Financial Summary

Six months ended September 30, 2017



November 10, 2017
North Pacific Bank, Ltd.

Tokyo Stock Exchange First Section, Sapporo Securities Exchange: 8524

Ⅰ. Financial Statements

1. Consolidated Balance Sheets

(¥ millions)

		As of Mar.31, 2017	As of Sep.30, 2017
Assets	資産の部		
Cash and due from banks	現金預け金	1,022,200	889,340
Call loans and bills bought	コールローン及び買入手形	1,322	99,781
Monetary claims bought	買入金銭債権	14,239	11,253
Trading account securities	商品有価証券	4,952	4,238
Securities	有価証券	1,729,586	1,663,814
Loans and bills discounted	貸出金	6,052,348	6,174,827
Foreign exchanges	外国為替	5,102	7,557
Lease receivables and investment assets	リース債権及びリース投資資産	47,186	48,117
Other assets	その他資産	103,610	137,112
Property, plant and equipment	有形固定資産	88,549	88,669
Intangible assets	無形固定資産	9,171	8,358
Deferred tax assets	繰延税金資産	465	460
Customers' liabilities for acceptances and guarantees	支払承諾見返	54,558	58,526
Allowance for loan losses	貸倒引当金	(39,579)	(36,914)
Total assets	資産の部合計	9,093,714	9,155,144
Liabilities	負債の部		
Deposits	預金	8,086,989	7,935,079
Negotiable certificates of deposit	譲渡性預金	75,120	305,721
Payables under repurchase agreements	売現先勘定	―	37,399
Payables under securities lending transactions	債券貸借取引受入担保金	222,758	135,719
Borrowed money	借用金	160,486	165,244
Foreign exchanges	外国為替	69	38
Other liabilities	その他負債	54,307	52,311
Provision for bonuses	賞与引当金	1,943	1,858
Net defined benefit liability	退職給付に係る負債	1,030	912
Provision for reimbursement of deposits	睡眠預金払戻損失引当金	1,615	1,763
Provision for point card certificates	ポイント引当金	369	566
Deferred tax liabilities	繰延税金負債	23,159	29,599
Deferred tax liabilities for land revaluation	再評価に係る繰延税金負債	2,693	2,674
Acceptances and guarantees	支払承諾	54,558	58,526
Total liabilities	負債の部合計	8,685,102	8,727,415
Net assets	純資産の部		
Capital stock	資本金	121,101	121,101
Capital surplus	資本剰余金	72,344	72,367
Retained earnings	利益剰余金	124,280	131,425
Treasury shares	自己株式	(0)	(0)
Total shareholders' equity	株主資本合計	317,725	324,893
Valuation difference on available-for-sale securities	その他有価証券評価差額金	79,344	90,940
Revaluation reserve for land	土地再評価差額金	5,586	5,541
Remeasurements of defined benefit plans	退職給付に係る調整累計額	(128)	(63)
Total accumulated other comprehensive income	その他の包括利益累計額合計	84,802	96,418
Subscription rights to shares	新株予約権	101	104
Non-controlling interests	非支配株主持分	5,981	6,312
Total net assets	純資産の部合計	408,611	427,728
Total liabilities and net assets	負債及び純資産の部合計	9,093,714	9,155,144

2. Consolidated Statements of Income and Comprehensive Income

(1) Consolidated Statements of Income

(¥ millions)

		Six months ended Sep.30,	
		2016	2017
Ordinary income	経常収益	75,095	73,694
Interest income	資金運用収益	39,621	38,767
Of which, interest on loans and discounts	うち貸出金利息	31,884	31,125
Of which, interest and dividends on securities	うち有価証券利息配当金	7,423	7,309
Fees and commissions	役務取引等収益	15,221	14,422
Other ordinary income	その他業務収益	15,766	14,197
Other income	その他経常収益	4,486	6,306
Ordinary expenses	経常費用	60,724	61,772
Interest expenses	資金調達費用	1,613	2,028
Of which, interest on deposits	うち預金利息	350	236
Fees and commissions payments	役務取引等費用	6,087	6,465
Other ordinary expenses	その他業務費用	13,279	14,209
General and administrative expenses	営業経費	38,679	38,142
Other expenses	その他経常費用	1,064	925
Ordinary profit	経常利益	14,371	11,921
Extraordinary income	特別利益	0	378
Gain on disposal of non-current assets	固定資産処分益	0	378
Extraordinary losses	特別損失	283	296
Loss on disposal of non-current assets	固定資産処分損	100	152
Impairment loss	減損損失	183	144
Profit before income taxes	税金等調整前中間純利益	14,088	12,003
Income taxes - current	法人税、住民税及び事業税	1,254	1,447
Income taxes - deferred	法人税等調整額	2,011	1,144
Total income taxes	法人税等合計	3,265	2,591
Profit	中間純利益	10,822	9,411
Profit(loss) attributable to non-contorolling interests	非支配株主に帰属する中間純利益又は非支配株主に帰属する中間純損失(△)	150	(81)
Profit attributable to owners of parent	親会社株主に帰属する中間純利益	10,672	9,493

