

Financial Results for the First Half of Fiscal 2016

(From April 1, 2016 to September 30, 2016)

THE HIROSHIMA BANK, LTD.

Contents

Consolidated Financial Information for the First Half of Fiscal 2016

1. Consolidated Balance Sheets	1
2. Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	2
3. Consolidated Statements of Changes in Net Assets	3

Non-Consolidated Financial Information for the First Half of Fiscal 2016

1. Non-Consolidated Balance Sheets	5
2. Non-Consolidated Statements of Income	6
3. Non-Consolidated Statements of Changes in Net Assets	7

Financial Data for the First Half of Fiscal 2016

1. Income Status	9
2. Banking Profit	11
3. Interest Rate Spread (All Branches) (Domestic Operations)	11
4. Return on Equity	11
5. Capital Adequacy Ratio (Domestic Standard)	12
6. Gains (Losses) on Valuation of Securities	12

[Loans and Other Assets Information]

1. Loans Outstanding	13
2. Risk Managed Loans	14
3. Reserve for Possible Loan Losses	15
4. Ratio to Reserve for Total Risk Managed Loans	15
5. Problem Loans Disclosed under the Financial Revitalization Law	15
6. Coverage of Problem Loans Disclosed under the Financial Revitalization Law	16
7. Loans to Entities Overseas by Country	16
8. Loan Portfolio	16

[Deposits and Other Liabilities Information]

1. Deposits Outstanding	18
2. Individual Custody Assets	18

Consolidated Financial Information for the First Half of Fiscal 2016

1. Consolidated Balance Sheets

Item	Millions of yen	
	As of March 31, 2016	As of September 30, 2016
ASSETS		
Cash and due from banks	¥ 712,514	¥ 935,562
Call loans and bills purchased	10,766	14,248
Financial receivables purchased	6,824	6,834
Trading assets	12,284	8,342
Money held in trust	189	156
Securities	1,995,792	2,015,372
Loans and bills discounted	5,267,812	5,353,230
Foreign exchanges	7,315	11,915
Other assets	35,951	45,184
Tangible fixed assets	88,689	89,229
Intangible fixed assets	9,689	10,352
Net defined benefit asset	41,663	43,563
Deferred tax assets	683	765
Customers' liabilities for acceptances and guarantees	46,746	44,516
Reserve for possible loan losses	(35,997)	(37,745)
Total assets	¥8,200,925	¥8,541,529
LIABILITIES AND NET ASSETS		
Liabilities		
Deposits	¥6,792,193	¥6,712,931
Negotiable certificates of deposit	221,525	487,533
Call money and bills sold	25,288	6,067
Payables under repurchase agreements	129,184	131,562
Deposits received for bonds lending/borrowing transactions	268,079	352,769
Trading liabilities	10,232	6,406
Borrowed money	161,128	269,716
Foreign exchanges	185	583
Bonds	20,000	20,000
Due to trust account	42	42
Other liabilities	44,758	47,217
Net defined benefit liability	41	37
Reserve for retirement benefits of directors and corporate auditors	42	22
Reserve for reimbursement of dormant deposits	1,495	1,495
Reserve for point loyalty programs	111	154
Deferred tax liabilities	18,328	6,377
Deferred tax liabilities for land revaluation reserve	13,622	13,622
Acceptances and guarantees	46,746	44,516
Total liabilities	7,753,006	8,101,058
Net Assets		
Common stock	54,573	54,573
Capital surplus	30,817	30,743
Retained earnings	265,811	283,165
Common stock in treasury	(982)	(431)
Total stockholders' equity	350,220	368,051
Net unrealized holding gains on securities available for sale	65,797	40,292
Net deferred losses on hedging instruments, net of tax	(764)	(485)
Land revaluation reserve, net of tax	27,784	27,784
Remeasurements of defined benefit plans	4,548	4,546
Total accumulated other comprehensive income	97,365	72,137
Stock acquisition rights	334	281
Total net assets	447,919	440,471
Total liabilities and net assets	¥8,200,925	¥8,541,529

2. Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

Item	Millions of yen	
	First half of FY2015	First half of FY2016
Operating income	¥69,672	¥72,761
Interest income	40,828	39,512
Interest on loans and discounts	31,969	30,606
Interest and dividends on securities	8,150	8,381
Trust fees	66	86
Fees and commissions	14,384	14,128
Trading income	202	94
Other operating income	9,703	5,889
Other income	4,487	13,050
Operating expenses	42,212	43,840
Interest expenses	3,559	4,081
Interest on deposits	1,802	1,515
Fees and commissions	3,667	4,166
Other operating expenses	5,394	3,135
General and administrative expenses	26,879	28,674
Other expenses	2,711	3,782
Operating profits	27,459	28,921
Extraordinary gains	0	0
Gain on dispositions of fixed assets	0	0
Extraordinary losses	115	46
Losses on dispositions of fixed assets	110	18
Impairment losses	5	27
Income before income taxes and others	27,345	28,874
Provision for income taxes and others	7,243	8,850
Deferred income taxes	1,590	(756)
Total income taxes	8,834	8,094
Net income	18,511	20,780
Profit attributable to owners of the parent	¥18,511	¥20,780

Consolidated Statements of Comprehensive Income

Item	Millions of yen	
	First half of FY2015	First half of FY2016
Net income	¥ 18,511	¥ 20,780
Other comprehensive income	(14,085)	(25,227)
Net unrealized holding gains (losses) on securities available for sale	(13,947)	(25,505)
Net deferred gains (losses) on hedging instruments, net of tax	294	278
Remeasurements of defined benefit plans	(432)	(1)
Share of other comprehensive income of affiliated companies accounted for by equity method	(0)	0
Comprehensive income	¥ 4,425	¥ (4,447)
Comprehensive income attributable to owners of the parent	¥ 4,425	¥ (4,447)

