

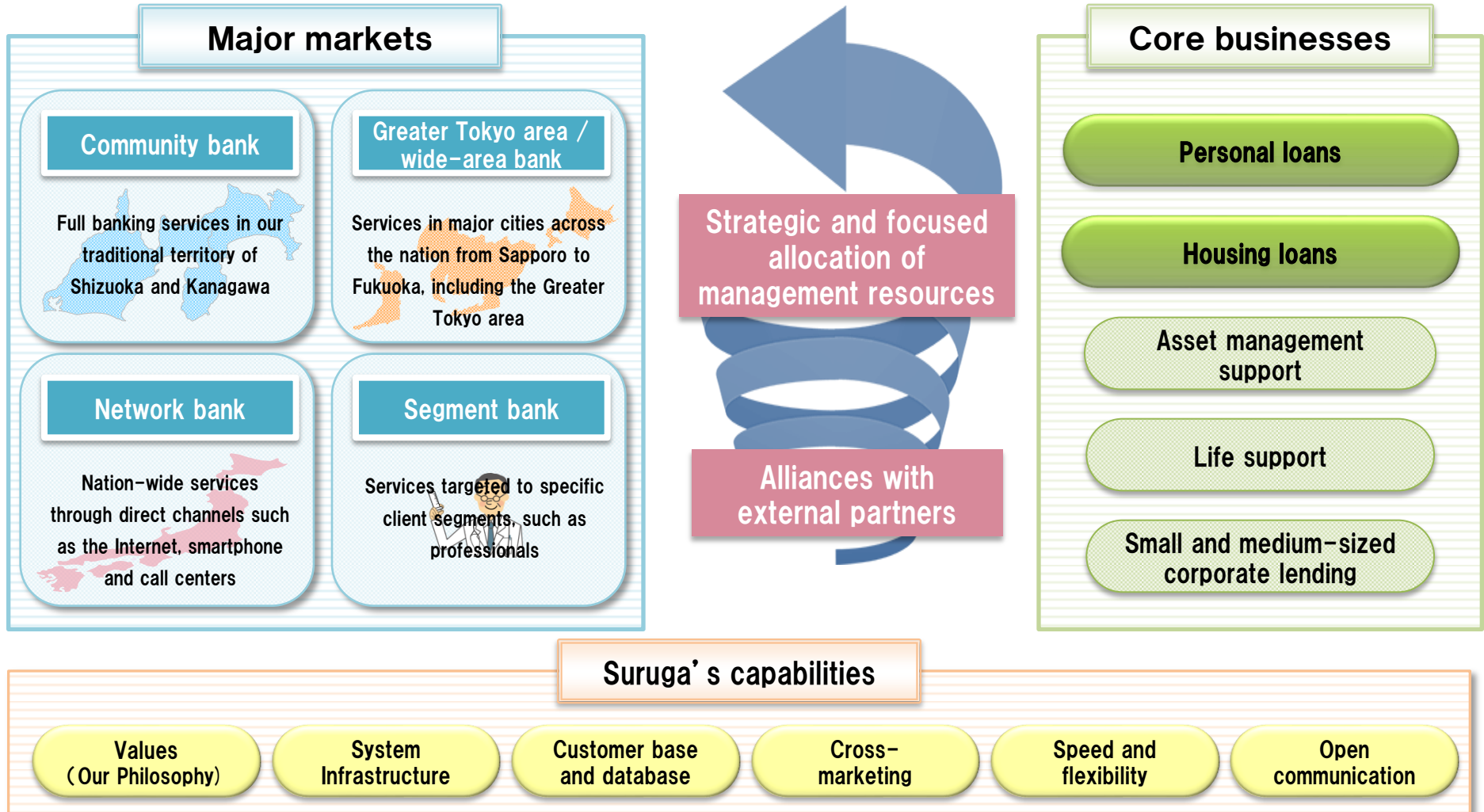
Meeting the Challenge of New Banking

Presentation to investors on fiscal year ended September 30, 2016



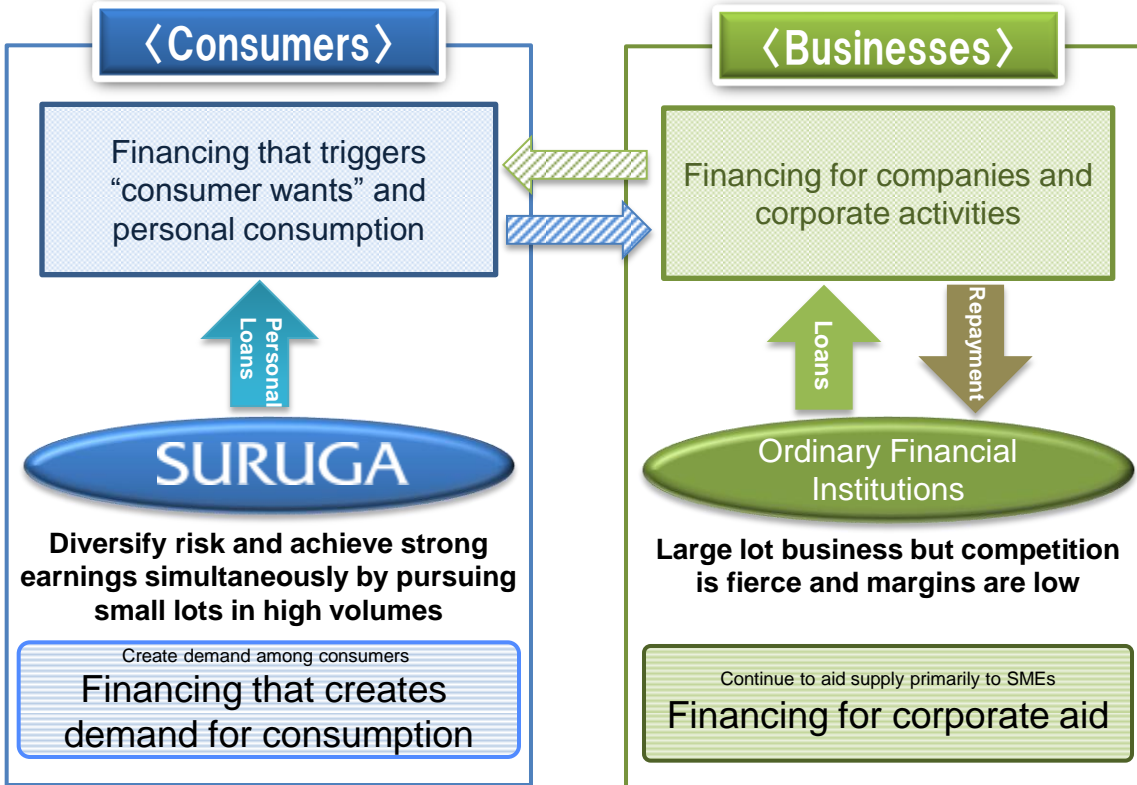
Grand Design of the 1st Management Plan

Create value through the unique development of our core businesses adapted to market characteristics
- Maximizing the know-how developed through Suruga Bank's retail-focused strategy -



Suruga's Business Model

Suruga's mission in the financial services business



Contribute to the growth of Japan's economy by providing finance to consumers with the aim of creating and stimulating healthy demand among a broad range of consumers.

Suruga's strategy

Generate strong earnings through efficient management

Value Proposition

Be Unique
Value-added financial services

Network

Branch network in Shizuoka and Kanagawa
Reaching a broader area with brick-and-mortar branches in major metropolitan areas and online banking

Infrastructure

ICT infrastructure dedicated to retail business
Data analysis and cross-marketing

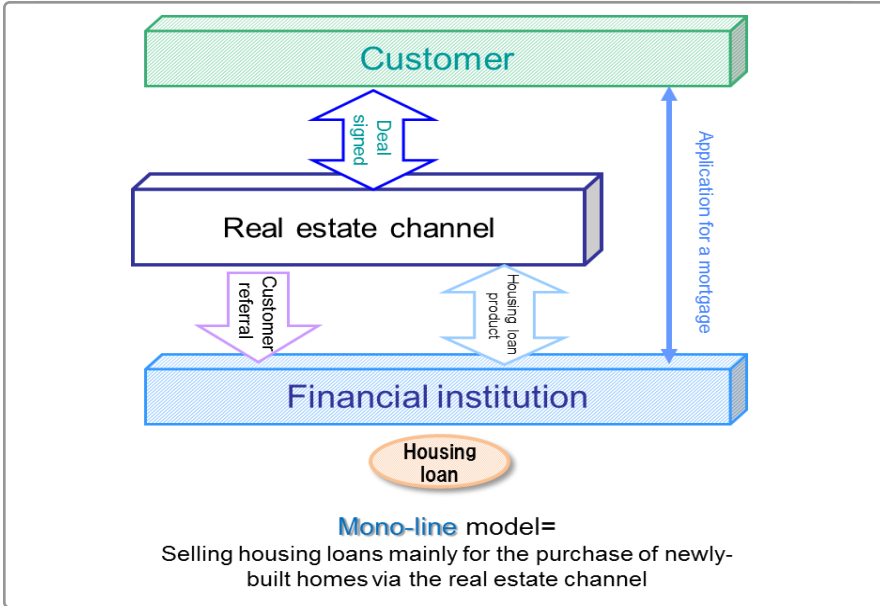
Corporate Culture

Corporate culture that is motivated by achieving unprecedented success
Organization culture that instills intimacy and a free unbridled spirit

