

Financial Summary

For the First Half Ended September 30, 2018



Shinsei Bank, Limited
(Code 8303, TSE First Section)

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•The following document should be read in conjunction with the consolidated and nonconsolidated financial statements prepared in accordance with generally accepted accounting principles in Japan for banks. Except as otherwise indicated, the financial information in the following discussion is based on the consolidated financial statements. Financial and operational figures that are stated in multiples of ¥0.1 billion have been truncated. All percentages unless otherwise noted have been rounded to the nearest 0.1%.

•Quarterly information is available in the Quarterly Data Book.

Financial Highlights¹

(Billions of yen, except percentages)

Results of operations (Consolidated) [Page 3]	1H FY2018 (6 months)	1H FY2017 (6 months)	Change (Amount)	FY2017 (12 months)
Net interest income	66.3	64.1	2.1	128.7
Noninterest income	48.3	51.7	-3.3	103.2
Total revenue	114.7	115.9	-1.1	232.0
General and administrative expenses	-70.9	-71.6	0.6	-142.5
Net credit costs	-14.4	-19.8	5.4	-37.2
Income before income taxes	29.5	27.0	2.5	55.4
Profit attributable to owners of the parent	27.6	25.1	2.5	51.4

(Billions of yen)

Balance sheets (Consolidated) [Page 17]	Sep 30 2018	Mar 31 2018	Change (Amount)
Cash and due from banks	1,396.7	1,465.6	-68.9
Securities	1,217.5	1,123.5	93.9
Loans and bills discounted	4,877.0	4,895.9	-18.9
Total assets	9,535.5	9,456.6	78.8
Deposits and negotiable certificates of deposit	6,041.3	6,067.0	-25.7
Total liabilities	8,662.2	8,600.6	61.6
Total equity	873.2	856.0	17.2

Financial ratios (Consolidated) [Page 4, 16, 25]	1H FY2018 (6 months)	1H FY2017 (6 months)	FY2017 (12 months)
Net interest margin	2.43%	2.42%	2.42%
Expense-to-revenue ratio	61.9%	61.8%	61.5%

	Jun 30 2018	Mar 31 2018
Capital adequacy ratio (Basel III, domestic standard)	12.44%	12.83%
NPL ratio based on Financial Revitalization Law (nonconsolidated)	0.15%	0.17%

(Billions of yen)

Results of operations (Nonconsolidated) [Page 21]	1H FY2018 (6 months)	1H FY2017 (6 months)	Change (Amount)	FY2017 (12 months)
Net interest income	51.6	51.5	0.1	105.4
Noninterest income	-0.1	2.3	-2.5	5.3
Total revenue	51.4	53.8	-2.4	110.8
General and administrative expenses	-35.2	-39.9	4.6	-79.0
Net credit costs	-0.3	-0.8	0.5	-1.2
Net income	14.8	22.9	-8.1	40.5

1. Represents results based on management accounting basis.

The Shinsei Bank Group recorded a consolidated net income of 27.6 billion yen in the first half of fiscal year 2018 (April 1, 2018 to September 30, 2018), increased 2.5 billion yen from the first half of fiscal year 2017. Total revenue decreased due to absence of gains on the sale of equities and decline of fee income related to derivative transactions compared to the same period of fiscal year 2017, while interest income increased in our growth areas, unsecured loan and structured finance. General and administrative expenses decreased thanks to the progress of productivity enhancement projects. Net credit costs decreased due to the balance of unsecured loan business remained unchanged and net credit recoveries were recorded resulting from calculation of general reserve for loan losses in accordance with portfolio growth in the Institutional Business. As a result, total consolidated net income increased compared to the same period of fiscal year 2017.

Results of operations

- Total revenue was 114.7 billion yen, decreased 1.1 billion yen compared to the first half of fiscal year 2017.
 - Net interest income totaled 66.3 billion yen, increased 2.1 billion yen from 64.1 billion yen in the first half of fiscal year 2017 due to the increase of interest from unsecured loan and structured finance businesses.
 - Noninterest income totaled 48.3 billion yen, decreased 3.3 billion yen from 51.7 billion yen in the first half of fiscal year 2017. The decrease reflected absence of gains on the sale of equities recorded in the first half of fiscal year 2017 and the decrease in fee income related to derivative transactions compared to the same period of last fiscal year, despite recoveries of revenues related to the sale of asset management products in Retail Banking Business.
- General and administrative expenses totaled 70.9 billion yen, decreased 0.6 billion yen from the first half of fiscal year 2017, thanks mainly to decrease in personnel and premises expenses resulting from progress of productivity enhancement project. Expense to revenue ratio resulted in 61.9%.
- Net credit costs of 14.4 billion yen (expense) were recorded, decreased 5.4 billion yen from the same period of fiscal year 2017. This was due to the balance of unsecured loan business remained unchanged and net credit costs recoveries were recorded due primarily to calculation of general reserve for loan losses in accordance with growth of portfolio including project finance transactions.
- Nonconsolidated net income totaled 14.8 billion yen, decreased 8.1 billion yen compared to the first half of fiscal year 2017 due to decrease in dividends from subsidiaries and absence of gains on the sales of equities of subsidiaries and affiliates.

Balance sheets

- Total assets increased 78.8 billion yen from March 31, 2018, to 9,535.5 billion yen as of September 30, 2018.
- Loans and bills discounted decreased 18.9 billion yen from March 31, 2018, to 4,877.0 billion yen as of September 30, 2018. The loan balance in the Structured Finance Business increased while the loan balance in the Corporate Business and housing loan decreased.
- Deposits and negotiable certificates of deposit decreased 25.7 billion yen from March 31, 2018, to 6,041.3 billion yen.

Financial ratios

- Net interest margin was 2.43%, increased from 2.42% recorded in the first half of fiscal year 2017. The yield on interest-earning assets increased due to the rise in the percentage of loans and bills discounted in Consumer Finance Businesses.
- Basel III domestic standard (grandfathering basis) consolidated core capital adequacy ratio was 12.44% as of September 30, 2018, from 12.83% as of March 31, 2018. While risk assets decreased due to decrease in loan assets, capital also decreased due to decrease of eligible capital instruments subject to transitional agreement attributed to redemption of subordinated term debts, etc. Basel III international standard (fully loaded basis) common equity Tier 1 capital ratio was 12.2% as of September 30, 2018, remained unchanged from 12.2% as of March 31, 2018. Capital ratios continue to be maintained at ample levels.
- Claims classified under the Financial Revitalization Law (nonconsolidated) was 7.7 billion yen. Nonperforming loan ratio was at low level of 0.15% improved from 0.17% as of March 31, 2018.

Results of Operations (Consolidated) ¹*(Billions of yen)*

	1H FY2018 (6 months)	1H FY2017 (6 months)	Change (Amount)	FY2017 (12 months)
Net interest income	66.3	64.1	2.1	128.7
Noninterest income	48.3	51.7	-3.3	103.2
Net fees and commissions	14.5	11.5	2.9	25.0
Net trading income	1.8	3.4	-1.6	8.5
Net other business income	31.9	36.6	-4.7	69.6
Income on lease transactions and installment receivables	18.1	18.7	-0.5	37.0
Total revenue	114.7	115.9	-1.1	232.0
General and administrative expenses	-70.9	-71.6	0.6	-142.5
Ordinary business profit	43.7	44.2	-0.5	89.4
Net credit costs	-14.4	-19.8	5.4	-37.2
Ordinary business profit after net credit costs	29.3	24.3	4.9	52.1
Amortization of goodwill and other intangible assets ²	-1.7	-2.2	0.5	-3.9
Other gains	1.9	4.8	-2.9	7.2
Income before income taxes	29.5	27.0	2.5	55.4
Current income tax	-0.8	-0.5	-0.2	-1.2
Deferred income tax	-1.0	-1.2	0.1	-2.5
Profit attributable to noncontrolling interests	0.0	-0.0	0.1	-0.1
Profit attributable to owners of the parent	27.6	25.1	2.5	51.4

1.Represents results based on management accounting basis.

2.In our consolidated financial statements, amortization of goodwill and other intangible assets is recorded in general and administrative expenses.

Noninterest income in the table above is comprised of net fees and commissions, net trading income and net other business income.

Net fees and commissions is primarily comprised of domestic real estate nonrecourse finance fee income, fee income such as servicing fees associated with specialty finance and principal transactions, fee income associated with the guarantee and other business in consumer finance and fee income from the sale of products such as mutual funds and insurance.

Net trading income is comprised of derivative related income from transactions with customers, as well as income from proprietary trading undertaken by the Bank.

Net other business income is comprised of income on lease transactions and installment receivables, gains and losses on monetary trusts primarily associated with credit trading of the Principal Transactions business and gains and losses on the sale of securities in Treasury operations.

Interest-Earning Assets and Interest-Bearing Liabilities (Consolidated)

(Billions of yen, except percentages)

	1H FY2018 (6 months)			1H FY2017 (6 months)			FY2017 (12 months)		
	Average Balance	Interest	Yield/rate ¹ (%)	Average Balance	Interest	Yield/rate ¹ (%)	Average Balance	Interest	Yield/rate ¹ (%)
Interest-earning assets ⁴ :									
Loans and bills discounted	4,921.1	69.6	2.82	4,895.2	66.7	2.72	4,903.7	134.8	2.75
Lease receivables and leased investment assets / installment receivables ⁴	746.3	18.1	4.86	745.5	18.7	5.01	746.6	37.0	4.96
Securities	1,176.1	5.9	1.01	1,087.3	6.1	1.14	1,109.1	11.7	1.06
Other interest-earning assets ^{2, 3}	179.5	1.0	***	164.2	0.9	***	162.1	1.9	***
Interest-earning assets totals (A)⁴	7,023.2	94.8	2.69	6,892.4	92.5	2.68	6,921.7	185.5	2.68
Interest-bearing liabilities:									
Deposits, including negotiable certificates of deposit	6,072.0	4.0	0.13	5,923.1	4.3	0.15	5,965.9	9.0	0.15
Borrowed money	732.6	1.7	0.49	800.2	1.7	0.43	785.2	3.4	0.44
Subordinated debt	7.4	0.0	2.36	12.4	0.1	2.37	12.4	0.2	2.37
Other borrowed money	725.1	1.7	0.47	787.8	1.5	0.40	772.8	3.1	0.41
Corporate bonds	85.4	0.2	0.68	108.1	0.5	1.01	98.1	0.9	0.97
Subordinated bonds	18.6	0.1	1.96	31.4	0.4	2.55	28.6	0.6	2.43
Other corporate bonds	66.8	0.1	0.33	76.7	0.1	0.37	69.5	0.2	0.37
Other interest-bearing liabilities ²	864.6	4.0	***	721.4	3.1	***	741.7	6.2	***
Interest-bearing liabilities totals (B)	7,754.8	10.2	0.26	7,552.9	9.6	0.26	7,591.2	19.7	0.26
Net interest margin (A)-(B)⁴	-	84.5	2.43	-	82.9	2.42	-	165.8	2.42
Noninterest-bearing sources of funds:									
Noninterest-bearing (assets) liabilities, net	-1,594.1	-	-	-1,490.1	-	-	-1,506.3	-	-
Total equity excluding noncontrolling interests in subsidiaries ⁵	862.6	-	-	829.6	-	-	836.8	-	-
Total noninterest-bearing sources of funds (C)	-731.5	-	-	-660.5	-	-	-669.5	-	-
Sum of total expense on interest-bearing liabilities and noninterest-bearing sources of funds (D)=(B)+(C)	7,023.2	10.2	0.29	6,892.4	9.6	0.28	6,921.7	19.7	0.29
Interest income / yield on interest earning assets (A)-(D)⁴	-	84.5	2.40	-	82.9	2.40	-	165.8	2.40
Reconciliation of total revenue on interest-earning									
Total revenue on interest-earning assets	7,023.2	94.8	2.69	6,892.4	92.5	2.68	6,921.7	185.5	2.68
Less: Income on lease transactions and installment receivables	746.3	18.1	4.86	745.5	18.7	5.01	746.6	37.0	4.96
Total interest income	6,276.9	76.6	2.43	6,146.8	73.8	2.40	6,175.0	148.5	2.40
Total interest expense	-	10.2	-	-	9.6	-	-	19.7	-
Net interest income	-	66.3	-	-	64.1	-	-	128.7	-

1. Percentages have been rounded from the third decimal place.

2. Other interest-earning assets and other interest-bearing liabilities include interest swaps.

3. Excludes average balance of noninterest-earning assets.

4. Includes lease transactions and installment receivables and related yields.

5. Represents a simple average of the balance at the end of the current period and the balance at the end of the previous period.

