

SURUGA bank

Meeting the Challenge of New Banking

Presentation to investors on fiscal year ended March 31, 2017



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 –

Major markets

Community bank

Full banking services in our traditional territory of Shizuoka and Kanagawa

Greater Tokyo area / wide-area bank

Services in major cities across the nation from Sapporo to Fukuoka, including the Greater Tokyo area

Network bank

Nation-wide services through direct channels such as the internet, smartphone and call centers

Segment bank

Services targeted to specific client segments such as professionals

Core businesses

Personal loans

Housing loans

Asset management support

Life support

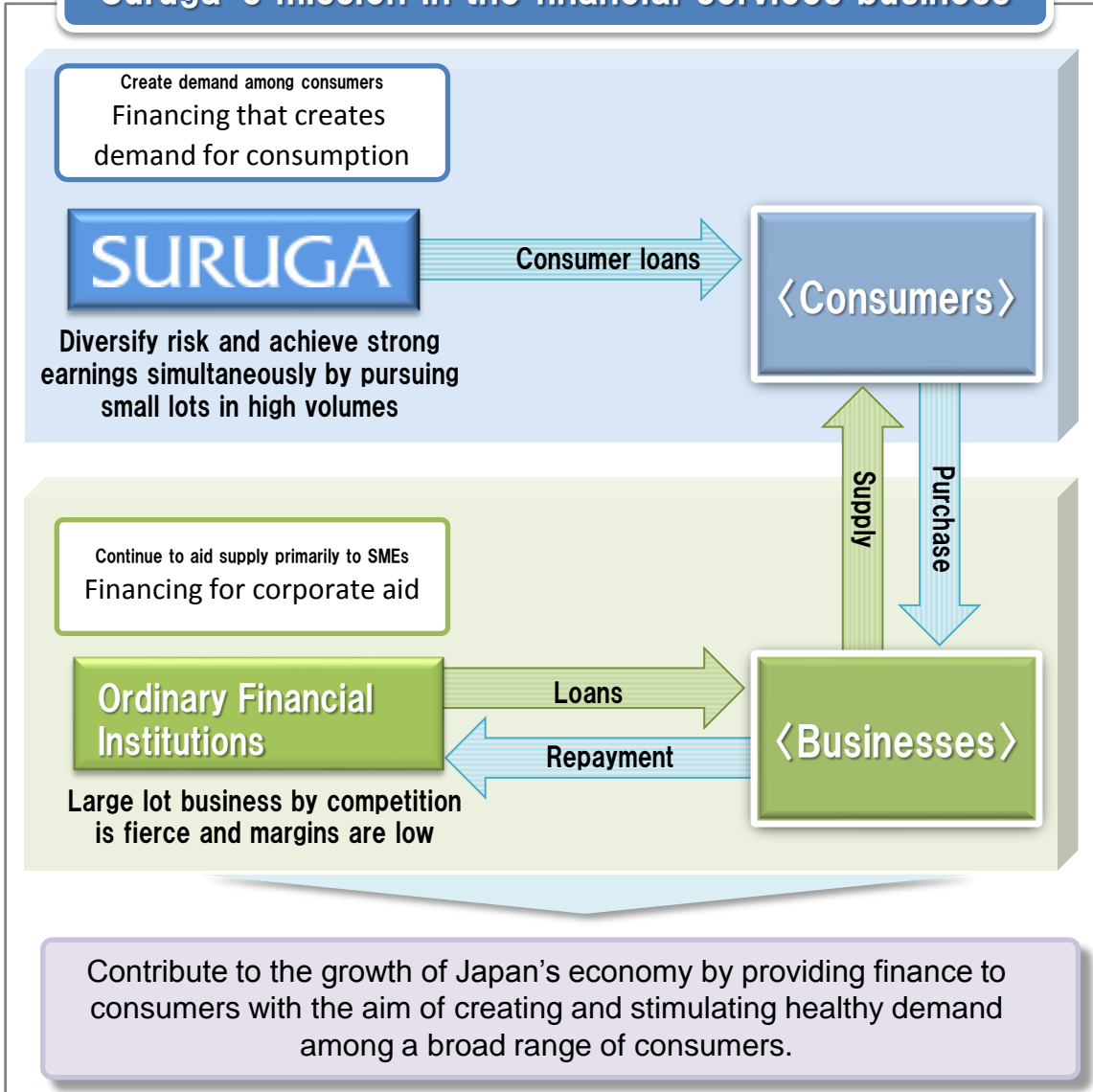
Small and medium-sized corporate lending

Strategic and focused allocation of management resources

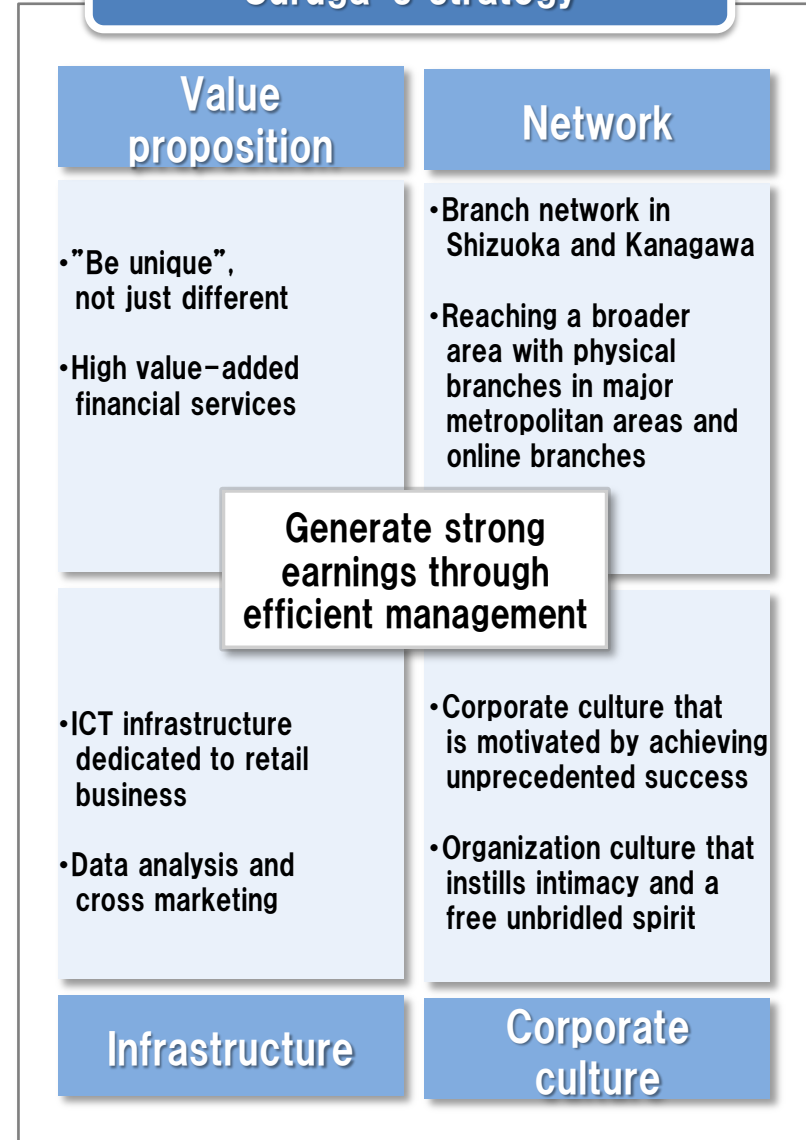
Alliances with external partners

Suruga's Business Model

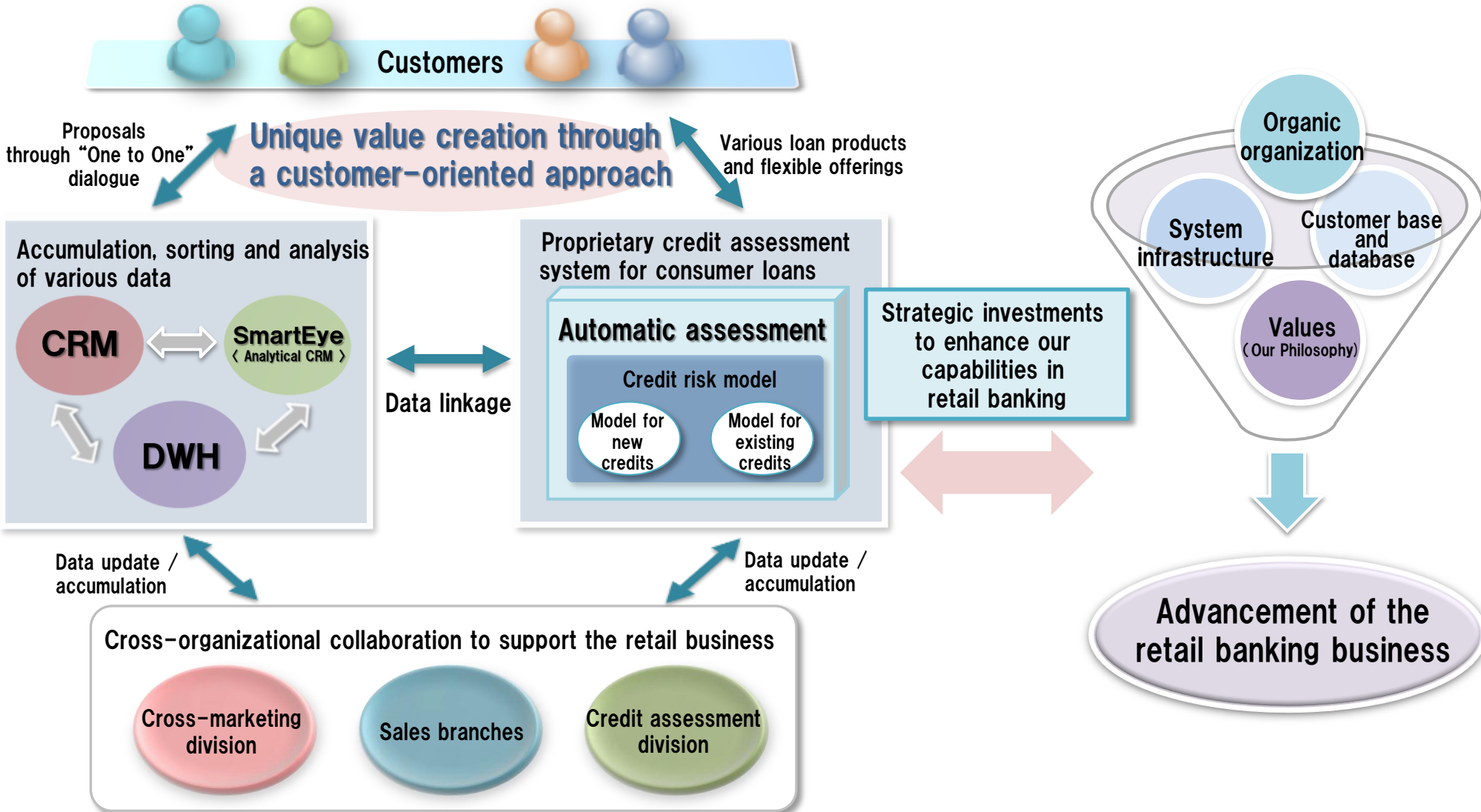
Suruga's mission in the financial services business



Suruga's strategy



Suruga's Retail Marketing

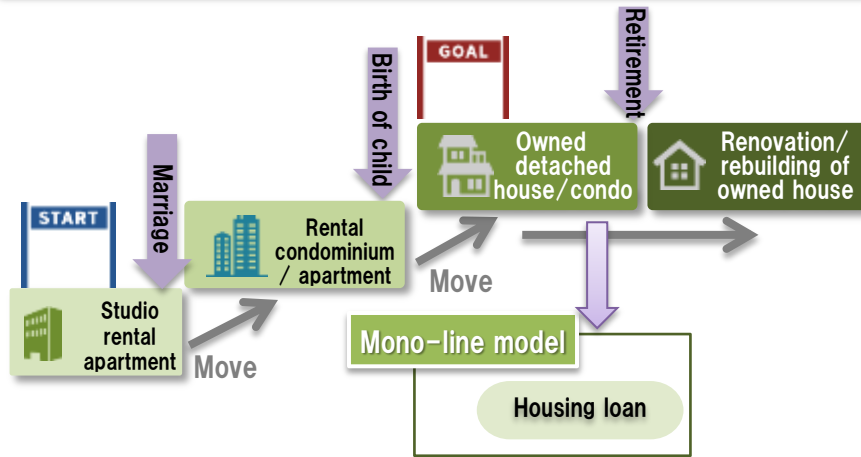


Suruga's Secured Loan Business

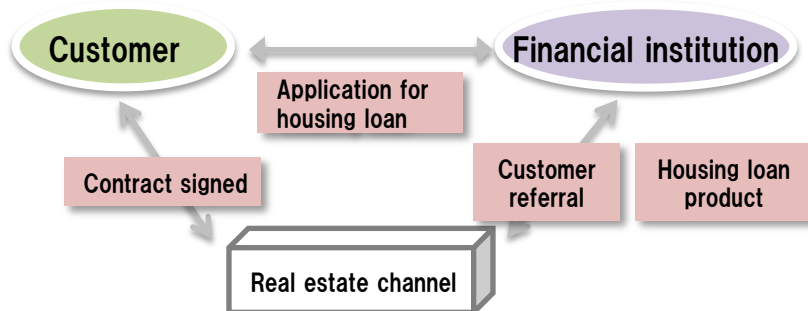
Suruga's secured loan business evolves with the changes in customers' lifestyles