3. Consolidated Statements of Changes in Net Assets

Item	Millions of yen				
	First half of FY2015				
	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Common stock in treasury	Total stockholders' equity
Balance at the beginning of current period	¥54,573	¥30,704	¥240,990	¥(1,416)	¥324,851
Changes of items during the period					
Dividends from surplus			(3,109)		(3,109)
Profit attributable to owners of the parent			18,511		18,511
Purchase of common stock in treasury				(9)	(9)
Disposal of common stock in treasury		48		316	365
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	48	15,401	306	15,757
Balance at the end of current period	¥54,573	¥30,753	¥256,391	¥(1,110)	¥340,608

Item	Millions of yen						
	First half of FY2015						
	Accumulated other comprehensive income						
	Net unrealized holding gains (losses) on securities available for sale, net of tax	Net deferred gains (losses) on hedging instruments, net of tax	Land valuation and translation adjustments, net of tax	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Stock acquisition rights	Total net assets
Balance at the beginning of current period	¥ 65,661	¥(1,125)	¥27,344	¥19,080	¥110,960	¥ 383	¥436,195
Changes of items during the period							
Dividends from surplus							(3,109)
Profit attributable to owners of the parent							18,511
Purchase of common stock in treasury							(9)
Disposal of common stock in treasury							365
Net changes of items other than shareholders' equity	(13,948)	294	—	(432)	(14,085)	(104)	(14,190)
Total changes of items during the period	(13,948)	294	—	(432)	(14,085)	(104)	1,566
Balance at the end of current period	¥ 51,712	¥ (830)	¥27,344	¥18,647	¥ 96,875	¥ 278	¥437,762

Millions of yen					
First half of FY2016					
Stockholders' equity					
Item	Common stock	Capital surplus	Retained earnings	Common stock in treasury	Total stockholders' equity
Balance at the beginning of current period	¥54,573	¥30,817	¥265,811	¥(982)	¥ 350,220
Changes of items during the period					
Dividends from surplus			(3,426)		(3,426)
Profit attributable to owners of the parent			20,780		20,780
Purchase of common stock in treasury				(1)	(1)
Disposal of common stock in treasury		(73)		552	478
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(73)	17,354	551	17,831
Balance at the end of current period	¥54,573	¥30,743	¥283,165	¥(431)	¥(368,051)

Millions of yen							
First half of FY2016							
Accumulated other comprehensive income							
Item	Net unrealized holding gains (losses) on securities available for sale, net of tax	Net deferred gains (losses) on hedging instruments, net of tax	Land valuation and translation adjustments, net of tax	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Stock acquisition rights	Total net assets
Balance at the beginning of current period	¥ 65,797	¥(764)	¥27,784	¥4,548	¥ 97,365	¥334	¥447,919
Changes of items during the period							
Dividends from surplus							(3,426)
Profit attributable to owners of the parent							20,780
Purchase of common stock in treasury							(1)
Disposal of common stock in treasury							478
Net changes of items other than shareholders' equity	(25,505)	278	—	(1)	(25,227)	(52)	(25,280)
Total changes of items during the period	(25,505)	278	—	(1)	(25,227)	(52)	(7,448)
Balance at the end of current period	¥ 40,292	¥(485)	¥27,784	¥4,546	¥ 72,137	¥281	¥440,471

Non-Consolidated Financial Information for the First Half of Fiscal 2016

1. Non-Consolidated Balance Sheets

Item	Millions of yen	
	As of March 31, 2016	As of September 30, 2016
ASSETS		
Cash and due from banks	¥ 711,894	¥ 934,889
Call loans and bills purchased	10,766	14,248
Financial receivables purchased	5,193	5,293
Trading assets	12,284	8,342
Money held in trust	156	156
Securities	1,999,381	2,019,169
Loans and bills discounted	5,267,228	5,352,706
Foreign exchanges	7,315	11,915
Other assets	32,240	41,314
Tangible fixed assets	88,357	88,900
Intangible fixed assets	9,673	10,339
Prepaid pension expenses	35,072	36,974
Customers' liabilities for acceptances and guarantees	44,331	42,298
Reserve for possible loan losses	(33,888)	(35,272)
Reserve for investment losses	(4,730)	(5,010)
Total assets	¥8,185,278	¥8,526,264
LIABILITIES AND NET ASSETS		
Liabilities		
Deposits	¥6,797,573	¥6,718,680
Negotiable certificates of deposit	226,993	493,002
Call money and bills sold	25,288	6,067
Payables under repurchase agreements	129,184	131,562
Deposits received for bonds lending/borrowing transactions	268,079	352,769
Trading liabilities	10,232	6,406
Borrowed money	161,128	269,716
Foreign exchanges	185	583
Bonds	20,000	20,000
Due to trust account	42	42
Other liabilities	36,810	39,510
Income taxes payable	9,163	8,330
Lease obligations	788	753
Asset retirement obligation	304	307
Other liabilities	26,553	30,119
Reserve for reimbursement of dormant deposits	1,495	1,495
Reserve for point loyalty programs	72	117
Deferred tax liabilities	15,660	3,671
Deferred tax liabilities for land revaluation reserve	13,622	13,622
Acceptances and guarantees	44,331	42,298
Total liabilities	7,750,700	8,099,547
Net Assets		
Common stock	54,573	54,573
Capital surplus	30,816	30,742
Capital reserve	30,634	30,634
Other capital surplus	182	108
Retained earnings	257,006	273,946
Legal earned reserve	40,153	40,153
Other retained earnings	216,853	233,793
Voluntary reserve	186,604	209,604
Earned surplus brought forward	30,249	24,189
Common stock in treasury	(969)	(417)
Total stockholders' equity	341,427	358,845
Net unrealized holding gains on securities available for sale	65,796	40,290
Net deferred losses on hedging instruments, net of taxes	(764)	(485)
Land revaluation reserve, net of tax	27,784	27,784
Total valuation and translation adjustments	92,815	67,588
Stock acquisition rights	334	281
Total net assets	434,577	426,716
Total liabilities and net assets	¥8,185,278	¥8,526,264

