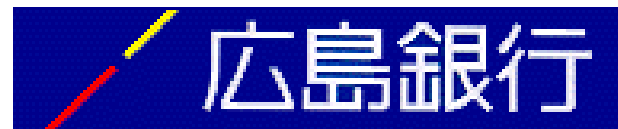


Financial results for FY2011
and Overview of the New mid-term plan 2012
‘Challenge for Innovation’

- IR presentation -

The Hiroshima Bank, Ltd.



May 31 , 2012

President Isao Sumihiro



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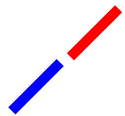
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1 . Summary of financial results

(1) Financial highlights of FY2011

- Real banking profit increased by JPY 1.5 billion (+3.5%) year-on-year, mainly driven by expense reduction and gains from securities.

Net income was JPY 13.4 billion (JPY 0.2 billion increase, or +1.3% year-on-year) due to credit costs reduction and increase of real banking profit, despite the negative impact from reversal of Deferred Tax Assets (JPY - 2.5 billion) with lower effective corporate tax rate.

【 Non-consolidated 】

	FY2011	Change from FY2010		Difference from plan
				(JPY billion)
Net interest income	77.0	2.5	-	
Net fees and commissions income	18.1	0.5	-	
Core gross operating profit	95.1	2.0	2.0%	
(-) Expenses	57.8	0.6	-	
Core banking profit	37.3	1.4	3.7%	
Gains/Losses from securities	4.7	2.9	-	
Real banking profit	42.0	1.5	3.5%	
Gains/Losses on stocks	5.0	0.4	-	
(-) Credit costs	9.1	2.8	-	
Ordinary Profit	26.2	3.2	14.1%	0.1
Net income	13.4	0.2	1.3%	0.0

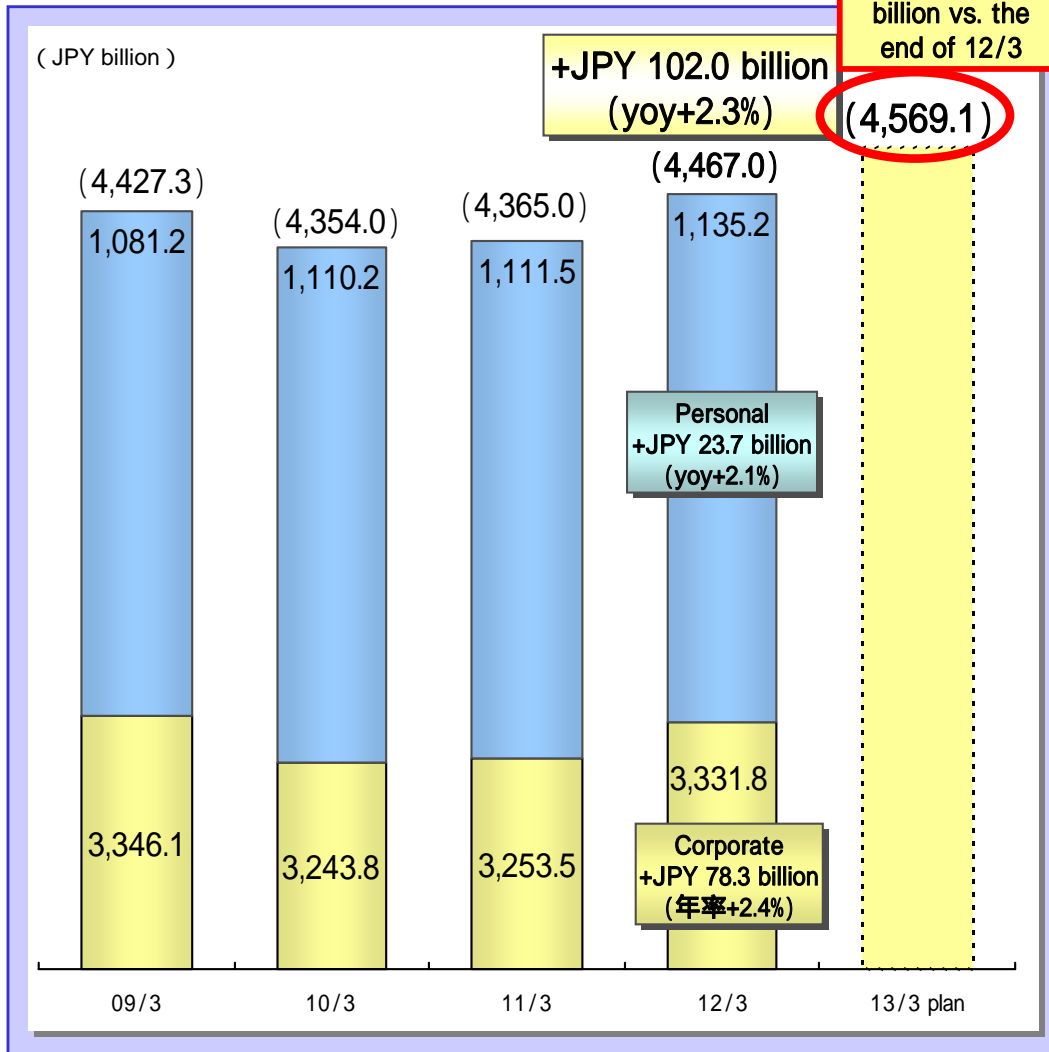
【 Consolidated 】

Ordinary Profit	27.8	3.1	12.7%	
Net income	13.9	0.1	0.6%	0.1

(2) Loans

- Term-end balance of total loans significantly increased both for Personal and Corporate customers, with + JPY 102 billion (+2.3%) year-on-year.
- Targeting around JPY 100 billion growth at the end of March/2013, similar level with previous year.

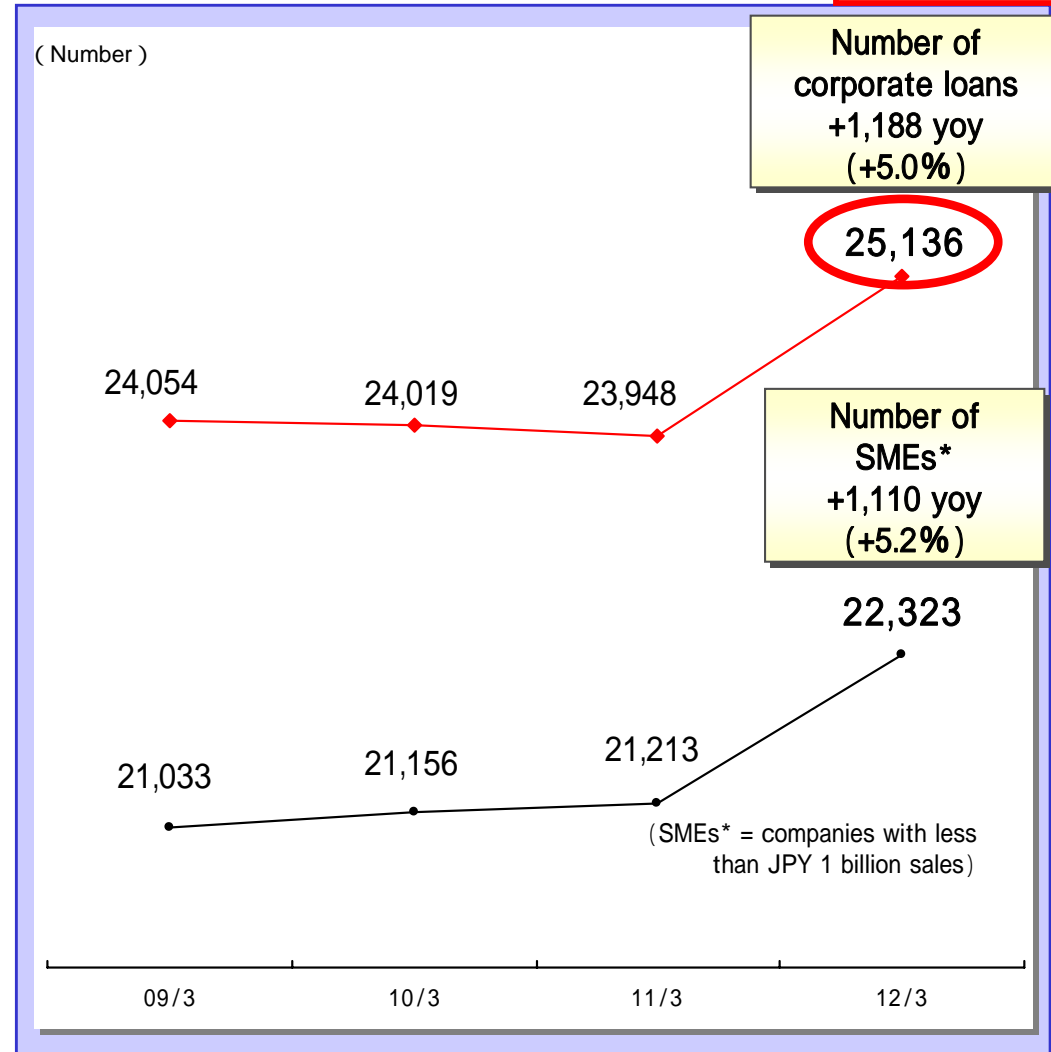
Term –end balance of total loans



- Number of corporate loan customers dramatically increased mainly among SMEs, thanks to the promotion of Area sales staff system.

