

# SBI Mortgage

## FY2012 1Q Earnings Results

SBI 住宅ローン

SBI マネープラザ

住宅ローン | 生命保険 | 資産運用

# SBI Mortgage

## CONTENTS

- I. SBI Mortgage Earnings & Analysis  
(FY2012 1Q)
- II. SBI Mortgage's Progress in the  
Korean Mortgage Market
- Appendix

### < NOTE >

- SBI Mortgage's fiscal year ends in March, and the following exchange rates have been applied:  
(Unit: in Korean Won)

Category (KRW)	FY2012 1Q ( '12.04~'12.06)	FY2011 ( '11.04~'12.03)	FY2010 ( '10.04~'11.03)	FY2009 ( '09.04~'10.03)
End-of-period exchange rate (Balance Sheet)	14.5379	13.8074	13.3189	12.1768
Average exchange rate (Income Statement)	14.3685	14.0732	13.4486	13.0353

# SBI Mortgage



## I . SBI Mortgage Earnings & Analysis (FY2012 1Q)

1. 1Q12 Earnings Results
2. SBI Mortgage Housing Loan Servicing Status
3. FLAT35 Market Status
4. FLAT35 Sales by Loan Servicers
5. FLAT35 Competitors
6. Growth Factors – Product Competitiveness
7. Growth Factors – Sales Channel Diversification
8. Future Business Strategy
9. Status of the Japanese Housing Market

# 01 1Q12 Earnings Results

## FY2012 1Q net operating income and net income up by 39.46% and 40.44% YoY

Unit : in million Won

Accounts	FY2011_1Q ('11.04 ~ '11.06)	FY2012_1Q ('12.04 ~ '12.06)	YoY Change (%)
Net interest income	2,348	3,874	64.99
Net commission income	22,050	30,150	36.73
Net operating income	24,398	34,024	39.46
Income before taxes	5,993	9,000	50.18
Net income	3,961	5,562	40.44

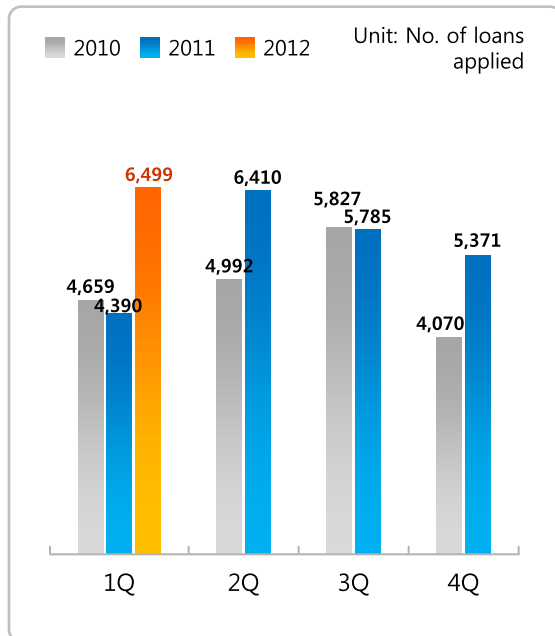
Note: FY2011\_1Q (Exchange rate applied: 13.2697), FY2012\_1Q (Exchange rate applied: 14.3685)

# 02 SBI Mortgage Home Loan Servicing Status

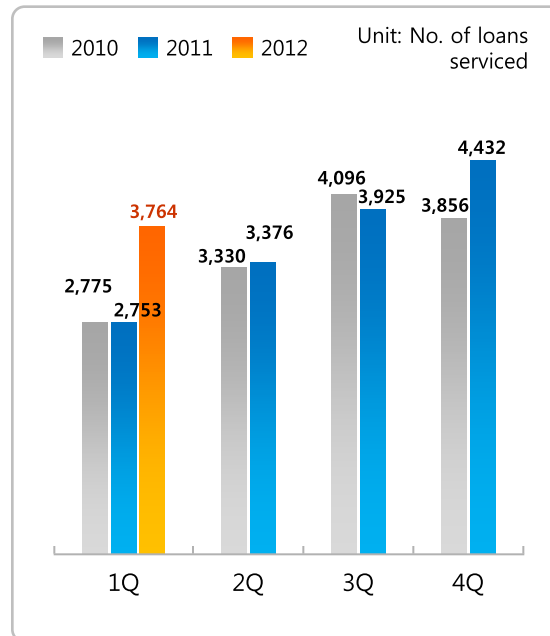
## Reported record-high quarterly earnings in 1Q12

- No. of FLAT35 loans applied and serviced up by 48.1% and 36.7% YoY; Loan servicing volume up by 36.1% YoY
- The first quarter is seasonally a slow quarter, but 1Q12 earnings performed better than the seasonal trend

