

SURUGA bank

Meeting the Challenge of New Banking

Presentation to investors on fiscal year ended March 31, 2013



Management Discussion & Analysis

Changes in perspective in a period of economic change

From development toward recovery

Rethinking actions that place priority on the development of civilization and disrupt the cycles of nature.

From centralized toward regionalized

From a global or national perspective to recognizing the importance of regional areas and small groups.

From uniformity toward diversity

From the pursuit of standardization and efficiency toward an era where individuality and uniqueness are encouraged.

From material toward emotional satisfaction

New light is cast on living with emotional support mechanisms such as personal connections and relationships in a mature society.

What path will Japan follow toward the future it should expect?

Project the attractiveness of Japan, not just its economic competitiveness

Develop into an ability to attract the world to Japan

Culture

Strive to recover the important information accumulated within culture.

Diversity

Endeavor to make the most of the diversity that exists on this island nation, including living organisms, language and food.

Honor

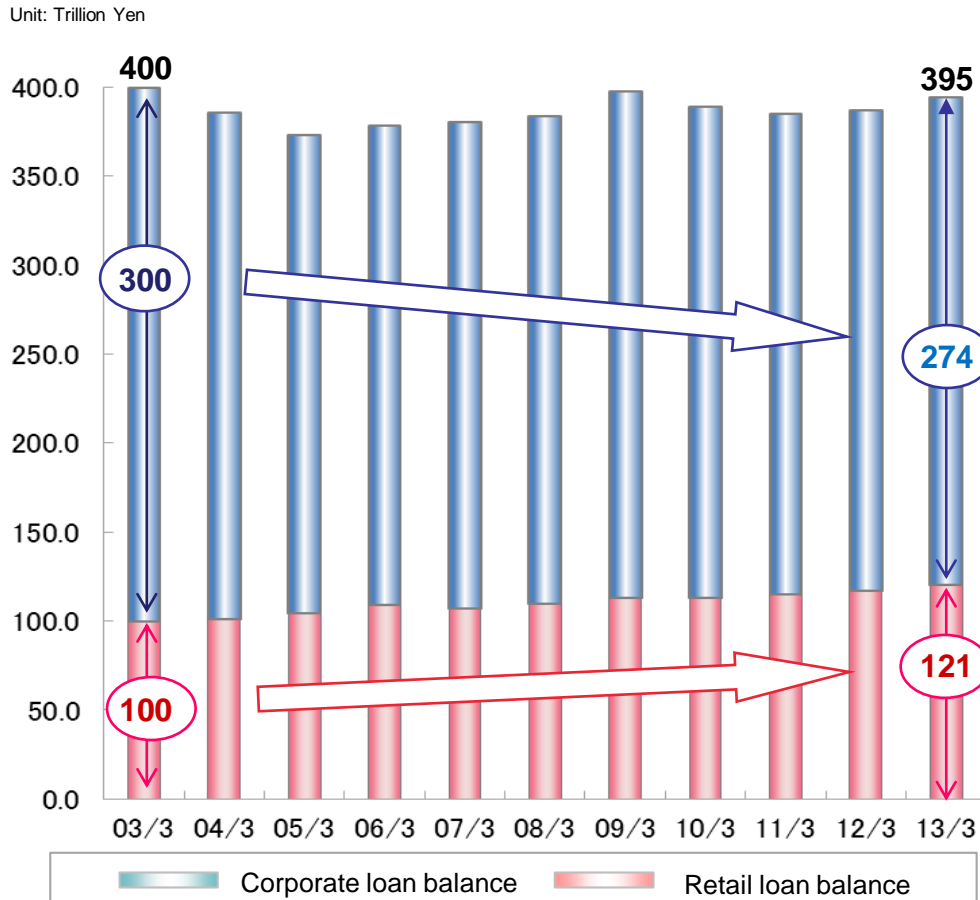
Focus on the importance of selflessness over selfishness and respect the spirit of independence.

Corporations should rethink Japan's identity and incorporate that into economic activities and corporate management to enable the creation of a new Japan.

Source: Yoshio Tsukio

Environment Surrounding Japanese Banks

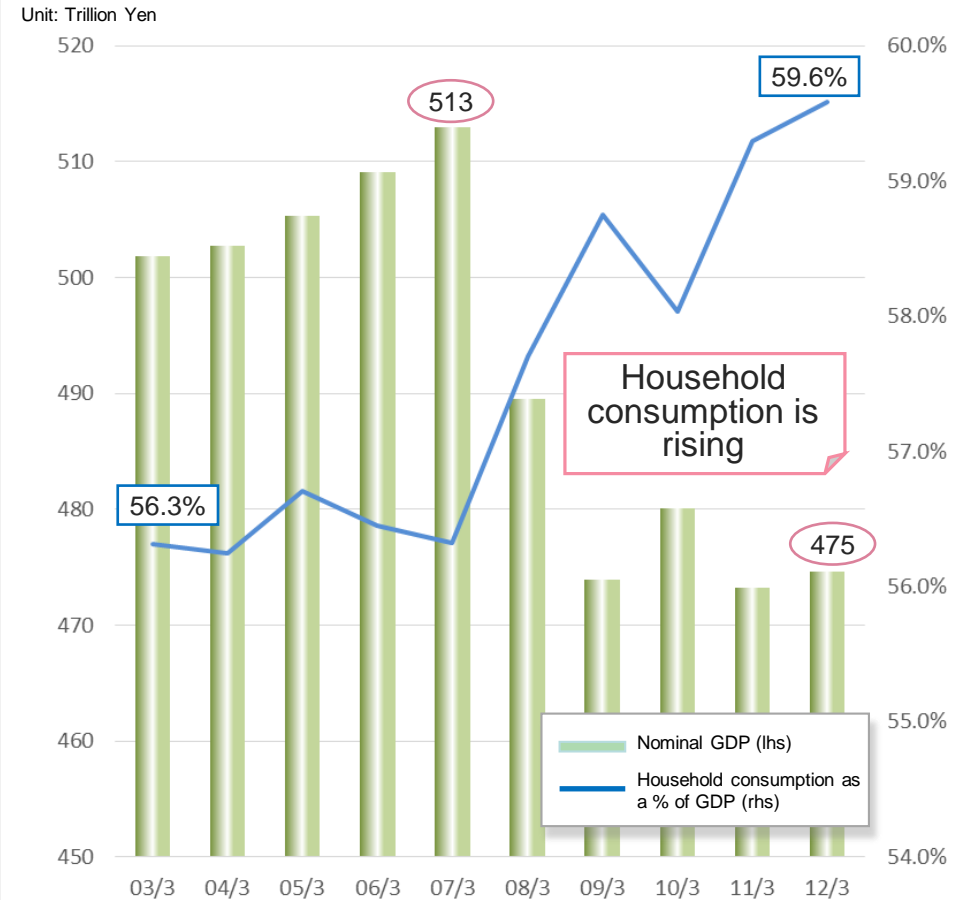
Corporate & Retail Loan Balances at Japanese Banks



Source: Bank of Japan

As the combined loan balance shrinks, sustained support of personal consumption plays a role in economic growth

Household Consumption as a Percentage of GDP

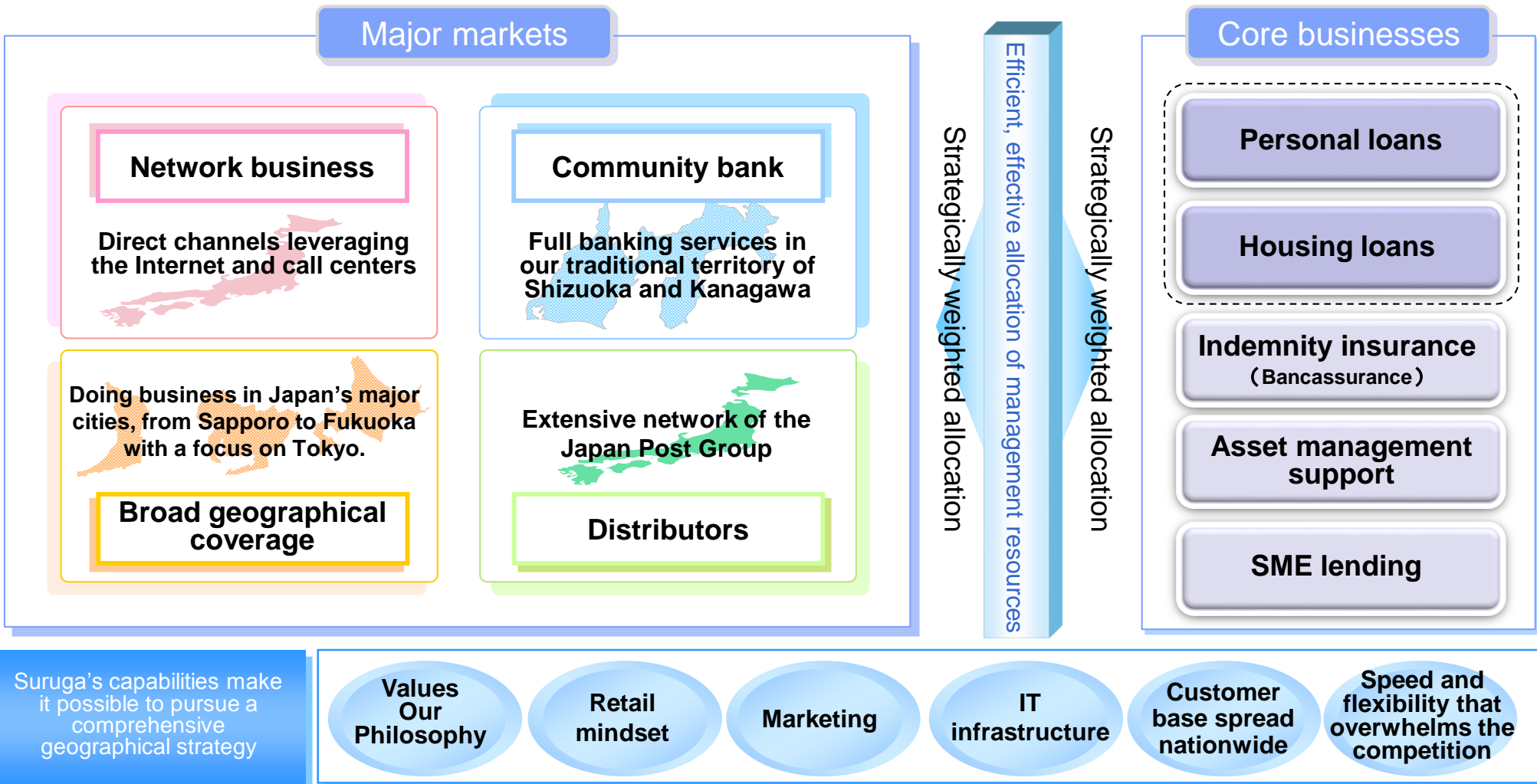


Source: Cabinet office

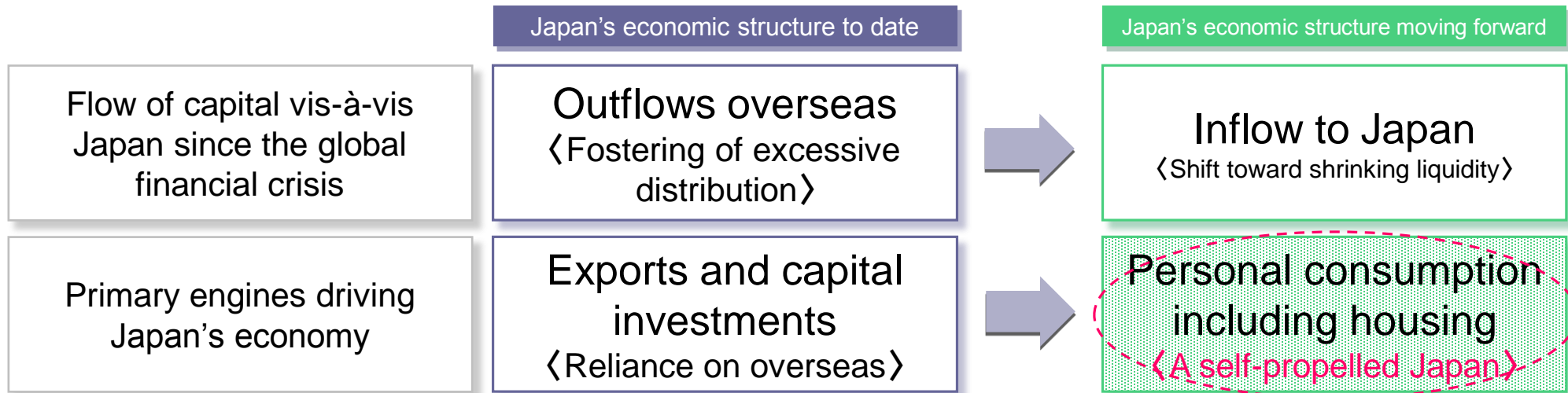
As banks replace consumer loan companies as providers of personal loans, banks have an important role to play in providing financial support in the recovering trend in household consumption.

Grand Design of the 5th Management Plan

Leverage market characteristics to create value from the customer's perspective
 – Maximizing the know-how developed as a result of Suruga Bank's retail strategy –



■ Growing Domestic Demand and Housing Industry



To put Japan's economy on a growth trajectory...

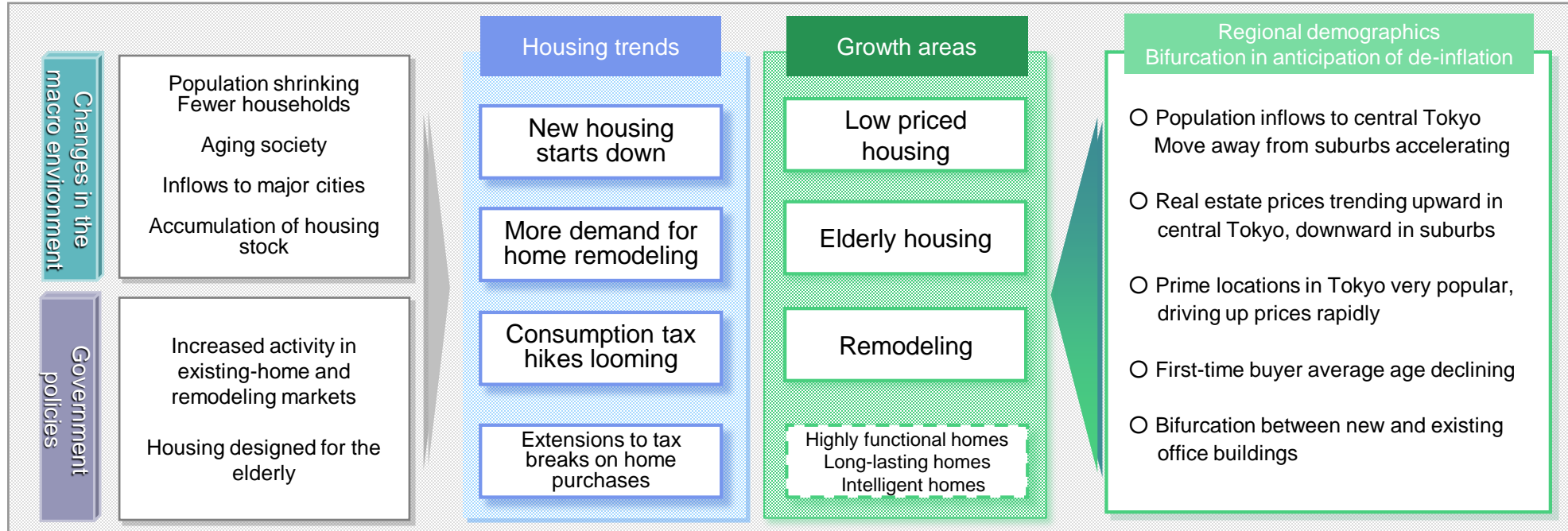
○ Revisit policies governing housing, which is a pillar of domestic demand (Tax, fiscal and monetary policies)

○ Support consumption involving mainly housing. Expand financial support

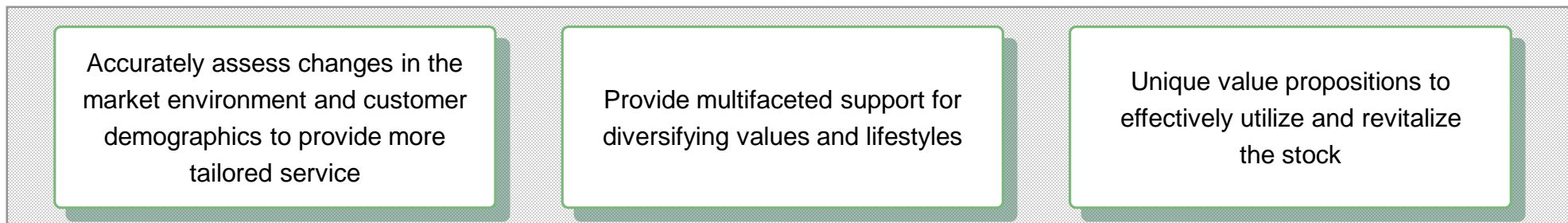
Growth in Japan's economy will need to be driven more by domestic demand. In that case, mortgages and multi-purpose loans will play a significant economic role.

