

# Financial Results for the First Half of Fiscal 2017

(From April 1, 2017 to September 30, 2017)

THE HIROSHIMA BANK, LTD.

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# Consolidated Financial Information for the First Half of Fiscal 2017

## 1. Consolidated Balance Sheets

Item	Millions of yen	
	As of March 31, 2017	As of September 30, 2017
<b>ASSETS</b>		
Cash and due from banks	¥1,253,275	¥1,526,880
Call loans and bills purchased	17,396	18,572
Financial receivables purchased	7,091	7,187
Trading assets	9,145	7,947
Money held in trust	156	9,156
Securities	1,761,462	1,583,656
Loans and bills discounted	5,605,677	5,774,765
Foreign exchanges	7,890	9,633
Other assets	57,766	74,574
Tangible fixed assets	92,305	91,073
Intangible fixed assets	10,249	10,051
Net defined benefit asset	46,078	48,004
Deferred tax assets	699	782
Customers' liabilities for acceptances and guarantees	42,001	43,164
Reserve for possible loan losses	(37,933)	(35,524)
<b>Total assets</b>	<b>¥8,873,264</b>	<b>¥9,169,925</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Deposits	¥6,985,538	¥6,995,495
Negotiable certificates of deposit	310,574	466,466
Call money and bills sold	3,365	7,891
Payables under repurchase agreements	137,187	137,517
Deposits received for bonds lending/borrowing transactions	401,641	416,255
Trading liabilities	7,183	5,999
Borrowed money	453,379	554,331
Foreign exchanges	163	552
Bonds	20,000	—
Due to trust account	22	23
Other liabilities	42,914	51,638
Net defined benefit liability	38	40
Reserve for retirement benefits of directors and corporate auditors	27	21
Reserve for reimbursement of deposits	1,461	1,484
Reserve for point loyalty programs	125	158
Provision for share-based benefit	—	58
Reserve for loss related to Head Office rebuilding	1,095	1,095
Reserves under special laws	—	41
Deferred tax liabilities	5,790	9,027
Deferred tax liabilities for land revaluation reserve	13,613	13,613
Acceptances and guarantees	42,001	43,164
<b>Total liabilities</b>	<b>8,426,125</b>	<b>8,704,877</b>
<b>Net Assets</b>		
Common stock	54,573	54,573
Capital surplus	30,743	30,746
Retained earnings	290,180	301,807
Common stock in treasury	(437)	(1,257)
<b>Total stockholders' equity</b>	<b>375,060</b>	<b>385,870</b>
Net unrealized holding gains on securities available for sale	39,492	46,556
Net deferred gains (losses) on hedging instruments, net of tax	(512)	(342)
Land revaluation reserve, net of tax	27,763	27,763
Remeasurements of defined benefit plans	5,011	4,891
<b>Total accumulated other comprehensive income</b>	<b>71,755</b>	<b>78,869</b>
Stock acquisition rights	322	308
<b>Total net assets</b>	<b>447,138</b>	<b>465,047</b>
<b>Total liabilities and net assets</b>	<b>¥8,873,264</b>	<b>¥9,169,925</b>

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

### Consolidated Statements of Income

Item	Millions of yen	
	First half of FY2016	First half of FY2017
<b>Operating income</b>	¥72,761	¥62,195
Interest income	39,512	39,054
Interest on loans and discounts	30,606	30,627
Interest and dividends on securities	8,381	7,698
Trust fees	86	95
Fees and commissions	14,128	15,478
Trading income	94	469
Other operating income	5,889	2,019
Other income	13,050	5,078
<b>Operating expenses</b>	43,840	43,479
Interest expenses	4,081	5,068
Interest on deposits	1,515	1,587
Fees and commissions	4,166	4,324
Other operating expenses	3,135	1,562
General and administrative expenses	28,674	30,391
Other expenses	3,782	2,131
<b>Operating profits</b>	28,921	18,716
<b>Extraordinary gains</b>	0	4,198
Gain on dispositions of fixed assets	0	—
Gain on bargain purchase	—	4,196
Transfer from reserve for financial products transaction liabilities	—	2
<b>Extraordinary losses</b>	46	2,144
Losses on dispositions of fixed assets	18	20
Impairment losses	27	0
Loss on step acquisitions	—	2,123
<b>Income before income taxes and others</b>	28,874	20,770
Provision for income taxes and others	8,850	5,720
Deferred income taxes	(756)	(9)
<b>Total income taxes</b>	8,094	5,710
<b>Net income</b>	20,780	15,059
<b>Profit attributable to owners of the parent</b>	¥20,780	¥15,059

