

SURUGA bank

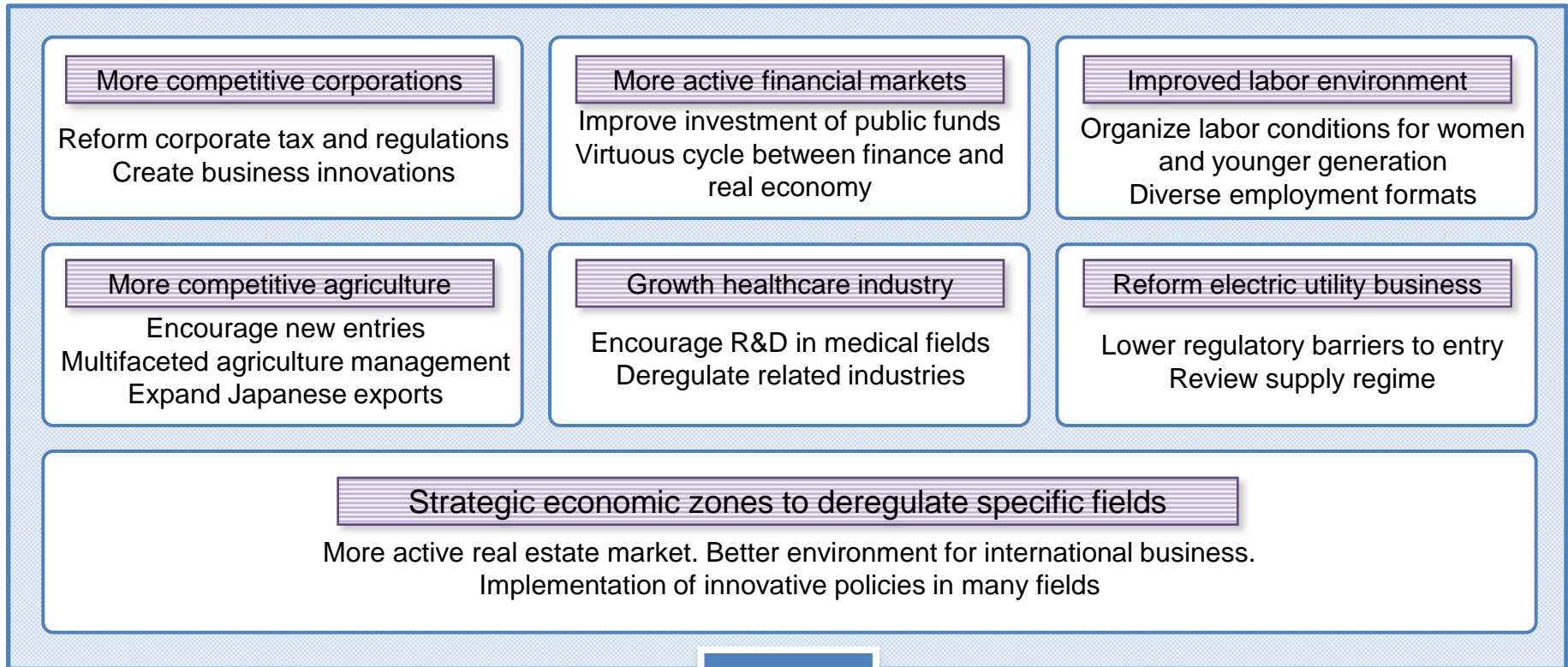
Meeting the Challenge of New Banking

Presentation to investors on fiscal year ended March 31, 2014



Management Discussion & Analysis

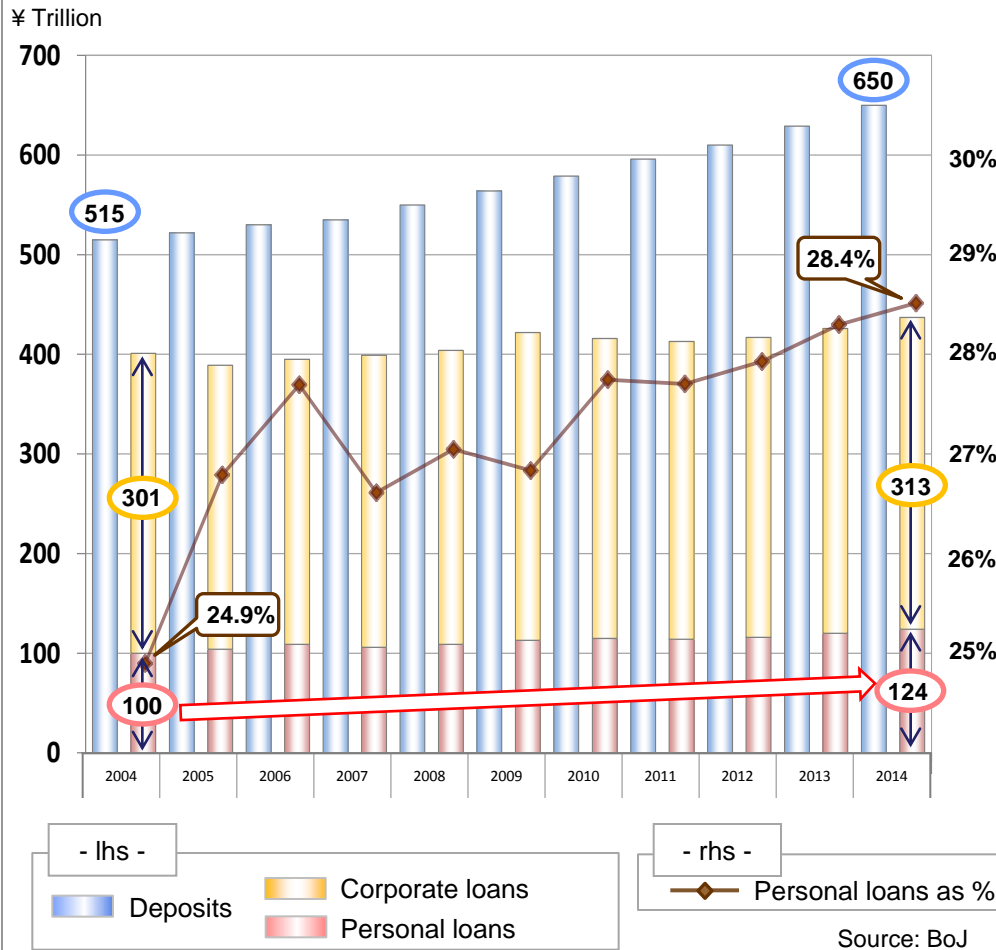
Anticipation toward a growth strategy to propel the Japanese economy forward



Policies tailored to specific geographies and fields (as opposed to a one size fits all for the entire nation) to drive advances in Japan's core competencies are the key to revitalizing Japan's economy

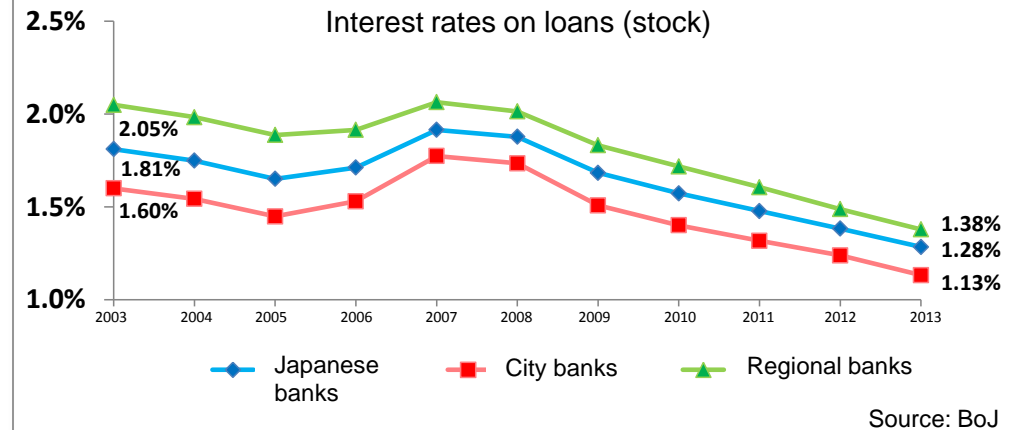
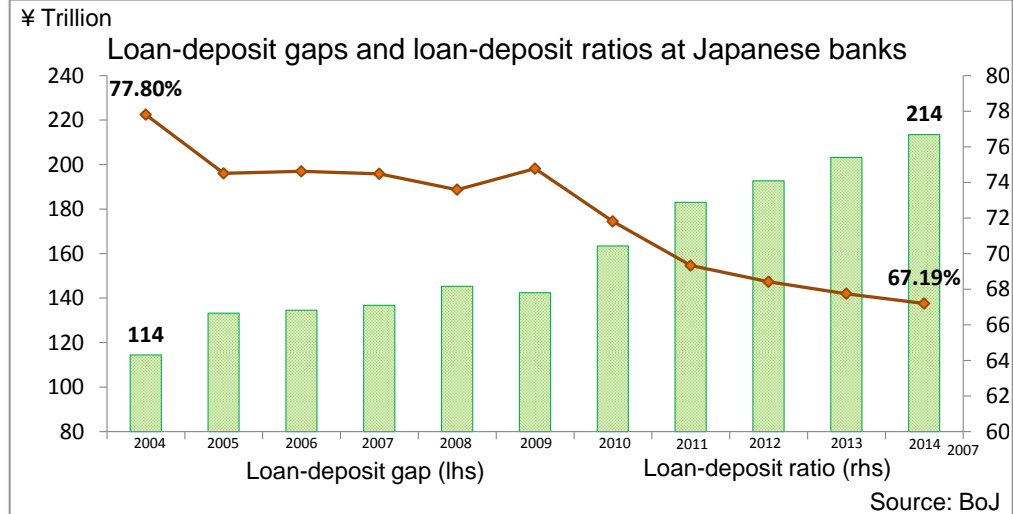
Environment Surrounding Japanese Banks

Loan and deposit balances at Japanese banks
And consumer (personal) loan balances



Banks expanding lending target beyond corporations to consumers.
Loans supporting personal consumption must be unique and convenient.

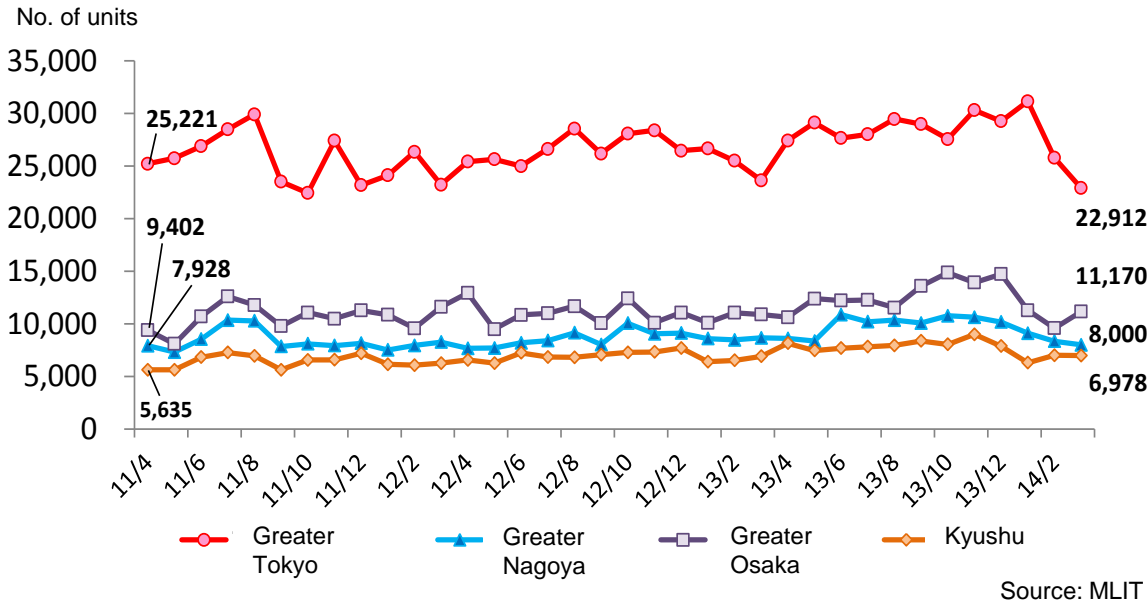
Loan-deposit gaps, loan-deposit ratios and loan rates



Bold Abenomics policies and monetary easing driving growth in both bank deposits and lending. Future challenge is how to unearth new borrowers and escape reliance on prime rate model.

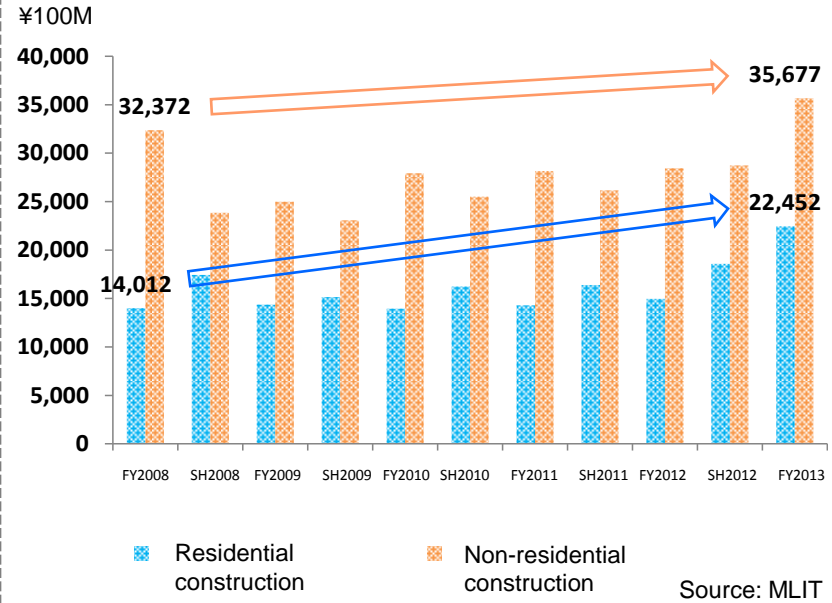
Environment Surrounding the Mortgage Market

New Housing Starts by Area



- Effects of stimulus policies is stimulating prolonged interest in real estate market.
- Need to watch construction material costs and impact of ability to supply demand.

Orders for Renovation Work

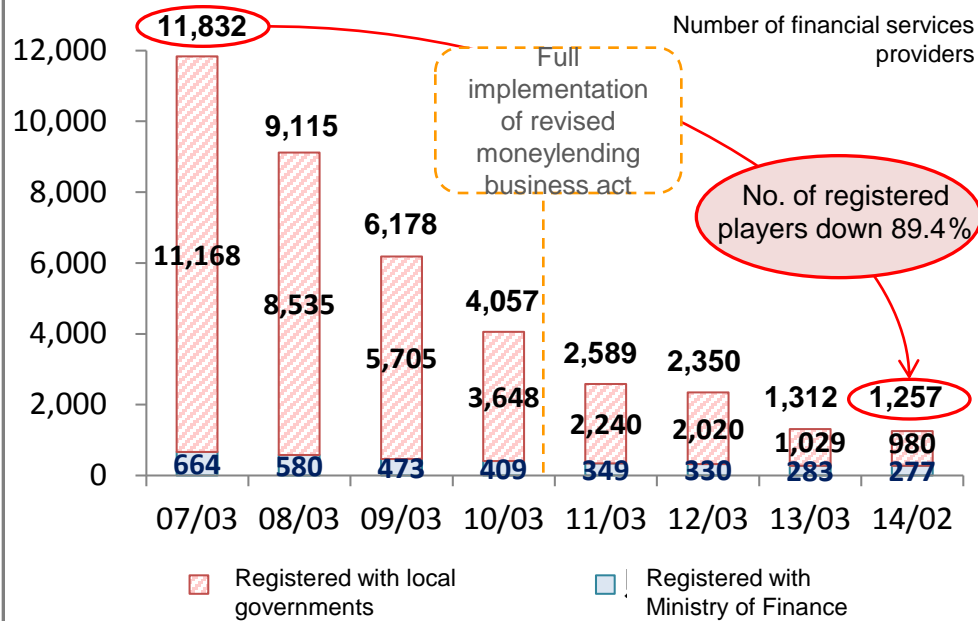


- Growing market for existing homes and renovation. ⇒ Upgrade to housing stock.
- More dedicated renovators + entries from homebuilders, other industries.