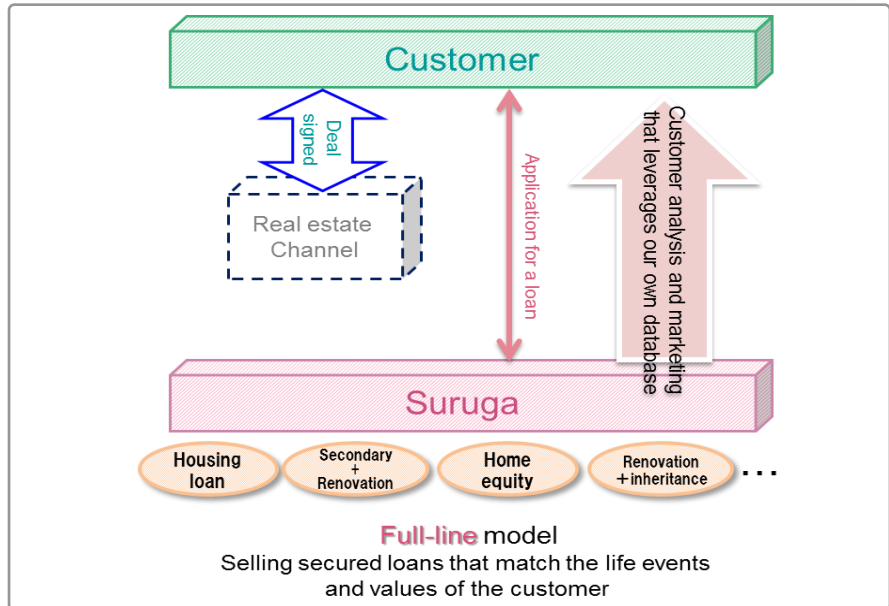
Suruga's Secured Loan Business

Suruga's secured loan business evolves with the changes in customers' lifestyles

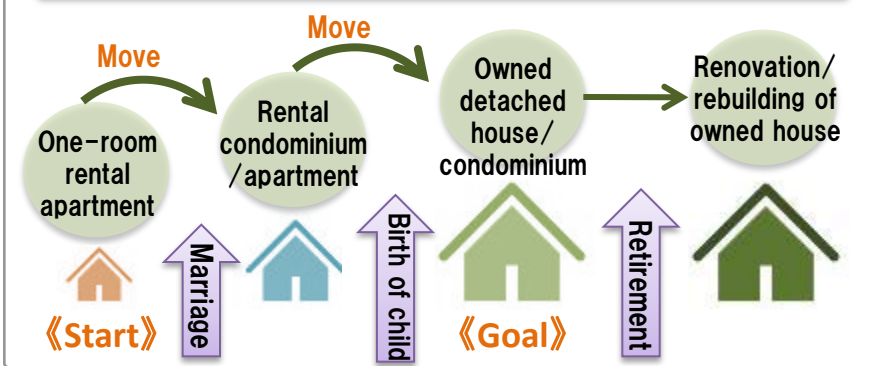
Ordinary secured loan business



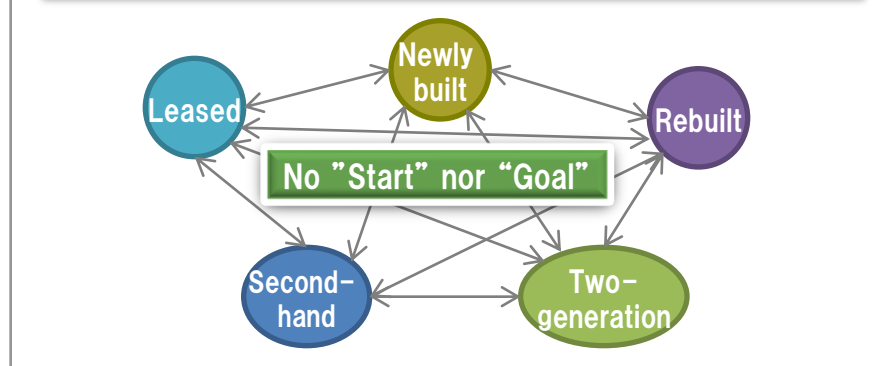
Suruga's secured loan business



"Conventional way of living" made possible by ordinary secured loans

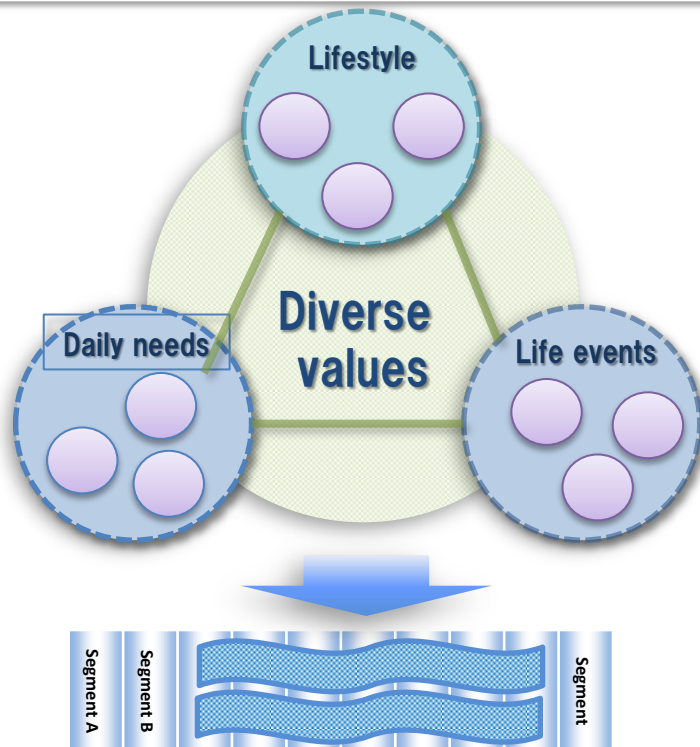


"Modern way of living" made possible by Suruga's secured loans



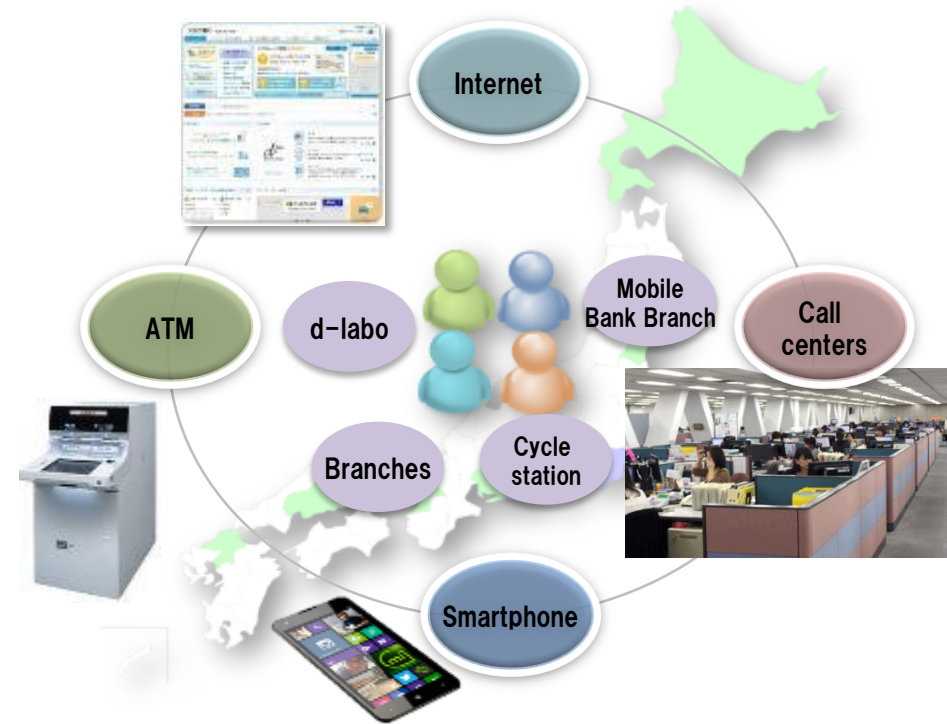
Suruga's Personal Loan Strategy

Market creation through development of segments



Development of segments centered on the customer

Expanding the points of customer contact



Personalized contact through various channels

Suruga's
"engines"

"Mission" to help make
dreams come true

"Line-up" of a wide
array of new products

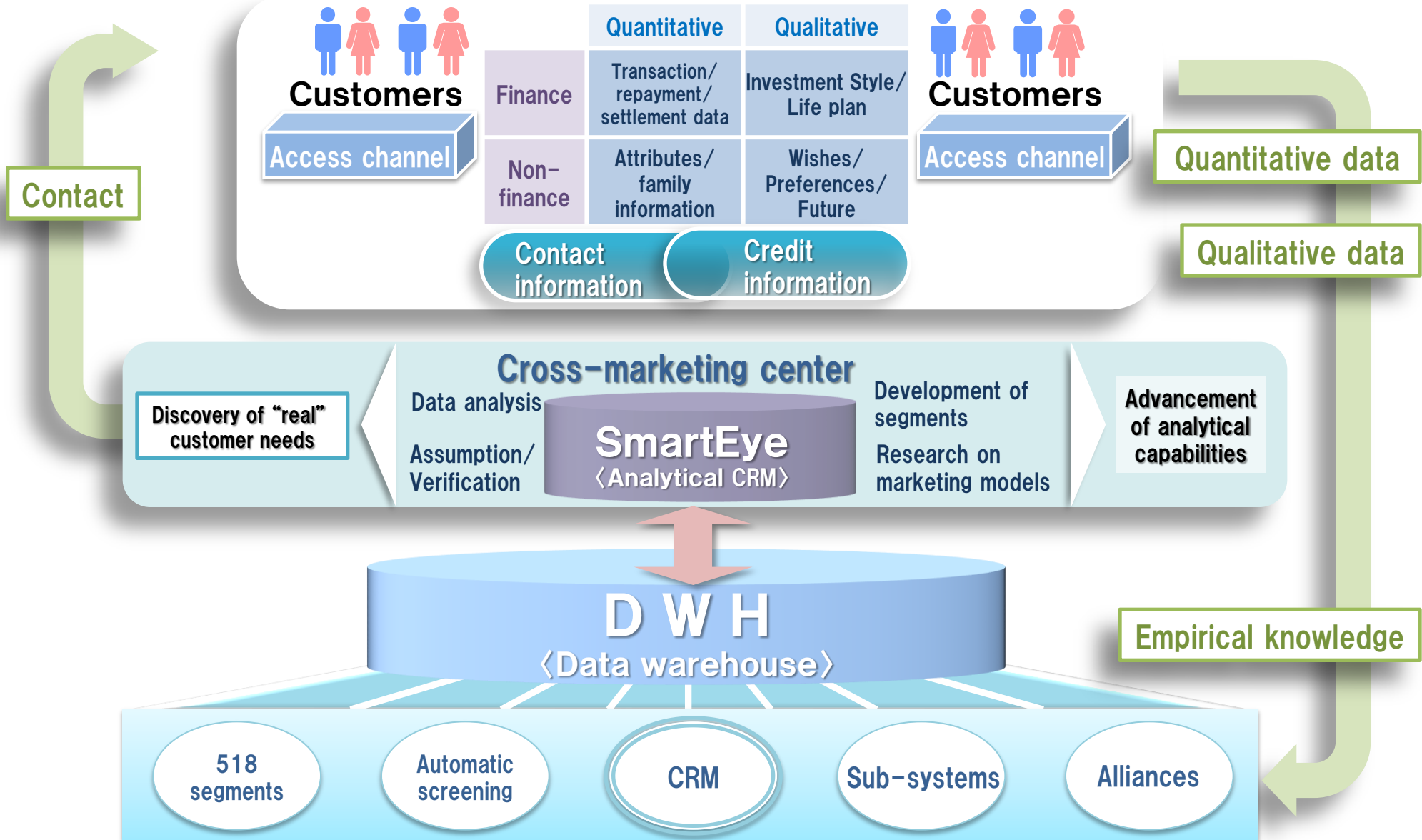
Quick "screening
system"

"CRM" retail
database

"Proposal-making
capabilities"
as a "Dream Navigator"

Maximizing the value of customer experience

Suruga's Marketing Strategy



“Become a smart traveler”: A new stage in Travel × Finance

~A communication space that offers seminars and events to provide customers with tips for travelling and financial support~

ANA スルガ銀行ANA支店
Financial Center

Grand opening on October 21, 2016
Located on the 2nd floor of Suruga Building in Nihonbashi



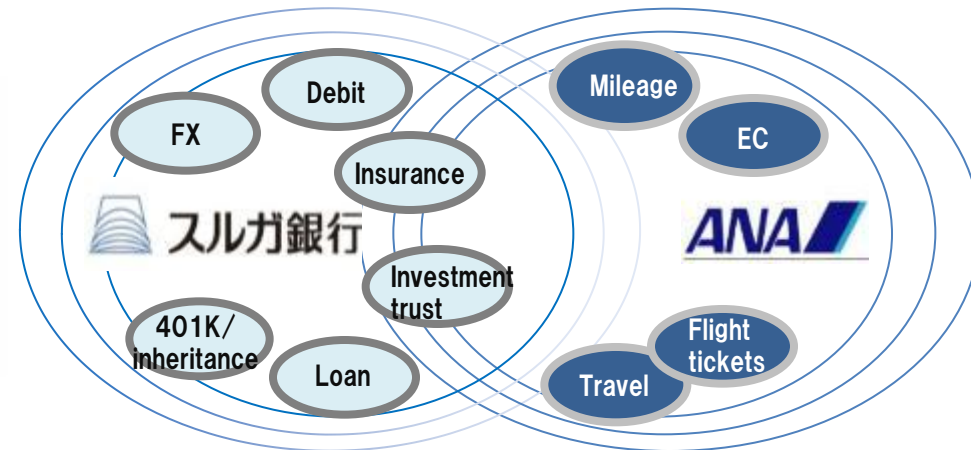
Lounge space is designed like an airport terminal and runway.



Seminars and events are held regularly to offer customers with the opportunity to communicate.



“Suruga + ANA”: Content creation and marketing that leverages data and knowledge held by both companies



Suruga's business domains ANA's business domains



Maximizing the appeal effect by enhancing our collaborative marketing efforts

Generating New Points of Customer Contact through Collaboration with Local Communities

Generating new points of communication by supporting regional development and by offering experiences and excitement

Tour de SURUGA: Stage Gotemba-Yugawara

Jul 24 (Sun), Sep 11 (Sun), and Oct 30 (Sun) 2016

A special cycling event that links Suruga Bank's cycle stations in Gotemba and Yugawara



The course is a return trip between the cycling station at Suruga Bank's Gotemba East Branch and the cycling station at Suruga Bank's Yugawara Branch, running through Ashino-ko in Hakone. The full-day cycling trip is 113km in travel distance, and more than 2,500m in elevation gain.

Tour de SURUGA: Stage Numazu-Izu

Aug 7 (Sun), Sep 29 (Sun), Oct 16 (Sun) and Oct 20 (Thu) 2016

A premium cycling event for a selected number of participants organized by the Numazu-shi Cyclist-Friendly Area Development Project Team and the Kanogawa-area Cycling Promotion Council



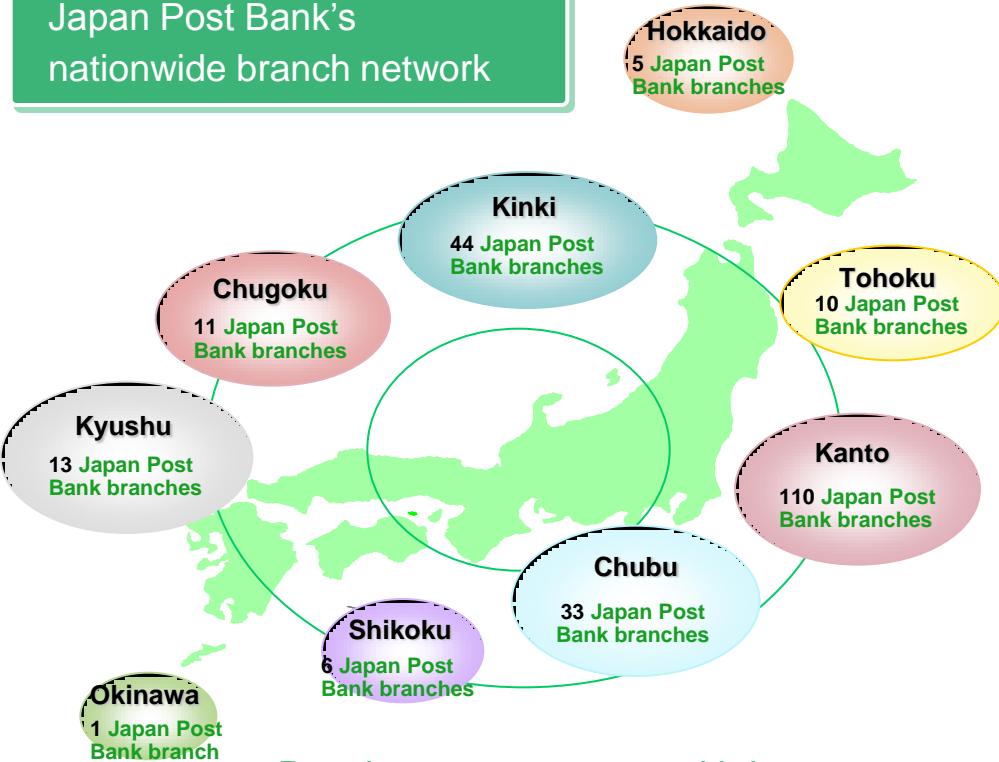
Suruga Bank supported the event together with Numazu City under the partnership agreement. Travel distance is 90km (advanced course) and 70km (intermediate course). Elevation gain is 1,640m. The course, with its ups and downs and sharp curves that characterize the landform of Izu, is suited for advanced and intermediate-level cyclists.

