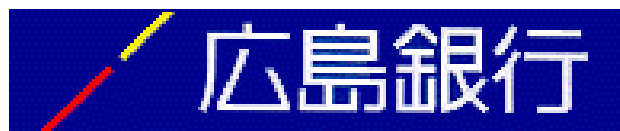


# Financial results for FY2009

---

- IR presentation -

**The Hiroshima Bank, Ltd.**



June 8 , 2010

President Isao Sumihiro



# Table of contents

---

## 1. Summary of Financial Results

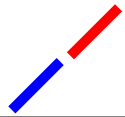
(1) Financial highlights for FY2009	3
(2) Loans	4
(3) Loans	5
(4) Personal loans	6
(5) Securities	7
(6) Deposits + NCD	8
(7) Fee business ~ Retail asset management	9
(8) Expenses	10
(9) Non performing loans	11
(10) Capital adequacy ratio and Capital allocation	12

## 2. Business strategies

(1) Summary of the Mid-term management plan	14
(2) Business environment	15
(3) Business strategy	16
(4) Area sales staff system	17
(5) Corporate business in Hiroshima	18
(6) Overseas business support ~ in Asia	19
(7) Investment banking	20
(8) Retail asset management	21
(9) Personal loans	22

## 3. Earning estimate for FY2010

(1) Earning estimate for FY2010	24
---------------------------------	----



## 1 . Summary of Financial Results

---



## (1) Financial highlights for FY2009

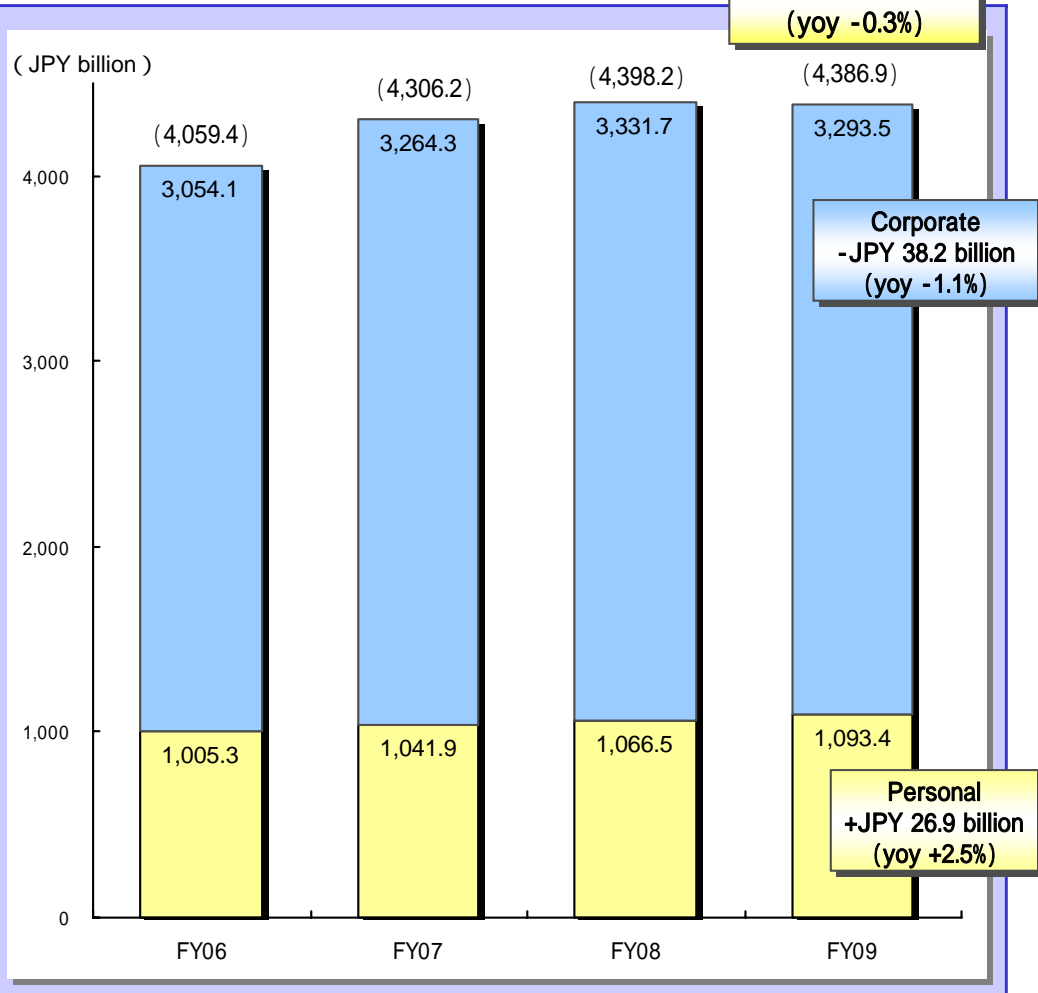
- **Real banking profit** · increased JPY 0.5 billion mainly due to decrease in expenses and losses from securities.
- **Net income** · increased JPY 3.2 billion mainly due to decrease in credit costs.

	FY2009	(JPY billion)	
		Change from FY2008	
Net interest income	80.0	-7.7	-
Net fees and commissions income	16.4	-1.5	-
<b>Core gross operating profit</b>	<b>96.4</b>	<b>-9.2</b>	<b>-8.7%</b>
Expenses	59.4	-1.4	-
<b>Core banking profit</b>	<b>37.0</b>	<b>-7.8</b>	<b>-17.4%</b>
Gains/Losses from Securities	0.2	8.3	-
<b>Real banking profit</b>	<b>37.2</b>	<b>0.5</b>	<b>1.4%</b>
Gains/Losses on stocks	-3.1	-2.7	-
Credit costs	14.6	-8.7	-
<b>Ordinary profit</b>	<b>17.6</b>	<b>4.5</b>	<b>34.4%</b>
<b>Net income</b>	<b>10.6</b>	<b>3.2</b>	<b>43.2%</b>

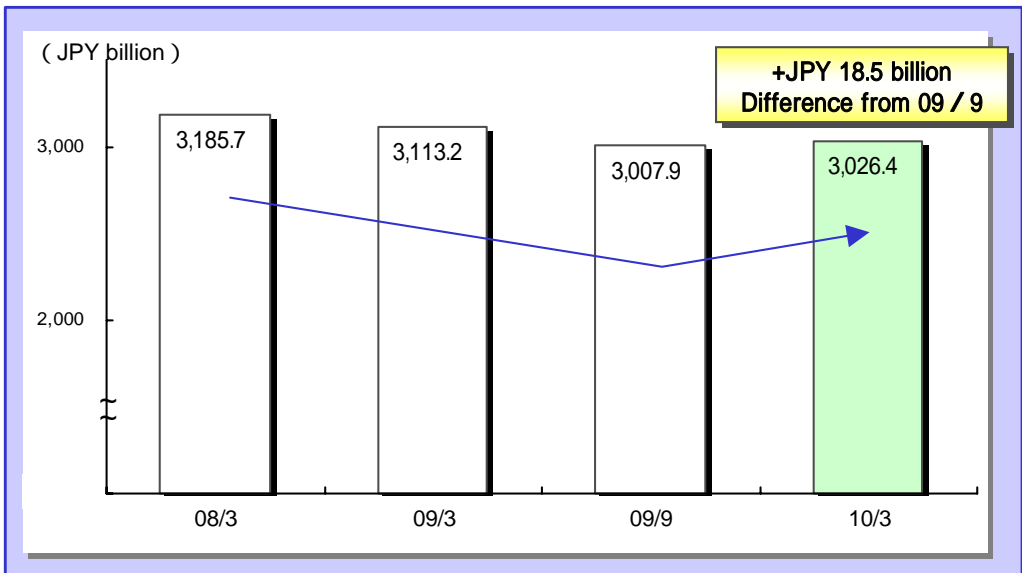
(2) Loans

- Average balance of Loans slightly decreased by 0.3%.
- Amount of loans to small and medium-sized businesses and individuals turned to upward from 09/9.
- Number of corporate loan customers **increased steadily**.

