

# 2016

## INTERIM REPORT

Six months ended September 30, 2016



# MANAGEMENT PRINCIPLES

- To become a banking Group that is sought out by customers, and contributes to the development of both domestic and international industrial economies, while maintaining stable profitability.
- To become a banking Group that values diverse talents and cultures and is constantly taking on new challenges presented by change, based on its experiences and history.
- To become a banking Group that strives for highly transparent management and values that is trusted by all stakeholders including customers, investors, and employees.

## CONTENTS

PAGE

2

### About the Shinsei Bank Group

Introduction to the Businesses of the Shinsei Bank Group	2
The Network of Shinsei Bank	3
Consolidated Financial Highlights	4

PAGE

6

### Strategies for Increasing Corporate Value

To Our Shareholders, Customers and Employees	6
Overview of the Third Medium-Term Management Plan	8



Individual Business 14



Institutional Business 15



Global Markets Business 16



To Our Shareholders, Customers and Employees 6

PAGE  
9

## Creating Value Through Our Businesses

At a Glance	10
Segment Data	10
Explanations of Major Businesses	12
Individual Business	14
Institutional Business	15
Global Markets Business	16
Status of Regional Revitalization and SME Management Improvement Initiatives	17
Glossary	18

PAGE  
20

## Strategies Supporting Corporate Value

Directors and Executives of the Bank	20
Organizational Structure	21
Major Events in FY2016	22

PAGE  
23

## Data Section

### Forward-Looking Statements

This interim report contains statements that constitute forward-looking statements. These statements appear in a number of places in this interim report and include statements regarding our intent, belief or current expectations, and/or the current belief or current expectations of our officers with respect to the results of our operations and the financial condition of the Bank and its subsidiaries. Such statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Our forward-looking statements are not a guarantee of future performance and involve risks and uncertainties. Actual results may differ from those in such forward-looking statements as a result of various factors.

# INTRODUCTION TO THE BUSINESSES OF THE SHINSEI BANK GROUP

As of December 1, 2016

About the Shinsei Bank Group  
Introduction to the Businesses of the Shinsei Bank Group

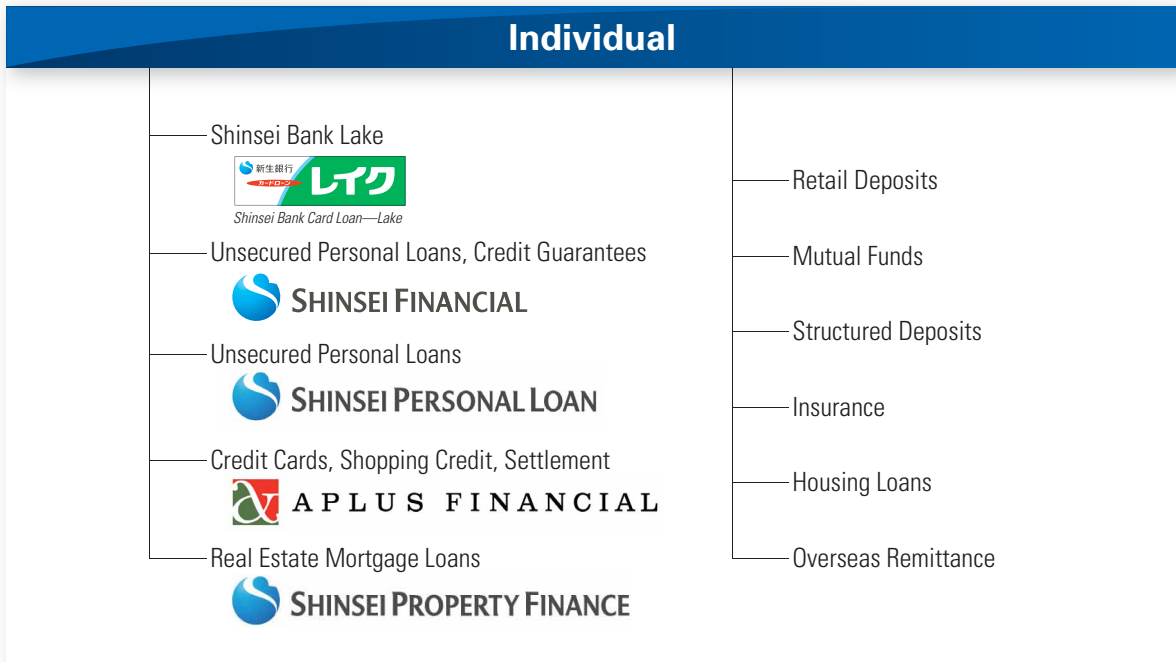
Strategies for Increasing Corporate Value

Creating Value Through Our Businesses

Strategies Supporting Corporate Value

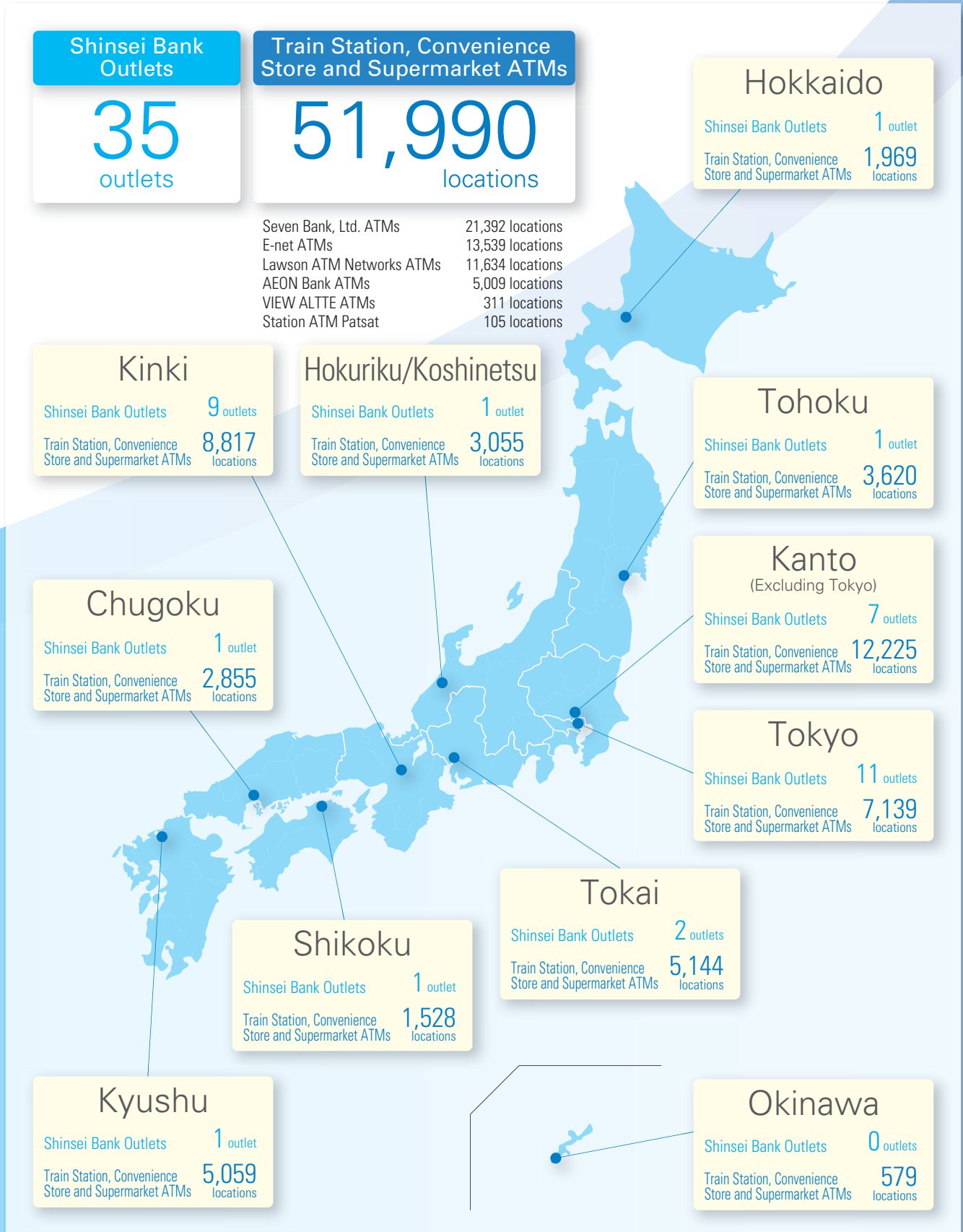
Data Section

## SHINSEI BANK GROUP



# THE NETWORK OF SHINSEI BANK

As of November 30, 2016



# CONSOLIDATED FINANCIAL HIGHLIGHTS

Shinsei Bank, Limited, and its Consolidated Subsidiaries

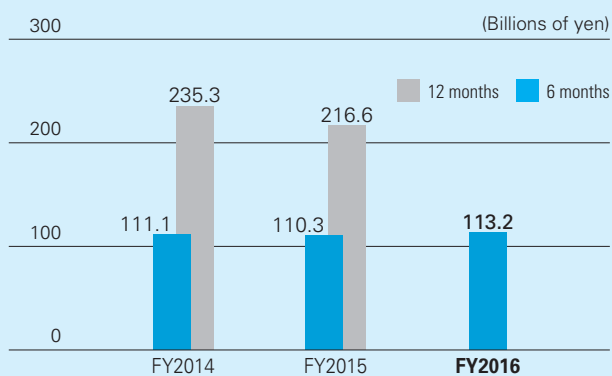
Six months ended September 30, 2014, 2015 and 2016, and years ended March 31, 2015 and 2016<sup>1</sup>

	Billions of yen				
	September 30 (6 months)			March 31 (12 months)	
	2014	2015	2016	2015	2016
<b>For the fiscal year:</b>					
Net interest income	¥ 60.5	¥ 61.0	¥ <b>60.4</b>	¥ 126.4	¥ 122.3
Noninterest income	50.5	49.3	<b>52.7</b>	108.8	94.2
Net fees and commissions	10.8	13.1	<b>12.9</b>	24.6	25.4
Net trading income	5.4	5.1	<b>4.8</b>	11.5	8.4
Net other business income	34.1	31.0	<b>34.9</b>	72.6	60.3
Total revenue	111.1	110.3	<b>113.2</b>	235.3	216.6
General and administrative expenses	71.1	70.1	<b>72.8</b>	144.2	141.3
Ordinary business profit	35.3	36.3	<b>37.3</b>	82.4	67.8
Net credit costs	5.0	(1.2)	<b>14.7</b>	11.8	3.7
Ordinary business profit after net credit costs	30.3	37.6	<b>22.6</b>	70.5	64.0
Profit attributable to owners of the parent	28.9	37.4	<b>24.9</b>	67.8	60.9

<sup>1</sup> Since all yen figures have been truncated rather than rounded, the totals do not necessarily equal the sum of the individual amounts.

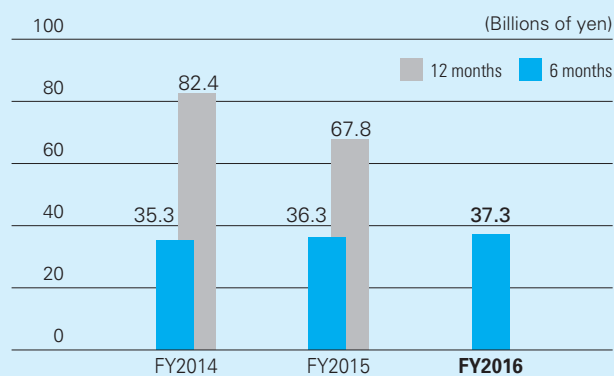
## Total revenue

Total revenue—the indicator of gross profit—is composed of “Net interest income,” such as interest from loans, and “Noninterest income,” such as fees from the sales of investment products.



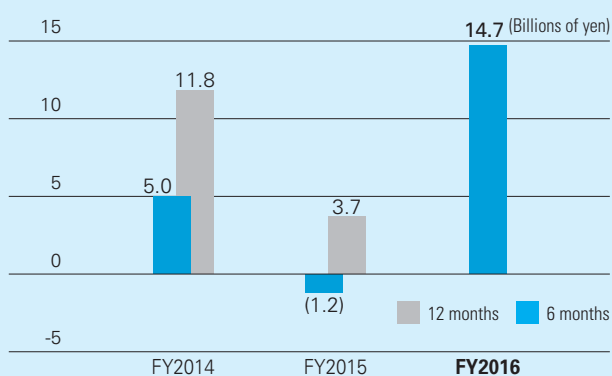
## Ordinary business profit

Ordinary business profit—the indicator of profit (loss) from core business after expenses—is calculated by subtracting “expenses” from “total revenue.” “Net credit costs” are excluded from this calculation.



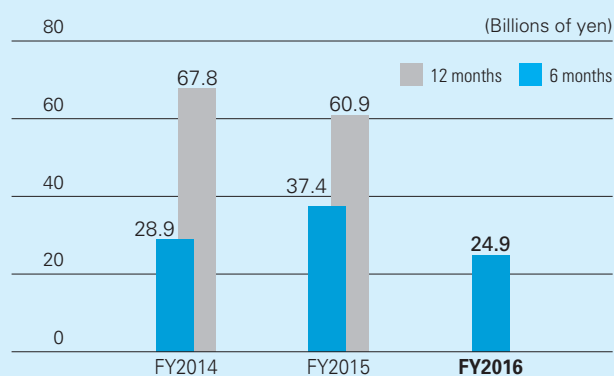
## Net credit costs

Net credit costs are the sum of reserves for loan losses provisioned (credit costs) according to the credit standing of borrowers, reversal (gains) of reserves for loan losses and recoveries of written-off claims resulting from their disposal.



## Profit attributable to owners of the parent

Profit attributable to owners of the parent represents the accounting basis bottom-line profit for the relevant interim period (fiscal year).



	Billions of yen				
	As of September 30			As of March 31	
	2014	2015	2016	2015	2016
<b>Balance sheet:</b>					
Securities	¥ 1,621.3	¥ 1,283.6	¥ <b>1,028.6</b>	¥ 1,477.3	¥ 1,227.8
Loans and bills discounted	4,338.6	4,463.2	<b>4,611.3</b>	4,461.2	4,562.9
Total assets	9,190.1	8,999.2	<b>8,997.1</b>	8,889.8	8,928.7
Deposits, including negotiable certificates of deposit	5,611.0	5,489.4	<b>5,785.7</b>	5,452.7	5,800.9
Total liabilities	8,483.9	8,223.9	<b>8,206.9</b>	8,136.0	8,135.6
Total equity	706.2	775.3	<b>790.2</b>	753.7	793.1
Total liabilities and equity	9,190.1	8,999.2	<b>8,997.1</b>	8,889.8	8,928.7

	Yen				
	September 30 (6 months)			March 31 (12 months)	
	2014	2015	2016	2015	2016
<b>Per share data:</b>					
Common equity	¥ 257.94	¥ 287.49	¥ <b>303.96</b>	¥ 275.45	¥ 294.41
Fully diluted equity <sup>2</sup>	257.94	287.49	<b>303.94</b>	275.45	294.41
Basic profit	10.90	14.11	<b>9.51</b>	25.57	22.96
Diluted profit	10.90	14.11	<b>9.50</b>	25.57	22.96
Dividends	—	—	—	1.00	1.00

	%				
	September 30 (6 months)			March 31 (12 months)	
	2014	2015	2016	2015	2016
<b>Ratios:</b>					
Return on assets <sup>3</sup>	0.6	0.8	<b>0.6</b>	0.7	0.7
Return on equity (fully diluted) <sup>4</sup>	8.6	10.0	<b>6.3</b>	9.8	8.1
Expense-to-revenue ratio	64.0	63.5	<b>64.4</b>	61.3	65.3
Consolidated capital adequacy ratio (Basel III, Domestic standard)	13.81	14.26	<b>14.09</b>	14.86	14.20
Ratio of nonperforming claims classified under the Financial Revitalization Law to total claims	2.61	0.83	<b>0.78</b>	1.42	0.79

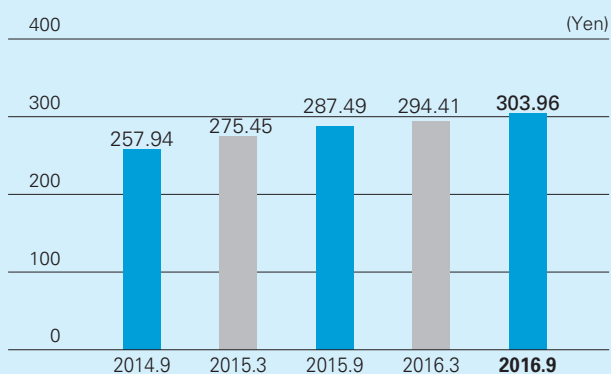
2 Fully diluted equity per share is calculated by dividing equity at the end of the periods presented by the number of common shares that would have been outstanding had all securities convertible into or exercisable for common shares been converted or exercised with an applicable conversion or exercise price within the predetermined range at the end of the period.

3 Return on assets is calculated by dividing profit (loss) attributable to owners of the parent by the average of total assets at the beginning and end of the period presented.

4 Return on equity (fully diluted) is calculated by dividing profit (loss) attributable to owners of the parent by the average of fully diluted equity at the beginning and end of the period presented.

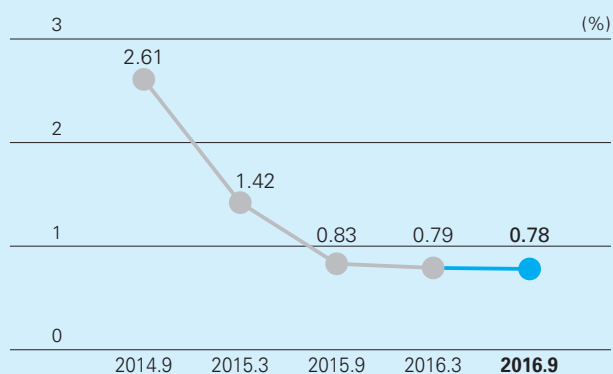
#### Common equity per share

Common equity per share is calculated by dividing common equity by the total number of common shares outstanding at the end of the period.



#### Nonperforming loan ratio under the Financial Revitalization Law

The Nonperforming loan ratio is the ratio of nonperforming claims, categorized as "Claims against bankrupt and quasi-bankrupt obligors," "Doubtful claims" and "Substandard claims," to total claims under the Financial Revitalization Law.



# TO OUR SHAREHOLDERS, CUSTOMERS AND EMPLOYEES



About the Shinsei Bank Group

Strategies for Increasing Corporate Value  
To Our Shareholders, Customers and Employees

Creating Value Through Our Businesses

Strategies Supporting Corporate Value

Data Section

**Hideyuki Kudo**  
President and Chief Executive Officer



Through the pursuit of our “medium- to long-term vision” we created in 2016, Shinsei Bank is currently engaging in efforts to establish itself as a unique presence within the Japanese financial services industry through the customer-centric integration of the customer bases and financial functions of the Shinsei Bank Group companies. In addition, through the development and provision of cutting edge products and services as well as achieving unprecedented levels of productivity and efficiency through the undertaking of improvements and reforms on a Group-wide basis.

In keeping with this vision, within the Third Medium-Term Management Plan that was started in fiscal year 2016, the Shinsei Bank Group has undertaken a “selection and concentration” approach that proactively allocates management resources to areas with market growth potential and in which the Group possesses competitive strengths. In the first half of fiscal year 2016, in unsecured personal loans, a growth area in the Individual Business, we have seen improvements in both the number of new customer acquisitions and the approval rate of Shinsei Bank Card Loan—Lake in comparison to the previous second half and our operating asset balance has grown steadily. In structured finance, a growth area in the Institutional Business, while our overall operating asset balance has declined as a result of fluctuations in foreign exchange rates, early repayments of some existing assets and our dynamic efforts in distributing a portion of related assets, we have also successfully accumulated high quality operating assets through continued efforts in our unique and diversified real estate finance business as well as collaborative efforts in renewable energy project financing together with overseas sponsors and regional financial institutions. In the strategic initiative areas of settlements and SME and small business solutions, the Group has commenced the provision of settlement agent services in Japan for WeChat Pay, a China-based mobile payment service, through APLUS FINANCIAL, in addition to having launched a vendor leasing service which integrates the capabilities of APLUS FINANCIAL and Showa Leasing. With these steps and others, the Shinsei Bank Group is intensifying its efforts to successfully integrate its Group companies in a manner which fully utilizes our customer bases, financial functions and services.

Regarding the Bank’s business performance in the first half of fiscal year 2016, consolidated net income totaled ¥24.9 billion, a ¥12.5 billion year-on-year decline which was primarily the result of the non-recurrence of the major credit recoveries which were recorded in the Institutional Business in the previous first half. At the same time, our progression toward our fiscal year 2016 full year net income forecast of ¥52.0 billion stood at 48%. While we observed reductions in our markets related revenues, including those related to the sale of asset management products in our Individual Business, due to the market turmoil caused by the introduction of the Bank of Japan’s negative interest rate policy, our core businesses, including the growth areas of unsecured personal loans and structured finance, exhibited resiliency and strength, and due in part to an increase in gains recorded on the sale of Japanese Government bonds in Treasury operations, we recorded an interim net income which is largely in line with our plan.

In regard to the financial strength of our Bank, our consolidated core capital adequacy ratio as of September 30, 2016, was 14.09%, and continues to be maintained at a level which is adequate, and our nonperforming loan ratio remains low at 0.78% as a result of our continued commitment to sound risk management.

Looking forward to the second half of fiscal year 2016, while the recording of revenues in our Treasury operations of a similar magnitude as those which were recorded in the first half will be challenging and the susceptibility of our markets related business to future changes in market trends and customer sentiment remains a concern, a recovery, albeit slight, has recently been observed in the sale of asset management products, and we are undertaking various actions in our businesses in order to achieve our full year net income target.

Please be assured that both the management and employees of the Shinsei Bank Group are firmly committed meeting the expectations of all of our stakeholders.

We hope to enjoy your continued support and guidance in the future.

December 2016



Hideyuki Kudo  
President and Chief Executive Officer

# OVERVIEW OF THE THIRD MEDIUM-TERM MANAGEMENT PLAN

(FY2016–FY2018)

## Basic Strategy

In line with the Medium- to Long-Term Vision outlined below, the Bank has established its Third Medium-Term Management Plan (hereafter, the Third MTMP), which is to be implemented over the three years from fiscal year 2016 through fiscal year 2018.

### Medium- to Long-Term Vision

1. To be a financial innovator that provides innovative financial services made possible through the integration of its Group companies.
2. To be a financial group that achieves outstanding productivity and efficiency by making constant improvements and reforms to realize lean operations.
3. To be a financial group which, in addition to rewarding its stakeholders, is unified by the core values born from the confidence, sense of fulfillment and the pride created by the achievement of the first two goals of the Group vision.

### Overall Strategy

#### “Selection and Concentration” of Businesses/Creation of Value through Group Integration

- **Growth Areas**  
Areas with high profit/growth expectations in which the Bank holds competitive advantages
- **Stable Revenue Areas**  
Areas in which the Bank will stably and selectively engage in without being involved excessive competition
- **Strategic Initiative Areas**  
Areas which are expected to deliver future growth and in which the Bank looks to create customer value through groundbreaking innovations
- **Curtailment Areas**  
Areas in which the Shinsei Bank Group holds little expertise or the market is expected to shrink

#### Group Management Infrastructure: Achieve Responsive, Flexible Business Management and Lean Operations throughout the Bank Group

- Flexible and proactive reallocation/optimal use of Group management resources based upon business environment changes and plan progression
- Business management framework which enables maximum realization of organization and employee latent potential whilst eliminating waste and overextension
- Robust Group governance through unified Group management and enhancement of horizontal business functions

## Financial Plan

- The Third MTMP is focused on the growth of stable profit sources. We are aiming for ¥64.0 billion in profit attributable to owners of the parent in the plan's final year (FY2018).
- We also are emphasizing more efficient operations, with an expense-to-revenue ratio target of below 60%.
- Capital policy is another important issue for the Bank's management. As a recipient of public funds, Shinsei Bank continues to emphasize the accumulation of internal reserves so that it can identify the path of the repayment of public funds and improve shareholder returns.
- We also plan to consider appropriate targets for ROE and the Common Equity Tier 1 Capital (CET1) Ratio.

		FY2018 Plan
Sustainability	Net Income	64.0 billion yen
	RORA <sup>1,2</sup>	Around 1%
Efficiency	Expense-to-Revenue Ratio	Below 60%

<sup>1</sup> RORA is calculated as net income divided by fiscal year end risk assets  
<sup>2</sup> Basel III international standard fully loaded basis

# Creating Value Through Our Businesses

At a Glance	10
Segment Data	10
Explanations of Major Businesses	12
Individual Business	14
Institutional Business	15
Global Markets Business	16
Status of Regional Revitalization and SME Management Improvement Initiatives	17
Glossary	18

# AT A GLANCE

## Segment Data

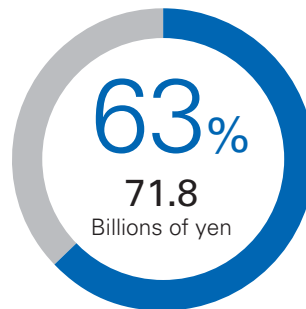
### INDIVIDUAL BUSINESS

#### Major Business

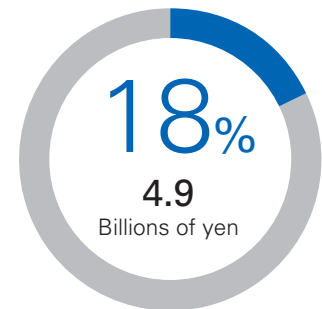
- Retail Banking
  - Deposit related products (saving deposits, time deposits, structured deposits, foreign currency deposits)
  - Asset management (consultation, mutual funds, annuity products)
  - Housing loans
- Consumer Finance
  - Unsecured personal loans (Shinsei Bank, Shinsei Financial, NOLOAN)
  - Installment sales credit, settlement, credit cards (APLUS FINANCIAL)
  - Credit Guarantees (Shinsei Financial, APLUS FINANCIAL)

#### Contribution<sup>1</sup>

##### Total Revenue



##### Ordinary Business Profit after Net Credit Costs



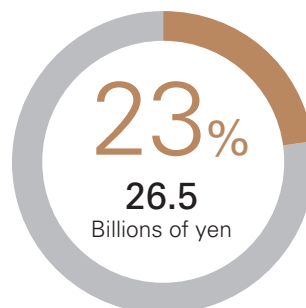
### INSTITUTIONAL BUSINESS

#### Major Business

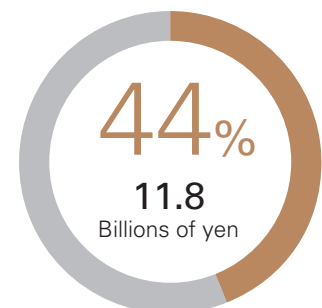
- Corporate, Financial Institutions & Public Sector Finance
- Healthcare Finance
- Real Estate Finance
- Project Finance
- Specialty Finance
- Business Succession Finance
- Credit Trading
- Private Equity
- Advisory Services
- Leasing (Showa Leasing)
- Trust operations (Shinsei Trust & Banking)

#### Contribution<sup>1</sup>

##### Total Revenue



##### Ordinary Business Profit after Net Credit Costs



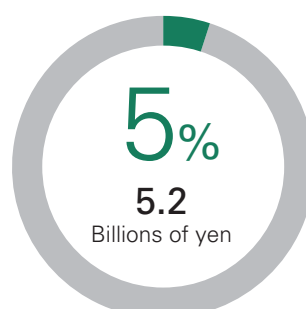
### GLOBAL MARKETS BUSINESS

#### Major Business

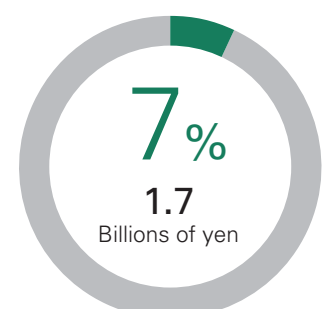
- Markets Business
- Asset Management
- Wealth Management
- Securitization (Shinsei Securities)

#### Contribution<sup>1</sup>

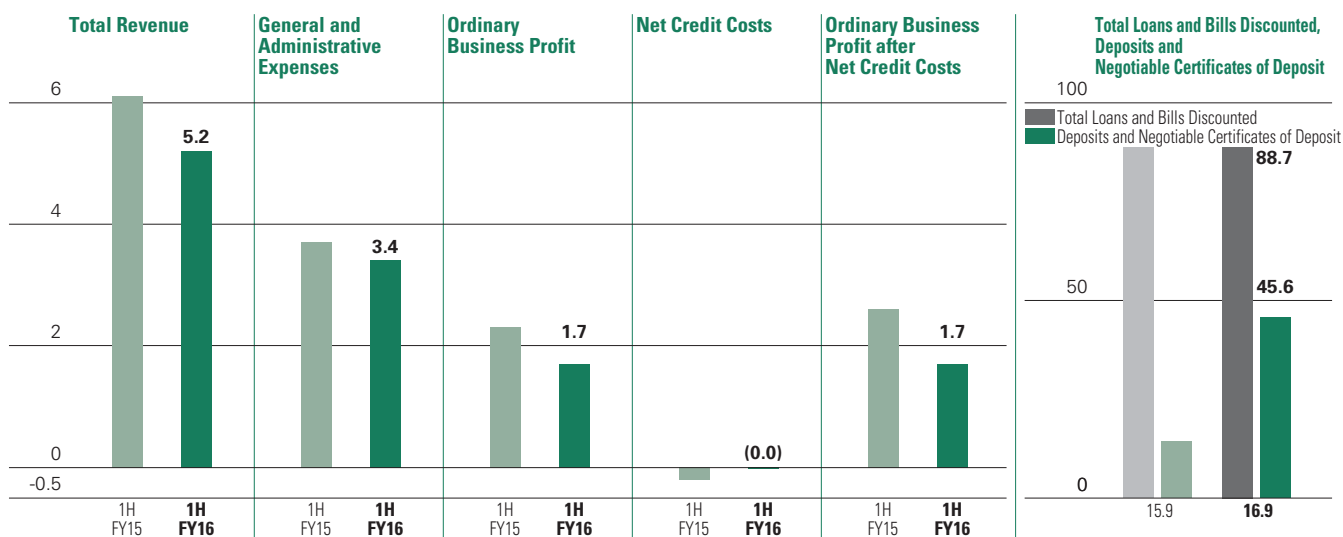
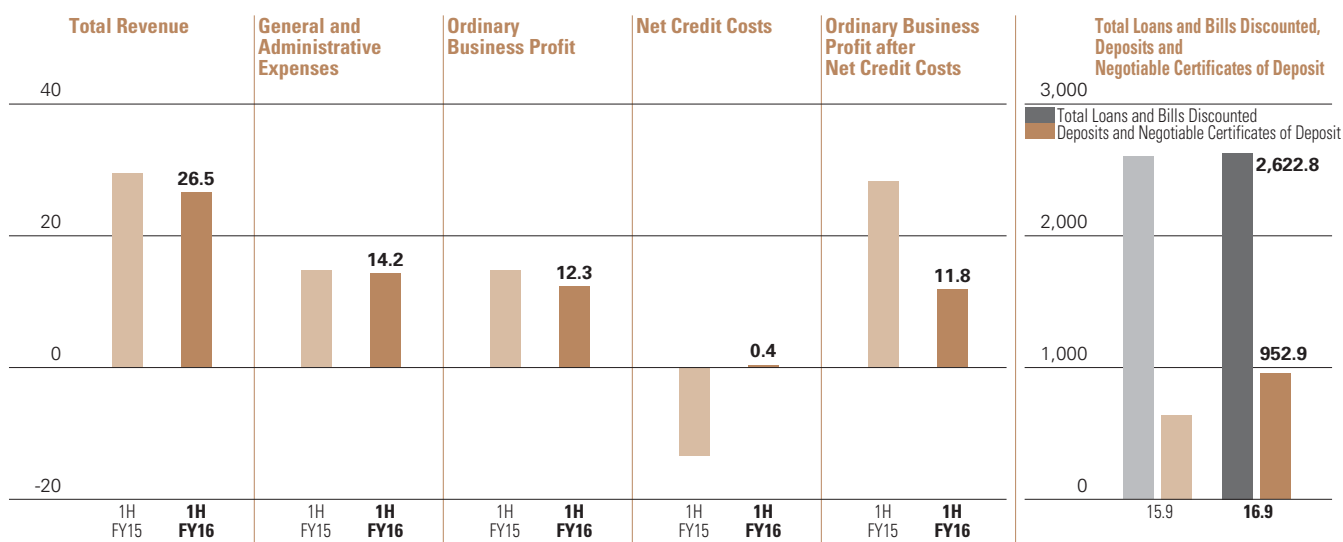
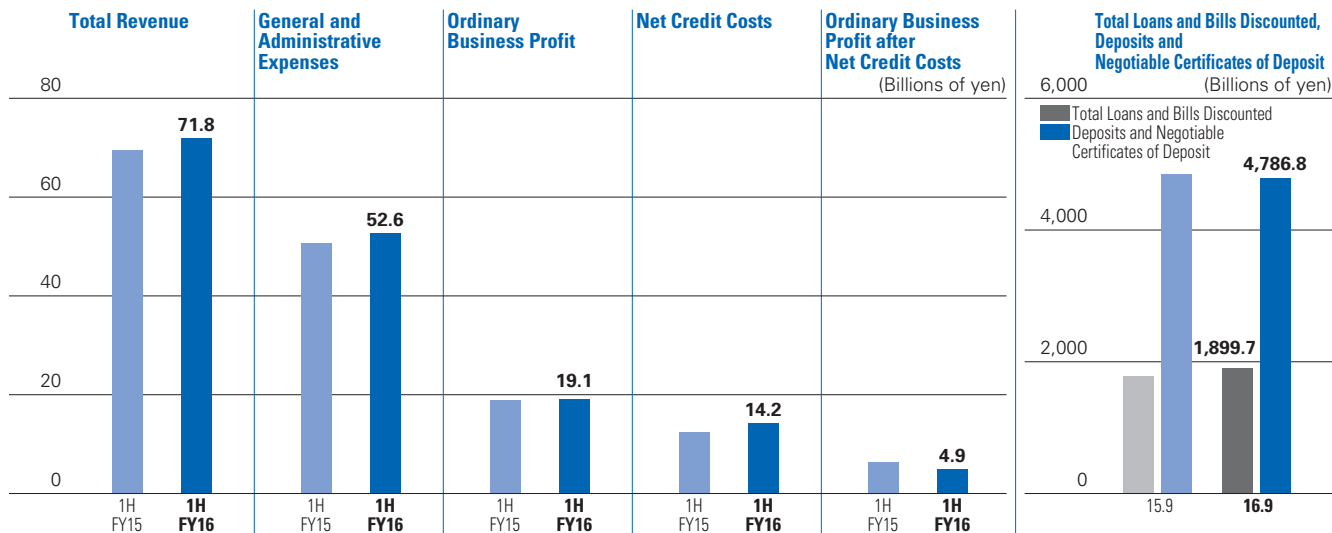
##### Total Revenue



##### Ordinary Business Profit after Net Credit Costs



<sup>1</sup> The percentage figures do not add up to 100% due to the contribution of Corporate/Other.



# Explanations of Major Businesses

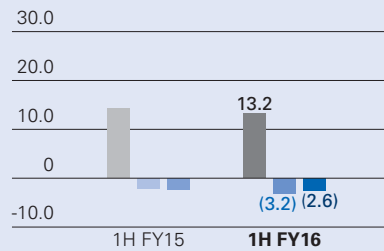
## INDIVIDUAL BUSINESS

About the Shinsei Bank Group

Strategies for Increasing Corporate Value

### Retail Banking

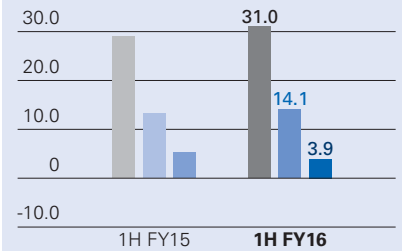
Financial products and services for individual customers, such as yen/foreign currency deposits, structured deposits, mutual funds, brokerage service through an alliance partner, life/casualty insurance through alliance partners, and housing loans



(Billions of yen)  
 ■ Revenue  
 ■ Ordinary Business Profit (Loss)  
 ■ OBP (Loss) after Net Credit Costs

### Shinsei Financial, *Shinsei Bank Card Loan—Lake* and NOLOAN

Unsecured personal loan business and credit guarantee services (*Shinsei Financial* and *Shinsei Bank Card Loan—Lake*)



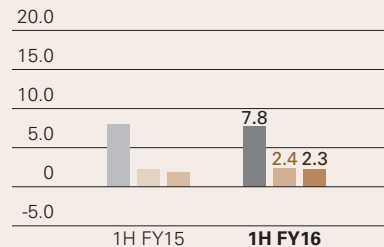
## INSTITUTIONAL BUSINESS

Creating Value Through Our Businesses At a Glance

Strategies Supporting Corporate Value

### Corporate Business

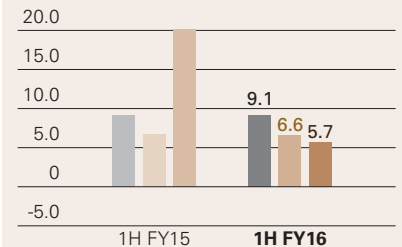
Financial products and services for corporate, financial institutions and public sector customers (including healthcare finance and advisory services)



(Billions of yen)  
 ■ Revenue  
 ■ Ordinary Business Profit (Loss)  
 ■ OBP (Loss) after Net Credit Costs

### Structured Finance

Real estate finance, project finance and specialty finance business including M&A finance, as well as and trust business

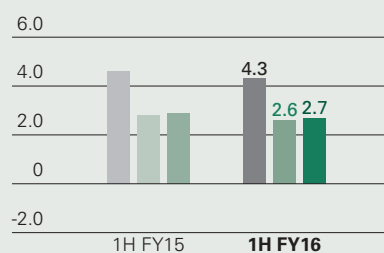


## GLOBAL MARKETS BUSINESS

Data Section

### Markets Business

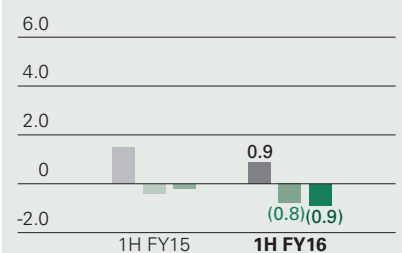
Foreign currency exchange, derivatives, equity, alternative investments, and other capital markets business



(Billions of yen)  
 ■ Revenue  
 ■ Ordinary Business Profit (Loss)  
 ■ OBP (Loss) after Net Credit Costs

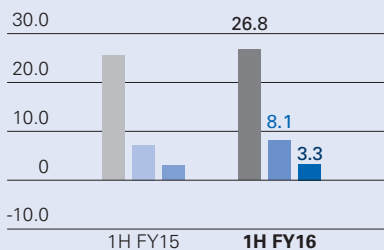
### Other Businesses

Shinsei Securities, asset management, and wealth management business



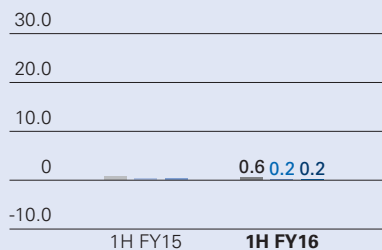
### APLUS FINANCIAL

Installment sales credit, credit cards, credit guarantee services, loans, and settlement services



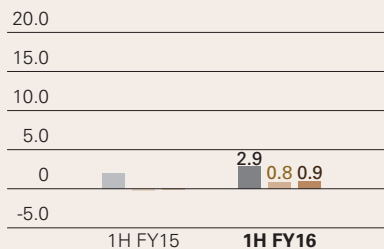
### Other Businesses

Consumer Finance Division and Shinsei Property Finance which is engaged in real estate collateral finance



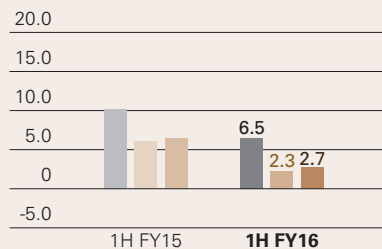
### Principal Transactions

Credit trading—business succession finance and the business of trading various monetary claims—, private equity, asset-backed investment and other products and services for corporate customers



### Showa Leasing

Leasing services for information equipment, industrial machinery, and machine tools as well as finance services such as installment sales credit



# INDIVIDUAL BUSINESS

The Individual Business is comprised of: 1) Shinsei Bank's Retail Banking Business, which handles deposits, investment trusts, insurance, housing loans, and unsecured personal loans issued under the Shinsei Bank Card Loan—Lake brand, 2) Shinsei Financial Co., Ltd., which engages in the unsecured personal loan and credit guarantee businesses, 3) Shinsei Personal Loan Co., Ltd., 4) APLUS FINANCIAL Co., Ltd., which is engaged mainly in the credit card business and the installment sales credit business (hereafter, shopping credit), and 5) Shinsei Property Finance Co., Ltd., which engages in real estate collateralized finance.

## Key Objectives in the Third Medium-Term Management Plan

In addition to seeking ways to utilize the approximately 10 million-strong customer base of the Shinsei Bank Group, the Bank is focused on strengthening the initiatives it undertakes in its Consumer Finance Business, an area identified as a growth area in the Bank's Third MTMP. Additionally, as of August 2016 the number of accounts held by individual customers at Shinsei Bank's Retail Banking Business has exceeded 3 million.

### Growth Areas

In the Unsecured Personal Loan Businesses, in order to increase topline revenues from its overall Unsecured Personal Loan operations, the Bank is leveraging the attributes of its three brands: the Bank Group's core brand "Lake," "NOLOAN" and the newly established "Shinsei Bank Smart Card Loan Plus." Furthermore, the Bank is engaged in efforts to grow its Unsecured Personal Loan Credit Guarantee balance associated with clients such as regional financial institutions through its subsidiary Shinsei Financial Co., Ltd.

### Stable Revenue Areas

The asset management consulting business is one of the key areas in which the Bank anticipates stable yet moderate growth and are able to leverage Shinsei Bank's strengths, and in addition to adopting new devices and technologies in order to provide customers faced with difficulties in visiting branch locations with the sense of security of face-to-face interactions, the Bank is pursuing the integration of its channels in order to establish an operating structure which enables its customers to freely contact the Bank regardless of the time or the place.

Regarding the credit card and shopping credit businesses, in the credit card business, the Bank has undertaken actions to increase its new credit card issuances in order to expand its customer base in addition to engaged in promotional activities to increase the utilization rate of the cards. In the shopping credit business, efforts have focused upon the enhancement of customer convenience by moving applications online through the introduction of the e-order system and promoting housing-related shopping credit products such as those used for home renovations.

### Strategic Initiative Areas

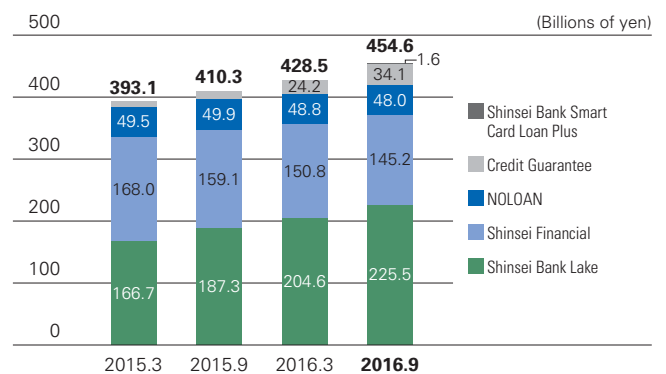
In the settlements business, we are engaged in efforts to establish an operating structure required to serve new settlement methods, primarily those emerging from the e-commerce market, through the provision of APLUS's settlement functions as a Group platform to provide settlement gateway services and improving the Bank's offerings of prepaid credit cards.

## Business Results and Progression in Initiatives in the First Half of Fiscal Year 2016

In the first half of fiscal year 2016, the Individual Business recorded total revenue of ¥71.8 billion, expenses of ¥52.6 billion and net credit costs of ¥14.2 billion, resulting in an ordinary business profit after net credit costs of ¥4.9 billion. Total revenue increased compared to the first half of fiscal year 2015, supported by growth in the unsecured personal loan balance, including that at Shinsei Bank Card Loan—Lake, and growth in the housing-related loan balance of APLUS FINANCIAL.

In our unsecured personal loan businesses, in addition to the introduction of new image characters for Shinsei Bank Card Loan—Lake in September 2016, the Bank has entered into an ATM alliance with Japan Post Bank Co., Ltd., in October 2016. In June 2016, Shinsei Financial established SecondXight, Inc., a FinTech joint venture, in order to explore the utilization of artificial intelligence (AI). Shinsei Financial looks to utilize AI technologies in credit guarantee screening of loans issued by partners such as regional financial institutions as well as in its algorithms utilized in the pre-approval credit screening of prospective customers.

### Unsecured Loan Balance



In settlements business, in April 2016 Shinsei Bank announced its entry into the provision of settlement agent services in Japan to WeChat Pay, a China based mobile payment service operated by WeChat, China's largest online messaging service.



# INSTITUTIONAL BUSINESS

The Institutional Business is comprised of: 1) the Corporate Business, which engages in the provision of corporate financing, primarily loans, and financial solutions to corporate and public entities and financial institutions; 2) the Structured Finance Business, which engages in real estate and project related transactions; 3) the Principal Transactions Business, which includes business succession finance; 4) Showa Leasing, which engages in the leasing business; and 5) Shinsei Trust & Banking, which is engaged in the trust business.

## Key Objectives in the Third Medium-Term Management Plan

In addition to engaging in efforts to ensure the prioritized investment of management resources in businesses with high market growth potential in addition to being areas in which the Bank holds expertise through the application of a “selection and concentration” approach, we are pursuing the realization of the unified management of Group companies in order to provide highly value-added financial solutions which are well suited to and meet the needs of our customers.

## Growth Areas

In our Structured Finance Business, an area in which the Bank possesses competitive advantages, we are pursuing both growth and further enhancement of our expertise.

In real estate finance, we are utilizing our extensive expertise to respond flexibly to the attributes, locations, risk levels and other factors of facility in order to rapidly screen proposed transactions in order to structure transactions which meet the needs of our customers while also maintaining a strong focus on risk and return profiles.

In project finance, we are proactively engaging in domestic and overseas projects in areas such as renewable energy and public private partnerships and private finance initiatives.

## Stable Revenue Areas

The Institutional Business is engaging in efforts to achieve the sustained expansion of our customer base through collaborative efforts amongst all Group companies in order to achieve the provision of products and services which truly meet the needs of our customers.

In our business serving corporate clients, the Bank has reflected growth and profitability potential in the customer segmentation system utilized in approaching potential clients and is engaging in efforts to increase the magnitude of each client transaction as well as pursuing the deepening of transactional relationships through cross selling. Through such efforts, the Bank is building the foundation of what will eventually become its core long term transactional base.

## Strategic Initiative Areas

The Institutional Business continues to deliver SME and small business solutions which leverage the strengths of the Shinsei Bank Group. Specifically, we are creating the business structures necessary for the provision of all functions offered by Shinsei Group companies in a one-stop format, through the pursuit of greater integration with Showa Leasing which holds strengths in its transactions with SME clients.

In meeting the capital management needs of clients such as regional financial institutions, the Bank is providing a range of investment products through the leveraging of our expertise in areas such as structured finance, and regarding meeting the core business

enhancement needs of these clients, the Shinsei Bank Group is working cohesively in providing financial solutions for individual customers of regional financial institutions such as credit guarantees and structured deposits.

With an increasing number of baby-boomer generation owners of small businesses approaching retirement, we plan to respond to the growing needs of SMEs and middle-market companies for business succession and business change/cessation solutions through the provision of buyout finance, debt disposal and other financial solutions. The highly experienced professionals of our tightly knit, elite teams deliver customized solutions leverage the knowledge and expertise gained in our Principal Transactions Business while also utilizing resources from across the entire Shinsei Bank Group.

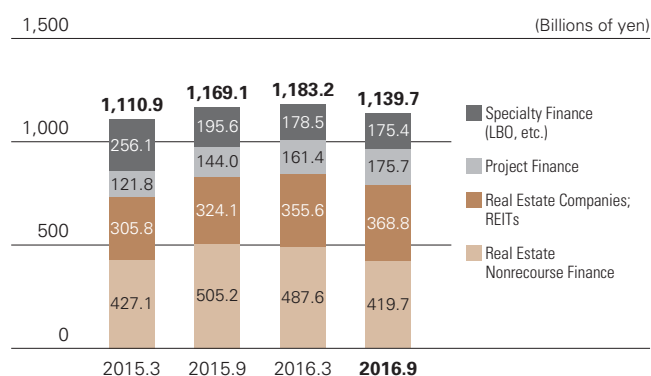
## Business Results and Progression in Initiatives in the First Half of Fiscal Year 2016

In the first half of fiscal year 2016, the Institutional Business recorded total revenue of ¥26.5 billion, expenses of ¥14.2 billion and net credit costs of ¥0.4 billion, resulting in an ordinary business profit after net credit costs of ¥11.8 billion.

In the Structured Finance Business, one of the Bank’s growth areas, we proactively engaged in both domestic and overseas Project Finance opportunities, particularly projects in the renewable energy field, and worked closely with regional financial institutions in the structuring of these projects.

In the provision of SME and small business solutions, strategic initiative area, we are engaged in efforts to strengthen our business capabilities through the effective use of resources and the sharing of expertise and customer bases of the Group level. In October 2016, the Bank’s consolidated subsidiaries APLUS Co., Ltd. and Showa Leasing launched a vendor leasing business that combines the credit screening capabilities for individual customers of the former and the leasing functions of the latter.

## Structured Finance: Operating Asset Balance



# GLOBAL MARKETS BUSINESS

The Global Markets Business is comprised of: 1) the Markets Related Business that engages in foreign exchange, derivatives and other capital markets operations, 2) the Asset Management Business which includes the provision of investment trusts, 3) the Wealth Management Business which provides financial products and services to high net-worth individuals and 4) Shinsei Securities, a securities company engaged in securitization and securities brokerage.