Business Alliance with Japan Post Bank

Leveraging Japan Post Bank's nationwide network

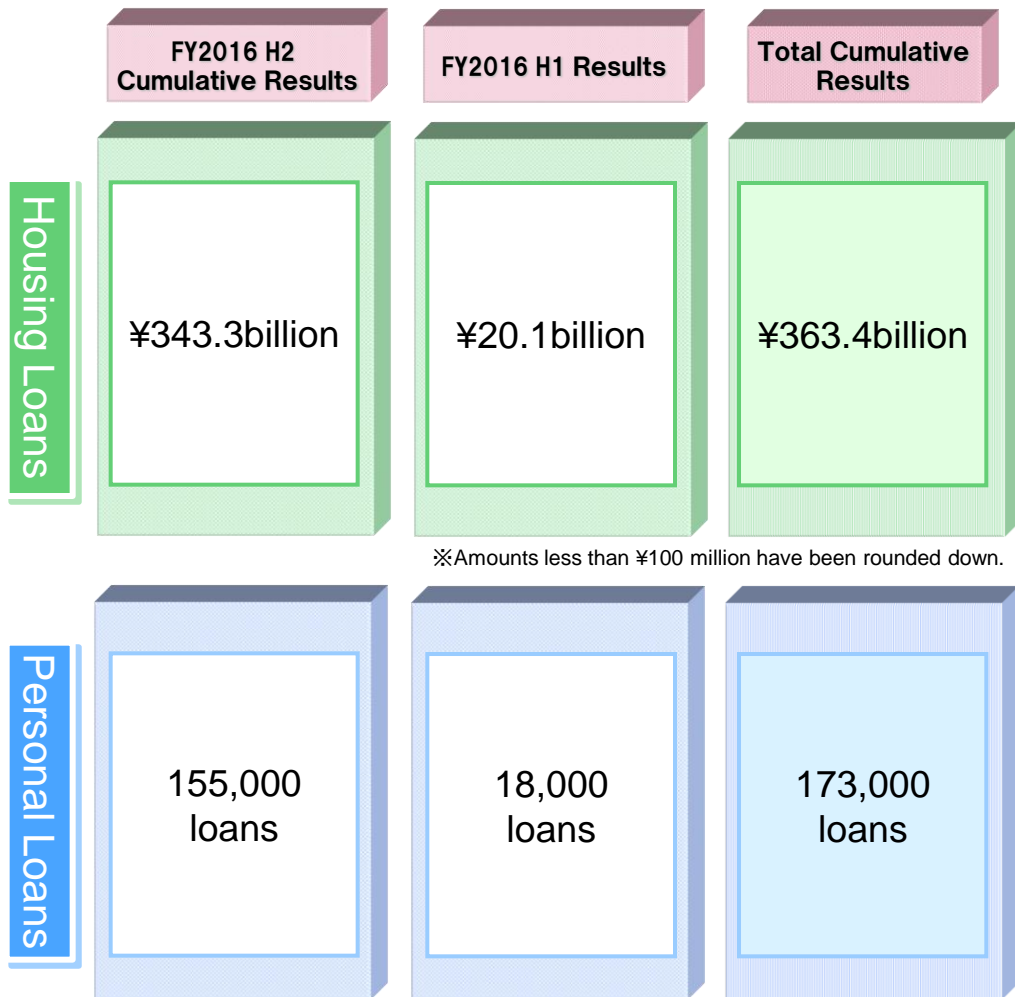
Customers can apply for our Personal loans at all 233 Japan Post Bank branches

Japan Post Bank's nationwide branch network



Reach more customers with loan products that meet customer needs

Cumulative results through the end of Sept. 2016

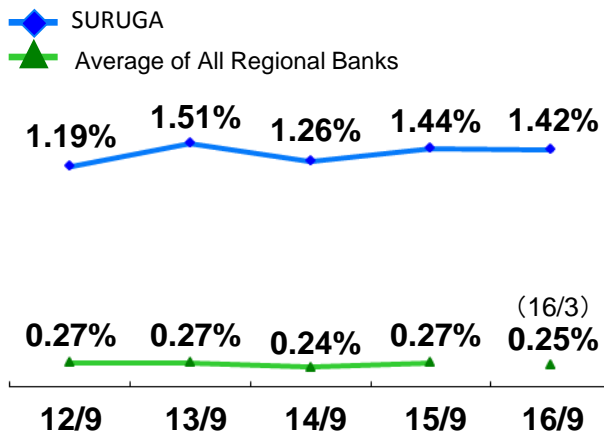


※Amounts less than ¥100 million have been rounded down.

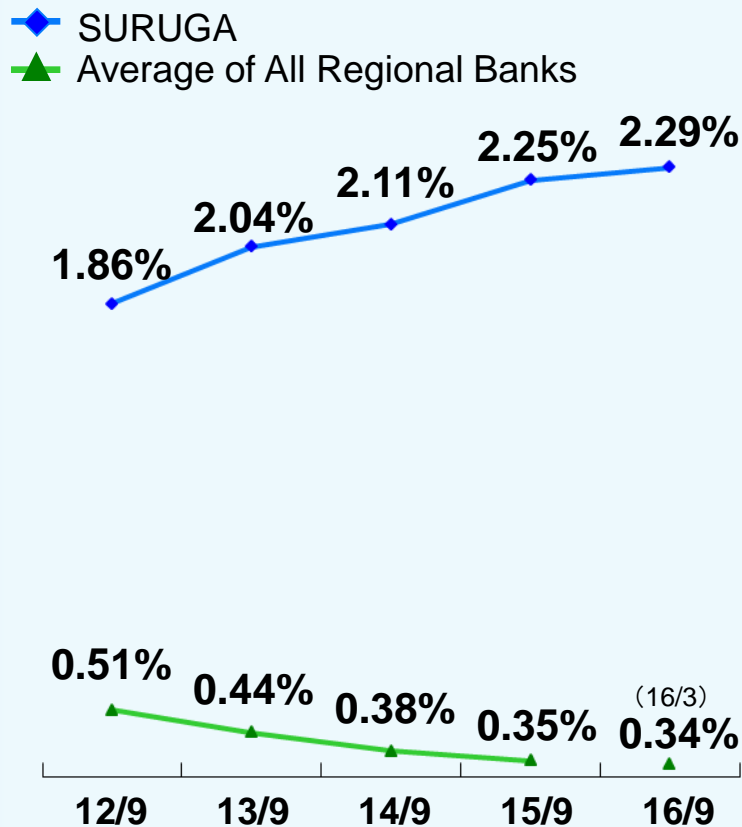
※Amounts less than 1,000 loans have been rounded down.

Yield / Margins (Overall)

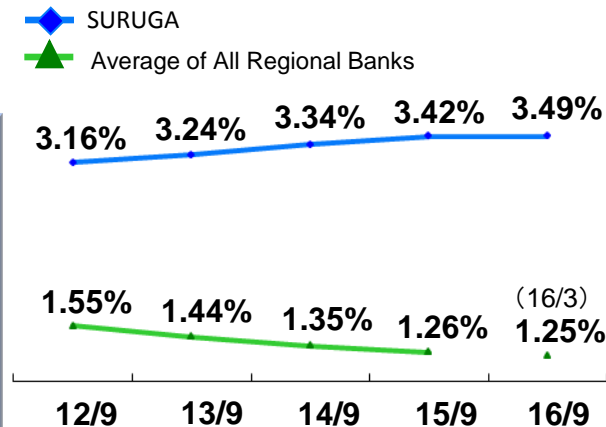
Net interest margin



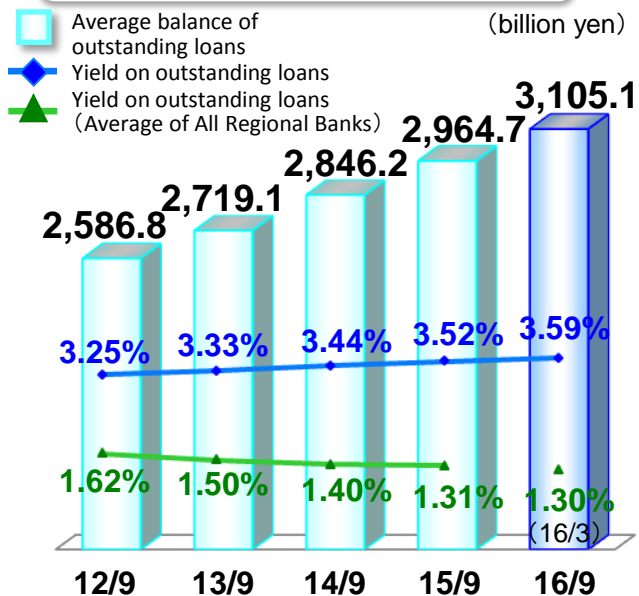
Loan-deposit margin (after deduction of expenses)



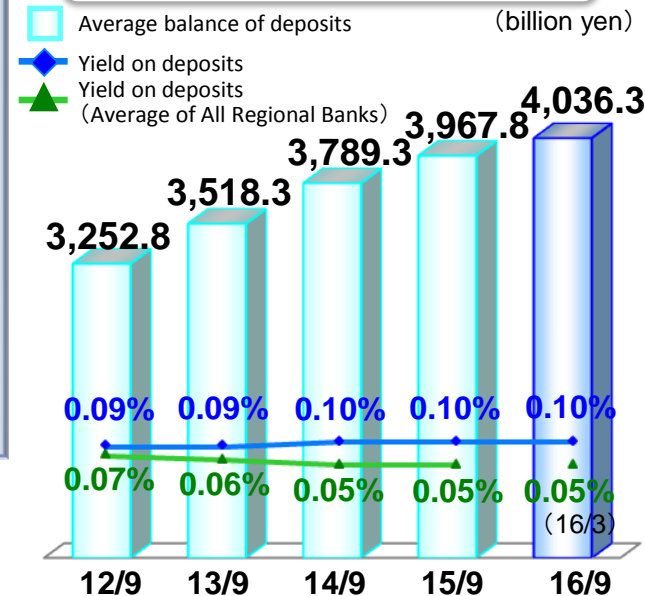
Loan-deposit margin



Average balance and yield on outstanding loans



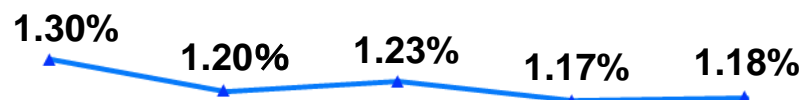
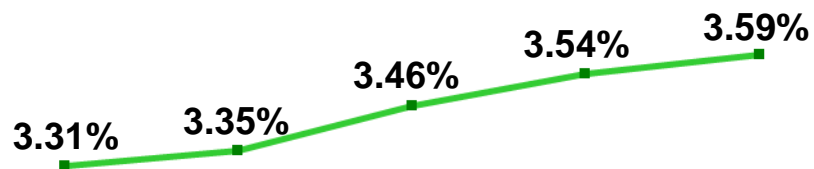
Average balance and yield on deposits



Yield / Margins (Domestic)

Yield-Expense ratio

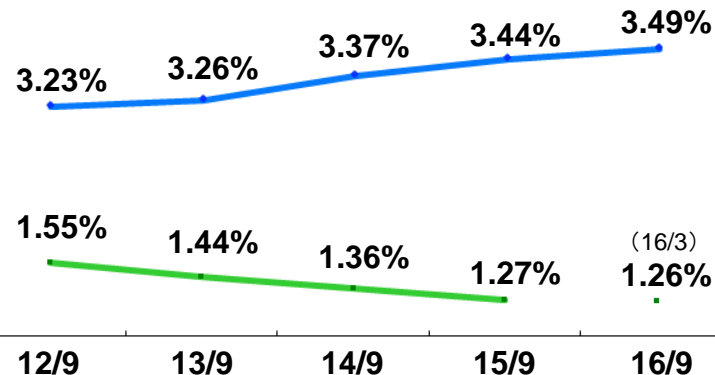
- Yield on outstanding loans
- Yield on deposits
- Expense ratio



