

Financial Summary
Six months ended September 30, 2018



November 7, 2018
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, 2018	As of Sep. 30, 2018
Assets	資産の部		
Cash and due from banks	現金預け金	1,409,341	1,442,984
Call loans and bills bought	コールローン及び買入手形	2,681	92,077
Monetary claims bought	買入金銭債権	14,481	11,691
Trading account securities	商品有価証券	4,345	4,595
Securities	有価証券	1,489,802	1,397,547
Loans and bills discounted	貸出金	6,251,728	6,210,418
Foreign exchanges	外国為替	7,399	6,990
Lease receivables and investment assets	リース債権及びリース投資資産	49,490	51,484
Other assets	その他資産	158,667	162,502
Property, plant and equipment	有形固定資産	88,412	87,374
Intangible assets	無形固定資産	8,786	8,025
Net defined benefit asset	退職給付に係る資産	75	179
Deferred tax assets	繰延税金資産	273	457
Customers' liabilities for acceptances and guarantees	支払承諾見返	52,801	57,651
Allowance for loan losses	貸倒引当金	(37,778)	(37,110)
Total assets	資産の部合計	9,500,510	9,496,869
Liabilities	負債の部		
Deposits	預金	8,344,356	8,227,704
Negotiable certificates of deposit	譲渡性預金	77,667	258,459
Payables under repurchase agreements	売現先勘定	31,064	17,503
Payables under securities lending transactions	債券貸借取引受入担保金	145,169	63,307
Borrowed money	借入金	328,848	358,197
Foreign exchanges	外国為替	125	611
Other liabilities	その他負債	52,122	49,980
Provision for bonuses	賞与引当金	1,828	1,806
Provision for stocks payment	株式給付引当金	—	35
Net defined benefit liability	退職給付に係る負債	228	237
Provision for reimbursement of deposits	睡眠預金払戻損失引当金	1,976	2,079
Provision for point card certificates	ポイント引当金	384	594
Deferred tax liabilities	繰延税金負債	30,347	28,609
Deferred tax liabilities for land revaluation	再評価に係る繰延税金負債	2,643	2,635
Acceptances and guarantees	支払承諾	52,801	57,651
Total liabilities	負債の部合計	9,069,565	9,069,413
Net assets	純資産の部		
Capital stock	資本金	121,101	121,101
Capital surplus	資本剰余金	72,367	72,390
Retained earnings	利益剰余金	133,386	138,426
Treasury shares	自己株式	(0)	(2,501)
Total shareholders' equity	株主資本合計	326,854	329,416
Valuation difference on available-for-sale securities	その他有価証券評価差額金	92,193	86,307
Revaluation reserve for land	土地再評価差額金	5,380	5,362
Remeasurements of defined benefit plans	退職給付に係る調整累計額	387	194
Total accumulated other comprehensive income	その他の包括利益累計額合計	97,960	91,864
Share acquisition rights	新株予約権	128	106
Non-controlling interests	非支配株主持分	6,001	6,069
Total net assets	純資産の部合計	430,945	427,456
Total liabilities and net assets	負債及び純資産の部合計	9,500,510	9,496,869

2. Consolidated Statements of Income and Comprehensive Income

(1) Consolidated Statements of Income

(¥ millions)

		Six months ended Sep. 30,	
		2017	2018
Ordinary income	経常収益	73,694	69,511
Interest income	資金運用収益	38,767	36,191
Of which, interest on loans and discounts	うち貸出金利息	31,125	30,085
Of which, interest and dividends on securities	うち有価証券利息配当金	7,309	5,796
Fees and commissions	役務取引等収益	14,422	14,614
Other ordinary income	その他業務収益	14,197	15,531
Other income	その他経常収益	6,306	3,174
Ordinary expenses	経常費用	61,772	59,630
Interest expenses	資金調達費用	2,028	1,589
Of which, interest on deposits	うち預金利息	236	211
Fees and commissions payments	役務取引等費用	6,465	6,180
Other ordinary expenses	その他業務費用	14,209	14,612
General and administrative expenses	営業経費	38,142	36,048
Other expenses	その他経常費用	925	1,200
Ordinary profit	経常利益	11,921	9,881
Extraordinary income	特別利益	378	6
Gain on disposal of non-current assets	固定資産処分益	378	6
Extraordinary losses	特別損失	296	144
Loss on disposal of non-current assets	固定資産処分損	152	46
Impairment loss	減損損失	144	98
Profit before income taxes	税金等調整前中間純利益	12,003	9,742
Income taxes - current	法人税、住民税及び事業税	1,447	1,712
Income taxes - deferred	法人税等調整額	1,144	826
Total income taxes	法人税等合計	2,591	2,538
Profit	中間純利益	9,411	7,204
Profit(loss) attributable to non-controlling 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(△)	(81)	187
Profit attributable to owners of parent	親会社株主に帰属する中間純利益	9,493	7,017

