

SURUGA bank, Ltd.

Financial Results for the three months ended June 30, 2021

August 13, 2021

SURUGA bank



Actual Results for 1Q of FY3/22; Comparison with Previous Forecast

- Ordinary income achieved 27.2% of the full-year forecast, gross operating profit 25.9%, and expenses 24.8%.
- Actual credit costs were 3.4 billion yen, representing 21.5% of the full-year forecast.
- Net income (non-consolidated) was 2.5 billion yen, representing 42.0% of the full-year forecast.
- Net income (consolidated) was 2.5 billion yen, representing 36.4% of the full-year forecast.

[Non-consolidated]

	1st Quarter of FY3/22 (i)	Forecast announced on May 14			Progress (i)/(ii)
		First half	Second half	Full year (ii)	
Ordinary income	21.2	39.5	38.5	78.0	27.2%
Gross operating profit (A)	16.6	32.5	31.5	64.0	25.9%
Expenses (B)	10.1	21.0	20.0	41.0	24.8%
Core net operating profit	6.3	11.5	11.5	23.0	27.7%
Ordinary profit	3.3	-2.5	9.5	7.0	48.0%
Net income	2.5	-3.0	9.0	6.0	42.0%

[Consolidated]

(Billions of yen)

1st Quarter of FY3/22 (iii)	Forecast (full year) announced on May 14 (iv)	Progress (iii)/(iv)
23.4	87.0	26.9%

3.4	8.0	43.2%
2.5	7.0	36.4%

Actual credit costs (C)	3.4	14.0	2.0	16.0	21.5%
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RA gross operating profit (A-C)	13.1	18.5	29.5	48.0	27.4%
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OHR (B/A)	61.2%	64%	63%	64%	
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Capital adequacy ratio	12.5%	12.1%		12.5%	
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* RA (Risk Adjusted) Gross Operating Profit = Gross Operating Profit - Actual Credit Costs



Revision of 1st Half-Year Forecast for FY3/22

- Ordinary income increases by 1.5 billion yen to 41.0 billion yen, mainly due to an increase in interest on loans and bills discounted and recoveries of written-off receivables.
- Actual credit costs decreased by 12.0 billion yen to 2.0 billion yen in the first half and remain the same as 16.0 billion yen for the full year (see below), reflecting the recent market environment, borrowers' trend, and precautionary provisions planned at the beginning of the year.
- Given the above factors, net income for the first half of FY3/22 (non-consolidated) is expected to increase by 12.5 billion yen to 9.5 billion yen (return to profitability).
- Net income for the first half of FY3/22 (consolidated) is expected to rise by 12.5 billion yen to 10.0 billion yen (return to profitability).
- The earnings forecast (full year) remains the same as that at the beginning of the fiscal year, because of high uncertainties over the prolonged COVID-19 pandemic and the future economic environment.

[Non-consolidated]

	1st Quarter of FY3/22	Earnings forecast (first half year)		Change (B)-(A)
		Announced on May 14 (A)	Announced on August 13 (B)	
Ordinary income	21.2	39.5	41.0	+1.5
Gross operating profit	16.6	32.5	33.0	+0.5
Expenses	10.1	21.0	20.5	-0.5
Core net operating profit	6.3	11.5	12.5	+1.0
Net operating profit	13.4	20.5	24.5	+4.0
Ordinary profit	3.3	-2.5	11.0	+13.5
Net income	2.5	-3.0	9.5	+12.5
Actual credit costs	3.4	14.0	2.0	-12.0

[Consolidated]

(Billions of yen)

Earnings forecast (first half year)		
Announced on May 14 (C)	Announced on August 13 (D)	Change (D)-(C)
44.0	45.5	+1.5
-2.0	11.5	+13.5
-2.5	10.0	+12.5

<Assumptions underlying the forecast of actual credit costs for the year ending March 2022> 16.0 billion yen for the full year (2.0 billion yen for the first half year)