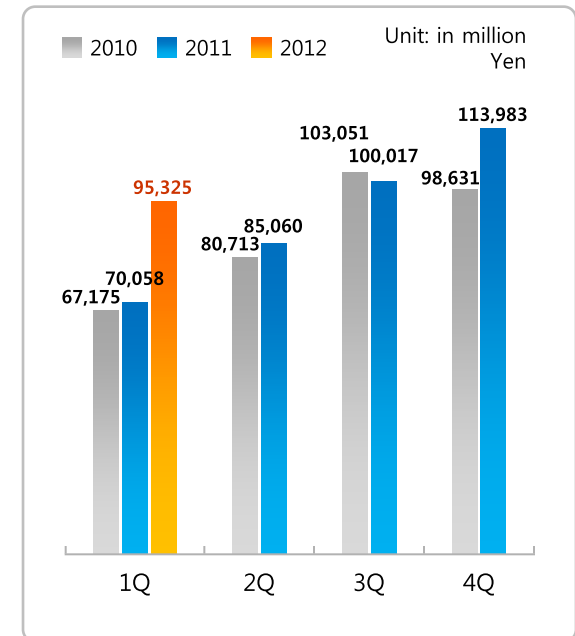
### Quarterly FLAT35 Loans Applied



### Quarterly FLAT35 Loans Serviced



### Quarterly Loan Servicing Volume



#### Seasonality in the Japanese Housing Loan Market

March: Growing demand for loans during the spring moving season

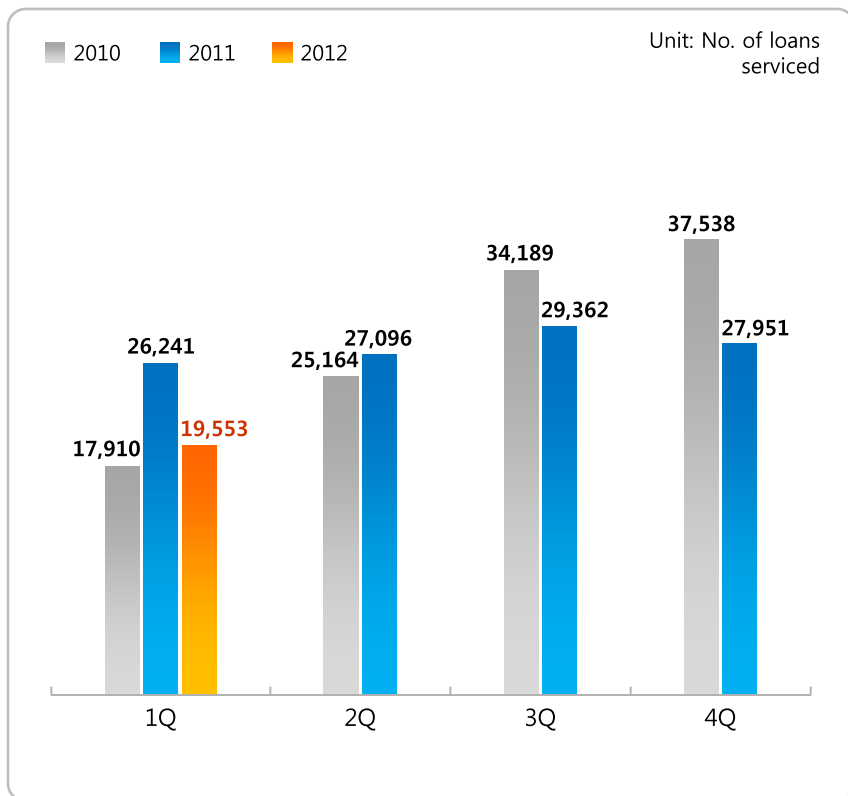
May: Decline in loans serviced due to the Golden Week (7-day holiday)

# 03 FLAT35 Market Status

## Downturn in the FLAT35 market due to lower preferential rates and LTV ratio

- FLAT35 Eco & Basic loans introduced after the end of the FLAT35S program in Sep. 2011 (0.3~1.0% preferential rates)
- LTV ratio reduced by 10 points, from 100% to 90%, after the end of government support in April 2012