Ordinary secured loan business

Ordinary secured loans designed to support the "conventional way of living"

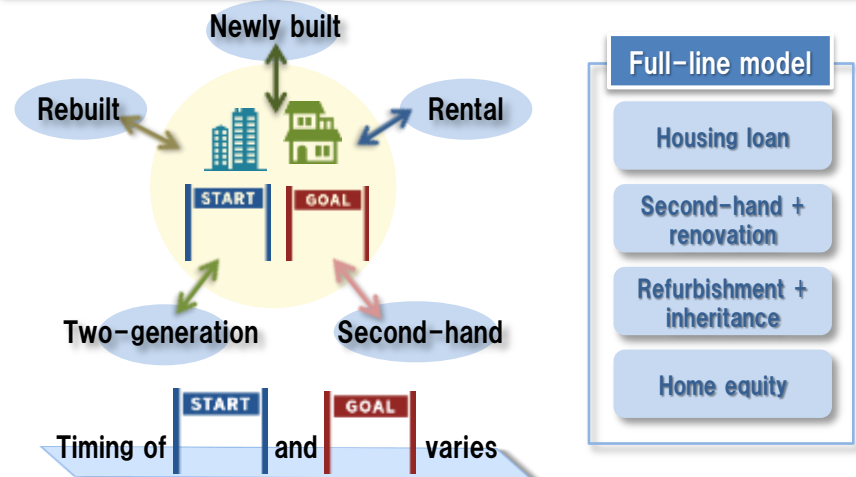


Selling housing loans mainly for the purchase of newly-built homes via the real estate channel

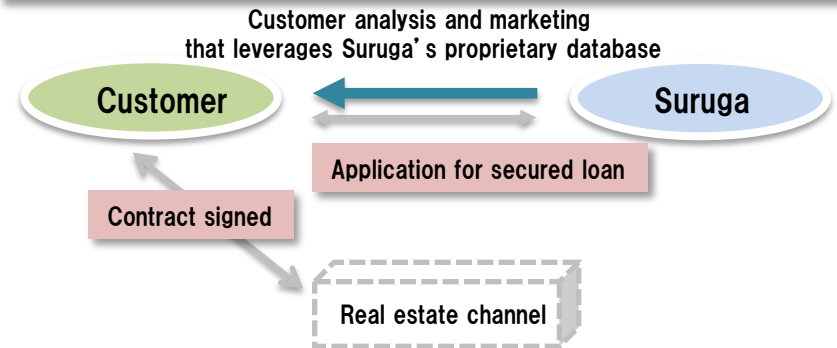


Suruga's secured loan business

Suruga's product line-up that caters to the "modern way of living"



Selling secured loans that match the life events and values of the customer



Suruga's Personal Loan Strategy

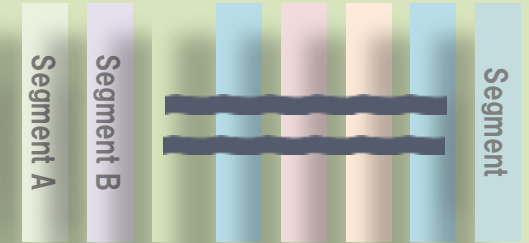
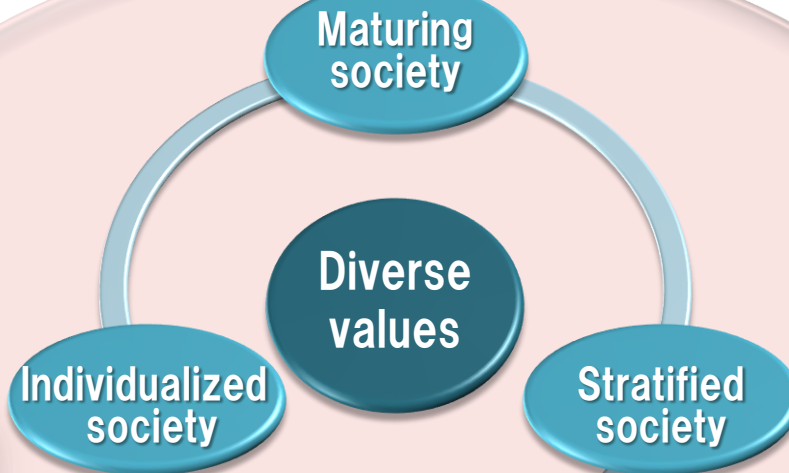
Channels and product line-up catering to the increasingly diverse values of our customers



ANA
ANA branch

リクルート支店
スルガ銀行
Recruit branch

T-POINT
スルガ銀行Tポイント支店
T-POINT branch



Lifestyle support



Road bike loan



Model railroad loan

Life event support



Educational loan



Refurbishment loan

Resolving social issues



Medical (cancer) loan



Vacant house loan

Development of customer segments and broader product line-up

Various channels of customer contact for "One to One" communication

■ Concept of Suruga's Operational Innovation

Realizing the “next-generation branch” to achieve higher customer satisfaction

Perspective of the customer

The three no's



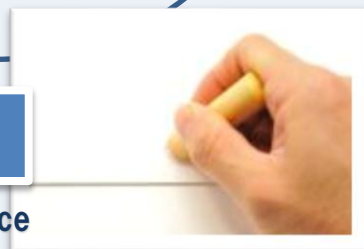
No waiting

Shorter waiting time



No writing

Smoother application process



No seals

Better convenience

Execution of business reforms and Operational innovation

Perspective of operational efficiency

The three less's



Paperless

Reduce operations for physical delivery and storage



Safe-less

Reduce operations for managing cash and valuables



Operation-less

Reduce back-office operations

Suruga's Operational Innovation

Enhancing customer communication through efficient operations

Paperless and seal-less

SMA-Navi

Putting a smile on the faces
of our customers and staff

Launched 4/2017

• Applications completed through tablets

• Manual-free and easy to use

• No need for administrative operations



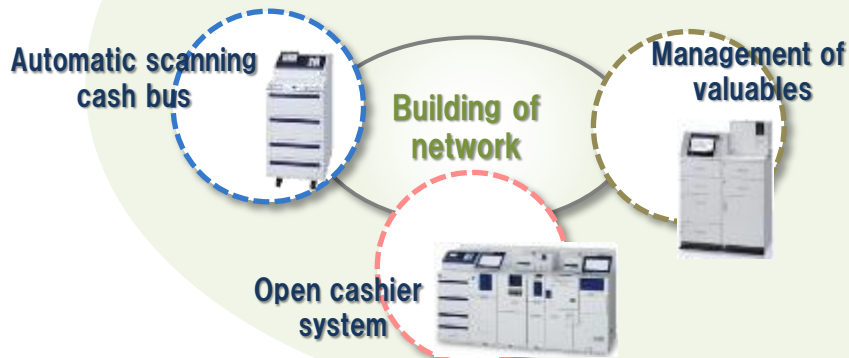
Converting
branches into
locations for
customer
dialogue

Safe-less

<Efficient teller and valuables management operations>

Operation-less

<Centralization of operations> <Large-scale operation center>



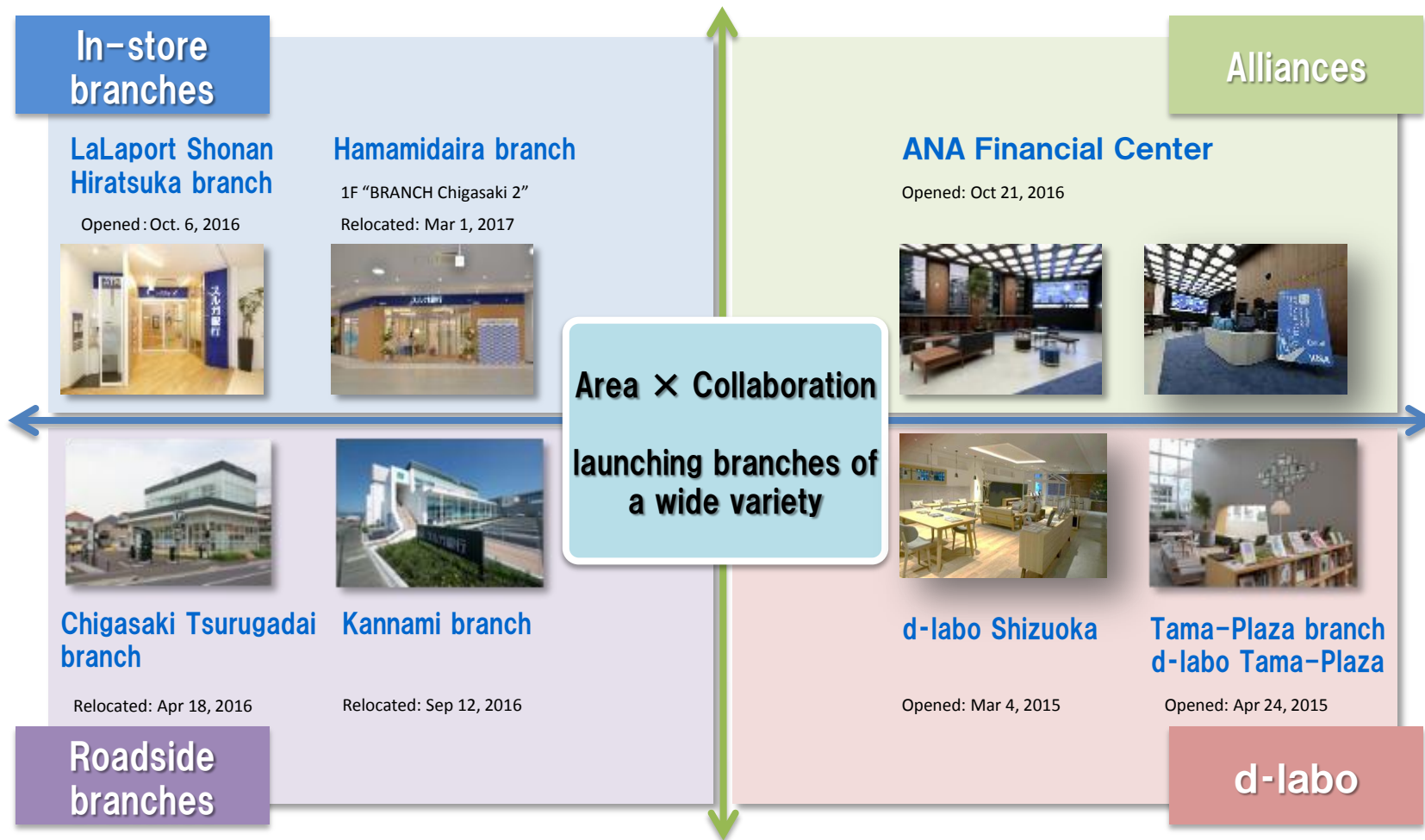
- Seal verification
- FX operations
- Document filing
- Account transfer operations
- Voucher reconciliation, etc.



