

# Meeting the Challenge of New Banking

Presentation to investors on fiscal year ended September 30, 2017



# Grand Design of the 1<sup>st</sup> 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

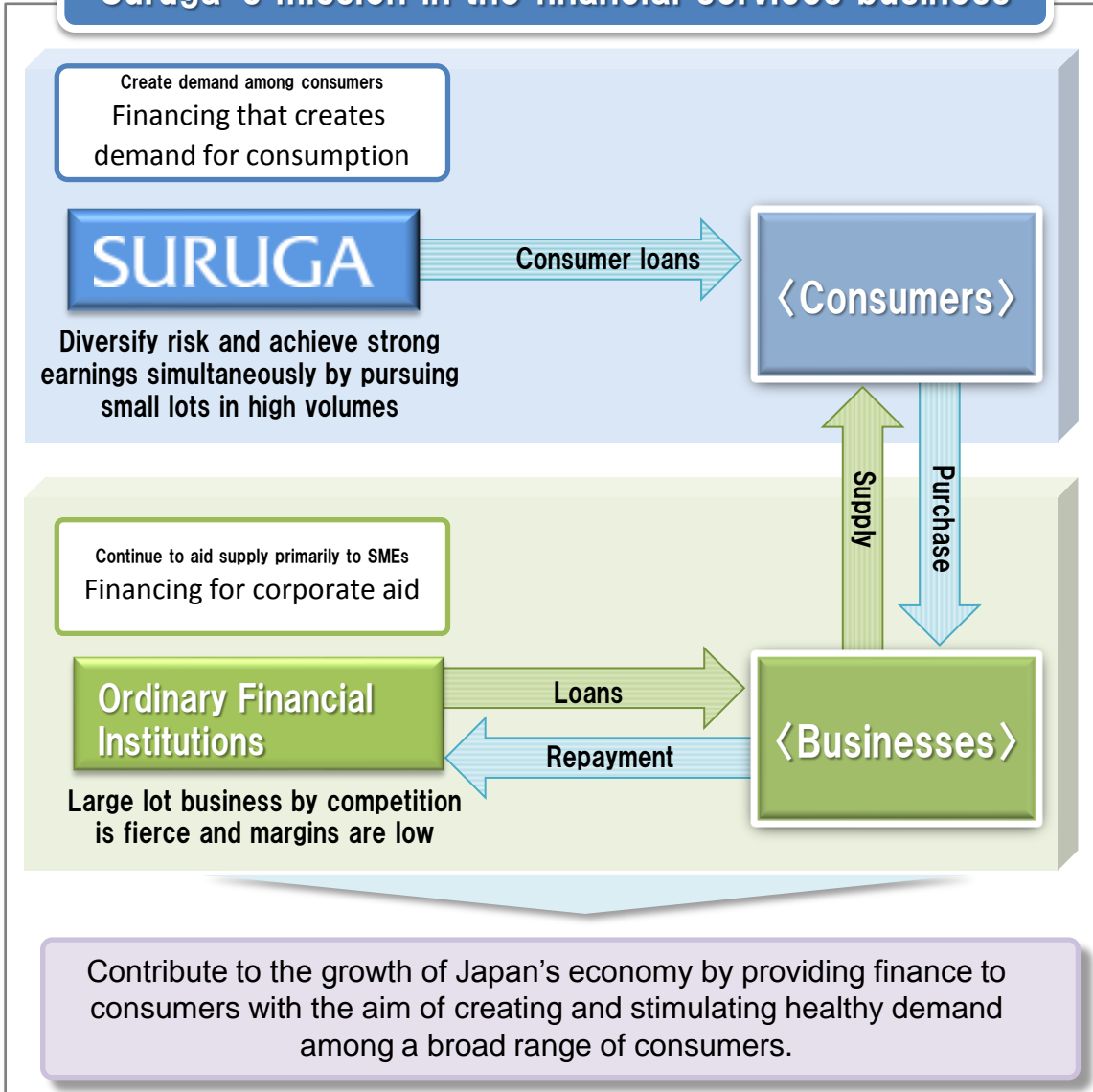
Small and medium-sized corporate lending

