

Financial Results for the First Half of Fiscal 2018

(From April 1, 2018 to September 30, 2018)

THE HIROSHIMA BANK, LTD.

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Consolidated Financial Information for the First Half of Fiscal 2018

1. Consolidated Balance Sheets

Item	Millions of yen	
	As of March 31, 2018	As of September 30, 2018
ASSETS		
Cash and due from banks	¥1,511,177	¥1,424,217
Call loans and bills purchased	18,521	14,585
Financial receivables purchased	7,424	7,482
Trading assets	5,847	5,953
Money held in trust	8,256	13,974
Securities	1,382,716	1,216,361
Loans and bills discounted	5,861,796	5,956,198
Foreign exchanges	7,741	9,354
Other assets	88,949	85,865
Tangible fixed assets	91,982	91,605
Intangible fixed assets	9,585	9,367
Net defined benefit asset	54,607	56,603
Deferred tax assets	735	728
Customers' liabilities for acceptances and guarantees	38,237	43,139
Reserve for possible loan losses	(35,429)	(33,092)
Total assets	¥9,052,152	¥8,902,344
LIABILITIES AND NET ASSETS		
Liabilities		
Deposits	¥7,170,925	¥7,151,055
Negotiable certificates of deposit	270,129	330,318
Call money and bills sold	50,000	—
Payables under repurchase agreements	111,329	70,091
Deposits received for bonds lending/borrowing transactions	262,859	216,789
Trading liabilities	4,023	4,134
Borrowed money	585,551	515,086
Foreign exchanges	224	1,371
Due to trust account	42	78
Other liabilities	49,741	54,412
Net defined benefit liability	42	44
Reserve for retirement benefits of directors and corporate auditors	26	21
Reserve for reimbursement of deposits	4,447	3,754
Reserve for point loyalty programs	129	156
Provision for share-based benefit	176	239
Reserve for loss related to Head Office rebuilding	1,987	1,589
Reserves under special laws	41	39
Deferred tax liabilities	10,876	11,871
Deferred tax liabilities for land revaluation reserve	13,613	13,613
Acceptances and guarantees	38,237	43,139
Total liabilities	8,574,404	8,417,809
Net Assets		
Common stock	54,573	54,573
Capital surplus	30,746	30,740
Retained earnings	309,747	318,930
Common stock in treasury	(1,260)	(1,057)
Total stockholders' equity	393,807	403,187
Net unrealized holding gains on securities available for sale	48,399	45,395
Net deferred gains (losses) on hedging instruments, net of tax	(547)	120
Land revaluation reserve, net of tax	27,763	27,800
Remeasurements of defined benefit plans	8,016	7,854
Total accumulated other comprehensive income	83,632	81,171
Stock acquisition rights	308	176
Total net assets	477,748	484,535
Total liabilities and net assets	¥9,052,152	¥8,902,344

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

Consolidated Statements of Income

Item	Millions of yen	
	First half of FY2017	First half of FY2018
Operating income	¥62,195	¥61,877
Interest income	39,054	37,936
Interest on loans and discounts	30,627	30,920
Interest and dividends on securities	7,698	6,326
Trust fees	95	77
Fees and commissions	15,478	15,237
Trading income	469	1,165
Other operating income	2,019	2,534
Other income	5,078	4,926
Operating expenses	43,479	44,431
Interest expenses	5,068	3,995
Interest on deposits	1,587	1,091
Fees and commissions	4,324	4,355
Other operating expenses	1,562	2,758
General and administrative expenses	30,391	29,116
Other expenses	2,131	4,206
Operating profits	18,716	17,445
Extraordinary gains	4,198	1
Gain on dispositions of fixed assets	—	0
Gain on bargain purchase	4,196	—
Transfer from reserve for financial products transaction liabilities	2	1
Extraordinary losses	2,144	164
Losses on dispositions of fixed assets	20	85
Impairment losses	0	78
Loss on step acquisitions	2,123	—
Income before income taxes and others	20,770	17,283
Provision for income taxes and others	5,720	3,129
Deferred income taxes	(9)	2,125
Total income taxes	5,710	5,254
Net income	15,059	12,029
Profit attributable to owners of the parent	¥15,059	¥12,029