Operation center (Suruga-Daira)

Suruga's Way of Communication ①

Launch of branches that match the local markets and based on unique concepts



Website renewal (May 9, 2017)

Advancement of
"User Interface"

Improvement of
"Customer Experience"



Multi-device
compatible design



Interface that
allows for intuitive
use



Periodic
distribution of
original contents



Encrypted browsing
(Fully SSL-encrypted)

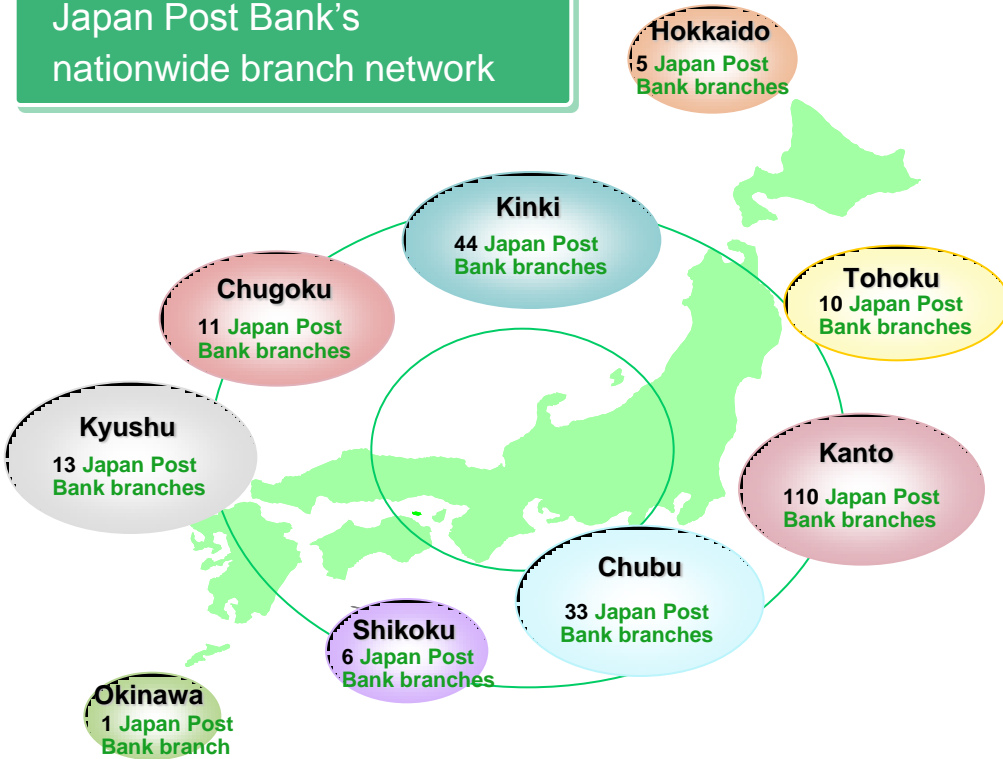
Further
enhancement of
security

Business Alliance with Japan Post Bank

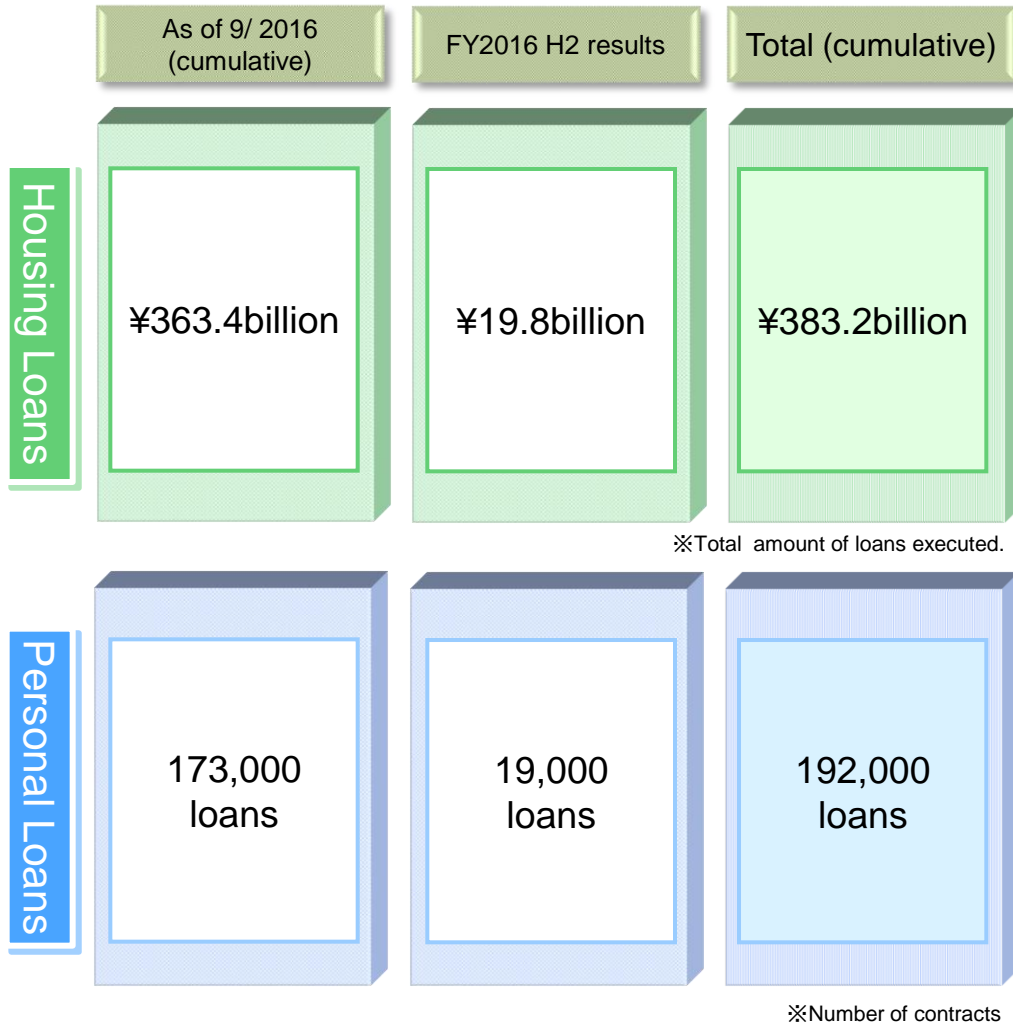
Leveraging Japan Post Bank's nationwide network

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

Japan Post Bank's nationwide branch network

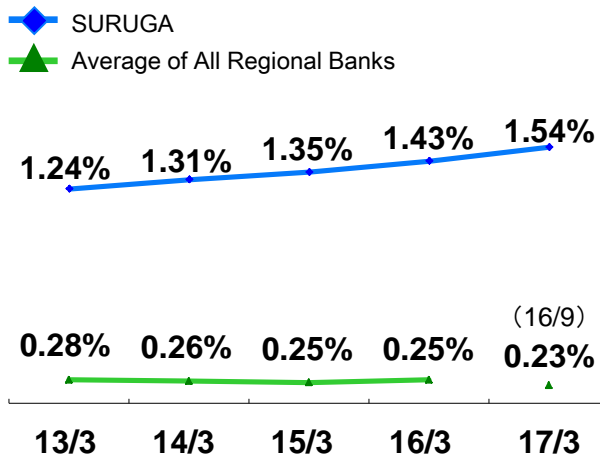


Cumulative results through end-FY2016

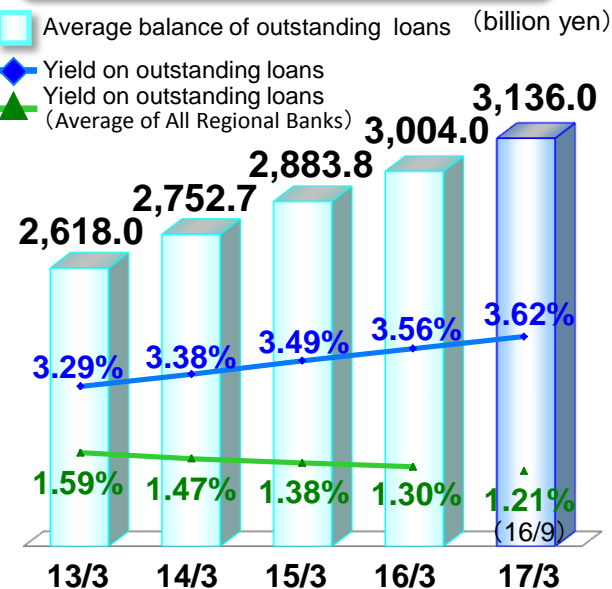


Yield / Margins (Overall)

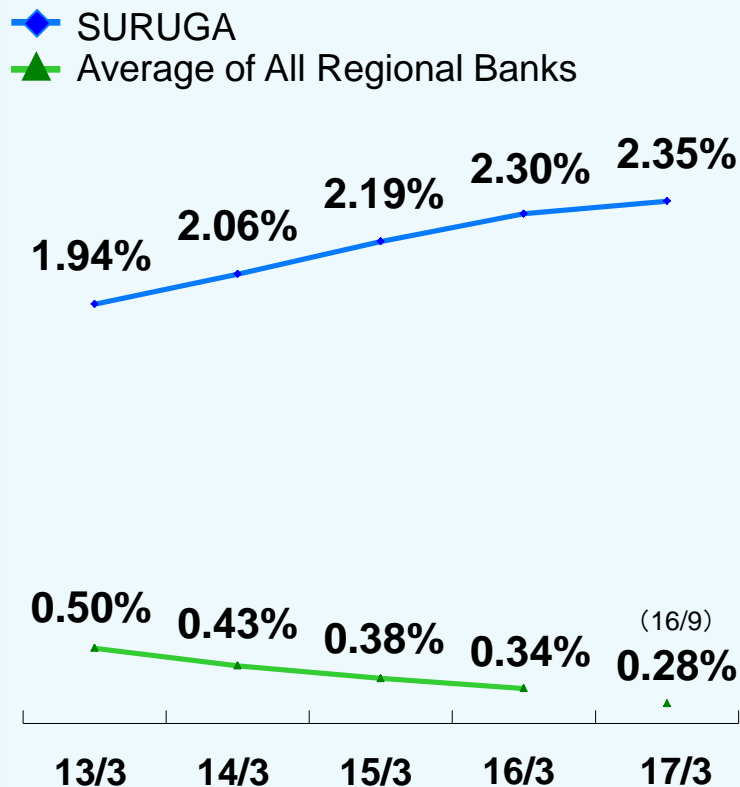
Net interest margin



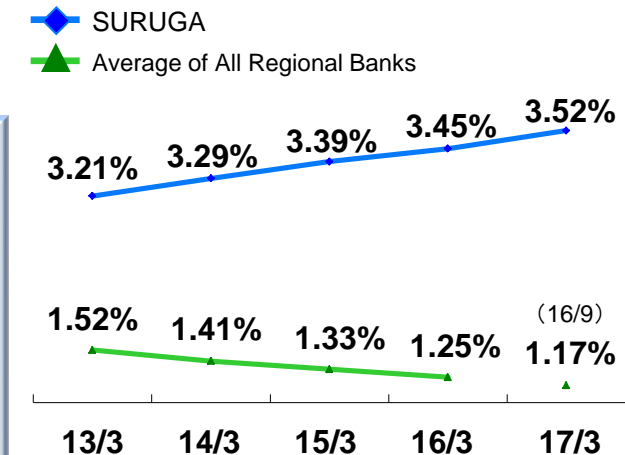
Average balance and yield on outstanding loans



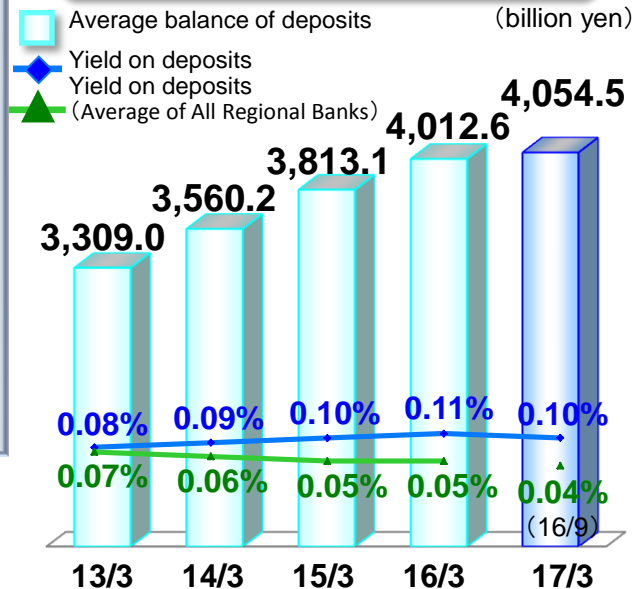
Loan-deposit margin (after deduction of expenses)



