

MANAGEMENT PRINCIPLES

- To be a banking Group that is sought out by customers, with stable profitability, and contributing to be the development of the industrial economies in Japan and overseas
- To be a banking Group that values diverse talents and cultures and that is continually able to take on new challenges in a changing environment while taking into consideration experience and history
- To be a banking Group that has highly transparent management as well as be trusted by all stakeholders including customers, investors and employees

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Forward-Looking Statements

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



TO OUR SHAREHOLDERS, CUSTOMERS AND EMPLOYEES

In the first half of fiscal year 2017, the Japanese economy remained in mild recovery on the whole as corporate earnings stayed high and employment conditions steadily advanced amid improvements in areas such as consumer spending, corporate manufacturing activities and exports. We expect the gradual recovery to continue, boosted, in part, by an array of measures such as government policies, but geopolitical risks such as those emanating from the North Korean situation are a downside risk factor to the economic outlook, along with uncertainties around economic trends overseas. We will continue to monitor such risks and trends closely.

Amid such an environment, the Shinsei Bank Group has delivered solid results by carrying out the management strategy in the second year of its Third Medium-Term Management Plan (Third MTMP) via execution of “‘selection & concentration’ of businesses and creation of value through Group integration” and “synergy creation through the integration of management functions.”

In unsecured loans, which we have identified as a growth area, we expanded our loan balance while continuing to run our businesses prudently. In the structured finance business, we were able to build up our portfolio of high-quality assets through distinctive initiatives that harness the Group’s know-how and network in fields such as project finance both in Japan and overseas as well as non-recourse real estate finance. There has been progress in advancing initiatives to provide new products and services that fully leverage Group company functions in ways that accord with the needs of our customers.

In management initiatives, head-office functions of the Shinsei Bank Group companies were effectively integrated in April 2017 into the “Group Headquarters,” which established at the parent bank. The Group has since worked to enhance each function and pursue an optimal Group-wide structure from the standpoint of bolstering Group governance and to

realize greater productivity and efficiency by integrating the overlapping functions of Group companies.

Earnings in the first half of fiscal year 2017 reflected a challenging business environment as indicated by the continuation of large-scale financial easing measures such as the negative interest rate policy. Amid this backdrop, the loan balance increased in consumer finance businesses such as unsecured card loans and the Institutional Business recorded higher fee income and gains on the sale of stockholdings. As a result, the interim profit attributable to owners of the parent came to ¥25.1 billion, an attainment rate of 49% versus our fiscal year 2017 forecast of ¥51 billion. From the viewpoint of financial soundness, the consolidated capital adequacy ratio remained at a sufficiently high level, at 13.05%, and the nonperforming loan ratio remained low at 0.19% on continued implementation of a rigorous approach to risk management.

With the aim of increasing our corporate value, the Group seeks to transcend conventional boundaries to revise Group financial functions from the viewpoint of our customers and build an original business model by launching new businesses and offering new services.

Please be assured that all Shinsei Bank Group employees are unified in working together to meet the expectations of our stakeholders.

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

December 2017

Hideyuki Kudo
President and Chief Executive Officer

SHINSEI BANK GROUP'S BUSINESS PROFILE

Innovative Financial Services via Integration of Many Group Companies

Offering innovative financial services, the Shinsei Bank Group has integrated many Group companies with a broad spectrum of financial functions from banking to unsecured loans to individuals, shopping credit and other credit businesses, leasing, securities, and trusts.



Domestic subsidiaries Overseas subsidiaries

MAJOR EVENTS IN FISCAL YEAR 2017

Apr.

Governance Shinsei Bank Group established Group Headquarters

Named No.1 in the "Internet Banking" category in Oricon Japan Customer Satisfaction Survey for a second successive year

Shinsei Investment Management Co., Ltd. awarded first prize in the global equity fund aggregate category in "R&I Fund Award 2017"



Jun.

Governance Established "the policy on customer-oriented business conduct" to focus on providing the best options to its customers

Social Invested in UniFa Inc., providing family portal media and IoT solutions to nurseries, by Child-care Support Fund established by Shinsei Bank, Limited and Shinsei Corporate Investment Limited



Aug.

Social Invested in Wisdom Academy Inc., operating private after-school care center, by the Child-care Support Fund



Sep.

Showa Leasing Co., Ltd. started providing "Shinsei My WAY," a leaseback service targeting condominiums owned by individual customers

Environment Arranged project financing for a woody biomass power generation project in Kamisu, Ibaraki Prefecture



Oct.

Launched "PowerSmart Home Mortgage Anshin Pack S," home mortgage with a special agreement on debt forgiveness in case of natural disasters

Environment Arranged a syndicated loan to Canadian Solar Infrastructure Fund, Inc.

Nov.