Consolidated Statements of Comprehensive Income

Item	Millions of yen	
	First half of FY2017	First half of FY2018
Net income	¥15,059	¥12,029
Other comprehensive income (loss)	7,113	(2,497)
Net unrealized holding gains (losses) on securities available for sale	7,063	(3,004)
Net deferred gains (losses) on hedging instruments, net of tax	169	667
Remeasurements of defined benefit plans	(120)	(161)
Share of other comprehensive income of affiliated companies accounted for by equity method	0	1
Comprehensive income (loss)	¥22,173	¥ 9,531
Comprehensive income (loss) attributable to owners of the parent	¥22,173	¥ 9,531

3. Consolidated Statements of Changes in Net Assets

Item	Millions of yen				
	First half of FY2017				
	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Common stock in treasury	Total stockholders' equity
Balance at the beginning of current period	¥54,573	¥30,743	¥290,180	¥ (437)	¥375,060
Changes of items during the period					
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					
Total changes of items during the period	—	2	11,626	(819)	10,809
Balance at the end of current period	¥54,573	¥30,746	¥301,807	¥(1,257)	¥385,870

Item	Millions of yen						
	First half of FY2017						
	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
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							(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
Total changes of items during the period	7,063	169	—	(120)	7,113	(14)	17,909
Balance at the end of current period	¥46,556	¥(342)	¥27,763	¥4,891	¥78,869	¥308	¥465,047

Item	Millions of yen				
	First half of FY2018				
	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Common stock in treasury	Total stockholders' equity
Balance at the beginning of current period	¥54,573	¥30,746	¥309,747	¥(1,260)	¥393,807
Changes of items during the period					
Dividends from surplus			(2,809)		(2,809)
Profit attributable to owners of the parent			12,029		12,029
Purchase of common stock in treasury				(0)	(0)
Disposal of common stock in treasury		(6)		202	196
Reversal of land revaluation reserve			(36)		(36)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(6)	9,183	202	9,380
Balance at the end of current period	¥54,573	¥30,740	¥318,930	¥(1,057)	¥403,187

Item	Millions of yen						
	First half of FY2018						
	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
Balance at the beginning of current period	¥48,399	¥(547)	¥27,763	¥8,016	¥83,632	¥ 308	¥477,748
Changes of items during the period							
Dividends from surplus							(2,809)
Profit attributable to owners of the parent							12,029
Purchase of common stock in treasury							(0)
Disposal of common stock in treasury							196
Reversal of land revaluation reserve							(36)
Net changes of items other than shareholders' equity	(3,003)	667	36	(161)	(2,461)	(131)	(2,593)
Total changes of items during the period	(3,003)	667	36	(161)	(2,461)	(131)	6,786
Balance at the end of current period	¥45,395	¥ 120	¥27,800	¥7,854	¥81,171	¥ 176	¥484,535

Non-Consolidated Financial Information for the First Half of Fiscal 2018

1. Non-Consolidated Balance Sheets

Item	Millions of yen	
	As of March 31, 2018	As of September 30, 2018
ASSETS		
Cash and due from banks	¥1,509,905	¥1,423,133
Call loans and bills purchased	18,521	14,585
Financial receivables purchased	5,904	5,936
Trading assets	5,842	5,945
Money held in trust	156	174
Securities	1,393,440	1,227,009
Loans and bills discounted	5,852,316	5,947,237
Foreign exchanges	7,741	9,354
Other assets	82,094	78,834
Tangible fixed assets	91,473	91,108
Intangible fixed assets	9,420	9,275
Prepaid pension expenses	42,989	45,219
Customers' liabilities for acceptances and guarantees	36,506	41,536
Reserve for possible loan losses	(33,474)	(30,920)
Total assets	¥9,022,839	¥8,868,430
LIABILITIES AND NET ASSETS		
Liabilities		
Deposits	¥7,183,495	¥7,158,708
Negotiable certificates of deposit	275,821	336,009
Call money and bills sold	50,000	—
Payables under repurchase agreements	111,329	70,091
Deposits received for bonds lending/borrowing transactions	262,859	216,789
Trading liabilities	4,023	4,134
Borrowed money	581,122	512,417
Foreign exchanges	224	1,371
Due to trust account	42	78
Other liabilities	28,892	31,125
Income taxes payable	2,707	2,277
Lease obligations	676	645
Asset retirement obligation	316	320
Other liabilities	25,191	27,882
Reserve for reimbursement of deposits	4,447	3,754
Reserve for point loyalty programs	89	118
Provision for share-based benefit	176	239
Reserve for loss related to Head Office rebuilding	1,987	1,589
Deferred tax liabilities	7,274	8,342
Deferred tax liabilities for land revaluation reserve	13,613	13,613
Acceptances and guarantees	36,506	41,536
Total liabilities	8,561,905	8,399,921
Net Assets		
Common stock	54,573	54,573
Capital surplus	30,745	30,739
Capital reserve	30,634	30,634
Other capital surplus	111	105
Retained earnings	300,948	310,759
Legal earned reserve	40,153	40,153
Other retained earnings	260,795	270,606
Voluntary reserve	233,604	254,604
Earned surplus brought forward	27,191	16,002
Common stock in treasury	(1,246)	(1,043)
Total stockholders' equity	385,022	395,028
Net unrealized holding gains on securities available for sale	48,387	45,383
Net deferred losses on hedging instruments, net of taxes	(547)	120
Land revaluation reserve, net of tax	27,763	27,800
Total valuation and translation adjustments	75,604	73,303
Stock acquisition rights	308	176
Total net assets	460,934	468,508
Total liabilities and net assets	¥9,022,839	¥8,868,430

