



# Financial Results for FY2014 and Overview of the New Mid-term Plan

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- IR Presentation -

The Hiroshima Bank, Ltd.



**June 8 , 2015**

**President Koji Ikeda**



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# 1. Highlights of FY2014

1

Net income **increased for six consecutive periods** on a both parent and consolidated basis, **updating the historical high in two consecutive periods.**

2

Core banking profit **increased for three consecutive periods**, supported by cost reduction and other efforts.

3

Average balance of both loans and deposits (including NCD) **significantly increased.**

4

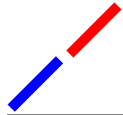
Net fees and commissions income **rose 1.3 billion yen on a year-on-year basis** due to an increase of sales commissions on investment trusts and insurance products.

5

Credit costs **remain low at 2.6 billion yen**, thanks to support for management improvement and other efforts.

6

Recording an increase in profit more than initially expected, **the term-end dividend will be 5.0 yen (increased by 1.0 yen from the initial estimate).**



## **2. Overview of Financial Results in FY2014**

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# (1) Summary of business performance in FY2014

- As for profit and loss in FY2014, ordinary profit **increased by 1.6 billion yen (+4.2%) on a year-on-year basis to 39.7 billion yen** thanks to an increase in net fees and commissions income and the improvement of gains/losses on securities.
- Net income was up by 1.4 billion yen (+6.4%) to 23.9 billion yen, and consolidated net income was up by 3.7 billion yen (+16.1%) to 26.6 billion yen from the year earlier, **both recording profit increases in six consecutive periods and updating the record high in two consecutive periods on a both parent and consolidated basis.**

(Billion yen)

	Result for FY2014	YoY change ( Change rate )	Difference from the announcement in November
Net interest income	75.5	-0.8	0.7
Net fees and commissions income	19.9	1.3	0.9
<b>Core gross banking profit</b>	<b>95.4</b>	<b>0.5 ( 0.5% )</b>	<b>1.6</b>
- Expenses	54.2	-0.6	-0.3
<b>Core banking profit</b>	<b>41.2</b>	<b>1.1 ( 2.7% )</b>	<b>1.9</b>
Gains/Losses on securities	0.6	1.3	0.9
- Credit costs	2.6	0.6	-0.5
<b>Ordinary profit</b>	<b>39.7</b>	<b>1.6 ( 4.2% )</b>	<b>3.4</b>
<b>Net income</b>	<b>23.9</b>	<b>1.4 ( 6.4% )</b>	<b>0.4</b>

<b>Consolidated ordinary profit</b>	<b>40.3</b>	<b>0.9 ( 2.3% )</b>	<b>3.7</b>
<b>Consolidated net income</b>	<b>26.6</b>	<b>3.7 ( 16.1% )</b>	<b>2.8</b>

## (2) Net interest income

- Net interest income was down by 800 million yen from the previous year, due to a decrease in loan interest, securities interest and dividends caused by the lower interest rate environment.
- Expansion of loan volume and reductions in high-cost funding **mitigated the decrease of income due to lowered interest rates.**

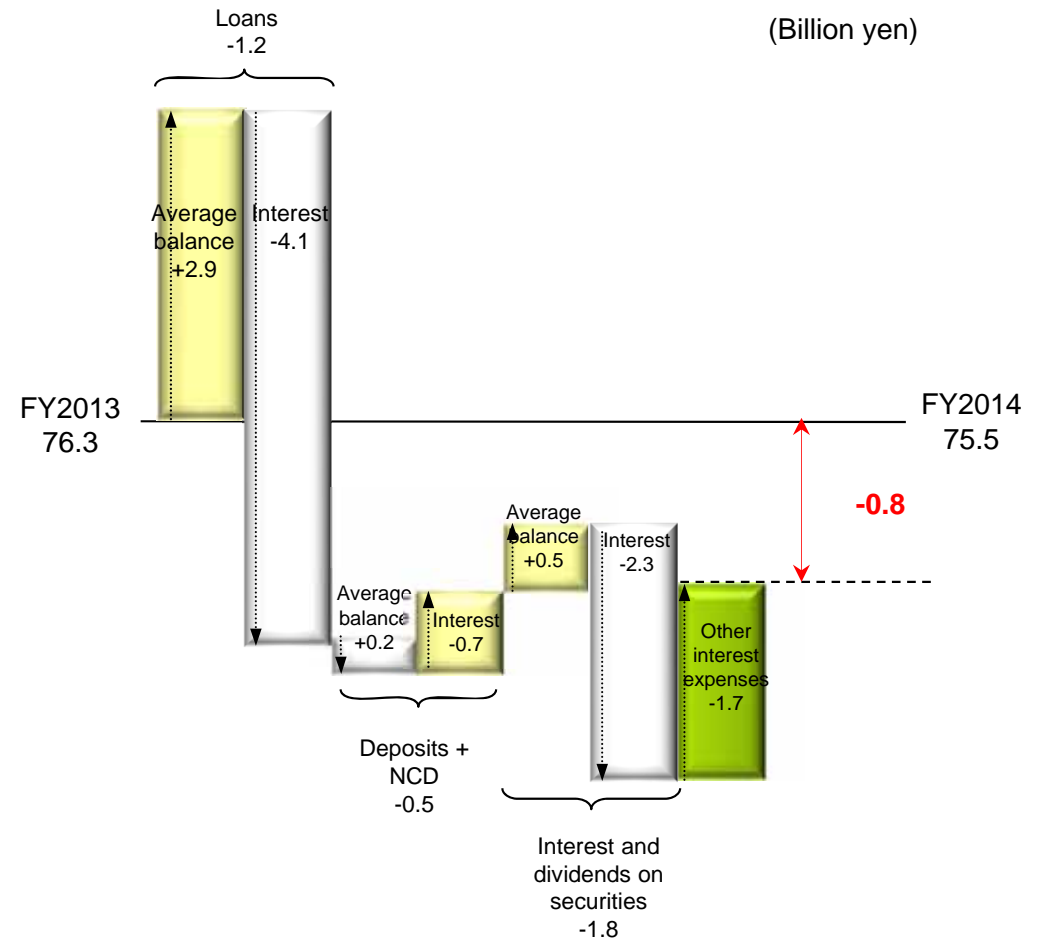
### Breakdown of net interest income

(Billion yen)

	Result for FY2014	
	FY2014	YoY change
Interest on loans	64.8	-1.2
Interest and dividends on securities	17.3	-1.8
Deposits + NCD interest (-)	3.8	-0.5
Other interest expenses (-)	2.8	-1.7
Subordinated financing costs (-)	0.9	-1.6
<b>Net interest income</b>	<b>75.5</b>	<b>-0.8</b>

### Details of each item in net interest income

(average balance and interest)



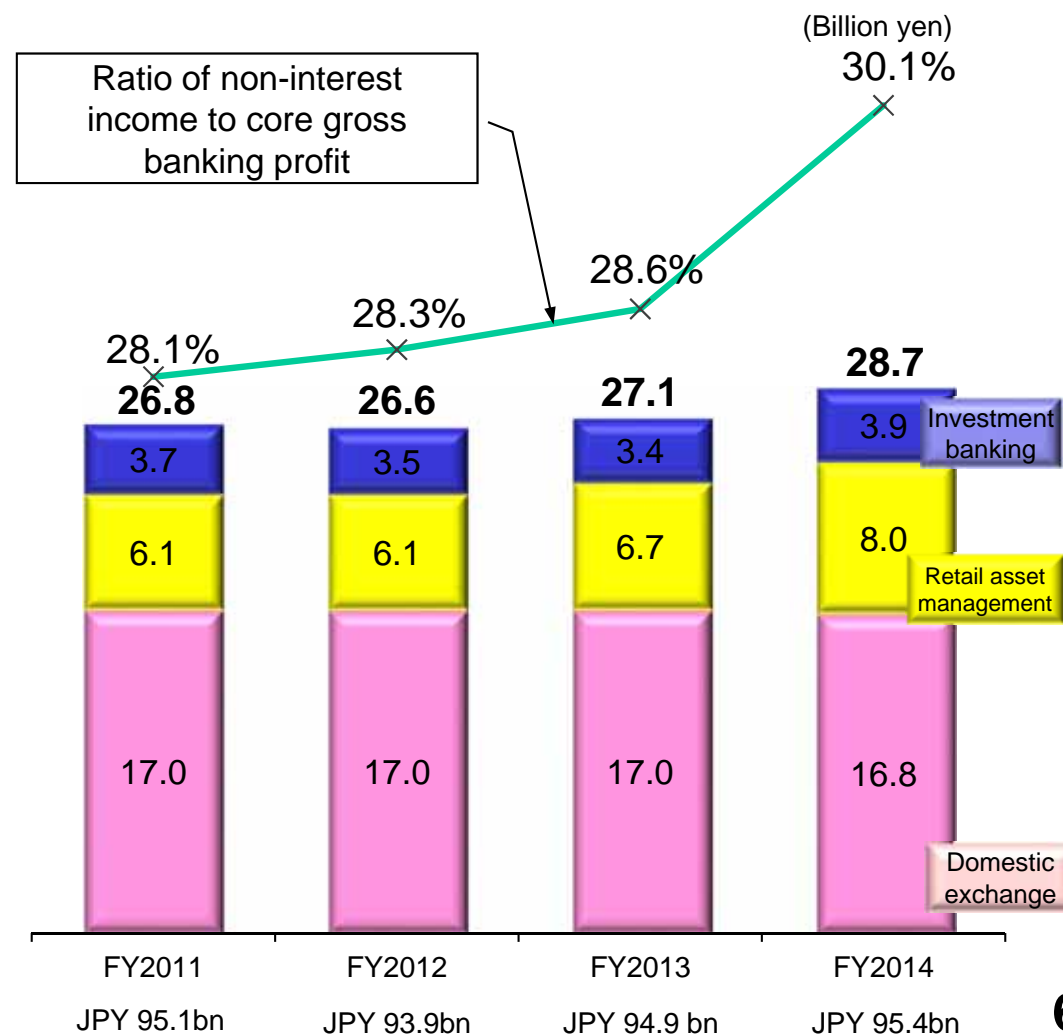
### (3) Net fees and commissions income

- Net fees and commissions income **increased by 1.3 billion yen on a year-on-year basis** thanks to an increase in commissions related to retail asset management.
- The ratio of non-interest income to core gross banking profit **exceeded 30%**.

Breakdown of net fees and commissions income

	Result for FY2014 (Billion yen)	
	FY2014	YoY change
Investment banking	3.9	0.5
Syndicated loan, etc.	2.2	0.3
Sales of derivatives to customers	0.8	0.1
Retail asset management	8.0	1.3
Insurance products	4.0	1.3
investment trusts	3.1	0.2
Personal loan-related	-3.9	-0.5
Group insurance premium	-2.4	-0.3
Others	11.9	0
<b>Net fees and commissions income</b>	<b>19.9</b>	<b>1.3</b>

Trend of non-interest income and its ratio to core gross banking profit



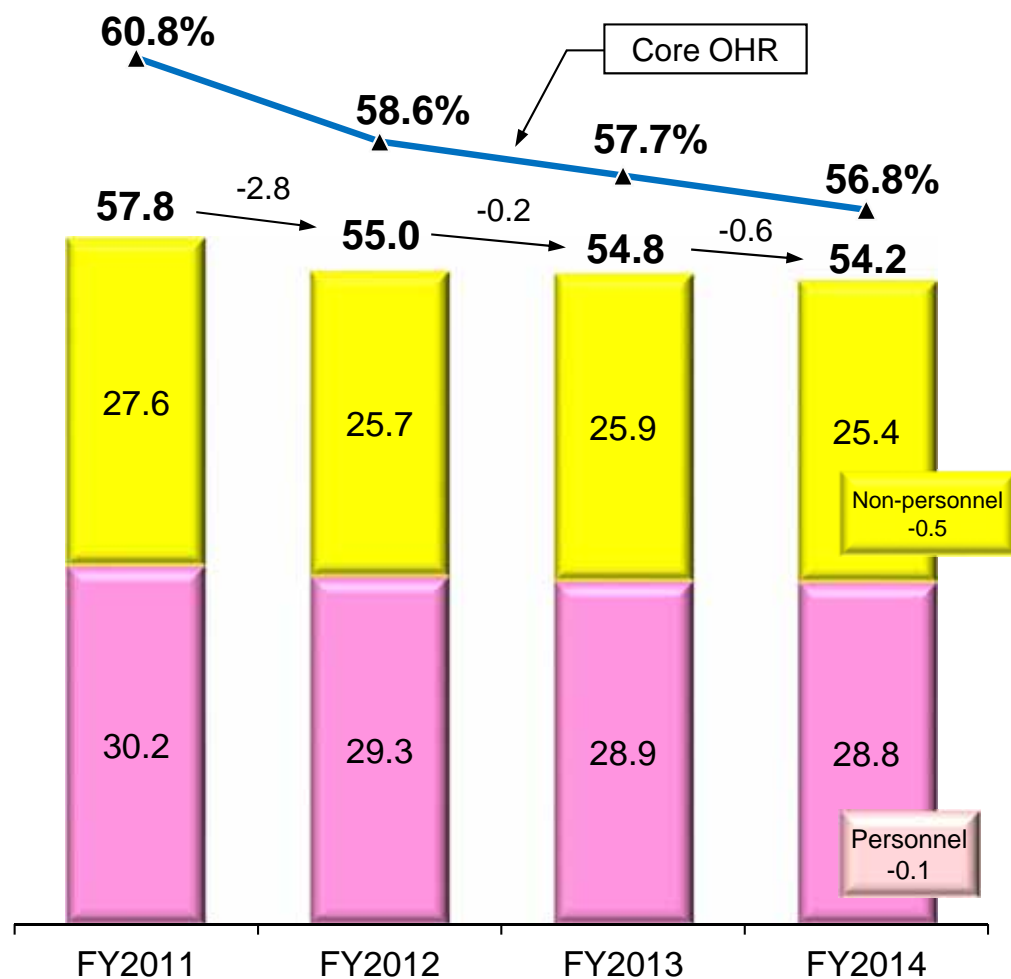
Core gross banking profit

# (4) Expenses

- Expenses were **down by 600 million yen from the previous year** thanks to a decrease of retirement benefit costs and cost reduction made through promoting operational reform.
- Core OHR was **reduced to 56.8%**.

