

SURUGA bank

Semi-Annual Report 2005

Corporate Data

As of September 30, 2005

Date of Establishment	October 19, 1895
Head Office	23, Tohriyoko-cho, Numazu, Shizuoka, Japan
Number of Branches and Offices	Domestic: 119
Paid-in Capital	30,043 million yen



Major markets

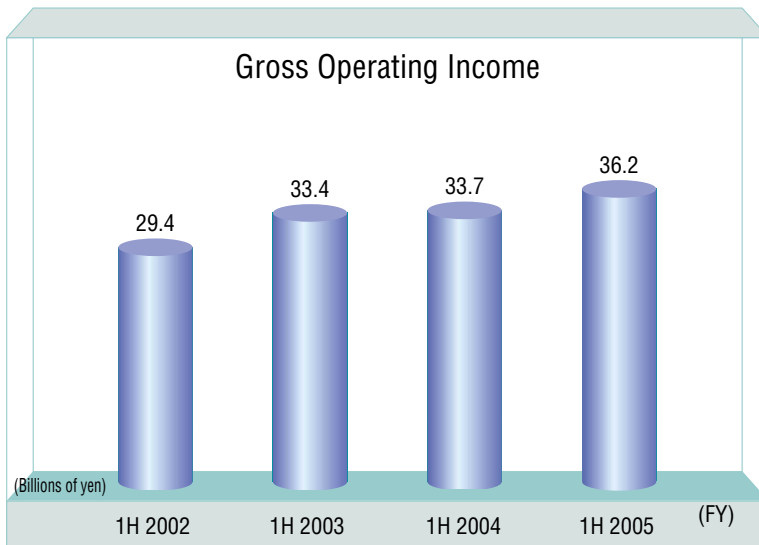
Shizuoka Prefecture
Kanagawa Prefecture
The Greater Tokyo Area

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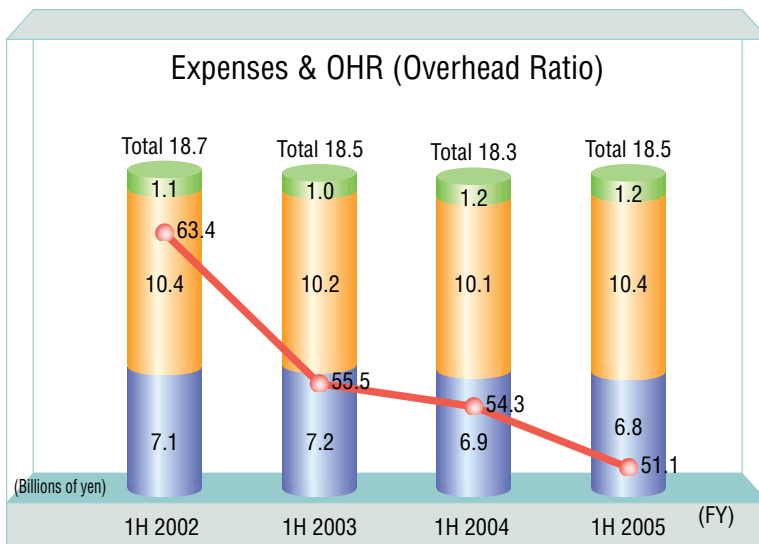
Review of Operations (Non-consolidated)

The Company's results for this period are shown below.

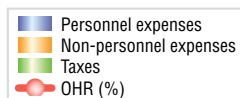


Gross Operating Income

The gross operating income indicates the Bank's earnings from basic banking operations. This figure comprises three elements: "Net Interest Income," which is based on interest payments on loans; "Net Fees and Commissions"; and "Other Operating Income," which includes proceeds from foreign transactions. Thanks to an increase in net interest income due to steady growth in consumer loans, as well as the growth in sales of investment trusts as investment vehicles for individuals' assets due to increased marketing effort, Suruga Bank's gross operating income for the reporting six-month period increased by ¥2.5 billion over the same period of the previous year, to ¥36.2 billion.

