

Financial Results for Fiscal 2017
(From April 1, 2017 to March 31, 2018)

THE HIROSHIMA BANK, LTD.

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Consolidated Financial Information for Fiscal 2017

1. Consolidated Balance Sheets

Item	Millions of yen	
	As of March 31, 2017	As of March 31, 2018
ASSETS		
Cash and due from banks	¥1,253,275	¥1,511,177
Call loans and bills purchased	17,396	18,521
Financial receivables purchased	7,091	7,424
Trading assets	9,145	5,847
Money held in trust	156	8,256
Securities	1,761,462	1,382,716
Loans and bills discounted	5,605,677	5,861,796
Foreign exchanges	7,890	7,741
Other assets	57,766	88,949
Tangible fixed assets	92,305	91,982
Buildings	14,165	13,772
Land	61,437	61,439
Lease assets	695	643
Construction in progress	296	319
Other tangible fixed assets	15,709	15,807
Intangible fixed assets	10,249	9,585
Software	7,608	7,951
Other intangible fixed assets	2,641	1,634
Net defined benefit asset	46,078	54,607
Deferred tax assets	699	735
Customers' liabilities for acceptances and guarantees	42,001	38,237
Reserve for possible loan losses	(37,933)	(35,429)
Total assets	¥8,873,264	¥9,052,152
LIABILITIES AND NET ASSETS		
Liabilities		
Deposits	¥6,985,538	¥7,170,925
Negotiable certificates of deposit	310,574	270,129
Call money and bills sold	3,365	50,000
Payables under repurchase agreements	137,187	111,329
Deposits received for bonds lending / borrowing transactions	401,641	262,859
Trading liabilities	7,183	4,023
Borrowed money	453,379	585,551
Foreign exchanges	163	224
Bonds	20,000	—
Due to trust account	22	42
Other liabilities	42,914	49,741
Net defined benefit liability	38	42
Reserve for retirement benefits of directors and corporate auditors	27	26
Reserve for reimbursement of dormant deposits	1,461	4,447
Reserve for point loyalty programs	125	129
Provision for share-based benefit	—	176
Reserve for loss on Head Office reconstruction	1,095	1,987
Reserves under special laws	—	41
Deferred tax liabilities	5,790	10,876
Deferred tax liabilities for land revaluation reserve	13,613	13,613
Acceptances and guarantees	42,001	38,237
Total liabilities	8,426,125	8,574,404
Net Assets		
Common stock	54,573	54,573
Capital surplus	30,743	30,746
Retained earnings	290,180	309,747
Common stock in treasury	(437)	(1,260)
Total stockholders' equity	375,060	393,807
Net unrealized holding gains on securities available for sale	39,492	48,399
Net deferred gains (losses) on hedging instruments, net of tax	(512)	(547)
Land valuation and translation adjustments, net of tax	27,763	27,763
Remeasurements of defined benefit plans	5,011	8,016
Total accumulated other comprehensive income	71,755	83,632
Stock acquisition rights	322	308
Total net assets	447,138	477,748
Total liabilities and net assets	¥8,873,264	¥9,052,152

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

Consolidated Statements of Income

Item	Millions of yen	
	FY2016	FY2017
Operating income	¥138,263	¥124,908
Interest income	80,579	77,073
Interest on loans and discounts	60,995	61,427
Interest and dividends on securities	18,253	13,945
Interest on call loans and bills purchased	195	359
Interest on deposits with banks	374	372
Other interest income	760	968
Trust fees	183	178
Fees and commissions	28,907	31,732
Trading income	295	1,685
Other operating income	10,633	4,346
Other income	17,664	9,892
Reversal of reserve for possible loan losses	—	110
Recoveries of written-off claims	65	13
Other	17,598	9,767
Operating expenses	93,177	89,810
Interest expenses	9,417	9,534
Interest on deposits	2,885	2,756
Interest on negotiable certificates of deposit	170	109
Interest on call money and bills sold	80	(3)
Interest on payables under repurchase agreement	1,150	1,857
Interest on bonds lending / borrowing transactions	1,469	1,080
Interest on borrowings and rediscounts	727	666
Interest on bonds	378	177
Other interest expenses	2,555	2,890
Fees and commissions	9,323	9,518
Other operating expenses	11,809	4,691
General and administrative expenses	57,379	61,129
Other expenses	5,247	4,935
Transfer to reserve for possible loan losses	2,957	—
Other	2,289	4,935
Operating profits	45,086	35,098
Extraordinary gains	6	4,196
Gains on dispositions of fixed assets	6	0
Gain on bargain purchase	—	4,196
Extraordinary losses	1,242	3,040
Losses on dispositions of fixed assets	106	131
Impairment losses	40	31
Loss on step acquisitions	—	2,123
Transfer to reserve for financial products transaction liabilities	—	1
Provision for loss on reconstruction of Head Office	1,095	753
Income before income taxes and others	43,850	36,255
Provision for income taxes and others	13,704	10,696
Deferred income taxes	(1,061)	(250)
Total income taxes	12,642	10,446
Net income	31,207	25,809
Net income attributable to owners of the parent	¥ 31,207	¥ 25,809