Environment Surrounding the Mortgage Market

Mortgage business environment

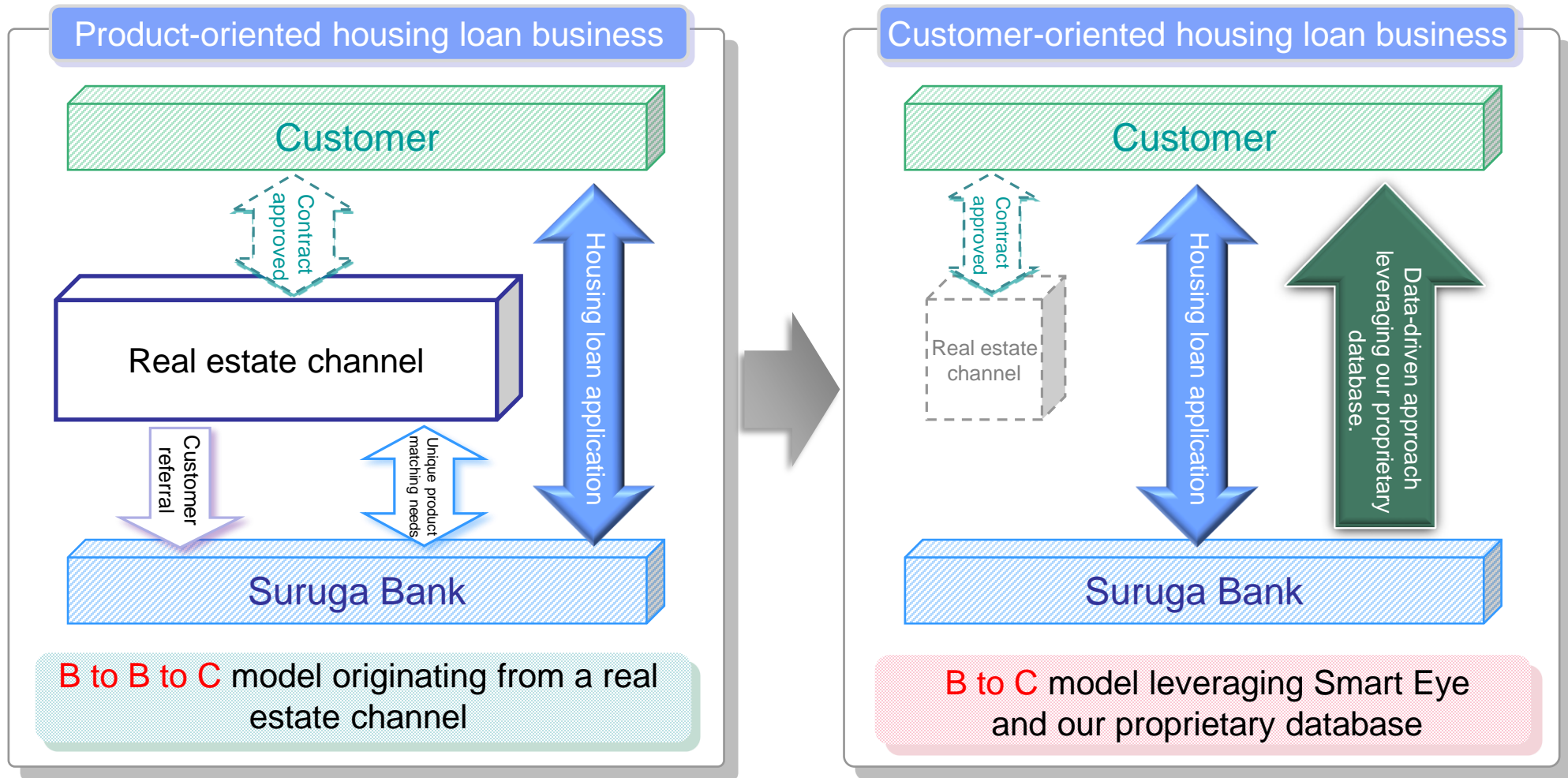


Direction of Suruga's housing loan business



Suruga Bank's Housing Loan Business

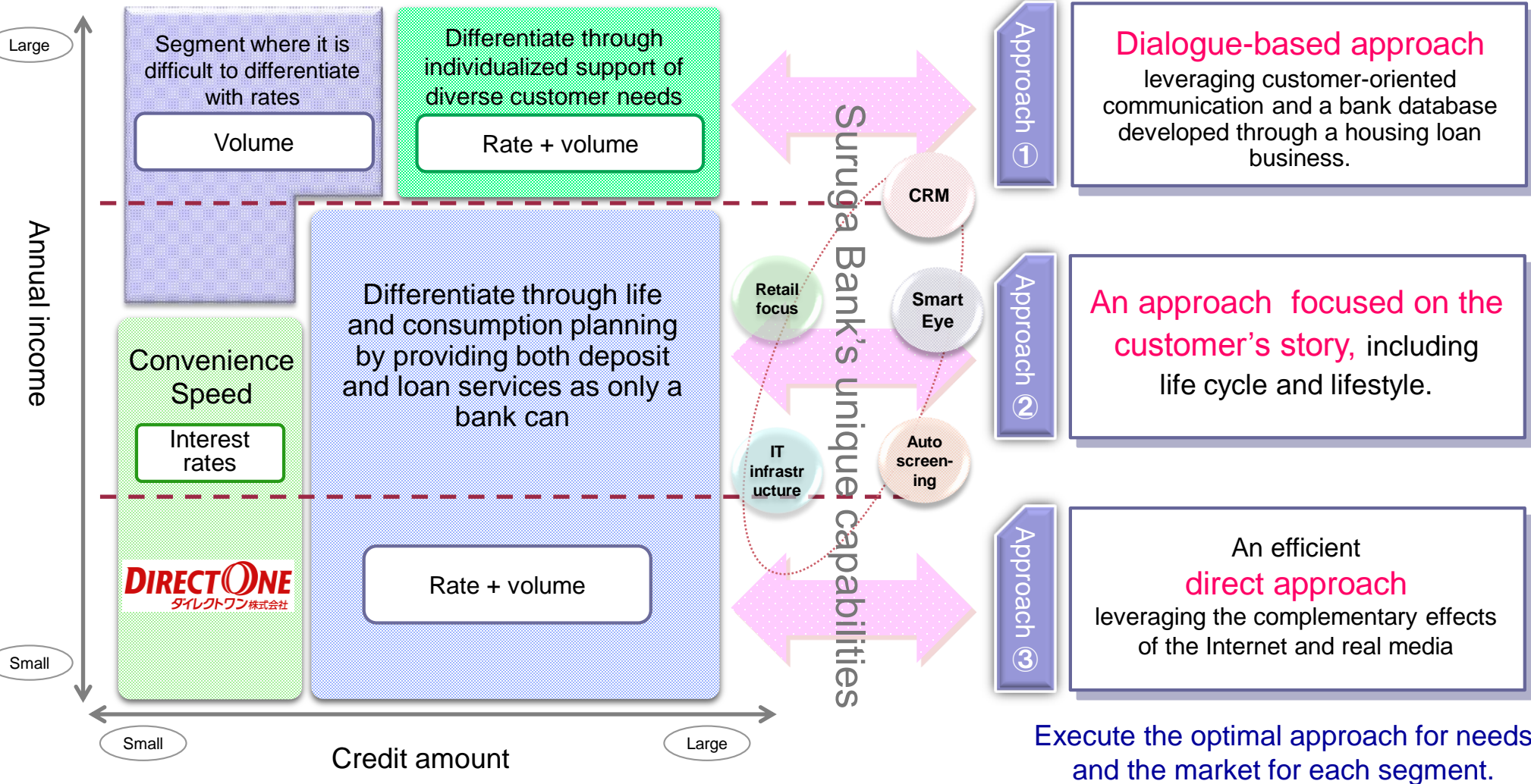
Suruga Bank's housing loan business continues to evolve with the times



Suruga Bank's housing loan business is not reliant on channel sales. Our business model leverages a customer-oriented approach to insulate ourselves from rate-pricing competition

Suruga Bank's Unique Personal Loan Business

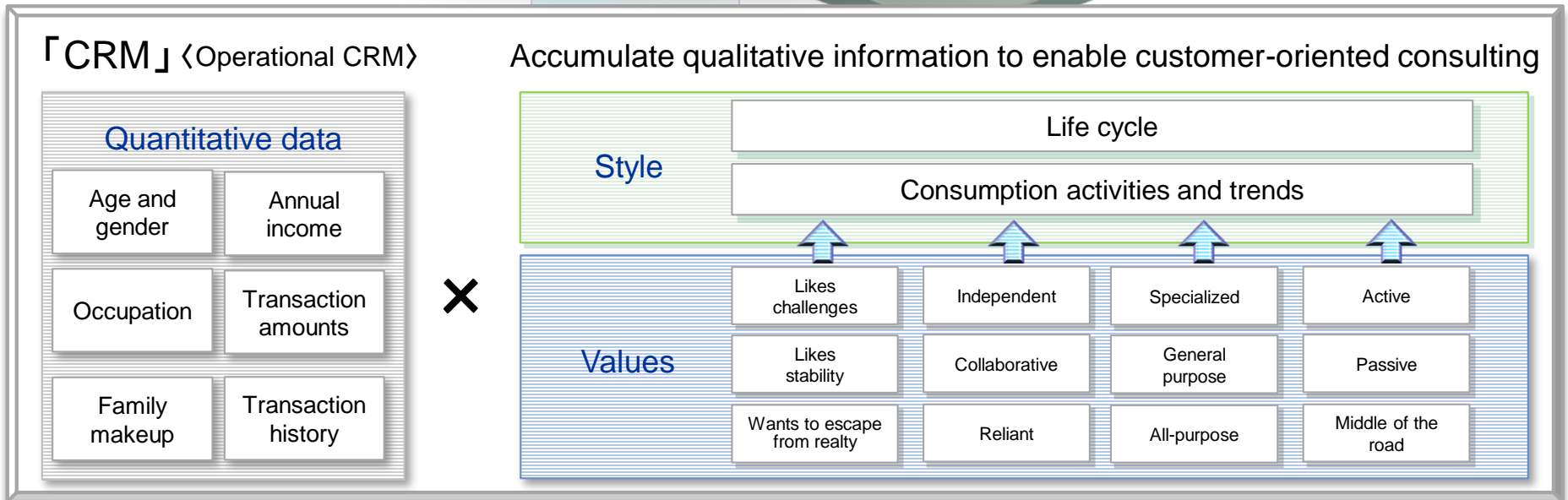
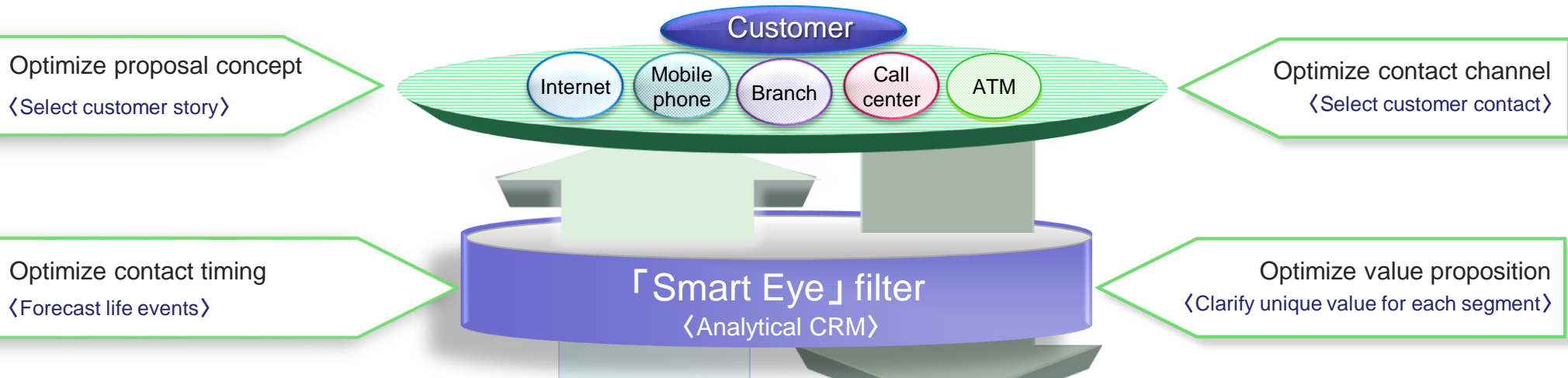
Suruga Bank's personal loan strategy evolves further using 3 approaches that place import on noticing the customer, engaging the customer in dialogue and creating a story.



Execute the optimal approach for needs and the market for each segment.