12/9 13/9 14/9 15/9 16/9

Loan-deposit margin

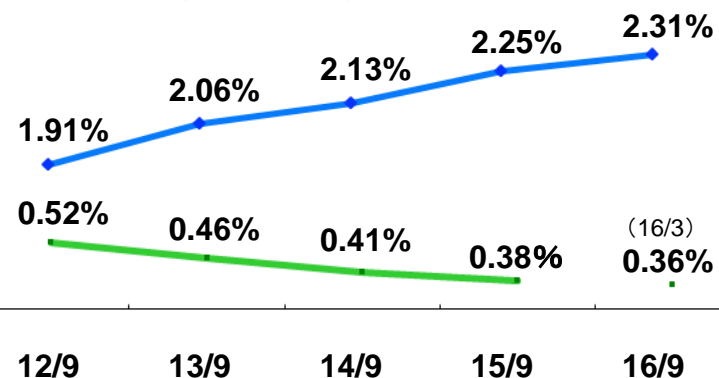
- SURUGA
- Average of All Regional Banks



12/9 13/9 14/9 15/9 16/9

Loan-deposit margin (after deduction of expenses)

- SURUGA
- Average of All Regional Banks



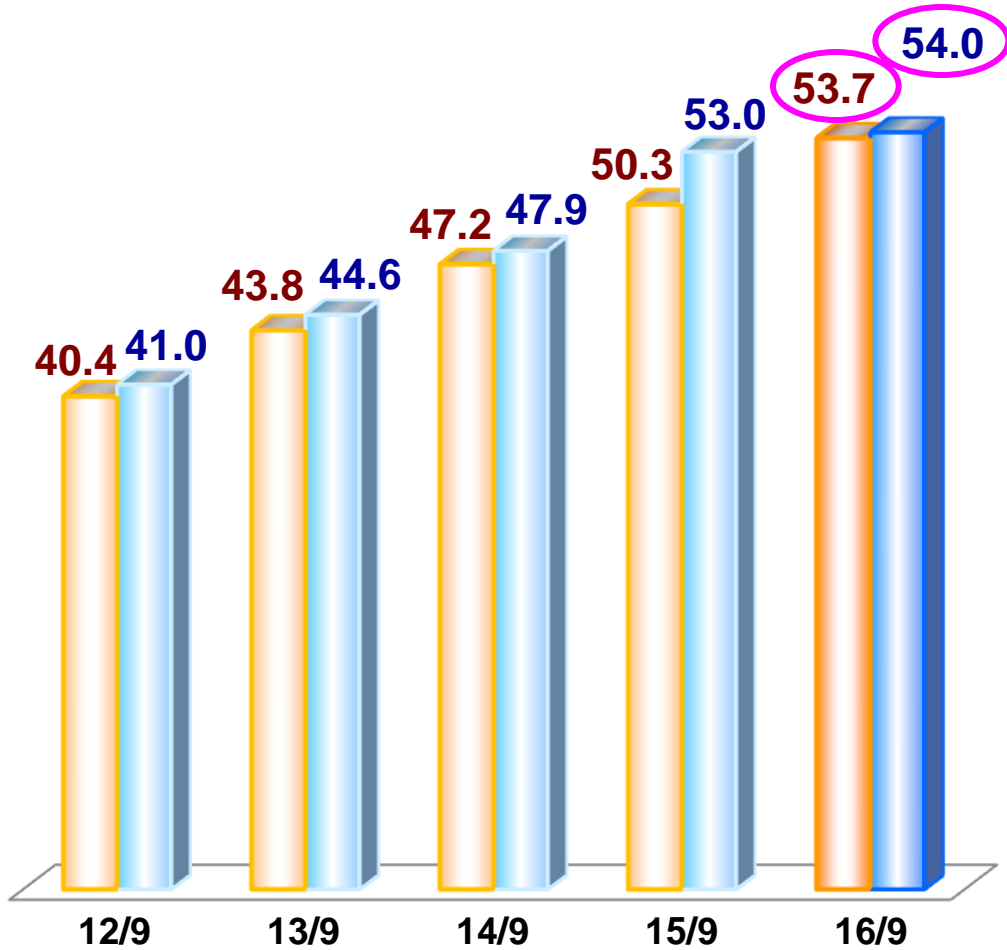
12/9 13/9 14/9 15/9 16/9

Income

Yen loan-deposit profit / Gross operating profit

(billion yen)

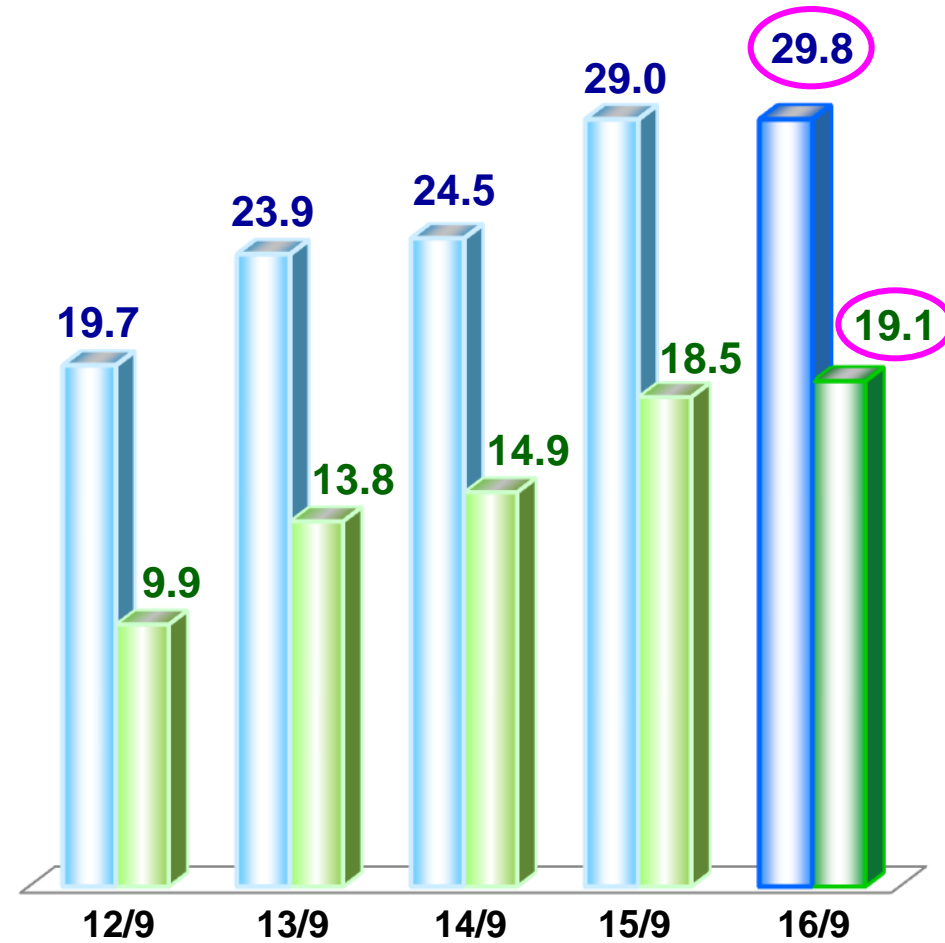
- Yen loan-deposit profit
- Gross operating profit
- Record High



Core net operating profit / Net income

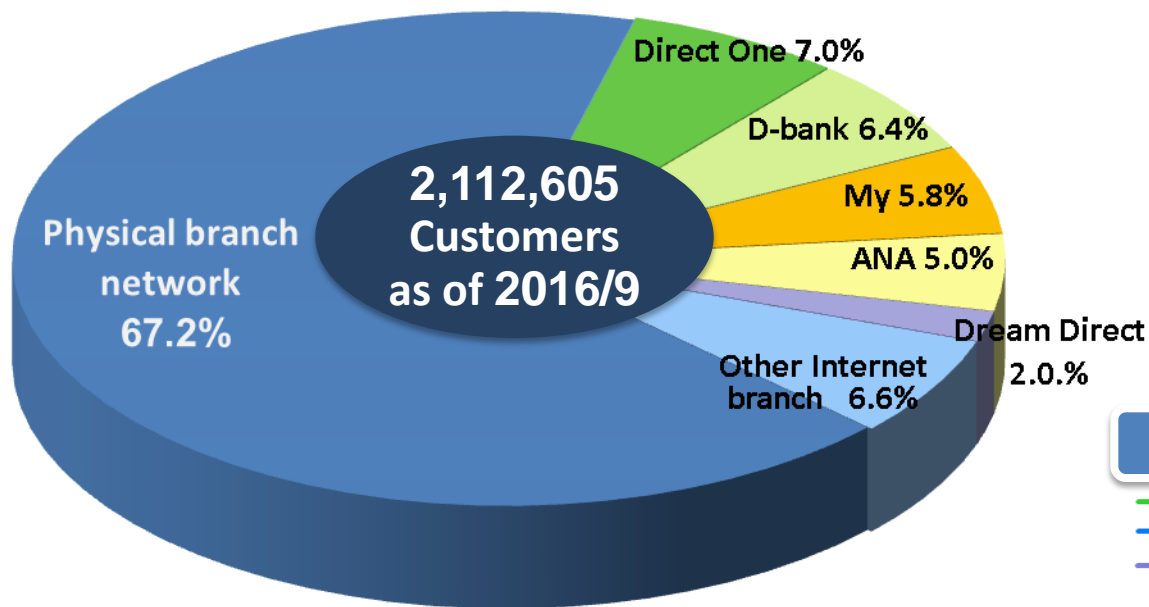
(billion yen)