### Consolidated Statements of Comprehensive Income

Item	Millions of yen	
	First half of FY2016	First half of FY2017
<b>Net income</b>	¥20,780	¥15,059
<b>Other comprehensive income (loss)</b>	(25,227)	7,113
Net unrealized holding gains (losses) on securities available for sale	(25,505)	7,063
Net deferred gains (losses) on hedging instruments, net of tax	278	169
Remeasurements of defined benefit plans	(1)	(120)
Share of other comprehensive income of affiliated companies accounted for by equity method	0	0
<b>Comprehensive income (loss)</b>	¥(4,447)	¥22,173
Comprehensive income (loss) attributable to owners of the parent	¥(4,447)	¥22,173

## 3. Consolidated Statements of Changes in Net Assets

Item	Millions of yen				
	First half of FY2016				
	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Common stock in treasury	Total stockholders' equity
<b>Balance at the beginning of current period</b>	¥54,573	¥30,817	¥265,811	¥(982)	¥350,220
<b>Changes of items during the period</b>					
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					
<b>Total changes of items during the period</b>	—	(73)	17,354	551	17,831
<b>Balance at the end of current period</b>	¥54,573	¥30,743	¥283,165	¥(431)	¥368,051

Item	Millions of yen						
	First half of FY2016						
	Accumulated other comprehensive income						
	Net unrealized holding gains (losses) on securities available for sale	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
<b>Balance at the beginning of current period</b>	¥65,797	¥(764)	¥27,784	¥4,548	¥97,365	¥334	¥447,919
<b>Changes of items during the period</b>							
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)
<b>Total changes of items during the period</b>	(25,505)	278	—	(1)	(25,227)	(52)	(7,448)
<b>Balance at the end of current period</b>	¥40,292	¥(485)	¥27,784	¥4,546	¥72,137	¥281	¥440,471

Millions of yen					
First half of FY2017					
Stockholders' equity					
Item	Common stock	Capital surplus	Retained earnings	Common stock in treasury	Total stockholders' equity
<b>Balance at the beginning of current period</b>	¥54,573	¥30,743	¥290,180	¥(437)	¥375,060
<b>Changes of items during the period</b>					
Dividends from surplus			(3,433)		(3,433)
Profit attributable to owners of the parent			15,059		15,059
Purchase of common stock in treasury				(852)	(852)
Disposal of common stock in treasury		2		32	35
Net changes of items other than shareholders' equity					
<b>Total changes of items during the period</b>	—	2	11,626	(819)	10,809
<b>Balance at the end of current period</b>	¥54,573	¥30,746	¥301,807	¥(1,257)	¥385,870

Millions of yen							
First half of FY2017							
Accumulated other comprehensive income							
Item	Net unrealized holding gains (losses) on securities available for sale	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
<b>Balance at the beginning of current period</b>	¥39,492	¥(512)	¥27,763	¥5,011	¥71,755	¥322	¥447,138
<b>Changes of items during the period</b>							
Dividends from surplus							(3,433)
Profit attributable to owners of the parent							15,059
Purchase of common stock in treasury							(852)
Disposal of common stock in treasury							35
Net changes of items other than shareholders' equity	7,063	169	—	(120)	7,113	(14)	7,099
<b>Total changes of items during the period</b>	7,063	169	—	(120)	7,113	(14)	17,909
<b>Balance at the end of current period</b>	¥46,556	¥(342)	¥27,763	¥4,891	¥78,869	¥308	¥465,047

