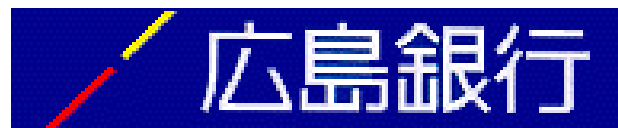




Financial results for FY2010

- IR presentation -

The Hiroshima Bank, Ltd.



June 9, 2011

President Isao Sumihiro



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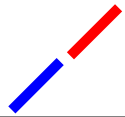
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1 . Summary of Financial Results

(1) Financial highlights of FY2010

- **Real banking profit** has increased by JPY 3.3 billion (+9.0%) to **JPY 40.5 billion**, owing mainly to increased profit on services transactions and reduced expenses
- **Net income** has increased by JPY 2.6 billion (+25.0%) to **JPY 13.2 billion**, owing mainly to increased net income from real banking and a fall in credit costs

【Non-consolidated】

| | FY2010 | (JPY billion) | | |
|------------------------------------|-------------|--------------------|-------|----------------------|
| | | Change from FY2009 | | Difference from plan |
| Net interest income | 79.5 | -0.5 | - | 0.2 |
| Net fees and commissions income | 17.6 | 1.2 | - | 0.0 |
| Core gross operating profit | 97.1 | 0.7 | 0.7% | 0.2 |
| (-) Expenses | 58.4 | -1.0 | - | -0.2 |
| Core banking profit | 38.7 | 1.7 | 4.6% | 0.4 |
| Gains/Losses from Securities | 1.8 | 1.6 | - | -2.7 |
| Real banking profit | 40.5 | 3.3 | 9.0% | -2.3 |
| Gains/Losses on stocks | -4.6 | -1.5 | - | 0.9 |
| (-) Credit costs | 11.9 | -2.7 | - | -0.2 |
| Ordinary profit | 23.0 | 5.4 | 30.8% | -1.2 |
| Net income | 13.2 | 2.6 | 25.0% | -0.9 |

【Consolidated】

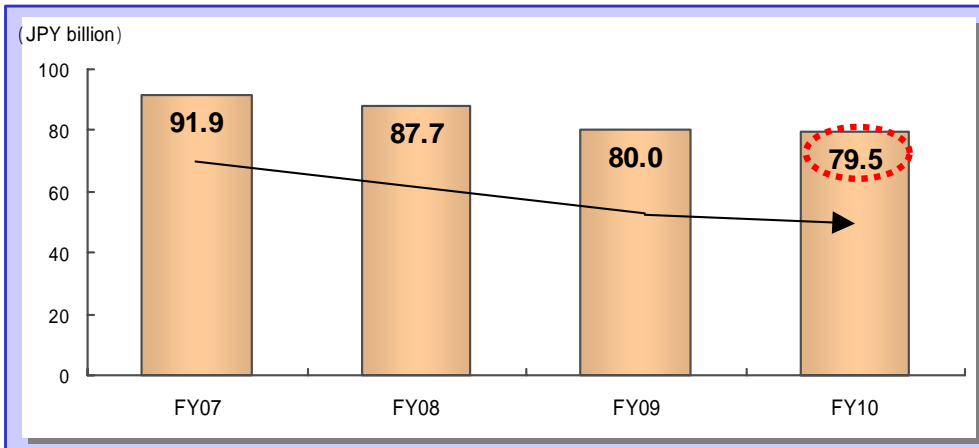
| | | | | |
|------------------------|-------------|------------|-------|-------------|
| Ordinary profit | 24.7 | 5.5 | 28.3% | -0.9 |
| Net income | 13.8 | 2.7 | 24.3% | -0.6 |



(2) Breakdown of profit

■ Capital profit has fallen by only JPY 0.5 billion yoy, despite a fall in interest on loans due to declining market rates

Net interest income

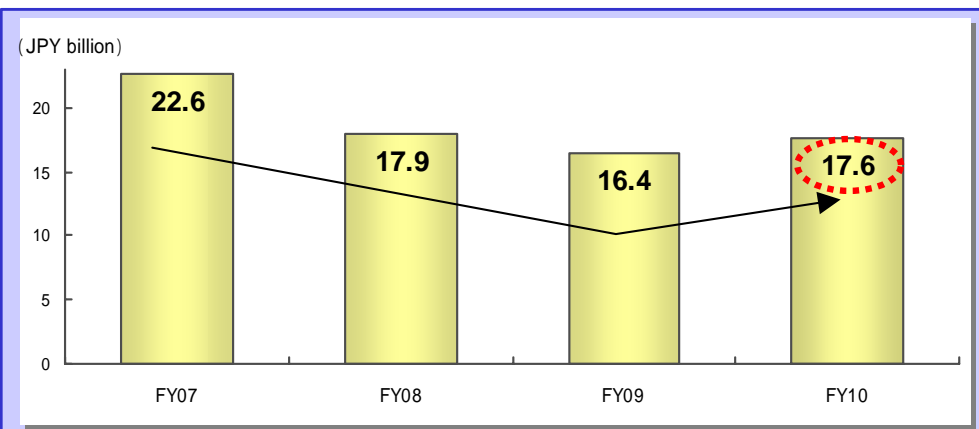


Breakdown of net interest income

| | FY2010 (JPY billion) | |
|----------------------------|----------------------|-------------|
| | | yoy change |
| Interest on loans | 75.1 | -4.6 |
| Interest on securities | 18.0 | 1.1 |
| Interest on deposits(-) | 7.1 | -3.3 |
| Other interest expenses(-) | 6.5 | 0.3 |
| Net interest income | 79.5 | -0.5 |

■ Profit on services transactions, etc. has increased by JPY 1.2 billion yoy, owing to increased profit from investment banking, retail asset management and domestic exchange business

Net fees and commissions income



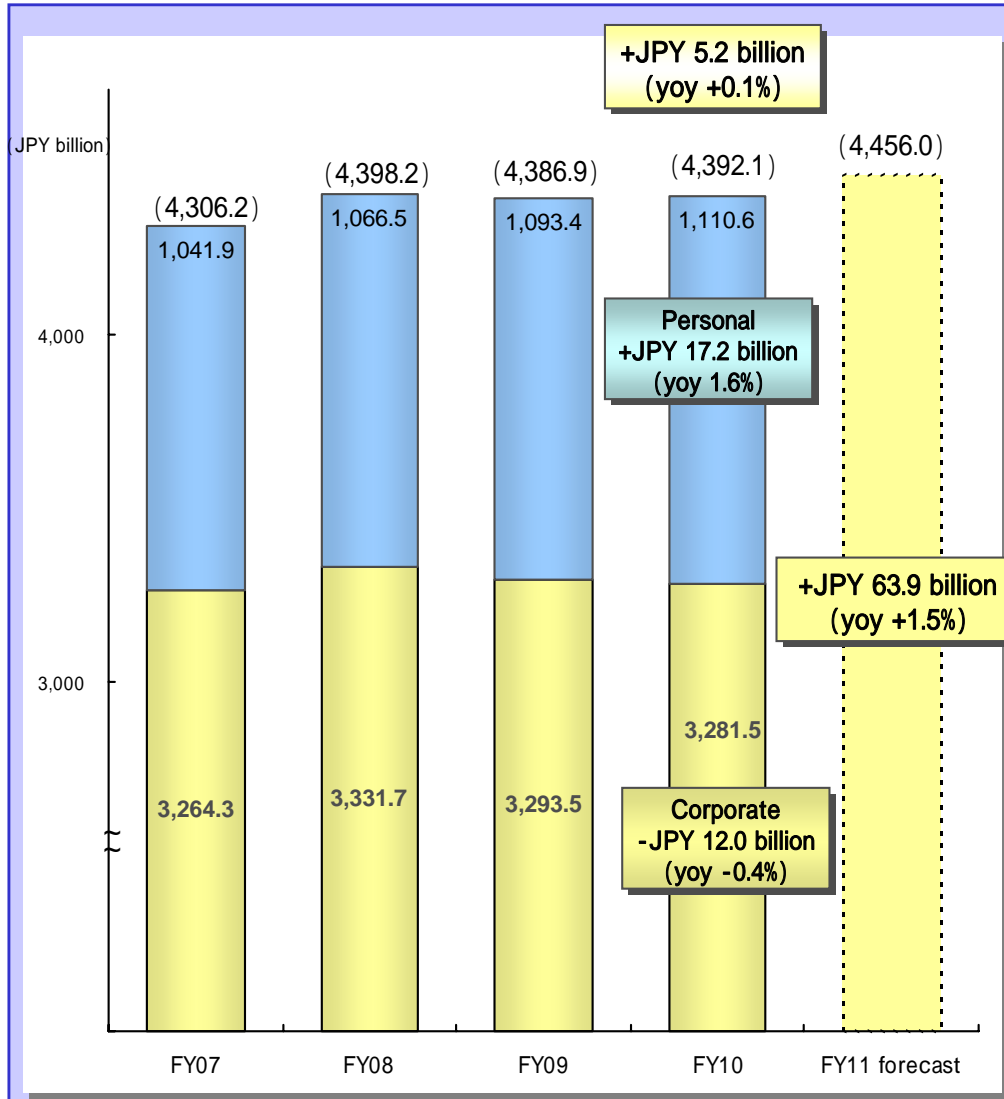
Breakdown of net fees and commissions income

| | FY2010 (JPY billion) | |
|---------------------------------|----------------------|------------|
| | | yoy change |
| Interest banking | 3.3 | 0.6 |
| Retail asset management | 6.3 | 0.3 |
| Other | 8.0 | 0.3 |
| Net fees and commissions | 17.6 | 1.2 |

