

Results for the First Half of FY2012 and Progress for 11th Medium-term Business Plan “MIRAI—Future”

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静岡銀行

Results for the First Half of FY2012 and Progress for 11th Medium-term Business Plan "MIRAI—Future"

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Results for the first half of FY2012



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Results for the first half of FY2012 (non-consolidated I/S)

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Non-consolidated

	(JPY bn, %)	1H FY2012	YoY change	
			Increase/ Decrease	Rate of change
Ordinary revenue		88.7	-8.8	-9.0
Gross operating profit		75.7	-0.7	-0.9
Net interest income		59.9	-5.3	-8.1
Fees and commissions		7.7	+0.3	+3.4
Trading income		0.1	+0.4	+147.6
Other operating profit		7.9	+4.0	+99.1
[Bond-related income such as JGBs]		7.7	+2.0	+34.9
[Gain (loss) on derivative products]		-0.4	+2.2	+85.7
Expenses	(-)	40.0	-0.8	-1.8
Actual net operating profit *		35.6	+0.0	+0.1
Core net operating profit **		28.0	-1.9	-6.5
General transfer to loan loss reserves (-)		—	—	—
Net operating profit		35.6	+0.0	+0.1
Special profit and loss		-2.9	-4.6	-263.3
Bad debt written-off (-)		0.3	+0.2	+194.6
Gain on reversals from loan loss reserves		1.0	-6.4	-86.7
Gain (loss) on stocks		-3.2	+2.0	+38.7
Ordinary profit		32.8	-4.6	-12.3
Extraordinary profit and loss		-0.0	-0.1	-130.4
Net income before taxes		32.7	-4.7	-12.6
Corporate taxes	(-)	11.9	-4.0	-25.0
Net income		20.8	-0.7	-3.4

* Actual NOP=NOP + General transfer to loan loss reserves

**Core NOP=NOP + General transfer to loan loss reserves – Bond-related income such as JGBs

Ordinary revenue **-JPY 8.8bn YoY** (First decrease in 2 periods)

- Ordinary revenue decreased JPY 8.8bn year on year to JPY 88.7bn due to JPY 4.8bn decline in interest income and JPY 6.4bn drop in Gain on reversals from loan loss reserves.

Gross operating profit **-JPY 0.7bn YoY** (Continued decrease in 2 periods)

- Gross operating profit declined JPY 0.7bn year on year to JPY 75.7bn due to a large drop in net interest income (-JPY 5.3bn), although gains (losses) from bond-related income such as JGBs increased year on year (+JPY 2bn) and gains (losses) on derivative products arising from bond hedge trades improved (+JPY 2.2bn).

Net operating profit **Modest increase YoY** (Continued increase in 4 period)

- Despite the decline in gross operating profit, net operating profit rose slightly year on year to a record high profit JPY 35.6bn due to a drop in expenses (-JPY 0.8bn).

Ordinary profit **-JPY 4.6bn YoY** (First decrease in 2 periods)

- Ordinary profit decreased JPY 4.6bn year on year to JPY 32.8bn due to JPY 6.4bn decline in gain on reversals from loan loss reserves, although gain (loss) on stocks improved JPY 2.0bn, etc.

Net income **-JPY 0.7bn YoY** (First decrease in 2 periods)

- Ordinary profit declined sharply, but net income fell only JPY 0.7bn year on year to JPY 20.8bn due to drop in corporate taxes (-JPY 4.0bn).



Results for the first half of FY2012 (consolidated I/S)

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Consolidated (JPY bn, %)	1H FY2012	YoY change	
		Increase/ Decrease	Rate of change
Ordinary revenue	104.1	- 9.1	- 8.0
Ordinary profit	35.4	- 5.0	- 12.5
Net income	35.1	+12.8	+57.4
Comprehensive income	21.2	- 4.2	- 16.5

Ordinary revenue (Consolidated)	First decrease in 2 periods
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Ordinary profit (Consolidated)	First decrease in 4 periods
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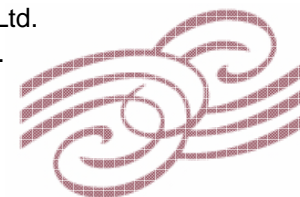
Net income (Consolidated)	Continued increase in 2 periods
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- Gains on negative goodwill by increasing equity stakes in Group companies : JPY12.9bn
- Decrease of corporate taxes : -JPY4.1bn YoY

Consolidated / Non-consolidated ratio	1H FY2012	YoY change Increase/ Decrease
Ordinary profit	1.08 times	- 0.00 times
Net income	1.68 times	+0.65 times

Consolidated Subsidiaries (11 companies)

Shizugin Management Consulting Co., Ltd.
 Shizugin Lease Co., Ltd.
 Shizuoka Computer Service Co., Ltd.
 Shizugin Credit Guaranty Co., Ltd.
 Shizugin DC Card Co., Ltd.
 Shizuoka Capital Co., Ltd.
 Shizugin TM Securities Co., Ltd.
 Shizugin General Service Co., Ltd.
 Shizugin Mortgage Service Co., Ltd.
 Shizugin Business Create Co., Ltd.
 Shizuoka Bank (Europe) S.A.



Equity-method Affiliates

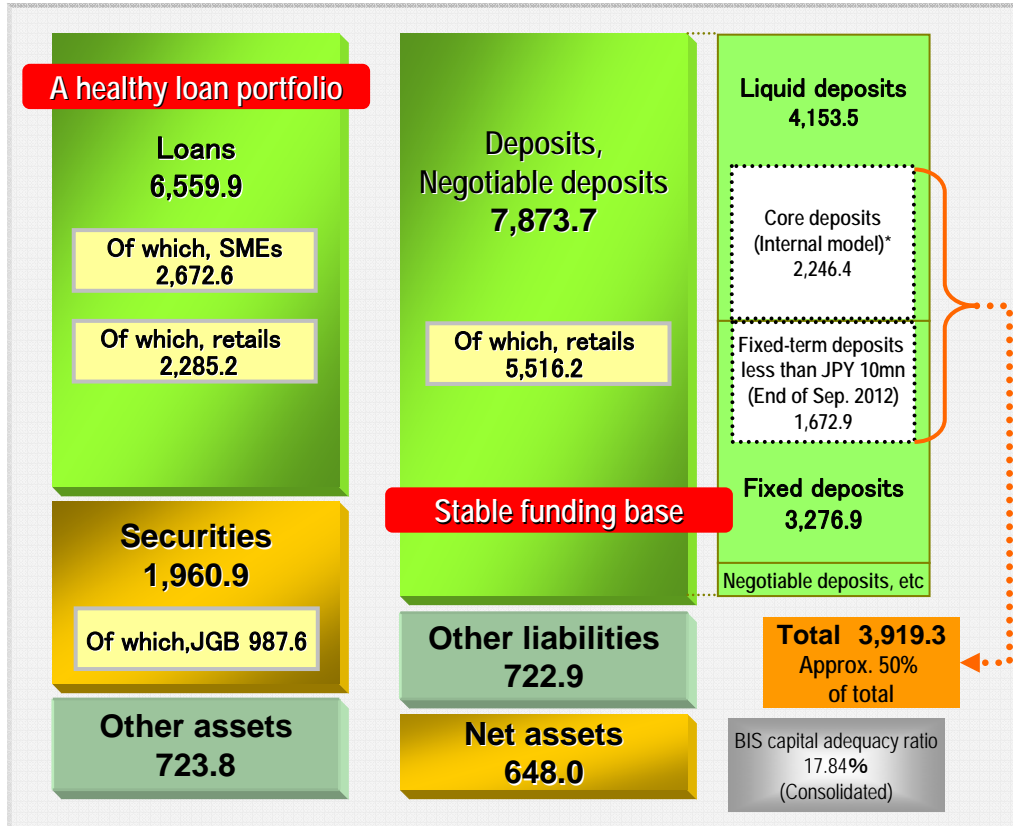
Shizugin Saison Card Co., Ltd.



Results for the first half of FY2012 (non-consolidated B/S)

Balance Sheet (Non-consolidated basis, average balance)

(JPY bn)



A healthy loan portfolio

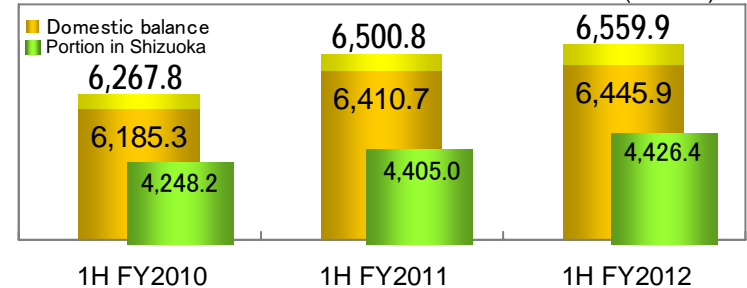
Stable funding base

- ◆ A healthy loan portfolio: ratio of net risk-managed loans stood at 0.34%
- ◆ Stable funding base: Fund procurement structure centered on core deposits and accumulation of small deposits, both of which remain in bank accounts for long time.
- ◆ Flexible securities investment: timing market trends to secure capital gains. Overseas bond investment utilizing strengths in foreign currency procurement
- ◆ Strong equity capital base: equity ratio of 17.84%

*Core deposits (internal model): Long-term liquid deposits estimated based on internal model (as of end-Sep 2012).

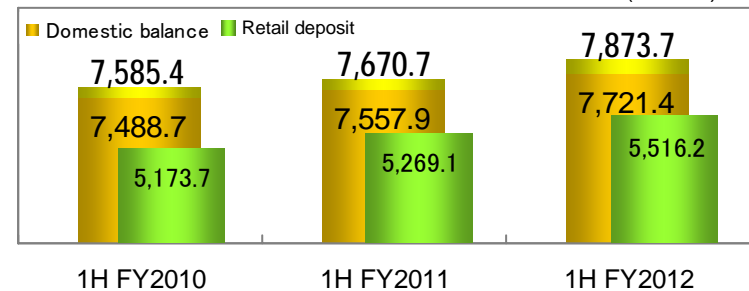
loan balance (average balance)

(JPY bn)

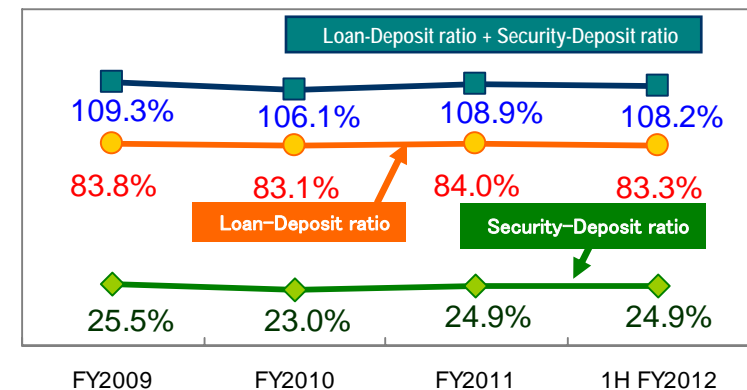


Deposit balance (average balance)

(JPY bn)



Loan-Deposit ratio / Security-Deposit ratio





Net interest income

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- Net interest income of 1H FY2012: JPY 59.9bn (–JPY 5.3bn YoY)
- Of which, domestic operations: JPY 54.5bn (–JPY 4.1bn YoY), Overseas operations: JPY 5.4bn (–JPY 1.2bn YoY)

Breakdown of net interest income

(JPY bn)	1H FY2011	1H FY2012	Increase/ Decrease
Total	65.2	59.9	–5.3
Domestic operations	58.6	54.5	–4.1
Of which, Interest on loans	50.8	48.4	–2.5
Interest and dividends on securities	10.2	8.6	–1.6
Interest on deposits (-)	2.3	2.5	+0.2
Overseas operations	6.6	5.4	–1.2
Of which, Interest on loans	0.7	1.0	+0.3
Interest and dividends on securities	6.5	5.4	–1.0

Income from securities investment

(JPY bn)	FY2010	FY2011	1H FY2012
Interest and dividends on securities	30.7	31.4	14.0
Bond-related income such as JGBs	6.6	7.4	7.7
Income from securities investment	37.3	38.9	21.7

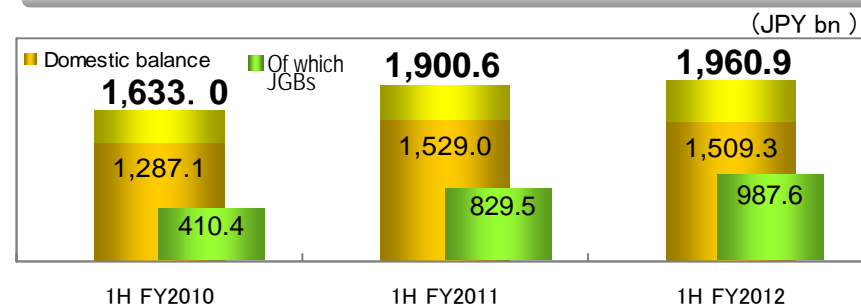
Domestic operations

(%)	1H FY2011	2H FY2011	1H FY2012	Change from 2H FY2011
Loan rate	1.60	1.57	1.52	–0.05
Deposit rate	0.06	0.06	0.06	+0.00
Yield on securities	1.32	1.13	1.13	+0.00

Overseas operations

(%)	1H FY2011	2H FY2011	1H FY2012	Change from 2H FY2011
Spread between Investments and procurements	1.75	1.42	1.20	–0.22

Security balance (average balance)





Difference between loan and deposit interest rates

– Changes in Loans and Deposits portfolio

- Difference between loan and deposit interest rates at the end of Sep. 2012 dropped 0.08 points from the end of Sep. 2011

Changes in yen-denominated loans and deposit structure

[Comparison of monthly records of average balance and interest rates] (JPY tn, %)

<Reference> [March 2008]

	Average balance (% of total)	Interest rate
Loans	5.8 (100.0)	2.04
Floating interest	4.2 (71.8)	2.07
Fixed interest	1.6 (28.2)	1.96

Difference between loan and deposit interest rates

Deposits	7.1 (100.0)	0.27
Of which Liquid deposits	4.0 (56.3)	0.16
Of which Term deposits	2.7 (38.7)	0.38

[September 2011]

Average balance (% of total)	Interest rate
6.4 (100.0)	1.58
4.8 (76.1)	1.54
1.5 (23.9)	1.73

[September 2012]

Average balance (% of total)	Interest rate
6.4 (100.0)	1.50
5.0 (77.5)	1.47
1.4 (22.5)	1.61