Suruga Bank Marketing to Diversifying Values

- Accurately assess complex values and bring to the surface the customer's internal wants
- Provide more solid and multifaceted support to customers seeking to realize a diversifying range of goals



Strategy for Value Creation Leveraging Data

Changes in the business environment driven by advances in digital technology

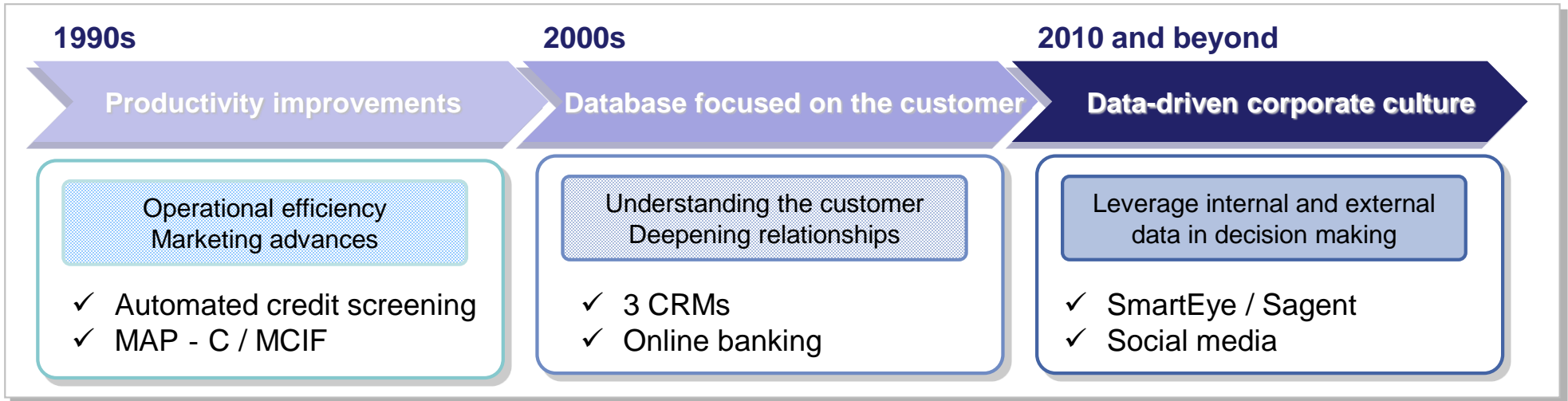
Computers and the economy are changing more rapidly and the volume of data is growing

Investment in technology and data-based management give rise to competitive edge

Companies must adjust as technologies advance

Source: Professor Erik Brynjolfsson, MIT Sloan School of Business

Steps in a data strategy focused on the customer



Market forecasts and management decisions based on data

Active use of data feeds competitiveness

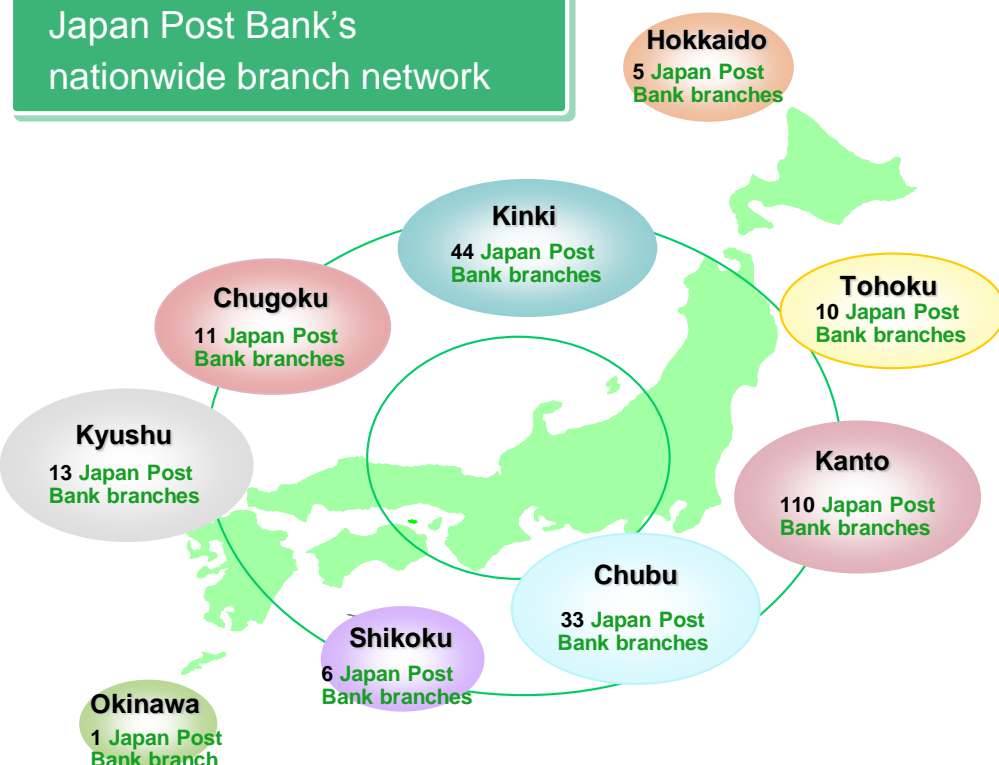
Create new value with the customer. Leverage data to enhance organizational capabilities

Business Alliance with Japan Post Bank

Leveraging Japan Post Bank's nationwide network

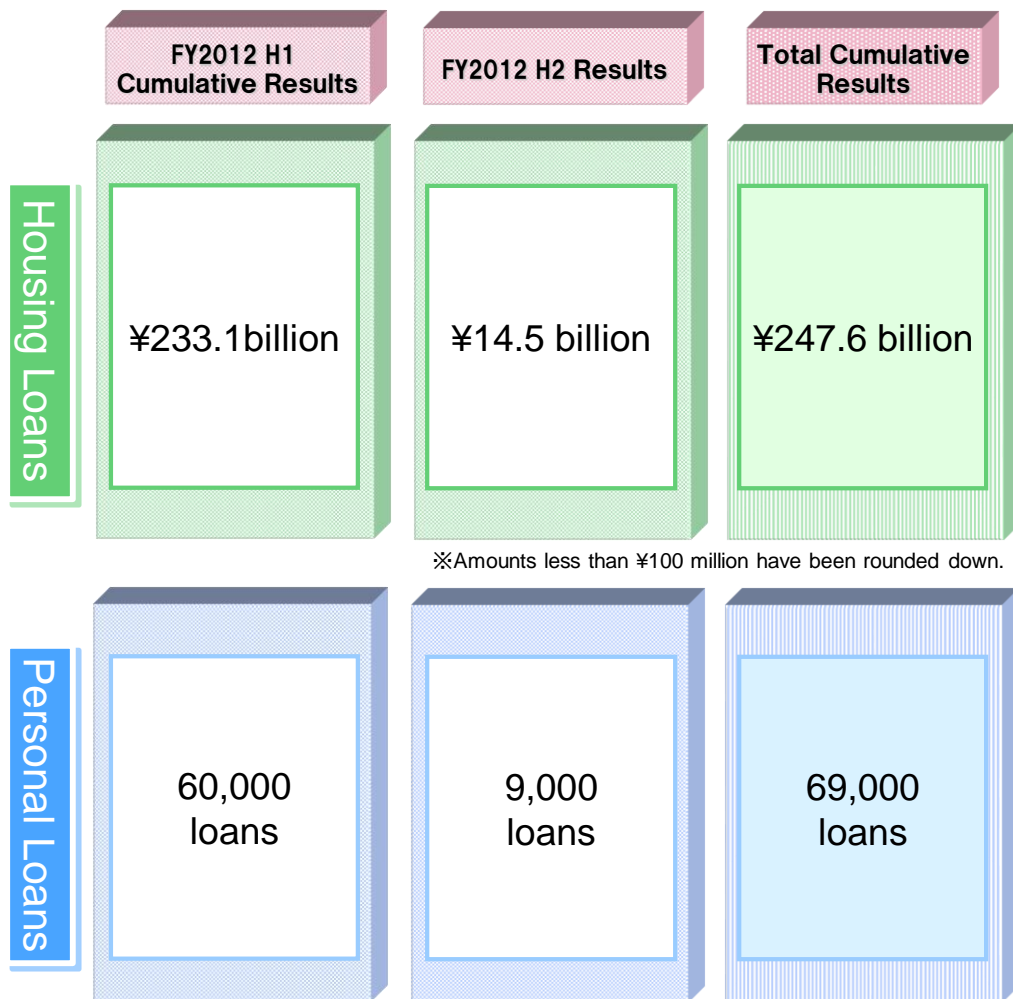
Customers can apply for our Personal loans at all 233 Japan Post Bank branches

Japan Post Bank's nationwide branch network



Reach more customers with loan products that meet customer needs

Cumulative results through the end of March 2013

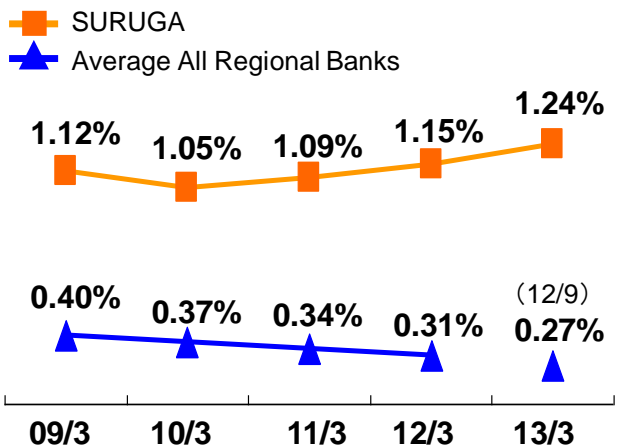


※Amounts less than ¥100 million have been rounded down.

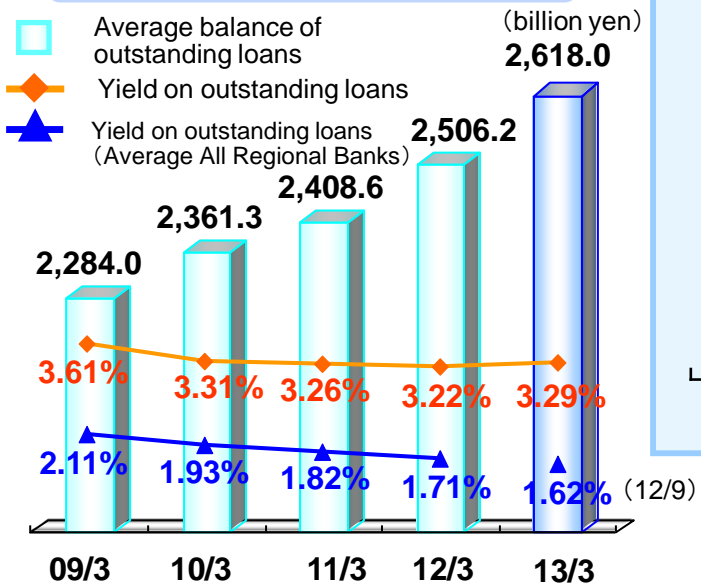
※Amounts less than 1,000 loans have been rounded down.

Yield / Margins (Overall)

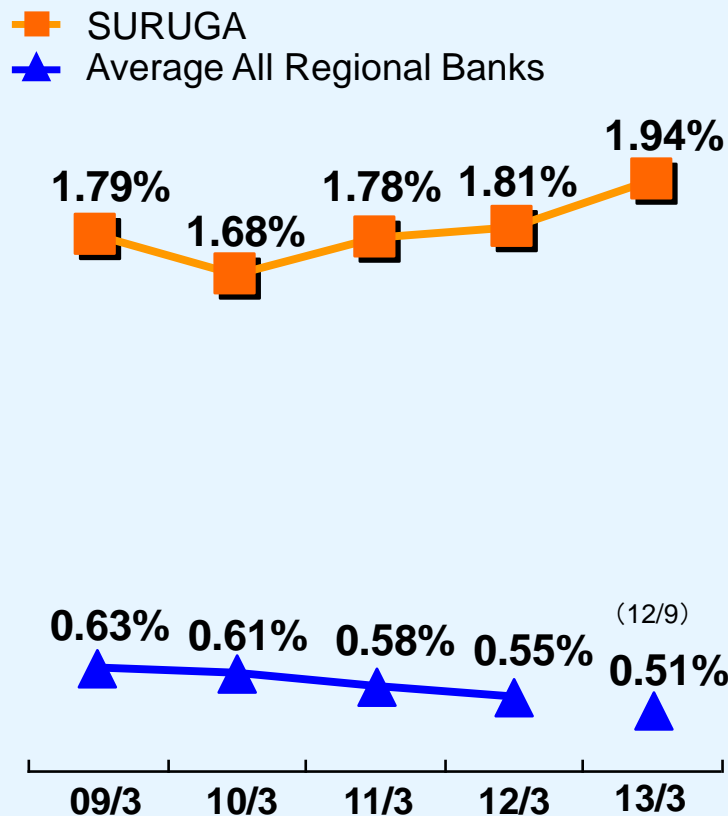
Net interest margin



Average balance and yield on outstanding loans

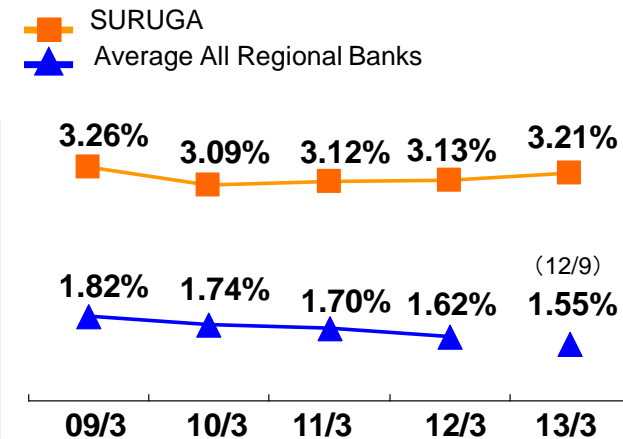


Loan-deposit margin (after deduction from expense ratio)

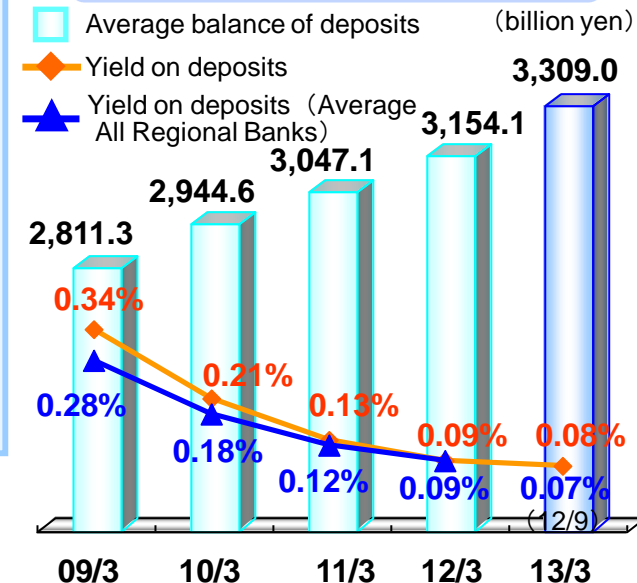


Loan-deposit margin

(Yield on outstanding loans - Yield on deposits)



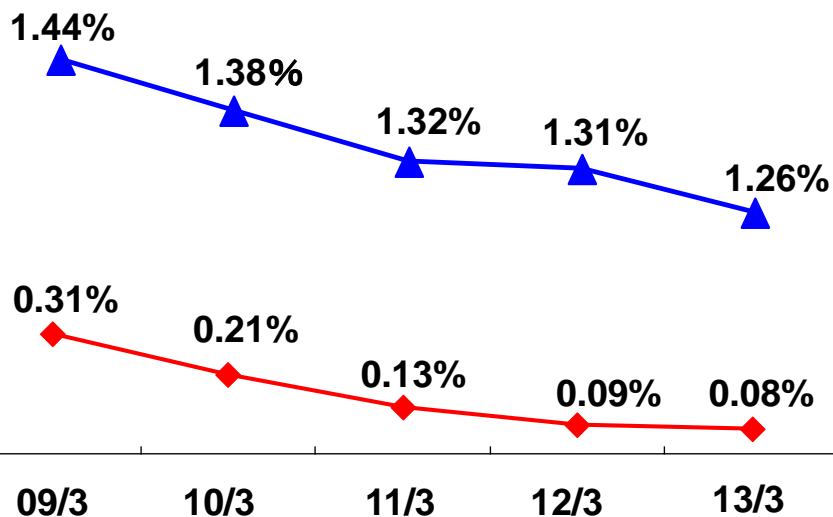
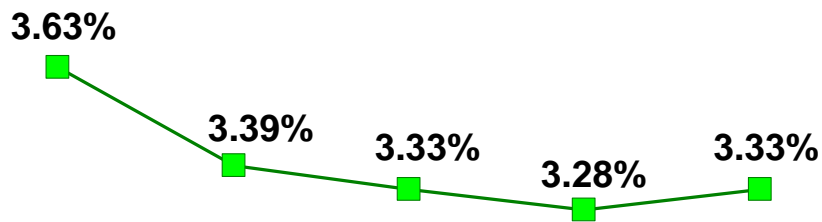
Average balance and yield on deposits



