

***Results of 1H FY2013  
and  
Projected performance in FY2013***

**Nov 21, 2013**

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*Dream with you.*  **静岡銀行**  
SHIZUOKA BANK



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# Results of 1H FY2013





## Results of 1H FY2013 - Nonconsolidated

Nonconsolidated (JPY bn, %)	1H FY2013	YoY	
		Increase/ Decrease	Rate of change
Ordinary revenue	107.6	+18.9	+21.3
Gross operating profit	80.5	+4.8	+6.3
Net interest income	68.4	+8.4	+14.1
Fees and commissions	7.6	-0.1	-1.6
Trading income	0.3	+0.2	+187.9
Other operating profit	4.2	-3.7	-47.2
[Bond-related income such as JGBs]	3.6	-4.1	-52.8
Expenses (-)	40.7	+0.7	+1.7
Actual net operating profit *	39.7	+4.1	+11.5
Core net operating profit **	36.1	+8.2	+29.2
Provision for general allowance for loan losses (-)	—	—	—
Net operating profit	39.7	+4.1	+11.5
Special profit and loss	2.2	+5.1	+175.7
Bad debt written-off (-)	0.5	+0.2	+90.4
Gain on reversals from loan loss reserves	2.6	+1.6	+161.1
Gain (loss) on stocks	-0.1	+3.1	+96.5
Ordinary profit	41.9	+9.2	+28.0
Extraordinary profit and loss	-0.7	-0.7	-2,450.5
Net income before taxes	41.2	+8.5	+26.0
Corporate taxes (-)	14.1	+2.2	+18.4
Net income	27.1	+6.3	+30.4

\* 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 18.9bn YoY (First increase in 2 periods)

- Ordinary revenue increased by JPY 18.9bn year on year to JPY 107.6bn, mainly reflecting a rise in interest income (+JPY 8.2bn).

Gross operating profit +JPY 4.8bn YoY (First increase in 3 periods)  
**Record High**

- Gross operating profit rose JPY 4.8bn to JPY 80.5bn, mainly due to an increase in net interest income (+JPY 8.4bn), reflecting the booking of gain on cancellation of investment trusts, etc (JPY 11.1bn), though bond-related income such as JGBs declined JPY 4.1bn year on year due to securities portfolio reallocation

Net operating profit +JPY 4.1bn YoY (Continued increase in 5 periods)  
**Record High**

- Net operating profit rose JPY 4.1bn year on year to JPY 39.7bn due to growth in gross operating profit, despite an increase in expenses (+JPY 0.7bn), including a rise in advertising expenses (+JPY 0.5bn).

Ordinary profit +JPY 9.2bn YoY (First increase in 2 periods)  
**Record High**

- Ordinary profit increased by JPY 9.2bn year on year to JPY 41.9bn, mainly reflecting an improvement in gain (loss) on stocks (+JPY 3.1bn) and an increase in gain on reversals from loan loss reserves (+JPY 1.6bn).

Net income +JPY 6.3bn YoY (First increase in 2 periods)  
**Record High**

- Net income increased by JPY 6.3bn to JPY 27.1bn, despite a drop in extraordinary profit (-JPY 0.7bn).



## Results of 1H FY2013 – Consolidated

- Consolidated subsidiaries total: ordinary profit JPY 4.2bn (+JPY 1.2bn year on year), net income JPY 2.8bn (+JPY 0.9bn). Both ordinary profit and net income marked record high
- Shizugin TM Securities Co., Ltd. (securities brokerage subsidiary) drove profit growth

(bn, %)

Consolidated	1H FY2013	YoY change	
		Increase/Decrease	Rate of change
Ordinary revenue	125.0	+21.0	+20.2
Ordinary profit	46.0	+10.6	+29.9
Net income	29.3	-5.8	-16.5
Comprehensive income	27.3	+6.1	+28.9

Ordinary revenue	First increase in 2 periods
Ordinary profit	First increase in 2 periods Record High
Net income	First decrease in 3 periods

Profits increased JPY 7.1bn year on year after excluding the negative impact on profits from the absence of gains on negative goodwill booked in the previous fiscal year (JPY 12.9bn)

Contribution amount of increase in ownership ratio: JPY 1bn  
※Shizuoka Bank increased its ownership ratio of consolidated subsidiaries in FY2012

Consolidated / Nonconsolidated ratio	1H FY2013	YoY change Increase/ Decrease
Ordinary profit	1.10times	+0.02times
Net income	1.08times	-0.61times

### Consolidated Subsidiaries (11 companies)

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

### Equity-method Affiliate

Shizugin Saison Card Co., Ltd.



# Net interest income

- Net interest income of 1H FY2013: JPY 68.4bn (+JPY 8.4bn YoY)
- Of which, domestic operations: JPY 61.9bn (+JPY 7.4bn YoY), Overseas operations: JPY 6.4bn (+JPY 1.0bn YoY)

## Breakdown of net interest income

(JPY bn)

	1H FY2012	1H FY2013	Increase /Decrease
<b>Total</b>	<b>59.9</b>	<b>68.4</b>	<b>+8.4</b>
<b>Domestic operations</b>	<b>54.5</b>	<b>61.9</b>	<b>+7.4</b>
Of which, Interest on loans	48.4	45.3	-3.0
Interest and dividends on securities (Interest on bonds (Gain on cancellation of investment trust, etc.))	8.6 (6.4) (0.0)	18.6 (5.0) (11.1)	+10.0 (-1.3) (+11.1)
Interest on deposits (-)	2.5	2.1	-0.4
<b>Overseas operations</b>	<b>5.4</b>	<b>6.4</b>	<b>+1.0</b>
Of which, Interest on loans	1.0	1.7	+0.7
Interest and dividends on securities	5.4	5.9	+0.5

## Income from securities investment

(JPY bn)

	1H FY2012	1H FY2013	Increase /Decrease
Interest and dividends on securities	14.0	24.5	+10.5
Bond-related income such as JGBs	7.7	3.6	-4.1
<b>Income from securities investment</b>	<b>21.7</b>	<b>28.1</b>	<b>+6.4</b>

## Domestic operations

(%)

	1H FY2012	1H FY2013	Increase /Decrease
Loan rate	1.52	1.39	-0.13
Deposit rate	0.06	0.05	-0.01
Yield on securities	1.13	2.24	+1.11

## International Operations

(%)

	1H FY2012	1H FY2013	Increase /Decrease
Spread between Investments and procurements	1.20	1.05	-0.15

Sold investment trusts, mainly index linking investment trusts, in uptrend of the stock market

Secured capital gains when the interest rate went down  
Controlled risk in line with market trends



# 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. 2013 dropped 0.12 points from the end of Sep. 2012
- Estimated net interest income increases by approximately JPY 1.9bn given 0.1% rise in every short-term interest rate (as of end-1H FY2013)

➔ Our portfolio is capable of generating appropriate profits when interest rates rise

### Changes in yen-denominated loans and deposit structure

[Comparison of monthly average balance and interest rates]

(JPY tn, %)

<reference> [Mar. 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

[Sep. 2012] -0.13 [Sep. 2013]

	Average balance (% of total)	Interest rate		Average balance (% of total)	Interest rate
Loans	6.4 (100.0)	1.50		6.6 (100.0)	1.36
Floating interest	5.0 (77.5)	1.47		5.1 (76.6)	1.35
Fixed interest	1.4 (22.5)	1.61	+4.8	1.5 (23.4)	1.41

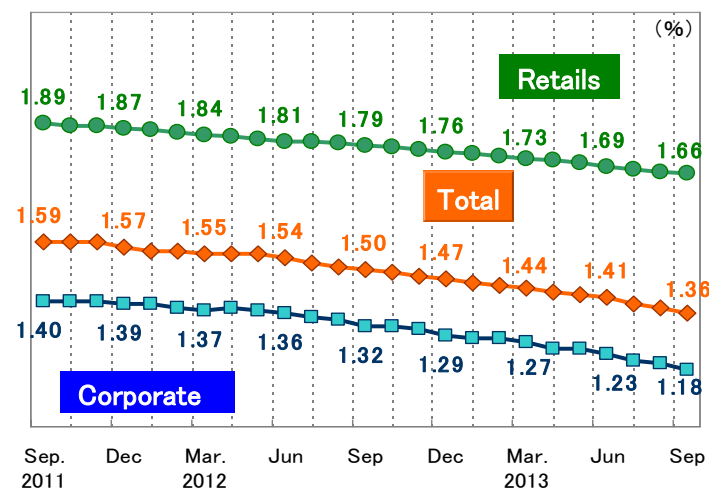
Difference between loan and deposit interest rates

	Average balance (% of total)	Interest rate
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

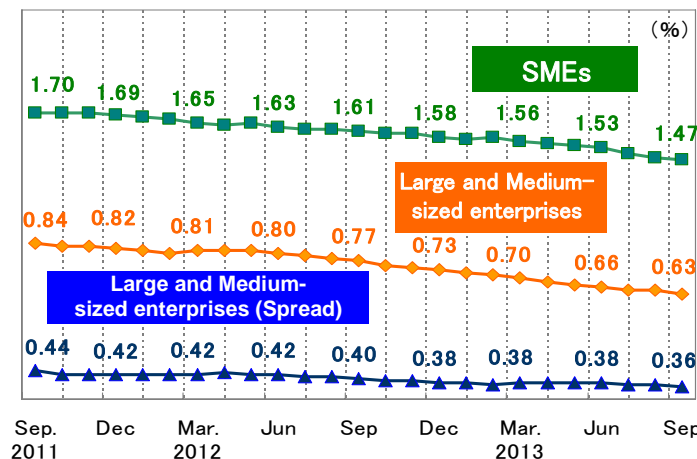
+1.44 ← -0.12 → +1.31

	Average balance (% of total)	Interest rate		Average balance (% of total)	Interest rate
Deposits	7.6 (100.0)	0.06		8.0 (100.0)	0.05
Of which Liquid deposits	4.1 (53.9)	0.02		4.5 (55.9)	0.02
Of which Term deposits	3.3 (43.1)	0.11	-0.01	3.4 (41.8)	0.09

### Loan interest rates (monthly average)



### Trends in Corporate loan interest rates by company size

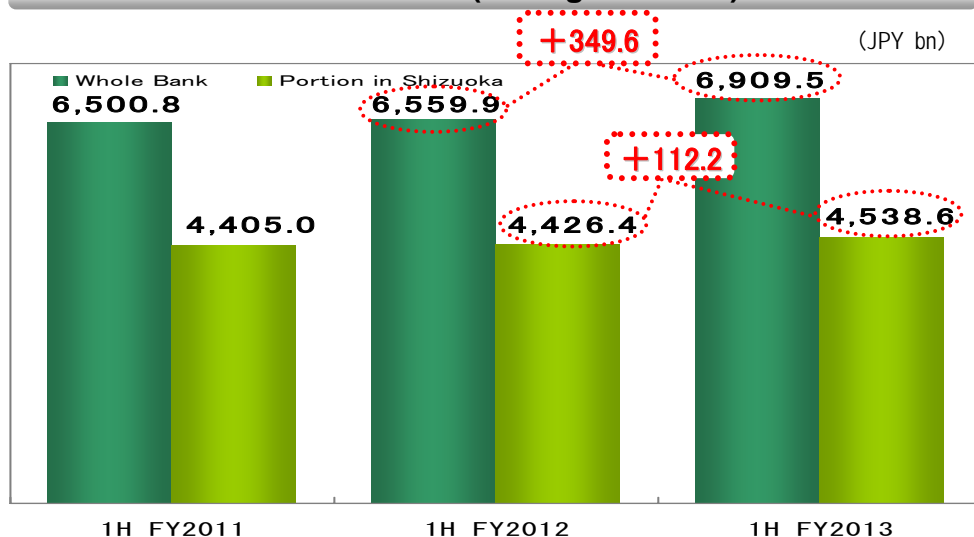




# Loans (average balance)

● Total loan balance (average balance) of 1H FY2013: JPY 6,909.5bn, up JPY 349.6bn (+5.3%) YoY

Total loan balance (average balance)



## 【SME loan balance】

Average balance increased to 2,702.6bn by JPY 30.0bn (+1.1%) YoY

## 【Retail loan balance】

Average balance increased to 2,367.3bn by JPY 82.1bn (+3.6%) YoY

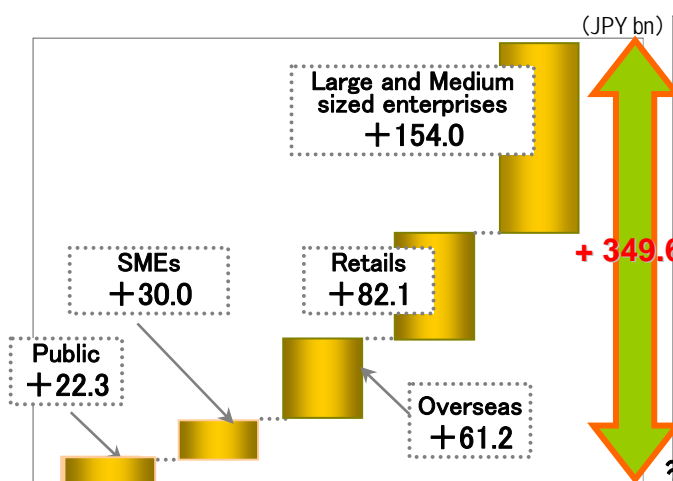
## 【Large and Medium sized enterprises loan balance】

Average balance increased to 1,442.0bn by JPY 154.0bn (+12.0%) YoY

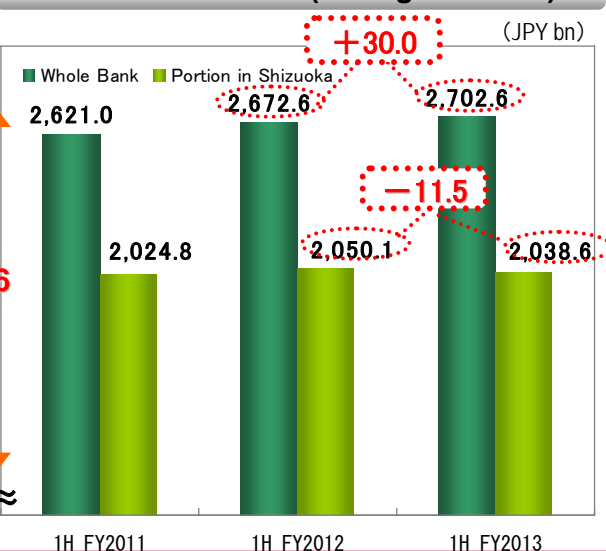
## 【Foreign currency denominated loan balance】