Number of corporate loan customers

Acquiring 25,000 customers

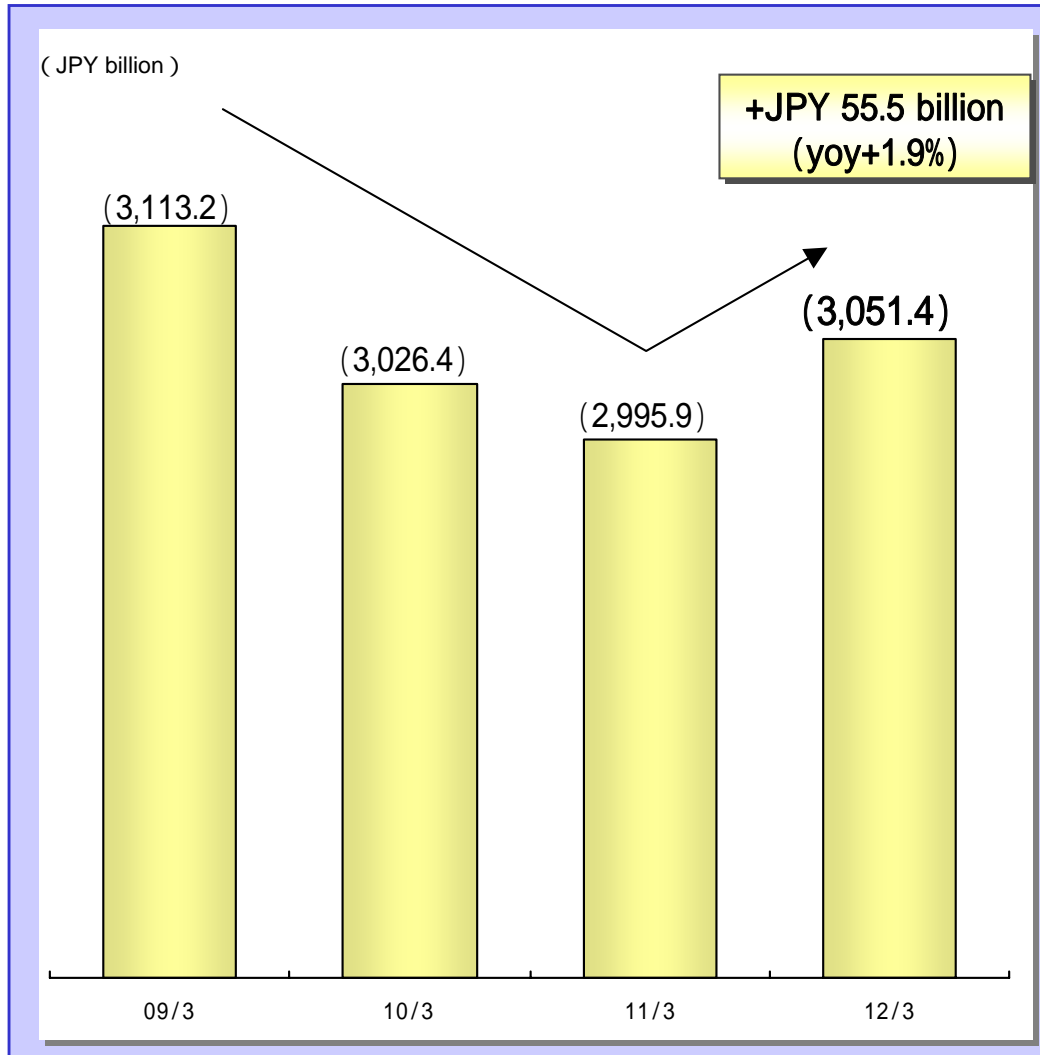




(3) Loans

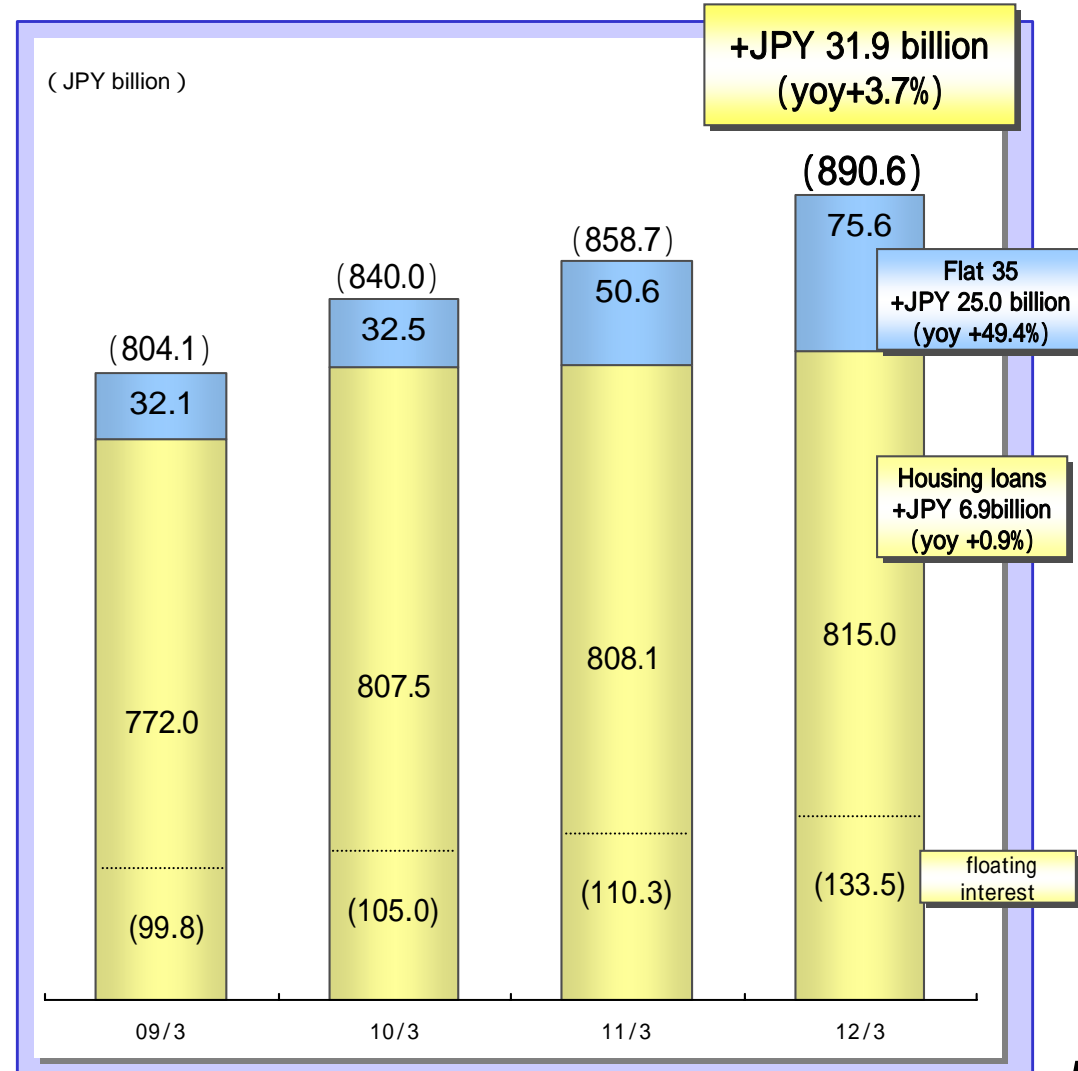
■ Term-end balance of SME loans started to rebound with JPY 55.5 billion increase (+1.9%) year-on-year .

Term-end balance of SME loans



■ Promoting housing loans to meet customer needs, based on the profitability and interest risks.

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

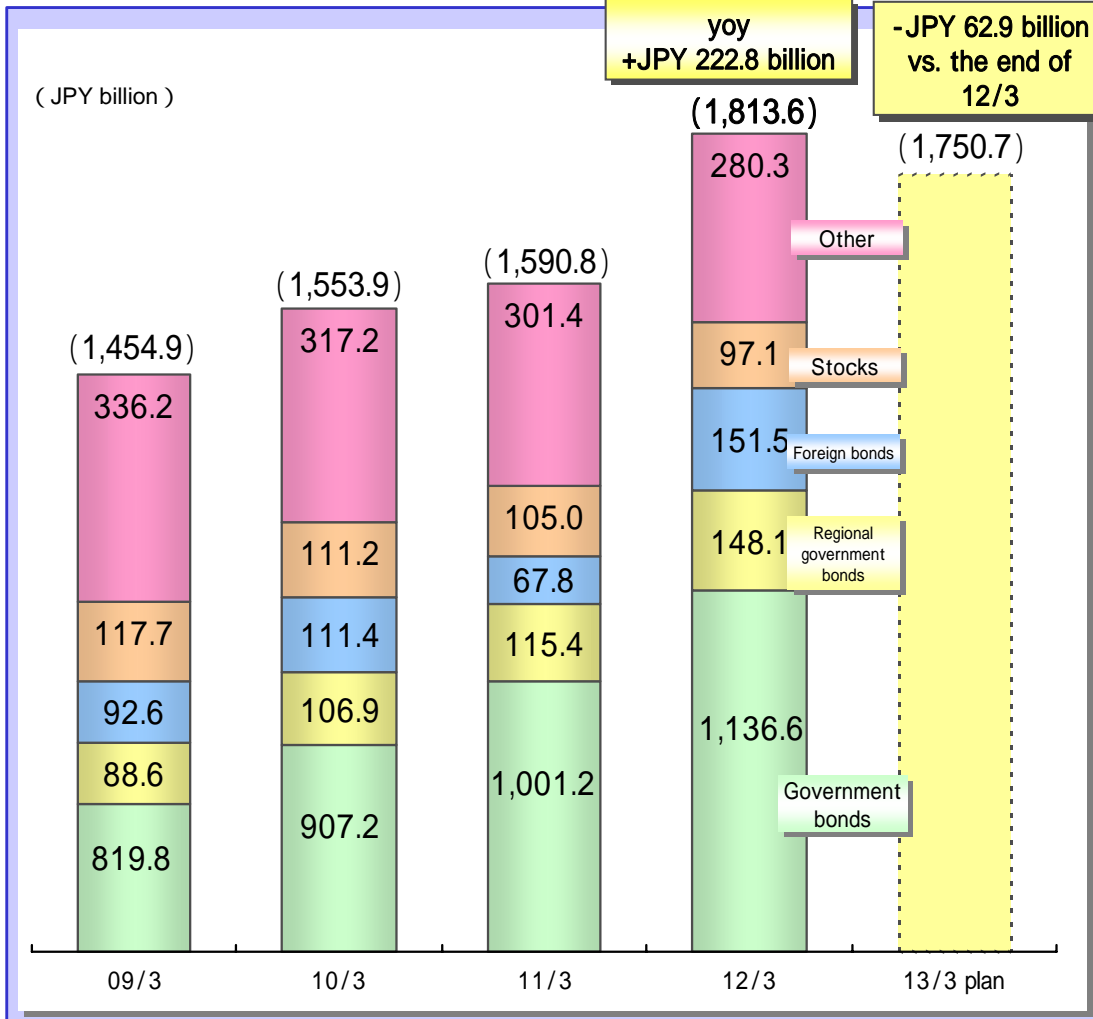


(4) Securities

■ We have **enhanced our portfolio with stable asset management** while closely monitoring interest risk and credit risk.

Securities portfolio (term-end balance)

■ Do not own any European sovereign bonds as of March end, 2012.



■ **Shorter duration** of domestic bonds to contain interest risk, despite the increase of balance.

	11/3	12/3	(years) yoy change
Duration of domestic bonds	4.63	4.20	-0.43

■ Interest rate risk is at a low level.

	11/3	12/3	yoy change
Outlier measurement	10.6%	9.5%	-1.1%

■ Gains/losses from securities/stocks **improved from previous year.**

	FY10	FY11	(JPY billion) yoy change
Gains/Losses from securities	1.8	4.7	2.9
Gains/Losses from stocks	-4.6	-5.0	-0.4
Gains/losses from securities/stocks	-2.8	-0.3	2.5

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

	11/3	12/3	(JPY billion) yoy change
Securitized products	11.6	4.3	-7.3
Policy investment stocks	96.2	90.5	-5.7
Total	107.8	94.8	-13.0