- Actual credit costs normally arising from investment real estate loans and business loans other than share house loans are assumed to decrease by 2.0 billion yen to 4.0 billion yen, taking into account the decrease in the first quarter results compared to the earnings forecast (at the beginning of the fiscal year).
- The initial forecast remains unchanged, that repayment of share house-related loans would be suspended by the borrowers who wish to make a comprehensive transfer of their loans. <4.0 billion yen for the full fiscal year (including 3.0 billion yen in the first half of the fiscal year)>
- Taking into account the recent real estate market, we raised the estimated price of comprehensive transfer of share house loans receivable that is scheduled to be implemented in the third quarter and later, and assume that reversal of allowance for doubtful accounts will increase by 2.0 billion yen to 15.0 billion yen.
- With regard to the precautionary provision, we have examined the situation of each borrower, and considered reviewing the classification of borrowers and changing the method of provision for doubtful accounts. Taking into account the situation that some borrowers of investment real estate loans other than share house loans are showing a sign of starting organizational negotiations, we assume that the provision will increase by 15.0 billion yen to 34.0 billion yen.
- Reviewing the evaluation standards for real estate collateral, which takes into account the real estate market and the actual sales of loans to loan servicers, we assume that reversal of allowance for doubtful accounts will be 11.0 billion yen in the first half of the fiscal year.

	Earnings forecast (full year)		Change
	Announced on May 14	Announced on August 13	
Actual credit costs	16.0	16.0	±0
Normal credit costs (a)	6.0	4.0	-2.0
Share house-related loans (b)	4.0	4.0	±0
Comprehensive transfer of share house-related loans receivable (c)	-13.0	-15.0	-2.0
Precautionary provisions (d)	19.0	34.0	+15.0
Review of real estate collateral evaluation standards (e)	-	-11.0	-11.0



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

- Actual credit costs of share house-related loans amounted to 1.2 billion yen due to an increase in delinquencies and downgrades of borrowers who suspended their repayment because they wish their loans to be transferred.
- Actual credit costs for investment real estate loans were 1.9 billion yen.
- Coverage ratio of share house-related loans was 96.55%.

Actual credit costs/allowance for doubtful accounts (1st quarter of FY3/22)

(Billions of yen)

Item	Actual credit costs	Allowance for doubtful accounts
Share house-related borrowers	1.2	77.3
Investment real estate loans*	1.9	56.2
Housing loans	-0	4.1
Unsecured loans	0.1	2.6
Business financing, etc.	0.1	8.5
Total	3.4	148.8

* Investment real estate loans: studio apartment loans, single building apartment loans, other secured loans

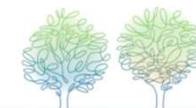
Status of coverage of share house-related loans

	Total credit balance		Mortgage collateral or guarantee	Unsecured portion	Allowance	Coverage ratio (B+D)/A
	A	Share house-related loans				
September 2020	189.1	153.5	71.8	117.3	106.5	94.31%
March 2021	135.7	107.2	52.5	83.1	76.7	95.24%
June 2021	133.9	106.0	51.9	81.9	77.3	96.55%

* Based on obligors of share house-related loans.

* Secured amount: Estimated amount, calculated by multiplying the secured amount covered with mortgage collateral, etc. by a certain ratio.

* Total credit balance, share house loans: Loans and bills discounted, suspense payments equivalent to loans and bills discounted, and accrued interest on loans and bills discounted.



■ Outstanding Balance, Yield, and Delinquency Rate by Loan Category <Non-consolidated>

- The medium-term management plan set forth the promotion of consumer loans and corporate loans for property investment. The yield on these total loans was 3.61%.
- The rise in the delinquency rate of consumer loans (48 basis point increase from the end of March 2021) was mainly due to an increase in the number of delinquent borrowers of share house-related loans, who suspended their repayment because they wished their loans to be transferred.
(The delinquency rate of the whole consumer loans was pushed up in part by delinquent borrowers of share house loans who were also delinquent on other loans)
- The delinquency rate of the whole consumer loans excluding share house-related loans was 2.10%, decreasing from the end of March 2021.

