

Financial Summary

Six Months ended September 30, 2019



November 11, 2019
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, 2019	As of Sep. 30, 2019
Assets	資産の部		
Cash and due from banks	現金預け金	1,614,911	1,475,599
Call loans and bills bought	コールローン及び買入手形	858	101,799
Monetary claims bought	買入金銭債権	13,572	9,831
Trading account securities	商品有価証券	4,321	4,232
Securities	有価証券	1,265,106	1,276,968
Loans and bills discounted	貸出金	6,518,080	6,561,287
Foreign exchanges	外国為替	9,347	6,268
Lease receivables and investment assets	リース債権及びリース投資資産	51,506	53,688
Other assets	その他資産	167,298	171,388
Property, plant and equipment	有形固定資産	87,115	83,307
Intangible assets	無形固定資産	8,579	7,649
Net defined benefit asset	退職給付に係る資産	—	7
Deferred tax assets	繰延税金資産	631	642
Customers' liabilities for acceptances and guarantees	支払承諾見返	52,241	57,826
Allowance for loan losses	貸倒引当金	(33,795)	(33,078)
Total assets	資産の部合計	9,759,776	9,777,421
Liabilities	負債の部		
Deposits	預金	8,596,305	8,400,930
Negotiable certificates of deposit	譲渡性預金	74,818	293,423
Payables under securities lending transactions	債券貸借取引受入担保金	118,320	104,209
Borrowed money	借入金	405,955	394,419
Foreign exchanges	外国為替	414	432
Other liabilities	その他負債	59,103	61,635
Provision for bonuses	賞与引当金	1,751	1,681
Provision for share-based remuneration	株式給付引当金	71	83
Net defined benefit liability	退職給付に係る負債	409	338
Provision for reimbursement of deposits	睡眠預金払戻損失引当金	2,278	2,920
Provision for point card certificates	ポイント引当金	431	617
Reserves under special laws	特別法上の引当金	19	19
Deferred tax liabilities	繰延税金負債	24,016	27,033
Deferred tax liabilities for land revaluation	再評価に係る繰延税金負債	2,576	2,201
Acceptances and guarantees	支払承諾	52,241	57,826
Total liabilities	負債の部合計	9,338,715	9,347,773
Net assets	純資産の部		
Capital stock	資本金	121,101	121,101
Capital surplus	資本剰余金	72,485	74,741
Retained earnings	利益剰余金	143,718	147,662
Treasury shares	自己株式	(1,260)	(2,927)
Total shareholders' equity	株主資本合計	336,044	340,577
Valuation difference on available-for-sale securities	その他有価証券評価差額金	74,151	80,892
Revaluation reserve for land	土地再評価差額金	5,229	4,371
Remeasurements of defined benefit plans	退職給付に係る調整累計額	(127)	(63)
Total accumulated other comprehensive income	その他の包括利益累計額合計	79,253	85,200
Share acquisition rights	新株予約権	106	84
Non-controlling interests	非支配株主持分	5,657	3,786
Total net assets	純資産の部合計	421,061	429,648
Total liabilities and net assets	負債及び純資産の部合計	9,759,776	9,777,421

2. Consolidated Statements of Income and Comprehensive Income

(1) Consolidated Statements of Income

(¥ millions)

		Six months ended Sep. 30,	
		2018	2019
Ordinary income	経常収益	69,511	68,727
Interest income	資金運用収益	36,191	34,167
Of which, interest on loans and discounts	うち貸出金利息	30,085	28,989
Of which, interest and dividends on securities	うち有価証券利息配当金	5,796	4,866
Fees and commissions	役務取引等収益	14,614	14,425
Other ordinary income	その他業務収益	15,531	17,212
Other income	その他経常収益	3,174	2,923
Ordinary expenses	経常費用	59,630	61,144
Interest expenses	資金調達費用	1,589	1,031
Of which, interest on deposits	うち預金利息	211	183
Fees and commissions payments	役務取引等費用	6,180	6,247
Other ordinary expenses	その他業務費用	14,612	13,463
General and administrative expenses	営業経費	36,048	35,665
Other expenses	その他経常費用	1,200	4,736
Ordinary profit	経常利益	9,881	7,583
Extraordinary income	特別利益	6	1,434
Gain on disposal of non-current assets	固定資産処分益	6	1,434
Extraordinary losses	特別損失	144	189
Loss on disposal of non-current assets	固定資産処分損	46	112
Impairment loss	減損損失	98	76
Profit before income taxes	税金等調整前中間純利益	9,742	8,828
Income taxes – current	法人税、住民税及び事業税	1,712	4,169
Income taxes – deferred	法人税等調整額	826	(568)
Total income taxes	法人税等合計	2,538	3,601
Profit	中間純利益	7,204	5,227
Profit attributable to non-controlling interests	非支配株主に帰属する中間純利益	187	158
Profit attributable to owners of parent	親会社株主に帰属する中間純利益	7,017	5,068

