

Consolidated Financial Results
for the 3rd Quarter of Fiscal 2016

February 7, 2017



東京スター銀行

Consolidated Financial Results
for the 3rd Quarter of Fiscal 2016 ended December 31, 2016
[under Japanese GAAP]

Company Name : **The Tokyo Star Bank, Limited**

(URL <http://www.tokyostarbank.co.jp/>)

Headquarters : Tokyo

Note: - The financial information presented here has not been audited.
 - The amounts are rounded down to the nearest million of yen.

1. Summary of Consolidated Financial Results
for the 3rd Quarter of Fiscal 2016 Ended December 31, 2016

(1) Operating Results (in millions of yen except per share data and percentages)

	For the nine months ended	
	December 31, 2016	December 31, 2015
Ordinary income	49,725	52,821
Change from the previous period	(5.8)%	(6.6)%
Ordinary profit	11,010	15,155
Change from the previous period	(27.3)%	(18.6)%
Net income	7,699	10,280
Change from the previous period	(25.0)%	(15.5)%
Net income per common share (yen)	10,999.76	14,685.92
Diluted net income per common share (yen)	-	-

Note: Comprehensive income for the nine months ended :

December 31, 2016 : 5,757 million yen (24.6) %

December 31, 2015 : 7,639 million yen (32.7) %

(2) Financial Conditions (in millions of yen except percentages)

	As of	
	December 31, 2016	March 31, 2016
Total assets	2,638,043	2,738,786
Net assets	132,114	126,356
Ratio of net assets to total assets	5.0%	4.6%

Notes: 1. Net assets, excluding Stock acquisition rights and Non-controlling interests, as of :

December 31, 2016 : 132,114 million yen

March 31, 2016 : 126,356 million yen

2. Ratio of net assets to total assets

= (Net assets - Stock acquisition rights - Non-controlling interests) / Total assets X 100

2. Notes

(1) Significant Change in the Scope of Consolidation : No

**(2) Application of Special Accounting Methods
for Quarterly Consolidated Financial Statements** : No

(3) Changes in Accounting Policies, Changes in Accounting Estimates and Correction of Prior Period Errors for Quarterly Consolidated Financial Statements

① Changes accounting policies

due to revision of accounting standards etc. : Yes

The Tokyo Star Bank and its consolidated subsidiaries ("the Group") have applied "Practical Solution on a change in depreciation method due to Tax Reform 2016" (ASBJ Practical Issues Task Force No.32, June 17, 2016) and changed the depreciation method for buildings and accompanying facilities and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method, from the first half of fiscal 2016. Effects of this change are immaterial.

(Additional information)

The Group has applied "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26, March 28, 2016) from the 1st quarter of fiscal 2016.

② Changes accounting policies other than ① above : No

③ Changes in accounting estimates : No

④ Correction of prior period errors : No

(4) Number of Shares Outstanding (Common stock)

① Number of Shares Outstanding as of :

December 31, 2016	:	700,000 shares
March 31, 2016	:	700,000 shares

② Number of Treasury Shares Outstanding as of :

December 31, 2016	:	- shares
March 31, 2016	:	- shares

③ Average Number of Shares Outstanding for the nine months ended :

