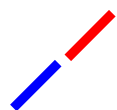


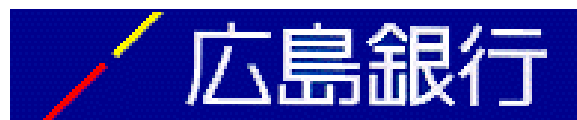
Striving to be a No.1 “Hi-Quality Bank” in region by being hospitable to all customers



## Financial Results for FY2007

---

The Hiroshima Bank, Ltd.





# Table of Contents

---

## Outlook of Financial Results for FY2007

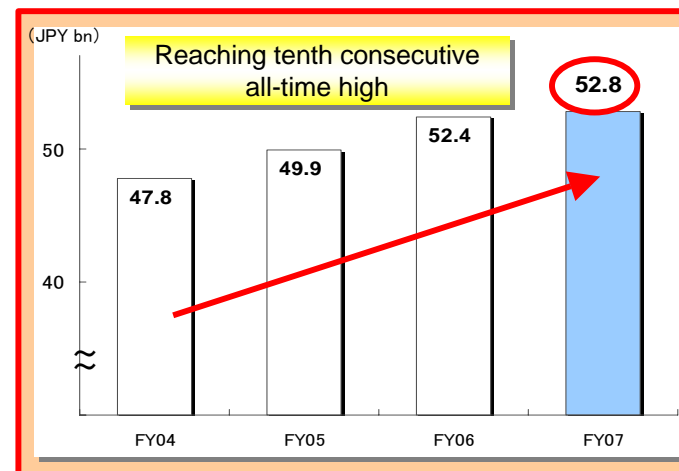
- (1) Financial Highlights for FY2007
- (2) Analysis of Core gross operating profit
- (3) Total loans outstanding
- (4) Individual loans
- (5) Deposits
- (6) Net loan – deposit margin
- (7) Securities
- (8) Fees and Commissions
- (9) Retail asset management
- (10) Investment banking
- (11) Expenses
- (12) NPLs and Credit cost
- (13) Capital adequacy ratio and Capital allocation
- (14) ROA and ROE
- (15) Business style of Hiroshima Bank
- (16) Challenge to new business
- (17) FY2008 estimate

# (1) Financial Highlights for FY2007

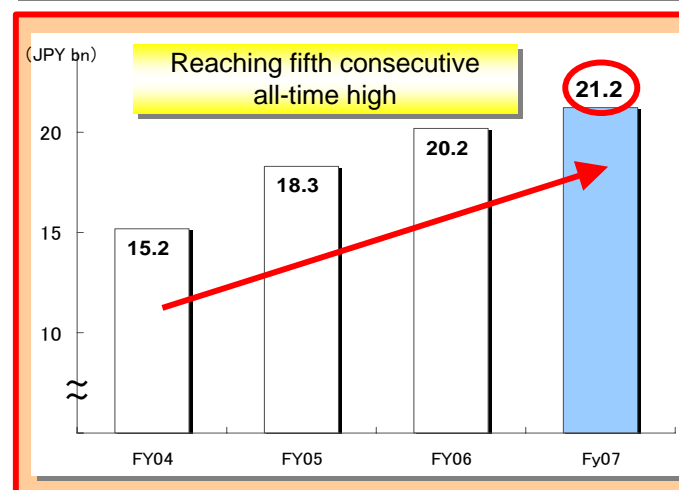
- **Core banking profit** increased by 0.9% reaching **tenth consecutive all-time high**
- **Net income** increased by 5.3% reaching **fifth consecutive all-time high**

	FY06 (actual)	FY07 (actual)	(JPY bn)	
			change	
Interest income	89.3	91.9	2.6	2.9%
Fees and Commissions	23.1	22.6	-0.5	-2.2%
<b>Core gross operating profit</b>	<b>112.4</b>	<b>114.5</b>	<b>2.1</b>	<b>1.9%</b>
(-) Expenses	60.0	61.7	1.7	2.8%
<b>Core banking profit</b>	<b>52.4</b>	<b>52.8</b>	<b>0.4</b>	<b>0.9%</b>
Gains/Losses from securities	1.1	-5.7	-6.8	-
(-) General Reserve for possible loan losses	1.6	-4.2	-5.8	-
<b>Banking Profit</b>	<b>51.9</b>	<b>51.3</b>	<b>-0.6</b>	<b>-1.1%</b>
Gains/Losses on stocks	5.2	11.6	6.4	-
(-) Disposal of non-performing loans	22.1	25.5	3.4	-
<b>Ordinary profit</b>	<b>34.7</b>	<b>36.1</b>	<b>1.4</b>	<b>3.8%</b>
<b>Net income</b>	<b>20.2</b>	<b>21.2</b>	<b>1.0</b>	<b>5.3%</b>

## Core banking profit

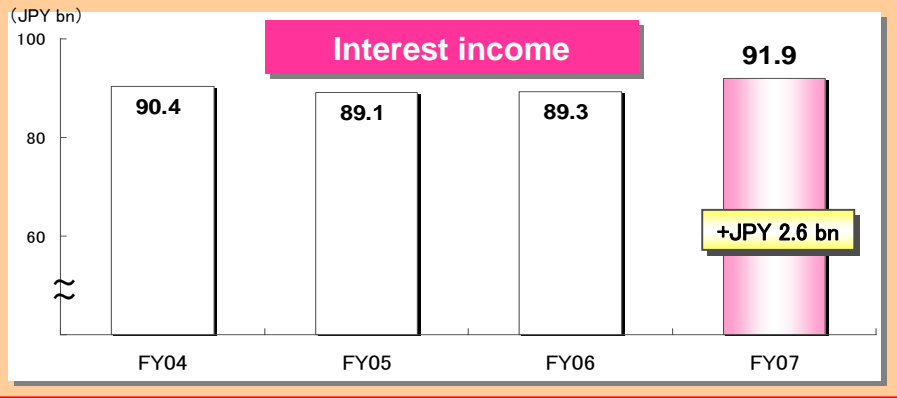


## Net income

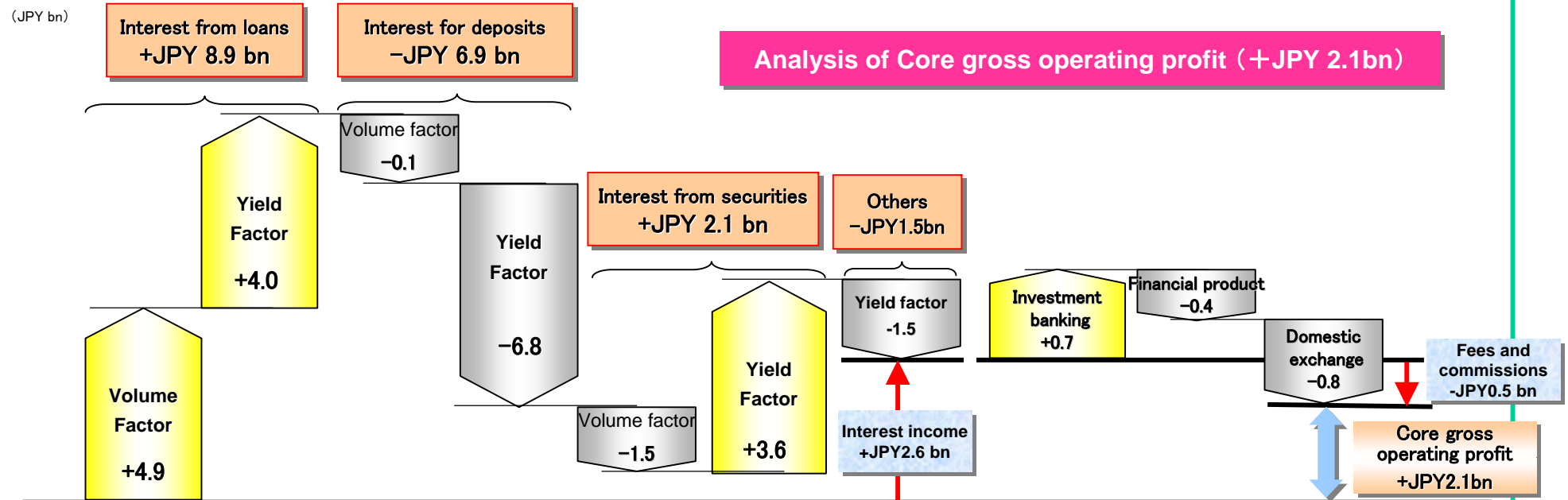
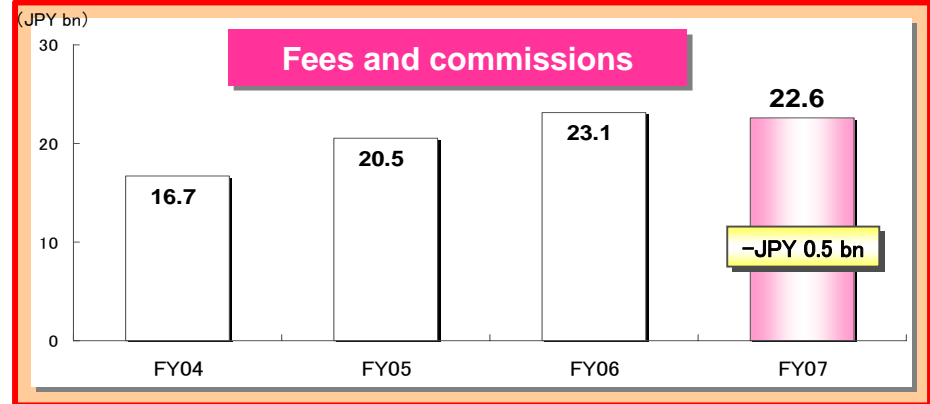


