Meeting the Challenge of New Banking

Presentation to investors on fiscal year ended March 31, 2008

SURUGA bank

Response to Changes in the Social Structure

Becoming a country with advanced depopulation

The Japanese population is declining following a peak in 2004 Number of households will increase until 2015, then decrease thereafter.

Weakening of Japanese economic strength within the world economy

Rising economic status of newly developing countries

Deteriorating Japanese competitiveness in the global market

← Delay in globalization

Becoming a true aging society

Absolute number of the elderly is high in urban areas.

Higher aging rate in rural areas.

Breaking away form the global standard due to the insistence on progress inside Japan and the industry

Necessity of a shift in strategies foreseeing changes in the social structure

Opening the country up as it was opened in the Meiji Restoration and after the war

Practice self-organized action based on independent ideas

Establishment of a de facto global standard free from the narrow traditional viewpoints in the industry

Globalization from local regions

Attracting human resources with high skill and knowledge

Globalization of domestic-oriented industries

Aiming to jump-start the Japanese economy and revitalize the entire country

Source: NRI

Management in the New Era

Unstoppable = Never-ending growth strategies

Advancement of the core business

is the key factor for the sustainability of companies.

Prediction of environmental changes

Redefinition of the ideal situation

Evaluation of the capability

Changes in the management environment

Changes in population dynamics

IT innovation

Current core business

Non-core business

Peripheral support for core business

Undeveloped peripheral domain

Changes in competitive

Global power shift

Changes in society needs

Future core business

Hidden assets

Know-how

Infrastructure

Customer assets

Increase the probability of success for the next core business and produce future growth for the company



Redefinition of the core business in accordance with the requirements of the era

Source: Unstoppable (Core Business Evolution Theory) (DIAMOND Inc.)

environment

Future-Oriented Strategic Thinking supporting SURUGA

SURUGA takes hold of trends in advance and creates a new era

Customer knowledge

Establish system infrastructure, first among others, that allow the accumulation and sharing of databases

CRM

Automated screening system

Comprehensive credit system

MAP-C

PAS system

MCIF

Expansion of new customer base

Provision of financial OEM as an enabler company













Establish an organically linked value chain

Unique products & services

Market-creating product development through unique marketing

d-labo

Bio-security deposit

VISA debit

VISA free payment

Specialized mortgage loans for women

Various customer contact points

Establish a network, first among others, with a view to nationwide expansion

Improvement of ATM network **Internet Bank**

Access center

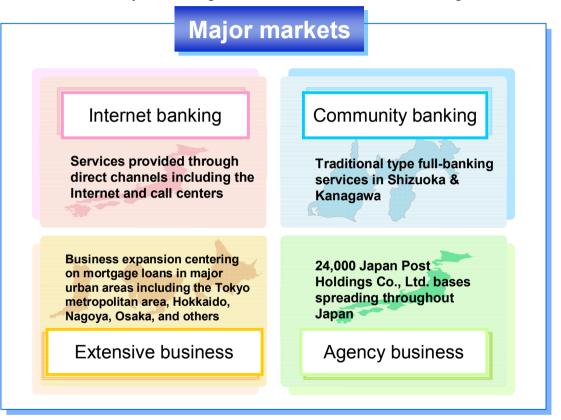
In-store branch

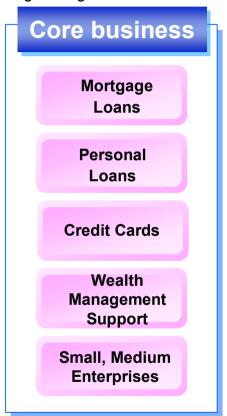
Access vehicle

Developing SURUGA's Business Designs

Providing SURUGA's unique values by utilizing market property

Fully exercising the know-how accumulated through SURUGA's specialized retailing strategies.





SURUGA's intangible assets that realize comprehensive area strategies



Retailing culture

Direct banking operation

System infrastructure platform

Efficient and

effective

allocation of management resources

Communitybased customer base

Speed & flexibility at a level that overwhelms and outstrips our competition

Network Extension Strategy Taking into Account a Wider-Area Local Government System

A wider-area local government system – 7 meanings and purposes

- 1. Help the nation to revitalize
- 2. Break down the centralized administrative framework
- 3. Eliminate bureaucracy
- 4. Make Japan a country where individuals feel safe and secure, and a country that helps people to create lives worth living
- 5. Create many bases for international cities and bases for exchange in an era of globalization
- 6. Create regional uniqueness, regional distinction, and a bright future for Japan
- 7. Reduce budget deficits

A wider-area local government system – 4 principles

Promotion of competition

Thorough customer creed

Enhancement of national & citizen participation

Establishment of a network-type organization

Source: Chikishudo-gata Doshusei [A wider-area local government system that promotes regional sovereignty] Katsuhiko Eguchi(PHP Shinsho)

- O Each region will have uniqueness in the retail business market in the future.
- O By developing products and services that reflect qualitative and quantitative information on regional characteristics more than ever before from the viewpoint of financial marketing, further market creation becomes possible.

Expanding the business to Sapporo

On May 30th, 2008, the Sapporo branch office and Dream Plaza Sapporo opened in Sapporo, Hokkaido

Expansion of new areas for the mortgage loan business

Expand to the Tokyo metropolitan area

Yokohama Nihonbashi Shinjuku

Omiya Kashiwa Shibuya

Roppongi Osaka Nagoya SURUGA's business designs are developed to the next stage.

Skills and know-how accumulated through specialized strategies in retail in the Tokyo metropolitan area

Provision of products and services that are clearly differentiated from those of other companies Expanding to Sapporo

Enter into distinctive areas & potential markets

Actively take in qualitative information

Possible to establish a product design & sales system suitable for each region

Open in the Nissei Sapporo Building

Deliver SURUGA's services throughout Japan, wherever needs exist.

