



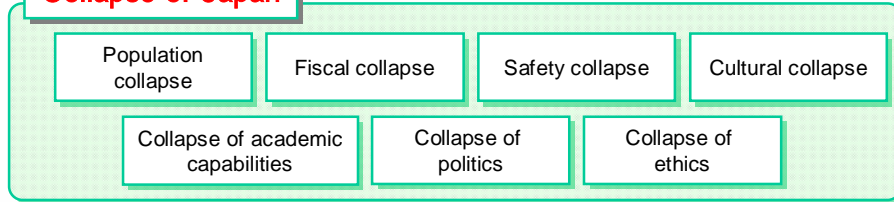
Meeting the Challenge of New Banking

Presentation to investors on fiscal year ended March 31, 2009

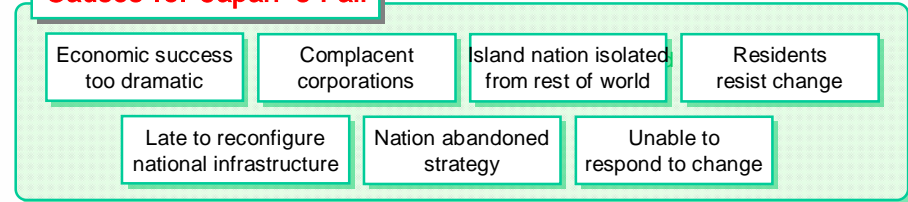
SURUGA bank

Japan Facing a Paradigm Shift

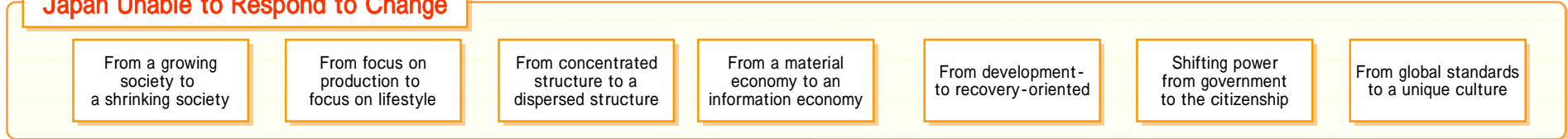
Collapse of Japan



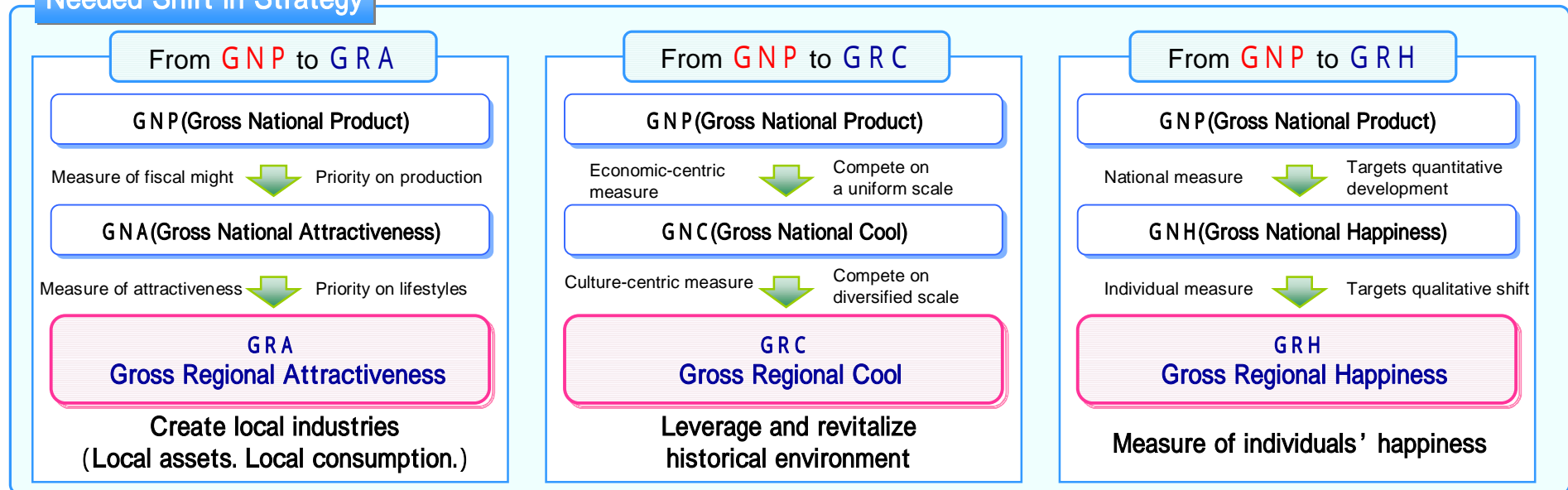
Causes for Japan's Fall



Japan Unable to Respond to Change



Needed Shift in Strategy

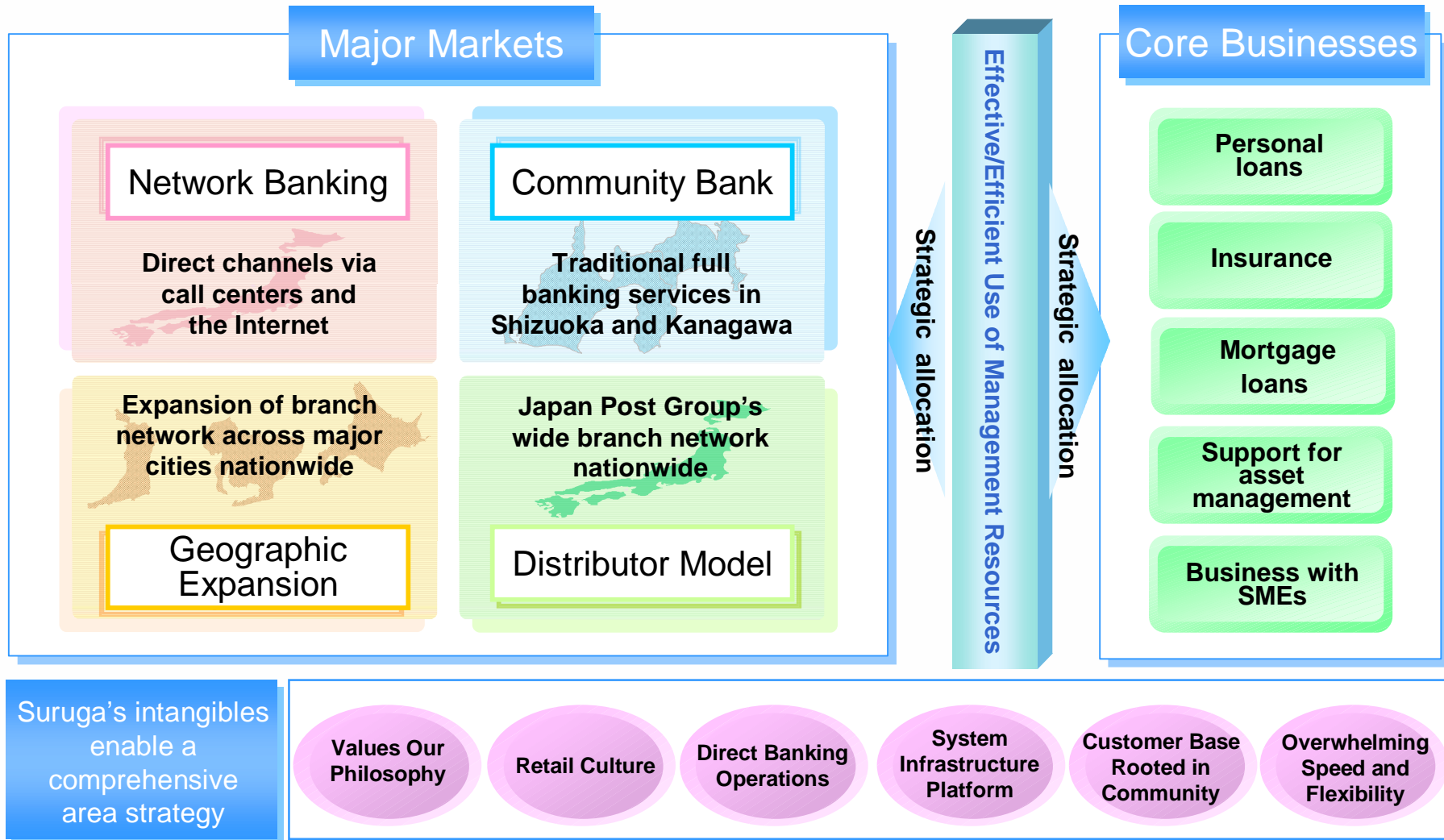


Source: Yoshio Tsukio

Suruga's Business Design Delivers Unique Value

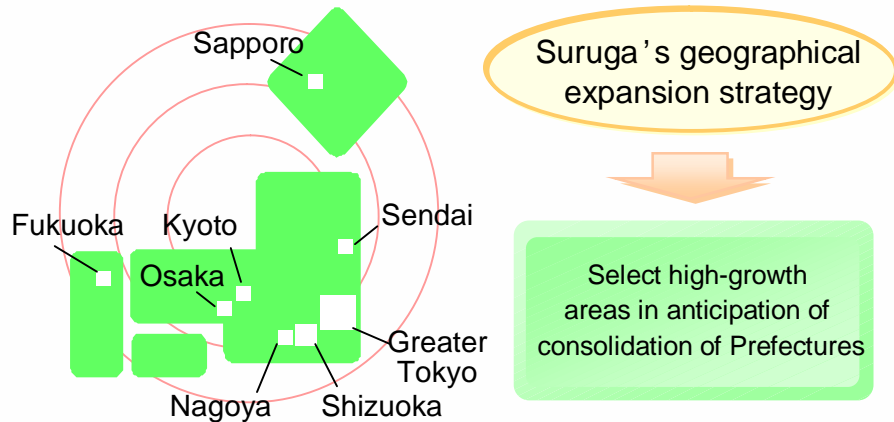
Incorporate Market Characteristics to Deliver Suruga's Unique Value

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

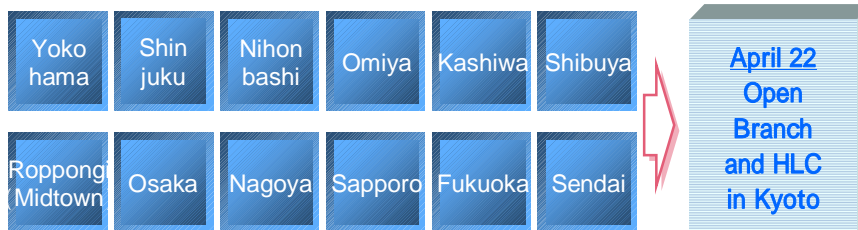


Geographical Expansion & Regional Value Creation

Suruga's Geographical Expansion Strategy



Expand beyond Tokyo into other areas

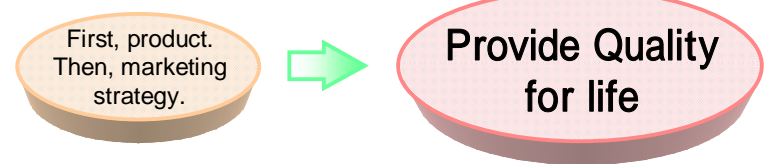


Deliver Suruga services throughout Japan where there is demand

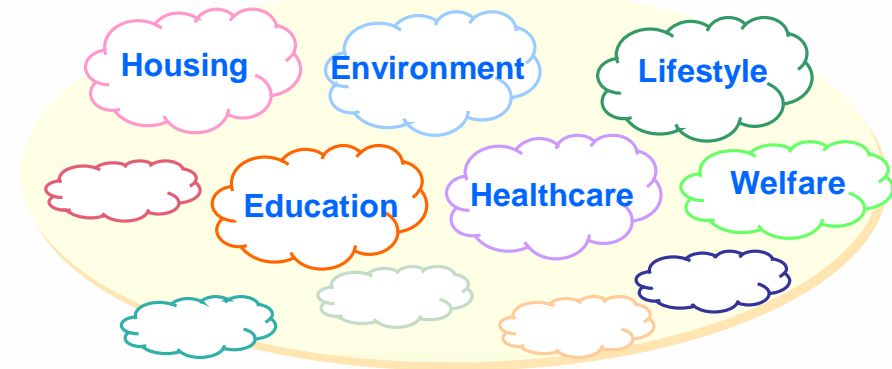
- Skill & know-how gained from retail focus
- Provide high-value added services
- Dramatically increase customer contact points
- Provide products and services tailored to each geography

Creating Value in Regional Areas Through Finance

Future role of retail finance



Offer value as a Life & Business Concierge



Trend-setter Suruga helps individuals take action to achieve happiness and seeks to create a "value-rich society".

Source: Suruga Corporate Philosophy

Environmental Changes Surrounding Housing Loans

Structural Changes to Society

Aging population

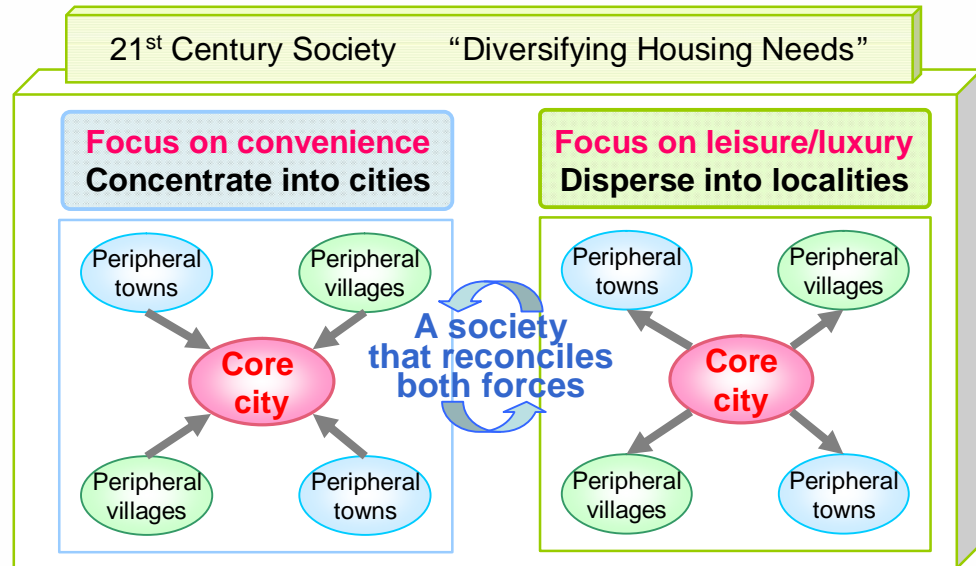
Cities with high elderly populations. Localities with high proportion of elderly.

Lower birth rate

Exposes potential labor force. Changes consumption and corporate behavior.

Steady or shrinking society

Values adjust to shrinking population: maturity, condensing, surplus.



