Frequently Asked Questions

SHIZUOKA BANK

Below are the main frequently asked questions received by the Bank since the financial results briefing on May 9, 2018.

Q1	**How do you currently approach apartment loans and loans for asset building?**
A1	We have appropriately assessed credibility of those loans by reviewing not only the repayment capability of borrowers but also operating risk including the profitability of lease properties based on factors such as vacancy risk and downside risks to rents. We have taken a cautious approach in apartment loans, so there has been no remarkable growth in the lending balance. The apartment loans portfolio remains sound, with our assessments indicating an occupancy rate of over 90%. The delinquency rate on apartment loans remains low. In loans for asset building, we support customers that intend to build their investment portfolios by acquiring income-generating properties and other assets. Customer profiles are good, as the products are premised on ongoing support for asset building after financing and are targeted at individuals with high annual incomes and other attributes suited to investment in financial assets. In addition, the amount of financing provided per property is small, resulting in a diversified portfolio of small-amount loans. As with apartment loans, the quality of the loans portfolio remains sound, with no delinquency (3 months or longer) at the end of Mar. 2018.

Q2	**How is the progress of reconstructing the securities portfolio?**
A2	We have taken a cautious approach in reconstructing the portfolio amid rise of interest rates in the US. We have steadily increased the balance of investment securities without a significant increase in unrealized losses through flexible operations in line with market trends, and intend to continue a cautious approach by paying attention to the market condition.

Q3	**What is your outlook for expenses, including expenses related with systems?**
A3	We expect expenses related with systems to start declining from a peak in FY2020, the year the Next Generation System starts running. We will control costs after transition to the new system, aiming to bring costs below 10 billion yen in five years after the peak. In FY2017, we recorded total expenses of 82.2 billion yen, lower than our Medium-term Business Plan forecast of 85.0 billion yen. For FY2018, we aim to curb expenses further, targeting a reduction of 2.9 billion yen compared to our Medium-term Business Plan to 81.6 billion yen. We have estimated additional costs of approximately 2 billion yen, as the startup of the Core system has been pushed back from Jan. 2019 to sometime during FY2020. However, we expect to fully offset the increase in depreciation expenses (+0.4 billion yen per year over five years) through ongoing measures to reduce expenses.

SHIZU-GIN