(2) Consolidated Statements of Comprehensive Income

(¥ millions)

		Six months ended Sep. 30,	
		2018	2019
Profit	中間純利益	7,204	5,227
Other comprehensive income	その他の包括利益	(6,198)	7,026
Valuation difference on available-for-sale securities	その他有価証券評価差額金	(6,005)	6,962
Remeasurements of defined benefit plans, net of tax	退職給付に係る調整額	(192)	63
Comprehensive income	中間包括利益	1,006	12,253
Comprehensive income attributable to owners of parent	親会社株主に係る中間包括利益	938	11,872
Comprehensive income attributable to non-controlling interests	非支配株主に係る中間包括利益	67	380

3. Non-Consolidated Balance Sheets

(¥ millions)

		As of Mar. 31, 2019	As of Sep. 30, 2019
Assets	資産の部		
Cash and due from banks	現金預け金	1,614,456	1,475,353
Call loans	コールローン	858	101,799
Monetary claims bought	買入金銭債権	13,572	9,831
Trading account securities	商品有価証券	4,321	4,232
Securities	有価証券	1,265,524	1,276,951
Loans and bills discounted	貸出金	6,577,293	6,620,238
Foreign exchanges	外国為替	9,347	6,268
Other assets	その他資産	129,801	134,382
Other	その他の資産	129,801	134,382
Property, plant and equipment	有形固定資産	85,947	82,170
Intangible assets	無形固定資産	8,417	7,521
Prepaid pension cost	前払年金費用	198	148
Customers' liabilities for acceptances and guarantees	支払承認見返	52,241	57,826
Allowance for loan losses	貸倒引当金	(26,088)	(25,426)
Total assets	資産の部合計	9,735,893	9,751,297
Liabilities	負債の部		
Deposits	預金	8,603,439	8,408,415
Negotiable certificates of deposit	譲渡性預金	88,172	305,777
Payables under securities lending transactions	債券貸借取引受入担保金	118,320	104,209
Borrowed money	借入金	397,745	385,846
Foreign exchanges	外国為替	414	432
Other liabilities	その他負債	39,635	41,060
Income taxes payable	未払法人税等	3,405	4,009
Lease obligations	リース債務	4,750	4,679
Other	その他の負債	31,479	32,372
Provision for bonuses	賞与引当金	1,533	1,463
Provision for share-based remuneration	株式給付引当金	71	83
Provision for retirement benefits	退職給付引当金	141	103
Provision for reimbursement of deposits	睡眠預金払戻損失引当金	2,278	2,920
Provision for point card certificates	ポイント引当金	422	609
Deferred tax liabilities	繰延税金負債	23,421	26,249
Deferred tax liabilities for land revaluation	再評価に係る繰延税金負債	2,576	2,201
Acceptances and guarantees	支払承諾	52,241	57,826
Total liabilities	負債の部合計	9,330,414	9,337,200
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	50,005
Legal capital surplus	資本準備金	50,001	50,001
Other capital surplus	その他資本剰余金	—	4
Retained earnings	利益剰余金	157,453	162,094
Legal retained earnings	利益準備金	5,654	6,050
Other retained earnings	その他利益剰余金	151,799	156,044
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	150,757	155,001
Treasury shares	自己株式	(1,265)	(2,932)
Total shareholders' equity	株主資本合計	327,290	330,268
Valuation difference on available-for-sale securities	その他有価証券評価差額金	72,853	79,373
Revaluation reserve for land	土地再評価差額金	5,229	4,371
Total valuation and translation adjustments	評価・換算差額等合計	78,082	83,745
Share acquisition rights	新株予約権	106	84
Total net assets	純資産の部合計	405,478	414,097
Total liabilities and net assets	負債及び純資産の部合計	9,735,893	9,751,297