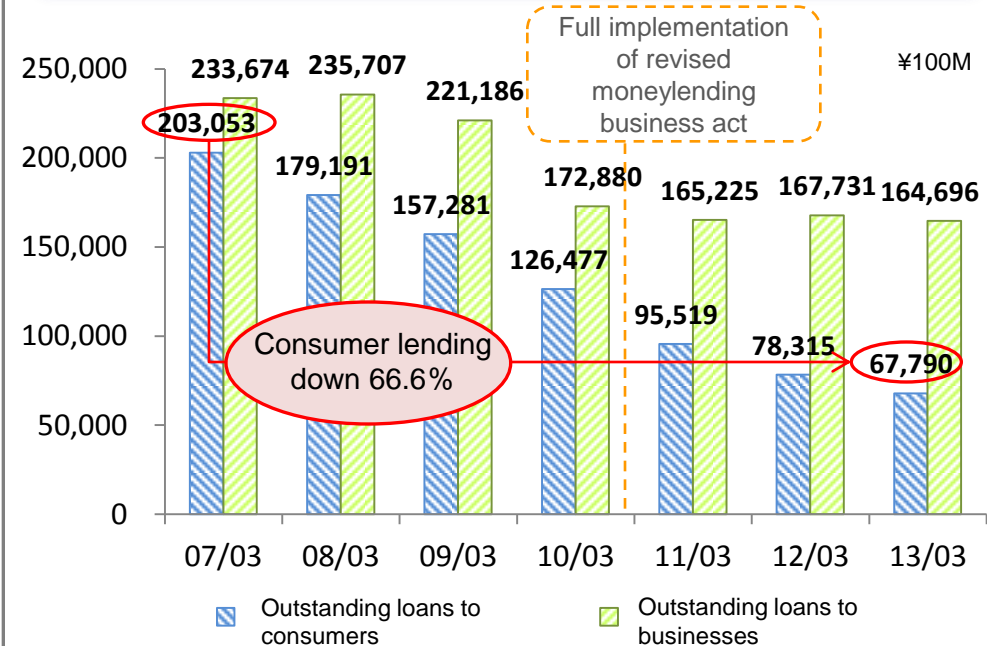
Diversification of living styles driving more demand for new and existing homes.
Timely support of greater complexity in needs will lead to maturation of mortgage market.

Environment Surrounding Consumer Credit Market

Number of Registered Moneylenders



Consumer Lending Balance



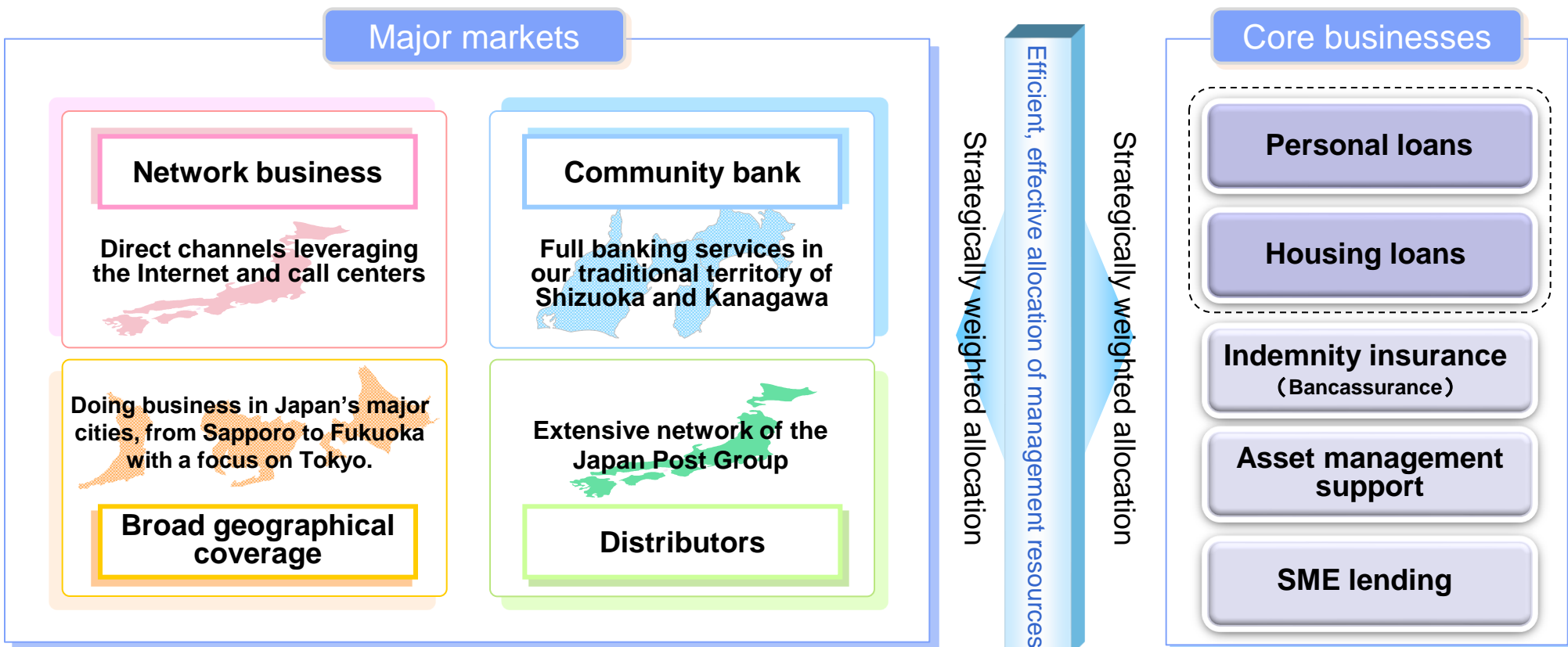
Source: Japan Financial Services Association

- Expectation that banks will play core role in a cash advance card loan business that supports personal consumption
- Differentiation is difficult in cash advance card loans, making the business vulnerable to price competition

Must build and deploy a unique business model, just as in the case of mortgages.

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 –



Suruga's capabilities make it possible to pursue a comprehensive geographical strategy

Values
Our
Philosophy

Marketing

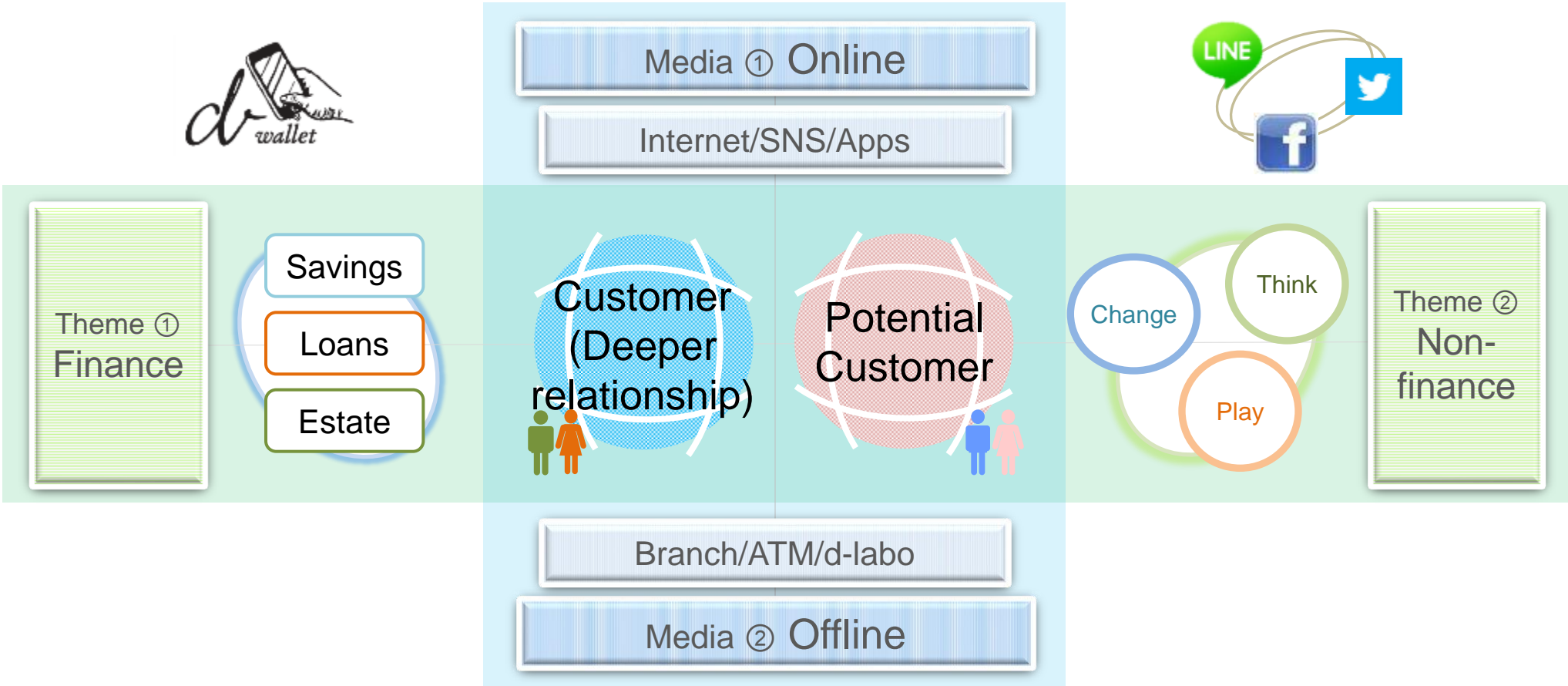
IT
infrastructure

Customer
base spread
nationwide

Speed and
flexibility that
overwhelms the
competition

Communication the Suruga Way

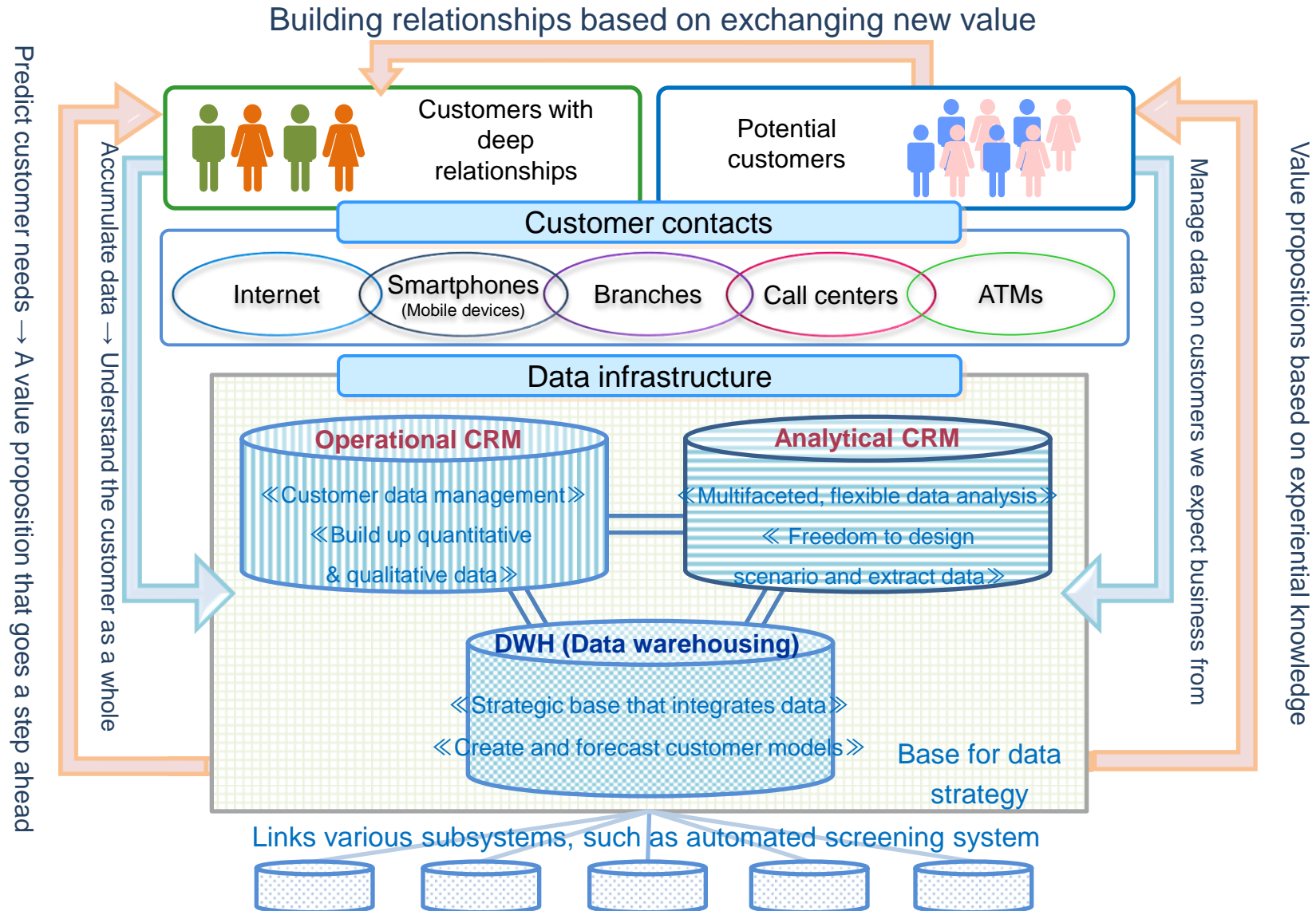
Enhance value proposition to the customer and increase opportunities to dialog with potential customers by deploying hybrid communication styles leveraging diverse media and themes.