Trend of expenses and core OHR

(Billion yen)



\* Core OHR = Expenses / Core gross banking profit

Breakdown of expenses

Non-personnel expenses

(Billion yen)

Main factors	Change
Effect of self-processing business which was previously outsourced to subsidiaries: -0.4	-0.5
Reduction through the implementation of operational reforms: -0.2	
- Scrapping and building of systems - Review of outsourcing to external contractors, etc.	
Increase of deposit insurance premiums: +0.1	

Personnel expenses

Main factors	Change
Decrease of retirement benefit costs: -0.6	-0.1
Effect of self-processing business which was previously outsourced to subsidiaries: +0.4	
Increase of bonus, etc.: +0.1	



# (5) Balance of deposits, etc. (deposits + NCD)

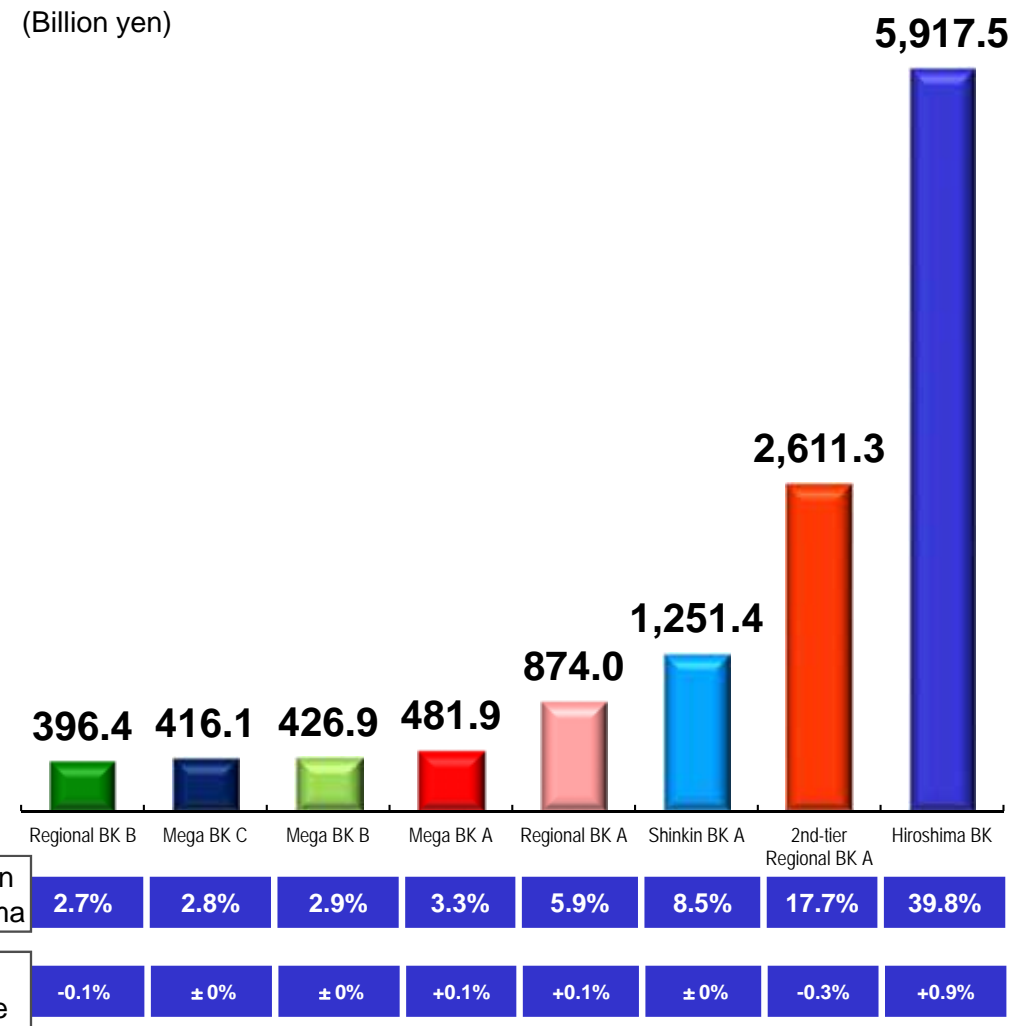
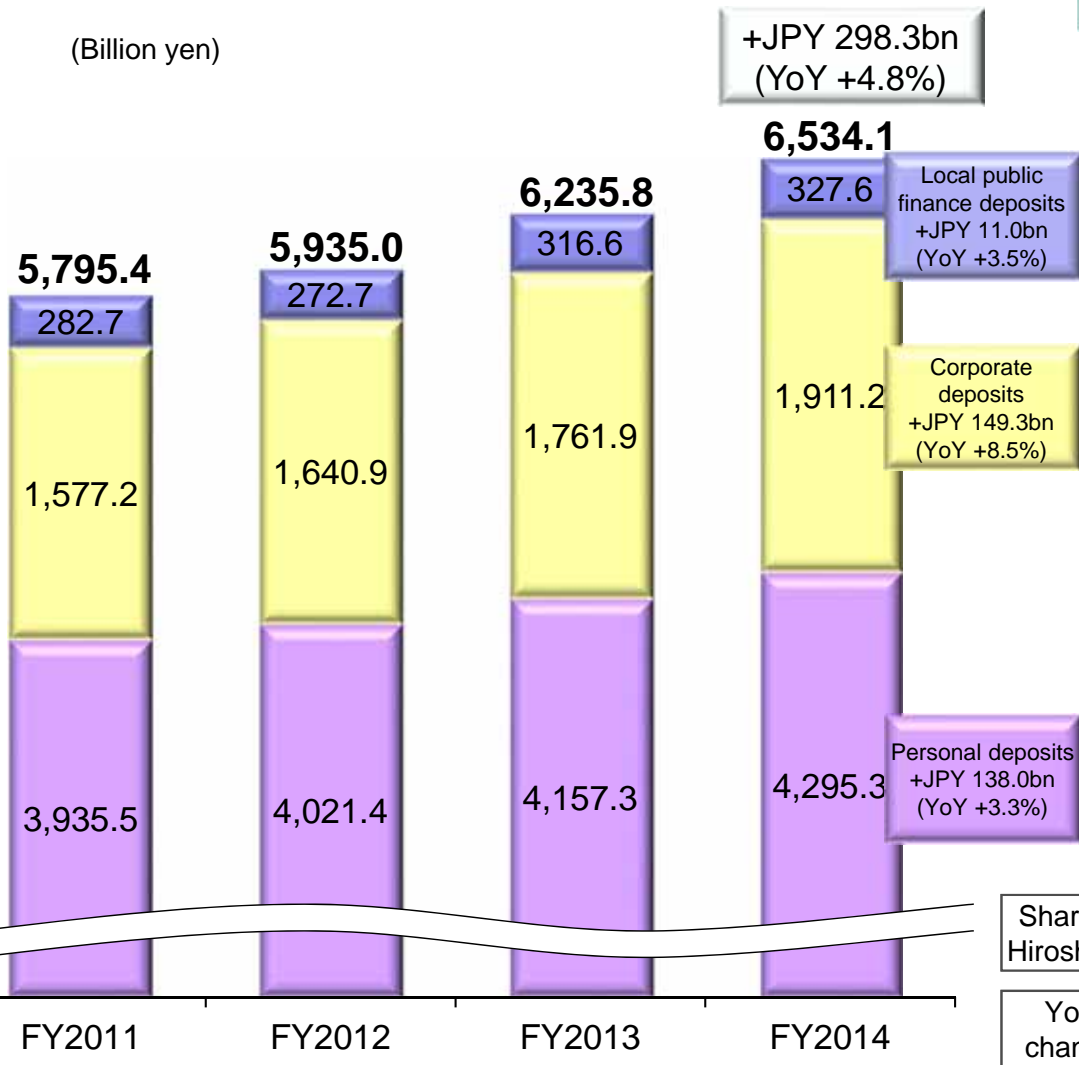
- Average balance of deposits significantly increased in both personal and corporate sectors, **up by 298.3 billion yen (+4.8% YoY)**.
- Share of term-end balance of deposits, etc. (deposits + NCD) within Hiroshima Prefecture was **39.8%** as of the end of March 2015.

Trend of average balance of deposits, etc. (deposits + NCD)

Share of term-end balance of deposits, etc. (deposits + NCD) within Hiroshima Prefecture (as of the end of March 2015)

(Billion yen)

(Billion yen)

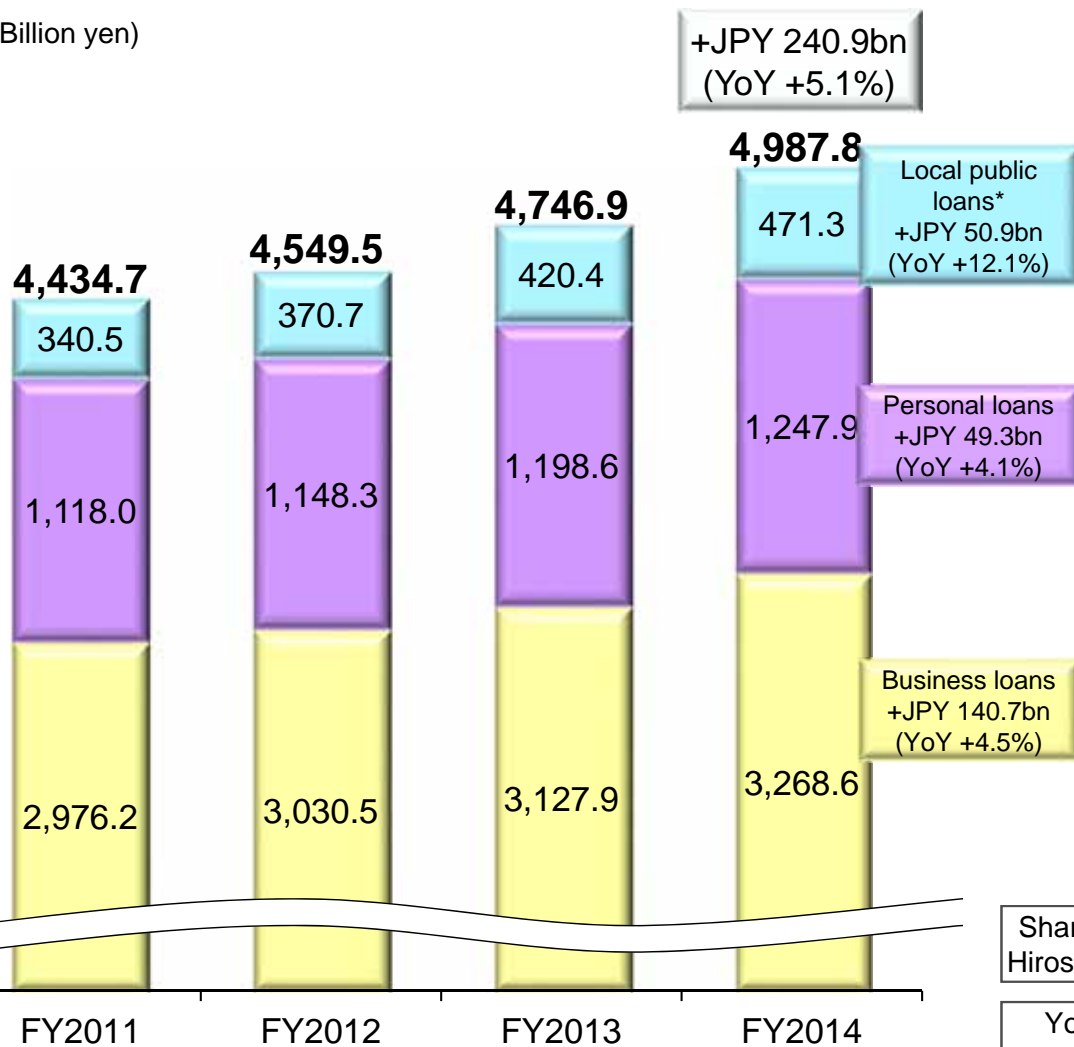


# (6) Balance of loans

- Average balance of loans significantly increased in business, personal and local public sectors, **up by 240.9 billion yen (+5.1% YoY)**.
- Share of term-end balance of loans within Hiroshima Prefecture was **35.9%** as of the end of March 2015.