2. Non-Consolidated Statements of Income

Item	Millions of yen	
	First half of FY2015	First half of FY2016
Operating income	¥68,090	¥71,507
Interest income	40,999	39,833
Interest on loans and discounts	31,923	30,569
Interest and dividends on securities	8,385	8,753
Trust fees	66	86
Fees and commissions	12,773	12,579
Trading income	202	94
Other operating income	9,703	5,889
Other income	4,345	13,023
Operating expenses	41,595	43,300
Interest expenses	3,559	4,081
Interest on deposits	1,803	1,515
Fees and commissions	3,994	4,580
Other operating expenses	5,394	3,135
General and administrative expenses	25,993	27,853
Other expenses	2,654	3,649
Operating profits	26,494	28,207
Extraordinary gains	0	0
Extraordinary losses	115	46
Income before income taxes and others	26,380	28,160
Provision for income taxes and others	6,889	8,505
Deferred income taxes	1,621	(711)
Total income taxes	8,511	7,793
Net income	¥17,868	¥20,366

3. Non-Consolidated Statements of Changes in Net Assets

Millions of yen								
First half of FY2015								
Stockholders' equity								
Item	Capital surplus				Legal earned reserve	Retained earnings		
	Common stock	Capital reserve	Other capital surpluses	Total capital surplus		Other retained earnings	Earned surplus brought forward	Total retained earnings
Balance at the beginning of current period	¥54,573	¥30,634	¥ 68	¥30,703	¥40,153	¥170,604	¥ 22,779	¥233,536
Changes of items during the period								
Dividends from surplus							(3,109)	(3,109)
Voluntary reserve						16,000	(16,000)	—
Net income							17,868	17,868
Purchase of common stock in treasury								
Disposal of common stock in treasury			48	48				
Net changes of items other than shareholders' equity								
Total changes of items during the period	—	—	48	48	—	16,000	(1,240)	14,759
Balance at the end of current period	¥54,573	¥30,634	¥117	¥30,752	¥40,153	¥186,604	¥ 21,539	¥248,296

Millions of yen								
First half of FY2015								
Stockholders' equity		Valuation and translation adjustments						
Item	Common stock in treasury	Total stockholders' equity	Net unrealized holding gains (losses) on securities available for sale, net of tax	Net deferred gains (losses) on hedging instruments, net of tax	Land valuation and translation adjustments, net of tax	Total valuation and translation adjustments	Stock acquisition rights	Total net assets
Balance at the beginning of current period	¥(1,402)	¥317,411	¥ 65,658	¥(1,125)	¥27,344	¥ 91,878	¥ 383	¥409,672
Changes of items during the period								
Dividends from surplus		(3,109)						(3,109)
Voluntary reserve		—						—
Net income		17,868						17,868
Purchase of common stock in treasury	(9)	(9)						(9)
Disposal of common stock in treasury	316	365						365
Net changes of items other than shareholders' equity			(13,947)	294	—	(13,653)	(104)	(13,757)
Total changes of items during the period	306	15,114	(13,947)	294	—	(13,653)	(104)	1,357
Balance at the end of current period	¥(1,096)	¥332,525	¥ 51,710	¥ (830)	¥27,344	¥ 78,225	¥ 278	¥411,029

Millions of yen								
First half of FY2016								
Item	Stockholders' equity				Retained earnings			
	Common stock	Capital surplus			Legal earned reserve	Other retained earnings		Total retained earnings
		Capital reserve	Other capital surpluses	Total capital surplus		Voluntary reserve	Earned surplus brought forward	
Balance at the beginning of current period	¥54,573	¥30,634	¥182	¥30,816	¥40,153	¥186,604	¥ 30,249	¥257,006
Changes of items during the period								
Dividends from surplus							(3,426)	(3,426)
Voluntary reserve						23,000	(23,000)	—
Net income							20,366	20,366
Purchase of common stock in treasury								
Disposal of common stock in treasury			(73)	(73)				
Net changes of items other than shareholders' equity								
Total changes of items during the period	—	—	(73)	(73)	—	23,000	(6,059)	16,940
Balance at the end of current period	¥54,573	¥30,634	¥108	¥30,742	¥40,153	¥209,604	¥ 24,189	¥273,946

Millions of yen								
First half of FY2016								
Item	Stockholders' equity		Valuation and translation adjustments					
	Common stock in treasury	Total stockholders' equity	Net unrealized holding gains (losses) on securities available for sale, net of tax	Net deferred gains (losses) on hedging instruments, net of tax	Land valuation and translation adjustments, net of tax	Total valuation and translation adjustments	Stock acquisition rights	Total net assets
Balance at the beginning of current period	¥(969)	¥341,427	¥ 65,796	¥(764)	¥27,784	¥ 92,815	¥334	¥434,577
Changes of items during the period								
Dividends from surplus		(3,426)						(3,426)
Voluntary reserve		—						—
Net income		20,366						20,366
Purchase of common stock in treasury	(1)	(1)						(1)
Disposal of common stock in treasury	552	478						478
Net changes of items other than shareholders' equity			(25,505)	278	—	(25,226)	(52)	(25,279)
Total changes of items during the period	551	17,418	(25,505)	278	—	(25,226)	(52)	(7,861)
Balance at the end of current period	¥(417)	¥358,845	¥ 40,290	¥(485)	¥27,784	¥ 67,588	¥281	¥426,716