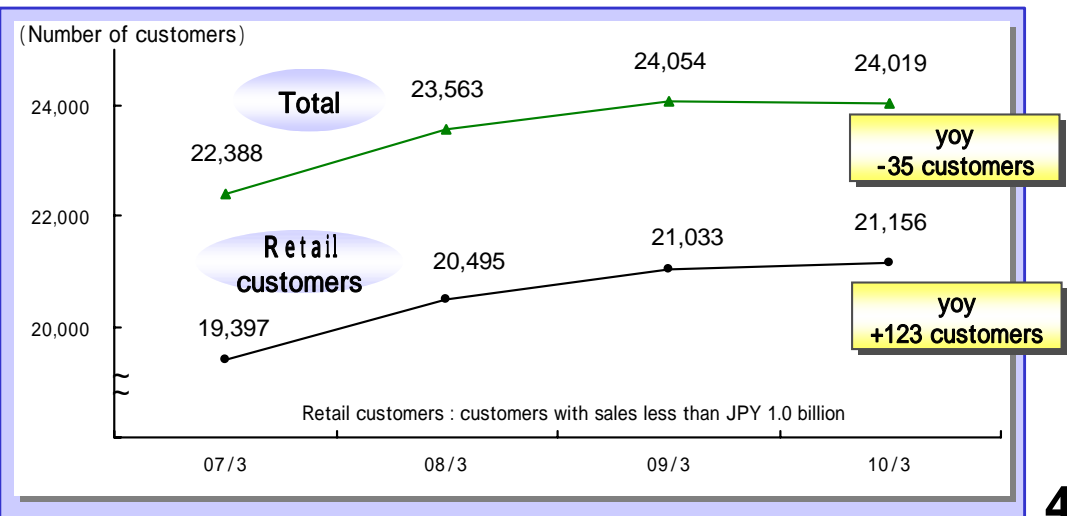
Average balance of total loans



Loans outstanding to small- and medium- sized businesses and individuals



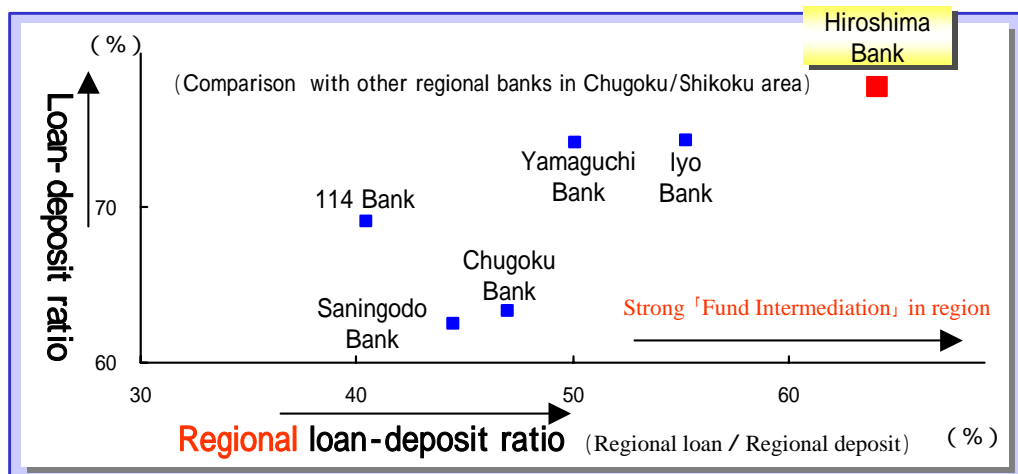
Number of corporate loan customers



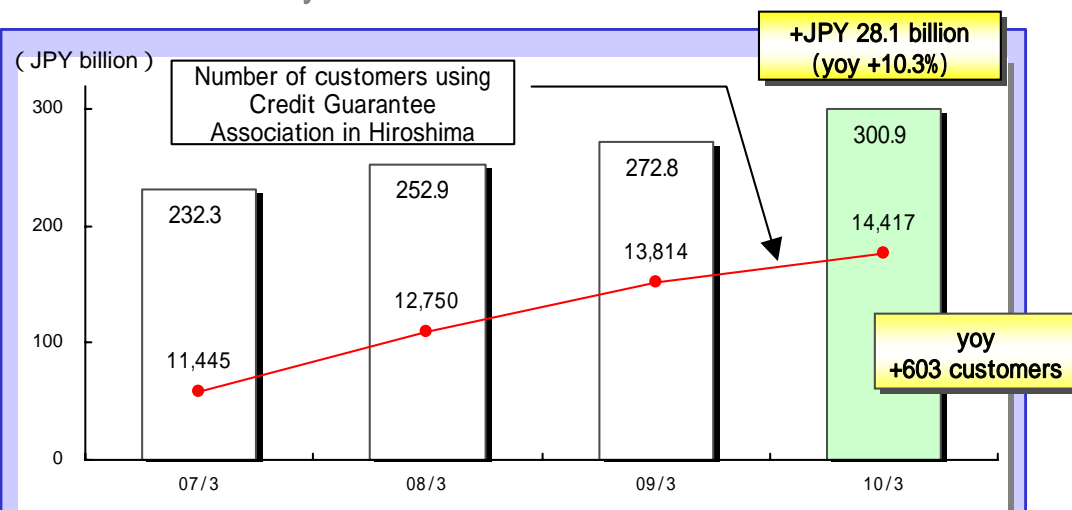
### (3) Loans

Enhance 'Fund Intermediation' to regional customers

Loan-deposit ratio / Regional loan-deposit ratio distribution chart



Average balance of loans under the guarantees by Credit Guarantee Association



Enhance support for business improvement for SMEs

➤ Facilitate financing for small-and medium sized businesses and individuals.

Loan claim that receives change application of lending conditions

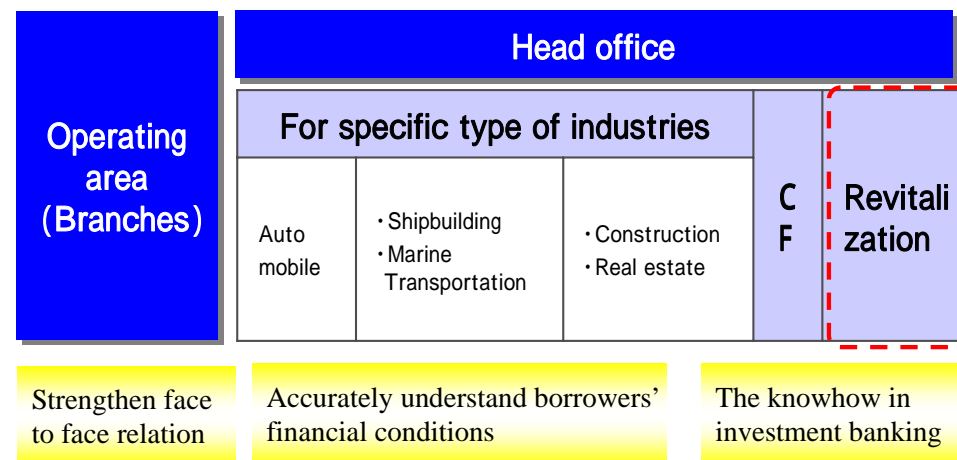
(Total from 09/12/4 to 10/03/31)

Loan claims : 2,052 / Amount of claim : JPY68.4 billion

Strong credit risk management

Enhance support for customers to improve their financial soundness by using our function of revitalization.

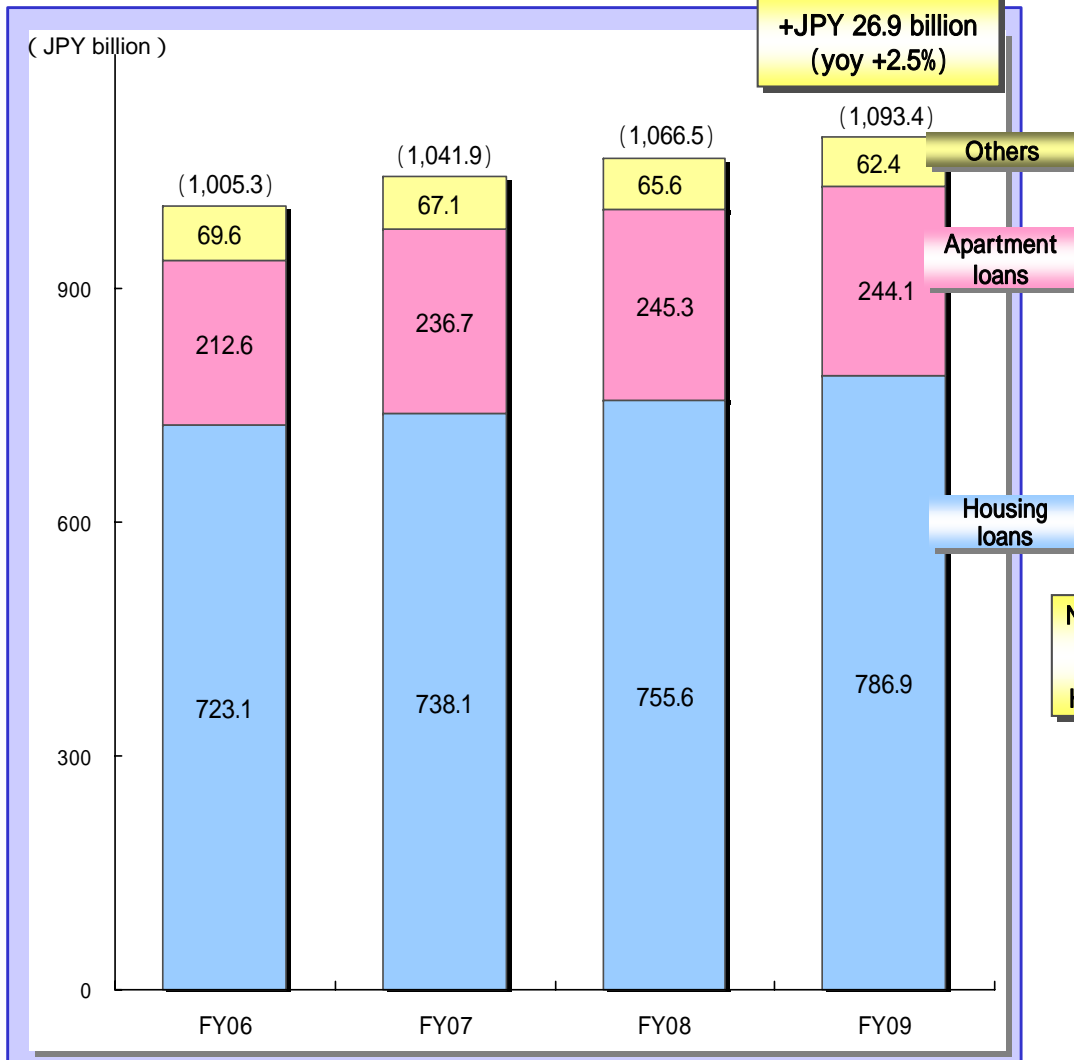
Customers' revitalization



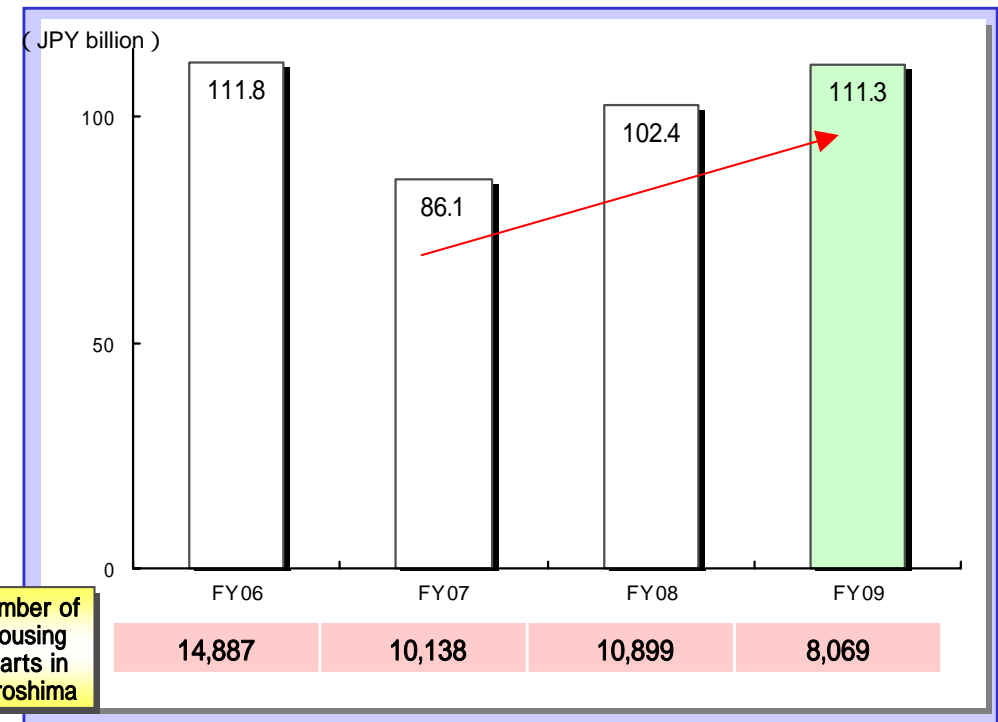
# (4) Personal Loans

The balance of personal loans has **increased steadily** mainly by increasing housing loan.

Average balance of personal loans



Amount of new housing loans executed



Expanding shares in Hiroshima

Housing Loan center (In Hiroshima pref.)

Hiroshima 7 centers 65staff

Developing new market outside of Hiroshima

Housing Loan center (outside of Hiroshima pref.)