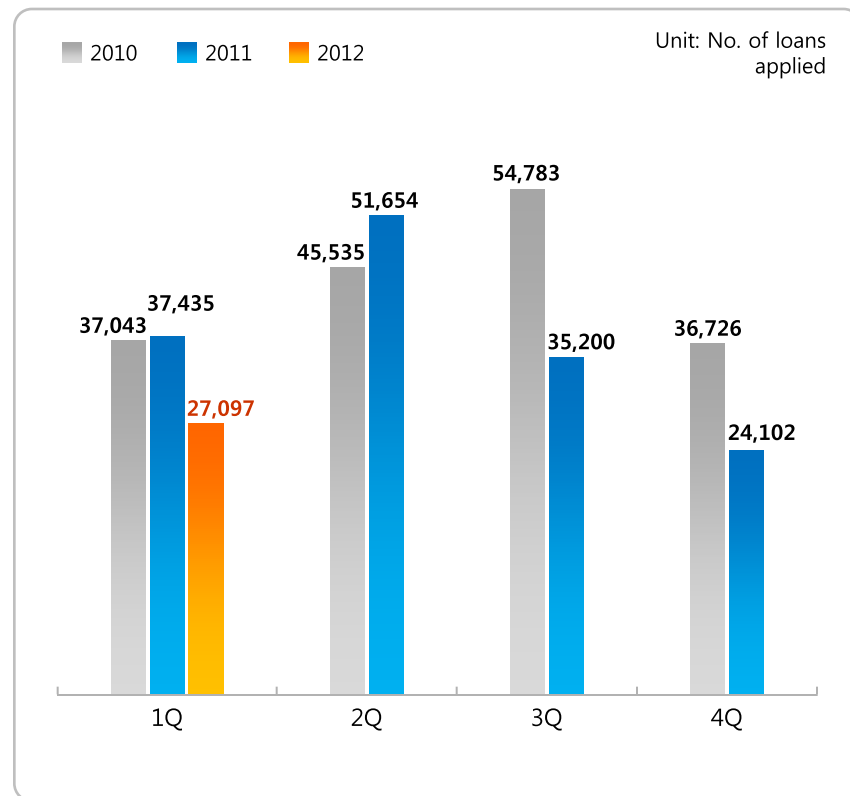
### Quarterly New FLAT35 Loans Serviced



Source: Data provided by SBI Mortgage

\* LTV(Loan To Value ratio ): Loan limit

### Quarterly New FLAT35 Loans Applied



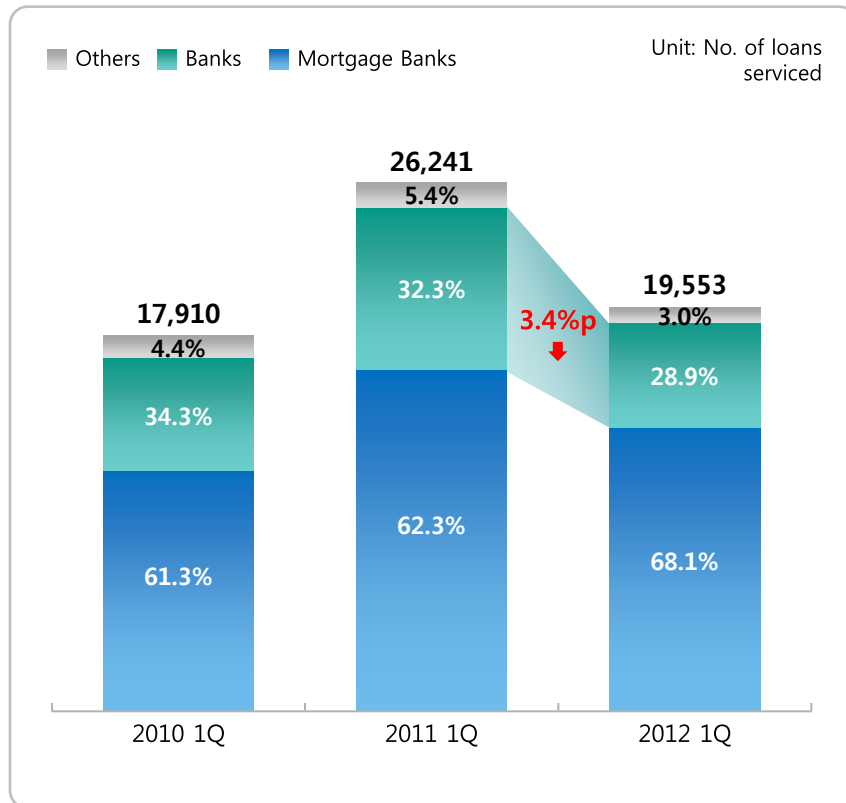
Source: Data provided by SBI Mortgage

# 04 FLAT35 Sales by Loan Servicers

## Competitors losing share after the end of government support for FLAT35; Banks suffering the most among loan servicers

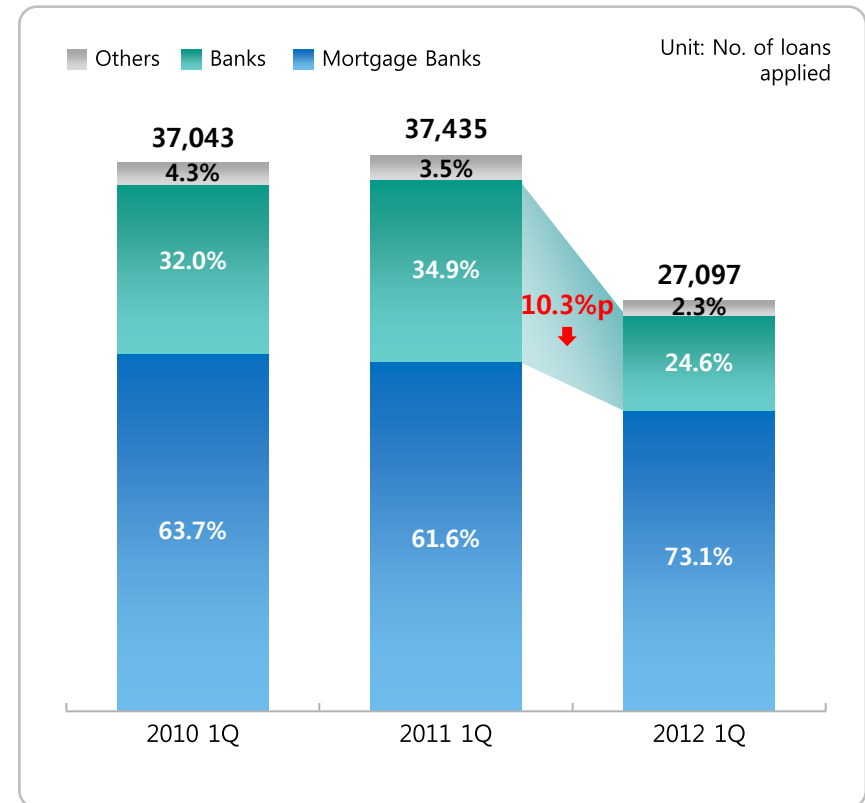
- Banks' loan application market share dropped by 10.3% due to a marketing strategy that focuses on variable mortgages