Strategic and focused allocation of management resources

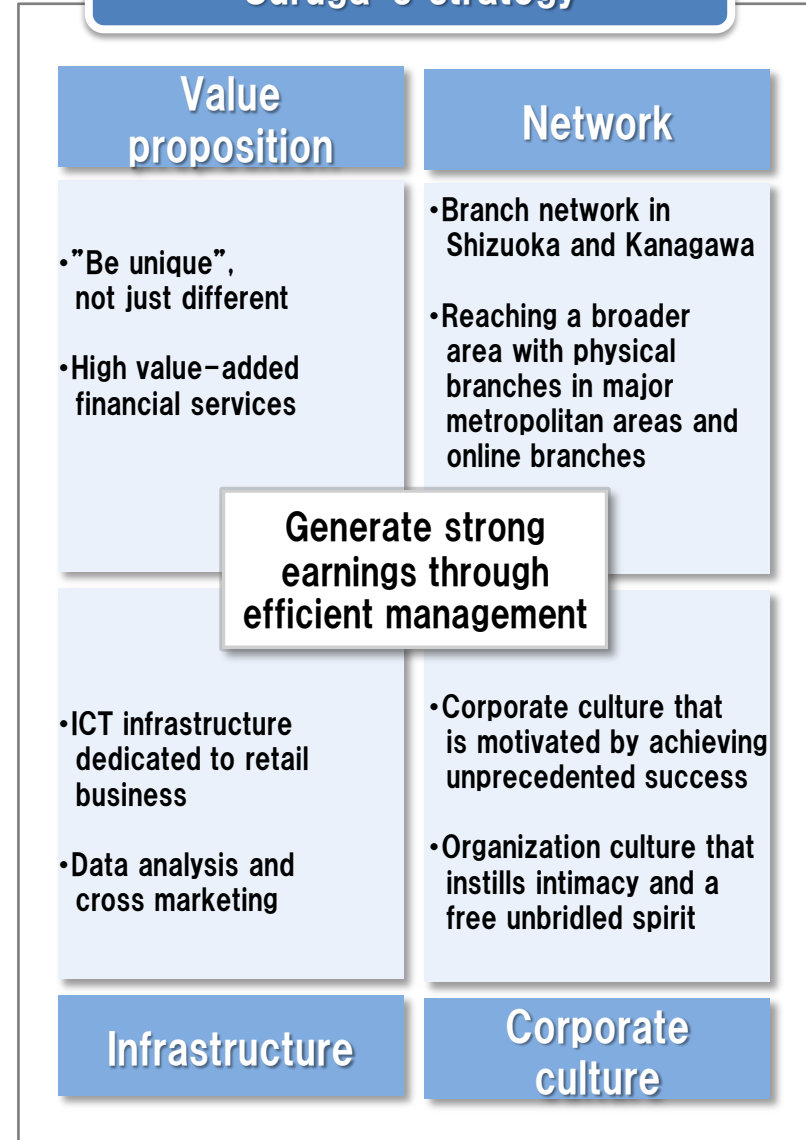
Alliances with external partners

# Suruga's Business Model

## Suruga's mission in the financial services business

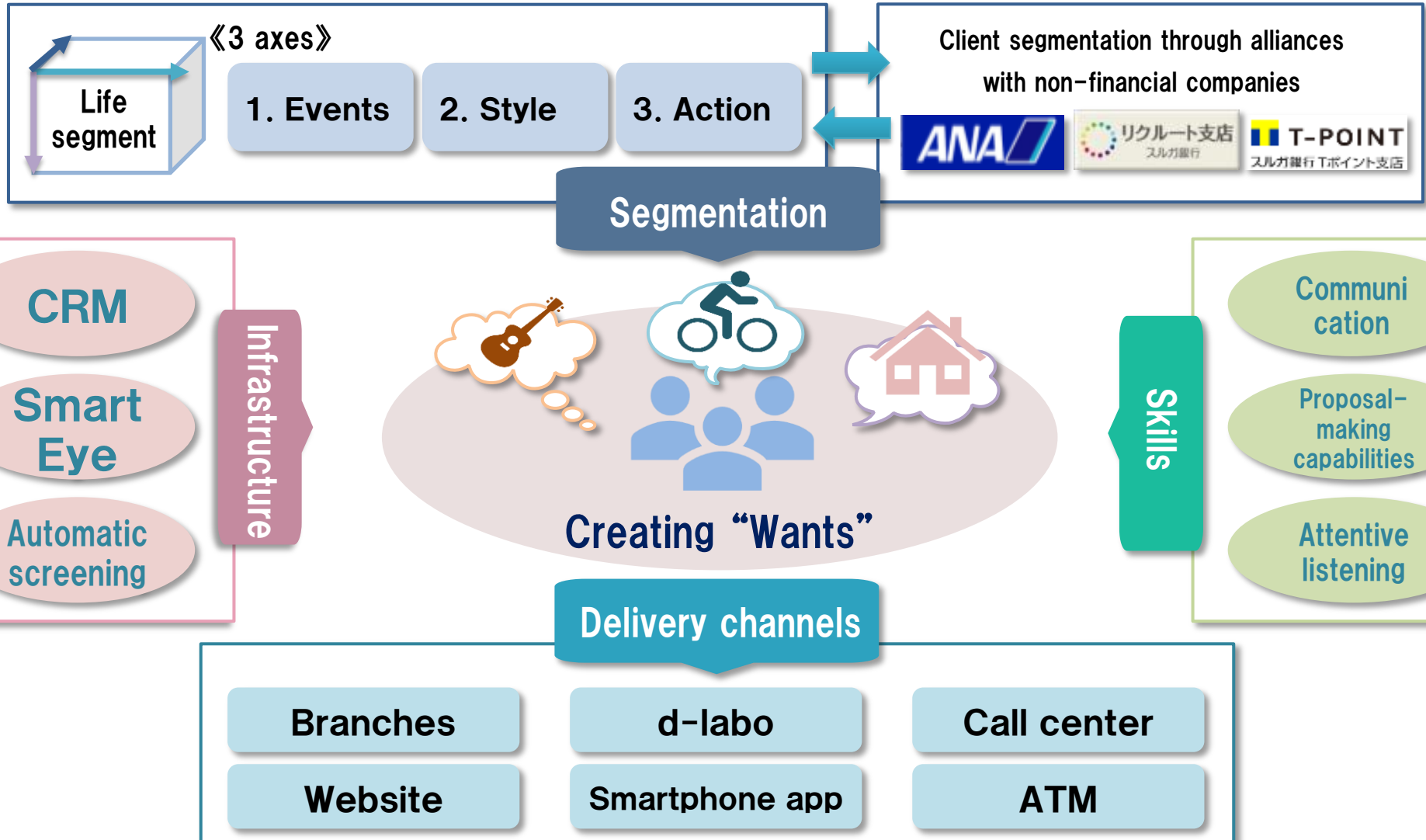


## Suruga's strategy



# Personal Loan Strategy

Proactive support to realize our customers' innermost dreams

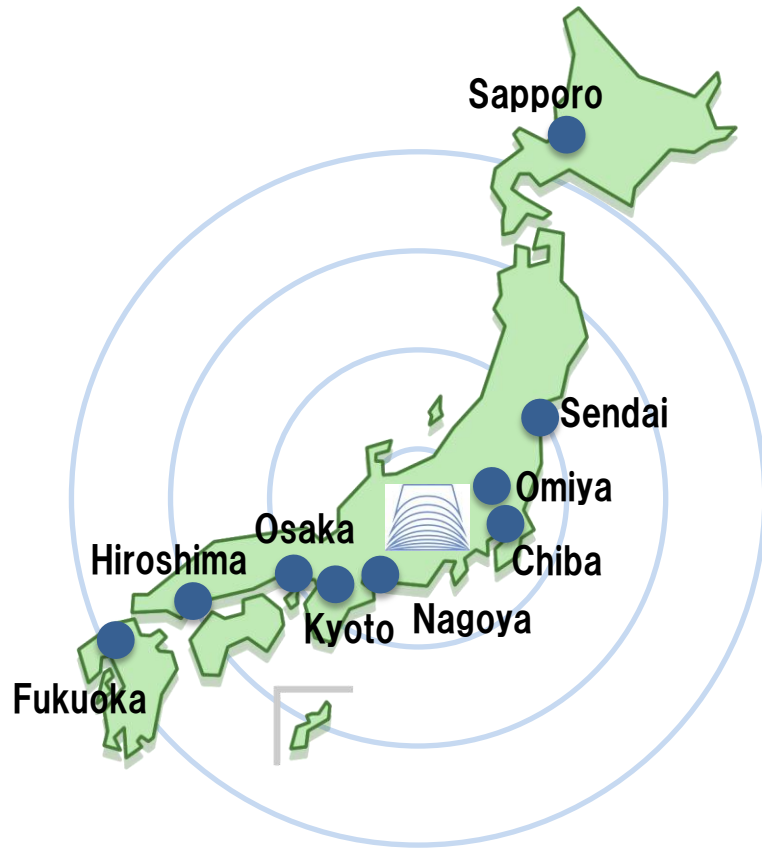


# Secured Loan Strategy

Secured loan business deployed through Suruga's wide-area network

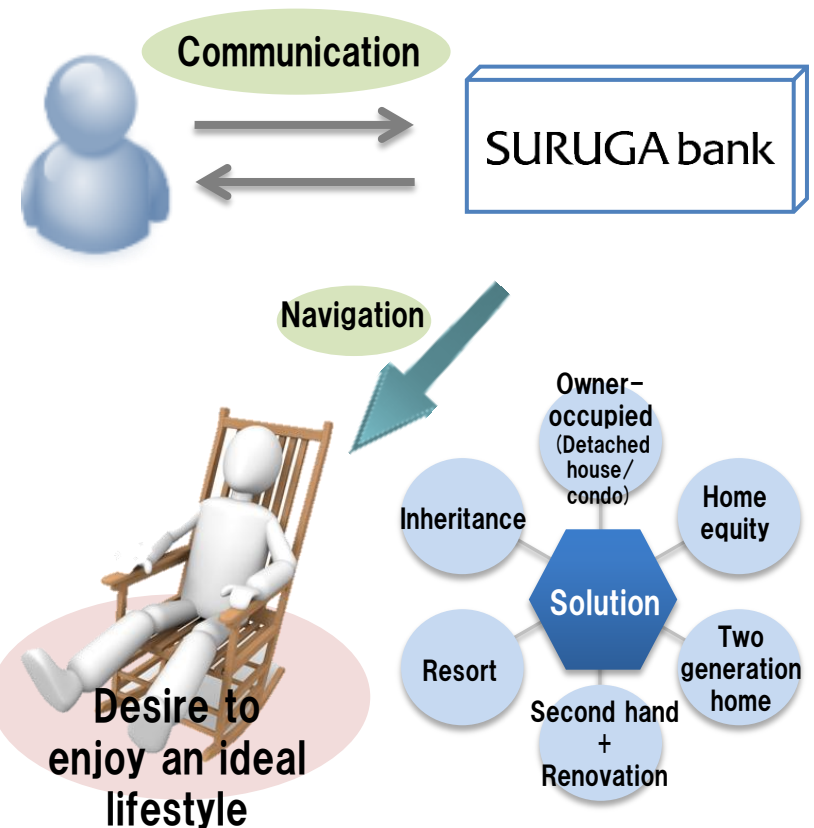
## Market

Nation-wide network across major cities



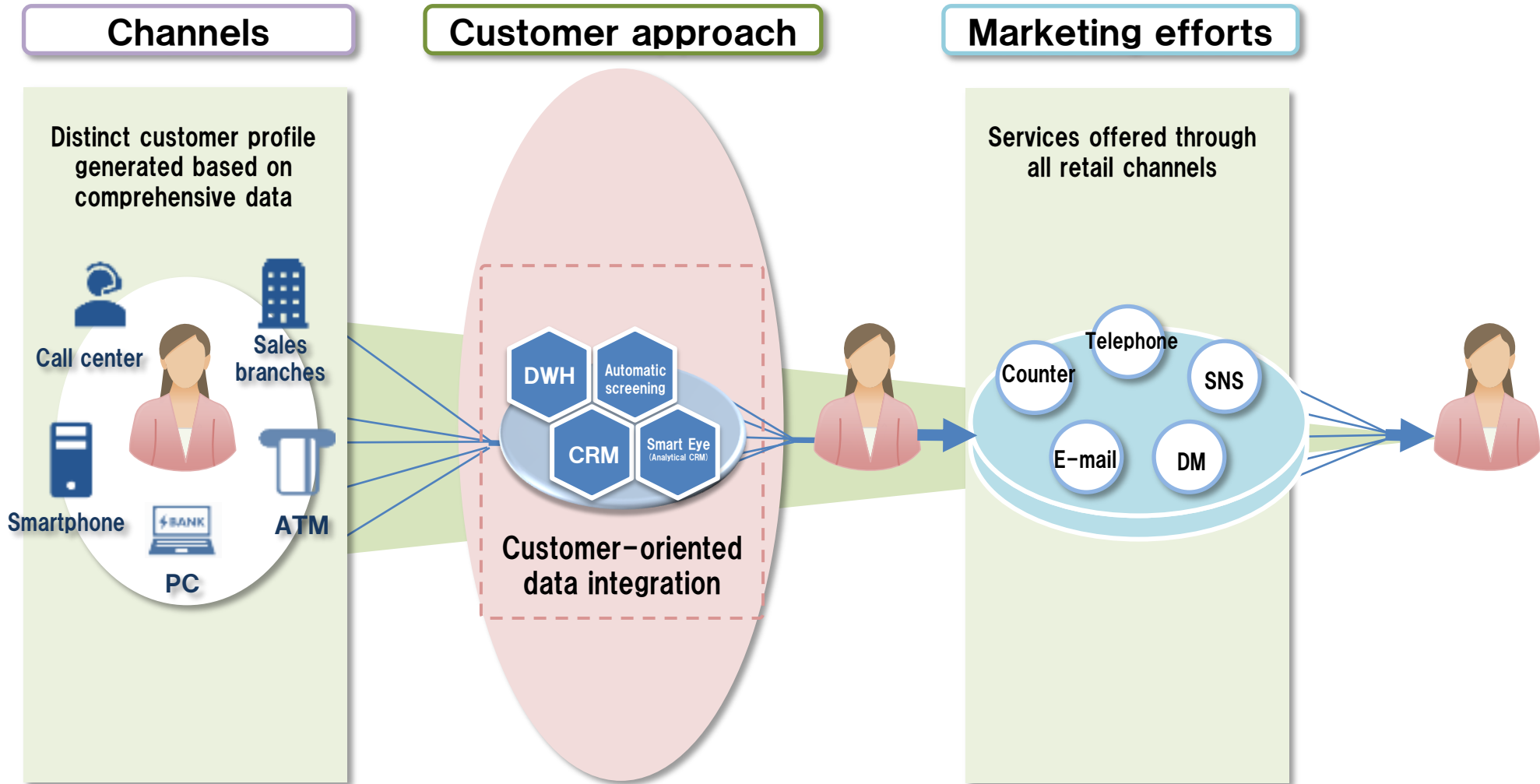
## Approach

Communication from the perspective of "intangible experiences"



# Unique Marketing Strategy

**Personalized approach achieved by leveraging our customer-oriented database**



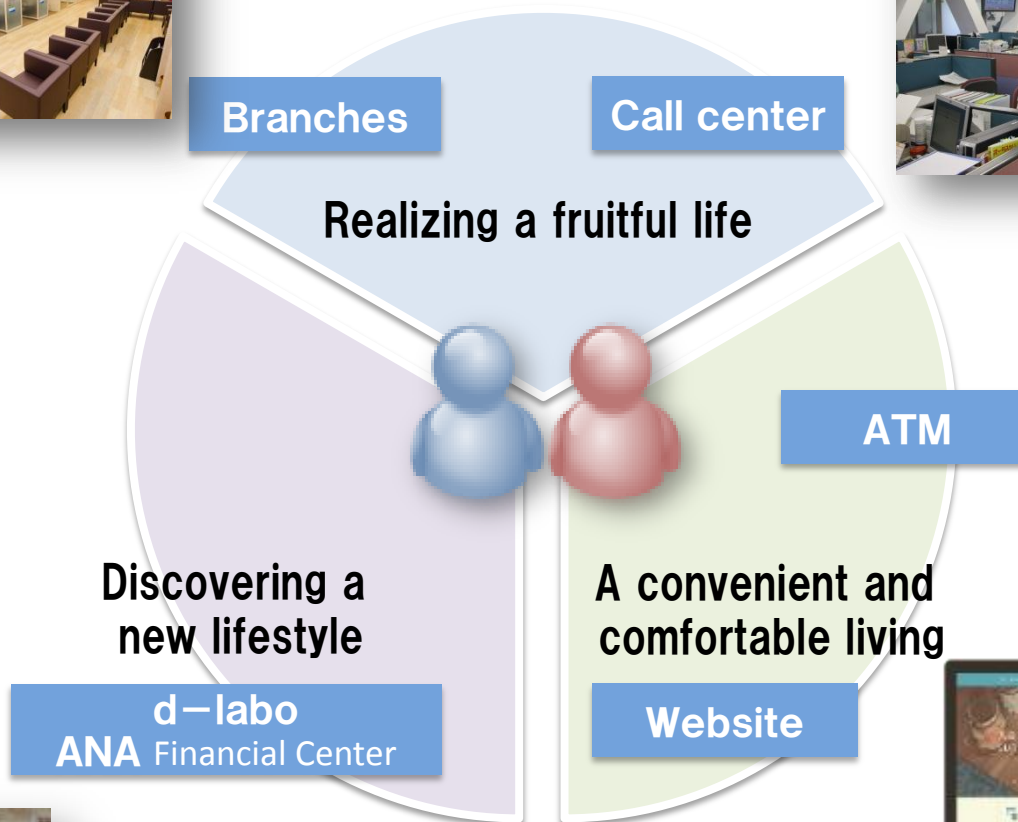
# Enhancing the Value of Customer Experience

Supporting our customers' "wishes" through various channels

Renewal of  
Shin-Yokohama  
Yayoidai Branch  
(October 2017)



Renewal of  
Gotenba-Nishi Branch  
(June 2017)



Renewal of ATM screen  
(August 2017)



Renewal of website  
(May 2017)

# Launch of New Services

Launched new services to expand the customer base and to cultivate new business with existing customers

Launched Sept. 19, 2017

New designs for cash cards



New designs also introduced for Visa Debit cards



Expanding the customer base

Launched Aug. 1, 2017

New preferential fee service

目指せ 4ツ星 /

スルガ  
**STAR**  
プログラム  
★★★★★  
(手数料優遇サービス)  
本サービスは借入のお客さまが対象です。

ATM出金手数料

ならびに

インターネットバンキング  
他行あて振込手数料  
優遇サービスのリニューアル

Depending on transaction amount

No ATM charges for cash withdraws

No fee for money transfers to other banks using internet banking

Exclusive awards

Welcome award for newly opened accounts

Young award to support the young generation below age 25!