## Key Objectives in the Third Medium-Term Management Plan

In financial markets, unprecedented events and conditions including the introduction of the Bank of Japan's negative interest rate policy persist, and the uncertainty surrounding future developments is strengthening. Additionally, while client needs for foreign exchange and interest rate hedging and asset management persist, there has been a tangible decline in the number of financial institutions able to act as the counterparty for such services as a result of recent restructurings of financial institutions and the withdrawal of a non-Japanese financial institution from the Japan market. As a result, we expect the demand from corporate clients for derivative transactions and demand from financial institution clients for asset management products to persist and predict that these demands will grow.

Giving consideration to these market conditions, Shinsei Bank has focused its efforts on leveraging its accumulated experience in these areas and, as a part of the Third MTMP, has continued to invest management resources in the provision of derivative transactions to corporate clients and the provision of asset management products to financial institution clients. At the same time, we are engaging in efforts to strengthen our operational infrastructure including IT systems, as well as growing our customer base.

Within the current market environment where interest rates remain at low levels, our focus on providing products and services such as structured bonds through our securities brokerage business and creating attractive investment trusts well suited to the needs of our corporate and financial institution clients as well as individual customers is greater than ever before. In particular, in regard to our investment trust business, we believe that the growth of the market is nearly guaranteed. Of the ¥1,700 trillion in financial assets held by Japanese individuals, investment trusts account for roughly 6%, and while low compared to the United States and Europe, the introduction of programs designed to encourage individuals to shift their assets from deposits to investments such as the NISA (Nippon Individual Savings Account), we anticipate the flow of deposits to investment products will accelerate going forward. In this area we believe the Shinsei Bank Group's diverse range of domestic and overseas investment trust product offerings from both Japan and overseas serves as a competitive strength and we will look to leverage this strength to differentiate the Group from our competitors.

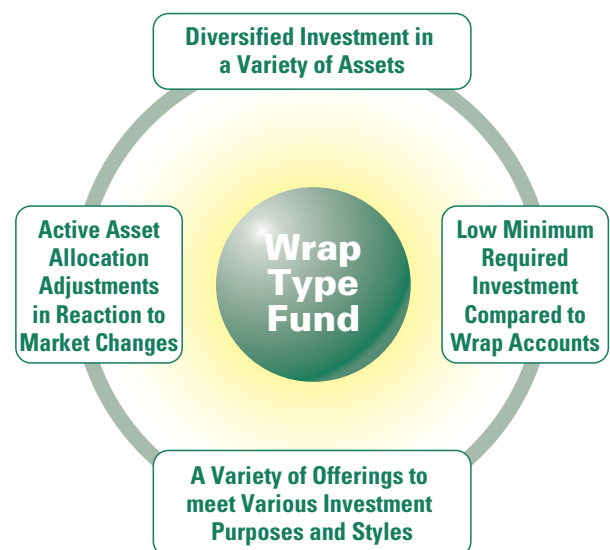
## Business Results and Progression in Initiatives in the First Half of Fiscal Year 2016

In the first half of fiscal year 2016, the Global Markets Business recorded total revenue of ¥5.2 billion, expenses of ¥3.4 billion and net credit recoveries of ¥0 billion, resulting in an ordinary business profit after net credit costs of ¥1.7 billion. Regarding total revenue, while softness was observed in the provision of financial products to individual customers, sales of structured products well suited to the asset management needs of our regional financial institution customers were firm.

Additionally, in October 2016, Shinsei Securities Co., Ltd. was awarded the Investor Solutions award in the Asia Pacific Showcase & Awards organized by mtn-i\*. This award received in recognition of the Group's capabilities in the structuring and sale of structured notes (selling agent: Shinsei Bank, Limited; arranger: Shinsei Securities Co., Ltd.; underwriter: Shinsei International Limited).

\* A globally prominent information vendor specializing in medium-term notes (MTN) with a significant subscribership among market participants, particularly in Europe.

## Feature of the Shinsei World Wrap Fund launched for individual customers by Shinsei Group subsidiary Shinsei Investment Management Co., Ltd.



# Status of Regional Revitalization and SME Management Improvement Initiatives

To improve the management of small- and medium-sized enterprises (SMEs) and contribute to the revitalization of regional economies, the Shinsei Bank Group engages in initiatives such as those described below, providing our expertise and, depending on the initiative, cooperating with local financial institutions and the SME Business Rehabilitation Support Cooperative. In addition to supporting SMEs and local businesses that have technologies or business models with unrealized growth potential, the Group promotes the development of new industries and businesses that contribute to the revitalization of regional economies. The Group's efforts focus on providing financing that emphasizes cash flows and multifaceted solutions to such management issues as business strategy planning and implementation support and other complementary functions rather than merely satisfying funding needs. Through such efforts, the Group aims to expand the operations of growing SME clients and contribute to the development of new innovative businesses.

## Examples of Shinsei Bank Initiatives

### • Supporting regional revitalization through business rehabilitation

**Golf course operator in North Kanto:** Golf courses with lodging facilities have faced a difficult operating environment ever since the bursting of Japan's economic bubble, as the number of users and the market prices for golf club memberships have both declined. Saddled with significant debts, this golf course in the North Kanto region entered legal liquidation procedures. However, the local government's desire to maintain the golf course as a place for the relaxation and recreation of local residents set in motion the search for a sponsor that would assume operation of the golf course. Shinsei Bank was tapped as its financial adviser in selecting a sponsor on the basis of its extensive experience in golf course M&A and expertise. The Bank supported the sponsor selection process, engaging in efforts to assist the achievement of desired outcomes such as the preservation of existing club members playing privileges, job security for local employees and securing financing sufficient for the continuation of golf course operations. With the Bank's support and advice, the golf course was successfully sold to an influential local business operator with the ability to resuscitate the golf course while fulfilling all the aforementioned conditions. The new sponsor is now in the process of reviewing operating costs and renovating facilities in preparation for the reopening of the golf course.

### • Supporting management improvement and business expansion

**A regional dealer of imported automobiles:** This import dealer sought to enter the sales financing (auto loans) business to expand its business but to do so it needed to both improve its balance sheet and secure sufficient inventory financing. Accepting an infusion of capital-like funds, Shinsei Bank supported the dealer's efforts to bolster its financial position and helped facilitate its swift entry into the auto loan industry by providing the credit screening and collection agency services of a Group company in installment sales credit. While continuing to provide support through a scheme to securitize receivables from installment sales, the Bank plans to arrange joint financing for the dealer with several regional financial institutions to enable it to procure even more stable and diversified sources of funding.

### • Supporting growth-stage companies

**Semiconductor packaging venture company:** This company, whose main business is the development and manufacture of semiconductor packages on a consignment basis, successfully developed a technique for mounting chips on substrates with an extremely low defect rate. This technique reduced the size of the chip package and greatly increased the product's competitiveness, leading to its application in communications and medical devices in the past few years. Recognizing the high growth potential of its unique technology, Shinsei Bank has supported its growth in many ways, including the provision of business financing. In view of the breadth of its target markets, Shinsei Bank arranged as a business matching service for the venture to meet with several of its other clients and one of these companies was so impressed with the venture company's advanced technologies that it has commenced an examination into a wide-ranging business alliance with it.

### • Supporting business revitalization

**Medical equipment manufacturer:** Despite retaining high technological prowess, this company was stuck in a viscous circle that originated in a sales expansion strategy that backfired and led to transaction margin erosion and persistent losses and ultimately to declining productivity due to aging production facilities. Burdened with debt, the company sought rehabilitation through voluntary liquidation but recognizing the difficulties it faced in recovering independently, the company publicly sought a sponsor to oversee its rehabilitation. Shinsei Bank accepted to meet the role of its financial advisor in selecting a sponsor and swiftly recruited one with outstanding funding and management capabilities to lead an effort to turn it around and then smoothly secured the cooperation of several creditors. In these ways, Shinsei Bank contributed to putting the manufacturer on a path to recovery through voluntary liquidation. At present, the manufacturer is off to a fresh start with its sponsor enabling it to invest in facilities necessary for business expansion.

# GLOSSARY

## Advisory

Shinsei Bank's advisory business proposes solutions to meet customers' diverse needs in areas such as M&A, corporate restructuring, and fundraising in Japan and overseas.

## ALM (Asset Liability Management)

ALM refers to the comprehensive management of the market and liquidity risks that exist in the Bank's balance sheet (i.e. assets and liabilities) as a result of its business operations. ALM aims to optimize interest rate income from the Bank's balance sheet and economic value by monitoring interest rate conditions and asset/liability duration, including off-balance items such as derivatives on the Bank's account, and adjusting for risks in assets/liabilities and derivatives transactions in consideration of the change in value of assets, liabilities, and periodic profits or losses due to market fluctuations.

## Asset Management

In a broad sense, Asset Management refers to Shinsei Bank's overall asset management business, but in a narrower sense it refers to the investment trust business and investment advisory business. Shinsei Bank offers a variety of unique financial products and services for both institutional and individual (including high-net worth) customers, primarily through the Global Markets Business and the Individual Business (retail banking Business).

## Business Succession Support

The provision of investments and loans to meet capital requirements for the transfer of shares, etc. to customers considering family members or employees as business successors in order to facilitate the smooth hand over of business ownership.

## Capital Markets Business

Capital Markets business refers to capital markets-related transactions, including derivatives and trading, in order to meet customer needs for investment, risk hedging, fundraising, etc.

## Common Equity Tier 1 Ratio

The financial indicator calculated in accordance with the international standard of the third Basel accord, indicating the adequacy ratio of capital of an even higher level of quality than the capital adequacy ratio commonly used to gauge the financial stability of banks, etc. The ratio is calculated by dividing the balance of common equity tier 1 capital, which is comprised of capital with high loss absorption capability such as common equity and retained earnings, and dividing the total by the balance of risk assets, the indicator of the magnitude of risk of assets, etc. held by banks.

## Credit Guarantee Business

Credit Guarantees represent a guarantee to repay a loan made by a partner financial institution on behalf of the borrower, in the case that the borrower becomes unable to make repayments, in return for a fee. In the Shinsei Bank Group, Shinsei Financial is focused on this business, offering comprehensive support to partner financial institutions including advice on advertising strategies and product design as part of its service.

## Credit Trading

Credit Trading offers balance sheet optimization solutions, including the purchase of loan receivables from current creditors or an investment in (purchase of) monetary claims held by the customer. Shinsei Bank also invests in monetary claims such as loans and leases sold in the secondary market for non-performing loans, aiming to make profits by securing a greater return than the initial investment through servicing or resale of the receivables.

## Derivative

Derivative is a collective term referring to transactions that are derived from or linked to other underlying transactions such as interest rate, bond, foreign exchange, and equity transactions. They are also called "financial derivatives" since most of the transactions originate from financial products.

## Exposure

Exposure refers to an amount of assets or an amount of money that is exposed to foreign exchange, price fluctuations or other risks as a result of loans and investments.

## (Grey Zone) Interest Repayment

Prior to the interest rate reduction implemented as part of the revisions to the Money Lending Business Law, the interest rates on some consumer finance products offered by the Shinsei Bank Group's subsidiaries exceeded the upper limit stipulated by the Investment Law. Following a ruling by the Supreme Court in January 2006, customers who paid more than the upper limit stipulated by the Investment Law have been allowed to request a refund of the extra interest paid. Accordingly, consumer finance companies have recorded reserves in order to cover losses on (grey zone) interest repayments.

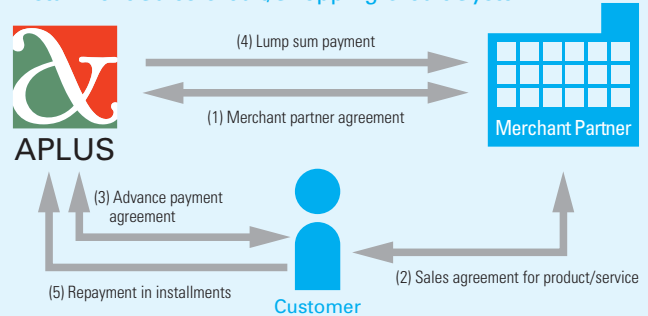
## Healthcare Finance

Healthcare Finance refers to financing— primarily nonrecourse loans— as well as financial advisory on management strategies and M&A for senior care facilities and nursing homes.

## Installment Sales Credit (Shopping Credit)

Installment Sales Credit (Shopping Credit) is a service that allows customers to pay for goods or services in installments without using a credit card. Shinsei Bank group offers this service primarily through APLUS FINANCIAL.

## Installment Sales Credit/Shopping Credit System



- (1) APLUS concludes a merchant partner agreement with the merchant partner
- (2) Customer purchases a product or a service from the merchant partner
- (3) Customer applies to APLUS for installment sales credit
- (4) APLUS pays the purchase price for the product/service as a lump sum to the merchant partner
- (5) Customer repays the purchase price to APLUS in installments

## LBO Finance (Leveraged Buyout Finance)

LBO finance is a type of M&A finance based on the assets or future cash flows of a company to be acquired. It is used when a company or an investment fund acquires another company. At Shinsei Bank, LBO Finance is included in Specialty Finance.

## MBO Finance

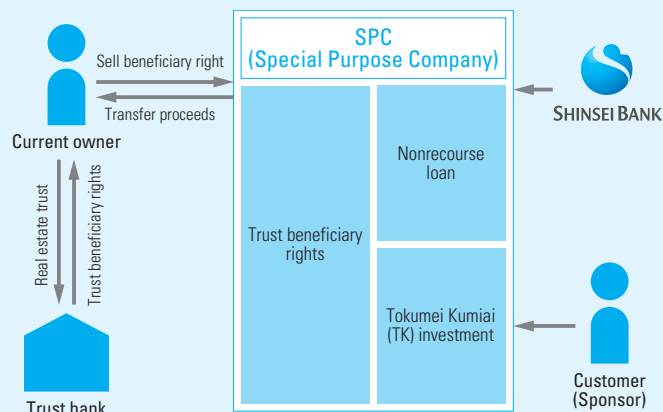
MBO stands for Management Buyout. It is a type of LBO finance offered when a company's management buys its own company co-working with an investment fund and others. At Shinsei Bank, MBO Finance is included in Specialty Finance.

## Net Credit Costs

Net credit costs are the sum of reserves for loan losses set aside (credit costs) according to the credit standing of borrowers, reversal (gains) of reserves for loan losses and recoveries of written-off claims resulting from their disposal.

### Nonrecourse Loan

Nonrecourse loans are loans for which repayment is made solely from the cash flows generated from specific businesses or assets (typically, but not always real estate), with no recourse to the sponsor.



### Ordinary Business Profit (Loss)

Ordinary business profit (loss)—the indicator of profit (loss) from core business after expenses—is calculated by subtracting “expenses” from “total revenue.” “Net credit costs” are excluded from this calculation.

### Portfolio

A portfolio refers to a group of various components. An asset portfolio, for example, refers to a collection of various assets such as real estate, cash deposits and equities.

### Principal Transactions

Principal Transactions generally refer to a bank’s proprietary investments. Shinsei Bank proactively makes proprietary investments in the Credit Trading and Private Equity businesses in order to meet customers’ needs for corporate restructuring, business succession and growth funds.

### Private Equity

In general, Private Equity refers to privately-placed shares and shares that are not traded in stock exchanges or over-the-counter markets. Private equity investments can be classified into venture capital, which are investments in growing companies, and investments to acquire control of mature companies in order to implement restructuring. Shinsei Bank is proactively engaged in venture capital investments, investing in up to 5% of total shares with representative rights of customers planning a public share offering as well as making buyout investments related to business divestments from mature companies.

### Private Finance Initiative (PFI)

A financing technique based upon the idea of utilizing private capital and expertise in the design, construction, maintenance and operation of projects, such as public construction works, and performing the provision of the public services through the private sector in order to ensure their efficiency and effectiveness.

### Profit (Loss) Attributable to Owners of the Parent, Cash Basis Profit (Loss) Attributable to Owners of the Parent

Cash basis profit (loss) attributable to owners of the parent is calculated by excluding impairment and amortization of goodwill resulting from acquisitions of subsidiaries and other intangible assets, net of tax benefits, from profit (loss) attributable to owners of the parent—and represents the bottom-line profit for the relevant fiscal year.

### Project Finance

Project Finance refers to loans to finance specific projects for which the principal source of repayment is the cash flow generated from the project itself. Project Finance is often used for medium-to-long term projects in energy, natural resources, and infrastructure. At Shinsei Bank, Project Finance is included in Specialty Finance.

### Public Private Partnership (PPP)

A scheme in which public services are provided through a collaboration between the public and private sectors. PFI is a representative form of PPP.

### Revised Money Lending Business Law

The key points of the Revised Money Lending Business Law which was enacted and issued in December 2006 are: (1) optimizing control of the money lending business (tightening entry requirements etc.), (2) reducing excessive lending (implementation of the designated credit bureau system and income-linked lending limitation), and (3) controlling the interest rate system (reducing the upper limit of the interest rate under the Investment Law to 20% p.a.). The Law was enforced in a phased manner and was fully enforced in June 2010.

### Risk Weighed Assets

Risk weighed assets are an amount equivalent to the volume of “credit risk” and “market risk” of the Bank’s assets/transactions and “operational risk” involving operational errors.

### RORA

Return on Risk-Weighted Assets—the indicator which shows a profitability based on Risk-Weighted Assets. RORA is calculated as the ratio of its profit attributable to owners of the parent to the total Risk-Weighted Assets at the end of the term.

### Ship Finance

Finance for the shipping industry. Shinsei Bank primarily provides shipping companies with funds for ship acquisition.

### Specialty Finance

Specialty Finance at Shinsei Bank refers to M&A finance, LBO finance, project finance and other types of finance that focus on the cash flows and value generated by businesses and assets. It is a type of structured finance.

### Structured Finance

Structured Finance refers to finance requiring special structures. In general, it takes the form of project finance or non-recourse finance which focuses on the cash flows or value generated by a specific project or asset. Shinsei Bank is primarily active in real estate finance, project finance, M&A finance and corporate restructuring finance.

### Syndicated Loan

Syndicated loans are loans provided jointly by a syndication of multiple financial institutions (lender group) based on a single loan agreement.

### Treasury

Treasury is normally the function in a company which is responsible for ALM (asset and liability management). At Shinsei Bank, Treasury basically refers to the function (Sub-Group) responsible for cash flow management including collateral management, transactions through transfer pricing (FTP, the inter-office fund transfer price), issuance or buyback of (subordinated) corporate bonds, liquidity planning, management of overseas subsidiaries that issue capital securities as well as ALM for the entire Group.

### Wealth Management

Wealth Management refers to the financial services that Shinsei Bank offers to high-net worth customers. The Bank offers a variety of differentiated wealth management services tailored to customers’ needs.

# DIRECTORS AND EXECUTIVES OF THE BANK

As of December 1, 2016

## BOARD OF DIRECTORS (7)

<b>Hideyuki Kudo</b>	Representative Director, President
<b>Yukio Nakamura</b>	Representative Director, Deputy President
<b>J. Christopher Flowers*</b>	Managing Director and Chief Executive Officer, J.C. Flowers & Co. LLC
<b>Ernest M. Higa*</b>	Chairman President & Chief Executive Officer, Higa Industries Co., Ltd.
<b>Shigeru Kani*</b>	Former Director, Administration Department, The Bank of Japan, Specially Appointed Professor, Yokohama College of Commerce
<b>Jun Makihara*</b>	Director, Monex Group, Inc., Director, Philip Morris International Inc.
<b>Ryuichi Tomimura*</b>	Executive Vice President, Representative Director, SIGMAXYZ Inc.

\*Outside Directors

## AUDIT & SUPERVISORY BOARD MEMBERS (3)

<b>Shinya Nagata</b>	Audit & Supervisory Board Member
<b>Michio Shibuya*</b>	Certified Public Accountant
<b>Kozue Shiga*</b>	Lawyer

\*Outside Audit &amp; Supervisory Board Members

## EXECUTIVE OFFICERS (30)

<b>Hideyuki Kudo</b> Representative Director, President and Chief Executive Officer	<b>Masayuki Nankouin</b> Managing Executive Officer, Group Chief Financial Officer, Head of Corporate Planning and Controlling, General Manager, Financial Research Division	<b>Masanori Matsubara</b> Executive Officer, General Manager, Information Systems Development Division	<b>Riku Sugie</b> Executive Officer, Executive Officer in charge of Individual Business, Deputy Head of Group Business Strategy, President and CEO, Shinsei Financial Co., Ltd.
<b>Yukio Nakamura</b> Representative Director, Deputy President	<b>Tetsuro Shimizu</b> Managing Executive Officer, Head of Individual Business, Deputy Head of Group Business Strategy, Deputy Head of Group Organizational Strategy	<b>Yuji Matsuura</b> Executive Officer, Executive Officer in charge of Markets	<b>Satoshi Suzuki</b> Executive Officer, General Manager, Banking Infrastructure Planning Division
<b>Sanjeev Gupta</b> Senior Managing Executive Officer, Advisor to President and Chief Executive Officer	<b>Shigeto Yanase</b> Managing Executive Officer, Executive Officer in charge of Institutional Business, General Manager, Osaka Branch	<b>Shinichirou Nagai</b> Executive Officer, Executive Officer in charge of Asset Management, General Manager, Asset Management Division, Department Head, Asset Management Business Promotion Department, Asset Management Division	<b>Kazumi Tanegashima</b> Executive Officer, General Manager, Housing Loan Division
<b>Michiyuki Okano</b> Senior Managing Executive Officer, Group Chief Information Officer, Head of Banking Infrastructure	<b>Shouichi Hirano</b> Executive Officer, General Manager, Corporate Planning Division, General Manager, Office of Financing Facilitation Management	<b>Nobuyasu Nara</b> Executive Officer, General Manager, Institutional Credit Management Division	<b>Masayoshi Tomita</b> Executive Officer, Executive Officer in charge of Individual Business, General Manager, Individual Business Planning Division
<b>Shinichirou Seto</b> Senior Managing Executive Officer, Head of Institutional Business	<b>Kiyohiro Kiyotani</b> Executive Officer, Executive Officer in charge of Institutional Business, President and CEO, Showa Leasing Co., Ltd.	<b>Eiji Shibazaki</b> Executive Officer, Executive Officer in charge of Institutional Business	<b>Akira Watanabe</b> Executive Officer, Executive Officer in charge of Individual Business, Representative Director and President and CEO, APLUS FINANCIAL Co., Ltd.
<b>Akira Hirasawa</b> Managing Executive Officer, Head of Corporate Service, Head of Group Organizational Strategy, General Manager, Human Resources Division	<b>Takahisa Komoda</b> Executive Officer, Executive Officer in charge of Institutional Business	<b>Yasufumi Shimada</b> Executive Officer, General Manager, Integrated Risk Management Division	<b>Takahiro Yoshida</b> Executive Officer, General Manager, Treasury Division
<b>Yasunobu Kawazoe</b> Managing Executive Officer	<b>Tsukasa Makizumi</b> Executive Officer, Head of Credit Risk Management	<b>Toichiro Shiomi</b> Executive Officer, Group Chief Risk Officer, Head of Integrated Risk Management, General Manager, Portfolio Risk Management Division	<b>Takashi Yoshikawa</b> Executive Officer, Executive Officer in charge of Group Business Strategy
<b>Yoshiaki Kozano</b> Managing Executive Officer, Head of Group Business Strategy			
<b>Nozomi Moue</b> Managing Executive Officer, Executive Officer in charge of Institutional Business			

## SENIOR ADVISOR

<b>David Morgan</b>	Supervisory Board Member, HSH Nordbank AG, and Managing Director, Europe and Asia-Pacific, J.C. Flowers & Co. UK LLP
---------------------	--

## ADVISOR

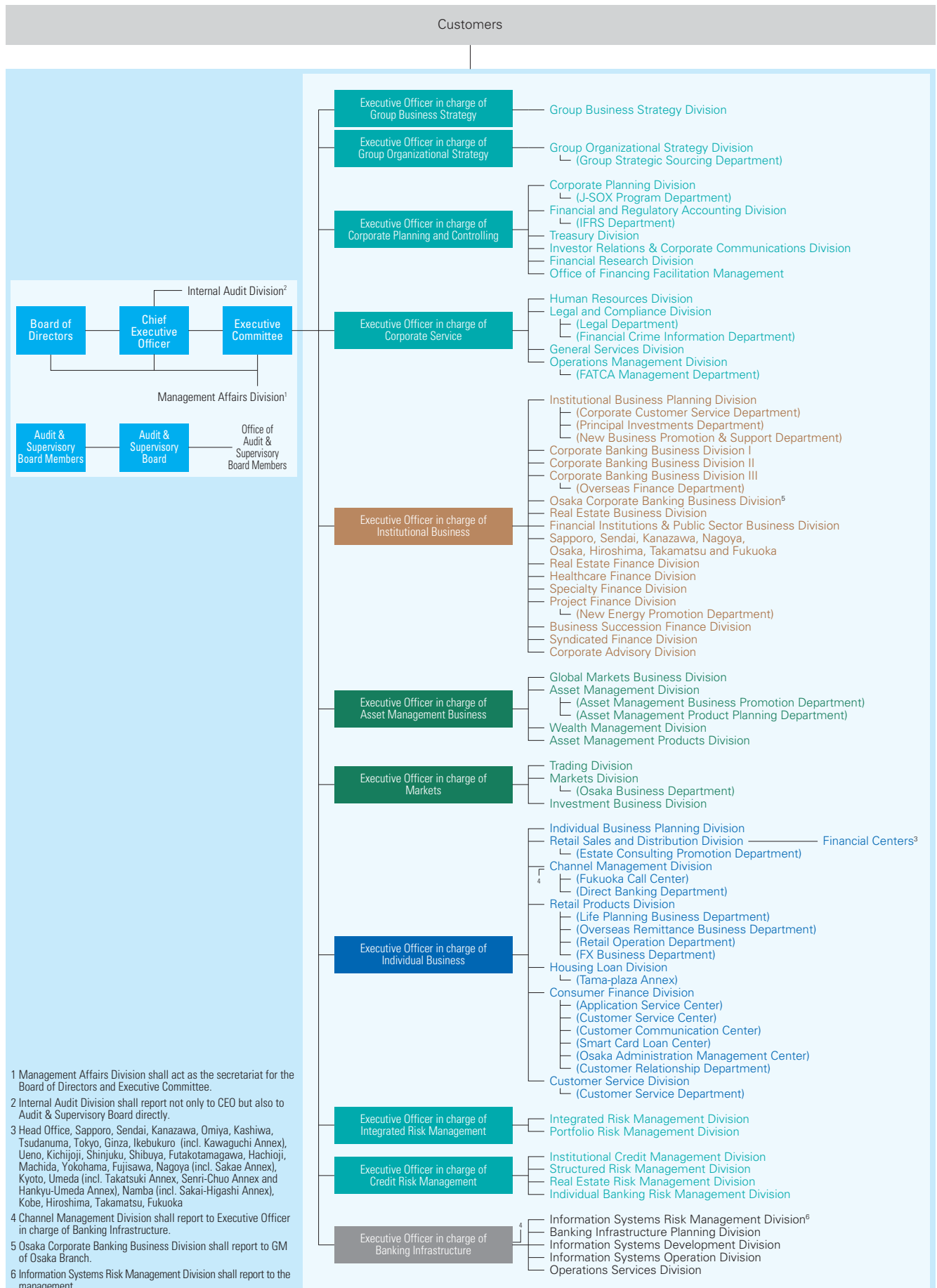
<b>Shigeki Toma</b>
---------------------

## ADVISOR

<b>Yuji Tsushima</b>
----------------------

# ORGANIZATIONAL STRUCTURE

As of December 1, 2016



1 Management Affairs Division shall act as the secretariat for the Board of Directors and Executive Committee.  
 2 Internal Audit Division shall report not only to CEO but also to Audit & Supervisory Board directly.  
 3 Head Office, Sapporo, Sendai, Kanazawa, Omiya, Kashiwa, Tsudanuma, Tokyo, Ginza, Ikebukuro (incl. Kawaguchi Annex), Ueno, Kichijoji, Shinjuku, Shibuya, Futakotamagawa, Hachioji, Machida, Yokohama, Fujisawa, Nagoya (incl. Sakae Annex), Kyoto, Umeda (incl. Takatsuki Annex, Senri-Chuo Annex and Hankyu-Umeda Annex), Namba (incl. Sakai-Higashi Annex), Kobe, Hiroshima, Takamatsu, Fukuoka  
 4 Channel Management Division shall report to Executive Officer in charge of Banking Infrastructure.  
 5 Osaka Corporate Banking Business Division shall report to GM of Osaka Branch.  
 6 Information Systems Risk Management Division shall report to the management.

About the Shinsei Bank Group

Strategies for Increasing Corporate Value

Creating Value Through Our Businesses

Strategies Supporting Corporate Value

Organizational Structure

Data Section

# MAJOR EVENTS IN FY2016

About the Shinsei Bank Group

Strategies for Increasing Corporate Value

Creating Value Through Our Businesses

Strategies Supporting Corporate Value  
Major Events in FY2016

Data Section

## APR.

- Commenced providing settlement agent services in Japan for the China based settlement service "WeChat Pay"

## MAY

- Arranged project financing for Megasolar Projects in Ichinoseki City, Iwate Prefecture and Suwa City, Nagano Prefecture
- Approved a resolution for the acquisition of treasury shares

## JUN.

- Ranked No. 1 in the "Internet banking" rankings of Oricon Japan customer service ranking
- Shinsei Financial established a Fin-tech joint venture, SecondXight, Inc., with Griffin Strategic Partners, Inc., to utilize Artificial Intelligence (AI)
- Arranged project financing for Megasolar Projects in Miyako City, Iwate Prefecture and Hayato-cho, Kagoshima Prefecture
- Invested in Sosei RMF 1 Investment Business Limited Partnership (Sosei CVC Fund)

## AUG.

- Optimized administrative procedures at retail branches through the introduction of pen tablets
- Introduced "Shinsei Bank FX," a FOREX margin trading service
- Reached three million individual customers accounts

## OCT.

- Commenced the provision of "Shinsei Bank Card Loan—Lake" services through Japan Post Bank ATMs
- Launched a new "T Point × Shinsei Bank PowerSmart Home Mortgage" product
- APLUS Co., Ltd. commences a vendor leasing business in cooperation with Showa Leasing
- Issued fourth series of unsecured corporate bonds (with Inter-Bond Pari Passu Clause)

## NOV.

- Commenced offering affiliate issuances of "Luxury Card," a credit card for affluent individuals, for the first time in Japan

## DEC.

- Acquired full ownership of Showa Leasing Co., Ltd.
- Entered unsecured personal loan business in Vietnam through a joint equity investment with Military Commercial Joint Stock Bank



# Data Section

Management's Discussion and Analysis of Financial Condition and Results of Operations	24
Overview	24
Selected Financial Data (Consolidated)	26
Results of Operations (Consolidated)	27
Results of Operations (Nonconsolidated)	41
Financial Condition	42
Interim Consolidated Balance Sheets (Unaudited)	49
Interim Consolidated Statements of Income (Unaudited)	50
Interim Consolidated Statements of Comprehensive Income (Unaudited)	51
Interim Consolidated Statements of Changes in Equity (Unaudited)	52
Interim Consolidated Statements of Cash Flows (Unaudited)	53
Notes to Interim Consolidated Financial Statements (Unaudited)	54
Interim Nonconsolidated Balance Sheets (Unaudited)	93
Interim Nonconsolidated Statements of Income (Unaudited)	94
Interim Nonconsolidated Statements of Changes in Equity (Unaudited)	95
Capital Adequacy Requirement (Basel Accord) Pillar III (Market Discipline) Disclosure	96
Corporate Information	130
Website	134

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our consolidated and nonconsolidated interim financial statements prepared in accordance with accounting principles generally accepted in Japan (Japanese GAAP) for banks, including the notes to those interim financial statements, included elsewhere in this interim report.

Unless otherwise indicated, the financial information in the following discussion is based on our interim consolidated financial statements.

In this section, except where the context indicates otherwise, "we" or "our" means Shinsei Bank, Limited, its subsidiaries and its affiliates accounted for by the equity method and "Shinsei" or "the Bank" refers to Shinsei Bank on a nonconsolidated basis.

Financial and operational figures less than ¥0.1 billion have been truncated. All percentages have been rounded to the nearest 0.1% unless otherwise noted.

Fiscal year 2016 refers to the consolidated accounting period ended March 31, 2017, and other accounting periods are denoted in the same manner. The term "current fiscal year" refers to fiscal year 2016 and the term "previous fiscal year" refers to fiscal year 2015. The term the "first half" refers to the period from April 1 to September 30 of each indicated fiscal year and the term the "second half" refers to the period from October 1 to March 31 of each indicated fiscal year.

## OVERVIEW

Shinsei Bank, Limited, is a leading diversified Japanese financial institution providing a full range of financial products and services to both institutional and individual customers. Our operations are organized into three business groups: the Institutional Business, the Global Markets Business and the Individual Business.

- In our businesses serving institutional clients, in order to provide financial products and services that meet the needs of our customers through a strategic and systematically organized business promotion structure, the operations of the Institutional Business are focused primarily on the provision of financial institution, corporate and public sector financing and advisory services while the operations of the Global Markets Business are focused primarily on the provision of various Global Markets services. The operations of the Institutional Business consist of business undertaken directly by the Bank and the business undertaken by Showa Leasing Co., Ltd. (Showa Leasing).
- The operations of the Individual Business consist of the retail banking business and the consumer finance business. In the retail banking business the Bank is continuing efforts to improve the convenience of services aimed at fulfilling the needs of our customers. In the consumer finance business, the Bank is engaged in the provision of unsecured personal loans through the Bank, Shinsei Financial Co., Ltd. (Shinsei Financial) and Shinsei Personal Loan Co., Ltd. (Shinsei Personal Loan) as well as the provision of installment sales credit, credit card and settlement services through APLUS FINANCIAL Co., Ltd. (APLUS FINANCIAL).

## FINANCIAL SUMMARY FOR THE INTERIM PERIOD ENDED SEPTEMBER 30, 2016

In the interim period ended September 30, 2016 (April 1, 2016 to September 30, 2016), the Shinsei Bank Group recorded a consolidated profit attributable to owners of the parent (hereinafter, "net income") of ¥24.9 billion, reduced ¥12.5 billion compared to ¥37.4 billion recorded in the interim period ended September 30, 2015. This first half result equates a 48% progression toward the Bank's fiscal year 2016 net income forecast of ¥52.0 billion and is a healthy progression toward the achievement of our full year forecast.

A total revenue of ¥113.2 billion was recorded for the first half of fiscal year 2016, increased ¥2.8 billion compared to the first half of fiscal year 2015. Of this amount, net interest income totaled ¥60.4 billion, decreased ¥0.5 billion compared to net interest income totaling ¥61.0 billion recorded in the first half of fiscal year 2015. The effects of the base rate reduction caused by the introduction of the negative interest rate policy and the compression of spreads caused by the resulting increase in competition has remained within the Bank's expectations. At the same time, noninterest income totaled ¥52.7 billion, increased ¥3.3 billion compared to noninterest income totaling ¥49.3 billion recorded in the first half of fiscal year 2015. While

**OVERVIEW (CONTINUED)**

markets related revenues including those associated with the sale of asset management products in the retail banking business declined during the first half of fiscal year 2016, an increase in gains on bonds in treasury operations as well as the absence of a loss recorded as a result of the reassessment of a fund investment during the first half of fiscal year 2015 resulted in this year-on-year noninterest income increase.

Regarding general and administrative expenses, while having continued to promote operational efficiency, the Bank has undertaken the investment of management resources in strategic areas such as IT systems related to the expansion of the Bank's business base and in advertising undertaken in growth area businesses. As a result, general and administrative expenses of ¥72.8 billion were recorded in the first half of fiscal year 2016, increased ¥2.7 billion compared to ¥70.1 billion recorded in the first half of fiscal year 2015.

Net credit costs (recoveries) totaled ¥14.7 billion in the first half of fiscal year 2016, increased ¥15.9 billion compared to net credit recoveries of ¥1.2 billion recorded in the first half of fiscal year 2015. This increase was primarily due to the absence of the major credit recoveries recorded in the Institutional Business in the first half of fiscal year 2015 as well as the provisioning of general reserves for loan losses corresponding to the continuing steady growth of the consumer finance business loan balance.

The balance of loans and bills discounted as of September 30, 2016 totaled ¥4,611.3 billion, increased ¥48.4 billion compared to ¥4,562.9 billion as of March 31, 2016. While the balance of loans to institutional clients has declined, this growth in the overall balance was supported by the sustained growth of the housing loan and consumer finance business loan balances.

A net interest margin of 2.41% was recorded for the first half of fiscal year 2016, increased from 2.33% recorded for the first half of fiscal year 2015. This increase was due to factors such as the proportion of loans as a component of interest earning assets increasing as a result of a reduced securities balance resulting in an improvement of the overall yield on interest earning assets, as well as the continuing decline of the overall rate on interest earning liabilities.

The Basel III domestic standard (grandfathering basis) consolidated core capital adequacy ratio as of September 30, 2016 was 14.09%, decreased compared to 14.20% as of March 31, 2016. The consolidated core capital adequacy ratio declined in the first half of fiscal year 2016 as a result of core capital reductions related to the early redemption of dated subordinated loans as well as an acquisition of treasury shares. At the same time, the Bank's Basel III international standard (fully loaded basis) Common Equity Tier 1 Ratio has increased from 12.9% as of March 31, 2016, to 13.1% as of September 30, 2016. Capital adequacy ratios continue to be maintained at adequate levels.

The nonperforming loan balance (nonconsolidated basis) under the Financial Revitalization Law increased ¥0.1 billion during the first half of fiscal year 2016 to ¥34.7 billion as of September 30, 2016. Additionally, the proportion of nonperforming claims to the overall loan balance was 0.78% as of September 30, 2016, largely unchanged from 0.79% recorded as of March 31, 2016.

**SIGNIFICANT EVENTS****ISSUANCE OF UNSECURED CORPORATE BONDS**

On October 27, 2016, Shinsei Bank issued ¥10.0 billion of unsecured corporate bonds with an inter-bond pari passu clause.

**BUYBACK OF SHARES**

Shinsei Bank purchased 65,564,000 shares for ¥9,999 million from market at the Tokyo Stock Exchange from June 1, 2016 to August 4, 2016 based on a buyback resolution approved at a meeting of the Board of Directors held on May 11, 2016. With these purchases, the authorized buyback has been completed.

**SELECTED FINANCIAL DATA (CONSOLIDATED)**

Shinsei Bank, Limited and its Consolidated Subsidiaries

As of and for the six months ended September 30, 2016 and 2015, and as of and for the fiscal year ended March 31, 2016

Billions of yen (except per share data and percentages)

	Sept. 30, 2016 (6 months)	Sept. 30, 2015 (6 months)	Mar. 31, 2016 (1 year)
<b>Statements of income data:</b>			
Net interest income	¥ 60.4	¥ 61.0	¥ 122.3
Net fees and commissions	12.9	13.1	25.4
Net trading income	4.8	5.1	8.4
Net other business income	34.9	31.0	60.3
Total revenue	113.2	110.3	216.6
General and administrative expenses	72.8	70.1	141.3
Amortization of goodwill and intangible assets acquired in business combinations	2.9	3.9	7.4
Total general and administrative expenses	75.8	74.0	148.7
Net credit costs (recoveries)	14.7	(1.2)	3.7
Net business profit after net credit costs (recoveries)	22.6	37.6	64.0
Other gains (losses), net	4.4	1.2	(1.2)
Income before income taxes	27.0	38.8	62.8
Current income taxes	1.9	1.2	1.9
Deferred income taxes (benefit)	0.2	(0.2)	(0.5)
Profit attributable to noncontrolling interests	(0.0)	0.3	0.3
Profit attributable to owners of the parent	¥ 24.9	¥ 37.4	¥ 60.9
<b>Balance sheet data:</b>			
Trading assets	¥ 318.8	¥ 330.3	¥ 336.3
Securities	1,028.6	1,283.6	1,227.8
Loans and bills discounted	4,611.3	4,463.2	4,562.9
Customers' liabilities for acceptances and guarantees	291.7	302.6	280.6
Reserve for credit losses	(95.6)	(99.2)	(91.7)
Total assets	8,997.1	8,999.2	8,928.7
Deposits, including negotiable certificates of deposit	5,785.7	5,489.4	5,800.9
Trading liabilities	289.7	270.1	294.3
Borrowed money	760.6	777.8	801.7
Acceptances and guarantees	291.7	302.6	280.6
Total liabilities	8,206.9	8,223.9	8,135.6
Common stock	512.2	512.2	512.2
Total equity	790.2	775.3	793.1
Total liabilities and equity	¥ 8,997.1	¥ 8,999.2	¥ 8,928.7
<b>Per share data:</b>			
Common equity <sup>(1)</sup>	¥ 303.96	¥ 287.49	¥ 294.41
Basic earnings per share	9.51	14.11	22.96
Diluted earnings per share	9.50	14.11	22.96
<b>Capital adequacy data:</b>			
Capital ratio (Basel III, Domestic Standard)	14.1%	14.3%	14.2%
<b>Average balance data:</b>			
Securities	¥ 1,150.2	¥ 1,479.3	¥ 1,336.9
Loans and bills discounted	4,563.1	4,408.8	4,434.2
Total assets	8,962.9	8,944.5	8,909.3
Interest-bearing liabilities	7,203.2	7,112.3	7,142.7
Total liabilities	8,171.2	8,179.9	8,135.9
Total equity	791.6	764.5	773.4
<b>Other data:</b>			
Return on assets	0.6%	0.8%	0.7%
Return on equity <sup>(1)</sup>	6.3%	10.0%	8.1%
Ratio of deposits, including negotiable certificates of deposit, to total liabilities	70.5%	66.7%	71.3%
Expense-to-revenue ratio <sup>(2)</sup>	64.4%	63.5%	65.3%
Nonperforming claims, nonconsolidated	¥ 34.7	¥ 36.5	¥ 34.7
Ratio of nonperforming claims to total claims, nonconsolidated	0.8%	0.8%	0.8%

Notes: (1) Stock acquisition rights and noncontrolling interests are excluded from equity.

(2) The expense-to-revenue ratio is calculated by dividing general and administrative expenses by total revenue.

## RESULTS OF OPERATIONS (CONSOLIDATED)

## NET INTEREST INCOME

Net interest income in the interim period ended September 30, 2016 totaled ¥60.4 billion, decreased ¥0.5 billion from ¥61.0 billion recorded in the interim period ended September 30, 2015. The effects of the base rate reduction caused by the introduction of

the negative interest rate policy and the compression of spreads caused by the resulting increase in competition has remained within the Bank's expectations.

## NET REVENUE ON INTEREST-EARNING ASSETS

The table below shows the principal components of net revenue on interest-earning assets.

TABLE 1. INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES (CONSOLIDATED)

	Billions of yen (except Yield/Rates)					
	Six months ended September 30, 2016			Six months ended September 30, 2015		
	Average Balance	Interest	Yield/Rate <sup>(4)</sup>	Average Balance	Interest	Yield/Rate <sup>(4)</sup>
<b>Interest-earning assets:</b>						
Loans and bills discounted	¥ 4,563.1	¥ 62.8	2.75%	¥ 4,408.8	¥ 62.3	2.82%
Lease receivables and leased investment assets/ installment receivables	732.9	19.3	5.25	707.3	19.3	5.44
Securities	1,150.2	4.3	0.76	1,479.3	6.8	0.93
Other interest-earning assets <sup>(1)</sup>	205.2	1.0	n.m. <sup>(3)</sup>	298.9	1.2	n.m. <sup>(3)</sup>
<b>Total revenue on interest-earning assets (A)</b>	<b>¥ 6,651.5</b>	<b>¥ 87.6</b>	<b>2.63%</b>	<b>¥ 6,894.4</b>	<b>¥ 89.7</b>	<b>2.60%</b>
<b>Interest-bearing liabilities:</b>						
Deposits, including negotiable certificates of deposit	¥ 5,781.1	¥ 3.7	0.13%	¥ 5,482.6	¥ 3.9	0.14%
Borrowed money	737.0	1.7	0.48	785.5	2.4	0.61
Subordinated debt	26.9	0.3	2.80	58.4	0.8	2.83
Other borrowed money	710.1	1.3	0.39	727.1	1.5	0.44
Corporate bonds	101.5	0.5	1.12	163.0	2.2	2.71
Subordinated bonds	31.6	0.4	2.52	114.4	2.0	3.60
Other corporate bonds	69.8	0.1	0.49	48.6	0.1	0.61
Other interest-bearing liabilities <sup>(1)</sup>	583.5	1.7	n.m. <sup>(3)</sup>	681.0	0.8	n.m. <sup>(3)</sup>
<b>Total expense on interest-bearing liabilities (B)</b>	<b>¥ 7,203.2</b>	<b>¥ 7.8</b>	<b>0.22%</b>	<b>¥ 7,112.3</b>	<b>¥ 9.4</b>	<b>0.26%</b>
<b>Net interest margin (A) - (B)</b>	<b>—</b>	<b>¥ 79.7</b>	<b>2.41%</b>	<b>—</b>	<b>¥ 80.3</b>	<b>2.33%</b>
<b>Noninterest-bearing sources of funds:</b>						
Noninterest-bearing (assets) liabilities, net	¥ (1,336.3)	—	—	¥ (965.7)	—	—
Total equity excluding noncontrolling interests <sup>(2)</sup>	784.6	—	—	747.8	—	—
<b>Total noninterest-bearing sources of funds (C)</b>	<b>¥ (551.7)</b>	<b>—</b>	<b>—</b>	<b>¥ (217.8)</b>	<b>—</b>	<b>—</b>
<b>Total interest-bearing liabilities and noninterest-bearing sources of funds (D) = (B) + (C)</b>	<b>¥ 6,651.5</b>	<b>¥ 7.8</b>	<b>0.23%</b>	<b>¥ 6,894.4</b>	<b>¥ 9.4</b>	<b>0.27%</b>
<b>Net revenue on interest-earning assets/ yield on interest-earning assets (A) - (D)</b>	<b>—</b>	<b>¥ 79.7</b>	<b>2.39%</b>	<b>—</b>	<b>¥ 80.3</b>	<b>2.32%</b>
Reconciliation of total revenue on interest-earning assets to total interest income						
Total revenue on interest-earning assets	¥ 6,651.5	¥ 87.6	2.63%	¥ 6,894.4	¥ 89.7	2.60%
Less: Income on lease transactions and installment receivables	732.9	19.3	5.25	707.3	19.3	5.44
Total interest income	¥ 5,918.5	¥ 68.2	2.30%	¥ 6,187.1	¥ 70.4	2.27%
Total interest expenses	—	7.8	—	—	9.4	—
<b>Net interest income</b>	<b>—</b>	<b>¥ 60.4</b>	<b>—</b>	<b>—</b>	<b>¥ 61.0</b>	<b>—</b>

Notes: (1) Other interest-earning assets and other interest-bearing liabilities include interest swaps and funding swaps.

(2) Represents a simple average of the balance as of the beginning and the end of the presented period.

(3) n.m. is not meaningful.

(4) Percentages have been rounded from the third decimal place.

## RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

“The item Net interest income (including leased assets and installment receivables)” in the preceding table includes net interest revenue as well as revenue earned on lease receivables, leased investment assets and installment receivables. However, while the Bank considers income recorded from lease transactions and installment receivables to be a component of interest income, Japanese GAAP does not recognize income on lease transactions and installment receivables as a component of net interest income. Therefore, in our interim consolidated statements of income, income on lease transactions and installment receivables is reported in net other business income in accordance with Japanese GAAP.

A net interest margin of 2.41% was recorded for the first half of fiscal year 2016, increased from 2.33% recorded for the first half of fiscal year 2015. This increase was due to factors such as the proportion of loans as a component of interest earning assets increasing as a result of a reduced securities balance resulting in an improvement of the overall yield on interest earning assets, as well as the continuing decline of the overall rate on interest earning liabilities.

Additionally, net interest income including income on leased assets and installment receivables totaled ¥79.7 billion in the first

half of fiscal year 2016, decreased from ¥80.3 billion recorded in the interim period ended September 30, 2015. This decrease reflects a decline in interest revenue recorded from interest earnings assets from ¥89.7 billion recorded in the first half of fiscal year 2015 to ¥87.6 billion recorded in the interim period ended September 30, 2016 exceeding the decline in interest expenses incurred on interest bearing liabilities from ¥9.4 billion recorded in the first half of fiscal year 2015 to ¥7.8 billion recorded in the interim period ended September 30, 2016.

## NET FEES AND COMMISSIONS

Net fees and commissions is mainly comprised of fee income from domestic real estate nonrecourse finance, fee income such as servicing fees recorded in specialty finance and principal transactions, fee income recorded from the guarantee and other businesses in the consumer finance business and fee income received on the sales of mutual funds and insurance products. Net fees and commissions totaled ¥12.9 billion in the first half of fiscal year 2016, reduced from ¥13.1 billion recorded in the interim period ended September 30, 2015. This reduction was the result of a decline in fee income recorded on the sale of mutual funds in the retail banking business.

## NET TRADING INCOME

The table below shows the principal components of net trading income.

**TABLE 2. NET TRADING INCOME (CONSOLIDATED)**

	Billions of yen		
	Six months ended September 30, 2016	Six months ended September 30, 2015	Change (Amount)
Income from trading securities	¥ 0.8	¥ 2.3	¥ (1.5)
Income (loss) from securities held to hedge trading transactions	0.2	0.2	(0.0)
Income from trading-related financial derivatives	3.7	2.5	1.2
Other, net	0.0	(0.0)	0.1
Net trading income	¥ 4.8	¥ 5.1	¥ (0.2)

Net trading income is comprised of customer derivative transaction related revenues as well as revenues recorded from proprietary trading undertaken by the Bank. Net trading income in the

interim period ended September 30, 2016 totaled ¥4.8 billion, reduced from ¥5.1 billion recorded in the interim period ended September 30, 2015.

**RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)****NET OTHER BUSINESS INCOME (LOSS)**

The table below shows the principal components of net other business income.