2. Non-Consolidated Statements of Income

Item	Millions of yen	
	First half of FY2017	First half of FY2018
Operating income	¥64,814	¥ 59,589
Interest income	39,961	39,232
Interest on loans and discounts	30,438	30,735
Interest and dividends on securities	8,809	7,822
Trust fees	95	77
Fees and commissions	12,469	12,438
Trading income	100	187
Other operating income	2,015	2,525
Other income	10,172	5,128
Operating expenses	41,094	42,001
Interest expenses	5,039	3,972
Interest on deposits	1,587	1,091
Fees and commissions	4,549	4,624
Other operating expenses	1,562	2,758
General and administrative expenses	27,893	26,448
Other expenses	2,049	4,197
Operating profits	23,719	17,588
Extraordinary gains	—	0
Extraordinary losses	21	129
Income before income taxes and others	23,698	17,458
Provision for income taxes and others	5,316	2,685
Deferred income taxes	687	2,117
Total income taxes	6,004	4,802
Net income	¥17,694	¥12,655

3. Non-Consolidated Statements of Changes in Net Assets

Item	Millions of yen							
	First half of FY2017							
	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	¥108	¥30,742	¥40,153	¥209,604	¥ 30,400	¥280,157
Changes of items during the period								
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								
Total changes of items during the period	—	—	2	2	—	24,000	(9,739)	14,260
Balance at the end of current period	¥54,573	¥30,634	¥111	¥30,745	¥40,153	¥233,604	¥ 20,660	¥294,417

Item	Millions of yen								
	First half of FY2017								
	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		
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		(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	
Total changes of items during the period	(819)	13,444	7,063	169	—	7,233	(14)	20,662	
Balance at the end of current period	¥(1,243)	¥378,494	¥46,550	¥(342)	¥27,763	¥73,971	¥308	¥452,773	

Millions of yen								
First half of FY2018								
Item	Stockholders' equity				Legal earned reserve	Retained earnings		
	Common stock	Capital reserve	Capital surplus			Other retained earnings		Total retained earnings
			Other capital surpluses	Total capital surplus		Voluntary reserve	Earned surplus brought forward	
Balance at the beginning of current period	¥54,573	¥30,634	¥111	¥30,745	¥40,153	¥233,604	¥ 27,191	¥300,948
Changes of items during the period								
Dividends from surplus							(2,809)	(2,809)
Voluntary reserve						21,000	(21,000)	—
Net income							12,655	12,655
Purchase of common stock in treasury								
Disposal of common stock in treasury			(6)	(6)				
Reversal of land revaluation reserve							(36)	(36)
Net changes of items other than shareholders' equity								
Total changes of items during the period	—	—	(6)	(6)	—	21,000	(11,189)	9,810
Balance at the end of current period	¥54,573	¥30,634	¥105	¥30,739	¥40,153	¥254,604	¥ 16,002	¥310,759