### ● Loan Servicing Market Share by Servicers in 1Q



Source: Data provided by SBI Mortgage

### ● Loan Application Market Share by Servicers in 1Q

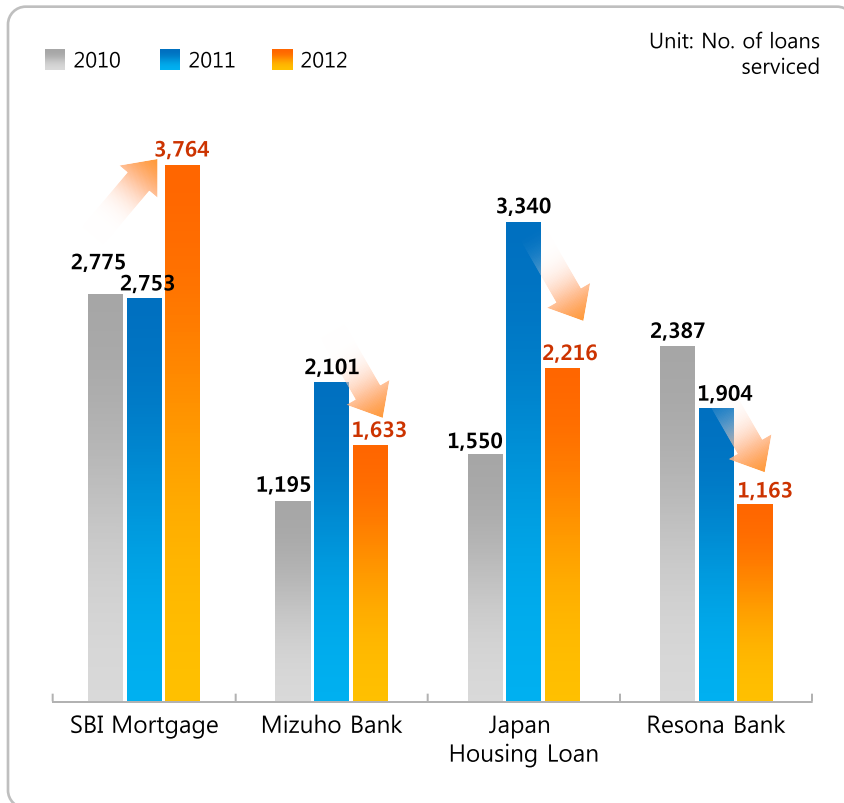


Source: Data provided by SBI Mortgage

# 05 FLAT35 Competitors

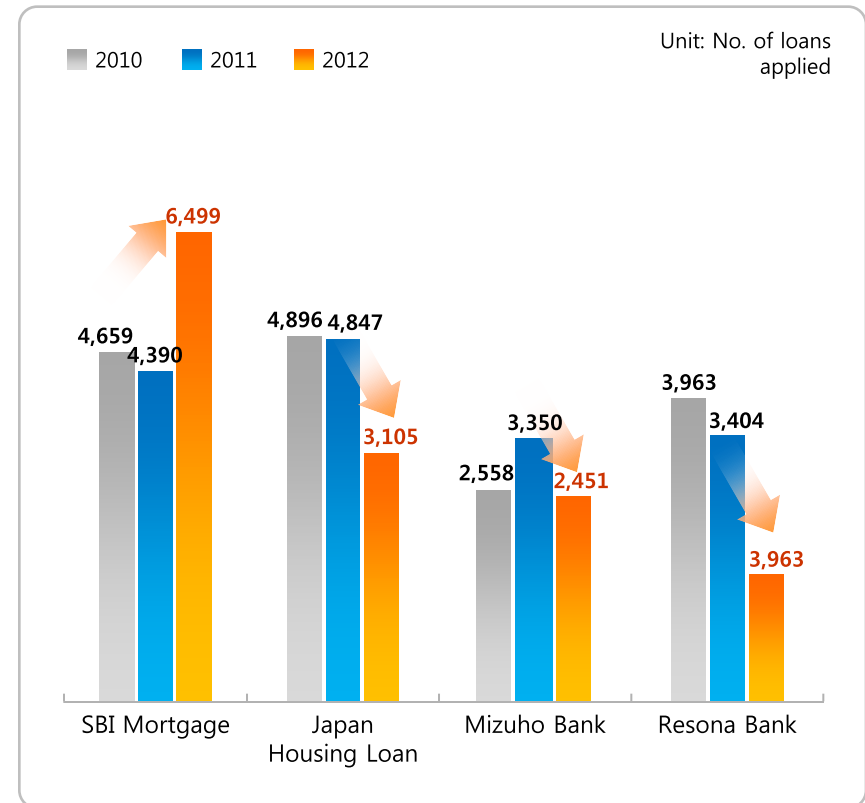
SBI Mortgage continuing to perform strongly over the year facilitated by its solid management and operations; Major competitors performing poorly

● No. of FLAT35 Serviced by Competitors in 1Q



Source: Data provided by SBI Mortgage

● No. of FLAT35 Applied by Competitors in 1Q



Source: Data provided by SBI Mortgage



# 06 Growth Factors – Product Competitiveness

## SBI Mortgage's Strategy – Fast speed & high quality product development

- Gaining market share by attaining comprehensive competitiveness including the lowest interest, on-/offline sales channels, and product competitiveness
- Developing and introducing new products after identifying customers' needs through online sales channels

### Comparison of Competitiveness among Competitors

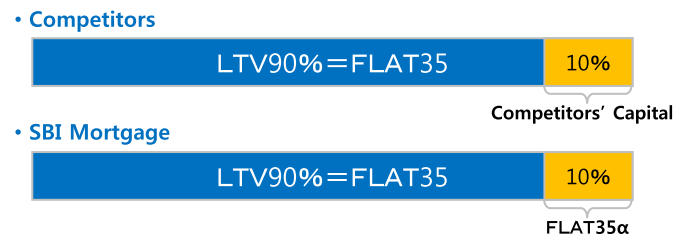
Loan Servicer	FLAT35 Interest Rate	Franchise Network	Product Portfolio	
			FLAT35α	Reform Loan
SBI Mortgage	1.94%	○	○ *Variable Rate 2.175%	○
Japan Housing Loan	2.19%	X	X	X
Mizuho Bank	2.16%	○	X	X
Resona Bank	2.26%	○	○ *Variable Rate 4.475%	X