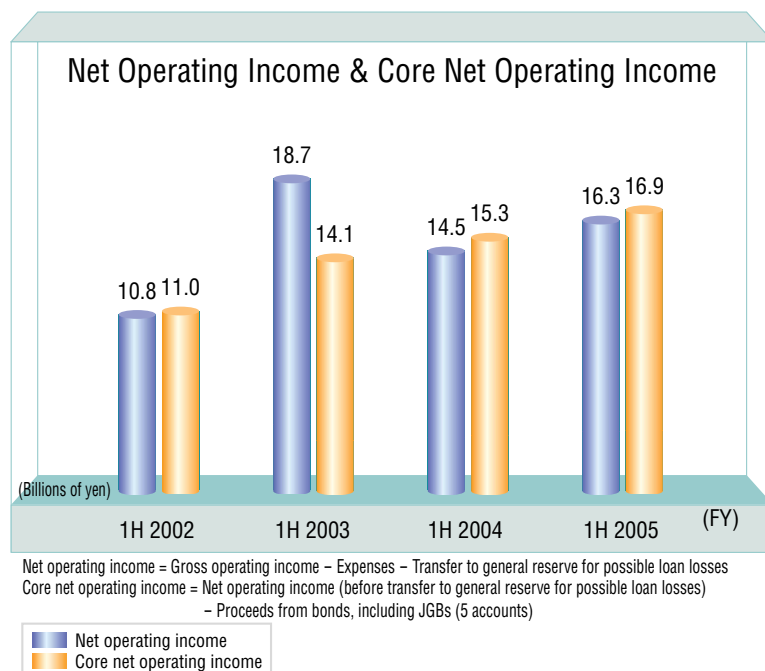


OHR (Overhead Ratio) = Expenses / Gross operating income



Expenses & OHR (Overhead Ratio)

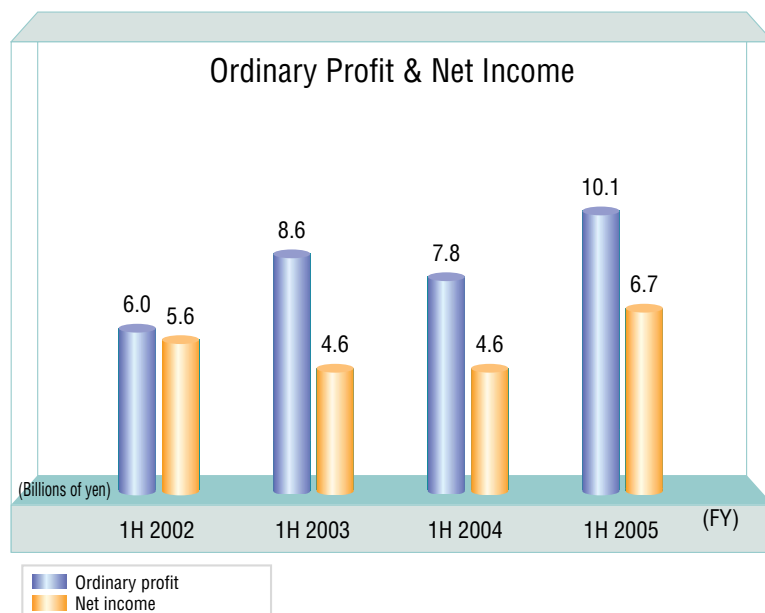
The OHR (overhead ratio), an efficiency indicator, improved 3.2 point year on year to 51.1%, on the increase in gross operating income.



Net Operating Income & Core Net Operating Income

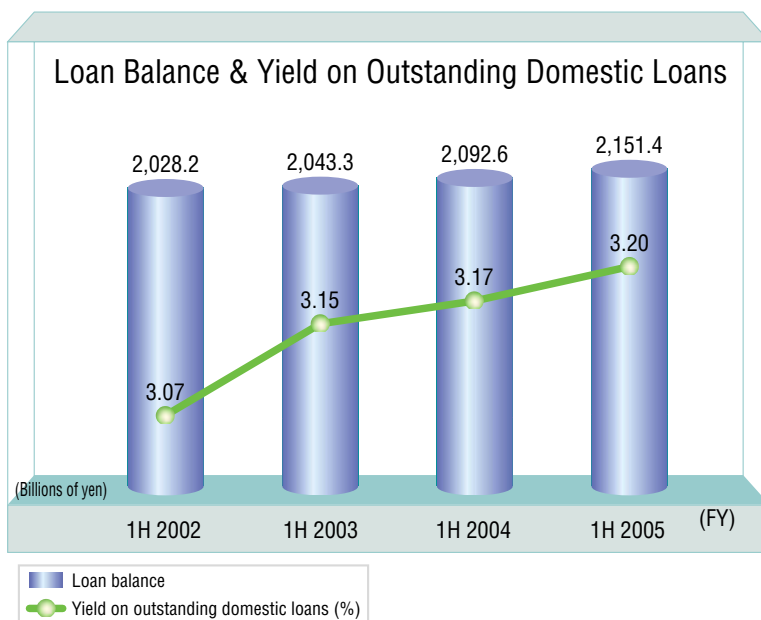
Net operating income refers to what is referred to “Operating profit” in the financial statements of ordinary companies. Core net operating income is net operating income plus the general reserve for possible loan losses, after deduction of net proceeds from bond-related transactions.

Core net operating income for the reporting period increased by ¥1.5 billion year-on-year, principally as a result of an increase on core gross operating income. Net operating income registered a year-on-year growth of ¥1.7 billion.



