

Affirmed A/Stable on senior debts of Hokuhoku Financial Group

April 5, 2011

<Rationale>

Hokuhoku Financial Group, Inc. is a wide-ranging regional financial group with The Hokuriku Bank, Ltd. and The Hokkaido Bank, Ltd. being its core banks. The Hokuriku Bank, Ltd. is headquartered in Toyama City and has a high presence in three prefectures in the Hokuriku area, as well as a certain business base in Hokkaido. On the other hand, The Hokkaido Bank, Ltd. headquartered in Sapporo City has a branch network all over Hokkaido and its business base is solid especially in retail market. The Group's funds total approximately 9 trillion yen, which is the third largest in the industry after Fukuoka Financial Group, Inc. and The Bank of Yokohama, Ltd. The Group and The Bank of Yokohama, Ltd. are in the process of establishing a shared use of computers systems and also formed a business tie-up in business matching and overseas support. The Group finished repaying public funds in full in August 2009, and launched its new medium-term management plan in April 2010. The ratings on the two banks are supported by their solid business bases and relatively good asset quality. Although their core earnings power is weakening, their credit costs are stable and a certain level of net profit is foreseeable. It is highly likely that they can accumulate their retained earnings even with a certain amount of stress such as worsening external environments. Whether they can improve their earnings level net of credit costs and can increase their equity capital even further will be a key point in determining their ratings hereafter. JCR considers that the rating on the Group as a whole is equivalent to "A." The structurally subordinated nature of a holding company relative to its Group in the ratings is not reflected in the rating for the holding company, given its level of double leverage ratio and earnings conditions.

Issue: Hokuhoku Financial Group, Inc. (8377)

<Affirmation>

Senior debts: A/Stable

Issuer: The Hokuriku Bank, Ltd.

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