+1.52

Δ0.08

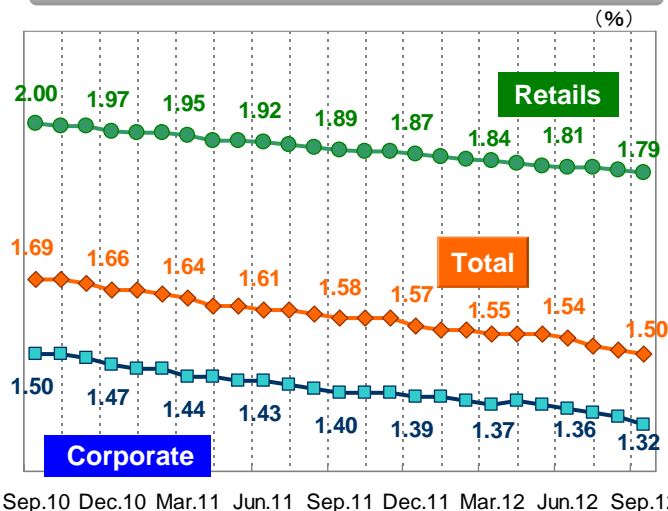
+1.44

7.6 (100.0)	0.06
4.0 (53.3)	0.02
3.1 (40.4)	0.10

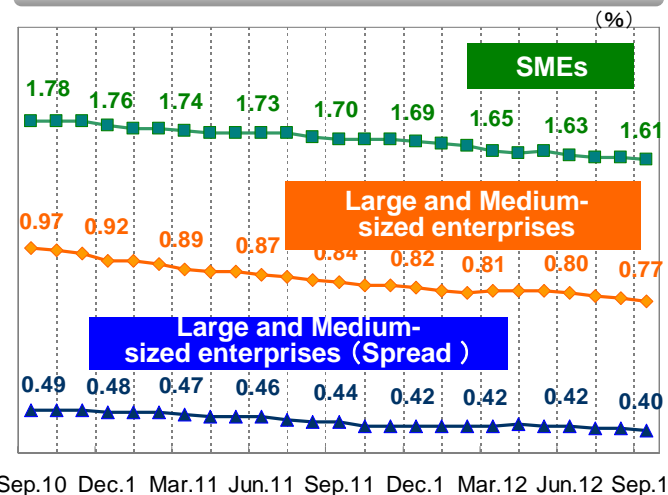
7.6 (100.0)	0.06
4.1 (53.9)	0.02
3.3 (43.1)	0.11

+0.00

Loan interest rates (monthly average)



Trends in Corporate loan interest rates by company size



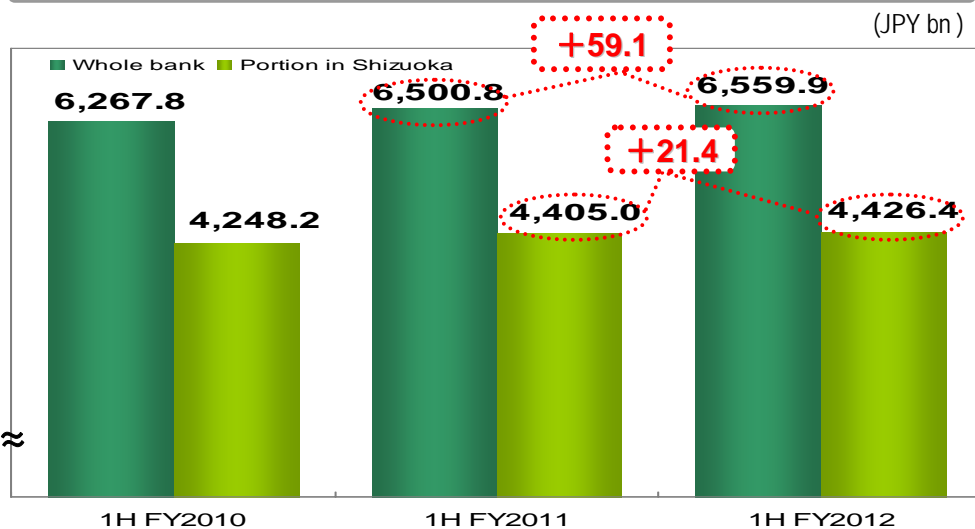


Loans (average balance)

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● Total loan balances (average balance) of 1H FY2012: JPY 6,559.9bn, up JPY 59.1bn (+0.9%) YoY

Total loan balance (average balance)



[SME loan balance]

Average balance increased to JPY 2,672.6bn, by JPY 51.6bn (+1.9%) YoY

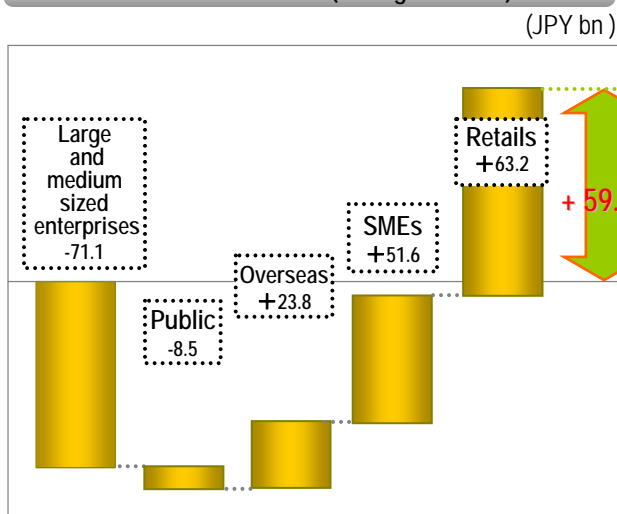
[Retail loan balance]

Average balance increased to JPY 2,285.2bn, by JPY 63.2bn (+2.8%) YoY

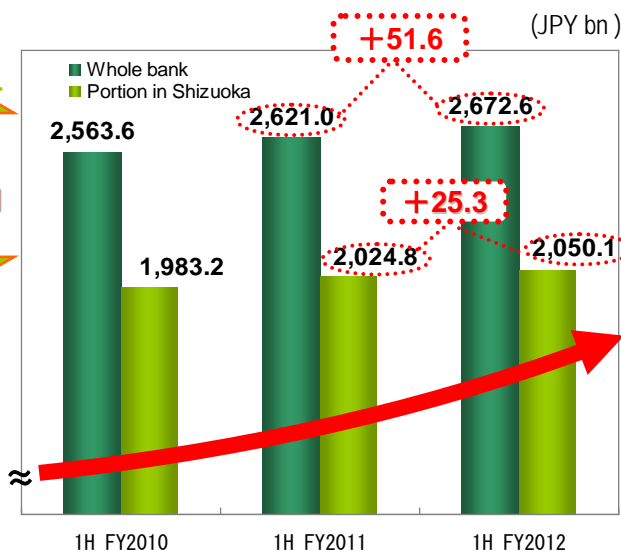
SME+Retail

Amount of increase : +JPY 114.8bn (+2.3%) YoY

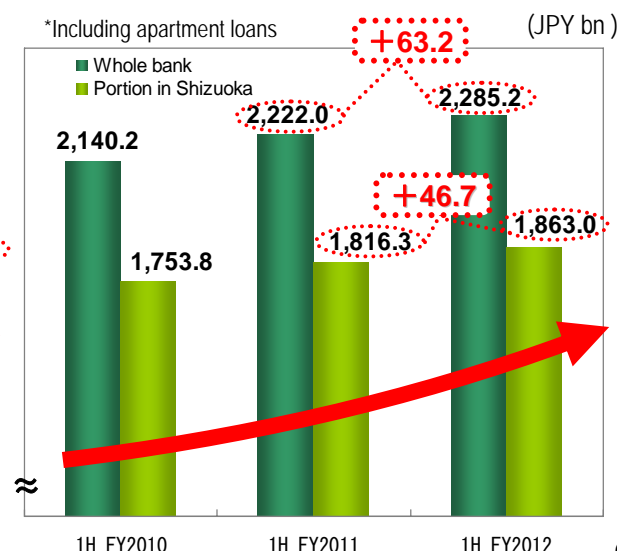
Breakdown of year-on-year change in total loan balance(average balance)



SME loan balance (average balance)



Retail loan balance (average balance)



*Including apartment loans

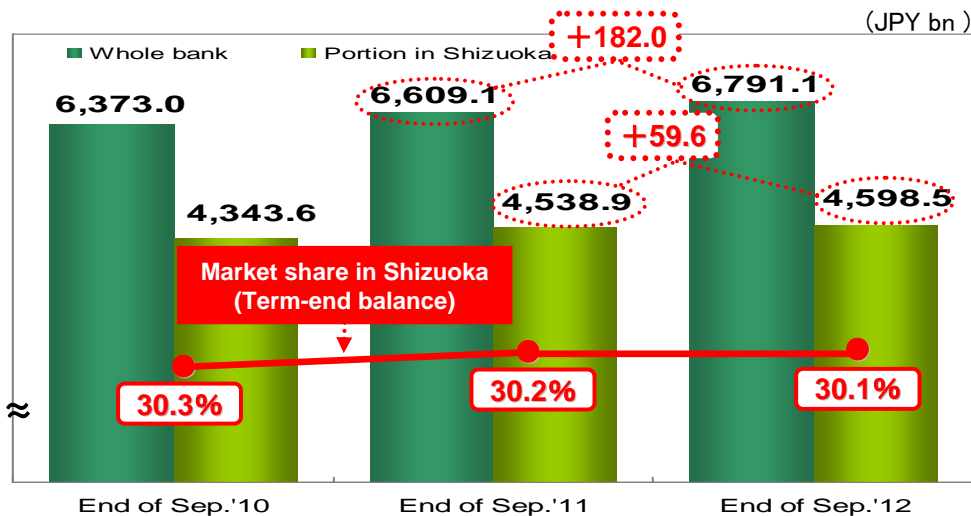


Loans (term-end balance)

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● Total loan balances (term-end balance) of 1H FY2012: JPY 6,791.1bn, up JPY 182.0bn (+2.8%) YoY

Total loan balance (term-end balance)



[SME loan balance]

Term-end balance increased to JPY 2,811.6bn, by JPY 68.1bn (+2.5%) YoY

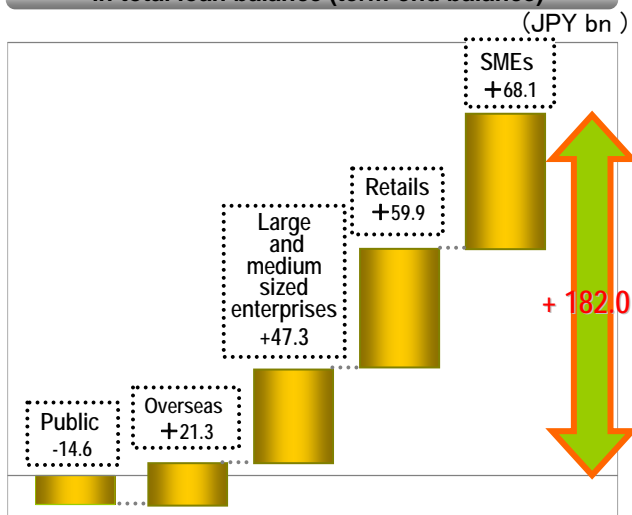
[Retail loan balance]

Term-end balance increased to JPY 2,313.7bn, by JPY 59.9bn (+2.7%) YoY

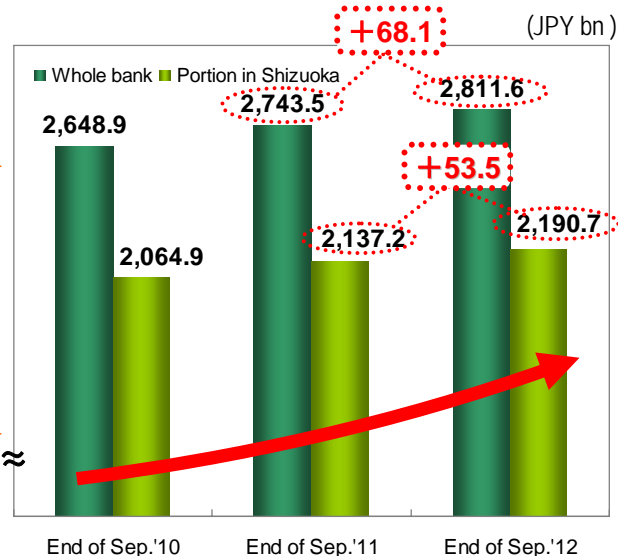
SME+Retail

Amount of increase : +JPY 128.0bn (+2.6%) YoY

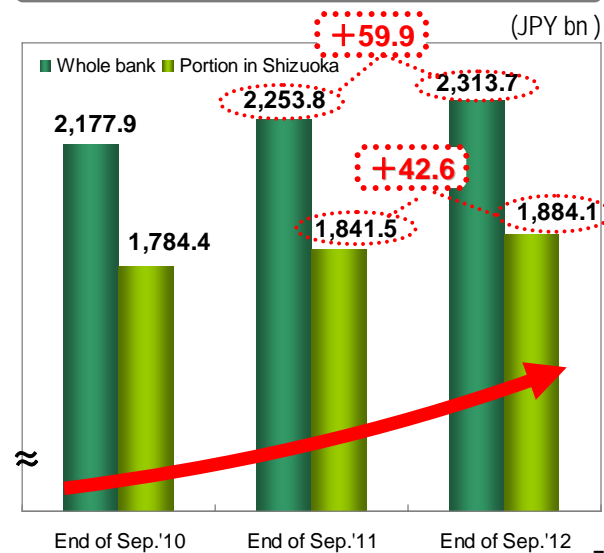
Breakdown of year-on-year change in total loan balance (term-end balance)



SME loan balance (term-end balance)



Retail loan balance (term-end balance)

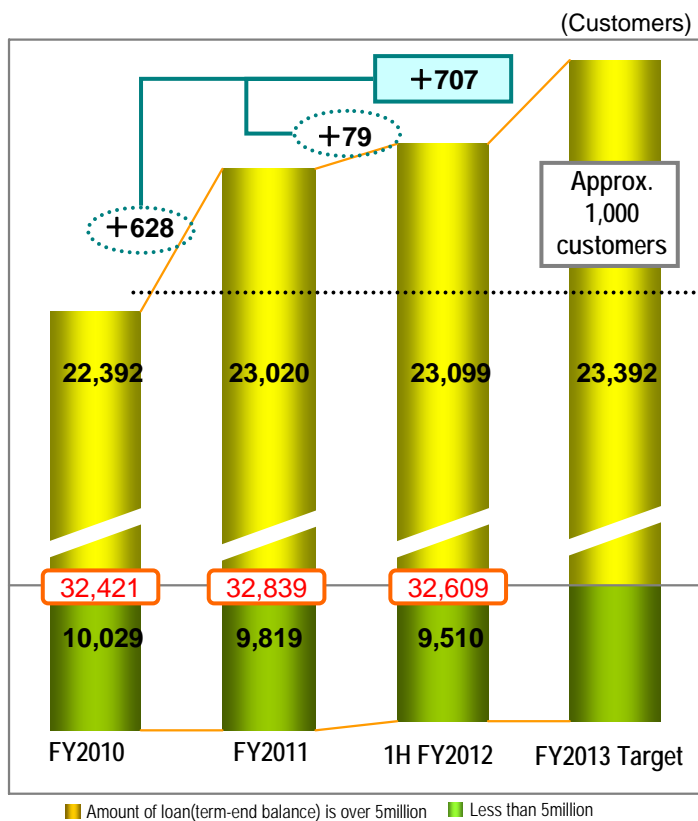


Initiatives for Corporate Banking

- Acquisition of new corporate customers, Initiatives in growing and untapped fields

- As of end-September 2012, the number of corporate customers was up 707 from end-March 2011
- We keep working to generate new demand for funds by stepping up initiatives in “growing and untapped fields” and by offering tailored solutions; the goal is to expand the customer base and increase market share

Number of corporate customers



We keep working to increase the number of corporate customers due to strategic repositioning of employees *
 * Adding 19 sales staff for the new customer acquisition after FY2011 (for a total of 34 members)

Solution approach to growing and untapped fields

Health and welfare

- ◆ Provide information and identify needs through seminars run by Shizuoka Bank
- ◆ Strengthen the specialized team for the health field by adding 2 sales staff (total of 12 members)