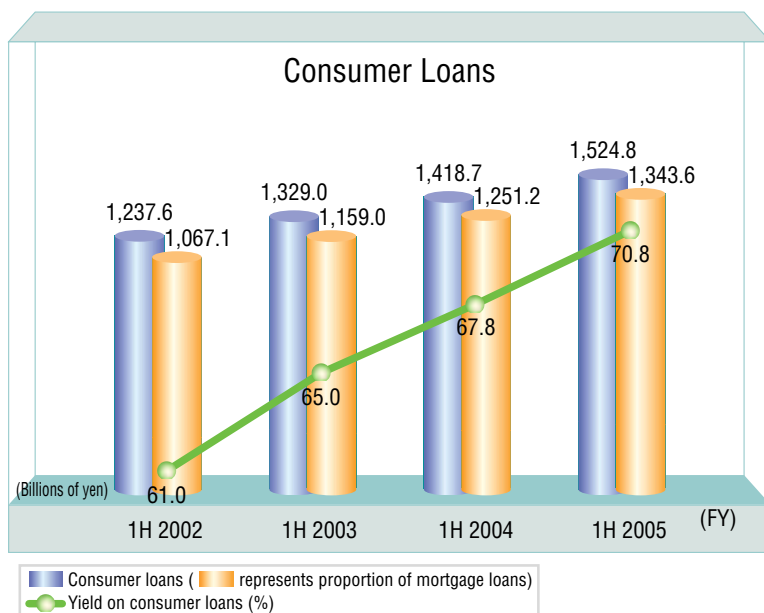
Ordinary Profit & Net Income

As a result of ¥1.7 billion increase in net operating income, as well as a ¥0.5 billion improvement in the Other Income/Expenses account, ordinary profit posted a year-on-year growth of ¥2.3 billion. Net income for the six-month period was up by ¥2.1 billion over the same period of the previous year, as a result of the growth in ordinary profit and a ¥0.4 billion decrease in extraordinary losses.



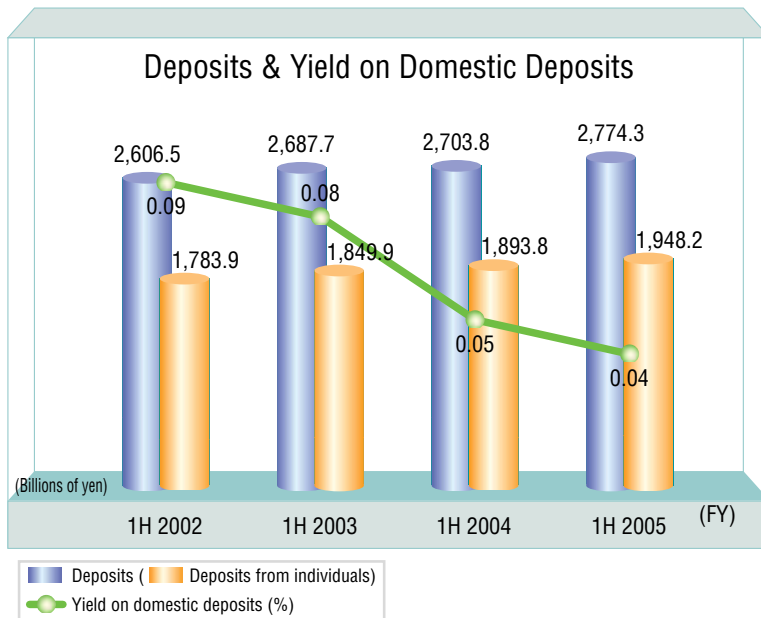
Loan Balance & Yield on Outstanding Domestic Loans

As a result of our sales push targeted at individuals and small-to-medium-sized enterprises, the Bank's term-end loan balance increased by ¥58.8 billion to ¥2,151.4 billion. The yield on outstanding domestic loans was 3.20%, up 0.03 percentage point year-on-year.



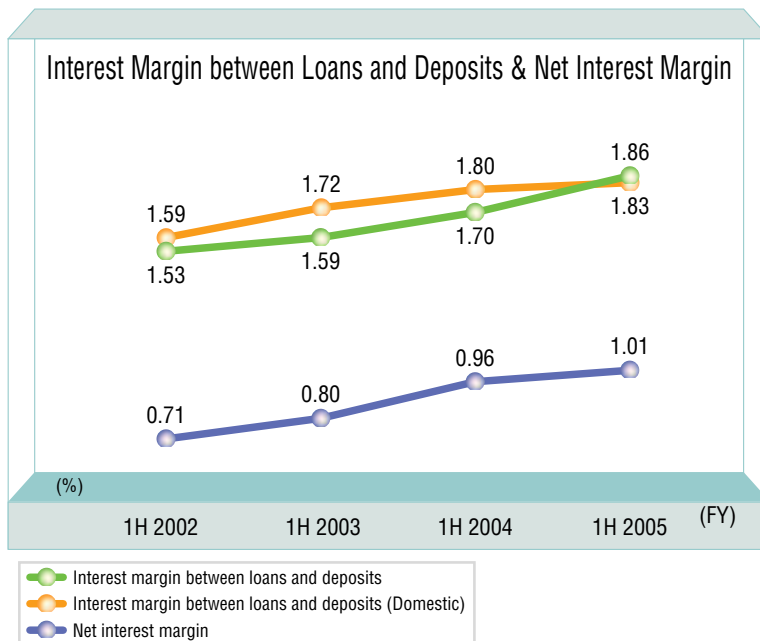
Consumer Loans

The term-end balance of consumer loans increased by ¥106.0 billion to ¥1,524.8 billion. The proportion of consumer loans as a percentage of all loans was up 3.0 percentage points at 70.8%.



