

# *Investor Meeting*

*~Interim Results for FY 2012 ~  
(ended September 30, 2012)*



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

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Hokuhoku Financial Group, Inc.

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# Summary of Interim Results I-①

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

Hokuhoku Financial Group, Inc.

[FY12/09 Forecasts]				
Released on 10/22/2012				
<Consolidated> (JPY Bn)		FY12 1H	change	FY11 1H
Ordinary income	[105.0]	105.7	0.0	105.7
Ordinary profits	[12.4]	8.9	(10.0)	18.9
Net income	[5.7]	6.1	(2.8)	8.9
<Total of two banks> (JPY Bn)	Released on 10/22/2012			
Core gross business profits	[74.5]	73.5	(3.8)	77.3
Net interest income		62.5	(2.1)	64.7
Domestic		62.0	(2.4)	64.4
Net fees & commissions		9.1	(0.5)	9.6
Net trading income		0.1	(0.3)	0.4
Net other income (excluding gains (losses) related to bonds)		1.6	(0.8)	2.4
General & administrative expenses	[49.5]	(48.5)	2.9	(51.4)
Core net business profits	[25.0]	25.0	(0.9)	25.9
Net gains (losses) related to bonds		9.3	6.5	2.7
Net business profits before credit costs		34.3	5.6	28.6
Net non-recurring gains(losses)		(25.9)	(16.7)	(9.1)
Total credit costs	[7.5]	(10.4)	(3.9)	(6.4)
Net gains (losses) related to stocks		(12.8)	(11.3)	(1.4)
Ordinary profits	[12.8]	9.4	(9.9)	19.3
Net extraordinary gains (losses)		(0.2)	0.8	(1.1)
Income taxes		(2.2)	6.1	(8.3)
Net Income	[6.5]	7.0	(2.8)	9.8

Underlined figures: Include net gains (losses) on bond option transactions

<Consolidated>  
**Net income: ¥6.1Bn**  
 -¥2.8Bn compared to FY11 1H

<Total of two banks>  
**Core net business profits: ¥25.0Bn**  
 -¥0.9Bn compared to FY11 1H  
 ...Decrease in interest income  
 and other income

**Ordinary profits: ¥9.4Bn**  
 -¥9.9Bn compared to FY11 1H  
 ...Increase in total credit costs  
 and losses related to stocks

**Net income: ¥7.0Bn**  
 -¥2.8Bn compared to FY11 1H  
 ...Decrease in income taxes.

(JPY Bn)	FY12 1H	change	FY11 1H
<b>A - B</b>	(0.8)	0.0	(0.9)
Other Subsidiaries	0.5	0.1	0.4
Amortization of goodwill	(1.0)	(0.0)	(1.0)
Elimination	(0.1)	(0.0)	(0.1)

**Summary of Interim Results I-②**  
**<P/L : Non-Consolidated, each bank>**

Hokuhoku Financial Group, Inc.

(JPY Bn)	〈Hokuriku Bank〉			〈Hokkaido Bank〉		
	FY12 1H	change	FY11 1H	FY12 1H	change	FY11 1H
<b>Core gross business profits</b>	<b>42.4</b>	<b>(2.7)</b>	<b>45.2</b>	<b>31.0</b>	<b>(1.1)</b>	<b>32.1</b>
Net interest income	35.6	(1.0)	36.6	26.9	(1.1)	28.0
Domestic	35.2	(1.2)	36.5	26.7	(1.1)	27.8
Net fees & commissions	5.6	(0.3)	5.9	3.5	(0.1)	3.7
Net trading income	0.1	(0.3)	0.4	—	—	—
Net other income (excluding gains (losses) related to bonds)	1.0	(1.0)	2.0	<u>(0.2)</u> 0.5	0.1	<u>(0.9)</u> 0.3
General & administrative expenses	(25.9)	1.7	(27.7)	(22.5)	1.1	(23.7)
<b>Core net business profits</b>	<b>16.4</b>	<b>(0.9)</b>	<b>17.4</b>	<b>8.5</b>	<b>0.0</b>	<b>8.4</b>
Net gains (losses) related to bonds	5.8	5.7	0.0	<u>+0.4</u> 3.5	0.8	<u>+0.9</u> 2.7
Net business profits before credit costs	22.2	4.7	17.5	12.0	0.8	11.1
Net non-recurring gains(losses)	(18.5)	(13.2)	(5.3)	(7.4)	(3.5)	(3.8)
Total credit costs	(9.5)	(7.5)	(1.9)	(0.8)	3.5	(4.4)
Net gains (losses) related to stocks	(9.4)	(8.4)	(1.0)	(3.4)	(2.9)	(0.4)
<b>Ordinary profits</b>	<b>2.3</b>	<b>(11.5)</b>	<b>13.8</b>	<b>7.1</b>	<b>1.6</b>	<b>5.4</b>
Net extraordinary gains (losses)	(0.1)	0.9	(1.0)	(0.0)	(0.0)	(0.0)
Income taxes	(0.2)	5.6	(5.8)	(2.0)	0.5	(2.5)
<b>Net Income</b>	<b>1.9</b>	<b>(5.0)</b>	<b>6.9</b>	<b>5.0</b>	<b>2.1</b>	<b>2.9</b>

*Underlined figures: Include net gains (losses) on bond option transactions*

## Summary of Interim Results II-①

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

Hokuhoku Financial Group, Inc.

〈 Total of two banks 〉 (JPY Bn)	Sep-12	change	Sep-11
Loans	7,313.8	77.7	7,236.1
Loans to SMEs & individuals	4,691.1	(102.9)	4,794.0
Housing & consumer loans	2,034.0	38.7	1,995.3
Securities	2,392.6	(73.1)	2,465.8
Deposits*	9,787.6	252.8	9,534.7
Individual deposits*	6,832.6	166.2	6,666.4
Total individual assets	7,402.2	111.3	7,290.8
Individual deposits (deposits in yen)*	6,804.1	165.5	6,638.5
Investment products (for individuals)	598.0	(54.2)	652.3
Foreign currency deposits	28.5	0.6	27.8
Public bonds	246.6	(16.5)	263.2
Investment trusts	322.9	(38.3)	361.2
Balance of NPLs	252.1	22.2	229.8
NPL ratio	3.36%	0.28%	3.08%
〈 Consolidated 〉 (JPY Bn)			
Capital adequacy ratio	11.90%	0.33%	11.57%
Tier1 ratio	7.98%	0.26%	7.72%
Net deferred tax assets / Tier1 capital	10.18%	(4.67%)	14.85%
Valuation difference on available- for-sale securities	40.1	20.8	19.2

\*Deposits and Individual deposits include NCDs

#### 〈Total of two banks〉

**Loans: +¥77.7Bn compared to Sep-11**

...Steady increase in loans to enterprises and to government & local governments.

**Securities: -¥73.1Bn compared to Sep-11**

...Decrease in JGBs

**Deposits: +¥252.8Bn compared to Sep-11**

...Increase in individual deposits

**Total individual assets:**

**+¥111.3Bn compared to Sep-11**

...Individual deposits steadily increased

**Balance of NPLs: +¥22.2Bn compared to Sep-11**

**NPL ratio: +0.28% compared to Sep-11**

#### 〈Consolidated〉

**Capital adequacy ratio: 11.90%**

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

**+¥40.1Bn**

**Summary of Interim Results II-②**  
**<B/S : Non-Consolidated, each bank>**

Hokuhoku Financial Group, Inc.

(JPY Bn)	〈Hokuriku Bank〉			〈Hokkaido Bank〉		
	Sep-12	change	Sep-11	Sep-12	change	Sep-11
Loans	4,245.5	39.8	4,205.7	3,068.3	37.9	3,030.4
Loans to SMEs & individuals	2,778.4	(93.5)	2,871.9	1,912.6	(9.4)	1,922.1
Housing & consumer loans	1,077.8	27.1	1,050.7	956.2	11.6	944.6
Securities	1,178.2	(107.5)	1,285.7	1,214.4	34.3	1,180.1
Deposits*	5,541.2	124.6	5,416.5	4,246.4	128.2	4,118.2
Individual deposits*	3,715.3	82.4	3,632.9	3,117.3	83.8	3,033.5
Total individual assets	4,075.9	42.6	4,033.2	3,326.2	68.6	3,257.6
Individual deposits (deposits in yen)*	3,695.0	82.9	3,612.0	3,109.0	82.6	3,026.4
Investment products (for individuals)	380.8	(40.2)	421.1	217.1	(13.9)	231.1
Foreign currency deposits	20.3	(0.5)	20.8	8.2	1.2	7.0
Public bonds	158.6	(13.6)	172.3	87.9	(2.9)	90.8
Investment trusts	201.8	(26.0)	227.9	121.0	(12.2)	133.2
Balance of NPLs	168.1	15.0	153.1	84.0	7.2	76.7
NPL ratio	3.86%	0.34%	3.52%	2.66%	0.19%	2.47%
Capital adequacy ratio	11.89%	0.27%	11.62%	11.05%	0.48%	10.57%
Tier1 ratio	7.78%	0.28%	7.50%	7.48%	0.45%	7.03%
Net deferred tax assets / Tier1 capital	10.97%	(5.41%)	16.38%	10.85%	(4.46%)	15.31%
Valuation difference on available- for-sale securities	32.6	13.2	19.3	14.3	7.1	7.1

\*Deposits and Individual deposits include NCDs

# Breakdown of Business Profits ①

## <Net interest income>

Hokuhoku Financial Group, Inc.

➤ Competition continued to intensify and interest rate lowered

⇒ Increase in average balance of loans, securities and deposits didn't offset the effect of declined rate. As a result, net interest income of total of two banks decreased compared to 1H of FY2011.

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

(JPY Bn, %)	FY2011 1H			FY2012 1H			change			breakdown		FY2011			FY2012 (Projection) (Domestic)		
	Average balance	Rate	Interest	Average balance	Rate	Interest	Average balance	Rate	Interest	Average balance	Rate	Average balance	Rate	Interest			
<b>&lt; Total of two banks &gt;</b>																	
Net interest income			64.4			62.0			(2.4)					130.5	<b>Total of two banks</b>		
Loans	7,111.8	1.65%	59.1	7,192.9	1.56%	56.3	81.0	(0.09%)	(2.7)	0.6	(3.4)	7,141.0	1.64%	117.3	Loans	+92.0	-0.08%
Securities	2,302.9	0.97%	11.2	2,318.2	0.90%	10.4	15.3	(0.07%)	(0.7)	0.0	(0.8)	2,352.4	1.02%	24.0	Securities	+38.0	-0.08%
Deposits & NCDs	9,507.9	0.11%	5.3	9,698.9	0.08%	4.1	191.0	(0.03%)	(1.2)	0.0	(1.3)	9,514.1	0.10%	9.6	Deposits & NCDs	+120.0	-0.02%
<b>&lt; Hokuriku bank &gt;</b>																	
Net interest income			36.5			35.2			(1.2)					73.2	<b>Hokuriku bank</b>		
Loans	4,149.0	1.58%	33.0	4,147.2	1.49%	31.1	(1.8)	(0.09%)	(1.9)	(0.0)	(1.9)	4,155.2	1.57%	65.5	Loans	+32.0	-0.06%
Securities	1,195.9	1.14%	6.8	1,210.4	1.11%	6.7	14.5	(0.03%)	(0.0)	0.0	(0.0)	1,222.1	1.12%	13.7	Securities	+38.0	-0.05%
Deposits & NCDs	5,421.1	0.11%	3.2	5,509.3	0.08%	2.3	88.2	(0.03%)	(0.8)	0.0	(0.8)	5,422.0	0.10%	5.7	Deposits & NCDs	+47.0	-0.03%
<b>&lt; Hokkaido bank &gt;</b>																	
Net interest income			27.8			26.7			(1.1)					57.2	<b>Hokkaido bank</b>		
Loans	2,962.7	1.75%	26.0	3,045.7	1.65%	25.2	82.9	(0.10%)	(0.8)	0.7	(1.5)	2,985.7	1.73%	51.8	Loans	+60.0	-0.11%
Securities	1,106.9	0.79%	4.4	1,107.8	0.66%	3.7	0.8	(0.13%)	(0.7)	0.0	(0.7)	1,130.2	0.91%	10.3	Securities	0	-0.13%
Deposits & NCDs	4,086.8	0.10%	2.0	4,189.5	0.08%	1.7	102.7	(0.02%)	(0.3)	0.0	(0.4)	4,092.1	0.09%	3.8	Deposits & NCDs	+73.0	-0.02%

## Breakdown of Business Profits ②

### <Fee revenue>

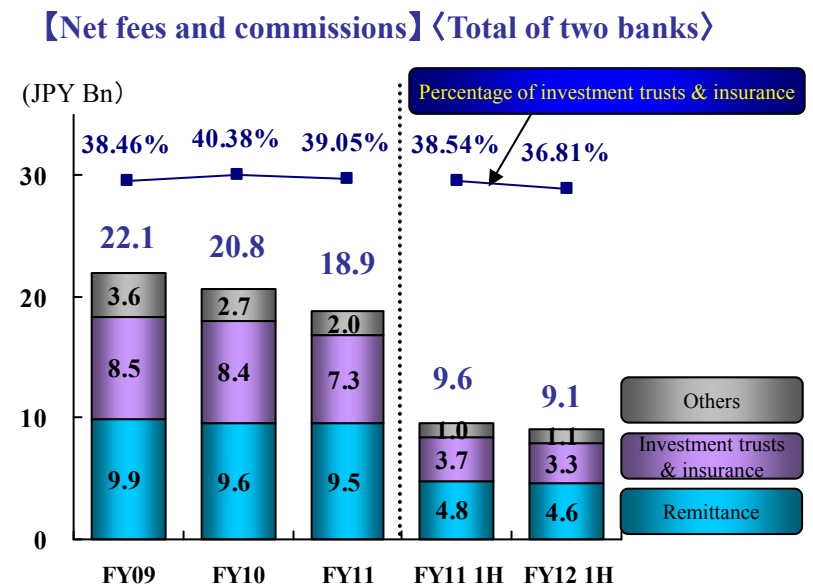
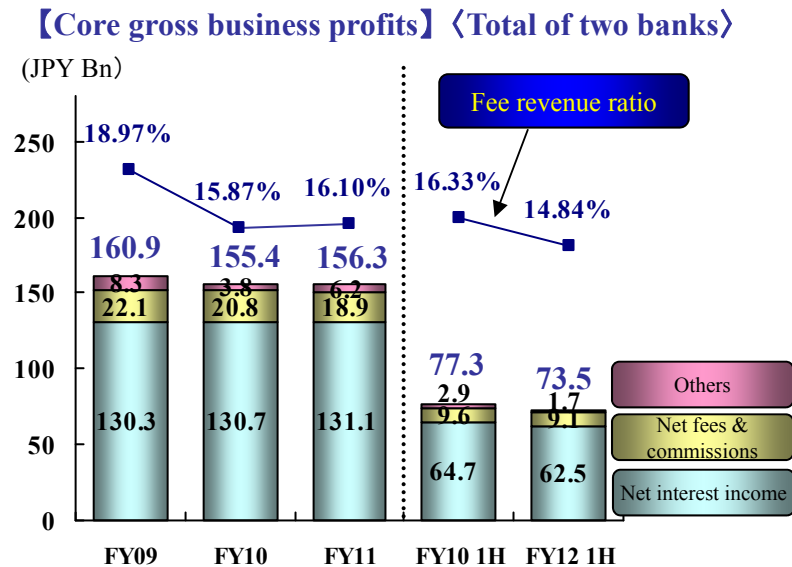
Hokuhoku Financial Group, Inc.

- Fees from investment trusts sales decreased
- Income from derivatives decreased

#### 【Breakdown of fee revenue】

〈Total of two banks〉 (JPY Bn)	FY12 1H	change	FY11 1H
(1) Net fees & commissions	9.1	(0.5)	9.6
Fees and commissions	16.7	(0.1)	16.8
Remittance	5.6	(0.1)	5.8
Investment trusts	1.6	(0.8)	2.4
Insurance	1.7	0.3	1.3
Fees and commissions payments	7.5	0.3	7.1
Remittance	0.9	(0.0)	0.9
ATM (alliance with convenience stores)	1.3	0.1	1.2
Loan related expenses	4.8	0.1	4.6
(2) Net trading income	0.1	(0.3)	0.4
(3) Net other income (excluding gains(losses) related to bonds)	1.6	(0.8)	2.4
Gains on foreign exchange transactions	<u>(0.2)</u> 0.6	(0.1)	<u>(0.9)</u> 0.8
Net income (expenses) on derivatives	0.8	(0.8)	1.6
(4) Fee revenue (1)+(2)+(3)	10.9	(1.7)	12.6
(5) Core gross business profits	73.5	(3.8)	77.3
(6) Fee revenue ratio (4)/(5)	14.84%	(1.49%)	16.33%

*Underlined figures: Include net gains (losses) on bond option transactions*





## Breakdown of Business Profits ③

### <General and administrative expenses>

Hokuhoku Financial Group, Inc.

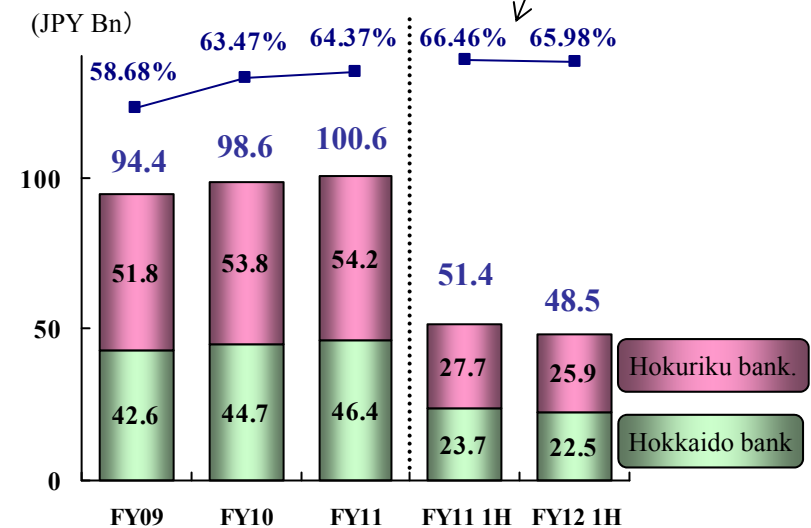
- General and administrative expenses decreased due to the decrease in personnel and investment in IT system.