The Future of Mortgage Financing

Trends in Golden Age demographic key to mortgage finance

Home ownership

Over 80%

Assets

Two-thirds in real estate

Assets

Asset-rich Cash-poor

From 『Finance for purchase or sale』 to 『Mortgage financing to utilize assets』

Suruga's Dream Life Series helps the Golden Age demographic realize its dreams

Judge by a Life Résumé

Evaluate the life the customer has accumulated instead of the customer's future (salary, employment, social status)

Dream Life Home Loan

Dream Life Asset

Dream Life Plan 1

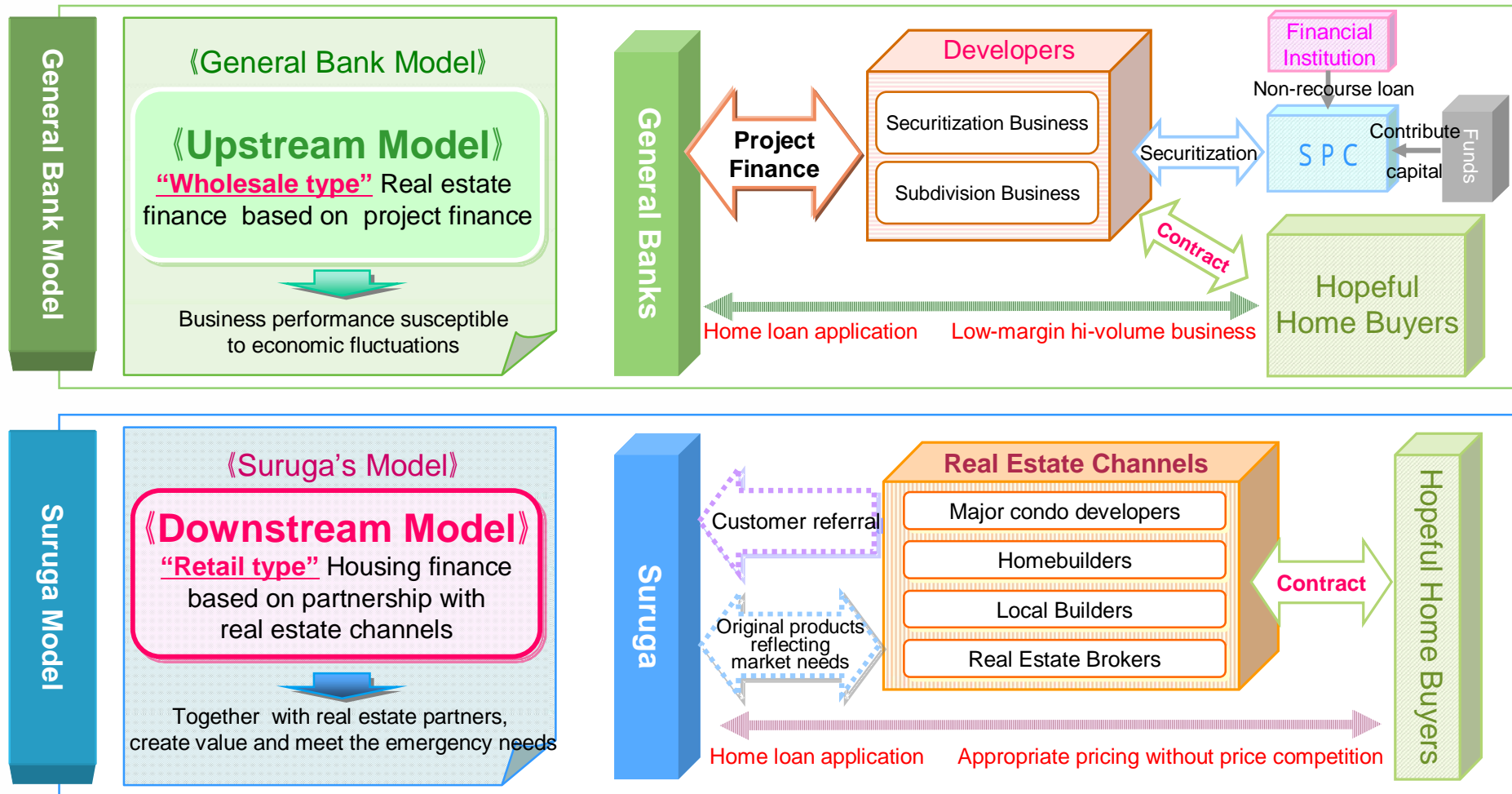
Dream Life Plan 2

Dream Life Support (Planned)

Environment for Mortgage Loan Business

Fundamental Differences in Business Models Between Suruga and General Banks

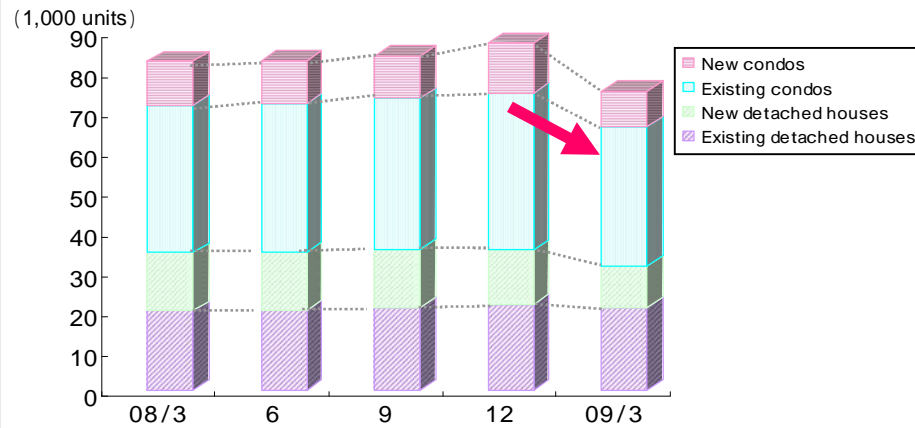
Pursuing a Unique Mortgage Loan Business By Creating Markets in Partnership with Real Estate Channels



Environment Surrounding Housing Loan Business

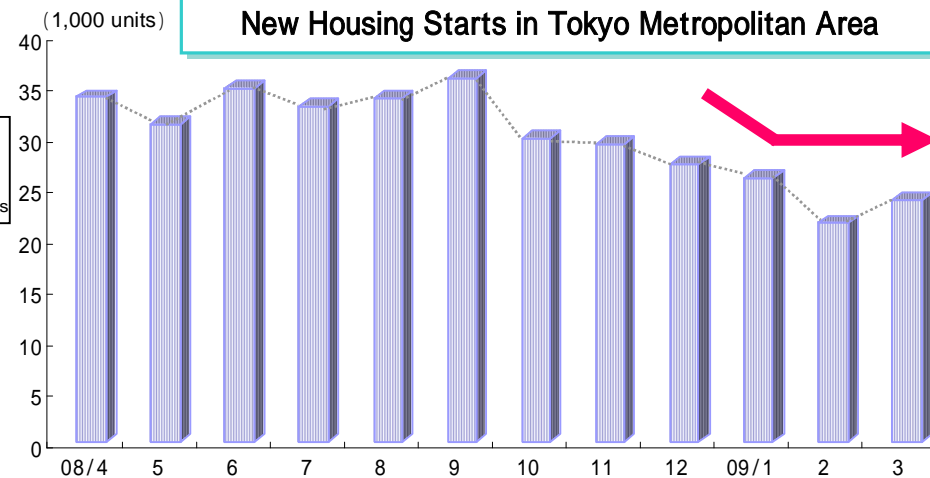
Real Estate Market: Changes and Future Trends

Real Estate Inventory in Tokyo Metropolitan Area



(Source) Real Estate Economic Institute, Real Estate Information Network for East Japan

New Housing Starts in Tokyo Metropolitan Area



Source: Ministry of Land, Infrastructure, Transport and Tourism report on construction start statistics

New condos

More properties easier to buy as a result of price declines

- Starting to dispose of completed properties from bankrupt developers
- Greater supply of affordable properties

New detached houses

Price declines, completed inventory draw down

- [Power Builders] Inventory adjustments by low-price strategy
- [House Makers] Differentiation through value-added housing

Existing inventory

Increase in quality existing properties

- Increase in contracts as more quality properties feel affordable
- Rising prices for excellent properties in popular locations

More active selling at new price levels

Larger supply for buyers to choose from

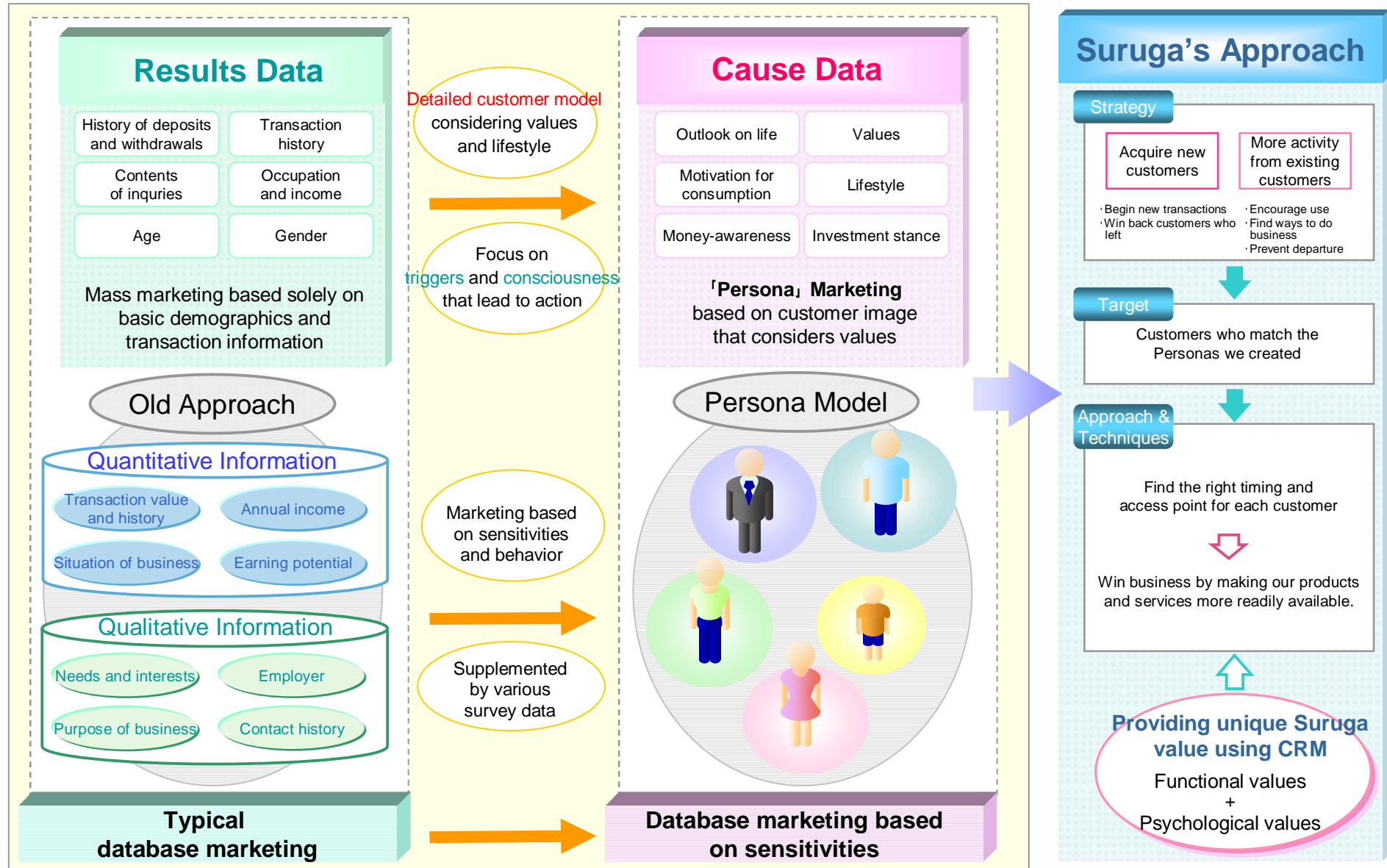
Polarization of customer needs (price or values)

Intensified competition with new condos

Large brokers see rise in potential buyers

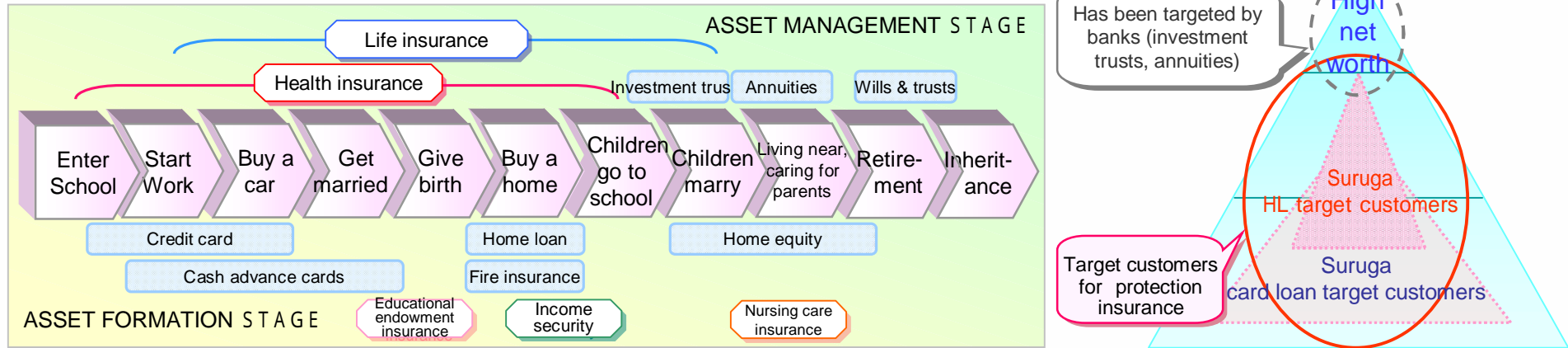
Distinctive properties contract quickly

New Marketing Strategy Leveraging CRM

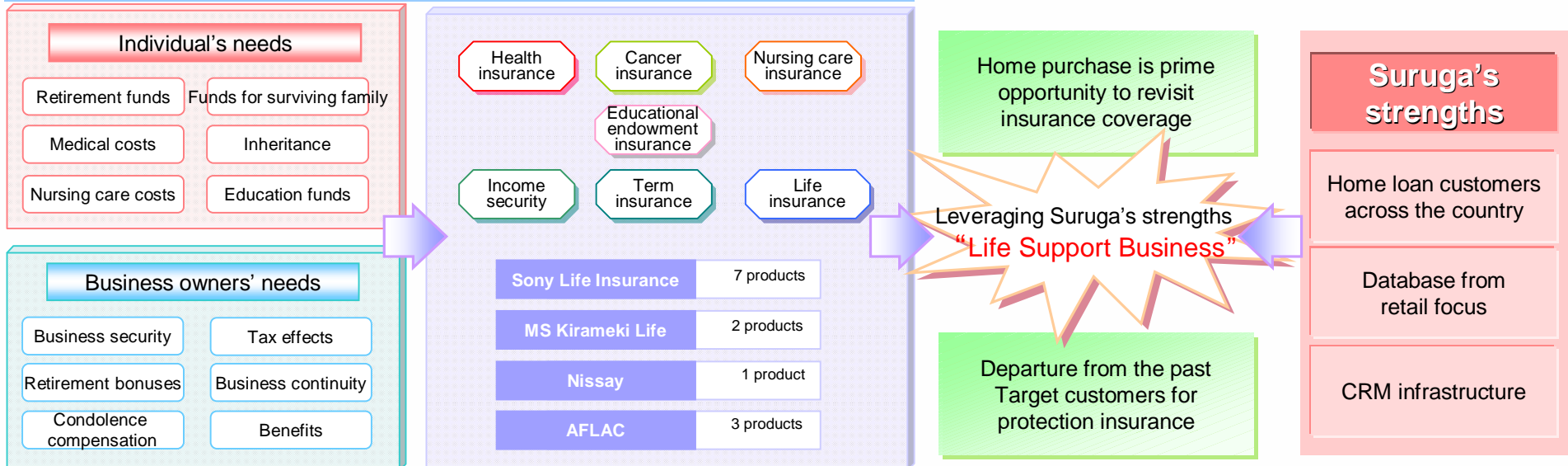


Endeavors in Insurance Business

How Suruga Conceives the Insurance Business



Well-rounded product lineup to support diversifying needs



Environment for Small Loan Business

More rigid regulations on small loans

Revisions to installment sales law

Key word

“Assess ability to pay”

Must check annual income and credit obligations upon card issuance or credit line increase

Assessment considers deposits and savings per borrower declaration

Revisions to money lending law

Key word

“Lower ceiling rate”

Ceiling interest rate

29.2%

20.0%

Key word

“Limit on total borrowings based on income”

Borrowing limit

Up to 1/3 of annual income

When loan balance exceeds a certain amount

Certificate of income required

When applicant is a full-time housewife

Certificate of income and consent of spouse required

Future trends in small loan providers

Numbers are approximate

Interest rate	Players in small loan business			Credit cost
	Consumer finance	Installment sales & credit card cos.	Banks	
29.2%				> 7%
20.0%				7% > 5%
15.0%				5% > 3%
10.0%	Interest rate range where banks are expected to play a major role in providing small loans			3% > 1%
5.0%				1% >

Nonbank situation

- × Lower ceiling rate
- × Higher funding costs

Can't survive on legacy high-expense model

General bank situation

Major opportunity for banks, but no know-how or track record in small loans. Most banks rely on guarantees from nonbanks.