(2) Consolidated Statements of Comprehensive Income

(¥ millions)

		Six months ended Sep.30,	
		2016	2017
Profit	中間純利益	10,822	9,411
Other comprehensive income	その他の包括利益	2,838	12,073
Valuation difference on available-for-sale securities	その他有価証券評価差額金	2,850	12,008
Deferred gains or losses on hedges	繰延ヘッジ損益	0	―
Remeasurements of defined benefit plans , net of tax	退職給付に係る調整額	(12)	64
Comprehensive income	中間包括利益	13,660	21,484
Comprehensive income attributable to owners of parent	親会社株主に係る中間包括利益	13,363	21,153
Comprehensive income attributable to non-contorolling interests	非支配株主に係る中間包括利益	296	331

3. Non-Consolidated Balance Sheets

(¥ millions)

		As of Mar.31, 2017	As of Sep.30, 2017
Assets	資産の部		
Cash and due from banks	現金預け金	1,021,957	888,898
Call loans	コールローン	1,322	99,781
Monetary claims bought	買入金銭債権	14,239	11,253
Trading account securities	商品有価証券	4,952	4,238
Securities	有価証券	1,727,163	1,660,162
Loans and bills discounted	貸出金	6,108,890	6,230,501
Foreign exchanges	外国為替	5,102	7,557
Other assets	その他資産	70,664	104,350
Other	その他の資産	70,664	104,350
Property, plant and equipment	有形固定資産	87,588	87,480
Intangible assets	無形固定資産	8,933	8,079
Customers' liabilities for acceptances and guarantees	支払承諾見返	54,558	58,526
Allowance for loan losses	貸倒引当金	(33,723)	(30,580)
Total assets	資産の部合計	9,071,648	9,130,250
Liabilities	負債の部		
Deposits	預金	8,094,082	7,941,244
Negotiable certificates of deposit	譲渡性預金	88,480	317,021
Payables under repurchase agreements	売現先勘定	―	37,399
Payables under securities lending transactions	債券貸借取引受入担保金	222,758	135,719
Borrowed money	借用金	153,642	157,601
Foreign exchanges	外国為替	69	38
Other liabilities	その他負債	35,912	35,474
Income taxes payable	未払法人税等	762	1,343
Lease obligations	リース債務	4,771	4,752
Other	その他の負債	30,377	29,378
Provision for bonuses	賞与引当金	1,694	1,624
Provision for retirement benefits	退職給付引当金	626	595
Provision for reimbursement of deposits	睡眠預金払戻損失引当金	1,615	1,763
Provision for point card certificates	ポイント引当金	359	556
Deferred tax liabilities	繰延税金負債	22,447	28,625
Deferred tax liabilities for land revaluation	再評価に係る繰延税金負債	2,693	2,674
Acceptances and guarantees	支払承諾	54,558	58,526
Total liabilities	負債の部合計	8,678,940	8,718,865
Net assets	純資産の部		
Capital stock	資本金	121,101	121,101
Capital surplus	資本剰余金	50,001	50,001
Legal capital surplus	資本準備金	50,001	50,001
Retained earnings	利益剰余金	137,963	145,442
Legal retained earnings	利益準備金	3,904	4,383
Other retained earnings	その他利益剰余金	134,058	141,058
Reserve for advanced depreciation of non-current assets	固定資産圧縮積立金	1,046	1,046
Retained earnings brought forward	繰越利益剰余金	133,011	140,011
Treasury shares	自己株式	(107)	(60)
Total shareholders' equity	株主資本合計	308,957	316,484
Valuation difference on available-for-sale securities	その他有価証券評価差額金	78,062	89,254
Revaluation reserve for land	土地再評価差額金	5,586	5,541
Valuation and translation adjustments	評価・換算差額等合計	83,649	94,796
Subscription rights to shares	新株予約権	101	104
Total net assets	純資産の部合計	392,708	411,384
Total liabilities and net assets	負債及び純資産の部合計	9,071,648	9,130,250

4. Non-Consolidated Statements of Income

(¥ millions)