## (2) Analysis of Core gross operating profit

**Interest income** increased by JPY 2.6 bn, mainly reflecting the increase in loan volume



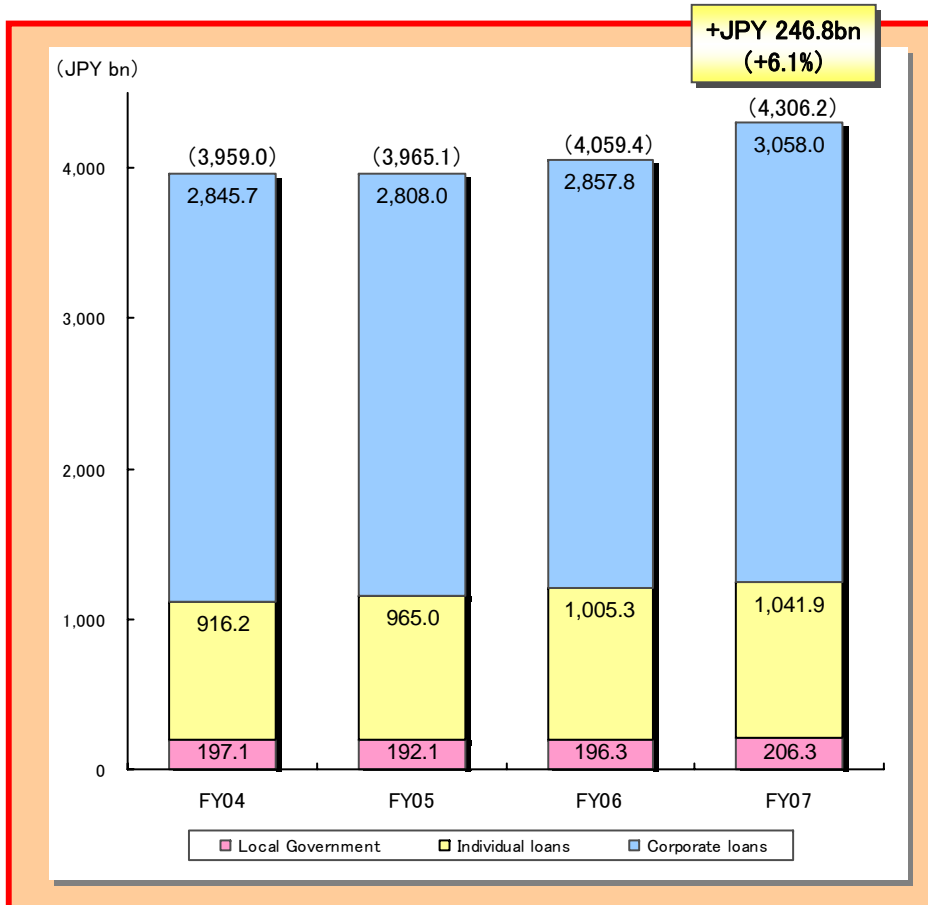
**Fees and commissions** decreased by JPY 0.5 bn, mainly reflecting the decrease in sales of financial product



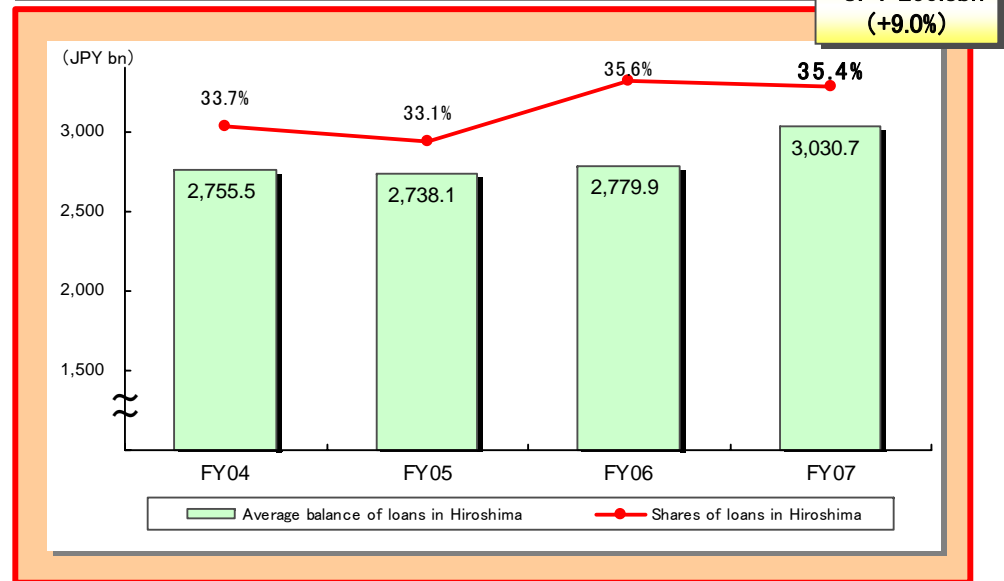
### (3) Total loans outstanding

- Total loans (Corporate / Individual) **steadily increased**.
- The number of corporate loan clients turned to upward trend, mainly in retail clients.

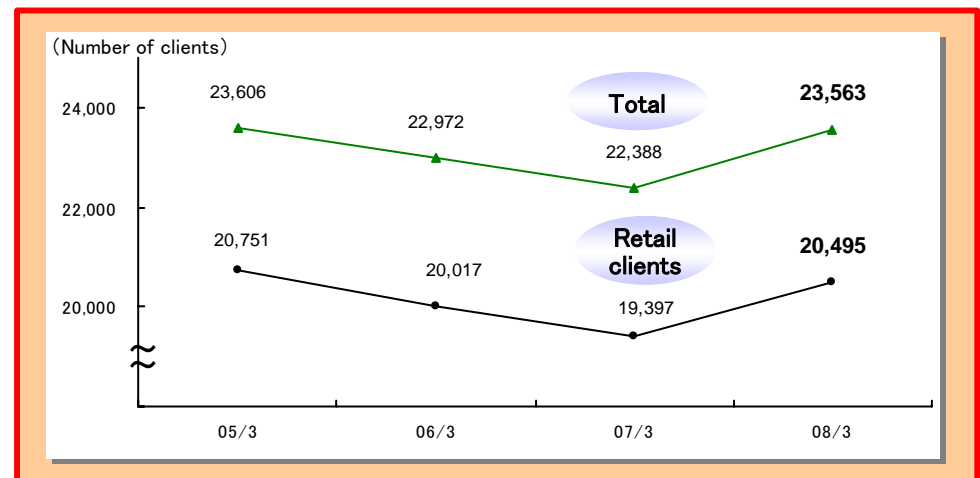
Average balance of total loans

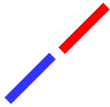


Average balance and shares of loans in Hiroshima



Number of corporate loan clients

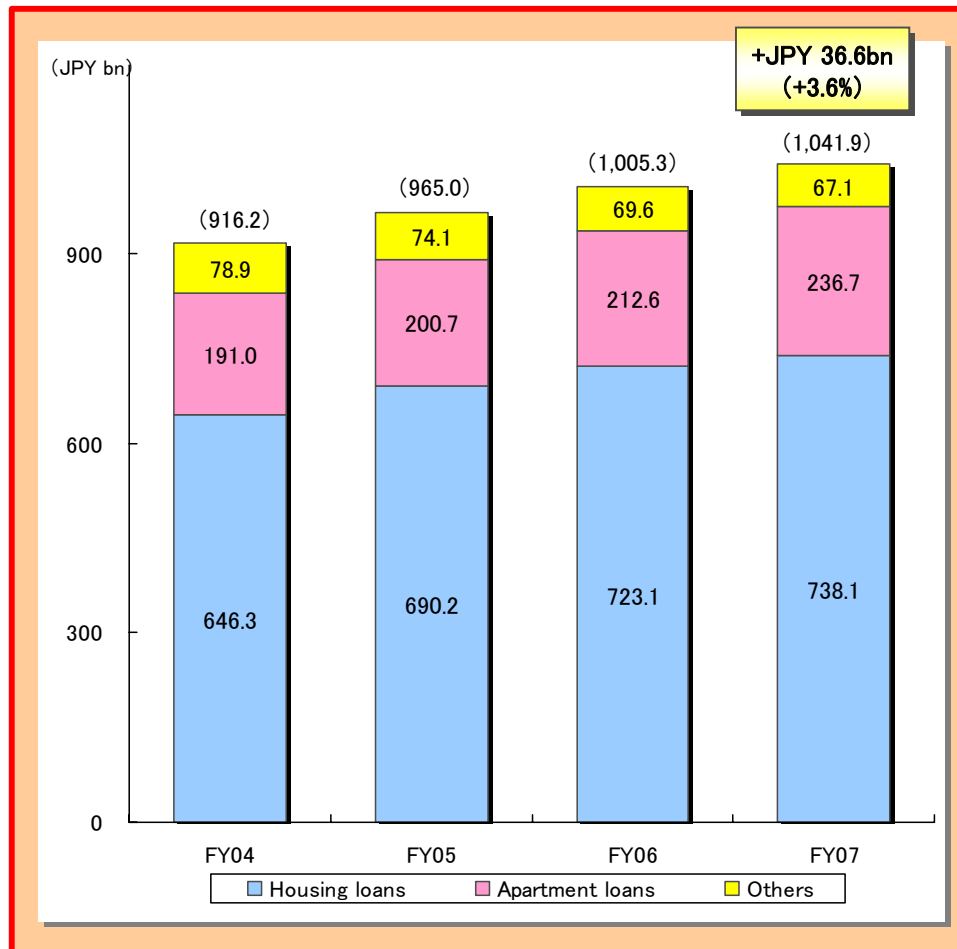




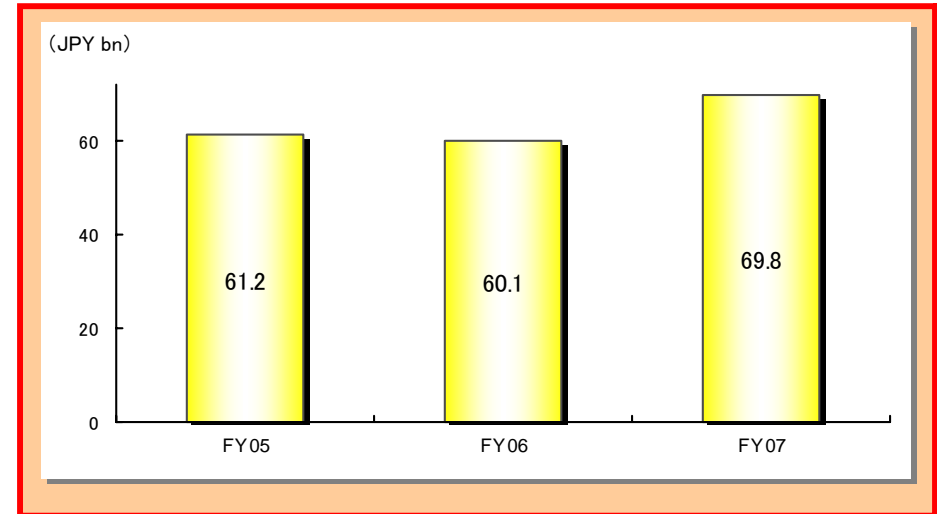
## (4) Individual loans

- Individual loans (Housing/Apartment) **steadily increased**.
- Housing loans increased **by 2.1%**, Apartment loans **by 11.3%**.