Cultivate new business with existing customers

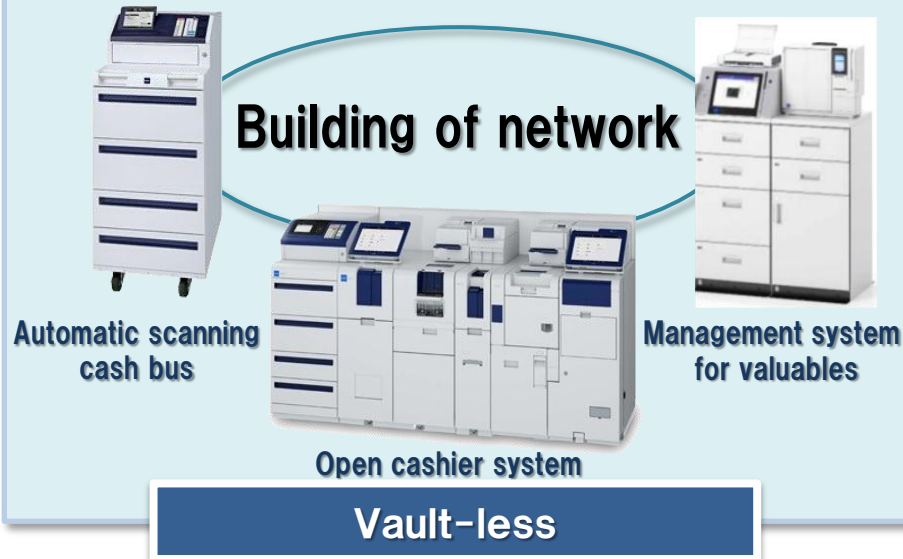


# Initiatives in Operational Innovation

Leveraging technology to enhance operational efficiency and customer communication

## Smart bank Vault

To be adopted at all branches by March 2018



## SMA-Navi

To be adopted at all branches by March 2018

**【Phase 2】** Expanding service applications in October and November 2017

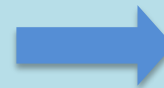


- Account opening
- Re-issuing of lost passbooks, vouchers and cash cards/ registration of new seal

**Paperless / seal-less**

Reduced branch operations by 40%

Aiming to reduce operations by roughly 60% by March 2018



**Enhanced customer communication**

# Contributing to Regional Revitalization

## Road Bike Project: an initiative to revitalize the eastern area of Shizuoka Prefecture

### Expanding the network of Cycle Stations

Arranged a variety of cycling courses and events to attract cyclists to the local area where Suruga has set up three Cycle Stations.

**Gotenba Cycle Station**  
Opened: November 21, 2011

**Yugawara Cycle Station**  
Opened: July 16, 2013



**Amagi Yugashima Cycle Station**  
Opened: August 1, 2017



### Partnerships with local municipalities



August 3, 2017  
Signed a “partnership agreement to promote cycling” with “Center for Creating a Beautiful Izu”



Autumn 95km cycling event in Nishi-Izu Minami-Izu 135km cycling “attack” event



August 23, 2017  
Signed a “cycling partnership agreement” with Oyama-cho in Shizuoka Prefecture



Start/ finish in Ashigara Onsen:  
110km long-distance riding event in the Mt. Fuji/ Fuji Five Lakes area



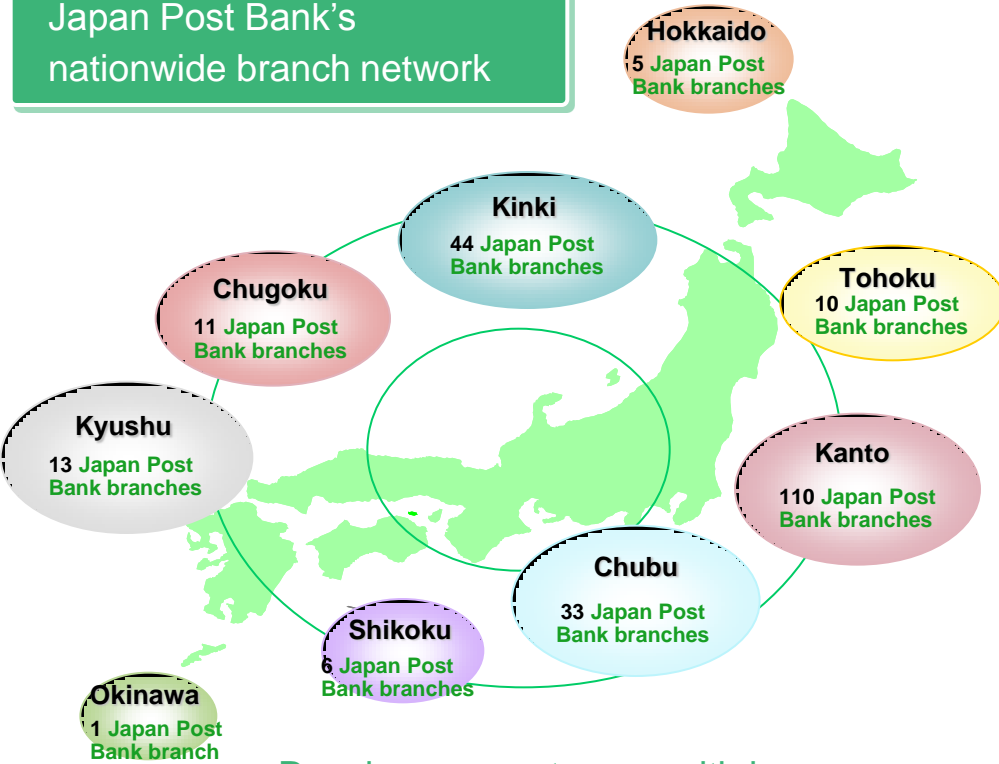
“Home to Kintaro”  
60km group riding event

# Business Alliance with Japan Post Bank

Leveraging Japan Post Bank's nationwide network

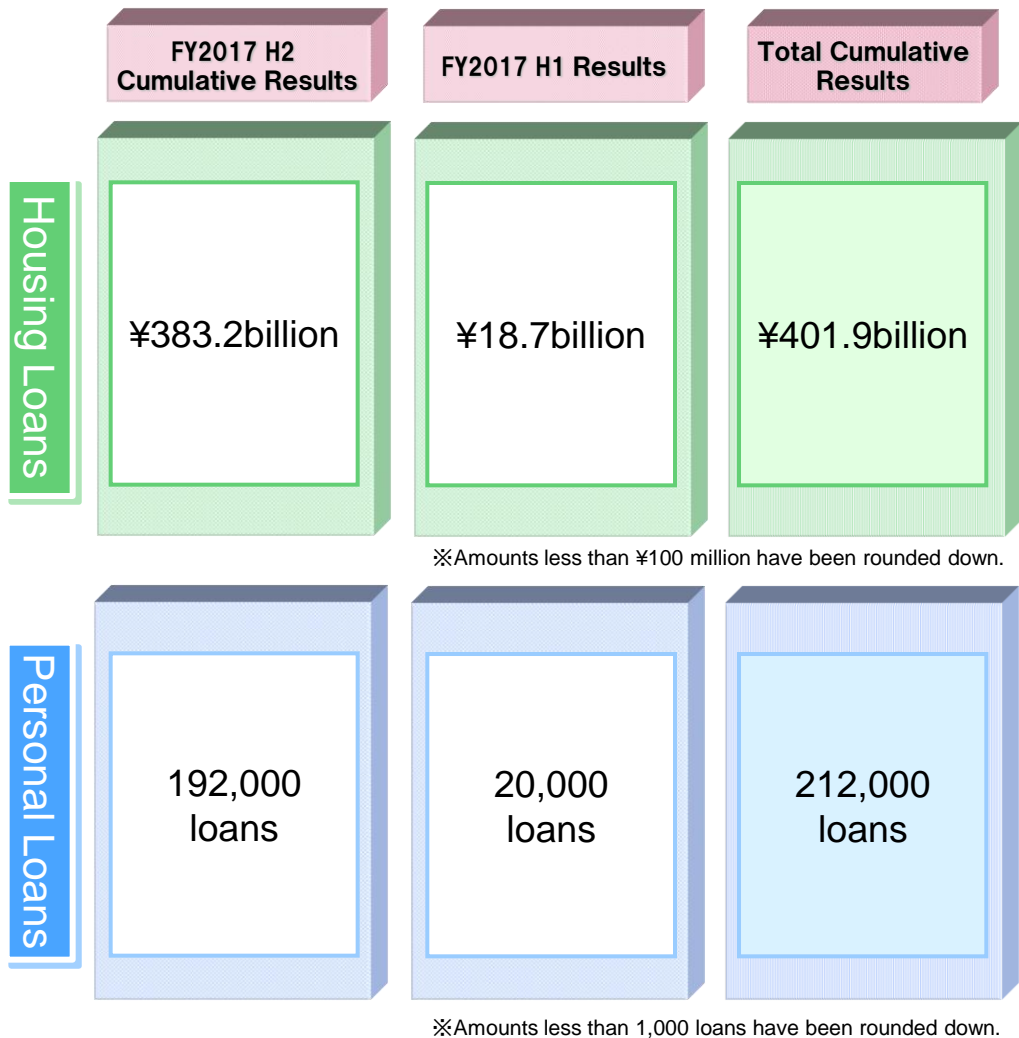
Customers can apply for our Personal loans at all 233 Japan Post Bank branches

Japan Post Bank's nationwide branch network



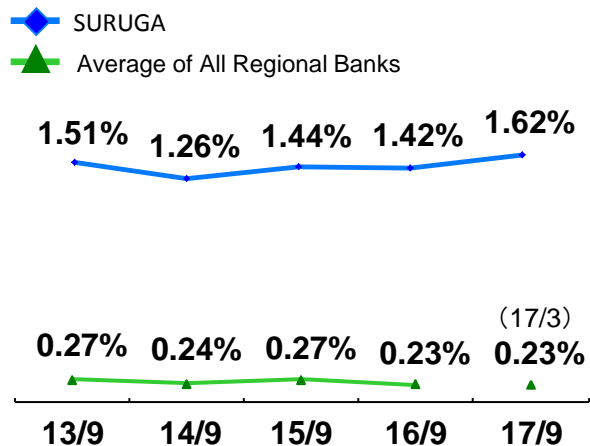
Reach more customers with loan products that meet customer needs

Cumulative results through the end of Sept. 2017

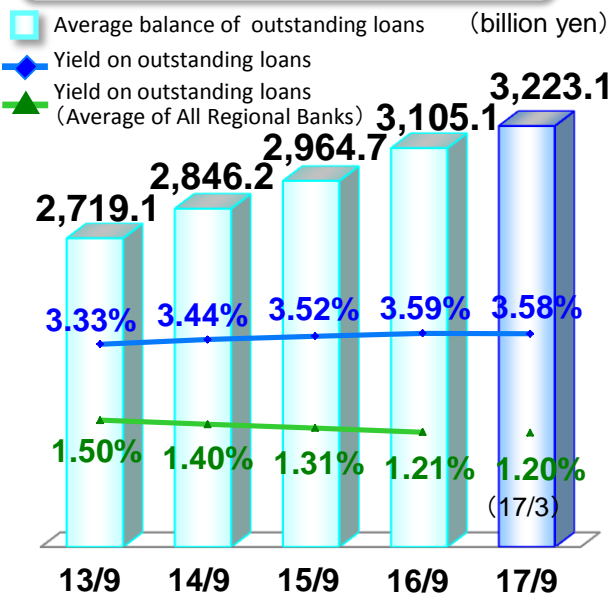


# Yield / Margins (Overall)

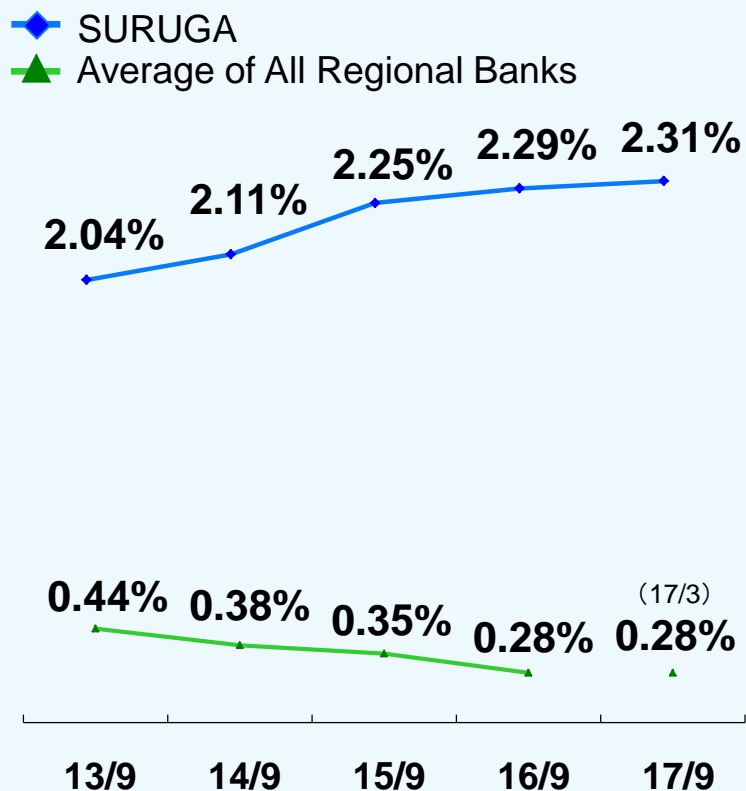
## Net interest margin



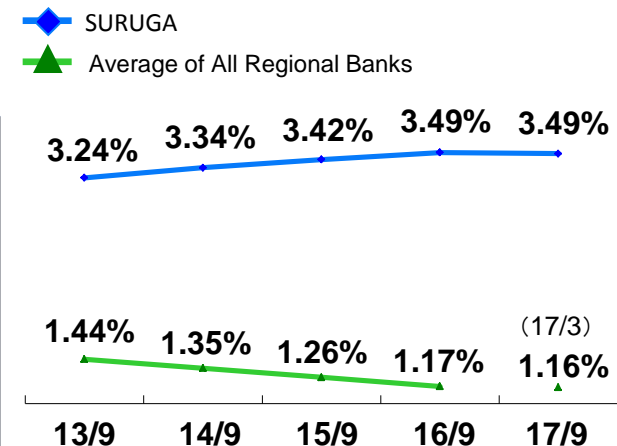
## Average balance and yield on outstanding loans



