

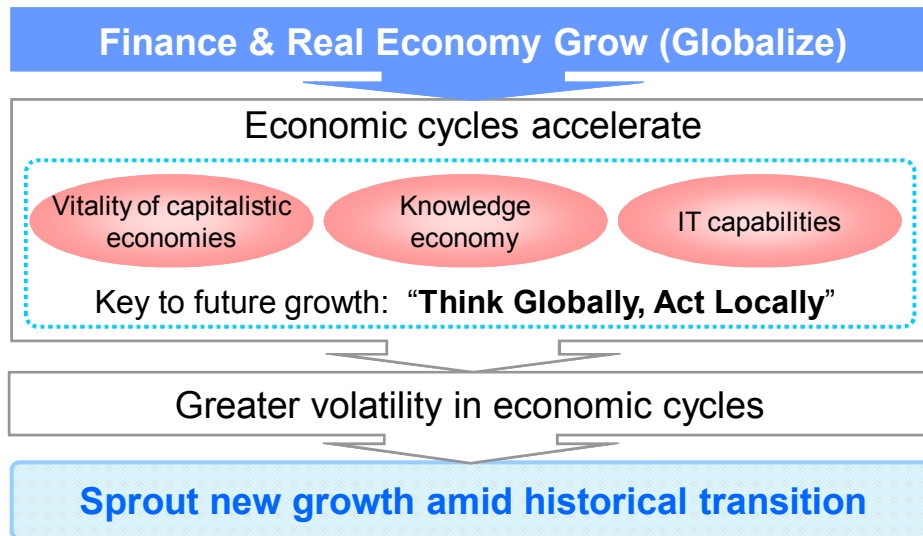
Half Ended September 2008
SURUGA bank
Investors Presentation

Meeting the Challenge of New Banking

SURUGA bank

Paradigm Shift

Cycles of Capitalistic Economies



From Industrialized / Information Society To a Knowledge Economy



What is a Knowledge Economy?

Knowledge is the source of competitiveness and basis for workers to support society and the economy in an era where information, natural resources and capital move freely around the world.

What is needed in a Knowledge Economy?

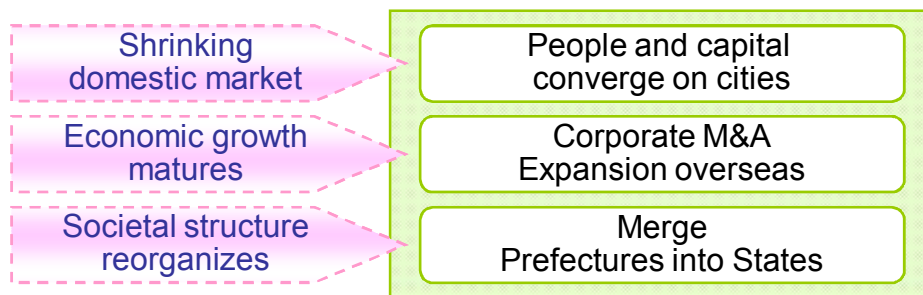
Greater knowledge productivity

More value-added productivity

Greater information productivity

Structural Changes to Japanese Society

Aging Population → Era of Declining Population

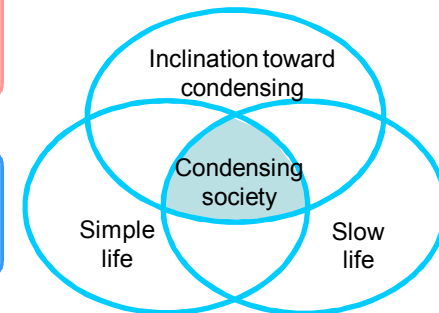


Changes in Society's Fundamental Values

Growth/Expansion/Vitality
assuming a growing population

Maturity/Condensing/Surplus
assuming a shrinking population

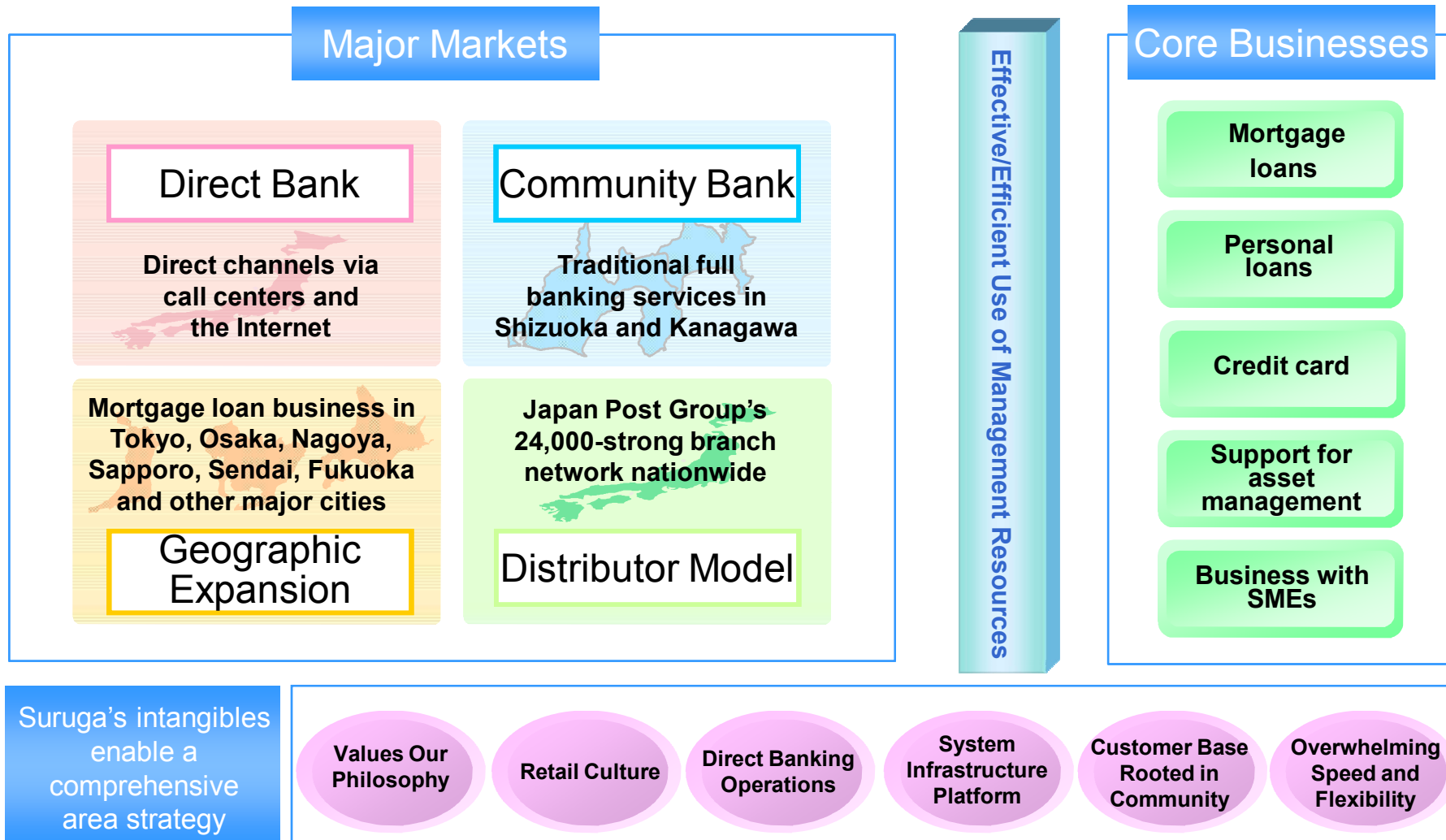
『Condensing Society』



Suruga's Business Design Delivers Unique Value

Incorporate Market Characteristics to Deliver Suruga's Unique Value

Leverage know-how developed through Suruga's retail-focused strategy

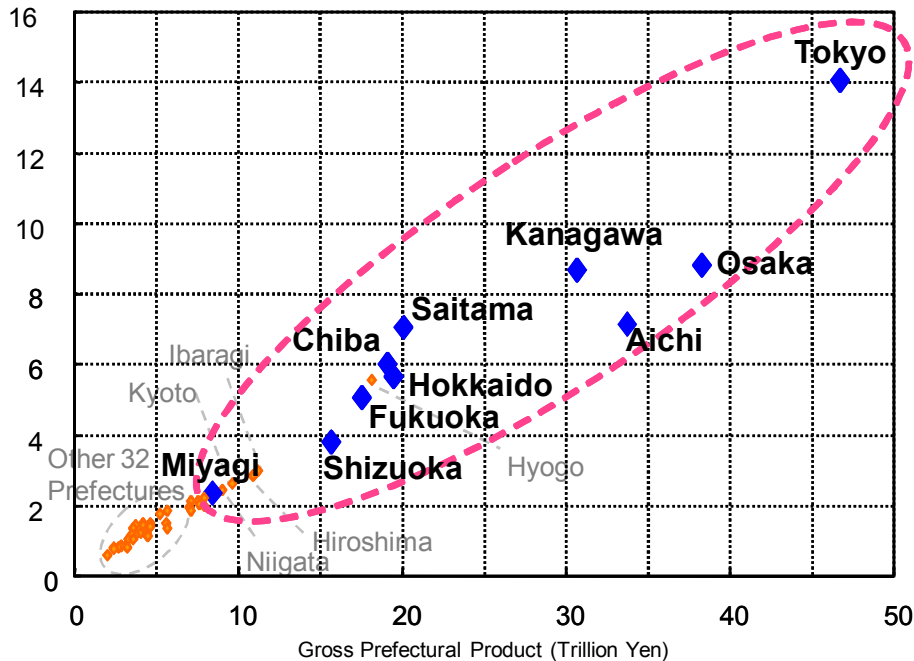


Geographic Strategy Envisioning State System

Population/Economy Concentrate in Major Cities

《Distribution of Population & Gross Prefectural Product》

Population (Million) Source: Japan Statistics 2008



Major cities account for about 60% of nation's population and gross Prefectural product

Select growth areas with an eye for trends toward consolidating Prefectures into States

Suruga's Strategy to Expand Geographic Network

Priority Business Domains in Reaching Broader Geographies

Use management resources effectively and efficiently and create new markets

Mortgage loans

Personal loans

Card loans

Asset management

Strategic branches to offer Mortgage loans and cash advances

1999~

Entered Tokyo Metropolitan Area

Yokohama	Nishi-Shinjuku	Shinjuku
Omiya	Kashiwa	Shibuya
Roppongi (Midtown)	Osaka	Nagoya

Skills/Know-how developed through unique marketing and retail strategy

One to One customer proposals

May 2008~

Expanded Geographical Reach

Sapporo May 2008

Fukuoka August 2008

Sendai October 2008

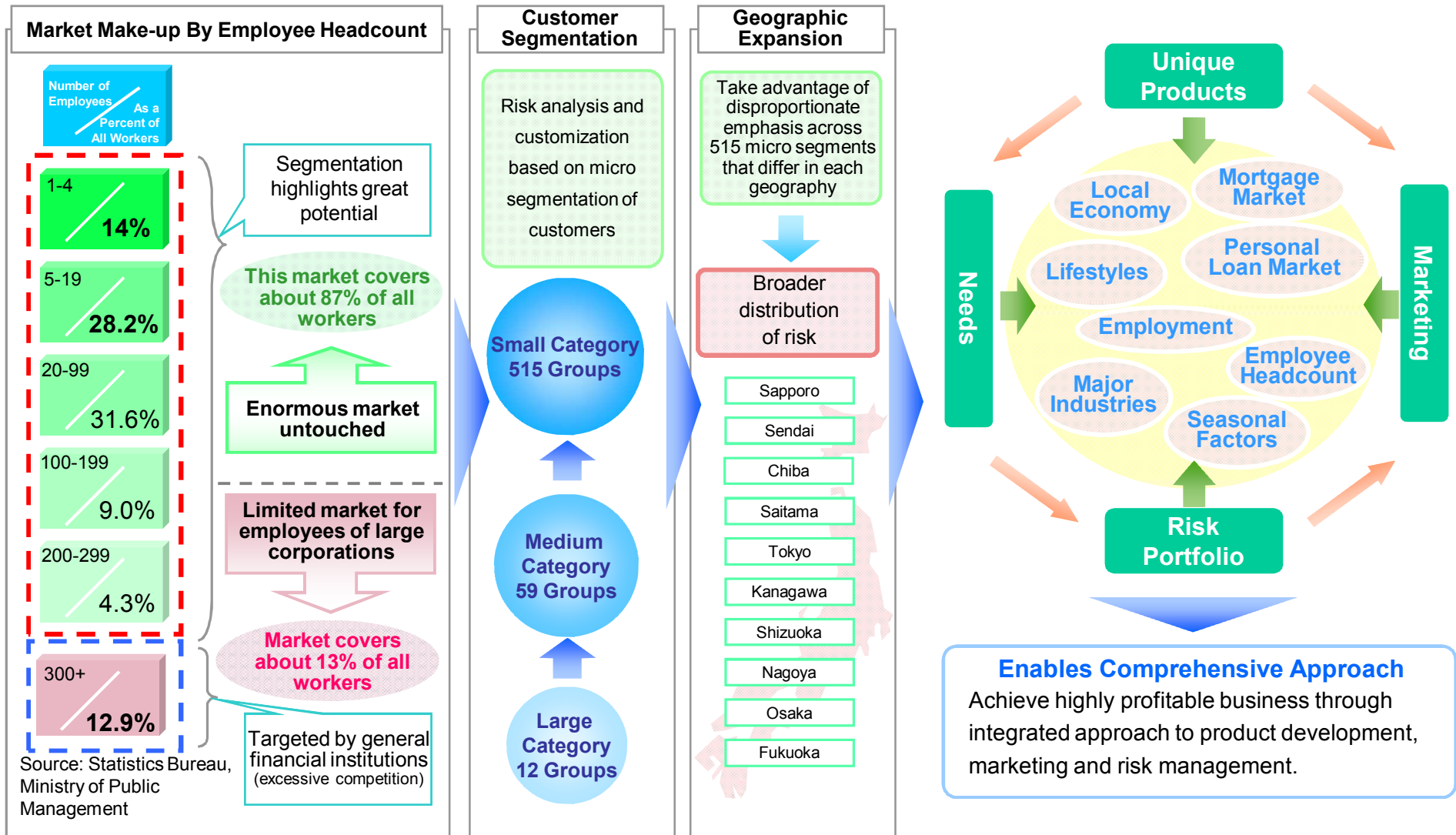
Internet Branches Customer Database

Products & Services Tailored to Regional Characteristics

Quantitative & Qualitative Information on Each Region

Products Tailored to Regional Characteristics

Suruga Model: Deliver Unique Value



Environment for Mortgage Loan Business ①

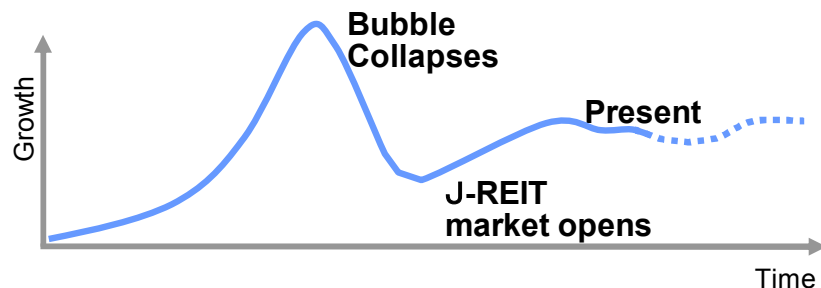
Impact on Japan Real Estate Market from US Financial Woes

- Fall in real estate prices
Correction to mini-bubble that arose mainly in cities
- Small- & mid-sized developers experience rapid deterioration in financial situation. Bankruptcies ensue.

