SURUGA bank, Ltd.

Financial Results for the nine months ended December 31, 2020

February 12th, 2021

SURUGA bank

Actual Results for the nine months ended Dec.31,2020; Comparison with Forecast

- The ordinary income represented progress of 79.0%, the gross operating income represented progress of 78.2%, and expenses represented progress of 71.1%, toward the full-year forecasts.
- Actual credit costs in the third quarter were 10.9 billion yen, 54.5% progress toward the full-year forecasts.
- Net income (non-consolidated) in the third quarter was 7.5 billion yen, 151.8% progress toward the full-year forecasts.
- Net income (consolidated) in the third quarter was 9.4 billion yen, 156.9% progress toward the full-year forecasts.

<Non-consolidated> <Consolidated> (Billions of yen)

	FY3/21 (Forecast) (1)	3Q	FY3/21 1Q-3Q (2)	Progress (2)/(1)	FY3/21 (Forecast) (3)	FY3/21 1Q-3Q (4)	Progress (3)/(4)
Ordinary income	85.0	22.0	67.2	79.0%	96.0	75.5	78.5%
Gross operating profit (A)	70.0	17.9	54.8	78.2%			
Expenses (B)	43.0	10.0	30.5	71.1%			
Core net operating profit	27.0	7.7	23.7	87.8%			
Ordinary profit	7.0	4.9	13.6	195.1%	8.0	16.0	200.5%
Net income	5.0	3.3	7.5	151.8%	6.0	9.4	156.9%
Actual credit costs (C)	20.0	3.1	10.9	54.5%			
RA gross operating profit (A – C)	50.0	14.8	43.8	87.7%			
OHR（B÷A)	61%	56.1%	55.8%				
Capital adequacy ratio	10.8%		11.4%			11.6%	

(Note 1) RA (Risk Adjusted) Gross Operating Profit = Gross Operating Profit – Actual Credit Costs
(Note 2) Figures of the full-year forecasts on the table are those announced on Nov.13, 2020. The forecast for the FY3/21 was revised, which was announced in "Announcement Regarding the Revision to the Earnings Forecast" on Feb.12, 2021.

Forecast for FY3/21 <Non-consolidated & Consolidated>

- The full-year forecast for FY2020 has been **revised upward** in view of the third quarter financial results.
- Ordinary income was revised upward to 87.0 billion yen, 2.0 billion yen above the full-year forecast, mainly due to the increase of interest on loans and discounts compared to the full-year forecast before revision, as well as gains on the sale and redemption of government and other bonds which were not expected in the full-year forecast before revision.
- Taking into consideration the factors below, actual credit costs remain conservatively unchanged at 20.0 billion yen
  Trend regarding borrowers of share house-related loans: Increase of suspended repayments due to more requests for bulk transfer of loans, etc.
  Impact from the prolonged spread of COVID-19, etc.: Impact on existing borrowers due to prolonged strain on the income-making environment
  (see Reference Materials: Reference 4)
- Net income (non-consolidated) has been revised upward to 9.0 billion yen, an increase of 4.0 billion yen versus the full-year forecast before revision, due to the above-mentioned increase of ordinary profit and decrease in expenses (-2.0 billion yen).
- Net income (consolidated) has been revised to 11.0 billion yen, an increase of 5.0 billion yen versus the full-year forecast before revision.

(Billions of yen)

	FY3/21 1Q-3Q	Previous forecast FY3/21 (1)	Current forecast FY3/21 (2)	Change (2) – (1)
Ordinary income	67.2	85.0	87.0	+2.0
Gross operating profit (A)	54.8	70.0	72.0	+2.0
Expenses	30.5	43.0	41.0	(2.0)
Core net operating profit	23.7	27.0	30.0	+3.0
Net operating profit	50.7	42.0	40.0	(2.0)
Ordinary profit	13.6	7.0	11.0	+4.0
Net income	7.5	5.0	9.0	+4.0
Actual credit costs (B)	10.9	20.0	20.0	±0.0
RA gross operating profit (A – B)	43.8	50.0	52.0	+2.0
Profit attributable to owners of parent	9.4	6.0	11.0	+5.0

■ Actual Credit Costs, Share House-related Loans <Non-consolidated>

- Actual credit costs for borrowers of share house-related loans remained mostly unchanged from the interim period at 4.0 billion yen due to a decrease in debtor category downgrades associated with requests for bulk transfer of loans in the third quarter.
- The total coverage ratio for borrowers of share house-related loans increased 0.89% to 95.20% versus end of September 2020.
- Actual credit costs for borrowers other than those of share house-related loans were cumulatively 6.8 billion yen in the third quarter.