(3) Loans

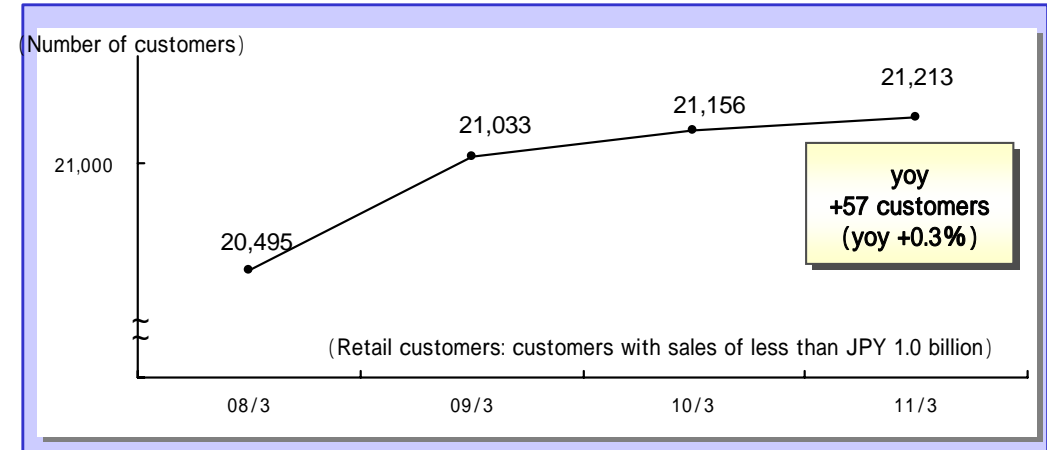
■ The average balance of total loans has turned upwards again, **increasing by JPY 5.2 billion yoy**

Average balance of total loans



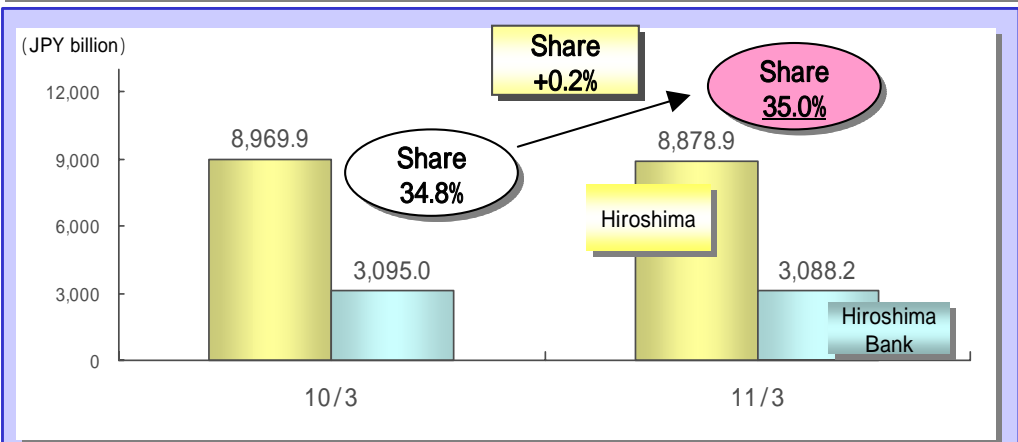
■ Number of profitable retail customers is **rising steadily**

Number of corporate loan customers



■ Total loans in Hiroshima Prefecture have fallen, but **Hiroshima Bank's share has increased**

Loans in Hiroshima Prefecture and Hiroshima Bank's share



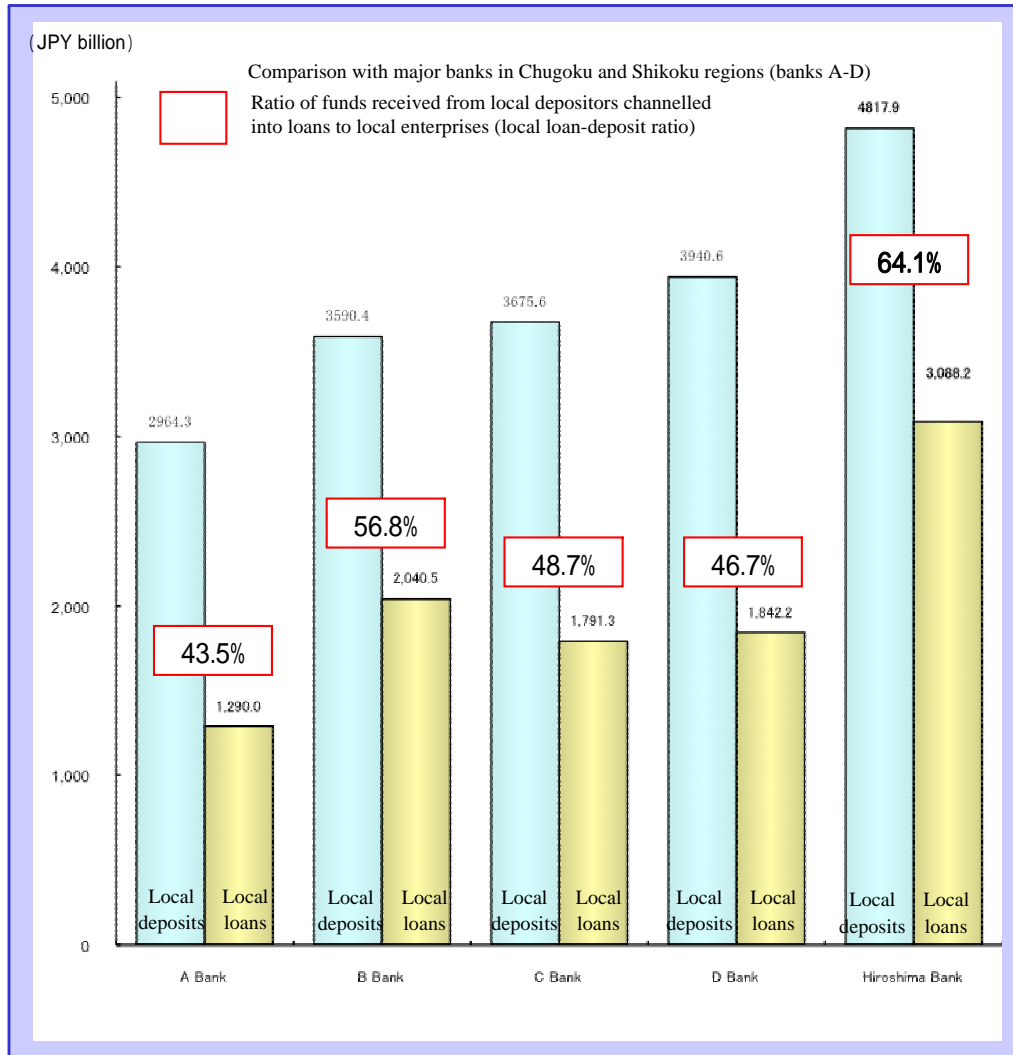
* Share is calculated before partial direct depreciation



(4) Loans

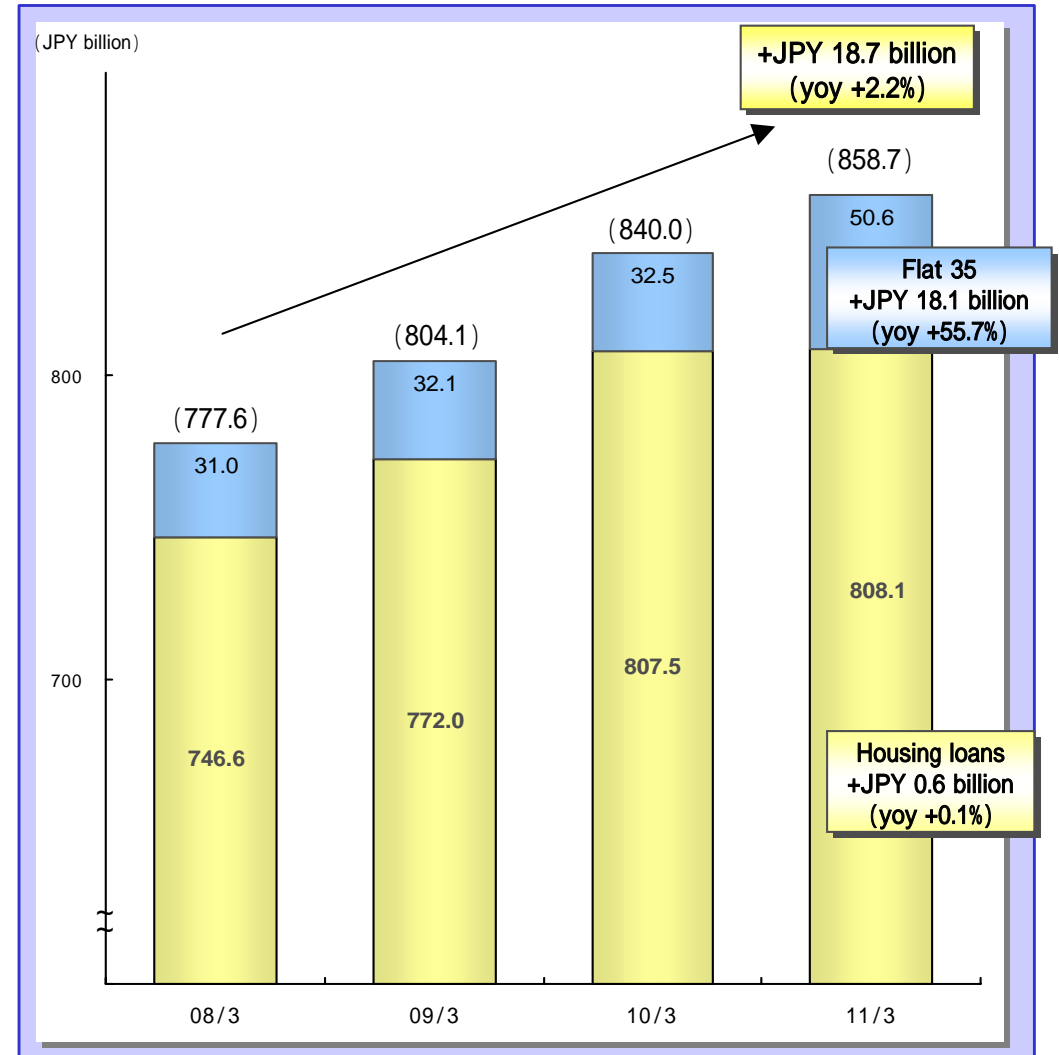
Local deposits have been actively channelled into loans to local SMEs

Local loan-deposit ratio



Housing loans, including Flat 35, have been promoted in response to customer needs