4. Non-Consolidated Statements of Income

		(¥ millions)	
		Six months ended Sep. 30,	
		2018	2019
Ordinary income	経常収益	55,460	54,969
Interest income	資金運用収益	36,488	34,704
Of which, interest on loans and discounts	うち貸出金利息	30,185	29,078
Of which, interest and dividends on securities	うち有価証券利息配当金	5,994	5,315
Fees and commissions	役務取引等収益	13,871	13,528
Other ordinary income	その他業務収益	1,456	3,512
Other income	その他経常収益	3,643	3,223
Ordinary expenses	経常費用	45,898	47,062
Interest expenses	資金調達費用	1,572	1,013
Of which, interest on deposits	うち預金利息	211	183
Fees and commissions payments	役務取引等費用	7,291	7,427
Other ordinary expenses	その他業務費用	1,318	548
General and administrative expenses	営業経費	35,119	34,116
Other expenses	その他経常費用	595	3,956
Ordinary profit	経常利益	9,562	7,907
Extraordinary income	特別利益	6	1,434
Extraordinary losses	特別損失	144	189
Income before income taxes	税引前中間純利益	9,423	9,152
Income taxes – current	法人税、住民税及び事業税	1,459	3,874
Income taxes – deferred	法人税等調整額	1,003	(486)
Total income taxes	法人税等合計	2,462	3,387
Net income	中間純利益	6,961	5,765

II. Digest of financial results for six months ended September 30, 2019

1. Summary (Non-Consolidated)

(¥ billions)

	Six months ended Sep.30,		Increase/ (Decrease)	Performance Forecast (May 14,2019)	Change from forecast
	2018	2019			
Core gross profit	42.3	41.1	(1.2)	40.5	0.6
Core operating profit	6.9	7.0	0.1	5.8	1.2
Ordinary profit	9.5	7.9	(1.6)	6.4	1.5
Net income	6.9	5.7	(1.1)	4.5	1.2
Deposits and NCDs (Average balance)	8,499.5	8,775.8	276.2		
Loans and bills discounted (Average balance)	6,259.9	6,598.4	338.5		
Capital Adequacy Ratio (Domestic) (%)	12.89%	12.47%	(0.42%)		
ROE (%)	3.36%	2.80%	(0.56%)		

* NCDs = Negotiable certificates of deposit

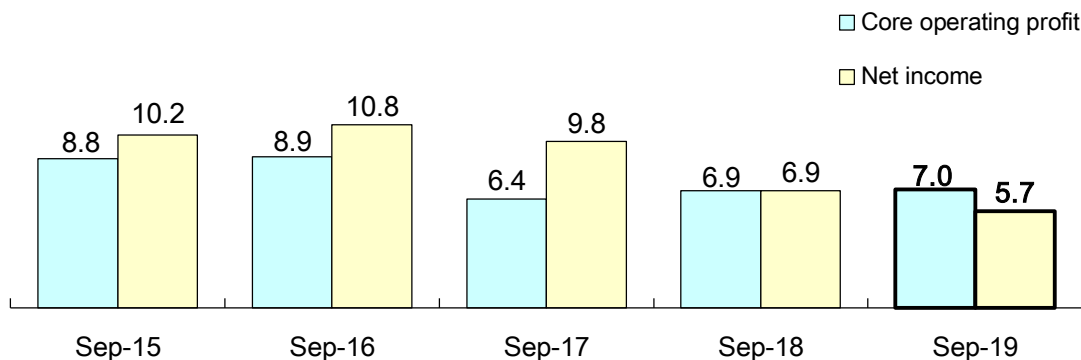
$$\text{ROE} = \frac{\text{Net income} \times 365 / 183}{(\text{Total net assets at beginning of fiscal year} + \text{Total net assets at end of fiscal (interim) year}) / 2}$$

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)

