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# Investor Meeting

~ Financial Results for FY 2014~  
(ended March 31, 2015)



Hokuhoku Financial Group, Inc.

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# **1. Financial Results for FY 2014 (ended March 31, 2015)**

# Summary of Financial Results

( JPY Bn )

## 【Consolidated】

	FY14	change	FY13
Ordinary income	193.9	2.9	190.9
Ordinary profits	48.1	(1.3)	49.4
Net income ①	28.2	0.9	27.3

## 【Total of two banks】

	FY14	change	FY13
Core gross business profits	144.8	2.5	142.2
Net interest income	122.1	0.4	121.7
Net fees & commissions	19.9	2.1	17.7
Net trading income	0.2	(0.0)	0.3
Net other income (※1)	2.4	(0.0)	2.4
G&A expenses (-)	93.6	(0.4)	94.0
Core net business profits	51.2	2.9	48.2
Gains (losses) related to bonds	3.4	1.9	1.4
Net business profits (※2)	54.6	4.9	49.7
Net transfer to general allowance for loan losses (-)	(1.9)	(1.9)	-
Net business profits	56.6	6.9	49.7
Other non-recurring gains (losses)	(9.5)	(8.3)	(1.2)
Credit related costs (-)	8.0	9.4	(1.3)
Gains (losses) related to stocks	3.4	2.7	0.7
Ordinary profits	47.1	(1.4)	48.5
Net extraordinary gains (losses)	(1.1)	0.8	(2.0)
Corporate taxes (-)	17.7	(1.2)	18.9
Net income ②	28.2	0.7	27.5

※1: Excluding gains (losses) related to bonds

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

## 【Consolidated】

**Ordinary profits: ¥48.1Bn**

(-¥1.3Bn compared to FY13)

**Net income: ¥28.2Bn**

(+¥0.9Bn compared to FY13)

## 【Total of two banks】

**Core net business profits: ¥51.2Bn**

(+¥2.9Bn compared to FY13)

- Increase in net interest income and net fees & commissions

**Ordinary profits: ¥47.1Bn**

(-¥1.4Bn compared to FY13)

- Increase in credit related costs offset by increase in gains related to bonds

**Net income: ¥28.2Bn**

(+¥0.7Bn compared to FY13)

- Decrease in extraordinary losses and corporate taxes

Difference between ① and ② (JPY Bn)

	FY14	change	FY13
Difference (①-②)	(0.0)	0.1	(0.1)
Net income of subsidiaries	2.8	0.3	2.4
Amortization of the goodwill	(2.1)	-	(2.1)
Others	(0.7)	(0.2)	(0.5)

# Summary of Financial Results

	【Hokuriku Bank】			【Hokkaido Bank】			(JPY Bn)
	FY14	change	FY13	FY14	change	FY13	
Core gross business profits	76.5	(0.5)	77.0	68.3	3.0	65.2	
Net interest income	64.0	(2.2)	66.3	58.1	2.6	55.4	
Net fees & commissions	10.5	1.4	9.1	9.3	0.7	8.6	
Net trading income	0.2	(0.0)	0.3	-	-	-	
Net other income (※1)	1.6	0.3	1.3	0.8	(0.3)	1.1	
G&A expenses (-)	50.4	(0.1)	50.5	43.1	(0.3)	43.4	
Core net business profits	26.0	(0.4)	26.4	25.1	3.3	21.7	
Gains (losses) related to bonds	3.5	2.1	1.4	(0.0)	(0.1)	0.0	
Net business profits (※2)	29.6	1.7	27.8	25.0	3.2	21.8	
Net transfer to general allowance for loan losses (-)	(0.4)	(0.4)	-	(1.4)	(0.2)	(1.2)	
Net business profits	30.1	2.2	27.8	26.5	3.4	23.1	
Other non-recurring gains (losses)	(5.5)	(8.1)	2.5	(3.9)	1.1	(5.0)	
Credit related costs (-)	2.2	6.5	(4.2)	5.7	1.6	4.1	
Gains (losses) related to stocks	0.1	(0.0)	0.1	3.3	2.7	0.5	
Ordinary profits	24.5	(5.9)	30.4	22.6	4.5	18.0	
Net extraordinary gains (losses)	(1.1)	0.9	(2.0)	(0.0)	(0.1)	0.0	
Corporate taxes (-)	8.7	(1.7)	10.5	8.9	0.5	8.3	
Net income	14.6	(3.1)	17.8	13.5	3.8	9.6	

※1: Excluding gains (losses) related to bonds

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

## 【Hokuriku bank】

Core net business profits: ¥26.0Bn  
(-¥0.4Bn compared to FY13)

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

Ordinary profits: ¥24.5Bn  
(-¥5.9Bn compared to FY13)

- Increase in credit related costs

## 【Hokkaido bank】

Core net business profits: ¥25.1Bn  
(+¥3.3Bn compared to FY13)

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

Ordinary profits: ¥22.6Bn  
(+¥4.5Bn compared to FY13)

- Increase in gains related to stocks

# Net Interest Income (Total of two banks)

- Interest incomes on loans decreased as the result of decline in average interest rate, although average balance increased.
- Net interest income increased due to the increase in interest and dividends on securities and the decrease in interest on deposits, although interest incomes on loans decreased.

## Breakdown of net interest income

(JPY Bn)			
	FY14	change	FY13
Net interest income	122.1	0.4	121.7
Loans	101.8	(4.1)	106.0
Securities(※)	25.1	2.7	22.3
Deposits & NCDs (-)	4.2	(1.1)	5.3

※Gains on cancellation of investment trusts:¥ 3.0Bn  
(+¥ 2.4Bn compared to FY13)

〈Increase/decrease factors in net interest income〉

(JPY Bn)		
	Balance	Rate
Loans	1.5	(5.7)
Securities	(0.7)	3.4
Deposits & NCDs (-)	0.1	(1.2)



## Avg. balance

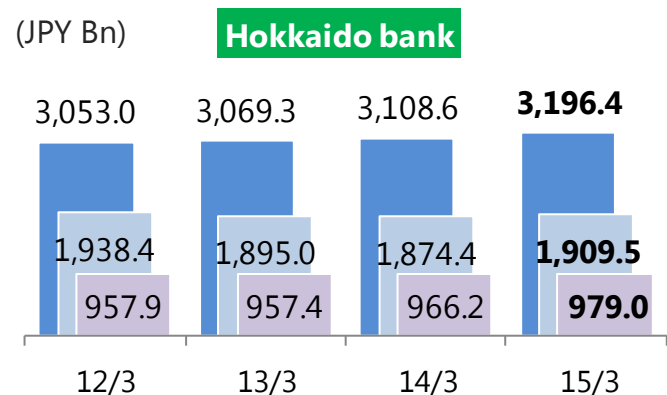
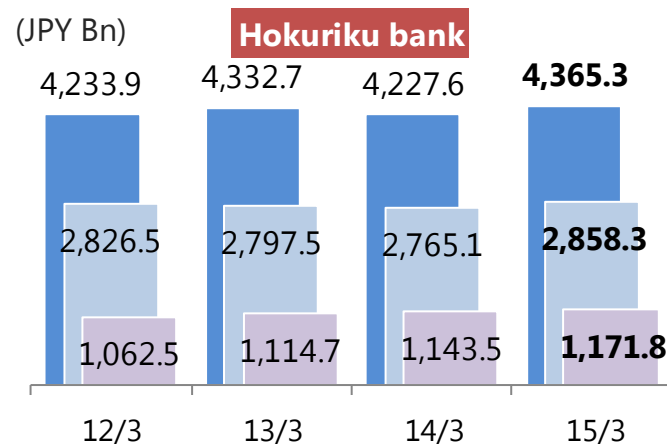
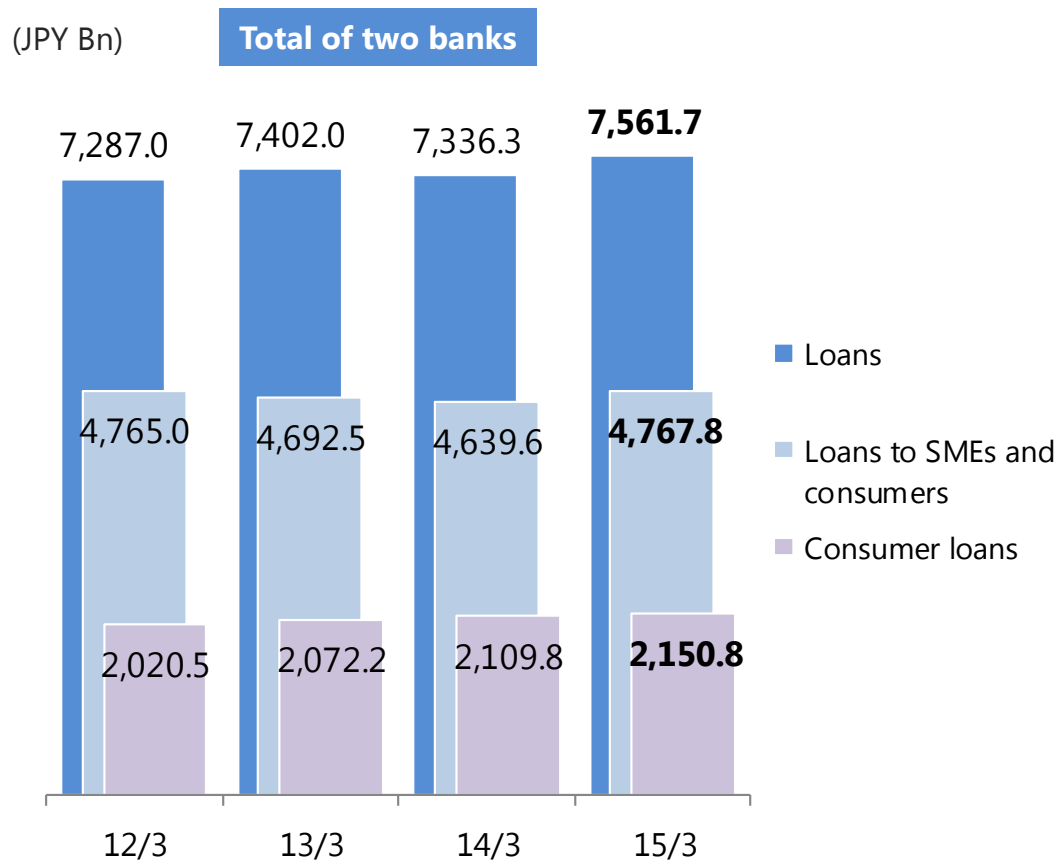
(JPY Bn)			
	FY14	change	FY13
Loans	7,452.0	107.9	7,344.0
Securities	2,364.2	(75.5)	2,439.7
Deposits & NCDs	10,433.6	304.4	10,129.2

## Avg. rate

	FY14	change	FY13
Loans	1.36%	(0.08%)	1.44%
Securities	1.06%	0.15%	0.91%
Deposits & NCDs	0.04%	(0.01%)	0.05%

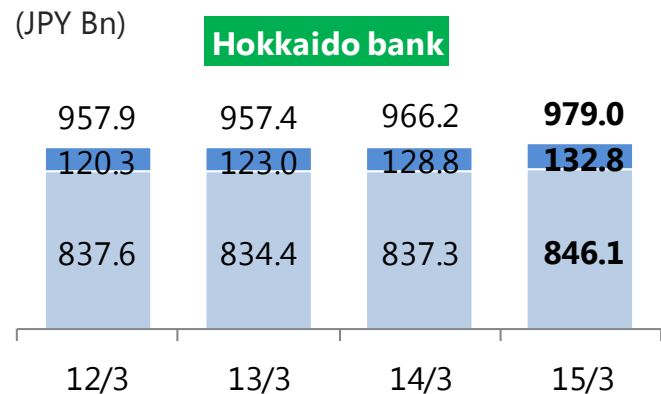
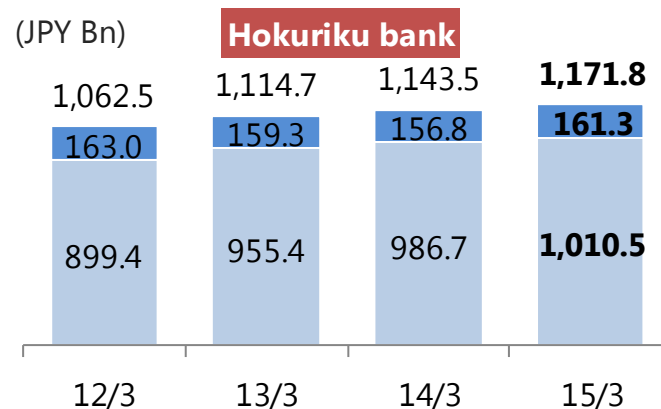
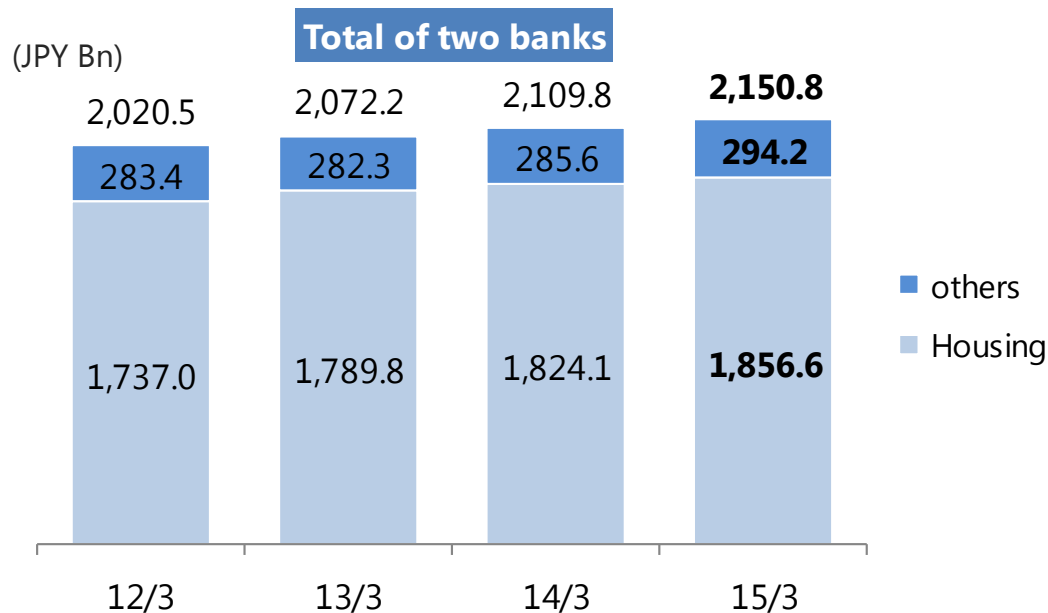
- Balance of loans increased at an annual growth rate over 3% , mainly due to the increase in business loans.
- Balance of consumer loans continued to increase. Balance of loans to SMEs and consumers turned around to increase after an interval of six years.