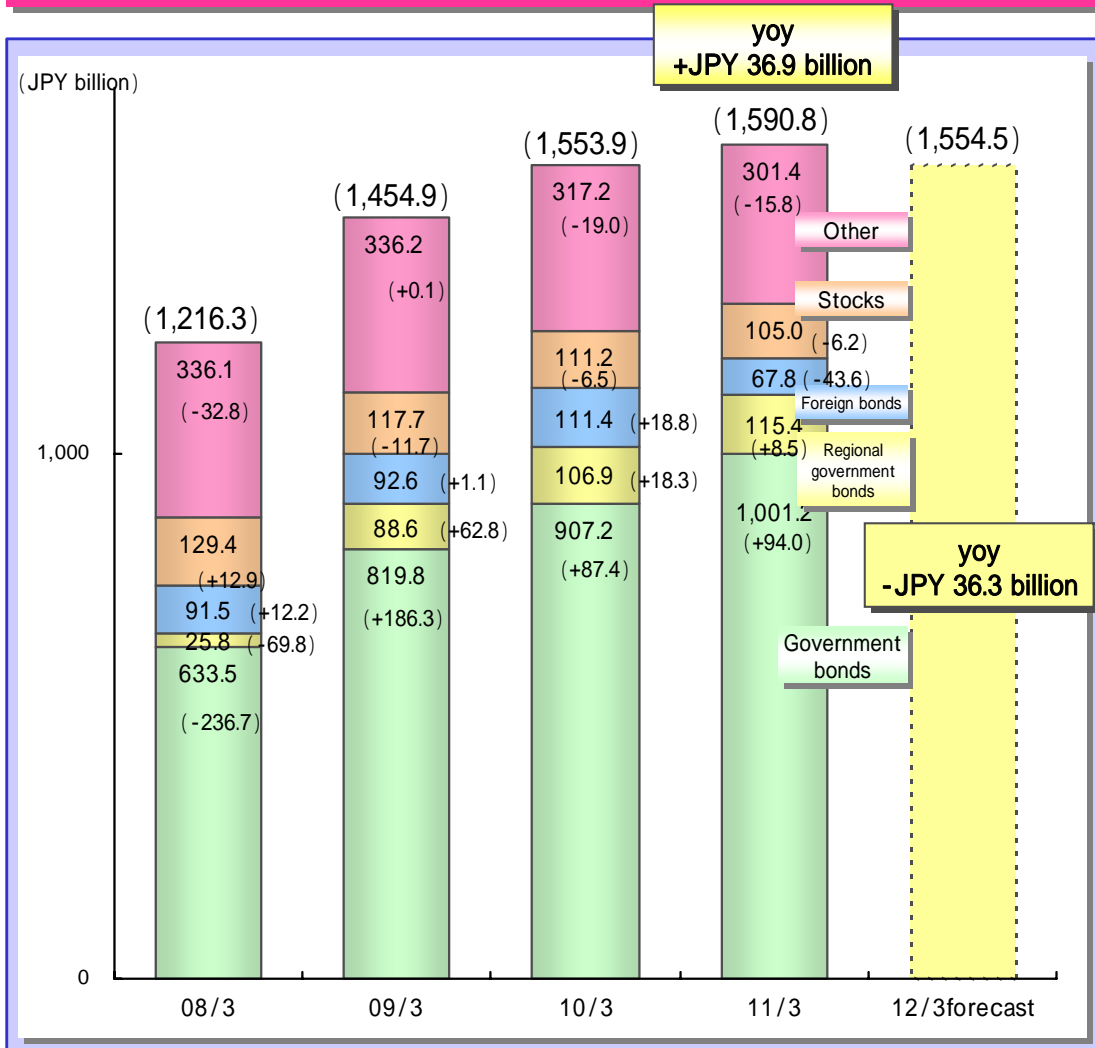
Term-end balance of housing loans (including Flat 35)



(5) Securities

Hiroshima Bank has **enhanced its portfolio** while maintaining a constant balance and stable profitability

Securities portfolio (term-end balance)



Interest rate risk and the duration of domestic bonds have been reduced

| | 10/3 | 11/3 | (years) yoy change |
|----------------------------|------|------|-----------------------|
| Duration of domestic bonds | 5.21 | 4.63 | -0.58 |

Interest rate risk is at a low level

| | 10/3 | 11/3 | yoy change |
|---------------------|------|-------|------------|
| Outlier measurement | 8.8% | 10.6% | 1.8% |

Gains/losses from securities are virtually unchanged yoy

| | FY09 | FY10 | (JPY billion) yoy change |
|-------------------------------------|------|------|-----------------------------|
| Gains/Losses from securities | 0.2 | 1.8 | 1.6 |
| Gains/Losses from stocks | -3.1 | -4.6 | -1.5 |
| Gains/losses from securities/stocks | -2.9 | -2.8 | 0.1 |

Amount of risk assets subject to significant fluctuation in value has been reduced

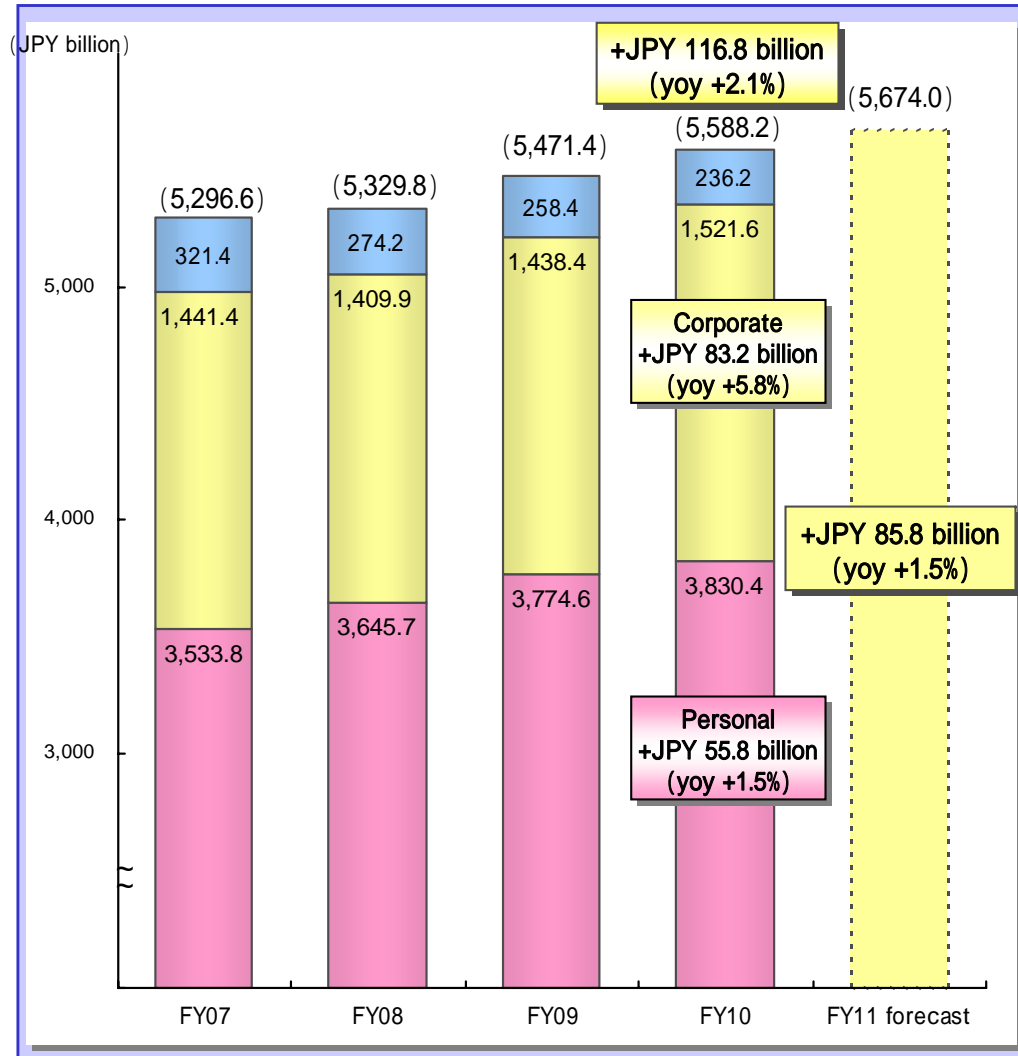
| | 10/3 | 11/3 | (JPY billion) yoy change |
|-----------------------------------|--------------|--------------|-----------------------------|
| Securitized products | 31.8 | 11.6 | -20.2 |
| JPY-denominated investment trusts | 58.5 | 38.7 | -19.8 |
| Policy investment stocks | 105.9 | 96.2 | -9.7 |
| Total | 196.2 | 146.5 | -49.7 |

* Balance before fair value adjustment; figures in parentheses () show yoy change

(6) Deposits

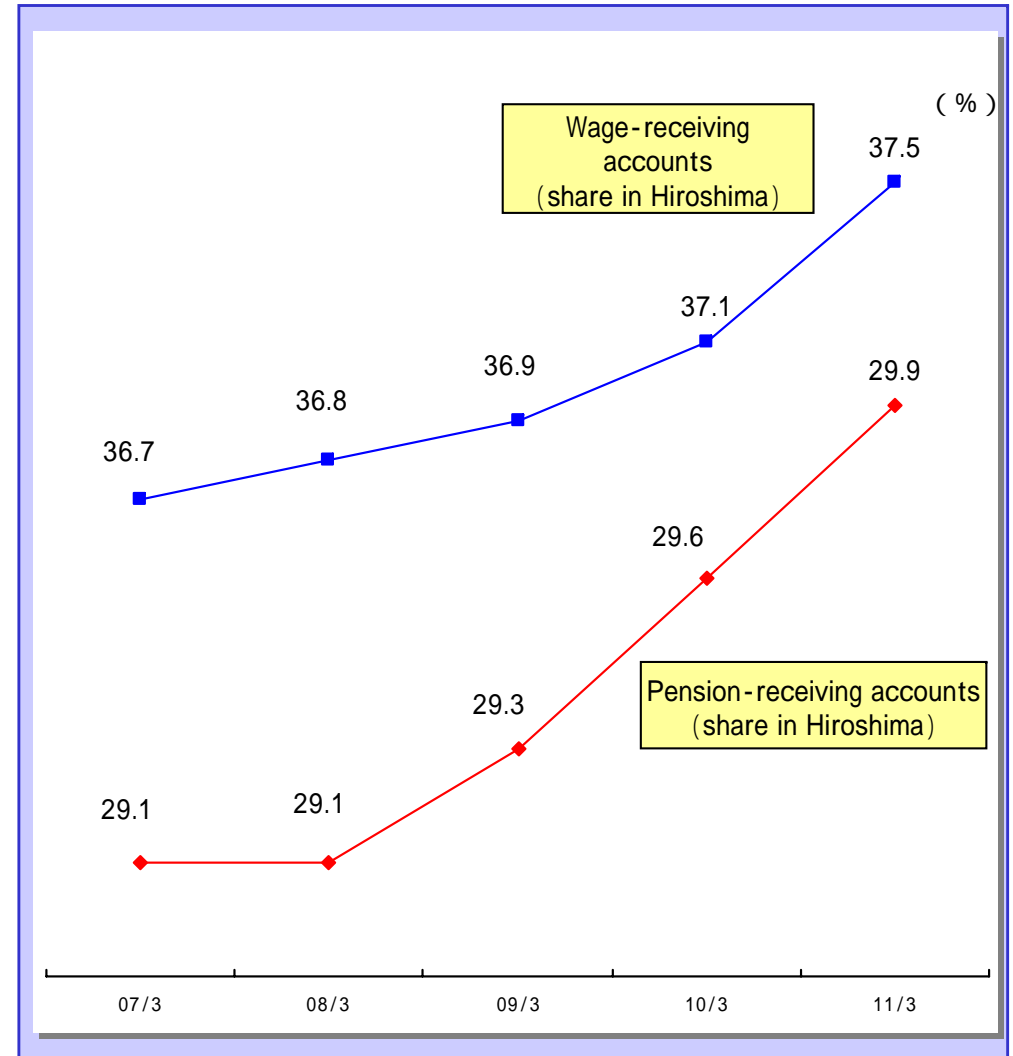
■ Average balance of total deposits has risen by JPY 116.8 billion yoy, owing to **major increases in personal and corporate deposits**