# Non-Consolidated Financial Information for the First Half of Fiscal 2017

## 1. Non-Consolidated Balance Sheets

Item	Millions of yen	
	As of March 31, 2017	As of September 30, 2017
<b>ASSETS</b>		
Cash and due from banks	¥1,252,600	¥1,525,574
Call loans and bills purchased	17,396	18,572
Financial receivables purchased	5,536	5,635
Trading assets	9,145	7,945
Money held in trust	156	156
Securities	1,765,068	1,594,320
Loans and bills discounted	5,605,192	5,765,385
Foreign exchanges	7,890	9,633
Other assets	54,292	68,020
Tangible fixed assets	91,974	90,640
Intangible fixed assets	10,235	9,822
Prepaid pension expenses	38,814	40,914
Customers' liabilities for acceptances and guarantees	39,950	41,274
Reserve for possible loan losses	(35,775)	(33,200)
Reserve for investment losses	(4,901)	—
<b>Total assets</b>	<b>¥8,857,577</b>	<b>¥9,144,696</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Deposits	¥6,992,488	¥7,005,324
Negotiable certificates of deposit	316,053	472,156
Call money and bills sold	3,365	7,891
Payables under repurchase agreements	137,187	137,517
Deposits received for bonds lending/borrowing transactions	401,641	416,255
Trading liabilities	7,183	5,999
Borrowed money	453,379	551,212
Foreign exchanges	163	552
Bonds	20,000	—
Due to trust account	22	23
Other liabilities	34,882	30,513
Income taxes payable	6,733	4,907
Lease obligations	727	692
Asset retirement obligation	313	315
Other liabilities	27,108	24,597
Reserve for reimbursement of deposits	1,461	1,484
Reserve for point loyalty programs	86	120
Provision for share-based benefit	—	58
Reserve for loss related to Head Office rebuilding	1,095	1,095
Deferred tax liabilities	2,891	6,829
Deferred tax liabilities for land revaluation reserve	13,613	13,613
Acceptances and guarantees	39,950	41,274
<b>Total liabilities</b>	<b>8,425,466</b>	<b>8,691,922</b>
<b>Net Assets</b>		
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	294,417
Legal earned reserve	40,153	40,153
Other retained earnings	240,004	254,264
Voluntary reserve	209,604	233,604
Earned surplus brought forward	30,400	20,660
Common stock in treasury	(423)	(1,243)
<b>Total stockholders' equity</b>	<b>365,050</b>	<b>378,494</b>
Net unrealized holding gains on securities available for sale	39,486	46,550
Net deferred losses on hedging instruments, net of taxes	(512)	(342)
Land revaluation reserve, net of tax	27,763	27,763
<b>Total valuation and translation adjustments</b>	<b>66,738</b>	<b>73,971</b>
Stock acquisition rights	322	308
<b>Total net assets</b>	<b>432,110</b>	<b>452,773</b>
<b>Total liabilities and net assets</b>	<b>¥8,857,577</b>	<b>¥9,144,696</b>

## 2. Non-Consolidated Statements of Income

Item	Millions of yen	
	First half of FY2016	First half of FY2017
<b>Operating income</b>	¥71,507	¥64,814
Interest income	39,833	39,961
Interest on loans and discounts	30,569	30,438
Interest and dividends on securities	8,753	8,809
Trust fees	86	95
Fees and commissions	12,579	12,469
Trading income	94	100
Other operating income	5,889	2,015
Other income	13,023	10,172
<b>Operating expenses</b>	43,300	41,094
Interest expenses	4,081	5,039
Interest on deposits	1,515	1,587
Fees and commissions	4,580	4,549
Other operating expenses	3,135	1,562
General and administrative expenses	27,853	27,893
Other expenses	3,649	2,049
<b>Operating profits</b>	28,207	23,719
Extraordinary gains	0	—
Extraordinary losses	46	21
<b>Income before income taxes and others</b>	28,160	23,698
Provision for income taxes and others	8,505	5,316
Deferred income taxes	(711)	687
<b>Total income taxes</b>	7,793	6,004
<b>Net income</b>	¥20,366	¥17,694