Loan-deposit margin



Average balance and yield on deposits



Yield / Margins (Domestic)

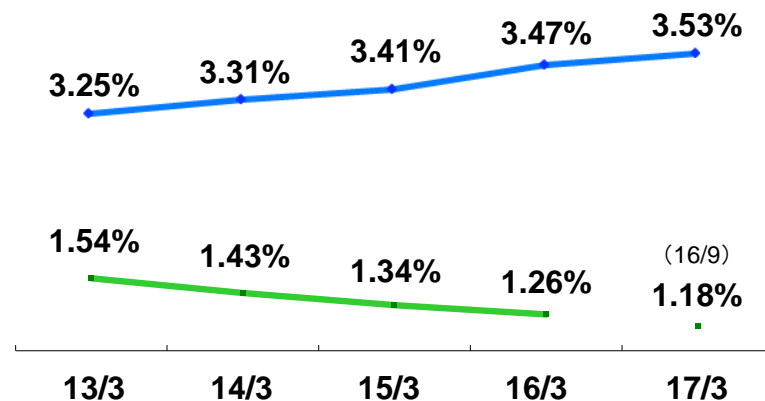
Yield-Expense ratio

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



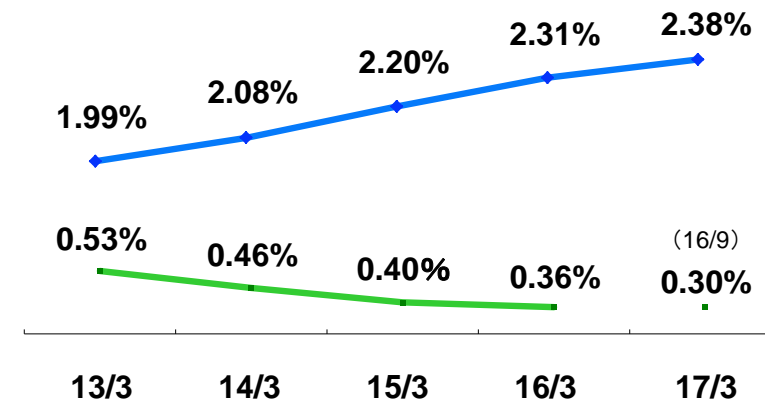
Loan-deposit margin

- SURUGA
- Average of All Regional Banks



Loan-deposit margin (after deduction of expenses)

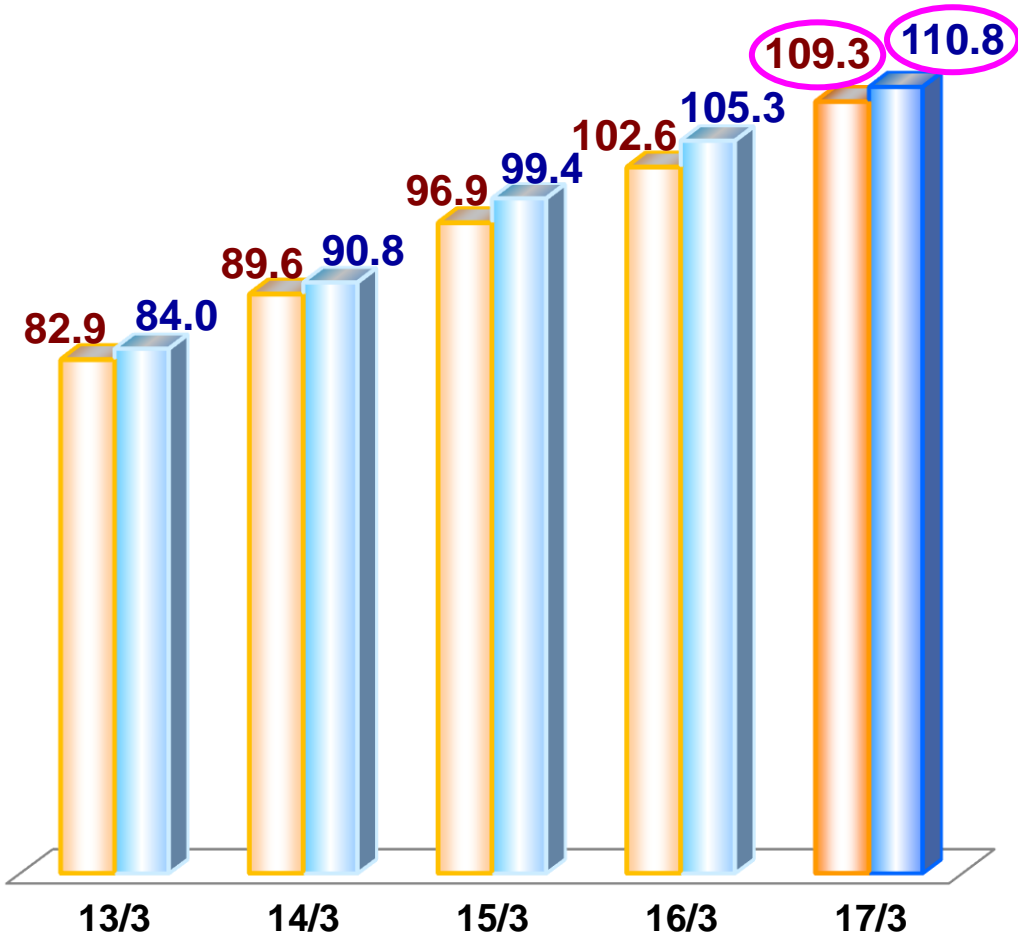
- SURUGA
- Average of All Regional Banks



Income

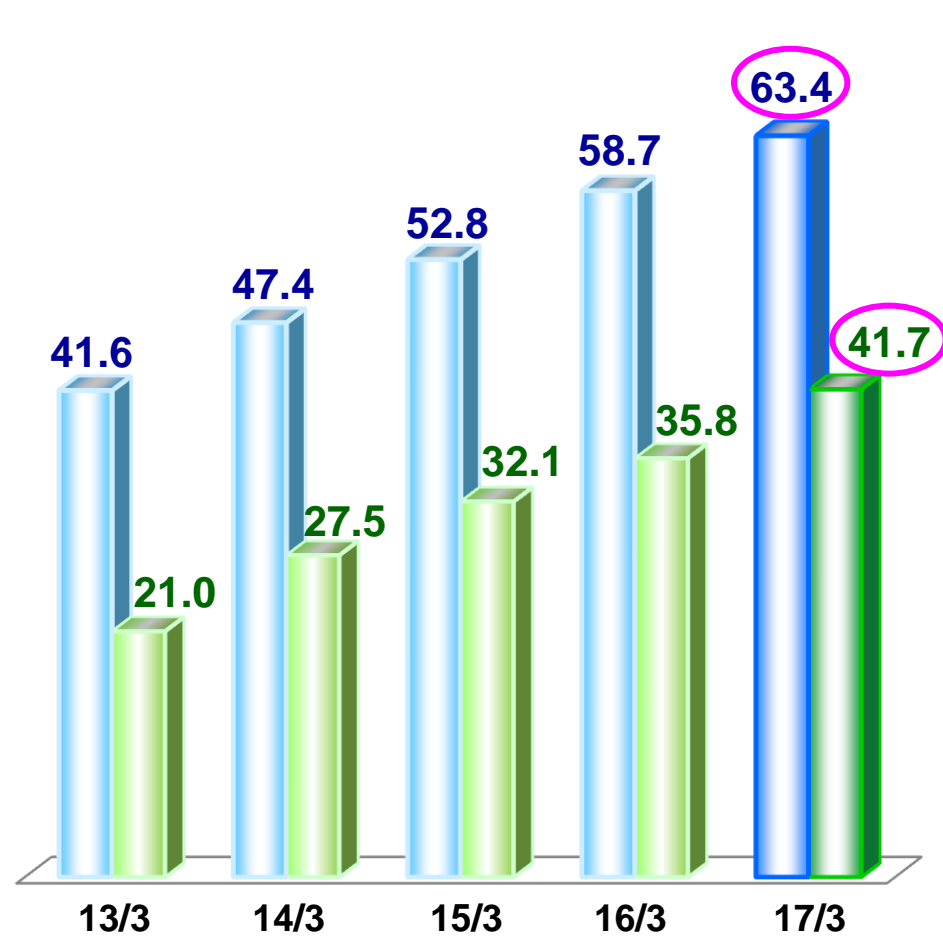
Yen loan-deposit profit / Gross operating profit

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



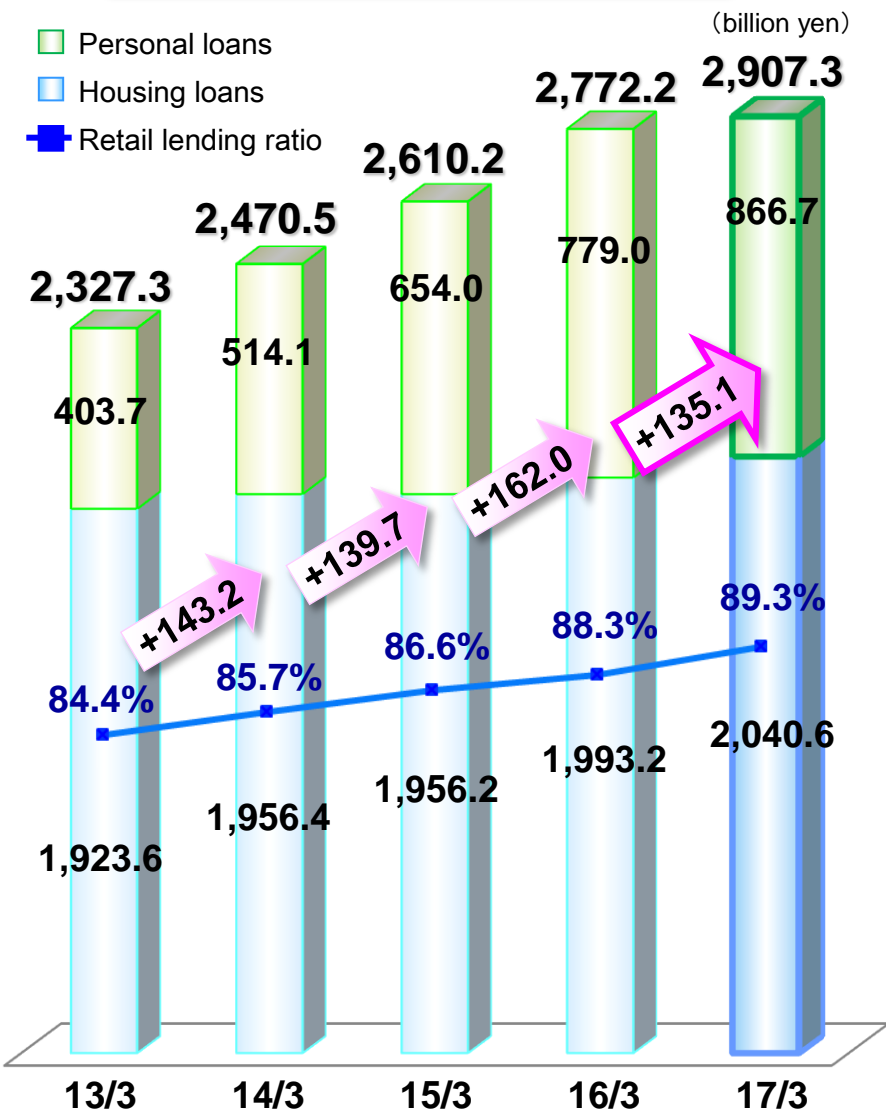
Core net operating profit / Net income

■ Core net operating profit ■ Net income
 Record High
 (billion yen)