・Actual credit costs and Allowance for loan losses

(Billions of yen)

Item	1Q	2Q	3Q	Actual credit costs FY3/21 1Q-3Q	Allowance
Share house-related loans	1.1	2.9	(0.0)	4.0	106.1
Investment property loans (Note)	5.0	(2.0)	3.1	6.1	58.0
Housing loans	0.8	(0.7)	0.3	0.4	4.6
Unsecured loans	0.3	(0.1)	0.0	0.2	2.2
Business financing loans, etc.	0.0	0.4	(0.3)	0.0	8.2
Total	7.3	0.4	3.1	10.9	1 79.3

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

・Share house-related loans (Status of coverage)

	Total credit balance A	Share house loan receivables	Covered amount B	Unsecured portion C	Allowance D	Coverage ratio (B + D) / A
Mar. 31, 2020	192.1	154.7	72.7	119.3	102.5	91.29%
Sep. 30, 2020	189.1	153.5	71.8	117.3	106.5	94.31%
Dec.31,2020	187.3	152.5	72.2	115.1	106.1	95.20%

(Note 1) Based on obligors of share house-related loans.
(Note 2) Covered amount: Estimated amount, calculated by multiplying the covered amount including collateral, etc. by a certain ratio.
(Note 3) 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.

Outstanding Balance, Yield, Delinquency Rate by Type of Loan<Non-consolidated>

- Loan yield of both consumer loans and corporate loans for property investment, which were set forth for promotion in the mid-term business plan, was 3.59%.
- The rise in the delinquency rate of consumer loans (0.82% increase from the end of September 2020) was mainly due to an increase in the number of delinquent borrowers of share house-related loans, who suspended their repayment because they wish their loans to be transferred.
  (The delinquency rate of whole consumer loans was pushed up in part by the fact that delinquent borrowers of share house loans were also delinquent on other loans)
- Excluding borrowers of share house-related loans, the delinquency rate for all personal loans improved by 0.13% to 2.19% versus end of September 2020.

(Billions of yen)

Type of Loan		Sep.30,2020			Dec.31,2020		
		Period-end balance	Yield	Delinquency rate	Period-end balance	Yield	Delinquency rate
Secured loans		2,025.4	3.07%	5.81%	1,989.2	3.05%	6.69%
	Housing loans	522.7	2.85%	0.51%	509.9	2.84%	0.31%
	Studio apartment loans	180.8	3.40%	1.79%	173.7	3.39%	1.71%
	Single building apartment loans	1,129.8	3.26%	3.80%	1,115.8	3.24%	3.69%
	Share house loans	153.4	1.46%	45.87%	152.4	1.45%	58.52%
	Other secured loans	38.5	4.81%	1.15%	37.2	4.80%	1.16%
Unsecured loans		185.4	10.26%	2.13%	176.7	10.29%	2.15%
	Card loans	122.4	11.61%	0.83%	116.9	11.65%	0.84%
	Unsecured certificate loans	63.0	7.64%	4.66%	59.8	7.64%	4.71%
Consumer loans (A)		2,210.8	3.66%	5.51%	2,166.0	3.63%	6.33%
Consumer loans (Except for share house-related loans)		2,021.8		2.32%	1,978.7		2.19%
Corporate loans for property investment (B)		17.8	2.25%	–	27.2	2.29%	–
Total<(A) + (B)>		2,228.7	3.63%	5.46%	2,193.3	3.59%	6.25%

(Note 1) Delinquency rate = Loans past due 3 months or more / Loans
(Note 2) Yield: Yield for customers (excluding guarantee fee, accrued interest), period-end balance basis
(Note 3) Yield and the delinquency rate of studio apartment loans, secured loans and consumer loans are calculated based on original claims before securitization.
(Note 4) As the balance is aggregated by loan type, if obligors of share house loans default on scheduled repayment, the delinquency rate of other loan types will be affected.
(Note 5) Corporate loans for property investment: Asset management company loans for property investment and asset finance, defined as new business fields in the mid-term business plan.