## 3. Non-Consolidated Statements of Changes in Net Assets

Item	Millions of yen							
	First half of 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		
<b>Balance at the beginning of current period</b>	¥54,573	¥30,634	¥182	¥30,816	¥40,153	¥186,604	¥30,249	¥257,006
<b>Changes of items during the period</b>								
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								
<b>Total changes of items during the period</b>	—	—	(73)	(73)	—	23,000	(6,059)	16,940
<b>Balance at the end of current period</b>	¥54,573	¥30,634	¥108	¥30,742	¥40,153	¥209,604	¥24,189	¥273,946

Item	Millions of yen								
	First half of FY2016								
	Stockholders' equity		Valuation and translation adjustments						Total net assets
	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		
<b>Balance at the beginning of current period</b>	¥(969)	¥341,427	¥65,796	¥(764)	¥27,784	¥92,815	¥334	¥434,577	
<b>Changes of items during the period</b>									
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)	
<b>Total changes of items during the period</b>	551	17,418	(25,505)	278	—	(25,226)	(52)	(7,861)	
<b>Balance at the end of current period</b>	¥(417)	¥358,845	¥40,290	¥(485)	¥27,784	¥67,588	¥281	¥426,716	

Millions of yen								
First half of FY2017								
Stockholders' equity								
Item	Capital surplus				Legal earned reserve	Retained earnings		
	Common stock	Capital reserve	Other capital surpluses	Total capital surplus		Other retained earnings		Total retained earnings
						Voluntary reserve	Earned surplus brought forward	
<b>Balance at the beginning of current period</b>	¥54,573	¥30,634	¥108	¥30,742	¥40,153	¥209,604	¥30,400	¥280,157
<b>Changes of items during the period</b>								
Dividends from surplus							(3,433)	(3,433)
Voluntary reserve						24,000	(24,000)	—
Net income							17,694	17,694
Purchase of common stock in treasury								
Disposal of common stock in treasury			2	2				
Net changes of items other than shareholders' equity								
<b>Total changes of items during the period</b>	—	—	2	2	—	24,000	(9,739)	14,260
<b>Balance at the end of current period</b>	¥54,573	¥30,634	¥111	¥30,745	¥40,153	¥233,604	¥20,660	¥294,417

Millions of yen								
First half of FY2017								
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
<b>Changes of items during the period</b>								
Dividends from surplus		(3,433)						(3,433)
Voluntary reserve		—						—
Net income		17,694						17,694
Purchase of common stock in treasury	(852)	(852)						(852)
Disposal of common stock in treasury	32	35						35
Net changes of items other than shareholders' equity			7,063	169	—	7,233	(14)	7,218
<b>Total changes of items during the period</b>	(819)	13,444	7,063	169	—	7,233	(14)	20,662
<b>Balance at the end of current period</b>	¥(1,243)	¥378,494	¥46,550	¥(342)	¥27,763	¥73,971	¥308	¥452,773

# Financial Data for the First Half of Fiscal 2017

## 1. Income Status

(Non-Consolidated)