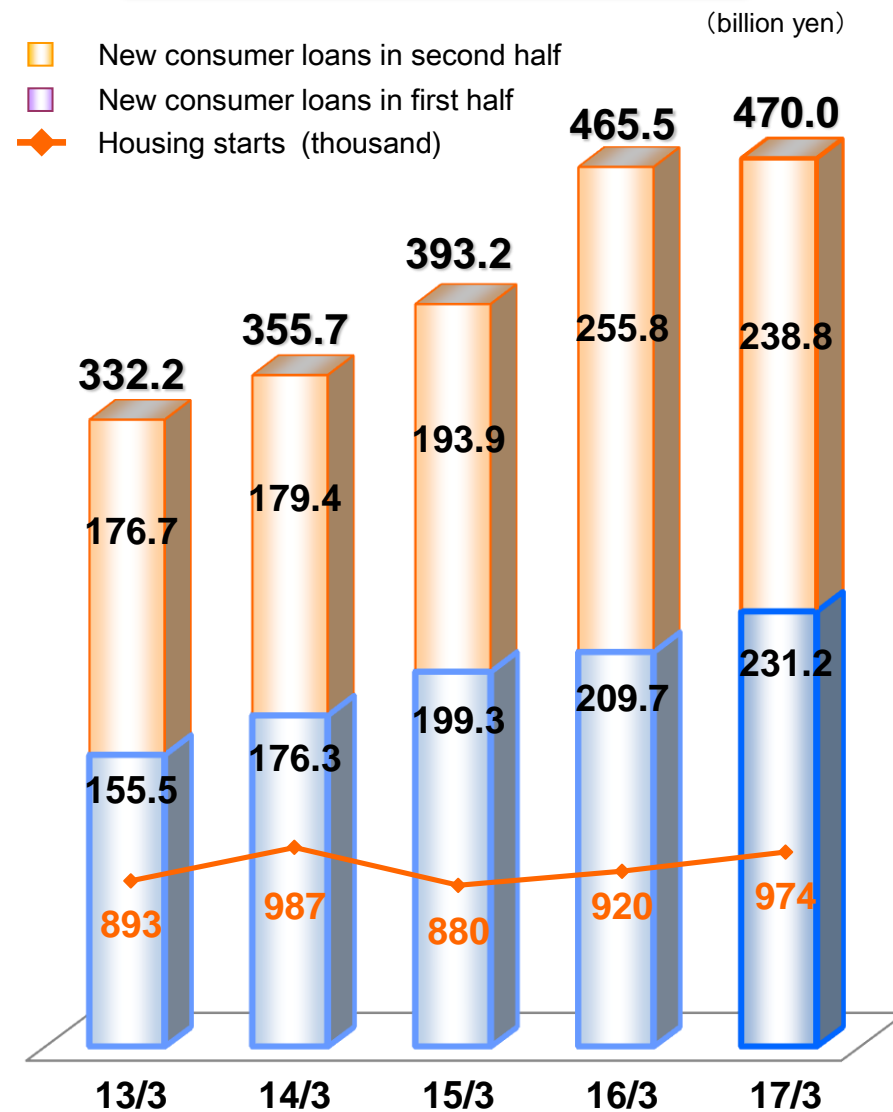


Strong Focus on Retail

Consumer loan balance and ratio

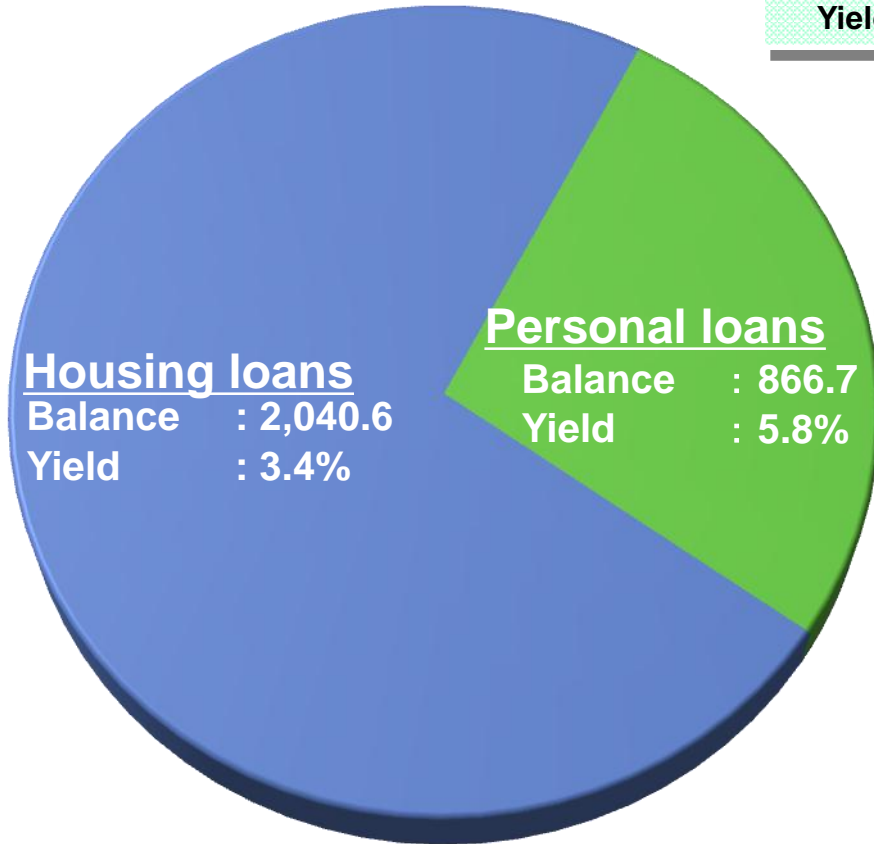


New loan contracts



Focus on More Profitable Products

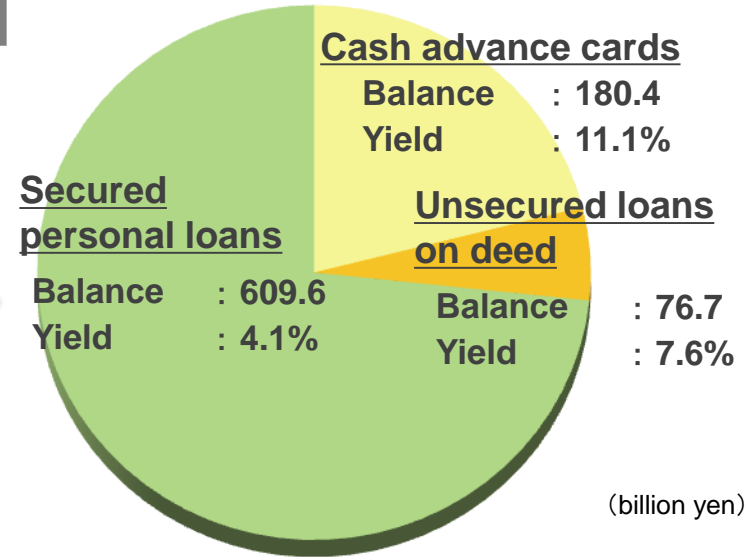
Consumer loans



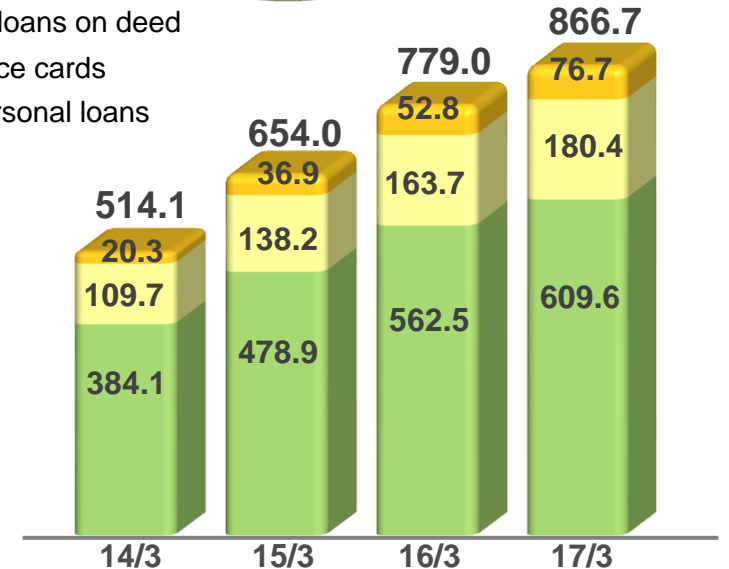
Balance: 2,907.3
Yield : 4.1%

As of Mar 31, 2017
Balance: billion yen
Yield : average rate

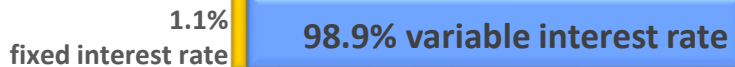
Personal loans



- Unsecured loans on deed
- Cash advance cards
- Secured personal loans

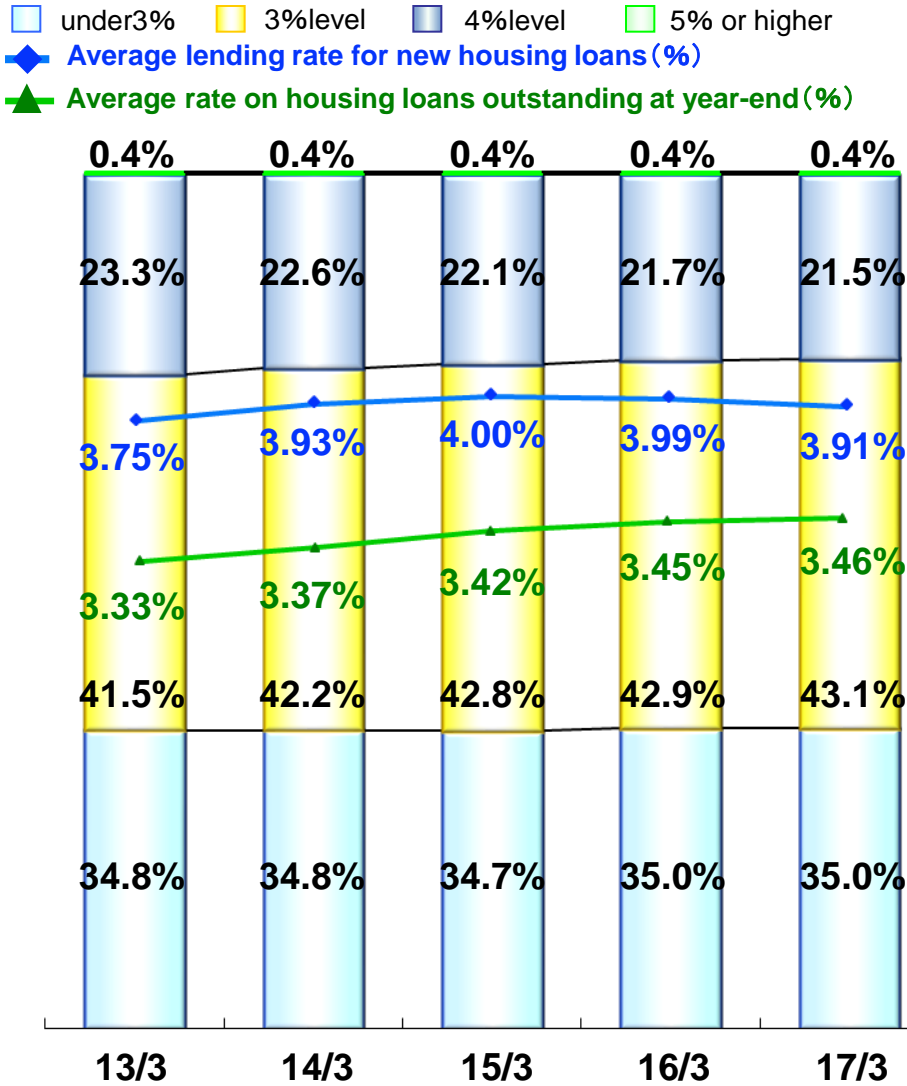


《Breakdown of Housing loans by interest rate type》

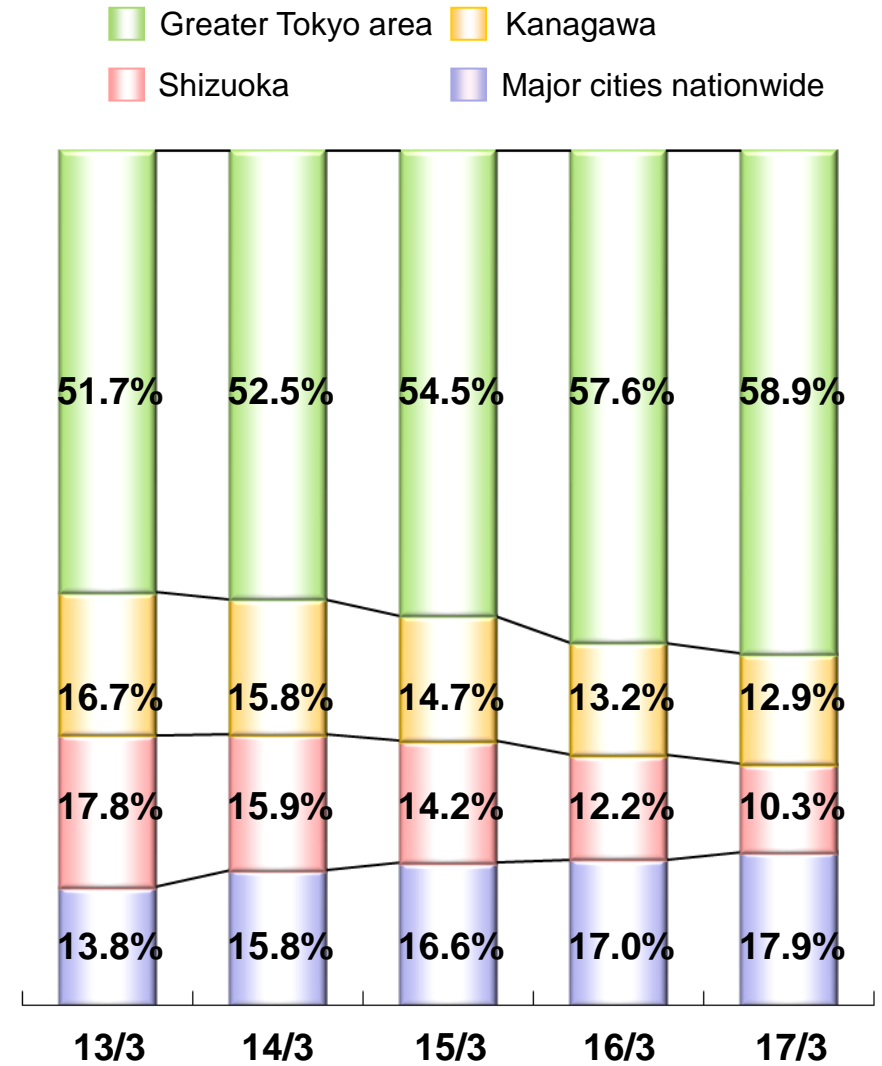


Housing Loans

Distribution of lending rate for housing loans (cumulative)