A **Radical Bank** able to establish a business model between bank rate (around 10%) and nonbank rates (over 20%) can become a leader in the small loan business.

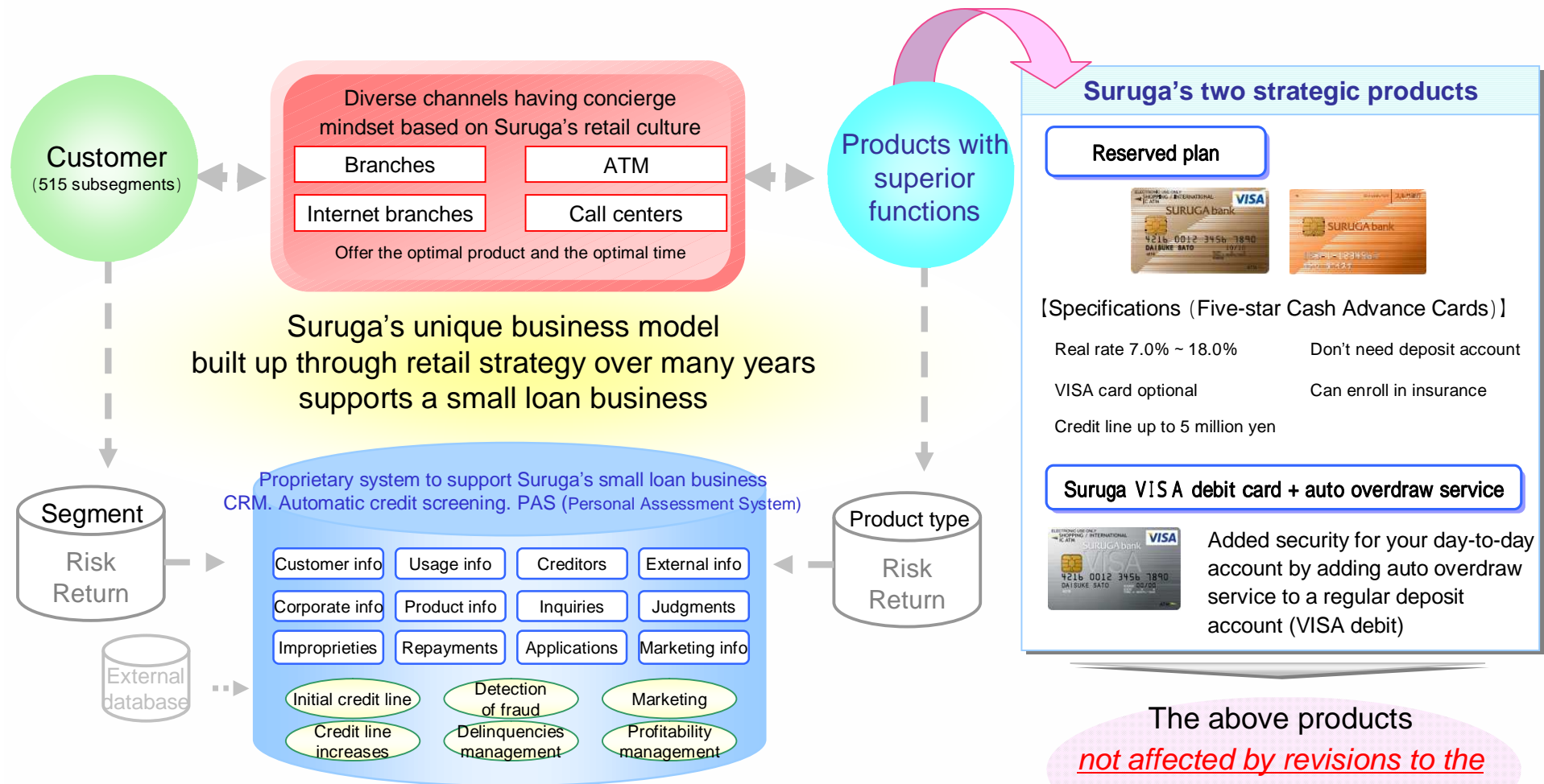
Prerequisites to become leader

Data base and know-how supported by many years doing business in middle range interest rates

Long-term relationships enable operation regime to be established at low cost.

Endeavors by Suruga in Small Loan Business

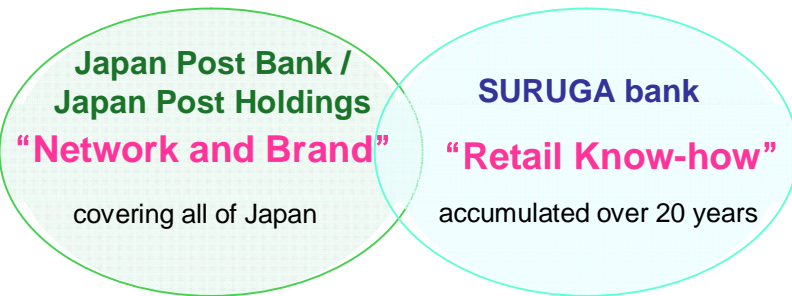
Need system infrastructure, channel diversification and products with superior functions to dominate the small loan business.



The above products not affected by revisions to the money lending law and installment sales law.

Business cooperation with Japan Post Bank

Exerting capability maximally



Contributing to the national economy through the development of financial products and services

Contributing to the stability and enhancement of Japanese financial services

Provision of products and services with a difference

Slogan of Japan Post Bank

“We will be the stabilizing force in Japan”

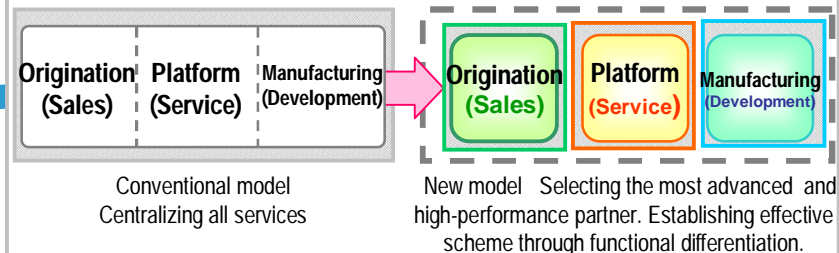
Mission of SURUGA bank

“Helping to give shape and a timeframe for customers’ dreams”

To realize goals

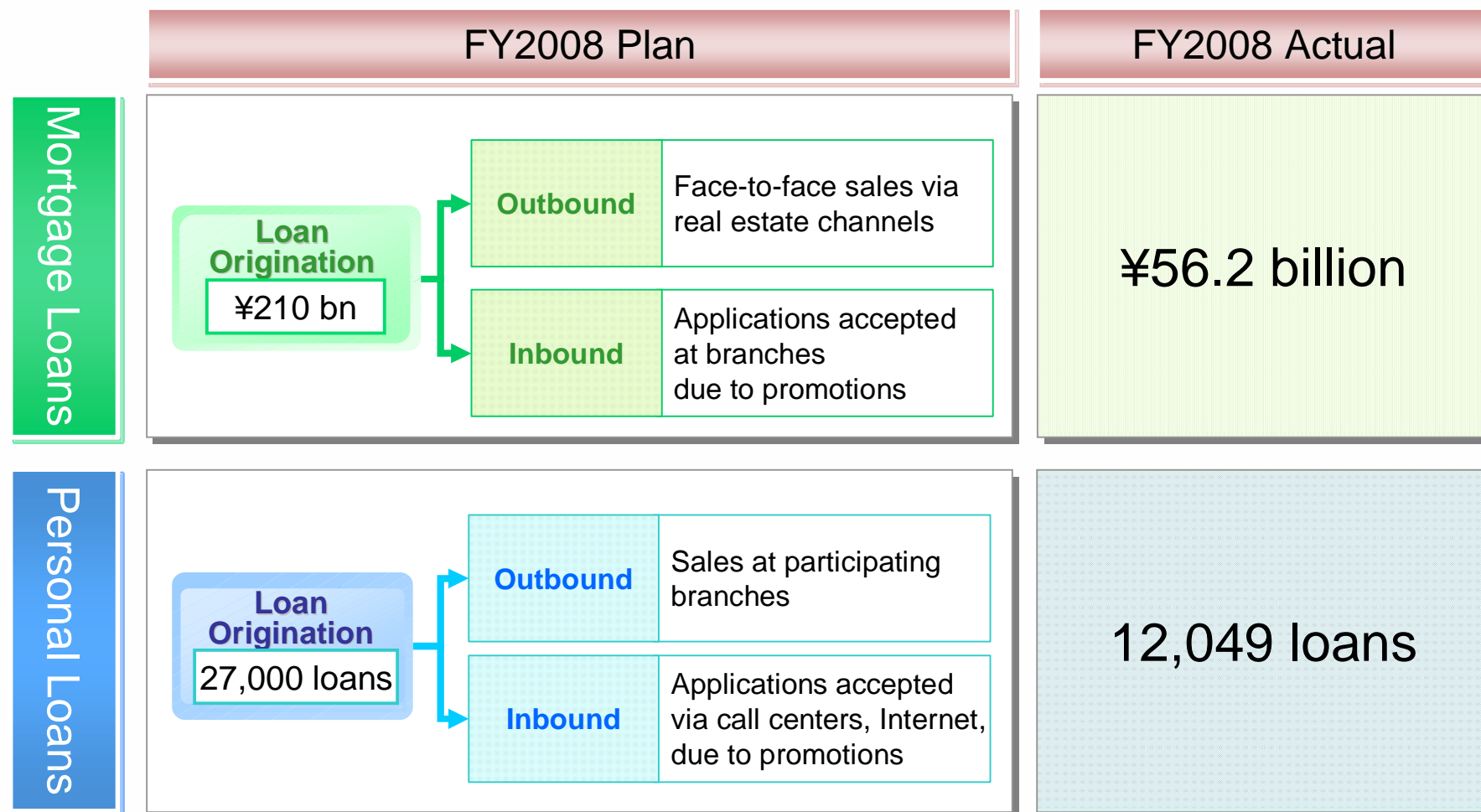
Breaking the bonds of the conventional, develop and provide products and services that meet individual customer needs and enhance customer lifestyles nationwide

The first establishment of unbundling type business scheme among Japanese banks



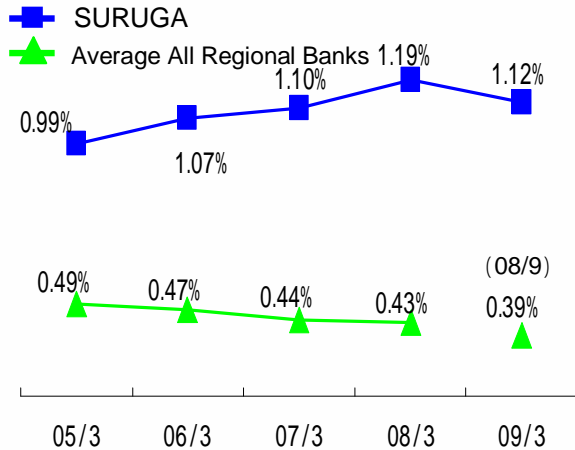
Business Alliance with Japan Post Bank

FY2008 Plan and Actual

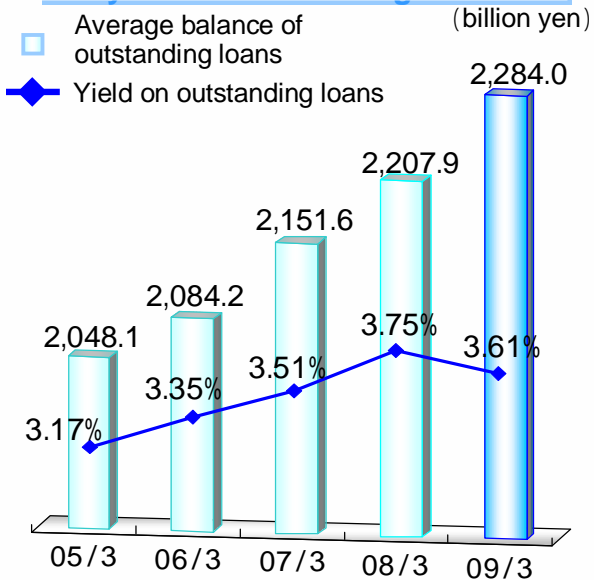


Interest Margins (Overall)

