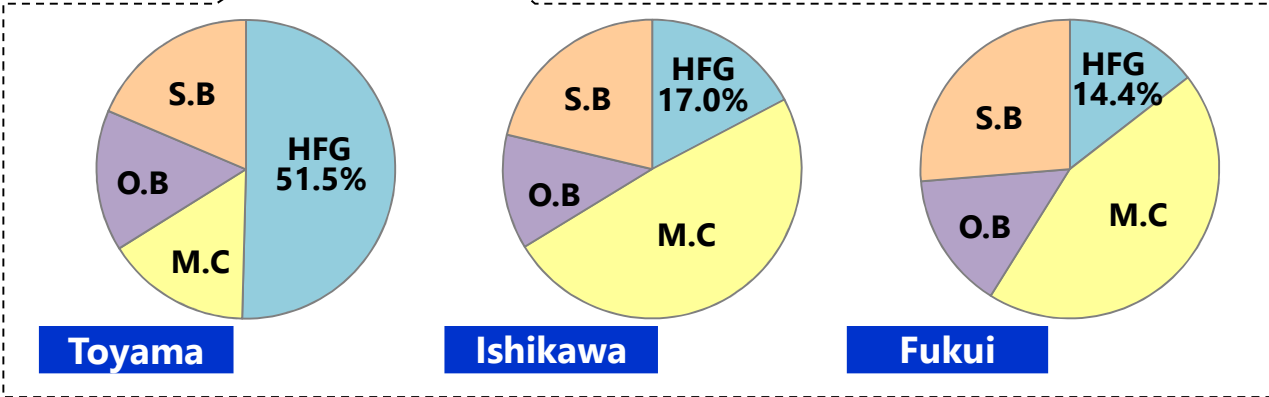
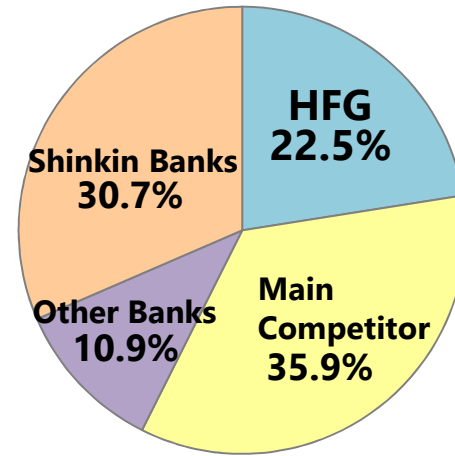
About Hokuhoku FG ⑥

Market Share in Our Home Market (Deposits, Mar-19)

