Overview of Financial Results for FY2019

— IR Presentation —

The Hiroshima Bank Ltd.

広島銀行

June 2020

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1. Summary of Business Performance

Overview of profit/loss in FY2019

Overview of profit/loss

(Billion yen)

	FY2019	YoY change	(Change rate)
Net interest income	**68.3**	**0.2**	
Interest on loans	61.9	0.2	
Interest and dividends on securities	12.7	0.1	
Deposits + NCD interest (-)	1.9	-0.3	
External procurement costs, etc. (-)	4.5	0.5	
Net fees and commissions income	**15.4**	**-1.8**	
Investment banking business	3.4	-0.3	
Asset management business	6.1	-0.5	
Personal loan-related	-5.0	-0.6	
Foreign exchange	1.5	0.2	
Traditional fees and commissions income	9.4	-0.5	
Gross income from core businesses	83.7	-1.6	(-1.8%)
Expenses (-)	**52.7**	**0**	**(-0.1%)**
Net income from core businesses	**31.0**	**-1.6**	**(-4.7%)**
Net income from core businesses (not including gains/losses from cancellation of investment trusts)	31.0	-1.6	(-4.7%)
Gains/losses related to government bonds and other bonds	3.6	1.8	
Effective business gains/losses	34.7	0.3	
Gains/losses related to equities, etc.	**5.6**	**1.9**	
Credit costs (-)	**4.2**	**1.1**	
Other temporary gains/losses	1.3	0.4	
Ordinary profit	**37.4**	**1.5**	**(4.3%)**
Extraordinary gains/losses	**-3.3**	**-3.1**	
Net income	**24.1**	**-1.2**	**(-4.8%)**
Consolidated ordinary profit	38.9	1.9	(5.3%)
Profit attributable to owners of the parent	**24.2**	**-1.3**	**(-5.1%)**
Dividends/share (yen)	**22.5**	**2.5**	
Consolidated payout ratio	**28.8%**	**4.5%pt**	

Key points

- Despite increased interest on loans, **net income from core businesses fell by 1.6 billion yen on a year-on-year basis to 31 billion yen**, due mainly to decreases in net fees and commissions income.
- Despite increased securities-related gains, **net income fell by 1.2 billion yen on a year-on-year basis to 24.1 billion yen** due to various factors, including the recording of impairment losses on property, plant, and equipment marked for disposal.
- **Profit attributable to owners of the parent fell by 1.3 billion yen on a year-on-year basis to 24.2 billion yen**.

Net interest income

- Net interest income rose by 200 million yen year-on-year to 68.3 billion yen due to factors such as an increase in interest on loans accompanying an increase in loan balances.

Net fees and commissions income

- Net fees and commissions income fell by 1.8 billion yen year-on-year to 15.4 billion yen due to various factors, including decreased gains on the asset management business resulting mainly from lower commissions on sales of insurance.

Expenses

- Expenses were largely unchanged year-on-year (down slightly), at 52.7 billion yen. Personnel expenses fell, due mainly to lower retirement benefit costs, although non-personnel expenses and taxes increased as a result of factors including increased depreciation costs and the consumption tax increase.

Other (credit costs, etc.)

- Gains/losses related to equities, etc. rose by 1.9 billion yen year-on-year to 5.6 billion yen due to the sale of cross-shareholdings. This was despite the recording of 1.7 billion yen in losses on devaluation of stocks and other securities (impairment) following the decline in equities markets due to COVID-19.
- Credit costs, including provision of defensive reserves (approx. 1.5 billion yen) in preparation for future business conditions and other factors, rose by 1.1 billion yen on a year-on-year basis to 4.2 billion yen.
- Impairment losses on property, plant, and equipment marked for disposal (3.2 billion yen in total) were recorded as extraordinary losses.

Dividends

- (Annual) dividends of 22.5 yen/share are planned as the result of revisions to the payout table in February 2020 **(see p. 6 for details).**

Balances, deposits, and other management indicators in FY2019

Overview of assets, liabilities, etc. (average balances)

(Billion yen)

	FY2019	YoY change	(Annual rate)
Loan balances	**6,317.9**	**329.9**	**(5.5%)**
Loans to local governments	977.6	132.2	(15.6%)
Business loans	3,757.6	126.3	(3.5%)
SME loans included in above	2,604.0	96.1	(3.8%)
Personal loans	1,582.7	71.4	(4.7%)
Securities, etc.	1,129.5	-69.7	
Yen bonds, etc.	861.5	-94.2	
Equities	75.0	-4.5	
Foreign bonds	193.0	28.9	
Other	1,885.5	79.4	
Total assets	**9,332.9**	339.5	

	FY2019	YoY change	(Annual rate)
Balance of deposits, etc.	**7,707.8**	**239.5**	**(3.2%)**
Personal deposits	4,933.6	146.6	(3.1%)
Corporate deposits	2,318.5	79.3	(3.5%)
Public sector, financial deposits	455.6	13.6	(3.1%)
Other	1,625.1	100.0	
Total liabilities and net assets	**9,332.9**	339.5	

Overview of management indicators

	FY2019	YoY change
Consolidated ROE	5.0%	-0.3%pt
Consolidated capital adequacy ratio	**10.89%**	**−0.12%pt**
Non-interest income ratio*	34.9%	−0.3%pt
Non-interest income* (billion yen)	30.7	-0.8
Contributions of consolidation of Group companies	7.9%	1.2%pt
Adjusted overhead ratio	62.9%	1.2%pt
Credit cost ratio	0.07%	0.02%pt
NPL ratio	1.06%	−0.09%pt

*Including Hirogin Securities

Key points

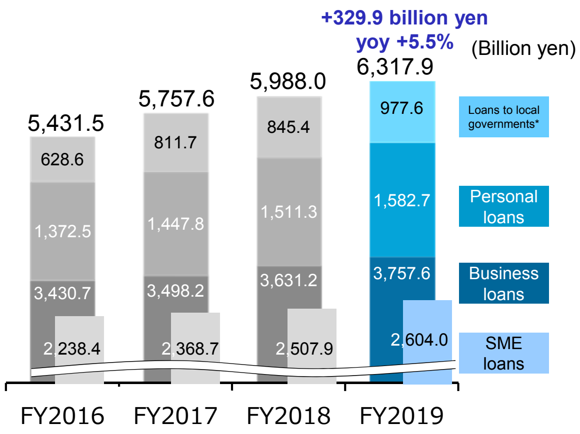
Loan balances

- Business loans rose by on a year-on-year basis 126.3 billion yen, or 3.5%, to 3.7576 trillion yen, thanks to proactive lending to SMEs through efforts to strengthen the consulting business.
- Personal loans rose on a year-on-year basis by 71.4 billion yen, or 4.7%, to 1.5827 trillion yen, due to efforts to strengthen the business centered on home loans, including Hirogin Home Loan Flat 35 (Guaranteed).

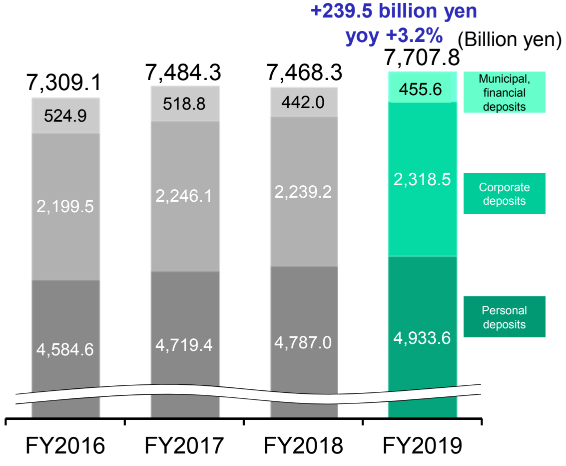
Balance of deposits, etc.

- The balance of deposits, etc. rose on a year-on-year basis by 239.5 billion yen, or 3.2%, to 7.7078 trillion yen, as personal deposits, corporate deposits, and municipal, financial deposits all increased.

[Trend in loan balances]



[Trend in balance of deposits, etc.]



*Loans to local governments: Loans to local public organizations and public corporations

Consolidated capital adequacy ratio

- Despite capital increases due to factors such as buildup of internal reserves, increased lending and other factors swelled assets at risk and similar accounts, reducing the consolidated capital adequacy ratio by 0.12 points year-on-year to 10.89%.
- We maintain levels well above the standard regulatory requirement for banks in Japan (4%).

2. Policy on Returns to Shareholders

Policy on returns to shareholders

- To clarify our stance on returning gains to shareholders, we revised the payout table to reflect a consolidated payout ratio of roughly 31-36%. We will increase dividends accordingly from FY2020.

Revisions to the payout table

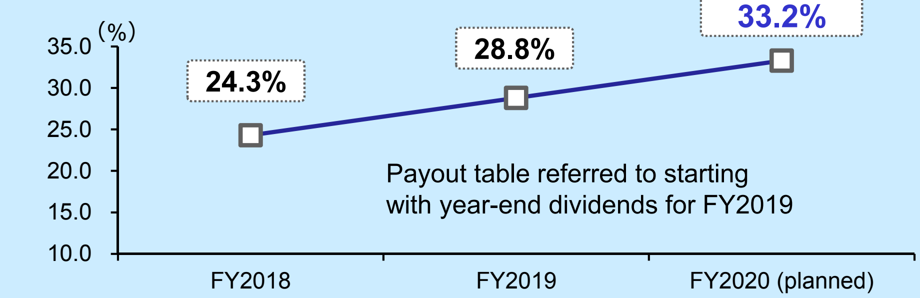
Before

Net income attributable to owners of the parent	Dividends per share			Consolidated payout ratio
	①Fixed	②Performance-based	①+②	
More than 33 billion yen	12 yen	12 yen	24 yen	Less than 22.7%
More than 30 and not exceeding 33 billion yen	12 yen	10 yen	22 yen	20.8% or more and less than 22.9%
More than 27 and not exceeding 30 billion yen	12 yen	8 yen	20 yen	20.8% or more and less than 23.1%
More than 24 and not exceeding 27 billion yen	12 yen	6 yen	18 yen	20.8% or more and less than 23.4%
More than 21 and not exceeding 24 billion yen	12 yen	4 yen	16 yen	20.8% or more and less than 23.8%
More than 18 and not exceeding 21 billion yen	12 yen	2 yen	14 yen	20.8% or more and less than 24.3%
18 billion yen or less	12 yen	0 yen	12 yen	20.8% or more

After

Dividends per share			Consolidated payout ratio	
①Fixed	②Performance-based	①+②		% Change
18 yen	18 yen	36 yen	Less than 34.1%	**+11.4%pt or less**
18 yen	15 yen	33 yen	31.2% or more and less than 34.4%	**+10.4-11.5%pt**
18 yen	12 yen	30 yen	31.2% or more and less than 34.7%	**+10.4-11.6%pt**
18 yen	9 yen	27 yen	31.2% or more and less than 35.1%	**+10.4-11.7%pt**
18 yen	6 yen	24 yen	31.2% or more and less than 35.7%	**+10.4-11.9%pt**
18 yen	3 yen	21 yen	31.2% or more and less than 36.4%	**+10.4-12.1%pt**
18 yen	0 yen	18 yen	31.2% or more	**+10.4%pt or more**

[Trends in consolidated payout ratio]



Consolidated payout ratio	11.0%	10.8%	10.7%

The amount of dividends/share (payout) is projected to increase based on the revised payout table.

We expect to be able to maintain a consolidated capital adequacy ratio of 10%, our medium- to long-term target.

We will also reconsider capital policies with the capital adequacy ratio in mind.

3. Business Forecast for FY2020

FY2020 performance and dividend forecasts

- For FY2020, we forecast profit attributable to owners of the parent of 22.5 billion yen, down 1.7 billion yen from the previous year.
- We project annual dividends of 24 yen per share in FY2020, based on the new payout table, up 1.50 yen from the previous year.

FY2020 performance and dividend forecasts

[Business forecast] (Billion yen)

	Forecast for FY2020	YoY change
Net interest income	68.0	-3.0
Net fees and commissions income	16.7	1.3
Gross income from core businesses	**84.7**	**1.0**
Expenses (-)*	54.3	1.6
Net income from core businesses	**30.4**	**-0.6**
Gains/Losses related to securities	6.7	-2.6
Credit costs (-)	4.5	0.3
Ordinary profit	**33.5**	**-3.9**
Net income	**24.0**	**-0.1**
Profit attributable to owners of the parent	**22.5**	**-1.7**

[Projected dividends]

Profit attributable to owners of the parent	Dividend per share			Consolidated payout ratio
	① Fixed	② Performance-based	①+②	
22.5 billion yen	**18 yen**	**6 yen**	**24 yen**	**33.2%**

Market scenarios used in performance forecasts
JPY TIBOR3M: 0.07%; 10-year JGBs: -0.02%; exchange rate (USD/JPY): 107.0 yen; Nikkei Average: 18,500 yen

*: Performance forecasts for FY2020 include 1.5 billion yen (up 1.5 billion yen year-on-year) in costs of rebuilding the Head Office building.

<Environmental conditions of FY2020 performance forecasts>

- We assume interest rate, exchange rate, and stock market scenarios within the same range over recent years.
- The projected impact of COVID-19 is based on the information available to us at this time. However, these forecasts are subject to vary sharply due to the following factors if the slowdown in economic activity and other results of the pandemic extend for longer than anticipated.