**TABLE 3. NET OTHER BUSINESS INCOME (LOSS) (CONSOLIDATED)**

	Billions of yen		
	Six months ended September 30, 2016	Six months ended September 30, 2015	Change (Amount)
Net gain on monetary assets held in trust	¥ 2.3	¥ 4.4	¥ (2.1)
Net gain on foreign exchanges	3.5	3.1	0.4
Net gain on securities	8.9	0.6	8.3
Net gain on other monetary claims purchased	(1.0)	0.9	(2.0)
Other, net:	1.7	2.4	(0.7)
Income (loss) from derivative transactions for banking purpose, net	(0.6)	0.4	(1.0)
Equity in net income of affiliates	1.1	1.2	(0.0)
Gain on lease cancellation and other lease income (loss), net	0.7	0.4	0.2
Other, net	0.5	0.3	0.1
Net other business income before income on lease transactions and installment receivables, net	15.6	11.7	3.8
Income on lease transactions and installment receivables, net	19.3	19.3	0.0
Net other business income	¥ 34.9	¥ 31.0	¥ 3.8

Net other business income recorded in the interim period ended September 30, 2016 totaled ¥34.9 billion, increased from ¥31.0 billion recorded in the interim period ended September 30, 2015. This improvement from the previous first half is the results of an increase in gains on bonds in Treasury operations as well as the absence of a loss recorded as a result of the reassessment of a fund investment in the first half of fiscal year 2015.

**TOTAL REVENUE**

As a result of the preceding, total revenue of ¥113.2 billion was recorded in the interim period ended September 30, 2016, compared to ¥110.3 billion recorded during the interim period ended September 30, 2015.

**GENERAL AND ADMINISTRATIVE EXPENSES**

The table below sets forth the principal components of our general and administrative expenses.

**TABLE 4. GENERAL AND ADMINISTRATIVE EXPENSES (CONSOLIDATED)**

	Billions of yen		
	Six months ended September 30, 2016	Six months ended September 30, 2015	Change (Amount)
Personnel expenses	¥ 28.6	¥ 29.0	¥ (0.4)
Premises expenses	11.2	9.5	1.7
Technology and data processing expenses	10.0	9.5	0.5
Advertising expenses	5.4	5.0	0.4
Consumption and property taxes	4.8	4.3	0.5
Deposit insurance premium	1.0	1.0	(0.0)
Other general and administrative expenses	11.5	11.5	0.0
General and administrative expenses	72.8	70.1	2.7
Amortization of goodwill and intangible assets acquired in business combinations	2.9	3.9	(0.9)
Total general and administrative expenses	¥ 75.8	¥ 74.0	¥ 1.8

## RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

General and administrative expenses excluding amortization of goodwill and intangible assets acquired in business combinations totaled ¥72.8 billion in the interim period ended September 30, 2016, increased from ¥70.1 billion recorded in the interim period ended September 30, 2015. While having continued to promote operational efficiency, this increase was the result of the Bank's allocation of management resources in strategic areas such as IT systems and advertising necessary for expanding the Bank's business base.

Personnel expenses declined from ¥29.0 billion recorded in the interim period ended September 30, 2015 to ¥28.6 billion in the interim period ended September 30, 2016. While the Bank has increased personnel in strategic focus business areas where it seeks to expand its customer base and enhance profitability, expenses were reduced through the promotion of operational efficiency.

Nonpersonnel expenses totaled ¥44.2 billion in the interim period ended September 30, 2016, compared to ¥41.0 billion recorded in the interim period ended September 30, 2015, due to the implementation of strict expense controls and continued efforts to improve operational efficiency across all businesses even as we continued to undertake the investment of resources necessary for growing our business base. The Bank's performances in the major components of nonpersonnel expenses were as follows: 1) While having continued to improve operational efficiency, as a result of revisions to the expected useful life of some assets,

premises expenses totaled ¥11.2 billion in the interim period ended September 30, 2016, increased from ¥9.5 billion recorded in the previous first half; 2) Technology and data processing expenses totaled ¥10.0 billion in the interim period ended September 30, 2016, increased from ¥9.5 billion recorded in the interim period ended September 30, 2015, as investment for the stabilization of our systems continued; 3) As a result of having proactively undertaken advertising activities in order to expand our customer base, advertising expenses increased from ¥5.0 billion recorded in the interim period ended September 30, 2015, to ¥5.4 billion in the interim period ended September 30, 2016.

Consumption and property taxes totaled ¥4.8 billion in the interim period ended September 30, 2016, increased compared to ¥4.3 billion recorded in the interim period ended September 30, 2015. This increase is primarily the result of the effects of pro-forma standard taxation.

Deposit insurance premium totaled ¥1.0 billion in the interim period ended September 30, 2016, largely unchanged compared to the amount recorded in the interim period ended September 30, 2015, as there were no significant revision of the insurance premium rate, the basis for calculating premiums.

Other general and administrative expenses totaled ¥11.5 billion in the interim period ended September 30, 2016, largely unchanged compared to the amount recorded in the interim period ended September 30, 2015.

## AMORTIZATION OF GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS

Amortization of goodwill and intangible assets acquired in business combinations related to the acquisition of consumer finance and commercial finance subsidiaries totaled ¥2.9 billion in the interim period ended September 30, 2016, reduced from ¥3.9 billion recorded in the interim period ended September 30, 2015.

This reduction is mainly attributable to the application of the sum-of-the-years' digits method in the amortization of goodwill and intangible assets acquired in business combinations related to Shinsei Financial.

**TABLE 5. AMORTIZATION OF GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS (CONSOLIDATED)**

	Billions of yen		
	Six months ended September 30, 2016	Six months ended September 30, 2015	Change (Amount)
Shinsei Financial	¥ 1.7	¥ 2.3	¥ (0.5)
Shinsei Personal Loan <sup>(1)</sup>	(0.1)	(0.1)	—
APLUS FINANCIAL	—	0.4	(0.4)
Showa Leasing	1.3	1.2	0.1
Others	0.0	0.0	0.0
Amortization of goodwill and intangible assets acquired in business combinations	¥ 2.9	¥ 3.9	¥ (0.9)

Note: (1) the former SHINKI



## RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

## NET CREDIT COSTS (RECOVERIES)

The following table details the principal components of net credit costs (recoveries).

TABLE 6. NET CREDIT COSTS (RECOVERIES) (CONSOLIDATED)

	Billions of yen		
	Six months ended September 30, 2016	Six months ended September 30, 2015	Change (Amount)
Losses on write-off or sales of loans	¥ 1.1	¥ 0.5	¥ 0.6
Net provision of reserve for loan losses:			
Net provision of general reserve for loan losses	10.9	10.9	(0.0)
Net provision of specific reserve for loan losses	5.4	(7.7)	13.1
Net provision of reserve for loan losses to restructuring countries	(0.0)	—	(0.0)
Subtotal	16.3	3.2	13.0
Other credit costs (recoveries) relating to leasing business	(0.0)	0.0	(0.0)
Recoveries of written-off claims	(2.7)	(5.0)	2.3
Net credit costs (recoveries)	¥ 14.7	¥ (1.2)	¥ 15.9

The principal components of net credit costs are provisions and reversals of reserves for loan losses. In accordance with Japanese GAAP, the Bank maintains general and specific reserves for loan losses, specified reserves for loans losses to restructuring countries as well as a specific reserve for other credit losses. Subsidiaries such as Shinsei Financial, APLUS FINANCIAL, Shinsei Personal Loan and Showa Leasing also maintain general and specific reserves for loan losses.

In the interim period ended September 30, 2016, the Bank recorded net credit costs totaling ¥14.7 billion, compared to net credit recoveries of ¥1.2 billion recorded in the interim period ended September 30, 2015. This increase is largely attributable to the provisioning of reserves for loan losses corresponding to the growth of the loan balance growth of the consumer finance

business as well as the absence of the significant gains recorded on the reversal of loan loss reserves in the Institutional Business during the previous first half.

Recoveries of written-off claims totaled ¥2.7 billion in the first half of fiscal year 2016, decreased compared to ¥5.0 billion recorded in the first half of fiscal year 2015. Major components of recoveries recorded in the interim period ended September 30, 2016, included ¥0.1 billion in Shinsei Bank on a nonconsolidated basis and ¥2.3 billion in Shinsei Financial. It should be noted that excluding recoveries of written-off claims, net credit costs recorded in the interim period ended September 30, 2016 totaled ¥17.4 billion, increased compared to ¥3.7 billion recorded in the interim period ended September 30, 2015.

**RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)****OTHER GAINS (LOSSES), NET**

Other net gains totaled ¥4.4 billion in the interim period ended September 30, 2016, increased compared to other net gains of ¥1.2 billion recorded in the interim period ended September 30, 2015.

**TABLE 7. OTHER GAINS (LOSSES), NET (CONSOLIDATED)**

	Billions of yen		
	Six months ended September 30, 2016	Six months ended September 30, 2015	Change (Amount)
Net gain (loss) on disposal of premises and equipment	¥ (0.0)	¥ (0.0)	¥ 0.0
Gains on write-off of unclaimed debentures	0.6	0.0	0.6
Provision for reimbursement of debentures	(0.3)	—	(0.3)
Gains on write-off of unclaimed deposits	1.2	0.6	0.6
Gains on sale of nonperforming loans	1.8	—	1.8
Gain on liquidation of subsidiaries	0.5	0.4	0.0
Loss on liquidation of subsidiaries	(0.5)	—	(0.5)
Loss on sale of investments in affiliates	—	(0.2)	0.2
Impairment losses on long-lived assets	(0.0)	(0.3)	0.3
Gain on sale of investments in subsidiaries	0.2	—	0.2
Gain on reversal of stock acquisition rights	—	0.6	(0.6)
Other, net	0.6	0.0	0.6
<b>Total</b>	<b>¥ 4.4</b>	<b>¥ 1.2</b>	<b>¥ 3.2</b>

**INCOME BEFORE INCOME TAXES**

As a result of the preceding factors, income before taxes recorded in the interim period ended September 30, 2016, totaled ¥27.0 billion, compared to ¥38.8 billion recorded in the interim period ended September 30, 2015.

**INCOME TAXES (BENEFIT)**

The sum of all current and deferred income taxes totaled a net expense of ¥2.1 billion in the interim period ended September 30, 2016, compared to a net expense of ¥1.0 billion recorded in the interim period ended September 30, 2015.

**PROFIT ATTRIBUTABLE TO NONCONTROLLING INTERESTS**

Loss attributable to noncontrolling interests totaled ¥0.0 billion (¥3 million) in the interim period ended September 30, 2016. Profit attributable to noncontrolling interests is largely comprised of interest payments accrued on perpetual preferred securities issued by subsidiaries of Shinsei Bank and are equivalent to ownership of noncontrolling interests in the profit of other consolidated subsidiaries. In comparison, profit attributable to noncontrolling interests recorded in the first half of fiscal year 2015 totaled ¥0.3 billion.

**TABLE 8. PROFIT ATTRIBUTABLE TO NONCONTROLLING INTERESTS (CONSOLIDATED)**

	Billions of yen		
	Six months ended September 30, 2016	Six months ended September 30, 2015	Change (Amount)
Dividends on preferred securities issued by foreign SPCs	¥ 0.1	¥ 0.4	¥ (0.2)
Others	(0.1)	(0.0)	(0.0)
<b>Profit attributable to noncontrolling interests</b>	<b>¥(0.0)</b>	<b>¥ 0.3</b>	<b>¥ (0.3)</b>

## RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

## PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

As a result of the preceding factors, the Bank recorded a profit attributable to owners of the parent totaling ¥24.9 billion in the interim period ended September 30, 2016, reduced compared to ¥37.4 billion recorded in the interim period ended September 30, 2015.

## RECONCILIATION OF REPORTED-BASIS AND OPERATING-BASIS RESULTS

In addition to analyzing the results of its operations in the format used in its financial statements, referred to as the "reported-basis," Shinsei Bank also engages in the management of its organization utilizing an "operating-basis" assessment of individual business lines in evaluating achieved results against targeted goals. Operating-basis results are generally calculated by adjusting the reported-basis results for amortization of goodwill and intangible assets acquired in business combinations, certain revenue items, amortization of net actuarial gains or losses on lump-sum retirement payments and extraordinary expenses. In general, operating-basis results represent what the Bank considers to be "core" portion of its reported profit attributable to owners of the parent is in compliance with Japanese GAAP. The following table reconciles the Bank's reported-basis and operating-basis results.

**TABLE 9. RECONCILIATION FROM REPORTED-BASIS RESULTS TO OPERATING-BASIS RESULTS (CONSOLIDATED)**

	Billions of yen					
	Six months ended September 30, 2016			Six months ended September 30, 2015		
	Reported-basis	Reclassifications	Operating-basis	Reported-basis	Reclassifications	Operating-basis
Revenue:						
Net interest income	¥ 60.4	¥ —	¥ 60.4	¥ 61.0	¥ —	¥ 61.0
Noninterest income	52.7	—	52.7	49.3	—	49.3
Total revenue	113.2	—	113.2	110.3	—	110.3
General and administrative expenses <sup>(1)(3)</sup>	72.8	(1.5)	71.3	70.1	(0.3)	69.7
Amortization of goodwill and intangible assets acquired in business combinations <sup>(2)(3)</sup>	2.9	(2.9)	—	3.9	(3.9)	—
Total general and administrative expenses	75.8	(4.4)	71.3	74.0	(4.3)	69.7
Net business profit/Ordinary business profit <sup>(2)</sup>	37.3	4.4	41.8	36.3	4.3	40.6
Net credit costs (recoveries)	14.7	—	14.7	(1.2)	—	(1.2)
Amortization of goodwill and intangible assets acquired in business combinations <sup>(2)</sup>	—	2.9	2.9	—	3.8	3.8
Other gains (losses), net <sup>(1)</sup>	4.4	(1.5)	2.9	1.2	(0.4)	0.7
Income before income taxes	27.0	—	27.0	38.8	—	38.8
Income taxes and profit attributable to noncontrolling interests	2.1	—	2.1	1.3	—	1.3
Profit attributable to owners of the parent	¥ 24.9	¥ —	¥ 24.9	¥ 37.4	¥ —	¥ 37.4

Notes: (1) Reclassifications consist principally of adjustments relating to lump-sum compensation and amortization of actuarial gains or losses from general and administrative expenses to other gains (losses), net.

(2) Amortization of goodwill and intangible assets acquired in business combinations associated with acquisitions of companies is reclassified under ordinary business profit after net credit costs.

(3) Amortization of goodwill and intangible assets acquired in business combinations associated with partial acquisitions of business is classified to general and administrative expenses.

## RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

## BUSINESS LINES RESULTS

Management monitors the performance of each business line on an operating-basis. The following section details the operating-basis ordinary business profit (loss) after net credit costs (recoveries) on a business line level.

**TABLE 10. OPERATING-BASIS ORDINARY BUSINESS PROFIT (LOSS) AFTER NET CREDIT COSTS (RECOVERIES) BY BUSINESS LINE (CONSOLIDATED)**

	Billions of yen		
	Six months ended September 30, 2016	Six months ended September 30, 2015	Change (Amount)
<b>Institutional Business:</b>			
Net interest income	¥ 10.8	¥ 13.3	¥ (2.4)
Noninterest income	15.7	16.2	(0.5)
Total revenue	26.5	29.5	(2.9)
General and administrative expenses	14.2	14.7	(0.4)
Ordinary business profit	12.3	14.8	(2.5)
Net credit costs (recoveries)	0.4	(13.4)	13.9
Ordinary business profit after net credit costs (recoveries)	¥ 11.8	¥ 28.2	¥ (16.4)
<b>Global Markets Business:</b>			
Net interest income	¥ 1.0	¥ 1.0	¥ (0.0)
Noninterest income	4.2	5.1	(0.8)
Total revenue	5.2	6.1	(0.8)
General and administrative expenses	3.4	3.7	(0.2)
Ordinary business profit	1.7	2.4	(0.6)
Net credit costs (recoveries)	(0.0)	(0.2)	0.2
Ordinary business profit after net credit costs (recoveries)	¥ 1.7	¥ 2.6	¥ (0.8)
<b>Individual Business:</b>			
Net interest income	¥ 48.4	¥ 44.7	¥ 3.6
Noninterest income	23.3	24.7	(1.4)
Total revenue	71.8	69.5	2.2
General and administrative expenses	52.6	50.7	1.9
Ordinary business profit	19.1	18.8	0.3
Net credit costs	14.2	12.4	1.8
Ordinary business profit after net credit costs	¥ 4.9	¥ 6.4	¥ (1.4)
<b>Corporate/Other<sup>(1)</sup>:</b>			
Net interest income	¥ 0.1	¥ 1.8	¥ (1.6)
Noninterest income	9.3	3.2	6.1
Total revenue	9.5	5.1	4.4
General and administrative expenses	1.0	0.5	0.4
Ordinary business profit	8.5	4.5	3.9
Net credit costs (recoveries)	0.0	(0.0)	0.0
Ordinary business profit after net credit costs (recoveries)	¥ 8.5	¥ 4.5	¥ 3.9
<b>Total:</b>			
Net interest income	¥ 60.4	¥ 61.0	¥ (0.5)
Noninterest income	52.7	49.3	3.3
Total revenue	113.2	110.3	2.8
General and administrative expenses	71.3	69.7	1.6
Ordinary business profit	41.8	40.6	1.1
Net credit costs (recoveries)	14.7	(1.2)	15.9
Ordinary business profit after net credit costs (recoveries)	¥ 27.1	¥ 41.9	¥ (14.8)

Note: (1) Includes company-wide accounts, allocation variance of indirect expense and elimination amount of inter-segment transactions.

## RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

## INSTITUTIONAL BUSINESS

The Institutional Business consists of: 1) the Corporate Business, which provides financial products and services to public and corporate entities, including financial institutions, 2) Structured Finance, which is engaged in the provision of real estate finance, project finance, and other financial services, 3) Principal Transactions, which is engaged in the credit trading, private equity, asset-backed investment and other businesses and 4) Showa Leasing.

**TABLE 11. INSTITUTIONAL BUSINESS ORDINARY BUSINESS PROFIT (LOSS) AFTER NET CREDIT COSTS (RECOVERIES) BY BUSINESS/SUBSIDIARY (CONSOLIDATED)<sup>(1)</sup>**

	Billions of yen		
	Six months ended September 30, 2016	Six months ended September 30, 2015	Change (Amount)
<b>Corporate Business<sup>(2)(3)</sup>:</b>			
Net interest income	¥ 5.4	¥ 5.2	¥ 0.2
Noninterest income	2.4	2.7	(0.3)
Total revenue	7.8	8.0	(0.1)
General and administrative expenses	5.4	5.7	(0.3)
Ordinary business profit	2.4	2.2	0.2
Net credit costs	0.1	0.4	(0.2)
Ordinary business profit after net credit costs	¥ 2.3	¥ 1.8	¥ 0.5
<b>Structured Finance<sup>(2)(3)</sup>:</b>			
Net interest income	¥ 4.6	¥ 6.1	¥ (1.4)
Noninterest income	4.4	3.0	1.4
Total revenue	9.1	9.1	(0.0)
General and administrative expenses	2.4	2.3	0.0
Ordinary business profit	6.6	6.7	(0.1)
Net credit costs (recoveries)	0.8	(13.3)	14.2
Ordinary business profit after net credit costs (recoveries)	¥ 5.7	¥ 20.1	¥ (14.3)
<b>Principal Transactions<sup>(2)(3)</sup>:</b>			
Net interest income	¥ 1.3	¥ 2.9	¥ (1.6)
Noninterest income	1.6	(0.8)	2.5
Total revenue	2.9	2.0	0.9
General and administrative expenses	2.1	2.4	(0.2)
Ordinary business profit (loss)	0.8	(0.3)	1.2
Net credit costs (recoveries)	(0.1)	(0.1)	(0.0)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 0.9	¥ (0.2)	¥ 1.2
<b>Showa Leasing<sup>(3)</sup>:</b>			
Net interest income	¥ (0.6)	¥ (1.0)	¥ 0.4
Noninterest income	7.2	11.3	(4.1)
Total revenue	6.5	10.2	(3.7)
General and administrative expenses	4.2	4.1	0.0
Ordinary business profit	2.3	6.1	(3.7)
Net credit costs (recoveries)	(0.3)	(0.4)	0.0
Ordinary business profit after net credit costs (recoveries)	¥ 2.7	¥ 6.5	¥ (3.7)
<b>Institutional Business:</b>			
Net interest income	¥ 10.8	¥ 13.3	¥ (2.4)
Noninterest income	15.7	16.2	(0.5)
Total revenue	26.5	29.5	(2.9)
General and administrative expenses	14.2	14.7	(0.4)
Ordinary business profit	12.3	14.8	(2.5)
Net credit costs (recoveries)	0.4	(13.4)	13.9
Ordinary business profit after net credit costs (recoveries)	¥ 11.8	¥ 28.2	¥ (16.4)

Notes: (1) Net of consolidation adjustments, if applicable.

(2) The "Corporate Business" segment of the "Institutional Business" now includes the business of "Shinsei Trust & Banking," previously included in the "Structured Finance" segment, and the business of the "New Business Promotion & Support Department," previously included in the "Principal Transactions" segment.

(3) The expense allocation methods utilized in the "Institutional Business" have been revised and headquarter function associated expenses previously included within the "Corporate Business" segment have been allocated to the respective segments.

## RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

The Institutional Business recorded total revenue of ¥26.5 billion in the interim period ended September 30, 2016, compared to ¥29.5 billion recorded in the interim period ended September 30, 2015. Of this amount, net interest income totaled ¥10.8 billion, compared to ¥13.3 billion recorded in the interim period ended September 30, 2015, and noninterest income accounted for the remaining ¥15.7 billion, reduced from ¥16.2 billion recorded in the interim period ended September 30, 2015. While the Bank continued to engage in initiatives in the Institutional Business aimed at expanding the customer base and strengthening profitability, net interest income declined due to the non-recurrence of major dividend revenues recorded during the previous first half, and, while the Bank enjoyed an increase in fee income in the Structure Finance business as well as the absence of a loss resulting from the reassessment of a fund investment recorded in the Principal Transactions business during the first half of fiscal year 2015, non-interest income declined due to the non-recurrence of major gains on the sale of investment securities recorded in the first half of fiscal year 2015 in Showa Leasing, resulting in year on year declines in both net interest income and noninterest income.

Within the Institutional Business, the Corporate Business recorded total revenue of ¥7.8 billion in the interim period ended September 30, 2016, compared to ¥8.0 billion recorded in the interim period ended September 30, 2015. Despite an increase in interest income compared to the previous first half as a result of increased efforts in order to ensure transaction quality through the deepening of relationships with existing clients, total revenue declined slightly compared to the first half of fiscal year 2015 due to softness in revenues recorded from markets related transactions.

The Structured Finance business recorded total revenue of ¥9.1 billion in the interim period ended September 30, 2016, a similar level to what was recorded in the previous first half. While interest income declined due to the non-recurrence of significant dividend revenues recorded in the previous first half, noninterest income on the other hand increased compared to the previous

first half due to the recording of strong fee income from domestic and overseas renewable energy projects in Project Finance while having pursued the diversification of project sectors in the business, as well as the selective undertaking of real estate finance primarily focusing on office, hospitality and logistical facilities.

Total revenue recorded in the Principal Transactions business totaled ¥2.9 billion, increased compared to ¥2.0 billion recorded in the interim period ended September 30, 2015. This increase reflects the non-recurrence of a loss recorded due to the reassessment of a fund investment in the previous first half, as well as the recording of stable revenues from the domestic credit trading business.

Total revenue recorded in Showa Leasing totaled ¥6.5 billion, reduced compared to ¥10.2 billion recorded in the interim period ended September 30, 2015. This decline is the result of the non-recurrence of gains on the sale of equities recorded in the previous first half.

General and administrative expenses recorded in the Institutional Business totaled ¥14.2 billion, slightly reduced compared to ¥14.7 billion recorded in the interim period ended September 30, 2015. This performance was the result of efforts undertaken in order to improve efficiency including the shifting of management resources to focus business areas.

Net credit costs recorded in the Institutional Business totaled credit costs of ¥0.4 billion in the interim period ended September 30, 2016, compared to credit recoveries of ¥13.4 billion recorded in the previous first half. This increase in net credit costs is largely the result of the non-recurrence of gains on the reversal of reserves for loan loss reserves associated with the disposal of large nonperforming loans recorded in the previous first half.

As a result of the preceding factors, the Institutional Business recorded an ordinary business profit after net credit costs totaling ¥11.8 billion, decreased compared to ¥28.2 billion recorded in the interim period ended September 30, 2015.

## RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

## GLOBAL MARKETS BUSINESS

The Global Markets Business consists of: 1) The Markets, which is engaged in foreign exchange, derivatives and other capital markets businesses, and 2) Others, which includes the asset management and wealth management businesses, Shinsei Securities Co., Ltd. and other global market businesses.

**TABLE 12. GLOBAL MARKETS BUSINESS ORDINARY BUSINESS PROFIT (LOSS) AFTER NET CREDIT COSTS (RECOVERIES) BY BUSINESS (CONSOLIDATED)<sup>(1)</sup>**

	Billions of yen		
	Six months ended September 30, 2016	Six months ended September 30, 2015	Change (Amount)
<b>Markets:</b>			
Net interest income	¥ 0.9	¥ 1.0	¥ (0.0)
Noninterest income	3.3	3.6	(0.2)
Total revenue	4.3	4.6	(0.2)
General and administrative expenses	1.6	1.7	(0.0)
Ordinary business profit	2.6	2.8	(0.1)
Net credit costs (recoveries)	(0.0)	(0.0)	0.0
Ordinary business profit after net credit costs (recoveries)	¥ 2.7	¥ 2.9	¥ (0.2)
<b>Others:</b>			
Net interest income	¥ 0.1	¥ 0.0	¥ 0.0
Noninterest income	0.8	1.5	(0.6)
Total revenue	0.9	1.5	(0.5)
General and administrative expenses	1.8	1.9	(0.1)
Ordinary business profit (loss)	(0.8)	(0.4)	(0.4)
Net credit costs (recoveries)	0.0	(0.1)	0.2
Ordinary business profit (loss) after net credit costs (recoveries)	¥ (0.9)	¥ (0.2)	¥ (0.6)
<b>Global Markets Business:</b>			
Net interest income	¥ 1.0	¥ 1.0	¥ (0.0)
Noninterest income	4.2	5.1	(0.8)
Total revenue	5.2	6.1	(0.8)
General and administrative expenses	3.4	3.7	(0.2)
Ordinary business profit	1.7	2.4	(0.6)
Net credit costs (recoveries)	(0.0)	(0.2)	0.2
Ordinary business profit after net credit costs (recoveries)	¥ 1.7	¥ 2.6	¥ (0.8)

Note: (1) Net of consolidation adjustments, if applicable.

The Global Markets Business recorded total revenue of ¥5.2 billion in the interim period ended September 30, 2016, compared to ¥6.1 billion recorded in the interim period ended September 30, 2015. This total revenue is the result of a weak performance in securities brokerage, etc., in addition to an anemic performance in market related transactions.

The Markets business recorded total revenue ¥4.3 billion in the interim period ended September 30, 2016, reduced compared to ¥4.6 billion recorded in the previous first half, primarily the result of softness in market related transactions.

Other global markets recorded total revenue of ¥0.9 billion in the interim period ended September 30, 2016, compared to ¥1.5 billion in the previous first half. This result was primarily due to weakness in the performances of the asset management and

the securities brokerage businesses.

General and administrative expenses recorded in the Global Markets Business totaled ¥3.4 billion in the interim period ended September 30, 2016, reduced compared to ¥3.7 billion recorded in the previous first half as a result of efforts undertaken to enhance efficiency in each business line.

Net credit recoveries recorded in the Global Markets Business totaled ¥0.0 billion (¥5 million) in the interim period ended September 30, 2016, compared to a net credit recovery of ¥0.2 billion recorded in the previous first half.

As a result of the preceding factors, ordinary business profit after net credit costs recorded in the Global Markets Business totaled ¥1.7 billion in the interim period ended September 30, 2016, compared to ¥2.6 billion recorded in the previous first half.

## RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

## INDIVIDUAL BUSINESS

The Individual Business consists of: 1) Retail Banking, 2) Shinsei Bank Card Loan Lake ("Shinsei Bank Lake") and its subsidiary Shinsei Financial, 3) APLUS FINANCIAL, and 4) Shinsei Property Finance Co., Ltd.

The "Shinsei Financial and Shinsei Bank Lake" segment of the Individual Business includes Shinsei Personal Loan (formerly "SHINKI") under the "NOLOAN" brand.

**TABLE 13. INDIVIDUAL BUSINESS ORDINARY BUSINESS PROFIT (LOSS) AFTER NET CREDIT COSTS (RECOVERIES) BY BUSINESS/SUBSIDIARY (CONSOLIDATED)**

	Billions of yen		
	Six months ended September 30, 2016	Six months ended September 30, 2015	Change (Amount)
<b>Retail Banking:</b>			
Net interest income	¥ 11.8	¥ 10.6	¥ 1.1
Loans	5.4	5.2	0.2
Deposits	6.4	5.4	0.9
Noninterest income	1.3	3.6	(2.2)
Asset management products	3.6	5.6	(2.0)
Other fees (ATM, Fund transfer, FX etc.)	(2.2)	(2.0)	(0.2)
Total revenue	13.2	14.3	(1.0)
General and administrative expenses	16.5	16.4	0.0
Ordinary business profit (loss)	(3.2)	(2.1)	(1.1)
Net credit costs (recoveries)	(0.6)	0.1	(0.8)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ (2.6)	¥ (2.3)	¥ (0.2)
<b>Shinsei Financial and Shinsei Bank Lake:</b>			
Net interest income	¥ 31.7	¥ 30.2	¥ 1.5
Shinsei Bank Lake	18.2	15.0	3.1
NOLOAN	3.3	3.4	(0.1)
Noninterest income	(0.6)	(1.2)	0.5
Total revenue	31.0	29.0	2.0
General and administrative expenses	16.9	15.6	1.3
Ordinary business profit	14.1	13.3	0.7
Net credit costs	10.1	8.0	2.0
Ordinary business profit after net credit costs	¥ 3.9	¥ 5.2	¥ (1.3)
<b>APLUS FINANCIAL:</b>			
Net interest income	¥ 4.3	¥ 3.2	¥ 1.0
Noninterest income	22.5	22.2	0.3
Total revenue	26.8	25.5	1.3
General and administrative expenses	18.7	18.2	0.5
Ordinary business profit	8.1	7.2	0.8
Net credit costs	4.7	4.2	0.5
Ordinary business profit after net credit costs	¥ 3.3	¥ 3.0	¥ 0.3
<b>Others<sup>(1)</sup>:</b>			
Net interest income	¥ 0.4	¥ 0.5	¥ (0.1)
Noninterest income	0.1	0.1	(0.0)
Total revenue	0.6	0.7	(0.1)
General and administrative expenses	0.3	0.3	0.0
Ordinary business profit	0.2	0.3	(0.1)
Net credit costs (recoveries)	(0.0)	(0.1)	0.1
Ordinary business profit after net credit costs (recoveries)	¥ 0.2	¥ 0.4	¥ (0.2)
<b>Individual Business:</b>			
Net interest income	¥ 48.4	¥ 44.7	¥ 3.6
Noninterest income	23.3	24.7	(1.4)
Total revenue	71.8	69.5	2.2
General and administrative expenses	52.6	50.7	1.9
Ordinary business profit	19.1	18.8	0.3
Net credit costs	14.2	12.4	1.8
Ordinary business profit after net credit costs	¥ 4.9	¥ 6.4	¥ (1.4)

Note: (1) Includes Shinsei Property Finance and unallocated Consumer Finance financials.



**RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)**

Ordinary business profit after net credit costs recorded in the Individual Business totaled ¥4.9 billion in the interim period ended September 30, 2016, compared to ¥6.4 billion recorded in the previous first half.

**RETAIL BANKING**

The Retail Banking Business recorded total revenue of ¥13.2 billion in the interim period ended September 30, 2016, reduced compared to ¥14.3 billion recorded in the previous first half. Of this amount, net interest income totaled ¥11.8 billion in the first half of fiscal year 2016, compared to ¥10.6 billion recorded in the previous first half. This increase in overall net interest income compared to the first half of fiscal year 2015 was the result of sustained strength in new housing loan disbursements resulting in increases in both the net loan balance and associated revenues as well as the recording of increased net interest income associated with deposits including deposits held for liquidity purposes as a result of the growth of the deposit balance and improved interest margins. The noninterest income portion of total revenue totaled ¥1.3 billion in the interim period ended September 30, 2016, reduced from ¥3.6 billion recorded in the previous first half as a result of the recording of weaker revenues from the sale of asset management products.

General and administrative expenses totaled ¥16.5 billion in the interim period ended September 30, 2016, increased compared to ¥16.4 billion recorded in the previous first half as a result of the allocation of management resources aimed at expanding the Bank's business base despite continuing efforts to pursue rationalization and efficiency across all business lines.

Regarding net credit costs, a recovery of ¥0.6 billion was recorded in the interim period ended September 30, 2016, compared to a net credit costs of ¥0.1 billion recorded in the previous first half, the result of an improvement in the reserve ratio for loan losses. As a result of the preceding factors, ordinary business profit after net credit costs recorded in the Retail Banking Business was a loss of ¥2.6 billion for the interim period ended September 30, 2016, compared to a loss of ¥2.3 billion recorded in the previous first half.

**SHINSEI FINANCIAL AND SHINSEI BANK LAKE**

Including related consolidation adjustments, ordinary business profit after net credit costs recorded in Shinsei Financial and Shinsei Bank Lake totaled ¥3.9 billion in the interim period ended September 30, 2016, compared to ¥5.2 billion recorded in the interim period ended September 30, 2015.

Primarily the result of the growth of the loan balance, total revenue of ¥31.0 billion was recorded in the interim period ended September 30, 2016, compared to ¥29.0 billion recorded in the previous first half.

While the Bank has continued to engage in a phased fine-tuning of credit standards in addition to the strengthening of collection capabilities, factors such as the year-on-year growth of the loan balance has resulted in the recorded of net credit costs totaling ¥10.1 billion in the interim period ended September 30, 2016, compared to ¥8.0 billion recorded in the previous first half.

**APLUS FINANCIAL**

Including related consolidation adjustments, ordinary business profit after net credit costs recorded in APLUS FINANCIAL totaled ¥3.3 billion in the interim period ended September 30, 2016, compared to ¥3.0 billion recorded in the previous first half. Total revenue of ¥26.8 billion was recorded in the interim period ended September 30, 2016, increased compared to ¥25.5 billion recorded in the previous first half. Of this amount, net interest income totaled ¥4.3 billion in the interim period ended September 30, 2016, increased compared to ¥3.2 billion recorded in the previous first half due to the steady growth of the loan balance. Additionally, the noninterest income portion of total revenue was ¥22.5 billion in the interim period ended September 30, 2016, increased compared to ¥22.2 billion recorded in the previous first half due to a firm performance in the credit card business. Regarding general and administrative expenses, while having continued to pursue rationalization and efficiency across business lines, the Bank's implementation of various initiatives aimed at enhancing the customer experience has resulted in expenses totaling ¥18.7 billion in the interim period ended September 30, 2016, increased slightly compared to ¥18.2 billion recorded in the previous first half. Additionally, net credit costs totaled ¥4.7 billion in the interim period ended September 30, 2016, increased compared to ¥4.2 billion recorded in the previous first half.

Others include the results of Shinsei Property Finance and unallocated financials of the consumer finance business.

**INTEREST REPAYMENTS**

Regarding reserves for losses on interest repayments, no additional reserves were provisioned in the interim period ended September 30, 2016, whereas additional reserves totaling ¥2.7 billion were provisioned in the fiscal year ended March 31, 2016, in accordance with a revision of future additional interest repayments.

Shinsei Financial's utilization of reserves for losses on interest repayments (interest repayments and related principal amortization) totaled ¥17.6 billion in the interim period ended September 30, 2016, compared to ¥16.4 billion recorded in the previous first half. As no additional reserves for losses on interest repayments were provisioned in the interim period ended September 30, 2016, the outstanding balance of reserves for losses on interest repayments has declined from ¥116.0 billion as of March 31, 2016, to ¥98.3 billion as of September 30, 2016.

**RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)**

Shinsei Personal Loan's utilization of reserves for losses on interest repayments (interest repayments and related principal amortization) totaled ¥1.9 billion in the interim period ended September 30, 2016, compared to ¥1.8 billion recorded in the previous first half. As no additional reserves for losses on interest repayments were provisioned in the interim period ended September 30, 2016, the outstanding balance of reserves for losses on interest repayments has declined from ¥8.5 billion as of March 31, 2016, to ¥6.5 billion as of September 30, 2016.

Lastly, APLUS FINANCIAL and its consolidated subsidiaries' utilization of reserves for losses on interest repayments (interest repayments and related principal amortization) totaled ¥2.4 billion in the interim period ended September 30, 2016, compared to ¥2.3 billion recorded in the previous first half. As no additional reserves for losses on interest repayments were provisioned in the interim period ended September 30, 2016, the outstanding balance of reserves for losses on interest repayments has declined from ¥9.1 billion as of March 31, 2016, to ¥6.6 billion as of September 30, 2016.

**CORPORATE/OTHER**

Corporate/Other includes the business results of Treasury, which engages in ALM operations and funding procurement, in addition to Other which includes the profit and loss of the entire Group including company-wide accounts, allocation variances of indirect expenses and elimination of inter-segment transactions.

**TABLE 14. CORPORATE/OTHER ORDINARY BUSINESS PROFIT (LOSS) AFTER NET CREDIT COSTS (RECOVERIES) BY BUSINESS (CONSOLIDATED)**

	Billions of yen		
	Six months ended September 30, 2016	Six months ended September 30, 2015	Change (Amount)
<b>Treasury:</b>			
Net interest income	¥ 0.1	¥ 1.8	¥ (1.7)
Noninterest income	7.5	2.6	4.8
Total revenue	7.7	4.5	3.1
General and administrative expenses	0.8	0.8	0.0
Ordinary business profit	6.8	3.7	3.1
Net credit costs	—	—	—
Ordinary business profit after net credit costs	¥ 6.8	¥ 3.7	¥ 3.1
<b>Others<sup>(1)</sup>:</b>			
Net interest income	¥ 0.0	¥ (0.0)	¥ 0.0
Noninterest income	1.8	0.5	1.2
Total revenue	1.8	0.5	1.2
General and administrative expenses	0.1	(0.2)	0.4
Ordinary business profit	1.6	0.8	0.8
Net credit costs (recoveries)	0.0	(0.0)	0.0
Ordinary business profit after net credit costs (recoveries)	¥ 1.6	¥ 0.8	¥ 0.8
<b>Corporate/Other:</b>			
Net interest income	¥ 0.1	¥ 1.8	¥ (1.6)
Noninterest income	9.3	3.2	6.1
Total revenue	9.5	5.1	4.4
General and administrative expenses	1.0	0.5	0.4
Ordinary business profit	8.5	4.5	3.9
Net credit costs (recoveries)	0.0	(0.0)	0.0
Ordinary business profit after net credit costs (recoveries)	¥ 8.5	¥ 4.5	¥ 3.9

Note: (1) Includes company-wide accounts, allocation variance of indirect expense and elimination amount of inter-segment transactions.

Reported business results of Corporate/Other includes the results of Treasury, which engages in the ALM operations of the entire Bank.

Corporate/Other recorded total revenue of ¥9.5 billion in the

interim period ended September 30, 2016, compared to ¥5.1 billion recorded in the interim period ended September 30, 2015. This improvement was the result of factors such as the recording of strong gains on bonds in Treasury.

## RESULTS OF OPERATIONS (NONCONSOLIDATED)

## SUMMARY OF NONCONSOLIDATED FINANCIAL RESULTS

We disclose nonconsolidated financial information in addition to our consolidated financial statements. As a recipient of public funds, we are required by the Financial Services Agency of Japan ("FSA") to update and report on nonconsolidated performance in relation to targets set forth in our Revitalization Plan on a quarterly basis and to publicly disclose that information semi-annually.

Shinsei recorded a net income of ¥24.1 billion on a nonconsolidated basis for the six months ended September 30, 2016. Differences between the net income on a nonconsolidated basis and consolidated basis result mainly from the gains and losses from our consolidated subsidiaries, including Showa Leasing, Shinsei Financial, APLUS FINANCIAL and Shinsei Personal Loan, the gains and losses on our investment in our equity method affiliate, Jih Sun Financial Holding Co., Ltd., and the dividends received from our major consolidated subsidiaries.

TABLE 15. SUPPLEMENTAL MEASURES (NONCONSOLIDATED)

	Billions of yen	
	Six months ended September 30, 2016	Six months ended September 30, 2015
Gross business profit ( <i>gyomu sorieki</i> ):		
Net interest income	¥ 47.7	¥ 44.7
Net fees and commissions <sup>(1)</sup>	(2.4)	1.7
Net trading income	3.7	2.7
Net other business income	9.2	5.7
Total gross business profit	58.2	54.9
Expenses <sup>(2)</sup>	38.7	37.2
Net business profit ( <i>jisshitsu gyomu jun-eki</i> )	19.5	17.7
Other, net <sup>(3)</sup>	1.4	13.8
Net operating income ( <i>keijo rieki</i> )	21.0	31.5
Extraordinary income (loss)	3.1	(5.6)
Income before income taxes	24.1	25.8
Current income taxes (benefit)	0.0	(0.1)
Deferred income taxes (benefit)	0.0	0.7
Net income	¥ 24.1	¥ 25.2

Notes: (1) Includes net gain (loss) on monetary assets held in trust of ¥0.6 billion and ¥3.1 billion for the six months ended September 30, 2016 and 2015, respectively.

(2) General and administrative expenses with certain adjustment.

(3) Excludes net gain (loss) on monetary assets held in trust.

## SUPPLEMENTAL NONCONSOLIDATED MEASURES

In addition to the reporting items set forth in our nonconsolidated financial statements, the Banking Act of Japan requires us to disclose gross business profit (*gyomu sorieki*) on a nonconsolidated basis. Furthermore, in the Japanese banking industry, net business profit (*jisshitsu gyomu jun-eki*) has traditionally been used as a measure of the profitability of core banking operations. We review these non Japanese GAAP performance measures in monitoring the results of our operations.

Gross business profit (*gyomu sorieki*) is the sum of:

- net interest income, which excludes interest expense related to investment in monetary assets held in trust;
- net fees and commissions, which includes net gain (loss) on monetary assets held in trust (in keeping with the definition of gross business profit in our Revitalization Plan);

- net trading income; and
- net other business income, which excludes net gain (loss) on monetary assets held in trust and on equity securities.

Net business profit (*jisshitsu gyomu jun-eki*) is gross business profit (*gyomu sorieki*) minus nonconsolidated expenses, which corresponds to general and administrative expenses adjusted for certain items.

While these non Japanese GAAP business profit measures should not be viewed as a substitute for net income, management believes that these measures provide a meaningful way of comparing a number of the important components of Shinsei's revenues and profitability from year to year. The table above sets forth these supplemental financial data and corresponding reconciliations to net income under Japanese GAAP for the presented period.

## FINANCIAL CONDITION

## TOTAL ASSETS

Consolidated total assets increased from ¥8,928.7 billion to ¥8,997.1 billion over the six months ended September 30, 2016.

The balance of loans and bills discounted was ¥4,611.3 billion

as of September 30, 2016, an increase of ¥48.4 billion from ¥4,562.9 billion as of March 31, 2016. While the balance of institutional loans has declined, this growth in the overall balance was supported by the sustained growth of the housing loan and consumer finance business loan balances.

TABLE 16. LOANS BY BORROWER INDUSTRY (CONSOLIDATED)

Billions of yen (except percentages)

	As of September 30, 2016		As of September 30, 2015	
Domestic offices (excluding Japan offshore market account):				
Manufacturing	¥ 197.1	4.4%	¥ 198.9	4.6%
Agriculture and Forestry	0.0	0.0	0.0	0.0
Fishery	0.2	0.0	0.0	0.0
Mining, quarrying and gravel extraction	0.2	0.0	0.2	0.0
Construction	15.3	0.3	9.8	0.2
Electric power, gas, heat supply and water supply	231.6	5.1	205.2	4.7
Information and communications	44.0	1.0	38.0	0.9
Transportation, postal service	180.7	4.0	175.6	4.0
Wholesale and retail	105.5	2.3	103.4	2.4
Finance and insurance	519.8	11.5	578.6	13.2
Real estate	574.7	12.8	579.0	13.2
Services	316.9	7.0	297.4	6.8
Local government	74.7	1.7	80.7	1.8
Others	2,247.6	49.9	2,106.5	48.2
Total domestic (A)	¥ 4,508.9	100.0%	¥ 4,373.9	100.0%
Overseas offices (including Japan offshore market accounts):				
Governments	¥ 0.6	0.7%	¥ 0.9	1.1%
Financial institutions	7.2	7.1	9.4	10.6
Others	94.3	92.2	78.8	88.3
Total overseas (B)	¥ 102.3	100.0%	¥ 89.2	100.0%
Total (A+B)	¥ 4,611.3		¥ 4,463.2	

## FUNDING AND LIQUIDITY

The table below shows changes in the proportion of our overall funding represented by funds raised from deposits in our Retail and

Institutional Banking businesses. Shinsei continues to optimize its funding base through deposits mainly from retail customers.

TABLE 17. DIVERSIFICATION BY DEPOSITS TYPE (CONSOLIDATED)

Billions of yen

	As of September 30, 2016	As of September 30, 2015
Retail deposits	¥ 4,786.8	¥ 4,835.4
Institutional deposits	998.9	653.9
Total	¥ 5,785.7	¥ 5,489.4

## TOTAL EQUITY

Total equity as of September 30, 2016 was ¥790.2 billion and included noncontrolling interests of ¥2.9 billion.

**FINANCIAL CONDITION (CONTINUED)****ASSET QUALITY AND DISPOSAL OF NONPERFORMING LOANS OF SHINSEI**

At September 30, 2016, 36.9% of our consolidated nonperforming loans as disclosed in accordance with the guidelines of the Japanese Bankers Association (JBA) were held by Shinsei and most of the rest were held by Shinsei Financial and APLUS FINANCIAL. This discussion of our asset quality presents information of Shinsei on a nonconsolidated basis unless specified otherwise. In particular, nonperforming claims as defined in the Financial Revitalization Law are only disclosed on a nonconsolidated basis, and therefore do not include nonperforming claims held by Shinsei Financial, APLUS FINANCIAL, Showa Leasing and Shinsei Personal Loan. For a discussion regarding the nonperforming claims of Shinsei Financial, APLUS FINANCIAL, Showa Leasing and Shinsei Personal Loan.

We classify our obligors and assess our asset quality based on our self-assessment guidelines developed in accordance with guidelines published by the FSA. We generally perform our self-assessment quarterly. The self-assessment process involves classifying obligors based on their financial condition and then categorizing claims against obligors in order of collection risk. Based on these classifications, we establish reserves and disclose our nonperforming loans and other claims using criteria specified in the Financial Revitalization Law. We also disclose our nonperforming loans under a format devised by the JBA for the disclosure of risk-monitored loans.

**CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW**

Under the Financial Revitalization Law, Japanese banks categorize their nonconsolidated total claims in four categories by reference to the nature of the relevant assets. In addition to loans and bills discounted, claims that are subject to disclosure under the Financial Revitalization Law include foreign exchange claims, securities lent, private placement bonds guaranteed by Shinsei, accrued income and suspense payments in other assets, as well as customers' liabilities for acceptances and guarantees.

**DISCLOSURE OF CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW**

Our current management team has consistently emphasized the monitoring of nonperforming claims. Shinsei's total amount of nonperforming claims as disclosed pursuant to the Financial Revitalization Law increased 0.3%, to ¥34.7 billion, between March 31, 2016 and September 30, 2016. During the six months ended September 30, 2016, claims against bankrupt and quasi-bankrupt obligors decreased from ¥4.9 billion to ¥4.1 billion, and doubtful claims decreased from ¥27.0 billion to ¥26.7 billion, and substandard claims increased from ¥2.6 billion to ¥3.9 billion, as a result of our self assessment. The ratio of nonperforming claims disclosed under the Financial Revitalization Law to total nonconsolidated claims as of September 30, 2016 was 0.8%, was same as March 31, 2016.

Shinsei's claims against other need caution obligors, excluding substandard claims, totaled ¥48.7 billion as of September 30, 2016, a 18.8% decrease from ¥60.0 billion as of March 31, 2016, which included private placement bonds guaranteed by Shinsei classified as claims against other need caution obligors.

These claims represented 1.1% of total nonconsolidated claims as of September 30, 2016, down from 1.4% as of March 31, 2016.

## FINANCIAL CONDITION (CONTINUED)

COMPARISON OF CATEGORIES OF OBLIGORS,  
CLAIMS UNDER THE FINANCIAL REVITALIZATION LAW AND RISK-MONITORED LOANS  
(NONCONSOLIDATED)

(Billions of yen)

Obligor Classifications	Internal Ratings	Reserve Ratios for Borrowers Type	Claims Classified under the Financial Revitalization Law <sup>2,3</sup>		Risk-monitored Loans <sup>2</sup>
			Total loans and bills discounted:	Other	Total loans and bills discounted:
			4,337.7	88.8	4,337.7
Legally bankrupt	9E	100.0% for unsecured portion	<b>Claims against bankrupt and quasi-bankrupt obligors</b> (Amount of coverage, coverage ratio) 4.1 (4.1*, 100.0%)		Loans to bankrupt obligors 1.1
Virtually bankrupt	9D	100.0% for unsecured portion	*Amount of reserve for loan losses is -, collateral and guarantees is 4.1		
Possibly bankrupt	9C	253.8% for unsecured portion	<b>Doubtful claims</b> (Amount of coverage, coverage ratio) 26.7 (26.5*, 99.4%)		Nonaccrual delinquent loans 29.6
			*Amount of reserve for loan losses is 1.6, collateral and guarantees is 24.9		
Need caution	Substandard	65.1% for unsecured portion	<b>Substandard claims (loan account only)</b> 3.9 (Amount of coverage, coverage ratio) 3.0* (3.0*, 77.4%)		Loans past due for three months or more Restructured loans 3.9
	Other need caution	9A	5.9% for total claims		
Normal	0A-6C	0.4% for total claims	Normal claims 4,391.8		Normal 4,303.0
			<b>Total nonperforming claims and ratio to total claims</b> 34.7, 0.8% (Total amount of coverage, coverage ratio) 33.7* (33.7*, 97.0%)		<b>Total risk-monitored loans and ratio to total loans and bills discounted</b> 34.7, 0.8%
			*Total amount of reserve for loan losses is 2.9, collateral and guarantees is 30.8		

1 Financial and operational data that are stated in multiples of ¥0.1 billion have been truncated. All percentages have been rounded to the nearest 0.1%.