#### 【Breakdown of G&A expenses】

〈Total of two banks〉 (JPY Bn)	FY12 H1	change	FY11 H1
General and administrative expenses	48.5	(2.9)	51.4
Personnel	22.4	(0.4)	22.9
Non-personnel	23.6	(1.6)	25.3
Taxes	2.4	(0.7)	3.1
OHR	65.98%	(0.48%)	66.46%
Number of employees (excluding temporary staffs) (A)	534.9	8.3	526.6
Temporary staffs (B)	317.3	(15.6)	332.9
Percentage of temporary staffs (B)/{(A)+(B)}	37.23%	(1.50%)	38.73%

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

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



**Personnel expenses: -¥0.4Bn**

・・・Overtime pay owing to preparation for introduction of new IT system.

**Non-personnel expenses: -¥1.6Bn**

・・・Decrease in expenses of system

## Net Gains (Losses) related to Securities

Hokuhoku Financial Group, Inc.

- Net gains (losses) related to bonds: +¥9.3Bn (+6.5Bn compared to FY11 1H)
- Net gains (losses) related to stocks: -¥12.8Bn (-11.3Bn compared to FY11 1H)

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

(JPY Bn)	〈Total of two banks〉			〈Hokuriku bank〉			〈Hokkaido bank〉		
	FY12 1H	change	FY11 1H	FY12 1H	change	FY11 1H	FY12 1H	change	FY11 1H
Net Gains (losses) on bonds	9.3	6.5	2.7	5.8	5.7	0.0	3.5	0.8	2.7
Gains on sales	9.8	6.2	3.6	5.8	5.8	0.0	3.9	0.3	3.5
Losses on sales	0.4	0.0	0.3	-	-	-	0.4	0.0	0.3
Losses on redemption	0.0	(0.4)	0.4	-	-	-	0.0	(0.4)	0.4
Losses on devaluation	0.0	0.0	0.0	0.0	0.0	-	-	(0.0)	0.0
Net Gains (losses) on stocks	(12.8)	(11.3)	(1.4)	(9.4)	(8.4)	(1.0)	(3.4)	(2.9)	(0.4)
Gains on sales	0.1	0.0	0.1	0.0	0.0	0.0	0.1	0.0	0.0
Losses on sales	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
Losses on devaluation	12.8	11.4	1.4	9.5	8.4	1.1	3.3	2.9	0.3

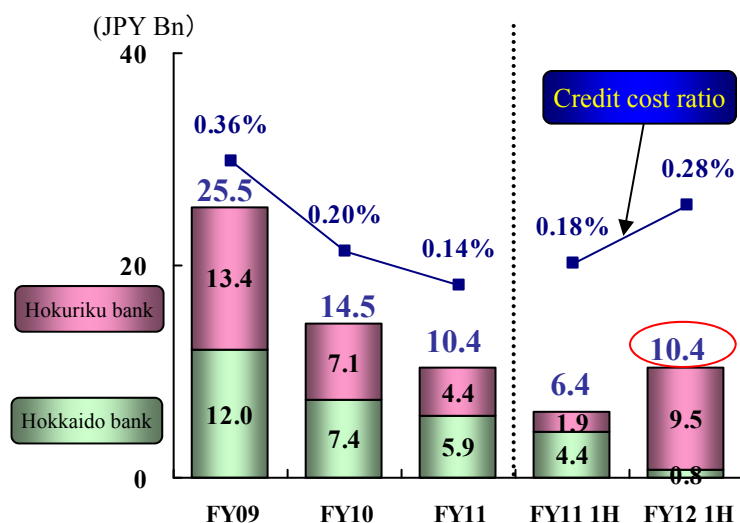
Impairment loss	Assets requiring caution	“Market value has fallen below its acquisition cost”
	Normal Assets	“Market value has fallen 50% or more from its acquisition cost, or market value has fallen more than 30% to less than 50% and market price has been below the certain level”

# Credit Costs and Non-Performing Loans

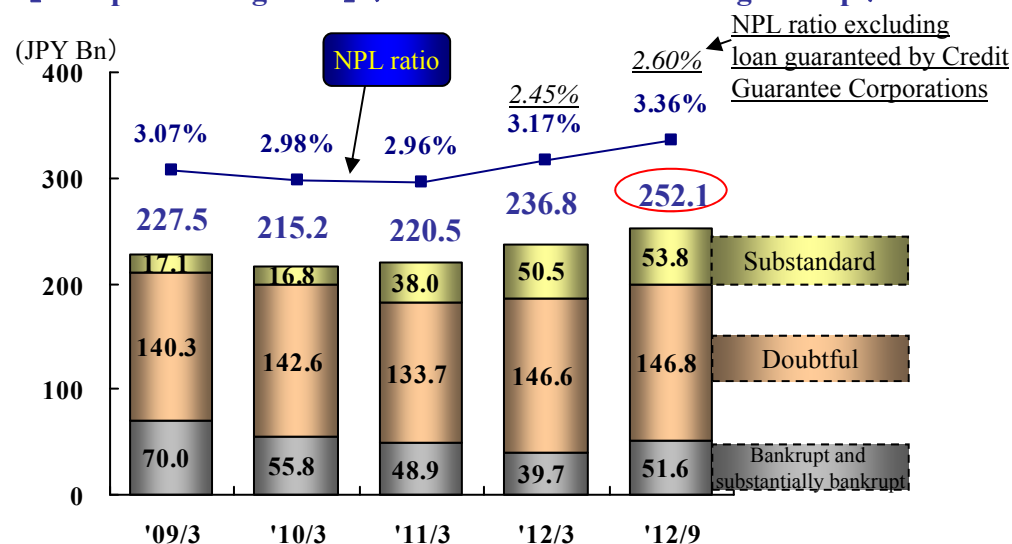
Hokuhoku Financial Group, Inc.

- Total credit costs were ¥10.4Bn(+¥3.9Bn compared to FY11 1H), Credit cost ratio was 0.28%(+0.10% compared to FY11 1H)
- NPL ratio was 3.36% (+0.19% compared to Mar-12)

【Total credit costs】〈Total of two banks〉



【Non-performing loan】〈Total of two banks + Hokugin Corp.〉



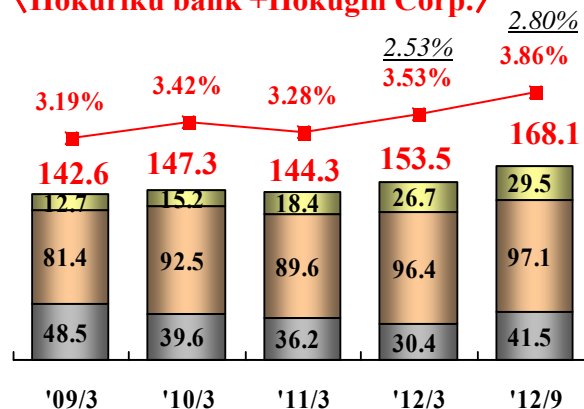
※ Total credit costs

= Credit related costs + Provision of general allowance for loan losses

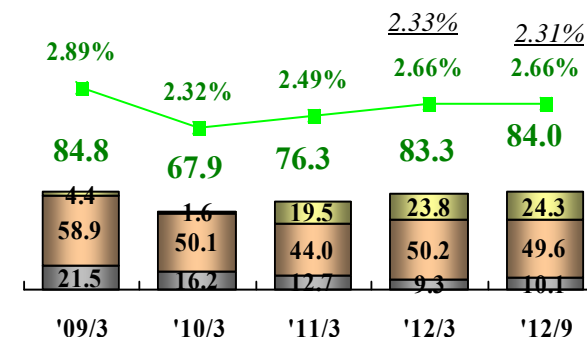
※ Credit cost ratio

= Total credit costs ÷ Average balance of Loans

〈Hokuriku bank + Hokugin Corp.〉



〈Hokkaido bank〉



# Capital Adequacy Ratio

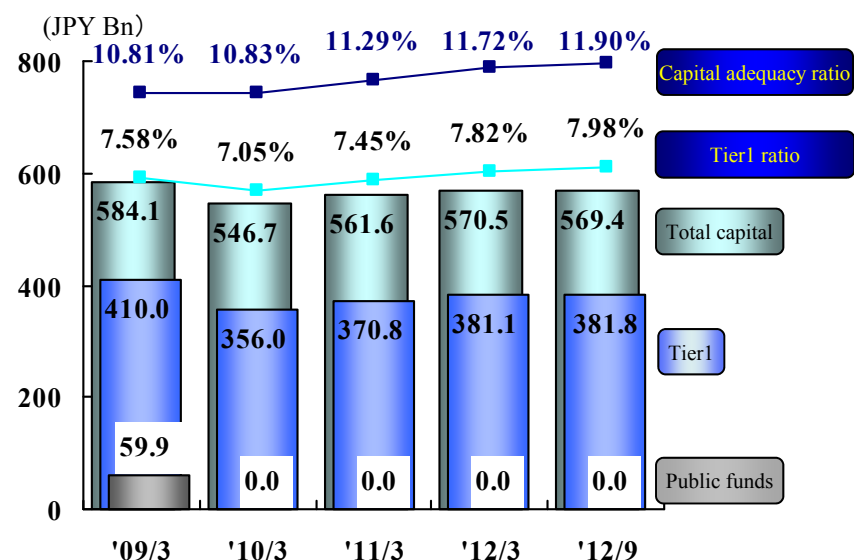
Hokuhoku Financial Group, Inc.

## ➤ Capital adequacy ratio: 11.90% (+0.18% from Mar-12)

### 【Capital adequacy ratio】

〈Consolidated〉 (JPY Bn)	Sep-12	change	Mar-12
Capital adequacy ratio	11.90%	0.18%	11.72%
Tier1 ratio	7.98%	0.16%	7.82%
Tier1 capital	381.8	0.7	381.1
Preferred shares (Private sector)	53.7	–	53.7
Tier2 capital	188.4	(2.0)	190.5
Total capital	569.4	(1.1)	570.5
Risk-weighted assets	4,783.8	(84.2)	4,868.1
Credit risk portion	4,487.2	(79.8)	4,567.1
Operational risk portion	296.5	(4.4)	300.9

### 【Capital adequacy ratio and public funds】



### 〈Hokuriku bank〉

(JPY Bn)	Sep-12	change	Mar-12
Capital adequacy ratio	11.89%	0.04%	11.85%
Tier1 ratio	7.78%	0.01%	7.77%
Tier1 capital	208.8	(3.8)	212.6
Tier2 capital	110.3	(1.2)	111.5
Total capital	319.1	(5.0)	324.1
Risk-weighted assets	2,683.2	(51.8)	2,735.0

### 〈Hokkaido bank〉

(JPY Bn)	Sep-12	change	Mar-12
Capital adequacy ratio	11.05%	0.25%	10.80%
Tier1 ratio	7.48%	0.31%	7.17%
Tier1 capital	155.1	4.2	150.8
Tier2 capital	74.0	(2.4)	76.4
Total capital	229.1	1.8	227.2
Risk-weighted assets	2,072.7	(30.8)	2,103.6

# Deferred Tax Assets

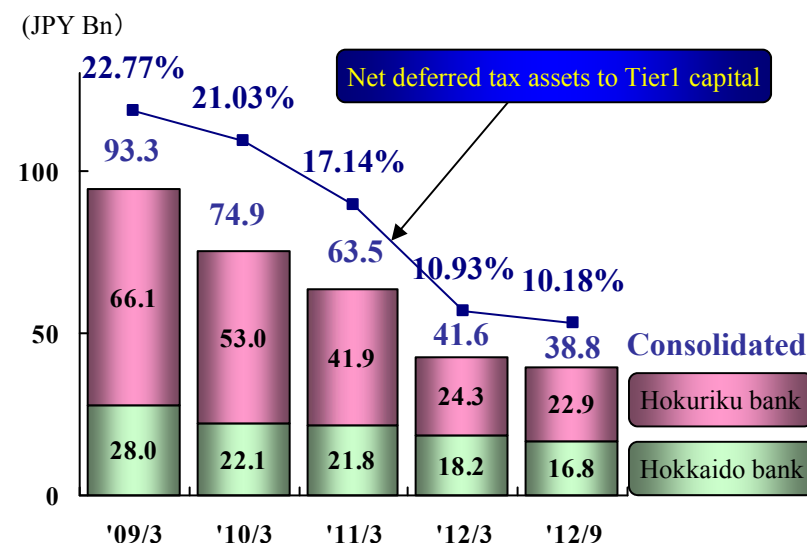
Hokuhoku Financial Group, Inc.

- Net deferred tax assets : ¥38.8Bn (-¥2.7Bn compared to Mar-12)
- Net deferred tax assets to Tier1 capital : 10.18% (-0.75% compared to Mar-12)

## 【Breakdown of deferred tax assets】

〈Consolidated〉 (JPY Bn)	Sep-12	change	Mar-12
Allowance for loan losses	55.6	(1.7)	57.4
Depreciation	1.3	(0.0)	1.4
Provision for retirement benefits	14.4	(1.5)	15.9
Loss on valuation of securities	16.0	2.3	13.6
Other	4.9	(0.4)	5.3
Operating loss carryforwards	9.6	(2.0)	11.7
(1) Deferred tax assets	102.1	(3.4)	105.5
(2) Valuation allowance	39.0	(0.6)	39.7
(3) Total deferred tax assets (1)-(2)	63.0	(2.7)	65.8
(4) Deferred tax liabilities	24.2	0.0	24.1
(5) Net deferred tax assets (3)-(4)	38.8	(2.7)	41.6

## 【Deferred tax assets】



(JPY Bn)	〈Hokuriku bank〉		
	Sep-12	change	Mar-12
(1) Deferred tax assets	72.1	(0.4)	72.6
(2) Valuation allowance	33.9	0.2	33.6
(3) Total deferred tax assets (1)-(2)	38.2	(0.7)	38.9
(4) Deferred tax liabilities	15.3	0.6	14.6
(5) Net deferred tax assets (3)-(4)	22.9	(1.4)	24.3

(JPY Bn)	〈Hokkaido bank〉		
	Sep-12	change	Mar-12
(1) Deferred tax assets	25.6	(3.0)	28.7
(2) Valuation allowance	2.3	(0.9)	3.3
(3) Total deferred tax assets (1)-(2)	23.2	(2.0)	25.3
(4) Deferred tax liabilities	6.4	(0.6)	7.0
(5) Net deferred tax assets (3)-(4)	16.8	(1.3)	18.2

# Forecasts

Hokuhoku Financial Group, Inc.

## 【Earnings Forecasts for FY 2012】

### 〈Consolidated〉

(JPY Bn)	Interim Results	Full year Forecast	Change
Ordinary income	105.7	200.0	(7.9)
Ordinary profits	8.9	19.5	(19.3)
Net income	6.1	12.0	(2.1)

## 【Dividend Forecasts for FY 2012】

### 〈Non-consolidated〉

	Interim	Year-end	Annual	Change from FY2011
Dividend per common share	–	¥3.75	¥3.75	–
Dividend per preferred share (Type5)	¥7.50	¥7.50	¥15.00	–

### 〈Total of two banks〉

(JPY Bn)	Interim Results	Full year Forecast	Change
Ordinary income	98.5	186.5	(6.5)
Core gross business profits	73.5	145.5	(10.8)
G&A expenses	48.5	97.5	(3.1)
Core net business profits	25.0	48.0	(7.7)
Total credit costs	10.4	20.5	10.0
Ordinary profits	9.4	21.0	(19.5)
Net income	7.0	14.0	(2.6)

### 〈Hokuriku bank〉

	Interim Results	Full year Forecast	Change
Ordinary income	56.2	105.5	0.0
Core gross business profits	42.4	82.5	(6.0)
G&A expenses	25.9	52.0	(2.2)
Core net business profits	16.4	30.5	(3.8)
Total credit costs	9.5	13.5	9.0
Ordinary profits	2.3	11.0	(16.4)
Net income	1.9	7.5	(3.9)

### 〈Hokkaido bank〉

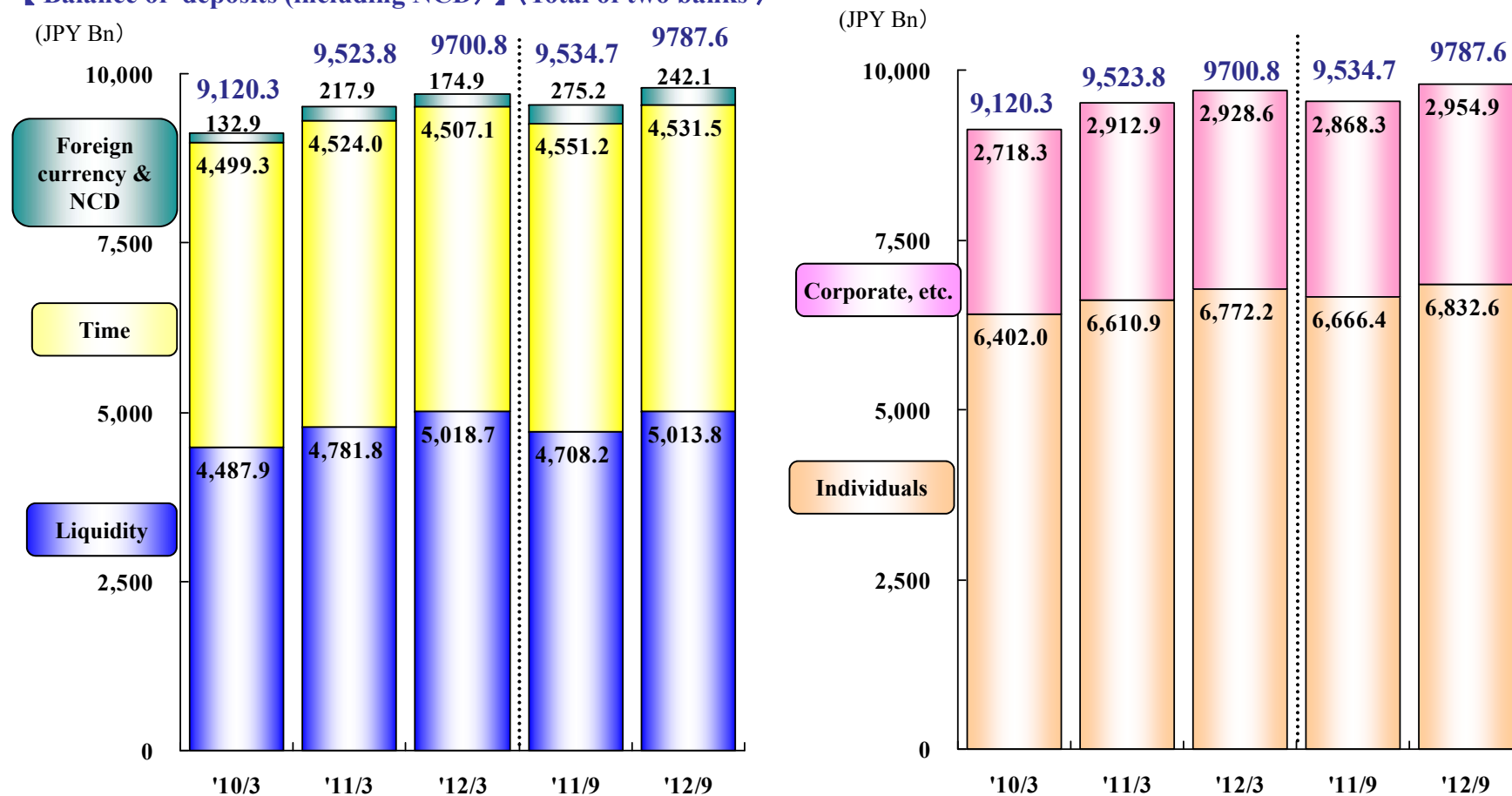
	Interim Results	Full year Forecast	Change
Ordinary income	42.3	81.0	(6.5)
Core gross business profits	31.0	63.0	(4.8)
G&A expenses	22.5	45.5	(0.9)
Core net business profits	8.5	17.5	(3.9)
Total credit costs	0.8	7.0	1.0
Ordinary profits	7.1	10.0	(3.1)
Net income	5.0	6.5	1.2

# Deposits

Hokuhoku Financial Group, Inc.

