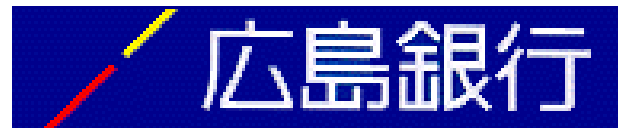


Financial results for interim FY2014

- IR presentation -

The Hiroshima Bank, Ltd.



December 8 , 2014

President Koji Ikeda



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1 . Highlights in the 1st Half of FY 2014

1

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

2

Core net business profit **was improved faster than initially planned**, supported by cost reduction and other efforts.

3

Balance of both loans and deposits, etc. (deposits + NCD) **significantly increased** (on average); **that resulted in rising prefectural shares**.

4

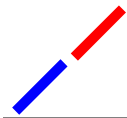
Net Unrealized Gains (Losses) on Securities have **improved by more than 100 billion yen** since the bankruptcy of Lehman Brothers.

5

900 million yen of reversal profit was recorded on the credit costs as a result of support for management improvement.

6

ROE reached above 7% with increase of net assets.



2 . Summary of Interim Financial Results for FY 2014

(1) Summary of interim financial results for the 1st half of FY 2014

- For profit and loss for the interim period of FY 2014, **ordinary profit increased by 2.9 billion yen (+18.3%) on a year-on-year basis to 19.2 billion yen** thanks to the significant improvement of credit costs that generated the reversal profit in addition to the better net unrealized gains (losses) on securities.
- Net profit for the interim period was **up by 2.3 billion yen (+22.8%) from the year earlier to 12.7 billion yen, recording six consecutive interim periods of profit increase and updating the record high. On the consolidated basis, we recorded two consecutive interim periods of increasing net profit to record a new high.**

(Hundred million yen)

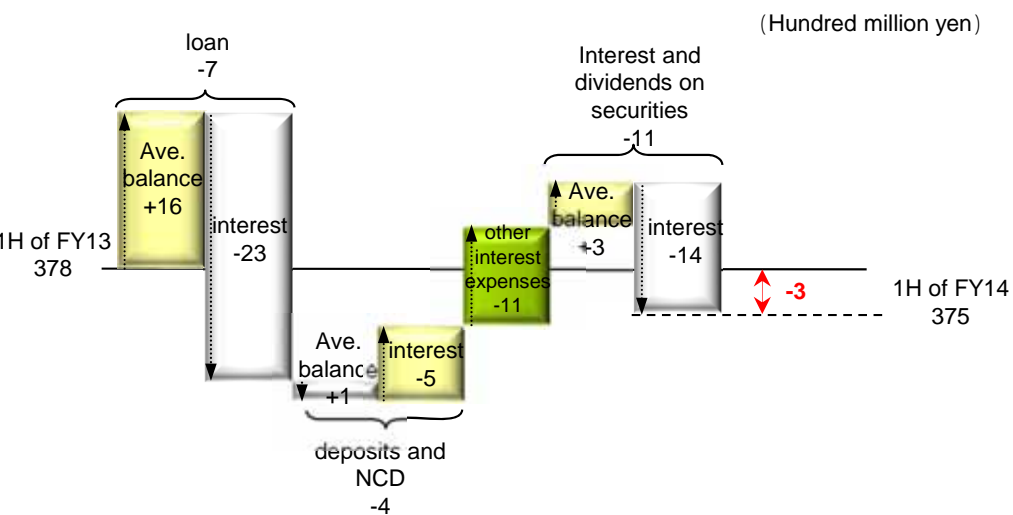
	1H of FY14	Change Amount (Change%)	Defference from Plan
Net interest income	375	-3	4
Net fees and commissions income	93	0	-4
Core gross operating profit	468	-3 (-0.6%)	0
Expenses	274	-1	-6
Core banking profit	194	-2 (-1.0%)	6
Gains/Losses on securities	-3	11	-3
Credit costs	-9	-23	-24
Ordinary profit	192	29 (18.3%)	27
Net income	127	23 (22.8%)	20
Consolidated ordinary profit	194	25 (14.6%)	28
Consolidated net income	128	23 (21.8%)	20

(2) Net interest income

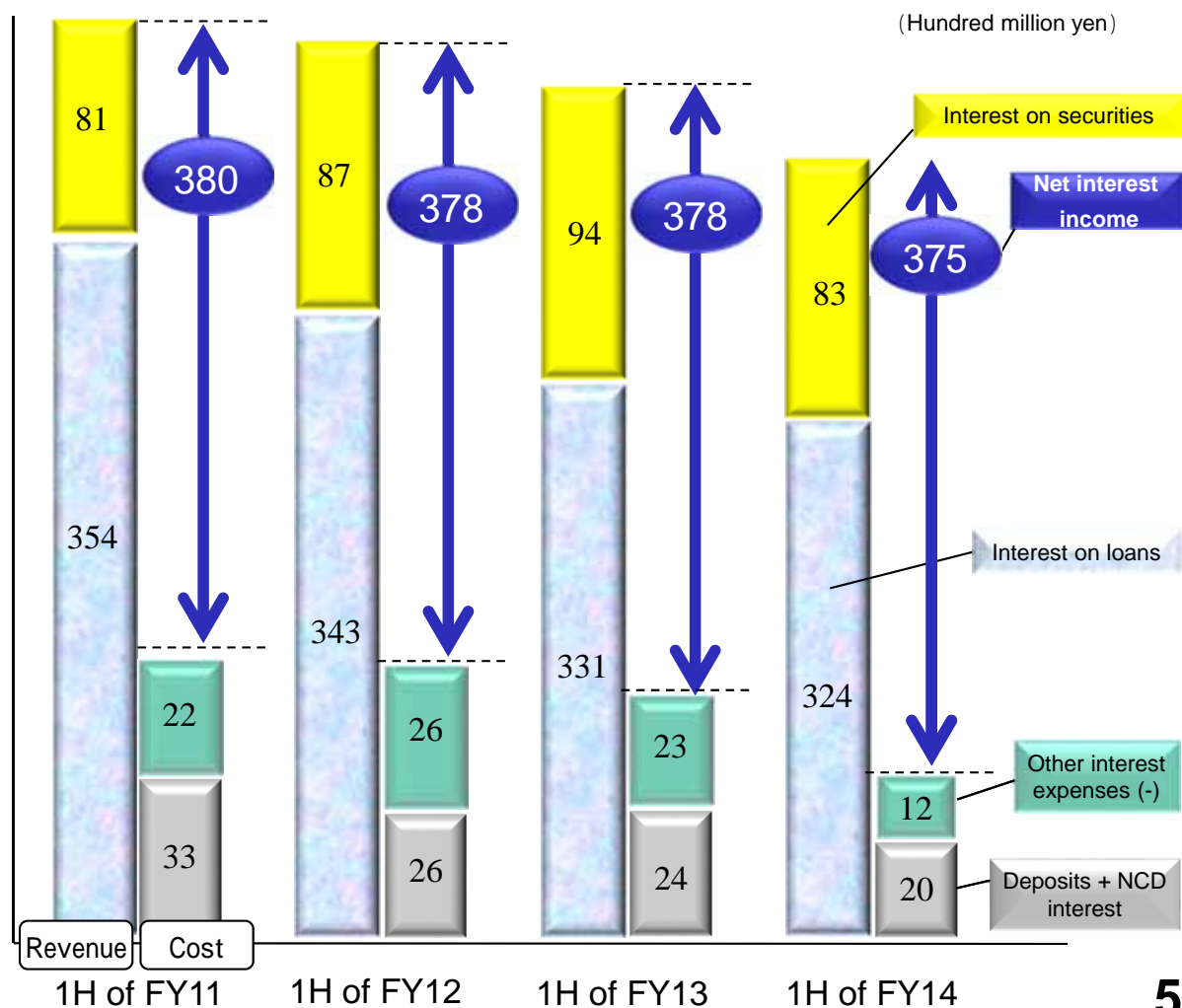
- Net interest income was down by 300 million yen compared with the previous year**, as decrease of loan interest and securities interest and dividend under the lower interest rate environment were offset by reduced funding costs.
- Under the prolonged low interest rate environment, we succeeded in **maintaining the level of net interest income unchanged** due to our efforts of maintaining margins.

Breakdown of net interest income (average balance and interest)

	1H of FY14	
	(Hundred million yen)	
		yoy change
Interest on loans	324	-7
Interest on securities	83	-11
Deposits + NCD interest (-)	20	-4
Other interest expenses (-)	12	-11
Of which are subordinated financing costs	5	-9
Net interest income	375	-3



Net interest income



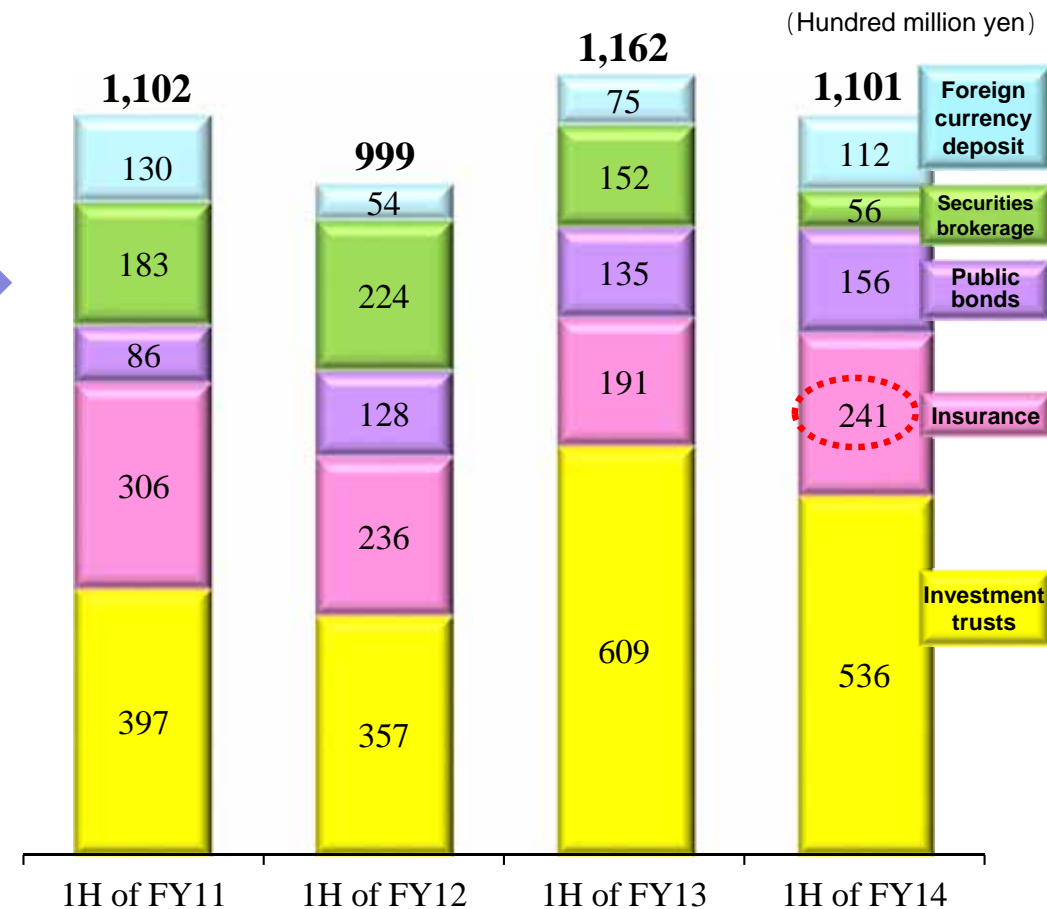
(3) Net fees and commissions income

Net fees and commissions income reached **substantially the same level of revenue as in the previous year**, as increase of residential mortgage outstanding and premium of group insurance following the rise of premium rate were offset by commissions mainly from deposited assets such as insurance.