Become the place to provide high-value added services

Drastically increase customer contact points

Market environment in Sapporo

Source: Sapporo City Official Website

FY 2007

- *Population 1,897,000 (Approx. 34% of population in Hokkaido)
- ·Households 874,000
- -Labor population 840,000
- •Annual housing starts 20,000 (41,941 in Hokkaido)
- Ratio of apartments to households 17.22% in 2006→17.48% in 2007 ↑

Growth points of Sapporo

- O The nationwide brand power of *Hokkaido* and *Sapporo*
- O More than 1/3 of the population in Hokkaido is concentrated in Sapporo. Blessed with beautiful nature, climate, and culture
- O Attraction as a city increased due to redevelopment plans for Sapporo area
- O Perked up by the construction of intelligent buildings and condominiums for sale

SURUGA's Personal Loan Product Concept

Points in the development process for personal loan products ⇒ Marketing × Risk management

Products & services are customer-oriented

Marketing viewpoint

Market-development type products that fit the social environment.

Network that makes it possible to respond to various needs

Ability to propose plans, and communication based on the viewpoint of customers

Product provision by detailed segmentation

Qualitative & quantitative database + PDCA process

Past experience can be a significant driver for product development in the

personal loan field

Automated screening system

513 segments

CRM system

Delivery channels

Risk management viewpoint

Benchmark for predicting the potential of bad debt and delinquency

Screening for profitability model and segments in accordance with risk

Monitoring system that enables price resetting

Establishment of a delinquent management and collection system

Establishment of a portfolio management system

SURUGA's DNA supporting the personal loan product development process

Mission

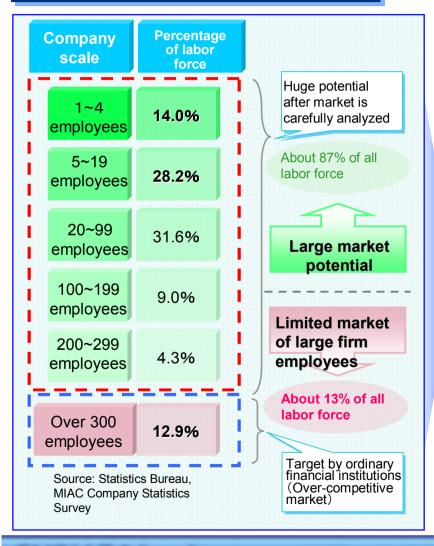
Style

Policy

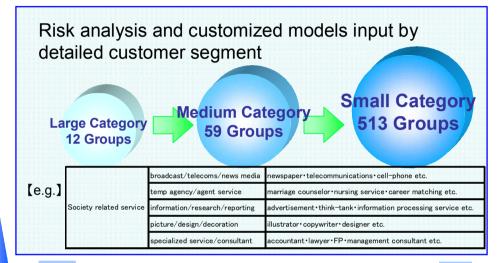
Specialized strategies in retailing for over 20 years

Consumer Loan Market and Advanced Risk Analysis

Proportion of working population



Suruga's Model



Accumulating data in the credit system

Loan products Models

- 1. Classic Model
- 4. Business owner Model 7. Doctor Model, etc.
- 2. Wide Model
- 5. Lady's Model
- 3. Premium Model
- Senior Model

Based upon Database

Credit Screening

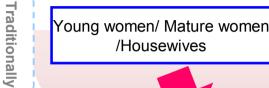
Pricing

Risk Control

Marketing

Products focusing on sense of values & lifestyles

Develop and provide products and services that help customers realize the lifestyles they desire and the dreams they have based on a new sense of values without being tied to the traditional thinking and viewpoints of the financial industry.



Seniors living a conservative life and not using their own assets

Throwaway society only desiring temporary comfort



Diversification of lifestyles and working styles

Have a desire to enjoy the second stage of life Society considering the environment and being responsible for the next generation

Understand individual needs and provide a detailed response to each customer's desires and values

the realization of dreams Products and services emphasis on service Tools for supporting services based on an service over product

Trend of the era

> Support women's success both on and off the job

> > Home Loan

Dream Style ホームローン

Support women actively moving forward from the standpoint of their livestyle and medical care

Support the realization of dreams in the second stage of life

> Dream Life Series for the realization of dreams in the second stage of life



Support the second stage of lives from the standpoint of asset management and utilization

Support the realization of a sustainable society

> **Mortgage Loans** with Carbon Offset

Japan's first environmentally conscious mortgage Ioan

Support for the realization of a sustainable society and the dream of having a home

Product Line-up for Agent/Intermediary Business

Special products for Japan Post Bank

Produce and provide products meet customers' lifestyle and living needs

Philosophy of Japan Post Bank

"We will be the stabilizin force in Japan"

Philosophy of SURUGA bank

"Helping to give shape and a timeframe for customers' dreams"

Home loan Products

provides Mortgage Loans to support individual dreams

ホームローン 夢舞台

The stage where your housing dream starts moving forward.

utilizes its product development ability accumulated through strategies specializing in retailing over the years

products customized for Japan Post Bank

For small business owners

supporting parents

For career women

For active mature individuals

For individuals

Personal loan Products

To realize

goals

Loan products closely aligned to day-to-day life to help individual customers realize their dreams and goals

Start preparing for your dreams.

Preparation, a card loan, helps you prepare to make your dreams come true.