(Billions of yen)

Loan category	March 2021			June 2021		
	Period-end balance	Yield	Delinquency rate	Period-end balance	Yield	Delinquency rate
Secured loans	1,905.4	3.08%	4.93%	1,863.0	3.07%	5.44%
Housing loans	497.9	2.83%	0.27%	486.3	2.83%	0.27%
Studio apartment loans	167.8	3.39%	1.58%	161.3	3.39%	1.51%
Single building apartment loans	1,096.0	3.24%	3.50%	1,073.7	3.24%	3.46%
Share house loans	107.1	1.40%	49.06%	105.9	1.40%	58.12%
Other secured loans	36.4	4.73%	0.58%	35.7	4.70%	0.56%
Unsecured loans	170.0	10.32%	2.17%	162.8	10.35%	2.30%
Card loans	112.8	11.69%	0.82%	108.2	11.73%	0.81%
Unsecured certificate loans	57.1	7.63%	4.83%	54.5	7.62%	5.27%
Consumer loans (A)	2,075.5	3.66%	4.71%	20,25.9	3.65%	5.19%
Consumer loans (excluding share house-related loans)	1,939.8		2.14%	18,91.9		2.10%
Corporate loans for property investment (B)	48.6	2.18%	-	58.5	2.23%	-
Loans for asset management companies	15.1	1.95%	-	17.9	1.92%	-
Structured finance, etc.	33.5	2.28%	-	40.6	2.37%	-
Total <(A) plus (B)>	2,124.1	3.63%	4.60%	2,084.4	3.61%	5.05%

* Delinquency rate = Loans past due for three months or more / loan balance, * Yield: Yield for customers (excluding guarantee fee and accrued interest), period-end balance basis

* Yield and delinquency rate of the total (A)+(B) of studio apartment loans, secured loans, and consumer loans are calculated based on original claims before securitization.

* As the balance is aggregated by loan type, if borrowers of share house loans default on scheduled repayment, the delinquency rate of other types of loans will be affected.



■ New Loan Disbursements

- The Bank disbursed loans of 19.4 billion yen, which is the same level as the initial plan, against the target of 120.0 billion yen of new loan disbursements for the full fiscal year ending March 2022.
- Amid the prolonged COVID-19 pandemic, we worked to support customers who were affected by the pandemic, and achieved higher results than the same period of the previous year through our sales activities coexisting with COVID-19, including remote devices.
- Although the sense of stagnation and uncertainty caused by the COVID-19 pandemic cannot be wiped out, the Bank will continue to promote loans as set forth in its medium-term management plan.

• Changes in loan disbursements promoted under the medium-term management plan (Billions of yen)

	1st Quarter of FY3/21	1st Quarter of FY3/22	Year-on-year change
Consumer loans	3.8	7.2	+3.4
Asset management company loans for property investment	1.1	2.8	+1.7
Subtotal	4.9	10.1	+5.2
Structured Finance	2.1	9.3	+7.2
Total	7.0	19.4	+12.4

Reference Materials

Actual Results for the Three Months Ended June 30, 2021 Year-on-Year



<Non-consolidated>

(Billions of yen)

	1st Quarter of FY3/21	1st Quarter of FY3/22	Year-on-year change
Gross operating profit	18.3	16.6	-1.7
Expenses	10.4	10.1	-0.2
Core net operating profit	7.9	6.3	-1.5
Net operating profit	12.6	13.4	+0.8
Ordinary profit	0.5	3.3	+2.7
Net income	0.2	2.5	+2.2