Stimulate interest through customer contacts and navigate the customer's lifestyle to arrive at what resonates with and convinces the customer ⇒ **Communication the Suruga Way**

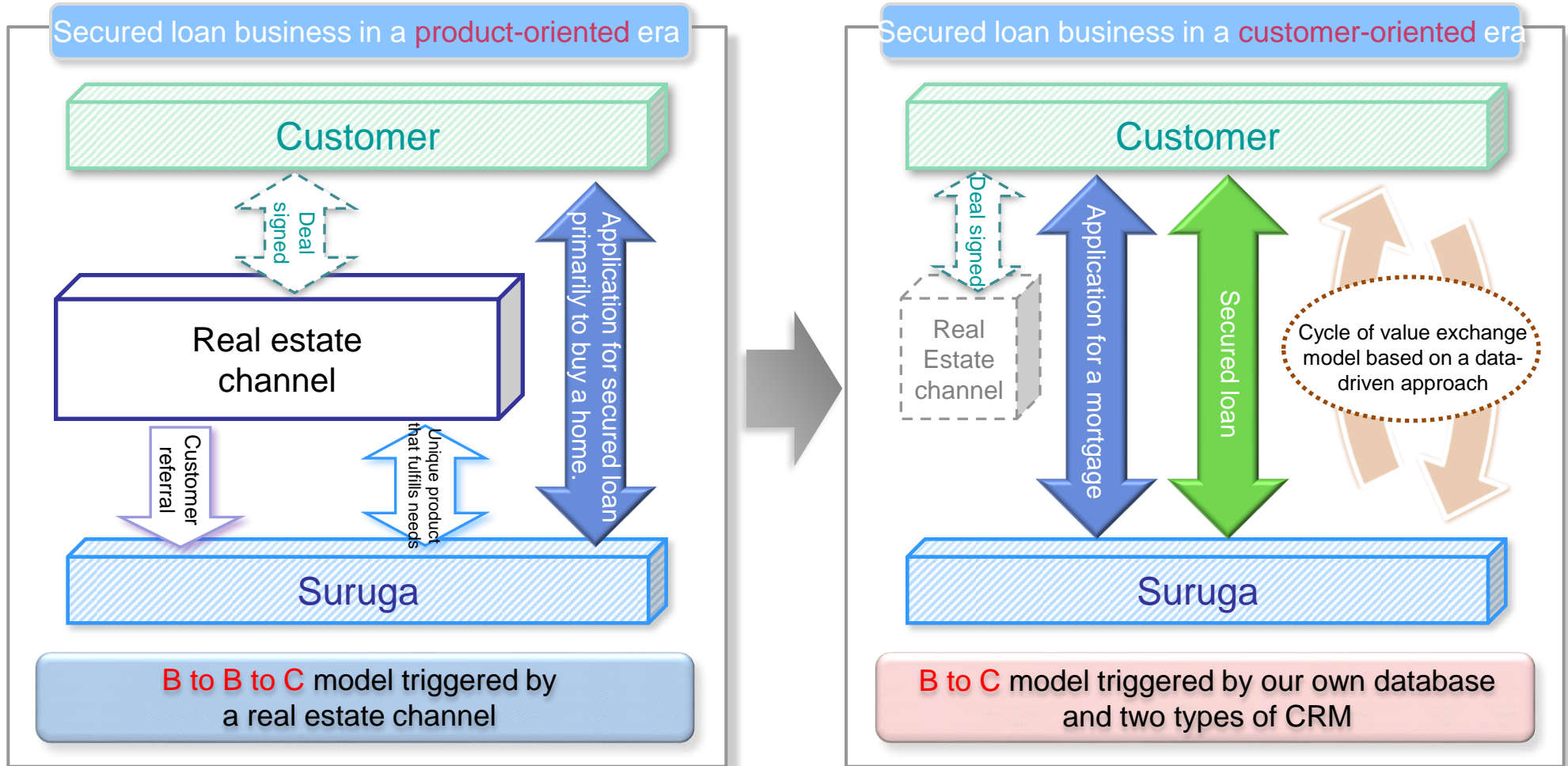
Suruga's Marketing

Achieve a value exchange model cycle leveraging Suruga's proprietary database



Suruga's Secured Loan Business

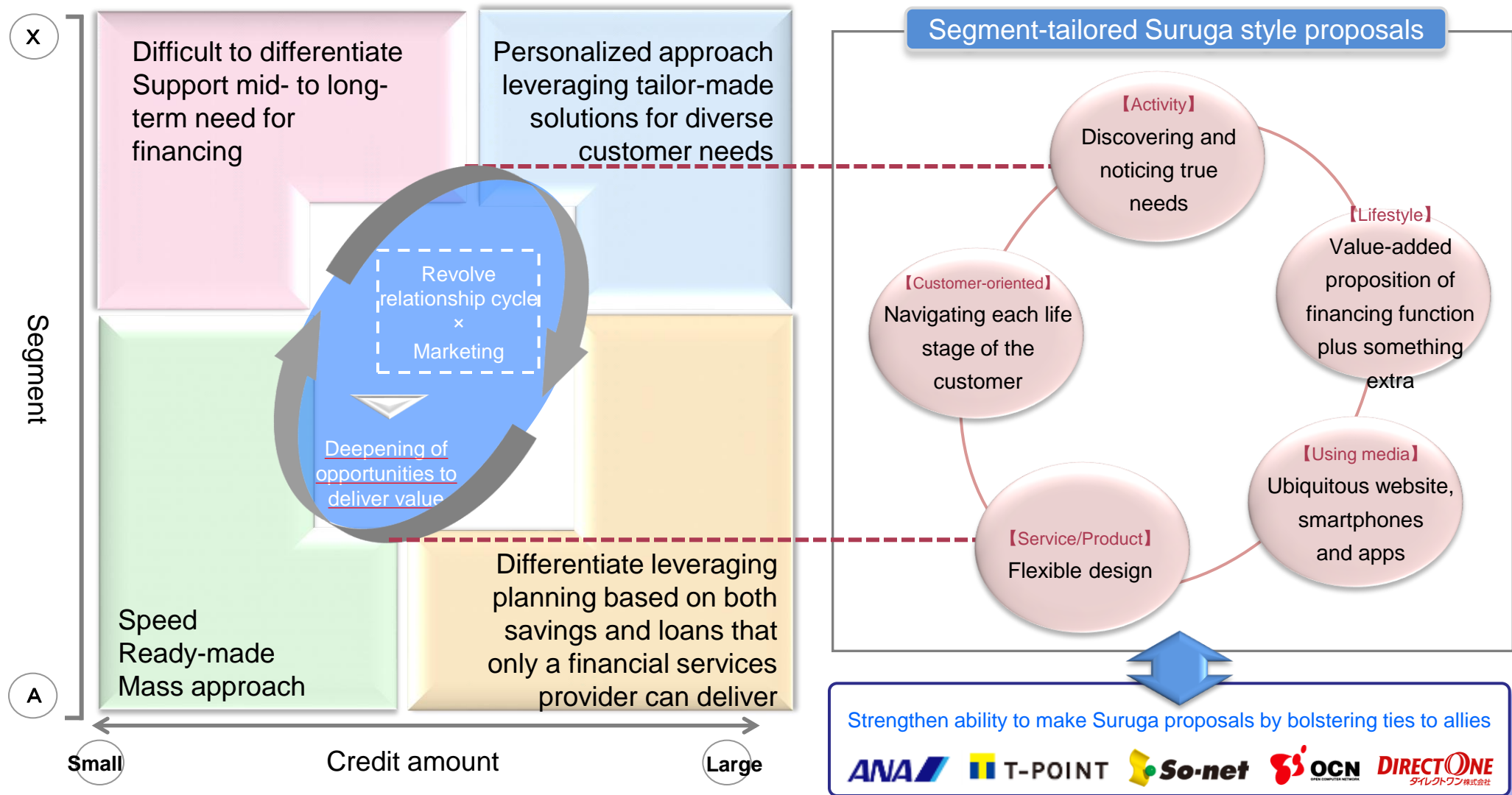
Suruga's secured loan business evolves as times change



Deploying a business model from a customer oriented perspective that separates us from price competition and avoids reliance on real estate channels.

Suruga's Unique Cash Advance Card Loan Business

Gateways to personal loans differ depending on the segment.
Support loan needs that come to the surface as the relationship cycle revolves

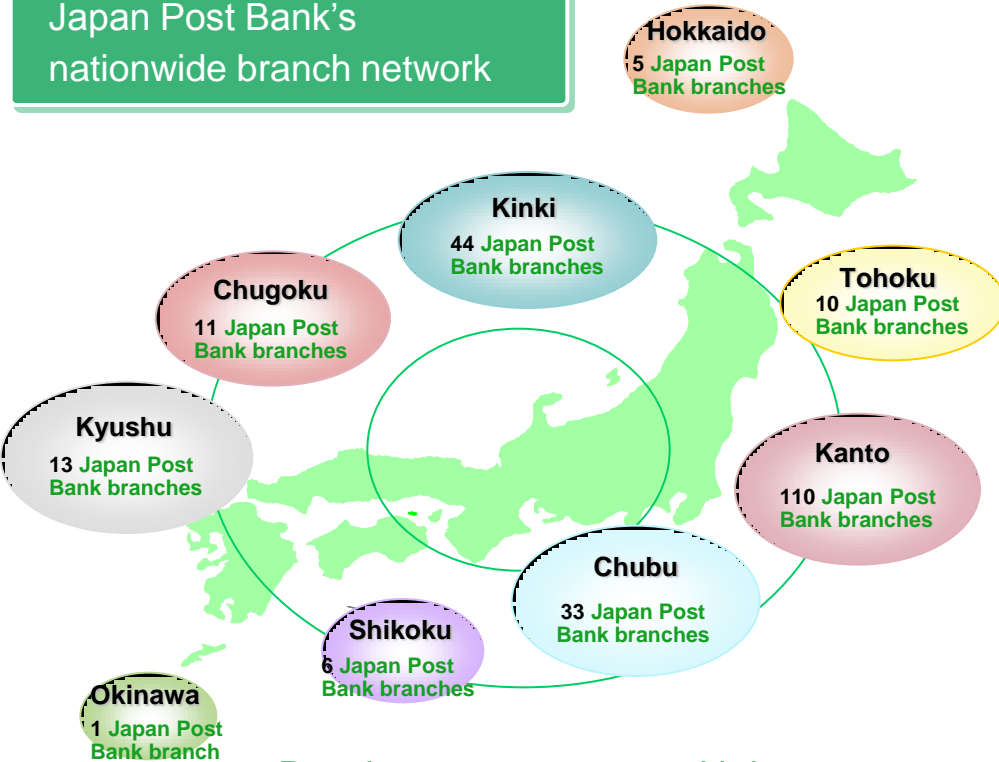


Business Alliance with Japan Post Bank

Leveraging Japan Post Bank's nationwide network

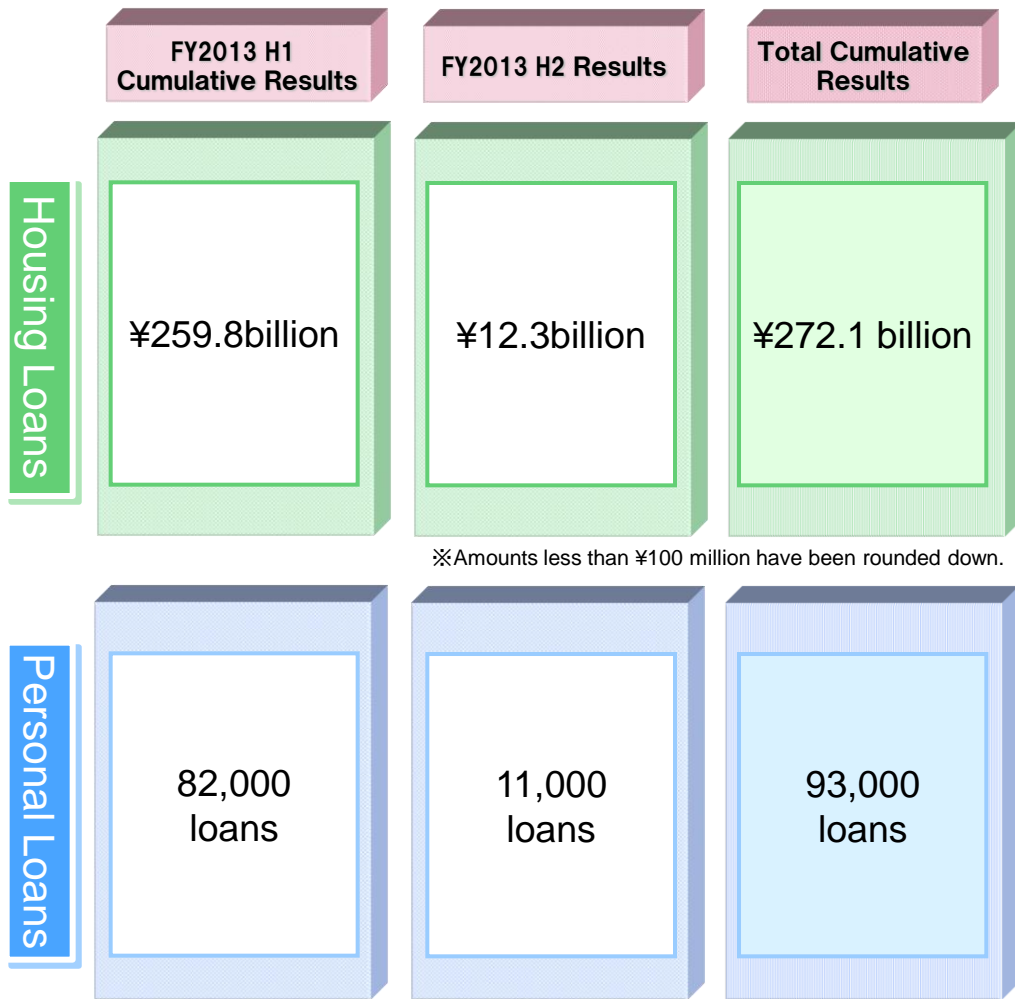
Customers can apply for our Personal loans at all 233 Japan Post Bank branches

Japan Post Bank's nationwide branch network



Reach more customers with loan products that meet customer needs

Cumulative results through the end of March 2014

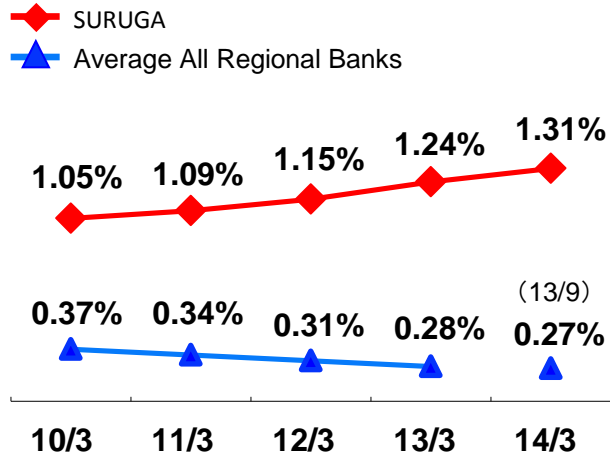


※Amounts less than ¥100 million have been rounded down.

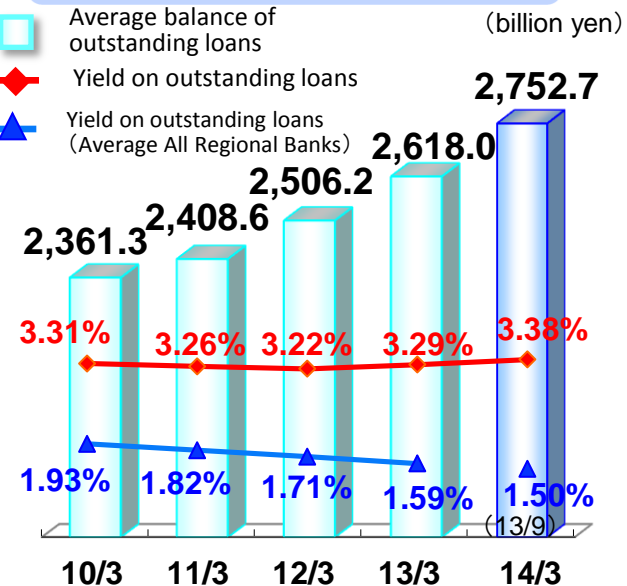
※Amounts less than 1,000 loans have been rounded down.