(2) Consolidated Statements of Comprehensive Income

(¥ millions)

		Six months ended Sep. 30,	
		2017	2018
Profit	中間純利益	9,411	7,204
Other comprehensive income	その他の包括利益	12,073	(6,198)
Valuation difference on available-for-sale securities	その他有価証券評価差額金	12,008	(6,005)
Remeasurements of defined benefit plans, net of tax	退職給付に係る調整額	64	(192)
Comprehensive income	中間包括利益	21,484	1,006
Comprehensive income attributable to owners of parent	親会社株主に係る中間包括利益	21,153	938
Comprehensive income attributable to non-controlling interests	非支配株主に係る中間包括利益	331	67

3. Non-Consolidated Balance Sheets

(¥ millions)

		As of Mar. 31, 2018	As of Sep. 30, 2018
Assets	資産の部		
Cash and due from banks	現金預け金	1,408,901	1,442,543
Call loans	コールローン	2,681	92,077
Monetary claims bought	買入金銭債権	14,481	11,691
Trading account securities	商品有価証券	4,345	4,595
Securities	有価証券	1,485,806	1,393,866
Loans and bills discounted	貸出金	6,309,356	6,268,005
Foreign exchanges	外国為替	7,399	6,990
Other assets	その他資産	124,242	129,138
Other	その他の資産	124,242	129,138
Property, plant and equipment	有形固定資産	87,214	86,274
Intangible assets	無形固定資産	8,559	7,838
Prepaid pension cost	前払年金費用	—	24
Customers' liabilities for acceptances and guarantees	支払承諾見返	52,801	57,651
Allowance for loan losses	貸倒引当金	(30,247)	(29,360)
Total assets	資産の部合計	9,475,544	9,471,335
Liabilities	負債の部		
Deposits	預金	8,350,902	8,232,774
Negotiable certificates of deposit	譲渡性預金	88,967	269,759
Payables under repurchase agreements	売現先勘定	31,064	17,503
Payables under securities lending transactions	債券貸借取引受入担保金	145,169	63,307
Borrowed money	借入金	320,314	350,256
Foreign exchanges	外国為替	125	611
Other liabilities	その他負債	35,102	33,225
Income taxes payable	未払法人税等	496	1,628
Lease obligations	リース債務	4,682	4,519
Other	その他の負債	29,924	27,078
Provision for bonuses	賞与引当金	1,613	1,600
Provision for stocks payment	株式給付引当金	—	35
Provision for retirement benefits	退職給付引当金	479	122
Provision for reimbursement of deposits	睡眠預金払戻損失引当金	1,976	2,079
Provision for point card certificates	ポイント引当金	375	584
Deferred tax liabilities	繰延税金負債	29,326	27,797
Deferred tax liabilities for land revaluation	再評価に係る繰延税金負債	2,643	2,635
Acceptances and guarantees	支払承諾	52,801	57,651
Total liabilities	負債の部合計	9,060,863	9,059,943
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	147,731	152,689
Legal retained earnings	利益準備金	4,861	5,260
Other retained earnings	その他利益剰余金	142,869	147,428
Reserve for advanced depreciation of non-current assets	固定資産圧縮積立金	1,042	1,042
Retained earnings brought forward	繰越利益剰余金	141,827	146,386
Treasury shares	自己株式	(60)	(2,512)
Total shareholders' equity	株主資本合計	318,773	321,279
Valuation difference on available-for-sale securities	その他有価証券評価差額金	90,397	84,643
Revaluation reserve for land	土地再評価差額金	5,380	5,362
Total valuation and translation adjustments	評価・換算差額等合計	95,778	90,006
Share acquisition rights	新株予約権	128	106
Total net assets	純資産の部合計	414,680	411,392
Total liabilities and net assets	負債及び純資産の部合計	9,475,544	9,471,335