APLUS Co., Ltd. and Showa Leasing Co., Ltd. launched an auto leasing business for individual customers

Commenced "THEO Plus Shinsei Bank," a robo-advisor based asset management service, which was originally developed by MONEY DESIGN Co., Ltd. for individual customers

FINANCIAL HIGHLIGHTS

Shinsei Bank, Limited, and Consolidated Subsidiaries

Six months ended September 30, 2013, 2014, 2015, 2016 and 2017, and years ended March 31, 2014, 2015, 2016 and 2017¹

	March 31 (12 months)			
	2014	2015	2016	2017
For the fiscal year (Billions of yen):				
Total revenue	¥ 203.0	¥ 235.3	¥ 216.6	¥ 228.5
General and administrative expenses	135.0	144.2	141.3	144.2
Net credit costs	0.2	11.8	3.7	31.8
Profit attributable to owners of the parent	41.3	67.8	60.9	50.7
Balances at fiscal year-end (Billions of yen):				
Total assets	¥ 9,321.1	¥ 8,889.8	¥ 8,928.7	¥ 9,258.3
Total liabilities	8,598.5	8,136.0	8,135.6	8,437.5
Total equity	722.5	753.7	793.1	820.7
Per share data (Yen):				
Common equity	¥ 247.82	¥ 275.45	¥ 294.41	¥ 3,163.89 ⁴
Basic profit	15.59	25.57	22.96	194.65 ⁴
Dividends	1.00	1.00	1.00	1.00
Ratios (%):				
Return on assets ²	0.5	0.7	0.7	0.6
Return on equity (fully diluted) ³	6.5	9.8	8.1	6.3
Expense-to-revenue ratio	66.5	61.3	65.3	63.1
Total capital adequacy ratio (Basel II, Domestic Standard)	—	—	—	—
Capital adequacy ratio (Basel III, Domestic Standard)	13.58	14.86	14.20	13.06
Ratio of nonperforming claims classified under the Financial Revitalization Law to total claims	3.81	1.42	0.79	0.22

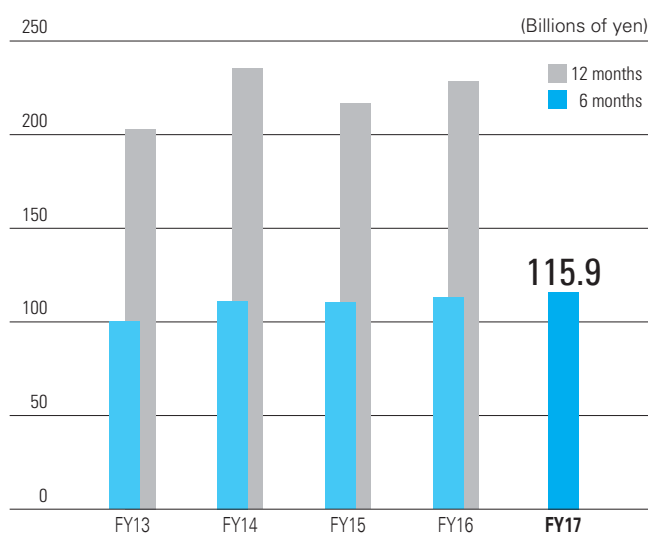
¹ Since all yen figures have been truncated rather than rounded, the totals do not necessarily equal the sum of the individual amounts.

² Return on assets is calculated by dividing profit (loss) attributable to owners of the parent by the average of total assets at the beginning and end of the period presented.

³ Return on equity (fully diluted) is calculated by dividing profit (loss) attributable to owners of the parent by the average amount of (total equity at the BOP – share warrants at the BOP – noncontrolling interests at the BOP) at the beginning and end of the period presented.

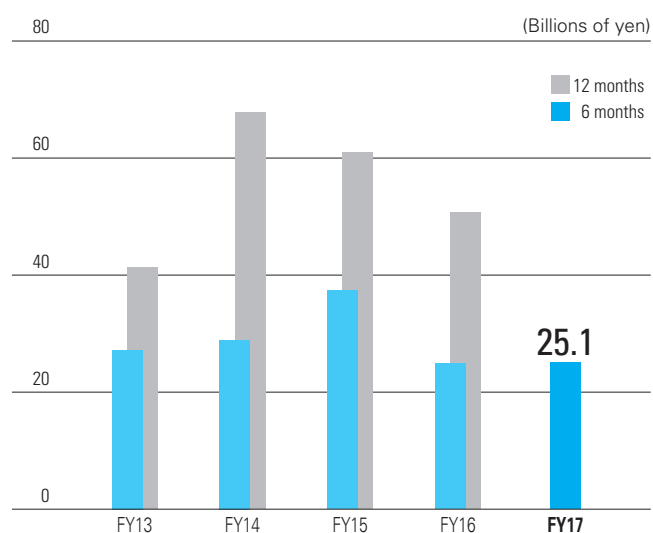
⁴ Shinsei Bank, Limited executed a one-for-ten reverse stock split of outstanding common shares for new common shares on October 1, 2017; the figures in the above table were calculated on the assumption the reverse stock split was implemented at the start of fiscal year 2016 (April 2016).