Item	Millions of yen		
	First half of FY2017		First half of FY2016 (B)
	(A)	(A) – (B)	
Gross banking profit	¥43,490	¥(3,197)	¥46,687
Core gross banking profit	43,821	(1,037)	44,858
Domestic gross banking profit	39,504	(1,379)	40,883
Core gross banking profit	39,145	(744)	39,889
Interest income	31,217	(616)	31,833
Fees and commissions	7,899	(48)	7,947
Trading income	54	29	25
Other operating income	333	(743)	1,076
Gains (losses) from securities	359	(635)	994
International gross banking profit	3,985	(1,818)	5,803
Core gross banking profit	4,675	(294)	4,969
Interest income	3,704	(214)	3,918
Fees and commissions	115	(23)	138
Trading income	46	(23)	69
Other operating income	119	(1,558)	1,677
Gains (losses) from securities	(690)	(1,524)	834
Expenses	26,626	(750)	27,376
Personnel expenses	13,851	(651)	14,502
Non-personnel expenses	10,954	(73)	11,027
Taxes	1,821	(25)	1,846
Banking profit (before transfer to general reserve for possible loan losses)	16,863	(2,448)	19,311
Core banking profit *1	17,194	(288)	17,482
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	16,863	(7,957)	24,820
Gains (losses) on bonds (ii)	(331)	(2,159)	1,828
Gains on sales of bonds	1,209	(3,755)	4,964
Losses on sales of bonds	1,494	(1,641)	3,135
Write-off amount of bonds	46	46	—
Non-recurrent gains (losses)	6,856	3,469	3,387
Gains (losses) on stocks (iii)	4,263	(7,777)	12,040
Gains on sales of stocks	4,330	(8,434)	12,764
Losses on sales of stocks	65	(652)	717
Write-off amount of stocks	1	(5)	6
Gains (losses) from securities ((ii) + (iii))	3,932	(9,937)	13,869
Disposal of non-performing loans (iv)	876	(6,620)	7,496
Write-off amount of loans	1,322	1,040	282
Net transfer to specific reserve for possible loan losses	—	(7,203)	7,203
Losses on sales of loans to credit	29	(44)	73
Reversal of reserve for possible loan losses	462	462	—
Recoveries of written-off claims	12	(50)	62
Credit cost ((i) + (iv))	876	(1,112)	1,988
Reversal of reserve for investment loss	4,901	4,901	—
Other non-recurrent gains (losses)	(1,432)	(276)	(1,156)
Operating profits	23,719	(4,488)	28,207
Extraordinary gains (losses)	(21)	25	(46)
Net gains (losses) from fixed assets	(21)	25	(46)
Gains on dispositions of fixed assets	—	(0)	0
Losses on dispositions of fixed assets	20	2	18
Impairment losses	0	(27)	27
Income before income taxes and others	23,698	(4,462)	28,160
Provision for income taxes and others	5,316	(3,189)	8,505
Deferred income taxes	687	1,398	(711)
Net income taxes	6,004	(1,789)	7,793
Net income	¥17,694	¥(2,672)	¥20,366

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 FY2017		First half of FY2016 (B)
	(A)	(A) – (B)	
Consolidated gross banking profit	¥46,161	¥(2,167)	¥48,328
Interest income	33,985	(1,445)	35,430
Fees and commissions	11,249	1,201	10,048
Trading income	469	375	94
Other operating income	456	(2,298)	2,754
General and administrative expenses	30,391	1,717	28,674
Credit cost	1,107	(1,293)	2,400
Write-off amount of loans	1,322	1,040	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	37	(39)	76
Reversal of reserve for possible loan losses	240	240	—
Recoveries of write-off claims	12	(50)	62
Gains (losses) on stocks	4,263	(7,777)	12,040
Equity in gains (losses) of affiliated companies	65	27	38
Others	(274)	136	(410)
Operating profits	18,716	(10,205)	28,921
Extraordinary gains (losses)	2,054	2,100	(46)
Gain on bargain purchase	2,073	2,073	—
Income before income taxes and others	20,770	(8,104)	28,874
Provision for income taxes and others	5,720	(3,130)	8,850
Deferred income taxes	(9)	747	(756)
Net income taxes	5,710	(2,384)	8,094
Net income	15,059	(5,721)	20,780
Profit attributable to owners of the parent	¥15,059	¥(5,721)	¥20,780

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 FY2017		First half of FY2016 (B)
	(A)	(A) – (B)	
Consolidated core banking profit	¥17,372	¥(935)	¥18,307