2 The Financial Revitalization Law requires us to classify and disclose "claims" which include, in addition to loans and bills discounted, foreign exchange claims, securities lent, private placement bonds guaranteed by Shinsei, accrued income and suspense payments in other assets, as well as customers' liabilities for acceptances and guarantees. By comparison, as for risk-monitored loans, the format devised by the JBA only classifies, and calls for disclosure of, certain loans and bills discounted.

3 Shaded claims denoted claims that are considered to be nonperforming under the Financial Revitalization Law.

## FINANCIAL CONDITION (CONTINUED)

TABLE 18. CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW (NONCONSOLIDATED)

	Billions of yen (except percentages)		
	As of September 30, 2016	As of September 30, 2015	As of March 31, 2016
Claims against bankrupt and quasi-bankrupt obligors	¥ 4.1	¥ 5.2	¥ 4.9
Doubtful claims	26.7	27.9	27.0
Substandard claims	3.9	3.3	2.6
Total claims disclosed under the Financial Revitalization Law <sup>(1)</sup>	34.7	36.5	34.7
Normal claims and claims against other need caution obligors excluding substandard claims	4,391.8	4,331.9	4,340.9
Total claims	¥ 4,426.6	¥ 4,368.4	¥ 4,375.6
Ratio of total claims disclosed under the Financial Revitalization Law to total claims	0.8%	0.8%	0.8%

Note: (1) Total claims consists of loans and bills discounted, foreign exchange claims, securities lent, accrued interest income and suspense payments in other assets, as well as customers' liabilities for acceptances and guarantees.

## COVERAGE RATIOS

As of September 30, 2016, nonconsolidated coverage ratios for claims classified under the Financial Revitalization Law, which for each category of claims is the total of collateral pledged against claims, guarantees for claims and reserve for loan losses, measured against total claims, were 100.0% for claims against

bankrupt and quasi-bankrupt obligors, 99.4% for doubtful claims and 77.4% for substandard claims. For all claims classified under the Financial Revitalization Law, the coverage ratio was 97.0%.

Shinsei directly writes off, rather than reserves, the portion of claims against bankrupt and quasi-bankrupt obligors that are estimated to be uncollectible. As of September 30, 2016, ¥31.7 billion of such claims were written off on a nonconsolidated basis.

TABLE 19. COVERAGE RATIOS FOR NONPERFORMING CLAIMS DISCLOSED UNDER THE FINANCIAL REVITALIZATION LAW (NONCONSOLIDATED)

	Billions of yen (except percentages)				
	Amount of claims	Amounts of coverage			Coverage ratio
Reserve for loan losses		Collateral and guarantees	Total		
<b>As of September 30, 2016:</b>					
Claims against bankrupt and quasi-bankrupt obligors	¥ 4.1	¥ —	¥ 4.1	¥ 4.1	100.0%
Doubtful claims	26.7	1.6	24.9	26.5	99.4
Substandard claims	3.9	1.2	1.7	3.0	77.4
Total	¥ 34.7	¥ 2.9	¥ 30.8	¥ 33.7	97.0%
As of September 30, 2015:					
Claims against bankrupt and quasi-bankrupt obligors	¥ 5.2	¥ —	¥ 5.2	¥ 5.2	100.0%
Doubtful claims	27.9	10.7	16.8	27.5	98.7
Substandard claims	3.3	0.7	1.8	2.5	77.0
Total	¥ 36.5	¥ 11.4	¥ 23.8	¥ 35.3	96.9%
As of March 31, 2016:					
Claims against bankrupt and quasi-bankrupt obligors	¥ 4.9	¥ —	¥ 4.9	¥ 4.9	100.0%
Doubtful claims	27.0	1.9	24.9	26.9	99.5
Substandard claims	2.6	0.4	1.5	2.0	78.0
Total	¥ 34.7	¥ 2.4	¥ 31.5	¥ 33.9	97.9%

## FINANCIAL CONDITION (CONTINUED)

## RESERVE FOR CREDIT LOSSES

The following table sets forth a breakdown of Shinsei's total reserve for credit losses on a nonconsolidated basis as of the dates indicated:

TABLE 20. RESERVE FOR CREDIT LOSSES (NONCONSOLIDATED)

	Billions of yen (except percentages)	
	As of September 30, 2016	As of September 30, 2015
General reserve for loan losses	¥ 21.3	¥ 20.6
Specific reserve for loan losses	2.5	11.5
Reserve for loans to restructuring countries	0.0	0.0
Subtotal reserve for loan losses	23.8	32.1
Specific reserve for other credit losses	3.9	3.9
Total reserve for credit losses	¥ 27.7	¥ 36.0
Total claims <sup>(1)</sup>	¥ 4,426.6	¥ 4,368.4
Ratio of total reserve for loan losses to total claims	0.5%	0.7%
Ratio of total reserve for credit losses to total claims	0.6%	0.8%

Note: (1) Total claims consist loans and bills discounted, foreign exchange claims, securities lent, accrued interest income and suspense payments in other assets, as well as customers' liabilities for acceptances and guarantees.

As of September 30, 2016 and September 30, 2015, total reserve for credit losses on a nonconsolidated basis was ¥27.7 billion and ¥36.0 billion, respectively, constituting 0.6% and 0.8%, respectively, of total claims.

TABLE 21. RESERVE RATIOS BY BORROWERS' CATEGORY (NONCONSOLIDATED)

	Percentages	
	As of September 30, 2016	As of September 30, 2015
Legally and virtually bankrupt (unsecured portion)	100.0%	100.0%
Possibly bankrupt (unsecured portion)	253.8%	97.5%
Substandard (unsecured portion)	65.1%	58.2%
Need caution (total claims)	5.9%	3.6%
(unsecured portion)	11.1%	7.7%
Normal (total claims)	0.4%	0.4%

## RISK-MONITORED LOANS

Consolidated risk-monitored loans decreased by ¥9.9 billion during the six months ended September 30, 2016 to ¥94.3 billion.

The following tables set forth information concerning our

consolidated and nonconsolidated risk-monitored loans as of the dates indicated:

TABLE 22. RISK-MONITORED LOANS (CONSOLIDATED)

	Billions of yen (except percentages)	
	As of September 30, 2016	As of September 30, 2015
Total loans and bills discounted	¥ 4,611.3	¥ 4,463.2
Loans to bankrupt obligors (A)	4.6	3.7
Nonaccrual delinquent loans (B)	58.3	67.1
Subtotal (A)+(B)	¥ 62.9	¥ 70.8
Ratio to total loans and bills discounted	1.4%	1.6%
Loans past due for three months or more (C)	¥ 1.4	¥ 1.5
Restructured loans (D)	29.9	27.3
Total risk-monitored loans (A)+(B)+(C)+(D)	¥ 94.3	¥ 99.7
Ratio to total loans and bills discounted	2.0%	2.2%
Reserve for credit losses	¥ 95.6	¥ 99.2



## FINANCIAL CONDITION (CONTINUED)

TABLE 23. RISK-MONITORED LOANS (NONCONSOLIDATED)

	Billions of yen (except percentages)	
	As of September 30, 2016	As of September 30, 2015
Total loans and bills discounted	¥ 4,337.7	¥ 4,221.5
Loans to bankrupt obligors (A)	1.1	0.7
Nonaccrual delinquent loans (B)	29.6	32.4
Subtotal (A)+(B)	¥ 30.8	¥ 33.1
Ratio to total loans and bills discounted	0.7%	0.8%
Loans past due for three months or more (C)	¥ 1.1	¥ 1.3
Restructured loans (D)	2.7	2.0
Total risk-monitored loans (A)+(B)+(C)+(D)	¥ 34.7	¥ 36.4
Ratio to total loans and bills discounted	0.8%	0.9%
Reserve for credit losses	¥ 27.7	¥ 36.0

TABLE 24. RISK-MONITORED LOANS BY BORROWER INDUSTRY (NONCONSOLIDATED)

	Billions of yen	
	As of September 30, 2016	As of September 30, 2015
Domestic offices (excluding Japan offshore market account):		
Manufacturing	¥ 0.7	¥ 0.8
Agriculture and Forestry	—	—
Fishery	—	—
Mining, quarrying and gravel extraction	—	—
Construction	0.0	—
Electric power, gas, heat supply and water supply	—	—
Information and communications	0.0	0.5
Transportation, postal service	0.7	1.1
Wholesale and retail	0.3	0.5
Finance and insurance	—	—
Real estate	26.0	26.2
Services	0.2	0.9
Local government	—	—
Individual	2.5	3.1
Overseas yen loan and overseas loans booked domestically	2.4	2.9
Total domestic (A)	¥ 33.1	¥ 36.4
Overseas offices (including Japan offshore market accounts):		
Governments	¥ —	¥ —
Financial institutions	—	—
Others	1.6	—
Total overseas (B)	¥ 1.6	¥ —
Total (A+B)	¥ 34.7	¥ 36.4

### ASSET QUALITY OF SHINSEI FINANCIAL, APLUS FINANCIAL, SHOWA LEASING AND SHINSEI PERSONAL LOAN

Shinsei Financial, APLUS FINANCIAL, Showa Leasing and Shinsei Personal Loan classify their obligors and assess their asset quality based on self-assessment guidelines developed in accordance with guidelines published by the FSA. They generally perform their self-assessment quarterly and at least semi-annually. The assessments of Shinsei Financial, APLUS FINANCIAL,

Showa Leasing and Shinsei Personal Loan (the former SHINKI), where applicable, include, among other things, an assessment of credit extended to credit card customers as well as lease obligors, unsecured personal loans and customer guarantees.

The following tables set forth information concerning consolidated risk-monitored loans and risk-monitored installment receivables held by Shinsei, Shinsei Financial, APLUS FINANCIAL, Showa Leasing, Shinsei Personal Loan and other subsidiaries as of the dates indicated:

## FINANCIAL CONDITION (CONTINUED)

TABLE 25. RISK-MONITORED LOANS BREAKDOWN FOR LARGE ENTITIES (CONSOLIDATED)

	Billions of yen					Total
	Shinsei	Shinsei Financial	APLUS FINANCIAL	Shinsei Personal Loan	Other subsidiaries	
<b>As of September 30, 2016:</b>						
Loans to bankrupt obligors	¥ 1.1	¥ 2.9	¥ 0.0	¥ 0.0	¥ 0.5	¥ 4.6
Nonaccrual delinquent loans	29.6	10.1	12.6	1.0	4.7	58.3
Loans past due for three months or more	1.1	0.0	0.1	—	0.1	1.4
Restructured loans	2.7	17.3	7.6	2.0	0.0	29.9
Total	¥ 34.7	¥ 30.4	¥ 20.5	¥ 3.1	¥ 5.5	¥ 94.3
<b>As of September 30, 2015:</b>						
Loans to bankrupt obligors	¥ 0.7	¥ 1.9	¥ 0.1	¥ 0.0	¥ 0.9	¥ 3.7
Nonaccrual delinquent loans	32.4	9.0	13.2	1.1	11.3	67.1
Loans past due for three months or more	1.3	0.0	0.1	—	0.0	1.5
Restructured loans	2.0	15.3	8.0	1.9	—	27.3
Total	¥ 36.4	¥ 26.2	¥ 21.5	¥ 3.0	¥ 12.3	¥ 99.7
<b>As of March 31, 2016:</b>						
Loans to bankrupt obligors	¥ 1.3	¥ 2.3	¥ 0.0	¥ 0.0	¥ 0.5	¥ 4.3
Nonaccrual delinquent loans	30.7	9.2	12.8	1.0	8.5	62.3
Loans past due for three months or more	1.4	0.0	0.0	—	0.1	1.6
Restructured loans	1.1	15.9	7.7	2.0	—	26.9
Total	¥ 34.6	¥ 27.5	¥ 20.7	¥ 3.0	¥ 9.2	¥ 95.3

TABLE 26. RISK-MONITORED INSTALLMENT RECEIVABLES INCLUDED IN OTHER ASSETS BREAKDOWN FOR LARGE ENTITIES (CONSOLIDATED)<sup>(1)</sup>

	Billions of yen				Total
	Shinsei Financial	APLUS FINANCIAL	Showa Leasing	Other subsidiaries	
<b>As of September 30, 2016:</b>					
Credits to bankrupt obligors	¥ —	¥ 0.0	¥ 0.0	¥ 0.1	¥ 0.1
Nonaccrual delinquent credits	0.0	6.0	3.9	0.0	10.0
Credits past due for three months or more	—	0.4	0.0	—	0.4
Restructured credits	—	0.2	0.0	—	0.2
Total	¥ 0.0	¥ 6.7	¥ 3.9	¥ 0.1	¥ 10.8
<b>As of September 30, 2015:</b>					
Credits to bankrupt obligors	¥ —	¥ 0.0	¥ 0.0	¥ 0.1	¥ 0.1
Nonaccrual delinquent credits	0.0	5.6	2.7	0.0	8.4
Credits past due for three months or more	—	0.5	0.0	—	0.5
Restructured credits	—	0.3	0.0	—	0.4
Total	¥ 0.0	¥ 6.6	¥ 2.7	¥ 0.1	¥ 9.5
<b>As of March 31, 2016:</b>					
Credits to bankrupt obligors	¥ —	¥ 0.0	¥ 0.0	¥ 0.1	¥ 0.1
Nonaccrual delinquent credits	—	5.9	4.0	0.0	9.9
Credits past due for three months or more	—	0.4	0.0	—	0.5
Restructured credits	—	0.3	0.0	—	0.3
Total	¥ —	¥ 6.7	¥ 4.0	¥ 0.1	¥ 10.9

Note: (1) Neither Shinsei Bank (nonconsolidated) nor Shinsei Personal Loan had any such installment receivables.

## CAPITAL RATIOS

From the fiscal year ended March 31, 2014, the Basel III methodology has been adopted to calculate capital ratios. For credit risk, the Foundation Internal Ratings Based Approach (FIRB) has been applied. For operational risk, the Standardized Approach (TSA) has been adopted and the Internal Model Method has been used

for market risk.

Our total capital adequacy ratio (Basel III) as of September 30, 2016 was 14.1%, compared with 14.2% as of March 31, 2016.

See "COMPOSITION OF CAPITAL DISCLOSURE (CONSOLIDATED)" on Page 96.

# INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries  
As of September 30, 2016 and March 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Sept. 30, 2016	Mar. 31, 2016	Sept. 30, 2016
<b>ASSETS</b>			
Cash and due from banks (Notes 3, 21, 22 and 33)	¥ 1,385,580	¥ 1,129,213	\$ 13,734,940
Receivables under securities borrowing transactions (Note 33)	14,397	4,243	142,715
Other monetary claims purchased (Notes 4 and 33)	49,065	81,763	486,370
Trading assets (Notes 5, 21, 33 and 34)	318,807	336,345	3,160,267
Monetary assets held in trust (Notes 6, 21 and 33)	228,570	255,526	2,265,767
Securities (Notes 7, 21, 22 and 33)	1,028,698	1,227,859	10,197,247
Loans and bills discounted (Notes 8, 21, 22 and 33)	4,611,351	4,562,923	45,711,261
Foreign exchanges (Note 9)	25,697	17,024	254,737
Lease receivables and leased investment assets (Notes 21, 31 and 33)	190,701	211,453	1,890,376
Other assets (Notes 10, 21, 22, 33 and 34)	831,178	799,420	8,239,277
Premises and equipment (Notes 11, 21 and 31)	49,902	48,781	494,669
Intangible assets (Notes 12 and 31)	47,770	48,897	473,536
Assets for retirement benefits	3,816	2,394	37,831
Deferred issuance expenses for debentures	1	3	18
Deferred tax assets	15,553	14,050	154,174
Customers' liabilities for acceptances and guarantees (Note 20)	291,739	280,620	2,891,946
Reserve for credit losses (Note 13)	(95,638)	(91,732)	(948,047)
<b>Total assets</b>	<b>¥ 8,997,193</b>	<b>¥ 8,928,789</b>	<b>\$ 89,187,084</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities:</b>			
Deposits, including negotiable certificates of deposit (Notes 14, 21 and 33)	¥ 5,785,744	¥ 5,800,994	\$ 57,352,744
Debentures (Notes 15 and 33)	11,199	16,740	111,013
Call money (Note 33)	22,400	40,000	222,046
Payables under repurchase agreements (Notes 21 and 33)	45,955	23,779	455,544
Payables under securities lending transactions (Notes 21 and 33)	215,645	118,139	2,137,646
Trading liabilities (Notes 16, 33 and 34)	289,746	294,326	2,872,191
Borrowed money (Notes 17, 21, 22 and 33)	760,649	801,742	7,540,138
Foreign exchanges (Note 9)	63	75	628
Short-term corporate bonds (Note 33)	153,000	129,400	1,516,653
Corporate bonds (Notes 18, 21, 22 and 33)	112,100	95,121	1,111,221
Other liabilities (Notes 19, 21, 33 and 34)	389,318	380,458	3,859,228
Accrued employees' bonuses	4,895	8,419	48,529
Accrued directors' bonuses	35	77	350
Liabilities for retirement benefits	8,993	8,791	89,149
Reserve for reimbursement of debentures	3,081	2,903	30,550
Reserve for losses on interest repayments	111,588	133,695	1,106,152
Deferred tax liabilities	772	378	7,662
Acceptances and guarantees (Notes 20, 21 and 33)	291,739	280,620	2,891,946
<b>Total liabilities</b>	<b>8,206,929</b>	<b>8,135,665</b>	<b>81,353,390</b>
<b>Equity:</b>			
Common stock (Note 24)	512,204	512,204	5,077,365
Capital surplus	78,786	79,461	780,987
Stock acquisition rights (Note 25)	565	512	5,609
Retained earnings	289,974	267,716	2,874,452
Treasury stock, at cost (Note 24)	(82,558)	(72,559)	(818,388)
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities (Note 7)	10,213	11,911	101,248
Deferred gain (loss) on derivatives under hedge accounting	(15,996)	(14,770)	(158,570)
Foreign currency translation adjustments	(2,978)	362	(29,528)
Defined retirement benefit plans	(2,876)	(2,970)	(28,519)
Total	787,333	781,869	7,804,656
Noncontrolling interests (Note 23)	2,929	11,254	29,038
<b>Total equity</b>	<b>790,263</b>	<b>793,124</b>	<b>7,833,694</b>
<b>Total liabilities and equity</b>	<b>¥ 8,997,193</b>	<b>¥ 8,928,789</b>	<b>\$ 89,187,084</b>

See accompanying "Notes to Interim Consolidated Financial Statements (Unaudited)," which are an integral part of these statements.

# INTERIM CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries  
For the six months ended September 30, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Sept. 30, 2016 (6 months)	Sept. 30, 2015 (6 months)	Sept. 30, 2016 (6 months)
Interest income:			
Interest on loans and bills discounted	¥ 62,841	¥ 62,391	\$ 622,932
Interest and dividends on securities	4,370	6,897	43,325
Interest on deposits with banks	535	507	5,307
Other interest income	548	663	5,438
<b>Total interest income</b>	<b>68,296</b>	<b>70,459</b>	<b>677,002</b>
Interest expenses:			
Interest on deposits, including negotiable certificates of deposit	3,722	3,921	36,896
Interest and discounts on debentures	6	15	62
Interest on other borrowings	1,773	2,482	17,584
Interest on corporate bonds	570	2,212	5,653
Other interest expenses	1,749	805	17,338
<b>Total interest expenses</b>	<b>7,821</b>	<b>9,437</b>	<b>77,533</b>
<b>Net interest income</b>	<b>60,474</b>	<b>61,021</b>	<b>599,469</b>
Fees and commissions income	24,698	23,876	244,826
Fees and commissions expenses	11,724	10,735	116,221
<b>Net fees and commissions</b>	<b>12,973</b>	<b>13,140</b>	<b>128,605</b>
<b>Net trading income (loss) (Note 26)</b>	<b>4,840</b>	<b>5,126</b>	<b>47,986</b>
Other business income (loss), net:			
Income on lease transactions and installment receivables, net	19,306	19,303	191,385
Net gain (loss) on monetary assets held in trust	2,345	4,492	23,252
Net gain (loss) on foreign exchanges	3,592	3,187	35,614
Net gain (loss) on securities	8,989	661	89,111
Net gain (loss) on other monetary claims purchased	(1,027)	956	(10,187)
Other, net (Note 27)	1,727	2,497	17,123
<b>Net other business income (loss)</b>	<b>34,934</b>	<b>31,099</b>	<b>346,298</b>
<b>Total revenue</b>	<b>113,223</b>	<b>110,388</b>	<b>1,122,358</b>
General and administrative expenses:			
Personnel expenses	28,640	29,046	283,902
Premises expenses	11,268	9,564	111,700
Technology and data processing expenses	10,063	9,506	99,759
Advertising expenses	5,467	5,057	54,198
Consumption and property taxes	4,882	4,371	48,399
Deposit insurance premium	1,026	1,038	10,175
Other general and administrative expenses	11,539	11,533	114,390
<b>General and administrative expenses</b>	<b>72,888</b>	<b>70,119</b>	<b>722,523</b>
<b>Amortization of goodwill and intangible assets acquired in business combinations</b>	<b>2,963</b>	<b>3,906</b>	<b>29,379</b>
<b>Total general and administrative expenses</b>	<b>75,851</b>	<b>74,025</b>	<b>751,902</b>
<b>Net business profit (loss)</b>	<b>37,371</b>	<b>36,363</b>	<b>370,456</b>
Net credit costs (recoveries) (Note 28)	14,719	(1,262)	145,908
Other gains (losses), net (Note 29)	4,418	1,204	43,799
<b>Income (loss) before income taxes</b>	<b>27,070</b>	<b>38,829</b>	<b>268,347</b>
Income taxes (benefit):			
Current	1,933	1,266	19,165
Deferred	204	(247)	2,031
<b>Profit</b>	<b>24,932</b>	<b>37,810</b>	<b>247,151</b>
Profit (loss) attributable to noncontrolling interests	(3)	344	(40)
<b>Profit (loss) attributable to owners of the parent</b>	<b>¥ 24,936</b>	<b>¥ 37,466</b>	<b>\$ 247,191</b>
		Yen	U.S. dollars (Note 1)
<b>Basic earnings per share (Note 30)</b>	<b>¥ 9.51</b>	<b>¥ 14.11</b>	<b>\$ 0.09</b>
<b>Diluted earnings per share (Note 30)</b>	<b>¥ 9.50</b>	<b>¥ 14.11</b>	<b>\$ 0.09</b>

See accompanying "Notes to Interim Consolidated Financial Statements (Unaudited)," which are an integral part of these statements.

# INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries  
For the six months ended September 30, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Sept. 30, 2016 (6 months)	Sept. 30, 2015 (6 months)	Sept. 30, 2016 (6 months)
<b>Profit</b>	<b>¥ 24,932</b>	¥ 37,810	<b>\$ 247,151</b>
<b>Other comprehensive income:</b>			
Unrealized gain (loss) on available-for-sale securities	(1,971)	(2,880)	(19,538)
Deferred gain (loss) on derivatives under hedge accounting	(1,225)	998	(12,149)
Foreign currency translation adjustments	(2,162)	(5)	(21,436)
Defined retirement benefit plans	94	285	940
Share of other comprehensive income in affiliates	(1,649)	(1,287)	(16,350)
<b>Total other comprehensive income</b>	<b>(6,913)</b>	(2,888)	<b>(68,533)</b>
<b>Comprehensive income</b>	<b>¥ 18,018</b>	¥ 34,922	<b>\$ 178,618</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent	¥ 18,756	¥ 34,613	\$ 185,927
Noncontrolling interests	(737)	309	(7,309)

See accompanying "Notes to Interim Consolidated Financial Statements (Unaudited)," which are an integral part of these statements.

# INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries  
For the six months ended September 30, 2016 and 2015

	Millions of yen											
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock, at cost	Accumulated other comprehensive income				Total	Noncontrolling interests	Total equity
						Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans			
<b>BALANCE, April 1, 2016</b>	¥512,204	¥79,461	¥ 512	¥ 267,716	¥ (72,559)	¥11,911	¥ (14,770)	¥ 362	¥ (2,970)	¥781,869	¥ 11,254	¥793,124
Dividends				(2,653)						(2,653)		(2,653)
Profit attributable to owners of the parent				24,936						24,936		24,936
Purchase of treasury stock					(9,999)					(9,999)		(9,999)
Changes in ownership interest of the parent related to transactions with noncontrolling interests		(675)								(675)		(675)
Changes by inclusion of consolidated subsidiaries				(2)						(2)		(2)
Changes by exclusion of consolidated subsidiaries				(22)						(22)		(22)
Net change during the period			53			(1,697)	(1,225)	(3,341)	93	(6,118)	(8,325)	(14,443)
<b>BALANCE, September 30, 2016</b>	¥512,204	¥78,786	¥ 565	¥ 289,974	¥ (82,558)	¥10,213	¥ (15,996)	¥ (2,978)	¥ (2,876)	¥787,333	¥ 2,929	¥790,263

	Millions of yen											
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock, at cost	Accumulated other comprehensive income				Total	Noncontrolling interests	Total equity
						Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans			
<b>BALANCE, April 1, 2015</b>	¥512,204	¥79,461	¥1,211	¥ 209,419	¥ (72,558)	¥10,830	¥ (11,501)	¥ 3,682	¥ (515)	¥732,234	¥ 21,528	¥753,762
Dividends				(2,653)						(2,653)		(2,653)
Profit attributable to owners of the parent				37,466						37,466		37,466
Purchase of treasury stock					(0)					(0)		(0)
Changes in ownership interest of the parent related to transactions with noncontrolling interests		(0)								(0)		(0)
Changes by inclusion of consolidated subsidiaries				(0)						(0)		(0)
Changes by exclusion of consolidated subsidiaries				—						—		—
Net change during the period			(698)			(2,860)	998	(1,278)	286	(3,552)	(9,680)	(13,232)
<b>BALANCE, September 30, 2015</b>	¥512,204	¥79,461	¥ 512	¥ 244,231	¥ (72,559)	¥ 7,970	¥ (10,502)	¥ 2,404	¥ (229)	¥763,494	¥ 11,848	¥775,342

	Thousands of U.S. dollars (Note 1)											
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock, at cost	Accumulated other comprehensive income				Total	Noncontrolling interests	Total equity
						Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans			
<b>BALANCE, April 1, 2016</b>	\$ 5,077,365	\$ 787,686	\$ 5,081	\$ 2,653,813	\$ (719,262)	\$118,079	\$ (146,421)	\$ 3,592	\$ (29,441)	\$7,750,492	\$ 111,567	\$ 7,862,059
Dividends				(26,308)						(26,308)		(26,308)
Profit attributable to owners of the parent				247,191						247,191		247,191
Purchase of treasury stock					(99,126)					(99,126)		(99,126)
Changes in ownership interest of the parent related to transactions with noncontrolling interests		(6,699)								(6,699)		(6,699)
Changes by inclusion of consolidated subsidiaries				(26)						(26)		(26)
Changes by exclusion of consolidated subsidiaries				(218)						(218)		(218)
Net change during the period			528			(16,831)	(12,149)	(33,120)	922	(60,650)	(82,529)	(143,179)
<b>BALANCE, September 30, 2016</b>	\$ 5,077,365	\$ 780,987	\$ 5,609	\$ 2,874,452	\$ (818,388)	\$101,248	\$ (158,570)	\$ (29,528)	\$ (28,519)	\$7,804,656	\$ 29,038	\$ 7,833,694

See accompanying "Notes to Interim Consolidated Financial Statements (Unaudited)," which are an integral part of these statements.

# INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries  
For the six months ended September 30, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Sept. 30, 2016 (6 months)	Sept. 30, 2015 (6 months)	Sept. 30, 2016 (6 months)
<b>Cash flows from operating activities:</b>			
Income (loss) before income taxes	¥ 27,070	¥ 38,829	\$ 268,347
Adjustments for:			
Income taxes paid	(426)	(1,055)	(4,225)
Depreciation (other than leased assets as lessor)	6,919	5,188	68,589
Amortization of goodwill and intangible assets acquired in business combinations	2,963	3,906	29,379
Impairment losses on long-lived assets	31	396	308
Net change in reserve for credit losses	4,273	(9,020)	42,360
Net change in reserve for losses on interest repayments	(22,106)	(20,615)	(219,141)
Net change in other reserves	(3,373)	(3,836)	(33,437)
Interest income	(68,296)	(70,459)	(677,002)
Interest expenses	7,821	9,437	77,533
Investment (gains) losses	(10,833)	(5,271)	(107,390)
Net exchange (gain) loss	24,945	4,514	247,280
Net change in trading assets	17,537	(12,912)	173,847
Net change in trading liabilities	(4,579)	2,197	(45,400)
Net change in loans and bills discounted	(48,455)	(1,813)	(480,328)
Net change in deposits, including negotiable certificates of deposit	(15,255)	36,668	(151,224)
Net change in debentures	(5,541)	(6,865)	(54,929)
Net change in borrowed money (other than subordinated debt)	7,920	(27,878)	78,511
Net change in corporate bonds (other than subordinated corporate bonds)	16,978	18,647	168,304
Net change in interest-bearing deposits with banks (other than due from the Bank of Japan)	7,209	8,427	71,470
Net change in call loans, receivables under resale agreements, receivables under securities borrowing transactions and other monetary claims purchased	21,990	12,563	217,985
Net change in call money, payables under repurchase agreements, payables under securities lending transactions, and short-term corporate bonds (liabilities)	125,682	167,332	1,245,859
Net change in foreign exchange assets and liabilities	(8,685)	984	(86,098)
Interest received	70,383	69,916	697,692
Interest paid	(7,515)	(9,122)	(74,501)
Net change in securities for trading purposes	7	(9)	71
Net change in monetary assets held in trust for trading purposes	9,087	14,796	90,086
Net change in lease receivables and leased investment assets	10,055	9,045	99,674
Other, net	(28,343)	(27,247)	(280,964)
Total adjustments	110,393	167,914	1,094,309
Net cash provided by (used in) operating activities	137,464	206,744	1,362,656
<b>Cash flows from investing activities:</b>			
Purchase of investments	(1,241,869)	(2,366,797)	(12,310,360)
Proceeds from sales of investments	1,338,503	2,375,131	13,268,278
Proceeds from maturity of investments	99,881	107,948	990,102
Purchase of premises and equipment (other than leased assets as lessor)	(2,754)	(1,844)	(27,301)
Purchase of intangible assets (other than leased assets as lessor)	(7,342)	(4,489)	(72,788)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(443)	—	(4,393)
Proceeds from sale of investments in subsidiaries resulting in change in scope of consolidation	2,950	—	29,249
Other, net	(12)	(83)	(124)
Net cash provided by (used in) investing activities	188,914	109,864	1,872,663
<b>Cash flows from financing activities:</b>			
Repayment of subordinated debt	(38,600)	—	(382,633)
Payment for redemption of subordinated corporate bonds	—	(47,549)	—
Proceeds from noncontrolling shareholders	32	—	317
Payment for capital returned to noncontrolling shareholders	(6,439)	(9,000)	(63,833)
Dividends paid	(2,653)	(2,653)	(26,307)
Dividends paid to noncontrolling shareholders	(451)	(987)	(4,477)
Payment for purchase of treasury stock	(9,999)	(0)	(99,125)
Purchase of investments in subsidiaries not resulting in change in scope of consolidation	(1,321)	—	(13,103)
Net cash provided by (used in) financing activities	(59,434)	(60,190)	(589,161)
<b>Foreign currency translation adjustments on cash and cash equivalents</b>	(422)	6	(4,192)
<b>Net change in cash and cash equivalents</b>	<b>266,521</b>	<b>256,424</b>	<b>2,641,966</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>1,080,357</b>	<b>826,365</b>	<b>10,709,328</b>
<b>Cash and cash equivalents at end of the period (Note 3)</b>	<b>¥ 1,346,878</b>	<b>¥ 1,082,789</b>	<b>\$ 13,351,294</b>

Note: Investments consist of securities and monetary assets held in trust for other than trading purposes.  
See accompanying "Notes to Interim Consolidated Financial Statements (Unaudited)," which are an integral part of these statements.

# NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries  
For the six months ended September 30, 2016

## 1. BASIS OF PRESENTATION OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED

The accompanying interim consolidated financial statements of Shinsei Bank, Limited (the "Bank") and its consolidated subsidiaries (collectively, the "Group"), stated in Japanese yen, have been prepared on the basis of generally accepted accounting principles in Japan ("Japanese GAAP") and in accordance with the Banking Act of Japan (the "Banking Act"), and compiled from the interim consolidated financial statements prepared under the provisions set forth in the Financial Instruments and Exchange Act of Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Certain reclassifications and rearrangements have been made to the interim consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, the accompanying notes include information that is not required under Japanese GAAP, but is presented herein for the convenience of readers.

The preparation of interim consolidated financial statements in conformity with Japanese GAAP requires management to make estimates and assumptions that affect the reported

amounts of assets and liabilities and disclosures of contingent liabilities at the date of the interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

As permitted by the Financial Instruments and Exchange Act of Japan, yen amounts, except for per share amounts, are presented in millions of yen and are rounded down to the nearest million. As a result, the totals do not necessarily conform to the sum of the individual amounts.

The interim consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥100.88 to U.S.\$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2016. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATED

### (A) PRINCIPLES OF CONSOLIDATION

The Group determines its scope of consolidation under the concepts of control and influence. Those companies over which the Bank is able to directly or indirectly exercise control are fully consolidated, except if they are immaterial, judging from the financial condition or results of operations, such as assets, ordinary income, profit (the Group's interest portion), retained earnings (the Group's interest portion) and accumulated other comprehensive income (the Group's interest portion) of the Group, or the control over the subsidiary is temporary, and those companies over which the Bank is able to directly or indirectly exercise significant influence are accounted for through the equity method, except if they are immaterial, judging from the financial condition or results of operations, such as assets, ordinary income, profit (the Group's interest portion), retained earnings (the Group's interest portion) and accumulated other comprehensive income (the Group's interest portion) of the Group.

The numbers of subsidiaries and affiliates as of September 30, 2016 and March 31, 2016 were as follows:

	September 30, 2016	March 31, 2016
Consolidated subsidiaries	155	160
Unconsolidated subsidiaries	98	90
Affiliates accounted for by the equity method	20	20
Affiliates accounted for not applying the equity method	1	1

Innovation Engine Regenerative Medicalcare Investment Limited Partnership was newly consolidated due to its formation, EISHIN KOGYO Co., Ltd. was newly consolidated due to the acquisition of shares, and SL WING CO., LTD. was newly consolidated due to its increased materiality.

Additionally, Lexia LLC and 1 other company were excluded from the scope of consolidation due to liquidation, KIRAYAKA LEASING Co., Ltd. was excluded from the scope of consolidation due to the sale of shares, and Shima Godo Kaisha and 4 other companies were excluded from the scope of consolidation due to their decreased materiality in the six months ended September 30, 2016.

ES Shipping Corporation and 1 other company were newly included in the scope of application of the equity method due to its formation, and Woori SB Tenth Asset Securitization Specialty Co., Ltd. and 1 other company were excluded from the scope of application of the equity method due to liquidation in the six months ended September 30, 2016.

Unconsolidated subsidiaries are primarily operating companies that are engaged in the leasing business under the Tokumei Kumiai (anonymous partnership) system. Under the Tokumei Kumiai system assets, profits and losses essentially do not belong to individual operating companies or their parent companies but to the members of the anonymous partnership, and furthermore, as the Group does not have any material transactions with these subsidiaries, pursuant to Article 5, Paragraph 1, Section 2 and Article 7, Paragraph 1, Section 2 of the regulations concerning interim



**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

CONSOLIDATED

consolidated financial statements, respectively, these subsidiaries are excluded from the scope of consolidation and the scope of application of the equity method.

Other unconsolidated subsidiaries are excluded from the scope of consolidation and the scope of application of the equity method due to their immateriality to the financial condition or operational results of the Group.

TGM CO., LTD. was excluded from the scope of application of the equity method because it is immaterial to the financial condition or results of operations, such as interim profit (the Group's interest portion), retained earnings (the Group's interest portion) and accumulated other comprehensive income (the Group's interest portion) of the Group.

ORTHOREBIRTH CO., LTD. was not treated as an affiliate even though the Group owns 20% to 50% of its voting rights because the objective for the Group to own the voting rights is merely to obtain capital gains and the fact meets the requirement according to Paragraph 24 of the Accounting Standards Board of Japan (the "ASBJ") guidance No. 22 "Implementation Guidance on Determining a Subsidiary and an Affiliate."

Major consolidated subsidiaries as of September 30, 2016 were as listed below:

Name	Location	Percentage ownership
APLUS FINANCIAL Co., Ltd.	Japan	95.0%
Showa Leasing Co., Ltd.	Japan	98.4%
Shinsei Personal Loan Co., Ltd.	Japan	100.0%
Shinsei Financial Co., Ltd.	Japan	100.0%
Shinsei Trust & Banking Co., Ltd.	Japan	100.0%
Shinsei Securities Co., Ltd.	Japan	100.0%
Shinsei Principal Investments Ltd.	Japan	100.0%

All significant inter-company transactions, related account balances and unrealized gains have been eliminated upon consolidation. As of September 30, 2016, the six month period ending dates were September 30 for 116 subsidiaries, January 31 for 1 subsidiary, March 31 for 3 subsidiaries, June 30 for 33 subsidiaries and August 31 for 2 subsidiaries. Regarding the 5 companies of the Bank's consolidated subsidiaries which have interim period ends other than September 30, consolidations were performed utilizing their six month period-end interim financial statements prepared in accordance with the provisional settlements of accounts performed on September 30 and other consolidated subsidiaries have been consolidated utilizing their respective statements. Appropriate adjustments have been made for significant transactions that occurred during the period from the ending dates of their interim period to September 30, 2016.

Major affiliates accounted for by the equity method as of September 30, 2016 were as listed below:

Name	Location	Percentage ownership
Jih Sun Financial Holding Co., Ltd.	Taiwan	35.4%

**(B) GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS**

The Bank recognized certain identifiable intangible assets in connection with the acquisition of Showa Leasing, Shinsei Financial and their consolidated subsidiaries, because they were separable such as contractual or other legal rights.

The identified intangible assets with amortization method and period are as listed below:

**Showa Leasing**

Identified intangible assets	Amortization method	Amortization period
Customer relationship	Sum-of-the-years digits	20 years
Sublease contracts	Straight-line	Subject to the remaining contract years

**Shinsei Financial**

Identified intangible assets	Amortization method	Amortization period
Trade names and trademarks	Straight-line	10 years
Customer relationship	Sum-of-the-years digits	10 years

The excess of the purchase price over the fair value of the net assets acquired, including identified intangible assets, was recorded as goodwill and is being amortized on a consistent basis primarily over 20 years. The amortization period of 20 years is the maximum period allowed under Japanese GAAP and was determined based upon the Bank's business strategy.

With regard to the acquisitions executed before April 1, 2010, recorded with the previous accounting standard, when the purchase price was lower than the fair value of the net assets acquired, including identified intangible assets, the difference was recorded as negative goodwill and has been amortized on a straight-line basis primarily over 20 years, which is the maximum period allowed under the previous accounting standard.

**(C) IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS**

The Bank conducts impairment testing for goodwill and intangible assets acquired in business combinations as a result of certain triggering events including:

- A result or an indication of an operating loss or negative cash flow for two consecutive years
- Impairment of underlying investment securities is recognized
- A material adverse change in the business environment surrounding subsidiaries, such as a change in law which significantly and negatively impacts their business
- Management decisions that could have an adverse effect on the value of goodwill and intangible assets which were acquired in business combination

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

CONSOLIDATED

As the first step of the impairment test, we estimate the undiscounted future cash flows of the business. If the value of the undiscounted future cash flows is less than the book value of the net assets, including goodwill and intangible assets acquired in business combination, of the business, it is determined that impairment exists.

The next step of the impairment test is to measure the amount of the impairment loss, which is to compare the "value in use," which is recoverable amount calculated as the discounted value of future cash flows of the business, with the net asset book value which includes unamortized balances of goodwill and intangible assets acquired in business combination.

Finally, the impairment loss on goodwill is calculated as the residual, (i) less (ii) below.

(i) Impairment loss for the total of goodwill and intangible assets acquired in business combination is recognized as an amount by which the net asset book value exceeds the "value in use." The recoverable amount of intangible assets acquired in business combination is determined by discounted cash flow method ("DCF method"), which is also used to measure the acquired assets, and (ii) the impairment loss of intangible assets acquired in business combinations, is determined as the difference between the recoverable amount and book value.

**(D) TRANSLATION OF FOREIGN CURRENCY FINANCIAL STATEMENTS AND TRANSACTIONS**

- (a) The interim financial statements of consolidated foreign subsidiaries are translated into Japanese yen at exchange rates as of their respective balance sheet dates, except for equity, which is translated at historical exchange rates. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity in the accompanying consolidated balance sheets.
- (b) Foreign currency accounts held by consolidated foreign subsidiaries are translated into functional currency of each subsidiary at exchange rates as of their respective balance sheet dates.
- (c) Foreign currency-denominated assets and liabilities of the Bank and consolidated domestic subsidiaries are translated into Japanese yen at exchange rates as of their respective balance sheet dates, except for investments in unconsolidated subsidiaries and affiliates which are translated at the relevant historical exchange rates.

**(E) CASH AND CASH EQUIVALENTS**

Cash and cash equivalents in the interim consolidated statements of cash flows, consist of cash on hand, due from the Bank of Japan and noninterest-bearing deposits.

**(F) OTHER MONETARY CLAIMS PURCHASED**

Other monetary claims purchased held for trading purposes, except for those included in trading accounts, are recorded at fair value and unrealized gains and losses are recorded in "Other business income (loss), net."

**(G) VALUATION OF TRADING ACCOUNT ACTIVITIES**

Trading account positions entered into to generate gains arising from short-term changes in interest rates, currency exchange rates or market prices of financial instruments and other market-related indices, or from price differences among markets, are included in "Trading assets" and "Trading liabilities" on a trade-date basis.

Trading securities and monetary claims purchased for trading purposes are stated at market value and derivative financial instruments related to trading positions are stated at fair value based on estimated amounts that would be settled in cash if such positions were terminated at the end of the period, which reflects liquidity and credit risks.

Trading income and trading losses include interest received and paid during the period and unrealized gains and losses resulting from the change in the value of securities, monetary claims purchased, and derivatives between the beginning and the end of the period.

**(H) MONETARY ASSETS HELD IN TRUST**

The components of trust assets are accounted for based on the accounting standards appropriate for each asset type. Instruments held in trust for trading purposes are recorded at fair value and unrealized gains and losses are recorded in "Other business income (loss), net." Instruments held in trust classified as available-for-sale are recorded at fair value with the corresponding unrealized gains and losses recorded directly in a separate component of equity.

Instruments held in trust classified as available-for-sale of which fair value cannot be reliably determined are carried at cost.

**(I) SECURITIES**

Securities other than securities in (G) VALUATION OF TRADING ACCOUNT ACTIVITIES are classified into the four categories, principally based on the management's intent to own the security, as follows:

- (i) Trading securities are securities held in anticipation of gains arising from short-term changes in market value and/or held for resale to customers. Trading securities are carried at fair value with corresponding unrealized gains and losses recorded in "Other business income (loss), net."

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

CONSOLIDATED

- (ii) Securities being held to maturity are debt securities which the management has both a positive intent and ability to hold until maturity. Securities being held to maturity are carried at amortized cost determined by the moving average method.
- (iii) Available-for-sale securities are securities other than (i) trading securities and (ii) securities being held to maturity. Available-for-sale securities are carried at fair value with the corresponding unrealized gains and losses, net of applicable taxes, recorded directly in a separate component of equity, after deducting the amount charged to profit or loss by applying fair value hedge accounting. The cost of these securities upon sale is determined by the moving average method. Available-for-sale securities for which fair value cannot be reliably determined are carried at cost determined by the moving average method.
- (iv) Investments in unconsolidated subsidiaries and affiliates that are not accounted for by the equity method are carried at cost determined by the moving average method. In addition, investments in partnerships and others are carried at the amount of the Group's share of net asset value in their most recent financial statements.

In the event individual securities (except for those whose fair value cannot be reliably determined), other than trading securities, experience a decline in fair value which is significant as compared to the acquisition cost of such securities, the securities are written down as the decline in fair value is deemed to be other than temporary.

**(J) PREMISES AND EQUIPMENT**

"Premises and equipment" are stated at cost less accumulated depreciation.

Depreciation of the Group's buildings and the Bank's computer equipment (including ATMs) other than personal computers is computed principally using the straight-line method, and depreciation of other equipment is computed principally using the declining-balance method. Estimated useful lives of buildings and equipment as of September 30, 2016 were principally as follows:

Buildings .....	3 years to 50 years
Equipment .....	2 years to 20 years

Due to the revision of the Corporation Tax Law, certain consolidated subsidiaries have applied the ASBJ Practical Issues Task Force (PITF) No. 32 the "Practical Solution on a Change in Depreciation Method due to Tax Reform 2016" from the beginning of the six-month period ended September 30, 2016, and have changed the depreciation method of facilities attached to buildings and structures which are acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

The effect of this change on profit and loss for the six-month period ended September 30, 2016, was immaterial.

**(K) SOFTWARE**

Capitalized software for internal use is depreciated using the straight-line method based on the Group's estimated useful lives (primarily 5 years).

**(L) IMPAIRMENT OF LONG-LIVED ASSETS**

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of an asset or asset group. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the sum of discounted cash flows from the continuing use and eventual disposition of the asset, or the net selling price at disposition.

**(M) DEFERRED CHARGES**

Deferred issuance expenses for debentures and corporate bonds are amortized using the straight-line method over the term of the debentures and corporate bonds.

**(N) RESERVE FOR CREDIT LOSSES**

The reserve for credit losses of the Bank and the consolidated domestic trust and banking subsidiary has been established as described below based on the Bank's internal rules for establishing the reserve.

For claims to obligors who are undergoing bankruptcy, special liquidation proceedings or similar legal proceedings ("legally bankrupt obligors") or to obligors who are effectively in similar conditions ("virtually bankrupt obligors"), a specific reserve is provided based on the amount of claims, after the charge-off stated below, net of amounts expected to be collected through the disposal of collateral or execution of guarantees.

For claims to obligors who are not yet in bankruptcy but are in financial difficulties and are very likely to go bankrupt in the future ("possibly bankrupt obligors"), except for claims to obligors with larger amount than predetermined amount, a specific reserve is provided for the amount considered to be necessary based on an overall solvency assessment performed for the amount of claims net of amounts expected to be collected through the disposal of collateral or execution of guarantees.

With regard to claims to possibly bankrupt obligors, restructured loans and certain claims for which the reserve has been provided based on the DCF method (as mentioned below) in previous fiscal years, provided that obligors' cash flows for debt service are reasonably estimable and the balance of claims to such obligors is at or larger than a predetermined amount, the

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

CONSOLIDATED

reserve for credit losses is determined as the difference between (i) relevant estimated cash flows discounted by the original contractual interest rate and (ii) the book value of the claim (DCF method). In case where it is difficult to reasonably estimate future cash flows, the reserve is provided based on expected loss amount for the remaining term of respective claims.

For other claims, a general reserve is provided based on historical loan loss experience.

For specific foreign claims, there is a reserve for loans to restructuring countries which has been provided based on losses estimated by considering the political and economic conditions in those countries.

All claims are assessed by business divisions based on the predetermined internal rules for self-assessment of asset quality. A division independent of business divisions, conducts verifications of these assessments, and additional reserves may be provided based on the verification results.

The consolidated subsidiaries other than the domestic trust and banking subsidiary calculate the general reserve for general claims based on the actual historical loss ratio, and the specific reserve for claims to possibly bankrupt obligors, virtually bankrupt obligors and legally bankrupt obligors based on estimated losses, considering the recoverable value.

For collateralized or guaranteed claims of the Bank and certain consolidated subsidiaries to legally bankrupt obligors or virtually bankrupt obligors, the amount of claims exceeding the estimated value of collateral or guarantees, which is deemed uncollectible, has been charged off and totaled ¥123,250 million (U.S.\$1,221,758 thousand) and ¥123,460 million as of September 30, 2016 and March 31, 2016, respectively.

**(O) ACCRUED BONUSES FOR EMPLOYEES AND DIRECTORS**

Accrued bonuses for employees and directors are provided in the amount of the estimated bonuses which are attributable to each period.

**(P) EMPLOYEES' RETIREMENT BENEFITS AND PENSION PLAN ASSETS**

The Bank and Showa Leasing have a noncontributory defined benefit pension plan. APLUS Co., Ltd. ("APLUS") has a noncontributory defined benefit pension plan and an unfunded severance indemnity plan. Shinsei Financial and certain consolidated domestic subsidiaries have unfunded severance indemnity plans. These plans cover substantially all of the Group's employees. Assets and liabilities for employees' retirement benefits are held for the payment of employees' retirement benefits based on the estimated amounts of the projected benefit obligation and the estimated value of pension plan assets at the end of the period. Actuarial gains and losses and past service costs are amortized

using the straight-line method over the average remaining service period primarily from the period of occurrence. Certain consolidated subsidiaries recognizes retirement benefit obligations at the amount that would be payable if employees retired voluntarily at the consolidated balance sheet date.

- (a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity ("Accumulated other comprehensive income"), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability ("Liabilities for retirement benefits") or asset ("Assets for retirement benefits").
- (b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in "Other comprehensive income", and actuarial gains and losses and past service costs that were recognized in "Other comprehensive income" in prior periods and then recognized in profit or loss in the current period, are treated as reclassification adjustments.
- (c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods, the discount rate, and expected future salary increases.

The Group applied (i) the method of attributing the expected benefit to periods using a benefit formula basis and (ii) the method of determining the discount rate based on a single weighted average discount rate reflecting the estimated timing and amount of benefit payments.

**(Q) REVERSE FOR REIMBURSEMENT OF DEBENTURES**

The reserve for reimbursement of debentures is provided for estimated losses on future reimbursement requests of debentures derecognized from liabilities.

**(R) RESERVE FOR LOSSES ON INTEREST REPAYMENTS**

The reserve for losses on interest repayments is provided for estimated losses on reimbursements of excess interest payments and loan losses related to consumer finance loans extended at interest rates in excess of the maximum interest rate prescribed in the Interest Rate Restriction Act of Japan. The reserve is established in the amount of the estimated future reimbursement requests based on past experience.