- **Deposits** +¥252.8Bn(+2.65%) compared to Sep-11
- **Liquidity** +¥305.6Bn(+6.49%) compared to Sep-11
- **Individuals** +¥166.2Bn(+2.49%) compared to Sep-11

【 Balance of deposits (including NCD) 】 〈Total of two banks〉

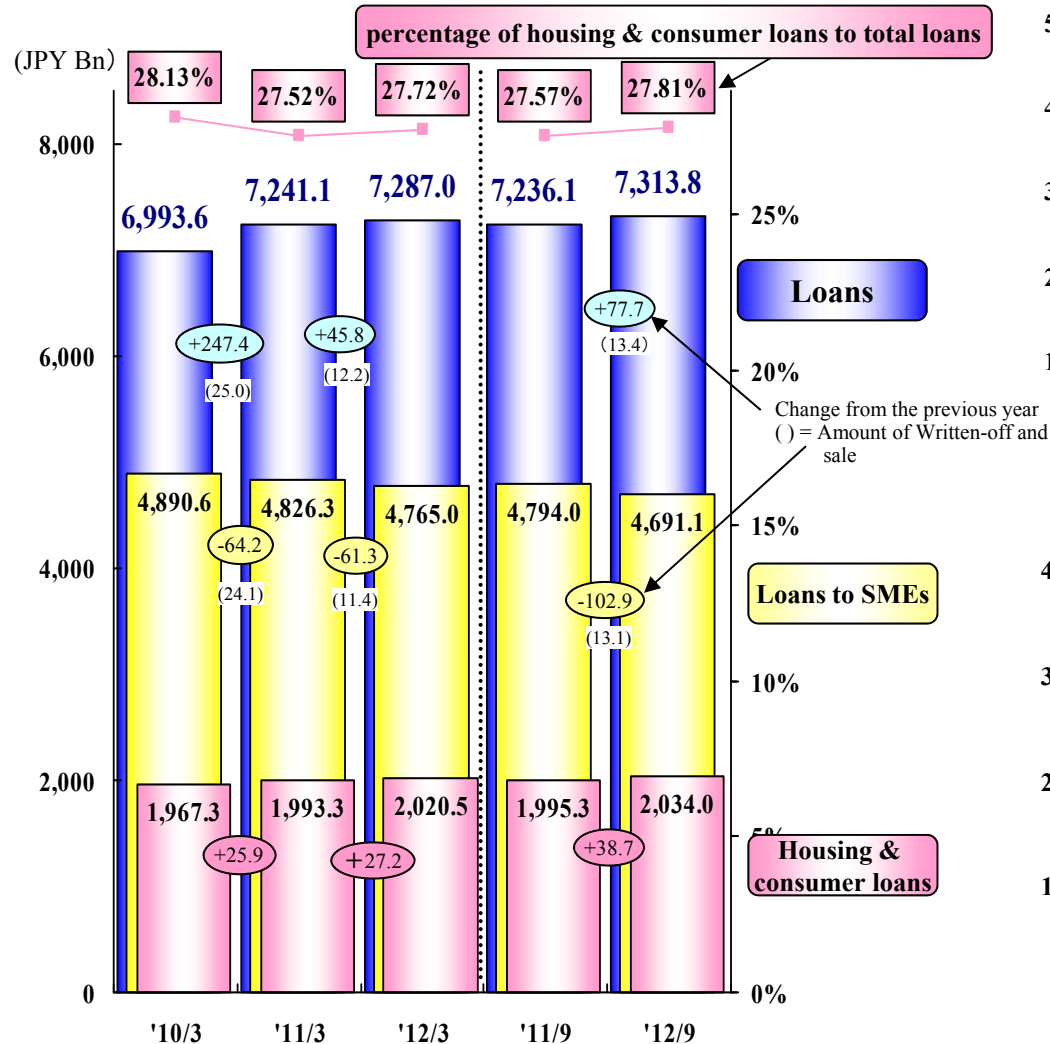


# Loans

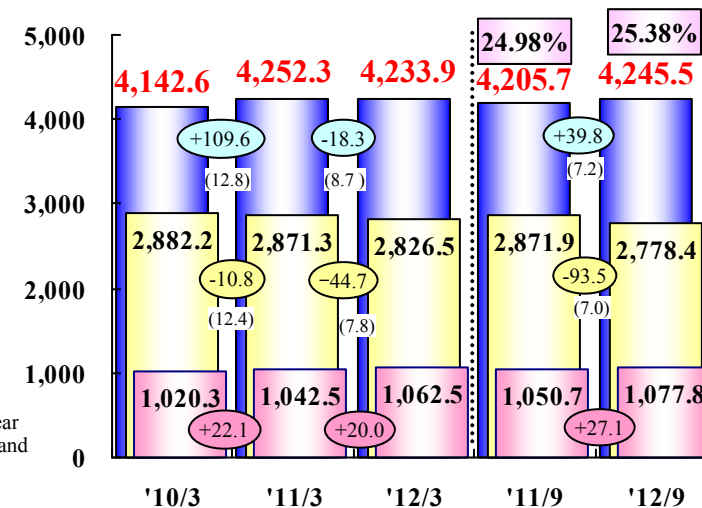
Hokuhoku Financial Group, Inc.

- Loans +¥77.7Bn(+1.07%) compared to Sep-11
- Loans to SMEs and individuals -¥102.9Bn(-2.14%) compared to Sep-11
- Housing and consumer loans +¥38.7Bn(+1.94%) compared to Sep-11

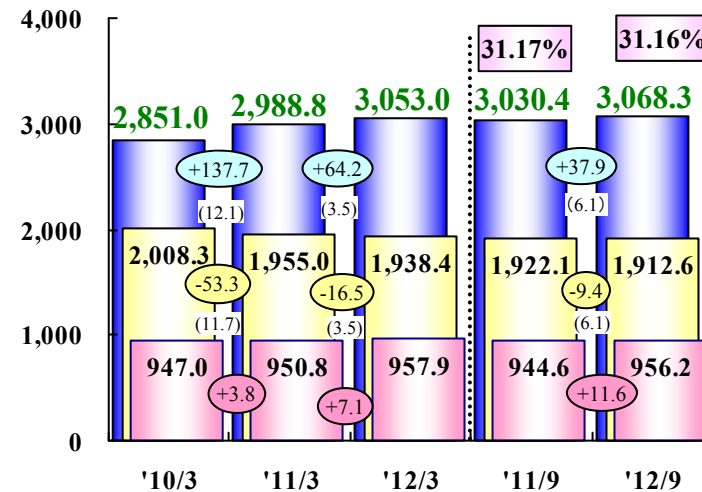
〔Balance of loans〕 〈Total of two banks〉



(JPY Bn) 〈Hokuriku bank〉



(JPY Bn) 〈Hokkaido bank〉

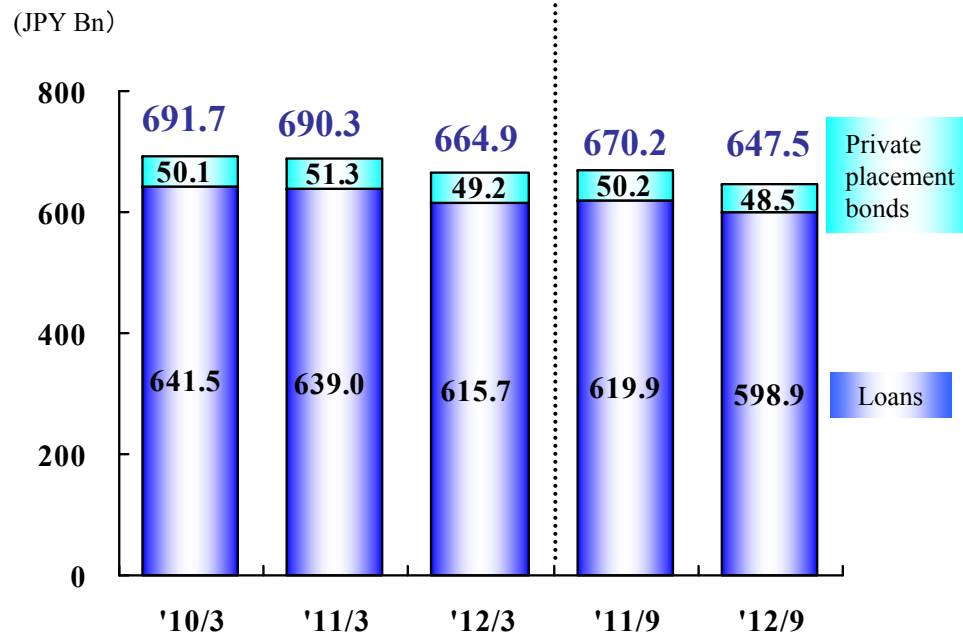




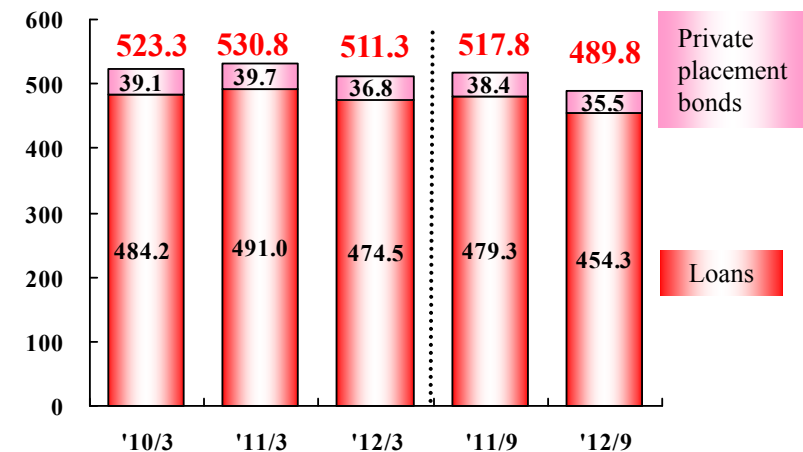
# Loans guaranteed by Credit Guarantee Corporations (CGCs) Hokuhoku Financial Group, Inc. (Maruho Loan)

➤ Balance of loan guaranteed by CGCs : -¥22.7Bn(-3.39%) compared to Sep-11.

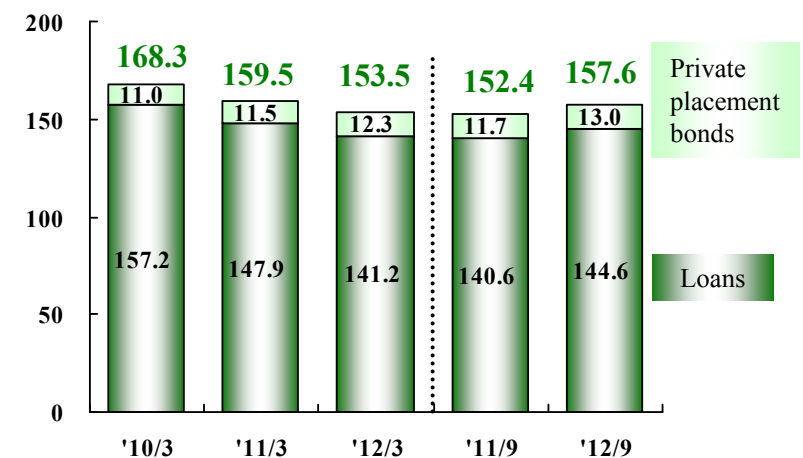
【Balance of loans guaranteed by CGCs】  
〈Total of two banks〉



(JPY Bn) 〈Hokuriku bank〉



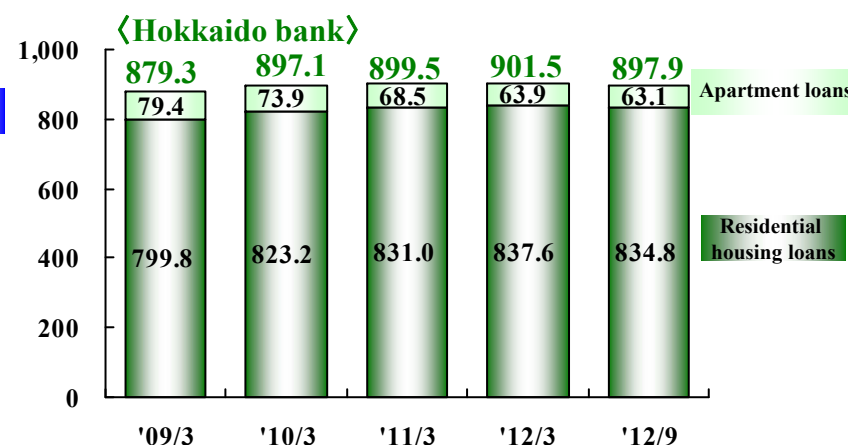
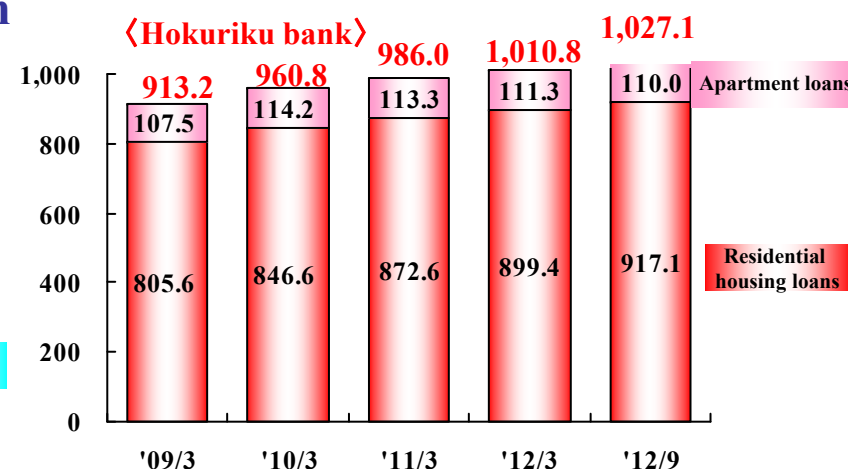
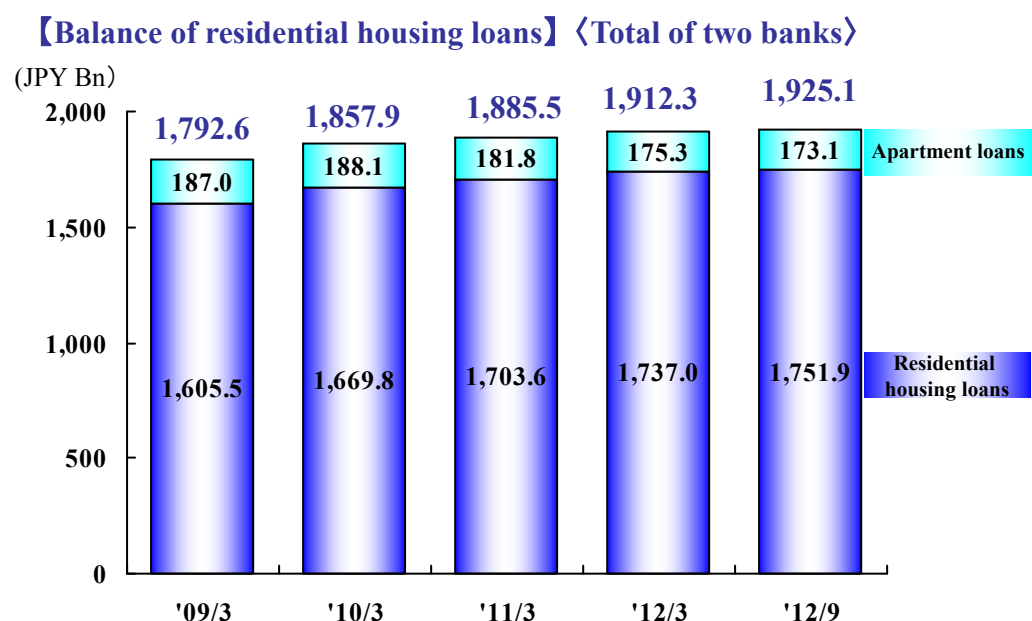
(JPY Bn) 〈Hokkaido bank〉



# Housing Loans

Hokuhoku Financial Group, Inc.

- Balance of housing loans increased by ¥12.7Bn (+0.66%) compared to Mar-12.