Net interest margin

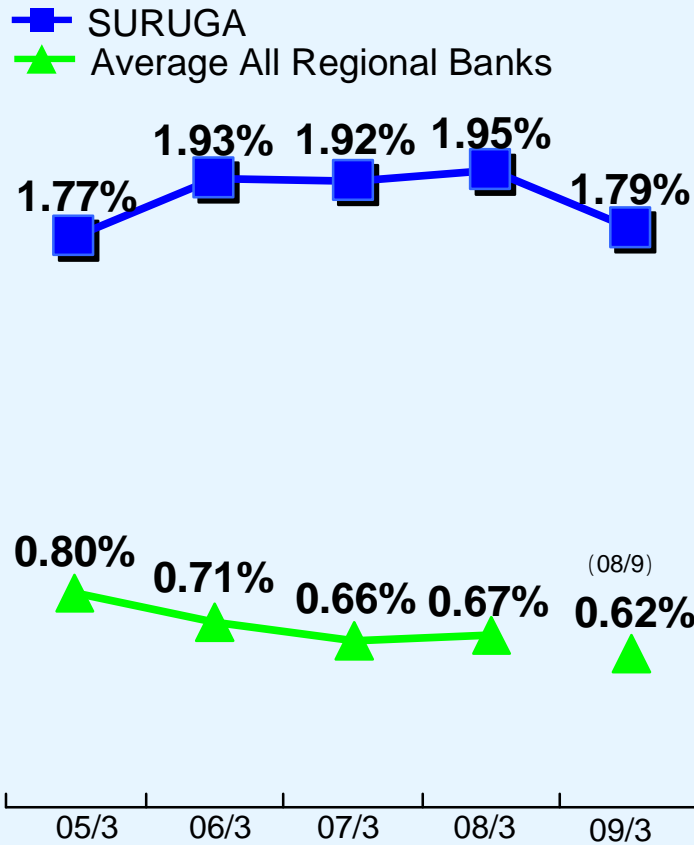


Average balance and yield of outstanding loans



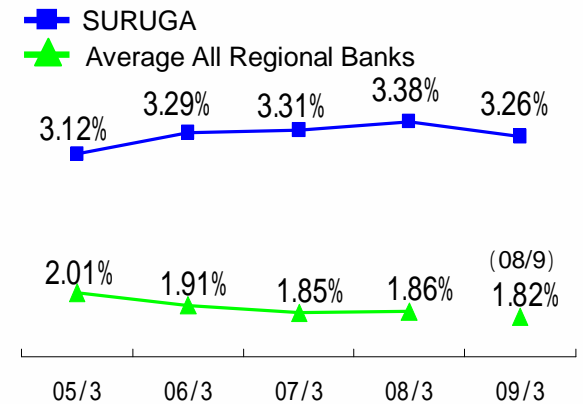
Loan-deposit margin

(after deduction from expense ratio)

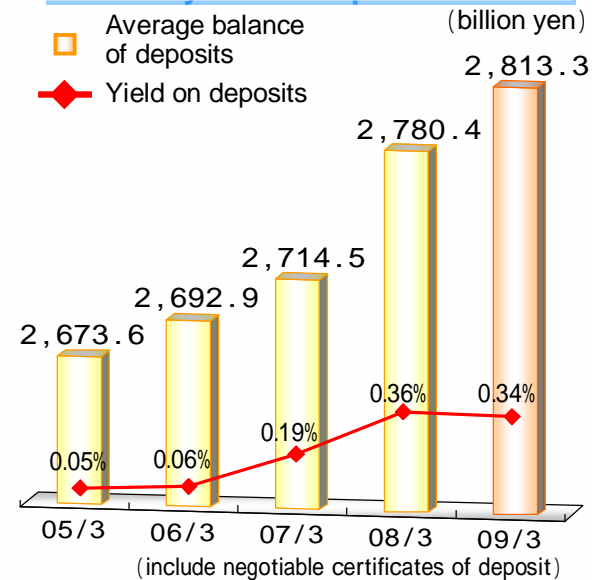


Loan-deposit margin

(Yield on outstanding loans - Yield on deposits)



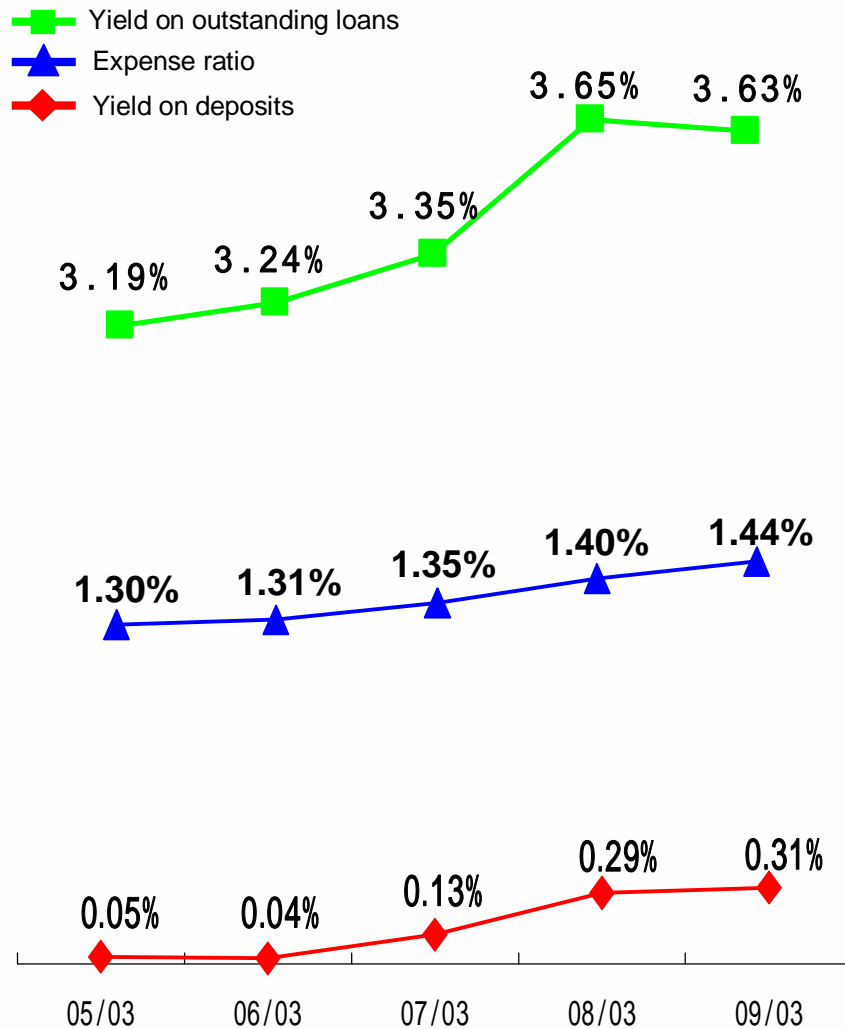
Average balance and yield on deposits



Yield / Margins (Domestic)

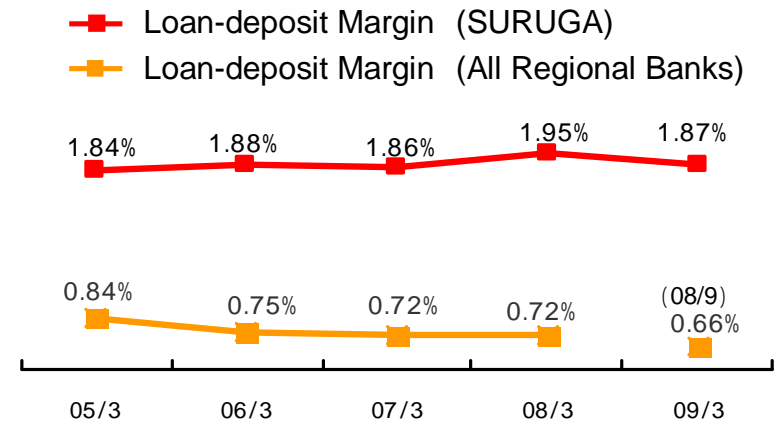
(after deduction from expense ratio)

Yield · Expense ratio



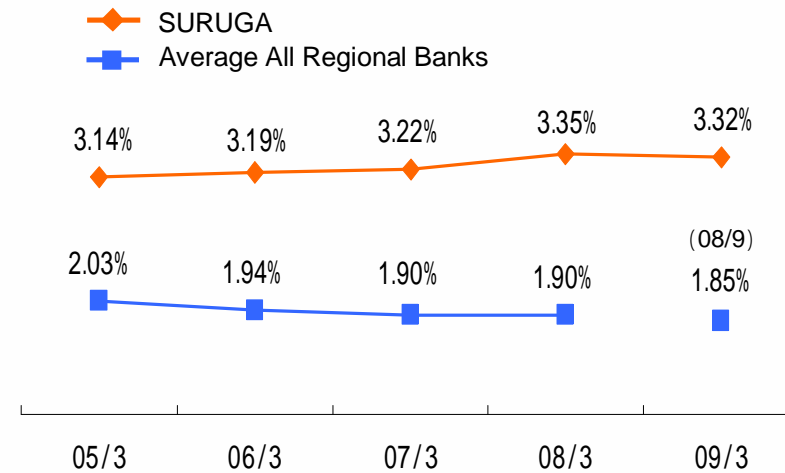
Loan-deposit margin

(after deduction from expense ratio)



Loan-deposit margin

(Yield on outstanding loans - Yield on deposits)



Gross Operating and Yen loan-deposit income

Gross Operating Income / Net interest income

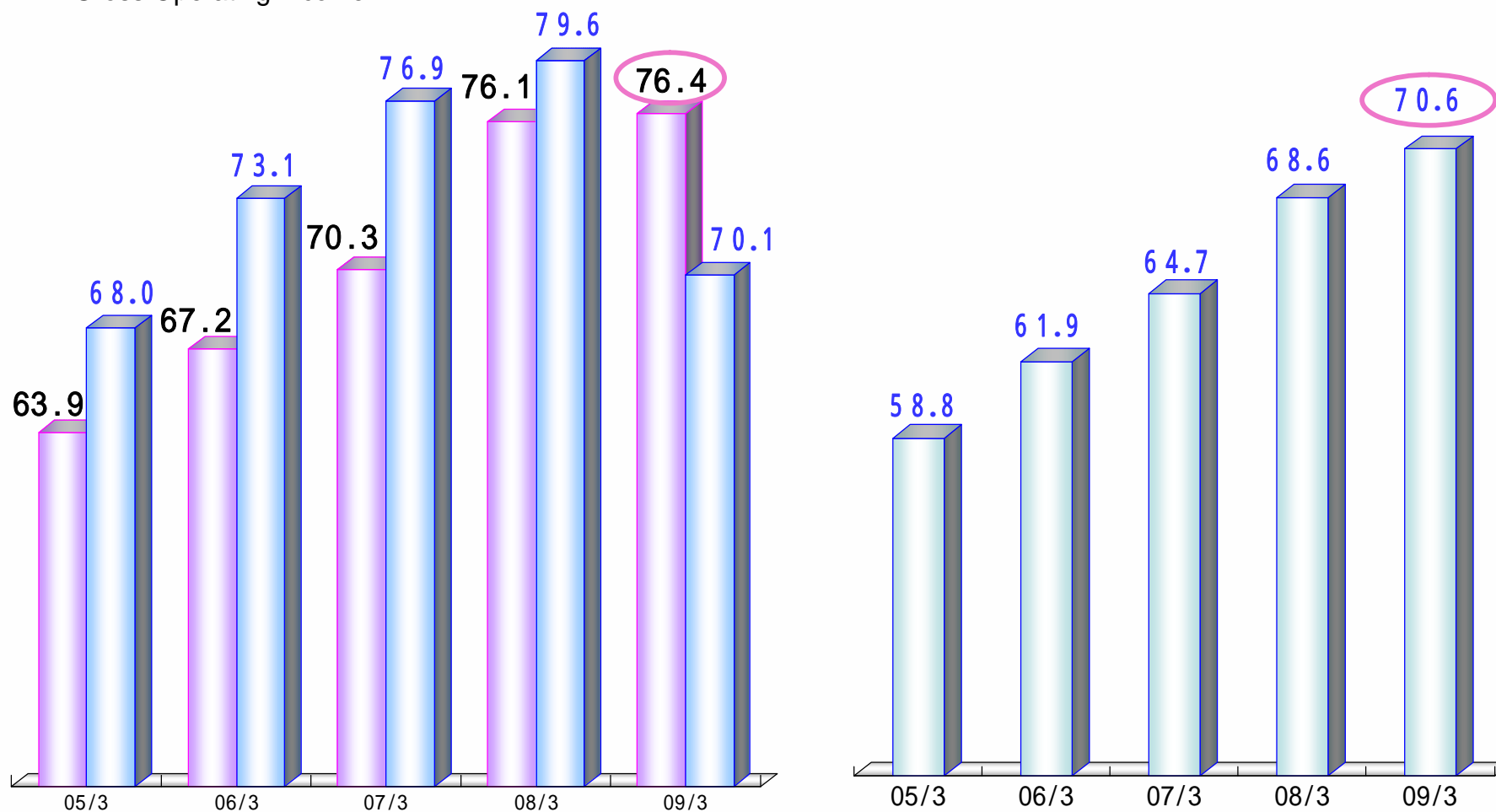
(billion yen)

Yen loan-deposit income

(billion yen)

- Net interest income
- Gross Operating Income

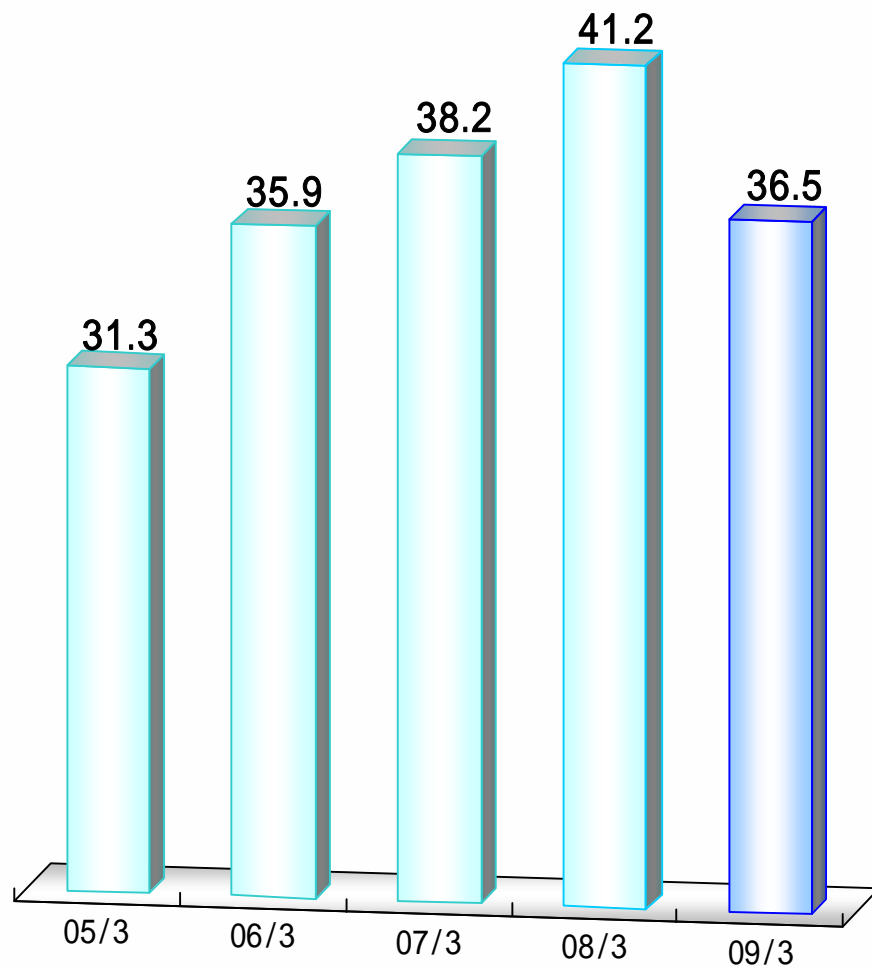
○ Record income highs



Core Net Operating and Net Income

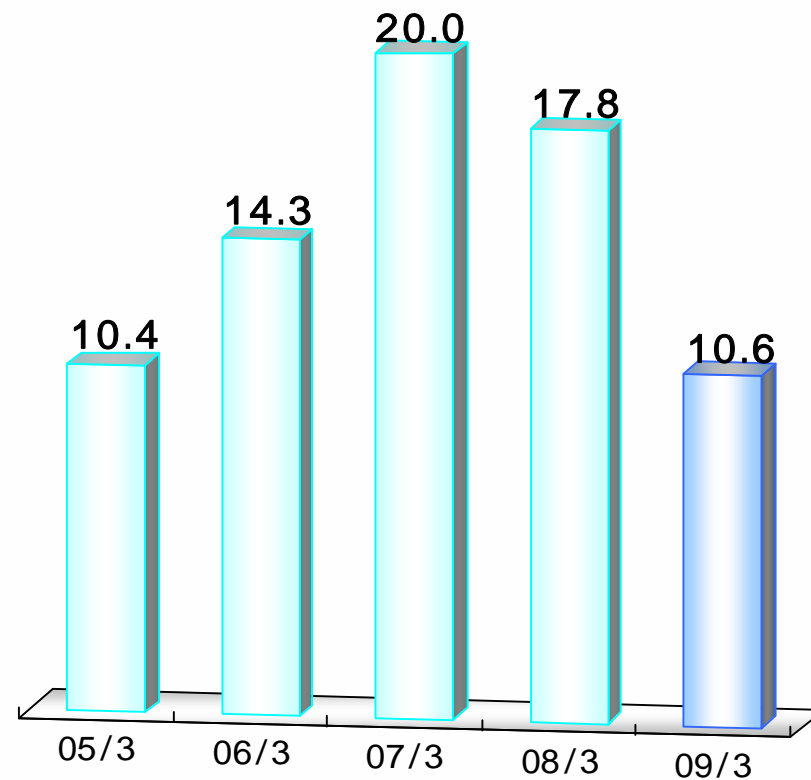
Core net operating income

(billion yen)