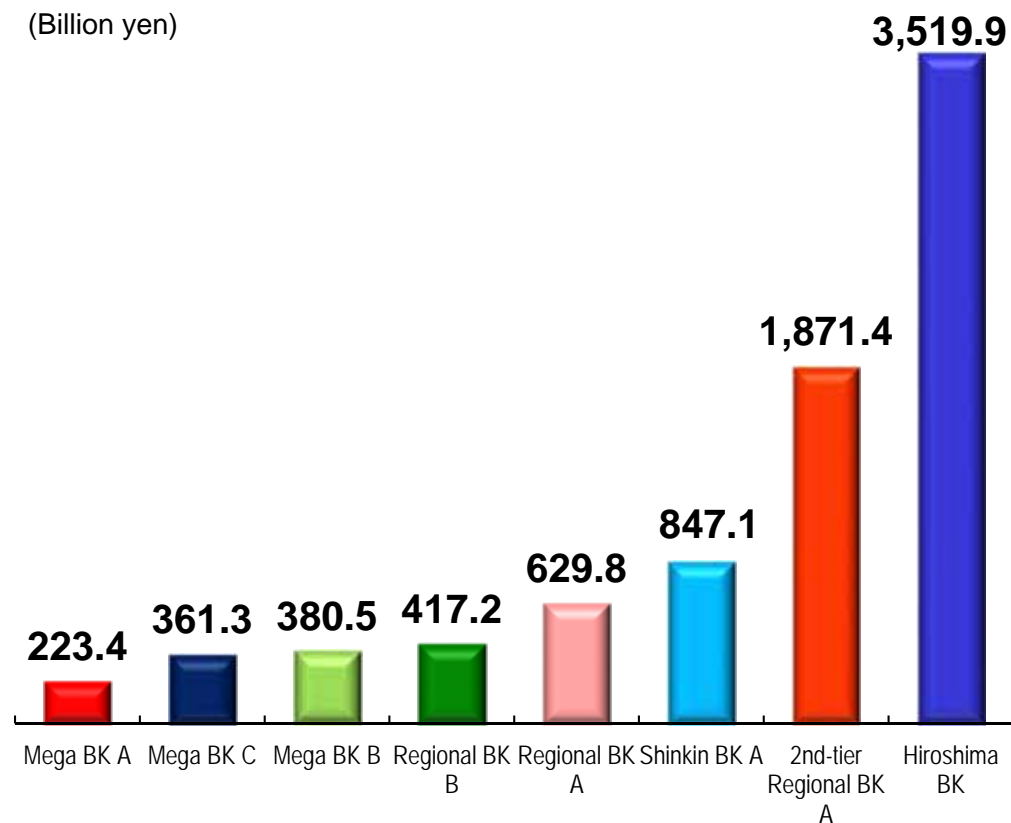
Trend of average balance of loans

(Billion yen)



Share of term-end balance of loans within Hiroshima Prefecture (as of the end of March 2015)

(Billion yen)



Bank Type	Share in Hiroshima	YoY change
Mega BK A	2.3%	± 0%
Mega BK C	3.7%	-0.1%
Mega BK B	3.9%	± 0%
Regional BK B	4.2%	-0.2%
Regional BK A	6.4%	-0.1%
Shinkin BK A	8.6%	-0.2%
2nd-tier Regional BK A	19.0%	± 0%
Hiroshima BK	35.9%	+0.4%

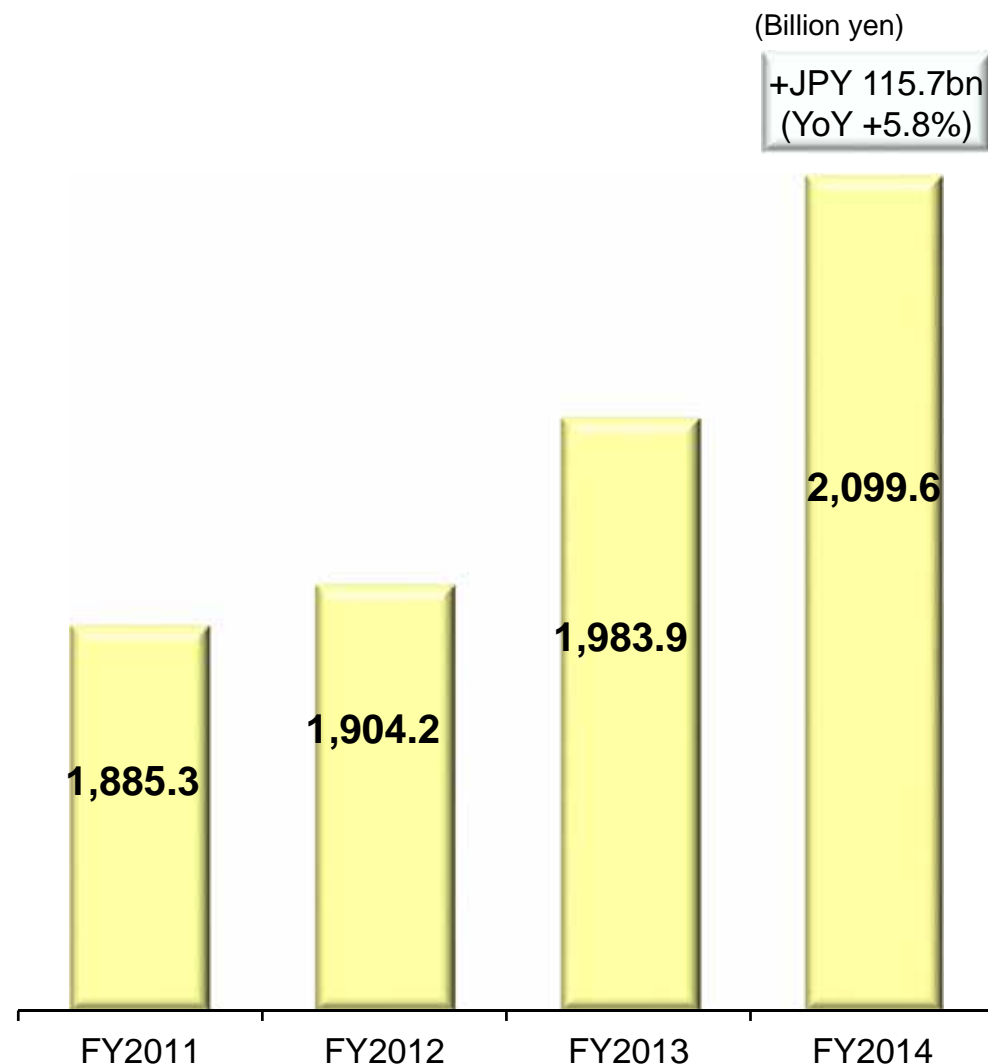
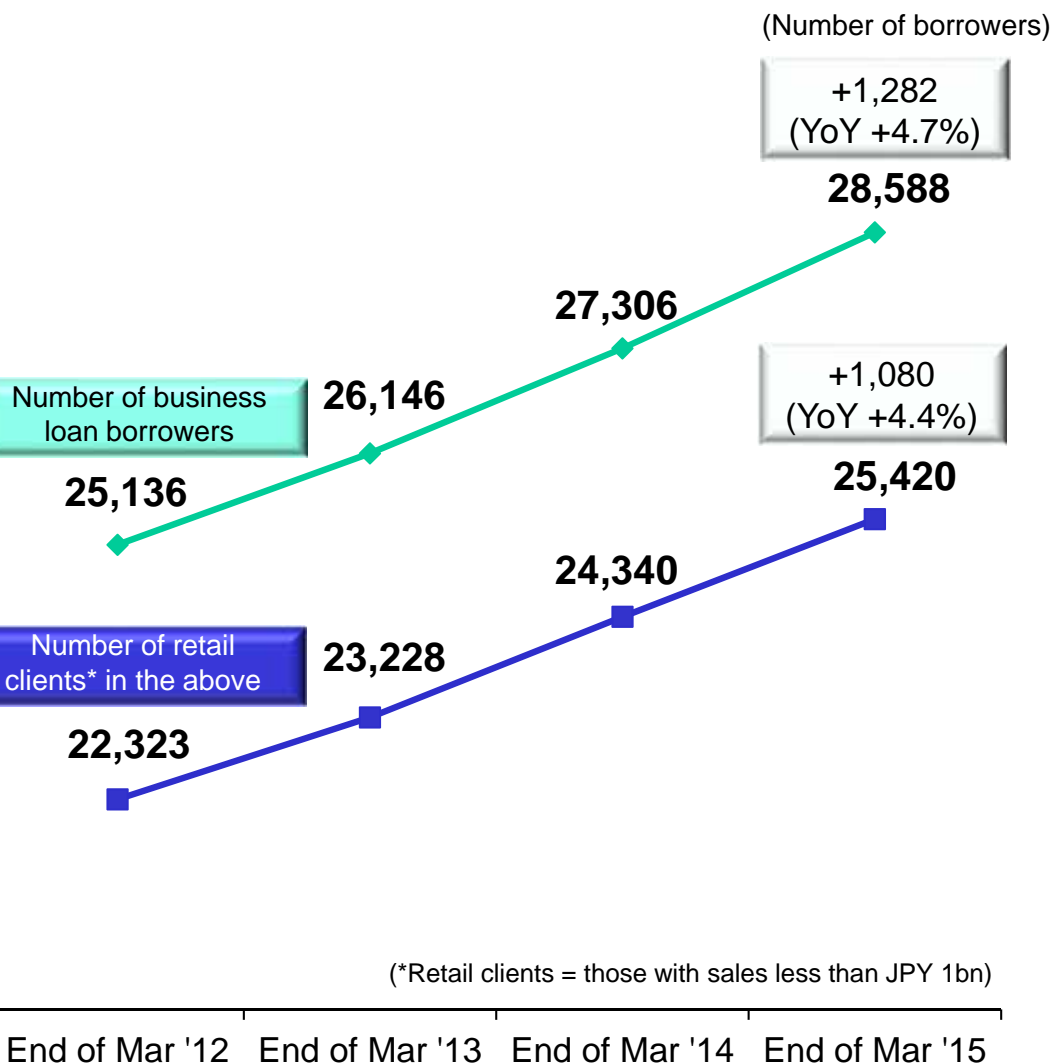
\* Local public loans means loans to local public organizations and public corporations.

# (7) Business loans

The number of borrowers for business loans and loans to small- and medium-sized enterprises (average balance) **significantly increased** supported by active marketing using the area marketing system.

Trend of the number of business loan borrowers

Trend of loans to SMEs (average balance)

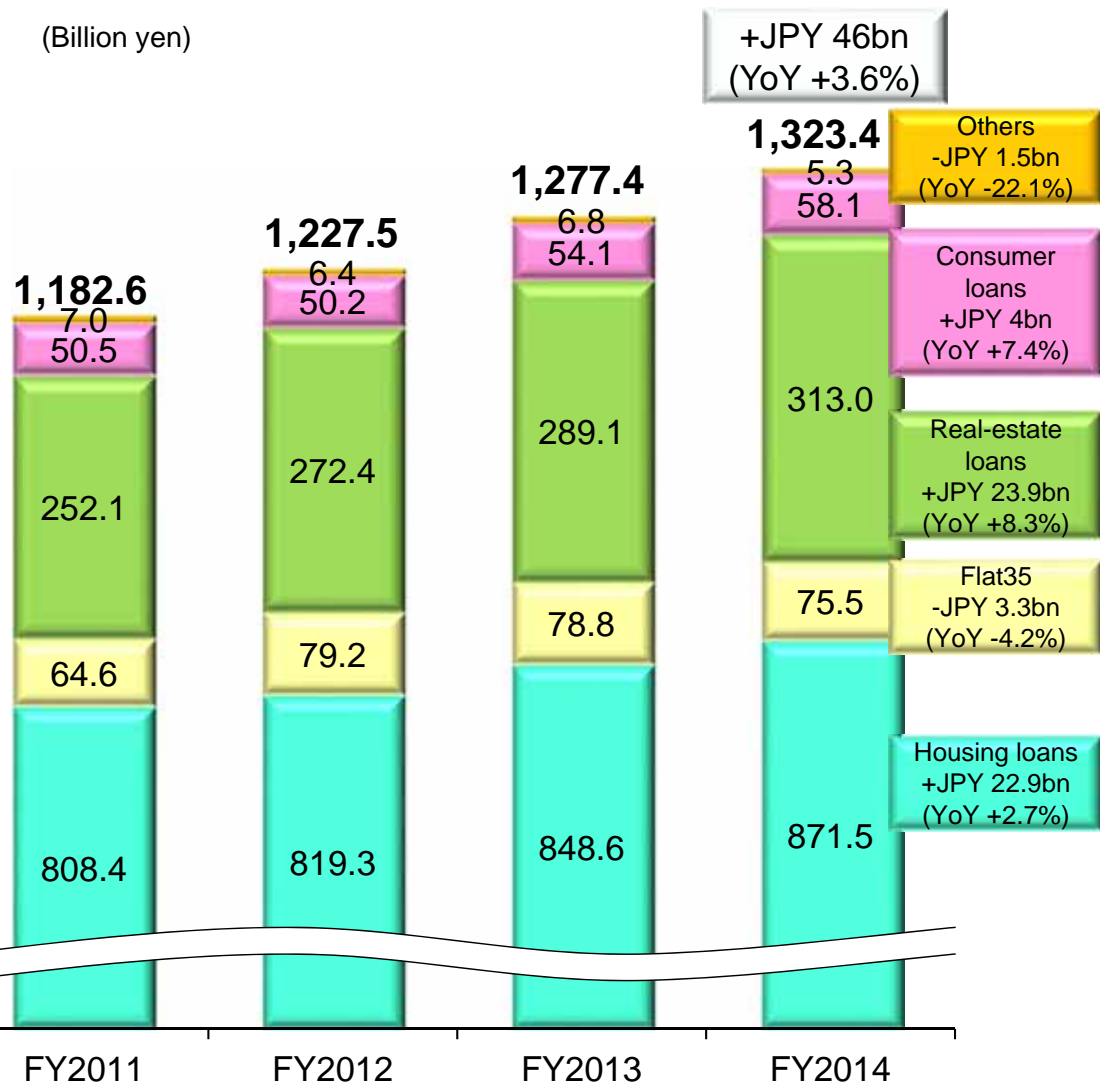


# (8) Personal loans

- The balance of personal loans increased remarkably **by 46 billion yen (+3.6% YoY)** as a result of bank-wide promotions such as establishment of the Loan Counter and the Personal Loan Center.
- The amount of executed consumer loans **significantly increased**.