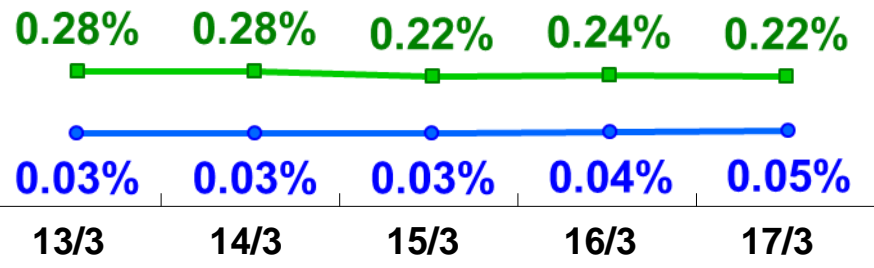
Breakdown of housing loans outstanding by geographical area



Delinquency and Loss Rates on Consumer Loans

Housing loans

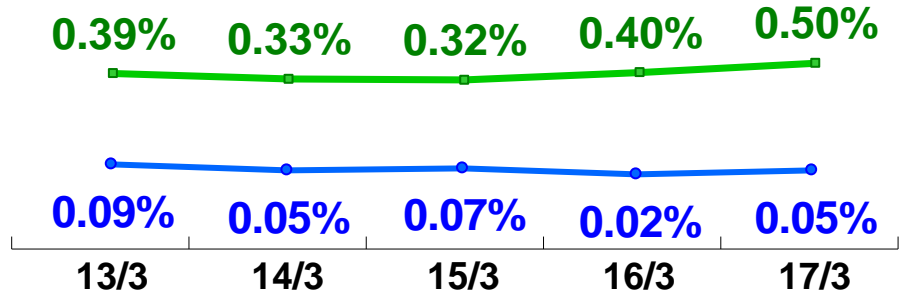
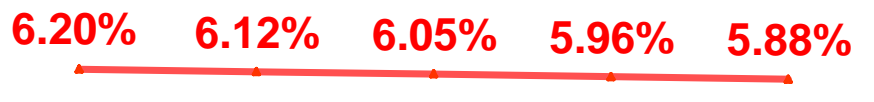
▲ Yield ● Delinquency rate ■ Loss rate



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

Personal loans

▲ Yield ● Delinquency rate ■ Loss rate

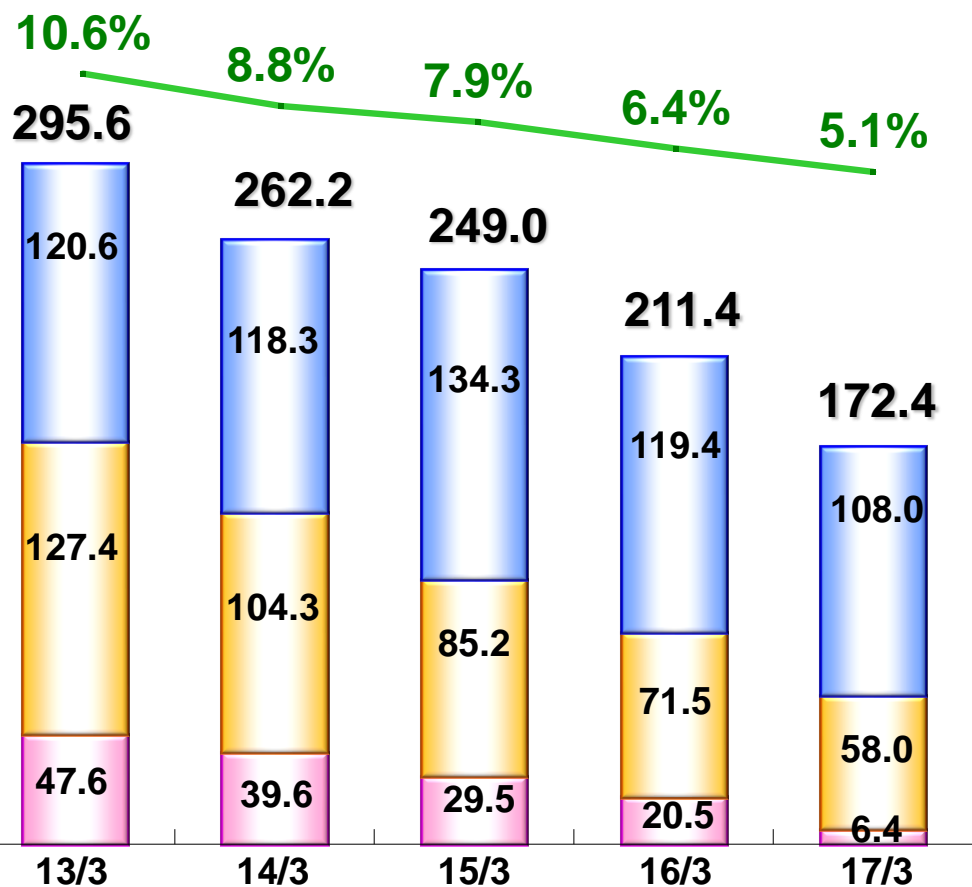


Loss rate = default ratio × (1 - recovery rate)

Fees and Commissions

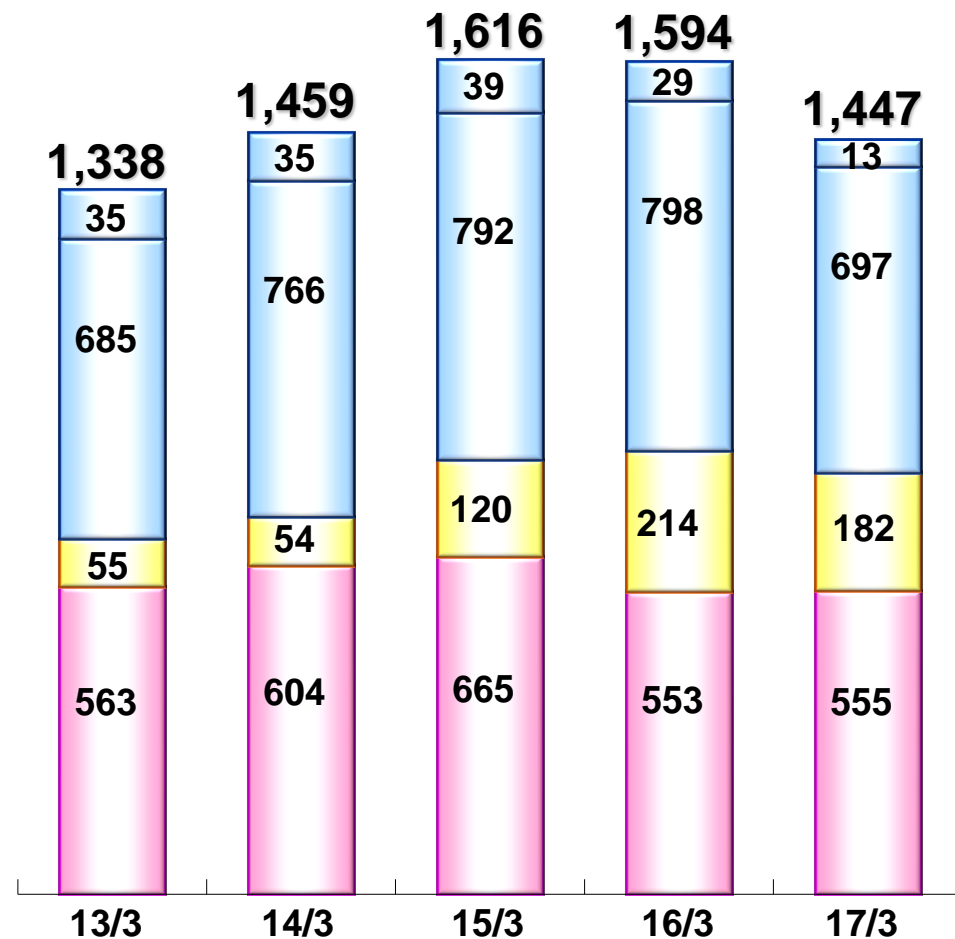
Breakdown of investment products outstanding

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



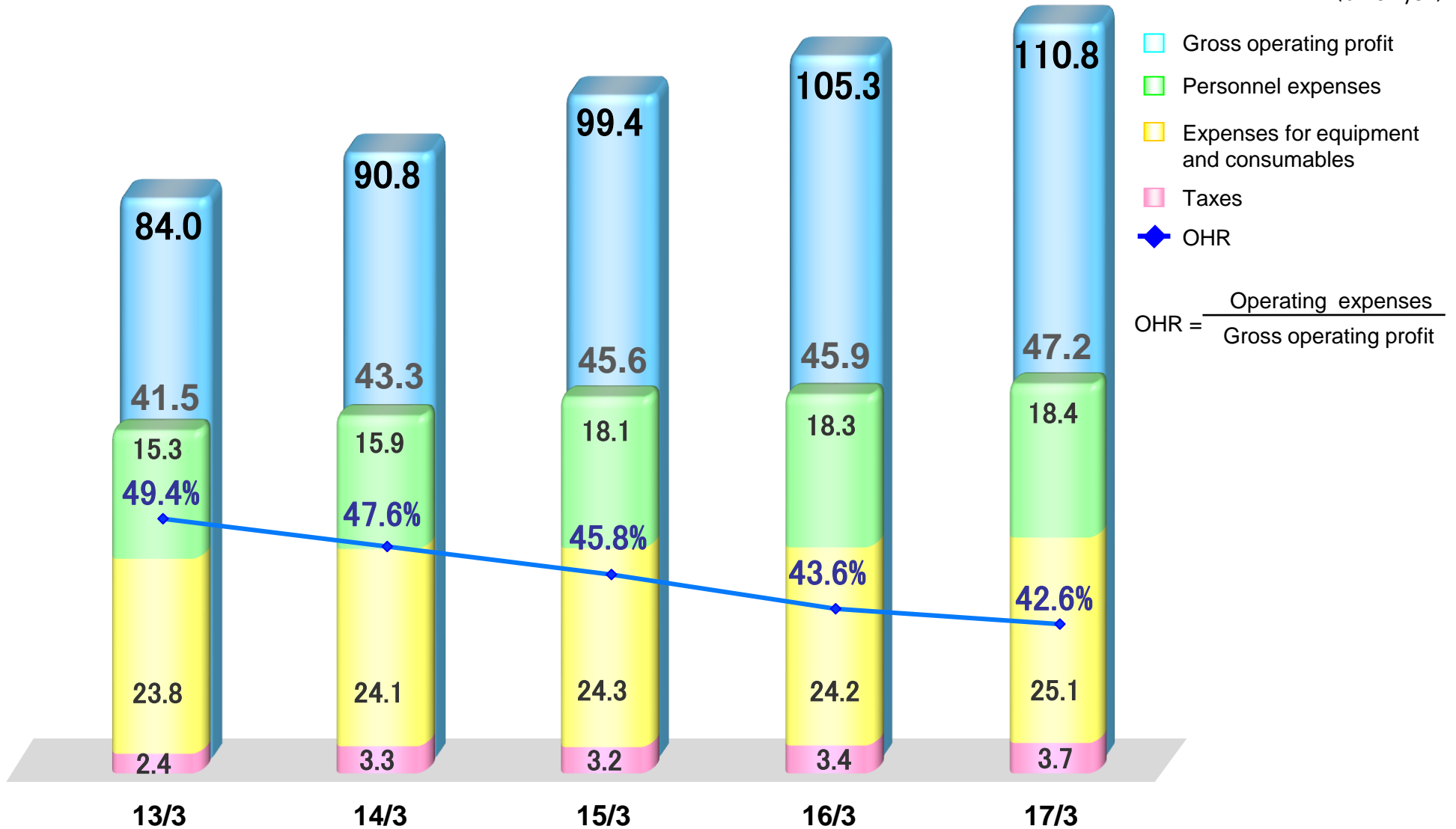
Commission from mutual funds and insurance products