4. Non-Consolidated Statements of Income

(¥ millions)

		Six months ended Sep. 30,	
		2017	2018
Ordinary income	経常収益	60,859	55,460
Interest income	資金運用収益	39,276	36,488
Of which, Interest on loans and discounts	うち貸出金利息	31,230	30,185
Of which, Interest and dividends on securities	うち有価証券利息配当金	7,713	5,994
Fees and commissions	役務取引等収益	13,634	13,871
Other ordinary income	その他業務収益	679	1,456
Other income	その他経常収益	7,268	3,643
Ordinary expenses	経常費用	48,581	45,898
Interest expenses	資金調達費用	2,010	1,572
Of which, Interest on deposits	うち預金利息	236	211
Fees and commissions payments	役務取引等費用	7,313	7,291
Other ordinary expenses	その他業務費用	1,446	1,318
General and administrative expenses	営業経費	37,173	35,119
Other expenses	その他経常費用	637	595
Ordinary profit	経常利益	12,278	9,562
Extraordinary income	特別利益	378	6
Extraordinary losses	特別損失	296	144
Income before income taxes	税引前中間純利益	12,359	9,423
Income taxes – current	法人税、住民税及び事業税	1,185	1,459
Income taxes – deferred	法人税等調整額	1,322	1,003
Total income taxes	法人税等合計	2,507	2,462
Net income	中間純利益	9,851	6,961

II. Digest of financial results for six months ended September 30, 2018

1. Summary (Non-Consolidated)

(¥ billions)

	Six months ended Sep.30,		Increase/ (Decrease)	Performance Forecast (May 10,2018)	Change from forecast
	2017	2018			
Core gross profit	43.5	42.3	(1.2)	44.2	(1.8)
Core operating profit	6.4	6.9	0.4	8.2	(1.2)
Ordinary profit	12.2	9.5	(2.7)	9.4	0.1
Net income	9.8	6.9	(2.8)	6.2	0.7
Deposits and NCDs (Average balance)	8,234.1	8,499.5	265.4		
Loans and bills discounted (Average balance)	6,134.8	6,259.9	125.1		
Capital Adequacy Ratio (Domestic) (%)	13.24%	12.89%	(0.35%)		
ROE (%)	4.88%	3.36%	(1.52%)		

* NCDs = Negotiable certificates of deposit

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

*Excluding Share acquisition rights

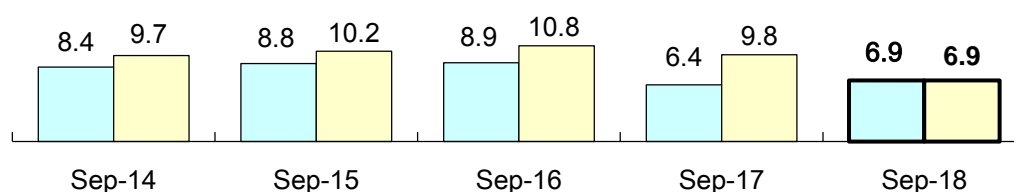
Core gross profit = Net interest income + Net fees and commissions + Net other operating income(excluding gains (losses) on bonds)