Consolidated Statements of Comprehensive Income

Item	Millions of yen	
	FY2016	FY2017
Net income	¥ 31,207	¥25,809
Other comprehensive income (loss)	(25,589)	11,877
Net unrealized holding gains on securities available for sale	(26,309)	8,900
Net deferred gains (losses) on hedging instruments, net of tax	252	(34)
Remeasurements of defined benefit plans	463	3,004
Share of other comprehensive income of affiliated companies accounted for by equity method	4	6
Comprehensive income	¥ 5,618	¥37,686
Comprehensive income attributable to owners of the parent	¥ 5,618	¥37,686

3. Consolidated Statements of Stockholders' Equity

Item	Millions of yen				
	FY2016				
	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Common stock in treasury	Total stockholders' equity
Balance at the beginning of current period	¥54,573	¥30,817	¥265,811	¥(982)	¥350,220
Changes of items during the period					
Dividends from surplus			(6,859)		(6,859)
Net income attributable to owners of the parent			31,207		31,207
Purchase of common stock in treasury				(7)	(7)
Disposal of common stock in treasury		(73)		552	478
Reversal of land revaluation reserve			20		20
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(73)	24,369	545	24,840
Balance at the end of current period	¥54,573	¥30,743	¥290,180	¥(437)	¥375,060

Item	Millions of yen						
	FY2016						
	Accumulated other comprehensive income						
	Net unrealized holding gains 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							(6,859)
Net income attributable to owners of the parent							31,207
Purchase of common stock in treasury							(7)
Disposal of common stock in treasury							478
Reversal of land revaluation reserve							20
Net changes of items other than shareholders' equity	(26,304)	252	(20)	463	(25,609)	(11)	(25,621)
Total changes of items during the period	(26,304)	252	(20)	463	(25,609)	(11)	(780)
Balance at the end of current period	¥ 39,492	¥(512)	¥27,763	¥5,011	¥ 71,755	¥322	¥447,138

Millions of yen					
FY2017					
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	¥30,743	¥290,180	¥ (437)	¥375,060
Changes of items during the period					
Dividends from surplus			(6,242)		(6,242)
Net income attributable to owners of the parent			25,809		25,809
Purchase of common stock in treasury				(855)	(855)
Disposal of common stock in treasury		2		32	35
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	2	19,566	(822)	18,746
Balance at the end of current period	¥54,573	¥30,746	¥309,747	¥(1,260)	¥393,807

Millions of yen							
FY2017							
Accumulated other comprehensive income							
Item	Net unrealized holding gains 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	¥39,492	¥(512)	¥27,763	¥5,011	¥71,755	¥322	¥447,138
Changes of items during the period							
Dividends from surplus							(6,242)
Net income attributable to owners of the parent							25,809
Purchase of common stock in treasury							(855)
Disposal of common stock in treasury							35
Net changes of items other than shareholders' equity	8,906	(34)	—	3,004	11,877	(14)	11,862
Total changes of items during the period	8,906	(34)	—	3,004	11,877	(14)	30,609
Balance at the end of current period	¥48,399	¥(547)	¥27,763	¥8,016	¥83,632	¥308	¥477,748

4. Consolidated Statements of Cash Flows

Item	Millions of yen	
	FY2016	FY2017
Cash flows from operating activities:		
Income before income taxes and minority interests	¥ 43,850	¥ 36,255
Depreciation of premise, equipment and others	4,501	6,610
Impairment losses of fixed assets	40	31
Gain on bargain purchase	—	(4,196)
Equity in earnings of affiliates	(225)	(149)
Loss on step acquisitions	—	2,123
Net change in reserve for possible loan losses	1,936	(2,504)
Decrease (increase) in net defined benefit asset	(4,414)	(8,529)
Increase (decrease) in net defined benefit liability	(2)	4
Net change in reserve for executive retirement benefits	(14)	(1)
Net change in reserve for reimbursement of dormant deposits	(34)	2,985
Net change in reserve for point loyalty programs	14	3
Net change in provision for share-based benefit	—	176
Net change in reserves under special laws	—	(2)
Net change in reserve for loss on Head Office reconstruction	1,095	892
Interest income	(80,579)	(77,073)
Interest expense	9,417	9,534
Net gains (losses) on securities transactions	(11,583)	(3,981)
Net gains (losses) on dispositions of fixed assets	99	130
Net change in trading assets	3,138	3,369
Net change in trading liabilities	(3,049)	(3,159)
Net change in loans	(337,865)	(244,990)
Net change in deposits	193,345	185,386
Net change in negotiable certificates of deposits	89,048	(40,444)
Net change in borrowed money excluding subordinated loans	302,251	128,681
Net change in due from banks other than from the BANK OF JAPAN	(3,895)	285
Net change in call loans and bills bought	(6,897)	(1,458)
Net change in call money and bills sold	(13,918)	20,775
Net change in deposits received for bonds lending/borrowing transactions	133,561	(138,782)
Net change in foreign exchanges (assets)	(575)	148
Net change in foreign exchanges (liabilities)	(21)	60
Interest received	88,307	83,171
Interest paid	(9,590)	(9,776)
Net change in straight bonds – issuance and redemption	—	(20,000)
Other – net	(16,089)	(27,331)
Subtotal	381,849	(101,755)
Income taxes paid	(16,108)	(14,415)
Net cash provided by (used in) operating activities	365,741	(116,170)
Cash flows from investing activities:		
Purchases of securities	(786,813)	(284,859)
Proceeds from sales of securities	800,076	249,618
Proceeds from maturity of securities	183,499	420,335
Increase in money held in trust	(0)	(0)
Decrease in money held in trust	33	1,300
Purchases of tangible fixed assets	(5,964)	(3,545)
Purchases of intangible fixed assets	(3,247)	(2,037)
Proceeds from sales of tangible fixed assets	52	0
Payments for retirement of tangible fixed assets	—	(9)
Net cash provided by investing activities	187,634	380,803
Cash flows from financing activities:		
Repayments of subordinated loans	(10,000)	—
Dividends paid	(6,857)	(6,242)
Purchases of treasury stock	(7)	(855)
Proceeds from sales of treasury stock	377	0
Payments of lease liabilities	(69)	(70)
Net cash used in financing activities	(16,557)	(7,167)
Effect of foreign exchange rate changes on cash and cash equivalents	46	2
Net change in cash and cash equivalents	536,865	257,466
Cash and cash equivalents at the beginning of year	708,294	1,245,160
Net change in cash and cash equivalents resulting from change of scope of consolidation	—	53
Cash and cash equivalents at the end of year	¥1,245,160	¥1,502,680