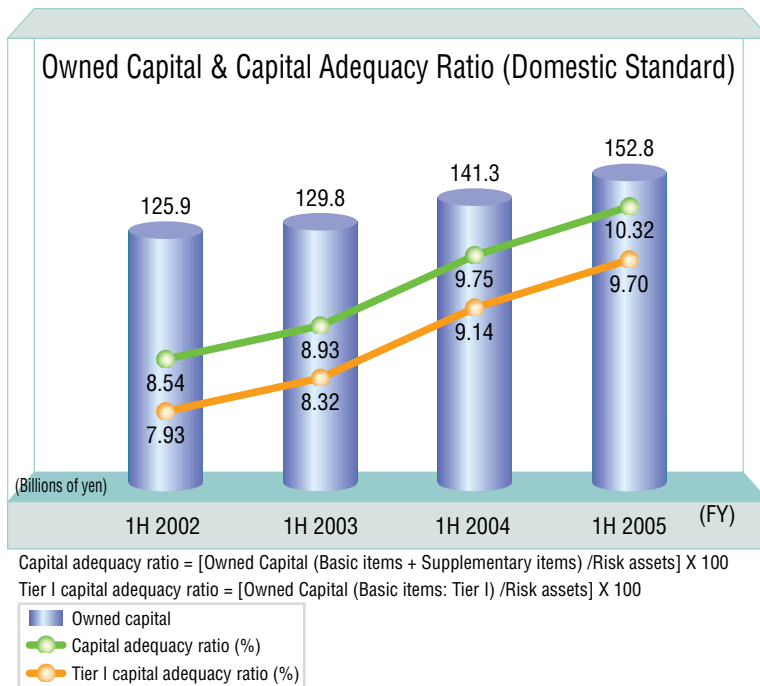
Deposits & Yield on Domestic Deposits

The balance of deposits at the end of the six-month period stood at ¥2,774.3 billion, a year-on-year increase of ¥70.5 billion. This rise was due chiefly to an increase in deposits from individuals. Deposits from individuals continued to grow smoothly even after the ending of unlimited guarantees on all bank deposits in April 2005, and the balance of individuals' deposits came to ¥1,948.2 billion, representing a year-on-year growth of ¥54.4 billion.



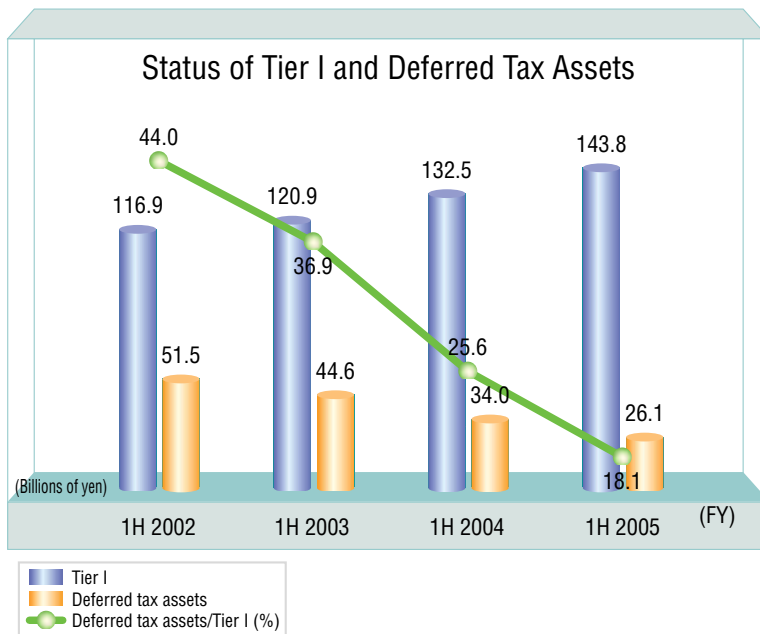
Interest Margin between Loans and Deposits & Net Interest Margin

The interest margin between loans and deposits is calculated by subtracting the yield on deposits and the expense ratio from the yield on outstanding loans. The net interest margin indicates the difference between the yield on total managed funds and total procured funds. Due to our continued focus on the promotion of loans to the retail sector where there is a high interest margin, especially on consumer loans, the interest margin between loans and deposits (domestic) recorded a year-on-year increase of 0.03 percentage point to 1.83%.