Hokuriku Area



Hokkaido Area

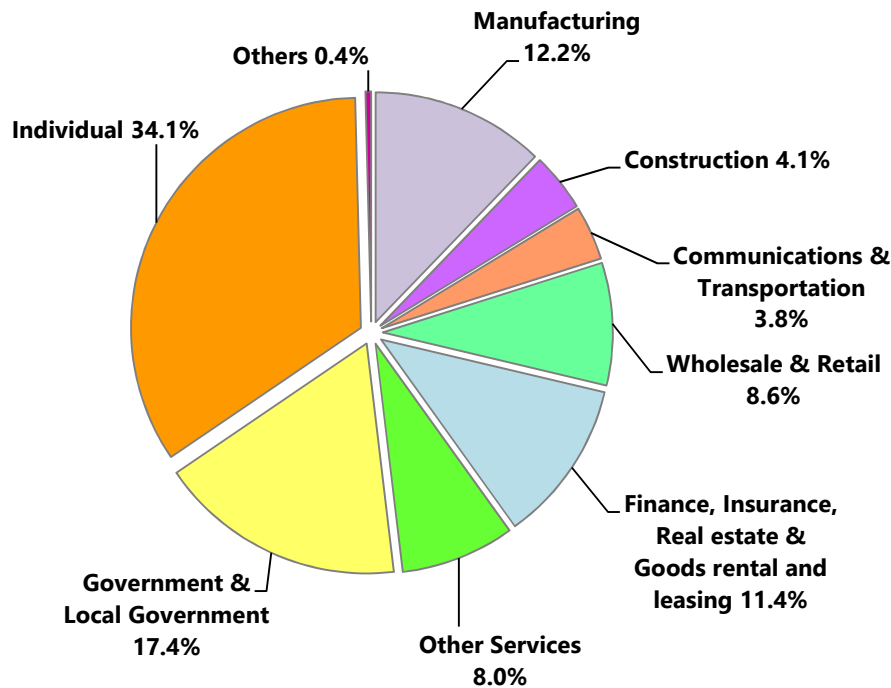


*Data of the Main Competitor and Other banks are estimated figures. They don't include Japan Post Bank.

About Hokuhoku FG ⑦

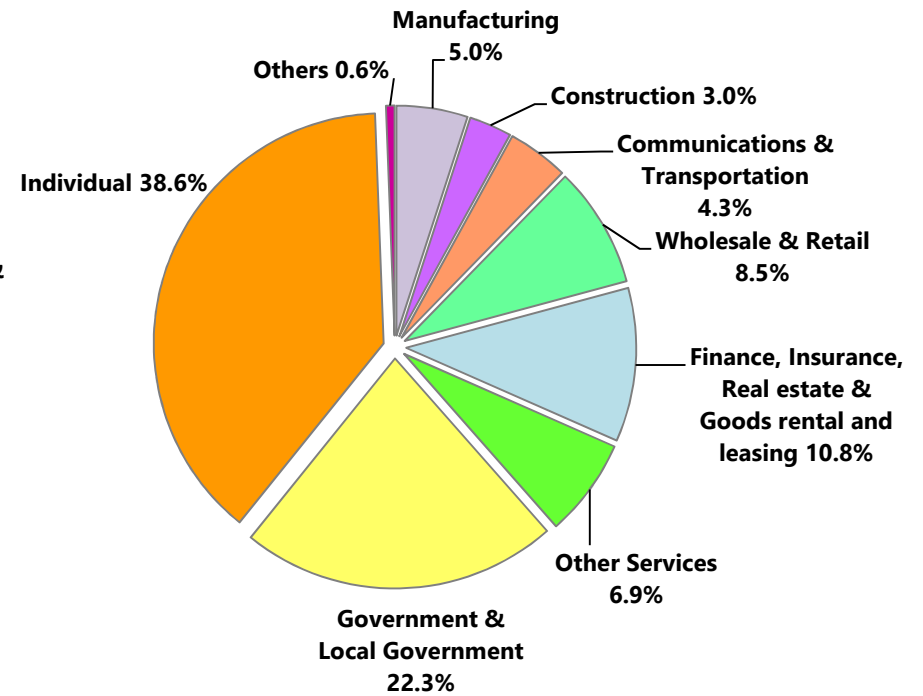
Lending in the Region by Industry (Mar-19)