(1) Further increases in credit costs

- These forecasts call for an increase in credit costs due to worsening business conditions for customer firms impacted by COVID-19 of roughly 50% of the anticipated maximum cost (approx. 2 billion yen) in the restaurant/bar and lodging industries, the industries of greatest concern with regard to COVID-19. Credit costs may increase still further due to changes in borrower categories or other developments if the impact expands to manufacturing and other industries.

(2) Impairment due to falling stock prices

- Stock markets have been remarkably unstable since the outbreak of COVID-19. A future drop in stock prices could lead to the impairment of issues held.

- Any necessary revisions to performance forecasts will be disclosed promptly.

4. Transformation to a Holding Company Structure

Background and purposes of the transformation to a holding company structure (establishment of Hirogin Holdings, Inc.)

◆ By transforming to a holding company structure in October 2020, we seek to build a regional comprehensive services group that meets all the needs of its customers, with a focus on finance, based on our evolution toward a new Group management structure.

☐ Background and purposes of the transformation to a holding company structure

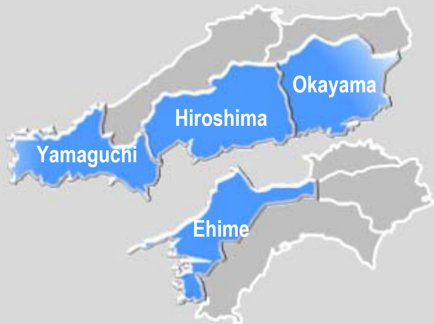
Changing management environment

- Population decrease, low birth rate, societal aging
- Continuing progress with digital transformation
- Continued low interest rates
- Easing of regulations under the Banking Act etc.
- Entry from other industries
- Increasingly diverse, complex, and advanced needs

Aiming to become a regional comprehensive services group that meets all the needs of its customers, with a focus on finance

High potential for four local prefectures

◆ The Bank's four local prefectures



Population
Approx. 7.51 million
Rivals Aichi Prefecture

Source: Ministry of Internal Affairs and Communications, Basic Resident Register Populations (January 2019)

GDP
Approx. 31 trillion yen
Rivals Kanagawa Prefecture

Source: Cabinet Office (FY2016)

Initiatives

- Enhance group synergy
- Further expand the operation axis
- Strengthen group governance

☐ Future timetable for transformation to holding company structure

H1, FY2020	H2, FY2020
June 25: Annual Shareholders Meeting to approve the share transfer plan Sept. 29: Date on which our shares will be delisted	Oct. 1: Date on which the incorporation of the Holding Company will be registered Date on which the shares of the Holding Company will be listed

Start of holding company structure

Hirogin Holdings' management philosophy

- Hirogin Holdings' management philosophy will be as described below, aiming to realize "further contribution to the regional community and customers" and "our group's sustainable growth and improvement of corporate value."

Management philosophy (Management vision + Code of conduct)

Management Philosophy

(Management Vision + Code of Conduct)

Management vision

Contribute to the creation of a prosperous future for the regional community as a trusted regional comprehensive services group by closely offering thorough support to customers

Code of conduct

Hirogin Holdings will endeavor to create the shared values with the regional community and realize a sustainable society, based on five items of the code of conduct.

1 Contribution to the regional community	**Work in step with the regional community to actively contribute to its development**
2 Contribution to customers	**Think and act from the customer's point of view to contribute to their prosperous life and business development**
3 Improvement of corporate value	**Continuously improve the corporate value**
4 Enhancement of "employee satisfaction"	**Create a cheerful, rewarding corporate group where everyone works healthfully**
5 Compliance	**Exercise a high level of compliance**

Group structure

- After the incorporation of Hirogin Holdings, to further enhance group cooperation and synergy, the four companies consisting of the Bank, Hirogin Securities, Shimanami Servicer, and Hirogin Capital Partners and our equity method affiliate Hirogin Lease will become direct investment companies of Hirogin Holdings.
- In addition, a series of new subsidiaries will be established to expand the operation axis still further, including commencement of studies on establishing an advanced banking service company in connection with IT-related businesses with a January 2021 target date, as announced this May 22.

Current

The Hiroshima Bank

- Hirogin Business Service
- Hirogin Securities
- Shimanami Servicer
- Hirogin REIT Management
- Hirogin Capital Partners
- Hirogin Card Service
- Hirogin Guarantee
- Hirogin Lease
- Non-consolidated subsidiaries (three companies)*1

*1 Nonconsolidated subsidiaries: One factoring company and two investment limited liability partnerships

After incorporation of the holding company

HIROGIN HOLDINGS
Hirogin Holdings

Head office	1-1-7, Nishikaniya, Minami-ku, Hiroshima-shi
Stated capital	60,000 million yen
Incorporation date	October 1, 2020
Fiscal year end	March 31
Stock exchange for listing	First Section of the Tokyo Stock Exchange
Share units	100 shares

Company	Lines of business
(100%) The Hiroshima Bank	Banking
(100%) Hirogin Business Service	Printing, etc.
(100%) Hirogin REIT Management	Asset management
(100%) Hirogin Card Service	Credit card business
(100%) Hirogin Guarantee	Credit guarantee business
Non-consolidated subsidiaries (three companies)*1	
(100%) Hirogin Securities	Financial instruments trading
(100%) Shimanami Servicer	Claims management and servicing
(100%) Hirogin Capital Partners	Investment
(20%) Hirogin Lease	Leasing
Advanced banking service company*2	
Consulting company	

Proactive independent marketing leveraging the Bank's customer base

Study on establishing new subsidiaries to expand the operation axis

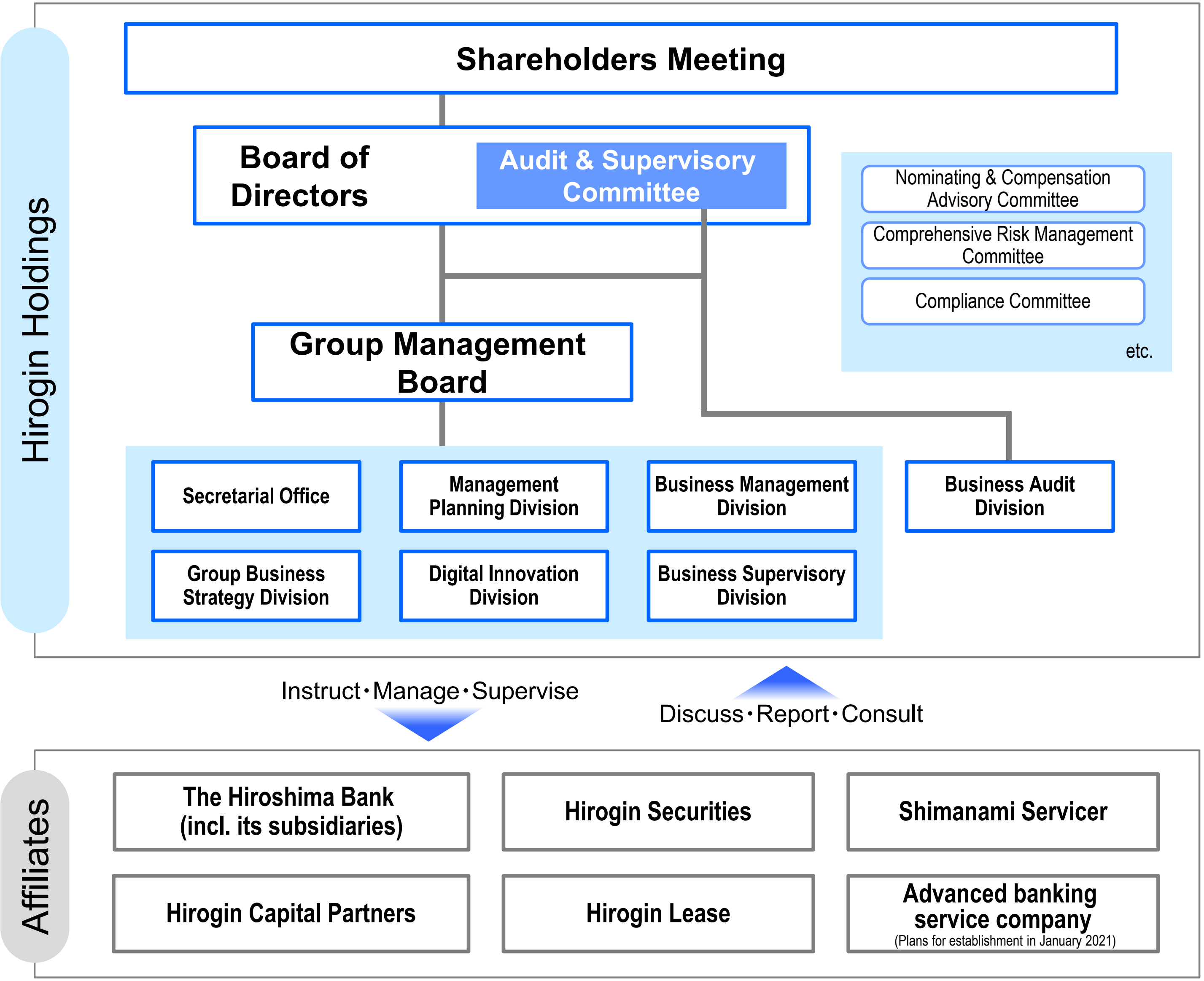
*2 Study on establishing advanced banking service company

MN Mighty Net
IT-related businesses
Investment
Hirogin Holdings
New spin-off
Advanced banking service company
(Plans for establishment in January 2021)

Management system (governance system) of the Hirogin Holdings

- Hirogin Holdings will be a company with an audit and supervisory committee. In addition to strengthening governance and swift and efficient decision-making, Hirogin Holdings will establish effective group governance by focusing on managing and supervising group management.

Chart of the corporate governance system under the holding company structure



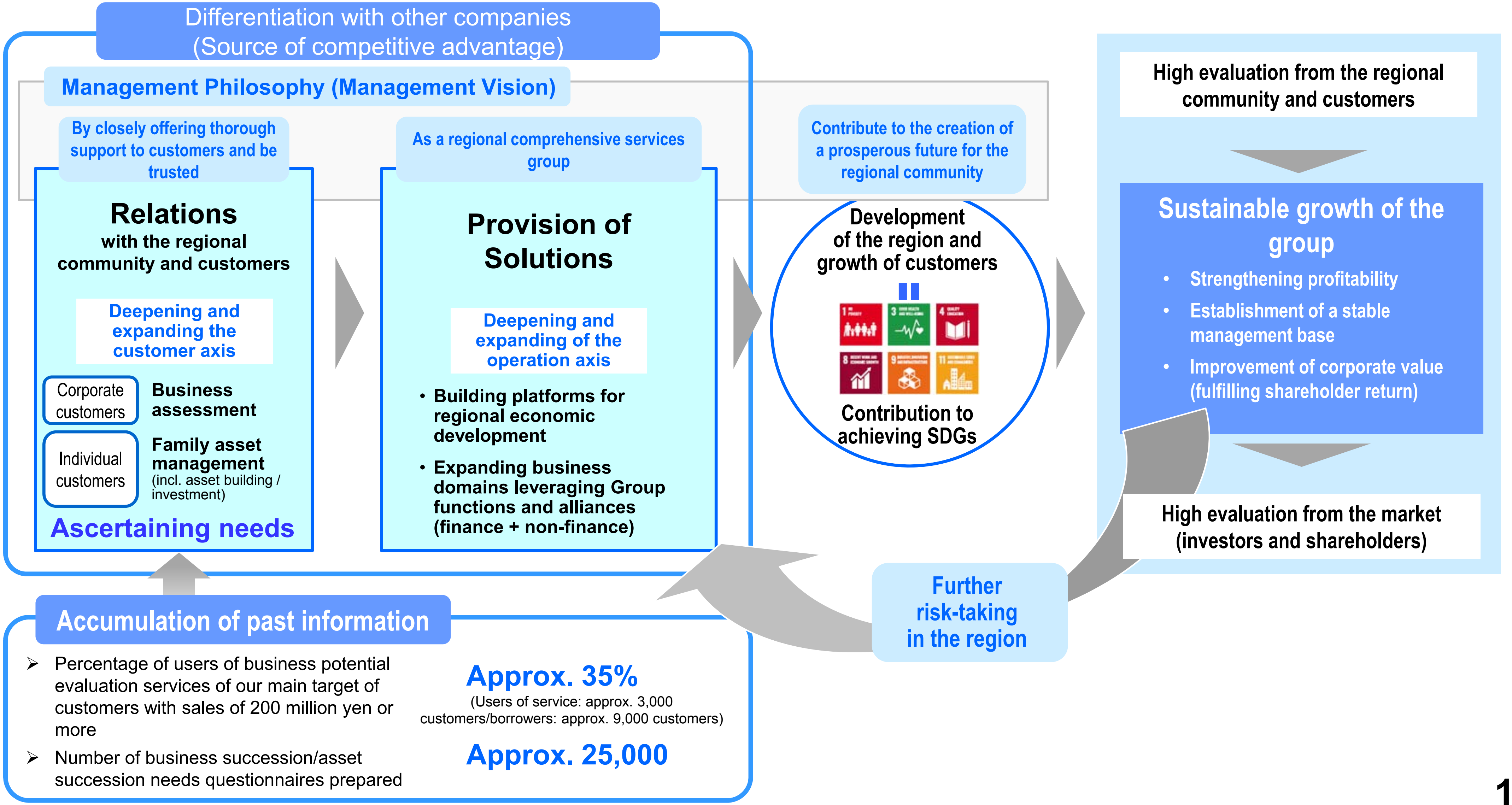
- Hirogin Holdings will be a company with an audit and supervisory committee, and will establish a mechanism of swift decision-making and efficient business operation by delegating the authority to execute important duties, in addition to strengthening governance.
- By having the Hirogin Holdings specialize in managing and supervising the group management and separating management supervision and execution of duties, business management of the group will be strengthened and effective group governance will be established.