(JPY bn)	1H FY2011	2H FY2011	1H FY2012
Loan book	25.9	33.0	47.7

Environment

- ◆ Consulting services to help clients gain ISO environmental certification
- ◆ Financial support for the installation of environmental-related equipment

(JPY bn)	1H FY2011	2H FY2011	1H FY2012
Loan book	6.8	6.3	8.2

[Food business] Agriculture

- ◆ Participate in trade shows, develop sales channels, help agricultural producers move into up or down-stream (Support from 8 team members qualified as agricultural business advisors)
- ◆ Work with Shizuoka Prefecture Agricultural Credit Guarantee Fund Association to meet the funding needs of agricultural producers

(JPY bn)	1H FY2011	2H FY2011	1H FY2012
Loan book	3.6	7.2	3.9

Business Succession

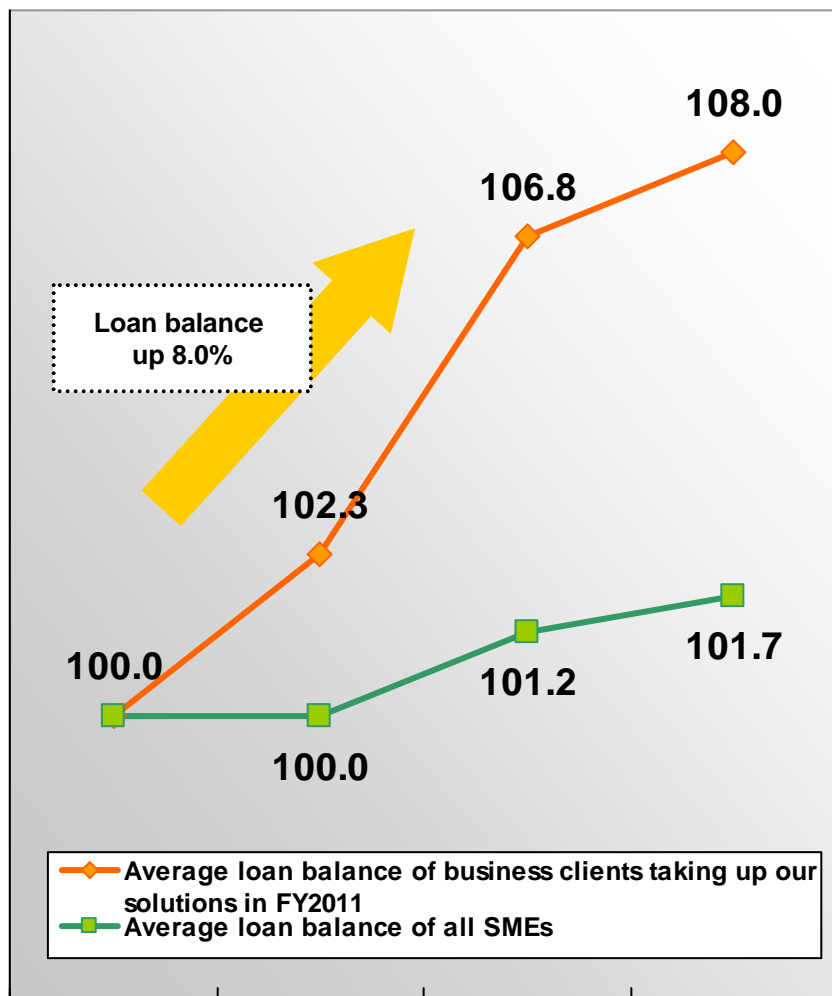
- ◆ Target key clients and fulfill their needs for business succession by working with Group companies and external organizations such as the Shizuoka Prefecture Business Continuity Support Center

(JPY bn)	1H FY2011	2H FY2011	1H FY2012
Loan book	4.0	4.2	9.1

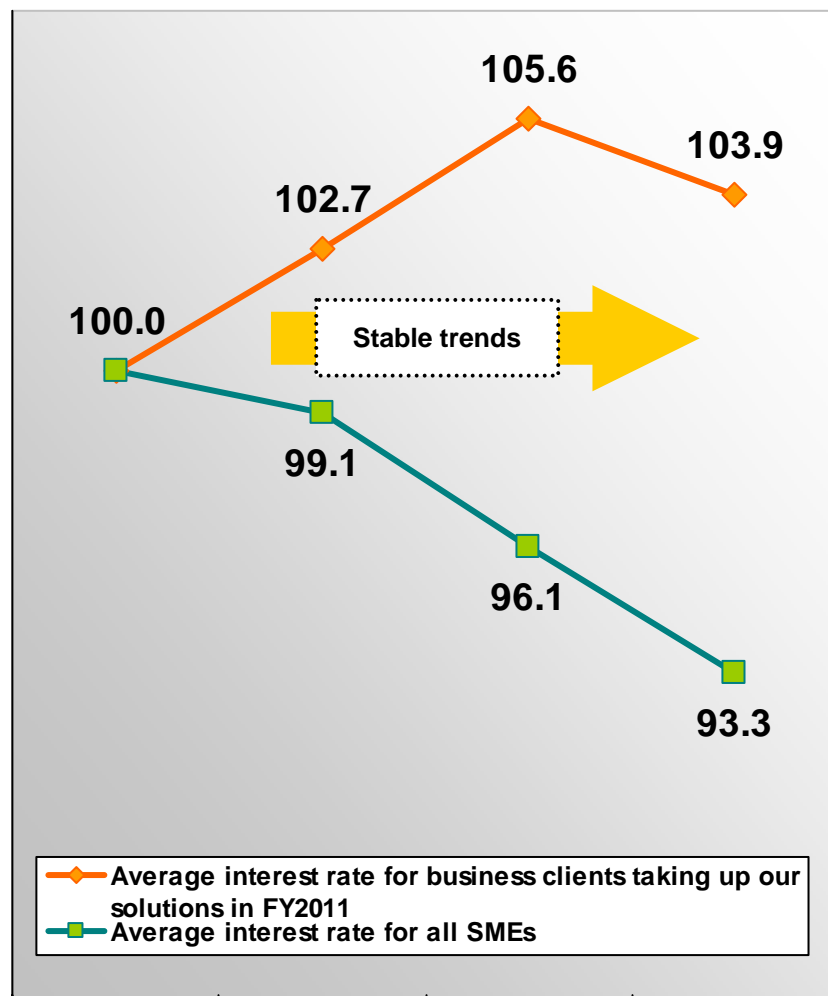
Initiatives for Corporate Banking

- Performance in solution-providing approach

Average loan balance of business clients we provided solutions in FY2011



Interest rate for business clients we provided solutions in FY2011



2H FY2010 1H FY2011 2H FY2011 1H FY2012
 (Index of average loan balance, 2H FY2010=100)

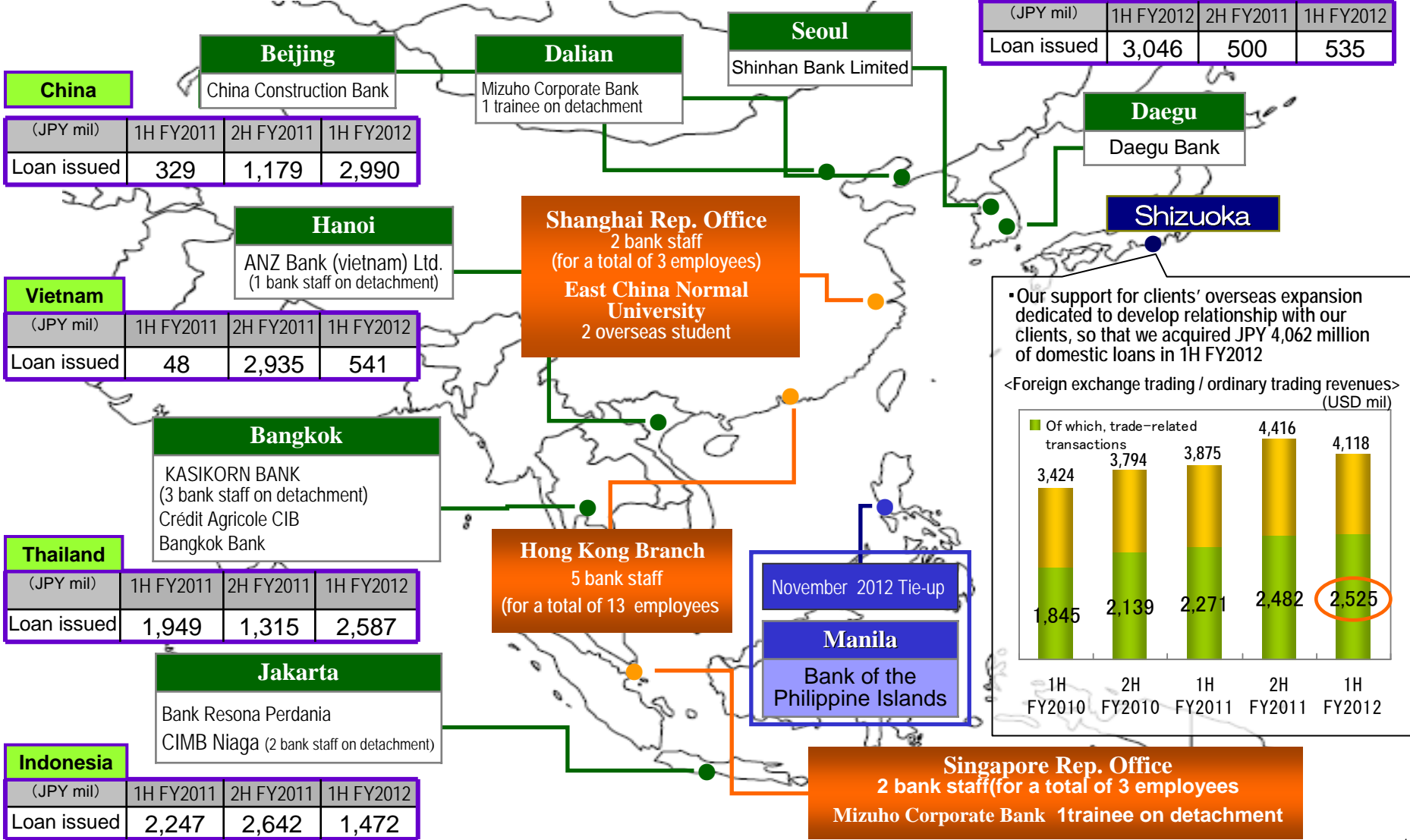
2H FY2010 1H FY2011 2H FY2011 1H FY2012
 (Index of interest rate, 2H FY2010=100)



Initiatives for Corporate Banking – Strategies in Asia

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- Developed our support network for customers in Asia through tie-ups with local financial institutions
- Achieved steady progress in the areas of loan and foreign exchange by using the strong network and by responding appropriately to the diverse needs of customers
- Loans for customers' overseas entrance: JPY 8.1bn in 1H FY2012





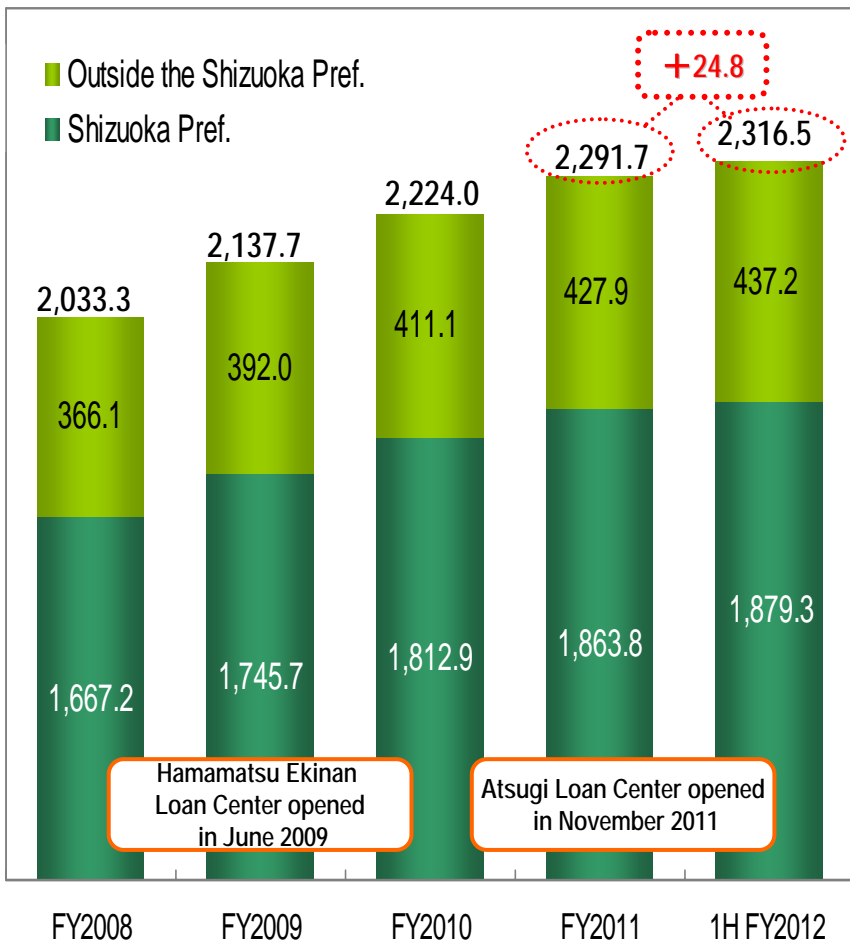
Initiatives for Retail Banking - Consumer loan

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- Consumer loan balance continues to grow by JPY 24.8bn from end-Mar. 2012
- We continue to boost growth in the consumer loan balance by reforming business processes to increase productivity and reduce costs and launching new value-added products

Consumer loan balances (term-end balance)

(JPY bn)



Initiatives

Business process reforms

- ◆ Under the 11th Medium-term Business Plan: reduce the processing time by 60%
- ◆ Reduced processing time for workload of consumer loan (targeting a reduction of roughly 50% in FY2012 compared with FY2010)

Maintain competitiveness by boosting the profitability of housing loans through increase in productivity and cost reduction

Limiting decline in interest rates

- ◆ Limiting the decline in interest rates through a loan rate point system as one of performance incentives for consumer loan sales staff

1H FY2012 Average rate for new housing loans: 1.193% (-0.043% from 2H FY2011)

New products

- ◆ New home loan products launched in July 2012
 - Home loans including insurance for 8 medical conditions (plus 2 special provisions)
 - Home loans with group life insurance that guarantee mortgage repayment

New value-added products that target potential customer needs and boost the bank's competitive advantage

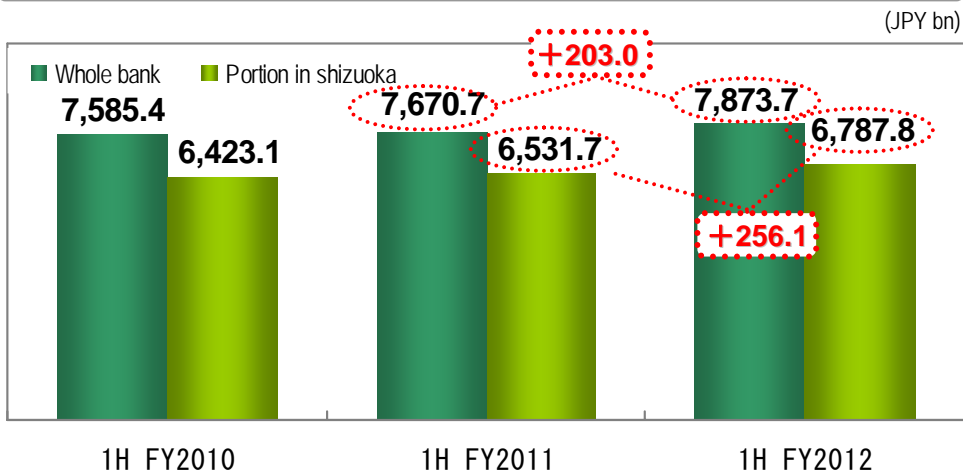


Deposits

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● Total deposit balance in 1H FY2012: JPY 7,873.7bn (average balance), up JPY 203.0bn (+2.6%) YoY