Yield / Margins (Domestic)

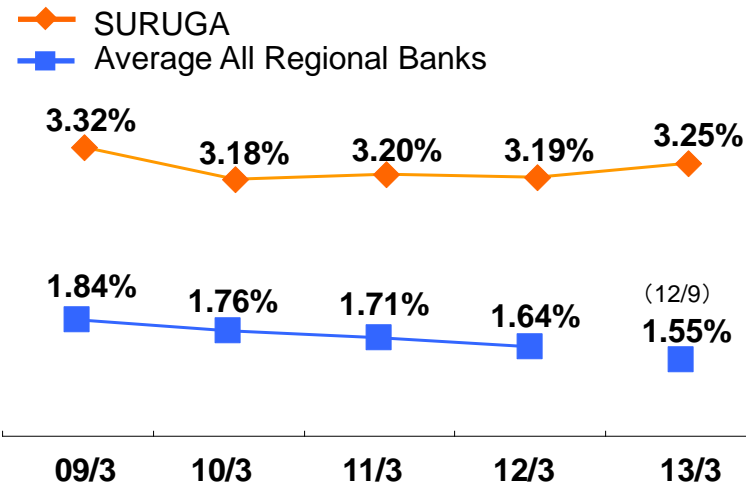
Yield - Expense ratio

■ Yield on outstanding loans ◆ Yield on deposits
▲ Expense ratio



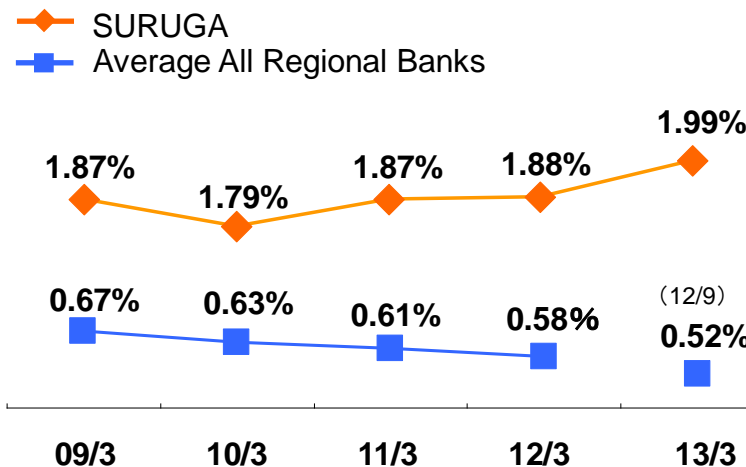
Loan-deposit margin

(Yield on outstanding loans - Yield on deposits)



Loan-deposit margin

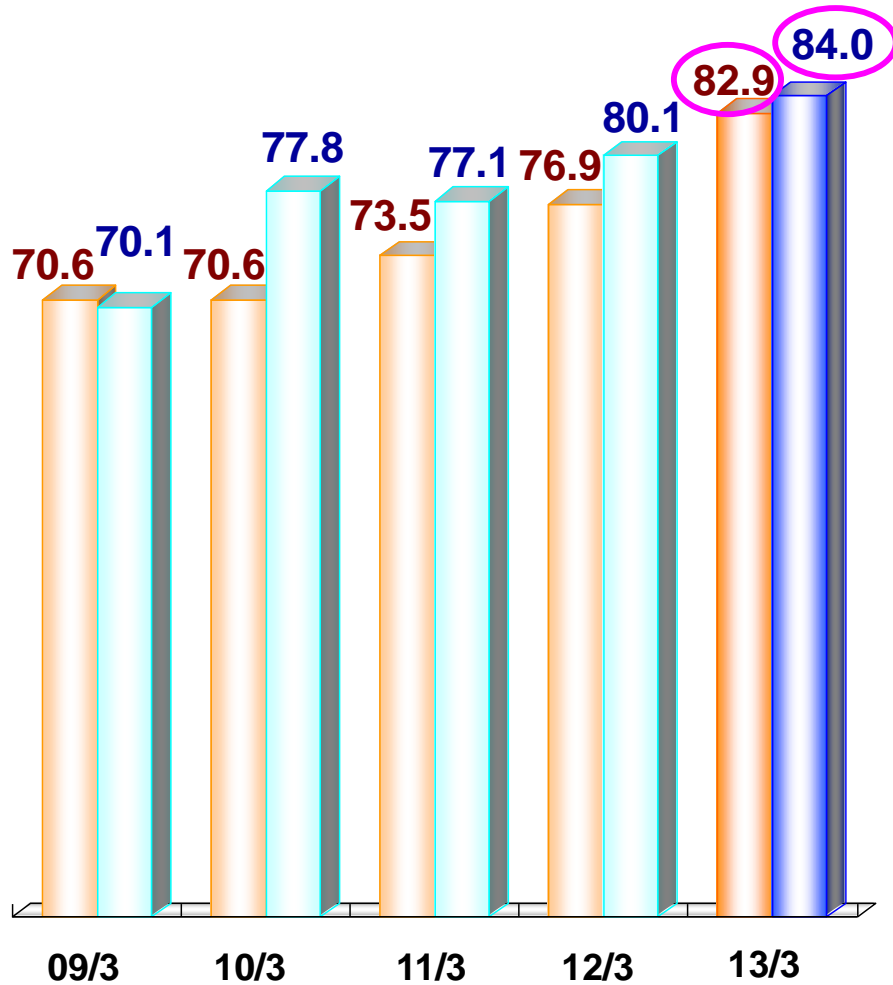
(after deduction from expense ratio)



Income

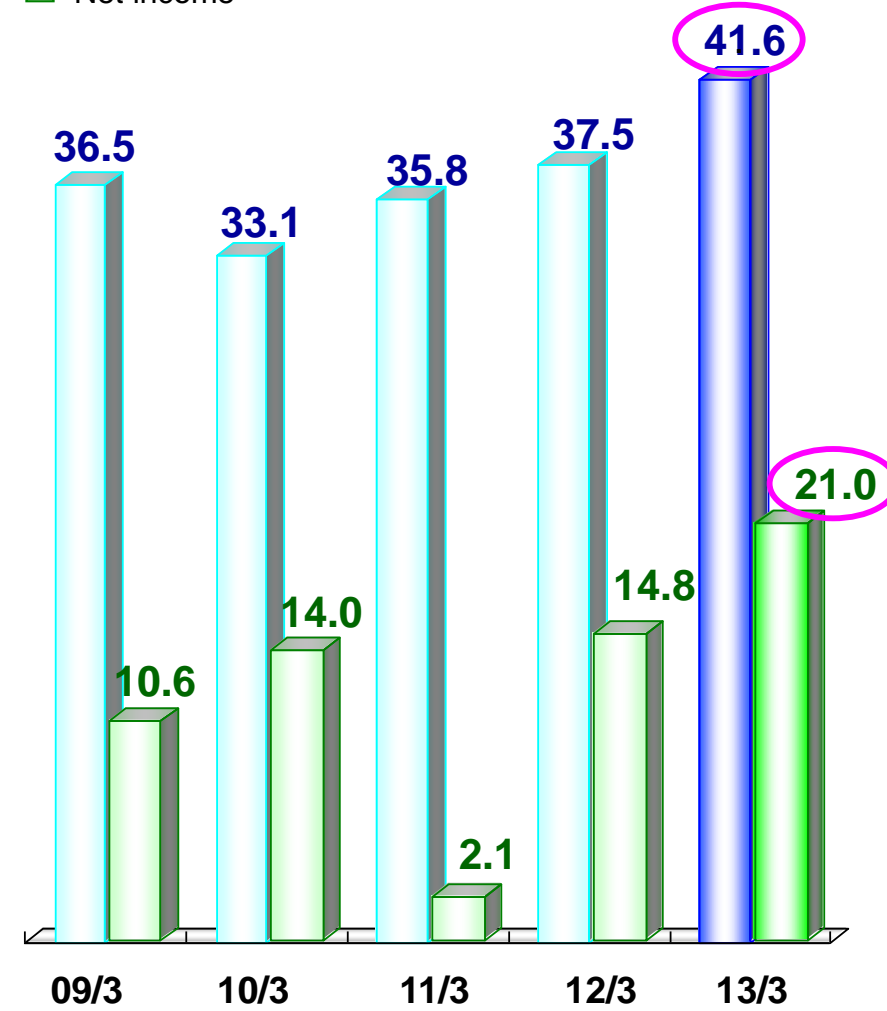
Gross operating profits / Yen loan-deposit profits

- Yen loan-deposit profits
- Gross operating profits
- Record High (billion yen)



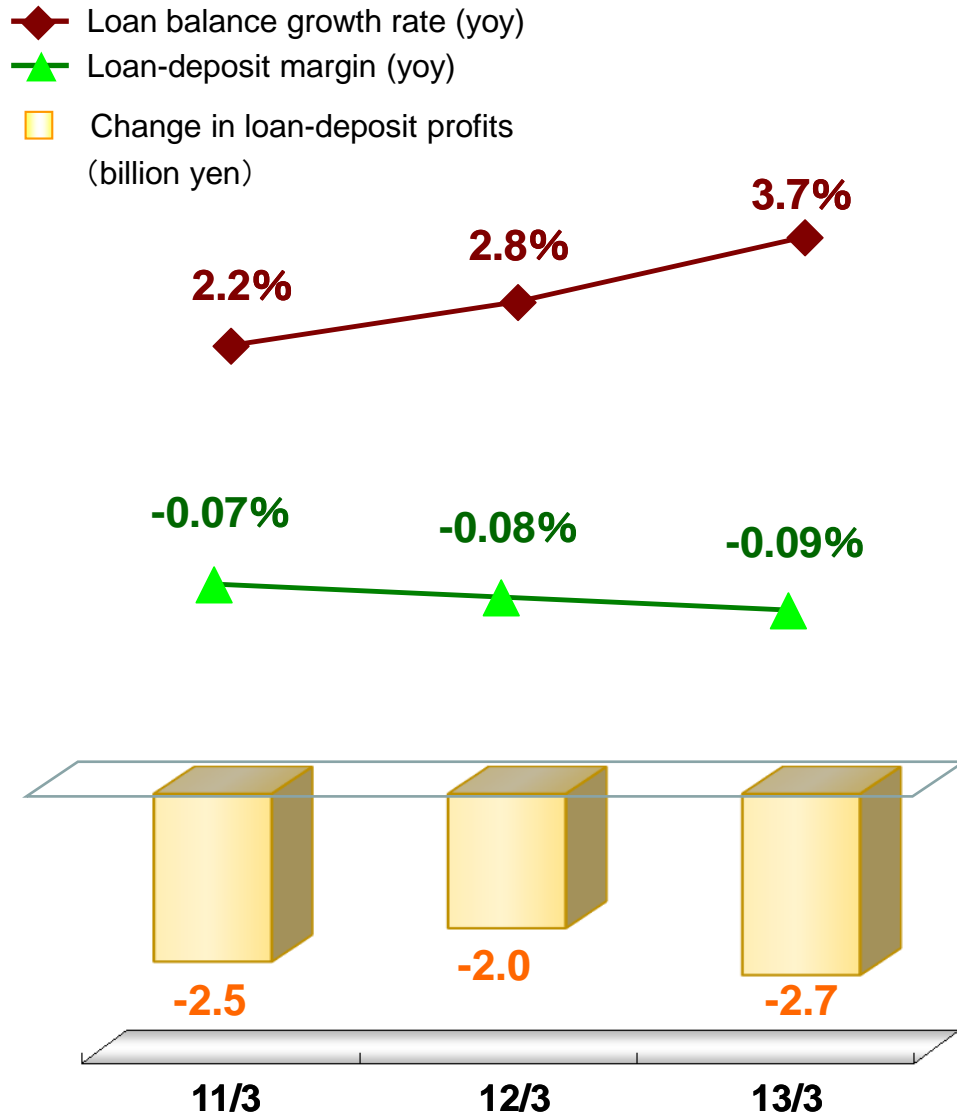
Core net operating profits / Net income

- Core net operating profits
- Net income
- Record High (billion yen)