Non-Consolidated Financial Information for Fiscal 2017

1. Non-Consolidated Balance Sheets

Item	Millions of yen	
	As of March 31, 2017	As of March 31, 2018
ASSETS		
Cash and due from banks	¥1,252,600	¥1,509,905
Cash	80,603	79,409
Due from banks	1,171,997	1,430,496
Call loans	17,396	18,521
Financial receivables purchased	5,536	5,904
Trading assets	9,145	5,842
Trading account securities	919	912
Trading-related financial derivatives	8,226	4,929
Money held in trust	156	156
Securities	1,765,068	1,393,440
National government bonds	786,478	486,270
Local government bonds	139,456	121,424
Corporate bonds	214,385	214,996
Stocks	130,987	150,920
Other securities	493,760	419,828
Loans and bills discounted	5,605,192	5,852,316
Bills discounted	25,138	26,892
Loans on bills	129,497	131,994
Loans on deeds	4,807,198	4,999,897
Overdrafts	643,357	693,531
Foreign exchanges	7,890	7,741
Due from foreign banks (our accounts)	5,679	5,902
Foreign bills bought	533	467
Foreign bills receivable	1,677	1,372
Other assets	54,292	82,094
Domestic exchange settlement account, debit	7	6
Prepaid expenses	407	432
Accrued income	6,539	5,898
Derivatives other than for trading-assets	9,235	9,557
Cash collateral paid for financial instruments	5,427	8,703
Other	32,675	57,495
Tangible fixed assets	91,974	91,473
Buildings	14,128	13,622
Land	61,437	61,437
Lease assets	695	643
Construction in progress	296	317
Other tangible fixed assets	15,415	15,452
Intangible fixed assets	10,235	9,420
Software	7,597	7,816
Other intangible fixed assets	2,637	1,603
Prepaid pension cost	38,814	42,989
Customers' liabilities for acceptances and guarantees	39,950	36,506
Reserve for possible loan losses	(35,775)	(33,474)
Reserve for investment losses	(4,901)	—
Total assets	¥8,857,577	¥9,022,839

Item	Millions of yen	
	As of March 31, 2017	As of March 31, 2018
LIABILITIES AND NET ASSETS		
Liabilities		
Deposits	¥6,992,488	¥7,183,495
Current deposits	392,723	453,615
Ordinary deposits	3,584,389	3,844,263
Saving deposits	65,788	66,532
Deposits at notice	37,707	68,487
Time deposits	2,482,449	2,349,109
Installment savings	36	31
Other deposits	429,393	401,455
Negotiable certificates of deposit	316,053	275,821
Call money	3,365	50,000
Payables under repurchase agreements	137,187	111,329
Deposits received for bonds lending / borrowing transactions	401,641	262,859
Trading liabilities	7,183	4,023
Trading-related financial derivatives	7,183	4,023
Borrowed money	453,379	581,122
Borrowings from other banks	453,379	581,122
Foreign exchanges	163	224
Foreign bills sold	127	163
Foreign bills payable	36	61
Bonds	20,000	—
Due to trust account	22	42
Other liabilities	34,882	28,892
Domestic exchange settlement account, credit	357	1,057
Income taxes payable	6,733	2,707
Accrued expenses	6,534	5,858
Unearned revenue	1,780	950
Reserve for interest on installment savings	1	1
Derivatives other than for trading-liabilities	7,734	5,877
Cash collateral received for financial instruments	5,597	3,089
Lease obligations	727	676
Asset retirement obligations	313	316
Other	5,101	8,356
Reserve for reimbursement of dormant deposits	1,461	4,447
Reserve for point loyalty programs	86	89
Provision for share-based benefit	—	176
Reserve for loss on Head Office reconstruction	1,095	1,987
Deferred tax liabilities	2,891	7,274
Deferred tax liabilities for land revaluation reserve	13,613	13,613
Acceptances and guarantees	39,950	36,506
Total liabilities	8,425,466	8,561,905
Net Assets		
Common stock	54,573	54,573
Capital surplus	30,742	30,745
Capital reserve	30,634	30,634
Other capital surplus	108	111
Retained earnings	280,157	300,948
Legal earned reserve	40,153	40,153
Other retained earnings	240,004	260,795
Voluntary reserve	209,604	233,604
Earned surplus brought forward	30,400	27,191
Common stock in treasury	(423)	(1,246)
Total stockholders' equity	365,050	385,022
Net unrealized holding gains on securities available for sale	39,486	48,387
Net deferred gains (losses) on hedging instruments, net of tax	(512)	(547)
Land valuation and translation adjustments, net of tax	27,763	27,763
Total valuation and translation adjustments	66,738	75,604
Stock acquisition rights	322	308
Total net assets	432,110	460,934
Total liabilities and net assets	¥8,857,577	¥9,022,839