Owned Capital & Capital Adequacy Ratio (Domestic Standard)

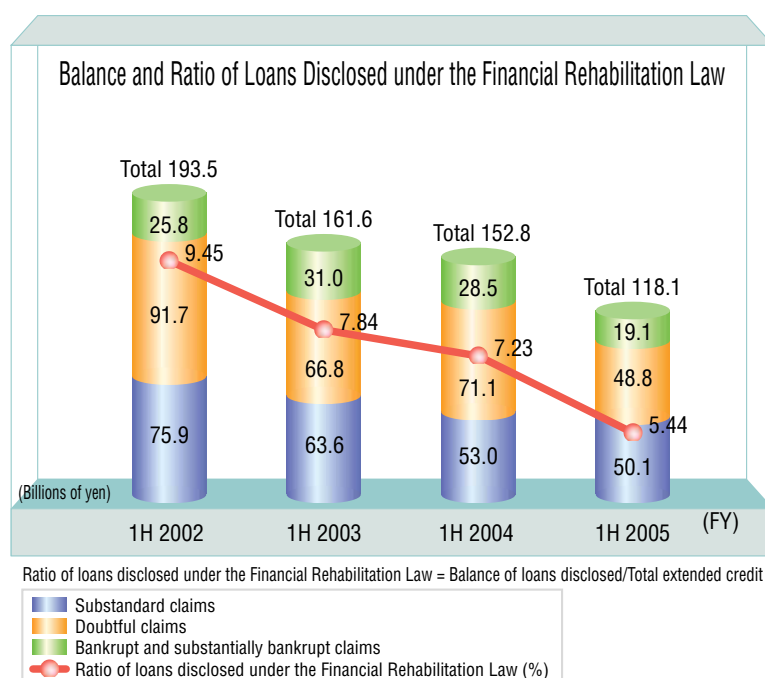
The Bank's owned capital comprises the Tier I capital (including its capital stock, surpluses, and reserves) and Tier II capital (including the general reserve for possible loan losses). With an increase in internal reserves, the Bank's capital adequacy ratio at the end of this six-month period increased stood at 10.32%, up 0.57 percentage point year-on-year. Only the maximum amount for the reserve for possible loan losses is recorded as a Tier II item in our statements, with qualifying capital and gains on the revaluation of land not recorded.



Status of Tier I and Deferred Tax Assets

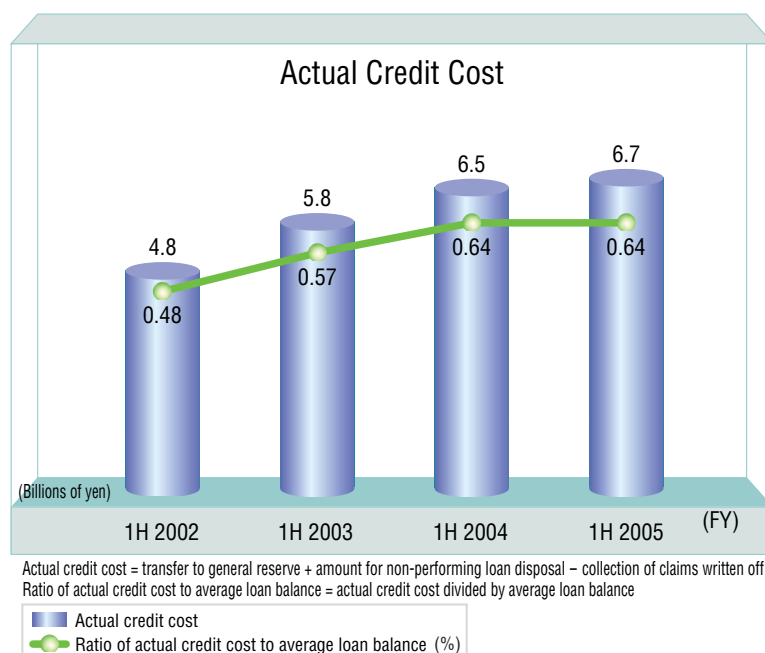
As a result of a ¥11.2 billion increase in Tier I capital and a ¥7.8 billion decrease in deferred tax assets, the ratio of deferred tax assets to Tier I capital fell 7.5 points to 18.1%, showing qualitative improvement in capital adequacy. A figure is recorded for deferred tax assets that represents anticipated future returns on taxes already paid.

Status of Non-Performing Loans



Balance and Ratio of Loans Disclosed under the Financial Rehabilitation Law

The non-consolidated balance of loans disclosed in accordance with the disclosure standards provided for under the Financial Rehabilitation Law decreased ¥34.7 billion year-on-year to ¥118.1 billion at the end of the reporting period. Of this total, Bankrupt and substantially bankrupt claims accounted for ¥19.1 billion, Doubtful claims accounted for ¥48.8 billion, and Substandard claims amounted to ¥50.1 billion of the total. The ratio of claims subject to mandatory disclosure to total extended credit was down 1.79 of a percentage point year-on-year to 5.44% at the end of the reporting period.