## Balance of loans



- Balance of consumer loans continued to increase due to the increase in housing loans.
- Balance of other consumer loans increased due to the increase in card loans.

## Balance of consumer loans



## Sales amount of housing loans

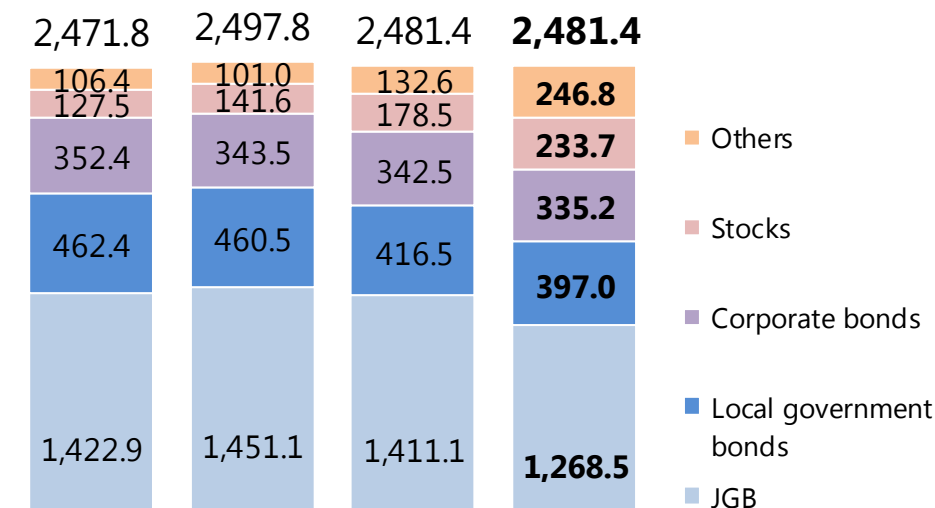
	(JPY Bn)			
	FY11	FY12	FY13	FY14
Hokuriku bank	99.8	114.2	117.9	106.5
Hokkaido bank	88.1	80.6	80.9	80.0
Total of two banks	188.0	194.9	198.8	186.6

# Securities Portfolio (Total of two banks)

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

## Balance of securities

(JPY Bn)



## Duration of yen denominated bonds

(year)

12/3	13/3	14/3	15/3
4.18	3.88	3.45	3.05

## Valuation difference

(JPY Bn)

	15/3	change	14/3
Available-for-sale securities	142.5	49.8	92.6
Stocks	95.2	47.7	47.4
Bonds	37.5	(3.0)	40.5
Others	9.7	5.1	4.6

## Balance, Yield, and Value at risk of yen denominated bonds

(JPY Bn)

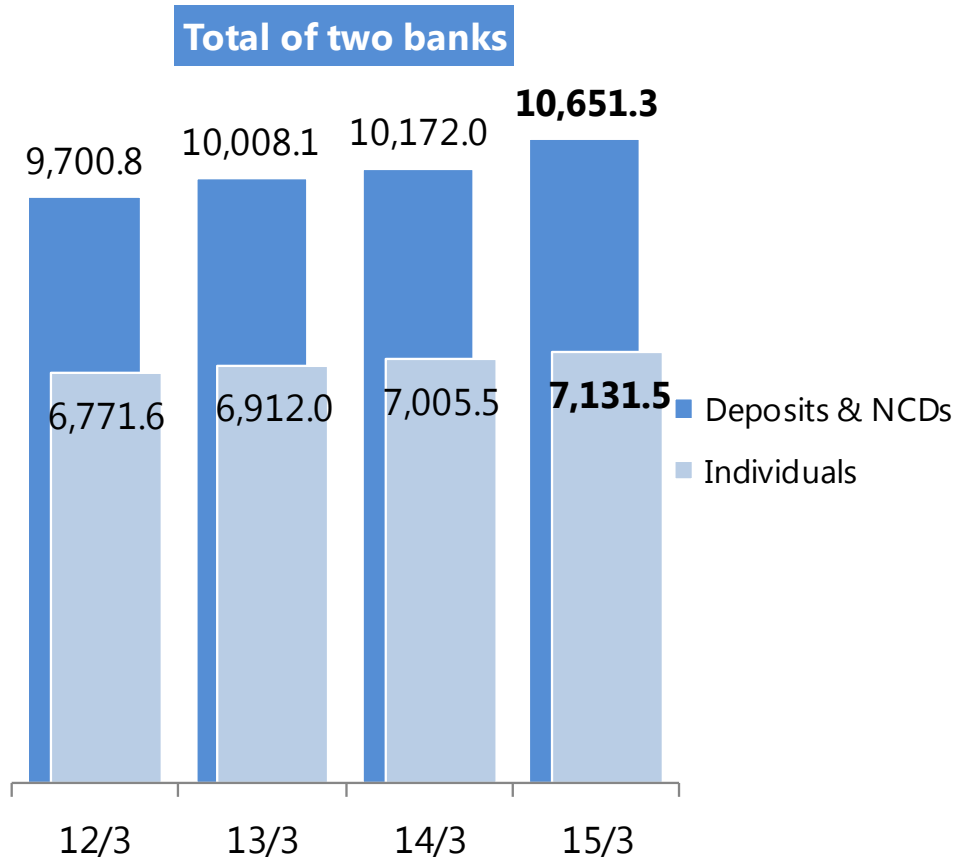
	15/3	change	14/3
Balance	2,000.8	(169.3)	2,170.2
Floating rate government bonds	390.0	(19.7)	409.7
Avg. yield	0.65%	(0.06%)	0.71%
VaR	18.7	(5.0)	23.7

# Deposits & NCDs

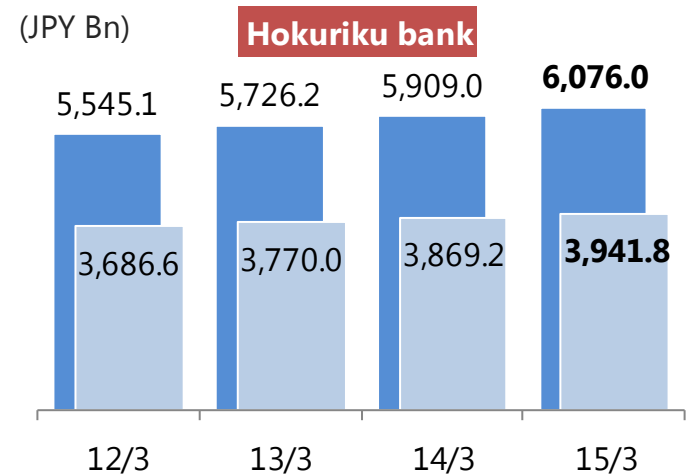
- Balance of deposits and NCDs increased both in individual and corporate accounts.
- Deposits & NCDs balance of Hokuriku bank reached 6 trillion yen, and deposits & NCDs balance of Hokkaido bank reached 4.5 trillion yen for the first time.

## Balance of deposits & NCDs

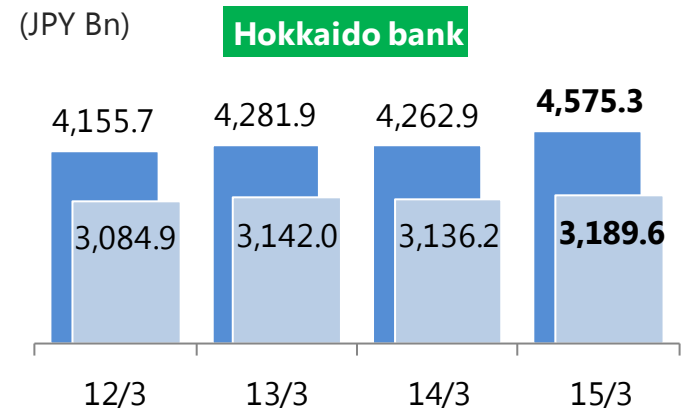
(JPY Bn)



(JPY Bn)



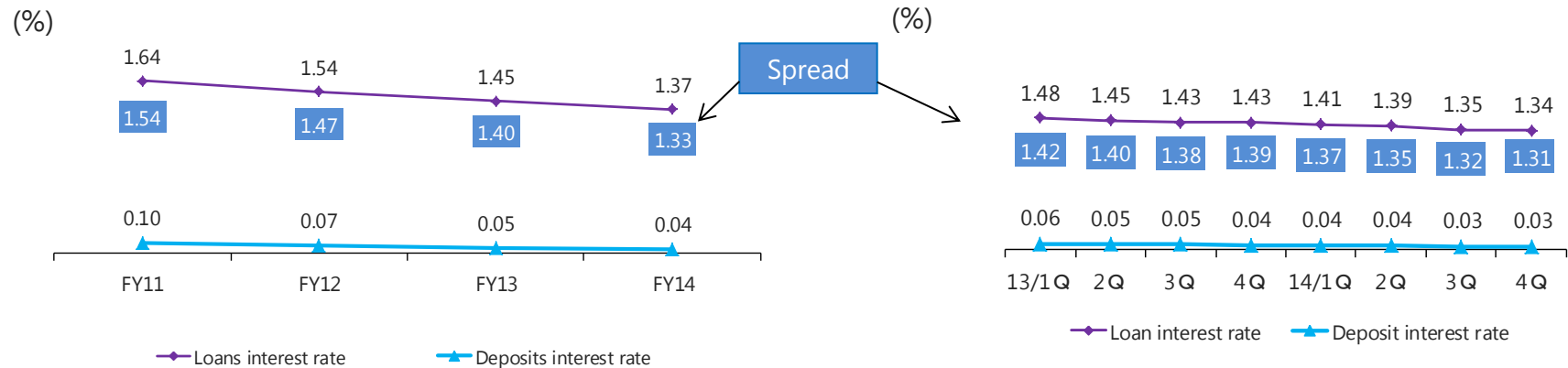
(JPY Bn)



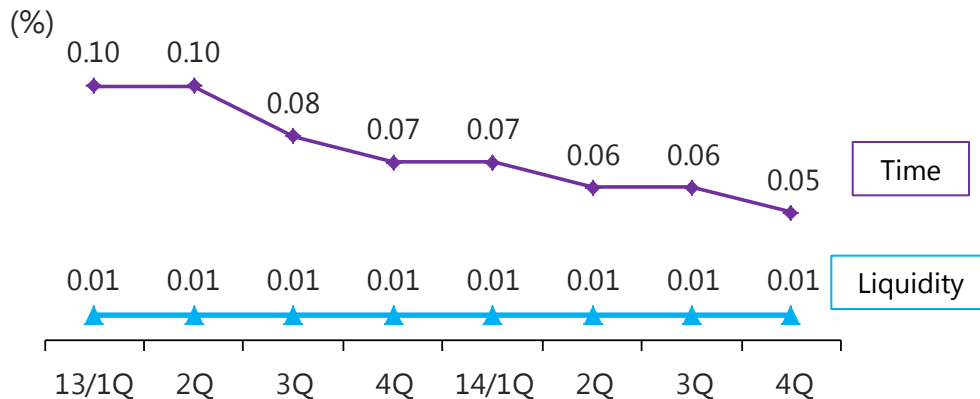
# Interest Margins (Total of two banks)

- Interest rate of corporate loans and consumer loans has been declining.
- Interest rate of deposits is almost ceasing to decline.

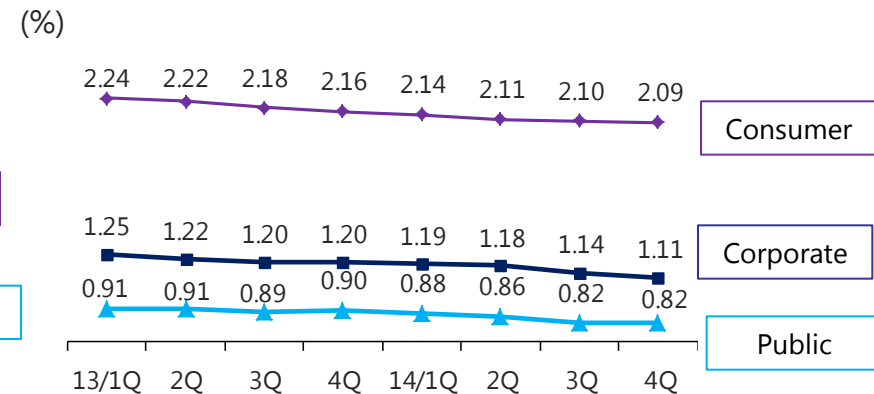
## Interest rate of yen dominated loans and deposits



## Interest rate of yen dominated deposits



## Interest rate of yen dominated loans



# Net Fee and Commission Income (Total of two banks)

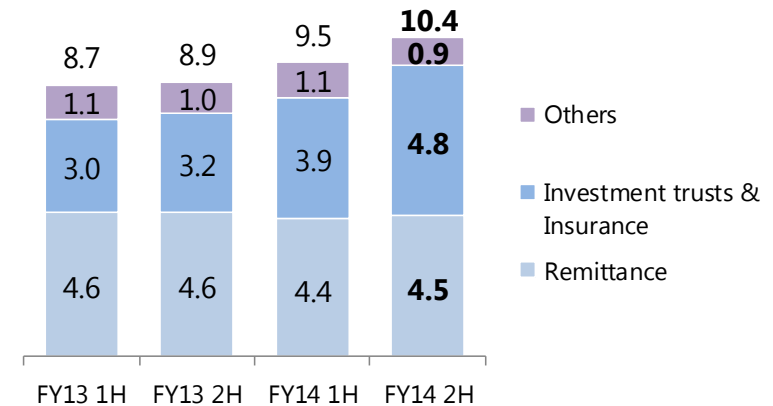
- Net fees and commissions increased owing to the increasing sales commissions of insurance and investment trusts.
- Balance and sales amount of investment trusts increased owing to the uptrend of stock market.