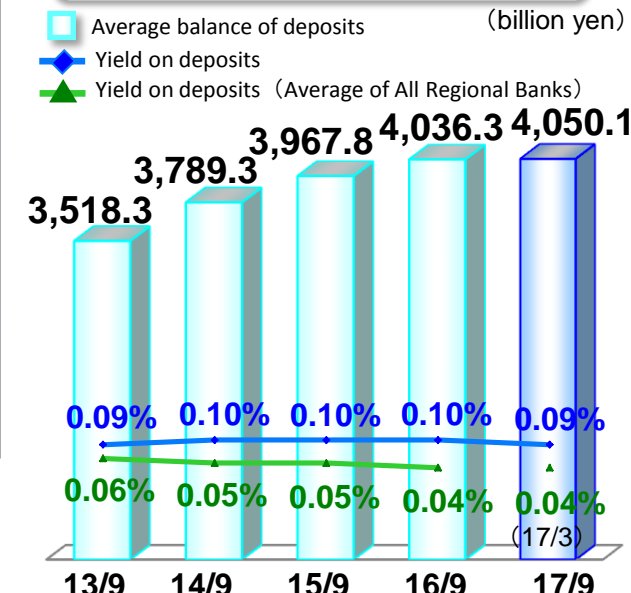
## Loan-deposit margin (after deduction of expenses)



## Loan-deposit margin



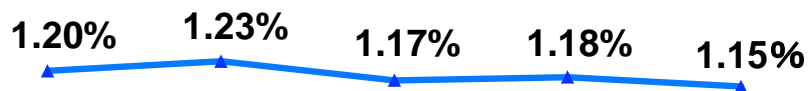
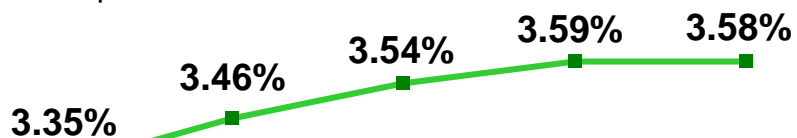
## Average balance and yield on deposits



# Yield / Margins (Domestic)

## Yield-Expense ratio

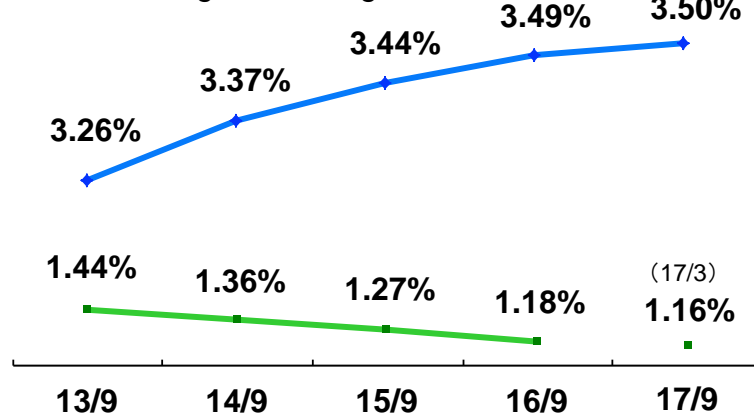
- Yield on outstanding loans
- Yield on deposits
- Expense ratio



13/9 14/9 15/9 16/9 17/9

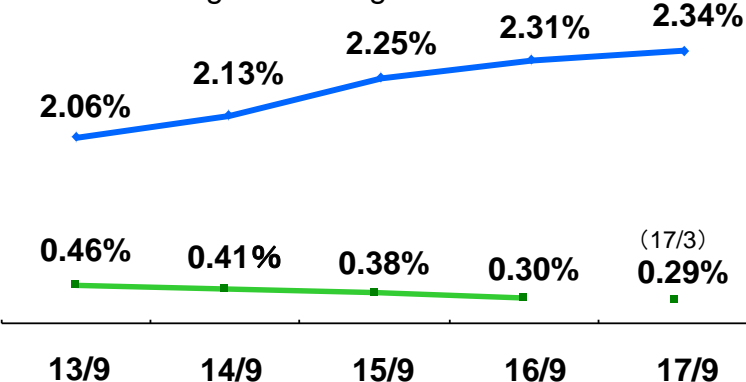
## Loan-deposit margin

- SURUGA
- Average of All Regional Banks



## Loan-deposit margin (after deduction of expenses)

- SURUGA
- Average of All Regional Banks



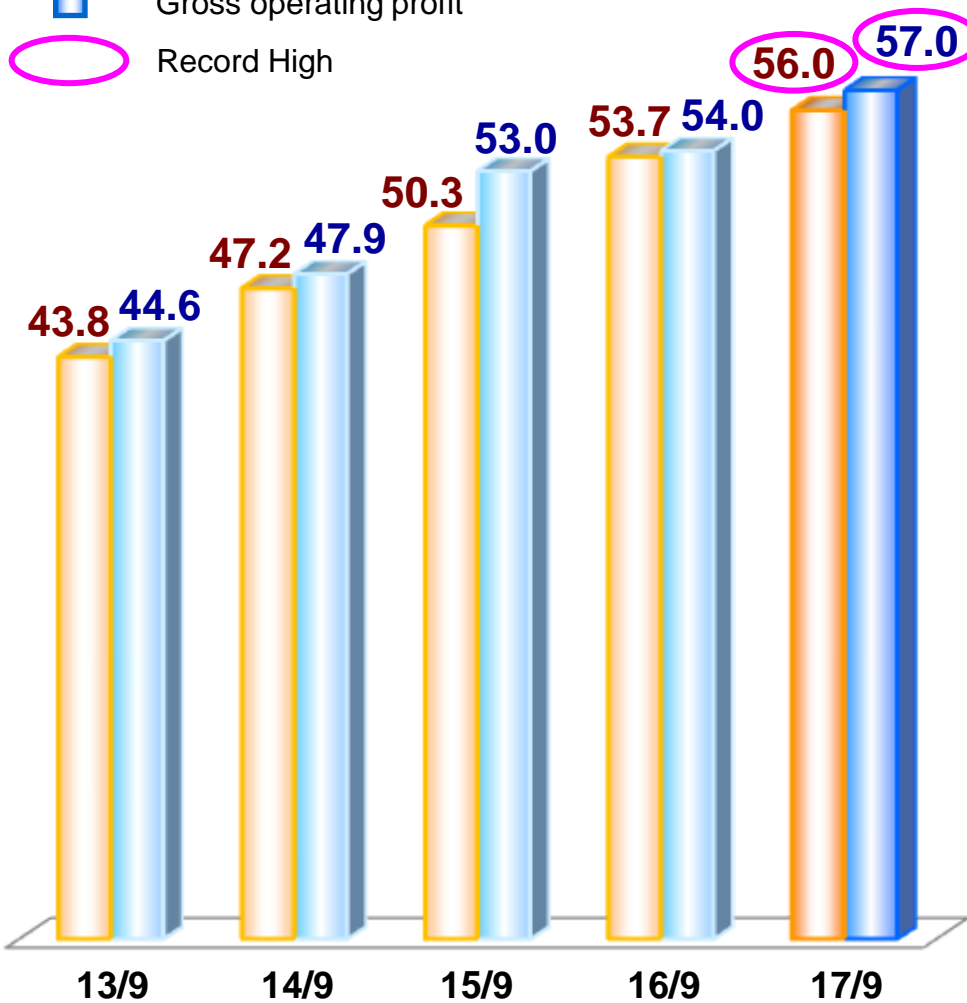
13/9 14/9 15/9 16/9 17/9

# Income

## Yen loan-deposit profit / Gross operating profit

(billion yen)

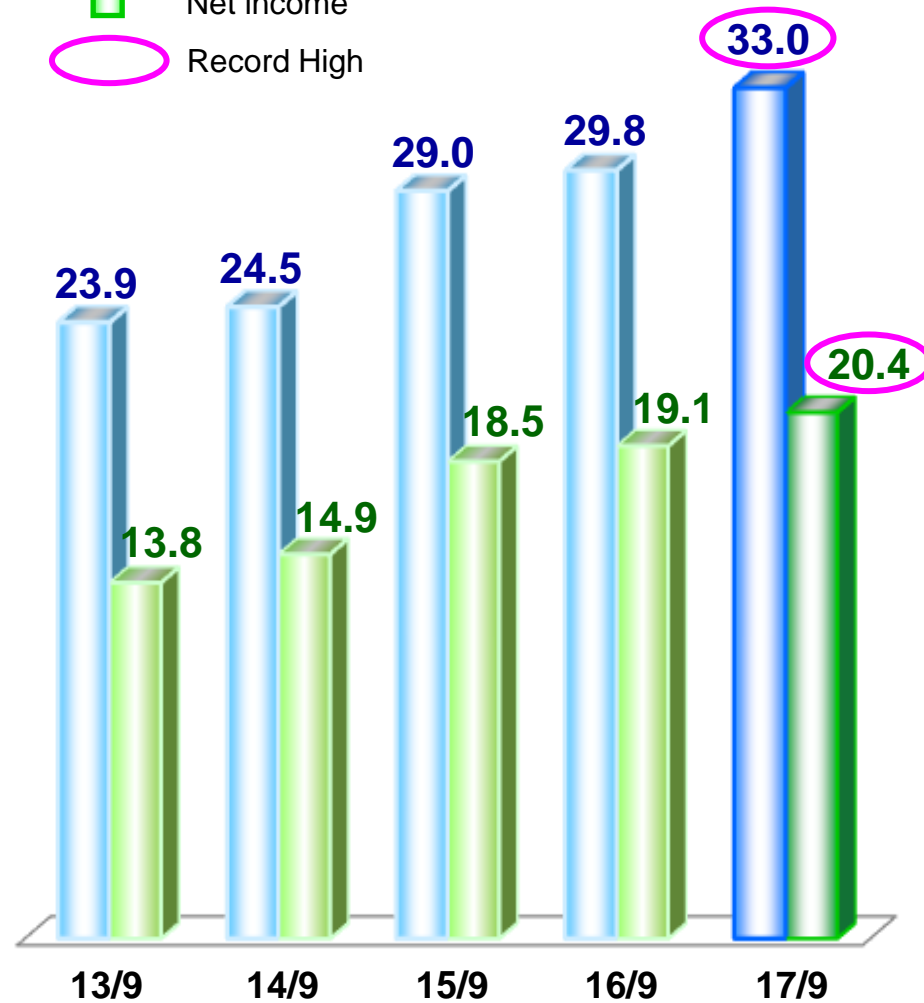
- Yen loan-deposit profit
- Gross operating profit
- Record High