Yield / Margins (Overall)

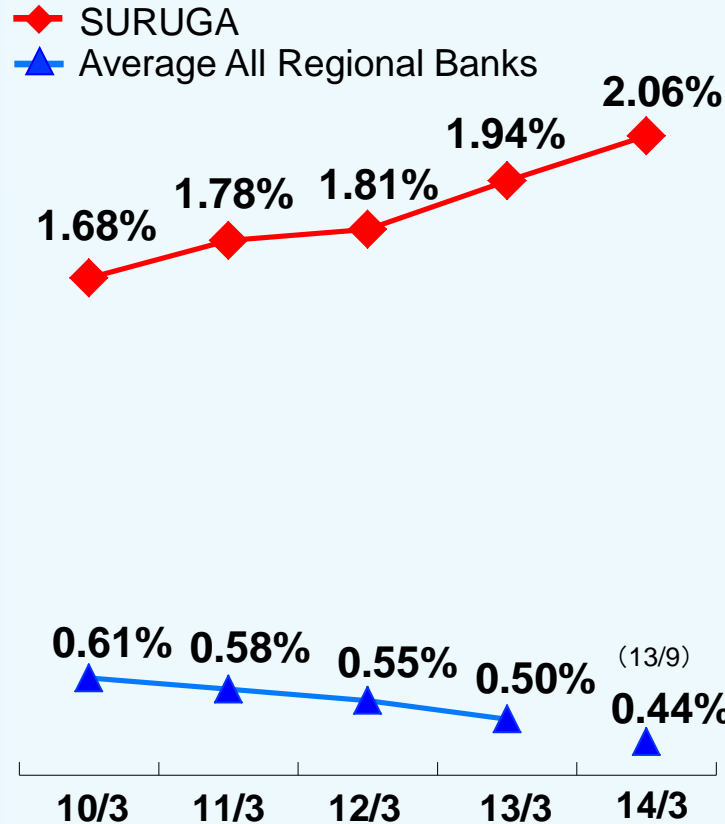
Net interest margin



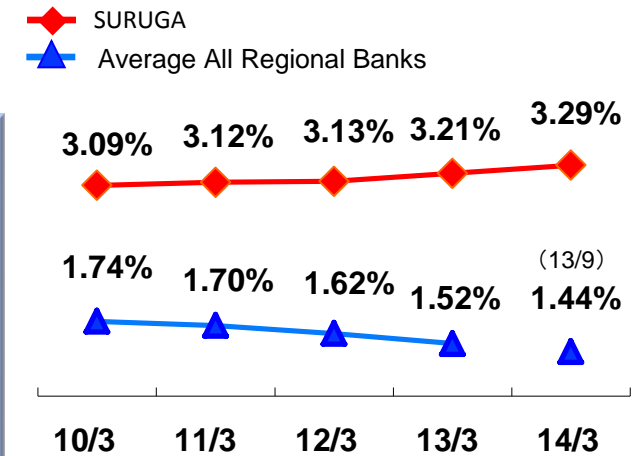
Average balance and yield on outstanding loans



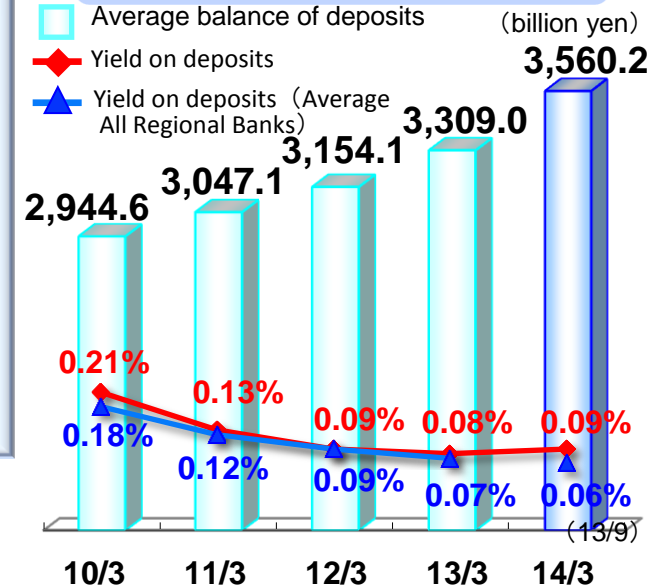
Loan-deposit margin (after deduction from expense ratio)



Loan-deposit margin

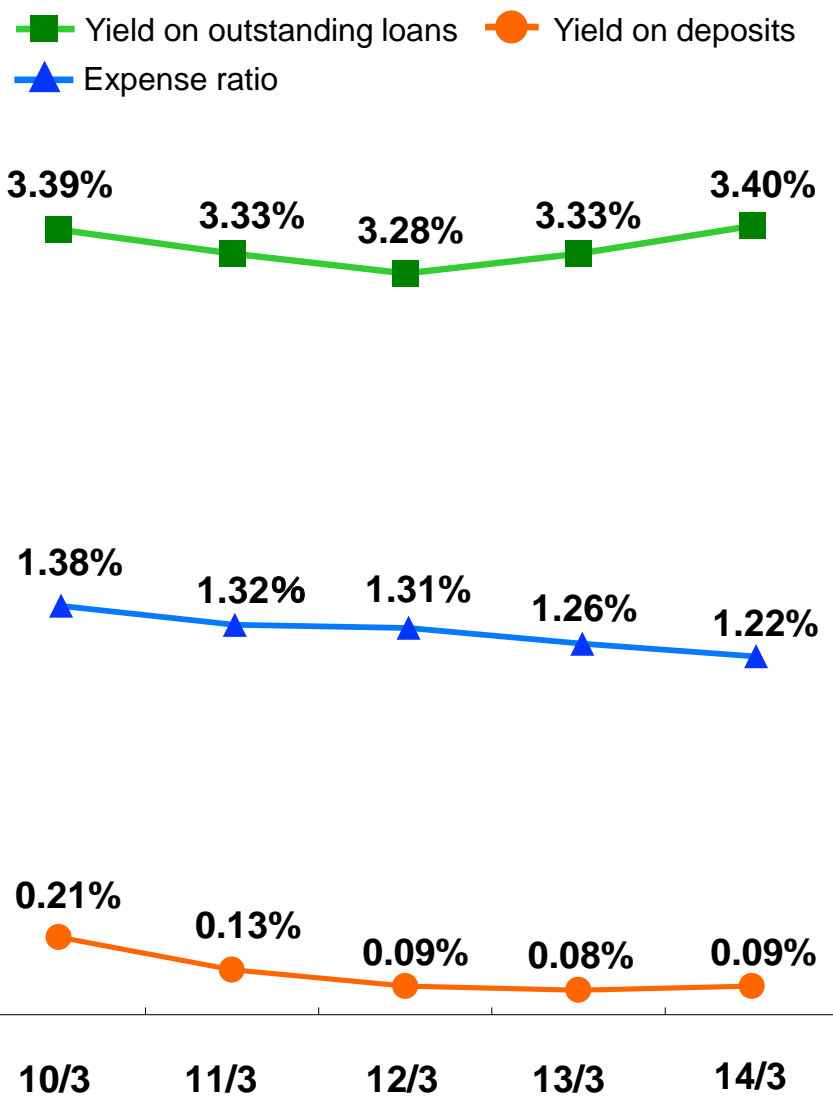


Average balance and yield on deposits

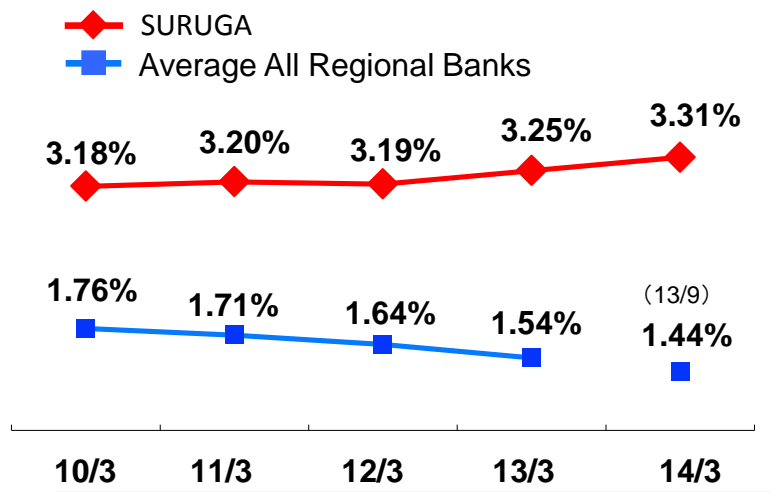


Yield / Margins (Domestic)

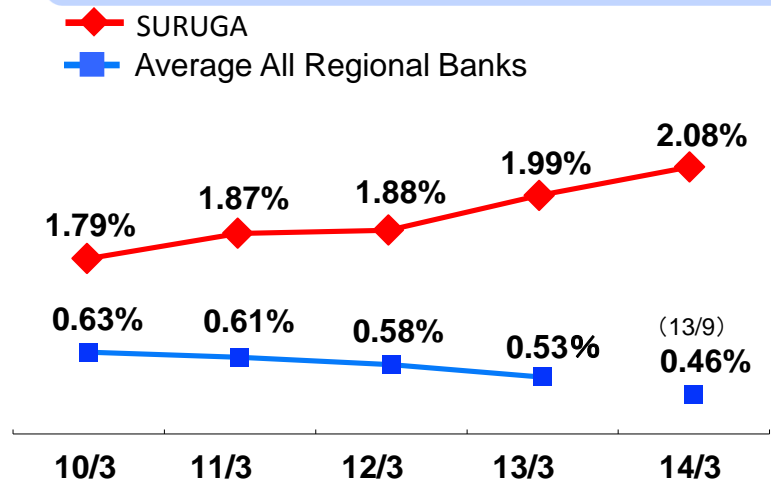
Yield-Expense ratio



Loan-deposit margin

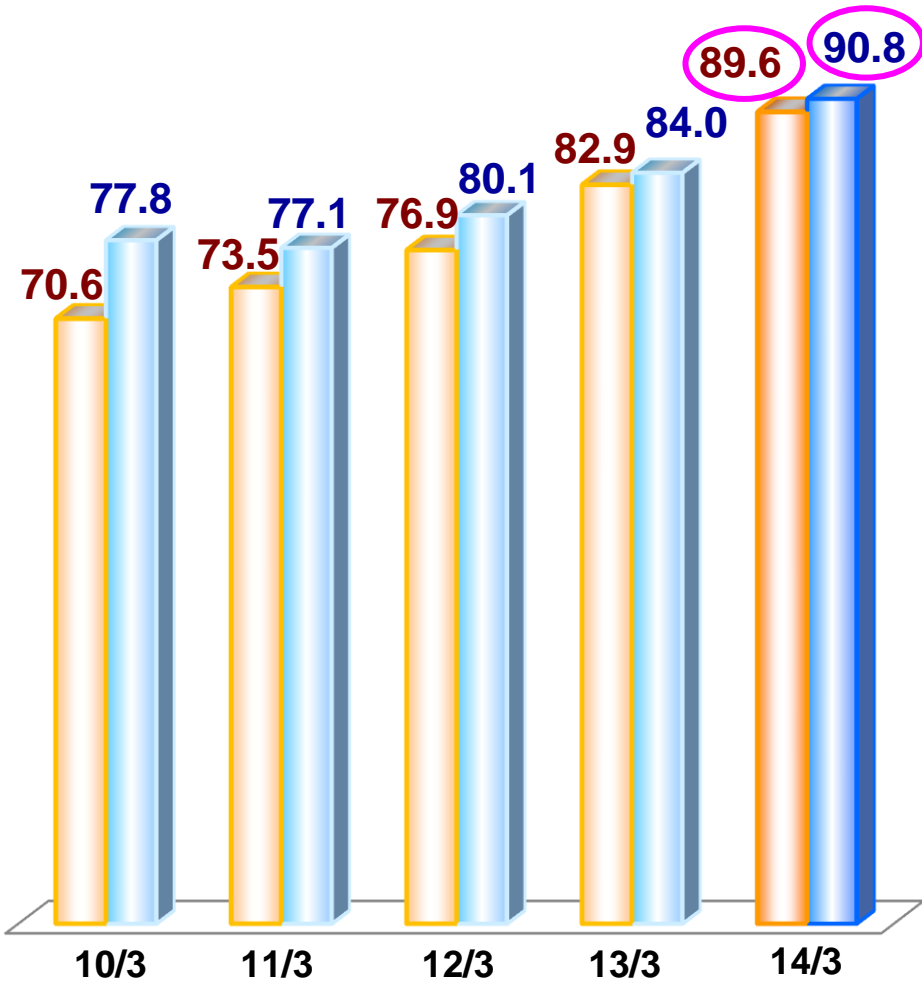


Loan-deposit margin (after deduction from expense ratio)



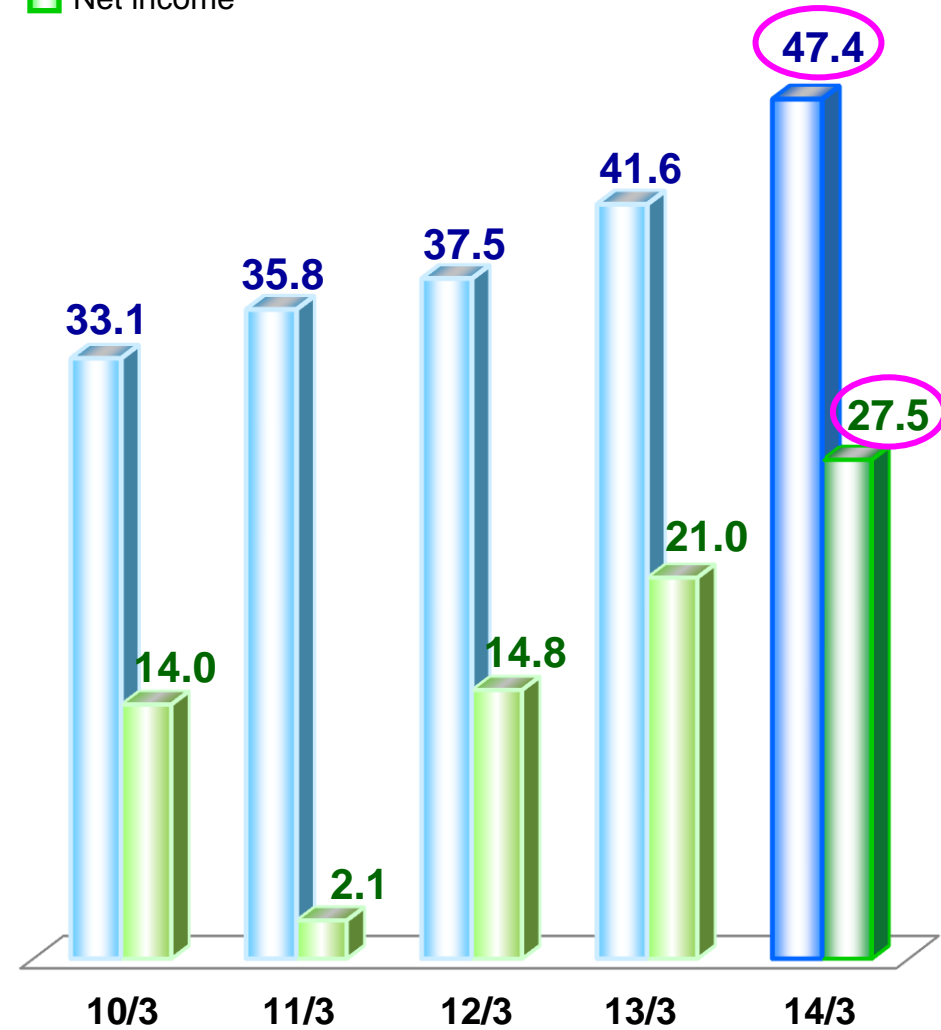
Yen loan-deposit profits / Gross operating profits

- 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)

