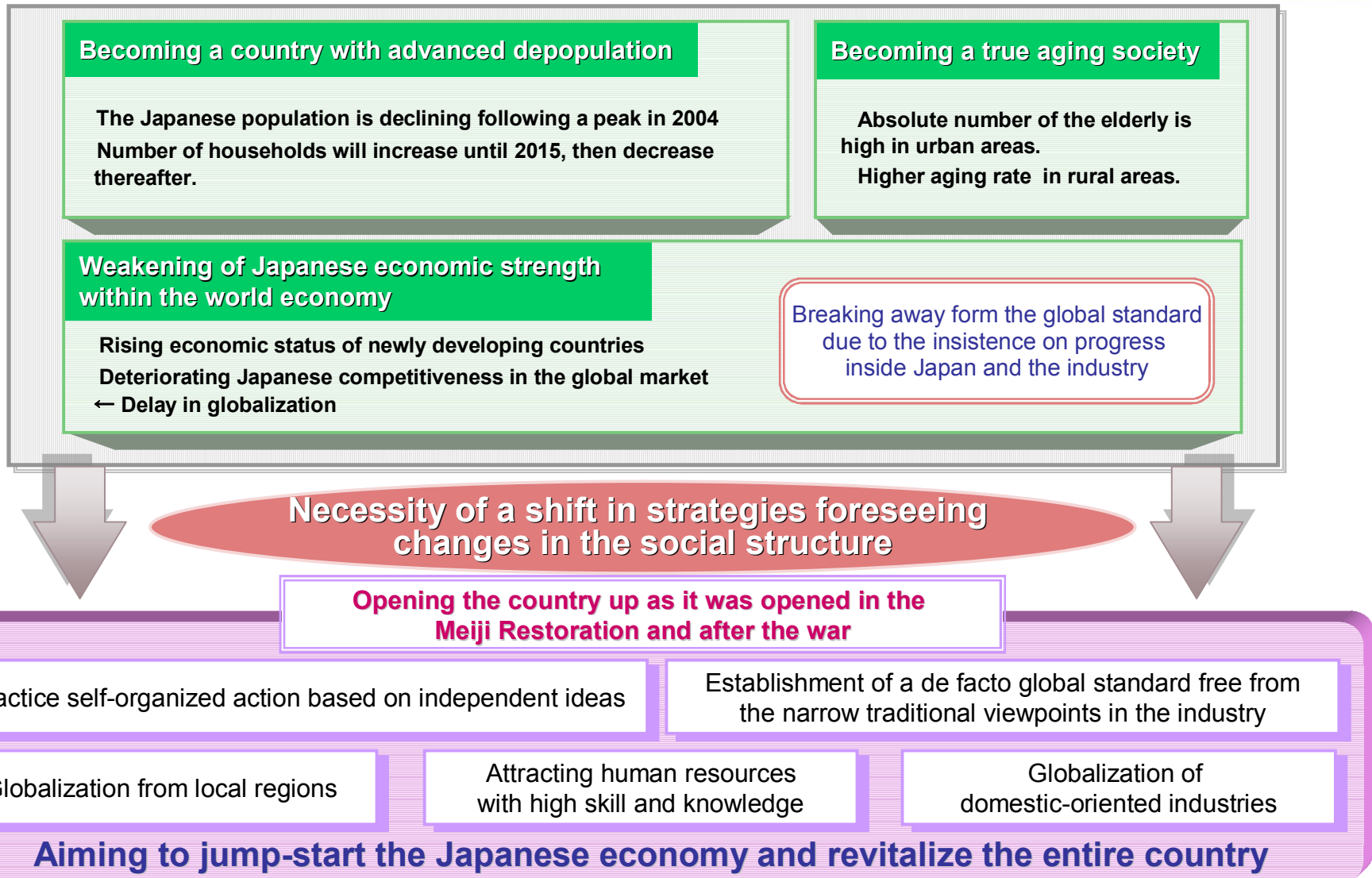


Meeting the Challenge of New Banking

Presentation to investors on fiscal year ended March 31, 2008

SURUGA bank

Response to Changes in the Social Structure

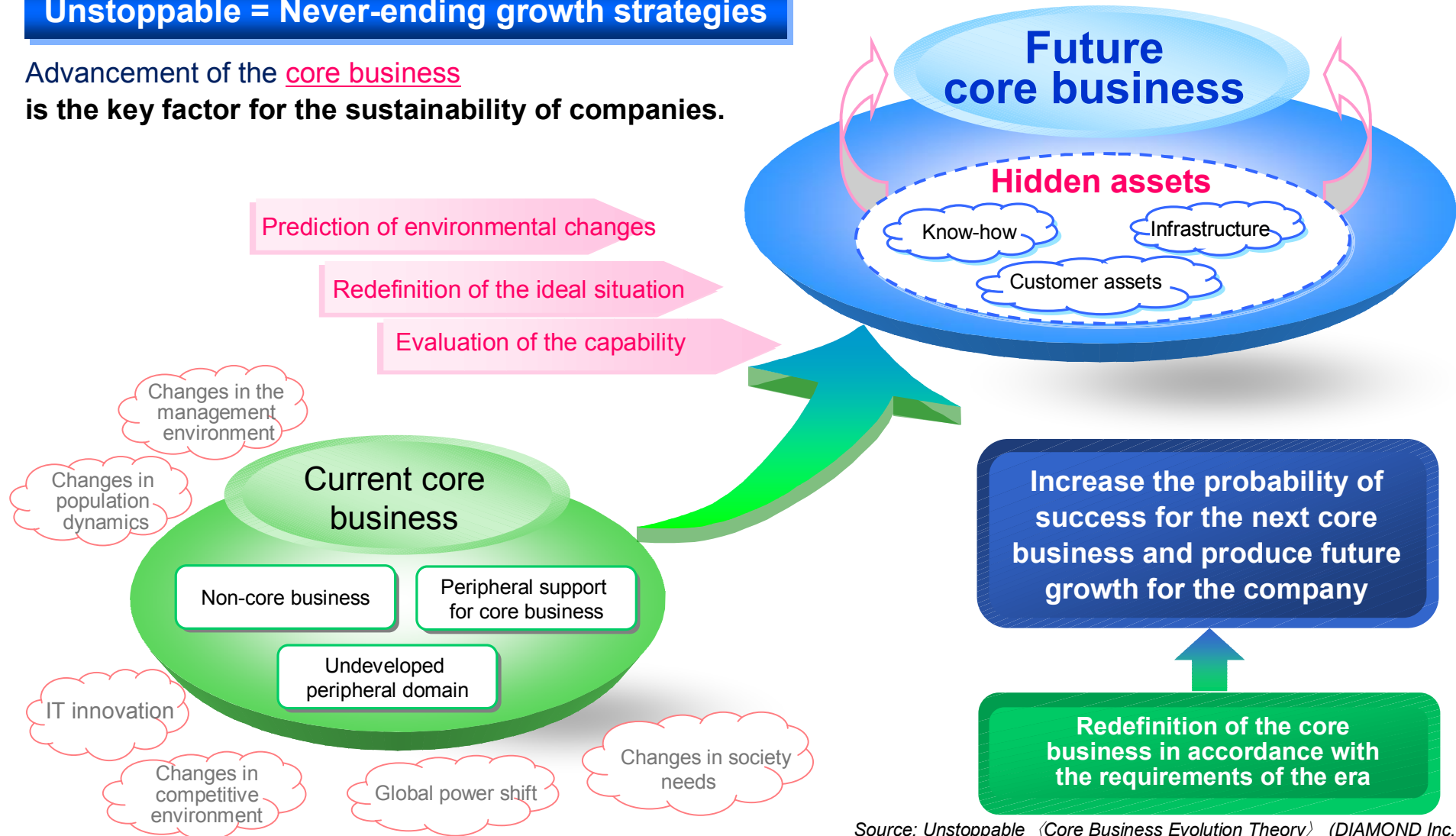


Source : NRI

Management in the New Era

Unstoppable = Never-ending growth strategies

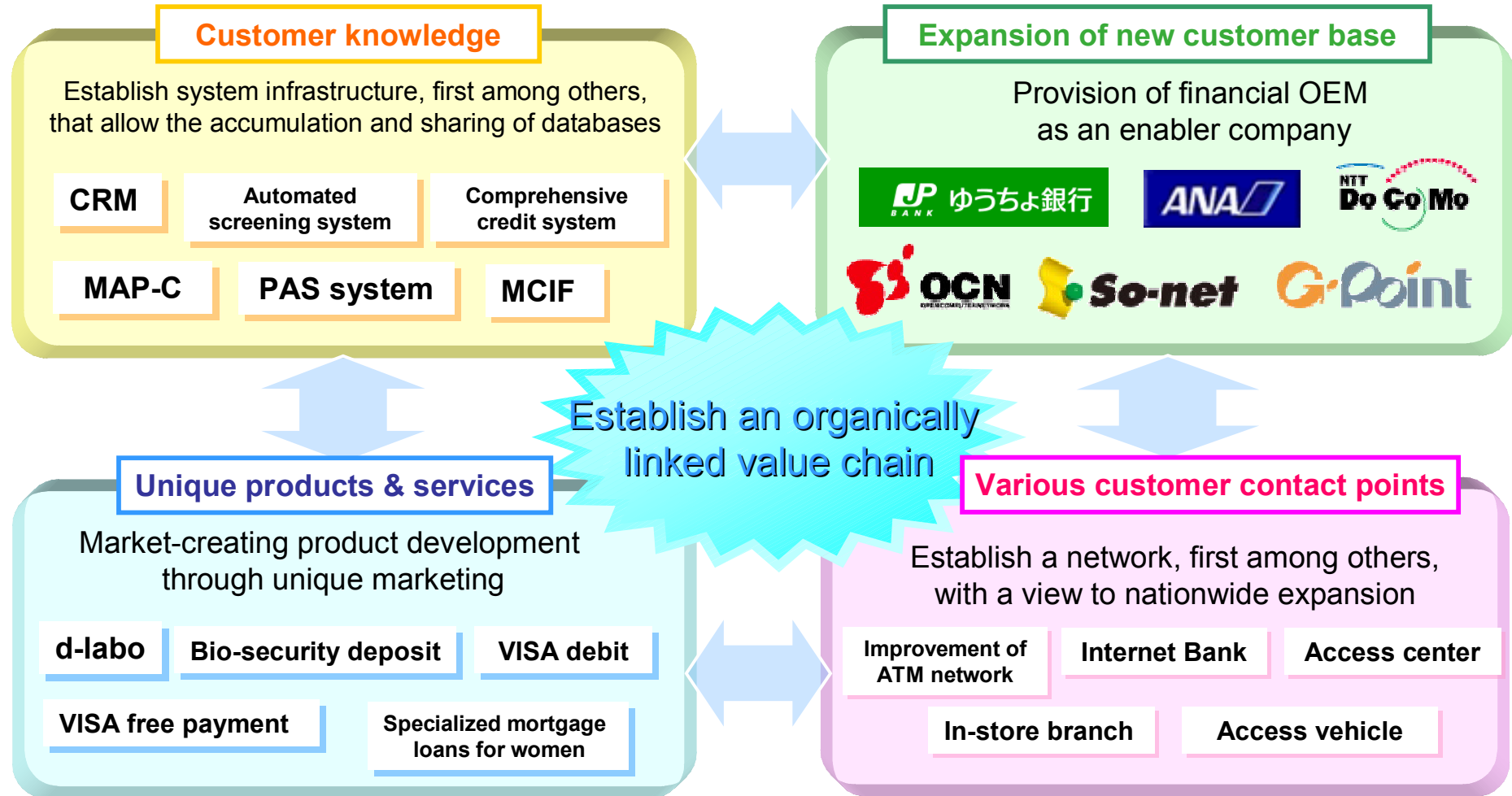
Advancement of the core business is the key factor for the sustainability of companies.



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

Future-Oriented Strategic Thinking supporting SURUGA

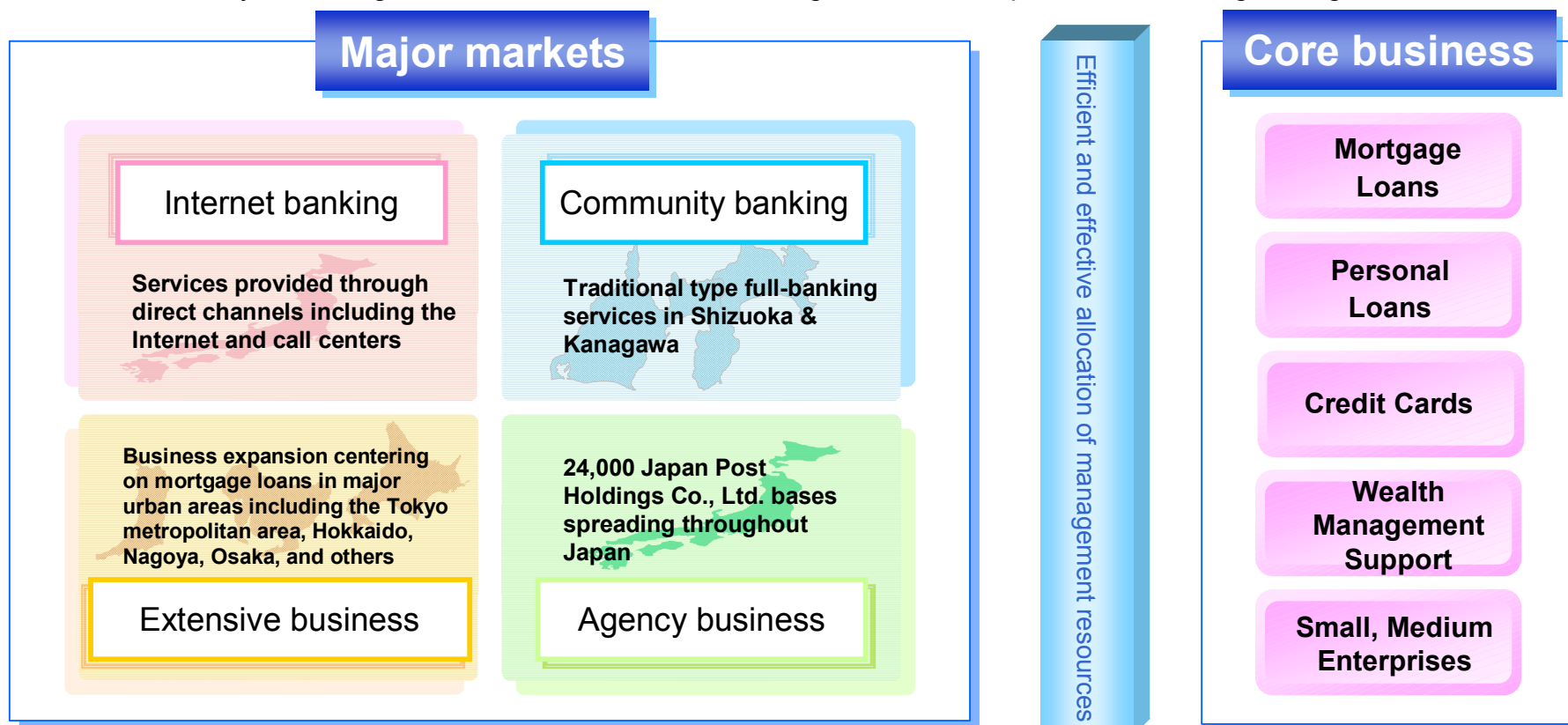
SURUGA takes hold of trends in advance and creates a new era