- Specific business plans and measures will be formulated and implemented based on the whole group's management policy and strategy formulated by the Hirogin Holdings.

Business model of the Hirogin Holdings

◆ While deepening and expanding the operation axis and customer axis in the market of four local prefectures (Okayama, Yamaguchi, and Ehime) centering on Hiroshima, which has potentials (such as economic scale and growth opportunities), Hirogin Holdings will thoroughly work on solving every issue faced by the regional community and customers and actively commit itself to the development of the region, thereby realizing its management philosophy and achieving the group's sustainable growth.

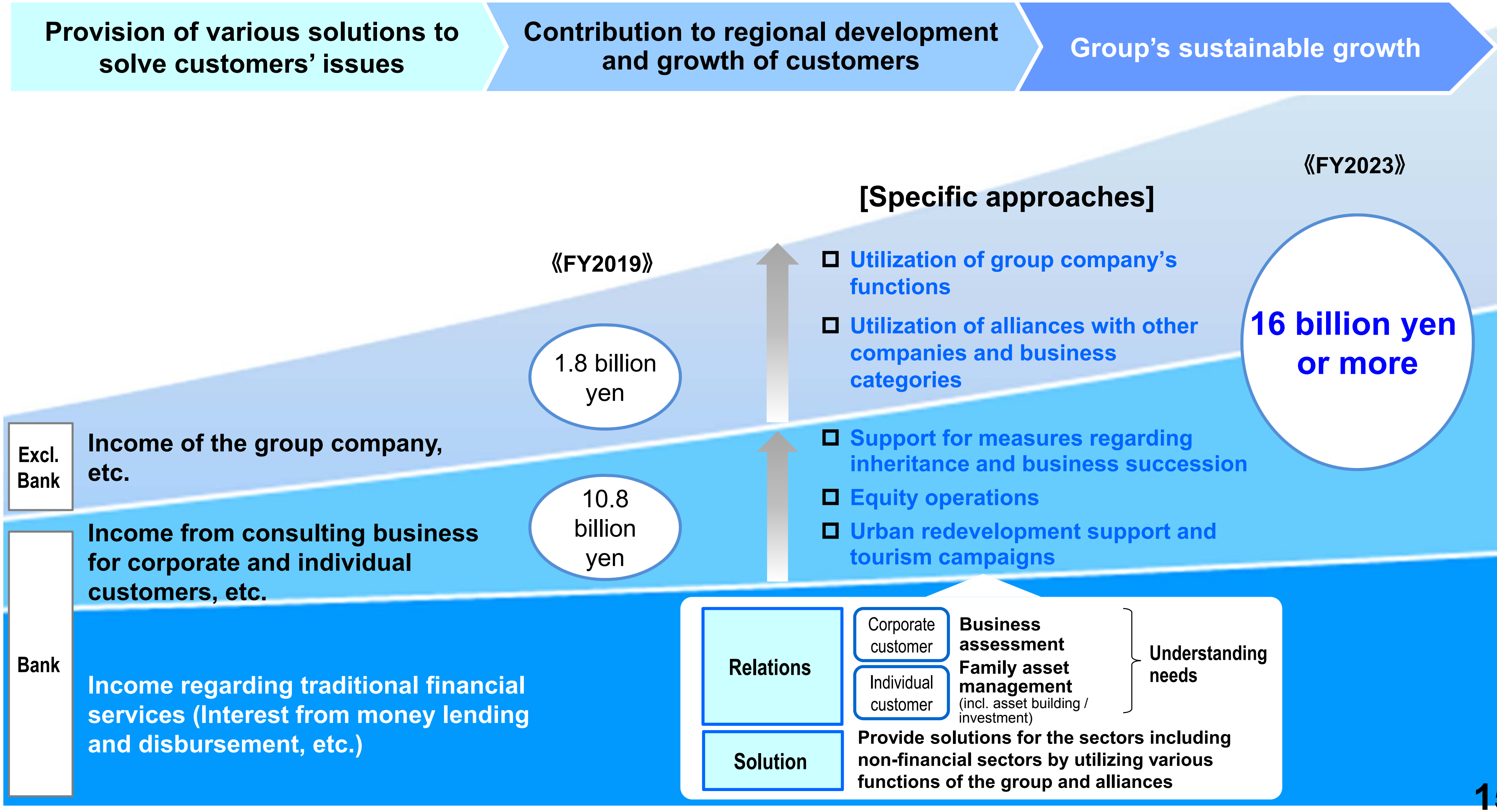
☐ Business model of the Hirogin Holdings



Approaches toward expansion of income

◆ While strengthening the existing approach in relation to the financial sector, centering on loan and deposit services as well as support for services for which the needs are expected to increase, such as inheritance and business succession as well as equity operations, etc., Hirogin Holdings will proceed to provide solutions for the sectors including non-financial sectors by utilizing various functions of the group and alliances with other companies and business categories

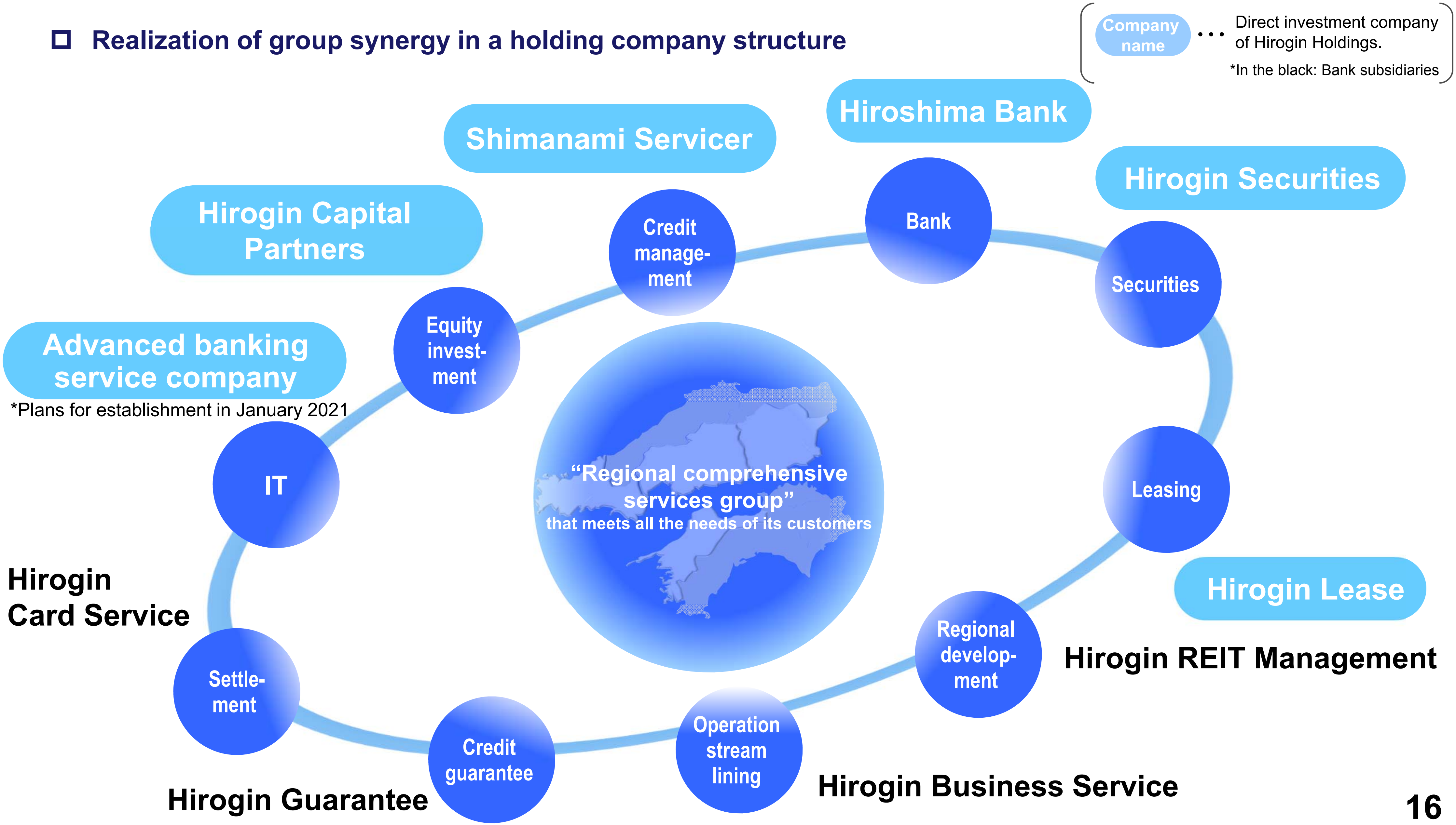
☐ Vision for future income expansion



Realization of group synergy

◆ We aim to maximize the group's synergy by further strengthening group-integrated operation and in-group cooperation under the new group management structure, and also utilizing the features and strengths of each group company.

☐ Realization of group synergy in a holding company structure

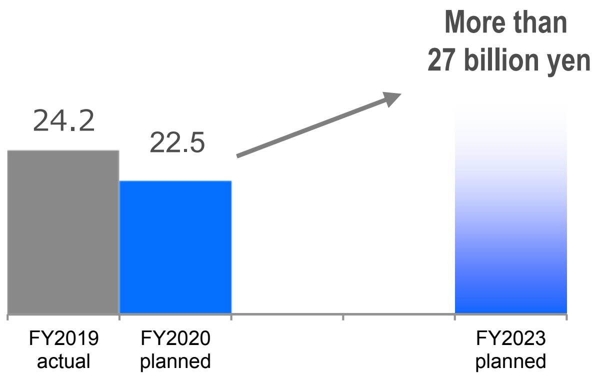


Target interest levels and management indicators under the holding company structure

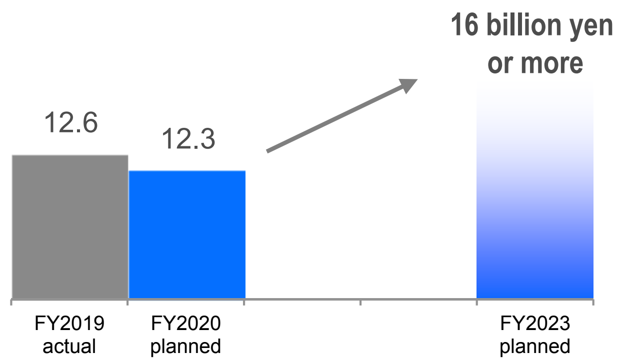
- We will aim to achieve over 27 billion yen of profit attributable to owners of the parent and 12% or more of contribution to the consolidated group companies during FY2023 by effectively implementing the management policies and the management strategies to fully utilize the group synergies through the transformation to a holding company structure.

Target interest levels and management indicators (FY2020, FY2023 planned)

profit attributable to owners of the parent

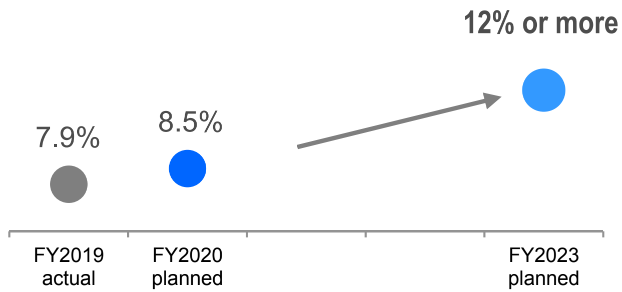


Total of revenues from consulting businesses for corporate and individual customers and Group company net income*1



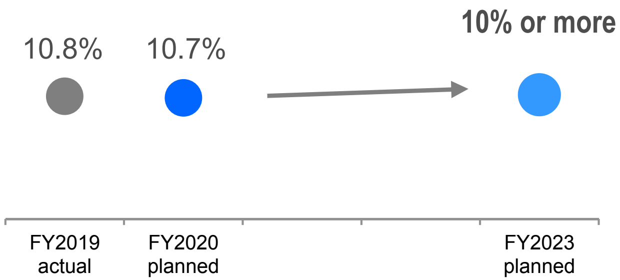
*1 Net income of the group companies = Total of net income of consolidated subsidiaries, excluding the bank, and the amount of net income of equity method affiliate multiplied by investment ratio

Contribution to the consolidated group companies*2

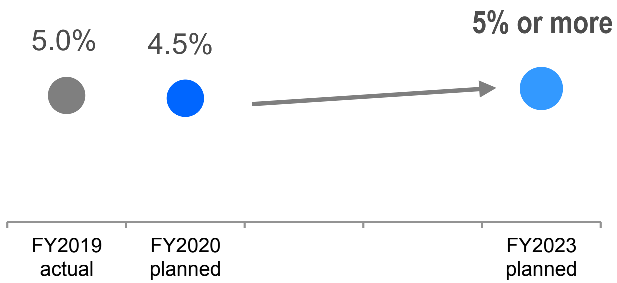


*2 Contribution to the consolidated group companies = $\frac{\text{Net income of the group companies (*1)}}{\text{Net profit attributable to owners of the parent}}$

Consolidated capital adequacy ratio



Consolidated ROE



Appendix ①

SDGs Initiatives, Living with COVID-19

Principal SDGs initiatives

◆ Aiming to increase corporate value by creating shared value, including proactive support for the SDGs initiatives of local businesses and efforts to stimulate local industries through the creation of new businesses in the four prefectures

The Hirogin Group SDGs statement (announced September 2019)

Community | Ageing of society | Human rights | Environmental

To achieve the Sustainable Development Goals (SDGs) adopted by the United Nations, the Hirogin Group will contribute to solutions to social and environmental challenges in our community and to sustainable growth by providing high value added financial services.

