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SBI Shinsei Bank, Ltd.: FY2026 First Half Financial Results

Summary of Q&A

- Date and Time: November 2, 2026, 2:30 p.m. – 3:30 p.m.
- Speakers:
  Eisuke Terasawa, Director, Senior Managing Executive Officer, Group Chief Financial Officer (CFO)
  Tsuyoshi Miyake, Executive Officer, Deputy Group CFO and General Manager, Group Finance Management Division
- Format: Webinar — advance registration required

Question(1)

Net interest income in Retail Banking increased by approximately JPY 4.0 billion from the previous quarter. Apart from the effect of the rise in the short-term prime rate, what other factors contributed?

Answer(1)

The increase came mainly from the liability side of the balance sheet. We raise deposits from individual customers at a lower cost than market funding. Under our management accounting framework, the difference between this funding cost and the funds transfer price paid by Treasury Division is recorded as net interest income in the Individual segment. Our efforts since the previous fiscal year to reduce funding costs and control the deposit pass-through rate contributed to this increase.

Question(2)

Our understanding is that the deposit spread is allocated to net interest income in Retail Banking. While Retail Banking benefits from this, is there any business segment where it has a negative impact? In addition, although the yield on

operating assets in Retail Banking has risen with the increase in the short-term prime rate, deposit rates have also risen in absolute terms, even if they have been controlled. Will the increase in funding costs in Retail Banking put downward pressure on net interest income?

Answer(2)

Our Treasury Division allocates the funds raised by each division, including deposits, to the asset-side divisions. Business segments that manage assets, such as Institutional Business, generate higher earnings the higher the rates at which they deploy these funds. As is likely the case at other banks, the lower our deposit funding costs, the more net interest income improves for the Bank as a whole. The lower the cost at which we raise retail deposits, the larger the difference from the funds transfer price charged to the Treasury Division, which is recorded as net interest income, and therefore the net interest income in Retail Banking expands.

On the asset side, the effect of the increase in the housing loan benchmark rate materializes with a slight time lag. We therefore believe that containing deposit funding costs made the larger contribution in the second quarter.

Question(3)

In net interest income from securities investment (page 30), what is driving the increase in "Others"?

Answer(3)

This consists of carry income from equity securities, foreign bonds and others (investment trusts, etc.) shown in the breakdown of operating assets.

Question(4)

Net interest income and noninterest income for the first half of FY2026 are well on track against the full-year plan. Why did you decide not to revise your full-year earnings forecast upward? Also, under what circumstances would you consider a revision?

Answer(4)

Results for the first half of FY2026 have progressed steadily against our initial plan. At this point we believe that there are no specific major downside risks that we have identified for the fiscal year. At the same time, the extent of upside in net interest income will also depend on future policy rate developments, and we believe this needs to be assessed further over time. As we are continuing to pursue a range of initiatives, including inorganic investments, we have decided not to revise our earnings forecast at this time. Once we have a clearer view, we intend to share our outlook promptly as necessary.

Question(5)

The balance of securities investment has reached the medium-term management plan target. How fast do you expect the balance to grow from here, and how do you view the unrealized losses on available-for-sale securities?

Answer(5)

Since the first quarter, we have been increasing our holdings of super-long JGBs to enhance carry income, and this was largely completed in the second quarter. We do not plan further significant increases in these holdings, and we intend to rebalance the portfolio appropriately while looking at the entire portfolio, including reducing bonds with relatively low profitability.

We will continue to manage the balance of CLOs, RMBS, etc. as a source of stable income. However, as the overall securities investment balance has already reached the medium-term management plan target of approximately JPY 4 trillion, we intend to focus more on profitability rather than further expanding the balance.

Regarding available-for-sale securities, we recorded unrealized losses of approximately JPY 40.0 billion as of the end of September. We believe this is not a significant level relative to the balance. We have a strict management framework for unrealized gains and losses and manage them accordingly. We will consider operations to reduce unrealized losses while monitoring market conditions in the

second half. Currently, we have nothing specific to share regarding the timing or scale.

Question(6)

When you cited inorganic factors as one reason for not revising the earnings forecast, were you referring to investments in regional banks by the SBI Group, or to other areas? How do you view your pipeline?

Answer(6)

We have no specific plans at this time for inorganic investments within this fiscal year in a form similar to that of our investments in THE FUKUSHIMA BANK and The Shimane Bank. The inorganic investments referred to here are those within our traditional scope, namely domestic and overseas nonbanks and domestic banks.

Question(7)

Please describe the inflows and outflows of SBI Hyper Deposits during the market correction since October.

Answer(7)

We expect trends after October to include periods of both fluctuation and growth, as has been the case so far. We will accumulate data to improve the accuracy of our analysis of the correlation between the equity market and the stickiness of deposits. A key objective of SBI Hyper Deposits is to create a structure in which wealth generated by active securities markets flows back as deposits and becomes funds waiting for investment again. We believe the trend remains favorable, and we will continue to work to grow both the number of accounts and the balance.

Question(8)

Operating assets in Corporate Business continue to grow. What is the nature of

these assets? Given that net credit costs have remained minimal despite asset growth, please explain what types of assets Corporate Business holds, in what situations the Bank is selected, and how you view the contribution to fees and lending yields.

Answer(8)

We give risk management for Corporate Business as top priority and focus mainly on lending to high-quality companies, drawing on our experience. Since joining the SBI Group, we have further strengthened our focus on credit to blue-chip companies. While we are working to improve ROA, RORA is high and credit risk is low in terms of asset quality, which is reflected in our net credit cost figures.

Credit losses may still arise in structured finance transactions and some did occur in certain periods over the past three years. However, there were no such events this quarter, reflecting the results of our prudent risk management.

This concludes the Q&A session.

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