### Average balance of individual loans



### New lending for housing loans



### Strengthen the marketing power

- |                        |  |
|------------------------|--|
| <b>Housing loans</b>   | ○ Strengthen approach to real estate companies<br>→ <b>Increase the number of sales staff (+9)</b> |
| <b>Apartment loans</b> | ○ Increase involvement in apartment projects<br>→ <b>Increase the number of sales staff (+2)</b>   |

### Enhance the business base

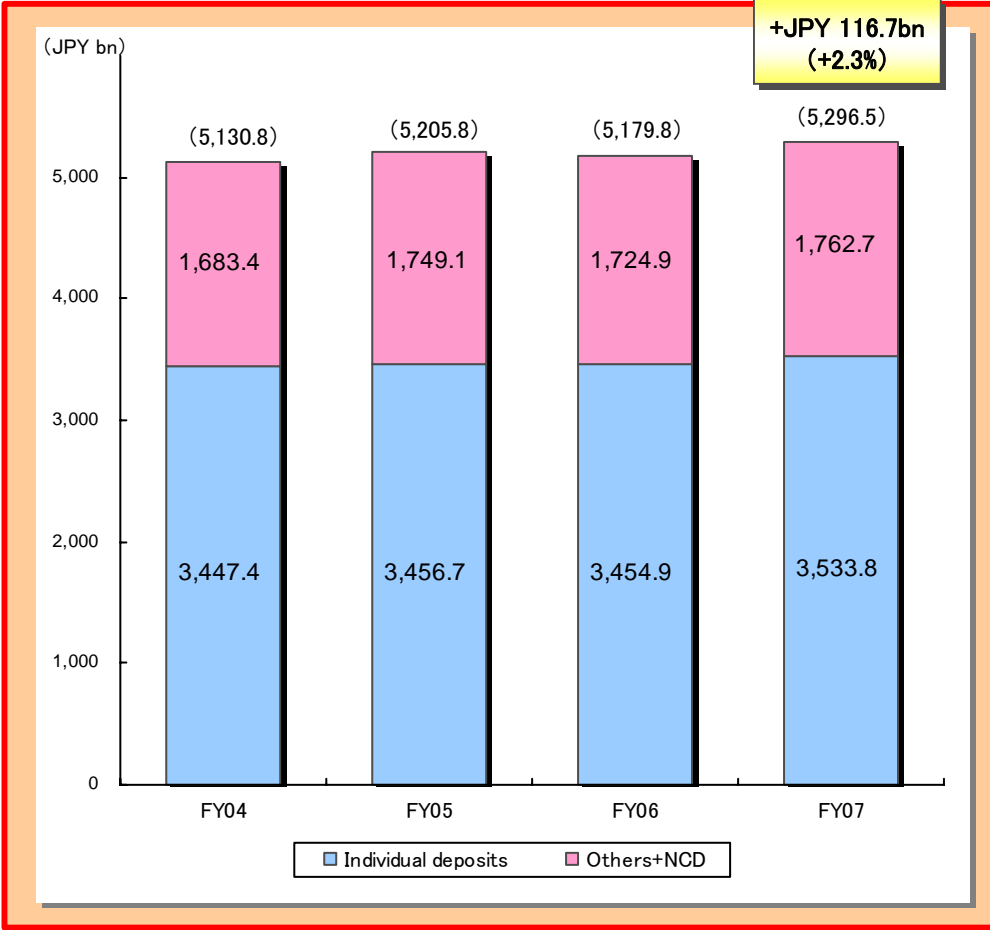
- |                              |   |           |   |           |   |           |   |
|------------------------------|---|-----------|---|-----------|---|-----------|---|
| <b>Housing - loan center</b> | ○ Increase the number of loan center to 9 locations<br>→ <b>establish 「Yamaguchi Housing-loan center」</b>                                       |           |   |           |   |           |   |
|                              | <table border="1"> <tbody> <tr> <td>Hiroshima</td> <td>7</td> <td>Okayama</td> <td>1</td> <td>Yamaguchi</td> <td>1</td> </tr> </tbody> </table> | Hiroshima | 7 | Okayama   | 1 | Yamaguchi | 1 |
| Hiroshima                    | 7   | Okayama   | 1 | Yamaguchi | 1 |           |   |



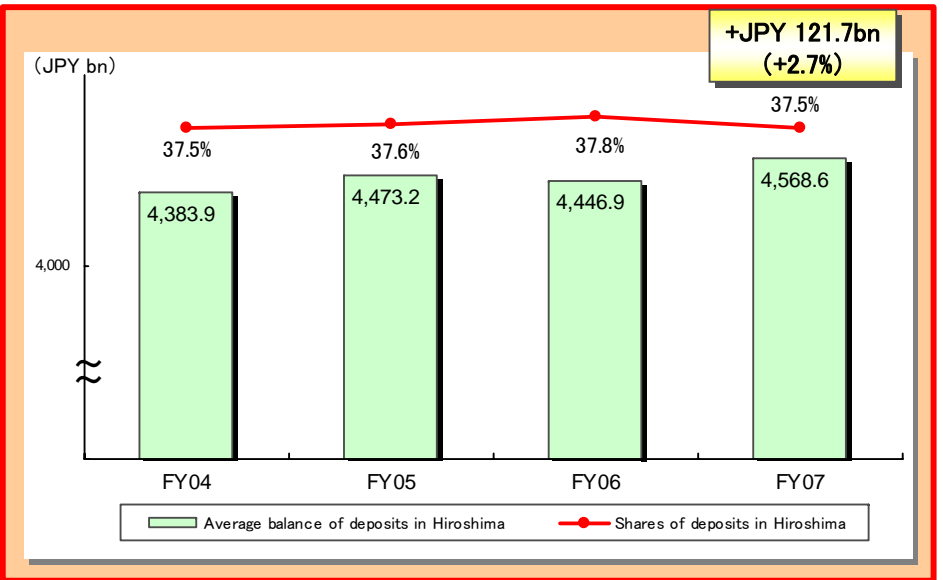
# (5) Deposits

- Deposit balance **steadily increased** mainly in individual.
- As a stable and low-cost funding resource, we continue to increase the overall balance of deposits.

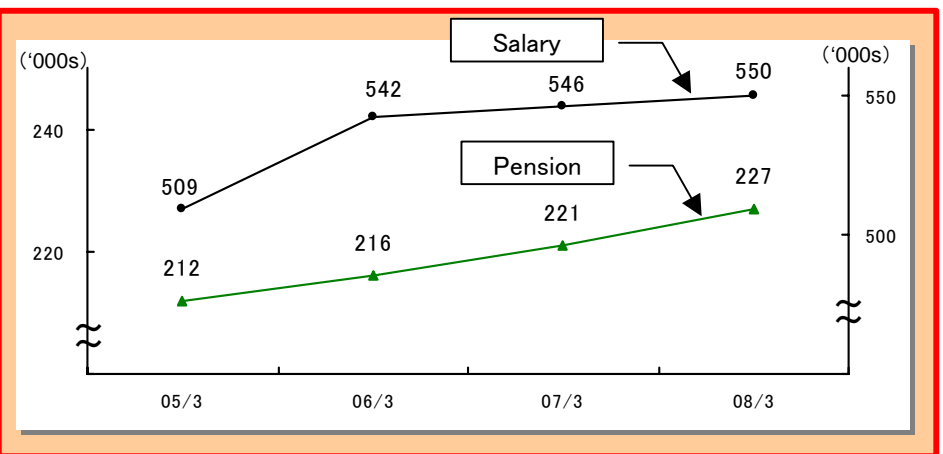
## Average balance of Deposit and NCD



## Average balance and shares of deposits in Hiroshima



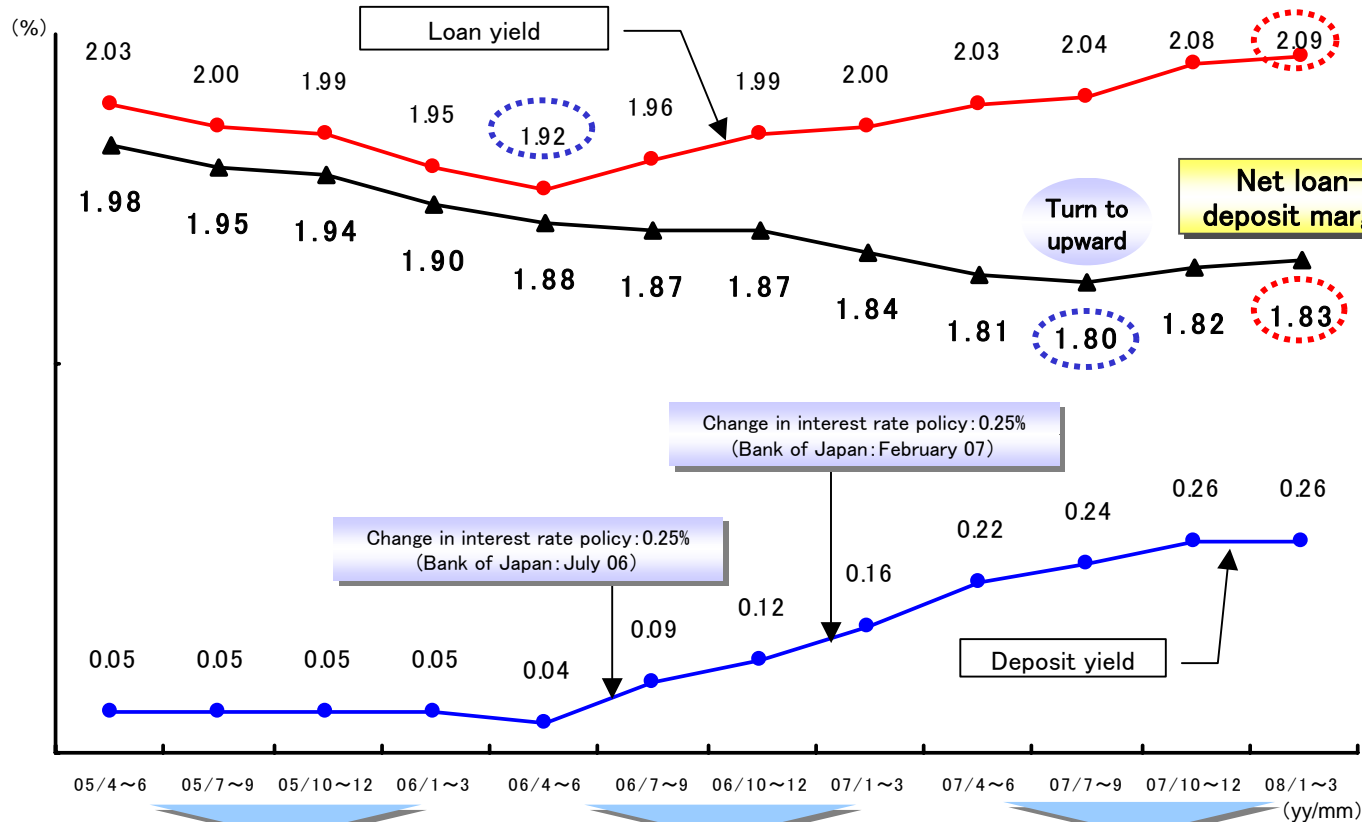
## Number of Pension/Salary receiving account



## (6) Net loan – deposit margin

- Upward trend continuing in loan yield from June 2006
- Net loan-deposit margin turned to upward trend from the first quarter of 2007