Environmental protection initiatives

13 CLIMATE ACTION

Declaration of support for TCFD recommendations

We declared our support for TCFD recommendations in order to strengthen responses to climate change and enhance disclosure of information related to the risks and opportunities of climate change

TCFD*1 recommendations:

Published in June 2017 by the TCFD, a framework for appropriate evaluation by investors of corporate risks and opportunities related to climate change

*1 Task Force on Climate-related Financial Disclosures

Support for local firms' SDGs initiatives

4 QUALITY EDUCATION | 8 DECENT WORK AND ECONOMIC GROWTH | 11 SUSTAINABLE CITIES AND COMMUNITIES

Bank-guaranteed private placement bonds (SDGs bonds)

Donations and contributions of up to 0.2% of the issued amount of private placement bonds, intended to contribute to local communities, and public relations concerning issuing firms' SDGs initiatives

Number of cases/amount (Actual results for November 2019 – March 2020)	37 issues/ approx. 4.4 billion yen

Introducing services to support SDGs initiatives

Checking on customer SDGs initiatives, providing returns, and publishing information on initiatives if so requested

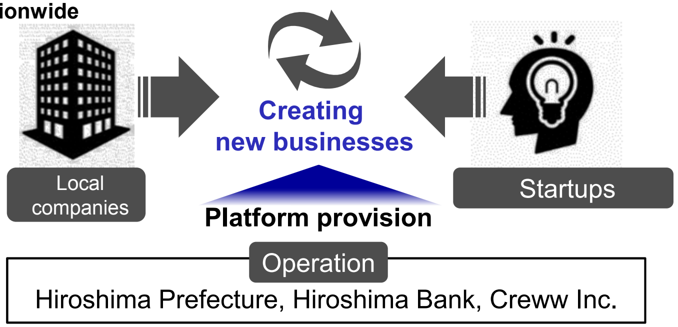
Number of cases (Actual results for January – March 2020)	40

Creating shared value with local industries

8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

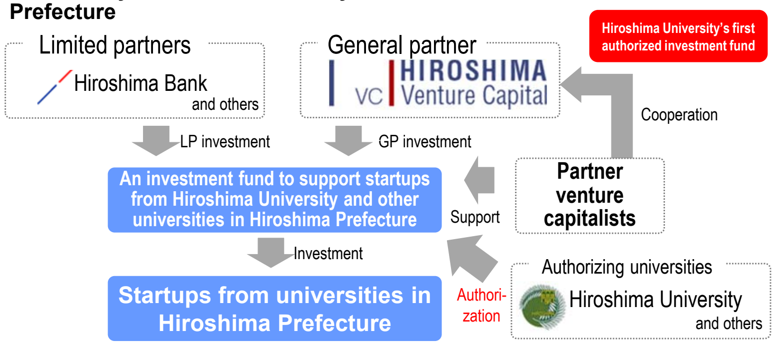
Launching the Hiroshima Open Accelerator 2019 project

An initiative aiming to create new businesses among participating firms through open innovation linking management resources of companies in Hiroshima Prefecture with the services of startups nationwide

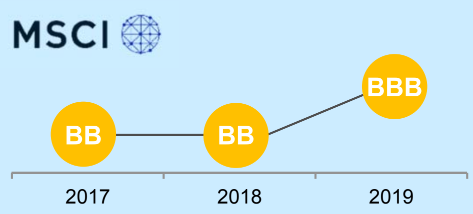


Investment in Hiroshima University's first authorized investment fund

Investing in a fund intended to support startups rooted in results of research by Hiroshima University and other universities in Hiroshima Prefecture



[Reference: MSCI ESG rating*2]



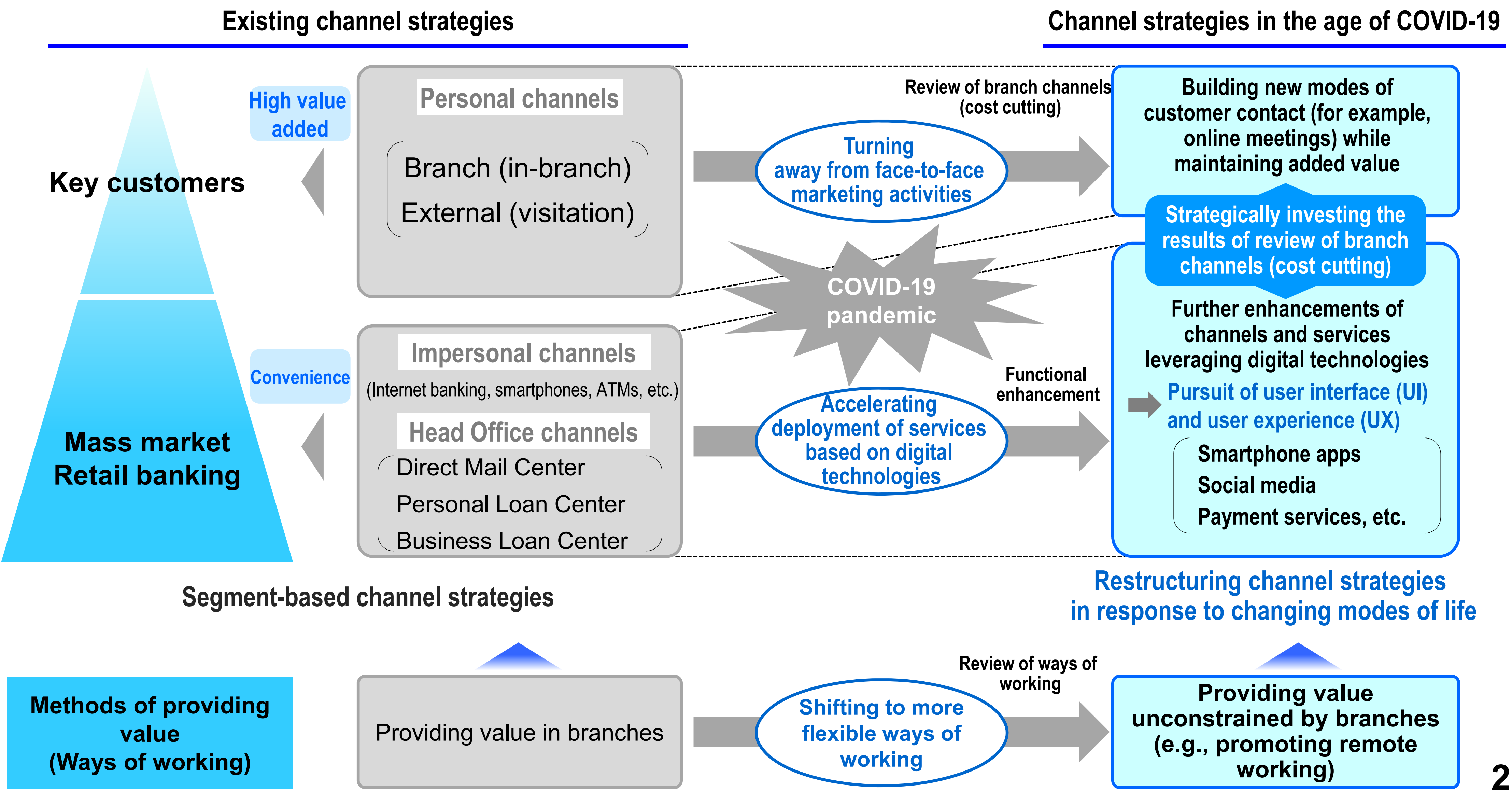
In recognition of the Bank's efforts, our ESG rating from MSCI rose one tier since last year to BBB.

*2 MSCI ESG rating:
Rating by MSCI of corporate ESG risk and related risk management on a scale from AAA to CCC

Customer service in the age of COVID-19

- The growth of impersonal channels is expected to accelerate in the age of COVID-19. The Bank plans to restructure its channel strategies and to strategically reallocate management resources by reviewing numbers of branches, branch functions, and other matters.

□ Channel strategies and employee working modes in the age of COVID-19



Appendix ②

Overview of Financial Results for FY2019

Net interest income

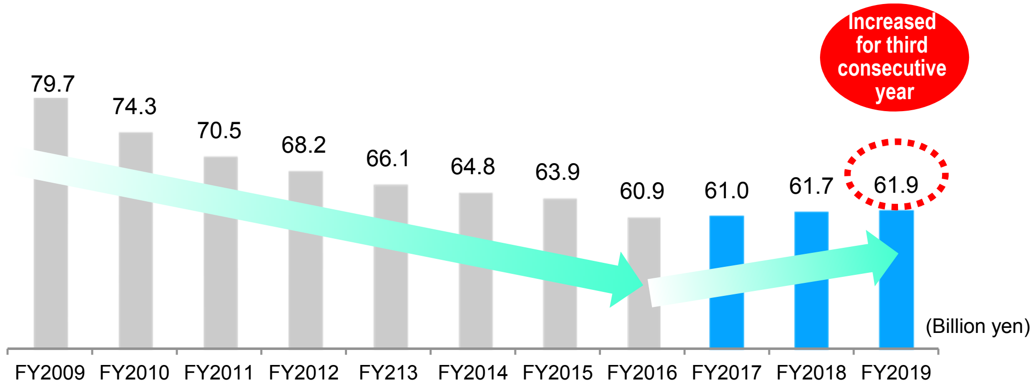
- Net interest income was up 200 million yen from the previous year due to factors such as increased interest on loans accompanying increased loan balances and decreased interest paid on deposits, despite an increase in foreign currency procurement costs, etc.

Breakdown of net interest income

(Billion yen)

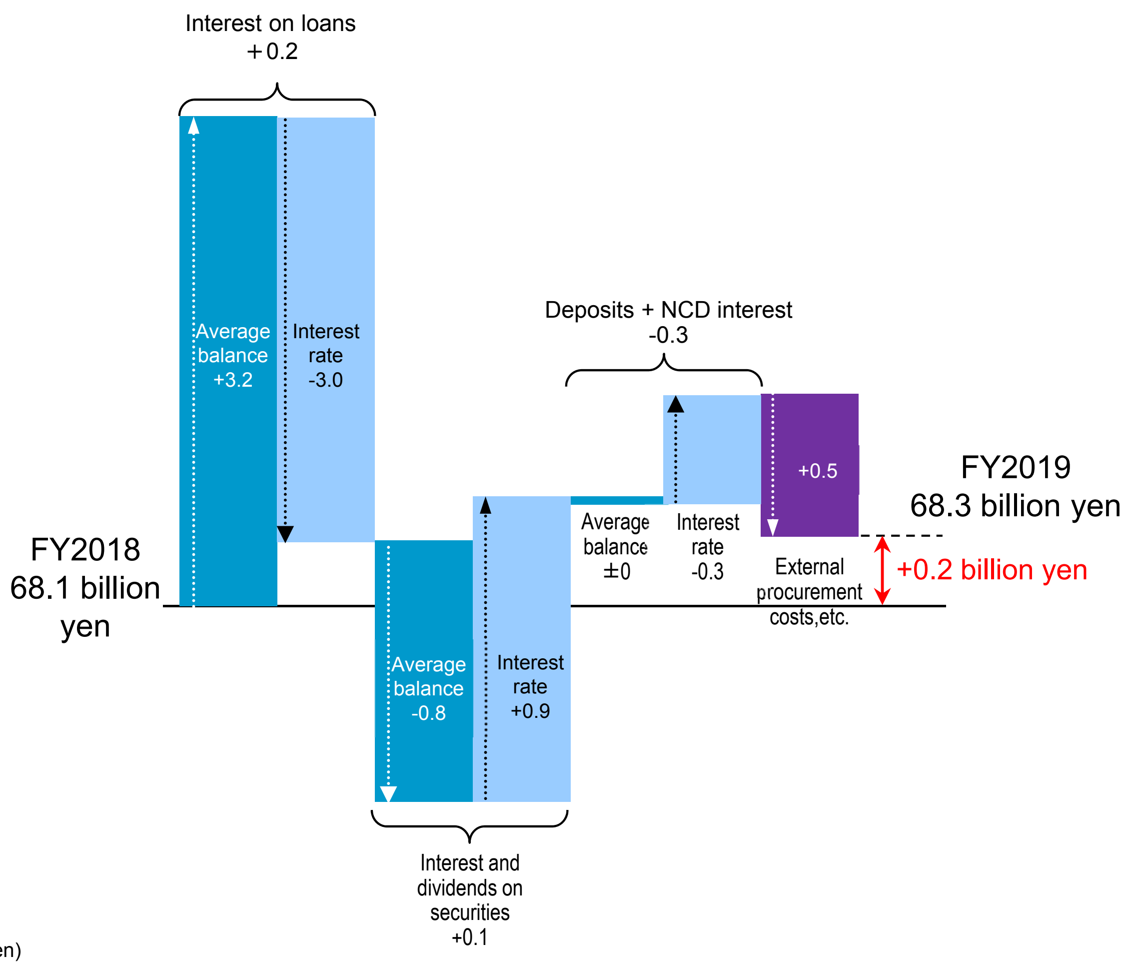
	FY2019	YoY change
Interest on loans	61.9	0.2
Interest and dividends on securities	12.7	0.1
Deposits + NCD interest (-)	1.9	△ 0.3
External procurement costs,etc. (-)	4.5	0.5
Net interest income	**68.3**	**0.2**