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 FY2017		First half of FY2016 (B)
	(A)	(A) – (B)	
Number of consolidated subsidiaries	7	1	6
Number of affiliated companies applicable to the equity method	2	(1)	3

## 2. Banking Profit

(Non-Consolidated)

Item	Millions of yen		
	First half of FY2017		First half of FY2016 (B)
	(A)	(A) – (B)	
Core banking profit	¥17,194	¥(288)	¥17,482
Per head (in thousands of yen)	5,255	(107)	5,362
Banking profit (before transfer to general reserve for possible loan losses)	16,863	(2,448)	19,311
Per head (in thousands of yen)	5,153	(770)	5,923
Banking profit	16,863	(7,957)	24,820
Per head (in thousands of yen)	5,153	(2,460)	7,613

## 3. Interest Rate Spread

(Non-Consolidated)

[All Branches]

Item	%		
	First half of FY2017		First half of FY2016 (B)
	(A)	(A) – (B)	
Average yield on interest earnings assets (i)	1.07	—	1.07
Average yield on loans and bills discounted	1.06	(0.08)	1.14
Average yield on securities	1.05	0.16	0.89
Average yield on interest bearing liabilities (ii)	0.74	(0.05)	0.79
Average yield on deposits and negotiable certificates of deposit	0.04	—	0.04
Average interest rate spread on loans and deposits	0.31	(0.04)	0.35
Average interest rate spread ((i) – (ii))	0.33	0.05	0.28

[Domestics Operations]

Item	%		
	First half of FY2017		First half of FY2016 (B)
	(A)	(A) – (B)	
Average yield on interest earnings assets (i)	0.94	(0.03)	0.97
Average yield on loans and bills discounted	1.01	(0.11)	1.12
Average yield on securities	0.89	0.16	0.73
Average yield on interest bearing liabilities (ii)	0.69	(0.08)	0.77
Average yield on deposits and negotiable certificates of deposit	0.03	—	0.03
Average interest rate spread on loans and deposits	0.28	(0.06)	0.34
Average interest rate spread ((i) – (ii))	0.25	0.05	0.20

## 4. Return on Equity

(Non-Consolidated)

Item	%		
	First half of FY2017		First half of FY2016 (B)
	(A)	(A) – (B)	
Core banking profit basis	7.75	(0.35)	8.10
Banking profit basis (before transfer to general reserve for possible loan losses)	7.60	(1.35)	8.95
Banking profit basis	7.60	(3.90)	11.50
Net income basis	7.98	(1.45)	9.43

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

## 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 March 31, 2017 (B)
	As of September 30, 2017 (A)	(A) – (B)	
Base items related to core capital (i)	¥404.0	¥14.1	¥389.9
Adjustment items related to core capital (ii)	26.1	1.4	24.7
Capital (iii): (i) – (ii)	377.8	12.6	365.2
Sum of risk assets, etc. (iv)	3,394.0	19.4	3,374.6
Capital adequacy ratio: (iii) / (iv)	11.13%	0.31%	10.82%

### (Consolidated)

Item	Billions of yen		As of March 31, 2017 (B)
	As of September 30, 2017 (A)	(A) – (B)	
Base items related to core capital (i)	¥414.3	¥11.3	¥403.0
Adjustment items related to core capital (ii)	29.0	1.3	27.7
Capital (iii): (i) – (ii)	385.3	10.1	375.2
Sum of risk assets, etc. (iv)	3,382.9	4.0	3,378.9
Capital adequacy ratio: (iii) / (iv)	11.39%	0.29%	11.10%

## 6. Gains (Losses) on Valuation of Securities

### (Non-Consolidated)

Item	Billions of yen						
	As of September 30, 2017 (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	66.4	10.2	77.8	11.4	56.2	72.0	15.8
Stocks	62.7	14.0	65.3	2.6	48.7	52.3	3.6
Bonds	6.3	(2.6)	7.2	0.9	8.9	10.2	1.3
Others	(2.6)	(1.2)	5.2	7.8	(1.4)	9.4	10.9
Total	¥66.4	¥10.2	¥77.8	¥11.4	¥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		
	First half of FY2017 (A)	(A) – (B)	First half of FY2016 (B)
Loans outstanding	¥5,688.4	¥347.0	¥5,341.4
Business loans	4,257.5	270.9	3,986.6
Individual loans	1,430.9	76.2	1,354.7
Housing loans	943.9	28.2	915.7
Other loans	486.9	47.9	439.0