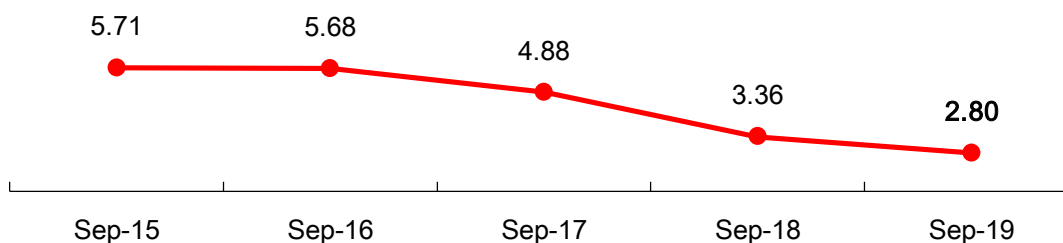
○ Core operating profit and Net income

(¥ billions)



○ ROE

(%)



2. Income Summary

【Non-Consolidated】

(¥ billions)

	Six months ended Sep.30,		Increase/ (Decrease)
	2018	2019	
Core gross profit	42.3	41.1	(1.2)
Net interest income	34.9	33.6	(1.2)
Net fees and commissions	6.5	6.1	(0.4)
Net other operating income (excluding gains (losses) on bonds)	0.8	1.3	0.4
Expenses(excluding non-recurring losses)	35.3	34.0	(1.3)
Core OHR (%)	83.58%	82.74%	(0.84%)
Personnel	14.8	14.1	(0.7)
Facilities	17.8	17.4	(0.3)
Taxes	2.6	2.4	(0.2)
Core operating profit	6.9	7.0	0.1
Excluding gains (losses) on cancellation of investment trusts	6.8	7.0	0.2
Credit cost	(0.3)	(0.2)	0.1
Gains (losses) on securities	0.7	(0.8)	(1.6)
Net other non-recurring income (loss) (including gains (losses) on money held in trust)	1.4	1.4	(0.0)
Ordinary profit	9.5	7.9	(1.6)
Net income	6.9	5.7	(1.1)

【Consolidated】

(¥ billions)

	Six months ended Sep.30,		Increase/ (Decrease)
	2018	2019	
Core gross profit	44.6	43.4	(1.2)
Ordinary profit	9.8	7.5	(2.2)
Profit attributable to owners of parent	7.0	5.0	(1.9)
Core operating profit	8.3	7.8	(0.4)
Excluding gains (losses) on cancellation of investment trusts	8.2	7.8	(0.3)

3. Deposits and NCDs(Non-Consolidated)

【Average Balance】

(¥ billions)

	Six months ended Sep.30,		Increase/ (Decrease)
	2018	2019	
Deposits and NCDs	8,499.5	8,775.8	276.2
Yield on deposits and NCDs (%)	0.00%	0.00%	(0.00%)
Corporate	2,317.6	2,416.0	98.3
Individual	5,528.8	5,720.7	191.8
Public sectors and financial institutions	653.0	639.0	(13.9)

【Outstanding Balance】

(¥ billions)

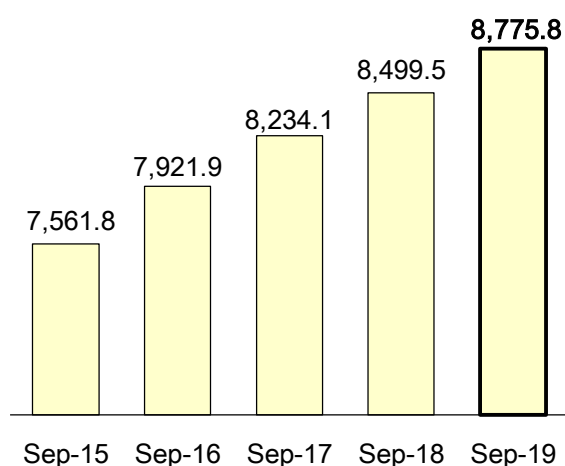
	As of Sep.30,		Increase/ (Decrease)
	2018	2019	
Deposits and NCDs	8,502.5	8,714.1	211.6
Deposit assets	299.6	256.9	(42.7)
Safe custody of public bonds	130.5	105.7	(24.7)
Investment trusts	169.0	151.1	(17.9)
Total	8,802.1	8,971.0	168.9
<Reference> Individual annuity insurance, etc.	662.1	709.0	46.9