December 31, 2016	:	700,000 shares
December 31, 2015	:	700,000 shares

FINANCIAL STATEMENTS

1. Consolidated Balance Sheets

(in millions of yen)	As of March 31, 2016	As of December 31, 2016
Assets:		
Cash and due from banks	339,010	380,654
Call loans	39,612	23,498
Monetary claims bought	4,854	4,104
Money held in trust	11,863	5,074
Securities	568,895	439,780
Loans and bills discounted	1,703,229	1,692,746
Foreign exchanges	6,062	6,796
Other assets	56,636	75,084
Tangible fixed assets	5,868	5,652
Intangible fixed assets	8,550	7,820
Deferred tax assets	4,874	4,892
Customers' liabilities for acceptances and guarantees	10,741	9,685
Allowance for loan losses	(21,414)	(17,749)
Total assets	2,738,786	2,638,043
Liabilities:		
Deposits	2,072,187	1,997,369
Negotiable certificates of deposit	294,770	308,744
Call money	-	20,000
Payables under repurchase agreements	32,222	2,659
Payables under securities lending transactions	87,056	91,651
Borrowed money	44,400	6,562
Foreign exchanges	-	38
Bonds payable	22,500	16,300
Other liabilities	45,787	50,648
Provision for bonuses	2,398	1,922
Provision for directors' bonuses	241	223
Provision for losses on dormant deposit repayments	115	115
Provision for possible losses on refund of interest	3	3
Provision for loyalty program	5	3
Acceptances and guarantees	10,741	9,685
Total liabilities	2,612,429	2,505,929
Net assets:		
Capital stock	26,000	26,000
Capital surplus	24,000	24,000
Retained earnings	75,106	82,806
Total shareholders' equity	125,106	132,806
Valuation difference on available-for-sale securities	1,189	(2,410)
Deferred gains or losses on hedges	60	1,718
Total accumulated other comprehensive income	1,250	(692)
Total net assets	126,356	132,114
Total liabilities and net assets	2,738,786	2,638,043

2. Consolidated Statements of Income

(in millions of yen)	For the nine months ended	
	December 31, 2015	December 31, 2016
Ordinary income:	52,821	49,725
Interest income and dividends	31,075	30,370
<i>Interest on loans and discounts</i>	24,697	24,473
<i>Interest and dividends on securities</i>	5,804	5,535
Fees and commissions	8,565	7,061
Other ordinary income	5,338	7,280
Other income	7,841	5,012
Ordinary expenses:	37,665	38,714
Interest expenses	5,447	5,075
<i>Interest on deposits</i>	4,153	3,436
Fees and commissions payments	3,508	3,714
Other ordinary expenses	1,121	1,902
General and administrative expenses	26,834	26,909
Other expenses	754	1,113
Ordinary profit	15,155	11,010
Extraordinary income	-	-
Extraordinary loss	382	77
Income before income taxes	14,772	10,933
Income taxes-current	3,277	2,710
Income taxes for prior periods	-	(317)
Income taxes-deferred	1,215	840
Total income taxes	4,492	3,233
Net income	10,280	7,699
Net income attributable to non-controlling interests	-	-
Net income attributable to owners of the parent	10,280	7,699

3. Consolidated Statements of Comprehensive Income

(in millions of yen)	For the nine months ended	
	December 31, 2015	December 31, 2016
Net income	10,280	7,699
Other comprehensive income	(2,640)	(1,942)
Valuation difference on available-for-sale securities	(2,923)	(3,599)
Deferred gains or losses on hedges	282	1,657
Comprehensive income	7,639	5,757
Comprehensive income attributable to owners of the parent	7,639	5,757
Comprehensive income attributable to non-controlling interests	-	-

4. Going Concern Assumption

There is no applicable information.

Selected Financial Information of 3rd Quarter Results

1. Operating Results

(1) Consolidated

(in millions of yen)

	For the nine months ended December 31,		Increase/ (Decrease) (A)-(B)
	2016 (A)	2015 (B)	
Gross Operating Profit (Note 1)	34,020	34,902	(881)
Net Interest Income	25,295	25,628	(332)
Net Fees and Commissions	3,346	5,057	(1,710)
Net Other Ordinary Income	5,378	4,217	1,161
General and Administrative Expenses	26,909	26,834	74
Net Operating Income before General Allowance and Goodwill (Note 2)	7,111	8,068	(956)
Provision for General Allowance for Loan Losses	-	-	-
Net Operating Income (Note 3)	7,111	8,068	(956)
Other Income and Expenses	3,899	7,086	(3,187)
Net Gain and Loss on Stocks and Other Securities	(212)	1,147	(1,359)
Problem Claims related Costs	325	387	(61)
Written-offs of Loans	138	200	(62)
Provision for Specific Allowance for Loan Losses	-	-	-
Net Gain and Loss on Sales of Loans	187	186	0
Reversal of Allowance for Loan Losses	2,360	3,547	(1,186)
Recoveries of Written-off Claims	3	3	0
Other	2,072	2,775	(702)
Ordinary Profit	11,010	15,155	(4,144)
Extraordinary Income and Loss	(77)	(382)	305
Net Gain and Loss on Disposal of Noncurrent Assets	(77)	(382)	305
Gain on Disposal of Noncurrent Assets	-	-	-
Loss on Disposal of Noncurrent Assets	77	382	(305)
Other	-	-	-
Income before Income Taxes	10,933	14,772	(3,839)
Income Taxes	3,233	4,492	(1,258)
Income Taxes - Current	2,710	3,277	(566)
Income Taxes for Prior Periods	(317)	-	(317)
Income Taxes - Deferred	840	1,215	(374)
Net income	7,699	10,280	(2,580)
Net income attributable to non-controlling interests	-	-	-
Net income attributable to owners of the parent	7,699	10,280	(2,580)