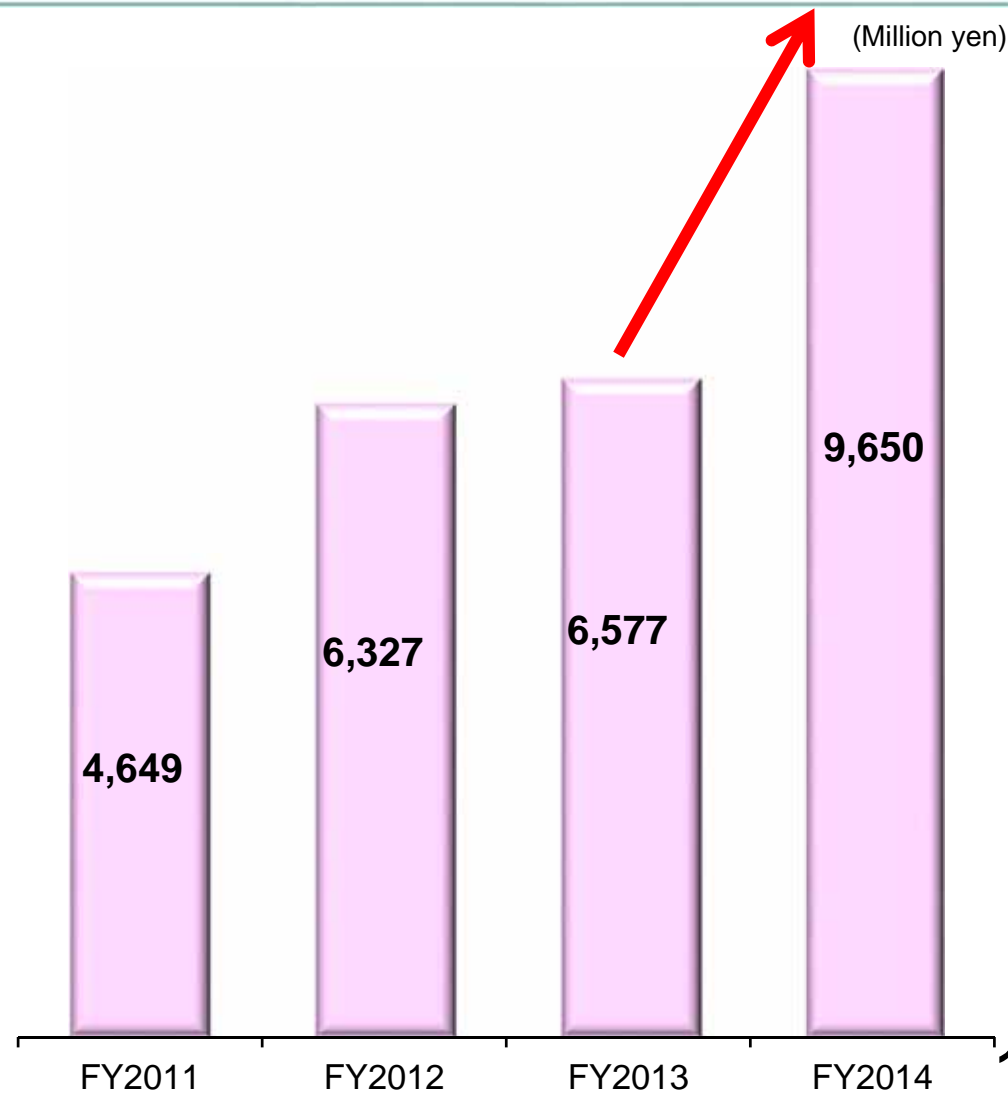
Trend of average balance of personal loans (including Flat35)

(Billion yen)



Trend of the amount of executed consumer loans

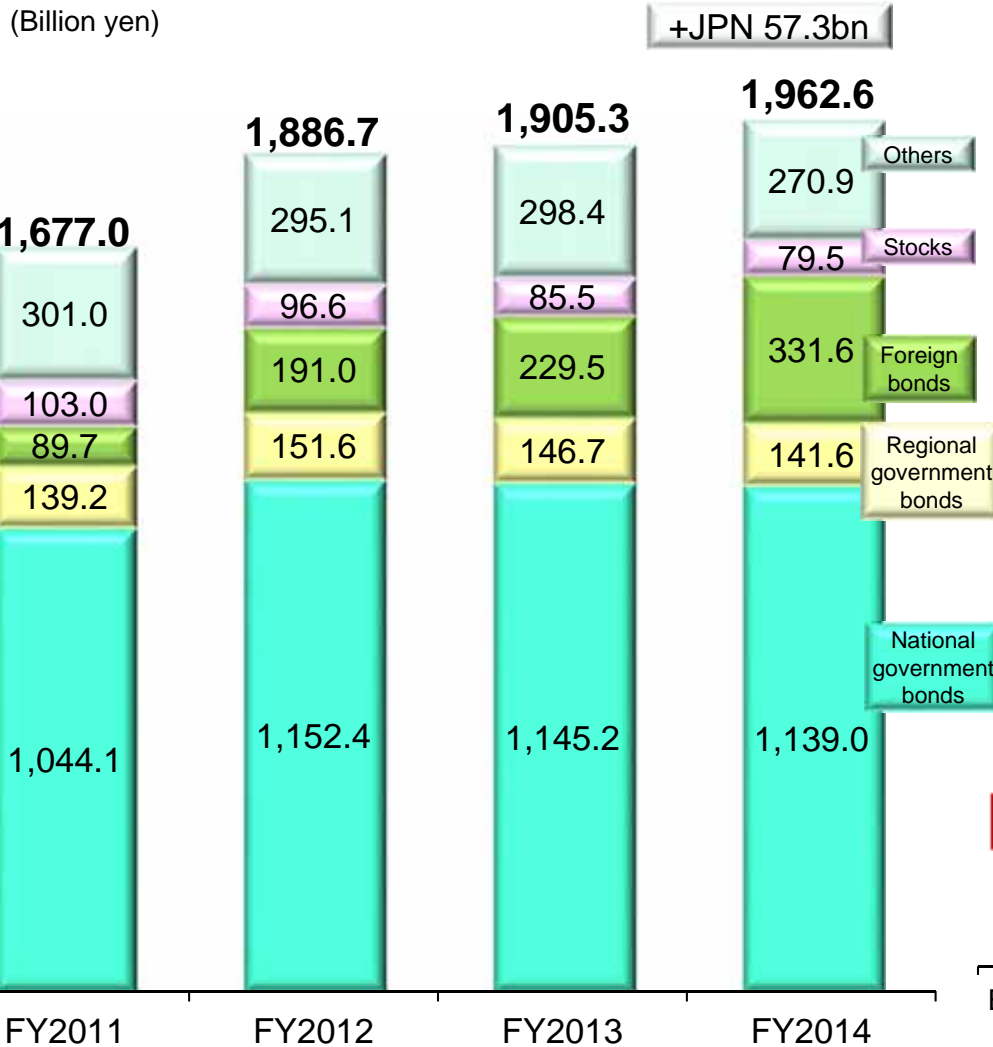
(Million yen)



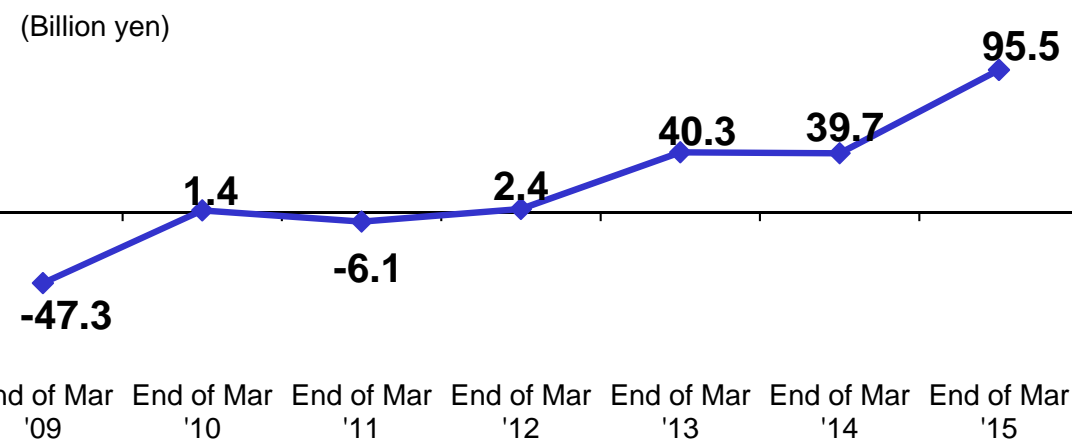
# (9) Securities

- Thanks to the market recovery in addition to our efforts to restructure the portfolio, net unrealized gains (losses) on securities **improved by 142.8 billion yen to 95.5 billion yen of gains** since the end of March 2009 after the bankruptcy of Lehman Brothers.
- Bond duration is **four years or shorter for both yen-denominated and foreign currency-denominated bonds** with careful consideration of the interest risk.