Average balance increased to 380.8bn by JPY 189.6bn (+99.2%) YoY

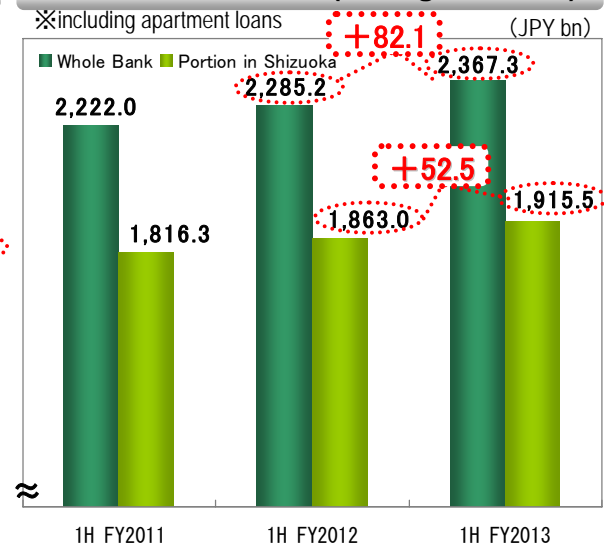
Breakdown of year-on-year change in total loan balance (average balance)



SME loan balance (average balance)



Retail loan balance (average balance)



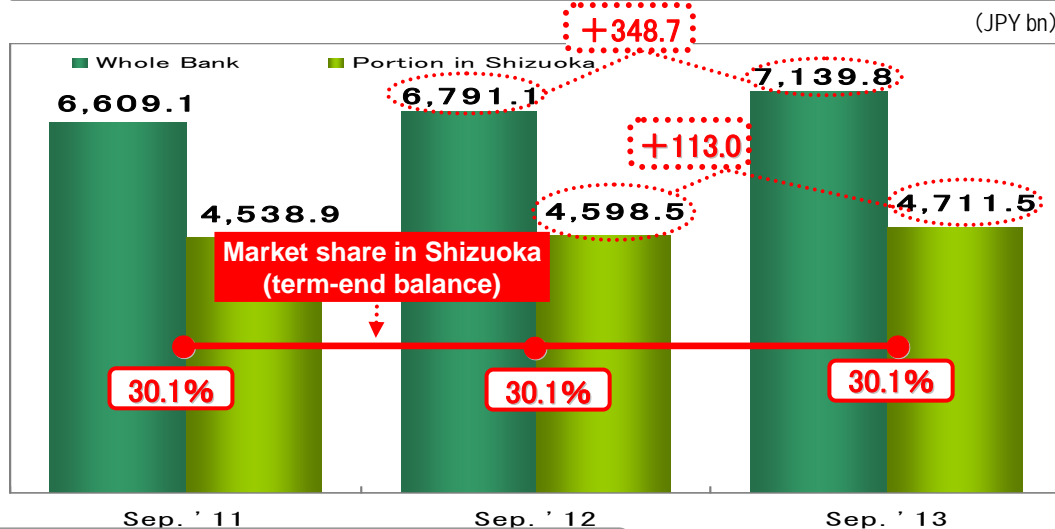




# Loans (term-end balance)

• Total loan balance (term-end balance) of 1H FY2013: JPY 7,139.8bn, up JPY 348.7bn (+5.1%) YoY

Total loan balance (term-end balance)



【SME loan balance】

Term-end balance increased to 2,839.0bn by JPY 27.4bn (+1.0%) YoY

Business support fund

- An original loan scheme aimed at customers working to turn around their businesses
- Launched April 2013: 40 loans total of JPY 1,096mn
- Average interest rate: 4.1%

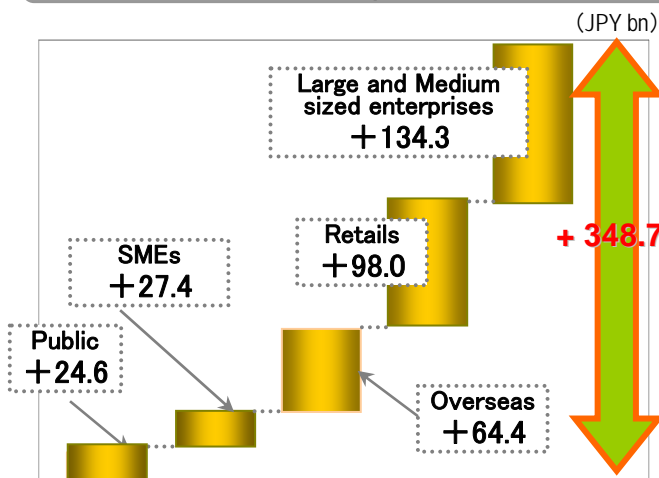
【Retail loan balance】

Term-end balance increased to 2,411.7bn by JPY 98.0bn (+4.2%) YoY

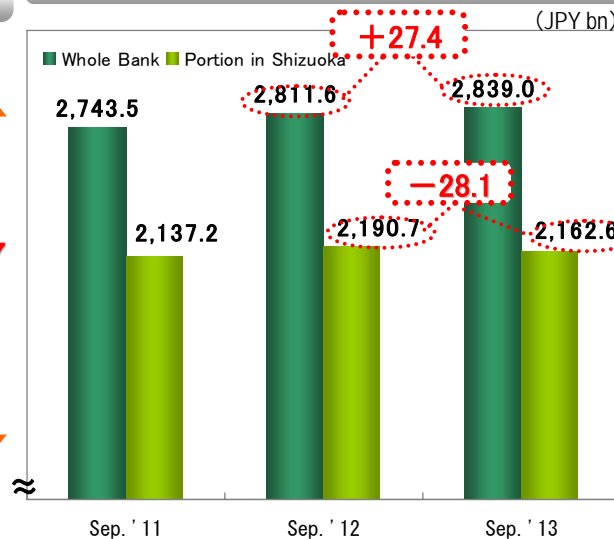
【Large and Medium sized enterprises loan balance】

Term-end balance increased to 1,474.8bn by JPY 134.3bn (+10.0%) YoY

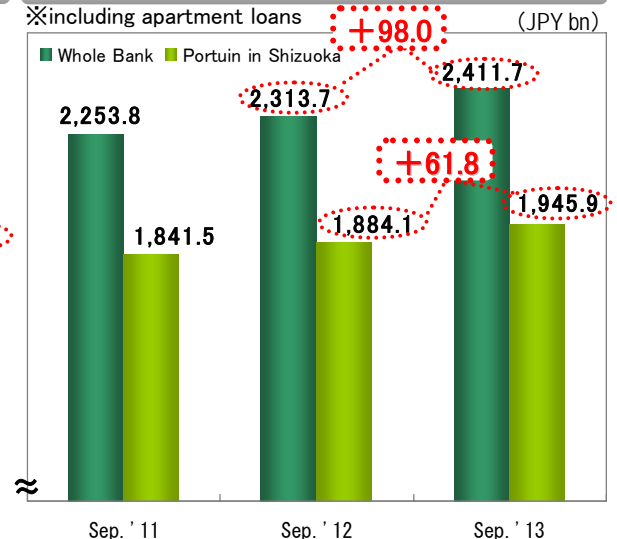
Breakdown of year-on-year change in total loan balance (term-end balance)



SME loan balance (term-end balance)



Retail loan balance (term-end balance)



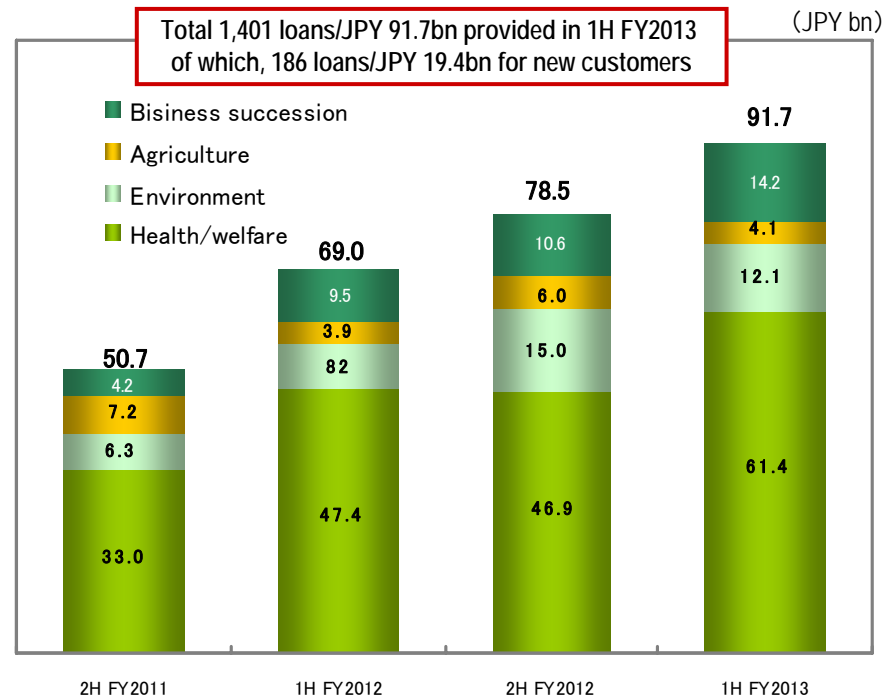


# Initiatives for Corporate Banking

– Solution-based approach, Acquisition of new corporate customers –

- Provided tailored solutions, centered in growth fields, to generate new demand for funds and to reinforce relationship with customers for expanding business foundation of the bank
- As of end-September 2013, the number of corporate customers was up 1,175 from the start of the 11th Medium-term Business Plan

## Solution-based approach to growth and untapped fields



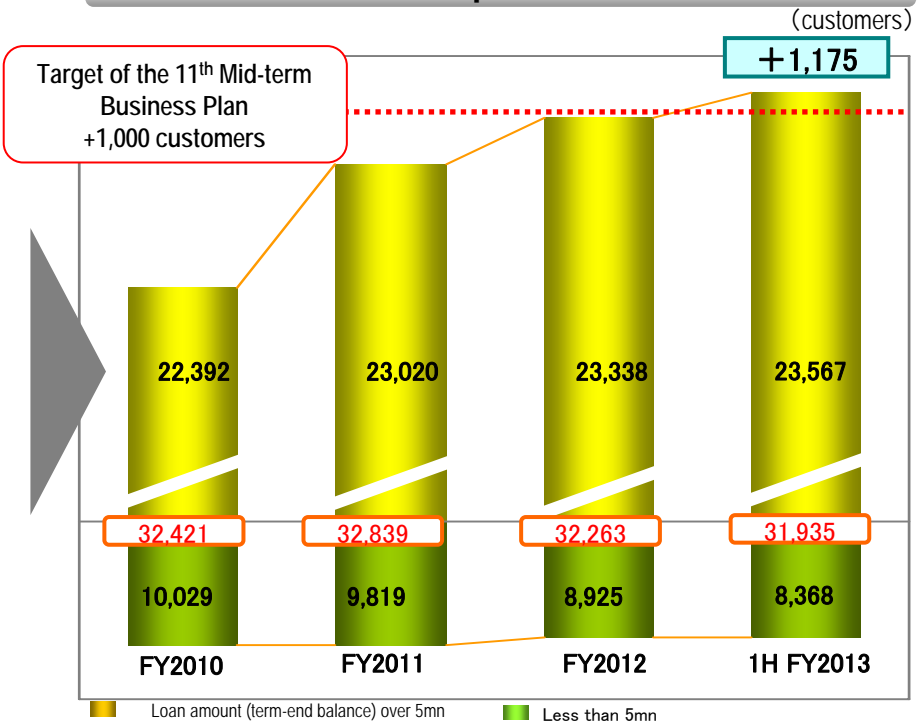
### Health / welfare field

- Deployed 10 specialists, including 6 qualified medical business managers
- Supported the opening of new hospitals/clinics and moves into the welfare field

### Environmental field

- Generated demand for funds by providing support for the installation of energy-efficient equipment
- Provided support for capital investment related to renewable energy

## Number of corporate customers



### Agricultural field

- Deployed 13 agricultural business advisers (certificated by JFC)
- Supported sales channel development through business matching

### Business succession field

- Supported development of next business leaders through "Shizuginship" (training club for next generation managers)
- Proposed various business transfer methods (M&As in 1H:13 cases)