Breakdown of net fees and commissions income

	(Hundred million yen)	
	1H of FY14	yoy change
Investment banking	13	-2
Of which are sale of derivatives to customers	3	-1
Retail asset management	37	4
Of which are insurance-related	18	7
Of which are financial intermediary products	1	-2
Personal loan-related	-17	-3
Of which are group insurance premium	-10	-2
Other	60	1
Net fees and commissions	93	0

Movements of financial instruments sold



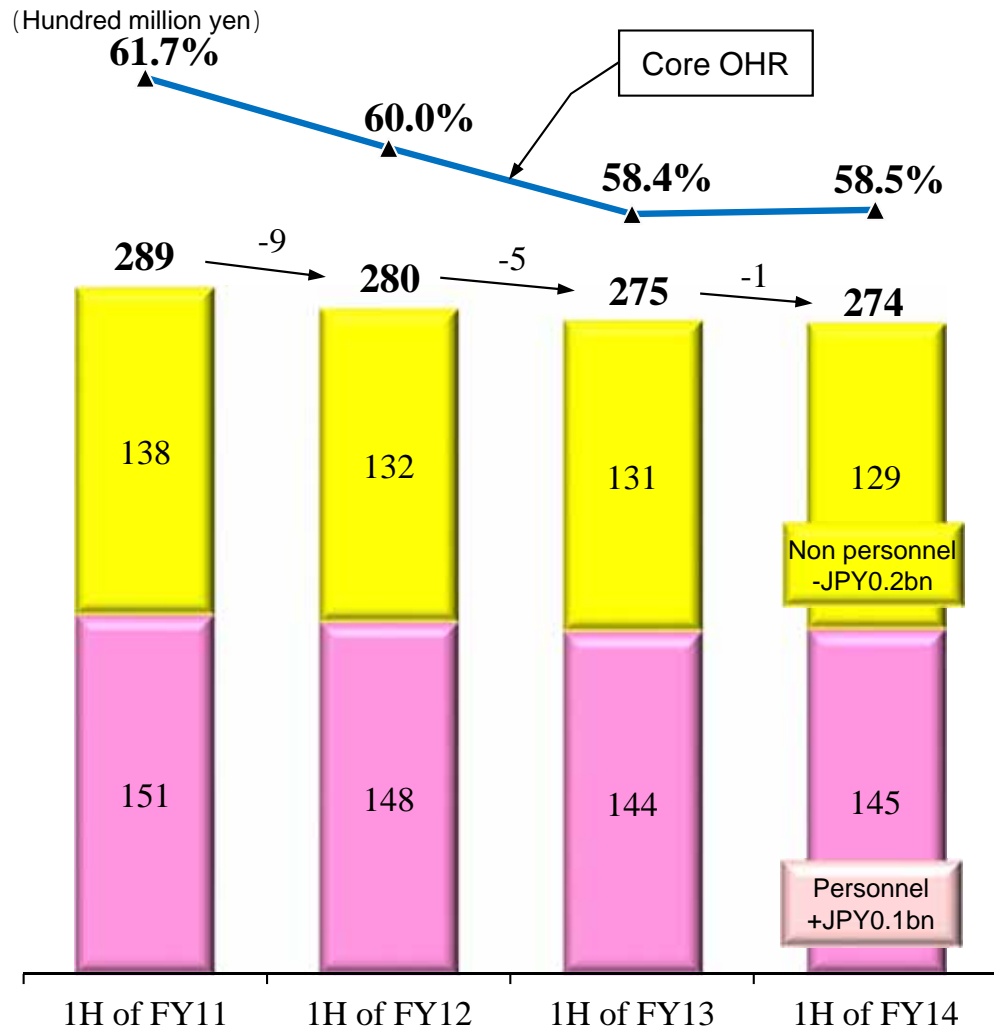
Increase of group insurance premium

- due to the increase of residential mortgage outstanding
- due to the increase of premium rate

(4) Expenses

- Expenses were **down by 100 million yen from the previous year** thanks to the facility costs reduction under the operational reform.
- Core OHR was at the level of **less than 60%**.

Expenses and Core OHR



*Core OHR = Expenses/Core gross profits

Breakdown of expenses

Non-personnel cost

(Hundred million yen)

Factors	Change
Effect from self-processing of business previously outsourced to subsidiaries: -2	
Reduction by the implementation of operational reform: -1	
- Scrapping and building of systems	-2
- Review of outsourcing to external contractors, etc.	
Effect from consumption tax rise: +1	

Personnel cost

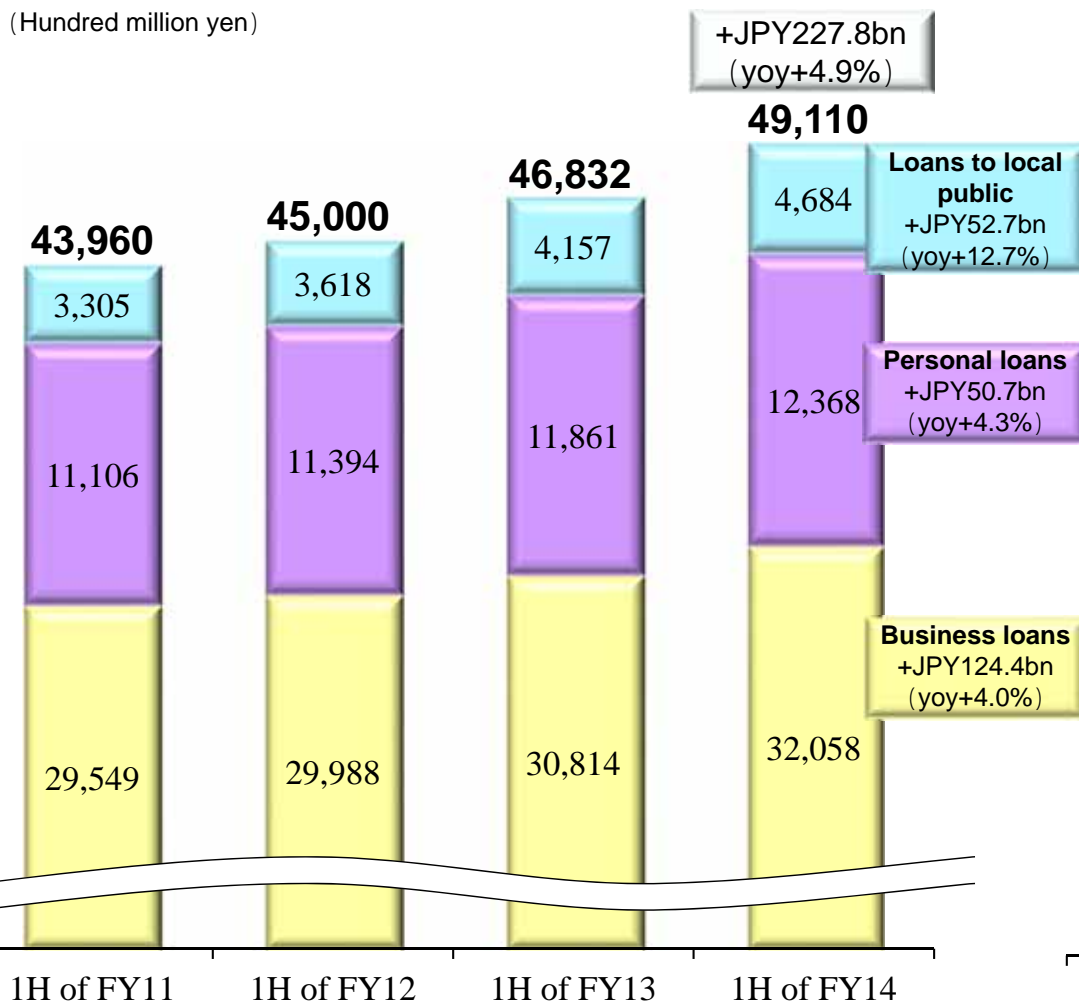
Factors	Change
Decrease of retirement benefit costs: -3	
Effect from self-processing of business previously outsourced to subsidiaries: +2	
Increase of bonus and social insurance costs, etc. : +2	+1

(5) Balance of loans and deposits, etc. (deposit +NCD)

- Balance of loans (on average) significantly increased in the entire area of business loans, personal loans, and loans to the local public, **up by 227.8 billion yen (+4.9% yoy)**.
- Balance of deposits (on average) remarkably rose mainly in retail and corporate deposits, **up by 267.8 billion yen (+4.3% yoy)**.

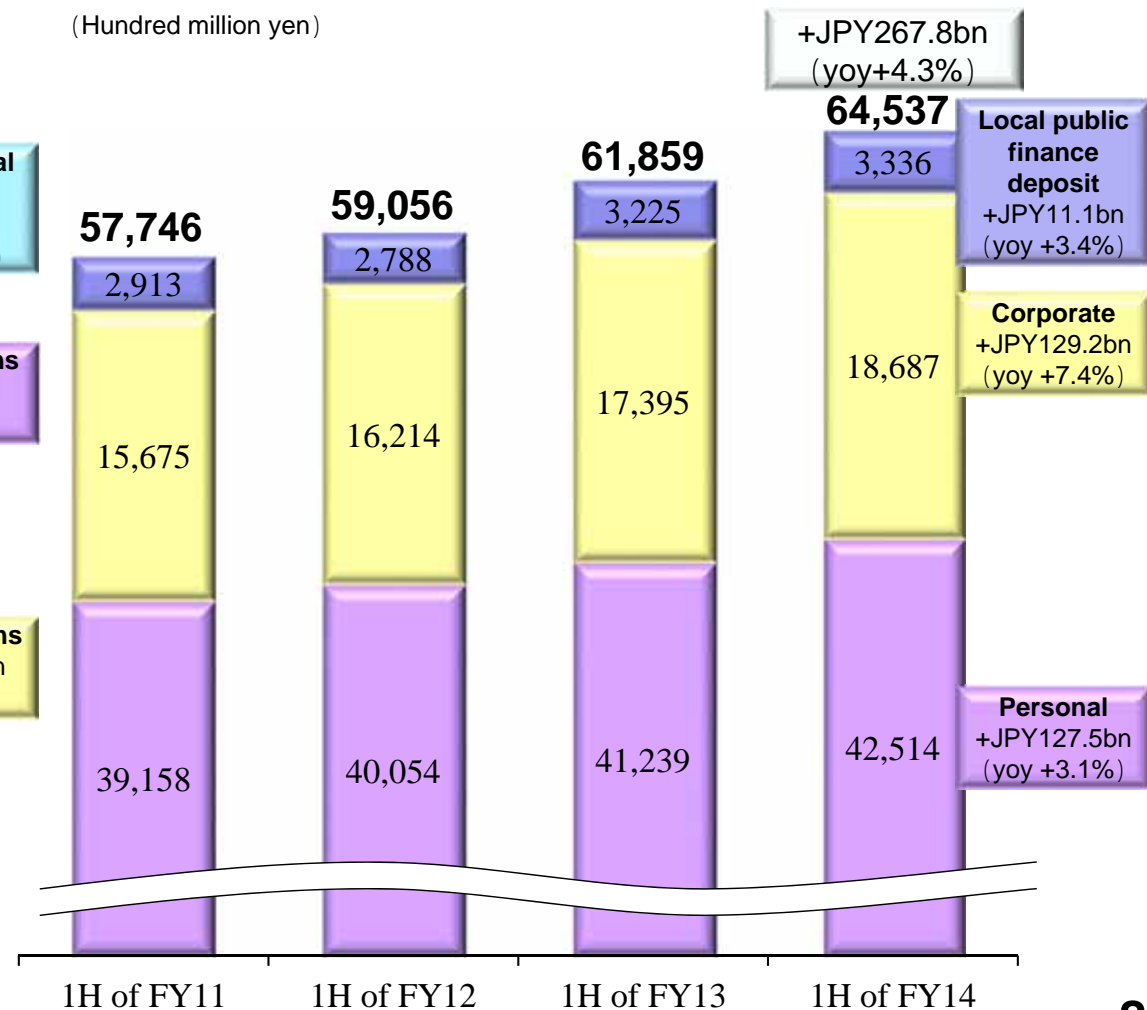
Average balance of total loans

(Hundred million yen)



Average balance of total deposits and NCD

(Hundred million yen)



*Loans to the local public means loans to local public organizations and corporations.

(6) Share of loans and deposits, etc.