Deposit balance (average balance)

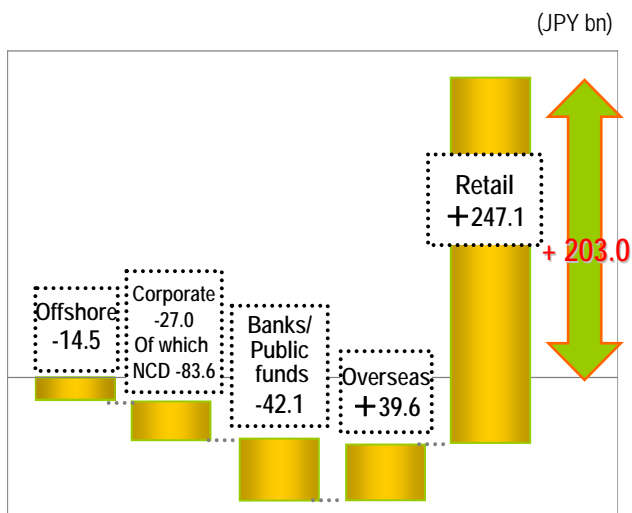


[Deposit balance in Shizuoka Prefecture]
 Average balance increased to JPY 6,787.8bn, by JPY 256.1bn (+3.9%) YoY

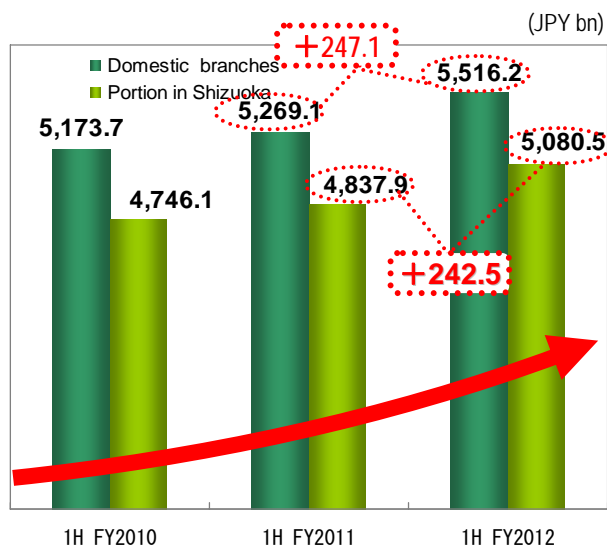
[Retail deposit balance]
 Average balance increased to JPY 5,516.2bn, by JPY 247.1bn (+4.7%) YoY
 [Average balance of Internet branch: JPY 189.4bn, up JPY 152.7bn YoY]

[Corporate deposit balance]
 Average balance decreased to JPY 1,930.8bn, by JPY -27.0bn (-1.4%) YoY
 [Excluding NCD : up JPY 56.7bn (+3.3%) YoY]

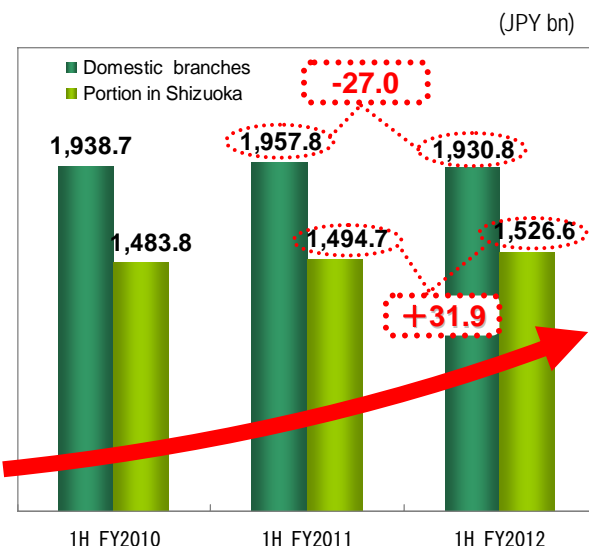
Breakdown of year-on-year changes in deposits balance (average balance)



Retail deposit balance (average balance)



Corporate deposit balance (average balance)



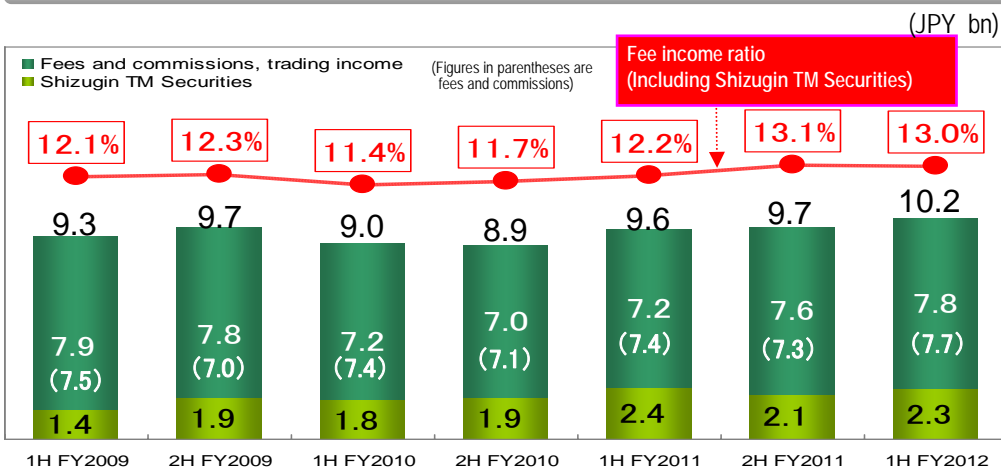


Fee incomes and customer assets

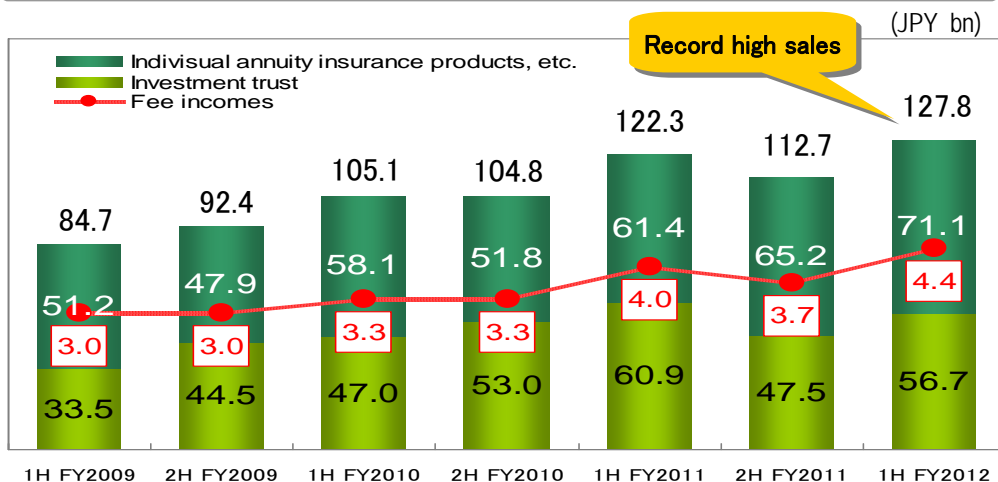
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- Fee incomes in 1H FY2012 : JPY 7.8bn (up JPY 0.6bn YoY)
- Customer assets at the end of September 2012 (including the balance of Shizugin TM Securities) : JPY 6,947.5bn, up JPY 11.9bn from the end of March 2012.
- Excluding risk-free asset such as deposits : JPY 1,464.6bn, up JPY 27.0bn from the end of March 2012, due to a increase in individual annuity insurance by JPY 44.0bn

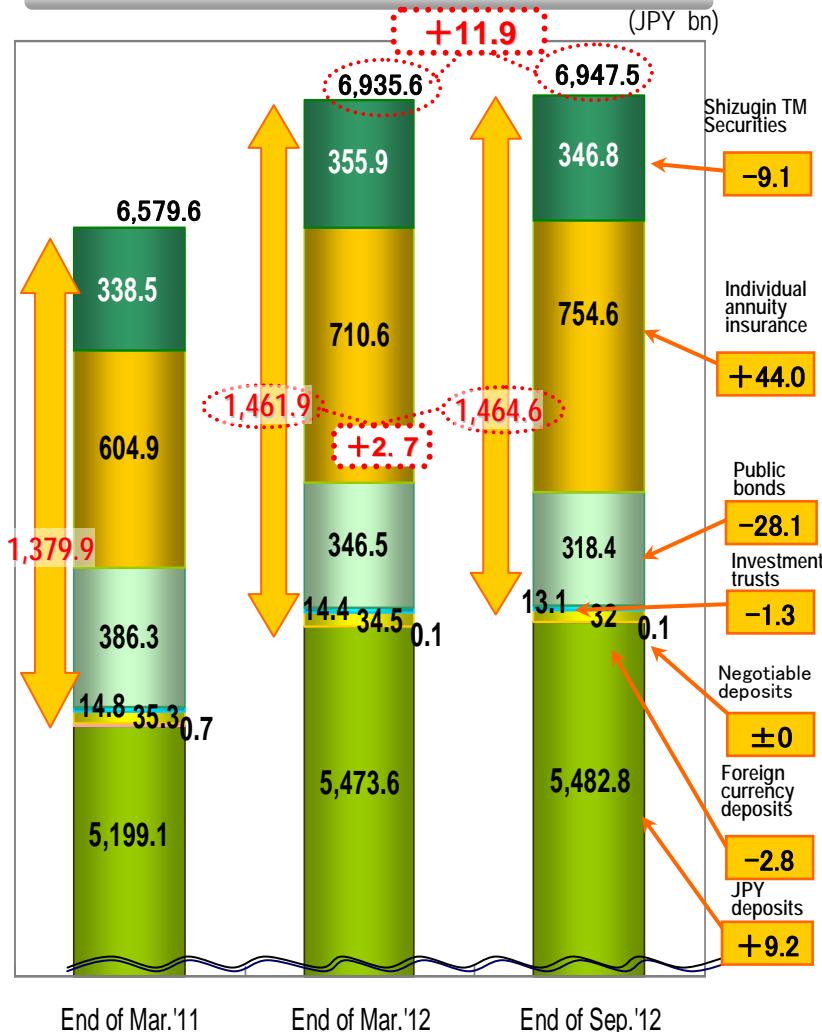
Fee incomes (Shizuoka Bank / Shizugin TM Securities)



Sales and fee income from sales of investment trust and insurance products



Customer assets (term-end balances)





Credit-related costs

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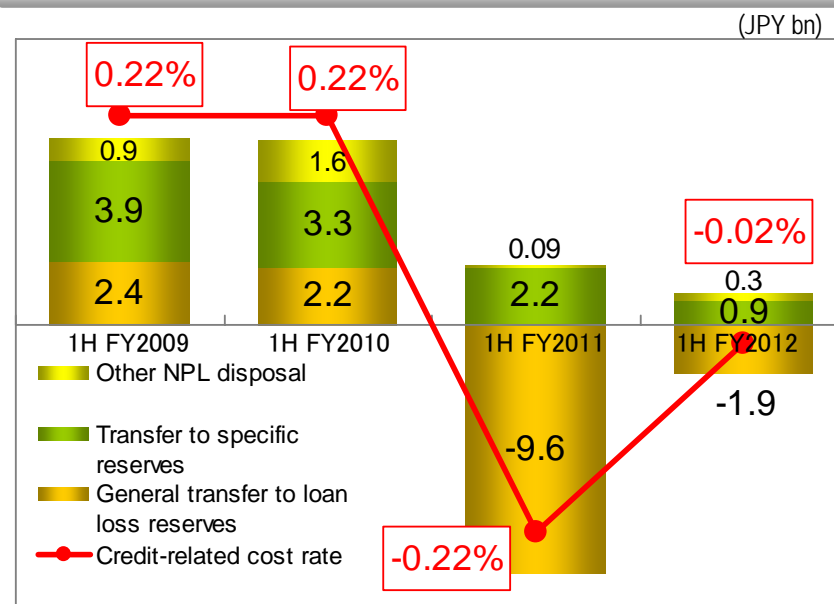
- Credit-related costs in 1H FY2012: -JPY 0.7bn (+JPY 6.6bn YoY),
Credit-related cost rate: -0.02% (+0.20 percentage points YoY)

Breakdown of credit-related costs

	(JPY bn)		
	1H FY2011	2H FY2011	1H FY2012
General transfer to loan loss reserves	-9.6	5.8	-1.9
Transfer to specific reserves	2.2	0.9	0.9
Other NPL disposal	0.1	0.9	0.3
Total	-7.3	7.6	-0.7

* According to accounting rule, general transfer to loan loss reserves was booked as gains on reversals from loan loss reserves in the statements of income, because the gains on reversals from general transfer exceeded the loss from transfer to specific reserves and others.