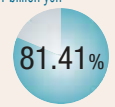
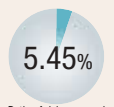
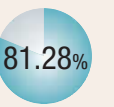
Actual Credit Cost

Actual credit cost for first half of fiscal 2005 increased ¥0.1 billion over the same period of the previous year, to stand at ¥6.7 billion, as a result of the accelerated disposal of non-performing loans. Credit costs accounted for 0.64% of the average loan balance, unchanged from the corresponding period of the previous year.

(As of September 30, 2005)

Disclosure of Problem Assets

(Billions of yen)

Classification under Self-Assessment Target: Total balance of extended credit		Problem Assets Based on the Financial Rehabilitation Law Target: Total balance of extended credit, except substandard claims (only loans are counted in.)				Risk-Managed Loans Target: Loans					
			Covered by collateral and guarantees	Covered by reserves	Coverage ratio						
Legally bankrupt borrowers	3.2	Bankrupt and Substantially Bankrupt Claims	19.1	15.2	3.9	100%	Loans to bankrupt borrowers	2.9			
Substantially bankrupt borrowers	15.8						Loans past due	64.2			
Potentially bankrupt borrowers	48.8	Doubtful Claims	48.8	29.9	15.9	94.08%	Past due for 3 months or longer	1.6			
Borrowers requiring caution	Borrowers under supervision	71.5	Substandard Claims	50.1	22.0	9.0	61.98%	Restructured loans	48.4		
	Other borrowers requiring caution	171.6						Total	117.3		
Normal borrowers	1,859.7	Sub-total	118.1	67.2	28.9	81.41%	Total	117.3			
Total	2,170.8	Normal assets	2,052.7	Loans disclosed in accordance with the Financial Rehabilitation Law ... 118.1 billion yen  5.44% Ratio to total balance of extended credit		 81.41% Coverage ratio		Risk-managed loans to total loans ... 117.3 billion yen  5.45% Ratio of risk-managed loans to total loans		 81.28% Coverage ratio	
		Total	2,170.8								

Total balance of extended credit: Loans, Customers' Liabilities for Acceptances and Guarantees, Foreign exchange, Securities loaned, Suspense payments on loans, Accrued loan interests.

Classifications of Borrowers under Self-Assessment

Legally bankrupt borrowers:	Borrowers who have been legally or formally declared bankrupt.
Substantially bankrupt borrowers:	Borrowers who have not been legally or formally declared bankrupt, but who are suffering from serious management difficulties with no prospect of revitalization, and are therefore substantially bankrupt.
Potentially bankrupt borrowers:	Borrowers who are not bankrupt, but who are suffering from management difficulties, who have not made progress with business improvement plans, and who are found to have a rather high risk of bankruptcy in the future.
Borrowers requiring caution:	Borrowers with problematic lending conditions such as interest waivers and the like, borrowers who are having problems fulfilling their obligations and who are already in arrears for repayments of principal or interest, borrowers facing poor or unstable business conditions, and borrowers with a problematic financial status are those that require future caution.
Borrowers under supervision:	Those borrowers - within the category of borrowers requiring caution - who are three or more months in arrears or have had loans restructured (Borrowers whose loans in part or in full constitute loans requiring supervision under the Financial Rehabilitation Law.)
Other borrowers requiring caution:	Borrowers requiring caution other than those classified as substandard.
Normal borrowers:	Borrowers whose business results are favorable and who are found not to have any particular problems in terms of their financial status.

Overview of Write-offs and Reserves under Self-Assessment

Legally bankrupt borrowers and substantially bankrupt borrowers:	The amount remaining after the deduction of the amount of collateral considered to be disposable and the amount recoverable under guarantees from the loan balance is either written off or is recorded as a reserve for bad debt.
Potentially bankrupt borrowers:	A portion of the reserve as deemed necessary is provided based on the amount remaining after deduction of the amount of collateral considered to be disposable and the amount recoverable under guarantees after giving full consideration to the percentage of actual defaults over a fixed period in the past.
Borrowers requiring caution (Borrowers under supervision and other borrowers requiring caution):	Based on the predicted loss ratio where any necessary adjustments for future expectations have been incorporated into an appropriate loan loss ratio calculated for the average remaining period, the anticipated loss over the next three years in the case of substandard borrowers, and over the next one year in the case of other borrowers, are recorded as a general reserve for possible loan losses.
Normal borrowers:	Based on the predicted loss ratio where any necessary adjustments for future expectations have been incorporated into an appropriate loan loss ratio calculated for the average remaining period, the anticipated loss over the next one year is recorded as a general reserve for possible loan losses.

