A O M O R I B A N K 2 0 1 7

Annual Report

Profile

The Aomori Bank, Ltd. has traveled the path of sound business management for about 140 years since its founding in 1879. In 1943, five banks based in Aomori Prefecture merged to form the present-day Aomori Bank, following which we have continued our strong growth as the region's leading financial institution.

In April 2016, we formulated our 15th three-year medium-term business plan. Based on this plan, we aim to increase corporate value and to be able to grow along with local community.



Non-Consolidated Balance Sheets The Aomori Bank, Ltd. As of March 31, 2017 and 2016

	Millions	Thousands of U.S. dollars	
	2017	2016	2017
Assets			
Cash and due from banks	¥286,918	¥97,937	\$2,557,432
Call loans	-	40,000	-
Monetary claims bought	2,448	2,260	21,827
Trading account securities	236	36	2,111
Investment securities	855,210	873,710	7,622,872
Loans and bills discounted	1,699,525	1,659,576	15,148,635
Foreign exchanges	1,202	1,344	10,715
Other assets	12,372	4,885	110,284
Tangible fixed assets	20,055	20,050	178,761
Intangible fixed assets	1,645	1,308	14,663
Prepaid pension cost	2,852	2,757	14,663
Customers' liabilities for	2,002	2,737	1,005
acceptances and guarantees	17,124	17,370	152,634
Reserve for possible loan losses	(7,145)	(9,465)	(63,691)
Reserve for investment loss	(7,145)	(24)	(03,091)
Total assets			
	¥2,892,442	¥2,711,748	\$25,781,642
Liabilities and shareholders' equity			
Liabilities		VO 0 06 000	#20 ((2.102
Deposits	¥2,318,081	¥2,286,800	\$20,662,103
Negotiable certificates of deposits	151,897	132,470	1,353,934
Call money	83,521	34,517	744,468
Payables under securities lending transactions	5,164	2,719	46,029
Borrowed funds	174,953	101,381	1,559,439
Foreign exchanges	10	5	94
Other liabilities	24,287	14,603	216,483
Reserve for employee's bonus	592	596	5,276
Reserve for employee's retirement benefit	-	275	-
Reserve for reimbursement of deposit	615	422	5,485
Deferred tax liabilities	4,040	6,606	36,017
Deferred tax liabilities on land revaluation	1,648	1,731	14,694
Acceptances and guarantees	17,124	17,370	152,634
Total liabilities	2,781,937	2,599,500	24,796,663
Net assets	<u></u>		
Shareholder's equity			
Common stock	19,562	19,562	174,370
Capital surplus	12,916	12,916	115,130
Total retained earnings	58,795	55,220	524,071
Legal reserve	6,646	6,646	59,240
Appropriated retained earnings	46,000	42,000	410,018
Unappropriated retained earnings	6,149	6,574	54,812
Treasury stock	(494)	(731)	(4,410)
Total shareholder's equity	90,779	86,968	809,161
Valuation and translation adjustments	30,773	80,908	809,101
Net unrealized gains (losses) on securities	17 110	22 522	150 500
	17,112	22,533	152,532
Net deferred gains (losses) on hedging instruments	(3)	(23)	(30)
Revaluation reserve for land	2,495	2,680	22,247
Total Vauluation and translation adjustments	19,605	25,190	174,749
Stock option rights	119	89	1,067
Total net assets	110,504	112,247	984,979
Total liabilities and net assets	¥2,892,442	¥2,711,748	\$25,781,642

Non-Consolidated Income The Aomori Bank, Ltd. Years ended March 31, 2017 and 2016

	Millions of	Thousands of U.S. dollars	
	2017	2016	2017
Income			
Interest on;			
Loans and discounts	¥18,505	¥19,725	\$164,944
Securities	8,980	9,380	80,050
Other	38	343	342
	27,524	29,449	245,337
Fees and commissions	6,685	6,473	59,592
Other income	4,356	3,937	38,834
Total income	38,566	39,861	343,764
Expenses			
Interest on;			
Deposits	1,101	1,639	9,813
Borrowings and rediscounts	10	170	95
Other	307	478	2,741
	1,419	2,287	12,650
Fees and commissions	5,142	4,267	45,841
General and administrative expenses	23,975	23,354	213,703
Other expenses	1,426	1,189	12,716
Loss on impairment of fixed assets	486	525	4,338
Total expenses	32,451	31,625	289,250
Income (Loss) before income taxes	6,115	8,236	54,513
Income taxes			
Current income taxes	1,753	2,104	15,628
Deferred income taxes	(250)	884	(2,230)
Total income taxes	1,503	2,988	13,398
Net income (Loss)	¥4,612	¥5,247	\$41,115

	Yen	Cents		
Net income (Loss) per share	¥22.68	¥25.81	¢ 20.21	

Non-Consolidated Statements of Changes In Net Assets The Aomori Bank, Ltd. As of March 31, 2017 and 2016