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

○ Core operating profit and Net income

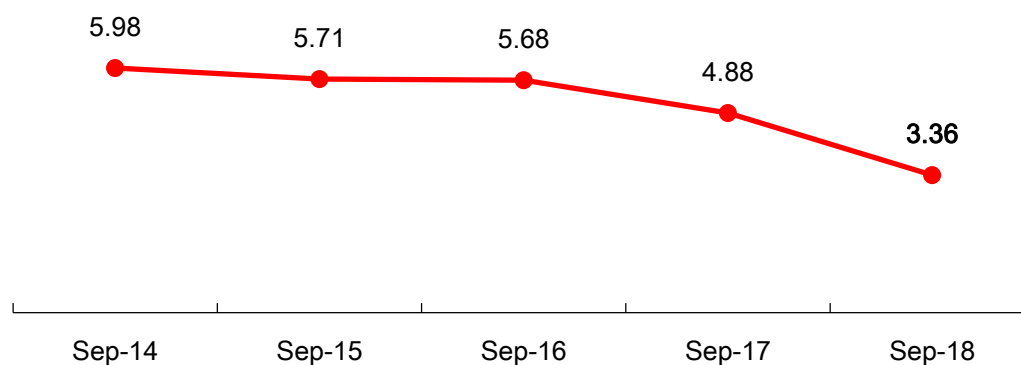
(¥ billions)

- Core operating profit
□ Net income



○ ROE

(%)



2. Income Summary

【Non-Consolidated】

(¥ billions)

	Six months ended Sep.30,		Increase/ (Decrease)
	2017	2018	
Core gross profit	43.5	42.3	(1.2)
Net interest income	37.2	34.9	(2.3)
Net fees and commissions	6.3	6.5	0.2
Net other operating income (excluding gains (losses) on bonds)	(0.0)	0.8	0.8
Expenses(excluding non-recurring losses)	37.0	35.3	(1.6)
Core OHR (%)	85.11%	83.58%	(1.53%)
Personnel	15.0	14.8	(0.1)
Facilities	18.7	17.8	(0.9)
Taxes	3.2	2.6	(0.6)
Core operating profit	6.4	6.9	0.4
Credit cost	(2.3)	(0.3)	1.9
Gains (losses) on securities	1.4	0.7	(0.7)
Net other non-recurring income (loss) (including gains (losses) on money held in trust)	1.9	1.4	(0.5)
Ordinary profit	12.2	9.5	(2.7)
Net income	9.8	6.9	(2.8)

【Consolidated】

(¥ billions)

	Six months ended Sep.30,		Increase/ (Decrease)
	2017	2018	
Core gross profit	45.4	44.6	(0.7)
Ordinary profit	11.9	9.8	(2.0)
Profit attributable to owners of parent	9.4	7.0	(2.4)
Core operating profit	7.3	8.3	0.9

3. Deposits and NCDs (Non-Consolidated)

【Average Balance】

(¥ billions)

	Six months ended Sep.30,		Increase/ (Decrease)
	2017	2018	
Deposits and NCDs	8,234.1	8,499.5	265.4
Yield on deposits and NCDs (%)	0.00%	0.00%	(0.00%)
Corporate	2,239.4	2,317.6	78.1
Individual	5,356.0	5,528.8	172.8
Public sectors and financial institutions	638.5	653.0	14.4

【Outstanding Balance】

(¥ billions)

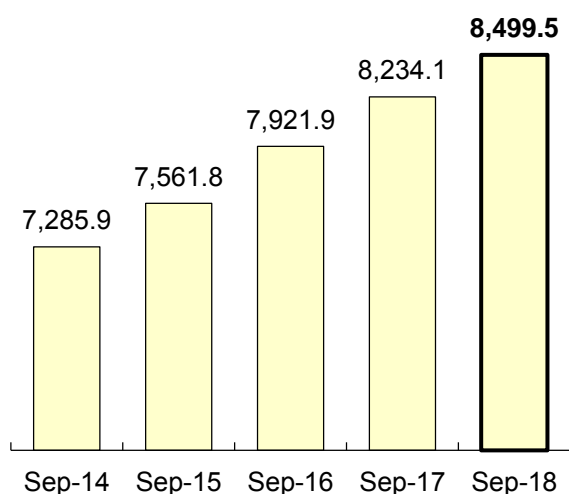
	As of Sep.30,		Increase/ (Decrease)
	2017	2018	
Deposits and NCDs	8,258.2	8,502.5	244.2
Deposit assets	323.1	299.6	(23.5)
Safe custody of public bonds	147.3	130.5	(16.7)
Investment trusts	175.8	169.0	(6.7)
Total	8,581.4	8,802.1	220.7
<Reference> Individual annuity insurance, etc.	610.3	662.1	51.7

* 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)