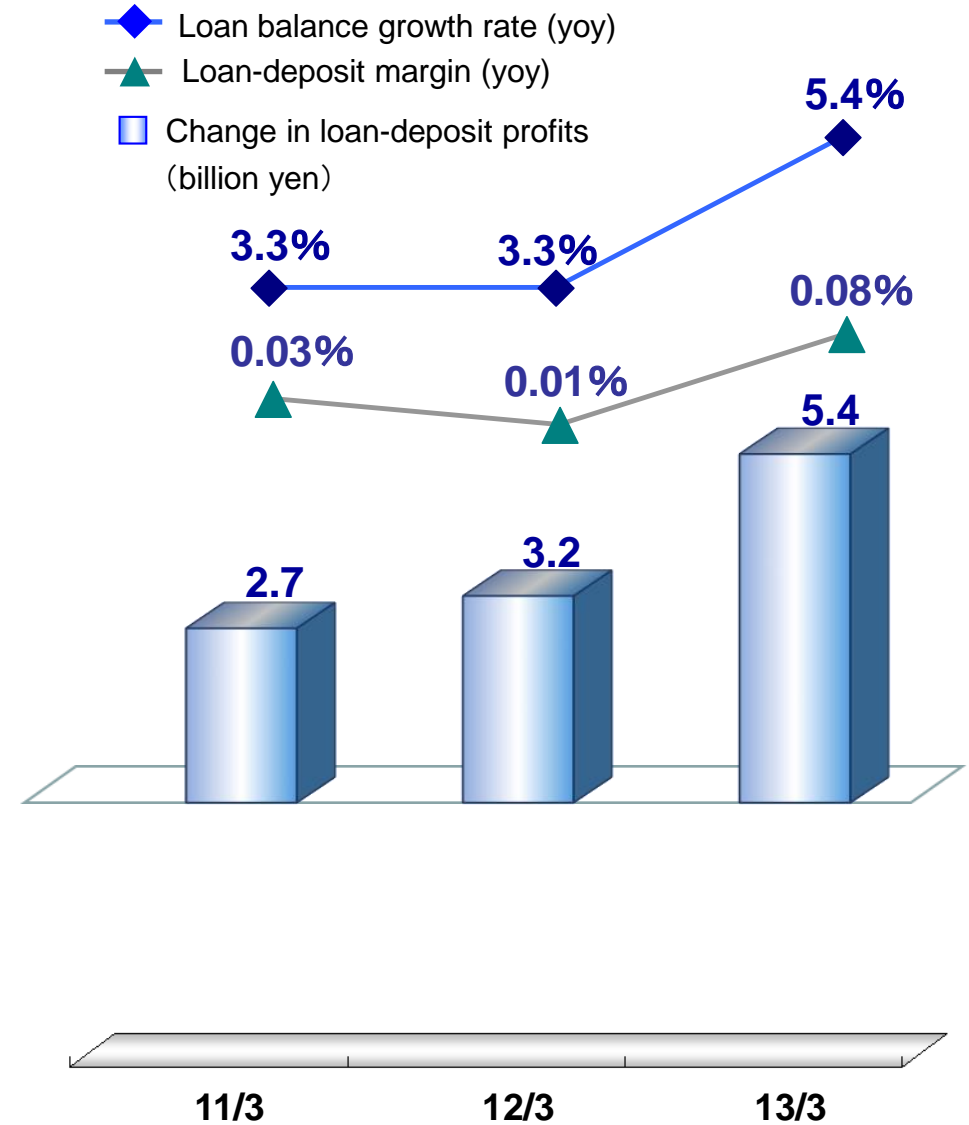


Loan-deposit profits

Top 10 Regional Banks

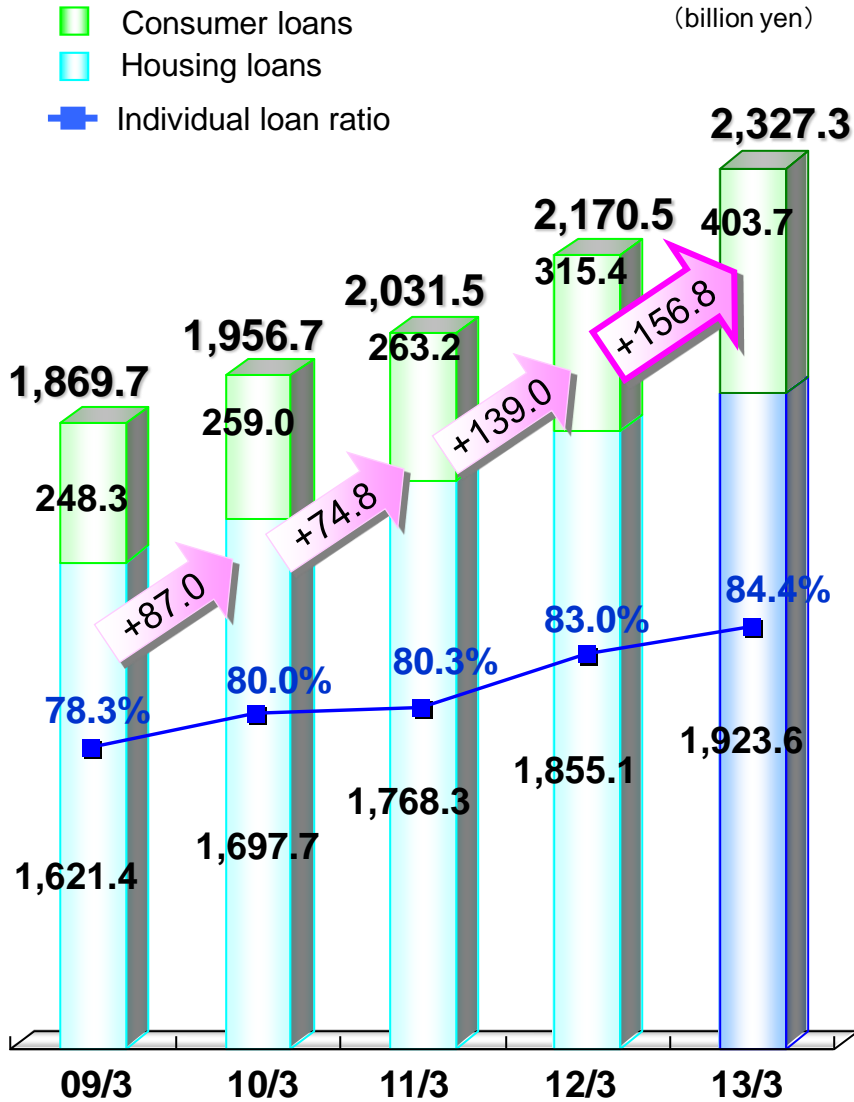


Suruga Bank

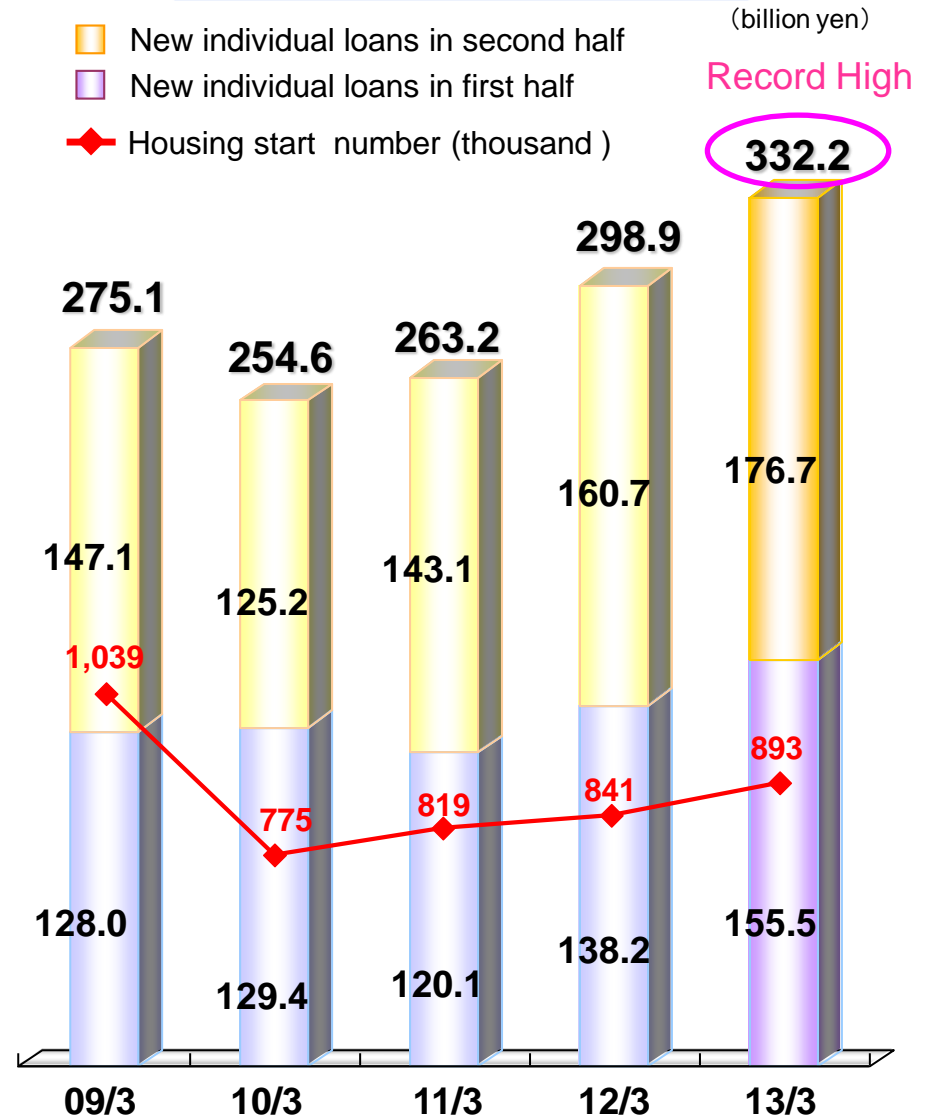


Strong Focus on Retail

Individual loan balance and ratio

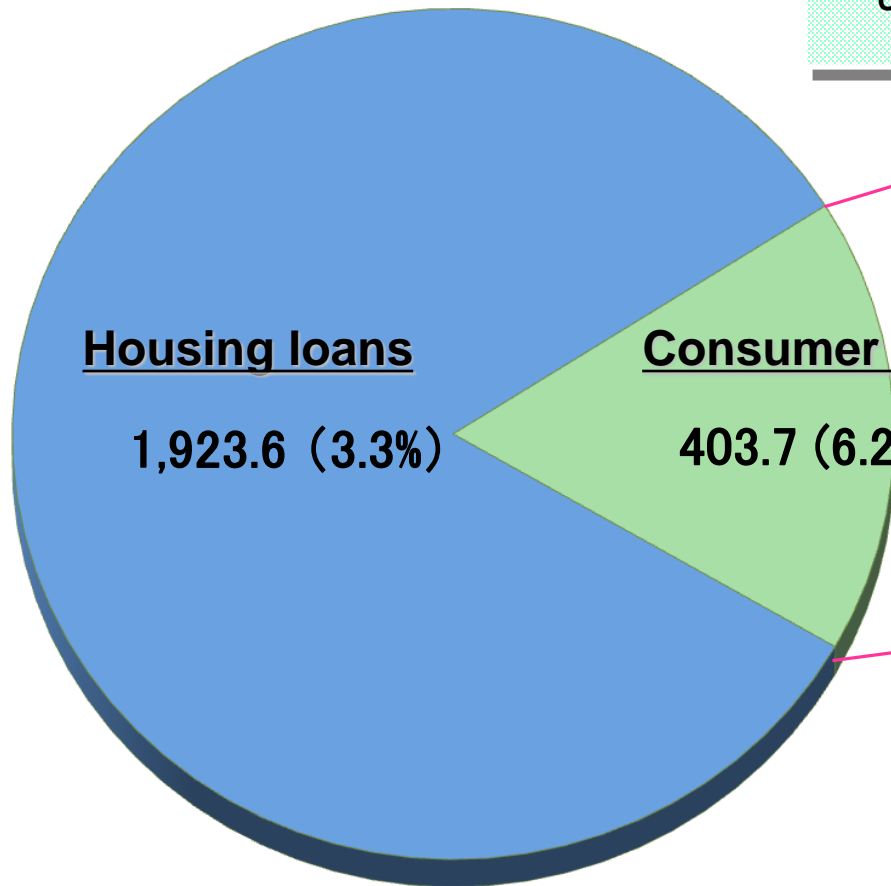


New loan contracts



Focus on More Profitable Products

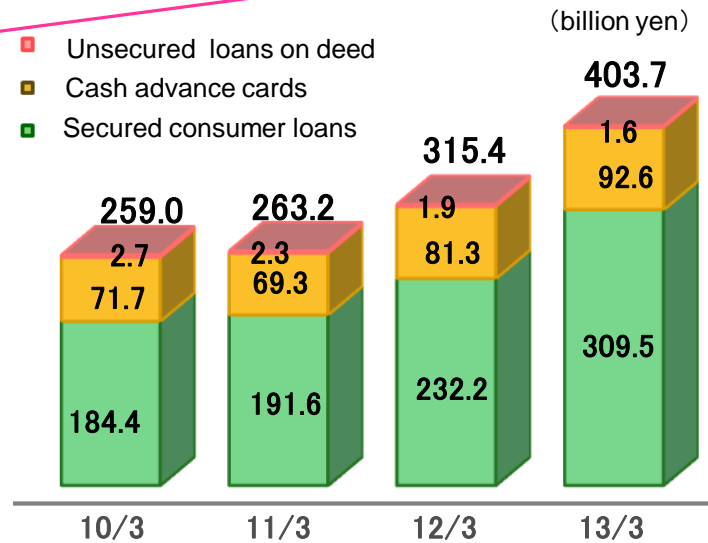
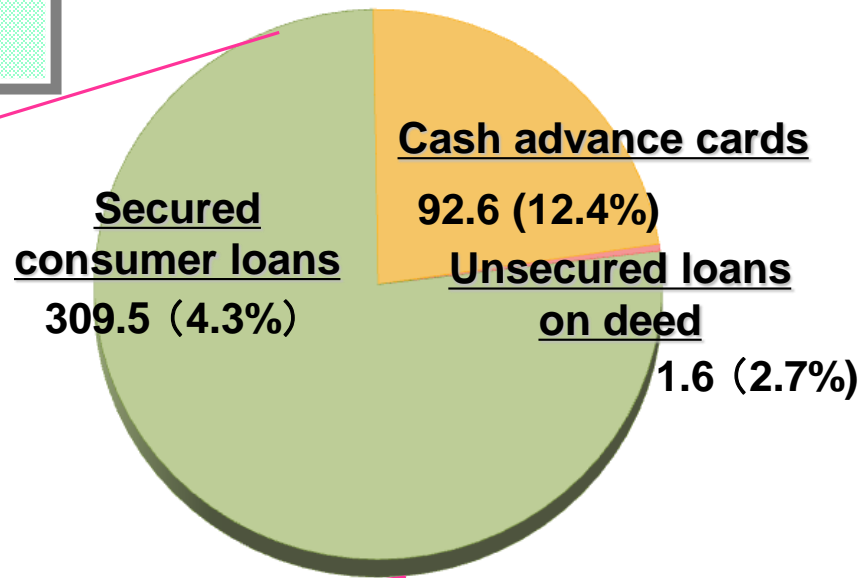
Individual loans



2,327.3 billion yen (3.8%)

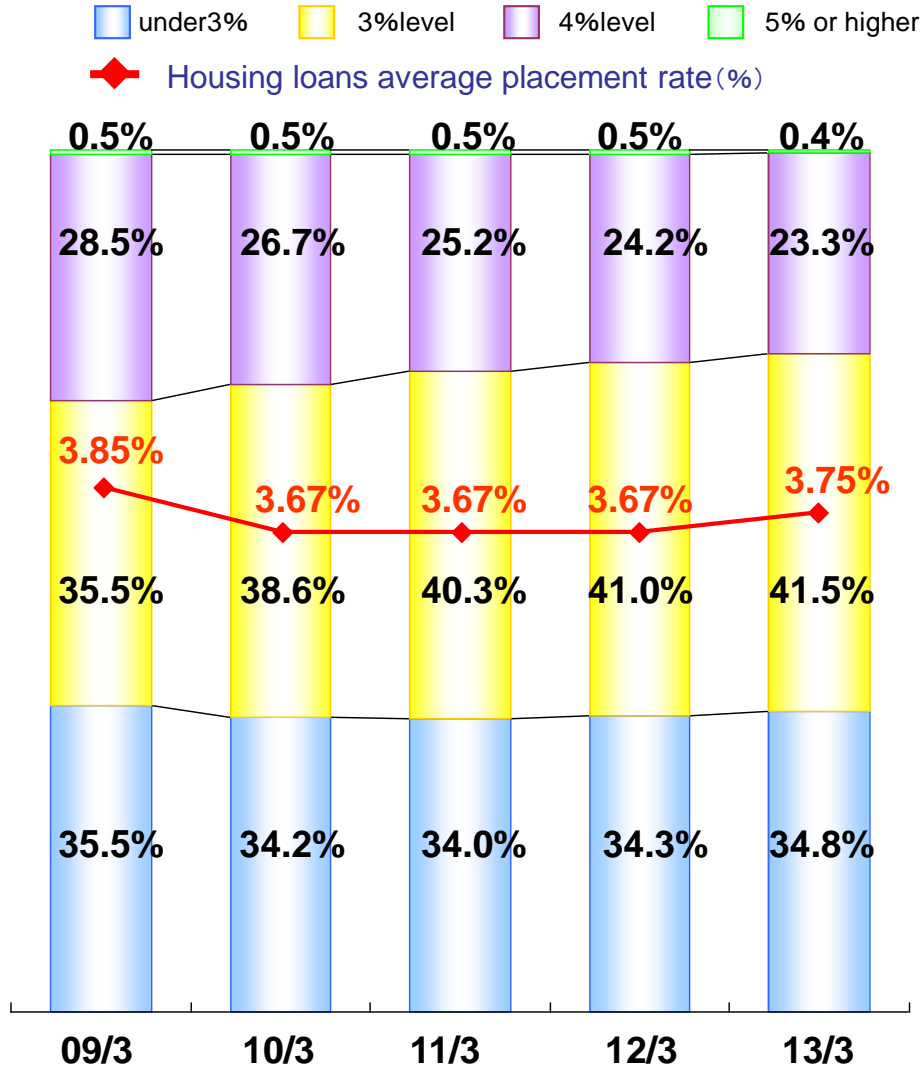
As of Mar. 31, 2013
Units : billion yen
(average rate)