Actual credit costs	7.3	3.4	-3.9
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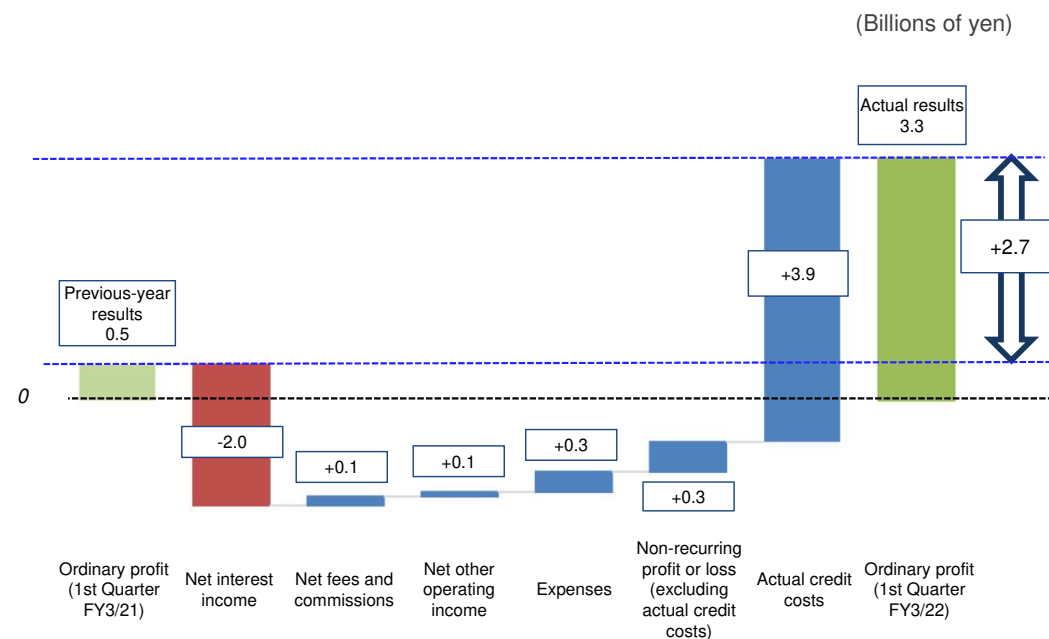
ROE (%) (Net income basis)	0.4%	3.9%	+3.4%
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Consolidated net income	0.5	2.5	+2.0
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Earnings per share (consolidated)	0.21	1.1	+0.88
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Factors contributing to changes in ordinary profit (year-on-year)

	Main factors
Net interest income	<ul style="list-style-type: none"> Decline in interest on loans (Average balance factors (-1.4 billion yen), yield factors (-0.4 billion yen))
Expenses	<ul style="list-style-type: none"> Decrease in non-personnel expenses
Actual credit costs	<ul style="list-style-type: none"> Decrease in provision of general provision of allowance for doubtful accounts Increase in recoveries of written-off receivables