Average balance of total deposits and NCD



■ Hiroshima Bank's share of pension- and wage-receiving accounts is rising steadily

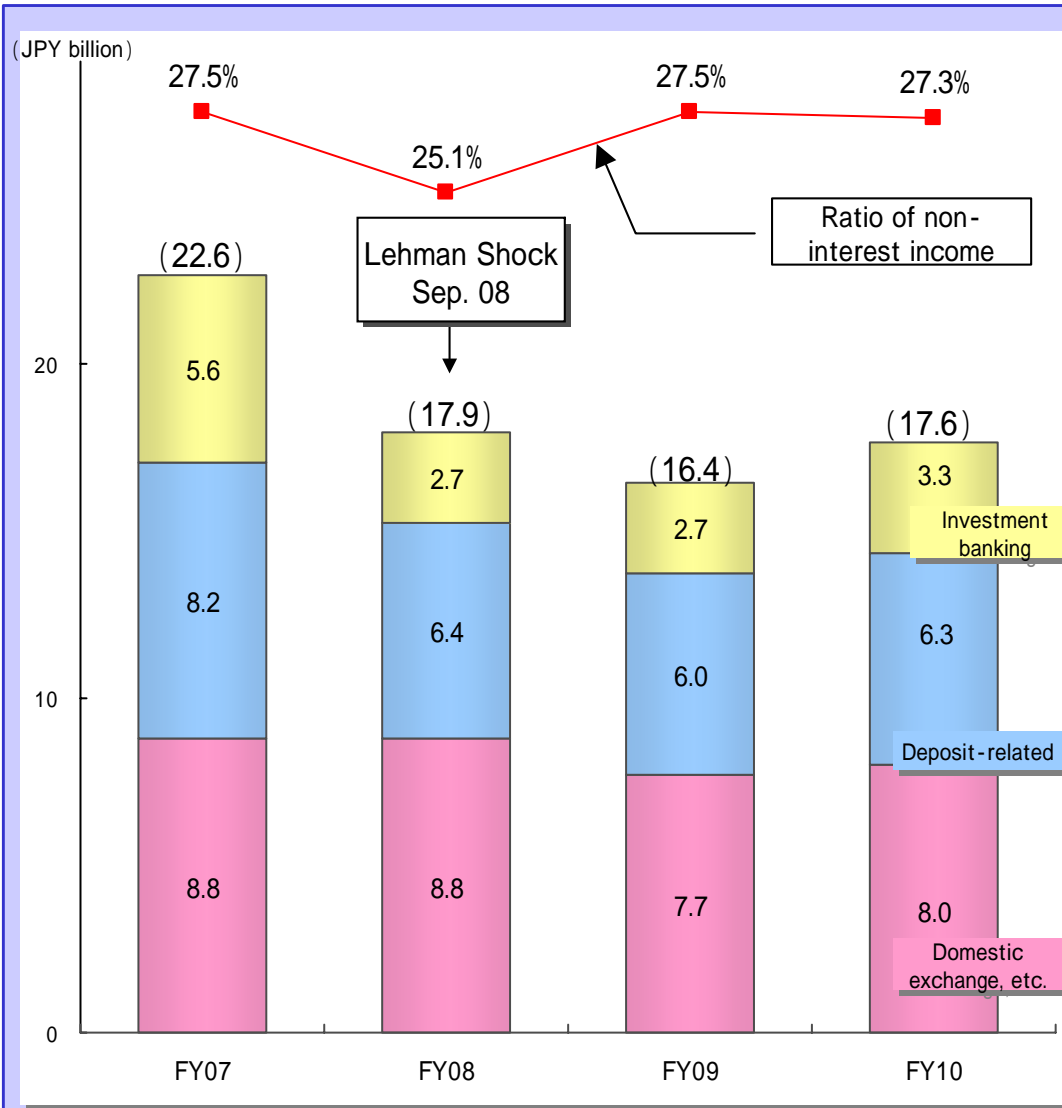
Regional share of wage- and pension-receiving accounts



(7) Investment banking and sale of financial products

Hiroshima Bank's ratio of non-interest income is **one of the highest among leading regional banks**

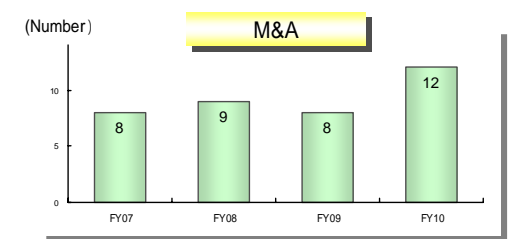
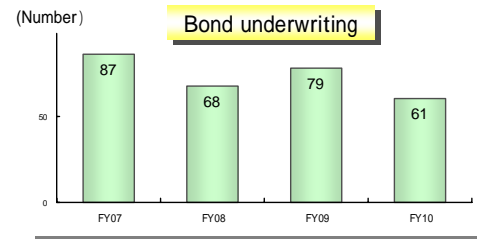
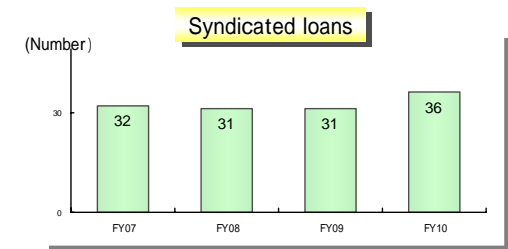
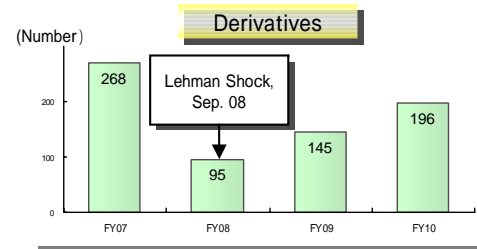
Ratio of non-interest income, income from services transactions, etc.



* Ratio of non-interest income: ratio of non-interest income to gross income from core business

The number of transactions **has been recovering steadily** since the Lehman Shock

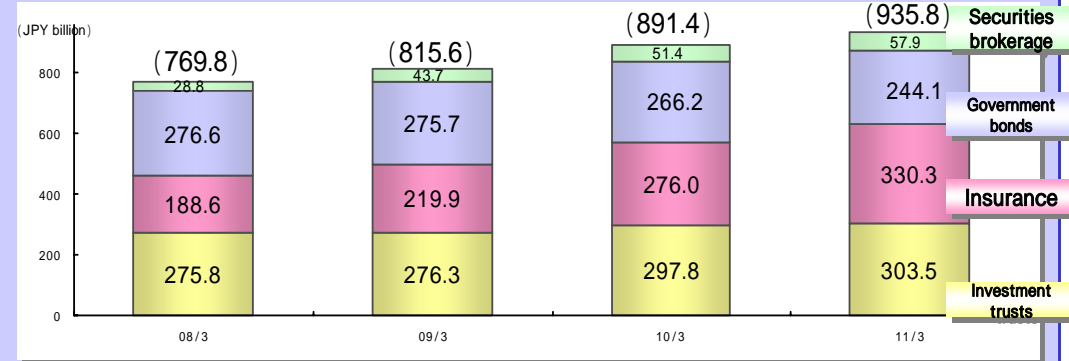
Investment banking



Total financial products have **increased steadily**, rising by JPY 44.4 billion yoy