**(S) ASSET RETIREMENT OBLIGATIONS**

An asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

CONSOLIDATED

fixed asset. The asset retirement obligation is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability.

The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

**(T) STOCK OPTIONS**

The Group measures the cost of employee stock options based on the fair value at the grant date and recognizes compensation expense over the vesting period as consideration for receiving goods or services. In the consolidated balance sheet, stock options are presented as "Stock acquisition rights" in a component of equity until the exercise of the right or the expiration of the period.

**(U) LEASE TRANSACTIONS**

*(As lessee)*

Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the consolidated balance sheets.

Depreciation of lease assets from finance lease transactions that are deemed to transfer ownership of the leased property to the lessee, is computed using the same method as the one applied to owned assets. Depreciation of lease assets from finance lease transactions that are not deemed to transfer ownership of the leased property to the lessee is computed using the straight-line method over the leasing period. Residual values of lease assets are the guaranteed value determined in the lease contracts or zero for assets without such guaranteed value.

*(As lessor)*

The Group recognizes the finance leases that are deemed to transfer ownership of the leased property to the lessee as lease receivables, and the finance leases that are not deemed to transfer ownership of the leased property to the lessee as leased investment assets.

In addition, depreciation of tangible leased assets as lessor for operating lease transactions is computed using the straight-line method over the leasing period assuming that residual values are the disposal price estimable at the end of the estimated leasing period.

Profit on each finance lease transaction is calculated on the basis of the internal rate of return of each transaction.

With regard to finance lease transactions entered into prior to April 1, 2008, that are not deemed to transfer ownership of the leased property to the lessee, leased investment assets are recognized at those book values of leased properties as of March 31, 2008, according to the transitional provision of the accounting standard.

As a result of this transitional treatment, "Income before income taxes" increased by ¥58 million (U.S.\$580 thousand) and ¥63 million for the six months ended September 30, 2016 and 2015, respectively, as compared to what would have been reported if the revised accounting standard was applied retroactively to all finance lease transactions as lessor.

**(V) INSTALLMENT SALES FINANCE AND CREDIT GUARANTEES**

Fees from installment sales finance have principally been prorated over the respective installment periods by using the sum-of-the-months digits method, or by using the credit-balance method.

Fees from credit guarantees have been recognized by the sum-of-the-months digits method, the straight-line method or the credit-balance method over the contract terms.

**(W) REVENUE RECOGNITION FOR INTEREST ON CONSUMER LENDING BUSINESS**

Consolidated subsidiaries specialized in the consumer lending business accrued interest income at the balance sheet date at the lower of the amount determined using a rate permissible under the Interest Rate Restriction Act of Japan or the amount determined using rates on contracts with customers.

**(X) INCOME TAXES**

Deferred income taxes relating to temporary differences between financial reporting and tax bases of assets and liabilities and tax loss carryforwards have been recognized. The asset and liability approach is used to recognize deferred income taxes.

The Bank files its corporate income tax return under the consolidated corporate tax system, which allows companies to base tax payments on the combined profits and losses of the Bank and its wholly-owned domestic subsidiaries.

A valuation allowance is deducted from the carrying amount of deferred tax assets to the extent that it is not considered that taxable income will be estimated to be sufficient enough to allow the benefit of part or all of the deferred tax assets to be realized.

From the beginning of the six-month period ended September 30, 2016, the Group has applied ASBJ Guidance No. 26 "Implementation Guidance on Recoverability of Deferred Tax Assets," which provides new guidance for the application of judgment in assessing the recoverability of deferred tax assets.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

CONSOLIDATED

The previous guidance provided a basic framework which included certain specific restrictions on recognizing deferred tax assets depending on the company's classification in respect of its profitability, taxable profit and temporary differences, etc.

The new guidance does not change such basic framework but, in limited cases, allows companies to recognize deferred tax assets even for a deductible temporary difference for which it was specifically prohibited to recognize a deferred tax asset under the previous guidance, if the company can justify, with reasonable grounds, that it is probable that the deductible temporary difference will be utilized against future taxable profit in some future period.

There was no effect by the application of new guidance on the interim consolidated financial statements.

**(Y) DERIVATIVES AND HEDGE ACCOUNTING**

Derivatives are stated at fair value. Except for derivatives in (G) VALUATION OF TRADING ACCOUNT ACTIVITIES, derivative transactions that meet the hedge accounting criteria are primarily accounted for using the deferral method whereby unrealized gains and losses are deferred in a separate component of equity until the gains and losses on the hedged items are realized.

**(a) Hedge of interest rate risks**

Derivative transactions that meet the hedge accounting criteria for mitigating interest rate risks of the Bank's financial assets and liabilities are accounted for using the deferral method. The Bank adopted portfolio hedging to determine the effectiveness of its hedging instruments in accordance with Industry Audit Committee Report No. 24 issued, on February 13, 2002, by the Japanese Institute of Certified Public Accountants (JICPA). Under portfolio hedging activities to mitigate the change in fair value, a portfolio of hedged items with common maturities such as deposits or loans is designated and matched with a group of hedging instruments such as interest rate swaps, which offset the effect of fair value fluctuations of the hedged items by identified maturities. The effectiveness of the portfolio hedging is assessed by each group.

As for portfolio hedging activities to fix cash flows, the effectiveness is assessed based on the correlation between the base interest rate index of the hedged cash flow and that of the hedging instrument.

The interest rate swaps of certain consolidated subsidiaries which qualify for hedge accounting and meet specific matching criteria are not measured at fair value, but the net payments or receipts under the swap agreements are recognized and included in interest expenses or income.

**(b) Hedge of foreign exchange fluctuation risks**

The Bank applies either deferral hedge accounting or fair value hedge accounting in accordance with Industry Audit Committee Report No. 25 issued, on July 29, 2002, by of the JICPA, to the derivative transactions that meet the hedge accounting criteria for mitigating foreign currency fluctuation risks of its financial assets and liabilities.

Fund swap transactions are foreign exchange swaps, and consist of spot foreign exchange contracts bought or sold and forward foreign exchange contracts bought or sold. Such transactions are contracted for the purpose of lending or borrowing in a different currency and converting the corresponding principal equivalents and foreign currency equivalents to pay and receive, whose amounts and due dates are predetermined at the time of the transactions, into forward foreign exchange contracts bought or sold.

Under deferral hedge accounting, hedged items are identified by grouping the foreign currency-denominated financial assets and liabilities by currency and designating derivative transactions such as currency swap transactions, fund swap transactions and forward exchange contracts as hedging instruments. Hedge effectiveness is assessed by confirming that the total foreign currency position of the hedged items is equal to or larger than that of hedging instruments.

The Bank also applies deferral hedge accounting and fair value hedge accounting to translation gains or losses from foreign currency assets of net investments in foreign unconsolidated subsidiaries, affiliates and securities available-for-sale (other than bonds denominated in foreign currencies) when such foreign currency exposures recorded as assets are hedged with offsetting foreign currency liabilities and the liabilities equal or exceed the acquisition cost of such foreign currency assets.

**(c) Inter-company and intra-company derivative transactions**

Gains and losses on inter-company and intra-company derivative hedging transactions between the trading book and the banking book are not eliminated since offsetting transactions with third parties are appropriately entered into in conformity with the nonarbitrary and strict hedging policy in accordance with Industry Audit Committee Reports No. 24 and No. 25 of the JICPA. As a result, in the banking book, realized gains and losses on such inter-company and intra-company transactions are reported in current earnings and valuation gains and losses which meet the hedge accounting criteria are deferred. On the other hand, in the trading book, realized gains and losses and valuation gains and losses on such inter-company and intra-company transactions are substantially offset with covering contracts entered into with third parties.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

CONSOLIDATED

**(Z) PER SHARE INFORMATION**

Basic earnings per share ("EPS") calculations represent profit attributable to owners of the parent which is available to common shareholders, divided by the weighted average number of outstanding shares of common stock during the respective period, retroactively adjusted for stock splits and reverse stock splits.

Diluted EPS calculations consider the dilutive effect of common stock equivalents, which include stock acquisition rights, assuming that stock acquisition rights were fully exercised at the time of issuance for those issued during the period and at the beginning of the period for those previously issued and outstanding at the beginning of the period.

**(AA) ACCOUNTING CHANGES AND ERROR CORRECTIONS**

The Group has adopted ASBJ Statement No. 24 "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

**(a) Changes in accounting policies**

When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.

**(b) Changes in presentation**

When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.

**(c) Changes in accounting estimates**

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

**(d) Corrections of prior-period errors**

When an error in prior-period financial statements is discovered, those statements are restated.

**3. CASH AND CASH EQUIVALENTS**

CONSOLIDATED

The reconciliation of cash and cash equivalents and cash and due from banks in the consolidated balance sheets as of September 30, 2016 and 2015 was as follows:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Cash and due from banks	¥ 1,385,580	¥ 1,129,819	\$13,734,940
Interest-bearing deposits included in due from banks (other than due from the Bank of Japan)	(38,702)	(47,030)	(383,646)
Cash and cash equivalents	¥ 1,346,878	¥ 1,082,789	\$13,351,294

**4. OTHER MONETARY CLAIMS PURCHASED**

CONSOLIDATED

(a) Other monetary claims purchased as of September 30, 2016 and March 31, 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2016	Mar. 31, 2016	Sept. 30, 2016
Trading purposes	¥ 10,860	¥ 17,076	\$ 107,659
Other	38,204	64,686	378,711
<b>Total</b>	<b>¥ 49,065</b>	<b>¥ 81,763</b>	<b>\$ 486,370</b>

(b) The fair value and the unrealized loss which is included in net gain (loss) on other monetary claims purchased for trading purposes as of September 30, 2016 and March 31, 2016 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	Sept. 30, 2016		Mar. 31, 2016		Sept. 30, 2016	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Trading purposes	¥ 10,860	¥ 4,601	¥ 17,076	¥ 6,267	\$ 107,659	\$ 45,613

## 5. TRADING ASSETS

CONSOLIDATED

Trading assets as of September 30, 2016 and March 31, 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2016	Mar. 31, 2016	Sept. 30, 2016
Trading securities	¥ 22,292	¥ 22,489	\$ 220,976
Derivatives for trading securities	1,201	1,255	11,910
Derivatives for securities held to hedge trading transactions	22,704	24,651	225,067
Trading-related financial derivatives	272,505	287,176	2,701,280
Other	104	772	1,034
<b>Total</b>	<b>¥ 318,807</b>	<b>¥ 336,345</b>	<b>\$ 3,160,267</b>

## 6. MONETARY ASSETS HELD IN TRUST

CONSOLIDATED

(a) Monetary assets held in trust as of September 30, 2016 and March 31, 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2016	Mar. 31, 2016	Sept. 30, 2016
Trading purposes	¥ 24,978	¥ 34,066	\$ 247,610
Other	203,591	221,459	2,018,157
<b>Total</b>	<b>¥ 228,570</b>	<b>¥ 255,526</b>	<b>\$ 2,265,767</b>

(b) The fair value and the unrealized gain and loss which is included in net gain (loss) on monetary assets held in trust for trading purposes as of September 30, 2016 and March 31, 2016 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	Sept. 30, 2016		Mar. 31, 2016		Sept. 30, 2016	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Trading purposes	¥ 24,978	¥ 432	¥ 34,066	¥ 262	\$ 247,610	\$ 4,292

(c) The acquisition cost and the carrying amount of monetary assets held in trust for other than trading purposes as of September 30, 2016 and March 31, 2016 were as follows:

	Millions of yen							
	Sept. 30, 2016				Mar. 31, 2016			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Carrying amount	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Carrying amount
Other	¥ 204,491	¥ —	¥ 899	¥ 203,591	¥ 222,476	¥ —	¥ 1,016	¥ 221,459
	Thousands of U.S. dollars							
	Sept. 30, 2016							
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Carrying amount				
Other	\$ 2,027,073	\$ —	\$ 8,916	\$ 2,018,157				



## 7. SECURITIES

CONSOLIDATED

(a) Securities as of September 30, 2016 and March 31, 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2016	Mar. 31, 2016	Sept. 30, 2016
Trading securities	¥ 0	¥ 7	\$ 7
Securities being held to maturity	500,810	559,567	4,964,415
Securities available for sale:			
Securities carried at fair value	442,051	574,738	4,381,953
Securities carried at cost whose fair value cannot be reliably determined	38,571	43,452	382,351
Investments in unconsolidated subsidiaries and affiliates	47,264	50,093	468,521
<b>Total</b>	<b>¥ 1,028,698</b>	<b>¥ 1,227,859</b>	<b>\$ 10,197,247</b>

The above balances do not include securities held in connection with securities borrowing transactions with or without cash collateral, securities purchased under resale agreements or securities accepted as collateral for derivative transactions, where the Group has the right to sell or pledge such securities without restrictions. The balances of those securities as of September 30, 2016 and March 31, 2016 were ¥7,327 million (U.S.\$72,638 thousand) and ¥8,520 million, respectively. In addition, nil and ¥1,717 million of those securities were further pledged as of September 30, 2016 and March 31, 2016, respectively.

## 7. SECURITIES (CONTINUED)

CONSOLIDATED

(b) The amortized/acquisition cost and the fair values of securities (other than trading securities) as of September 30, 2016 and March 31, 2016 were as follows:

	Millions of yen							
	Sept. 30, 2016				Mar. 31, 2016			
	Amortized/ Acquisition cost	Gross unrealized gain	Gross unrealized loss	Fair value	Amortized/ Acquisition cost	Gross unrealized gain	Gross unrealized loss	Fair value
Securities being held to maturity:								
Japanese national government bonds	¥ 494,698	¥ 8,393	¥ —	¥ 503,092	¥ 535,841	¥ 8,387	¥ —	¥ 544,229
Other	6,112	365	—	6,477	23,725	709	—	24,434
<b>Total</b>	<b>¥ 500,810</b>	<b>¥ 8,759</b>	<b>¥ —</b>	<b>¥ 509,569</b>	<b>¥ 559,567</b>	<b>¥ 9,097</b>	<b>¥ —</b>	<b>¥ 568,664</b>
Securities available for sale:								
Equity securities	¥ 12,536	¥ 9,621	¥ 334	¥ 21,823	¥ 13,328	¥ 8,969	¥ 220	¥ 22,077
Japanese national government bonds	2,039	34	—	2,073	211,411	2,955	124	214,242
Japanese local government bonds	500	0	—	500	500	5	—	505
Japanese corporate bonds	85,288	1,491	674	86,105	67,918	1,528	280	69,166
Other, primarily foreign debt securities	332,924	3,466	1,488	334,902	283,510	3,033	883	285,661
<b>Total</b>	<b>¥ 433,289</b>	<b>¥ 14,613</b>	<b>¥ 2,497</b>	<b>¥ 445,406</b>	<b>¥ 576,669</b>	<b>¥ 16,492</b>	<b>¥ 1,508</b>	<b>¥ 591,653</b>
	Thousands of U.S. dollars							
	Sept. 30, 2016							
	Amortized/ Acquisition cost	Gross unrealized gain	Gross unrealized loss	Fair value				
Securities being held to maturity:								
Japanese national government bonds	\$ 4,903,826	\$ 83,208	\$ —	\$ 4,987,034				
Other	60,589	3,622	—	64,211				
<b>Total</b>	<b>\$ 4,964,415</b>	<b>\$ 86,830</b>	<b>\$ —</b>	<b>\$ 5,051,245</b>				
Securities available for sale:								
Equity securities	\$ 124,274	\$ 95,372	\$ 3,313	\$ 216,333				
Japanese national government bonds	20,219	339	—	20,558				
Japanese local government bonds	4,957	8	—	4,965				
Japanese corporate bonds	845,445	14,781	6,683	853,543				
Other, primarily foreign debt securities	3,300,204	34,362	14,758	3,319,808				
<b>Total</b>	<b>\$ 4,295,099</b>	<b>\$ 144,862</b>	<b>\$ 24,754</b>	<b>\$ 4,415,207</b>				

Note: "Other, primarily foreign debt securities" includes other monetary claims purchased whose fair value can be reliably determined.

In the event individual securities (except for those whose fair value cannot be reliably determined), other than trading securities, experience a decline in fair value which is significant as compared to the acquisition cost of such securities, the securities are written down as the decline in fair value is deemed to be other than temporary, and the difference is recorded as an impairment loss.

Impairment losses on such securities for the six months ended September 30, 2016 was ¥27 million (U.S.\$271 thousand), which consisted of ¥27 million (U.S.\$271 thousand) for equity securities.

Impairment losses on such securities for the fiscal year ended March 31, 2016 was ¥439 million, which consisted of ¥439 million for equity securities.

The Group's rules for the determination of whether an other-than-temporary impairment has occurred differ by the obligor classification of the security issuer based on the Group's self-assessment guidelines. The details of the rules are as follows:

## 7. SECURITIES (CONTINUED)

CONSOLIDATED

Securities issued by "legally bankrupt," "virtually bankrupt" and "possibly bankrupt" obligors	The fair value of securities is less than the amortized/acquisition cost
Securities issued by "need caution" obligors	The fair value of securities declines by 30% or more compared to the amortized/acquisition cost
Securities issued by "normal" obligors	The fair value of securities declines by 50% or more compared to the amortized/acquisition cost

"Legally bankrupt" obligors are those who have already gone bankrupt from a legal and/or formal perspective.

"Virtually bankrupt" obligors are those who have not yet legally or formally gone bankrupt but who are substantially in bankruptcy because they are in serious financial difficulties and are not deemed to be capable of restructuring.

"Possibly bankrupt" obligors are those who are not yet in bankruptcy but are in financial difficulties and are very likely to go bankrupt in the future.

"Need caution" obligors are those who are in need of close attention because there are problems with their borrowings.

"Normal" obligors are those whose business conditions are favorable and who are deemed not to have any particular problems in their financial position.

(c) Unrealized gain (loss) on available-for-sale securities as of September 30, 2016 and March 31, 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2016	Mar. 31, 2016	Sept. 30, 2016
Unrealized gain (loss) before deferred tax on:			
Available-for-sale securities	<b>¥ 12,116</b>	¥ 14,984	<b>\$ 120,108</b>
The Group's interests in available-for-sale securities held by partnerships recorded as securities whose fair value cannot be reliably determined and other adjustments	<b>1,381</b>	2,297	<b>13,693</b>
Securities being held to maturity, reclassified from available-for-sale in the past, under extremely illiquid market conditions	<b>(417)</b>	(789)	<b>(4,142)</b>
Other monetary assets held in trust	<b>(899)</b>	(1,016)	<b>(8,916)</b>
Deferred tax liabilities	<b>(2,289)</b>	(3,614)	<b>(22,697)</b>
Unrealized gain (loss) on available-for-sale securities before interest adjustments	<b>9,890</b>	11,861	<b>98,046</b>
Noncontrolling interests	<b>(52)</b>	(76)	<b>(516)</b>
The Group's interests in unrealized gain (loss) on available-for-sale securities held by affiliates to which the equity method is applied	<b>375</b>	125	<b>3,718</b>
Unrealized gain (loss) on available-for-sale securities	<b>¥ 10,213</b>	¥ 11,911	<b>\$ 101,248</b>

## 8. LOANS AND BILLS DISCOUNTED

CONSOLIDATED

Loans and bills discounted as of September 30, 2016 and March 31, 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2016	Mar. 31, 2016	Sept. 30, 2016
Loans on deeds	¥ 3,886,085	¥ 3,822,431	\$ 38,521,863
Loans on bills	25,062	25,694	248,435
Bills discounted	3,822	5,766	37,888
Overdrafts	696,382	709,031	6,903,075
<b>Total</b>	<b>¥ 4,611,351</b>	<b>¥ 4,562,923</b>	<b>\$ 45,711,261</b>

## (a) Risk-monitored loans

Loans and bills discounted include loans to bankrupt obligors of ¥4,644 million (U.S.\$46,037 thousand) and ¥4,310 million as of September 30, 2016 and March 31, 2016, respectively, as well as nonaccrual delinquent loans of ¥58,342 million (U.S.\$578,337 thousand) and ¥62,352 million as of September 30, 2016 and March 31, 2016, respectively.

Nonaccrual delinquent loans include loans classified as "possibly bankrupt" and "virtually bankrupt" under the Group's self-assessment guidelines.

In addition to nonaccrual delinquent loans as defined, certain other loans classified as "substandard" under the Group's self-assessment guidelines include loans past due for three months or more.

Loans past due for three months or more consist of loans for which the principal and/or interest is three months or more past due, but excluding loans to bankrupt obligors and nonaccrual delinquent loans. The balances of loans past due for three months or more as of September 30, 2016 and March 31, 2016 were ¥1,406 million (U.S.\$13,939 thousand) and ¥1,699 million, respectively.

Restructured loans are loans where the Group relaxes lending conditions, such as by reducing the original interest rate, or by forbearing interest payments or principal repayments to support the borrower's reorganization, but excluding loans to bankrupt obligors, nonaccrual delinquent loans or loans past due for three months or more. The outstanding balances of restructured loans as of September 30, 2016 and March 31, 2016 were ¥29,949 million (U.S.\$296,885 thousand) and ¥26,978 million, respectively.

## (b) Loan participations

The total amounts accounted for as the transfer of loans by loan participations as of September 30, 2016 and March 31, 2016 were ¥9,449 million (U.S.\$93,672 thousand) and ¥8,384 million, respectively. This "off-balance sheet" treatment is in accordance with

guidelines issued by the JICPA. The total amounts of such loans in which the Bank participated were ¥6,239 million (U.S.\$61,847 thousand) and ¥6,756 million as of September 30, 2016 and March 31, 2016, respectively.

## (c) Bills discounted

Bills discounted, such as bank acceptances bought, commercial bills discounted, documentary bills and foreign exchange contracts bought, are accounted for as financing transactions in accordance with Industry Audit Committee Report No. 24 issued by the JICPA, although the Group has the right to sell or pledge them without restrictions. The face amounts of such bills discounted held as of September 30, 2016 and March 31, 2016 were ¥3,822 million (U.S.\$37,888 thousand) and ¥5,766 million, respectively.

## (d) Loan commitments

The Bank and certain consolidated subsidiaries set credit lines of overdrafts and issue commitments to extend credit to meet the financing needs of customers. The unfulfilled amounts of these commitments were ¥3,554,106 million (U.S.\$35,231,031 thousand) and ¥3,569,428 million as of September 30, 2016 and March 31, 2016, out of which the amounts with the commitments of the agreements expiring within one year or being able to be cancelled at any time with no condition were ¥3,280,047 million (U.S.\$32,514,353 thousand) and ¥3,352,221 million as of September 30, 2016 and March 31, 2016, respectively. Since a large majority of these commitments expire without being drawn upon, the unfulfilled amounts do not necessarily represent future cash requirements. Many such agreements include conditions granting the Bank and its consolidated subsidiaries the right to reject the drawdown or to reduce the amount on the basis of changes in the financial circumstances of the borrower or other reasonable grounds.

In addition, the Bank obtains collateral when necessary to reduce credit risk related to these commitments.

**9. FOREIGN EXCHANGES**

CONSOLIDATED

Foreign exchange assets and liabilities as of September 30, 2016 and March 31, 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2016	Mar. 31, 2016	Sept. 30, 2016
Foreign exchange assets:			
Foreign bills receivable	¥ 62	¥ 1,596	\$ 624
Due from foreign banks	25,634	15,427	254,113
<b>Total</b>	<b>¥ 25,697</b>	<b>¥ 17,024</b>	<b>\$ 254,737</b>
Foreign exchange liabilities:			
Foreign bills payable	¥ 63	¥ 75	\$ 628
<b>Total</b>	<b>¥ 63</b>	<b>¥ 75</b>	<b>\$ 628</b>

**10. OTHER ASSETS**

CONSOLIDATED

Other assets as of September 30, 2016 and March 31, 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2016	Mar. 31, 2016	Sept. 30, 2016
Accrued income	¥ 14,100	¥ 15,090	\$ 139,776
Prepaid expenses	4,475	3,567	44,366
Fair value of derivatives	115,701	98,367	1,146,921
Accounts receivable	47,734	43,213	473,183
Installment receivables	521,284	516,336	5,167,372
Security deposits	11,401	12,975	113,016
Suspense payments	15,902	18,079	157,637
Margin deposits for futures transactions	3,551	4,280	35,200
Cash collateral paid for financial instruments	48,622	38,961	481,983
Other	48,404	48,548	479,823
<b>Total</b>	<b>¥ 831,178</b>	<b>¥ 799,420</b>	<b>\$ 8,239,277</b>

Installment receivables in "Other assets" as of September 30, 2016 and March 31, 2016 include credits to bankrupt obligors of ¥129 million (U.S.\$1,287 thousand) and ¥117 million, nonaccrual delinquent credits of ¥10,001 million (U.S.\$99,139 thousand) and

¥9,937 million, credits past due for three months or more of ¥497 million (U.S.\$4,932 thousand) and ¥554 million, and re-structured credits of ¥243 million (U.S.\$2,416 thousand) and ¥319 million, respectively.

**11. PREMISES AND EQUIPMENT**

CONSOLIDATED

Premises and equipment as of September 30, 2016 and March 31, 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2016	Mar. 31, 2016	Sept. 30, 2016
Buildings	¥ 29,209	¥ 29,850	\$ 289,543
Land	3,312	3,336	32,833
Tangible leased assets as lessor	48,348	45,687	479,270
Other	26,135	24,561	259,073
Subtotal	107,005	103,435	1,060,719
Accumulated depreciation	(57,103)	(54,654)	(566,050)
<b>Net book value</b>	<b>¥ 49,902</b>	<b>¥ 48,781</b>	<b>\$ 494,669</b>

**12. INTANGIBLE ASSETS**

CONSOLIDATED

Intangible assets as of September 30, 2016 and March 31, 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2016	Mar. 31, 2016	Sept. 30, 2016
Software	¥ 27,593	¥ 25,888	\$ 273,528
Goodwill, net:			
Goodwill	20,223	22,286	200,470
Negative goodwill	(3,990)	(4,171)	(39,553)
Intangible assets acquired in business combinations	3,235	4,188	32,072
Intangible leased assets as lessor	0	1	9
Other	707	703	7,010
<b>Total</b>	<b>¥ 47,770</b>	<b>¥ 48,897</b>	<b>\$ 473,536</b>

**13. RESERVE FOR CREDIT LOSSES**

CONSOLIDATED

Reserve for credit losses as of September 30, 2016 and March 31, 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2016	Mar. 31, 2016	Sept. 30, 2016
Reserve for loan losses:			
General reserve for loan losses	¥ 67,586	¥ 64,543	\$ 669,965
Specific reserve for loan losses	24,145	23,280	239,352
Reserve for loan losses to restructuring countries	0	0	3
Subtotal	91,732	87,825	909,320
Specific reserve for other credit losses	3,906	3,906	38,727
<b>Total</b>	<b>¥ 95,638</b>	<b>¥ 91,732</b>	<b>\$ 948,047</b>

**14. DEPOSITS, INCLUDING NEGOTIABLE CERTIFICATES OF DEPOSIT**

CONSOLIDATED

Deposits, including negotiable certificates of deposit, as of September 30, 2016 and March 31, 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2016	Mar. 31, 2016	Sept. 30, 2016
Current	¥ 12,895	¥ 13,915	\$ 127,830
Ordinary	2,126,181	2,015,195	21,076,344
Notice	19,201	20,095	190,338
Time	2,798,659	3,005,648	27,742,460
Negotiable certificates of deposit	384,880	301,001	3,815,236
Other	443,926	445,137	4,400,536
<b>Total</b>	<b>¥ 5,785,744</b>	<b>¥ 5,800,994</b>	<b>\$ 57,352,744</b>

## 15. DEBENTURES

CONSOLIDATED

(a) Debentures as of September 30, 2016 and March 31, 2016 consisted of the following:

Issuer	Description	Issue	Maturity	Interest Rate (%)	Millions of yen		Thousands of U.S. dollars
					Sept. 30, 2016	Mar. 31, 2016	Sept. 30, 2016
Shinsei Bank, Limited	Five-year coupon debentures <sup>1</sup>	Apr. 2011 to Apr. 2013	Apr. 2016 to Apr. 2018	0.08	¥ 11,199	¥ 16,740	\$ 111,013
<b>Total</b>					<b>¥ 11,199</b>	<b>¥ 16,740</b>	<b>\$ 111,013</b>

<sup>1</sup> This includes a series of five-year Long-Term Credit Debentures.

(b) Annual maturities of debentures as of September 30, 2016 were as follows:

Year ending September 30,	Millions of yen	Thousands of U.S. dollars
2017	¥ 7,205	\$ 71,430
2018	3,993	39,583
2019 and thereafter	—	—
<b>Total</b>	<b>¥ 11,199</b>	<b>\$ 111,013</b>

## 16. TRADING LIABILITIES

CONSOLIDATED

Trading liabilities as of September 30, 2016 and March 31, 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2016	Mar. 31, 2016	Sept. 30, 2016
Derivatives for trading securities	¥ 742	¥ 797	\$ 7,357
Derivatives for securities held to hedge trading transactions	19,931	22,564	197,577
Trading-related financial derivatives	254,671	268,452	2,524,501
Trading securities sold for short sales	14,401	2,511	142,756
<b>Total</b>	<b>¥ 289,746</b>	<b>¥ 294,326</b>	<b>\$ 2,872,191</b>

## 17. BORROWED MONEY

CONSOLIDATED

(a) Borrowed money as of September 30, 2016 and March 31, 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2016	Mar. 31, 2016	Sept. 30, 2016
Subordinated debt	¥ 12,400	¥ 51,000	\$ 122,919
Other	748,249	750,742	7,417,219
<b>Total</b>	<b>¥ 760,649</b>	<b>¥ 801,742</b>	<b>\$ 7,540,138</b>

(b) Annual maturities of borrowed money as of September 30, 2016 were as follows:

Year ending September 30,	Millions of yen	Thousands of U.S. dollars
2017	¥ 419,423	\$ 4,157,652
2018	104,791	1,038,776
2019	68,945	683,445
2020	40,562	402,085
2021 and thereafter	126,925	1,258,180
<b>Total</b>	<b>¥ 760,649</b>	<b>\$ 7,540,138</b>

## 18. CORPORATE BONDS

CONSOLIDATED

(a) Corporate bonds as of September 30, 2016 and March 31, 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2016	Mar. 31, 2016	Sept. 30, 2016
Subordinated bonds	¥ 31,400	¥ 31,400	\$ 311,261
Other corporate bonds	80,700	63,721	799,960
<b>Total</b>	<b>¥ 112,100</b>	<b>¥ 95,121</b>	<b>\$ 1,111,221</b>

(b) Subordinated bonds as of September 30, 2016 and March 31, 2016 consisted of the following:

Issuer	Description	Issue	Maturity	Interest Rate (%)	Millions of yen		Thousands of U.S. dollars
					Sept. 30, 2016	Mar. 31, 2016	Sept. 30, 2016
Shinsei Bank, Limited	Unsecured subordinated bonds, payable in Yen <sup>1</sup>	Oct. 2012 to Dec. 2013	Oct. 2022 to Dec. 2023	2.02 to 4.00	¥ 31,400	¥ 31,400	\$ 311,261
<b>Total</b>					<b>¥ 31,400</b>	<b>¥ 31,400</b>	<b>\$ 311,261</b>

<sup>1</sup> This includes a series of subordinated bonds, payable in Yen.

(c) Annual maturities of corporate bonds as of September 30, 2016 were as follows:

Year ending September 30,	Millions of yen	Thousands of U.S. dollars
2017	¥ 27,500	\$ 272,601
2018	13,000	128,866
2019	20,000	198,255
2020	15,000	148,692
2021 and thereafter	36,600	362,807
<b>Total</b>	<b>¥ 112,100</b>	<b>\$ 1,111,221</b>

## 19. OTHER LIABILITIES

CONSOLIDATED

Other liabilities as of September 30, 2016 and March 31, 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2016	Mar. 31, 2016	Sept. 30, 2016
Accrued expenses	¥ 22,649	¥ 23,245	\$ 224,520
Unearned income	22,556	22,920	223,599
Income taxes payable	4,031	1,909	39,964
Fair value of derivatives	93,905	86,419	930,862
Matured debentures, including interest	6,002	7,057	59,498
Accounts payable	57,863	66,136	573,591
Deferred gains on installment receivables and credit guarantees	32,271	32,584	319,896
Asset retirement obligations	8,940	8,890	88,628
Deposits payable	91,700	91,505	909,003
Cash collateral received for financial instruments	40,679	28,198	403,244
Other	8,718	11,591	86,423
<b>Total</b>	<b>¥ 389,318</b>	<b>¥ 380,458</b>	<b>\$ 3,859,228</b>



**20. ACCEPTANCES AND GUARANTEES** CONSOLIDATED

Acceptances and guarantees as of September 30, 2016 and March 31, 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2016	Mar. 31, 2016	Sept. 30, 2016
Guarantees	¥ 291,739	¥ 280,620	\$ 2,891,946

**21. ASSETS PLEDGED AS COLLATERAL** CONSOLIDATED

Assets pledged as collateral and liabilities collateralized as of September 30, 2016 and March 31, 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2016	Mar. 31, 2016	Sept. 30, 2016
Assets pledged as collateral:			
Cash and due from banks	¥ 304	¥ 1,158	\$ 3,017
Trading assets	13,634	7,360	135,158
Monetary assets held in trust	608	3,706	6,034
Securities	536,147	488,083	5,314,701
Loans and bills discounted	93,148	113,979	923,357
Lease receivables and leased investment assets	29,529	42,024	292,715
Other assets	62,515	70,058	619,705
Premises and equipment	7,242	4,523	71,793
Liabilities collateralized:			
Deposits, including negotiable certificates of deposit	¥ 878	¥ 1,159	\$ 8,704
Payables under repurchase agreements	45,955	23,779	455,544
Payables under securities lending transactions	205,490	116,409	2,036,976
Borrowed money	353,412	376,918	3,503,294
Corporate bonds	5,500	8,521	54,520
Other liabilities	14	10	148
Acceptances and guarantees	964	970	9,560

In addition, ¥59,977 million (U.S.\$594,541 thousand) and ¥62,559 million of securities as of September 30, 2016 and March 31, 2016, were pledged as collateral for transactions, including exchange settlements, swap transactions and replacement of margin for futures transactions.

Also, ¥3,551 million (U.S.\$35,200 thousand) and ¥4,280 million of margin deposits for futures transactions outstanding, ¥11,401

million (U.S.\$113,016 thousand) and ¥12,975 million of security deposits, ¥48,622 million (U.S.\$481,983 thousand) and ¥38,961 million of cash collateral paid for financial instruments, and nil and ¥141 million of guarantee deposits under resale agreements and repurchase agreements were included in "Other assets" as of September 30, 2016 and March 31, 2016, respectively.

**22. NONRECOURSE DEBTS** CONSOLIDATED

Nonrecourse debts in consolidated special purpose companies as of September 30, 2016 and March 31, 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2016	Mar. 31, 2016	Sept. 30, 2016
Nonrecourse debts:			
Borrowed money	¥ 67,446	¥ 74,593	\$ 668,585
Corporate bonds	5,500	8,521	54,520
Assets corresponding to nonrecourse debts:			
Cash and due from banks	¥ 234	¥ 1,038	\$ 2,323
Securities	89,836	98,860	890,529
Loans and bills discounted	853	18,904	8,458
Other assets	6,765	7,604	67,067

The above balances included certain amount of "Assets pledged as collateral" in Note 21.

**23. PREFERRED SECURITIES ISSUED BY SUBSIDIARIES OUTSIDE JAPAN**

CONSOLIDATED

The noncumulative perpetual preferred securities issued by the Bank's wholly owned subsidiaries outside Japan as of September 30, 2016 and March 31, 2016 were as follows:

Issuer	Issued date	Issue amount (in millions)	Dividend rate	Floating dividend start date	Type	Redemption date at the issuer's option	Millions of yen		Thousands of U.S. dollars
							Sept. 30, 2016	Mar. 31, 2016	Sept. 30, 2016
Shinsei Finance (Cayman) Limited	Feb. 2006	U.S.\$775	6.418%	Jul. 2016	step-up	Jul. 2016 <sup>1</sup>	¥ —	¥ 3,398	\$ —
Shinsei Finance II (Cayman) Limited	Mar. 2006	U.S.\$700	7.16%	Jul. 2016	non step-up	Jul. 2016 <sup>2</sup>	—	1,930	—
<b>Total</b>							<b>¥ —</b>	<b>¥ 5,328</b>	<b>\$ —</b>

<sup>1</sup> The preferred securities issued by Shinsei Finance (Cayman) Limited were fully redeemed in July 2016.

<sup>2</sup> The preferred securities issued by Shinsei Finance II (Cayman) Limited were fully redeemed in July 2016.

These preferred securities were accounted for as noncontrolling interests in the interim consolidated balance sheets as of March 31, 2016.

**24. EQUITY**

CONSOLIDATED

The authorized number of shares of common stock as of September 30, 2016 was 4,000,000 thousand shares.

The following table shows changes in the number of shares of common stock.

	Thousands	
	Issued number of shares	Number of treasury stock
<b>Six months ended September 30, 2016:</b>		
Beginning of period	2,750,346	96,429
Increase <sup>1</sup>	—	65,564
Decrease	—	—
End of period	2,750,346	161,993
<b>Six months ended September 30, 2015:</b>		
Beginning of period	2,750,346	96,428
Increase <sup>2</sup>	—	0
Decrease	—	—
End of period	2,750,346	96,428

<sup>1</sup> The increase of shares is associated with the repurchase from market.

<sup>2</sup> The increase of shares is associated with the acquisition of fractional shares.

**25. STOCK ACQUISITION RIGHTS**

CONSOLIDATED

The Bank and a subsidiary issue stock acquisition rights as a stock option plan to directors, executive officers and employees of the Bank and its subsidiaries.

Some stock acquisition rights provide eligible individuals (the "holders") with the right to purchase stock of the issuers, without any cash consideration, others with offsetting the remuneration claims against the issuers. The amount of money to be paid upon exercising stock acquisition rights is the amount calculated by multiplying the payment amount per share (the "exercise price") by the number of shares that can be purchased through the exercise

of one stock acquisition right. Conditions are stipulated in the "Agreement on the Grant of Stock Acquisition Rights" entered into between the issuers and the holders to whom stock acquisition rights were allotted based on the resolution of the annual general meeting of shareholders and the meetings of the Board of Directors which resolves the issuance of stock acquisition rights subsequent to the shareholders' meeting.

The following table shows the details of stock acquisition rights issued during the six months ended September 30, 2016.

Date of issuance	Total number of stock acquisition rights issued	Total number of holders	Exercise period	Exercise price (Yen)	Fair value of the grant date (Yen)
May 26, 2016	Common stocks 134,300 shares	2	May 27, 2016 - May 26, 2016	¥ 1	¥ 162

(a) Stock-based compensation expenses for the six months ended September 30, 2016 and 2015 were as follows.

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2016	Sept. 30, 2015	Sept. 30, 2016
General and administrative expenses	¥ 53	¥ —	\$ 528

(b) Amount of profit by non-exercise of stock options for the six months ended September 30, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2016	Sept. 30, 2015	Sept. 30, 2016
Other gains (losses), net	¥ —	¥ 698	\$ —

**26. NET TRADING INCOME (LOSS)**

CONSOLIDATED

Net trading income (loss) for the six months ended September 30, 2016 and 2015 consisted of the following:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Income (loss) from trading securities	¥ 822	¥ 2,388	\$ 8,155
Income (loss) from securities held to hedge trading transactions	206	286	2,047
Income (loss) from trading-related financial derivatives	3,798	2,547	37,652
Other, net	13	(95)	132
<b>Total</b>	<b>¥ 4,840</b>	<b>¥ 5,126</b>	<b>\$ 47,986</b>

**27. OTHER BUSINESS INCOME (LOSS), NET**

CONSOLIDATED

“Other, Net” in other business income (loss), net, for the six months ended September 30, 2016 and 2015 consisted of the following:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Income (loss) from derivatives entered into for banking purposes, net	¥ (661)	¥ 415	\$ (6,556)
Equity in net income (loss) of affiliates	1,199	1,244	11,893
Gain on lease cancellation and other lease income (loss), net	704	441	6,987
Other, net	484	396	4,799
<b>Total</b>	<b>¥ 1,727</b>	<b>¥ 2,497</b>	<b>\$ 17,123</b>

**28. NET CREDIT COSTS (RECOVERIES)**

CONSOLIDATED

Net credit costs (recoveries) for the six months ended September 30, 2016 and 2015 consisted of the following:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Losses on write-off or sales of loans	¥ 1,143	¥ 517	\$ 11,335
Net provision (reversal) of reserve for loan losses:			
Net provision (reversal) of general reserve for loan losses	10,903	10,940	108,080
Net provision (reversal) of specific reserve for loan losses	5,408	(7,722)	53,615
Net provision (reversal) of reserve for loan losses to restructuring countries	(0)	—	(3)
Subtotal	16,311	3,217	161,692
Other credit costs (recoveries) relating to leasing business	(30)	49	(303)
Recoveries of written-off claims	(2,705)	(5,046)	(26,816)
<b>Total</b>	<b>¥ 14,719</b>	<b>¥ (1,262)</b>	<b>\$ 145,908</b>

**29. OTHER GAINS (LOSSES), NET**

CONSOLIDATED

Other gains (losses), net for the six months ended September 30, 2016 and 2015 consisted of the following:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Net gain (loss) on disposal of premises and equipment	¥ (6)	¥ (37)	\$ (69)
Gains on write-off of unclaimed debentures	677	74	6,716
Provision for reimbursement of debentures	(306)	—	(3,035)
Gains on write-off of unclaimed deposits	1,254	620	12,435
Gains on sale of nonperforming loans	1,874	—	18,582
Gain on liquidation of subsidiaries	532	446	5,281
Loss on liquidation of subsidiaries	(528)	—	(5,243)
Loss on sale of investments in affiliates	—	(277)	—
Gain on sale of investments in subsidiaries	257	—	2,551
Impairment losses on long-lived assets	(31)	(396)	(308)
Gain on reversal of stock acquisition rights	—	698	—
Other, net	694	74	6,889
<b>Total</b>	<b>¥ 4,418</b>	<b>¥ 1,204</b>	<b>\$ 43,799</b>

- Impairment losses on long-lived assets

For the six months ended September 30, 2016 and 2015, respectively, “Impairment losses on long-lived assets” of ¥31 million (U.S.\$308 thousand) and ¥396 million were recognized mainly on the properties of the Bank’s branches which were decided to be closed and on the unused IT-related properties, assuming their recoverable amount to be zero.

## 30. EARNINGS PER SHARE

CONSOLIDATED

A reconciliation of the difference between basic and diluted EPS for the six months ended September 30, 2016 and 2015 was as follows:

	Earnings (Millions of yen)	Weighted average shares (Thousands)	EPS (Yen)	EPS (U.S. dollars)
<b>For the six months ended September 30, 2016:</b>				
Basic EPS				
Profit (loss) attributable to owners of the parent available to common shareholders	¥ 24,936	2,622,093	¥ 9.51	\$ 0.09
Effect of dilutive securities				
Stock acquisition rights	—	93		
Diluted EPS				
Profit (loss) attributable to owners of the parent for computation	¥ 24,936	2,622,187	¥ 9.50	\$ 0.09
<b>For the six months ended September 30, 2015:</b>				
Basic EPS				
Profit (loss) attributable to owners of the parent available to common shareholders	¥ 37,466	2,653,918	¥ 14.11	
Effect of dilutive securities				
Stock acquisition rights	—	6		
Diluted EPS				
Profit (loss) attributable to owners of the parent for computation	¥ 37,466	2,653,925	¥ 14.11	

## 31. LEASE TRANSACTIONS

CONSOLIDATED

## (A) FINANCE LEASE TRANSACTIONS

## AS LESSEE

- (a) For finance lease transactions, where the ownership of the property is deemed to transfer to the lessee, lease assets are software included in "Intangible assets."
- (b) For finance lease transactions, where the ownership of the property is not deemed to transfer to the lessee, lease assets are primarily buildings, tools, equipment and fixtures included in "Premises and equipment."
- (c) Depreciation method is described in "(U) LEASE TRANSACTIONS" in Note 2 "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

## AS LESSOR

- (a) Breakdown of "Lease receivables and leased investment assets" as of September 30, 2016 and March 31, 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2016	Mar. 31, 2016	Sept. 30, 2016
Lease receivables	¥ 62,902	¥ 70,412	\$ 623,542
Leased investment assets:			
Lease payment receivables	138,676	152,999	1,374,667
Estimated residual value	5,532	5,760	54,843
Interest equivalent	(16,735)	(18,026)	(165,899)
Other	325	307	3,223
Subtotal	127,798	141,040	1,266,834
<b>Total</b>	<b>¥ 190,701</b>	<b>¥ 211,453</b>	<b>\$ 1,890,376</b>

**31. LEASE TRANSACTIONS (CONTINUED)**

CONSOLIDATED

(b) Lease payment receivables for "Lease receivables and leased investment assets" as of September 30, 2016 were as follows:

	Lease receivables		Leased investment assets	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Due within one year	¥ 20,973	\$ 207,909	¥ 42,298	\$ 419,299
Due after one year within two years	15,788	156,512	32,956	326,689
Due after two years within three years	11,971	118,673	23,431	232,271
Due after three years within four years	8,123	80,526	14,960	148,295
Due after four years within five years	5,444	53,972	8,471	83,975
Due after five years	4,225	41,887	16,558	164,138
<b>Total</b>	<b>¥ 66,528</b>	<b>\$ 659,479</b>	<b>¥ 138,676</b>	<b>\$ 1,374,667</b>

**(B) OPERATING LEASE TRANSACTIONS**

Noncancelable operating lease obligations as lessee and lease payment receivables as lessor as of September 30, 2016 and March 31, 2016 were as follows:

**AS LESSEE**

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2016	Mar. 31, 2016	Sept. 30, 2016
Lease obligations:			
Due within one year	¥ 4,551	¥ 4,632	\$ 45,115
Due after one year	9,728	11,853	96,433
<b>Total</b>	<b>¥ 14,279</b>	<b>¥ 16,486</b>	<b>\$ 141,548</b>

**AS LESSOR**

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2016	Mar. 31, 2016	Sept. 30, 2016
Lease payment receivables:			
Due within one year	¥ 4,760	¥ 4,348	\$ 47,192
Due after one year	21,408	20,417	212,214
<b>Total</b>	<b>¥ 26,168</b>	<b>¥ 24,766</b>	<b>\$ 259,406</b>

**32. SEGMENT INFORMATION**

CONSOLIDATED

**(A) SEGMENT INFORMATION****(a) DESCRIPTION OF REPORTABLE SEGMENTS**

Our reportable segments are businesses whose individual financial information is available and regular evaluation by the Executive Committee is made in order to decide how much resources are allocated.

The Businesses provide a wide variety of financial products and services to institutional and individual customers through our Institutional Business, Global Markets Business and Individual Business. These groups consist of operating segments which provide their respective financial products and services.

The Institutional Business consists of the "Corporate Business," "Structured Finance," "Principal Transactions," and "Showa Leasing" and the Global Markets Business consists of the "Markets," and "Other Global Markets" as reportable segments. The Individual Business consists of "Retail Banking," "Shinsei Financial" and "APLUS FINANCIAL." Also, the business and operations excluding any of the Institutional Business, the Global Markets Business, and the Individual Business are classified as the "Corporate/Other". The "Treasury" in the "Corporate/Other" is a reportable segment.

## 32. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

In the Institutional Business, the "Corporate Business" segment provides financial products and services, advisory services, and trust business for corporate, public, and financial sectors. The "Structured Finance" segment provides real estate finance, such as nonrecourse loans, financial products and services for real estate and construction industries, specialty finance such as M&A finance. The "Principal Transactions" segment provides financial products and services related to credit trading and private equity businesses. "Showa Leasing" segment primarily provides financial products and services related to leasing.

In the Global Markets Business, the "Markets" segment engages in foreign exchanges, derivatives, equity-related transactions and other capital markets transactions. The "Other Global Markets" segment consists of securities business provided by Shinsei Securities, asset management and wealth management businesses.

In the Individual Business, the "Retail Banking" segment provides financial products and services for retail customers, "Shinsei Financial" segment, which consists of Shinsei Financial Co., Ltd., Shinsei Personal Loan Co., Ltd. and Shinsei Bank Card Loan—Lake in the Bank, provides consumer finance business, and "APLUS FINANCIAL" segment provides installment sales credit, credit cards, guarantees, loans and settlement services.

The "Other" segment consists of profit and loss attributable to the Consumer Finance Headquarter and other subsidiaries.

In the Corporate/Other, the "Treasury" segment engages in ALM operations and fund raising including capital instruments.

The overview of revision of reportable segments resulting from organization changes is stated below.

On April 1, 2016, in order to facilitate inter-Division collaboration within the Shinsei Bank Group, as well as to enhance the maneuverability of the Bank's organization, we abolished the "Group" and "Sub-Group" structures and in their place had introduced a new organizational structure under which a "Division" is the basic business management unit. Also, we aim to improve organizational efficiency by rebuilding the functions of each business and restructuring and abolishing of Divisions. As a result, the reportable segments were revised in the interim period as follows:

## (1) Change in segment names

"Institutional Group", "Global Markets Group" and "Individual Group" have changed to "Institutional Business", "Global Markets Business" and "Individual Business" respectively.

Likewise, "Markets Sub-Group" and "Other Global Markets Group" have changed to "Markets" and "Other Global Markets" respectively. In addition, "Treasury Sub-Group" in Corporate/Other has changed to "Treasury". These name changes have no impact on the segment information.

## (2) Change in classification of reportable segments

"Corporate Business" segment in Institutional Business includes trust business, which was formerly included in "Structured Finance" segment and business related to New Business Promotion & Support Department, which was formerly included in "Principal Transactions" segment.

"Other" segment in Corporate/Other includes business related to financial research, which was formerly included in "Other Global Markets Group" segment in Global Markets Group.

Also, on October 1, 2015, "Structured Finance" segment in Institutional Group includes business related to New Energy Promotion Department, which was formerly included in "Institutional Business" segment.

As a result of this organizational change, classification of reportable segments has changed, and "REVENUE, PROFIT (LOSS), ASSETS, LIABILITIES AND OTHER ITEMS BY REPORTABLE SEGMENTS" for the six months ended September 30, 2015 was presented based on the new classification of reportable segments.