The line item "Interest income/yield on interest-earning assets" on the chart above includes revenues from net received interest, revenue earned on lease receivables and leased investment assets, and installment account receivables. However, while the Bank considers income on lease transactions and installment receivables to be a component of net interest income, Japanese GAAP does not include income on lease transactions and installment accounts receivables in net interest income (in accordance with Japanese GAAP, income on lease transactions and installment accounts receivables is reported in net other business income in our consolidated statements of operations).

Noninterest Income (Consolidated)

(Billions of yen)

	1H FY2018 (6 months)	1H FY2017 (6 months)	Change (Amount)	FY2017 (12 months)
Institutional Business	18.2	20.8	-2.5	40.2
Corporate Business	2.6	5.7	-3.0	8.7
Structured Finance	3.4	3.2	0.1	7.4
Principal Transactions	5.0	5.3	-0.2	7.8
Showa Leasing	7.1	6.6	0.5	16.1
Global Markets Business	3.3	4.1	-0.7	9.2
Markets	2.3	2.9	-0.6	6.8
Others	1.0	1.1	-0.1	2.3
Individual Business	24.8	23.3	1.5	48.8
Retail Banking	1.0	0.1	0.8	1.0
Shinsei Financial ¹	0.0	-0.1	0.2	-0.1
APLUS FINANCIAL	22.9	22.3	0.5	45.0
Others	0.8	0.9	-0.1	2.7
Corporate/Other	1.8	3.3	-1.4	4.9
Noninterest income	48.3	51.7	-3.3	103.2

1. Income of Shinsei Financial, "Shinsei Bank Card Loan - Lake", and "Shinsei Bank Smart Card Loan Plus" are combined on a management accounting basis.

The Institutional Business recorded noninterest income totaling 18.2 billion yen in the first half of fiscal year 2018, 2.5 billion yen decrease compared to 20.8 billion yen in the first half of fiscal year 2017. Fee income increased in the Showa Leasing and Structured Finance while it decreased in the Principal Transactions and Corporate Business due to the absence of the gain on sales of equities recorded in the first half of fiscal year 2017.

The Global Markets Business recorded noninterest income totaling 3.3 billion yen, 0.7 billion yen decrease from 4.1 billion yen recorded in the first half of fiscal year 2017. This was due to a decrease of income from derivative transactions in the Markets.

The Individual Business recorded noninterest income totaling 24.8 billion yen, 1.5 billion yen increase from 23.3 billion yen recorded in first half of fiscal year 2017. This was due to recovery of the sale of asset management products in the Retail Banking Business and revenues increase from shopping credit and other major businesses of APLUS FINANCIAL.

Corporate/Others recorded noninterest income totaling 1.8 billion yen, 1.4 billion yen decrease from first half of fiscal year 2017.

General and Administrative Expenses (Consolidated)

(Billions of yen)

	1H FY2018 (6 months)	1H FY2017 (6 months)	Change (Amount)	FY2017 (12 months)
Personnel expenses	-27.6	-28.2	0.5	-55.8
Nonpersonnel expenses	-43.2	-43.4	0.1	-86.7
Premises expenses	-9.7	-10.0	0.3	-20.0
Technology and data processing expenses	-10.9	-10.3	-0.6	-20.8
Advertising expenses	-5.4	-5.8	0.3	-11.0
Consumption, property taxes, etc.	-4.7	-4.4	-0.2	-9.3
Deposit insurance premium	-0.8	-0.8	0.0	-1.7
Other general and administrative expenses	-11.5	-11.8	0.2	-23.6
General and administrative expenses	-70.9	-71.6	0.6	-142.5

 Net Credit Costs (Consolidated) ¹

(Billions of yen)

	1H FY2018 (6 months)	1H FY2017 (6 months)	Change (Amount)	FY2017 (12 months)
Losses on write-off of loans/Losses on sale of loans	-0.2	-0.4	0.1	-0.5
Net provision of reserve for loan losses:	-17.1	-22.1	4.9	-43.0
Net provision of general reserve for loan losses	-8.1	-15.1	6.9	-28.0
Net provision of specific reserve for loan losses	-8.9	-6.9	-1.9	-14.9
Net provision of reserve for loan losses to restructuring countries	-	0.0	-0.0	0.0
Other credit costs relating to leasing business	-0.1	-0.2	0.1	-0.6
Recoveries of written-off claims	3.1	2.9	0.2	6.9
Net credit costs	-14.4	-19.8	5.4	-37.2

1. Amounts of losses, net provision and costs are shown in minus. Amounts of recoveries and reversals are shown in plus.

Other Gains (Consolidated)

(Billions of yen)

	1H FY2018 (6 months)	1H FY2017 (6 months)	Change (Amount)	FY2017 (12 months)
Extraordinary income	-0.1	-0.5	0.4	-1.4
Net gain on disposal of premises and equipment	-0.0	-0.0	0.0	0.5
Other extraordinary income	-0.1	-0.5	0.3	-1.9
Provisions of reserve for losses on interest repayment	1.7	3.9	-2.1	6.0
Shinsei Financial	1.5	3.9	-2.3	11.8
Shinsei Personal Loan	0.1	-	0.1	-2.7
APLUS FINANCIAL	-	-	-	-3.0
Other	-	-	-	-
Other	0.3	1.5	-1.1	2.5
Other gains	1.9	4.8	-2.9	7.2

Business Line Results (Consolidated)

(Billions of yen)

	1H FY2018 (6 months)	1H FY2017 (6 months)	Change (Amount)	FY2017 (12 months)
<i>Institutional Business:</i>				
Net interest income	11.3	12.6	-1.2	24.4
Noninterest income	18.2	20.8	-2.5	40.2
Total revenue	29.6	33.5	-3.8	64.6
General and administrative expenses	-16.6	-15.9	-0.7	-32.4
Ordinary business profit	13.0	17.6	-4.5	32.2
Net credit costs	2.2	-1.2	3.4	-3.6
Ordinary business profit after net credit costs	15.2	16.4	-1.1	28.6
<i>Global Markets Business:</i>				
Net interest income	0.9	1.1	-0.1	2.1
Noninterest income	3.3	4.1	-0.7	9.2
Total revenue	4.3	5.3	-0.9	11.4
General and administrative expenses	-3.5	-3.5	-0.0	-7.0
Ordinary business profit	0.7	1.7	-1.0	4.3
Net credit costs	-0.0	-0.0	-0.0	-0.0
Ordinary business profit after net credit costs	0.6	1.7	-1.0	4.3
<i>Individual Business:</i>				
Net interest income	52.8	51.2	1.5	103.4
Noninterest income	24.8	23.3	1.5	48.8
Total revenue	77.6	74.5	3.1	152.3
General and administrative expenses	-50.0	-50.6	0.6	-99.6
Ordinary business profit	27.6	23.8	3.7	52.6
Net credit costs	-16.5	-18.6	2.0	-33.6
Ordinary business profit after net credit costs	11.0	5.2	5.8	19.0
<i>Corporate/Other¹:</i>				
Net interest income	1.1	-0.8	2.0	-1.3
Noninterest income	1.8	3.3	-1.4	4.9
Total revenue	3.0	2.4	0.5	3.6
General and administrative expenses	-0.7	-1.4	0.7	-3.4
Ordinary business profit	2.2	1.0	1.2	0.2
Net credit costs	-0.0	0.0	-0.0	0.0
Ordinary business profit after net credit costs	2.2	1.0	1.2	0.2
<i>Total:</i>				
Net interest income	66.3	64.1	2.1	128.7
Noninterest income	48.3	51.7	-3.3	103.2
Total revenue	114.7	115.9	-1.1	232.0
General and administrative expenses	-70.9	-71.6	0.6	-142.5
Ordinary business profit	43.7	44.2	-0.5	89.4
Net credit costs	-14.4	-19.8	5.4	-37.2
Ordinary business profit after net credit costs	29.3	24.3	4.9	52.1

1."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.

2.Costs associated with the funding operations have been allocated to the interest earning businesses on a management accounting basis.

Segment Information

Due to revision of business segment, a part of income and loss is included in "Corporate Business" and "Retail Banking" from "Corporate Other".

Institutional Business	Focuses primarily on corporate, public and financial sector finance and advisory businesses.
Corporate Business	"Corporate Business" provides financial products and services, advisory services, health care finance and trust services to businesses and public corporations and financial institutions.
Structured Finance	"Structured Finance" provides real estate related nonrecourse and corporate finance, project finance, M&A related finance, and specialty finance.
Principal Transactions	"Principal Transactions" is engaged in the credit trading businesses, private equity, corporate revitalization support business, the provision of business succession and business switching and withdrawal support services and asset-backed investment.
Showa Leasing	"Showa Leasing" primarily provides leasing related financial products and services.
Global Markets Business:	Focuses primarily on financial markets business.
Markets	"Markets" is engaged in foreign exchange, derivatives, equity related and other capital markets transactions.
Others	"Others" consists of the profit and loss attributable to Shinsei Securities, asset management, wealth management and other products and services of the Global Markets Business.
Individual Business:	Focuses on retail financial products and services.
Retail Banking	"Retail Banking" provides financial transactions and services to retail customers such as yen/foreign currency, structured deposits services, investment trust, brokerage service (through a partner institution), life and nonlife insurance (through partner institutions) and housing loans.
Shinsei Financial	"Shinsei Financial" provides consumer finance products and services and guarantee services (Shinsei Financial, Shinsei Bank Lake, NOLOAN).
APLUS FINANCIAL	"APLUS FINANCIAL" provides installment sales credit, credit cards, guarantees, financing and settlement services.
Others	The "Others" consists of profit and loss attributable to unallocated consumer finance business and other subsidiaries.
Corporate/Other:	"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.
Treasury	The "Treasury" undertakes ALM related operations and includes gains and losses from equity and subordinated debt financing activities.

