Frequently Asked Questions

SHIZUOKA BANK

Below are the main frequently asked questions received by the Bank since the financial results briefing on May 11, 2020.

Q1	**To what extent did you incorporate COVID-19 effect in projected performance in FY2020? (effect on credit related cost and top line)**
A1	Assuming that expectation of COVID-19 effect to be settled will be widespread by the end of Jun. and that things will gradually recover after Jul., we estimate credit related cost in FY2020 to be JPY 13.0bn in the projected performance. More specifically, considering various aspects such as factors of individual companies whose credit ratings are estimated to fall and effect of some industries with concern for worsening earnings, we add JPY 7.0bn to credit related cost in normal situation of JPY 6.0bn (approx. 0.05% of credit related cost ratio). For further information, if COVID-19 effect continues until the end of Sep., further increase of approx. JPY 0.5bn in credit related cost is estimated. As for effect on top line, there are both positive and negative effects, and currently we do not incorporate them in the projected performance.

Q2	**What do you think about the balance among increase in risk asset due to support customers' cash position, share buyback, and investment for growth?**
A2	Growth rate of loan balance in FY2020 is estimated to be approx. 4.4% due to support of customers' cash position. While that leads to increase in risk asset, effect on capital adequacy ratio is limited and we will maintain CET1 ratio of 15%. Our focus is on "dividend", "support of cash position in order to save local economy", and "investment for future", and share buyback is next to them. We will flexibly conduct share buyback in consciousness of "50% or higher in medium and long term on consolidated basis" in the 14th Medium-term Business Plan.

Q3	**Change due to COVID-19 effect in profit plan through basic strategies in the 14th Medium-term Business Plan**
A3	Effort to support the region is practice of the 14th Medium-term Business Plan itself, and that does not drastically change even with COVID-19 effect. We assume some negative effect such as increase in credit related cost, decline in performance of securities investment, and postponement of economic activities including M&A deals. On the other hand, we also assume some positive aspects including expectation that presence of region will be reassessed due to risk of concentration of all aspects of Japan in metropolitan area, and opportunities to make the most of our capital capacity (risk tolerance).

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Q4	**Current situation of loan application including housing loan**
A4	We extended housing loans of JPY 17.4bn in Apr., increasing by JPY 2.1bn compared to Apr. in 2019. Annual growth rate is estimated to be approx. 4.3%. For corporate customers, we extended 2,118 new loans of JPY 96.1bn (loans without guaranty by Credit Guarantee Corporations are JPY 38.9bn, loans with it are JPY 57.2bn, the ratio between the two is 4 :6) by May 15^{th}. Total of these new loans and use of 218 existing credit facilities of JPY 48.4bn results in 2,336 loans of JPY 144.4bn.

Q5	**Situation of decline in credit rating and bankruptcy of corporate customers**
A5	Credit related cost in Apr. was JPY 156mil. 14 customers went bankruptcy, and total credit to them was approx. JPY 0.9bn. In Apr. 2019, 10 customers went bankruptcy and total credit to them was approx. JPY 1.3bn, showing that credit amount decreased while number of customers increase. Bankruptcy of 3 customers out of the 14 is due to COVID-19 effect. While PD in Apr. 2020 of 0.95% is higher than historical average after collapse of Lehman Brothers, over 90% of customers in default are small-sized. As credit amount to them is small and much of it is covered by guaranty, we think that rise in PD does not directly lead to increase in credit related cost.

Q6	**Is there possibility that COVID-19 effect results in delay of start of Next Generation system?** **What will Next Generation System enable you to newly do?**
A6	Development of Next Generation System is going as planned even with COVID-19 effect, and currently the plan to start the system in Jan. 2021 does not change. Next Generation System will enable speedup of cross industry collaboration, higher efficiency in front section, and higher efficiency of operation in the whole Group due to use of group cloud.

Q7	**Are there any areas where you can expect decrease in expense other than system-related expense?**
A7	COVID-19 effect will change what branches should be. We conducted sales structure reform, whose target is to optimize branch network and to provide homogenous services through integration of human resources, in 16 Areas out of 37 Areas (approx. 40%) in the 13^{th} Medium-term Business Plan, and we are planning to conduct it in 80% of Areas in the 14^{th} Medium-term Business Plan. In addition, we are also considering to rent branches to others and to co-manage branches with other financial institutions. Besides, we are planning to decrease ATMs by 12% in FY2020. This will result in total decrease in ATMs by 20% for 3 years since FY2018.