



SURUGA bank

Meeting the Challenge of New Banking

To a higher stage of new banking

Presentation to investors on interim period ended September 30, 2007

Suruga bank Ltd.

November 30, 2007



Japan – Reaching a Turning Point

From an Expanding to a **Shrinking Society**

From a Centralized to a **Decentralized Structure**

From a Development To a **Recovery Policy**

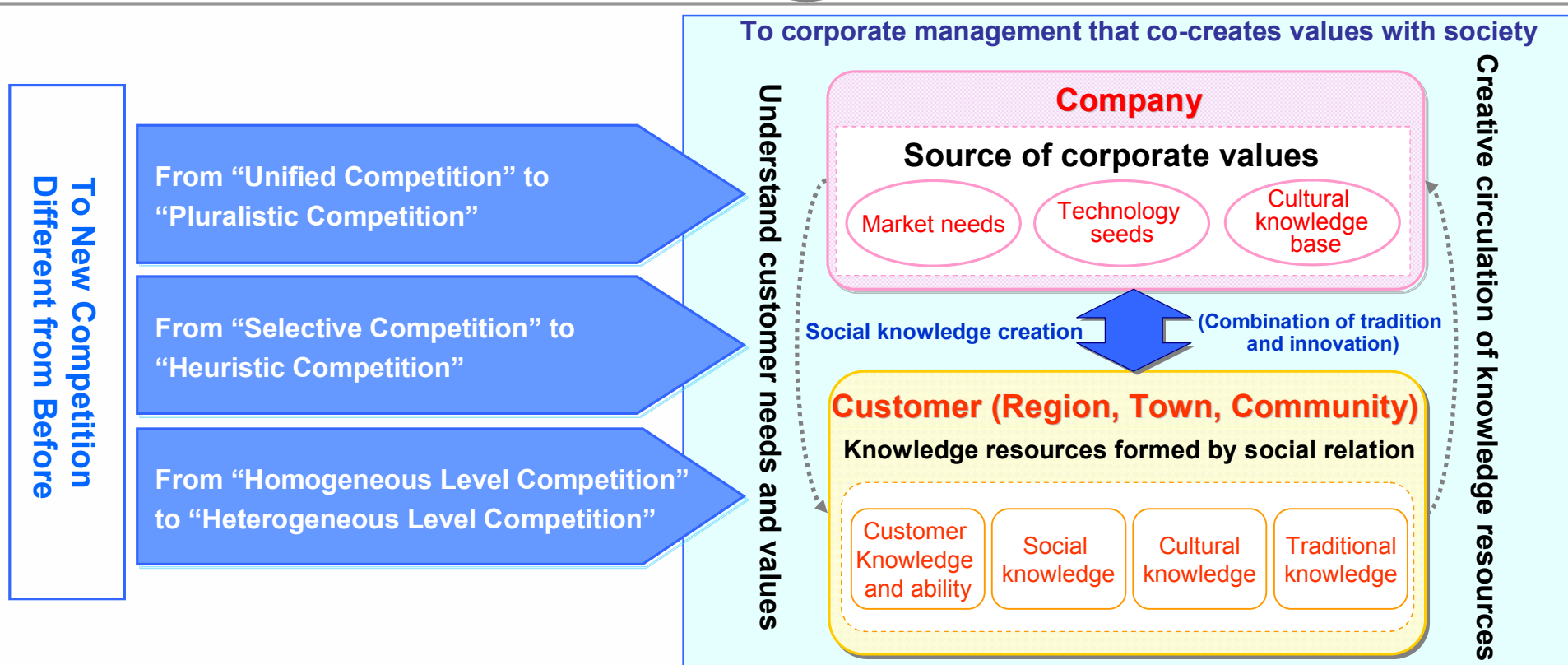
From Global Standard to **Unique Culture**

From Prioritizing Production to **Prioritizing Life**

From a Material to an **Information Economy**

From an attitude of Respecting Bureaucrats and Looking Down on the Public to a Recognition of **Popular Sovereignty**

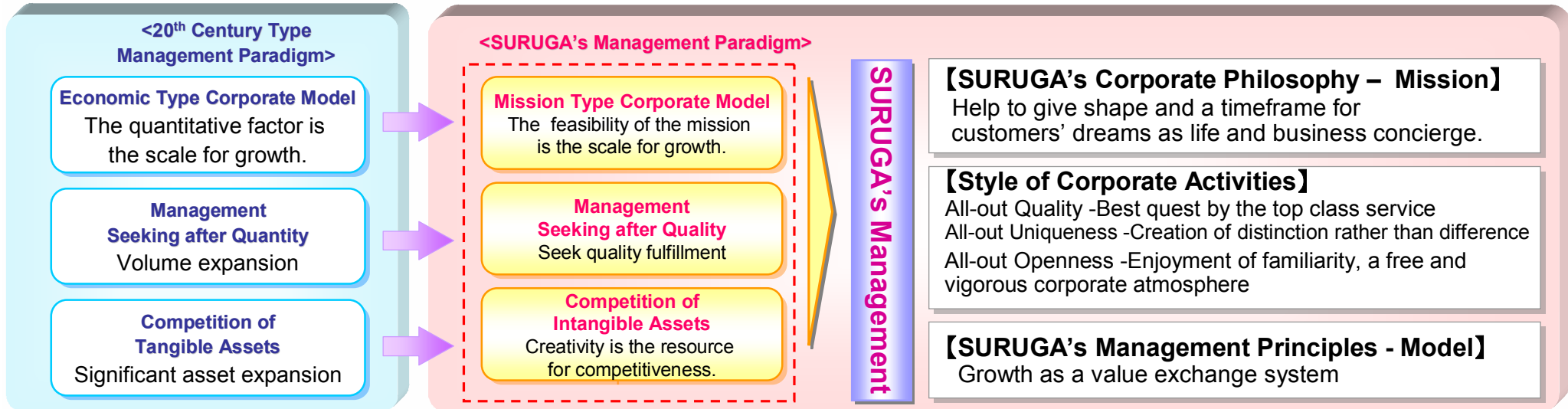
Changes in Corporate Management



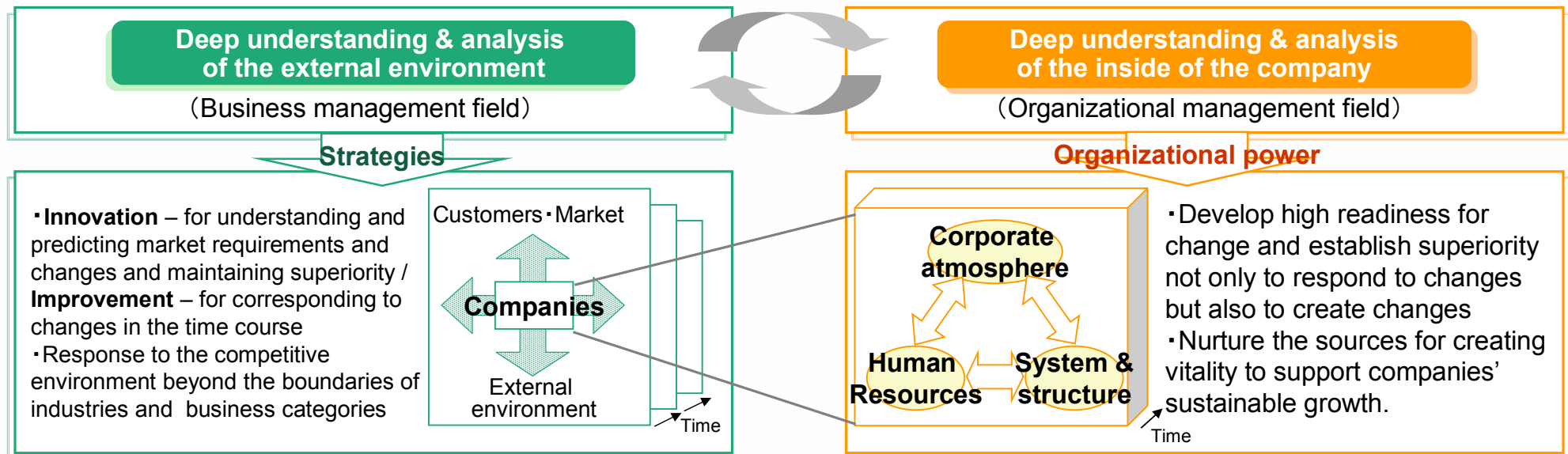
Required to respond sincerely to future expectations of the entire society, and realize unique value creation.



Shift of Management Paradigm



Management that SURUGA Aims at





Major markets

Direct bank

There are enough areas to be cultivated.

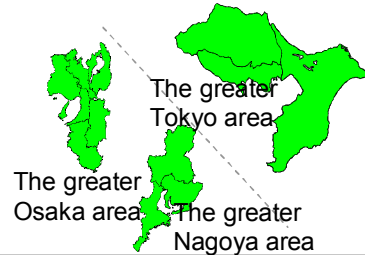


Real network

Japan Post Group's network with approx 24,000 branches nationwide

The greater Tokyo, Nagoya and Osaka area

Evolving into a more attractive market



Biggest market expected to increase as a center of society and economy.

In a market with increasing competition, market segments and "high added value" strategies are the key.

Kanagawa area

Expected to continue growing in the future

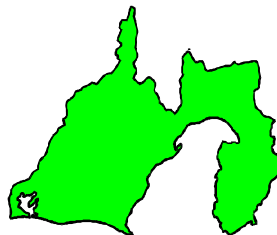


This is a growing area with the characteristics of both a "city" and a "local region."

Deployment of unique strategies in Yokohama, Shonan, Keno, and Odawara

Shizuoka area

Attractive as a mature market area



An attractive market with high maturity located between the greater Tokyo and Nagoya areas.

Facilitate "customer bonding" and improve operational effectiveness at the same time for the further growth.

5 core businesses

Mortgage loans

Personal loans

Credit cards

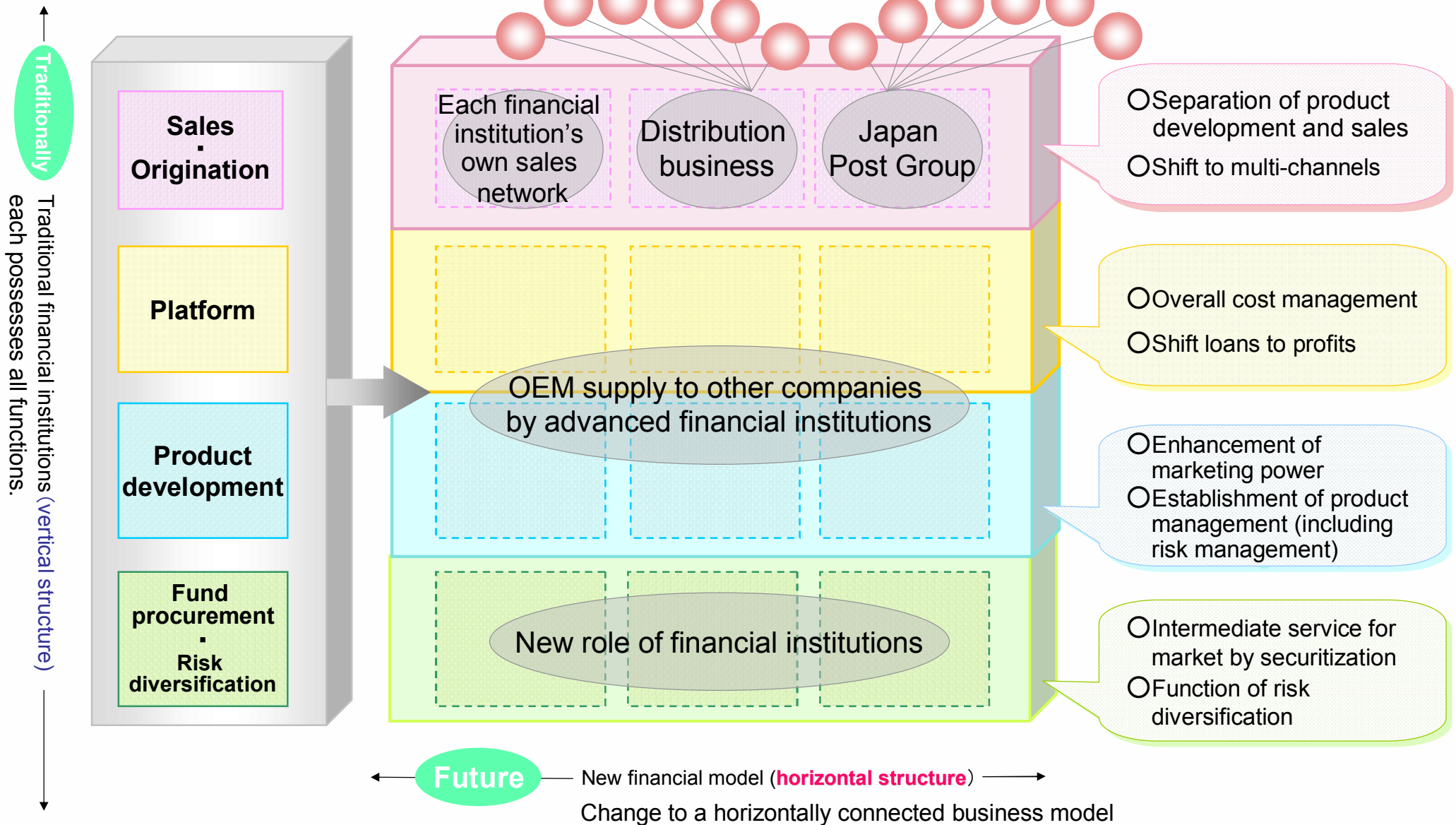
Wealth management products

SME loans

Effective assignment of management resources

Financial Unbundling - Vertical to Horizontal SURUGA bank

Concept of Horizontal Business Model



In order to establish a consumer loan business that both contributes to the national economy and is convenient to a wide range of customers nationwide through the development of effective financial products and services, SURUGA agreed on a policy to advance consultations aimed at realizing business cooperation with Japan Post Holdings Co., Ltd.

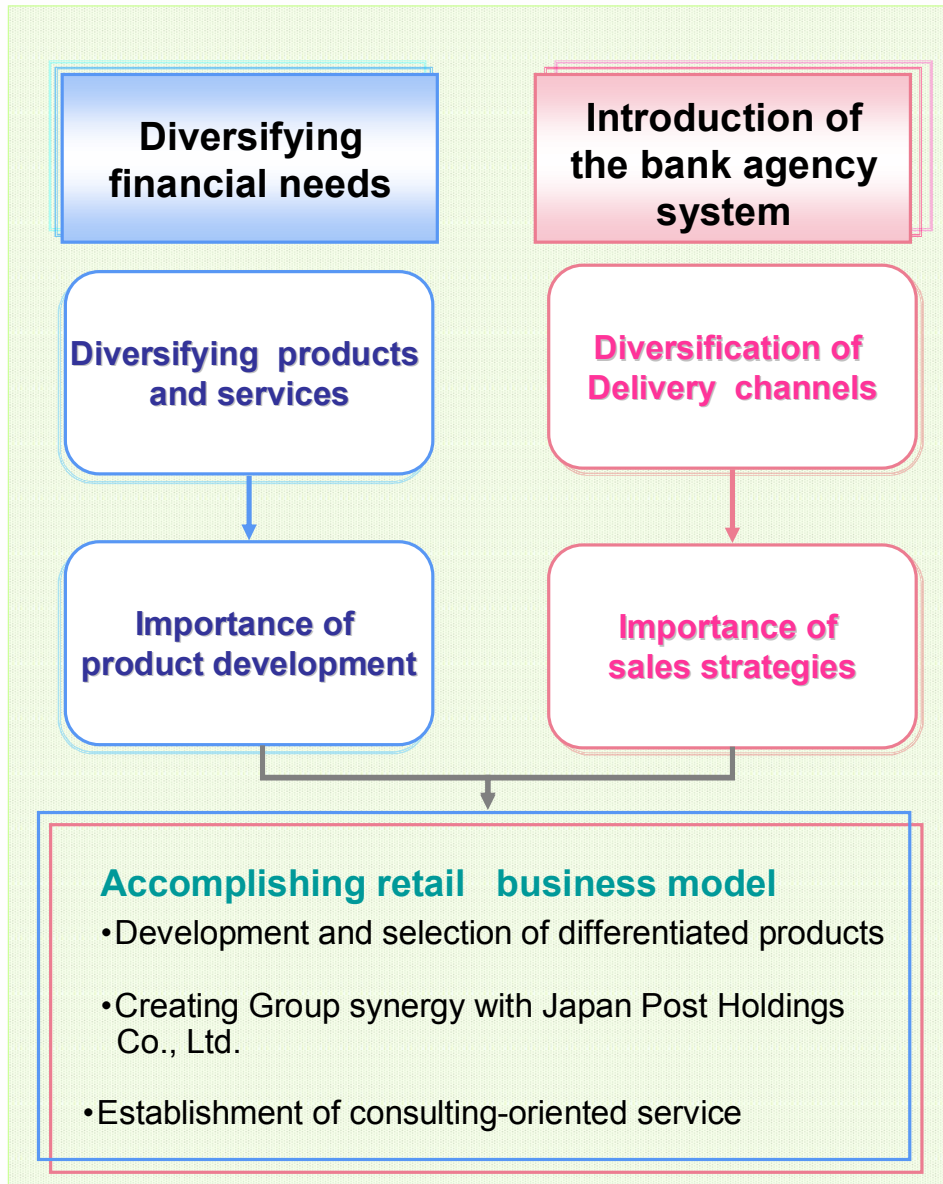
SURUGA will consider a wide range of business cooperation throughout the consumer loan business by working on market development of new consumer loans by selling SURUGA products through Japan Post Group network, providing support for the smooth commission of consumer loans through Japan Post Bank Co., Ltd. and cooperation required for future expansion of the consumer loan business by Japan Post Bank Co., Ltd.