Millions of yen								
First half of FY2018								
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	¥(1,246)	¥385,022	¥48,387	¥(547)	¥27,763	¥75,604	¥ 308	¥460,934
Changes of items during the period								
Dividends from surplus		(2,809)						(2,809)
Voluntary reserve		—						—
Net income		12,655						12,655
Purchase of common stock in treasury	(0)	(0)						(0)
Disposal of common stock in treasury	202	196						196
Reversal of land revaluation reserve		(36)						(36)
Net changes of items other than shareholders' equity			(3,004)	667	36	(2,300)	(131)	(2,432)
Total changes of items during the period	202	10,006	(3,004)	667	36	(2,300)	(131)	7,573
Balance at the end of current period	¥(1,043)	¥395,028	¥45,383	¥ 120	¥27,800	¥73,303	¥ 176	¥468,508

Financial Data for the First Half of Fiscal 2018

1. Income Status

(Non-Consolidated)

Item	Millions of yen		
	First half of FY2018		First half of FY2017 (B)
	(A)	(A) – (B)	
Gross banking profit	¥43,105	¥ (385)	¥43,490
Core gross banking profit	44,157	336	43,821
Domestic gross banking profit	40,049	545	39,504
Core gross banking profit	39,561	416	39,145
Interest income	31,694	477	31,217
Fees and commissions	7,763	(136)	7,899
Trading income	90	36	54
Other operating income	499	166	333
Gains (losses) from securities	488	129	359
International gross banking profit	3,056	(929)	3,985
Core gross banking profit	4,596	(79)	4,675
Interest income	3,565	(139)	3,704
Fees and commissions	127	12	115
Trading income	96	50	46
Other operating income	(732)	(851)	119
Gains (losses) from securities	(1,540)	(850)	(690)
Expenses	26,549	(77)	26,626
Personnel expenses	13,915	64	13,851
Non-personnel expenses	10,986	32	10,954
Taxes	1,647	(174)	1,821
Banking profit (before transfer to general reserve for possible loan losses)	16,556	(307)	16,863
Core banking profit *1	17,608	414	17,194
Transfer to general reserve for possible loan losses (i)	—	—	—
Banking profit (after transfer to general reserve for possible loan losses) *2	16,556	(307)	16,863
Gains (losses) on bonds (ii)	(1,052)	(721)	(331)
Gains on sales of bonds	1,706	497	1,209
Losses on sales of bonds	2,673	1,179	1,494
Write-off amount of bonds	85	39	46
Non-recurrent gains (losses)	1,031	(5,825)	6,856
Gains (losses) on stocks (iii)	3,225	(1,038)	4,263
Gains on sales of stocks	3,266	(1,064)	4,330
Losses on sales of stocks	40	(25)	65
Write-off amount of stocks	0	(1)	1
Gains (losses) from securities ((ii) + (iii))	2,173	(1,759)	3,932
Disposal of non-performing loans (iv)	2,507	1,631	876
Write-off amount of loans	4,035	2,713	1,322
Net transfer to specific reserve for possible loan losses	—	—	—
Losses on sales of loans to credit	117	88	29
Reversal of reserve for possible loan losses	1,645	1,183	462
Recoveries of written-off claims	0	(12)	12
Credit cost ((i) + (iv))	2,507	1,631	876
Reversal of reserve for investment loss	—	(4,901)	4,901
Other non-recurrent gains (losses)	313	1,745	(1,432)
Operating profits	17,588	(6,131)	23,719
Extraordinary gains (losses)	(129)	(108)	(21)
Net gains (losses) from fixed assets	(129)	(108)	(21)
Gains on dispositions of fixed assets	0	0	—
Losses on dispositions of fixed assets	51	31	20
Impairment losses	78	78	0
Income before income taxes and others	17,458	(6,240)	23,698
Provision for income taxes and others	2,685	(2,631)	5,316
Deferred income taxes	2,117	1,430	687
Net income taxes	4,802	(1,202)	6,004
Net income	¥12,655	¥(5,039)	¥17,694