◆ Changes in loan interest



Details of each item in net interest income (Average balance and interest rate)

(Billion yen)



Net fees and commissions income

- Net fees and commissions income fell 1.8 billion yen year-on-year due mainly to decreased gains on sales of insurance
- Growth in revenues from businesses related to inheritance and business succession, a priority issue, proceeded steadily

Breakdown of net fees and commissions income

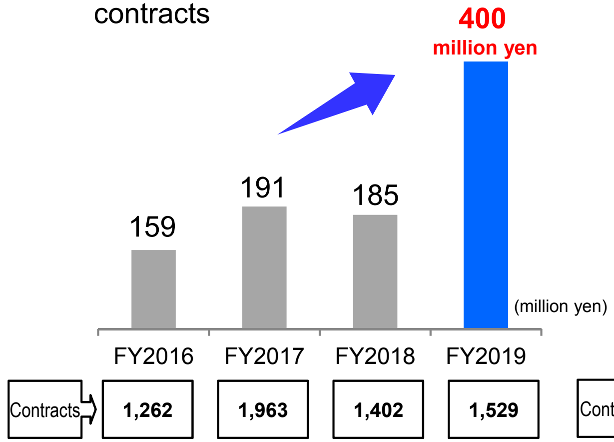
(Billion yen)

	FY2019	YoY change
Corporate solutions	3.4	-0.3
Business succession	0.3	0.0
Syndicated loans, etc.	1.1	-0.1
Sales of derivatives to customers	1.0	0.0
Asset management business	6.1	-0.5
Trust	0.4	0.2
Financial instrument intermediary services	0.7	0.1
Investment trusts	1.5	-0.1
Insurance products	2.4	-0.9
Personal loan-related	-5.0	-0.6
Domestic exchange, etc.	9.4	-0.5
Net fees and commissions income	**15.4**	**-1.8**

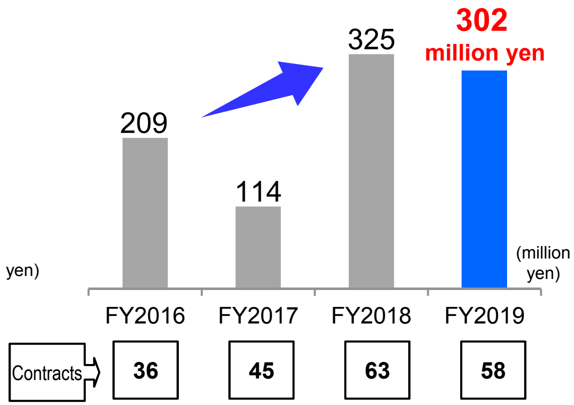
Reference: Equity business	**1.3**	**1.3**

Growth in revenues from businesses related to inheritance and business succession

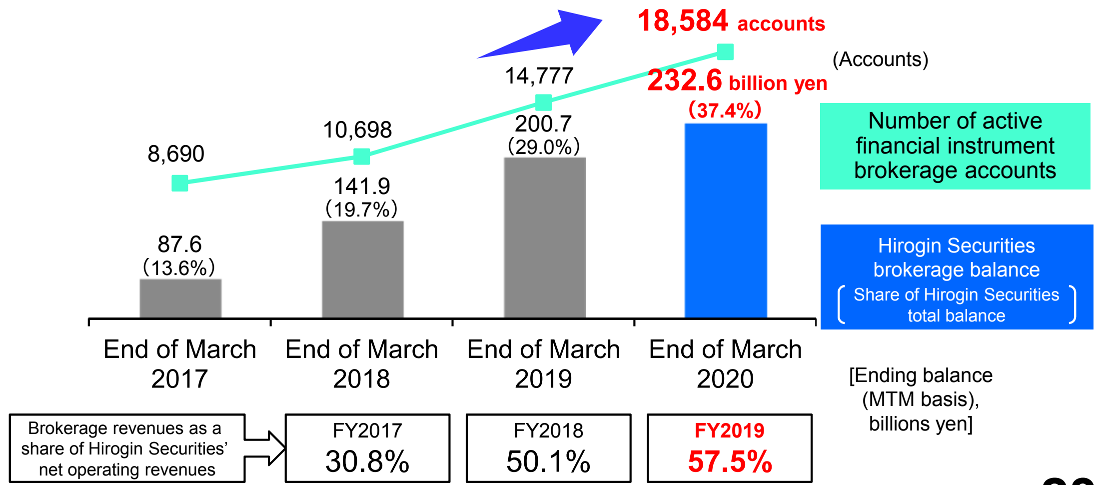
◆ Inheritance-related revenues and contracts



◆ Revenues and contracts involving business succession



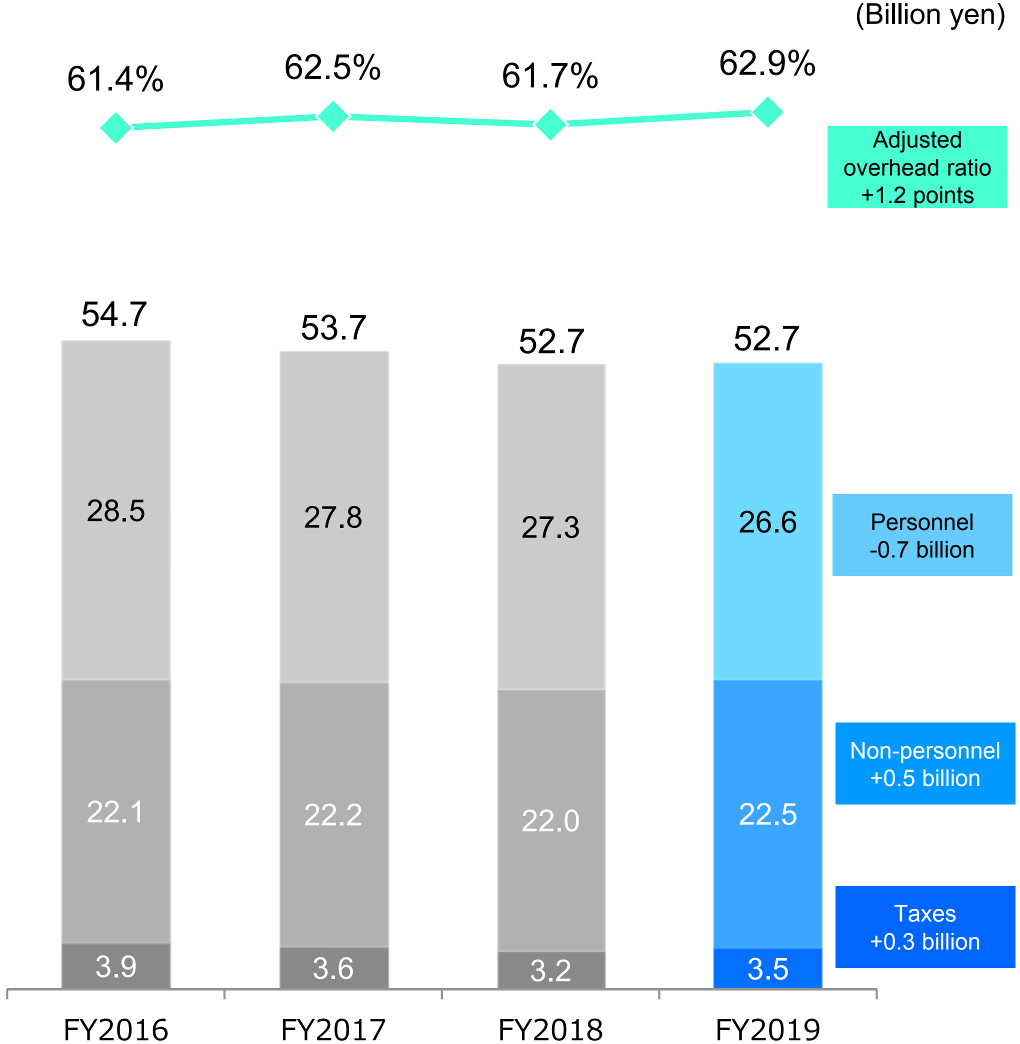
Progress of financial instrument brokerage business



Expenses

- While non-personnel expenses and taxes increased, personnel expenses fell due mainly to lower retirement benefit costs; expenses remained largely unchanged year-on-year at 52.7 billion yen (down slightly)
- The adjusted overhead ratio rose by 1.2 points to 62.9% on a year-on-year basis, due to decreased gross income from core businesses.

Trends in expenses and adjusted overhead ratio



*Adjusted overhead ratio = Expenses/Gross income from core businesses

Breakdown of expenses

(Billion yen)

Personnel expenses

Major factors	YoY change
Retirement benefit expenses -0.4 Bonus -0.2 etc.	-0.7

Non-personnel expenses

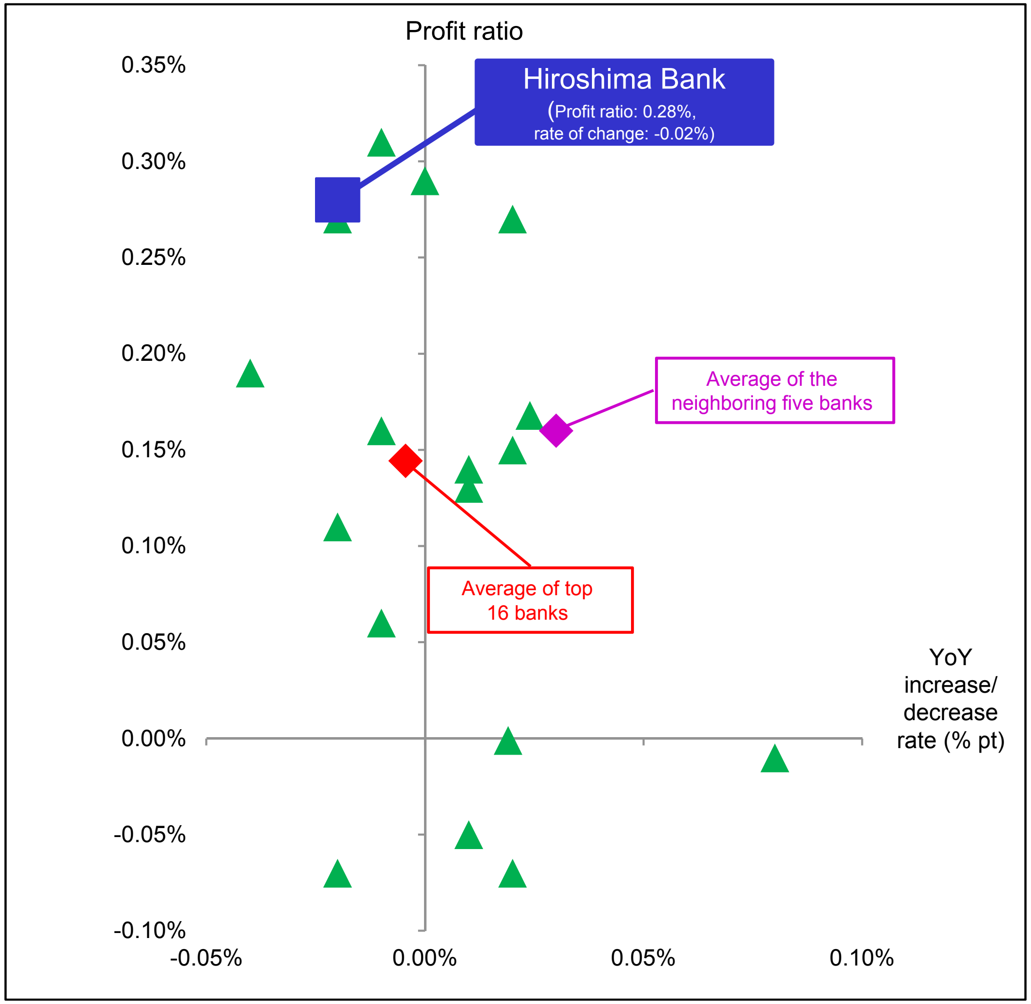
Major factors	YoY change
Expenses related to smartphone app development, etc. +0.2 Upgrading of business PCs +0.2 Impact of consumption tax increase +0.2 etc.	+0.7

(Reference) Comparison with other banks[*1] (FY2019)

(*1) Target... Top 16 first-tier regional banks, including FG and FH, in terms of amount of funds (deposits + NCD) and first-tier regional banks in Hiroshima, Yamaguchi, Ehime, Okayama, and Shimane prefectures
Mebuki FG, Kyushu FG, Concordia FG, Nishi-Nippon FH, Kansai Mirai FG, Chiba Bank, 77 Bank, Fukuoka FG, Shizuoka Bank, Hachijuni Bank, Bank of Kyoto, Hokuhoku FG, Daishi Hokuetsu FG, San-in Godo Bank, Chugoku Bank, Iyo Bank, and Yamaguchi FG

Note: Data from calculations performed by Hiroshima Bank based on earnings briefings from each bank. FG/FH figures are simple aggregates of figures for banks under FG/FH control.

