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# Investor Meeting

~Interim Results for FY 2013~  
(ended September 30, 2013)



Hokuhoku Financial Group, Inc.

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# Summary of Interim Results

( JPY Bn )

## 【Consolidated】

	FY13 1H	change	FY12 1H
Ordinary income	95.2	(10.4)	105.7
Ordinary profits	23.5	14.6	8.9
Net income ①	12.3	6.1	6.1

## 【Total of two banks】

	FY13 1H	change	FY12 1H
Gross business profits	72.4	(10.3)	82.8
Net interest income	61.4	(1.1)	62.5
Net fees & commissions	8.7	(0.3)	9.1
Net trading income	0.1	0.0	0.1
Net other business profits	2.0	(8.9)	10.9
Gains (losses) related to bonds	0.8	(8.4)	9.3
G&A expenses (-)	47.8	(0.6)	48.5
Net transfer to general allowance for loan losses (-)	-	1.0	(1.0)
Net business profits	24.5	(10.7)	35.3
Core net business profits	23.7	(1.2)	25.0
Other non-recurring gains (losses)	(1.1)	24.7	(25.9)
Credit related costs (-)	0.0	(11.4)	11.4
Gains (losses) related to stocks	0.1	13.0	(12.8)
Ordinary profits	23.3	13.9	9.4
Net extraordinary gains (losses)	(2.1)	(1.9)	(0.2)
Corporate taxes (-)	8.5	6.3	2.2
Net income ②	12.6	5.6	7.0

## 【Consolidated】

**Net income: ¥12.3Bn**

(+¥6.1Bn compared to FY12 1H)

## 【Total of two banks】

**Core net business profits: ¥23.7Bn**

(-¥1.2Bn compared to FY12 1H)

- Decrease in net interest income and decrease in G&A expenses

**Ordinary profits: ¥23.3Bn**

(+¥13.9Bn compared to FY12 1H)

- Decrease in net gains related to bonds decrease in credit related costs and increase in gains related to stocks

**Net income: ¥12.6Bn**

(+¥5.6Bn compared to FY12 1H)

- Impairment loss and increase in corporate taxes

	(JPY Bn)		
Difference between ① and ②	FY13 1H	change	FY12 1H
Difference ((①)-(②))	(0.3)	0.5	(0.8)
Net income of subsidiaries	0.9	0.3	0.5
Amortization of the goodwill	(1.0)	0.0	(1.0)
Others	(0.2)	0.1	(0.4)

# Summary of Interim Results

	Hokuriku Bank			Hokkaido Bank (JPY Bn)		
	FY13 1H	change	FY12 1H	FY13 1H	change	FY12 1H
Gross business profits	39.7	(8.4)	48.2	32.6	(1.9)	34.5
Net interest income	33.6	(2.0)	35.6	27.8	0.8	26.9
Net fees & commissions	4.5	(1.1)	5.6	4.2	0.7	3.5
Net trading income	0.1	0.0	0.1	-	-	-
Net other bussiness profits	1.4	(5.3)	6.8	0.5	(3.5)	4.0
Gains (losses) related to bonds	0.8	(4.9)	5.8	0.0	(3.4)	3.5
G&A expenses (-)	25.8	(0.0)	25.9	21.9	(0.5)	22.5
Net transfer to general allowance for loan losses (-)	-	(1.4)	1.4	0.0	2.5	(2.5)
Net business profits	13.9	(6.9)	20.8	10.6	(3.9)	14.5
Core net businness profits	13.0	(3.3)	16.4	10.6	2.1	8.5
Other non-recurring gains (losses)	(0.0)	18.5	(18.5)	(1.1)	6.3	(7.4)
Credit related costs (-)	(0.9)	(9.0)	8.0	0.8	(2.5)	3.3
Gains (losses) related to stocks	(0.1)	9.3	(9.4)	0.3	3.7	(3.4)
Ordinary profits	13.9	11.5	2.3	9.4	2.3	7.1
Net extraordinary gains (losses)	(2.0)	(1.8)	(0.1)	(0.0)	(0.0)	(0.0)
Corporate taxes (-)	4.5	4.3	0.2	4.0	2.0	2.0
Net income	7.2	5.3	1.9	5.4	0.3	5.0

## 【Hokuriku bank】

Core net business profits: ¥13.0Bn  
Ordinary profits: ¥13.9Bn

## 【Hokkaido bank】

Core net business profits: ¥10.6Bn  
Ordinary profits: ¥9.4Bn

# Net Interest Income (Total of two banks)

➤ Average balances of loans increased, but average rate decreased as the result of decline in market interest rate and the increasing competition

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

(JPY Bn)			
	FY13 1H	change	FY12 1H
Net interest income	60.9	(1.0)	62.0
Loans	53.5	(2.8)	56.3
Securities	11.0	0.5	10.4
Deposits & NCDs (-)	2.8	(1.2)	4.1

## Increase/decrease factors in net interest income

(JPY Bn)		
	Balance	Rate
Loans	0.8	(3.7)
Securities	0.4	0.1
Deposits & NCDs (-)	0.1	(1.3)

## 【Avg. balance (domestic)】

(JPY Bn)			
	FY13 1H	change	FY12 1H
Loans	7,307.5	114.5	7,192.9
Securities	2,416.2	97.9	2,318.2
Deposits & NCDs	10,046.2	347.3	9,698.9

## 【Avg. rate (domestic)】

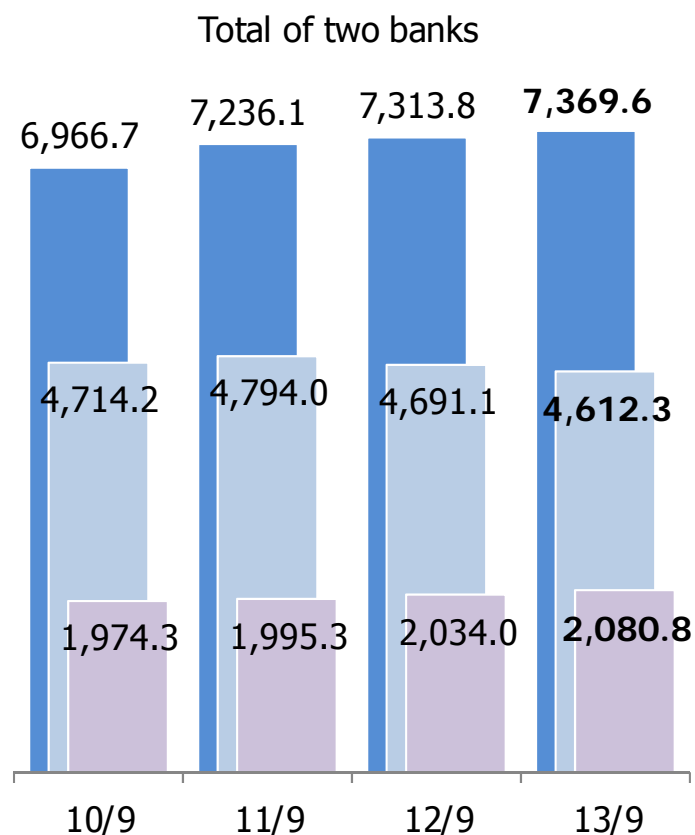
	FY13 1H	change	FY12 1H
Loans	1.46%	(0.10%)	1.56%
Securities	0.91%	0.01%	0.90%
Deposits & NCDs	0.05%	(0.03%)	0.08%

# Loan Portfolio

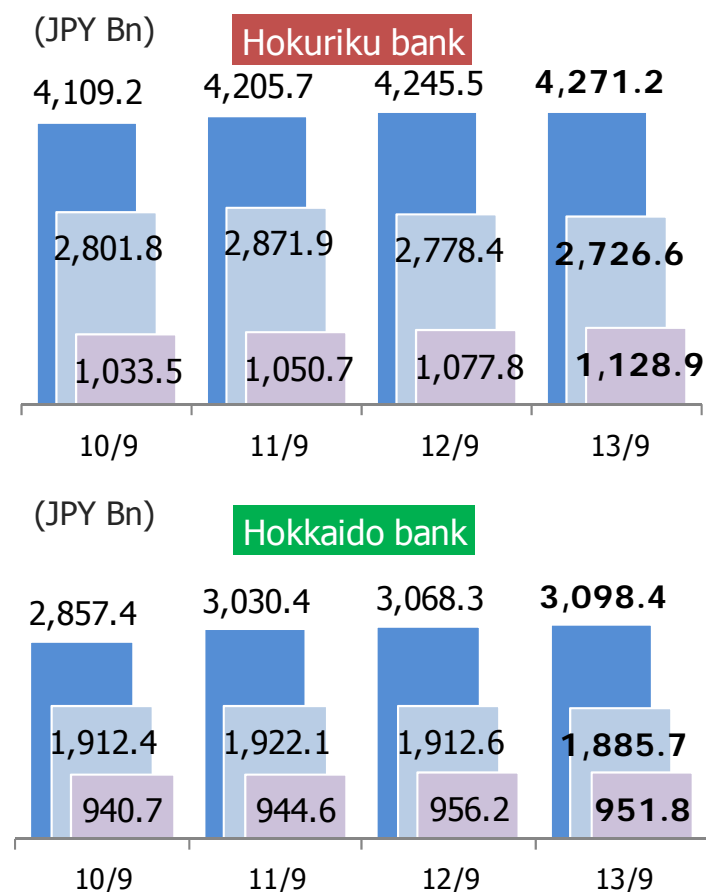
- Loans +¥55.7Bn (+0.76%) compared to Sep-12
- Loans to SMEs and consumers -¥78.7Bn (-1.67%) compared to Sep-12

## 【Balance of loans】

(JPY Bn)



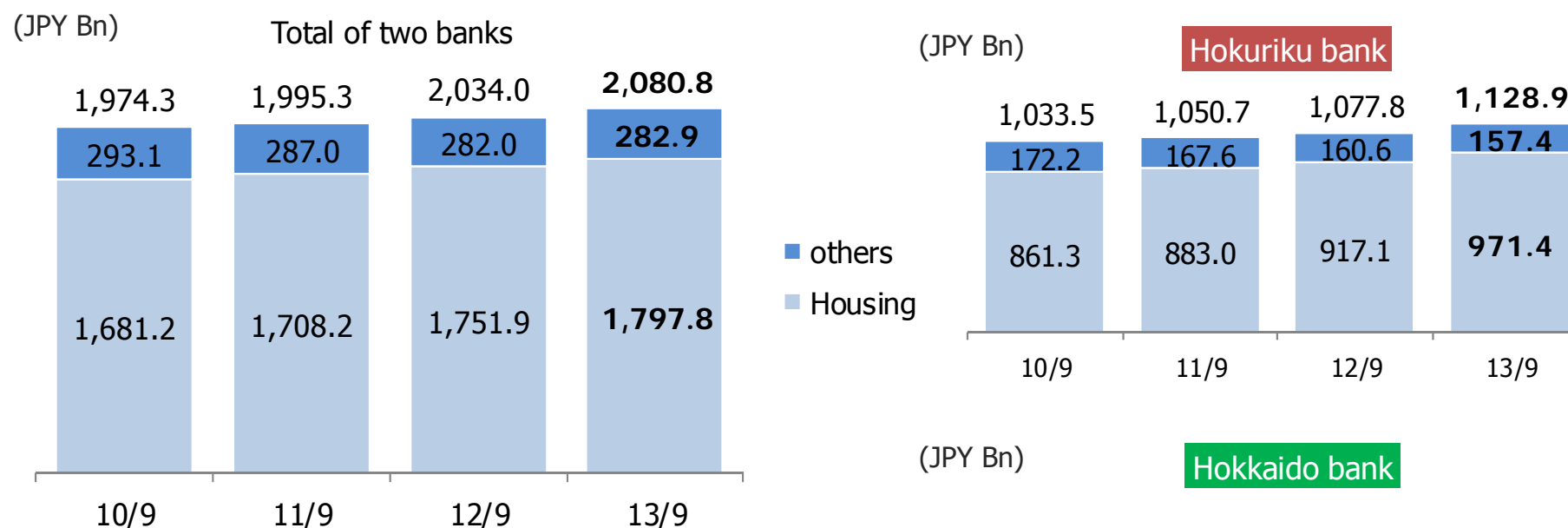
■ Loans  
■ Loans to SMEs and consumers  
■ Consumer loans



# Loan Portfolio

- Consumer loans +¥46.7Bn (+2.29%) compared to Sep-12
- Housing loans +¥45.8Bn (+2.61%) compared to Sep-12

## 【Balance of consumer loans】



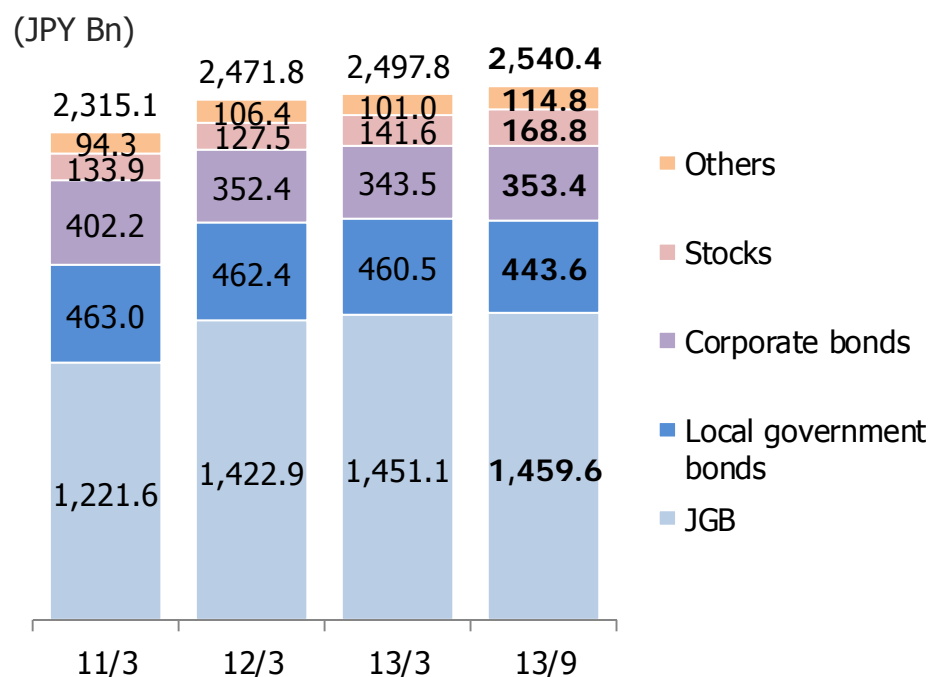
## 【Sales amount of housing loans】

	(JPY Bn)			
	FY10 1H	FY11 1H	FY12 1H	FY13 1H
Hokuriku bank	49.3	47.4	55.2	60.5
Hokkaido bank	40.5	34.2	38.7	34.0
Total of two banks	89.8	81.7	94.0	94.6