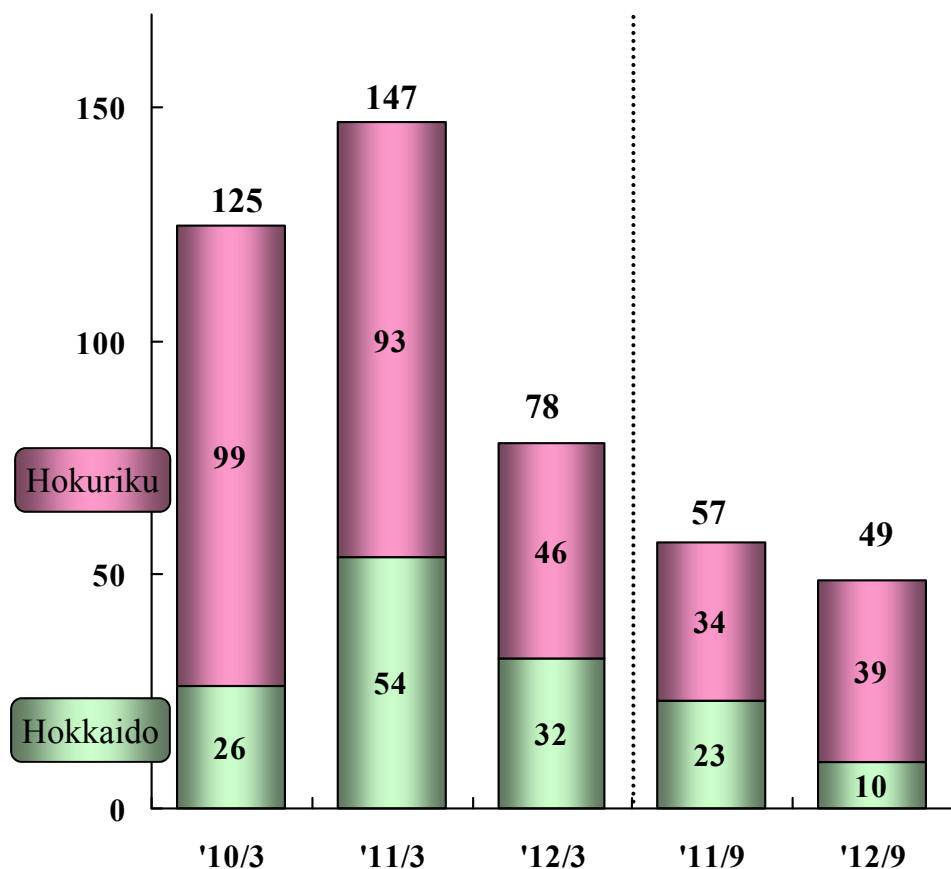


## 【Sales amount of housing loans】

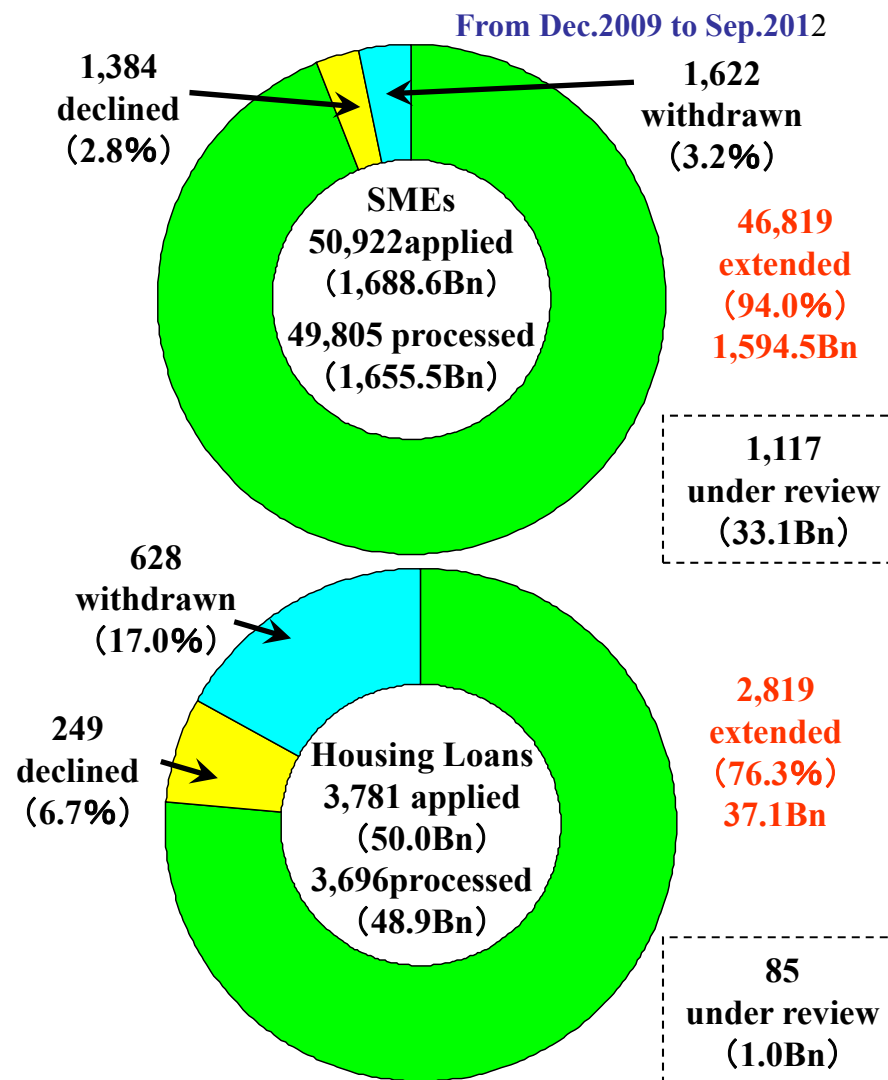
(JPY Bn)	<Total of two banks>					<Hokuriku bank>					<Hokkaido bank>				
	FY09	FY10	FY11	FY11 1H	FY12 1H	FY09	FY10	FY11	FY11 1H	FY12 1H	FY09	FY10	FY11	FY11 1H	FY12 1H
Sales amount of residential housing loans	209.5	189.4	188.0	81.7	94.0	104.7	96.1	99.8	47.4	55.2	104.8	93.2	88.1	34.2	38.7
New loans	141.3	125.7	132.6	57.4	70.8	71.9	59.5	65.9	32.3	39.2	69.4	66.1	66.7	25.1	31.5
Refinanced loans	68.2	63.7	55.3	24.2	23.2	32.7	36.6	33.9	15.0	16.0	35.4	27.0	21.4	9.1	7.1

【The number of clients  
that could improve borrower category by our support】

(No. of companies)



【Support through the public SME package  
<Total of two banks>



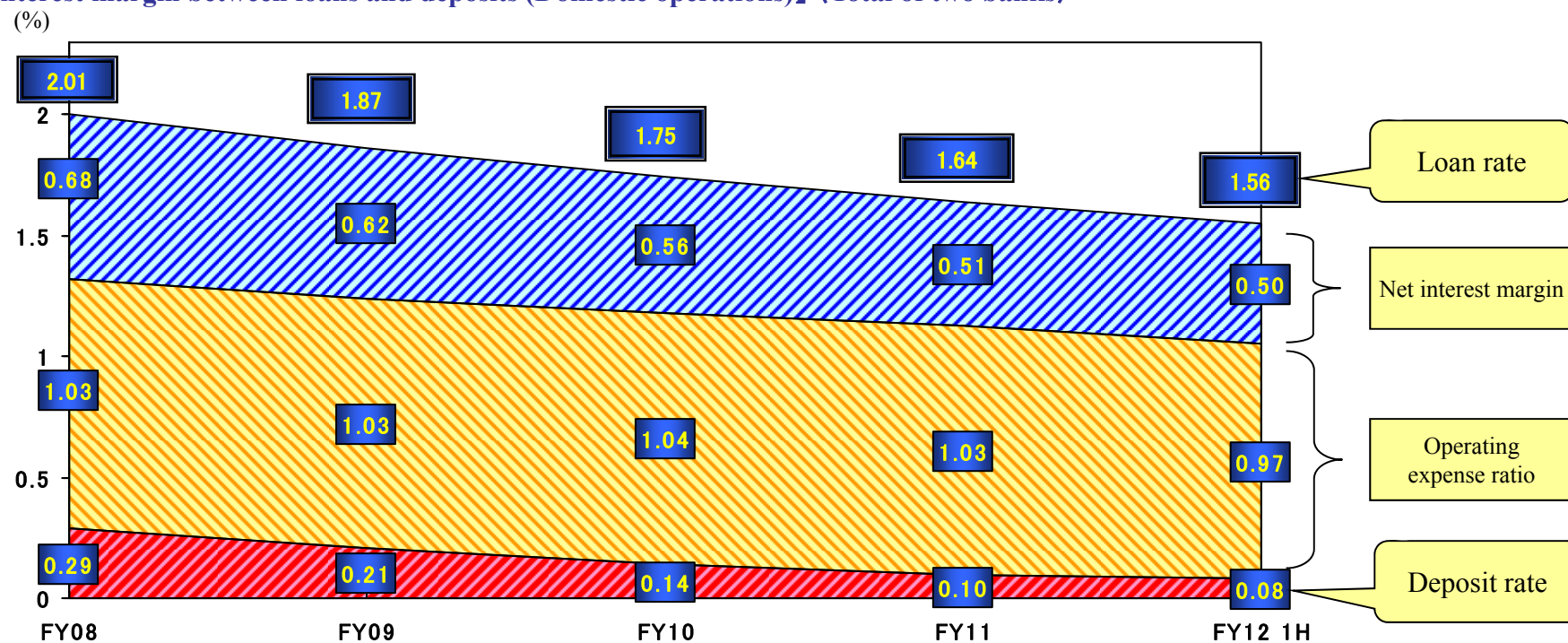
\* “Declined” includes cases pending for more than 3 months since applied.

# Interest Margins①

Hokuhoku Financial Group, Inc.

- Loan rate                      -0.08% compared to FY2011
- Deposit rate                 -0.02% compared to FY2011
- Net interest margin        -0.01% compared to FY2011

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



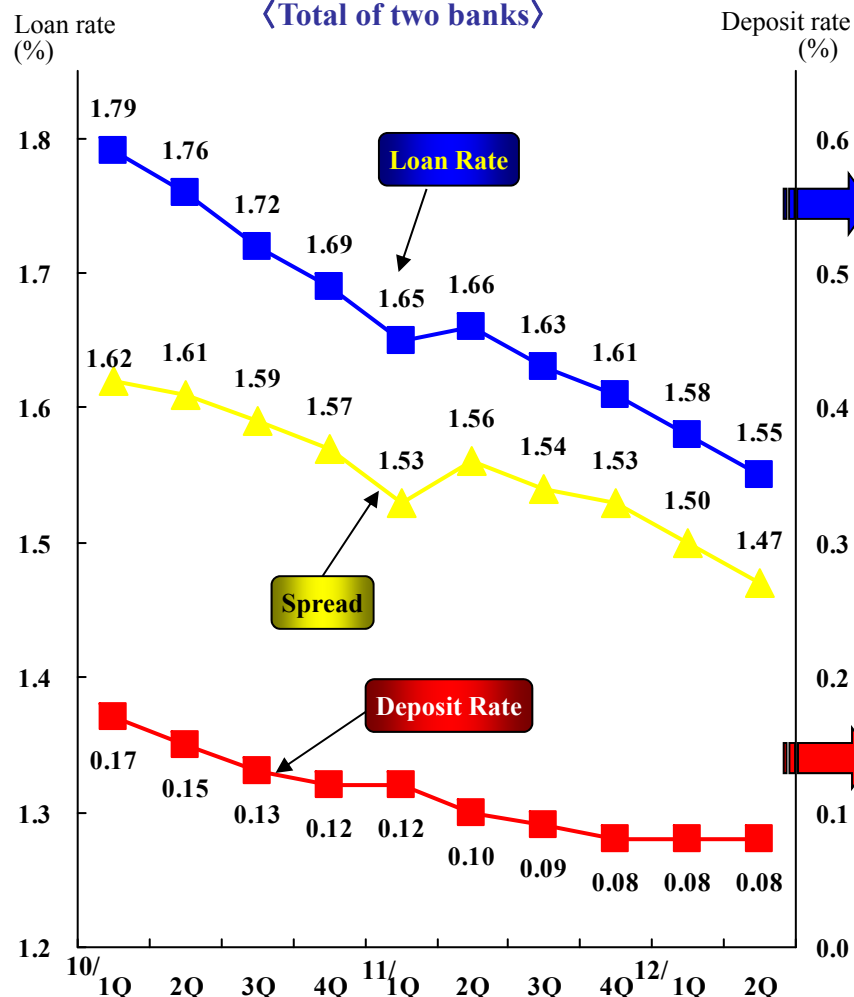
	〈Total of two banks〉					〈Hokuriku bank〉					〈Hokkaido bank〉				
(%)	FY08	FY09	FY10	FY11	FY12 1H	FY08	FY09	FY10	FY11	FY12 1H	FY08	FY09	FY10	FY11	FY12 1H
Loan rate	2.01	1.87	1.75	1.64	1.56	1.93	1.80	1.68	1.57	1.49	2.14	1.98	1.84	1.73	1.65
Net interest margin	0.68	0.62	0.56	0.51	0.50	0.62	0.59	0.54	0.50	0.49	0.78	0.68	0.60	0.52	0.51
Operating expense ratio	1.03	1.03	1.04	1.03	0.97	1.00	0.98	0.99	0.97	0.91	1.08	1.10	1.11	1.11	1.05
Deposit rate	0.29	0.21	0.14	0.10	0.08	0.30	0.22	0.15	0.10	0.08	0.27	0.19	0.12	0.09	0.08

# Interest Margins②

Hokuhoku Financial Group, Inc.

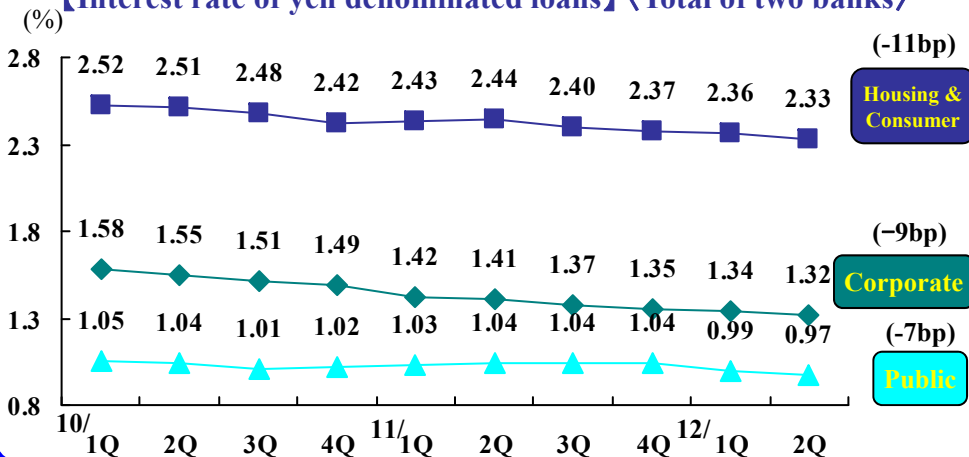
- '12/2Q Loan rate : 1.55% (-0.11% compared to '11/2Q)
- '12/2Q Deposit rate : 0.08% (-0.02% compared to '11/2Q)

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



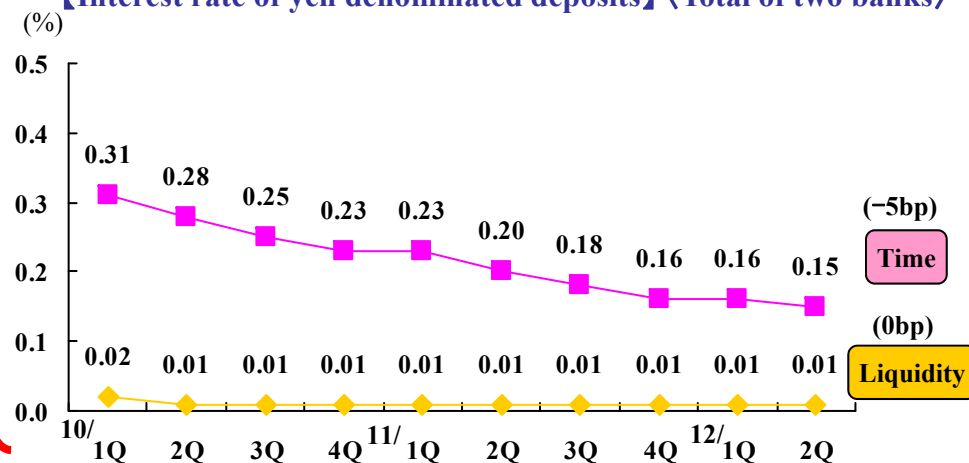
※ Internal management base

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



※ Before partial direct write-offs

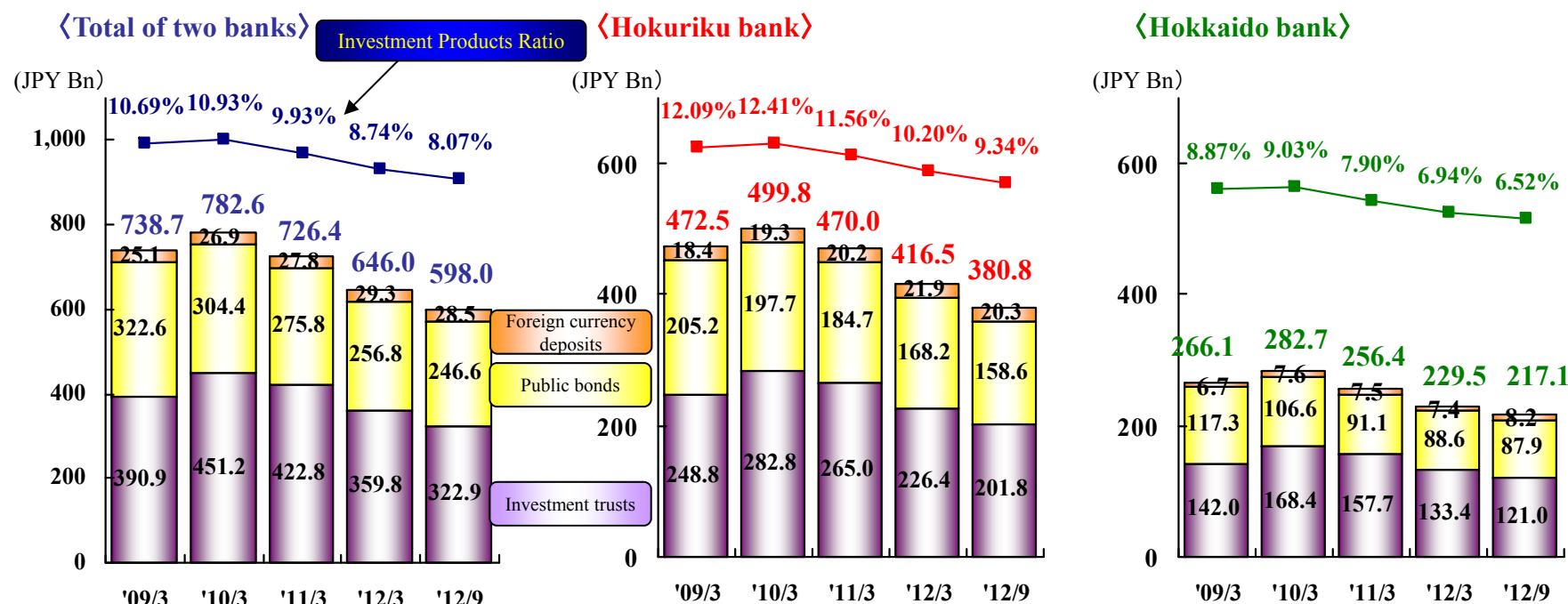
【Interest rate of yen denominated deposits】〈Total of two banks〉



※ ( ) = change from 11/2Q

➤ Sales of investment trusts decreased while sales of insurance increased.