- Notes: 1. Gross Operating Profit = (Interest Income - Interest Expenses) + (Fees and Commissions - Fees and Commissions Payments) + (Other Ordinary Income - Other Ordinary Expenses)
2. Net Operating Income before General Allowance and Goodwill = Gross Operating Profit - General and Administrative Expenses
3. Net Operating Income = Gross Operating Profit - General and Administrative Expenses - Provision for General Allowance for Loan Losses

Credit Costs (Note 4)	(1,733)	(2,857)	1,123
excluding Recoveries of Written-off Claims	(1,729)	(2,853)	1,123

- Note: 4. Credit Costs = (Provision for General Allowance for Loan Losses + Problem Claims related Costs) - (Reversal of Allowance for Loan Losses + Recoveries of Written-off Claims) + Adjustment on purchased loan

(2) Non-consolidated

(in millions of yen)

	For the nine months ended December 31,		Increase/ (Decrease) (A)-(B)
	2016 (A)	2015 (B)	
Gross Operating Profit	31,974	32,624	(650)
Net Interest Income	25,014	25,399	(385)
Net Fees and Commissions	1,581	3,007	(1,425)
Net Other Ordinary Income	5,378	4,217	1,161
of which Net Gain and Loss on Bonds	1,077	1,721	(644)
General and Administrative Expenses	26,328	26,326	2
Personnel Expenses	12,544	11,474	1,069
Nonpersonnel Expenses	12,390	13,271	(881)
Taxes	1,393	1,580	(186)
Net Operating Income before General Allowance and Goodwill	5,645	6,297	(652)
Core Net Operating Income (excluding Net Gain and Loss on Bonds)	4,567	4,576	(8)
Provision for General Allowance for Loan Losses	-	-	-
Amortization of Goodwill	-	-	-
Net Operating Income	5,645	6,297	(652)
Other Income and Expenses	4,746	8,074	(3,328)
Net Gain and Loss on Stocks and Other Securities	(212)	1,147	(1,359)
Problem Claims related Costs	(11)	3	(14)
Written-offs of Loans	-	5	(5)
Provision for Specific Allowance for Loan Losses	-	-	-
Net Gain and Loss on Sales of Loans	(11)	(1)	(9)
Reversal of Allowance for Loan Losses	3,041	4,302	(1,260)
Recoveries of Written-off Claims	-	1	(1)
Other	1,905	2,627	(721)
Ordinary Profit	10,391	14,372	(3,980)
Extraordinary Income and Loss	(76)	(381)	305
Net Gain and Loss on Disposal of Noncurrent Assets	(76)	(381)	305
Gain on Disposal of Noncurrent Assets	-	-	-
Loss on Disposal of Noncurrent Assets	76	381	(305)
Other	-	-	-
Income before Income Taxes	10,315	13,990	(3,675)
Income Taxes	3,014	4,248	(1,234)
Income Taxes - Current	2,567	3,063	(495)
Income Taxes for Prior Periods	(317)	-	(317)
Income Taxes - Deferred	763	1,184	(421)
Net Income	7,301	9,742	(2,441)

2. Disclosed Claims under Financial Revitalization Law (Consolidated)

<Disclosed Claims under Financial Revitalization Law after writing-off Category IV Claims>

(in millions of yen except percentages)

