

**Business and Financial Highlights  
Third Quarter Ended December 31, 2019**

**Shinsei Bank, Limited  
January, 2020**



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# Key Points

## ① JPY 45.1 billion of net income<sup>1</sup>; increased 9% y-o-y 85% progression toward the full year net income forecast

- Ordinary Business Profit (OBP) : JPY 71.9 billion (increased 9% y-o-y; 79% progression)
- OBP after Net Credit Costs : JPY 49.6 billion (increased 10% y-o-y; 89% progression)

## ② Full year net income forecast : expect to achieve the initial plan of JPY 53 billion

- 3Q progression exceeds run rate of 75%
- This mainly reflects timing difference relating to fee income from new disbursements in structured finance as well as expenses associated with IT and certain projects and lower net credit costs

## ③ Mid-term strategies: solid progress on financial target

- Our financial target in the mid-term strategy is to achieve an average annual EPS growth rate of 2% or more without considering share buybacks
- EPS (excl. share buyback)<sup>2</sup> grew at 8.5% during the first three quarters of FY2019

<sup>1</sup> Profit attributable to owners of the parent

<sup>2</sup> Calculation = (Profit attributable to owners of the parent) divided by (the average number of fully diluted common shares for the previous fiscal year (excluding treasury shares))

# 3Q FY19 Financial Results Summary

(Unit: JPY billion; %)

Consolidated	18.4-12 (Actual)	19.4-12 (Actual)		19.4-20.3 (Plan)	
		YoY % B(+)/W(-)	Progress %		
<b>Total Revenue</b>	<b>172.8</b>	<b>183.1</b>	<b>+6%</b>	<b>75%</b>	<b>243.0</b>
Net Interest Income	100.1	100.3	+0%		
Noninterest Income	72.7	82.7	+14%		
<b>Expenses</b>	<b>-106.6</b>	<b>-111.1</b>	<b>-4%</b>	<b>73%</b>	<b>-152.0</b>
Ordinary Business Profit (OBP)	66.2	71.9	+9%	79%	91.0
<b>Net Credit Costs</b>	<b>-21.1</b>	<b>-22.2</b>	<b>-5%</b>	<b>63%</b>	<b>-35.0</b>
OBP after Net Credit Costs	45.1	49.6	+10%	89%	56.0
Others	-3.5	-4.5	-29%	150%	-3.0
Income Tax, etc.	-3.4	-3.6	-6%		
<b>Net Income</b>	<b>41.5</b>	<b>45.1</b>	<b>+9%</b>	<b>85%</b>	<b>53.0</b>

## Points

### Total Revenue:

Net interest income and noninterest income are mostly in line with the initial expectation

### Expenses:

Lower progress rate of expenses reflects timing difference due to certain projects and IT expenses

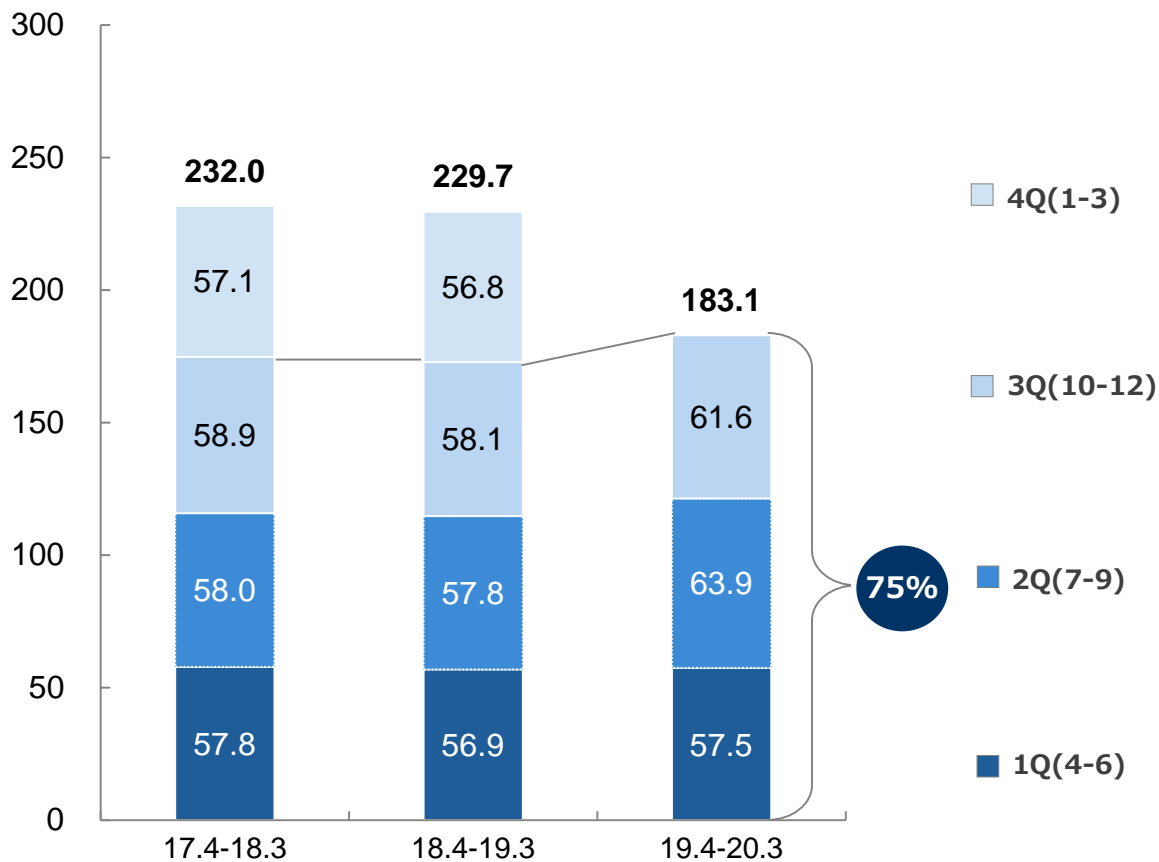
### Net Credit Costs:

Lower progress rate of net credit costs relates to improvement of credit quality as well as enhanced collection in Unsecured Loans

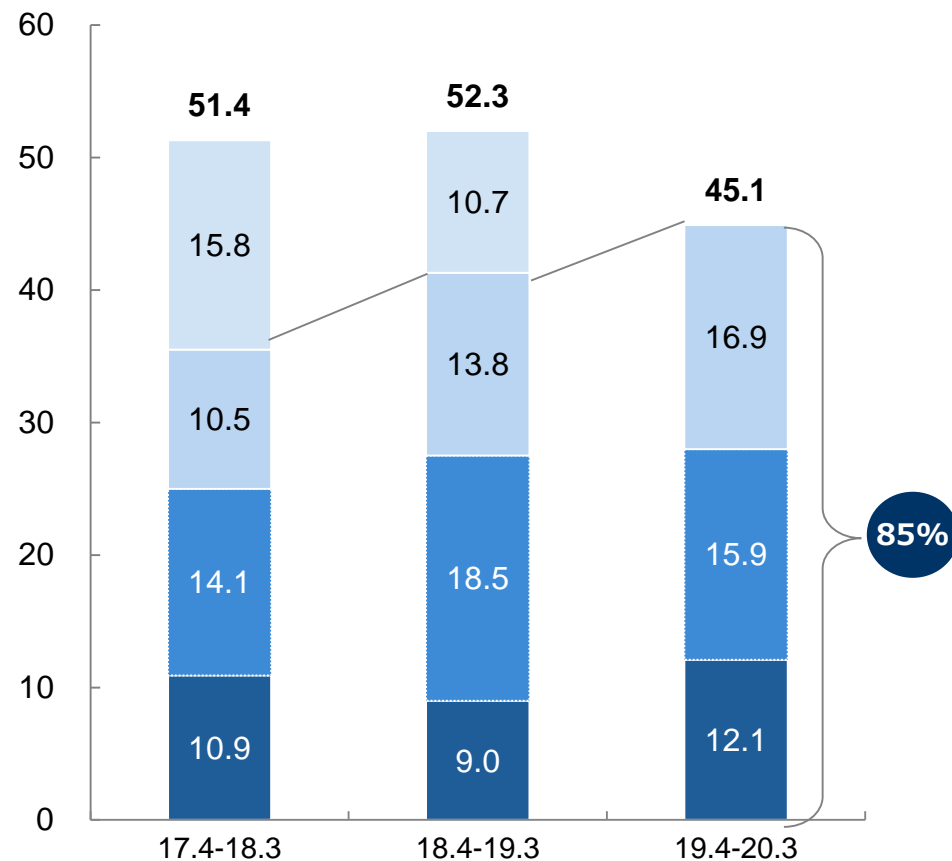
# Progression toward Full Year Plan

(Unit: JPY billion)

## Total Revenue



## Net Income



Initial Full Year Plan

230.0

236.5

**243.0**

Initial Full Year Plan

51.0

52.0

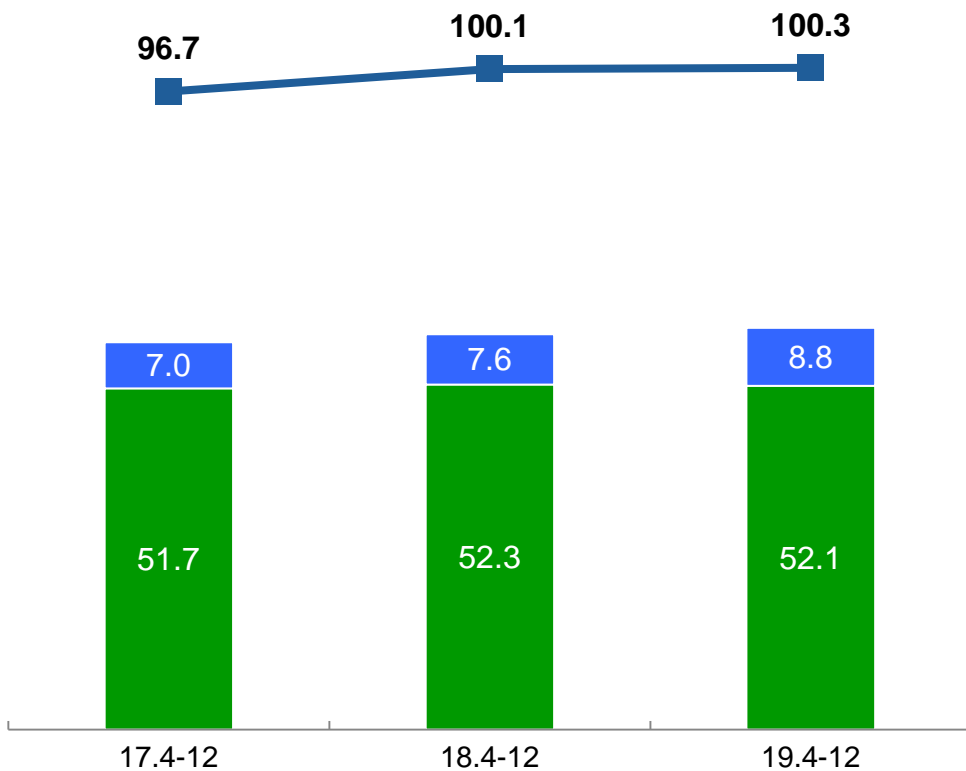
**53.0**

# Financial Update: Net Interest Income

(Unit: JPY billion)