**(b) METHODS OF MEASUREMENT FOR THE AMOUNTS OF REVENUE, PROFIT (LOSS), ASSETS, LIABILITIES AND OTHER ITEMS BY REPORTABLE SEGMENTS**

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES," except for interest on inter-segment transactions and indirect expense.

Interest on inter-segment transactions is calculated using an inter-office rate. Indirect expense is allocated, based on the predetermined internal rule, to each reportable segment according to the budget which is set at the beginning of the fiscal year.

In the interim period, we have changed the allocation method of expenses in order to evaluate performances in each segment properly; expenses of the headquarter related to Institutional Business which were formerly included in "Corporate Business" segment have been allocated to each segment in Institutional Business. In addition, the amount of profit and loss of reportable segments for the six months ended September 30, 2015 is presented based on the allocation method for the six months ended September 30, 2016.

## 32. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

## (c) REVENUE, PROFIT (LOSS), ASSETS, LIABILITIES AND OTHER ITEMS BY REPORTABLE SEGMENTS

Six months ended September 30, 2016	Millions of yen						
	Institutional Business				Global Markets Business		
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets	
Revenue:	¥ 7,887	¥ 9,121	¥ 2,973	¥ 6,573	¥ 4,316	¥ 974	
Net Interest Income	5,450	4,689	1,322	(641)	933	119	
Noninterest Income <sup>1</sup>	2,436	4,432	1,650	7,214	3,382	854	
Expenses	5,400	2,491	2,128	4,202	1,656	1,841	
Net Credit Costs (Recoveries)	140	889	(147)	(392)	(44)	38	
Segment Profit (Loss)	¥ 2,347	¥ 5,740	¥ 992	¥ 2,763	¥ 2,704	¥ (905)	
Segment Assets <sup>2</sup>	¥ 1,646,058	¥ 1,139,787	¥ 180,808	¥ 457,516	¥ 504,177	¥ 66,794	
Segment Liabilities	¥ 896,664	¥ 71,036	¥ 3,788	¥ —	¥ 277,128	¥ 62,351	
Includes:							
1. Equity in net income (loss) of affiliates	¥ —	¥ —	¥ 1,199	¥ —	¥ —	¥ —	
2. Investment in affiliates	—	—	47,118	—	—	—	
Other:							
Goodwill (Negative Goodwill):							
Amortization	¥ —	¥ —	¥ —	¥ 1,202	¥ —	¥ —	
Unamortized balance	—	—	—	18,244	—	—	
Intangible assets acquired in business combinations:							
Amortization	¥ —	¥ —	¥ —	¥ 150	¥ —	¥ —	
Unamortized balance	—	—	—	1,345	—	—	
Impairment losses on long-lived assets	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	

Six months ended September 30, 2016	Millions of yen						
	Individual Business				Corporate/Other		
	Retail Banking	Consumer Finance			Treasury	Other	Total
	Shinsei Financial	APLUS FINANCIAL	Other				
Revenue:	¥ 13,230	¥ 31,078	¥ 26,886	¥ 612	¥ 7,715	¥ 1,851	¥ 113,220
Net Interest Income	11,863	31,765	4,302	490	176	1	60,474
Noninterest Income <sup>1</sup>	1,366	(686)	22,584	122	7,539	1,849	52,746
Expenses	16,526	16,943	18,763	398	858	173	71,384
Net Credit Costs (Recoveries)	(690)	10,165	4,761	(4)	—	3	14,719
Segment Profit (Loss)	¥ (2,605)	¥ 3,969	¥ 3,360	¥ 218	¥ 6,856	¥ 1,674	¥ 27,116
Segment Assets <sup>2</sup>	¥ 1,310,530	¥ 460,720	¥ 861,875	¥ 19,541	¥ 616,117	¥ 0	¥ 7,263,928
Segment Liabilities	¥ 4,798,002	¥ 34,180	¥ 234,847	¥ 123	¥ 307	¥ (0)	¥ 6,378,430
Includes:							
1. Equity in net income (loss) of affiliates	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 1,199
2. Investment in affiliates	—	—	—	—	—	—	47,118
Other:							
Goodwill (Negative Goodwill):							
Amortization	¥ —	¥ 808	¥ —	¥ (0)	¥ —	¥ —	¥ 2,010
Unamortized balance	—	(2,007)	—	(3)	—	—	16,233
Intangible assets acquired in business combinations:							
Amortization	¥ —	¥ 803	¥ —	¥ —	¥ —	¥ —	¥ 953
Unamortized balance	—	1,890	—	—	—	—	3,235
Impairment losses on long-lived assets	¥ —	¥ 10	¥ —	¥ —	¥ —	¥ 20	¥ 31



## 32. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

	Millions of yen					
	Institutional Business				Global Markets Business	
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Six months ended September 30, 2015						
Revenue:	¥ 8,032	¥ 9,192	¥ 2,040	¥ 10,280	¥ 4,612	¥ 1,559
Net Interest Income	5,238	6,186	2,929	(1,046)	1,005	56
Noninterest Income <sup>1</sup>	2,793	3,005	(889)	11,326	3,607	1,502
Expenses	5,779	2,396	2,407	4,127	1,756	1,972
Net Credit Costs (Recoveries)	421	(13,340)	(117)	(400)	(63)	(161)
Segment Profit (Loss)	¥ 1,831	¥ 20,136	¥ (249)	¥ 6,553	¥ 2,919	¥ (251)
Segment Assets <sup>2</sup>	¥ 1,660,643	¥ 1,169,128	¥ 222,056	¥ 457,341	¥ 448,181	¥ 110,128
Segment Liabilities	¥ 590,305	¥ 76,390	¥ 2,634	¥ —	¥ 250,429	¥ 44,932
Includes:						
1. Equity in net income (loss) of affiliates	¥ 41	¥ —	¥ 1,203	¥ —	¥ —	¥ —
2. Investment in affiliates	—	—	50,939	—	—	—
Other:						
Goodwill (Negative Goodwill):						
Amortization	¥ —	¥ —	¥ —	¥ 1,073	¥ —	¥ —
Unamortized balance	—	—	—	20,391	—	—
Intangible assets acquired in business combinations:						
Amortization	¥ —	¥ —	¥ —	¥ 166	¥ —	¥ —
Unamortized balance	—	—	—	1,661	—	—
Impairment losses on long-lived assets	¥ 39	¥ —	¥ —	¥ —	¥ 1	¥ —

	Millions of yen						
	Retail Banking	Individual Business			Corporate/Other		
		Shinsei Financial	APLUS FINANCIAL	Other	Treasury	Other	Total
Six months ended September 30, 2015							
Revenue:	¥ 14,316	¥ 29,006	¥ 25,515	¥ 722	¥ 4,558	¥ 553	¥ 110,391
Net Interest Income	10,672	30,261	3,246	593	1,883	(6)	61,021
Noninterest Income <sup>1</sup>	3,644	(1,255)	22,269	129	2,675	559	49,369
Expenses	16,464	15,636	18,234	382	848	(285)	69,720
Net Credit Costs (Recoveries)	185	8,073	4,261	(116)	—	(4)	(1,262)
Segment Profit (Loss)	¥ (2,333)	¥ 5,295	¥ 3,020	¥ 456	¥ 3,710	¥ 843	¥ 41,933
Segment Assets <sup>2</sup>	¥ 1,259,244	¥ 417,424	¥ 802,694	¥ 19,899	¥ 886,596	¥ 0	¥ 7,453,341
Segment Liabilities	¥ 4,860,876	¥ 14,022	¥ 247,750	¥ 84	¥ 200	¥ 0	¥ 6,087,628
Includes:							
1. Equity in net income (loss) of affiliates	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 1,244
2. Investment in affiliates	—	—	—	—	—	—	50,939
Other:							
Goodwill (Negative Goodwill):							
Amortization	¥ 70	¥ 1,141	¥ 429	¥ (0)	¥ —	¥ —	¥ 2,714
Unamortized balance	58	(391)	429	(4)	—	—	20,483
Intangible assets acquired in business combinations:							
Amortization	¥ —	¥ 1,026	¥ —	¥ —	¥ —	¥ —	¥ 1,192
Unamortized balance	—	3,496	—	—	—	—	5,157
Impairment losses on long-lived assets	¥ 147	¥ 98	¥ —	¥ (2)	¥ 0	¥ 112	¥ 396

## 32. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

Thousands of U.S. dollars

	Institutional Business				Global Markets Business	
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Six months ended September 30, 2016						
Revenue:	\$ 78,188	\$ 90,422	\$ 29,471	\$ 65,160	\$ 42,789	\$ 9,656
Net Interest Income	54,033	46,488	13,110	(6,359)	9,258	1,185
Noninterest Income <sup>1</sup>	24,155	43,934	16,361	71,519	33,531	8,471
Expenses	53,530	24,699	21,098	41,662	16,419	18,251
Net Credit Costs (Recoveries)	1,392	8,819	(1,466)	(3,893)	(438)	383
Segment Profit (Loss)	\$ 23,266	\$ 56,904	\$ 9,839	\$ 27,391	\$ 26,808	\$ (8,978)
Segment Assets <sup>2</sup>	\$ 16,317,000	\$ 11,298,452	\$ 1,792,316	\$ 4,535,250	\$ 4,997,790	\$ 662,118
Segment Liabilities	\$ 8,888,425	\$ 704,166	\$ 37,550	\$ —	\$ 2,747,109	\$ 618,073
Includes:						
1. Equity in net income (loss) of affiliates	\$ —	\$ —	\$ 11,893	\$ —	\$ —	\$ —
2. Investment in affiliates	—	—	467,079	—	—	—
Other:						
Goodwill (Negative Goodwill):						
Amortization	\$ —	\$ —	\$ —	\$ 11,920	\$ —	\$ —
Unamortized balance	—	—	—	180,856	—	—
Intangible assets acquired in business combinations:						
Amortization	\$ —	\$ —	\$ —	\$ 1,490	\$ —	\$ —
Unamortized balance	—	—	—	13,334	—	—
Impairment losses on long-lived assets	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

Thousands of U.S. dollars

	Individual Business				Corporate/Other		
	Retail Banking	Consumer Finance			Treasury	Other	Total
		Shinsei Financial	APLUS FINANCIAL	Other			
Six months ended September 30, 2016							
Revenue:	\$ 131,150	\$ 308,074	\$ 266,516	\$ 6,070	\$ 76,484	\$ 18,351	\$ 1,122,331
Net Interest Income	117,600	314,881	42,646	4,859	1,749	19	599,469
Noninterest Income <sup>1</sup>	13,550	(6,807)	223,870	1,211	74,735	18,332	522,862
Expenses	163,824	167,956	185,998	3,948	8,512	1,722	707,619
Net Credit Costs (Recoveries)	(6,848)	100,771	47,204	(48)	—	32	145,908
Segment Profit (Loss)	\$ (25,826)	\$ 39,347	\$ 33,314	\$ 2,170	\$ 67,972	\$ 16,597	\$ 268,804
Segment Assets <sup>2</sup>	\$ 12,990,987	\$ 4,567,012	\$ 8,543,567	\$ 193,714	\$ 6,107,425	\$ 0	\$ 72,005,631
Segment Liabilities	\$ 47,561,482	\$ 338,822	\$ 2,327,985	\$ 1,229	\$ 3,053	\$ (0)	\$ 63,227,894
Includes:							
1. Equity in net income (loss) of affiliates	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 11,893
2. Investment in affiliates	—	—	—	—	—	—	467,079
Other:							
Goodwill (Negative Goodwill):							
Amortization	\$ —	\$ 8,011	\$ —	\$ (3)	\$ —	\$ —	\$ 19,928
Unamortized balance	—	(19,903)	—	(36)	—	—	160,917
Intangible assets acquired in business combinations:							
Amortization	\$ —	\$ 7,960	\$ —	\$ —	\$ —	\$ —	\$ 9,450
Unamortized balance	—	18,738	—	—	—	—	32,072
Impairment losses on long-lived assets	\$ —	\$ 106	\$ —	\$ —	\$ —	\$ 202	\$ 308

Notes: (1) "Revenue," which represents gross operating profit under our management reporting, is presented as a substitute for sales in other industries. "Revenue" is defined as the total of net interest income, net fees and commissions, net trading income and net other business income on the management reporting basis. "Revenue" represents income and related cost attributable to our core business.

(2) "Expenses" are general and administrative expenses deducting amortization of goodwill and intangible assets acquired in business combinations, amortization of actuarial gains or losses of retirement benefit cost and lump-sum payments.

(3) "Net Credit Costs (Recoveries)" consists of provision/reversal of reserve for credit losses, losses on write-off/sales of loans and recoveries of written-off claims.

(4) "Segment Assets" consists of other monetary claims purchased, trading assets, monetary assets held in trust, securities, loans and bills discounted, lease receivables and leased investment assets, installment receivables, tangible leased assets, intangible leased assets and customer's liabilities for acceptances and guarantees.

(5) "Segment Liabilities" consists of deposits, including negotiable certificates of deposit, debentures, trading liabilities and acceptances and guarantees.

(6) Regarding assets and liabilities not allocated to each business segment, there are related revenue and expense items which are allocated to each business segment based on rational allocation method. For example, interest on other borrowings is considered a part of "Revenue" and included in segment income, although borrowed money is not allocated to each segment liabilities. In addition, depreciation is considered a part of "Expenses" and included in segment income, although premises and equipment excluding tangible leased assets and intangible assets excluding intangible leased assets are not allocated to each segment assets.

(7) "Other" under the Corporate/Other includes company-wide accounts which are not included in our reportable segments, allocation variance of indirect expense and elimination amount of inter-segment transactions.

## 32. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

## (d) RECONCILIATION BETWEEN THE SEGMENT INFORMATION AND THE CONSOLIDATED FINANCIAL STATEMENTS

(i) A reconciliation between total segment profit and income (loss) before income taxes on the consolidated statements of income for the six months ended September 30, 2016 and 2015 was as follows:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Total segment profit	¥ 27,116	¥ 41,933	\$ 268,804
Amortization of goodwill acquired in business combinations	(2,010)	(2,643)	(19,928)
Amortization of intangible assets acquired in business combinations	(953)	(1,192)	(9,450)
Lump-sum payments	(1,500)	(471)	(14,878)
Other gains (losses), net	4,418	1,204	43,799
Income (loss) before income taxes	¥ 27,070	¥ 38,829	\$ 268,347

(ii) A reconciliation between total segment assets and total assets on the consolidated balance sheets as of September 30, 2016 and 2015 was as follows:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Total segment assets	¥ 7,263,928	¥ 7,453,341	\$ 72,005,631
Cash and due from banks	1,385,580	1,129,819	13,734,940
Call loans	—	15,000	—
Receivables under resale agreements	—	34,853	—
Receivables under securities borrowing transactions	14,397	31,070	142,715
Foreign exchanges	25,697	17,593	254,737
Other assets excluding installment receivables	309,893	322,134	3,071,904
Premises and equipment excluding tangible leased assets	26,193	28,449	259,654
Intangible assets excluding intangible leased assets	47,769	46,346	473,527
Assets for retirement benefits	3,816	3,692	37,831
Deferred issuance expenses for debentures	1	6	18
Deferred tax assets	15,553	16,152	154,174
Reserve for credit losses	(95,638)	(99,212)	(948,047)
Total assets	¥ 8,997,193	¥ 8,999,248	\$ 89,187,084

(iii) A reconciliation between total segment liabilities and total liabilities on the consolidated balance sheets as of September 30, 2016 and 2015 was as follows:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Total segment liabilities	¥ 6,378,430	¥ 6,087,628	\$ 63,227,894
Call money	22,400	280,000	222,046
Payables under repurchase agreements	45,955	53,382	455,544
Payables under securities lending transactions	215,645	191,672	2,137,646
Borrowed money	760,649	777,807	7,540,138
Foreign exchanges	63	67	628
Short-term corporate bonds	153,000	100,800	1,516,653
Corporate bonds	112,100	131,192	1,111,221
Other liabilities	389,318	438,271	3,859,228
Accrued employees' bonuses	4,895	5,089	48,529
Accrued directors' bonuses	35	33	350
Liabilities for retirement benefits	8,993	7,528	89,149
Reserve for reimbursement of debentures	3,081	—	30,550
Reserve for losses on interest repayments	111,588	149,635	1,106,152
Deferred tax liabilities	772	795	7,662
Total liabilities	¥ 8,206,929	¥ 8,223,905	\$ 81,353,390

## 32. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

## (B) RELATED INFORMATION

## (a) INFORMATION BY SERVICES

Income regarding major services for the six months ended September 30, 2016 and 2015 was as follows:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Loan Businesses	¥ 65,546	¥ 67,438	\$ 649,748
Lease Businesses	4,041	4,372	40,060
Securities Investment Businesses	13,360	7,558	132,436
Installment Sales and Guarantee Businesses	23,321	22,893	231,177

## (b) GEOGRAPHICAL INFORMATION

## (i) REVENUE

Revenue from external domestic customers exceeded 90% of total revenue on the consolidated statements of income for the six months ended September 30, 2016 and 2015, therefore geographical revenue information is not presented.

## (ii) PREMISES AND EQUIPMENT

The balance of domestic premises and equipment exceeded 90% of total balance of premises and equipment on the consolidated balance sheets as of September 30, 2016 and 2015, therefore geographical premises and equipment information is not presented.

## (c) MAJOR CUSTOMER INFORMATION

Revenue to a specific customer did not reach 10% of total revenue on the consolidated statements of income for the six months ended September 30, 2016 and 2015, therefore major customer information is not presented.

## 33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

CONSOLIDATED

Fair values of financial instruments as of September 30, 2016 and March 31, 2016 were as follows:

	Millions of yen					
	Sept. 30, 2016			Mar. 31, 2016		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
Assets:						
(1) Cash and due from banks	¥ 1,385,580	¥ 1,385,580	¥ —	¥ 1,129,213	¥ 1,129,213	¥ —
(2) Receivables under securities borrowing transactions	14,397	14,397	—	4,243	4,243	—
(3) Other monetary claims purchased						
Trading purposes	10,860	10,860	—	17,076	17,076	—
Other <sup>1</sup>	37,034	38,421	1,386	63,221	65,071	1,849
(4) Trading assets						
Securities held for trading purposes	22,396	22,396	—	23,262	23,262	—
(5) Monetary assets held in trust <sup>1</sup>	228,302	235,873	7,571	255,255	263,084	7,828
(6) Securities						
Trading securities	0	0	—	7	7	—
Securities being held to maturity	500,810	509,569	8,759	559,567	568,664	9,097
Securities available for sale	442,051	442,051	—	574,738	574,738	—
Equity securities of affiliates	44,145	25,373	(18,771)	46,581	29,941	(16,639)
(7) Loans and bills discounted <sup>2</sup>	4,611,351			4,562,923		
Reserve for credit losses	(57,534)			(53,999)		
Net	4,553,817	4,724,499	170,682	4,508,924	4,661,271	152,347
(8) Lease receivables and leased investment assets <sup>1</sup>	188,289	187,060	(1,229)	208,327	207,154	(1,172)
(9) Other assets						
Installment receivables	521,284			516,336		
Deferred gains on installment receivables	(15,163)			(15,338)		
Reserve for credit losses	(10,958)			(11,331)		
Net	495,162	520,556	25,394	489,666	511,333	21,667
<b>Total</b>	<b>¥ 7,922,849</b>	<b>¥ 8,116,642</b>	<b>¥ 193,793</b>	<b>¥ 7,880,086</b>	<b>¥ 8,055,064</b>	<b>¥ 174,977</b>
Liabilities:						
(1) Deposits, including negotiable certificates of deposit	¥ 5,785,744	¥ 5,788,582	¥ (2,837)	¥ 5,800,994	¥ 5,804,839	¥ (3,844)
(2) Debentures	11,199	11,204	(5)	16,740	16,748	(8)
(3) Call money	22,400	22,400	—	40,000	40,000	—
(4) Payables under repurchase agreements	45,955	45,955	—	23,779	23,779	—
(5) Payables under securities lending transactions	215,645	215,645	—	118,139	118,139	—
(6) Trading liabilities						
Trading securities sold for short sales	14,401	14,401	—	2,511	2,511	—
(7) Borrowed money	760,649	762,582	(1,933)	801,742	803,766	(2,024)
(8) Short-term corporate bonds	153,000	153,000	—	129,400	129,400	—
(9) Corporate bonds	112,100	113,310	(1,210)	95,121	96,780	(1,658)
<b>Total</b>	<b>¥ 7,121,095</b>	<b>¥ 7,127,081</b>	<b>¥ (5,986)</b>	<b>¥ 7,028,429</b>	<b>¥ 7,035,965</b>	<b>¥ (7,536)</b>
Derivative instruments <sup>3</sup> :						
Hedge accounting is not applied	¥ 25,906	¥ 25,906	¥ —	¥ 33,841	¥ 33,841	¥ —
Hedge accounting is applied	16,955	16,955	—	(625)	(625)	—
<b>Total</b>	<b>¥ 42,862</b>	<b>¥ 42,862</b>	<b>¥ —</b>	<b>¥ 33,216</b>	<b>¥ 33,216</b>	<b>¥ —</b>
Other:						
Guarantee contracts <sup>4</sup>	Contract amount ¥ 291,739	Fair value ¥ 1,170		Contract amount ¥ 280,620	Fair value ¥ 4,722	

## 33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

Thousands of U.S. dollars			
Sept. 30, 2016			
	Carrying amount	Fair value	Unrealized gain (loss)
Assets:			
(1) Cash and due from banks	\$ 13,734,940	\$ 13,734,940	\$ —
(2) Receivables under securities borrowing transactions	142,715	142,715	—
(3) Other monetary claims purchased			
Trading purposes	107,659	107,659	—
Other <sup>1</sup>	367,118	380,866	13,748
(4) Trading assets			
Securities held for trading purposes	222,010	222,010	—
(5) Monetary assets held in trust <sup>1</sup>	2,263,110	2,338,163	75,053
(6) Securities			
Trading securities	7	7	—
Securities being held to maturity	4,964,415	5,051,245	86,830
Securities available for sale	4,381,953	4,381,953	—
Equity securities of affiliates	437,605	251,527	(186,078)
(7) Loans and bills discounted <sup>2</sup>	45,711,261		
Reserve for credit losses	(570,324)		
Net	45,140,937	46,832,869	1,691,932
(8) Lease receivables and leased investment assets <sup>1</sup>	1,866,466	1,854,282	(12,184)
(9) Other assets			
Installment receivables	5,167,372		
Deferred gains on installment receivables	(150,311)		
Reserve for credit losses	(108,633)		
Net	4,908,428	5,160,160	251,732
<b>Total</b>	<b>\$ 78,537,363</b>	<b>\$ 80,458,396</b>	<b>\$ 1,921,033</b>
Liabilities:			
(1) Deposits, including negotiable certificates of deposit	\$ 57,352,744	\$ 57,380,869	\$ (28,125)
(2) Debentures	111,013	111,072	(59)
(3) Call money	222,046	222,046	—
(4) Payables under repurchase agreements	455,544	455,544	—
(5) Payables under securities lending transactions	2,137,646	2,137,646	—
(6) Trading liabilities			
Trading securities sold for short sales	142,756	142,756	—
(7) Borrowed money	7,540,138	7,559,301	(19,163)
(8) Short-term corporate bonds	1,516,653	1,516,653	—
(9) Corporate bonds	1,111,221	1,123,216	(11,995)
<b>Total</b>	<b>\$ 70,589,761</b>	<b>\$ 70,649,103</b>	<b>\$ (59,342)</b>
Derivative instruments <sup>3</sup> :			
Hedge accounting is not applied	\$ 256,806	\$ 256,806	\$ —
Hedge accounting is applied	168,076	168,076	—
<b>Total</b>	<b>\$ 424,882</b>	<b>\$ 424,882</b>	<b>\$ —</b>

	Contract amount	Fair value
Other:		
Guarantee contracts <sup>4</sup>	\$ 2,891,946	\$ 11,600

1 Carrying amounts of Other monetary claims purchased, Monetary assets held in trust, and Lease receivables and leased investment assets are presented as the amount net of reserve for credit losses because they are immaterial.

2 For consumer loans held by consolidated subsidiaries included in Loans and bills discounted, reserve for losses on interest repayments of ¥111,588 million (U.S.\$1,106,152 thousand) and ¥133,695 million was recognized for estimated losses on reimbursements of excess interest payments as of September 30, 2016 and March 31, 2016, respectively, which included the reserve for losses on interest repayments that have a possibility of being appropriated for loan principal in the future.

3 Derivative instruments include derivative transactions both in trading assets and liabilities, and in other assets and liabilities. Derivative instruments are presented as net of assets and liabilities and presented with ( ) when a liability stands on net basis.

4 Contract amount for guarantee contracts presents the amount of "Acceptances and guarantees" on the consolidated balance sheets. Unearned guarantee fees of ¥21,674 million (U.S.\$214,851 thousand) and ¥21,898 million were recognized as "Other liabilities" as of September 30, 2016 and March 31, 2016, respectively.

## 33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

(Note 1) Valuation methodologies for financial instruments

*Assets:*

(1) Cash and due from banks

The fair values are measured at carrying amounts because the fair values of due from banks with no maturity are approximate to carrying amounts. Likewise, for due from banks with maturity, the fair values are measured at carrying amounts because most of them are with short maturity of six months or less, therefore the fair values are approximate to carrying amounts.

(2) Receivables under securities borrowing transactions

The fair values are measured at carrying amounts because most of them are with short maturity of three months or less, therefore the fair values are approximate to carrying amounts.

(3) Other monetary claims purchased

The fair values are measured at quoted prices from third parties or determined using the DCF method.

(4) Trading assets

The fair values are measured at market prices or quoted prices from third parties, or determined using the DCF method.

(5) Monetary assets held in trust

The fair values are determined using the DCF method based on the characteristics of the components of the entrusted assets.

(6) Securities

The fair values of marketable equity securities are measured at closing prices on exchanges. The fair values of bonds and mutual funds are measured at market prices or quoted prices from third parties or determined using the DCF method.

(7) Loans and bills discounted

The fair values of loans and bills discounted with fixed interest rate are determined by discounting contractual cash flows, and the fair values of loans and bills discounted with floating interest rate are determined by discounting expected cash flows based on the forward rates, using the risk-free rate adjusted to account for credit risk (after consideration of collateral) with CDS spreads etc. corresponding to internal credit rating of each borrower. The fair values of housing loans are determined by discounting expected cash flows at the rates that consists of the risk free rate and spreads that would be applied for the new housing loans with the same terms at the consolidated balance sheet date. The fair values of consumer loans are determined by discounting expected cash flows that reflect expected loss at the rates that consist of the risk-free rate and certain costs, by a group of similar product types and customer segments.

Regarding loans to obligors classified as “legally bankrupt,” “virtually bankrupt” or “possibly bankrupt,” the fair values are measured at carrying amounts net of reserve for loan losses because the fair values of those loans are approximate to carrying amounts net of reserve for loan losses, which are calculated based on the DCF method or based on amounts which are expected to be collected through the disposal of collateral or execution of guarantees.

(8) Lease receivables and leased investment assets

The fair values are primarily determined by discounting contractual cash flows at the rates that consist of the risk-free rate, credit risk and certain costs, by major product category groups.

(9) Installment receivables

The fair values are primarily determined by discounting expected cash flows that reflect the probability of prepayment at the rates that consist of the risk-free rate, credit risk and certain costs, by major product category groups.

*Liabilities:*

(1) Deposits, including negotiable certificates of deposit

The fair values of demand deposits, such as current deposits and ordinary deposits are recognized as the payment amount at the consolidated balance sheet date.

The fair values of the deposits with maturity of six months or less are approximate to carrying amounts because of their short-term maturity. The fair values of time deposits are determined by discounting the contractual cash flows at the rates that would be applied for the new contracts with the same terms at the consolidated balance sheet date.

(2) Debentures and (9) Corporate bonds

The fair values of marketable debentures and corporate bonds are measured at market prices.

The fair values of nonmarketable corporate debentures and corporate bonds under the Medium Term Note program are determined by discounting expected cash flows at the actual average funding rates of corporate time deposits etc. funded within the past three months of the consolidated balance sheet date. The fair values of retail debentures are determined by discounting contractual cash flows at the latest actual funding rate of large-denomination (¥10 million or more) time deposits.

The fair values of step-up callable subordinated bonds are determined by discounting expected cash flows, which reflect the probability of early redemption at the rates that consist of the risk-free rate and the CDS spread of the Bank.

## 33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

(3) Call money, (4) Payables under repurchase agreements and (5) Payables under securities lending transactions

The fair values are approximate to carrying amounts for call money and bills sold, payables under repurchase agreements, and payables under securities lending transactions with short maturities of three months or less.

(6) Trading liabilities

The fair values are measured at market prices.

(7) Borrowed money

The fair values of borrowed money with fixed interest rates are primarily determined by discounting contractual cash flows (for borrowed money hedged by interest rate swaps which meets specific matching criteria, the contractual cash flows include the cash flows of the interest rate swaps), and the fair values of borrowed money with floating interest rates are determined by discounting expected cash flows on forward rates, at the funding rates that reflect the credit risk of the borrower.

The fair values of step-up callable subordinated borrowings are determined by discounting expected cash flows that reflect the probability of early redemption at the rates that consist of the risk-free rate and the CDS spread of the Bank.

(8) Short-term corporate bonds

The fair values are approximate to carrying amounts because most of them are with short maturities of six months or less.

*Derivative instruments:*

The fair values are primarily measured at closing prices on exchanges or determined using the DCF method or option-pricing models.

*Other:*

Guarantee contracts

The fair values are determined by discounting the amount of difference between the original contractual cash flows and the expected cash flows that would be applied for the new contracts with the same terms at the risk-free rate.

(Note 2) Carrying amount of the financial instruments whose fair value cannot be reliably determined

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2016	Mar. 31, 2016	Sept. 30, 2016
Equity securities without readily available market price <sup>1,2</sup>	¥ 8,311	¥ 8,206	\$ 82,387
Investment in partnerships and others <sup>1,2</sup>	33,379	38,758	330,880
<b>Total</b>	<b>¥ 41,690</b>	<b>¥ 46,964</b>	<b>\$ 413,267</b>

<sup>1</sup> Equity securities without readily available market price are out of the scope of fair value disclosure because their fair values cannot be reliably determined. Investments in partnerships and others, the assets of which comprise equity securities without readily available market price, are out of the scope of fair values disclosure because fair values of those investments cannot be reliably determined.

<sup>2</sup> For the six months ended September 30, 2016 and for the fiscal years ended March 31, 2016, impairment losses on equity securities without readily available market price of ¥1 million (U.S.\$20 thousand) and ¥167 million, and on investment in partnerships and others of ¥67 million (U.S.\$668 thousand) and ¥235 million were recognized, respectively.



## 34. DERIVATIVE FINANCIAL INSTRUMENTS

CONSOLIDATED

## (A) DERIVATIVE TRANSACTIONS TO WHICH HEDGE ACCOUNTING WAS NOT APPLIED

The fair values of derivatives on the consolidated balance sheets as of September 30, 2016 and March 31, 2016 are adjusted for credit risk by a reduction of ¥1,557 million (U.S.\$15,443 thousand) and ¥1,446 million, respectively, and also adjusted for liquidity risk by a reduction of ¥1,134 million (U.S.\$11,244 thousand) and ¥1,074 million, respectively.

Regardless of this accounting treatment, the reduction of those risks is not reflected in the fair values shown in the following tables.

## (a) INTEREST RATE-RELATED TRANSACTIONS

Interest rate-related transactions as of September 30, 2016 and March 31, 2016 were as follows:

	Millions of yen							
	Sept. 30, 2016				Mar. 31, 2016			
	Contract/Notional principal				Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Futures contracts (listed):								
Sold	¥ 748	¥ —	¥ (0)	¥ (0)	¥ 19,199	¥ —	¥ (39)	¥ (39)
Bought	972	497	1	1	17,813	554	31	31
Interest rate options (listed):								
Sold	—	—	—	—	16,682	—	(0)	2
Bought	—	—	—	—	16,703	—	0	(0)
Interest rate swaps (over-the-counter):								
Receive fixed and pay floating	4,882,446	4,064,755	240,808	240,808	5,283,601	4,286,735	252,179	252,179
Receive floating and pay fixed	4,388,135	3,690,474	(213,614)	(213,614)	4,775,777	3,989,116	(225,844)	(225,844)
Receive floating and pay floating	1,650,532	1,342,678	3,381	3,381	1,743,851	1,411,617	4,042	4,042
Interest rate swaptions (over-the-counter):								
Sold	856,732	600,732	(12,382)	1,736	732,182	567,182	(13,709)	(1,617)
Bought	977,550	866,991	1,644	(4,102)	1,132,932	1,019,372	2,948	(4,555)
Interest rate options (over-the-counter):								
Sold	29,840	15,840	(182)	254	30,783	20,783	(156)	178
Bought	49,744	19,340	123	(176)	53,873	25,283	102	(190)
<b>Total</b>			¥ 19,777	¥ 28,287			¥ 19,554	¥ 24,185

Thousands of U.S. dollars

	Sept. 30, 2016			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Futures contracts (listed):				
Sold	\$ 7,422	\$ —	\$ (9)	\$ (9)
Bought	9,636	4,935	16	16
Interest rate options (listed):				
Sold	—	—	—	—
Bought	—	—	—	—
Interest rate swaps (over-the-counter):				
Receive fixed and pay floating	48,398,559	40,292,974	2,387,077	2,387,077
Receive floating and pay fixed	43,498,570	36,582,812	(2,117,516)	(2,117,516)
Receive floating and pay floating	16,361,346	13,309,659	33,520	33,520
Interest rate swaptions (over-the-counter):				
Sold	8,492,591	5,954,922	(122,741)	17,218
Bought	9,690,229	8,594,286	16,297	(40,670)
Interest rate options (over-the-counter):				
Sold	295,806	157,027	(1,811)	2,519
Bought	493,107	191,722	1,221	(1,752)
<b>Total</b>			\$ 196,054	\$ 280,403

Notes:

- (1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income.
- (2) The fair values of listed transactions represent the closing price on the Tokyo Financial Exchange and other exchanges. The fair values of over-the-counter transactions are calculated primarily by using the DCF method or option pricing models.

## 34. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

## (b) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions as of September 30, 2016 and March 31, 2016 were as follows:

	Millions of yen							
	Sept. 30, 2016				Mar. 31, 2016			
	Contract/Notional principal				Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Currency swaps (over-the-counter)	¥ 372,741	¥ 325,188	¥ (489)	¥ (489)	¥ 588,346	¥ 360,570	¥ 75	¥ 75
Forward foreign exchange contracts (over-the-counter):								
Sold	1,079,683	35,587	27,834	27,834	1,221,670	55,050	9,554	9,554
Bought	870,462	57,749	(26,361)	(26,361)	770,482	81,742	4,461	4,461
Currency options (over-the-counter):								
Sold	777,221	323,145	(17,466)	(10,150)	874,594	351,676	(13,723)	1,728
Bought	770,905	304,382	22,126	19,275	868,799	342,816	14,052	1,076
<b>Total</b>			¥ 5,643	¥ 10,108			¥ 14,420	¥ 16,897

	Thousands of U.S. dollars			
	Sept. 30, 2016			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Currency swaps (over-the-counter)	\$ 3,694,898	\$ 3,223,518	\$ (4,855)	\$ (4,855)
Forward foreign exchange contracts (over-the-counter):				
Sold	10,702,651	352,774	275,913	275,913
Bought	8,628,693	572,456	(261,314)	(261,314)
Currency options (over-the-counter):				
Sold	7,704,421	3,203,268	(173,143)	(100,615)
Bought	7,641,806	3,017,269	219,337	191,072
<b>Total</b>			\$ 55,938	\$ 100,201

## Notes:

- (1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income.
- (2) The fair values are calculated primarily by using the DCF method or option pricing models.

## 34. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

## (c) EQUITY-RELATED TRANSACTIONS

Equity-related transactions as of September 30, 2016 and March 31, 2016 were as follows:

	Millions of yen							
	Sept. 30, 2016				Mar. 31, 2016			
	Contract/Notional principal				Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Equity index futures (listed):								
Sold	¥ 11,243	¥ 8,211	¥ 389	¥ 389	¥ 6,764	¥ 6,579	¥ 234	¥ 234
Bought	9,455	763	(603)	(603)	7,866	2,514	(676)	(676)
Equity index options (listed):								
Sold	220,362	82,285	(13,331)	(1,709)	194,385	78,697	(15,335)	(4,005)
Bought	214,729	75,612	13,184	(201)	185,787	71,462	14,555	1,872
Equity options (over-the-counter):								
Sold	27,585	16,260	(6,379)	(1,690)	27,585	16,260	(6,922)	(2,233)
Bought	30,851	21,151	10,072	4,358	30,851	21,151	10,783	5,069
Other (over-the-counter):								
Sold	300	300	25	25	1,200	1,200	142	142
Bought	3,849	200	(125)	(125)	3,177	2,670	(253)	(253)
<b>Total</b>			¥ 3,233	¥ 443			¥ 2,528	¥ 151

Thousands of U.S. dollars

	Sept. 30, 2016			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Equity index futures (listed):				
Sold	\$ 111,456	\$ 81,400	\$ 3,858	\$ 3,858
Bought	93,729	7,565	(5,978)	(5,978)
Equity index options (listed):				
Sold	2,184,402	815,672	(132,149)	(16,945)
Bought	2,128,564	749,529	130,697	(1,999)
Equity options (over-the-counter):				
Sold	273,444	161,188	(63,237)	(16,753)
Bought	305,827	209,674	99,845	43,204
Other (over-the-counter):				
Sold	2,974	2,974	255	255
Bought	38,160	1,983	(1,242)	(1,242)
<b>Total</b>			\$ 32,049	\$ 4,400

## Notes:

- (1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income.
- (2) The fair values of listed transactions represent the closing price on the Osaka Exchange and other exchanges. The fair values of over-the-counter transactions are calculated primarily by using the DCF method or option pricing model.

## 34. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

## (d) BOND-RELATED TRANSACTIONS

Bond-related transactions as of September 30, 2016 and March 31, 2016 were as follows:

Millions of yen

	Sept. 30, 2016				Mar. 31, 2016			
	Contract/Notional principal				Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Bond futures (listed):								
Sold	¥ 49,286	¥ —	¥ (59)	¥ (59)	¥ 35,136	¥ —	¥ (49)	¥ (49)
Bought	5,705	—	4	4	9,130	—	(4)	(4)
Bond options (listed):								
Sold	3,379	—	(5)	4	—	—	—	—
Bought	3,354	—	9	(9)	1,432	—	3	(4)
<b>Total</b>			¥ (51)	¥ (60)			¥ (50)	¥ (58)

Thousands of U.S. dollars

	Sept. 30, 2016			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Bond futures (listed):				
Sold	\$ 488,569	\$ —	\$ (594)	\$ (594)
Bought	56,553	—	41	41
Bond options (listed):				
Sold	33,500	—	(55)	47
Bought	33,250	—	98	(90)
<b>Total</b>			\$ (510)	\$ (596)

Notes:

- (1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income.
- (2) The fair values of listed transactions represent the closing price on the Osaka Exchange and other exchanges.

## (e) CREDIT DERIVATIVES TRANSACTIONS

Credit derivatives transactions as of September 30, 2016 and March 31, 2016 were as follows:

Millions of yen

	Sept. 30, 2016				Mar. 31, 2016			
	Contract/Notional principal				Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Credit default option (over-the-counter):								
Sold	¥ 153,757	¥ 83,600	¥ 1,810	¥ 1,810	¥ 188,681	¥ 123,776	¥ 1,870	¥ 1,870
Bought	162,287	82,050	(1,814)	(1,814)	204,254	123,196	(1,961)	(1,961)
<b>Total</b>			¥ (3)	¥ (3)			¥ (90)	¥ (90)

Thousands of U.S. dollars

	Sept. 30, 2016			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Credit default option (over-the-counter):				
Sold	\$ 1,524,163	\$ 828,707	\$ 17,948	\$ 17,948
Bought	1,608,719	813,343	(17,984)	(17,984)
<b>Total</b>			\$ (36)	\$ (36)

Notes:

- (1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income.
- (2) The fair values are calculated primarily by using the DCF method.
- (3) "Sold" stands for accepting credit risk and "Bought" stands for transferring credit risk.

## 34. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

## (B) DERIVATIVE TRANSACTIONS TO WHICH HEDGE ACCOUNTING WAS APPLIED

## (a) INTEREST RATE-RELATED TRANSACTIONS

Interest rate-related transactions which are accounted for using the deferral method as of September 30, 2016 and March 31, 2016 were as follows:

	Millions of yen					
	Sept. 30, 2016			Mar. 31, 2016		
	Contract/Notional principal			Contract/Notional principal		
	Total	Maturity over 1 year	Fair value	Total	Maturity over 1 year	Fair value
Interest rate swaps:						
Receive fixed and pay floating	¥ 492,400	¥ 482,400	¥ 7,116	¥ 466,400	¥ 456,400	¥ 7,833
Receive floating and pay fixed	233,845	208,590	(21,328)	238,183	216,085	(20,698)
<b>Total</b>			<b>¥ (14,211)</b>			<b>¥ (12,864)</b>
	Thousands of U.S. dollars					
	Sept. 30, 2016					
	Contract/Notional principal					
	Total	Maturity over 1 year	Fair value			
Interest rate swaps:						
Receive fixed and pay floating	\$ 4,881,047	\$ 4,781,919	\$ 70,545			
Receive floating and pay fixed	2,318,058	2,067,709	(211,422)			
<b>Total</b>			<b>\$ (140,877)</b>			

## Notes:

- (1) Most of the hedged items are interest-bearing assets and liabilities such as loans and bills discounted, available-for-sale securities (bonds) and deposits, including negotiable certificate of deposit.
- (2) Interest rate swaps are primarily accounted for using deferral method in accordance with Industry Audit Committee Report No.24 of the JICPA.
- (3) The fair values are calculated primarily by using the DCF method.

## 34. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

Interest rate swaps which meet specific matching criteria as of September 30, 2016 and March 31, 2016 were as follows:

	Millions of yen					
	Sept. 30, 2016			Mar. 31, 2016		
	Contract/Notional principal			Contract/Notional principal		
Total	Maturity over 1 year	Fair value	Total	Maturity over 1 year	Fair value	
Interest rate swaps:						
Receive floating and pay fixed	¥ 19,550	¥ 16,350	¥ —	¥ 22,275	¥ 18,150	¥ —

Thousands of U.S. dollars

	Sept. 30, 2016		
	Contract/Notional principal		
	Total	Maturity over 1 year	Fair value
Interest rate swaps:			
Receive floating and pay fixed	\$ 193,795	\$ 162,074	\$ —

Notes:

- (1) The hedged item is borrowed money.
- (2) Interest rate swaps which meet specific matching criteria are accounted for as component of hedged borrowed money. Therefore, the fair value of those interest rate swaps is included in the fair value of borrowed money in fair value information shown in Note 33 "FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES."

## (b) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions which are accounted for using the deferral method as of September 30, 2016 and March 31, 2016 were as follows:

	Millions of yen					
	Sept. 30, 2016			Mar. 31, 2016		
	Contract/Notional principal			Contract/Notional principal		
Total	Maturity over 1 year	Fair value	Total	Maturity over 1 year	Fair value	
Currency swaps	¥ 154,788	¥ 124,524	¥ 31,167	¥ 158,314	¥ 130,418	¥ 12,238

Thousands of U.S. dollars

	Sept. 30, 2016		
	Contract/Notional principal		
	Total	Maturity over 1 year	Fair value
Currency swaps	\$ 1,534,379	\$ 1,234,379	\$ 308,953

Notes:

- (1) Most of the hedged items are foreign currency denominated loans and bills discounted, securities, deposits, and foreign exchanges.
- (2) Currency swap transactions are primarily accounted for using deferral method in accordance with Industry Audit Committee Report No.25 of the JICPA.
- (3) The fair values are calculated primarily by using the DCF method.

# INTERIM NONCONSOLIDATED BALANCE SHEETS (UNAUDITED)

Shinsei Bank, Limited  
As of September 30, 2016 and March 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note)
	Sept. 30, 2016	Mar. 31, 2016	Sept. 30, 2016
<b>ASSETS</b>			
Cash and due from banks	¥ 1,304,513	¥ 1,049,396	\$ 12,931,335
Other monetary claims purchased	132,359	192,146	1,312,052
Trading assets	294,991	311,832	2,924,187
Monetary assets held in trust	115,307	151,647	1,143,014
Securities	1,402,766	1,603,809	13,905,298
Loans and bills discounted	4,337,797	4,300,152	42,999,579
Foreign exchanges	25,697	17,024	254,737
Other assets	228,994	205,762	2,269,965
Premises and equipment	16,852	17,813	167,057
Intangible assets	15,624	13,572	154,884
Prepaid pension cost	2,413	1,073	23,928
Deferred issuance expenses for debentures	1	3	18
Customers' liabilities for acceptances and guarantees	24,276	21,730	240,651
Reserve for credit losses	(27,788)	(28,282)	(275,457)
<b>Total assets</b>	<b>¥ 7,873,809</b>	<b>¥ 7,857,682</b>	<b>\$ 78,051,248</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities:</b>			
Deposits, including negotiable certificates of deposit	¥ 5,917,482	¥ 5,965,769	\$ 58,658,633
Debentures	11,199	16,740	111,013
Call money	22,400	40,000	222,046
Payables under repurchase agreements	45,955	23,779	455,544
Payables under securities lending transactions	205,794	116,409	2,039,992
Trading liabilities	274,613	291,356	2,722,183
Borrowed money	342,839	374,827	3,398,486
Foreign exchanges	63	75	628
Corporate bonds	47,600	57,619	471,848
Other liabilities	184,758	162,635	1,831,469
Accrued employees' bonuses	2,347	4,511	23,266
Reserve for reimbursement of debentures	3,081	2,903	30,550
Deferred tax liabilities	2,099	2,873	20,816
Acceptances and guarantees	24,276	21,730	240,651
<b>Total liabilities</b>	<b>7,084,512</b>	<b>7,081,231</b>	<b>70,227,125</b>
<b>Equity:</b>			
Common stock	512,204	512,204	5,077,365
Capital surplus	79,465	79,465	787,727
Stock acquisition rights	534	512	5,297
Retained earnings:			
Legal reserve	14,220	13,689	140,964
Unappropriated retained earnings	271,457	250,526	2,690,898
Unrealized gain (loss) on available-for-sale securities	8,050	10,777	79,806
Deferred gain (loss) on derivatives under hedge accounting	(14,077)	(18,166)	(139,546)
Treasury stock, at cost	(82,558)	(72,559)	(818,388)
<b>Total equity</b>	<b>789,297</b>	<b>776,450</b>	<b>7,824,123</b>
<b>Total liabilities and equity</b>	<b>¥ 7,873,809</b>	<b>¥ 7,857,682</b>	<b>\$ 78,051,248</b>

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥100.88=U.S.\$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2016.

# INTERIM NONCONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Shinsei Bank, Limited  
For the six months ended September 30, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note)
	Sept. 30, 2016 (6 months)	Sept. 30, 2015 (6 months)	Sept. 30, 2016 (6 months)
Interest income:			
Interest on loans and bills discounted	¥ 41,700	¥ 39,719	\$ 413,370
Interest and dividends on securities	11,068	11,773	109,717
Interest on deposits with banks	514	466	5,103
Other interest income	629	880	6,236
<b>Total interest income</b>	<b>53,912</b>	<b>52,839</b>	<b>534,426</b>
Interest expenses:			
Interest on deposits, including negotiable certificates of deposit	3,723	3,928	36,915
Interest and discounts on debentures	6	15	62
Interest on other borrowings	402	1,150	3,987
Interest on corporate bonds	597	2,579	5,928
Other interest expenses	1,563	587	15,501
<b>Total interest expenses</b>	<b>6,294</b>	<b>8,260</b>	<b>62,393</b>
<b>Net interest income</b>	<b>47,618</b>	<b>44,578</b>	<b>472,033</b>
Fees and commissions income	9,795	10,613	97,103
Fees and commissions expenses	12,889	12,056	127,768
<b>Net fees and commissions</b>	<b>(3,093)</b>	<b>(1,442)</b>	<b>(30,665)</b>
<b>Net trading income</b>	<b>3,727</b>	<b>2,745</b>	<b>36,954</b>
Other business income (loss), net:			
Net gain (loss) on monetary assets held in trust	644	3,191	6,392
Net gain (loss) on foreign exchanges	2,609	3,879	25,866
Net gain (loss) on securities	8,819	1,882	87,429
Net gain (loss) on other monetary claims purchased	14	0	142
Other, net	(518)	260	(5,144)
<b>Net other business income (loss)</b>	<b>11,569</b>	<b>9,213</b>	<b>114,685</b>
<b>Total revenue</b>	<b>59,822</b>	<b>55,095</b>	<b>593,007</b>
General and administrative expenses:			
Personnel expenses	13,761	13,941	136,419
Premises expenses	7,621	5,963	75,552
Technology and data processing expenses	4,441	4,150	44,024
Advertising expenses	3,717	3,334	36,847
Consumption and property taxes	2,858	2,551	28,332
Deposit insurance premium	1,026	1,038	10,175
Other general and administrative expenses	6,800	6,728	67,411
<b>Total general and administrative expenses</b>	<b>40,226</b>	<b>37,709</b>	<b>398,760</b>
<b>Net business profit</b>	<b>19,595</b>	<b>17,385</b>	<b>194,247</b>
Net credit costs (recoveries)	308	(13,434)	3,063
Other gains (losses), net	4,838	(4,919)	47,962
<b>Income (loss) before income taxes</b>	<b>24,125</b>	<b>25,899</b>	<b>239,146</b>
Income taxes (benefit):			
Current	7	(105)	74
Deferred	1	772	16
<b>Net income (loss)</b>	<b>¥ 24,115</b>	<b>¥ 25,232</b>	<b>\$ 239,056</b>

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥100.88=U.S.\$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2016.