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



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*

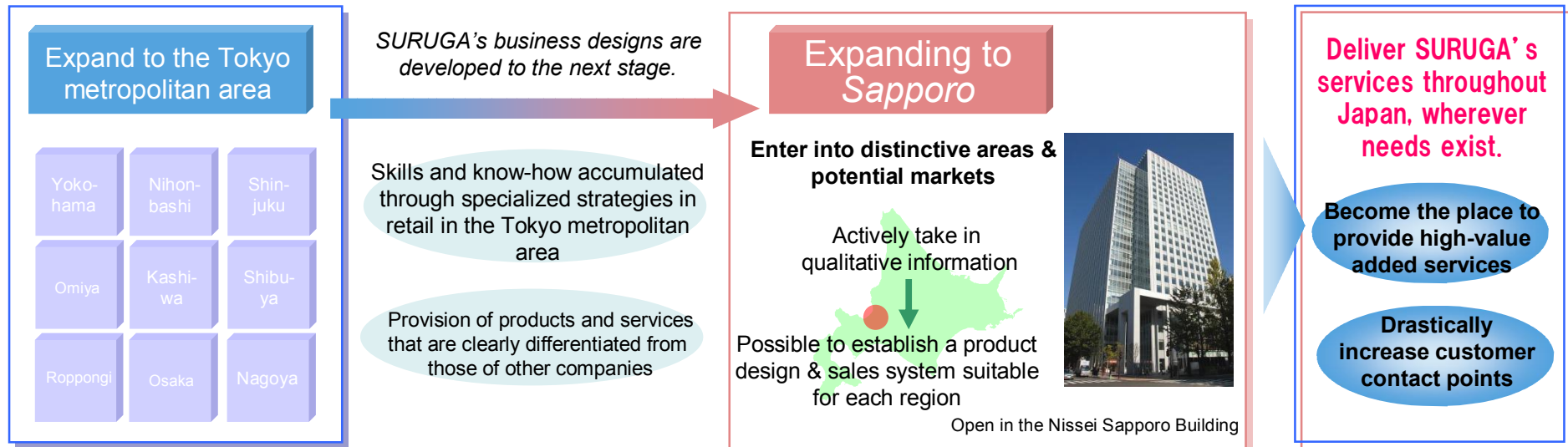
Source: *Chikishudo-gata Doshusei* [A wider-area local government system that promotes regional sovereignty] Katsuhiko Eguchi(PHP Shinsho)

- Each region will have uniqueness in the retail business market in the future.
- 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



Market environment in Sapporo

Source: Sapporo City Official Website

FY 2007

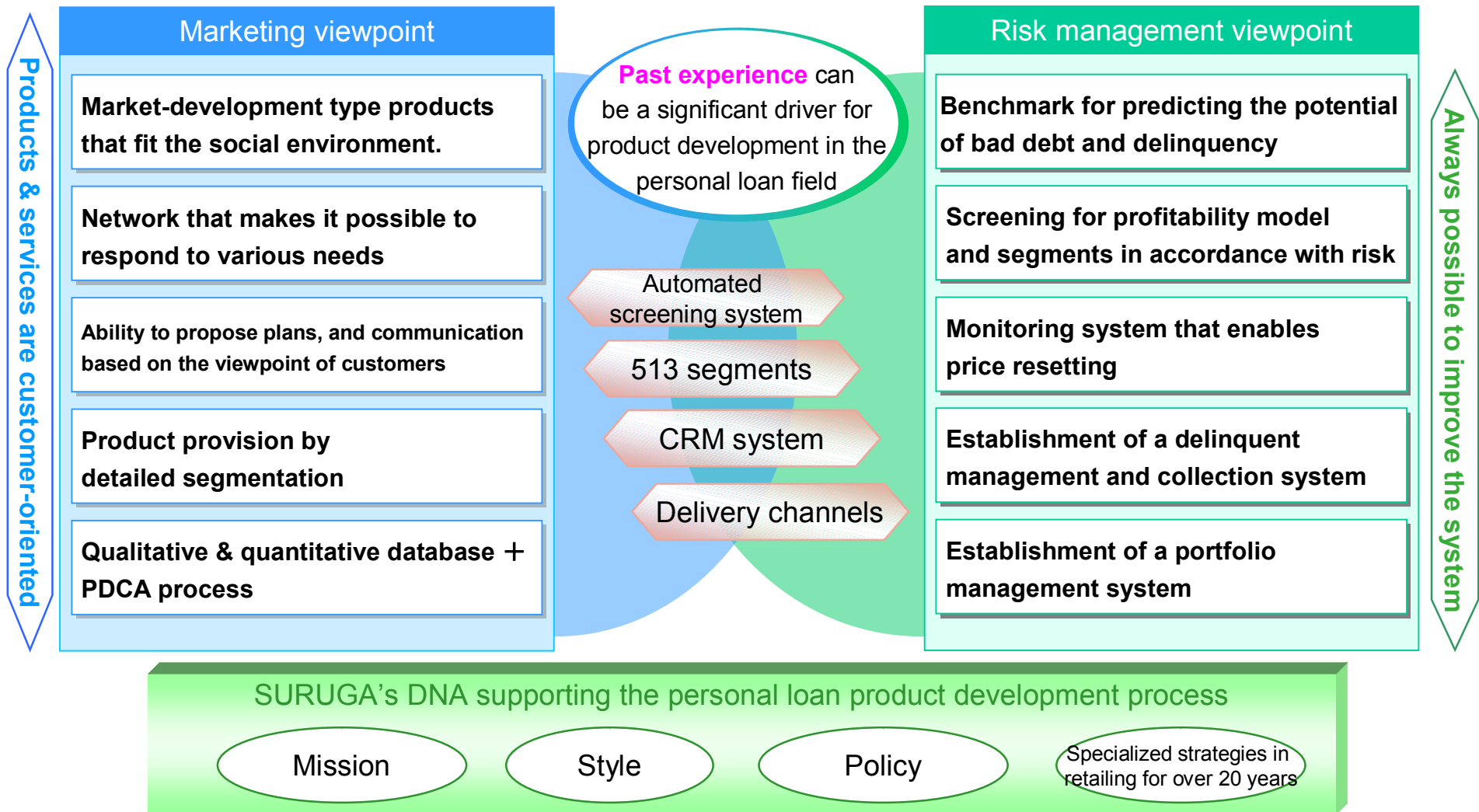
- **Population** 1,897,000 (Approx. 34% of population in Hokkaido)
- **Households** 874,000
- **Labor population** 840,000
- **Annual housing starts** 20,000 (41,941 in Hokkaido)
- **Ratio of apartments to households** 17.22% in 2006 → 17.48% in 2007 ↑