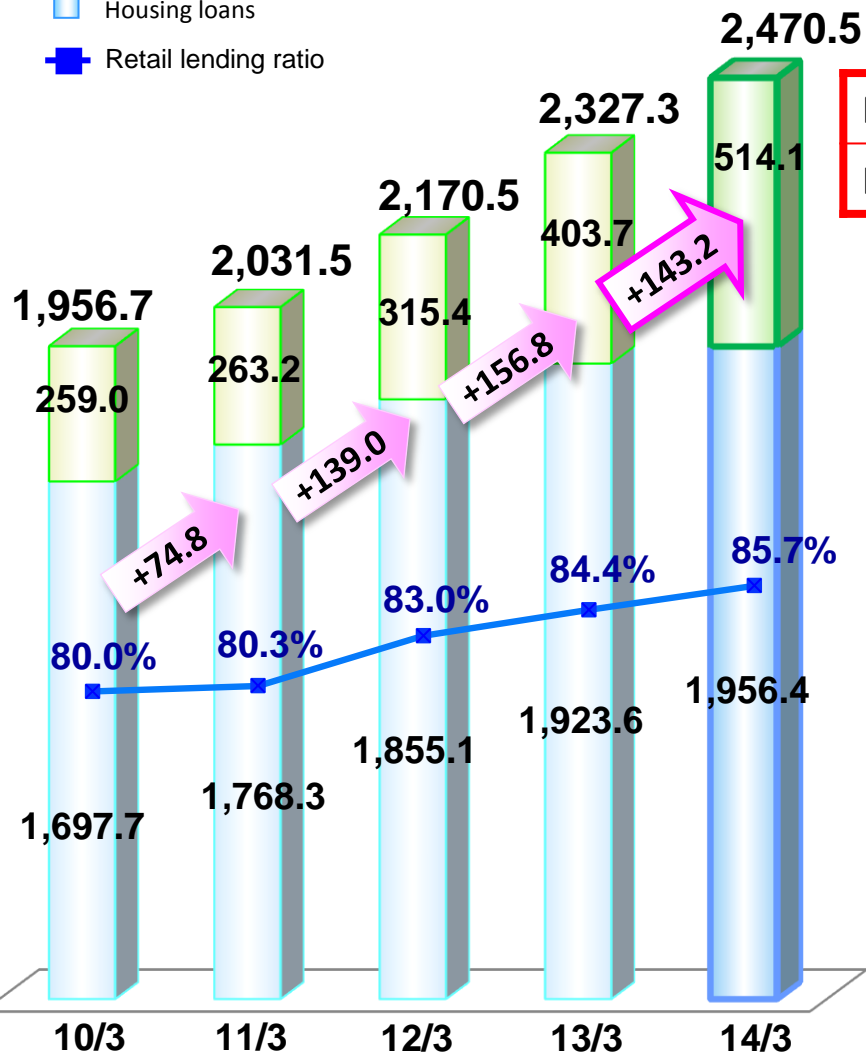


Strong Focus on Retail

Consumer loan balance and ratio

(billion yen)

- Personal loans
- Housing loans
- Retail lending ratio

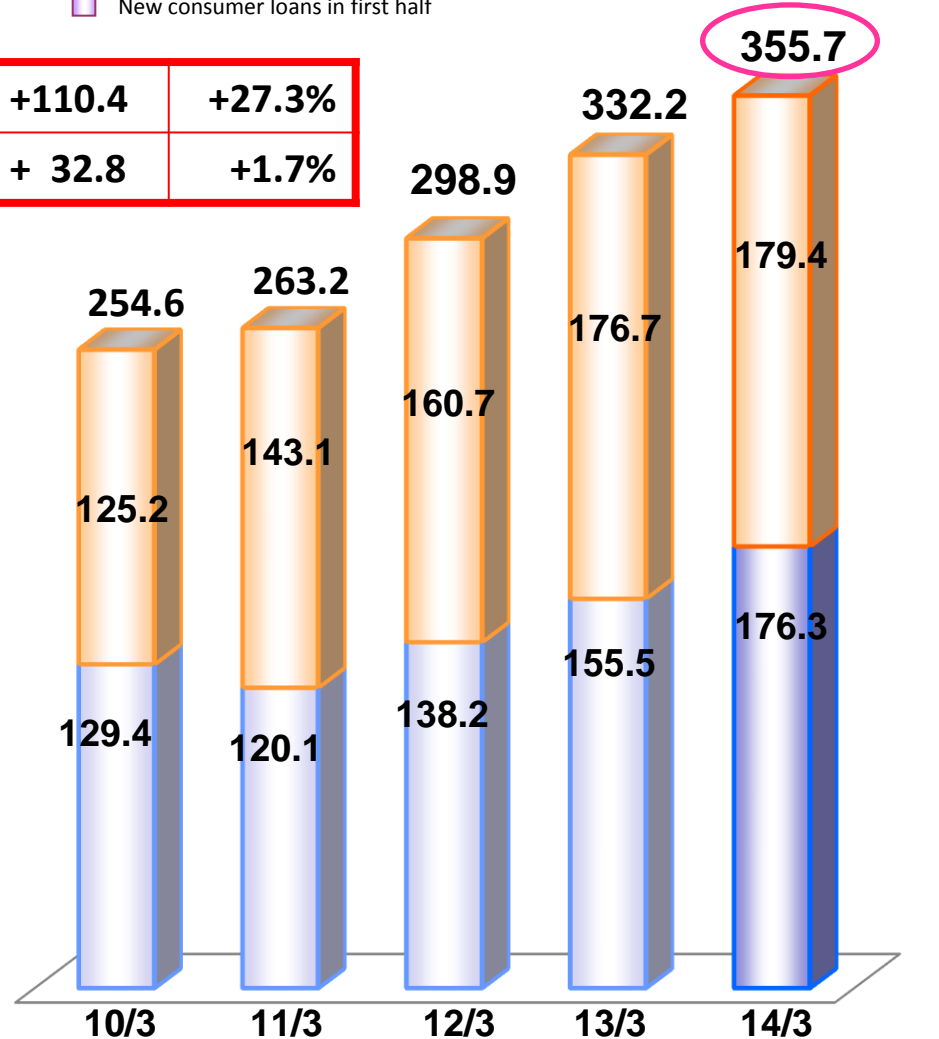


New loan contracts

(billion yen)

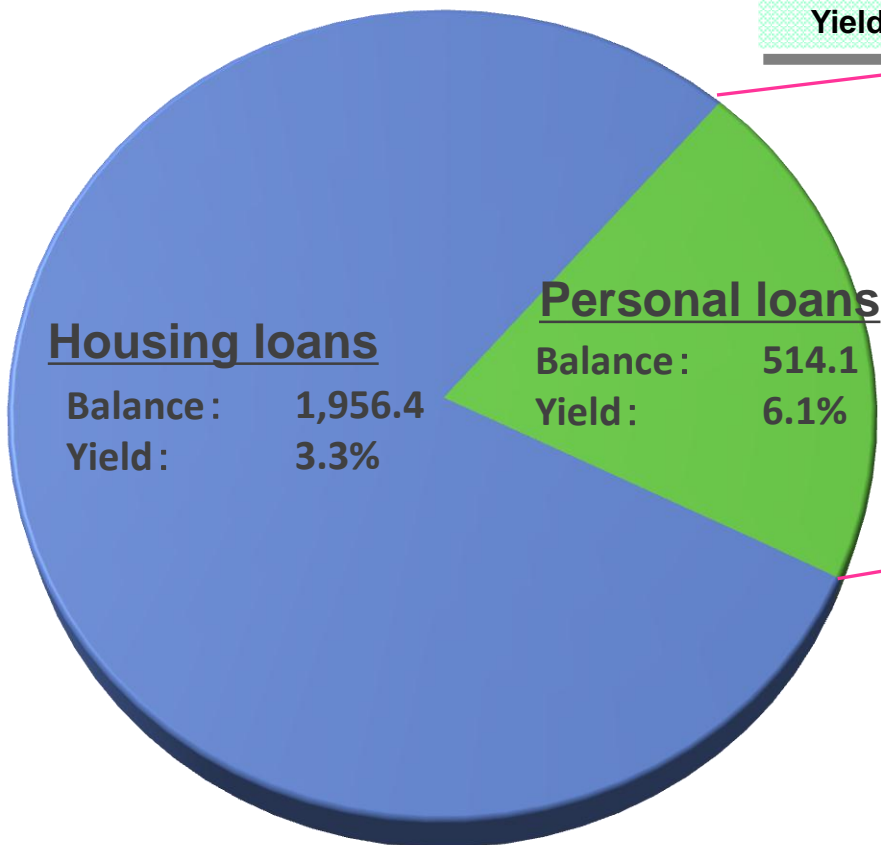
- New consumer loans in second half
- New consumer loans in first half

P loans	+110.4	+27.3%
H loans	+ 32.8	+1.7%



Focus on More Profitable Products

Consumer loans



Balance: 2,470.5

Yield: 3.9%

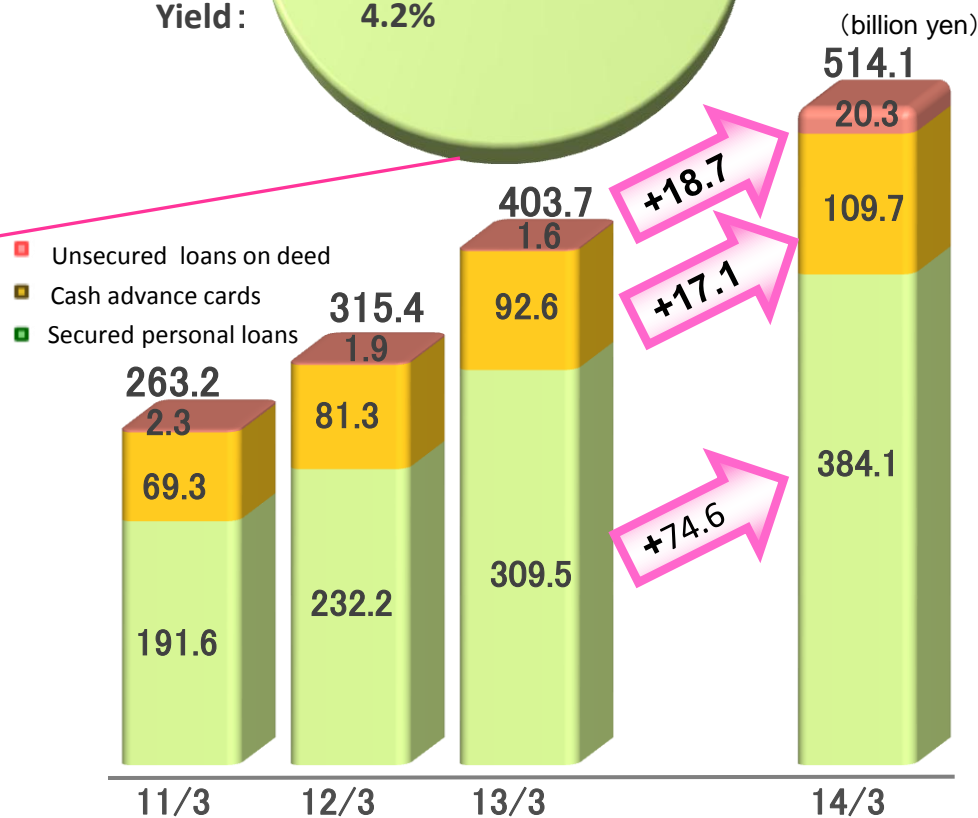
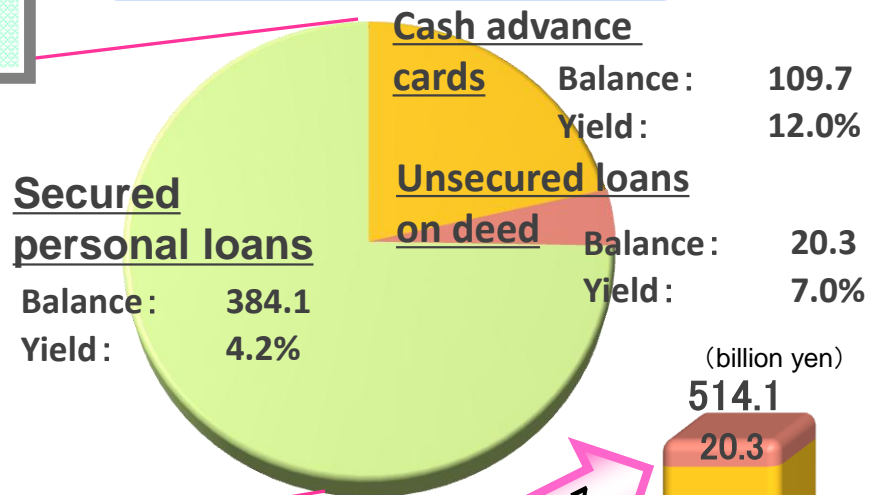
《The type of Housing loans' interest rate》

2.3%
fixed interest rate



As of Mar. 31, 2014
Balance: billion yen
Yield: average rate

Personal loans



Business expansion of DIRECT ONE

DIRECT ONE's branch network

14 branches (2014/3)