- 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)



$$\text{OHR} = \frac{\text{Operating expenses}}{\text{Gross operating profit}}$$

Breakdown of NPLs Based on the Financial Reconstruction Law

(billion yen)

Category	Mar. 17 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	7.7	0.23%	Consumer	7.1	0.25%	5.0	3.7	1.3	70.38%	2.1	100%	100%
			Corporate	0.6	0.16%	0.4	0.2	0.2	67.35%	0.2	100%	100%
Claims with collection risk	12.7	0.39%	Consumer	2.4	0.08%	1.4	1.2	0.2	60.18%	0.3	31.42%	72.69%
			Corporate	10.3	2.98%	9.0	3.2	5.8	87.51%	0.4	31.42%	91.43%
Claims for special attention	8.5	0.26%	Consumer	6.4	0.22%	3.8	3.7	0.1	58.85%	0.2	9.80%	62.88%
			Corporate	2.1	0.60%	0.9	0.9	0.0	43.18%	0.2	17.27%	52.99%
Subtotal	28.9	0.88%	Consumer	15.9	0.55%	10.2	8.6	1.6	64.20%	2.6	46.80%	80.95%
			Corporate	13.0	3.74%	10.3	4.3	6.0	79.52%	0.8	29.82%	85.63%
Normal assets	3,245.5	99.12%	Consumer	2,913.0	99.45%							
			Corporate	332.5	96.26%							
Total	3,274.4	100%	Consumer	2,929.0	100%							
			Corporate	345.4	100%							

Total coverage ratio	83.04%
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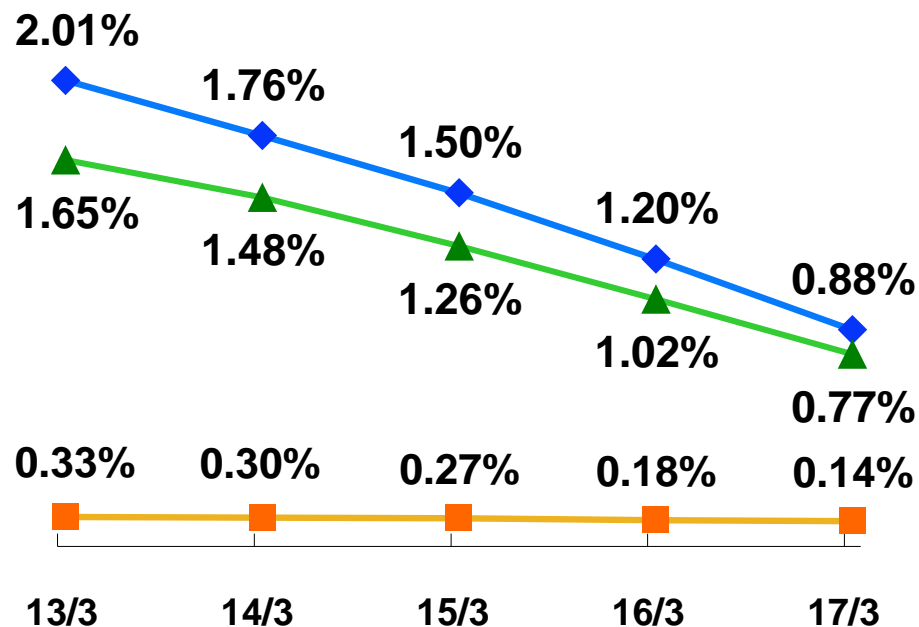
Coverage ratio	: Coverage by collateral and guarantees
Reserve ratio	: Reserve against unsecured portion
Total coverage ratio	: Coverage by collateral, guarantees and reserves

* 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.

NPL Ratio / Credit Costs

NPL ratio

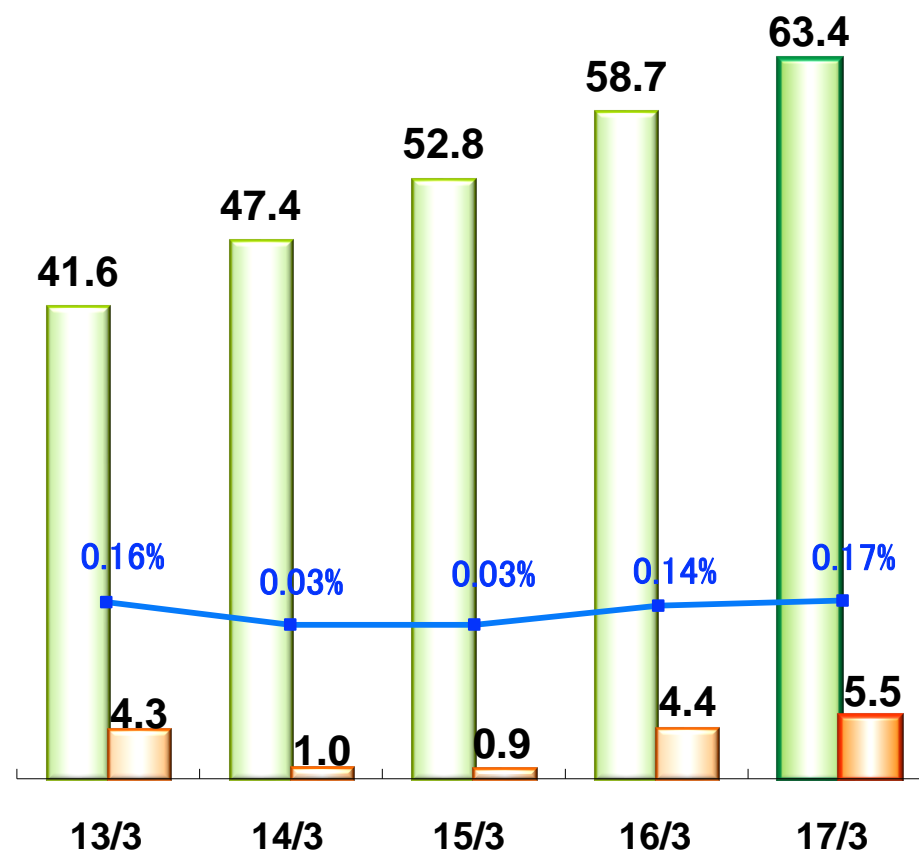
- ◆ Non-performing loans based on the Financial Reconstruction Law
- ▲ Non-performing loans net of reserves
- Non-performing loans net of reserves, collateral and guarantees



Credit costs

(billion yen)

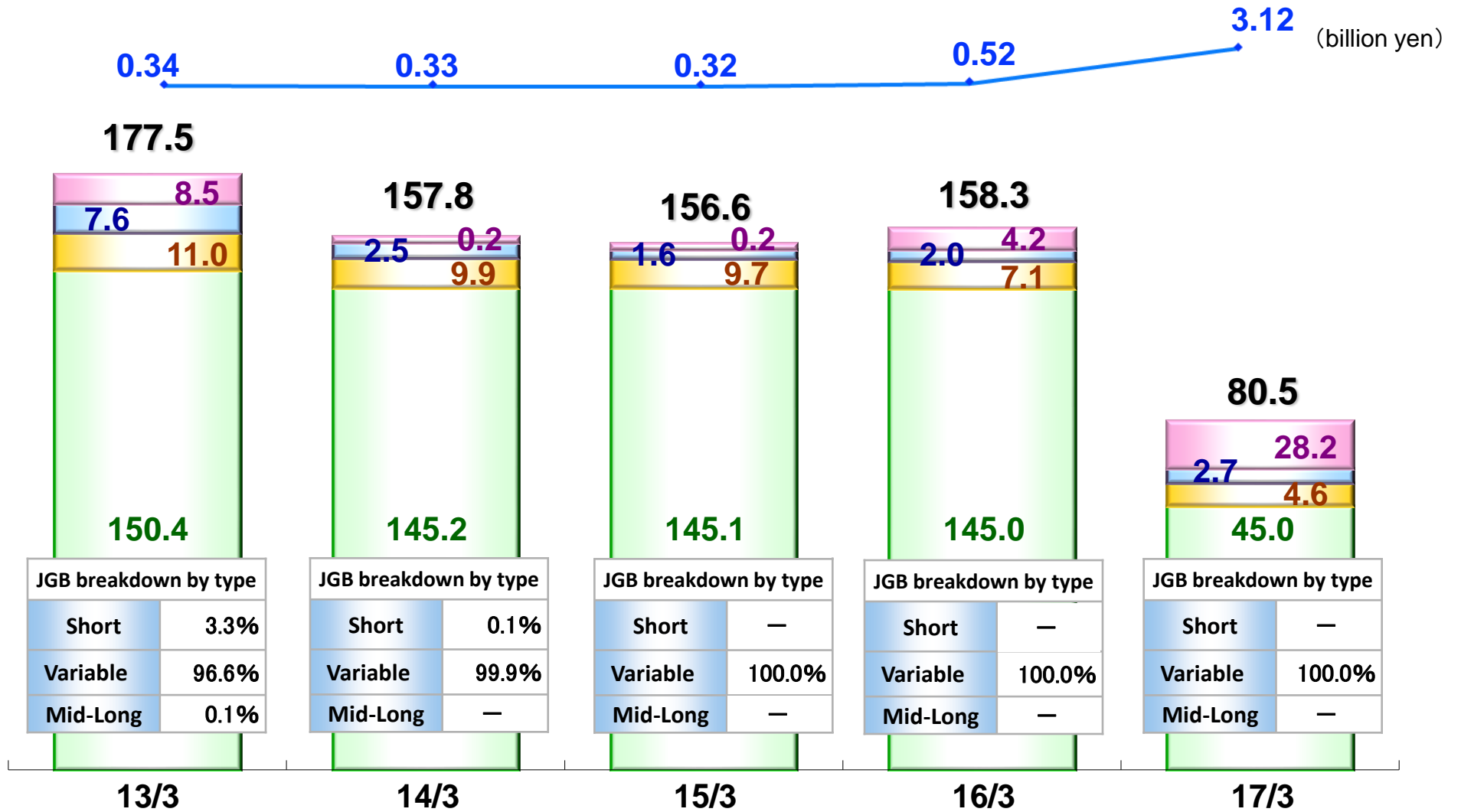
- Core net operating profit
- Actual credit costs (credit costs - recoveries of written-off claims)
- ◆ Actual credit costs ratio (actual credit costs/average loan balance)



Bond Portfolio

■ JGBs
 ■ Foreign Bonds
 ■ Corporate Bonds
 ■ Regional Government Bonds
◆ Average remaining maturity (Year)