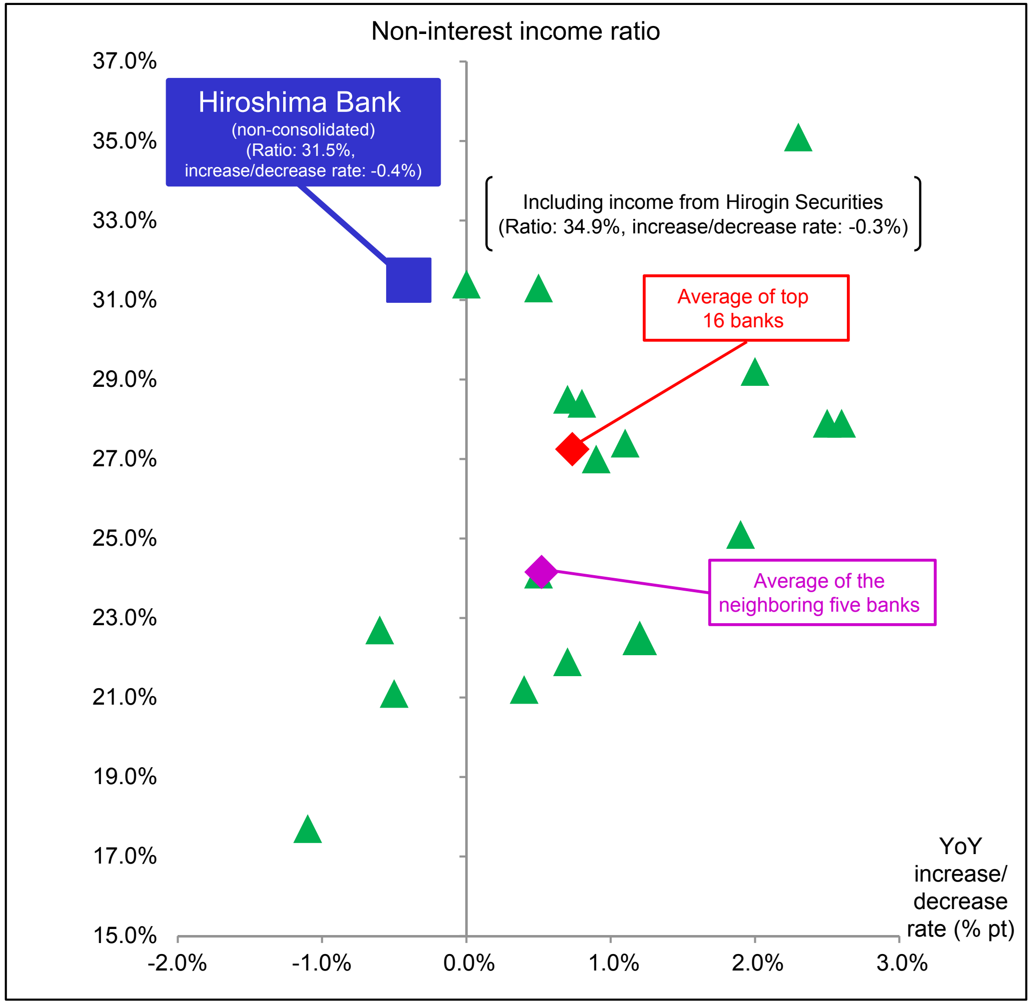
Banking profit margins and changes therein



Banking profit margin on customer service = Loan balance × (loan interest rate – deposit rate) + fees and commissions income – operating expenses / Average balance of deposits, etc. [*2]

(*2) Our bank uses the formula given below to calculate average deposit balances for banks that do not publish figures for average deposit balances.
Average deposit balance + (beginning balance of NCDD + ending balance of NCD)/2

Non-interest income ratio and its increase/decrease rate

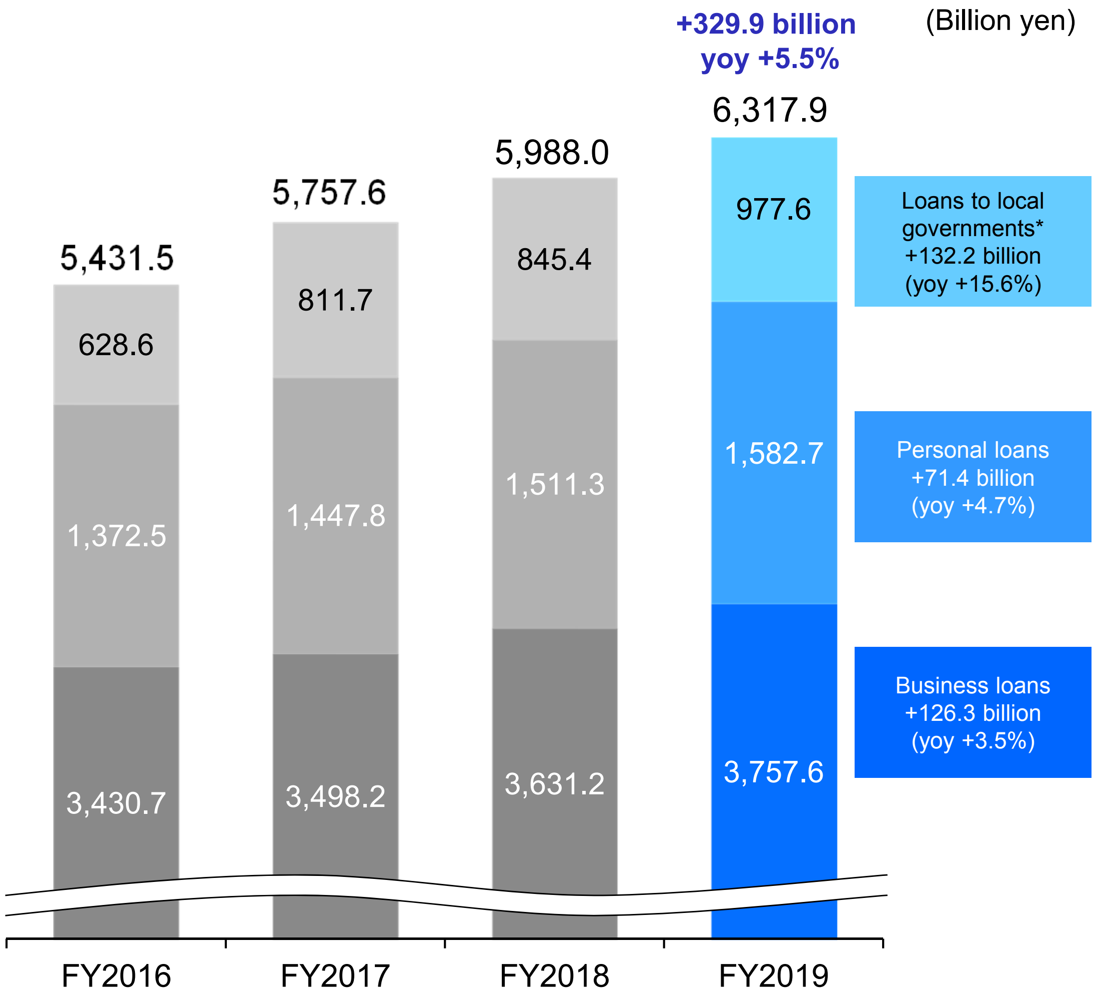


Non-interest income ratio = Fees and commissions income + segregated trading income + other banking income (excluding bonds-related gains/losses) / Core gross banking profit

Balance of loans, deposits, etc. (deposits + NCD)

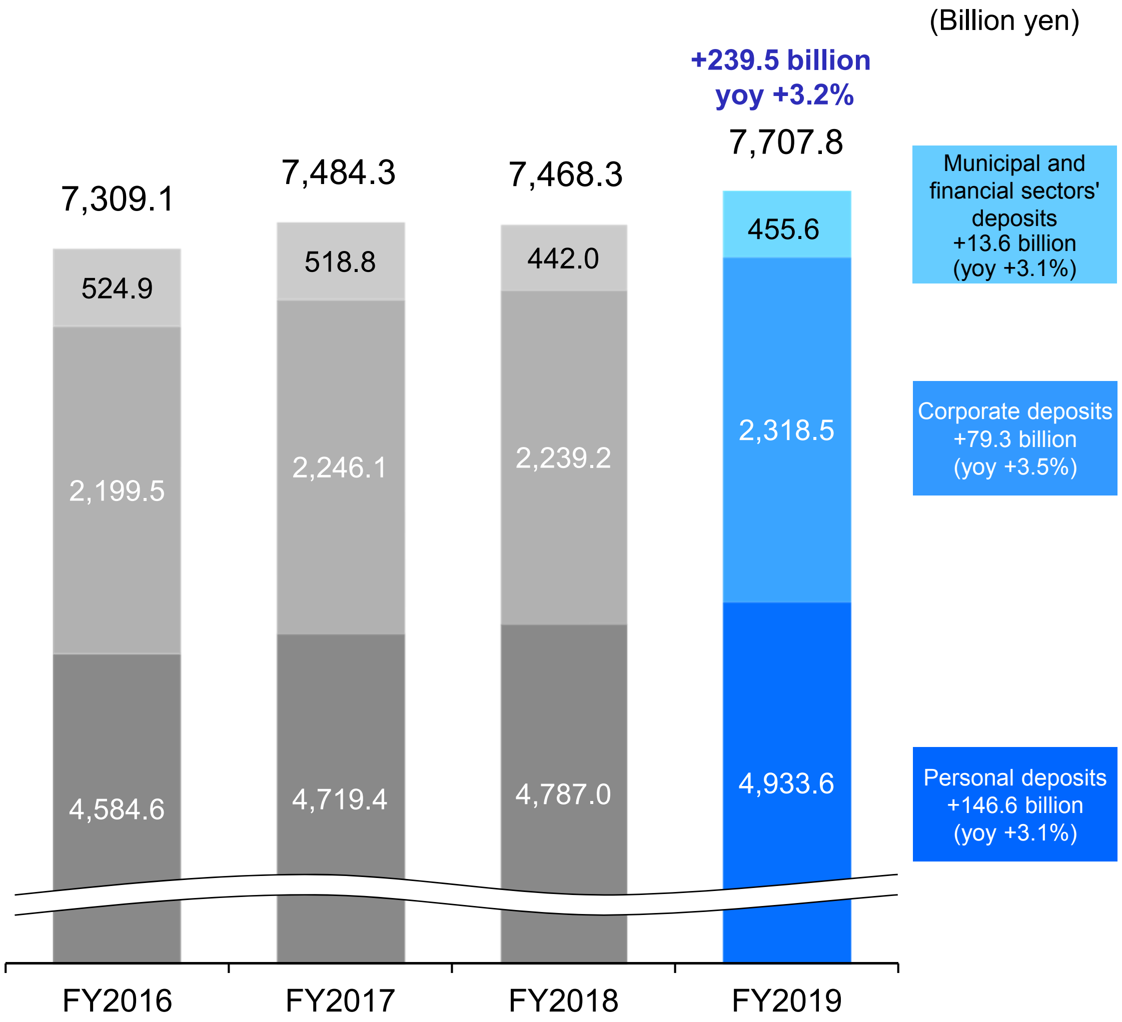
- The average balance of loans increased in business, personal, and municipal sectors by 329.9 billion yen (+5.5% YoY).
- The average balance of deposit assets increased in the personal, corporate, and municipal and financial sectors by 239.5 billion yen (+3.2% YoY).

Trends in the average balance of loans



*Loans to local governments: Loans to local public organizations and public corporations

Trends in the average balance of deposits, etc. (deposits+NCD)

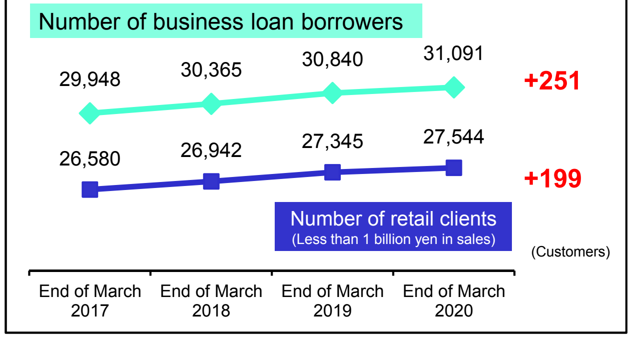


Loans to SMEs and personal loans

- The average balance of loans to SMEs continued to increase at a steady pace, supported by factors including enhancements in consulting sales based on evaluations of business potential.
- Due to efforts to strengthen the business centered on home loans, including Hirogin Home Loan Flat 35 (Guaranteed), personal loans increased by 71.4 billion yen (YoY +4.7%).
- In the apartment loan sector, we assumed loans judged to have sufficient stress tolerance based on a recognition of these loans as effective inheritance tax shelters or reliable property investments.