- Core net operating profit
- Net income
- Record High



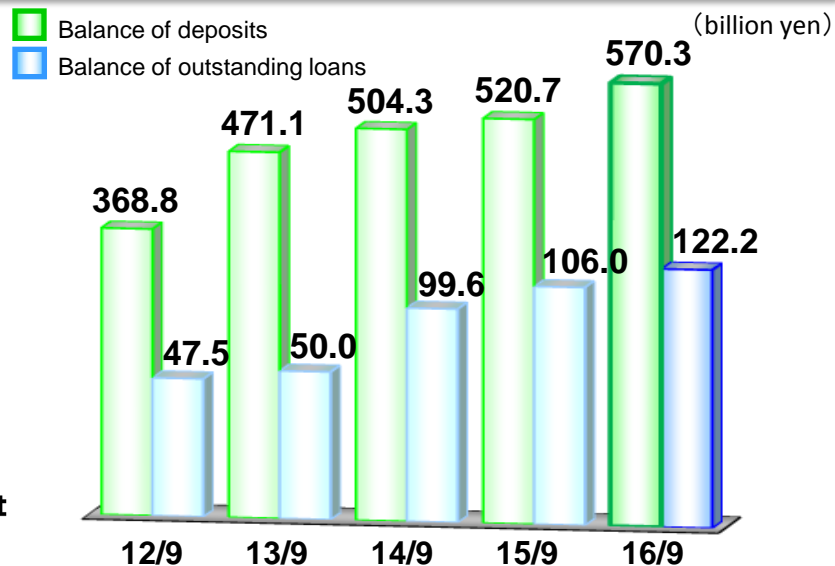
Summary of Direct Banking

Customer composition ratio

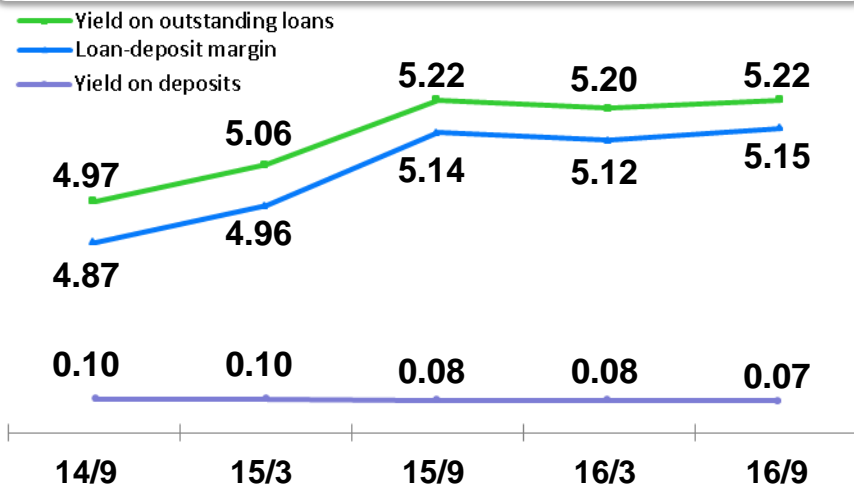


Direct Banking accounts for **32.8%** of all customers

Internet branch / Balance of deposits and outstanding loans

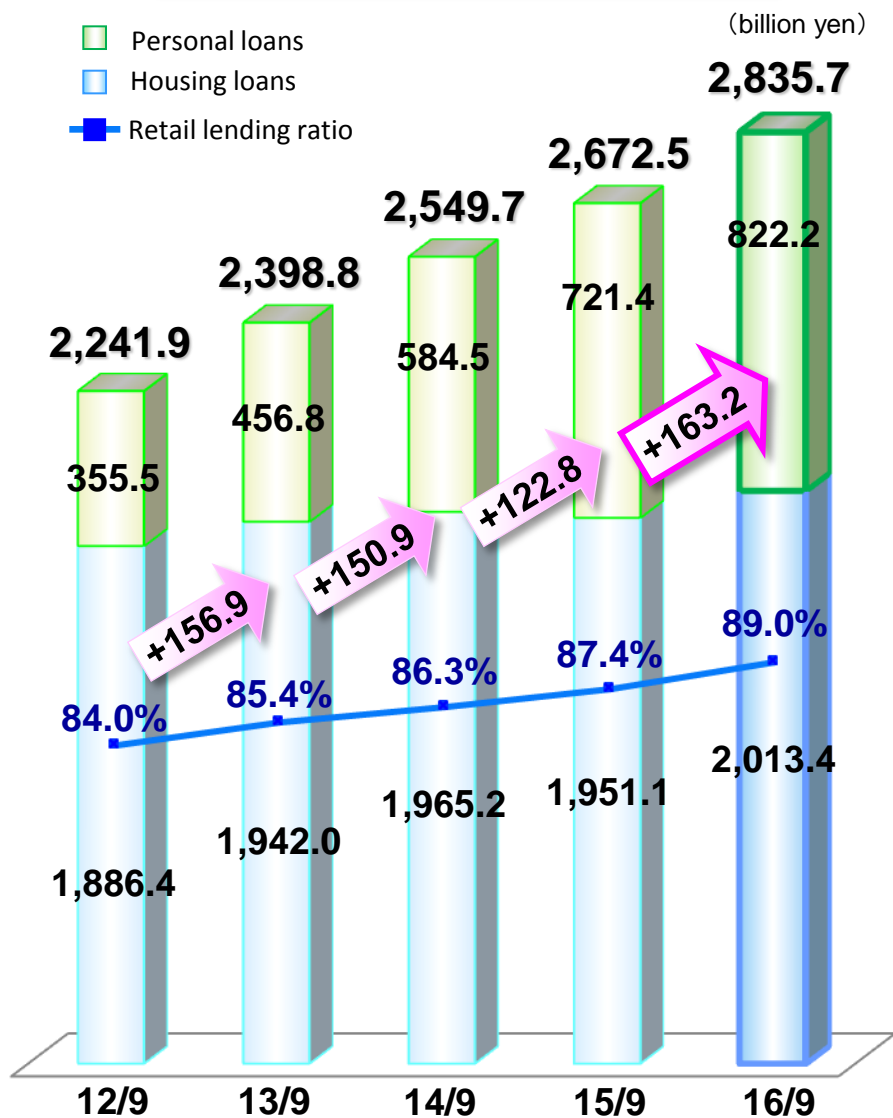


Internet branch / Yield and loan-deposits margin

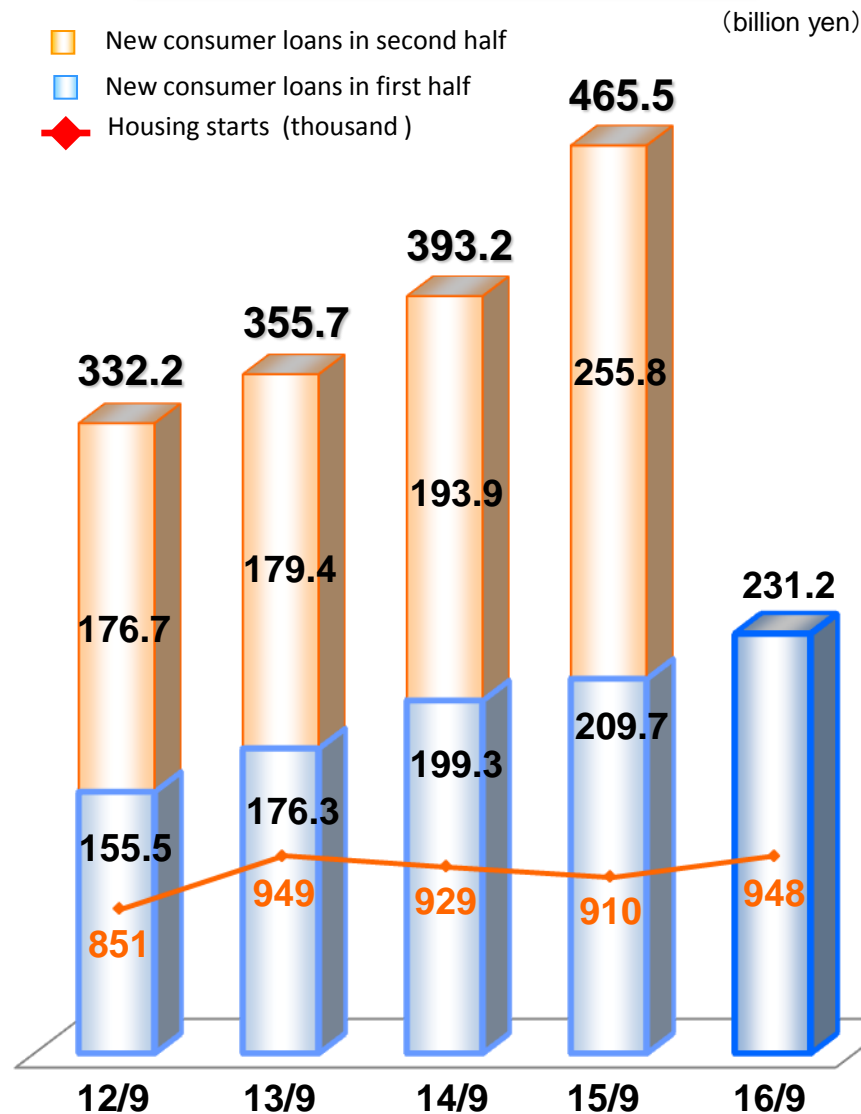


Strong Focus on Retail

Consumer loan balance and ratio

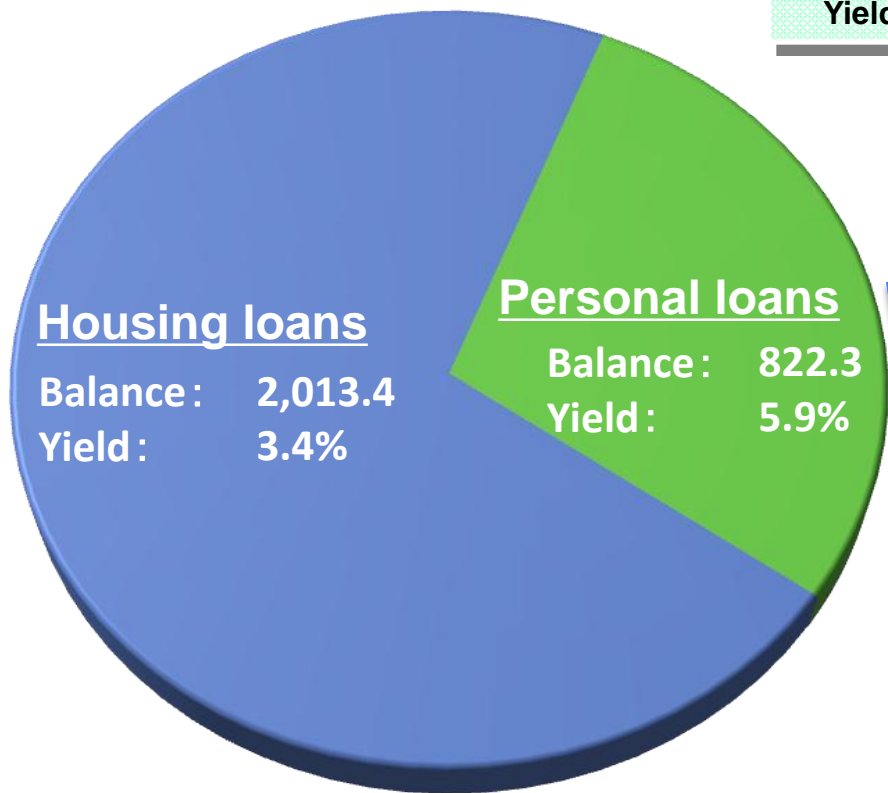


New loan contracts



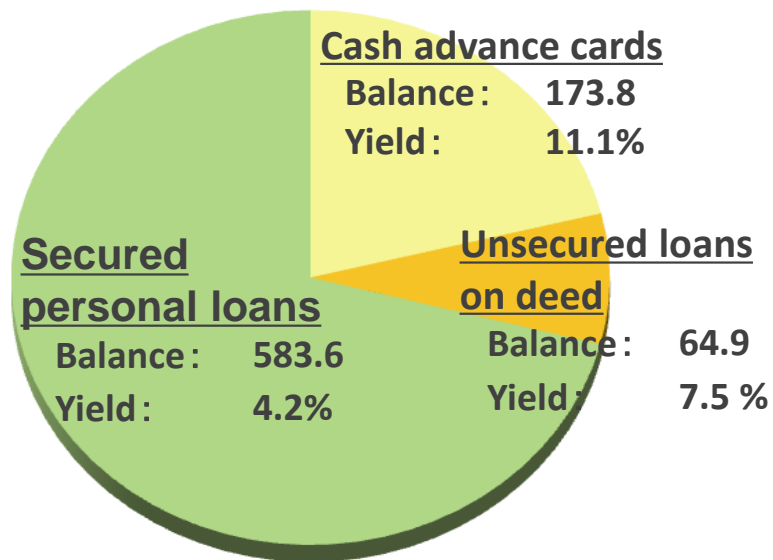
Focus on More Profitable Products

Consumer loans



As of Sep. 30, 2016
Balance: billion yen
Yield: average rate

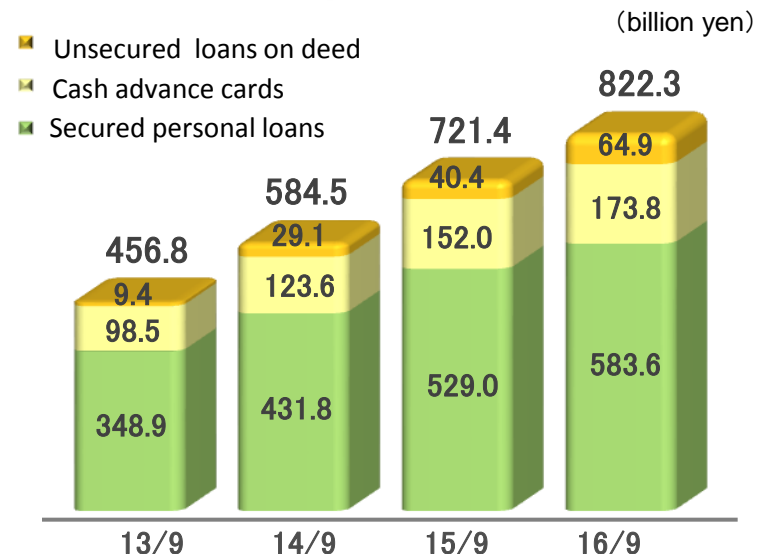
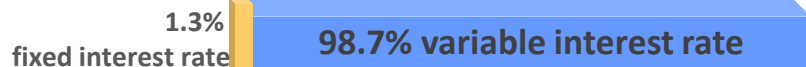
Personal loans



Balance: 2,835.7

Yield: 4.1%

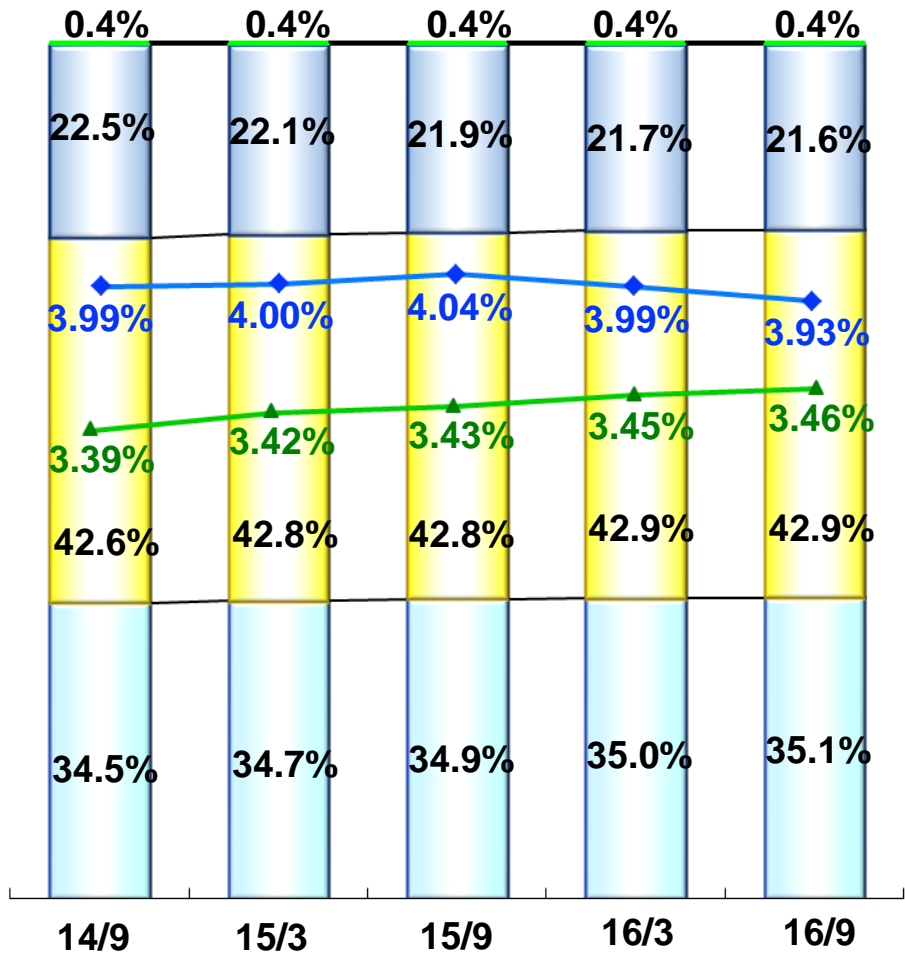
《Breakdown of Housing loans by interest rate type》