### Loan yield / Deposit yield / Net loan-deposit margin



Net loan-deposit margin

FY05 : 1.96%

FY06 : 1.87%

FY07 : 1.82%

#### < Loan yield >

Still have chance to raise interest rate in loans not only corporate loans but also housing loans

#### < Net Loan-Deposit Margin >

Even in the case that no change in interest rate policy by BOJ, Net loan-deposit margin can be expected to improve

#### < Deposit yield >

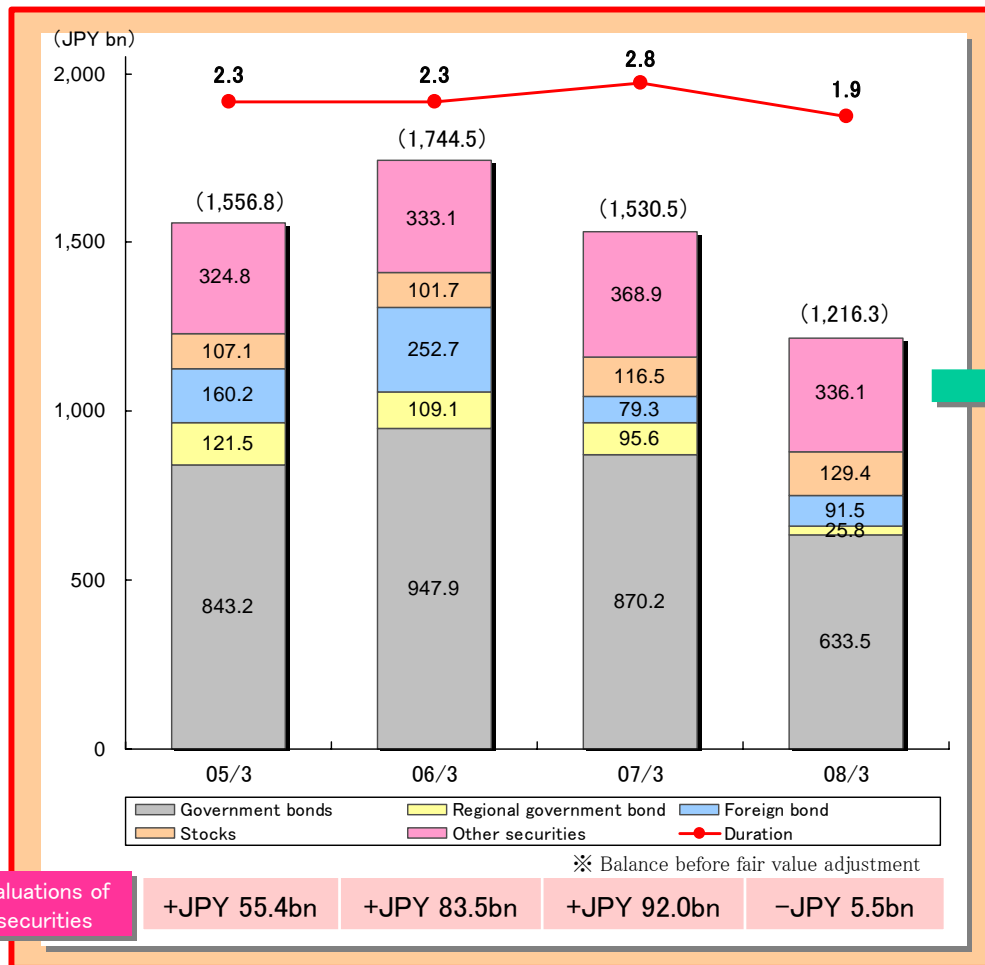
Upward trend in deposit yield has almost finished



# (7) Securities

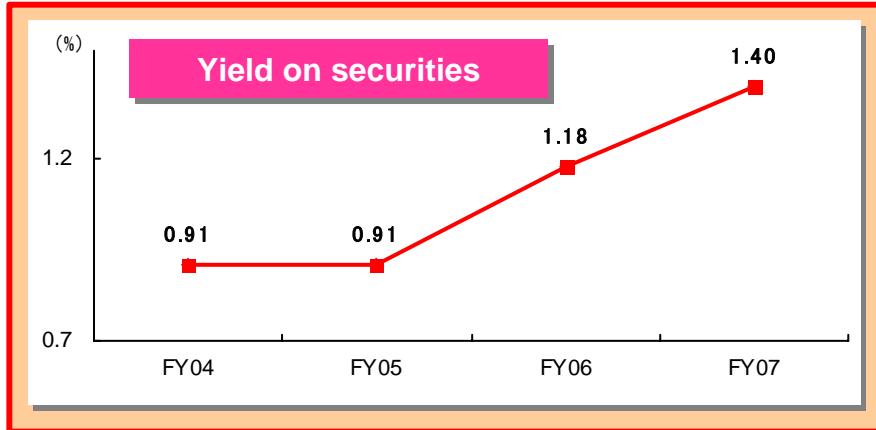
Establish flexible and profitable securities portfolio, while carefully monitoring the financial conditions and shortening the duration

## Term-end balance of securities and duration



Valuations of securities

+JPY 55.4bn    +JPY 83.5bn    +JPY 92.0bn    -JPY 5.5bn



No US sub-prime housing loan related assets are involved in our portfolio

## Breakdown of Other securities

- Realize JPY 7.1bn of loss on devaluation of CDS-CDOs (Initial book value of CDOs : JPY 16.0bn)
- CDOs in our portfolio are ranked as **AAA or AA**

Breakdown		Balance (JPYbn)
Investment trust / Structured bond		110.0
Corporate bond		91.9
Securitization product	CDOs	8.9
	Domestic ABSs	17.3
	Domestic CMBSs/RMBSs	40.2
66.4		
Debentures		67.8
<b>Total</b>		<b>336.1</b>

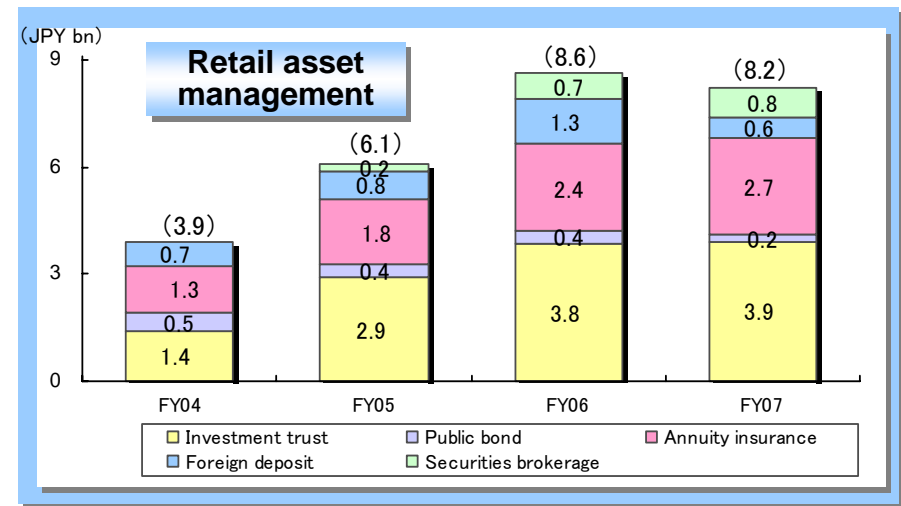
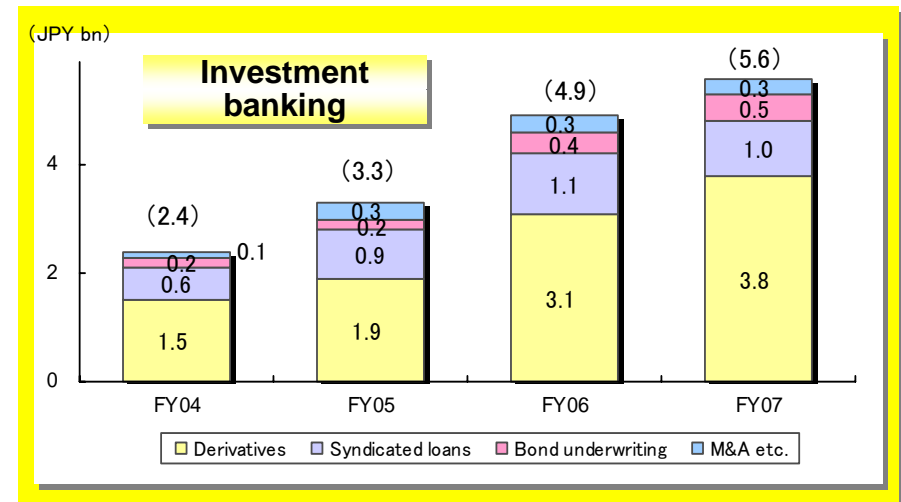
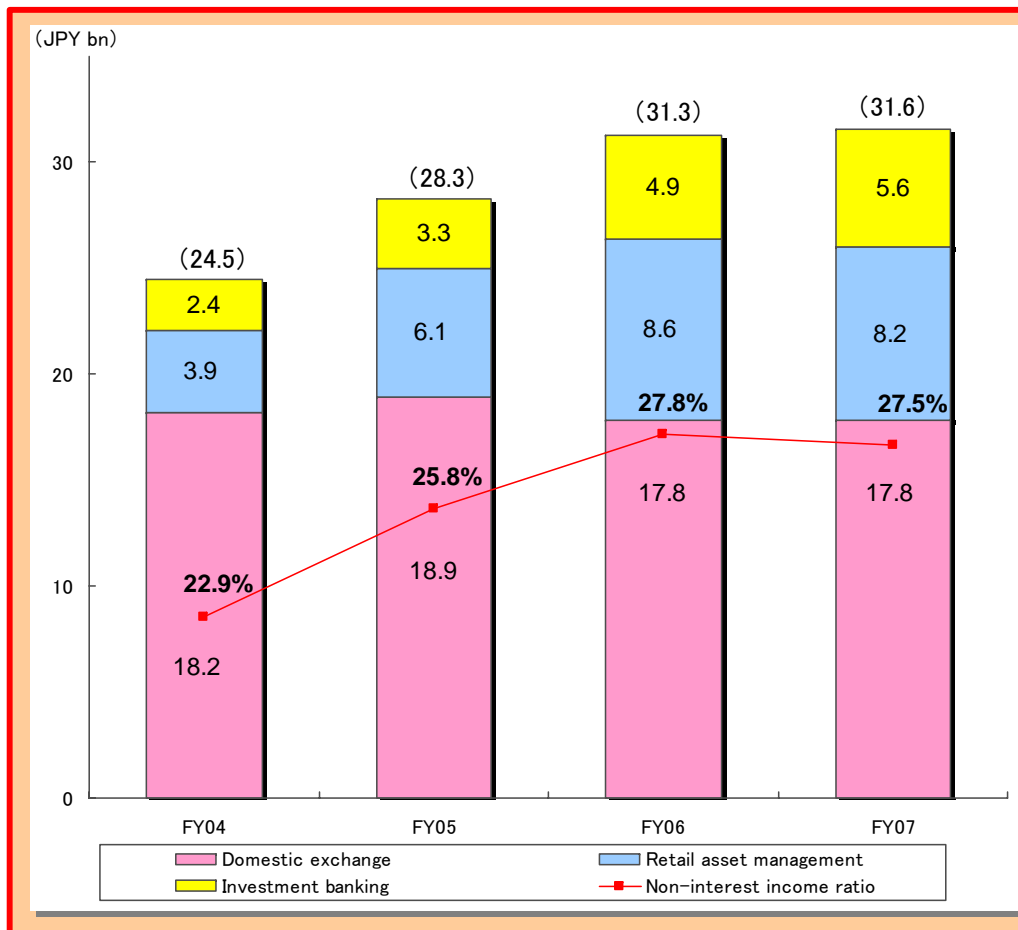


## (8) Fees and Commissions

Non-interest income slightly increased → Non-interest income ratio is 27.5%.