# Securities Portfolio (Total of two banks)

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

## 【Balance of securities】



Duration (year)			
11/3	12/3	13/3	13/9
3.88	4.18	3.88	3.73

※Duration of yen denominated bonds

## 【Valuation difference】

(JPY Bn)			
	13/9	change	13/3
Available-for-sale securities	88.6	5.5	83.1
Bonds	39.0	(7.9)	46.9
Stocks	44.5	14.1	30.4
Others	4.9	(0.6)	5.6

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

(JPY Bn)			
	13/9	change	13/3
Balance	2,256.7	1.4	2,255.2
Floating rate government bonds	409.1	7.1	401.9
Avg. yield	0.72%	(0.06%)	0.78%
VaR	28.1	(4.5)	32.6



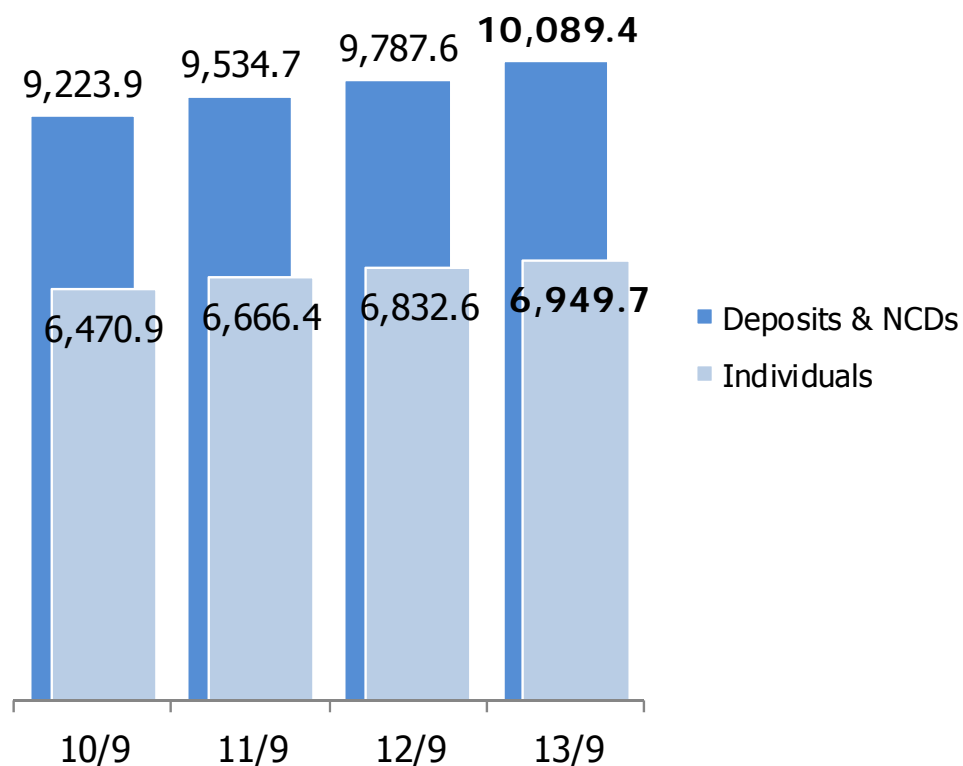
# Deposits & NCDs

- Deposits and NCDs +¥301.8Bn (+3.08%) compared to Sep-12
- Individuals +¥117.0Bn (+1.71%) compared to Sep-12

## 【Balance of deposits & NCDs】

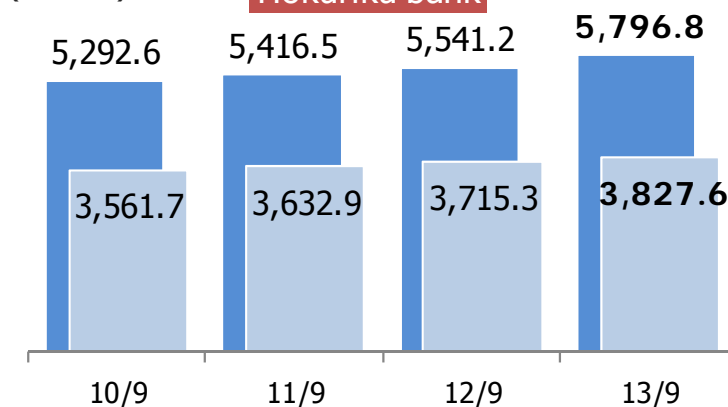
(JPY Bn)

Total of two banks



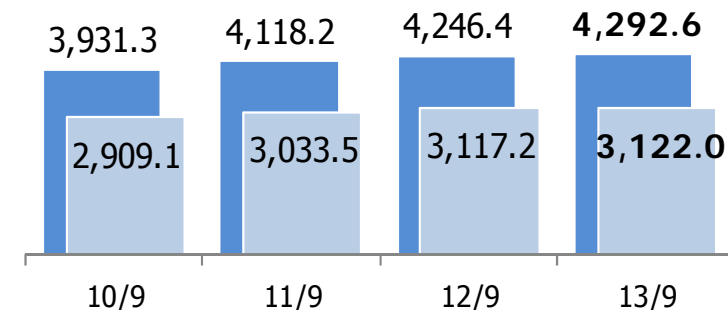
(JPY Bn)

Hokuriku bank



(JPY Bn)

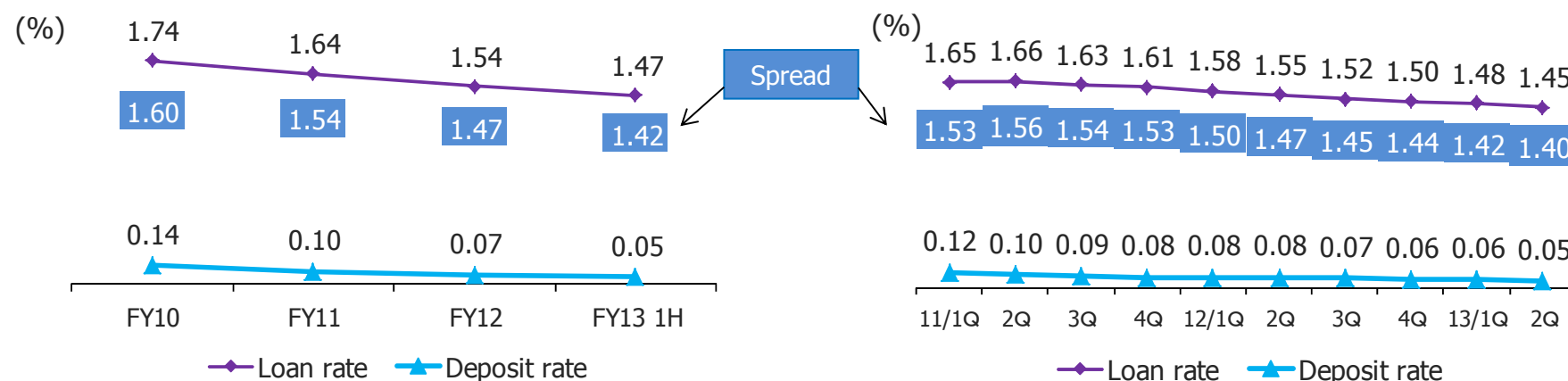
Hokkaido bank



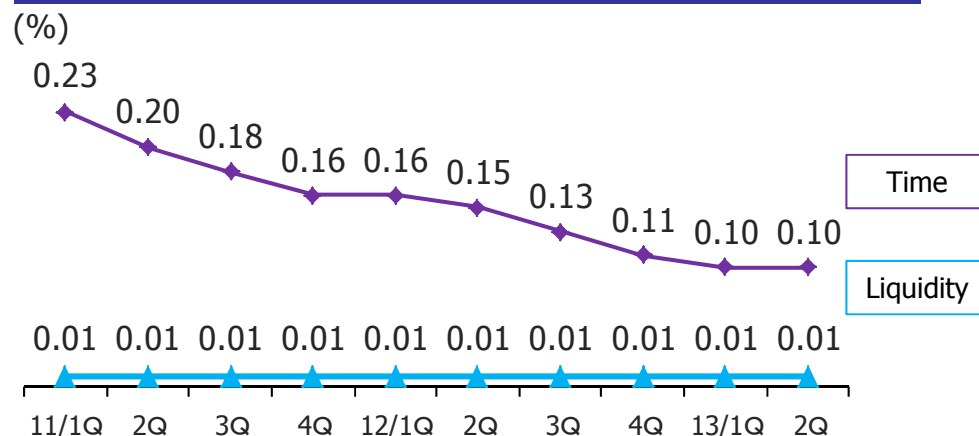
# Interest Margins (Total of two banks)

- FY13 1H Loans rate 1.47% (-0.07% compared to FY12)
- FY13 1H Deposits rate 0.05% (-0.02% compared to FY12)

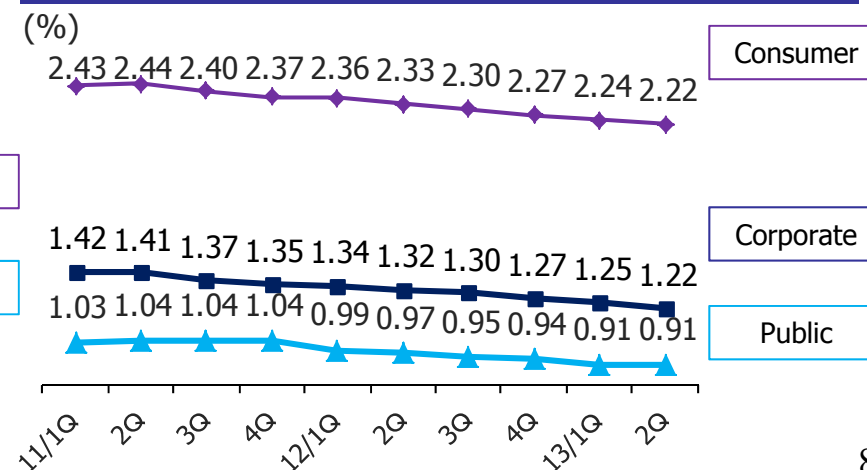
## 【Interest rate of yen dominated loans and deposits】



## 【Interest rate of yen dominated deposits】



## 【Interest rate of yen dominated loans】



# Net Fees and Commissions Income (Total of two banks)

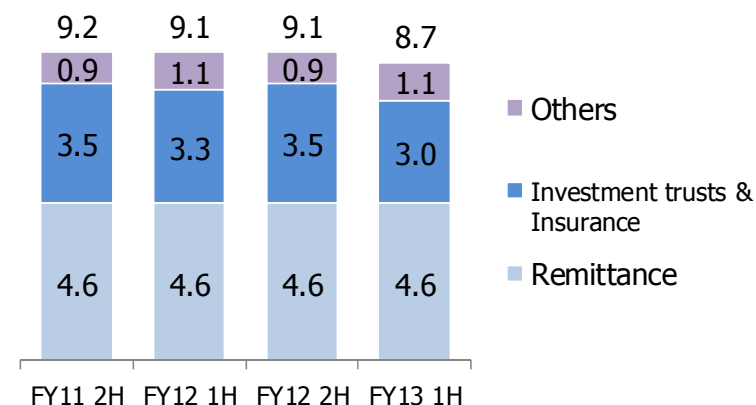
## ➤ Sales of investment trusts increased while sales of insurance decreased

### 【Fee revenue】

	(JPY Bn)		
	FY13 1H	change	FY12 1H
① Net fees and commissions	8.7	(0.3)	9.1
Fees and commissions	16.4	(0.2)	16.7
Remittance	5.5	(0.0)	5.6
Investment trusts	2.1	0.4	1.6
Insurance	0.8	(0.8)	1.7
Fees and commissions payments	7.6	0.1	7.5
Remittance	0.9	0.0	0.9
Loan related expenses	4.9	0.1	4.8
② Net trading income	0.1	0.0	0.1
③ Net other income (excluding gains (losses) related to bonds)	1.1	(0.4)	1.6
Gains on foreign exchange transaction	0.8	0.1	0.6
Net income (expenses) on derivatives	0.3	(0.5)	0.8
Net gains (losses) on bond option transaction	0.0	0.3	(0.3)
④ Fee revenue ①+②+③	10.0	(0.8)	10.9
⑤ Core gross business profits	71.5	(1.9)	73.5
⑥ Fee revenue ratio ④/⑤	14.10%	(0.74%)	14.84%