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 FY2018		First half of FY2017 (B)
	(A)	(A) – (B)	
Consolidated gross banking profit	¥45,842	¥ (319)	¥46,161
Interest income	33,941	(44)	33,985
Fees and commissions	10,959	(290)	11,249
Trading income	1,165	696	469
Other operating income	(224)	(680)	456
General and administrative expenses	29,116	(1,275)	30,391
Credit cost	2,791	1,684	1,107
Write-off amount of loans	4,035	2,713	1,322
Net transfer to specific reserve for possible loan losses	—	—	—
Net transfer to general reserve for possible loan losses	—	—	—
Losses on sales of loans to credit	124	87	37
Reversal of reserve for possible loan losses	1,368	1,128	240
Recoveries of write-off claims	0	(12)	12
Gains (losses) on stocks	3,225	(1,038)	4,263
Equity in gains (losses) of affiliated companies	74	9	65
Others	211	485	(274)
Operating profits	17,445	(1,271)	18,716
Extraordinary gains (losses)	(162)	(2,216)	2,054
Gain on bargain purchase	—	(2,073)	2,073
Income before income taxes and others	17,283	(3,487)	20,770
Provision for income taxes and others	3,129	(2,591)	5,720
Deferred income taxes	2,125	2,134	(9)
Net income taxes	5,254	(456)	5,710
Net income	12,029	(3,030)	15,059
Profit attributable to owners of the parent	¥12,029	¥(3,030)	¥15,059

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 FY2018		First half of FY2017 (B)
	(A)	(A) – (B)	
Consolidated core banking profit	¥17,682	¥310	¥17,372

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 FY2018		First half of FY2017 (B)
	(A)	(A) – (B)	
Number of consolidated subsidiaries	7	—	7
Number of affiliated companies applicable to the equity method	1	(1)	2

2. Banking Profit

(Non-Consolidated)

Item	Millions of yen		First half of FY2017 (B)
	First half of FY2018 (A)	(A) – (B)	
Core banking profit	¥17,608	¥ 414	¥17,194
Per head (in thousands of yen)	5,413	158	5,255
Banking profit (before transfer to general reserve for possible loan losses)	16,556	(307)	16,863
Per head (in thousands of yen)	5,089	(64)	5,153
Banking profit	16,556	(307)	16,863
Per head (in thousands of yen)	5,089	(64)	5,153

3. Interest Rate Spread

(Non-Consolidated)

[All Branches]

Item	%		First half of FY2017 (B)
	First half of FY2018 (A)	(A) – (B)	
Average yield on interest earnings assets (i)	1.08	0.01	1.07
Average yield on loans and bills discounted	1.03	(0.03)	1.06
Average yield on securities	1.24	0.19	1.05
Average yield on interest bearing liabilities (ii)	0.71	(0.03)	0.74
Average yield on deposits and negotiable certificates of deposit	0.03	(0.01)	0.04
Average interest rate spread on loans and deposits	0.30	(0.01)	0.31
Average interest rate spread ((i) – (ii))	0.37	0.04	0.33

[Domestics Operations]

Item	%		First half of FY2017 (B)
	First half of FY2018 (A)	(A) – (B)	
Average yield on interest earnings assets (i)	0.94	—	0.94
Average yield on loans and bills discounted	0.96	(0.05)	1.01
Average yield on securities	1.07	0.18	0.89
Average yield on interest bearing liabilities (ii)	0.65	(0.04)	0.69
Average yield on deposits and negotiable certificates of deposit	0.01	(0.02)	0.03
Average interest rate spread on loans and deposits	0.24	(0.04)	0.28
Average interest rate spread ((i) – (ii))	0.29	0.04	0.25

4. Return on Equity

(Non-Consolidated)

Item	%		First half of FY2017 (B)
	First half of FY2018 (A)	(A) – (B)	
Core banking profit basis	7.56	(0.19)	7.75
Banking profit basis (before transfer to general reserve for possible loan losses)	7.10	(0.50)	7.60
Banking profit basis	7.10	(0.50)	7.60
Net income basis	5.43	(2.55)	7.98

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. (<https://www.hirogin.co.jp/>)

(Non-Consolidated)

Item	Billions of yen		
	As of September 30, 2018 (A)	(A) – (B)	As of March 31, 2018 (B)
Base items related to core capital (i)	¥ 418.2	¥ 9.6	¥ 408.6
Adjustment items related to core capital (ii)	38.4	3.6	34.8
Capital (iii): (i) – (ii)	379.8	6.0	373.8
Sum of risk assets, etc. (iv)	3,513.1	48.9	3,464.2
Capital adequacy ratio: (iii) / (iv)	10.81%	0.02%	10.79%

(Consolidated)

Item	Billions of yen		
	As of September 30, 2018 (A)	(A) – (B)	As of March 31, 2018 (B)
Base items related to core capital (i)	¥ 432.7	¥ 8.8	¥ 423.9
Adjustment items related to core capital (ii)	44.2	4.0	40.2
Capital (iii): (i) – (ii)	388.5	4.8	383.7
Sum of risk assets, etc. (iv)	3,519.2	55.0	3,464.2
Capital adequacy ratio: (iii) / (iv)	11.03%	(0.04)%	11.07%