Loans outstanding (term-end balance)	Billions of yen		
	As of September 30, 2017 (A)	(A) – (B)	As of March 31, 2017 (B)
Loans outstanding	¥5,765.3	¥160.2	¥5,605.1
Business loans	4,313.4	125.8	4,187.6
Individual loans	1,451.8	34.3	1,417.5
Housing loans	950.6	9.5	941.1
Other loans	501.2	24.8	476.4

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

Item	Billions of yen		
	As of September 30, 2017 (A)	(A) – (B)	As of March 31, 2017 (B)
Loans outstanding to small- and medium-sized businesses	¥3,810.7	¥87.7	¥3,723.0
Ratio to total loans and bill discounted	66.1%	(0.3)%	66.4%

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.

## 2. Risk Managed Loans

### (Non-Consolidated)

Item	Millions of yen		
	As of September 30, 2017 (A)	(A) – (B)	As of March 31, 2017 (B)
Loans to debtors legally bankrupt	¥1,428	¥163	¥1,265
Other delinquent loans	54,433	516	53,917
Loans past due 3 months or more	2,374	347	2,027
Restructured loans	13,884	1,258	12,626
Total risk managed loans	¥72,120	¥2,283	¥69,837

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 September 30, 2017 (A)	(A) – (B)	As of March 31, 2017 (B)
Loans to debtors legally bankrupt	¥1,472	¥159	¥1,313
Other delinquent loans	54,433	516	53,917
Loans past due 3 months or more	2,374	347	2,027
Restructured loans	13,884	1,258	12,626
Total risk managed loans	¥72,164	¥2,279	¥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 who are at risk or in default.

### 3. Reserve for Possible Loan Losses

(Non-Consolidated)

Item	Millions of yen		As of March 31, 2017 (B)
	As of September (A)	30, 2017 (A) – (B)	
Reserve for possible loan losses	¥33,200	¥(2,575)	¥35,775
General reserve for possible loan losses	17,339	352	16,987
Specific reserve for possible loan losses	15,860	(2,927)	18,787
Reserve for specific foreign borrowers/countries	—	—	—

(Consolidated)

Item	Millions of yen		As of March 31, 2017 (B)
	As of September (A)	30, 2017 (A) – (B)	
Reserve for possible loan losses	¥35,524	¥(2,409)	¥37,933
General reserve for possible loan losses	18,039	352	17,687
Specific reserve for possible loan losses	17,485	(2,760)	20,245
Reserve for specific foreign borrowers/countries	—	—	—

### 4. Ratio to Reserve for Total Risk Managed Loans

(Non-Consolidated)

Item	%		As of March 31, 2017 (B)
	As of September (A)	30, 2017 (A) – (B)	
Before partial direct write-off	56.4	(3.3)	59.7
After partial direct write-off	45.9	(5.2)	51.1

(Consolidated)

Item	%		As of March 31, 2017 (B)
	As of September (A)	30, 2017 (A) – (B)	
Before partial direct write-off	56.5	(3.3)	59.8
After partial direct write-off	46.0	(5.1)	51.1

### 5. Problem Loans Disclosed under the Financial Revitalization Law

(Non-Consolidated)

Item	Millions of yen		As of March 31, 2017 (B)
	As of September (A)	30, 2017 (A) – (B)	
Loans to bankrupt and quasi-bankrupt loans	¥6,721	¥1,388	¥5,333
Doubtful loans	50,437	(2,210)	52,647
Substandard loans	16,258	1,604	14,654
Total (i)	¥73,417	¥783	¥72,634