Execution status of new loan

- In FY20, we conservatively planned to execute new loans of 70.0 billion yen for the full year, considering the impact of COVID-19.
  In the first half, our top priority was to support customers who were affected by COVID-19. Since economic activity resumed after the lifting of the state of emergency, new loans have gradually increased to 38.7 billion yen for the nine months ended Dec.31,2020.
- From January 8, 2021, we aim to achieve our new 70.0 billion yen loan strategy for the full year by continuing post-COVID-world sales activities that incorporate remote working while continuing to focus on supporting customers affected by COVID-19 amid the reinstatement of state-of-emergency measures in specific areas.

・Changes in new loan execution amount promoted in the med-term business plan

(Billions of yen)

	FY3/21 1Q-3Q	1Q	2Q	3Q
Consumer loans	15.0	3.8	4.9	6.2
New asset management loans for property investment	9.3	1.1	3.4	4.8
Subtotal	24.3	4.9	8.3	11.0
Asset finance	14.3	2.1	7.5	4.6
Total	38.7	7.0	15.9	15.7

Reference Materials

■ Actual Results for the nine months ended Dec.31,2020 (year-on-year basis)

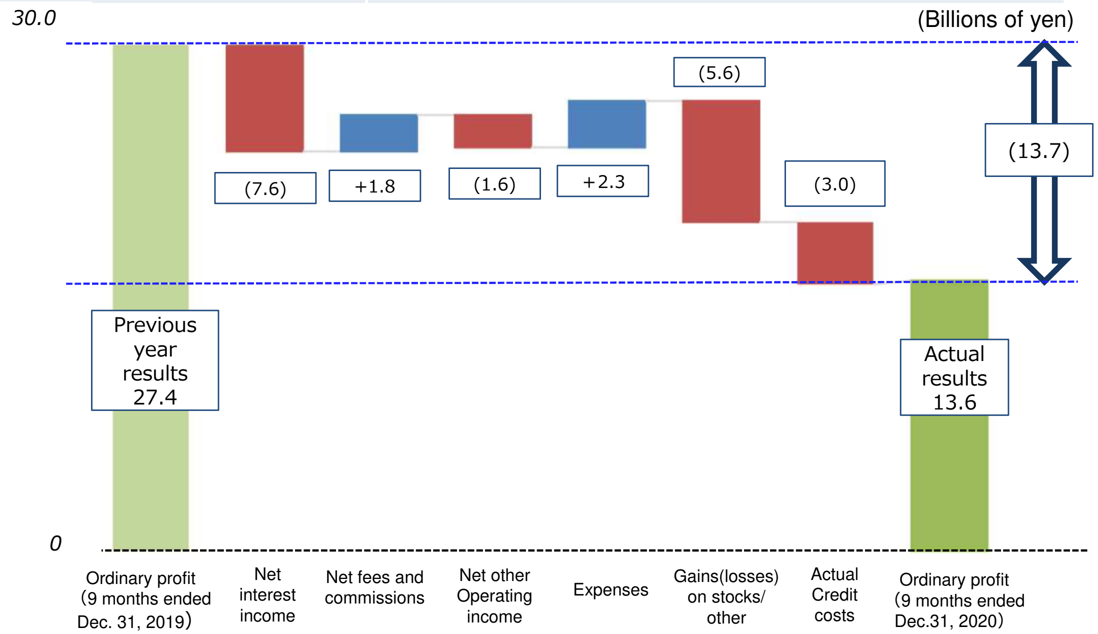
<Non-consolidated>

(Billions of yen)