Financial Data for the First Half of Fiscal 2016

1. Income Status

(Non-Consolidated)

Item	Millions of yen		First half of FY2015 (B)
	First half of FY2016 (A)	(A) – (B)	
Gross banking profit	¥46,687	¥ (4,110)	¥50,797
Core gross banking profit	44,858	(2,584)	47,442
Domestic gross banking profit	40,883	(1,746)	42,629
Core gross banking profit	39,889	(1,534)	41,423
Interest income	31,833	(737)	32,570
Fees and commissions	7,947	(723)	8,670
Trading income	25	(4)	29
Other operating income	1,076	(283)	1,359
Gains (losses) from securities	994	(211)	1,205
International gross banking profit	5,803	(2,365)	8,168
Core gross banking profit	4,969	(1,050)	6,019
Interest income	3,918	(951)	4,869
Fees and commissions	138	(37)	175
Trading income	69	(104)	173
Other operating income	1,677	(1,273)	2,950
Gains (losses) from securities	834	(1,315)	2,149
Expenses	27,376	881	26,495
Personnel expenses	14,502	284	14,218
Non-personnel expenses	11,027	423	10,604
Taxes	1,846	174	1,672
Banking profit (before transfer to general reserve for possible loan losses)	19,311	(4,991)	24,302
Core banking profit *1	17,482	(3,464)	20,946
Transfer to general reserve for possible loan losses (i)	(5,508)	(5,508)	—
Banking profit (after transfer to general reserve for possible loan losses) *2	24,820	518	24,302
Gains (losses) on bonds (ii)	1,828	(1,527)	3,355
Gains on sales of bonds	4,964	(3,785)	8,749
Losses on sales of bonds	3,135	(2,259)	5,394
Write-off amount of bonds	—	—	—
Non-recurrent gains (losses)	3,387	1,195	2,192
Gains (losses) on stocks (iii)	12,040	11,407	633
Gains on sales of stocks	12,764	10,266	2,498
Losses on sales of stocks	717	(1,007)	1,724
Write-off amount of stocks	6	(134)	140
Gains (losses) from securities ((ii) + (iii))	13,869	9,881	3,988
Disposal of non-performing loans (iv)	7,496	9,004	(1,508)
Write-off amount of loans	282	282	—
Net transfer to specific reserve for possible loan losses	7,203	7,203	—
Losses on sales of loans to credit	73	(12)	85
Reversal of reserve for possible loan losses	—	(1,358)	1,358
Recoveries of written-off claims	62	(173)	235
Credit cost ((i) + (iv))	1,988	3,496	(1,508)
Other non-recurrent gains (losses)	(1,156)	(1,206)	50
Operating profits	28,207	1,713	26,494
Extraordinary gains (losses)	(46)	68	(114)
Net gains (losses) from fixed assets	(46)	68	(114)
Gains on dispositions of fixed assets	0	—	0
Losses on dispositions of fixed assets	18	(92)	110
Impairment losses	27	22	5
Income before income taxes and others	28,160	1,780	26,380
Provision for income taxes and others	8,505	1,616	6,889
Deferred income taxes	(711)	(2,332)	1,621
Net income taxes	7,793	(718)	8,511
Net income	¥20,366	¥ 2,498	¥17,868

Notes 1. Core banking profit excludes gains/(losses) from securities, transfer to general reserve for possible loan losses.

2. Banking profit excludes transfer to general reserve for possible loan losses.

(Consolidated)

Item	Millions of yen		
	First half of FY2016		First half of FY2015 (B)
	(A)	(A) – (B)	
Consolidated gross banking profit	¥48,328	¥(4,235)	¥52,563
Interest income	35,430	(1,838)	37,268
Fees and commissions	10,048	(735)	10,783
Trading income	94	(108)	202
Other operating income	2,754	(1,555)	4,309
General and administrative expenses	28,674	1,795	26,879
Credit cost	2,400	3,764	(1,364)
Write-off amount of loans	282	282	—
Net transfer to specific reserve for possible loan losses	7,529	7,529	—
Net transfer to general reserve for possible loan losses	(5,424)	(5,424)	—
Losses on sales of loans to credit	76	(66)	142
Reversal of reserve for possible loan losses	—	(1,271)	1,271
Recoveries of write-off claims	62	(173)	235
Gains (losses) on stocks	12,040	11,407	633
Equity in gains (losses) of affiliated companies	38	(231)	269
Others	(410)	81	(491)
Operating profits	28,921	1,462	27,459
Extraordinary gains (losses)	(46)	68	(114)
Income before income taxes and others	28,874	1,529	27,345
Provision for income taxes and others	8,850	1,607	7,243
Deferred income taxes	(756)	(2,346)	1,590
Net income taxes	8,094	(740)	8,834
Net income	20,780	2,269	18,511
Profit attributable to owners of the parent	¥20,780	¥ 2,269	¥18,511

Note: Consolidated gross banking profit = (Interest income – Interest expenses) + (Fees and commissions income – Fees and commissions expenses) + (Trading income – Trading expenses) + (Other operating income – Other operating expenses)

[Reference: Consolidated Core Banking Profit]

Item	Millions of yen		
	First half of FY2016		First half of FY2015 (B)
	(A)	(A) – (B)	
Consolidated core banking profit	¥18,307	¥(3,525)	¥21,832

Note: Consolidated core banking profit = Consolidated gross banking profit – Expenses – gains/(losses) from securities