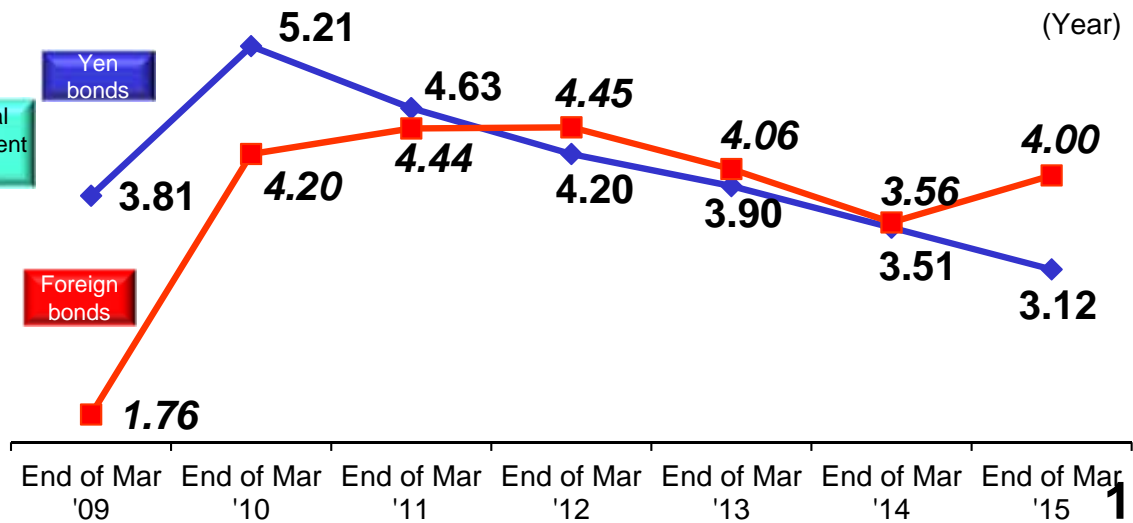
Trend of average balance of securities



Trend of net unrealized gains (losses) on securities



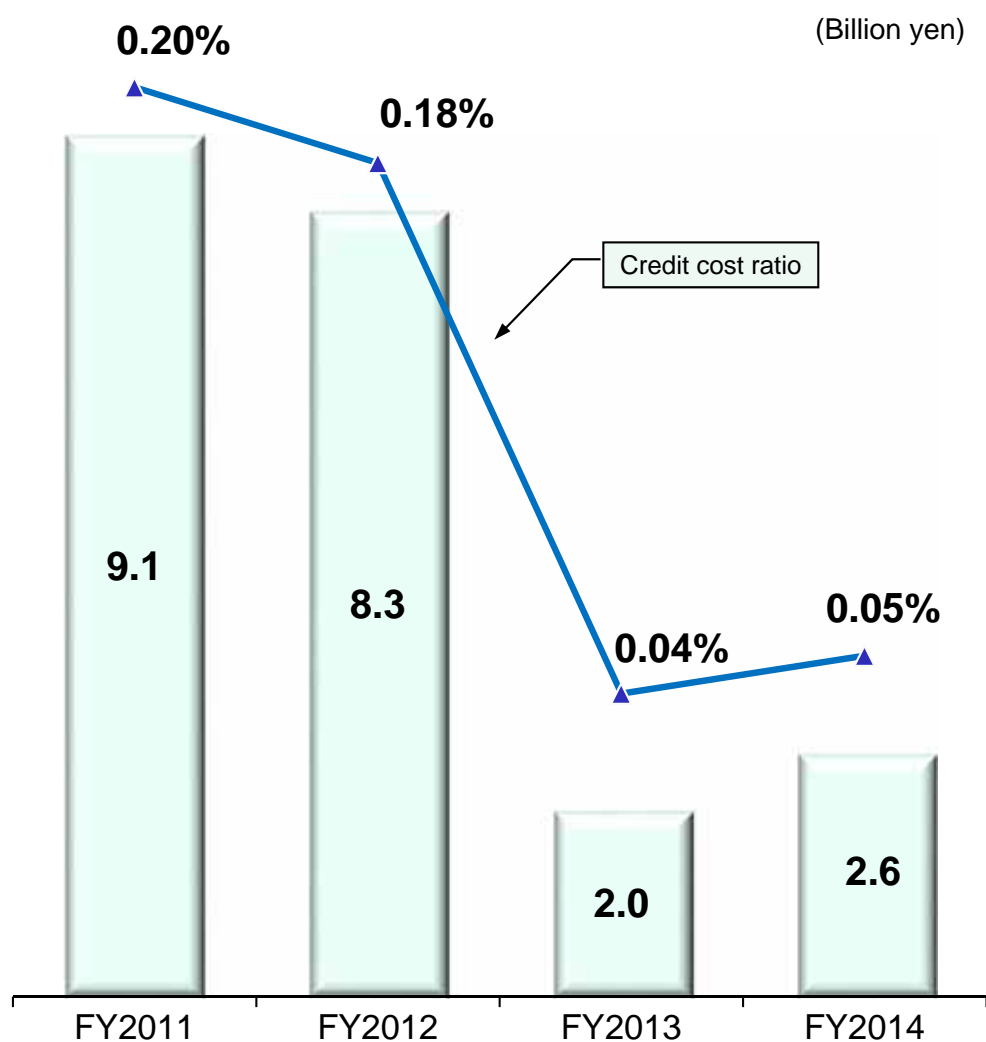
Trend of bond duration



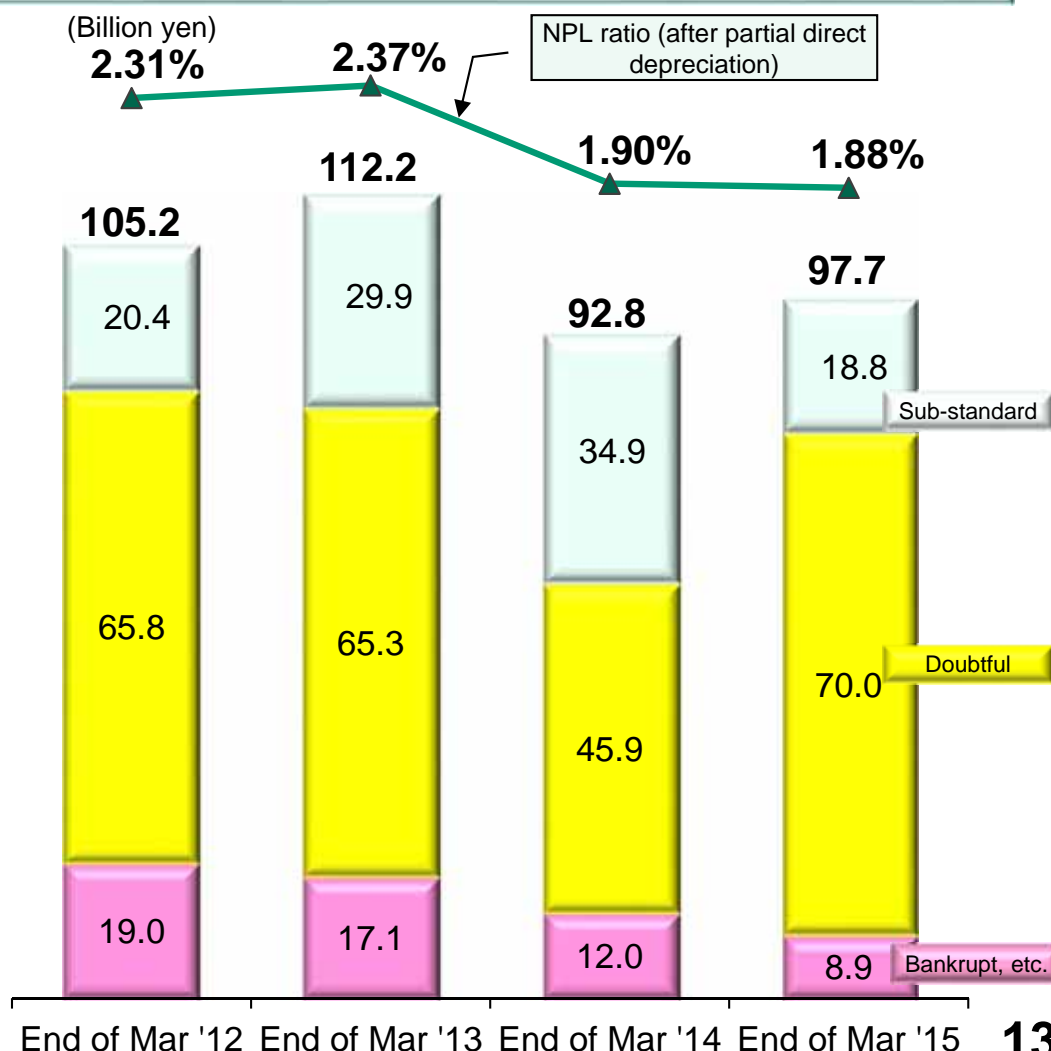
# (10) Credit costs and nonperforming loans

■ Credit costs **remain continuously low** as a result of active support for management improvement of clients.  
■ NPLs (term-end balance) amounted to **97.7 billion yen**, slightly increased from the previous year. NPL ratio **declined to 1.88%**.

Trend of credit costs



Trend of NPLs (term-end balance) and NPL ratio

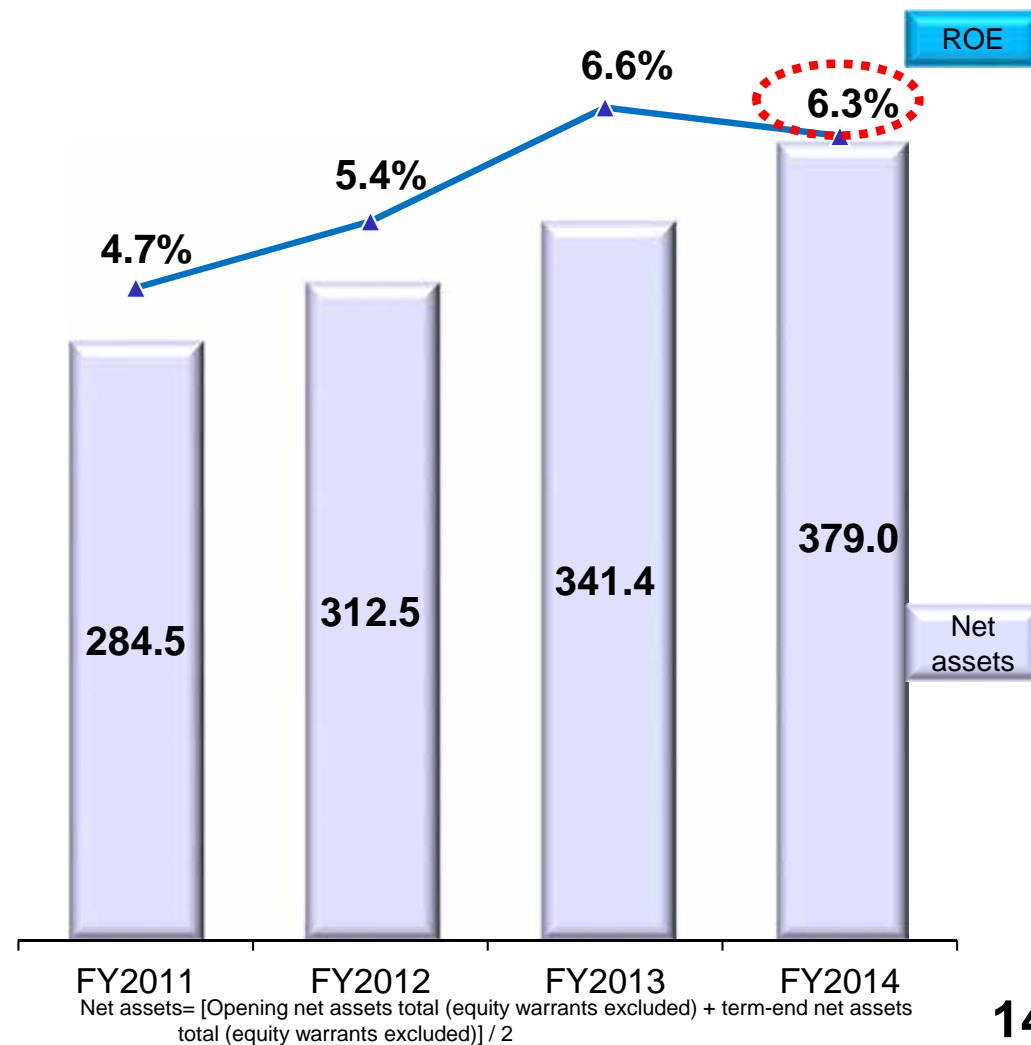
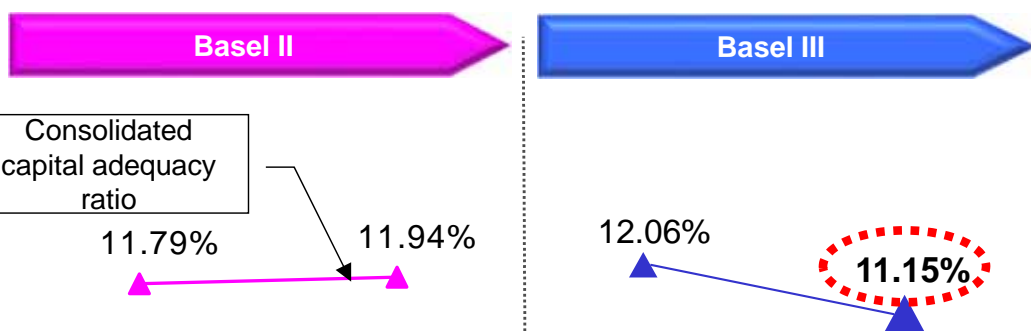


# (11) Capital adequacy ratio and ROE

- Consolidated capital adequacy ratio was at a sufficient level of 11.15% after reducing subordinated financing by 37 billion yen from the previous year.
- With a steady increase of net assets, ROE remains at a level of 6% and over, which was the target of the previous Mid-term Plan.

Trend and breakdown of consolidated capital adequacy ratio

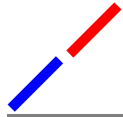
Trend of ROE



End of Mar '12   End of Mar '13   End of Mar '14   End of Mar '15

Reduce subordinated financing by 37 billion yen (YoY)

Basel III	End of Mar '14	End of Mar '15	(Billion yen)
			Difference
Amount of base items on core capital	384.7	368.7	-16.0
Eligible old capital instruments	63.0	26.0	-37.0
Amount of adjustment items on core capital	4.9	20.9	16.0
Equity capital	379.7	347.7	-32.0
Risk assets	3,147.6	3,116.9	-30.7



### **3. Business Forecast in FY2015**

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# (1) Forecast of business performance and dividend in FY2015

- Parent net income is expected to **increase for seven consecutive periods, updating the record high in three consecutive periods.**
- The dividend in this fiscal year is expected to be **9 yen per year** in accordance with the Payout Table.

## Business forecast in FY2015

(Billion yen)

	Forecast in FY2015	YoY change
Net interest income	71.1	-4.4
Net fees and commissions income	19.1	-0.8
<b>Core gross banking profit</b>	<b>90.2</b>	<b>-5.2</b>
- Expenses	53.6	-0.6
<b>Core banking profit</b>	<b>36.6</b>	<b>-4.6</b>
Gains/Losses on securities	1.0	0.4
- Credit costs	2.0	-0.6
<b>Ordinary profit</b>	<b>37.3</b>	<b>-2.4</b>
<b>Net income</b>	<b>Record-high 24.9</b>	<b>1.0</b>
<b>Consolidated ordinary profit</b>	<b>38.6</b>	<b>-1.7</b>
<b>Profit attributable to owners of parent</b>	<b>25.7</b>	<b>-0.9</b>