Both SURUGA and Japan Post Holdings Co., Ltd. will promote the materialization of business models and project planning in close contact with one another, and establish a reliable and efficient business management system.

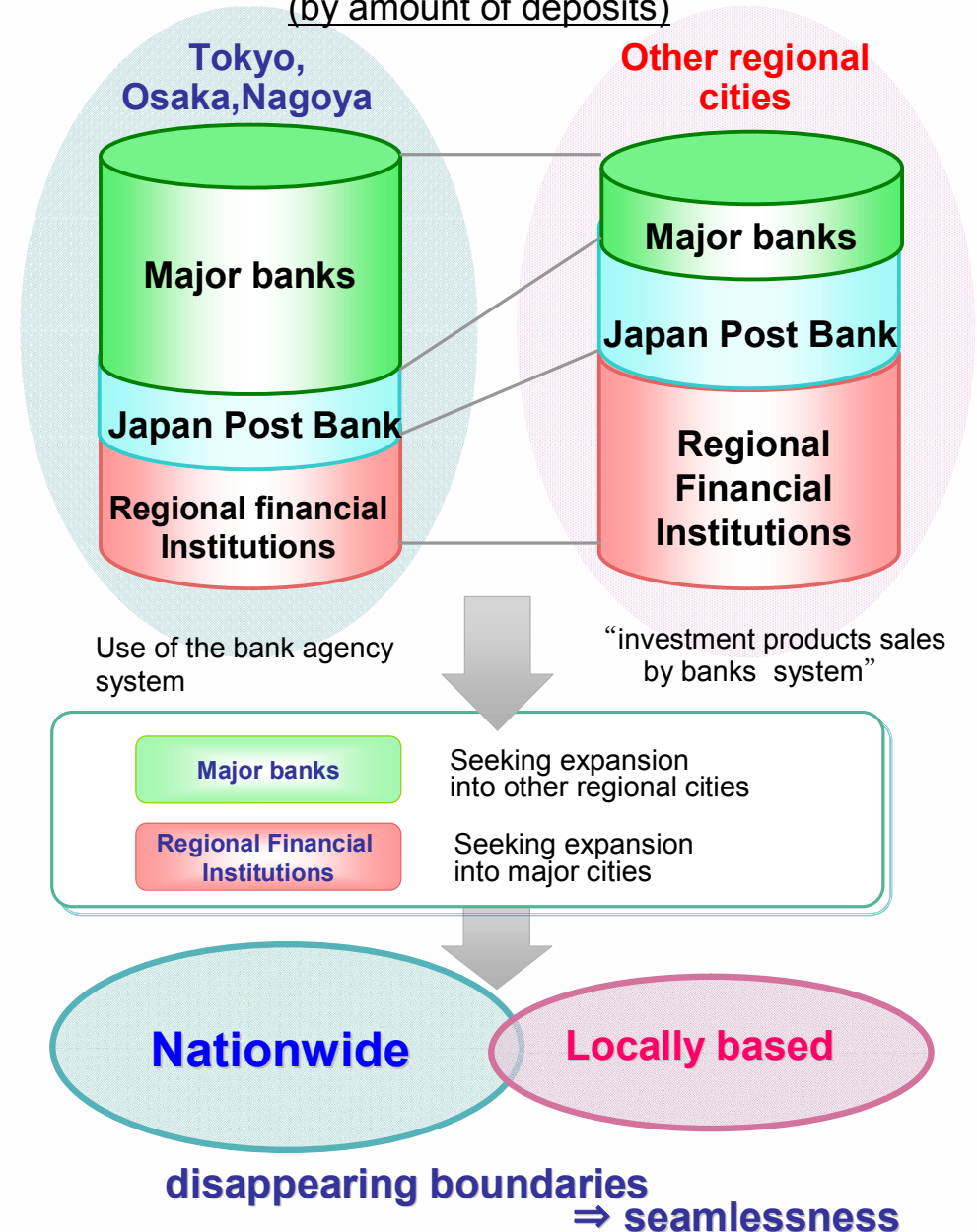


Business strategies of Japan Post Bank and the bank agency system

SURUGA bank



Competitive Landscape of financial institutions (by amount of deposits)

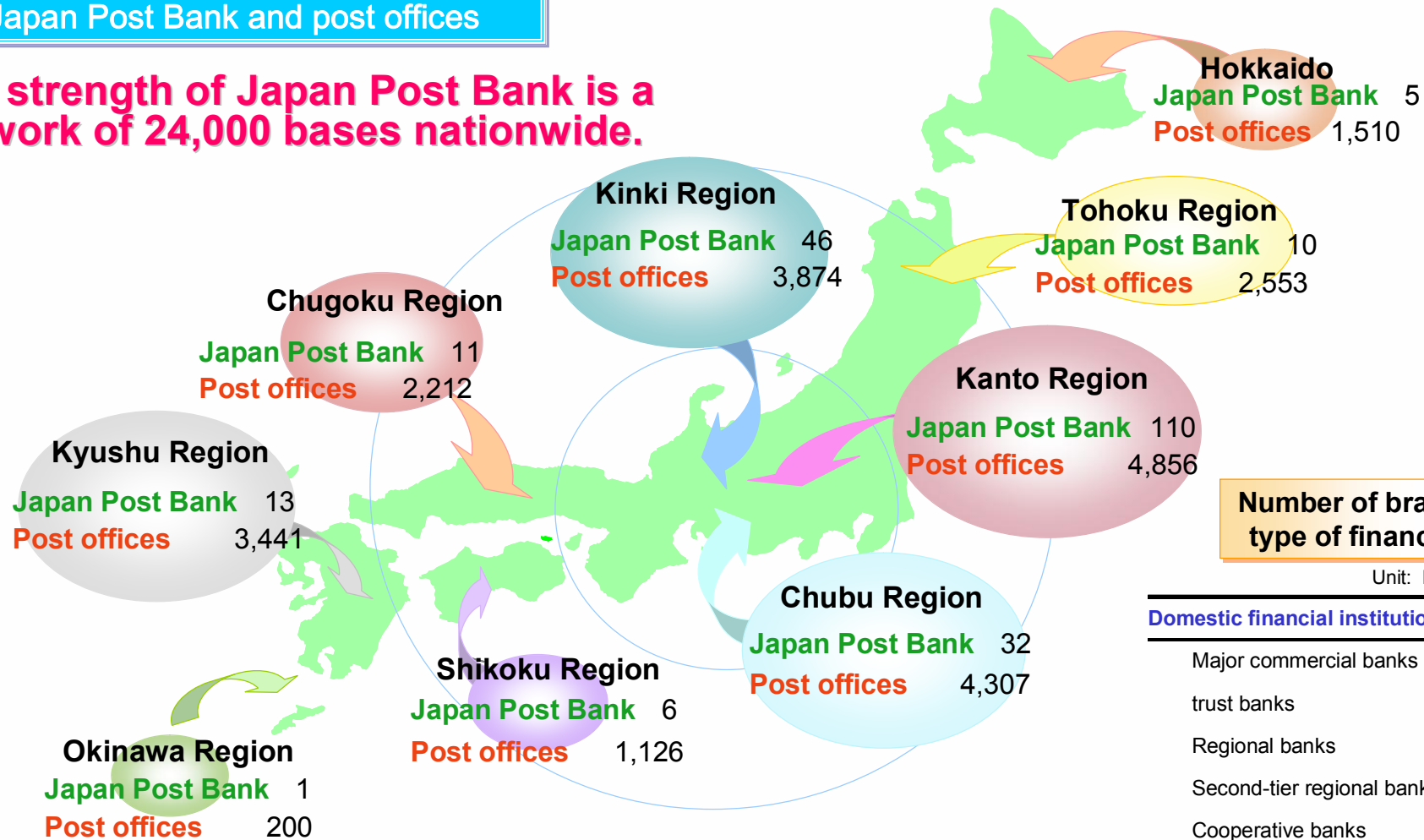




The Japan Post Network extends nationwide SURUGA bank

Number of branch offices of Japan Post Bank and post offices

The strength of Japan Post Bank is a network of 24,000 bases nationwide.



Number of branch offices by type of financial institution

Unit: Number of branches or offices

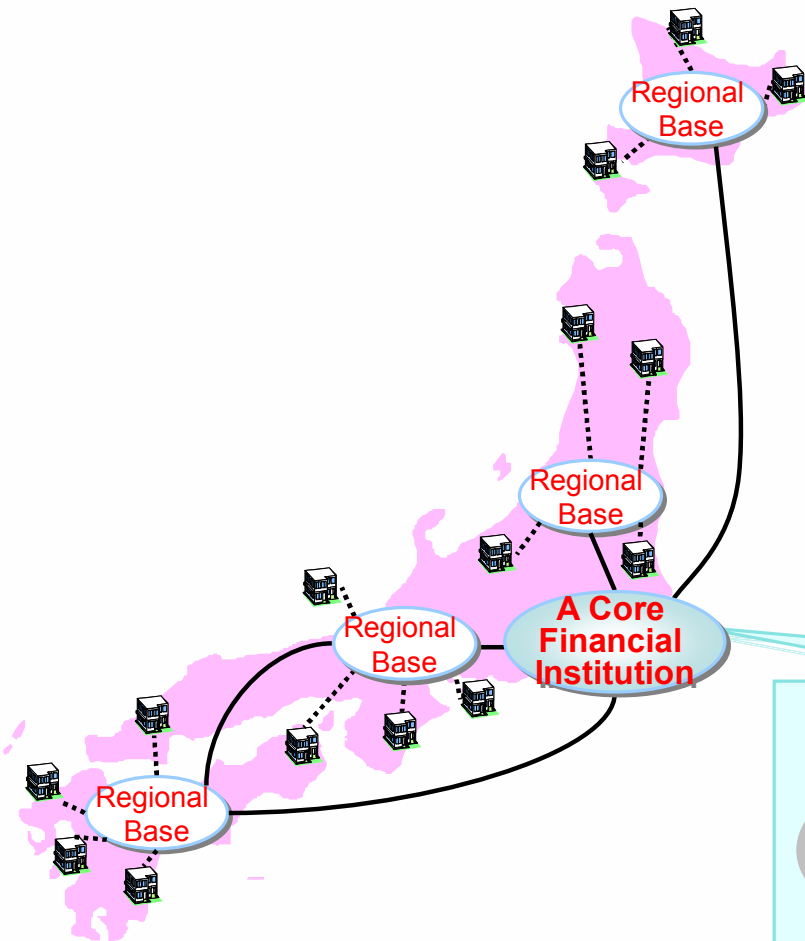
Domestic financial institutions	23,238
Major commercial banks	2,470
trust banks	294
Regional banks	7,484
Second-tier regional banks	3,312
Cooperative banks	7,777
Credit cooperatives	1,901
Japan Post Group	About 24,600
Direct branch offices of Japan Post Bank	234
Post offices	About 24,600

Note: Japan Post Bank directly operates 234 branch offices, but 152 of those (65%) are located in seven prefectures (Tokyo, Saitama, Chiba, Kanagawa, Aichi, Osaka, and Hyogo). Among the remaining 40 prefectures, 29 prefectures have two or fewer branch offices.

The numbers of domestic financial institutions are as of March 31, 2006. The number of post offices is as of March 31, 2007.

Three Partial Mesh Models

"Partial Mesh" is a model that connects core bases with important bases in a full mesh scheme, and with other bases (satellites) by hub and spoke.



Core Initiative Type

Product Development Function Model

In this model, a core financial institution is in charge of product development function, and several other financial institutions around the core institution form a network of financial distributors.

Agency Type Model

In this model, financial institutions with customer databases become agencies and are positioned as retailers that control the customer databases.

Satellite Initiative Type

Satellite Initiative Type Model

In this model, financial institutions with strong brand power link several core financial institutions with a wide variety of strengths at multiple levels against a unique and strong background of customer acquisition.

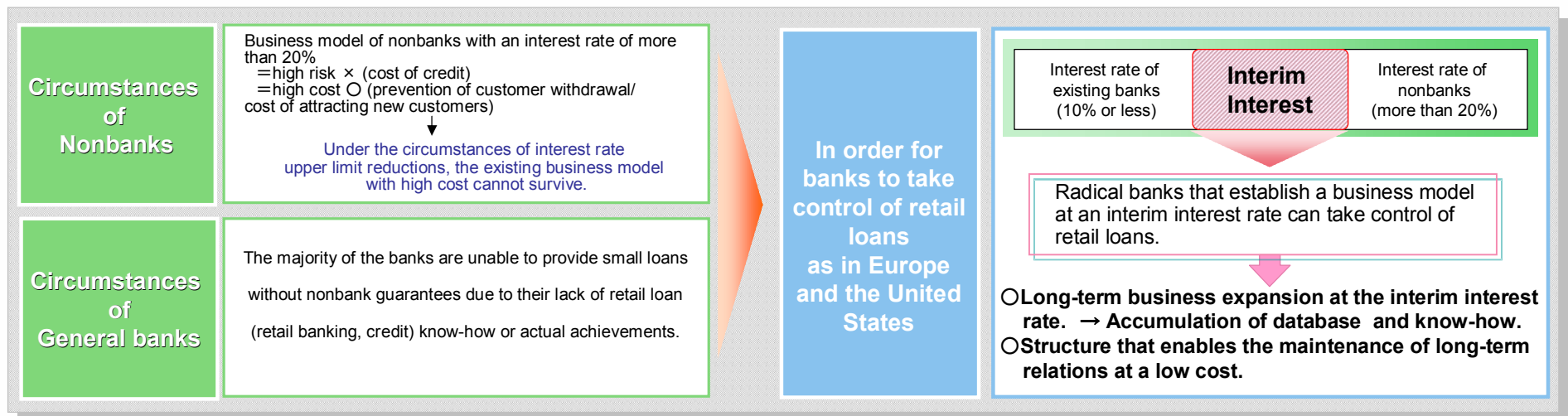
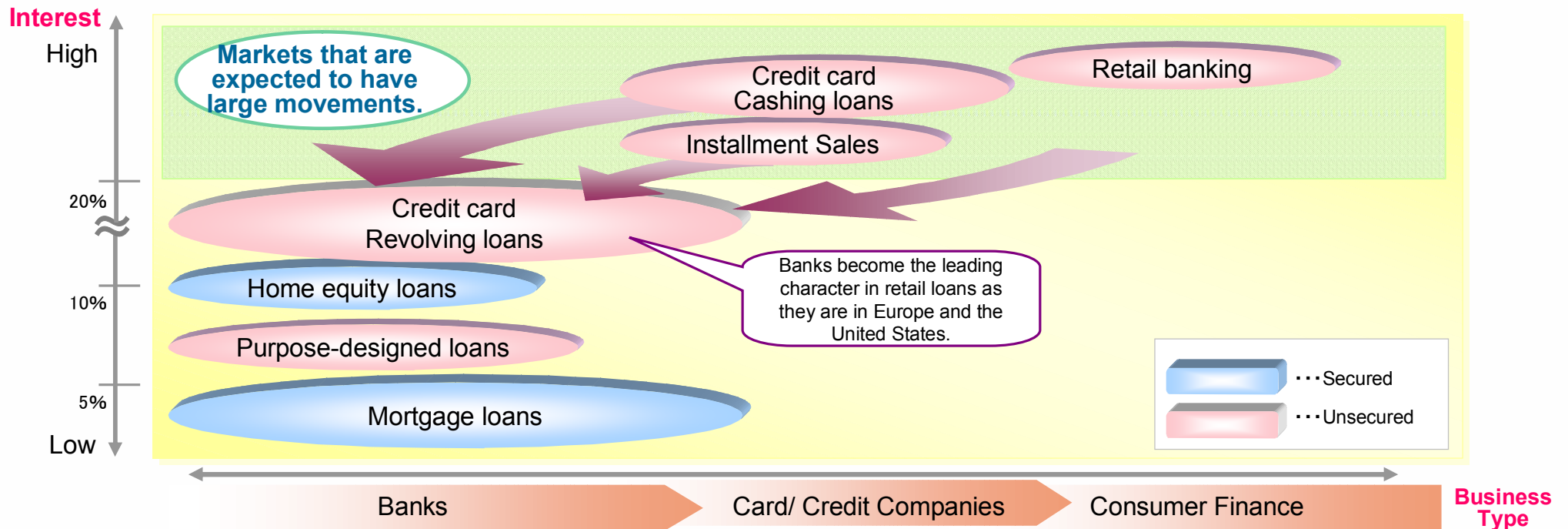
Seek after only a simple quantitative Expansion (number of branches and amount of funds, etc.)