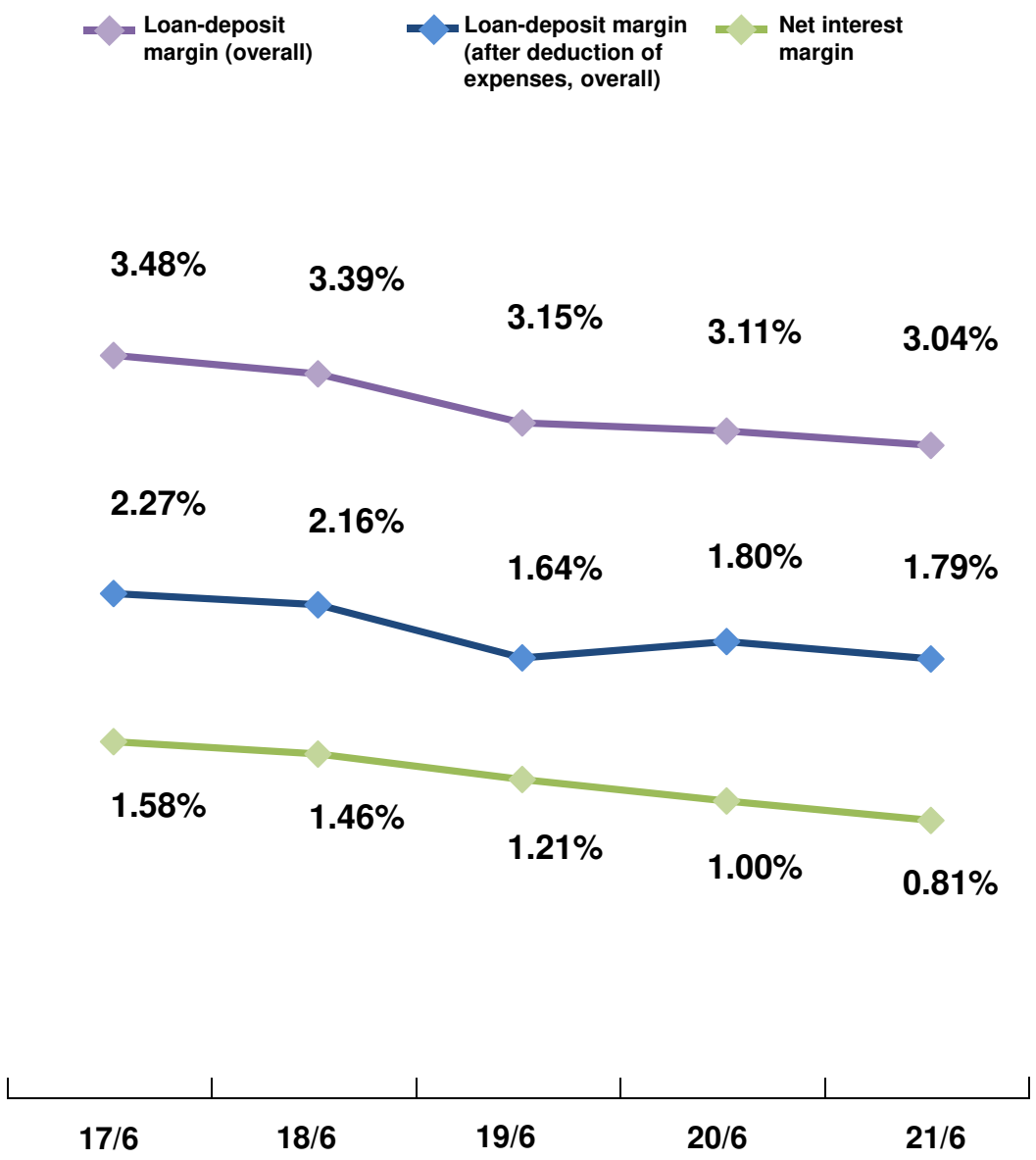


* Figures in the graph above are rounded to the nearest unit, so they may differ from the figures in the table on the left.