Deals and loan originations decline as buyers put off purchases

Market Environment

- Actual demand supports steady demand
- Correction is normal function of market, unlike Bubble Era
- Bifurcation in market participants, properties trading hands
- Japan's real estate market will grow through cyclical moves
- After the correction, toward a more mature market



RDB Corporate Default Rate

		August 2008	Year-over-Year Comparison	(Reference) August 2007	Month-over-Month Comparison
Overall (August 2008)		3.07%	+0.55%p	2.52%	+0.07%p
Industry	Construction	4.09%	+0.74%p	3.35%	+0.11%p
	Wholesale	3.01%	+0.59%p	2.42%	+0.03%p
	Real Estate	2.03%	+0.67%p	1.36%	+0.16%p
	Retail/Restaurants	3.68%	+0.44%p	3.24%	+0.08%p
	Other Services	3.13%	+0.49%p	2.64%	+0.04%p
	Manufacturing	2.18%	+0.45%p	1.73%	+0.03%p
Region	Tokyo Metropolitan	2.94%	+0.55%p	2.39%	+0.21%p
	Nagoya Metro	2.76%	+0.37%p	2.39%	+0.02%p
	Osaka Metro	3.05%	+0.23%p	2.82%	+0.10%p
	Other Nationwide	3.31%	+0.73%p	2.58%	+0.01%p
Size	Sales < ¥ 1 trillion	3.69%	+0.13%p	3.56%	+0.10%p
	Sales ≥ ¥ 1 trillion	2.82%	+0.67%p	2.15%	+0.18%p

Source: The Risk Data Bank of Japan, Ltd.

Bankruptcies by Industry (Jan – Aug 2008)

Unit: ¥ Billion

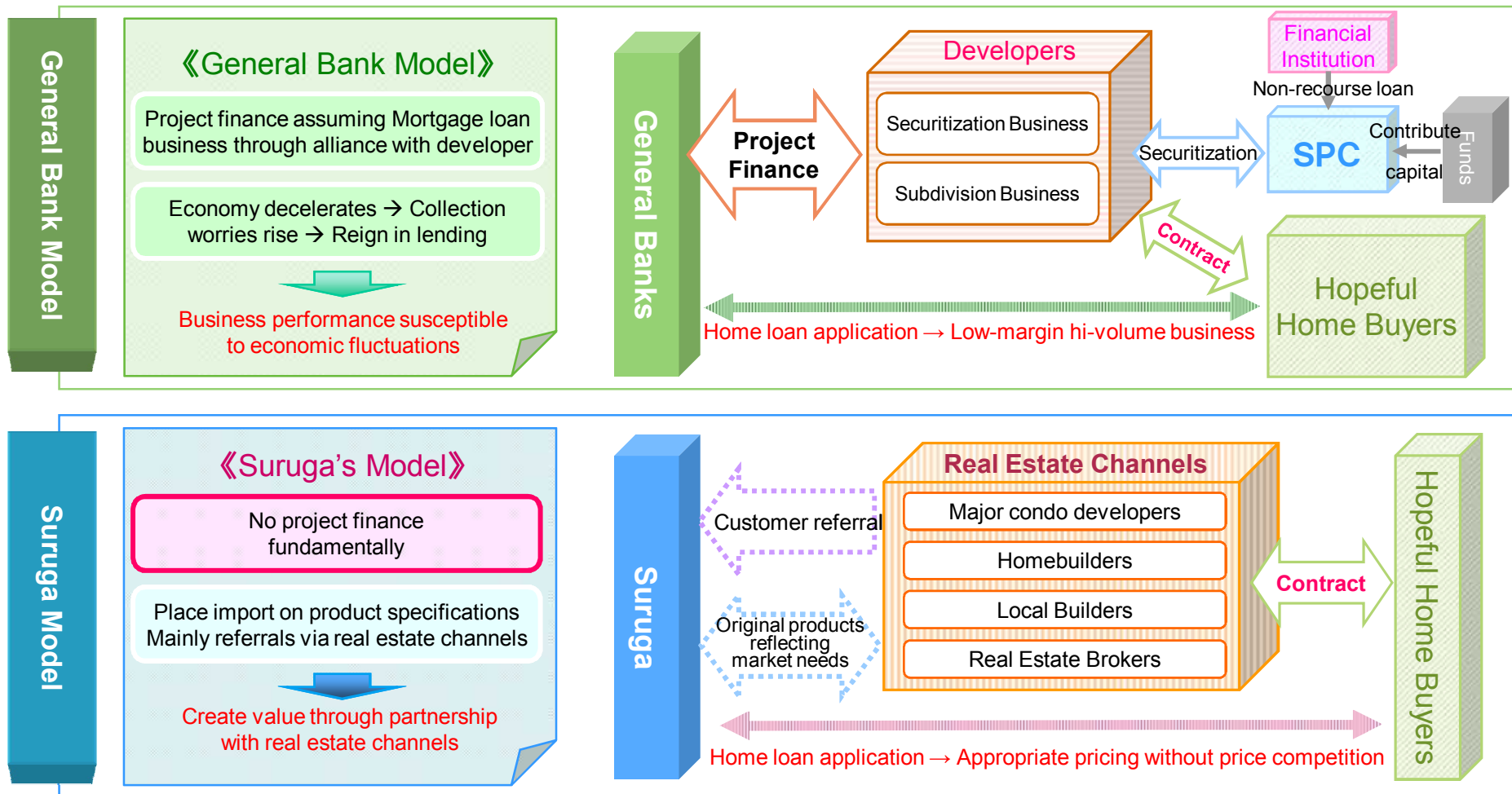
Industry	Bankruptcies	Liabilities
Agriculture, Forestry, Fisheries, Mining	56	27.7
Construction	2,948	825.1
Manufacturing	1,464	577.4
Wholesale	1,442	405.3
Retail	1,199	250.3
Finance & Insurance	65	308.2
Real Estate	378	1,349.2
Transportation	381	75.6
Telecommunications	303	167.9
Service & Other	1,934	726.4
Total	10,170	4,713.0

Source: Tokyo Shoko Research, Ltd.

Environment for Mortgage Loan Business ②

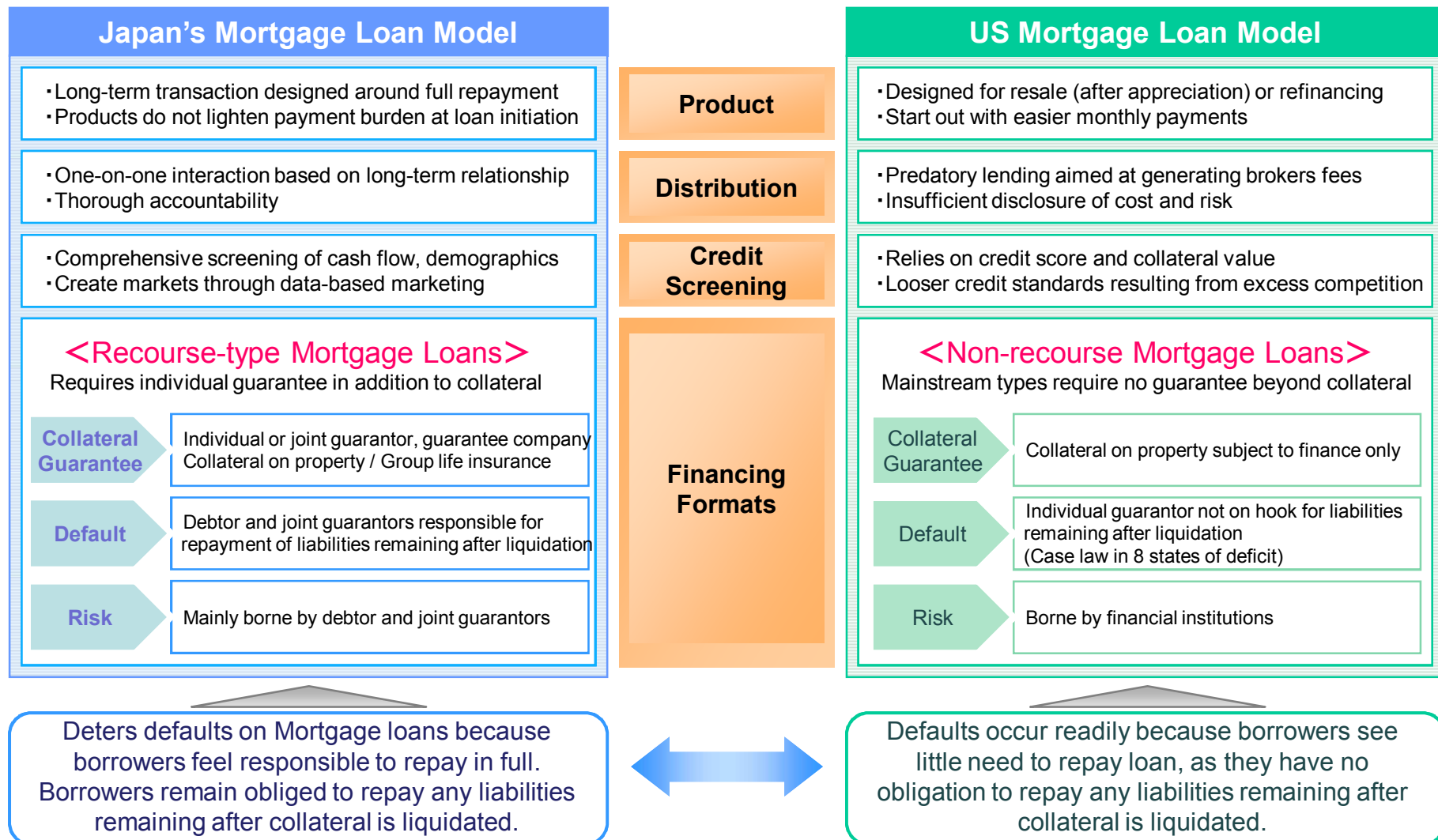
Fundamental Differences in Business Models Between Suruga and General Banks

Pursuing a Unique Mortgage Loan Business By Creating Markets in Partnership with Real Estate Channels



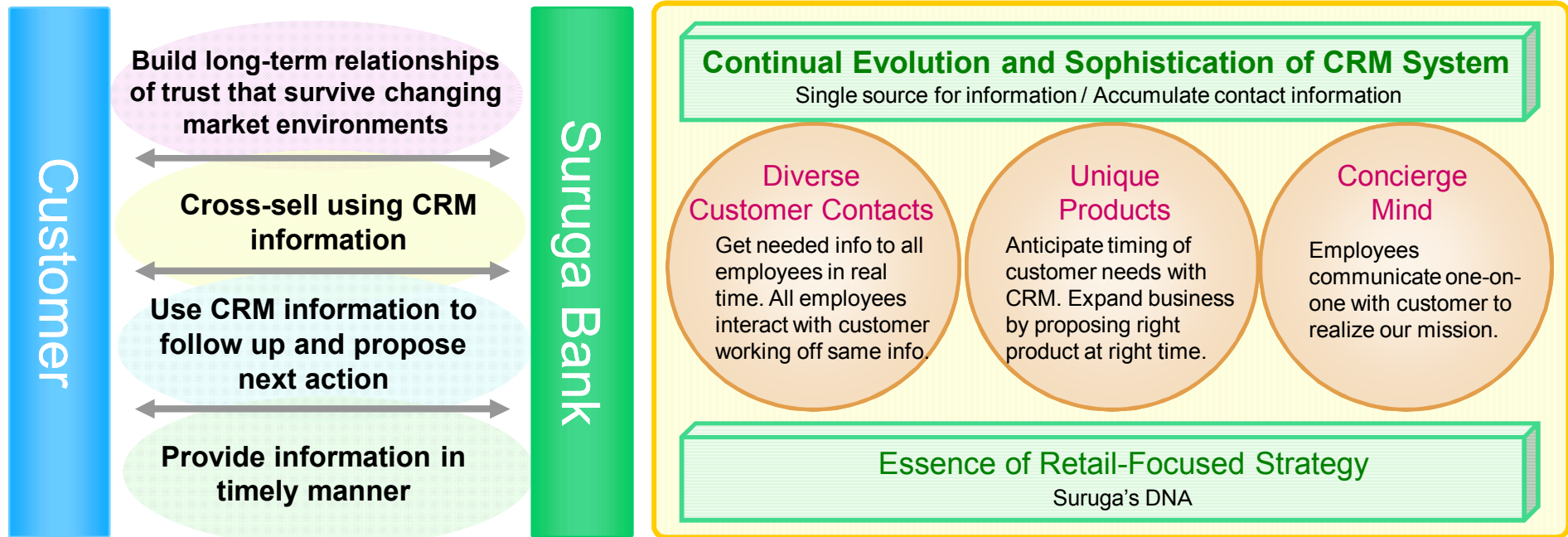
Characteristics of Japan and US Mortgage Loan Models

Differences Between Japan and US Mortgage Loan Models



Strong Customer Relations Created Via CRM

Maximizing Customers' Lifetime Value With CRM



	Ordinary Deposit	Investment Products				Direct Bank		Credit Card	Card Loan	Personal Loan	Mortgage Loan		Utilities	
		Time Deposit	Investment Trust	IRA	Indemnity Insurance	Telephone Banking	Internet Banking				Mortgage Loan	Wide (Jumbo) Loan	Cell Phone	Electricity
Customer A	☆	☆	☆	☆	☆	☆	☆	☆	☆	☆		☆		
Customer B	☆	☆	☆						☆	☆	☆		☆	
Customer C	☆				☆		☆	☆	☆	☆		☆	☆	
Customer D	☆													
Customer F	☆					☆								