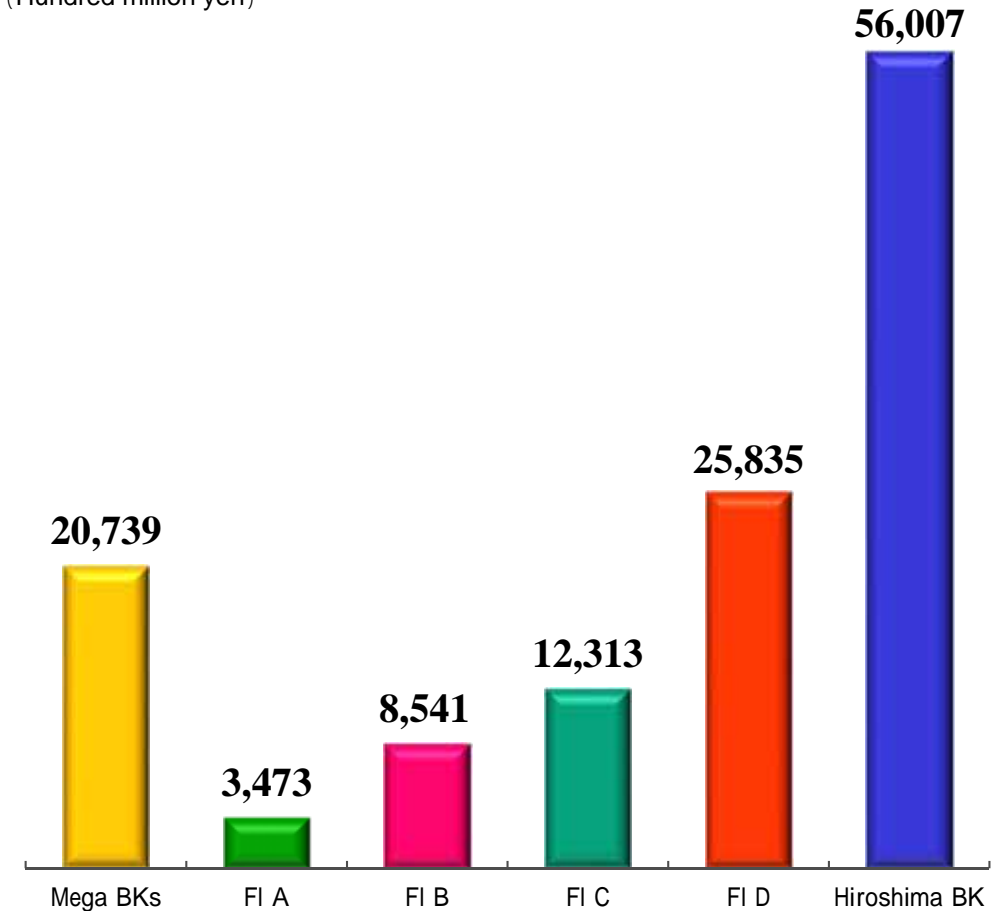
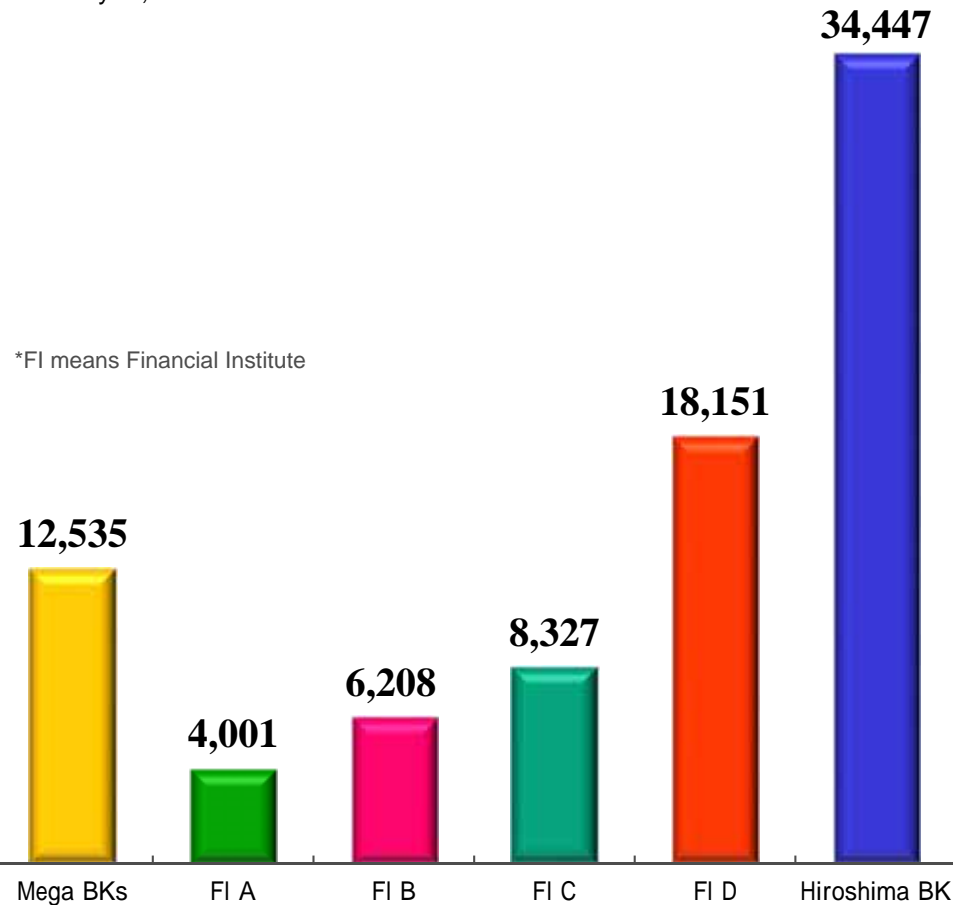
■ Shares of balance of loans within Hiroshima Prefecture (term-end balance) and balance of deposits within Hiroshima Prefecture (term-end balance) are **both more than 35%**.

Comparison of share of balance of loans within Hiroshima Prefecture (term-end balance) (as of the end of September 2014)

Comparison of share of balance of deposits within Hiroshima Prefecture (term-end balance) (as of the end of September 2014)

(Hundred million yen)

(Hundred million yen)



	Mega BKs	FI A	FI B	FI C	FI D	Hiroshima BK
Share in Hiroshima	13.1%	4.2%	6.4%	8.6%	18.8%	35.8%
YoY Change	- 0.1%	- 0.1%	± 0%	- 0.1%	- 0.1%	+ 0.4%

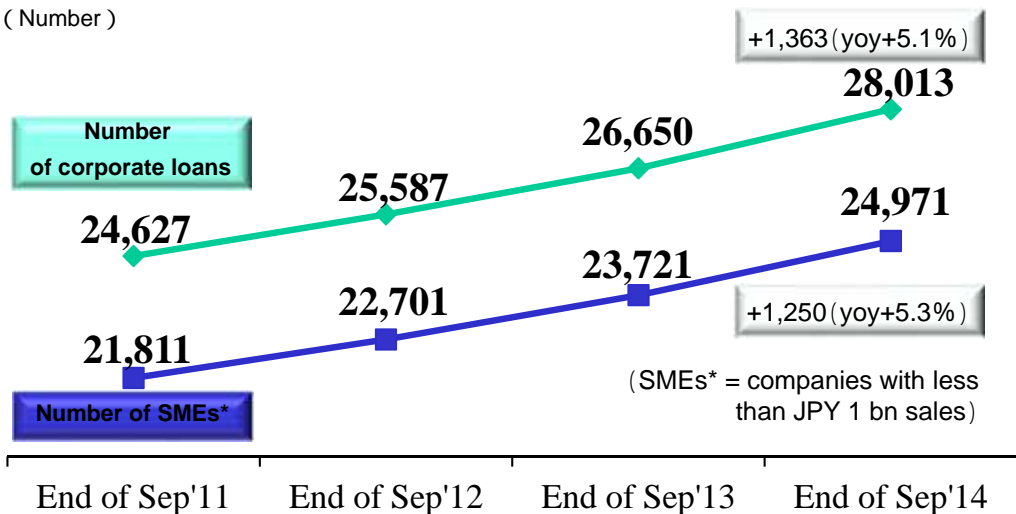
	Mega BKs	FI A	FI B	FI C	FI D	Hiroshima BK
Share in Hiroshima	14.4%	2.4%	6.0%	8.6%	18.0%	39.0%
YoY Change	- 0.9%	± 0%	+ 0.3%	+ 0.1%	- 0.3%	+ 0.6%

(7) Retail loans and personal loans

- The number of borrowers for business loans and loans to small- and medium-sized enterprises (on average) **significantly increased** supported by active marketing under the area marketing system.
- Balance of personal loans remarkably rose by **47.9 billion yen (+3.8% yoy)** thanks to the bank-wide promotion.

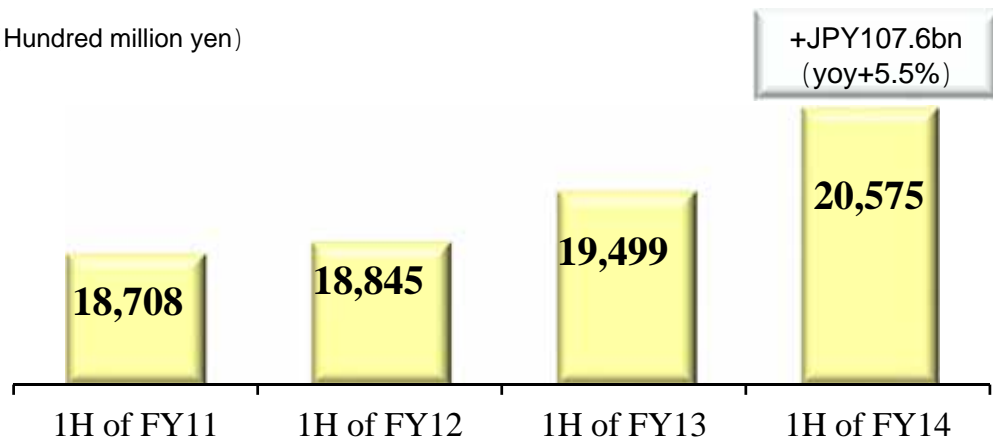
Number of corporate loan customers

(Number)



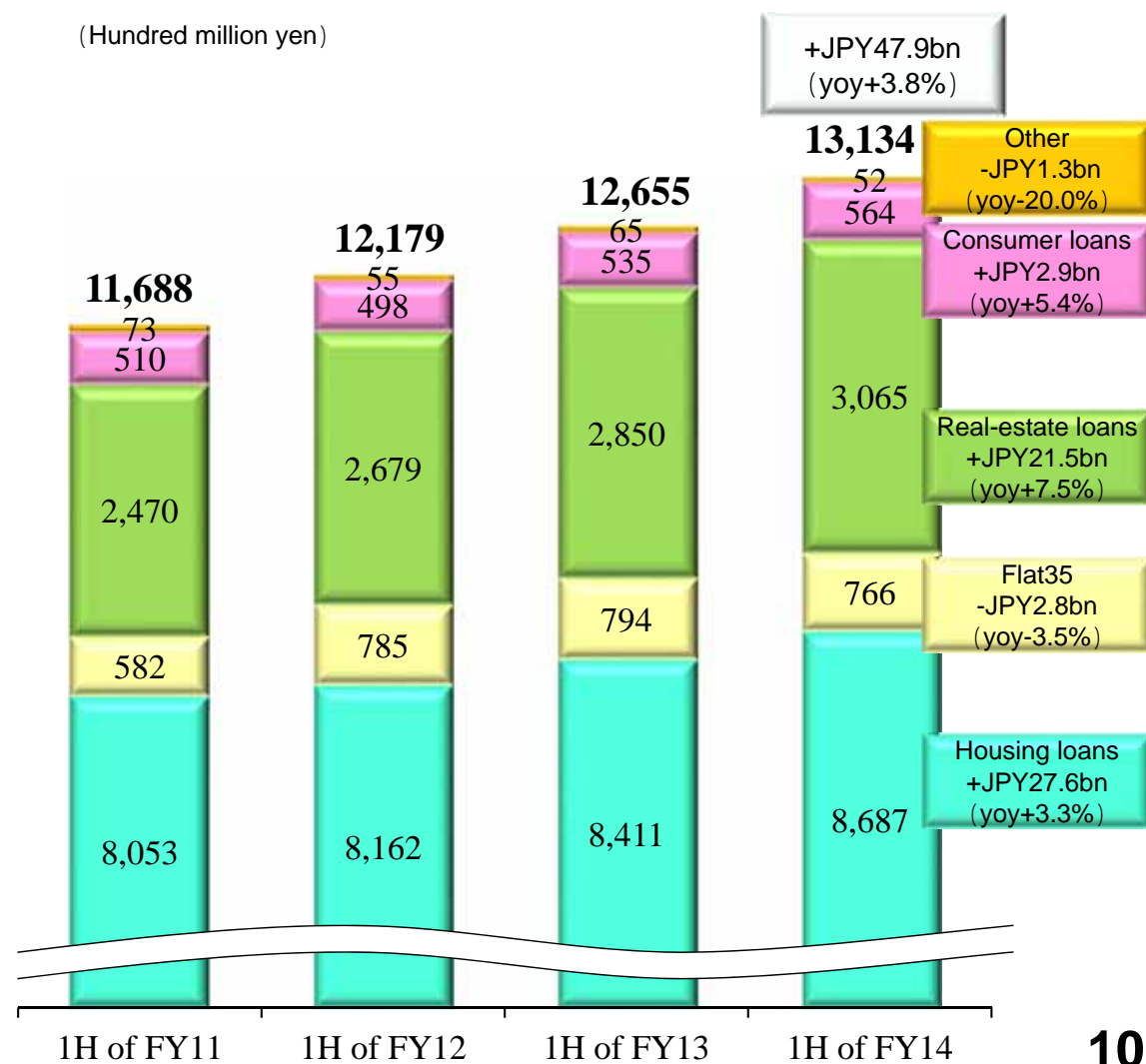
Movements of loans to SMEs (average balance)

(Hundred million yen)



Movements of personal loan balance (including Flat35, average)

(Hundred million yen)