2. Non-Consolidated Statements of Income

Item	Millions of yen	
	FY2016	FY2017
Operating income	¥134,778	¥122,437
Interest income	80,852	77,768
Interest on loans and discounts	60,925	61,051
Interest and dividends on securities	18,625	15,056
Interest on call loans	195	359
Interest on deposits with banks	373	371
Interest on interest swaps	62	72
Other interest income	670	857
Trust fees	183	178
Fees and commissions	25,337	25,183
Fees and commissions on domestic and foreign exchanges	7,611	7,542
Other fees and commissions	17,726	17,641
Trading income	295	343
Gains on trading account securities transactions	84	216
Income from trading-related financial derivatives transactions	211	127
Other operating income	10,633	4,336
Gains on foreign exchange transactions	1,514	2,005
Gains on sales of bonds	8,988	2,331
Income from derivatives other than for trading or hedging	129	—
Other	0	0
Other income	17,475	14,627
Reversal of reserve for possible loan losses	—	88
Recoveries of written-off claims	65	13
Gains on sales of stocks	15,138	6,495
Other	2,271	8,029
Operating expenses	91,546	84,443
Interest expense	9,415	9,477
Interest on deposits	2,886	2,756
Interest on negotiable certificates of deposit	172	110
Interest on call money	80	(3)
Interest on payables under repurchase agreement	1,150	1,857
Interest on bonds lending / borrowing transactions	1,469	1,080
Interest on borrowings and rediscounts	727	611
Interest on bonds	378	177
Interest on interest swaps	1,352	1,730
Other interest expenses	1,198	1,155
Fees and commissions	9,717	9,889
Fees and commissions on domestic and foreign exchanges	2,786	2,777
Other fees and commissions	6,930	7,111
Other operating expenses	11,809	4,691
Losses on sales of bonds	11,809	4,642
Write-off amount of bonds	—	46
Expenses on trading-related financial derivatives transactions	—	2
General and administrative expenses	55,629	55,740
Other expenses	4,975	4,644
Transfer to reserve for possible loan losses	2,777	—
Write-off amount of loans	—	207
Losses on sales of stocks	723	154
Write-off amount of stocks	9	1
Other	1,463	4,280
Operating profits	43,231	37,994
Extraordinary gains	6	0
Gains on dispositions of fixed assets	6	0
Extraordinary losses	1,242	861
Losses on dispositions of fixed assets	106	107
Impairment losses	40	0
Provision for loss on reconstruction of Head Office	1,095	753
Income before income taxes and others	41,996	37,134
Provision for income taxes and others	13,074	9,700
Deferred income taxes	(1,067)	399
Total income taxes	12,006	10,099
Net income	¥ 29,989	¥ 27,034

3. Non-Consolidated Statements of Stockholders' Equity

Item	Millions of yen							
	FY2016							
	Stockholders' equity							
	Common stock	Capital surplus			Legal earned reserve	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							(6,859)	(6,859)
Voluntary reserve						23,000	(23,000)	—
Net income							29,989	29,989
Purchase of common stock in treasury								
Disposal of common stock in treasury			(73)	(73)				
Reversal of land revaluation reserve							20	20
Net changes of items other than shareholders' equity								
Total changes of items during the period	—	—	(73)	(73)	—	23,000	151	23,151
Balance at the end of current period	¥54,573	¥30,634	¥108	¥30,742	¥40,153	¥209,604	¥ 30,400	¥280,157

Item	Millions of yen								
	FY2016								
	Stockholders' equity		Valuation and translation adjustments						Total net assets
	Common stock in treasury	Total stockholders' equity	Net unrealized holding gains 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		
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		(6,859)						(6,859)	
Voluntary reserve		—						—	
Net income		29,989						29,989	
Purchase of common stock in treasury	(7)	(7)						(7)	
Disposal of common stock in treasury	552	478						478	
Reversal of land revaluation reserve		20						20	
Net changes of items other than shareholders' equity			(26,309)	252	(20)	(26,077)	(11)	(26,089)	
Total changes of items during the period	545	23,622	(26,309)	252	(20)	(26,077)	(11)	(2,466)	
Balance at the end of current period	¥(423)	¥365,050	¥ 39,486	¥(512)	¥27,763	¥ 66,738	¥322	¥432,110	