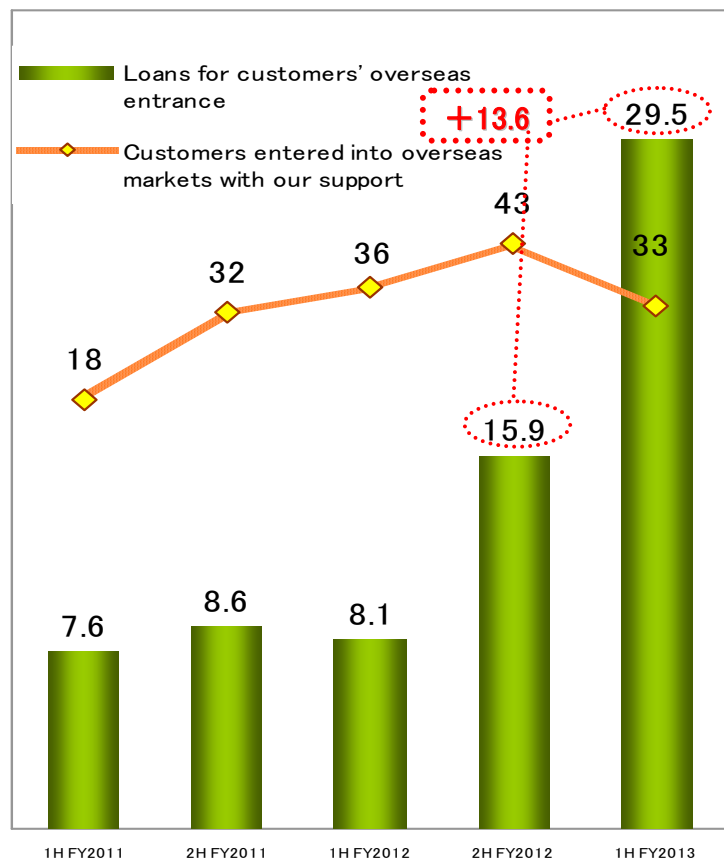
# Initiatives for Corporate Banking

## –Support for customers’ overseas entrance–

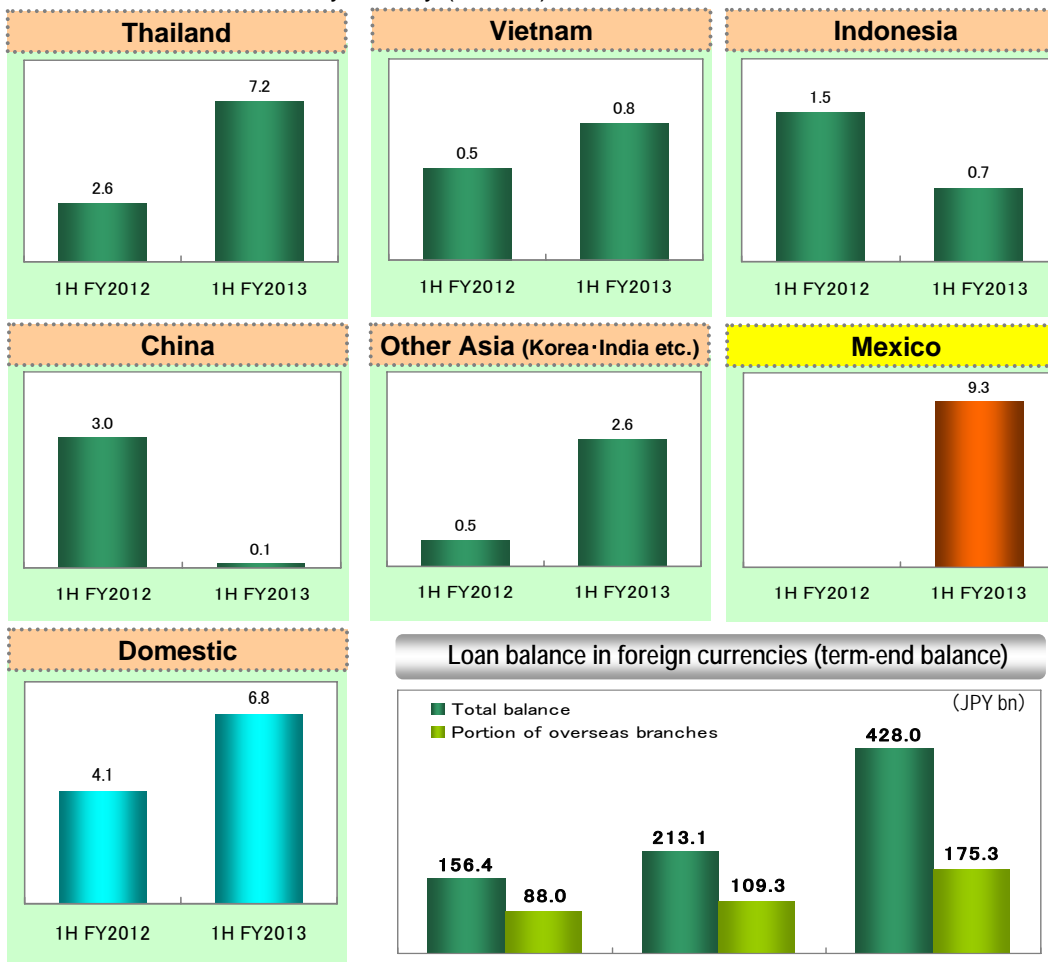
- In June 2013, we formed alliance with CTBC Holding (a financial group centered on CTBC Bank), expanding our network in Asia to 12 banks in 8 countries/regions, giving us coverage in areas that our customers are targeting for overseas expansion
- In 1H FY2013, we supported 33 companies to enter into overseas markets and provided loans of JPY 29.5bn (with additional related domestic loans of JPY 6.8bn)

Number of companies moved into overseas markets by our support and loans for customers’ overseas entrance

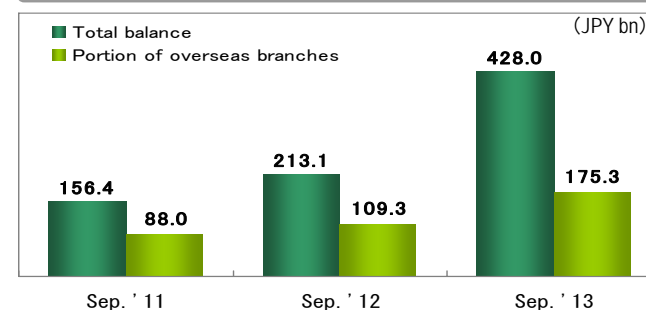
(JPY bn, customers)



【Value of loans extended by country (JPY bn)】



Loan balance in foreign currencies (term-end balance)





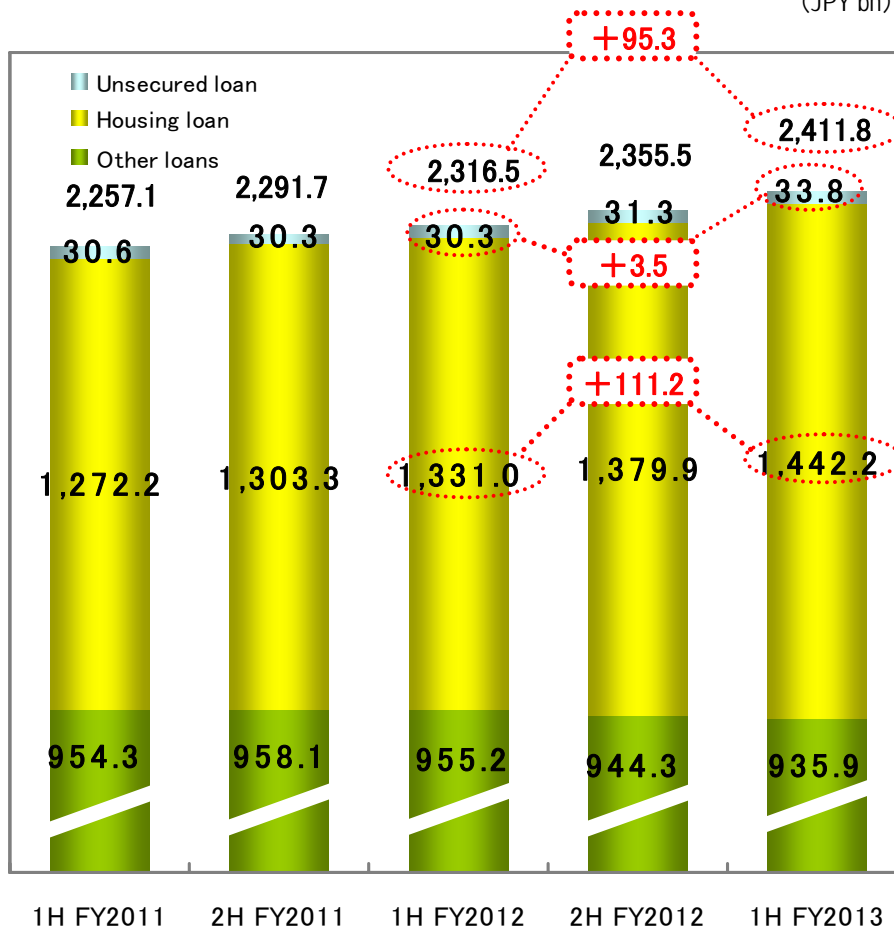
# Initiatives for Retail Banking

## – Progress of consumer loan –

- Consumer loan balance (term-end balance) of 1H FY2013: JPY 2,411.8bn, up JPY 95.3bn (+4.1%) YoY
- Of which, housing loan balance: JPY 1,442.2bn, up JPY 111.2bn (+8.4%) YoY
- Of which, unsecured loan balance: JPY 33.8bn, up JPY 3.5bn (+11.6%) YoY

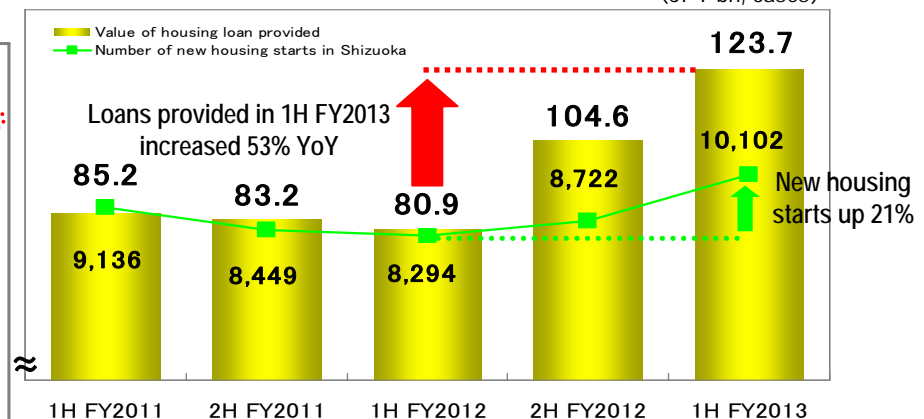
Consumer loan balance (term-end balance)

(JPY bn)



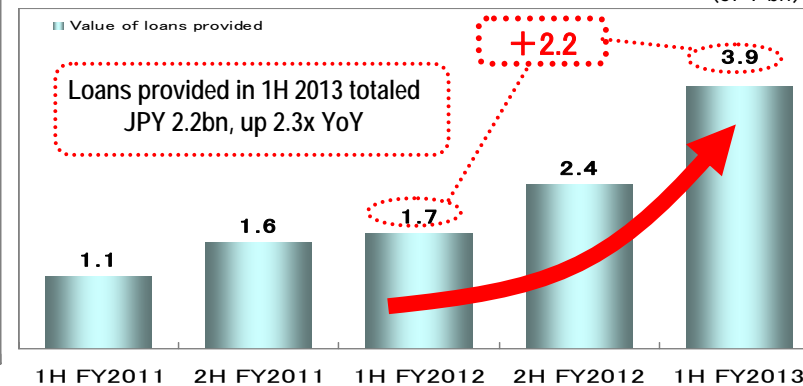
Housing loan provided and New housing starts ups

(JPY bn, cases)



Unsecured loans provided for specific purposes\*

(JPY bn)



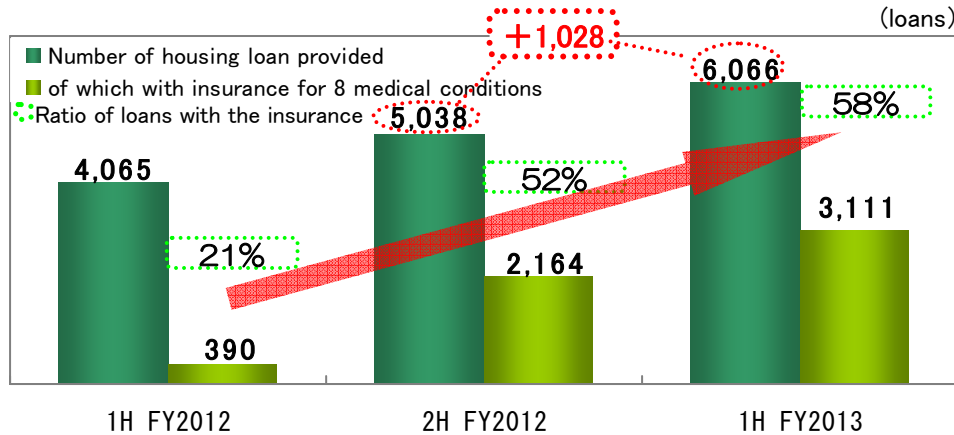
\*Total for car, hobby & lifestyle, free, and education loans  
(Net increase (decrease) used for overdraft education loans)



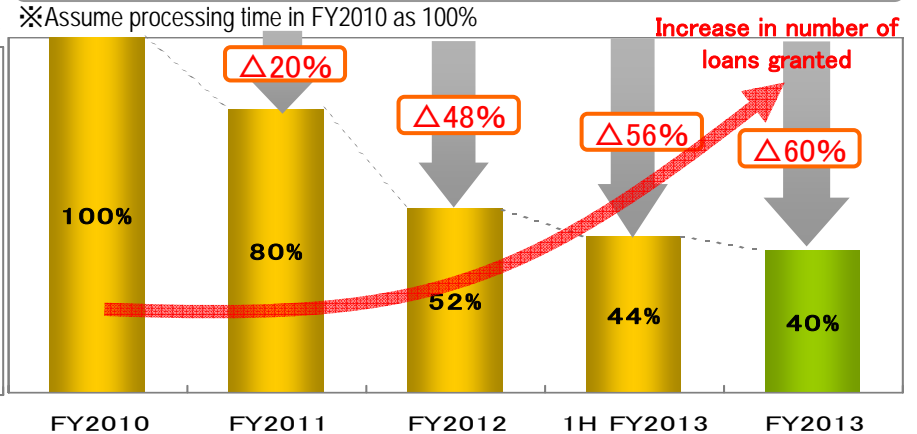
# Initiatives for Retail Banking

–Actions for expanding consumer loan –

Number of housing loans (total) provided and of which with insurance for 8 medical conditions



Reduced processing time for workload of consumer loan



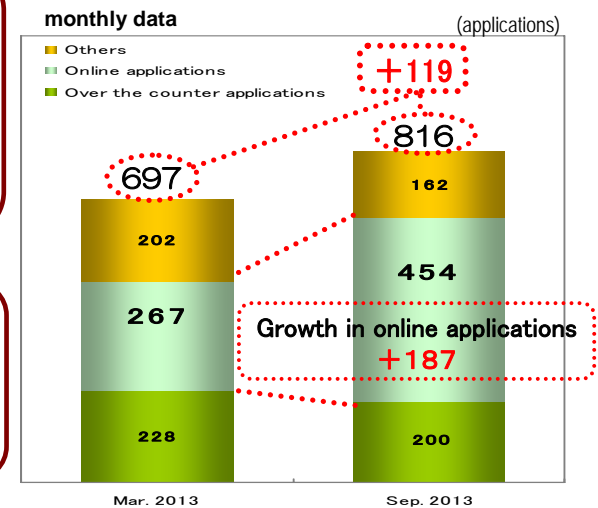
## Actions to expand home loans

- Promoted home loans with insurance for 8 medical conditions: ratio of loans with insurance 58% (+6% from 2H FY2012)
- Executed BPR to reduce processing time of loans: down by a total of 56%  
Increase in time used for sales led to rise in number of loans  
Number of loans: 6,066 (+ 1,028 from 2H FY2012)
- Interest rate of new home loans: 1.062%

## Actions to expand unsecured loans

- Active promotion centered on TV commercials
- Directed customers to the internet and other non face-to-face sales channels
- Expanded customer base by introducing secondary loan guarantee system
- Reinforced lineup with non-specific purpose loan “Shizugin Free Loan” and etc.