【Balance of investment products】



【Sales amount of investment products and Fees】

	〈Total of two banks〉				〈Hokuriku bank〉				〈Hokkaido bank〉			
(JPY Bn)	FY10 2H	FY11 1H	FY11 2H	FY12 1H	FY10 2H	FY11 1H	FY11 2H	FY12 1H	FY10 2H	FY11 1H	FY11 2H	FY12 1H
Sales amount of investment trusts	61.7	65.8	32.9	34.9	46.0	47.2	21.6	24.9	15.7	18.5	11.2	9.9
Sales amount of insurance	48.9	42.5	65.8	60.5	34.4	23.9	42.2	34.6	14.5	18.5	23.5	25.9
Fees from investment trusts	2.3	2.4	1.6	1.6	1.5	1.6	1.0	1.0	0.7	0.7	0.5	0.5
Fees from insurance	1.6	1.3	1.9	1.7	1.2	0.8	1.3	1.1	0.4	0.5	0.5	0.6

# Securities Portfolio

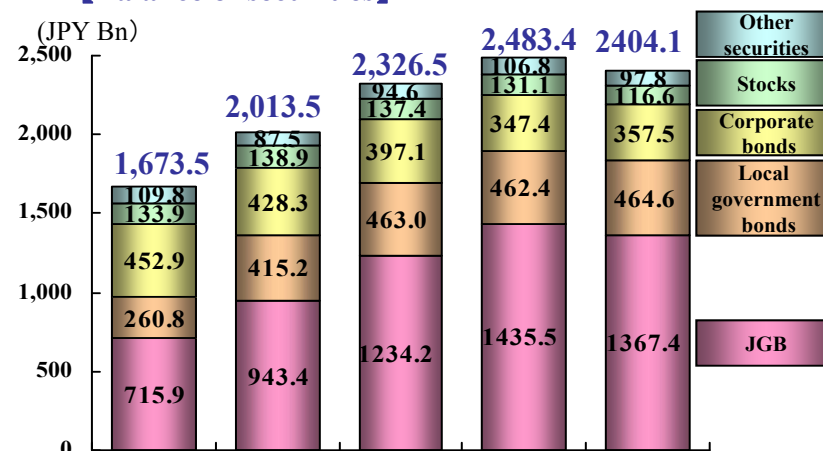
Hokuhoku Financial Group, Inc.

- Total balance of securities grew owing to increases in JGBs
- Unrealized gains on available-for-sale securities increased

## 【Balance of securities】

〈Consolidated〉 (JPY Bn)	Sep-12	change	Mar-12
Securities	2,404.1	(79.3)	2,483.4
Japanese Government bonds	1,367.4	(68.0)	1,435.5
Japanese local government bonds	464.6	2.2	462.4
Japanese corporate bonds	357.5	10.1	347.4
Japanese stocks	116.6	(14.4)	131.1
Other Securities	97.8	(9.0)	106.8

## 【Balance of securities】



## 【Valuation difference】

〈Consolidated〉 (JPY Bn)	Acquisition cost (1)			Balance sheet amount (2)			Valuation difference (2)-(1)		
	Sep-12	change	Mar-12	Sep-12	change	Mar-12	Sep-12	change	Mar-12
Available-for-sale securities	2,301.4	(129.6)	2,431.1	2,341.5	(129.1)	2,470.7	40.1	0.5	39.5
Japanese stocks	86.4	(11.7)	98.2	86.7	(14.1)	100.9	0.3	(2.4)	2.7
Japanese Bonds	2,025.1	(113.7)	2,138.9	2,066.6	(110.4)	2,177.0	41.4	3.3	38.1
Other	189.8	(4.1)	193.9	188.2	(4.5)	192.7	(1.6)	(0.4)	(1.2)

## 【Valuation difference of floating rate government bonds】(JPY Bn)

<Reference>	Total of two banks	Hokuriku Bank	Hokkaido Bank
Theoretical price	5.3	4.3	1.0
Market price	3.8	4.3	(0.4)

## 【Interest rate risk in banking book】(JPY Bn)

	Hokuriku Bank	Hokkaido Bank
Total interest rate risk	5.4	8.5
Outlier ratio	1.69%	3.74%

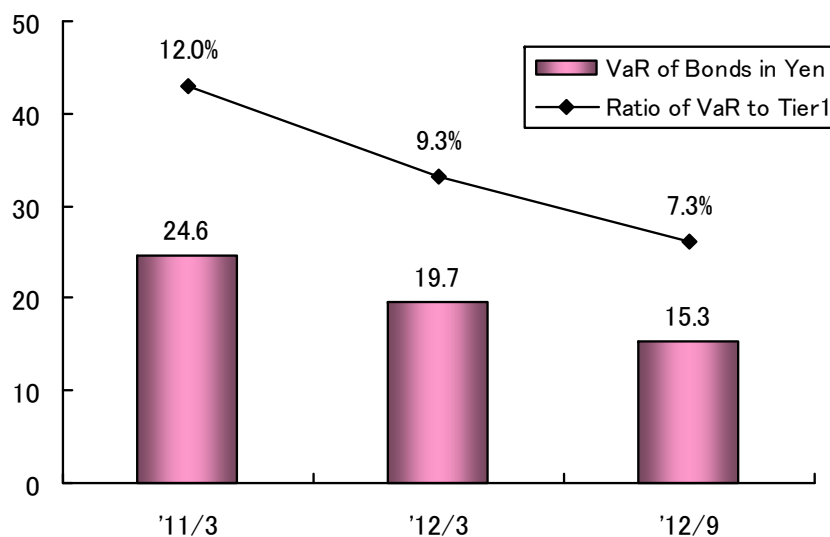
99 percentile

# Bond Portfolio *(yen denominated bonds)*

Hokuhoku Financial Group, Inc.

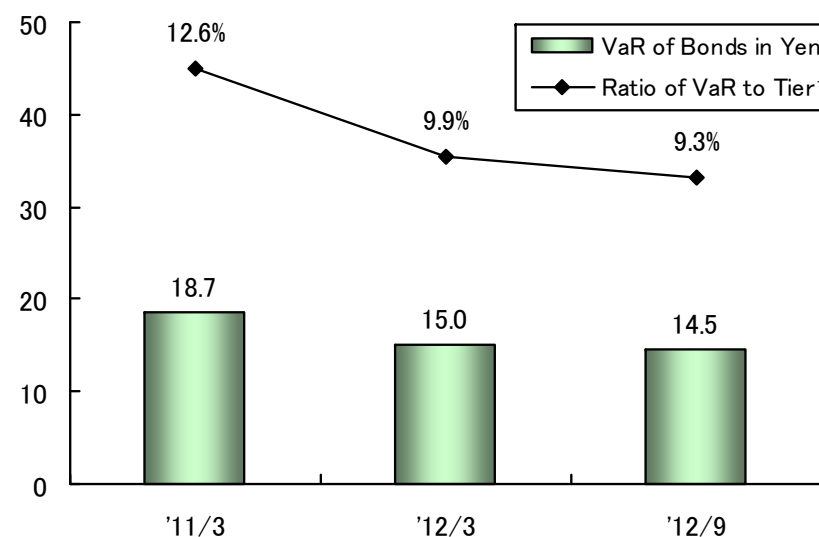
## 【Bond portfolio; balance, yield, and Value at risk】 ※ Internal management base

(term-end balance) **〈Hokuriku bank〉**  
(JPY Bn)



	'12/3	'12/9
Hokuriku Bank		
Term-end Balance (¥Bn)	1,177.3	1,057.5
Floating rate JGB	226.1	237.3
Average Yield (%)	1.04%	0.99%
Duration (year)	4.44	4.00
VaR (¥Bn)	19.7	15.3

(term-end balance) **〈Hokkaido bank〉**  
(JPY Bn)



	'12/3	'12/9
Hokkaido Bank		
Term-end Balance (¥Bn)	1,060.5	1,124.5
Floating rate JGB	133.6	133.1
Average Yield (%)	0.76%	0.63%
Duration (year)	3.90	3.93
VaR (¥Bn)	15.0	14.5

VaR : 99 percentile (Measurement method is changed from variance covariance method to historical method)



# Mid-Term Management Plan “Road to 10” Hokuhoku Financial Group, Inc.

- Attained target figures in Deposits, Loans, Capital Adequacy Ratio (Tier 1 Ratio) and NPL Ratio
- Profits are not in good shape because of severe external environment condition such as continuing low interest

## The progress for April 2010 to September 2012 (Hokuriku Bank and Hokkaido Bank)

	‘12/9 result		‘13/3 plan	expected to attain
Deposits (Avg. Balance)	JPY9,763.0Bn		JPY 9,550.0Bn	*
Loans (Avg. Balance)	JPY7,319.2Bn		JPY 7,200.0Bn	*
Core net business profit	JPY25.0Bn		JPY 70.0Bn	
Net income*	JPY6.1Bn		JPY 25.5Bn	
Capital Adequacy Ratio* (Tier 1 Ratio*)	11.90% (7.98%)		Above 11.5% (Above 7.5%)	* ( * )
OHR	65.98%		58%	
ROA (Core net business profit basis)	0.47%		0.68%	
ROE* (Core net income basis)	2.68%		above 6%	
NPL Ratio	3.36%		around 3%	*

\*FG consolidated

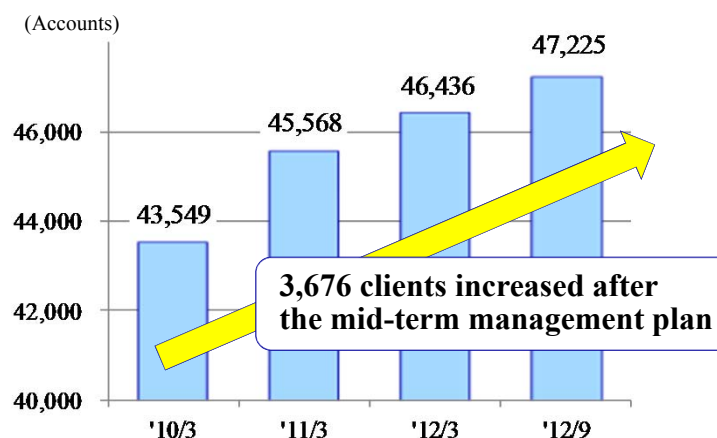
# Strengthening Marketing Capabilities (1)

## Corporate Clients

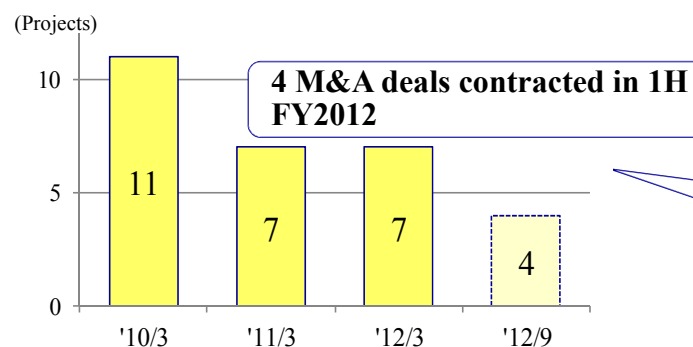
Hokuhoku Financial Group, Inc.

- Increase number of loan accounts and loan volume by offering appropriate solutions
- Improve profitability and customer satisfaction by giving more added value to customers

Number of corporate loan accounts (total of two banks)



Number of M&A conclusion (total of two banks)



### Business Support

- 8 business matching events held in 1H FY2012
- Support of business expansion to other industries (fund for farmers embarking on food processing and distribution)
- Advisory of overseas business development (overseas representative office : Hokuriku 6, Hokkaido 2)
- Business Succession, M&A (4 deals contracted in 1H FY2012)

### Consultations

- Seminars for corporate clients and management consultations
- Offered grants and subsidies(public subsidies help desk)
- Dougin Regional Research Institute started business (Oct. 2012)

### Strategy for expand of new accounts

- Increase contact with customers (to better understand the customers and their business)
- Increase branch convenience (open new branches, upgrade sub-branches to branches)
- Focus on growth industries (fund dedicated to growth industries)
- Products prepared for new accounts, corporate insurance

**Awarded “Best Partner Prize”  
from Nihon M&A Center Inc.**

✓Hokuriku was the 1<sup>st</sup> awarded the prize of 89 Japanese regional banks allied with Nihon M&A Center Inc.

# Strengthening Marketing Capabilities (2) Business Matching

Hokuhoku Financial Group, Inc.

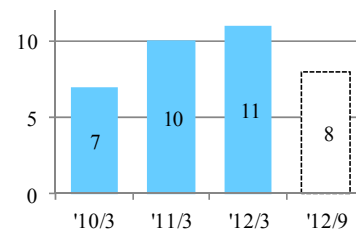
- Strengthen activities to support solving management problem of clients by arranging business meetings for expanding sales channel and others
- Support expanding business and entering new business with approaching local growing industry

## Sales channel expansion 8 business meetings held in 1H FY2012

### Individual business meeting with high-class supermarkets (July 2012)



Number of business meetings  
(total of two banks)



## Support solving management problems

### Management consultation meeting

### Seminar on business succession and M&A

### Seminar for medical institutions

### Public subsidy help desk

- ✓ Held at 124 branches in Hokuriku area in line with reinforcement network project for smaller business by Ministry of Economy, Trade and Industry.
- ✓ Consulted about various management problems, launch of new business and overseas business development (including managerial innovation, alliance between agriculture and commerce, certified business of utilizing regional resources)
- ✓ The Number of acknowledgment : 11 (since April 2012)

## Approaching local growing industry (Agriculture)

### ◆ Offering cutting-edge information

Oct. 2012  
Agri-business Forum 2012



- ◆ Support building up value chain of agribusiness (Regional Funds)
- ◆ Advisory contracts with external expert organizations
- ◆ Cooperation agreement about Hokkaido Food-Complex International Strategy General Zone
- ◆ Farming-adviser ;53 (most in Japanese regional banks)

Hokkaido Bank 29 Hokuriku Bank 24

## Doujin Regional Research Institute Co., Ltd.



Begins business in Oct. 2012 to strengthen management advice and support

# Strengthening Marketing Capabilities (3) Overseas Business Support

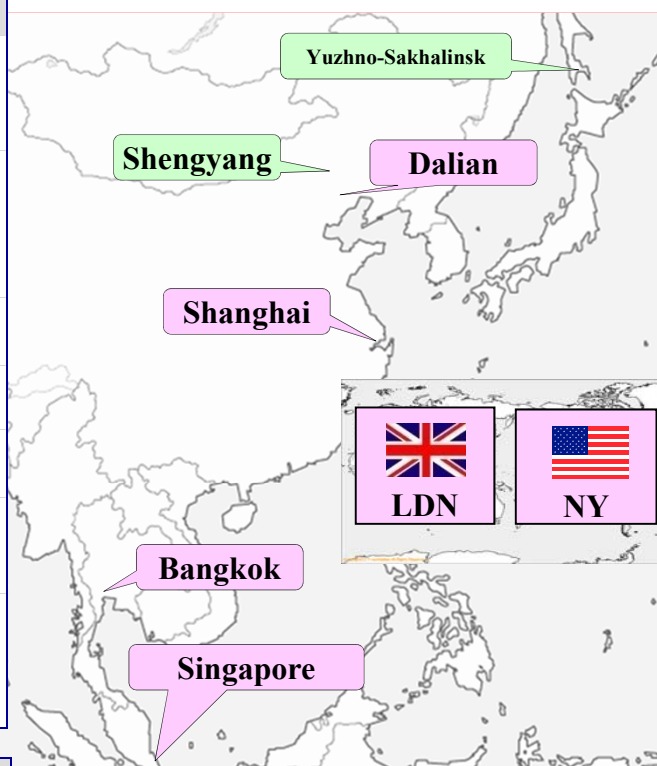
Hokuhoku Financial Group, Inc.

- Expand overseas network for support of clients' business by opening representative office in Bangkok
- Take in domestic credit needs by overseas business support

## Overseas Business Support

### Business partnerships with foreign financial institutions

Entire Asia region	Standard Chartered Bank
China	Bank of China Bank of Communications Bank of Shanghai
Thailand	KASIKORNBANK
India	State bank of India
Vietnam	Vietcombank
Indonesia	PT. Bank Negara Indonesia (Persero) Tbk
Russia	VTB Bank Gazprombank Savings Bank of the Russian Federation



### Overseas Bases

Hokuriku Bank	6
Hokkaido Bank	2

## Overseas business development Support

- Business meetings held 3 times (in 2 times held abroad)
- Seminars, forums and information exchange meetings held 14 times

Business meetings with invited overseas buyers



Company information exchange meetings with Savings Bank of the Russian Federation



## Fundraising Support

- Seven loans extended to overseas subsidiaries of regional clients since service started
- Offer US dollar, Chinese Yuan, and THB, as well as local currencies based on clients needs

## Consulting

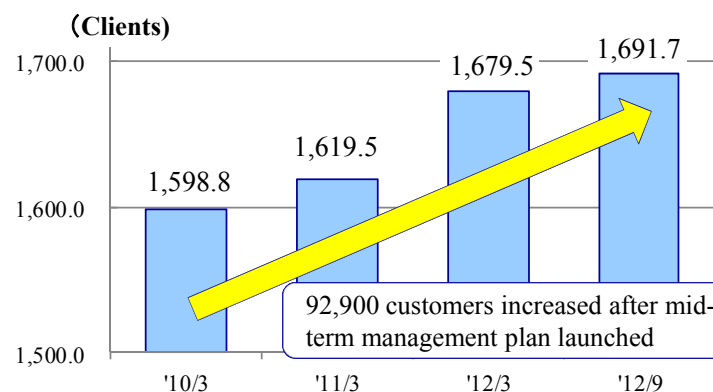
- Business partnerships with external expert organizations Answer to consulting needs of tax matters, financial and legal matters
- Business partnerships with casualty insurance company

# Strengthening Marketing Capabilities (4) Individual Customers

Hokuhoku Financial Group, Inc.