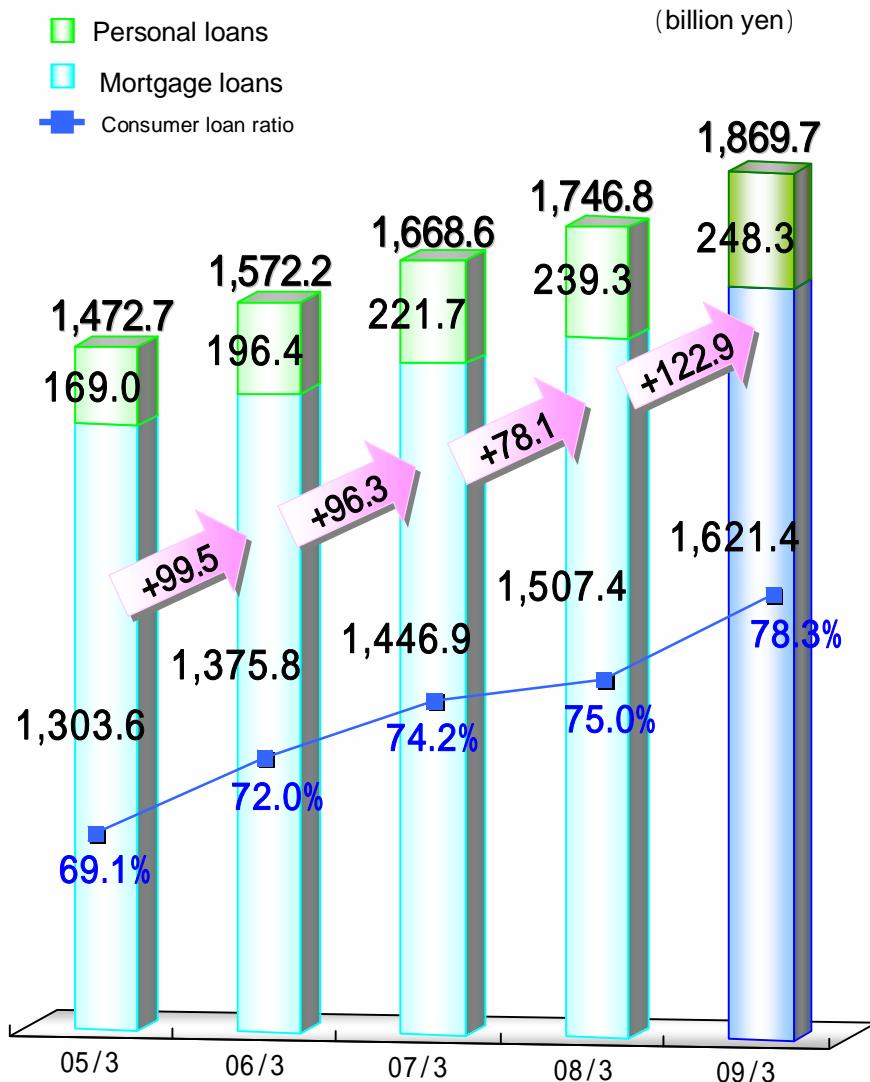
Net income

(billion yen)

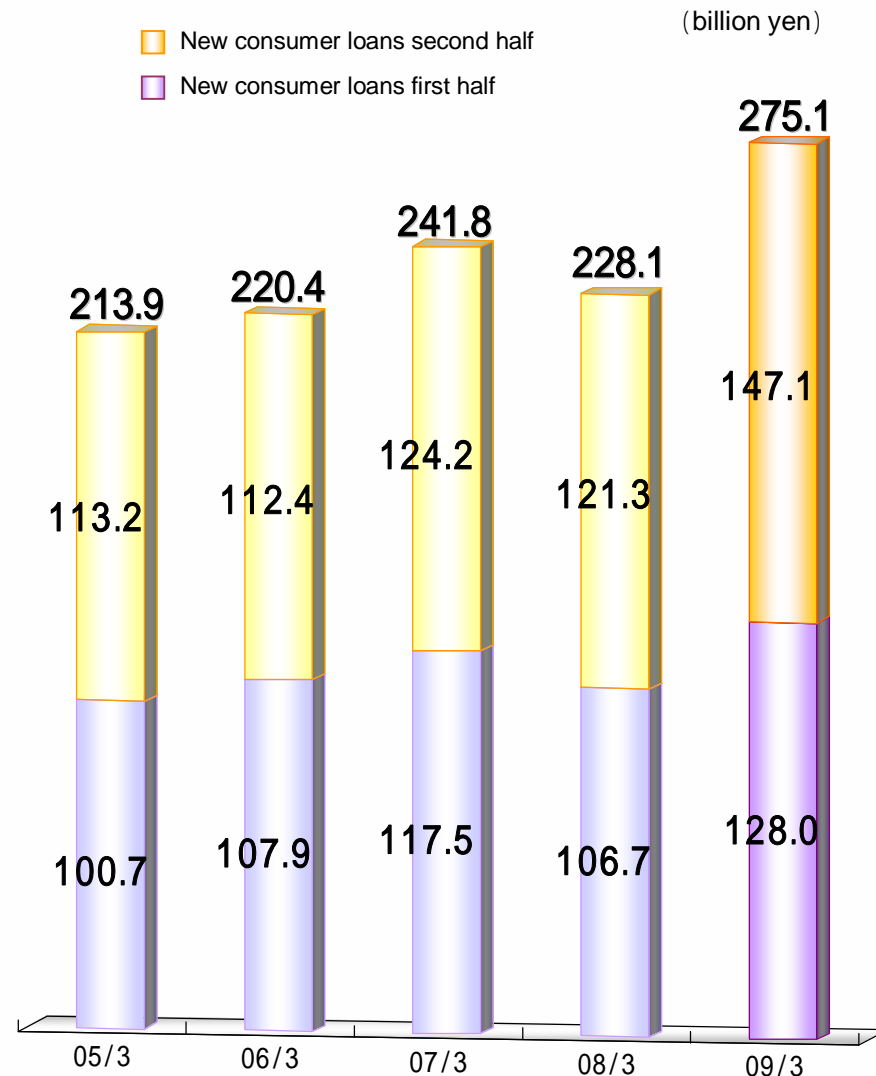


Strong Focus on Retail

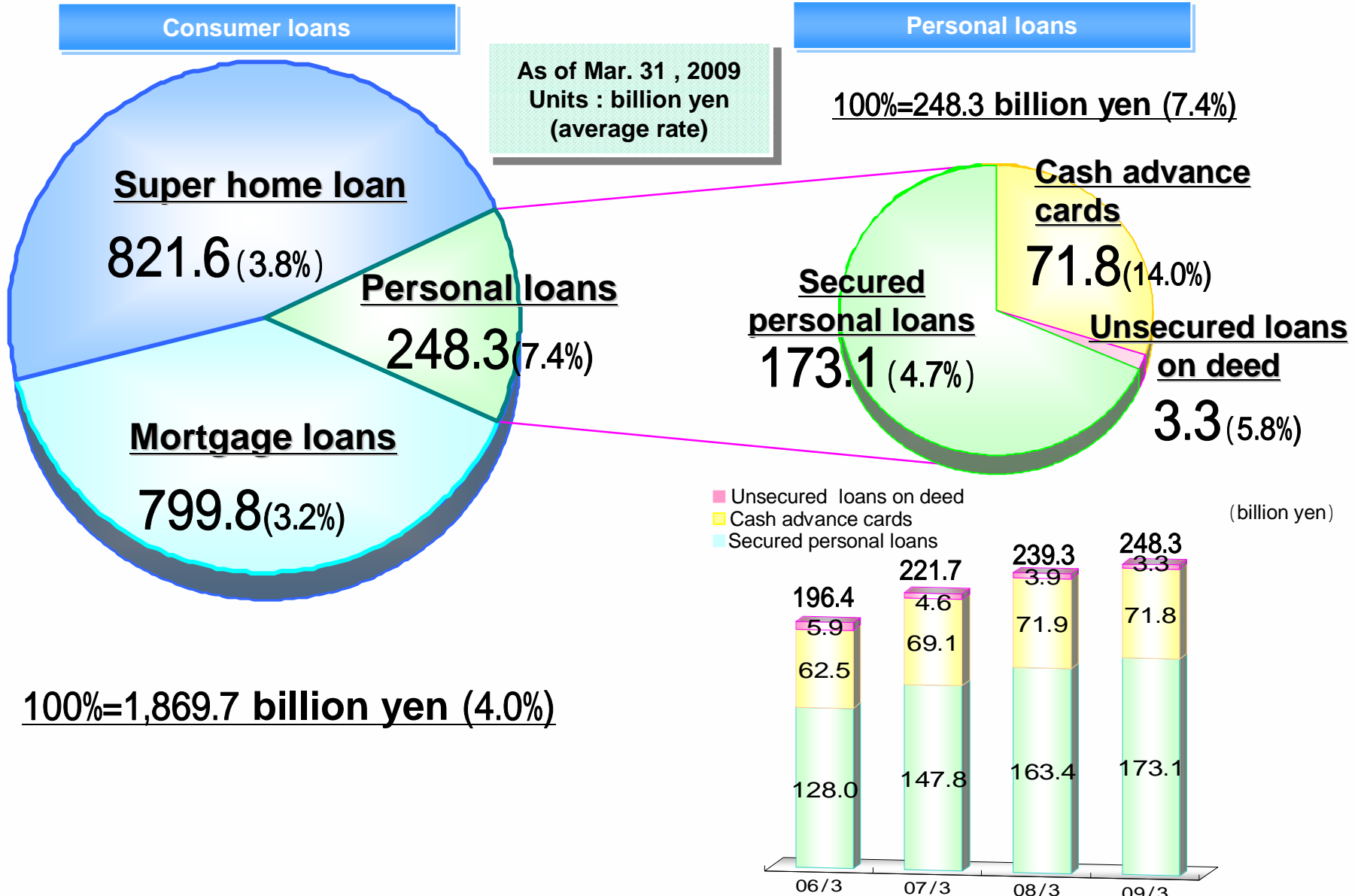
Consumer loan balance and ratio



New loan contracts



Focus on More Profitable Products

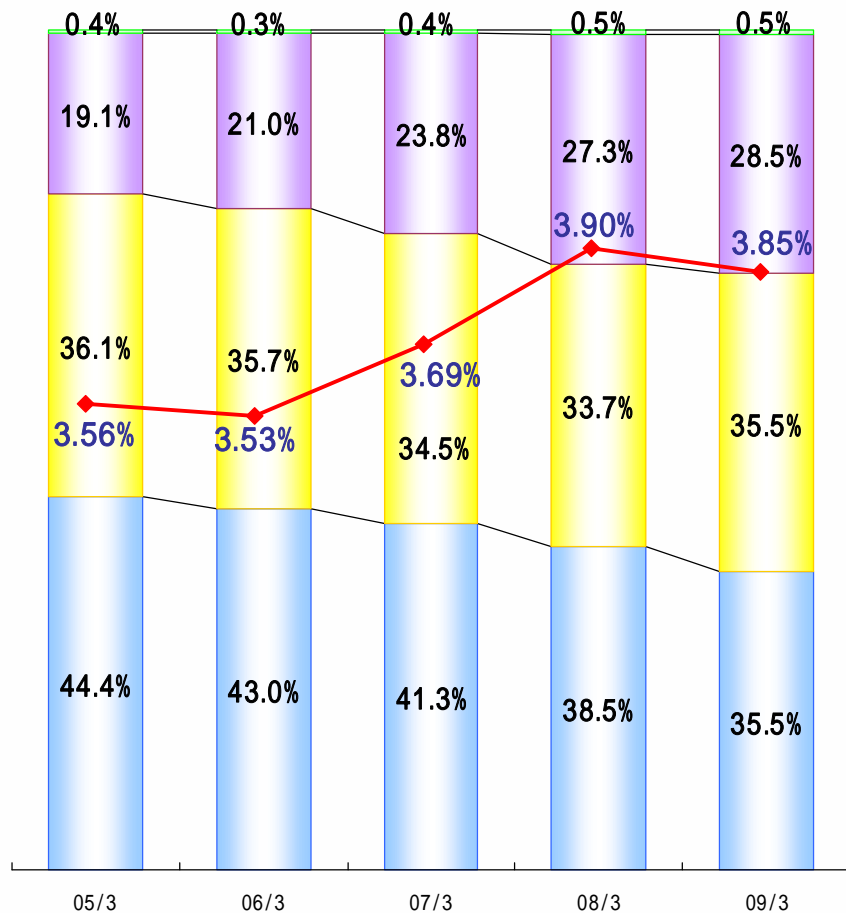


Mortgage Loans

Distribution of practical rates for mortgage loans (cumulative)