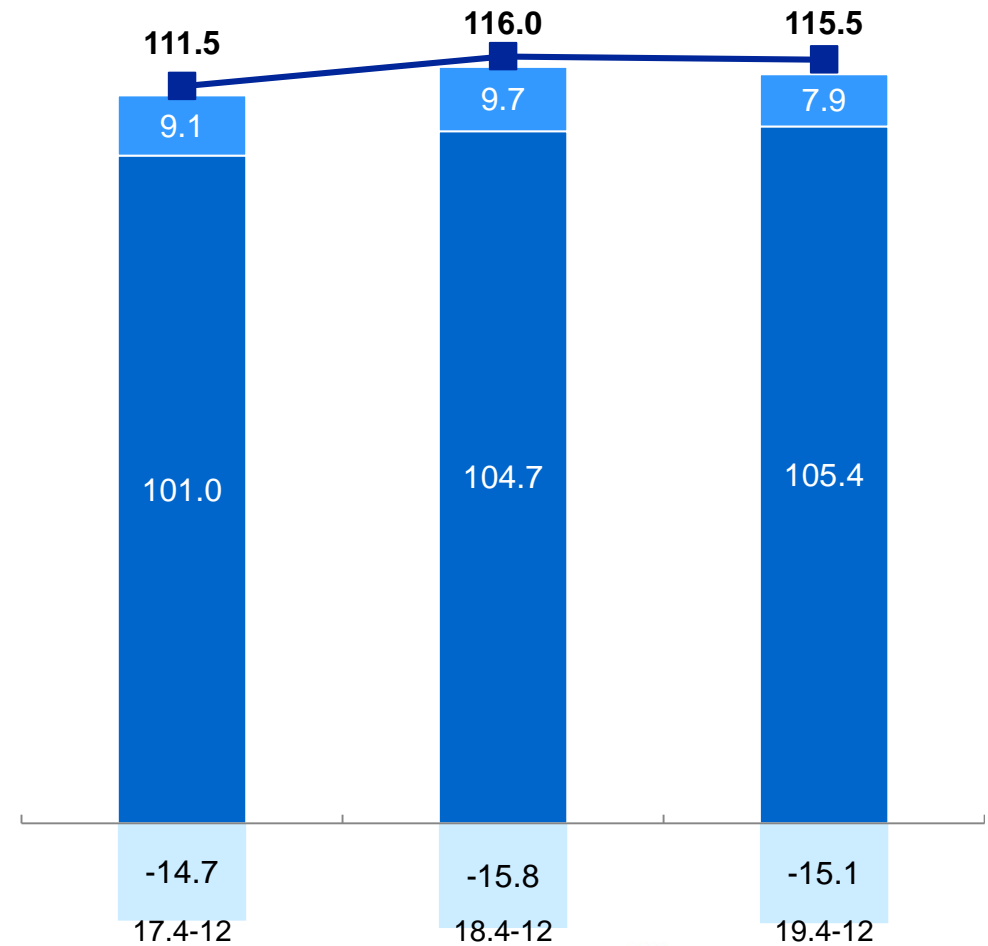
- Structured Finance net interest income reflects growth of operating assets balance
- Unsecured loans constitute 52% of total net interest income

■ **Net Interest Income**  
 ■ Of which, Structured Finance  
 ■ Of which, Unsecured Loans  
 (Lake Businesses, NOLOAN, Shinsei Bank SmartCard Loan Plus)



## Interest Income Breakdown (gross)

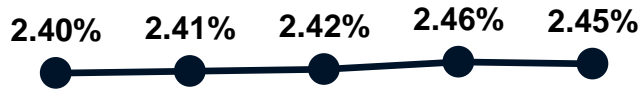
- Interest income from interest-earning assets
  - Of which, Securities
  - Of which, Loans and bills discounted
- Interest expenses from interest-bearing liabilities



# Financial Update: Net Interest Margin (NIM), Yields

(Unit: %)

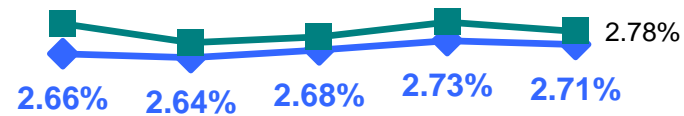
## Net Interest Margin<sup>1</sup>



15.4-16.3 16.4-17.3 17.4-18.3 18.4-19.3 19.4-12  
(Annualized)

## Yield on Interest Earning Assets

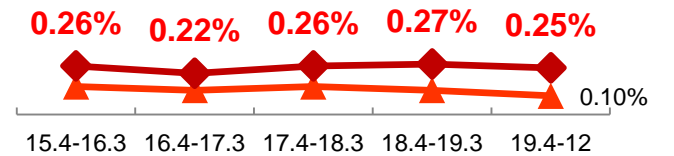
- Yield on Loans and Bills Discounted
- ◆ Yield on Interest Earning Assets<sup>1</sup>
- ▲ Yield on Securities



15.4-16.3 16.4-17.3 17.4-18.3 18.4-19.3 19.4-12  
(Annualized)