Housing Loans

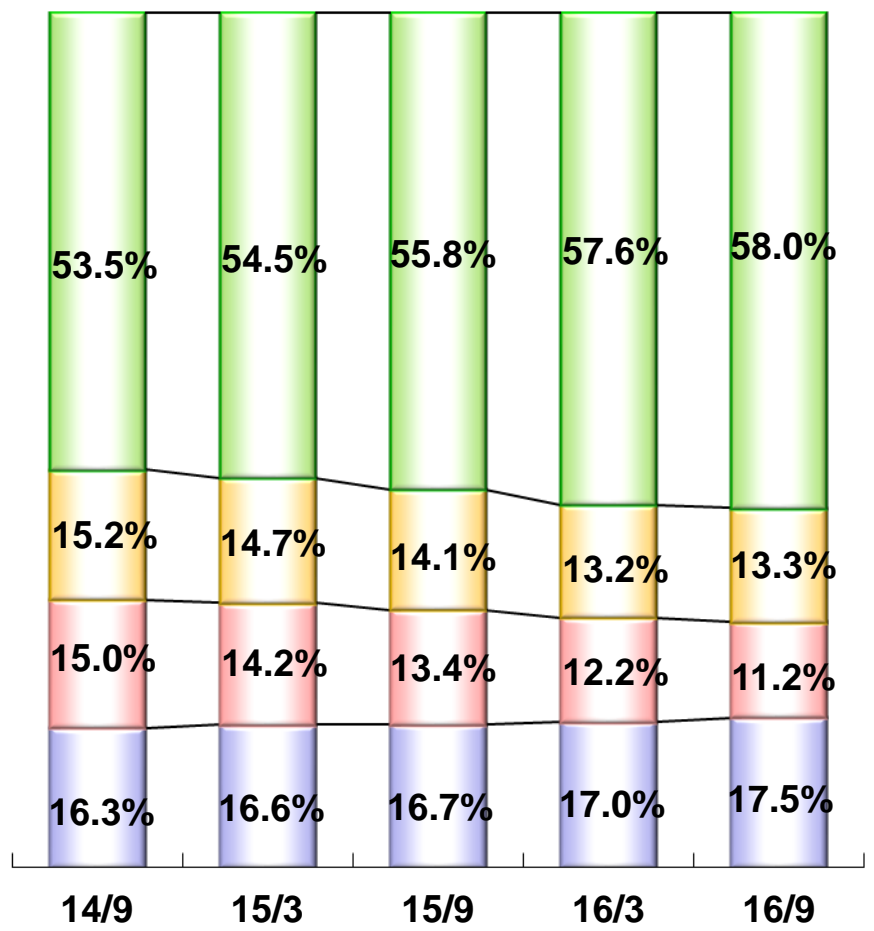
Distribution of practical rates for Housing loans (cumulative)

- under3%
- 3%level
- 4%level
- 5% or higher
- ◆ Housing loans average placement rate (%)
- ▲ Housing loans average year-end rate (%)



Housing Loan balance by geographical area

- Greater Tokyo area
- Kanagawa
- Shizuoka
- Major cities nationwide



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

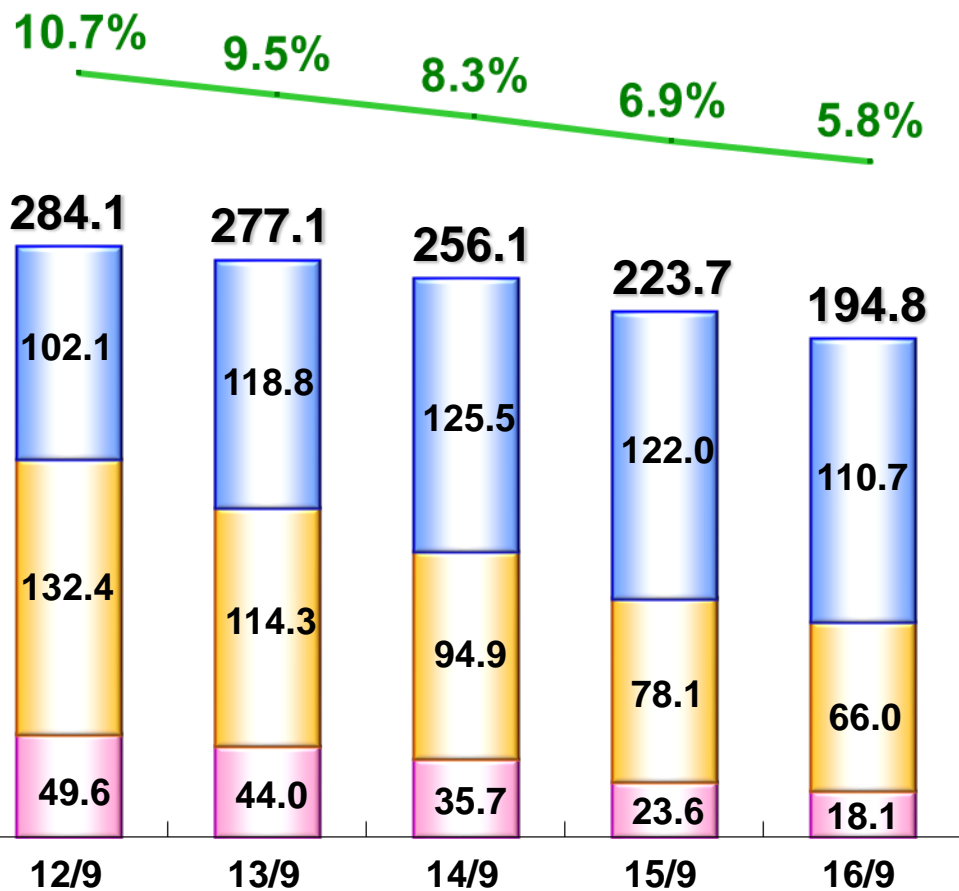


Loss rate = default ratio × (1 - recovery rate)

Fees and Commissions

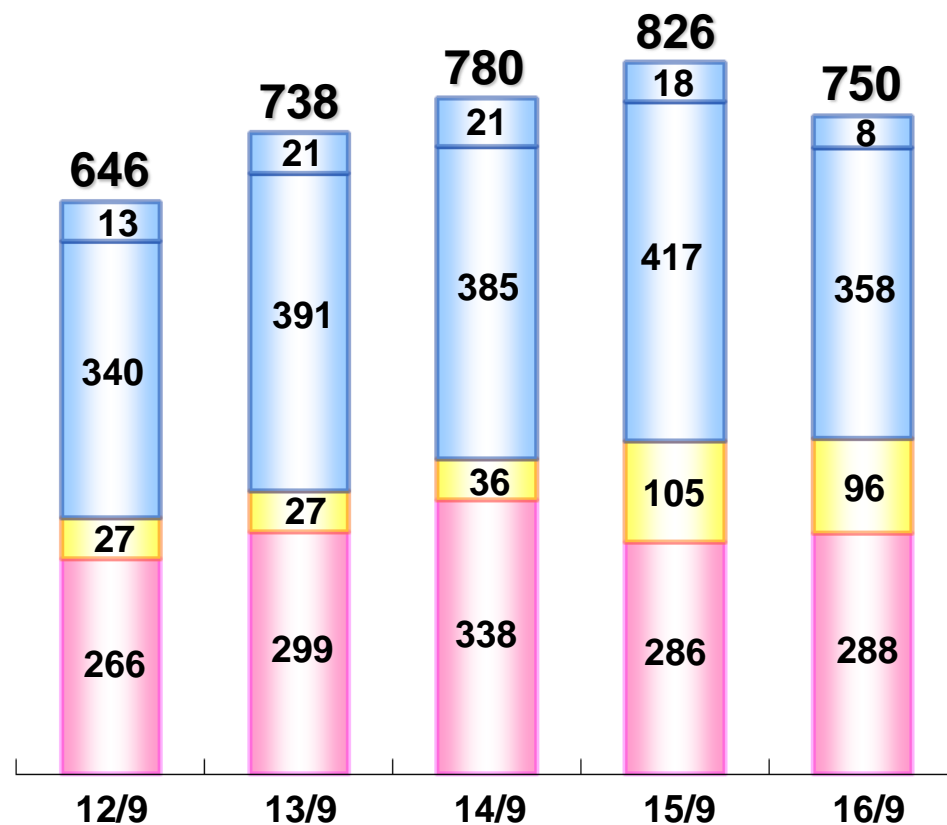
Balance breakdown of investment products

- Mutual funds (billion yen)
- Insurance
- Other (JGBs in custody & foreign currency deposits)
- Ratio of investment products



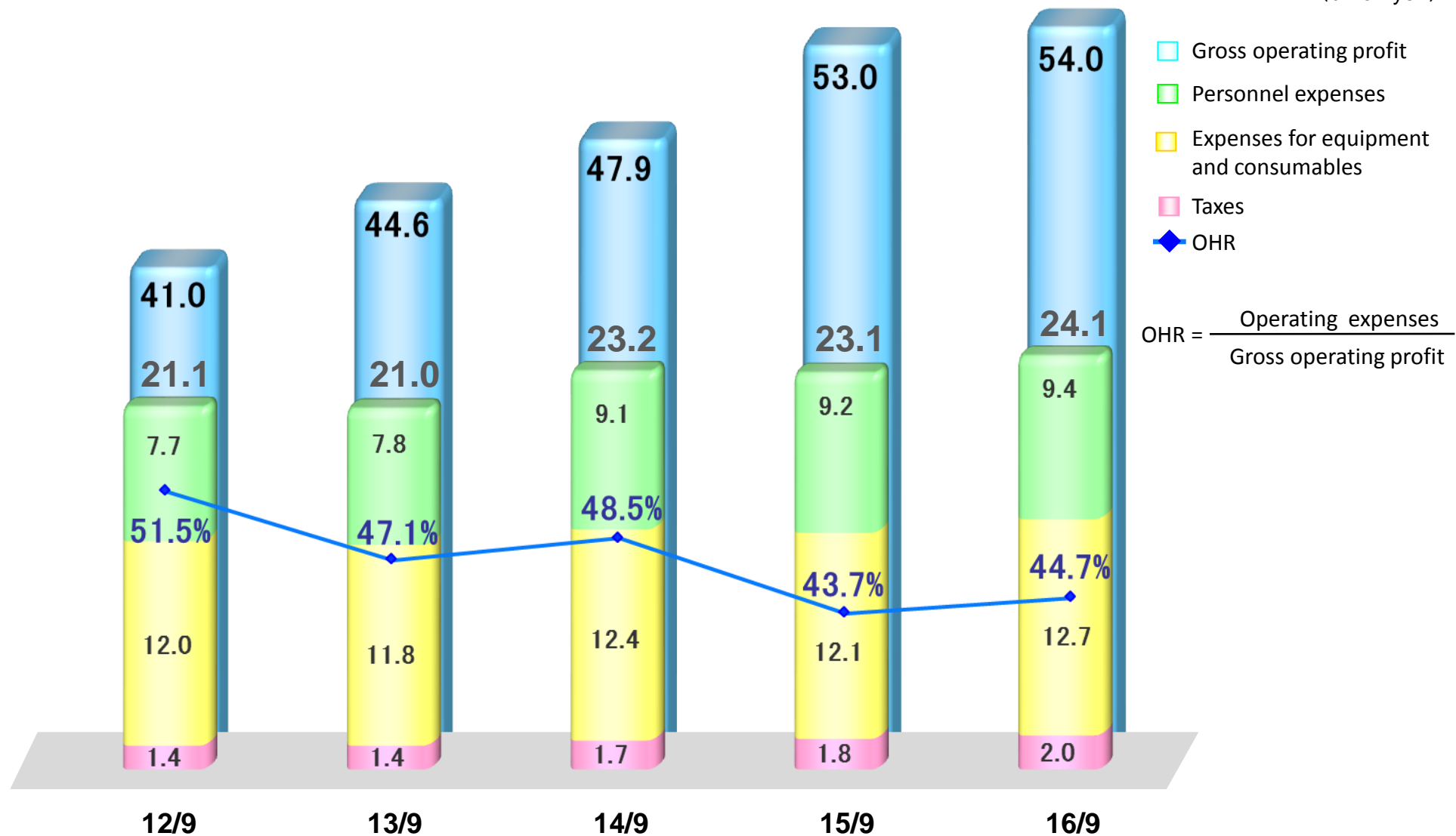
Commission from mutual funds and insurance products

- Mutual fund sales commissions (million yen)
- Mutual fund fees
- Commissions for personal pension plans
- Commissions for other insurance (Fire insurance & single premium life insurance & protection insurance)



Expenses and OHR

(billion yen)



Breakdown of non-performing loans based on the Financial Reconstruction Law

(billion yen)