Breakdown

Shizuoka : 7 Kanagawa : 2

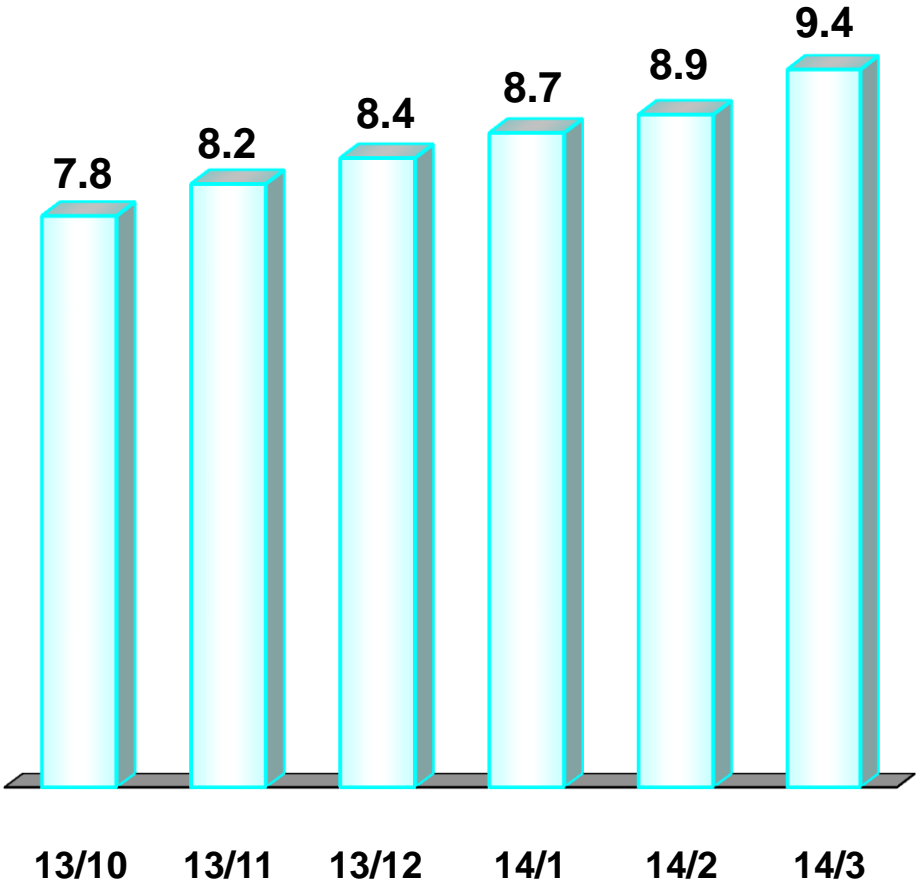
Aichi : 2 Tokyo : 1 Yamanashi : 1

Physical branch: 13 Internet branch : 1



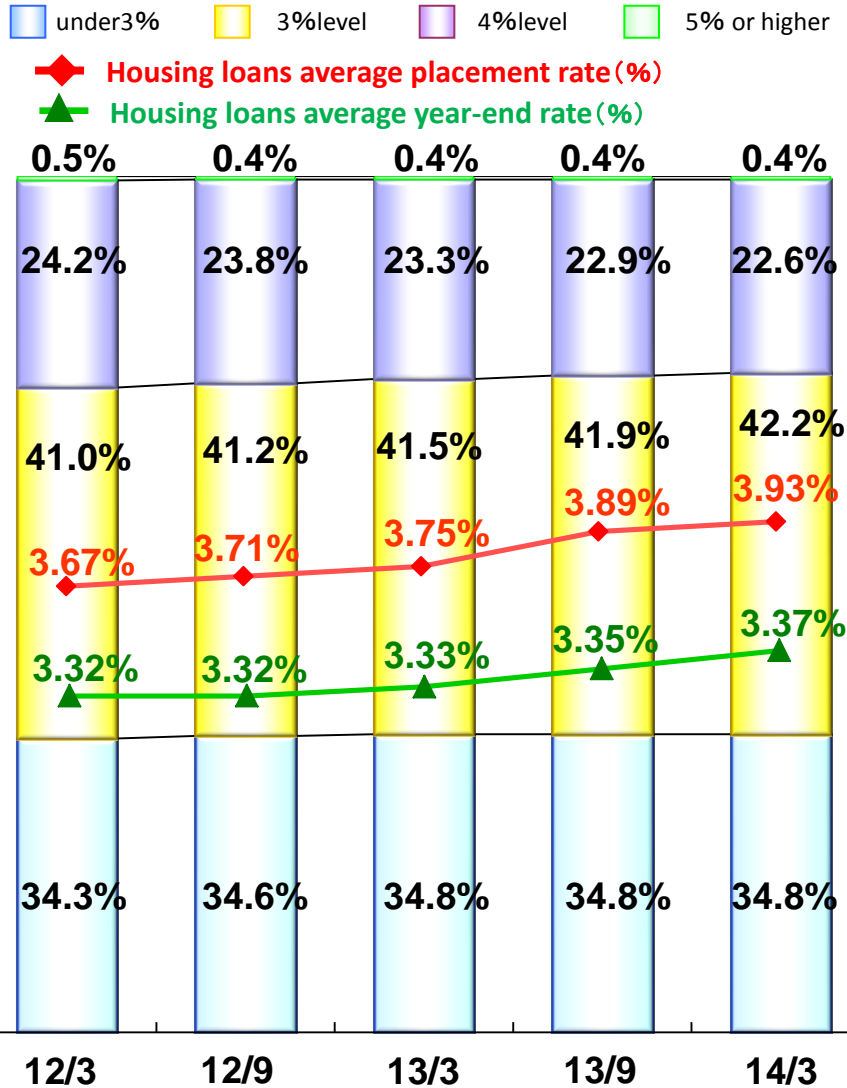
Receivables Outstanding

(billion yen)

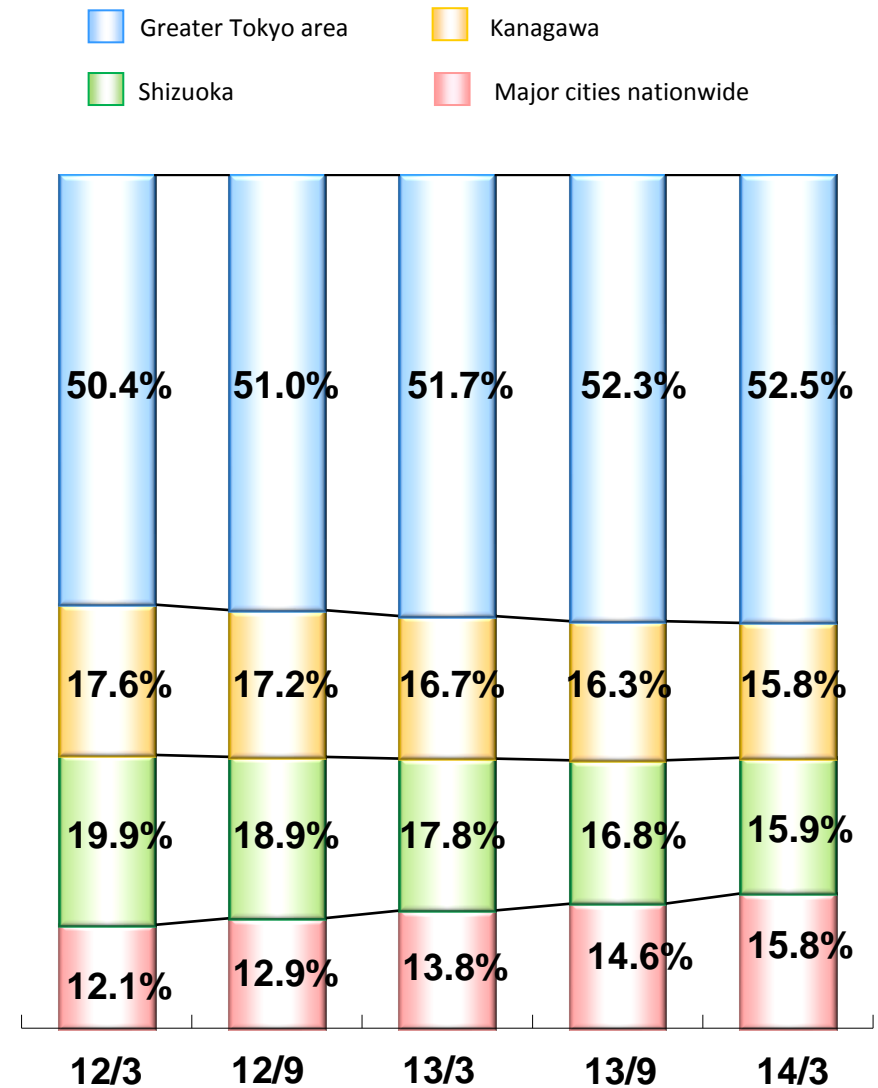


Housing Loans

Distribution of practical rates for Housing loans (cumulative)



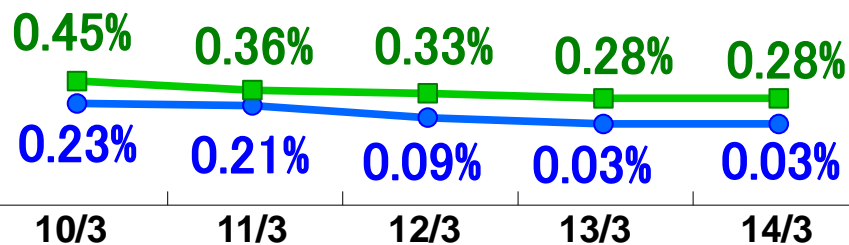
Housing Loan balance by geographical area



Delinquency and Loss Rates on Consumer Loans

Housing loans

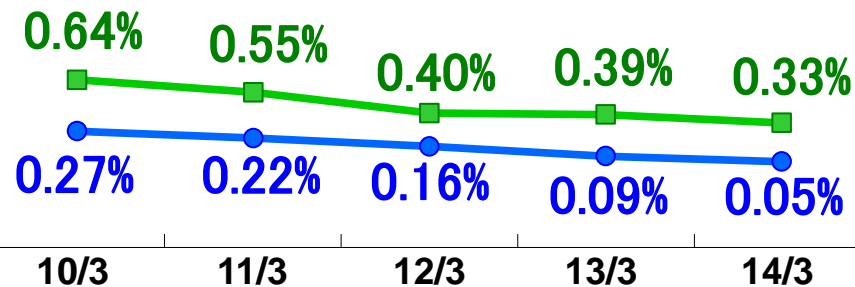
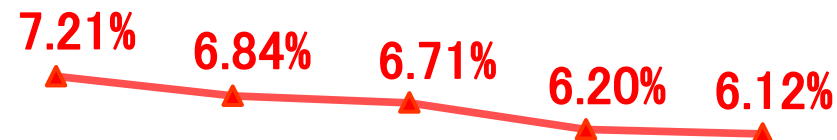
▲ Yield ● Delinquency rate ■ Loss rate



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

Personal loans

▲ Yield ● Delinquency rate ■ Loss rate



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

Fees and Commissions

Balance breakdown of investment products

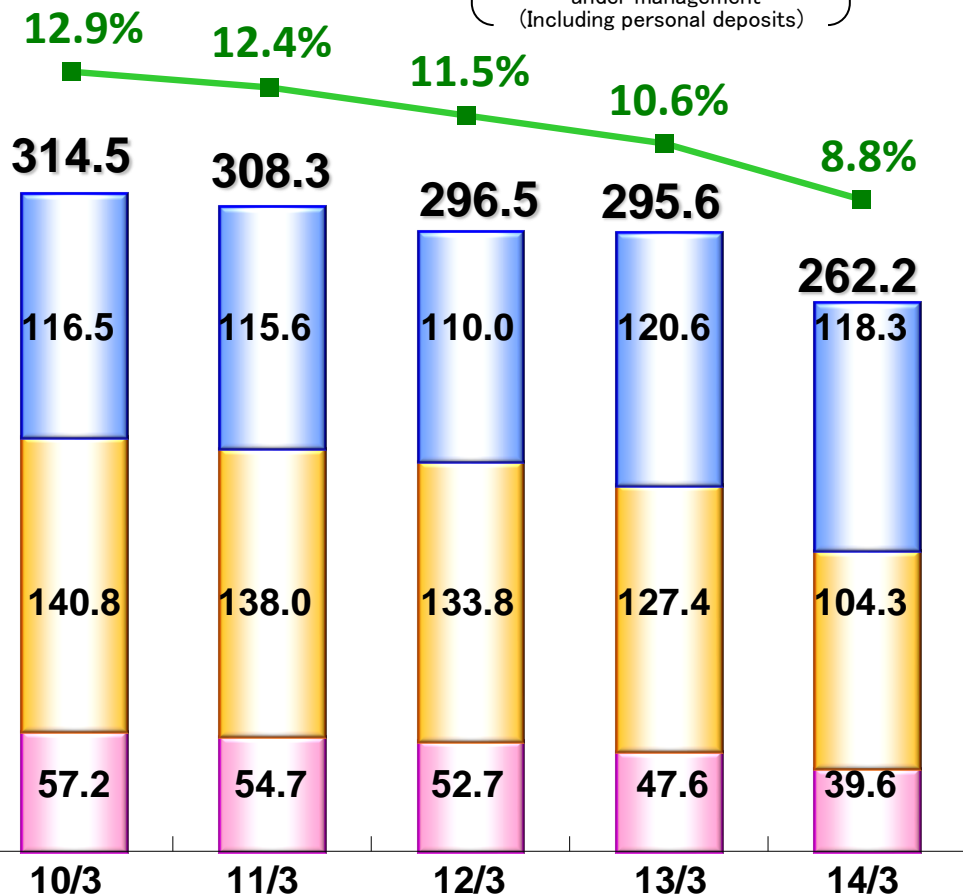
■ Mutual funds (billion yen)

■ Insurance

■ Other (JGBs in custody & Foreign currency deposits)

■ Ratio of investment products

Balance of investment Products
Balance of personal assets under management (Including personal deposits)



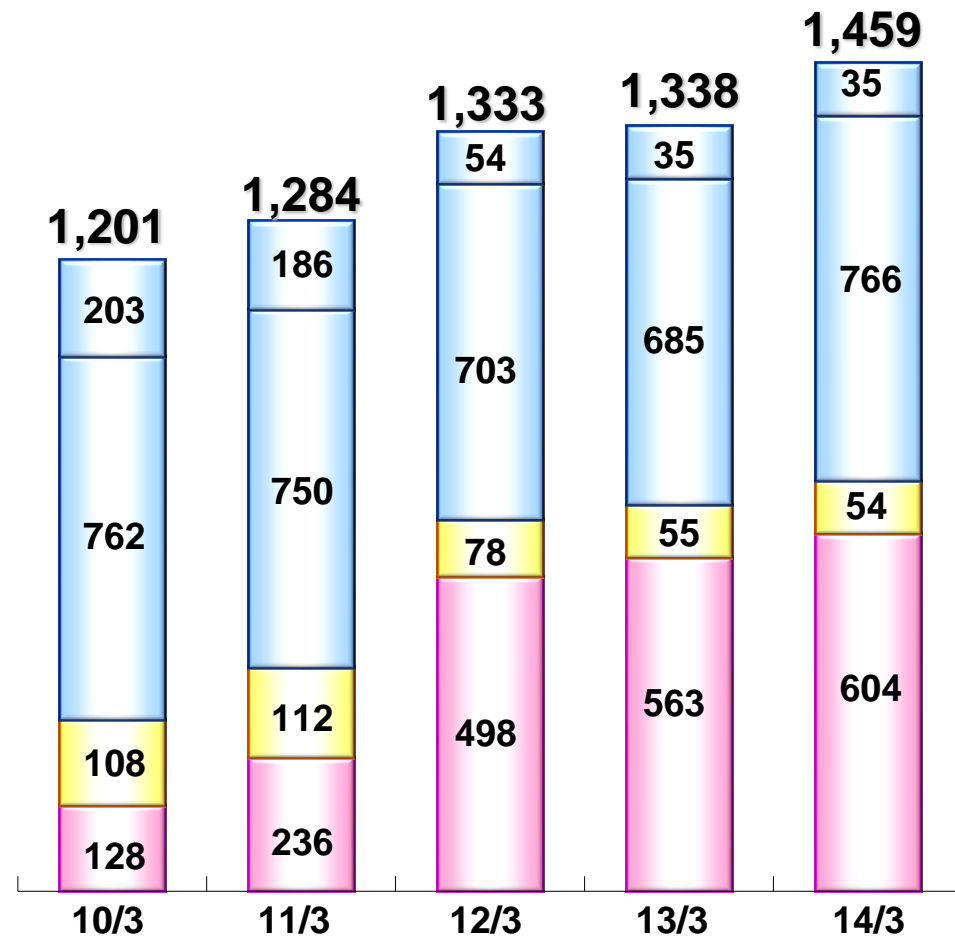
Commission from mutual funds and insurance products