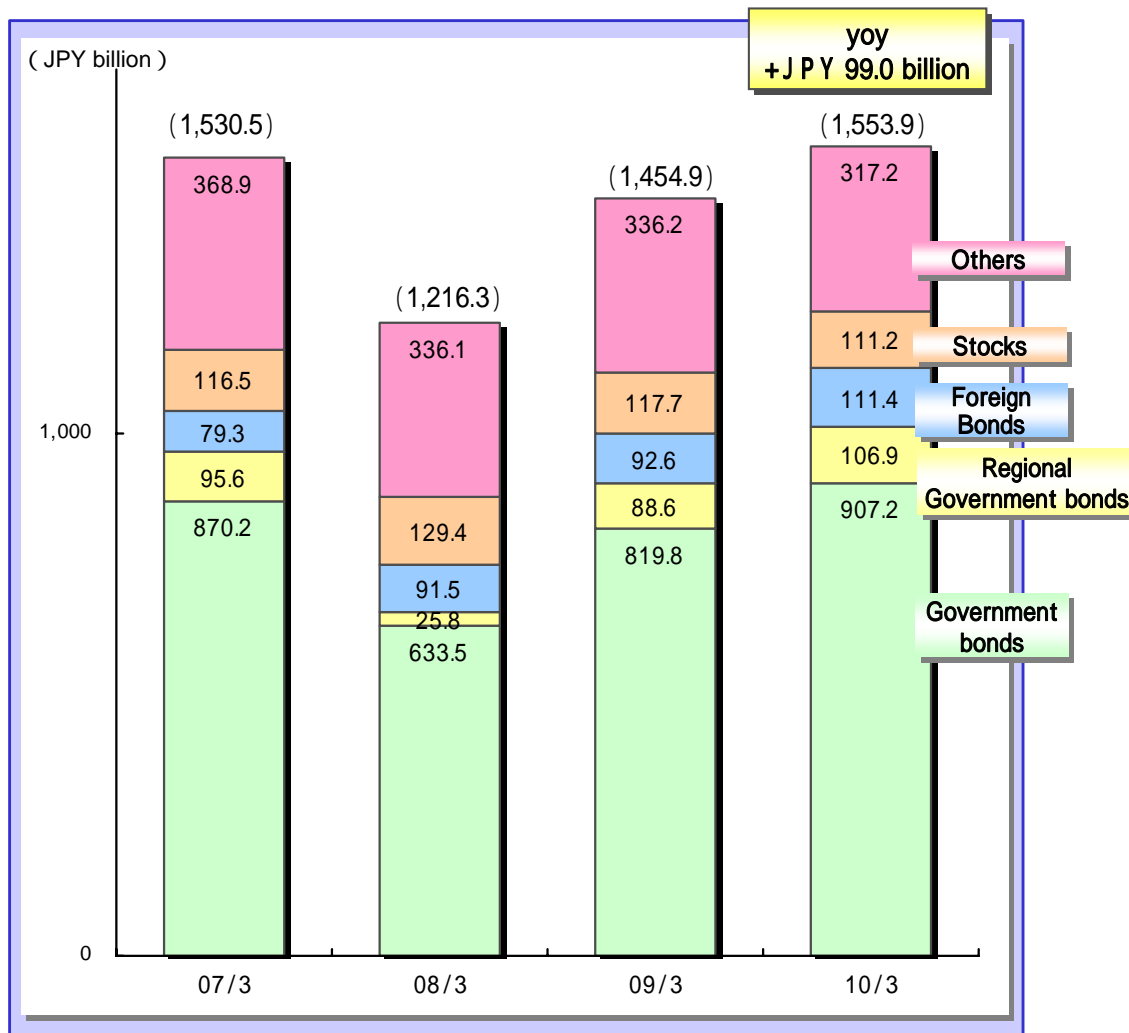
Okayama 1center 5staff

Yamaguchi 1center 5staff

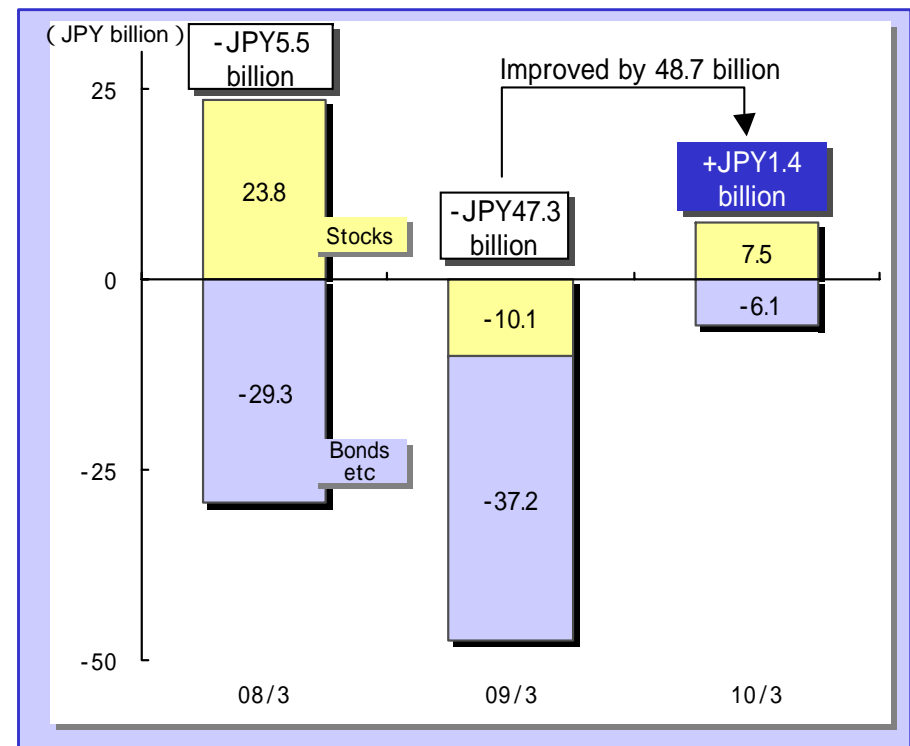
# (5) Securities

Established soundness portfolio pursuing stable profitability not subject to impacts from interest rate risk and credit risk.

## Securities portfolio (term-end balance)



## Unrealized gains and losses on securities



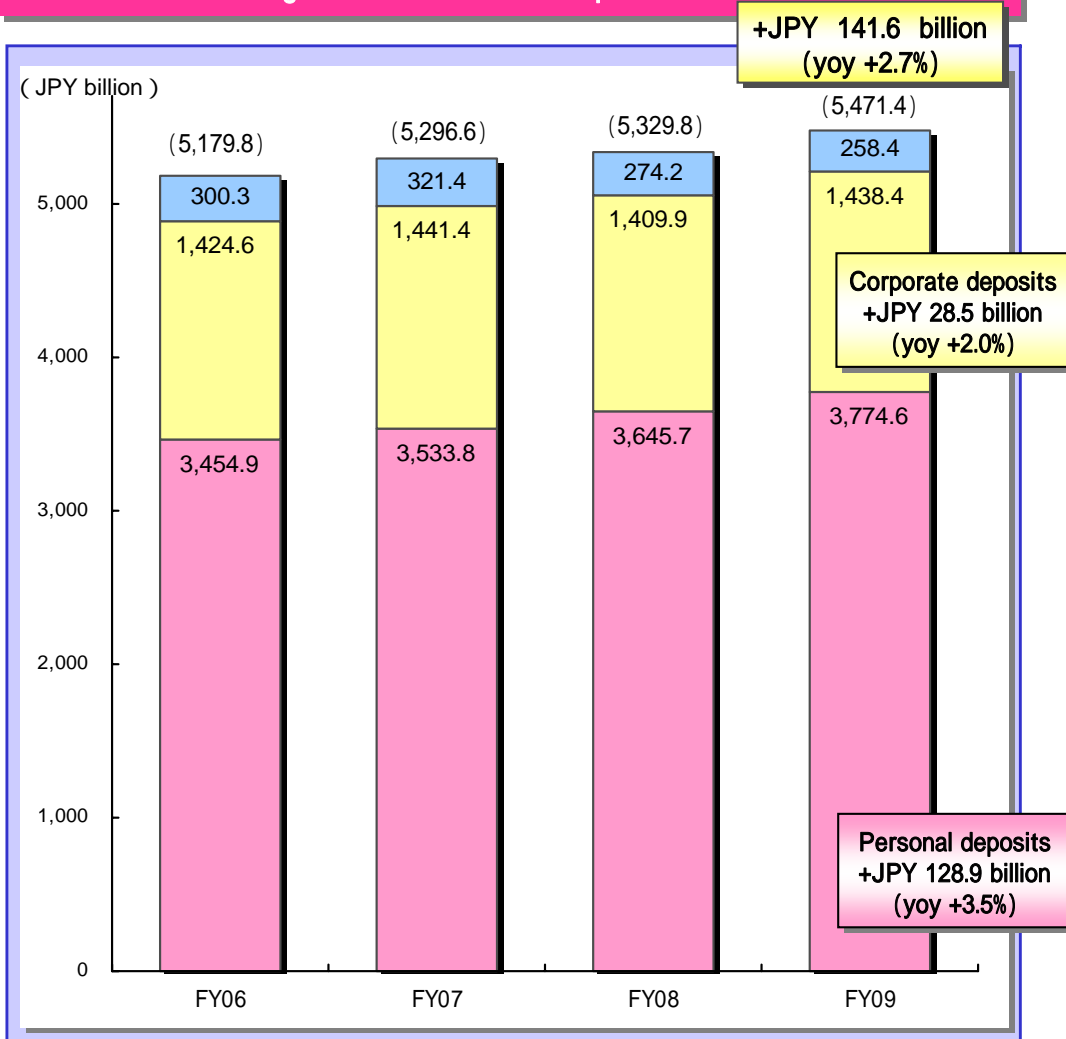
Balance before fair value adjustment  
 ( ) : it is corresponding ratio to the previous year.

## (6) Deposits + NCD

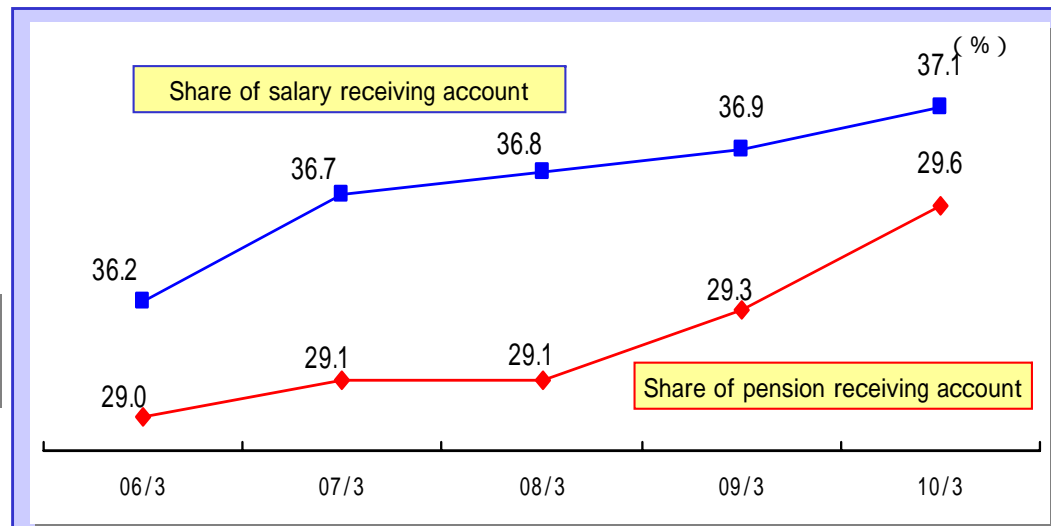
■ Average balance of deposits and NCD steadily increased (yoy +JPY 141.6 billion) mainly in personal deposits (yoy +JPY 128.9 billion +3.5%).