		Six months ended Sep.30,	
		2016	2017
Ordinary income	経常収益	61,736	60,859
Interest income	資金運用収益	40,151	39,276
Of which, Interest on loans and discounts	うち貸出金利息	31,977	31,230
Of which, Interest and dividends on securities	うち有価証券利息配当金	7,860	7,713
Fees and commissions	役務取引等収益	14,357	13,634
Other ordinary income	その他業務収益	2,400	679
Other income	その他経常収益	4,827	7,268
Ordinary expenses	経常費用	47,536	48,581
Interest expenses	資金調達費用	1,591	2,010
Of which, Interest on deposits	うち預金利息	351	236
Fees and commissions payments	役務取引等費用	6,674	7,313
Other ordinary expenses	その他業務費用	709	1,446
General and administrative expenses	営業経費	37,792	37,173
Other expenses	その他経常費用	769	637
Ordinary profit	経常利益	14,199	12,278
Extraordinary income	特別利益	0	378
Extraordinary losses	特別損失	283	296
Income before income taxes	税引前中間純利益	13,916	12,359
Income taxes - current	法人税、住民税及び事業税	1,041	1,185
Income taxes - deferred	法人税等調整額	2,039	1,322
Total income taxes	法人税等合計	3,081	2,507
Net income	中間純利益	10,835	9,851

Ⅱ. Digest of financial results for six months ended September 30, 2017

1. Summary (Non-Consolidated)

(¥ billions)

	Six months ended Sep.30,		Increase/ (Decrease)	Performance Forecast (May 12,2017)	Change from forecast
	2016	**2017**			
Core gross profit	46.7	**43.5**	(3.2)	44.2	(0.6)
Core operating profit	8.9	**6.4**	(2.5)	5.9	0.5
Ordinary profit	14.1	**12.2**	(1.9)	7.4	4.8
Net income	10.8	**9.8**	(0.9)	5.4	4.4
Deposits and NCDs (Average balance)	7,921.9	**8,234.1**	312.1		
Loans and bills discounted (Average balance)	5,838.2	**6,134.8**	296.5		
Capital Adequacy Ratio (Domestic) (%)	11.73%	**13.24%**	1.51%		
ROE (%)	5.68%	**4.88%**	(0.80%)		

＊ NCDs ＝ Negotiable certificates of deposit

$$\text{ROE} = \frac{\text{Net income} \times 365 / 183}{\text{(Total net assets at beginning of fiscal year*+ Total net assets at end of fiscal (interim) year*)/ 2}}$$

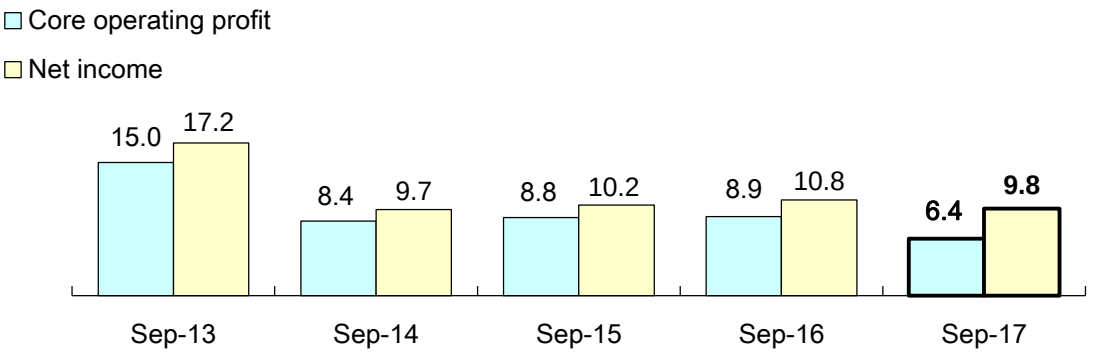
*Excluding subscription rights to shares

Core gross profit = Net interest income + Net fees and commissions + Net other operating income(excluding gains (losses) on bonds)

Core operating profit = Core gross profit – Expenses (excluding non-recurring losses)