## Funding Costs

- ◆ Rate on Interest Bearing Liabilities
- ▲ Rate on Deposits, including NCDs



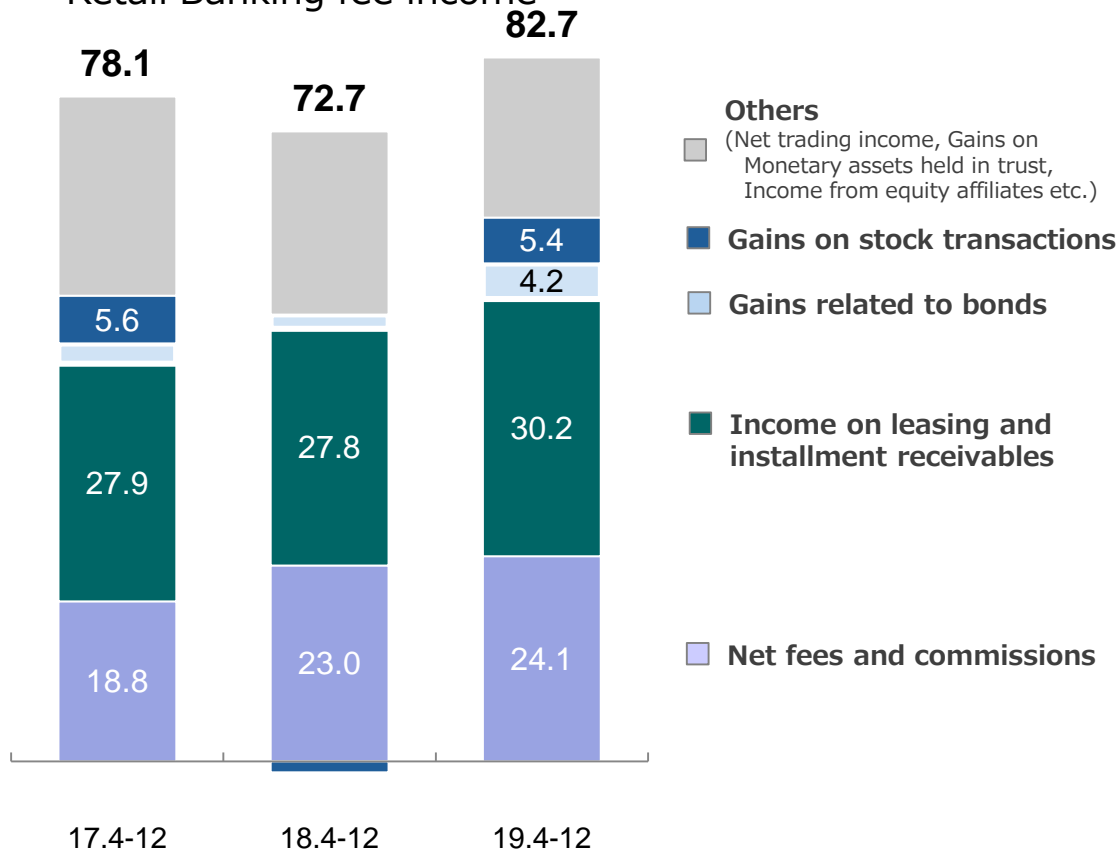
15.4-16.3 16.4-17.3 17.4-18.3 18.4-19.3 19.4-12  
(Annualized)

<sup>1</sup> Includes income on leased assets and installment receivables

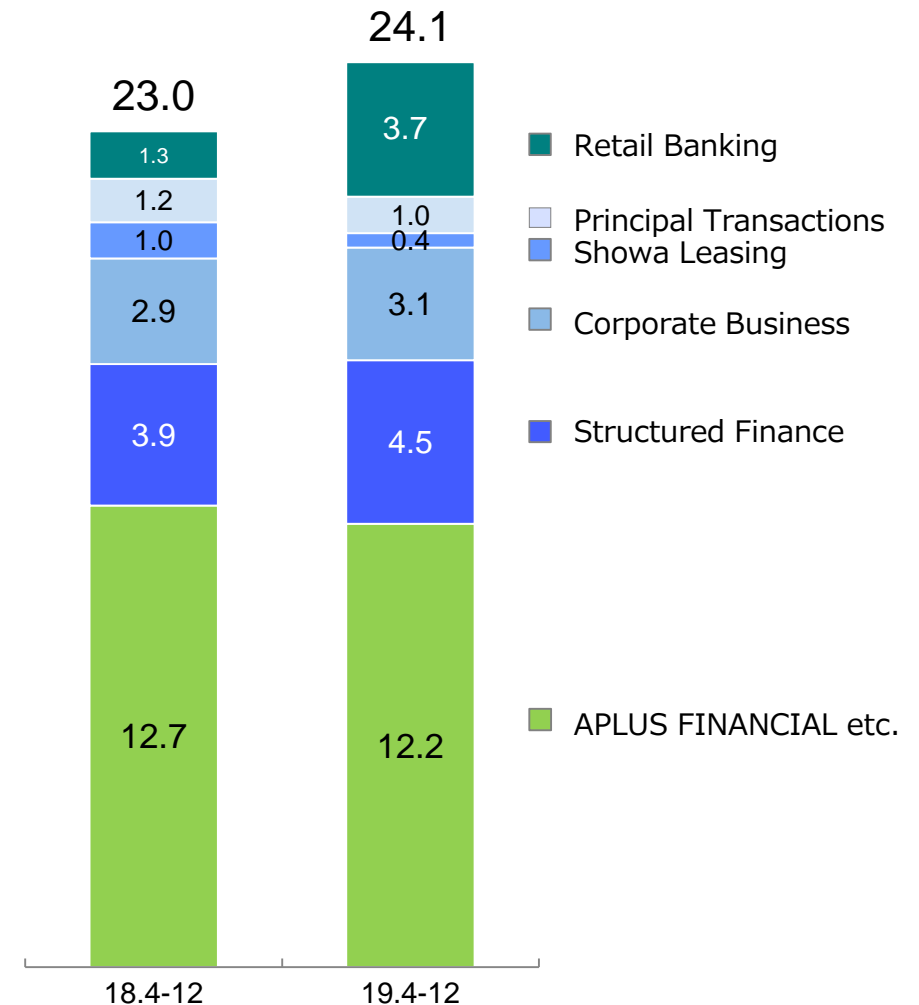
# Financial Update: Noninterest Income

(Unit: JPY billion)