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

(Non-Consolidated)

Item	Millions of yen		
	As of September 30, 2017 (A)	(A) – (B)	As of March 31, 2017 (B)
Coverage amount (ii)	¥54,269	¥(546)	¥54,815
Portion covered by reserve (iii)	18,825	(2,450)	21,275
Portion covered by collateral	35,444	1,904	33,540
Specific reserve for loan losses	—	—	—
Coverage ratio to disclosed totals (ii)/(i)	73.9%	(1.6)%	75.5%
Coverage ratio before partial direct write-off	79.0%	(0.7)%	79.7%
Excluding collateral and guarantees (iv)	37,973	(1,121)	39,094
Coverage ratio (iii)/(iv)	49.6%	(4.8)%	54.4%
Ratio to total loans outstanding	1.25%	(0.03)%	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 September 30, 2017 (A)	(A) – (B)	As of March 31, 2017 (B)
Domestic (excluding JOM account)	¥5,765,385	¥160,193	¥5,605,192
Manufacturing	717,859	1,340	716,519
Agriculture/Forestry	3,723	13	3,710
Fishery	1,116	154	962
Mining/Quarrying of stone/Gravel	4,881	1,182	3,699
Construction	159,020	1,675	157,345
Electricity, gas and water	155,769	12,434	143,335
Telecommunication	33,935	(350)	34,285
Transportation/Postal activities	269,748	277	269,471
Wholesale/Retail services	504,837	2,047	502,790
Financial and insurance services	306,836	(15,810)	322,646
Retail estate/Goods rental and leasing	918,480	29,953	888,527
Services	386,609	2,193	384,416
Municipal government	826,823	78,768	748,055
Others	1,475,738	46,317	1,429,421

Note: Others are included in the following loans.

Item	Millions of yen		
	As of September 30, 2017 (A)	(A) – (B)	As of March 31, 2017 (B)
Individuals	¥1,082,182	¥18,625	¥1,063,557
Ship chartering industry (nonresidents)	356,889	26,008	330,881

• 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 560,559 million yen as of September 30, 2017.

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

Item	Millions of yen		
	As of September 30, 2017		As of March 31, 2017 (B)
	(A)	(A) – (B)	
Domestic (excluding JOM account)	¥72,120	¥2,283	¥69,837
Manufacturing	18,997	1,538	17,459
Agriculture/Forestry	66	(2)	68
Fishery	6	5	1
Mining/Quarrying of stone/Gravel	78	(7)	85
Construction	5,761	(203)	5,964
Electricity, gas and water	—	—	—
Telecommunication	353	(72)	425
Transportation/Postal activities	611	(79)	690
Wholesale/Retail services	8,685	2,318	6,367
Financial and insurance services	2,772	(16)	2,788
Retail estate/Goods rental and leasing	8,623	(684)	9,307
Services	10,612	135	10,477
Municipal government	—	—	—
Others	15,551	(651)	16,202

## [Deposits Information]

### Deposits Outstanding

#### Breakdown of Deposits Outstanding (Non-Consolidated)

Deposits outstanding (average balance)	Billions of yen		
	First half of FY2017 (A)	(A) – (B)	First half of FY2016 (B)
Deposits and NCD	¥7,495.6	¥233.0	¥7,262.6
Corporate deposits	2,260.0	72.8	2,187.2
Individual deposits	4,700.0	149.4	4,550.6
Public and finance institution deposits	535.5	10.7	524.8

Note: Deposits outstanding includes negotiable certificates of deposit.

Deposits outstanding (term-end balance)	Billions of yen		
	As of September 30, 2017 (A)	(A) – (B)	As of March 31, 2017 (B)
Deposits and NCD	¥7,477.4	¥168.9	¥7,308.5
Corporate deposits	2,261.6	19.6	2,242.0
Individual deposits	4,713.4	68.2	4,645.2
Public and finance institution deposits	502.3	81.2	421.1

Note: Deposits outstanding includes negotiable certificates of deposit.