Growth points of Sapporo

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

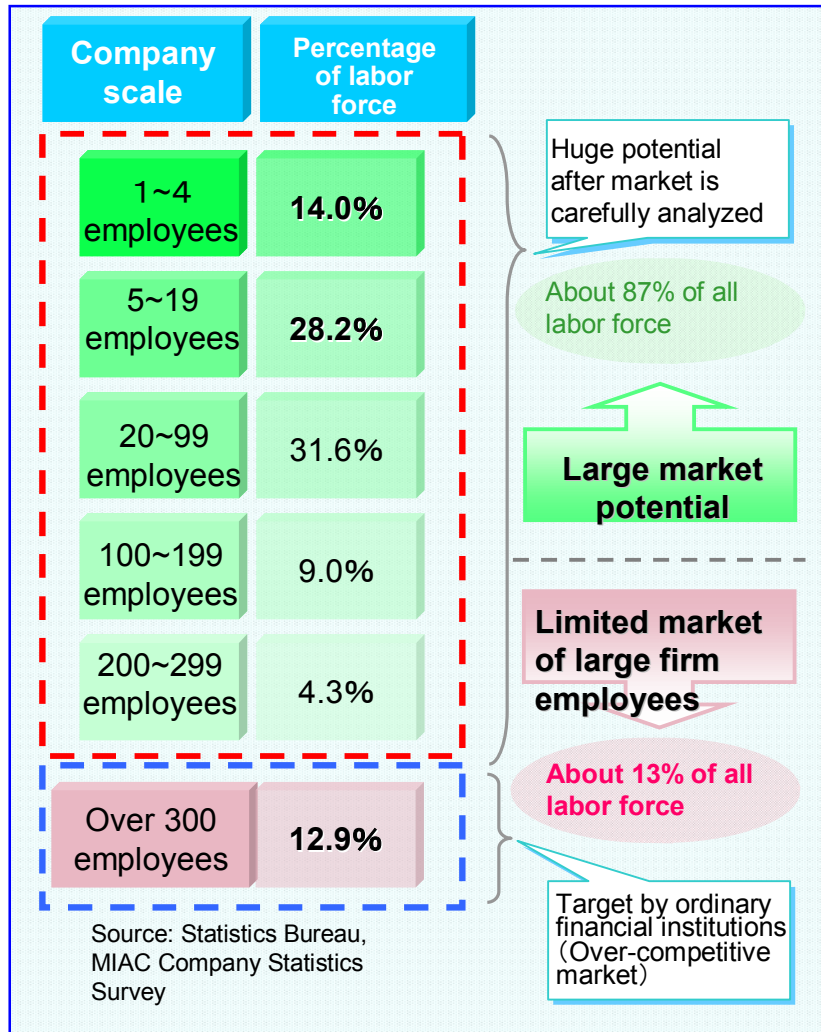
SURUGA's Personal Loan Product Concept

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

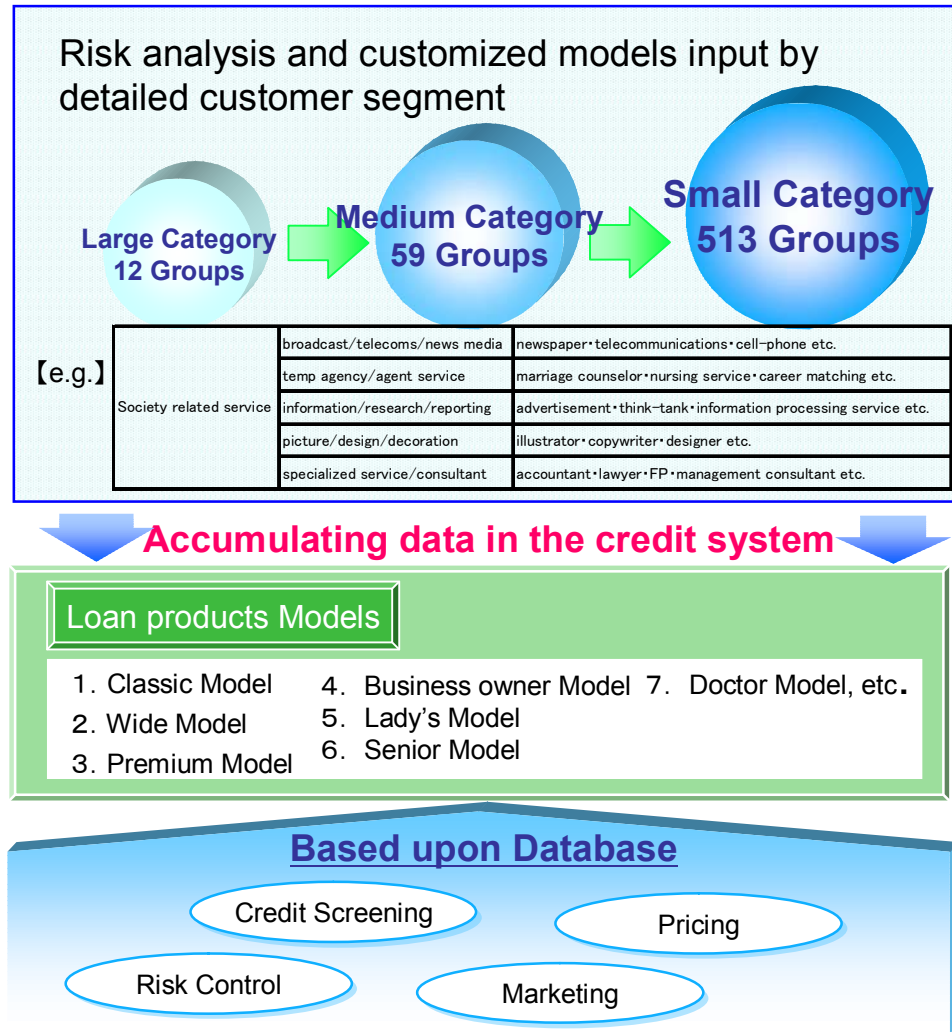


Consumer Loan Market and Advanced Risk Analysis

Proportion of working population

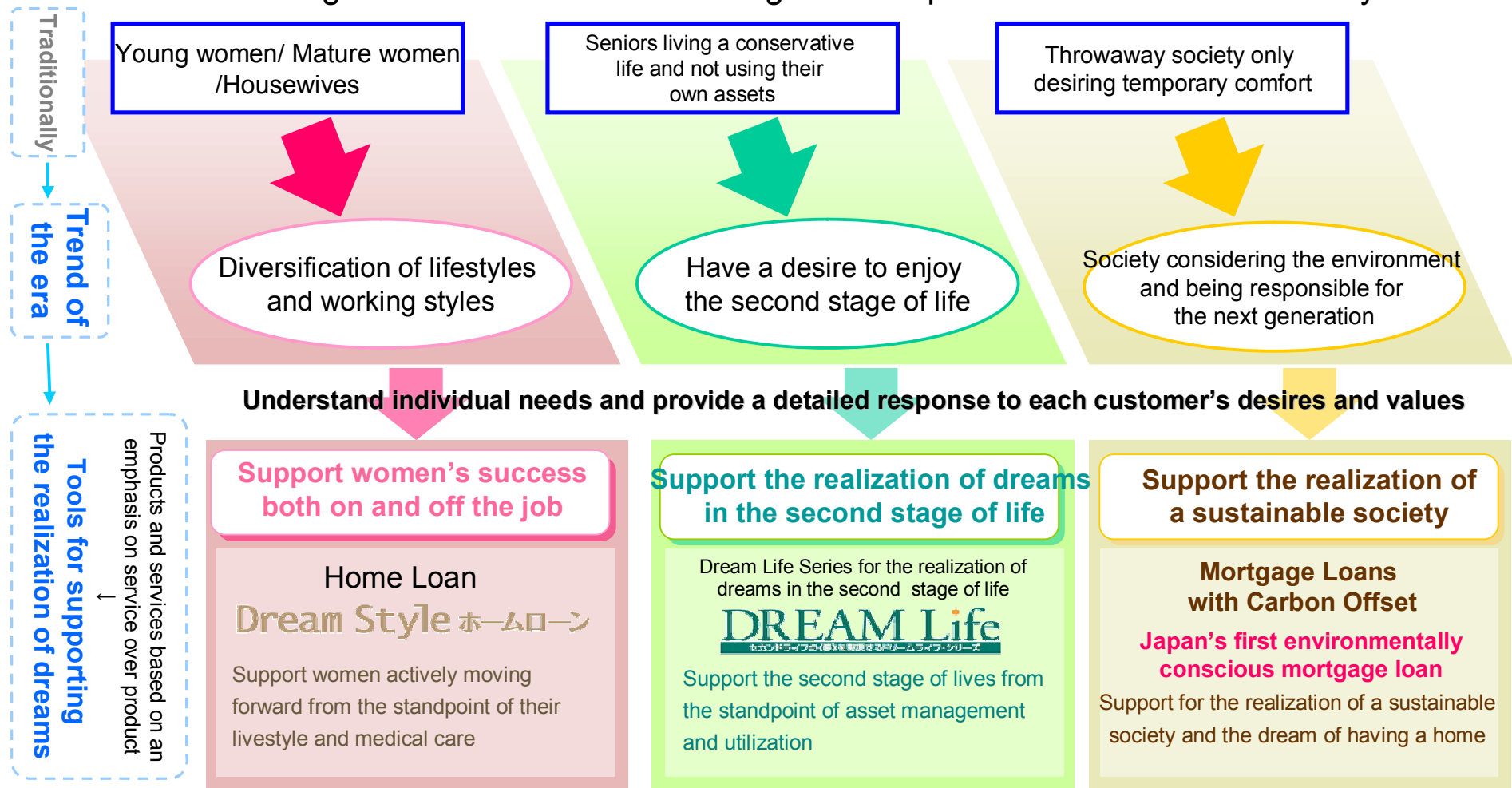


Suruga's Model



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.



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 stabilizing force in Japan"

To realize goals

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

For career women

For individuals supporting parents

For active mature individuals

Personal loan Products

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

カードローン したく

Start preparing for your dreams.

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

フリーローン 夢航路

Dream Track heading to your goals

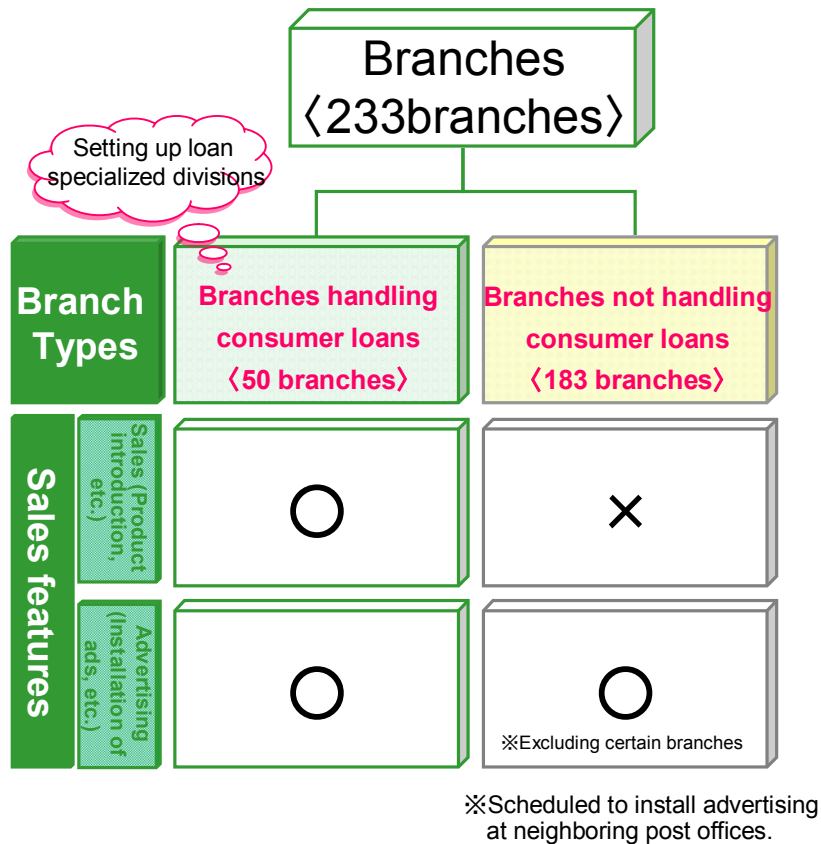
Plans to accommodate individual goals [Specific purpose loans]

Plans to help you care for your family [Parent support loans]

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

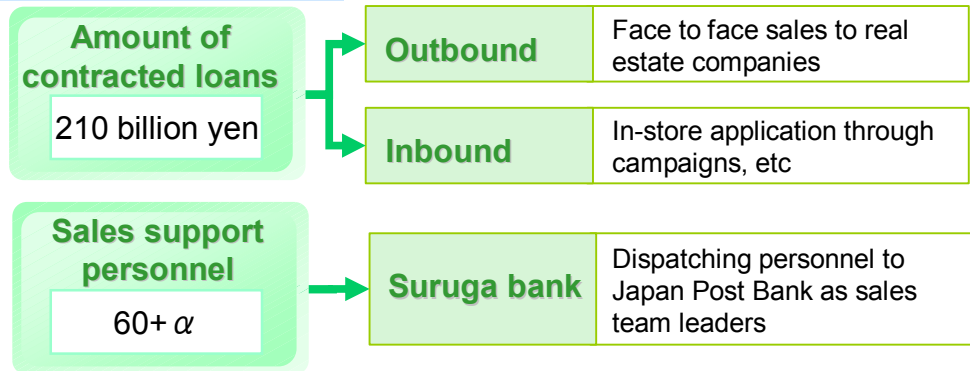
Starting Monday, May 12, 2008, SURUGA will introduce consumer loans (mortgage loans, credit card loans, and a wide variety of specific-purpose loans) at 50 Japan Post Bank branch offices in 3 major urban areas.

Sales branch office structure (initial plan)

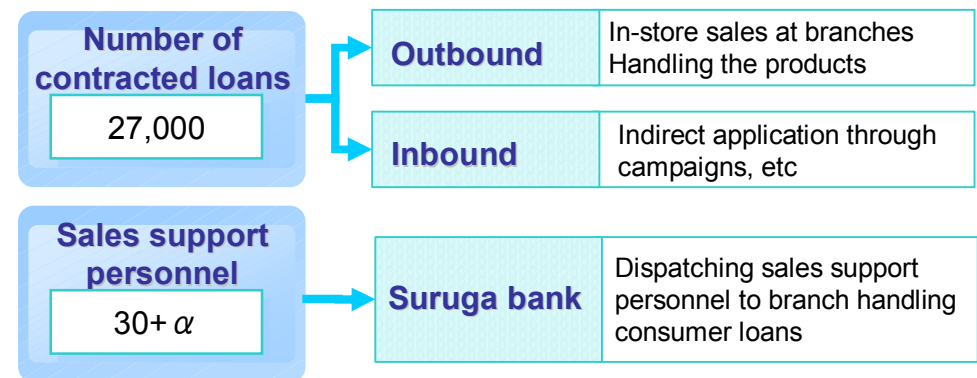


FY 2008 Numerical goals

Mortgage Loan



Personal Loan



Establish Process Platform Company

Establishment of 『Financial Unbundling Model』

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

Name	SDP Center Ltd.
Location	Harumi, Tokyo
Stock Cap.	2 Billion Yen
Share Holders	Japan Post Bank 45% Suruga Bank 45%

Business Contents

Operations for entry & ancillary operations for document creation

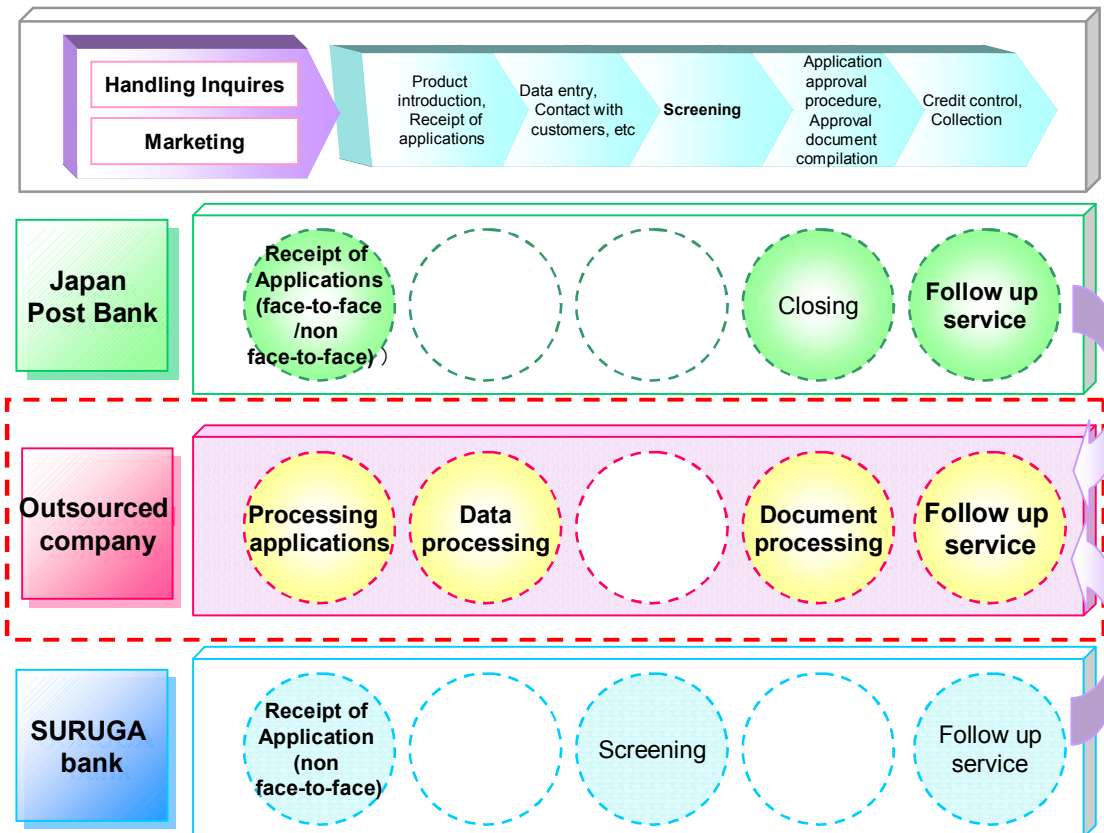
Functioning as a hub for business processes

Functioning as a hub for business processes

Handling inquiries, etc.

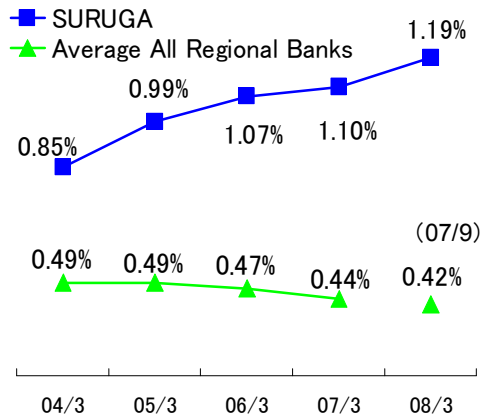
Outsourced call center operations
Handling inquiries from customers

The Efficient Operation System

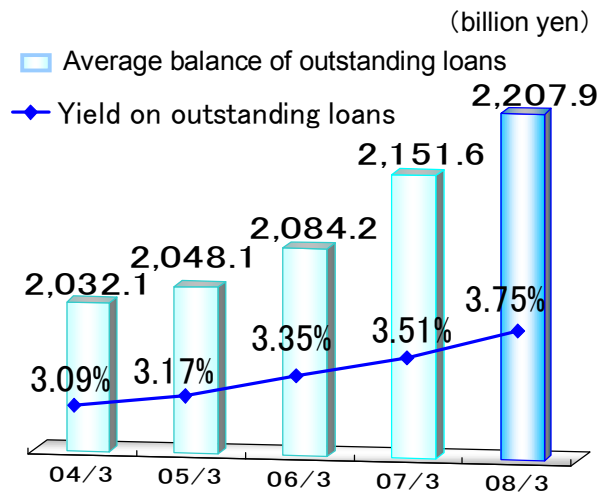


Interest Margins (Overall)

Net interest margin

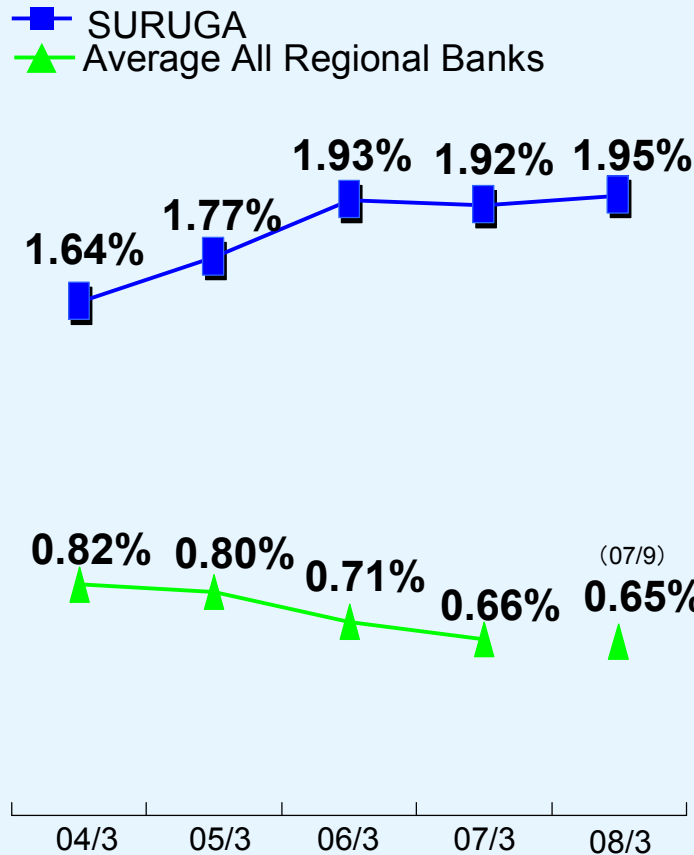


Average balance and yield of outstanding loans



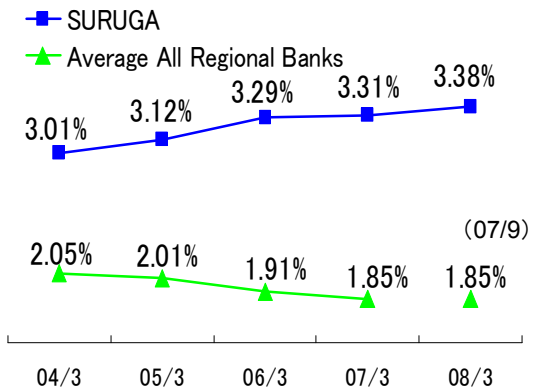
Loan-deposit margin

(after deduction from expense ratio)