## Fee revenue

	(JPY Bn)		
	FY14	change	FY13
① Net fees and commissions	19.9	2.1	17.7
Fees and commissions	35.3	2.1	33.1
Remittance	10.8	(0.2)	11.1
Investment trusts	5.0	0.9	4.1
Insurance	3.6	1.5	2.1
Fees and commissions payments	15.3	(0.0)	15.4
Remittance	1.8	(0.0)	1.8
Loan related expenses	9.9	0.0	9.9
② Net trading income	0.2	(0.0)	0.3
③ Net other income (excluding gains (losses) related to bonds)	2.4	(0.0)	2.4
Gains on foreign exchange transaction	1.4	(0.2)	1.6
Net income (expenses) on derivatives	1.0	0.2	0.8
④ Fee revenue ①+②+③	22.6	2.0	20.5
⑤ Core gross business profits	144.8	2.5	142.2
⑥ Fee revenue ratio ④/⑤	15.64%	1.20%	14.44%

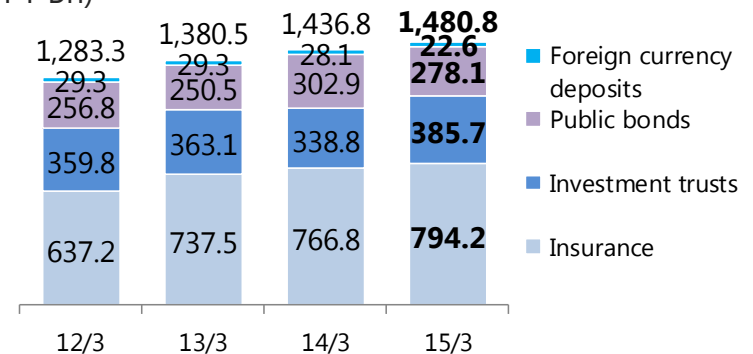
## Net fees and commissions

(JPY Bn)



## Balance of investment products for individuals

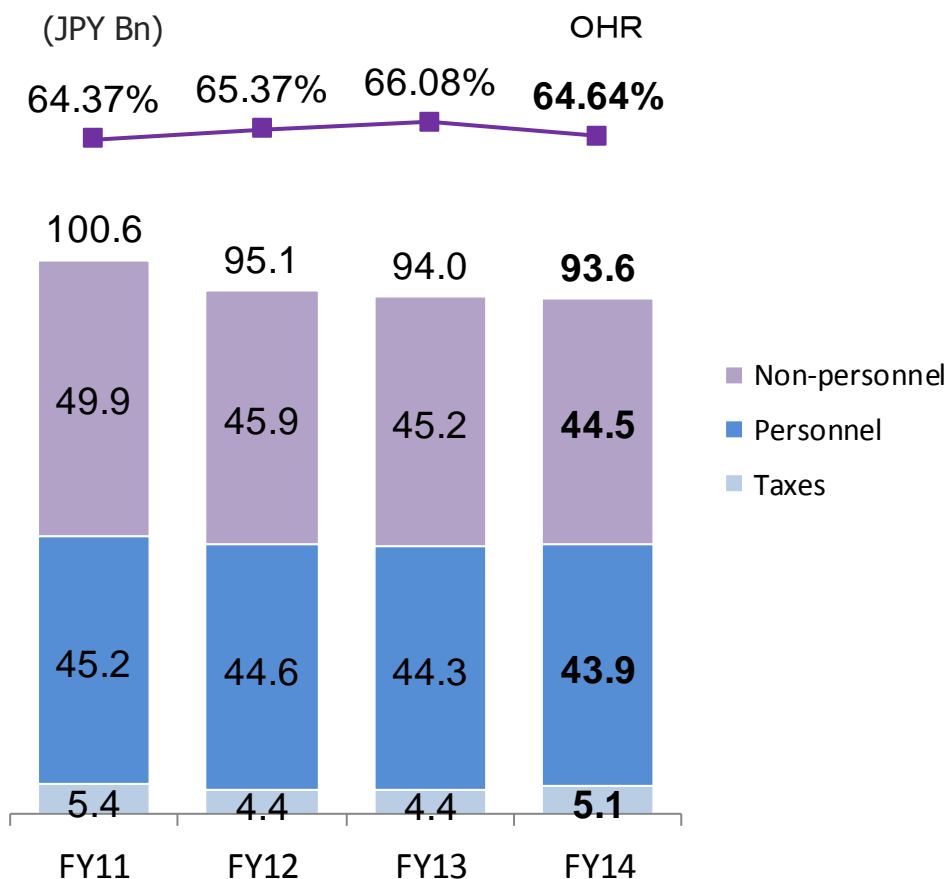
(JPY Bn)



# G&A Expenses (Total of two banks)

- G&A expenses decreased due to the decrease in personnel and non-personnel expenses, while taxes increased due to the consumption tax hike.
- Core OHR declined due to the decrease in G&A expenses and the increase in profits.

## G&A expenses and OHR



## Increase/decrease factors in G&A expenses

	(JPY Bn)		
	FY14	change	FY13
Personnel	43.9	(0.4)	44.3
Non-personnel	44.5	(0.6)	45.2
Taxes	5.1	0.6	4.4
G&A expenses	93.6	(0.4)	94.0

## Number of employees

	15/3	change	14/3
Employees (excluding temporary staffs)	5,094	(44)	5,138
Temporary staffs	3,103	(26)	3,129

OHR=G&A expenses / Core gross business profits

# Net Credit Costs (Total of two banks)

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

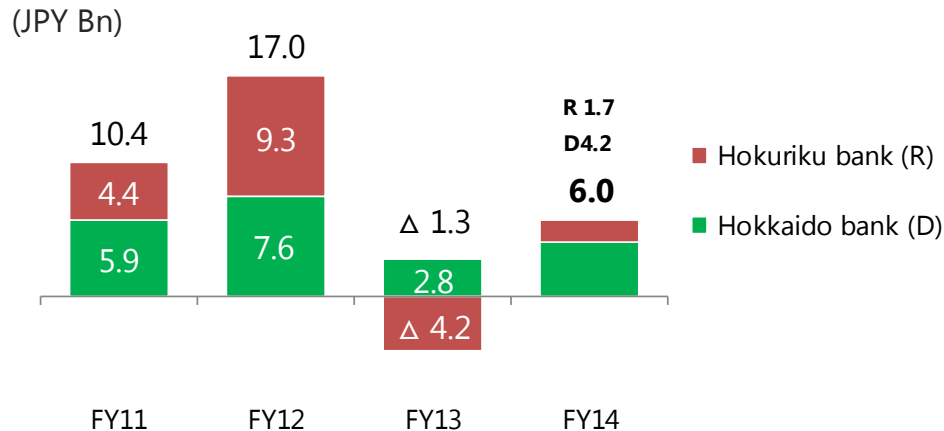
## Increase/decrease factors in net credit costs

	(JPY Bn)		
	FY14	change	FY13
Net credit costs	6.0	7.4	(1.3)
Net transfer to general allowance for loan losses	(1.9)	(1.9)	[(4.2)]
Credit related costs	8.0	9.4	(1.3)
Net transfer to specific allowance for loan losses	7.4	7.4	[2.1] -
Reversal of allowance for loan losses	—	(2.0)	→ 2.0

〈Increase/decrease factors in specific allowance for loan losses〉

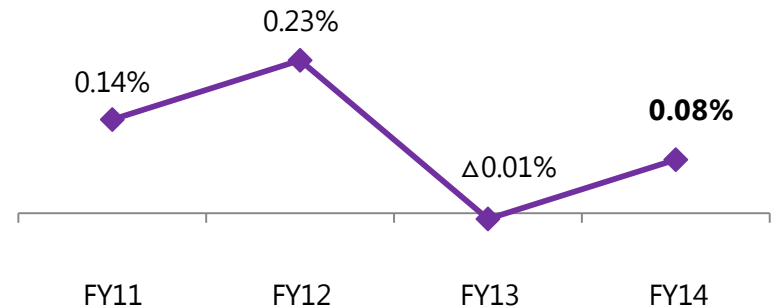
	(JPY Bn)		
	FY14	change	FY13
New downgrades	14.2	2.7	11.5
New upgrades	(1.3)	(0.0)	(1.2)
Decrease in collateral value, etc.	1.5	(0.4)	2.0
Collections, etc.	(6.4)	7.2	(13.7)

## Net credit costs



## Credit cost ratio

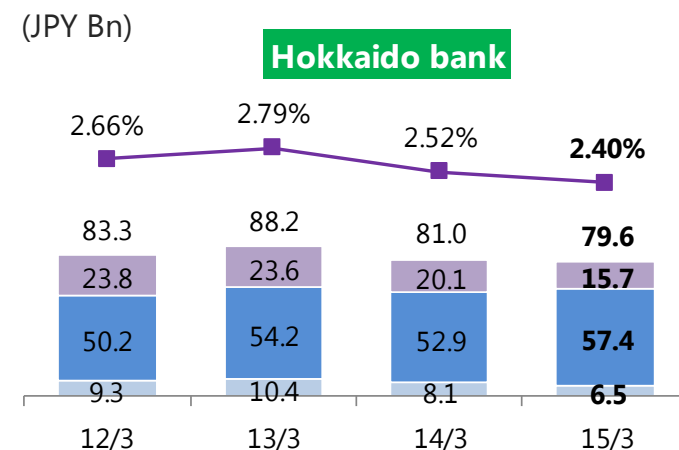
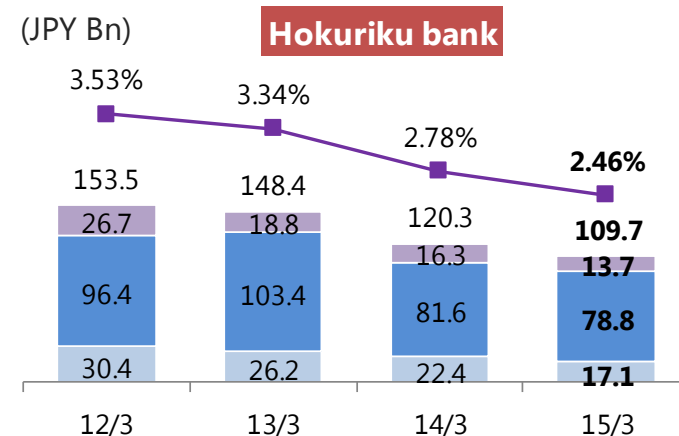
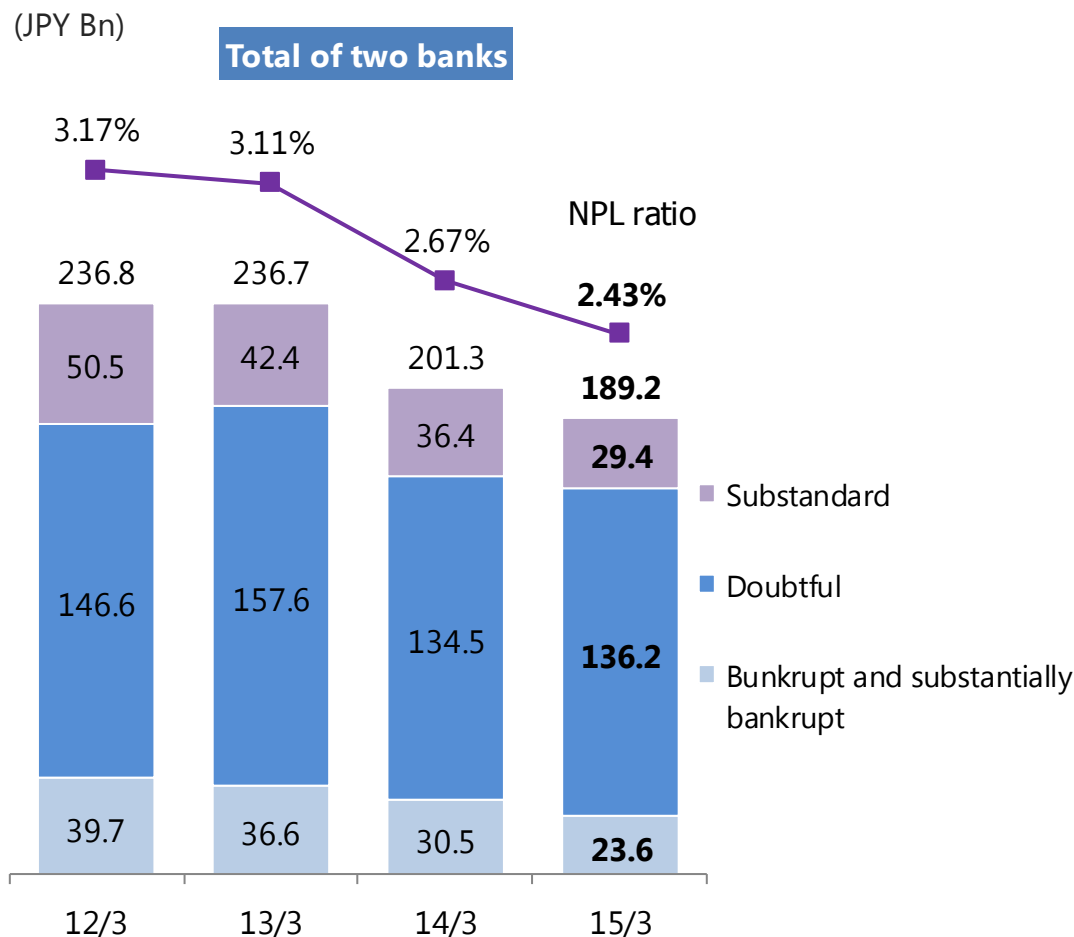
(Net credit costs / Average balance of loans)



# Non-Performing Loan

- NPL ratio improved as compared with Mar-14, due to the decrease in substandard and the increase in normal loans.