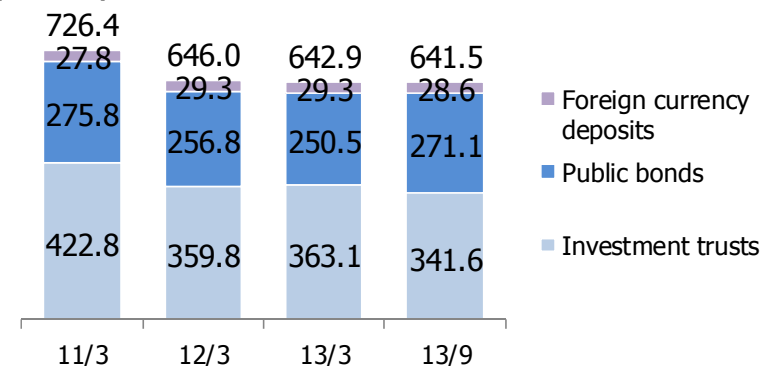
### 【Net fees and commissions】

(JPY Bn)



### 【Balance of investment products for individuals】

(JPY Bn)

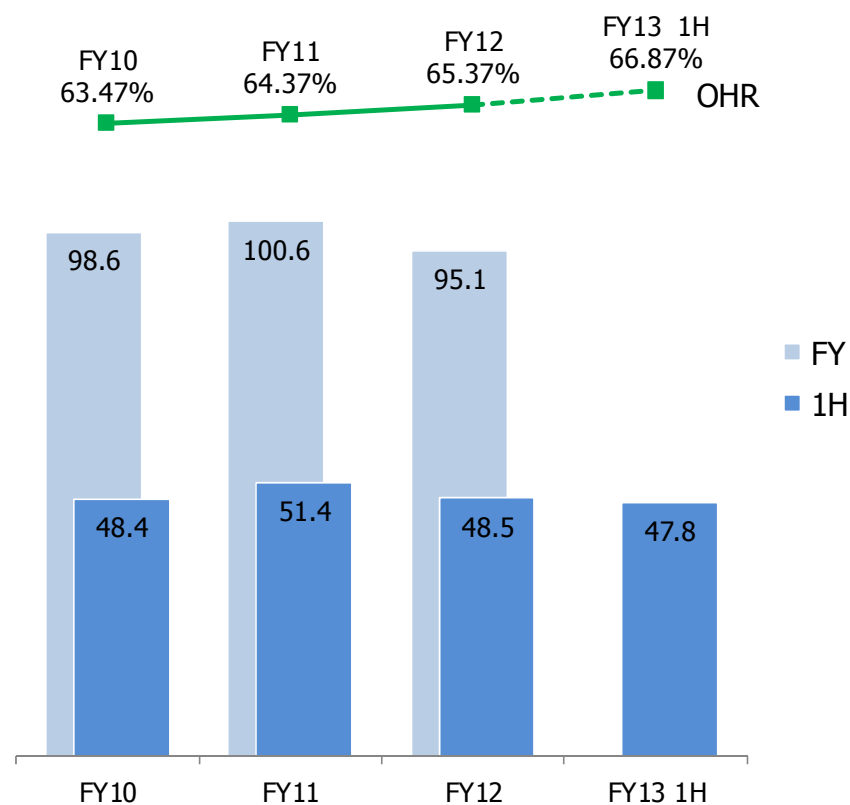


# G&A Expenses (Total of two banks)

## ➤ G&A expenses decreased due to the decrease in investment in IT system

### 【G&A expenses and OHR】

(JPY Bn)



OHR=G&A expenses / core gross business profits

### 【Increase/decrease factors in G&A expenses】

(JPY Bn)

	FY13 1H	change	FY12 1H
Personnel	22.2	(0.1)	22.4
Non-personnel	23.2	(0.3)	23.6
Taxes	2.3	(0.0)	2.4
G&A expenses	47.8	(0.6)	48.5

### 【Number of employees】

	13/9	change	12/9
Employees (excluding temporary staffs)	5,311	(38)	5,349
Temporary staffs	3,182	9	3,173

# Net Credit Costs (Total of two banks)

## ➤ Net credit costs decreased due to the decrease in specific allowance of loan losses

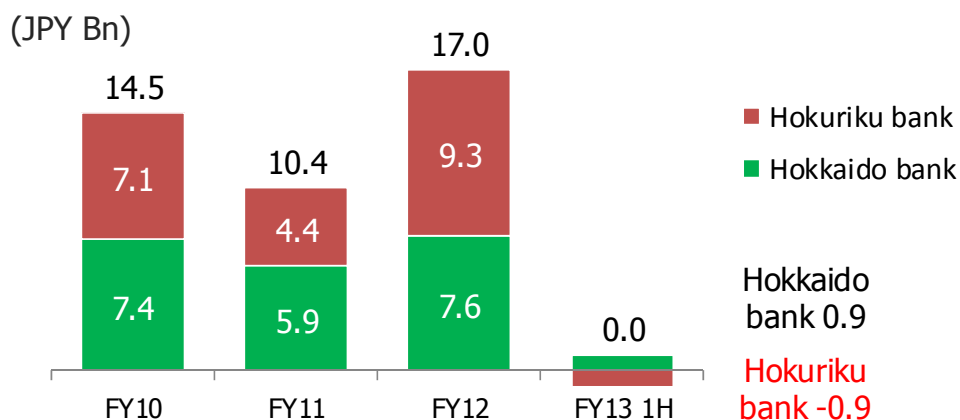
### 【Increase/decrease factors in net credit costs】

	(JPY Bn)		
	FY13 1H	change	FY12 1H
Net credit costs	0.0	(10.4)	10.4
Net transfer to general allowance for loan losses	(0.3)	-	1.0
Credit related costs	0.0	(11.4)	11.4
Net transfer to specific allowance for loan losses	0.2	-	(10.8)
Reversal of allowance for loan losses	>0.0	0.0	-

### Increase/decrease factors in specific allowance for loan losses

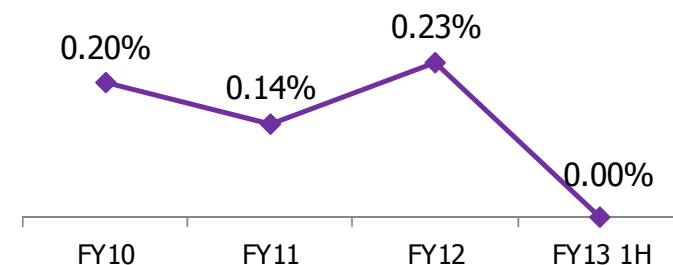
	(JPY Bn)		
	FY13 1H	change	FY12 1H
New downgrades	5.4	(11.2)	16.6
New upgrades	(0.7)	3.4	(4.1)
Decrease in collateral value, etc.	1.0	(0.5)	1.6
Collections, etc.	(5.7)	(3.1)	(2.6)

### 【Net credit costs】



### 【Credit cost ratio】

(Net credit costs / Average balance of loans)

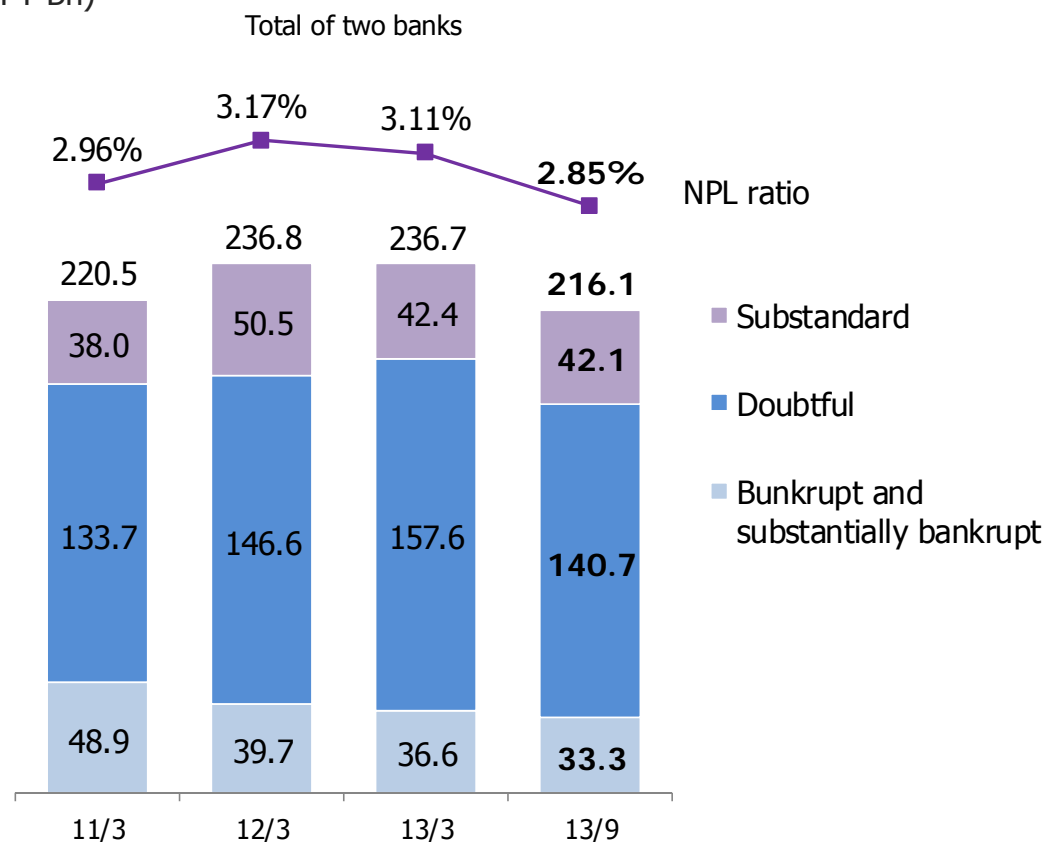


# Non-Performing Loan

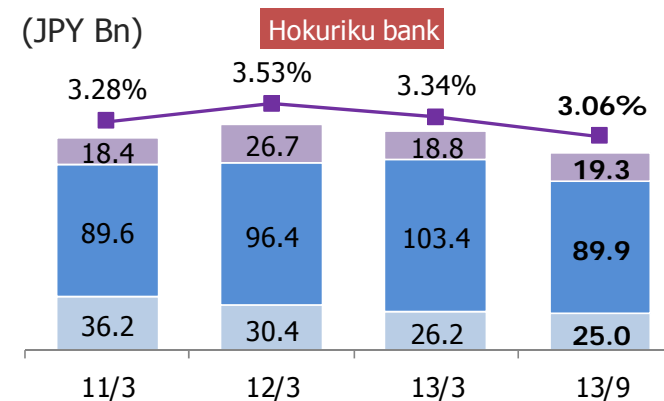
➤ NPL ratio 2.85% (-0.26% from Mar-13)

## 【Balance of non-performing loan】

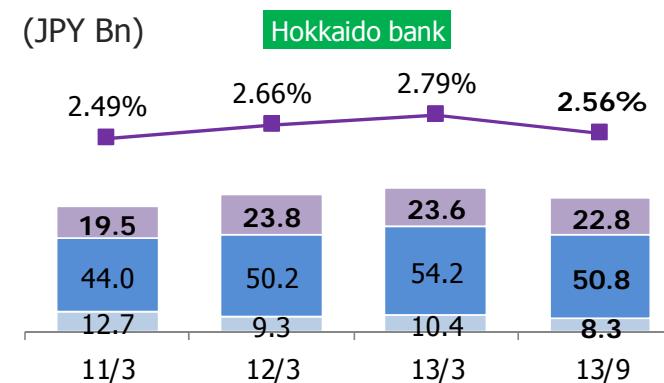
(JPY Bn)



(JPY Bn)



(JPY Bn)



# Capital

## ➤ Capital adequacy ratio 12.04% (+0.16% from Mar-13)

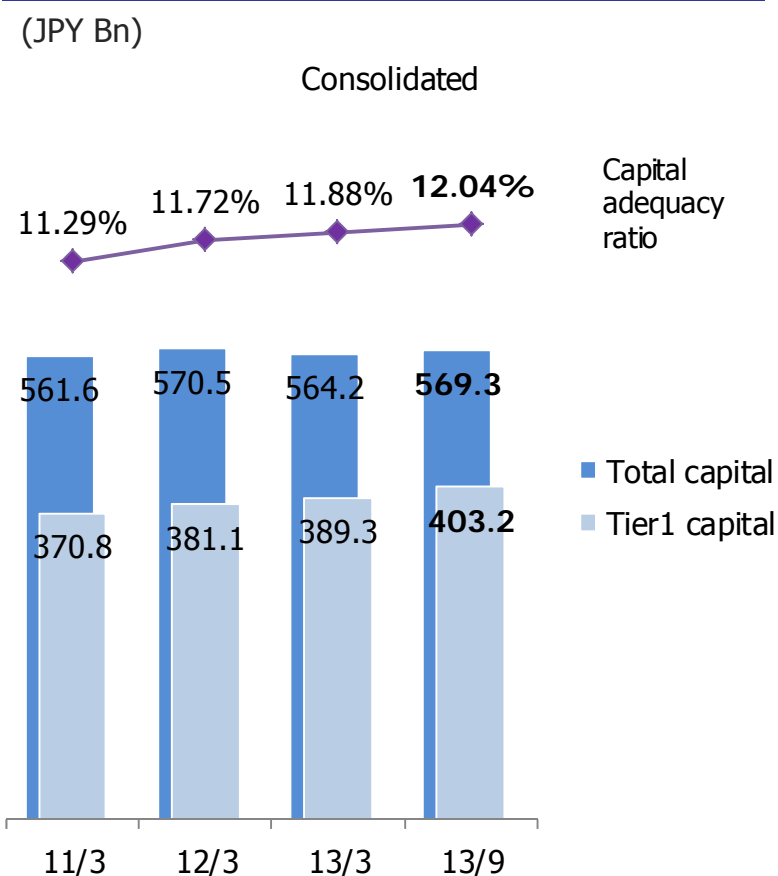
### 【Capital and risk-weighted assets】

(JPY Bn)			
Consolidated	13/9	change	13/3
Total capital	569.3	5.0	564.2
Tier1 capital	403.2	13.9	389.3
Preferred shares	53.7	0.0	53.7
Tier2 capital	166.8	(8.9)	175.7
Risk-weighted assets	4,728.3	(18.4)	4,746.8
Credit risk portion	4,440.9	(15.1)	4,456.0
Operational risk portion	287.3	(3.3)	290.7