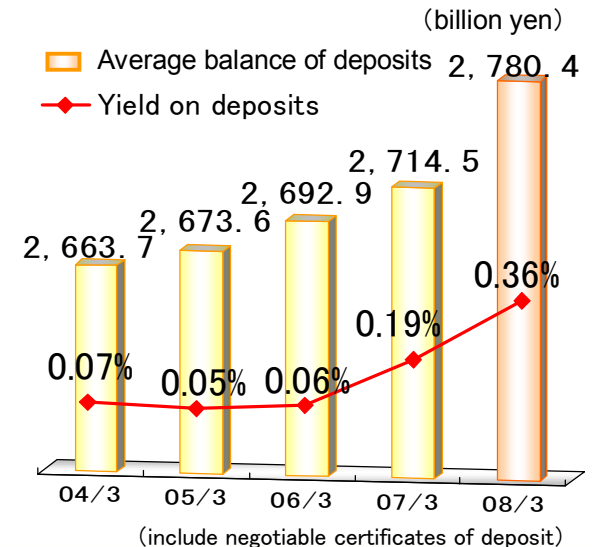


Loan-deposit margin

(Yield on outstanding loans - Yield on deposits)

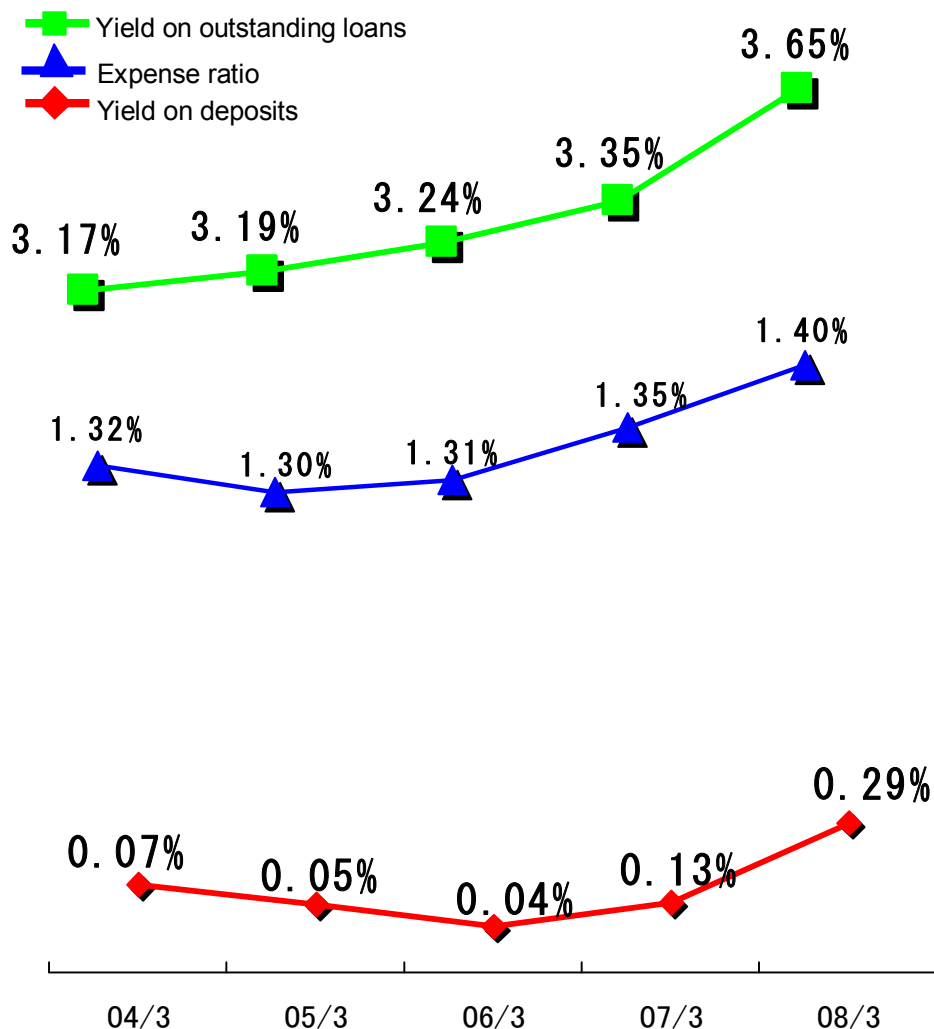


Average balance and yield on deposits

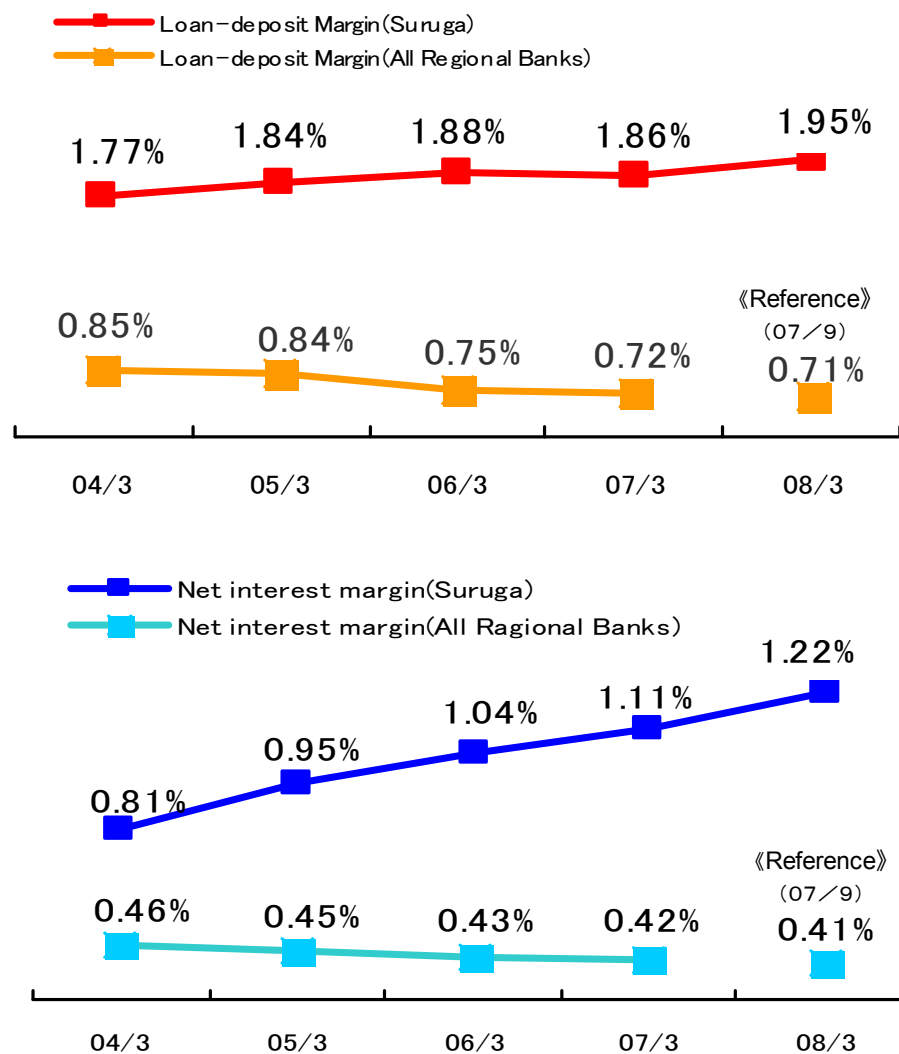


Yield / Margins (Domestic)

Yield·Expense ratio



Loan-deposit / Net interest margin



Gross Operating and Yen loan-deposit income

Gross Operating Income

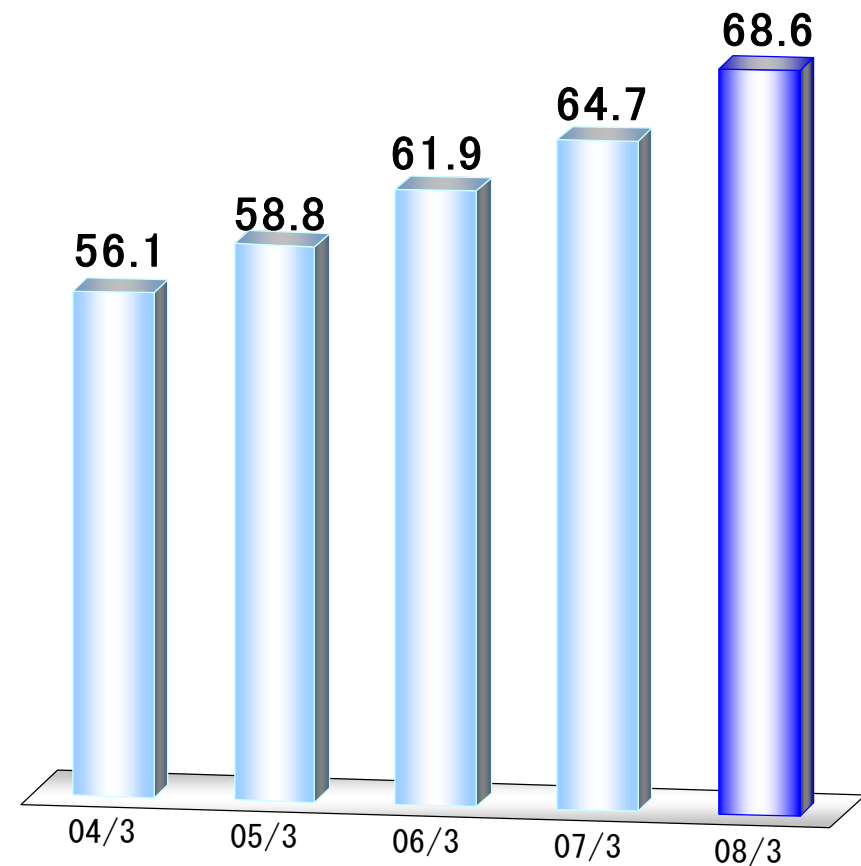
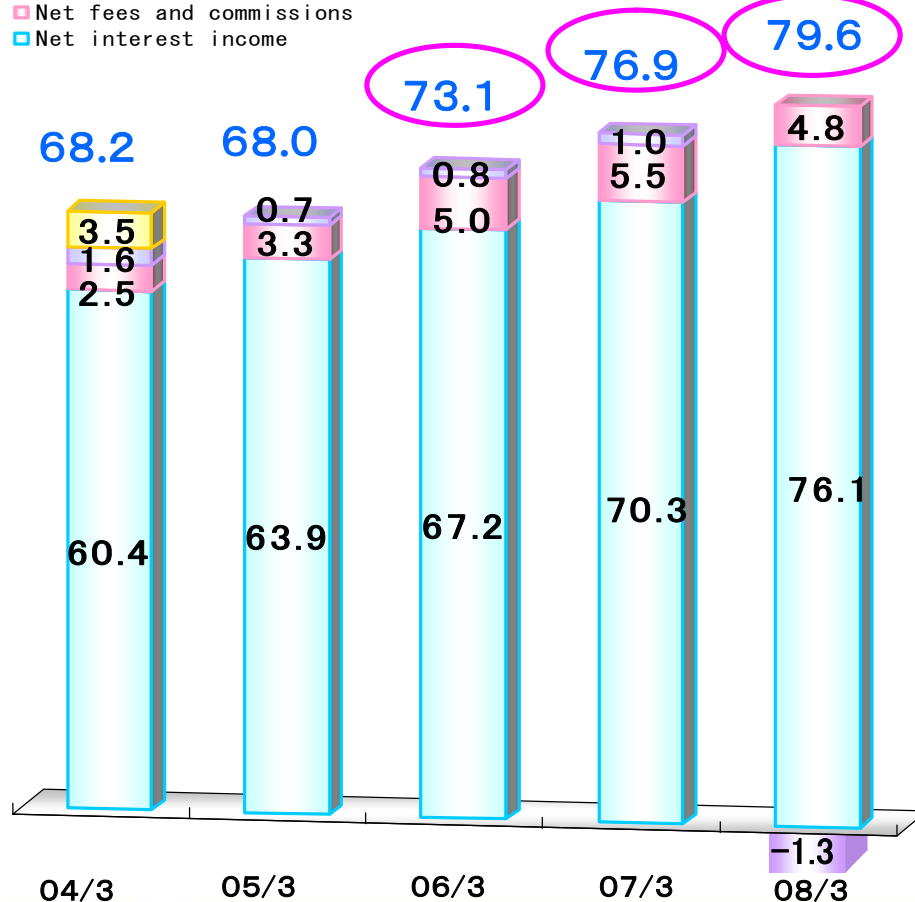
Yen loan-deposit income

○ Record income highs

(billion yen)

(billion yen)