Total revenue



• Total revenue is composed of "Net interest income" such as interest from loans and "Noninterest income" such as fee income, as indicated by gross profit from core business operations.

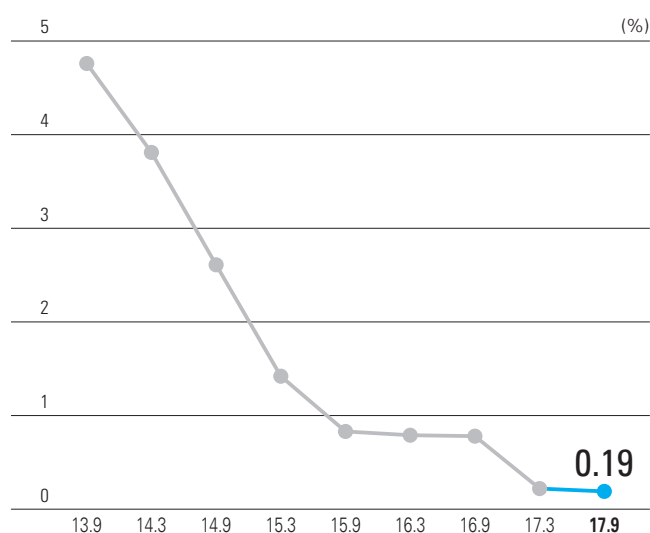
Profit attributable to owners of the parent



• Profit attributable to owners of the parent indicates the final profit over a twelve-month fiscal term in accounting terms.

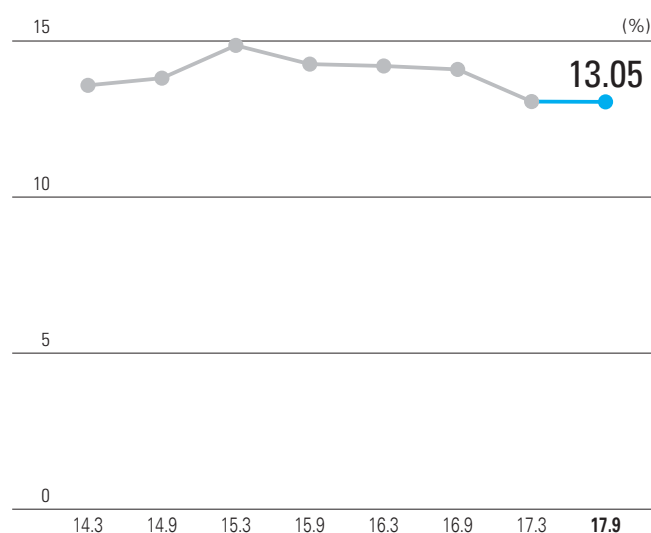
September 30 (6 months)					
	2013	2014	2015	2016	2017
	¥ 100.2	¥ 111.1	¥ 110.3	¥ 113.2	¥ 115.9
	67.0	71.1	70.1	72.8	71.9
	0.3	5.0	(1.2)	14.7	19.8
	27.2	28.9	37.4	24.9	25.1
	¥ 8,905.5	¥ 9,190.1	¥ 8,999.2	¥ 8,997.1	¥ 9,455.3
	8,198.5	8,483.9	8,223.9	8,206.9	8,614.2
	706.9	706.2	775.3	790.2	841.1
	¥ 242.90	¥ 257.94	¥ 287.49	¥ 3,039.64 ⁴	¥ 3,243.13⁴
	10.26	10.90	14.11	95.10 ⁴	96.98⁴
	—	—	—	—	—
	0.6	0.6	0.8	0.6	0.5
	8.6	8.6	10.0	6.3	6.0
	66.9	64.0	63.5	64.4	62.1
	14.12	—	—	—	—
	—	13.81	14.26	14.09	13.05
	4.76	2.61	0.83	0.78	0.19

Nonperforming loan ratio under the Financial Revitalization Law



- Nonperforming loan ratio is the ratio of nonperforming claims under the Financial Revitalization Law to total claims. Nonperforming loan ratio is used as an indicator of the business soundness of financial institutions such as banks.

Capital adequacy ratio (Basel III, Domestic Standard)



- Capital adequacy ratio is based on core capital, which is composed of items such as shareholders' equity; Capital adequacy ratio is derived by dividing core capital by risk-weighted assets, which reflect such factors as credit risk, market risk, and operational risk. Capital adequacy ratio is used as an indicator of the business soundness of financial institutions such as banks.