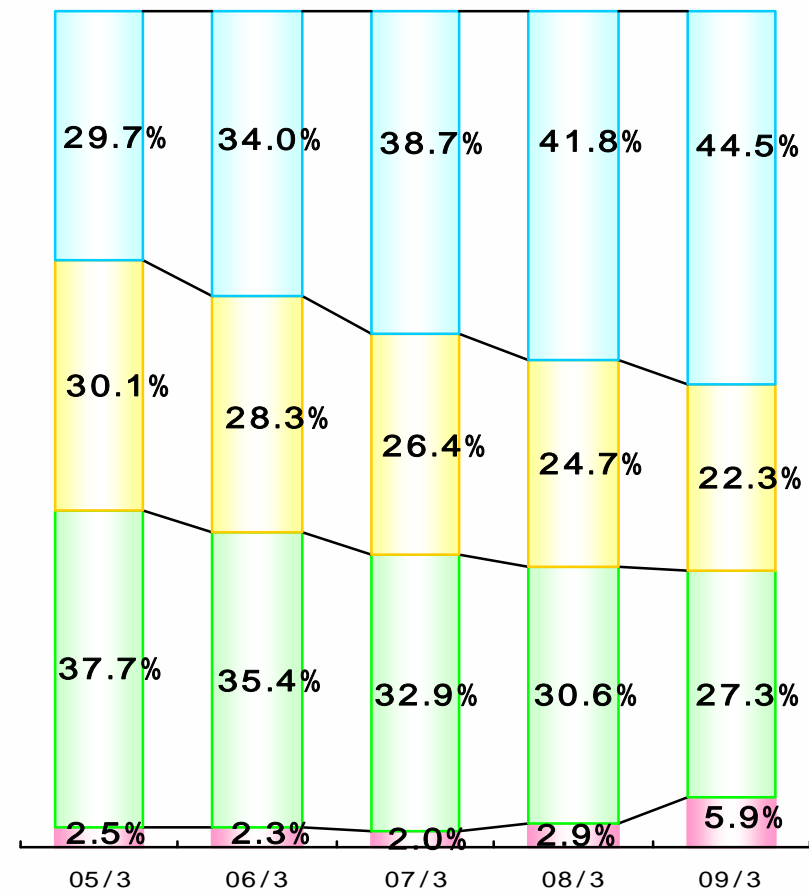
under3% 3%level 4%level 5% or higher

◆ housing loans average placement rate (%)



Mortgage loan balance by geographical area

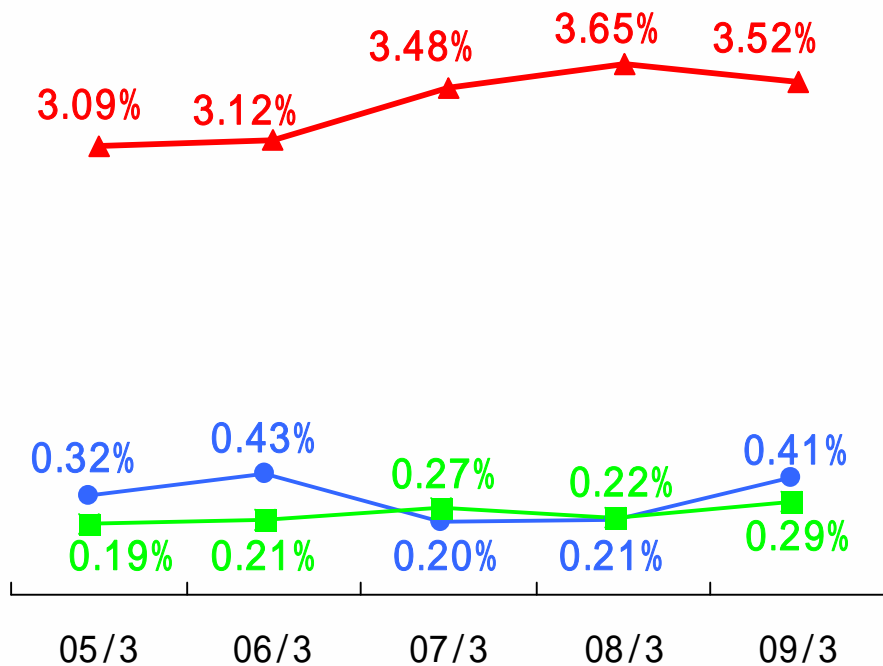
Greater Tokyo area Kanagawa
Shizuoka Other



Delinquency and Loss Rates on Consumer Loans

Mortgage Loans

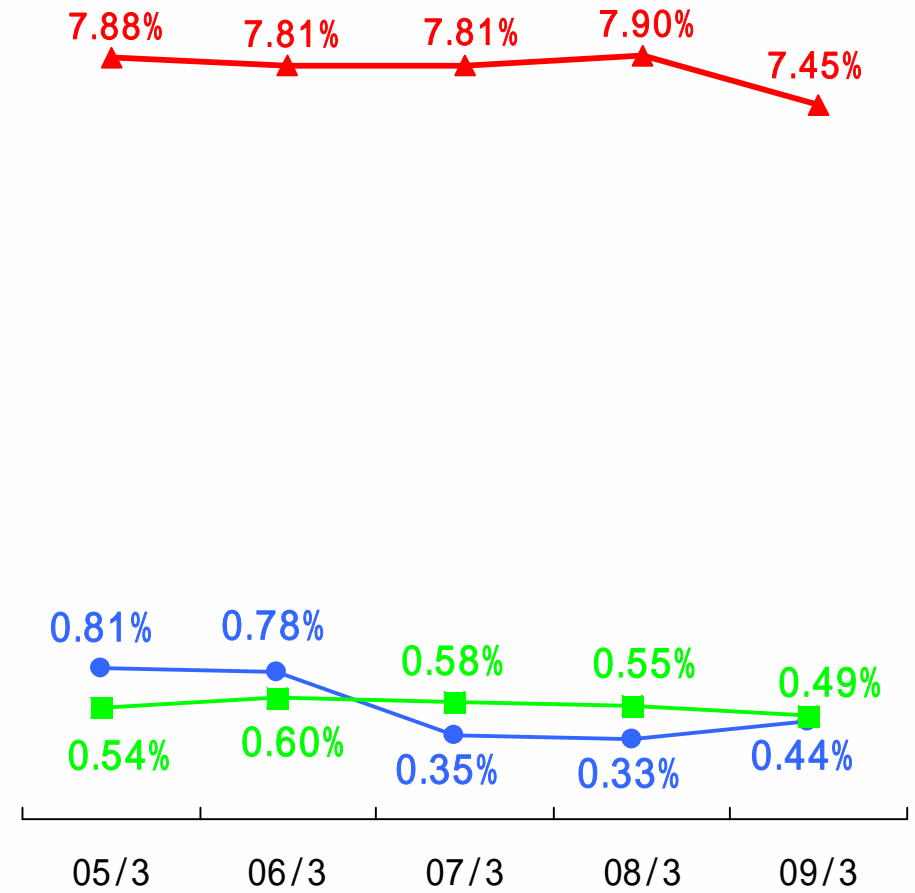
▲ Yield ● Delinquency rate ■ Loss rate



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

Personal loans

▲ Yield ● Delinquency rate ■ Loss rate



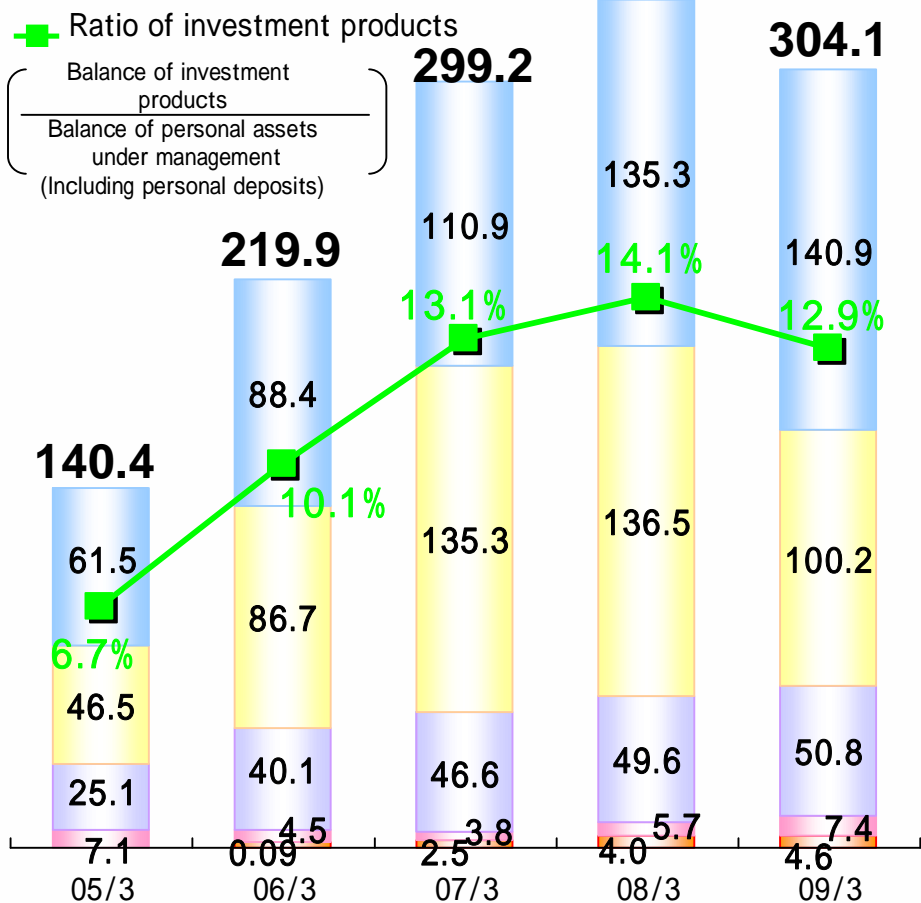
Loss rate = default ratio × (1 - recovery rate)

Fees income

Balance breakdown of investment products

- Personal pension funds
- Mutual funds
- JGBs in custody
- Foreign currency deposits
- Single premium life insurance

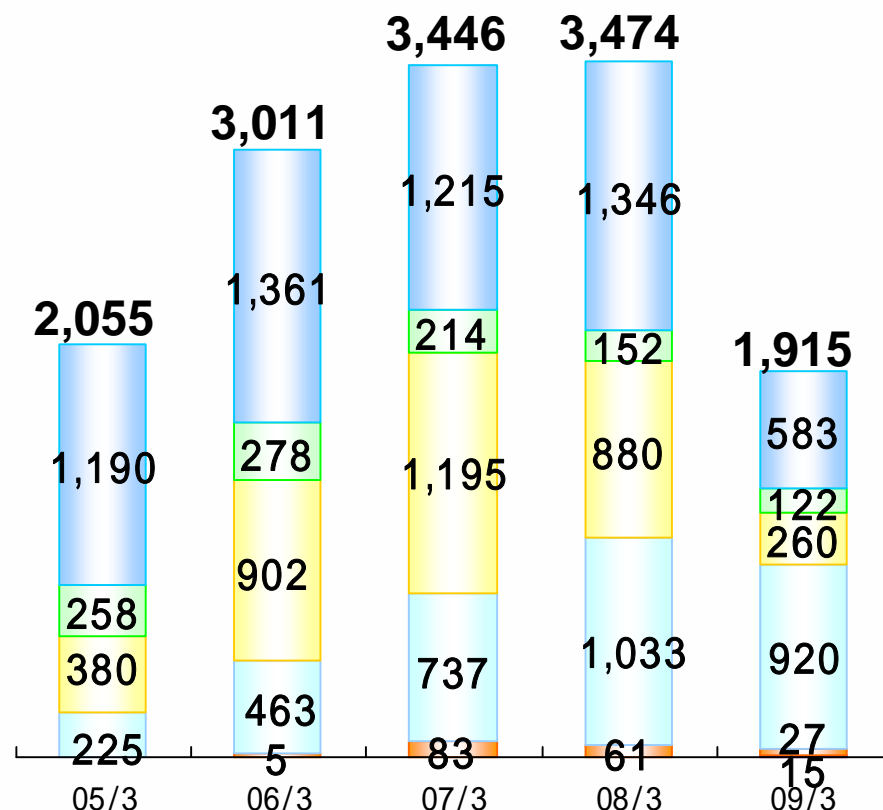
(billion yen)



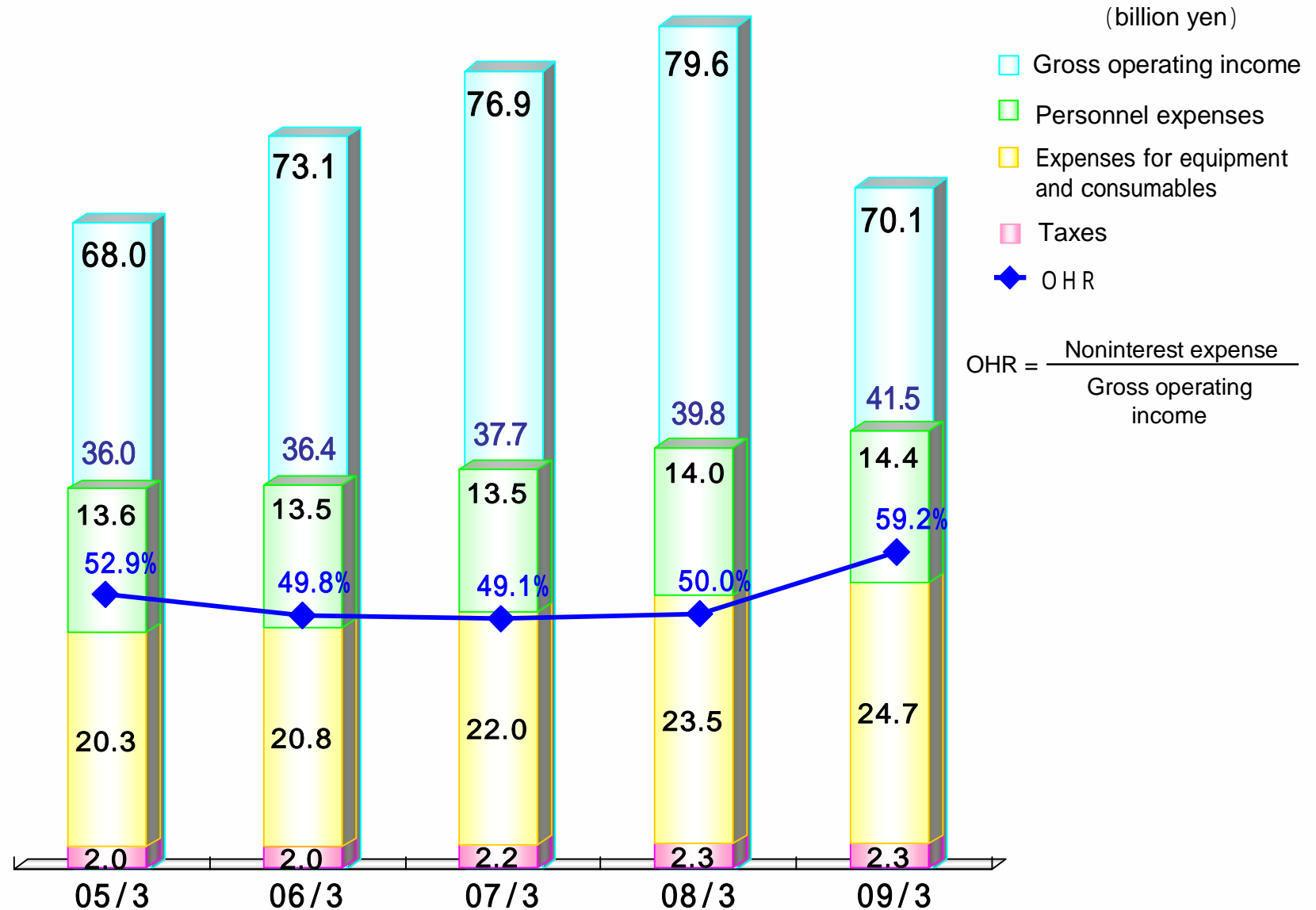
Commission from mutual funds and insurance products