Note: As of July 2012

### SBI Mortgage Product

- **SBI FLAT Reform Loan (Introduced in July 2012)**
  - A loan for home purchase and renovation in conjunction with FLAT35
  - Offers preferential period and interest rates vs. existing reform loans
- **FLAT35α (Introduced in March 2012)**
  - Introduction of a new product in response to reduced LTV ratio to 90%

Competitors are making up for the reduced LTV with their own capital; SBI Mortgage is replacing it with a FLAT35α loan

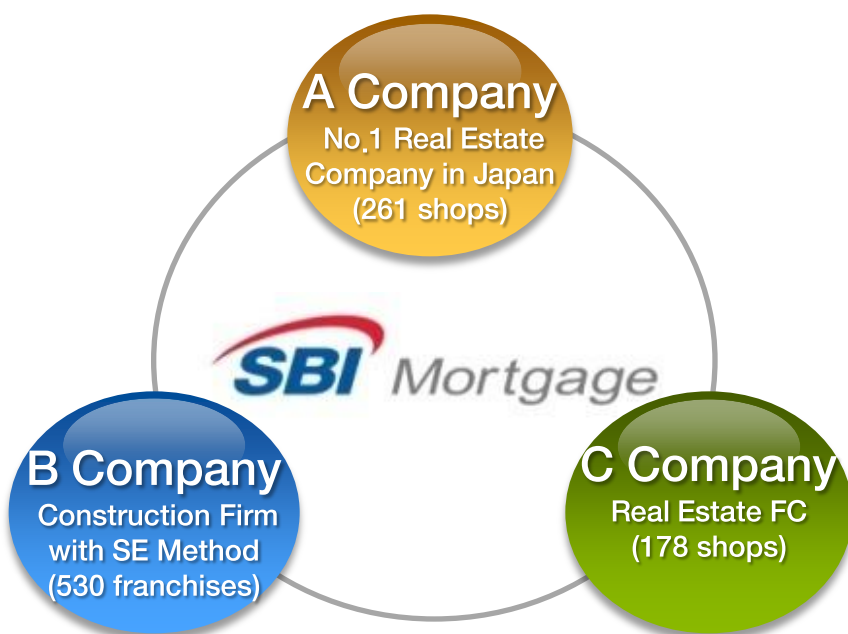


- **FLAT HALF & HALF (Introduced in November 2011)**
  - A hybrid product that combines FLAT35 and variable housing loans

# 07 Growth Factors – Sales Channel Diversification

Building a direct sales network by signing MOUs with major real estate companies;  
Entered into a full partnership with real estate companies since June 2012

## Real Estate Franchise Network



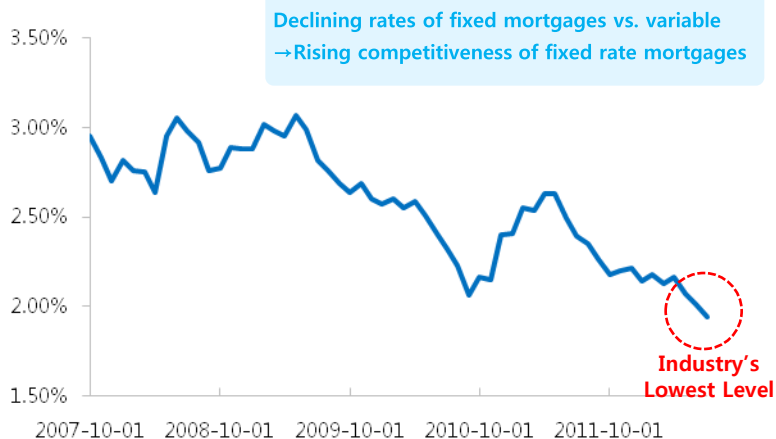
No. of shops and franchises : As of May 2012

### < MOU Signing Status >

- **MOU with "A", the No.1 real estate brand in Japan (Full partnership since June 2012)**
  - Loan applications on an increasing trend in July
  - Signing additional MOUs with "B" and "C" companies
- **Increasing loan sales through partnership**
  - Providing training and human resources supports
  - Looking into deploying loan consultation counters
- **Currently in negotiation to sign additional MOUs with real estate companies**

Anticipates to gain more share in the home mortgage market by promoting mortgage refinancing and the diversification of sales channels

## ● FLAT35 Interest Rates Trends



### • Increasing demand for refinancing under fixed rate mortgages due to declining interest rates

→ SBI Mortgage to gain more share in the home mortgage market after 2Q12 by promoting marketing and advertisement on refinancing under fixed rate mortgages

## ● SBI Mortgage Channel Strategy

- Expanding franchises through MOU with real estate companies
- Targets to expand the number of SBI Money Plaza to 500
- Providing supports to existing and new franchise owners

< SBI Group Money Plaza Business Model >

### SBI Group Affiliates



(Currently operating 283 SBI Money Plazas in Japan)

