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SURUGA bank, Ltd.

Financial Results for the 1<sup>st</sup> Half of FY3/2020

December 4th, 2019

**SURUGA bank**

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# Actual Results for 1H, FY3/20; Comparison with 1H, FY3/19

<Non-consolidated>

(Billions of yen)

	1 <sup>st</sup> half FY 3/19	1 <sup>st</sup> half FY 3/20	Year-on-year change
<b>Gross operating profit</b>	53.9	42.4	(11.5)
Expenses	23.8	22.4	(1.3)
<b>Core net operating profit</b>	29.6	19.8	(9.8)
<b>Net operating profit</b>	3.3	18.3	+15.0
<b>Ordinary profit</b>	(83.7)	19.3	+103.1
<b>Net income</b>	(98.2)	15.6	+113.9
<b>Actual credit costs</b>	119.6	6.3	(113.2)

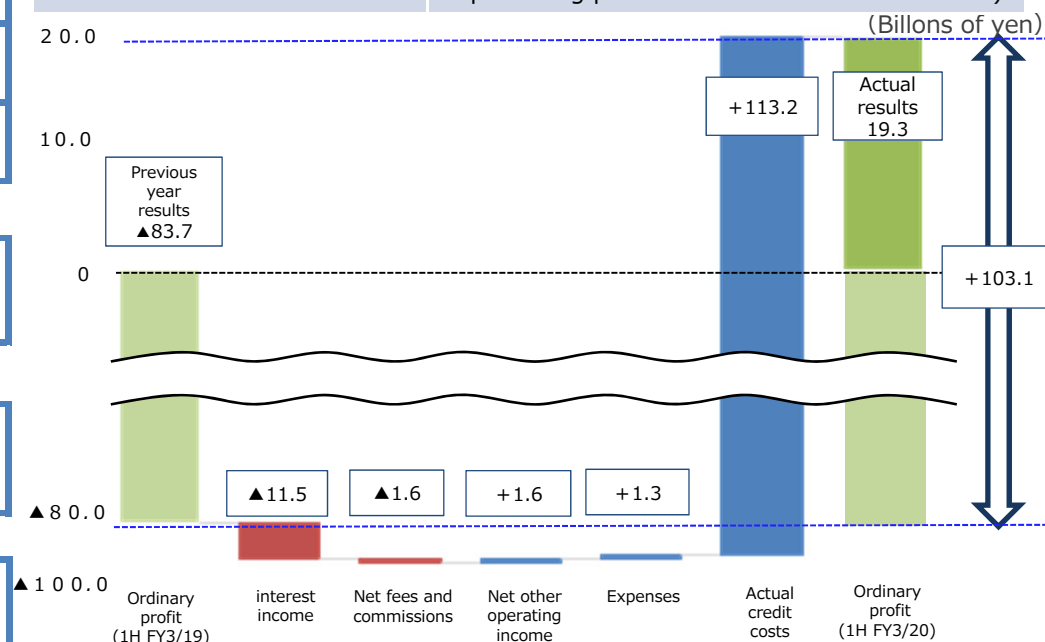
<b>ROE (%) (Net income basis)</b>	(61.1)	14.4	+75.5
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<b>Profit attributable to owners of parent</b>	(100.7)	15.9	+116.7
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<b>Earnings per share (yen) (Consolidated)</b>	(435.0)	68.9	+504.0
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## Factors causing variation in ordinary profit (comparison with previous year)

	Main factors
Net interest income	<ul style="list-style-type: none"> <li>Decline in interest on loans (average balance factors (▲6.3 billion yen), yield factors (▲2.4 billion yen))</li> <li>Decline in interest dividends on securities (▲3.0 billion yen)</li> </ul>
Net fees and commission	Commissions related to securitization
Net other operating income	Profit on sales of debt related to securitization
Expenses	Decrease in personnel expenses (overtime allowance, bonuses, etc.)
Actual credit costs	Decrease in provision for allowance for loan losses (primary cause for debt carried over from preceding period: share-house-related loans)