Consumer loans

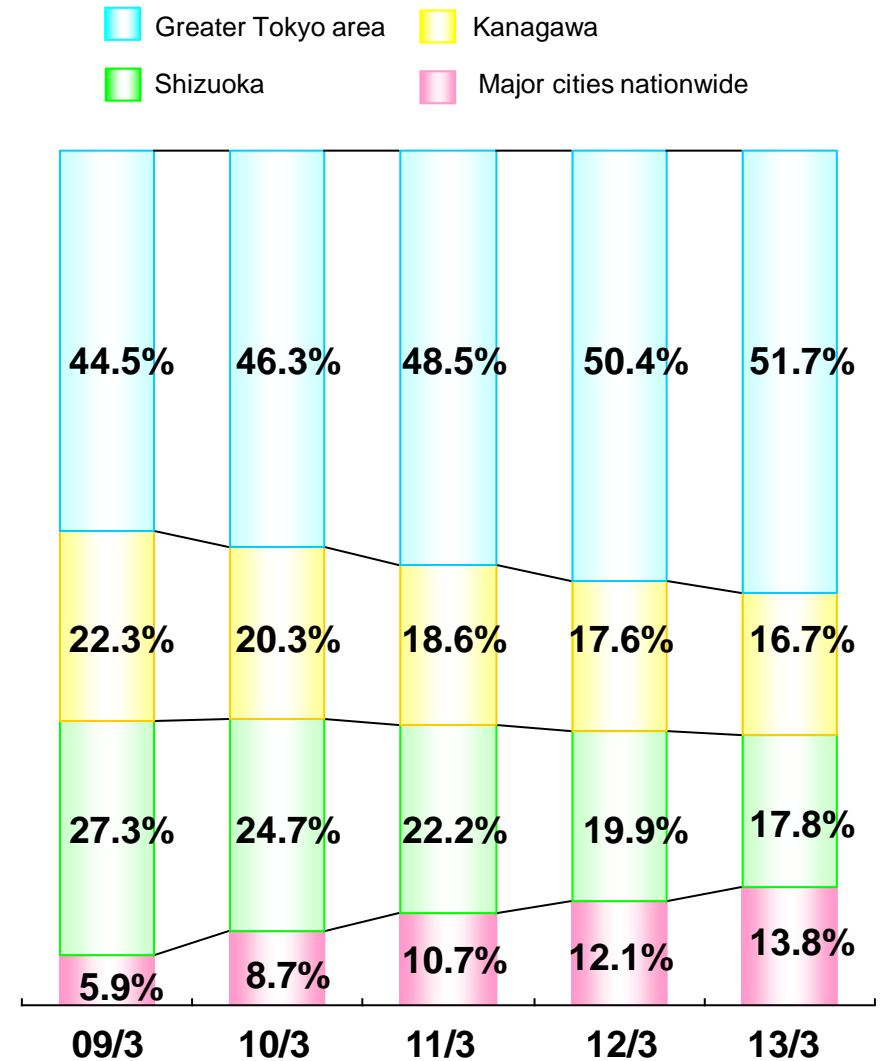


Housing Loans

Distribution of practical rates for Housing loans (cumulative)



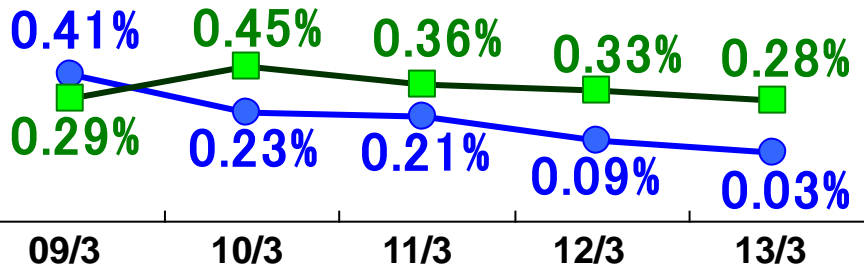
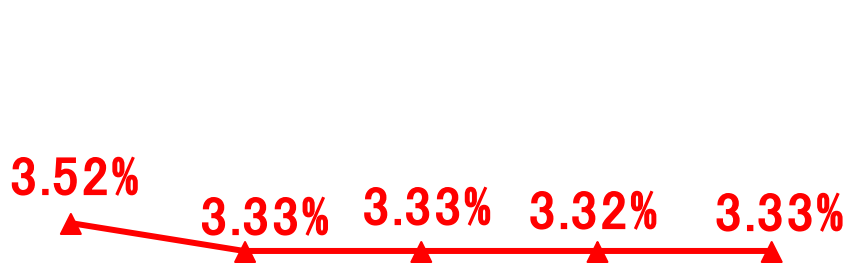
Housing loan balance by geographical area



Delinquency and Loss Rates on Individual Loans

Housing loans

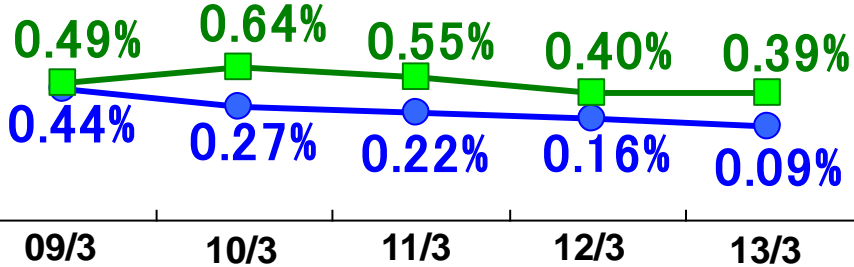
▲ Yield ● Delinquency rate ■ Loss rate



Delinquency rate = amount 3 months or more overdue / average amount of loan

Consumer loans

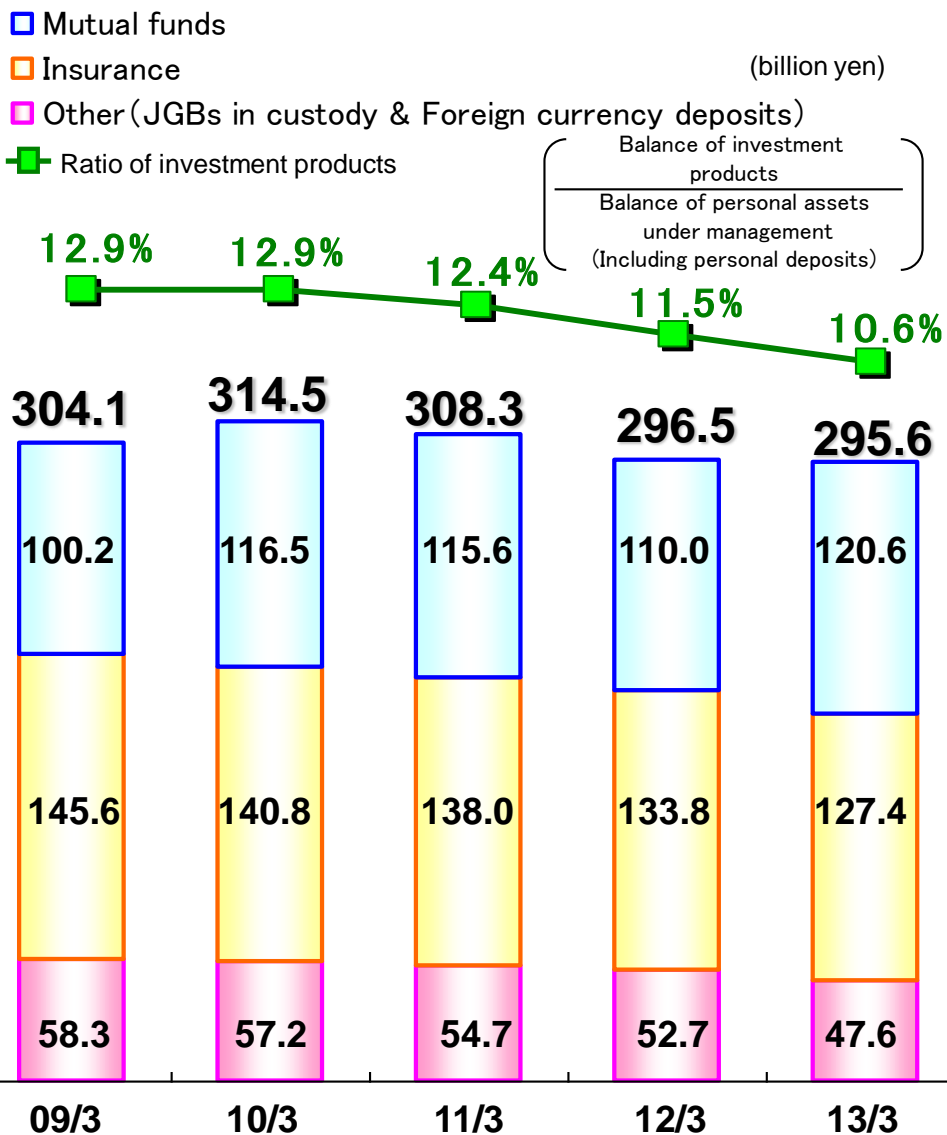
▲ Yield ● Delinquency rate ■ Loss rate



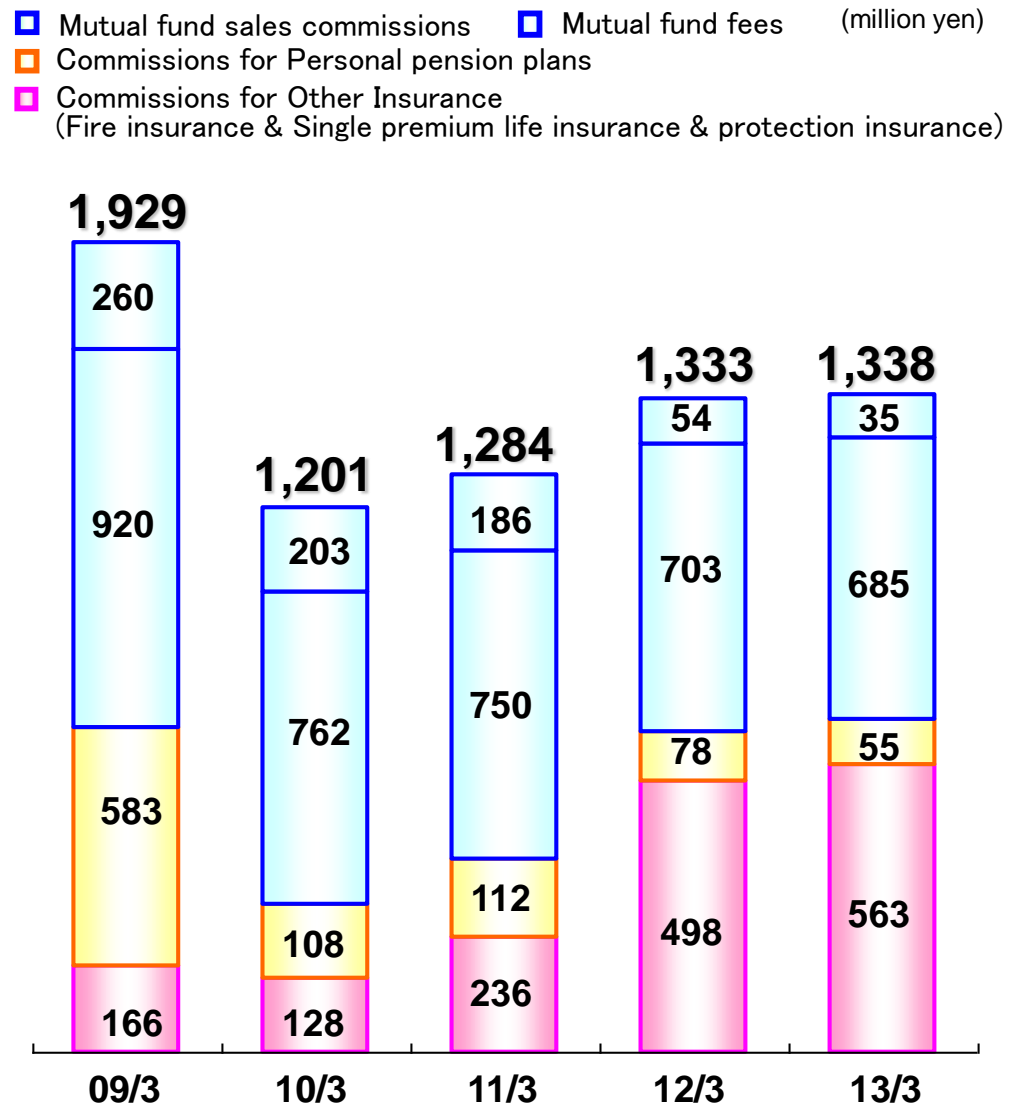
Loss rate = default ratio × (1 - recovery rate)

Fees and Commissions

Balance breakdown of investment products

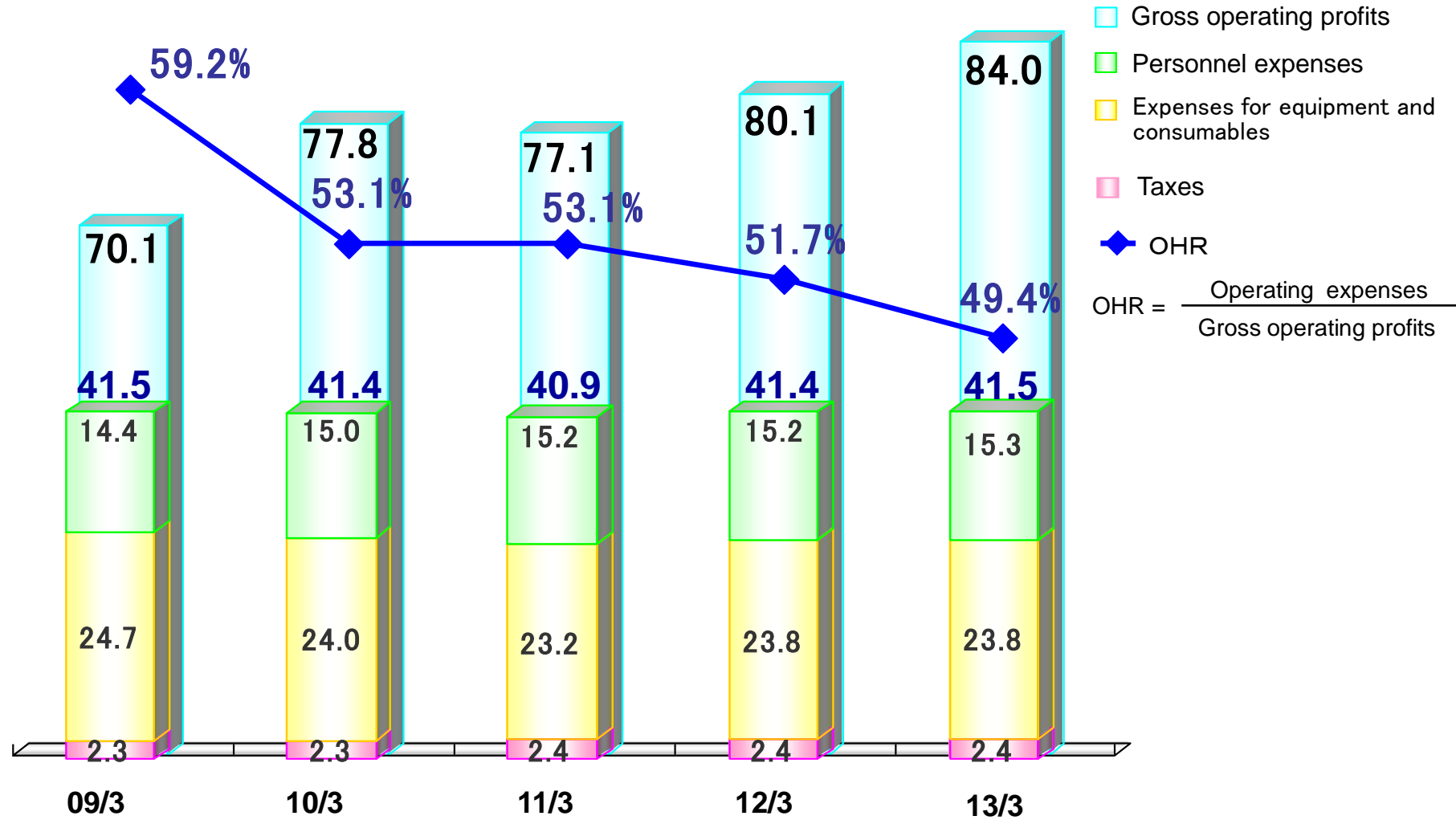


Commission from mutual funds and insurance products



Expenses and OHR

(billion yen)