Consolidated Balance Sheets (Unaudited)

Suruga Bank Ltd. and consolidated subsidiaries

As of September 30,	Millions of yen			Thousands of U.S. dollars
	2005	2004	Change from 2004	2005
ASSETS:				
Cash and Due from Banks	67,742	56,861	10,881	598,481
Call Loans and Bills Bought	230,770	161,649	69,121	2,038,785
Monetary Claims Bought	405	10	395	3,579
Trading Account Securities	399	199	200	3,531
Money Held in Trust	2,218	1,404	814	19,596
Securities	442,248	492,647	(50,399)	3,907,133
Loans and Bills Discounted	2,146,628	2,087,237	59,391	18,964,826
Foreign Exchanges	2,049	906	1,143	18,106
Other Assets	26,034	26,816	(782)	230,010
Premises and Equipment	52,516	52,117	399	463,971
Deferred Tax Assets	26,926	34,799	(7,873)	237,889
Customers' Liabilities for Acceptances and Guarantees	8,121	9,673	(1,552)	71,749
Reserve for Possible Loan Losses	(40,237)	(43,048)	2,811	(355,486)
Total Assets	2,965,824	2,881,276	84,548	26,202,174
LIABILITIES, MINORITY INTEREST AND STOCKHOLDERS' EQUITY:				
Liabilities				
Deposits	2,773,180	2,703,113	70,067	24,500,223
Negotiable Certificates of Deposit	—	5,000	(5,000)	—
Borrowed Money	9,024	9,987	(963)	79,724
Foreign Exchanges	9	10	(1)	87
Other Liabilities	23,026	18,426	4,600	203,434
Reserve for Employees' Bonus	542	550	(8)	4,792
Reserve for Employee Retirement Benefits	395	220	175	3,490
Reserves under Special Laws	0	0	—	0
Acceptances and Guarantees	8,121	9,673	(1,552)	71,749
Total Liabilities	2,814,299	2,746,981	67,318	24,863,502
Minority Interest	300	267	33	2,654
Stockholders' Equity				
Common Stock	30,043	30,043	—	265,423
Capital Surplus	18,585	18,585	—	164,200
Retained Earnings	99,282	87,807	11,475	877,135
Net Unrealized Gains (Losses) on Securities, Net of Taxes	7,656	2,234	5,422	67,641
Treasury Stock	(4,344)	(4,644)	300	(38,382)
Total Stockholders' Equity	151,223	134,026	17,197	1,336,017
Total Liabilities, Minority Interest and Stockholders' Equity	2,965,824	2,881,276	84,548	26,202,174

Notes: 1. Figures less than 1 million yen are omitted.

2. Figures stated in U.S. dollars in this report are translated from Japanese yen, solely for convenience, at the rate of ¥113.19 per 1 U.S. dollar, the rate prevailing at September 30, 2005.

Consolidated Statements of Income (Unaudited)

Suruga Bank Ltd. and consolidated subsidiaries

For the Six Months Ended September 30,	Millions of yen			Thousands of U.S. dollars
	2005	2004	Change from 2004	2005
Ordinary Income	47,786	44,312	3,474	422,182
Interest Income	36,955	34,628	2,327	326,486
Interest on Loans and Discounts	35,103	32,657	2,446	310,128
Interest and Dividends on Securities	1,696	1,923	(227)	14,983
Fees and Commissions	6,174	5,491	683	54,547
Other Operating Income	4,088	3,715	373	36,123
Other Income	568	478	90	5,024
Ordinary Expenses	37,380	36,174	1,206	330,244
Interest Expenses	3,153	1,862	1,291	27,859
Interest on Deposits	786	704	82	6,949
Fees and Commissions	3,206	3,128	78	28,327
Other Operating Expenses	2,676	3,114	(438)	23,649
General and Administrative Expenses	19,184	19,038	146	169,490
Other Expenses	9,159	9,030	129	80,917
Ordinary Profits	10,406	8,137	2,269	91,938
Extraordinary Profits	771	470	301	6,819
Extraordinary Losses	547	709	(162)	4,835
Income before Income Taxes and Others	10,631	7,898	2,733	93,923
Provision for Income Taxes and Others	3,526	336	3,190	31,152
Deferred Income Taxes	211	2,753	(2,542)	1,865
Minority Interest	45	56	(11)	400
Net Income	6,848	4,751	2,097	60,505

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Consolidated Statements of Stockholders' Equity (Unaudited)

Suruga Bank Ltd. and consolidated subsidiaries

For the Six Months Ended September 30,	Millions of yen			Thousands of U.S. dollars
	2005	2004	Change from 2004	2005
Capital Surplus				
Balance of Capital Surplus at Beginning of Year	18,585	18,586	(1)	164,200
Decrease	—	0	(0)	—
Losses on Sales of Treasury Stock	—	0	(0)	—
Balance of Capital Surplus at End of Period	18,585	18,585	—	164,200
Retained Earnings				
Balance of Retained Earnings at Beginning of Year	93,136	83,735	9,401	822,831
Increase	6,848	4,751	2,097	60,505
Net Income	6,848	4,751	2,097	60,505
Decrease	702	679	23	6,202
Dividends	647	647	(0)	5,723
Bonus for Directors and Corporate Auditors	30	30	—	265
Losses on Sales of Treasury Stock	24	1	23	213
Balance of Retained Earnings at End of Period	99,282	87,807	11,475	877,135

Notes: 1. Figures less than 1 million yen are omitted.