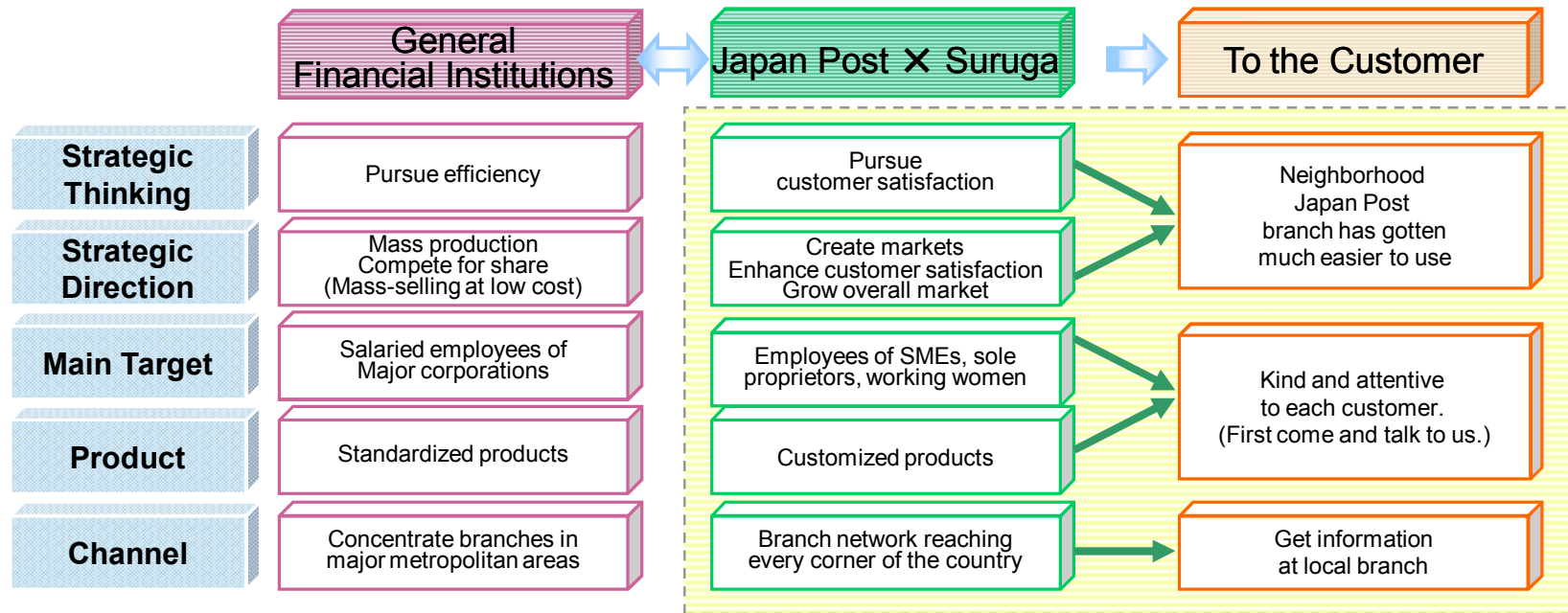
← High Relation Client

☆ ← Product/Service Currently in Use

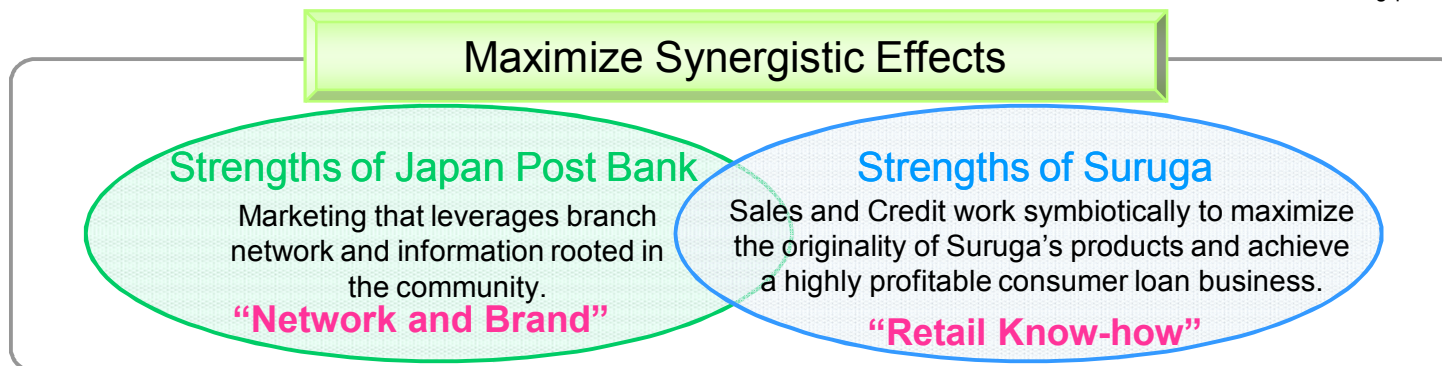
□ ← Product/Service to Propose in the Future

Japan Post X Suruga: Consumer Loan Vision

Offer loans that reflect customer needs
We start by listening to the customer.

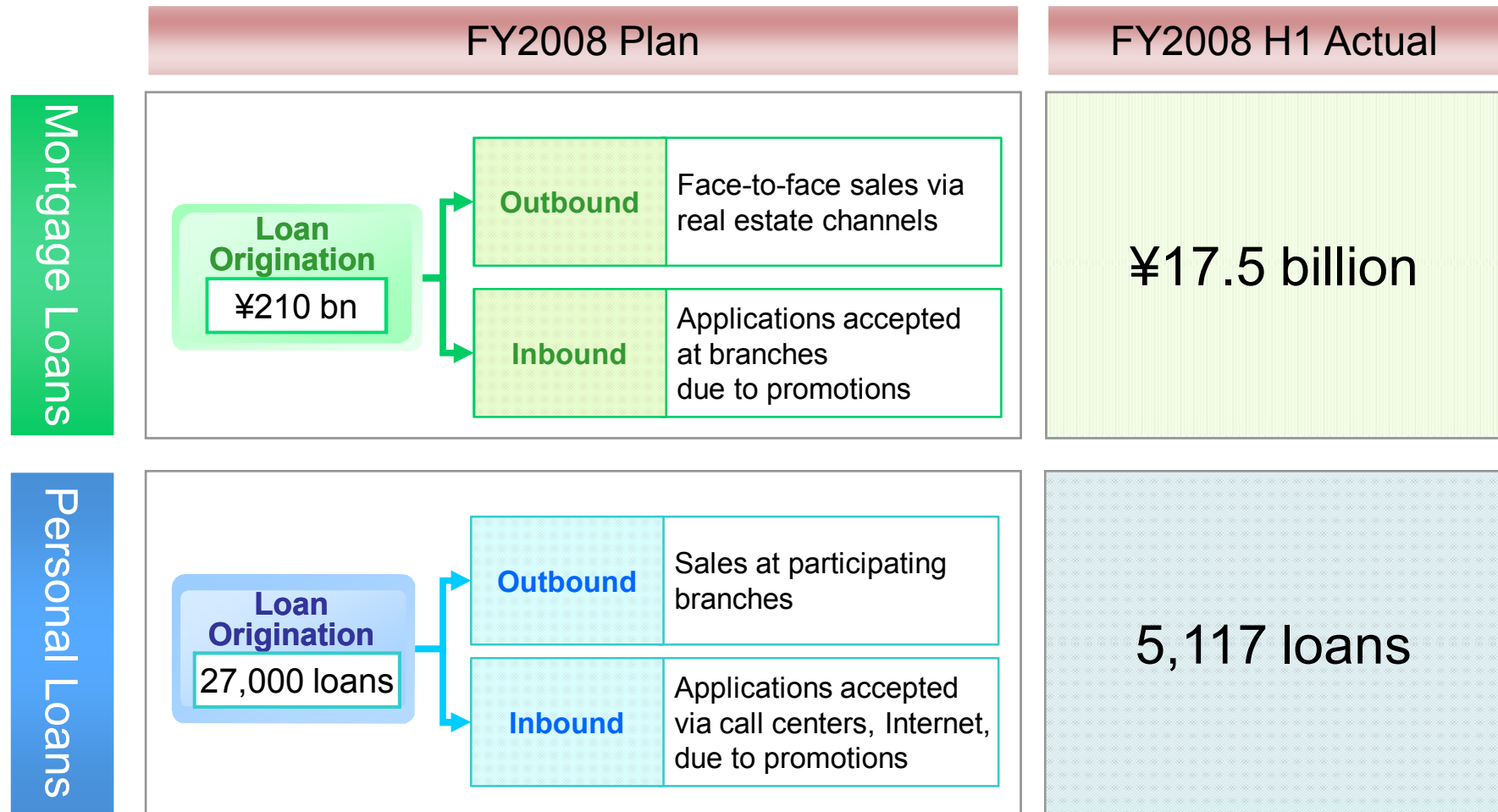


※ 50 branches handling personal loans



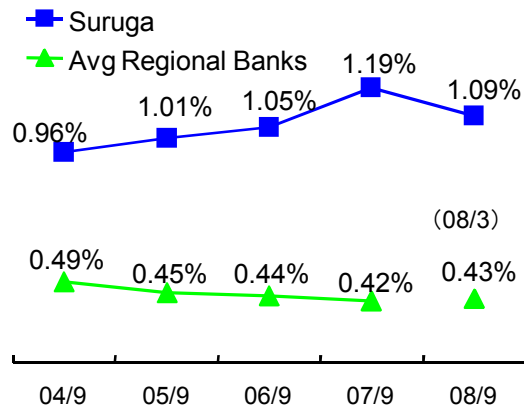
Business Alliance with Japan Post Bank

FY2008 Plan and Actual

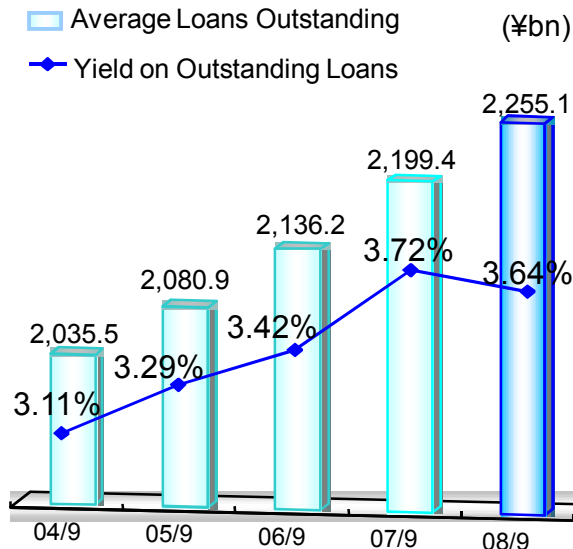


Interest Margins (Overall)

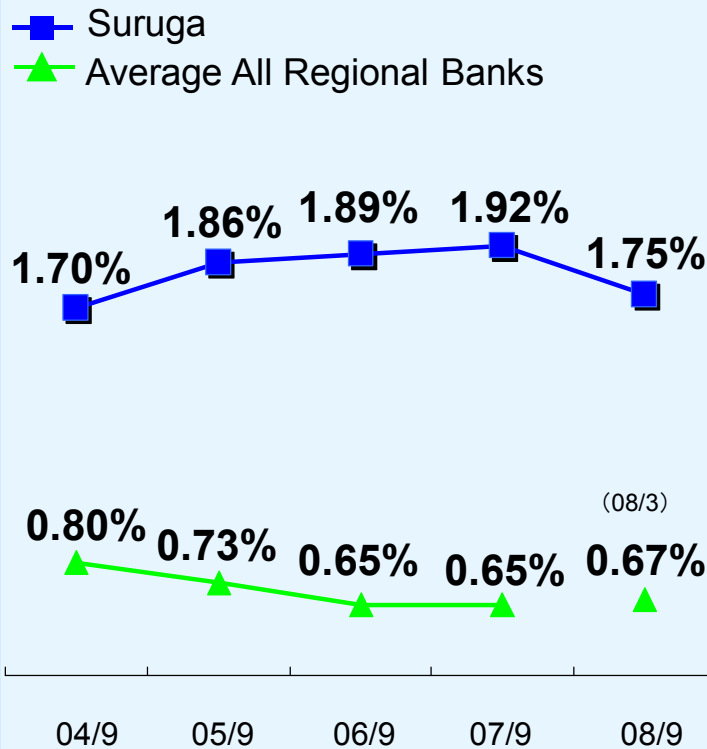
Net Interest Margin



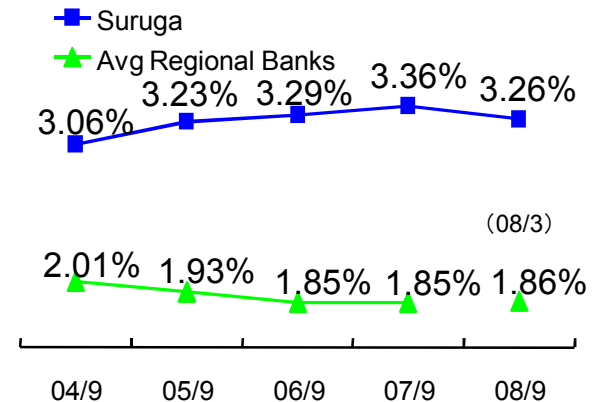
Average Balance & Yield on Outstanding Loans