6. Gains (Losses) on Valuation of Securities

(Non-Consolidated)

Item	Billions of yen						
	As of September 30, 2018 (A)				As of March 31, 2018 (B)		
	Valuation gains (losses)	(A) – (B)	Valuation gains	Valuation losses	Valuation gains (losses)	Valuation gains	Valuation losses
Held-to-maturity	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Other securities	64.7	(4.4)	78.8	14.0	69.1	84.7	15.6
Stocks	67.7	(3.4)	69.2	1.5	71.1	73.6	2.5
Bonds	2.8	(3.2)	4.4	1.6	6.0	6.5	0.4
Others	(5.8)	2.3	5.0	10.8	(8.1)	4.5	12.7
Total	¥64.7	¥(4.4)	¥78.8	¥14.0	¥69.1	¥84.7	¥15.6

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 FY2018 (A)	(A) – (B)	First half of FY2017 (B)
Loans outstanding	¥5,918.3	¥229.9	¥5,688.4
Business loans	4,422.4	164.9	4,257.5
Individual loans	1,495.9	65.0	1,430.9
Housing loans	969.6	25.7	943.9
Other loans	526.2	39.3	486.9

Loans outstanding (term-end balance)	Billions of yen		
	As of September 30, 2018 (A)	(A) – (B)	As of March 31, 2018 (B)
Loans outstanding	¥5,947.2	¥94.9	¥5,852.3
Business loans	4,431.5	65.2	4,366.3
Individual loans	1,515.6	29.7	1,485.9
Housing loans	976.9	10.6	966.3
Other loans	538.7	19.2	519.5

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

Item	Billions of yen		
	As of September 30, 2018 (A)	(A) – (B)	As of March 31, 2018 (B)
Loans outstanding to small- and medium-sized businesses	¥4,034.3	¥109.7	¥3,924.6
Ratio to total loans and bill discounted	67.8%	0.7%	67.1%

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, 2018 (A)	(A) – (B)	As of March 31, 2018 (B)
Loans to debtors legally bankrupt	¥ 1,817	¥ 322	¥ 1,495
Other delinquent loans	49,544	(1,351)	50,895
Loans past due 3 months or more	3,297	421	2,876
Restructured loans	14,788	865	13,923
Total risk managed loans	¥69,448	¥ 259	¥69,189

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, 2018 (A)	(A) – (B)	As of March 31, 2018 (B)
Loans to debtors legally bankrupt	¥ 1,855	¥ 317	¥ 1,538
Other delinquent loans	49,544	(1,351)	50,895
Loans past due 3 months or more	3,297	421	2,876
Restructured loans	14,788	865	13,923
Total risk managed loans	¥69,486	¥ 253	¥69,233

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, 2018 (B)
	As of September (A)	30, 2018 (A) – (B)	
Reserve for possible loan losses	¥30,920	¥(2,554)	¥33,474
General reserve for possible loan losses	15,774	(503)	16,277
Specific reserve for possible loan losses	15,146	(2,050)	17,196
Reserve for specific foreign borrowers/countries	—	—	—

(Consolidated)

Item	Millions of yen		As of March 31, 2018 (B)
	As of September (A)	30, 2018 (A) – (B)	
Reserve for possible loan losses	¥33,092	¥(2,337)	¥35,429
General reserve for possible loan losses	16,336	(512)	16,848
Specific reserve for possible loan losses	16,756	(1,824)	18,580
Reserve for specific foreign borrowers/countries	—	—	—

4. Ratio to Reserve for Total Risk Managed Loans

(Non-Consolidated)

Item	%		As of March 31, 2018 (B)
	As of September (A)	30, 2018 (A) – (B)	
Before partial direct write-off	54.5	(3.2)	57.7
After partial direct write-off	44.4	(3.9)	48.3

(Consolidated)

Item	%		As of March 31, 2018 (B)
	As of September (A)	30, 2018 (A) – (B)	
Before partial direct write-off	54.5	(3.2)	57.7
After partial direct write-off	44.4	(3.9)	48.3

5. Problem Loans Disclosed under the Financial Revitalization Law

(Non-Consolidated)