### 【Interest rate risk in banking book】

(JPY Bn)			
Total of two banks	13/9	change	13/3
Total interest rate risk	12.9	(57.3)	70.2
Outlier ratio	2.27%	(10.17%)	12.44%

### 【Capital adequacy ratio】



# Forecasts

## 【Earnings forecasts for FY2013】

(JPY Bn)

Consolidated	FY2013 1H	FY2013 Forecasts	Change from FY2012
Ordinary income	95.2	187.0	(12.1)
Ordinary profits	23.5	33.5	4.1
Net income	12.3	18.0	(0.1)

## 【Dividend forecasts for FY2013】

	Interim	Year-end	Annual
Dividend per common share	—	¥3.75	¥3.75
Dividend per preferred share (Type5)	¥7.50	¥7.50	¥15.00

## 【Earnings forecasts for FY2013】

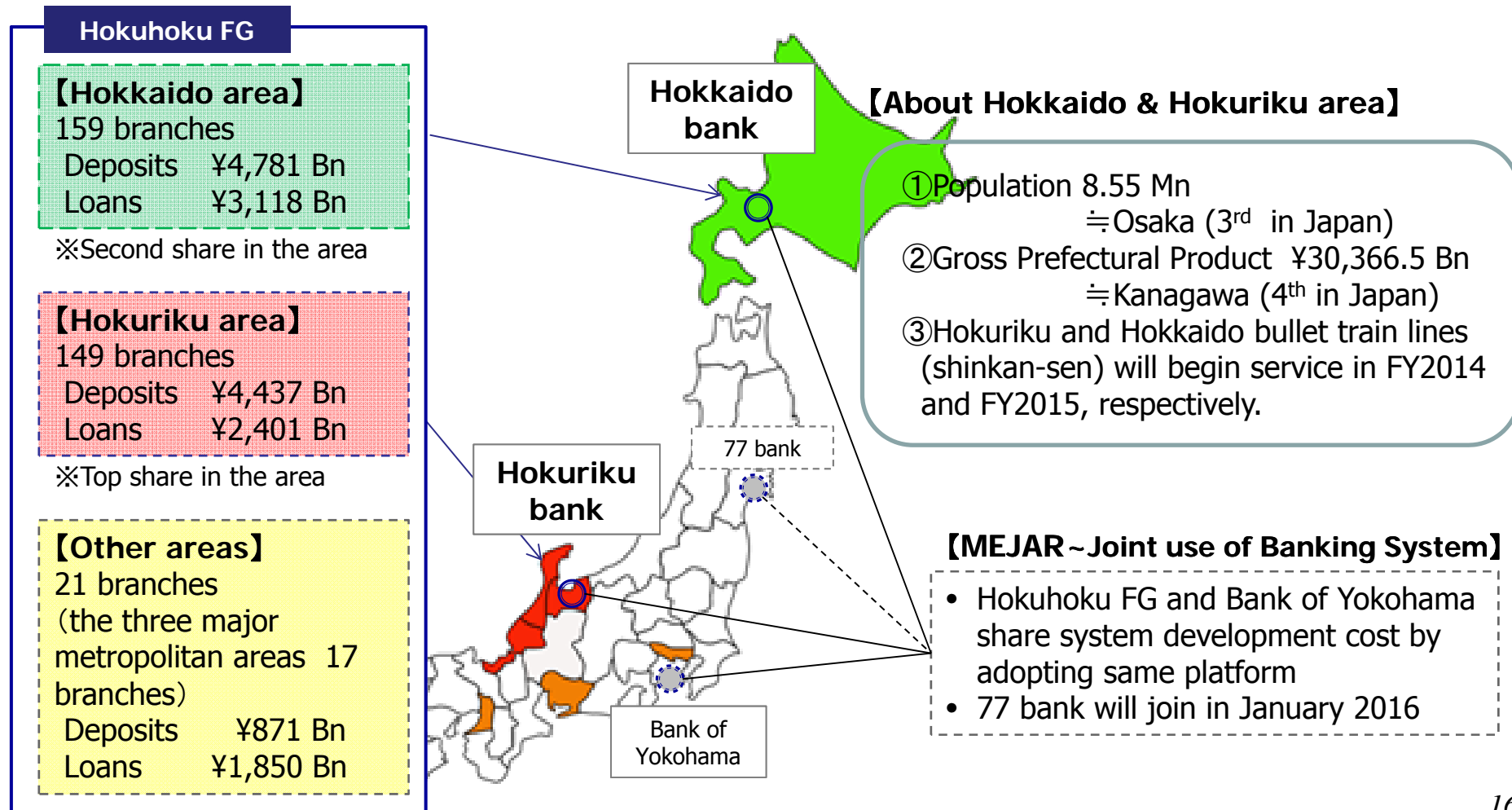
	Total of two banks			Hokuriku bank			Hokkaido bank		
	FY2013 1H	FY2013 Forecasts	Change from FY2012	FY2013 1H	FY2013 Forecasts	Change from FY2012	FY2013 1H	FY2013 Forecasts	Change from FY2012
Ordinary income	88.8	171.0	(13.6)	48.5	94.0	(9.0)	40.2	77.0	(4.6)
Core gross business profits	71.5	140.0	(5.5)	38.9	77.0	(5.3)	32.6	63.0	(0.1)
G&A expenses	47.8	95.0	(0.1)	25.8	51.0	0.0	21.9	44.0	(0.2)
Core net business profits	23.7	45.0	(5.3)	13.0	26.0	(5.4)	10.6	19.0	0.0
Net credit costs	0.0	8.5	(8.5)	(0.9)	3.0	(6.3)	0.9	5.5	(2.1)
Ordinary profits	23.3	34.0	3.9	13.9	21.5	3.1	9.4	12.5	0.8
Net income	12.6	19.0	(0.5)	7.2	12.0	(0.3)	5.4	7.0	(0.2)



# Management Strategy

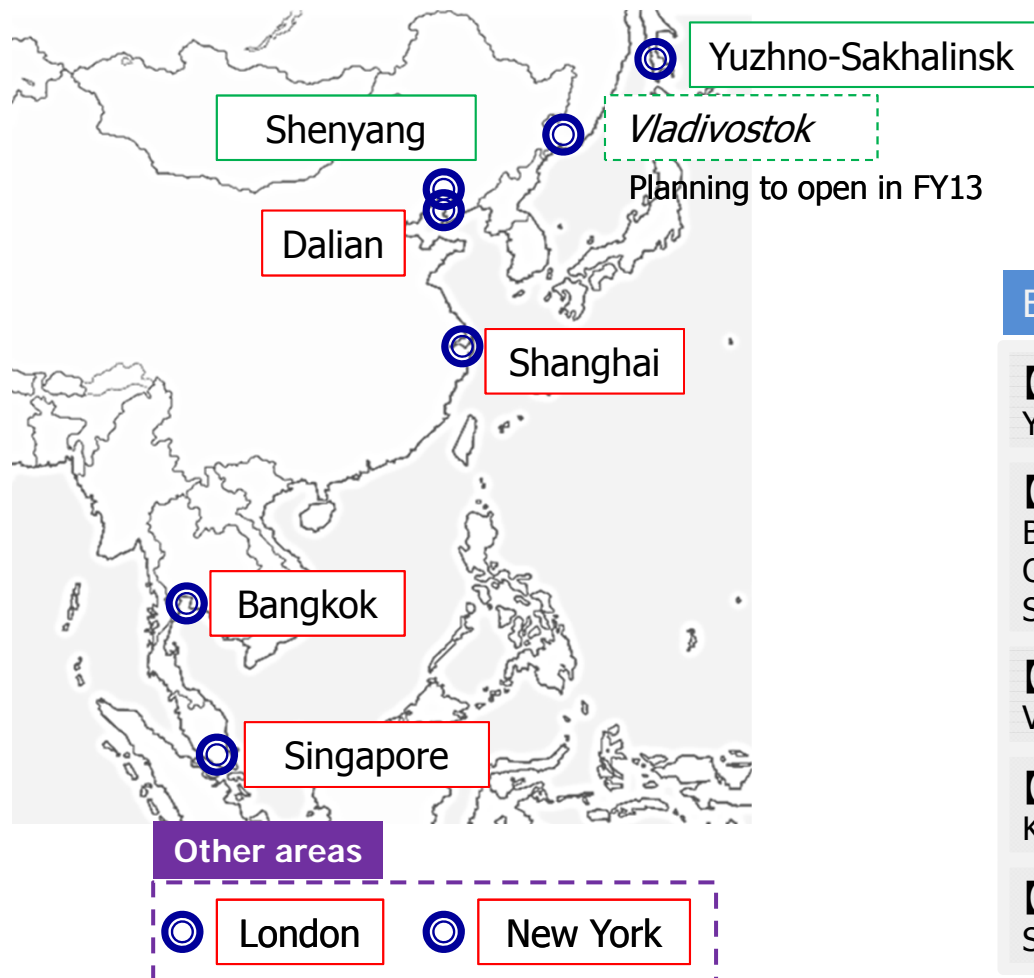
# Our Domestic Network

- Management integrated in 2004 for broader branch network and higher efficiency (fourth biggest in asset among regional banks after integration)
- 329 branches extended in Hokkaido, Hokuriku and three major metropolitan areas
- Lower system related costs by joint use of “MEJAR” ( Most Efficient Joint Advanced Regional banking system )



# Our Overseas Network

- Support clients' business development by our overseas representative offices and alliance with other financial institutions
- Offer various services such as information sharing and fundraising



## ■ Expand overseas network

- 9 overseas representative offices to support of clients' business
- Development of human resources with international sense, through employee training programs either in our representative offices or in other overseas institutions

## Business Partnerships

### 【Japan】

Yamaguchi bank

### 【Great Britain】(Entire Asia)

Standard Chartered Bank

### 【China】

Bank of China, Bank of Communications, Bank of Shanghai

### 【Russia】

Savings Bank of the Russian Federation, VTB Bank, VTB 24 Bank

### 【Vietnam】

Vietcombank

### 【Germany】

Deutsche Bank

### 【Thailand】

KASIKORN Bank

### 【Indonesia】

Bank Negara Indonesia Tbk

### 【India】

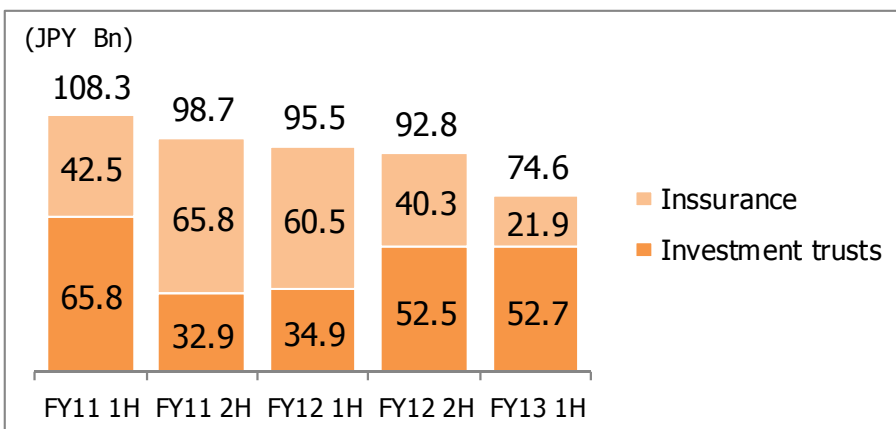
State Bank of India

### 【Philippines】

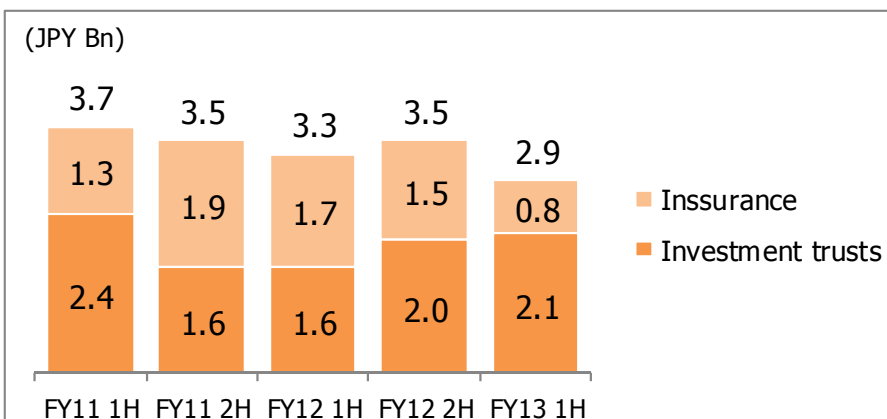
Metrobank

- Turn around fees and commissions from investment products from the bottom in 1<sup>st</sup> half of FY2013

## 【Sales of investment products】



## 【Fees from investment products】



## ■ Shared MCIF\* system (2013/3)

- Enable effective sales promotion by using nationwide database, available with comprehensive alliance of 6 regional banks

- Shared knowhow and development cost

## ■ Event based marketing (2013/5)

- Proper suggestions fit for customer needs
- Standardize sales skills

## ■ Tablet PC (2013/8)

- Support visualized presentation to customers and sales promotion with remote access to customer relationship management system
- Assist efficient sales activity, lower risk of information leakage, and strengthened compliance