- Individual deposits were stably accumulated by increased salary deposits and pension transfer accounts
- Continuously expand individual customer base by offering housing loans and investment consultations

Number of clients with salary deposit and pension transfer  
(total of two banks)



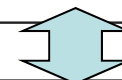
## Sales promotion for salary deposit and pension transfer account

### <Salary deposit>

Mileage service for bank customers, cross-sales with housing loan, cash card with digital money (kitaca), Sponsoring seminars for new employees of corporate clients

### <Pension transfer>

Pension seminar, consultations for investment of retirement benefit, sales promotion of 401K benefit plan



### Enhance marketing channel

- ◆ Upgrade sub-branches to branches
- ◆ Open new branches
- ◆ Expand online marketing channels
- ◆ Direct marketing of insurance

### Housing loans

- ◆ Offering wide-coverage group credit life insurance for housing loans users
- ◆ “Lilla” housing loan for women
- ◆ Tighten relation with reform constructors
- ◆ Absorb financial needs before revision of consumption tax rates

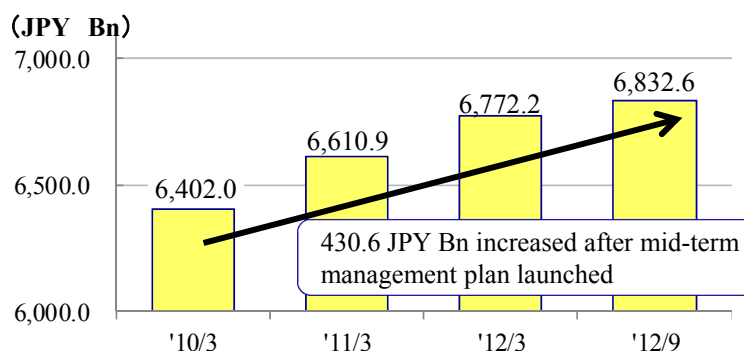
### Settlement Credit support for household

- ◆ Credit cards
- ◆ Payment of utilities(application through web site)
- ◆ Credit card loans, loans for specific purposes

### Investment products

- ◆ Online marketing of investment trusts (with discounted fees)
- ◆ Public bonds, foreign currency deposits, deposits with lottery
- ◆ Medical insurance, cancer insurance

Individual deposits (total of two banks)





# Strengthening Marketing Capabilities (5)

## Branch Strategy and Employee Training

Hokuhoku Financial Group, Inc.

- Our focus on human resource management is changed from increasing number of employees to rearranging them strategically to significant field
- Make efficient use of human resources by leveraging female employees in charge of promoting loans and senior employees with middle management experience

### Expansion of branch functions

Toyota, Nishioka, and Takaokashimizumachi sub-branches upgraded to branches in Nov. 2012



Souen branch opens in Oct. 2012



### Employee Training

#### Number of workers

	'10/3	'11/3	'12/3	'12/9
Total of two banks	4,521	4,940	5,140	5,349
Hokuriku Bank	2,611	2,718	2,755	2,868
Hokaido Bank	1,910	2,222	2,385	2,481

Workers = Corporate Officers + Employee

#### 【Factor of increase】

- Correspondence to MEJAR
- Reinforce of power of sales
- Change from contract employee to regular employee

#### Basic policies

- Raising the quality of human resource with necessary number of workers maintained.
- Strategic rearrangement to significant field
- Training young employees to fill up shortage of late 30s workers

#### Train young employees

- Implement training curriculum (training-related costs for newly hired employees are not recognized for three years in branch budget with management accounting)
- Train marketing personnel and tellers in negotiation skills (strengthen retail marketing)
- Offer training in logical thinking (improve ability to create own proposals)

#### Females employees

- Negotiation skills for selling loans
- Raise management positively
- Constant personnel reshuffle

#### Middle management

- More flexibility in promotion of management
- Assignment of authority as a assistant of executive personnel
- Using positively "Trainee Program" for specific skills
- Expansion of terms of the manager of branch

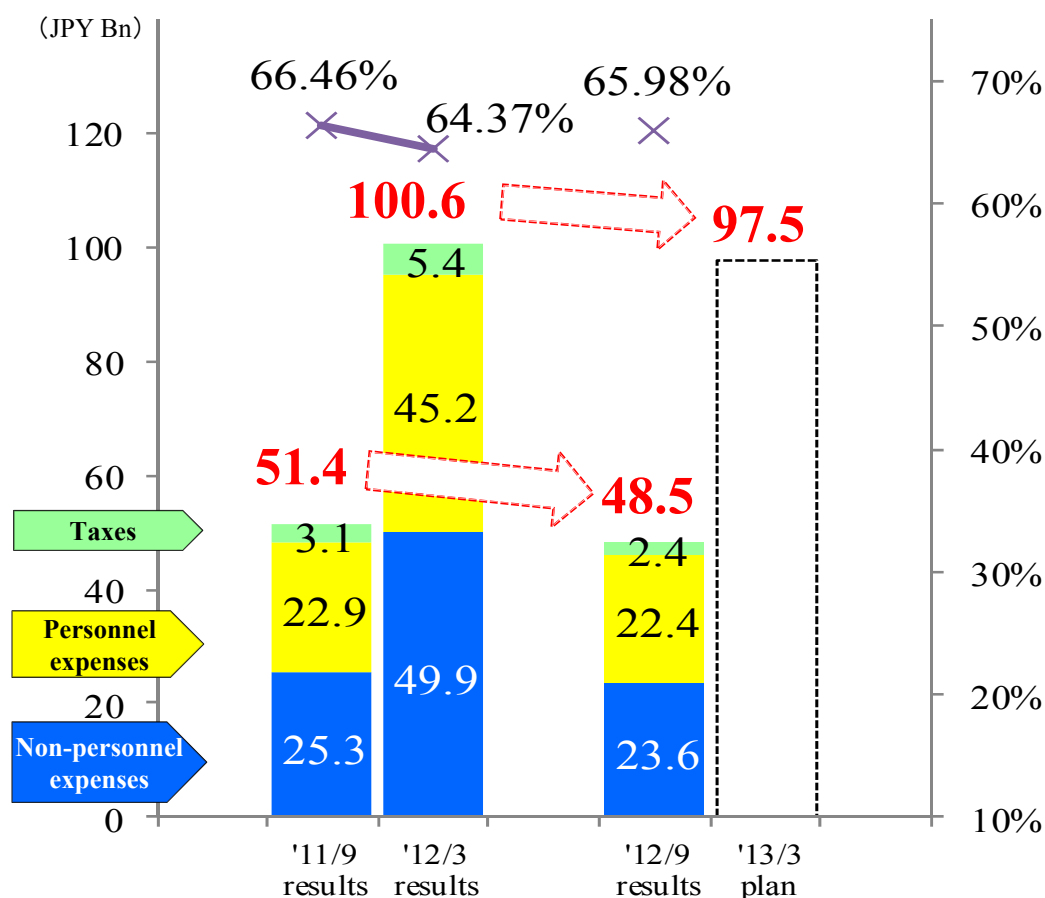
# Enhancing Management Efficiency

## Reduction of Expenses

Hokuhoku Financial Group, Inc.

- G&A expenses are expected to decrease due to the completion of transition of new banking system, and we pursue further synergy effects of joint use
- OHR remains comparably high because of decrease in core gross profits. We continue to lower G&A expenses to improve OHR

### G&A expenses / OHR (total of two banks)



### Pursue synergies in FG

- ◆ Effects of introduction MEJAR
  - ✓ Decrease development cost by participants to MEJAR
  - ✓ Decrease utilization cost by increase of new participants to MEJAR
  - ✓ Joint development of subsystem
  - ✓ Prompt system development

◆ Integrations of operation in headquarters

◆ Expand joint use of back office operations

### Reduction of expenses

- ◆ Cost cutting campaign
- ◆ Establish working group for cost control
- ◆ Expansion of integrations of branch operations

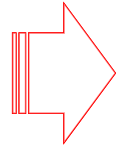
# Stabilizing Financial Base (1)

## Management support in response to the termination of SME Financial Facilitation

Hokuhoku Financial Group, Inc.

- Suggest best solutions to corporate clients according to the degree of improvement in their business at the termination of SME Financial Facilitation
- Cooperate with Enterprise Turnaround Initiative Corporation (ETIC) and SME Business Rehabilitation Support Co-operatives (SRSC) and use reconstruction fund

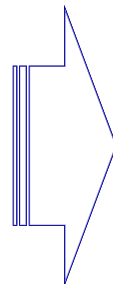
### Basic policy after termination of SME Finance Facilitation Act



- ✓ Constant support in conformity with SME Finance Facilitation Act
- ✓ Demonstrate consulting capabilities as financial institution
- ✓ Special training to improve ability to assist management

### <Corporate clients under financial facilitation>

- ◆ Clients with adequate results for the revival plan
- ◆ Clients who did not complete the plan, but could be better
- ◆ Clients who did not complete the plan, but can turn around their business
- ◆ Clients with no sustainability in business



- ◆ Continuous follow-up
- ◆ Intensively work on management problems
- ◆ Collaborate with SRSC, ETIC, and use rehabilitation fund DDS, DES, and ABL, etc.
- ◆ Support closure and transfer of business

### Hokuriku Bank

Number of corporate clients using loans at the beginning of FY2012* (a)	12,580
Number of clients specified as target for management support (b)	604
Number of clients making revitalization plan (c)	553
Number of clients that improved borrower category (d)	39

### Result of management support for corporate clients (1H FY2012)

Ratio of clients specified as target for management support (b/a) *	4.80%
Ratio of clients making revitalization plan (c/b)	91.56%
Ratio of clients that improved borrower category (d/c)	6.46%

Number of corporate clients using loans at the beginning of FY2012 * (a)	3,716
Number of clients specified as target for management support (b)	271
Number of clients making revitalization plan (c)	264
Number of clients that improved borrower category (d)	10

### Hokkaido Bank

Ratio of clients specified as target for management support* (b/a)	7.29%
Ratio of clients making revitalization plan (c/b)	97.42%
Ratio of clients that improved borrower category (d/c)	3.69%

\* Clients categorized as normal borrower are excluded in number of clients and percentage

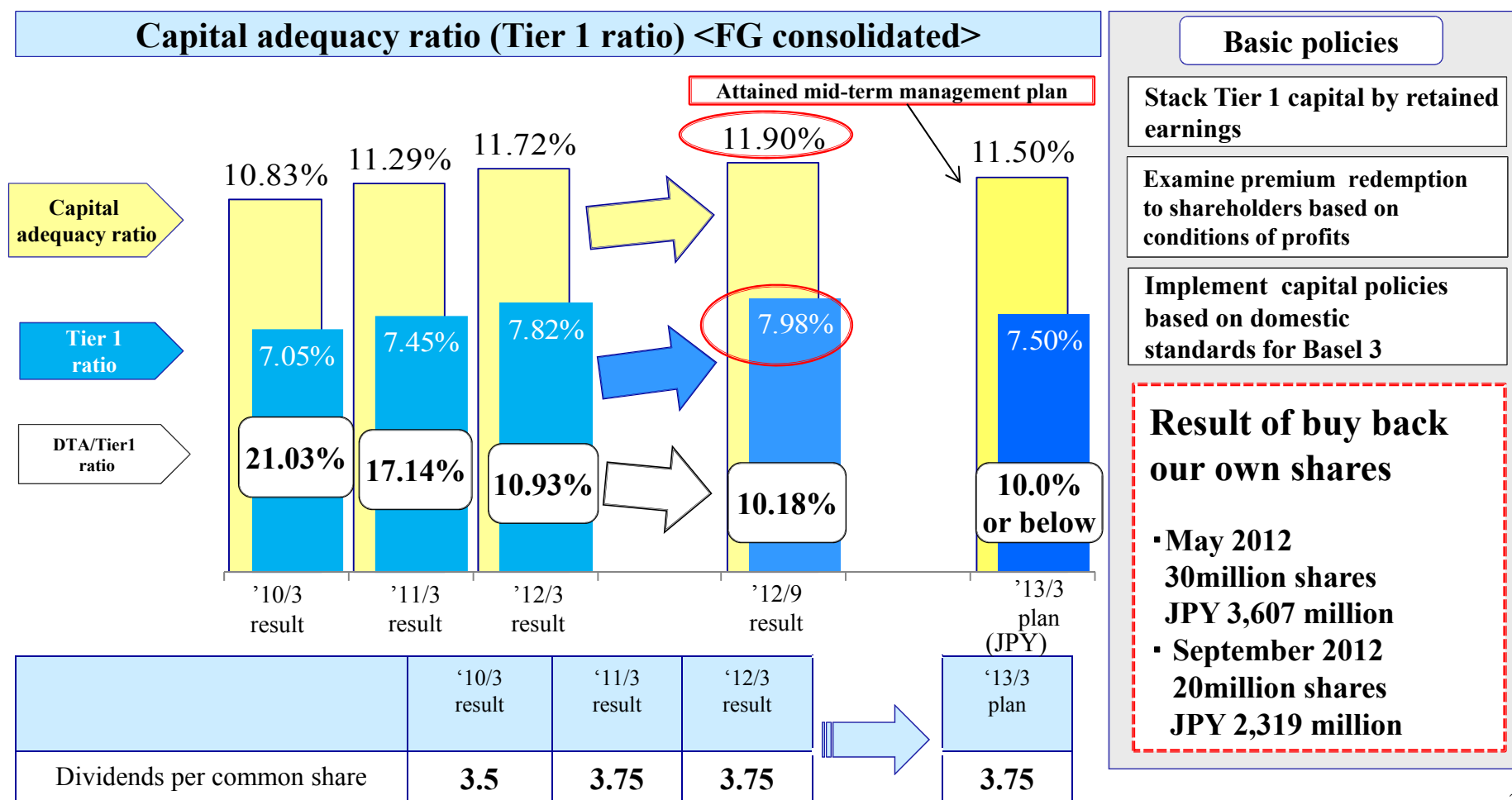


# Stabilizing Financial Base (2)

## Capital Policy

Hokuhoku Financial Group, Inc.

- Attained target figures of mid-term management plan in capital adequacy ratio (Tier 1 ratio) as of term-end of 1H FY 2012
- Resolved twice in 1H FY 2012 to buy back our own shares in order to enhance shareholder value
- Deal with preferred stocks and subordinated bond based on contents of domestic standards for Basel 3.



# *Building Close Relationship with Region*

Hokuhoku Financial Group, Inc.

**We aim for growth and development with local community by responding to customer needs in line with our management mission “Co-prosperity with region”**



## **Promotion of Art and Culture**

Opening of The Galerie Millet Museum of Art

## **Promotion of Sports**

Opening of Dougin Curling Stadium



## **Support in Time of Disaster**

Hokuriku Bank makes a disaster agreement with the Ogaki Kyoritsu Bank.



## **Collaboration between Industry and Academia**

Hokkaido bank makes a cooperation agreement with Rakuno Gakuen University

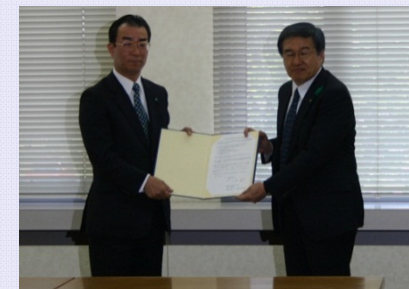


## **Cooperation Agreement with Regional Academic Institutions**

Hokuriku Bank gives special lecture to students of Kanazawa University.

## **Promotion of Industry**

Hokkaido Bank make a cooperation agreement with self-governing body about Hokkaido Food-Complex International Strategy General Zone



# *Appendix*

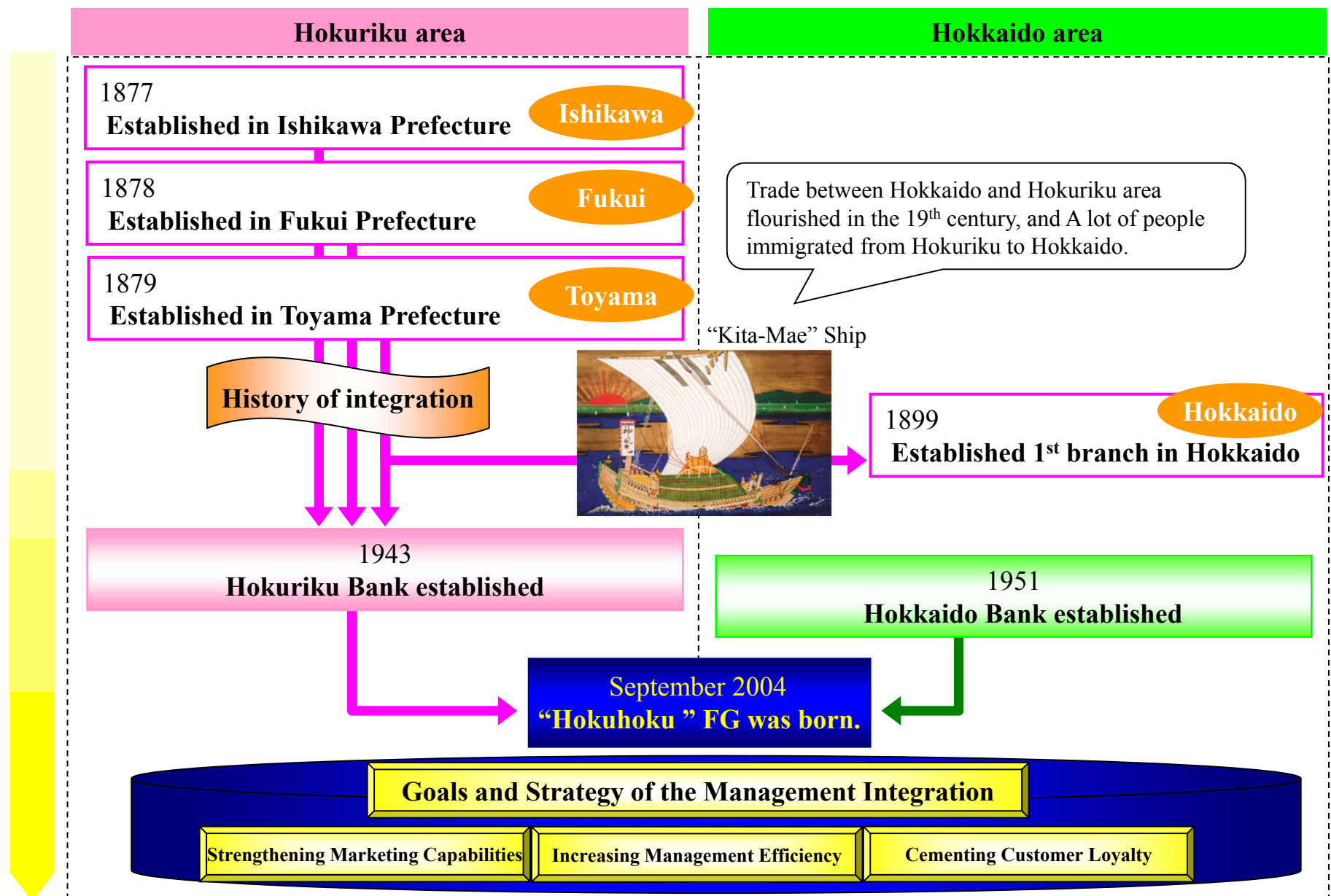
(As of September 30, 2012)

	<b>Hokuhoku FG</b>	<b>Hokuriku Bank</b>	<b>Hokkaido Bank</b>
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 1,391,630,146 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) ¥ 10,690.6 billion	¥ 6,013.6 billion	¥ 4,618.1 billion
Deposits & NCD	(consolidated) ¥ 9,767.0 billion	¥ 5,541.2 billion	¥ 4,246.4 billion
Loans	(consolidated) ¥ 7,299.7 billion	¥ 4,245.5 billion	¥ 3,068.3 billion
Capital adequacy ratio	(consolidated) 11.90%	(non-consolidated) 11.89%	(non-consolidated) 11.05%
Employees	56 (13 fulltime workers)	2,868	2,481
Ratings	A(R&I)、A(JCR)	A(R&I)、A(JCR)	A(R&I)、A(JCR)
Branches (Domestic) (Overseas)		140 branches, 48 sub-branches 6 representative offices	132 branches, 7 sub-branches 2 representative offices

## About Hokuhoku FG ②

### History of Hokuhoku FG

Hokuhoku Financial Group, Inc.