Breakdown of Troubled Assets based on the Financial Reconstruction Law

(billion yen)

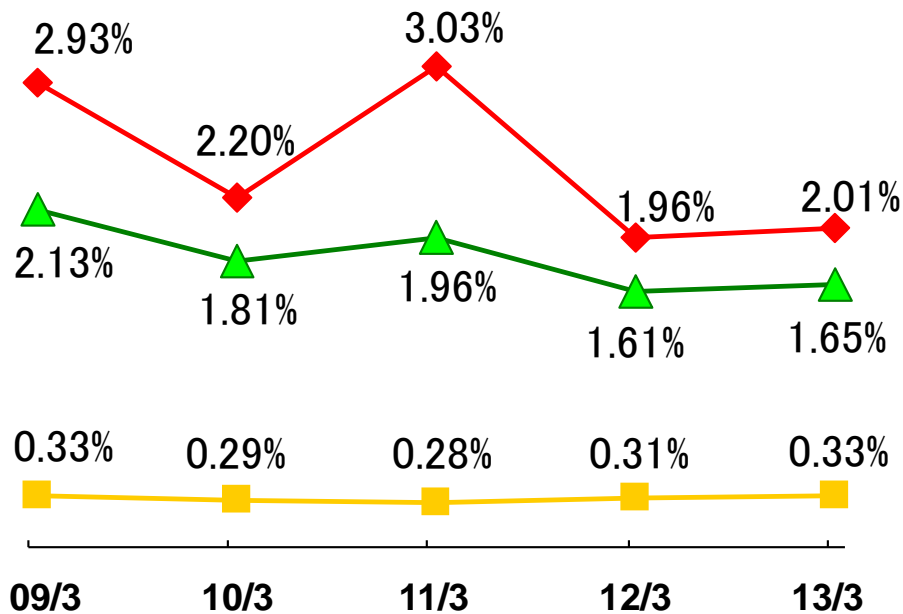
Debtor classification	Mar. 13 Credit balance	Proportion	Individual / Corporate		Proportion	Total collateral and guarantees	Collateral	Guarantees * NOTE	Coverage ratio	Reserve	Reserved ratio	Total coverage ratio											
Claims against bankrupt and substantially bankrupt obligors	11.1	0.40%	Individual	8.3	0.35%	4.8	4.0	0.8	57.94%	3.5	100%	100%											
			Corporate	2.8	0.66%	2.4	1.3	1.1	83.71%	0.4	100%	100%											
Claims with collection risk	23.9	0.86%	Individual	5.2	0.22%	3.1	2.3	0.8	60.57%	1.3	66.34%	86.72%											
			Corporate	18.7	4.31%	15.5	5.6	9.9	82.99%	2.1	66.34%	94.27%											
Claims for special attention	20.8	0.75%	Individual	10.3	0.44%	6.9	6.8	0.1	67.26%	0.9	25.94%	75.75%											
			Corporate	10.5	2.43%	3.8	3.8	0.0	36.63%	1.6	24.17%	51.95%											
Sub-total	55.8	2.01%	Individual	23.8	1.01%	14.8	13.1	1.7	62.55%	5.7	64.23%	86.60%											
			Corporate	32.0	7.40%	21.7	10.7	11.0	67.85%	4.1	40.61%	80.90%											
Normal assets	2,718.1	97.99%	Individual	2,316.2	98.99%	<table border="1"> <tr> <td colspan="11">Total coverage ratio</td> <td>83.32%</td> </tr> </table>						Total coverage ratio											83.32%
			Total coverage ratio											83.32%									
Corporate	401.9	92.60%																					
Total	2,773.9	100%	Individual	2,340.0	100%	<table border="1"> <tr> <td>Coverage ratio</td> <td>: Covered by collateral and guarantees</td> </tr> <tr> <td>Reserved ratio</td> <td>: Reserved for unsecured portion</td> </tr> <tr> <td>Total coverage ratio</td> <td>: Covered by collateral, guarantees and reserves</td> </tr> </table>						Coverage ratio	: Covered by collateral and guarantees	Reserved ratio	: Reserved for unsecured portion	Total coverage ratio	: Covered by collateral, guarantees and reserves						
			Coverage ratio	: Covered by collateral and guarantees																			
Reserved ratio	: Reserved for unsecured portion																						
Total coverage ratio	: Covered by collateral, guarantees and reserves																						
Corporate	433.9	100%																					

* NOTE: The guarantee is not provided by us. We do not extend the guarantee by paying fee to external entity, but the third party, who serves as the joint guarantor to the borrower, extends the guarantee.

Bad-loan ratio / Credit costs status

Bad – loan ratio

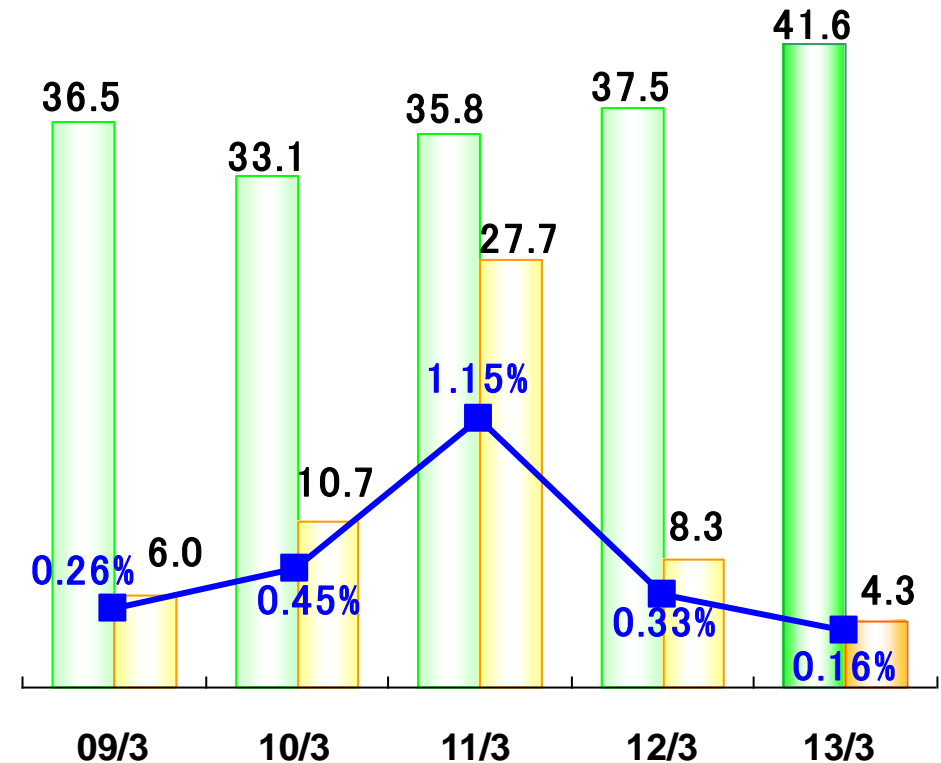
- ◆ Ratio of disclosed claims on the Financial Reconstruction Law
- ▲ Ratio of disclosed claims deduction from reserves
- Ratio of disclosed claims after deduction from reserves, collateral and guarantees



Credit costs status

(billion yen)

- Core net operating profits
- Actual credit costs (credit costs-collection of claims written off)
- Actual credit costs ratio (actual credit costs/loan average balance)

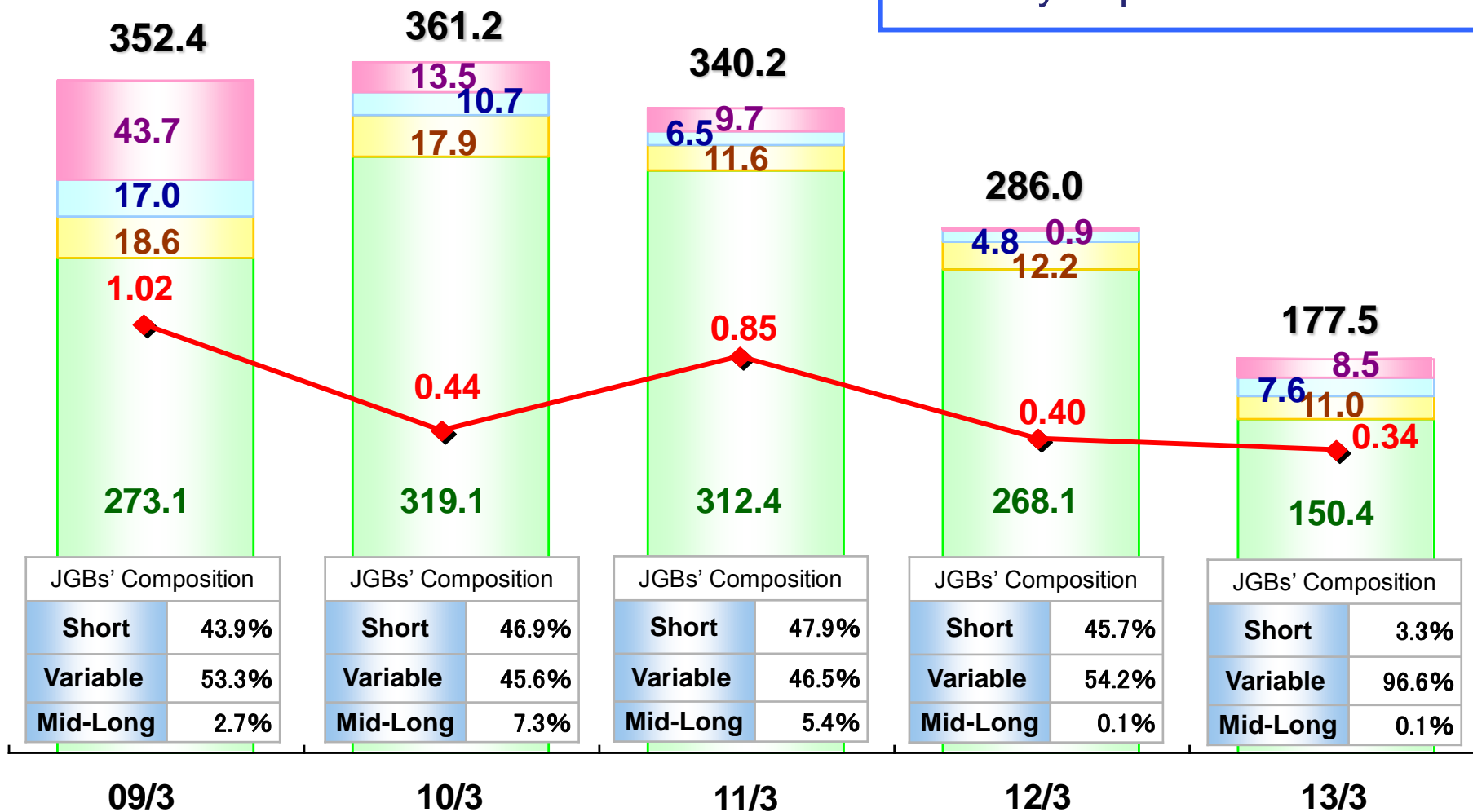


Bond Portfolio

■ JGBs
 ■ Foreign bonds
 ■ Corporate bonds
 ■ Regional government bonds
 (billion yen)

◆ Average remaining maturity (Year)

security deposit ratio : **6.6%**



JGBs' Composition

Short	43.9%
Variable	53.3%
Mid-Long	2.7%

JGBs' Composition

Short	46.9%
Variable	45.6%
Mid-Long	7.3%

JGBs' Composition

Short	47.9%
Variable	46.5%
Mid-Long	5.4%

JGBs' Composition

Short	45.7%
Variable	54.2%
Mid-Long	0.1%

JGBs' Composition

Short	3.3%
Variable	96.6%
Mid-Long	0.1%

Status of Risk Amount

Integrated Risk Management

2012/9
Tier I

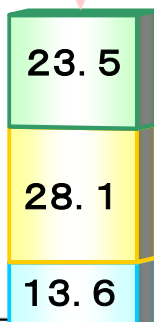
(billion yen)

198.5

Buffer
(Unallocated Capital)
133.3

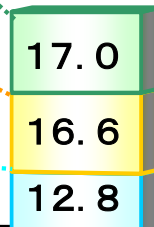
- 1. Confidence level 99% (common)**
- 2. Holding period (business days)**
 - Credit risk 240 days
 - Deposits and loans, bonds, etc. Interest & price fluctuation risk 60 days (Trading assets is 10 days)
 - Price fluctuation risk for equities 120 days
- 3. Operational risk**
Basic methods