## Core net operating profit / Net income

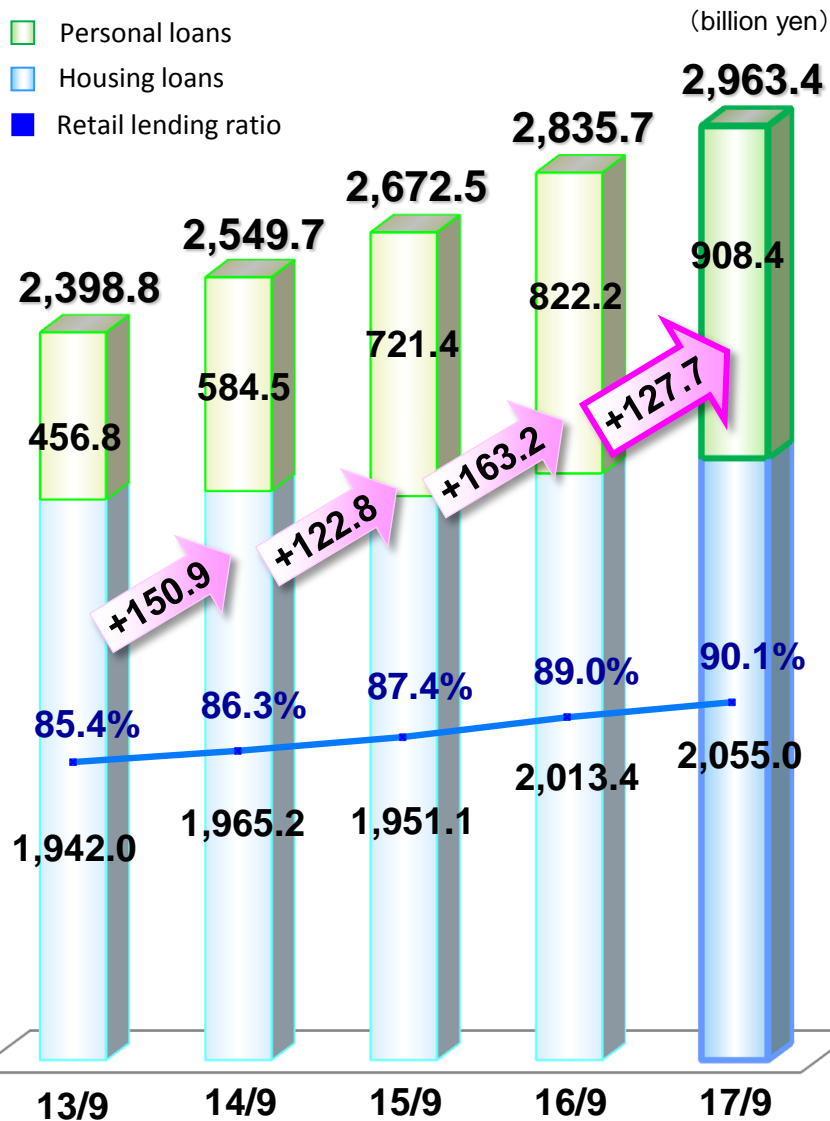
(billion yen)