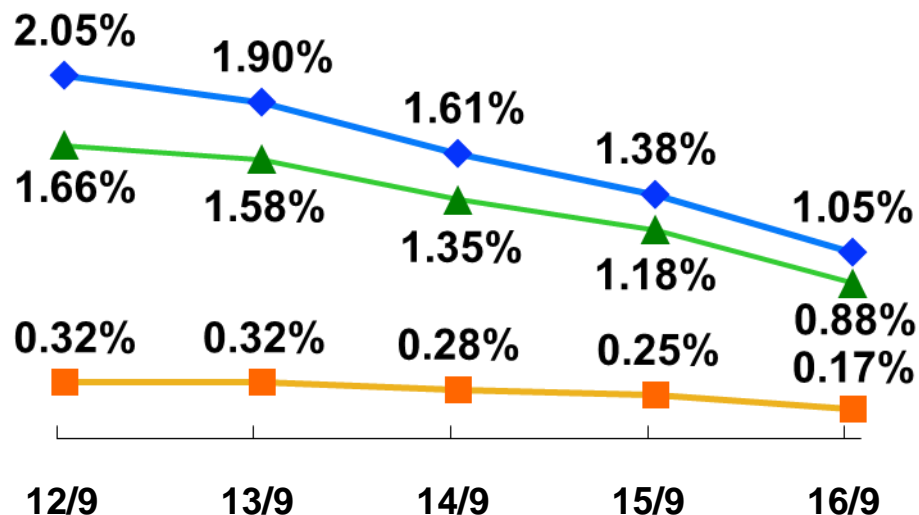
Category	Sep. 16 Credit balance	Proportion	Consumer / Corporate	Proportion	Total collateral and guarantees	Collateral	Guarantees * NOTE	Coverage ratio	Reserve	Reserved ratio	Total coverage ratio											
Claims against bankrupt and substantially bankrupt obligors	6.8	0.21%	Consumer	6.1	0.21%	4.0	2.9	1.1	65.65%	2.1	100%	100%										
			Corporate	0.7	0.22%	0.6	0.2	0.4	79.38%	0.1	100%	100%										
Claims with collection risk	14.0	0.43%	Consumer	2.8	0.10%	1.5	1.2	0.3	54.43%	0.4	31.49%	68.78%										
			Corporate	11.2	3.21%	9.8	3.7	6.1	88.46%	0.4	31.49%	92.09%										
Claims for special attention	13.1	0.41%	Consumer	6.1	0.21%	3.7	3.6	0.1	60.22%	0.2	11.48%	64.79%										
			Corporate	7.0	2.00%	3.2	3.2	0.0	45.73%	2.1	54.24%	75.17%										
Subtotal	33.9	1.05%	Consumer	15.0	0.52%	9.2	7.7	1.5	61.35%	2.7	47.87%	79.85%										
			Corporate	18.9	5.43%	13.6	7.1	6.5	72.33%	2.6	49.98%	86.16%										
Normal assets	3,170.8	98.95%	Consumer	2,841.8	99.48%	<table border="1"> <tr> <td colspan="10">Total coverage ratio</td> <td>83.37%</td> </tr> </table>						Total coverage ratio										83.37%
			Total coverage ratio										83.37%									
Corporate	329.0	94.57%																				
Total	3,204.7	100%	Consumer	2,856.8	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	347.9	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.

Non-performing Loans Ratio / Credit Costs

Non-performing loans ratio

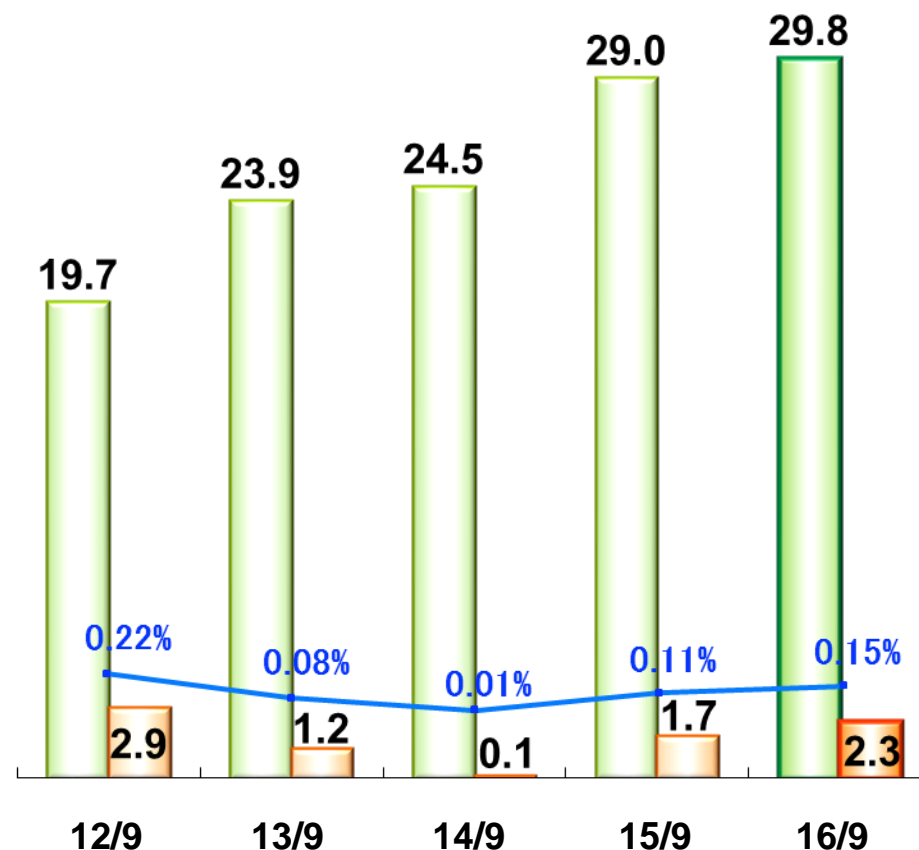
- ◆ Non-performing loans on the Financial Reconstruction Law
- ▲ Non-performing loans from reserves
- Non-performing loans after deduction from reserves, collateral and guarantees



Credit costs

(billion yen)

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



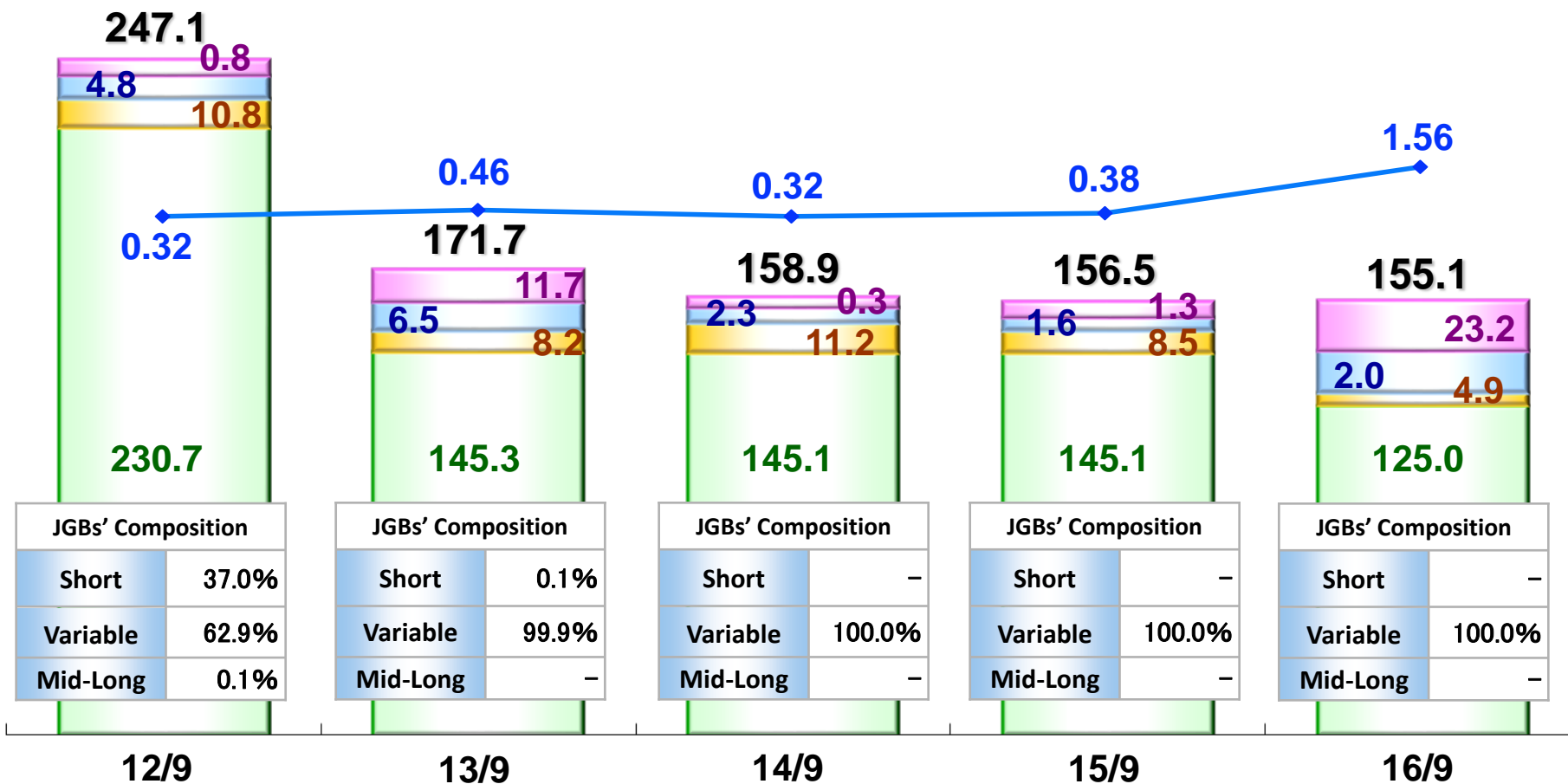
Bond Portfolio

■ JGBs
 ■ Foreign Bonds
 ■ Corporate Bonds
 ■ Regional Government Bonds

(billion yen)

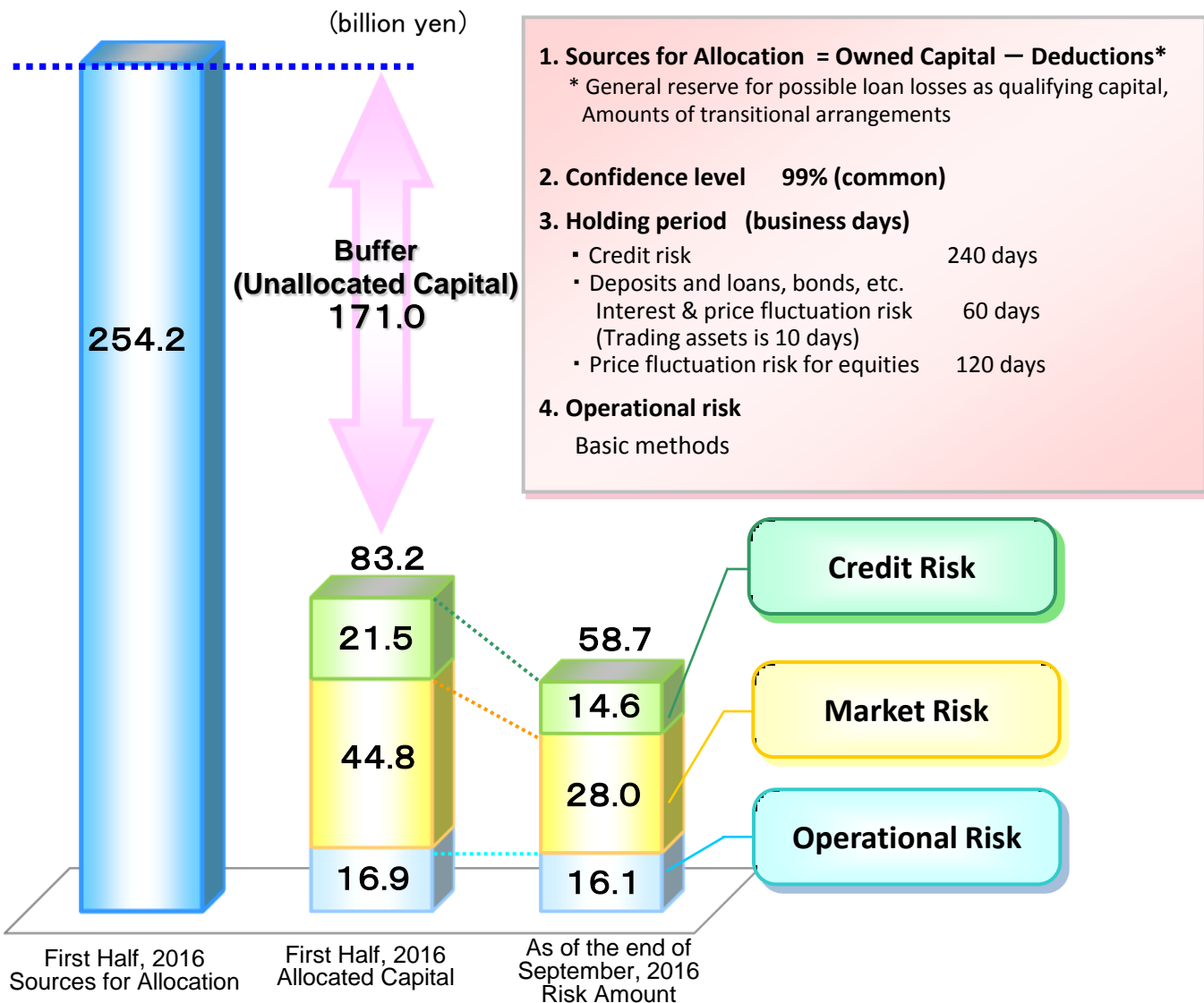
◆ Average remaining maturity (Year)