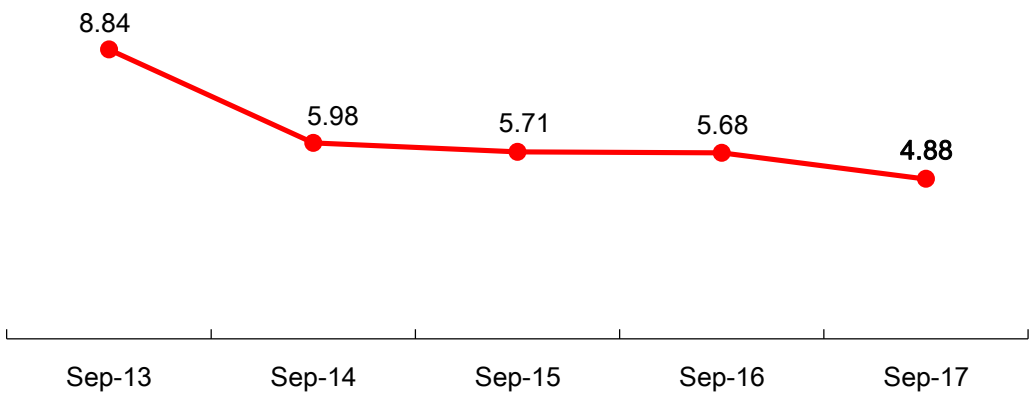
○ Core operating profit and Net income

(¥ billions)



○ ROE

(%)



2. Income Summary

【Non-Consolidated】

(¥ billions)

	Six months ended Sep.30,		Increase/ (Decrease)
	2016	**2017**	
Core gross profit	46.7	**43.5**	(3.2)
Net interest income	38.5	**37.2**	(1.2)
Net fees and commissions	7.6	**6.3**	(1.3)
Net other operating income (excluding gains (losses) on bonds)	0.5	**(0.0)**	(0.5)
Expenses(excluding non-recurring losses)	37.7	**37.0**	(0.7)
Core OHR (%)	80.77%	**85.11%**	4.34%
Personnel	15.6	**15.0**	(0.6)
Facilities	18.9	**18.7**	(0.1)
Taxes	3.1	**3.2**	0.1
Core operating profit	8.9	**6.4**	(2.5)
Credit cost	(2.9)	**(2.3)**	0.5
Gains (losses) on securities	1.2	**1.4**	0.2
Net other non-recurring income (loss) (including gains (losses) on money held in trust)	1.0	**1.9**	0.9
Ordinary profit	14.1	**12.2**	(1.9)
Net income	10.8	**9.8**	(0.9)

【Consolidated】

(¥ billions)

	Six months ended Sep.30,		Increase/ (Decrease)
	2016	**2017**	
Core gross profit	48.4	**45.4**	(3.0)
Ordinary profit	14.3	**11.9**	(2.4)
Profit attributable to owners of parent	10.6	**9.4**	(1.1)
Core operating profit	9.7	**7.3**	(2.4)

3. Deposits and NCDs (Non-Consolidated)

【Average Balance】

(¥ billions)

	Six months ended Sep.30,		Increase/ (Decrease)
	2016	**2017**	
Deposits and NCDs	7,921.9	**8,234.1**	312.1
Yield on deposits and NCDs (%)	0.01%	**0.00%**	(0.01%)
Corporate	2,116.6	**2,239.4**	122.7
Individual	5,169.0	**5,356.0**	186.9
Public sectors and financial institutions	636.2	**638.5**	2.3

【Outstanding Balance】

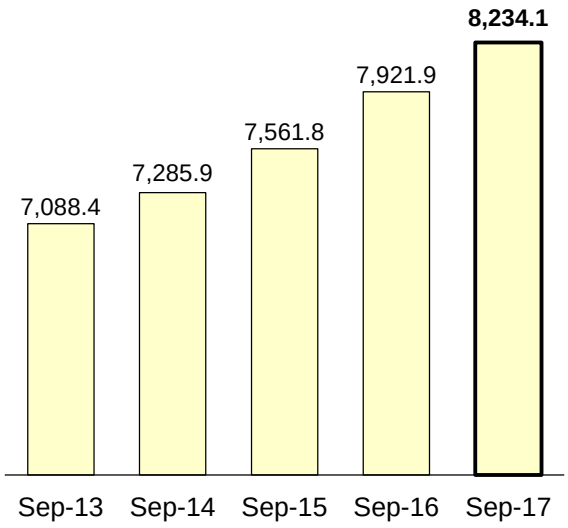
(¥ billions)

	As of Sep.30,		Increase/ (Decrease)
	2016	**2017**	
Deposits and NCDs	7,985.6	**8,258.2**	272.5
Deposit assets	344.3	**323.1**	(21.1)
Safe custody of public bonds	165.6	**147.3**	(18.2)
Investment trusts	178.7	**175.8**	(2.9)
Total	8,329.9	**8,581.4**	251.4
<Reference> Individual annuity insurance, etc.	562.1	**610.3**	48.2

＊Deposit assets = Safe custody of public bonds + Investment trusts
Investment trusts are stated at fair value.
Individual annuity insurance, etc. sales reflect cumulative sales amounts.