It is required to utilize strength as a product supplier, and establish a business model that creates a Win-Win relationship through cooperative business with business owners that have strong customer networks.



Consumer Loan Market Structure and Strategies SURUGA bank

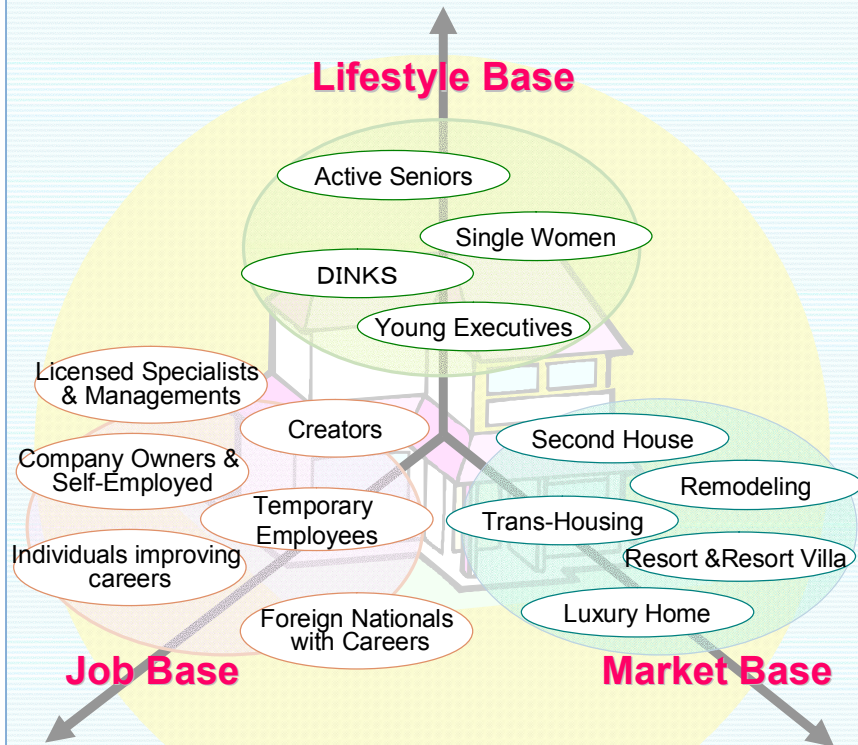
Small loans will be offered through banks from now.





Risk analysis and customized model input by highly detailed customer segment

Multidirectional & Multilateral Mortgage Loan Bases



Detailed segmentation of customers by lifestyles and work styles from multidirectional and multilateral points of view.

SURUGA Type Customized Products

SURUGA's unique mortgage loans focusing on a variety of values through a deep understanding of customer life and work styles

A great potential by detailed segmentation



Loan Products Model

- Self-Employment Model
- Active Senior's Model
- Doctor's Model
- Lady's Model, etc.

Establishment of Credit Model

Accumulating data in the credit system

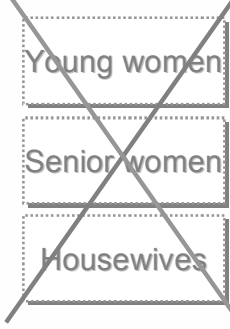
- Pricing
- Credit Screening
- Marketing
- Risk Control



Help shape women's dreams
Start offering the Dream Style Series

Appearance of women creating new lifestyles

Traditional female segments



- Change of social environment
- Diversification of the sense of values
- Diversification of women's life and work styles
- Increase of positive women desiring fulfillment both at and away from work

Appropriate proposals based on new ideas and viewpoints that are different from the traditional styles, and based on individual needs, desires and lifestyles.

Dream Style Series now offered.

Line-up of products and services supporting the success of women

Dream Style Series – 1st product
(Started from August 2007)

Dream Style Mortgage Loan

「A secure mortgage loan with 「Happy Life Support」 to help active women who are moving ahead to realize their dreams in both lifestyles and medical care



SURUGA promotes the Pink Ribbon Campaign for Breast Cancer in Japan as an official supporter for the NPO J. POSH (Japan Pink-Ribbon of Smile and Happiness) by offering Dream Style mortgage Loan.

Support the Realization of a Sustainable Society
Collaboration with COJ

Social rules and awareness that have started changing

Society only requiring current comfort

Wasteful society increasing environmental load irresponsibly

To a society responsible for future generations

To a society maximally utilizing minimum environmental resources

Citizens and companies with environmental awareness have started moving on for the realization of a sustainable society.

Collaboration with Carbon Offset Japan (COJ)

COJ CARBON OFFSET JAPAN



SURUGA

SURUGA collaborates financially with COJ, the company supporting the action of citizens with environmental awareness through the concept and activities of carbon offset in order to realize a sustainable society.

**Japan's first mortgage loan based on the concept of carbon offset
Eco-friendly mortgage loan is scheduled to be offered in spring, 2008 in collaboration with COJ**

About Carbon Offset Japan (COJ)

Carbon Offset Japan, Intermediate Ltd.

Foundation: July 12th, 2007

Representative: Takejiro Sueyoshi (Special Advisor, United Nations Environment programme (UNEP))

Business Description: Information gathering and research regarding environmental protection/ Business regarding the reduction and offset of greenhouse emissions



Traditional concept of seniors

Realizing a steady post-retirement life by utilizing property they've gained

Living with a worry about property they've gained

Impossible to realize dreams

Living frugally after retirement

"Closed Style"

<SURUGA's Desire>

Hoping for the seniors to live a fulfilling second life by cleverly utilizing asset management and loans in this time of increased longevity!

Concept of "Golden Age"

Realizing a positive second life by utilizing property gained and loans in a balanced manner

Hope to live cheerfully and positively!

Hope to realize my dream!

Hope to live in my desired style !

"Extended Style"

Product line-up for the Golden Age generation



Dream Life Series to realize post-retirement dreams

The 1st product (Started from February 2006)

Home Acquisition

Dream Life Home Loan

Asset Management

Dream Life Plan 1

Resort/ Resort Villa

Dream Life Asset

The 2nd product (Started from March 2006)

Unsecured

Dream Life Plan 2

The 3rd product (Started from April 007)

Wealth Management Products

Dream Life Pension Time Deposit & Installment Savings

Dream Life Time Deposit

The 4th product (Will start from spring 2008)

Asset Management

Dream Life Support (Reverse Mortgage)

Product Lineup

Starting offering Trust by Will and Legacy Management by a bank

Started from September 2007

Responding to the desire of customers to pass down the precious legacies they have built up over a lifetime

Trust by Will

Legacy Management

Increase of needs regarding legacy management business

Three major worries of the elderly

1. Health

2. Inheritance

3. Pension

Status of Legacy Management Business at Financial Institutions throughout Japan

(Source: The Investment Trusts Association HP)

	Number of Storage of the Last Will and Testament			Legacy Management (Number Accepted)
	Storage Only	Execution Included	Total	
2003	9,407	34,246	43,653	2,119
2004	8,956	39,209	48,165	2,538
2005	8,436	44,272	52,708	2,862
2006	8,018	49,328	57,346	2,943



Alliance Strategies Based on the Concept of Separation of Product Development and Sales

SURUGA bank

Forefront Company

Collaboration of values utilizing strength

Enabler Company

Specialized in sales utilizing customer base

Possession of a large amount of customer ID

High market shares in specific fields

Various points of customer contact

Trusting brand power

Specialized in the flexible provision of products and services

High ability in planning and proposal making

Unique product development

Flexible system design

Flexible and speedy response

Subject company for collaboration with different industries

Internet banking branch office strategies based on the concept of financial OEM

SURUGA bank

NTT Communications Corporation



Members: Approx. 6 million
One of the largest internet providers

OCN branch

Fulfilling financial service limited to OCN members that increases Point Tokens in accordance with the use of the service.



Started from September, 2007

Realizing creation of new market and provision of SURUGA's unique values through the collaboration of different industries

G-Plan Inc.



Members: Approx. 1.45 million
One of the largest point utilization sites in Japan

Internet banking branch office G-Point club

Financial service limited to G Point members for saving G Points in accordance with the use of the service. Point integration is also available.



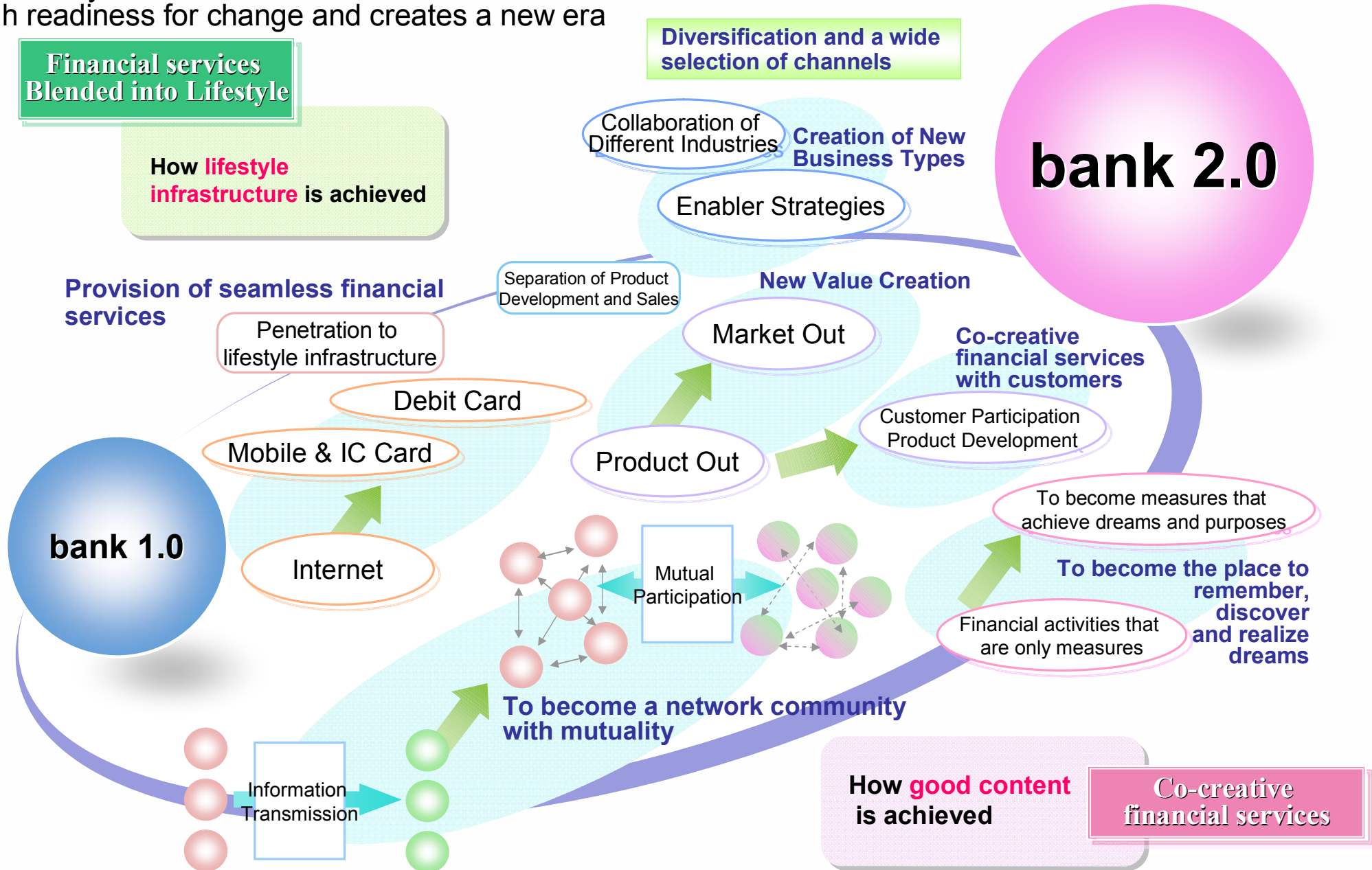
Started from September, 2007



“bank 2.0” – A New Form of Finance

SURUGA bank

“bank 2.0” by SURUGA takes hold of trends in advance with a high readiness for change and creates a new era

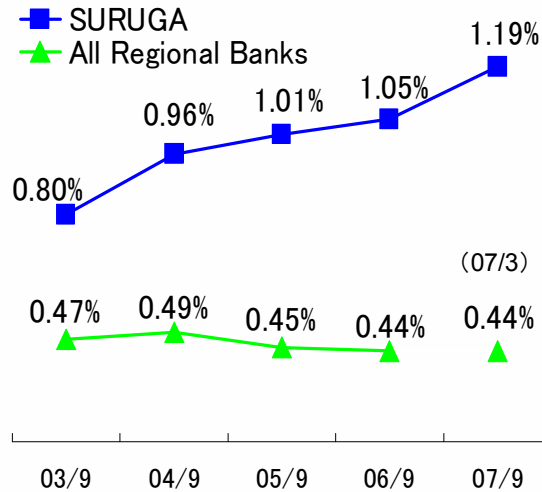




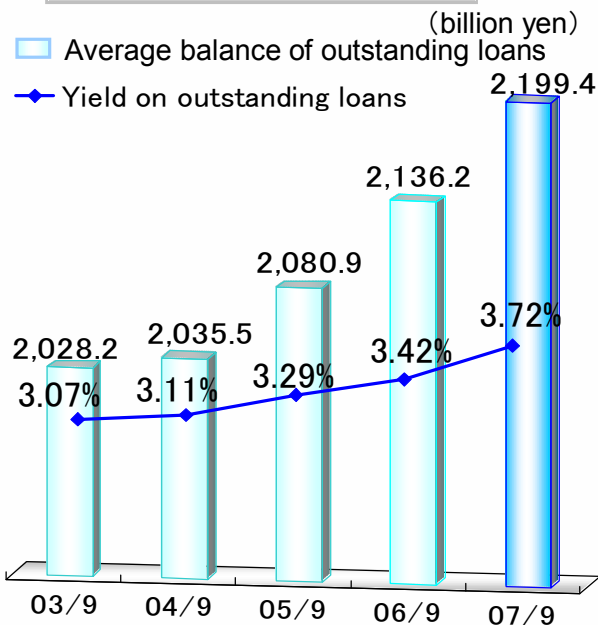
Interest Margins (Overall)