	As of December 31,		Increase/ (Decrease) (A)-(B)	As of September 30, 2016
	2016 (A)	2015 (B)		
Bankruptcy and Quasi-Bankruptcy	4,502	4,855	(353)	4,778
Doubtful	15,915	27,632	(11,716)	20,894
Sub-standard	559	1,231	(672)	1,175
Sub-Total (A)	20,977	33,720	(12,742)	26,848
Normal	1,686,519	1,607,257	79,262	1,639,816
Total (B)	1,707,497	1,640,977	66,519	1,666,664
Ratio of Problem Loans to Total Claims (A / B × 100)	1.22%	2.05%	(0.83)%	1.61%

<Disclosed Claims under Financial Revitalization Law including Category IV Claims>

(in millions of yen except percentages)

	As of December 31,		Increase/ (Decrease) (A)-(B)	As of September 30, 2016
	2016 (A)	2015 (B)		
Bankruptcy and Quasi-Bankruptcy	8,440	9,152	(712)	8,853
Doubtful	15,915	27,632	(11,716)	20,894
Sub-standard	559	1,231	(672)	1,175
Sub-Total (A)	24,915	38,017	(13,101)	30,923
Normal	1,686,519	1,607,257	79,262	1,639,816
Total (B)	1,711,435	1,645,274	66,161	1,670,739
Ratio of Problem Loans to Total Claims (A / B × 100)	1.45%	2.31%	(0.86)%	1.85%

Note:

Disclosed Claims under Financial Revitalization Law ("Disclosed Claims") is shown under two calculation methods.

Category IV claims are defined as those claims against legally or virtually bankrupt borrowers that have been judged as uncollectible. In such claims, any amount in excess of the value of the collateral or guarantees are either fully written-off (top chart) or fully reserved against (bottom chart).

The top chart has excluded all Category IV claims from Disclosed Claims since these claims have been deemed as uncollectible and the remaining balance is fully covered with collateral and guarantees after writing off the excess. Most Japanese banks have adopted this method for reporting Disclosed Claims.

The bottom chart has included all Category IV claims in Disclosed Claims even though any amount in excess of collateral and guarantees has been fully reserved against. The Bank and its subsidiaries have adopted this method and thus, Category IV claims are not deducted from Disclosed Claims until such claims are collected, legally settled, or sold. This results in a higher Disclosed amount and ratio than the calculation method used in the top chart.

3. Securities at Fair Value (Consolidated)

Held-to-maturity securities

(in millions of yen)

	As of December 31, 2016 (A)			As of December 31, 2015 (B)			As of September 30, 2016		
	Balance sheet amount	Fair value	Net unrealized gain/(loss)	Balance sheet amount	Fair value	Net unrealized gain/(loss)	Balance sheet amount	Fair value	Net unrealized gain/(loss)
Government bonds	-	-	-	-	-	-	-	-	-
Municipal bonds	-	-	-	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-	-	-	-
Others	-	-	-	21,709	21,767	57	-	-	-
Total	-	-	-	21,709	21,767	57	-	-	-

Available-for-sale securities

(in millions of yen)

	As of December 31, 2016 (A)			As of December 31, 2015 (B)			As of September 30, 2016		
	Balance sheet amount	Cost	Net unrealized gain/(loss)	Balance sheet amount	Cost	Net unrealized gain/(loss)	Balance sheet amount	Cost	Net unrealized gain/(loss)
Domestic equities	-	-	-	-	-	-	-	-	-
Domestic bonds	175,997	176,201	(203)	241,764	240,654	1,110	192,670	192,365	304
Government bonds	105,004	105,746	(741)	140,233	140,120	112	132,541	132,769	(227)
Municipal bonds	8,051	8,065	(14)	-	-	-	8,078	8,082	(4)
Corporate bonds	62,941	62,389	552	101,531	100,533	997	52,050	51,513	537
Others	263,464	266,735	(3,270)	302,097	301,557	540	315,551	315,189	362
Total	439,462	442,936	(3,473)	543,862	542,211	1,650	508,221	507,554	667

4. Derivatives (Consolidated)

(1) Derivative transactions to which hedge accounting is not applied

① Interest Rate Derivatives

(in millions of yen)