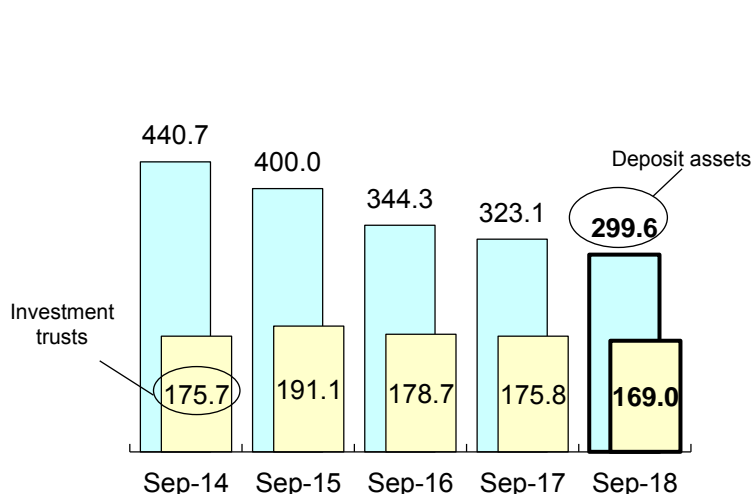
(¥ billions)



○ 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)
	2017	2018	
Loans and bills discounted	6,134.8	6,259.9	125.1
Yield on loans and bills discounted (%)	1.01%	0.96%	(0.05%)
Enterprises	2,554.1	2,579.6	25.5
Individuals	1,725.7	1,769.6	43.8
Residential loans	1,597.5	1,633.1	35.6
Consumer loans	128.2	136.4	8.2
Public sectors	1,854.9	1,910.6	55.7

【Outstanding Balance】

(¥ billions)

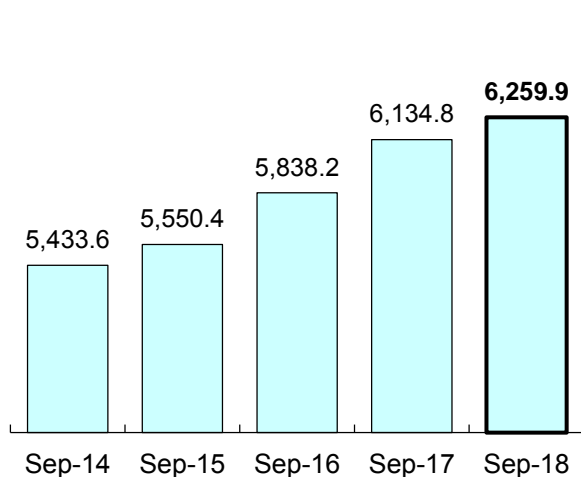
	As of Sep.30,		Increase/ (Decrease)
	2017	2018	
Loans and bills discounted	6,230.5	6,268.0	37.5
Enterprises	2,608.9	2,642.2	33.2
Individuals	1,742.7	1,783.5	40.7
Public sectors	1,878.7	1,842.2	(36.5)
SMEs, etc.	3,513.0	3,572.7	59.7
In Hokkaido	5,204.5	5,205.0	0.5

*SMEs, etc. = SMEs + Individuals

Public sector loans include loans to government and land development public corporations.

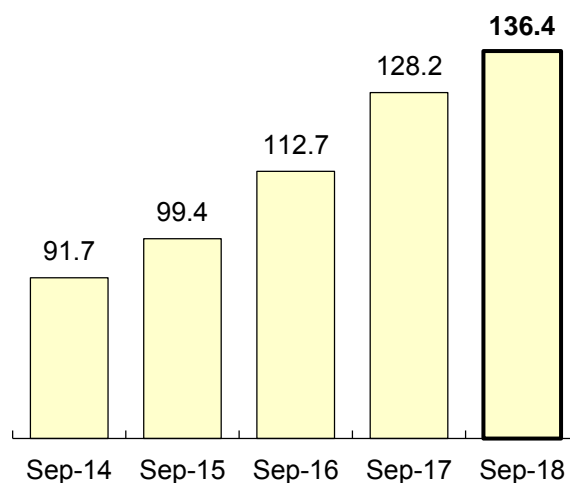
○ Loans and bills discounted (Average Balance)