SURUGA bank

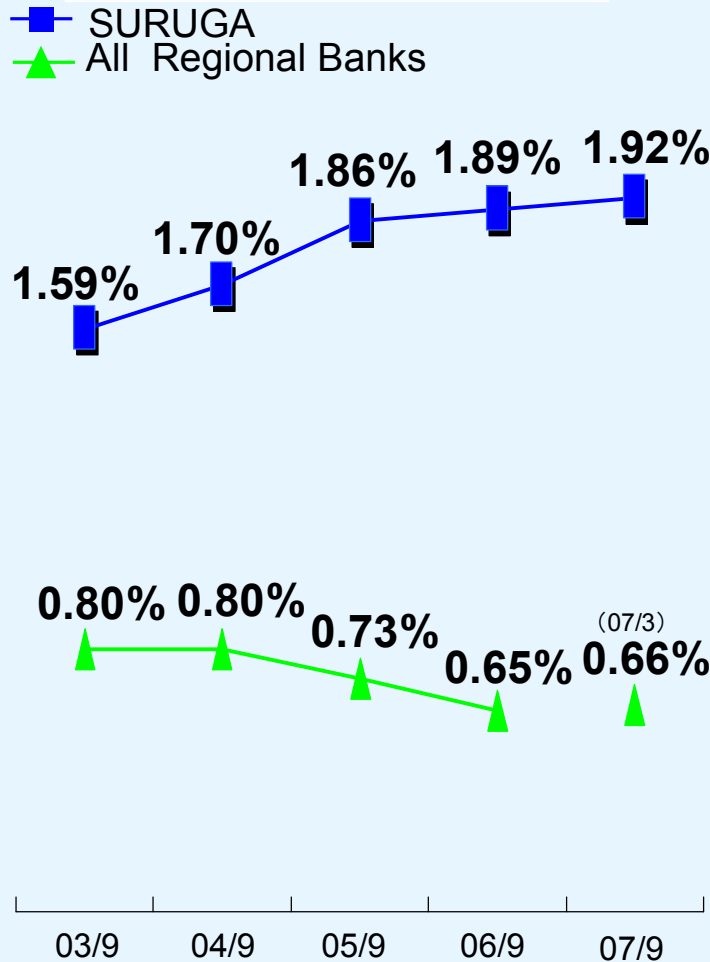
Net interest margin



Average balance and yield of outstanding loans

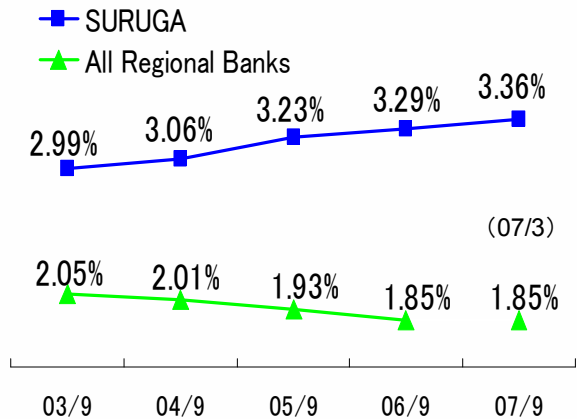


Loan-deposit margin



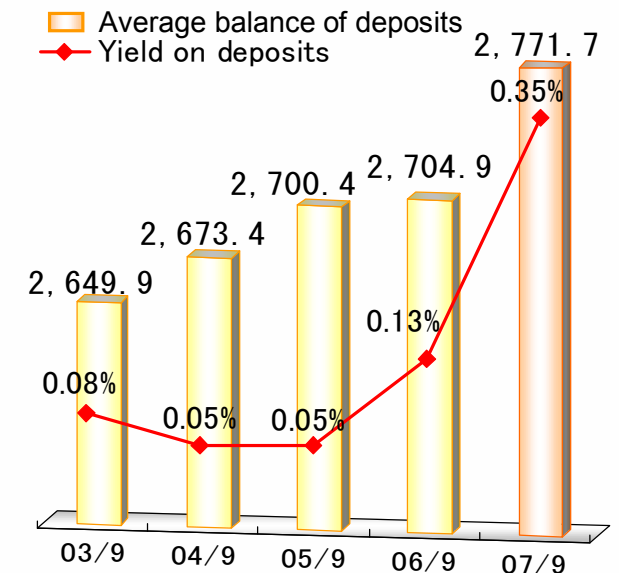
Loan-deposit margin

(Yield on outstanding loans - Yield on deposit)



Average balance and yield on deposits

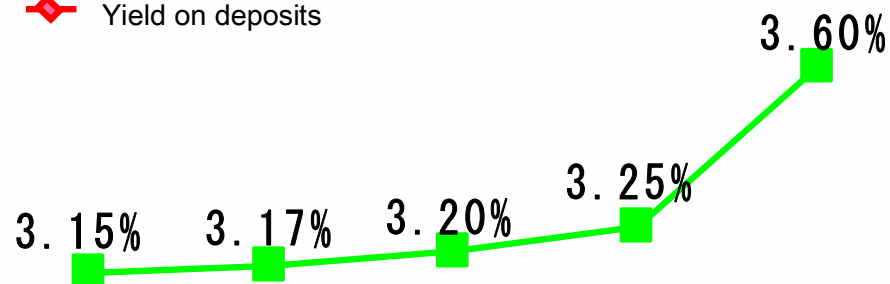
(billion yen)



(include negotiable certificates of deposit)

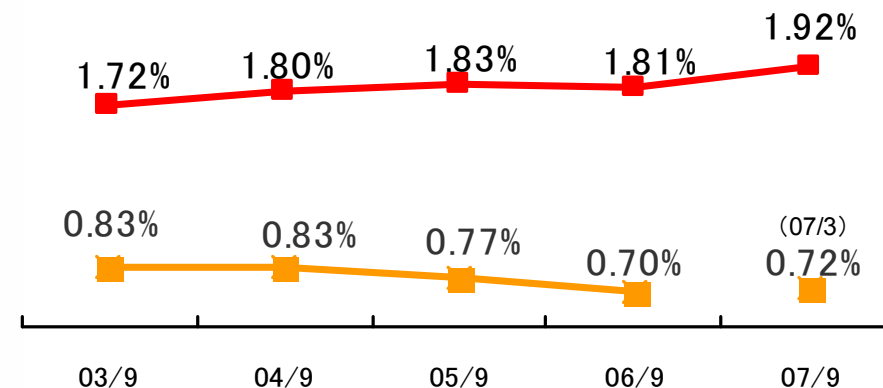
Yield · Expense ratio

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



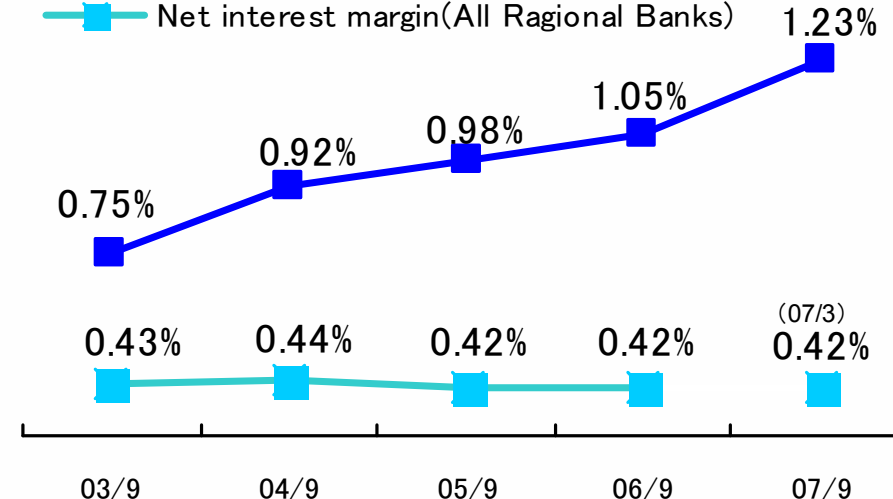
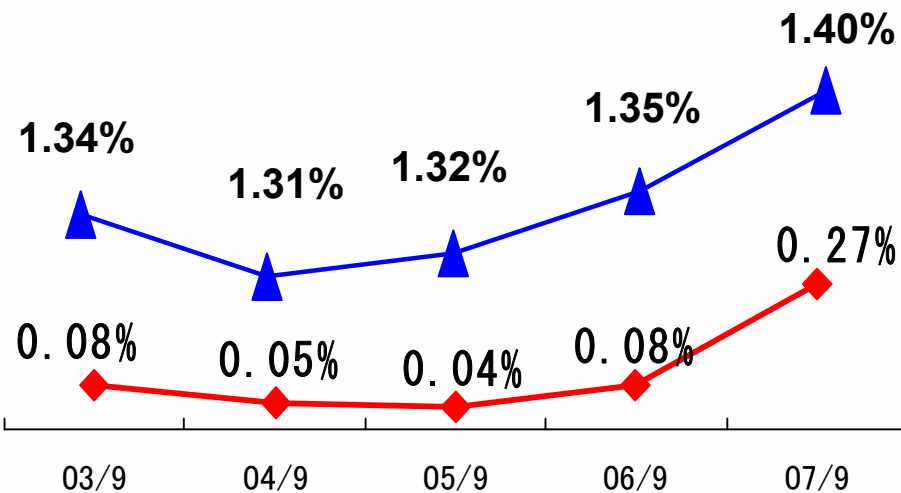
Loan-deposit

- Loan-deposit Margin
- Loan-deposit Margin(All Regional Banks)



Net interest margin

- Net interest margin
- Net interest margin(All Regional Banks)





Gross Operating and Yen loan-deposit income SURUGA bank

Gross Operating Income

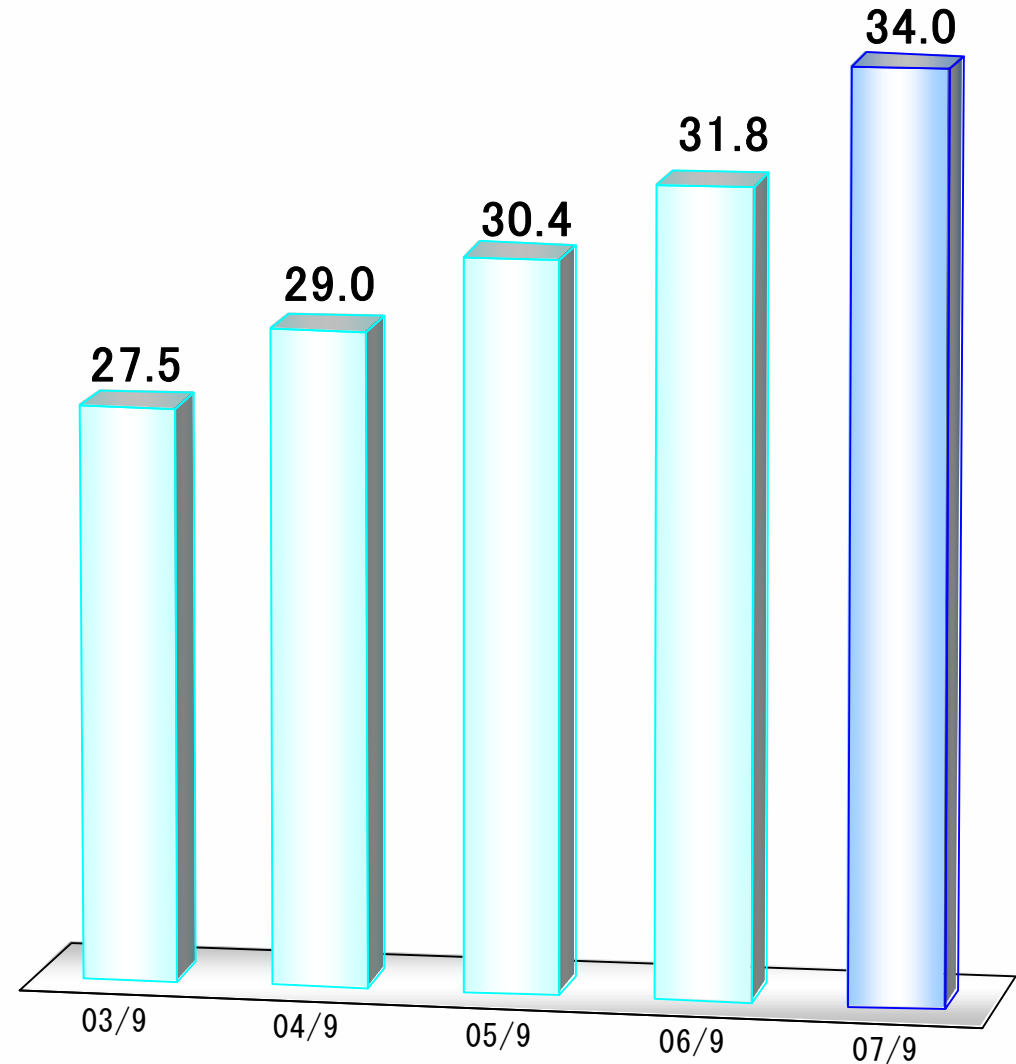
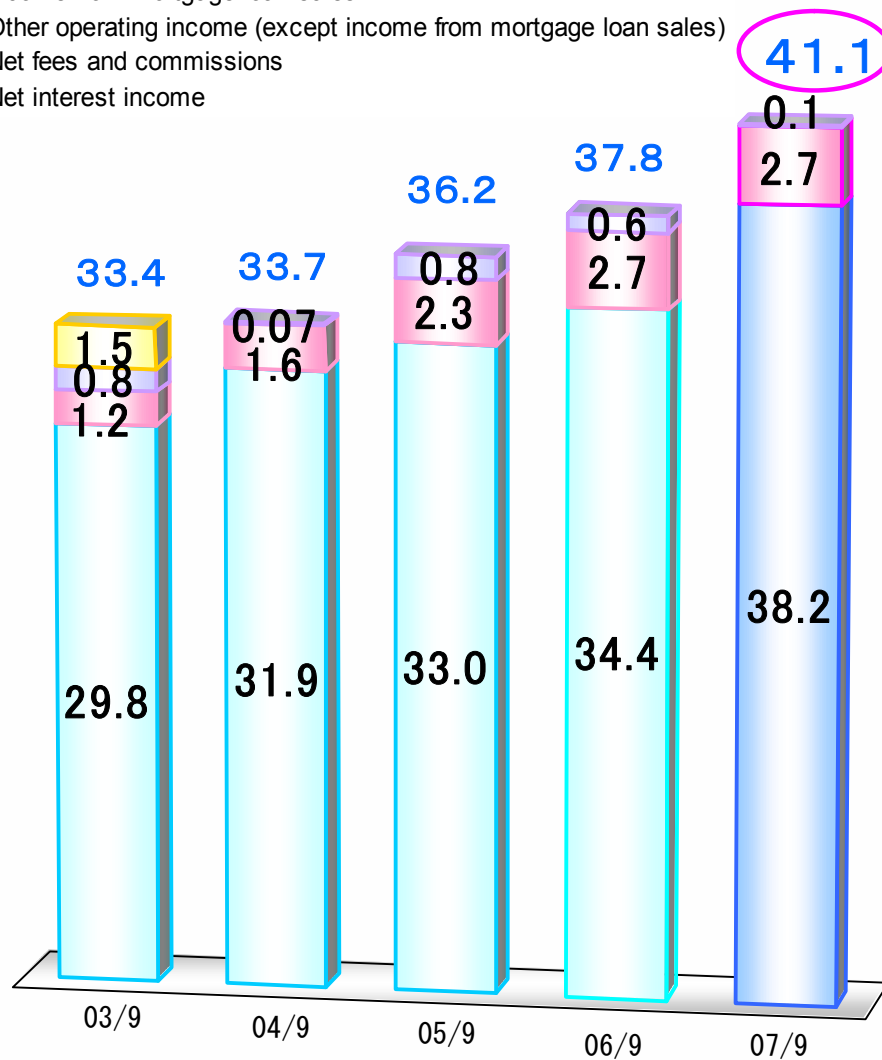
(billion yen)

Yen loan-deposit income

(billion yen)

○ Record income highs

- Income from mortgage loan sales
- Other operating income (except income from mortgage loan sales)
- Net fees and commissions
- Net interest income