* 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)

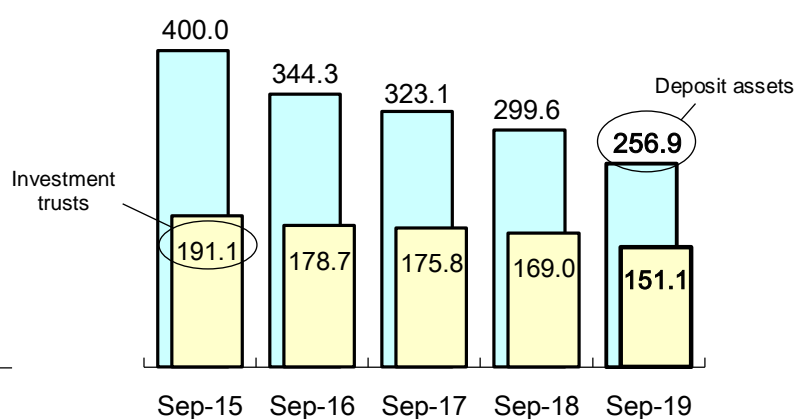
(¥ billions)



○ 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)
	2018	2019	
Loans and bills discounted	6,259.9	6,598.4	338.5
Yield on loans and bills discounted (%)	0.96%	0.87%	(0.09%)
Enterprises	2,579.6	2,684.4	104.8
Individuals	1,769.6	1,832.5	62.9
Residential loans	1,633.1	1,695.1	62.0
Consumer loans	136.4	137.4	0.9
Public sectors	1,910.6	2,081.4	170.7

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

【Outstanding Balance】

(¥ billions)

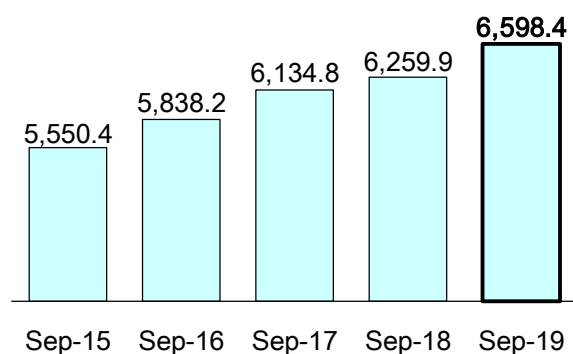
	As of Sep.30,		Increase/ (Decrease)
	2018	2019	
Loans and bills discounted	6,268.0	6,620.2	352.2
Enterprises	2,642.2	2,728.9	86.6
Individuals	1,783.5	1,856.0	72.5
Public sectors	1,842.2	2,035.2	193.0
SMEs, etc	3,572.7	3,677.4	104.6
In Hokkaido	5,205.0	5,351.8	146.8

* SMEs, etc = SMEs + Individuals

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

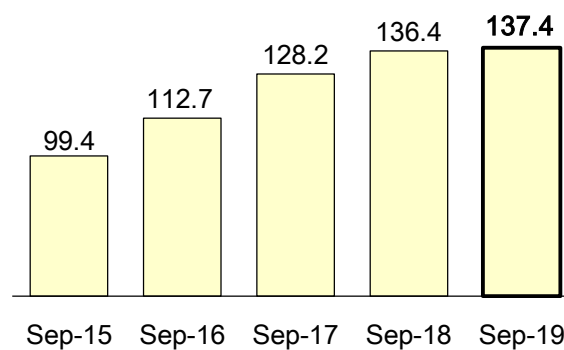
○ Loans and bills discounted (Average Balance)

(¥ billions)



○ Consumer loans (Average Balance)

(¥ billions)