■ **Personal deposits have increased** partly by enhancing share of pension/salary receiving account in Hiroshima.

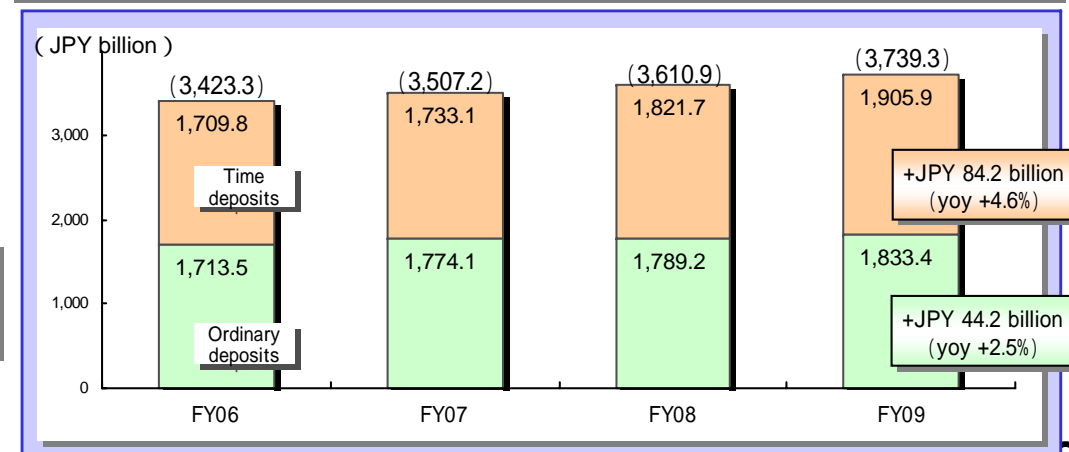
Average balance of total deposits and NCD



Share of pension/salary receiving accounts in Hiroshima



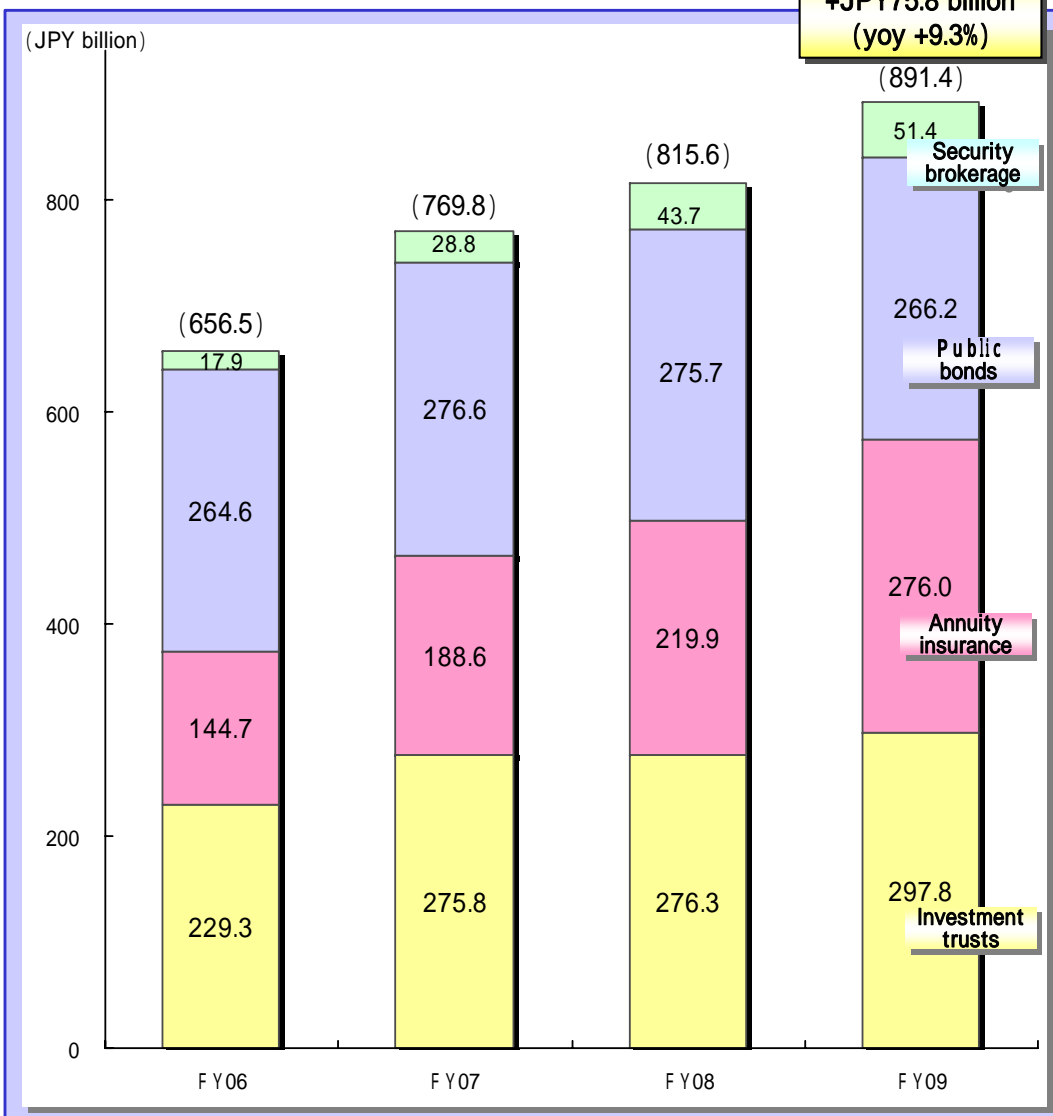
Breakdown of personal deposits (average balance)



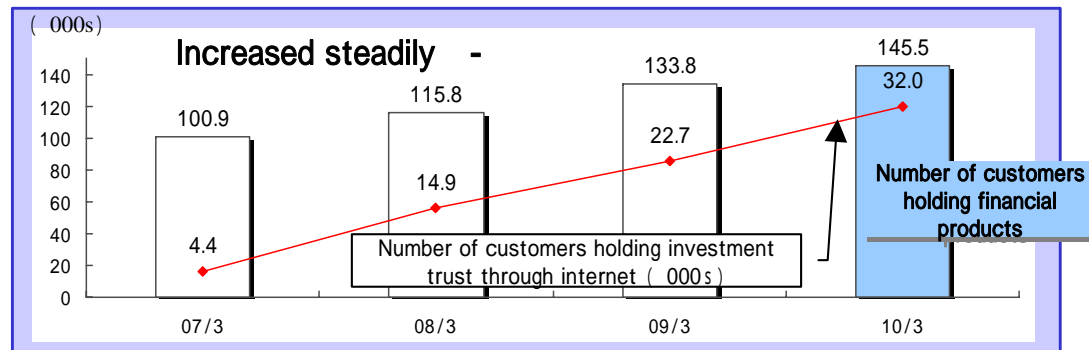
# (7) Fee business ~ Retail asset management

Balance of retail financial products **steadily increased**.

Term-end balance of retail financial products

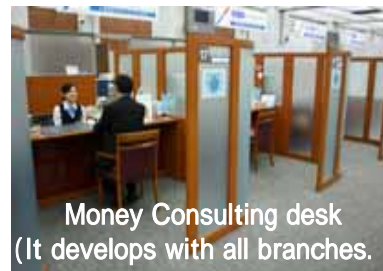


Number of customers holding financial products



Built suitable sales system to fulfill customers' needs -

### Branch



- Guidance from specialist
- Level-up training system for sales staff

### Internet



- Enhance financial products line-up for Internet banking
- Begin mail service

### New counter sales system

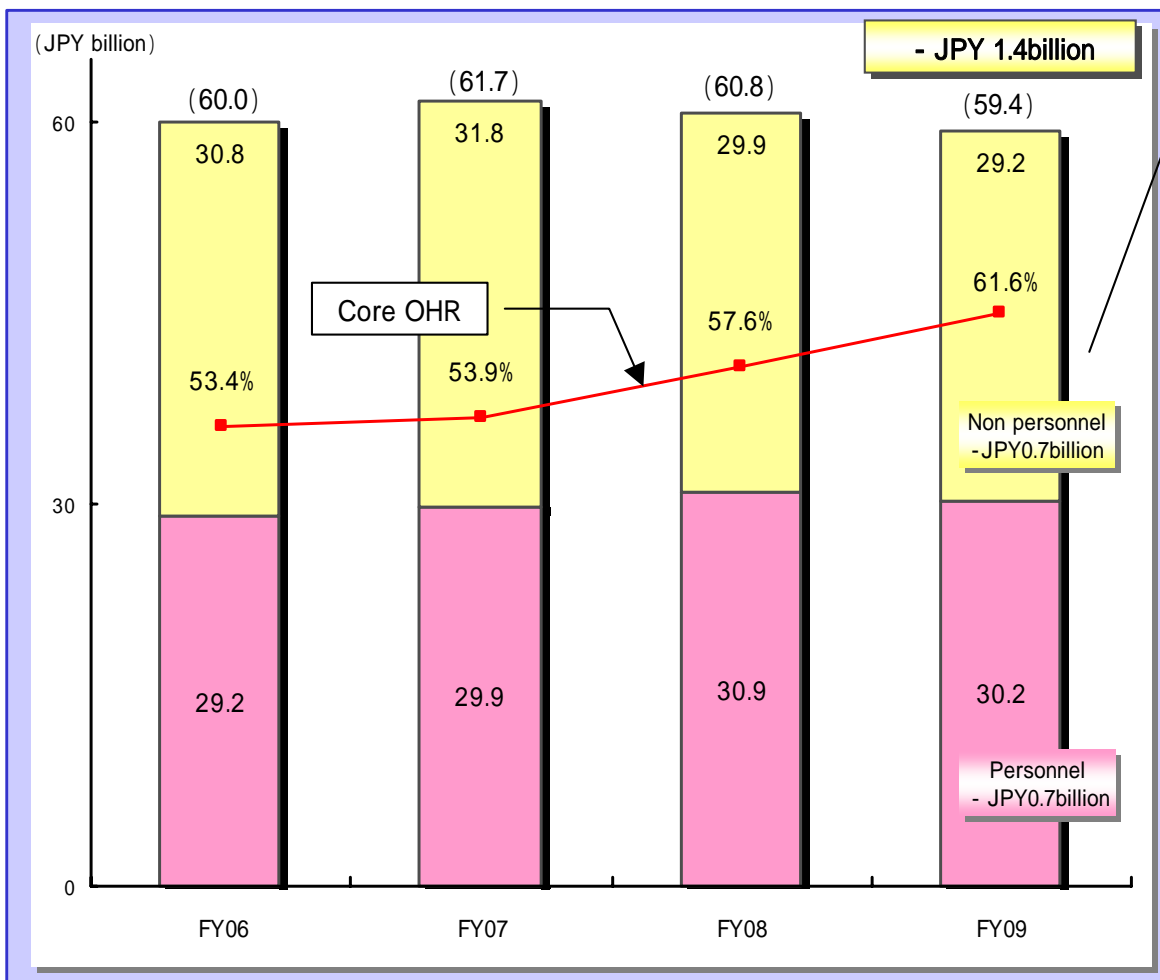
- Well manage all customers' information
- Reduce procedure load and shorten customers' waiting time



## (8) Expenses

Expenses were well controlled and reduced by reviewing non-personnel expenses, although the number of employees increased and branch facility were renovated.