- Personal pension plans
- Fire insurance
- Mutual fund sales commissions
- Mutual fund fees
- Single premium life insurance
- Medical/cancer insurance

(million yen)



Expenses and OHR



Breakdown of Problem Assets based on the Financial Rehabilitation Law

(billion yen)

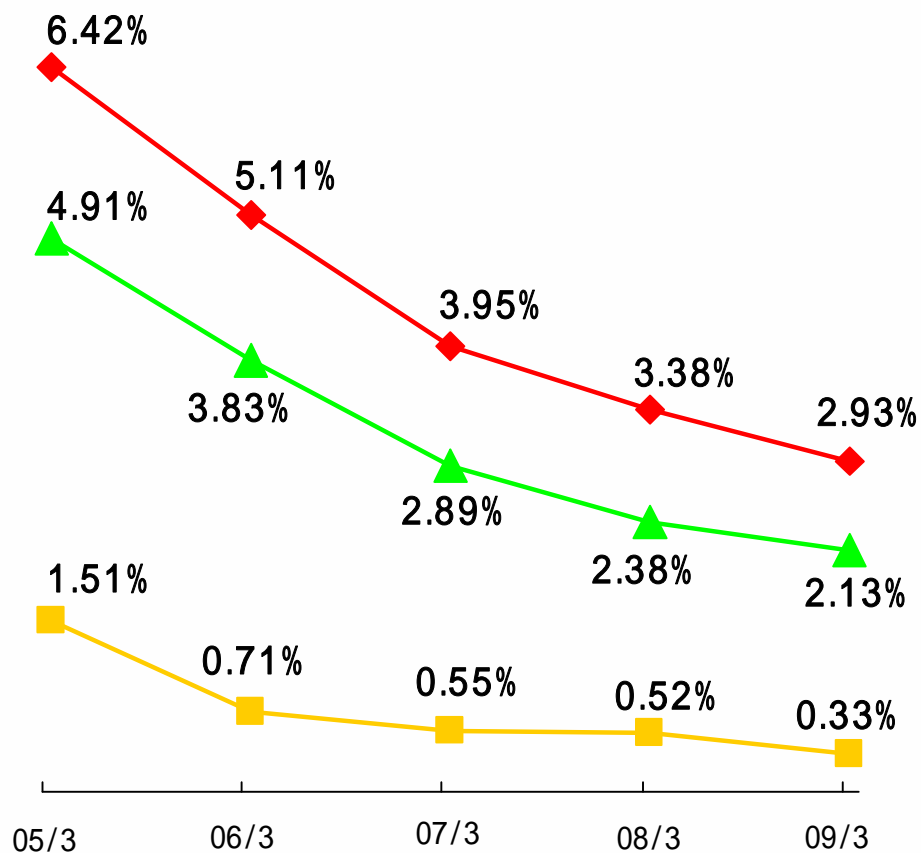
Debtor classification	Mar. 09 Credit balance	Proportion	Consumer / Corporate		Proportion	Total collateral and guarantees	Collateral	Guarantees * NOTE	Coverage ratio	Reserve	Reserved ratio	Total coverage ratio					
Claims against bankrupt and substantially bankrupt obligors	25.4	1.05%	Consumer	13.7	0.73%	8.5	7.3	1.1	61.78%	5.2	100%	100%					
			Corporate	11.6	2.19%	4.0	1.7	2.2	34.46%	7.6	100%	100%					
Claims with collection risk	21.7	0.90%	Consumer	4.0	0.21%	2.1	1.3	0.8	53.63%	1.3	71.11%	86.60%					
			Corporate	17.6	3.33%	14.9	7.4	7.4	84.30%	2.1	77.95%	96.54%					
Claims for special attention	23.5	0.97%	Consumer	7.3	0.39%	5.8	5.4	0.4	79.78%	0.4	29.85%	85.81%					
			Corporate	16.1	3.05%	7.7	7.6	0.0	47.68%	2.5	29.76%	63.25%					
Sub-total	70.6	2.93%	Consumer	25.1	1.34%	16.5	14.0	2.4	65.73%	7.0	81.65%	93.71%					
			Corporate	45.4	8.57%	26.6	16.8	9.7	58.53%	12.3	65.23%	85.58%					
Normal assets	2,335.1	97.06%	Consumer	1,850.3	98.65%	<table border="1"> <tr> <td>Total coverage ratio</td> <td>88.48%</td> </tr> </table>						Total coverage ratio	88.48%				
			Total coverage ratio	88.48%													
Corporate	484.7	91.42%															
Total	2,405.8	100%	Consumer	1,875.5	100%	<table border="1"> <tr> <td>Coverage ratio</td> <td>: Covered by collateral and guarantees</td> </tr> <tr> <td>Reserved ratio</td> <td>: Reserved for unsecured portion</td> </tr> <tr> <td>Total coverage ratio</td> <td>: Covered by collateral, guarantees and reserves</td> </tr> </table>						Coverage ratio	: Covered by collateral and guarantees	Reserved ratio	: Reserved for unsecured portion	Total coverage ratio	: Covered by collateral, guarantees and reserves
			Coverage ratio	: Covered by collateral and guarantees													
Reserved ratio	: Reserved for unsecured portion																
Total coverage ratio	: Covered by collateral, guarantees and reserves																
Corporate	530.2	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

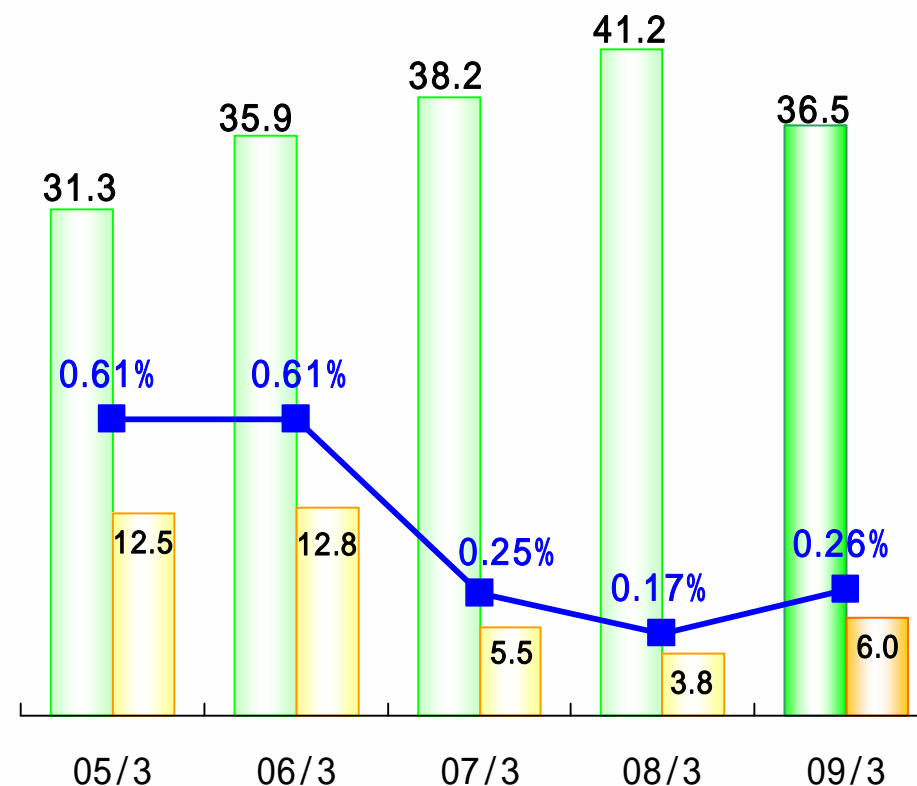
- ◆ Ratio of disclosed assets
- ▲ Ratio of disclosed assets after deduction from reserves
- Ratio of disclosed assets after deduction from reserves, collateral and guarantees



Credit costs status

(billion yen)

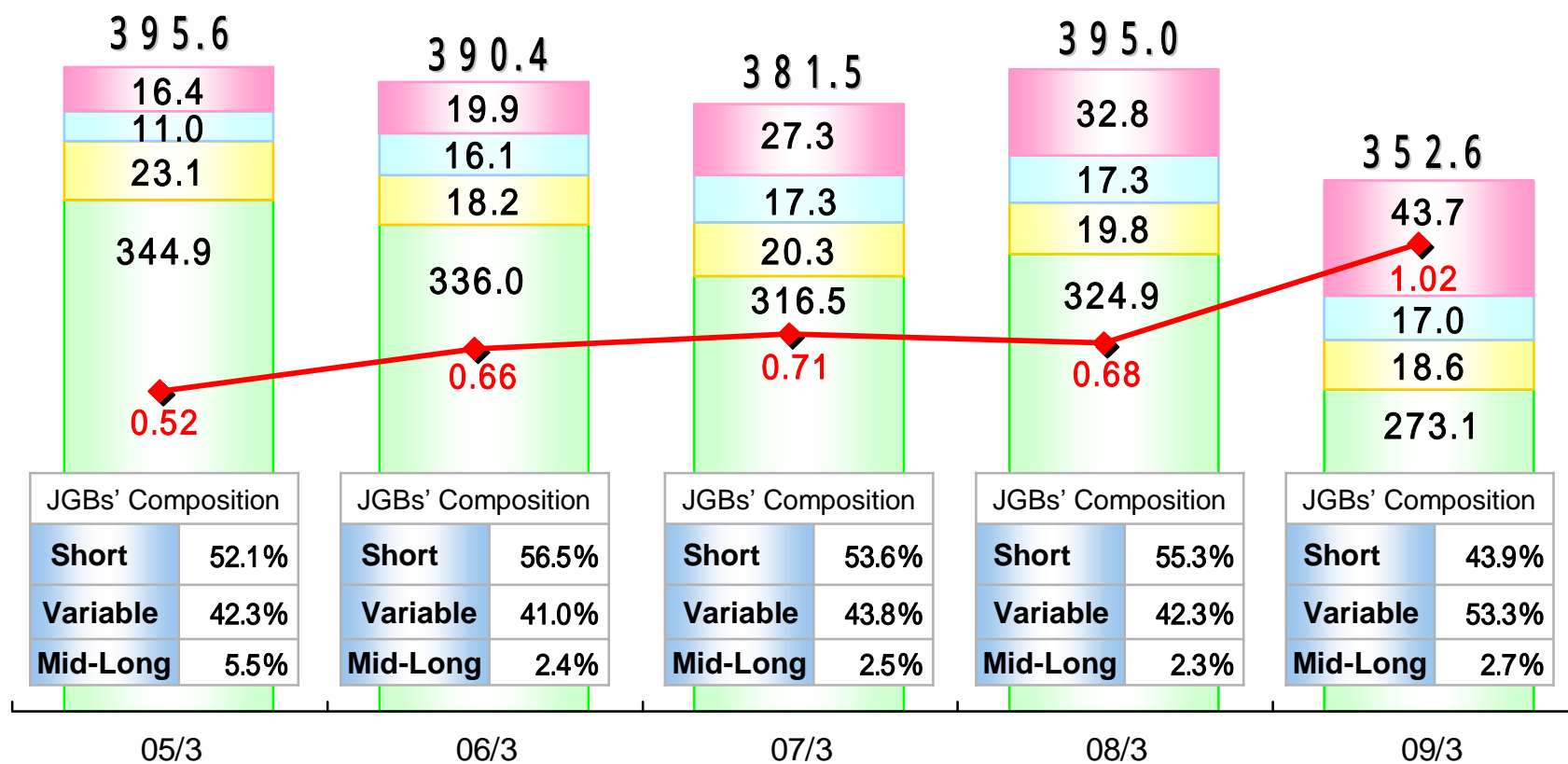
- Core net operating income
- Actual credit costs (credit costs-collection of claims written off)
- Actual credit costs ratio (actual credit costs/loan average balance)



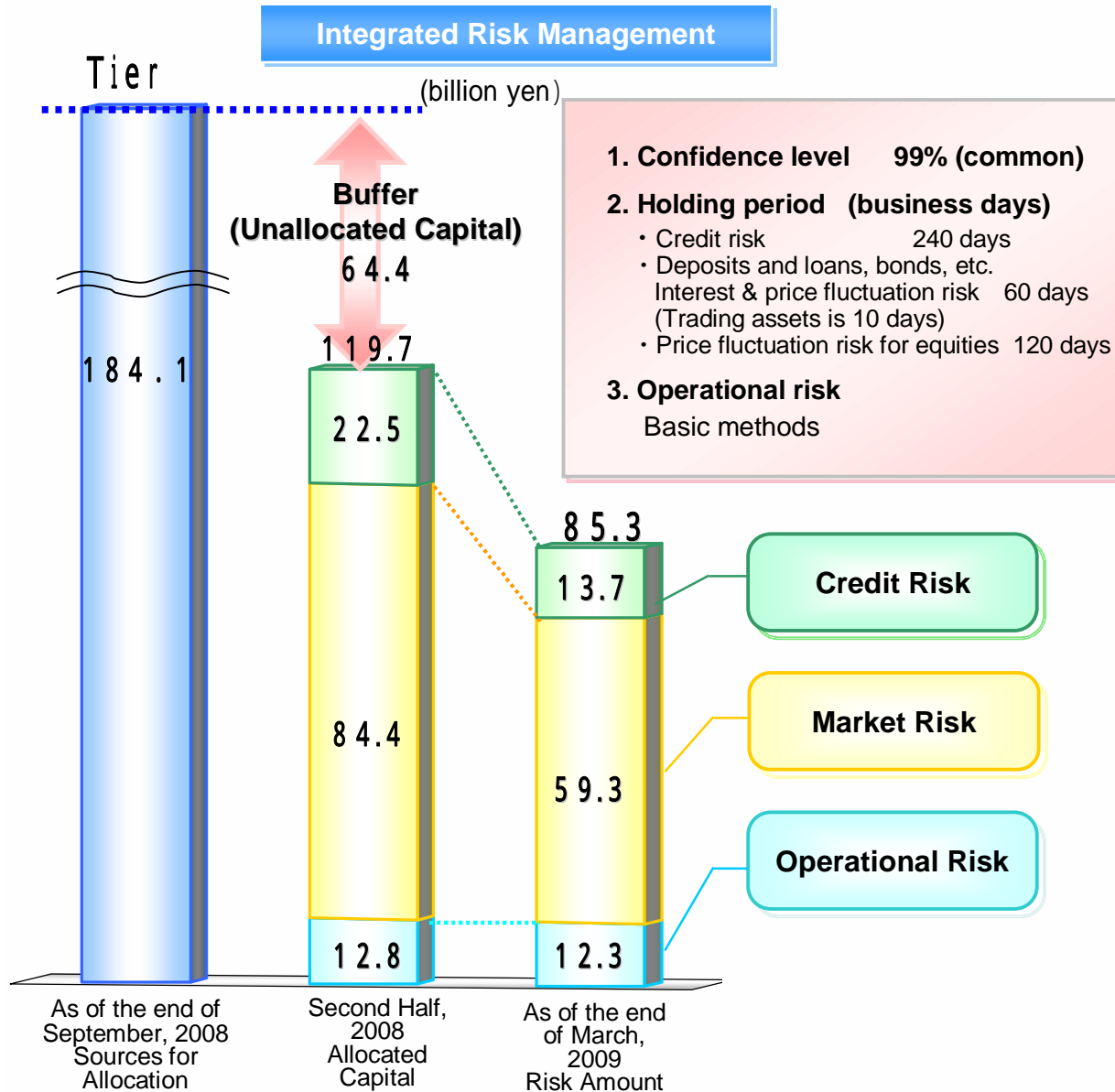
Bond Portfolio

(billion yen)