Asset Management

Insurance

Home Mortgage

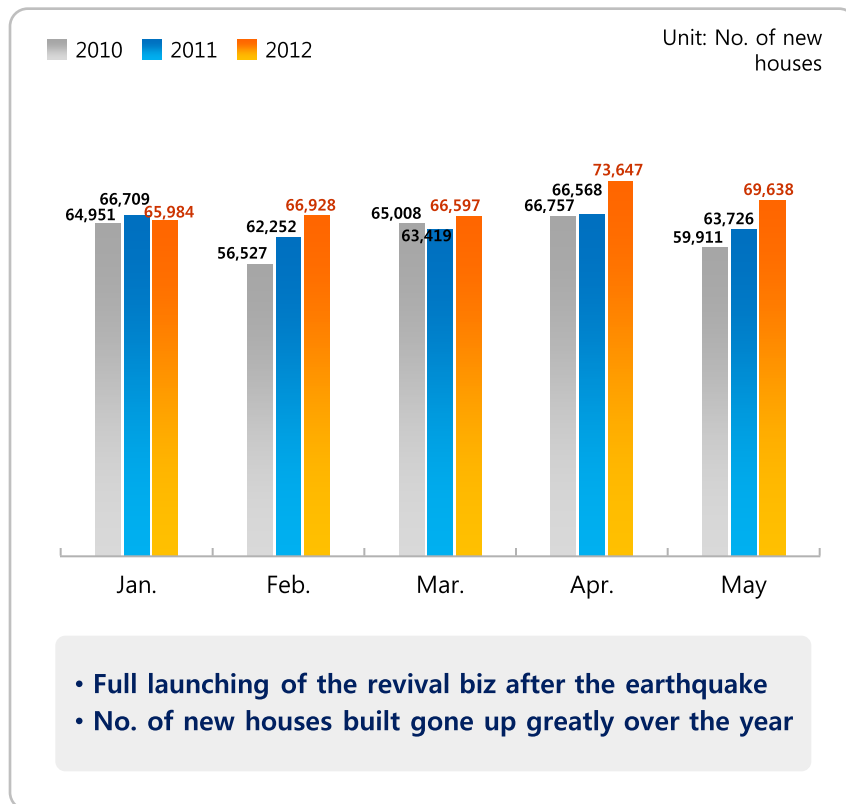
- Providing various training courses for franchises
- Promoting 'Cross Sells' (securities, insurances, mortgages)

**'Aims to expand the no. of SBI Money Plaza to 500'**

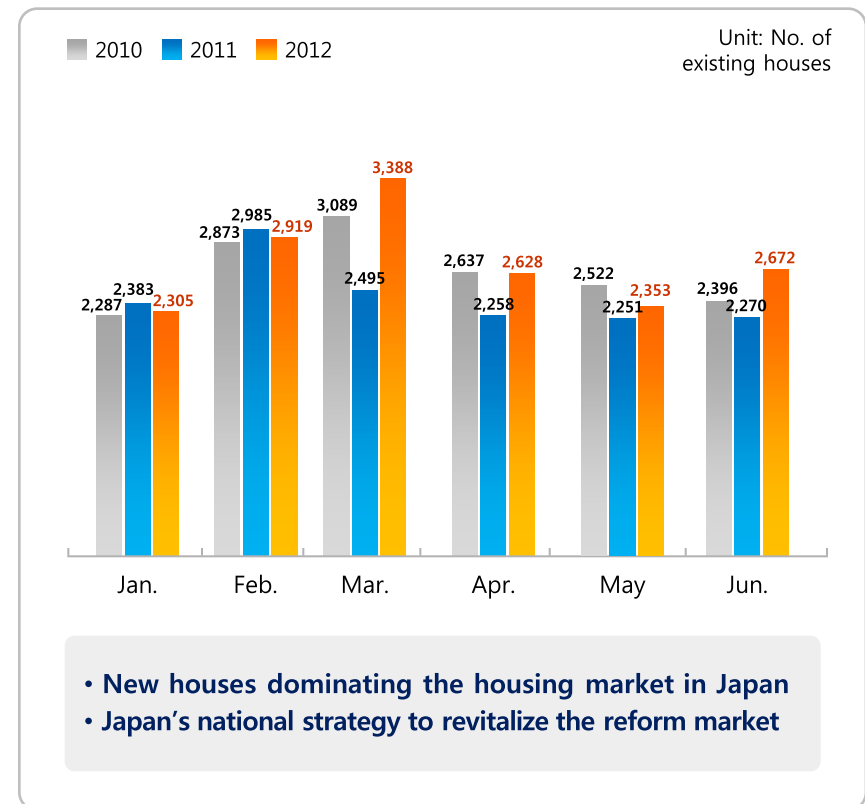
# 09 Status of the Japanese Housing Market

Japan's new & existing housing markets in 2012 to recover to the pre-earthquake level in 2010;  
Government-led revitalization initiatives to stimulate the reform market

## ● Monthly No. of New Houses Built



## ● Monthly No. of Existing Houses Sold (Capital Area)



# SBI Mortgage



## II. SBI Mortgage's Progress in the Korean Mortgage Market

1. Housing Finance Market in Korea (1), (2)
2. SBI Mortgage's Progress in Korea

# 01 Housing Finance Market in Korea (1)

## The Korean government's introduction of 'Conforming Loans' as a solution to stabilize the housing finance market in Korea

### FSS's Household Debts Soft-Landing Plan (2011.06.29)

- Korea's household debt amounts to 801.3952 trln Won (As of the end of March 2011)
- Variable rate mortgage accounts for 95% (Fixed 5%)

Plans to increase the percentage of fixed rate mortgages to 30% by 2016

Source: Korea Housing Finance Corporation (KHFC)