	FY3/20 1Q-3Q	FY3/21 1Q-3Q	Year-on-year Change
Gross operating profit	62.2	54.8	(7.3)
Expenses	32.9	30.5	(2.3)
Core net operating profit	29.0	23.7	(5.3)
Net operating profit	24.6	50.7	+26.1
Ordinary profit	27.4	13.6	(13.7)
Net income	18.5	7.5	(10.9)
Actual credit costs	7.8	10.9	+3.0
ROE (%) (Net income basis)	11.4	4.2	(7.1)
Profit attributable to owners of parent	19.4	9.4	(10.0)
Earnings per share (yen) (Consolidated)	83.9	40.6	(43.3)

Factors that increase or decrease profit (year-on-year basis)

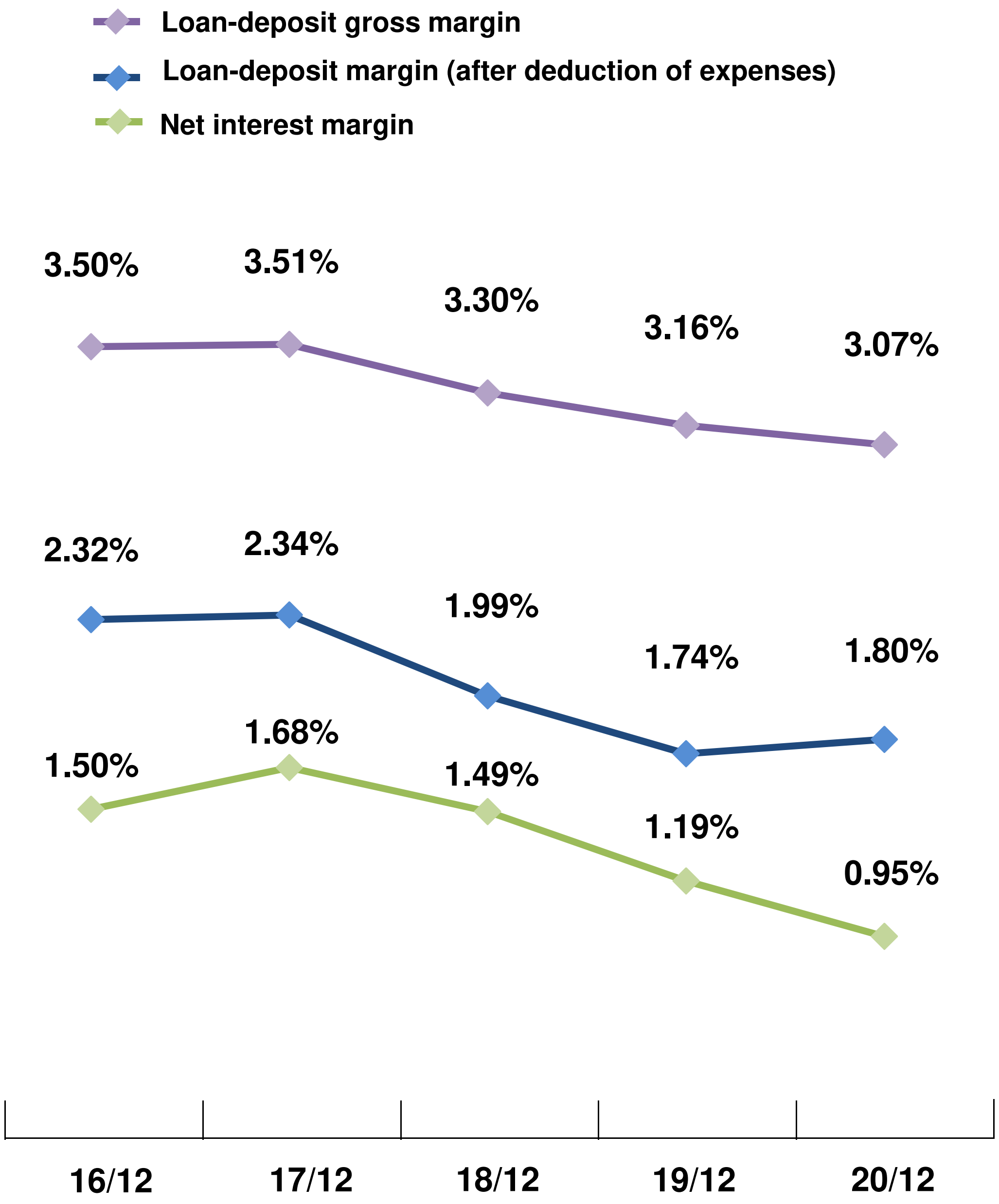
	Main factors
Net interest income	・Decline in interest on loans (average balance factors −6.2 billion yen, yield factors −1.6 billion yen)
Net fees and commissions	・Reduction in fees related to securitization
Net other operating income	・Reduction in profit on sales of debt securitized accounts receivable (−1.9 billion yen) ・Increase in profit and loss on government and other bonds (+0.3 billion yen)
Expenses	・Decrease in non-personnel expenses
Gains(losses) on stocks	・Gains on sale of strategic shareholdings for shares of cross-owned holdings
Actual credit costs	・Debtor category downgrades associated with suspended repayments due to borrowers of share house-related loans requesting bulk transfer of loans