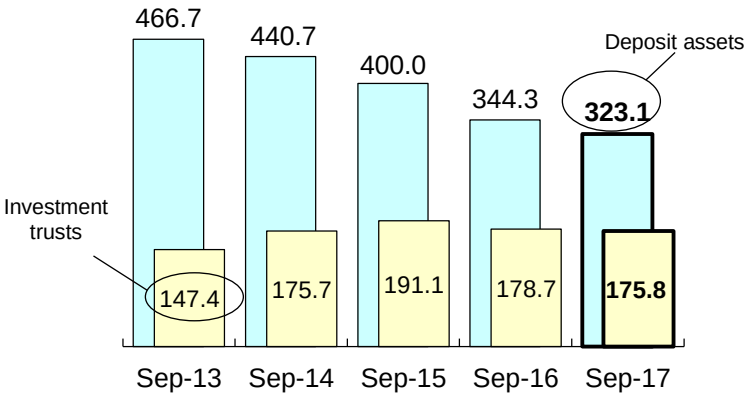
○ Deposits and NCDs (Average Balance)

(¥ billions)



○ Deposit assets and Investment trusts
(Outstanding Balance)

(¥ billions)



4. Loans and bills discounted (Non-Consolidated)

【Average Balance】

(¥ billions)

	Six months ended Sep.30,		Increase/ (Decrease)
	2016	**2017**	
Loans and bills discounted	5,838.2	**6,134.8**	296.5
Yield on loans and bills discounted (%)	1.09%	**1.01%**	(0.08%)
Enterprises	2,563.6	**2,554.1**	(9.5)
Individuals	1,683.8	**1,725.7**	41.8
Of which, residential loans	1,571.1	**1,597.5**	26.3
Of which, consumer loans	112.7	**128.2**	15.4
Public sectors	1,590.6	**1,854.9**	264.2

【Outstanding Balance】

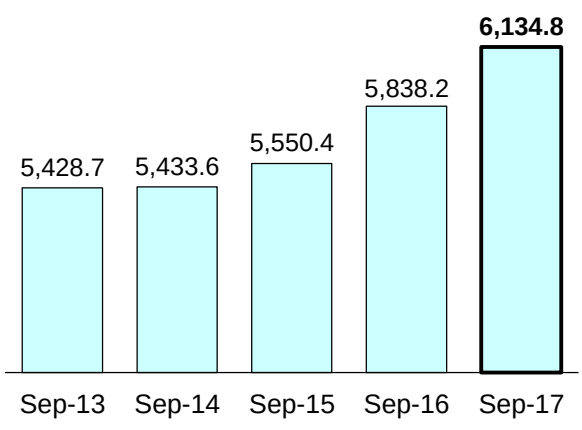
(¥ billions)

	As of Sep.30,		Increase/ (Decrease)
	2016	**2017**	
Loans and bills discounted	5,995.4	**6,230.5**	235.0
Enterprises	2,609.2	**2,608.9**	(0.2)
Individuals	1,689.1	**1,742.7**	53.5
Public sectors	1,697.0	**1,878.7**	181.7
SMEs, etc.	3,409.9	**3,513.0**	103.0
In Hokkaido	5,061.7	**5,204.5**	142.7

＊SMEs, etc. = SMEs + Individuals
Public sector loans include loans to government and land development public corporations.

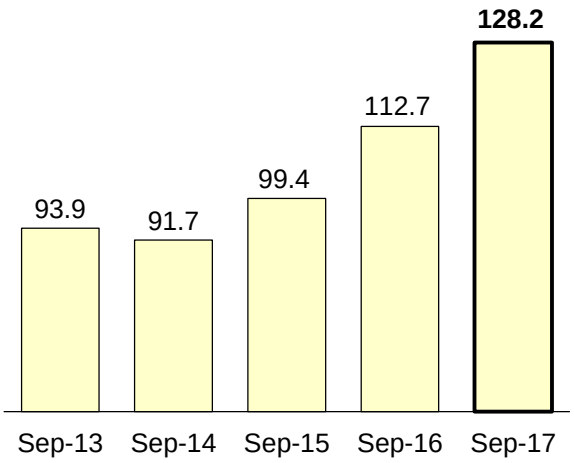
○ Loans and bills discounted (Average Balance)

(¥ billions)



○ Consumer loans (Average Balance)

(¥ billions)