Institutional Business¹ (Consolidated)

(Billions of yen)

	1H FY2018 (6 months)	1H FY2017 (6 months)	Change (Amount)	FY2017 (12 months)
<i>Corporate Business:</i>				
Net interest income	5.0	4.9	0.0	10.0
Noninterest income	2.6	5.7	-3.0	8.7
Total revenue	7.6	10.6	-3.0	18.7
General and administrative expenses	-5.9	-5.9	-0.0	-11.8
Ordinary business profit	1.6	4.7	-3.0	6.9
Net credit costs	-1.6	0.8	-2.4	-0.2
Ordinary business profit after net credit costs	0.0	5.5	-5.5	6.6
<i>Structured Finance:</i>				
Net interest income	4.9	4.6	0.3	9.5
Noninterest income	3.4	3.2	0.1	7.4
Total revenue	8.3	7.8	0.5	17.0
General and administrative expenses	-3.9	-3.4	-0.4	-6.8
Ordinary business profit	4.4	4.4	0.0	10.1
Net credit costs	3.0	-1.6	4.7	-1.7
Ordinary business profit after net credit costs	7.5	2.7	4.7	8.4
<i>Principal Transactions:</i>				
Net interest income	1.5	3.1	-1.5	5.0
Noninterest income	5.0	5.3	-0.2	7.8
Total revenue	6.6	8.4	-1.7	12.8
General and administrative expenses	-1.9	-2.3	0.4	-4.7
Ordinary business profit	4.6	6.0	-1.3	8.1
Net credit costs	0.0	0.2	-0.1	1.2
Ordinary business profit after net credit costs	4.6	6.2	-1.5	9.3
<i>Showa Leasing:</i>				
Net interest income	-0.1	-0.0	-0.1	-0.1
Noninterest income	7.1	6.6	0.5	16.1
Total revenue	7.0	6.5	0.4	15.9
General and administrative expenses	-4.7	-4.1	-0.6	-8.9
Ordinary business profit	2.2	2.4	-0.1	7.0
Net credit costs	0.7	-0.5	1.3	-2.7
Ordinary business profit after net credit costs	3.0	1.8	1.1	4.2
<i>Institutional Business:</i>				
Net interest income	11.3	12.6	-1.2	24.4
Noninterest income	18.2	20.8	-2.5	40.2
Total revenue	29.6	33.5	-3.8	64.6
General and administrative expenses	-16.6	-15.9	-0.7	-32.4
Ordinary business profit	13.0	17.6	-4.5	32.2
Net credit costs	2.2	-1.2	3.4	-3.6
Ordinary business profit after net credit costs	15.2	16.4	-1.1	28.6

1.Net of consolidation adjustments, if applicable.

Global Markets Business¹ (Consolidated)

(Billions of yen)

	1H FY2018 (6 months)	1H FY2017 (6 months)	Change (Amount)	FY2017 (12 months)
<i>Markets:</i>				
Net interest income	0.7	0.9	-0.1	1.6
Noninterest income	2.3	2.9	-0.6	6.8
Total revenue	3.0	3.9	-0.8	8.5
General and administrative expenses	-1.9	-1.9	0.0	-3.7
Ordinary business profit	1.1	1.9	-0.7	4.8
Net credit costs	-0.0	0.0	-0.0	0.0
Ordinary business profit after net credit costs	1.1	1.9	-0.8	4.8
<i>Others:</i>				
Net interest income	0.2	0.2	-0.0	0.5
Noninterest income	1.0	1.1	-0.1	2.3
Total revenue	1.2	1.4	-0.1	2.8
General and administrative expenses	-1.6	-1.6	-0.0	-3.3
Ordinary business profit	-0.4	-0.2	-0.2	-0.4
Net credit costs	-0.0	-0.0	-0.0	-0.0
Ordinary business profit after net credit costs	-0.4	-0.2	-0.2	-0.5
<i>Global Markets Business:</i>				
Net interest income	0.9	1.1	-0.1	2.1
Noninterest income	3.3	4.1	-0.7	9.2
Total revenue	4.3	5.3	-0.9	11.4
General and administrative expenses	-3.5	-3.5	-0.0	-7.0
Ordinary business profit	0.7	1.7	-1.0	4.3
Net credit costs	-0.0	-0.0	-0.0	-0.0
Ordinary business profit after net credit costs	0.6	1.7	-1.0	4.3

1.Net of consolidation adjustments, if applicable.

Individual Business (Consolidated) ¹

(Billions of yen)

	1H FY2018 (6 months)	1H FY2017 (6 months)	Change (Amount)	FY2017 (12 months)
<i>Retail banking:</i>				
Net interest income	11.8	11.2	0.6	22.4
Loans	5.0	5.3	-0.2	10.5
Deposits	6.8	5.9	0.9	11.9
Noninterest income	1.0	0.1	0.8	1.0
Asset Management Products	3.5	3.0	0.4	6.5
Other Fees (ATM, Fund Transfer, FX etc.)	-2.4	-2.8	0.3	-5.4
Total revenue	12.9	11.4	1.4	23.5
General and administrative expenses	-13.9	-14.8	0.9	-29.2
Ordinary business profit	-1.0	-3.4	2.3	-5.7
Net credit costs	-0.0	-0.1	0.1	-0.1
Ordinary business profit after net credit costs	-1.0	-3.5	2.5	-5.8
<i>Shinsei Financial²:</i>				
Net interest income	34.9	34.1	0.8	69.0
Lake Business	32.0	30.9	1.0	62.9
Noninterest income	0.0	-0.1	0.2	-0.1
Total revenue	35.0	33.9	1.0	68.9
General and administrative expenses	-16.4	-16.5	0.1	-32.4
Ordinary business profit	18.5	17.3	1.2	36.4
Net credit costs	-8.3	-12.5	4.2	-22.7
Ordinary business profit after net credit costs	10.2	4.7	5.5	13.7
<i>APLUS FINANCIAL:</i>				
Net interest income	5.5	5.5	0.0	11.3
Noninterest income	22.9	22.3	0.5	45.0
Total revenue	28.5	27.9	0.6	56.4
General and administrative expenses	-18.7	-18.5	-0.1	-36.6
Ordinary business profit	9.7	9.3	0.4	19.7
Net credit costs	-8.1	-5.8	-2.2	-10.6
Ordinary business profit after net credit costs	1.6	3.4	-1.8	9.1
<i>Others:</i>				
Net interest income	0.3	0.3	0.0	0.6
Noninterest income	0.8	0.9	-0.1	2.7
Total revenue	1.2	1.2	-0.0	3.4
General and administrative expenses	-0.8	-0.6	-0.1	-1.3
Ordinary business profit	0.3	0.6	-0.2	2.0
Net credit costs	-0.1	-0.0	-0.0	-0.0
Ordinary business profit after net credit costs	0.2	0.5	-0.3	2.0
<i>Individual Business:</i>				
Net interest income	52.8	51.2	1.5	103.4
Noninterest income	24.8	23.3	1.5	48.8
Total revenue	77.6	74.5	3.1	152.3
General and administrative expenses	-50.0	-50.6	0.6	-99.6
Ordinary business profit	27.6	23.8	3.7	52.6
Net credit costs	-16.5	-18.6	2.0	-33.6
Ordinary business profit after net credit costs	11.0	5.2	5.8	19.0

1. Net of consolidation adjustments, if applicable.

2. Income of Shinsei Financial, "Shinsei Bank Card Loan - Lake", and "Shinsei Bank Smart Card Loan Plus" are combined on a management accounting basis.

Corporate/Other (Consolidated)¹

(Billions of yen)

	1H FY2018 (6 months)	1H FY2017 (6 months)	Change (Amount)	FY2017 (12 months)
<i>Treasury:</i>				
Net interest income	1.1	-0.8	2.0	-1.3
Noninterest income	1.5	2.9	-1.4	4.2
Total revenue	2.6	2.1	0.5	2.8
General and administrative expenses	-0.8	-0.8	0.0	-1.7
Ordinary business profit	1.8	1.2	0.6	1.0
Net credit costs	-	-	-	-
Ordinary business profit after net credit costs	1.8	1.2	0.6	1.0
<i>Corporate/Other (excluding Treasury)¹:</i>				
Net interest income	-0.0	-0.0	0.0	-0.0
Noninterest income	0.3	0.3	0.0	0.7
Total revenue	0.3	0.3	0.0	0.7
General and administrative expenses	0.1	-0.5	0.6	-1.6
Ordinary business profit	0.4	-0.2	0.6	-0.8
Net credit costs	-0.0	0.0	-0.0	0.0
Ordinary business profit after net credit costs	0.4	-0.2	0.6	-0.8
<i>Corporate/Other¹:</i>				
Net interest income	1.1	-0.8	2.0	-1.3
Noninterest income	1.8	3.3	-1.4	4.9
Total revenue	3.0	2.4	0.5	3.6
General and administrative expenses	-0.7	-1.4	0.7	-3.4
Ordinary business profit	2.2	1.0	1.2	0.2
Net credit costs	-0.0	0.0	-0.0	0.0
Ordinary business profit after net credit costs	2.2	1.0	1.2	0.2

1. "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.

Loans by Borrower Industry (Consolidated)

(Billions of yen)

	Sep 30 2018	Mar 31 2018	Change (Amount)
Domestic offices (excluding Japan offshore market accounts):			
Manufacturing	191.7	189.6	2.1
Agriculture and forestry	0.0	0.0	-0.0
Fishery	-	-	-
Mining, quarrying and gravel extraction	0.4	0.4	-0.0
Construction	7.7	7.6	0.0
Electric power, gas, heat supply and water supply	268.8	250.1	18.6
Information and communications	64.6	70.5	-5.9
Transportation and postal service	195.7	197.9	-2.1
Wholesale and retail	111.8	114.5	-2.7
Finance and insurance	530.3	509.1	21.1
Real estate	574.1	565.9	8.2
Services	315.9	344.6	-28.6
Local government	58.0	68.4	-10.3
Others	2,406.2	2,437.3	-31.0
Loans to individual customers (retail banking, Shinsei BankLake, Shinsei Financial, and APLUS FINANCIAL)	1,971.6	1,998.2	-26.6
Total domestic (A)	4,725.6	4,756.4	-30.7
Overseas offices (including Japan offshore market accounts):			
Governments	0.2	0.3	-0.0
Financial institutions	29.0	30.8	-1.7
Others	121.9	108.3	13.6
Total overseas (B)	151.3	139.5	11.7
Total (A+B)	4,877.0	4,895.9	-18.9

Securities Being Held to Maturity (Consolidated)

(Billions of yen)