### Non-interest income / Non-interest income ratio

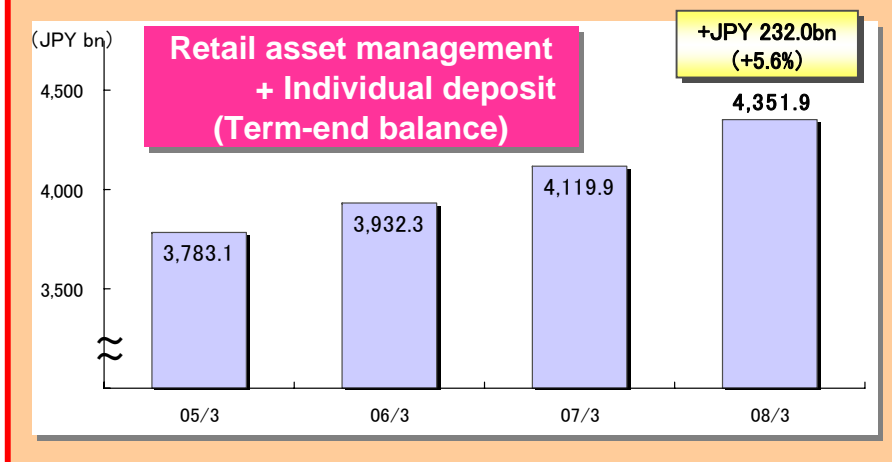
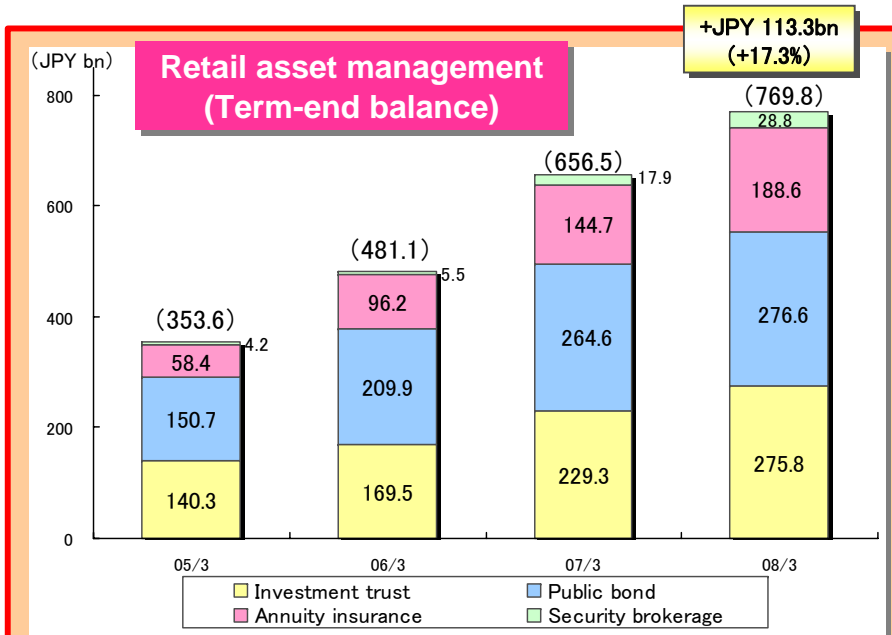
(Note) Non-interest income ratio  
 = (Fees and commissions + trading income + other operating income) / Core gross operating profit





# (9) Retail asset management

Balance of Retail asset management **steadily increased**



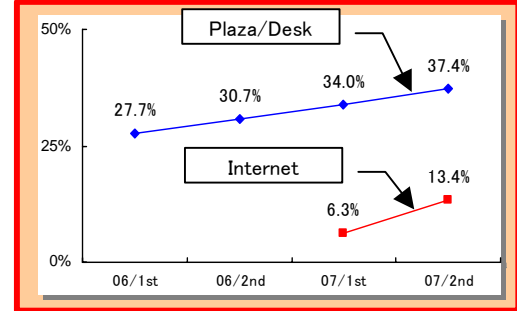
## Strengthen access to clients

Money consulting Desk/Plaza



**Expanding to 147 branches**  
(out of 166 branches)

% of sales of financial products through Desk/Plaza or Internet



**Steadily increased**

## Improve internet channel

Sales of investment trust through internet

	Actual transaction	
	number	amount
1st half of 07	5,894	JPY 5.1bn
2nd half of 07	5,729	JPY 4.5bn
<b>FY07</b>	<b>11,623</b>	<b>JPY 9.6bn</b>

**Direct banking service**  
**29,307 members**  
(as of 08/3)

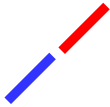
## To baby-boomers

Establish membership organization



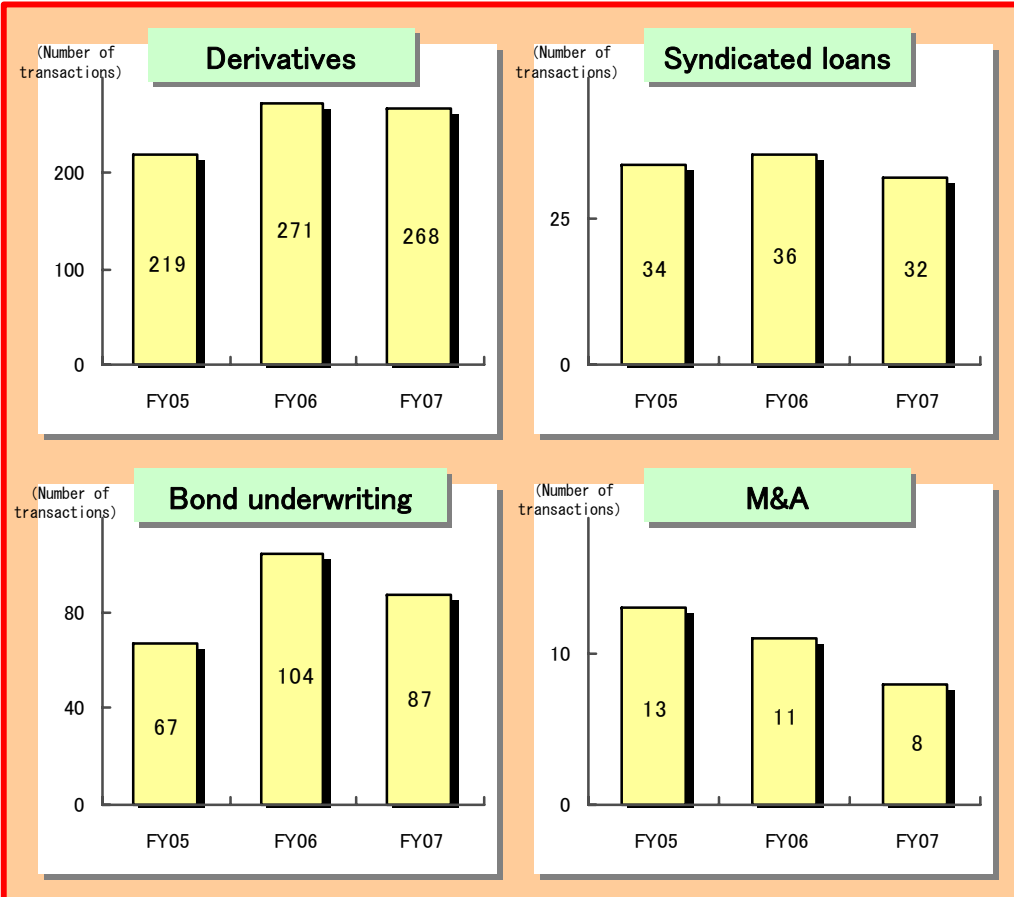
- 「Kassai Club」**
- Special Magazine
- Exclusive homepage
- Membership card
- Exclusive campaign

**82,500 members**  
(as of 08/3)

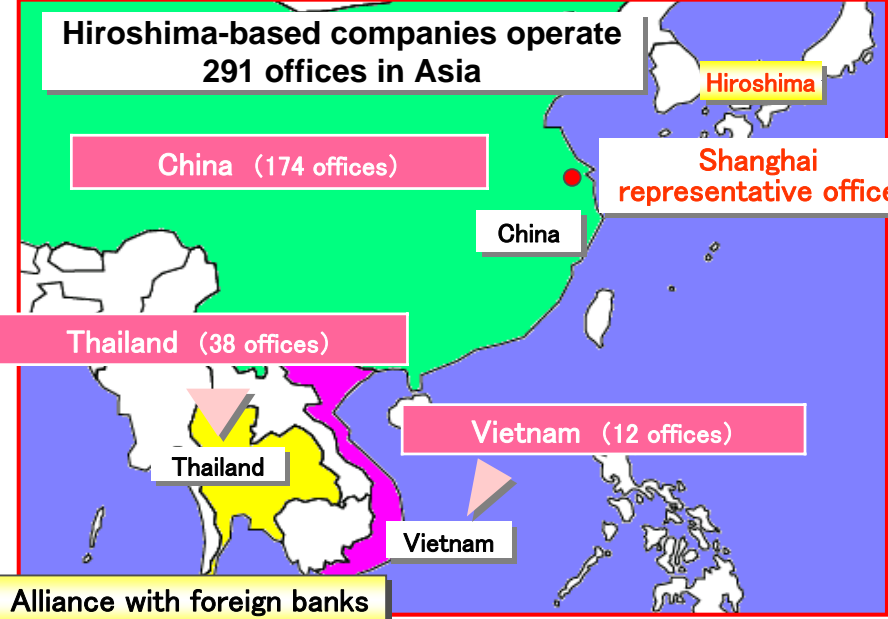


# (10) Investment banking

By strengthening marketing power, **investment banking (number of transactions)** has steadily expanded.