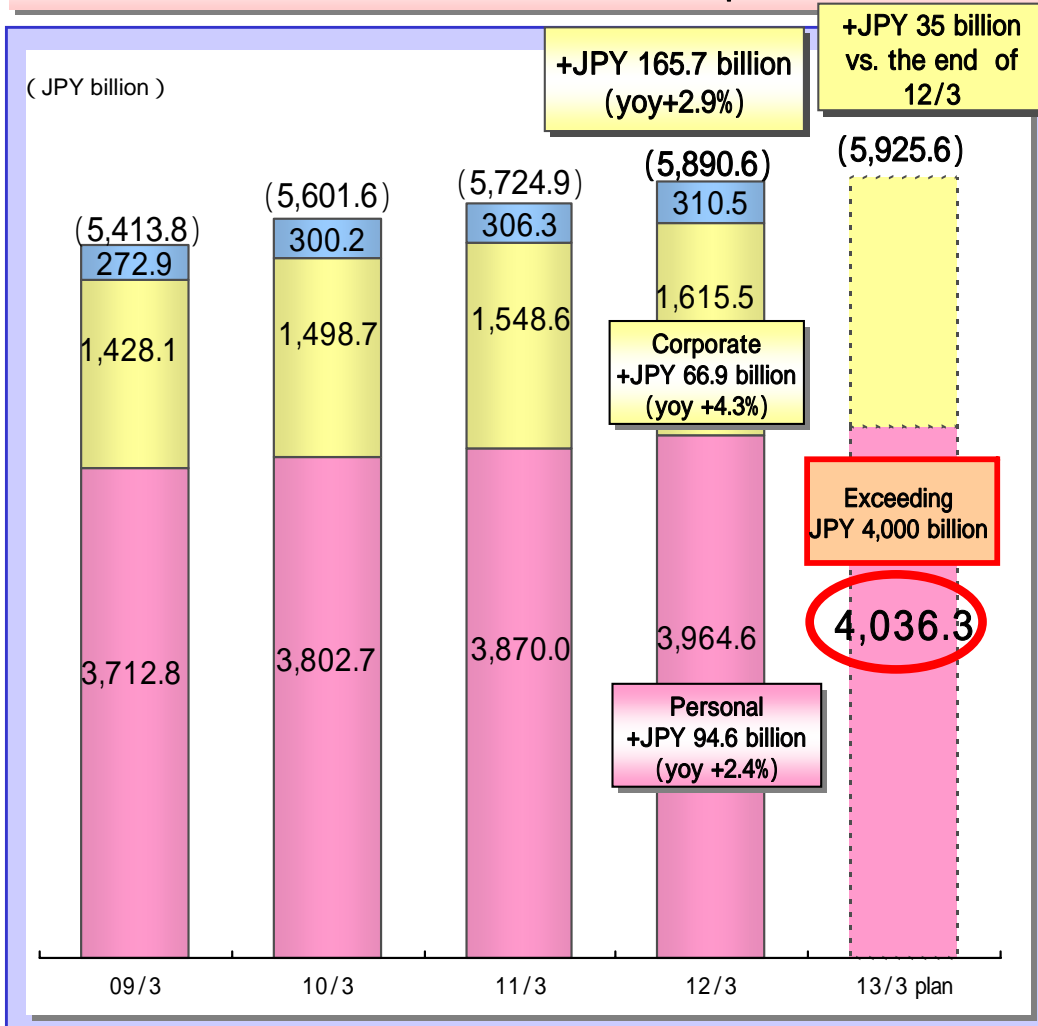
* Balance before fair value adjustment; figures in parentheses () show yoy change

(5) Deposits and Personal assets under management

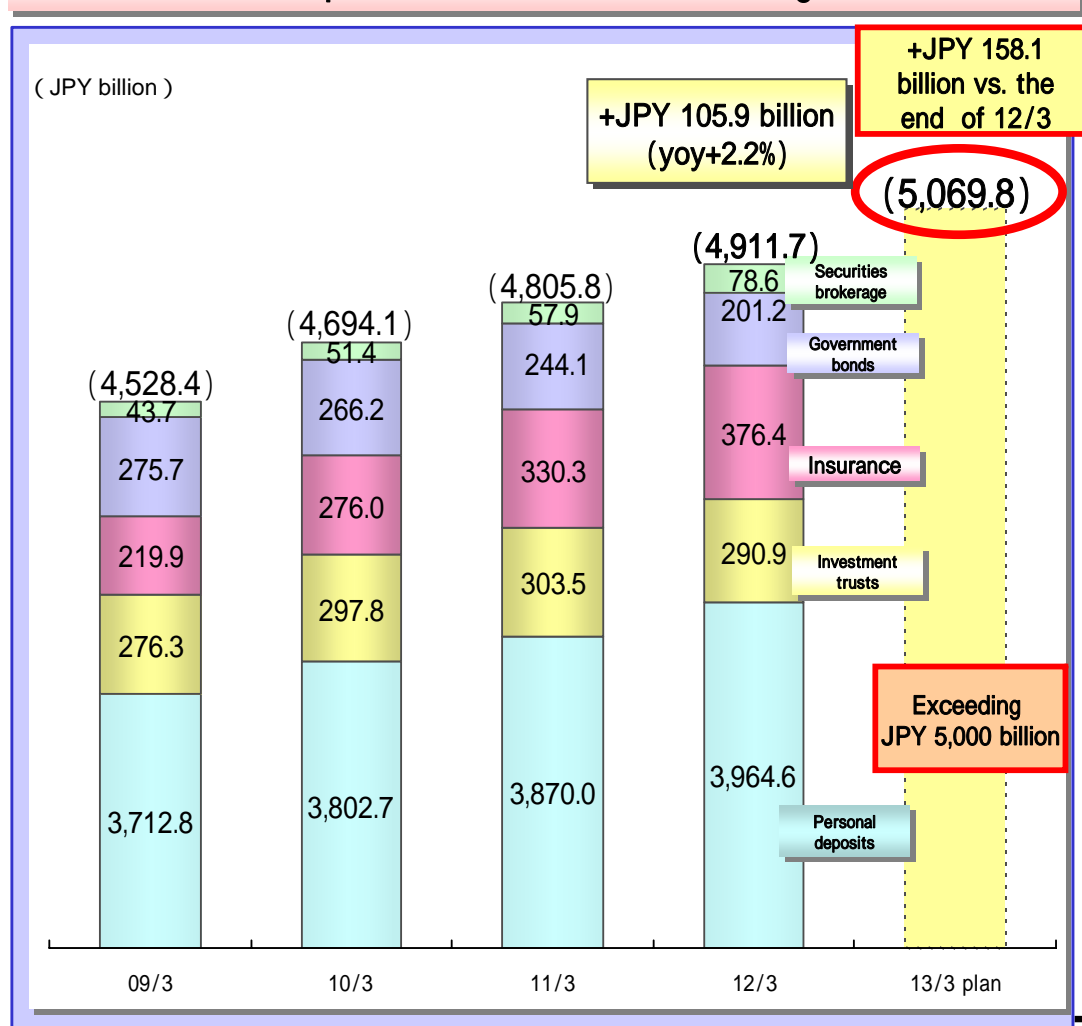
- Term-end balance of total deposits significantly increased both for personal and corporate customers, with +JPY 165.7 billion (+2.9%) year-on-year.
- Targeting JPY 4,040 billion for personal deposit balance, exceeding the JPY 4 trillion level at the end of March 2013.

- Personal assets under management steadily increased by JPY 105.9 billion year-on-year.
- Targeting JPY 5,070 billion at the end of March 2013, exceeding the JPY 5 trillion level.

Term-end balance of total deposits



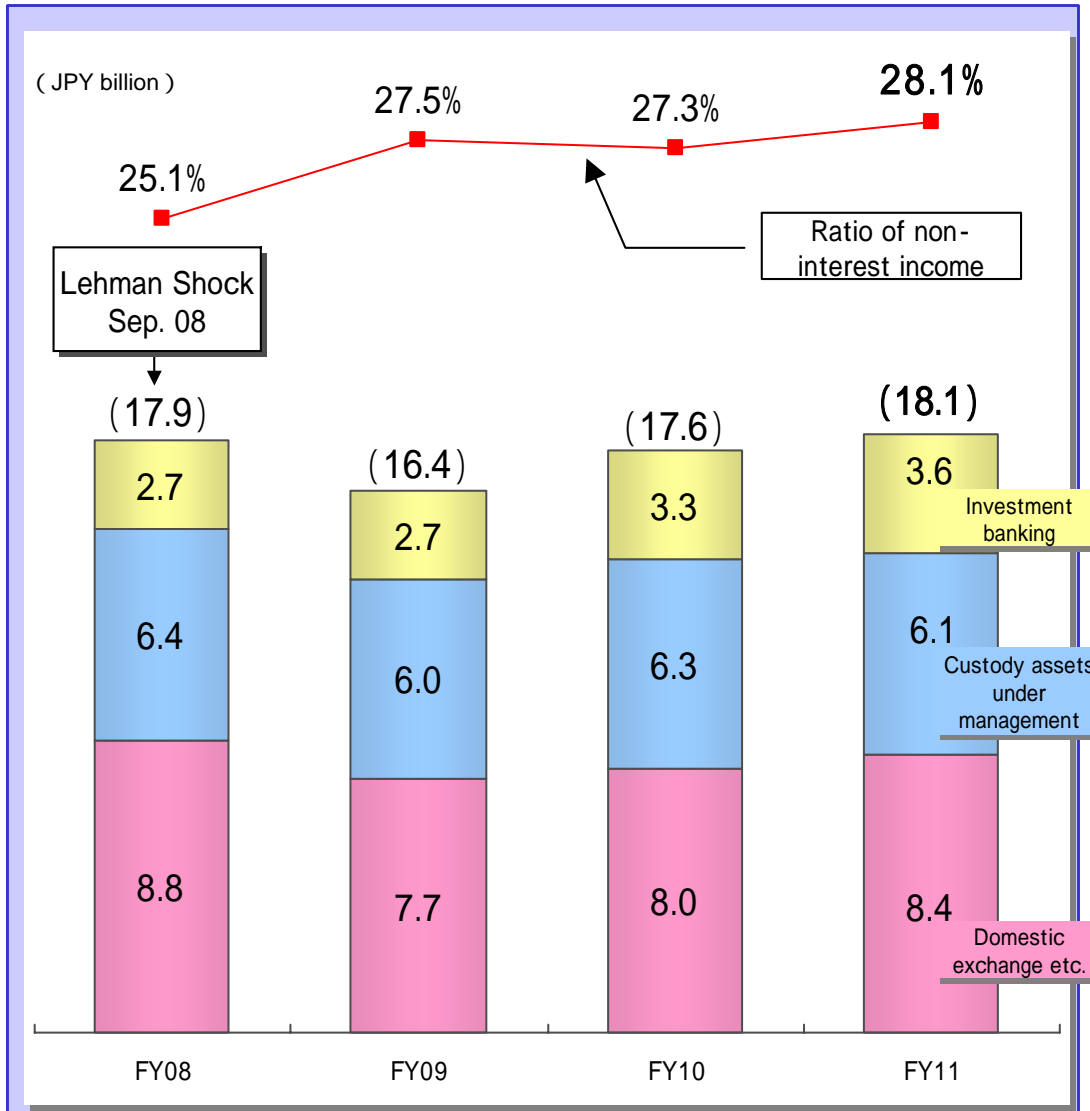
Trend of personal assets under management