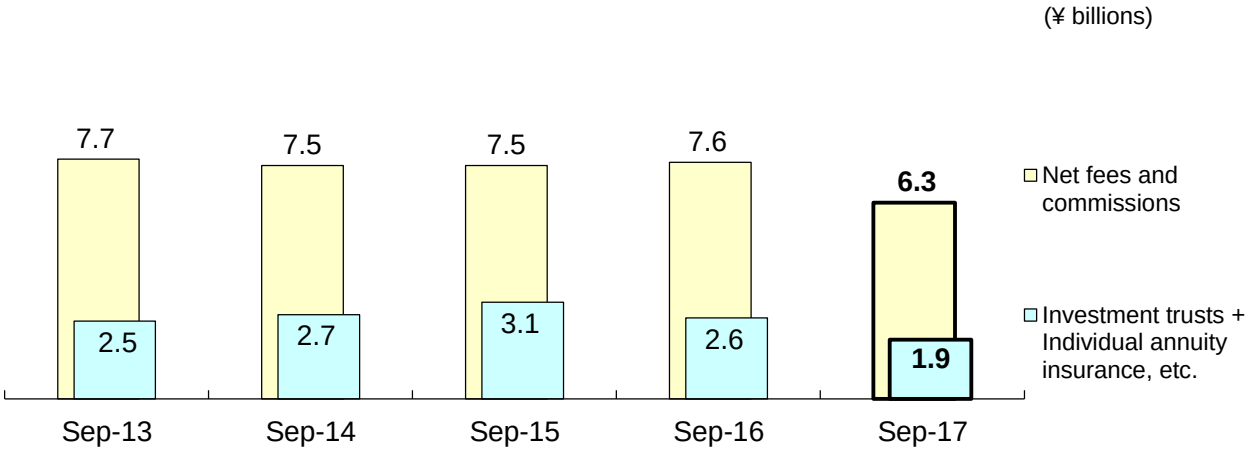
＊Consumer loans=Car loans, card loans, etc.

5. Fees and commissions (Non-Consolidated)

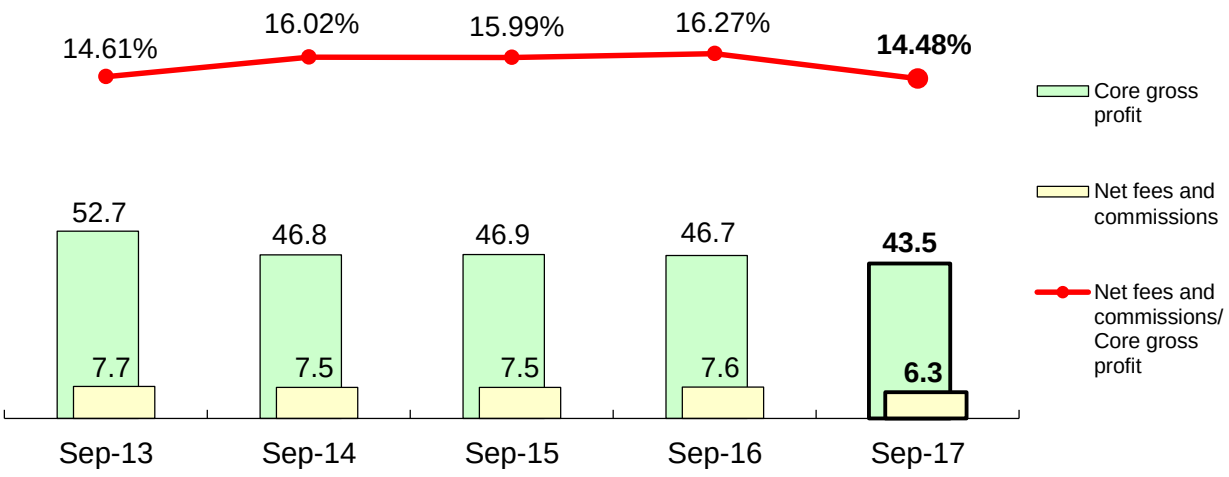
(¥ billions)

	Six months ended Sep.30,		Increase/ (Decrease)
	2016	**2017**	
Fees and commissions	14.3	**13.6**	(0.7)
Of which, domestic and foreign exchanges	4.1	**4.0**	(0.0)
Of which, investment trusts	0.9	**0.9**	0.0
Of which, individual annuity insurance, etc.	1.7	**0.9**	(0.7)
Fees and commissions payments	6.6	**7.3**	0.6
Of which, group credit life insurance	3.3	**3.4**	0.1
Of which, guarantee	1.6	**2.0**	0.4
Net fees and commissions	7.6	**6.3**	(1.3)