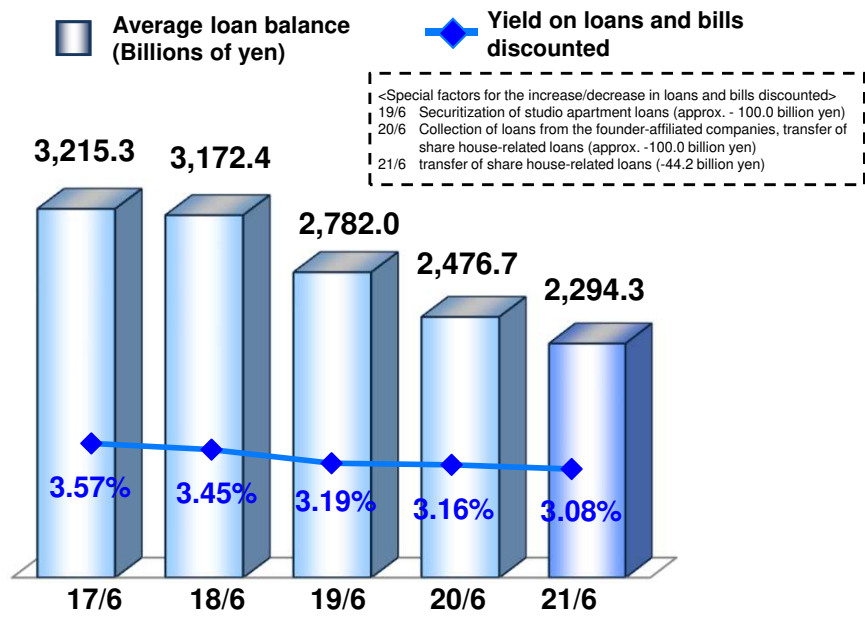


Yield/Margins <Non-consolidated>

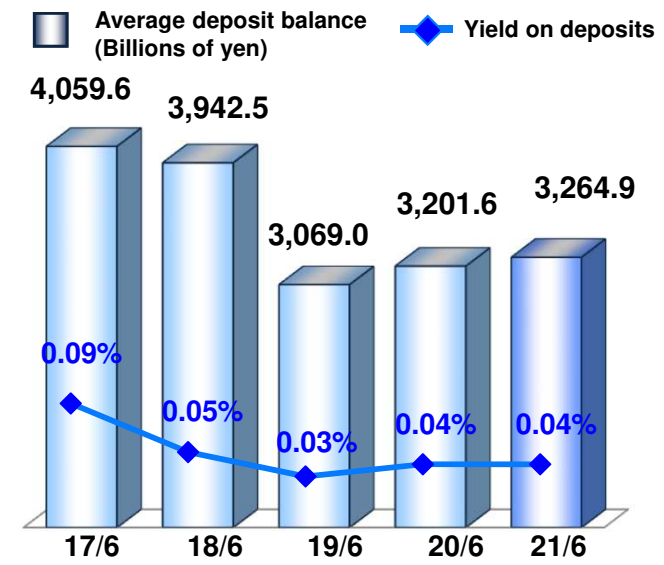
Net interest margin (overall)



Loans (Average balance / Yield)



Deposits (Average balance / Yield)