■ Mutual fund sales commissions

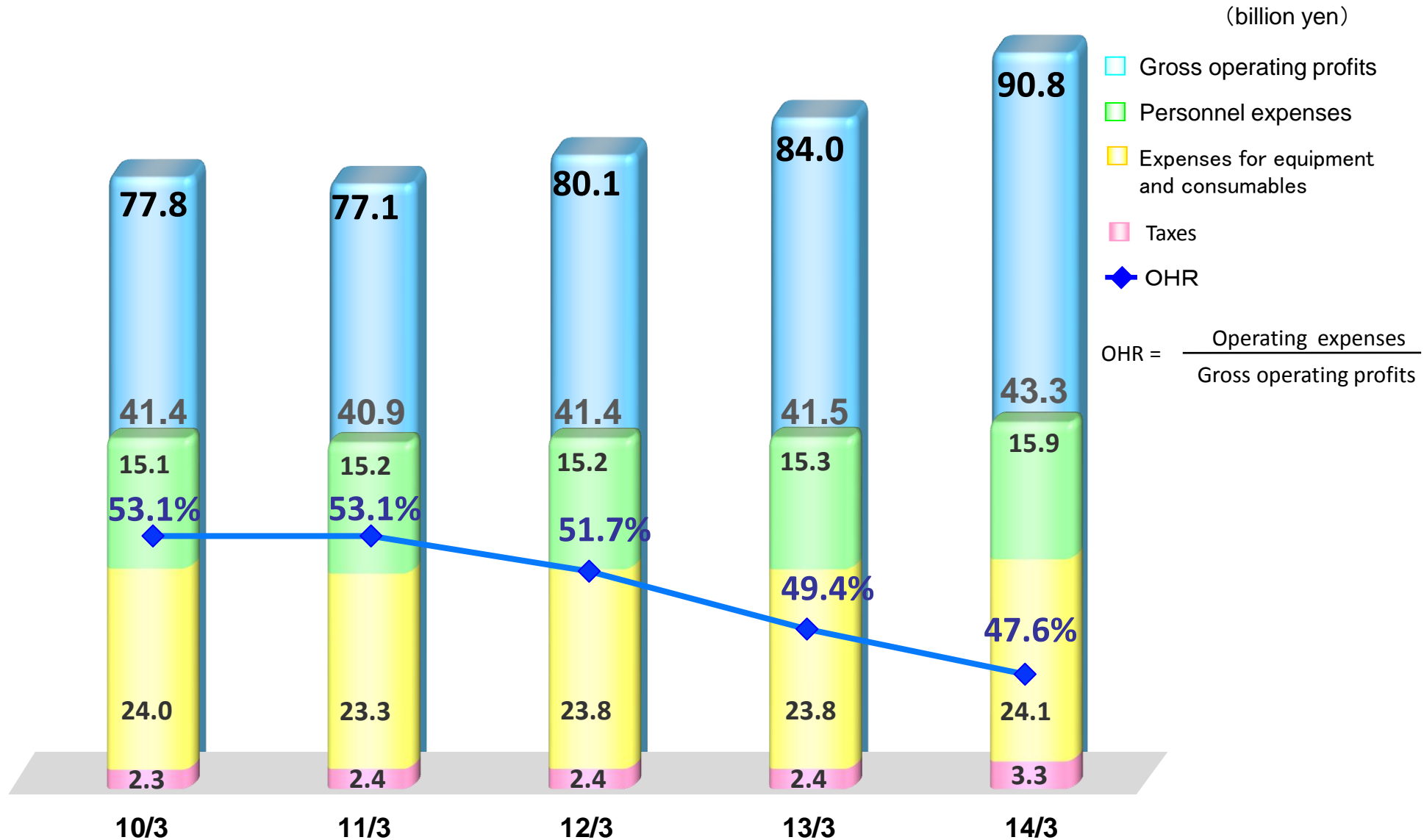
■ Mutual fund fees (million yen)

■ Commissions for Personal pension plans

■ Commissions for Other Insurance (Fire insurance & Single premium life insurance & protection insurance)



Expenses and OHR



Breakdown of Troubled Assets based on the Financial Reconstruction Law

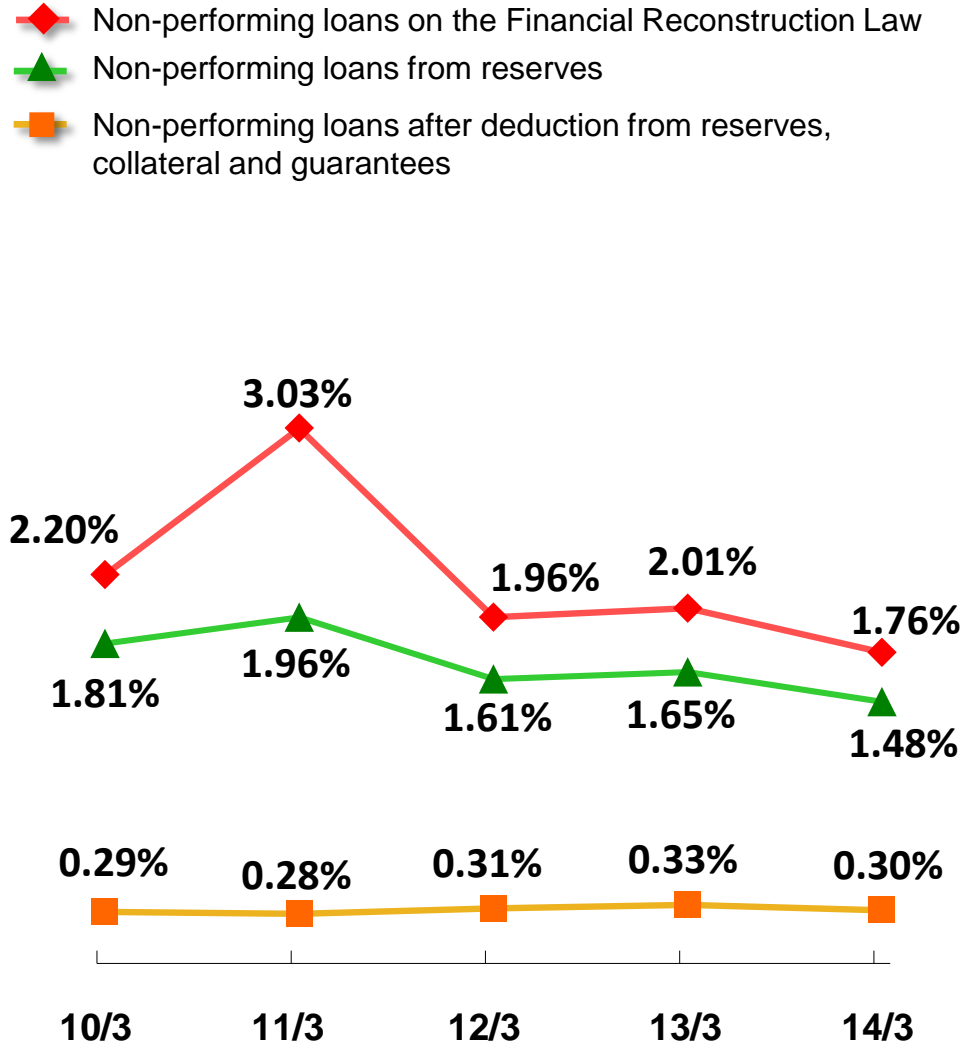
(billion yen)

Debtor classification	Mar. 14 Credit balance	Proportion	Consumer / Corporate		Proportion	Total collateral and guarantees	Collateral	Guarantees * NOTE	Coverage ratio	Reserve	Reserved ratio	Total coverage ratio
Claims against bankrupt and substantially bankrupt obligors	8.2	0.28%	Consumer	5.9	0.24%	3.5	2.9	0.6	59.20%	2.4	100%	100%
			Corporate	2.3	0.56%	2.1	0.3	1.8	92.16%	0.2	100%	100%
Claims with collection risk	22.0	0.76%	Consumer	5.1	0.20%	3.0	2.5	0.5	59.43%	1.1	56.39%	82.31%
			Corporate	16.9	4.07%	14.5	5.9	8.6	85.96%	1.3	56.39%	93.88%
Claims for special attention	20.9	0.72%	Consumer	10.7	0.43%	7.4	7.3	0.1	69.35%	0.8	24.14%	76.75%
			Corporate	10.2	2.47%	3.7	3.7	0.0	36.34%	2.1	32.97%	57.33%
Sub-total	51.1	1.76%	Consumer	21.7	0.87%	13.9	12.7	1.2	64.25%	4.3	56.34%	84.39%
			Corporate	29.4	7.10%	20.3	9.9	10.4	69.19%	3.6	40.43%	81.65%
Normal assets	2,849.0	98.24%	Consumer	2,464.8								Total coverage ratio 82.81%
			Corporate	384.2								
Total	2,900.1	100%	Consumer	2,486.5								Coverage ratio : Covered by collateral and guarantees Reserved ratio : Reserved for unsecured portion Total coverage ratio : Covered by collateral, guarantees and reserves
			Corporate	413.6								

* 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.

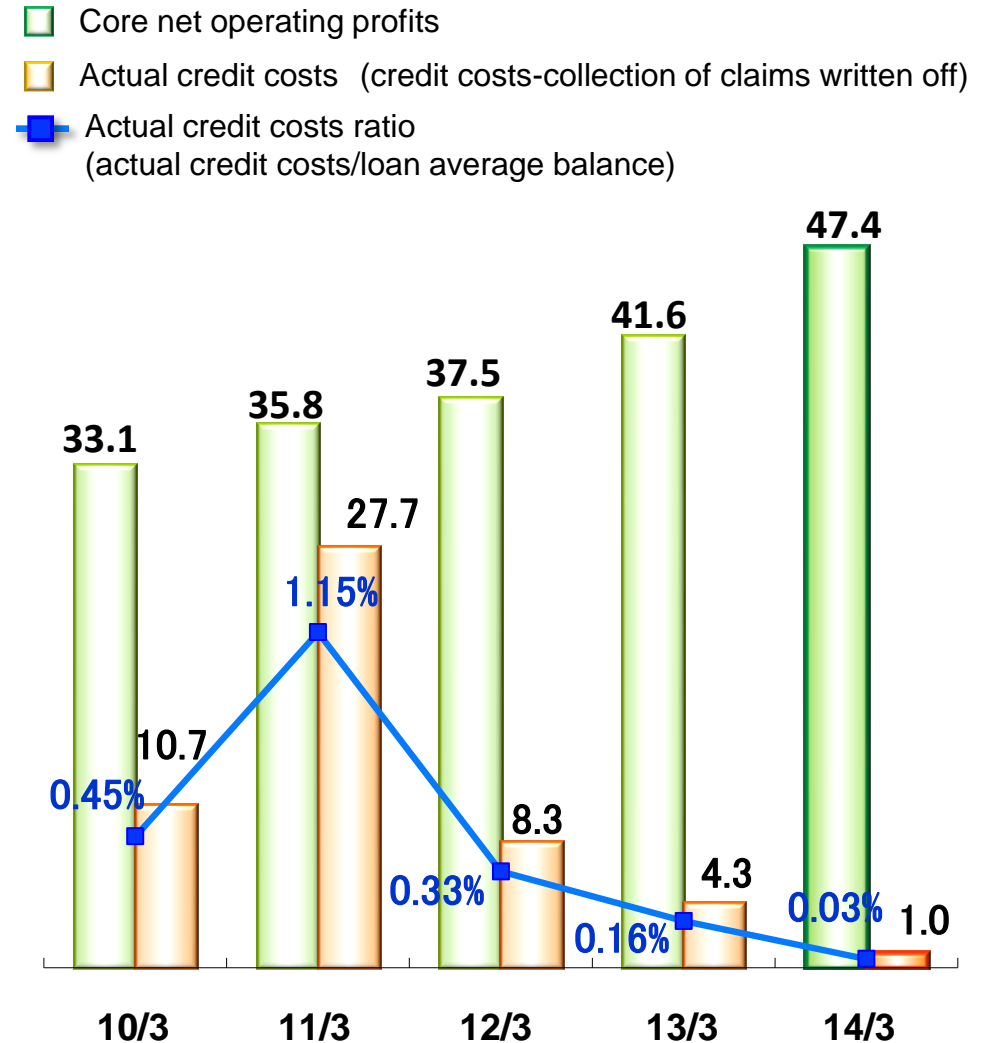
Non-performing loans ratio / Credit costs status

Non-performing loans ratio



Credit costs status

(billion yen)

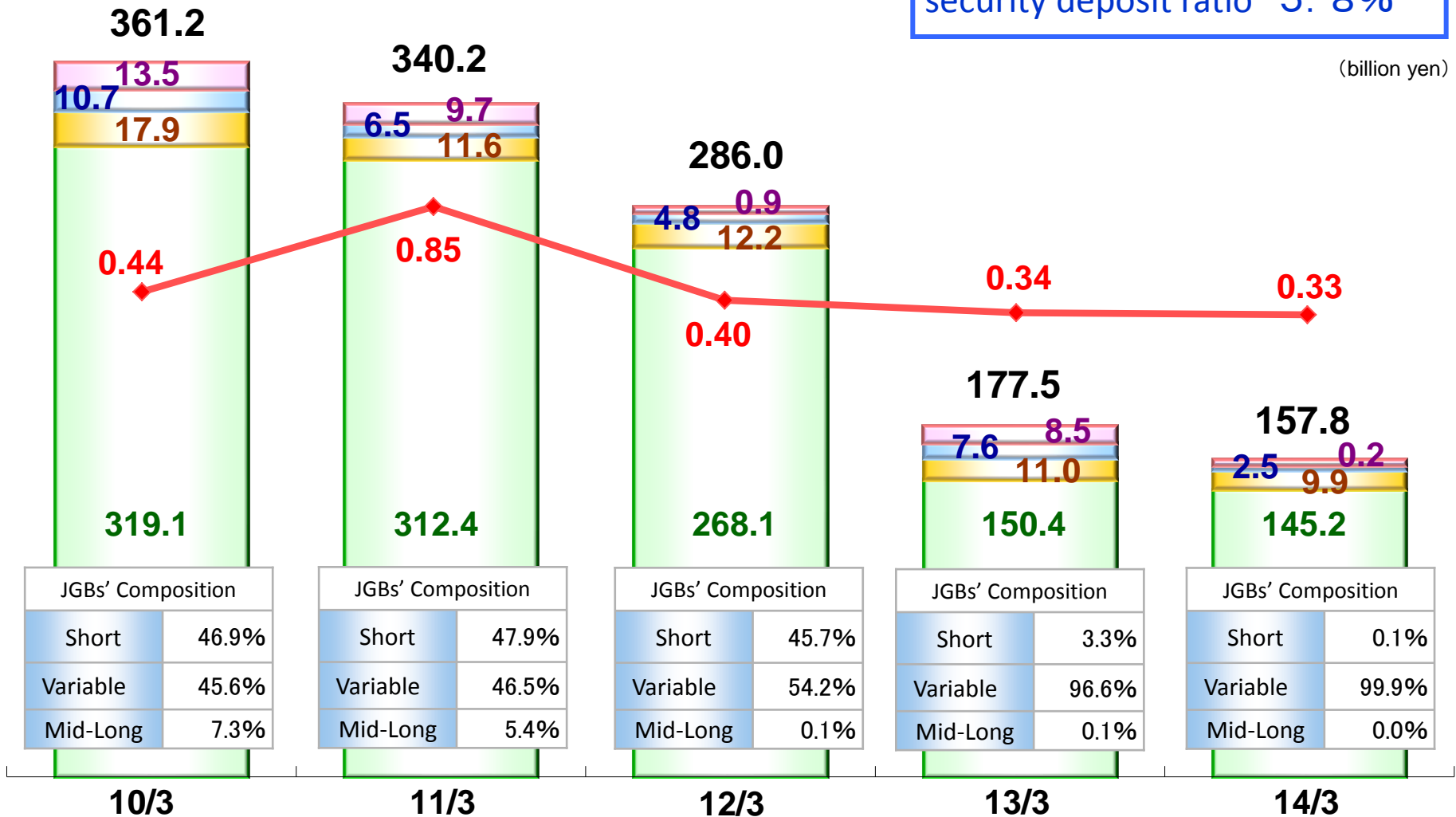


Bond Portfolio

- Regional government bonds
- Corporate bonds
- Foreign bonds
- JGBs
- ◆— Average remaining maturity (Year)

security deposit ratio 5.8%

(billion yen)



Status of Risk Amount

Integrated Risk Management

2013/9

Tier I

(billion yen)