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



Core Net Operating and Net Income

Core net operating income

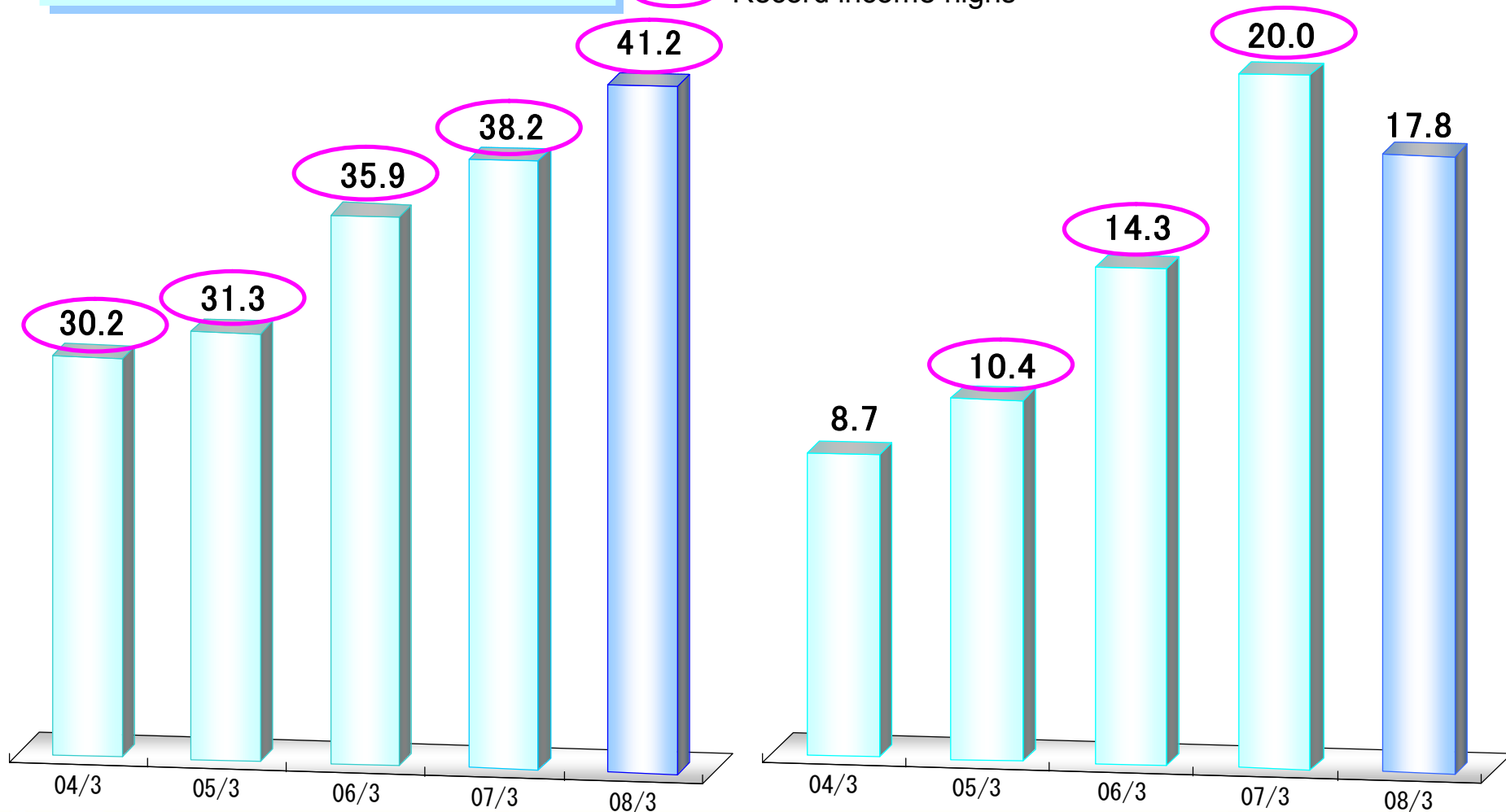
Net income

(billion yen)

(billion yen)

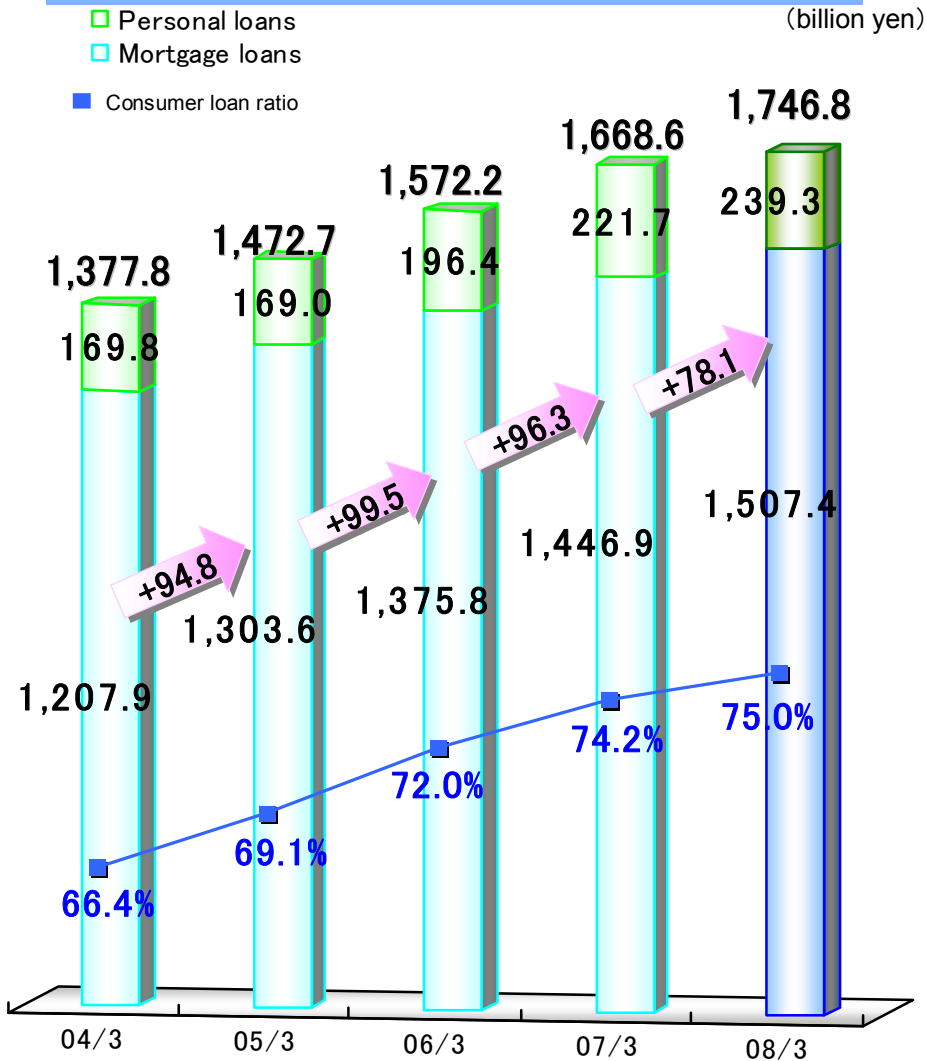
~Record income highs 5 years consecutive~

Record income highs



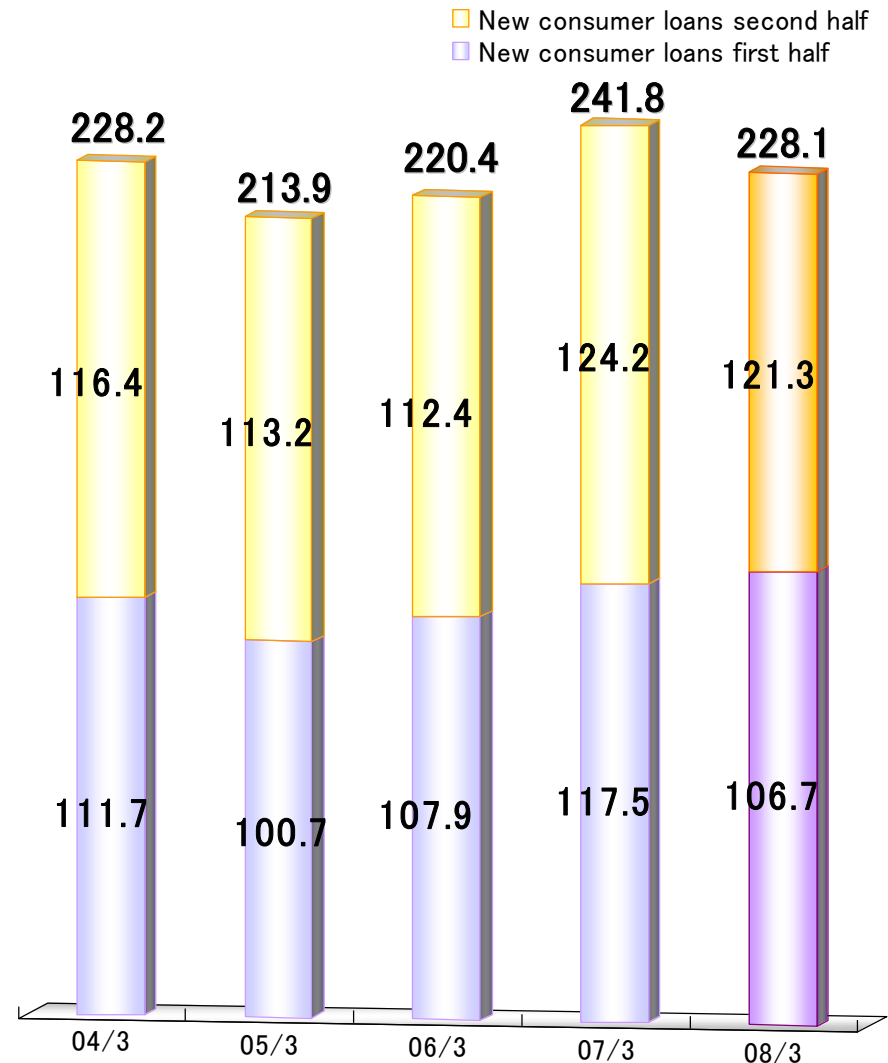
Strong Focus on Retail

Consumer loan balance and ratio



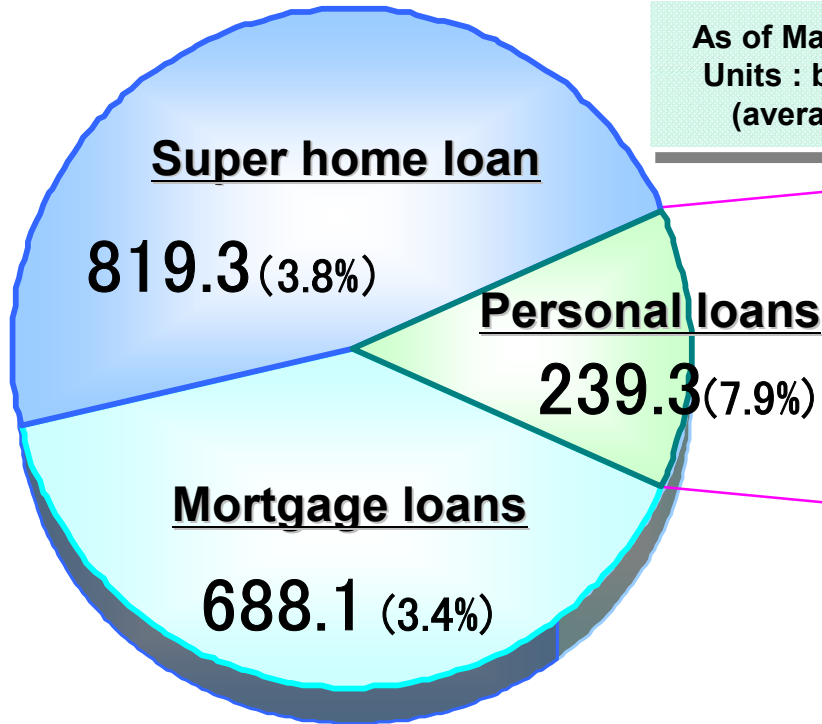
New loan contracts

(billion yen)



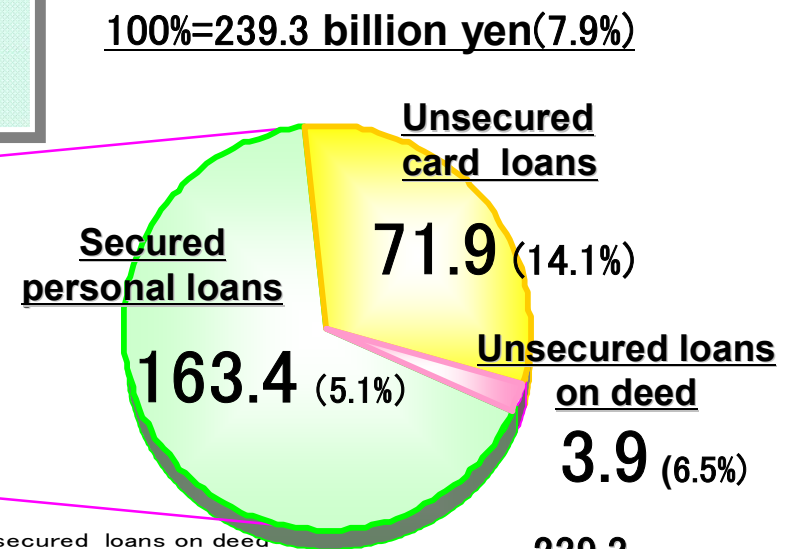
Focus on More Profitable Products

Consumer loans

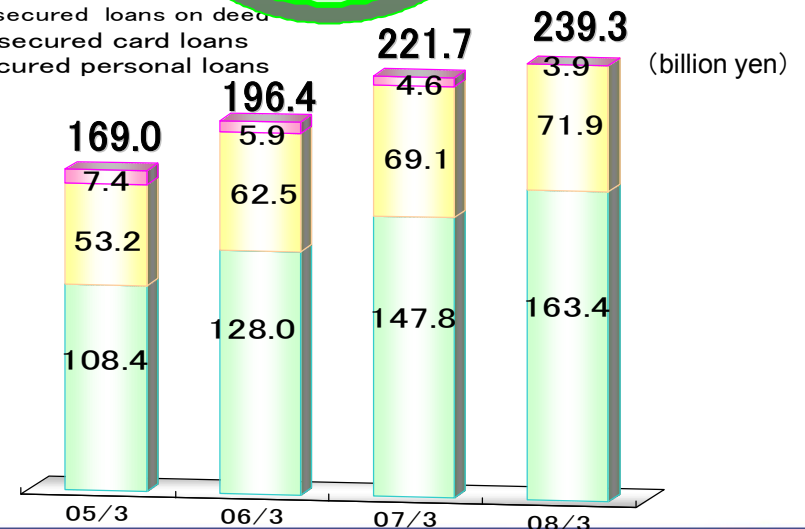


100%=1,746.8 billion yen (4.2%)