(6) Non-interest income and Lifetime transaction service

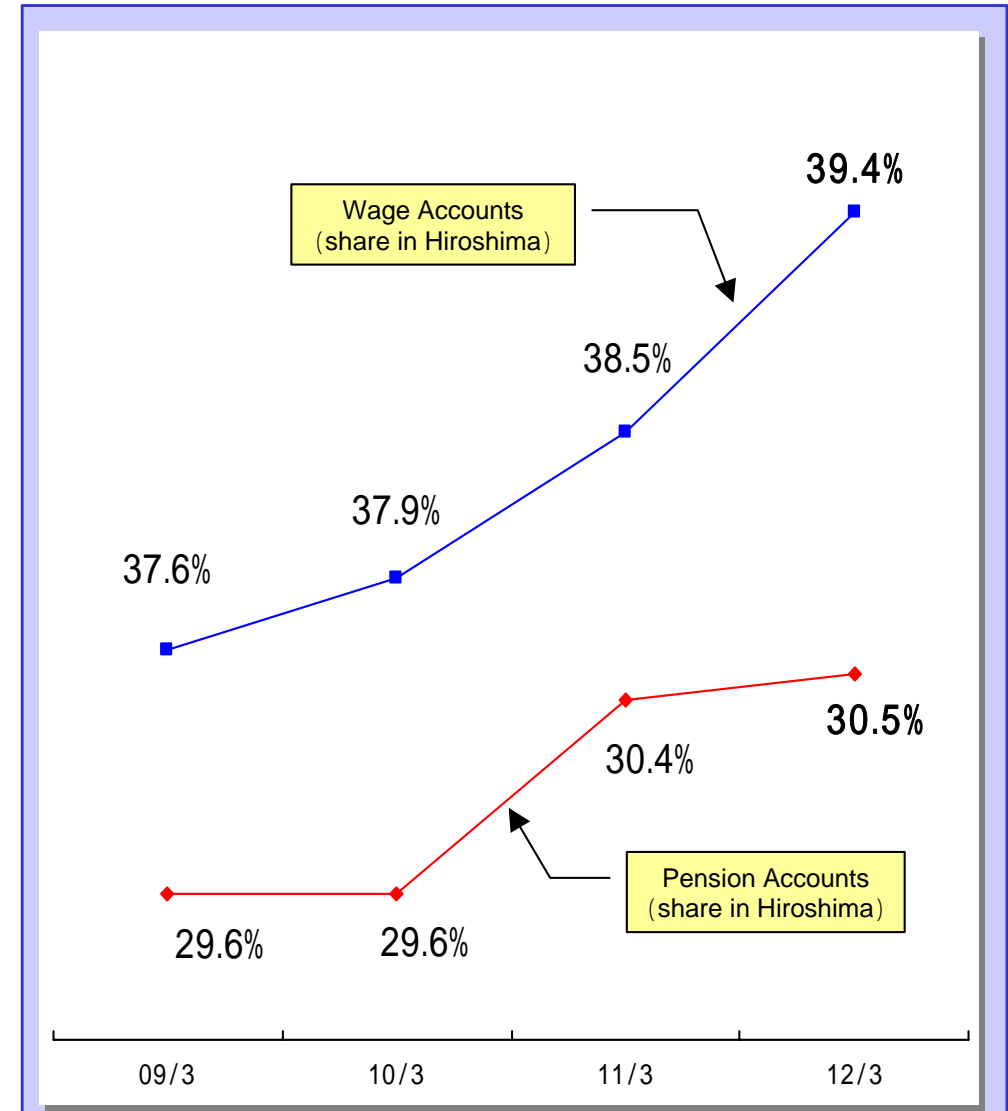
Hiroshima Bank's ratio of non-interest income is **one of the highest among leading regional banks.**

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



Hiroshima Bank's share of pension- and wage- receiving accounts is **increasing steadily.**

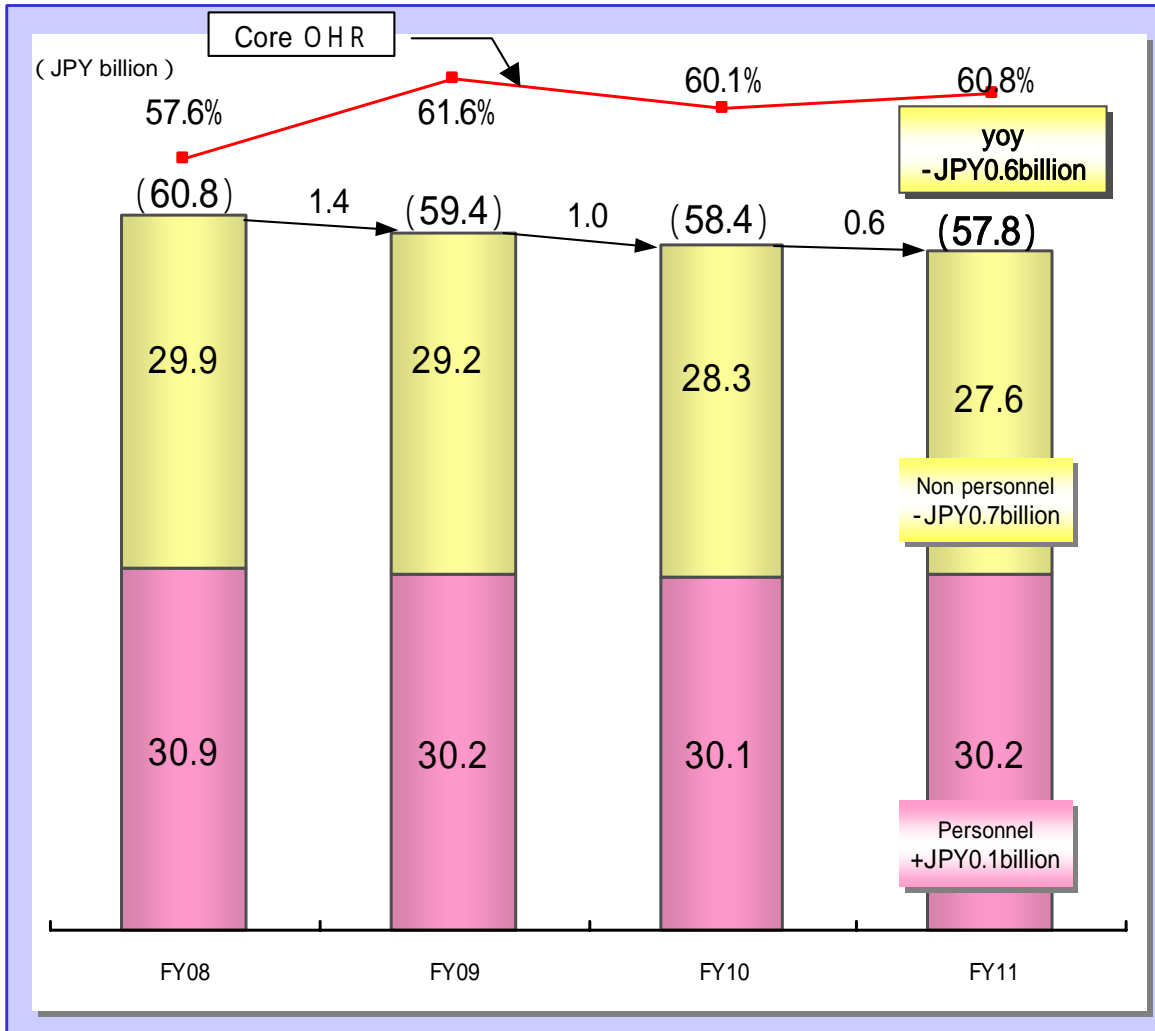
Regional Share of Wage and Pension Accounts



(7) Expenses

Enhanced cost reduction initiatives have lowered the expenses by JPY 0.6 billion year-on-year.

Expenses and Core 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.)
- Review of “joint-use basic system” outsourcing contract

Cost-savings through Business Reform Project etc. (vs. FY2010)

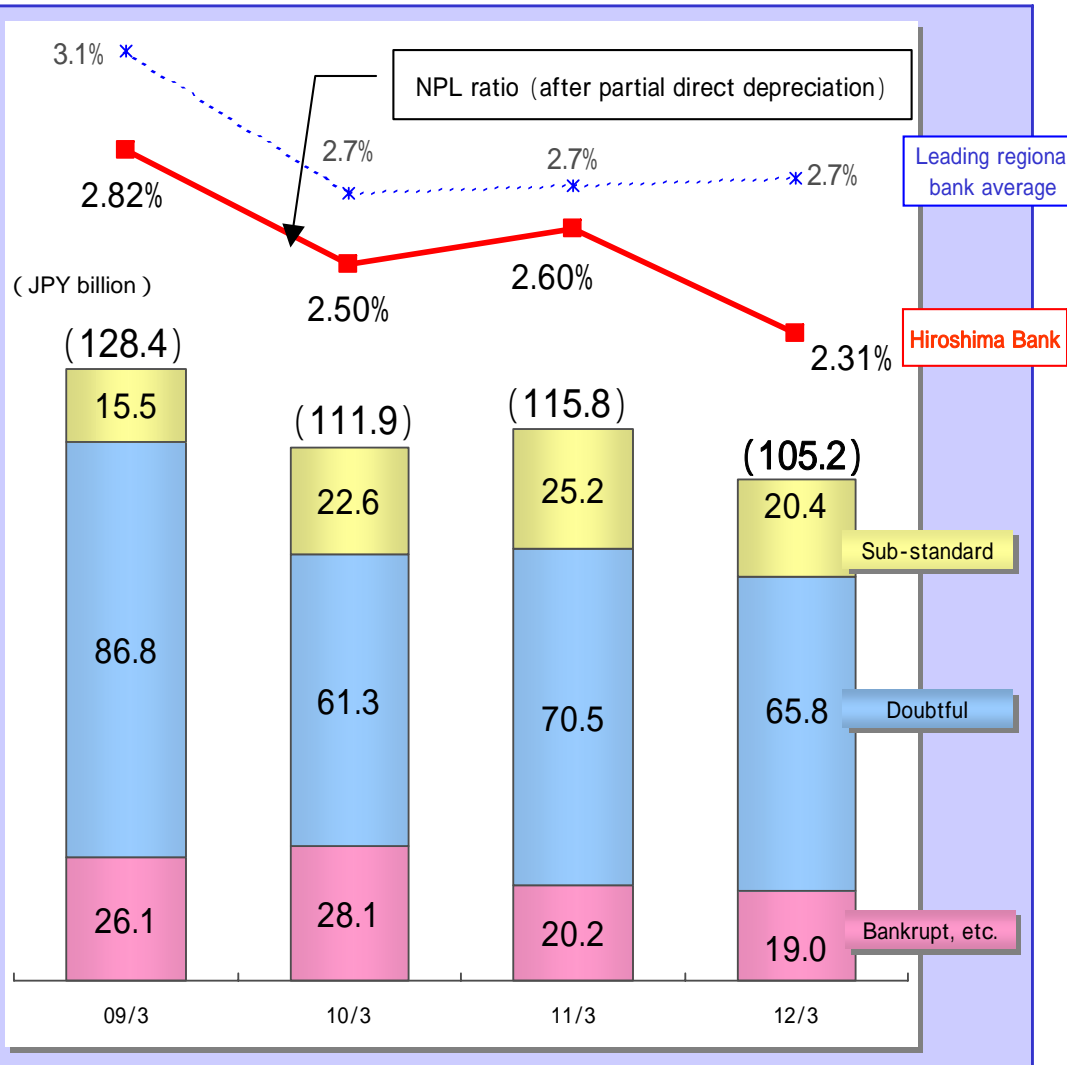
	FY2011	FY2017plan
Building costs	-JPY 0.3 billion	-JPY 0.4 billion
Personnel costs	-JPY 0.1 billion	-JPY 1.8 billion
Total	-JPY 0.4 billion	-JPY 2.2 billion

(8) Non-performing loans (NPL)