# Actual Results for 1H, FY3/20; Comparison with Previous Forecast

<Non-consolidated>

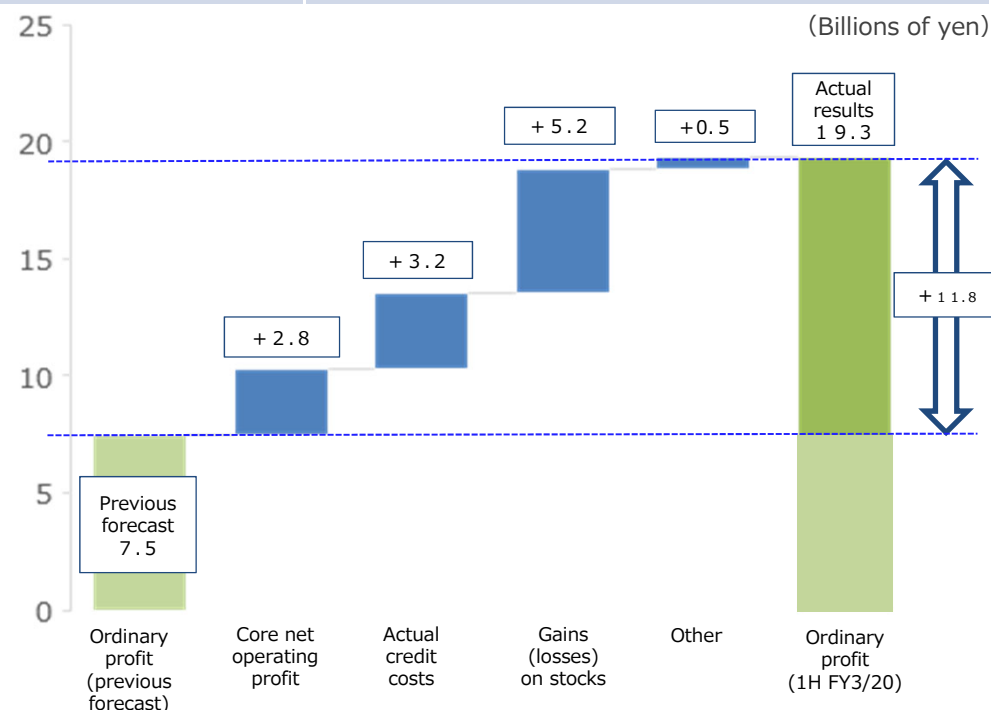
(Billions of yen)

	Previous forecast (A)	Actual results (B)	Change (B) - (A)
<b>Gross operating profit</b>	40.0	42.4	+2.4
Expenses	23.0	22.4	(0.6)
<b>Core net operating profit</b>	17.0	19.8	+2.8
<b>Net operating profit</b>	16.5	18.3	+1.8
<b>Ordinary profit</b>	7.5	19.3	+11.8
<b>Net income</b>	5.0	15.6	+10.6
<b>Actual credit costs</b>	9.5	6.3	(3.2)

<b>Profit attributable to owners of parent</b>	5.0	15.9	+10.9
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## Factors causing variation in ordinary profit (comparison with previous forecast)

	Main factors
Core net operating profit	<ul style="list-style-type: none"> <li>• Loan balance has declined and interest rates have fallen but compared to the initial forecast for the period, this is moderate</li> <li>• Downward swing in expenses (personnel)</li> </ul>
Actual credit costs	<ul style="list-style-type: none"> <li>• Changes in debtor classification (improvement in balance, changes to terms, etc.)</li> <li>• Expected loss rate revised based on actual results</li> </ul>
Gains(losses) on stocks	<ul style="list-style-type: none"> <li>• Elimination of cross shareholdings</li> </ul>



## ■ Actual Results for 1H, FY3/20; Earnings Forecast for FY3/20

(Billions of yen)

<Non-consolidated>

	1 <sup>st</sup> half FY3/20	Previous forecast (FY 3/20) (A)	Current forecast (FY 3/20) (B)	Change (B) – (A)
Gross operating profit	42.4	80.0	81.0	+1.0
Expenses	22.4	46.0	45.0	(1.0)
Core net operating profit	19.8	34.0	36.0	+2.0
Net operating profit	18.3	33.0	33.0	No change
Ordinary profit	19.3	15.0	22.0	+7.0
Net income	15.6	10.0	15.0	+5.0
Actual credit costs	6.3	19.0	19.0	No change