Strongly support foreign business of Hiroshima-based companies



Alliance with foreign banks

Country	Bank
China	Bank of China / Bank of Communications
Thailand	Bangkok Bank / Kasikorn Bank
Korea	Korea Exchange Bank
Indonesia	Bank Negara Indonesia
Asia area	Standard Chartered Bank

**Strengthen Sales skill**

- Enlarge Investment Banking Division  
(Increase the number of staff 07/3 : 53 → 08/3 : 57)
- Strengthen the effective training program.  
(Finance/Derivative/Consulting etc.)

**Strengthen Support**

- New alliance agreement with **Calyon Bank**  
(Support clients in Vietnam/India/Thailand)
- Plan **new representative office** in Asia  
(Put first priority in **Thailand** 09 plan)

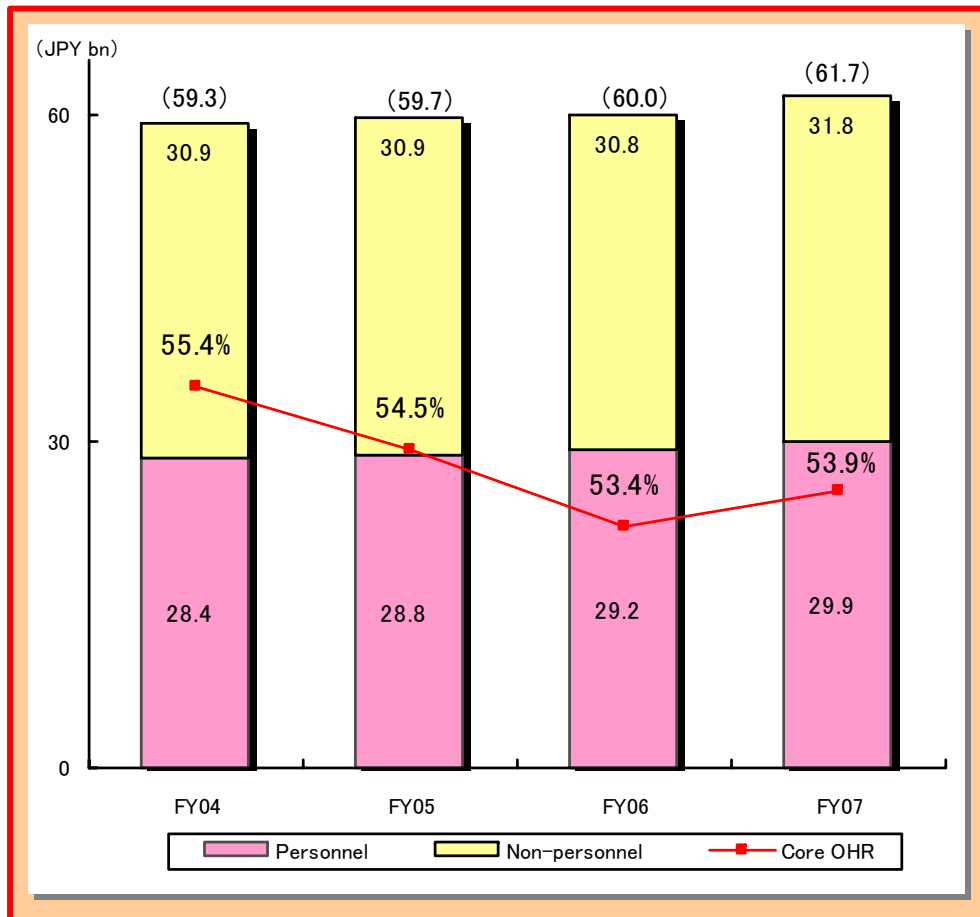


# (11) Expenses

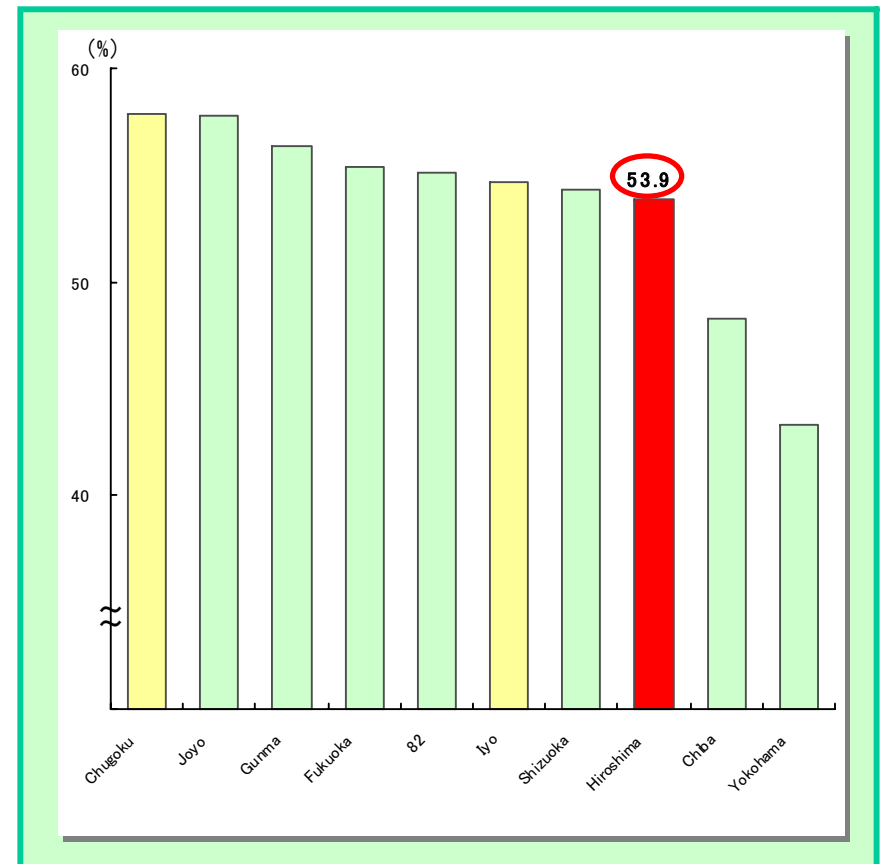
- The core overhead ratio slightly increased to 53.9%.
- Hiroshima Bank ranks among the top regional banks in terms of operating efficiency.

## Total cost and Core overhead ratio (OHR)

(Note) Core OHR = Expenses/Core gross operating profit



## Comparison of Core OHR

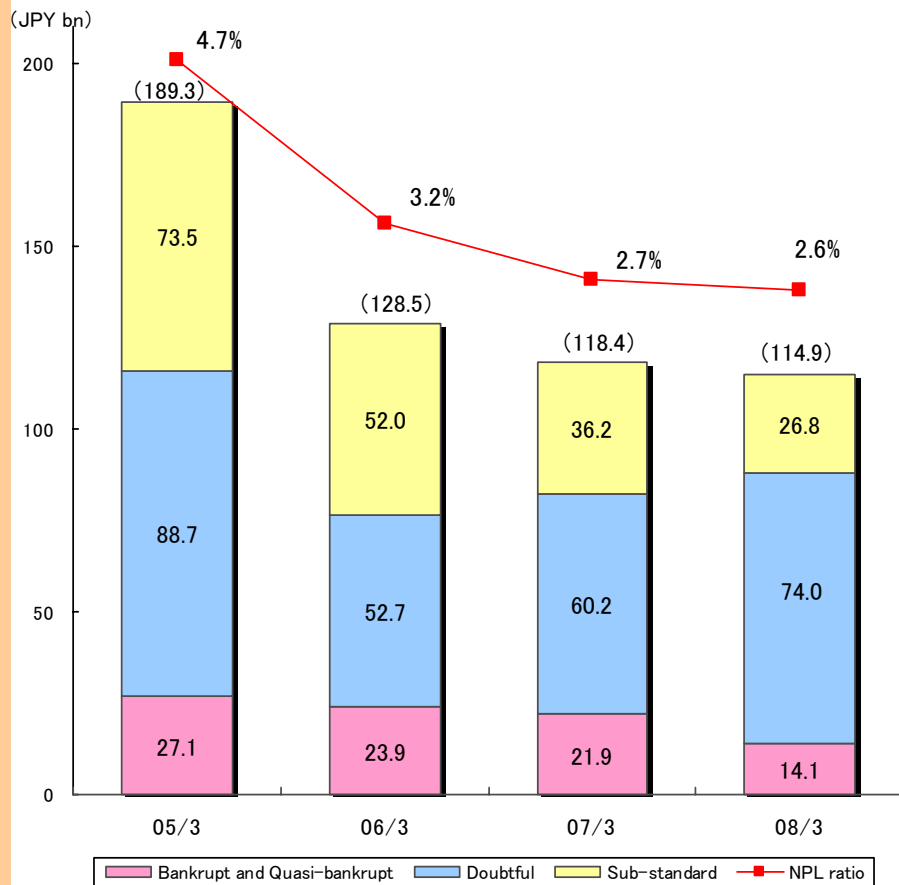




## (12) NPLs and Credit cost

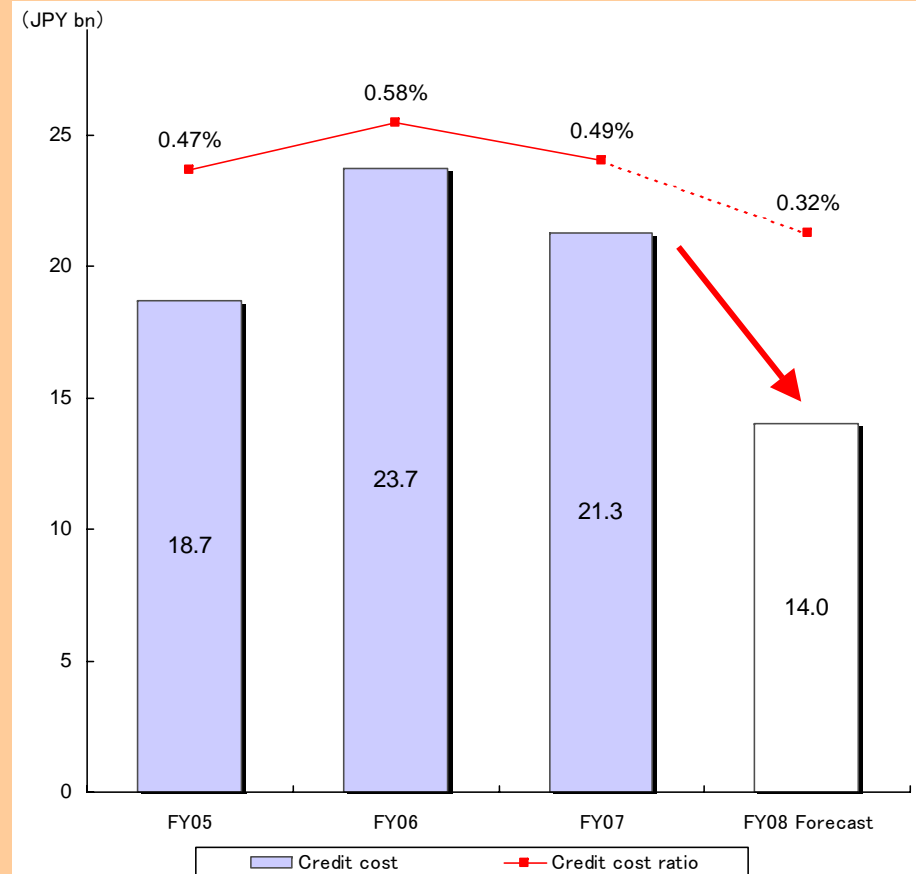
### NPLs (term-end balance) and NPL ratio

**NPLs steadily decreased** due to an improved economic climate in Hiroshima, and our efforts in corporate revitalization.