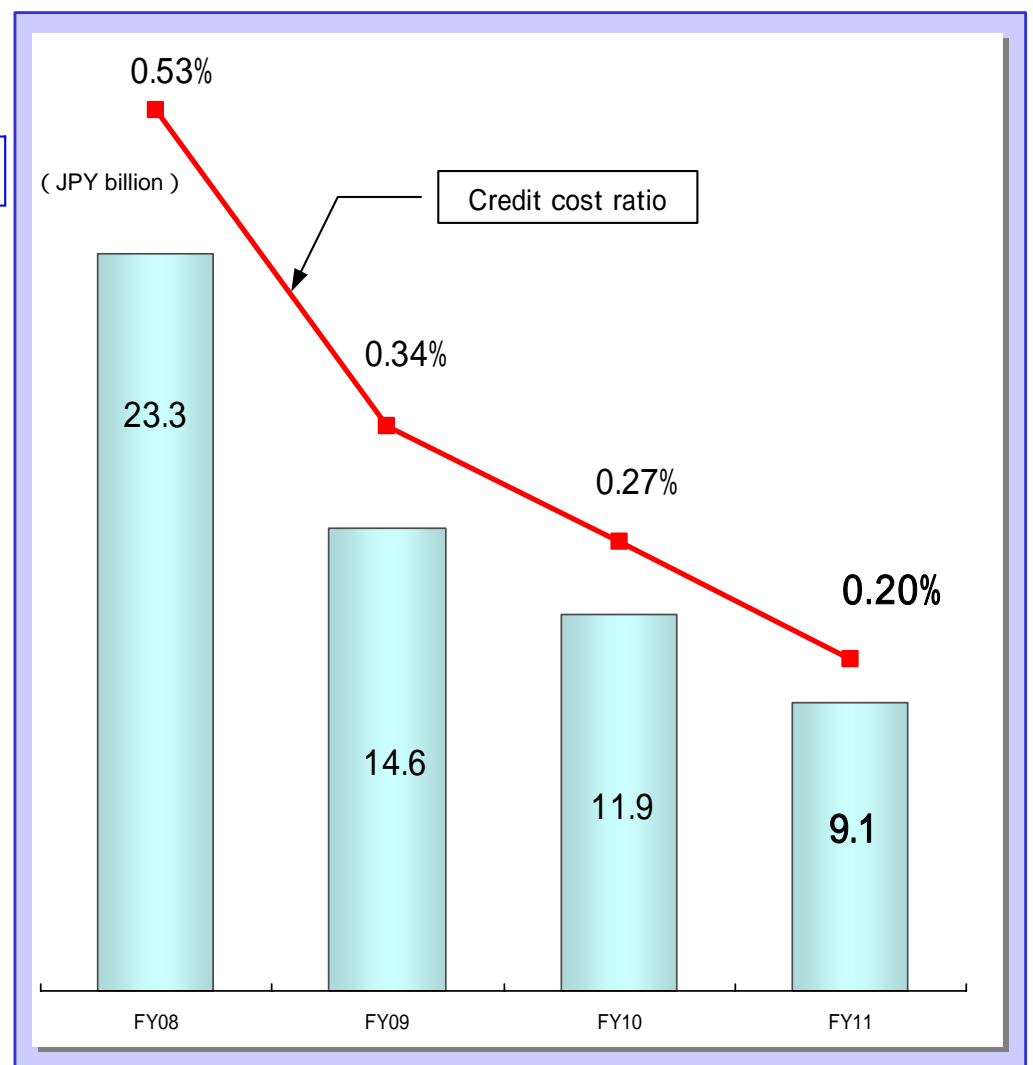
Enhanced support to revitalize customers businesses resulted in substantial decrease of NPLs, and lowered NPL ratio significantly.

Steadily reducing credit costs and securing extra reserves for borrowers in scope of SME Financing facilitation Act.

NPLs (term-end balance) and NPL ratio

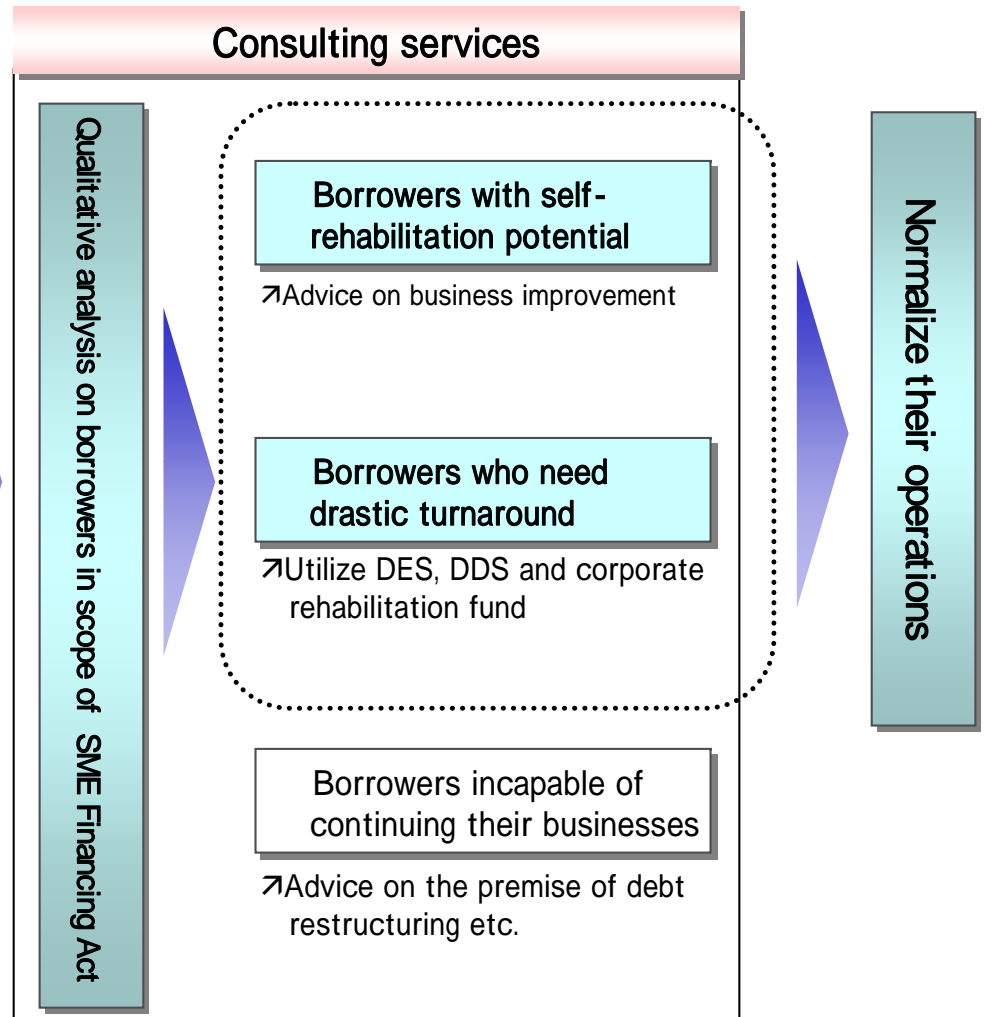
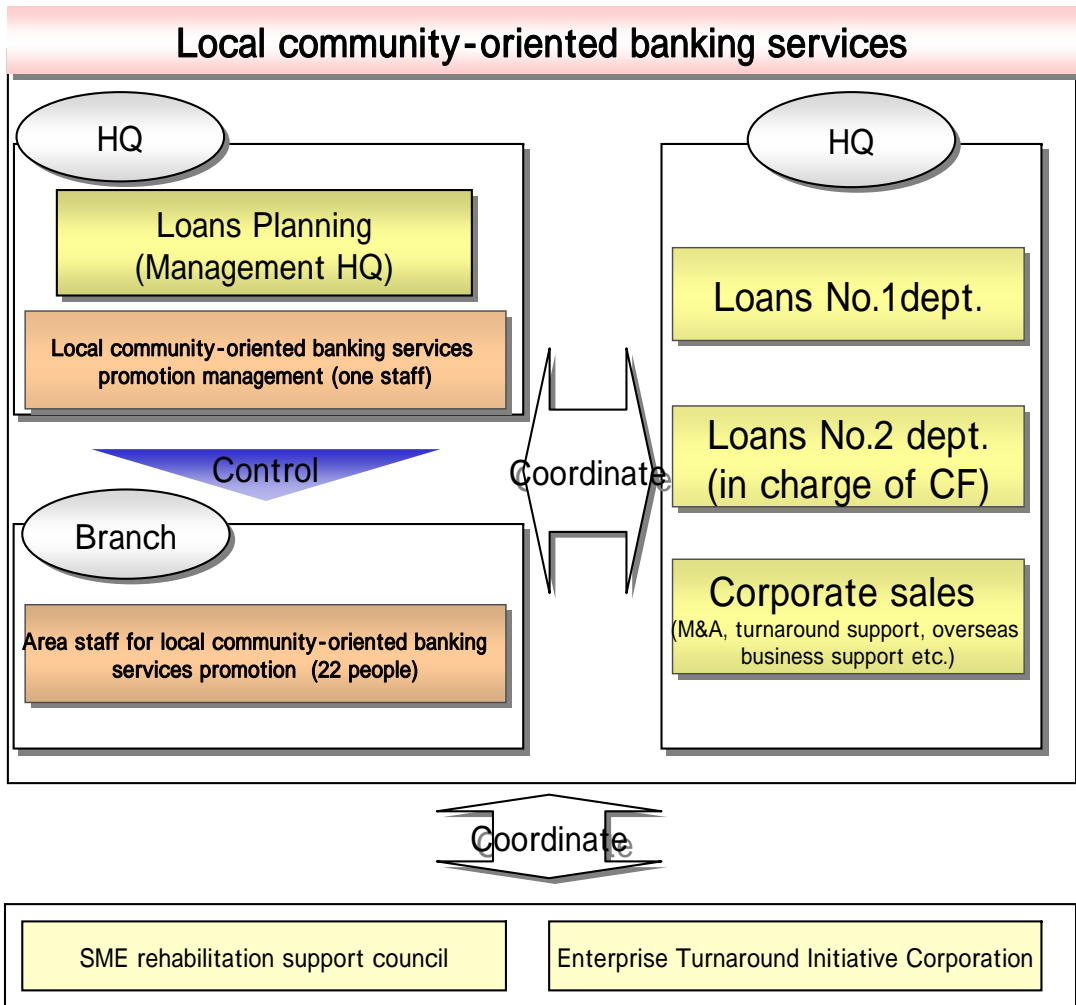


Credit costs and credit cost ratio



(9) Non-performing loans (NPL)

- Further promoting local community-oriented banking services to enhance our support to revitalize the customers businesses.
- Providing optimal solutions to meet the customer needs with both qualitative and quantitative analysis for the borrowers in scope of SME Financing facilitation Act.