Total cost and core overhead ratio (OHR)



Reduced JPY 0.7 billion absorbing additional non-personal expense such as depreciation expenses for branch facility renovation.

< Factors of additional non-personal expense >

**Depreciation expenses for branch facility renovation by expansion of branch equipment** ··· JPY 0.4 billion

· Establishment of 4 new branches  
 (Move to new location :5 / Rebuild at present place :6)

**Increase in deposit insurance expenses**

··· JPY0.05 billion

Toward a further cost reduction -

**Develop 「Cost reduction project」**

➤ Through review of existing expenses

**Develop 「Centralized and simplified operation」**

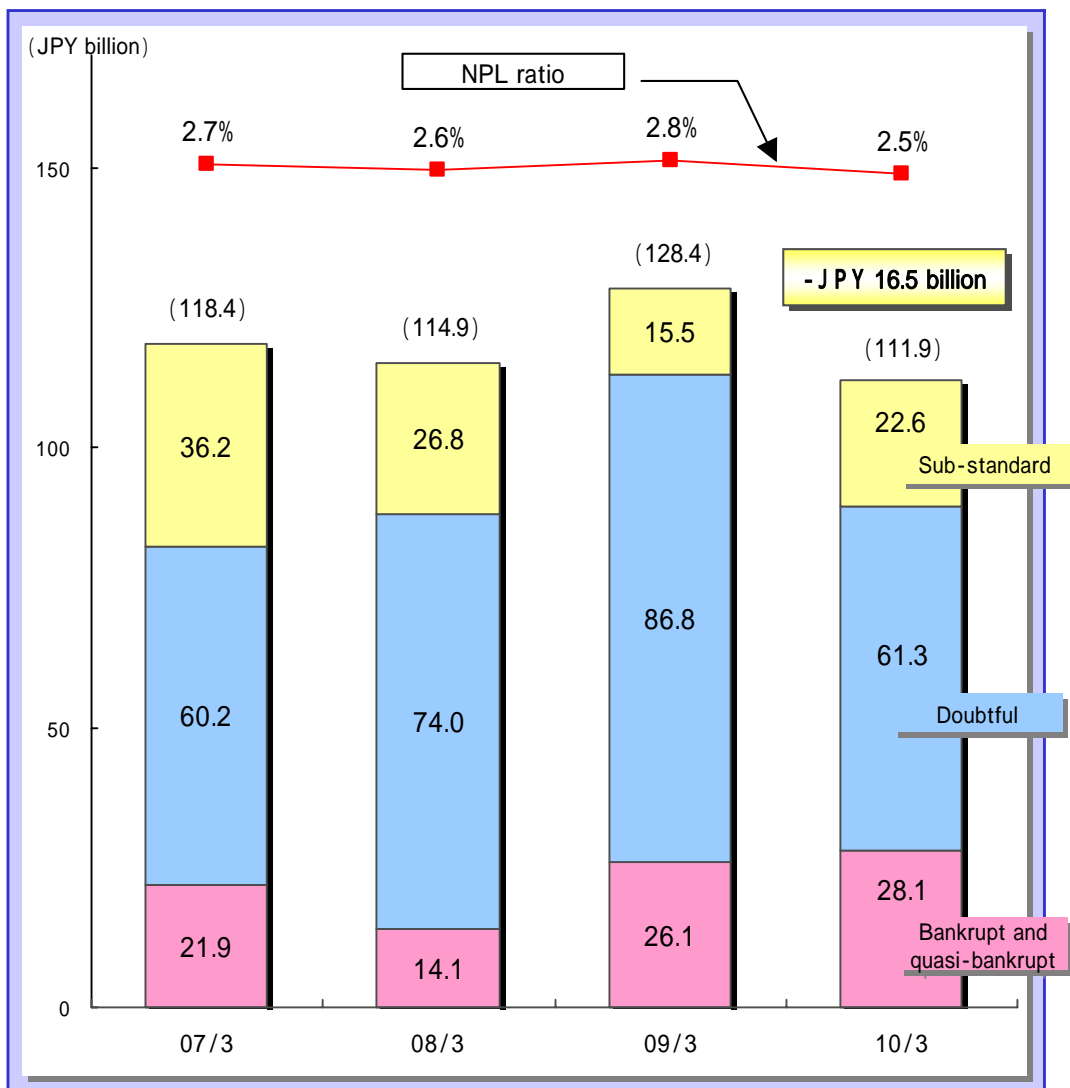
➤ Establish new operational infrastructure to minimize back office operations

Improve core OHR

# (9) Non-performing loans

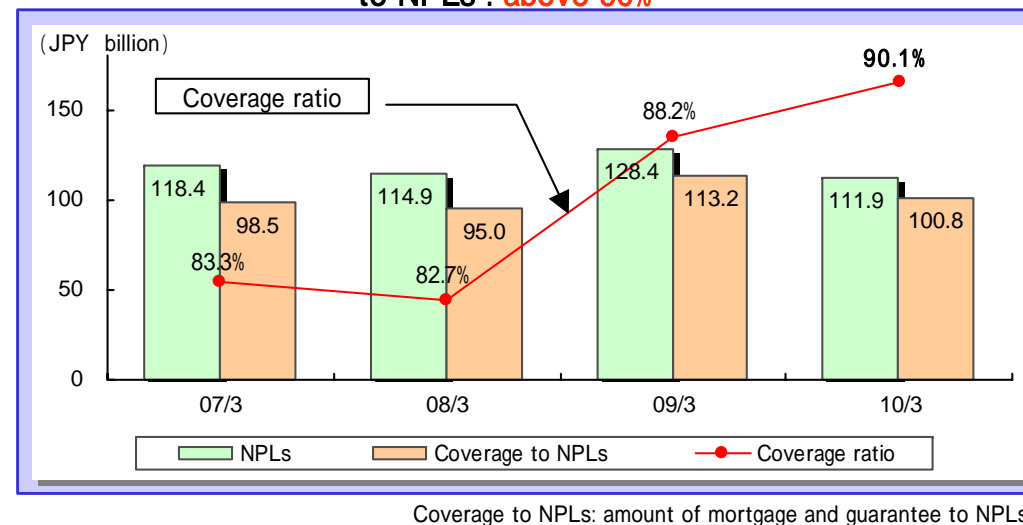
NPLs **decreased** because of our efforts in corporate revitalization and final disposal of NPL.

Disclosed claims under the Financial Reconstruction Law



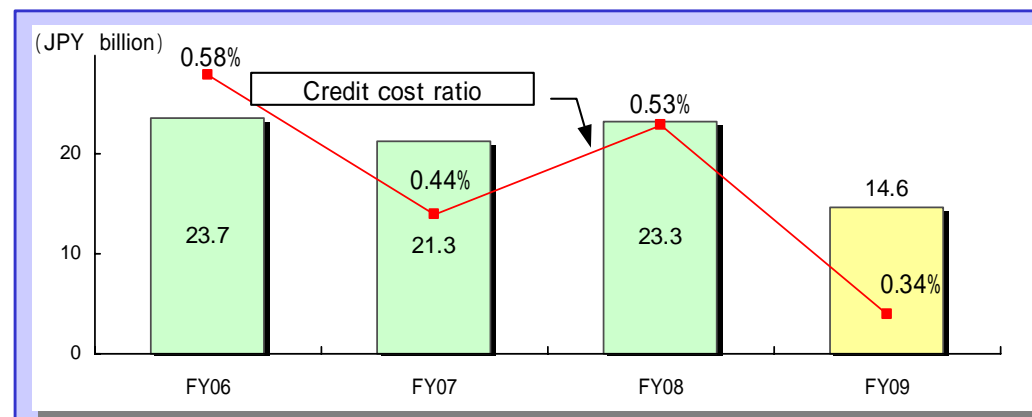
## Coverage to NPLs

The coverage ratio by the mortgage and guarantee, etc. to NPLs : **above 90%**



## Credit cost and Credit cost ratio

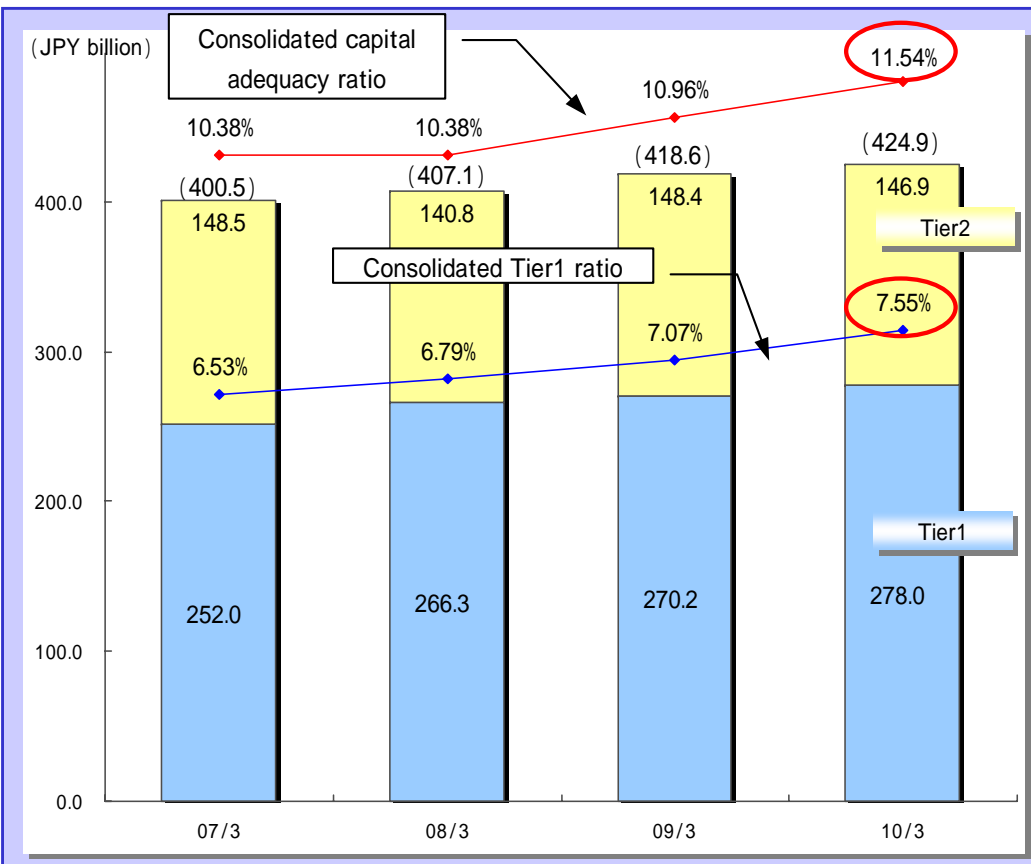
Credit cost decreased mainly due to decrease in new deterioration.