							Mil	lions of yen
	Shareholder's equity							
				Retained	earnings			Total
	Common stock	Capital - surplus	Legal reserve	Appropriated retained earnings	Unappropriated retained earnings	Total retained earnings	Treasury stock	
Balances as of March 31,2016	¥19,562	¥12,916	¥6,646	¥42,000	¥6,574	¥55,220	(¥731)	¥86,968
Changes during the accounting period								
Dividends from surplus					(1,222)	(1,222)		(1,222)
Appropriated retained earnings				4,000	(4,000)			
Net Income					4,612	4,612		4,612
Purchase of treasury stock							(5)	(5)
Disposal of treasury stock					(0)	(0)	242	242
Reversal of land revaluation excess Changes other than					185	185		185
Shareholders' equity (net) Total changes during the accounting period		_		4,000	(425)	3,574	236	3,811
Balances as of March 31,2017	¥19,562	¥12,916	¥6,646	¥46,000	¥6,149	¥58,795	(¥494)	¥90,779

	Thousands of US. dolla							
	Shareholder's equity							
			Retained earnings					
	Common stock	Capital surplus	Legal reserve	Appropriated retained earnings	Unappropriated retained earnings	Total retained earnings	Treasury stock	Total
Balances as of March 31,2016	\$174,370	\$115,130	\$59,240	\$374,364	\$58,602	\$492,207	(\$6,522)	\$775,185
Changes during the accounting period								
Dividends from surplus					(10,896)	(10,896)		(10,896)
Appropriated retained earnings				35,653	(35,653)			
Net Income					41,115	41,115		41,115
Purchase of treasury stock							(52)	(52)
Disposal of treasury stock					(3)	(3)	2,165	2,161
Reversal of land revaluation excess Changes other than					1,649	1,649		1,649
Shareholders' equity (net) Total changes during the accounting period	_	_		35,653	(3,789)	31,864	2,112	33,976
Balances as of March 31,2017	\$174,370	\$115,130	\$59,240	\$410,018	\$54,812	\$524,071	(\$4,410)	\$809,161

Thousands of US. dollars

Non-Consolidated Statements of Changes In Net Assets The Aomori Bank, Ltd. As of March 31, 2017 and 2016

Millions of yen Valuation and translation adjustments Net Deferred Stock option Revaluation Total net assets gains(losses) unrealized rights reserve Total gains(losses) on hedging for land on securities instruments Balances as of ¥22,533 ¥2,680 ¥25,190 ¥89 ¥112,247 (¥23) March 31,2016 Changes during the accounting period Dividends from surplus (1,222) Appropriated retained earnings Net Income 4,612 Purchase of treasury stock (5) Disposal of treasury stock 242 Reversal of land 185 revaluation excess Changes other than (5,420) 20 (185) (5,585) 30 (5,554) Shareholders' equity (net) Total changes during (5,420) 20 (185) (5,585) 30 (1,743) the accounting period Balances as of ¥17,112 (¥3) ¥2,495 ¥19,605 ¥119 ¥110,504 March 31,2017

			Thousands of US. dollars			
	Valu	uation and trans				
	Net unrealized gains(losses) on securities	Deferred gains(losses) on hedging instruments	Revaluation reserve for land	Total	Stock option rights	Total net assets
Balances as of March 31,2016	\$200,849	(\$211)	\$23,896	\$224,534	\$795	\$1,000,515
Changes during the accounting period						
Dividends from surplus						(10,896)
Appropriated retained earnings						
Net Income						41,115
Purchase of treasury stock						(52)
Disposal of treasury stock						2,161
Reversal of land revaluation excess						1,649
Changes other than Shareholders' equity (net)	(48,316)	181	(1,649)	(49,784)	272	(49,512)
Total changes during the accounting period	(48,316)	181	(1,649)	(49,784)	272	(15,536)
Balances as of March 31,2017	\$152,532	(\$30)	\$22,247	\$174,749	\$1,067	\$984,979

(*) The non-consolidated financial statements presented herein are expressed in yen and, solely for the convenience of the reader, have been translated into United States dollars at the rate of ¥112.19= U.S.\$1, the prevailing rate as of March 31, 2017. This translation should not be construed as a representation that all the amounts shown could be converted into U.S. dollars.

Board of Directors and Eecutive Officers

(as of June 27, 2017)

Chairman

Satoshi Hamaya

President

Susumu Narita

Senior Managing Director

Reiji Tatebe Fumitaka Demachi

Managing Directors

Akihiro Kawamura Hitoshi Takeuchi Tomohiko Sasaki

Organization

(as of April 1, 2017)

Directors

Keitaro Ishikawa Satoru Ishibashi

Directors / Audit & Supervisory Committee Members

Hiromiki Sugiyama Takashi Oya Norihisa Ishida Toshisada Kushibiki

Executive Officers

Katsuhiro Ogasawara Tsuyoshi Tamura Tsutomu Shikanai Yo Mori



Corporate Date

(as of March 31, 2017

Company Name The Aomori Bank, Ltd.

Head Office 9-30, Hashimoto 1-chome, Aomori 030-0823, Japan

WEB URL http://www.a-bank.jp/

Date of Establishment Octorber 1, 1943

Date of Foundation January 20, 1879 Number of Employees 1,317

Number of Offices 101

Paid-in Capital 19,562 million yen

Number of Outstanding Shares 205,121 thousand

Total Assets 2,892.4 billion yen Loans and Bills Discounted 1,699.5billion yen

Capital Adequacy Ratio 9.82%(Domestic Standards)

Credit Rating A(Japan Credit Rating Agency, Ltd)