Personal loans

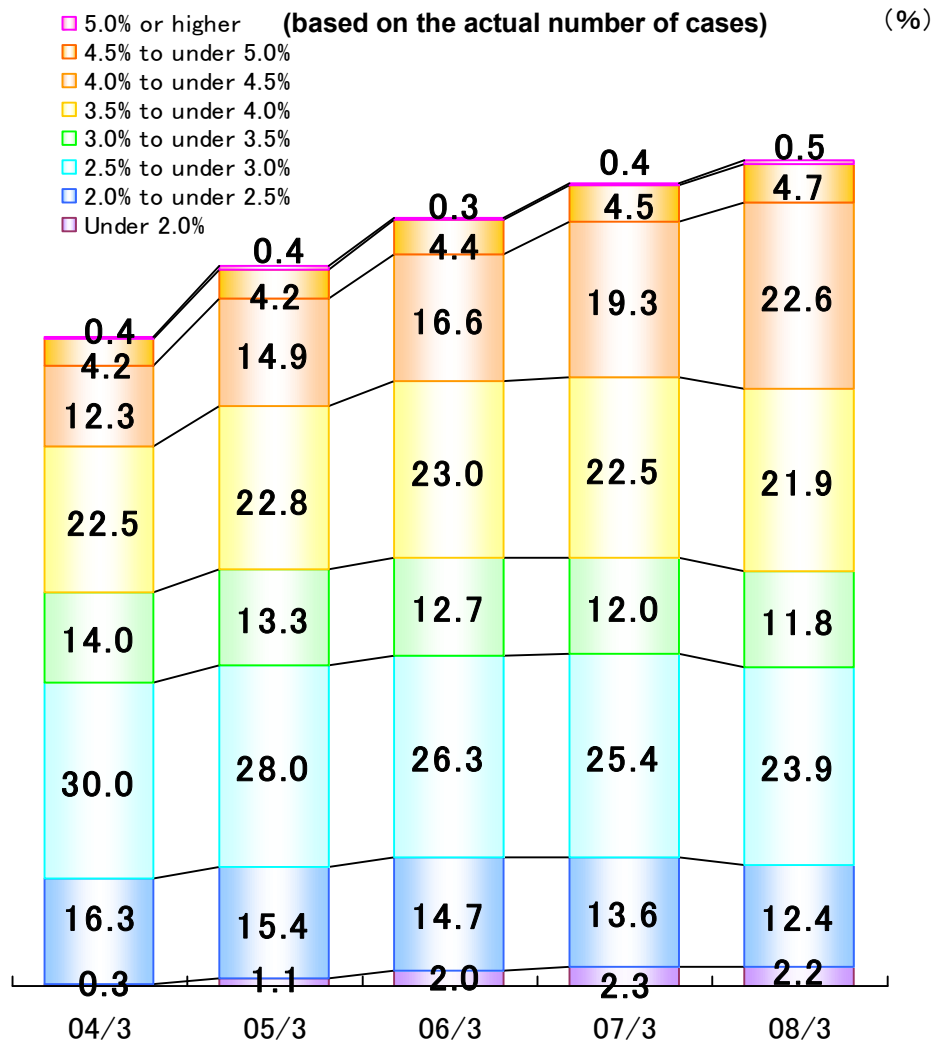


- Unsecured loans on deed
- Unsecured card loans
- Secured personal loans

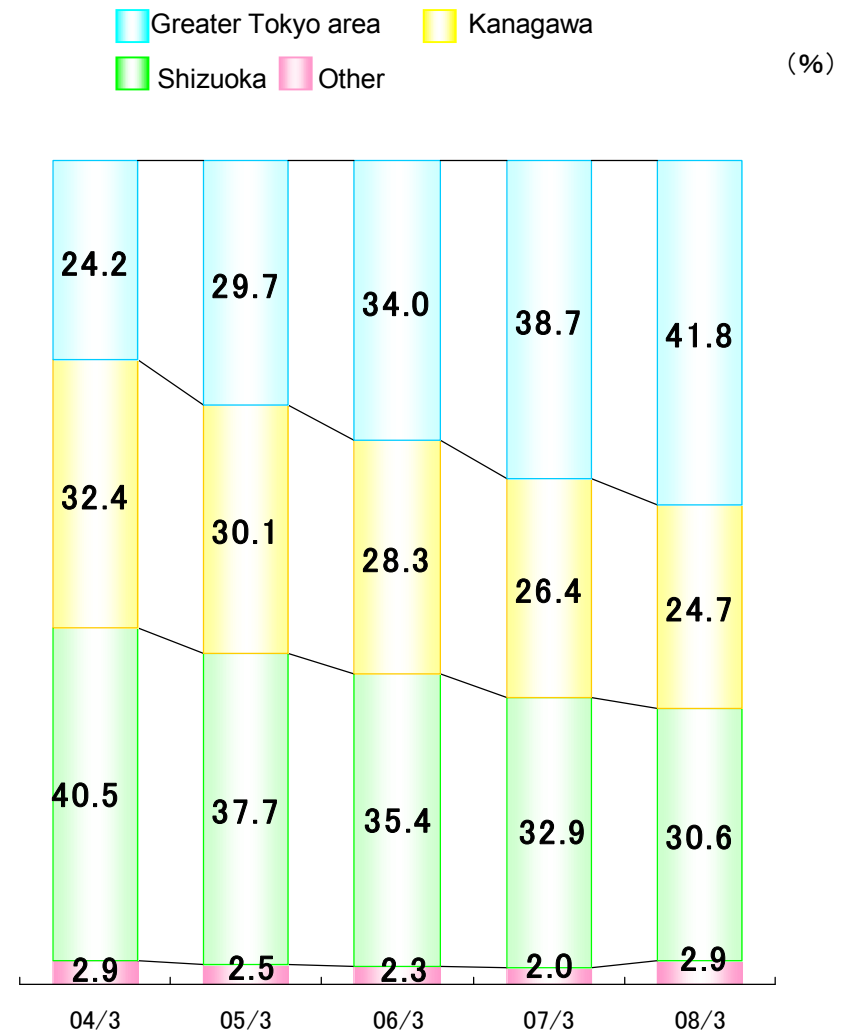


Mortgage Loans

Distribution of practical rates for mortgage loans (cumulative)



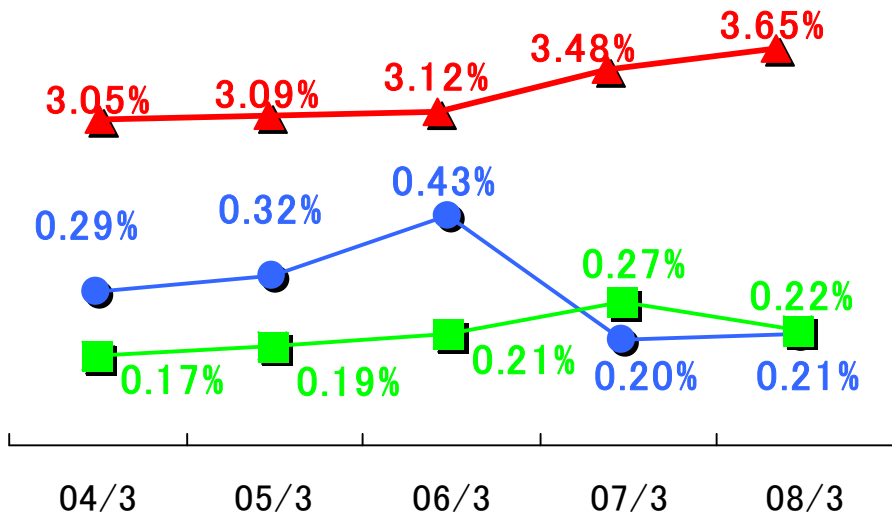
Mortgage loan balance by geographical area



Delinquency and Loss Rates on Consumer Loans

Mortgage Loans

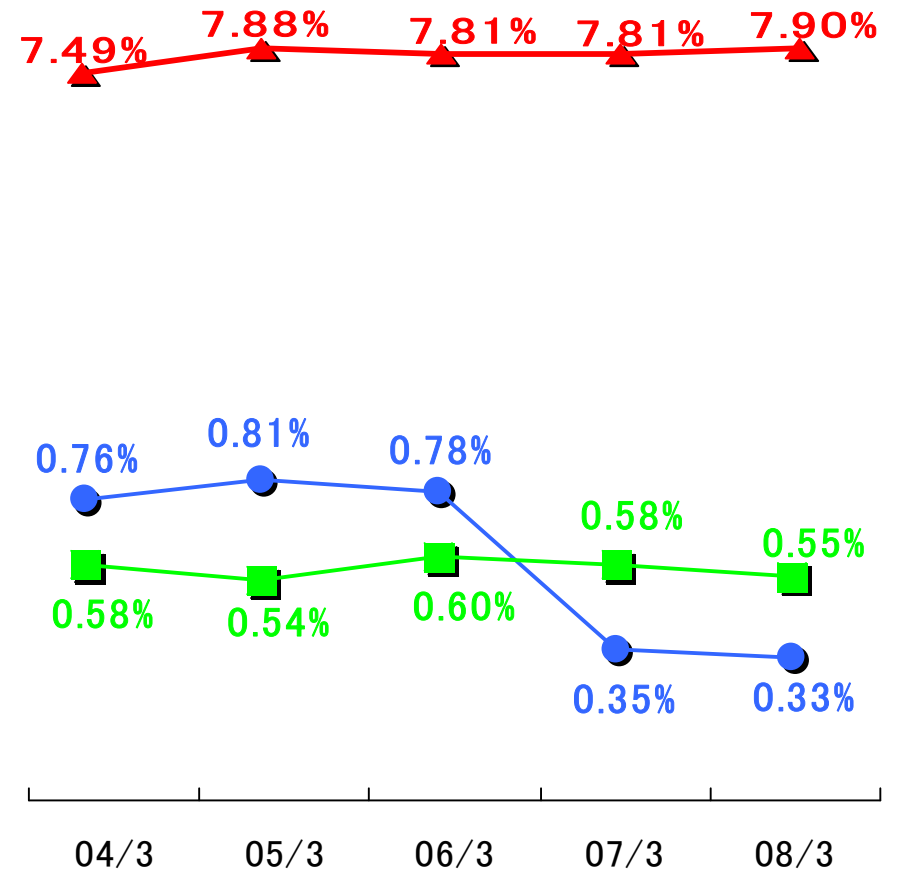
- ▲ Yield
- Delinquency rate
- Loss rate



Delinquency rate = amount 3 months or more overdue / average amount of loan

Personal loans

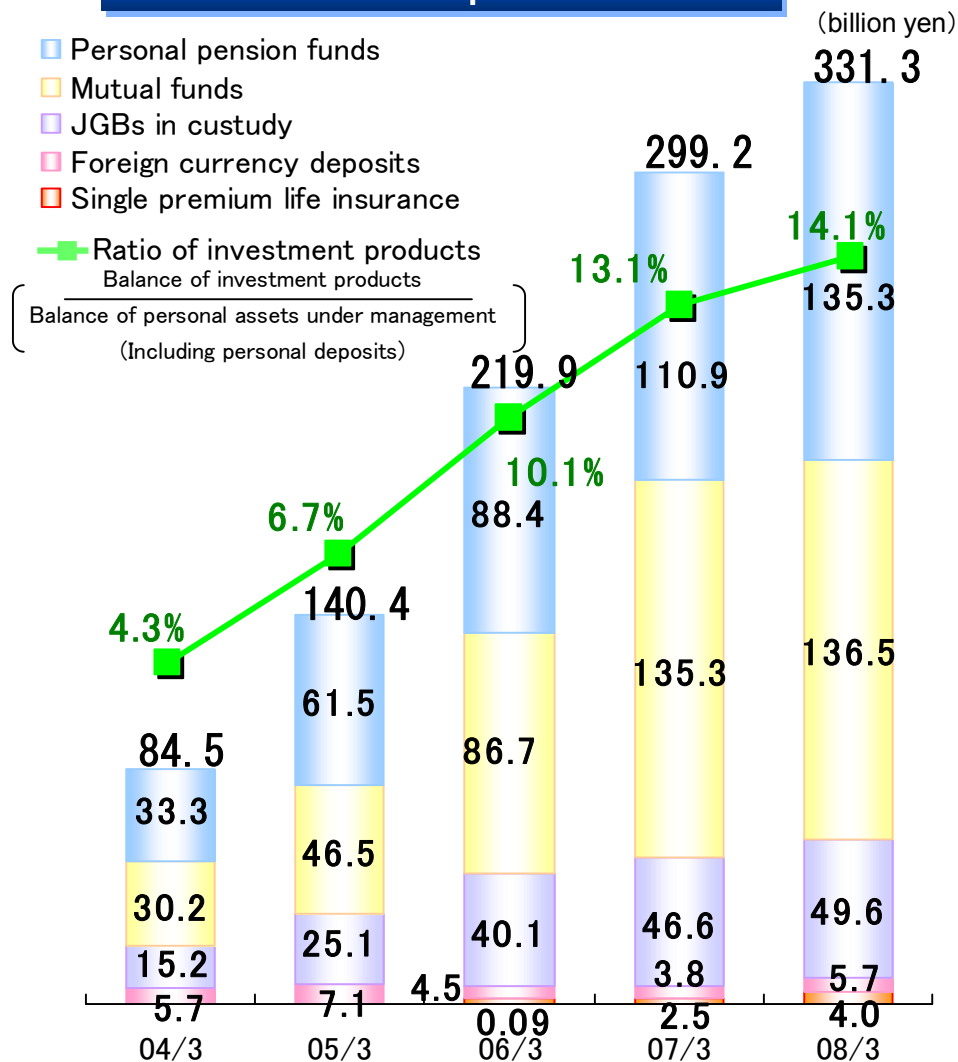
- ▲ Yield
- Delinquency rate
- Loss rate