Credit-related cost and credit-related cost rate trends



* Credit-related cost rate = Credit-related costs / Average loan balance

【Variation factor (balance of general loan loss reserves)】

	1H FY2011	2H FY2011	1H FY2012
Balance of general loan loss reserves as of the beginning of term	48.7	39.2	45.0
Change in calculation method	-8.9	+3.5	-
Changes in balance, loan loss ratio and other factors	-7.2	-1.3	-1.5
DCF-based reserves	+5.5	+3.3	-0.3
DDS-based reserves	+1.0	+0.3	-0.1
Balance of general loan loss reserves as of the end of term	39.2	45.0	43.1



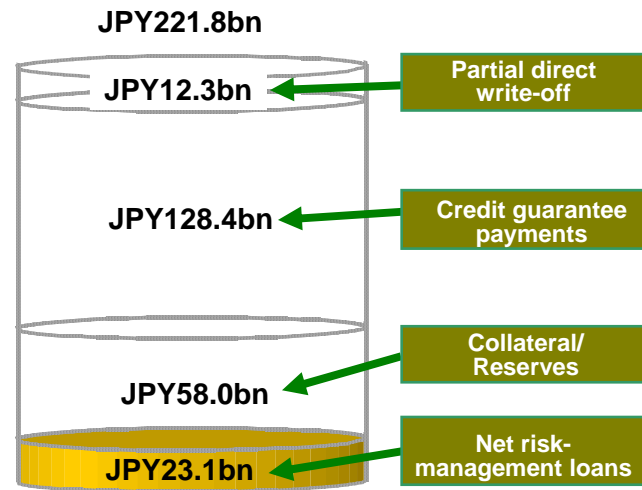
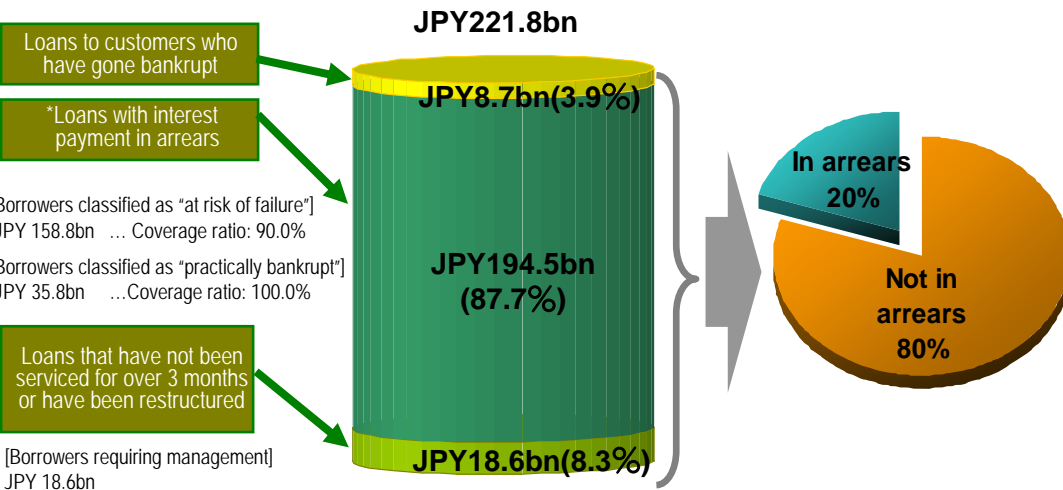
Risk-management loans

SHIZUOKA BANK

- Total risk-management loans (Non-consolidated): JPY 221.8bn (down JPY 6.7bn from the end of March 2012)
- The ratio of risk-management loans: 3.26% (down 0.15 percentage points)
- Net risk-management loans (Non-consolidated): JPY 23.1bn (up JPY 1.9bn)
- The ratio of net risk-management loans: 0.34% (up 0.02 percentage points)

Risk-management loans at the end of Sep. 2012

Net risk-management loans



[Borrowers classified as "at risk of failure"]
JPY 158.8bn ... Coverage ratio: 90.0%

[Borrowers classified as "practically bankrupt"]
JPY 35.8bn ... Coverage ratio: 100.0%

[Borrowers requiring management]
JPY 18.6bn
Coverage ratio: 61.2%

*Borrowers classified as "at risk of failure" and borrowers classified as "practically bankrupt" are written as "loans with interest payment in arrears" among the debtor division in accordance with Banking Act

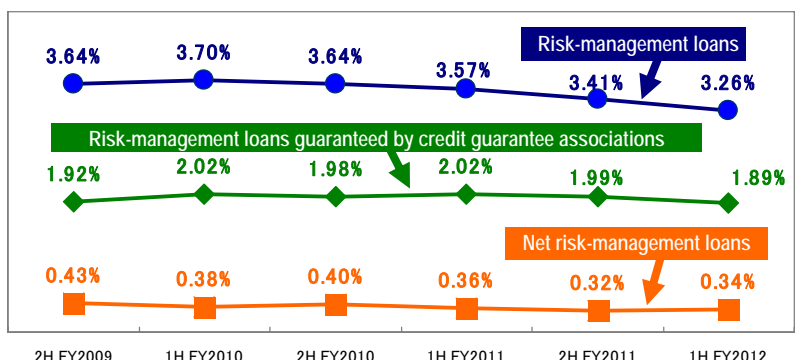
NPL removal from the balance sheet

(JPYbn)	FY2011	1H	1H FY2012
New recognition of NPLs	+52.9	+29.9	+24.5
Removal from the balance sheet (NPL to borrowers classified as "at risk of failure" or riskier categories)	△66.9 (△60.7)	△36.2 (△32.9)	△31.2 (△28.7)
Risk-management loans	228.5	236.2	221.8

[Breakdown of JPY 28.7 bn] (JPY bn)

Collected from borrower/ set off against deposit account	5.5
Collateral disposal/ subrogated to guarantor	9.8
Reclassified to better categories	9.3
Loans sold-off	4.0
Direct write-off of loans	0.1

The ratio of risk-management loans



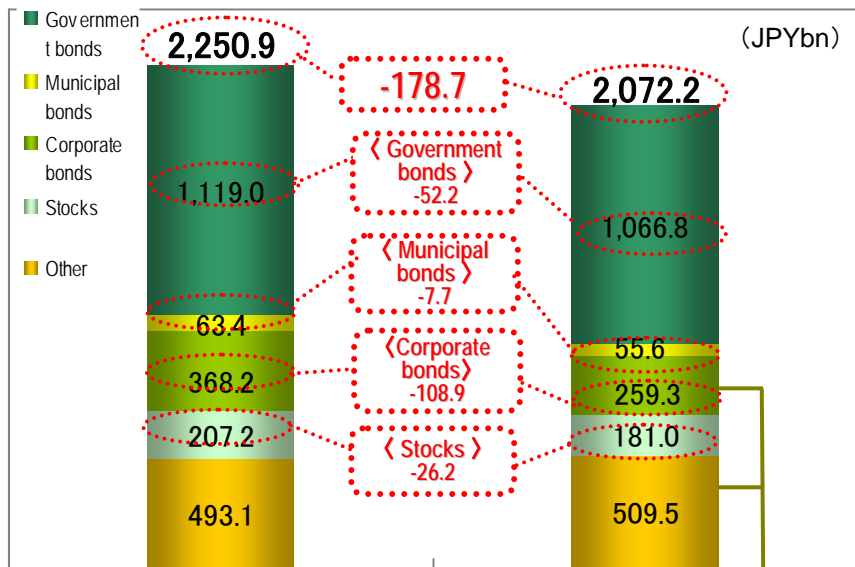


Securities

SHIZUOKA BANK

- Total balance of securities : JPY 2,072.2bn (-JPY 178.7bn from the end of March 2012)
- Securities revaluation profit and loss : JPY 106.6bn (-JPY 21.0bn)
- Gains and losses from bond-related income such as JGBs : JPY 7.7bn (+ JPY 2.0bn YoY)
- Gains and losses from stocks : -JPY 3.2bn (+JPY 2.0bn)

Term-end balance of Securities



Mar. 2012

Sep. 2012

Breakdown of corporate bond and other category are indicated to 29pages

Average life of bonds / gains and losses from revaluation of securities

	End of Mar. 2012	End of Sep. 2012
Average life of yen denominated bonds	5.25y	4.81y
Average life of foreign currency denominated bonds	3.45y	3.18y
Gains and losses from the revaluation of securities	JPY127.6bn	JPY106.6bn
Stocks	JPY88.1bn	JPY60.6bn
Nikkei stock average	JPY10, 083.56	JPY8, 870.16

Breakdown of gains and losses from Bond-related income such as JGBs

(JPYbn)	1H FY2011	1H FY2012	Increase/Decrease
Gains and losses from JGBs	5.7	7.7	+2.0
Gain on sale of JGBs	6.6	8.3	+1.7
Loss on sale of JGBs (-)	0.9	0.0	-0.9
Devaluation of JGBs (-)	-	0.2	+0.2
Depreciation of JGBs (-)	-	0.4	+0.4

Breakdown of gains and losses from stocks

(JPYbn)	1H FY2011	1H FY2012	Increase/Decrease
Gains and losses from stocks	-5.2	-3.2	+2.0
Gain on sale of stocks	0.1	0.2	+0.1
Loss on sale of stocks (-)	0.0	0.0	-0.0
Devaluation of stocks (-)	5.3	3.4	-1.9

Break-even level of valuation gains or losses / 10BPV

	Levels at which valuation gains and losses is zero	10BPV
Stocks	Nikkei stock average JPY 5,650	*JPY 2.57bn
Yen-denominated bonds	5-year JGB 0.58%	-JPY 6.67bn
Foreign-currency bonds	10-year US Treasury Note 2.80%	-JPY 1.64bn

*TOPIX10oint



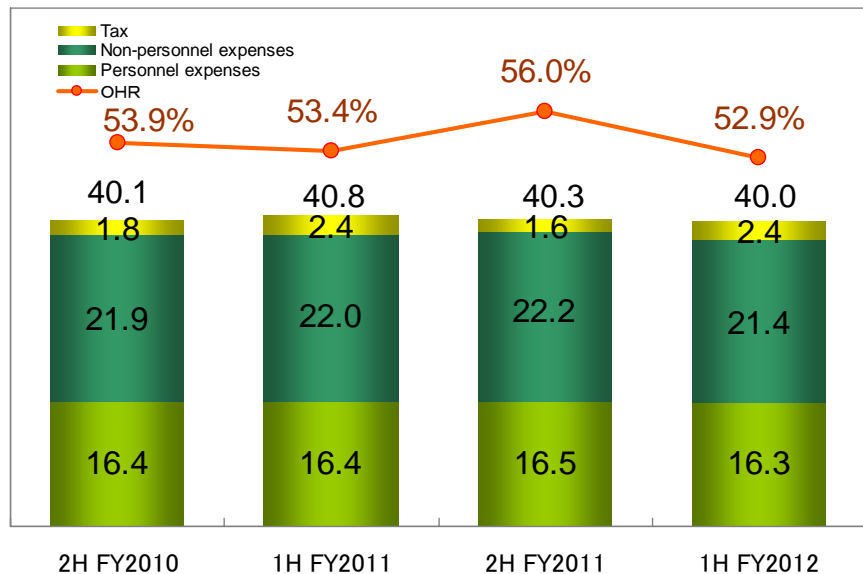
Expenses

SHIZUOKA BANK

- Expenses in 1H FY2012: JPY 40.0bn (-JPY 0.8bn YoY)
- OHR in 1H FY2012 (Non-consolidated): 52.9% (-0.5 percentage points YoY)

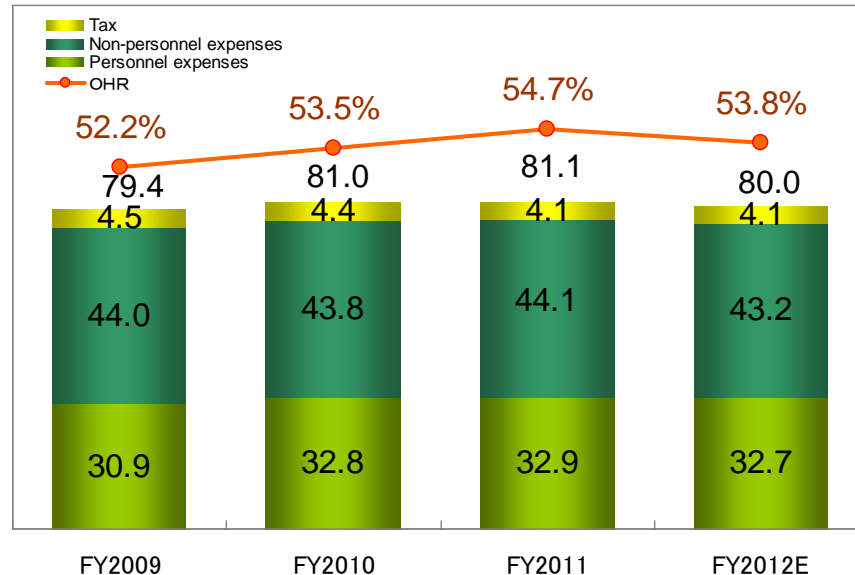
Expenses and OHR (half-year basis)

(JPYbn)



Expenses and OHR (annual basis)

(JPYbn)



Amount of investments

(JPYbn)

	1H FY201	2H FY2011	1H FY2012
Amount of investments	3.2	3.4	3.6
Software	1.8	0.9	1.6
Building	0.5	0.5	0.8
Movable property	0.5	0.8	0.5

(Ref): Branch investment plan during the 11th Medium-term Business plan

Front-focused branches with larger lobby areas were gradually introduced.

(JPYmil)

	FY2011	1H FY2012	Total
New branches	534	198	731
Newly constructed	—	64	64
Refurbished	53	116	169





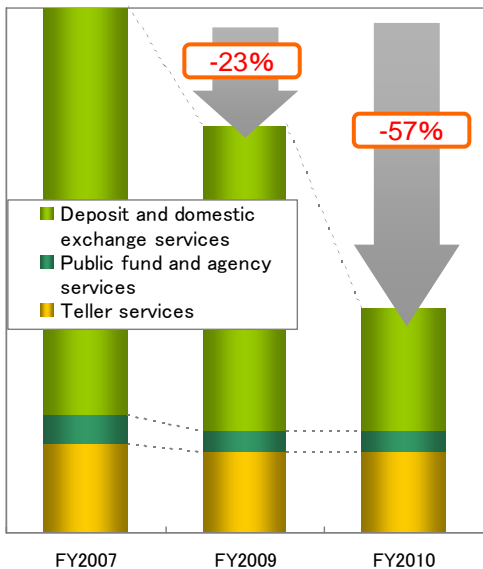
Improvement of productivity (1) - BPR

SHIZUOKA BANK

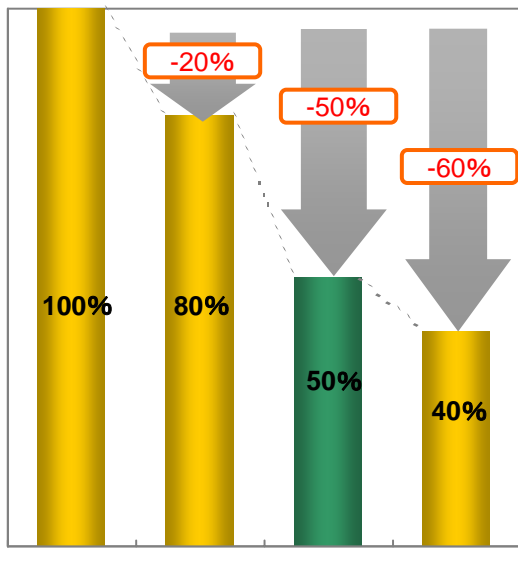
- An ongoing BPR program increased front-office staff without boosting the overall headcount
→ make it possible to achieve sustainable top-line growth



Workload reduction of branches



Reduced processing time for workload of consumer loan



Number of personnel

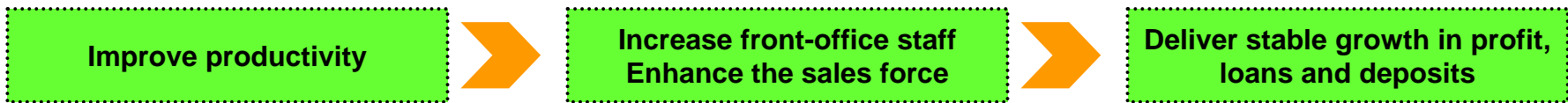
(Employees)	End-Sep. 2008	End-Sep. 2011	End-Sep. 2012	Change from end-Sep. 2008
Front-office	2,662	3,076	3,137	+475
Of which, bank employees	1,996	2,293	2,330	+334
Back-office/assisting	1,658	1,063	986	-672
Of which, bank employees	392	88	54	-338
Shizuoka Bank	5,365	5,021	5,011	-354
Of which, bank employees	2,914	2,935	2,951	+37