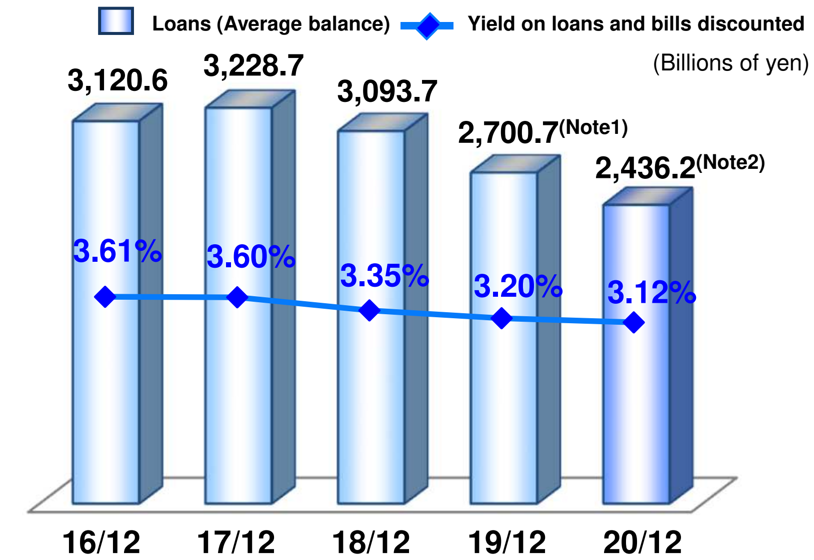
(Note) Net other operating income excluding gains (losses) on bonds

Yield/Margins <Non-consolidated>

Interest margins (Non-consolidated)



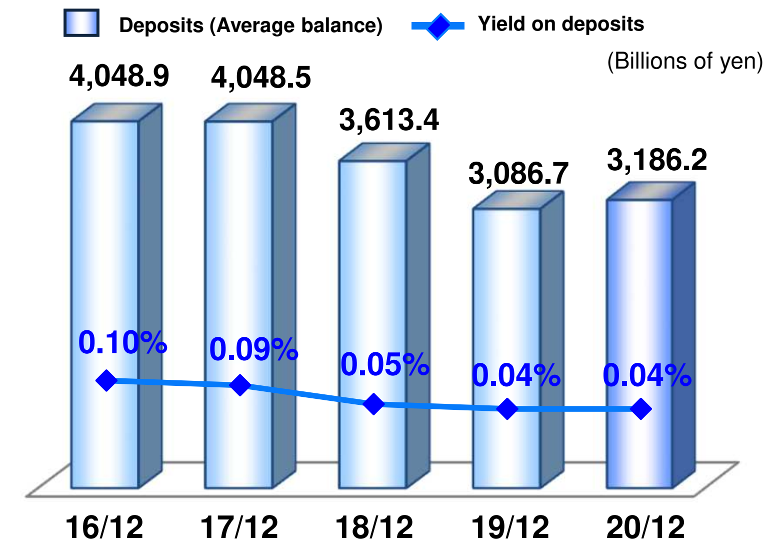
Loans (Average balance/Yield)