[Ref] Car loan applications by sales channel



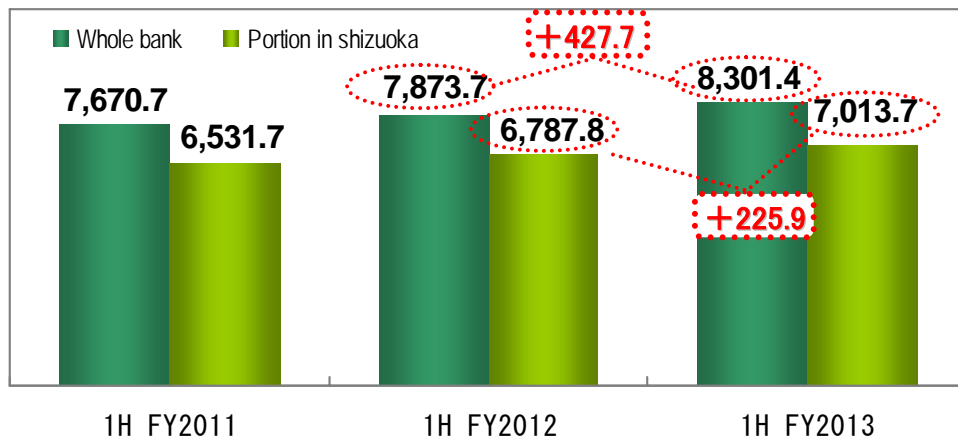


# Deposits

● Total deposit balance in 1H FY2013: JPY 8,301.4bn (average balance), up JPY 427.7bn (+5.4%) YoY

Deposit balance (average balance)

(JPY bn)



## [Deposit balance in Shizuoka Prefecture]

Average balance increased to JPY 7,013.7bn, by JPY 225.9bn (+3.3%) YoY

## [Retail deposit balance]

Average balance increased to JPY 5,642.6bn, by JPY 126.4bn (+2.3%) YoY

[Average balance of Internet branch: JPY 275.1bn, up JPY 85.7bn YoY]

[Internet branch is gradually becoming an established procurement channel]

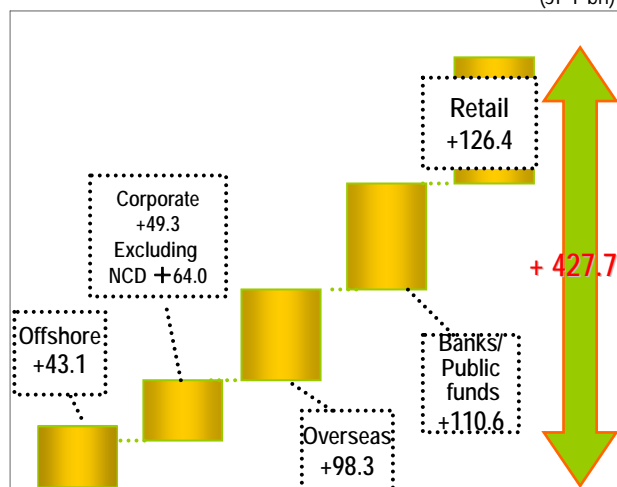
## [Corporate deposit balance]

Average balance increased to JPY 1,980.1bn, by JPY 49.3bn (+2.6%) YoY

[Excluding NCD : up JPY 64.0bn (+3.6%) YoY]

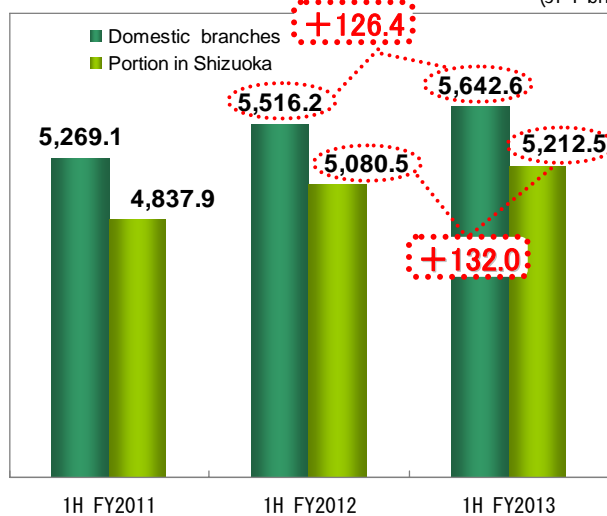
Breakdown of year-on-year changes in deposits balance (average balance)

(JPY bn)



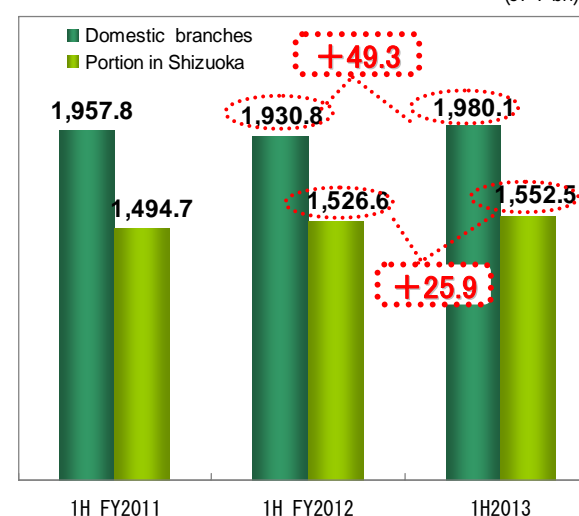
Retail deposit balance (average balance)

(JPY bn)



Corporate deposit balance (average balance)

(JPY bn)

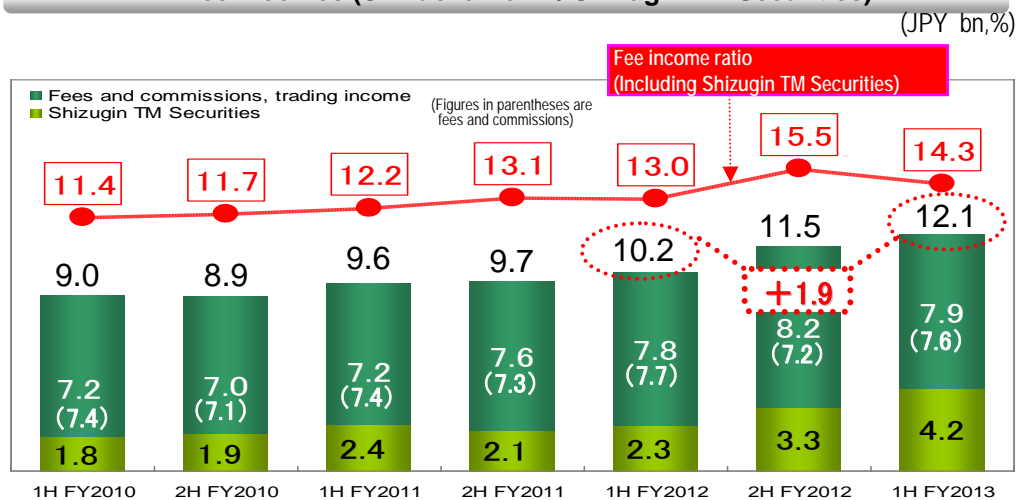




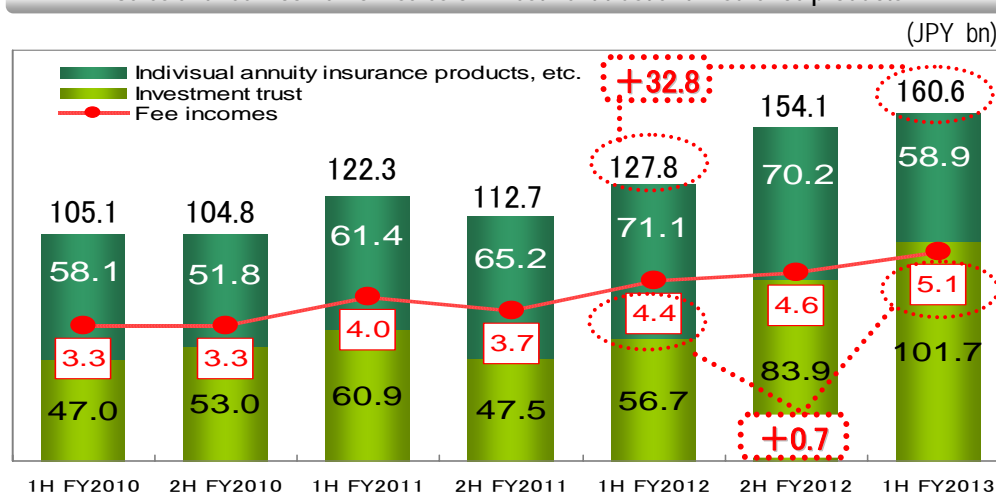
# Fee incomes and customer assets

- Ordinary revenue of Shizugin TM Securities (securities brokerage subsidiary) : JPY 4.2bn (+JPY 1.8bn YoY)
- Fees and commissions (Nonconsolidated) : JPY 7.6bn (-JPY 0.1bn) , Fee income (including Shizugin TM Securities) : JPY 12.1bn (+JPY 1.9bn YoY)
- Customer assets (including the balance of Shizugin TM Securities) was JPY 7,295.6bn (+JPY 105.7bn from end-March 2013), of which balance of customer asset excluding JPY deposits was JPY 1,647.6bn (+JPY 22.5bn)

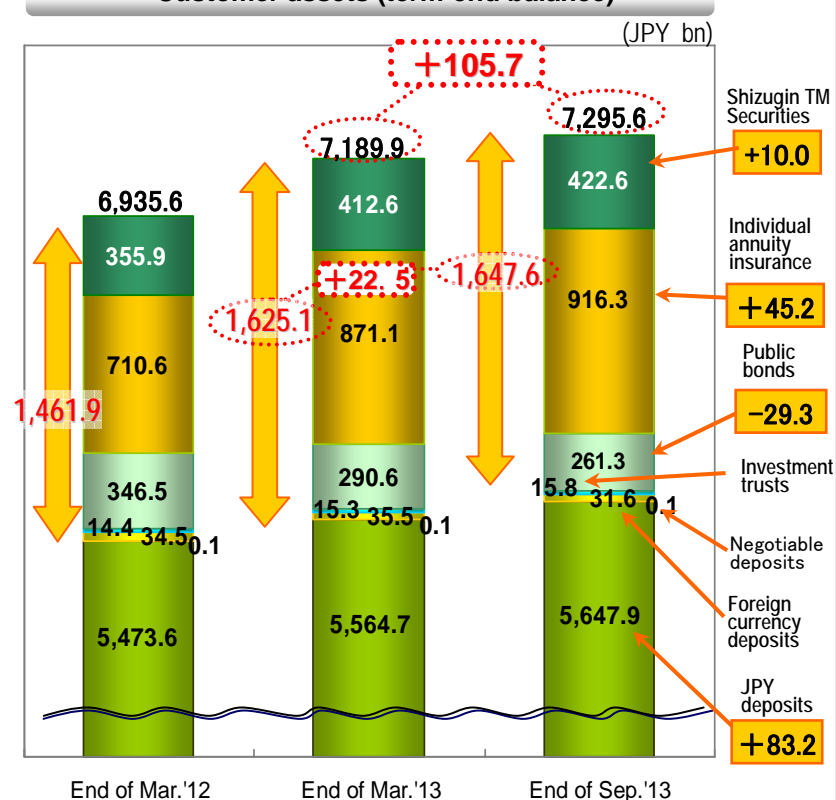
Fee incomes (Shizuoka Bank / Shizugin TM Securities)



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



Customer assets (term-end balance)



Targeting demand for Nippon Individual Savings Accounts (NISA)

- Working with our securities brokerage subsidiary, Shizugin TM Securities
- Intend to increase customer assets by capturing NISA

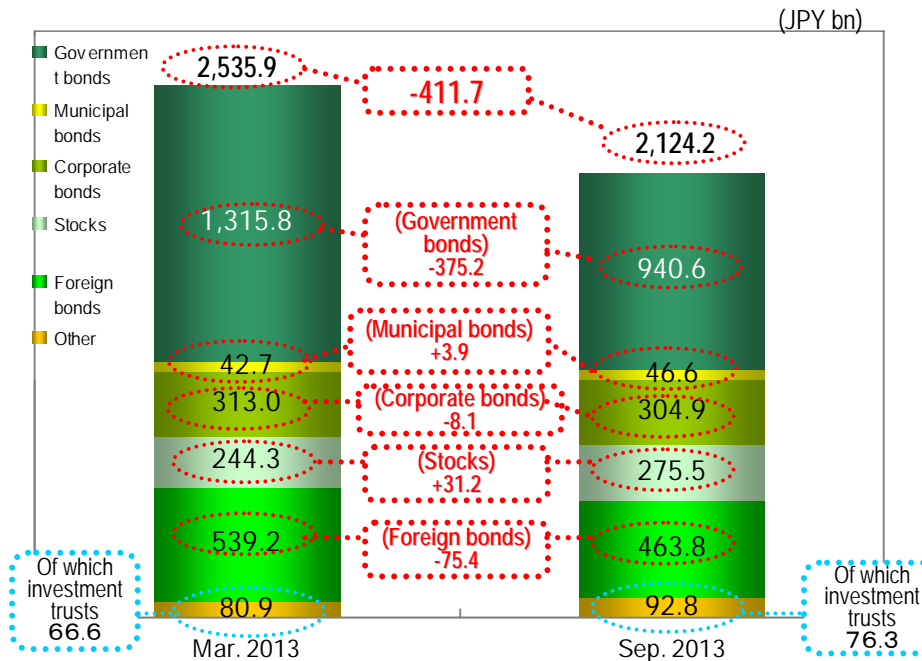




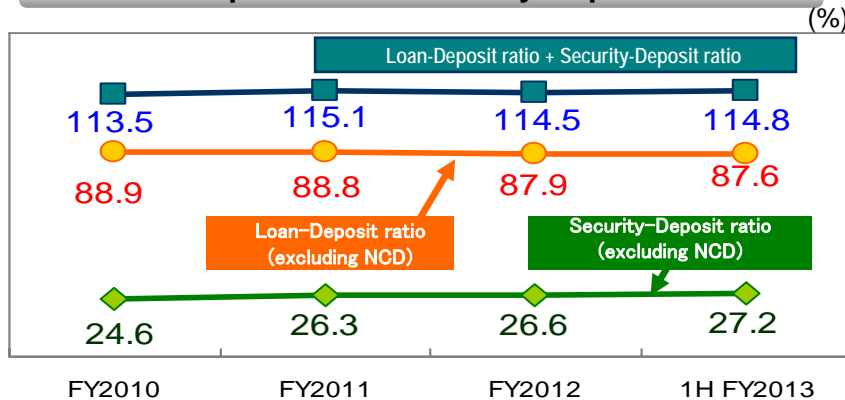
# Securities

- Total balance of securities (term-end balance) : JPY2,124.2bn (-JPY 411.7bn from the end of March 2013)
- Gains and losses from the revaluation of securities: JPY177.8bn (-JPY 2.7bn from the end of March 2013)