* Assume the amount of business in the FY2007 is set to 100

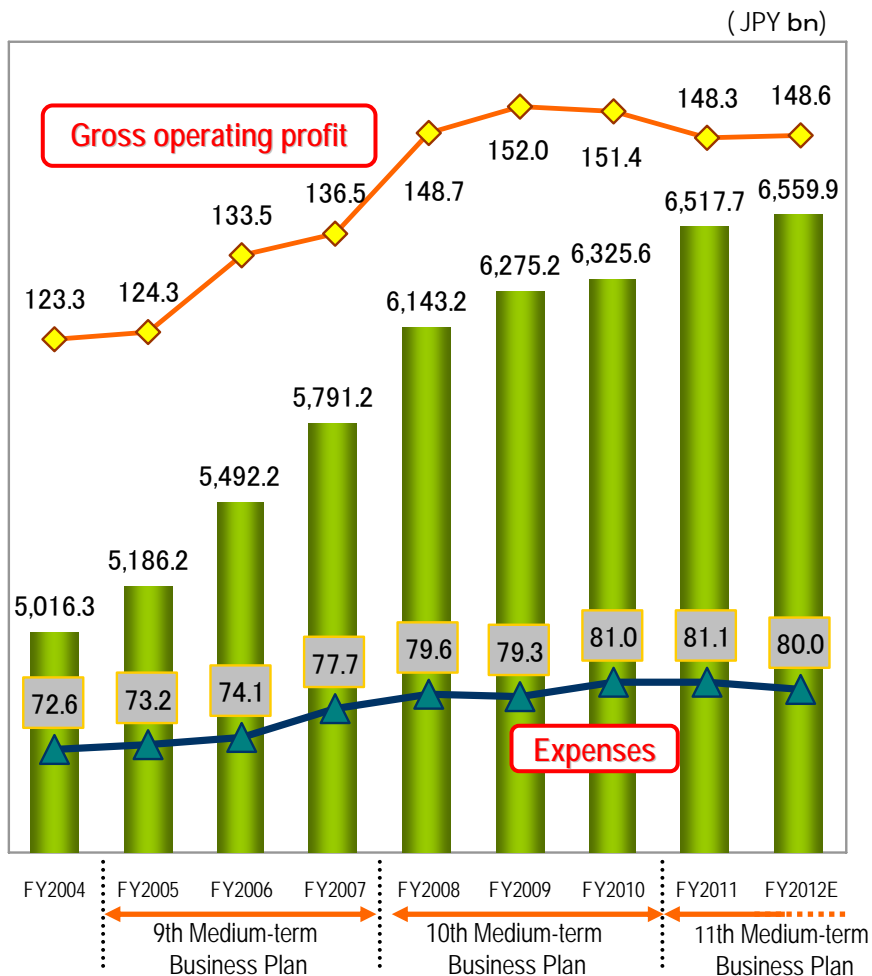
* Assume the amount of business in the FY2010 is set to 100

Improvement of productivity (2) - Result from Improvement of productivity

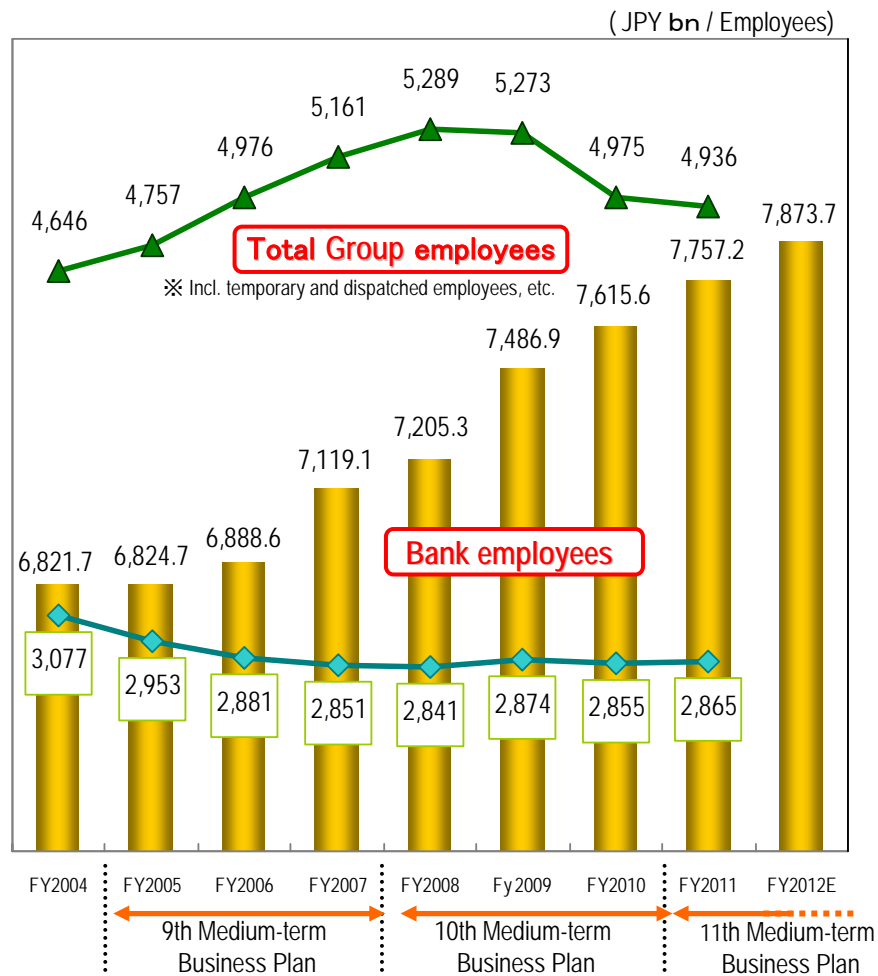
• Delivered stable growth in profit, loans and deposits while controlling costs through improvement of productivity



Loan balance (average balance)



Deposit balance (average balance)



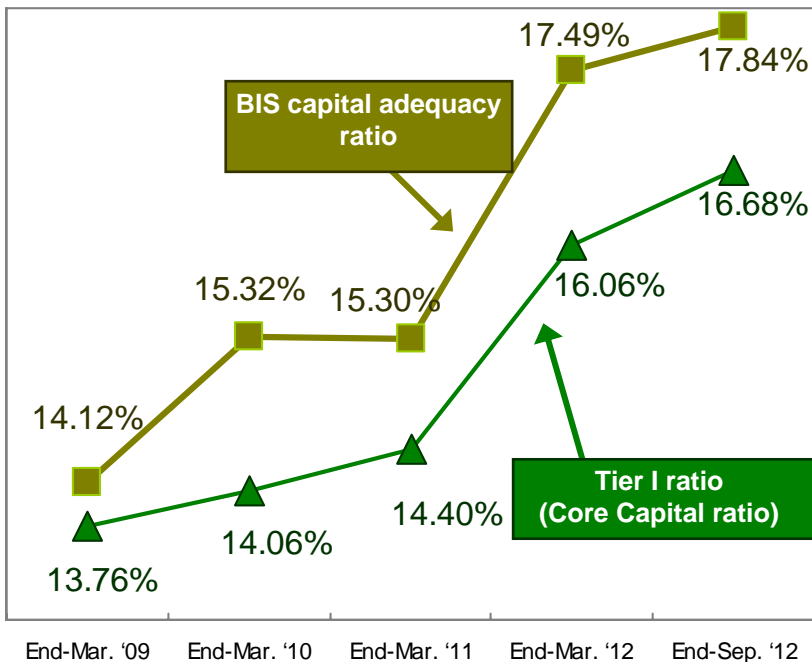


Capital adequacy ratio

SHIZUOKA BANK

- The Basel II capital adequacy ratio at the end of September 2012 : 17.84%. (+0.35 percentage points from the level at the end of March 2012)
- Tier I ratio (core capital ratio) : 16.68%. (+0.62 percentage points from the level at the end of March 2012)
- Based on criteria in the Basel III text released in December 2010, the level of capital adequacy ratio at the end-March 2012 fully met regulatory levels

BIS capital adequacy ratio (consolidated basis)



[Calculation based on criteria in the Basel III text released in December 2010 (End-March 2012 basis)]

- Capital adequacy ratio : 16.7%(Regulatory level 10.5%)
- Tier I ratio : 16.5%(ditto 8.5%)
- Core Tie I ratio : 16.4%(ditto 7.0%)

Changes in capital and risk-adjusted assets (term-end)

(JPY bn)

	Mar. 2010	Mar. 2011	Mar. 2012	Sep. 2012	Change from -Mar. '12
Capital*	687.8	686.1	719.9	712.8	-7.1
Tier I	631.4	645.9	661.1	666.8	+5.7
Tier II	67.6	50.7	63.3	50.9	-12.4
Risk-adjusted assets	4,488.9	4,482.9	4,114.8	3,995.8	-119.1
Total credit-risk adjusted assets	4,166.3	4,162.8	3,800.4	3,684.2	-116.3
Amount corresponding to market risk	20.5	16.5	14.2	14.0	-0.2
Amount corresponding to operational risk	302.1	303.6	300.2	297.6	-2.6

*Capital does not include preferred shares, subordinated debts, etc.

Outlier ratio (Non-consolidated basis)

Amount of maximum risk	Tier I + Tier II	Outlier ratio
JPY 15.3bn	JPY 689.6bn	2.2%



Shareholder return (1) - Dividend

SHIZUOKA BANK

- Plan to increase FY2012-end dividend by JPY 1.00 per share as commemorative 70th anniversary dividend, raising the total annual dividend to JPY 15.00 per share

Dividend trends

(JPY)

	FY2009	FY2010	FY2011	FY2012E
Dividend per share (annual)	13.00	13.00	13.50	15.00 (7.00 *)

*Interim dividend

Profit distribution to shareholders

11th Medium-term Business Plan

(JPY bn)

	FY2009	FY2010	FY2011	1HFY2012	FY2012E	FY '02 - '11 (10 years)
Annual dividend (1)	9.1	8.8	8.9	4.5	※1 9.7	Accumulated total 77.3
Repurchase of shares *(2)	4.0	15.0	14.6	8.2	※2 8.2	Accumulated total 77.8
Shareholder returns (3)=(1)+(2)	13.1	23.8	23.5	12.7	17.9	Accumulated total 155.1
Net income (4)	32.1	35.4	34.7	20.8	※1 40.0	Accumulated total 291.7
Dividend payout ratio (1)/(4)x100	28.20%	24.85%	25.54%	21.82%	24.32%	Average 26.49%
Shareholder return ratio (3)/(4)x100	40.64%	67.22%	67.60%	61.42%	44.91%	Average 53.17%

※1. The total amount of annual dividend and Net Income in FY2012E are calculated based on our forecast disclosed in Nov. FY2012

※2. The amount of repurchase of shares in FY2012E is an actual amount by the end of Sep. FY2012

Shareholder return ratio 65.2%
(FY2011 ~ 1HFY2012)



Shareholder return (2) - Share Buybacks ,Trends in EPS/ BPS

SHIZUOKA BANK

- Share buybacks have been continuously carried out since FY1997, cumulating the 151million of shares bought back by the end of March 2012
- Cancelled 20 million treasury shares and executed the repurchase of 10 million shares at JPY 8.2bn in 1HFY2012

Historical share buybacks

	Shares bought back (thousand shares)	Repurchase amount of shares (JPY mil)	Number of shares cancelled (thousand shares)	Cancellation amount (JPY mil)	Shareholder return ratio (%)	EPS (JPY)	BPS (JPY)
FY1997	7,226	9,997	7,226	9,997	90.3	20.39	587.56
FY1998	6,633	9,142	6,633	9,142	86.7	20.12	627.64
FY1999	8,357	9,143	8,357	9,143	51.4	34.14	650.95
FY2000	24,954	23,281	24,954	23,281	152.0	23.73	792.16
FY2001	8,234	8,267	8,234	8,267	165.4	10.26	742.73
FY2002	29,928	23,107	—	—	229.4	16.56	721.33
FY2003	10,712	8,566	30,000	23,381	50.8	37.20	831.76
FY2004	—	—	—	—	17.1	49.41	875.93
FY2005	—	—	—	—	22.5	44.24	1,019.15
FY2006	—	—	—	—	25.3	51.20	1,077.85
FY2007	10,000	12,621	10,000	10,130	61.8	49.89	997.20
FY2008	—	—	—	—	70.8	18.34	903.32
FY2009	5,000	3,996	5,000	4,638	40.6	46.01	998.21
FY2010	20,000	14,980	20,000	15,957	67.2	51.75	1,016.34
FY2011	20,000	14,575	—	—	67.6	52.44	1,097.55
Cumulative total	151,044	137,677	120,404	113,938	63.2	—	—
1H FY2012	10,000	8,239	20,000	14,953	61.4	*61.16	1,104.13

* based on projected performance of FY2012



Progress of 11th Medium-term Business Plan “MIRAI—Future”(1)

SHIZUOKA BANK

1H FY2012 was a turning point of the 11th Medium-term Business Plan (FY2011–13)

- The bank generally made steady progress toward the 11th Medium-term Business Plan and shareholder return targets (totals for three years)

(JPY bn)		FY2011-13 plan totals	Results for 1H 2011-1H2012	Progress rate
Consolidated	Ordinary revenue	610.0	309.2	50.6%
	Ordinary profit	196.0	104.2	53.1%
	Net income	112.0	72.3	64.5%

Non-consolidated	Gross operating profit	452.0	224.0	49.5%
	Expenses (-)	246.0	121.1	49.2%
	Actual net operating profit	206.0	102.8	49.9%
	Ordinary profit	185.0	95.1	51.4%
	Net income	110.0	55.5	50.4%
	Increase in average loan balance	+530.0	+234.3	44.2%
	Increase in average deposit balance	+450.0	+258.1	57.3%
Shareholder return ratio	50% or more for a long term	65.2%	—	

[Goals for the second half of the 11th Medium-term Business Plan]

[Develop new earnings opportunities]

Strong capital base
→scope to take risks

Target undercultivated market segments

[Respond to regulatory and structural changes]

Rules restricting insurance sales through bank branches were relaxed from FY2012
→ Insurance sales reached to a record high

Implement initiatives to take advantage of regulatory changes and other developments

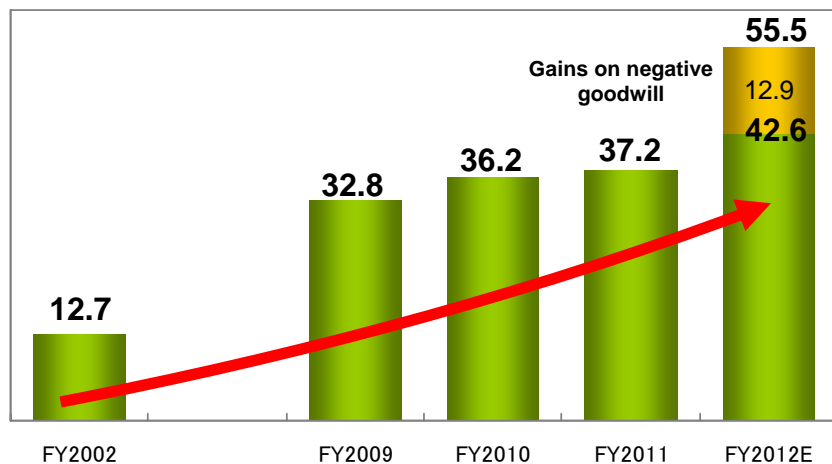
[Further increase productivity]

Ensure strategic placement of personnel through ongoing BPR

Realize visible benefits from the increase in front-office personnel in the second half of the 11th Medium-term Business Plan

Consolidated net income(10 years)

(JPY bn)



The effect of increase in equity stakes of Group companies

Gains on negative goodwill

JPY 12.9bn of gains to be booked as special gains in 1HFY2012

Increase in consolidated net income(after FY2012)

Roughly JPY 1.5bn of positive impact per year
(based on projected performance of FY2012)