## Balance of non-performing loan



- Capital adequacy ratio decreased by 1.18 point to 11.13% , mainly due to the redemption of subordinated debts (¥45 Bn).

## Capital and risk-weighted assets

〈Basel III, Domestic Standard〉

【Consolidated】

	Transitional arrangements			Full implementation
	15/3	change	14/3	15/3
Capital	576.0	(29.4)	605.5	398.1
Instruments and reserves	597.7	(30.2)	627.9	425.3
Regulatory adjustments (-)	21.6	(0.8)	22.4	27.2
Risk-weighted assets	5,174.7	256.1	4,918.6	5,159.5
Capital adequacy ratio	11.13%	(1.18%)	12.31%	7.71%

## Interest rate risk in banking book

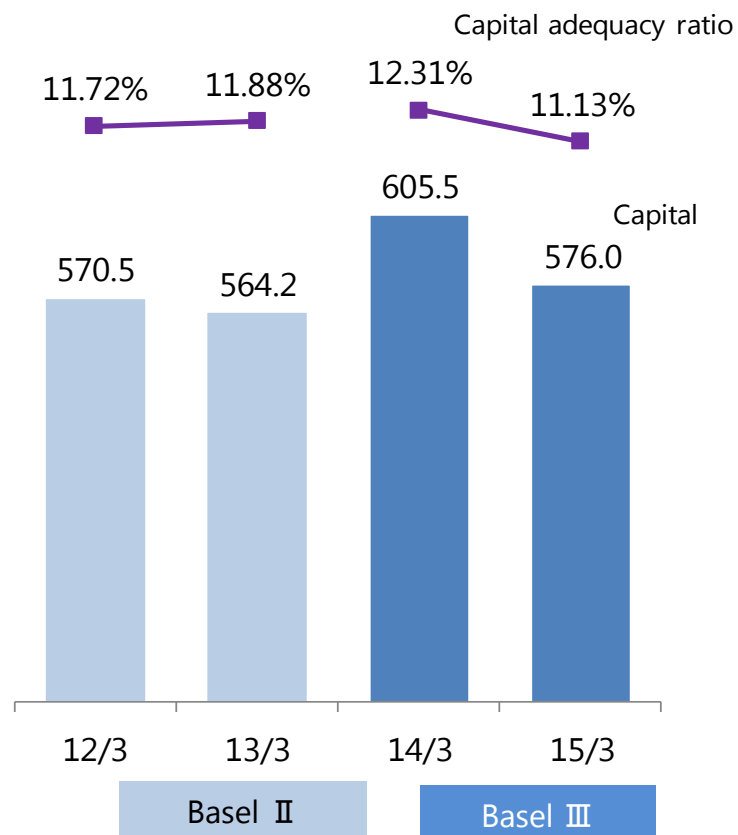
【Total of two banks】

	(JPY Bn)		
	15/3	change	14/3
Total interest rate risk	10.2	(2.3)	12.5

## Capital adequacy ratio

(JPY Bn)

Consolidated



# The progress of The Medium-Term Management Plan

- The Medium-Term Management Plan (from FY13 to FY15) : “GO for IT !”
- Targets for FY14 were achieved all.
- Key financial figures for FY14 reached targets for FY15 except for avg. balance of Loans.

	FY15 plan	FY12	FY13	FY14
Avg. balance of Deposits	¥ 10,110.0 Bn	¥ 9,790.3 Bn	¥ 10,129.2 Bn	¥ 10,433.6 Bn
Avg. balance of Loans	¥ 7,480.0 Bn	¥ 7,277.8 Bn	¥ 7,344.0 Bn	¥ 7,452.0 Bn
Core net business profits	¥ 47.0 Bn	¥ 50.3 Bn	¥ 48.2 Bn	¥ 51.2 Bn
Net income (Consolidated)	¥ 18.5 Bn	¥ 18.1 Bn	¥ 27.3 Bn	¥ 28.2 Bn
Capital adequacy ratio (Consolidated)	10% or above	11.88%	12.31%	11.13%
OHR (Core gross business profits basis)	67.00%	65.37%	66.08%	64.64%
NPL ratio	Below 3%	3.11%	2.67%	2.43%

# The progress of The Medium-Term Management Plan

## Excess/deficiency factors compared to targets for FY15

	FY14	change
Net interest income	122.1	0.9
Interest incomes on loans	101.8	(2.4)
Interest and dividends on securities	25.1	3.3
Net fees and commissions	22.6	1.4
Sales commissions of insurance and investment trusts	8.7	0.3
G&A expenses	93.6	(1.8)
Core net business profits	51.2	4.2
Total credit costs	6.0	(6.9)
Net income	28.2	9.7

(JPY Bn)

	Balance	Rate
Loans	(0.5)	(1.9)

Loans	FY14	change
Avg.balance	7,452.0	(29.0)
Avg.rate	1.36%	(0.02%)

● Change: Compared to Mid-Term Plan of FY15

**FY14  
Generalization**

➤ The actual results of net income, deposits, and NPL (Non-Performing Loan) ratio have already exceeded the projected figures under the plan for the fiscal year ending March 31, 2016 plan. However, the increase in net income is primarily due to lower net credit costs and favorable results from investments in securities.

➤ Average balance of loans decreased and average interest rate of loans continued declining.

**FY15  
Policy**

➤ Promote housing and other loans to increase the balance of loans and capture customers' financing needs through card loans promotion and solution offering services to avoid yield decline.

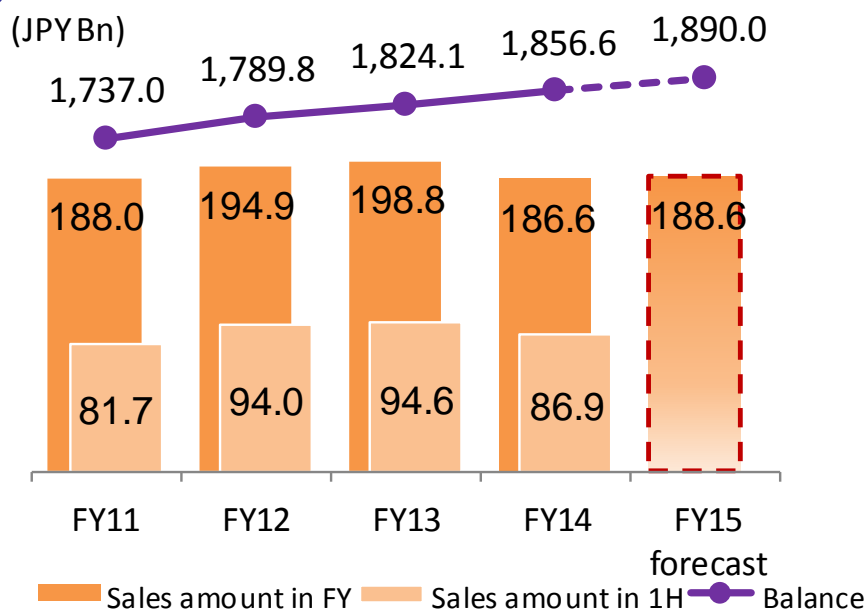
➤ Increase fees and commission from investment products sales and improve profitability of investments in securities to cover decreases in interest on loans.

## **2. Management Strategy for FY 2015**

# Cultivating loan demand of personal customer

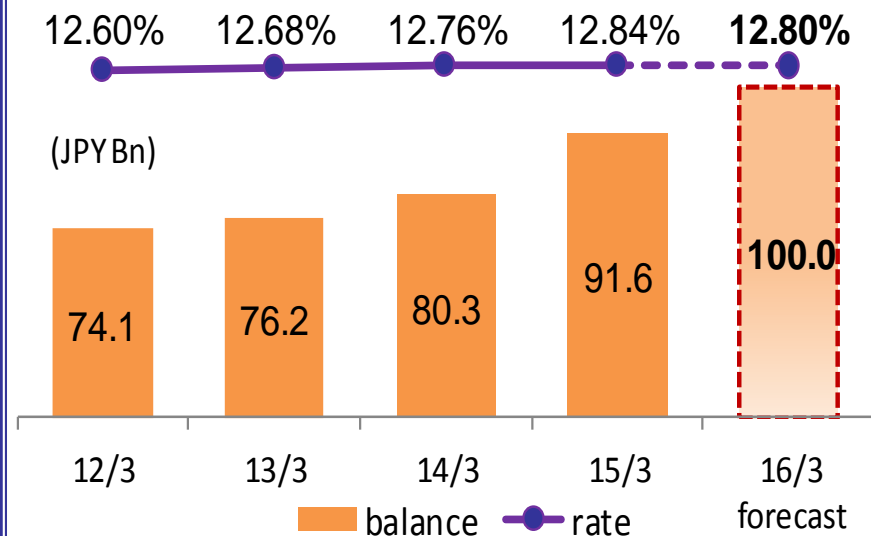
- **Housing loans** : Cultivate loan demand for new-house building or house reconstruction through product renewal and channel diversification for loan application.
- **Card Loans** : Raise credit limit according to customers' credit history, and cultivate loan demand using television commercial and internet advertisement to increase high yield loan balance.

## Housing loans



- New housing loan with insurance on spouse released
- Increased maximum amount of Renovation Loan
- Accepting applications for housing loans through website
- Accepting applications for early repayments and interest rate reset via the internet

## Card Loans



- Continue TV commercial and newspaper advertisement
- Enhance internet advertisement, and advertisement on magazines
- Credit limit increase for customers with good payment history

# Response to investment needs of personal customer

- **Promote investment trusts and insurance products with well-developed product line-ups, diversified sales channels, and enhanced product proposal skill to satisfy customers' needs for asset management.**

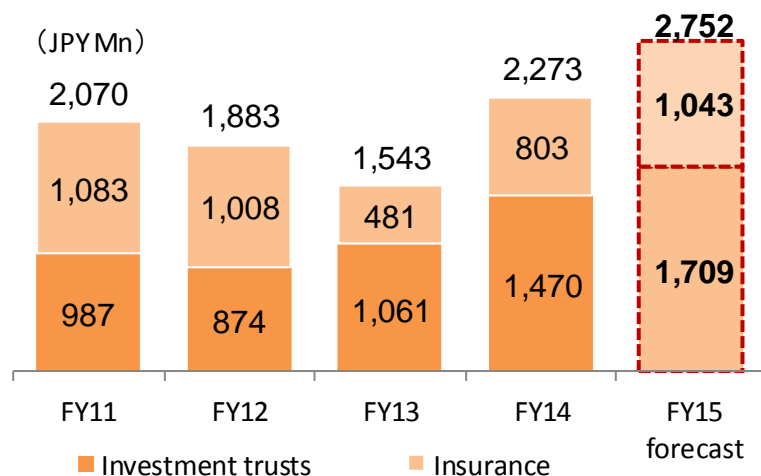
## Improvement of product lineups

- Launch of "wrap-type investment trust" to support first time investors and customers who are willing to invest but unsure on what to invest in
- Introduce investment products exclusively for internet banking

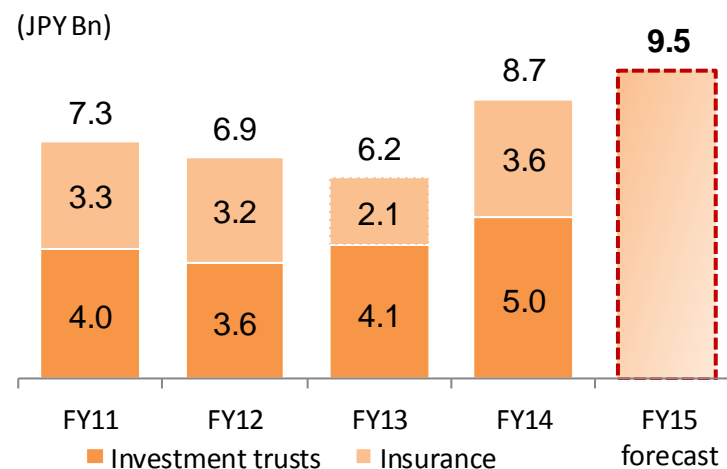
## Diversifying sales means Enhancing product proposal skill

- Expanding use of internet banking
- Asset management "Online seminar"
- Effective use of tablet terminals
- Implement of Event-Based-Marketing

## Sales Amounts of investment products



## Fees from investment products



# Capturing financing needs of corporate customer through consultation

- **Business loans** : Cultivate loan demand through activities to share customers' business problems and to offer solutions , avoiding low interest rate competition.
- **Expand business support for growing industries**

## Share customers' needs and problems ⇒ Offer solutions

### Share business problem

Grasp  
"People , Goods and Money"

### Offer Solutions

"Business Matching"  
"Business Succession"  
"Private Banking" "M&A"  
"Oversea Business Support".etc