### Credit cost and Credit cost ratio

**Credit cost decreased** by JPY2.4bn to JPY21.3bn.  
**Credit cost can be expected to JPY14.0bn in FY08.**

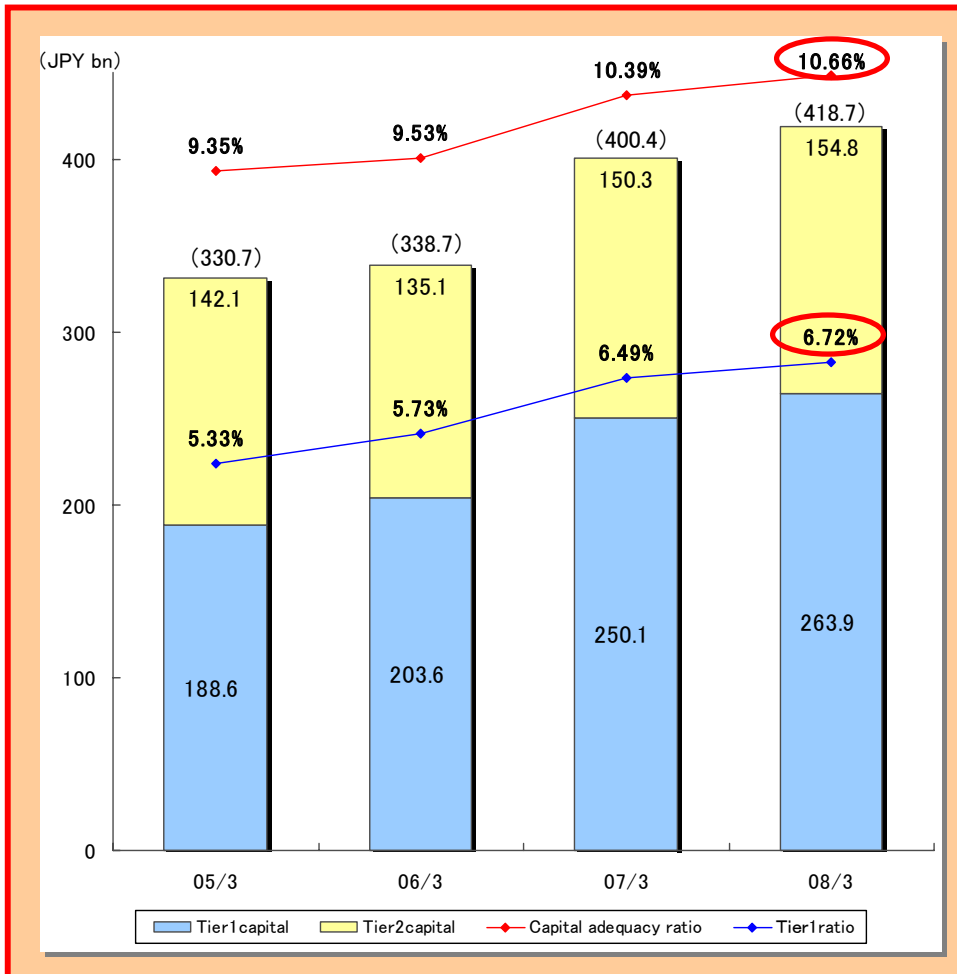




# (13) Capital adequacy ratio and Capital allocation

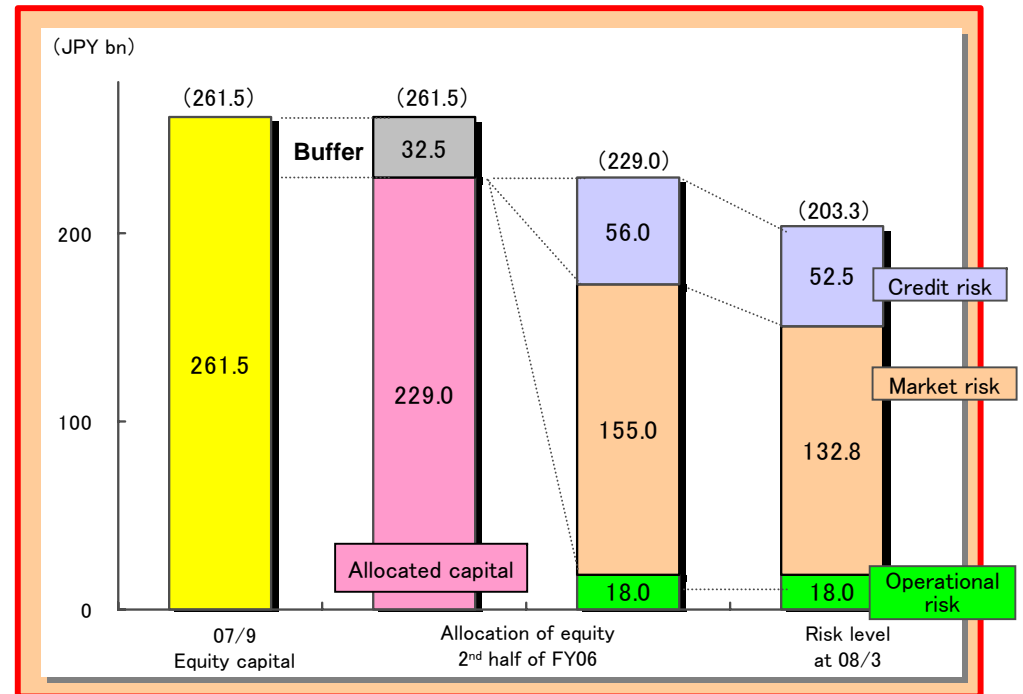
## Capital adequacy ratio and Tier1 ratio (non-consolidated basis)

Capital adequacy ratio and Tier1 ratio has steadily increased through the **accumulation of retained earnings**



## Capital allocation

Strictly managing risk & return by properly allocating capital.



## Outlier Measurement

	08/3	change from 07/3	regulation
Outlier Measurement	8.1%	- 1.6%	≤ 20%

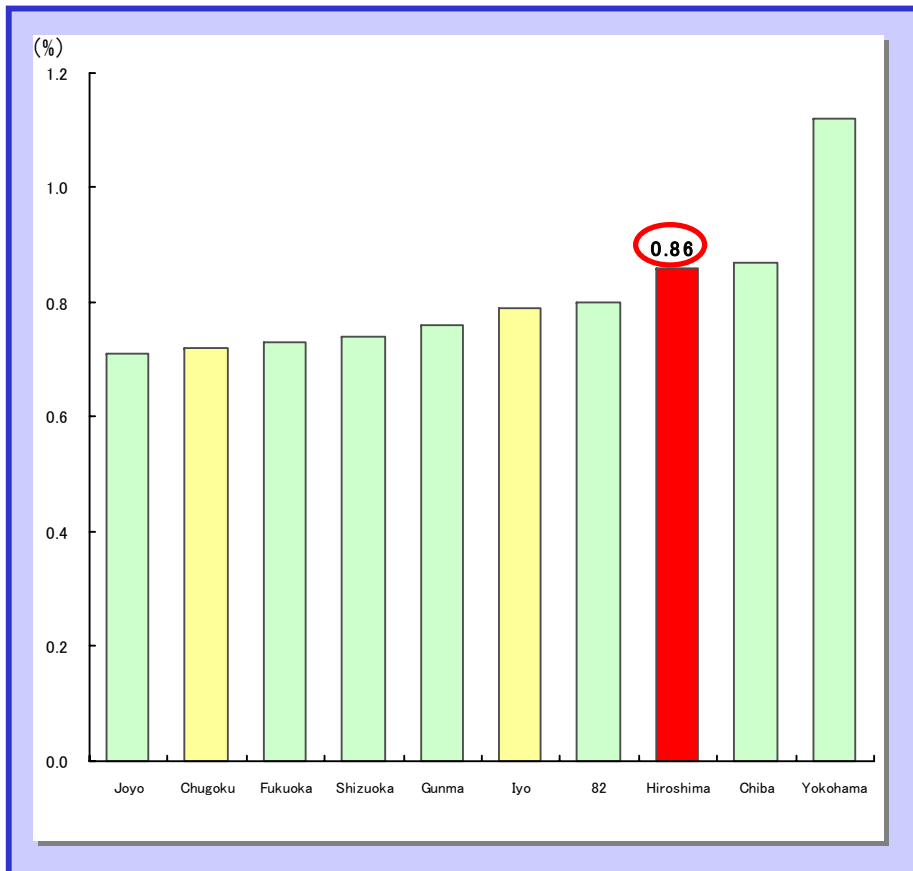
※measurement method=Percentile method



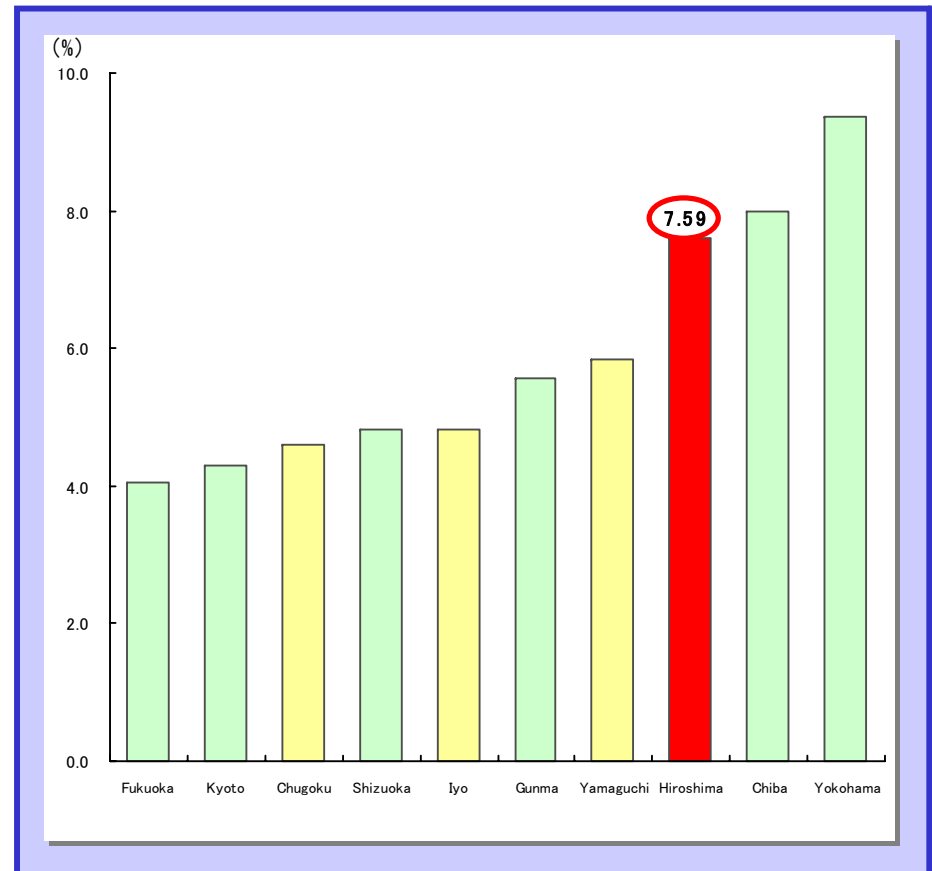
# (14) ROA and ROE

ROA and ROE ranks among the top regional banks.