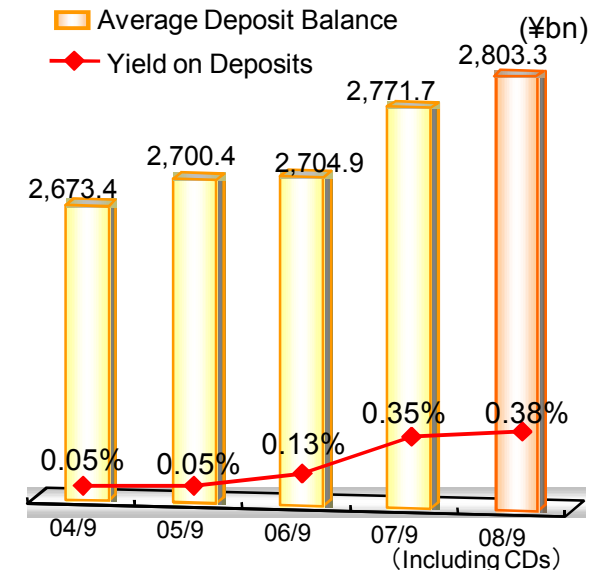
Loan-Deposit Net Margin



Loan-Deposit Gross Margin

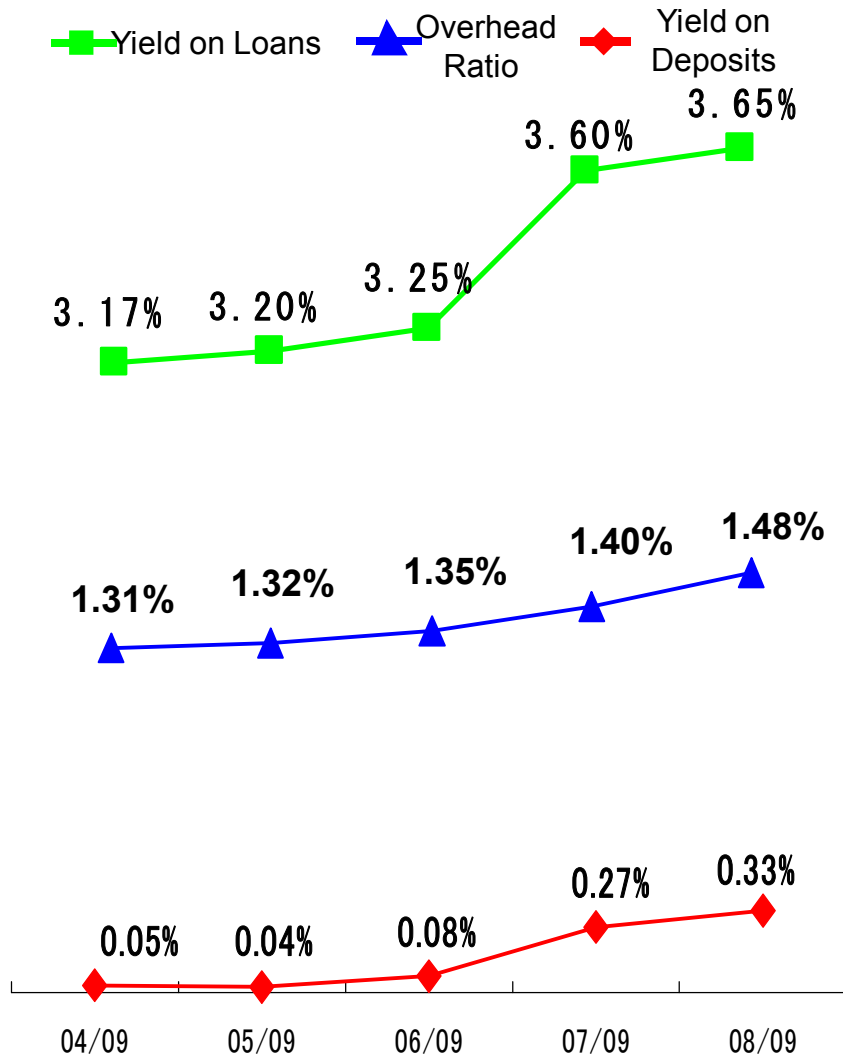


Average Balance & Yield on Deposits

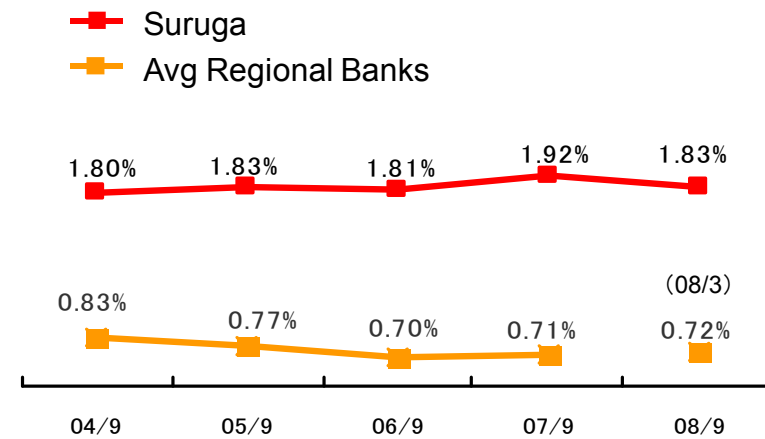


Margins (Domestic)

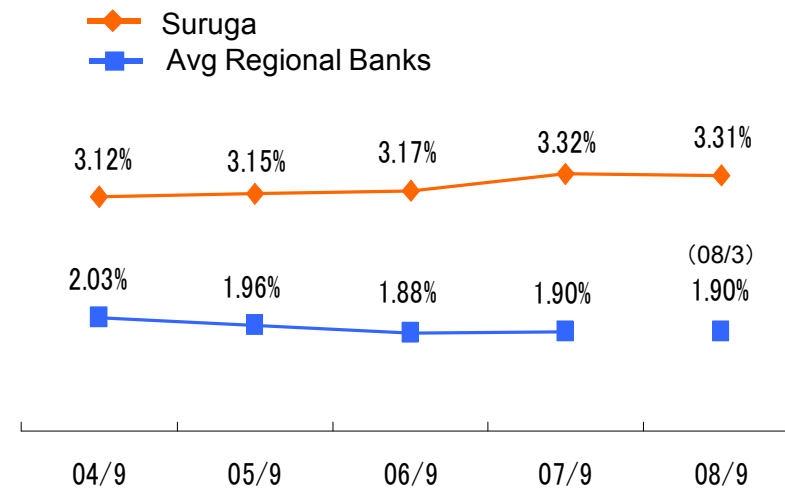
Yields & Overhead Ratio



Loan-Deposit Net Margin



Loan-Deposit Gross Margin

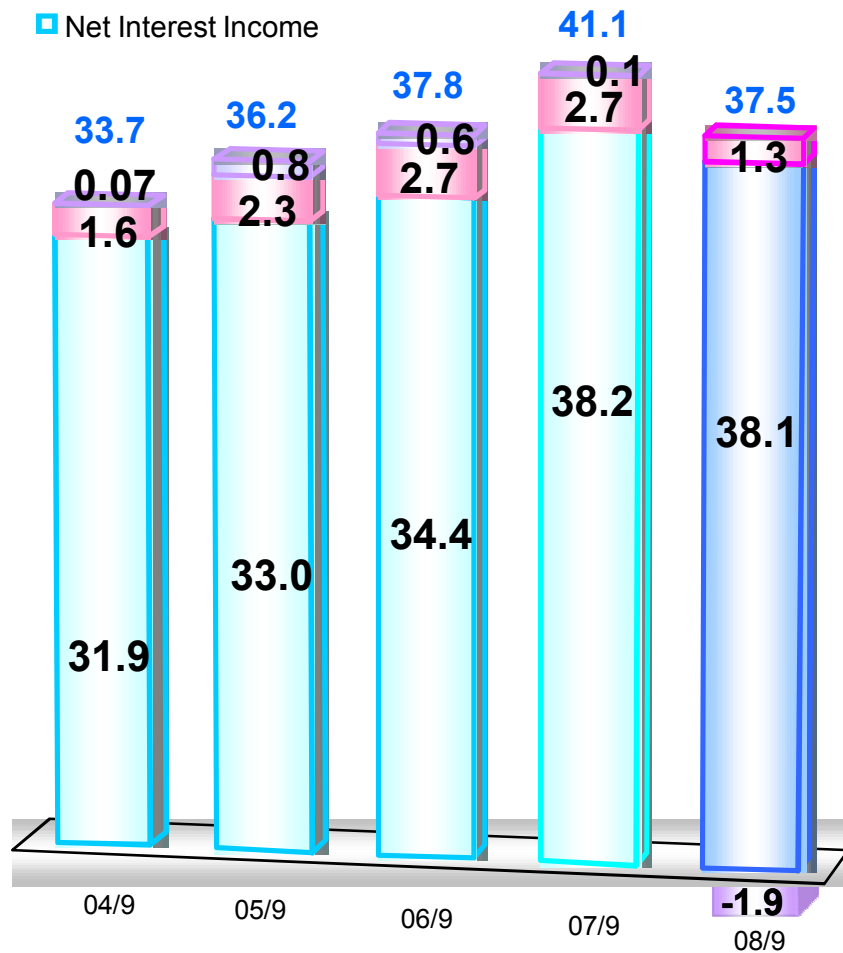


Gross Operating and Yen Loan-Deposit Incomes

Gross Operating Income

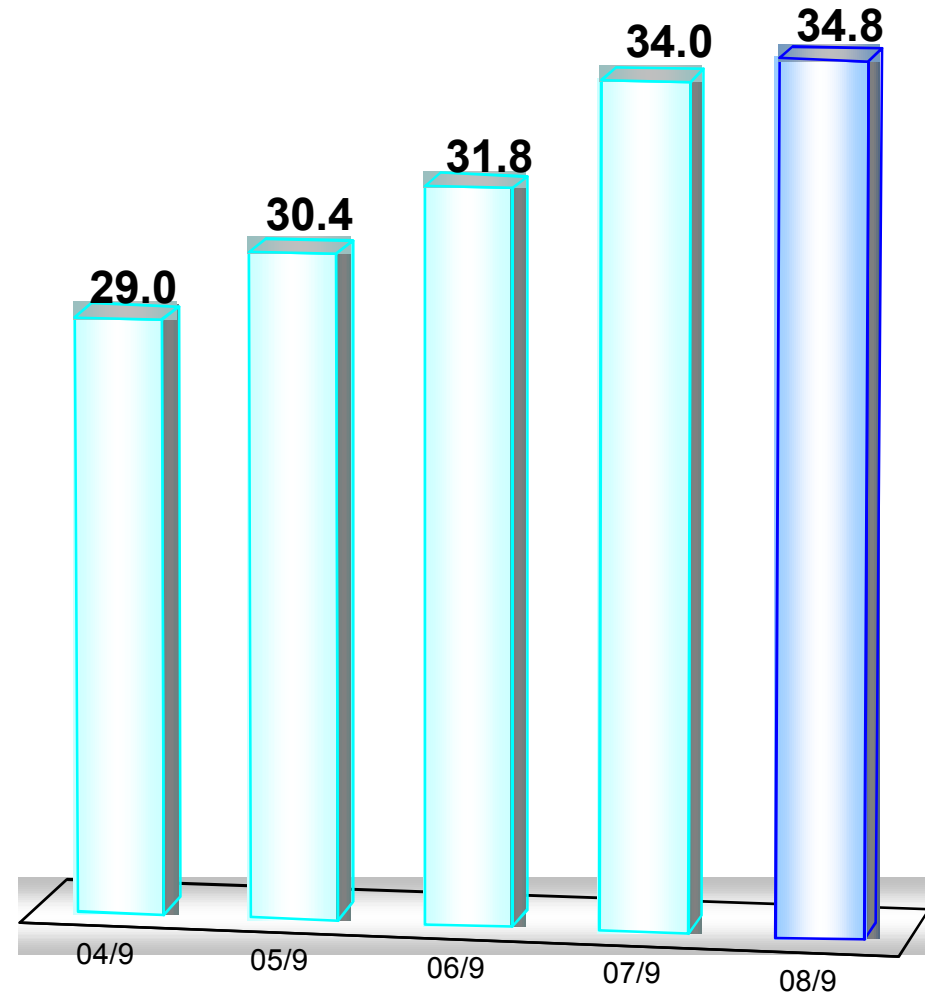
(¥bn)

- Other Operating Income
- Net Fees and Commissions
- Net Interest Income



Yen-Denominated Loan-Deposit Income

(¥bn)



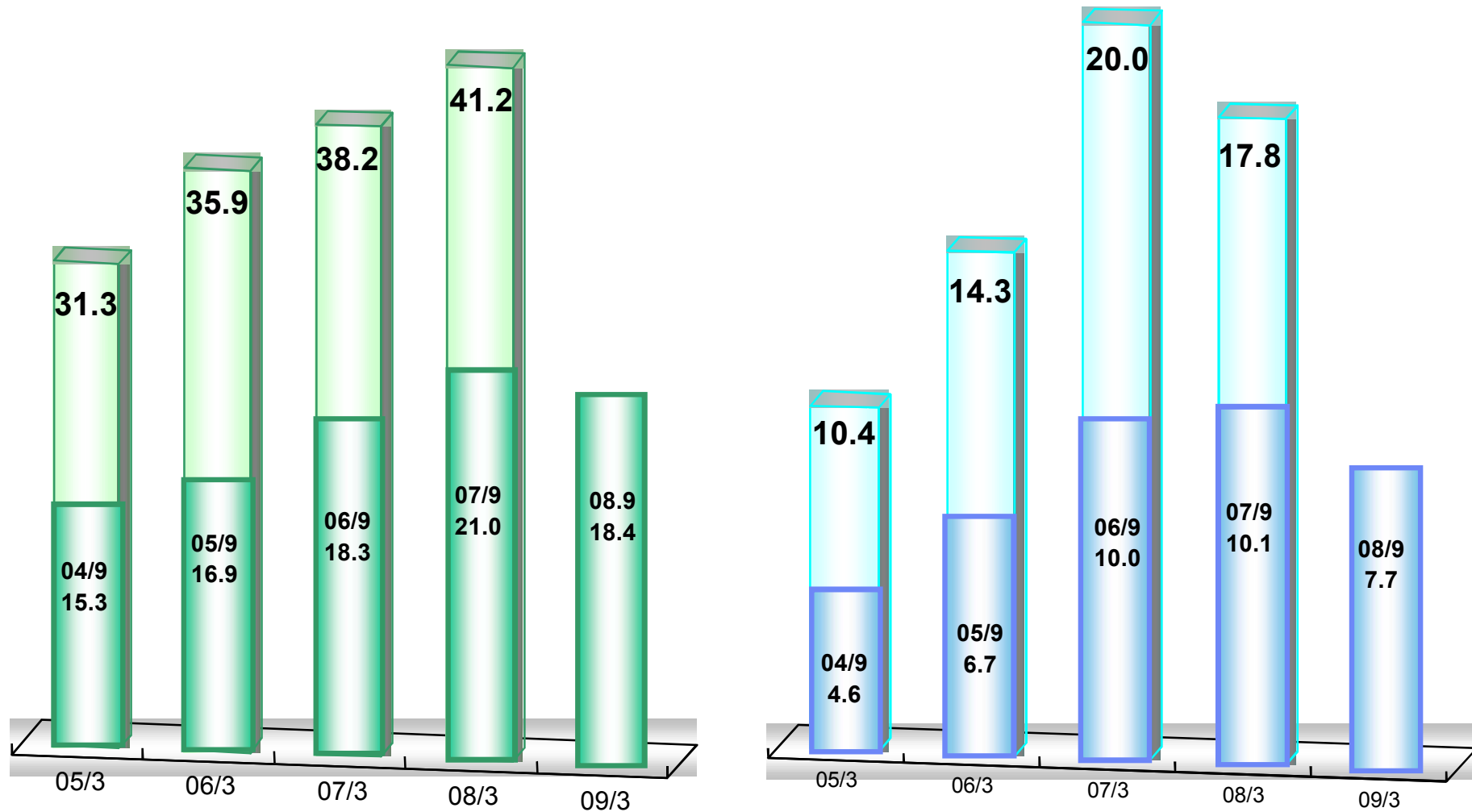
Core Net Operating and H1 Net Income

Core Net Operating Income

(¥bn)