(¥ billions)



○ Consumer loans (Average Balance)

(¥ billions)



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

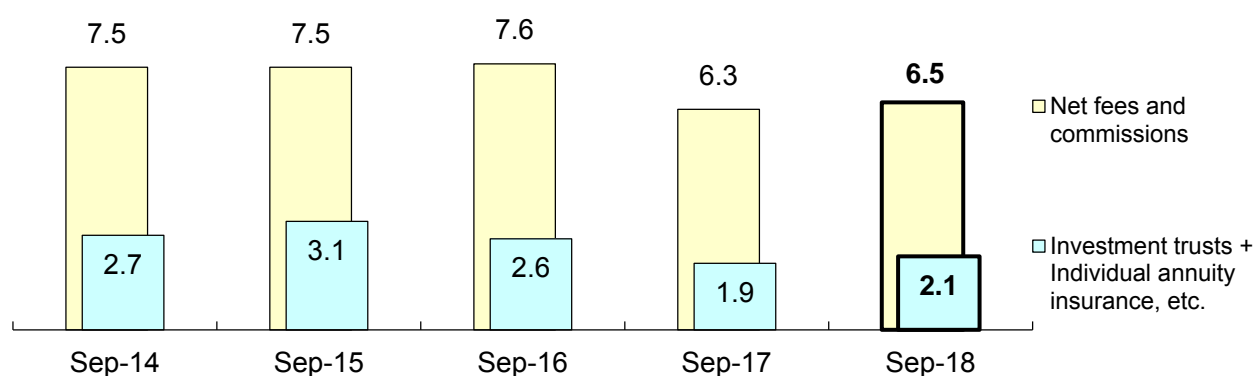
5. Fees and commissions (Non-Consolidated)

(¥ billions)

	Six months ended Sep.30,		Increase/ (Decrease)
	2017	2018	
Fees and commissions	13.6	13.8	0.2
Of which, domestic and foreign exchanges	4.0	3.9	(0.1)
Of which, investment trusts	0.9	0.8	(0.1)
Of which, individual annuity insurance, etc.	0.9	1.2	0.3
Fees and commissions payments	7.3	7.2	(0.0)
Of which, group credit life insurance	3.4	3.1	(0.3)
Of which, guarantee	2.0	2.4	0.3
Net fees and commissions	6.3	6.5	0.2

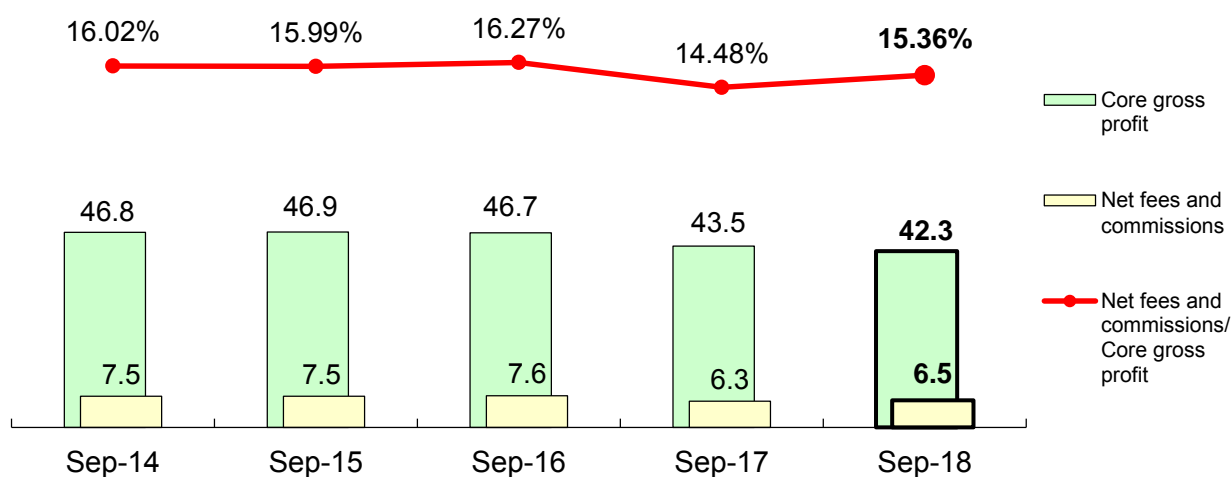
○ Net fees and commissions

(¥ billions)