	Sep 30, 2018			Mar 31, 2018		
	Carrying amount	Fair value	Unrealized gain (loss)	Carrying amount	Fair value	Unrealized gain (loss)
Fair value exceeds carrying amount						
Japanese national government bonds	435.2	437.7	2.4	481.3	484.6	3.3
Subtotal	435.2	437.7	2.4	481.3	484.6	3.3
Fair value does not exceed carrying amount						
Japanese national government bonds	20.0	19.9	-0.0	-	-	-
Subtotal	20.0	19.9	-0.0	-	-	-
Total	455.2	457.6	2.4	481.3	484.6	3.3

Securities Available for Sale (Consolidated)

(Billions of yen)

	Sep 30, 2018			Mar 31, 2018		
	Carrying amount (Fair value)	Amortized/ Acquisition cost	Unrealized gain (loss)	Carrying amount (Fair value)	Amortized/ Acquisition cost	Unrealized gain (loss)
Carrying amount exceeds amortized/acquisition cost						
Equity securities	18.6	7.9	10.7	19.9	9.0	10.8
Domestic bonds	42.9	42.7	0.2	70.1	69.9	0.2
Japanese national government bonds	2.0	2.0	0.0	23.2	23.2	0.0
Japanese local government bonds	-	-	-	2.3	2.3	0.0
Japanese corporate bonds	40.9	40.7	0.1	44.6	44.3	0.2
Other	92.0	89.3	2.7	155.5	153.4	2.0
Foreign securities	90.7	88.6	2.0	151.2	149.7	1.4
Foreign currency denominated foreign corporate and government bonds	68.6	68.2	0.3	125.7	124.5	1.2
Yen-denominated foreign corporate and government bonds	19.2	19.2	0.0	25.1	25.1	0.0
Foreign equity securities and others	2.7	1.1	1.6	0.2	0.0	0.1
Other securities	1.3	0.7	0.6	4.3	3.7	0.5
Other monetary claims purchased	-	-	-	0.0	0.0	0.0
Subtotal	153.7	140.1	13.6	245.6	232.4	13.1
Carrying amount does not exceed amortized/acquisition cost						
Equity securities	1.9	2.2	-0.3	1.2	1.4	-0.2
Domestic bonds	224.8	227.3	-2.5	112.8	114.7	-1.9
Japanese national government bonds	97.3	97.9	-0.5	-	-	-
Japanese local government bonds	3.2	3.3	-0.0	-	-	-
Japanese corporate bonds	124.1	126.1	-1.9	112.8	114.7	-1.9
Other	271.7	277.4	-5.6	175.0	178.8	-3.7
Foreign securities	267.8	273.4	-5.5	174.9	178.7	-3.7
Foreign currency denominated foreign corporate and government bonds	214.1	218.9	-4.8	123.9	126.9	-3.0
Yen-denominated foreign corporate and government bonds	49.8	50.4	-0.5	47.3	47.9	-0.5
Foreign equity securities and others	3.9	4.0	-0.1	3.7	3.8	-0.0
Other securities	3.8	4.0	-0.1	0.1	0.1	-0.0
Other monetary claims purchased	-	-	-	-	-	-
Subtotal	498.5	507.0	-8.5	289.1	295.0	-5.9
Total ^{1, 2}	652.2	647.1	5.1	534.7	527.5	7.1

1.Includes a part of other monetary claims purchased in addition to securities available for sale.Total amounts of securities available for sale excluding such other monetary claims purchased as of Sep 30, 2018 and March 31, 2018 were ¥652.2 billion and ¥534.7 billion, respectively.

2.Securities whose fair value cannot be reliably determined are not included.

Unrealized Gain (Loss) on Available-for-Sale Securities (Consolidated)

(Billions of yen)

	Sep 30, 2018	Mar 31, 2018
Unrealized gain (loss) before deferred tax on:		
Available-for-sale securities	5.1	7.1
The Bank's interests in available-for-sale securities held by partnerships recorded as securities whose fair value cannot be reliably determined and other adjustments	-1.7	0.2
Other monetary assets held in trust	-0.9	-0.5
(-) Deferred tax liabilities	0.6	1.3
Unrealized gain (loss) on available-for-sale securities before interest adjustments	1.7	5.5
(-) Noncontrolling interests	0.0	0.0
(+) The Bank's interests in unrealized gain (loss) on available-for-sale securities held by affiliates to which the equity method is applied	4.9	-0.3
Unrealized gain (loss) on available-for-sale securities	6.6	5.1

Deposits (Consolidated)

(Billions of yen)

	Sep 30 2018	Mar 31 2018	Change (Amount)
Deposits	5,561.5	5,628.1	-66.5
Liquid (current, ordinary, notice) deposits	2,495.5	2,423.0	72.4
Time deposits ¹	2,585.3	2,691.0	-105.6
Other	480.7	514.0	-33.2
Negotiable certificates of deposits (NCDs)	479.7	438.9	40.8
Total	6,041.3	6,067.0	-25.7

1.Includes two-week maturity deposits

Financial Ratios (Consolidated)

	1H FY2018 (6 months)	1H FY2017 (6 months)	FY2017 (12 months)
Return on assets ¹	0.6% ⁵	0.5% ⁵	0.5%
Return on equity ²	6.4% ⁵	6.0% ⁵	6.1%
Return on equity (fully diluted) ³	6.4% ⁵	6.0% ⁵	6.1%
Return on risk asset ⁴	0.9% ⁵	0.8% ⁵	0.8%
Expense-to-revenue ratio ^{6, 7}	61.9%	61.8%	61.5%

1.Return on assets:

$\frac{\text{Profit (Losses) Attributable to Owners of the Parent}}{(\text{Total assets at the BOP} + \text{Total assets at the EOP})/2}$

BOP: beginning of period
EOP: end of period

2.Return on equity:

$\frac{\text{Profit (Losses) Attributable to Owners of the Parent}}{(\text{Total equity eligible for common shareholders at the BOP} + \text{Total equity eligible for common shareholders at the EOP})/2}$

3.Return on equity (fully diluted):

$\frac{\text{Profit (Losses) Attributable to Owners of the Parent}}{((\text{Total equity at the BOP} - \text{Share warrants at the BOP} - \text{Noncontrolling interests at the BOP}) + (\text{Total equity at the EOP} - \text{Share warrants at the EOP} - \text{Noncontrolling interests at the EOP}))/2}$

4.Return on risk asset:

$\frac{\text{Profit (Losses) Attributable to Owners of the Parent}}{\text{Risk-weighted assets at the EOP (Basel 3, international standard fully loaded basis)}}$

5.Annualized basis.

6.Management accounting basis.

7.Expense denotes general and administrative expenses.

Capital Adequacy Related Information (Consolidated)

<Basel 3, Domestic Standard 1>

(Billions of yen, except percentages)

	Sep 30 2018	Mar 31 2018	Change (Amount)
Core capital:instruments and reserves	893.5	899.9	-6.3
Core capital:regulatory adjustments	-92.1	-85.8	-6.3
Capital	801.4	814.1	-12.6
Total amount of Risk-weighted assets	6,442.2	6,342.7	99.4
Consolidated core capital adequacy ratio	12.44%	12.83%	

1.Calculated according to F-IRB.

Consolidated total required capital is ¥607.0 billion as at Sep 30, 2018, ¥592.7 billion as at March 31, 2018.

Per Share Data (Consolidated)¹

(Yen)

	1H FY2018 (6 months)	1H FY2017 (6 months)	Change (Amount)	FY2017 (12 months)
Common equity	3,547.97	3,243.13	304.84	3,376.39
Fully diluted equity	3,547.56	3,242.75	304.80	3,375.99
Basic EPS	110.73	96.98	13.75	199.01
Diluted EPS	110.72	96.97	13.75	198.98
For calculation of per share data (Does not include treasury shares):				
Equity: Number of common shares	245,490,159	258,838,977		252,868,614
Fully diluted number of shares	245,519,050	258,869,119		252,898,756
EPS Number of common shares	250,045,525	258,838,999		258,349,136
Fully diluted number of shares	250,077,018	258,864,207		258,376,805

1.Shinsei Bank consolidated its shares with a rate of ten shares of common stock into one share on October 1, 2017. Per Share Data is calculated as if the consolidation of shares had occurred at the beginning of the FY2017.

Interim Consolidated Balance Sheets

(Millions of yen)

	Sep 30 2018	Mar 31 2018	Change (Amount)
<<Assets>>			
Cash and due from banks	1,396,718	1,465,663	(68,945)
Call loans and bills bought	—	—	—
Receivables under securities borrowing transactions	572	2,629	(2,056)
Other monetary claims purchased	29,478	36,332	(6,854)
Trading assets	188,546	205,295	(16,749)
Monetary assets held in trust	267,528	234,924	32,603
Securities	1,217,516	1,123,522	93,994
Loans and bills discounted	4,877,000	4,895,963	(18,962)
Foreign exchanges	33,403	32,511	891
Lease receivables and leased investment assets	159,291	171,429	(12,138)
Other assets	900,554	856,213	44,341
Premises and equipment	47,693	50,261	(2,567)
Intangible assets	67,054	59,484	7,570
Goodwill	10,687	11,910	(1,222)
Assets for retirement benefits	14,377	13,261	1,116
Deferred tax assets	14,328	14,705	(377)
Customers' liabilities for acceptances and guarantees	422,187	395,301	26,886
Reserve for credit losses	(100,731)	(100,840)	108
Total assets	9,535,522	9,456,660	78,861
<<Liabilities>>			
Deposits	5,561,596	5,628,169	(66,572)
Negotiable certificates of deposit	479,786	438,927	40,858
Debentures	—	423	(423)
Call money and bills sold	5,325	—	5,325
Payables under repurchase agreements	64,347	55,919	8,428
Payables under securities lending transactions	542,019	433,462	108,556
Trading liabilities	166,427	184,582	(18,155)
Borrowed money	700,279	739,578	(39,298)
Foreign exchanges	54	102	(48)
Short-term corporate bonds	193,900	175,700	18,200
Corporate bonds	87,335	85,000	2,335
Other liabilities	355,868	367,734	(11,865)
Accrued employees' bonuses	4,922	8,489	(3,567)
Accrued directors' bonuses	32	51	(18)
Liabilities for retirement benefits	8,379	8,366	13
Reserve for reimbursement of debentures	4,020	4,130	(109)
Reserve for losses on interest repayments	65,755	74,687	(8,931)
Deferred tax liabilities	—	—	—
Acceptances and guarantees	422,187	395,301	26,886
Total liabilities	8,662,238	8,600,625	61,613
<<Equity>>			
Common stock	512,204	512,204	—
Capital surplus	78,506	78,506	(0)
Retained earnings	322,186	361,368	(39,182)
Treasury stock, at cost	(37,377)	(89,540)	52,163
Total shareholders' equity	875,520	862,538	12,981
Unrealized gain (loss) on available-for-sale securities	6,670	5,187	1,483
Deferred gain (loss) on derivatives under hedge accounting	(12,378)	(14,457)	2,079
Foreign currency translation adjustments	(1,121)	(1,573)	451
Defined retirement benefit plans	2,303	2,089	213
Total accumulated other comprehensive income	(4,526)	(8,754)	4,227
Stock acquisition rights	102	318	(216)
Noncontrolling interests	2,186	1,930	255
Total equity	873,283	856,034	17,248
Total liabilities and equity	9,535,522	9,456,660	78,861