Improve profitability on a consolidated basis

Conduct strategic investment to boost enterprise value

- ◆ **Construct a new headquarters building***
 - Enhance the ability to respond to disasters and strengthen supporting functions for communities and customers
 - Deliver improvements in operational efficiency by reforming work styles
- ◆ **IT investment**
 - Invest in IT systems to attain top-line growth
 - Enhance the functionality of internet branch for the buildup of a solid base to gain more deposits
- ◆ **Branch investment**
 - Strategically open branches in areas with growth potential

*Planned JPY22bn of investment and scheduled completion in February 2015

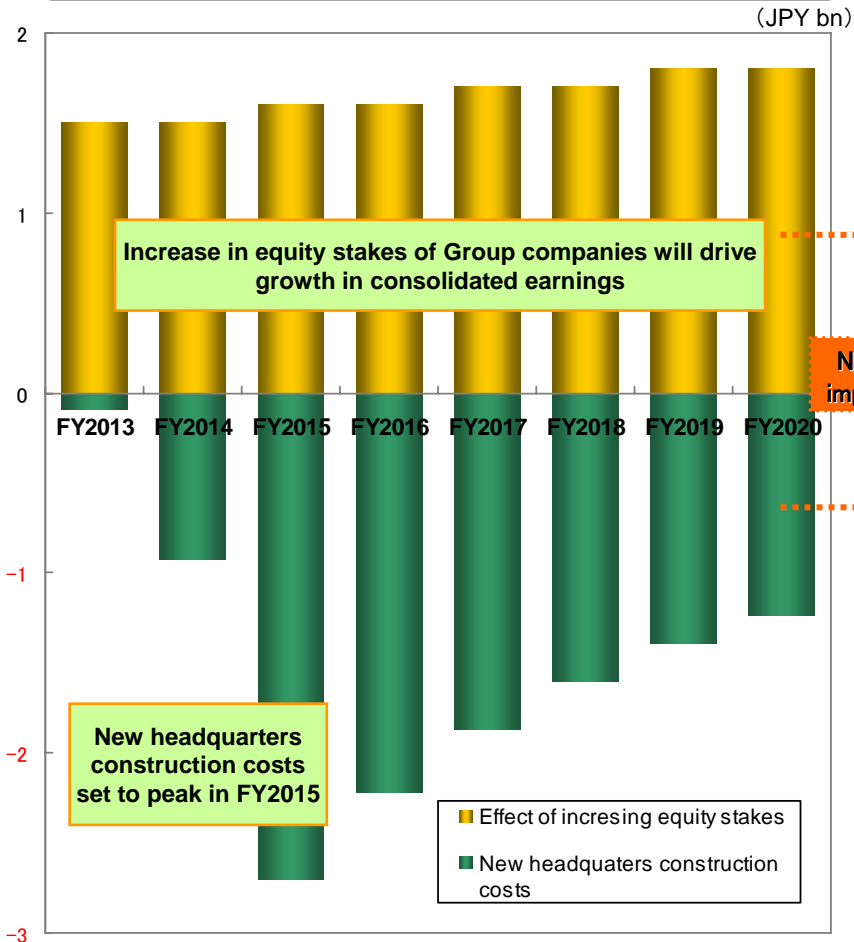


Progress of 11th Medium-term Business Plan “MIRAI—Future”(3)

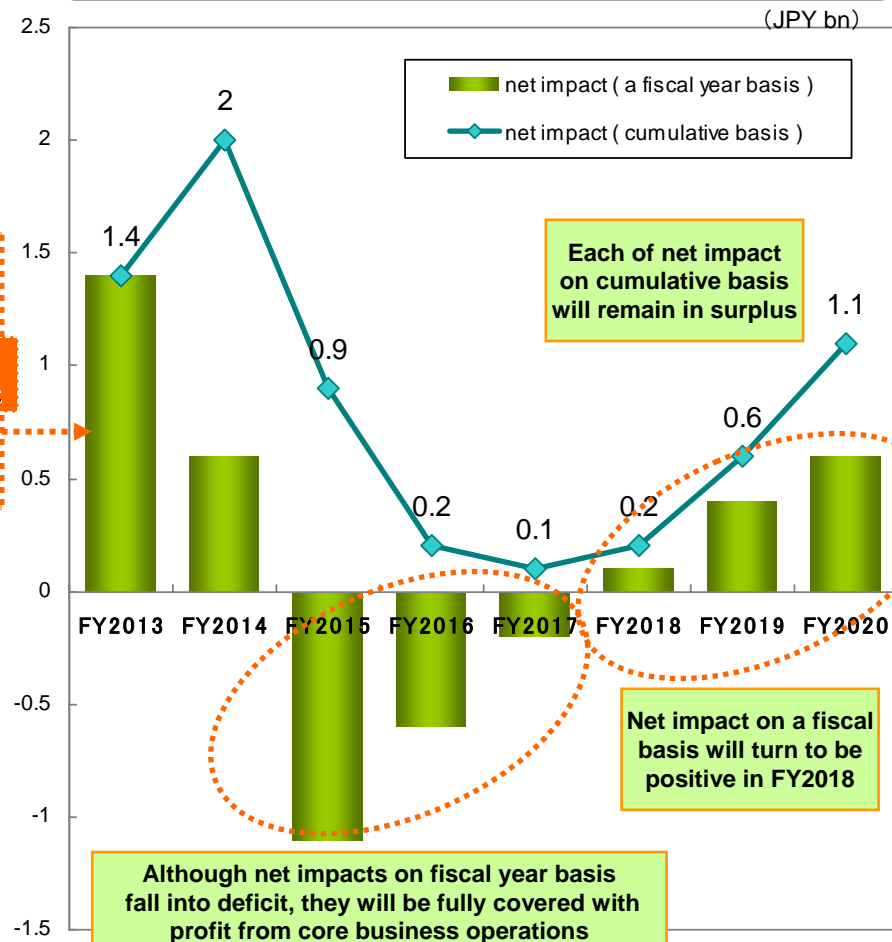
SHIZUOKA BANK

- Offset the cost of building the new headquarters by the profit coming from the acquisition of greater equity stakes in Group Companies
- Drive improvement in Group profitability to increase strategic investment in IT systems and others area

The cost of building the new headquarters and the effect of increasing equity stakes



The net impact from building the new headquarters and increasing equity stakes



※ New headquarters construction costs : primary costs, depreciation, etc (excluding IT system investment)

※net impact=The effect of increasing equity stakes + New headquarters construction costs

Projected performance in FY2012



静岡銀行

Projected performance in FY2012

Consolidated (JPY bn)	FY2011		FY2012E	
			Change from FY2011	Change from estimates as of May.2012
Ordinary revenue	205.1	207.0	+1.9	—
Ordinary profit	68.8	69.0	+0.2	—
Net income	37.2	55.5	+18.3	—

Non-Consolidated (JPY bn)	FY2011		FY2012E	
			Change from FY2011	Change from estimates as of May.2012
Ordinary revenue	174.8	177.0	+2.2	—
Gross operating profit	148.3	148.6	+0.3	+1.4
Expenses (-)	81.1	80.0	-1.1	-0.6
Net operating profit	67.2	70.8	+3.6	+2.3
Actual net operating profit	67.2	68.6	+1.4	+2.0
Ordinary profit	62.3	64.0	+1.7	—
Net income	34.7	40.0	+5.3	—

	FY2011		FY2012E		Change from FY2011	
		1H		1H		1H
Credit-related costs	0.3	-7.3	1.0	-0.7	+0.7	+6.6
General transfer to loan loss reserves	(-3.8)	(-9.6)	-2.2	(-1.9)	-2.2	(+7.7)
Bad debt written-off	1.0	0.1	3.2	0.3	+2.2	+0.2
transfer to specific reserves	(3.1)	(2.2)	2.3	(0.9)	+2.3	(-1.3)
Gain on reversals from loan loss reserves(-)	0.7	7.4	-	1.0	-0.7	-6.4

* Figure in parentheses is amount before summing up to gains on reversals from loan loss reversals

Reference



静岡銀行



Loans(1) -Loans by industries

SHIZUOKA BANK

- Business loans to each industry such as real estate, construction, leasing, money lending and investment respectively account for less than 9% of loan balance for all industries respectively. There is no concentrated exposure to any of these specific industries
- Expected Loss (EL) for all industries : JPY 9.8bn (JPY 0.9bn for real estate and JPY 0.8bn for construction)
- Unexpected Loss (UL) for all industries : JPY 49.4bn

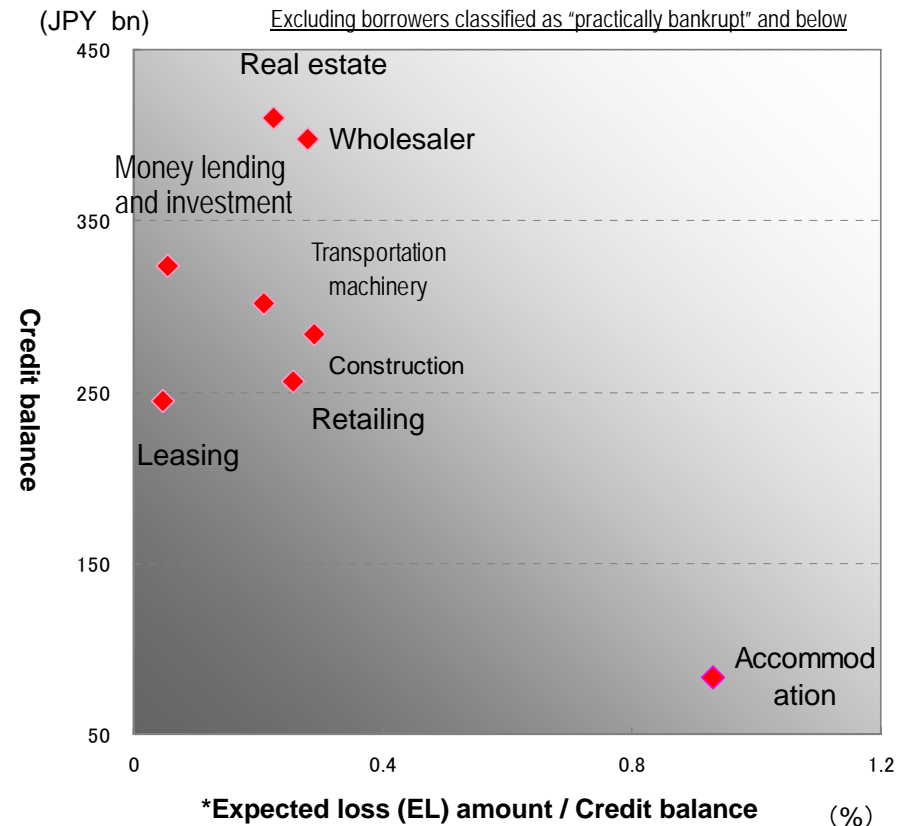
Contemporary status of business loans to particular industries

[Credit balance (as of the end of September 2012)]

(JPY bn, %)

	Balance	Composition ratio	YoY change
All industries	4,734.5	100.0	+147.4
Real estate	410.0	8.7	+35.5
Wholesaler *	397.4	8.4	-22.9
Money lending and investment	323.9	6.8	+84.3
Transportation machinery	302.0	6.4	-21.8
Construction	283.3	6.0	-9.0
Retailer	256.1	5.4	+9.0
Leasing	244.5	5.2	+2.5
Accommodation	83.0	1.8	-2.4

[Credit balance vs. expected loss rate*]



* excluding a general trading companies

Loans (2) - Borrowers with modified loan conditions on the basis of "Act on facilitation of succession of management of SMEs"

Disclosure according to Act on Facilitation of Succession of Management of SMEs (accumulated results from Dec. '09 to Sep. '12)

<Executed changes of loan conditions>

	Number of cases	Executed amounts
Loans for SMEs	72,368	JPY1,765.9bn
Housing loans	1,743	JPY 28.7bn

Several cases were counted for the same borrowers.
In addition to that, each time continued, loans with bullet repayment was posted as "executed changes of loan conditions".

Of which, borrowers with changes in loan conditions by reducing payment on term

For borrowers classified as careful monitoring or in riskier categories who made changes in loan conditions by reducing payment on term

	Numbers of borrowers for which loan conditions were modified ※	Credit balance	
			Of which non-protected amount
Loans for SMEs	*1 2,421	JPY 252.9bn	JPY 83.6bn
Housing loans	863	JPY 14.0bn	*2 JPY 3.5bn
Total	3,284	JPY 266.9bn	JPY 87.1bn

Expected Loss	General transfer to loan loss
JPY 4.1bn	JPY 6.0bn
JPY 0.1bn	JPY 0.3bn
JPY 4.2bn	JPY 6.3bn

5.7% of total borrowers of business loans

*1 Including loans for apartments

Credit balance executed JPY 266.9bn (3.9% of total loans)
Of which, non-protected amount JPY 87.1bn (1.2% of total loans)

*2 Amount of non-protected housing loans was calculated on the basis of our collection performance

Expected Loss (JPY 4.2bn) was managed within the range of "general transfer to loan loss balance" (JPY 6.3bn)



Securities

SHIZUOKA BANK

- As of end-September 2012, exposure to the European market totaled JPY 32.1bn (securities: JPY 4.3bn, loans: JPY 15.0bn, others: JPY 12.8bn), with France, Germany, U.K. and Belgium accounting for most of the total
- All bonds issuers (excluding bonds in investment trust portfolios) and borrowers have credit ratings of "A or higher" from an external credit rating agency*

*Standard & Poor's ratings as of end-September 2012

Exposure to the European market (final risk basis)

[Consolidated]

(JPY bn)

	Securities			Loans		Others	Total
		Of which, public institutions	Of which, financial institutions		Of which, financial institutions		
France	0.1	0.0	—	15.0	15.0	0	15.1
Germany	0.5	0.5	—	—	—	0.3	0.8
U.K.	0.3	0.3	—	—	—	12.2	12.5
Belgium	3.3	3.3	—	—	—	0.3	3.6
Italy	0.1	0.1	—	—	—	—	0.1
Other	—	—	—	—	—	0.0	0.0
Total	4.3	4.2	—	15.0	15.0	12.8	32.1

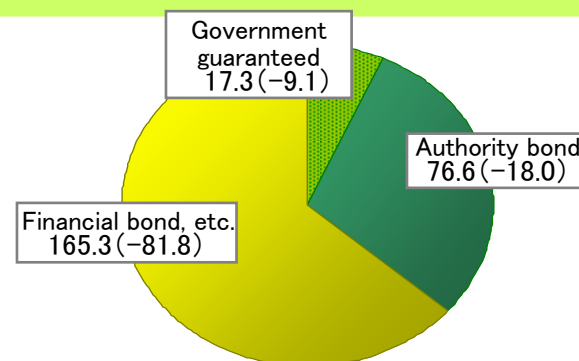
- Figures in the table do not include JPY 17.2bn of loans to Japanese companies
- Others: Total for repurchase agreements, money deposited, and derivatives trading [Forex rates]

JPY/EURO 100.23, JPY/USD 77.60, JPY/GBP 126.02, JPY/CHF 82.91

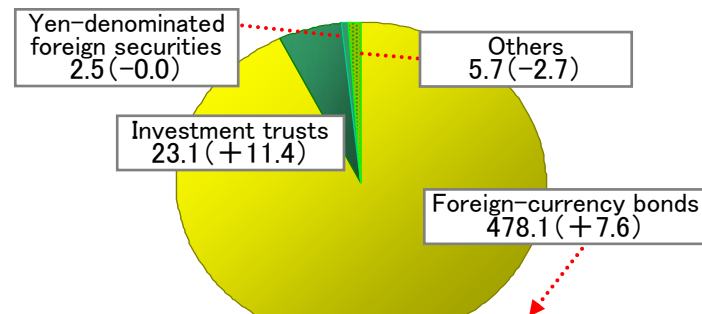
Breakdown of corporate bonds and other securities