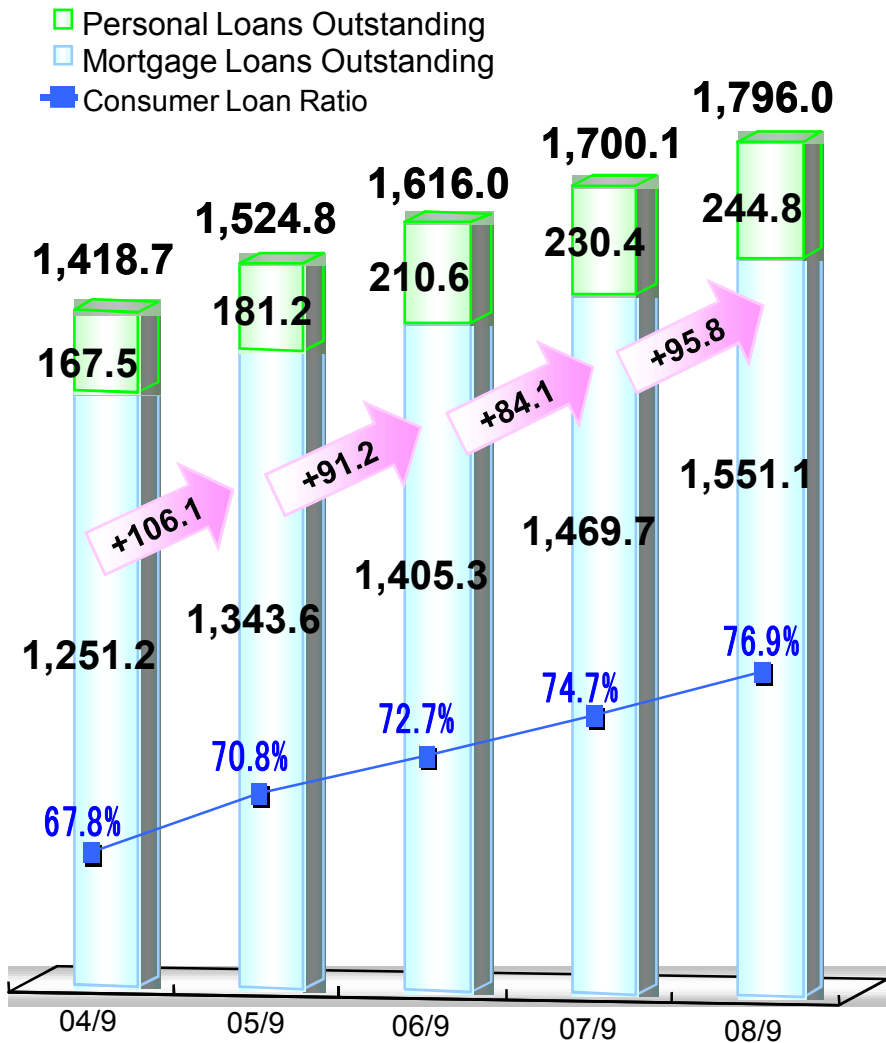
H1 Net Income

(¥bn)

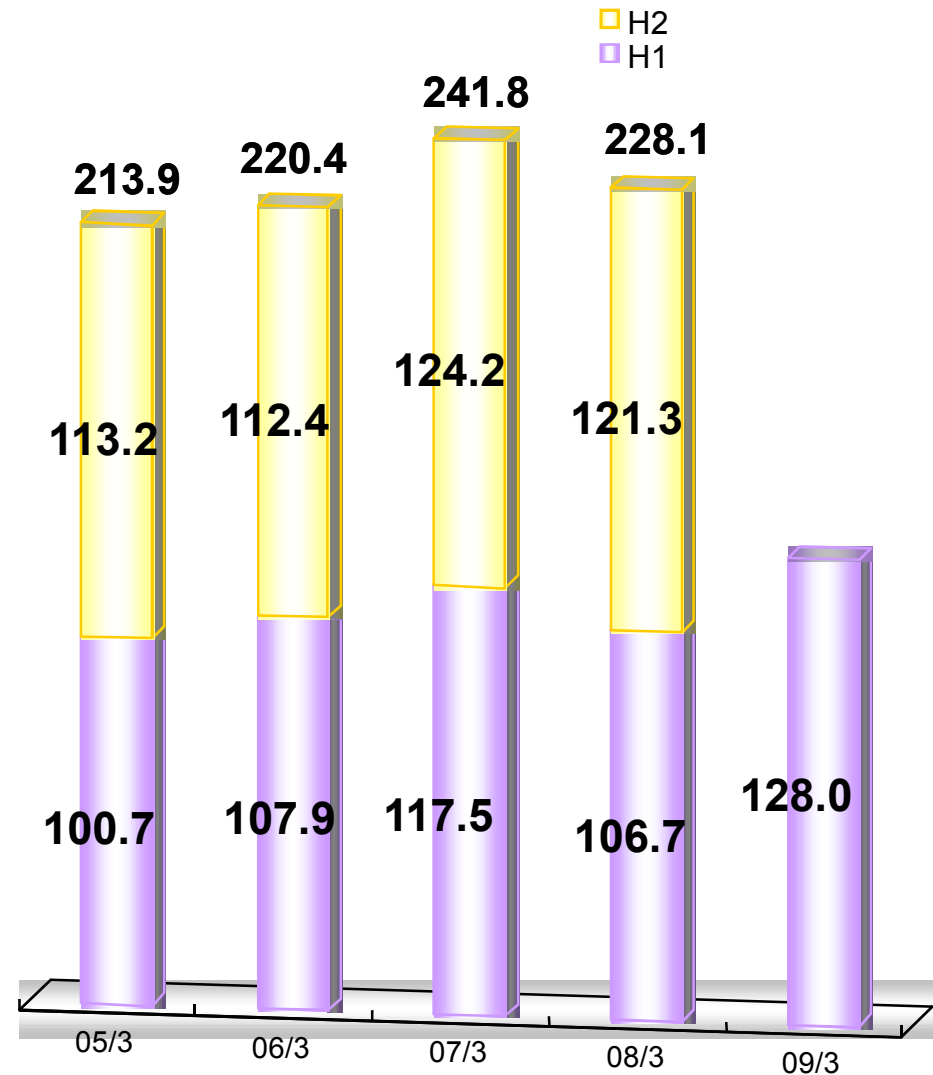


Consumer Loans ①

Consumer Loan Balance and Ratio (¥bn)

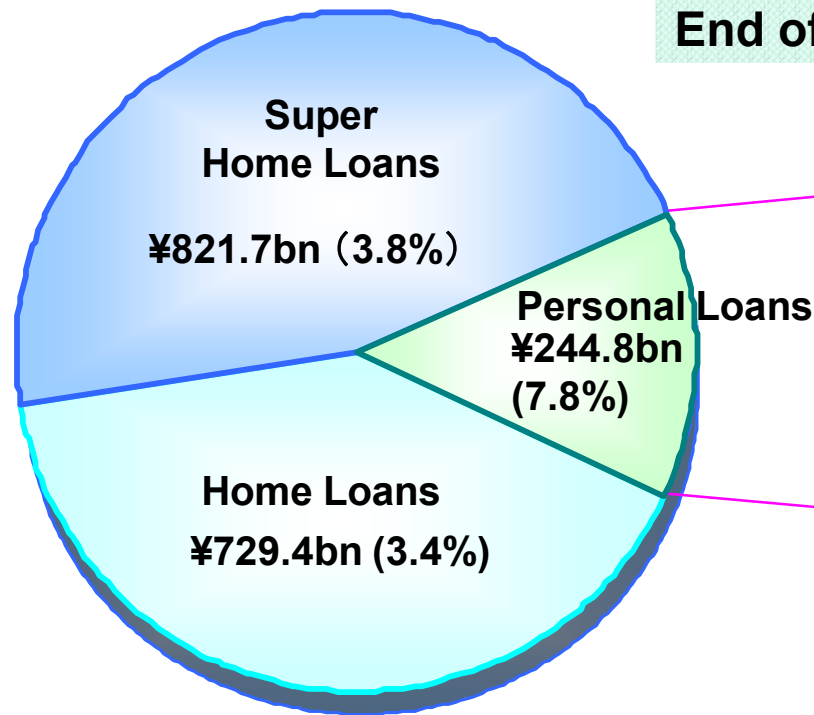


New Loan Originations (¥bn)



Consumer Loans ②

Consumer Loans Outstanding (Average Rate)

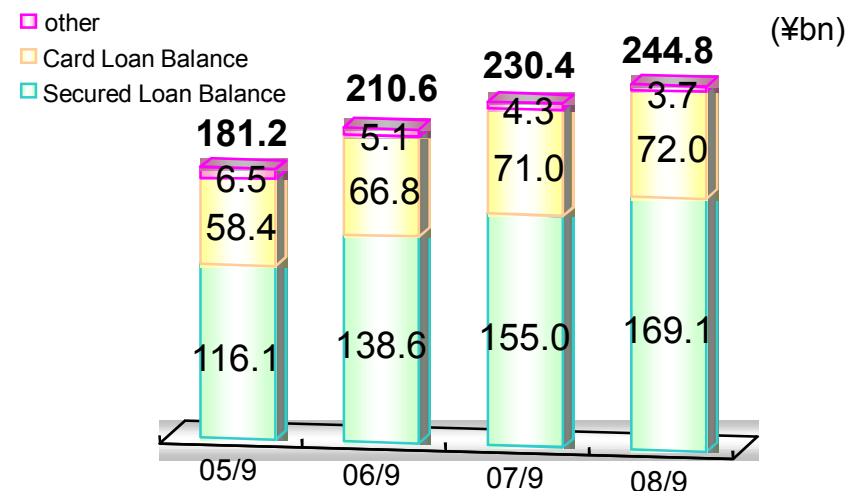
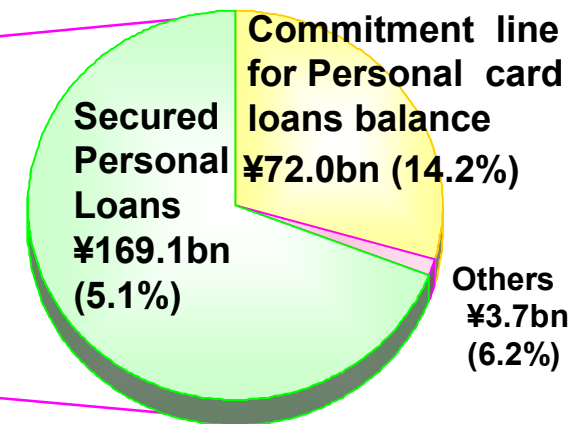


100% = ¥1,796bn (4.1%)

(Average interest rate in parentheses)

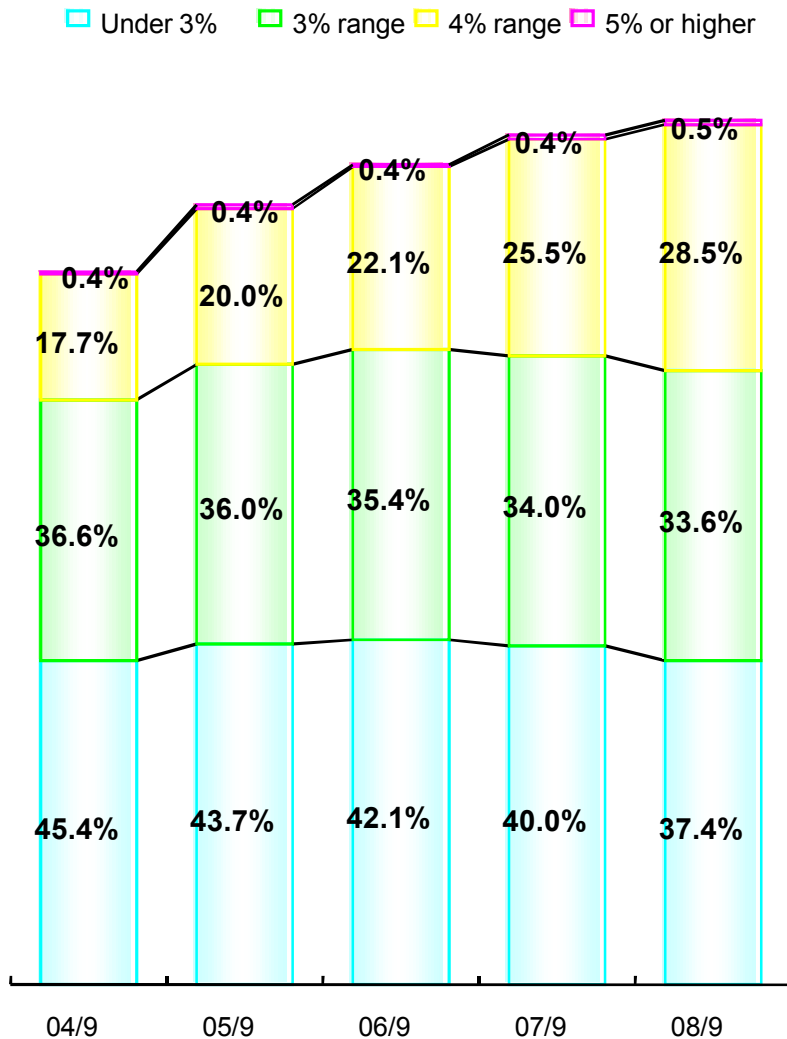
Personal Loans Outstanding (Average Rate)

100% = ¥244.8bn (7.8%)

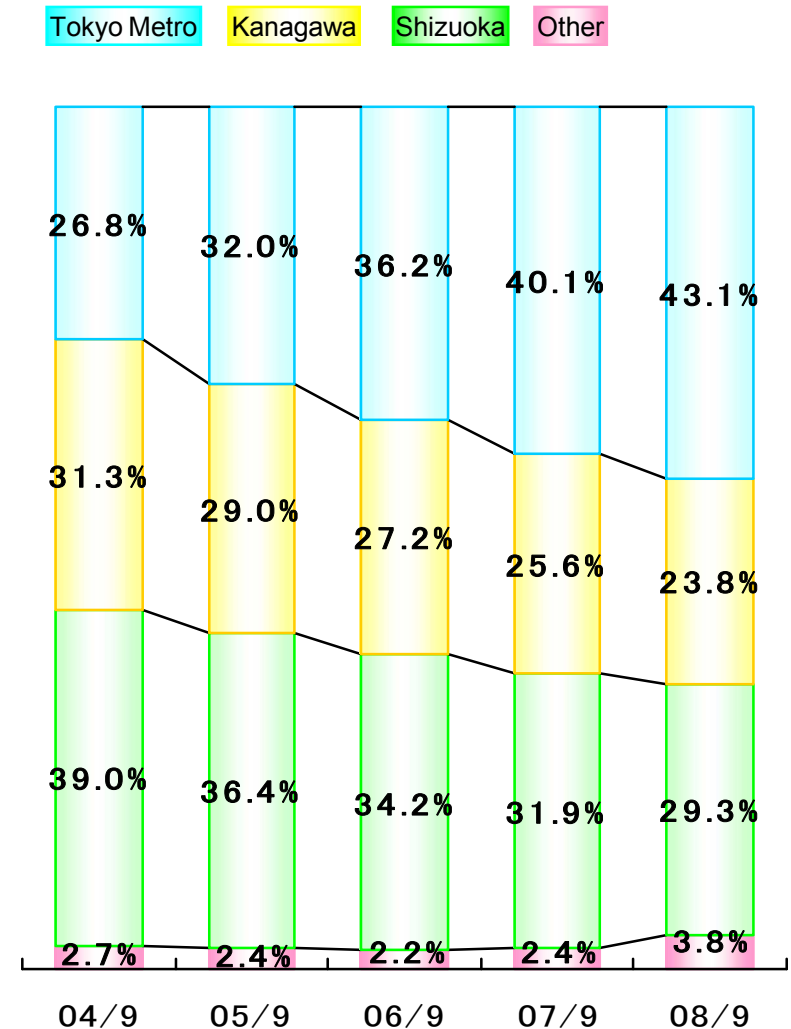


Mortgage Loans

Distribution of Mortgage Loan Rates (Cumulative)