## ■ Increase ISA accounts

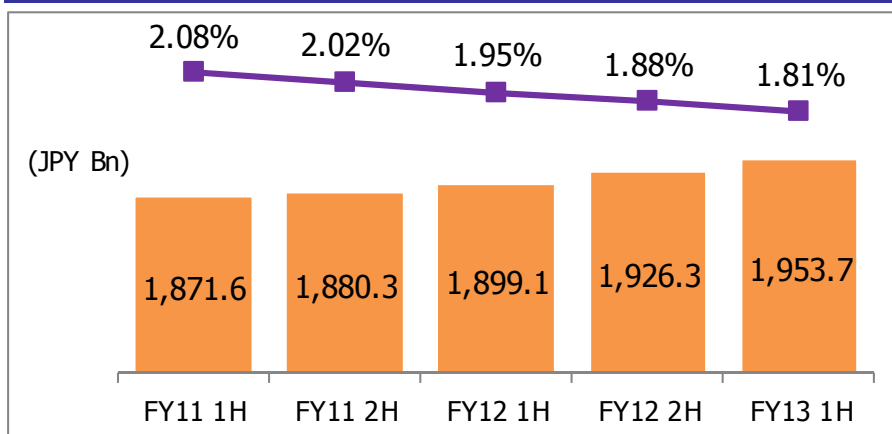
- Increase lineups of investment products with low risk and low cost and modest distribution

(MCIF\*:Marketing Customer Information File)

# Individual Customers (Consumer Loans)

- Promote sales of consumer loans by extending various products and taking aggressive sales marketing measures in line with customer demands

## 【Avg. balance and rate of housing loans】



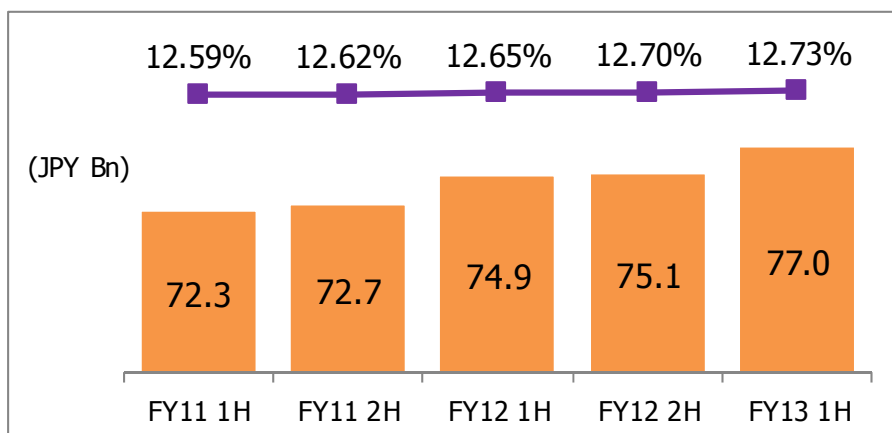
### ■ Housing loans

- Active use of Housing Loan Plazas and branches focusing on personal customers, where consulting counter opens on holidays
- Allocate staffs dedicated to sales promotion of housing loans and establish solid relationships with house constructors

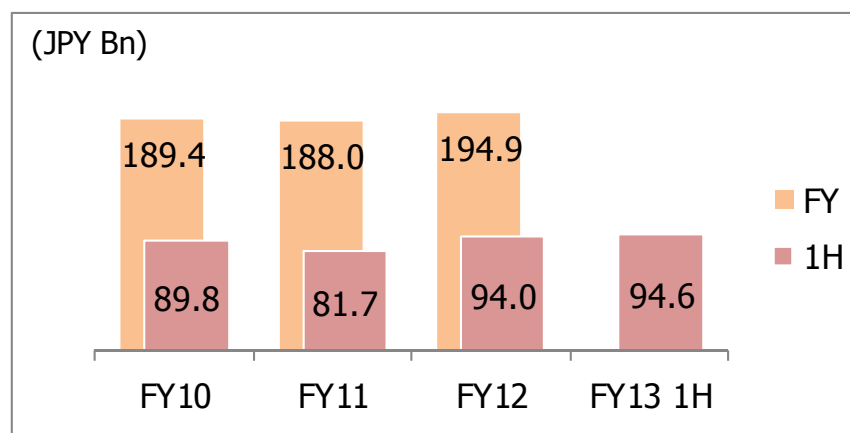
### ■ Card loans

- Expand advertisement by TV commercial, etc.
- Offer higher customer convenience
  - ✓ Entire procedure for loan application is supported by ATM.
  - ✓ Customer without deposit account is applicable.
  - ✓ Loan screening is completed in one day.

## 【Avg. balance and rate of card loans】



## 【Sales amount of housing loans】



- Increase contact with customers for comprehending their business problems and strengthen business relationship through working together for solution
- Raise customer satisfaction by our unique measures

## 【Overseas business support】

### ■ Business matching events

- Cooperate with regional financial institutions and universities for business matching conferences focusing on manufacturing in line with the launch of Hokuriku bullet train.
- Support clients' business talks with buyers of supermarkets and department stores in order to expand sales channels of regional goodies such as fishery products

### ■ Business development support

- Active use of our extensive network of overseas representative offices (Europe, USA, China, Thailand, Singapore and Russia)
- Offer overseas business information by seminars
- Support overseas fundraising (Stand-by letter of credit, Loan by foreign currency, Offer loans extended directly to overseas subsidiaries of regional clients)

Number of contract by business matching support

FY11	FY12	FY13 1H
409	401	104

## 【Agribusiness in Russia】

### ■ Support of agribusiness in Amur Oblast

- Technical and management support in agribusiness
- Establish stable and mutually-beneficial relationship by exporting feedstuff to Japan
- Involve clients' establishment of distribution and sales channel in Russia and expand our business support service for industries other than agribusiness

<Step1> Assess effectiveness of Hokkaido's agricultural technology to Russian cold climate

<Step2> Expand business scale and construct sales and distribution channel

<Step3> Export mixed feedstuff to Japan

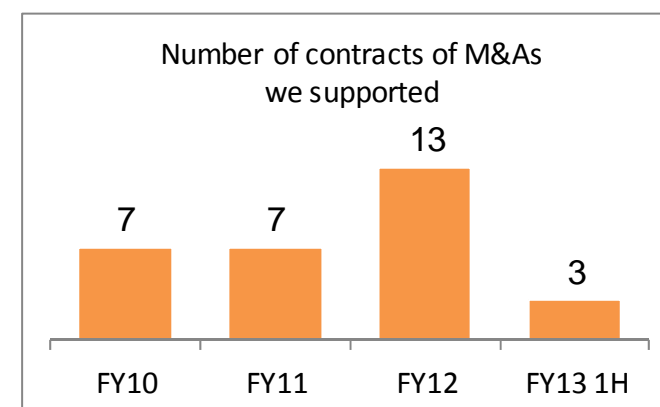
- Work together for solutions of clients' business problems
- Maintain positive function to clients' management improvement support after expiration of Financial Facilitation Act

## 【Business succession , M&A】

- Promote support of business succession and M&A
  - M&A matching offering services by in alliance with external skilled organizations
  - Raise solution capability by dispatching trainee and strengthening employee education

Allocation of employees (As of September 30, 2013)

	Person entirely in charge	person partially in charge
M&A	2	2
business succession	3	6



## 【Management support】

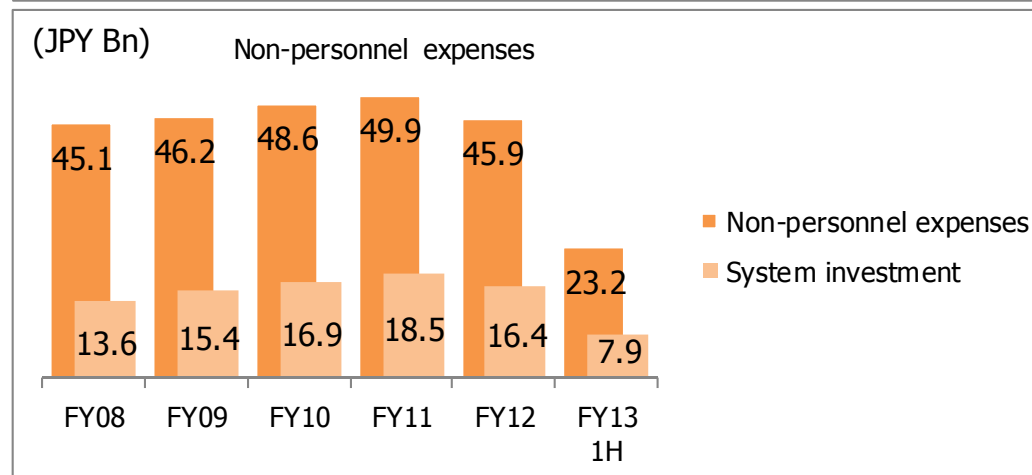
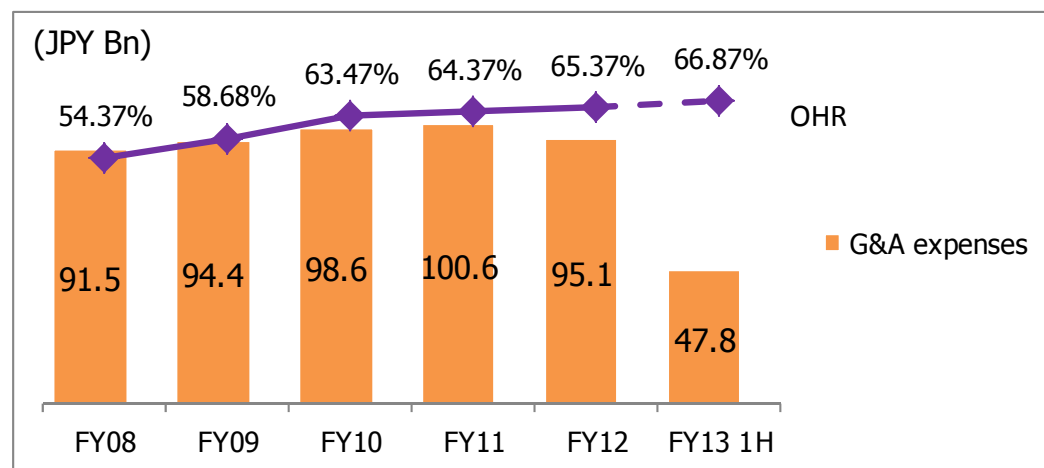
- Multilateral management improvement support by skilled employees in branches, headquarters and think tanks
- Effective use of Regional Economy Vitalization Corporation of Japan, SME Business Rehabilitation Support Co-operatives (SRSC) and regional revitalization fund

Number of clients

	FY11	FY12	FY13 1H
Target clients of special management support	961	902	822
Clients that improved borrower category	78	86	44

- Expenses related to systems are to be peaked out after starting of MEJAR in May 2011
- Pursue further cost reduction corresponding to the increase in consumption tax rate

## 【OHR , Non-personnel expenses】



### ■ Cost reduction

- Review and revision of ATMs allocation and negotiate reduction of rent for branches
  - Joint procurement by two banks
  - 77 Bank to join alliance of consolidated use of banking system after Jan. 2016
- reduce cost of system usage and development

### ■ Improvement of efficiency

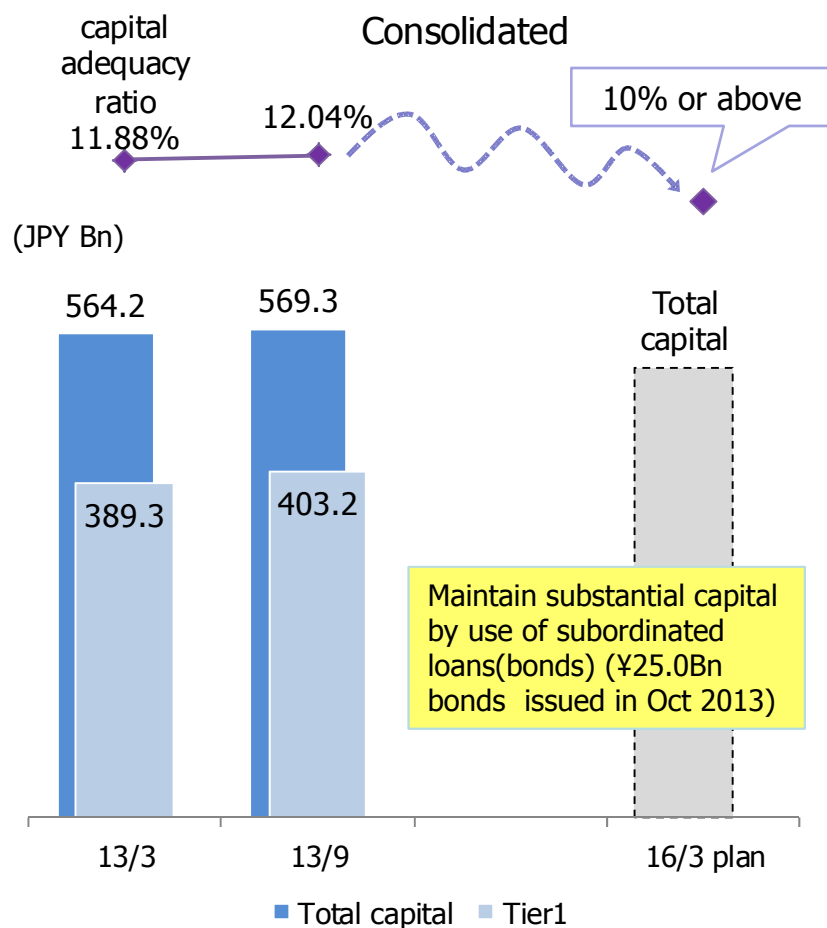
- Expand integration and standardization of business process
- Joint use of back office with other financial institutions (e.g. documentation storage center)