○ Core gross profit and Net fees and commissions

(¥ billions)



6. Securities (Non-Consolidated)

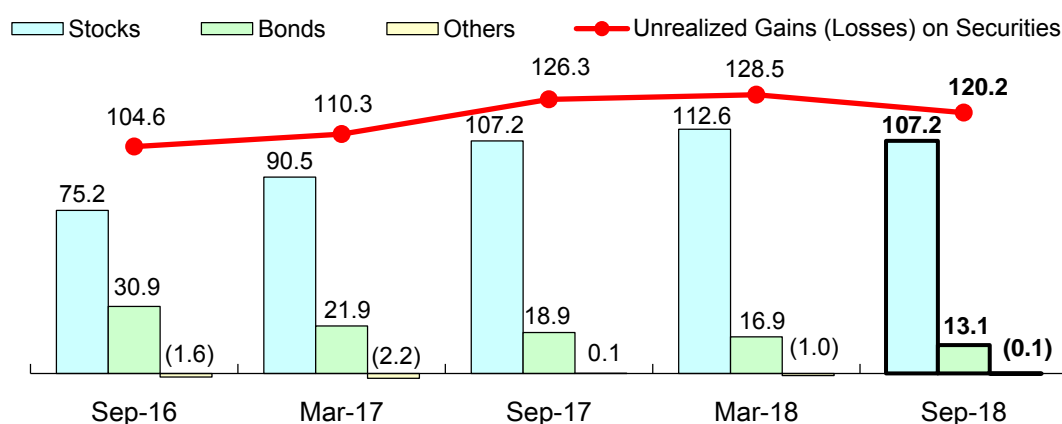
(¥ billions)

	As of Mar.31, 2018		As of Sep.30, 2018		Increase/ (Decrease)	
	Acquisition cost	Unrealized Gains (Losses)	Acquisition cost	Unrealized Gains (Losses)	Acquisition cost	Unrealized Gains (Losses)
Stocks	46.6	112.6	47.1	107.2	0.5	(5.4)
Bonds	1,121.9	16.9	1,077.8	13.1	(44.1)	(3.7)
Others	188.5	(1.0)	147.3	(0.1)	(41.1)	0.8
Total	1,357.0	128.5	1,272.3	120.2	(84.7)	(8.3)
Nikkei stock average (¥)		21,454	24,120			2,666
New 10-year Japanese government bond (JGB) yield (%)		0.045%	0.125%			0.080%

* Excluding trading account securities and Investment LPS

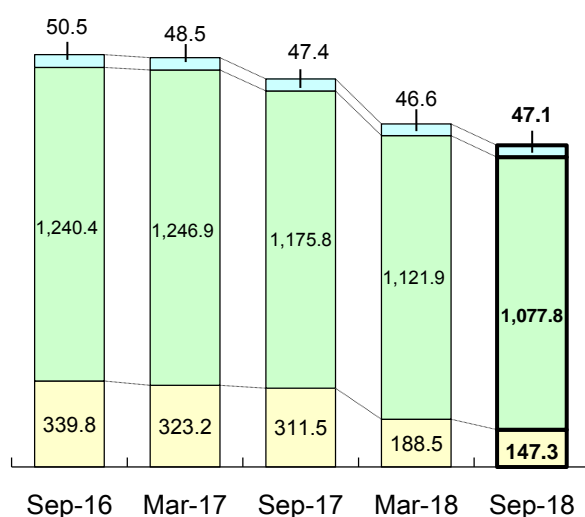
○ Unrealized Gains (Losses) on Securities

(¥ billions)