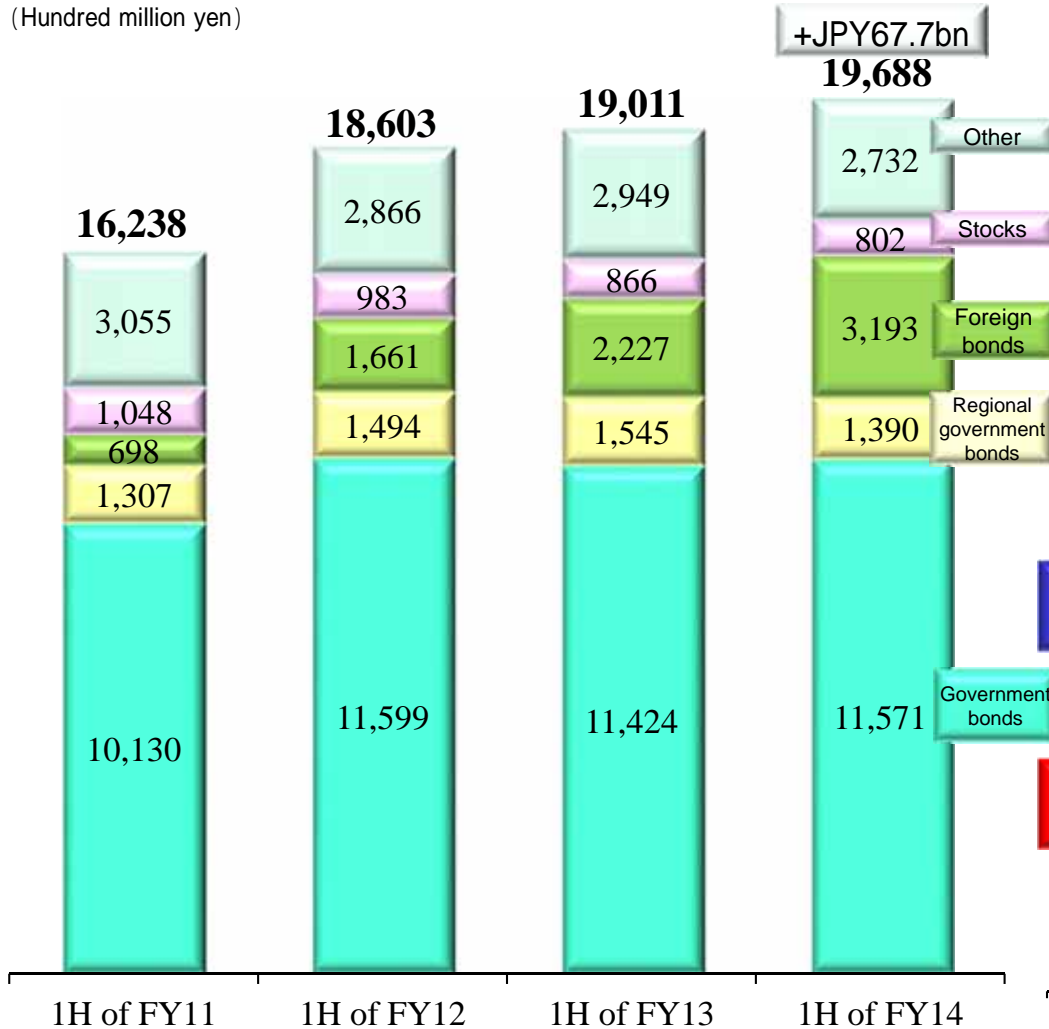


(8) Securities

- Net unrealized gains (losses) on securities have **improved by 104.7 billion yen to 57.4 billion yen of gains** since the end of March 2009 after the bankruptcy of Lehman Brothers thanks to the market recovery in addition to our efforts to restructure the portfolio.
- Bond duration **is shorter than it was four years ago for both yen-denominated and foreign currency-denominated bonds** supported by our careful attitude to the interest risk.

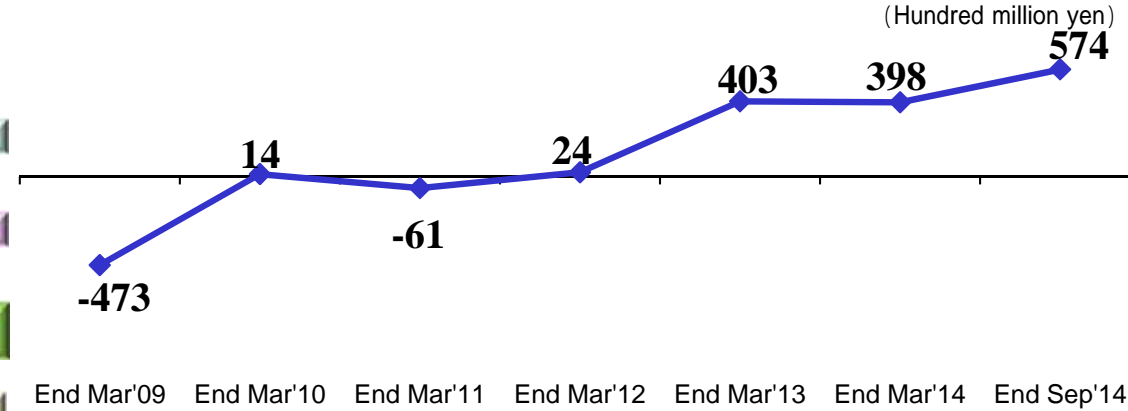
Movements of balance of securities (average)

(Hundred million yen)



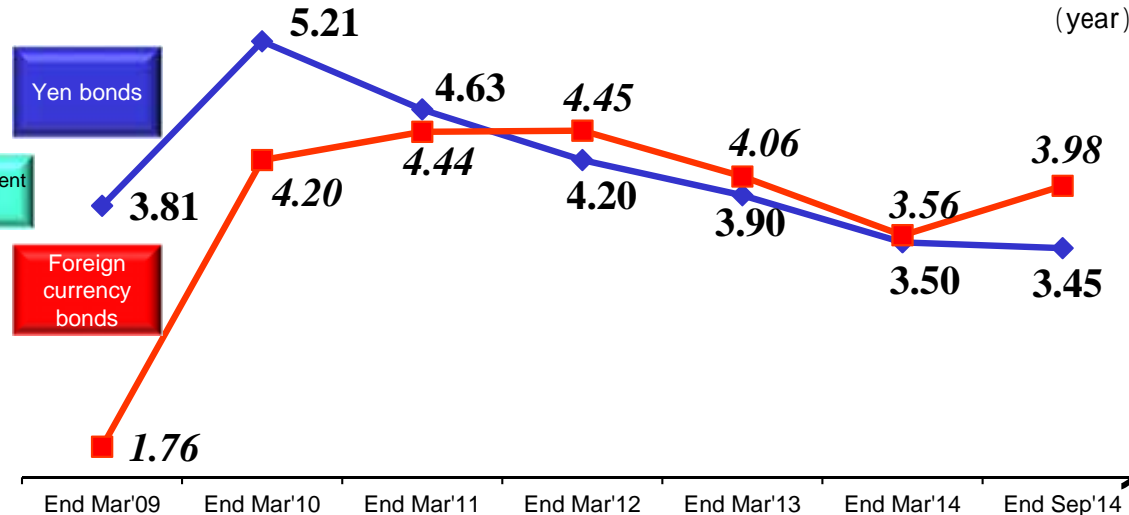
Change of net unrealized gains (losses) on securities

(Hundred million yen)



Change of bond duration

(year)

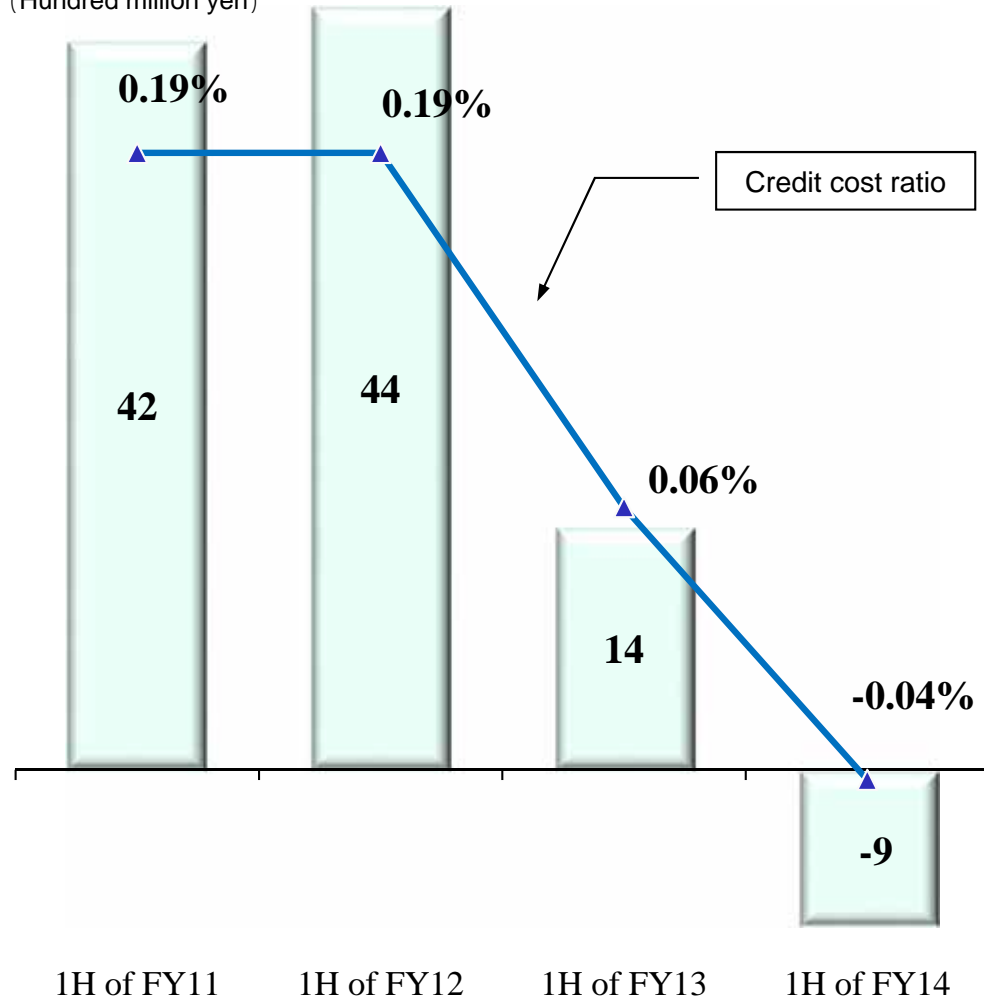


(9) Credit costs and nonperforming loans

- 900 million yen of reversal profit was recorded on the credit costs as a result of active support for the management of customers.
- NPLs (term-end balance) was down by 12.9 billion yen on a year-on-year basis. NPL ratio also declined to 1.70%.

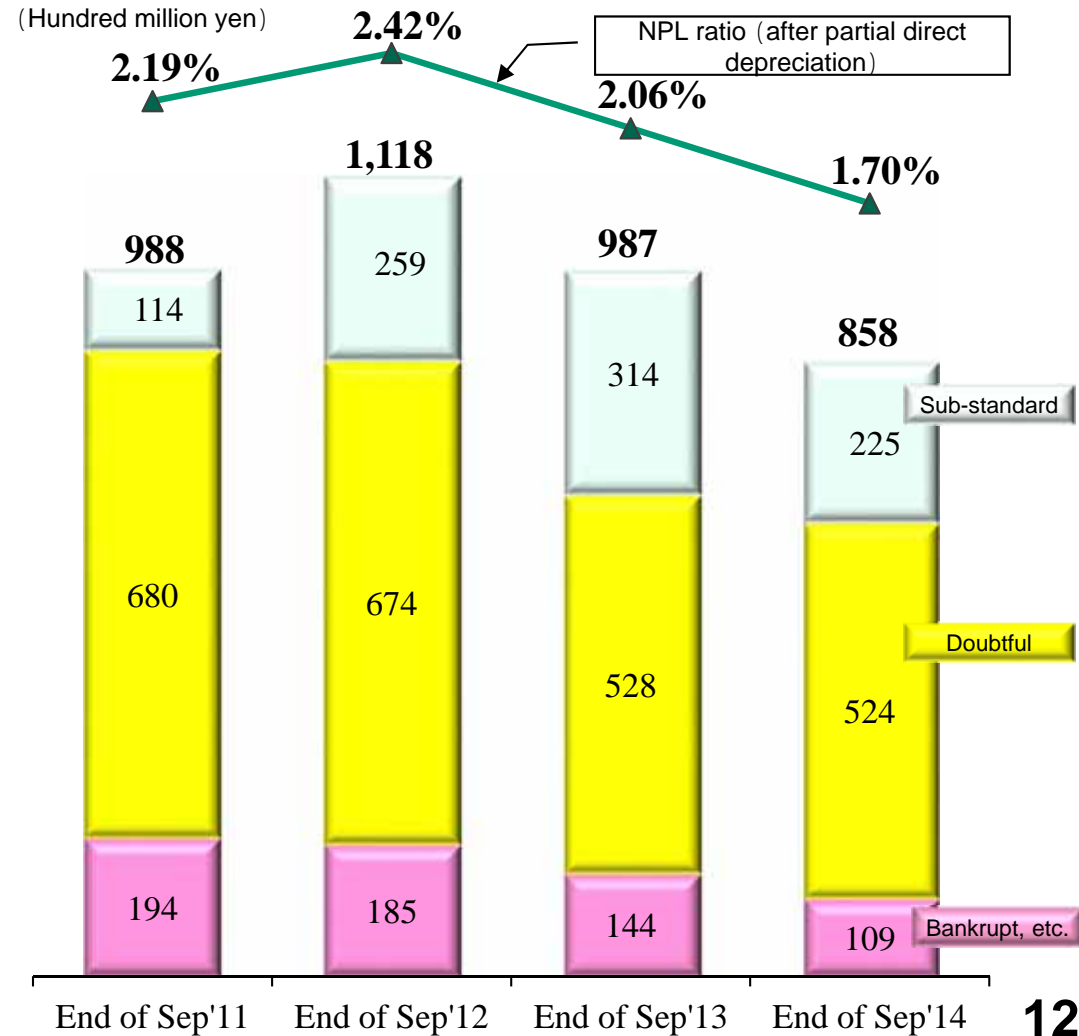
Credit costs

(Hundred million yen)