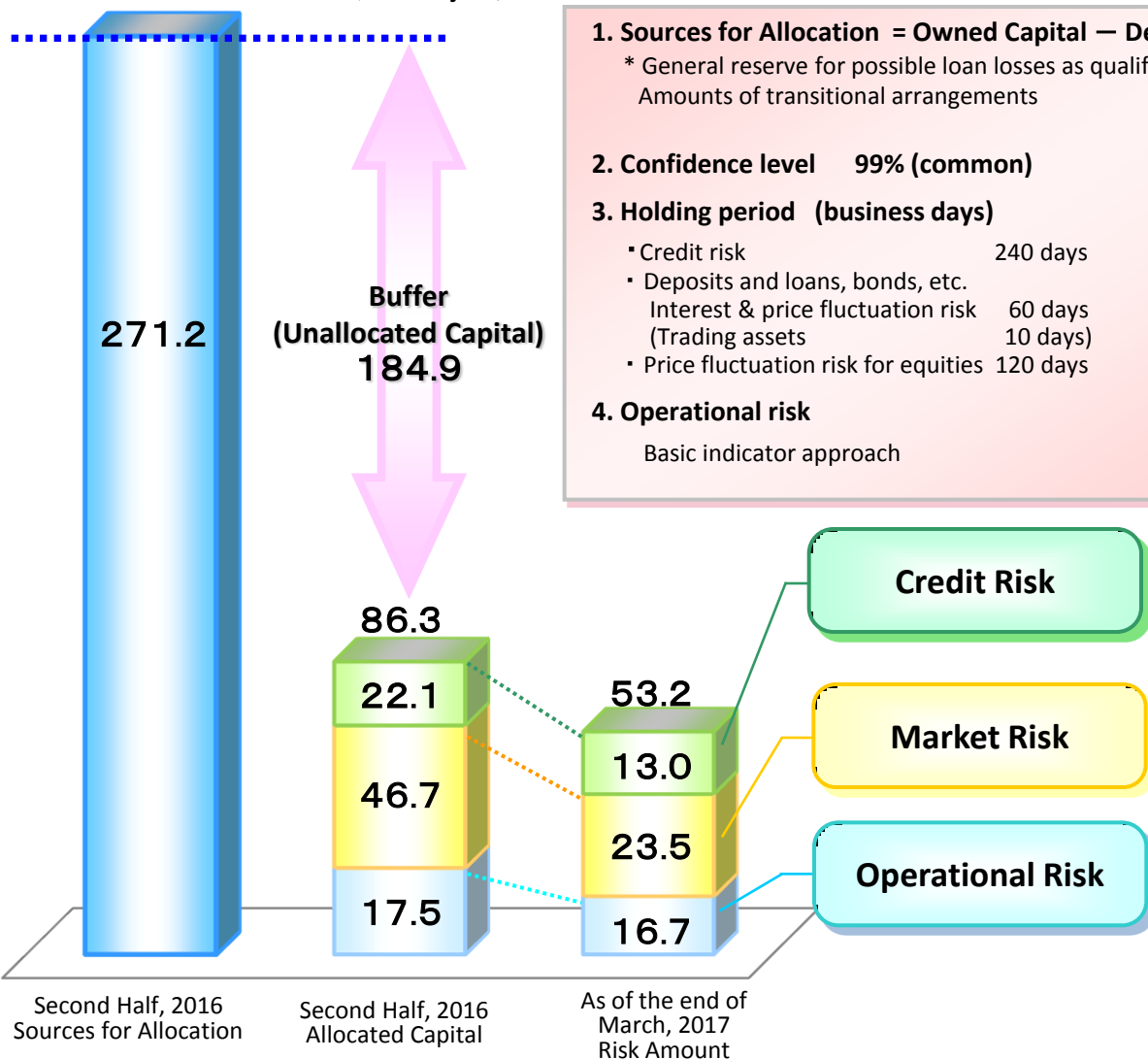
Security Deposit Ratio 3.7%



Status of Risk Amount

Integrated Risk Management

(billion yen)



1. Sources for Allocation = Owned Capital — Deductions*

* General reserve for possible loan losses as qualifying capital, Amounts of transitional arrangements

2. Confidence level 99% (common)

3. Holding period (business days)

- Credit risk 240 days
- Deposits and loans, bonds, etc. Interest & price fluctuation risk 60 days (Trading assets 10 days)
- Price fluctuation risk for equities 120 days

4. Operational risk

Basic indicator approach

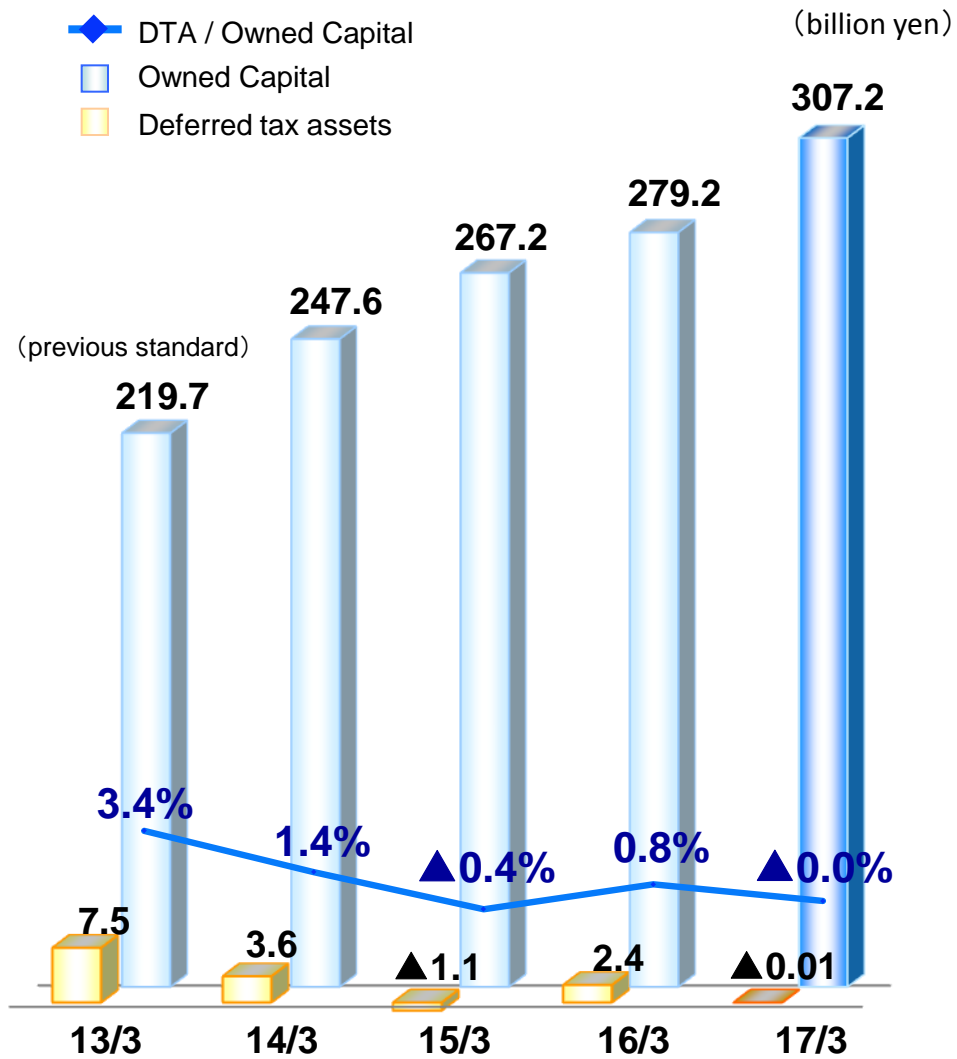
Outlier Ratio

As of the end of March 2017

Interest Rate Shock Range	±200bp
Interest Rate Risk Amount	3.0 billion yen
Outlier Ratio	0.9%

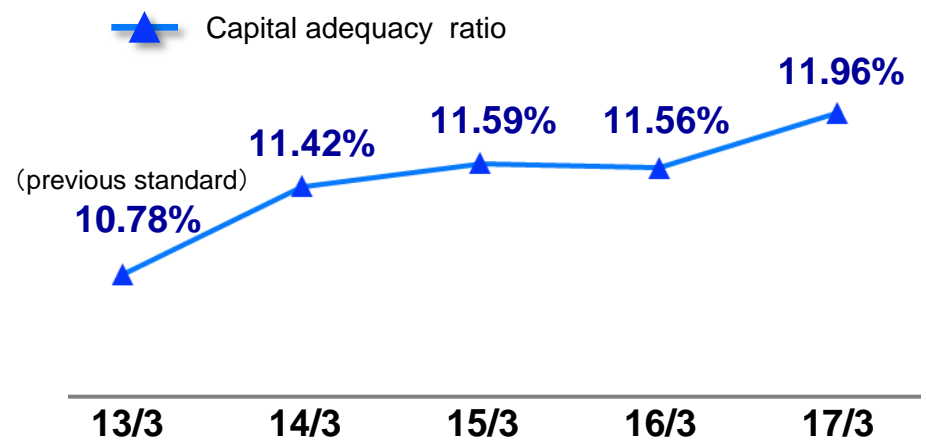
Capital Position

Deferred tax assets / Owned Capital



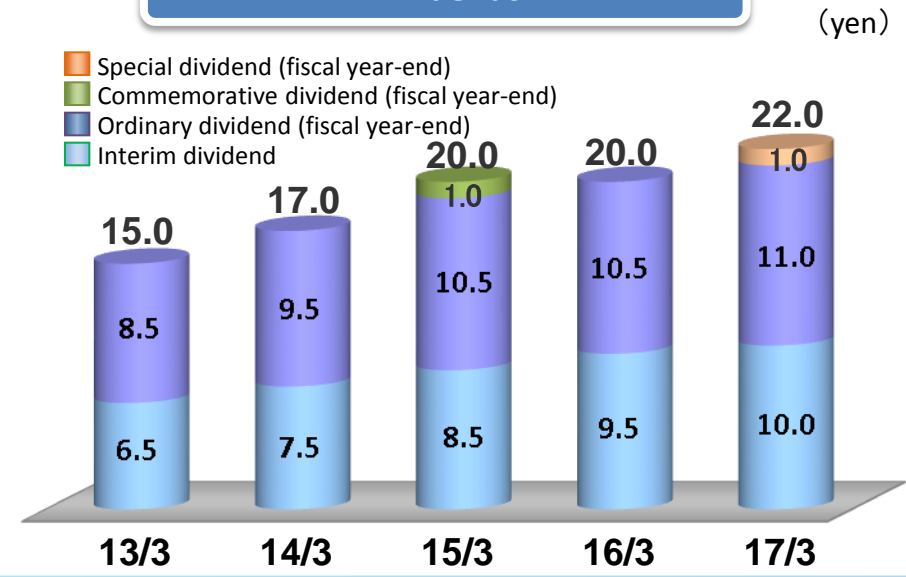
* The capital adequacy ratio has been calculated based on the new domestic standard from the fiscal year ended March 31, 2014.

Capital adequacy ratio



* new standard : based on the new domestic standard

Dividends



FY2016 Results and FY2017 Forecast

(billion yen)

	FY2015 Results (A)	FY2016 Results (B)	Increase or Decrease (B-A)	FY2017 Forecast
Gross operating profit	105.3	110.8	+ 5.5	114.0
Operating expenses	45.9	47.2	+ 1.3	49.0
Net operating profit	59.4	63.6	+ 4.2	65.0
Core net operating profit	58.7	63.4	+ 4.7	65.0
Ordinary profit	54.4	57.1	+ 2.7	60.0
Net income	35.8	41.7	+ 5.9	42.0
Actual credit costs	4.4	5.5	+ 1.1	4.5
ROE (%) (net income basis)	14. 12	15. 14	+ 1. 02	13. 46
EPS(yen)	152. 28	180. 22	+ 27. 94	181. 34
Dividend(yen)	20.0	22.0	+ 2.0	21.0
Ordinary dividend	20.0	21.0	+ 1.0	21.0
Special dividend	—	1.0	+ 1.0	—

CSR as Suruga Sees it Creating the Future

Suruga's CSR activity – Seedlings for the Future Project



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



Tea ceremony for children



future action

- 自立の思想スタディ・プログラム
- 日本の伝統文化スタディ・プログラム
- 奨学生サポート・プログラム

eco action

- 「ふじのくに」サポート・プログラム
- 富士箱根伊豆国立公園 インフラ整備サポート・プログラム
- 駿河湾生態系サポート・プログラム

culture action

- アートサポート・プログラム
- 感性刺激・プログラム
- サッカーサポート・プログラム



Workshop on Fujinokuni water circulation by Mr. Ishigaki, Director of the Numazu Deepblue Aquarium



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



Children supporting "azul-claro Numazu", the local professional soccer team which successfully moved up to J3



Seedlings for the Future Concert-performance by Hiroshi Aoshima



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