Core net operating income

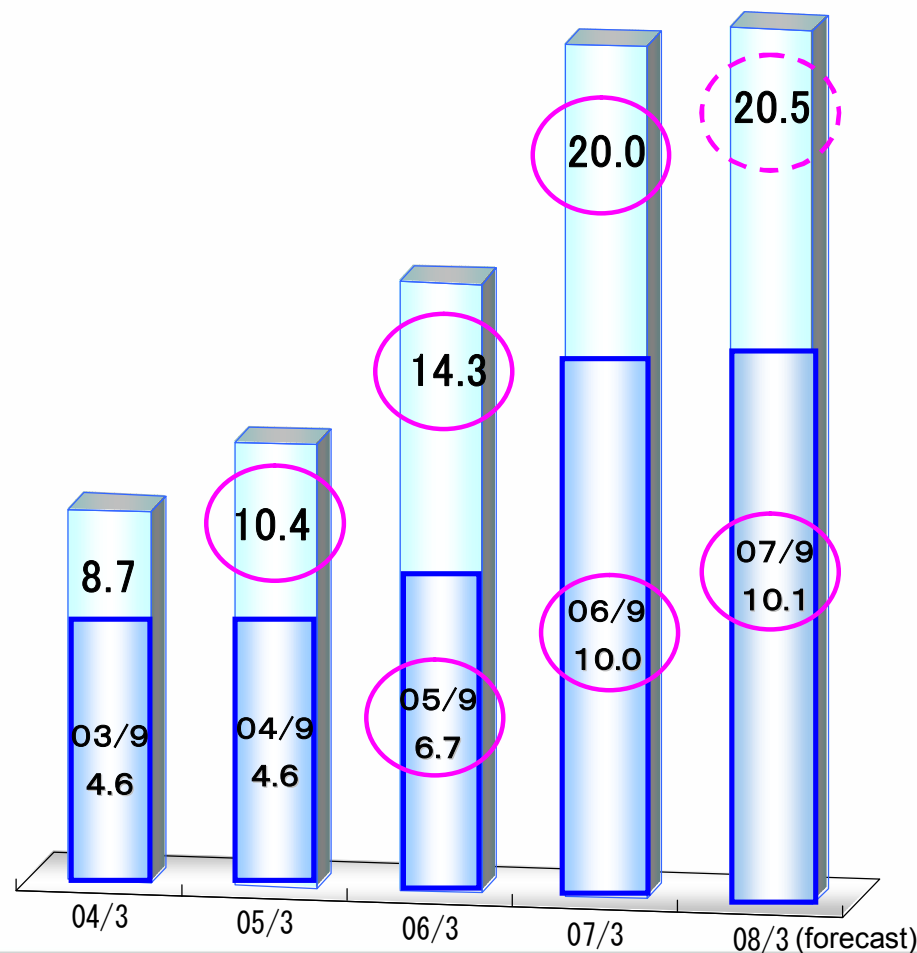
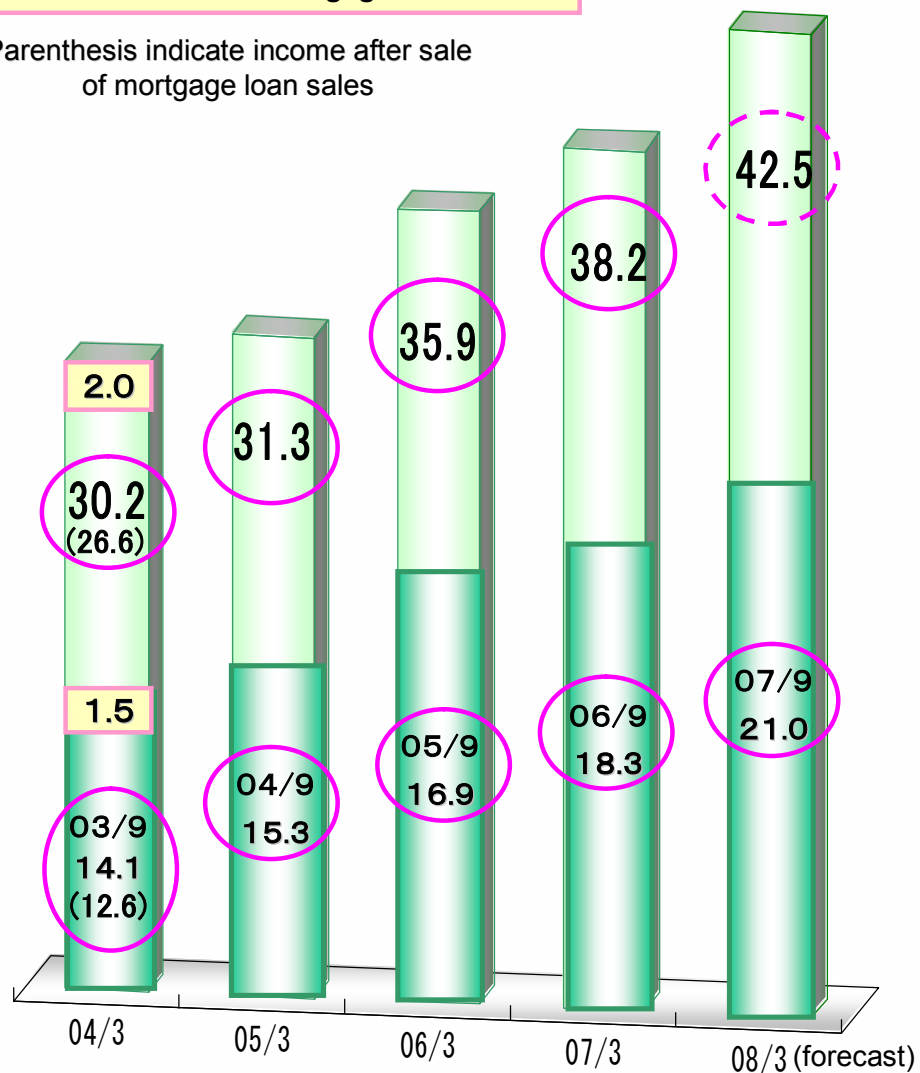
○ Record income highs (billion yen)

Net Income

○ Record income highs (billion yen)

Income from sales of mortgage loan assets

Parenthesis indicate income after sale of mortgage loan sales

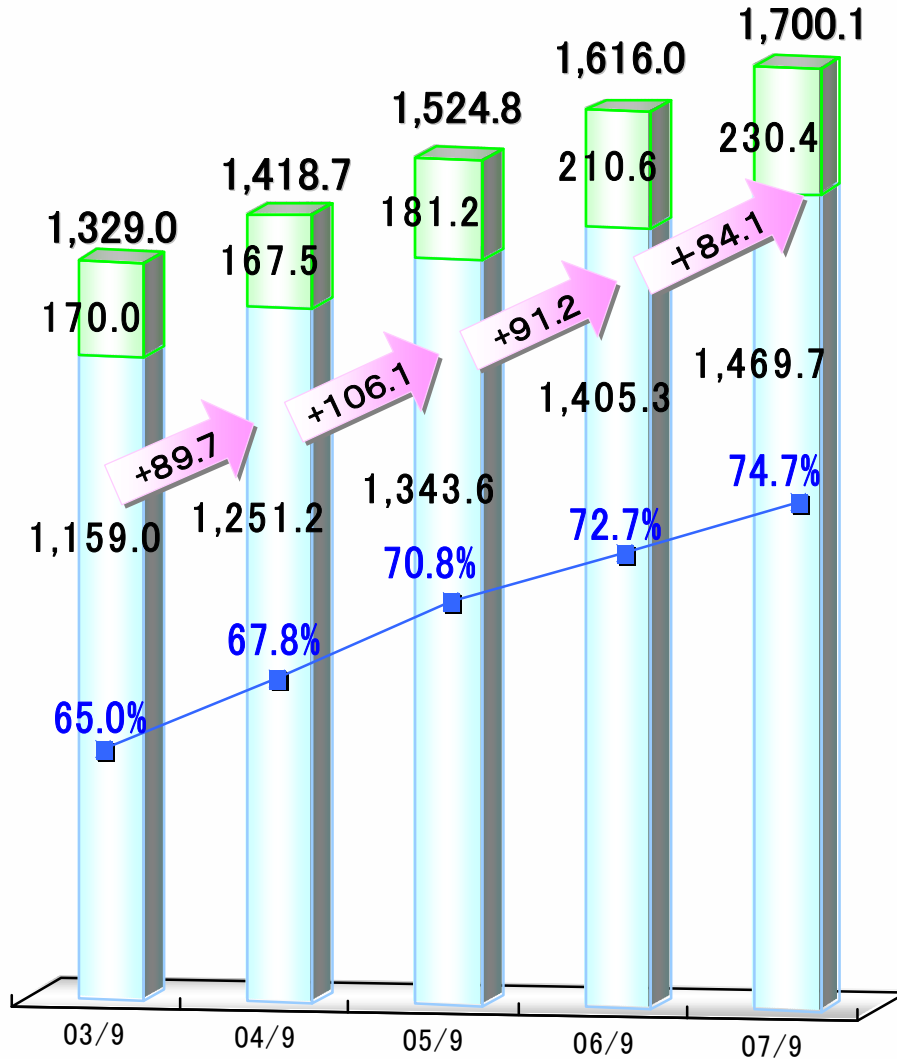




Consumer loan balance and ratio

(billion yen)

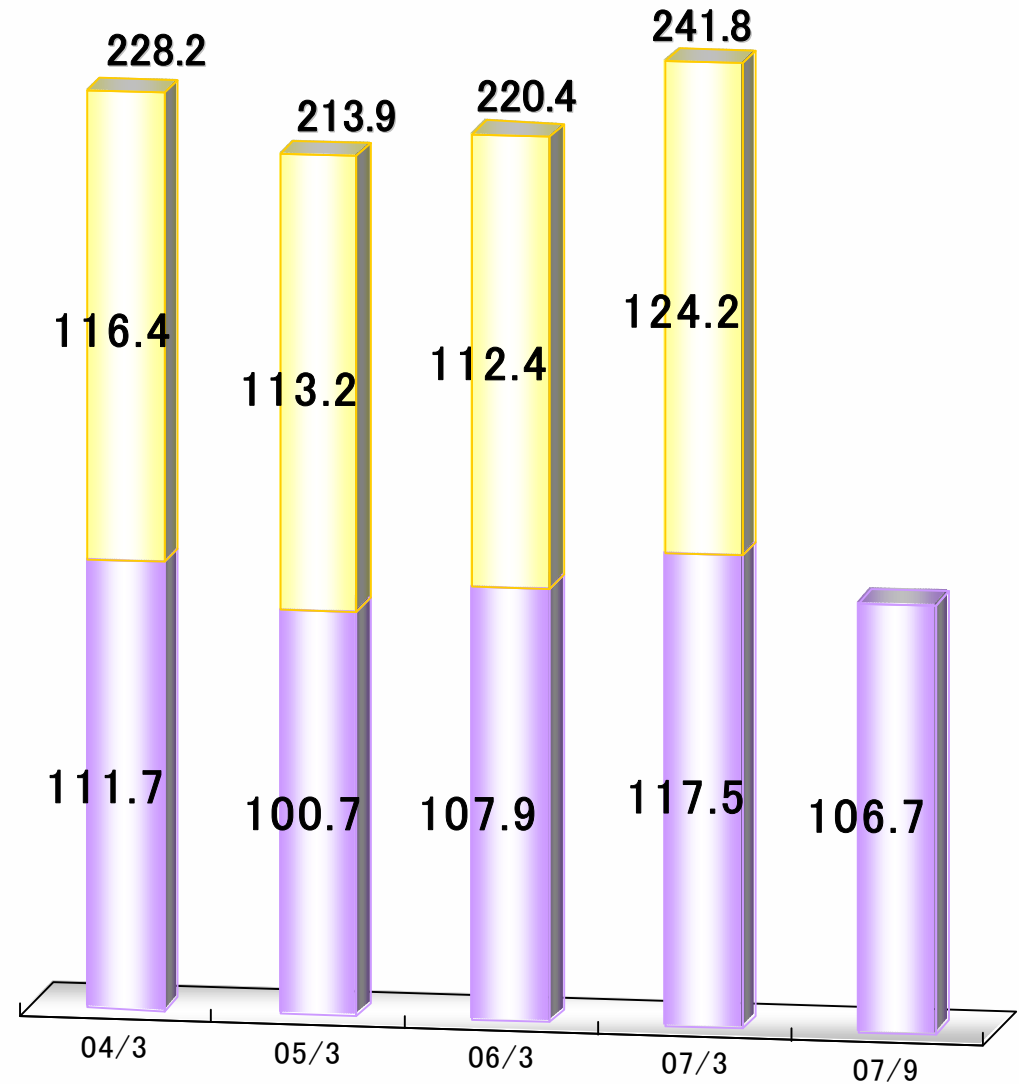
- Personal loans
- Mortgage loans
- Consumer loan ratio



New loans

(billion yen)

- New consumer loans second half
- New consumer loans first half

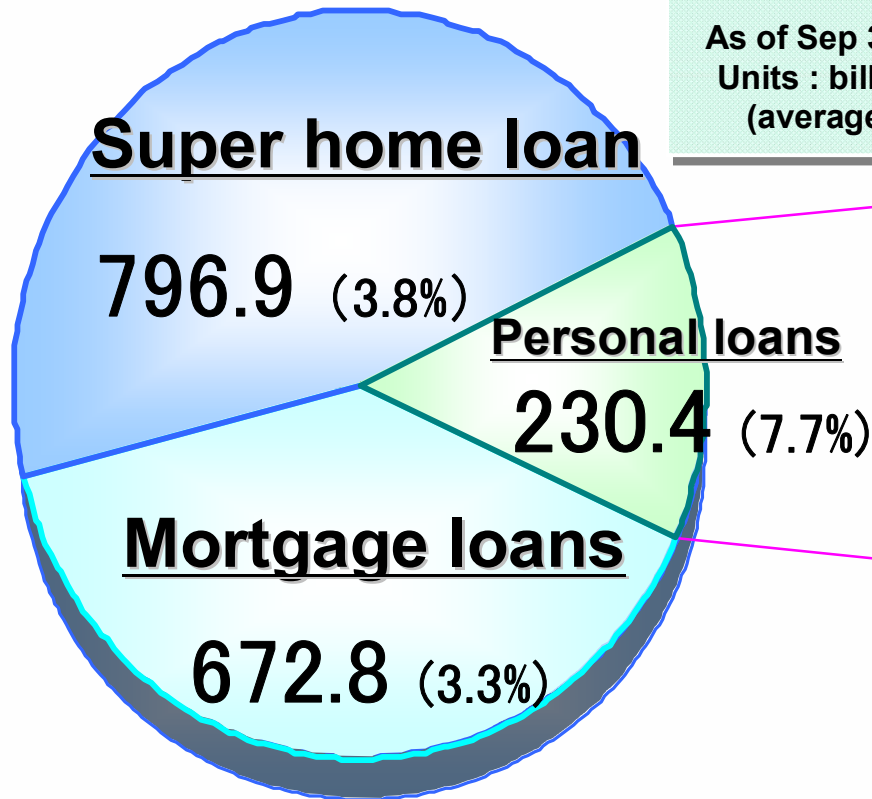




Consumer loans

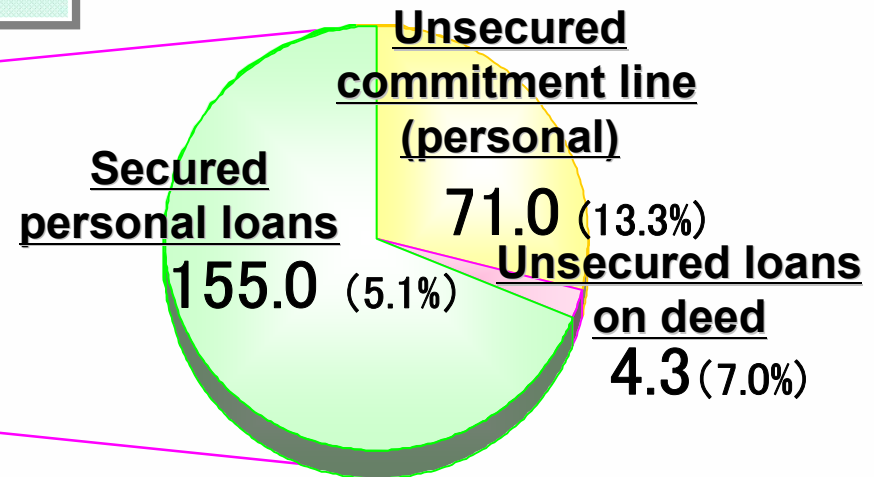
Personal loans

As of Sep 30, 2007
Units : billion yen
(average rate)

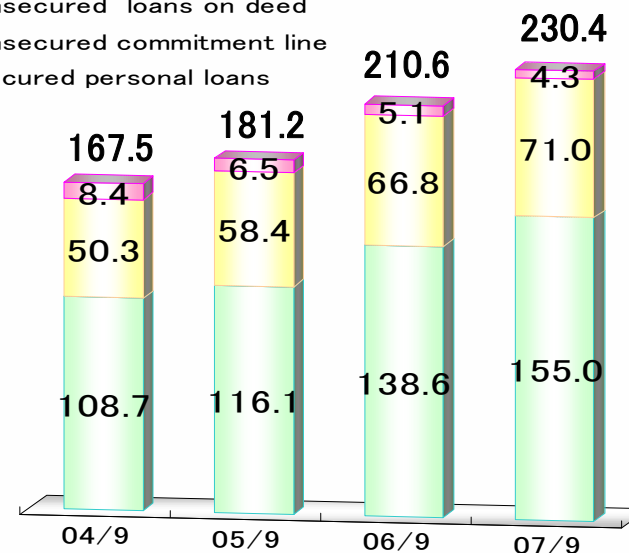


100%=1,700.1 billion yen (4.1%)

100%=230.4 billion yen (7.7%)



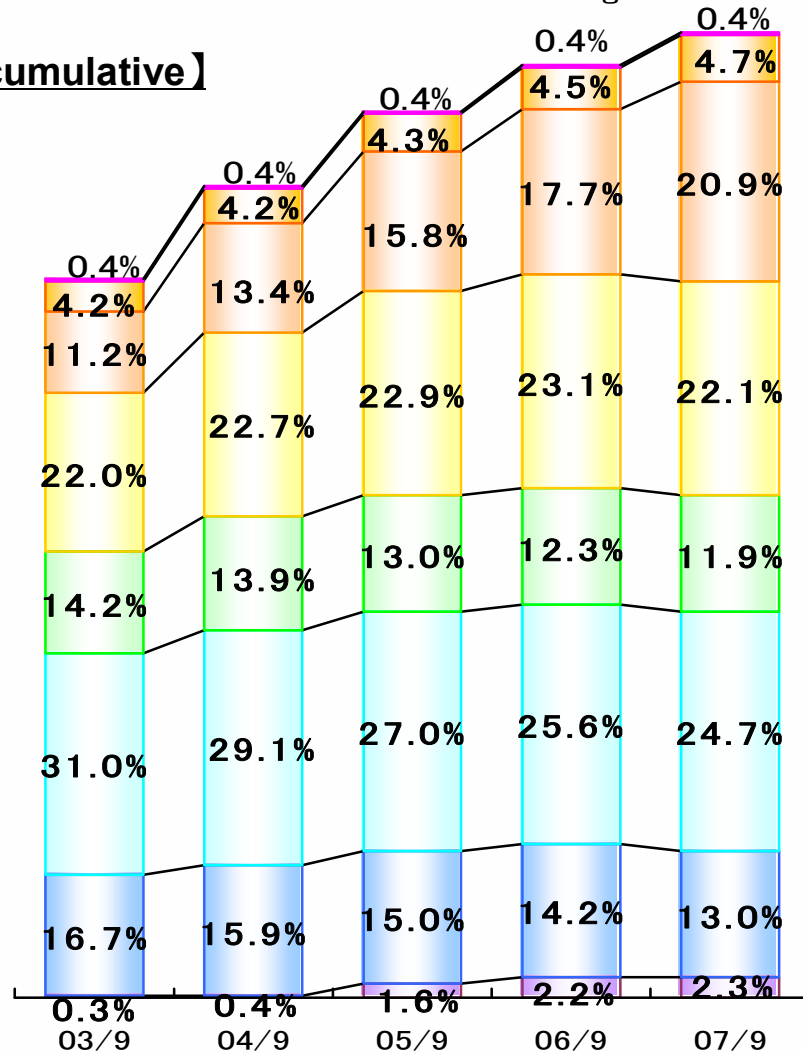
■ Unsecured loans on deed
■ Unsecured commitment line
■ Secured personal loans