(10) Capital adequacy ratio

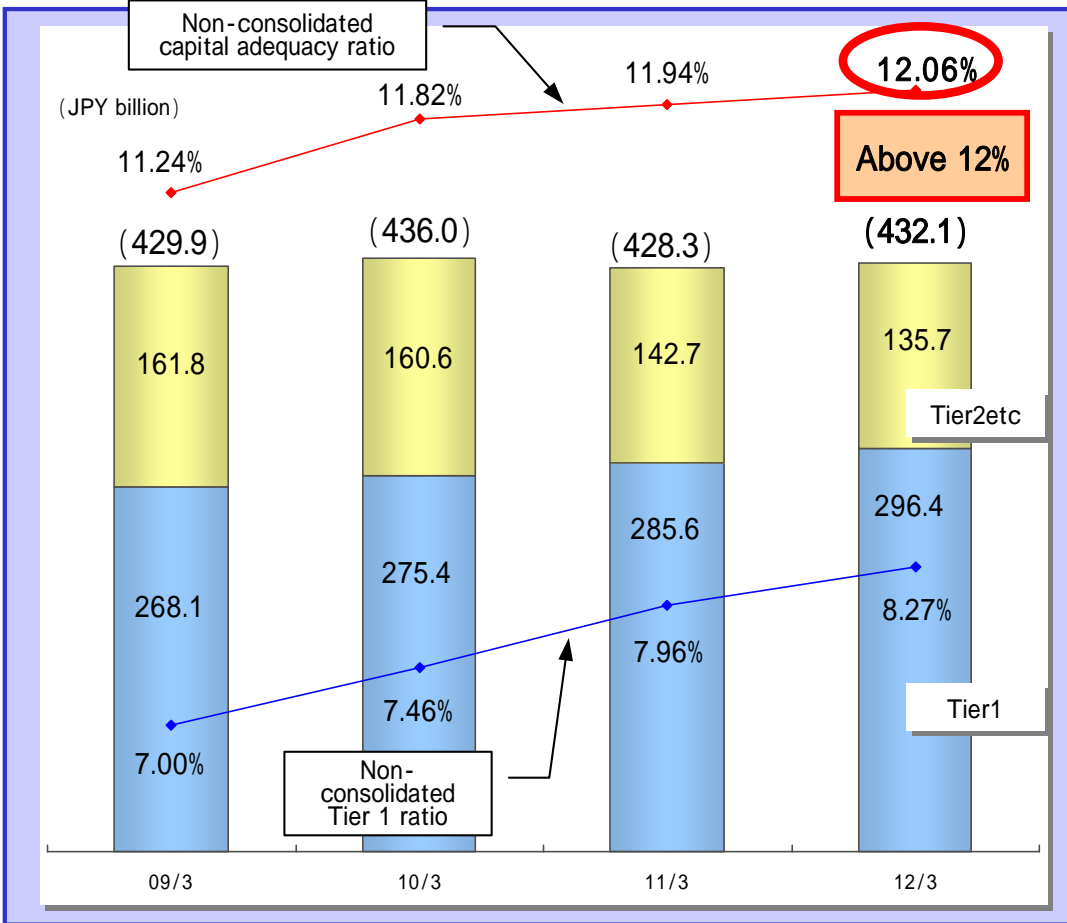
- Non-consolidated capital adequacy ratio further improved to **12.06%** (above 12% level), with Tier 1 ratio increasing to **8.27%**.

Tier1	Steady increase with accumulation of retained earnings.
Tier2	JPY 7 billion of subordinated capital notes are reduced.

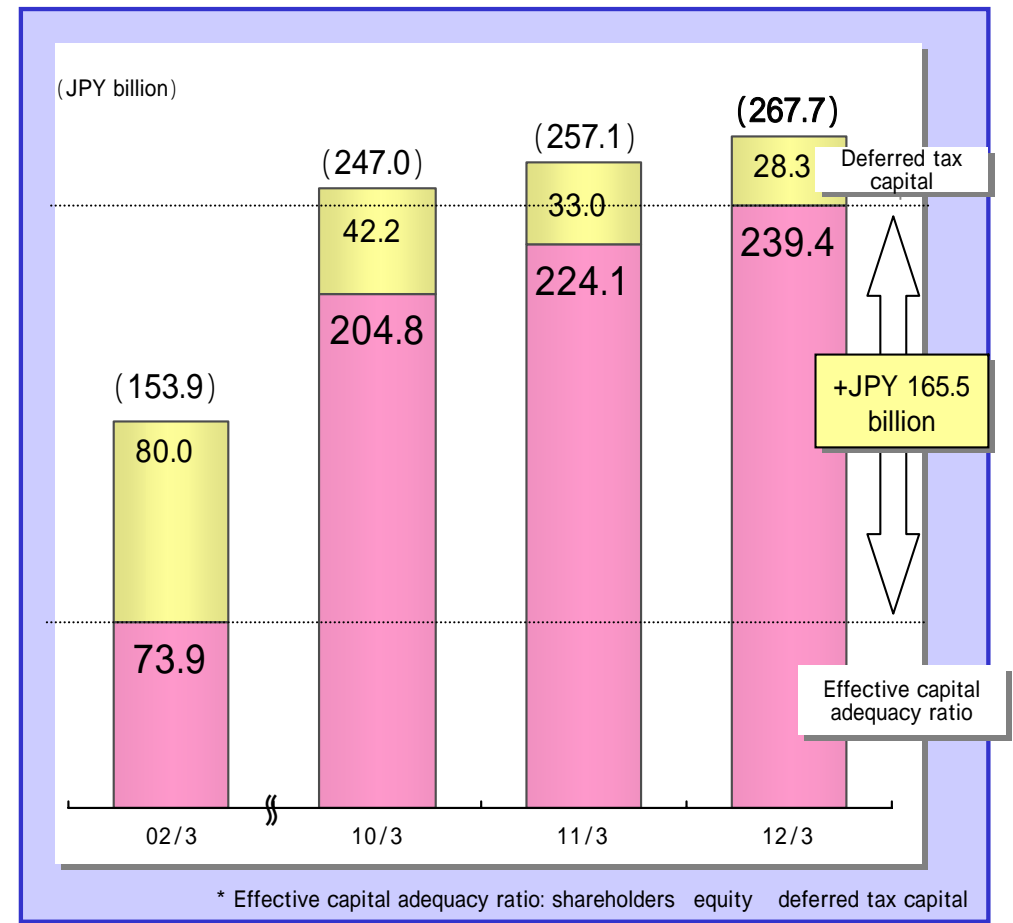
- Effective capital adequacy ratio **more than tripled compared to 10 years ago (March end of 2002)**, to **JPY 239.4 billion** with accumulation of retained earnings.

- Deferred tax capital has fallen due to pursuit of tax exemption.
financial base strengthened

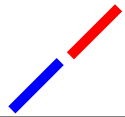
Non-consolidated capital adequacy ratio and Tier 1 ratio



Trend of effective capital adequacy ratio



* Effective capital adequacy ratio: shareholders equity deferred tax capital



2. Earnings estimate for FY2012

(1) Earning estimate for FY 2012 and Dividends

- Our plan is to increase both Ordinary profit and Net income.
- Expect dividends of **5 yen per share (full year)** in FY12 based on payout table.

Earning Estimate for 2012

- Ordinary profit** JPY 26.3billion (yoy +JPY 0.1 billion +0.4%)
- Net income** JPY 16.0 billion (yoy + JPY 2.6 billion +19.5%)

	FY11 (Actual)	FY12 (plan)	(JPY billion)	
			change	
Net interest income	77.0	75.1	-1.9	-
Net fee and commissions	18.1	18.0	-0.1	-
Core gross banking profit	95.1	93.1	-2.0	-2.1%
(-) Expenses	57.8	57.6	-0.2	-
Core banking profit	37.3	35.5	-1.8	-4.8%
Gains/Losses from securities	4.7	1.4	-3.3	-
Real banking profit	42.0	36.9	-5.1	-12.1%
Gains/Losses from stocks	-5.0	-1.1	3.9	-
(-) Credit costs	9.1	8.5	-0.6	-
Ordinary profit	26.2	26.3	0.1	0.4%
Net Income	13.4	16.0	2.6	19.5%
Consolidated Net Income	13.9	16.4	2.5	18.3%

Dividend Policy and Payout Table

Stable dividend	Annual dividend of 5 yen per share
Performance-based dividend	If our consolidated net income exceeds JPY 18.0 billion, 20% of the surplus will be returned to our shareholders as dividend

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%

Dividend forecast for FY12

	Dividend per share (annual) FY12		
	Interim(plan)	Year-end(plan)	
Dividend	2.5 Yen	2.5 Yen	5.0 Yen



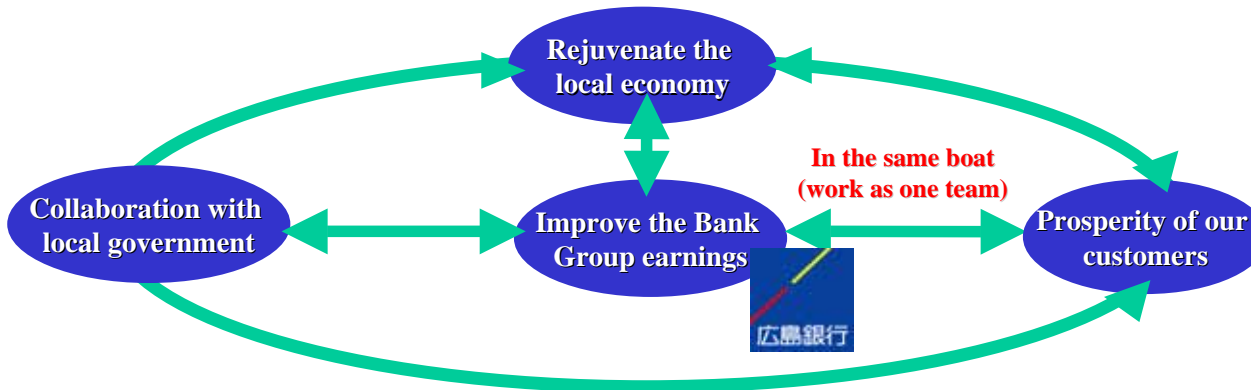
3. Overview of the New mid-term plan 2012 'Challenge for Innovation'

(1) Framework of the New mid-term plan 2012

Management vision

Develop a reliable Hiroshima Bank Group (the Bank Group) with strong connection of mutual trust with local community.

Customers growth and prosperity will stimulate the local economy, and improve our earnings as a result.



Mid-term plan 2012 Challenge for Innovation (FY12 FY14)

To ensure overwhelming position as a leading bank under ever-competitive and harsh environment in financial services industry, we need a drastic change in our mindset and behavior to be the preferred bank by our customers.

Changing our mindset/behavior

All employees should drastically review conventional processes, make a bold move to deliver results.

Basic policy

Ensure overwhelming position as a leading bank through drastic transformation of mindset and behavior

Slogan

Be the First call bank that always puts customer-service as top priority !

(2) Framework of the New mid-term plan 2012

Key initiatives

Enhance our customer relationship through dramatic increase of activities

Strengthen our earnings power

Sales/Marketing strategies

HR strategies

Risk management

Low cost operations

Admin/IT strategies

Alliances (partnership)

Management KPI s

	FY2011	FY2014 forecast
Core banking profit	JPY37.3billion	Above JPY 40 billion
Consolidated Net Income	JPY13.9billion	Above JPY 20 billion
		With 1 Yen dividend increase (6 Yen/year)
Consolidated Tier1 ratio	8.3%	9.0% or more
Credit cost ratio	0.20%	0.15% or less
Core O H R	60.8%	58.5% or less
ROE	4.7%	6.0% or more

Dividend payout policy

Our policy remains the same: **Stable payment + performance linked return** to shareholders based on payout table.

(3) Overview of sales/marketing strategies

Drivers of Sales/Marketing strategies	Key initiatives
<p>Grow the steady stream of earnings (stock business)</p> <p>Strengthen the sales force by reducing HQ staff etc.</p> <p>100 people</p>	<ul style="list-style-type: none"> Expand the service for SME customers. Increase market share in Hiroshima Prefecture. 34.5% 38% (FY14) Expand market share in the neighboring three Prefectures. 5% 6% (FY14) Further promote personal loan business.
<p>Enhance the consultation-based sales</p>	<ul style="list-style-type: none"> Enhance our coverage for growth industries. More focus on corporate rehabilitation support. Enhance our service for businesses targeting elderly people. Monetize (make profit of) the customers overseas expansion support.
<p>Contribution to local economy through better alliance with government sector</p>	<ul style="list-style-type: none"> Enhance our support for large scale development projects within the Prefecture and initiatives to revitalize the community.
<p>Channel restructuring</p>	<ul style="list-style-type: none"> Review our branch network. Better utilization of Internet channel.