○ Net fees and commissions



○ Core gross profit and Net fees and commissions



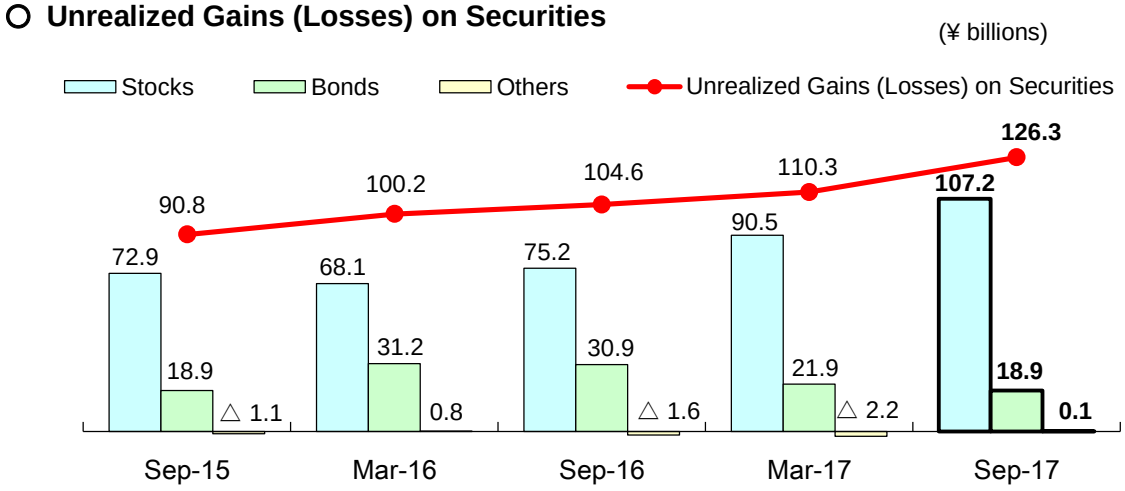
6. Securities (Non-Consolidated)

(¥ billions)

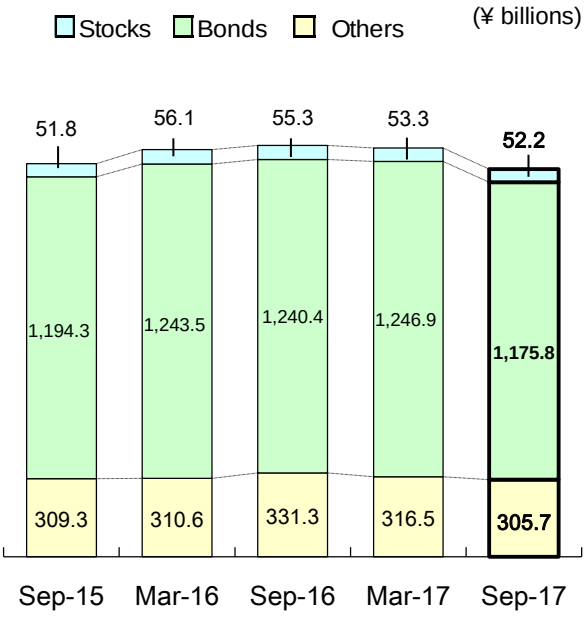
	As of Mar.31, 2017		**As of Sep.30, 2017**		Increase/ (Decrease)	
	Acquisition cost	Unrealized Gains (Losses)	Acquisition cost	Unrealized Gains (Losses)	Acquisition cost	Unrealized Gains (Losses)
Stocks	53.3	90.5	**52.2**	**107.2**	(1.1)	16.6
Bonds	1,246.9	21.9	**1,175.8**	**18.9**	(71.0)	(3.0)
Others	316.5	(2.2)	**305.7**	**0.1**	(10.8)	2.3
Total	1,616.7	110.3	**1,533.7**	**126.3**	(83.0)	16.0
Nikkei stock average (¥)		18,909		**20,356**		1,447
New 10-year Japanese government bond (JGB) yield (%)		0.065%		**0.060%**		(0.005%)

＊Excluding trading account securities

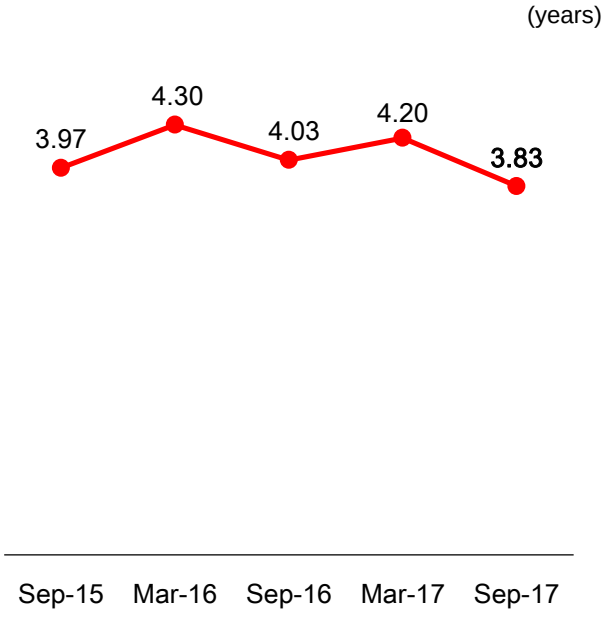
○ Unrealized Gains (Losses) on Securities