AT A GLANCE

Segment Data

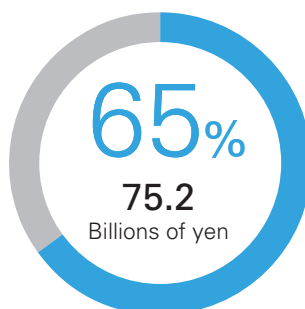
INDIVIDUAL BUSINESS

Major Business

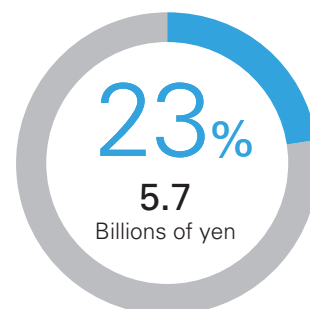
- Retail Banking
 - Deposit related products (saving deposits, time deposits, structured deposits, foreign currency deposits)
 - Asset management (consultation, mutual funds, annuity products)
 - Housing loans
- Consumer Finance
 - Unsecured personal loans (Shinsei Bank, Shinsei Financial, NOLOAN)
 -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

Contribution¹

Total Revenue



Ordinary Business Profit after Net Credit Costs



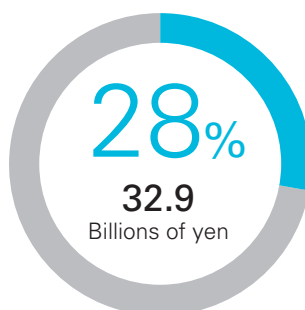
INSTITUTIONAL BUSINESS

Major Business

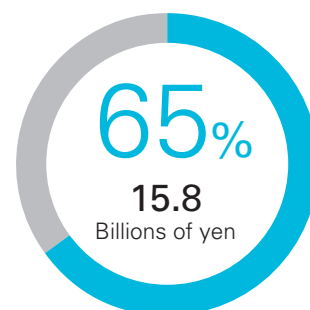
- Corporate, Financial Institutions & Public Sector Finance
- Healthcare Finance
- Real Estate Finance
- Project Finance
- Specialty Finance
- Business Succession Finance
- Corporate Restructuring
- Credit Trading
- Private Equity
- Advisory Services
- Leasing (Showa Leasing)
- Trust Operations (Shinsei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

Contribution¹

Total Revenue



Ordinary Business Profit after Net Credit Costs



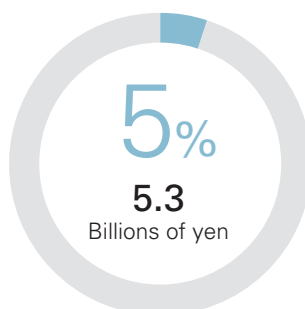
GLOBAL MARKETS BUSINESS

Major Business

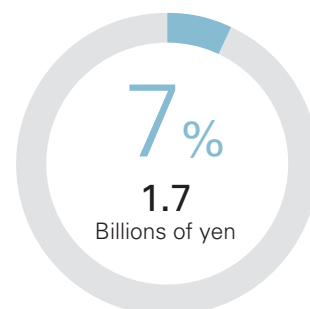
- Markets Business
- Asset Management
- Wealth Management
- Securitization (Shinsei Securities)