Security Deposit Ratio 5.6%



Status of Risk Amount

Integrated Risk Management



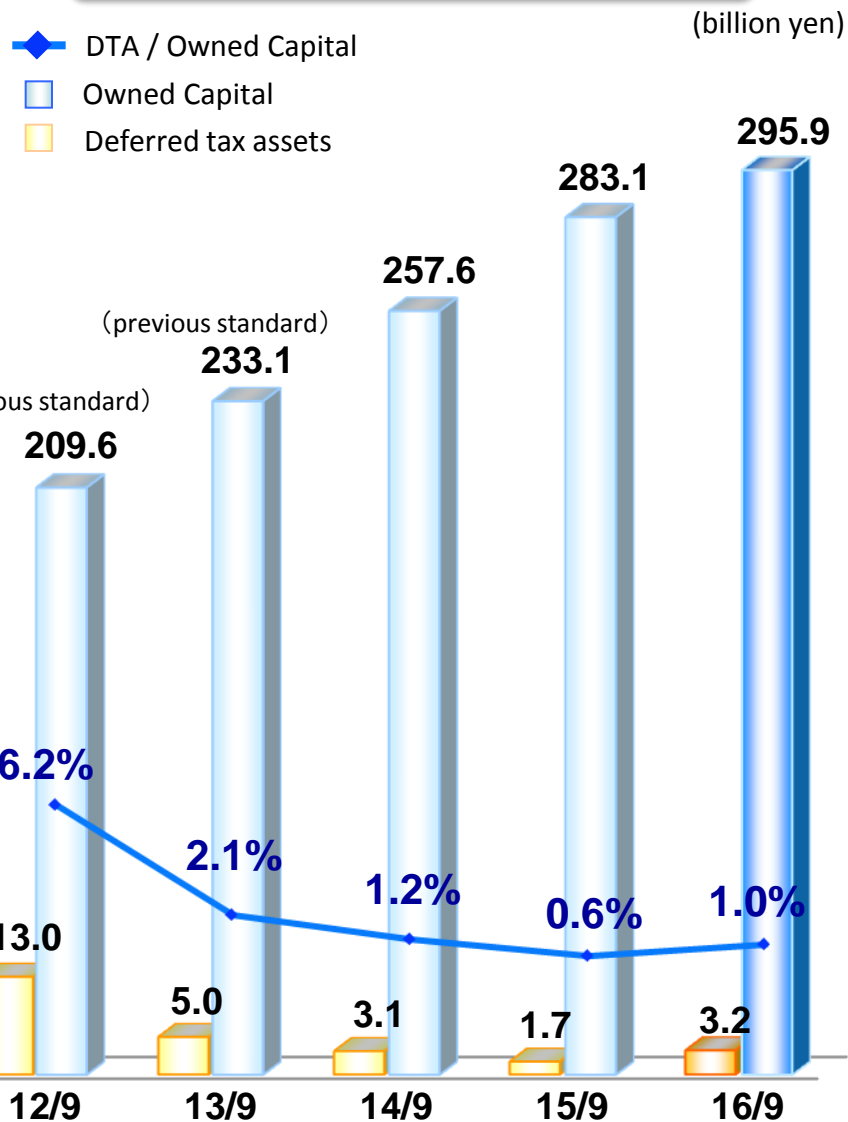
Outlier Ratio

As of the end of September, 2016

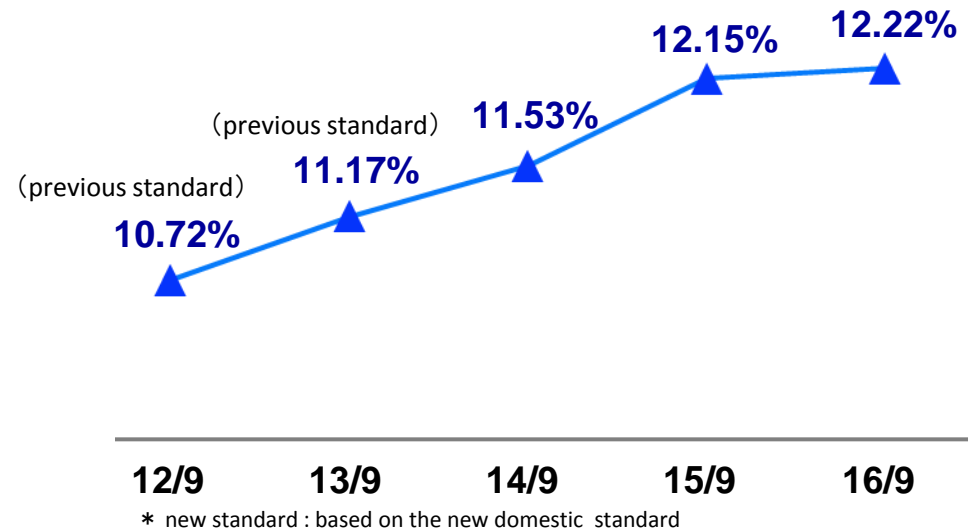
Interest Rate Shock range	±200bp
Interest Rate Risk Amount	0.6 billion yen
Outlier Ratio	0.2%

Capital Levels

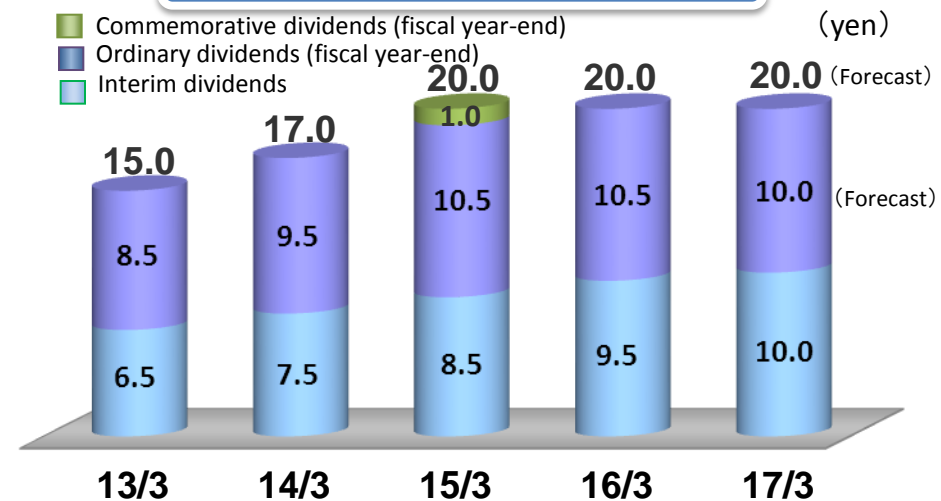
Deferred tax assets / Owned Capital



Capital adequacy ratio



Dividends



FY2016 First Half Results and FY2016 Forecast

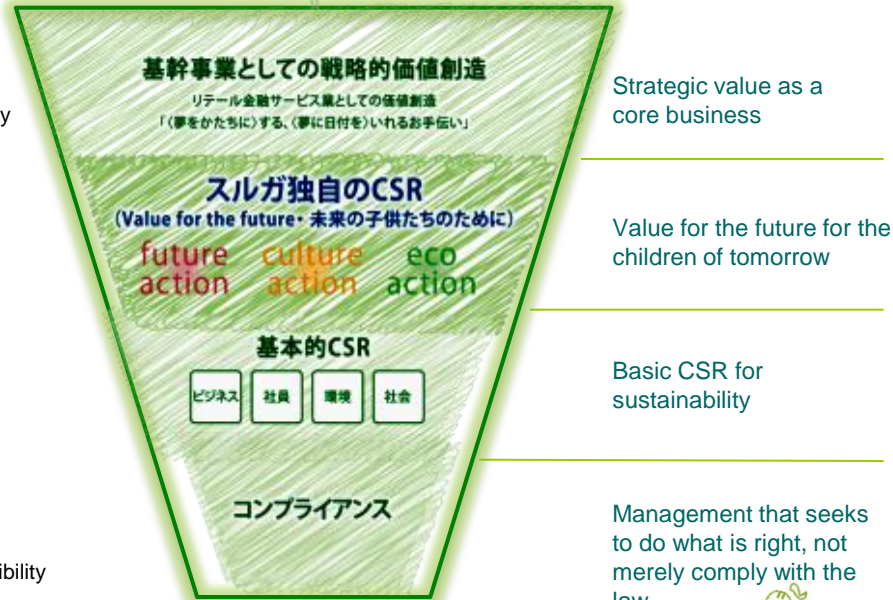
(billion yen)

	Results Sep 2015 (A)	Results Sep 2016 (B)	Increase or Decrease (B-A)	FY2016 Forecast
Gross operating profit	53.0	54.0	+1.0	108.5
Operating expenses	23.1	24.1	+1.0	48.0
Net operating profit	29.8	30.0	+0.2	60.5
Core net operating profit	29.0	29.8	+0.8	60.5
Ordinary profit	27.8	27.4	▲0.4	55.0
Net income	18.5	19.1	+0.6	37.0
Actual credit costs	1.7	2.3	+0.6	4.5
ROE (%) (net income basis)	14.23	13.78	▲0.45	13.44
EPS (yen)	78.17	82.55	+4.38	159.80
Dividends (yen)	9.5	10.0	+0.5	20.0

CSR as Suruga Sees it Creating the Future

Suruga's CSR Framework Concept

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



Suruga's CSR Activity: Seedlings for the Future Project

Efforts to support the healthy growth of the children who represent the future

Program supporting creating the future
Aiming to realize an autonomous society



Tea Ceremony for Children - "Kiku no Chakai"



them Lab "Mirai-no-Yuenchi" - special sponsor



Suruga Cup - special sponsor for Shizuoka Prefecture East Division Children's Soccer Match



Soccer school



future action

- 自らの未来をキープするプログラム
- 日本のお金と社会を学ぶプログラム
- 親子で学ぶプログラム

eco action

- 子どもの力で地球を救うプログラム
- 環境問題を学ぶプログラム
- インフラ整備を学ぶプログラム
- 環境問題と社会を学ぶプログラム

culture action

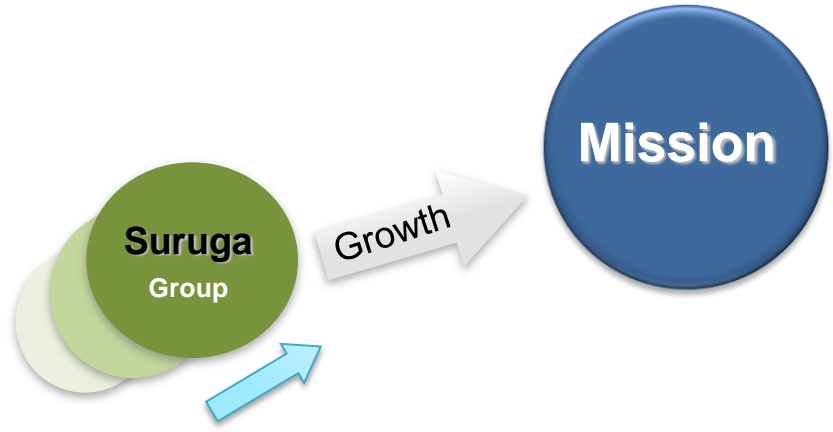
- アート体験プログラム
- 伝統文化を学ぶプログラム
- マナーマナープログラム

Next generation training support program
For the children of tomorrow

Seedling for the Future Concert "Happy Cinderella" - performance by Hiroshi Aoshima

Growth Within Our Corporate Philosophy

Growth as a Mission-Based Company



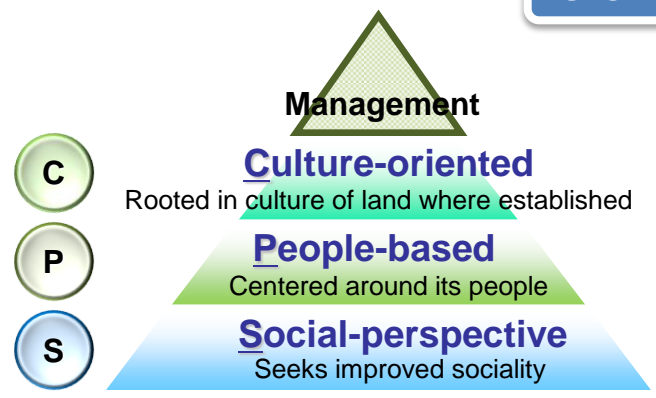
Define growth as making our mission more achievable. As a Life & Business navigator, help make our customers' dreams come true on a timeline that works for them.

Growth as a Value Exchange System



Define growth as greater exchange of value with all stakeholders.

Growth Originating in C•P•S



Respect culture. Leverage the strengths of that culture to realize growth for Suruga.

Achieve growth through management centered not on corporate theory but on the logic of its people.

Always mindful of its role as a social institution. Achieves ends by means above the social code.

For further details, 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.