Dream Track heading to your goals

Plans to accommodate individual goals

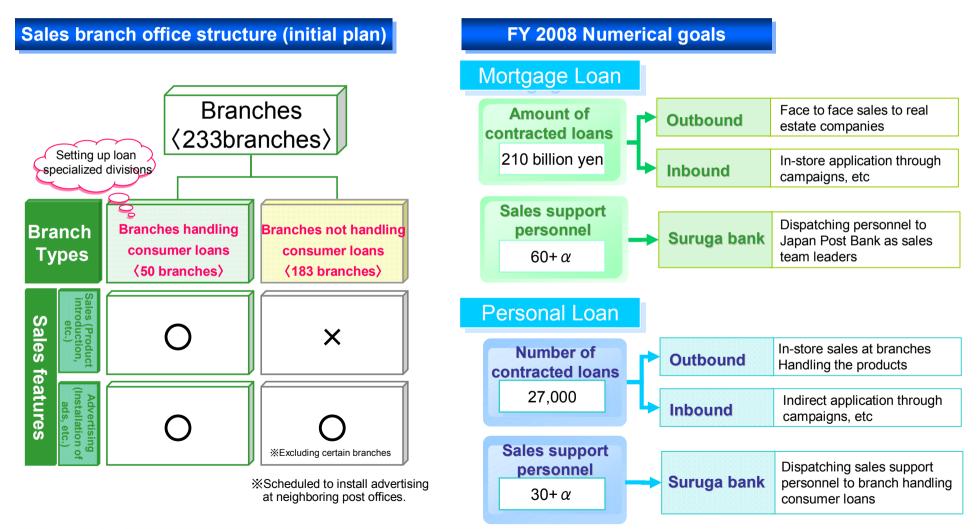
[Specific purpose loans]

Plans to help you care for your family

[Parent support loans]

Strategic Business Corporation with Japan Post Bank Co., Ltd.

Starting Monday, May 12, 2008, SURUGA will introduce consumer loans (mortgage loans, credit card loans, and a wide variety of specific-purpose loans) at 50 Japan Post Bank branch offices in 3 major urban areas.



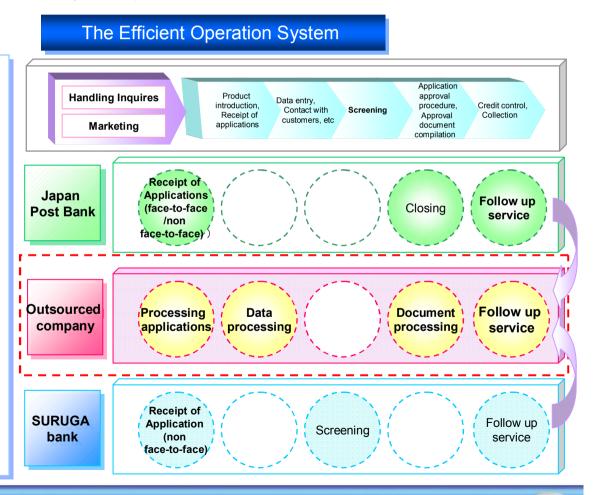
Establish Process Platform Company

Establishment of Financial Unbundling Model 1

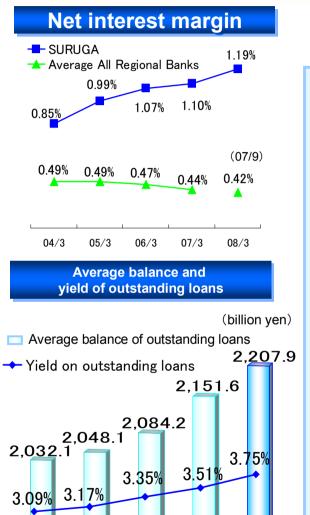
The outsourced company assumes the role of platform for backyard operations for customer loans carried out in cooperation with Japan Post Banks and SURUGA.

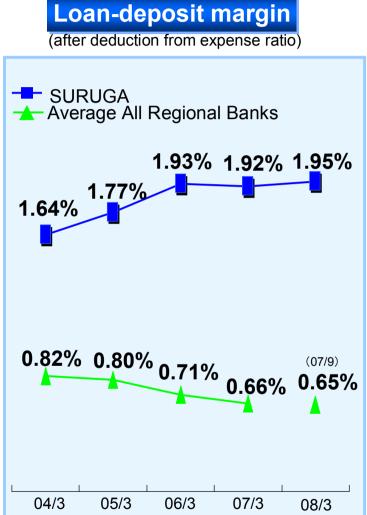
~ The outsourced company establishes an effective operation line and systems to promote the reduction of cost and administrative load for the front line.~

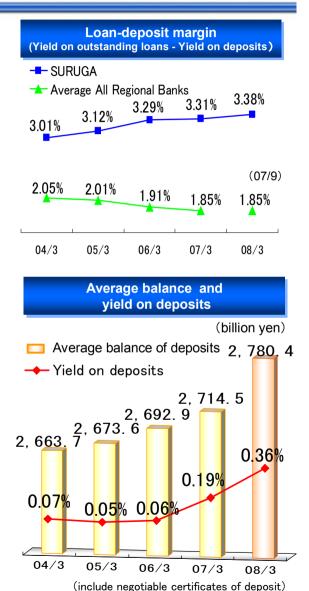
Outsourced Company Outline SDP Center Ltd. Name Location Harumi, Tokyo Stock Cap. 2 Billion Yen Japan Post Bank 45% **Share Holders** Suruga Bank 45% **Business Contents** Operations for entry & ancillary operations for document creation Functioning as a hub for business processes Functioning as a hub for business processes Handling inquiries, etc. Outsourced call center operations Handling inquiries from customers



Interest Margins (Overall)