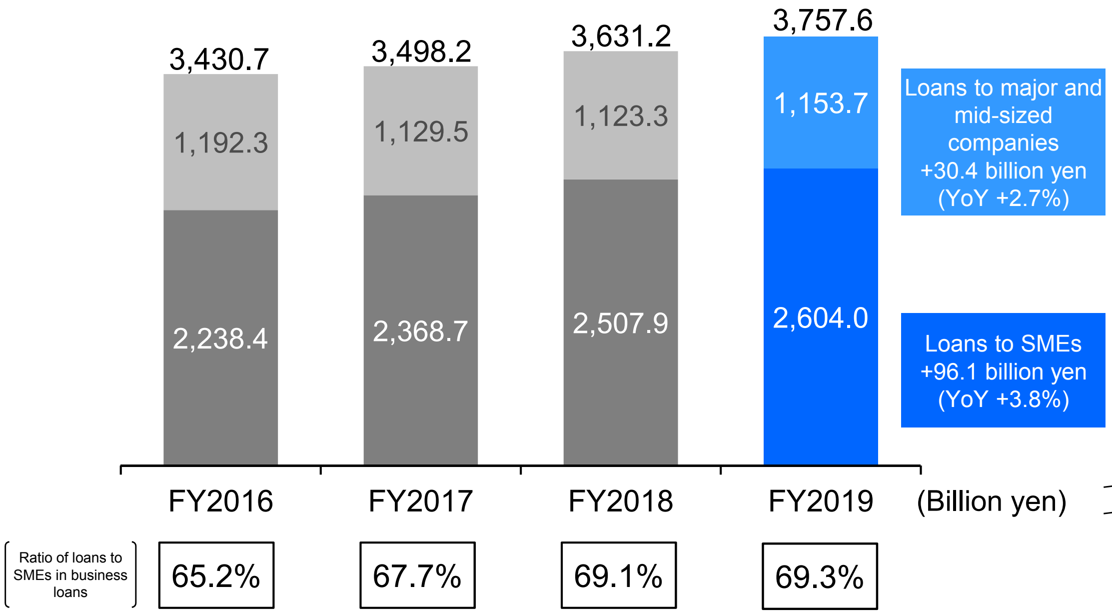
Trends in the average balance of and number of business loans

◆Trends in the number of business loans

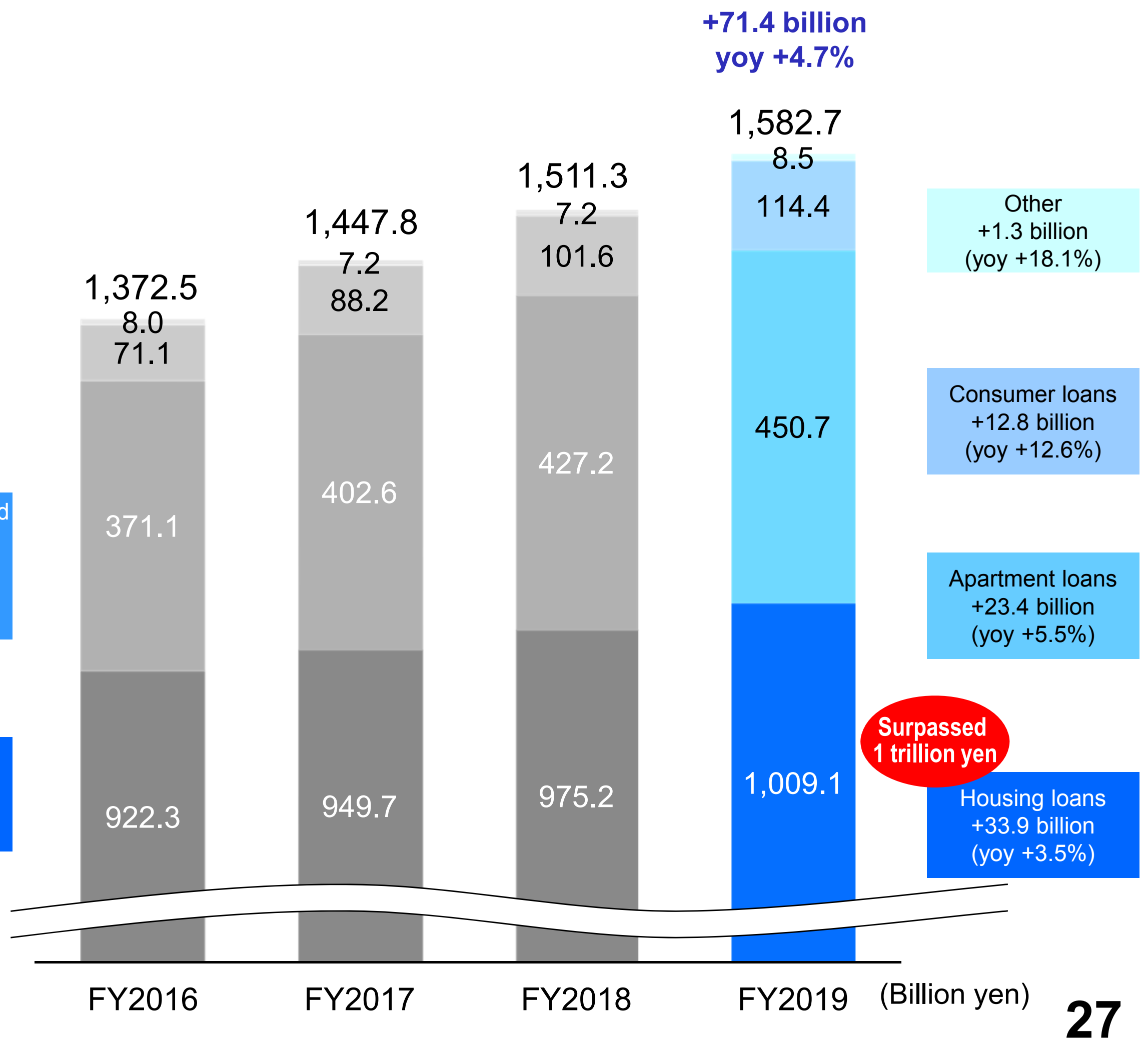


Yield on lending (stock rate)

		FY2019 H2
	Major companies	0.34%
	Mid-sized companies	0.58%
	SMEs	1.04%
Total		1.03%



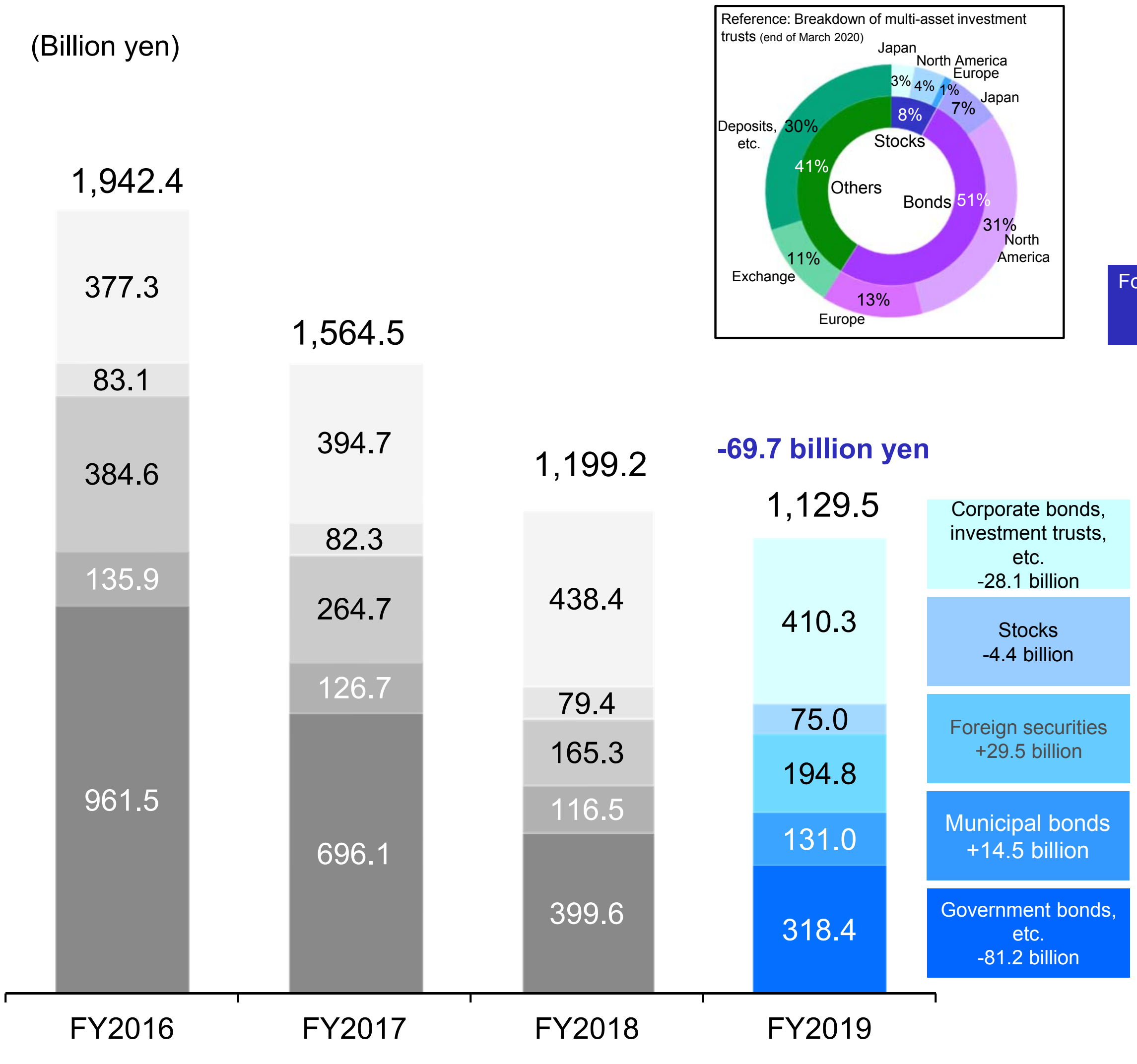
Trends in the average balance of personal loans



Securities

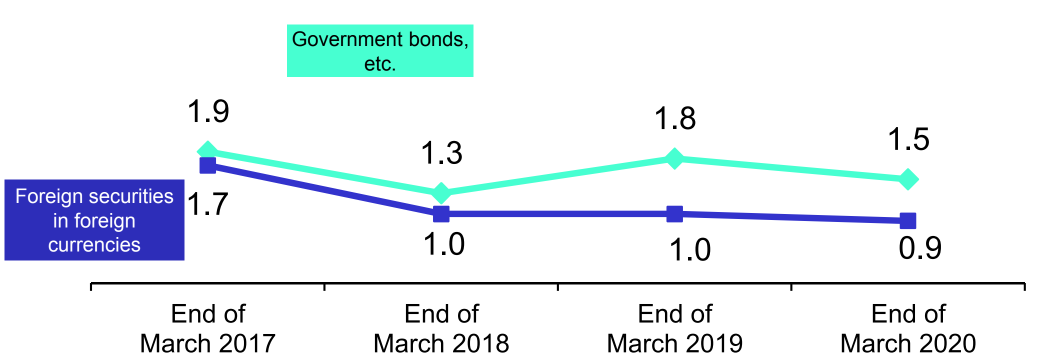
- The average balance of securities decreased by 69.7 billion yen due to the redemption of government bonds.
- Interest rate risk (interest rate delta) declined on a year-on-year basis.
- The balance of cross-shareholdings was reduced by 4.1 billion yen on a year-on-year basis through dialogue with issuing entities.