### ROA

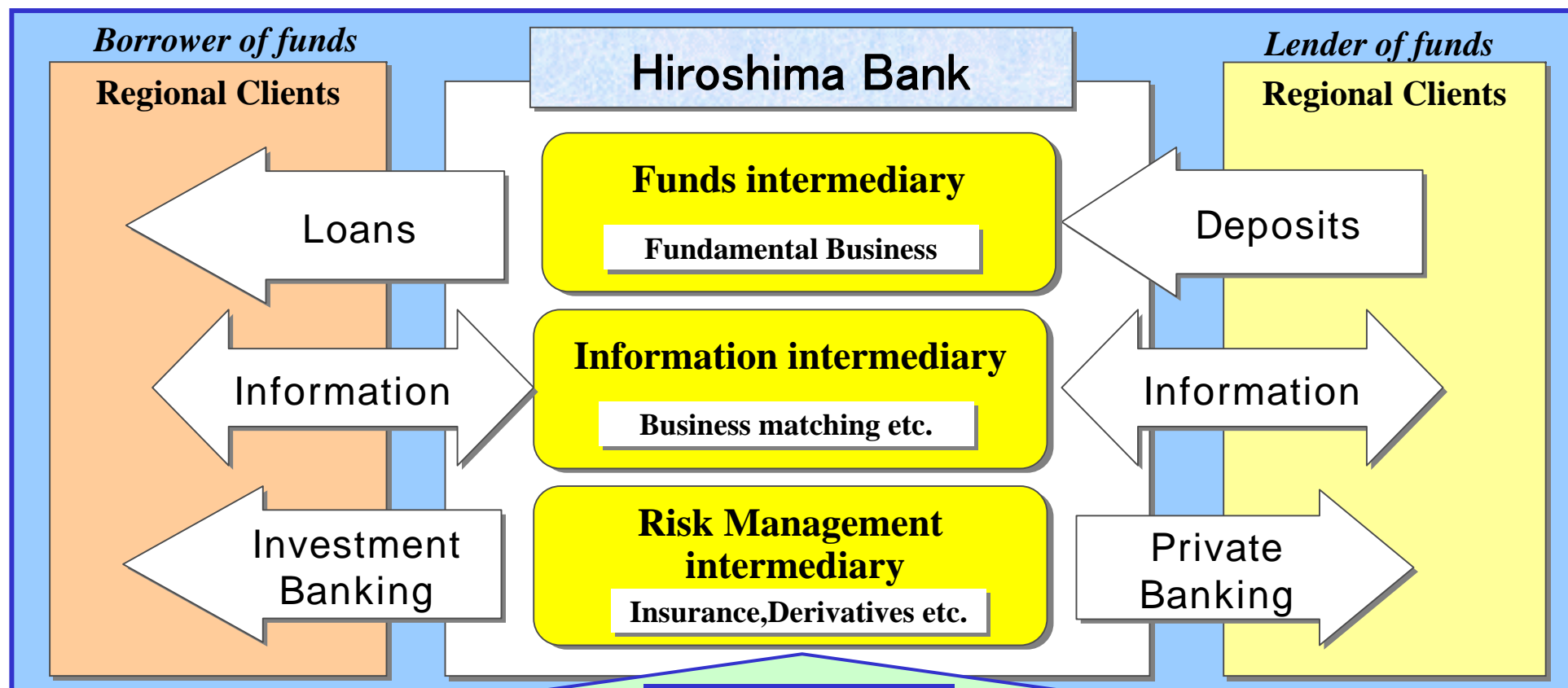


### ROE



# (15) Business style of Hiroshima Bank

Leveraging key strengths: 「Funds」 「Information」 「Risk management」 + 「Alliance」



Alliance

with Other Companies		with Hiroshima Bank group companies		
<b>System Sharing</b> <small>(with Fukuoka Bank: 03/1 ~)</small>	<b>International business</b> <small>(with 9 foreign banks)</small>	<b>Card/Loan guarantee</b> <small>(Hirogin Card Service Co, Ltd.) (Hirogin Guarantee Co, Ltd.)</small>	<b>Lease/Loan managing</b> <small>(Hirogin Lease Co, Ltd.) (Shimanami Servicing Co, Ltd.)</small>	<b>Securities business</b> <small>(Hirogin Utsumiya Securities)</small>

※「Hirogin」 stands for The Hiroshima Bank

# (16) Challenge to new business

## 「Hirogin Utsumiya Securities Co, Ltd,」

Start operation on Jan. 02 2008

Earn profit from the first quarter (08/1~08/3)

### Company profile

- ◆ Number of branches : 24  
(Hiroshima : 14 / Yamaguchi : 6 / Okayama : 1 / Others : 3)
- ◆ Employees : 242
- ◆ Retail asset management :  
JPY 600bn



First cooperative Branch  
(newly opened Feb. 2008)

Feb. 08	Cooperate IR for individual investors (Hiroshima)
Mar. 08	Cooperate IR for individual investors (Fukuyama)
Apr. 08	Begin service for online money transfer service

### Mid-term Management Plan (FY08~FY10)

Innovative Securities Company in new age  
「Securities-Bank」  
Offering customers the widest range of  
Innovative and valuable financial services

Targeting JPY 1 Tn of retail asset management by Mar. 2010

Offer money transfer service to traffic IC card through our ATM (09/1~)



First case among regional banks

Charge money by using our ATM



Over 200 ATMs can be used for this service

Main company participating this card system			
Bus 8		Train 2	Others
Hiroshima railway	Chugoku JR bus	Hiroshima railway	Setonaikai shipping
Hiroshima kotu	Geiyo bus	Hiroshima highway	Miyajima shipping
Hiroshima bus	Bihoku bus		
Chugoku bus	Tomo bus		

Estimated issuing amount more than 300,000 (plan)

Become a stable resource of fee revenue



# (17) FY2008 Estimate

## ① FY2008 Estimate of profit

We estimate **both core banking profit and net income** for FY08 reaching its all-time high

	FY07 (Actual)	FY08 (Estimate)		(JPY bn)	
				(Change)	
Interest Income	91.9	90.1	-1.8		
Fees and Commissions	22.6	25.0	2.4		
<b>Core gross operating profit</b>	<b>114.5</b>	<b>115.1</b>	0.6	(0.5%)	
(-) Expenses	61.7	61.6	-0.1		
<b>Core banking profit</b>	<b>52.8</b>	<b>53.5</b>	0.7	(1.3%)	
<b>Ordinary profit</b>	<b>36.1</b>	<b>37.5</b>	1.4	(3.9%)	
<b>Net income</b>	<b>21.2</b>	<b>22.0</b>	0.8	(3.8%)	
<b>Net income (consolidated basis)</b>	<b>21.7</b>	<b>22.8</b>	1.1	(5.1%)	

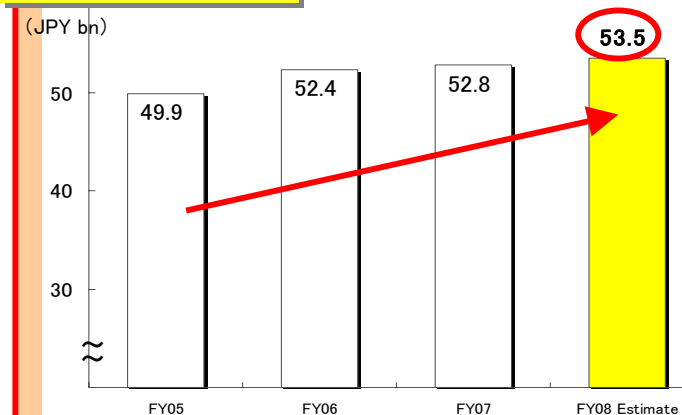
## ② FY2008 Estimate of Dividend

We estimate annual dividend 7yen per share for FY08, same level as FY07.

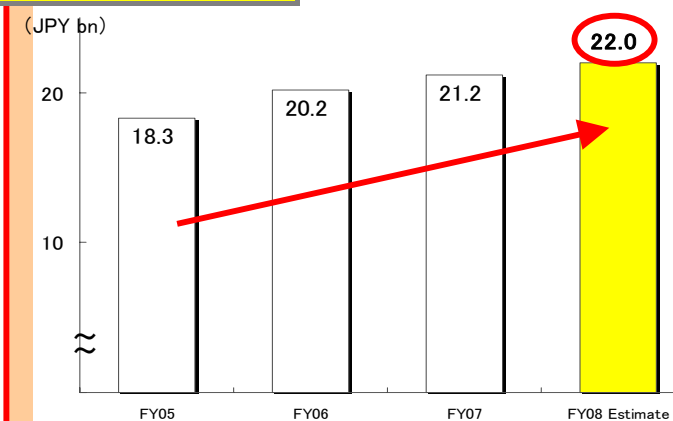
(Yen/Share)

	Annual Dividend per share (Estimate)		
	08/9	09/3	
08/9(Estimate)	3.5	-	-
09/3(Estimate)	-	3.5	7.0

### Core banking profit



### Net income





## Disclaimer

---

Hiroshima Bank's statements contained in this material of the current expectations are forward-looking statements subject to significant risks and uncertainties, and actual results may differ materially. Factors that could cause actual results to differ materially include, but are not limited to, changes in overall economic conditions, changes in market rates of interest, further declines in the value of equity securities or real estate, further deterioration of the quality of loans to certain industry sectors and the effect of new legislation or government directives.



**THE HIROSHIMA BANK, LTD.**  
Planning&Coordination Division  
3-8, Kamiya-cho, 1-chome, Naka-ku  
Hiroshima, 730-8588 Japan  
Tel: 082-504-3823  
Fax: 082-245-0171  
<http://www.hirogin.co.jp/>  
Attn:Kenichiro Fujii:kfujii@hirogin.co.jp