[Reference: Number of Consolidated Subsidiaries]

Item	Number of companies		
	First half of FY2016		First half of FY2015 (B)
	(A)	(A) – (B)	
Number of consolidated subsidiaries	6	—	6
Number of affiliated companies applicable to the equity method	3	—	3

2. Banking Profit

(Non-Consolidated)

Item	Millions of yen		First half of FY2015 (B)
	First half of FY2016 (A)	(A) – (B)	
Core banking profit	¥17,482	¥(3,464)	¥20,946
Per head (in thousands of yen)	5,362	(1,091)	6,453
Banking profit (before transfer to general reserve for possible loan losses)	19,311	(4,991)	24,302
Per head (in thousands of yen)	5,923	(1,563)	7,486
Banking profit	24,820	518	24,302
Per head (in thousands of yen)	7,613	127	7,486

3. Interest Rate Spread

(Non-Consolidated)

[All Branches]

Item	%		First half of FY2015 (B)
	First half of FY2016 (A)	(A) – (B)	
Average yield on interest earnings assets (i)	1.07	(0.08)	1.15
Average yield on loans and bills discounted	1.14	(0.09)	1.23
Average yield on securities	0.89	0.01	0.88
Average yield on interest bearing liabilities (ii)	0.79	(0.02)	0.81
Average yield on deposits and negotiable certificates of deposit	0.04	(0.01)	0.05
Average interest rate spread on loans and deposits	0.35	(0.06)	0.41
Average interest rate spread ((i) – (ii))	0.28	(0.06)	0.34

[Domestics Operations]

Item	%		First half of FY2015 (B)
	First half of FY2016 (A)	(A) – (B)	
Average yield on interest earnings assets (i)	0.97	(0.08)	1.05
Average yield on loans and bills discounted	1.12	(0.12)	1.24
Average yield on securities	0.73	0.02	0.71
Average yield on interest bearing liabilities (ii)	0.77	(0.05)	0.82
Average yield on deposits and negotiable certificates of deposit	0.03	(0.02)	0.05
Average interest rate spread on loans and deposits	0.34	(0.09)	0.43
Average interest rate spread ((i) – (ii))	0.20	(0.03)	0.23

4. Return on Equity

(Non-Consolidated)

Item	%		First half of FY2015 (B)
	First half of FY2016 (A)	(A) – (B)	
Core banking profit basis	8.10	(2.08)	10.18
Banking profit basis (before transfer to general reserve for possible loan losses)	8.95	(2.87)	11.82
Banking profit basis	11.50	(0.32)	11.82
Net income basis	9.43	0.74	8.69

Note: ROE = $\frac{\text{Core banking profit (Banking profit (before transfer to general reserve for possible loan losses) or Banking profit or Net income)}}{(\text{Net assets at beginning of period excludes stock acquisition rights} + \text{Net assets at term-end excludes subscription rights to shares})/2} \div 183 \times 365$

5. Capital Adequacy Ratio (Domestic Standard)

Capital adequacy ratio is calculated on both a consolidated basis and on a non-consolidated basis according to the calculation formula specified under “the standards for judgment of the appropriateness of equity capital sufficiency based on assets, etc., held by banks pursuant to the provisions of Article 14-2 of the Banking Act” (FSA’s Notice No. 19 of 2006).

In addition, Hiroshima Bank used the foundation internal ratings-based approach in the calculation of credit risk assets and the gross profit allotment approach in the calculation of the operational risk value.

For the equity capital structure, please see the homepage of Hiroshima Bank. (<http://www.hirogin.co.jp/>)

(Non-Consolidated)

Item	Billions of yen		
	As of September 30, 2016		As of March 31, 2016 (B)
	(A)	(A) – (B)	
Base items related to core capital (i)	¥ 395.6	17.4	¥ 378.2
Adjustment items related to core capital (ii)	14.8	(2.6)	17.4
Capital (iii): (i) – (ii)	380.7	20.0	360.7
Sum of risk assets, etc. (iv)	3,268.6	14.7	3,253.9
Capital adequacy ratio: (iii) / (iv)	11.64%	0.56%	11.08%

(Consolidated)

Item	Billions of yen		
	As of September 30, 2016		As of March 31, 2016 (B)
	(A)	(A) – (B)	
Base items related to core capital (i)	¥ 406.6	17.7	¥ 388.9
Adjustment items related to core capital (ii)	16.7	(2.6)	19.3
Capital (iii): (i) – (ii)	389.9	20.4	369.5
Sum of risk assets, etc. (iv)	3,275.5	13.7	3,261.8
Capital adequacy ratio: (iii) / (iv)	11.90%	0.57%	11.33%

6. Gains (Losses) on Valuation of Securities

(Non-Consolidated)

Item	Billions of yen						
	As of September 30, 2016 (A)				As of March 31, 2016 (B)		
	Valuation gains (losses)	(A) – (B)	Valuation gains	Valuation losses	Valuation gains (losses)	Valuation gains	Valuation losses
Held-to-maturity	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Other securities	57.4	(36.9)	69.6	12.2	94.3	102.1	7.8
Stocks	32.8	(5.8)	38.3	5.5	38.6	42.7	4.1
Bonds	17.6	(2.4)	18.2	0.6	20.0	20.0	0.0
Others	6.9	(28.8)	13.0	6.0	35.7	39.3	3.6
Total	¥57.4	¥(36.9)	¥69.6	¥12.2	¥94.3	¥102.1	¥7.8

Note: Unlisted stocks, etc. are not included in the above table because it is recognized that it is extremely difficult to determine their market value.