Retail asset management

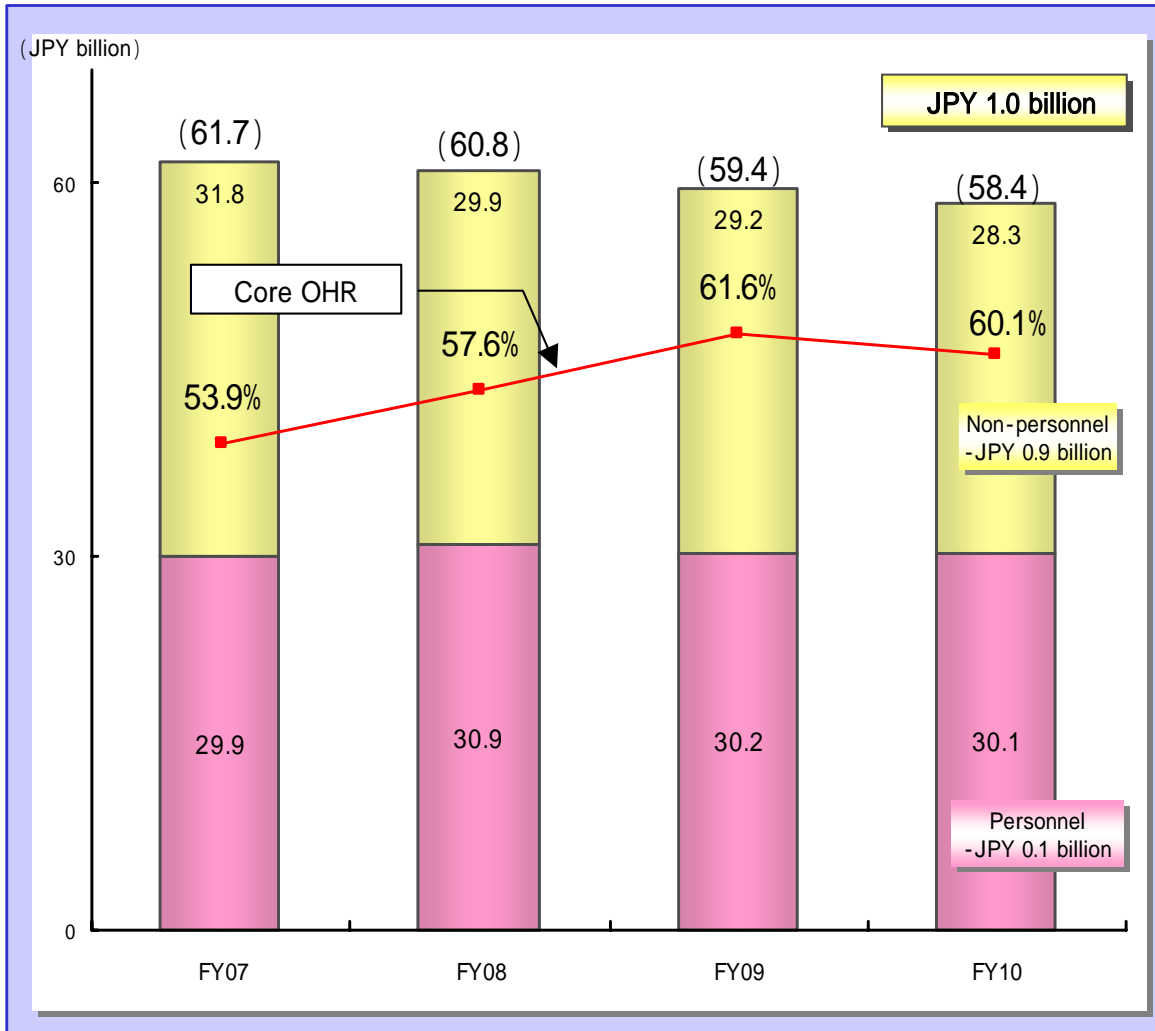
+JPY 44.4 billion (yoy +5.0%)



(8) Expenses

- Strengthening initiatives to improve efficiency of business operation has **reduced expenses by JPY 1.0 billion yoy and improved OHR by 1.5 points yoy to 60.1%**

Expenses and core overhead ratio (OHR)



* Core OHR: expenses/core gross profit

Cost-reduction initiatives -

Pursue **Cost Structure Reform Project** with greater thoroughness

- Detailed review of existing expenses

Implement **Business Reform Project**

(being implemented progressively from October 2010)

- Wide-ranging review of business processes (reduction (concentration) of front-office operations (concentration)/simplification of back-office operations, etc.)

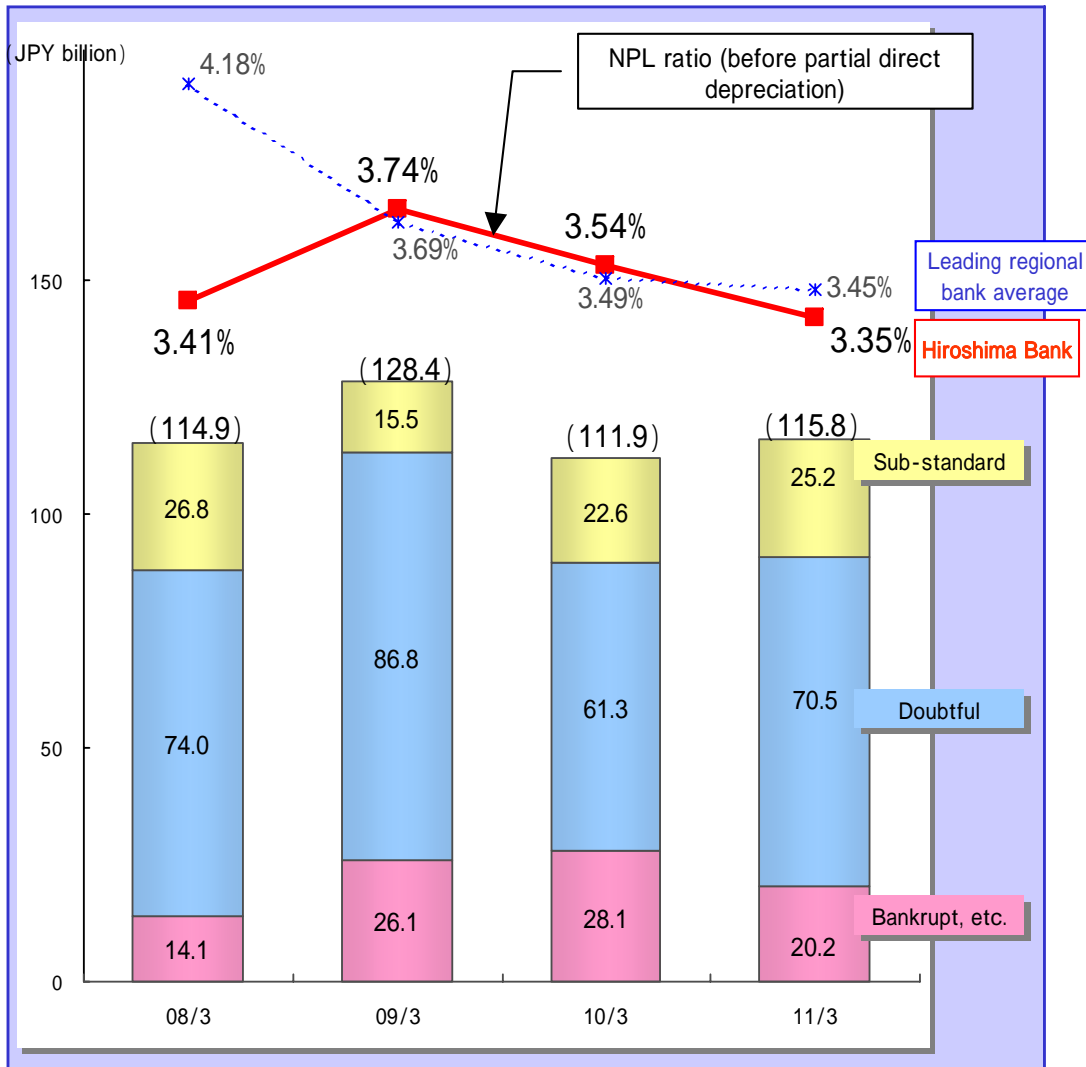
Implement other cost-reduction measures

- Review of “joint-use basic system” outsourcing contract

(9) Non-performing loans (NPL) and credit costs

■ NPLs have been kept to a healthy level by increased efforts in revitalizing customers' business

NPLs (term-end balance) and NPL ratio



■ A positive effort has been made to facilitate financing for SMEs

Number of cases of action to facilitate financing for SMEs

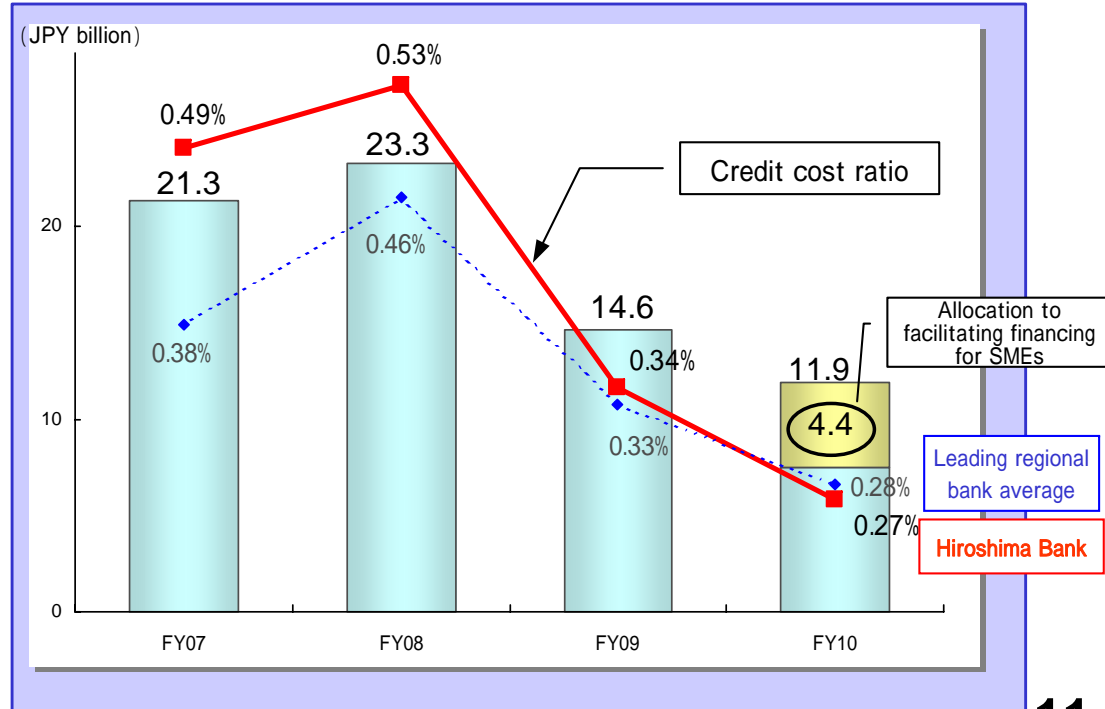
Loans where applications for modification of conditions received, etc.