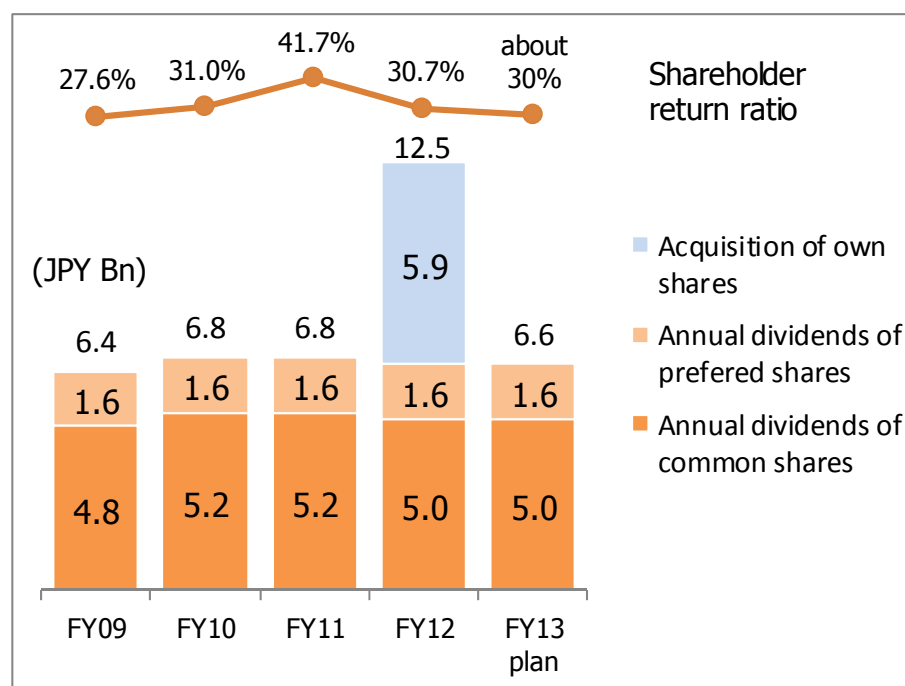
# Capital Policy

- Target Figures during the period of current management plan (FY 2013 to 2015)
  - Consolidated Capital adequacy ratio : 10% or above (domestic standards)
  - Dividend payout ratio for common shares : 30% or above

## 【Capital adequacy ratio】



## 【Shareholder returns】



### Dividends per common share (JPY)

FY06	FY07	FY08	FY09	FY10	FY11	FY12
2.00	2.50	3.00	3.50	3.75	3.75	3.75

# Medium-Term Management Plan “GO for IT !”

## 【The progress from April-2013 to September-2013 】

	FY12	FY13 1H	FY15 Plan
Avg. balance of Deposits	9,790.3 Bn	<b>10,109.0 Bn</b>	10,110.0 Bn
Avg. balance of Loans	7,277.8 Bn	<b>7,327.1 Bn</b>	7,480.0 Bn
Core net business profits	50.3 Bn	<b>23.7 Bn</b>	47.0 Bn
Net income (Consolidated)	18.1 Bn	<b>12.3 Bn</b>	18.5 Bn
Capital adequacy ratio (Consolidated)	11.88%	<b>12.04%</b>	10% or above
OHR (Core gross business profits basis)	65.37%	<b>66.87%</b>	67%
NPL ratio	3.11%	<b>2.85%</b>	Below 3%

# *Appendix*

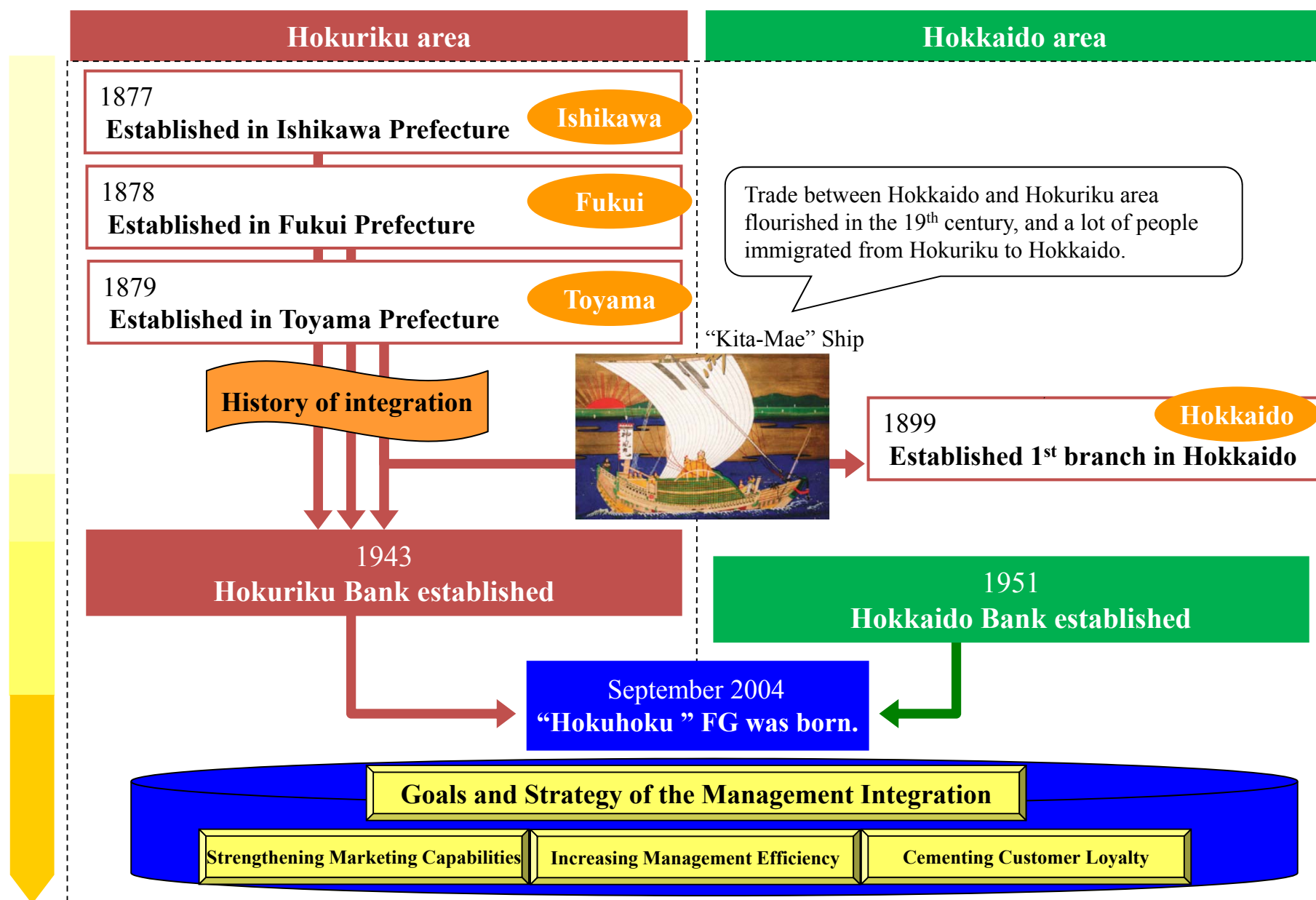
# About Hokuhoku FG ①

## Outline of Hokuhoku FG and Two Banks

Hokuhoku Financial Group, Inc.

(As of September 30, 2013)

	Hokuhoku FG	Hokuriku Bank	Hokkaido Bank
Date of establishment	September 26, 2003	July 31, 1943 (Started business in 1877)	March 5, 1951
Location of head office	1-2-26 Tsutsumicho-dori, Toyama City	1-2-26 Tsutsumicho-dori, Toyama City	4-1 Odori Nishi, Chuo-ku, Sapporo City
Capital	¥ 70,895 million	¥ 140,409.52 million	¥ 93,524.01 million
Shares issued and outstanding	Common stock 1,351,630,146 Preferred stock(Type5) 107,432,000	Common stock 1,047,542,335	Common stock 486,634,512 Preferred stock(Type2) 107,432,000
Total assets	(consolidated) ¥ 11,025.3 billion	¥ 6,299.2 billion	¥ 4,672.4 billion
Deposits & NCD	(consolidated) ¥ 10,069.9 billion	¥ 5,796.8 billion	¥ 4,292.6 billion
Loans	(consolidated) ¥ 7,356.4 billion	¥ 4,271.2 billion	¥ 3,098.4 billion
Capital adequacy ratio	(consolidated) 12.04%	(non-consolidated) 11.95%	(non-consolidated) 11.08%
Employees	61 (13 fulltime workers)	2,882	2,430
Ratings	A(R&I)、A(JCR)	A(R&I)、A(JCR)	A(R&I)、A(JCR)
Branches (Domestic) (Overseas)		143 branches, 45 sub-branches 6 representative offices	134 branches, 7 sub-branches 2 representative offices



# About Hokuhoku FG ③

## Historical Data (Hokuhoku FG)

Hokuhoku Financial Group, Inc.

(JPY Bn)

	FY2008	FY2009	FY2009	FY2010	FY2010	FY2011	FY2011	FY2012	FY2012	FY2013
<Consolidated>	Full year	Interim	Full year	Interim	Full year	Interim	Full year	Interim	Full year	Interim
Ordinary income	239.6	114.3	226.7	109.2	214.6	105.7	207.9	105.7	199.1	95.2
Ordinary profits	21.3	13.3	35.4	18.0	37.2	18.9	38.8	8.9	29.3	23.5
Net income	37.0	5.7	19.2	10.0	18.4	8.9	14.1	6.1	18.1	12.3
Capital adequacy ratio	10.81%	10.91%	10.83%	11.39%	11.29%	11.57%	11.72%	11.90%	11.88%	12.04%

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

Core gross business profits	168.3	79.6	160.9	76.0	155.4	77.3	156.3	73.5	145.5	71.5
General & administrative expenses	91.5	47.1	94.4	48.4	98.6	51.4	100.6	48.5	95.1	47.8
Core net business profits	76.8	32.4	66.4	27.6	56.7	25.9	55.7	25.0	50.3	23.7
Net gains(losses) related to securities	(17.6)	0.8	0.2	0.8	(1.0)	1.2	(1.4)	(3.5)	0.4	1.0
Credit costs	35.5	16.8	25.5	8.3	14.5	6.4	10.4	10.4	17.0	0.0
Ordinary profits	21.3	14.2	36.8	18.8	37.0	19.3	40.5	9.4	30.0	23.3
Net income	37.9	11.4	26.0	11.1	19.6	9.8	16.6	7.0	19.5	12.6
ROA	0.80%	0.66%	0.68%	0.54%	0.56%	0.49%	0.53%	0.47%	0.47%	0.43%
OHR	54.37%	59.20%	58.68%	63.67%	63.47%	66.46%	64.37%	65.98%	65.37%	66.87%
Loans *	7,156.7	7,001.5	6,993.6	6,966.7	7,241.1	7,236.1	7,287.0	7,313.8	7,402.0	7,369.6
Deposits (including NCD)	8,742.4	8,930.2	9,120.3	9,223.9	9,523.8	9,534.7	9,700.8	9,787.6	10,008.1	10,089.4
Securities	1,725.0	1,787.6	2,015.0	2,204.1	2,315.1	2,465.8	2,471.8	2,392.6	2,497.8	2,540.4
Non performing loan *	227.5	214.6	215.2	214.4	220.5	229.8	236.8	252.1	236.7	216.1
NPL ratio *	3.07%	2.96%	2.98%	2.98%	2.96%	3.08%	3.17%	3.36%	3.11%	2.85%

# About Hokuhoku FG ④

## Historical Data (Hokuriku Bank )

Hokuhoku Financial Group, Inc.

(JPY Bn)

	FY2008 Full year	FY2009 Interim	FY2009 Full year	FY2010 Interim	FY2010 Full year	FY2011 Interim	FY2011 Full year	FY2012 Interim	FY2012 Full year	FY2013 Interim
Ordinary income	124.2	57.5	113.7	55.0	108.8	54.0	105.4	56.2	103.0	48.5
Core gross business profits	94.7	45.3	90.1	44.1	88.5	45.2	88.5	42.4	82.3	38.9
General & administrative expenses	51.3	25.8	51.8	26.5	53.8	27.7	54.2	25.9	50.9	25.8
Core net business profits	43.4	19.5	38.3	17.5	34.6	17.4	34.3	16.4	31.4	13.0
Net gains(losses) related to securities	(12.6)	(1.2)	(2.4)	(2.0)	(2.8)	(1.0)	(1.1)	(3.6)	(1.2)	0.6
Credit costs	21.4	7.0	13.4	2.9	7.1	1.9	4.4	9.5	9.3	(0.9)
Ordinary profits	8.8	9.8	19.9	12.1	22.9	13.8	27.4	2.3	18.3	13.9
Net income	26.4	7.5	15.6	7.2	11.9	6.9	11.4	1.9	12.3	7.2
Capital adequacy ratio	10.23%	10.56%	10.80%	11.27%	11.32%	11.62%	11.85%	11.89%	11.78%	11.95%
ROA	0.77%	0.69%	0.68%	0.60%	0.59%	0.58%	0.57%	0.55%	0.52%	0.42%
OHR	54.18%	56.95%	57.48%	60.16%	60.85%	61.32%	61.25%	61.17%	61.84%	66.39%
Loans *	4,293.3	4,172.6	4,142.6	4,109.2	4,252.3	4,205.7	4,233.9	4,245.5	4,332.7	4,271.2
Deposits (including NCD)	5,092.5	5,155.8	5,306.7	5,292.6	5,439.9	5,416.5	5,545.1	5,541.2	5,726.2	5,796.8
Securities	858.8	858.4	1,015.9	1,088.4	1,217.5	1,285.7	1,315.4	1,178.2	1,269.6	1,296.1
Non performing loan *	142.6	140.1	147.3	146.1	144.3	153.1	153.5	168.1	148.4	134.2
NPL ratio *	3.19%	3.23%	3.42%	3.43%	3.28%	3.52%	3.53%	3.86%	3.34%	3.06%

\* Hokuriku Bank + Hokugin Corp.

# About Hokuhoku FG ⑤

## Historical Data (Hokkaido Bank )

Hokuhoku Financial Group, Inc.