Distribution of new mortgage rates

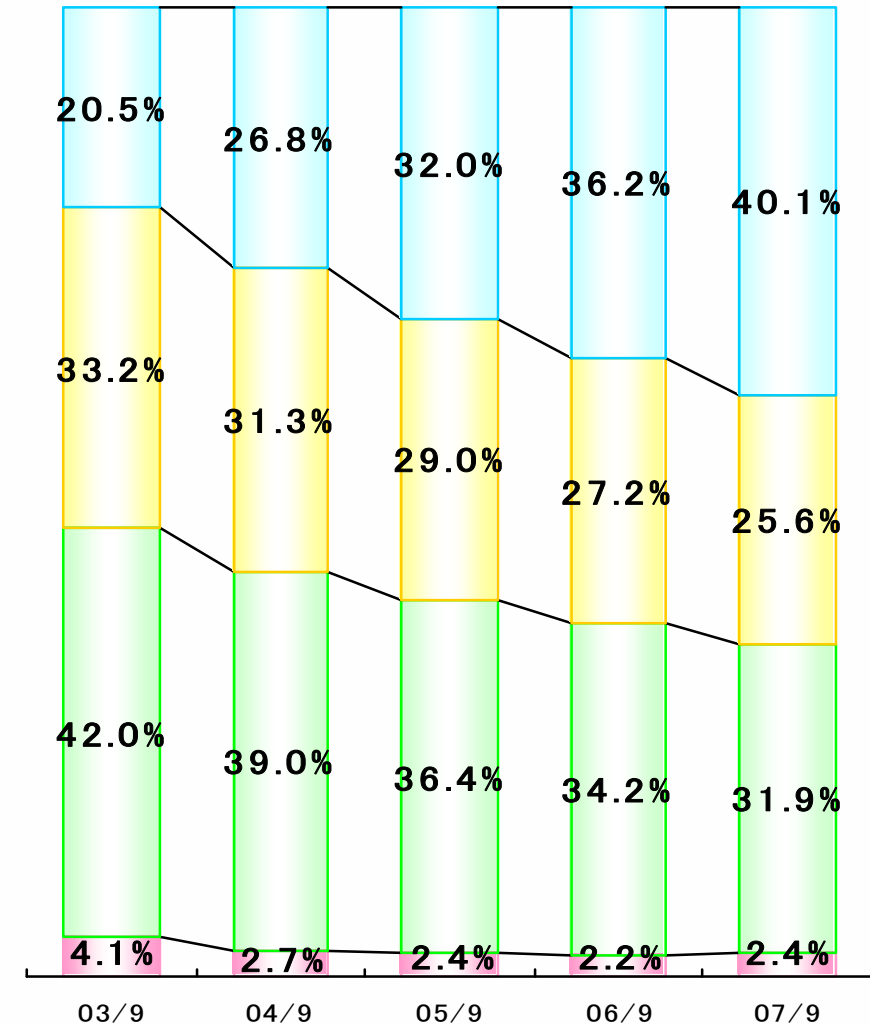
- Under 2.0%
- 2.0% to under 2.5%
- 2.5% to under 3.0%
- 3.0% to under 3.5%
- 3.5% to under 4.0%
- 4.0% to under 4.5%
- 4.5% to under 5.0%
- 5.0% or higher

[cumulative]



Mortgage loan balance by geographical area

- The Greater Tokyo area
- Kanagawa
- Shizuoka
- Other

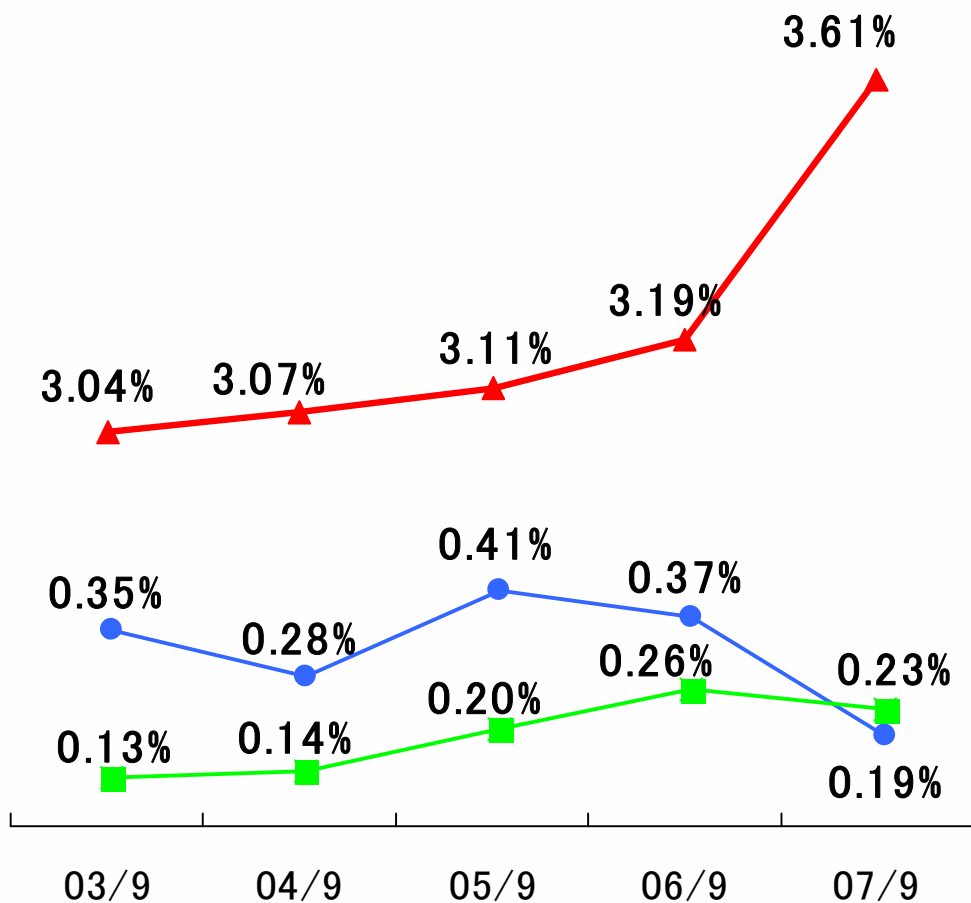




Delinquency and Loss Rates on Consumer Loans SURUGA bank

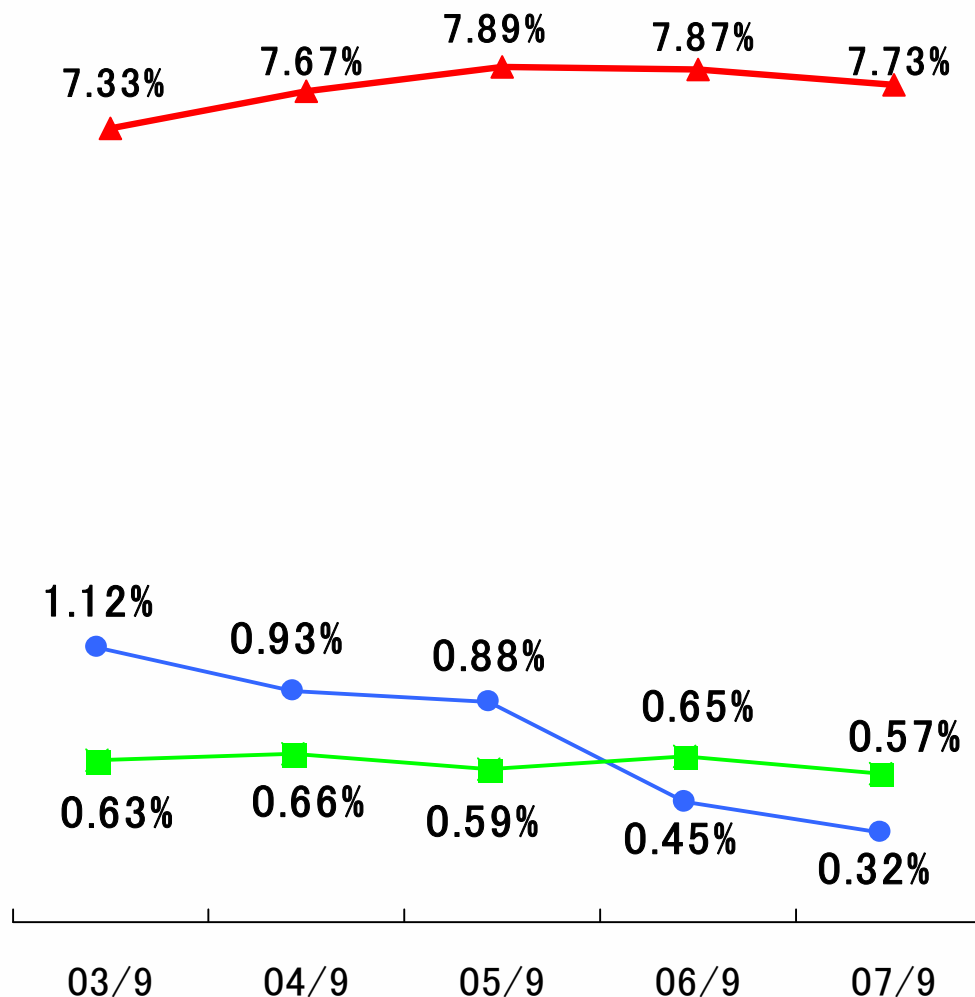
Mortgage Loans

- ▲ Yield
- Delinquency rate
- Loss rate



Personal loans

- ▲ Yield
- Delinquency rate
- Loss rate



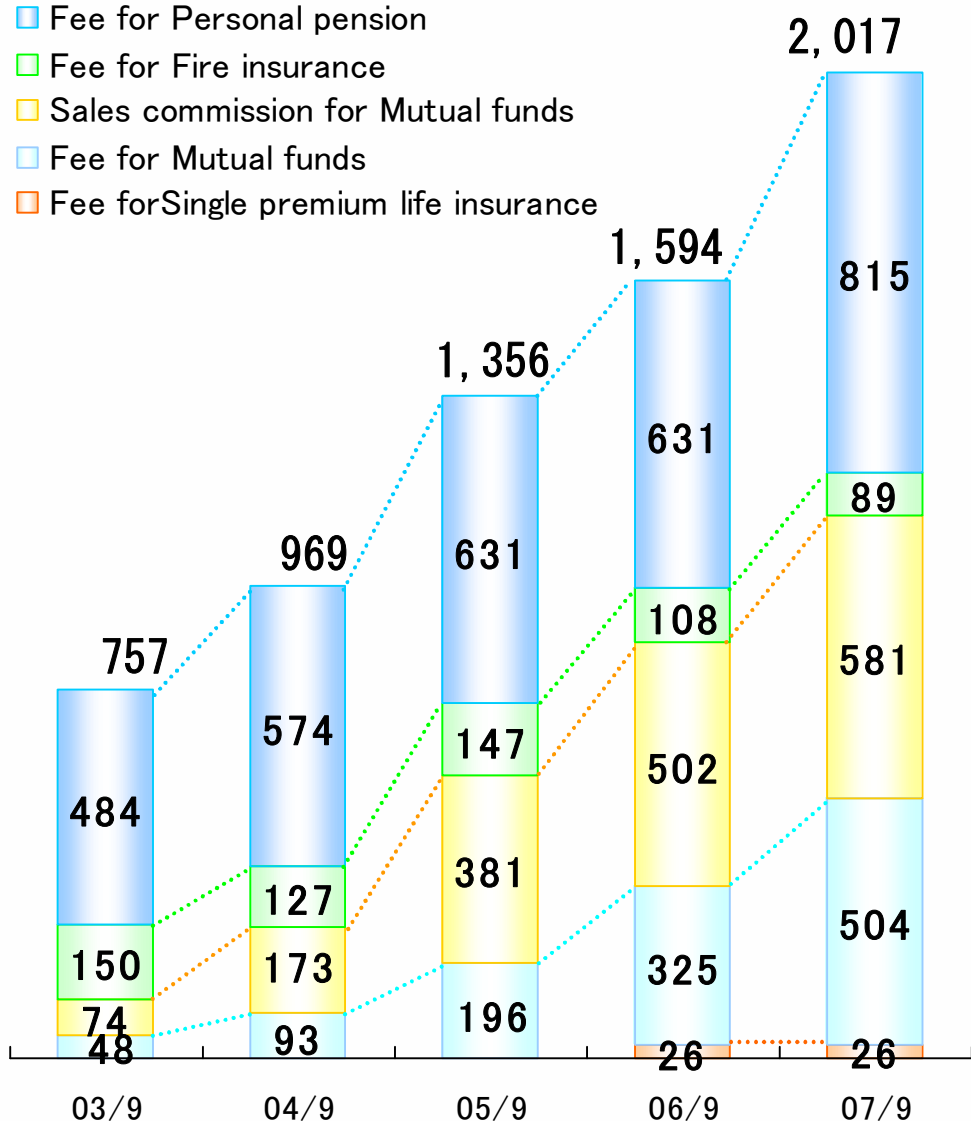
Delinquency rate = amount 3 months or more overdue / remaining average amount of loan Loss rate = default ratio × (1 - recovery rate)



Commission from mutual funds and insurance products

(million yen)

- Fee for Personal pension
- Fee for Fire insurance
- Sales commission for Mutual funds
- Fee for Mutual funds
- Fee for Single premium life insurance