Number of loan claims: 11,450 / Amount: JPY 367.7 billion

(Total for Dec 2009 ~ March 2011)

■ Even when allocations to facilitation of financing for SMEs are included, credit costs have fallen significantly

Credit costs and credit cost ratio



(10) Capital adequacy ratio

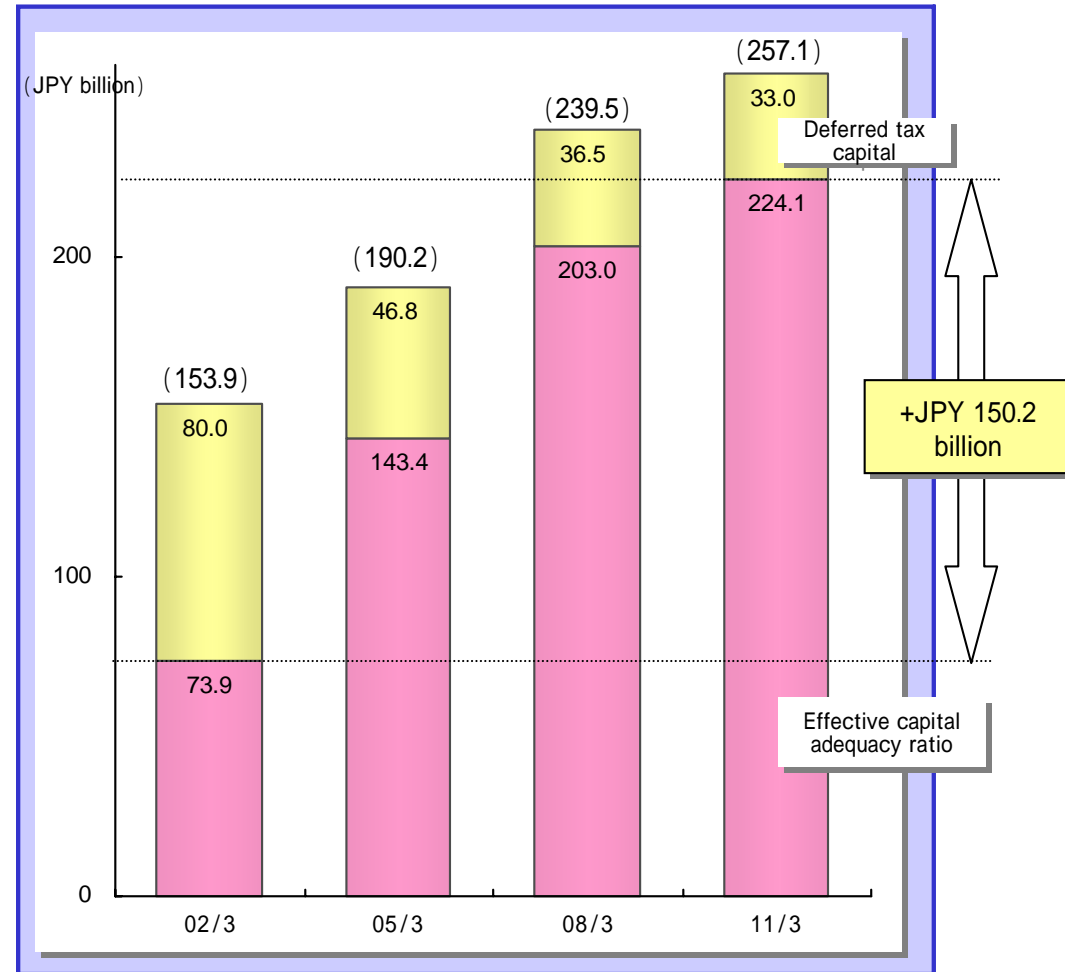
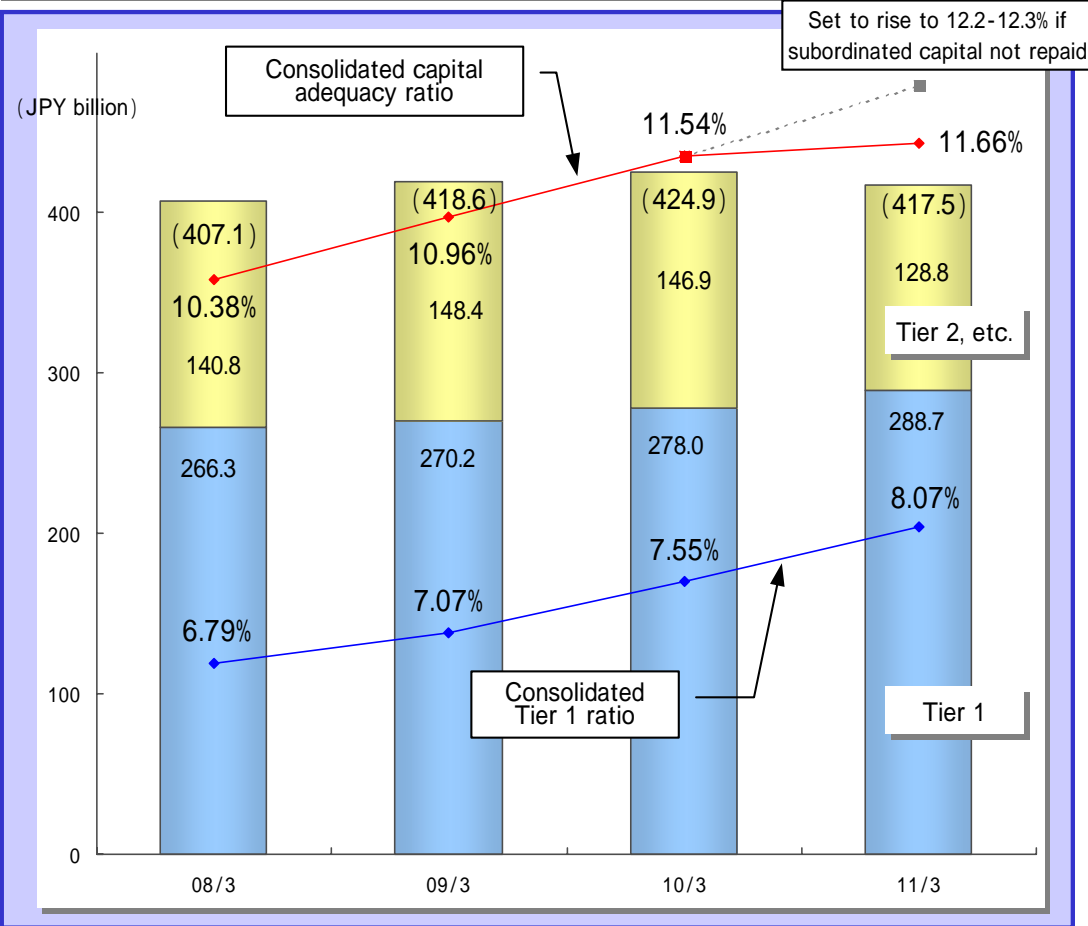
- Consolidated capital adequacy ratio is in **mid-11-12% range**
 - Consolidated Tier1 ratio set to reach **8-9% range**
- Medium-term target achieved early

- Tier 1** Rising steadily thanks to accumulation of retained earnings
- Tier 2** JPY 20 billion of subordinated capital notes due to be repaid

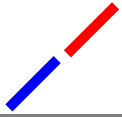
- Effective capital adequacy has increased due to accumulation of retained earnings.
 - Deferred tax capital has fallen due to pursuit of tax exemption
- financial base strengthened**

Trend of effective capital adequacy ratio

Consolidated capital adequacy ratio and Tier 1 ratio



* Effective capital adequacy ratio: shareholders equity deferred tax capital



2. Business strategies

(1) Summary of the Mid-term management plan (Key points for FY2011)

“STEPS” medium-term management plan

(FY2009-2011)

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

Build strong relationships with customers

Establish solid operational base

Enhance sustainable profitability

Strengthen capital base

FY2010

Further strengthen relationships with customers and, as the leading bank in the region, provide sound and efficient financial functions

- Establish a stable business base founded on a solid customer base
- Provide stable intermediary functions to the local community
- Build a sound balance sheet for income stability
- Implement radical business reforms
- Foster human resources with a view to rapid effectiveness and diversification

Completion of preparations for final year of “STEPS” medium-term plan

Establish area sales staff system

Prepare roadmap for clerical work reform project

FY2011

Be ambitious, use initiative and aim for high targets

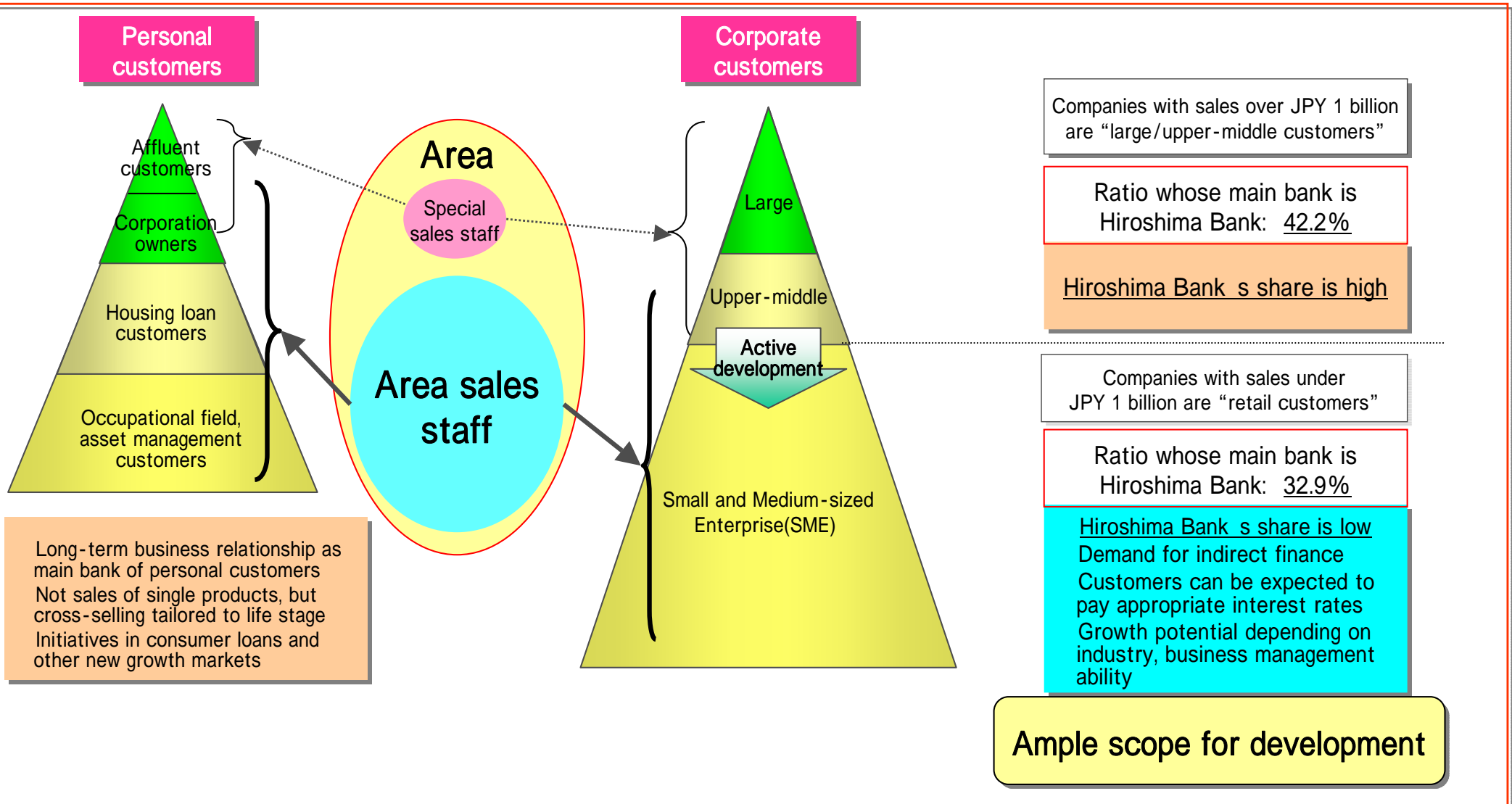
- Growth strategy
 - Enhance area sales staff system
 - Adapt to market shrinkage
 - Establish new sources of income
 - Turn support for customers establishing overseas operations into a profitable business
- Implement radical business reforms
- Further efforts to facilitate financing