Item	Millions of yen		As of March 31, 2018 (B)
	As of September (A)	30, 2018 (A) – (B)	
Loans to bankrupt and quasi-bankrupt loans	¥ 6,917	¥ 603	¥ 6,314
Doubtful loans	47,456	(837)	48,293
Substandard loans	18,085	1,286	16,799
Total (i)	¥72,459	¥1,052	¥71,407

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

(Non-Consolidated)

Item	Millions of yen		As of March 31, 2018 (B)
	As of September (A)	30, 2018 (A) – (B)	
Coverage amount (ii)	¥53,581	¥(1,243)	¥54,824
Portion covered by reserve (iii)	18,444	(1,472)	19,916
Portion covered by collateral	35,136	228	34,908
Specific reserve for loan losses	—	—	—
Coverage ratio to disclosed totals (ii)/(i)	73.9%	(2.9)%	76.8%
Coverage ratio before partial direct write-off	78.5%	(2.4)%	80.9%
Excluding collateral and guarantees (iv)	37,322	824	36,498
Coverage ratio (iii)/(iv)	49.4%	(5.2)%	54.6%
Ratio to total loans outstanding	1.20%	—	1.20%

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, 2018 (B)
	As of September (A)	30, 2018 (A) – (B)	
Domestic (excluding JOM account)	¥5,947,237	¥ 94,921	¥5,852,316
Manufacturing	726,545	12,100	714,445
Agriculture/Forestry	3,999	94	3,905
Fishery	1,200	50	1,150
Mining/Quarrying of stone/Gravel	4,994	1	4,993
Construction	168,780	(10,790)	179,570
Electricity, gas and water	182,858	11,915	170,943
Telecommunication	24,327	(635)	24,962
Transportation/Postal activities	307,748	39,218	268,530
Wholesale/Retail services	511,218	(1,341)	512,559
Financial and insurance services	303,234	(10,276)	313,510
Retail estate/Goods rental and leasing	981,092	44,905	936,187
Services	407,866	13,529	394,337
Municipal government	811,404	(10,528)	821,932
Others	1,511,960	6,677	1,505,283

Note: Others are included in the following loans.

Item	Millions of yen		As of March 31, 2018 (B)
	As of September (A)	30, 2018 (A) – (B)	
Individuals	¥1,117,866	¥ 14,523	¥1,103,343
Ship chartering industry (nonresidents)	352,254	(11,345)	363,599

• 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 629,316 million yen as of September 30, 2018.

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

Item	Millions of yen		
	As of September 30, 2018		As of March 31, 2018 (B)
	(A)	(A) – (B)	
Domestic (excluding JOM account)	¥69,448	¥ 259	¥69,189
Manufacturing	17,481	1,507	15,974
Agriculture/Forestry	69	7	62
Fishery	0	(10)	10
Mining/Quarrying of stone/Gravel	71	(7)	78
Construction	5,892	446	5,446
Electricity, gas and water	—	—	—
Telecommunication	404	(1)	405
Transportation/Postal activities	546	(39)	585
Wholesale/Retail services	9,934	(1,164)	11,098
Financial and insurance services	1,161	(103)	1,264
Retail estate/Goods rental and leasing Services	9,435	791	8,644
Municipal government	10,309	(720)	11,029
Others	—	—	—
	14,143	(445)	14,588

[Deposits Information]

Deposits Outstanding

Breakdown of Deposits Outstanding (Non-Consolidated)

Deposits outstanding (average balance)	Billions of yen		
	First half of FY2018 (A)	(A) – (B)	First half of FY2017 (B)
Deposits and NCD	¥7,460.9	¥(34.7)	¥7,495.6
Corporate deposits	2,246.7	(13.3)	2,260.0
Individual deposits	4,759.4	59.4	4,700.0
Public and finance institution deposits	454.7	(80.8)	535.5

Note: Deposits outstanding includes negotiable certificates of deposit.

Deposits outstanding (term-end balance)	Billions of yen		
	As of September 30, 2018 (A)	(A) – (B)	As of March 31, 2018 (B)
Deposits and NCD	¥7,494.7	¥ 35.4	¥7,459.3
Corporate deposits	2,264.2	(26.9)	2,291.1
Individual deposits	4,769.3	47.7	4,721.6
Public and finance institution deposits	461.0	14.5	446.5

Note: Deposits outstanding includes negotiable certificates of deposit.