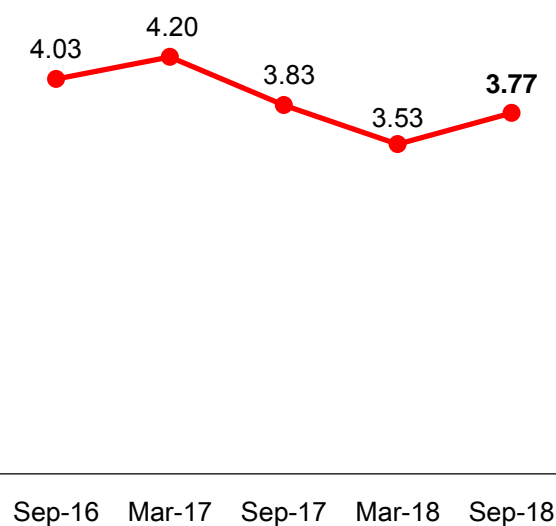
○ Securities (Acquisition cost)

(¥ billions)



○ Average duration to maturity of yen bonds

(years)



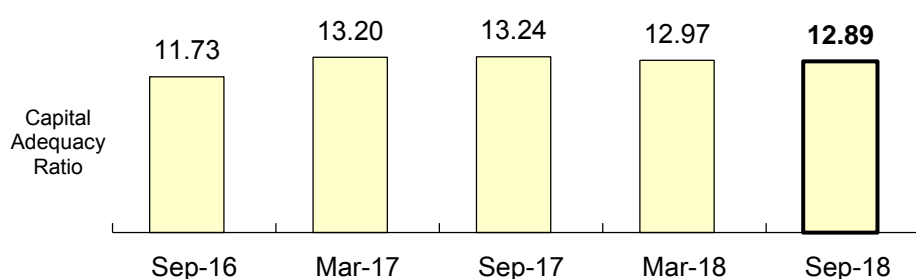
* Including floating-rate JGBs

7. Capital Adequacy Ratio (Domestic)

(¥ billions)

	Non-Consolidated			Consolidated		
	As of Sep.30, 2017	As of Sep.30, 2018	Increase/ (Decrease)	As of Sep.30, 2017	As of Sep.30, 2018	Increase/ (Decrease)
Capital Adequacy Ratio (%)	13.24%	12.89%	(0.35%)	13.57%	13.20%	(0.37%)
Capital	343.3	343.1	(0.1)	359.5	359.8	0.3
Risk-adjusted assets	2,591.4	2,661.9	70.4	2,648.8	2,726.3	77.4

(%)



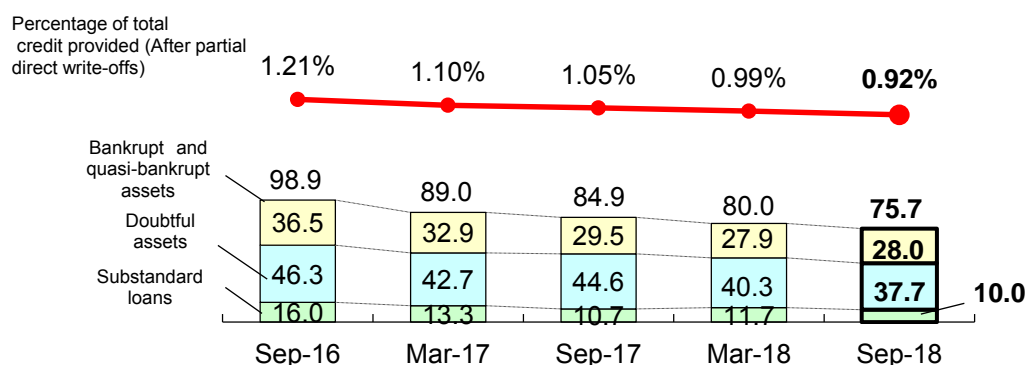
8. Problem Assets Based on the Financial Revitalization Law (Non-Consolidated)

(¥ billions)

	As of Sep.30,		Increase/ (Decrease)
	2017	2018	
Bankrupt and quasi-bankrupt assets	29.5	28.0	(1.5)
Doubtful assets	44.6	37.7	(6.9)
Substandard loans	10.7	10.0	(0.7)
Problem assets based on the Financial Revitalization Law	84.9	75.7	(9.1)
Percentage of total credit provided (%)	1.32%	1.17%	(0.15%)
After partial direct write-offs (%) *	1.05%	0.92%	(0.13%)

* 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.