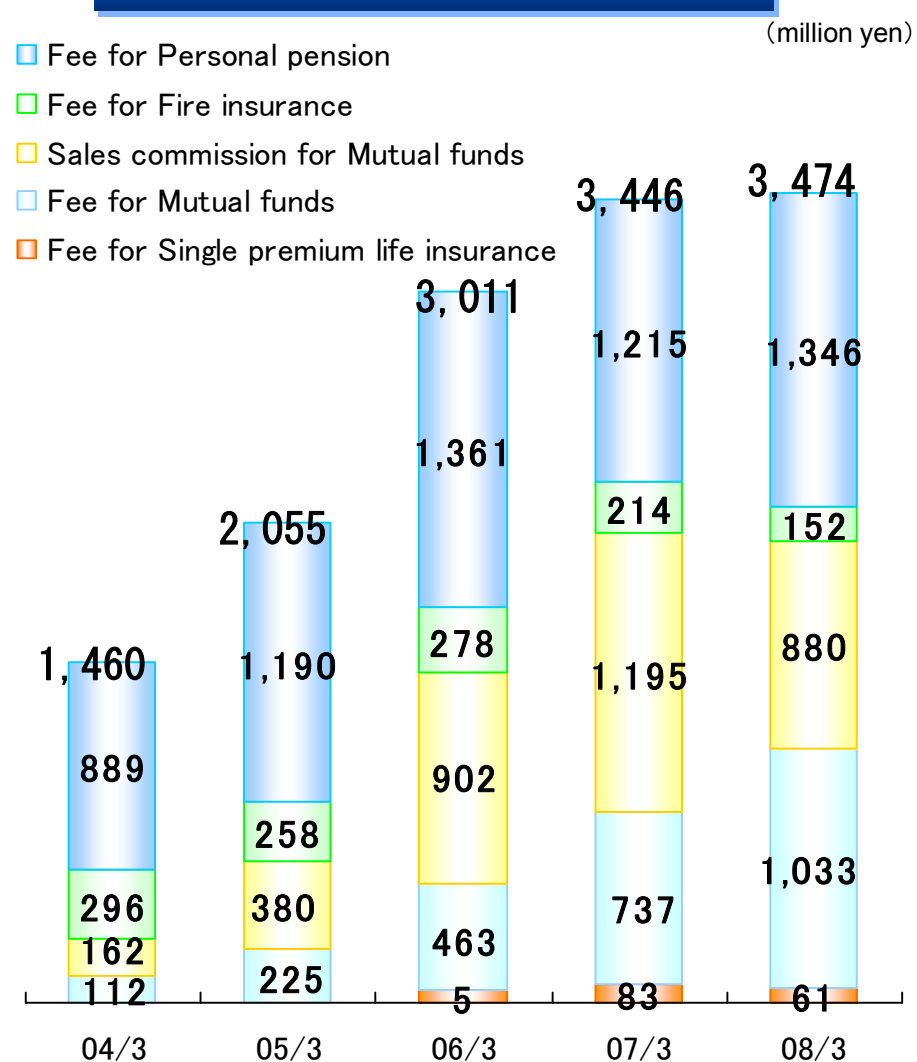
Loss rate = default ratio × (1 - recovery rate)

Fees income

Balance breakdown of investment products

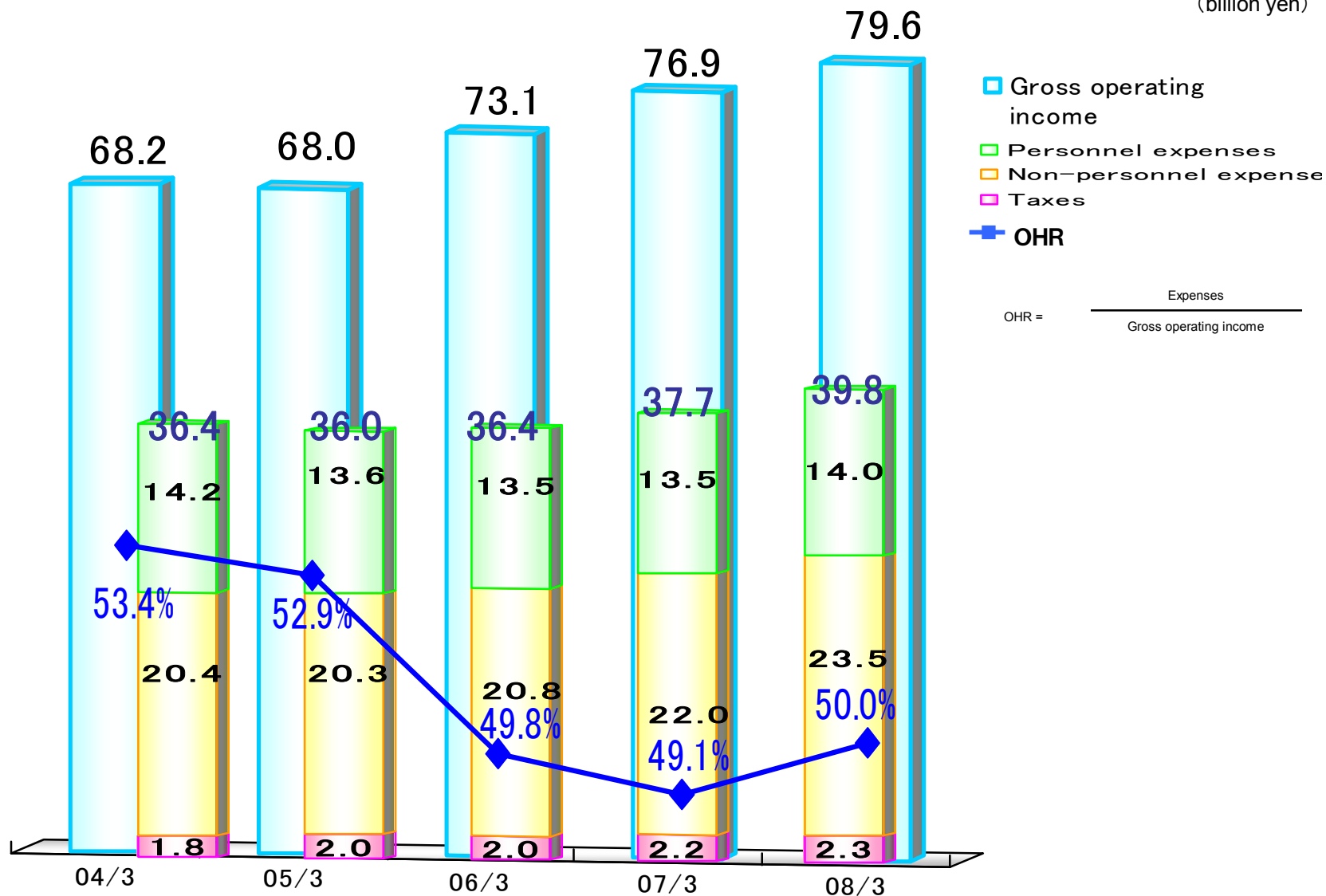


Commission from mutual funds and insurance products



Expenses and OHR

(billion yen)



Breakdown of Problem Assets based on the Financial Rehabilitation Law

(billion yen)

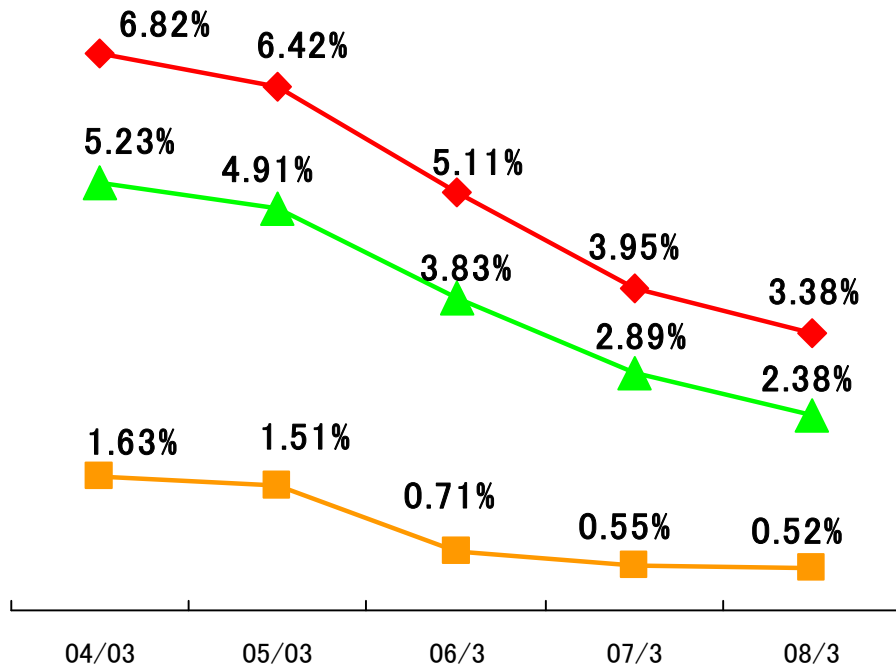
Debtor classification	Mar 08 Credit balance	Proportion	Consumer/ Corporate		Proportion	Total collateral and guarantees	Collateral	Guarantees * NOTE	Coverage ratio	Reserve	Reserved ratio	Total coverage ratio
Claims against bankrupt and substantially bankrupt obligors	13.8	0.59%	Consumer	8.4	0.48%	4.8	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 84.48%						
			Corporate	536.5	90.00%							
Total	2,347.6	100%	Consumer	1,751.5	100%	Coverage ratio : Covered by collateral and guarantees Reserved ratio : Reserved for unsecured portion Total coverage ratio : Covered by collateral, guarantees and reserves						
			Corporate	596.1	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 / Credit costs status

Bad-loan Ratio

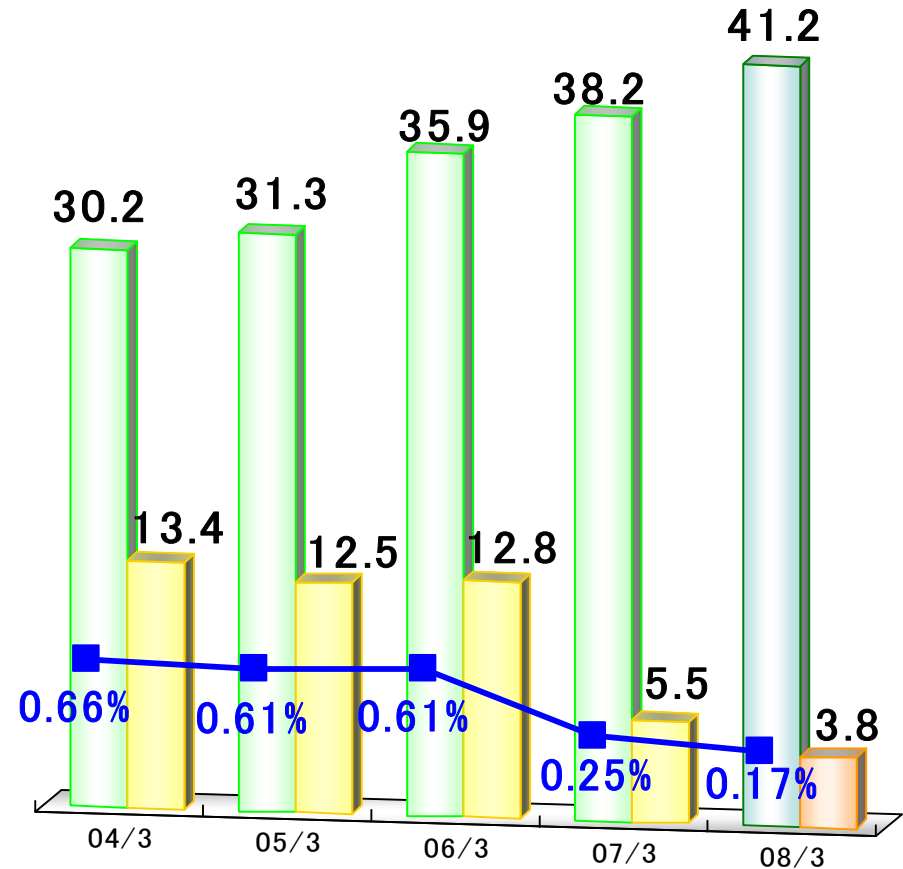
- ◆ Ratio of disclosed assets
- ▲ Ratio of disclosed assets after deduction from reserves
- Ratio of disclosed assets after deduction from reserves, collateral and guarantees



Credit costs status

(billion yen)

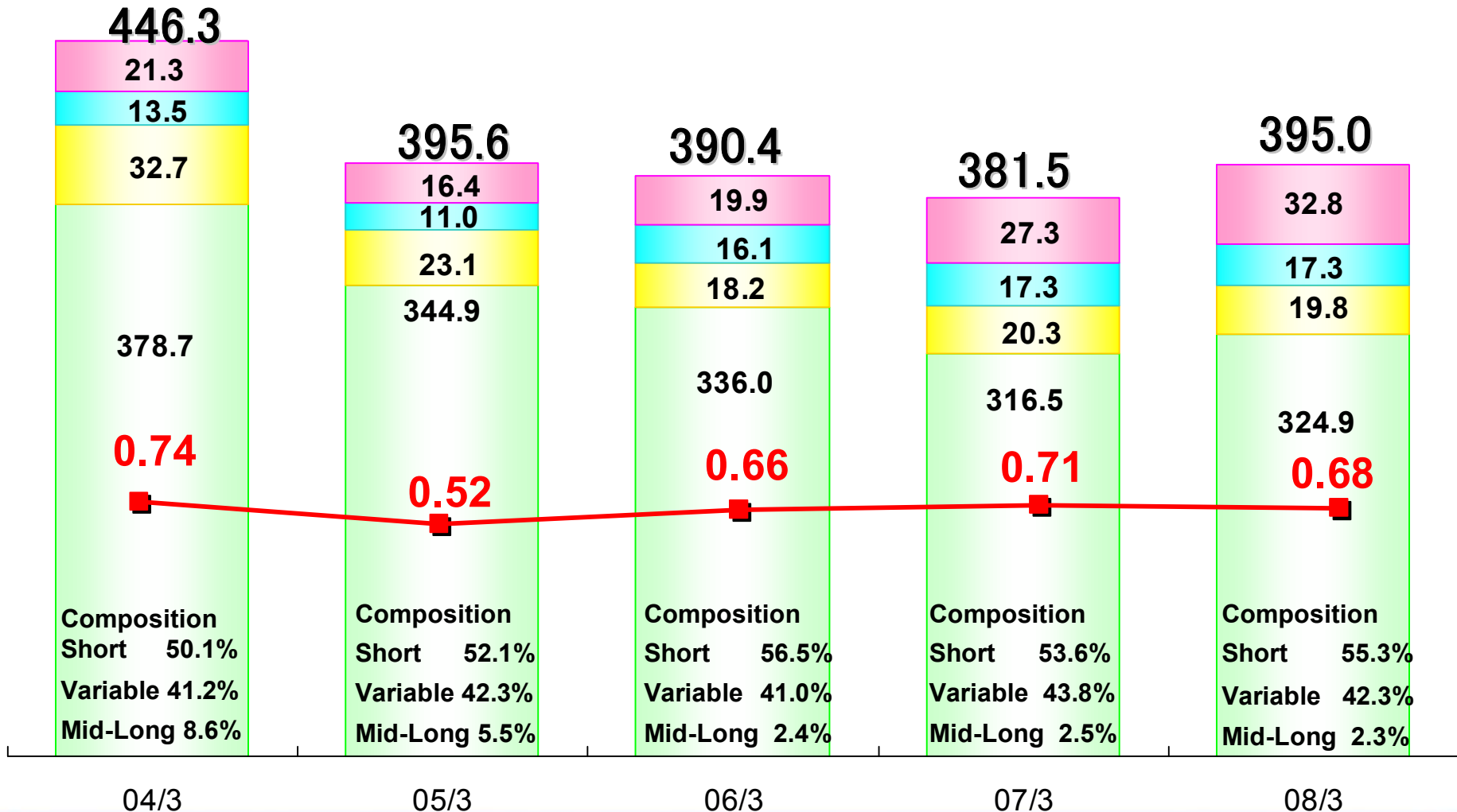
- Core net operating income
- Actual credit costs (credit costs - collection of claims written off)
- ◆ Actual credit costs ratio (actual credit costs / loan average balance)