Interim Consolidated Statements of Income

(Millions of yen)

	1H FY2018 (6 months)	1H FY2017 (6 months)	Change (Amount)	FY2017 (12 months)
Ordinary income	187,397	190,461	(3,063)	383,869
Interest income	76,614	73,879	2,735	148,504
Interest on loans and bills discounted	69,628	66,740	2,887	134,857
Interest and dividends on securities	5,948	6,197	(248)	11,705
Other interest income	1,038	941	96	1,941
Fees and commissions income	27,163	24,292	2,870	50,129
Trading income	2,295	3,432	(1,136)	8,542
Other business income	69,524	70,023	(499)	141,370
Other ordinary income	11,799	18,832	(7,032)	35,321
Ordinary expenses	157,739	162,895	(5,156)	327,057
Interest expenses	10,269	9,687	582	19,728
Interest on deposits	4,065	4,313	(247)	8,998
Interest on borrowings	1,796	1,709	87	3,471
Interest on corporate bonds	292	545	(253)	952
Other interest expenses	4,114	3,118	996	6,306
Fees and commissions expenses	12,583	12,707	(124)	25,059
Trading losses	473	—	473	—
Other business expenses	41,742	42,477	(735)	87,820
General and administrative expenses	73,114	74,233	(1,119)	146,969
Amortization of goodwill	1,251	1,553	(301)	2,773
Amortization of intangible assets acquired in business combinations	481	718	(236)	1,213
Other general and administrative expenses	71,380	71,962	(581)	142,981
Other ordinary expenses	19,555	23,788	(4,232)	47,480
Provision of reserve for credit losses	17,142	22,127	(4,984)	43,030
Other	2,413	1,660	752	4,450
Ordinary profit	29,658	27,565	2,092	56,811
Extraordinary gains	217	295	(78)	917
Extraordinary losses	352	843	(491)	2,317
Income before income taxes	29,523	27,017	2,506	55,411
Income taxes (benefit):				
Income taxes (benefit) - current	832	583	248	1,266
Income taxes (benefit) - deferred	1,050	1,245	(194)	2,574
Total income taxes (benefit)	1,883	1,829	53	3,841
Profit	27,640	25,187	2,452	51,570
Profit (loss) attributable to noncontrolling interests	(49)	85	(134)	156
Profit attributable to owners of the parent	27,689	25,102	2,587	51,414

Composition of Capital Disclosure(Consolidated)

Shinsei Bank and subsidiaries

Millions of yen (except percentages)

Items	Basel III (Domestic Standard) Sep 30 2018	Amounts excluded under transitional arrangements	Basel III (Domestic Standard) June 30 2018	Amounts excluded under transitional arrangements
Core capital:instruments and reserves (1)				
Directly issued qualifying common share capital or preferred share capital with a compulsory conversion clause plus related capital surplus and retained earnings	¥ 875,520		¥ 866,852	
of which:capital and capital surplus	590,710		590,710	
of which:retained earnings	322,186		303,583	
of which:treasury stock (-)	37,377		27,441	
of which:earning to be distributed (-)	-		-	
of which:other than above	-		-	
Accumulated other comprehensive income (amount allowed to be included in Core capital) of which:foreign currency translation adjustment	721 (1,121)	¥ 460	(188) (1,945)	¥ 439
of which:amount related defined benefit	1,842	460	1,757	439
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	102		101	
Adjusted noncontrolling interests (amount allowed to be included in Core capital)	8		9	
Total of reserves included in Core capital:instruments and reserves	423		417	
of which:general reserve for loan losses included in Core capital	423		417	
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)	15,000		25,000	
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)	1,753		1,694	
Core capital:instruments and reserves (A)	¥ 893,530		¥ 893,886	
Core capital:regulatory adjustments (2)				
Total amount of intangible assets (excluding those relating to mortgage servicing rights) of which:goodwill (including those equivalent)	¥ 42,086 10,687	¥ 7,709	¥ 43,079 11,299	¥ 7,762
of which:other intangibles other than goodwill and mortgage servicing rights	31,398	7,709	31,780	7,762
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	6,037	1,509	5,664	1,416
Shortfall of eligible provisions to expected losses	30,635	-	29,861	-
Gain on sale of securitization	5,370	-	5,370	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-	-	-	-
Net defined benefit asset	7,980	1,995	7,776	1,944
Investments in own shares (excluding those reported in the net assets section)	0	0	0	0
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)	-	-	-	-
Core capital:regulatory adjustments (B)	¥ 92,109		¥ 91,751	
Capital (consolidated)				
Capital (consolidated)((A)-(B))(C)	¥ 801,420		¥ 802,134	
Risk-weighted assets, etc.				
Total amount of credit risk-weighted assets	¥5,890,945		¥5,777,200	
of which:total amount included in risk-weighted assets by transitional arrangements	9,549		9,444	
of which:intangible assets (excluding those relating to goodwill and mortgage servicing rights)	7,709		7,762	
of which:deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,509		1,416	
of which:net defined benefit asset	1,995		1,944	
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	(1,663)		(1,678)	
of which:other than above	0		0	
Market risk (derived by multiplying the capital requirement by 12.5)	175,059		152,869	
Operational risk (derived by multiplying the capital requirement by 12.5)	376,198		371,960	
Credit risk-weighted assets adjustments	-		-	
Operational risk adjustments	-		-	
Total amount of Risk-weighted assets (D)	¥6,442,204		¥6,302,030	
Capital ratio (consolidated)				
Capital ratio (consolidated)((C)/(D))	12.44%		12.72%	

(Reference) Results of Operations (Consolidated)

(Millions of yen)

	1H FY2018 (6 months) (A)	1H FY2017 (6 months) (B)	Change (A)-(B)
Gross Business Profit	111,884	108,518	3,366
(excluding Gains on Monetary Assets Held in Trust)	110,679	107,028	3,650
Net Interest Income	66,344	64,192	2,152
Net Fees and Commissions	14,589	11,594	2,995
Net Trading Income	1,821	3,432	(1,610)
Net Other Business Income	29,128	29,299	(171)
Gains on Monetary Assets Held in Trust	1,205	1,489	(284)
Gains related to Bonds	961	1,465	(503)
General and Administrative Expenses	72,727	73,930	(1,203)
Personnel Expenses	27,698	28,221	(522)
Nonpersonnel Expenses	40,301	41,256	(955)
Amortization of Goodwill and Intangible Assets	1,733	2,271	(538)
Taxes	4,727	4,452	274
Net Business Profit	39,157	34,587	4,569
Credit Costs	14,432	19,858	(5,425)
Gains on Stock Transactions	(1,183)	4,435	(5,618)
Equity in Net Income (Loss) of Affiliates	4,027	2,961	1,065
Other	2,089	5,438	(3,349)
Ordinary Profit	29,658	27,565	2,092
Extraordinary Gains	(135)	(548)	413
Gains from Sales of Fixed Assets and Impairment losses	(341)	(788)	447
Income before Income Taxes	29,523	27,017	2,506
Income Taxes - Current	832	583	248
Income Taxes - Deferred	1,050	1,245	(194)
Profit Attributable to Noncontrolling Interests	(49)	85	(134)
Profit Attributable to Owners of the Parents	27,689	25,102	2,587

Note

1.Net Business Profit = Gross Business Profit - General and Administrative Expenses.

2.Details of credit cost is available at "Net Credit Cost (Consolidated)" of Financial Summary.

Results of Operations (Nonconsolidated)

(Billions of yen)

	1H FY2018 (6 months)	1H FY2017 (6 months)	Change (Amount)	FY2017 (12 months)
Net interest income	51.6	51.5	0.1	105.4
Noninterest income	-0.1	2.3	-2.5	5.3
Net fees and commissions ¹	-5.2	-5.3	0.1	-10.4
Net trading income	0.2	1.6	-1.3	4.5
Net other business income	4.8	6.0	-1.2	11.2
Total revenue ¹	51.4	53.8	-2.4	110.8
Personnel expenses	-13.4	-13.9	0.4	-27.4
Nonpersonnel expenses	-19.2	-23.3	4.1	-45.9
Taxes	-2.5	-2.6	0.1	-5.6
General and administrative expenses	-35.2	-39.9	4.6	-79.0
Net business profit ¹	16.2	13.9	2.2	31.8
Other gains				
Gains on the sales of equities	-0.2	4.0	-4.2	4.3
Net provision of reserve for credit losses	-0.3	-1.0	0.7	-2.5
Losses on write-off of loans	-0.0	-0.0	0.0	-0.1
Recoveries of written-off claims	0.0	0.3	-0.2	1.3
Expenses for employees' retirement benefits	-0.3	-0.2	-0.0	-0.4
Others	0.4	1.3	-0.8	2.1
Net ordinary income	15.8	18.1	-2.3	36.5
Extra ordinary profit				
Gains from sales of fixed assets and impairment losses	-0.2	-0.2	-0.0	-1.1
Others	-1.4	6.3	-7.8	5.5
Income before income taxes	14.1	24.2	-10.1	40.9
Income taxes - Current	0.5	0.6	-0.0	2.6
Income taxes - Deferred	0.1	-1.9	2.1	-3.1
Net income	14.8	22.9	-8.1	40.5

¹Includes income from monetary assets held in trust of ¥0.5 billion in 1HFY2018, ¥1.1 billion in 1HFY2017 and ¥2.0 billion in FY2017.

The difference between nonconsolidated and consolidated basis net income arises from profits or losses at consolidated subsidiaries including Showa Leasing Co., Ltd., Shinsei Financial Co., Ltd., APLUS FINANCIAL Co., Ltd., Shinsei Personal Loan Co., Ltd., and gains or losses on our investment in our equity method affiliate, Jih Sun Financial Holding Co., Ltd., and whether or not dividends are received from our consolidated subsidiaries.

Reflecting their nature, gains and losses on the sale of equities and impairments related to equities are recorded as other business income (loss) in the consolidated financial statements. However, in the above-mentioned explanation of nonconsolidated financial results, they are included in other gains (losses) in according to the reporting format of the Revitalization Plan.

Nonconsolidated total revenue totaled 51.4 billion yen in the first half of fiscal year 2018, 2.4 billion yen decrease compared to the first half of fiscal year 2017. Of this amount, net interest income totaled 51.6 billion yen, 0.1 billion yen decrease from the first half of fiscal year 2017. This resulted from decrease in dividend income received from subsidiaries while interest income from unsecured loan and structured finance businesses increased. It should be noted that dividend income received from subsidiaries totaled 1.5 billion yen (1.5 billion yen from Showa Leasing), 4.7 billion yen decrease from the dividend income received in the first half of fiscal year 2017. Noninterest income totaled 0.1 billion yen (loss), 2.5 billion yen decrease from the first half of fiscal year 2017. This resulted from decrease in fee income related to derivative transactions.

General and administrative expenses totaled 35.2 billion yen, 4.6 billion yen decrease from the first half of fiscal year 2017. This was due mainly to transferring a part of overhead expenses to Shinsei Financial as Lake ALSA started from April 2018.