ROE (%) (Net income basis)	14.4	4.6	6.7	+2.0
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Profit attributable to owners of parent	15.9	10.5	15.5	+5.0
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Earnings per share (yen) (Consolidated)	68.9	45.3	66.9	+21.5
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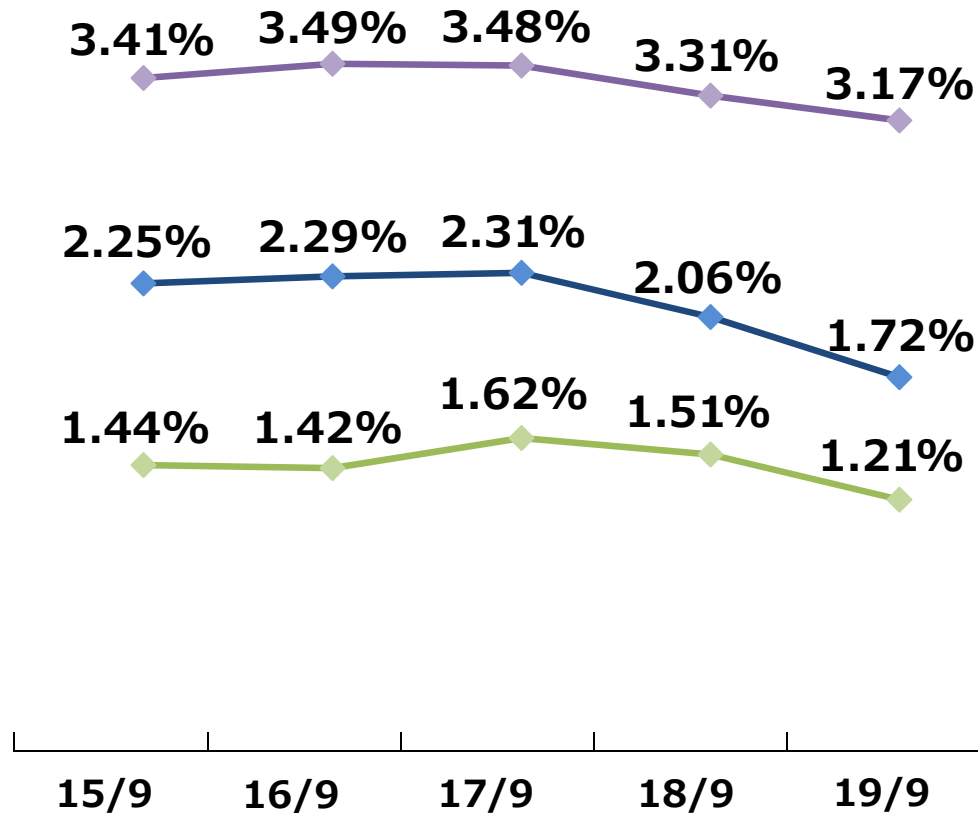
# Reference Materials

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# Yield / Margins <Non-consolidated>

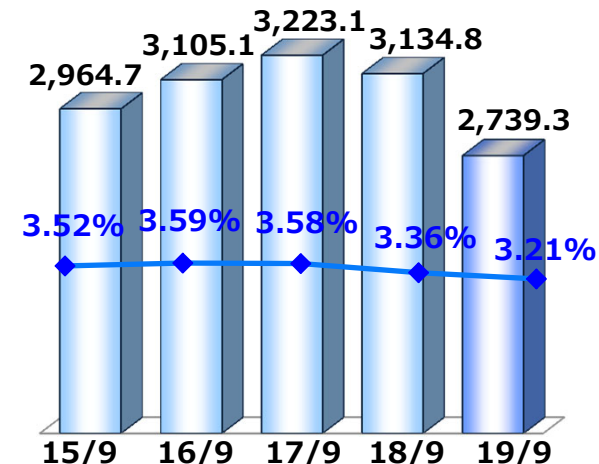
## Interest margins

- ◆ Loan-deposit margin
- ◆ Loan-deposit margin (after deduction of expenses)
- ◆ Net interest margin