NPLs (term-end balance) and NPL ratio

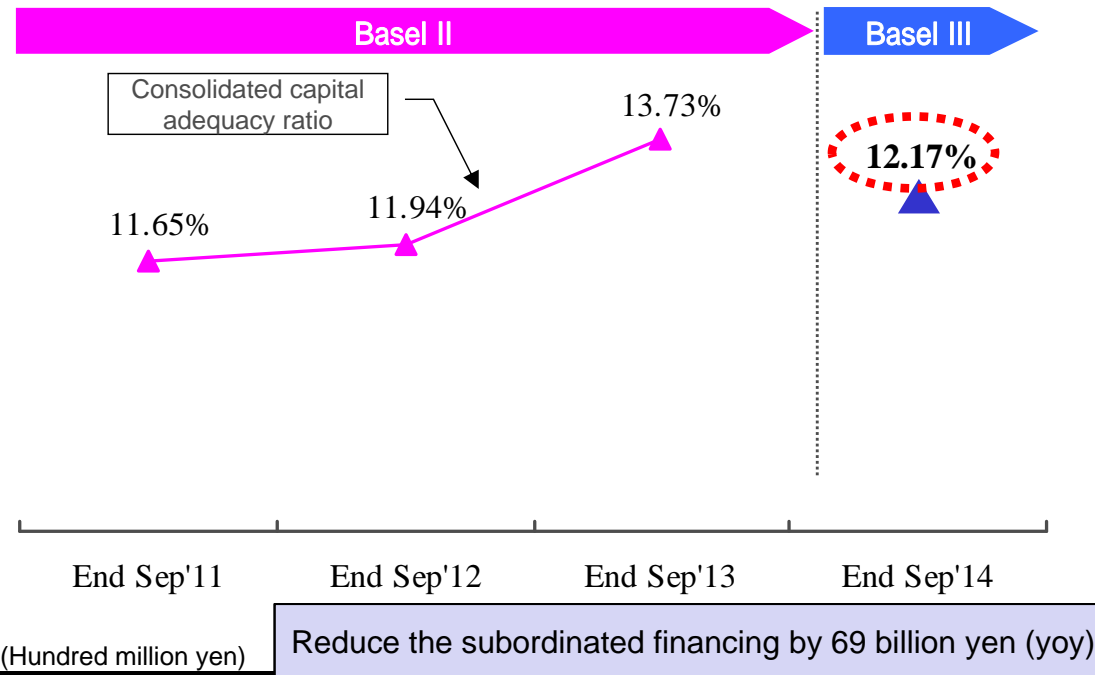
(Hundred million yen)



(10) Capital adequacy ratio and ROE

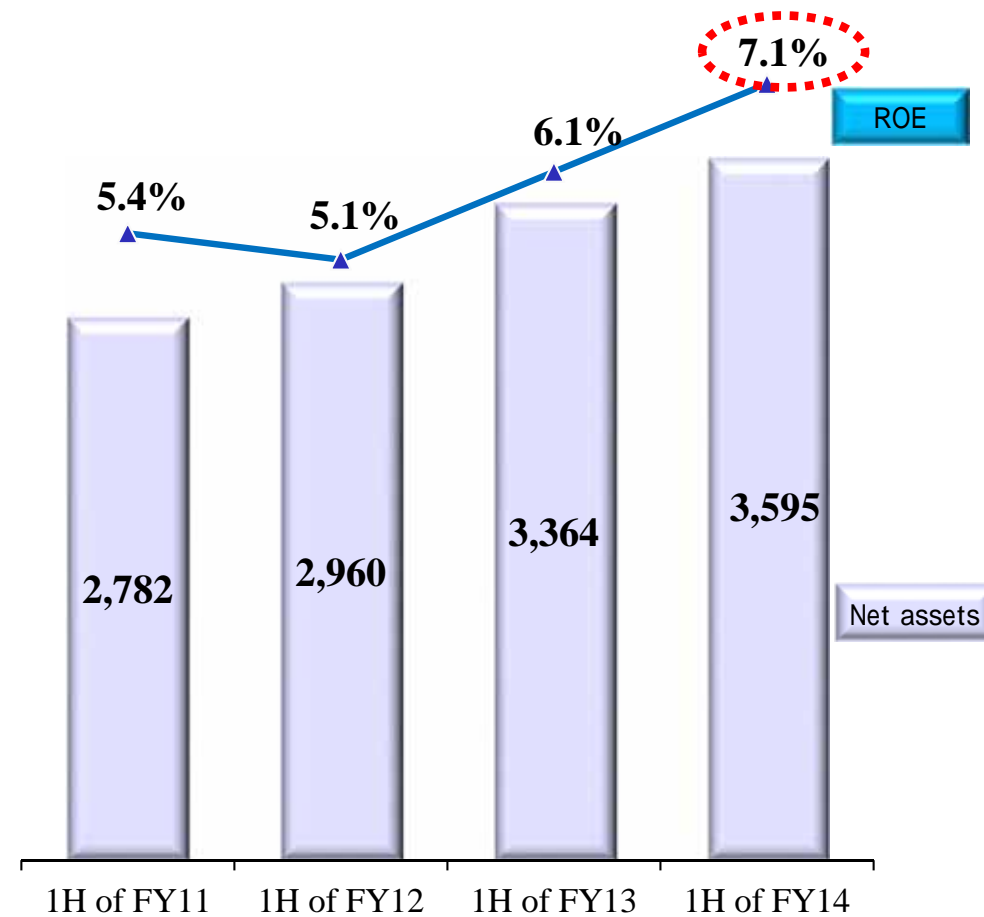
- Capital adequacy ratio on a consolidated basis was at a **sufficient level of 12.17%** after reducing the subordinated financing by 69 billion yen from the previous year.
- ROE **reached more than 7%** with a steady increase of net assets.

Breakdown of consolidated capital adequacy ratio



Basel	End Sep'13	Basel	End Sep'14
Base items (Tier 1)	3,218	Amount of base items on core capital	3,758
Preferred equity securities	300	Eligible old capital instruments	460
Supplementary items (Tier 2)	1,040		
Subordinated loan/debt	850	Amount of adjustment items on core capital	24
Deductions (-)	124		
Equity capital	4,134	Equity capital	3,733
Risk assets	30,090	Risk assets	30,655

ROE



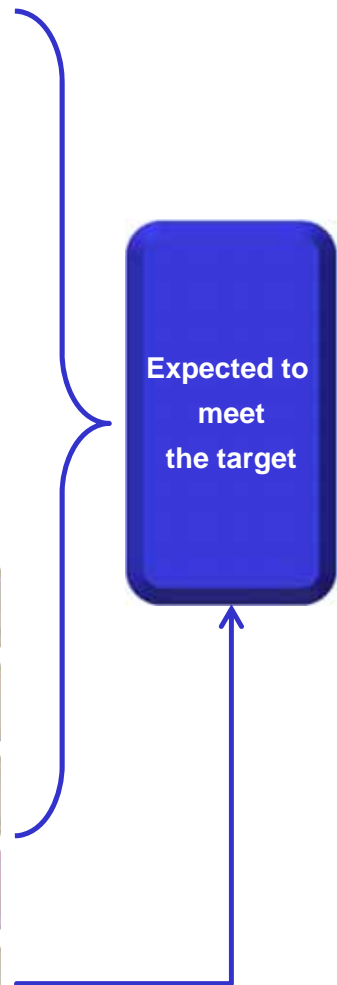
Net assets = [Opening net assets total (equity warrants excluded) + net assets total as of the end of interim period (equity warrants excluded)] / 2



3. Progress on and Marketing Strategy for “2012 Mid-Term Plan – Challenge for Reform”

(1) Progress on “2012 Mid-Term Plan – Challenge for Reform”

Business targets of MTP			Progress on the 1H of FY2014	
	FY2014 forecast	Of which, accumulated total for three FYs	Performance by 1H of FY2014 (partly accumulated)	Achieving ratio, etc.
Core banking profit	Above JPY 40 bn	JPY 113.8 bn	JPY 98.4 bn	86.5%
Consolidated Net Income	Above JPY 20 bn	JPY 54.3 bn	JPY 53.1 bn	97.8%
Consolidated Tier 1 ratio	9.0% or more	Consolidated core capital ratio 10% or more (standards changed)	12.17%	Against the target: +2% (Sufficient level)
Credit cost ratio	0.15% or less		-0.04%	Against the target: -0.19% (Sufficient level)
Core OHR	58.5% or less		58.5%	Achieved at the moment
ROE	6.0% or more		7.1%	Achieved at the moment
Average balance of total deposits and NCD	JPY 6,143.4 bn		JPY 6,453.7 bn	105.1%
Average balance of total loans	JPY 4,764.3 bn		JPY 4,911.0 bn	103.1%
Number of corporate loan customers	+1,000 customers	+3,000 customers	+2,877 customers	95.9%
Loan market share in Hiroshima pref.	38%		35.8%	Against the target: -2.2%
Lending share to 3 neighboring prefectures	6%		6%	Achieved at the moment



* Consolidated core capital ratio refers to the consolidated capital adequacy ratio based on Basel III.

(2) Trend of Economic Activities in Hiroshima Prefecture

- Economy in Hiroshima Prefecture has **recovered faster than the national average** due to diminishing effects of rising consumption tax and adjustment of higher yen.
- Hiroshima economy expects to **receive a further support** thanks to “Quantitative and qualitative easing” by the BOJ.

Economic Trend at the Foot

Current condition of Hiroshima economy (Oct. 2014)

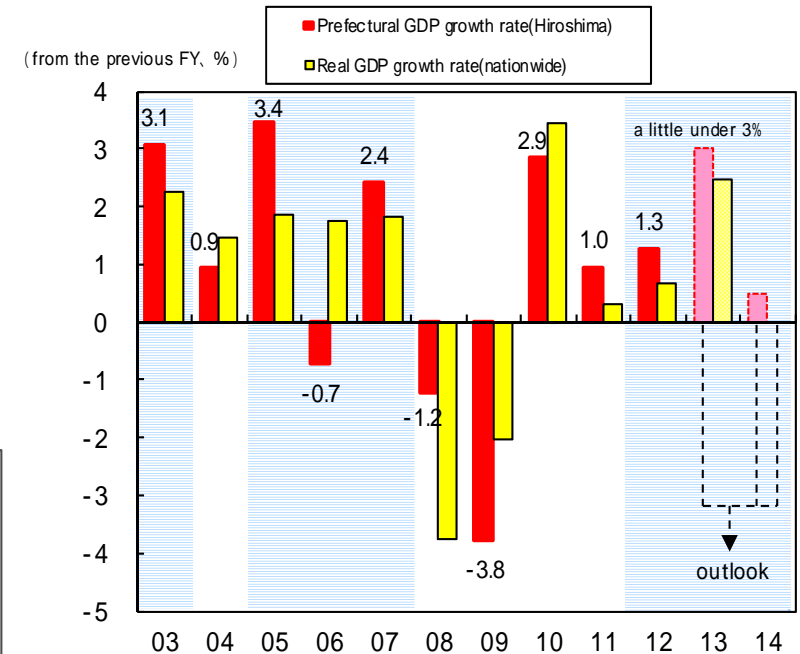
	Movement in each item
Overview	Although some rebound is seen following the last-minute purchase in the face of consumption tax rise, the overall trend is a modest recovery
Personal consumption	The adverse effect from the consumption tax rise is diminishing, and the economy is steadily improving
Capital investment	Recovering steadily
Production	Modestly increasing
Export	Tending to increase

Source: BOJ Monthly Report of Recent Economic and Financial Developments

YoY Change of Major Economic Indicators (Sept. 2014)

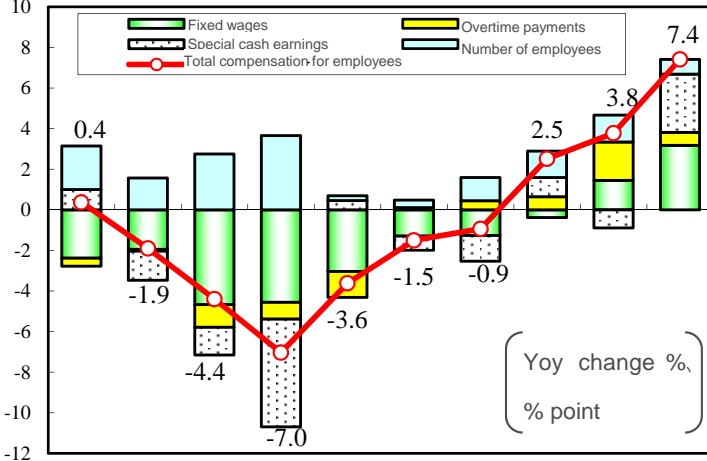
	Hiroshima	Nation-wide
Sales by department stores	0.4%	-0.7%
No. of registered new cars	0.4%	-3.2%
No. of new housing starts	-10.9%	-14.3%
Effective job offer ratio	1.24 times	1.09 times
Value of custom cleared	30.1%	6.9%
Industrial production index (August)	-1.2%	-1.9%

Reference:Trends in GDP for both the whole nation and Hiroshima Prefecture during the periods of the yen's depreciation in the past

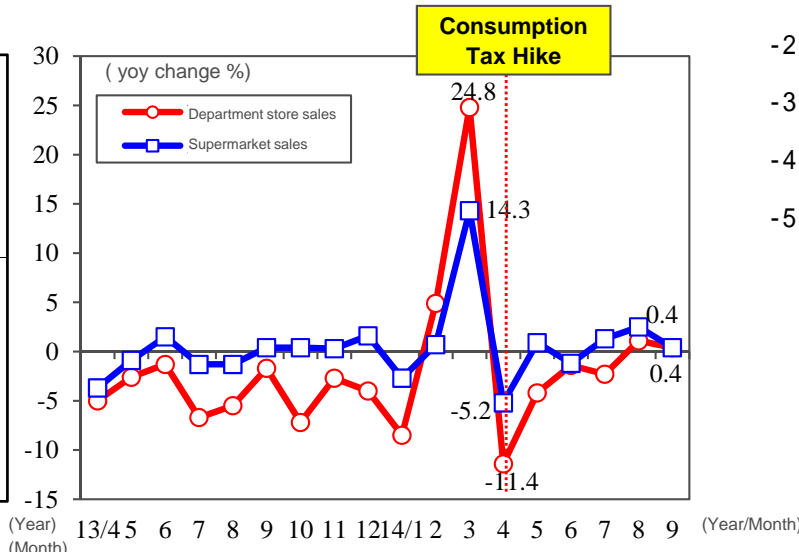


(Note) The shaded area represents fiscal years when the yen's depreciation advanced from the previous year (lower yen aspects)
Source: Bank of Japan, Cabinet Office, Hiroshima Prefecture

Trend of Wage



(Source): Create by Hirogin Research Institute from the "Monthly Labor Statistics Survey" by Hiroshima Prefecture



(Source): Create by Hirogin Research Institute from "Current Survey of Commerce" by the Ministry of Economy, Trade and Industry

(3) Momentum of loans to small- and medium-sized enterprises

Annual growth of our balance of loans to small- and medium-sized enterprises increase **both for capital investment and working capital.**

Capital investment



Working Capital



(4) Efforts for retail loans

- Improve yield of loan portfolio by conducting active marketing to retail customers whose yield is relatively high.
- Steady increase of main bank share in Chugoku area by establishing a stronger relationship with retail customers.