Nonconsolidated net business profit totaled 16.2 billion yen, 2.2 billion yen increase from the same period of fiscal year 2017.

Other gains include 0.3 billion yen net credit costs (expense) while net credit recoveries (gain) were recorded due primarily to calculation of general reserve for loan losses in accordance with portfolio growth including project finance as well as the absence of gains from sales of equities. There was also the absence of gains from sales of equities of a subsidiary which were recorded in fiscal year 2017. As a result, net income totaled 14.8 billion yen, 8.1 billion yen decrease from the first half of fiscal year 2017.

Interest-Earning Assets and Interest-Bearing Liabilities (Nonconsolidated)

(Billions of yen, except percentages)

	1H FY2018 (6 months)			1H FY2017 (6 months)			FY2017 (12 months)		
	Average balance	Interest	Yield/rate ¹ (%)	Average balance	Interest	Yield/rate ¹ (%)	Average balance	Interest	Yield/rate ¹ (%)
Interest-earning assets:									
Loans and bills discounted	4,682.4	50.3	2.14	4,533.7	46.0	2.02	4,581.5	94.3	2.05
Securities	1,488.7	8.9	1.20	1,428.7	12.3	1.72	1,457.6	25.4	1.74
Other interest-earning assets ^{2, 3}	124.8	0.9	***	191.2	1.0	***	192.1	2.0	***
Total interest-earning assets	6,296.0	60.2	1.90	6,153.7	59.4	1.92	6,231.4	121.8	1.95
Interest-bearing liabilities:									
Deposits, including negotiable certificates of deposit	6,153.1	4.0	0.13	5,985.7	4.3	0.14	6,055.4	9.0	0.14
Borrowed money	238.7	0.3	0.28	311.7	0.2	0.17	293.7	0.5	0.19
Subordinated debt	7.4	0.0	2.36	12.4	0.1	2.36	12.4	0.2	2.36
Other borrowed money	231.3	0.2	0.22	299.3	0.1	0.08	281.3	0.2	0.10
Corporate bonds	43.8	0.2	0.98	55.1	0.4	1.58	50.5	0.7	1.50
Subordinated bonds	18.6	0.1	1.95	31.4	0.4	2.54	28.6	0.6	2.43
Other corporate bonds	25.1	0.0	0.26	23.7	0.0	0.30	21.9	0.0	0.29
Other interest-bearing liabilities ²	680.5	4.0	***	543.7	2.9	***	572.5	6.1	***
Total interest-bearing liabilities	7,116.3	8.6	0.24	6,896.4	8.0	0.23	6,972.2	16.4	0.23
Net interest income/yield on interest-earning assets	6,296.0	51.5	1.63	6,153.7	51.4	1.66	6,231.4	105.3	1.69

1. Percentages have been truncated from the third decimal place.

2. Other interest-earning assets and other interest-bearing liabilities include interest rate swaps.

3. Excludes average balance of noninterest-earning assets.

Margins (All, Domestic) (Nonconsolidated)

(All)

(Percentages)

	1H FY2018 (6 months)	1H FY2017 (6 months)	Change	FY2017 (12 months)
Yield on interest earning assets (A)	1.90	1.92	-0.02	1.95
Total cost of funding (B)	1.23	1.38	-0.15	1.36
Cost of interest bearing liabilities (C)	0.24	0.23	0.01	0.23
Overall interest margin (A)-(B)	0.67	0.54	0.13	0.59
Net interest margin (A)-(C)	1.66	1.69	-0.03	1.72

Total cost of funding includes expenses as a part of funding costs

(Domestic)¹

(Percentages)

	1H FY2018 (6 months)	1H FY2017 (6 months)	Change	FY2017 (12 months)
Yield on interest earning assets (A)	1.66	1.77	-0.11	1.80
Interest earned on loans and bills discounted	2.03	2.00	0.03	2.03
Interest earned on securities	1.00	1.68	-0.68	1.78
Total cost of funding (B) ²	1.13	1.31	-0.18	1.29
Cost of interest bearing liabilities (C)	0.08	0.11	-0.03	0.10
Interest paid on deposits ³	0.06	0.09	-0.03	0.09
Overall interest margin (A)-(B)	0.53	0.46	0.07	0.51
Net interest margin (A)-(C)	1.58	1.66	-0.08	1.70

1.Domestic includes transactions denominated in Japanese yen for residents in Japan (excluding Japan offshore market accounts).

2.Total cost of funding includes expenses as a part of funding costs.

3.Deposits include Negotiable certificates of deposits (NCDs).

Gains (Losses) on Securities (Nonconsolidated)

(All)

(Billions of yen)

	1H FY2018 (6 months)	1H FY2017 (6 months)	Change	FY2017 (12 months)
Gains (losses) on bonds	0.9	1.4	-0.5	2.6
Gains on sales	1.4	1.8	-0.4	3.7
Gains on redemption	-	-	-	0.0
Losses on sales	-0.5	-0.4	-0.1	-1.1
Losses on redemption	-	-	-	-
Losses on devaluation	-	-	-	-
Gains (losses) on stocks	-0.2	4.0	-4.2	4.3
Gains on sales	0.0	4.1	-4.0	4.9
Losses on sales	-0.0	-0.1	0.1	-0.4
Losses on devaluation	-0.2	-0.0	-0.2	-0.1

Net Credit Costs (Nonconsolidated) ¹

(Billions of yen)

	1H FY2018 (6 months)	1H FY2017 (6 months)	Change (Amount)	FY2017 (12 months)
Losses on write-off of loans/Losses on sale of loans	-0.0	-0.0	0.0	-0.1
Net provision of reserve for loan losses	-0.3	-1.0	0.7	-2.5
Net provision of general reserve for loan losses	1.3	-1.1	2.5	-2.2
Net provision of specific reserve for loan losses	-1.6	0.1	-1.7	-0.3
Net Provision of Reserve for Loan Losses to Restructuring Countries	-	0.0	-0.0	0.0
Recoveries of written-off claims	0.0	0.3	-0.2	1.3
Net credit costs	-0.3	-0.8	0.5	-1.2

1.Amounts of losses, net provision and costs are shown in minus. Amounts of recoveries and reversals are shown in plus.

Loans by Borrower Industry (Nonconsolidated)

(Billions of yen)

	Sep 30 2018	Mar 31 2018	Change (Amount)
Domestic (excluding Japan offshore market accounts):			
Manufacturing	189.0	185.3	3.7
Agriculture and forestry	-	-	-
Fishery	-	-	-
Mining, quarrying and gravel extraction	0.4	0.4	-0.0
Construction	6.2	5.9	0.3
Electric power, gas, heat supply and water supply	265.9	246.1	19.7
Information and communications	64.3	70.3	-6.0
Transportation and postal service	173.1	174.8	-1.7
Wholesale and retail	108.0	110.0	-2.0
Finance and insurance	941.6	705.5	236.1
Real estate	558.4	553.5	4.9
Services	355.0	393.7	-38.7
Local government	58.0	68.4	-10.3
Individuals	1,511.9	1,564.0	-52.0
Overseas yen loans and overseas loans booked domestically	415.0	419.9	-4.9
Total domestic	4,647.3	4,498.4	148.9
Overseas (including Japan offshore market accounts):			
Governments	0.2	0.3	-0.0
Financial institutions	29.0	30.8	-1.7
Others	121.9	108.3	13.6
Total overseas	151.3	139.5	11.7
Total	4,798.7	4,637.9	160.7

Claims Classified under the Financial Revitalization Law (Nonconsolidated)

(Billions of yen)

	Sep 30 2018	Mar 31 2018	Change (Amount)
Claims against bankrupt and quasi-bankrupt obligors	1.8	1.8	0.0
Doubtful claims	3.4	3.6	-0.1
Substandard claims	2.4	3.0	-0.6
Total (A)	7.7	8.4	-0.7
Coverage ratio	62.9%	65.8%	
Total claims (B)	4,888.9	4,724.1	164.8
Loans and bills discounted	4,798.7	4,637.9	160.7
Others	90.2	86.1	4.0
Ratio to total claims (A/B X 100) (%) ¹	0.15%	0.17%	
(Ref. 1) Amount of write-off	4.2	5.9	-1.6
(Ref. 2) Below need caution level	91.1	52.0	39.1

Coverage Ratios for Nonperforming Claims Disclosed under the Financial Revitalization Law (Nonconsolidated)

(Billions of yen, except percentages)

	Sep 30, 2018					Mar 31, 2018				
	Amounts of coverage					Amounts of coverage				
	Amounts of claims	Total	Reserve for loan losses	Collateral and guarantees	Coverage ratio	Amounts of claims	Total	Reserve for loan losses	Collateral and guarantees	Coverage ratio
	(a)	(b)			(b)/(a)	(a)	(b)			(b)/(a)
Claims against bankrupt and quasi-bankrupt	1.8	1.8	0.4	1.4	100.0%	1.8	1.8	0.4	1.4	100.0%
Doubtful claims	3.4	2.1	2.0	0.0	60.0%	3.6	2.0	1.9	0.1	57.4%
Substandard claims	2.4	0.9	0.4	0.5	38.8%	3.0	1.7	0.7	1.0	55.3%
Total	7.7	4.8	2.9	2.0	62.9%	8.4	5.5	3.0	2.5	65.8%

Housing Loans (Nonconsolidated)

(Billions of yen)

	Sep 30 2018	Mar 31 2018	Change (Amount)
Housing loans	1,226.8	1,268.9	-42.0

Securities Being Held to Maturity (Nonconsolidated)

(Billions of yen)

	Sep 30, 2018			Mar 31, 2018		
	Carrying amount	Fair value	Unrealized gain (loss)	Carrying amount	Fair value	Unrealized gain (loss)
Fair value exceeds carrying amount						
Japanese national government bonds	435.2	437.7	2.4	481.3	484.6	3.3
Subtotal	435.2	437.7	2.4	481.3	484.6	3.3
Fair value does not exceed carrying amount						
Japanese national government bonds	20.0	19.9	-0.0	-	-	-
Subtotal	20.0	19.9	-0.0	-	-	-
Total	455.2	457.6	2.4	481.3	484.6	3.3

Securities Available for Sale (Nonconsolidated)

(Billions of yen)