Complete final stages of “STEPS” medium-term plan and prepare infrastructure for FY2012 onwards, with a view to long-term growth



(2) Growth strategy Enhance area sales staff system

- Expand Hiroshima Bank's share in Hiroshima Prefecture by improving area sales staff system and actively developing retail customers



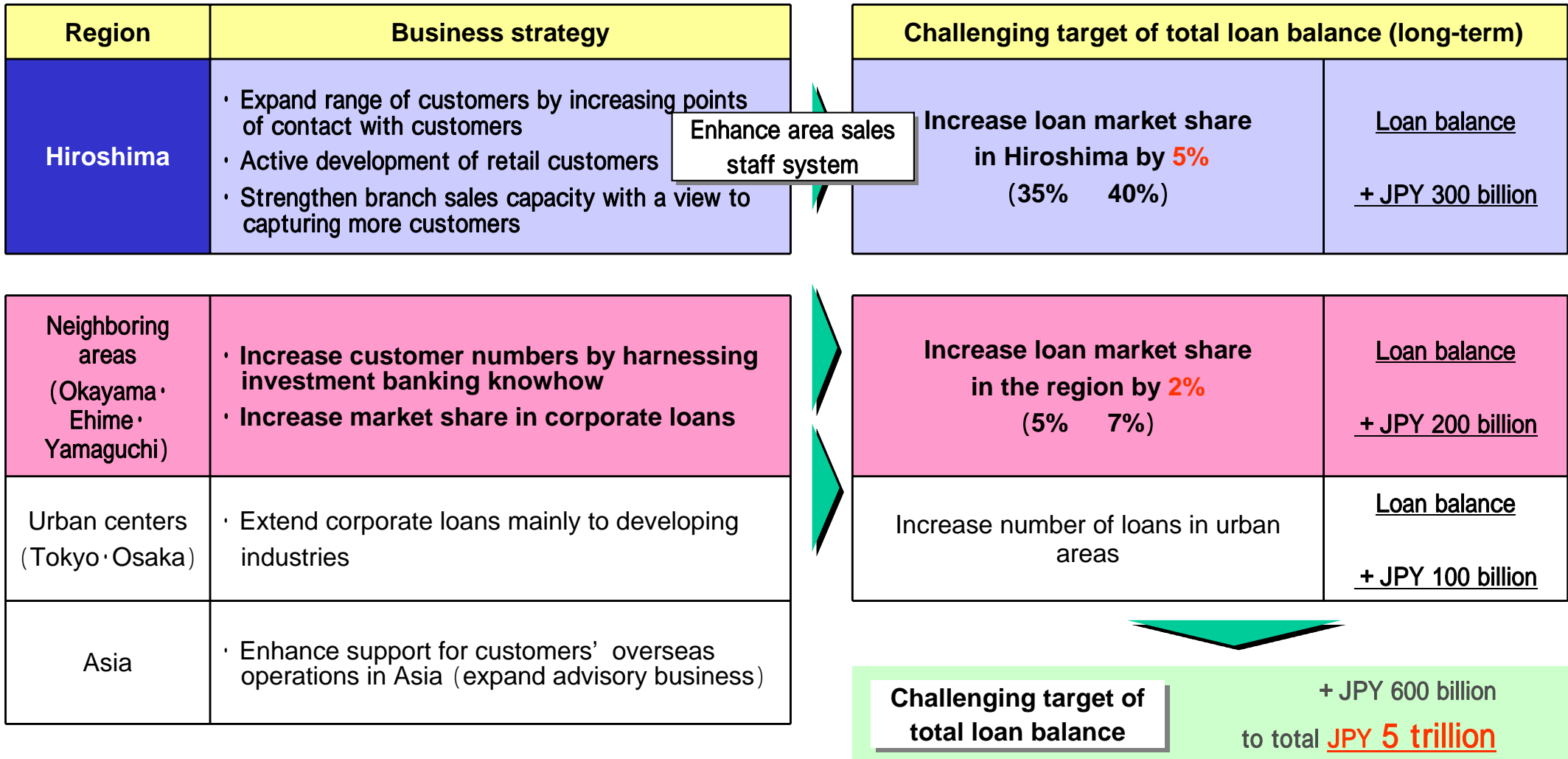


(2) Growth strategy Adapt to market shrinkage

■ Decrease in population and population aging

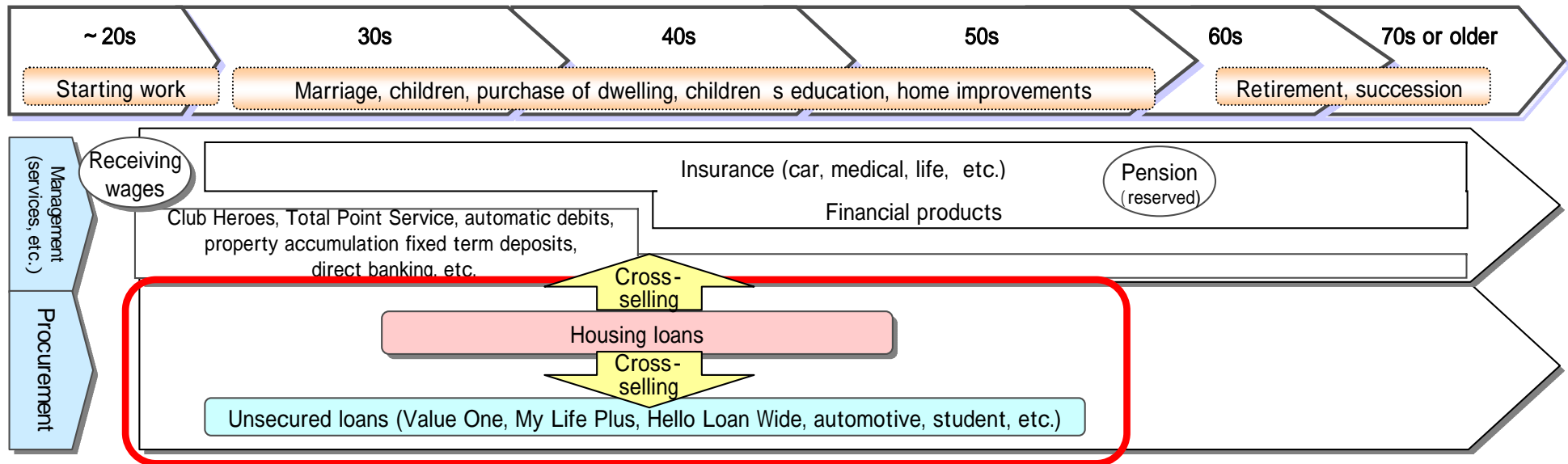
Shrinking domestic economy

➤ Enhancement of loans (outlook)



(2) Growth strategy Establish new sources of income (personal customer strategy)

■ Use housing loans, customers main transaction with Hiroshima Bank, as base for cross-selling tailored to life stage



Ratios of customers using Hiroshima Bank for major types of household transaction as a set with a household loan

| Transaction type | Customers with housing loan | Customers without housing loan |
|---------------------|-----------------------------|--------------------------------|
| Receiving wages | 60% | 21% |
| Value One | 49% | 11% |
| Card loans | 65% | 15% |
| Internet banking | 52% | 10% |
| Fixed term deposits | 33% | 24% |

Customers without housing loans

Strengthen the area sales staff system and housing loan centers to actively recruit housing loan customers and use the opportunity for cross-selling and encourage use of Hiroshima Bank as main bank for household transactions