Security portfolio (term-end balance)



Loan-Deposit ratio / Security-Deposit ratio



Gains and losses on securities

(JPY bn)	1H FY2012	1H FY2013	Increase/Decrease
<b>Gains and losses on JGBs</b>	<b>7.7</b>	<b>3.6</b>	<b>-4.1</b>
Gain on sale of JGBs	8.3	17.6	+9.4
Loss on sale of JGBs (-)	0	14.0	+14.0
<b>Gains and losses on stocks</b>	<b>-3.2</b>	<b>-0.1</b>	<b>+3.1</b>
Devaluation of stocks (-)	3.4	0.2	-3.2

(JPY bn)	End of Mar. 2013	End of Sep. 2013	Increase/Decrease
<b>Gains and losses from the revaluation of securities</b>	<b>180.5</b>	<b>177.8</b>	<b>-2.7</b>
Stocks	122.9	154.1	+31.2
Nikkei stock average	JPY12,397.91	JPY14,455.80	—
Average life of yen denominated bonds	5.24y	4.36y	-0.88y
Average life of foreign currency denominated bonds	3.97y	4.86y	+0.89y

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

	Levels at which revaluation gains and losses is zero		10BPV
<b>Stocks</b>	Nikkei stock average	JPY 5,934	*JPY 2.38bn
<b>Yen-denominated bonds</b>	5-year JGB	0.42%	JPY 5.68bn
<b>Foreign-currency bonds</b>	10-year US Treasury Note	2.83%	JPY 2.48bn

\*TOPIX10point





# Credit-related costs

- Credit-related costs in 1H FY2013: -JPY 2.1bn (-JPY 1.4bn YoY),  
Credit-related cost rate: -0.06% (-0.04 percentage points YoY)

## Breakdown of credit-related costs

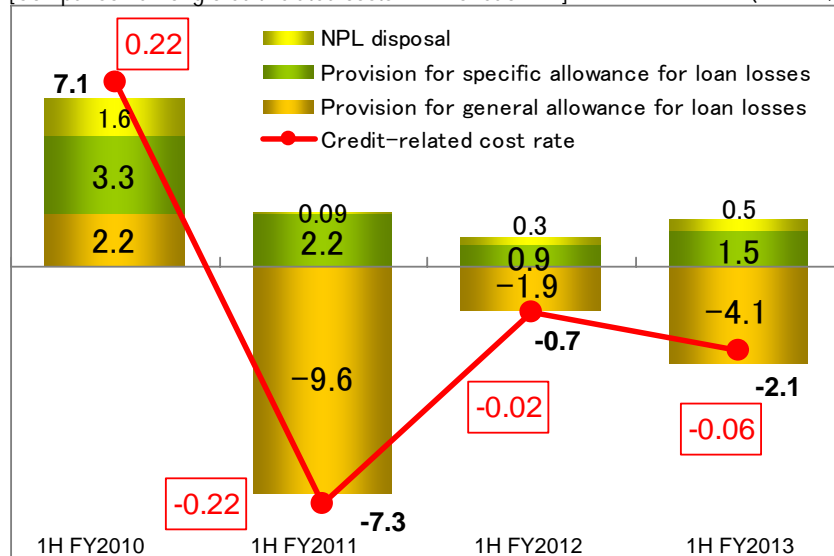
(JPY bn)	1H FY2012	1H FY2013	YoY change
NPL disposal (1)	0.3	0.5	+0.2
Gain on reversals from loan loss reserves* (2)	1.0	2.6	+1.6
Provision for general allowance for loan losses	-1.9	-4.1	-2.3
Provision for specific allowance for loan losses	0.9	1.5	+0.6
<b>Total (1)-(2)</b>	<b>-0.7</b>	<b>-2.1</b>	<b>-1.4</b>

(JPY bn)	
Changes in credit rating, etc	3.7
Decrease in the value of collaterals	0.3
Upgrade of credit rating, decrease in loan and credit balances by foreclosure, etc	-2.5
<b>Total</b>	<b>1.5</b>

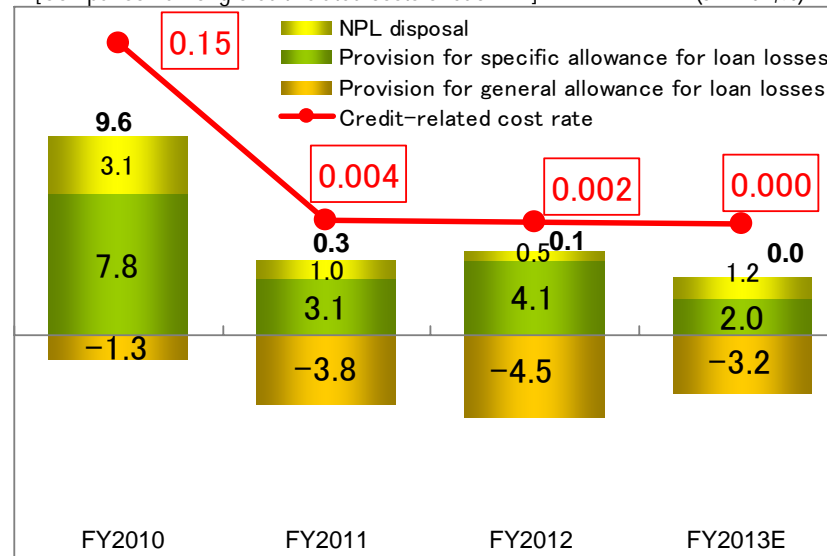
\*Gain on reversals from loan loss reserves is the net amount for provision for general allowance for loan losses and provision for specific allowance for loan losses

## Credit-related cost and credit-related cost rate trends

[Comparison among credit-related costs in 1H of each FY] (JPY bn,%)



[Comparison among credit-related costs of each FY] (JPY bn,%)



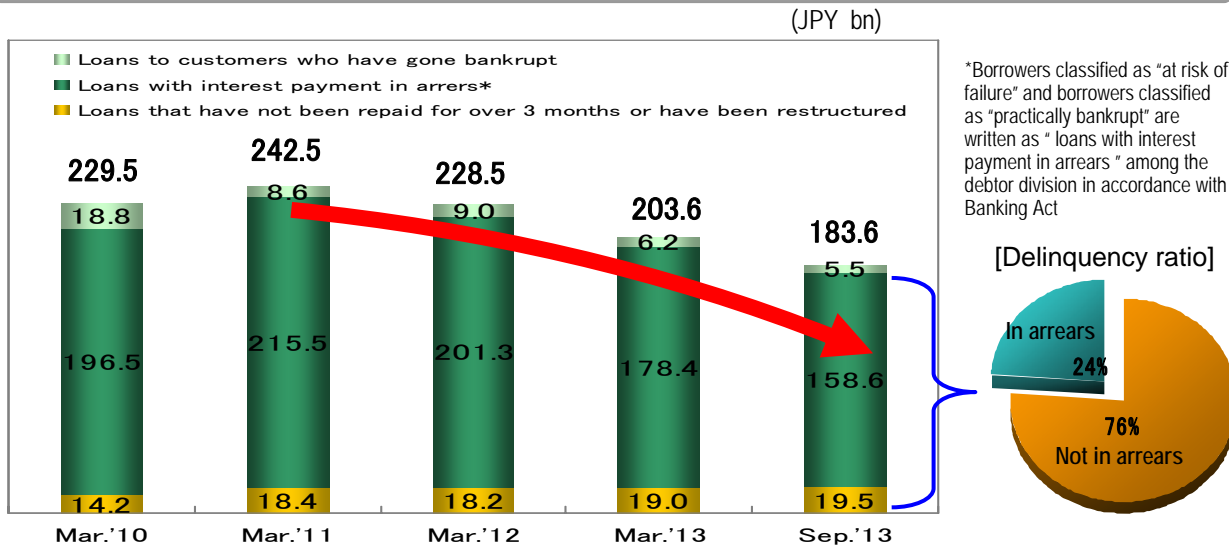
\* Credit-related cost rate = Credit-related costs / Average loan balance



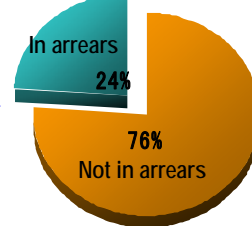
# Risk-management loans

- Total risk-management loans (Nonconsolidated): JPY 183.6bn (-JPY 20.0bn from the end of March 2013)
- The ratio of risk-management loans: 2.57% (-0.34 percentage points)
- Net risk-management loans (Nonconsolidated): JPY 21.4bn (-JPY 2.4bn )
- The ratio of net risk-management loans: 0.30% (-0.04 percentage points)

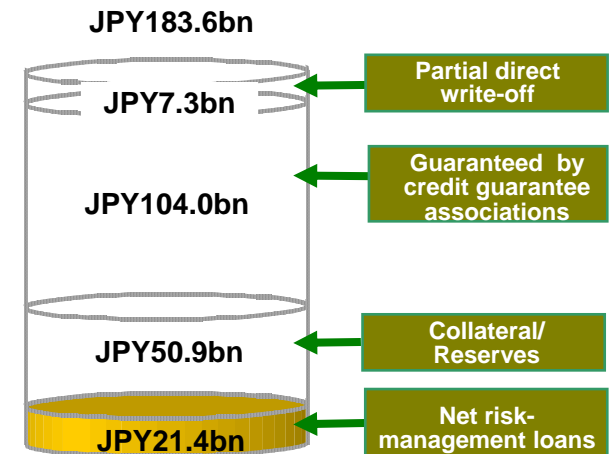
## Trend in Risk-management loans



[Delinquency ratio]



## Net risk-management loans



## NPL removal from the balance sheet

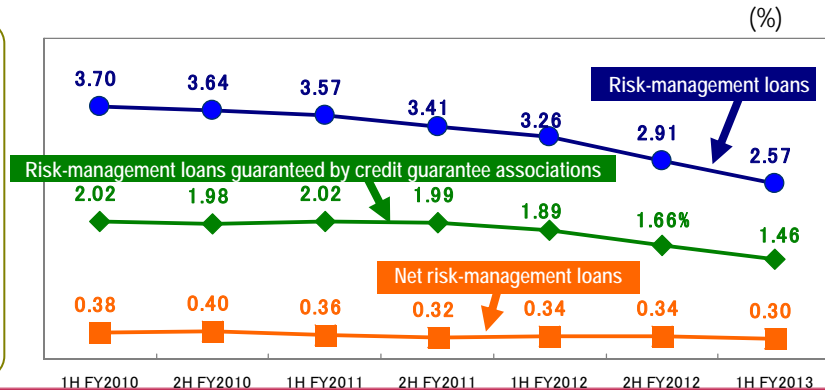
(JPY bn)	FY2012	1H FY2012	1H FY2013
New recognition of NPLs	+46.5	+24.5	+18.7
Removal from the balance sheet (NPL to borrowers classified as "at risk of failure" or riskier categories)	-71.4 (-66.9)	-31.2 (-28.7)	-38.7 (-35.1)
<b>Risk-management loans</b>	<b>203.6</b>	<b>221.8</b>	<b>183.6</b>

-20.0

[Breakdown of JPY 35.1 bn]

(JPY bn)	Amount
Collected from borrower/ set off against deposit account	6.2
Collateral disposal/ subrogated to guarantor	12.9
Reclassified to better categories	11.9
Loans sold-off	3.6
Direct write-off of loans	0.5

## The ratio of risk-management loans



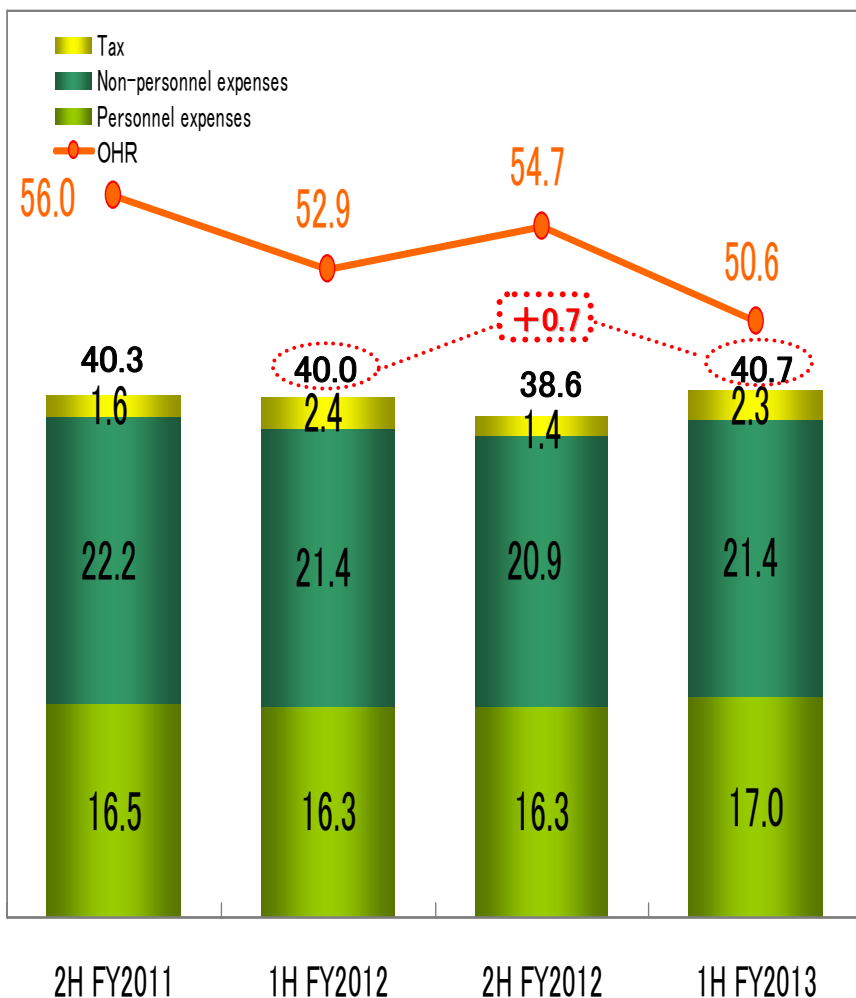


# Expenses

- Expenses in 1H FY2013: JPY 40.7bn (+JPY 0.7bn YoY)
- OHR in 1H FY2013 (Nonconsolidated): 50.6% (-2.3 percentage points YoY)