Bond Portfolio

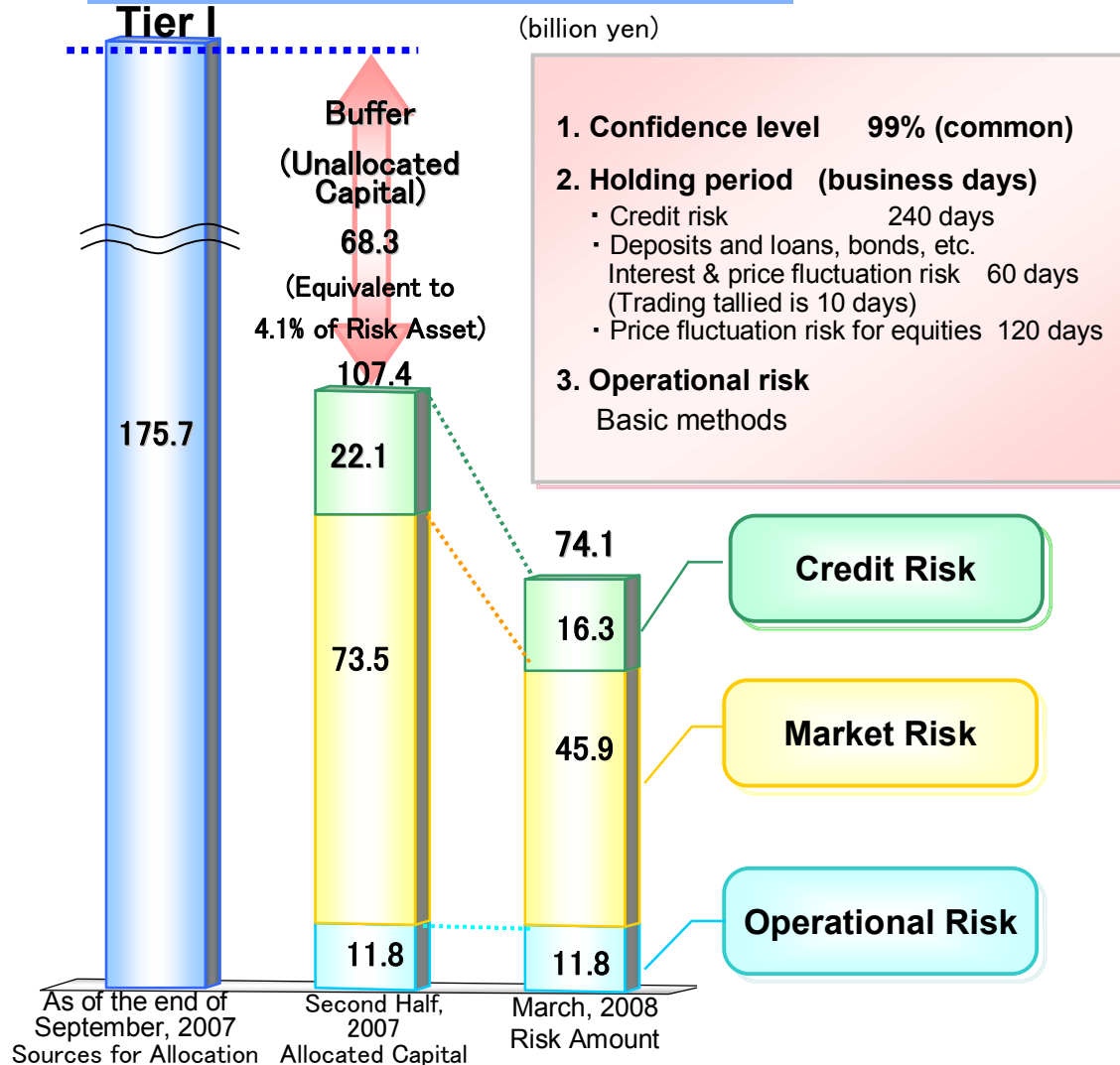
(billion yen)

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



Status of Risk Amount

Integrated Risk Management



Outlier Ratio

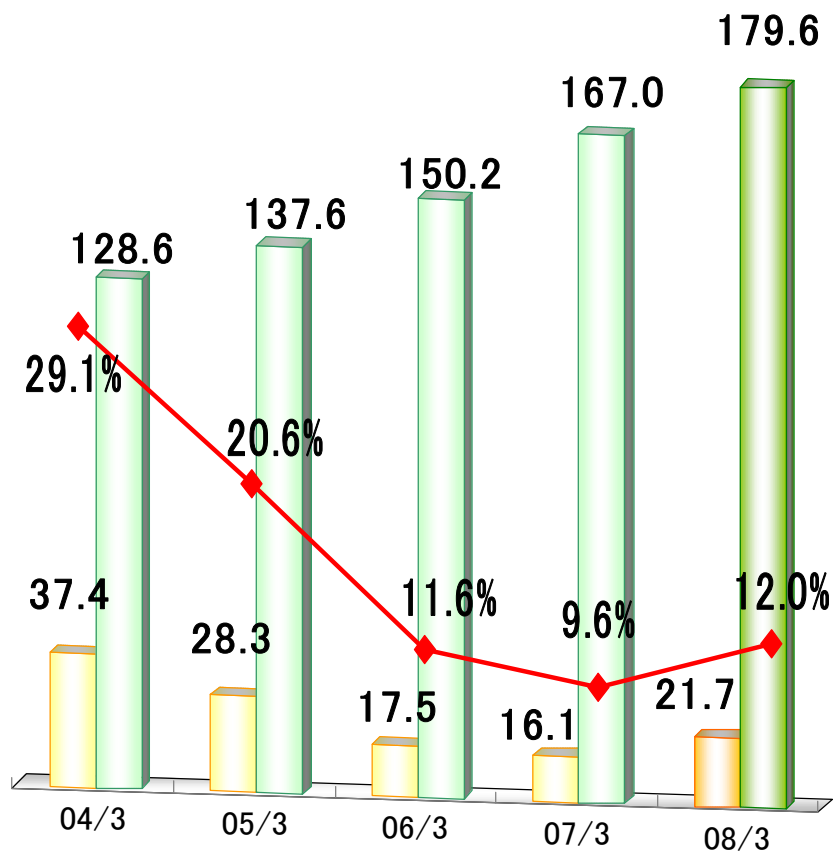
At the end of March, 2008	
Interest Rate Shock Range	±200 bp
Interest Rate Risk Amount	10.5 billion yen
Outlier Ratio	5.5%

Capital adequacy ratio

Deferred tax assets / Tier I ratio

(billion yen)

- Deferred tax assets
- Tier I
- ◆ Deferred tax assets / Tier I ratio

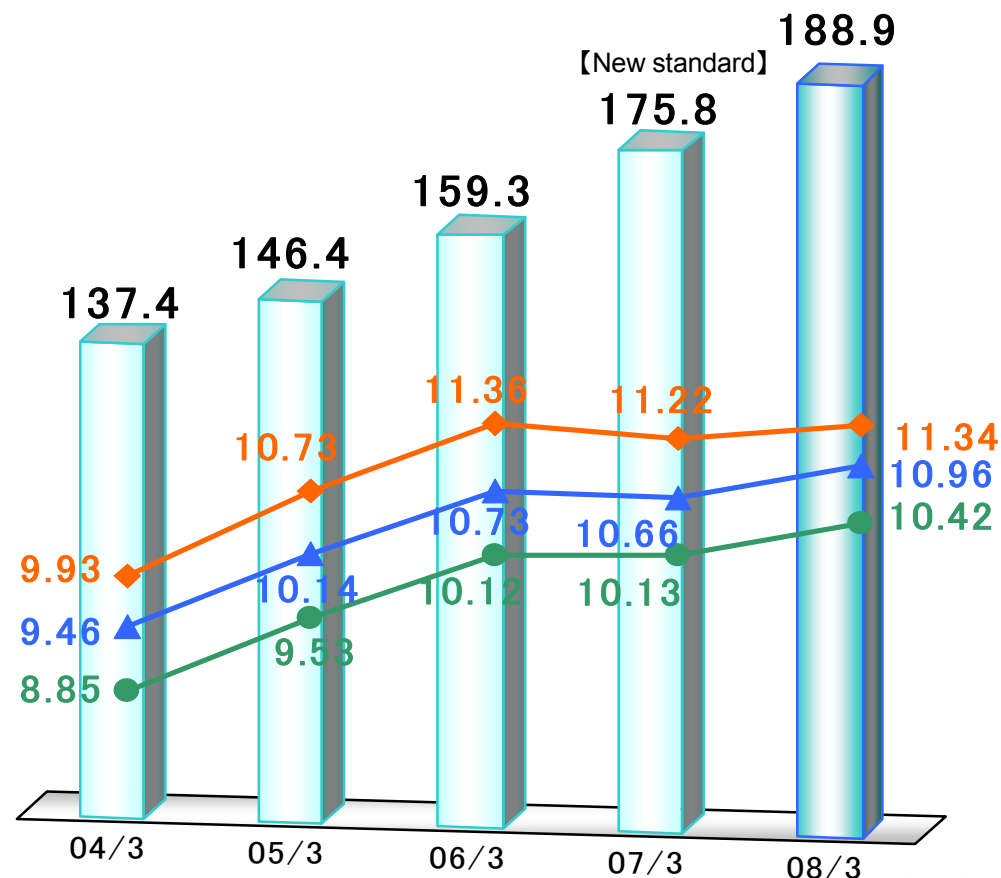


Capital adequacy ratio

(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	Δ8.37	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
- Trusting 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

- ISO14001 activities at the Suruga-Daira headquarters
- Mortgage loans with carbon offset
- Collect contributions for the Fujisan Network through Internet banking
- Participate in Team Minus 6% activities, etc.



Support for the realization of customer's dreams

Dream Laboratory (d-labo) –
Creating 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

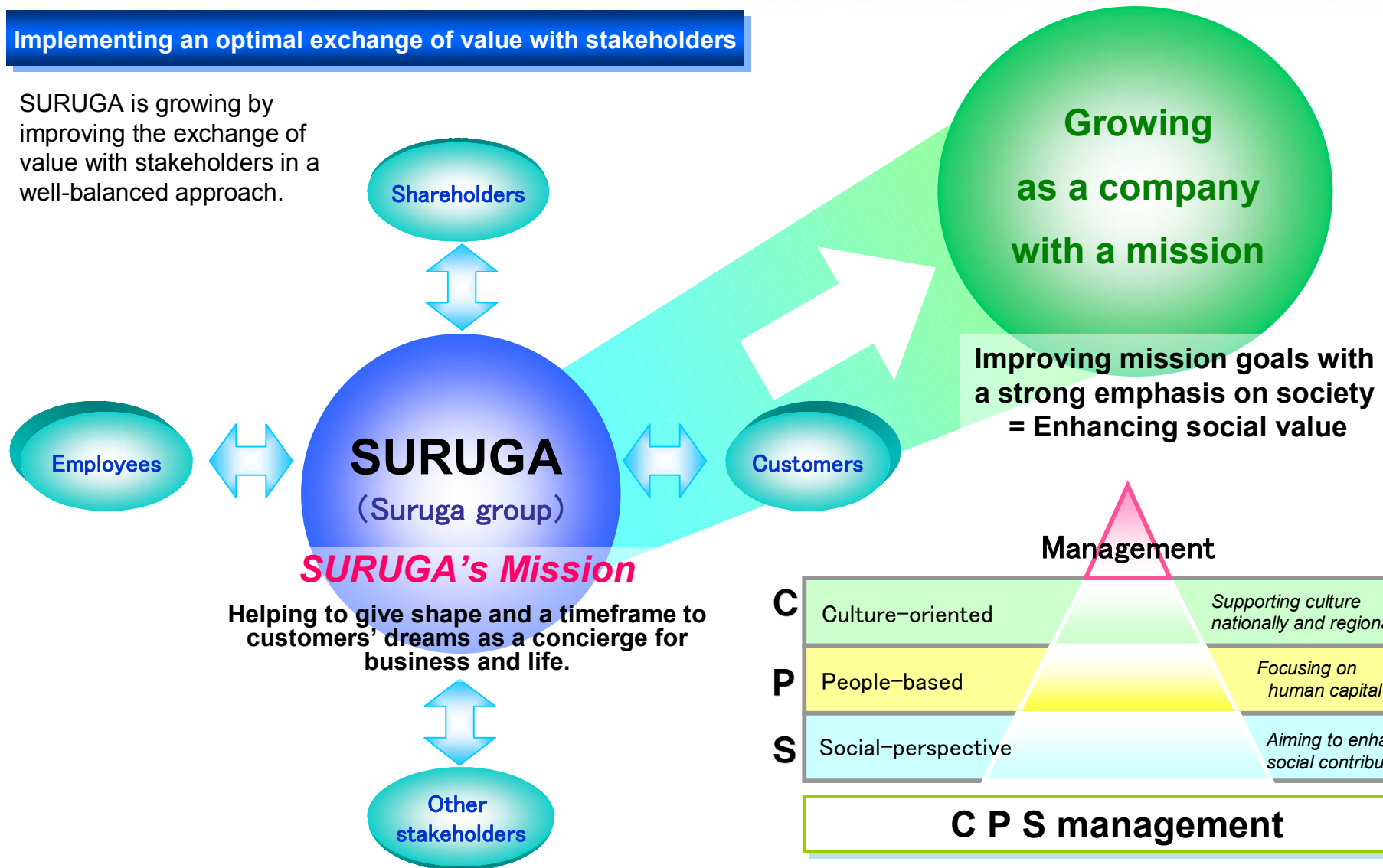


スルガ銀行
チャンピオンシップ2008
OSAKA
Jリーグヤマザキナビスコカップ / コパ・スタメリカーナ
王者決定戦

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.



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

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

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