Contribution¹

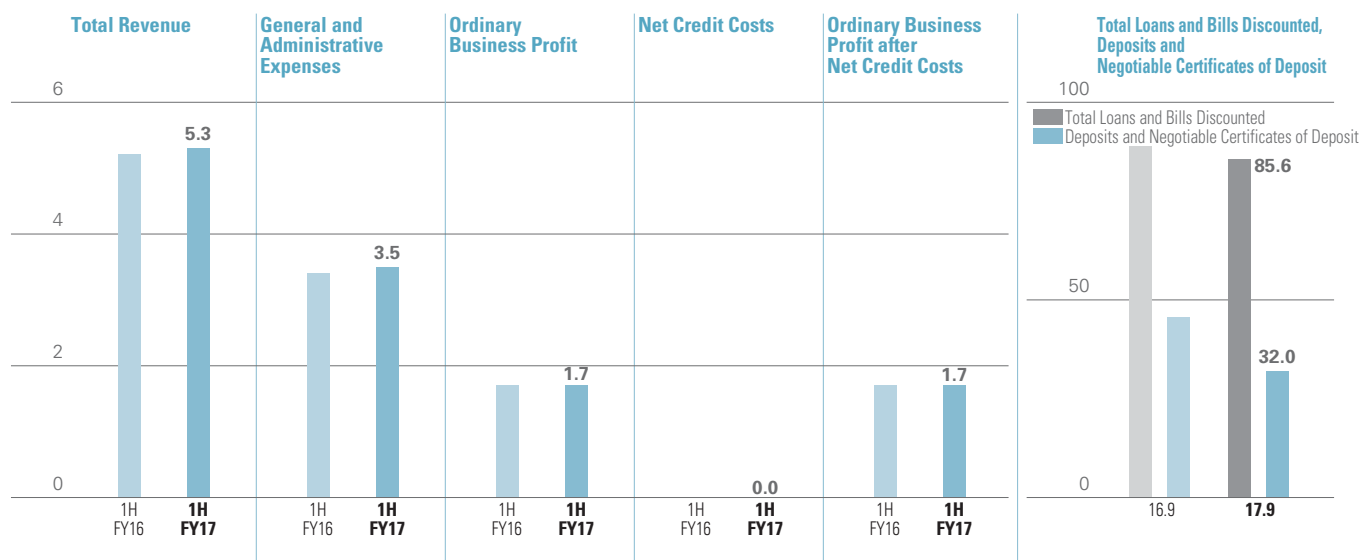
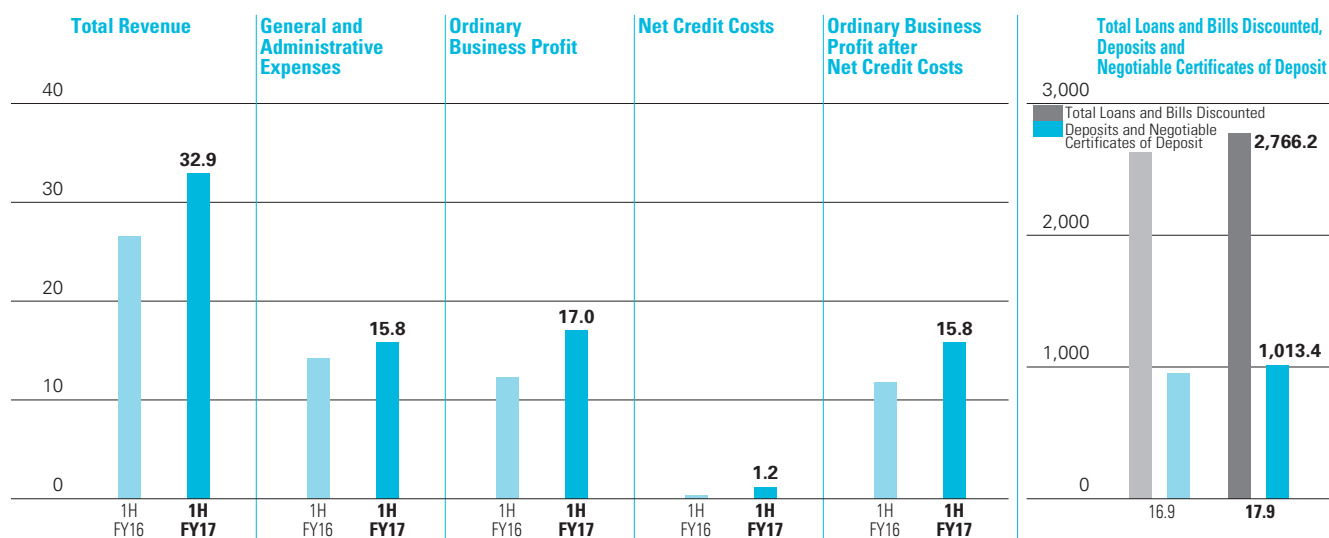
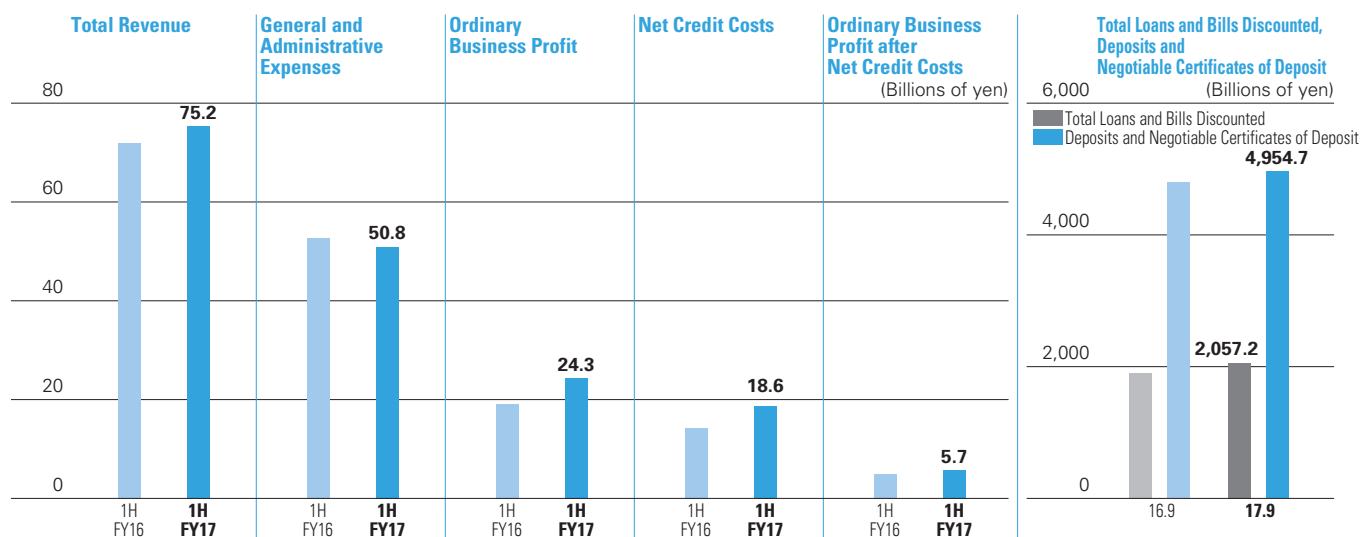
Total Revenue