Main bank share in Hiroshima Prefecture by sales volume and comparison of loan yields

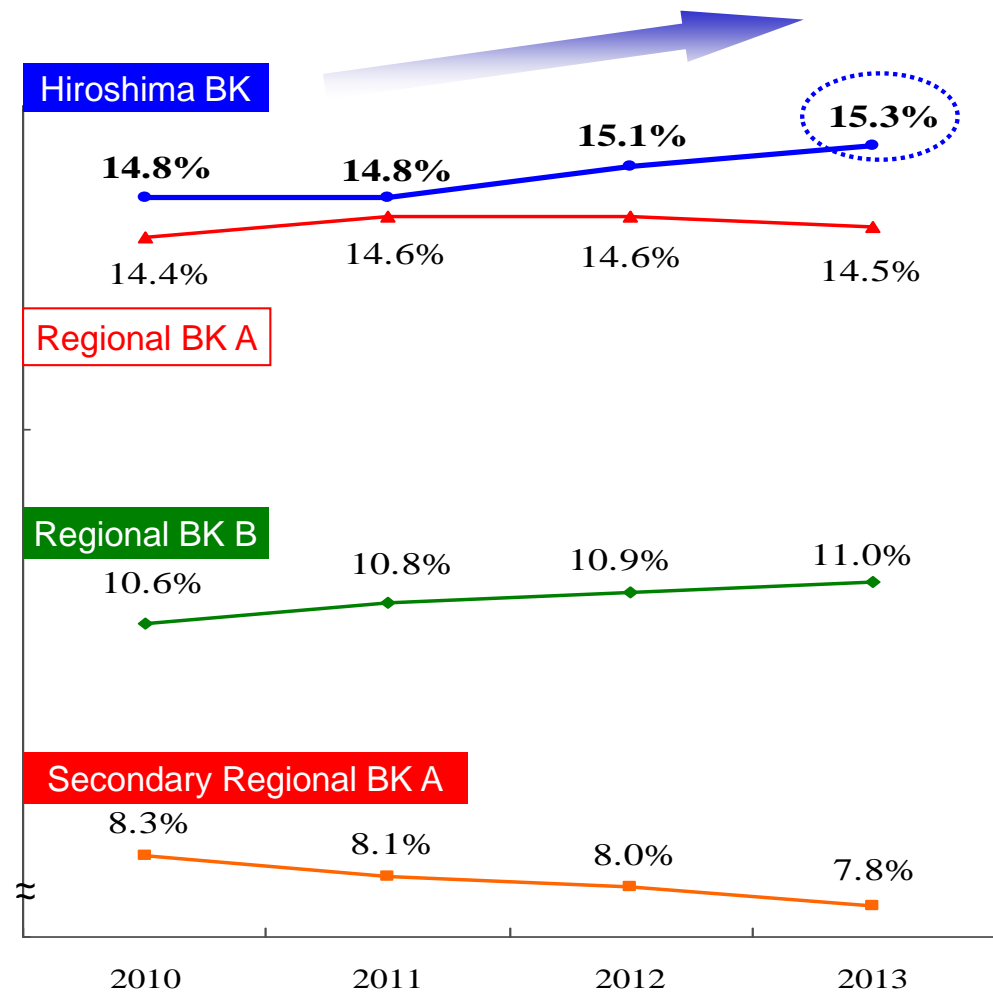
	Main bank share in Hiroshima Prefecture by sales volume				
	Below ¥50M	¥50M - ¥500M	¥500M - ¥1B	¥1B - ¥5B	Above ¥5B
Hiroshima Bank	36%	34%	36%	43%	46%
Secondary Regional BK A	19%	19%	19%	17%	9%
Shinkin BK B	13%	13%	11%	6%	2%
Credit Association C	3%	3%	2%	0%	0%
Credit Association D	2%	2%	0%	0%	0%
Others	27%	29%	32%	34%	43%

(Source: Teikoku Databank)

Comparison of loan yield

	FY 2013
Hiroshima BK	1.39%
Secondary Regional BK A	1.49%
Shinkin BK B	2.03%
Credit Association C	3.23%
Credit Association D	2.73%

Main Bank Share in Chugoku Area (no. of customers)

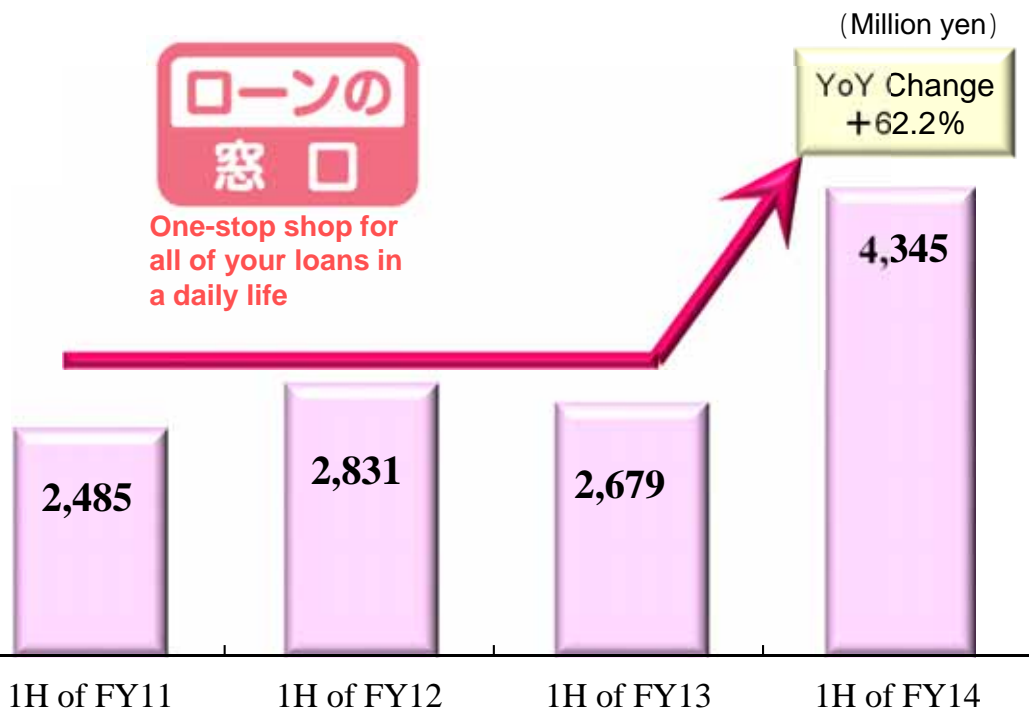


(Source: Teikoku Databank) 18

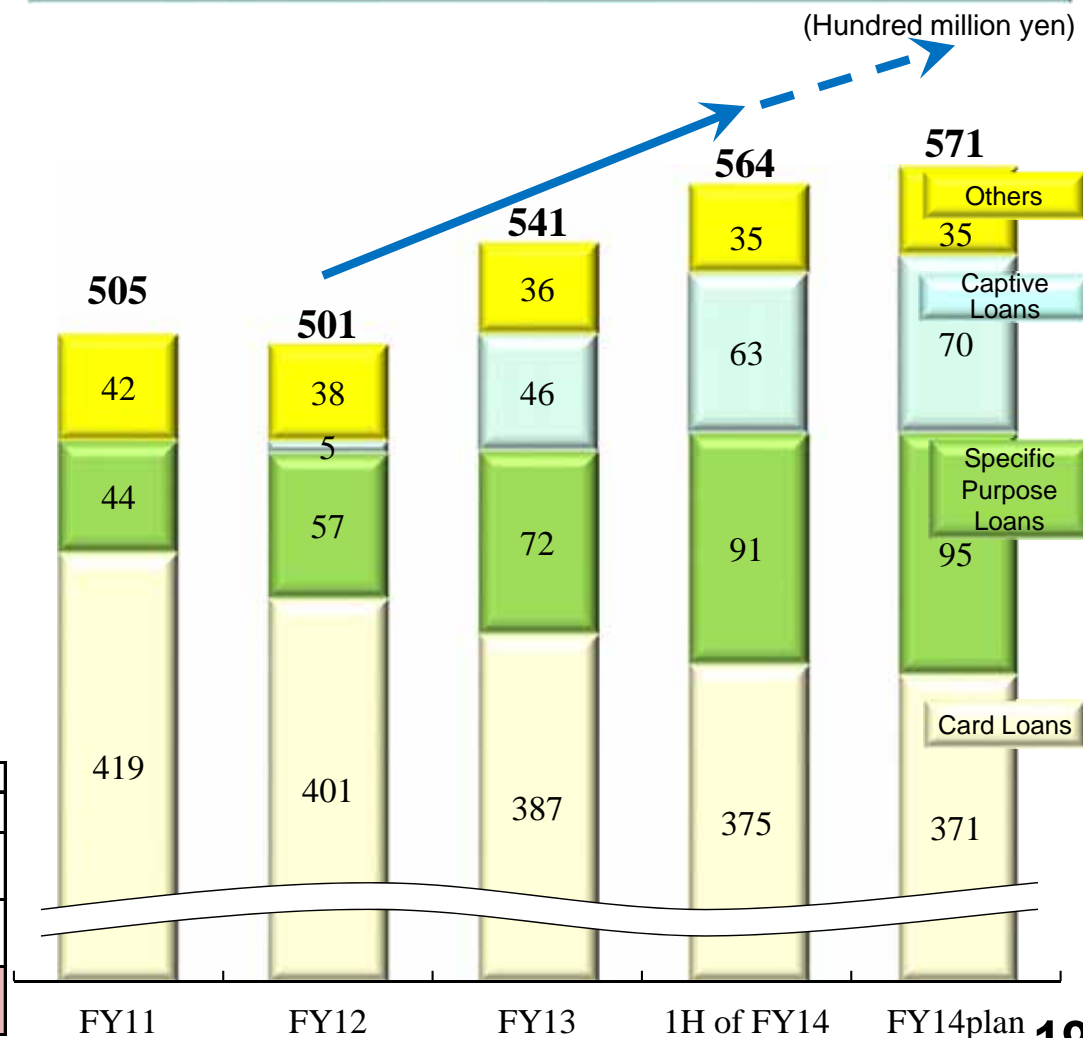
(5) Enhancement of consumer loans

- Actively promote consumer loans of which yield is higher in all the branch offices (166 shops) and the Personal Loan Center.
- Consumer loans executed in the first half of FY 2014 significantly increased by **62% on a year-on-year basis** and the **achieving ratio against the target of average balance of loans is also favorable**.

Execution Amount of Consumer Loans



Change of Balance of Consumer Loans (on average)



Consumer loan interest rates (1H of FY2014) (%)

	Total	Flow	Stock
Credit-card loans	10.11	10.27	10.11
Loan for specific purposes	1.93	2.81	1.74
Total	7.44	4.77	7.66



(6) Efforts in growing areas

- Medical and nursing care business -

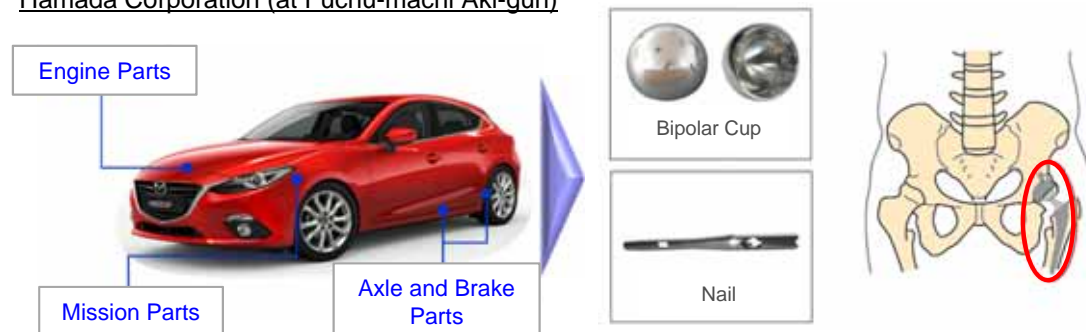
- Hiroshima BK is the **only financial institution that participated in the Conference on Promotion of Medical-Related Industry Cluster, contributing to create the cluster.**
- Actively support the medical area participation by corporations that have deep know-how of "Manufacturing" such as an automobile parts maker.