## Payout Table and estimated dividend in FY2015

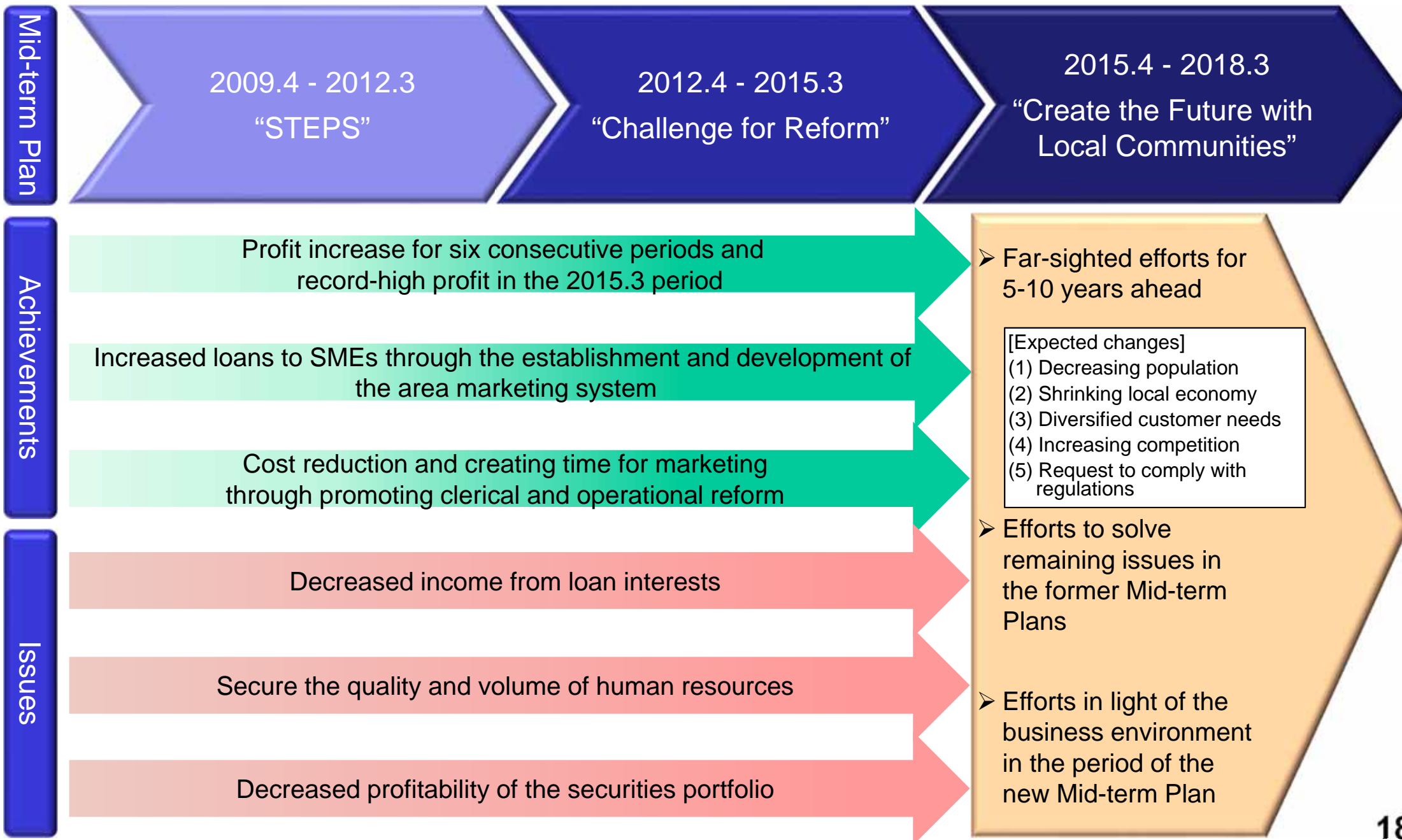
Consolidated net income (attributable to owners of parent)	Dividend per share			Consolidated payout ratio
	(1) Fixed	(2) Performance based	(1) + (2)	
Over 33 billion yen	6 yen	6 yen	12 yen	Less than 22.7%
Over 30 - 33 billion yen	6 yen	5 yen	11 yen	20.8% - less than 22.9%
Over 27 - 30 billion yen	6 yen	4 yen	10 yen	20.8% - less than 23.2%
<b>Over 24 - 27 billion yen</b>	<b>6 yen</b>	<b>3 yen</b>	<b>9 yen</b>	<b>20.8% - less than 23.4%</b>
Over 21 - 24 billion yen	6 yen	2 yen	8 yen	20.8% - less than 23.8%
Over 18 - 21 billion yen	6 yen	1 yen	7 yen	20.8% - less than 24.3%
18 billion yen and less	6 yen	0 yen	6 yen	20.8% and over



## **4. Overview of “Mid-term Plan 2015 – Create the Future with Local Communities”**

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# (1) Review of previous Mid-term Plans and direction of the new Mid-term Plan



## (2) Basic policies of the new Mid-term Plan

“Mid-term Plan 2015 – Create the Future with Local Communities” (FY2015 - FY2017)

### Basic Policies

Three pillars of the Mid-term Plan

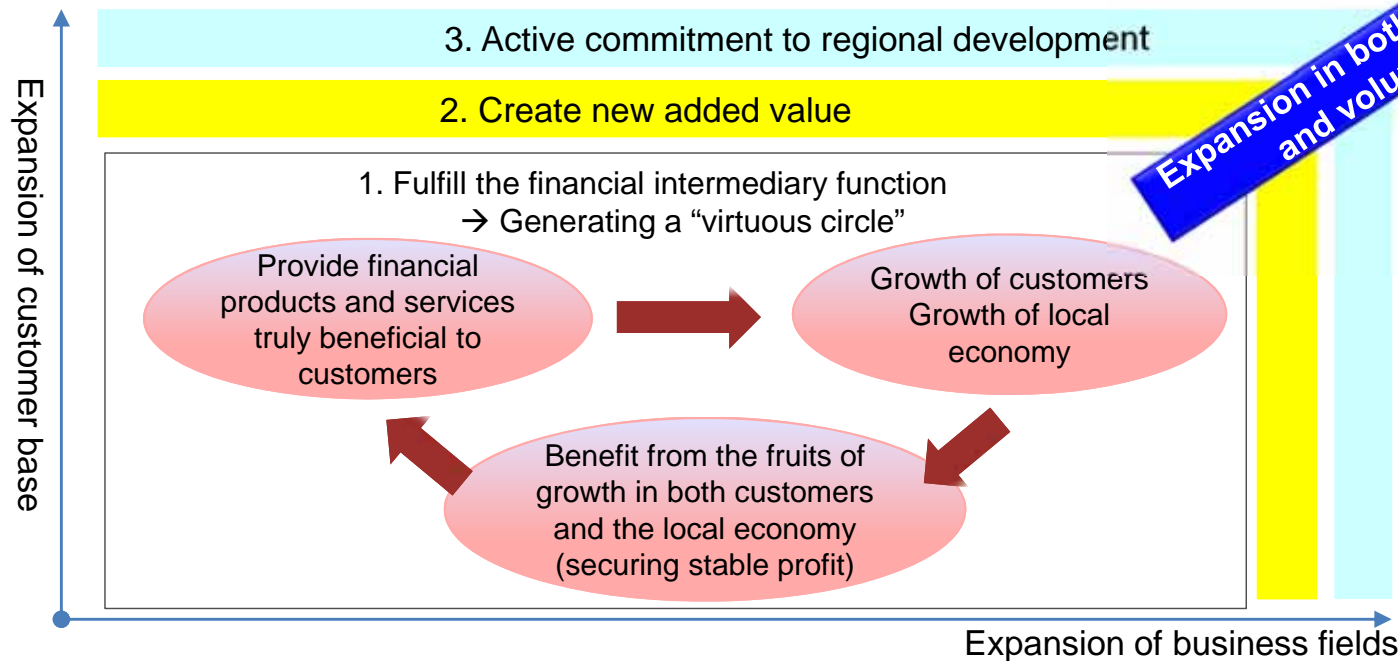
1. Fulfill the financial intermediary function to generate a “virtuous circle” where we can sustainably grow with our local customers
2. Create new added value to improve corporate value
3. Active commitment to regional development

### Business Targets

	Results for FY2014	Targets for FY2017
Net income attributable to shareholders of the parent company	26.6 billion yen	<b>27 billion yen</b>
Consolidated capital adequacy ratio	11.15%	<b>11% or more</b>
ROE	6.3%	<b>6 % or more</b>
Core OHR	56.8%	<b>High 50s %</b>

(10 years later)  
Grow to become a bank with total assets of **10 trillion yen**

[Our goal with the three pillars of the Mid-term Plan]



### (3) Numerical targets

(Unit: Billion yen, %)

		Previous Mid-term Management Plan: Results for FY2014		New Mid-term Management Plan: Targets for FY2017		Change in 3 years		
				Difference from the previous Mid-term Plan				
Profit plan	Net interest income		75.5	- 2.3	72.6	- 2.9		
	Net fees and commissions income	Achieved	19.9	0.9	20.7	0.8		
	Core gross banking profit		95.4	- 1.4	93.3	- 2.1		
	-Expenses	Achieved	54.2	- 2.3	55.1	0.9		
	Core banking profit	Achieved	41.2	0.9	38.2	- 3.0		
	Gains/Losses on bonds		- 2.0	- 3.6	1.0	3.0		
	Net banking profit		39.2	- 2.7	39.2	0		
	Gains/Losses on stocks	Achieved	2.6	4.2	0.5	- 2.1		
	-Credit costs	Achieved	2.6	- 4.9	2.0	- 0.6		
	Ordinary profit	Achieved	39.7	7.9	39.1	- 0.6		
	Net income	Achieved	23.9	4.4	26.1	2.2		
	Consolidated net income*	Achieved	26.6	6.6	27.0	0.4		
Indices	Core OHR	Achieved	56.8	- 1.6	High 50s %	-		
	Credit cost ratio	Achieved	0.05	- 0.10	0.04	- 0.01		
	Consolidated capital adequacy ratio	Standard changed	11.15	-	11% or more	-		
	ROE	Achieved	6.3	0.3	6 % or more	-		
	Non-interest income ratio	Achieved	30.1	6.3	31.7	1.6		
Funding plan (average balance)	Loans	Achieved	4,987.8	Average annual rate: 4.2%	223.5	5,413.5	Average annual rate: 2.8%	425.7
	Deposits + NCD	Achieved	6,534.1	Average annual rate: 4.2%	390.7	7,047.0	Average annual rate: 2.6%	512.9

Interest rate scenario: Rates as of the end of December 2014 (3MTIBOR: 0.18%, 6MTIBOR: 0.27%, 5YSWAP: 0.22% and 10-year national government bonds: 0.35%) are used.

\* From FY2015, this is called "net income attributable to shareholders of the parent company."

## (4) Enhancement of corporate governance

### Further enhance corporate governance by improving the structure of Directors and the system of Executive Officers

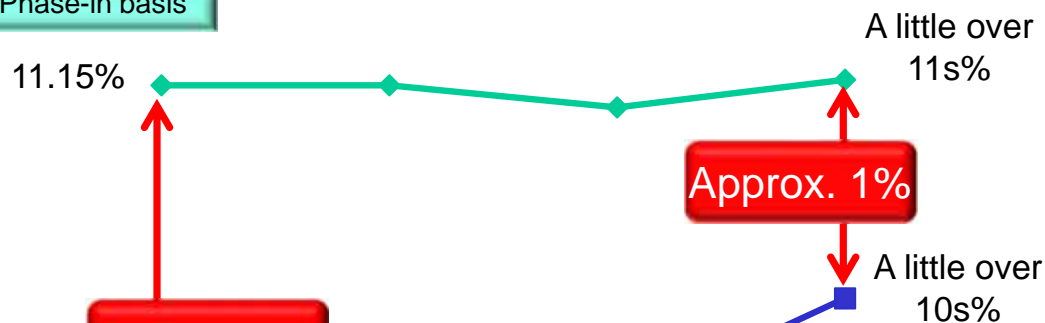
	Improvement	Purpose
(1)	<ul style="list-style-type: none"> <li>- Increase the number of external Directors to two by adding one female external Director</li> <li>- Appoint one female as an external corporate auditor</li> </ul>	<ul style="list-style-type: none"> <li>- Enhance the ability to check on management from a diverse set of viewpoints by promoting diversity in top management</li> </ul>
(2)	<ul style="list-style-type: none"> <li>- Abolish the special ranks of Directors (Senior Managing Director and Managing Director). These Directors will supervise decision-making and business execution on important matters as members of the Board of Directors, while taking responsibility for business execution as concurrent Executive Officers</li> </ul>	<ul style="list-style-type: none"> <li>- Clarify the roles and responsibilities of Directors regarding functions of decision-making and business execution supervision and of Executive Officers regarding functions of business execution</li> </ul>
(3)	<ul style="list-style-type: none"> <li>- Shorten the term of Directors from two years to one year</li> </ul>	<ul style="list-style-type: none"> <li>- Clarify management responsibility for each fiscal year</li> <li>- Establish a management structure that can promptly respond to changes in the external environment, etc.</li> </ul>
(4)	<ul style="list-style-type: none"> <li>- Change the current employment-based Executive Officer system to a delegation-based system</li> </ul>	<ul style="list-style-type: none"> <li>- Clarify the position of management delegates in charge of business execution</li> </ul>
(5)	<ul style="list-style-type: none"> <li>- Review the area officer system, and assign the role of area officer at the branch offices to dedicated Executive Officers instead of concurrent officers in the headquarters division</li> </ul>	<ul style="list-style-type: none"> <li>- Further promote community-based marketing</li> </ul>

# (5) Capital policy

Build a strong management foundation to realize regional development, while at the same time returning profits to society

Estimated trend of consolidated capital adequacy ratio in the new Mid-term Plan period

Phase-in basis

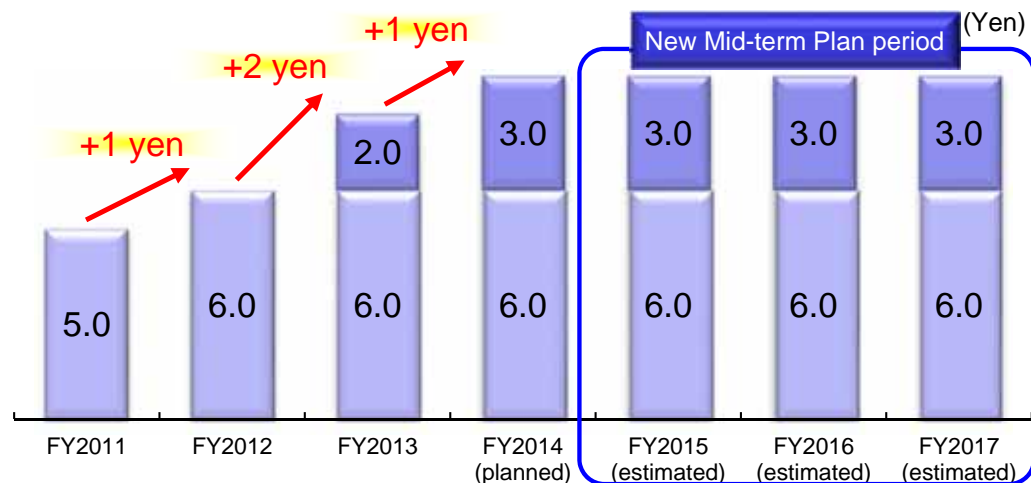


Fully loaded basis

Increase in real equity capital

End of Mar '15    End of Mar '16    End of Mar '17    End of Mar '18

Estimated dividends in the new Mid-term Plan period



Expand the Payout Table in light of dividend increases in three consecutive periods → Clarify the amount of dividend when business performance is better than expected