06/3

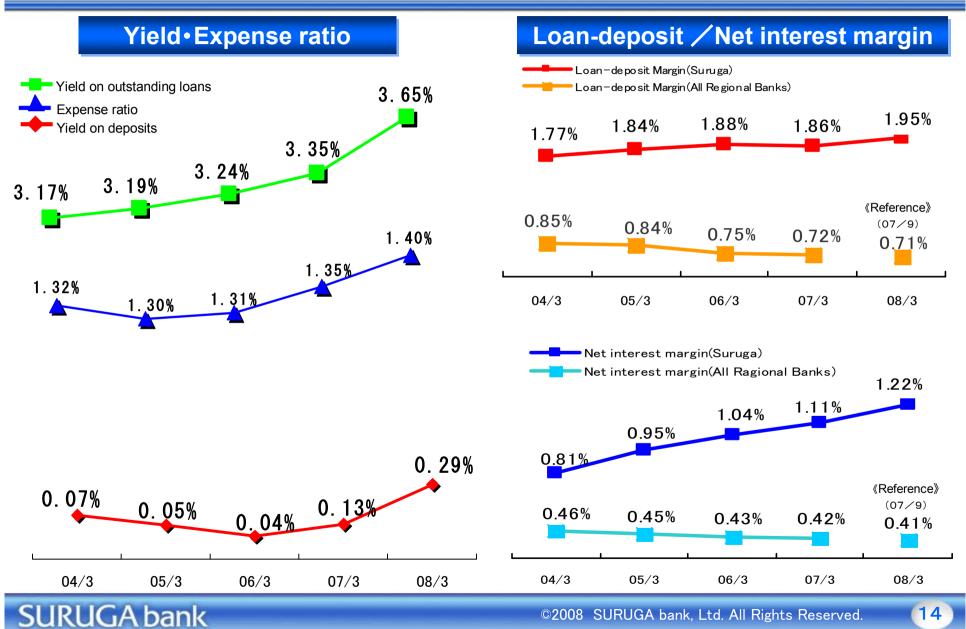
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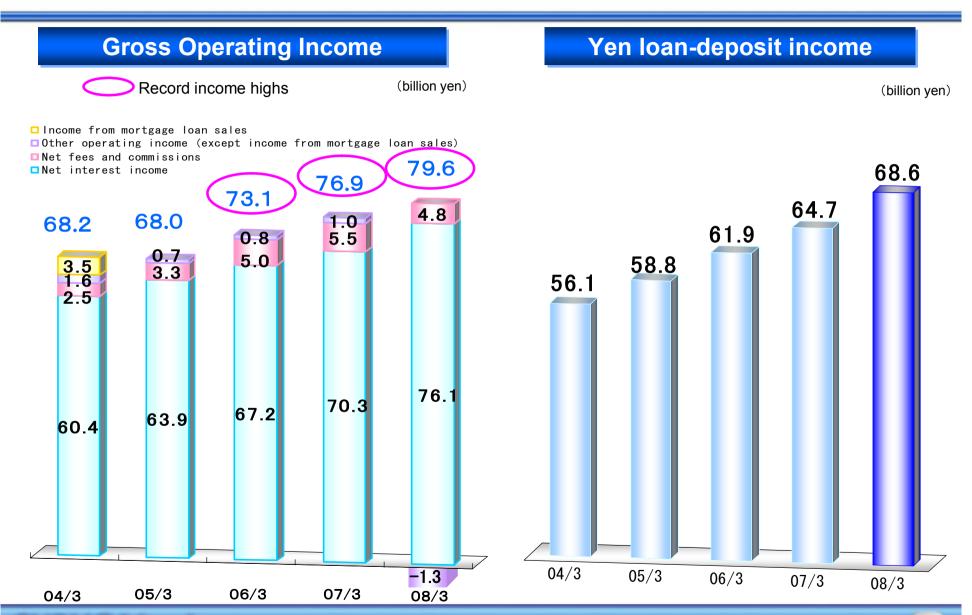
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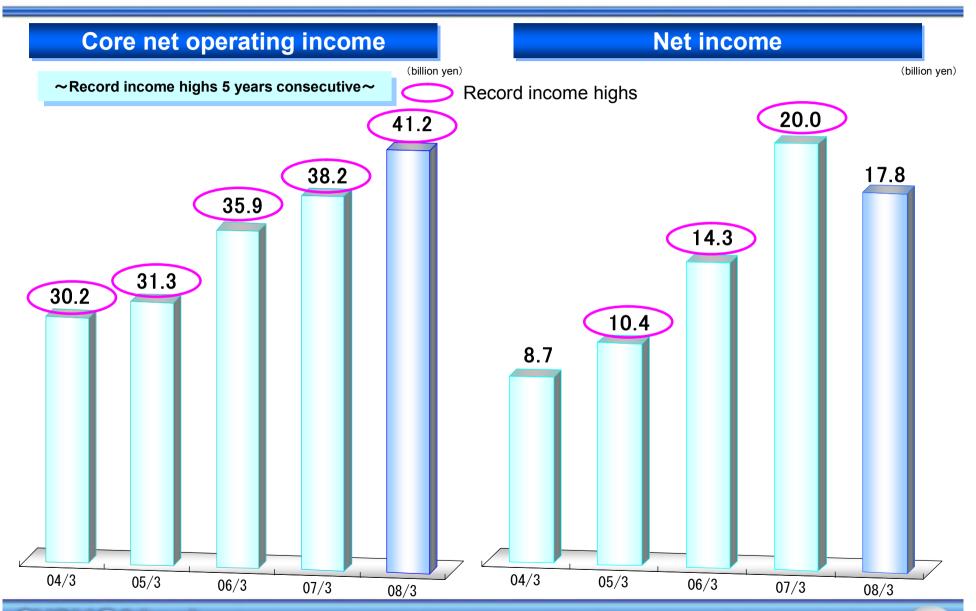
Yield / Margins (Domestic)