## Expenses and OHR (annual basis)

(JPYbn,%)



### [Factors for change in expenses 1H FY2013]

- Personnel expenses: JPY 17.0bn (JPY +0.7bn year on year)  
Increase in workforce due to factors such as a shift in temporary staff at Group companies to direct employment at the parent bank
- Nonpersonnel expenses: JPY 21.4bn (steady year on year)  
Nonpersonnel expenses were broadly flat year on year due to a rise in advertising expenses in spite of the reclassification of some costs as personnel expenses

Increased mass marketing, mainly for consumer loans, using TV commercials and other advertising

➔ Increase in number and value of loans provided

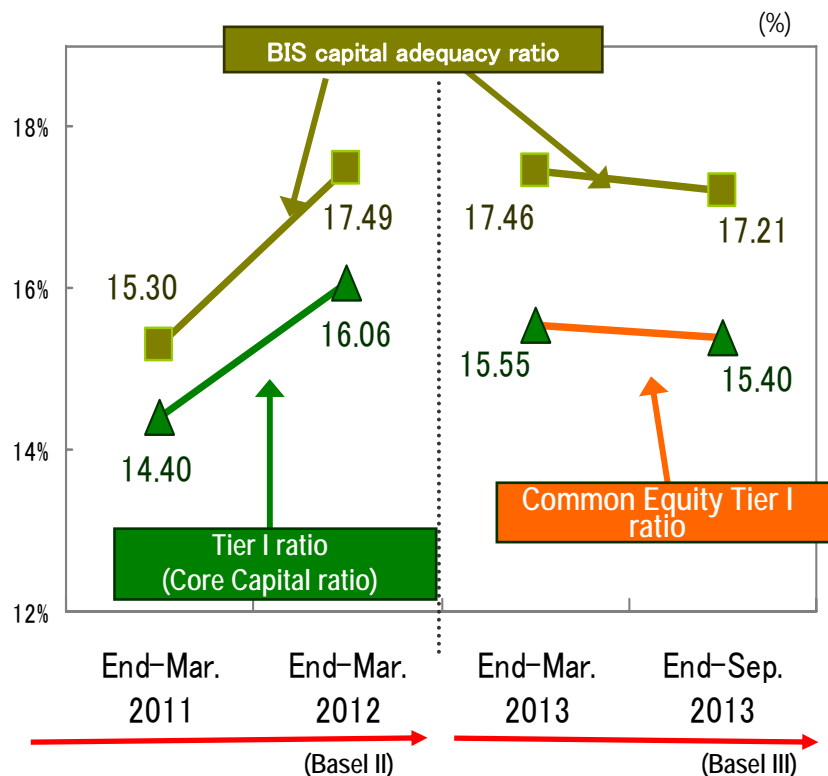




# Capital adequacy ratio

- The Basel III capital adequacy ratio at the end of Sep. 2013 was 17.21%. Common Equity Tier I ratio : 15.40%
- From the end of Mar. 2013, we adopted to Basel III criteria for the calculation of capital adequacy ratio

BIS capital adequacy ratio ( consolidated basis)



Changes in capital and risk-adjusted assets

【Basel III】	(JPY bn)	End-Mar. '13	End-Sep. '13	Change from end-Mar. '13
Capital		768.5	766.4	-2.1
Common Equity Tier I		684.3	686.2	+1.9
Other Tier I		-	-	-
Tier II		84.2	80.2	-4.0
Risk-adjusted assets		4,400.1	4,453.3	+53.2
Total credit-risk adjusted assets		4,093.2	4,141.7	+48.5
Amount corresponding to market risk		11.5	11.1	-0.4
Amount corresponding to operational risk		295.4	300.5	+5.1

- Credit risk assets increased, mainly due to a rise in the balance of stocks and investment trusts
- We intend to increase the amount further going forward, taking into account adequacy levels and risk-return

Outlier ratio (Nonconsolidated basis)

Amount of maximum risk	Tier I+Tier II	Outlier ratio
JPY 39.2bn	JPY 732.6bn	5.4%

[Estimation based on criteria in the Basel III text released in December 2010 (End-March 2013 basis) ]

- Liquidity coverage ratio: 150.7%(Regulatory level 100% and over)
- Net stable funding ratio: 111.4%(ditto over 100%)
- Leverage ratio: 6.79%(ditto 3% in trial period)



## Shareholder return

- Paid 1H FY2013-interim dividend of JPY 7.50 per share
- Plan to pay a year-end dividend of JPY 7.50 per share (annual year dividend of JPY 15.00) for FY2013
- Executed the repurchase of 20 million shares at JPY 22.6bn in 1H FY2013

### Dividend trends

(JPY)

	FY2010	FY2011	FY2012	FY2013E
Annual dividend per share	13.00	13.50	* 15.00	15.00(** 7.5)

\*Include 70<sup>th</sup> anniversary dividend \*\*Interim dividend

### Treasury shares trends

(thousand shares)

Share bought back (1)	Purchase of shares less than one trading unit, etc (2)	Number of shares cancelled(3)	Disposed treasury shares (4)	Treasury shares as of end-September 2013 (1) + (2) - (3) - (4)
181,044	1,854	140,404	5,926	36,568

### Profit distribution to shareholders

(JPY bn,%)

	FY2010	FY2011	FY2012	FY2013E	FY '08 - '12 (5years)
Annual dividend (1)	8.8	8.9	9.7	9.4	Accumulated total 45.5
Repurchase of shares (2)	15.0	14.6	8.2	* 22.6	Accumulated total 41.8
Shareholder returns (3)=(1)+(2)	23.8	23.5	18.0	32.0	Accumulated total 87.3
Net income (4)	35.4	34.7	40.9	42.0	Accumulated total 155.8
Dividend payout ratio (1)/(4)x100	24.85	25.54	23.78	22.44	Average 29.19
Shareholder return ratio (3)/(4)x100	67.22	67.60	43.93	76.35	Average 56.01

\*Amount paid for 1H

Shareholder return ratio 62.50%(FY2011~ FY2013E)

# Projected performance in FY2013





## Projected performance in FY2013

- Consolidated ordinary profit and net income are revised upward by satisfactory performance of group companies

<b>Consolidated</b>	(JPYbn)	FY2012	FY2013E	Change from FY2012
Ordinary revenue		203.1	223.0	+19.9
Ordinary profit		71.3	74.0(72.0)	+2.7
Net income		* 57.0	46.0(45.0)	-11.0
Excluding Gains on negative goodwill		44.1	46.0	+1.9

\* Include gains on negative goodwill JPY12.9bn by increasing equity stakes in group companies

<b>Nonconsolidated</b>	(JPYbn)	FY2012	FY2013E	Change from FY2012
Ordinary revenue		171.0	190.0	+19.0
Gross operating profit		146.3	144.7	-1.6
Expenses (-)		78.7	79.7	+1.0
Net operating profit		67.6	65.0	-2.6
Ordinary profit		65.2	67.0	+1.8
Net income		40.9	42.0	+1.1

	(JPYbn)	FY2012	FY2013E	Change from FY2012
Credit-related costs		0.1	0	-0.1
Provision for general allowance for loan losses		-4.5	-3.2	+1.3
Bad debt written-off		4.6	3.2	-1.4
Provision for specific allowance for loan losses		4.1	2.0	-2.1

# Reference







## Progress of 11th Medium-term Business Plan “MIRAI—Future”

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

		FY2011-2013 plan totals	Results for FY2011-1H FY2013	Progress rate
Consolidated	Ordinary revenue	610.0	533.3	87.4%
	Ordinary profit	196.0	186.1	95.0%
	Net income	112.0	123.5	110.3%
Nonconsolidated	Gross operating profit	452.0	375.0	83.0%
	Expenses (-)	246.0	200.5	81.5%
	Actual net operating profit	206.0	174.5	84.7%
	Ordinary profit	185.0	169.4	91.6%
	Net income	110.0	102.7	93.4%
	Increase in average loan balance	+530.0	+584.0	110.2%
	Increase in average deposit balance	+450.0	+685.9	152.4%
	Shareholder return ratio	50% or more for a long term	67.0%	—



# Loans -Loans by industries

- 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 6.3bn (JPY 1.2bn for real estate and JPY 0.4bn for construction)
- Unexpected Loss (UL) for all industries : JPY 50.1bn

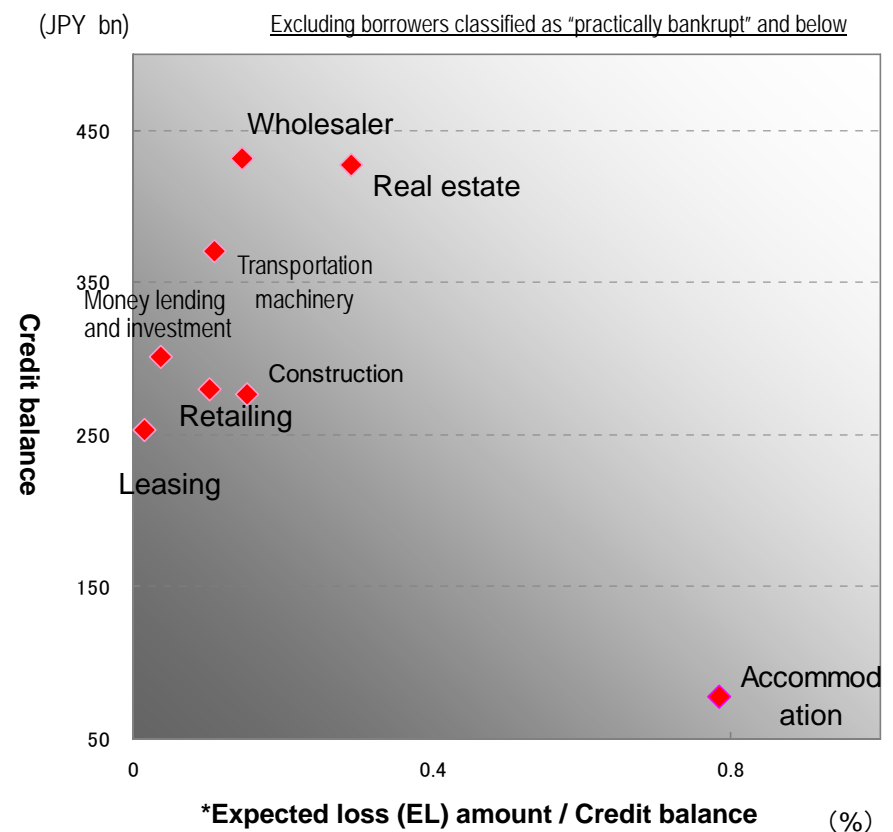
## Contemporary status of business loans to particular industries

[ Credit balance (as of the end of Sep 2013) ]

(JPY bn, %)	Balance	Composition ratio	YoY change
All industries	4, 971. 2	100. 0	+236. 7
Real estate	422. 6	8. 5	+12. 7
Wholesaler *	429. 4	8. 6	+32. 0
Money lending and investment	300. 8	6. 0	-23. 1
Transportation machinery	370. 8	7. 5	+68. 8
Construction	273. 1	5. 5	-10. 2
Retailer	276. 3	5. 6	+20. 2
Leasing	253. 3	5. 1	+8. 8
Accommodation	77. 3	1. 6	-5. 7

\* excluding a general trading companies

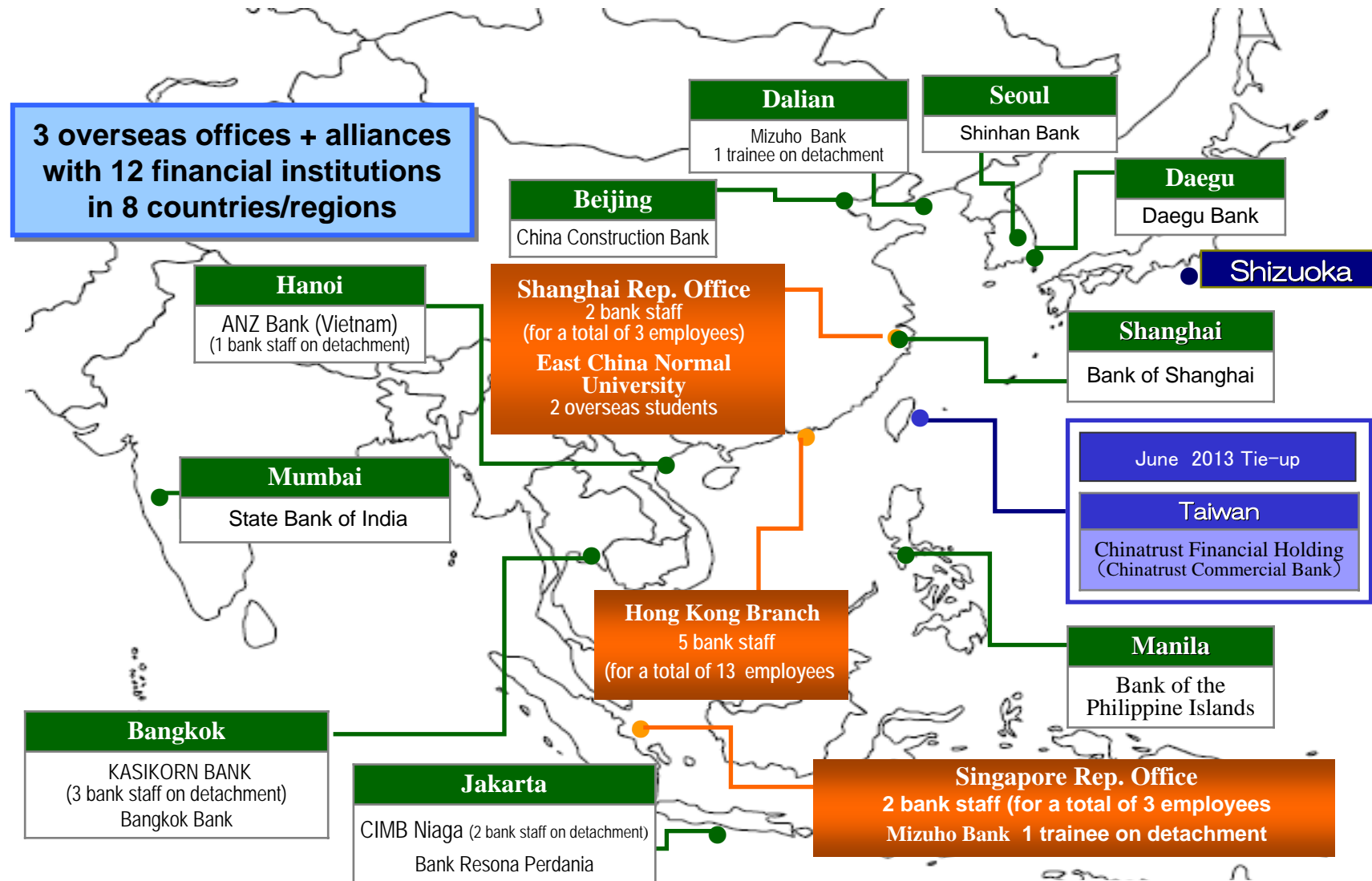
[ Credit balance vs. expected loss rate\* ]