○ Securities (Acquisition cost)



○ Average duration to maturity of yen bonds



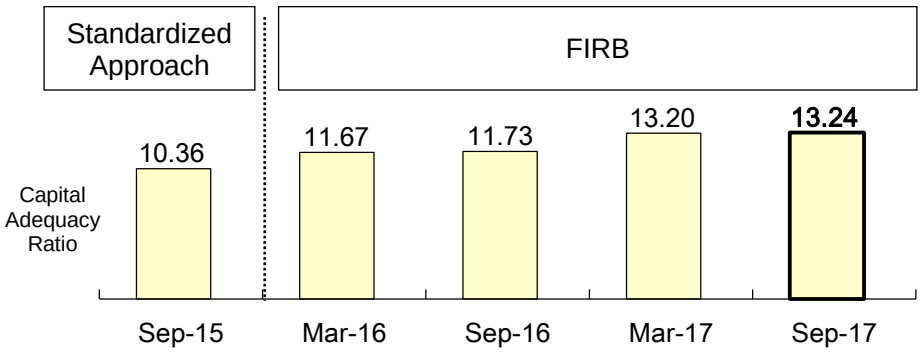
＊Including floating-rate JGBs

7. Capital Adequacy Ratio (Domestic)

(¥ billions)

	Non-Consolidated			Consolidated		
	As of Sep.30, 2016	As of Sep.30, **2017**	Increase/ (Decrease)	As of Sep.30, 2016	As of Sep.30, **2017**	Increase/ (Decrease)
Capital Adequacy Ratio (%)	11.73%	**13.24%**	1.51%	12.04%	**13.57%**	1.53%
Capital	339.7	**343.3**	3.5	356.1	**359.5**	3.3
Risk-adjusted assets	2,894.7	**2,591.4**	(303.2)	2,955.7	**2,648.8**	(306.8)

(%)



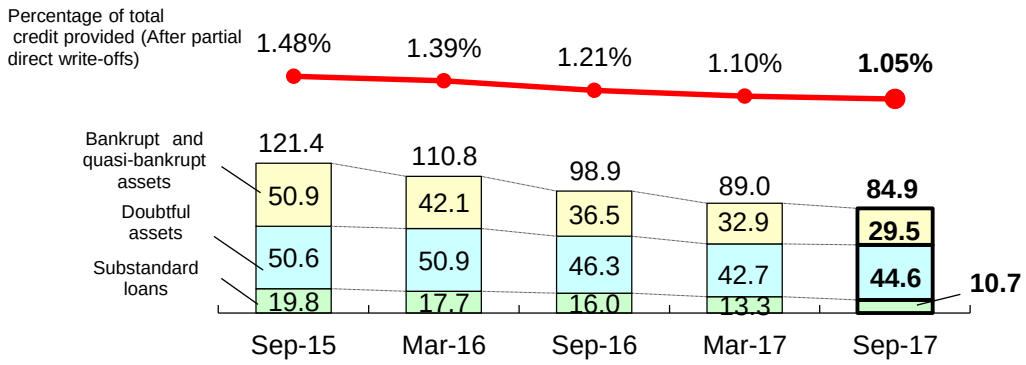
8. Problem Assets Based on the Financial Revitalization Law (Non-Consolidated)

(¥ billions)

	As of Sep.30,		Increase/ (Decrease)
	2016	**2017**	
Bankrupt and quasi-bankrupt assets	36.5	**29.5**	(6.9)
Doubtful assets	46.3	**44.6**	(1.7)
Substandard loans	16.0	**10.7**	(5.2)
Problem assets based on the Financial Revitalization Law	98.9	**84.9**	(13.9)
Percentage of total credit provided (%)	1.60%	**1.32%**	(0.28%)
After partial direct write-offs (%) ＊	1.21%	**1.05%**	(0.16%)

＊Partial direct write-offs have not been implemented. The figures as they would appear after partial direct write-offs are shown for reference.

(¥ billions)



Please be cautious this report is an English translation of the Japanese original. Please refer to the Japanese version for more information.