### Conforming Loan Overview

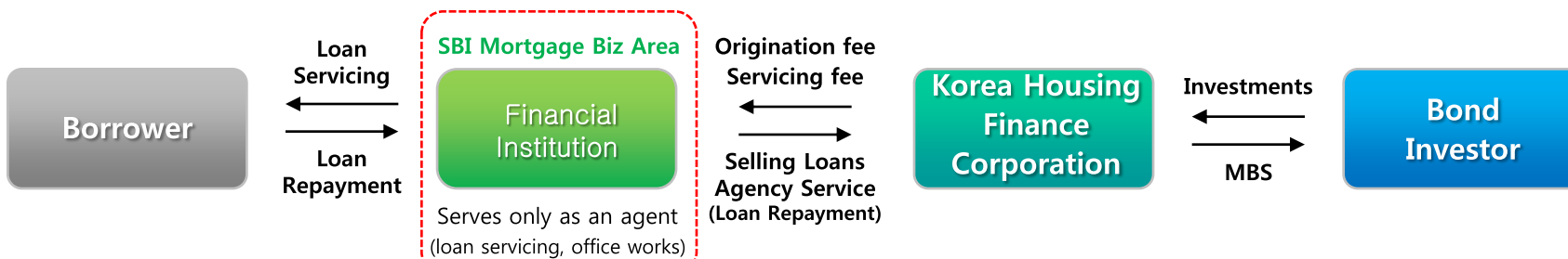
"The introduction of **securitization-purpose conforming loans** that conform to the **guidelines** of the Korea Housing Finance Corporation to secure funds for **long-term fixed rate mortgages**"

U.S.  
Freddie Mac  
Fannie Mae  
Mortgages

Japan  
Flat35

Introduction of the loan securitization as in the U.S. and in Japan

### Conforming Loan Securitization & MBS Issuance Processes



# 01 Housing Finance Market in Korea (2)

The conforming loan market expanding rapidly on the back of the securitization of mortgages;  
The outstanding sales of conforming loans reaching 2.097 trillion Won as of June 2012

## ● Conforming Loan Servicers in Korea



- Started sales in March 2012
- Total Serviced Loans 1.8517 trln Won
- Interest Rate: 4.44%~4.54%(10YR)



- Started sales in March 2012
- Total Serviced Loans 0.2274 trln Won
- Interest Rate: 4.55%(10YR)



- Signed a MOU in May 2012
- Interest Rate: 4.67%~4.77%(10YR)



- Signed a MOU in May 2012
- Interest Rate: 4.65%~4.9%(10YR)



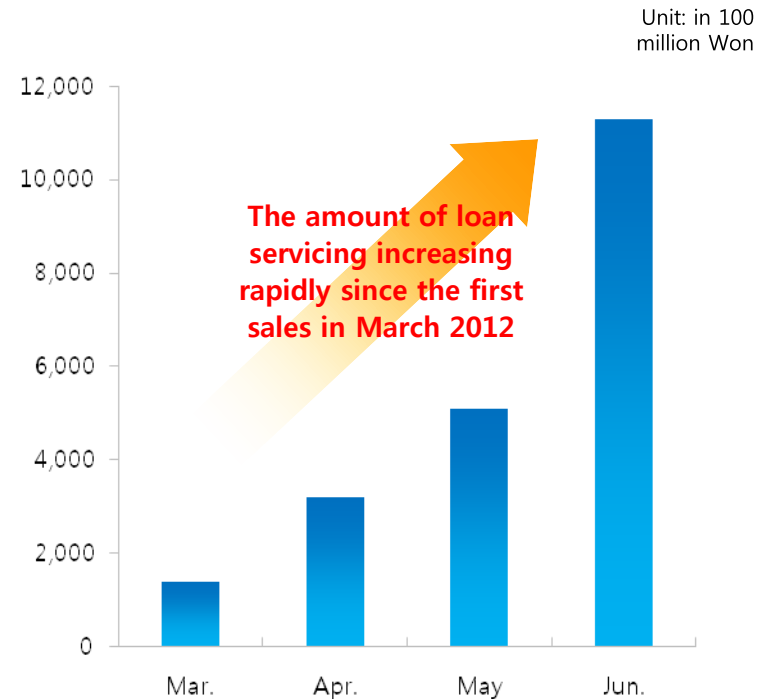
- Signed a MOU in June 2012



- Preparing to launch conforming loans

**“Many financial institutions are signing MOUs with the KHFC to enter the market”**

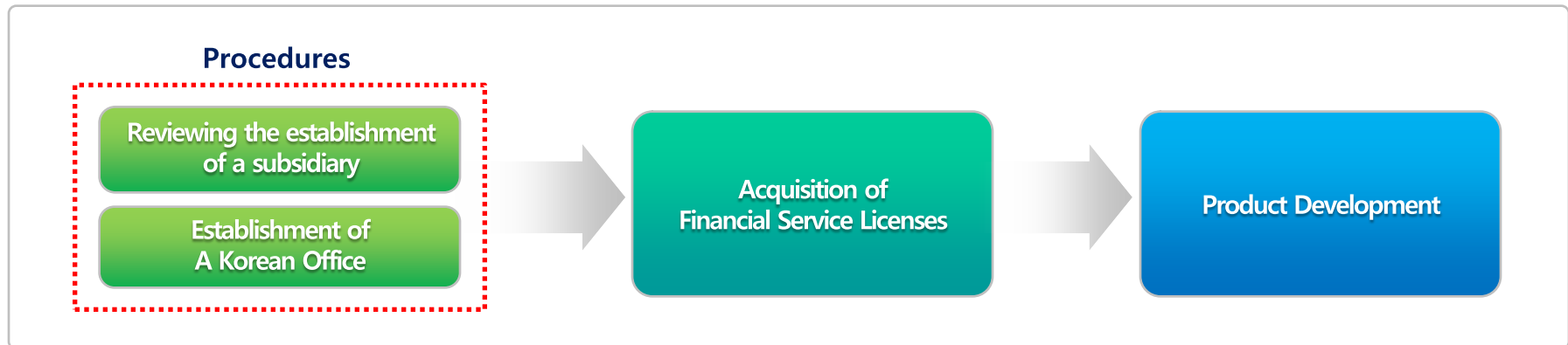
## ● Conforming Loan Servicing Results



## Approved a BOD resolution to establish a subsidiary in Korea; Plans to establish a Korean subsidiary by mid-August 2012