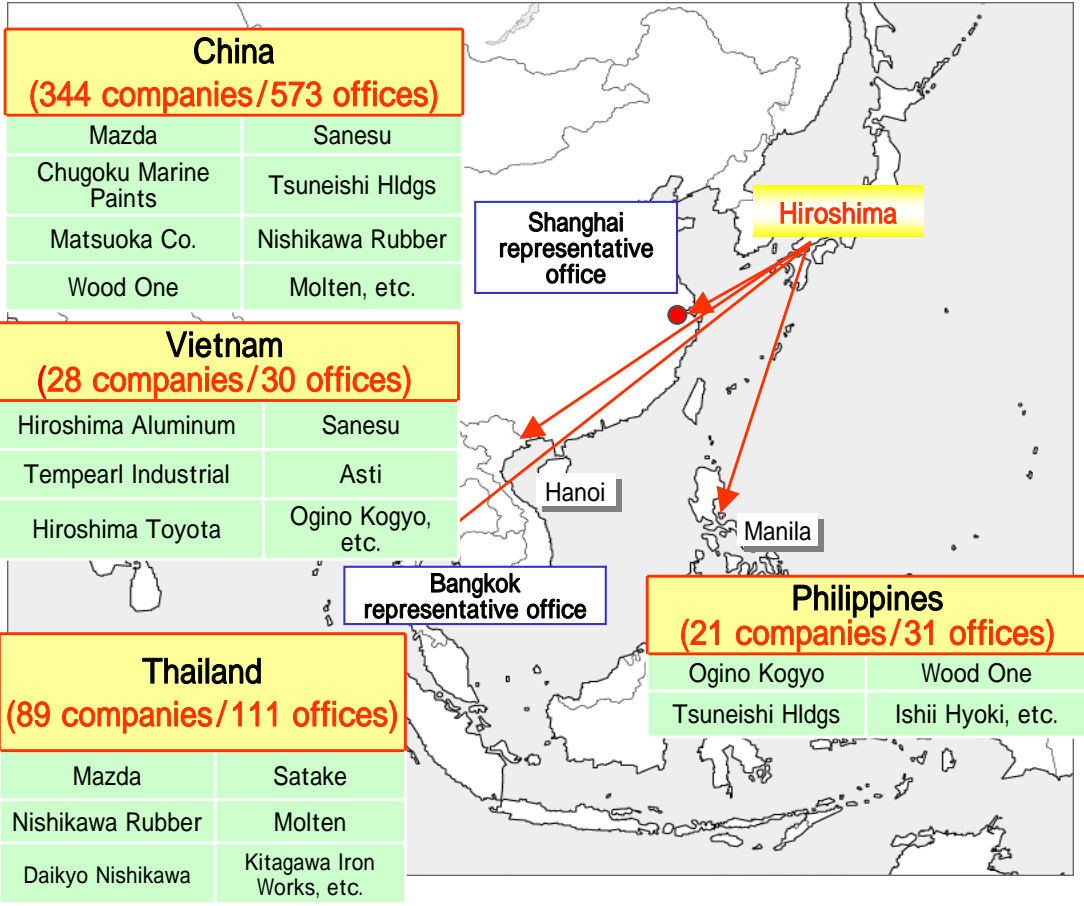
Customers with housing loans

Expand face-to-face contact to increase ratio of customers using Hiroshima Bank for transactions "as a set" and usage ratio and encourage lifelong use of Hiroshima Bank by increasing transaction density

(2) Growth strategy Turn support for customers establishing operations overseas into profitable business

424 companies that use Hiroshima Bank have established 888 offices in Asia, which is expected to see steady economic growth business opportunities are growing

Hiroshima Bank customers presence in Asia



An increasing number of companies, mainly from the manufacturing sector, are expected to set up operations in Asia, and business opportunities are likely to continue to grow

Using the "Asia Strategy Support Desk"

Providing a one-stop specialist solution, from business feasibility studies to realization

Expanding area covered by support services through expansion of alliances with other banks

May 2011
4 regional banks form alliance on overseas business

| | Linked overseas bases |
|------------------|-----------------------|
| Hiroshima Bank | Bangkok |
| 16 Bank | Hong Kong |
| Hokkoku Bank | Singapore |
| San-in Godo Bank | Dalian |

* All four banks have a base in Shanghai

Holding trade fairs, business seminars, etc.

"Nitchu Monozukuri Shodankai@Shanghai 2011" (Japan-China Manufacturing Trade Fair@Shanghai 2011), "Kaigai Business Seminar" (Overseas Business Seminar), "Kaigai Business Teiki Sodankai" (Regular Overseas Business Consultation Session), "2011 Dairen-Chiho Ginko Business Shodankai" (2011 Dalian-Regional Bank Business Trade Fair)

(3) Implement radical business reforms

- Implement radical business reforms including a “Clerical work reform project” designed to enhance customer convenience and rigorousness of clerical work as well as cutting clerical costs

Clerical work reform project

| Item | Main measures | Implementation |
|--|---|-----------------------------|
| I. Expand one-stop processing at counter | · New terminals (improved UBT) | 2 nd half FY2012 |
| | · Expand image processing | 2 nd half FY2012 |
| II. Minimize post-transaction work | · Centralize storage of personal seal forms and other documents | Sep. 2011 |
| | · Centralize incoming message work | Mar. 2011 |
| | · Centralize processing of failed transfers | May 2012 |
| III. Minimize officers work | · Centralize declaration of suspicious transactions, etc. | Nov. 2010 |
| IV. Improve central clerical work department | · Restructure clerical work center | Oct. 2011 |
| V. Expand ATM functions | · Coin payments and withdrawals | Oct. 2010 |
| | · Multi-payments | Jul. 2011 |

Review of “joint-use basic system” outsourcing contract (implemented Jan. 2011)

Review of mail, transportation and cash center work, etc. (implemented Jun. 2011)

Expected benefits of clerical work reform project

Cost reduction (relative to FY2010)

| | FY2011 | FY2017 |
|-----------------|------------------|------------------|
| Building costs | -JPY 100 million | -JPY 400 million |
| Personnel costs | -JPY 300 million | -JPY 1.8 billion |
| Total | -JPY 400 million | -JPY 2.2 billion |

* Cost reductions are single fiscal year figures

Reduction of workforce through natural wastage, less recruitment reduced personnel costs

Surplus sales staff

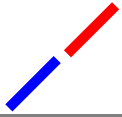
| | Number of persons |
|-----------------------------|-------------------|
| Employees, contract workers | -140 |
| Staff | -360 |
| Total | -500 |

Strengthen sales force

In the context of cutting personnel costs, strengthen sales capability by assigning 100 or so surplus staff to area sales, etc.

Improved OHR

Further strengthening of area system



3. Earnings estimate for FY2011

(1) Earnings estimate for FY2011

■ Increases in both ordinary profit and net income expected

■ **Ordinary profit** JPY 25.9 billion (yoy +JPY 2.9 billion)

■ **Net income** JPY 15.3 billion (yoy + JPY 2.1 billion)

| | FY10 (Actual) | FY11 (JPY billion) | |
|---------------------------------------|------------------|--------------------|-------------|
| | | (Estimate) | change |
| Net interest income | 79.5 | 77.1 | -2.4 |
| Net fees and commissions | 17.6 | 18.1 | 0.5 |
| Core gross banking profit | 97.1 | 95.2 | -1.9 |
| Expenses | 58.4 | 58.2 | -0.2 |
| Core banking profit | 38.7 | 37.0 | -1.7 |
| Net gains (losses) relating to bonds | 1.8 | 0.0 | -1.8 |
| Real banking profit | 40.5 | 37.0 | -3.5 |
| Net gains (losses) relating to stocks | (4.6) | 0.0 | 4.6 |
| Credit costs | 11.9 | 10.0 | -1.9 |
| Ordinary profit | 23.0 | 25.9 | 2.9 |
| Net income | 13.2 | 15.3 | 2.1 |
| Net income (consolidated) | 13.8 | 15.7 | 1.9 |

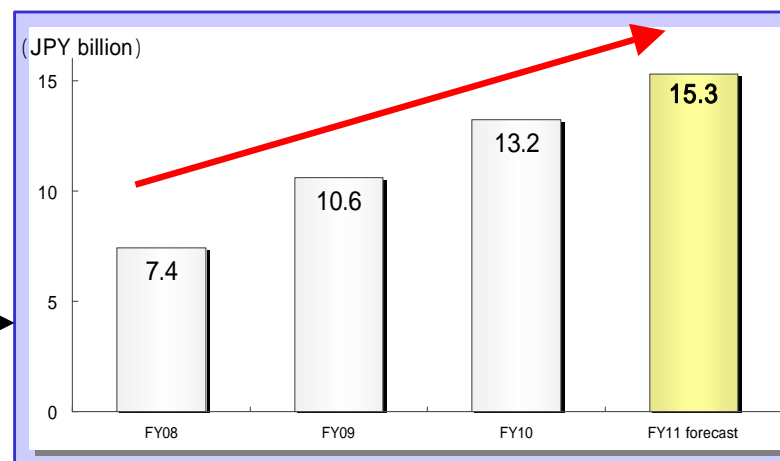
■ Interest on yen-denominated deposits and loans expected to turn upwards

Breakdown of Net interest income

| | FY2011 forecast | (JPY billion) | |
|----------------------------|--------------------|---------------|--|
| | | yoy change | |
| Interest on loans | 74.1 | -1.0 | +JPY 0.5 billion ↑ -JPY 1.3 billion in previous year (see p.4) |
| Interest on securities | 15.5 | -2.5 | |
| Interest on deposits(-) | 5.6 | -1.5 | |
| Other interest expenses(-) | 6.9 | 0.4 | |
| Net interest income | 77.1 | -2.4 | |

■ Rise in net income for the current term expected for a third year in succession

Net income



(2) Dividends and introduction of shareholder benefit scheme

- Expect dividends of 5 yen per share (annual) in FY11 based on payout table.

| | Dividend per share (annual) FY11 | | |
|-------------------|----------------------------------|----------|---------|
| | Interim | Year-end | |
| Dividend forecast | 2.5 Yen | 2.5 Yen | 5.0 Yen |
| Dividend (FY2010) | 2.5 Yen | 2.5 Yen | 5.0 Yen |

Payout table

| Consolidated net income | Dividend per share | | | Consolidated payout ratio |
|-------------------------|--------------------|-----------------------|-----------|------------------------------------|
| | (A) Stable | (B) Performance-based | (A) + (B) | |
| under 18 billion | 5 yen | 0 yen | 5 yen | 17.4% and over |
| 18 - 21 billion | 5 yen | 1 yen | 6 yen | 17.9% and over and less than 20.8% |
| 21 - 24 billion | 5 yen | 2 yen | 7 yen | 18.2% and over and less than 20.8% |

Introduction of shareholder benefit scheme

- Record date** March 31 each year (starting March 31, 2012)
- Qualifying shareholders** All shareholders holding at least 1,000 ordinary shares who are entered in the register of shareholders as of the record date
- Content** Preferential interest rate on fixed term deposits

| Number of shares held | Maximum deposit | Applicable interest rate |
|-----------------------|-----------------|---|
| 1,000-9,999 shares | JPY 3 million | Rate advertised for Super Teiki Yokin or Super Teiki Yokin 300 fixed term deposit + 0.3% |
| 10,000 shares or more | JPY 5 million | " + 0.5% |
| Term: 1 year | | |



Reference for this material

This material contains statements about future business performance.

These statements do not guarantee future business performance and are subject to uncertainties.

Please note that actual future business performance may differ from our goals depending on changes in the business environment and other factors.

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