

Summary of Business Performance in FY2017

In FY2017, although interest on loans increased for the first time in 10 years and expenses were reduced, core banking profit declined ¥2.1 billion year on year to ¥32.3 billion as a result of the drop in net interest income mainly due to the decline in interest and dividends on securities. In addition, despite a decline in credit costs and the posting of a gain on the reversal of provision for investment loss regarding shares of Hirogin Securities Co., Ltd., net income fell ¥2.9 billion year on year to ¥27.0 billion.

On a consolidated basis, although gains on negative goodwill and others were booked in conjunction with Hirogin Securities being converted into a wholly owned subsidiary on June 1, 2017, and due to the elimination of the gain on the reversal of provision for investment loss posted on a non-consolidated basis, profit attributable to owners of the parent fell ¥5.4 billion year on year to ¥25.8 billion, marking the fourth consecutive year of a high level of profit exceeding ¥25.0 billion.

[Non-Consolidated]

(¥ billion)

	Result for FY2017	YoY change (Change rate)	Difference from the announcement on November 9
Operating income	122.4	(12.3) ((9.2)%)	(2.1)
Net interest income	68.2	(3.2)	
Of which, interest on loans	61.0	0.1	
Net fees and commissions income	17.8	0.1	
Core gross banking profit	86.1	(3.0) ((3.4)%)	
Expenses	53.7	(1.0)	
Core banking profit	32.3	(2.1) ((6.2)%)	
Government bonds, etc., such as bond-related gains (losses)	(2.3)	0.5	
Real banking profit	29.9	(1.7) ((5.3)%)	
Of which, share and share-related gains (losses)	6.3	(8.1)	
Of which, credit costs	0.2	(2.5)	
Of which, gain on reversal of provision for investment loss	4.9	4.9	
Of which, provision of reserve for reimbursement of deposits	4.1	3.1	
Ordinary profit	37.9	(5.3) ((12.1)%)	(0.2)
Net income	27.0	(2.9) ((9.9)%)	(0.5)

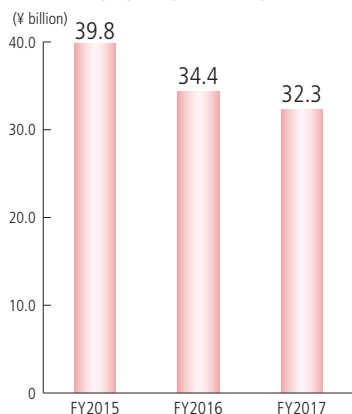
[Consolidated]

Operating income	124.9	(13.3) ((9.7)%)	(1.1)
Ordinary profit	35.0	(10.0) ((22.2)%)	0.4
Profit attributable to owners of the parent	25.8	(5.4) ((17.3)%)	(0.1)

Earnings

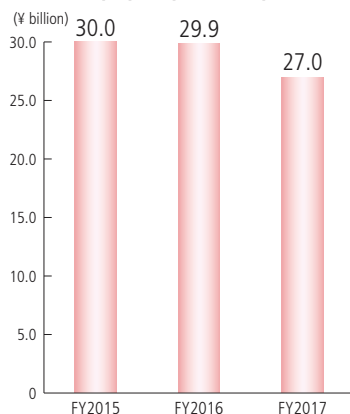
Core banking profit

¥32.3 billion
(¥(2.1) billion)



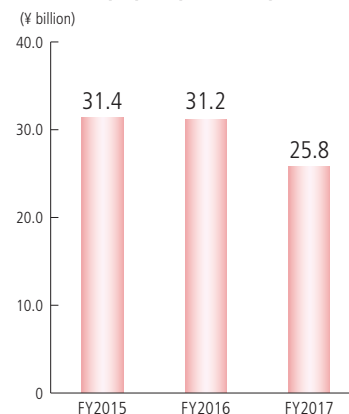
Net income

¥27.0 billion
(¥(2.9) billion)



Profit attributable to owners of the parent

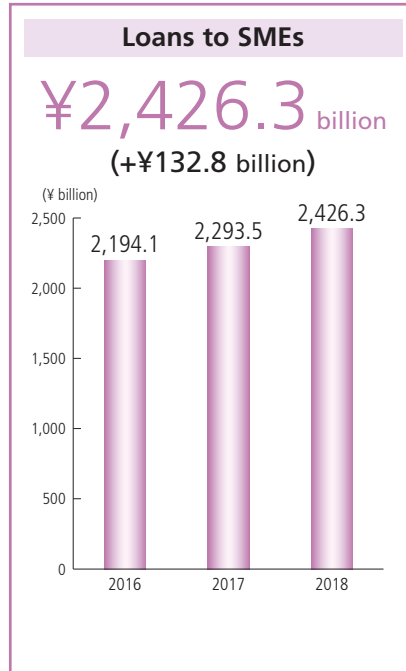
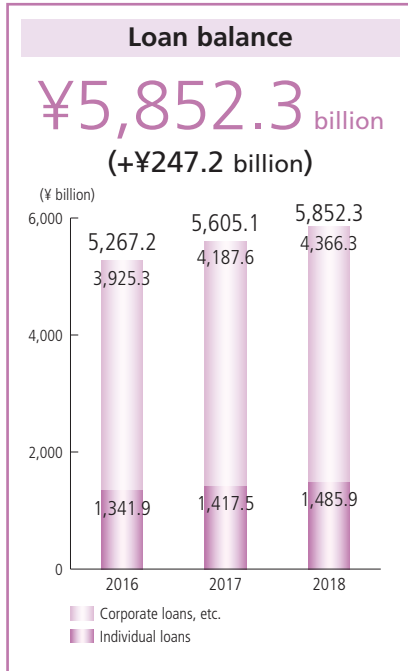
¥25.8 billion
(¥(5.4) billion)