	As of December 31, 2016 (A)			As of December 31, 2015 (B)			As of September 30, 2016		
	Notional amounts	Fair value	Net unrealized gain (loss)	Notional amounts	Fair value	Net unrealized gain (loss)	Notional amounts	Fair value	Net unrealized gain (loss)
Over-the-counter:									
Interest Rate Swaps	966,214	(825)	(825)	1,014,662	(815)	(815)	1,001,175	(1,390)	(1,390)
Interest Rate Options	-	-	-	19,350	-	27	-	-	-
Total		(825)	(825)		(815)	(787)		(1,390)	(1,390)

② Currency Derivatives

(in millions of yen)

	As of December 31, 2016 (A)			As of December 31, 2015 (B)			As of September 30, 2016		
	Notional amounts	Fair value	Net unrealized gain (loss)	Notional amounts	Fair value	Net unrealized gain (loss)	Notional amounts	Fair value	Net unrealized gain (loss)
Over-the-counter:									
Currency Swaps	108,624	(4,962)	(4,962)	145,938	(98)	(98)	98,712	1,271	1,271
Forward Foreign Exchange Contracts	24,150	247	247	85,979	978	978	33,281	(108)	(108)
Currency Options	644,870	-	10,107	514,122	-	7,328	558,818	-	9,852
Total		(4,714)	5,392		879	8,207		1,162	11,014

③ Equity Derivatives

(in millions of yen)

	As of December 31, 2016 (A)			As of December 31, 2015 (B)			As of September 30, 2016		
	Notional amounts	Fair value	Net unrealized gain (loss)	Notional amounts	Fair value	Net unrealized gain (loss)	Notional amounts	Fair value	Net unrealized gain (loss)
Listed:									
Stock Index Futures	-	-	-	1,714	2	2	5,369	105	105
Stock Index Options	-	-	-	5,374	(17)	21	-	-	-
Total		-	-		(15)	23		105	105

④ Bond Derivatives

(in millions of yen)

	As of December 31, 2016 (A)			As of December 31, 2015 (B)			As of September 30, 2016		
	Notional amounts	Fair value	Net unrealized gain (loss)	Notional amounts	Fair value	Net unrealized gain (loss)	Notional amounts	Fair value	Net unrealized gain (loss)
Listed:									
Bond Futures	45,863	(3)	(3)	12,869	(5)	(5)	40,043	(91)	(91)
Bond Futures Options	-	-	-	6,126	(21)	10	20,148	(49)	7
Total		(3)	(3)		(27)	4		(140)	(83)

⑤ Credit Derivatives

(in millions of yen)

	As of December 31, 2016 (A)			As of December 31, 2015 (B)			As of September 30, 2016		
	Notional amounts	Fair value	Net unrealized gain (loss)	Notional amounts	Fair value	Net unrealized gain (loss)	Notional amounts	Fair value	Net unrealized gain (loss)
Over-the-counter:									
Credit Default Swap	1,000	(98)	(98)	-	-	-	-	-	-
Total		(98)	(98)		-	-		-	-

* Commodity Derivatives : Not applicable.

(2) Derivative transactions to which hedge accounting is applied

Interest Rate Derivatives

(in millions of yen)

Treatments	Products	Major hedged items	As of December 31,				As of September 30, 2016	
			2016 (A)		2015 (B)		Notional amounts	Fair value
			Notional amounts	Fair value	Notional amounts	Fair value		
Deferral hedge accounting	Interest Rate Swaps	Available-for-sale Securities(Bonds)	58,245	2,297	-	-	50,560	(624)
Exceptional accrual method	Interest Rate Swaps	Loans	1,441	-	1,828	-	1,251	-
	Total			2,297		-		(624)

* Derivatives transactions other than Interest Rate Derivatives : Not applicable.

5. Balances of Loans and Deposits (Consolidated)

(in millions of yen)

	As of December 31,		As of September 30, 2016
	2016 (A)	2015 (B)	
Deposits and Negotiable Certificates of Deposit	2,306,113	2,438,762	2,270,614
Deposits	1,997,369	2,130,382	1,986,570
Individuals	1,817,634	1,870,571	1,801,812
Corporations	177,221	243,000	182,198
Public entities	78	11,881	199
Financial institutions	2,435	4,928	2,359
Negotiable Certificates of Deposit	308,744	308,380	284,044
Loans and Bills Discounted	1,692,746	1,624,895	1,655,368