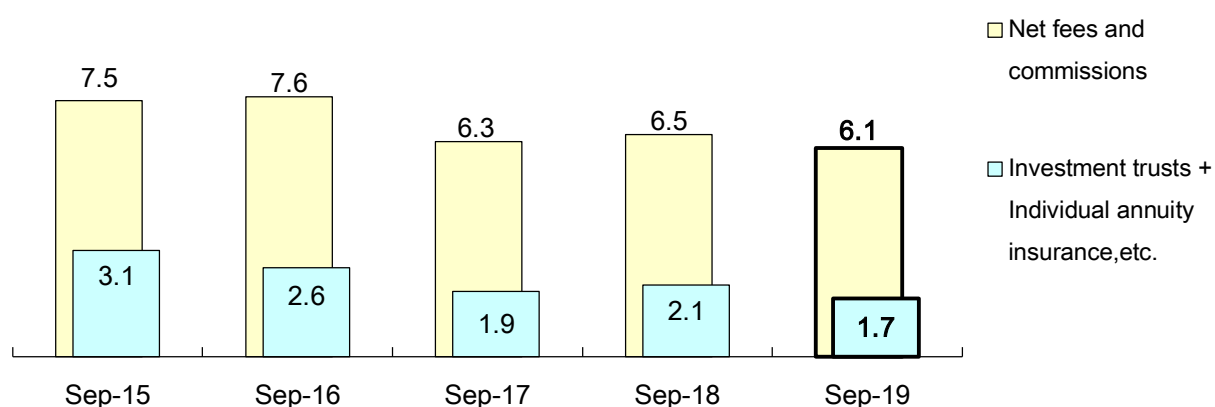
5. Fees and commissions (Non-Consolidated)

(¥ billions)

	Six months ended Sep.30,		Increase/ (Decrease)
	2018	2019	
Fees and commissions	13.8	13.5	(0.3)
Of which, domestic and foreign exchanges	3.9	3.9	0.0
Of which, investment trusts	0.8	0.6	(0.1)
Of which, individual annuity insurance, etc.	1.2	1.0	(0.2)
Fees and commissions payments	7.2	7.4	0.1
Of which, group credit life insurance	3.1	3.2	0.0
Of which, guarantee	2.4	2.4	0.0
Net fees and commissions	6.5	6.1	(0.4)

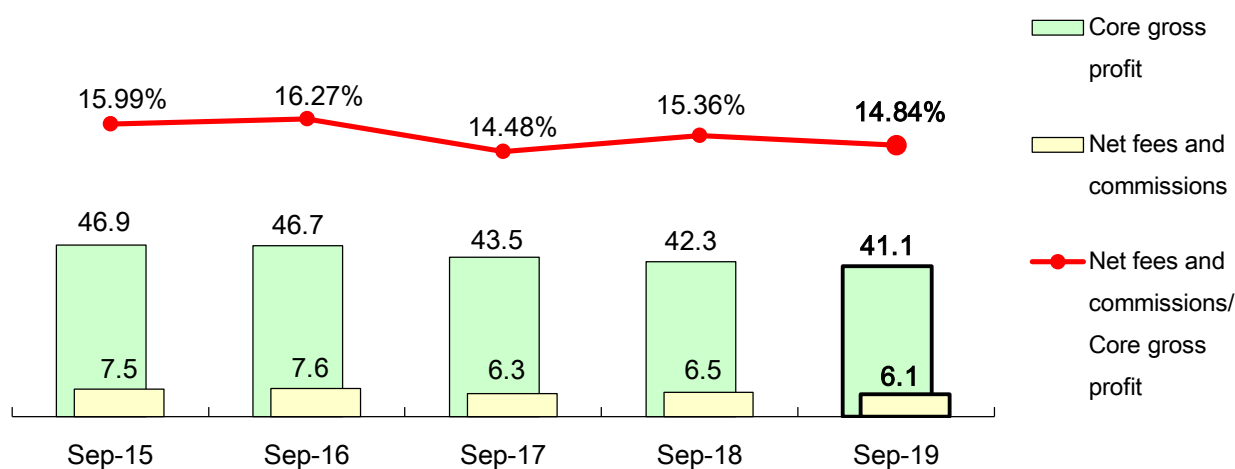
○ Net fees and commissions

(¥ billions)



○ Core gross profit and Net fees and commissions

(¥ billions)