## Initiatives for Corporate Banking – Network in Asia

- Expanding an overseas network through alliances with local financial institutions
- Achieve steady progress in the areas of loan and foreign exchange by responding appropriately to the diverse needs of customers





## Change in borrower categories

### Classification of borrowers from Mar. 2013 to Sep. 2013 (Nonconsolidated)

(JPY bn)

		End of Sep. 2013								Default amount B+C+D E	Default ratio E/A E/A	Provision for specific allowance for loan losses F	Rate of provision F/A
		Initial balance A	Sound borrowers	Borrowers requiring careful monitoring	Borrowers requiring management	Borrowers classified as "at risk of failure" B	Borrowers practically bankrupt C	Borrowers that have gone bankrupt D	Others*				
End of Mar. 2013	Sound borrowers	5,892.5	5,531.2	100.5	1.3	0.7	0.7	0.1	258.0	1.5	0.02%	0.3	0.00%
	Borrowers requiring careful monitoring	992.6	84.8	876.5	3.4	10.3	2.9	1.2	13.5	14.4	1.45%	1.5	0.15%
	Borrowers requiring management	21.9	1.2	1.8	17.8	0.3	0.0	—	0.8	0.3	1.36%	0.1	0.45%
	Borrowers classified as "at risk of failure"	150.5	0.5	9.9	1.1	126.1	6.2	1.1	5.6				
	Borrowers practically bankrupt	28.3	0.2	1.0	0.0	2.7	16.2	1.2	7.0				
	Borrowers that have gone bankrupt	6.6	—	0.1	—	0.9	0.0	3.3	2.3				

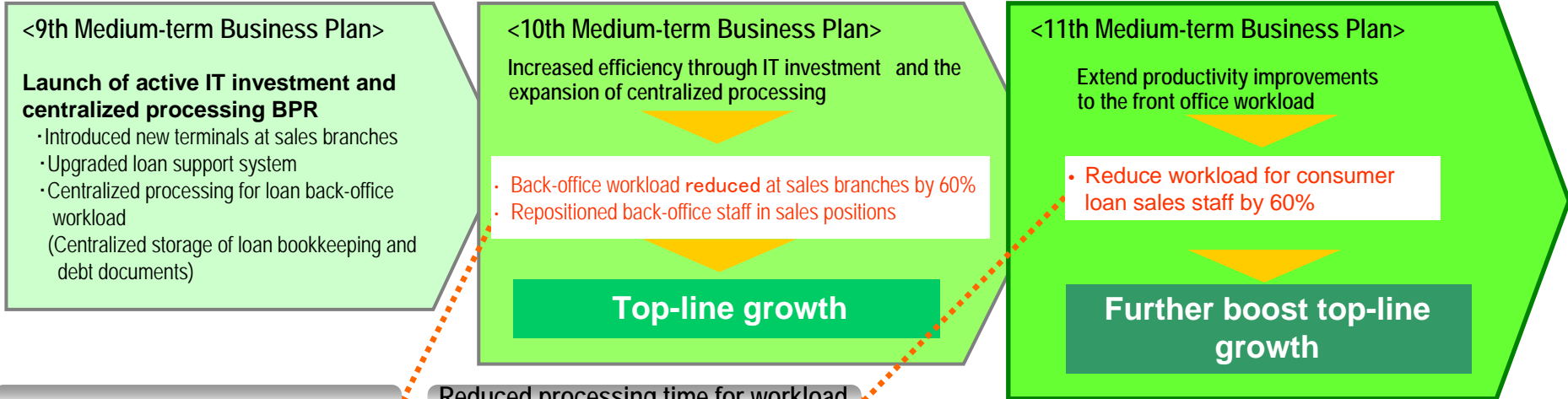
Recording standards: Credit balances are as of the end of March 2013, and changes in loans by the end of September 2013 are not considered.

\*Show in "Others" are the off-balance-sheet amounts of loans to borrowers that ceased to be our customers.

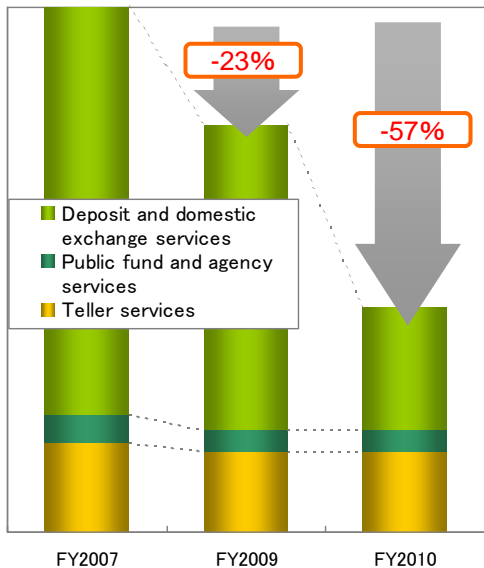


# Improvement of productivity - BPR

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

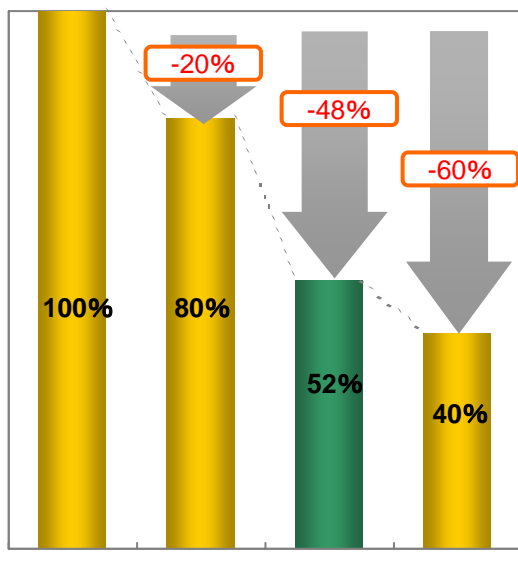


Workload reduction of branches



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

Reduced processing time for workload of consumer loan



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

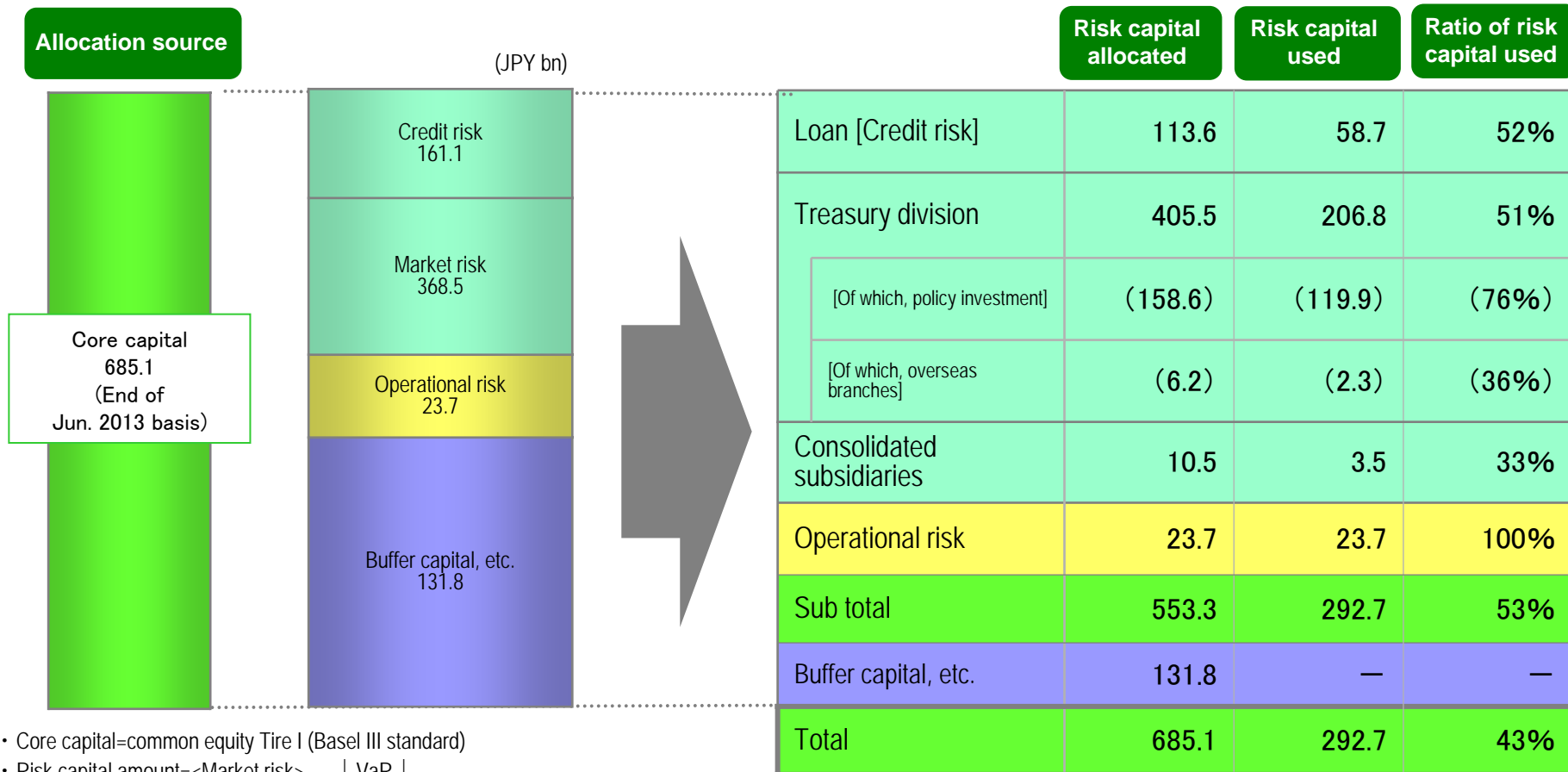
Number of personnel

	End-Mar. 2008	End-Mar. 2012	End-Mar. 2013	Change from end-Mar. 2008
Front-office	2,411	3,046	3,070	+ 659
Of which, bank employees	1,794	2,246	2,261	+ 467
Back-office/assisting	1,693	1,000	942	-751
Of which, bank employees	548	59	44	-504
Shizuoka Bank	5,164	4,936	4,901	-263
Of which, bank employees	2,851	2,865	2,860	+ 9



# Allocation of risk capital

- Allocation of risk capital for the 1H FY2013 amounted to JPY 685.1bn, of which JPY 161.1bn was allocated to credit risk, JPY 368.5bn to market risk, JPY 23.7bn to operational risk, and JPY 131.8bn to buffer capital, etc
- JPY 58.7bn for loans [credit risk] and JPY 206.8bn for the Treasury division was used for the 1H FY2013



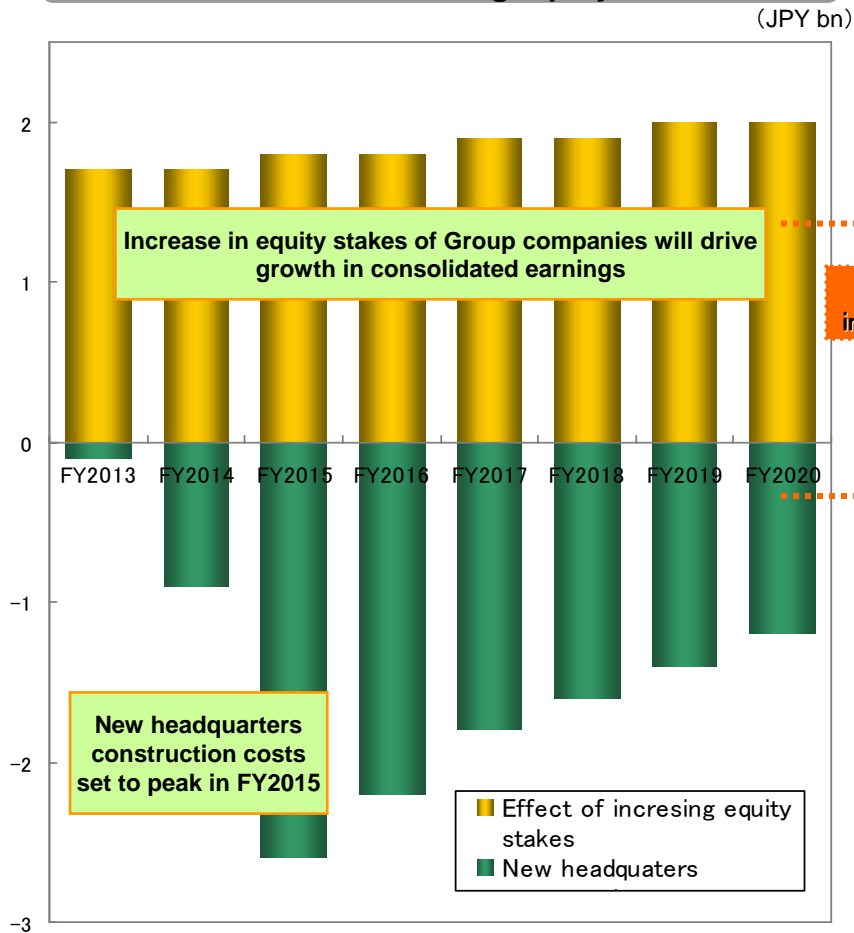
- Core capital=common equity Tire I (Basel III standard)
- Risk capital amount=<Market risk> | VaR |  
 <Credit risk> (1) | UL | (loan balance includes bad debt written off, CVAs)  
 (2) Basel III capital requirement amount (designated loan claims, securitization transactions, investment trusts, and investment funds)  
 <Operational risk> Amount equivalent to operational risk
- \*Buffer capital is kept aside for emergencies such as the anticipated Great Earthquake and other unquantifiable risks.