- **Gains on stock transactions:** Increase reflects gains on sales of equities in Corporate Business
- **Gains related to bonds:** Increase reflects gains on sales of bonds from Treasury's ALM activities
- **Income on leasing and installment receivables:** Growing contribution from APLUS and Showa Leasing
- **Net fees and commissions:** Significant increase in Retail Banking fee income



## Net Fees and Commissions: Major Segments





# Financial Update: Expenses, Expenses-to-Revenue Ratio

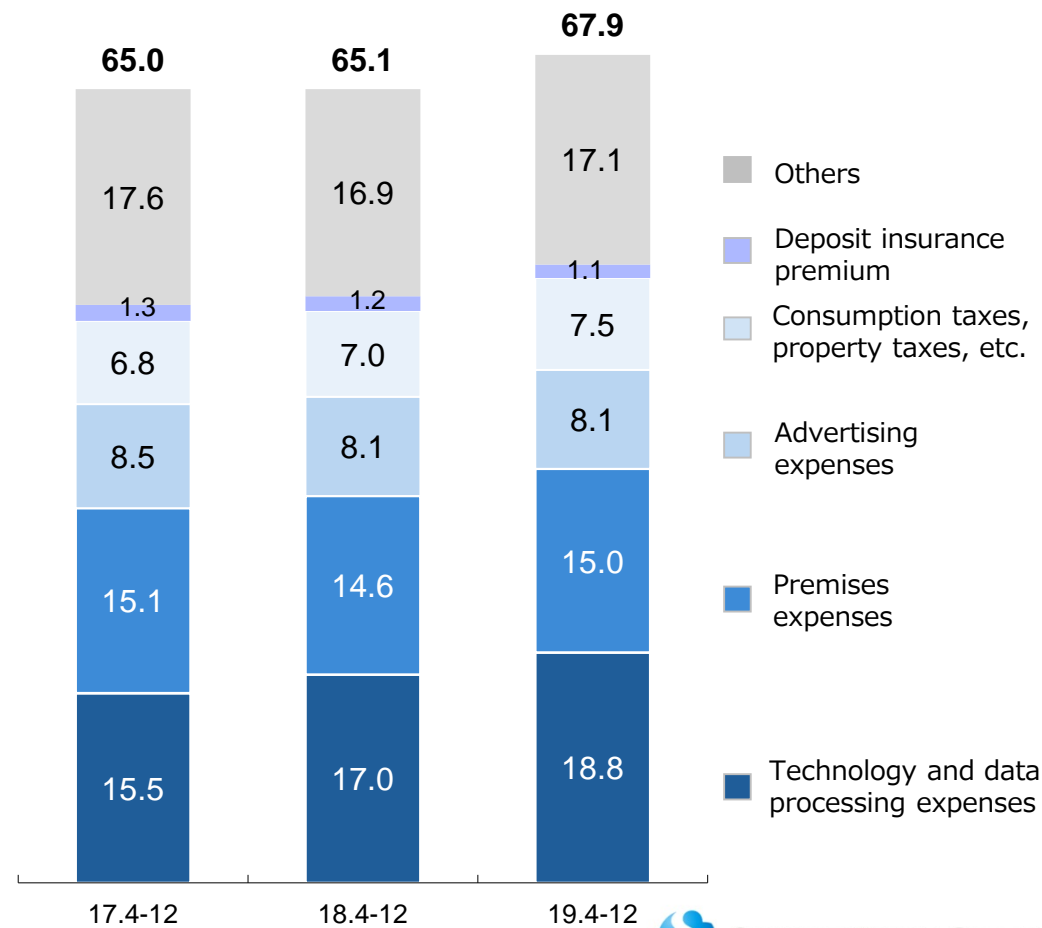
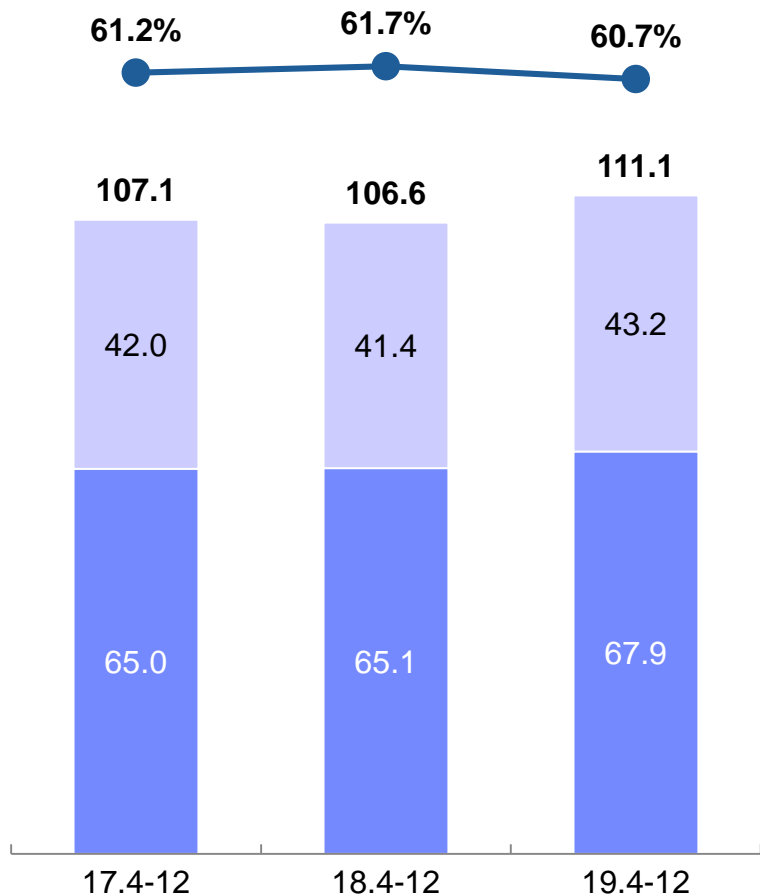
(Unit: JPY billion)