[Loans and Other Assets Information]

1. Loans Outstanding

(1) Breakdown of Loans Outstanding for Our Hometown Area (Non-Consolidated)

Loans outstanding (average balance)	Billions of yen		
	First half of FY2016 (A)	(A) – (B)	First half of FY2015 (B)
Loans outstanding in Hiroshima Prefecture	¥3,666.2	¥121.8	¥3,544.4
Loans outstanding in Okayama Prefecture	302.9	15.6	287.3
Loans outstanding in Yamaguchi Prefecture	182.2	11.6	170.6
Loans outstanding in Ehime Prefecture	404.1	(14.9)	419.0
Loans outstanding except for our Hometown Area	785.8	58.6	727.2
Total	¥5,341.4	¥192.9	¥5,148.5

Note: Hometown Area means Hiroshima, Okayama, Yamaguchi, and Ehime Prefecture.

Loans outstanding (term-end balance)	Billions of yen		
	As of September 30, 2016 (A)	(A) – (B)	As of March 31, 2016 (B)
Loans outstanding in Hiroshima Prefecture	¥3,652.8	¥42.8	¥3,610.0
Loans outstanding in Okayama Prefecture	301.0	(0.4)	301.4
Loans outstanding in Yamaguchi Prefecture	187.7	2.1	185.6
Loans outstanding in Ehime Prefecture	399.8	(8.2)	408.0
Loans outstanding except for our Hometown Area	811.1	48.9	762.2
Total	¥5,352.7	¥85.5	¥5,267.2

Note: Hometown Area means Hiroshima, Okayama, Yamaguchi, and Ehime Prefecture.

(2) Individual Loans (Non-Consolidated)

Item	Billions of yen		
	As of September 30, 2016 (A)	(A) – (B)	As of March 31, 2016 (B)
Individual loans	¥1,373.8	¥31.9	¥1,341.9
Housing loans	923.3	12.6	910.7
Other loans	450.5	19.3	431.2

(3) Breakdown of Individual Loans for Our Hometown Area (Non-Consolidated)

Item	Billions of yen		
	As of September 30, 2016 (A)	(A) – (B)	As of March 31, 2016 (B)
Individual loans in Hiroshima Prefecture	¥1,138.4	¥25.7	¥1,112.7
Individual loans in Okayama Prefecture	121.9	2.3	119.6
Individual loans in Yamaguchi Prefecture	73.9	1.7	72.2
Individual loans in Ehime Prefecture	29.6	1.5	28.1

(4) Loans Outstanding to Small- and Medium-Sized Businesses and Individuals (Non-Consolidated)

Item	Billions of yen		
	As of September 30, 2016 (A)	(A) – (B)	As of March 31, 2016 (B)
Loans outstanding to small- and medium-sized businesses and individuals	¥3,582.3	¥30.2	¥3,552.1
Ratio to total loans and bill discounted	66.9%	(0.5)%	67.4%

Notes: 1. Includes loans outstanding to individuals.

2. Loans outstanding to small- and medium-sized businesses and individuals excludes the special account for international financial transactions.

(5) Breakdown of Loans Outstanding to Small- and Medium-Sized Businesses and Individuals for Our Hometown Area (Non-Consolidated)

Item	Billions of yen		As of March 31, 2016 (B)
	As of September 30, 2016 (A)	(A) – (B)	
Loans outstanding to small- and medium-sized businesses and individuals in Hiroshima Prefecture	¥2,561.5	¥25.8	¥2,535.7
Loans outstanding to small- and medium-sized businesses and individuals in Okayama Prefecture	253.9	0.4	253.5
Loans outstanding to small- and medium-sized businesses and individuals in Yamaguchi Prefecture	171.6	3.9	167.7
Loans outstanding to small- and medium-sized businesses and individuals in Ehime Prefecture	359.8	(9.1)	368.9

(6) Breakdown of Loans Outstanding Insured by the Association for Our Hometown Area (Non-Consolidated)

Item	Billions of yen		As of March 31, 2016 (B)
	As of September 30, 2016 (A)	(A) – (B)	
Loans outstanding insured by the Association in Hiroshima Prefecture	¥170.6	¥(24.4)	¥195.0
Loans outstanding insured by the Association in Okayama Prefecture	14.0	(1.1)	15.1
Loans outstanding insured by the Association in Yamaguchi Prefecture	8.1	(1.9)	10.0
Loans outstanding insured by the Association in Ehime Prefecture	5.2	(1.2)	6.4

2. Risk Managed Loans

(Non-Consolidated)

Item	Millions of yen		As of March 31, 2016 (B)
	As of September 30, 2016 (A)	(A) – (B)	
Loans to debtors legally bankrupt	¥ 1,561	¥ 153	¥ 1,408
Other delinquent loans	50,200	5,105	45,095
Loans past due 3 months or more	2,137	(647)	2,784
Restructured loans	13,097	(9,179)	22,276
Total risk managed loans	¥66,996	¥(4,567)	¥71,563

Notes: Hiroshima Bank adopts partial direct write-off.

Hiroshima Bank has adopted the uniform non-accrual loan accounting method for loans to customers who are at risk or in default.

(Consolidated)

Item	Millions of yen		As of March 31, 2016 (B)
	As of September 30, 2016 (A)	(A) – (B)	
Loans to debtors legally bankrupt	¥ 1,612	¥ 151	¥ 1,461
Other delinquent loans	50,200	5,105	45,095
Loans past due 3 months or more	2,137	(647)	2,784
Restructured loans	13,097	(9,179)	22,276
Total risk managed loans	¥67,047	¥(4,570)	¥71,617

Notes: Hiroshima Bank adopts partial direct write-off.

Hiroshima Bank has adopted the uniform non-accrual loan accounting method for loans to customers who are at risk or in default.