6. Securities (Non-consolidated)

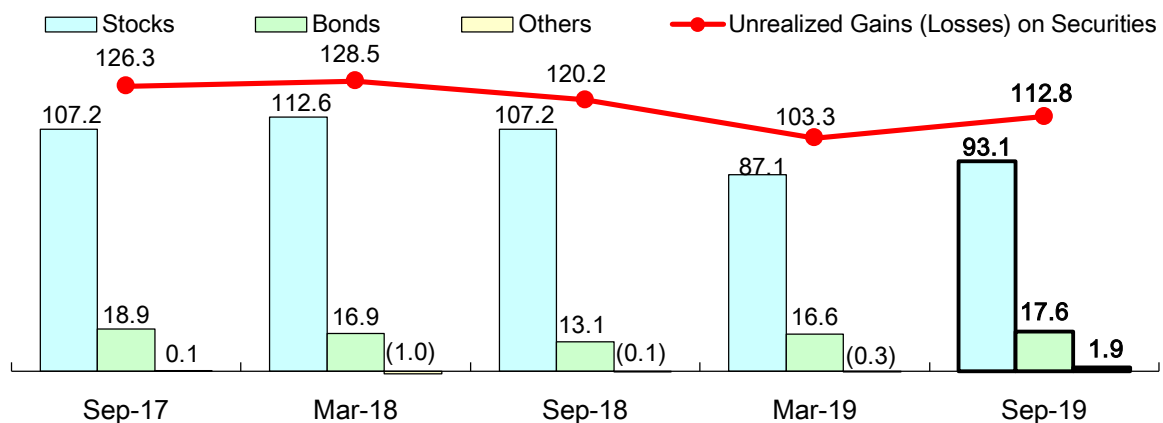
(¥ billions)

	As of Mar.31, 2019		As of Sep.30, 2019		Increase/ (Decrease)	
	Acquisition cost	Unrealized Gains (Losses)	Acquisition cost	Unrealized Gains (Losses)	Acquisition cost	Unrealized Gains (Losses)
Stocks	45.5	87.1	45.2	93.1	(0.3)	6.0
Bonds	1,000.1	16.6	986.8	17.6	(13.3)	1.0
Others	110.0	(0.3)	125.6	1.9	15.5	2.3
Total	1,155.8	103.3	1,157.7	112.8	1.8	9.4
Nikkei stock average (¥)	21,205		21,755		550	
New 10-year Japanese government bond (JGB) yield (%)	(0.095%)		(0.215%)		(0.120%)	

* Excluding trading account securities, capital investment in Investment Partnership, subsidiary stocks and affiliates stocks.

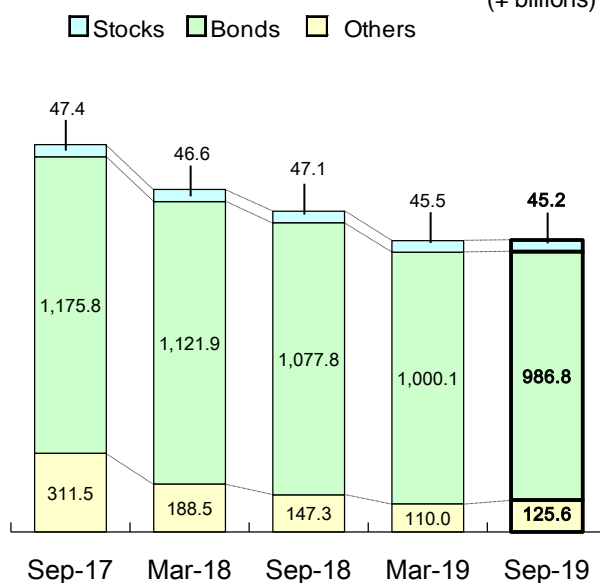
○ Unrealized Gains (Losses) on Securities

(¥ billions)