- Core net operating profit
- Net income
- Record High

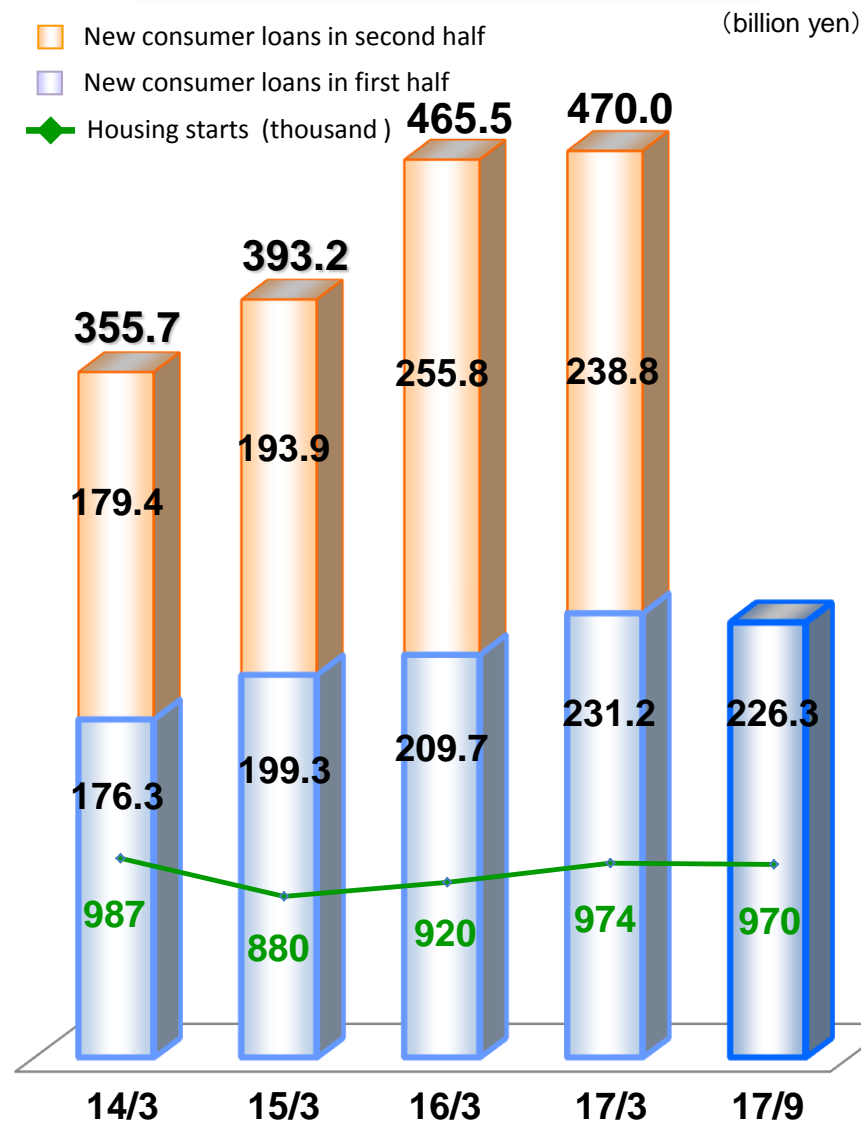


# Strong Focus on Retail

## Consumer loan balance and ratio

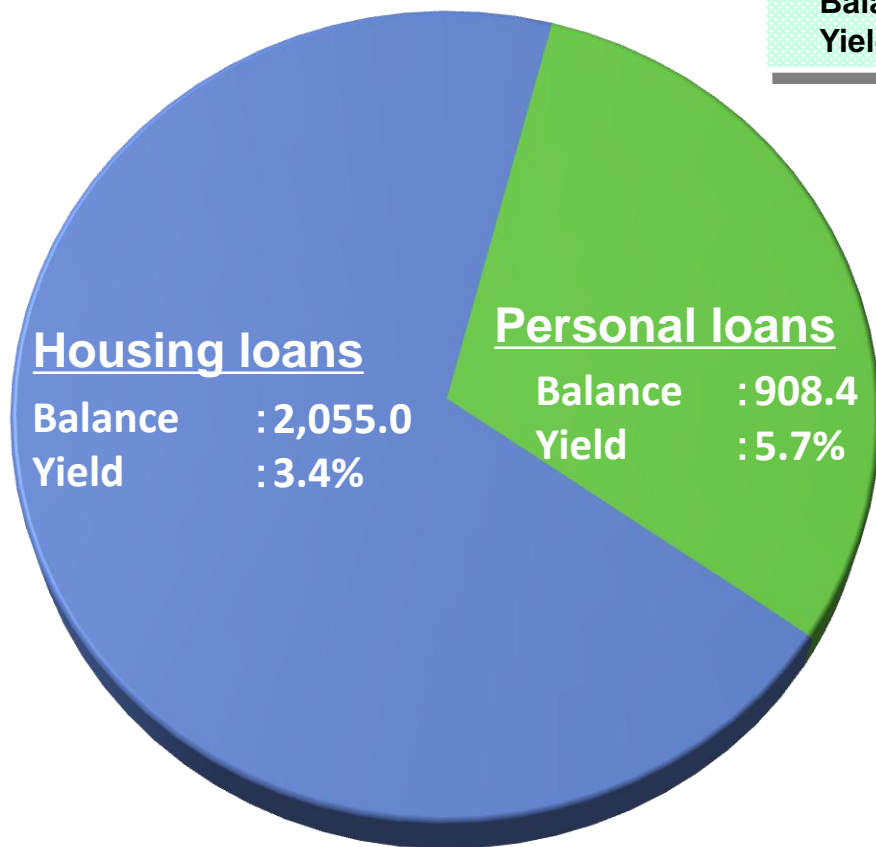


## New loan contracts



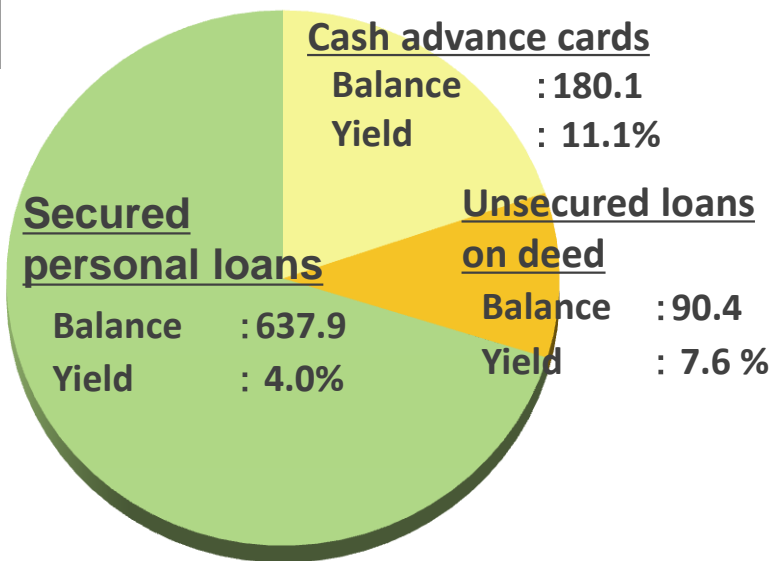
# Focus on More Profitable Products

## Consumer loans



As of Sep. 30, 2017  
 Balance: billion yen  
 Yield : average rate

## Personal loans



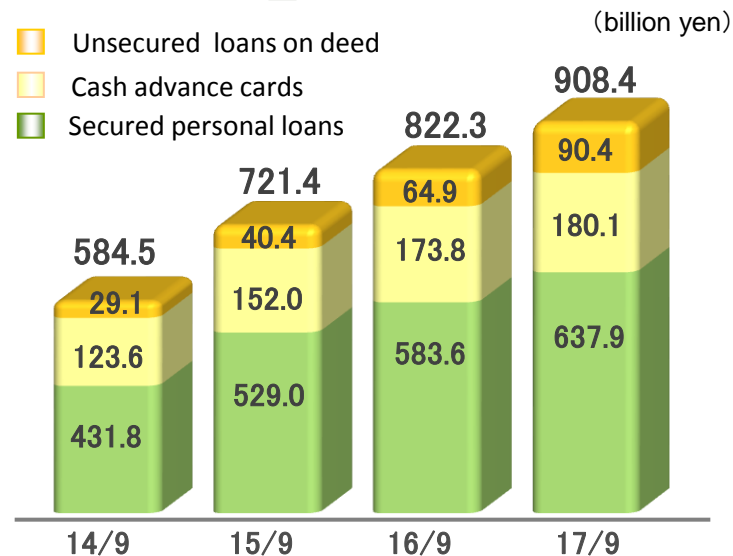
**Balance: 2,963.4**

**Yield : 4.1%**

《Breakdown of Housing loans by interest rate type》

0.9%  
fixed interest rate

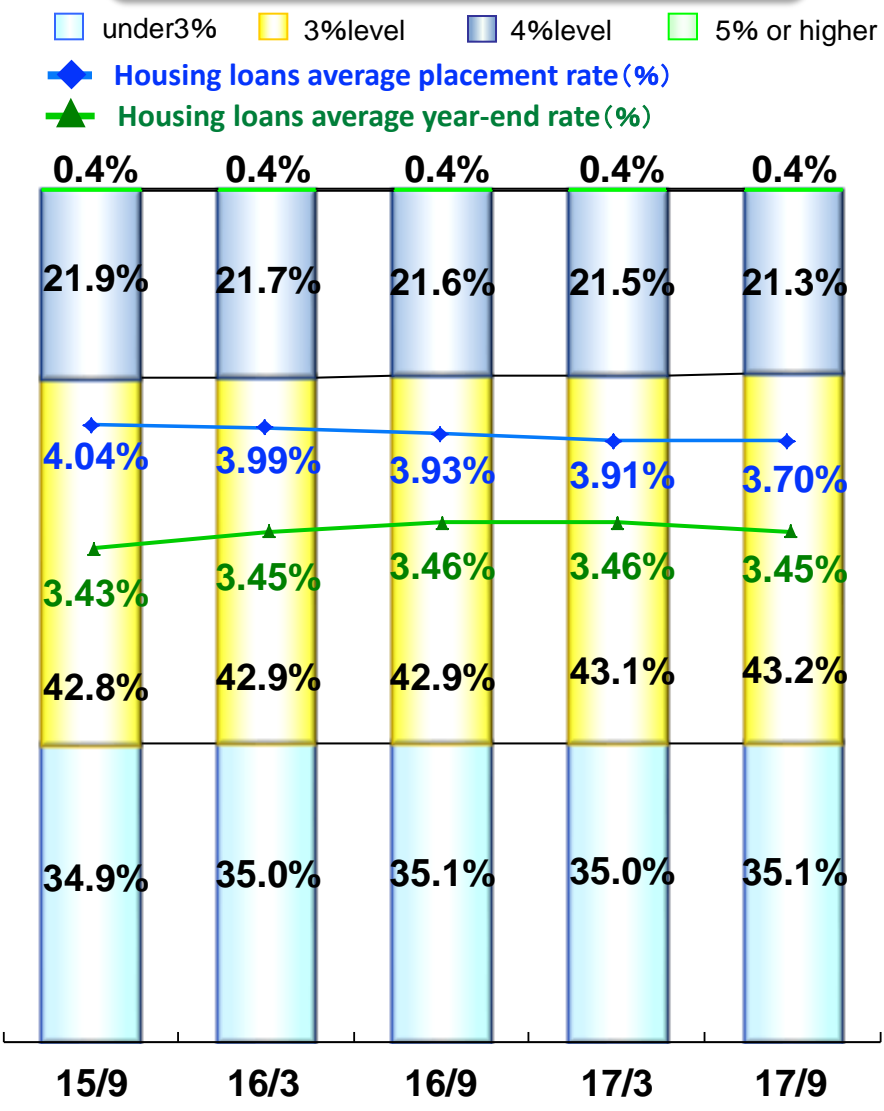
**99.1% variable interest rate**



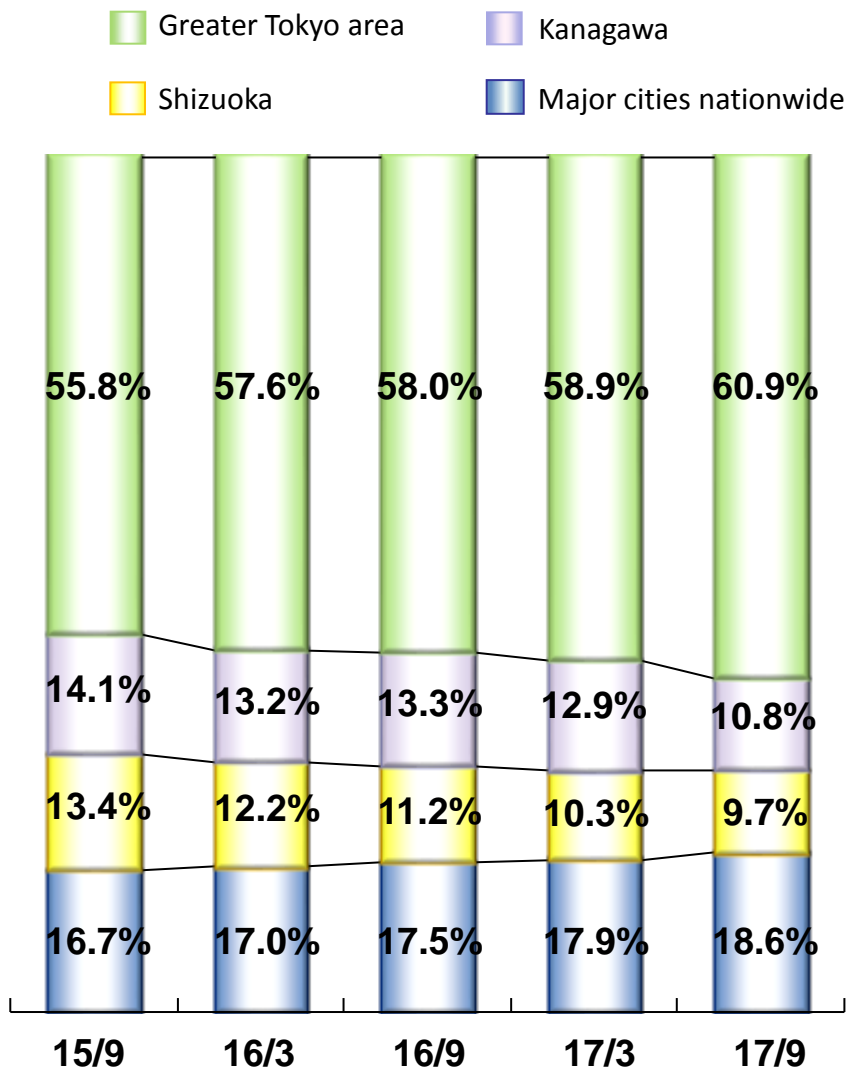


# Housing Loans

Distribution of practical rates for Housing loans (cumulative)



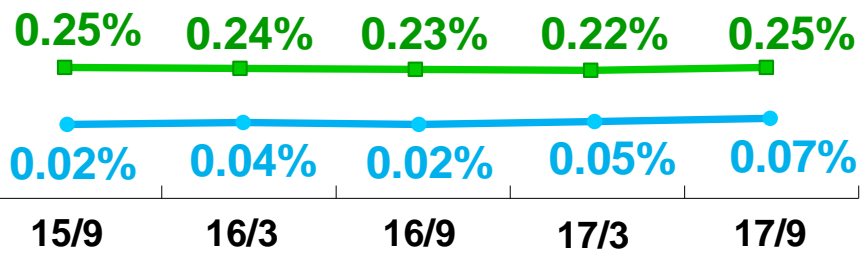
Housing Loan balance by geographical area



# Delinquency and Loss Rates on Consumer Loans

## Housing loans

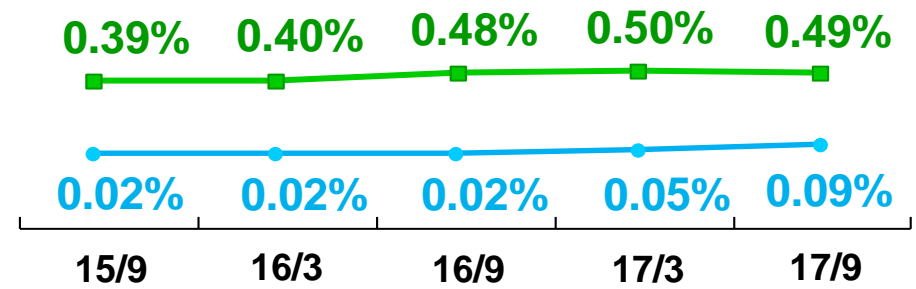
▲ Yield ● Delinquency rate ■ Loss rate



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

## Personal loans

▲ Yield ● Delinquency rate ■ Loss rate



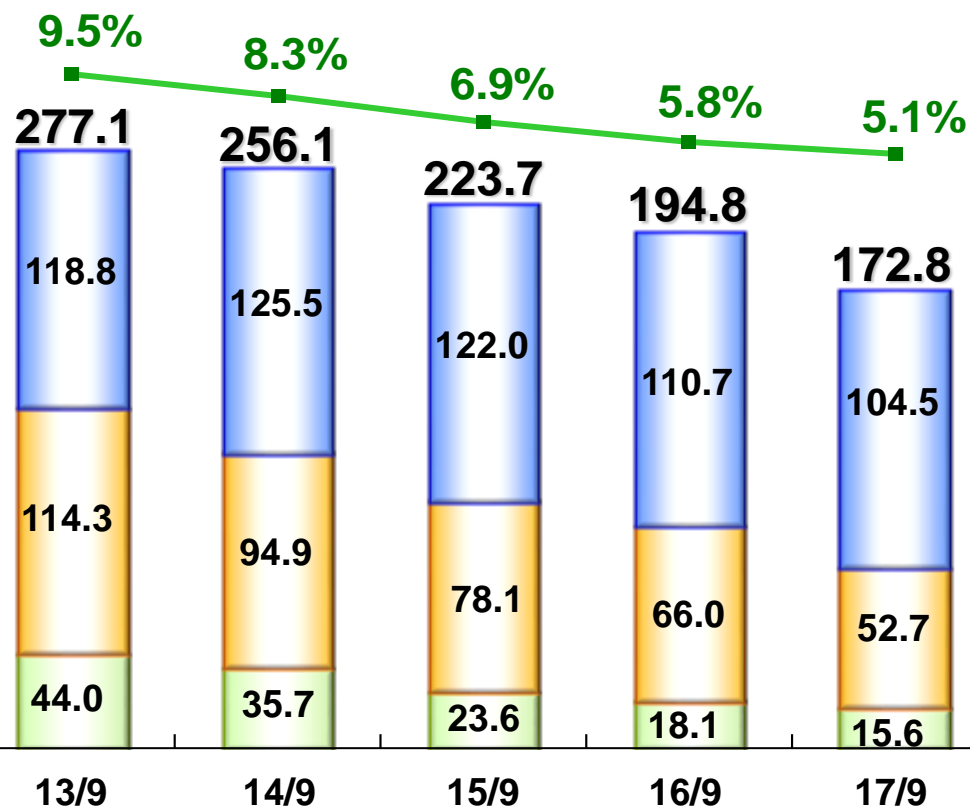
Loss rate = default ratio × (1 - recovery rate)

# Fees and Commissions

## Breakdown of investment products outstanding

(billion yen)

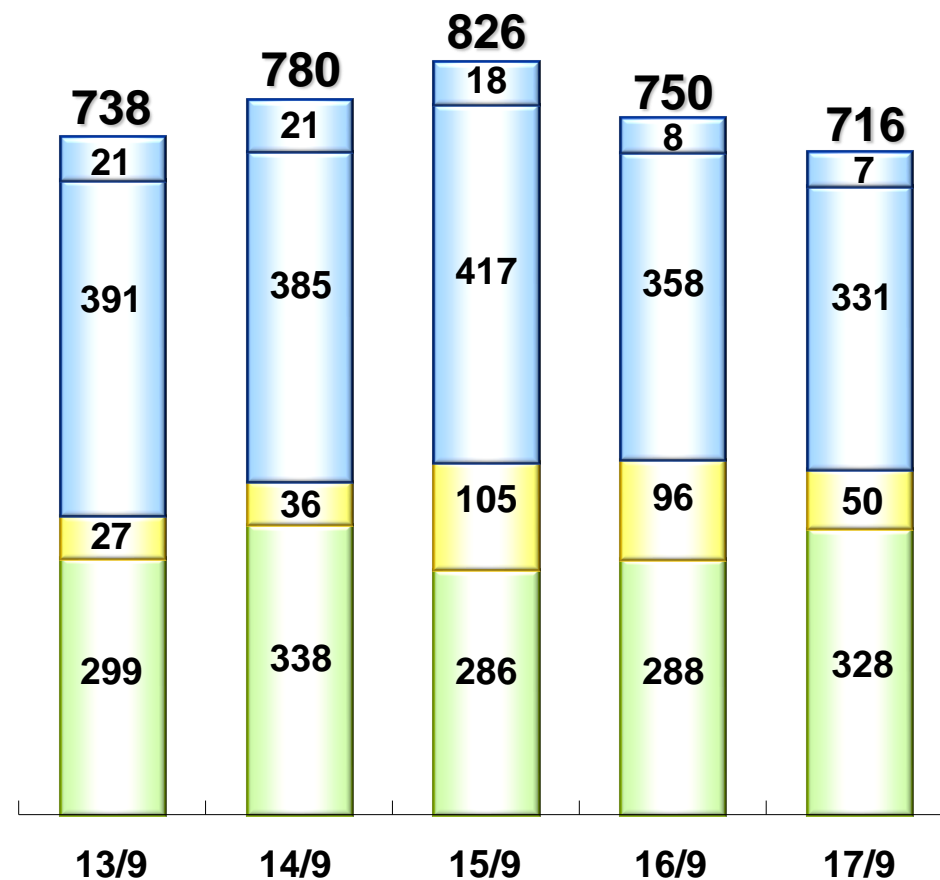
- Mutual funds
- Insurance
- Other (JGBs in custody & Foreign currency deposits)
- Ratio of investment products