*Figures in the parentheses show changes from end-Mar. 2012

"Corporate bonds" category JPY 259.3bn (-JPY108.9 bn)



"Other securities" category JPY 509.5bn (+JPY 16.4bn)



Of which, mortgage bonds

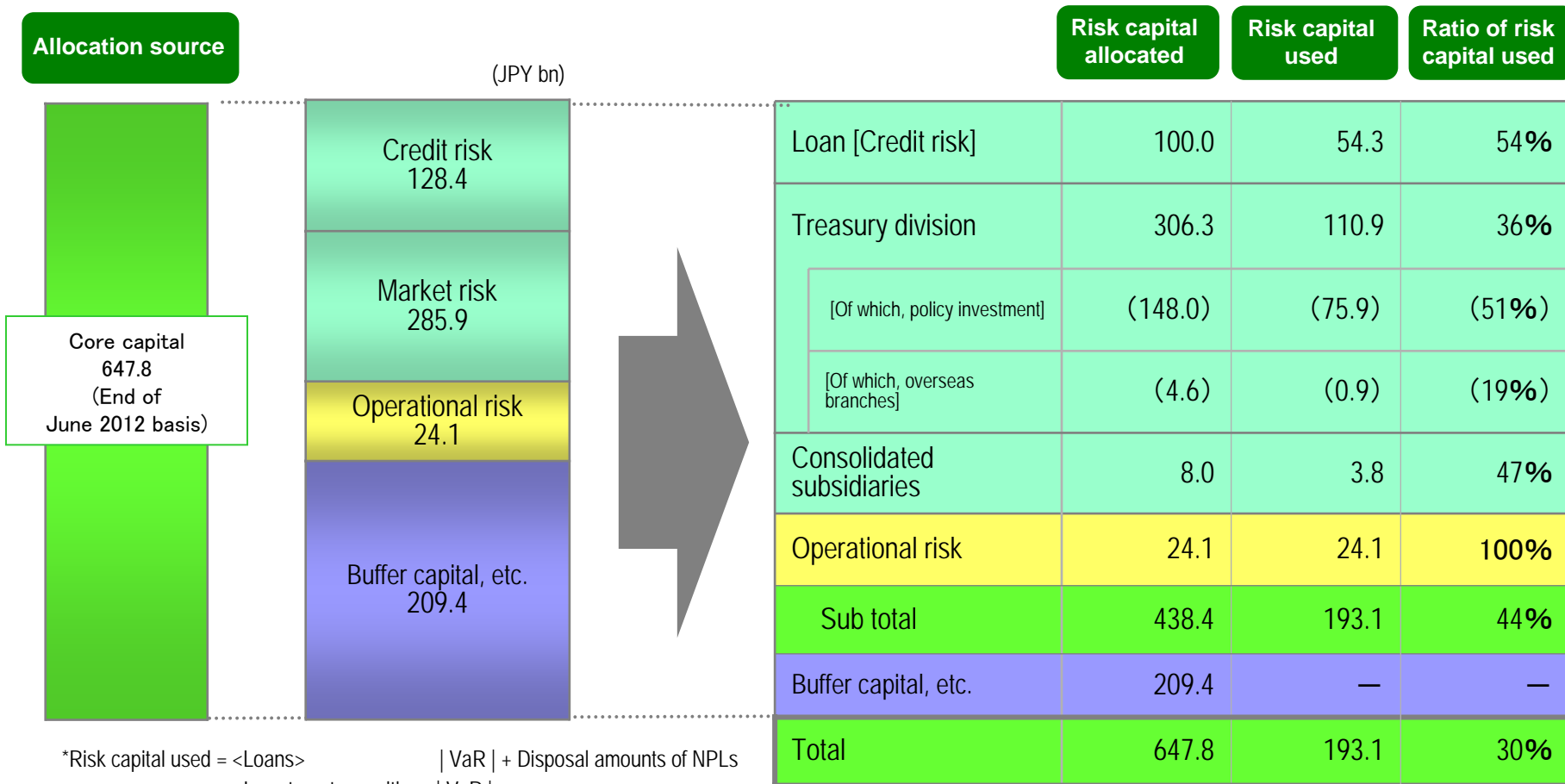
(JPY bn)	(Book value)	Change from end-Mar. 2012	Gains and losses from the revaluation of bonds)
Ginnie Mae	409.2	+14.5	+18.0



Allocation of risk capital

SHIZUOKA BANK

- Allocation of risk capital for the first half of FY2012 amounted to JPY 647.8bn, of which JPY 128.4bn was allocated to credit risk, JPY 285.9bn to market risk, JPY 24.1bn to operational risk, and JPY 209.4bn to buffer capital, etc
- JPY 54.3bn for loans [credit risk] and JPY 110.9bn for the Treasury division was used for the 1H FY2012



*Risk capital used = <Loans> | VaR | + Disposal amounts of NPLs
 <Investment securities> | VaR |
 <Others> | VaR |

*Core capital = common stock + retained earnings – cash outflow – intangible assets – prepaid pension expenses

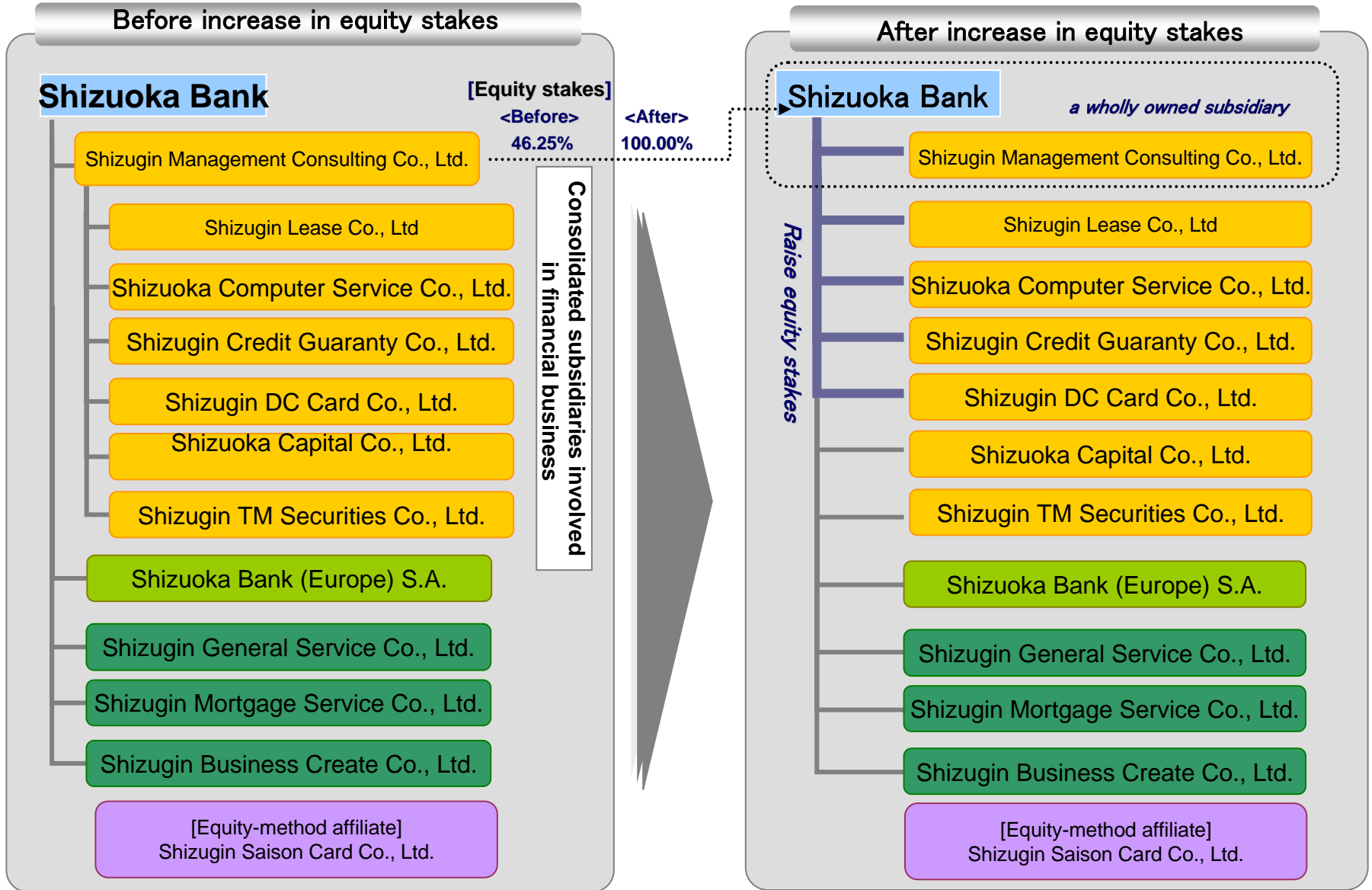
*Buffer capital is kept aside for emergencies such as the anticipated Great Tokai Earthquake and other unquantifiable risks.



Group companies (1)

SHIZUOKA BANK

- We integrated the management of subsidiaries and parent companies and further strengthened Group governance by making core holding company Shizugin Management Consulting a wholly owned subsidiary and by increasing equity stakes in the other consolidated subsidiaries





Group companies (2)

SHIZUOKA BANK

- The total ordinary revenue of 11 consolidated subsidiaries decreased to JPY 23.7bn (down JPY 0.5bn YoY) and the ordinary profit of JPY 2.9bn (down JPY 0.3bn YoY)

(JPY bn)

Company name	Business	Ordinary revenue		Ordinary Profit	
			YoY change		YoY change
Shizugin Management Consulting Co., Ltd.	Corporate and financial management advisory services	0.2	+0.0	0.0	+0.0
Shizugin Lease Co., Ltd.	Leasing	12.3	+0.2	0.9	- 0.1
Shizuoka Computer Service Co., Ltd.	Software development and sales	2.3	- 0.4	0.1	- 0.1
Shizugin Credit Guaranty Co., Ltd.	Guarantee of housing loans, etc.	0.9	+0.1	0.7	+0.1
Shizugin DC Card Co., Ltd.	Credit card and guarantee of consumer loans	0.9	- 0.1	0.2	- 0.1
Shizuoka Capital Co., Ltd.	Public-offering assistance Support for corporate rehabilitation	0.2	+0.0	0.1	- 0.0
Shizugin TM Securities Co., Ltd.	Securities	2.3	- 0.1	0.8	- 0.1
Shizuoka Bank (Europe) S.A.	Finance and securities-related services	0.2	- 0.1	0.0	- 0.0
Shizugin General Service Co., Ltd.	Part-time employee management General administration	1.5	- 0.1	0.0	+0.0
Shizugin Mortgage Service Co., Ltd.	Appraisal of real estate for loan collateral Operation center for loans	0.8	+0.1	0.0	+0.0
Shizugin Business Create Co., Ltd.	Operation center for remittance and bill collection Part-time employee management	2.1	- 0.2	0.0	+0.0
Total (11 companies)		23.7	- 0.5	2.9	- 0.3
Shizugin Saison Card Co., Ltd.*	Credit card and guarantee of consumer loans	0.6	+0.1	0.0	- 0.0

*A company to which the equity method of accounting is applied. Operations commenced in April 2007.



Economic scale of Shizuoka Prefecture

SHIZUOKA BANK

- Accounts for 3% share of all-Japan. Ranks 10th in the scale of economy among prefectures
- Has greater GDP than total GDP of 4 prefectures in Shikoku or 3 prefectures in Hokuriku
- Compared to countries ,its GDP is ranked next to Philippines, Romania , and Chile

Shizuoka Prefecture indices

	Share of all-Japan		National ranking
●Population	3.77 m	2.9%	10th of 47 (2010)
●No. of households	1.40 m	2.7%	10th of 47 (2010)
●Real prefectural GDP(*)	JPY 19 tn	3.6%	10th of 47 (FY2011)
●Per-capita income	JPY 2.926 m	-	5th of 47 (FY2009)
●No. of business establishments	190K	3.2%	10th of 47 (2009)
●Amount of shipments of manufactured goods, etc.	JPY 16 tn	5.5%	3rd of 47 (2010)
●Agricultural output	JPY 212.3 bn	2.6%	16th of 47 (2010)
●Fishery production volume(*)	200k tons	5.2%	3th of 47 (2011)
●No. of industrial locations(*)	37	4.3%	3rd of 47 (2011)
●No. of new housing starts	25k	3.0%	10th of 47 (2011)

Shizuoka Prefecture economic scale

Prefectural GDP (2009, Nominal)		
Rank	Prefecture/Region	(US\$ billions)
9	Fukuoka Prefecture	181.1
10	Shizuoka Prefecture	156.0
11	Hiroshima Prefecture	110.7
—	4 prefectures of Shikoku	135.9
—	3 prefectures of Hokuriku	115.8
GDP comparison with countries (2009)		
Rank	Country (Region)	(US\$ billions)
48	Philippines	168.3
49	Romania	164.3
50	Chile	160.9
—	Shizuoka Prefecture	156.0
51	Pakistan	155.7
52	Algeria	137.9

*Sources: Economic and Social Research Institute (ESRI)

Cabinet Office , Government of Japan

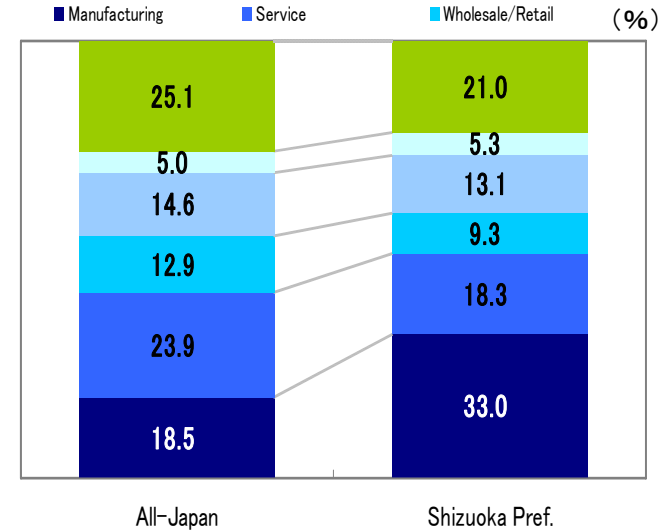
* Based on flash reports

Economy in Shizuoka Prefecture and current state

- Positioned as distribution hub between Tokyo and Osaka/Kyoto
- Represents leading manufacturing prefecture in Japan
- Owns a lot of export-driven companies related to handling machinery of transportation and music instrument and so forth
- Has many of representative tourist locations coming from its rich natural environments



Percentage distribution of Shizuoka Prefecture GDP by industry



No. of listed companies with HQs in Shizuoka Prefecture

Listing	No. of companies
TSE 1 st section	25
TSE 2 nd section	10
Mothers	2
Nagoya Stock Exchange 2 nd section	1
Jasdaq	19
Total	57

*As of end nov. 2011, companies listed on more than one exchange were counted as TSE-listed

This document includes statements concerning future business results.
These statements do not guarantee future business results, but contain risks and uncertainties.
Please note that future business results may differ from targets for reasons such as changes in the business environment.