# (10) Capital adequacy ratio and Capital allocation

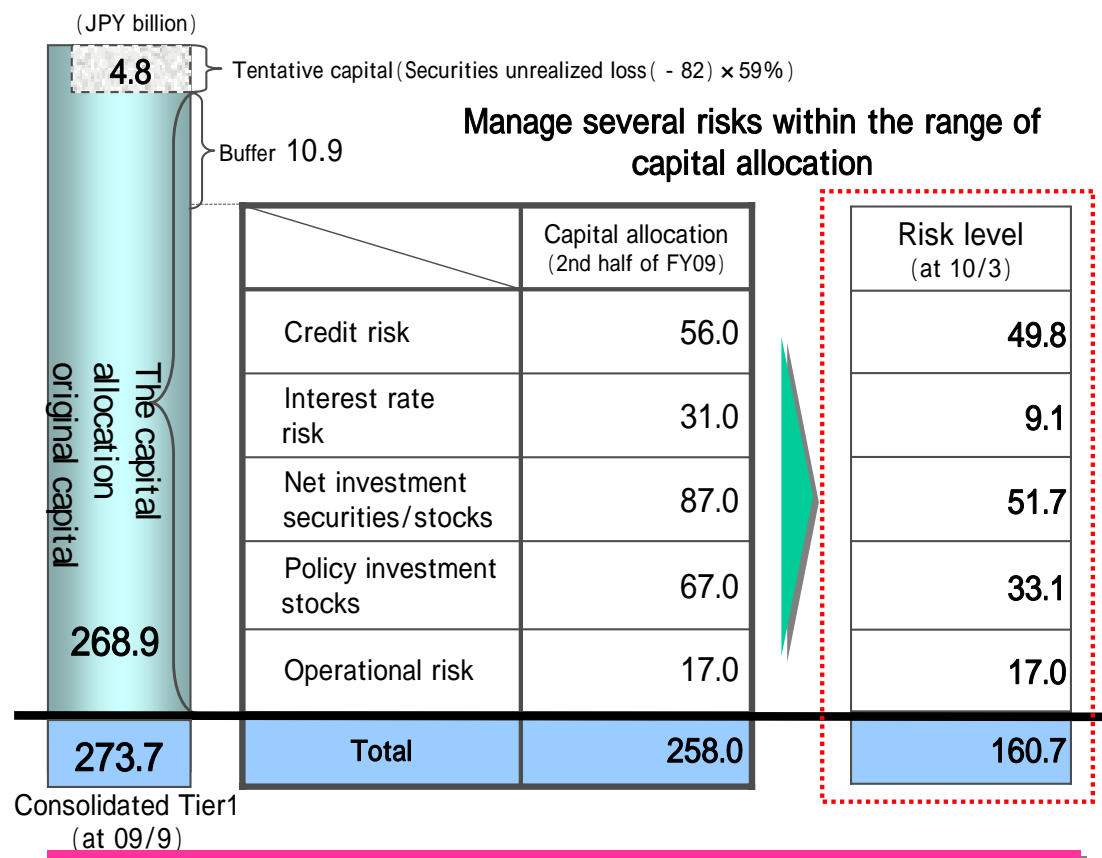
Capital adequacy ratio (consolidated) **reached 11.5%**,  
 Teir1 ratio (consolidated) **reached 7.5%**.

## Consolidated Capital adequacy ratio and Tier1 ratio



- Tier1** Increased JPY 7.8 billion from 09/3  
 Enhance accumulation of retained earnings.
- Tier2** Decreased JPY 1.5 billion from 09/3 (subordinated capital - JPY4.0billion)  
 Manage subordinated capital by foreseeing a new regulation.

## Capital allocation

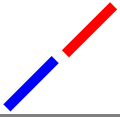


## Outlier measurement

The amount of the interest rate risk is an **extremely low level**.

	10/3	regulation 20%
Outlier measurement	8.8%	

measurement method:percentile method



## 2. Business strategies

---

(1) Summary of the Mid-term management plan

Mid-term management Plan < **STEPS** > (From FY2009 to 2011)

Establish strong operational base in region and profitability for achieving sustainable growth in future

Build strong relationship with customers

Establish solid operational base

Enhance sustainable profitability

Strengthen capital base

FY2009

Contribute to recovering regional economy as the leading bank in Hiroshima.

- Strengthen Face to Face relation.
- Establish solid operational base in region.
- Enhance 'Fund Intermediation' in region.
- Enforce management of corporate customers.

Expand small-and medium-sized businesses and individuals base

Reduce credit cost

FY2010

Aggressively enhance 'Fund Intermediation' as the leading bank in Hiroshima.

- Establish stable operational base with solid customer base.
- Enhance 'Fund Intermediation' in region.
- Establish soundness balance sheet for stable growth.
- Renovate business operation.
- Enhance sales skill through level-up training.

Promote business strategies for FY 2011

## (2) Business environment

Hiroshima is in No.1 position in terms of both population and business activities in Chugoku-Shikoku Region.

### Population

(source: National institute of population and social security research)

Population(000 s)	2010	2020	change(%)
<b>Hiroshima</b>	<b>2,842</b>	<b>2,706</b>	<b>-4.8</b>
Okayama	1,942	1,864	-4.0
Yamaguchi	1,444	1,321	-8.5
Shimane	717	656	-8.5
Totoni	596	561	-5.9
Ehime	1,429	1,323	-7.4
Kagawa	991	927	-6.5
Tokushima	788	730	-7.4
Kouchi	771	708	-8.2

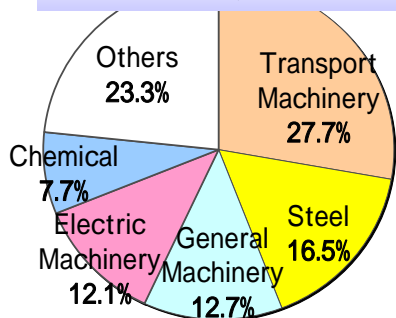
**Problem** The population in Japan will decrease .

Decrease rate of population in Hiroshima is more moderate than other areas.

**Hiroshima can be more attractive market that has largest population in Chugoku-Shikoku Region.**

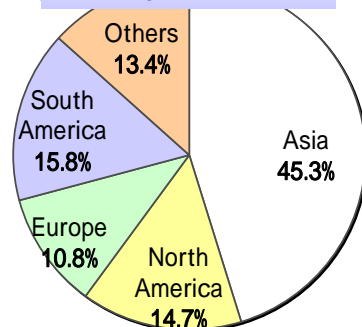
### Economy of Hiroshima

Manufacturing Industry  
2008: JPY 10,290 billion



(source: Hiroshima Prefecture)

Total exports  
in region (2008)



(source: Hiroshima Prefecture)

**Problem** Economy scale of Japan will be shrunk.

Manufacturing industries has developed and accumulated technologies in Hiroshima.  
Hiroshima has stable growth potential than other areas.

**Expansion of economy can be expected in Hiroshima along with the growth of the economy of Asia.**

### (3) Business strategy

We have an advantage of attractive market Hiroshima that has more growth potential than other areas.

Decrease in population

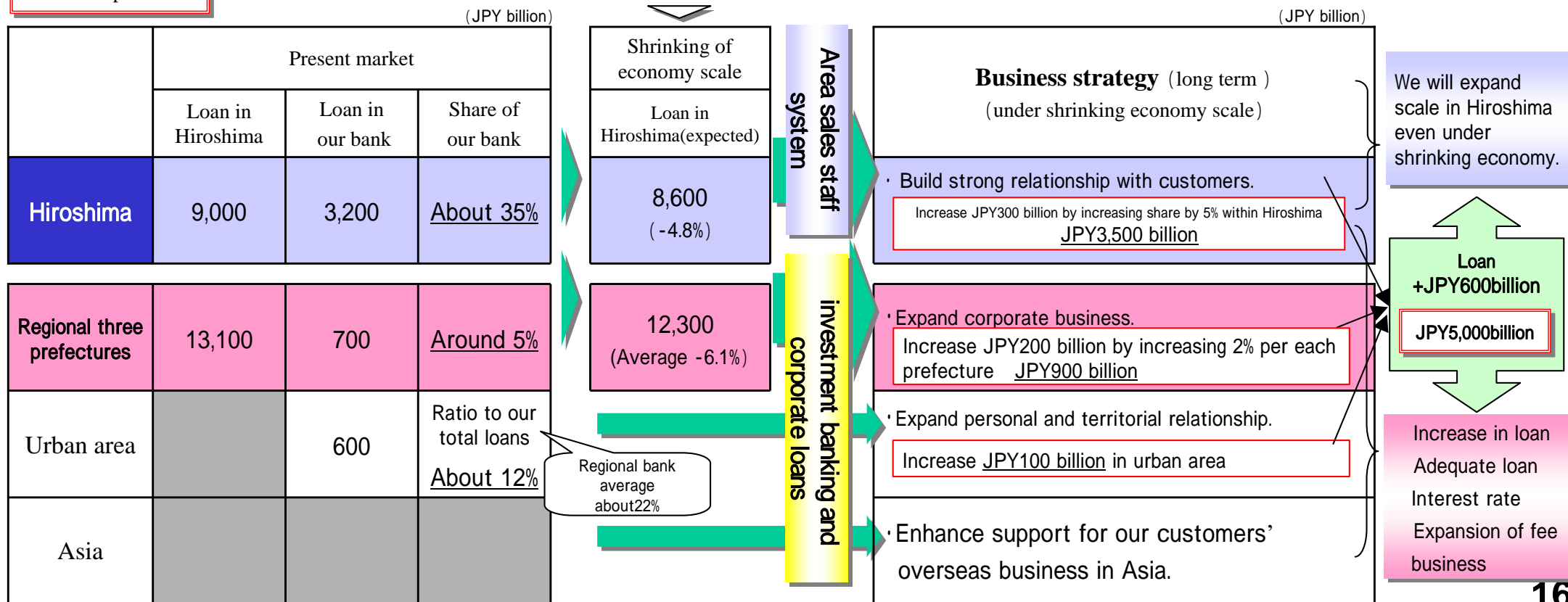
Shrink in domestic market

Our business strategy

Pursue the further growth strategy by building strong relationship with customers.