(4) Growing the steady stream of earnings (stock business): Strategies for corporate customers (loans)

- Net interest income expected to rebound after hitting the bottom in FY12 by increasing the loans mainly to SME s.

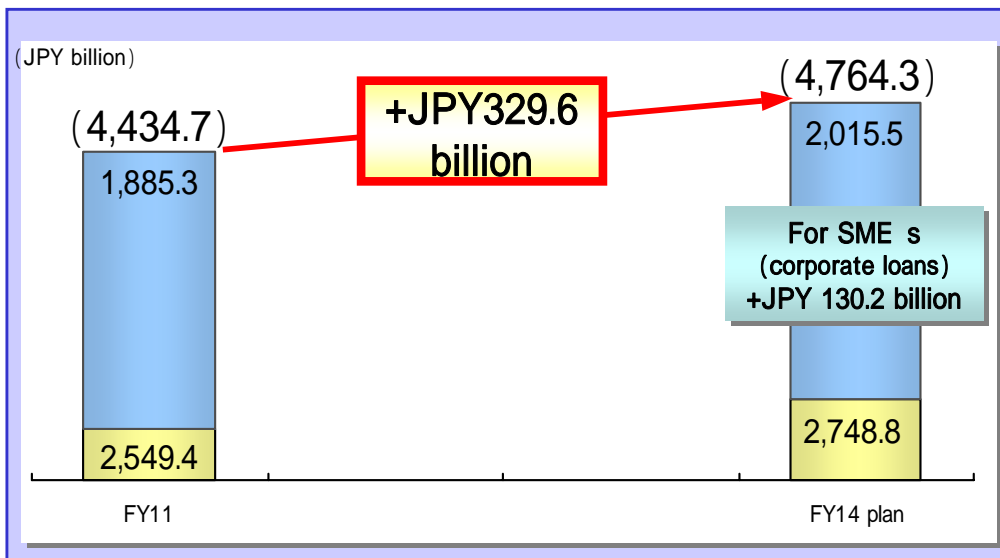
➤ Enhance the customer relationship through drastic increase of activities.

- Reviewing the branch admin process drastically to allocate more time for sales promotion.
- Increase the sales force (+ 100 people) by reducing HQ staff etc.

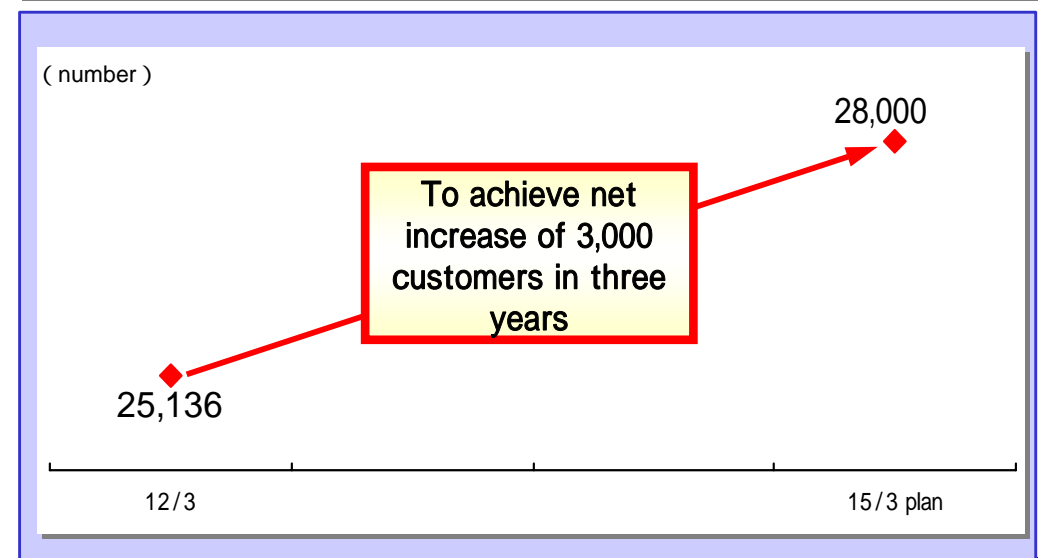
Net interest income forecast

	FY11	FY12 plan	FY14 plan	vs. FY11
Net interest income	JPY 77.0billion	JPY 75.1billion	JPY 77.8billion	+JPY 0.8billion

Forecast of average loan balance (of which for SME s)



Number of corporate loan customers plan

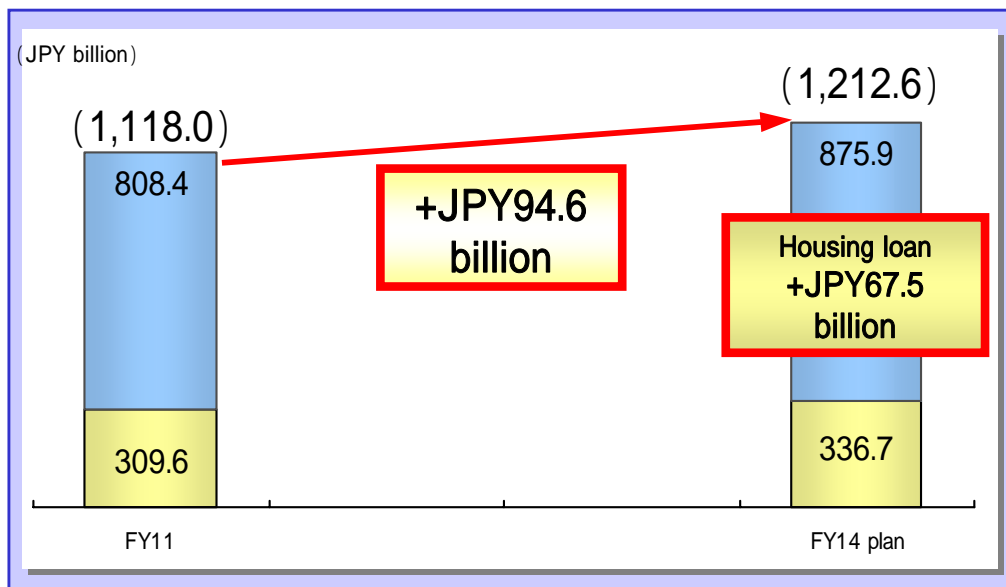


(5) Growing the steady stream of earnings (stock business): Strategies for personal customers (personal loans)

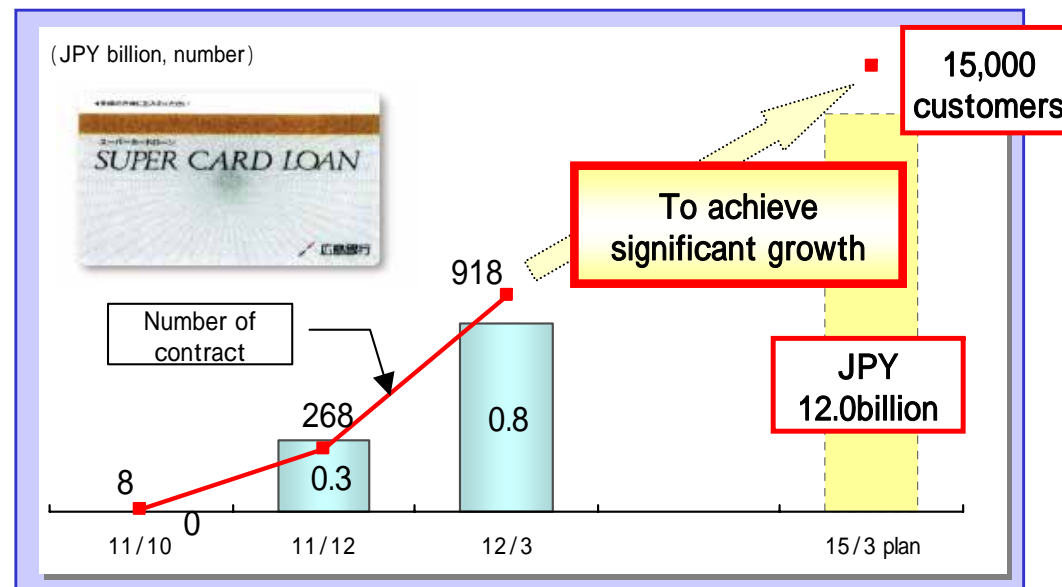
■ Enhance the businesses for personal customers by ensuring cross-selling with service recommendations based on customers' lifecycle

Key initiatives	Specific action plans etc.
Maximize lifetime profit of housing loan customers	<ul style="list-style-type: none"> Expand the insurance product sales through Area sales staff system. (taking advantage of deregulation for bank OTC sales) Ensure cross-selling of exclusive super card loan for housing loan customers etc.
Enhance the function of Housing loan center	<ul style="list-style-type: none"> Expand the insurance product sales at the Housing loan center (taking advantage of deregulation for bank OTC sales).

Forecast of average balance of personal loan (housing loan)



Trend of credit facility balance of exclusive super card loan for housing loan customers



(6) Strengthen consultation sales capabilities
 Contribution for local economy through better alliance with government sector

Strengthen consultation sales capabilities

Further differentiation from other banks through **enhanced services to growth areas/new business areas.**

Growth areas	<p>Enhanced services to growth areas</p> <ul style="list-style-type: none"> ➢ Healthcare/welfare ➢ Environment/energy ➢ Tourism
	<p>Businesses for elderly people</p> <ul style="list-style-type: none"> ➢ Advice on inheritance tax, business succession etc.
	<p>Overseas expansion support</p> <ul style="list-style-type: none"> ➢ Better support for companies overseas expansion ➢ Promote FX trade
New business areas	<ul style="list-style-type: none"> ➢ Agricultural sector ➢ Community business (rehabilitation of large apartment complex)

Enhance the sales force by cutting HQ staff etc.
20 people

Contribution for local economy through better alliance with government sector

Actively offer our network or solutions from early stage of project.

Setouchi umi-no-michi (ocean road) project

- Adding value to the local Setouchi brand to create more affluent local society by rejuvenating local industries and more exchange of people
- Budget target: JPY 600 billion for tourism-related consumption, and JPY 1 trillion spill-over effect within Hiroshima Prefecture

Participation to the Planning committee (we are the only one among financial institutions)

Redevelopment project around Hiroshima station

Construction site of advanced medical treatment center and shopping mall

Completed

Block B (image)

Block C (image)

(Source) Hiroshima City web site
 Futaba-no-sato: urban development project



(7) Channel restructuring

- Review our branch network and enhance the Internet banking channel to improve customer convenience and differentiate our services from other banks.

Review our branch network

- Increase the number of branch available on weekends/public holidays.
- Expand services (deposit, FX etc.) at the branches open on public holidays etc.
- Consider opening more Housing loan center.
- Enhance the function of call center.
 - Expand the personal loan business through enhanced telephone marketing.
 - Promote operational efficiency through centralization of inbound branch phone calls to HQ.