Hokuriku Bank



Region: Toyama, Ishikawa, Fukui, Hokkaido

Hokkaido Bank

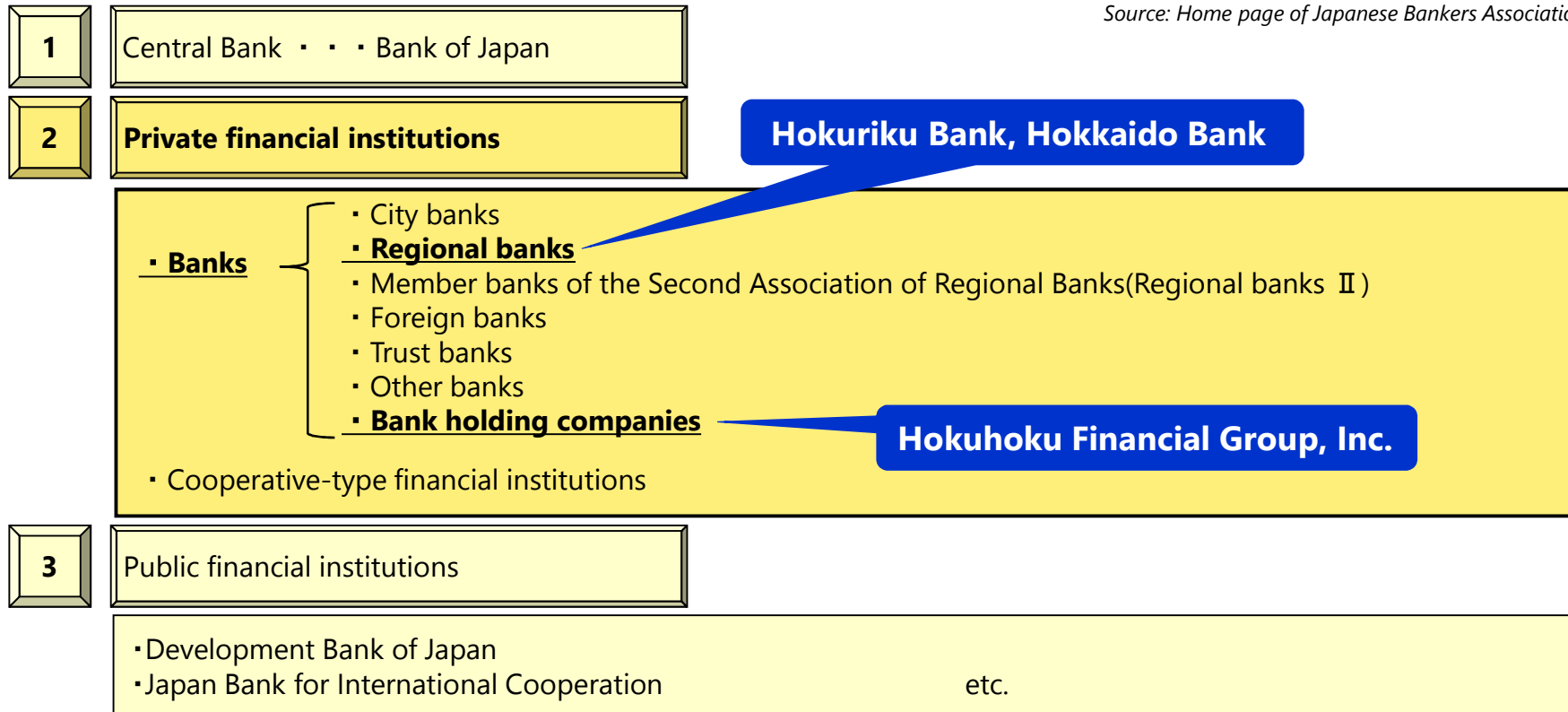


Region: Hokkaido

About Japanese Regional Banks ①

Financial Institutions in Japan

Source: Home page of Japanese Bankers Association of Japan



Changes in Number of banks

| End of March | 1990 | 1995 | 2000 | 2005 | 2010 | 2015 | 2017 | 2018 | 2019 |
|------------------------|------|------|------|------|------|------|------|------|------|
| City banks | 13 | 11 | 9 | 7 | 6 | 5 | 5 | 5 | 5 |
| Regional banks | 64 | 64 | 64 | 64 | 64 | 64 | 64 | 64 | 64 |
| Regional banks II | 68 | 65 | 60 | 48 | 42 | 41 | 41 | 40 | 39 |
| Trust banks | 16 | 23 | 33 | 26 | 19 | 16 | 16 | 15 | 14 |
| Other banks | 3 | 3 | 3 | 10 | 16 | 15 | 15 | 13 | 15 |
| Bank holding companies | 0 | 0 | 0 | 12 | 15 | 17 | 20 | 22 | 25 |