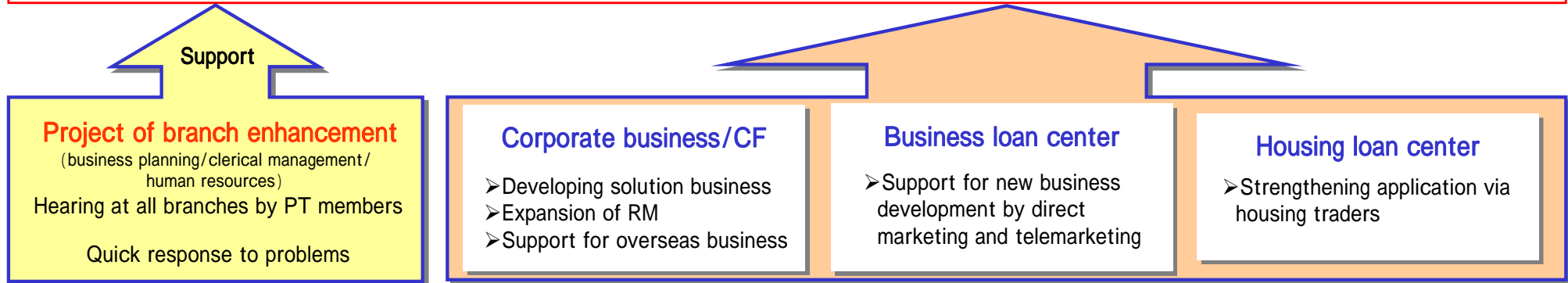
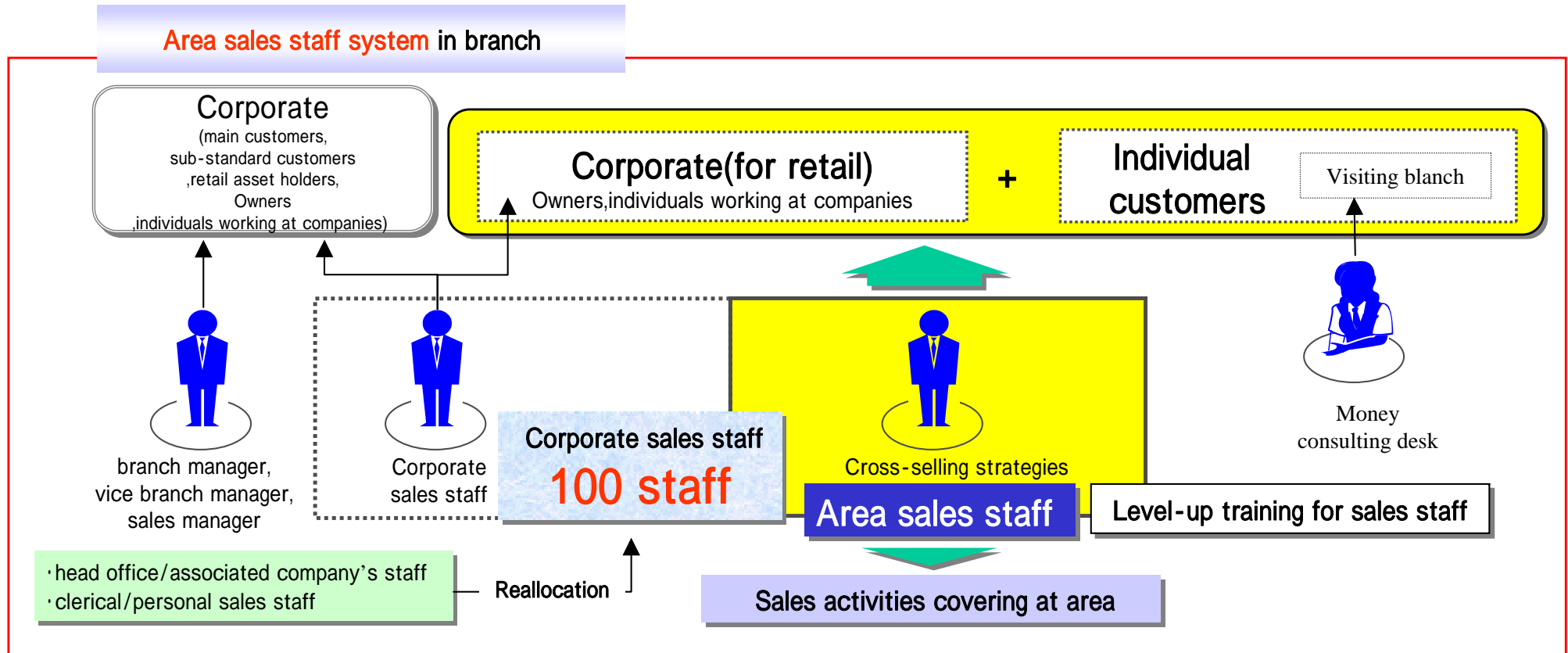
Assume that the economy scale(including the volume of deposit and loan) shrinks in ten years along with the reduction of population at 15 page

Assumptions



# (4) Area sales staff system

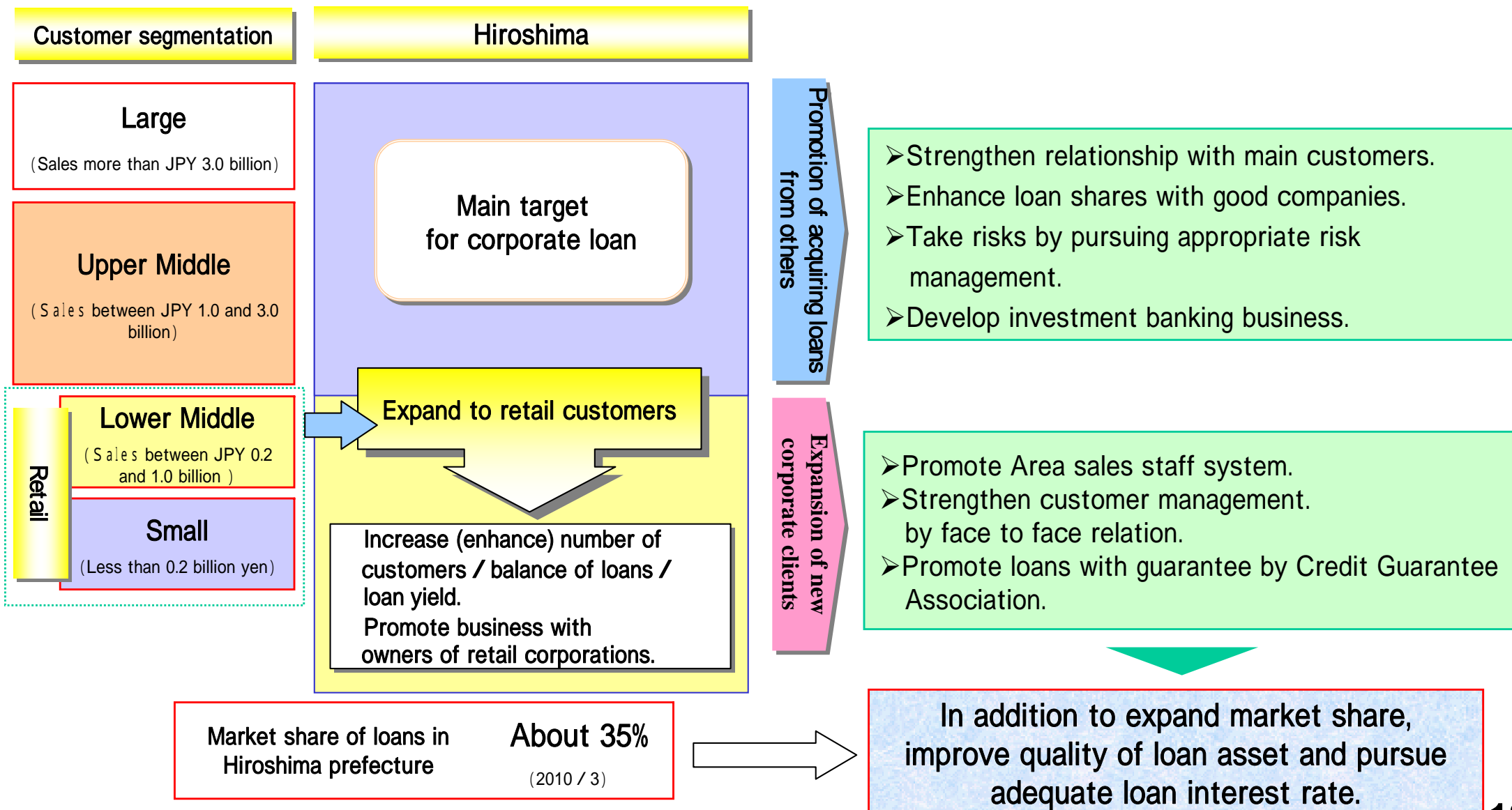
Enhance sales staff    Level-up training for sales staff    Promotion of Area sales staff system.





## (5) Corporate business in Hiroshima

Establish a solid operating base in region and enhance “Fund intermediary function” to increase share of loans in Hiroshima.



## (6) Overseas business support ~ in Asia

- Hiroshima-based companies are aggressively expanding their activities and have opened 847 operating offices in Asia.
- Consequently, an increase in business for our bank can be expected along with the growth of the economy of Asia.

### Our customers' expansion of activities

**China**  
(314 companies : 542 offices)

MAZDA	San esu
Chugoku paints	Tsuneishi HD
Matsuoka Co.	Nishikawa rubber
Wood One	Molten

**Vietnam**  
(27 companies : 28 offices)

Hiroshima aluminum industry	San-esu
Tempearl co.	Asty
Hiroshima Toyota	Ogino Industry

**Thailand**  
(85 companies : 103 offices)

MAZDA	Satake
Nishikawa rubber	Molten
Daikyo-Nishikawa	Kitagawa

**Philippine**  
(21 companies : 31 offices)

Ogino Industry	Wood One
Tsuneishi HD	Ishii hyoki

Manufacturing companies will expand their operational base to Asia increasing businesses.

### Support for advance

- Support of 「Information」 to set up business (International business division/representative office)
- Support of 「Funds」

Strengthen overseas business support in Asia

### Support for business

- Enhancement of business matching
  - Alliance with foreign banks
- Offer stand-by credit

Expand business support by alliance with foreign banks

alliance foreign bank	Nations	Alliance with foreign banks
	China	Bank of China / Bank of communications
	Thailand	Bangkok Bank / Kasikorn Bank
	Korea	Korea development Bank / Korea Exchange Bank
	Indonesia	Bank Negara Indonesia
	Philippine	Metropolitan Bank (2010/5 alliance beginning)
	All Asia	Standard Chartered Bank / Credit Agricole Bank



## (7) Investment banking

### Developing solution business

#### Offering solution related to the funds

Derivatives

- Strengthen promotion system, products, and services.

Bond underwriting

- Strengthen relations and promote business transaction with regional excellent customers.

Syndicated loan

#### Expansion of consulting business

corporate revitalization support

- Offer the best corporate revitalization plan.
- Strengthen business support to customers.

RM

- Upgrade business matching by strengthening alliance with other companies.

Business matching

- Develop “consulting advisory service for business succession“.