Conference on Promotion of Medical-Related Industry Cluster in Hiroshima

Corporations	JMS, Molten, molten, Mitsubishi Heavy Industries, Kitagawa Iron Works, Toyo Advanced Technologies, Two-Cells
Medical and Welfare Organizations	Prefectural Doctors Association, Prefectural Dentists Association, Prefectural Pharmacists Association, Prefectural Nursing Association, Prefectural Social Welfare Conference, Hiroshima University, Hiroshima International University, Prefectural University of Hiroshima
Supporting Organizations	Hiroshima Prefecture, The Hiroshima Bank , Hiroshima Industrial Promotion Conference, NPO Medical and Engineering Collaboration Organization

Example of Participation of Corporation in Medical Area

Hamada Corporation (at Fuchu-machi Aki-gun)

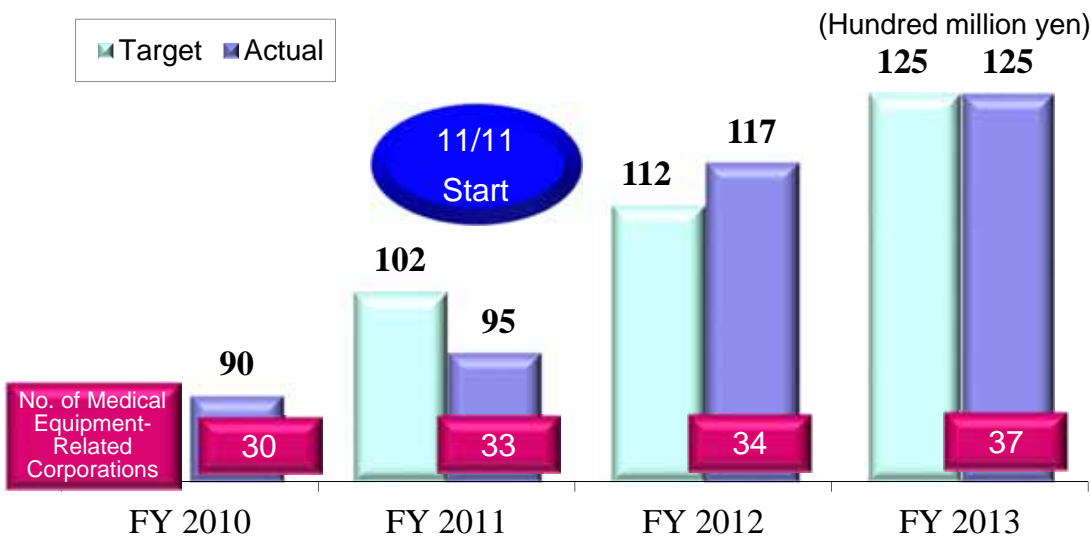


Utilizing technologies particularly the spherical surface processing technology developed in the automobile industry to the manufacturing of artificial joint parts

Medical Equipment Production in Hiroshima Prefecture

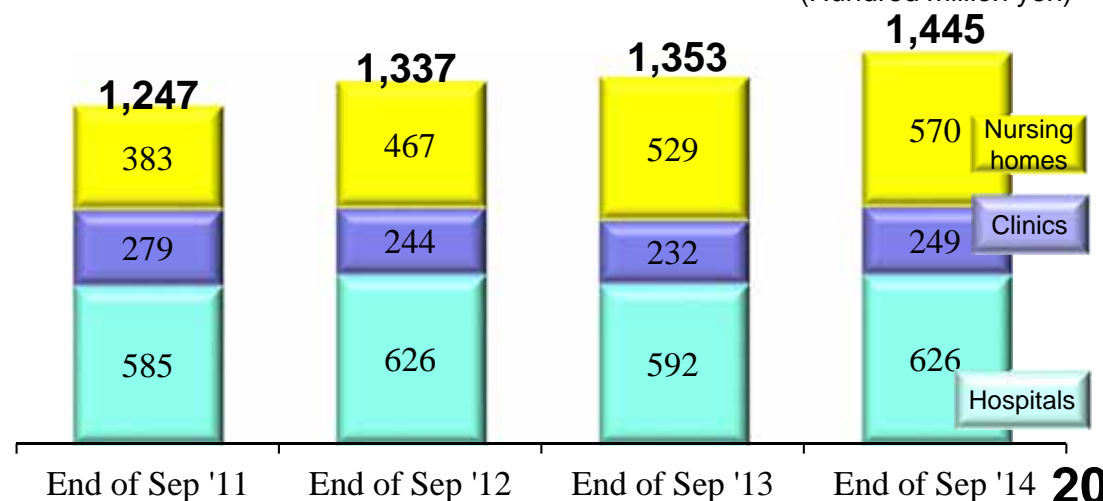
(Hundred million yen)

Target Actual



Change of Loan Balance to Medical and Nursing Care-Related Industries (excluding dentists)

(Hundred million yen)



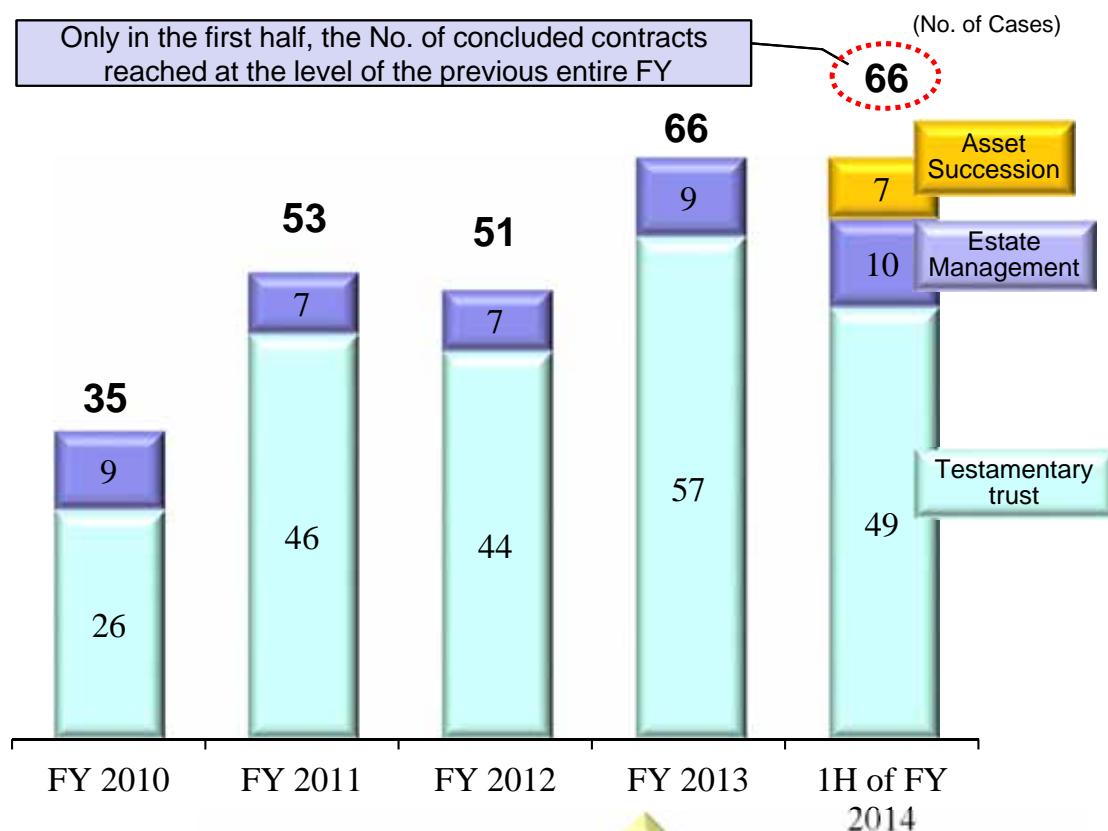
(7) Efforts in growing areas

- Business for senior and wealthy classes -

- Enhance the alliance with trust companies and develop new products in response to increasing customer needs for “Business Succession.”
- Contracts are favorably concluded, and we plan to actively expand it in the future for steady increase of deposited assets on a long-term basis and expansion of earnings.

Change of the number of concluded contracts for testamentary trust/estate management and asset succession planning

Only in the first half, the No. of concluded contracts reached at the level of the previous entire FY



Sep. 2013 – Invested in a trust company “Asahi Trust Co. Ltd.”
Jan. 2014 - Business collaboration with a trust company “Yamada Escrow and Trust Co., Ltd.”

Provide Products that Meet the Customers' Needs

Individual

- Created “Hirogin Asset Trust” that is the first financial trust with testament substitution type by regional banks (Started in June 2014 at the HQ)
- Additionally created “Hirogin Family Tie Trust” (Started in October 2014 in all the branch offices)



	No. of Cases	Amount
“Hirogin Family Tie Trust” (Actual performance as of November 17)	37	302 million yen

Corporate Owner

- Structured “Setouchi Business Succession Fund – Yui” (Total of 1 billion yen with the contribution by The Hiroshima BK of 350 million yen) (September 2014)

Target

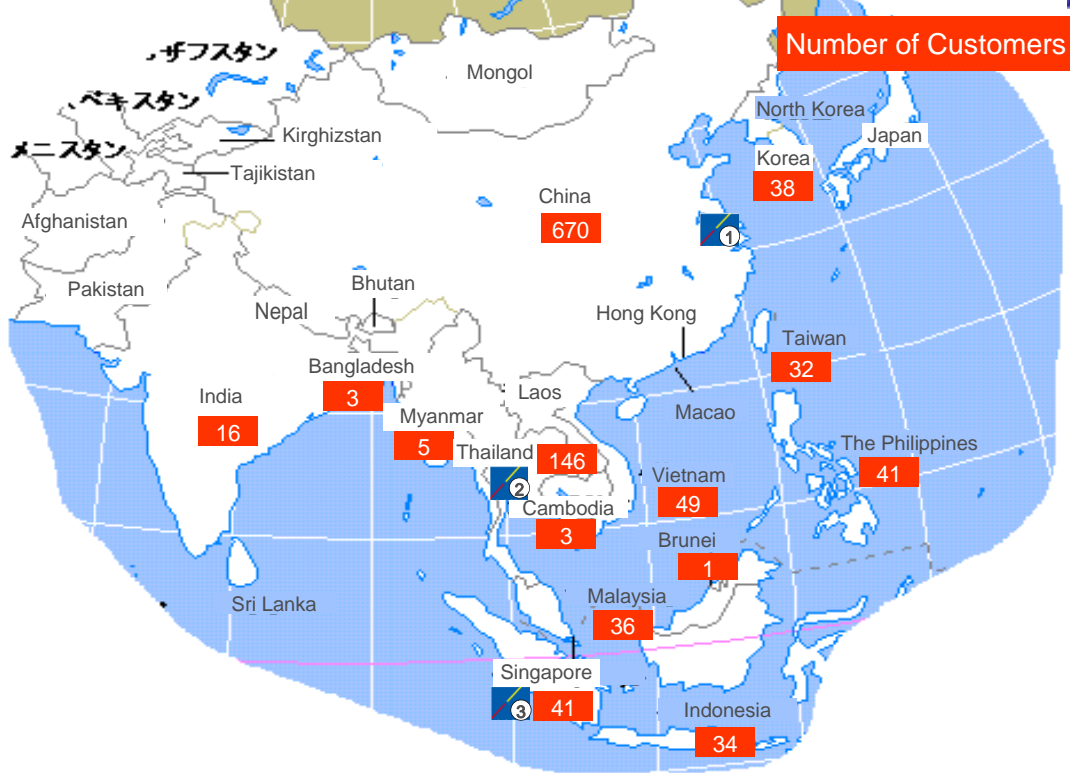
- Business succession to a person other than relatives (such as an employee)
- Gathering of minor shareholders (large dissemination of shareholders)
- Business succession to relatives who do not have enough money to acquire shares
- Customers who need external advice for fostering a successor

75% of business corporations in Hiroshima Prefecture do not have a successor, which is the second highest in Japan. The business succession support business is not only for providing earnings but also for preventing a hollow industry.

(8) Support of overseas business by clients

- Many of our customers have expanded the business to Asian countries that are expected to achieve a stable growth.
- Balance of finance significantly increased thanks to our active support for our customers who have expand the business to overseas including automobile-related corporations.