Trends in the average balance of securities



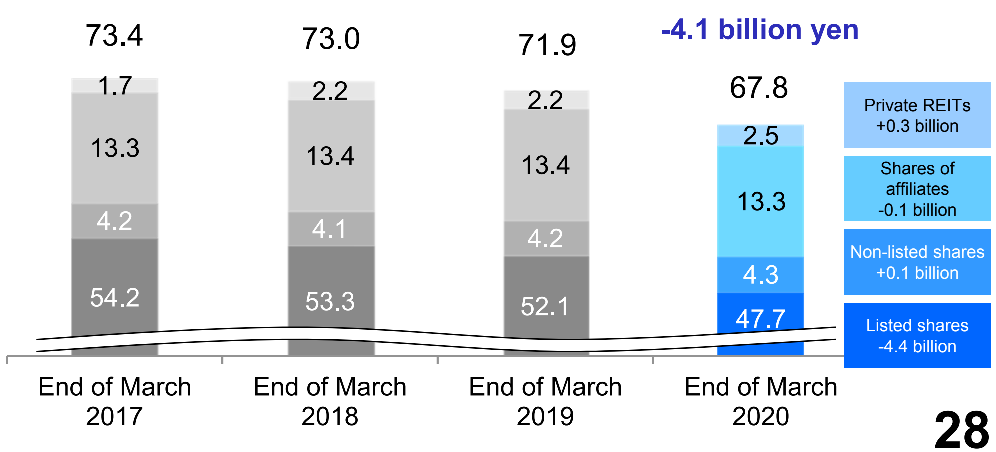
Trends in the interest rate delta

*The amount of change in fair value when interest rate declines by 10bp



Trends in the term-end balance of cross-shareholding

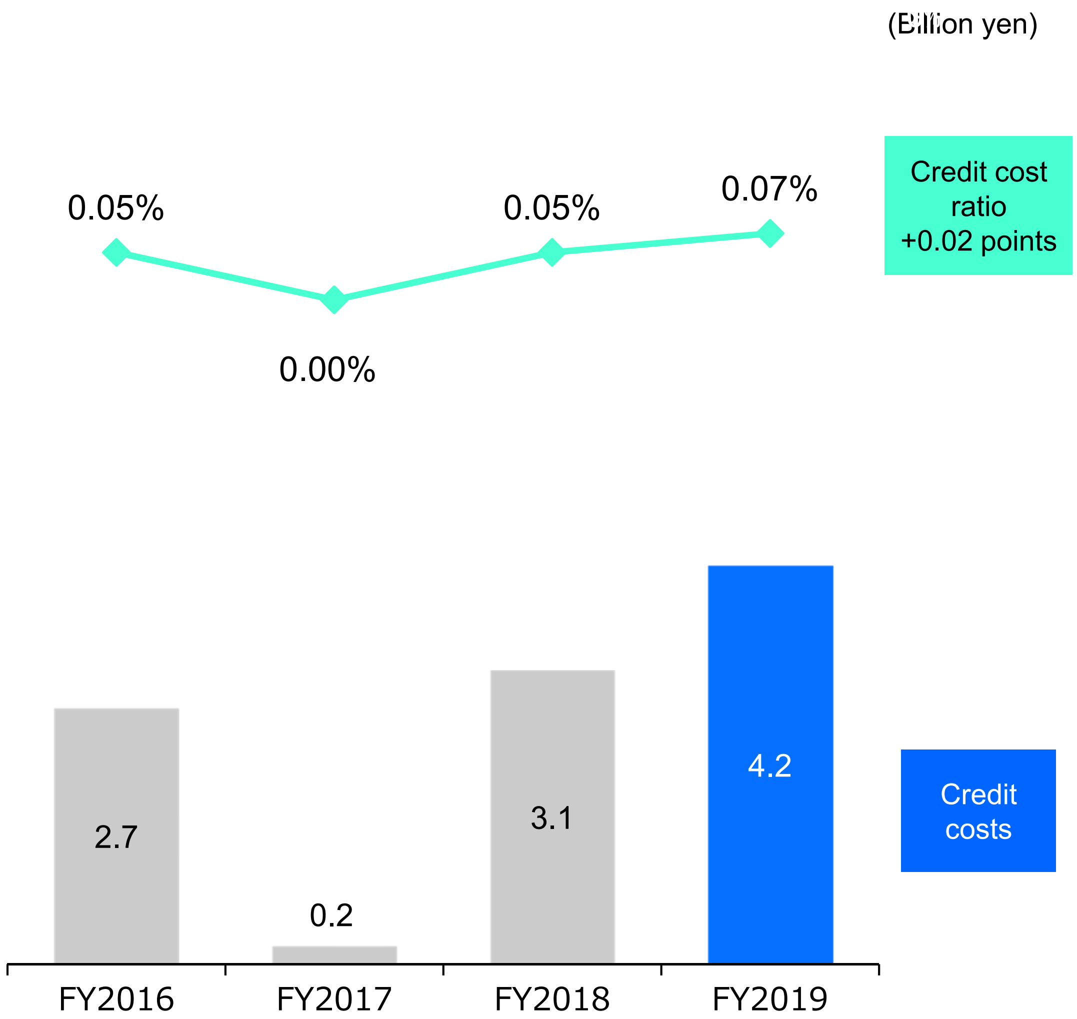
(including private REITs)



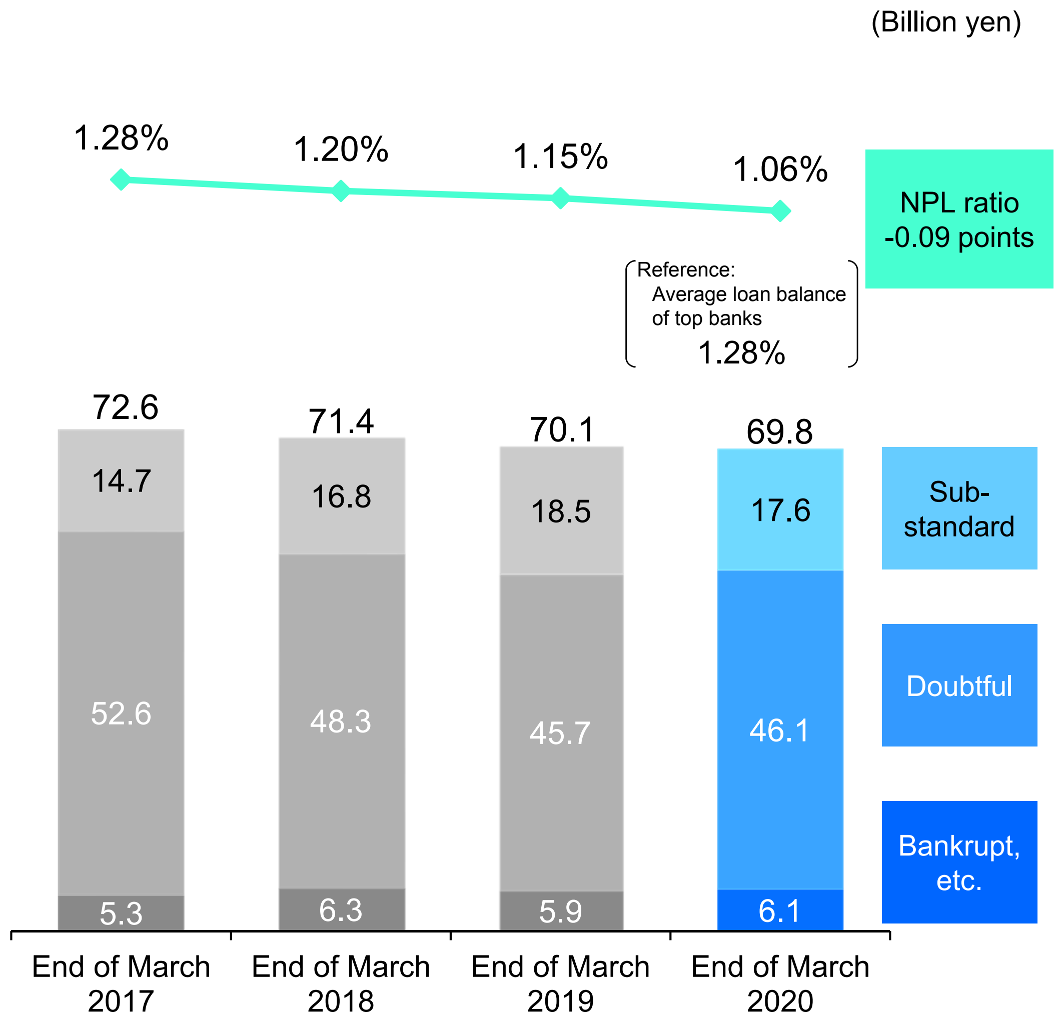
Credit costs and non-performing loans

- Credit costs increased by 1.1 billion yen on a year-on-year basis due mainly to an increase in the disposal of non-performing loans, though the credit cost ratio remained at a low level
- The NPL ratio remained at a historically low 1.06%, thanks to a year-on-year decrease of 0.3 billion yen in the claims disclosed under the Financial Reconstruction Act, to 69.8 billion yen.

Trends in credit costs



Trends in NPLs (term-end balance) and NPL ratio

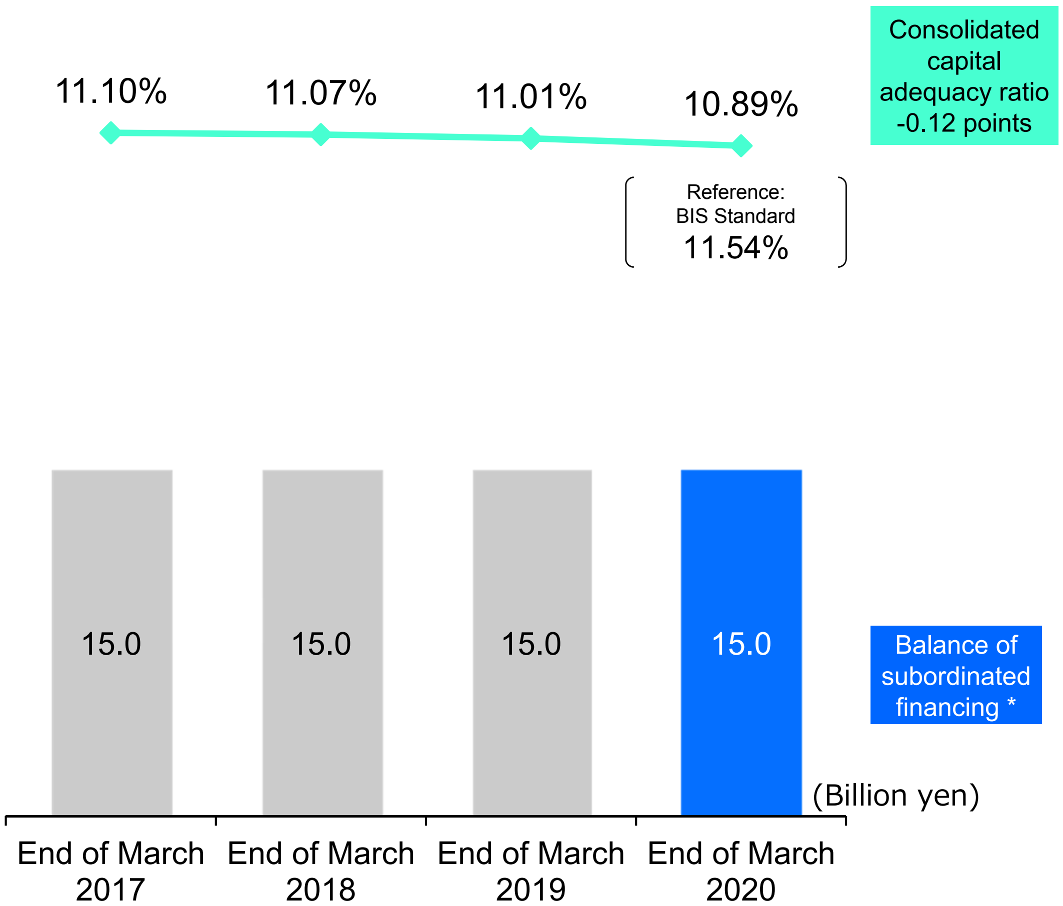


* Subject banks: The top 10 in terms of loan balances among 103 regional banks in Japan (as of March 31, 2020): Bank of Yokohama, Chiba Bank, Fukuoka Bank, Shizuoka Bank, Nishi-Nippon City Bank, North Pacific Bank, Joyo Bank, Hiroshima Bank, Bank of Kyoto, Gunma Bank

Capital adequacy ratio and ROE

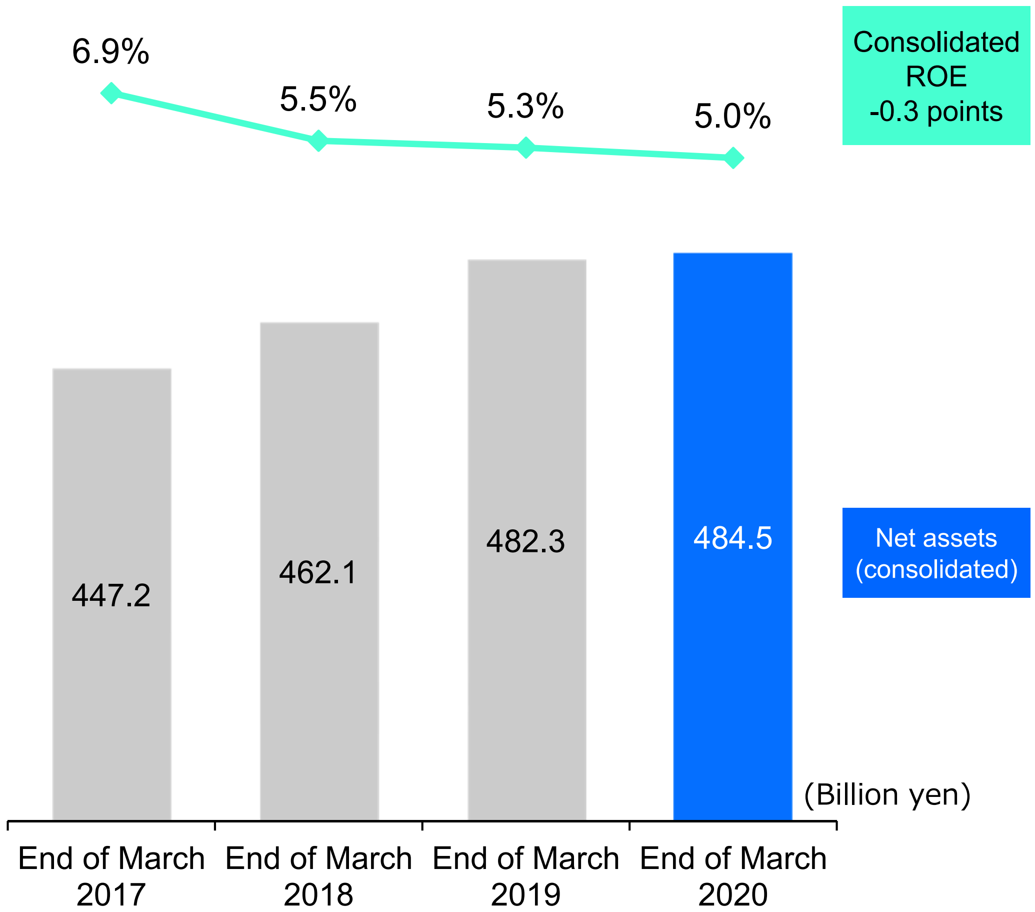
- The consolidated capital adequacy ratio remained acceptable at 10.89%.
- Against the backdrop of a steady increase in net assets, consolidated ROE maintained at the 5% level.

Trends in consolidated capital adequacy ratio and the balance of subordinated financing



*Redemption date: December 2021

Trend in consolidated ROE



Consolidated ROE = Net income attributable to owners of the parent / [Total term-beginning balance of net assets (excluding share acquisition rights) + Total term-ending balance of net assets (excluding share acquisition rights)] /2

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.

Tel.: 082-504-3823

Fax: 082-504-0171

URL: https://www.hirogin.co.jp/