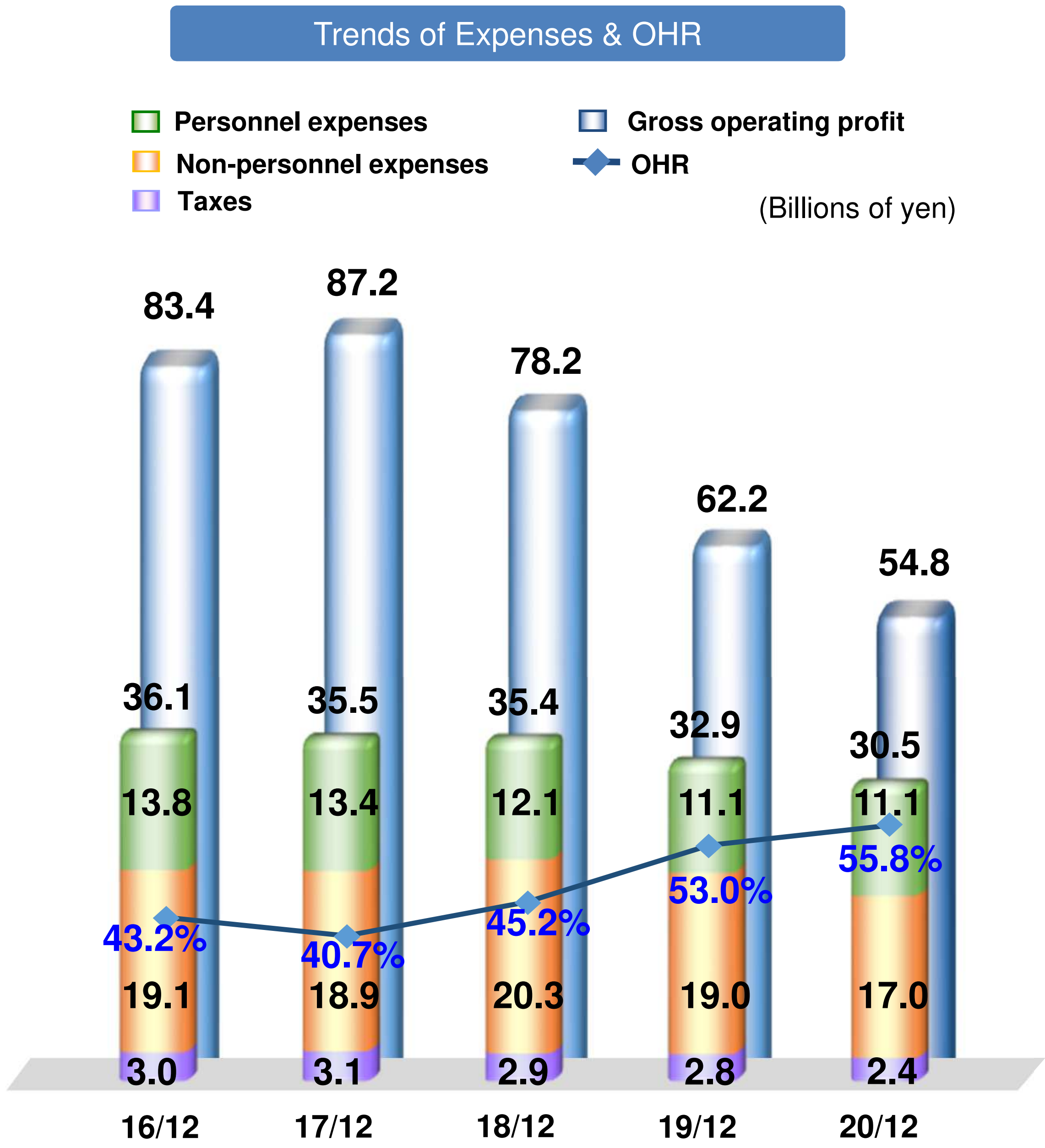
(Note1) Factors contributing to the decline in the 9 months ended Dec.31,2020 included a decrease of approximately 108.0 billion yen resulting from the securitization of studio apartment loans.