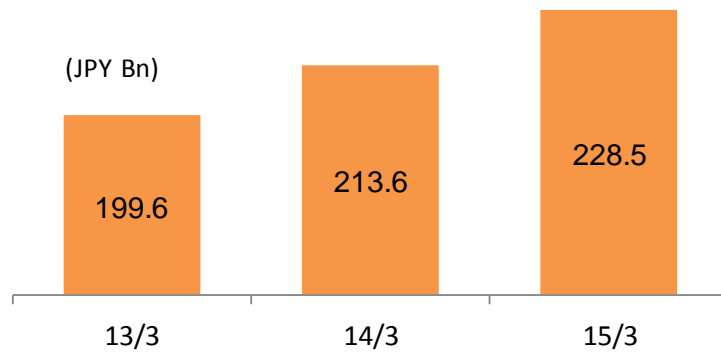
### Cultivate loan demand

Increase loan balance  
Avoiding low interest rate competition

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

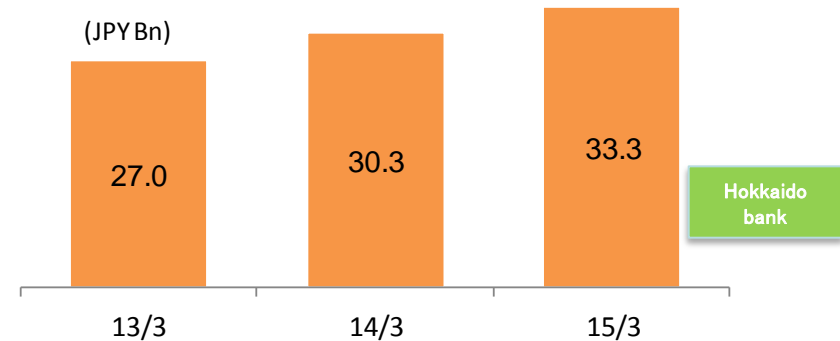
**Hokkaido Bank** : Strategically select customers to support with full efforts of the bank

## Medical and Welfare



- Expand supports for companies of medical and welfare industries

## Agriculture etc.

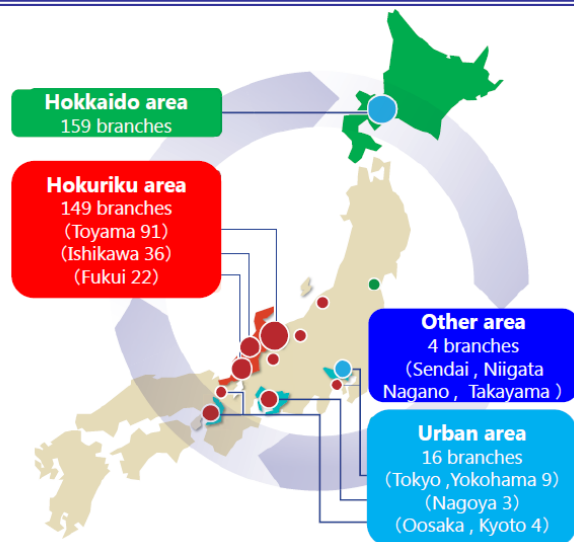


- Support business expansion of farmers and food companies

# Creating business opportunities of corporate customer by utilizing our extensive network

- Create business opportunities by utilizing our extensive network expanding in Japan, China, South-East Asia, Russia, Europe and America.
- Human resource development to meet various needs of customers.

## Create business opportunities by utilizing our domestic network



- Hokkaido, Tohoku and Hokuriku business matching conference
- Find business partners using Hokuriku bank and Hokkaido Bank branch network
- Utilization of human resources

Lawyer	CPA	Farming Adviser	Medical Management Consultant	Medical Management Specialist
4	9	73	1	25

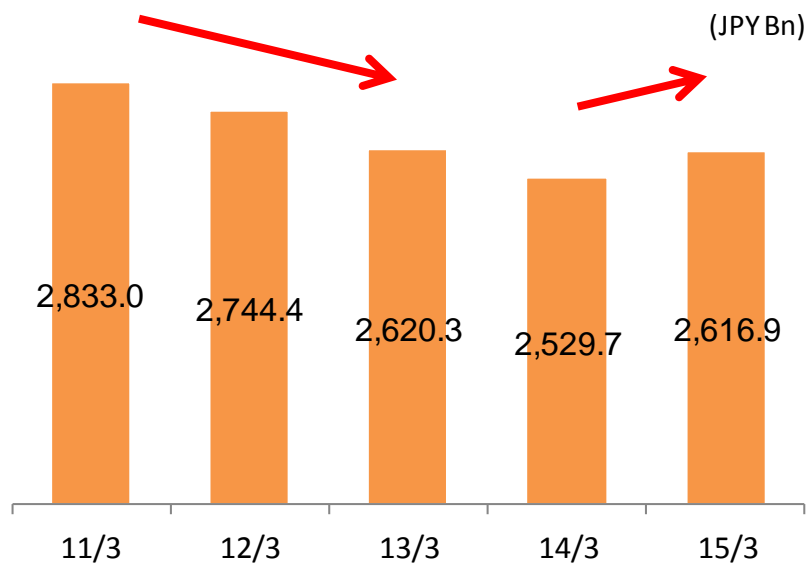
## Create business opportunities by utilizing our overseas network



- Briefing session for customer by the directors of overseas offices
- Providing information and creating business opportunities by holding business matching fairs and seminars
- New overseas office: Yuzhno-Sakhalinsk office established in March, 2014.
- Implementation of overseas training

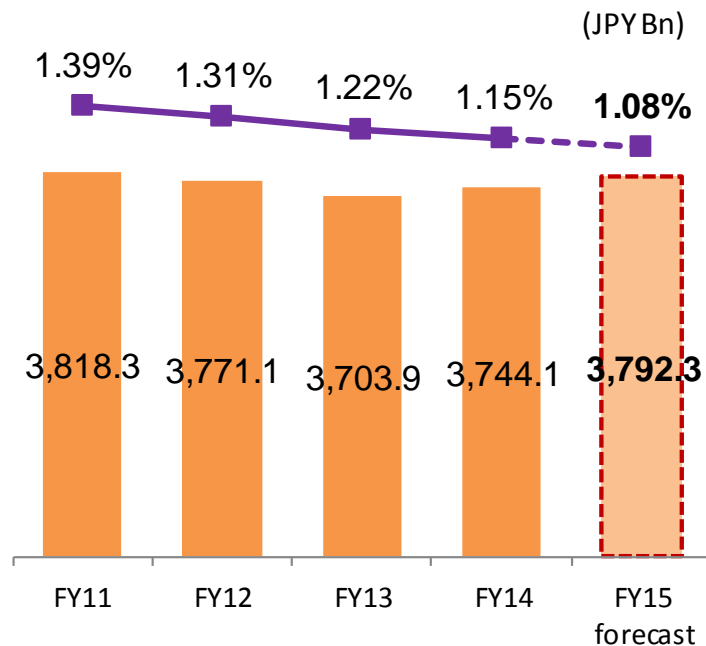
# Expanding business loans

## Balance of Loans to SME



•The balance turned around to increase after a long time decreasing tendency .

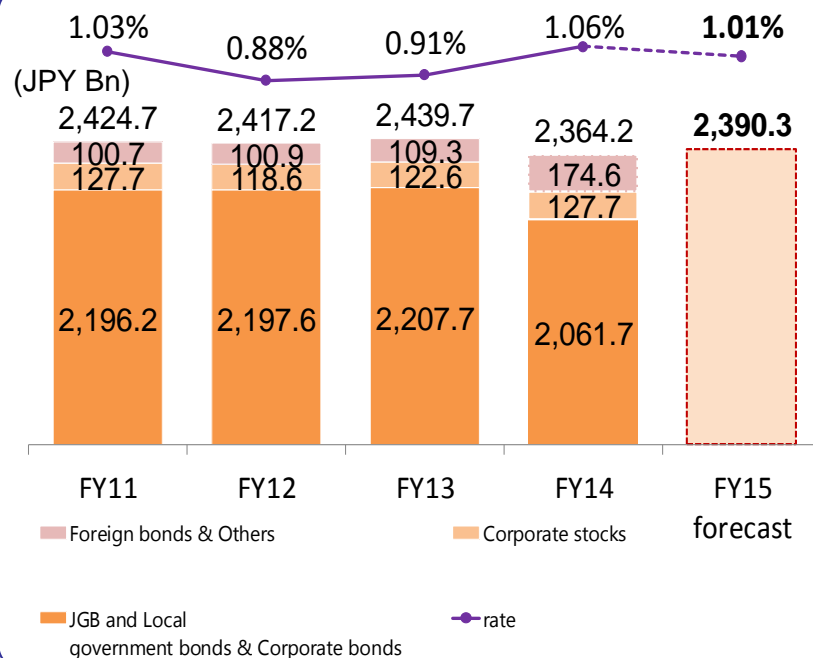
## Ave. balance and rate of business loans



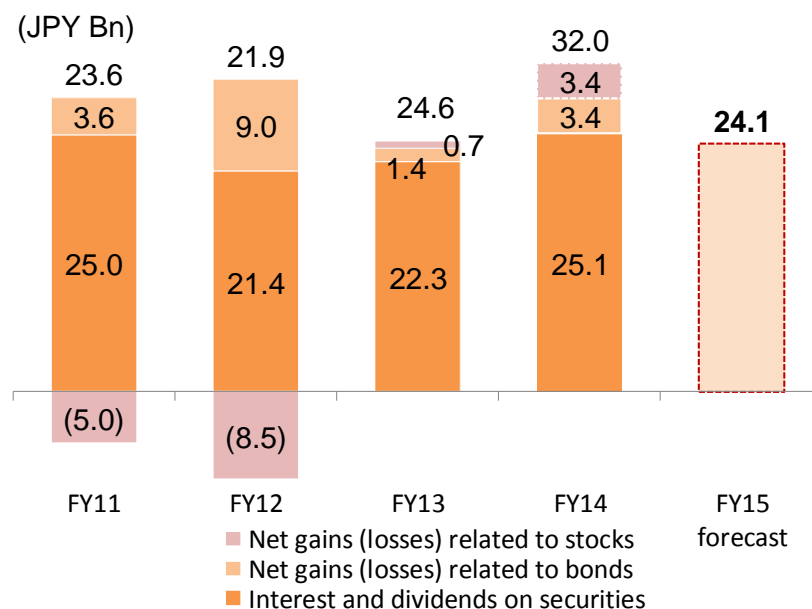
# Improving profitability of investment in securities

➤ Increase investment trusts and foreign bonds carefully observing market conditions

## Ave. balance and rate of securities



## Profits of securities

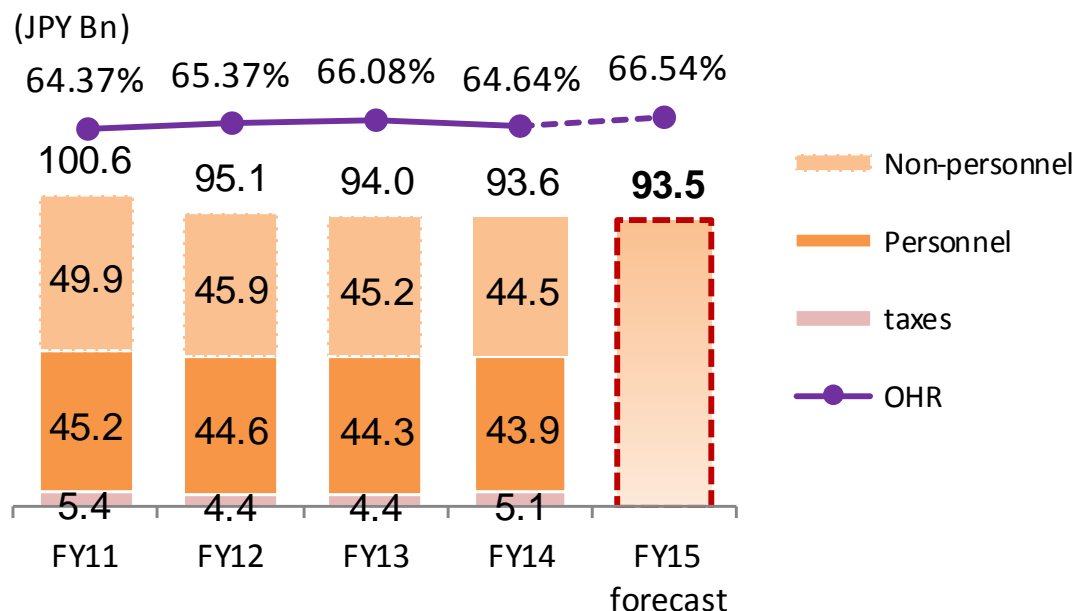


## Operating policy of FY2015

- Improve average yield by enhancing investments in foreign securities and investment trusts, etc., assuming long-term interest rates will remain low.
- Proceeds from JGBs redemption will be reinvested in other securities such as foreign securities.
- Additional purchases of JGBs are suspended and will be reconsidered when interest rates start to rise again.