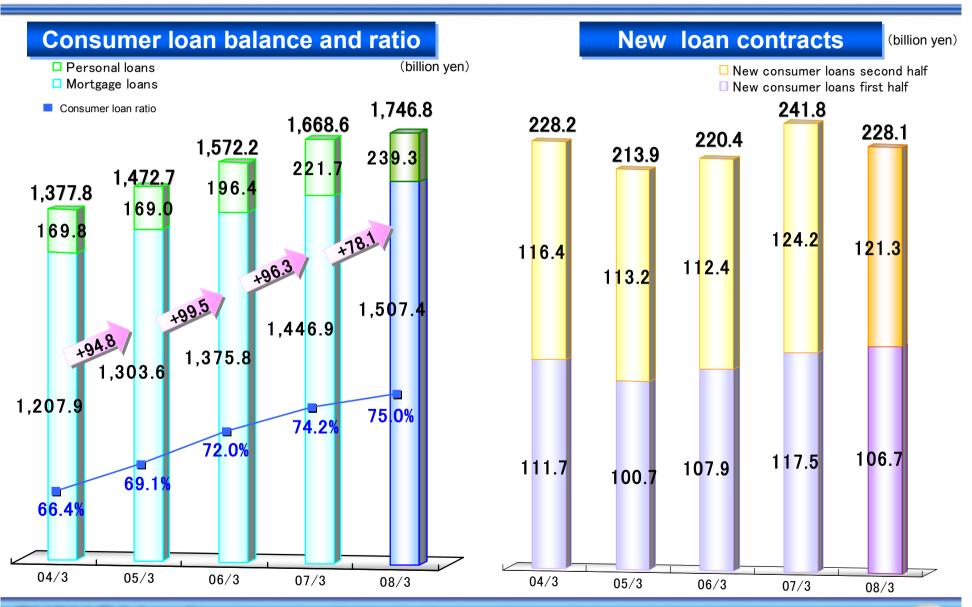
Gross Operating and Yen Ioan-deposit income