Millions of yen								
FY2017								
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	¥108	¥30,742	¥40,153	¥209,604	¥ 30,400	¥280,157
Changes of items during the period								
Dividends from surplus							(6,242)	(6,242)
Voluntary reserve						24,000	(24,000)	—
Net income							27,034	27,034
Purchase of common stock in treasury								
Disposal of common stock in treasury			2	2				
Net changes of items other than shareholders' equity								
Total changes of items during the period	—	—	2	2	—	24,000	(3,208)	20,791
Balance at the end of current period	¥54,573	¥30,634	¥111	¥30,745	¥40,153	¥233,604	¥ 27,191	¥300,948

Millions of yen								
FY2017								
Item	Stockholders' equity		Valuation and translation adjustments					
	Common stock in treasury	Total stockholders' equity	Net unrealized holding gains 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	¥ (423)	¥365,050	¥39,486	¥(512)	¥27,763	¥66,738	¥322	¥432,110
Changes of items during the period								
Dividends from surplus		(6,242)						(6,242)
Voluntary reserve		—						—
Net income		27,034						27,034
Purchase of common stock in treasury	(855)	(855)						(855)
Disposal of common stock in treasury	32	35						35
Net changes of items other than shareholders' equity			8,900	(34)	—	8,866	(14)	8,851
Total changes of items during the period	(822)	19,972	8,900	(34)	—	8,866	(14)	28,824
Balance at the end of current period	¥(1,246)	¥385,022	¥48,387	¥(547)	¥27,763	¥75,604	¥308	¥460,934

Financial Data for Fiscal 2017

1. Income Status

(Non-Consolidated)

Item	Millions of yen		
	FY2017 (A)	(A) – (B)	FY2016 (B)
Gross banking profit (i)	¥83,752	¥(2,608)	¥86,360
Core gross banking profit (ii): ((i) – (iv) – (vi))	86,110	(3,071)	89,181
Domestic gross banking profit (iii)	78,040	(2,031)	80,071
Core gross banking profit ((iii) – (iv))	76,891	(2,059)	78,950
Interest income	61,452	(1,748)	63,200
Fees and commissions	15,226	(315)	15,541
Trading income	216	132	84
Other operating income	1,145	(100)	1,245
Gains (losses) from securities (iv)	1,148	27	1,121
International gross banking profit (v)	5,711	(578)	6,289
Core gross banking profit ((v) – (vi))	9,218	(1,013)	10,231
Interest income	6,837	(1,398)	8,235
Fees and commissions	246	(16)	262
Trading income	127	(84)	211
Other operating income	(1,501)	920	(2,421)
Gains (losses) from securities (vi)	(3,507)	435	(3,942)
Expenses (vii)	53,777	(937)	54,714
Personnel expenses	27,821	(773)	28,594
Non-personnel expenses	22,296	106	22,190
Taxes	3,659	(270)	3,929
Banking profit (before transfer to general reserve for possible loan losses) (viii): ((i) – (vii))	29,974	(1,672)	31,646
Core banking profit ((ii) – (vii))	32,333	(2,134)	34,467
Transfer to general reserve for possible loan losses (ix)	—	5,746	(5,746)
Banking profit (after transfer to general reserve for possible loan losses) (x): ((viii) – (ix))	29,974	(7,418)	37,392
Gains (losses) on bonds (xi): ((iv) + (vi))	(2,358)	463	(2,821)
Gains on sales of bonds	2,331	(6,657)	8,988
Losses on sales of bonds	4,642	(7,167)	11,809
Write-off amount of bonds	46	46	—
Non-recurrent gains (losses) (xii): ((xiii) – (xiv) + (xx) – (xxi) + (xxii))	8,019	2,180	5,839
Gains (losses) on stocks (xiii)	6,339	(8,065)	14,404
Gains on sales of stocks	6,495	(8,643)	15,138
Losses on sales of stocks	154	(569)	723
Write-off amount of stocks	1	(8)	9
Gains (losses) from securities ((xi) + (xiii))	3,981	(7,602)	11,583
Disposal of non-performing loans (xiv): ((xv) + (xvi) + (xvii) – (xviii) – (xix))	219	(8,287)	8,506
Write-off amount of loans (xv)	207	207	—
Net transfer to specific reserve for possible loan losses (xvi)	—	(8,524)	8,524
Losses on sales of loans to credit (xvii)	113	(72)	185
Reversal of reserve for possible loan losses (xviii)	88	88	—
Recoveries of written-off claims (xix)	13	(190)	203
Credit cost ((ix) + (xiv))	219	(2,541)	2,760
Reversal of reserve for investment losses (xx)	4,901	4,901	—
Transfer to reserve for reimbursement of dormant deposits (xxi)	4,160	3,077	1,083
Other non-recurrent gains (losses) (xxii)	1,159	136	1,023
Operating profits (xxiii): ((x) + (xii))	37,994	(5,237)	43,231
Extraordinary gains (losses) (xxiv)	(860)	375	(1,235)
Net gains (losses) from fixed assets	(107)	33	(140)
Gains on dispositions of fixed assets	0	(6)	6
Losses on dispositions of fixed assets	107	1	106
Impairment losses	0	(40)	40
Provision for loss on reconstruction of Head Office	753	(342)	1,095
Income before income taxes and others (xxv): ((xxiii) + (xxiv))	37,134	(4,862)	41,996
Provision for income taxes and others (xxvi)	9,700	(3,374)	13,074
Deferred income taxes (xxvii)	399	1,466	(1,067)
Net income taxes (xxviii): ((xxvi) + (xxvii))	10,099	(1,907)	12,006
Net income ((xxv) – (xxviii))	¥27,034	¥(2,955)	¥29,989