# Expenses - Building the new headquarters

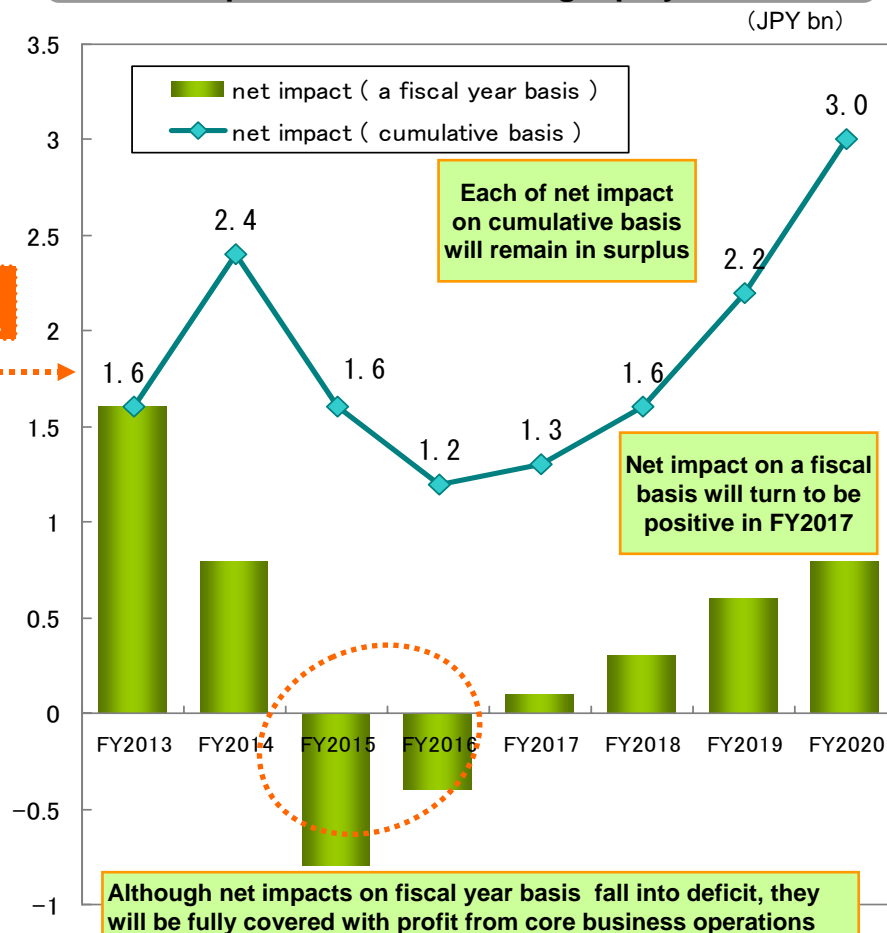
- Building the new headquarters to improve our capability to respond to disasters and boost productivity by changing work styles
- Investment :JPY 22.0bn (planned) , Completion date: October 2014
- Drive improvement in Group profitability to increase strategic investment in IT systems and others area

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



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

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



※net impact=The effect of increasing equity stakes

+ New headquarters construction costs



# Capital policy (1) - Euro-dollar convertible bonds issued

- In April 2013, Shizuoka became the first Japanese bank to issue zero coupon euro-dollar convertible bonds
- This instrument was designed to have a high debt profile, including a contingent convertible clause and a clause determining face value cash settlement

## Summary of euro-dollar convertible bonds

<Summary of bond issue>

Amount	\$500 million
Maturity	5 years
Coupon	0% (zero cost)
Objective	Respond to rising demand for foreign currency loans which corporate customers spend on the development of their overseas operations and realize our growth by increasing loan assets

## Scheme designed to limit dilution of shareholder value

### 1. Contingent convertible clause (co-co clause)

Investors are prevented from converting to the stock for 4 years and 9 months after the issue date unless the stock trades at 130% of the conversion price or higher

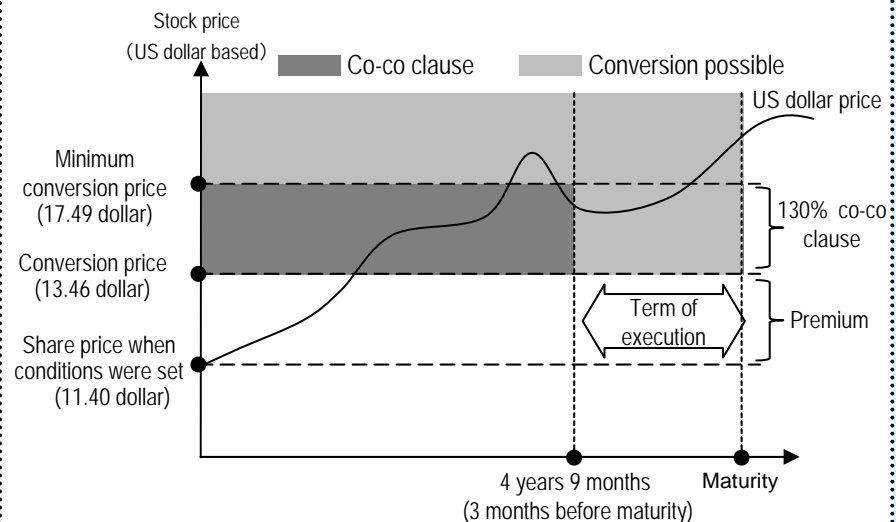
### 2. Clause determining face value cash settlement

In the case of conversion 4 years and 9 months after from issue date, U.S. dollar cash values are granted for face value, and shares for the value exceeding 100 of parity\*  
 \*U.S. dollar price ÷ conversion price

### 3. Share buybacks (20 million shares)

Share buybacks are executed to offset the impact of dilution by raising capital efficiency

【Diagram of scheme to limit dilution】







## Capital policy (2) - Share Buybacks , Trends in EPS/ BPS

- Share buybacks have been continuously carried out since FY1997, cumulating the 161million of shares bought back by the end of March 2013
- Executed the repurchase of 20 million shares at JPY 22.6bn in 1H FY2013

### 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
FY2012	10,000	8,239	20,000	14,953	43.9	62.79	1,204.31
Cumulative total	161,044	145,916	140,404	128,891	61.3	—	—
1H FY2013	20,000	22,642	—	—	—	42.92	1,237.11



## Group companies

- The total ordinary revenue of 11 consolidated subsidiaries increased to JPY 25.0bn (up JPY 1.3bn YoY) and the ordinary profit of JPY 4.2bn (up JPY 1.2bn 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	0.5	+0.4	0.0	-0.0
Shizugin Lease Co., Ltd.	Leasing	12.1	-0.2	0.8	-0.1
Shizuoka Computer Service Co., Ltd.	Software development and sales	2.3	-0.0	0.1	-0.0
Shizugin Credit Guaranty Co., Ltd.	Guarantee of housing loans, etc.	1.0	+0.1	0.8	+0.1
Shizugin DC Card Co., Ltd.	Credit card and guarantee of consumer loans	0.9	+0.0	0.2	-0.0
Shizuoka Capital Co., Ltd.	Public-offering assistance Support for corporate rehabilitation	0.3	+0.1	0.1	+0.0
Shizugin TM Securities Co., Ltd.	Securities	4.2	+1.8	2.0	+1.2
Shizuoka Bank (Europe) S.A.	Finance and securities-related services	0.3	+0.1	0.1	+0.1
Shizugin General Service Co., Ltd.	Fee-Charging Employment Placement Businesses, etc	0.5	-1.0	0.0	-0.0
Shizugin Mortgage Service Co., Ltd.	Appraisal of real estate for loan collateral Operation center for loans	0.8	+0.0	0.0	-0.0
Shizugin Business Create Co., Ltd.	Operation center for remittance and bill collection Part-time employee management	2.1	+0.0	0.0	-0.0
<b>Total (11 companies)</b>		<b>25.0</b>	<b>+1.3</b>	<b>4.2</b>	<b>+1.2</b>
Shizugin Saison Card Co., Ltd.*	Credit card and guarantee of consumer loans	0.7	+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

- 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 Ireland, Philippines, and the Czech Republic

### Shizuoka Prefecture indices

	Share of all-Japan		National ranking
●Population	3.75 m	3.0%	10th of 47 (2012)
●No. of households	1.46m	2.7%	10th of 47 (2012)
●Nominal prefectural GDP	JPY 15.8tn	3.2%	10th of 47 (FY2010)
●Per-capita income	JPY 3.100 m	—	3rd of 47 (FY2010)
●No. of business establishments	190K	3.2%	10th of 47 (2012)
●Amount of shipments of manufactured goods, etc.	JPY 15.5tn	5.2%	3th of 47 (2012)
●Agricultural output	JPY 212.7bn	2.5%	16th of 47 (2011)
●Fishery production volume(*)	220k tons	5.8%	3rd of 47 (2012)
●No. of industrial locations(*)	73	5.9%	2nd of 47 (2012)
●No. of new housing starts	25k	2.8%	10th of 47 (2012)

\* Based on flash reports

### Shizuoka Prefecture economic scale

Prefectural GDP (2010, Nominal)		
Rank	Prefecture/Region	(US\$ billions)
9	Fukuoka Prefecture	210.5
<b>10</b>	<b>Shizuoka Prefecture</b>	<b>184.0</b>
11	Ibaraki Prefecture	130.6
—	4 prefectures of Shikoku	156.8
—	3 prefectures of Hokuriku	139.3
GDP comparison with countries (2010)		
Rank	Country (Region)	(US\$ billions)
45	Ireland	207.6
46	Philippines	199.6
47	The Czech Republic	198.9
—	<b>Shizuoka Prefecture</b>	<b>184.0</b>
48	Pakistan	176.9
49	Rumania	164.8

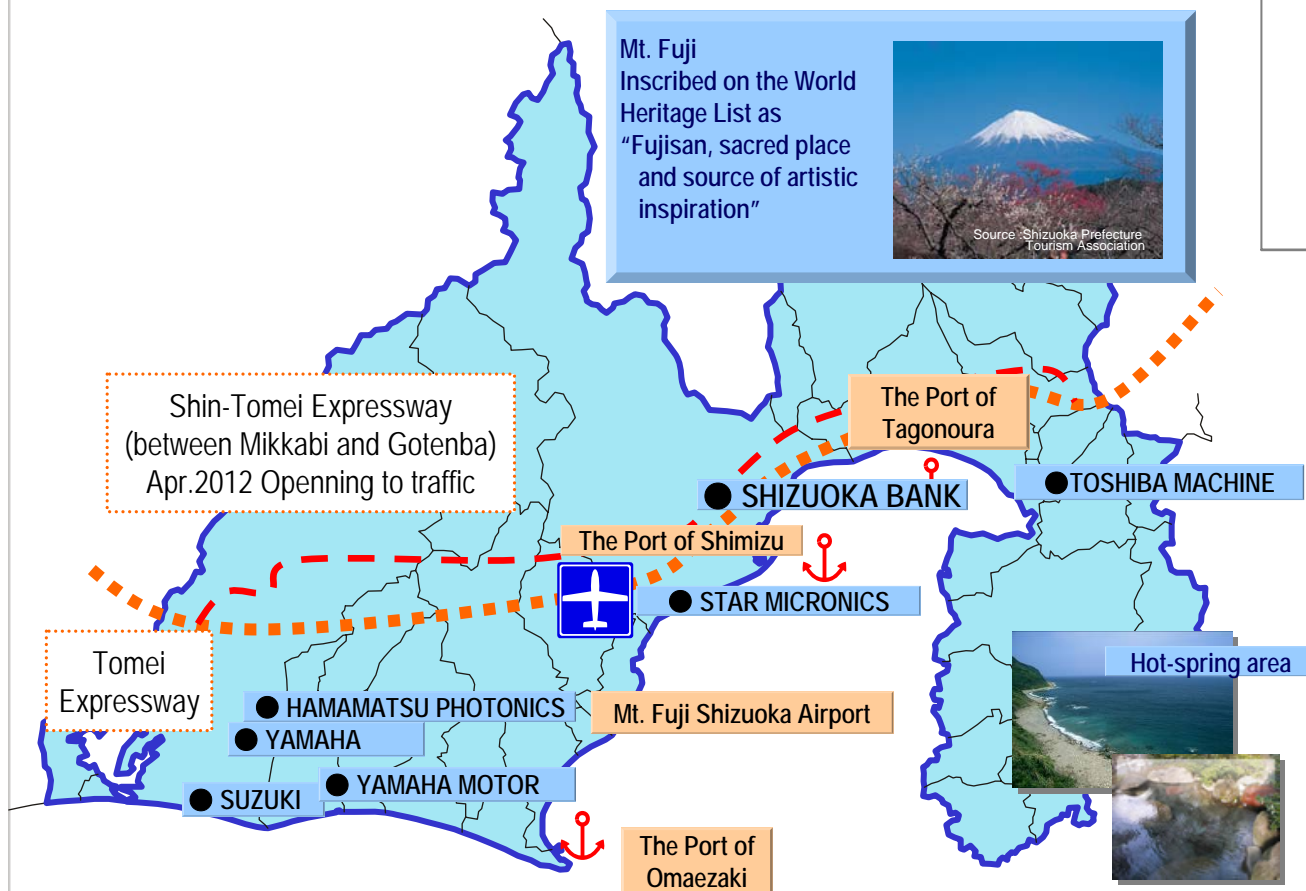
\*Sources: Economic and Social Research Institute (ESRI)

Cabinet Office , Government of Japan



# 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

Manufacturing Service Wholesale/Retail  
Real estate Construction Other (%)



All-Japan Shizuoka Pref.  
Source: Cabinet Office, Government of Japan, FY2010

No. of listed companies with HQs in Shizuoka Prefecture

Listing	No. of companies
TSE 1 <sup>st</sup> section	24
TSE 2 <sup>nd</sup> section	10
Mothers	2
Nagoya Stock Exchange 2 <sup>nd</sup> section	1
Jasdaq	19
Total	56

\*As of end Nov. 2012, 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.