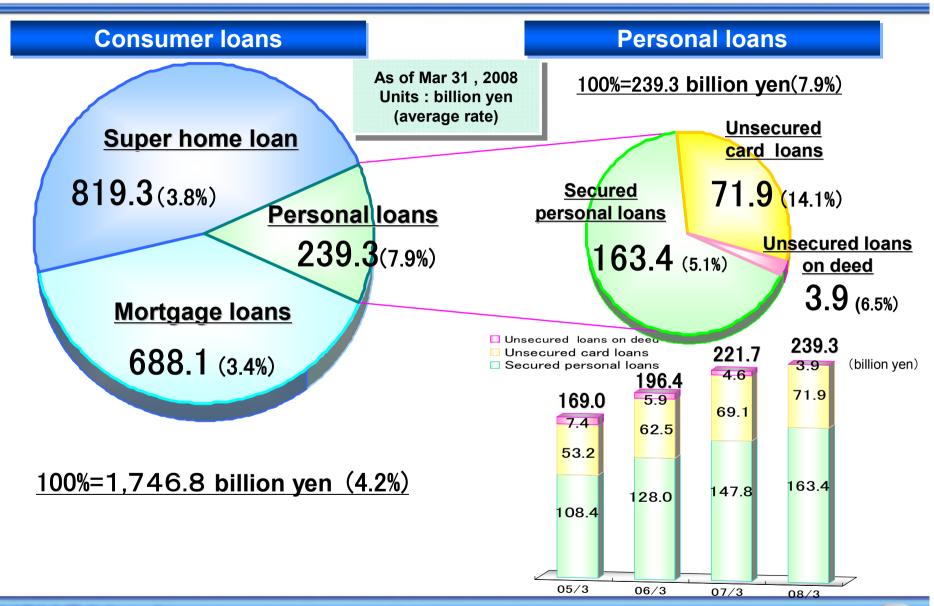
Core Net Operating and Net Income



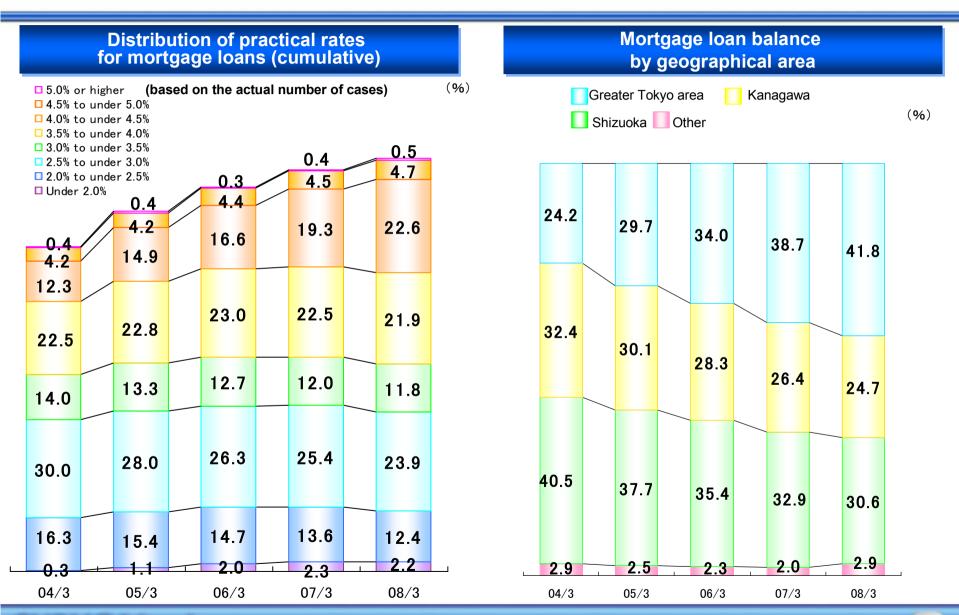
Strong Focus on Retail



Focus on More Profitable Products



Mortgage Loans



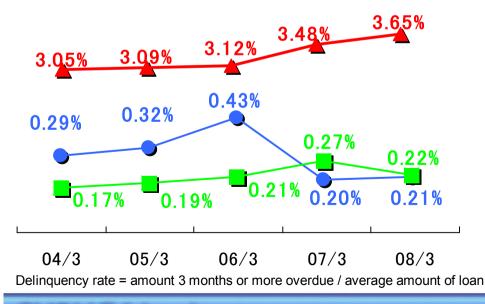
Delinquency and Loss Rates on Consumer Loans

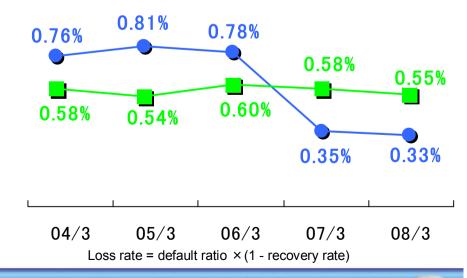
Mortgage Loans

Yield Delinquency rate Loss rate

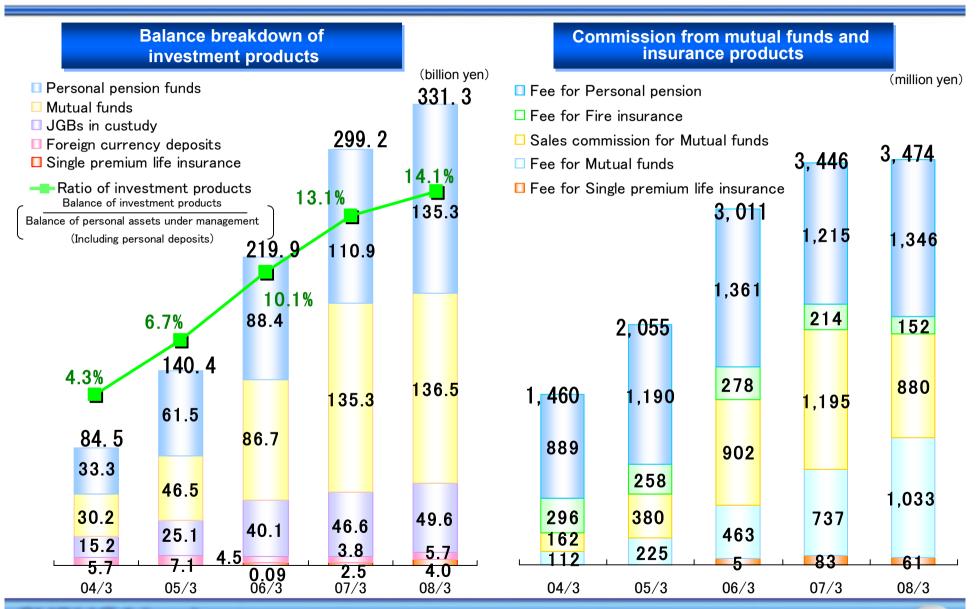
Personal loans



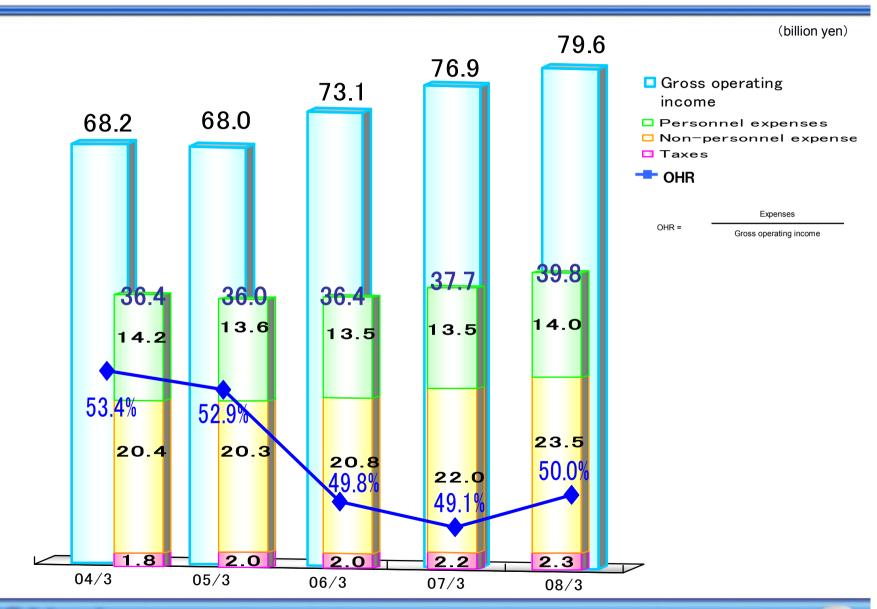




Fees income



Expenses and OHR



Breakdown of Problem Assets based on the Financial Rehabilitation Law

(billion yen)