# INTERIM NONCONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

Shinsei Bank, Limited  
For the six months ended September 30, 2016 and 2015

	Millions of yen									
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings			Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Treasury stock, at cost	Total equity
				Legal reserve	Unappropriated retained earnings					
<b>BALANCE, April 1, 2016</b>	<b>¥ 512,204</b>	<b>¥ 79,465</b>	<b>¥ 512</b>	<b>¥ 13,689</b>	<b>¥ 250,526</b>	<b>¥ 10,777</b>	<b>¥ (18,166)</b>	<b>¥ (72,559)</b>	<b>¥ 776,450</b>	
Dividends				530	(3,184)				(2,653)	
Net income (loss)					24,115				24,115	
Purchase of treasury stock								(9,999)	(9,999)	
Net change during the period			21			(2,726)	4,089		1,384	
<b>BALANCE, September 30, 2016</b>	<b>¥ 512,204</b>	<b>¥ 79,465</b>	<b>¥ 534</b>	<b>¥ 14,220</b>	<b>¥ 271,457</b>	<b>¥ 8,050</b>	<b>¥ (14,077)</b>	<b>¥ (82,558)</b>	<b>¥ 789,297</b>	

	Millions of yen									
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings			Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Treasury stock, at cost	Total equity
				Legal reserve	Unappropriated retained earnings					
<b>BALANCE, April 1, 2015</b>	<b>¥ 512,204</b>	<b>¥ 79,465</b>	<b>¥ 1,211</b>	<b>¥ 13,158</b>	<b>¥ 212,144</b>	<b>¥ 8,502</b>	<b>¥ (17,395)</b>	<b>¥ (72,558)</b>	<b>¥ 736,733</b>	
Dividends				530	(3,184)				(2,653)	
Net income (loss)					25,232				25,232	
Purchase of treasury stock								(0)	(0)	
Net change during the period			(698)			(2,031)	172		(2,557)	
<b>BALANCE, September 30, 2015</b>	<b>¥ 512,204</b>	<b>¥ 79,465</b>	<b>¥ 512</b>	<b>¥ 13,689</b>	<b>¥ 234,192</b>	<b>¥ 6,470</b>	<b>¥ (17,222)</b>	<b>¥ (72,559)</b>	<b>¥ 756,754</b>	

	Thousands of U.S. dollars (Note)									
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings			Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Treasury stock, at cost	Total equity
				Legal reserve	Unappropriated retained earnings					
<b>BALANCE, April 1, 2016</b>	<b>\$ 5,077,365</b>	<b>\$ 787,727</b>	<b>\$ 5,081</b>	<b>\$ 135,702</b>	<b>\$ 2,483,411</b>	<b>\$ 106,835</b>	<b>\$ (180,084)</b>	<b>\$ (719,262)</b>	<b>\$ 7,696,775</b>	
Dividends				5,262	(31,569)				(26,307)	
Net income (loss)					239,056				239,056	
Purchase of treasury stock								(99,126)	(99,126)	
Net change during the period			216			(27,029)	40,538		13,725	
<b>BALANCE, September 30, 2016</b>	<b>\$ 5,077,365</b>	<b>\$ 787,727</b>	<b>\$ 5,297</b>	<b>\$ 140,964</b>	<b>\$ 2,690,898</b>	<b>\$ 79,806</b>	<b>\$ (139,546)</b>	<b>\$ (818,388)</b>	<b>\$ 7,824,123</b>	

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥100.88=U.S.\$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2016.

# CAPITAL ADEQUACY REQUIREMENT (BASEL ACCORD) PILLAR III (MARKET DISCIPLINE) DISCLOSURE

This chapter describes information that needs to be disclosed in disclosure documents related to the reported business year pursuant to the Financial Services Agency Notice No. 7 of 2014 (Basel Accord - Pillar III: Market Discipline) as the "matters concerning the status of capital adequacy separately prescribed by the Commissioner of the Financial Services Agency" as provided in Article 19-2 (1) (v) (d) of the Ordinance for Enforcement of the Banking Act (Ministry of Finance Ordinance No. 10 of 1982).

"Accord" in this chapter refers to the Financial Services Agency Notice No. 19 of 2006 (Basel Accord - Pillar I: Minimum Capital Ratio).

With regard to the internal controls related to the calculation of the capital adequacy ratio, we received an independent audit by Deloitte Touche Tohmatsu LLC in accordance with "Treatment of Inspection of the Capital Ratio Calculation Framework Based on Agreed-Upon Procedures" (JICPA Industry Committee Report No. 30). The certain procedures performed by the external auditor are not a part of the audit of the financial statements. The certain procedures are agreed with us and the external auditor and are not a validation of appropriateness of the capital ratio itself or opinion on the internal controls related to the capital ratio.

## COMPOSITION OF CAPITAL DISCLOSURE (CONSOLIDATED)

Shinsei Bank and subsidiaries

Millions of yen (except percentages)

As of September 30, 2016 Items	Basel III (Domestic Standard)	Amounts excluded under transitional arrangements
<b>Core capital: instruments and reserves (1)</b>		
Directly issued qualifying common share capital or preferred share capital with a compulsory conversion clause plus related capital surplus and retained earnings	¥ 798,406	
of which: capital and capital surplus	590,990	
of which: retained earnings	289,974	
of which: treasury stock (-)	82,558	
of which: earning to be distributed (-)	—	
of which: other than above	—	
Accumulated other comprehensive income (amount allowed to be included in Core capital)	(4,129)	¥ (1,726)
of which: foreign currency translation adjustment	(2,978)	
of which: amount related defined benefit	(1,150)	(1,726)
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	565	
Adjusted noncontrolling interests (amount allowed to be included in Core capital)	9	
Total of reserves included in Core capital: instruments and reserves	1,222	
of which: general reserve for loan losses included in Core capital	1,222	
of which: eligible provision included in Core capital	—	
Eligible noncumulative perpetual preferred shares subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	—	
Eligible capital instruments subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	43,791	
Capital instruments issued through measures for capital enhancement by public institutions (amount allowed to be included in Core capital: instruments and reserves)	—	
Land revaluation excess after 55% discount (amount allowed to be included in Core capital: instruments and reserves)	—	
Noncontrolling interests subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	2,559	
<b>Core capital: instruments and reserves (A)</b>	¥ 842,424	
<b>Core capital: regulatory adjustments (2)</b>		
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 26,297	¥ 11,740
of which: goodwill (including those equivalent)	16,233	—
of which: other intangibles other than goodwill and mortgage servicing rights	10,064	11,740
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	2,816	4,225
Shortfall of eligible provisions to expected losses	4,783	—
Gain on sale of securitization	7,725	—
Gains and losses due to changes in own credit risk on fair valued liabilities	—	—
Net defined benefit asset	1,055	1,583
Investments in own shares (excluding those reported in the net assets section)	6	9
Reciprocal cross-holdings in common equity	—	—
Investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation ("Other Financial Institutions"), net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold)	—	—
Amount exceeding the 10% threshold on specific items	—	—
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—
of which: mortgage servicing rights	—	—
of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—
Amount exceeding the 15% threshold on specific items	—	—
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—
of which: mortgage servicing rights	—	—
of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—
<b>Core capital: regulatory adjustments (B)</b>	¥ 42,685	
<b>Capital (consolidated)</b>		
Capital (consolidated)((A)-(B))(C)	¥ 799,738	
<b>Risk-weighted assets, etc.</b>		
Total amount of credit risk-weighted assets	¥ 5,111,624	
of which: total amount included in risk-weighted assets by transitional arrangements	10,839	
of which: intangible assets (excluding those relating to goodwill and mortgage servicing rights)	11,740	
of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	4,225	
of which: net defined benefit asset	1,583	
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	(6,730)	
of which: other than above	20	
Market risk (derived by multiplying the capital requirement by 12.5)	192,637	
Operational risk (derived by multiplying the capital requirement by 12.5)	368,477	
Credit risk-weighted assets adjustments	—	
Operational risk adjustments	—	
<b>Total amount of Risk-weighted assets (D)</b>	¥ 5,672,738	
<b>Capital ratio (consolidated)</b>		
Capital ratio (consolidated)((C)/(D))	14.09%	

## COMPOSITION OF CAPITAL DISCLOSURE (CONSOLIDATED) (continued)

Shinsei Bank and subsidiaries

Millions of yen (except percentages)

As of March 31, 2016  
Items

	Basel III (Domestic Standard)	Amounts excluded under transitional arrangements
--	----------------------------------	--

<b>Core capital: instruments and reserves (1)</b>		
Directly issued qualifying common share capital or preferred share capital with a compulsory conversion clause plus related capital surplus and retained earnings	¥ 784,169	
of which: capital and capital surplus	591,666	
of which: retained earnings	267,716	
of which: treasury stock (-)	72,559	
of which: earning to be distributed (-)	2,653	
of which: other than above	—	
Accumulated other comprehensive income (amount allowed to be included in Core capital)	(825)	¥ (1,782)
of which: foreign currency translation adjustment	362	
of which: amount related defined benefit	(1,188)	(1,782)
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	512	
Adjusted noncontrolling interests (amount allowed to be included in Core capital)	15	
Total of reserves included in Core capital: instruments and reserves	1,004	
of which: general reserve for loan losses included in Core capital	1,004	
of which: eligible provision included in Core capital	—	
Eligible noncumulative perpetual preferred shares subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	—	
Eligible capital instruments subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	67,691	
Capital instruments issued through measures for capital enhancement by public institutions (amount allowed to be included in Core capital: instruments and reserves)	—	
Land revaluation excess after 55% discount (amount allowed to be included in Core capital: instruments and reserves)	—	
Noncontrolling interests subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	3,429	
<b>Core capital: instruments and reserves (A)</b>	¥ 855,998	
<b>Core capital: regulatory adjustments (2)</b>		
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 28,365	¥ 11,032
of which: goodwill (including those equivalent)	18,114	—
of which: other intangibles other than goodwill and mortgage servicing rights	10,251	11,032
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	2,607	3,910
Shortfall of eligible provisions to expected losses	6,552	—
Gain on sale of securitization	8,289	—
Gains and losses due to changes in own credit risk on fair valued liabilities	—	—
Net defined benefit asset	662	993
Investments in own shares (excluding those reported in the net assets section)	—	—
Reciprocal cross-holdings in common equity	—	—
Investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation ("Other Financial Institutions"), net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold)	—	—
Amount exceeding the 10% threshold on specific items	—	—
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—
of which: mortgage servicing rights	—	—
of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—
Amount exceeding the 15% threshold on specific items	—	—
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—
of which: mortgage servicing rights	—	—
of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—
<b>Core capital: regulatory adjustments (B)</b>	¥ 46,478	
<b>Capital (consolidated)</b>		
Capital (consolidated)((A)-(B))/(C)	¥ 809,520	
<b>Risk-weighted assets, etc.</b>		
Total amount of credit risk-weighted assets	¥ 5,132,237	
of which: total amount included in risk-weighted assets by transitional arrangements	6,168	
of which: intangible assets (excluding those relating to goodwill and mortgage servicing rights)	11,032	
of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	3,910	
of which: net defined benefit asset	993	
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	(9,768)	
of which: other than above	—	
Market risk (derived by multiplying the capital requirement by 12.5)	200,054	
Operational risk (derived by multiplying the capital requirement by 12.5)	365,887	
Credit risk-weighted assets adjustments	—	
Operational risk adjustments	—	
<b>Total amount of Risk-weighted assets (D)</b>	¥ 5,698,179	
<b>Capital ratio (consolidated)</b>		
Capital ratio (consolidated)((C)/(D))	14.20%	

## COMPOSITION OF CAPITAL DISCLOSURE (CONSOLIDATED) (continued)

Shinsei Bank and subsidiaries		Millions of yen (except percentages)	
As of September 30, 2015		Basel III (Domestic Standard)	Amounts excluded under transitional arrangements
Items			
<b>Core capital: instruments and reserves (1)</b>			
Directly issued qualifying common share capital or preferred share capital			
with a compulsory conversion clause plus related capital surplus and retained earnings	¥ 763,339		
of which: capital and capital surplus	591,666		
of which: retained earnings	244,231		
of which: treasury stock (-)	72,559		
of which: earning to be distributed (-)	—		
of which: other than above	—		
Accumulated other comprehensive income (amount allowed to be included in Core capital)	2,369		¥ (138)
of which: foreign currency translation adjustment	2,404		
of which: amount related defined benefit	(34)		(138)
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	512		
Adjusted noncontrolling interests (amount allowed to be included in Core capital)	12		
Total of reserves included in Core capital: instruments and reserves	4,454		
of which: general reserve for loan losses included in Core capital	910		
of which: eligible provision included in Core capital	3,543		
Eligible noncumulative perpetual preferred shares subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	—		
Eligible capital instruments subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	83,319		
Capital instruments issued through measures for capital enhancement by public institutions (amount allowed to be included in Core capital: instruments and reserves)	—		
Land revaluation excess after 55% discount (amount allowed to be included in Core capital: instruments and reserves)	—		
Noncontrolling interests subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	4,028		
<b>Core capital: instruments and reserves (A)</b>	<b>¥ 858,036</b>		
<b>Core capital: regulatory adjustments (2)</b>			
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 26,708		¥ 11,089
of which: goodwill (including those equivalent)	20,483		—
of which: other intangibles other than goodwill and mortgage servicing rights	6,224		11,089
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,139		4,558
Shortfall of eligible provisions to expected losses	—		—
Gain on sale of securitization	8,265		—
Gains and losses due to changes in own credit risk on fair valued liabilities	—		—
Net defined benefit asset	494		1,977
Investments in own shares (excluding those reported in the net assets section)	1		5
Reciprocal cross-holdings in common equity	—		—
Investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation ("Other Financial Institutions"), net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold)	—		—
Amount exceeding the 10% threshold on specific items	—		—
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—		—
of which: mortgage servicing rights	—		—
of which: deferred tax assets arising from temporary differences (net of related tax liability)	—		—
Amount exceeding the 15% threshold on specific items	—		—
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—		—
of which: mortgage servicing rights	—		—
of which: deferred tax assets arising from temporary differences (net of related tax liability)	—		—
<b>Core capital: regulatory adjustments (B)</b>	<b>¥ 36,608</b>		
<b>Capital (consolidated)</b>			
Capital (consolidated)((A)-(B))(C)	¥ 821,427		
<b>Risk-weighted assets, etc.</b>			
Total amount of credit risk-weighted assets	¥5,152,609		
of which: total amount included in risk-weighted assets by transitional arrangements	3,434		
of which: intangible assets (excluding those relating to goodwill and mortgage servicing rights)	11,089		
of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	4,558		
of which: net defined benefit asset	1,977		
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	(14,201)		
of which: other than above	10		
Market risk (derived by multiplying the capital requirement by 12.5)	244,751		
Operational risk (derived by multiplying the capital requirement by 12.5)	359,105		
Credit risk-weighted assets adjustments	—		
Operational risk adjustments	—		
<b>Total amount of Risk-weighted assets (D)</b>	<b>¥5,756,466</b>		
<b>Capital ratio (consolidated)</b>			
Capital ratio (consolidated)((C)/(D))	14.26%		

## COMPOSITION OF CAPITAL DISCLOSURE (NONCONSOLIDATED)

Shinsei Bank

Millions of yen (except percentages)

As of September 30, 2016

Items	Basel III (Domestic Standard)	Amounts excluded under transitional arrangements
<b>Core capital: instruments and reserves (1)</b>		
Directly issued qualifying common share capital or preferred share capital with a compulsory conversion clause plus related capital surplus and retained earnings	¥ 794,789	
of which: capital and capital surplus	591,670	
of which: retained earnings	285,678	
of which: treasury stock (-)	82,558	
of which: earning to be distributed (-)	—	
of which: other than above	—	
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	534	
Total of reserves included in Core capital: instruments and reserves	246	
of which: general reserve for loan losses included in Core capital	246	
of which: eligible provision included in Core capital	—	
Eligible noncumulative perpetual preferred shares subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	—	
Eligible capital instruments subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	43,791	
Capital instruments issued through measures for capital enhancement by public institutions (amount allowed to be included in Core capital: instruments and reserves)	—	
Land revaluation excess after 55% discount (amount allowed to be included in Core capital: instruments and reserves)	—	
<b>Core capital: instruments and reserves (A)</b>	¥ 839,361	
<b>Core capital: regulatory adjustments (2)</b>		
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 5,365	¥ 5,782
of which: goodwill (including those equivalent)	1,117	—
of which: other intangibles other than goodwill and mortgage servicing rights	4,247	5,782
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	741	1,111
Shortfall of eligible provisions to expected losses	6,119	—
Gain on sale of securitization	7,725	—
Gains and losses due to changes in own credit risk on fair valued liabilities	—	—
Prepaid pension cost	667	1,001
Investments in own shares (excluding those reported in the net assets section)	6	9
Reciprocal cross-holdings in common equity	—	—
Investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation ("Other Financial Institutions"), net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold)	—	—
Amount exceeding the 10% threshold on specific items	—	—
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—
of which: mortgage servicing rights	—	—
of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—
Amount exceeding the 15% threshold on specific items	—	—
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—
of which: mortgage servicing rights	—	—
of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—
<b>Core capital: regulatory adjustments (B)</b>	¥ 20,625	
<b>Capital (nonconsolidated)</b>		
Capital (nonconsolidated)((A)-(B))(C)	¥ 818,735	
<b>Risk-weighted assets, etc.</b>		
Total amount of credit risk-weighted assets	¥ 4,834,188	
of which: total amount included in risk-weighted assets by transitional arrangements	1,670	
of which: intangible assets (excluding those relating to goodwill and mortgage servicing rights)	5,782	
of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,111	
of which: prepaid pension cost	1,001	
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	(6,245)	
of which: other than above	20	
Market risk (derived by multiplying the capital requirement by 12.5)	153,352	
Operational risk (derived by multiplying the capital requirement by 12.5)	194,074	
Credit risk-weighted assets adjustments	—	
Operational risk adjustments	—	
<b>Total amount of Risk-weighted assets (D)</b>	¥ 5,181,615	
<b>Capital ratio (nonconsolidated)</b>		
Capital ratio (nonconsolidated)((C)/(D))	15.80%	

## COMPOSITION OF CAPITAL DISCLOSURE (NONCONSOLIDATED) (continued)

Shinsei Bank		Millions of yen (except percentages)	
As of March 31, 2016		Basel III (Domestic Standard)	Amounts excluded under transitional arrangements
Items			
<b>Core capital: instruments and reserves (1)</b>			
Directly issued qualifying common share capital or preferred share capital with a compulsory conversion clause plus related capital surplus and retained earnings		¥ 780,673	
of which: capital and capital surplus		591,670	
of which: retained earnings		264,216	
of which: treasury stock (-)		72,559	
of which: earning to be distributed (-)		2,653	
of which: other than above		—	
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause		512	
Total of reserves included in Core capital: instruments and reserves		222	
of which: general reserve for loan losses included in Core capital		222	
of which: eligible provision included in Core capital		—	
Eligible noncumulative perpetual preferred shares subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)		—	
Eligible capital instruments subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)		67,691	
Capital instruments issued through measures for capital enhancement by public institutions (amount allowed to be included in Core capital: instruments and reserves)		—	
Land revaluation excess after 55% discount (amount allowed to be included in Core capital: instruments and reserves)		—	
<b>Core capital: instruments and reserves (A)</b>		¥ 849,100	
<b>Core capital: regulatory adjustments (2)</b>			
Total amount of intangible assets (excluding those relating to mortgage servicing rights)		¥ 4,916	¥ 4,838
of which: goodwill (including those equivalent)		1,200	—
of which: other intangibles other than goodwill and mortgage servicing rights		3,715	4,838
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)		649	973
Shortfall of eligible provisions to expected losses		8,897	—
Gain on sale of securitization		8,289	—
Gains and losses due to changes in own credit risk on fair valued liabilities		—	—
Prepaid pension cost		296	445
Investments in own shares (excluding those reported in the net assets section)		—	—
Reciprocal cross-holdings in common equity		—	—
Investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation ("Other Financial Institutions"), net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold)		—	—
Amount exceeding the 10% threshold on specific items		—	—
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions		—	—
of which: mortgage servicing rights		—	—
of which: deferred tax assets arising from temporary differences (net of related tax liability)		—	—
Amount exceeding the 15% threshold on specific items		—	—
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions		—	—
of which: mortgage servicing rights		—	—
of which: deferred tax assets arising from temporary differences (net of related tax liability)		—	—
<b>Core capital: regulatory adjustments (B)</b>		¥ 23,050	
<b>Capital (nonconsolidated)</b>			
Capital (nonconsolidated)((A)-(B))(C)		¥ 826,050	
<b>Risk-weighted assets, etc.</b>			
Total amount of credit risk-weighted assets		¥ 4,869,145	
of which: total amount included in risk-weighted assets by transitional arrangements		(3,510)	
of which: intangible assets (excluding those relating to goodwill and mortgage servicing rights)		4,838	
of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)		973	
of which: prepaid pension cost		445	
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)		(9,768)	
of which: other than above		—	
Market risk (derived by multiplying the capital requirement by 12.5)		146,913	
Operational risk (derived by multiplying the capital requirement by 12.5)		192,514	
Credit risk-weighted assets adjustments		—	
Operational risk adjustments		—	
<b>Total amount of Risk-weighted assets (D)</b>		¥ 5,208,573	
<b>Capital ratio (nonconsolidated)</b>			
Capital ratio (nonconsolidated)((C)/(D))		15.85%	

## COMPOSITION OF CAPITAL DISCLOSURE (NONCONSOLIDATED) (continued)

Shinsei Bank As of September 30, 2015 Items	Millions of yen (except percentages)	
	Basel III (Domestic Standard)	Amounts excluded under transitional arrangements
<b>Core capital: instruments and reserves (1)</b>		
Directly issued qualifying common share capital or preferred share capital with a compulsory conversion clause plus related capital surplus and retained earnings	¥ 766,993	
of which: capital and capital surplus	591,670	
of which: retained earnings	247,882	
of which: treasury stock (-)	72,559	
of which: earning to be distributed (-)	—	
of which: other than above	—	
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	512	
Total of reserves included in Core capital: instruments and reserves	220	
of which: general reserve for loan losses included in Core capital	220	
of which: eligible provision included in Core capital	—	
Eligible noncumulative perpetual preferred shares subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	—	
Eligible capital instruments subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	83,319	
Capital instruments issued through measures for capital enhancement by public institutions (amount allowed to be included in Core capital: instruments and reserves)	—	
Land revaluation excess after 55% discount (amount allowed to be included in Core capital: instruments and reserves)	—	
<b>Core capital: instruments and reserves (A)</b>	¥ 851,047	
<b>Core capital: regulatory adjustments (2)</b>		
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 2,332	¥ 4,410
of which: goodwill (including those equivalent)	660	—
of which: other intangibles other than goodwill and mortgage servicing rights	1,672	4,410
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	354	1,416
Shortfall of eligible provisions to expected losses	1,161	—
Gain on sale of securitization	8,265	—
Gains and losses due to changes in own credit risk on fair valued liabilities	—	—
Prepaid pension cost	33	132
Investments in own shares (excluding those reported in the net assets section)	1	5
Reciprocal cross-holdings in common equity	—	—
Investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation ("Other Financial Institutions"), net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold)	—	—
Amount exceeding the 10% threshold on specific items	—	—
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—
of which: mortgage servicing rights	—	—
of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—
Amount exceeding the 15% threshold on specific items	—	—
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—
of which: mortgage servicing rights	—	—
of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—
<b>Core capital: regulatory adjustments (B)</b>	¥ 12,147	
<b>Capital (nonconsolidated)</b>		
Capital (nonconsolidated)((A)-(B))(C)	¥ 838,899	
<b>Risk-weighted assets, etc.</b>		
Total amount of credit risk-weighted assets	¥ 4,958,426	
of which: total amount included in risk-weighted assets by transitional arrangements	(8,141)	
of which: intangible assets (excluding those relating to goodwill and mortgage servicing rights)	4,410	
of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,416	
of which: prepaid pension cost	132	
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	(14,112)	
of which: other than above	10	
Market risk (derived by multiplying the capital requirement by 12.5)	172,448	
Operational risk (derived by multiplying the capital requirement by 12.5)	184,632	
Credit risk-weighted assets adjustments	—	
Operational risk adjustments	—	
<b>Total amount of Risk-weighted assets (D)</b>	¥ 5,315,507	
<b>Capital ratio (nonconsolidated)</b>		
Capital ratio (nonconsolidated)((C)/(D))	15.78%	

## QUANTITATIVE DISCLOSURE (CONSOLIDATED)

### 1. NAMES OF SUBSIDIARIES THAT ARE OUTSIDE THE SCOPE OF REGULATORY CONSOLIDATION WITH LOWER LEVEL OF CAPITAL THAN REQUIRED LEVEL OF ADEQUACY CAPITAL AND AMOUNT OF SHORTAGE

- There are no companies that are subject to the above.

### 2. CAPITAL ADEQUACY

#### (1) AMOUNT OF REQUIRED CAPITAL FOR CREDIT RISK

Portfolios under the Standardized Approach (SA)

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
	Required capital amount	Required capital amount
Shinsei Bank	¥ 14,142	¥ 11,715
Subsidiaries	4,591	5,618

Portfolios under the Internal Ratings-Based Approach (IRB)

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
	Required capital amount	Required capital amount
Corporate (Excluding Specialized Lending) <sup>1</sup>	¥ 154,256	¥ 153,086
Specialized Lending <sup>2</sup>	78,616	85,766
Sovereign	5,928	4,529
Bank	9,607	13,020
Residential mortgages	14,786	15,643
Qualified revolving retails	70,444	78,138
Other retails	151,787	138,092
Equity	21,676	21,099
Regarded (Fund)	18,806	21,355
Securitization	21,981	30,032
Purchase receivables	23,219	30,201
Other assets	5,239	5,419
CVA risk	9,532	8,310
CCP risk	98	36
<b>Total</b>	<b>¥ 585,981</b>	<b>¥ 604,736</b>

<sup>1</sup> "Corporate" includes "Small and Medium-sized Entities."

<sup>2</sup> "Specialized Lending" refers to a claim whose source of recovery is solely dependent on the cash flow generated from a transaction such as a real estate nonrecourse loan.

#### (2) AMOUNT OF REQUIRED CAPITAL FOR EQUITY EXPOSURE UNDER IRB

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
	Required capital amount	Required capital amount
Market-Based Approach Simplified Method	¥ 7,443	¥ 5,061
PD/LGD Method	4,834	5,711
RW100% Applied	4	0
RW250% Applied	9,394	10,326
<b>Total</b>	<b>¥ 21,676</b>	<b>¥ 21,099</b>

#### (3) AMOUNT OF REQUIRED CAPITAL FOR REGARDED-METHOD EXPOSURE UNDER IRB

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
	Required capital amount	Required capital amount
Look Through	¥ 1,989	¥ 2,807
Revised Naivete Majority	11,815	13,429
Simplified [400%]	859	966
Simplified [1,250%]	4,142	4,152
<b>Total</b>	<b>¥ 18,806</b>	<b>¥ 21,355</b>



**QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)****(4) AMOUNT OF REQUIRED CAPITAL FOR MARKET RISK**

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
	Required capital amount	Required capital amount
The Standardized Approach	¥ 608	¥ 1,290
Interest rate risk	144	436
Equity position risk	1	1
FX risk	117	180
Securitization risk	345	670
The Internal Models Approach (IMA) (General Market Risk)	14,802	18,290

**(5) AMOUNT OF REQUIRED CAPITAL FOR OPERATIONAL RISK**

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
	Required capital amount	Required capital amount
The Standardized Approach	¥ 29,478	¥ 28,728

**(6) TOTAL REQUIRED CAPITAL (DOMESTIC STANDARD)**

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
	Required capital amount	Required capital amount
Total Required Capital (Risk-weighted Assets x 4%)	¥ 226,909	¥ 230,258

**3. CREDIT RISK EXPOSURE (EXCLUDING SECURITIZATION AND REGARDED EXPOSURE)****(1) AMOUNT OF CREDIT RISK EXPOSURE**

Geographic, Industries or Maturity

	Millions of yen							
	As of September 30, 2016				As of September 30, 2015			
	Amount of Credit Risk Exposure				Amount of Credit Risk Exposure			
	Total	Loans, etc. <sup>1</sup>	Securities <sup>2</sup>	Derivatives <sup>3</sup>	Total	Loans, etc. <sup>1</sup>	Securities <sup>2</sup>	Derivatives <sup>3</sup>
Manufacturing	¥ 325,681	¥ 314,303	¥ 70	¥ 11,308	¥ 346,006	¥ 338,258	¥ 70	¥ 7,677
Agriculture	554	554	—	—	650	650	—	—
Mining	769	764	—	4	800	800	—	—
Construction	50,963	50,957	—	6	46,092	46,048	36	6
Electric power, gas, water supply	294,616	281,019	—	13,597	242,120	234,723	—	7,397
Information and communication	62,532	62,518	—	14	59,425	59,409	—	16
Transportation	209,102	203,814	1,999	3,288	205,263	200,401	1,999	2,863
Wholesale and retail	206,278	189,724	5,601	10,952	199,627	193,077	—	6,549
Finance and insurance	1,945,556	1,858,606	51,878	35,071	1,728,848	1,629,099	75,199	24,549
Real estate	655,911	586,476	63,520	5,915	649,707	583,878	61,759	4,068
Services	500,449	494,581	5,489	378	465,825	463,675	1,546	603
Government	567,623	72,425	495,198	—	895,816	75,741	820,074	—
Individuals	3,019,358	3,019,356	—	2	2,728,217	2,728,186	—	30
Others	7,414	7,414	0	—	10,187	10,186	0	—
<b>Domestic Total</b>	<b>7,846,813</b>	<b>7,142,516</b>	<b>623,757</b>	<b>80,539</b>	<b>7,578,589</b>	<b>6,564,139</b>	<b>960,685</b>	<b>53,764</b>
Foreign	890,785	550,885	258,497	81,402	810,663	505,001	200,902	104,759
<b>Total</b>	<b>¥ 8,737,598</b>	<b>¥ 7,693,401</b>	<b>¥ 882,254</b>	<b>¥ 161,942</b>	<b>¥ 8,389,253</b>	<b>¥ 7,069,140</b>	<b>¥ 1,161,588</b>	<b>¥ 158,524</b>
To 1 year	1,309,927	1,237,467	49,271	23,188	1,403,515	1,222,639	158,439	22,437
1 to 3 years	1,627,653	1,364,154	225,994	37,504	1,607,229	1,437,301	137,554	32,374
3 to 5 years	1,295,813	917,348	358,858	19,606	1,402,036	843,212	535,101	23,722
Over 5 years	2,711,853	2,382,080	248,130	81,642	2,542,969	2,132,755	330,457	79,756
Undated	1,792,349	1,792,349	0	—	1,433,501	1,433,231	36	234
<b>Total</b>	<b>¥ 8,737,598</b>	<b>¥ 7,693,401</b>	<b>¥ 882,254</b>	<b>¥ 161,942</b>	<b>¥ 8,389,253</b>	<b>¥ 7,069,140</b>	<b>¥ 1,161,588</b>	<b>¥ 158,524</b>

1 Excluding purchased receivables.

2 Excluding equity exposures.

3 Credit equivalent amount basis.

**QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)**
**(2) AMOUNT OF DEFAULT EXPOSURE BEFORE PARTIAL WRITE-OFF**

Geographic, Industries

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
	Default Exposure	Default Exposure
Manufacturing	¥ 2,108	¥ 2,639
Agriculture	10	15
Mining	—	—
Construction	1,257	1,766
Electric power, gas, water supply	—	—
Information and communication	33	537
Transportation	1,852	2,892
Wholesale and retail	3,067	2,775
Finance and insurance	399	4,278
Real estate	30,544	43,014
Services	2,442	3,576
Government	—	—
Individuals	140,832	141,627
Others	6,171	6,620
<b>Domestic Total</b>	<b>188,721</b>	<b>209,743</b>
Foreign	32,410	32,721
<b>Total</b>	<b>¥ 221,132</b>	<b>¥ 242,465</b>

**(3) AMOUNT OF LOAN LOSS RESERVES (GENERAL, SPECIFIC AND COUNTRY RISK) BEFORE PARTIAL WRITE-OFF**

	Millions of yen					
	As of September 30, 2016			As of September 30, 2015		
	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount
General	¥ 64,543	¥ 2,732	¥ 67,276	¥ 59,088	¥ 3,780	¥ 62,868
Specific	145,673	(3,612)	142,061	199,257	(31,927)	167,330
Country	0	(0)	0	0	—	0
<b>Total</b>	<b>¥ 210,218</b>	<b>¥ (879)</b>	<b>¥ 209,338</b>	<b>¥ 258,347</b>	<b>¥ (28,147)</b>	<b>¥ 230,200</b>

Geographic

	Millions of yen							
	As of September 30, 2016				As of September 30, 2015			
	Reserve Amount				Reserve Amount			
	Total	General	Specific	Country	Total	General	Specific	Country
Domestic	¥ 174,968	¥ 58,280	¥ 116,688	¥ —	¥ 193,907	¥ 56,517	¥ 137,389	¥ —
Foreign	34,369	8,996	25,372	0	36,292	6,350	29,940	0
<b>Total</b>	<b>¥ 209,338</b>	<b>¥ 67,276</b>	<b>¥ 142,061</b>	<b>¥ 0</b>	<b>¥ 230,200</b>	<b>¥ 62,868</b>	<b>¥ 167,330</b>	<b>¥ 0</b>

## QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

Industries	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
	Reserve Amount	Reserve Amount
Manufacturing	¥ 4,542	¥ 4,556
Agriculture	15	23
Mining	4	4
Construction	1,013	1,207
Electric power, gas, water supply	690	604
Information and communication	249	508
Transportation	2,935	2,375
Wholesale and retail	3,329	3,904
Finance and insurance	1,285	1,636
Real estate	4,854	25,542
Services	5,080	6,336
Government	44	50
Individuals	143,189	139,275
Others	4,730	4,668
Foreign	34,369	36,292
Non-classified	3,001	3,214
<b>Total</b>	<b>¥ 209,338</b>	<b>¥ 230,200</b>

## (4) AMOUNT OF WRITE-OFFS

Industries	Millions of yen	
	Six months ended September 30, 2016	Six months ended September 30, 2015
	Amount of write-off	Amount of write-off
Manufacturing	¥ 30	¥ 45
Agriculture	—	1
Mining	—	—
Construction	3	9
Electric power, gas, water supply	—	—
Information and communication	7	0
Transportation	399	42
Wholesale and retail	50	39
Finance and insurance	0	—
Real estate	0	10,625
Services	147	1,142
Government	—	—
Individuals	13,114	12,448
Others	—	0
Foreign	317	55
Non-classified	—	—
<b>Total</b>	<b>¥ 14,071</b>	<b>¥ 24,412</b>

## (5) AMOUNT OF EXPOSURES UNDER SA (AFTER CREDIT RISK MITIGATION)

	Millions of yen			
	As of September 30, 2016		As of September 30, 2015	
	Rated	Unrated	Rated	Unrated
0%	¥ 51	¥ 8,710	¥ 31	¥ 6,698
10%	—	—	—	—
20%	39,857	29	14,957	29
35%	—	4,926	—	6,954
50%	103	3,872	40,796	3,711
75%	—	273,650	—	231,463
100%	422	14,775	434	26,082
150%	—	1,373	—	1,233
350%	—	—	—	—
1,250%	—	—	—	—
<b>Total</b>	<b>¥ 40,434</b>	<b>¥ 307,338</b>	<b>¥ 56,219</b>	<b>¥ 276,173</b>

**QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)****(6) SPECIALIZED LENDING EXPOSURE UNDER SLOTTING CRITERIA AND EQUITY EXPOSURE UNDER MARKET-BASED SIMPLIFIED METHOD**

Specialized lending excluding high-volatility commercial real estate

Millions of yen

	As of September 30, 2016		As of September 30, 2015	
	Amount of Exposure	Amount of Exposure	Amount of Exposure	Amount of Exposure
Risk weight ratio				
50%	¥ 56,358		¥ 27,816	
70%	328,026		349,099	
90%	121,036		139,695	
115%	62,748		44,159	
250%	31,586		54,932	
0% (Default)	35,729		48,962	
<b>Total</b>	<b>¥ 635,486</b>		<b>¥ 664,665</b>	

Specialized lending for high-volatility commercial real estate

Millions of yen

	As of September 30, 2016		As of September 30, 2015	
	Amount of Exposure	Amount of Exposure	Amount of Exposure	Amount of Exposure
Risk weight ratio				
70%	¥ 12,515		¥ 4,658	
95%	18,933		3,382	
120%	8,469		1,847	
140%	19,697		9,739	
250%	14,018		8,286	
0% (Default)	—		—	
<b>Total</b>	<b>¥ 73,634</b>		<b>¥ 27,914</b>	

Equity exposure under Market-Based Simplified Method

Millions of yen

	As of September 30, 2016		As of September 30, 2015	
	Amount of Exposure	Amount of Exposure	Amount of Exposure	Amount of Exposure
Risk weight ratio				
300%	¥ 21,666		¥ 15,298	
400%	5,695		5,363	
<b>Total</b>	<b>¥ 27,361</b>		<b>¥ 20,661</b>	

**QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)****(7) PORTFOLIOS UNDER IRB EXCLUDING THE AMOUNT OF EXPOSURES UNDER SA (AFTER CREDIT RISK MITIGATION)**

- Estimated average PD, LGD, Risk Weight Ratio and Exposure at Default (EAD) (on-balance and off-balance) for Corporate, Sovereign and Bank exposure

## Corporate

Millions of yen (except percentages)

Credit Rating	As of September 30, 2016					As of September 30, 2015				
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0-4	0.16%	44.97%	41.50%	¥ 1,631,803	¥ 182,173	0.17%	44.86%	42.45%	¥ 1,512,394	¥ 192,017
5-6	1.70%	44.10%	96.10%	555,870	55,302	1.77%	44.07%	97.54%	587,169	38,881
9A	9.87%	45.54%	192.40%	104,592	2,375	10.10%	45.17%	193.78%	104,280	2,159
Default	100.00%	44.43%	—	26,984	839	100.00%	44.06%	—	24,005	1,761

## Sovereign

Millions of yen (except percentages)

Credit Rating	As of September 30, 2016					As of September 30, 2015				
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0-4	0.00%	45.00%	3.19%	¥2,093,091	¥ 3,012	0.00%	45.00%	2.47%	¥ 2,124,369	¥ 1,718
5-6	0.59%	45.00%	56.95%	3,399	—	3.82%	45.00%	119.40%	0	—
9A	—	—	—	—	—	10.10%	45.00%	206.14%	7	—
Default	100.00%	45.00%	—	11	—	100.00%	45.00%	—	20	—

## Bank

Millions of yen (except percentages)

Credit Rating	As of September 30, 2016					As of September 30, 2015				
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0-4	0.07%	45.00%	33.60%	¥ 167,750	¥ 109,804	0.11%	40.85%	35.18%	¥ 262,507	¥ 131,396
5-6	0.71%	45.00%	80.54%	13,089	1,857	1.02%	45.00%	78.42%	4,382	572
9A	9.87%	45.00%	202.27%	2,207	246	10.10%	45.00%	203.94%	3,071	299
Default	—	—	—	—	—	—	—	—	—	—

- Estimated average PD, risk weight ratio and amount of exposure for equity exposure under PD/LGD method

Millions of yen (except percentages)

Credit Rating	As of September 30, 2016				As of September 30, 2015			
	PD	LGD	Risk Weight	Amount	PD	LGD	Risk Weight	Amount
0-4	0.12%	90.00%	241.47%	¥ 18,316	0.16%	90.00%	233.52%	¥ 17,283
5-6	1.31%	90.00%	323.28%	3,776	1.01%	90.00%	314.41%	4,848
9A	9.87%	90.00%	628.51%	88	10.10%	90.00%	671.32%	59
Default	100.00%	90.00%	1,125.00%	1	100.00%	90.00%	1,125.00%	327

**QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)**

- Estimated average PD, LGD, risk weight ratio, Exposure at Default (EAD) (on- and off-balance), amount of undrawn commitments and estimated average Credit Conversion Factors (CCF) of undrawn commitments for residential mortgage exposure, qualified revolving retail exposure and other retail exposure

## Residential mortgage exposure

Millions of yen (except percentages)

Pool	As of September 30, 2016							As of September 30, 2015						
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF
Normal	0.08%	8.29%	10.22%	¥ 1,287,023	¥ 4,684	¥ —	—	0.07%	8.49%	11.63%	¥ 1,190,203	¥ 5,516	¥ —	—
Need caution	66.91%	23.59%	80.91%	1,767	145	—	—	68.18%	27.09%	90.06%	1,875	170	—	—
Default	100.00%	49.28%	44.63%	4,619	67	—	—	100.00%	43.54%	50.44%	4,977	73	—	—

## Qualified revolving retail exposure

Millions of yen (except percentages)

Pool	As of September 30, 2016							As of September 30, 2015						
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF
Normal	3.95%	70.53%	64.21%	¥ 282,541	¥ 107,490	¥ 2,293,476	4.68%	4.69%	70.44%	71.45%	¥ 300,500	¥ 106,526	¥ 2,322,363	4.58%
Need caution	79.33%	77.10%	116.49%	1,716	1	2,155	0.07%	80.63%	76.34%	111.50%	2,065	1	2,604	0.07%
Default	100.00%	75.09%	—	48,638	—	—	—	100.00%	74.20%	—	51,239	—	12,690	0.00%

## Other retail exposure

Millions of yen (except percentages)

Pool	As of September 30, 2016							As of September 30, 2015						
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF
Normal	2.96%	62.41%	81.25%	¥ 473,337	¥ 580,448	¥ 79,502	1.87%	2.62%	60.64%	77.24%	¥ 404,951	¥ 569,830	¥ 42,522	1.09%
Need caution	69.71%	50.69%	97.05%	6,741	2,337	3	0.00%	74.06%	51.69%	90.84%	6,609	2,396	1	0.00%
Default	100.00%	57.48%	0.82%	94,992	511	—	—	100.00%	56.82%	0.91%	94,571	537	—	—

Note: LGD is shown after credit risk mitigation

**(8) COMPARATIVE RESULTS OF ACTUAL LOSSES AND EXPECTED LOSSES FOR THE LAST THREE YEARS UNDER F-IRB APPROACH**

## Corporate, Sovereign &amp; Bank

Millions of yen

	12 months ended September 30, 2016	12 months ended September 30, 2015	12 months ended September 30, 2014
Results of actual losses (a)	¥ 1,623	¥ 2,617	¥ 595
Expected losses (b)	9,340	10,770	11,768
Differences ((b) - (a))	7,717	8,153	11,173

## Retail

Millions of yen

	12 months ended September 30, 2016	12 months ended September 30, 2015	12 months ended September 30, 2014
Results of actual losses (a)	¥ 15,718	¥ 15,690	¥ 15,692
Expected losses (b)	32,802	34,237	35,668
Differences ((b) - (a))	17,084	18,546	19,975

The above matrix shows the results of default (downgrade below substandard) losses (increase of reserve, write-offs and loss on sale) for the twelve-month period ended September 30, 2014, 2015 and 2016 for the Bank Group's non-default exposures at the start of the twelve-month period, with expected losses. The exposures for Housing Loans are calculated through the F-IRB approach starting from March 31, 2015.

**QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)**
**4. CREDIT RISK MITIGATION (CRM)**
**(1) COVERED AMOUNT OF CRM BY COLLATERAL**

FIRB

	Millions of yen			
	As of September 30, 2016		As of September 30, 2015	
	Eligible financial collateral	Other eligible FIRB collateral	Eligible financial collateral	Other eligible FIRB collateral
Corporate	¥ 2,528	¥ 169,899	¥ 2,938	¥ 164,857
Sovereign	—	—	—	—
Bank	—	—	37,274	—
<b>Total</b>	<b>¥ 2,528</b>	<b>¥ 169,899</b>	<b>¥ 40,213</b>	<b>¥ 164,857</b>

**(2) COVERED AMOUNT OF CRM BY GUARANTEE OR CREDIT DERIVATIVES**

IRB

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
	Corporate	¥ 1,782
Sovereign	28,867	37,612
Bank	—	—
Residential mortgages	—	—
Qualified revolving retail	—	—
Other retail	—	—
<b>Total</b>	<b>¥ 30,649</b>	<b>¥ 38,914</b>

**5. COUNTERPARTY CREDIT RISK OF DERIVATIVES**

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
	Total amount of gross positive fair value	¥ 429,341
Amount of gross add-on	98,681	125,093
EAD before CRM	528,023	518,965
FX-related	185,276	169,578
Interest-related	312,153	295,039
Equity-related	14,382	31,436
Commodity-related	—	—
Credit derivatives	16,159	22,766
Others	51	146
Amount of net	366,113	360,441
EAD after net	161,909	158,524
Amount covered collateral	—	—
EAD after CRM	161,909	158,524

Note: Current Exposure Method

**• Notional amount of credit derivatives which have counterparty risk**

	Millions of yen			
	As of September 30, 2016		As of September 30, 2015	
	Protection-buy	Protection-sell	Protection-buy	Protection-sell
Notional amount				
Single name	¥ 130,927	¥ 106,317	¥ 187,174	¥ 162,131
Multi name	40,500	36,500	52,500	46,500

Not applicable for the following items;

- Amount covered collateral
- Notional amount of credit derivatives which cover exposures by CRM

## QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

## 6. SECURITIZATION

## SECURITIZATION EXPOSURE ORIGINATED BY THE BANK GROUP (CREDIT RISK)

## (1) Amount of original assets

## Securitization by transfer of assets

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
Type of original assets	<b>Amount of original assets</b>	Amount of original assets
Residential mortgages	¥ 32,821	¥ 93,064
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
<b>Total</b>	<b>¥ 32,821</b>	<b>¥ 93,064</b>

Note: Includes originally securitized assets originated by the Bank Group during the period, even though the Bank Group had no exposure to these particular assets.

## (2) Amount of original assets in default or past due 3 months or more

## Securitization by transfer of assets

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
Type of original assets	<b>Amount of Default</b>	Amount of Default
Residential mortgages	¥ 356	¥ 435
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
<b>Total</b>	<b>¥ 356</b>	<b>¥ 435</b>

Note: Includes originally securitized assets originated by the Bank Group during the period, even though the Bank Group had no exposure to these particular assets.