# Cost reduction / Enhancing efficiency

## G&A Expenses - OHR



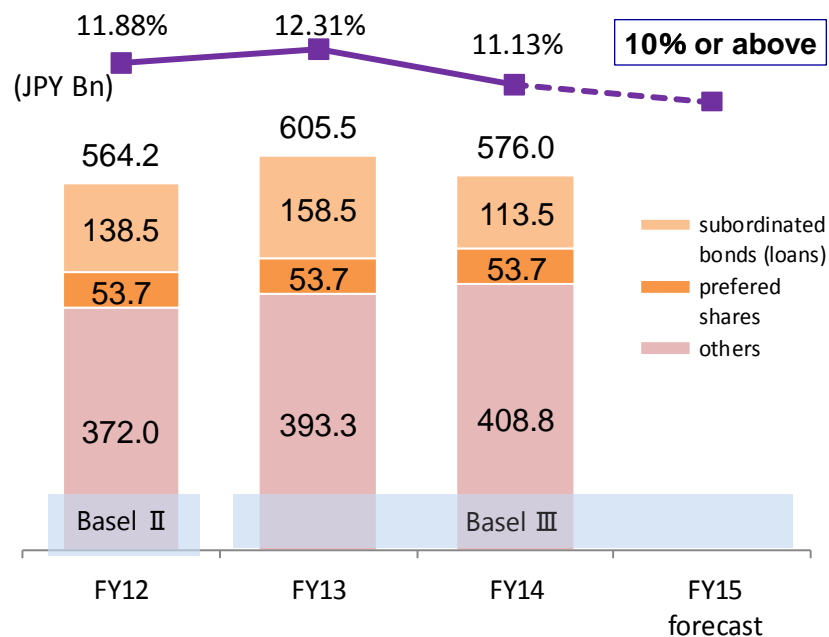
## Measures for Operational Efficiency

- The 77 Bank ,Ltd. to join "MEJAR" system in Jan. 2016.
- Enhance efficiency by restructuring branch operation
- Reducing personnel costs by centralizing business process.
- Accelerating effects of synergy
  - Consolidation of business management (Risk management , Auditing etc.)
  - Standardizing of branch business procedure and unification of subsystem

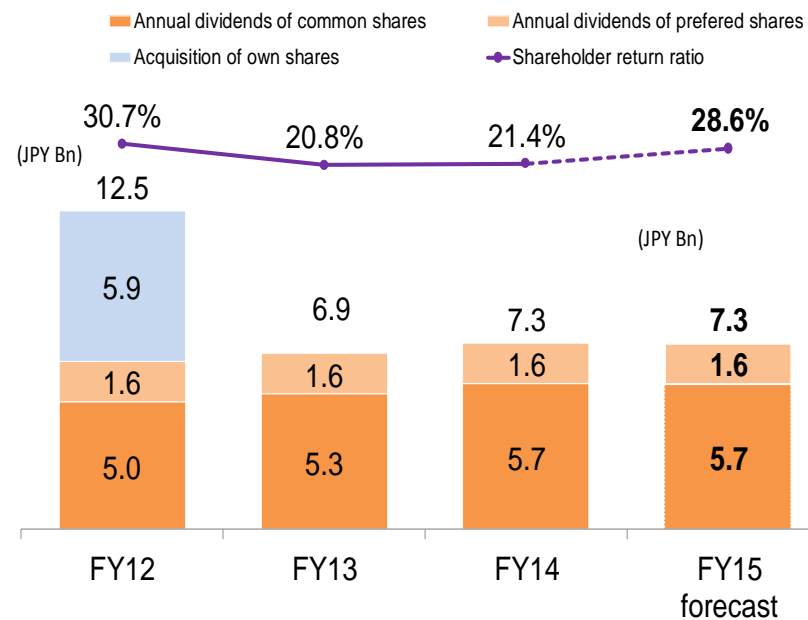
# Capital policy

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

## Capital adequacy ratio



## Shareholder returns



## ROE

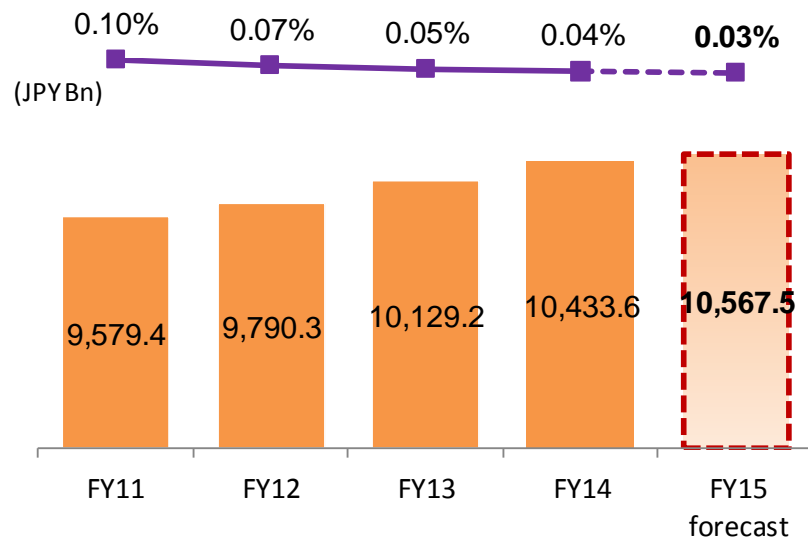
10/3	11/3	12/3	14/3	15/3	16/3 forecast
4.6%	3.2%	4.0%	5.8%	5.5%	about 4%

## Dividends per common share

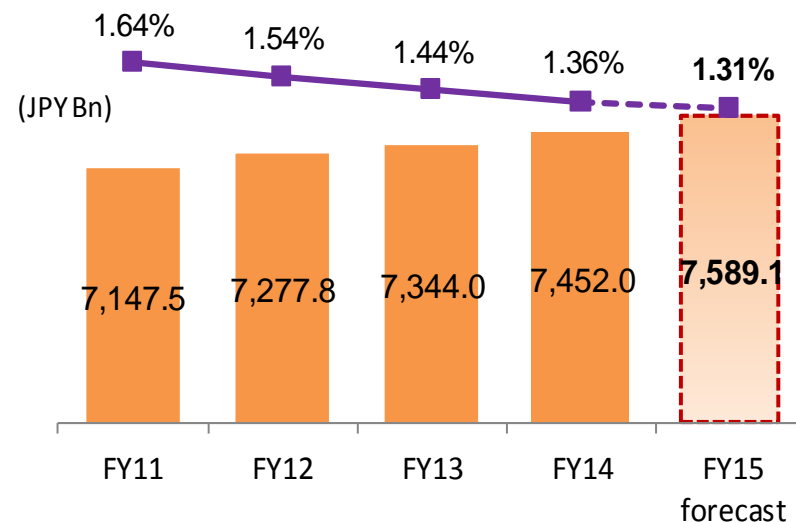
(JPY)						
08/3	09/3	10/4	11/3~13/3	14/3	15/3	16/3 forecast
2.50	3.00	3.50	3.75	4.00	4.25	4.25

# Forecasts for FY2015

## Ave. balance and rate of deposits



## Ave. balance and rate of Loans



## Forecast of Ave. balance

	(JPY Bn)		
	FY15 forecast	change	FY14
Loans	7,589.1	137.0	7,452.0
Securities	2,390.3	26.1	2,364.2
Deposits & NCDs	10,567.5	133.8	10,433.6

## Forecast of Ave. rate

	(JPY Bn)		
	FY15 forecast	change	FY14
Loans	1.31%	(0.05%)	1.36%
Securities	1.01%	(0.05%)	1.06%
Deposits & NCDs	0.03%	(0.01%)	0.04%

# Forecasts for FY2015

## Earnings forecasts for FY15

【Consolidated】	(JPY Bn)		
	Interim Forecasts	FY15 Forecasts	Change from FY14
Ordinary income	93.5	185.0	(8.9)
Ordinary profits	16.0	33.5	(14.6)
Net income	9.5	21.5	(6.7)

## Dividend forecasts for FY15

	Interim	Year-end	Annual
Dividend per common share	—	¥4.25	¥4.25
Dividend per preferred share (Type5)	¥7.50	¥7.50	¥15.00

## Earnings forecasts for FY15

	【Total of two banks】			【Hokuriku bank】			【Hokkaido bank】 (JPY Bn)		
	Interim Forecasts	FY15 Forecasts	Change	Interim Forecasts	FY15 Forecasts	Change	Interim Forecasts	FY15 Forecasts	Change
Ordinary income	86.5	170.0	(9.4)	45.0	90.0	(4.0)	41.5	80.0	(5.4)
Core gross business profits	70.5	140.5	(4.3)	38.0	76.0	(0.5)	32.5	64.5	(3.8)
G&A expenses	46.5	93.5	(0.1)	25.0	50.0	(0.4)	21.5	43.5	0.3
Core net business profits	24.0	47.0	(4.2)	13.0	26.0	(0.0)	11.0	21.0	(4.1)
Net credit costs	5.0	10.5	4.4	2.5	5.5	3.7	2.5	5.0	0.7
Ordinary profits	17.0	34.0	(13.1)	9.0	19.0	(5.5)	8.0	15.0	(7.6)
Net income	11.0	22.5	(5.7)	5.5	12.0	(2.6)	5.5	10.5	(3.0)

# Forecasts for FY2015

## The progress from April-2015 to March-2016

	FY15 plan	FY15 forecast	Comparison of plan
Avg. balance of Deposits	¥ 10,110.0 Bn	¥ 10,567.5 Bn	+¥ 457.5 Bn
Avg. balance of Loans	¥ 7,480.0 Bn	¥ 7,589.1 Bn	+¥ 109.1 Bn
Core net business profits	¥ 47.0 Bn	¥ 47.0 Bn	¥ 0.0 Bn
Net income (Consolidated)	¥ 18.5 Bn	¥ 21.5 Bn	+¥ 3.0 Bn
Capital adequacy ratio (Consolidated)	10% or above	10% first half	Prospect of achievement
OHR (Core gross business profits basis)	67.00%	66.5%	-0.5%
NPL ratio	Below 3%	2% first half	Prospect of achievement

## **3. Main Business Area**

# The Present Condition of the Regional Economy ①

## Characteristics of Our Main Business Area

Hokuhoku Financial Group, Inc.

### Population and Square Measure \*1

	Toyama Prefecture a	Ishikawa Prefecture b	Fukui Prefecture c	Total a+b+c	Hokkaido	Total
Population (Ranking)	1.08Mn (37th)	1.16Mn (34th)	0.80Mn (43rd)	3.04Mn	5.43Mn (8th)	<b>8.47Mn</b>
Square Measure (Ranking) km <sup>2</sup>	4,248 (33rd)	4,186 (35th)	4,190 (34th)	—	83,457 (1st)	—

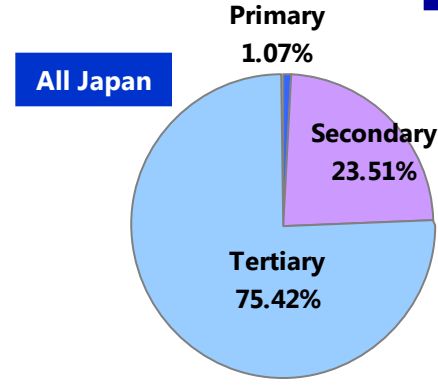
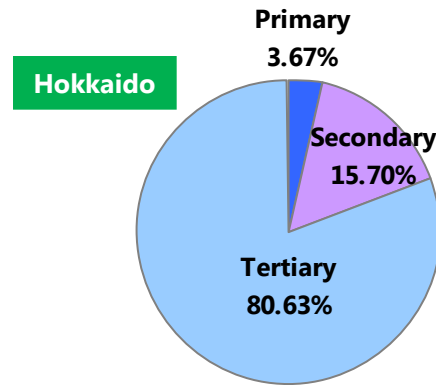
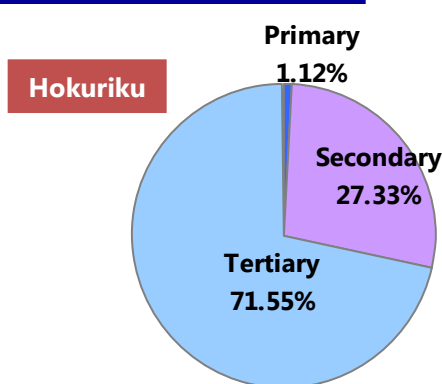
### Gross Prefectural Product \*1, 2

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

### Exceed Singapore

1 <sup>st</sup>	America
2 <sup>nd</sup>	China
36 <sup>th</sup>	Singapore (28,863.4)

### Industrial Structure \*2



### Number of businesses \*1

	(Thousand)
Hokkaido	242
Hokuriku	163
Toyama	55
Ishikawa	64
Fukui	44

April-15	Monthly Economic Report (By the Cabinet Office)	Regional Economic Report (By Bank of Japan)	
	All Japan	Hokuriku Area	Hokkaido Area
Economic Trend	Recovering moderately	Recovering	Recovering moderately
Public Investment	In a weak tone	On a declining trend	Declining
Business Investment	Almost flat	Increasing further	Increasing further
Private consumption	Holds firm as a whole	Picking up moderately	Recovering
Housing construction	Shown a steady undertone	More or less flat	Has started to bottom out
Production	Picking up	Increasing	At a high level
Employment & Income	On a improving trend	Improving steadily	Improving steadily
Prices	Flat	Above the previous year's level	The rate of increase was smaller than last year
The number of bankrupt companies	Decreasing at a moderate pace	Number : Below the pre-year's level Amount of money : Above the pre-year's level	Calm movement

## Hokkaido

### ◎Construction of the Hokkaido Shinkansen

- Constructing a 360km line from Shin-Aomori Station to Sapporo Station.
- Start operation in 2016 Spring, connecting Shin-Aomori with Shin-Hakodate-Hokuto
- The extension of the line from Shin-Hakodate-Hokuto to Sapporo will be finished in fiscal year end of 2030.