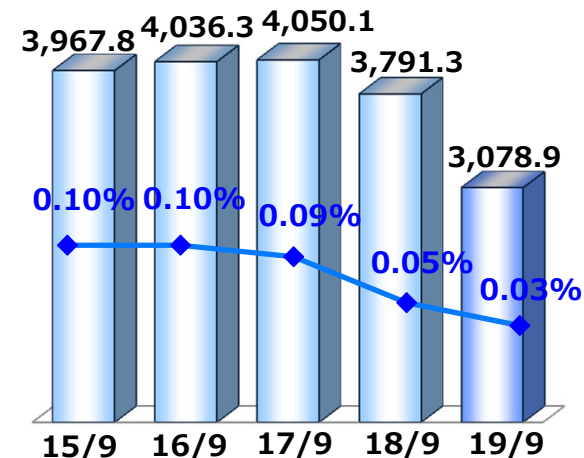
## Loans (Average balance / Yield)

- Loans(Average balance) (Billions of yen)
- ◆ Yield on loans and bills discounted



## Deposits (Average balance / Yield)

- Deposits(Average balance) (Billions of yen)
- ◆ Yield on deposits



## ■ Credit Costs 1: Balance, Yield and Delinquency Rate by Loan Classification(Non-consolidated)

(Billions of yen)

Loan category	Sep. 30, 2019			Jun. 30, 2019		
	Period-end balance	Yield	Delinquency rate	Period-end balance	Yield	Delinquency rate
Secured loans	2,231.5	3.17%	5.03%	2,276.8	3.21%	4.55%
Housing loans	582.0	2.88%	0.46%	600.7	2.88%	0.32%
Studio apartment loans	213.0	3.42%	1.32%	220.0	3.43%	1.03%
Single building apartment loans	1,193.0	3.41%	2.38%	1,209.5	3.45%	1.85%
Share house loans	199.2	1.83%	40.66%	200.5	1.89%	39.93%
Other secured loans	44.3	4.89%	0.91%	46.0	4.87%	0.61%
Unsecured loans	223.8	10.16%	1.69%	231.8	10.12%	1.64%
Card loans	147.6	11.45%	0.69%	152.2	11.40%	0.71%
Unsecured certificate loans	76.2	7.66%	3.63%	79.5	7.66%	3.41%
Consumer loans	2,455.4	3.79%	4.74%	2,508.7	3.82%	4.29%

(Note1) Delinquency rate = Loans past due 3 months or more / Loans

(Note2) Yield : Yield for customers (excluding guarantee fee, accrued interest), period-end balance basis.

## ■ Credit Costs 2: Real Credit Costs, Share House Loans (Non-consolidated)

### •Actual credit costs and Allowance for loan losses

(Billions of yen)

Item	Actual credit costs	Allowance
Share house-related loans	(2.8)	135.1
Investment property loans (Note)	8.1	46.9
Housing loans	0.3	2.0
Unsecured loans	0.1	0.8
Loans to founder-affiliated companies	0.0	13.4
Business financing other than loans to founder-affiliated companies	0.5	3.7
<b>Total</b>	<b>6.3</b>	<b>202.3</b>

(Note)Investment property loans : Studio apartment loans, Single building apartment loans, Other secured loans

### •Share house loans (Non-performing loans based on the Financial Reconstruction Law)

	Total credit balance	Claims against bankrupt and substantially bankrupt obligors	Claims with collection risk	Claims for special attention	Subtotal (Non-performing loans)	Normal assets
Sep. 30, 2018	253.7	31.8	101.6	56.8	190.3	63.4
Mar. 31, 2019	250.3	86.5	51.0	88.0	225.6	24.6
Sep. 30, 2019	246.1	89.9	41.1	97.7	228.8	17.3

### •Share house loans (Status of coverage)

	Total credit balance A	Share house claims	Collateral or guarantees, etc. B	Unsecured portion C	Allowance D	Coverage ratio (B+D)/A
Sep. 30, 2018	253.7	203.4	95.2	158.4	136.2	91.25%
Mar. 31, 2019	250.3	201.9	91.4	158.8	139.3	92.20%
Sep. 30, 2019	246.1	199.3	90.6	155.5	135.1	91.74%

(Note1)Based on obligors of share house loans

(Note2)Covered amount : Estimated amount, calculated by multiplying the covered amount including collateral, etc. with a certain ratio.