65.2



Second Half,
2012
Allocated Capital

46.4



As of the end of
March, 2013
Risk Amount

Credit Risk

Market Risk

Operational Risk

Outlier Ratio

As of the end of
March, 2013

Interest Rate
Shock range

±200bp

Interest Rate
Risk Amount

5.7
billion
yen

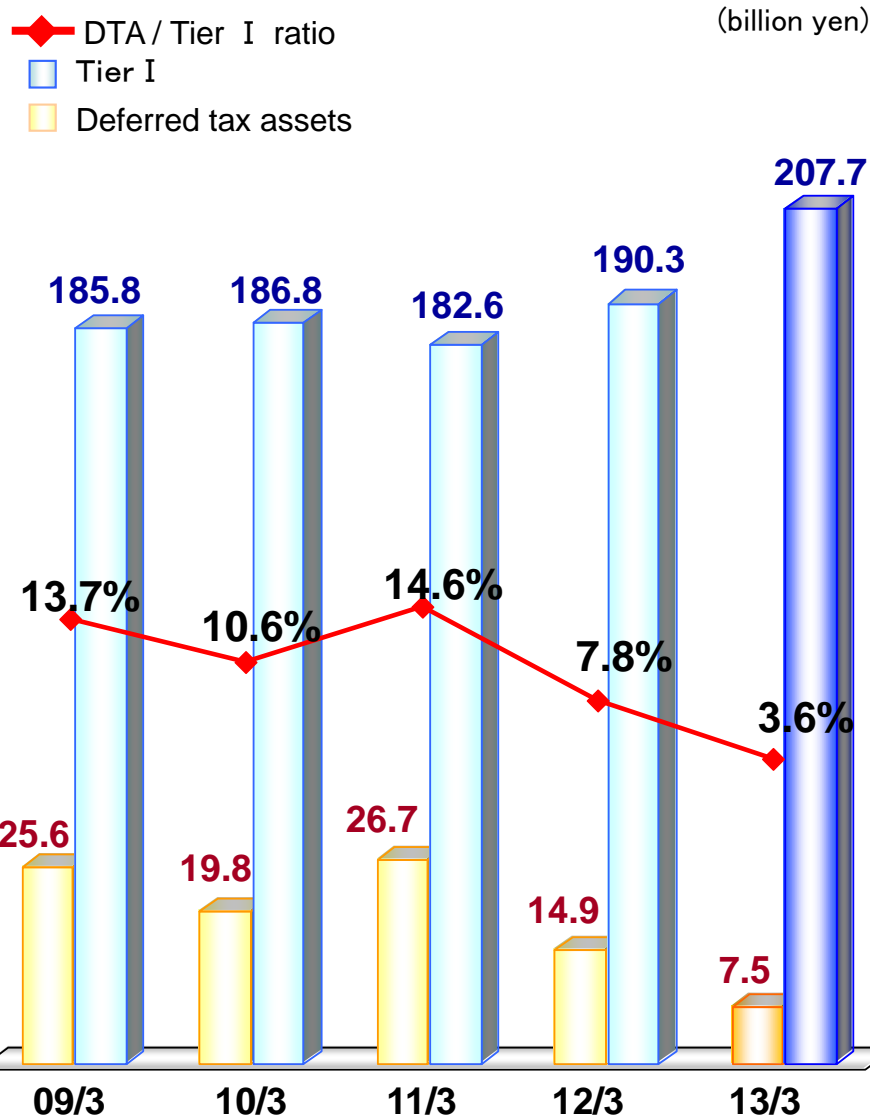
Outlier Ratio

2.5%

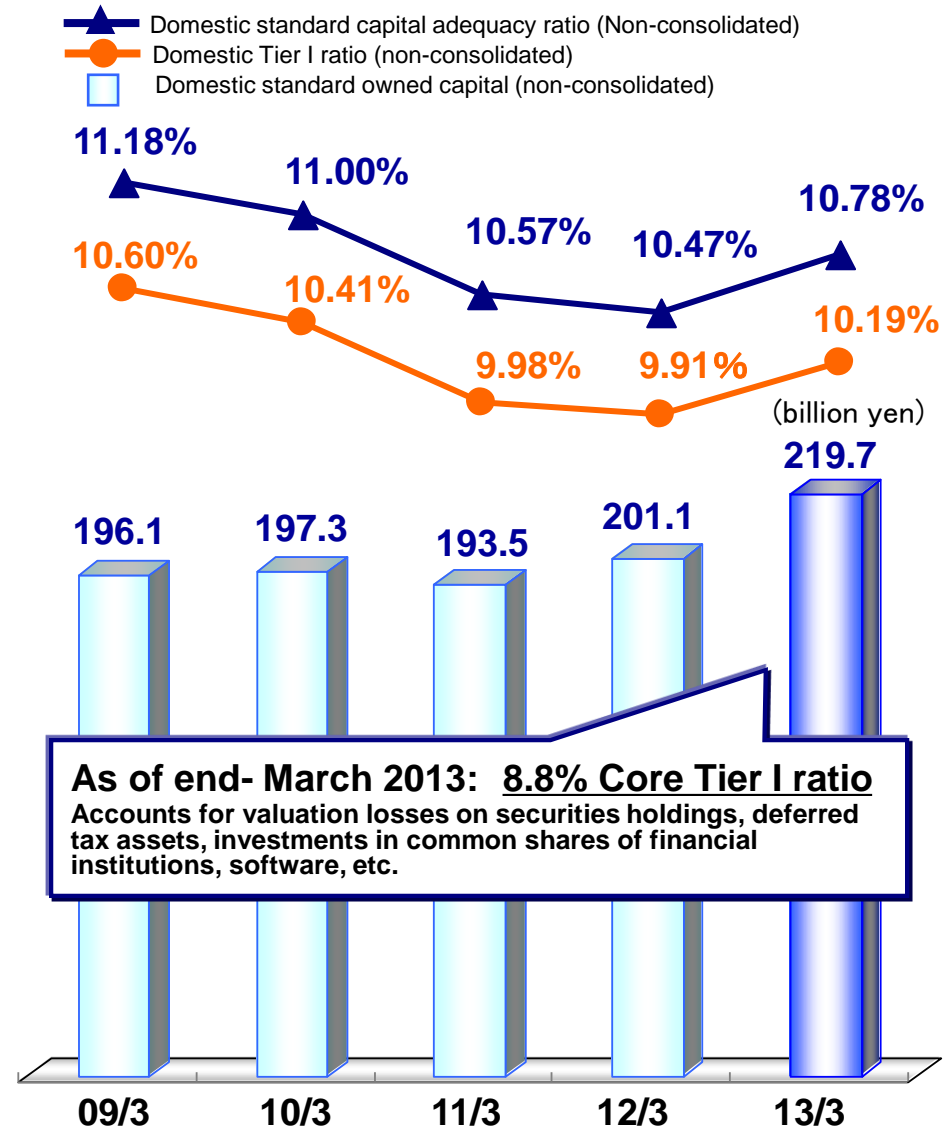
As of the end of
September, 2012
Sources for Allocation

Capital Levels

Tier I • Deferred tax assets



Capital Adequacy Ratio



FY2012 Results and FY2013 Forecast

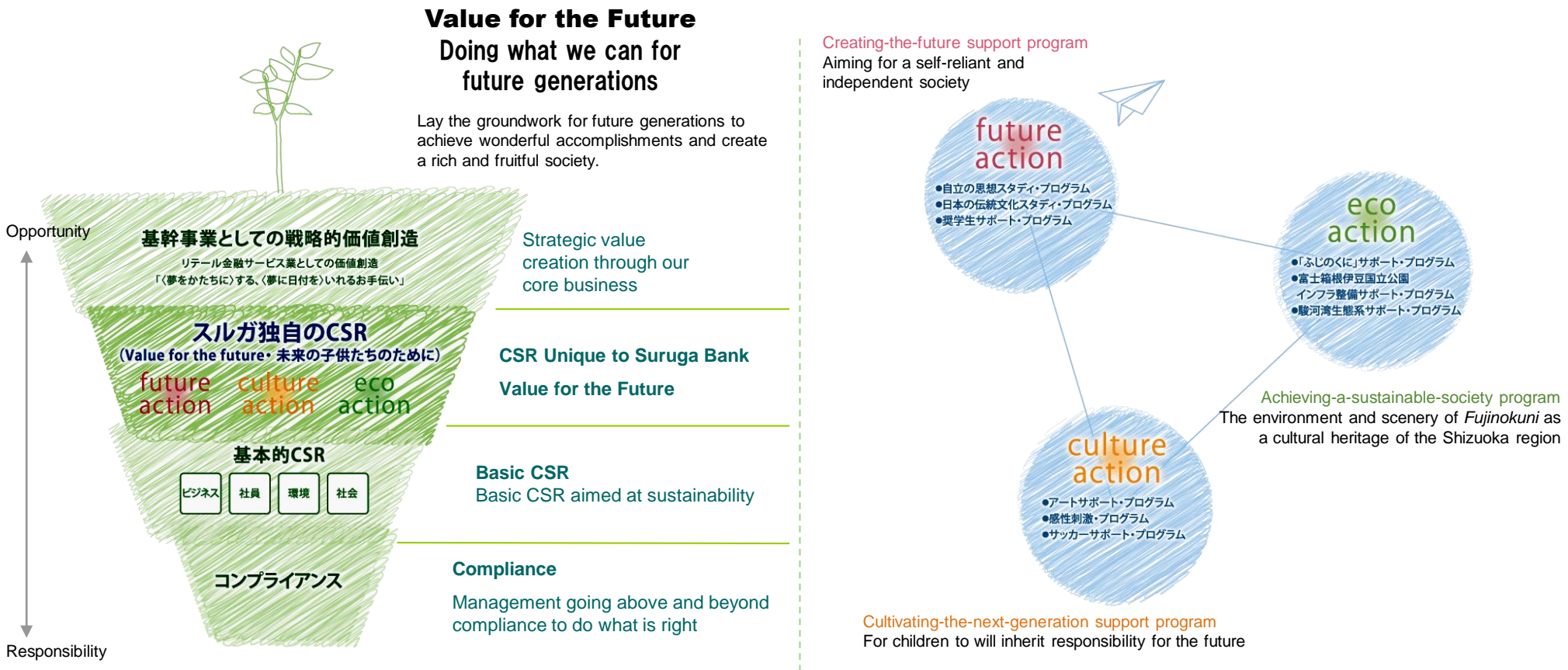
(billion yen)

	FY2011 Results (A)	FY2012 Results (B)	Increase or Decrease (B-A)	FY2013 Forecast
Gross operating profits	80.1	84.0	+ 3.9	87.0
Operating expenses	41.4	41.5	+ 0.1	44.0
Net operating profits	36.4	42.4	+ 6.0	43.0
Core net operating profits	37.5	41.6	+ 4.1	43.0
Ordinary profits	27.8	35.4	+ 7.6	37.5
Net income	14.8	21.0	+ 6.2	23.0
Actual credit costs	8.3	4.3	△ 4.0	4.0
ROE (%) (net income basis)	8.24	11.10	+ 2.86	11.11
EPS (Yen)	62.26	89.38	+ 27.12	97.54
Dividends (Yen)	13.0	15.0	+2.0	15.0

CSR for Creating the Future

We will continue to strive tirelessly to work toward creating a society with value and build a rich environment where future generations can thrive as we seek to answer the needs of ever-changing times and achieve a sustainable society.

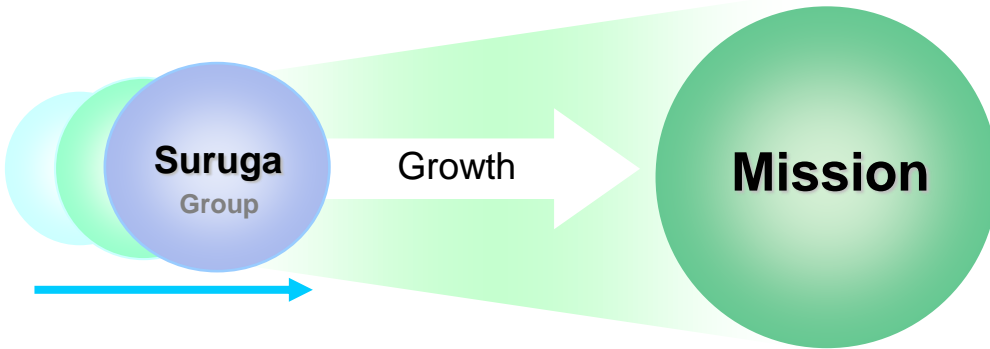
CSR as Suruga Bank Sees It



Growth Within Our Corporate Philosophy

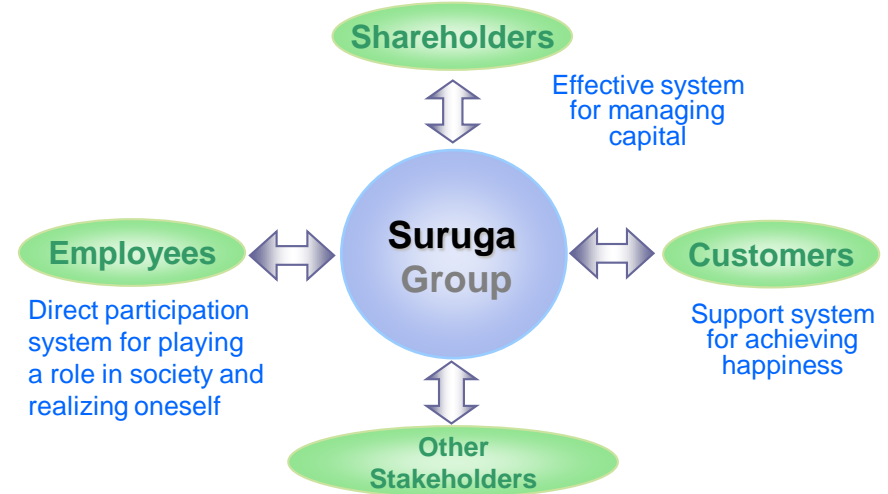
Growth as a Mission-Based Company

Define growth as making our mission more achievable.
As a Life & Business Concierge, help make our customers' dreams come true on a timeline that works for them.

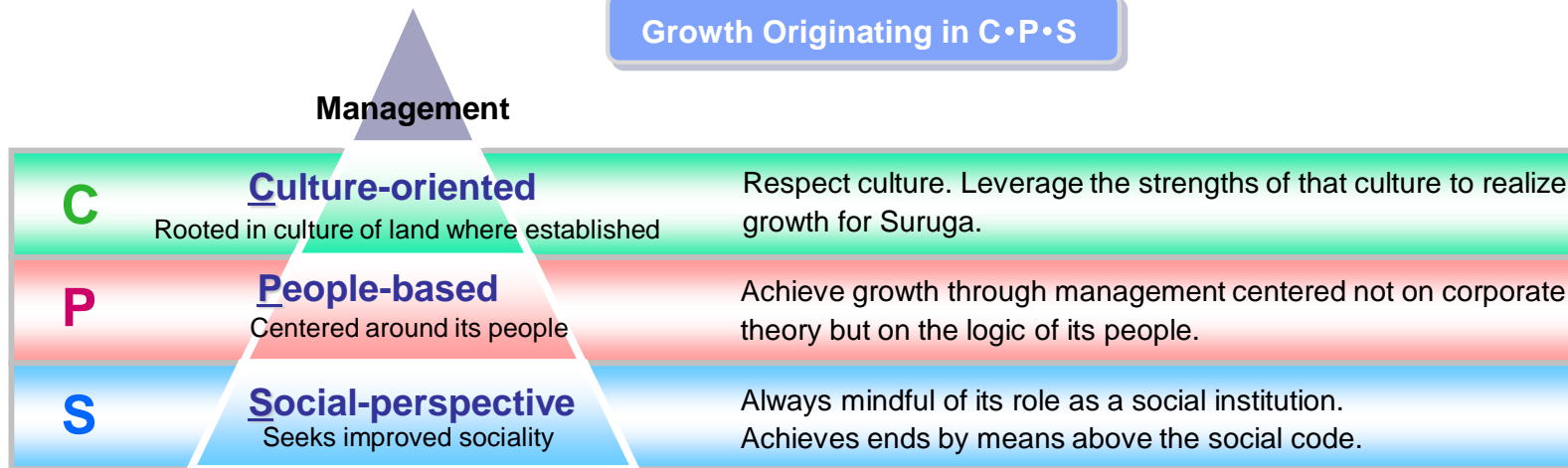


Growth as a Value Exchange System

Define growth as greater exchange of value with all stakeholders.



Growth Originating in C•P•S



For further details regarding the above, please contact

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Suruga Bank Ltd.**

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e-mail: ir.koho@surugabank.co.jp

The foregoing material contains statements regarding future business performance. These statements are not intended as guarantees of any specific future performance, which is subject to a variety of risks and uncertainties. Actual future business results may differ from the targets contained in the present material, due to changes in the external business environment.