## (3) Amount of securitization exposure the Bank Group has by type of original assets

## Securitization by transfer of assets

## Excluding resecuritization

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
Type of original assets	<b>Amount of Exposure</b>	Amount of Exposure
Residential mortgages	¥ 5,153	¥ 49,463
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
<b>Total</b>	<b>¥ 5,153</b>	<b>¥ 49,463</b>



**QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)**

## Resecuritization

Type of original assets	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
	<b>Amount of Exposure</b>	Amount of Exposure
Residential mortgages	¥ —	¥ —
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
<b>Total</b>	<b>¥ —</b>	<b>¥ —</b>

## (4) Amount of securitization exposure and required capital the Bank Group has by risk weight ratio

## Securitization by transfer of assets

## Excluding resecuritization exposure

Band of risk weight ratio	Millions of yen			
	As of September 30, 2016		As of September 30, 2015	
	Amount	Required capital amount	Amount	Required capital amount
To 12%	¥ 2,231	¥ 9	¥ 29,730	¥ 134
Over 12% to 20%	2,072	26	14,309	210
Over 20% to 50%	781	21	5,247	172
Over 50% to 75%	—	—	—	—
Over 75% to 100%	—	—	—	—
Over 100% to 250%	—	—	58	6
Over 250% to 425%	67	17	118	34
Over 425% under 1,250%	—	—	—	—
<b>Total</b>	<b>¥ 5,153</b>	<b>¥ 75</b>	<b>¥ 49,463</b>	<b>¥ 558</b>

## Resecuritization exposure

Band of risk weight ratio	Millions of yen			
	As of September 30, 2016		As of September 30, 2015	
	Amount	Required capital amount	Amount	Required capital amount
To 30%	¥ —	¥ —	¥ —	¥ —
Over 30% to 50%	—	—	—	—
Over 50% to 100%	—	—	—	—
Over 100% to 225%	—	—	—	—
Over 225% to 500%	—	—	—	—
Over 500% under 1,250%	—	—	—	—
<b>Total</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ —</b>

## (5) Amount of increase of capital by securitization (to be deducted from capital)

Type of original assets	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
	<b>Amount</b>	Amount
Residential mortgages	¥ 7,725	¥ 8,265
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
<b>Total</b>	<b>¥ 7,725</b>	<b>¥ 8,265</b>

**QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)**

(6) Amount of securitization exposure applied risk weight 1,250%

Type of original assets	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
	<b>Amount</b>	Amount
Residential mortgages	¥ 1,383	¥ 1,916
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
<b>Total</b>	<b>¥ 1,383</b>	<b>¥ 1,916</b>

Not applicable for the following items;

- Amount of assets held for securitization trade
- Summary of current year's securitization activities
- Amount of recognized gain/loss by original asset type during FY2016
- Securitization exposure subject to early amortization
- Credit risk mitigation for resecuritization exposure

**SECURITIZATION EXPOSURE IN WHICH THE BANK GROUP INVESTS**

(1) Amount of securitization exposure the Bank Group has by type of original asset

Excluding resecuritization exposure

Type of original assets	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
	<b>Amount of Exposure</b>	Amount of Exposure
Residential mortgages	¥ 7,854	¥ —
Consumer loans	—	—
Commercial real estate loans	44,781	73,097
Corporate loans	26,758	7,924
Others	14,408	24,478
<b>Total</b>	<b>¥ 93,801</b>	<b>¥ 105,500</b>

Resecuritization exposure

Type of original assets	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
	<b>Amount of Exposure</b>	Amount of Exposure
Residential mortgages	¥ —	¥ —
Consumer loans	—	—
Commercial real estate loans	—	20,000
Corporate loans	1,687	8,967
Others	—	—
<b>Total</b>	<b>¥ 1,687</b>	<b>¥ 28,967</b>

**QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)**

(2) Amount of securitization exposure and required capital for the Bank Group has by risk weight ratio

Excluding resecuritization exposure

Band of risk weight ratio	Millions of yen			
	As of September 30, 2016		As of September 30, 2015	
	Amount	Required capital amount	Amount	Required capital amount
To 12%	¥ 48,953	¥ 300	¥ 32,402	¥ 207
Over 12% to 20%	—	—	—	—
Over 20% to 50%	3,823	138	7,000	283
Over 50% to 75%	—	—	—	—
Over 75% to 100%	10,000	638	9,835	649
Over 100% to 250%	6,709	1,163	31,761	4,218
Over 250% to 425%	6,049	1,795	—	—
Over 425% under 1,250%	18,264	7,758	24,501	10,998
<b>Total</b>	<b>¥ 93,801</b>	<b>¥ 11,795</b>	<b>¥ 105,500</b>	<b>¥ 16,358</b>

Resecuritization exposure

Band of risk weight ratio	Millions of yen			
	As of September 30, 2016		As of September 30, 2015	
	Amount	Required capital amount	Amount	Required capital amount
To 30%	¥ 1,687	¥ 28	¥ 8,967	¥ 152
Over 30% to 50%	—	—	—	—
Over 50% to 100%	—	—	20,000	1,027
Over 100% to 225%	—	—	—	—
Over 225% to 500%	—	—	—	—
Over 500% under 1,250%	—	—	—	—
<b>Total</b>	<b>¥ 1,687</b>	<b>¥ 28</b>	<b>¥ 28,967</b>	<b>¥ 1,179</b>

(3) Amount of securitization exposure applied risk weight 1,250%

Type of original assets	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
	Amount	Amount
Residential mortgages	¥ 839	¥ 1,482
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	0	44
Others	—	—
<b>Total</b>	<b>¥ 839</b>	<b>¥ 1,527</b>

Not applicable for the following items;

- Credit risk mitigation for resecuritization exposure

**QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)****SECURITIZATION EXPOSURE IN WHICH THE BANK GROUP INVESTS (MARKET RISK)**

(1) Amount of securitization exposure the Bank Group has by type of original asset

Excluding resecuritization exposure

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
Type of original assets	<b>Amount of Exposure</b>	Amount of Exposure
Residential mortgages	¥ 8,952	¥ 22,271
Consumer loans	2,111	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
<b>Total</b>	<b>¥ 11,064</b>	<b>¥ 22,271</b>

Resecuritization exposure

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
Type of original assets	<b>Amount of Exposure</b>	Amount of Exposure
Residential mortgages	¥ 1,000	¥ 1,552
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
<b>Total</b>	<b>¥ 1,000</b>	<b>¥ 1,552</b>

(2) Amount of securitization exposure and required capital for the Bank Group has by risk weight ratio

Excluding resecuritization exposure

	Millions of yen			
	As of September 30, 2016		As of September 30, 2015	
Band of risk weight ratio	<b>Amount</b>	<b>Required capital amount</b>	Amount	Required capital amount
1.6%	¥ 8,952	¥ 143	¥ 18,162	¥ 290
4%	—	—	—	—
8%	2,111	168	4,109	328
28%	—	—	—	—
<b>Total</b>	<b>¥ 11,064</b>	<b>¥ 312</b>	<b>¥ 22,271</b>	<b>¥ 618</b>

Resecuritization exposure

	Millions of yen			
	As of September 30, 2016		As of September 30, 2015	
Band of risk weight ratio	<b>Amount</b>	<b>Required capital amount</b>	Amount	Required capital amount
3.2%	¥ 972	¥ 31	¥ 1,524	¥ 48
8%	27	2	28	2
18%	—	—	—	—
52%	—	—	—	—
<b>Total</b>	<b>¥ 1,000</b>	<b>¥ 33</b>	<b>¥ 1,552</b>	<b>¥ 50</b>

Not applicable for the following items;

- Amount of securitization exposure targeted for comprehensive risk
- Amount of securitization exposure which should be deducted from capital under the Accord Article 302.5.2

**QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)**
**7. MARKET RISK (UNDER INTERNAL MODEL APPROACH)**
**(1) VAR AT THE END OF SEPTEMBER 2016 AND SEPTEMBER 2015 AND THE HIGH, MEAN AND LOW VAR**

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
VaR at term end	<b>¥ 1,741</b>	¥ 1,905
VaR through this term		
High	<b>2,444</b>	2,346
Mean	<b>1,660</b>	1,350
Low	<b>1,177</b>	567

**(2) STRESSED VAR AT THE END OF SEPTEMBER 2016 AND SEPTEMBER 2015 AND THE HIGH, MEAN AND LOW VAR**

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
VaR at term end	<b>¥ 3,161</b>	¥ 3,755
VaR through this term		
High	<b>4,558</b>	5,219
Mean	<b>3,450</b>	3,686
Low	<b>2,393</b>	2,575

The trading portfolio experienced no losses that exceeded the specified VaR threshold.

Not applicable for the following items;

- The amount of required capital related to additional risk and comprehensive risk as of the period-end, as well as the maximum, minimum and average values for the amount of required capital for additional risk and comprehensive risk during the disclosure period

**8. EQUITY EXPOSURE IN BANKING BOOK**
**(1) BOOK VALUE AND FAIR VALUE**

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
Market-based approach		
Listed equity exposure	<b>¥ 21,800</b>	¥ 15,465
Unlisted equity exposure	<b>5,695</b>	5,363
PD/LGD method		
Listed equity exposure	<b>12,033</b>	13,975
Unlisted equity exposure	<b>10,139</b>	8,533

**(2) GAIN OR LOSS ON SALE OR DEPRECIATION OF EQUITY EXPOSURE**

	Millions of yen	
	Six months ended September 30, 2016	Six months ended September 30, 2015
Gain (loss) on sale	<b>¥ 2,853</b>	¥ 4,544
Loss of depreciation	<b>27</b>	257

**QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)****(3) UNREALIZED GAIN OR LOSS WHICH IS RECOGNIZED ON BALANCE SHEET AND NOT RECOGNIZED ON PROFIT AND LOSS STATEMENT**

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
Unrealized gain (loss)	<b>¥ 10,128</b>	¥ 9,162

**(4) AMOUNT FOR EACH PORTFOLIO CLASSIFICATION OF EQUITY EXPOSURE**

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
Market-based approach	<b>¥ 27,361</b>	¥ 20,661
PD/LGD Method	<b>22,182</b>	22,519
RW100% Applied	<b>51</b>	1
RW250% Applied	<b>44,311</b>	48,710

Not applicable for the following items;

- UNREALIZED GAIN OR LOSS WHICH IS NOT RECOGNIZED BOTH ON BALANCE SHEET AND ON PROFIT AND LOSS STATEMENT

**9. AMOUNT OF REGARDED EXPOSURE UNDER THE ACCORD ARTICLE 167**

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
Regarded exposure (fund)	<b>¥ 46,881</b>	¥ 54,005

**10. INTEREST RATE RISK IN THE BANKING BOOK (IRRBB) THE INCREASE/DECREASE IN ECONOMIC VALUE FOR UPWARD/DOWNWARD RATE SHOCKS ACCORDING TO MANAGEMENT'S METHOD FOR IRRBB**

Change in economic values from a 2% interest-rate shock on the banking book:

	Billions of yen	
	As of September 30, 2016	As of September 30, 2015
JPY	<b>¥ (74.8)</b>	¥ (85.6)
USD	<b>(6.1)</b>	(1.8)
Others	<b>(4.7)</b>	(2.8)
<b>Total</b>	<b>¥ (85.6)</b>	¥ (90.3)

## QUANTITATIVE DISCLOSURE (NONCONSOLIDATED)

### 1. CAPITAL ADEQUACY

#### (1) AMOUNT OF REQUIRED CAPITAL FOR CREDIT RISK

Portfolios under the Standardized Approach (SA)

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
	Required capital amount	Required capital amount
Shinsei Bank	¥ 14,142	¥ 11,715
Shinsei Bank Card Loan Lake	13,606	11,300
Others	536	415

Portfolios under the Internal Ratings-Based Approach (IRB)

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
	Required capital amount	Required capital amount
Corporate (Excluding Specialized Lending) <sup>1</sup>	¥ 130,601	¥ 130,476
Specialized Lending <sup>2</sup>	73,418	82,532
Sovereign	5,903	4,499
Bank	9,084	12,897
Residential mortgages	13,844	14,481
Qualified revolving retails	—	—
Other retails	5	3
Equity	128,875	129,790
Regarded (Fund)	13,908	15,847
Securitization	23,003	31,398
Purchase receivables	23,177	30,103
Other assets	2,212	2,105
CVA risk	9,291	8,220
CCP risk	98	36
<b>Total</b>	<b>¥ 433,424</b>	<b>¥ 462,392</b>

<sup>1</sup> "Corporate" includes "Small and Medium-sized Entities."

<sup>2</sup> "Specialized Lending" refers to a claim whose source of recovery is solely dependent on the cash flow generated from a transaction such as a real estate nonrecourse loan.

#### (2) AMOUNT OF REQUIRED CAPITAL FOR EQUITY EXPOSURE UNDER IRB

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
	Required capital amount	Required capital amount
Market-Based Approach Simplified Method	¥ 10,573	¥ 7,755
PD/LGD Method	118,297	122,035
RW100% Applied	4	0
RW250% Applied	—	—
<b>Total</b>	<b>¥ 128,875</b>	<b>¥ 129,790</b>

#### (3) AMOUNT OF REQUIRED CAPITAL FOR REGARDED-METHOD EXPOSURE UNDER IRB

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
	Required capital amount	Required capital amount
Look Through	¥ 2,052	¥ 2,974
Revised Naivete Majority	6,364	6,541
Simplified [400%]	1,349	2,179
Simplified [1,250%]	4,141	4,152
<b>Total</b>	<b>¥ 13,908</b>	<b>¥ 15,847</b>

**QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)****(4) AMOUNT OF REQUIRED CAPITAL FOR MARKET RISK**

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
	Required capital amount	Required capital amount
The Standardized Approach	¥ 208	¥ 320
Interest rate risk	105	181
Equity position risk	1	1
FX risk	101	137
Securitization risk	—	—
The Internal Models Approach (IMA) (General Market Risk)	¥ 12,059	¥ 13,474

**(5) AMOUNT OF REQUIRED CAPITAL FOR OPERATIONAL RISK**

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
	Required capital amount	Required capital amount
The Standardized Approach	¥ 15,525	¥ 14,770

**(6) TOTAL REQUIRED CAPITAL (DOMESTIC STANDARD)**

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
	Required capital amount	Required capital amount
Total Required Capital (Risk-weighted Assets x 4%)	¥ 207,264	¥ 212,620

**2. CREDIT RISK EXPOSURE (EXCLUDING SECURITIZATION AND REGARDED EXPOSURE)****(1) AMOUNT OF CREDIT RISK EXPOSURE**

Geographic, Industries or Maturity

	Millions of yen							
	As of September 30, 2016				As of September 30, 2015			
	Amount of Credit Risk Exposure				Amount of Credit Risk Exposure			
	Total	Loans, etc. <sup>1</sup>	Securities <sup>2</sup>	Derivatives <sup>3</sup>	Total	Loans, etc. <sup>1</sup>	Securities <sup>2</sup>	Derivatives <sup>3</sup>
Manufacturing	¥ 263,243	¥ 251,865	¥ 70	¥ 11,308	¥ 282,806	¥ 275,058	¥ 70	¥ 7,677
Agriculture	219	219	—	—	140	140	—	—
Mining	375	370	—	4	340	340	—	—
Construction	14,526	14,520	—	6	7,919	7,912	—	6
Electric power, gas, water supply	289,828	276,231	—	13,597	241,055	233,658	—	7,397
Information and communication	47,735	47,721	—	14	41,211	41,195	—	16
Transportation	177,719	172,431	1,999	3,288	173,375	168,512	1,999	2,863
Wholesale and retail	131,501	114,947	5,601	10,952	121,413	114,863	—	6,549
Finance and insurance	2,023,819	1,934,920	55,307	33,592	1,843,098	1,733,184	85,044	24,870
Real estate	649,172	579,736	63,520	5,915	643,694	577,865	61,759	4,068
Services	390,828	384,892	5,489	445	361,394	358,937	1,438	1,018
Government	557,812	62,614	495,198	—	885,476	65,402	820,074	—
Individuals	1,534,925	1,534,923	—	2	1,395,788	1,395,757	—	30
Others	1,047	1,047	—	—	28	28	—	—
<b>Domestic Total</b>	<b>6,082,756</b>	<b>5,376,442</b>	<b>627,185</b>	<b>79,128</b>	<b>5,997,745</b>	<b>4,972,860</b>	<b>970,385</b>	<b>54,499</b>
Foreign	868,049	514,074	274,226	79,748	792,217	470,503	219,631	102,082
<b>Total</b>	<b>¥ 6,950,805</b>	<b>¥ 5,890,516</b>	<b>¥ 901,412</b>	<b>¥ 158,876</b>	<b>¥ 6,789,963</b>	<b>¥ 5,443,363</b>	<b>¥ 1,190,017</b>	<b>¥ 156,582</b>
To 1 year	1,178,843	1,101,831	52,700	24,311	1,319,419	1,128,087	168,284	23,048
1 to 3 years	1,246,268	968,657	241,723	35,887	1,165,090	995,622	137,554	31,913
3 to 5 years	1,038,820	660,893	358,858	19,068	1,159,688	583,964	553,721	22,001
Over 5 years	2,134,438	1,806,698	248,130	79,609	2,060,771	1,651,102	330,457	79,212
Undated	1,352,435	1,352,435	—	—	1,084,992	1,084,585	—	406
<b>Total</b>	<b>¥ 6,950,805</b>	<b>¥ 5,890,516</b>	<b>¥ 901,412</b>	<b>¥ 158,876</b>	<b>¥ 6,789,963</b>	<b>¥ 5,443,363</b>	<b>¥ 1,190,017</b>	<b>¥ 156,582</b>

1 Excluding purchased receivables.

2 Excluding equity exposures.

3 Credit equivalent amount basis.



**QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)****(2) AMOUNT OF DEFAULT EXPOSURE BEFORE PARTIAL WRITE-OFF**

Geographic, Industries

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
	Default Exposure	Default Exposure
Manufacturing	¥ 1,267	¥ 1,385
Agriculture	—	—
Mining	—	—
Construction	19	—
Electric power, gas, water supply	—	—
Information and communication	32	533
Transportation	1,476	1,490
Wholesale and retail	1,333	1,598
Finance and insurance	394	4,258
Real estate	30,376	42,526
Services	896	1,250
Government	—	—
Individuals	4,969	5,590
Others	—	—
<b>Domestic Total</b>	<b>40,767</b>	<b>58,633</b>
Foreign	29,630	31,165
<b>Total</b>	<b>¥ 70,398</b>	<b>¥ 89,799</b>

**(3) AMOUNT OF LOAN LOSS RESERVES (GENERAL, SPECIFIC AND COUNTRY RISK) BEFORE PARTIAL WRITE-OFF**

	Millions of yen					
	As of September 30, 2016			As of September 30, 2015		
	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount
General	¥ 21,654	¥ (587)	¥ 21,067	¥ 19,161	¥ 1,443	¥ 20,604
Specific	40,675	(4,690)	35,984	97,801	(37,007)	60,794
Country	0	(0)	0	0	—	0
<b>Total</b>	<b>¥ 62,330</b>	<b>¥ (5,278)</b>	<b>¥ 57,051</b>	<b>¥ 116,963</b>	<b>¥ (35,564)</b>	<b>¥ 81,399</b>

Geographic

	Millions of yen							
	As of September 30, 2016				As of September 30, 2015			
	Total	General	Specific	Country	Total	General	Specific	Country
Domestic	¥ 23,792	¥ 12,807	¥ 10,985	¥ —	¥ 45,791	¥ 14,938	¥ 30,853	¥ —
Foreign	33,259	8,259	24,998	0	35,608	5,666	29,940	0
<b>Total</b>	<b>¥ 57,051</b>	<b>¥ 21,067</b>	<b>¥ 35,984</b>	<b>¥ 0</b>	<b>¥ 81,399</b>	<b>¥ 20,604</b>	<b>¥ 60,794</b>	<b>¥ 0</b>

## QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

Industries	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
	Reserve Amount	Reserve Amount
Manufacturing	¥ 2,606	¥ 2,209
Agriculture	1	0
Mining	2	2
Construction	61	30
Electric power, gas, water supply	666	598
Information and communication	151	378
Transportation	2,167	1,698
Wholesale and retail	1,752	2,106
Finance and insurance	1,978	2,425
Real estate	4,635	24,966
Services	2,272	2,953
Government	—	—
Individuals	3,589	4,510
Others	3,907	3,908
Foreign	33,259	35,608
Non-classified	—	—
<b>Total</b>	<b>¥ 57,051</b>	<b>¥ 81,399</b>

## (4) AMOUNT OF WRITE-OFFS

Industries	Millions of yen	
	Six months ended September 30, 2016	Six months ended September 30, 2015
	Amount of write-off	Amount of write-off
Manufacturing	¥ —	¥ —
Agriculture	—	—
Mining	—	—
Construction	—	—
Electric power, gas, water supply	—	—
Information and communication	—	—
Transportation	399	3
Wholesale and retail	—	11
Finance and insurance	—	—
Real estate	—	10,621
Services	45	0
Government	—	—
Individuals	14	295
Others	—	—
Foreign	317	55
Non-classified	—	—
<b>Total</b>	<b>¥ 776</b>	<b>¥ 10,986</b>

## (5) AMOUNT OF EXPOSURES UNDER SA (AFTER CREDIT RISK MITIGATION)

	Millions of yen			
	As of September 30, 2016		As of September 30, 2015	
	Rated	Unrated	Rated	Unrated
0%	¥ —	¥ —	¥ —	¥ —
10%	—	—	—	—
20%	—	—	—	—
35%	—	4,926	—	6,954
50%	—	0	—	15
75%	—	233,294	—	191,962
100%	—	91	—	—
150%	—	—	—	22
350%	—	—	—	—
1,250%	—	—	—	—
<b>Total</b>	<b>¥ —</b>	<b>¥ 238,313</b>	<b>¥ —</b>	<b>¥ 198,954</b>

**QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)****(6) SPECIALIZED LENDING EXPOSURE UNDER SLOTTING CRITERIA AND EQUITY EXPOSURE UNDER MARKET-BASED SIMPLIFIED METHOD**

Specialized lending excluding high-volatility commercial real estate

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
	<b>Amount of Exposure</b>	Amount of Exposure
Risk weight ratio		
50%	¥ 54,095	¥ 27,816
70%	328,026	346,404
90%	121,036	139,695
115%	62,748	44,159
250%	14,112	45,549
0% (Default)	35,729	48,314
<b>Total</b>	<b>¥ 615,748</b>	<b>¥ 651,939</b>

Specialized lending for high-volatility commercial real estate

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
	<b>Amount of Exposure</b>	Amount of Exposure
Risk weight ratio		
70%	¥ 12,515	¥ 4,658
95%	18,933	3,382
120%	8,469	1,847
140%	19,697	9,739
250%	14,018	8,286
0% (Default)	—	—
<b>Total</b>	<b>¥ 73,634</b>	<b>¥ 27,914</b>

Equity exposure under Market-Based Simplified Method

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
	<b>Amount of Exposure</b>	Amount of Exposure
Risk weight ratio		
300%	¥ 20,563	¥ 13,440
400%	15,750	12,783
<b>Total</b>	<b>¥ 36,313</b>	<b>¥ 26,223</b>

**(7) PORTFOLIOS UNDER IRB EXCLUDING THE AMOUNT OF EXPOSURES UNDER SA (AFTER CREDIT RISK MITIGATION)**

- Estimated average PD, LGD, Risk Weight Ratio and Exposure at Default (EAD) (on-balance and off-balance) for Corporate, Sovereign and Bank exposure

Corporate

Credit Rating	As of September 30, 2016						As of September 30, 2015				
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)		PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0-4	0.17%	44.96%	42.63%	¥ 1,627,719	¥ 184,361		0.17%	44.86%	43.45%	¥ 1,495,922	¥ 192,744
5-6	1.56%	43.96%	95.17%	475,095	55,219		1.56%	43.96%	95.51%	521,113	38,866
9A	9.87%	46.08%	188.88%	51,389	2,375		10.10%	45.34%	188.35%	51,563	2,159
Default	100.00%	43.89%	—	13,256	839		100.00%	43.43%	—	14,495	852

Sovereign

Credit Rating	As of September 30, 2016						As of September 30, 2015				
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)		PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0-4	0.00%	45.00%	3.20%	¥ 2,079,727	¥ 3,012		0.00%	45.00%	2.47%	¥ 2,106,074	¥ 1,718
5-6	0.59%	45.00%	56.95%	3,399	—		3.82%	45.00%	119.40%	0	—
9A	—	—	—	—	—		10.10%	45.00%	206.14%	7	—
Default	100.00%	45.00%	—	11	—		100.00%	45.00%	—	20	—

**QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)**

Bank

Millions of yen (except percentages)

Credit Rating	As of September 30, 2016					As of September 30, 2015				
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0-4	0.08%	45.00%	37.46%	¥ 119,483	¥ 114,082	0.11%	40.61%	37.37%	¥ 235,618	¥ 136,106
5-6	0.71%	45.00%	80.56%	12,805	1,857	0.87%	45.00%	76.22%	2,702	572
9A	9.87%	45.00%	202.41%	2,193	246	10.10%	45.00%	203.94%	2,969	299
Default	—	—	—	—	—	—	—	—	—	—

- Estimated average PD, risk weight ratio and amount of exposure for equity exposure under PD/LGD method

Millions of yen (except percentages)

Credit Rating	As of September 30, 2016				As of September 30, 2015			
	PD	LGD	Risk Weight	Amount	PD	LGD	Risk Weight	Amount
0-4	0.28%	90.00%	300.89%	¥ 396,602	0.30%	90.00%	301.48%	¥ 408,877
5-6	1.10%	90.00%	329.09%	7,899	0.93%	90.00%	321.30%	9,008
9A	9.87%	90.00%	886.26%	19,819	10.10%	90.00%	893.75%	19,819
Default	100.00%	90.00%	1,125.00%	0	100.00%	90.00%	1,125.00%	26

- Estimated average PD, LGD, risk weight ratio, Exposure at Default (EAD) (on- and off-balance), amount of undrawn commitments and estimated average Credit Conversion Factors (CCF) of undrawn commitments for residential mortgage exposure, qualified revolving retail exposure and other retail exposure

## Residential mortgage exposure

Millions of yen (except percentages)

Pool	As of September 30, 2016							As of September 30, 2015						
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF
Normal	0.27%	18.07%	9.68%	¥ 1,282,869	¥ —	¥ —	—	0.27%	19.72%	10.90%	¥ 1,184,890	¥ —	¥ —	—
Need caution	64.97%	21.60%	82.94%	1,764	—	—	—	65.95%	25.12%	94.20%	1,870	—	—	—
Default	100.00%	48.84%	47.21%	4,430	—	—	—	100.00%	42.71%	53.18%	4,790	—	—	—

## Other retail exposure

Millions of yen (except percentages)

Pool	As of September 30, 2016							As of September 30, 2015						
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF
Normal	0.46%	18.04%	12.51%	¥ 432	¥ —	¥ —	—	0.37%	17.89%	11.07%	¥ 379	¥ —	¥ —	—
Need caution	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Default	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Note: LGD is shown after credit risk mitigation

**(8) COMPARATIVE RESULTS OF ACTUAL LOSSES AND EXPECTED LOSSES FOR THE LAST THREE YEARS UNDER F-IRB APPROACH**

## Corporate, Sovereign &amp; Bank

Millions of yen

	12 months ended September 30, 2016	12 months ended September 30, 2015	12 months ended September 30, 2014
Results of actual losses (a)	¥ 1,488	¥ 1,808	¥ 537
Expected losses (b)	6,975	8,666	10,437
Differences ((b) - (a))	5,487	6,858	9,900

**QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)**

## Retail

	Millions of yen		
	12 months ended September 30, 2016	12 months ended September 30, 2015	12 months ended September 30, 2014
Results of actual losses (a)	¥ 224	¥ 245	—
Expected losses (b)	1,111	1,291	—
Differences ((b) - (a))	886	1,046	—

The above matrix shows the results of default (downgrade below substandard) losses (increase of reserve, write-offs and loss on sale) for the twelve-month period ended September 30, 2014, 2015 and 2016 for the Bank's non-default exposures at the start of the twelve-month period, with expected losses. The exposures for Housing Loans are calculated through the F-IRB approach starting from March 31, 2015.

**3. CREDIT RISK MITIGATION (CRM)****(1) COVERED AMOUNT OF CRM BY COLLATERAL**

## FIRB

	Millions of yen			
	As of September 30, 2016		As of September 30, 2015	
	Eligible financial collateral	Other eligible FIRB collateral	Eligible financial collateral	Other eligible FIRB collateral
Corporate	¥ 2,528	¥ 171,011	¥ 2,938	¥ 164,857
Sovereign	—	—	—	—
Bank	—	—	37,274	—
<b>Total</b>	<b>¥ 2,528</b>	<b>¥ 171,011</b>	<b>¥ 40,213</b>	<b>¥ 164,857</b>

**(2) COVERED AMOUNT OF CRM BY GUARANTEE OR CREDIT DERIVATIVES**

## IRB

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
	Corporate	¥ 1,782
Sovereign	28,867	37,612
Bank	—	—
Residential mortgages	—	—
Qualified revolving retail	—	—
Other retail	—	—
<b>Total</b>	<b>¥ 30,649</b>	<b>¥ 38,914</b>

**4. COUNTERPARTY CREDIT RISK OF DERIVATIVES**

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
	Total amount of gross positive fair value	¥ 435,960
Amount of gross add-on	97,359	125,077
EAD before CRM	533,319	518,936
FX-related	186,790	170,572
Interest-related	310,090	294,580
Equity-related	14,326	22,708
Commodity-related	—	—
Credit derivatives	22,059	30,928
Others	51	146
Amount of net	374,443	362,354
EAD after net	158,876	156,582
Amount covered collateral	—	—
EAD after CRM	158,876	156,582

Note: Current Exposure Method

**QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)**

## • Notional amount of credit derivatives which have counterparty risk

Millions of yen

Notional amount	As of September 30, 2016		As of September 30, 2015	
	Protection-buy	Protection-sell	Protection-buy	Protection-sell
Single name	¥ 119,487	¥ 110,957	¥ 180,834	¥ 169,771
Multi name	38,500	38,500	49,500	49,500

Not applicable for the following items;

- Amount covered collateral
- Notional amount of credit derivatives which cover exposures by CRM

**5. SECURITIZATION****SECURITIZATION EXPOSURE ORIGINATED BY THE BANK (CREDIT RISK)**

(1) Amount of original assets

Securitization by transfer of assets

Millions of yen

Type of original assets	As of September 30, 2016	As of September 30, 2015
	Amount of original assets	Amount of original assets
Residential mortgages	¥ 32,821	¥ 93,064
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	119,474	156,766
<b>Total</b>	<b>¥ 152,296</b>	<b>¥ 249,831</b>

Note: Includes originally securitized assets originated by the Bank during the period, even though the Bank had no exposure to these particular assets.

(2) Amount of original assets in default or past due 3 months or more

Securitization by transfer of assets

Millions of yen

Type of original assets	As of September 30, 2016	As of September 30, 2015
	Amount of Default	Amount of Default
Residential mortgages	¥ 356	¥ 435
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
<b>Total</b>	<b>¥ 356</b>	<b>¥ 435</b>

Note: Includes originally securitized assets originated by the Bank during the period, even though the Bank had no exposure to these particular assets.

(3) Amount of securitization exposure the Bank has by type of original assets

Securitization by transfer of assets

Excluding resecuritization

Millions of yen

Type of original assets	As of September 30, 2016	As of September 30, 2015
	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ 5,153	¥ 49,463
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	100,256	132,593
<b>Total</b>	<b>¥ 105,410</b>	<b>¥ 182,057</b>

**QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)**

## Resecuritization exposure

Type of original assets	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
	<b>Amount of Exposure</b>	Amount of Exposure
Residential mortgages	¥ —	¥ —
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
<b>Total</b>	<b>¥ —</b>	<b>¥ —</b>

## (4) Amount of securitization exposure and required capital the Bank has by risk weight ratio

## Securitization by transfer of assets

## Excluding resecuritization exposure

Band of risk weight ratio	Millions of yen			
	As of September 30, 2016		As of September 30, 2015	
	Amount	Required capital amount	Amount	Required capital amount
To 12%	¥ 102,231	¥ 1,027	¥ 159,824	¥ 1,457
Over 12% to 20%	2,328	31	16,809	253
Over 20% to 50%	781	21	5,247	172
Over 50% to 75%	—	—	—	—
Over 75% to 100%	—	—	—	—
Over 100% to 250%	—	—	58	6
Over 250% to 425%	67	17	118	34
Over 425% under 1,250%	—	—	—	—
<b>Total</b>	<b>¥ 105,410</b>	<b>¥ 1,097</b>	<b>¥ 182,057</b>	<b>¥ 1,924</b>

## Resecuritization exposure

Band of risk weight ratio	Millions of yen			
	As of September 30, 2016		As of September 30, 2015	
	Amount	Required capital amount	Amount	Required capital amount
To 30%	¥ —	¥ —	¥ —	¥ —
Over 30% to 50%	—	—	—	—
Over 50% to 100%	—	—	—	—
Over 100% to 225%	—	—	—	—
Over 225% to 500%	—	—	—	—
Over 500% under 1,250%	—	—	—	—
<b>Total</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ —</b>

## (5) Amount of increase of capital by securitization (to be deducted from capital)

Type of original assets	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
	<b>Amount</b>	Amount
Residential mortgages	¥ 7,725	¥ 8,265
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
<b>Total</b>	<b>¥ 7,725</b>	<b>¥ 8,265</b>

**QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)**

(6) Amount of securitization exposure applied risk weight 1,250%

Type of original assets	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
	<b>Amount</b>	Amount
Residential mortgages	¥ 1,383	¥ 1,916
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
<b>Total</b>	<b>¥ 1,383</b>	<b>¥ 1,916</b>

Not applicable for the following items;

- Amount of assets held for securitization trade
- Summary of current year's securitization activities
- Amount of recognized gain/loss by original asset type during FY2016
- Securitization exposure subject to early amortization
- Credit risk mitigation for resecuritization exposure

**SECURITIZATION EXPOSURE IN WHICH THE BANK INVESTS**

(1) Amount of securitization exposure the Bank has by type of original asset

Excluding resecuritization exposure

Type of original assets	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
	<b>Amount of Exposure</b>	Amount of Exposure
Residential mortgages	¥ 7,854	¥ —
Consumer loans	—	—
Commercial real estate loans	44,781	73,097
Corporate loans	26,758	7,924
Others	14,408	24,478
<b>Total</b>	<b>¥ 93,801</b>	<b>¥ 105,500</b>

Resecuritization exposure

Type of original assets	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
	<b>Amount of Exposure</b>	Amount of Exposure
Residential mortgages	¥ —	¥ —
Consumer loans	—	—
Commercial real estate loans	—	20,000
Corporate loans	1,687	8,967
Others	—	—
<b>Total</b>	<b>¥ 1,687</b>	<b>¥ 28,967</b>



**QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)**

(2) Amount of securitization exposure and required capital for the Bank by risk weight ratio

Excluding resecuritization exposure

Band of risk weight ratio	Millions of yen			
	As of September 30, 2016		As of September 30, 2015	
	Amount	Required capital amount	Amount	Required capital amount
To 12%	¥ 48,953	¥ 300	¥ 32,402	¥ 207
Over 12% to 20%	—	—	—	—
Over 20% to 50%	3,823	138	7,000	283
Over 50% to 75%	—	—	—	—
Over 75% to 100%	10,000	638	9,835	649
Over 100% to 250%	6,709	1,163	31,761	4,218
Over 250% to 425%	6,049	1,795	—	—
Over 425% under 1,250%	18,264	7,758	24,501	10,998
<b>Total</b>	<b>¥ 93,801</b>	<b>¥ 11,795</b>	<b>¥ 105,500</b>	<b>¥ 16,358</b>

Resecuritization exposure

Band of risk weight ratio	Millions of yen			
	As of September 30, 2016		As of September 30, 2015	
	Amount	Required capital amount	Amount	Required capital amount
To 30%	¥ 1,687	¥ 28	¥ 8,967	¥ 152
Over 30% to 50%	—	—	—	—
Over 50% to 100%	—	—	20,000	1,027
Over 100% to 225%	—	—	—	—
Over 225% to 500%	—	—	—	—
Over 500% under 1,250%	—	—	—	—
<b>Total</b>	<b>¥ 1,687</b>	<b>¥ 28</b>	<b>¥ 28,967</b>	<b>¥ 1,179</b>

(3) Amount of securitization exposure applied risk weight 1,250%

Type of original assets	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
	Amount	Amount
Residential mortgages	¥ 839	¥ 1,482
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	0	44
Others	—	—
<b>Total</b>	<b>¥ 839</b>	<b>¥ 1,527</b>

Not applicable for the following items;

- Credit risk mitigation for resecuritization exposure

**QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)**
**6. MARKET RISK (UNDER INTERNAL MODEL APPROACH)**
**(1) VAR AT THE END OF SEPTEMBER 2016 AND SEPTEMBER 2015 AND THE HIGH, MEAN AND LOW VAR**

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
VaR at term end	¥ 1,502	¥ 1,288
VaR through this term		
High	1,998	1,761
Mean	1,225	954
Low	745	470

**(2) STRESSED VAR AT THE END OF SEPTEMBER 2016 AND SEPTEMBER 2015 AND THE HIGH, MEAN AND LOW VAR**

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
VaR at term end	¥ 2,780	¥ 2,513
VaR through this term		
High	3,885	4,286
Mean	2,744	2,791
Low	1,694	1,607

The trading portfolio experienced no losses that exceeded the specified VaR threshold

Not applicable for the following items;

- The amount of required capital related to additional risk and comprehensive risk as of the period-end, as well as the maximum, minimum and average values for the amount of required capital for additional risk and comprehensive risk during the disclosure period

**7. EQUITY EXPOSURE IN BANKING BOOK**
**(1) BOOK VALUE AND FAIR VALUE**

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
Market-based approach		
Listed equity exposure	¥ 20,696	¥ 13,607
Unlisted equity exposure	15,750	12,783
PD/LGD method		
Listed equity exposure	10,402	10,623
Unlisted equity exposure	413,910	427,103

**(2) GAIN OR LOSS ON SALE OR DEPRECIATION OF EQUITY EXPOSURE**

	Millions of yen	
	Six months ended September 30, 2016	Six months ended September 30, 2015
Gain (loss) on sale	¥ 1,727	¥ 420
Loss of depreciation	—	235

**QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)****(3) UNREALIZED GAIN OR LOSS WHICH IS RECOGNIZED ON BALANCE SHEET AND NOT RECOGNIZED ON PROFIT AND LOSS STATEMENT**

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
Unrealized gain (loss)	<b>¥ 7,552</b>	¥ 5,803

**(4) AMOUNT FOR EACH PORTFOLIO CLASSIFICATION OF EQUITY EXPOSURE**

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
Market-based approach	<b>¥ 36,313</b>	¥ 26,223
PD/LGD Method	<b>424,322</b>	437,732
RW100% Applied	<b>51</b>	1
RW250% Applied	<b>—</b>	0

Not applicable for the following items;

- UNREALIZED GAIN OR LOSS WHICH IS NOT RECOGNIZED BOTH ON BALANCE SHEET AND ON PROFIT AND LOSS STATEMENT

**8. AMOUNT OF REGARDED EXPOSURE UNDER THE ACCORD ARTICLE 167**

	Millions of yen	
	As of September 30, 2016	As of September 30, 2015
Regarded exposure (fund)	<b>¥ 32,439</b>	¥ 37,929

**9. INTEREST RATE RISK IN THE BANKING BOOK (IRRBB) THE INCREASE/DECREASE IN ECONOMIC VALUE FOR UPWARD/DOWNWARD RATE SHOCKS ACCORDING TO MANAGEMENT'S METHOD FOR IRRBB**

Change in economic values from a 2% interest-rate shock on the banking book:

	Billions of yen	
	As of September 30, 2016	As of September 30, 2015
JPY	<b>¥ (31.5)</b>	¥ (39.6)
USD	<b>(6.1)</b>	(1.8)
Others	<b>(4.7)</b>	(2.8)
<b>Total</b>	<b>¥ (42.4)</b>	¥ (44.4)

# CORPORATE INFORMATION

## SHINSEI BANK GROUP

AS OF SEPTEMBER 30, 2016

As of September 30, 2016, the Shinsei Bank Group consisted of Shinsei Bank, Limited, 253 subsidiaries (comprising 155 consolidated companies including APLUS FINANCIAL Co., Ltd., Showa Leasing Co., Ltd., Shinsei Financial Co., Ltd. and Shinsei Principal Investments Ltd. and 98 unconsolidated subsidiaries) and 21 affiliated companies (20 affiliated companies accounted for using the equity method, such as Jih Sun Financial Holding Co., Ltd. and 1 affiliate accounted for not applying the equity method). The Shinsei Bank Group provides a wide variety of financial products and services to domestic institutional and individual customers through the "Institutional Business," the "Global Markets Business," and the "Individual Business."



## MAJOR SUBSIDIARIES AND AFFILIATES

Name	Location	Main business
<b>Major Domestic Subsidiaries</b>		
Showa Leasing Co., Ltd.	Tokyo, Japan	Leasing <sup>1</sup>
Shinsei Trust & Banking Co., Ltd.	Tokyo, Japan	Trust banking <sup>1</sup>
Shinsei Securities Co., Ltd.	Tokyo, Japan	Securities <sup>2</sup>
Shinsei Investment Management Co., Ltd.	Tokyo, Japan	Investment trust and discretionary investment advising <sup>2</sup>
Shinsei Principal Investments Ltd.	Tokyo, Japan	Financial instruments business <sup>1</sup>
Shinsei Corporate Investment Limited	Tokyo, Japan	Investment <sup>1</sup>
Shinsei Investment & Finance Limited	Tokyo, Japan	Investment and finance <sup>1</sup>
Shinsei Servicing & Consulting Limited	Tokyo, Japan	Servicing business <sup>1</sup>
Shinsei Property Finance Co., Ltd.	Tokyo, Japan	Real estate collateral finance <sup>3</sup>
APLUS FINANCIAL Co., Ltd.	Osaka, Japan	Holding company <sup>3</sup>
APLUS Co., Ltd.	Osaka, Japan	Installment credit <sup>3</sup>
APLUS Personal Loan Co., Ltd.	Osaka, Japan	Finance <sup>3</sup>
Zen-Nichi Shinpan Co., Ltd.	Okayama, Japan	Installment credit <sup>3</sup>
Shinsei Financial Co., Ltd.	Tokyo, Japan	Finance <sup>3</sup>
Shinsei Personal Loan Co., Ltd.	Tokyo, Japan	Financing for individuals and small businesses <sup>3</sup>
<b>Major Overseas Subsidiaries</b>		
Shinsei International Limited	London, UK	Securities <sup>2</sup>
OJBC Co. Ltd.	Tortola, British Virgin Islands	Financial holding company <sup>3</sup>
Nippon Wealth Limited	Kowloon, Hong Kong	Investment trust and discretionary investment advising <sup>3</sup>
<b>Major Affiliates Accounted for Using the Equity Method</b>		
Jih Sun Financial Holding Co., Ltd.	Taipei, Taiwan	Financial holding company <sup>1</sup>

1 Institutional Business 2 Global Markets Business 3 Individual Business 4 Corporate/Other

## EMPLOYEES

	Six months ended September 30, 2015	FY2015	Six months ended September 30, 2016
<b>Consolidated</b>			
Number of Employees	5,375	5,356	<b>5,433</b>
<b>Nonconsolidated</b>			
Number of Employees	2,218	2,210	<b>2,254</b>
Male	1,276	1,272	<b>1,294</b>
Female	942	938	<b>960</b>
Average age	40 years 2 months	40 years 7 months	<b>40 years 6 months</b>
Average years of service	11 years 3 months	11 years 7 months	<b>11 years 7 months</b>
Average monthly salary	¥479 thousand	¥489 thousand	<b>¥481 thousand</b>

"Average monthly salary" includes overtime wages but excludes annual bonus.

## AS OF SEPTEMBER 30, 2016

Capital (in millions)	Established	Acquired	Equity stake held by Shinsei Bank and consolidated subsidiaries (%)		
				Equity stake held by Shinsei Bank	Equity stake held by consolidated subsidiaries of Shinsei Bank
¥ 29,360	1969.4	2005.3	98.4%	98.4%	—%
5,000	1996.11	—	100.0	100.0	—
8,750	1997.8	—	100.0	100.0	—
495	2001.12	—	100.0	100.0	—
100	2006.4	2012.12	100.0	100.0	—
50	2012.11	—	100.0	—	100.0
100	1993.1	2000.9	100.0	—	100.0
500	2001.10	—	100.0	—	100.0
2,750	1959.5	2002.3	100.0	100.0	—
15,000	1956.10	2004.9	95.0	2.9	92.0
15,000	2009.4	—	100.0	—	100.0
1,000	2009.4	—	100.0	—	100.0
1,000	1957.4	2006.3	100.0	—	100.0
100	1991.6	2008.9	100.0	100.0	—
100	1954.12	2007.12	100.0	—	100.0
£ 3	2004.9	—	100.0%	100.0%	—%
\$ 36	2013.6	—	50.0	50.0	—
HK\$ 286	2013.8	—	100.0	—	100.0
NT\$ 35,423	2002.2	2006.7	35.4	—	35.4

**NETWORK**

AS OF NOVEMBER 30, 2016

**DOMESTIC OUTLETS:**

AS OF NOVEMBER 30, 2016

35 outlets (28 branches including head office, 7 annexes)

**Hokkaido**

Sapporo Branch

**Tohoku**

Sendai Branch

**Kanto (Excluding Tokyo)**

Omiya Branch

Ikebukuro Branch—Kawaguchi Annex

Kashiwa Branch

Tsudanuma Branch

Yokohama Branch

Head Office—Tama-plaza Annex

Fujisawa Branch

**Tokyo**

Head Office

Tokyo Branch

Ginza Branch

Ikebukuro Branch

Ueno Branch

Kichijoji Branch

Shinjuku Branch

Shibuya Branch

Futakotamagawa Branch

Hachioji Branch

Machida Branch

**Hokuriku**

Kanazawa Branch

**Tokai**

Nagoya Branch

Sakae Financial Center

**Kinki**

Kyoto Branch

Osaka Branch

Umeda Branch

Umeda Branch—Hankyu Umeda Annex

Umeda Branch—Senri Chuo Annex

Umeda Branch—Takatsuki Annex

Namba Branch

Namba Branch—Sakai Higashi Annex

Kobe Branch

**Chugoku**

Hiroshima Branch

**Shikoku**

Takamatsu Branch

**Kyushu**

Fukuoka Branch

**SHINSEI BANK CARD LOAN—LAKE UNSTAFFED BRANCHES:**

AS OF NOVEMBER 30, 2016

Shinsei Bank Card Loan—Lake unstaffed branches

763 locations

**PARTNER TRAIN STATION, CONVENIENCE STORE AND SUPERMARKET ATMS:**

AS OF NOVEMBER 30, 2016

Seven Bank, Ltd. ATMs

21,392 locations

E-net ATMs

13,539 locations

Lawson ATM Networks ATMs

11,634 locations

AEON Bank ATMs

5,009 locations

VIEW ALTTE ATMs

311 locations

Patsat ATMs

105 locations

## STOCK INFORMATION

AS OF SEPTEMBER 30, 2016

## Shares Outstanding and Capital

Date	1,000 shares, millions of yen						Notes
	Shares outstanding		Capital		Capital surplus		
	Change	Balance	Change	Balance	Change	Balance	
July 29, 2003	(1,358,537)	2,033,065 <sup>1</sup>	—	451,296	—	18,558	2-for-1 reverse share split for common shares Post reverse split common shares outstanding 1,358,537 thousand shares
July 31, 2006	(99,966)	1,933,098 <sup>1</sup>	—	451,296	—	18,558	Use of call feature for Series 3 Class-B preferred shares Issuance of 200,033 thousand common shares Retirement of Series 3 Class-B preferred shares -300,000 thousand shares
November 16, 2006	(85,000)	1,848,098 <sup>1</sup>	—	451,296	—	18,558	Cancellation of treasury shares (common) -85,000 thousand shares
August 1, 2007	(100,000)	1,748,098 <sup>1</sup>	—	451,296	—	18,558	Mandatory acquisition of Series 3 Class-B preferred shares Issuance of 200,000 thousand common shares Retirement of Series 3 Class-B preferred shares -300,000 thousand shares
February 4, 2008	117,647	1,865,746 <sup>1</sup>	25,000	476,296	25,000	43,558	Third party allocation of shares (common shares) Subscription price ¥425, par value ¥212.5
March 31, 2008	194,600	2,060,346	—	476,296	—	43,558	Use of call feature for Series 2 Class-A preferred shares Issuance of 269,128 thousand common shares Retirement of Series 2 Class-A preferred shares -74,528 thousand shares
March 15, 2011	690,000	2,750,346	35,907	512,204	35,907	79,465	New shares issued through International Offering (common shares) Subscription price ¥108, par value ¥52.04

<sup>1</sup> Figures include number of preferred shares outstanding

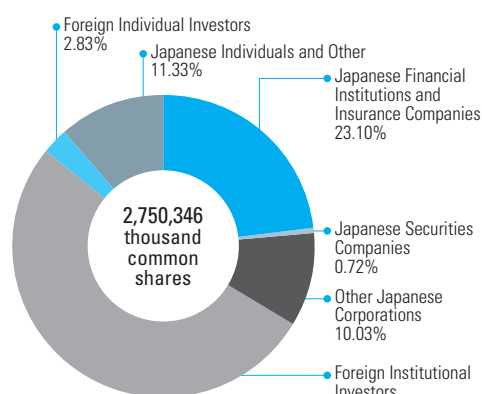
## Largest Shareholders

Rank	Shareholders	Thousands of Common Shares	%
1	SATURN IV SUB LP (JPMCB 380111)	323,680	11.76
2	Deposit Insurance Corporation of Japan	269,128	9.78
3	THE RESOLUTION AND COLLECTION CORPORATION	200,000	7.27
4	SHINSEI BANK, LIMITED	161,993	5.88
5	THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	113,557	4.12
6	SATURN JAPAN III SUB C.V. (JPMCB 380113)	110,449	4.01
7	J. CHRISTOPHER FLOWERS	76,753	2.79
8	JP MORGAN CHASE BANK 380055	73,039	2.65
9	JAPAN TRUSTEE SERVICE BANK, LTD. (TRUST ACCOUNT)	72,548	2.63
10	JAPAN TRUSTEE SERVICE BANK, LTD. (TRUST ACCOUNT 9)	60,091	2.18
11	STATE STREET BANK AND TRUST COMPANY 505225	58,693	2.13
	Total (includes treasury shares)	2,750,346	100.00

Notes: 1 As of September 30, 2016, a group of investors, including affiliates of J.C. Flowers & Co. LLC., holds 553,663,517 common shares or 21.39% of Shinsei Bank's outstanding common shares, excluding treasury shares.

2 As of September 30, 2016, in total, the Deposit Insurance Corporation and the Resolution and Collection Corporation hold 469,128,888 common shares or 18.12% of Shinsei Bank's outstanding common shares, excluding treasury shares.

## Largest Shareholders



Notes: 1 "Japanese Financial Institutions and Insurance Companies" includes the Resolution and Collection Corporation.

2 "Other Japanese Corporations" includes the Deposit Insurance Corporation.

3 "Japanese Individuals and Other" includes treasury shares.

## RATINGS INFORMATION

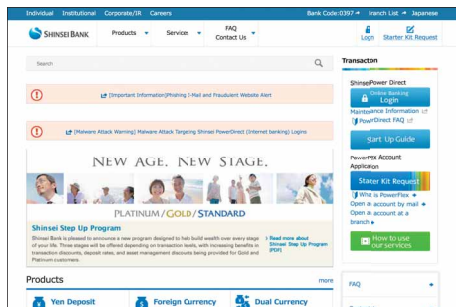
AS OF DECEMBER 1, 2016

	Long-Term (Outlook)	Short-Term
Moody's	Baa2 (Stable)	Prime-2
Standard and Poor's (S&P)	BBB+ (Stable)	A-2
Japan Credit Rating Agency (JCR)	BBB+ (Stable)	J-2
Rating and Investment Information, Inc. (R&I)	BBB+ (Positive)	a-2

# WEBSITE

Our English and Japanese websites provide a wide range of corporate data as well as information for individual and institutional customers and investors.

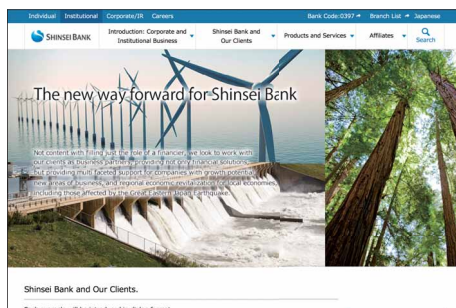
## INDIVIDUAL



<http://www.shinseibank.com/english/>

The website for individual customers provides information on our comprehensive retail account, *PowerFlex*. Customers can log on to our Internet banking service, *Shisei PowerDirect*, submit requests for information on *PowerFlex* and apply to open an account. Product offerings, campaigns, branch and ATM information, and detailed explanations on foreign currency deposits and investment trusts are covered here.

## INSTITUTIONAL



<http://www.shinseibank.com/institutional/en/>

This website provides information on our products and services for institutional customers, as well as the various solutions provided to customers based upon their business area, company lifecycle stage and company needs.

Additionally, information regarding branches, affiliates and market reports (Japanese language only) is also available.

## CORPORATE/IR



<http://www.shinseibank.com/corporate/en/>

The Corporate/IR website contains information on our corporate and management profiles, history, medium-term management plan, CSR initiatives and corporate governance. It also provides our news release, equity- and debt-related information, financial information and IR calendar.



For further information, please contact:

**Investor Relations & Corporate Communications Division**

**Shinsei Bank, Limited**

4-3, Nihonbashi-muromachi 2-chome, Chuo-ku, Tokyo 103-8303, Japan

Tel: 81-3-6880-8303 Fax: 81-3-4560-1706

URL: <http://www.shinseibank.com> E-mail: [Shinsei\\_IR@shinseibank.com](mailto:Shinsei_IR@shinseibank.com)

SHINSEI BANK, LIMITED

4-3, Nihonbashi-muromachi 2-chome, Chuo-ku, Tokyo 103-8303, Japan

TEL: 81-3-6880-7000

URL: <http://www.shinseibank.com>