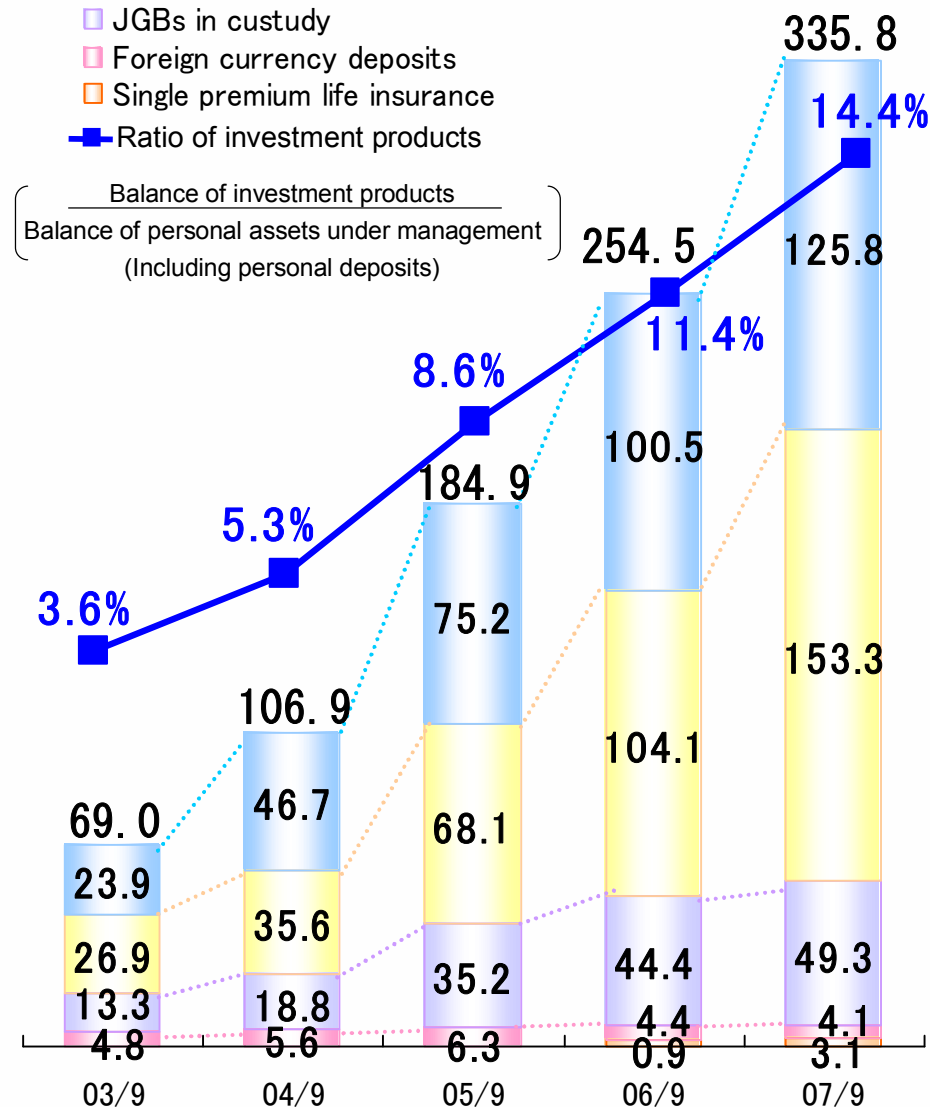


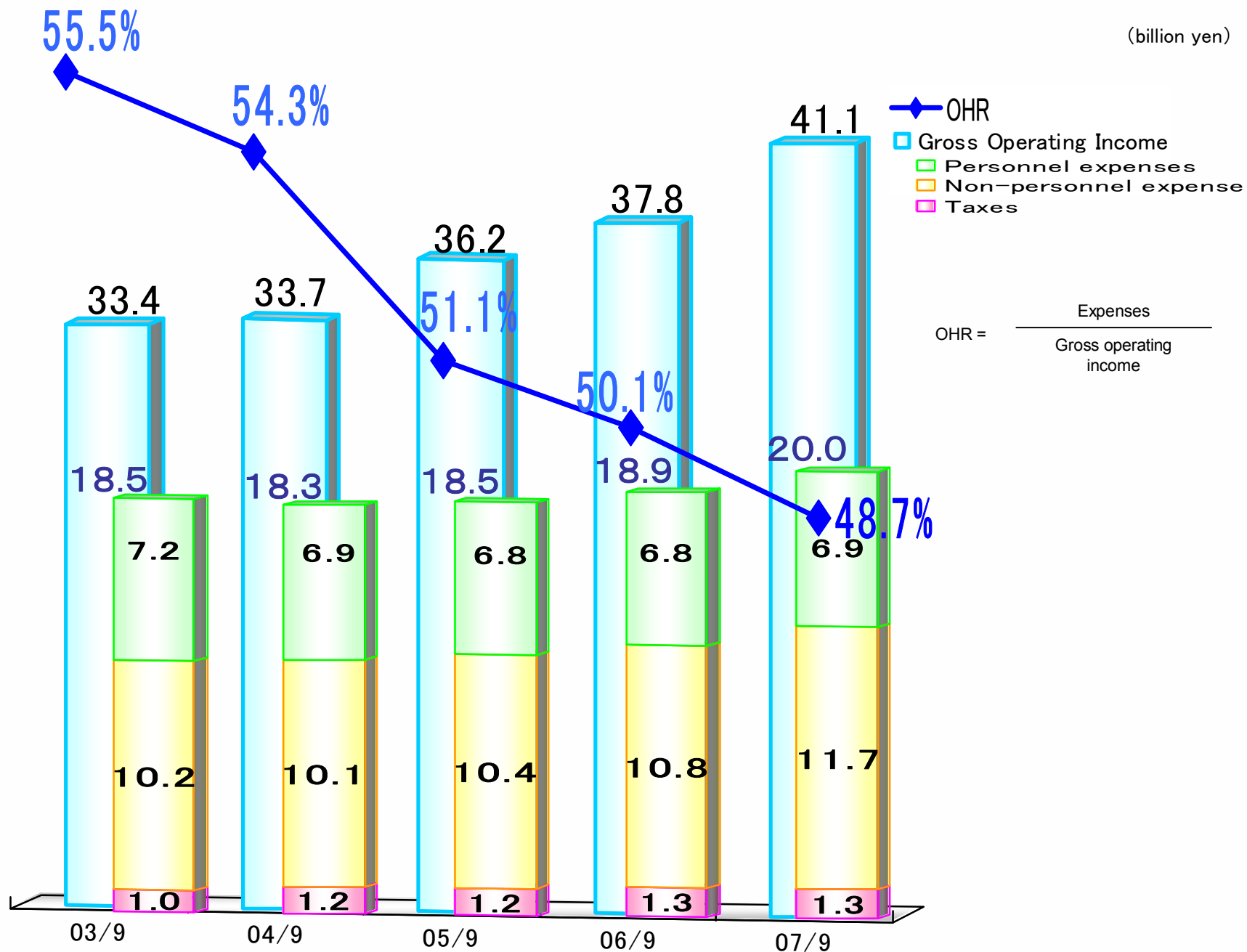
Balance breakdown of investment products

(billion yen)

- Personal Pension funds
- Investment trusts
- JGBs in custody
- Foreign currency deposits
- Single premium life insurance
- Ratio of investment products

$\frac{\text{Balance of investment products}}{\text{Balance of personal assets under management (Including personal deposits)}}$







Breakdown of Problem Assets based on the Financial Rehabilitation Law

SURUGA bank

(billion yen)

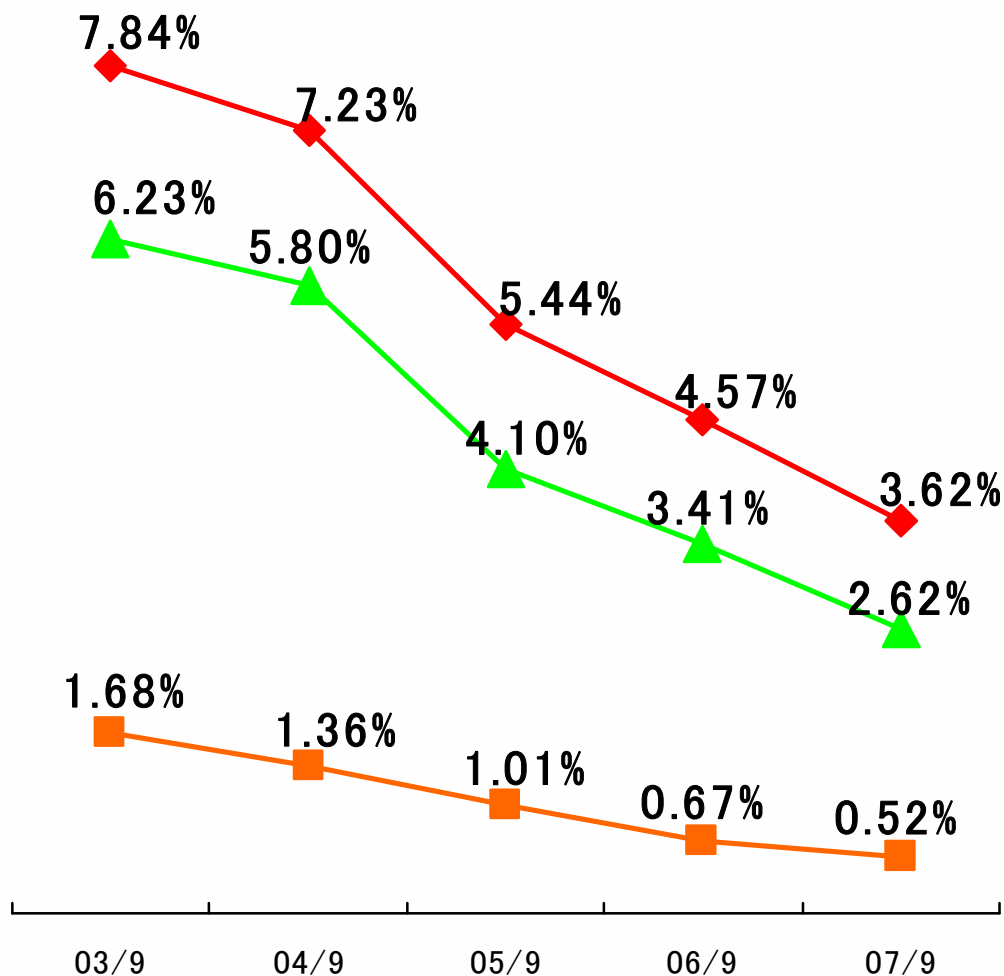
Debtor classification	Sep 07 Credit balance	Proportion	Consumer/ Corporate		Proportion	Total collateral and guarantees	Collateral	Guarantees * NOTE	Coverage ratio	Reserve	Reserved ratio	Total coverage ratio
Claims against bankrupt and substantially bankrupt obligors	15.0	0.65%	Consumer	7.6	0.44%	4.3	2.8	1.4	56.49%	3.3	100%	100%
			Corporate	7.4	1.25%	5.9	4.0	1.8	79.25%	1.5	100%	100%
Claims with collection risk	34.5	1.50%	Consumer	5.1	0.30%	2.9	2.0	0.9	57.69%	1.5	69.60%	87.14%
			Corporate	29.3	4.95%	17.9	8.7	9.2	61.14%	10.1	88.61%	95.57%
Claims for special attention	33.5	1.46%	Consumer	7.2	0.42%	5.0	4.6	0.3	69.18%	0.3	14.29%	73.58%
			Corporate	26.3	4.43%	12.0	11.9	0.07	45.78%	6.1	43.34%	69.28%
Sub-total	83.1	3.62%	Consumer	19.9	1.17%	12.2	9.5	2.7	61.39%	5.1	66.68%	87.13%
			Corporate	63.1	10.64%	35.9	24.6	11.2	56.88%	17.8	65.54%	85.14%
Normal assets	2,212.6	96.37%	Consumer	1,682.7	98.82%	Total coverage ratio 85.62%						
			Corporate	529.8	89.35%							
Total	2,295.7	100%	Consumer	1,702.7	100%	Coverage ratio : Covered by collateral and guarantees Reserved ratio : Reserved for unsecured portion Total coverage ratio : Covered by collateral, guarantees and reserves						
			Corporate	592.9	100%							

* NOTE: The guarantee is not provided by us. We do not extend the guarantee by paying fee to external entity, but the third party, who serves as the joint guarantor to the borrower, extends the guarantee.



Bad-loan Ratio

- ◆ Ratio of disclosed assets
- ▲ Ratio of disclosed assets after deduction from reserves
- Ratio of disclosed assets after deduction from reserves, collateral and guarantees

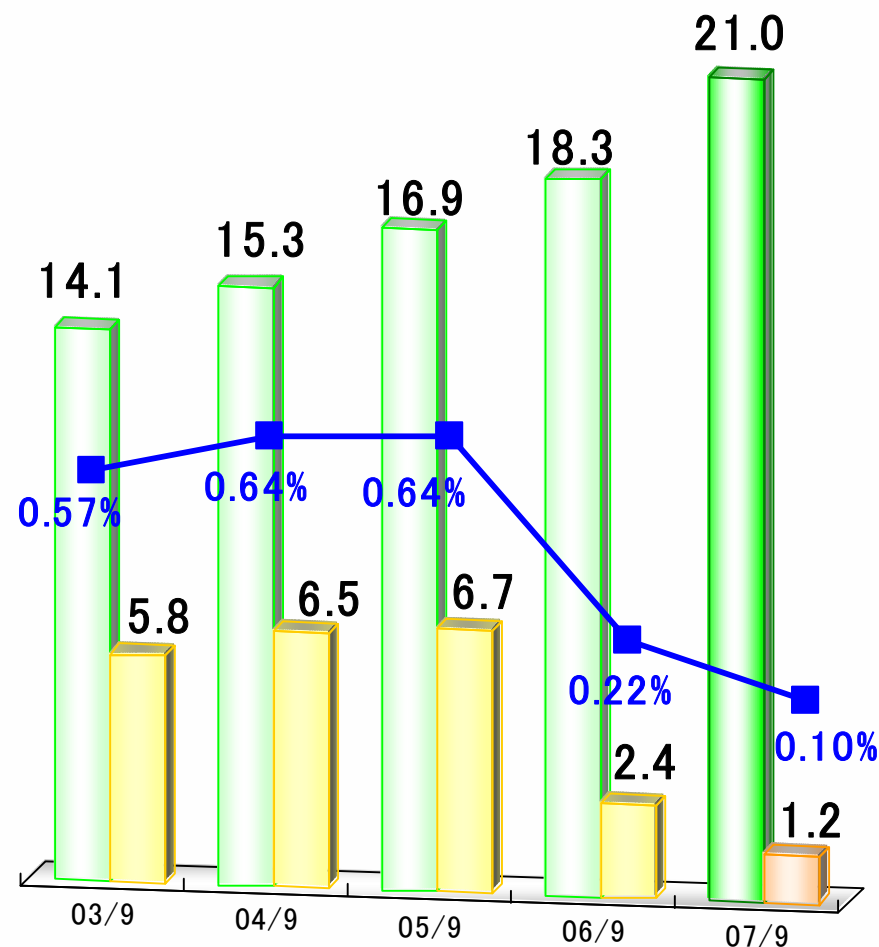


Credit costs status

【Half year basis】

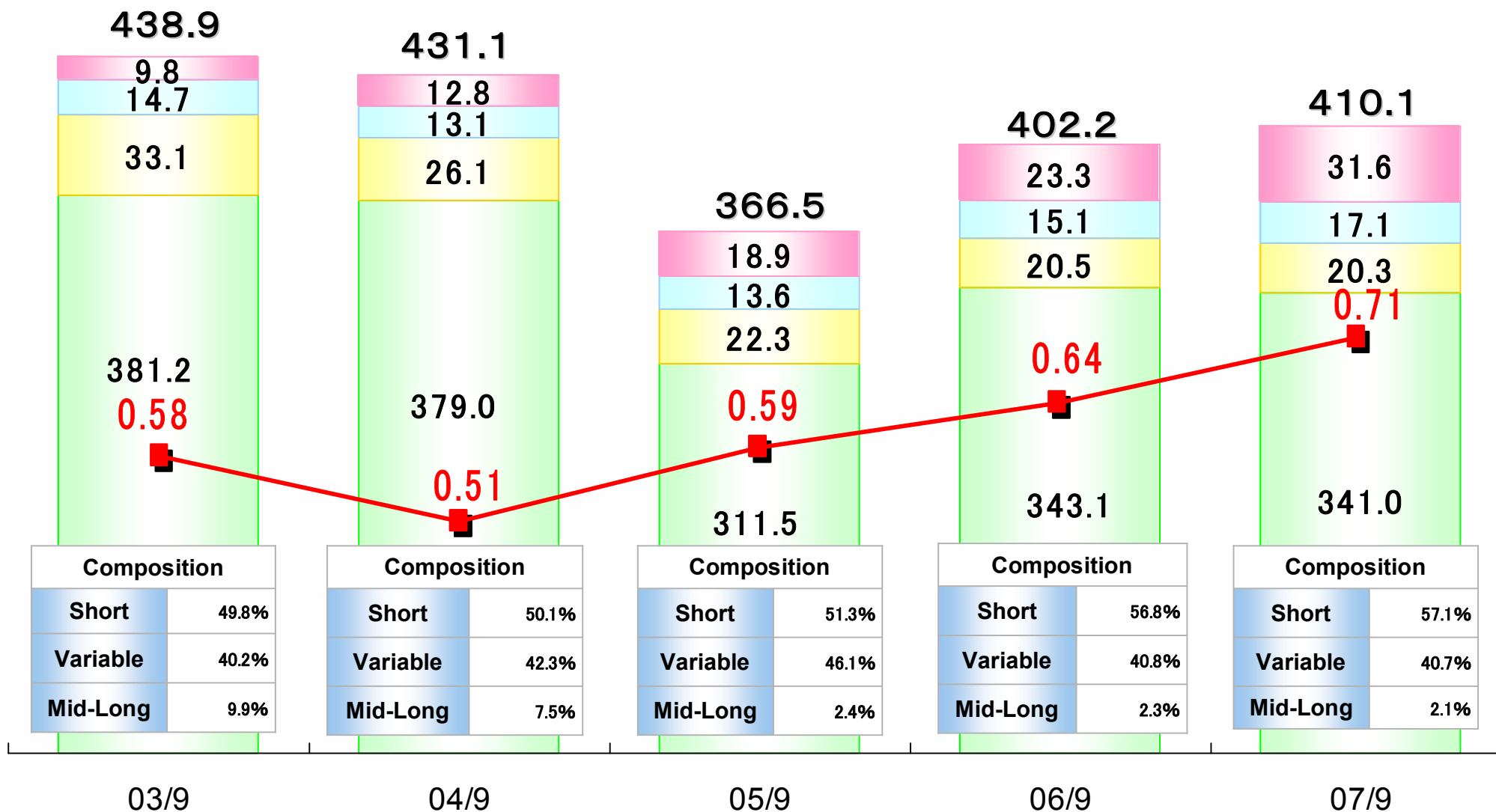
(billion yen)