## Goals and Strategy of the Management Integration

### Three key strategies for management integration

#### Strengthening Marketing Capabilities

Capitalizing our extensive network in Japan's three major metropolises, in addition to our main operational bases, Hokkaido and Hokuriku, we aim to differentiate ourselves from other regional banks and strengthen our marketing capability further.

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

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

Extend service scope for corporations, their trading partners and employees by capitalizing on the customer base of the two banks

#### Increasing Management Efficiency

We will establish a highly profitable and efficient operating platform by integrating redundant infrastructure in Hokkaido and leveraging management resources more efficiently, while continuing to focus on maintaining and developing solid relationships with customers of the both two banks.

Enhance the brand power of two banks by offering distinctive and client-focused services

Shared use of joint banking system. Integrate the back-office functions for efficient operation. Integrate mail delivery services and back-office services of two banks in Hokkaido

#### Cementing Customer Loyalty

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

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

Implement integrated measures to enhance a capital structure and accumulate steadily retained earnings



(JPY Bn)

	FY2007 Full year	FY2008 Interim	FY2008 Full year	FY2009 Interim	FY2009 Full year	FY2010 Interim	FY2010 Full year	FY2011 Interim	FY2011 Full year	FY2012 Interim
<Consolidated>										
Ordinary income	261.2	123.8	239.6	114.3	226.7	109.2	214.6	105.7	207.9	105.7
Ordinary profits	66.3	19.6	21.3	13.3	35.4	18.0	37.2	18.9	38.8	8.9
Net income	38.6	37.5	37.0	5.7	19.2	10.0	18.4	8.9	14.1	6.1
Capital adequacy ratio	10.39%	10.39%	10.81%	10.91%	10.83%	11.39%	11.29%	11.57%	11.72%	11.90%

<Total of two banks> \* Total of two banks + Hokugin Corp.

Core gross business profits	178.5	87.3	168.3	79.6	160.9	76.0	155.4	77.3	156.3	73.5
General & administrative expenses	89.9	45.6	91.5	47.1	94.4	48.4	98.6	51.4	100.6	48.5
Core net business profits	88.6	41.7	76.8	32.4	66.4	27.6	56.7	25.9	55.7	25.0
Net gains(losses) related to securities	(0.6)	(5.2)	(17.6)	0.8	0.2	0.8	(1.0)	1.2	(1.4)	(3.5)
Credit costs	25.5	16.1	35.5	16.8	25.5	8.3	14.5	6.4	10.4	10.4
Ordinary profits	65.0	19.4	21.3	14.2	36.8	18.8	37.0	19.3	40.5	9.4
Net income	39.0	37.8	37.9	11.4	26.0	11.1	19.6	9.8	16.6	7.0
ROA	0.95%	0.88%	0.80%	0.66%	0.68%	0.54%	0.56%	0.49%	0.53%	0.47%
OHR	50.36%	52.19%	54.37%	59.20%	58.68%	63.67%	63.47%	66.46%	64.37%	65.98%
Loans *	6,897.6	7,006.3	7,156.7	7,001.5	6,993.6	6,966.7	7,241.1	7,236.1	7,287.0	7,313.8
Deposits (including NCD)	8,502.2	8,650.3	8,742.4	8,930.2	9,120.3	9,223.9	9,523.8	9,534.7	9,700.8	9,787.6
Securities	1,714.8	1,745.8	1,725.0	1,787.6	2,015.0	2,204.1	2,315.1	2,465.8	2,471.8	2,392.6
Non performing loan *	260.7	253.1	227.5	214.6	215.2	214.4	220.5	229.8	236.8	252.1
NPL ratio *	3.64%	3.48%	3.07%	2.96%	2.98%	2.98%	2.96%	3.08%	3.17%	3.36%

**About Hokuhoku FG ⑤**  
**Historical Data (Hokuriku Bank )**

Hokuhoku Financial Group, Inc.

(JPY Bn)

	FY2007 Full year	FY2008 Interim	FY2008 Full year	FY2009 Interim	FY2009 Full year	FY2010 Interim	FY2010 Full year	FY2011 Interim	FY2011 Full year	FY2012 Interim
Ordinary income	141.2	65.3	124.2	57.5	113.7	55.0	108.8	54.0	105.4	56.2
Core gross business profits	105.2	49.8	94.7	45.3	90.1	44.1	88.5	45.2	88.5	42.4
General & administrative expenses	51.1	25.7	51.3	25.8	51.8	26.5	53.8	27.7	54.2	25.9
Core net business profits	54.1	24.1	43.4	19.5	38.3	17.5	34.6	17.4	34.3	16.4
Net gains(losses) related to securities	(0.7)	(3.8)	(12.6)	(1.2)	(2.4)	(2.0)	(2.8)	(1.0)	(1.1)	(3.6)
Credit costs	20.4	10.5	21.4	7.0	13.4	2.9	7.1	1.9	4.4	9.5
Ordinary profits	35.6	9.6	8.8	9.8	19.9	12.1	22.9	13.8	27.4	2.3
Net income	21.2	30.1	26.4	7.5	15.6	7.2	11.9	6.9	11.4	1.9
Capital adequacy ratio	10.10%	10.26%	10.23%	10.56%	10.80%	11.27%	11.32%	11.62%	11.85%	11.89%
ROA	0.99%	0.86%	0.77%	0.69%	0.68%	0.60%	0.59%	0.58%	0.57%	0.55%
OHR	48.53%	51.58%	54.18%	56.95%	57.48%	60.16%	60.85%	61.32%	61.25%	61.17%
Loans *	4,210.7	4,245.9	4,293.3	4,172.6	4,142.6	4,109.2	4,252.3	4,205.7	4,233.9	4,245.5
Deposits (including NCD)	4,955.7	5,016.1	5,092.5	5,155.8	5,306.7	5,292.6	5,439.9	5,416.5	5,545.1	5,541.2
Securities	820.9	833.7	858.8	858.4	1,015.9	1,088.4	1,217.5	1,285.7	1,315.4	1,178.2
Non performing loan *	163.5	159.7	142.6	140.1	147.3	146.1	144.3	153.1	153.5	168.1
NPL ratio *	3.72%	3.60%	3.19%	3.23%	3.42%	3.43%	3.28%	3.52%	3.53%	3.86%

\* Hokuriku Bank + Hokugin Corp.



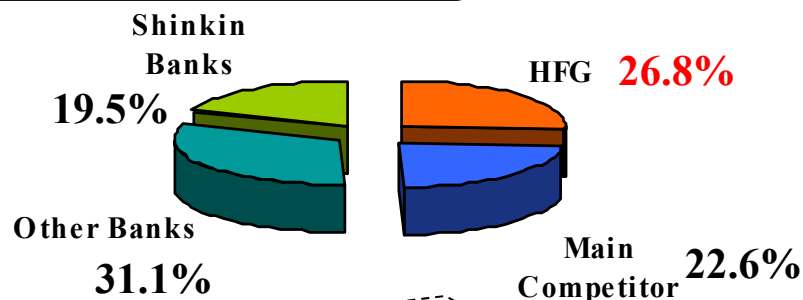
*About Hokuhoku FG ⑥*  
***Historical Data (Hokkaido Bank )***

Hokuhoku Financial Group, Inc.

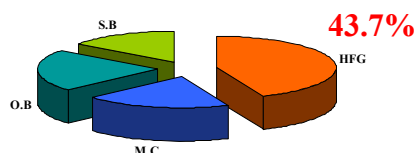
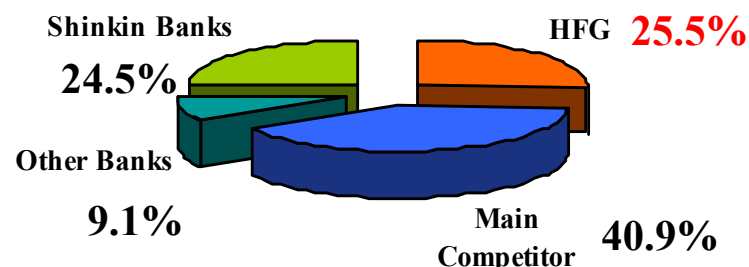
(JPY Bn)

	FY2007 Full year	FY2008 Interim	FY2008 Full year	FY2009 Interim	FY2009 Full year	FY2010 Interim	FY2010 Full year	FY2011 Interim	FY2011 Full year	FY2012 Interim
Ordinary income	96.0	47.7	94.3	46.9	93.7	44.8	87.0	43.2	87.5	42.3
Core gross business profits	73.2	37.5	73.5	34.2	70.8	31.9	66.8	32.1	67.8	31.0
General & administrative expenses	38.8	19.8	40.2	21.3	42.6	21.8	44.7	23.7	46.4	22.5
Core net business profits	34.4	17.6	33.3	12.9	28.1	10.0	22.1	8.4	21.4	8.5
Net gains(losses) related to securities	0.1	(1.3)	(4.9)	2.1	2.7	2.9	1.7	2.2	(0.2)	0.1
Credit costs	5.1	5.6	14.0	9.7	12.0	5.3	7.4	4.4	5.9	0.8
Ordinary profits	29.4	9.8	12.5	4.3	16.9	6.6	14.1	5.4	13.1	7.1
Net income	17.8	7.7	11.4	3.8	10.3	3.9	7.7	2.9	5.2	5.0
Capital adequacy ratio	10.13%	9.68%	10.45%	10.30%	10.19%	10.68%	10.59%	10.57%	10.80%	11.05%
ROA	0.90%	0.90%	0.85%	0.63%	0.68%	0.47%	0.51%	0.37%	0.47%	0.37%
OHR	52.98%	53.00%	54.62%	62.17%	60.21%	68.53%	66.93%	73.69%	68.44%	72.57%
Loans	2,686.8	2,760.3	2,863.4	2,828.9	2,851.0	2,857.4	2,988.8	3,030.4	3,053.0	3,068.3
Deposits (including NCD)	3,546.5	3,634.1	3,649.9	3,774.4	3,813.6	3,931.3	4,083.9	4,118.2	4,155.7	4,246.4
Securities	893.8	912.0	866.2	929.1	999.1	1,115.7	1,097.6	1,180.1	1,156.4	1,214.4
Non performing loan	97.2	93.5	84.8	74.5	67.9	68.3	76.3	76.7	83.3	84.0
NPL ratio	3.52%	3.29%	2.89%	2.57%	2.32%	2.33%	2.49%	2.47%	2.66%	2.66%

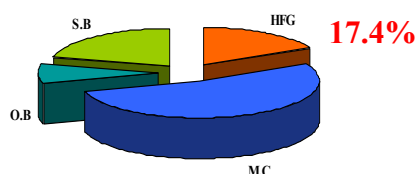
Hokuriku Area



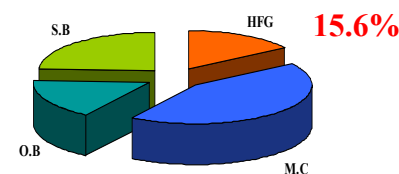
Hokkaido Area



Toyama



Ishikawa



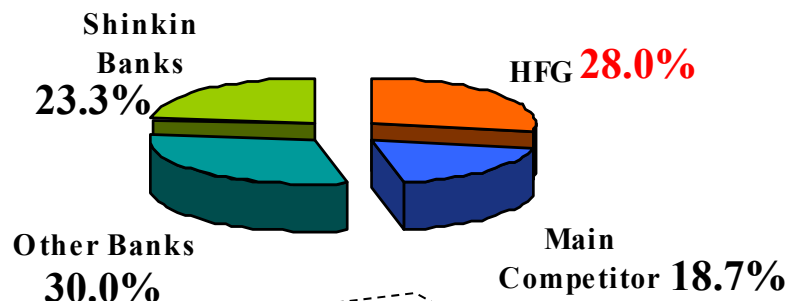
Fukui

\*Figures of the Main Competitor and Other banks are estimated figures

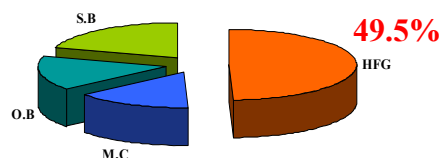
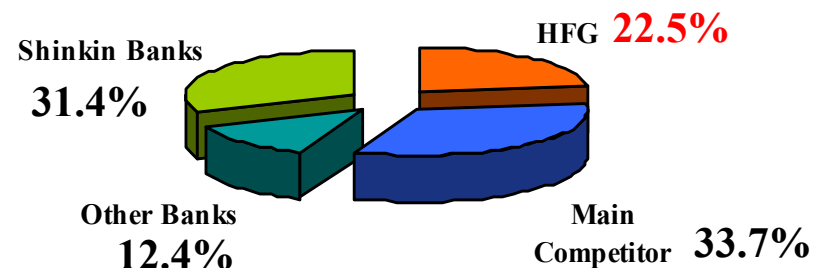
(JPY Bn)

		Hokuriku				Hokkaido
		Area	Toyama Pref.	Ishikawa Pref.	Fukui Pref.	
Banks		7,086.5(80.5%)	2,807.7(85.4%)	2,596.2(78.8%)	1,682.6(75.7%)	9,389.2(75.5%)
Hokuhoku FG(HFG)		2,357.8(26.8%)	1,437.7(43.7%)	574.0(17.4%)	345.9(15.6%)	3,170.0(25.5%)
Hokuriku Bank (Loans + Securitized loans)		2,357.8(26.8%) (2,399.0)	1,437.7(43.7%) (1,462.6 )	574.0(17.4%) (585.9)	345.9(15.6%) (350.4 )	512.7(4.1%) (514.7)
Hokkaido Bank		0(0.0%)	0(0.0%)	0(0.0%)	0(0.0%)	2,657.3(21.4%)
Main Competitor		1,991.3(22.6%)	643.7(19.6%)	1,740.2(52.8%)	968.6(43.6%)	5,090.4(40.9%)
Shinkin Banks		1,721.5(19.5%)	480.4(14.6%)	700.1(21.2%)	540.9(24.3%)	3,044.5(24.5%)
Total		8,808.0(100 %)	3,288.1(100 %)	3,296.3(100%)	2,223.5(100%)	12,433.7(100%)

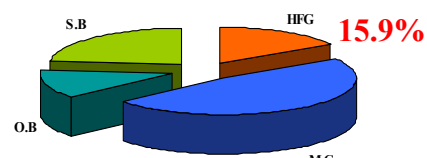
Hokuriku Area



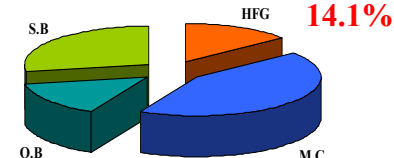
Hokkaido Area



Toyama



Ishikawa



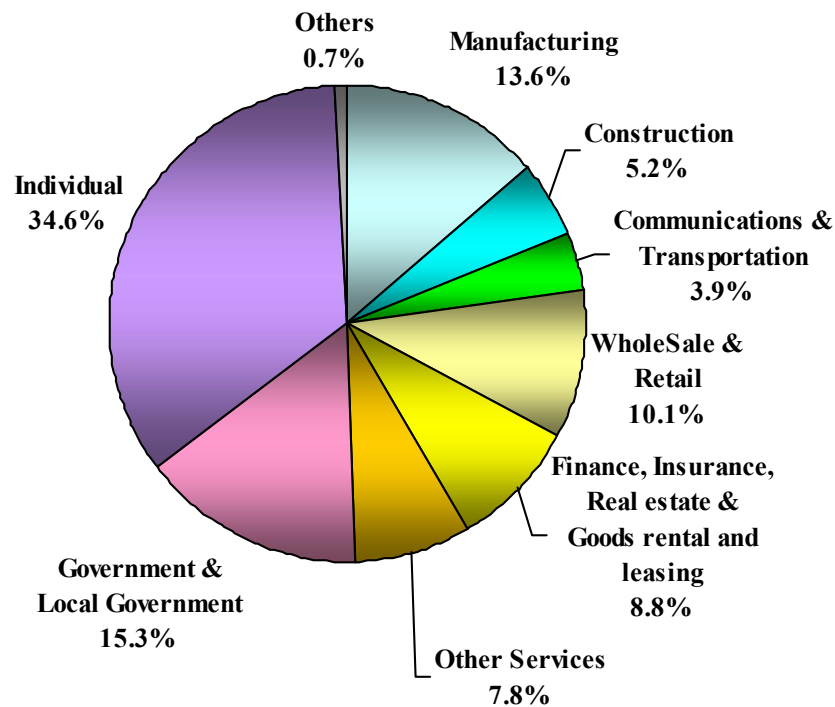
Fukui

\*Figures of the Main Competitor and Other banks are estimated figures

(JPY Bn)