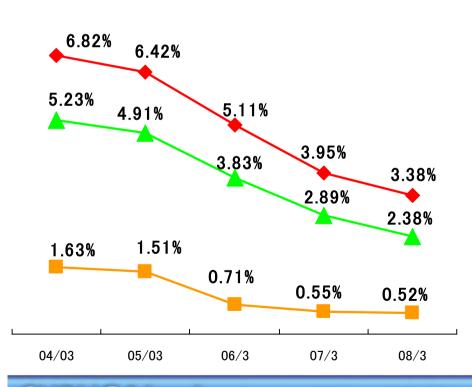
Debtor classification	Mar 08 Credit balance	Proportion	Consu Corpo		Proportion	Total collateral and guarantees	Collatera	Guarantees * NOTE	Coverage ratio	Reserve	Reserved ratio	Total coverage ratio
Claims against bankrupt and substantially bankrupt obligors	13.8	0.59%	Consumer	8.4	0.48%	4.8	3.5	1.3	57.35%	3.6	100%	100%
			Corporate	5.4	0.90%	4.0	2.4	1.6	75.73%	1.3	100%	100%
Claims with collection risk	33.2	1.41%	Consumer	4.8	0.27%	2.8	1.8	0.9	60.15%	1.2	65.37%	86.20%
			Corporate	28.4	4.77%	16.7	8.1	8.6	58.81%	10.1	86.51%	94.44%
Claims for special attention	32.3	1.37%	Consumer	6.6	0.38%	4.4	3.9	0.4	66.54%	0.3	17.08%	72.25%
			Corporate	25.6	4.30%	10.5	10.4	0.1	41.05%	6.8	45.53%	67.89%
Sub-total	79.4	3.38%	Consumer	19.9	1.13%	12.1	9.4	2.7	61.09%	5.2	67.62%	87.40%
			Corporate	59.5	9.99%	31.3	20.9	10.4	52.69%	18.3	65.13%	83.50%
Normal assets	2,268.1	96.61%	Consumer	1,731.6	98.86%	Total coverage ratio 84.4					84.48%	
			Corporate	536.5	90.00%	Coverage ratio : Covered by collateral and						
Total	2,347.6	100%	Consumer	1,751.5	100%	Reserved ratio : Reserved for unsecured por						
			Corporate	596.1	100%		Total coverage : Covered by collateral, gua ratio and reserves			rantees		

* 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 / Credit costs status

Bad-loan Ratio

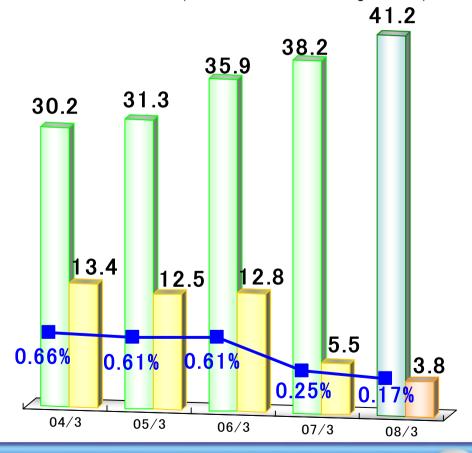
- Ratio of disclosed assets
- Ratio of disclosed assets after deduction from reserves
- Ratio of disclosed assets after deduction from reserves, collateral and guarantees



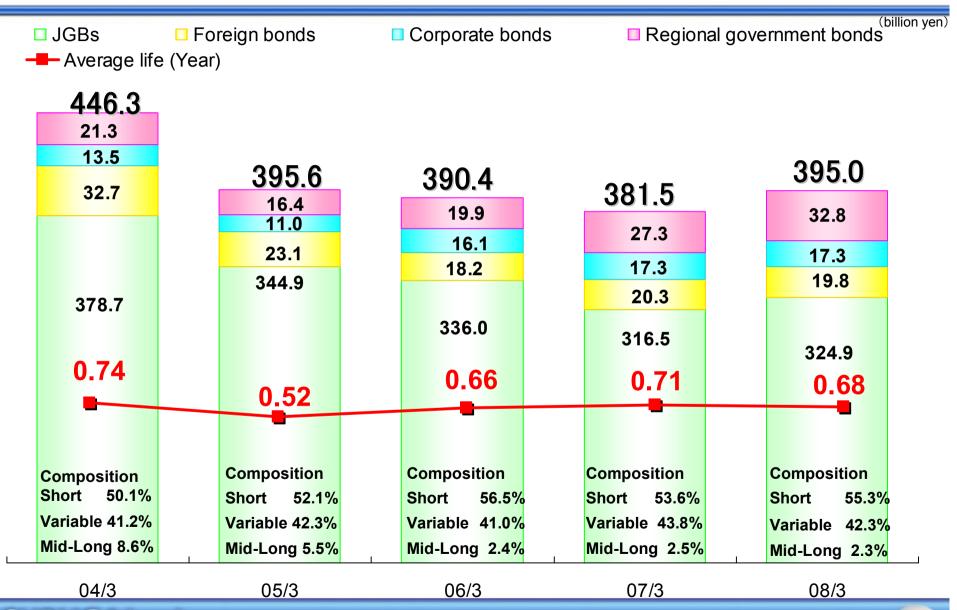
Credit costs status

(billion yen)