3. Reserve for Possible Loan Losses

(Non-Consolidated)

Item	Millions of yen		As of March 31, 2016 (B)
	As of September (A)	30, 2016 (A) – (B)	
Reserve for possible loan losses	¥35,272	¥ 1,384	¥33,888
General reserve for possible loan losses	17,225	(5,508)	22,733
Specific reserve for possible loan losses	18,047	6,893	11,154
Reserve for specific foreign borrowers/countries	—	—	—

(Consolidated)

Item	Millions of yen		As of March 31, 2016 (B)
	As of September (A)	30, 2016 (A) – (B)	
Reserve for possible loan losses	¥37,745	¥ 1,748	¥35,997
General reserve for possible loan losses	18,049	(5,425)	23,474
Specific reserve for possible loan losses	19,696	7,173	12,523
Reserve for specific foreign borrowers/countries	—	—	—

4. Ratio to Reserve for Total Risk Managed Loans

(Non-Consolidated)

Item	%		As of March 31, 2016 (B)
	As of September (A)	30, 2016 (A) – (B)	
Before partial direct write-off	61.2	5.0	56.2
After partial direct write-off	52.5	5.3	47.2

(Consolidated)

Item	%		As of March 31, 2016 (B)
	As of September (A)	30, 2016 (A) – (B)	
Before partial direct write-off	61.2	4.9	56.3
After partial direct write-off	52.6	5.3	47.3

5. Problem Loans Disclosed under the Financial Revitalization Law

(Non-Consolidated)

Item	Millions of yen		As of March 31, 2016 (B)
	As of September (A)	30, 2016 (A) – (B)	
Loans to bankrupt and quasi-bankrupt loans	¥ 5,733	¥(1,267)	¥ 7,000
Doubtful loans	48,455	6,997	41,458
Substandard loans	15,234	(9,826)	25,060
Total (i)	¥69,423	¥(4,096)	¥73,519

6. Coverage of Problem Loans Disclosed under the Financial Revitalization Law

(Non-Consolidated)

Item	Millions of yen		As of March 31, 2016 (B)
	As of September (A)	30, 2016 (A) – (B)	
Coverage amount (ii)	¥55,589	¥ (749)	¥56,338
Portion covered by reserve (iii)	20,444	4,825	15,619
Portion covered by collateral	35,144	(5,574)	40,718
Specific reserve for loan losses	—	—	—
Coverage ratio to disclosed totals (ii)/(i)	80.0%	3.4%	76.6%
Coverage ratio before partial direct write-off	83.6%	3.0%	80.6%
Excluding collateral and guarantees (iv)	34,279	1,478	32,801
Coverage ratio (iii)/(iv)	59.6%	12.0%	47.6%
Ratio to total loans outstanding	1.28%	(0.09)%	1.37%

7. Loans to Entities Overseas by Country

(1) Loans to Asian Countries (Non-Consolidated)

Not applicable.

(2) Loans to Latin American Countries (Non-Consolidated)

Not applicable.

8. Loan Portfolio

(1) Classification of Loans by Type of Industry

(Non-Consolidated)

Item	Millions of yen		As of March 31, 2016 (B)
	As of September (A)	30, 2016 (A) – (B)	
Domestic (excluding JOM account)	¥5,352,706	¥ 85,478	¥5,267,228
Manufacturing	728,494	(10,126)	738,620
Agriculture/Forestry	3,622	(595)	4,217
Fishery	811	225	586
Mining/Quarrying of stone/Gravel	3,792	80	3,712
Construction	148,177	(6,111)	154,288
Electricity, gas and water	121,991	(2,263)	124,254
Telecommunication	35,478	658	34,820
Transportation/Postal activities	258,918	(1,227)	260,145
Wholesale/Retail services	507,388	(5,010)	512,398
Financial and insurance services	341,859	(691)	342,550
Retail estate/Goods rental and leasing	855,500	23,879	831,621
Services	367,001	13,279	353,722
Municipal government	600,946	79,171	521,775
Others	1,378,716	(5,797)	1,384,513

Note: Others are included in the following loans.

Item	Millions of yen		As of March 31, 2016 (B)
	As of September (A)	30, 2016 (A) – (B)	
Individuals	¥1,038,880	¥ 19,104	¥1,019,776
Ship chartering industry (nonresidents)	305,235	(21,386)	326,621

• Ship chartering industry (nonresidents) refers primarily to foreign subsidiaries of domestic ship chartering companies.

• Ship-related loans, including loans to the ship chartering industry (domestic and nonresidents) and shipbuilding companies, amounted to 502,823 million yen as of September 30, 2016.

**(2) Breakdown of Classification of Loans by Type of Industry for Our Hometown Area
(Non-Consolidated)**

Item	Billions of yen			
	Hiroshima Prefecture	Okayama Prefecture	Yamaguchi Prefecture	Ehime Prefecture
Total	¥3,652.8	¥301.0	¥187.7	¥399.8
Manufacturing	405.8	44.8	23.2	49.2
Agriculture/Forestry	1.8	1.1	0.5	0.1
Fishery	0.7	0.0	—	0.0
Mining/Quarrying of stone/Gravel	0.3	0.0	0.4	—
Construction	101.7	18.1	13.9	5.6
Electricity, gas and water	90.3	0.5	0.8	4.5
Telecommunication	27.3	1.9	0.0	0.1
Transportation/Postal activities	103.9	8.0	7.8	75.5
Wholesale/Retail services	334.6	42.9	30.3	31.0
Financial and insurance services	245.4	2.4	0.3	1.1
Retail estate/Goods rental and leasing	497.4	71.5	36.4	23.1
Services	274.0	28.6	19.2	15.7
Municipal government	532.2	10.6	5.0	1.6
Others	1,036.7	69.9	49.1	191.8