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PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of the Bank and its subsidiaries, which are as follows:

Suruga Business Service Co., Ltd.

Suruga Staff Service Co., Ltd.

A.P.I.Co., Ltd.

Suruga Capital Co., Ltd.

Suruga Computer Service Co., Ltd.

Suruga Card Co., Ltd.

Suruga Credit Service Co., Ltd.

All significant intercompany accounts and transactions have been eliminated in consolidation.

Non-Consolidated Balance Sheets (Unaudited)

Suruga Bank Ltd.

As of September 30,	Millions of yen			Thousands of U.S. dollars
	2005	2004	Change from 2004	2005
ASSETS:				
Cash and Due from Banks	66,937	55,699	11,238	591,373
Call Loans	230,770	161,649	69,121	2,038,785
Monetary Claims Bought	405	10	395	3,579
Trading Account Securities	399	199	200	3,531
Money Held in Trust	2,218	1,404	814	19,596
Securities	441,430	491,871	(50,441)	3,899,909
Loans and Bills Discounted	2,151,454	2,092,608	58,846	19,007,464
Foreign Exchanges	2,049	906	1,143	18,106
Other Assets	19,069	20,241	(1,172)	168,470
Premises and Equipment	41,735	40,163	1,572	368,716
Deferred Tax Assets	26,156	34,000	(7,844)	231,084
Customers' Liabilities for Acceptances and Guarantees	8,127	9,679	(1,552)	71,802
Reserve for Possible Loan Losses	(38,254)	(41,298)	3,044	(337,963)
Total Assets	2,952,499	2,867,137	85,362	26,084,457
LIABILITIES AND STOCKHOLDERS' EQUITY:				
Liabilities				
Deposits	2,774,360	2,703,832	70,528	24,510,648
Negotiable Certificates of Deposit	—	5,000	(5,000)	—
Borrowed Money	—	7	(7)	—
Foreign Exchanges	9	10	(1)	87
Other Liabilities	17,035	12,597	4,438	150,502
Reserve for Employees' Bonus	508	508	0	4,496
Reserve for Employee Retirement Benefits	263	75	188	2,327
Reserves under Special Laws	0	0	—	0
Acceptances and Guarantees	8,127	9,679	(1,552)	71,802
Total Liabilities	2,800,305	2,731,711	68,594	24,739,864
Stockholders' Equity				
Common Stock	30,043	30,043	—	265,423
Capital Surplus	18,585	18,585	—	164,200
Capital Surplus Reserve	18,585	18,585	—	164,200
Retained Earnings	98,342	87,089	11,253	868,827
Earned Surplus Reserve	30,043	30,043	—	265,423
Voluntary Reserves	59,872	51,072	8,800	528,953
Unappropriated Profits at the End of the Term	8,427	5,974	2,453	74,451
Net Unrealized Gains (Losses) on Securities, Net of Taxes	7,585	2,242	5,343	67,018
Treasury Stock	(2,362)	(2,535)	173	(20,876)
Total Stockholders' Equity	152,194	135,425	16,769	1,344,593
Total Liabilities and Stockholders' Equity	2,952,499	2,867,137	85,362	26,084,457

Notes: 1. Figures less than 1 million yen are omitted.

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Non-Consolidated Statements of Income (Unaudited)

Suruga Bank Ltd.

For the Six Months Ended September 30,	Millions of yen			Thousands of U.S. dollars
	2005	2004	Change from 2004	2005
Ordinary Income	43,569	39,903	3,666	384,923
Interest Income	36,221	33,805	2,416	320,003
Interest on Loans and Discounts	34,372	31,837	2,535	303,674
Interest and Dividends on Securities	1,693	1,921	(228)	14,961
Fees and Commissions	5,878	5,068	810	51,938
Other Operating Income	900	582	318	7,958
Other Income	568	447	121	5,023
Operating Expenses	33,394	32,089	1,305	295,033
Interest Expenses	3,147	1,816	1,331	27,805
Interest on Deposits	786	704	82	6,950
Fees and Commissions	3,541	3,411	130	31,288
Other Operating Expenses	66	504	(438)	584
General and Administrative Expenses	18,544	18,513	31	163,836
Other Expenses	8,095	7,844	251	71,519
Ordinary Profits	10,174	7,814	2,360	89,889
Extraordinary Profits	755	458	297	6,674
Extraordinary Losses	536	709	(173)	4,738
Income before Income Taxes and Others	10,393	7,564	2,829	91,826
Provision for Income Taxes and Others	3,193	84	3,109	28,215
Deferred Income Taxes	401	2,862	(2,461)	3,542
Net Income	6,799	4,617	2,182	60,068
Unappropriated Profits at the Beginning of the Term	1,652	1,357	295	14,596
Losses on Sales of Treasury Stock	24	1	23	213
Unappropriated Profits at the End of the Term	8,427	5,974	2,453	74,451

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