Expansion to Asia by Our Customers
(as of the end of September 2014)



1 Shanghai Rep. Office

- Opened in February 1996
- Coverage: China, Taiwan
- Number of Customers: 702

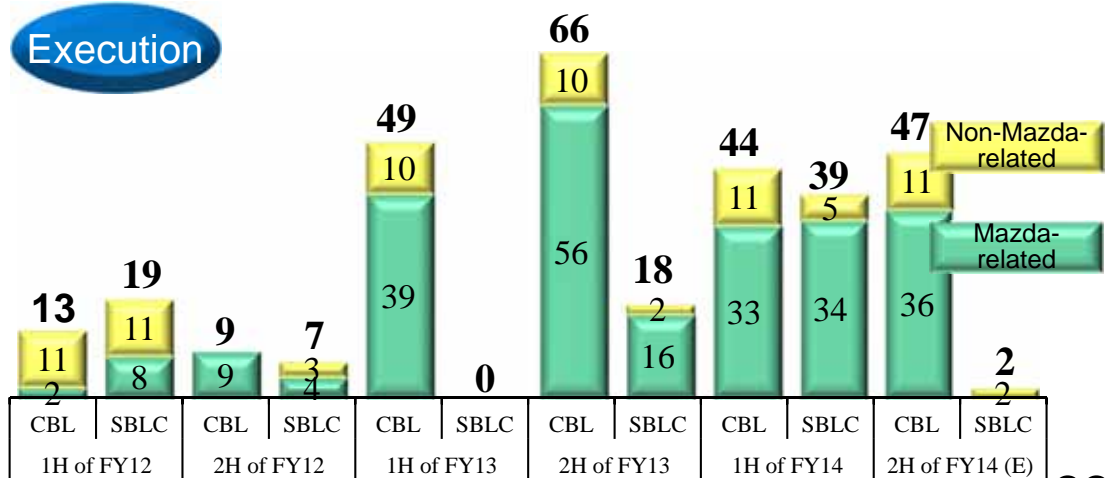
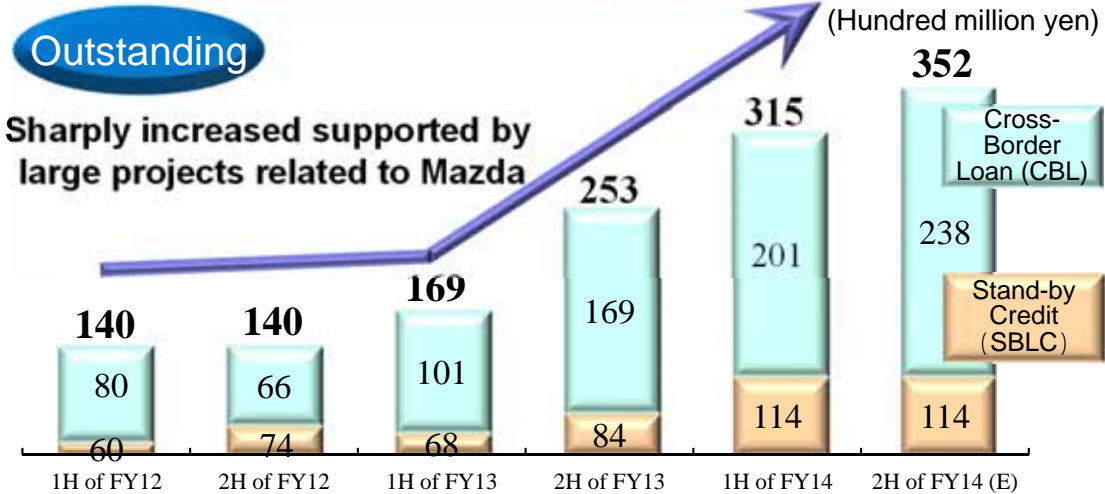
2 Bangkok Rep. Office

- Opened in April 2009
- Coverage: Thailand, Vietnam, Myanmar, etc.
- Number of Customers: 203

3 Singapore Rep. Office

- Opened in July 2013
- Coverage: Singapore, Malaysia, Indonesia, The Philippines, etc.
- Number of Customers: 172

Balance and Execution of Finance for Overseas Expansion



(9) New solution in the card business

Increase the convenience for customers as well as enhance the card business profitability and business base by providing customers with a credit card combined with a student/employee certificate

- Agreed with Elisabeth University of Music in December 2013 to issue "The first convenient collaboration card in Japan" **First collaboration with a university in Japan**
- Collaborated with a technical school (Miyake Gakuen) in October 2014 **First collaboration with a technical school in Japan**
- Collaborated with Mukaishima Dock in November 2014 **First collaboration with a business corporation in Japan**
- Collaborated with Fukuyama University and Fukuyama Heisei University in November 2014



Major functions

(Function1)

This card enables an accurate record of a student's or an employee's attendance or work (or absence) and is available at a school restaurant, etc.

(Function2)

Provides a post-pay electronic money function for shopping by passing a card over a card reader

Other

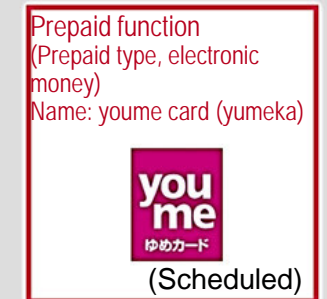
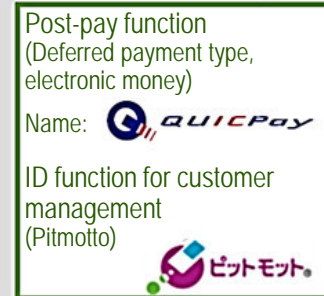
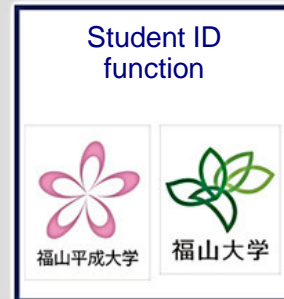
According to the needs of partners, various functions, including a prepaid function, can be added.

At present, an optional function is being considered to be added to the function of employee ID to apply for employees' health promotion by storing information of their medical checks and analyzing them.



Deferred payment type, the amount spent is charged by a credit card

Prepaid type, the available amount is within the amount charged in advance



(10) Organizational diversity - Support of women's activities -

- As part of organizational diversity actions, hold career support seminars as well as **actively promote women to managers and supervisors** that enable women to show their maximum potential.
- In September 2014, awarded **as the first regional bank the “Superior Award by the Minister of Health, Labour and Welfare” in the Family-Friendly Corporation Section** of the “Equal Treatment and Work-Family Balanced Corporation Award” sponsored by the Ministry Health, Labour and Welfare.

Our Efforts for Women's Success and Performance

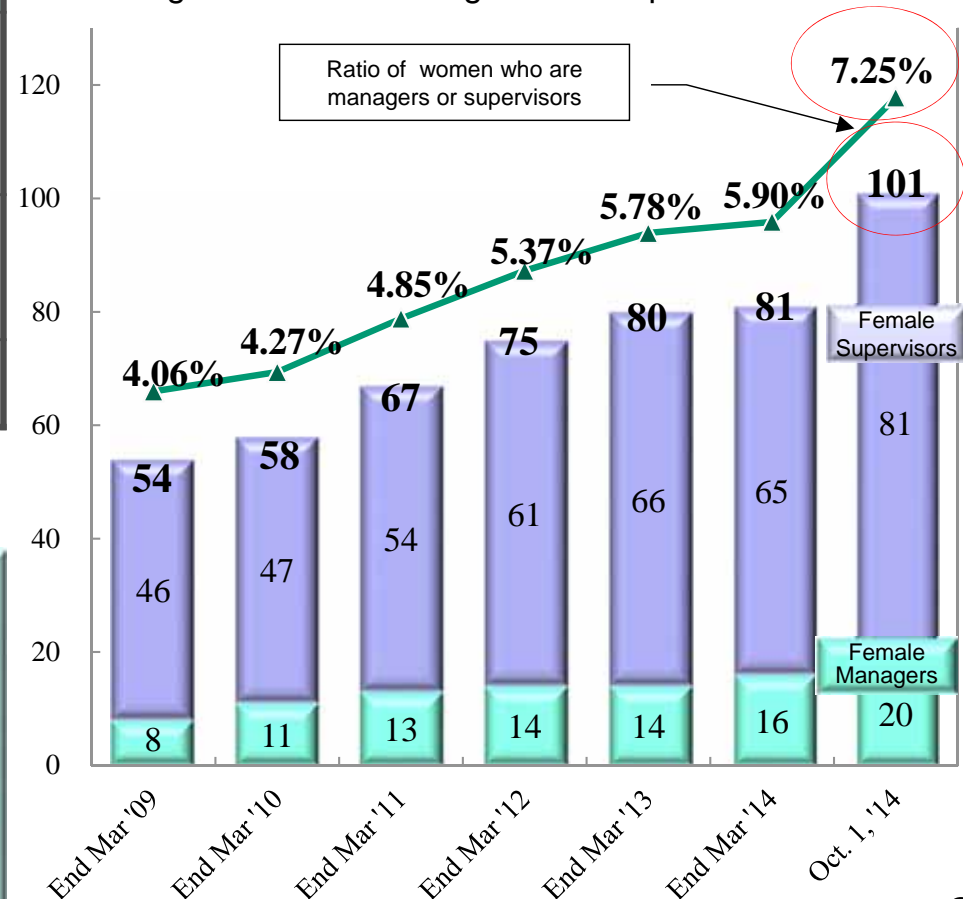
Period	Actions	Summary
From FY 2006	Enhanced the work-family balance support	Introduce up to 2.5 years of childcare leave and short working hour system allowing 4 to 6 working hours Promote to obtain childcare leave by male employees for supporting the “Ikumen (fathers who actively care their children)” initiative by Hiroshima Prefecture
From FY 2007	Seminar for female managers and supervisors	Enhance the network of female managers and supervisors through the opinion exchange with external professionals and discussion of measures; sharing a viewpoint from female managers
From FY 2009	Challenge seminar for female supervisors	Invite external lecturers five times a year to enhance the capability required for managers (voluntary participation)

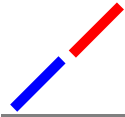
As a result of these actions...

- In October 2010, awarded the “Superior Award by the Minister of Health, Labour and Welfare” in the Equality Promotion Corporation Section of the “Equal Treatment and Work-Family Balanced Corporation Award” sponsored by the Ministry Health, Labour and Welfare
- In September 2014, awarded the “Superior Award by the Minister of Health, Labour and Welfare” in the Family-Friendly Corporation Section of the same award

We are the **second company** that was awarded the “Superior Award by the Minister of Health, Labour and Welfare” both in the Equality Promotion Corporation Section and the Family-Friendly Corporation Section.

Change of Female Managers and Supervisors (Person)





4. Business Forecast in FY 2014

(1) Forecast of business performance and dividend in FY 2014

- Consolidated net income is expected to **increase for the 6th consecutive year**.
- The record profit for two consecutive year is also expected.**
- The dividend for this fiscal year is likely to be **8 yen per year** in accordance with the Payout Table.

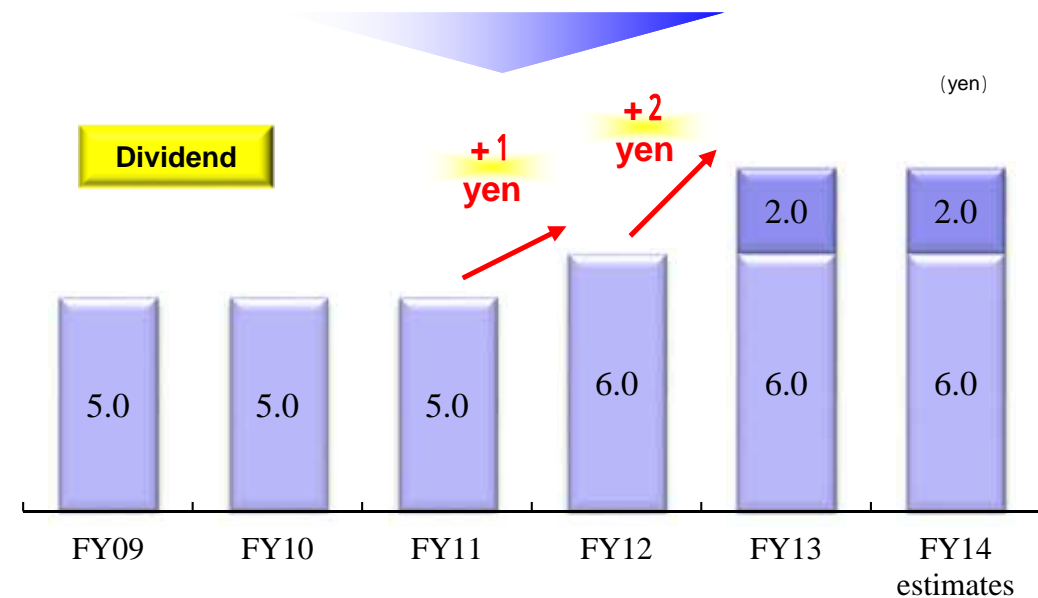
Earnings Estimates for FY2014

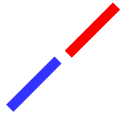
(Hundred million yen)

	1H of FY14 (Results)	2H of FY14 (plan)	FY14 (Estimates)	
			Change	
Net interest income	375	373	748	-15
Net fees and commissions income	93	97	190	4
Core gross operating profit	468	470	938	-11
(-) Expenses	274	271	545	-3
Core banking profit	194	199	393	-8
Gains/Losses on sec	-3	0	-3	4
(-) Credit costs	-9	40	31	11
Ordinary Profit	192	171	363	-18
Net income	127	108	235	10
			All-time high	
Consolidated ordinary profit	194	172	366	-28
Consolidated net income	128	110	238	9
			All-time high	

Payout Table and Dividend Outlook for FY2014

Consolidated net income	Dividend per share			Consolidated payout ratio
	Stable	Performance based	+	
Above 24 - 27 billion	6yen	3yen	9yen	20.8% and over and less than 23.4%
Above 21 - 24 billion	6yen	2yen	8yen	20.8% and over and less than 23.8%
Above 18 - 21 billion	6yen	1yen	7yen	20.8% and over and less than 24.3%
18 billion and below	6yen	0yen	6yen	20.8% and over





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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