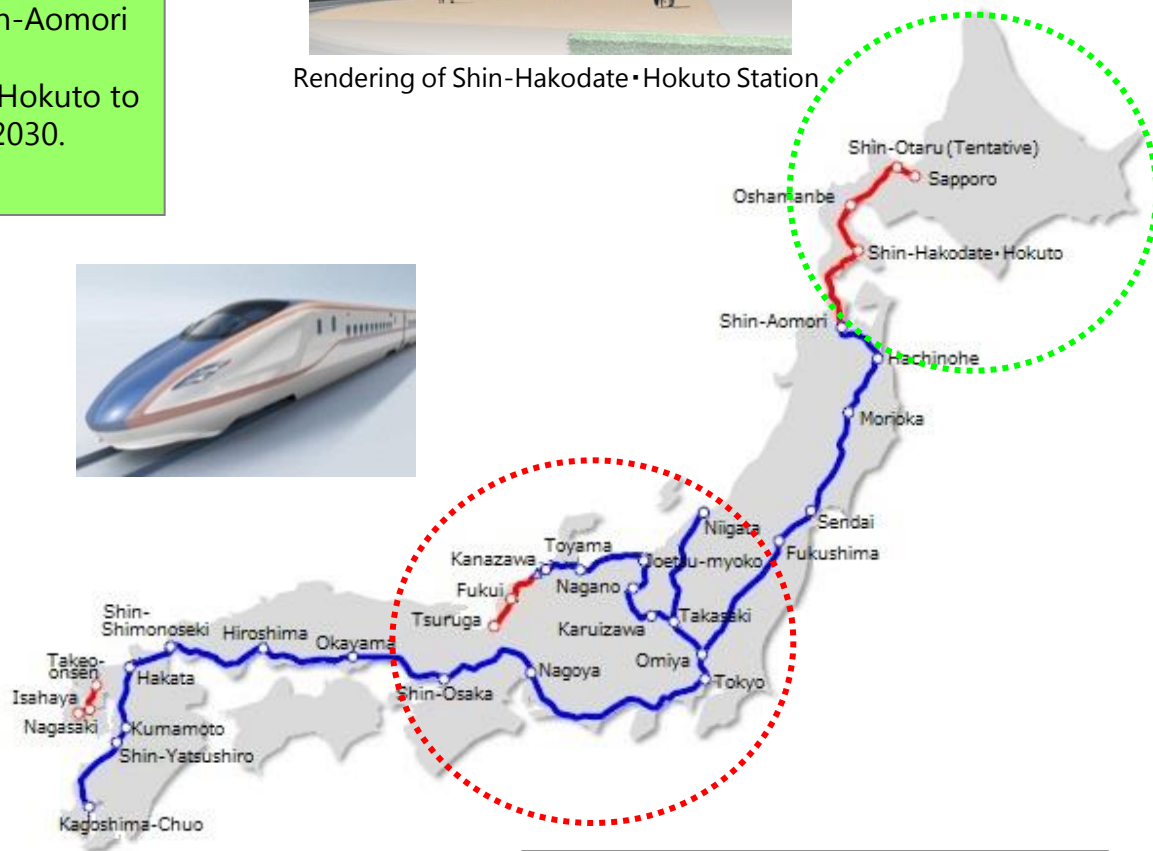


Rendering of Shin-Hakodate-Hokuto Station

## Hokuriku

### ◎Activities related to the opening of the Hokuriku Shinkansen

- Some companies have built new factories and new offices in the Hokuriku area.
- Business activities of regional companies are increasing to expand their sales channels, such as sales promotion meetings in cooperation with prefectural government, are increasing.
- Vehicle occupancy of the Hokuriku Shinkansen was 48% in a month from its opening.
- During this Golden Week, one of the biggest holiday seasons in Japan, major tourist spots in the Hokuriku area were visited by more tourists than last year.



#### Legend

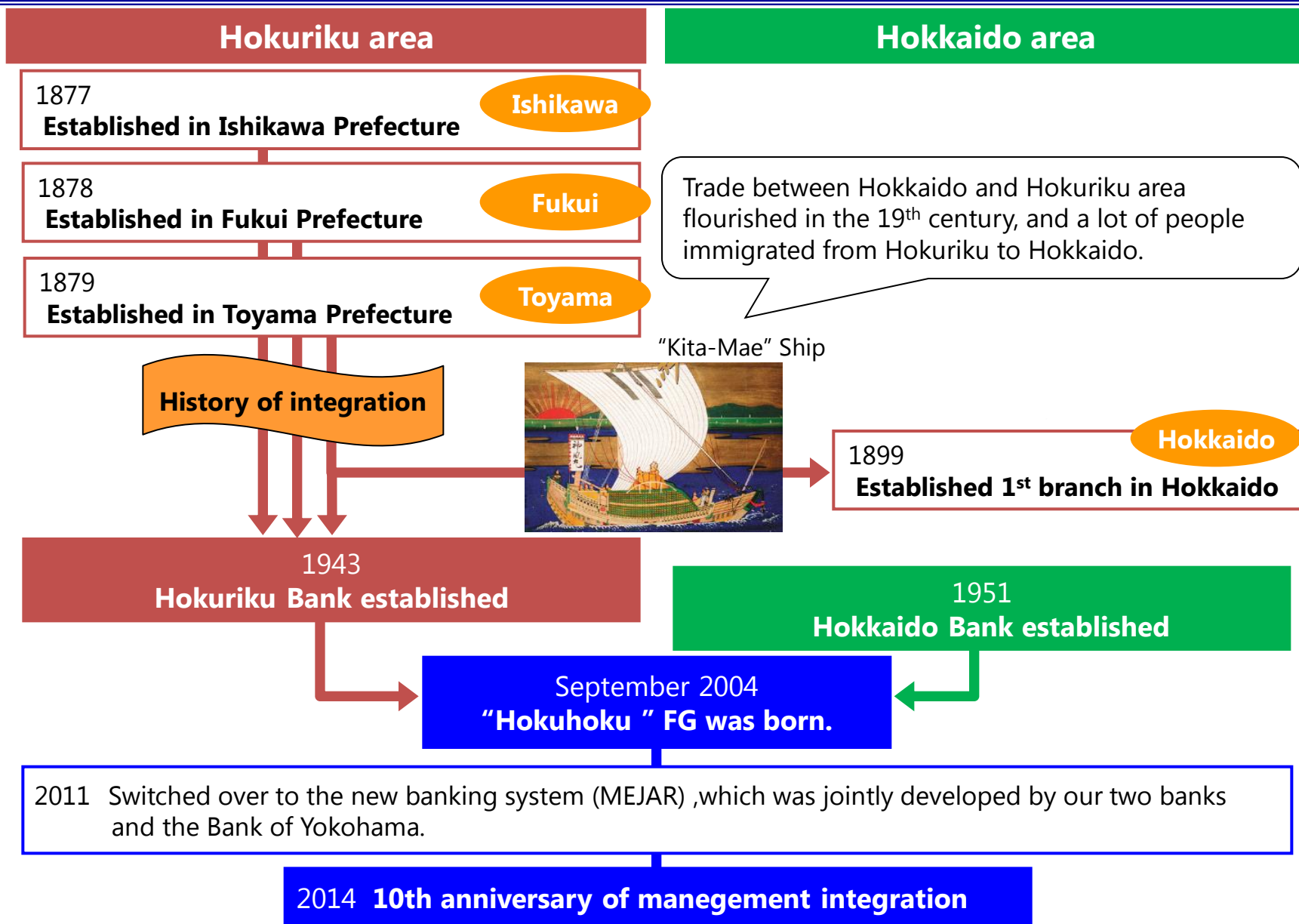
- Shinkansen line in service
- New Shinkansen line (under construction)

# *Appendix*

**Outline of Hokuhoku FG and Two Banks**

(As of March 31, 2015)

	<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	¥ 93,524.01million
Shares issued and outstanding	Common stock 1,351,630,146 Preferred stock(Type5) 107,432,000	Common stock 1,047,542,335	Common stock 486,634,512 Preferred stock(Type2) 107,432,000
Total assets	(consolidated) ¥ 11,683.0 billion	¥ 6,712.7 billion	¥ 4,915.8 billion
Deposits & NCD	(consolidated) ¥ 10,627.7 billion	¥ 6,076.0 billion	¥ 4,575.3 billion
Loans	(consolidated) ¥ 7,546.8 billion	¥ 4,365.3 billion	¥ 3,196.4 billion
Capital adequacy ratio	(consolidated) 11.13%	(non-consolidated) 10.61%	(non-consolidated) 10.75%
Employees	73 (13 fulltime workers)	2,773	2,321
Ratings	A(R&I)	A(R&I)、A-(S&P)	A(R&I)、A(JCR)
Branches (Domestic) (Overseas)		145 branches, 42 sub-branches 6 representative offices	135 branches, 6 sub-branches 3 representative offices



# About Hokuhoku FG ③

## Historical Data (Hokuhoku FG)

Hokuhoku Financial Group, Inc.

(JPY Bn)

<Consolidated>	FY2010 Full year	FY2011 Interim	FY2011 Full year	FY2012 Interim	FY2012 Full year	FY2013 Interim	FY2013 Full year	FY2014 Interim	FY2014 Full year
Ordinary income	214.6	105.7	207.9	105.7	199.1	95.2	190.9	96.4	193.9
Ordinary profits	37.2	18.9	38.8	8.9	29.3	23.5	49.4	21.8	48.1
Net income	18.4	8.9	14.1	6.1	18.1	12.3	27.3	13.8	28.2
Capital adequacy ratio	11.29%	11.57%	11.72%	11.90%	11.88%	12.04%	12.31%	11.38%	11.13%

### <Total of two banks>

Core gross business profits	155.4	77.3	156.3	73.5	145.5	71.5	142.2	72.0	144.8
General & administrative expenses	98.6	51.4	100.6	48.5	95.1	47.8	94.0	47.7	93.6
Core net business profits	56.7	25.9	55.7	25.0	50.3	23.7	48.2	24.3	51.2
Net gains(losses) related to securities	(1.0)	1.2	(1.4)	(3.5)	0.4	1.0	2.2	3.2	6.9
Credit costs	14.5	6.4	10.4	10.4	17.0	0.0	(1.3)	3.0	6.0
Ordinary profits	37.0	19.3	40.5	9.4	30.0	23.3	48.5	22.3	47.1
Net income	19.6	9.8	16.6	7.0	19.5	12.6	27.5	14.8	28.2
ROA	0.56%	0.49%	0.53%	0.47%	0.47%	0.43%	0.44%	0.43%	0.45%
OHR	63.47%	66.46%	64.37%	65.98%	65.37%	66.87%	66.08%	66.17%	64.64%
Loans	7,241.1	7,236.1	7,287.0	7,313.8	7,402.0	7,369.6	7,336.3	7,480.1	7,561.7
Deposits (including NCD)	9,523.8	9,534.7	9,700.8	9,787.6	10,008.1	10,089.4	10,172.0	10,489.0	10,651.3
Securities	2,315.1	2,465.8	2,471.8	2,392.6	2,497.8	2,540.4	2,481.4	2,433.8	2,481.4
Non performing loan	220.5	229.8	236.8	252.1	236.7	216.1	201.3	196.9	189.2
NPL ratio	2.96%	3.08%	3.17%	3.36%	3.11%	2.85%	2.67%	2.56%	2.43%

# About Hokuhoku FG ④

## Historical Data (Hokuriku Bank )

Hokuhoku Financial Group, Inc.

(JPY Bn)

	FY2010 Full year	FY2011 Interim	FY2011 Full year	FY2012 Interim	FY2012 Full year	FY2013 Interim	FY2013 Full year	FY2014 Interim	FY2014 Full year
Ordinary income	108.8	54.0	105.4	56.2	103.0	48.5	97.7	48.0	94.0
Core gross business profits	88.5	45.2	88.5	42.4	82.3	38.9	77.0	38.1	76.5
General & administrative expenses	53.8	27.7	54.2	25.9	50.9	25.8	50.5	25.9	50.4
Core net business profits	34.6	17.4	34.3	16.4	31.4	13.0	26.4	12.2	26.0
Net gains(losses) related to securities	(2.8)	(1.0)	(1.1)	(3.6)	(1.2)	0.6	1.6	2.7	3.6
Credit costs	7.1	1.9	4.4	9.5	9.3	(0.9)	(4.2)	0.8	1.7
Ordinary profits	22.9	13.8	27.4	2.3	18.3	13.9	30.4	12.5	24.5
Net income	11.9	6.9	11.4	1.9	12.3	7.2	17.8	7.8	14.6
Capital adequacy ratio	11.32%	11.62%	11.85%	11.89%	11.78%	11.95%	12.40%	10.98%	10.61%
ROA	0.59%	0.58%	0.57%	0.55%	0.52%	0.42%	0.42%	0.38%	0.40%
OHR	60.85%	61.32%	61.25%	61.17%	61.84%	66.39%	65.65%	67.98%	65.94%
Loans	4,252.3	4,205.7	4,233.9	4,245.5	4,332.7	4,271.2	4,227.6	4,292.7	4,365.3
Deposits (including NCD)	5,439.9	5,416.5	5,545.1	5,541.2	5,726.2	5,796.8	5,909.0	5,905.9	6,076.0
Securities	1,217.5	1,285.7	1,315.4	1,178.2	1,269.6	1,296.1	1,238.3	1,219.1	1,275.4
Non performing loan	144.3	153.1	153.5	168.1	148.4	134.2	120.3	114.1	109.7
NPL ratio	3.28%	3.52%	3.53%	3.86%	3.34%	3.06%	2.78%	2.60%	2.46%

# About Hokuhoku FG ⑤

## Historical Data (Hokkaido Bank )

Hokuhoku Financial Group, Inc.

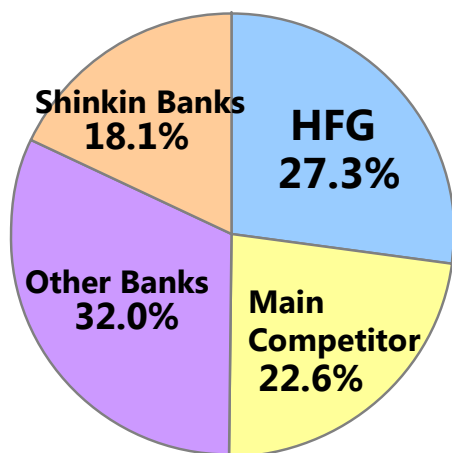
(JPY Bn)

	FY2010 Full year	FY2011 Interim	FY2011 Full year	FY2012 Interim	FY2012 Full year	FY2013 Interim	FY2013 Full year	FY2014 Interim	FY2014 Full year
Ordinary income	87.0	43.2	87.5	42.3	81.6	40.2	80.2	41.6	85.4
Core gross business profits	66.8	32.1	67.8	31.0	63.1	32.6	65.2	33.9	68.3
General & administrative expenses	44.7	23.7	46.4	22.5	44.2	21.9	43.4	21.7	43.1
Core net business profits	22.1	8.4	21.4	8.5	18.9	10.6	21.7	12.1	25.1
Net gains(losses) related to securities	1.7	2.2	(0.2)	0.1	1.7	0.3	0.6	0.5	3.2
Credit costs	7.4	4.4	5.9	0.8	7.6	0.9	2.8	2.1	4.2
Ordinary profits	14.1	5.4	13.1	7.1	11.6	9.4	18.0	9.8	22.6
Net income	7.7	2.9	5.2	5.0	7.2	5.4	9.6	7.0	13.5
Capital adequacy ratio	10.59%	10.57%	10.80%	11.05%	11.23%	11.08%	10.76%	10.79%	10.75%
ROA	0.51%	0.37%	0.47%	0.37%	0.41%	0.45%	0.47%	0.51%	0.53%
OHR	66.93%	73.69%	68.44%	72.57%	69.98%	67.44%	66.60%	64.14%	63.18%
Loans	2,988.8	3,030.4	3,053.0	3,068.3	3,069.3	3,098.4	3,108.6	3,187.4	3,196.4
Deposits (including NCD)	4,083.9	4,118.2	4,155.7	4,246.4	4,281.9	4,292.6	4,262.9	4,583.0	4,575.3
Securities	1,097.6	1,180.1	1,156.4	1,214.4	1,228.2	1,244.3	1,243.1	1,214.6	1,205.9
Non performing loan	76.3	76.7	83.3	84.0	88.2	81.9	81.0	82.8	79.6
NPL ratio	2.49%	2.47%	2.66%	2.66%	2.79%	2.56%	2.52%	2.50%	2.40%

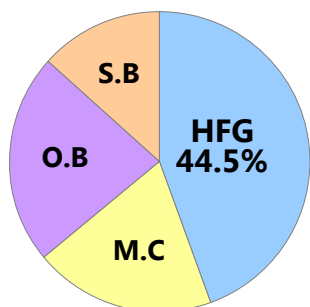
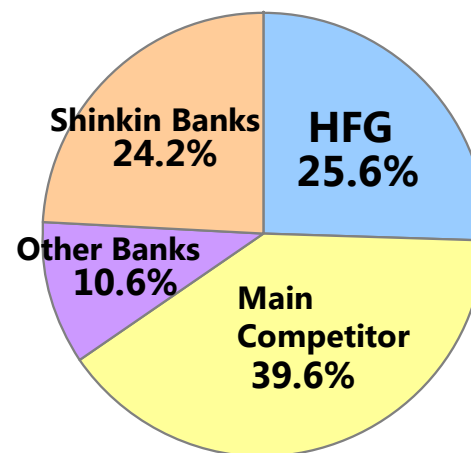
**About Hokuhoku FG ⑥**  
**Market Share in Our Home Market (Loans, Sep-14)**

Hokuhoku Financial Group, Inc.