Business succession

### Support of industry-university-government cooperation and venture companies

Strengthen support to expand our business opportunity in future.

#### Support of venture companies

- Promote business of venture companies.

「Hiroshima Venture Fund」

(The 14th application results(09/11 ~ 12) : number of applications 63)

#### Support of industry-university-government cooperation

- Support of university researchers and business of cooperative research. (FY2009 result : 11)
- Support of market expansion and new product development in region. (FY 2009 result: 2)

Hiroshima Bank accepted "Small and medium-sized companies assistance center business" by METI

First institution in Chugoku region.(2010/04)

<Mission>

Contribute to develop performance and future growth of small and medium-size companies and the regional economy.

## (8) Retail asset management

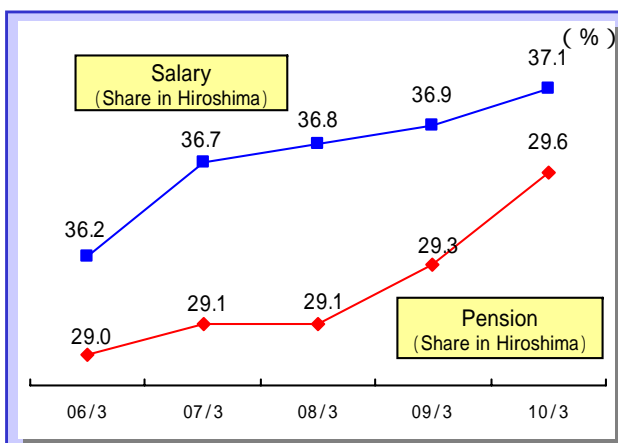
We struggle to increase retail asset customers by enhancing effective business promotion especially in Hiroshima having strong retail market among neighboring prefectures.

Hiroshima is the largest retail market in region.

Population ('000s)	2009	Change in past 10 years(%)
Hiroshima	2,867	-0.4
Okayama	1,943	-0.4
Yamaguchi	1,456	-4.7
Ehime	1,437	-3.8

(source: Each websight)

Receiving account (salary / pension) has steadily increased.



Corporate owners

### Strengthen private banking

- Insurance needs/Inheritance.  
(Single premium whole life policy / Testamentary trust)

Asset management

### Enhance profitability by utilizing assets (Enhance deposit and investment trusts)

- Strengthen sales in deposits and financial products.
- Improve financial products sales system.
- Strengthen cooperation with Hirogin Utsumiya Securities.

Salary

### Strengthen customer base Enhance credit card business



(Value one card)

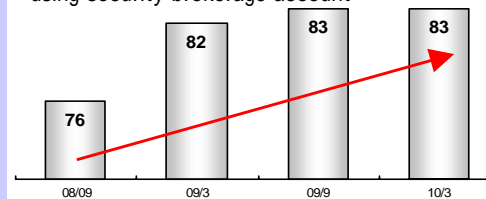
- Increase the number of receiving accounts.
- Increase the number of 「Value One」 holders.
- Enhance internet banking function.

Enhance personal customer base.

#### Hirogin Utsumiya Securities

(number of account)  
(‘000s)

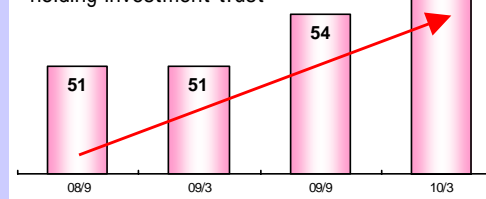
Number of customers using security brokerage account



#### Investment Trust

(number of holders)  
(‘000s)

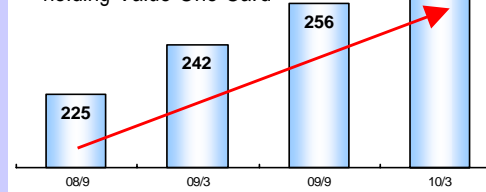
Number of customers holding investment trust



#### Value One Card

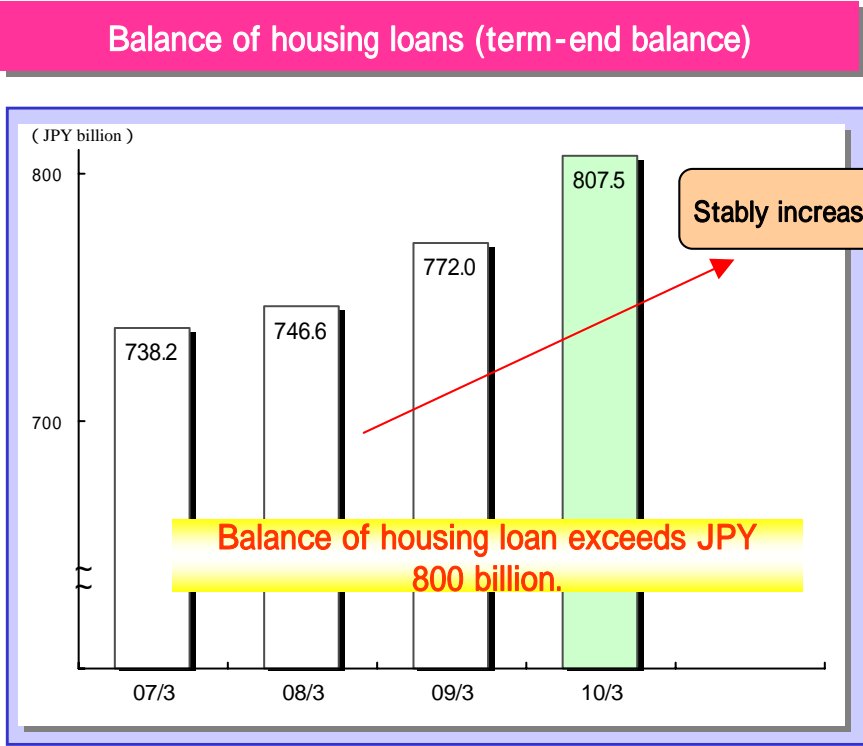
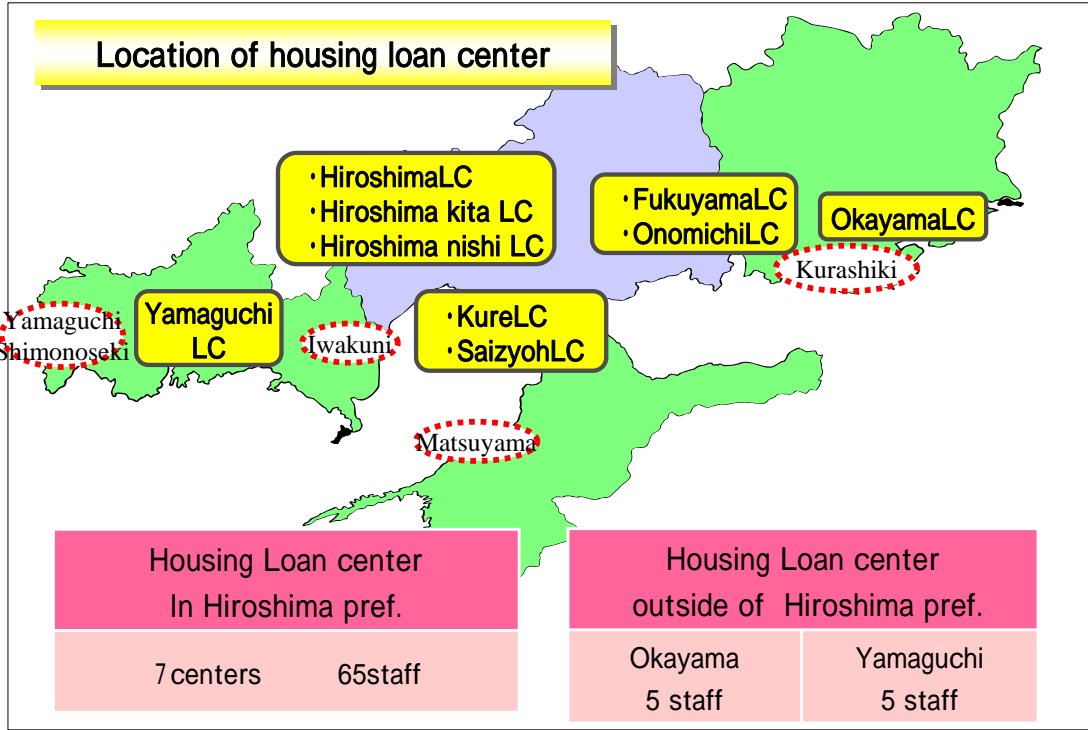
(number of holders)  
(‘000s)

Number of customers holding Value One Card



(9) Personal loans

We struggle to increase balance of housing loan by expanding business area and by enhancing of housing loan center .



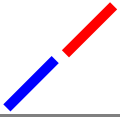
Strengthen housing loan as main transaction with customers.

**In Hiroshima pref.**

- Strengthen approach to real estate companies.
- Promote business for apartment supply.
- Focus on reform and resale house market.

**Outside of Hiroshima pref.**

- Promote housing loans in other prefectures (cities).  
(Yamaguchi · Shimonoseki / Iwakuni / Matsuyama / Kurashiki etc.)
- Increase the number of sales staff.



### 3. Earning estimate for FY2010

---

# (1) Earning estimate for FY2010

## Earning estimate for FY2010

■ **Ordinary profit** JPY 22.1 billion (yoy change + JPY4.5 billion)

■ **Net income** JPY 13.0 billion (yoy change + JPY2.4 billion)

	FY09 (Results)	FY10 (Estimate)	
		(JPY billion)	
			yoy change
Net interest income	80.0	80.1	0.1
Net fees and commissions income	16.4	16.5	0.1
<b>Core gross operating profit</b>	<b>96.4</b>	<b>96.6</b>	0.2
- Expenses	59.4	59.3	-0.1
Gains/Losses from securities	0.2	0.0	-0.2
<b>Real Banking profit</b>	<b>37.2</b>	<b>37.3</b>	0.1
Gains/Losses on stocks	-3.1	0.0	3.1
- Credit cost	14.6	14.0	-0.6
<b>Ordinary profit</b>	<b>17.6</b>	<b>22.1</b>	4.5
<b>Net income</b>	<b>10.6</b>	<b>13.0</b>	2.4
<b>Consolidated net income</b>	<b>11.1</b>	<b>13.3</b>	2.2

## Dividend forecast for FY2010

Expect dividend of 5 Yen per share (annual) in FY10 based on payout table.

	Dividend per share (annual) FY10		
	Interim	Year end	
Dividend forecast	2.5	-	-
	-	2.5	5.0

FY09(Results)	2.5	2.5	5.0
---------------	-----	-----	-----

### Payout Table

consolidated net income	Dividend per share			Consolidated payout ratio
	Stable	performance-based	+	
a under 18 billion	5yen	0yen	5yen	17.4% and over
b 18-21 billion	5yen	1yen	6yen	17.9% and over and less than 20.8%
c 21-24 billion	5yen	2yen	7yen	18.2% and over and less than 20.8%



## 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