- Increase in personnel expenses reflects acquisitions of SHINKO LEASE and Financial Japan
- Increase in nonpersonnel expenses mainly reflects IT related expenses

## Breakdown of nonpersonnel expenses

- JPY 2.8 billion of depreciation expenses on new IT systems (increased JPY 1.6 billion y-o-y)

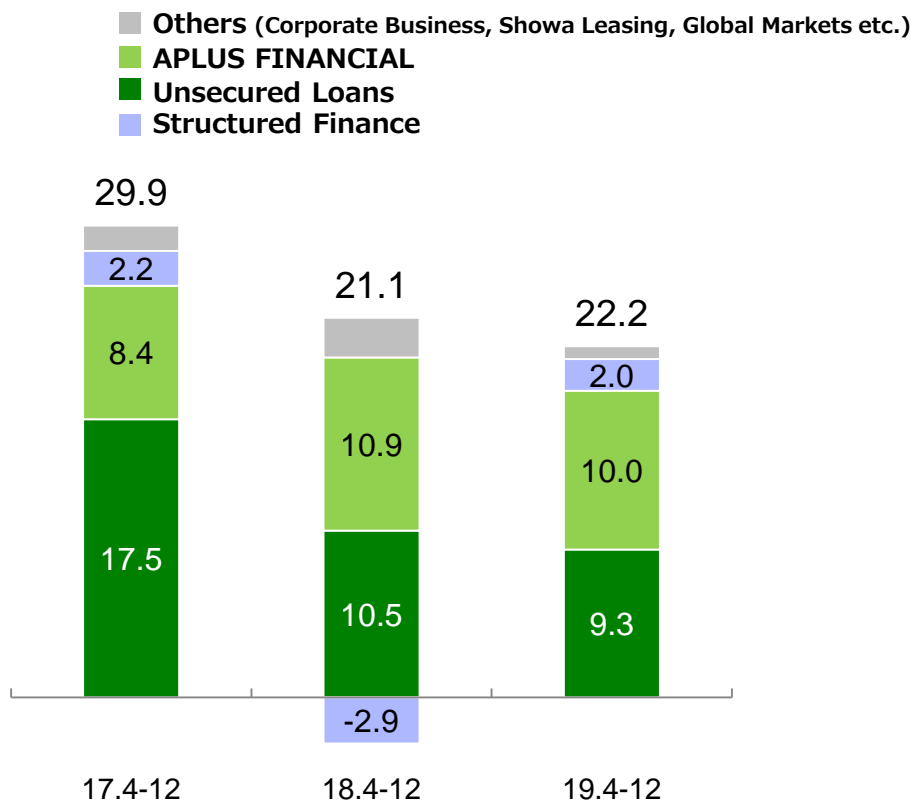
■ Personnel Expenses      ● Expenses-to-Revenue Ratio  
■ Nonpersonnel Expenses



# Financial Update: Net Credit Costs

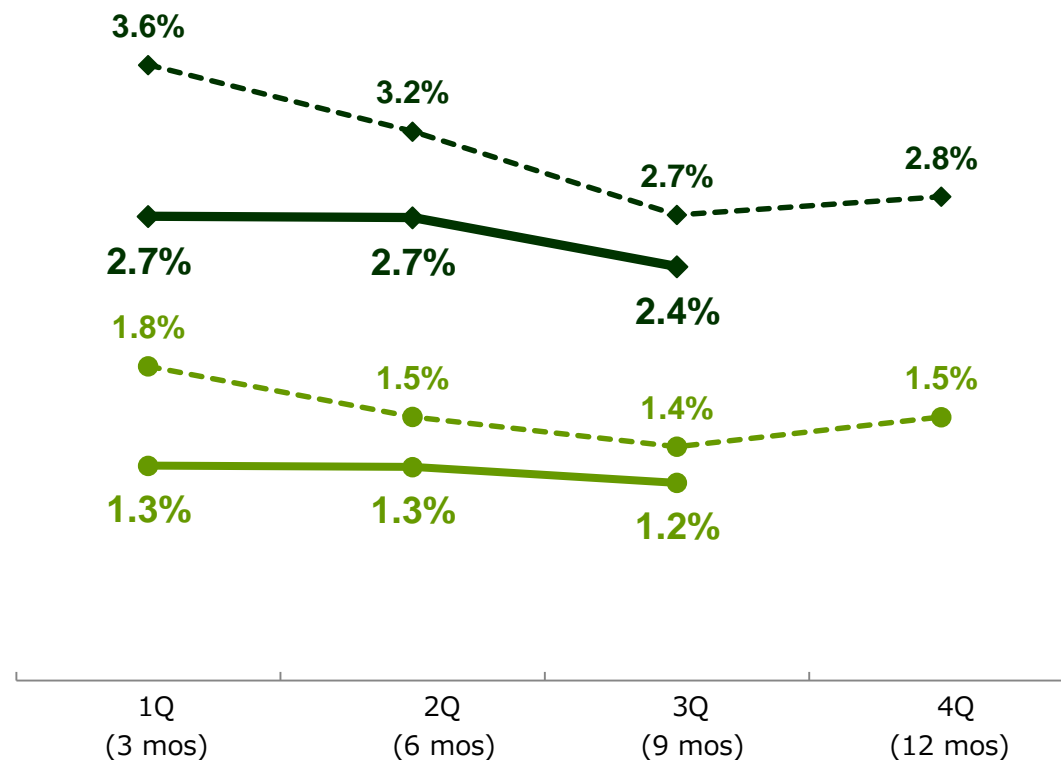
(Unit: JPY billion; %)