(JPY Bn)

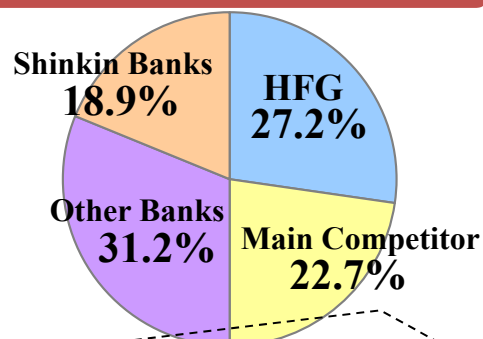
	FY2008 Full year	FY2009 Interim	FY2009 Full year	FY2010 Interim	FY2010 Full year	FY2011 Interim	FY2011 Full year	FY2012 Interim	FY2012 Full year	FY2013 Interim
Ordinary income	94.3	46.9	93.7	44.8	87.0	43.2	87.5	42.3	81.6	40.2
Core gross business profits	73.5	34.2	70.8	31.9	66.8	32.1	67.8	31.0	63.1	32.6
General & administrative expenses	40.2	21.3	42.6	21.8	44.7	23.7	46.4	22.5	44.2	21.9
Core net business profits	33.3	12.9	28.1	10.0	22.1	8.4	21.4	8.5	18.9	10.6
Net gains(losses) related to securities	(4.9)	2.1	2.7	2.9	1.7	2.2	(0.2)	0.1	1.7	0.3
Credit costs	14.0	9.7	12.0	5.3	7.4	4.4	5.9	0.8	7.6	0.9
Ordinary profits	12.5	4.3	16.9	6.6	14.1	5.4	13.1	7.1	11.6	9.4
Net income	11.4	3.8	10.3	3.9	7.7	2.9	5.2	5.0	7.2	5.4
Capital adequacy ratio	10.45%	10.30%	10.19%	10.68%	10.59%	10.57%	10.80%	11.05%	11.23%	11.08%
ROA	0.85%	0.63%	0.68%	0.47%	0.51%	0.37%	0.47%	0.37%	0.41%	0.45%
OHR	54.62%	62.17%	60.21%	68.53%	66.93%	73.69%	68.44%	72.57%	69.98%	67.44%
Loans	2,863.4	2,828.9	2,851.0	2,857.4	2,988.8	3,030.4	3,053.0	3,068.3	3,069.3	3,098.4
Deposits (including NCD)	3,649.9	3,774.4	3,813.6	3,931.3	4,083.9	4,118.2	4,155.7	4,246.4	4,281.9	4,292.6
Securities	866.2	929.1	999.1	1,115.7	1,097.6	1,180.1	1,156.4	1,214.4	1,228.2	1,244.3
Non performing loan	84.8	74.5	67.9	68.3	76.3	76.7	83.3	84.0	88.2	81.9
NPL ratio	2.89%	2.57%	2.32%	2.33%	2.49%	2.47%	2.66%	2.66%	2.79%	2.56%



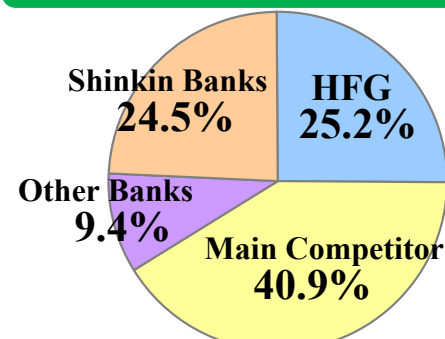
**About Hokuhoku FG ⑥**  
**Market Share in Our Home Market (Loans, Mar-13)**

Hokuhoku Financial Group, Inc.

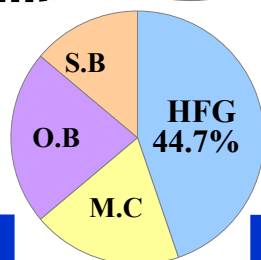
**Hokuriku Area**



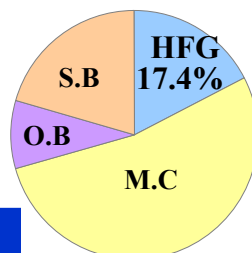
**Hokkaido Area**



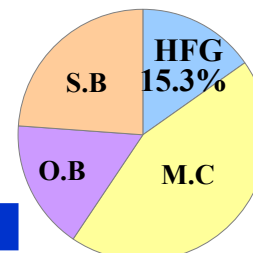
**Toyama**



**Ishikawa**



**Fukui**



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

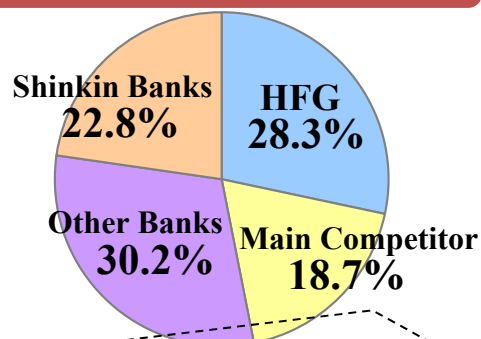
(JPY Bn)

		Hokuriku				Hokkaido
		Area	Toyama Pref.	Ishikawa Pref.	Fukui Pref.	
Banks		7,169.4(81.1%)	2,868.3(86.1%)	2,628.5(79.5%)	1,672.6(76.0%)	9,344.7(75.5%)
Hokuhoku FG(HFG)		2,401.5(27.2%)	1,489.2(44.7%)	574.8(17.4%)	337.5(15.3%)	3,118.1(25.2%)
Hokuriku Bank (Loans + Securitized loans)		2,401.5(27.2%) (2,421.7)	1,489.2(44.7%) (1,501.4)	574.8(17.4%) (580.9)	337.5(15.3%) (339.3)	508.1(4.1%) (508.1)
Hokkaido Bank		0(0.0%)	0(0.0%)	0(0.0%)	0(0.0%)	2,610.0(21.1%)
Main Competitor		2,008.7(22.7%)	639.9(19.2%)	1,754.8(53.1%)	970.8(44.1%)	5,063.7(40.9%)
Shinkin Banks		1,669.9(18.9%)	463.1(13.9%)	678.3(20.5%)	528.4(24.0%)	3,034.6(24.5%)
Total		8,839.3(100 %)	3,331.4(100 %)	3,306.8(100%)	2,201.0(100%)	12,379.3(100%)

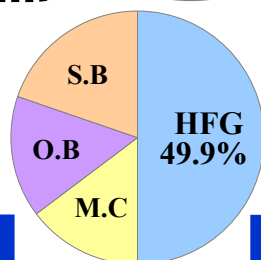
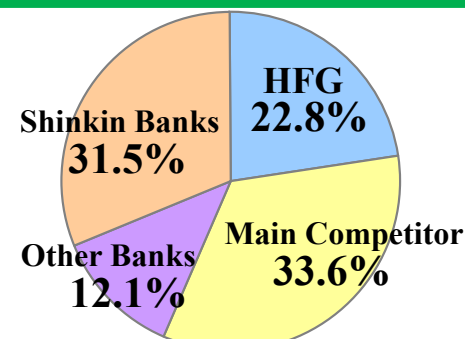
**About Hokuhoku FG ⑦**  
**Market Share in Our Home Market (Deposits, Mar-13)**

Hokuhoku Financial Group, Inc.

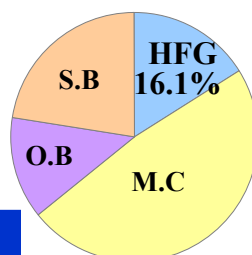
**Hokuriku Area**



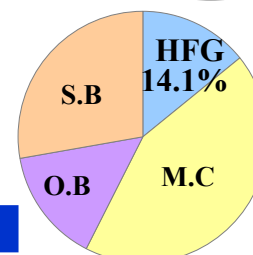
**Hokkaido Area**



**Toyama**



**Ishikawa**



**Fukui**

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

(JPY Bn)

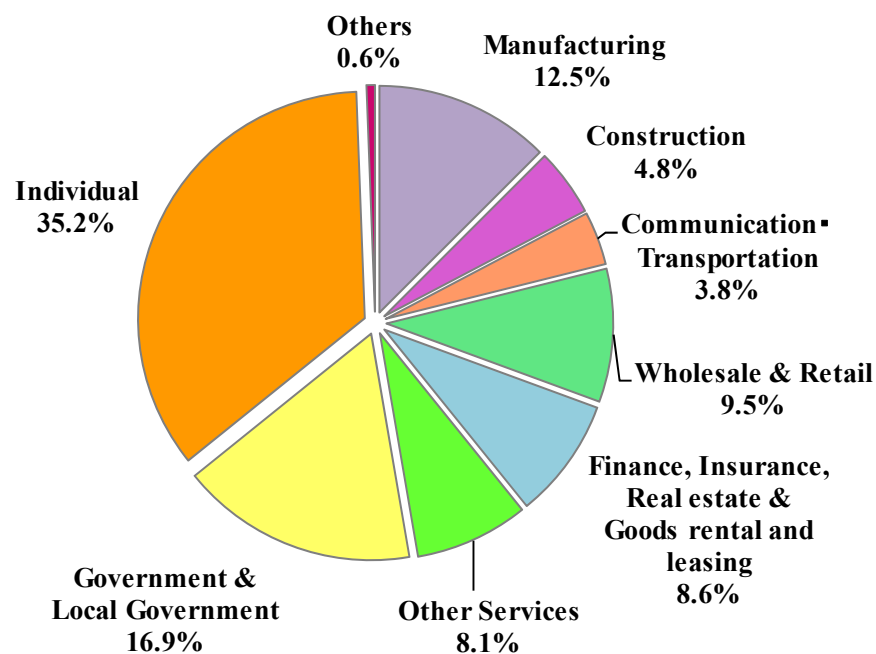
		Hokuriku				Hokkaido
		Area	Toyama Pref.	Ishikawa Pref.	Fukui Pref.	
Banks		12,110.8(77.2%)	4,740.5(80.3%)	4,454.4(77.6%)	2,915.9(72.1%)	14,397.1(68.5%)
	Hokuhoku FG(HFG)	4,437.3(28.3%)	2,946.2(49.9%)	921.7(16.1%)	569.3(14.1%)	4,781.1(22.8%)
	Hokuriku Bank	4,437.3(28.3%)	2,946.2(49.9%)	921.7(16.1%)	569.3(14.1%)	552.0(2.6%)
	Hokkaido Bank	0(0.0%)	0(0.0%)	0(0.0%)	0(0.0%)	4,229.1(20.1%)
	Main Competitor	2,935.2(18.7%)	879.9(14.9%)	2,758.9(48.1%)	1,754.0(43.4%)	7,055.7(33.6%)
Shinkin Banks		3,571.0(22.8%)	1,161.2(19.7%)	1,282.3(22.4%)	1,127.4(27.9%)	6,614.3(31.5%)
Total		15,681.8(100%)	5,901.7(100%)	5,736.7(100%)	4,043.3(100%)	21,011.4(100%)

## About Hokuhoku FG ⑧

### Lending in the Region by Industry (Sep-13)

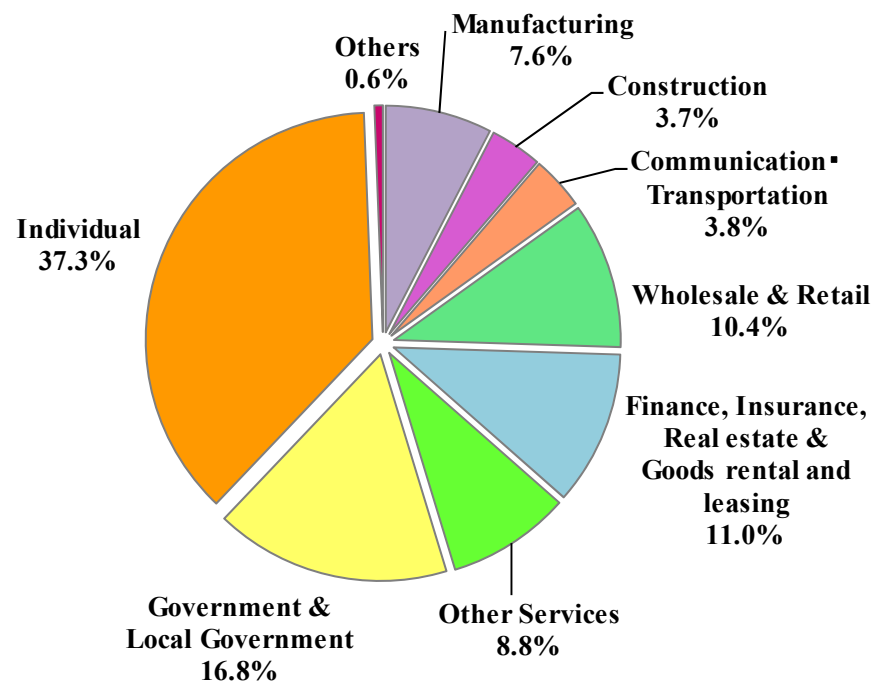
Hokuhoku Financial Group, Inc.