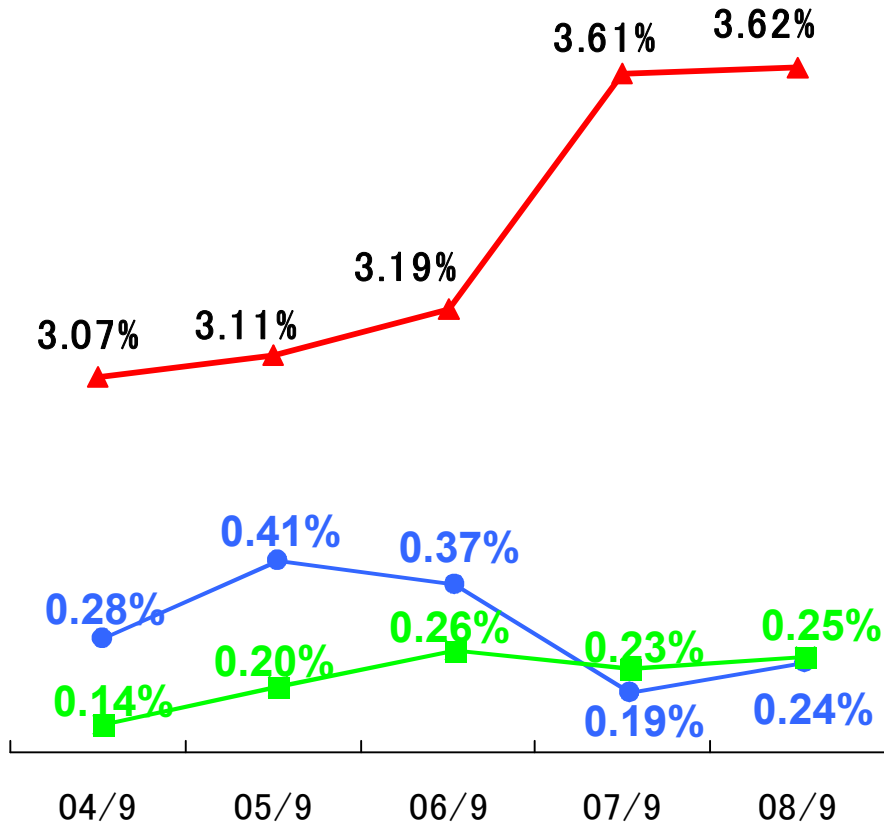
Geographical Distribution of Loans Outstanding



Delinquency and Loss Rates on Consumer Loans

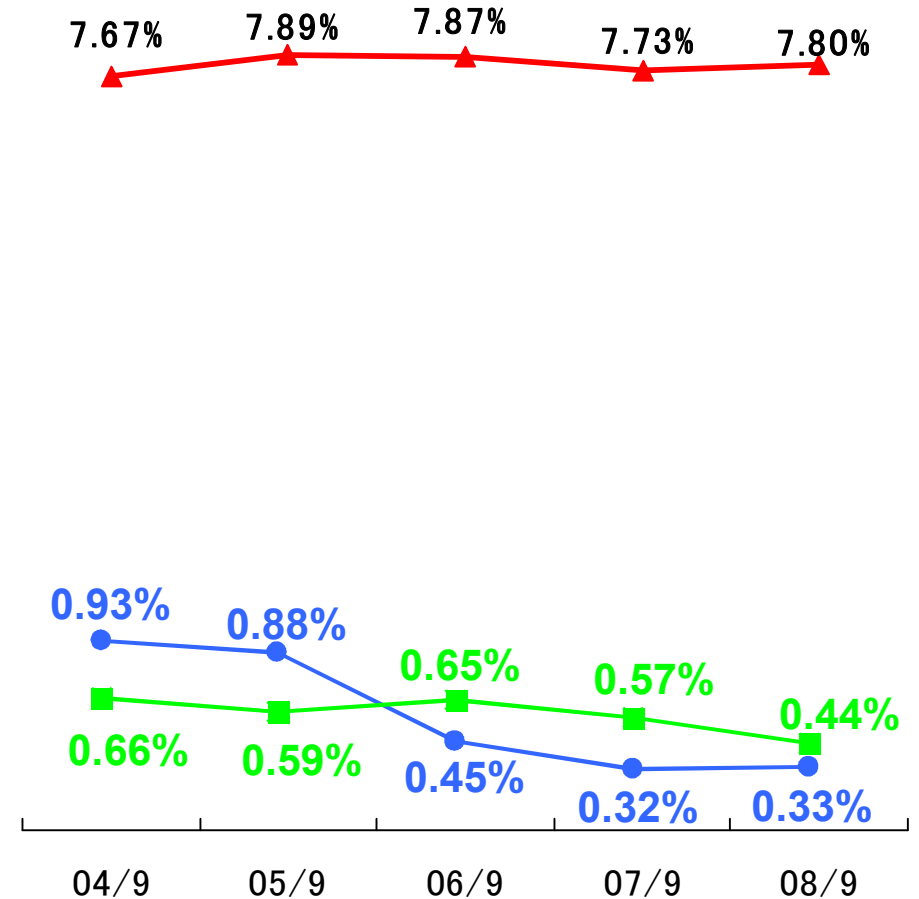
Mortgage Loans

▲ Yield ● Delinquency Rate ■ Loss Rate



Personal Loans

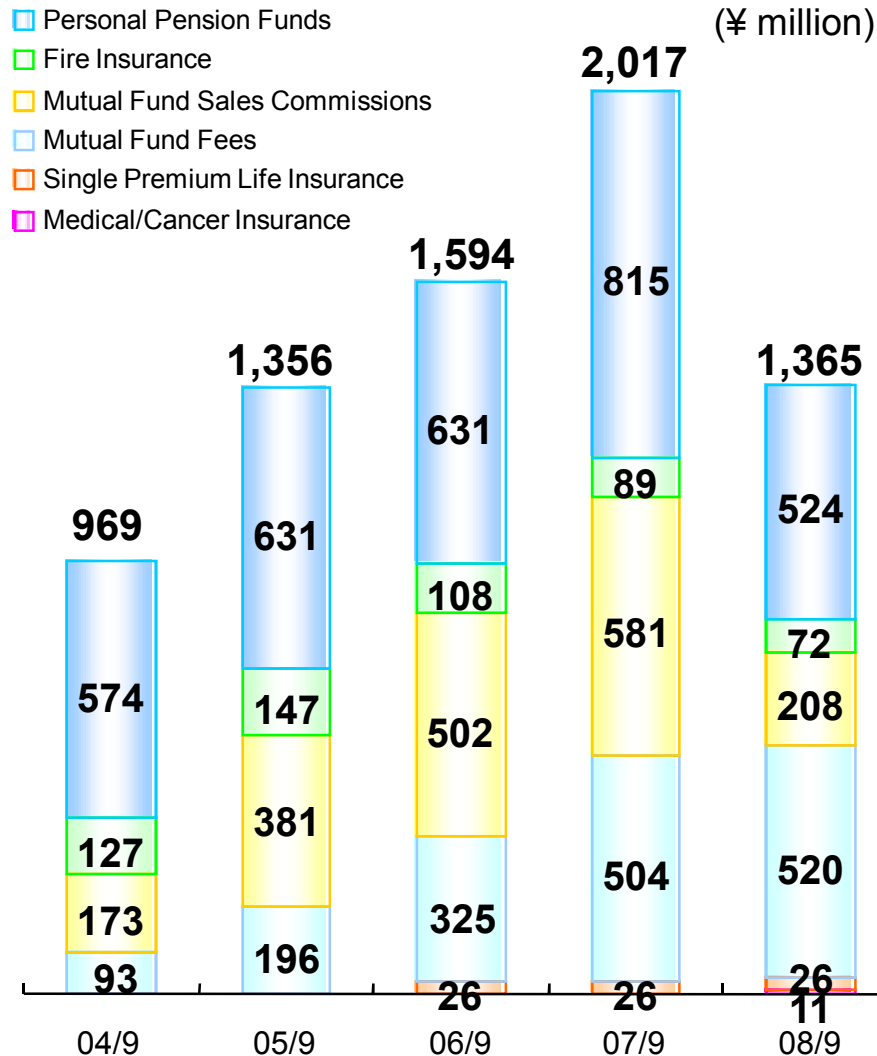
▲ Yield ● Delinquency Rate ■ Loss Rate



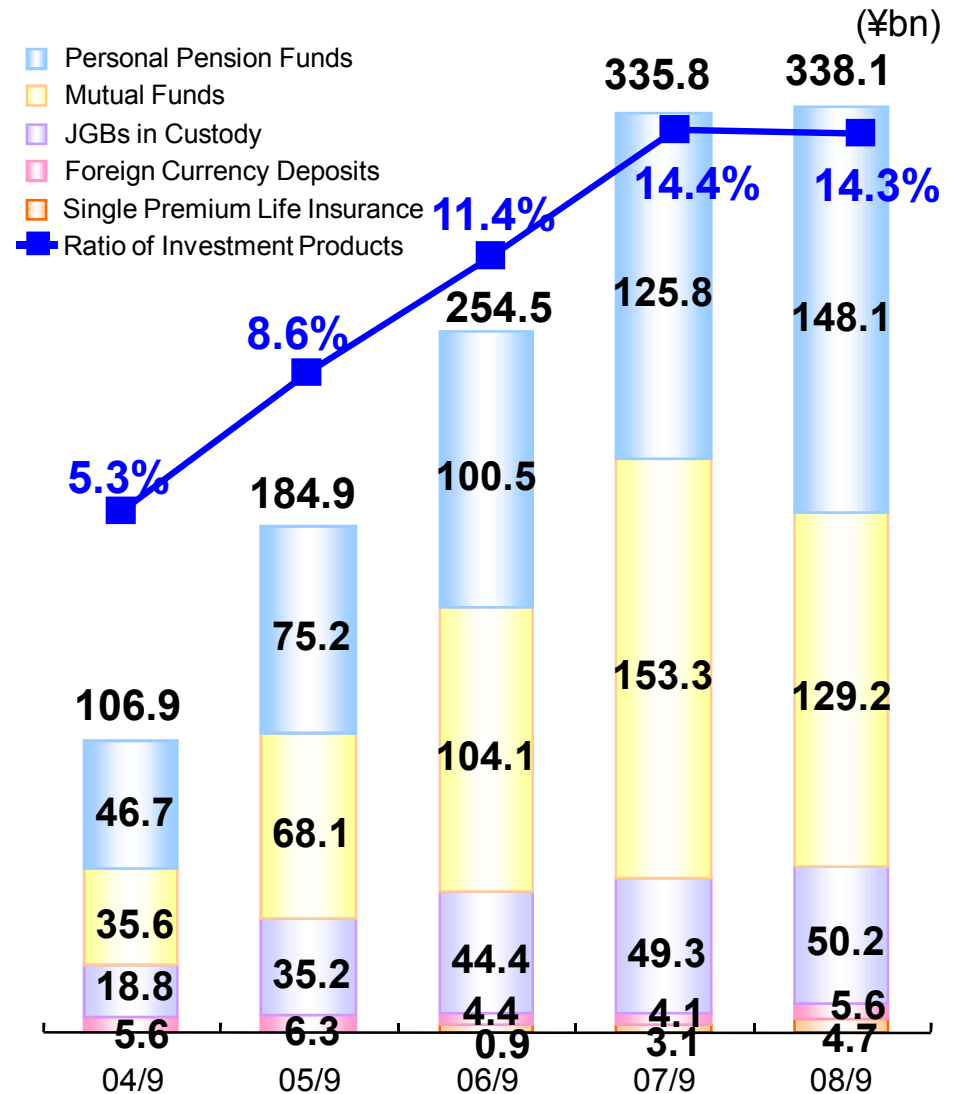
Delinquency rate = At least 3 months overdue ÷ Loan Balance
 Loss rate = Default rate X (1 - recovery rate)

Investment Fees and Balance (Retail)

Commissions from Mutual Funds and Insurance Products

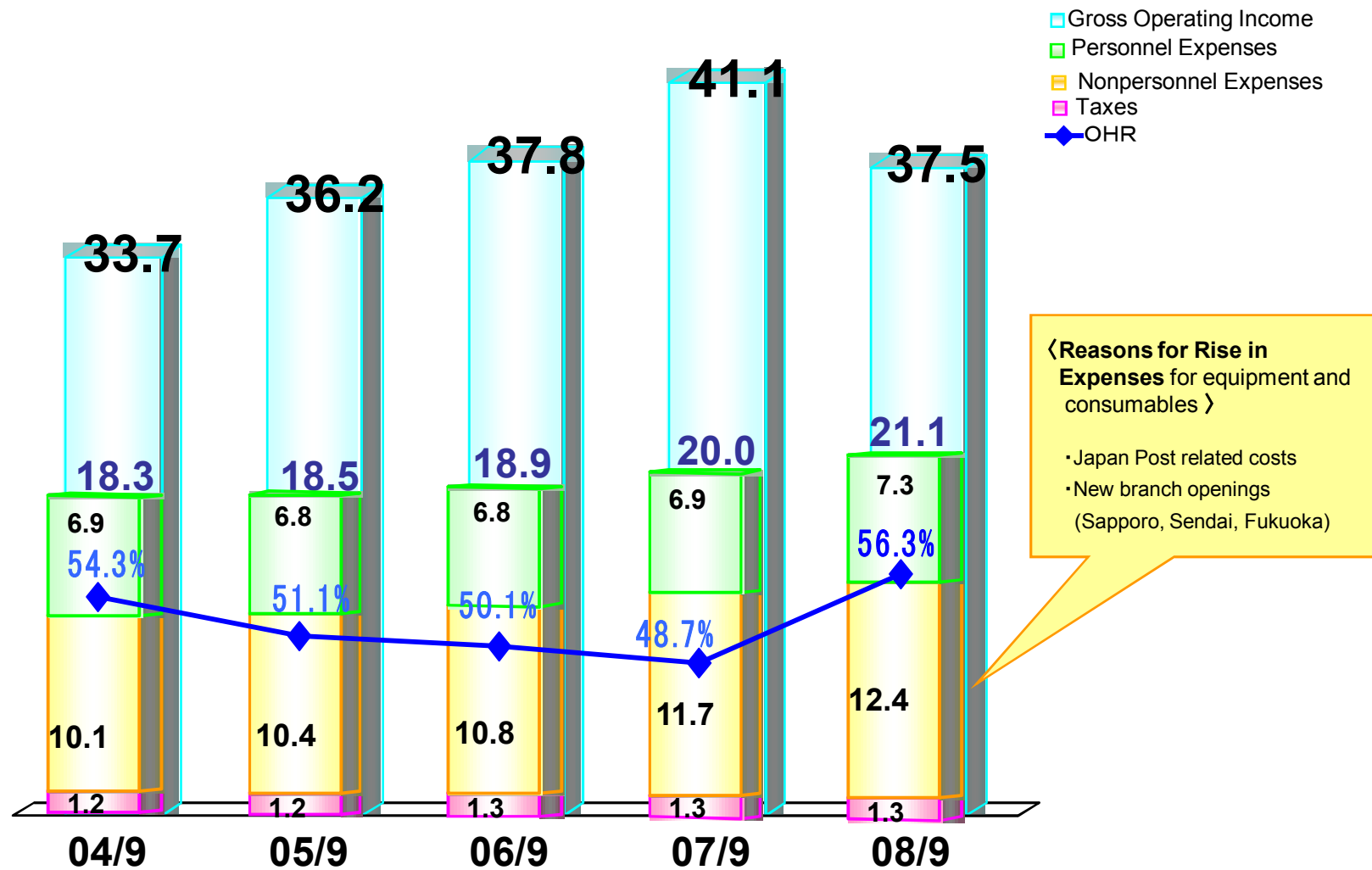


Balance of Investment Products (Retail)