Ordinary Business Profit after Net Credit Costs



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





Tetsuro Shimizu
Managing Executive Officer,
Head of Individual Business

INDIVIDUAL BUSINESS

The Individual Business is composed of the marketing of financial products and services to individual customers, centered on retail banking, which accepts deposits and handles asset management products and housing loans; and consumer finance, which handles unsecured card loans, credit cards, installment sales credit (shopping credit), and transaction settlements.

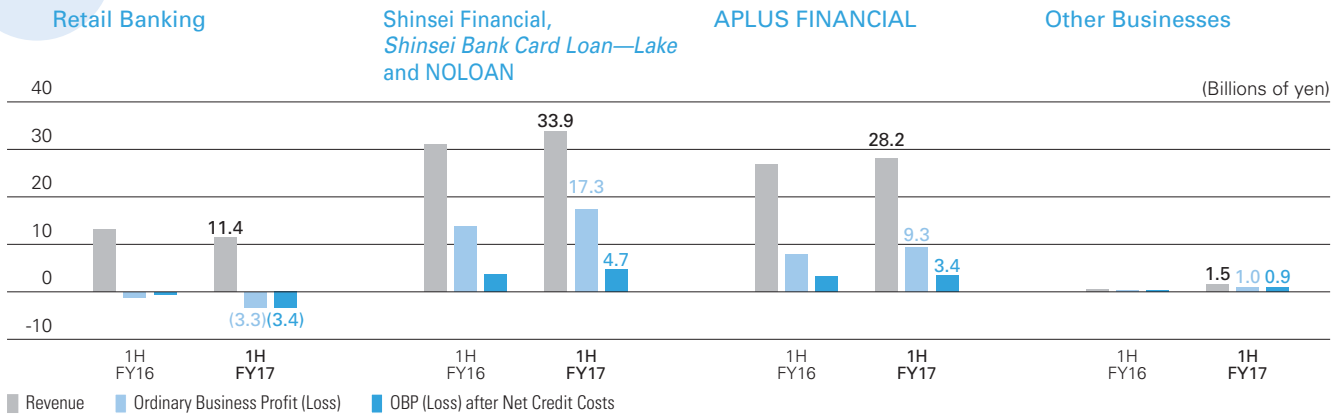
Business Results in the First Half of Fiscal Year 2017

In retail banking, we provide highly value-added products and services to our individual customers while working to improve and expand our products and services and further enhance transaction convenience, and the 2017 Oricon Japan Customer Satisfaction Survey ranked Shinsei Bank No. 1 in the "Internet Banking" category for a second successive year. In housing loans, the launches of the PowerSmart Home Mortgage with Anshin Pack S, a rider that waives debt obligations in the event of natural disasters, and the PowerSmart Home Mortgage Step-down Type (with T-points), where an applied interest rate will decline over the years during borrowing period, added to our lineup of unique products.

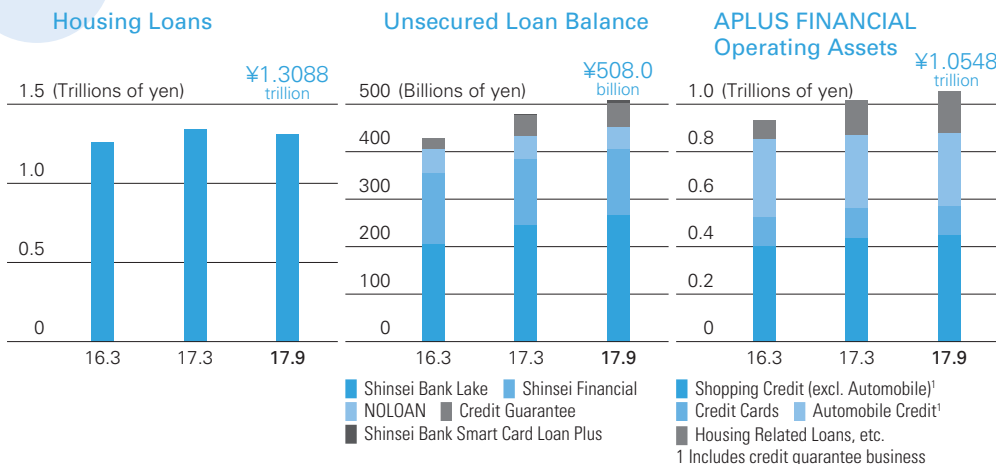
Unsecured card loans are a growth area in the Third