- In unsecured loans, decrease in net credit costs reflects lower write-off of loans and improvement of credit quality due to enhanced collection in Lake business and credit guarantees. Net credit cost ratio is at 2.4%
- In APLUS FINANCIAL, net credit costs declined y-o-y; an increase in the operating assets balance this year was fully offset by an absence of provisioning related to delinquent loans in the previous year. Net credit cost ratio is at 1.2%



## Net Credit Costs Ratio: Consumer Finance

- ◆--- FY2018 Unsecured Loans: Net Credit Costs Ratio (annualized basis<sup>1</sup>)
- ◆— FY2019 Unsecured Loans: Net Credit Costs Ratio (annualized basis<sup>1</sup>)
- FY2018 APLUS FINANCIAL: Net Credit Costs Ratio (annualized basis<sup>1</sup>)
- FY2019 APLUS FINANCIAL: Net Credit Costs Ratio (annualized basis<sup>1</sup>)

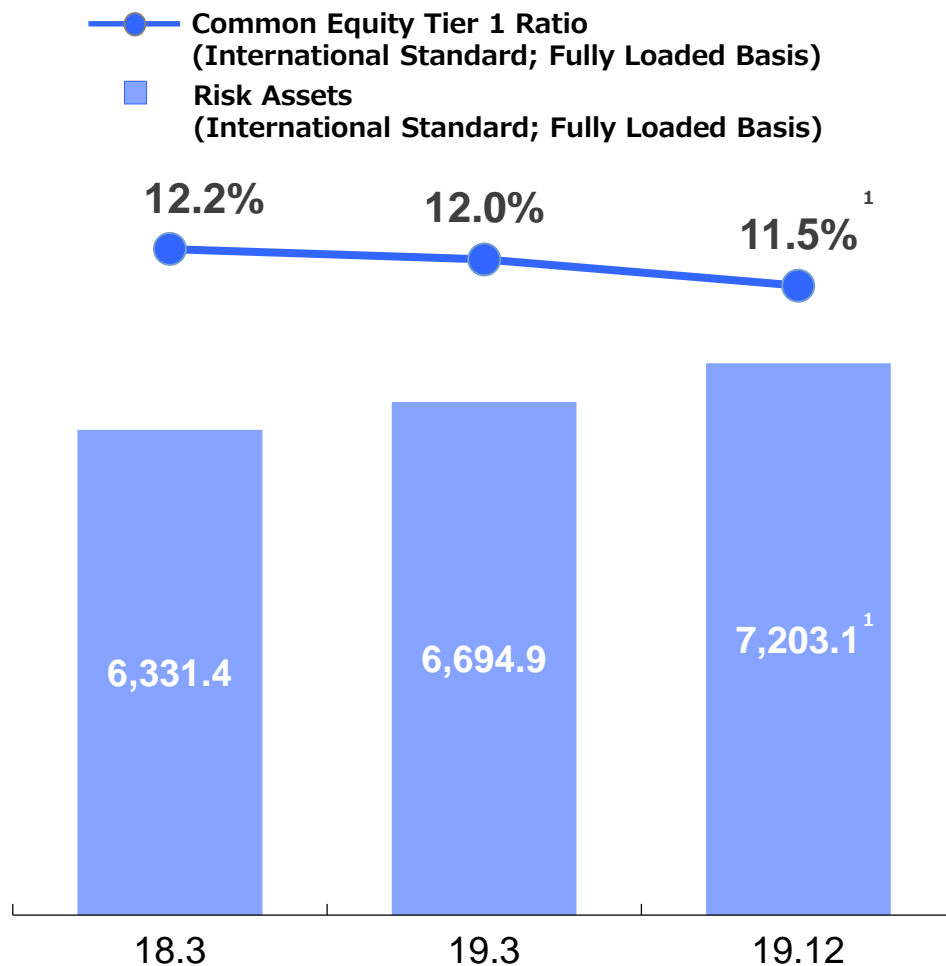


<sup>1</sup> Net Credit Costs Ratio = Calculated by annualizing the following formula :  
(Net Credit Costs ÷ Average of Beginning and End of Period Operating Assets Balances)