(Consolidated)

Item	Millions of yen		
	FY2017 (A)	(A) – (B)	FY2016 (B)
Consolidated gross banking profit (i)	¥91,272	¥ 1,223	¥90,049
Interest income	67,539	(3,623)	71,162
Fees and commissions	22,392	2,625	19,767
Trading income	1,685	1,390	295
Other operating income	(345)	831	(1,176)
General and administrative expenses (ii)	61,129	3,750	57,379
Credit cost (iii): ((iv) + (v) + (vi) + (vii) – (viii) – (ix))	406	(2,811)	3,217
Write-off amount of loans (iv)	223	223	—
Net transfer to specific reserve for possible loan losses (v)	—	(8,744)	8,744
Net transfer to general reserve for possible loan losses (vi)	—	5,786	(5,786)
Losses on sales of loans to credit (vii)	307	(140)	447
Reversal of reserve for possible loan losses (viii)	110	110	—
Recoveries of write-off claims (ix)	13	(174)	187
Gains (losses) on stocks (x)	6,339	(8,065)	14,404
Equity in gains (losses) of affiliated companies (xi)	149	(76)	225
Others (xii)	(1,126)	(2,130)	1,004
Operating profits (xiii): ((i) – (ii) – (iii) + (x) + (xi) + (xii))	35,098	(9,988)	45,086
Extraordinary gains (losses) (xiv)	1,156	2,391	(1,235)
Of which, gain on bargain purchase	2,073	2,073	—
Income before income taxes and others (xv): ((xiii) + (xiv))	36,255	(7,595)	43,850
Provision for income taxes and others (xvi)	10,696	(3,008)	13,704
Deferred income taxes (xvii)	(250)	811	(1,061)
Net income taxes (xviii): ((xvi) + (xvii))	10,446	(2,196)	12,642
Net income ((xv) – (xviii))	25,809	(5,398)	31,207
Net income attributable to owners of the parent	¥25,809	¥(5,398)	¥31,207

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		
	FY2017 (A)	(A) – (B)	FY2016 (B)
Consolidated core banking profit	¥34,473	¥(1,942)	¥36,415

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

[Reference: Number of Consolidated Subsidiaries]

Item	Number of companies		
	FY2017 (A)	(A) – (B)	FY2016 (B)
Number of consolidated subsidiaries	8	2	6
Number of affiliated companies applicable to the equity method	2	(1)	3

2. Banking Profit

(Non-Consolidated)

Item	Millions of yen		
	FY2017 (A)	(A) – (B)	FY2016 (B)
Core banking profit	¥32,333	¥(2,134)	¥34,467
Per head (in thousands of yen)	10,145	(721)	10,866
Banking profit (before transfer to general reserve for possible loan losses)	29,974	(1,672)	31,646
Per head (in thousands of yen)	9,405	(571)	9,976
Banking profit	29,974	(7,418)	37,392
Per head (in thousands of yen)	9,405	(2,383)	11,788

3. Interest Rate Spread

(Non-Consolidated)

[All Branches]

Item	%		
	FY2017 (A)	(A) – (B)	FY2016 (B)
Average yield on interest earnings assets (i)	1.05	(0.03)	1.08
Average yield on loans and bills discounted	1.06	(0.06)	1.12
Average yield on securities	0.96	0.01	0.95
Average yield on interest bearing liabilities (ii)	0.74	(0.05)	0.79
Average yield on deposits and negotiable certificates of deposit	0.03	(0.01)	0.04
Average interest rate spread on loans and deposits	0.31	(0.03)	0.34
Average interest rate spread ((i) – (ii))	0.31	0.02	0.29

[Domestic Operations]

Item	%		
	FY2017 (A)	(A) – (B)	FY2016 (B)
Average yield on interest earnings assets (i)	0.92	(0.04)	0.96
Average yield on loans and bills discounted	1.00	(0.09)	1.09
Average yield on securities	0.81	0.06	0.75
Average yield on interest bearing liabilities (ii)	0.68	(0.08)	0.76
Average yield on deposits and negotiable certificates of deposit	0.02	(0.01)	0.03
Average interest rate spread on loans and deposits	0.26	(0.06)	0.32
Average interest rate spread ((i) – (ii))	0.24	0.04	0.20

4. Return on Equity

(Non-Consolidated)

Item	%		
	FY2017 (A)	(A) – (B)	FY2016 (B)
Core banking profit basis	7.24	(0.71)	7.95
Banking profit basis (before transfer to general reserve for possible loan losses)	6.71	(0.59)	7.30
Banking profit basis	6.71	(1.92)	8.63
Net income basis	6.05	(0.87)	6.92

$$ROE = \frac{\text{Core banking profit (Banking profit (before transfer to general reserve for possible loan losses) or Banking profit or Net income)}}{(\text{Net assets at beginning of period excludes stock acquisition rights} + \text{Net assets at end of period excludes stock acquisition rights}) / 2}$$