**Hokuriku Bank**



Region: Toyama, Ishikawa, Fukui, Hokkaido

**Hokkaido Bank**



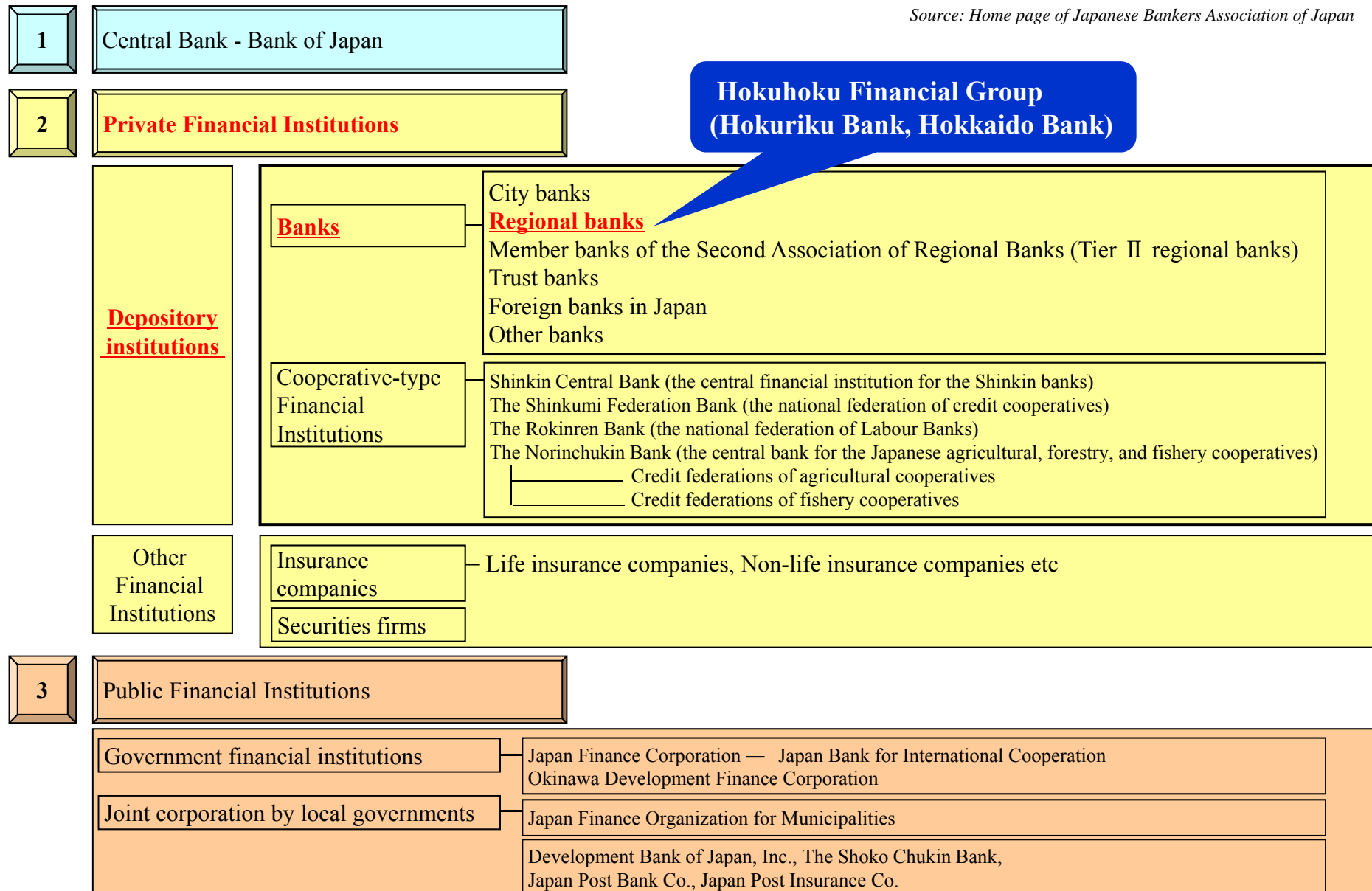
Region: Hokkaido

# About Japanese Regional Banks ①

## Financial Institutions in Japan

Hokuhoku Financial Group, Inc.

Source: Home page of Japanese Bankers Association of Japan



## About Japanese Regional Banks ②

### Outline of Regional Banks

Hokuhoku Financial Group, Inc.

#### Outline of Regional Banks

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

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



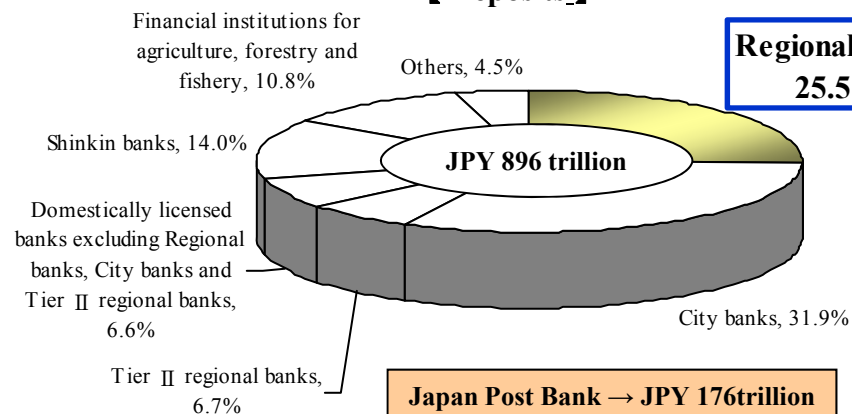
#### Leading Banks in the Regions

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

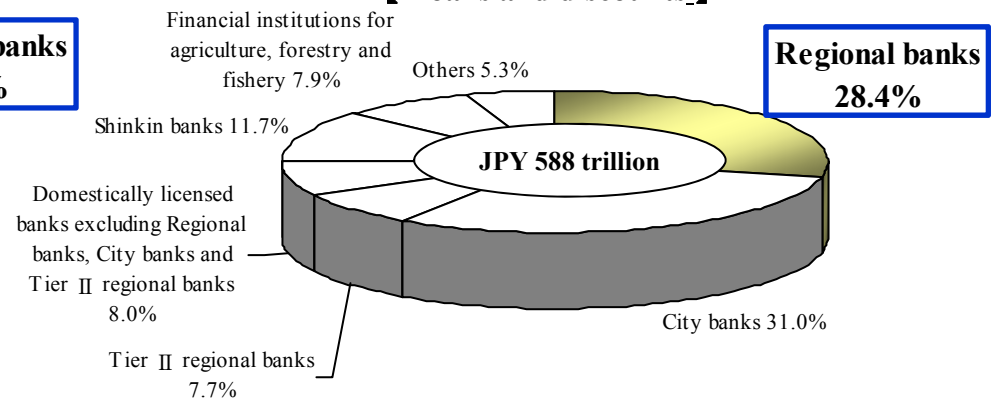
*Through this branch network, the regional banks cater to the diversified financial needs of individual customers as well as medium-sized and small- and medium-sized corporate clients in the regions, and also play a leading role in regional finance for the promotion and development of regional communities.*

#### Shares of Deposits and Loans of Private Financial Institutions (Mar-13)

##### 【 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)	0.80Mn (43rd)	3.06Mn	5.49Mn (8th)	8.55Mn
Density of Population (Ranking)	256.1pt (25th)	278.6pt (23rd)	191.7pt (32nd)	—	70.0pt (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 (9.06Mn)
3 <sup>rd</sup>	Osaka (8.86Mn)

### Gross Prefectural Product

Data from Ministry of Internal Affairs and Communications and Cabinet Office

	Toyama a	Ishikawa b	Fukui C	Total a + b + c	Hokkaido	Total (JPY Bn)
GPP (Proportion) (Ranking)	4,370.4 (0.88%) (30th)	4,264.9 (0.86%) (32nd)	3,302.8 (0.67%) (41st)	11,938.1 (2.41%)	18,428.3 (3.72%) (7th)	30,366.5 (6.11%)

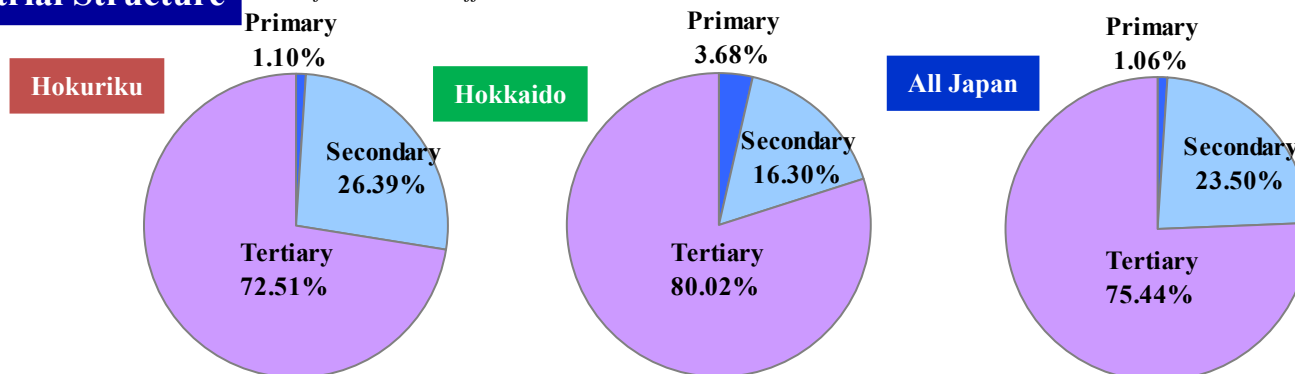
### Almost equal to Kanagawa!

(JPY Bn)

1 <sup>st</sup>	Tokyo
2 <sup>nd</sup>	Osaka
3 <sup>rd</sup>	Aichi
4 <sup>th</sup>	Kanagawa (29,757.0)

### 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 (26,497.4)

October-13	Monthly Economic Report (By the Cabinet Office)	Regional Economic Report (By Bank of Japan)	
	All Japan	Hokuriku Area	Hokkaido Area
Economic Trend	Recovering moderately	Picking up steadily	Recovering moderately
Public Investment	Steady	Increasing trend	Increasing significantly
Business Investment	Showing movements of picking up	Resilient, particularly in manufacturing	Increasing moderately
Private consumption	Trend of picking up	Showing signs of picking up	Picking up
Housing construction	Increasing	Picking up steadily	Picking up moderately
Production	Increasing moderately	Increasing steadily	Increasing moderately
Employment & Income	Improving	Picking up	Improving
Prices	Rising	Above the previous year's level	Above the previous year's level
The number of bankrupt companies	Almost flat	Below the previous year's level	Calm movement



## 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

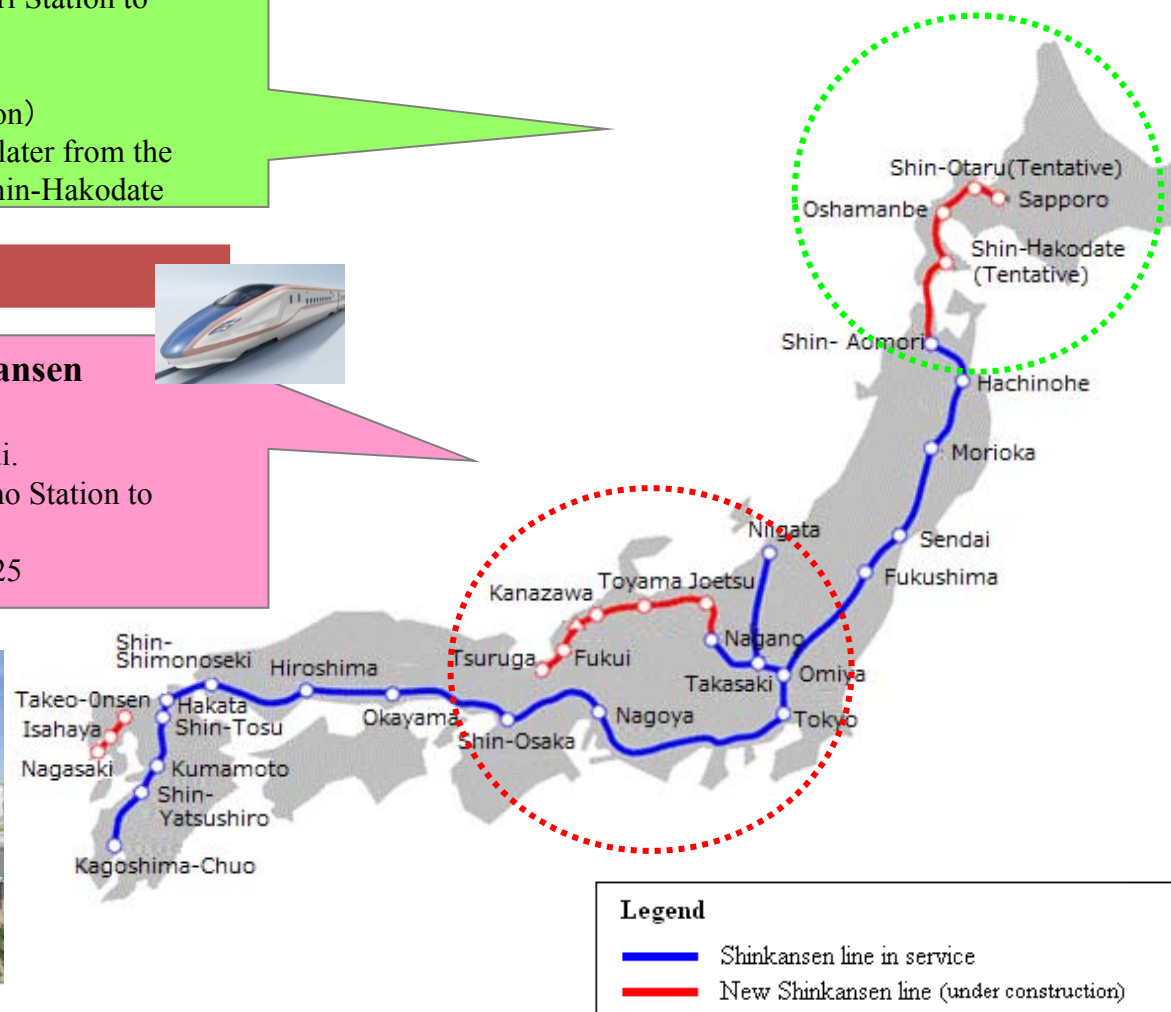
Constructing a 700 KM line from Tokyo to Osaka via Nagano, Toyama, Kanazawa, Fukui.

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





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