■ JGBs
 ■ Foreign bonds
 ■ Corporate bonds
 ■ Regional government bonds
◆ Average remaining maturity (Year)



Status of Risk Amount

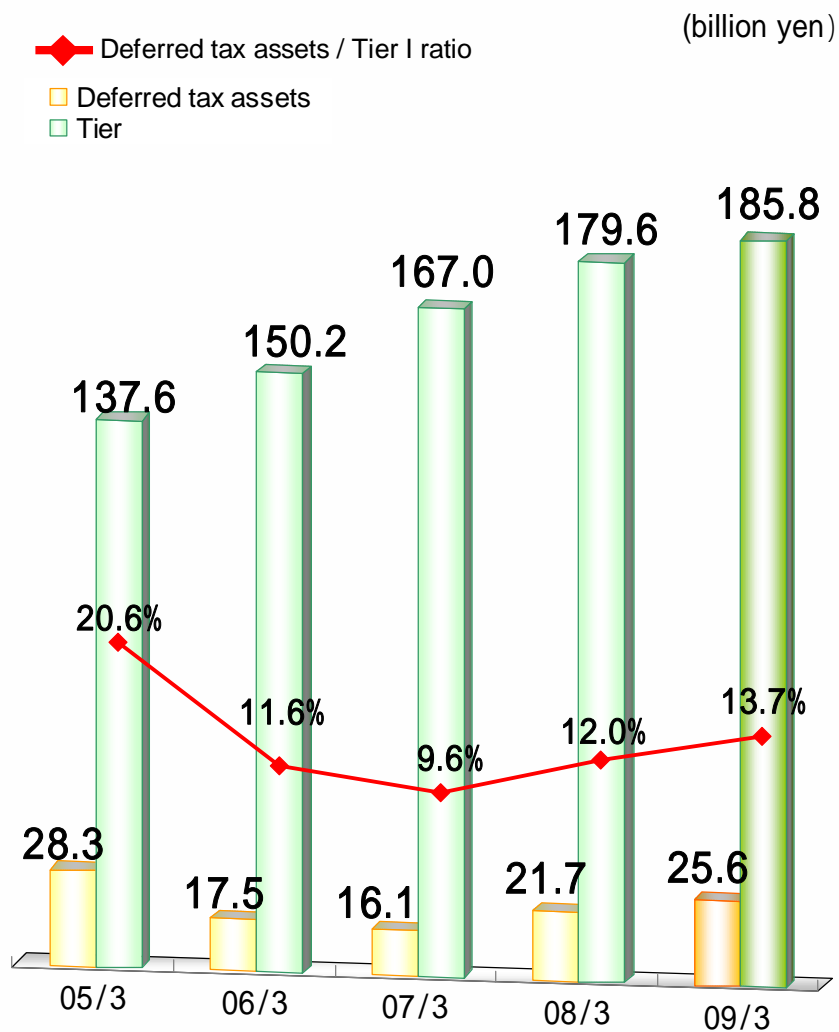


Outlier Ratio

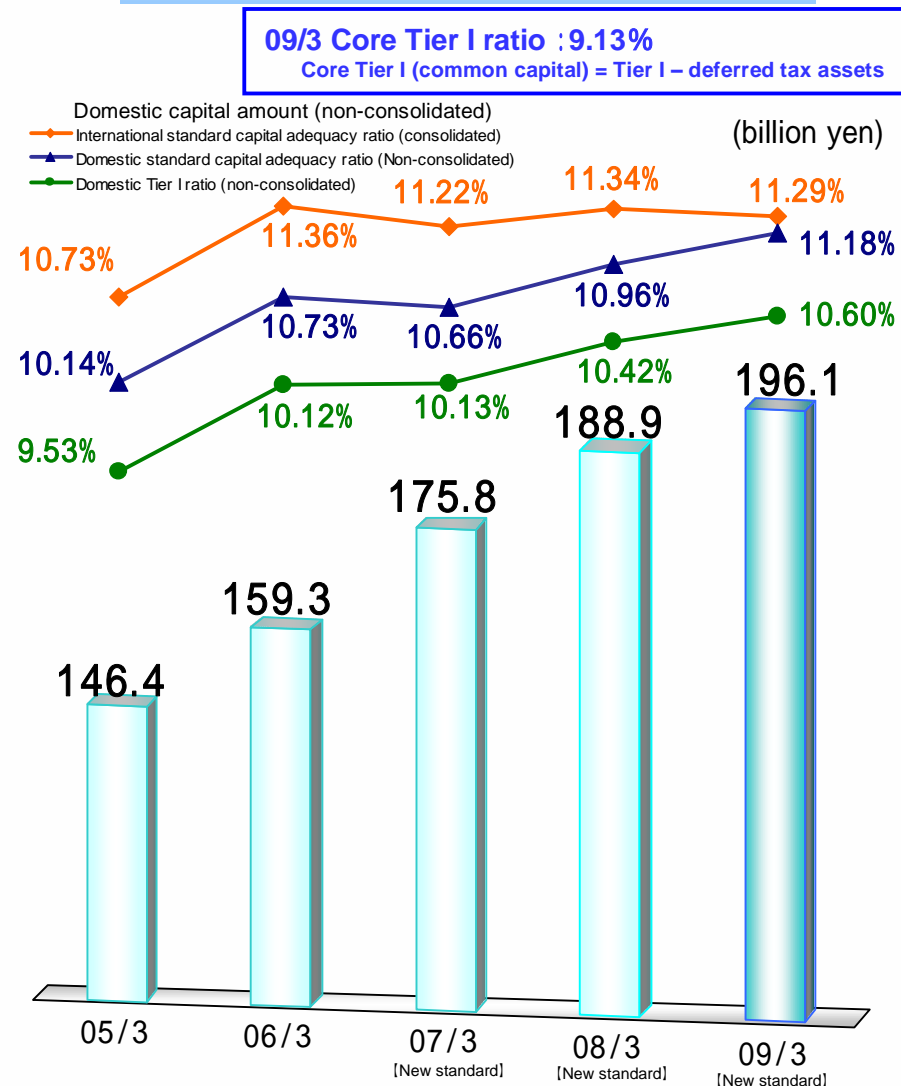
At the end of March, 2009	
Interest Rate Shock range	± 200 bp
Interest Rate Risk Amount	5.7 billion yen
Outlier Ratio	2.9%

Capital Levels

Tier I Capital & Deferred Tax Assets



Capital adequacy ratio



FY2008 Results and FY2009 Forecast

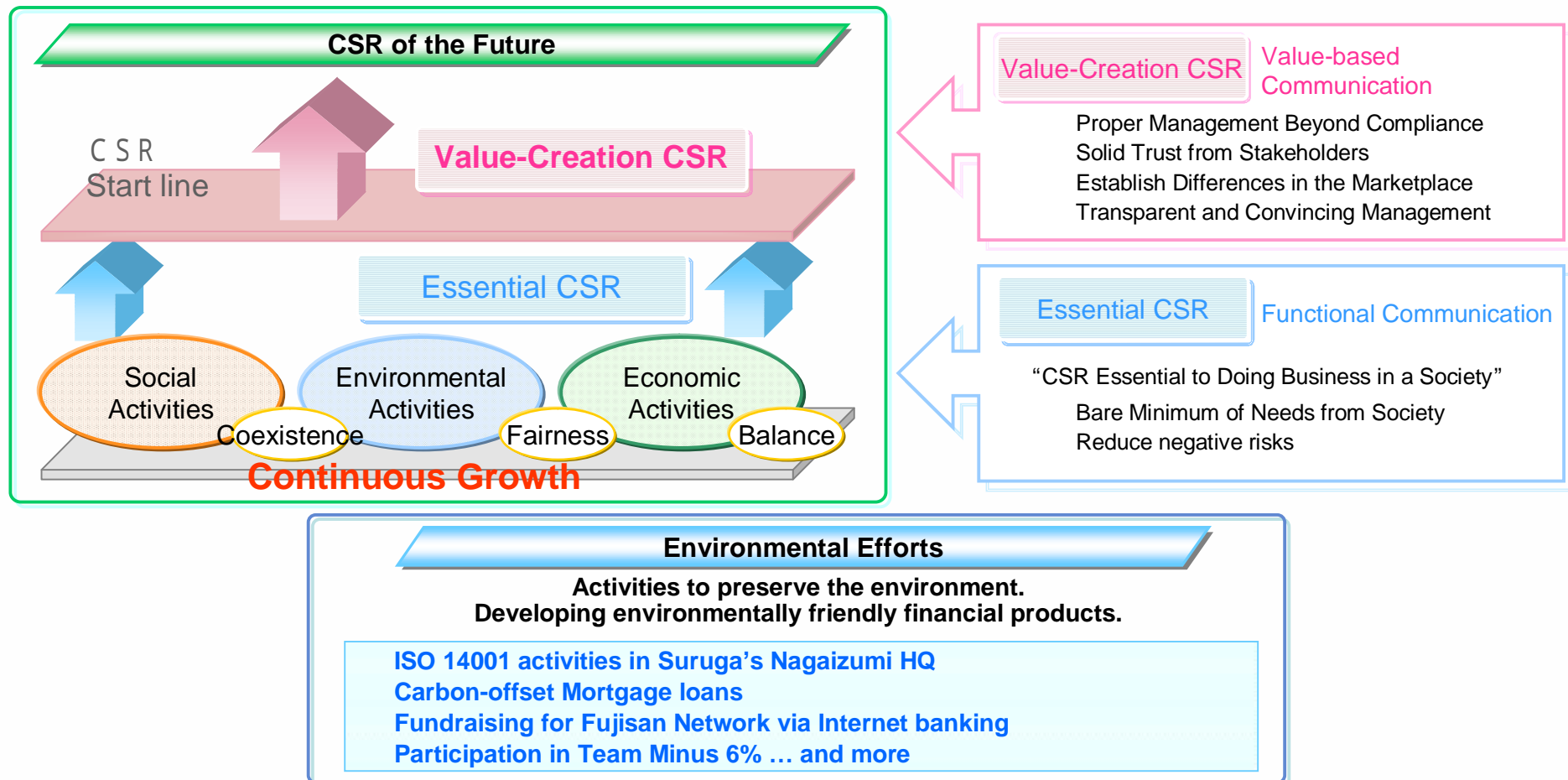
(billion yen)

	FY2007 Results (A)	FY2008 Results (B)	Increase or Decrease (B - A)	FY2009 Forecast
Gross operating income	79.6	70.1	9.5	78.5
Operating expenses	39.8	41.5	+ 1.6	42.0
Net operating income	41.6	31.3	10.2	36.5
Core net operating income	41.2	36.5	4.7	36.5
Ordinary profit	32.6	17.6	14.9	27.5
Net income	17.8	10.6	7.2	16.0
Actual credit cost	3.8	6.0	+ 2.1	8.0
ROE (%) (net income basis)	10.69	5.84	4.85	8.60
EPS (Yen)	67.94	40.36	27.58	62.27
Dividends (Yen)	13.0	13.0	0	13.0

Corporate Social Responsibility at Suruga

CSR of the Future

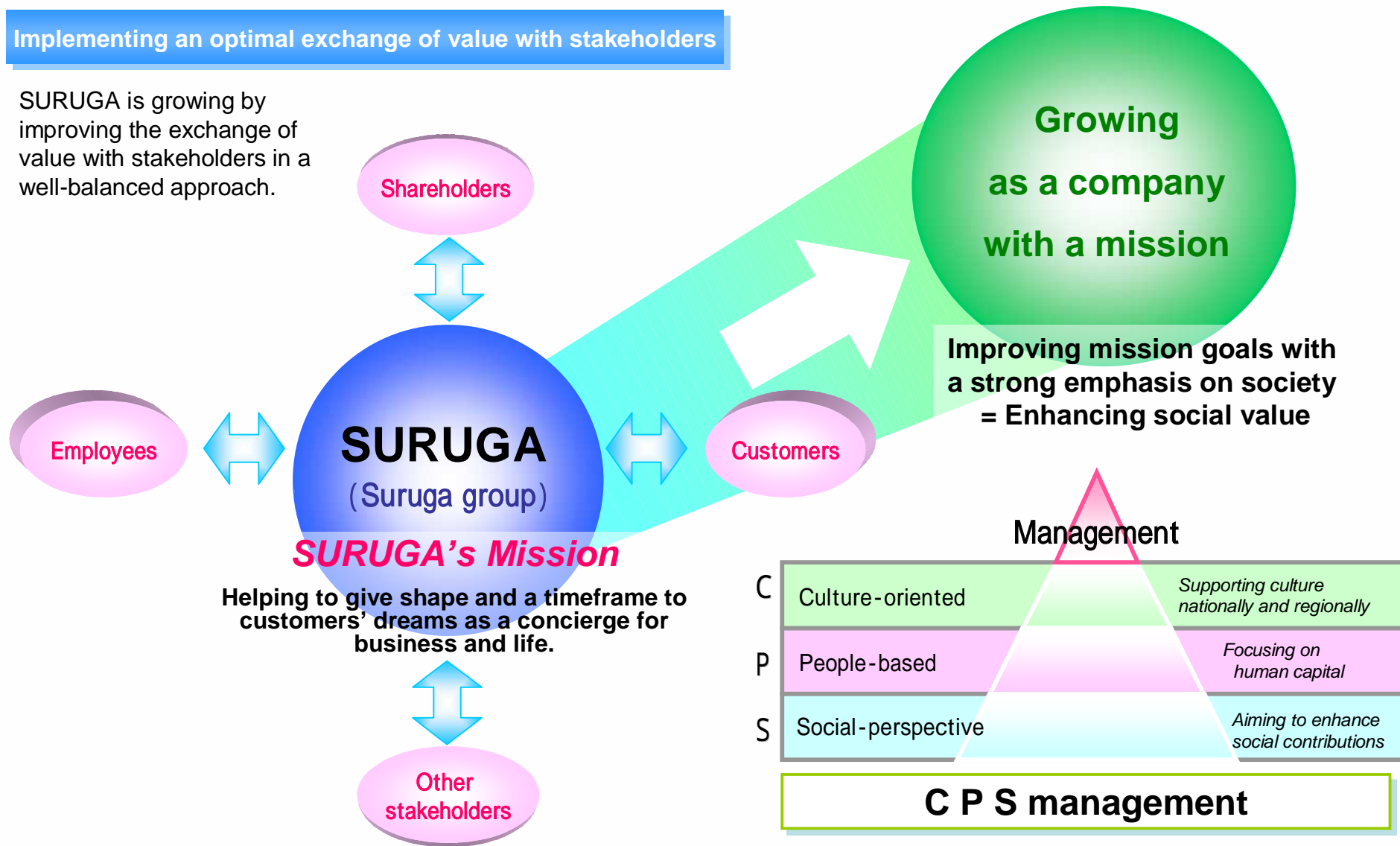
Suruga's philosophy is to help our customers make their dreams come true on a timeline that works for them. By providing value to our customers we meet our stakeholders' expectations and fulfill social responsibilities.



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.



For further details regarding the above, please contact

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Suruga Bank Ltd.**

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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.