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



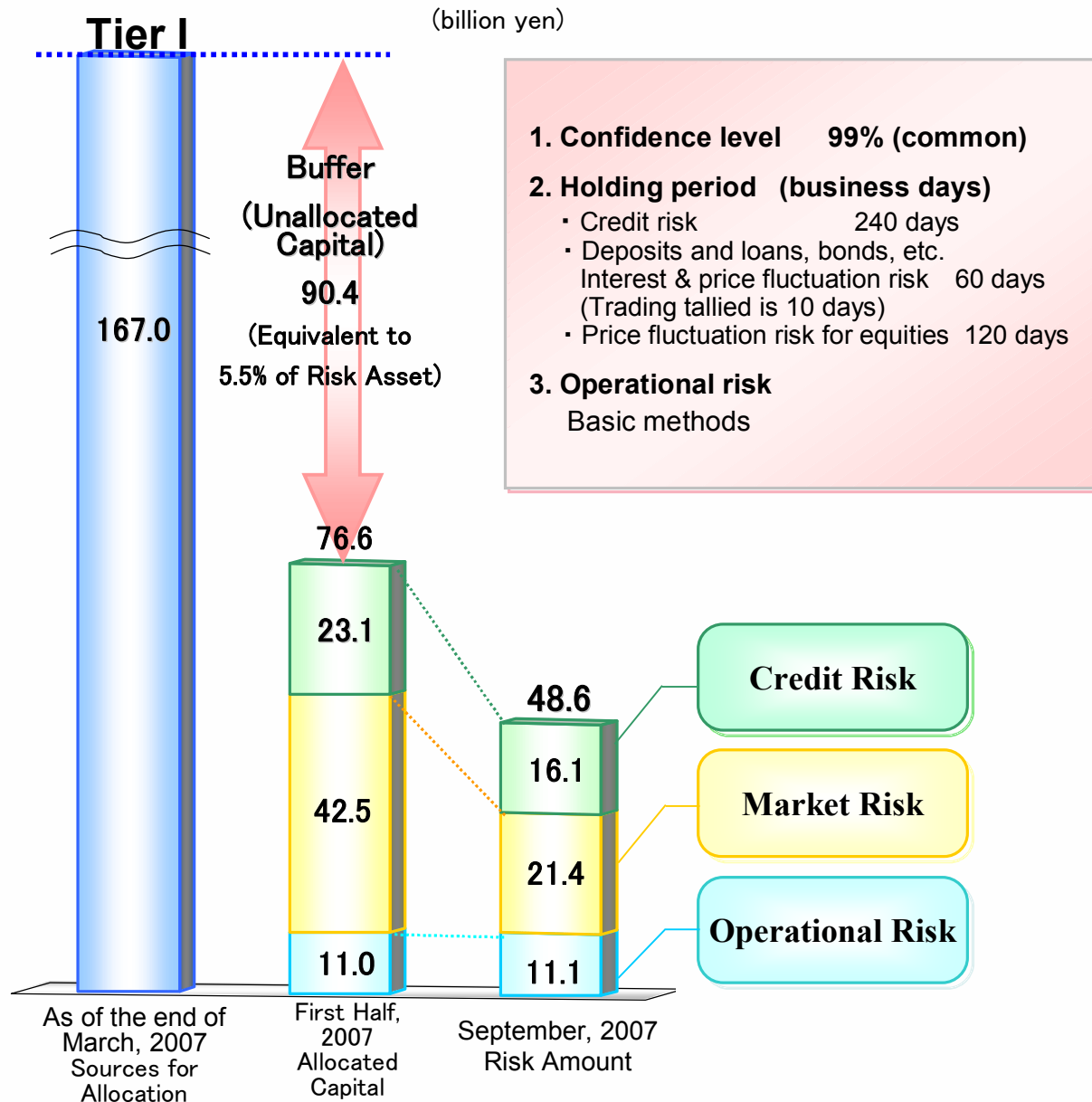
(billion yen)

■ JGBs
 ■ Foreign bonds
 ■ Corporate bonds
 ■ Regional government bonds
—■— Average life (Year)



Integrated Risk Management

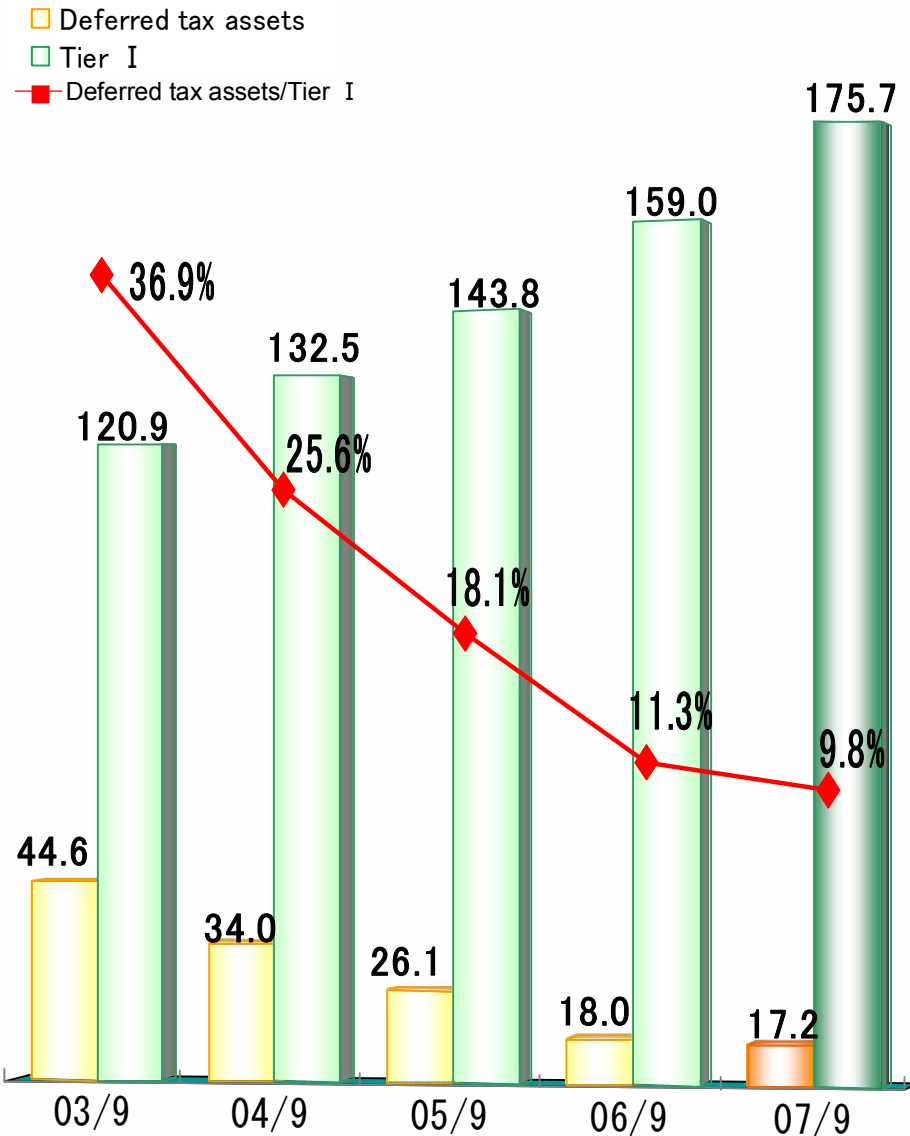
Outlier Ratio



At the end of September, 2007	
Interest Rate Shock range	±200 bp
Interest Rate Risk Amount	8.0 billion yen
Outlier Ratio	4.3%

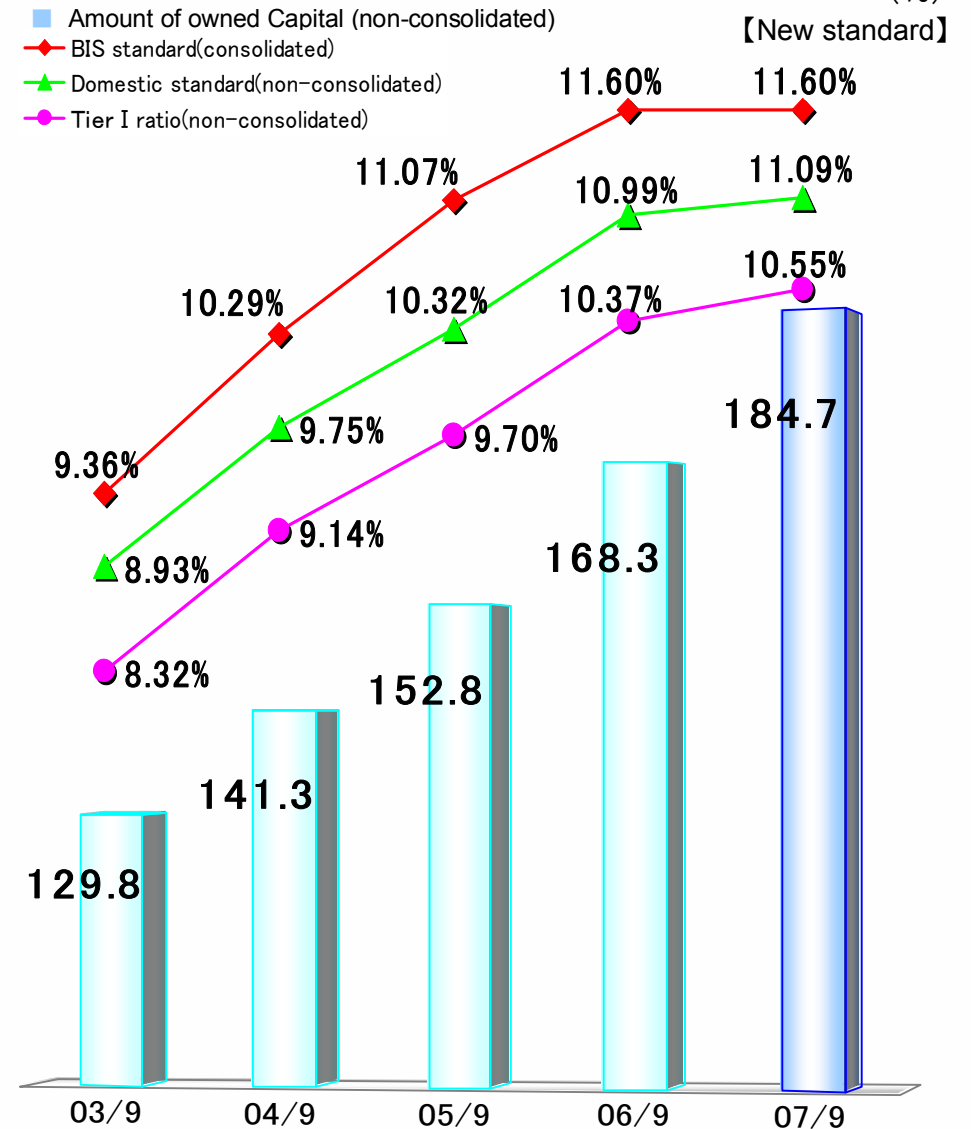
Deferred tax assets / Tier I ratio

(billion yen)



Capital adequacy ratio

(billion yen)
(%)





First Half Result 2007 and FY 2007 forecast SURUGA bank

(billion yen)

	Sep 07			Results Mar 07	Forecasted Mar 08
	Forecasted (A)	Results Sep 07 (B)	Increase or Decrease (B-A)		
Gross operating income	41.0	41.1	+0.1	76.9	82.0
Operating expenses	20.0	20.0	0	37.7	39.5
Net operating income	21.0	23.0	+2.0	37.2	42.5
Core net operating income	21.0	21.0	0	38.2	42.5
Ordinary profit	18.5	19.1	+0.6	30.4	36.5
Net income	9.5	10.1	+0.6	20.0	20.5
Actual credit cost	3.3	1.2	▲2.0	5.5	4.3

 ...Record income highs



CSR from now

To Value Proposition CSR

CRS Starting Line

Communication based on sense of value

Establishing distinction in the market
Trusting relationship with stakeholders
Clean Management and law-abiding
Management of ultimate transparency and absolute accountability

CSR, essential factor in doing business using social infrastructure

Communication based on function
Minimum requirement from society
Risk reduction

Coexistence

Fairness

Equilibrium

Social activities

- Legal Compliance
- Human rights protection
- Employment
- Regional revitalization
- Sophistication of customer Information management
- Social contributions

Ecological activities

- Educational activities for environmental awareness
- Eco office
- Eco procurement
- Environmentally conscious financial products
- Pollution prevention

Economic activities

- Corporate continuity
- Safety ensuring of financial transaction
- Profit planning
- Profitability
- Cash flow
- Products with high social value

Sustainable growth

Vision for Growth Under Management Philosophy SURUGA bank

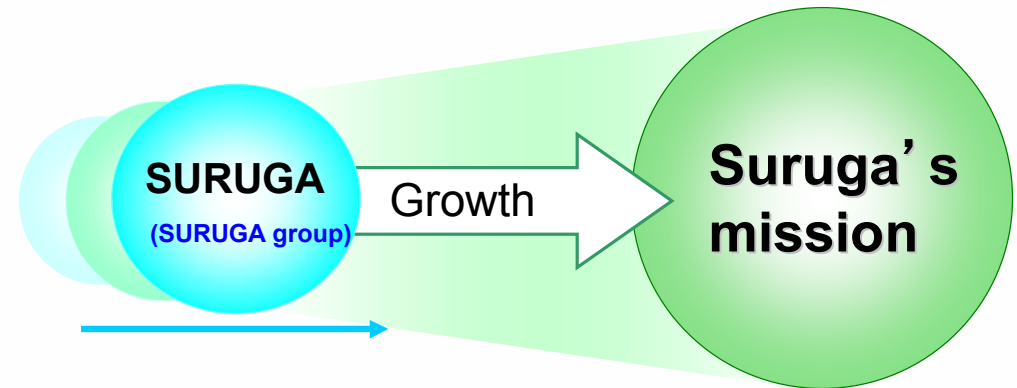
Growth as a system for exchanging values

Define growth as ability to exchange value with stakeholders

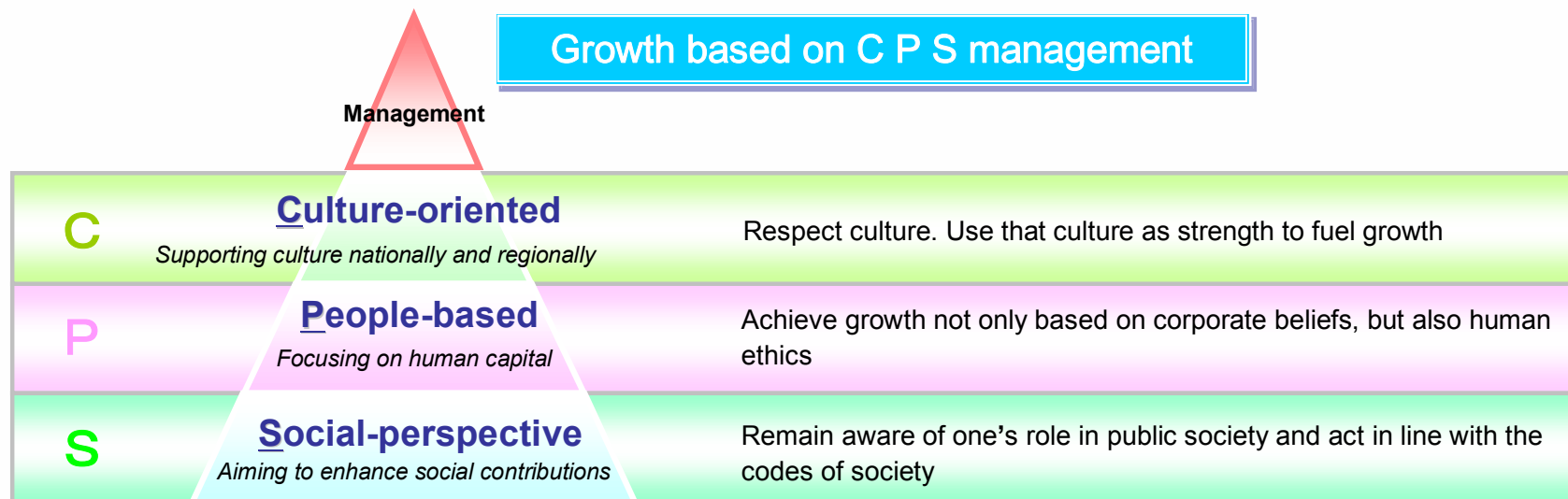


Growth as a company with a mission

Make dreams a reality as a 'life and business concierge.' Define growth as enhancing the ability to deliver by helping customers realize their dreams.



Growth based on C P S management



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This presentation contains forward looking statements about business performance. These statements are no guarantee of future business performance and inherently contain risk and uncertainties. Future performance is subject to changes in business environment and may differ from management targets.