(As of March 31)

Loans

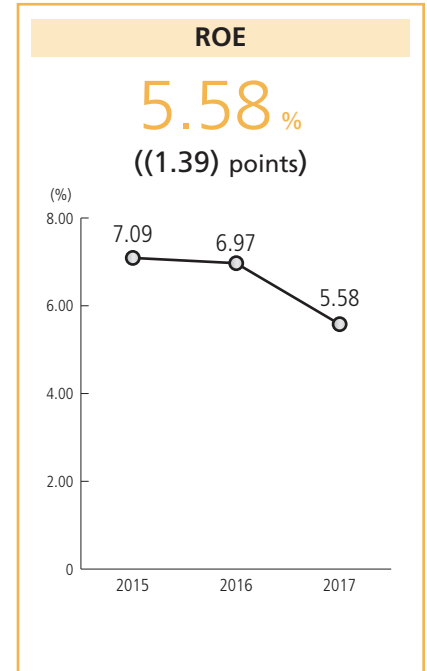
Compared with the end of FY2016, the loan balance expanded ¥247.2 billion (+4.4%) to ¥5,852.3 billion on growth in both corporate loans and individual loans. The balance of corporate loans, etc., stood at ¥4,366.3 billion, an increase of ¥178.7 billion (+4.3%) from the end of FY2016, as a result of efforts to uncover needs for financing through consulting-based financial products based on qualitative analysis, including Japan's first ever loans with principal exemption in case of earthquake, as well as the Hirogin health management support loan. Of this, the balance of loans to SMEs, on which we have been focusing from the past, was ¥2,426.3 billion, an increase of ¥132.8 billion (+5.8%). The balance of individual loans increased ¥68.4 billion (+4.8%) compared to the end of FY2016 to ¥1,485.9 billion. This was due to the expansion of attractive new products and services, efforts to promote loans through promotion campaigns targeting each life stage, as well as efforts to promote automobile, educational, housing and other consumer loans.



(As of March 31)

ROE (Consolidated)

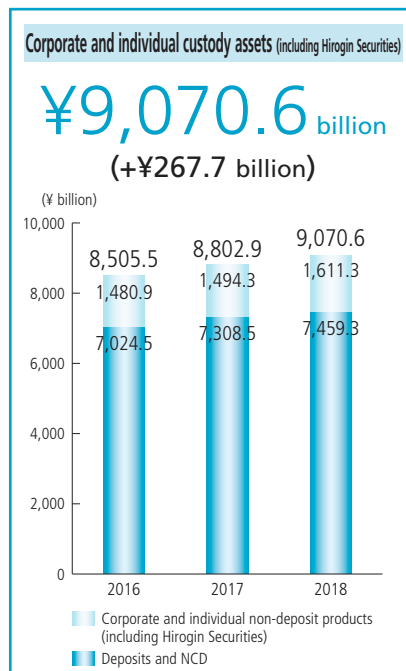
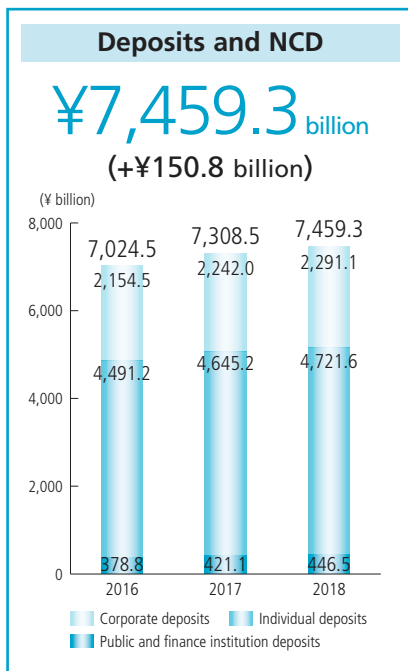
As an indicator of business efficiency, Hiroshima Bank's ROE remained in the 5.5–6.0% range, amid the steady increase in net assets.



(As of March 31)

Deposits

The Bank's balance of deposits and NCD stood at ¥7,459.3 billion, an increase of ¥150.8 billion (+2.1%) from the end of FY2016, thanks to marketing activities tied to local communities. Of this, corporate deposits grew ¥49.1 billion (+2.2%) to ¥2,291.1 billion, and individual deposits rose ¥76.4 billion (+1.6%) to ¥4,721.6 billion. Corporate and individual custody assets increased by ¥267.7 billion (+3.0%) compared to the end of FY2016 to ¥9,070.6 billion, exceeding the ¥9,000 billion mark at the end of the fiscal year for the first time. This was due to consulting-based marketing tailored to customers' needs, based on a strengthening of collaboration with Hirogin Securities, amid efforts aimed at enhancing customer-oriented operations (fiduciary duty).



(As of March 31)

Capital adequacy ratio

The consolidated capital adequacy ratio was 11.07%, which remains well above Japan's domestic standard of 4%.