Medium-Term Management Plan (Third MTMP), and in the first half of fiscal year 2017, we implemented marketing and credit screening based on changes in the business environment, enabling us to increase our unsecured card loan balance and add more new customers. APLUS Co., Ltd. (hereinafter, "APLUS"), a subsidiary of APLUS FINANCIAL Co., Ltd., provides a settlement agent service in Japan for WeChat Pay, a mobile settlement service for Chinese customers as a part of WeChat, China's largest SNS service. APLUS is working to add more stores that accept the service and advance initiatives aimed at rapidly building up the merchant network using the service. Also, credit cards, shopping credit, and housing-related loans activities trended firmly.

Data on Major Operations



Operating Assets





INSTITUTIONAL BUSINESS AND GLOBAL MARKETS BUSINESS

The Institutional Business is composed of the corporate business, which provides solutions to the Bank's corporate and financial institution customers; structured finance, which provides services such as real estate finance and project finance; and principal transactions which include businesses such as private equity and business succession, and other businesses such as leasing business. The Global Markets Business is composed of operations such as the markets business, which offers market solutions such as derivatives for hedging foreign exchange and interest rate risks.

Business Results in the First Half of Fiscal Year 2017

In the corporate business, there were strong momentums in the providing solutions such as derivatives to corporate customers and in the syndication-related business that stems from collaboration with financial institution customers.

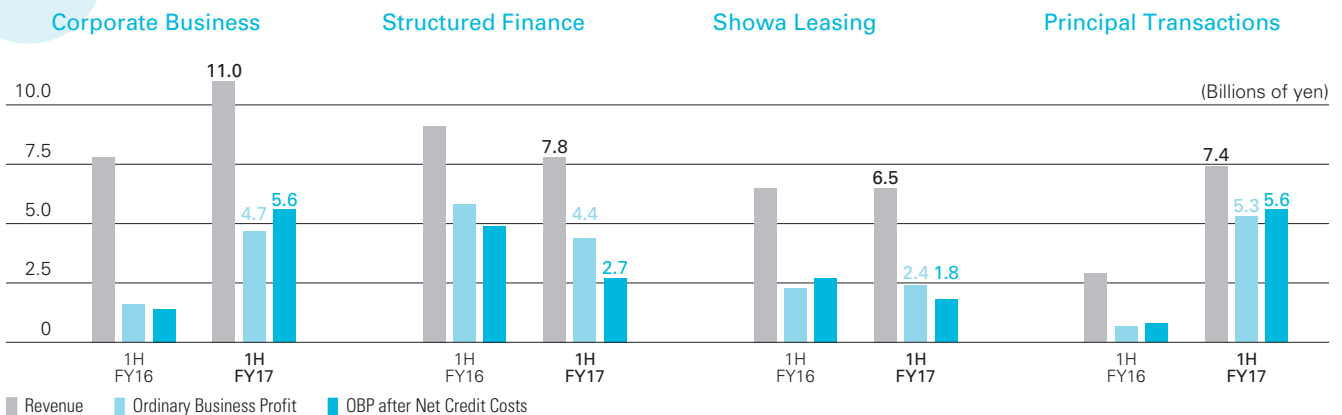
In structured finance, which is identified as a growth area in the Third MTMP, the number of finance arrangements grew year on year, continuing the expansion trend from the previous fiscal year. In project finance, the number of domestic megasolar power generation projects increased, while we also advanced execution of projects in the wind, biomass, and thermal power generation. In real estate finance, we looked carefully at the risk-return of each prospective case while keeping a close eye on

real estate price trends as we advanced efforts to construct a loan asset portfolio that broadly diversifies risk.