220.6

Buffer
(Unallocated Capital)
138.8

81.8

25.4

39.1

17.3

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

Credit Risk

Market Risk

Operational Risk

55.5

16.9

25.1

13.5

As of the end of
September, 2013
Sources for Allocation

Second Half,
2013
Allocated Capital

As of the end of
March, 2014
Risk Amount

Outlier Ratio

As of the end of
March, 2014

Interest Rate Shock
range

±200bp

Interest Rate Risk
Amount

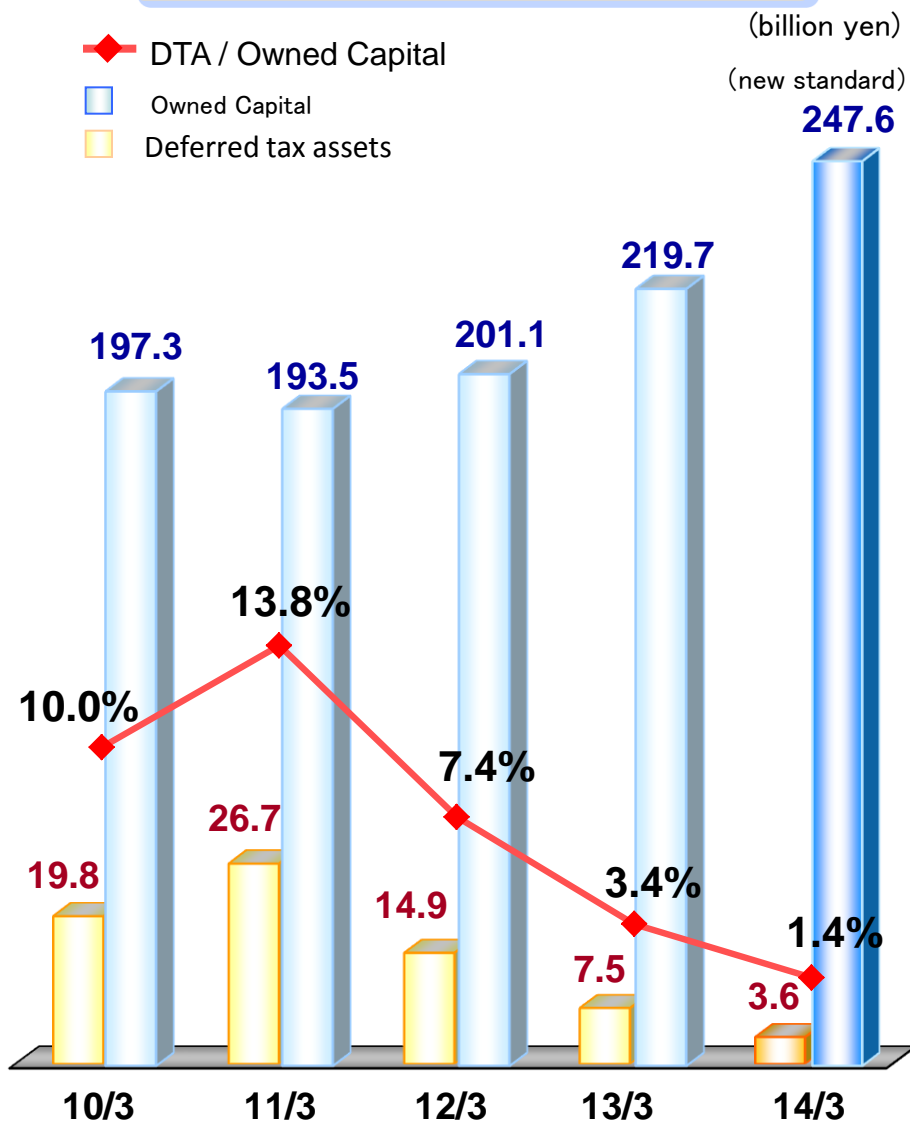
4.3
billion yen

Outlier Ratio

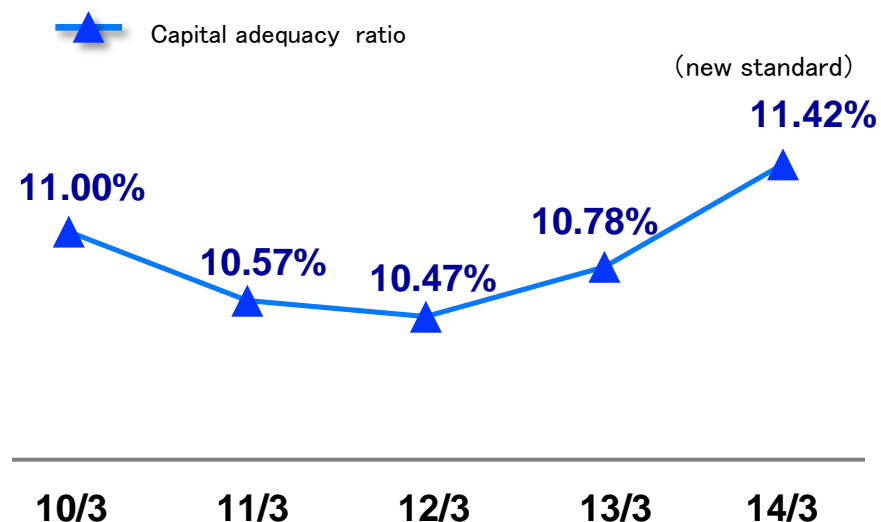
1.7%

Capital Levels

Deferred tax assets-Owned Capital

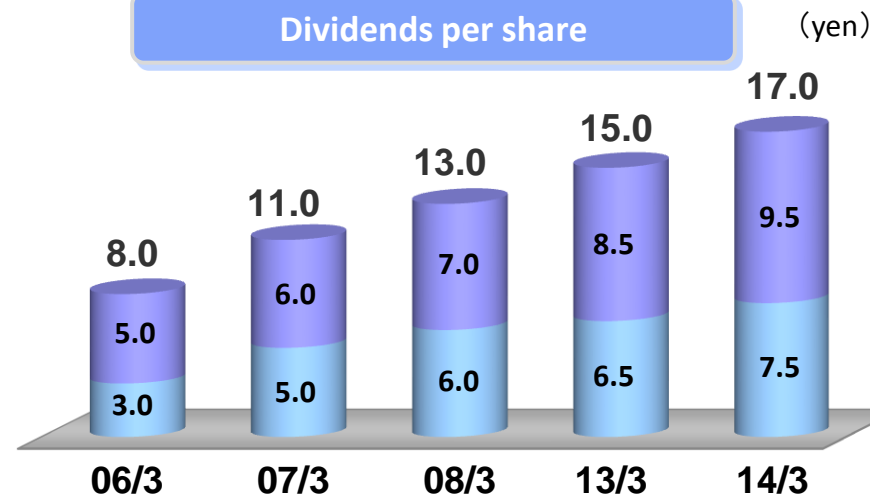


Capital adequacy ratio



* The capital adequacy ratio has been calculated based on the new domestic standard from the fiscal year ended March 31, 2014.

Dividends per share



FY2013 Results and FY2014 Forecast

(billion yen)

	FY2012 Results (A)	FY2013 Results (B)	Increase or Decrease (B-A)	FY2014 Forecast
Gross operating profits	84.0	90.8	+ 6.8	94.0
Operating expenses	41.5	43.3	+ 1.8	45.5
Net operating profits	42.4	47.5	+ 5.1	48.5
Core net operating profits	41.6	47.4	+ 5.8	48.5
Ordinary profits	35.4	45.3	+ 9.9	45.5
Net income	21.0	27.5	+ 6.5	28.5
Actual credit costs	4.3	1.0	△ 3.3	1.0
ROE(%) (net income basis)	11. 10	13. 22	+ 2. 12	12. 30
EPS(yen)	89. 38	116. 54	+ 27. 16	120. 46
Dividends(yen)	15.0	17.0	+2. 0	17.0

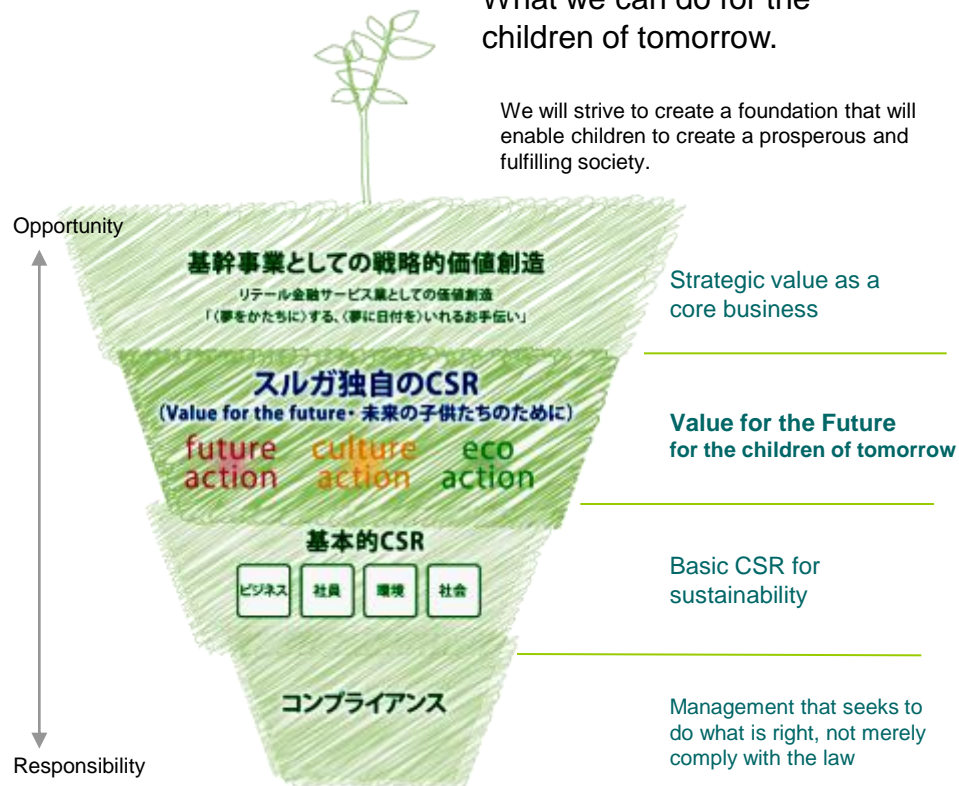
CSR as Suruga Sees It Creating the Future

Suruga's CSR Framework Concept

Answer the needs of ever-changing times and work toward realizing a sustainable society so that tomorrow's children can grow in good health. To that end, we will strive tirelessly to create a rich environment and a society with value.

Value for the Future
What we can do for the children of tomorrow.

We will strive to create a foundation that will enable children to create a prosperous and fulfilling society.



Efforts to support the healthy growth of the children who represent the future
Seedlings for the Future Project

Tea Ceremony for Children – Kiku no Chakai

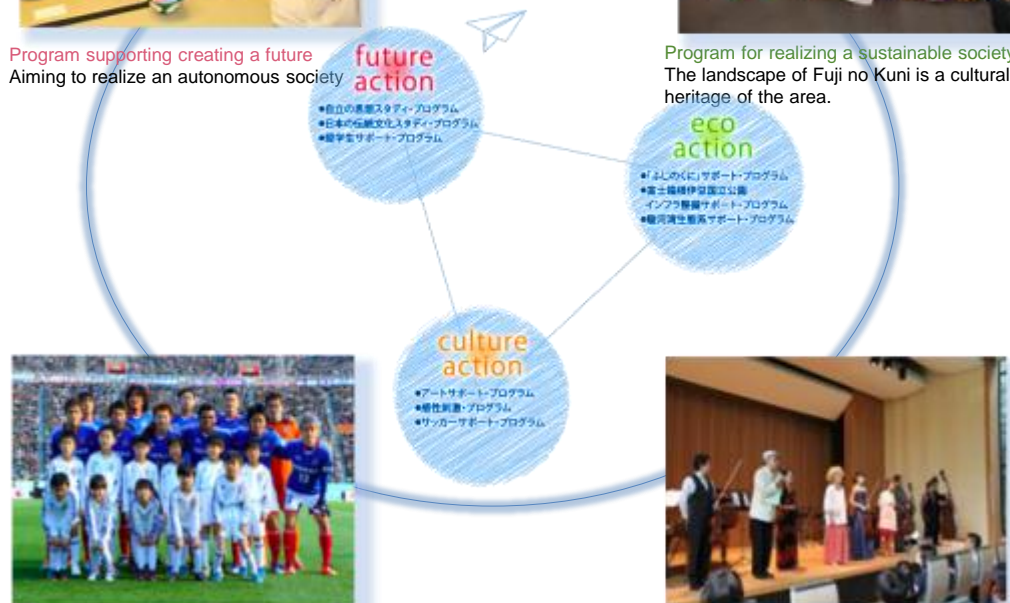


Program supporting creating a future
Aiming to realize an autonomous society

Fuji no Kuni – Mizu no Junkan Workshop
(about water circulation around Mt. Fuji)



Program for realizing a sustainable society
The landscape of Fuji no Kuni is a cultural heritage of the area.



Escort kids at the 93rd Emperor's Cup All-Japan Soccer Tournament

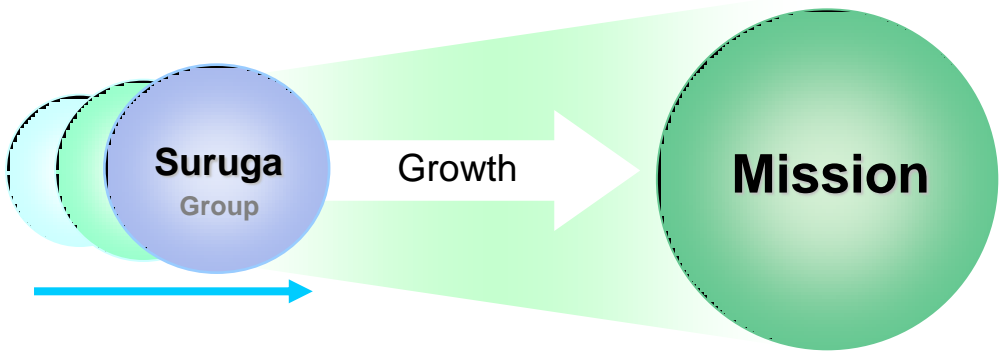


Next generation training support program
For the children of tomorrow

Growth Within Our Corporate Philosophy

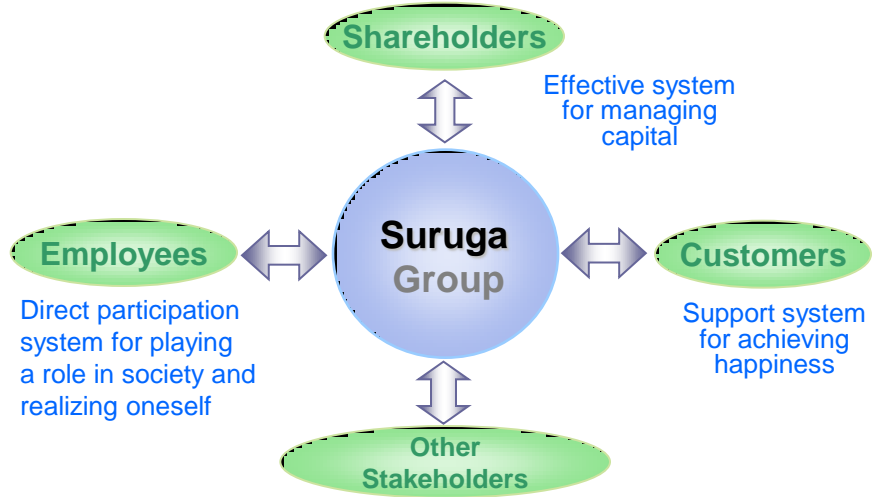
Growth as a Mission-Based Company

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

Management		
C	<u>Culture-oriented</u> Rooted in culture of land where established	Respect culture. Leverage the strengths of that culture to realize growth for Suruga.
P	<u>People-based</u> Centered around its people	Achieve growth through management centered not on corporate theory but on the logic of its people.
S	<u>Social-perspective</u> Seeks improved sociality	Always mindful of its role as a social institution. Achieves ends by means above the social code.

For further details regarding the above, please contact

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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.