Expenses and Overhead Ratio (OHR)

(¥bn)



Nonperforming Loans Based on Financial Reconstruction Act

(¥bn)

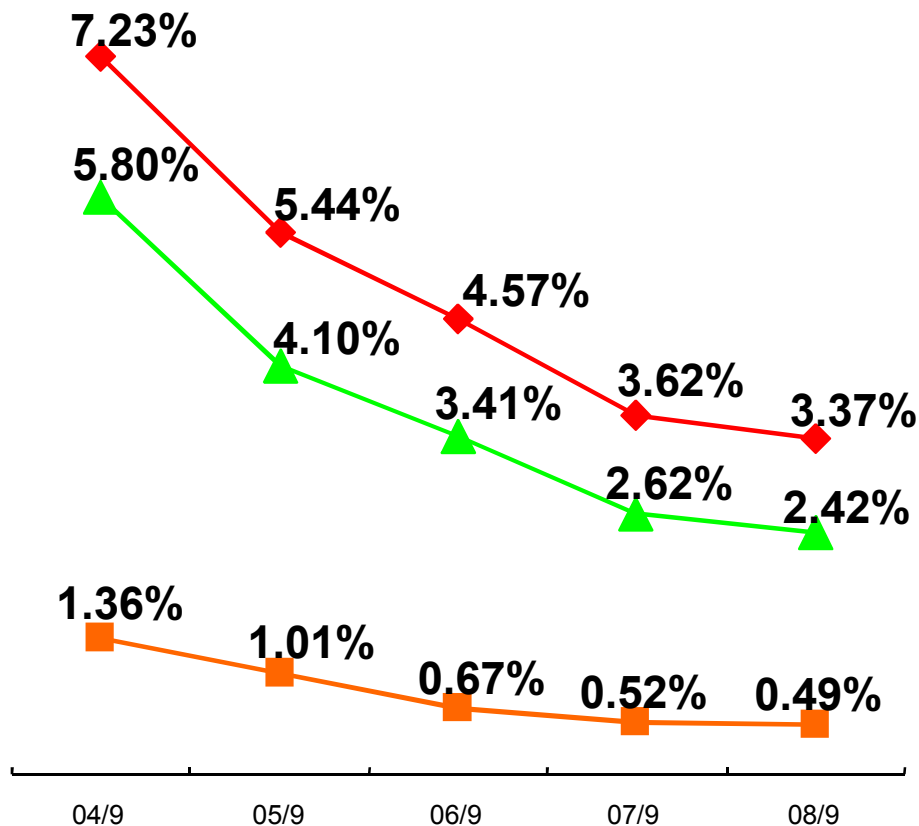
Disclosure Category	Credit Balance Sept 08	% of Total	Credit Balance Retail vs Corporate	% of Total	Total Collateral + Guarantee	Collateral	Guarantee	Protection Ratio	Reserve	Reserve Ratio	Total Coverage Ratio		
Bankrupt or De Facto Bankrupt	15.9	0.67%	Retail	10.3	0.57%	6.2	4.8	1.4	60.61%	4.0	100%	100%	
			Corporate	5.5	1.00%	4.4	2.4	1.9	79.52%	1.1	100%	100%	
Doubtful	31.6	1.34%	Retail	4.7	0.26%	2.5	1.6	0.9	54.51%	1.4	68.25%	85.55%	
			Corporate	26.9	4.88%	16.3	7.6	8.6	60.50%	9.5	89.61%	95.89%	
Special Attention	31.7	1.35%	Retail	7.0	0.39%	5.5	5.1	0.4	78.72%	0.4	27.87%	84.65%	
			Corporate	24.7	4.47%	10.3	10.2	0.1	41.88%	5.6	39.66%	64.93%	
Total	79.3	3.37%	Retail	22.1	1.23%	14.4	11.5	2.8	65.06%	5.9	77.18%	92.03%	
			Corporate	57.2	10.37%	31.0	20.3	10.7	54.30%	16.3	62.63%	82.92%	
Normal	2,273.7	96.62%	Retail	1,779.1	98.76%							Total Coverage	85.46%
			Corporate	494.5	89.63%								
Total Credit Balance	2,353.0	100%	Retail	1,801.2	100%							Protection Ratio: Coverage by collateral and guarantees Reserve Ratio: Reserves for unsecured claims Total Coverage Ratio: Total coverage by collateral, guarantee and reserves.	
			Corporate	551.8	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.

Nonperforming Loan Ratio and Credit Costs

Nonperforming Loan Ratio

- ◆ Nonperforming Loan Ratio
- ▲ Nonperforming Loan Ratio (After deducting reserves)
- Nonperforming Loan Ratio (After deducting collateral, guarantees, and reserves)

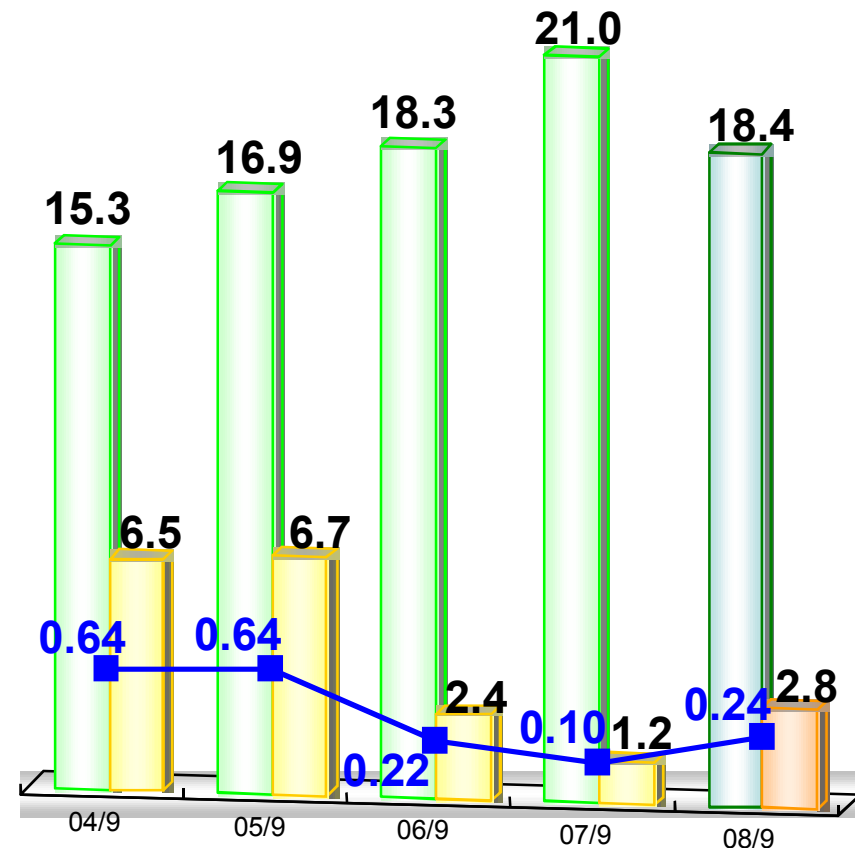


Credit Costs

【Half Year】

(¥bn)

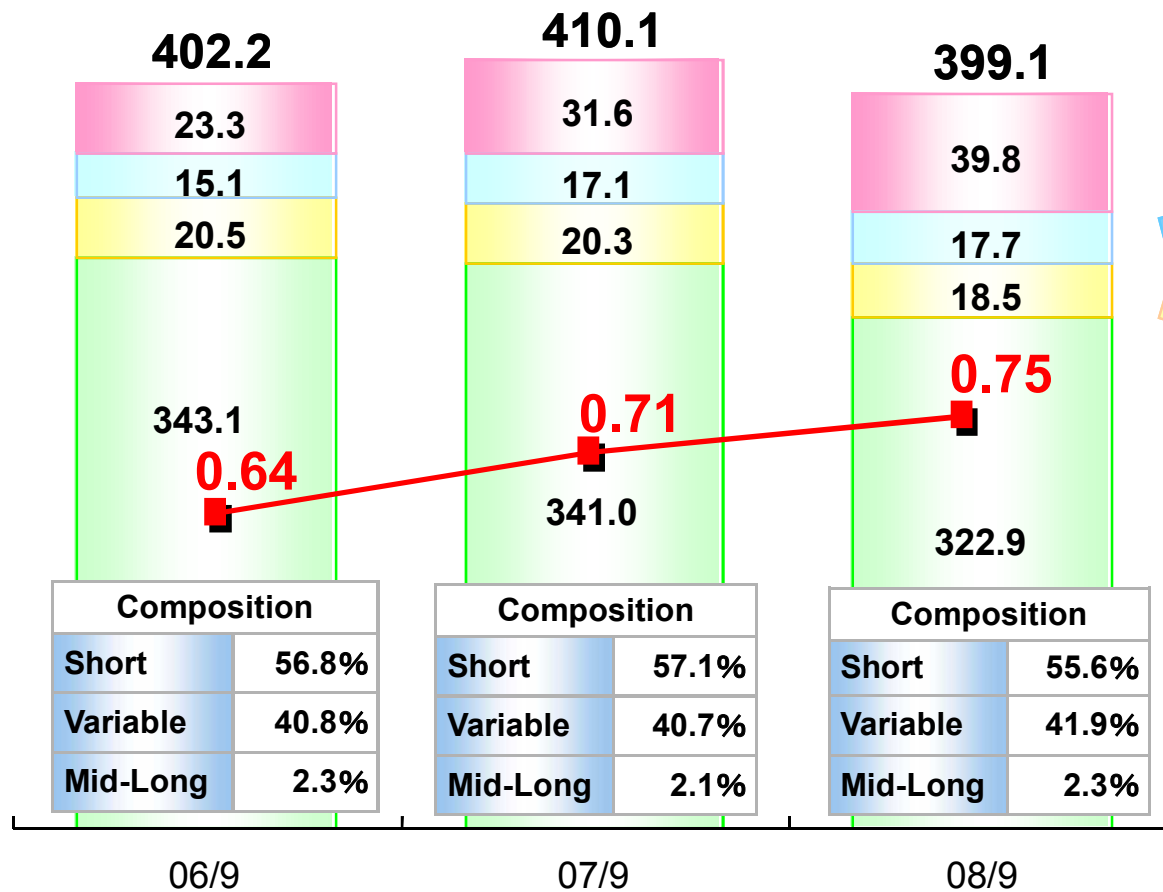
- Core Net Operating Income
- Real Credit Costs (Credit costs – Collection of claims written off)
- Real Credit Cost Ratio (Real Credit Costs/Avg Loans Outstanding) (%)



Bond Portfolio

■ JGB ■ Foreign ■ Corporate ■ Municipal
■ Average years to maturity

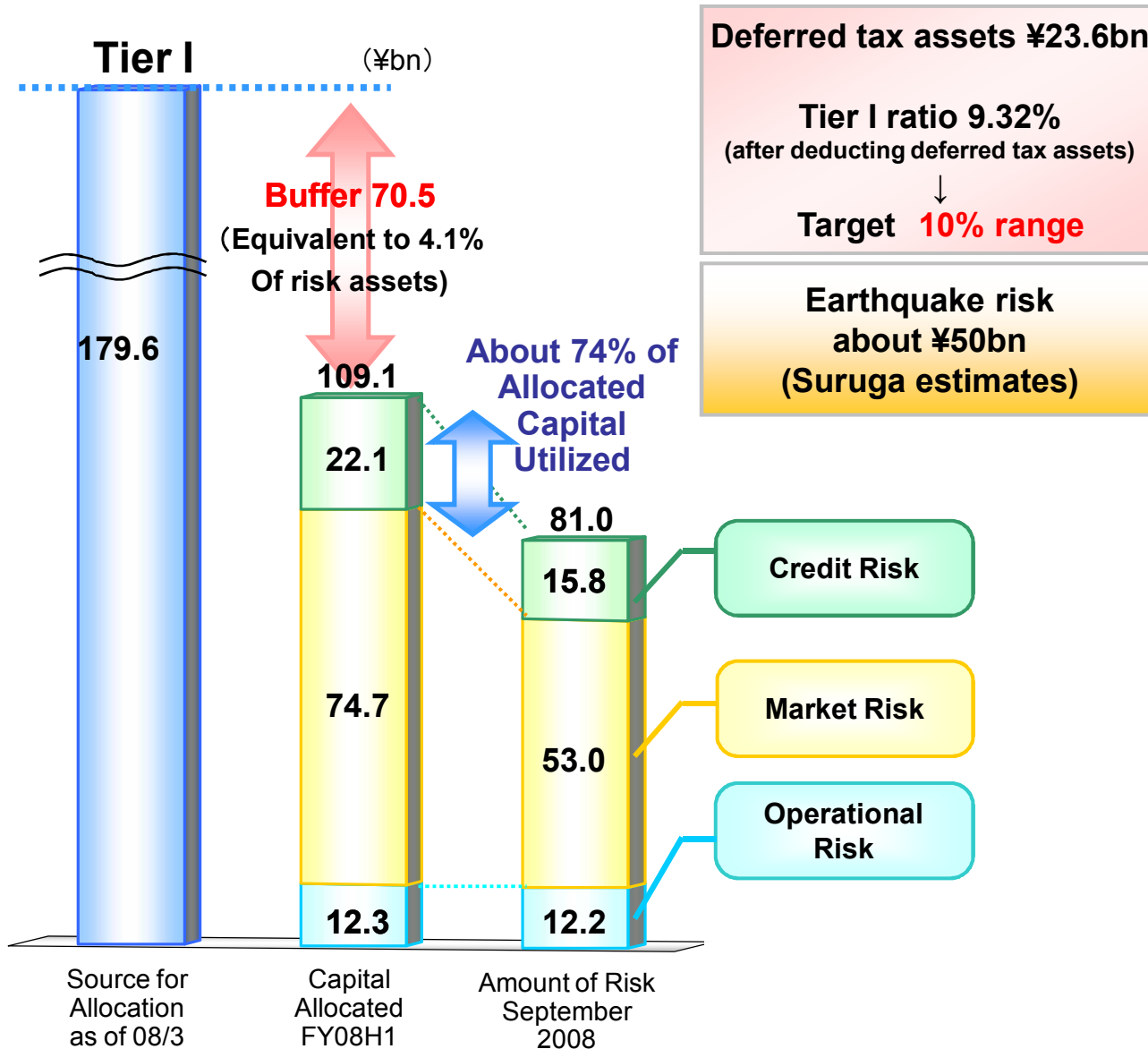
(¥bn)



【Corporate Bonds】
 Public Corporation ¥5.6bn
 Bank Debentures ¥6.8bn
 Industrial Bonds ¥5.2bn