(Note3)Total credit balance, share house loan receivables : Loans and bills discounted, suspense payments equivalent to loans and bills discounted, and accrued interest on loans and bills discounted.



## ■ Non-performing loans based on the Financial Reconstruction Law (Non-consolidated)

(Billions of yen)

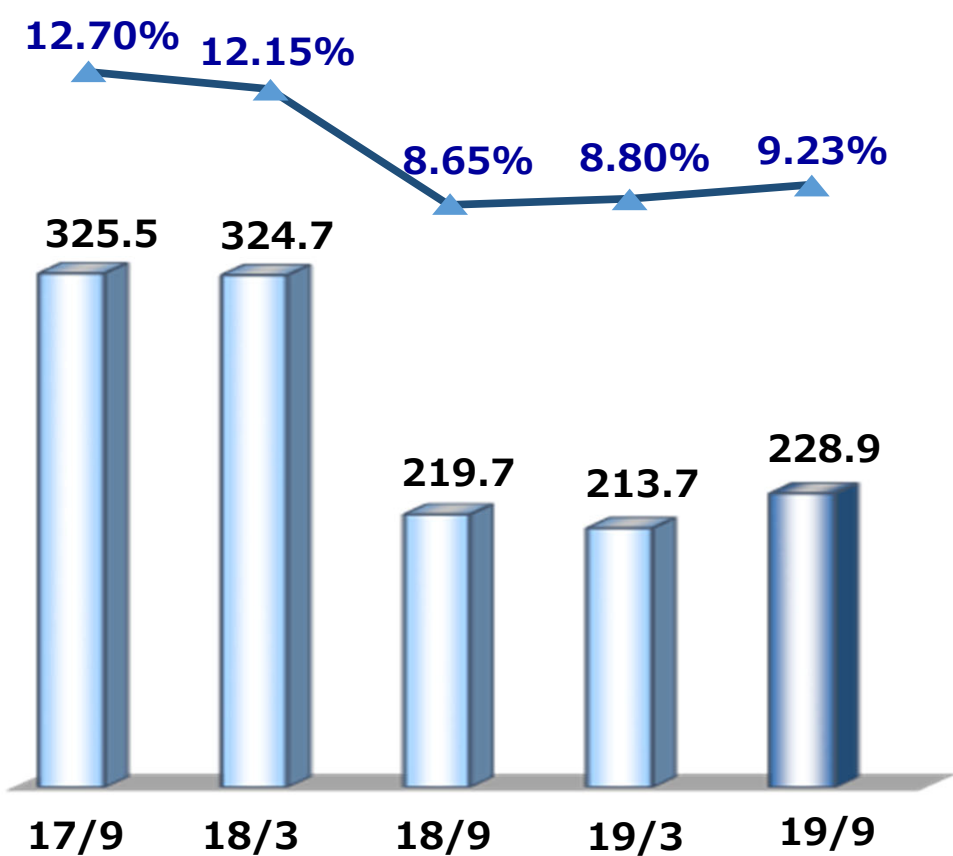
Debtor classification	Sep. 30 Credit balance	Proportion	Consumer / Corporate		Proportion	Total collateral and guarantees	Collateral	Guarantees	Coverage ratio	Reserve	Reserved ratio	Total coverage ratio
Claims against bankrupt and substantially bankrupt obligors	142.3	5.29%	Consumer	117.7	4.75%	44.1	42.7	1.4	37.52%	73.5	100%	100%
			Corporate	24.5	11.60%	11.7	11.4	0.2	47.71%	12.8	100%	100%
Claims with collection risk	99.2	3.68%	Consumer	73.7	2.97%	27.2	26.5	0.7	36.95%	30.5	65.69%	78.37%
			Corporate	25.4	12.00%	23.1	19.5	3.5	90.87%	1.4	63.74%	96.69%
Claims for special attention	157.4	5.85%	Consumer	157.0	6.33%	47.3	46.9	0.4	30.16%	55.0	50.22%	65.24%
			Corporate	0.4	0.22%	0.0	0.0	0.0	19.94%	0.2	55.81%	64.63%
Sub-total (Note)	399.0 (126.8)	14.83% (5.28%)	Consumer	348.5	14.07%	118.8	116.1	2.6	34.09%	159.1	69.29%	79.76%
			Corporate	50.4	23.83%	34.9	31.0	3.8	69.19%	14.5	93.50%	97.99%
Normal assets	2,290.0	85.16%	Consumer	2,128.7	85.92%	<b>Total coverage ratio</b>						<b>82.07%</b>
			Corporate	161.2	76.16%	<b>Except share house-related loans and loans to founder-affiliated companies</b>						<b>56.14%</b>
Total	2,689.1	100%	Consumer	2,477.3	100%	<b>Coverage ratio : Covered by collateral and guarantees</b> <b>Reserved ratio : Reserved for unsecured portion</b> <b>Total coverage ratio : Covered by collateral, guarantees and reserves</b>						
			Corporate	211.7	100%							