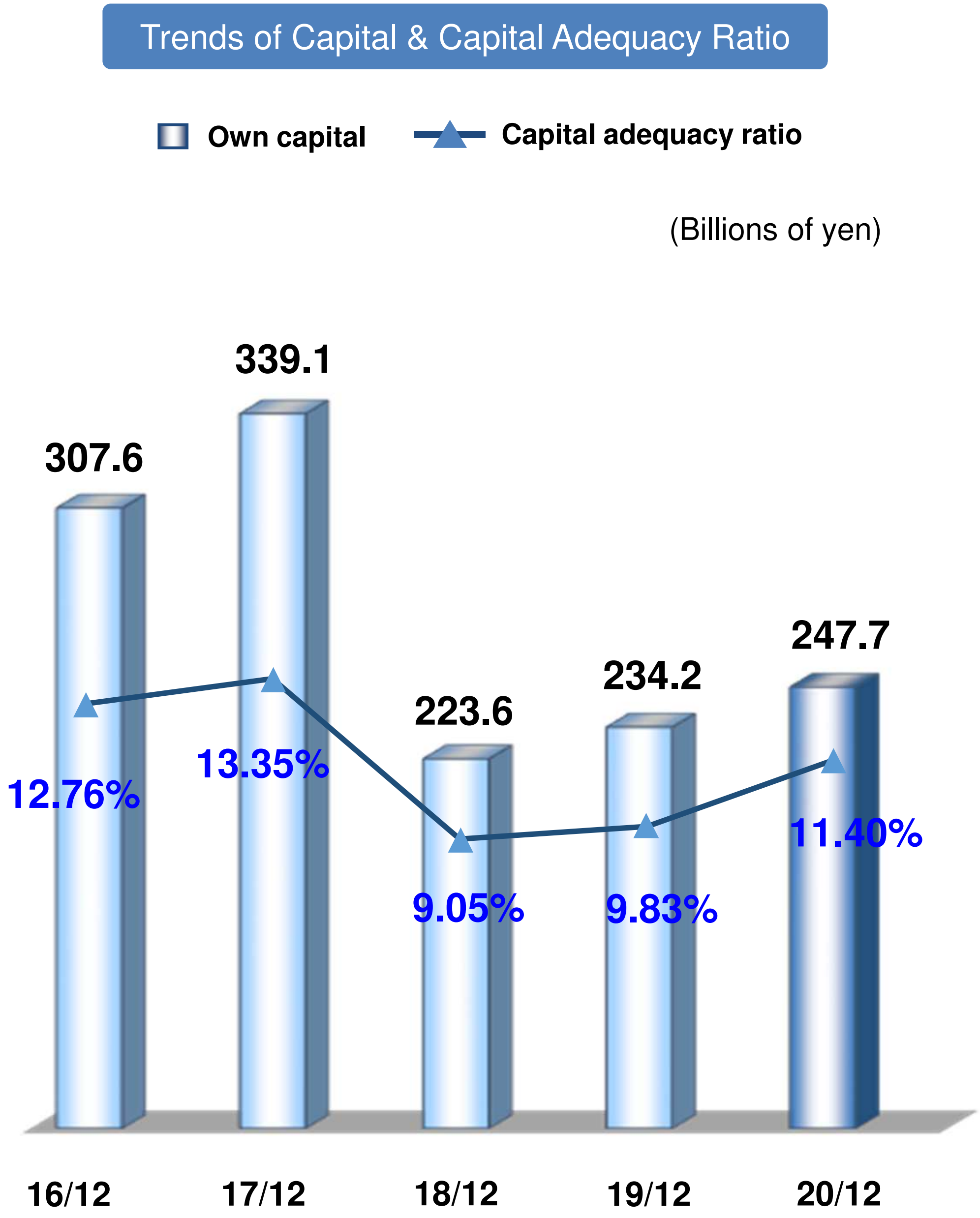
(Note2) Factors contributing to the decline in the 9 months ended Dec.31,2020 included a decrease of approximately 90.0 billion yen associated with the collection of loans from founder-affiliated firms and the transfer of share house-related loans.