Broken out: Foreign Yen-denominated bonds ¥17.4bn
【Collateral Bonds】
 JGB ¥13.5bn
 Foreign Securities Firms ¥1.4bn
 Domestic Listed Co's ¥2.4bn

Amount of Risk

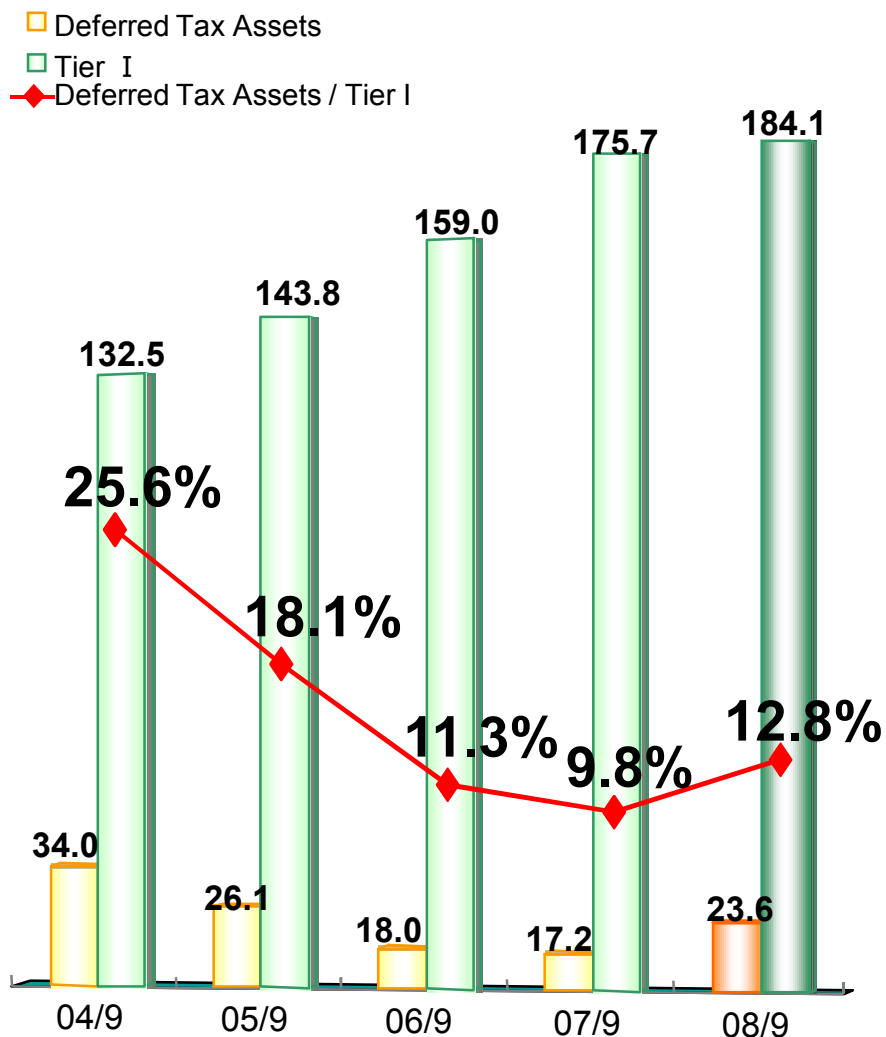


End of Sep 08	
Interest rate shock range	+/- 200 bp
Interest rate risk amount	¥7.1bn
Outlier ratio	3.6%

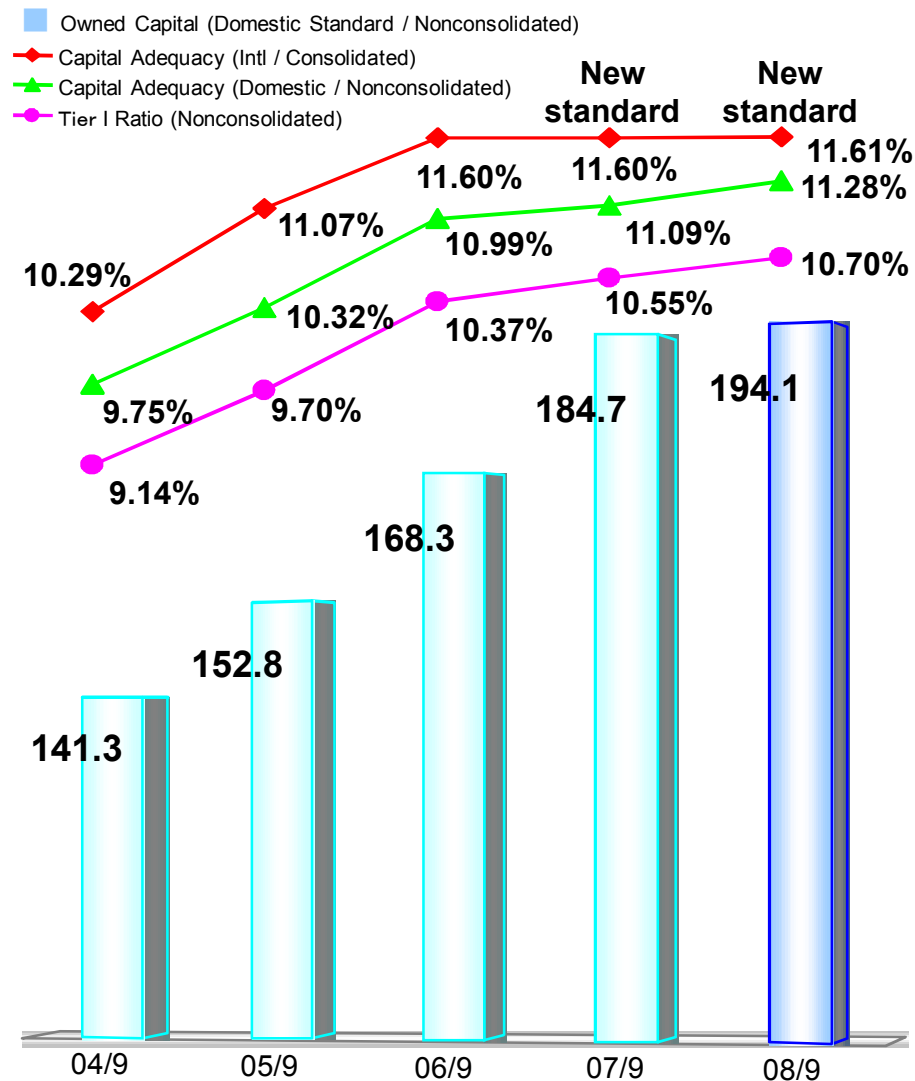
- Confidence level 99% (common)**
- Holding period (business days)**
 - Credit risk 240 days
 - Deposits & Loans, Bonds, etc. Interest & price fluctuation risk 60 days (Trading account 10 days)
 - Price fluctuation risk for equities 120 days
- Operational risk**
Basic methods

Capital Adequacy Ratio

Tier I Capital & Deferred Tax Assets (¥bn)



Capital Adequacy Ratio (¥bn)



FY2008 H1 Results & Full Year Forecast

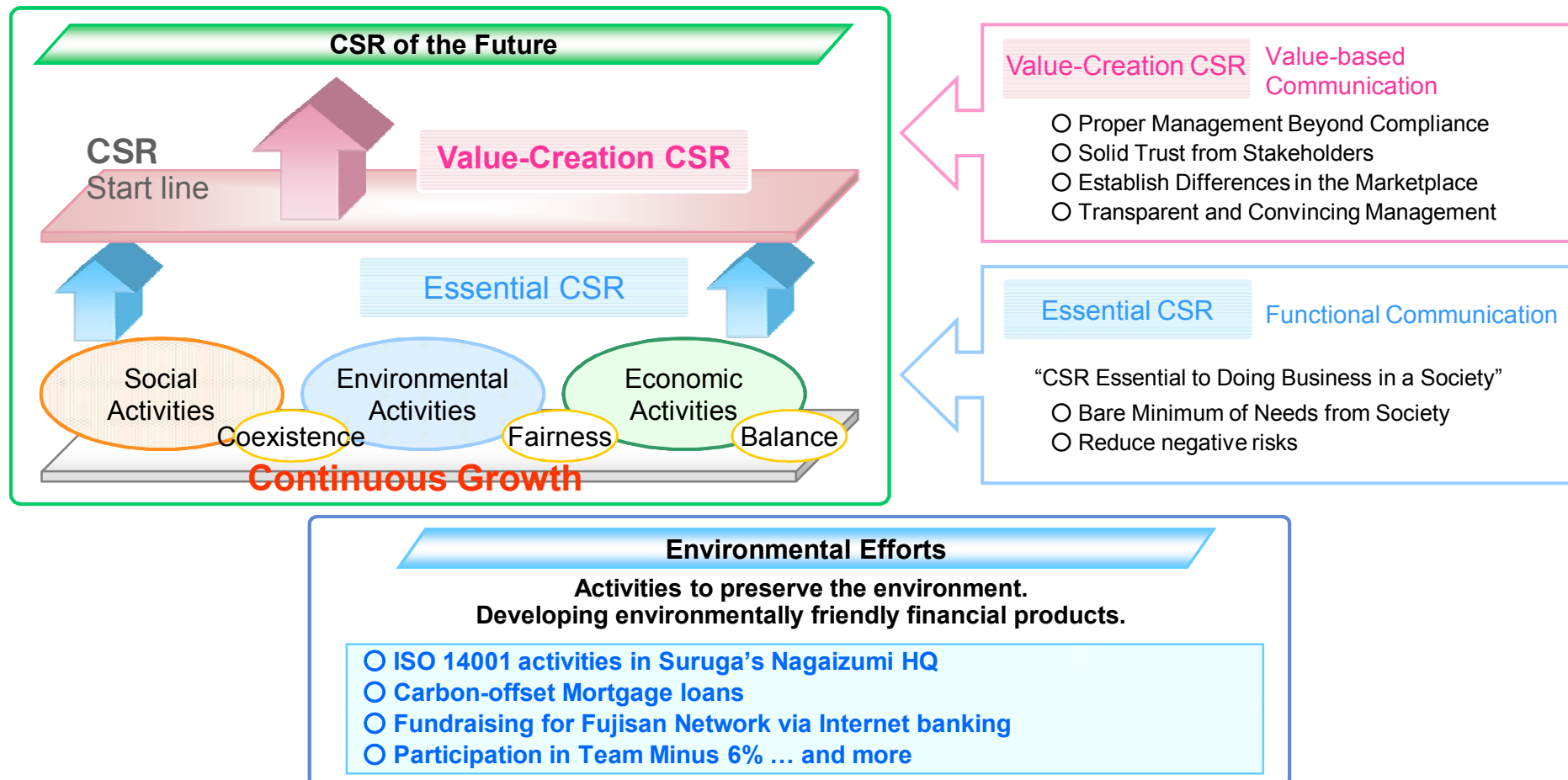
(¥bn)

		FY2008 First Half			FY2007 Results	FY2008 Full Year Forecast
		Original Forecast (A)	Results (B)	Versus Forecast (B-A)		
Gross Operating Income		42.0	37.5	- 4.4	79.6	85.0
Operating Expenses		21.5	21.1	- 0.3	39.8	42.0
Net Operating Income		20.5	17.3	- 3.1	41.6	43.0
Core Net Operating Income		20.5	18.4	- 2.0	41.2	43.0
Ordinary Income		17.5	12.9	- 4.5	32.6	37.0
Net Income		10.5	7.7	- 2.7	17.8	22.0
Real Credit Cost		3.0	2.8	- 0.2	3.8	6.0

Corporate Social Responsibility at Suruga

CSR of the Future

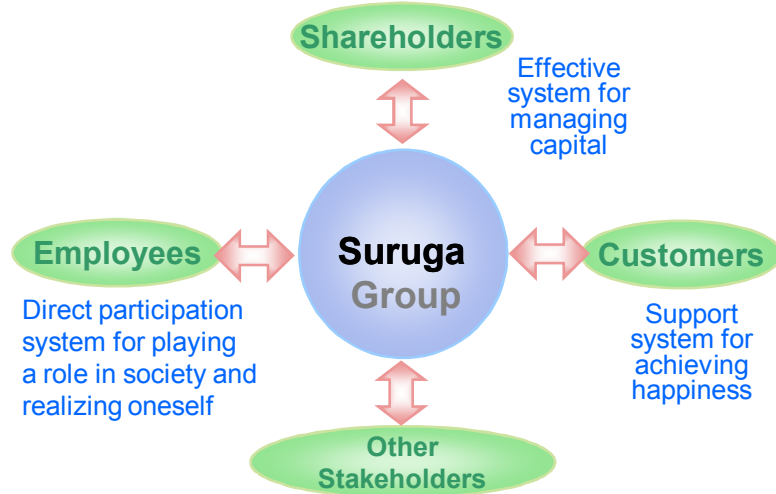
Suruga's philosophy is to help our customers make their dreams come true on a timeline that works for them. By providing value to our customers we meet our stakeholders' expectations and fulfill social responsibilities.



Growth Within Our Corporate Philosophy

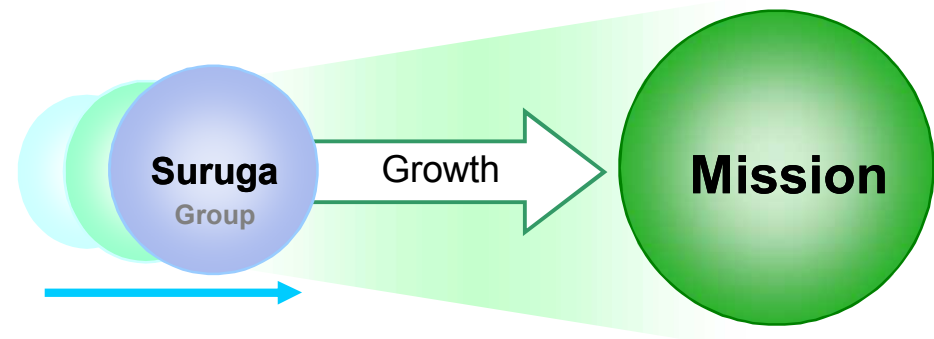
Growth as a Value Exchange System

Define growth as greater exchange of value with all stakeholders.



Growth as a Mission-Based Company

Define growth as making our mission more achievable. As a Life & Business Concierge, help make our customers' dreams come true on a timeline that works for them.



Growth Originating in C•P•S

Management

C	Culture-oriented Rooted in culture of land where established	Respect culture. Leverage the strengths of that culture to realize growth for Suruga.
P	People-based Centered around its people	Achieve growth through management centered not on corporate theory but on the logic of its people.
S	Social-perspective Seeks improved sociality	Always mindful of its role as a social institution. Achieves ends by means above the social code.

For further details regarding the above, please contact

**IR & PR Office,
Suruga Bank Ltd.**

Tel: +81-3-3279-5536

e-mail: ir.koho@surugabank.co.jp

The foregoing material contains statements regarding future business performance. These statements are not intended as guarantees of any specific future performance, which is subject to a variety of risks and uncertainties. Actual future business results may differ from the targets contained in the present material, due to changes in the external business environment.