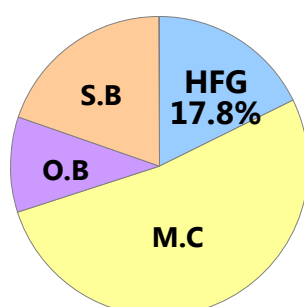
**Hokuriku Area**



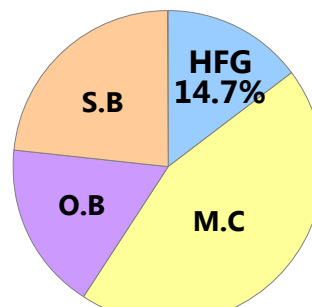
**Hokkaido Area**



**Toyama**



**Ishikawa**

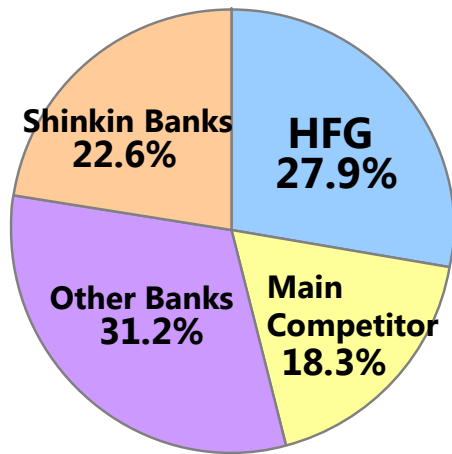


**Fukui**

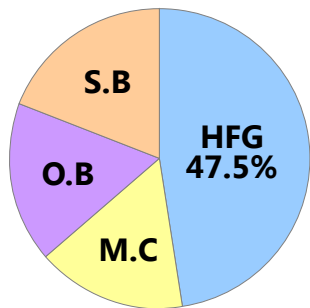
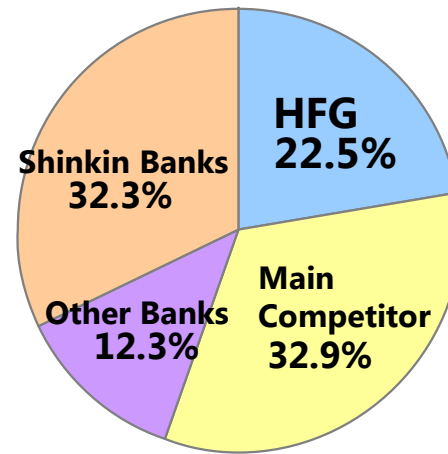
\*Data of the Main Competitor and Other banks are estimated figures. They don't include Japan Post Bank.

*Market Share in Our Home Market (Deposits, Sep-14)*

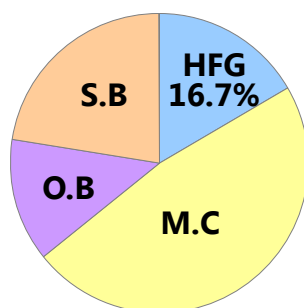
**Hokuriku Area**



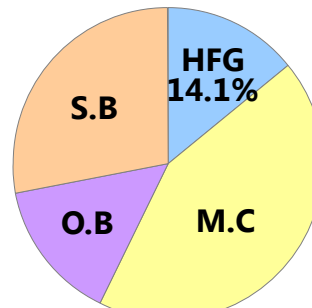
**Hokkaido Area**



**Toyama**



**Ishikawa**



**Fukui**

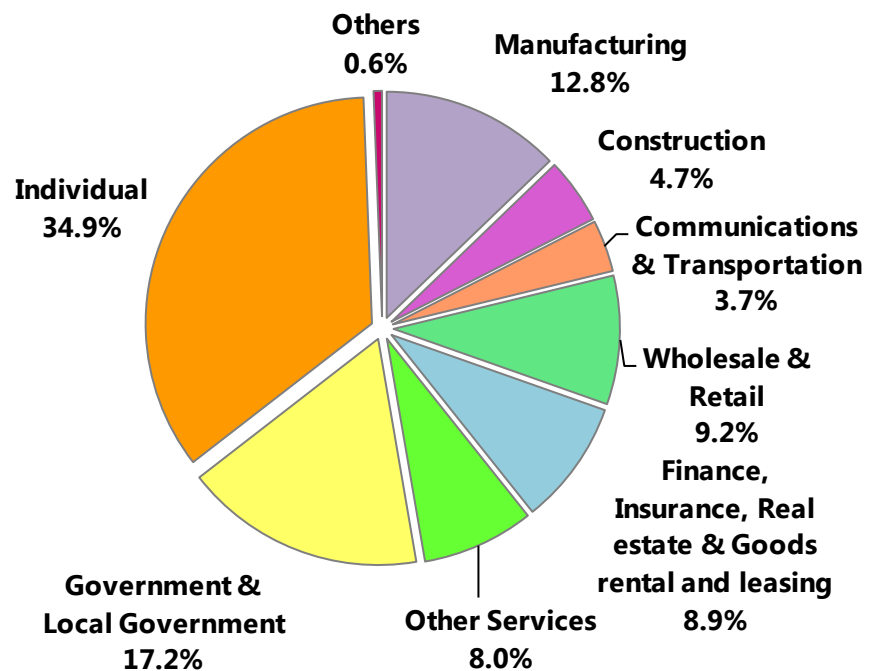
\*Data of the Main Competitor and Other banks are estimated figures. They don't include Japan Post Bank.

## About Hokuhoku FG ⑧

### Lending in the Region by Industry (Mar-15)

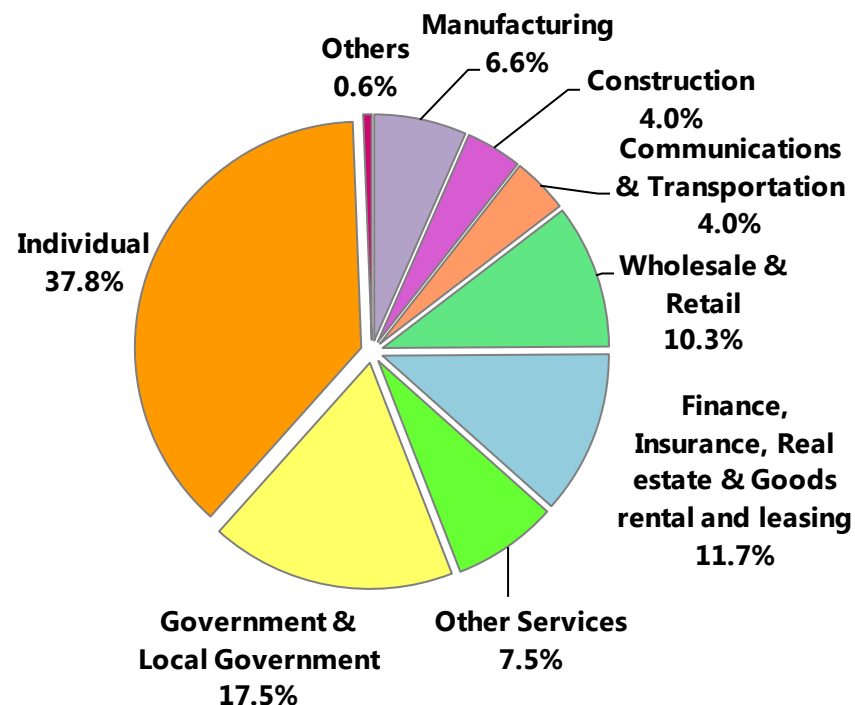
Hokuhoku Financial Group, Inc.

#### Hokuriku Bank



Region: Toyama, Ishikawa, Fukui, Hokkaido

#### Hokkaido Bank



Region: Hokkaido

# About Japanese Regional Banks ①

## Financial Institutions in Japan

Hokuhoku Financial Group, Inc.

Source: Home page of Japanese Bankers Association of Japan

1

Central Bank - Bank of Japan

2

Private financial institutions

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

Depository  
institutions

Banks

City banks

Regional banks

Member banks of the Second Association of Regional Banks(Tier II regional banks)

Foreign banks

Trust banks

Others

Cooperative-type  
financial  
institutions

Shinkin Central Bank (the central financial institution for the Shinkin banks)

Shinkumi Federation Bank (the national federation of credit cooperatives)

Rokinren Bank (the national federation of Labour Banks)

Norinchukin Bank (the central bank for the Japanese agricultural, forestry, and fishery cooperatives)

— Credit federations of agricultural cooperatives

— Credit federations of fishery cooperatives

Other  
financial  
institutions

Insurance  
companies

— Life insurance companies, Non-life insurance companies etc

Securities firms

3

Public financial institutions

Government financial institutions

Japan Finance Corporation — Japan Bank for International Cooperation

Okinawa Development Finance Corporation

Joint corporation by local governments

Japan Finance Organization for Municipalities

Development Bank of Japan, Inc., The Shoko Chukin Bank,  
Japan Post Bank Co., Japan Post Insurance Co.

# About Japanese Regional Banks ②

## Outline of Regional Banks

Hokuhoku Financial Group, Inc.

### Outline of Regional Banks

*The 64 regional banks in Japan consistently enjoy wide patronage as banks that develop in step with the region. In our ongoing quest to be financial institutions trusted by customers, the regional banks will strive to maintain soundness of management, as well as continuously be devoted to enhancing convenience for customers and to realizing vibrant regional communities.*

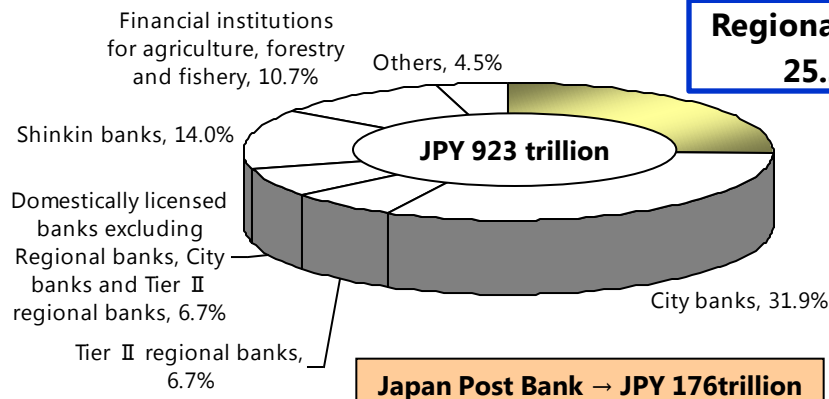


### Leading Banks in the Regions

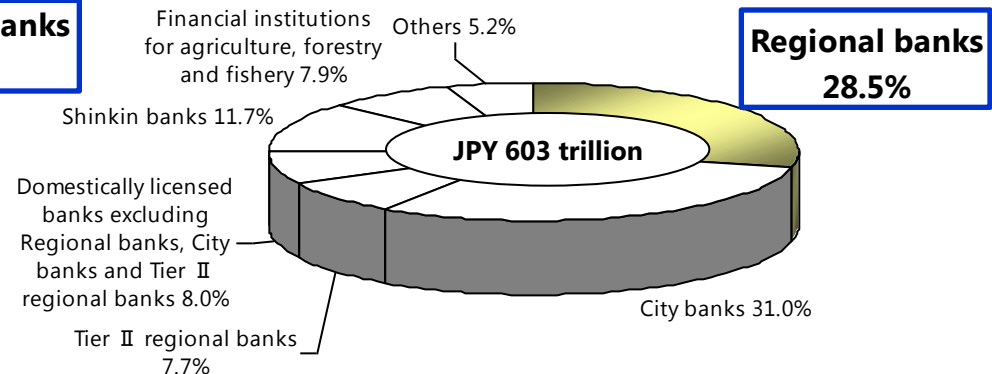
*The regional banks have formed a dense branch network in the regions, mainly in the prefectures where their head offices are located, with some 7,500 branches and some 35,000 ATMs set up all over the country. Through this branch network, the regional banks cater to the diversified financial needs of individual customers as well as medium-sized and small- and medium-sized corporate clients in the regions, and also play a leading role in regional finance for the promotion and development of regional communities.*

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

#### 【 Deposits 】



#### 【 Loans and discounts 】



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