(Note) Balance and proportion by share-house-related and founder-affiliated company loans (credit balance: 2,895 billion yen; proportion: 10.76%)

# Capital and Expenses, OHR Transition

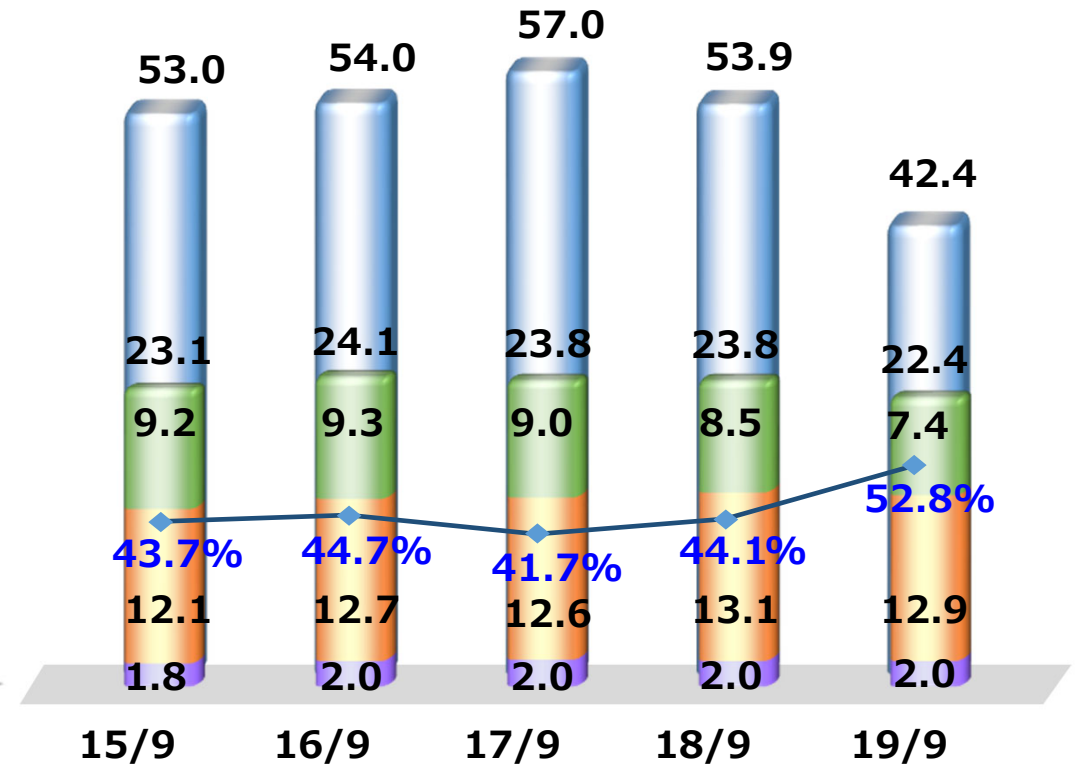
Own capital <Non-consolidated>

▲ Capital adequacy ratio (Billions of yen)  
 ■ Own capital



Expenses and OHR <Non-consolidated>

■ Gross operating profit (Billions of yen)  
 ■ Personnel expenses  
 ■ Non-personnel expenses  
 ■ Taxes  
 ◆ OHR



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# SURUGA bank

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