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

Summary of Q&A

- Date and Time: July 31, 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)

How should we view the sustainability of gains from securities investments? Also, do you intend to increase the balance beyond the medium-term management plan target of JPY 4 trillion?

Answer(1)

Noninterest income from securities investments in the first quarter included a meaningful amount of gains on sales. However, these gains were realized based on market conditions and are not necessarily non-recurring in nature. Regarding the balance target, we do not intend to stop increasing the balance simply because it has reached JPY 4 trillion. The future plan will be determined after assessing whether further balance growth is rational.

Question(2)

How do you expect the balance of SBI Hyper Deposits to evolve from the JPY 1.4 trillion level at the end of June, taking into account the volatility in the equity market since July?

Answer(2)

Since the end of June, the balance has fluctuated within a relatively narrow range. Going forward, we will continue to implement various promotional campaigns while monitoring competitors' initiatives, with the aim of attracting proceeds from the strong equity market into SBI Hyper Deposits.

Question(3)

Net interest income in the first quarter appears to has been relatively flat compared with the fourth quarter of the previous fiscal year. How should we assess performance against FY2026 guidance?

Answer(3)

Although growth was limited compared with the previous quarter, net interest income improved significantly year on year, which we view positively. Funding costs increased during the quarter due to intensified competition for deposits around the fiscal year-end period, a conservative liquidity management stance that led to increased funding primarily from corporate deposits, and the acquisition of medium- to long-term time deposits from an ALM perspective.

Question(4)

Within noninterest income, income from securitization has achieved JPY 3.3 billion against a full-year plan of JPY 11.0 billion, while capital gains reached JPY 9.1 billion compared with JPY 25.0 billion for the entire previous fiscal year. Results appear to be off to a strong start. How could you view on these?

Answer(4)

"Diversified revenue," as shown in the materials, refers to income streams that are not necessarily generated at a consistent level every quarter. While we continuously maintain a pipeline, it is difficult to predict with certainty in which quarter such earnings will materialize. Securitization (O&D) income can be managed within an appropriate range, and therefore first-quarter results should not simply be annualized. As for capital gains, they could significantly exceed the previous year's level, although that is not guaranteed.

Question(5)

Were the JPY 9.1 billion of capital gains driven by a few large transactions or by the accumulation of various operations?

Answer(5)

Whereas the previous fiscal year was characterized by some large transactions, this first-quarter gains were generated as part of the management of the securities investment portfolio. The gains resulted from portfolio rebalancing executed at appropriate timings while monitoring market conditions.

Question(6)

Where are you currently seeing the strongest financing demand? Which areas do you expect to grow over the remaining three quarters of the fiscal year?

Answer(6)

We are experiencing increasing financing demand across a wide range of sectors. This includes inflows of large-scale project finance transactions arranged by megabanks, as well as financing needs associated with active capital markets, including LBO finance. Going forward, we will not focus on any specific industry but will evaluate all opportunities comprehensively, emphasizing both credit quality and profitability.

Question(7)

Regarding the six business opportunities shown on the right side of page 22 and the 17 strategic areas under Japan's growth strategy shown on the left side, what business opportunities do you see for SBI Shinsei Bank, as well as for THE FUKUSHIMA BANK and The Shimane Bank, both equity-method affiliates?

Answer(7)

We believe the six business opportunities are broadly applicable to regional banks in most regions. While demographic, geographic, including neighboring prefectures, and environmental factors differ by institution, opportunities exist for each. Among the 17 strategic areas, defense-related industries represent one example of a significant opportunity for us. Expectations from the government and the banking sector are likely to rise in this field, and given that participation requires both financial capacity and strong underwriting capabilities, we believe this is an area with substantial potential.

Question(8)

To what extent do investments in THE FUKUSHIMA BANK and The Shimane Bank affect SBI Shinsei Bank's capital adequacy ratio and CET1 ratio? Also, within the SBI Group's Fourth Megabank Concept, should we understand that SBI Shinsei Bank may take a leading role in increasing investments in regional banks, resulting in lower capital ratios?

Answer(8)

The impact of these investments on capital ratios is limited to only a few basis points. On the P&L side, approximately JPY 8.0 billion was recognized as a gain from negative goodwill through equity-method accounting. While investments can have both positive and negative short-term effects, our guiding principle is to contribute to enhancing corporate value over the medium to long term. We aim to record earnings through equity-method investments while also pursuing larger returns over time. As for similar investments in the future, there are currently no specific plans, and any decision would depend on whether the intentions of the counterparty align with the various capabilities we can provide.

Question(9)

Why was the interim dividend announced at the first-quarter stage? Was the intention to clarify the balance between investment, including regional bank investments, and shareholder returns? Also, regarding the full-year dividend forecast of "JPY 42 or more per share," how should we interpret the degree of upside and the timing of any decision?

Answer(9)

Historically, under the management improvement plan associated with public funds, the organization placed strong emphasis on limiting capital outflows, and there were circumstances in which paying ordinary dividends was not easy. As a result, we had not fully considered interim dividends. Following the relisting, however, we now have more than 200,000 individual shareholders, and management has become increasingly aware that many shareholders view interim dividends positively. Accordingly, we decided to sincerely consider what can be done at this point and to introduce and announce an interim dividend at the earliest feasible timing. At this stage, we cannot comment specifically on the level implied by “JPY 42 or more.” However, we have adopted a capital policy of increasing dividends per share and will strive to return as much value to shareholders as possible. The earliest timing for indicating a specific level would be when there is sufficient visibility on current fiscal year performance. At this point, we expect to disclose such information at an appropriate and reasonable time in advance.

This concludes the Q&A session.

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