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 March 31, 2018 (A)	(A) – (B)	As of March 31, 2017 (B)
Base items related to core capital (i)	¥ 408.6	¥18.7	¥ 389.9
Adjustment items related to core capital (ii)	34.8	10.1	24.7
Capital (iii): (i) – (ii)	373.8	8.6	365.2
Sum of risk assets, etc. (iv)	3,464.2	89.6	3,374.6
Capital adequacy ratio: (iii) / (iv)	10.79%	(0.03)%	10.82%

(Consolidated)

Item	Billions of yen		
	As of March 31, 2018 (A)	(A) – (B)	As of March 31, 2017 (B)
Base items related to core capital (i)	¥ 423.9	¥20.9	¥ 403.0
Adjustment items related to core capital (ii)	40.2	12.5	27.7
Capital (iii): (i) – (ii)	383.7	8.5	375.2
Sum of risk assets, etc. (iv)	3,464.2	85.3	3,378.9
Capital adequacy ratio: (iii) / (iv)	11.07%	(0.03)%	11.10%

6. Gains (Losses) on Valuation of Securities

(Non-Consolidated)

Item	Billions of yen							
	As of March 31, 2018 (A)				As of March 31, 2017 (B)			
	Valuation gains (losses)	(A) – (B)	Valuation gains	Valuation losses	Valuation gains (losses)	Valuation gains	Valuation losses	
Held-to-maturity	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	
Other securities	69.1	12.9	84.7	15.6	56.2	72.0	15.8	
Stocks	71.1	22.4	73.6	2.5	48.7	52.3	3.6	
Bonds	6.0	(2.9)	6.5	0.4	8.9	10.2	1.3	
Others	(8.1)	(6.7)	4.5	12.7	(1.4)	9.4	10.9	
Total	¥69.1	¥12.9	¥84.7	¥15.6	¥56.2	¥72.0	¥15.8	

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 (Non-Consolidated)

Loans outstanding (average balance)	Billions of yen		
	FY2017 (A)	(A) – (B)	FY2016 (B)
Loans	¥5,757.6	¥326.1	¥5,431.5
Corporate loans	4,309.8	250.8	4,059.0
Individual loans	1,447.8	75.3	1,372.5
Housing loans	949.7	27.4	922.3
Other loans	498.0	47.9	450.1

Loans outstanding (term-end balance)	Billions of yen		
	As of March 31, 2018 (A)	(A) – (B)	As of March 31, 2017 (B)
Loans	¥5,852.3	¥247.2	¥5,605.1
Corporate loans	4,366.3	178.7	4,187.6
Individual loans	1,485.9	68.4	1,417.5
Housing loans	966.3	25.2	941.1
Other loans	519.5	43.1	476.4

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

Item	Billions of yen		
	As of March 31, 2018 (A)	(A) – (B)	As of March 31, 2017 (B)
Loans outstanding to small- and medium-sized businesses	¥3,924.6	¥201.6	¥3,723.0
Ratio to total loans and bill discounted	67.1%	0.7%	66.4%

Notes: 1. Loans outstanding to small- and medium-sized businesses.

2. Loans that are denominators of the ratio to total loans and bills discounted excluding JOM account.

2. Risk Managed Loans

(Non-Consolidated)

Item	Millions of yen		
	As of March 31, 2018 (A)	(A) – (B)	As of March 31, 2017 (B)
Loans to debtors legally bankrupt	¥ 1,495	¥ 230	¥ 1,265
Other delinquent loans	50,895	(3,022)	53,917
Loans past due 3 months or more	2,876	849	2,027
Restructured loans	13,923	1,297	12,626
Total risk managed loans	¥69,189	¥ (648)	¥69,837

(Consolidated)

Item	Millions of yen		
	As of March 31, 2018 (A)	(A) – (B)	As of March 31, 2017 (B)
Loans to debtors legally bankrupt	¥ 1,538	¥ 225	¥ 1,313
Other delinquent loans	50,895	(3,022)	53,917
Loans past due 3 months or more	2,876	849	2,027
Restructured loans	13,923	1,297	12,626
Total risk managed loans	¥69,233	¥ (652)	¥69,885

Notes: Hiroshima Bank adopts partial direct write-off.

Hiroshima Bank has adopted the uniform non-accrual loan accounting method for loans to customers in the self-assessment categories.