Deposits (Average balance / Yield)



Expenses and OHR, Capital levels <Non-consolidated>

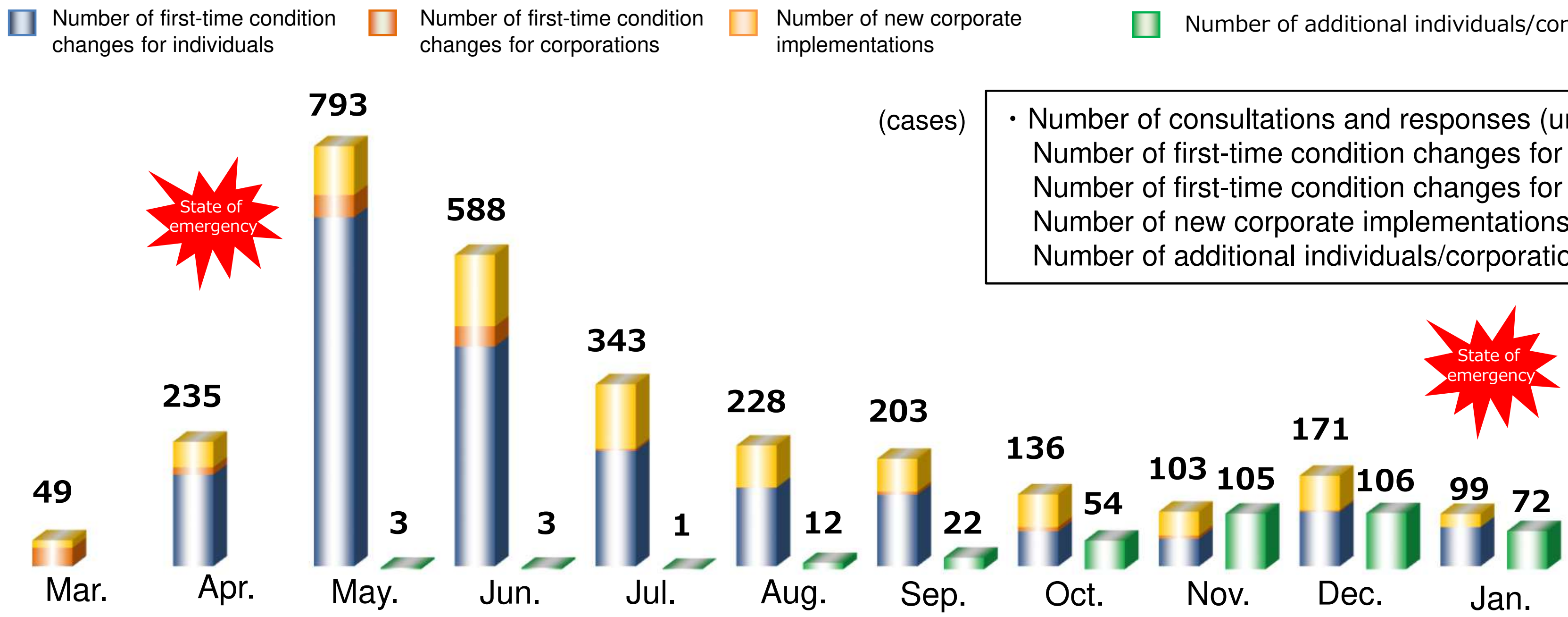




COVID-19 Pandemic Response

Placing the highest priority on the lives and health of customers, employees and their family members, we will provide necessary financial services as financial infrastructures essential for maintaining social functions.

【Number of consultations related to COVID-19 and loan responses】



・Number of consultations and responses (until January 31, 2021)	
Number of first-time condition changes for individuals	2,044
Number of first-time condition changes for corporations	156
Number of new corporate implementations	748
Number of additional individuals/corporations	378

Expected impact of a protracted pandemic and the third wave of COVID-19

Main business	Expected impact
Impact on new loans	• Associated with economic stagnation or contraction, new loans may be stagnant. • As it becomes difficult to examine the property for loan execution, which also makes it difficult to screen the loan, new loans may be stagnant.
Impact on existing loans	• Declines in the price of land and properties may increase actual credit costs. • As borrowers' repayment sources such as rent income and other income may decrease, actual credit costs may increase because of our support for borrowers with relaxation of repayment conditions. • Associated with economic stagnation or contraction, actual credit costs may increase due to worsening corporate earnings.

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