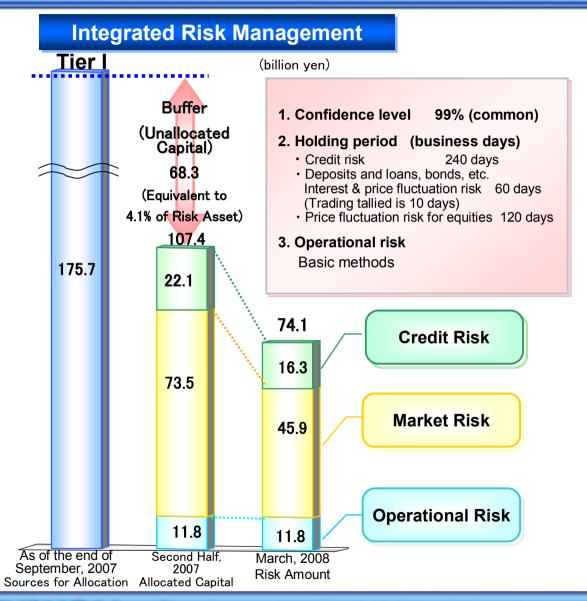
- □ Core net operating income
- □ Actual credit costs(credit costs-collection of claims written off)
- Actual credit costs ratio (actual credit costs/loan average balance)



Bond Portfolio



Status of Risk Amount



Outlier Ratio

At the end of March, 2008				
Interest Rate Shock Range	±200 bp			
Interest Rate Risk Amount	10.5 billion yen			
Outlier Ratio	5.5%			

Capital adequacy ratio

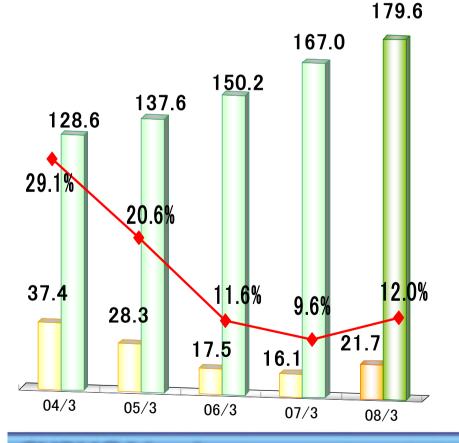
Deferred tax assets / Tier | ratio

(billion yen)

■ Deferred tax assets

□ Tier I

→ Deferred tax assets / Tier I ratio



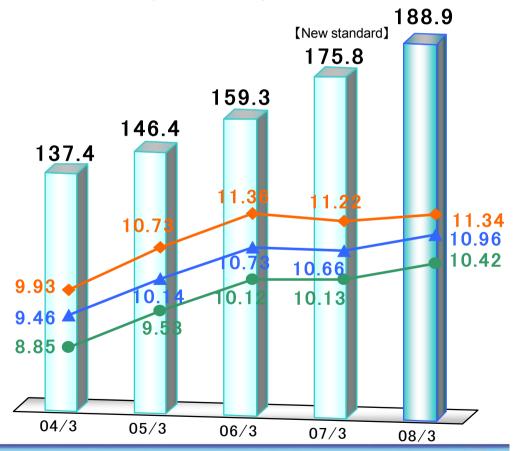
Capital adequacy ratio

(billion yen)

Amount of owned Capital (non-consolidated)BIS standard(consolidated)

→ Domestic standard(non-consolidated)

Tier I ratio(non-consolidated)



(%)

FY2007 Results and FY2008 Forecast

(billion yen)	FY2006 Results (A)	FY2007 Results (B)	Increase or Decrease (B-A)	FY2008 Forecast
Gross operating income	76.9	79.6	+2.7	85. 0
Operating expenses	37.7	39.8	+2.1	42. 0
Net operating income	37.2	41.6	+4.4	43.0
Core net operating income	38.2	41.2	+3.0	43.0
Ordinary profit	30.4	32.6	+2.2	37.0
Net income	20.0	17.8	Δ2.2	22.0
Actual credit cost	5.5	3.8	Δ1.7	6. 0
ROE(%) (net income basis)	13.37	10.69	Δ2.68	12. 10
EPS(Yen)	76.31	67.94	△8.37	83. 58
Dividends (Yen)	11.0	13.0	+2.0	13. 0

Record income highs

SURUGA's Concept of Social Responsibility

Future CSR

CSR – essential for business operations in the social infrastructure

"Communication based on function"

- Minimum requirements from society
- Reduction of minus risks



Value-creation type CSR

"Communication based on sense of value"

- Beyond law-abiding and clean management
- Establishing distinction in the market
- Ttusting relationship with stakeholders
- •Management improving unlimited transparency and satisfaction

With the corporate principle of helping give shape and a timeframe to customers' dreams, SURUGA continues to respond to the stakeholder expectation that we fulfill our social responsibility through the provision of customer values and help for the realization of customers' dream

Approaches to environmental issues

SURUGA works on the development of environmentally-friendly financial products and environmental conservation activities

- OISO14001 activities at the Suruga-Daira headquarters
- O Mortgage loans with carbon offset
- O Collect contributions for the *Fujisan*
- Network through Internet banking
- O Participate in Team Minus 6% activities, etc.



Support for the realization of customer's dreams

Dream Laboratory (d-labo) -

customers' future from their dreams

Providing seminars to help customers seek and grasp their dreams





Seminars co-sponsored by Ministry of Environment

I DREAM

(Support the realization of dreams for soccer)

Help customers to realize soccer dreams as a bank in Shizuoka, the soccer kingdom



Social Value Enhancement by Exchanging Values at SURUGA

Implementing an optimal exchange of value with stakeholders

SURUGA is growing by improving the exchange of value with stakeholders in a well-balanced approach.









SURUGA

(Suruga group)



Helping to give shape and a timeframe to customers' dreams as a concierge for business and life.





Improving mission goals with a strong emphasis on society = Enhancing social value



Culture-oriented

Customers

People-based

Social-perspective

Supporting culture nationally and regionally

Focusing on human capital

Aiming to enhance social contributions

C P S management

Internet IR

IR information distributed by CD-ROM before it is now available in audio, video and PDF formats through SURUGA Bank website.



http://www.surugabank.co.jp/surugabank/common/english/ir_annual.html

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

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