3. Reserve for Possible Loan Losses

(Non-Consolidated)

Item	Millions of yen		
	As of March 31, 2018		As of March 31, 2017 (B)
	(A)	(A) – (B)	
Reserve for possible loan losses	¥33,474	¥(2,301)	¥35,775
General reserve for possible loan losses	16,277	(710)	16,987
Specific reserve for possible loan losses	17,196	(1,591)	18,787
Reserve for specific foreign borrowers/countries	—	—	—

(Consolidated)

Item	Millions of yen		
	As of March 31, 2018		As of March 31, 2017 (B)
	(A)	(A) – (B)	
Reserve for possible loan losses	¥35,429	¥(2,504)	¥37,933
General reserve for possible loan losses	16,848	(839)	17,687
Specific reserve for possible loan losses	18,580	(1,665)	20,245
Reserve for specific foreign borrowers/countries	—	—	—

4. Ratio to Reserve for Total Risk Managed Loans

(Non-Consolidated)

Item	%		
	As of March 31, 2018		As of March 31, 2017 (B)
	(A)	(A) – (B)	
Before partial direct write-off	57.7	(2.0)	59.7
After partial direct write-off	48.3	(2.8)	51.1

(Consolidated)

Item	%		
	As of March 31, 2018		As of March 31, 2017 (B)
	(A)	(A) – (B)	
Before partial direct write-off	57.7	(2.1)	59.8
After partial direct write-off	48.3	(2.8)	51.1

5. Problem Loans Disclosed under the Financial Revitalization Law

(Non-Consolidated)

Item	Millions of yen		
	As of March 31, 2018		As of March 31, 2017 (B)
	(A)	(A) – (B)	
Loans to bankrupt and quasi-bankrupt loans	¥ 6,314	¥ 981	¥ 5,333
Doubtful loans	48,293	(4,354)	52,647
Substandard loans	16,799	2,145	14,654
Total (i)	¥71,407	¥(1,227)	¥72,634

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

(Non-Consolidated)

Item	Millions of yen		As of March 31, 2017 (B)
	As of March 31, 2018 (A)	(A) – (B)	
Coverage amount (ii)	¥54,824	¥ 9	¥54,815
Portion covered by reserve (iii)	19,916	(1,359)	21,275
Portion covered by collateral	34,908	1,368	33,540
Specific reserve for loan losses	—	—	—
Coverage ratio to disclosed totals (ii)/(i)	76.8%	1.3%	75.5%
Coverage ratio before partial direct write-off	80.9%	1.2%	79.7%
Excluding collateral and guarantees (iv)	36,498	(2,596)	39,094
Coverage ratio (iii)/(iv)	54.6%	0.2%	54.4%
Ratio to total loans outstanding	1.20%	(0.08)%	1.28%

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, 2017 (B)
	As of March 31, 2018 (A)	(A) – (B)	
Domestic (excluding JOM account)	¥5,852,316	¥247,124	¥5,605,192
Manufacturing	714,445	(2,074)	716,519
Agriculture/Forestry	3,905	195	3,710
Fishery	1,150	188	962
Mining/Quarrying of stone/Gravel	4,993	1,294	3,699
Construction	179,570	22,225	157,345
Electricity, gas and water	170,943	27,608	143,335
Telecommunication	24,962	(9,323)	34,285
Transportation/Postal activities	268,530	(941)	269,471
Wholesale/Retail services	512,559	9,769	502,790
Financial and insurance services	313,510	(9,136)	322,646
Retail estate/Goods rental and leasing	936,187	47,660	888,527
Services	394,337	9,921	384,416
Municipal government	821,932	73,877	748,055
Others	1,505,283	75,862	1,429,421

Note: Others are included in the following loans.

Item	Millions of yen		As of March 31, 2017 (B)
	As of March 31, 2018 (A)	(A) – (B)	
Individual	¥1,103,343	¥39,786	¥1,063,557
Ship chartering industry (nonresidents)	363,599	32,718	330,881

Note: 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 591,111 million yen as of March 31, 2018.

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

Item	Millions of yen		
	As of March 31, 2018		As of March 31, 2017 (B)
	(A)	(A) – (B)	
Domestic (excluding JOM account)	¥69,189	¥ (648)	¥69,837
Manufacturing	15,974	(1,485)	17,459
Agriculture/Forestry	62	(6)	68
Fishery	10	9	1
Mining/Quarrying of stone/Gravel	78	(7)	85
Construction	5,446	(518)	5,964
Electricity, gas and water	—	—	—
Telecommunication	405	(20)	425
Transportation/Postal activities	585	(105)	690
Wholesale/Retail services	11,098	4,731	6,367
Financial and insurance services	1,264	(1,524)	2,788
Retail estate/Goods rental and leasing	8,644	(663)	9,307
Services	11,029	552	10,477
Municipal government	—	—	—
Others	14,588	(1,614)	16,202

9. Deposits Outstanding

Breakdown of Deposits Outstanding (Non-Consolidated)

Deposits outstanding (average balance)	Billions of yen		
	FY2017 (A)	(A) – (B)	FY2016 (B)
Deposits and NCD	¥7,484.3	¥175.2	¥7,309.1
Corporate deposits	2,246.1	46.6	2,199.5
Individual deposits	4,719.4	134.8	4,584.6
Public and finance institution deposits	518.8	(6.1)	524.9

Deposits outstanding (term-end balance)	Billions of yen		
	As of March 31, 2018 (A)	(A) – (B)	As of March 31, 2017 (B)
Deposits and NCD	¥7,459.3	¥150.8	¥7,308.5
Corporate deposits	2,291.1	49.1	2,242.0
Individual deposits	4,721.6	76.4	4,645.2
Public and finance institution deposits	446.5	25.4	421.1