Trends in Expenses, OHR, and Capital



Trends in Expenses & OHR <Non-consolidated>

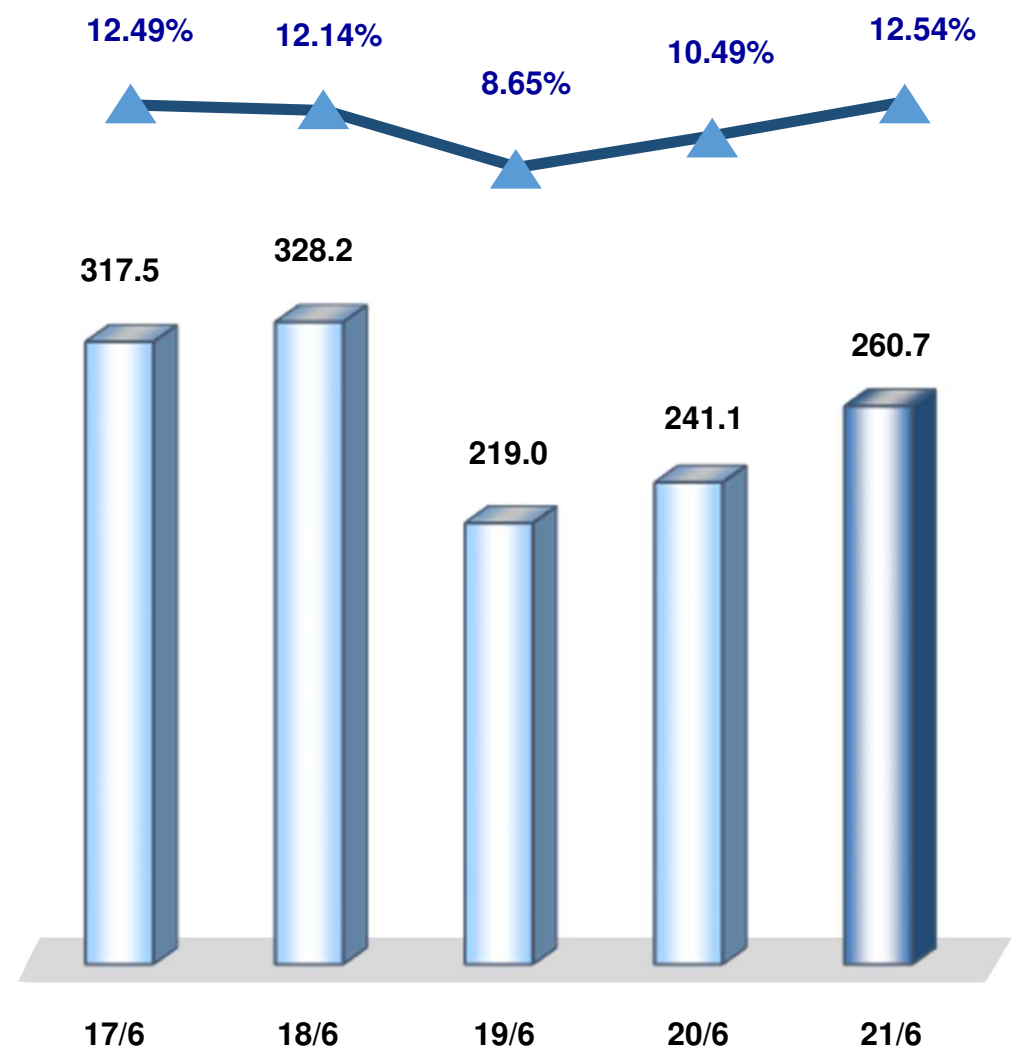
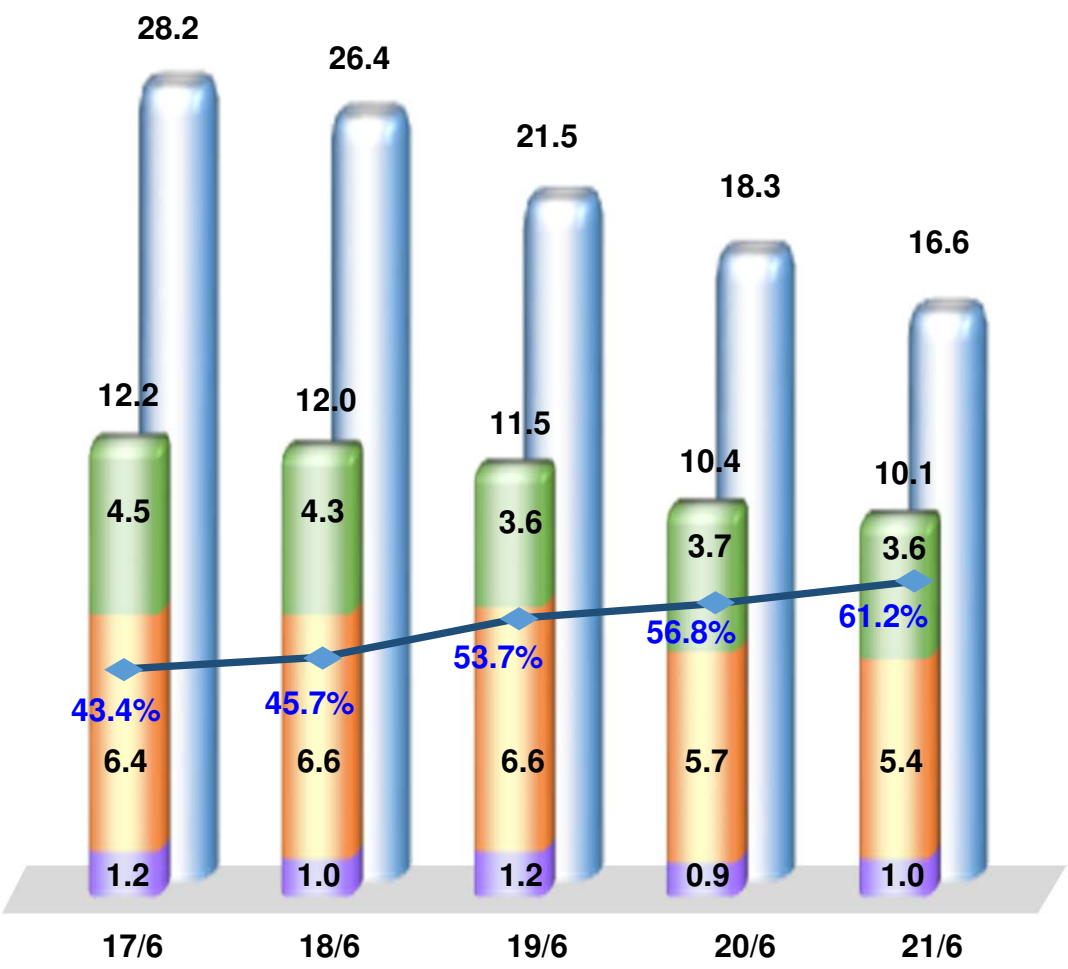
Trends in Capital & Capital Adequacy Ratio <Non-consolidated>

■ Gross operating profit
 ■ Personnel expenses
 ■ Non-personnel expenses
 ■ Taxes
 ◆ OHR

■ Own capital
 ▲ Capital adequacy ratio

(Billions of yen)

(Billions of yen)





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