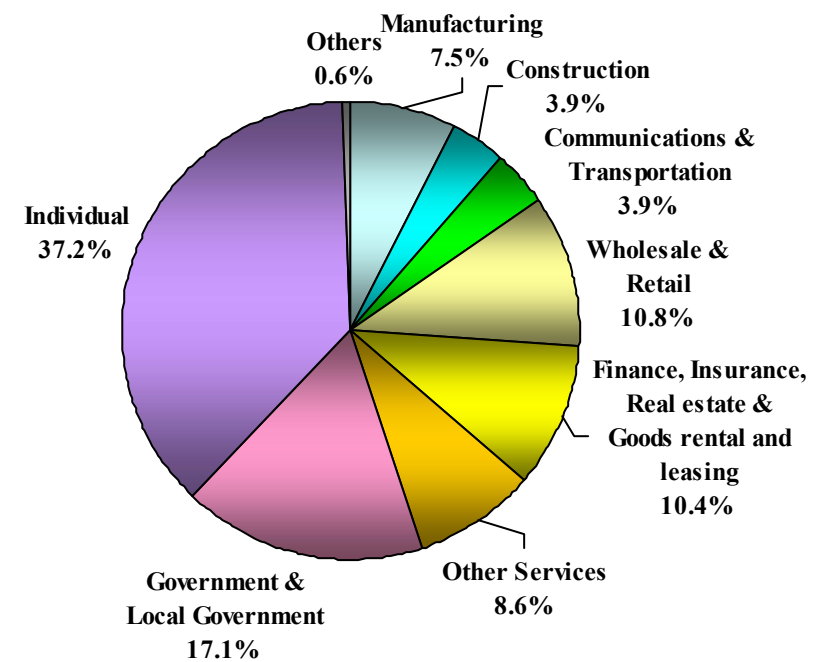
		Hokuriku				Hokkaido
		Area	Toyama Pref.	Ishikawa Pref.	Fukui Pref.	
Banks		11,837.5(76.7%)	4,598.4(79.6%)	4,348.8(76.8%)	2,890.3(72.3%)	14,195.7(68.6%)
Hokuhoku FG(HFG)		4,325.2(28.0%)	2,859.6(49.5%)	900.3(15.9%)	565.2(14.1%)	4,666.5(22.5%)
Hokuriku Bank		4,325.2(28.0%)	2,859.6(49.5%)	900.3(15.9%)	565.2(14.1%)	538.1 (2.6%)
Hokkaido Bank		0(0.0%)	0(0.0%)	0(0.0%)	0(0.0%)	4,128.3(19.9%)
Main Competitor		2,893.2(18.7%)	857.5(14.8%)	2,713.0(47.9%)	1,740.6(43.5%)	6,974.5(33.7%)
Shinkin Banks		3,600.3(23.3%)	1,176.5(20.4%)	1,313.7(23.2%)	1,110.0(27.7%)	6,505.9(31.4%)
Total		15,437.8(100%)	5,774.9(100%)	5,662.5(100%)	4,000.3(100%)	20,701.6(100%)

Hokuriku Bank



Region: Toyama, Ishikawa, Fukui, Hokkaido

Hokkaido Bank



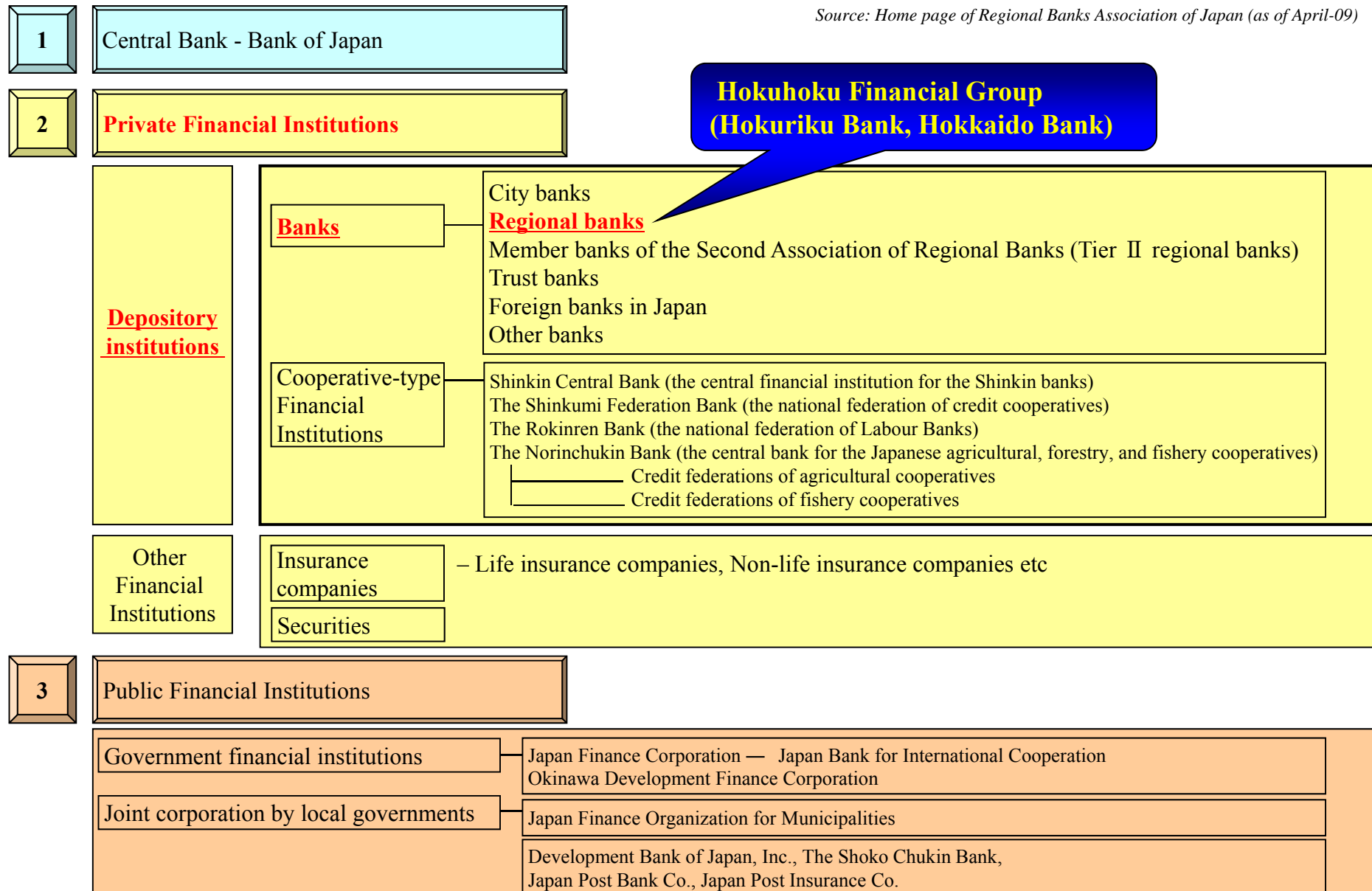
Region: Hokkaido

# About Japanese Regional Banks ①

## Financial Institutions in Japan

Hokuhoku Financial Group, Inc.

Source: Home page of Regional Banks Association of Japan (as of April-09)



## 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.*



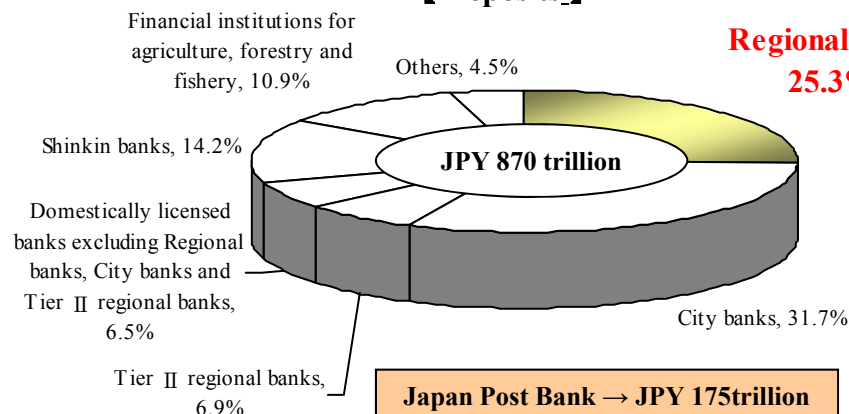
#### Leading Banks in the Regions

*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.*

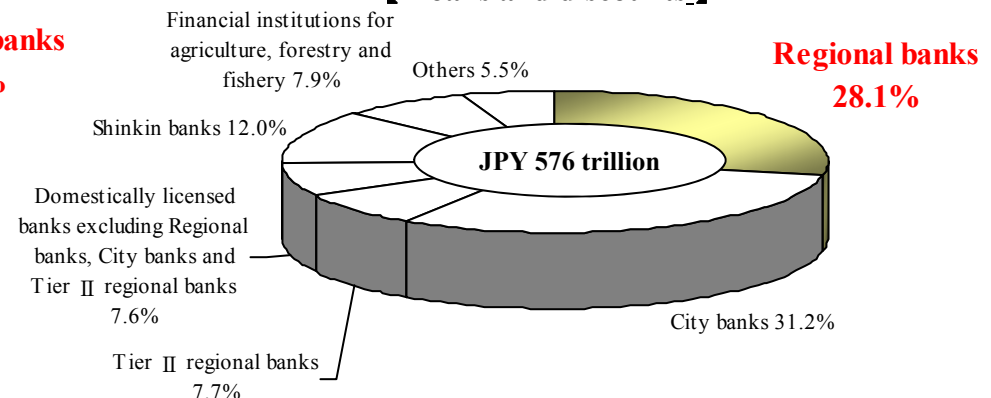
*Through this branch network, the regional banks cater to the diversified financial needs of individual customers as well as medium-sized and small- and medium-sized corporate clients in the regions, and also play a leading role in regional finance for the promotion and development of regional communities..*

#### Shares of Deposits and Loans of Private Financial Institutions (Mar-12)

##### 【 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)	1.09Mn (37th)	1.17Mn (34th)	0.81Mn (43rd)	3.07Mn	5.51Mn (8th)	8.58Mn
Density of Population (Ranking)	257.4pt (25th)	279.5pt (23rd)	192.4pt (32nd)	—	70.2pt (47th)	—
Square Measure (Ranking) km <sup>2</sup>	4,248 (33rd)	4,186 (35th)	4,190 (34th)	—	83,457 (1st)	—

### Scale matching for Osaka!

1 <sup>st</sup>	Tokyo
2 <sup>nd</sup>	Kanagawa (9.05Mn)
3 <sup>rd</sup>	Osaka (8.87Mn)

### 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)	4,096.5 (0.85%) (32nd)	4,250.0 (0.88%) (31st)	3,113.1 (0.64%) (41st)	11,459.7 (2.37%)	18,052.7 (3.74%) (7th)	29,512.5 (6.11%)

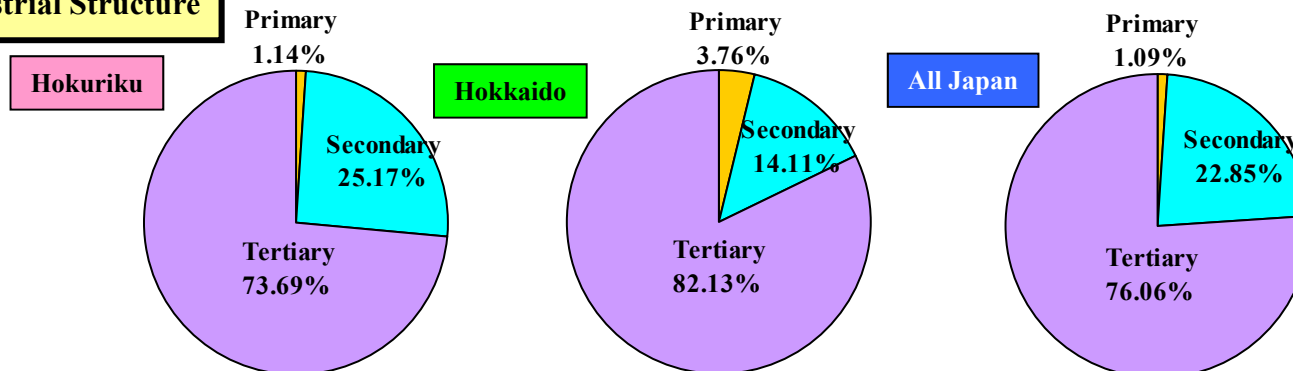
### Almost equal to Kanagawa!

(JPY Bn)

1 <sup>st</sup>	Tokyo
2 <sup>nd</sup>	Osaka
3 <sup>rd</sup>	Aichi
4 <sup>th</sup>	Kanagawa (29,747.5)

### Industrial Structure

Data from Cabinet Office



### Exceed Denmark (Europe No14)

(JPY Bn)

1 <sup>st</sup>	Germany
2 <sup>nd</sup>	France
14 <sup>th</sup>	Denmark (27,200.0)

# *The Present Condition of the Regional Economy ②*

## *Economic Conditions*

Hokuhoku Financial Group, Inc.

Monthly Economic Report (By the Cabinet Office)		Regional Economic Report (By Bank of Japan)	
All Japan		Hokuriku Area	Hokkaido Area
October-12		October-12	October-12
Economic Trend	In a weak tone, although some components still show steady movements	More or less unchanged	Has recently begun to show signs of weakness, although signs of a pick-up continue to be observed
Public Investment	Steady performance	Increasing	Has stopped declining
Business Investment	Picking up slowly as a whole	Picking up	Picking up
Private consumption	Almost flat, some weak movements seen lately	More or less unchanged	Recently been somewhat weak
Housing construction	flat	Has been weak	The pace of the pick-up has slowed
Production	Decreasing	Has continued to be at a high level as a whole	Has recently shown signs of weakness
Employment & Income	Shows signs of improvement, although some severe aspects still remain	Picking up	Has been picking up moderately amid the severity
Prices	Declined slightly	Same as the previous year's level	Slightly below the previous year's level
The number of bankrupt companies	Moderately decreasing	Above 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 Station)

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

#### Hokuriku

##### ◎Construction of the Hokuriku Shinkansen

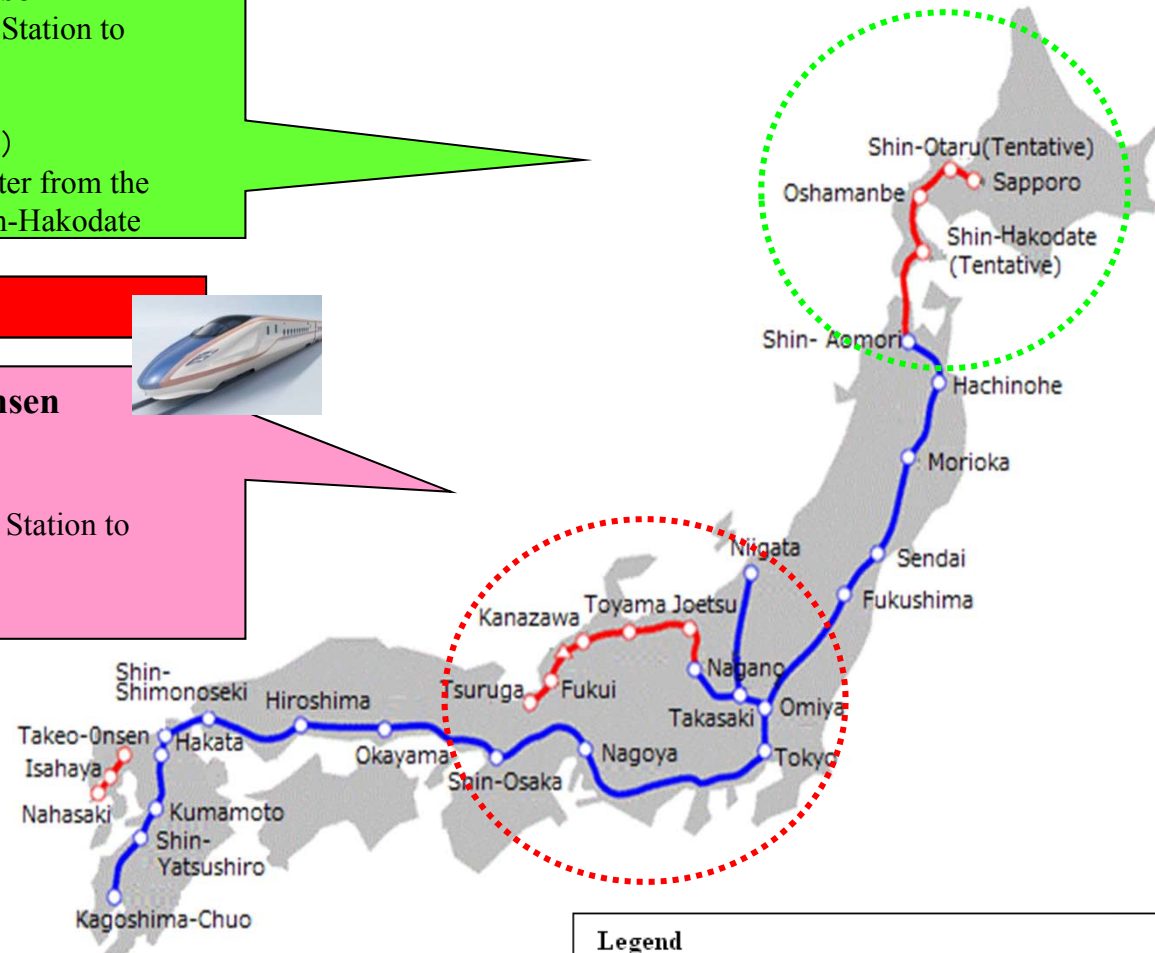
Constructing a 700 KM line from Tokyo to Osaka via Nagano, Toyama, Kanazawa, Fukui.

Expected to be completed in FY 2014 (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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