	Sep 30, 2018			Mar 31, 2018		
	Carrying amount (Fair value)	Amortized/ Acquisition cost	Unrealized gain (loss)	Carrying amount (Fair value)	Amortized/ Acquisition cost	Unrealized gain (loss)
Carrying amount exceeds amortized/acquisition cost						
Equity securities	15.0	6.5	8.4	16.6	7.6	9.0
Domestic bonds	40.9	40.7	0.1	68.1	67.8	0.2
Japanese national government bonds	-	-	-	21.2	21.2	0.0
Japanese local government bonds	-	-	-	2.3	2.3	0.0
Japanese corporate bonds	40.9	40.7	0.1	44.6	44.3	0.2
Other	88.1	86.7	1.4	152.9	150.8	2.0
Foreign securities	86.7	85.9	0.8	148.5	147.1	1.4
Foreign currency denominated foreign corporate and government bonds	66.0	65.6	0.3	123.1	121.9	1.2
Yen-denominated foreign corporate and government bonds	19.2	19.2	0.0	25.1	25.1	0.0
Foreign equity securities and others	1.4	1.0	0.4	0.2	0.0	0.1
Other securities	1.3	0.7	0.6	4.3	3.7	0.5
Other monetary claims purchased	-	-	-	0.0	0.0	0.0
Subtotal	144.0	133.9	10.1	237.7	226.4	11.3
Carrying amount does not exceed amortized/acquisition cost						
Equity securities	1.8	2.1	-0.3	1.0	1.3	-0.2
Domestic bonds	224.8	227.3	-2.5	112.8	114.7	-1.9
Japanese national government bonds	97.3	97.9	-0.5	-	-	-
Japanese local government bonds	3.2	3.3	-0.0	-	-	-
Japanese corporate bonds	124.1	126.1	-1.9	112.8	114.7	-1.9
Other	271.7	277.4	-5.6	175.0	178.8	-3.7
Foreign securities	267.8	273.4	-5.5	174.9	178.7	-3.7
Foreign currency denominated foreign corporate and government bonds	214.1	218.9	-4.8	123.9	126.9	-3.0
Yen-denominated foreign corporate and government bonds	49.8	50.4	-0.5	47.3	47.9	-0.5
Foreign equity securities and others	3.9	4.0	-0.1	3.7	3.8	-0.0
Other securities	3.8	4.0	-0.1	0.1	0.1	-0.0
Other monetary claims purchased	-	-	-	-	-	-
Subtotal	498.4	506.9	-8.5	288.9	294.9	-5.9
Total ^{1, 2}	642.5	640.9	1.5	526.7	521.3	5.3

1.Includes a part of other monetary claims purchased in addition to securities available for sale.

2.Securities whose fair value cannot be reliably determined are not included.

Unrealized Gain (Loss) on Available-for-Sale Securities (Nonconsolidated)

(Billions of yen)

	Sep 30, 2018	Mar 31, 2018
Unrealized gain (loss) before deferred tax on:		
Available-for-sale securities	1.5	5.3
Interests in available-for-sale securities held by partnerships recorded as securities whose fair value cannot be reliably determined	0.4	0.3
Other monetary assets held in trust	-0.9	-0.5
(-) Deferred tax liabilities	-	0.8
Unrealized gain (loss) on available-for-sale securities	1.0	4.2

Capital Adequacy Related Information (Nonconsolidated)

<Basel 3, Domestic Standard¹>

(Billions of yen, except percentages)

	Sep 30 2018	Mar 31 2018	Change (Amount)
Core capital: instruments and reserves	856.6	876.9	-20.2
Core capital: regulatory adjustments	-45.3	-45.1	-0.2
Capital	811.3	831.8	-20.4
Total amount of Risk-weighted assets	5,691.4	5,600.2	91.1
Core capital adequacy ratio	14.25%	14.85%	

1. Calculated according to F-IRB.

Nonconsolidated total required capital is ¥500.6 billion as at Sep 30, 2018 and ¥493.1 billion as at March 31, 2018.

Nonconsolidated Balance Sheets (Unaudited)

(Millions of yen)

	Sep 30 2018	Mar 31 2018	Change (Amount)
<<Assets>>			
Cash and due from banks	1,332,307	1,391,303	(58,995)
Other monetary claims purchased	11,126	115,458	(104,331)
Trading assets	184,586	199,866	(15,280)
Monetary assets held in trust	154,675	117,756	36,918
Securities	1,525,920	1,452,342	73,577
Loans and bills discounted	4,798,700	4,637,953	160,747
Foreign exchanges	33,403	32,511	891
Other assets	204,907	223,082	(18,174)
Other	204,907	223,082	(18,174)
Premises and equipment	13,500	14,031	(531)
Intangible assets	25,973	23,139	2,834
Prepaid pension cost	7,175	6,362	812
Deferred tax assets	1,717	573	1,143
Customers' liabilities for acceptances and guarantees	21,439	19,810	1,629
Reserve for credit losses	(26,988)	(26,721)	(266)
Total assets	8,288,448	8,207,471	80,976
<<Liabilities>>			
Deposits	5,785,772	5,789,256	(3,483)
Negotiable certificates of deposit	479,786	438,927	40,858
Debentures	—	423	(423)
Call money	5,325	—	5,325
Payables under repurchase agreements	64,347	55,919	8,428
Payables under securities lending transactions	542,019	433,462	108,556
Trading liabilities	165,156	181,337	(16,181)
Borrowed money	210,299	263,114	(52,814)
Foreign exchanges	85	102	(17)
Corporate bonds	47,335	45,000	2,335
Other liabilities	133,088	140,685	(7,597)
Income taxes payable	1,006	930	75
Lease obligations	21	24	(3)
Asset retirement obligations	7,601	7,471	130
Other	124,459	132,258	(7,799)
Accrued employees' bonuses	2,420	4,740	(2,319)
Reserve for reimbursement of debentures	4,020	4,130	(109)
Acceptances and guarantees	21,439	19,810	1,629
Total liabilities	7,461,097	7,376,910	84,186
<<Equity>>			
Common stock	512,204	512,204	—
Capital surplus	79,465	79,465	—
Additional paid-in capital	79,465	79,465	—
Retained earnings	287,286	339,650	(52,364)
Legal reserve	15,243	14,738	505
Other retained earnings	272,042	324,912	(52,870)
Unappropriated retained earnings	272,042	324,912	(52,870)
Treasury stock, at cost	(37,377)	(89,540)	52,163
Total shareholders' equity	841,580	841,780	(200)
Unrealized gain (loss) on available-for-sale securities	1,081	4,268	(3,187)
Deferred gain (loss) on derivatives under hedge accounting	(15,363)	(15,759)	395
Total net unrealized gain (loss) and translation adjustments	(14,282)	(11,490)	(2,792)
Stock acquisition rights	52	270	(217)
Total equity	827,350	830,560	(3,210)
Total liabilities and equity	8,288,448	8,207,471	80,976

Nonconsolidated Statements of Income (Unaudited)

(Millions of yen)

	1H FY2018 (6 months)	1H FY2017 (6 months)	Change (Amount)	FY2017 (12 months)
Ordinary income	78,252	83,635	(5,382)	169,324
Interest income	60,259	59,481	777	121,833
Interest on loans and bills discounted	50,356	46,087	4,268	94,303
Interest and dividends on securities	8,998	12,361	(3,363)	25,441
Other interest income	904	1,032	(128)	2,088
Fees and commissions income	9,153	7,961	1,191	17,227
Trading income	729	1,650	(920)	4,575
Other business income	6,568	6,868	(300)	13,288
Other ordinary income	1,541	7,672	(6,130)	12,398
Ordinary expenses	62,441	65,485	(3,043)	132,737
Interest expenses	8,690	8,041	648	16,483
Interest on deposits	4,068	4,315	(246)	9,001
Interest on corporate bonds	216	437	(220)	761
Other interest expenses	4,405	3,289	1,115	6,720
Fees and commissions expenses	14,997	14,486	511	29,698
Trading losses	470	—	470	—
Other business expenses	1,719	777	941	2,055
General and administrative expenses	35,625	40,233	(4,608)	79,453
Other ordinary expenses	938	1,945	(1,007)	5,047
Ordinary profit	15,811	18,149	(2,338)	36,586
Extraordinary gains	216	6,558	(6,342)	6,581
Extraordinary losses	1,925	417	1,507	2,178
Income before income taxes	14,101	24,291	(10,189)	40,989
Income taxes (benefit)				
Income taxes (benefit) - current	(585)	(639)	53	(2,656)
Income taxes (benefit) - deferred	(154)	1,980	(2,135)	3,136
Total income taxes (benefit)	(740)	1,341	(2,081)	479
Net income	14,842	22,949	(8,107)	40,510

Composition of Capital Disclosure (Nonconsolidated)

Shinsei Bank

Millions of yen (except percentages)

Items	Basel III (Domestic Standard) Sep 30 2018	Amounts excluded under transitional arrangements	Basel III (Domestic Standard) June 30 2018	Amounts excluded under transitional arrangements
Core capital:instruments and reserves (1)				
Directly issued qualifying common share capital or preferred share capital with a compulsory conversion clause plus related capital surplus and retained earnings	¥ 841,580		¥ 841,137	
of which:capital and capital surplus	591,670		591,670	
of which:retained earnings	287,286		276,909	
of which:treasury stock (-)	37,377		27,441	
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	52		52	
Total of reserves included in Core capital:instruments and reserves	11		12	
of which:general reserve for loan losses included in Core capital	11		12	
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)	15,000		25,000	
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)	-		-	
Core capital:instruments and reserves (A)	¥ 856,643		¥ 866,202	
Core capital:regulatory adjustments (2)				
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 14,766	¥ 3,494	¥ 14,404	¥ 3,382
of which:goodwill (including those equivalent)	786	-	828	-
of which:other intangibles other than goodwill and mortgage servicing rights	13,979	3,494	13,576	3,382
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,875	468	1,692	423
Shortfall of eligible provisions to expected losses	19,311	-	18,481	-
Gain on sale of securitization	5,370	-	5,370	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-	-	-	-
Prepaid pension cost	3,982	995	3,862	965
Investments in own shares (excluding those reported in the net assets section)	0	0	0	0
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)	-	-	-	-
Core capital:regulatory adjustments (B)	¥ 45,306		¥ 43,809	
Capital (nonconsolidated)				
Capital (nonconsolidated)((A)-(B))(C)	¥ 811,337		¥ 822,392	
Risk-weighted assets, etc.				
Total amount of credit risk-weighted assets	¥5,339,376		¥5,217,572	
of which:total amount included in risk-weighted assets by transitional arrangements	3,295		3,091	
of which:intangible assets (excluding those relating to goodwill and mortgage servicing rights)	3,494		3,382	
of which:deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	468		423	
of which:prepaid pension cost	995		965	
of which:significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	(1,663)		(1,678)	
of which:other than above	0		0	
Market risk (derived by multiplying the capital requirement by 12.5)	165,440		143,141	
Operational risk (derived by multiplying the capital requirement by 12.5)	186,610		188,537	
Credit risk-weighted assets adjustments	-		-	
Operational risk adjustments	-		-	
Total amount of Risk-weighted assets (D)	¥5,691,428		¥5,549,251	
Capital ratio (nonconsolidated)				
Capital ratio (nonconsolidated)((C)/(D))	14.25%		14.81%	

(Reference) Results of Operations (Nonconsolidated)

(Millions of yen)