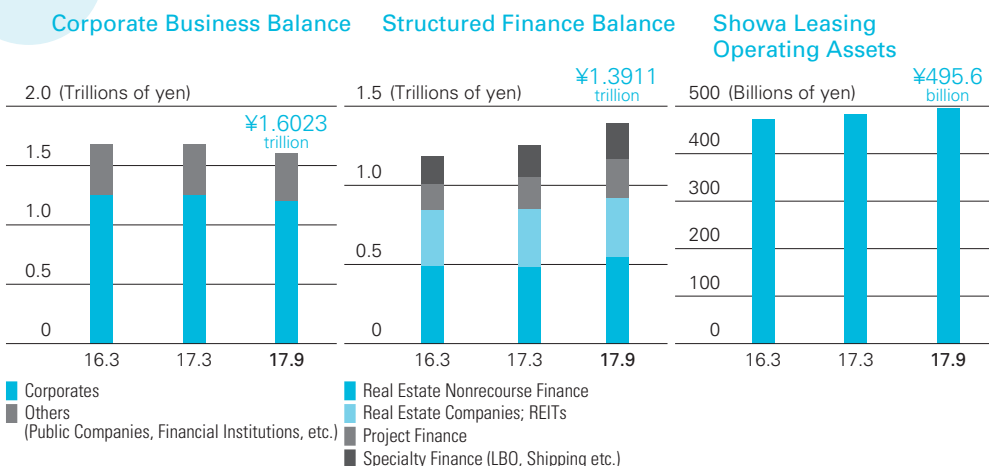
Showa Leasing Co., Ltd. advanced initiatives along new axels such as providing solutions for small- and medium-sized enterprises (SMEs) via collaborations with Group companies, and offering a residential sale-and-leaseback business aimed at individual customers.

In the markets business, there was a steady trend in derivative transactions with corporate customers and progress in building up systems for providing products that match the asset management needs of our financial institution customers.

Data on Major Operations



Operating Assets



Status of Regional Revitalization and SME Management Improvement Initiatives

To improve the management of small- and medium-sized enterprises (SMEs) and contribute to regional revitalization, the Shinsei Bank engages in initiatives such as those described below, providing our expertise and, depending on the initiative, cooperating with regional financial institutions and the SME Business Rehabilitation Support Cooperative. With respect to supporting SMEs and local businesses that have technologies or business models with unrealized growth potential as well as new business fields or business domains that contribute to regional economic revitalization, the Bank goes beyond merely satisfying funding needs to provide financing that emphasizes cash flows and multifaceted solutions to such management issues as business strategy planning and implementation support and other complementary functions. Through such efforts, the Bank aims to expand the operations of growth-stage SME clients and contribute to the development of new business opportunities that accompany innovation.

Examples of Shinsei Bank Initiatives

• Supporting regional revitalization through business rehabilitation

Regional textile product manufacturer: While staying on top of robust order inflows, the company had in the past made a large capital investment in facilities overseas and then later as a result strained to raise funds, seriously hampering its production activities. As a result, it was forced to file an application for legal liquidation. It needed to secure funding to remain in business, so it was under pressure to act swiftly to select a sponsor in a very short time span. As a financial advisor to the company in its sponsor selection process, Shinsei Bank harnessed its customer base and extensive experience in business rehabilitation and M&A to succeed in swiftly finding a sponsor to back up the company that showed a strong interest in its businesses. In this way, we contributed to reviving and sustaining employment and traditional textile product manufacturing in the region.

• Supporting management improvement and business succession

Advertising agency: Revenues from the agency's core business were stable due to its solid business base but it faced the challenge of alleviating excessive debts levels that stemmed from investments outside its core business. Shinsei Bank eased repayment conditions for debt taken over from other creditors down to a level that corresponded to the agency's net business income and took steps to stabilize its access to funding. Moreover, the Bank contributed to substantially improving the agency's balance sheet by underwriting equity-like funds. In response to new concerns such as impending business succession needs, the Bank also offered advice for bolstering its internal control systems and introduced it to a reputable consulting firm, and has continued to provide it support so it could execute business succession in a smooth manner.

• Supporting management improvement

Electronic component production equipment maker: With its earnings eroding after the Lehman Brothers collapse, the company needed to secure new sources of funding. Taking notice of the company's advanced technologies and solid customer base, Shinsei Bank arranged a syndicated loan with several regional financial institutions and has since then continued to support the company. Through this ongoing support combined with monitoring of its order status and access to funding, Shinsei Bank advised the company on ways to increase the transparency of its business activities in the eyes of the financial institutions where it does business, and in doing so enabled the company to improve its earnings and solidified the footing of a cooperative support system it has formed with its main banks. Shinsei Bank also provides the company with instruments to hedge business risks by initiating a trading relationship with it in foreign exchange forward contracts.

• Supporting business succession

Regional steel-frame construction firm: The company, which counts among the major contractors in its local market, has a long history of achievements and enjoys a reputation for strong technical implementation capability, and it has received many orders linked to public works projects. The company lacked candidates or acquirers to carry on the business despite the advanced age of its owner-president. Together with local financial institutions with which it has long-term relationships, the company initiated a process to identify a business succession sponsor but the search did not yield any local candidates who would accept the invitation. Shinsei Bank accepted its request to cooperate with a follow-up effort to conduct a nationwide search for a sponsor and arranged successfully for a steel-fabrication company that had aimed at expanding beyond its original business area to cross over into new markets to be elevated as a candidate. The Bank provided support with negotiations terms, due diligence and acquisition funding, and contributed to realizing the business succession on a tight schedule in a way meeting the needs of both sides.