- A positive market sentiment in Korea supported by the rapid growth of the KHFC's conforming loan market
- Plans to make an entry into the Korean market by leveraging know-how in servicing FLAT35 loans in Japan

### ● SBI Mortgage's Progress in the Korean Market



### ● Board of Directors Resolutions on July 25 & Future Plans

#### Held a BOD Meeting on July 25, 2012

- A resolution to establish a subsidiary in Korea
- Full launching of the mortgage business in Korea

#### Future Plans

- Currently hiring Korean staffs to manage the biz in Korea
- Establish a subsidiary and an office in Korea



# SBI Mortgage



## Appendix

---

1. Statement of Financial Position
2. Statement of Income

### ● Statement of Financial Position

<Korean Won>

<Japanese Yen>

in million Won

Accounts	FY2012 1Q (‘12.04~‘12.06)	FY2011 (‘11.04~‘12.03)	FY2010 (‘10.04~‘11.03)	FY2009 (‘09.04~‘10.03)
Cash & cash equivalents	101,940	131,901	99,809	19,130
Loan Obligation	939,988	967,368	848,908	883,175
Subordinated beneficiary certificates	13,743	13,377	15,903	17,723
Other assets	81,100	148,995	66,729	72,162
<b>Total assets</b>	<b>1,136,771</b>	<b>1,261,641</b>	<b>1,031,349</b>	<b>992,190</b>
Borrowings	850,912	1,027,278	822,856	850,138
Other liabilities	88,234	70,105	73,448	43,003
<b>Total liabilities</b>	<b>939,146</b>	<b>1,097,383</b>	<b>896,304</b>	<b>893,141</b>
Paid-in capital	116,085	85,474	82,450	75,380
Retained earnings	81,540	78,785	51,675	24,709
Foreign currency translation adjustment	-	-	919	-1,041
<b>Total shareholders' equity</b>	<b>197,625</b>	<b>164,259</b>	<b>135,044</b>	<b>99,048</b>

in million Yen

Accounts	FY2012 1Q (‘12.04~‘12.06)	FY2011 (‘11.04~‘12.03)	FY2010 (‘10.04~‘11.03)	FY2009 (‘09.04~‘10.03)
Cash & cash equivalents	7,012	9,553	7,494	1,571
Loan Obligation	64,658	70,062	63,737	72,529
Subordinated beneficiary certificates	945	969	1,194	1,455
Other assets	5,579	10,790	5,010	5,926
<b>Total assets</b>	<b>78,194</b>	<b>91,374</b>	<b>77,435</b>	<b>81,482</b>
Borrowings	58,531	74,401	61,781	69,816
Other liabilities	6,069	5,077	5,515	3,532
<b>Total liabilities</b>	<b>64,600</b>	<b>79,478</b>	<b>67,296</b>	<b>73,348</b>
Paid-in capital	7,985	6,190	6,190	6,190
Retained earnings	5,609	5,706	3,949	1,944
Foreign currency translation adjustment	-	-	-	-
<b>Total shareholders' equity</b>	<b>13,594</b>	<b>11,896</b>	<b>10,139</b>	<b>8,134</b>

## ● Statement of Income

<Korean Won>

in million Won

Accounts	FY2012 1Q ('12.04~'12.06)	FY2011 (('11.04~'12.03)	FY2010 (('10.04~'11.03)	FY2009 (('09.04~'10.03)
Interest income	9,068	35,374	35,272	32,710
Interest expense	5,194	21,012	22,597	23,362
<b>Net interest income</b>	<b>3,874</b>	<b>14,362</b>	<b>12,675</b>	<b>9,348</b>
Commission income	33,215	126,545	122,373	78,889
Commission expense	3,065	10,802	12,405	10,960
<b>Net commission income</b>	<b>30,150</b>	<b>115,742</b>	<b>109,968</b>	<b>67,928</b>
<b>Net operating income</b>	<b>34,024</b>	<b>130,104</b>	<b>122,643</b>	<b>77,276</b>
Labor costs	5,495	20,835	15,405	10,189
Payment commission	13,607	47,160	43,887	28,493
Others	5,921	18,934	17,847	13,312
<b>Income before taxes</b>	<b>9,000</b>	<b>43,176</b>	<b>45,504</b>	<b>25,282</b>
Income tax expense	3,438	18,447	18,538	10,297
<b>Net income</b>	<b>5,562</b>	<b>24,728</b>	<b>26,966</b>	<b>14,985</b>

<Japanese Yen>

in million Yen

Accounts	FY2012 1Q (('12.04~'12.06)	FY2011 (('11.04~'12.03)	FY2010 (('10.04~'11.03)	FY2009 (('09.04~'10.03)
Interest income	631	2,514	2,623	2,509
Interest expense	361	1,493	1,680	1,792
<b>Net interest income</b>	<b>270</b>	<b>1,021</b>	<b>942</b>	<b>717</b>
Commission income	2,312	8,992	9,099	6,052
Commission expense	213	768	922	841
<b>Net commission income</b>	<b>2,098</b>	<b>8,224</b>	<b>8,177</b>	<b>5,211</b>
<b>Net operating income</b>	<b>2,368</b>	<b>9,245</b>	<b>9,119</b>	<b>5,928</b>
Labor costs	382	1,480	1,145	782
Payment commission	947	3,351	3,263	2,186
Others	412	1,345	1,327	1,021
<b>Income before taxes</b>	<b>626</b>	<b>3,068</b>	<b>3,384</b>	<b>1,940</b>
Income tax expense	239	1,311	1,378	790
<b>Net income</b>	<b>387</b>	<b>1,757</b>	<b>2,005</b>	<b>1,150</b>