## Commission from mutual funds and insurance products

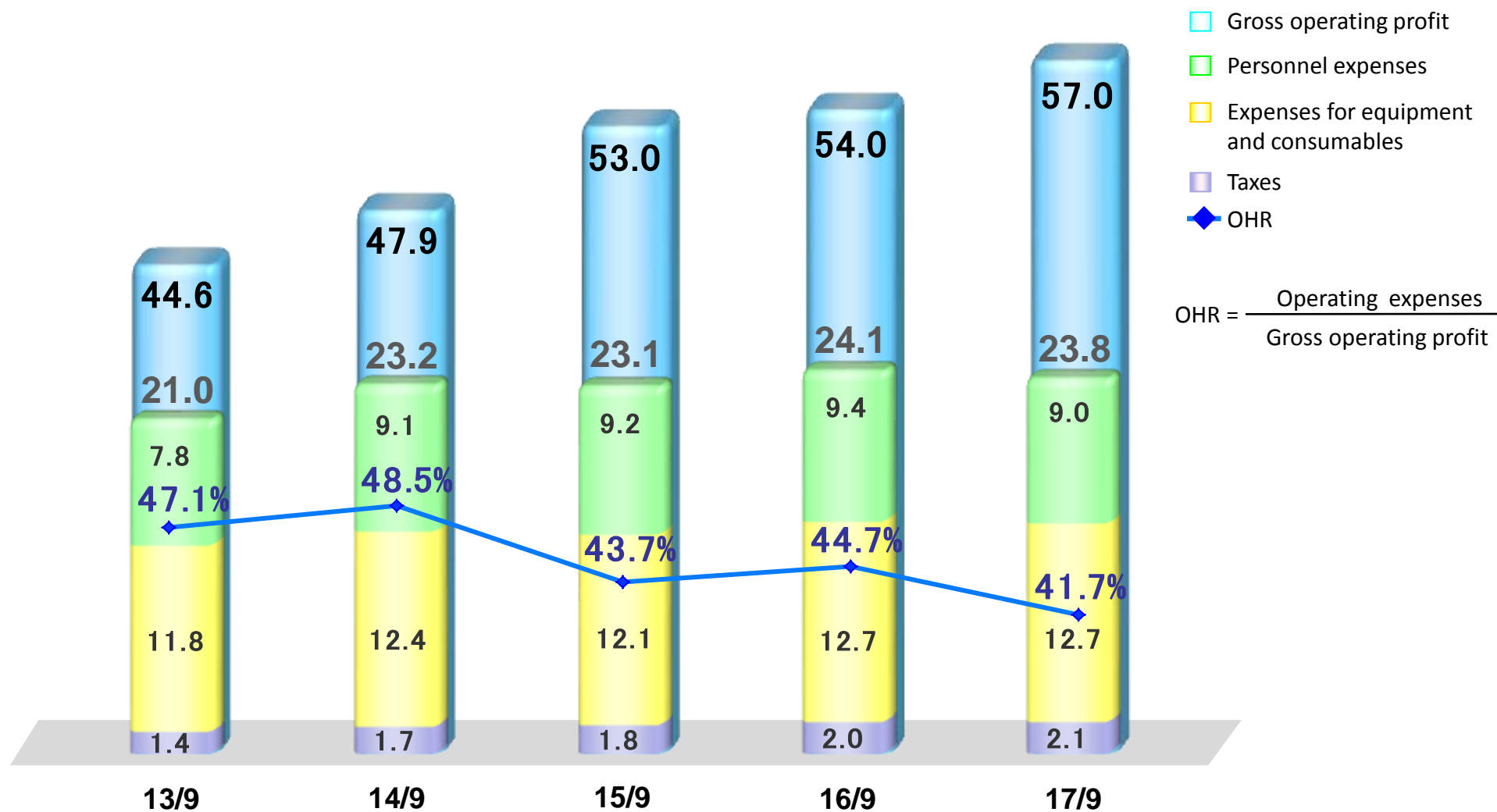
(million yen)

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



# Expenses and OHR

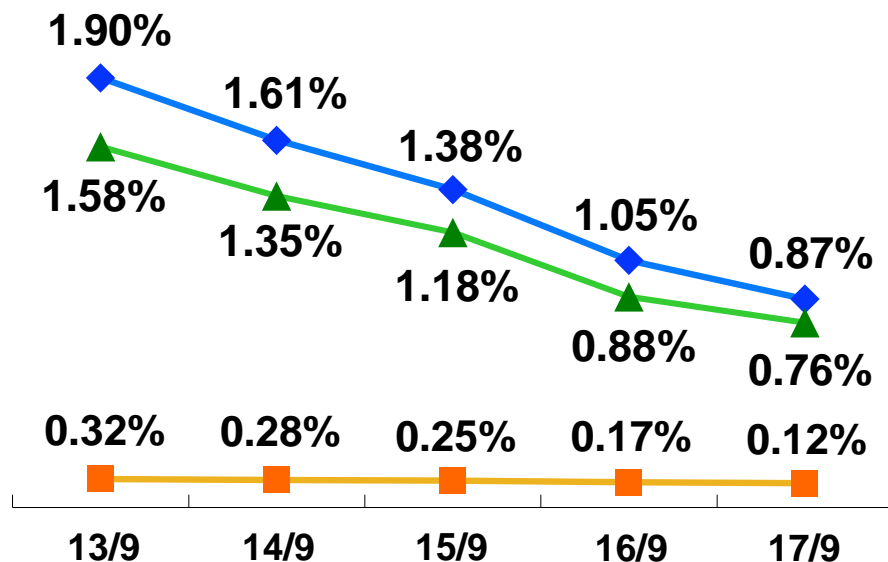
(billion yen)



# NPL Ratio / Credit Costs

## NPL ratio

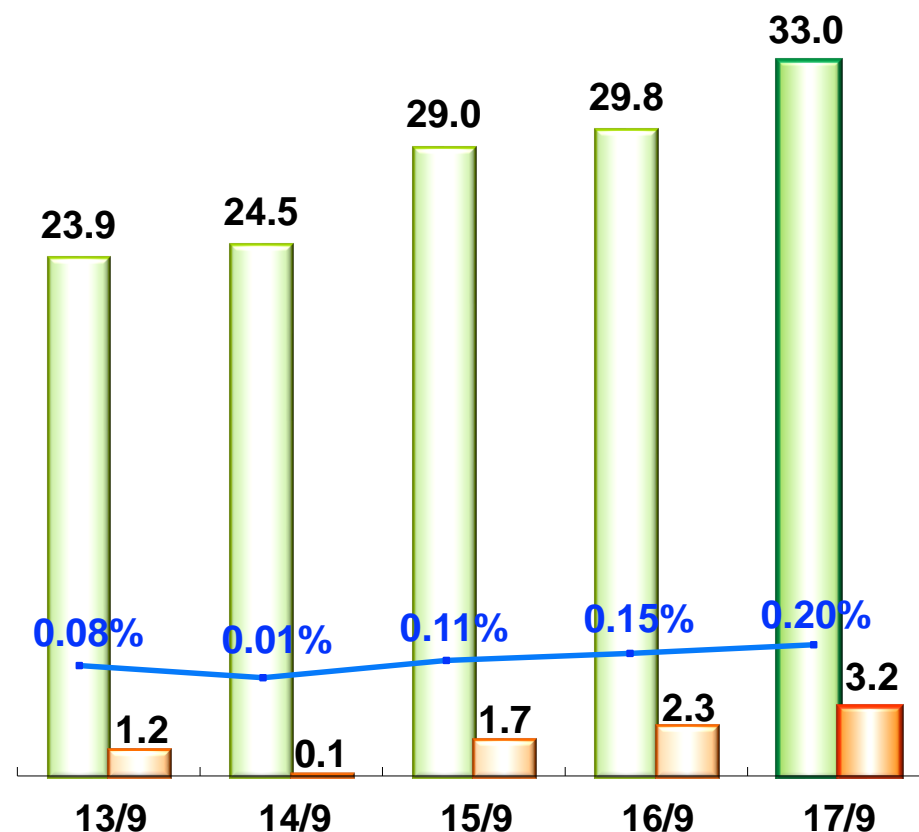
- ◆ Non-performing loans based on the Financial Reconstruction Law
- ▲ Non-performing loans net of reserves
- Non-performing loans net of reserves, collateral and guarantees