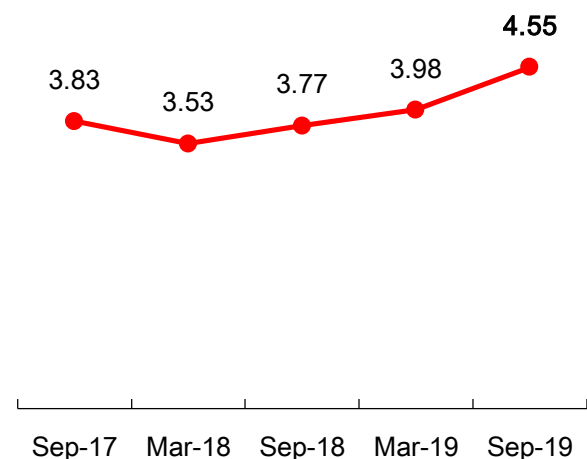
○ Acquisition cost on Securities

(¥ billions)



○ Average duration to maturity of yen bonds

(years)



* Including floating-rate JGBs

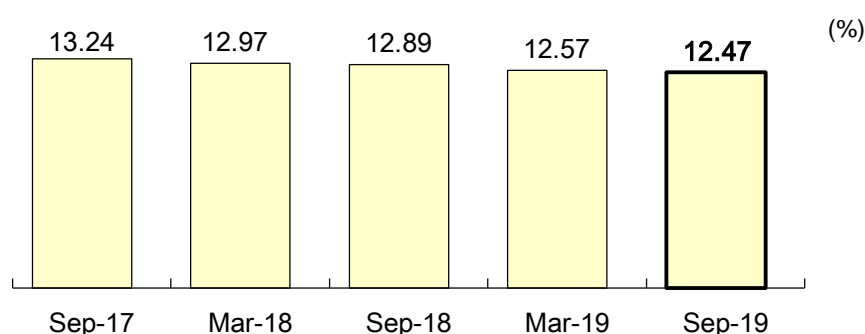
7. Capital Adequacy Ratio (Domestic)

(¥ billions)

	Non-Consolidated			Consolidated		
	As of Sep.30, 2018	As of Sep.30, 2019	Increase/ (Decrease)	As of Sep.30, 2018	As of Sep.30, 2019	Increase/ (Decrease)
Capital Adequacy Ratio (%)	12.89%	12.47%	(0.42%)	13.20%	12.78%	(0.42%)
Capital	343.1	343.7	0.5	359.8	360.7	0.8
Risk-adjusted assets	2,661.9	2,756.3	94.3	2,726.3	2,820.5	94.2

* The figures are calculated using the fundamental internal rating based approach (FIRB).

○ Capital Adequacy Ratio(Non-Consolidated)

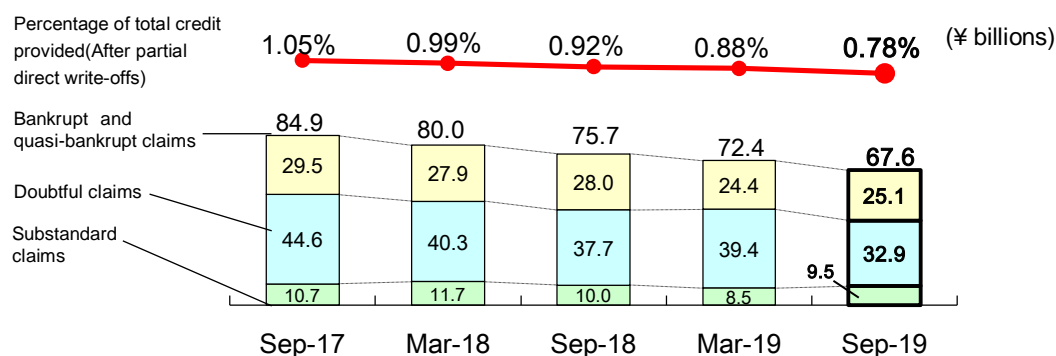


8. Disclosed claims under the Financial Reconstruction Law (Non-Consolidated)

(¥ billions)

	As of Sep.30,		Increase/ (Decrease)
	2018	2019	
Bankrupt and quasi-bankrupt claims	28.0	25.1	(2.8)
Doubtful claims	37.7	32.9	(4.7)
Substandard claims	10.0	9.5	(0.4)
Disclosed claims under the Financial Reconstruction Law	75.7	67.6	(8.1)
Percentage of total credit provided (%)	1.17%	0.99%	(0.18%)
After partial direct write-offs (%) *	0.92%	0.78%	(0.14%)

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



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