Enhance the Internet banking channel

- Establish the Internet branch.
 - Expand customer base and capture more deposit/loan business from local and other areas with simple account-opening processes.
- Increase online banking transactions via smartphones.

(Portal screen (image))

(Balance inquiry screen (image))



- Full renewal of Web site (April 2012 -).

(8) Human resources strategies

- Enhance the quality and scale of sales force to transform the employees mindset/behavior, **by leveraging more female workforce, improving management skills among managers/supervisors, and quickly develop younger populations who will serve as core staff.**

Initiatives to leverage more female workforce

- Better utilization of Council for active and lively women. (to study ideal workplace for motivated and talented women)
- Free college courses and seminars for women.
- Support for highly motivated women with proper operations of systems by different curriculum/course.



Role/title	Goal by the end of FY14	
Female manager/supervisor	75 people (March/12)	100 or more
Female rep for corporate loan/specific account/area sales	57 people (March/12)	100 or more

Enhance management capabilities among managers/supervisors (development of strong leadership)

- Free college courses on holidays with outside speakers on the topic of management .
- Enhance the contents of management training program for branch managers/general managers.

Value enhancement of younger employees who will grow as core resources

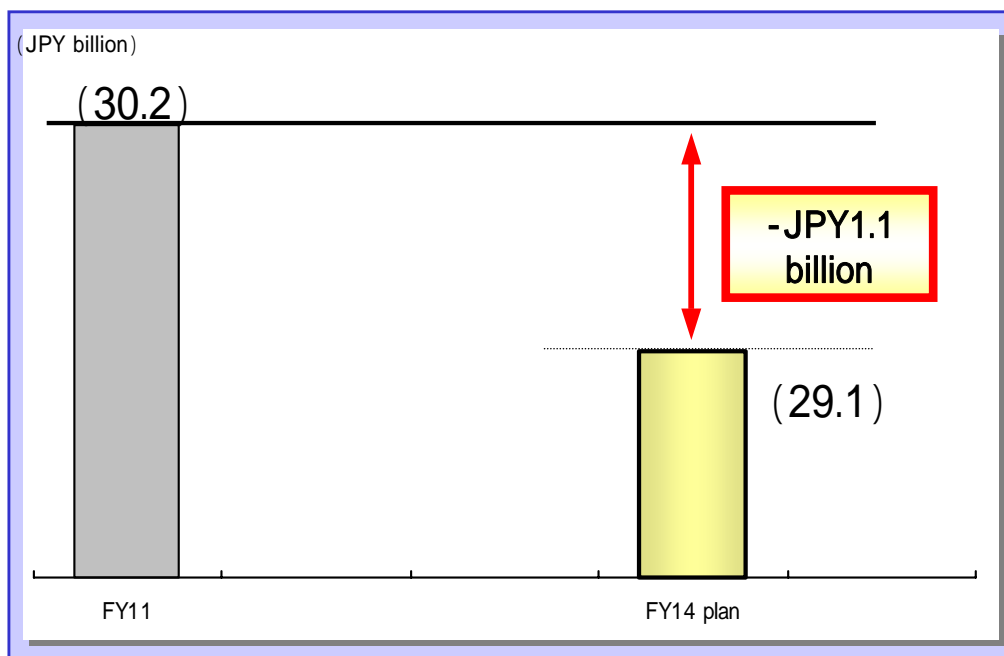
- Well-planned skill enhancement through training program for designated employees.
 - Ensure to build HR development cycle through combination of On-JT and Off-JT
- Specific focus on young employees who joined our bank in 2007, 08, 09 (representing 16% of our headcount)

(9) Low cost operations

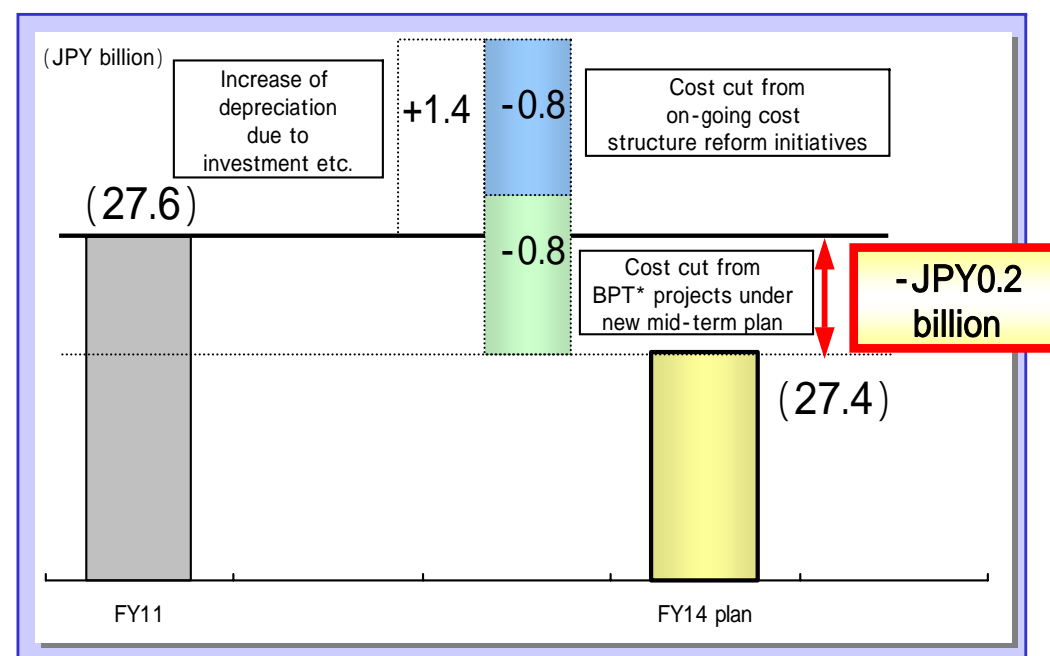
- Newly establish the function of business process transformation promotion (two people) who will closely work with the staff in charge of business process transformation at each department to build the true low cost operations system. This is to drive/control the bank-wide initiatives for efficiency improvement and cost reduction.

Key initiatives	Specific action plans etc.
Reduce admin work at branch offices	· Allocate more time for sales promotion, by reviewing the business process for entire operations and improving branch operation efficiency.
Status management of on-going business admin reform projects	· Make sure to track progress for these projects mainly for deposit/FX operations, and reduce admin costs (primarily personnel expenses).

Plans for personnel expenses



Plans for non-personnel expenses



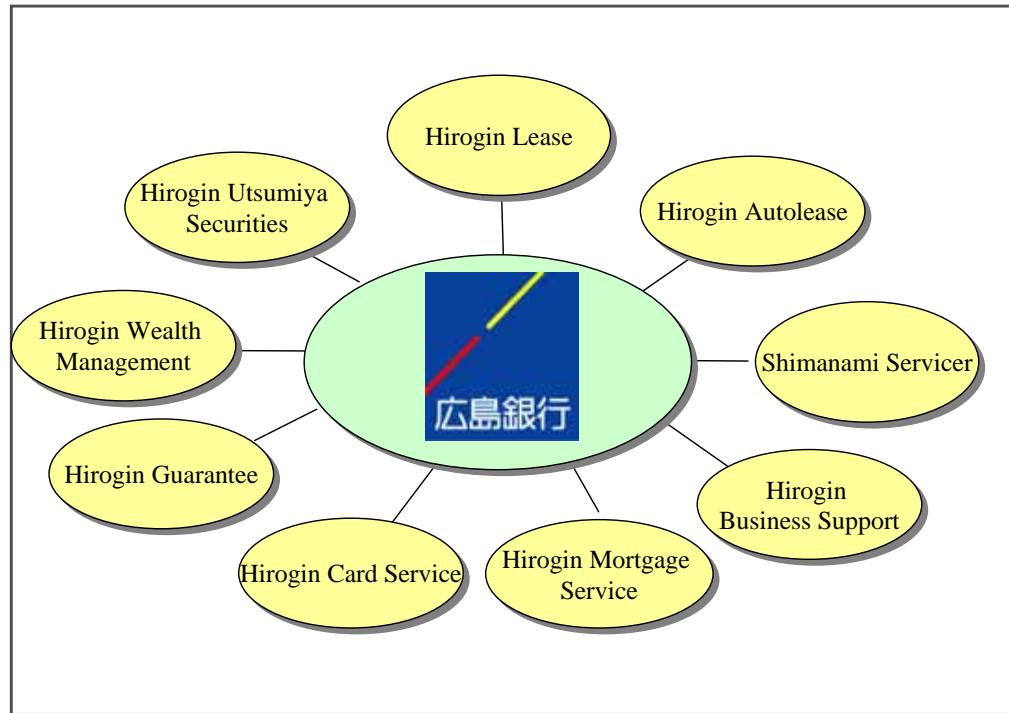
*BPT: business process transformation

(10) Alliances (the Bank Group strategies)

■ Strengthen our earnings capabilities through better alliances among the Bank Group.

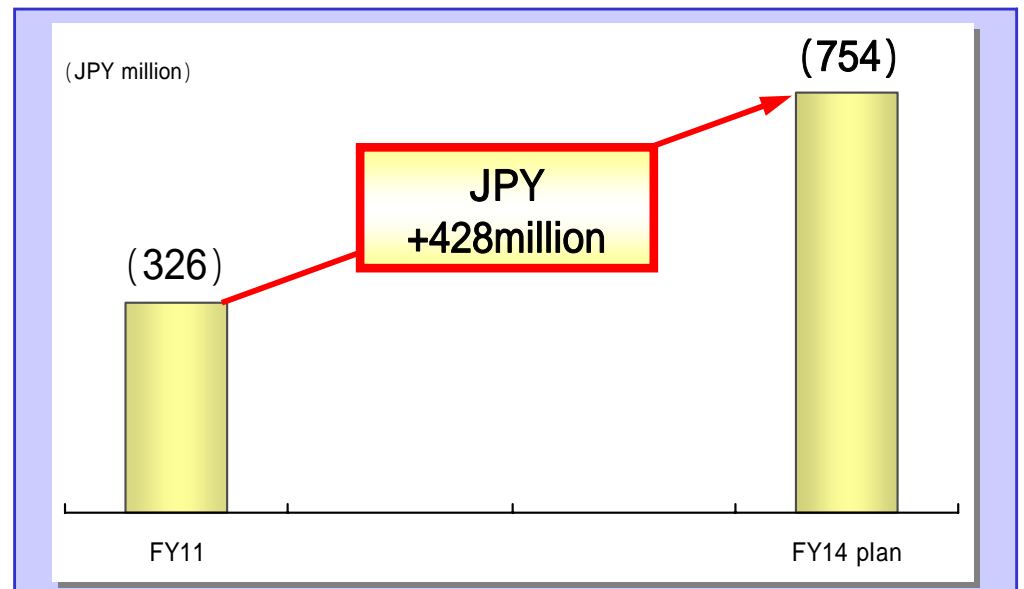
Key initiatives	Specific action plans etc.
More collaboration with Hirogin Utsumiya Securities	<ul style="list-style-type: none"> · Further promotion of financial product brokerage business.
Better alliance with Hirogin Lease	<ul style="list-style-type: none"> · Enhance the business matching service with Hirogin Lease. · Capture more overseas capex projects.

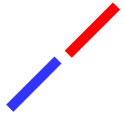
The Bank Group



Net income trend of Hirogin Utsumiya Securities

- Steady trend of profit amid sluggish market of financial instruments.
- Increase the profit synergies through enhanced collaboration.





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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