**(3) Classification of Risk Managed Loans by Type of Industry
(Non-Consolidated)**

Item	Millions of yen		
	As of September 30, 2016		As of March 31, 2016 (B)
	(A)	(A) – (B)	
Domestic (excluding JOM account)	¥66,996	¥(4,567)	¥71,563
Manufacturing	16,923	1,389	15,534
Agriculture/Forestry	74	7	67
Fishery	1	(13)	14
Mining/Quarrying of stone/Gravel	87	(5)	92
Construction	6,159	(1,557)	7,716
Electricity, gas and water	—	—	—
Telecommunication	320	49	271
Transportation/Postal activities	825	(63)	888
Wholesale/Retail services	7,383	286	7,097
Financial and insurance services	1,296	(22)	1,318
Retail estate/Goods rental and leasing	9,481	303	9,178
Services	9,543	(651)	10,194
Municipal government	—	—	—
Others	14,898	(4,290)	19,188

[Deposits and Other Liabilities Information]

1. Deposits Outstanding

(1) Breakdown of Deposits Outstanding for Our Hometown Area

Deposits outstanding (average balance)	Billions of yen		
	First half of FY2016 (A)	(A) – (B)	First half of FY2015 (B)
Deposits outstanding in Hiroshima Prefecture	¥6,337.0	¥405.4	¥5,931.6
Deposits outstanding in Okayama Prefecture	301.5	1.5	300.0
Deposits outstanding in Yamaguchi Prefecture	197.1	—	197.1
Deposits outstanding in Ehime Prefecture	206.8	4.7	202.1
Deposits outstanding except for our Hometown Area	220.1	15.1	205.0
Total	¥7,262.6	¥426.8	¥6,835.8

Note: Hometown Area means Hiroshima, Okayama, Yamaguchi and Ehime Prefecture.
Deposits outstanding includes negotiable certificates of deposit.

Deposits outstanding (term-end balance)	Billions of yen		
	As of September 30, 2016 (A)	(A) – (B)	As of March 31, 2016 (B)
Deposits outstanding in Hiroshima Prefecture	¥6,310.0	¥202.5	¥6,107.5
Deposits outstanding in Okayama Prefecture	300.1	4.0	296.1
Deposits outstanding in Yamaguchi Prefecture	194.1	(7.2)	201.3
Deposits outstanding in Ehime Prefecture	201.2	(6.7)	207.9
Deposits outstanding except for our Hometown Area	206.0	(5.7)	211.7
Total	¥7,211.6	¥187.1	¥7,024.5

Note: Hometown Area means Hiroshima, Okayama, Yamaguchi and Ehime Prefecture.
Deposits outstanding includes negotiable certificates of deposit.

2. Individual Custody Assets

(1) Outstanding Individual Custody Assets (Non-Consolidated)

Outstanding individual custody assets	Billions of yen		
	As of September 30, 2016 (A)	(A) – (B)	As of March 31, 2016 (B)
Outstanding individual custody assets	¥5,401.3	¥53.4	¥5,347.9
Individual deposits	4,554.2	63.0	4,491.2
Insurance	412.5	3.8	408.7
Investment trusts	290.1	(7.1)	297.2
Public bonds (National government bonds, etc.)	87.3	(6.8)	94.1
Foreign bonds, and derivative bonds, etc.	57.1	0.4	56.7

(2) Breakdown of Outstanding Individual Custody Assets for Our Hometown Area

Hiroshima Prefecture	Billions of yen		
	As of September 30, 2016		As of March 31, 2016 (B)
	(A)	(A) – (B)	
Outstanding individual custody assets	¥4,892.6	¥55.8	¥4,836.8
Individual deposits	4,132.9	64.6	4,068.3
Insurance	372.3	3.2	369.1
Investment trusts	260.2	(6.9)	267.1
Public bonds (National government bonds, etc.)	76.8	(5.9)	82.7
Foreign bonds, and derivative bonds, etc.	50.2	0.6	49.6

Okayama Prefecture	Billions of yen		
	As of September 30, 2016		As of March 31, 2016 (B)
	(A)	(A) – (B)	
Outstanding individual custody assets	¥224.0	¥(0.6)	¥224.6
Individual deposits	183.9	(0.5)	184.4
Insurance	17.9	0.3	17.6
Investment trusts	14.1	(0.3)	14.4
Public bonds (National government bonds, etc.)	4.7	(0.2)	4.9
Foreign bonds, and derivative bonds, etc.	3.3	—	3.3

Yamaguchi Prefecture	Billions of yen		
	As of September 30, 2016		As of March 31, 2016 (B)
	(A)	(A) – (B)	
Outstanding individual custody assets	¥164.0	¥(0.5)	¥164.5
Individual deposits	136.2	(0.5)	136.7
Insurance	12.7	—	12.7
Investment trusts	10.1	0.1	10.0
Public bonds (National government bonds, etc.)	3.3	(0.4)	3.7
Foreign bonds, and derivative bonds, etc.	1.4	—	1.4

Ehime Prefecture	Billions of yen		
	As of September 30, 2016		As of March 31, 2016 (B)
	(A)	(A) – (B)	
Outstanding individual custody assets	¥77.7	¥(0.8)	¥78.5
Individual deposits	63.4	(0.5)	63.9
Insurance	7.7	—	7.7
Investment trusts	4.2	(0.3)	4.5
Public bonds (National government bonds, etc.)	1.5	(0.2)	1.7
Foreign bonds, and derivative bonds, etc.	0.7	—	0.7