Consolidated net income (attributable to owners of parent)	Dividend per share			Consolidated payout ratio
	(1) Fixed	(2) Performance based	(1) + (2)	
Over 33 billion yen	6 yen	6 yen	12 yen	Less than 22.7%
Over 30 - 33 billion yen	6 yen	5 yen	11 yen	20.8% - less than 22.9%
Over 27 - 30 billion yen	6 yen	4 yen	10 yen	20.8% - less than 23.2%
Over 24 - 27 billion yen	6 yen	3 yen	9 yen	20.8% - less than 23.4%
Over 21 - 24 billion yen	6 yen	2 yen	8 yen	20.8% - less than 23.8%
Over 18 - 21 billion yen	6 yen	1 yen	7 yen	20.8% - less than 24.3%
18 billion yen and less	6 yen	0 yen	6 yen	20.8% and over

## (6) Strategies in the new Mid-term Plan

### Main points in each strategy

(1) Marketing strategy	<ul style="list-style-type: none"> <li>(i) Enhance approaches to the personal market</li> <li>(ii) Enhance consulting sales</li> <li>(iii) Active efforts for regional development</li> </ul>
(2) Human resource strategy	<ul style="list-style-type: none"> <li>(i) Nurture human resources that contribute to the development of local communities by creating and providing new value</li> <li>(ii) Develop a corporate culture in which a diverse range of people can play active roles</li> </ul>
(3) ALM/Securities strategy	<ul style="list-style-type: none"> <li>(i) Enhance profitability of the portfolio through proper risk taking</li> <li>(ii) Appropriate and effective practice of ALM</li> </ul>
(4) Operational streamlining strategy	<ul style="list-style-type: none"> <li>(i) Drastic streamlining in preparation for an increase in the amount of activity</li> <li>(ii) Streamline the administrative sector</li> </ul>
(5) IT strategy	<ul style="list-style-type: none"> <li>(i) Study next generation systems while enhancing and nurturing IT personnel responsible for the future</li> <li>(ii) Active utilization of IT to realize various strategies and measures</li> </ul>
(6) Group strategy	<ul style="list-style-type: none"> <li>(i) Maximize synergy effects by enhancing group governance</li> <li>(ii) Expand business fields (challenge new businesses)</li> </ul>

Steady increase of internal reserves through profitability enhancement

Enhance the management foundation



# (7) Marketing strategy 1 – Enhancement of approaches to the personal market

Further enhance approaches to the personal market, where more profit-earning opportunities are expected due to the diversified and deepened needs of customers

## Personal deposits

### (1) Expand the foundation for payroll/pension deposit accounts by enhancing sales at workplaces

Establish and develop promotion schemes for sales at the workplace, starting by dealing with corporate owners and promoting VALUE ONE (employee/student ID card with the QUICPay function)

### (2) Acquire deposits from other banks by providing new products according to legal revisions, etc.

### (3) Enhance the functions of internet banking and ATM

(Billion yen, %)

(Average balance)	Results for FY2014	Targets for FY2017	Difference	Average annual rate
Personal deposits	4,295.3	4,620.0	324.7	2.5

## Card business

### (1) Establish the Card Business Promotion Office (in April 2015)

- i. Promote VALUE ONE (employee/student ID card with the QUICPay function) as a differentiated product that aims to efficiently expand the client base

#### (Target clients)

- Approx. 300 companies with more than 300 employees
- Approx. 3,600 companies with 300 or less employees
- 20 universities and 47 technical schools in Hiroshima Prefecture

- ii. Accelerate R&D to enhance the card functionality
- iii. Enhance the middle office structure according to operations expansion

## Financial products

### (1) Insurance

Focus on level premium insurance (medical/cancer insurance and pension-type insurance) and expand the sales channels (telemarketing, DM, insurance shops, etc.)

### (2) Investment trusts

- i. Enhance stock-based income by providing products focused on balancing investment trusts
- ii. Approaches to NISA (for savings at the workplace, junior\*) and 401K  
\* Junior NISA: NISA accounts for minors

### (3) Enhanced collaboration with group companies

- i. HU Securities intermediary
- ii. Joint sales of non-life insurance with closely related insurance agents

## Personal loans

### (1) Consumer loans

- i. Fix Loan Counters (use shops that are open on holidays)
- ii. Enhance non-face-to-face channels (ATM, smartphone, etc.)

### (2) Housing loans ... Aim to execute an amount more than the previous Mid-term Plan

- i. Promote both housing loans and Flat35
- ii. Set up a team specializing in debt assumption
- iii. Steadily attract demand for apartment construction

Cut clerical work at branch offices in half to shift manpower to promotion

### (3) Establish a low-cost operation structure in the personal loan sector

### (4) Make more use of the affiliate guarantee company

(Billion yen, %)

(Average balance)	Results for FY2014	Targets for FY2017	Difference	Average annual rate
Housing loans	871.5	897.3	25.8	1.0
Real-estate loans	313.0	364.7	51.7	5.5
Consumer loans	58.1	74.2	16.1	9.2
Personal loans	1,247.9	1,341.5	93.6	2.5

## (8) Marketing strategy 2 – Enhancement of consulting sales

### Enhance consulting sales and differentiate from other banks to increase income from net fees and commissions

Enhancement of the marketing structure in the branch offices and headquarters

	Targets	Means
(1) Branch offices	<ul style="list-style-type: none"> <li>i. Wealthy and elderly Customers aged 70 or over whose balance of assets kept in our bank accounts is 30 million yen or more (approx. 8,000 customers); next-generation wealthy people who mainly deal with other banks</li> <li>ii. Corporate owners Companies whose sales amount is 200 million yen or more (approx. 7,000 companies) Companies that mainly deal with other banks</li> </ul>	Understand the real status of the target customers with the branch manager and deputy manager to conduct consulting sales
(2) Head-quarters	<ul style="list-style-type: none"> <li>i. Owners of companies which have a powerful influence on the local economy (approx. 500 companies)</li> </ul>	Increase the number of personnel in charge of PB at HQ to retain VIP clients. The PB personnel make continuous suggestions over long periods.

Growth areas

(1) Renewable energy	Enhance efforts for financing energy businesses such as offshore wind power, hydropower and biomass power
(2) Medical and nursing care	Enhance approaches to new areas through efforts such as start-up support for related industries and social businesses
(3) Tourism industry	Establish a tourism platform, study the formation of funds and enhance efforts for privatization of the airport

Trust business

#### (1) Expand trust products

- i. Expand the product lineup to show an advantage as differentiation from other banks
  - Expand products tailored to specific needs such as inter vivos gifts
  - Research products tailored to the specific needs of real estate inheritance, etc.

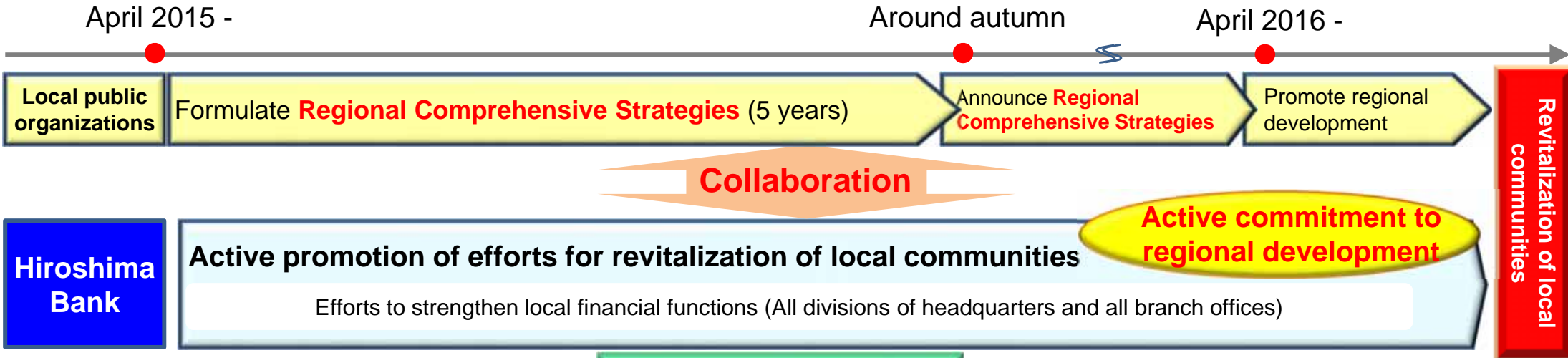
International business

#### (1) Overseas business support efforts

- i. Increase income related to support such as financing for overseas business expansion
- ii. Enhance collaboration with overseas partner banks and external organizations (public institutes and consulting companies)
- iii. Study a further expansion of the overseas network according to changes in the overseas business needs of clients
- iv. Differentiate from other banks by providing clients with high value-added information gained by direct investment in financial institutions and major companies in areas where clients are greatly interested

# (9) Marketing strategy 3 - Active efforts for regional development

**In collaboration with local public organizations**, we will make all-out efforts to actively further develop our ongoing actions to revitalize the local communities and cooperate in order to formulate and promote **Regional Comprehensive Strategies**.



### Develop "work"

- (1) Start-up support
- (2) Support for local SMEs
- (3) Development of tourist sites
- (4) Community revitalization

### Develop "people"

- (1) Support for children and child care
- (2) Promote employment measures for young people

### Develop "communities"

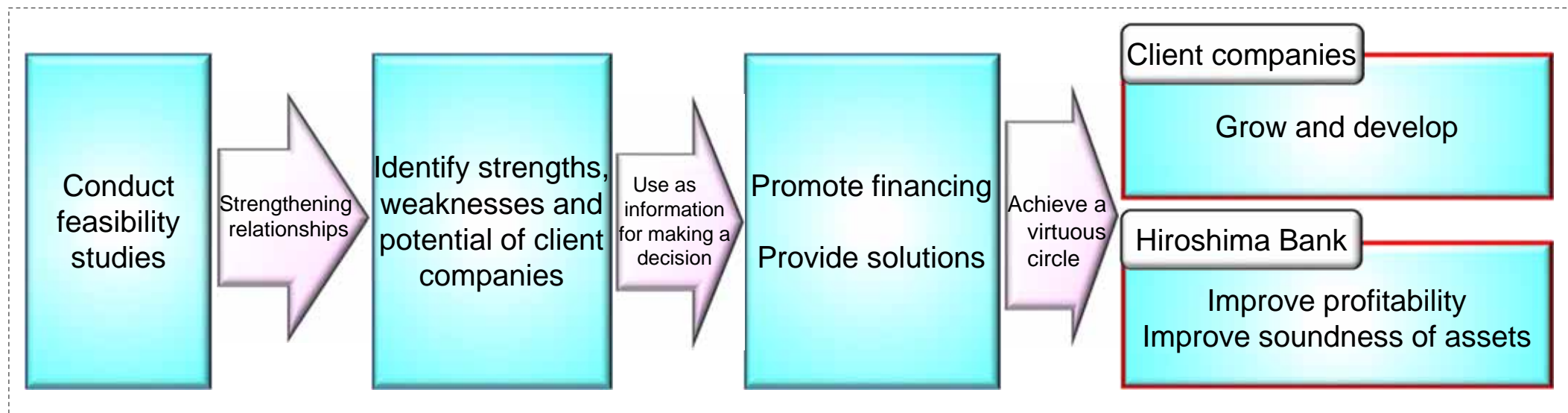
- (1) Measures for abandoned houses

### Our solutions

- ... SME regional development support loans and venture funds
- ... Promotion of feasibility studies **P.27**
- ... Collaboration with Setouchi Brand Promotion Association
- ... E-money-type premium coupons **P.28**
- ... Shared use of day-care centers at work venues; "Magokoro," account for transfer of educational funds to grandchildren
- ... Utilization of start-up support loans
- ... Reverse mortgage

# (Reference 1) Promotion of feasibility studies

## (1) Purpose of conducting feasibility studies focusing on qualitative analyses



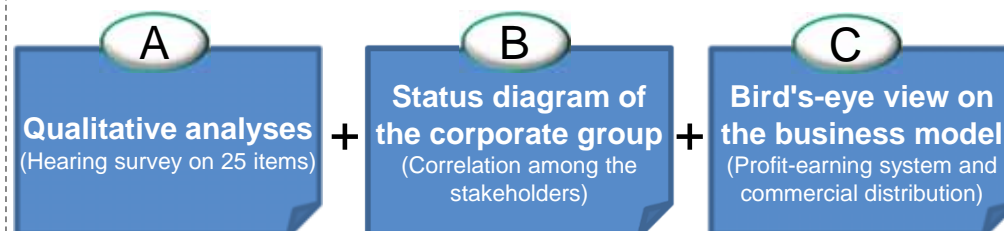
## (2) Details of the feasibility studies

- (1) The branch offices select target client companies after considering their priority by referring to the Guidelines of target client companies, and then create the three items shown in the figure below for each company.
- (2) The studies are planned to be conducted for approx. 300 client companies per half-year period, which will amount to 1,800 or more companies over the entire period of the Mid-term Plan.

### < Guidelines of target client companies >

- i. Major and core client companies of each branch
- ii. Client companies which can be used as a target for guidance and advice on improvements in the future, such as those which plan to formulate a management improvement plan.
- iii. Client companies in the process of business succession, etc., where strengthening relationships with a new president can be expected.