About Japanese Regional Banks ②

Outline of Regional Banks

Outline of Regional Banks

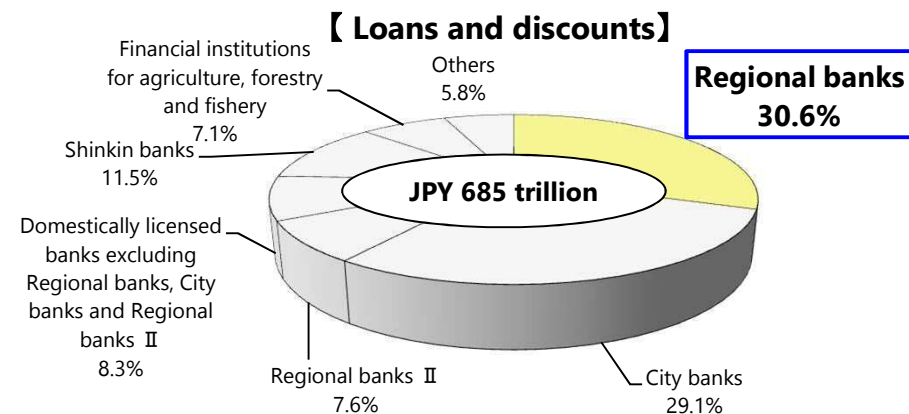
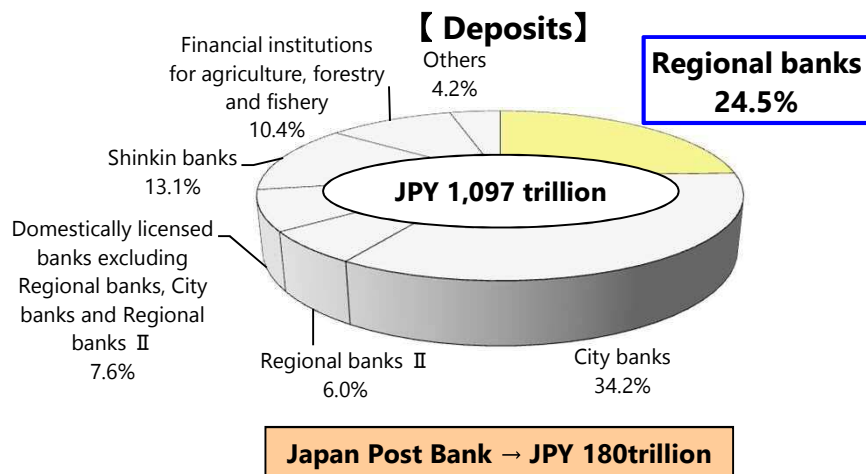
The 64 regional banks in Japan, as leading banks in the regions, serve the diverse financial needs of local clients such as individuals, companies, and local governments, through a dense branch networks and ATMs in the regions.

In order to contribute to strengthening industrial competitiveness in the region, the regional banks also support business improvement and business expansion of client companies by demonstrating their consulting services.

Moreover, in order to provide stable financial service, even when facing various changes in environment, regional banks work to strengthen corporate governance for maintaining sound management and reinforcing financial bases. Regional banks also comply with international banking regulations.



Shares of Deposits and Loans of Private Financial Institutions (Mar-19)



Source: Home page of Regional Banks Association of Japan

The Present Condition of the Regional Economy

Economic Conditions

| October-19 | Monthly Economic Report (By the Cabinet Office) | Regional Economic Report (By Bank of Japan) | |
|----------------------------------|--|--|----------------------------------|
| | All Japan | Hokuriku Area | Hokkaido Area |
| Economic Trend | Recovering at a moderate pace | Expanding moderately | Expanding moderately |
| Public Investment | Steadily trend | Increasing | Increasing |
| Business Investment | Increasing moderately | More or less flat at high level | Increasing moderately |
| Private consumption | Picking up | Picking up steadily | Recovering as a trend |
| Housing construction | Contains weak | More or less flat at high level | Low movement |
| Production | Contains weak | Low movement at high level | More or less flat |
| Employment & income | Improving steadily | Improving steadily | Labor supply and demand is tight |
| Consumer prices | Rising tempo has slowed | Rising | Above the previous year's level |
| The number of bankrupt companies | Almost flat | Calm movement | Calm movement |

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