## 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)

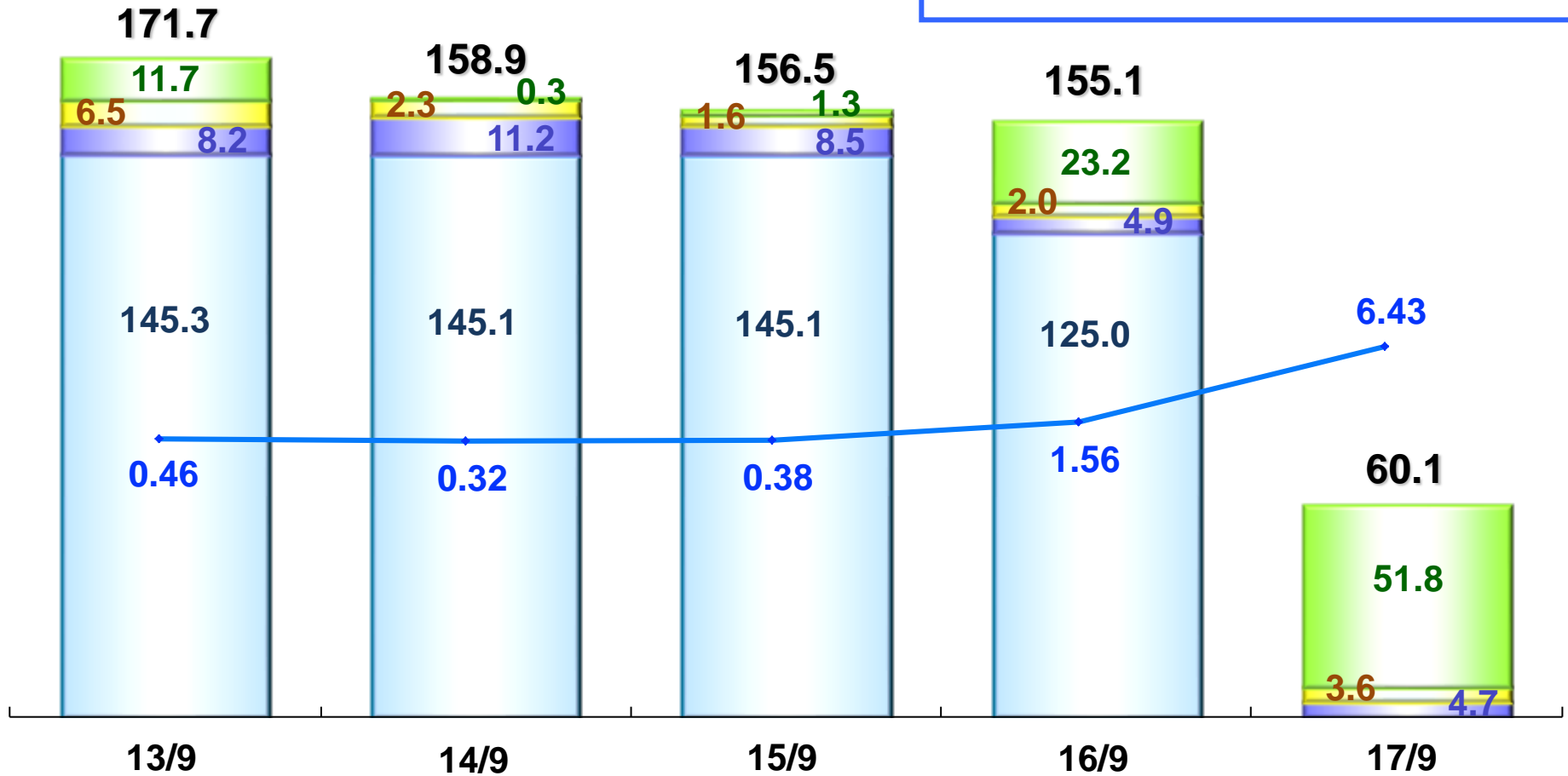


# Bond Portfolio

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

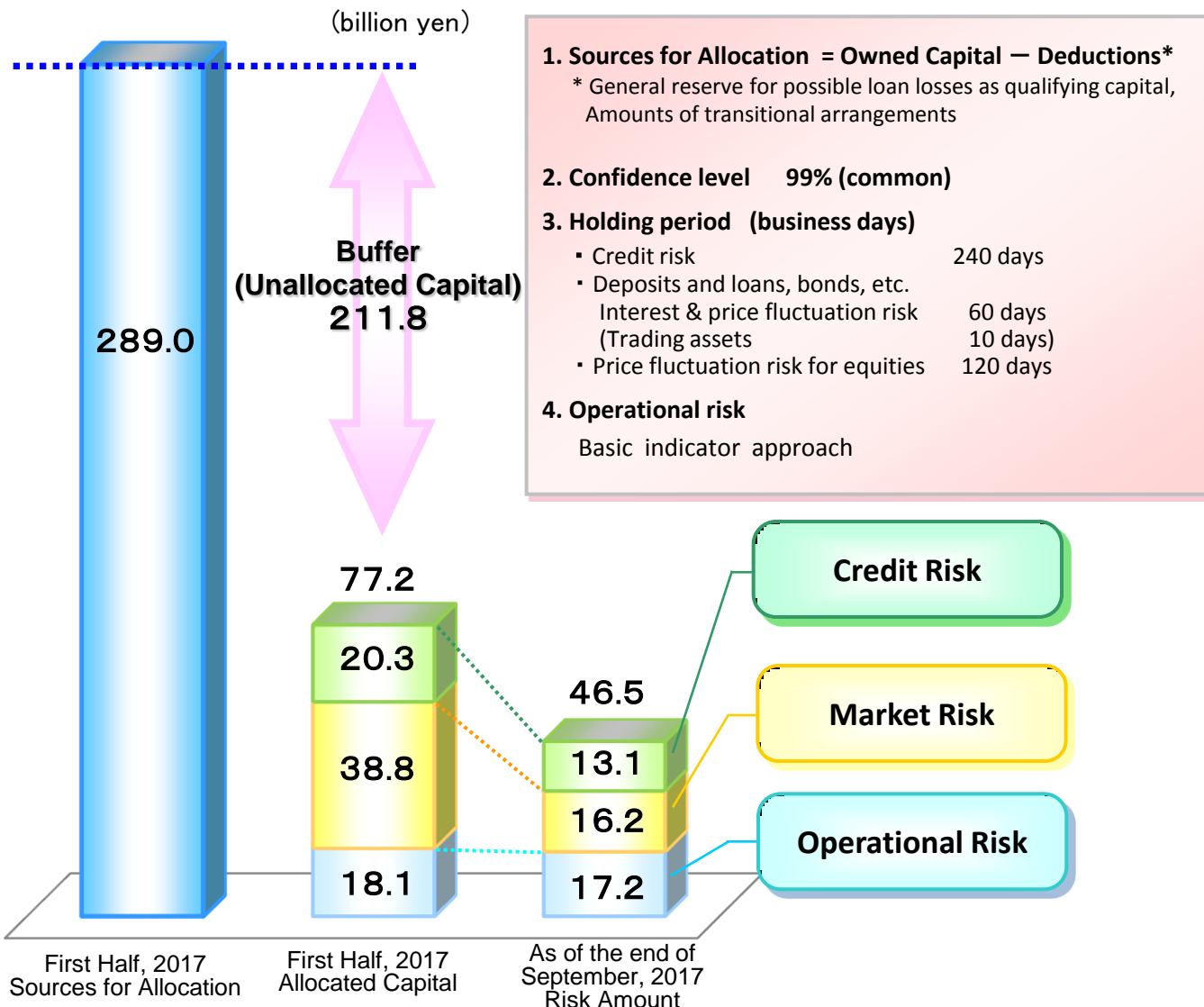
(billion yen)

Security Deposit Ratio 3.2%



# Status of Risk Amount

## Integrated Risk Management



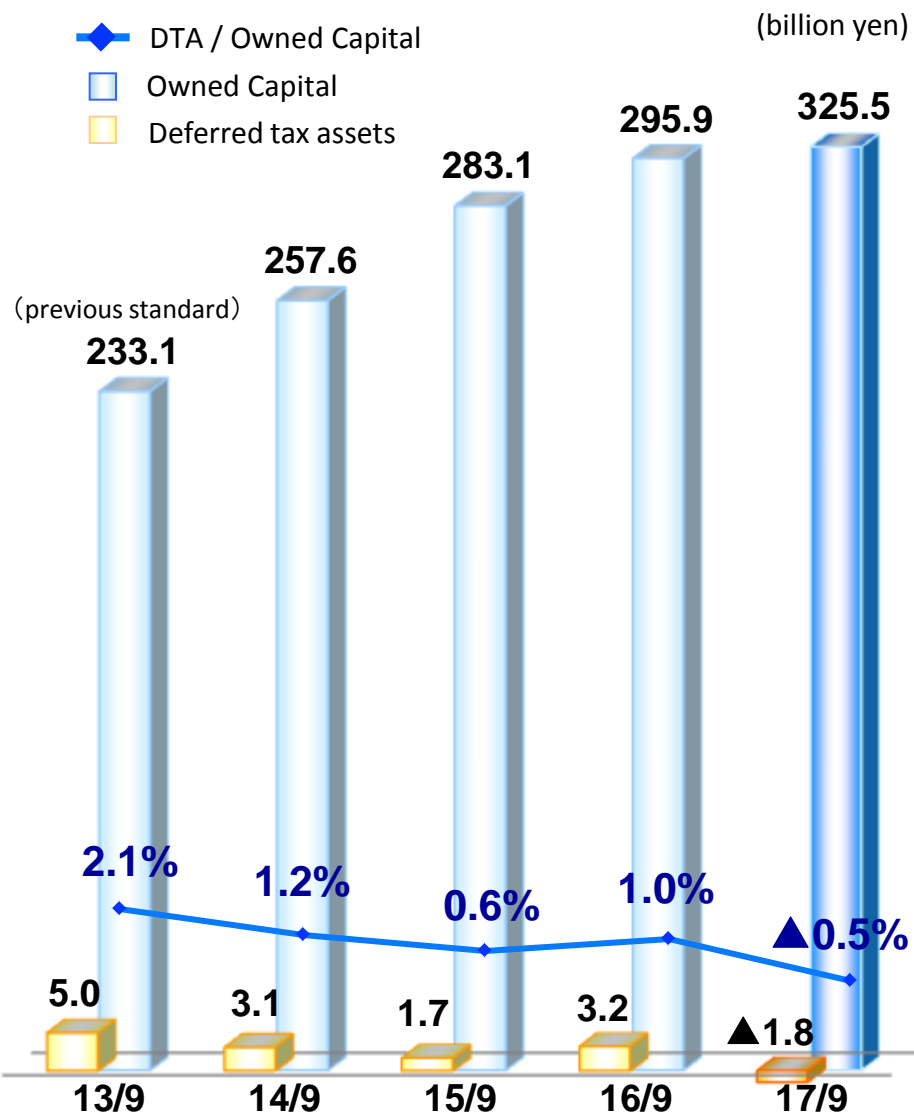
## Outlier Ratio

As of the end of September, 2017

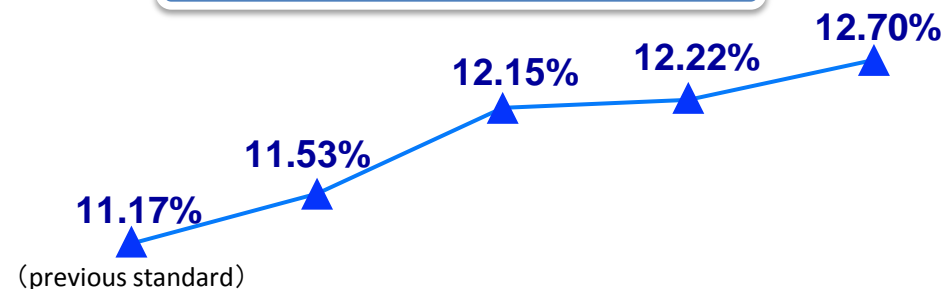
Interest Rate Shock Range	<b>±200bp</b>
Interest Rate Risk Amount	<b>3.1 billion yen</b>
Outlier Ratio	<b>0.9%</b>

# Capital Levels

## Deferred tax assets / Owned Capital



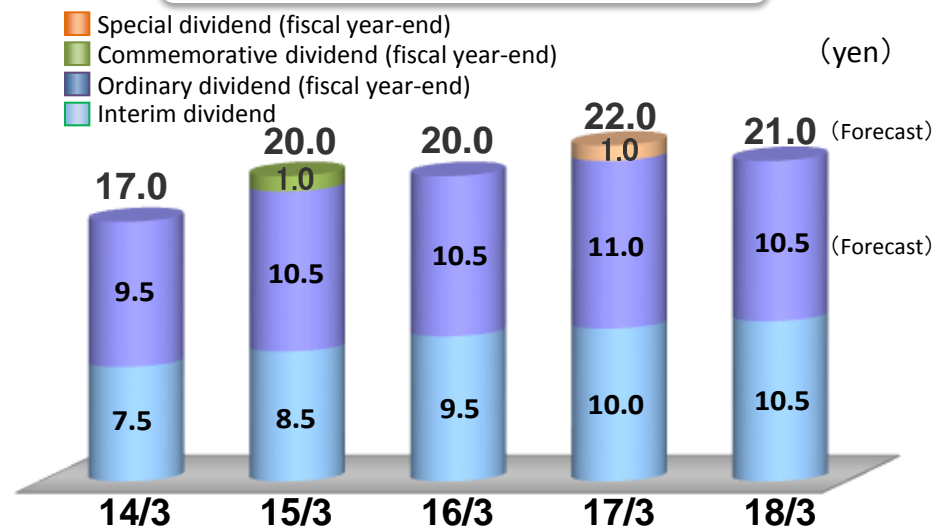
## Capital adequacy ratio



13/9 14/9 15/9 16/9 17/9

\* previous standard : based on the previous domestic standard

## Dividends





# FY2017 First Half Results and FY2017 Forecast

(billion yen)

	Results Sep 2016 (A)	Results Sep 2017 (B)	Increase or Decrease (B-A)	FY2017 Forecast
Gross operating profit	54.0	57.0	+3.0	114.0
Operating expenses	24.1	23.8	▲0.3	49.0
Net operating profit	30.0	33.1	+3.1	65.0
Core net operating profit	29.8	33.0	+3.2	65.0
Ordinary profit	27.4	29.9	+2.5	60.0
Net income	19.1	20.4	+1.3	42.0
Actual credit costs	2.3	3.2	+0.9	4.5
ROE (%) ( net income basis )	13.78	13.03	▲0.75	13.46
EPS (yen)	82.55	88.41	+5.86	181.33
Dividends (yen)	10.0	10.5	+0.5	21.0

# 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



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



Seedlings for the Future Concert-performance by Hiroshi Aoshima



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