### < Feasibility studies focusing on qualitative analyses >



# (Reference 2) E-money-type premium coupons

■ On June 5, 2015, Hiroshima Bank was awarded a public tender by Hiroshima Prefectural Government for a model project involving issuing e-money-type premium coupons.

**The first premium coupons in the form of e-money (cards) across all prefectures of Japan**

## Conventional policy of the local government

Issue paper-based premium coupons as a quick-impact incentive measure for the local economy

### Issues

- High-cost structure  
(printing cost, payment fees, etc.)
- Lack of continuity (one-shot project)
- Difficult to examine the effects

Provide our solutions

**Issue premium coupons in the form of local e-money**

(1) Realize benefits for consumers and member stores

(2) Continuity

(3) Revitalize the local economy

(4) Develop a payment infrastructure

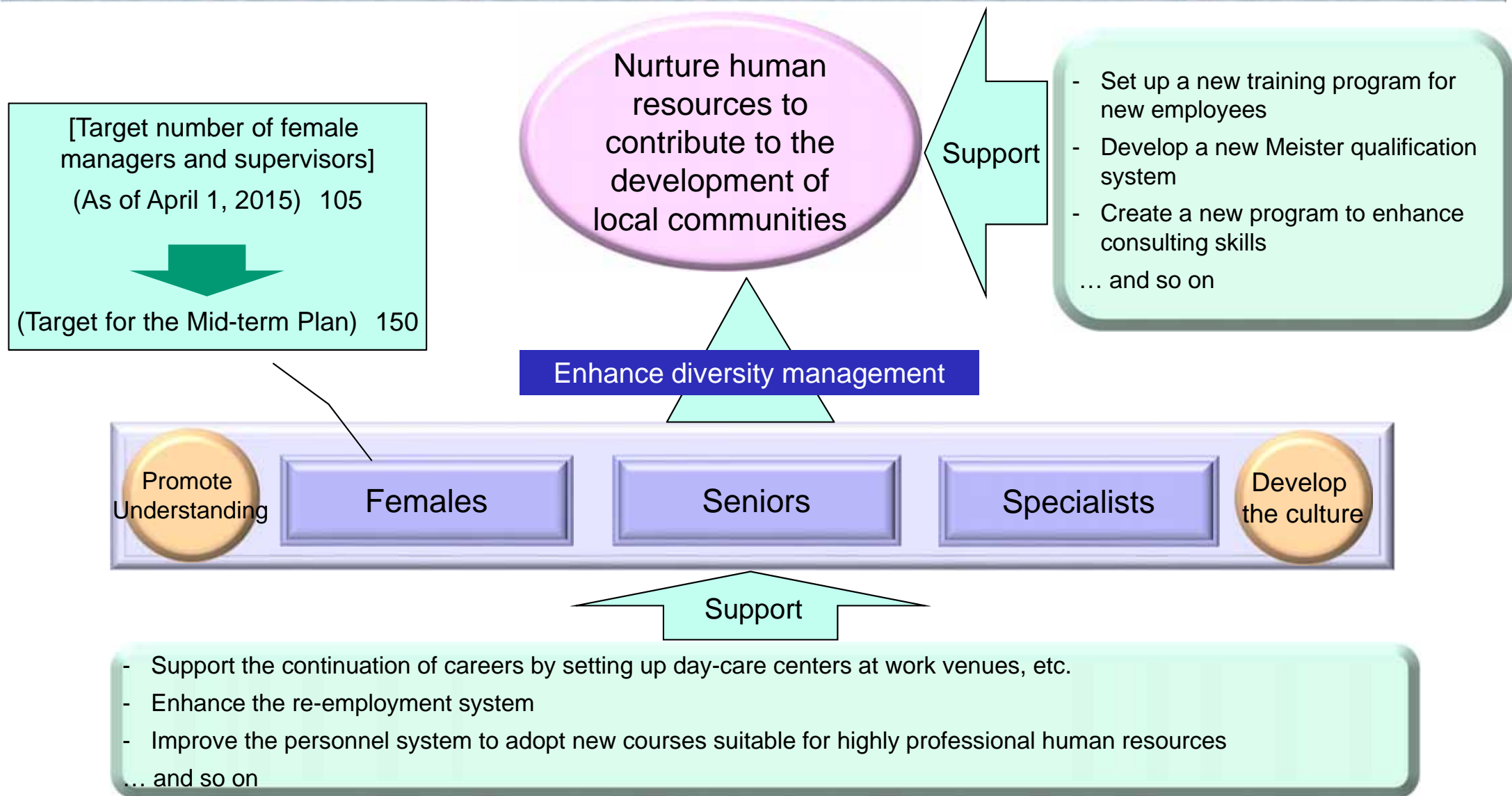
(5) Examine the effects

## Outline of e-money-type premium coupons (cards)

Name	Premium Coupon "HIROCA"
Maximum amount to be prepaid (charged)	50,000 yen (per person)
Premium amount	25% of the charged amount (up to 12,500 yen per person)
Maximum total amount of premium	800 million yen
Total amount of coupons	4 billion yen
Available period	From mid-November 2015 (tentative) to February 28, 2016
Available stores	IZUMI, FRESTA, EDION and other shops in the shopping streets, etc. in Hiroshima Prefecture * Number of available stores will be increased gradually.
Eligible applicants	Persons aged 18 or older (living in Hiroshima Prefecture)
Type of card	Issue a new sub-card linked to a Hirogin VALUE ONE card * For minors, a new sub-card linked to a cash card will be issued.
Application period (tentative)	From June 26, 2015 (tentative) to September 30, 2015 * If the number of applicants exceed the limit, qualified applicants will be selected by drawing lots.
Where to apply	At Hiroshima Bank counters and on the Internet (tentative)
Functions available with the card	Prepaid type e-money (main function), distributors' prepaid type e-money ("Yumeka" and "smile money"), deferred payment type e-money (QUICPay)

# (10) Human resource strategy

■ Under a corporate culture where a diverse range of people can play active roles, nurture human resources to contribute to the development of local communities by creating and providing new values



# (11) ALM/Securities strategy

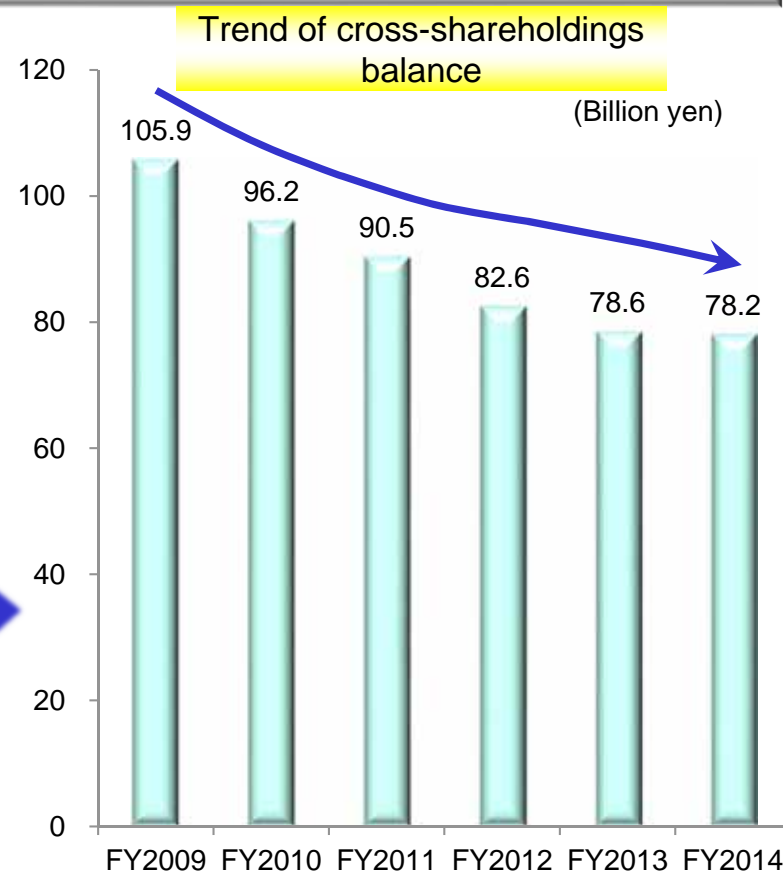
- Secure sales gains by buying and selling in accordance with market trends while taking risks within an acceptable range, as well as developing a balanced securities portfolio
- Practice ALM appropriately and effectively

## Priority items

- Reduce investment in less profitable national and regional government bonds
- Increase investment mainly in foreign bonds and currency exchange (investment trusts) which have relatively low risk weighting and high liquidity

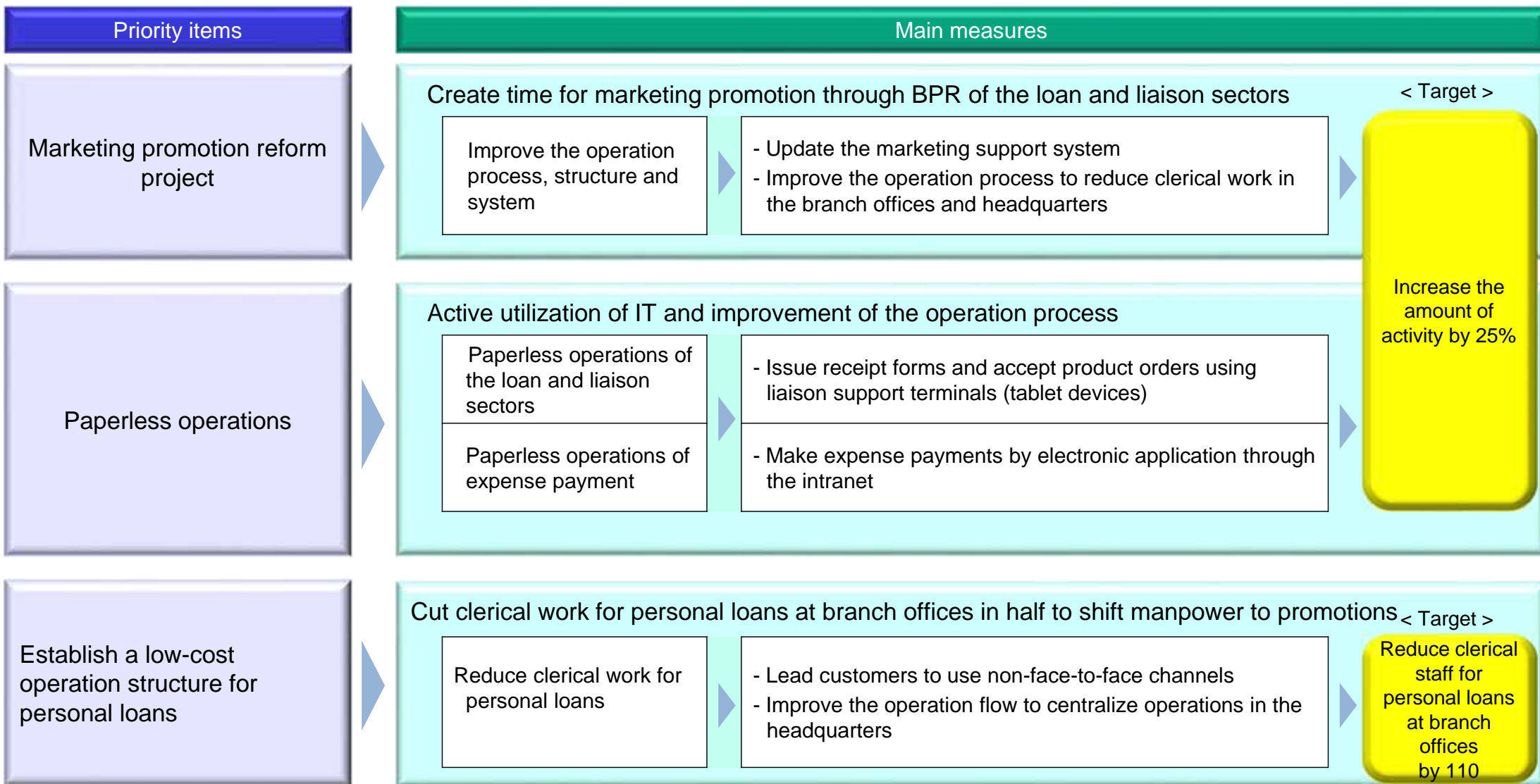
## Risk-taking policies

Risk		Risk-taking policies		Measures
		Direction	Rate (FY2014 → FY2017)	
Interest rate	Yen	➡	65% → 54%	- Reduce the balance mainly of national and regional government bonds
	U.S. dollar	➡	13% → 17%	- Continue investment mainly in U.S. government bonds - Enhance profitability by increasing investment in Ginnie Mae and other bonds
	Euro	➡	2% → 4%	- Increase investment mainly in German and French government bonds
Stocks and J-REIT (including cross-shareholdings)		➡	7% → 8%	- Secure sales gains by buying and selling flexibly - Continue efforts to reduce the balance of cross-shareholdings
Currency exchange		➡	1% → 5%	- Increase investment mainly in yen-denominated foreign bond investment trusts
Credits (including private placement bonds)		➡	Around 10%	- Maintain balance mainly with private placement bonds and highly rated bonds

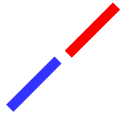


# (12) Operational streamlining strategy

**In preparation for an increase in the amount of activity, promote drastic operational streamlining and improve operations of the administrative sector to reduce the number of clerical staff**







## 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.

Management Planning Division, The Hiroshima Bank, Ltd.

Phone: 082-504-3823

FAX: 082-504-0171

URL: <http://www.hirogin.co.jp/>