	1H FY2018 (6 months) (A)	1H FY2017 (6 months) (B)	Change (A)-(B)
Gross Business Profit	51,482	53,883	(2,401)
(excluding Gains on Monetary Assets Held in Trust)	50,900	52,725	(1,825)
Net Interest Income	51,635	51,508	126
Net Fees and Commissions	(5,252)	(5,357)	105
Gains on Monetary Assets Held in Trust	581	1,157	(575)
Net Trading Income	259	1,650	(1,390)
Net Other Business Income	4,839	6,082	(1,243)
Gains related to Bonds	961	1,465	(503)
General and Administrative Expenses	35,242	39,930	(4,688)
Personnel Expenses	13,451	13,933	(481)
Nonpersonnel Expenses	19,235	23,339	(4,103)
Amortization of Goodwill	83	83	-
Taxes	2,554	2,658	(103)
Net Operating Profit before Provision of General Reserve for Loan Losses	15,658	12,794	2,863
Provision of General Reserve for Loan Losses (1)	(1,341)	1,167	(2,509)
Net Operating Profit	16,999	11,627	5,372
Net Business Profit	16,240	13,952	2,287
Non-Recurring Gains	(1,703)	5,433	(7,136)
Gains related to Stocks	(201)	4,014	(4,215)
Credit Costs (2)	1,662	(342)	2,004
Losses on Write-Off of Loans	29	68	(39)
Provision of Specific Reserve for Loan Losses	1,689	(107)	1,796
Provision of Reserve for Loan Losses to Restructuring Countries	-	(0)	0
Recoveries of Written-off Claims	(56)	(303)	246
Reversal of Reserve for Loan Losses	-	-	-
Losses on Sale of Loans	-	-	-
Other	159	1,076	(916)
Ordinary Profit	15,811	18,149	(2,338)
Extraordinary Gains	(1,709)	6,141	(7,850)
Gains from Sales of Fixed Assets and Impairment losses	(271)	(234)	(36)
Income before Income Taxes	14,101	24,291	(10,189)
Income Taxes - Current	(585)	(639)	53
Income Taxes - Deferred	(154)	1,980	(2,135)
Net Income	14,842	22,949	(8,107)

(Reference)

Net Credit Costs (1)+ (2)	320	824	(504)
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Note

1. Net Operating Profit = Gross Business Profit (excluding Gains on Monetary Assets Held in Trust)- General and Administrative Expenses - Provision of General Reserve for loan losses.

2. Net Business Profit = Gross Business Profit - General and Administrative Expenses.

(Reference) Interest-Earning Assets and Interest-Bearing Liabilities (Nonconsolidated)

(Millions of yen, %)

[All]	1H FY2018 (6 months)			1H FY2017 (6 months)			FY2017 (12 months)		
	Average balance	Interest	Yield/rate ¹ (%)	Average balance	Interest	Yield/rate ¹ (%)	Average balance	Interest	Yield/rate ¹ (%)
Interest-earning assets:	6,296,062	60,259	1.90	6,153,794	59,481	1.92	6,231,416	121,833	1.95
Loans and bills discounted	4,682,442	50,356	2.14	4,533,782	46,087	2.02	4,581,570	94,303	2.05
Securities	1,488,780	8,998	1.20	1,428,714	12,361	1.72	1,457,686	25,441	1.74
Interest-bearing liabilities:	7,116,313	8,690	0.24	6,896,442	8,041	0.23	6,972,291	16,483	0.23
Deposits, including negotiable certificates of deposit	6,153,168	4,084	0.13	5,985,750	4,326	0.14	6,055,461	9,025	0.14
Borrowed money	238,788	346	0.28	311,792	281	0.17	293,736	586	0.19
Subordinated debt	7,438	88	2.36	12,400	147	2.36	12,400	293	2.36
Corporate bonds	43,813	216	0.98	55,140	437	1.58	50,555	761	1.50
Subordinated bonds	18,661	183	1.95	31,400	401	2.54	28,647	696	2.43
Net interest income/yield on interest-earning assets	6,296,062	51,568	1.63	6,153,794	51,439	1.66	6,231,416	105,350	1.69

1. Percentages have been truncated from the third decimal place.

[Domestic]

Interest-earning assets:	5,665,343	47,313	1.66	5,592,262	49,773	1.77	5,644,118	102,015	1.80
Loans and bills discounted	4,015,886	40,908	2.03	3,918,838	39,478	2.00	3,944,885	80,215	2.03
Securities	1,090,304	5,489	1.00	1,066,703	9,020	1.68	1,082,892	19,300	1.78
Interest-bearing liabilities:	6,467,822	2,764	0.08	6,313,472	3,488	0.11	6,366,966	6,988	0.10
Deposits, including negotiable certificates of deposit	5,670,659	1,812	0.06	5,539,314	2,572	0.09	5,594,029	5,155	0.09
Borrowed money	221,545	144	0.13	293,641	155	0.10	275,713	330	0.11
Subordinated debt	7,438	88	2.36	12,400	147	2.36	12,400	293	2.36
Corporate bonds	43,032	216	1.00	54,940	437	1.58	50,422	761	1.50
Subordinated bonds	18,661	183	1.95	31,400	401	2.54	28,647	696	2.43
Net interest income/yield on interest-earning assets	5,665,343	44,548	1.56	5,592,262	46,285	1.65	5,644,118	95,027	1.68

1. Percentages have been truncated from the third decimal place.

Earnings Forecasts¹*(Billions of yen)*

(Consolidated)	FY2018 Forecast	FY2017 Actual
Profit attributable to owners of the parent	52.0	51.4
(Nonconsolidated)	FY 2018 Forecast	FY2017 Actual
Net business profit	37.0	31.8
Net income	32.0	40.5
Dividends (per share in yen): Common stock	not yet determined	10.00

¹Above forecasts are based on current assumptions of future events and trends, which may be incorrect.
Actual results may differ materially from those in the statements as a result of various factors.

1. Nonperforming loan ratio (Financial Revitalization Law Standard) (%)

	Sep 30, 2016	Mar 31, 2017	Sep 30, 2017	Mar 31, 2018	Sep 30, 2018
Nonconsolidated	0.78	0.22	0.19	0.17	0.15
Consolidated	2.13	1.57	1.49	1.53	1.51

2. Equity holdings (domestic) (Nonconsolidated)

(1) Equity held

(Billions of yen)

	Book value		Net unrealized gain (loss)
		Subsidiaries' shares	
Sep.30, 2017	380.0	361.1	8.9
Mar.31, 2018	382.2	361.0	8.7
Sep.30, 2018	366.3	346.1	8.1

(2) Impairment

(Billions of yen)

	Equity related profits and losses (net of three accounts)	
		Impairment amount
1HFY2017	4.0	0.0
FY2017	4.3	0.1
1HFY2018	-0.2	0.2

1. Other extraordinary losses for 1HFY2017 contains ¥ 0.1 billion in mark-down of subsidiaries' equity.

2. Other extraordinary losses for FY2017 contains ¥ 0.9 billion in mark-down of subsidiaries' equity.

3. Other extraordinary losses for 1HFY2018 contains ¥ 1.6 billion in mark-down of subsidiaries' equity.

(3) Break-even level of profit and loss of equities held (domestic) (theoretical figure)

Nikkei Stock Average	approximately	¥12,500
TOPIX	approximately	900

3. Loans to SMEs (% shows changes from the previous period) (Nonconsolidated)

(Billions of yen, except percentage)

	Results	% Change	Ratio to total loan balance (%)
Sep 30, 2017	3,013.1	0.91	67.96
Mar 31, 2018	3,029.5	0.55	67.35
Sep 30, 2018	3,214.3	6.10	69.17

1. The figures do not include Overseas and Japan Offshore Market Accounts.

2. Small- and medium-sized enterprises in this table refer to companies with ¥ 300 million or less in capital (¥ 100 million for wholesale and ¥ 50 million for retail and services) as well as companies or individuals with 300 employees or fewer (100 for wholesale and services and 50 for retail).

3. Revitalization Law (actual net increase/decrease excluding impact loan) achieved actual results of + ¥ 7.2 billion for FY2017 compared to the plan of + ¥ 1.0 billion.

4. Sales performance of investment trusts and insurance (Nonconsolidated)

a. Investment trust sales performance and commission

(Billions of yen)

	Handling commission for sales of investment trusts		Amount of sales during the period
		Upfront fees from investment trusts	
1HFY2017	1.3	0.2	43.5
FY2017	2.6	0.5	92.1
1HFY2018	1.1	0.1	26.5

b. Insurance sales performance and commission

(Billions of yen)

	Handling commission for sales of insurance		Amount of sales during the period
		Upfront fees from insurance	
1HFY2017	0.4	0.4	9.2
FY2017	1.1	1.1	25.2
1HFY2018	1.3	1.3	26.9

(Reference) Calculation Grounds of Deferred Tax Assets (Consolidated Tax Group Basis)

Shinsei Bank consolidated tax group has, due to losses recognized on securities, 155.0 billion yen of tax loss carryforwards and the unrealized temporary differences of 337.0 billion yen as of September 30, 2018.

We are classified as the Type 4 of the ASBJ Guidance No. 26 Implementation Guidance on Recovery of Deferred Tax Assets and we continuously calculate the realizability of deferred tax assets based on the estimated future taxable income for the next year.

We have adapted the consolidated tax system from FY 2003 and calculate the taxable income under consolidated tax basis.

1. Future year taxable income estimate before adjustment

Taxable income for the next year before adjustment is estimated to be 59.9 billion yen.

2. Net deferred tax liabilities (As of September 30, 2018)

Deferred tax assets corresponding to "total taxable income before adjustment"	17.3 billion yen ^(*)	
Deferred tax liabilities	4.9 billion yen	
Net deferred tax assets on balance sheet	12.4 billion yen	
(*)Breakdown	Tax loss carryforwards	63.5 billion yen
	Reserve for credit losses	46.9 billion yen
	Reserve for losses on interest repayment	21.0 billion yen
	Securities	18.7 billion yen
	Net deferred loss on hedge	5.2 billion yen
	Other	18.3 billion yen
	Sub total	173.7 billion yen
	Valuation allowance	△156.4 billion yen
Total	17.3 billion yen	

(Reference) Calculation Grounds of Deferred Tax Assets (Nonconsolidated)

Shinsei Bank has, due to losses recognized on securities, 136.0 billion yen of tax loss carryforwards and the unrealized temporary differences of 152.0 billion yen as of September 30, 2018.

We are classified as the Type 4 of the ASBJ Guidance No. 26 Implementation Guidance on Recovery of Deferred Tax Assets and we continuously calculate the realizability of deferred tax assets based on the estimated future taxable income for the next year.

We have adapted the consolidated tax system from FY 2003 and calculate the taxable income under consolidated tax basis.

1. Future year taxable income estimate before adjustment

Taxable income for the next year before adjustment is estimated to be 25.8 billion yen.

2. Net deferred tax liabilities(As of September 30, 2018)

Deferred tax assets corresponding to "total taxable income before adjustment"	5.4 billion yen ^(*)
Deferred tax liabilities	3.7 billion yen
Net deferred tax assets on balance sheet	1.7 billion yen

(*)Breakdown	}	Tax loss carryforwards	44.8 billion yen
		Securities	18.7 billion yen
		Reserve for credit losses	9.7 billion yen
		Net deferred loss on hedge	5.2 billion yen
		Other	13.1 billion yen
		Sub total	91.8 billion yen
		Valuation allowance	△86.3 billion yen
Total	5.4 billion yen		