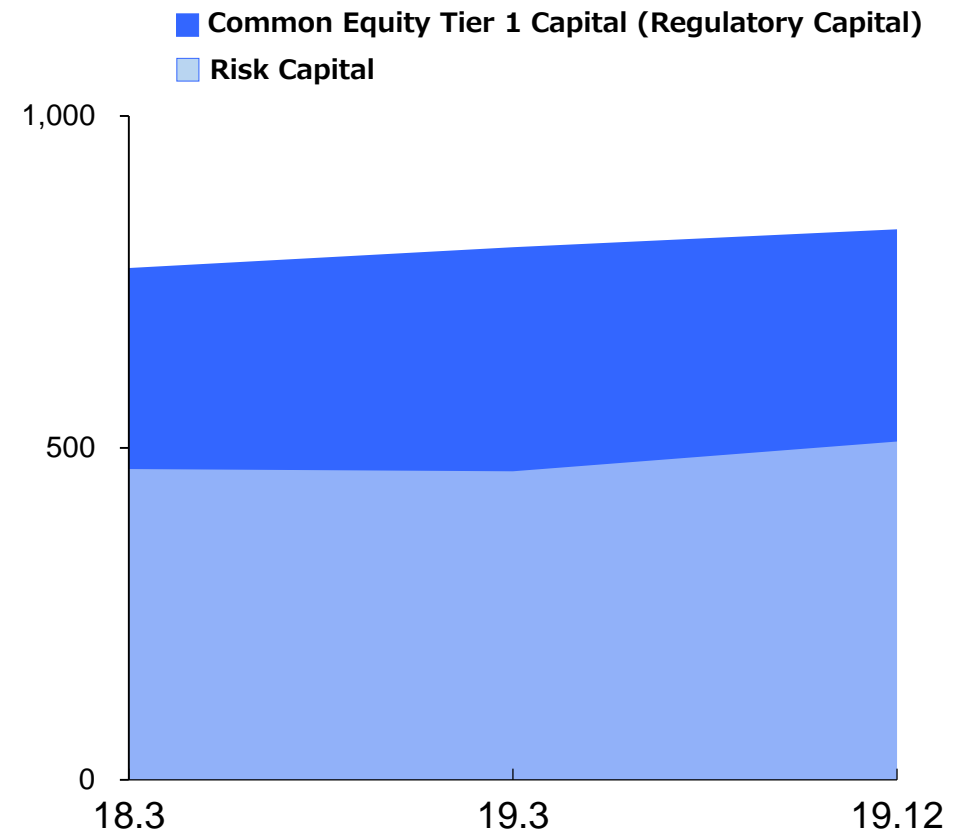
# Financial Update: Capital

(Unit: JPY billion; %)

- Common Equity Tier 1 ratio at 11.5% reflects an increase in risk assets due mainly to an increase in balance of real estate finance and acquisition of SHINKO LEASE



	2018.3	2019.3	2019.12
Common Equity Tier 1 Capital (International Standard; Fully Loaded Basis)	771.0	802.3	829.0 <sup>1</sup>
Risk Capital	468.2	464.5	509.6



<sup>1</sup> In the calculation of the consolidated capital adequacy ratio as at December 31, 2019, parameter estimates applied to some exposures are adjusted for the fiscal year ending March 31, 2019

# Financial Update: Excess Interest Repayment (Kabarai)

(Unit: JPY billion; thousands)

- Kabarai payments during 19.10-12 declined by approx. 15% compared with same period of last year
- Combined reserve coverage ratio based on the total actual payments in 19.10-12 is above 4 years

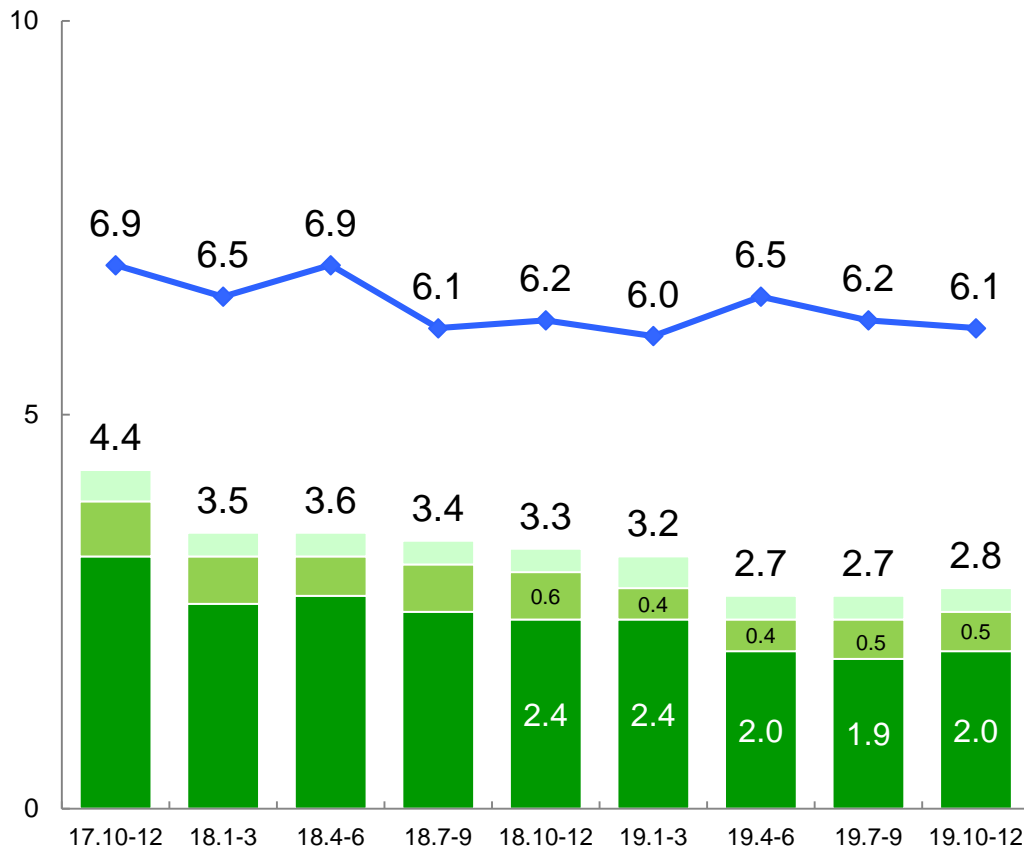
◆ Number of Disclosure Claims<sup>1</sup>

- Actual Repayments: Shinsei Personal Loan
- Actual Repayments: APLUS FINANCIAL
- Actual Repayments: Shinsei Financial

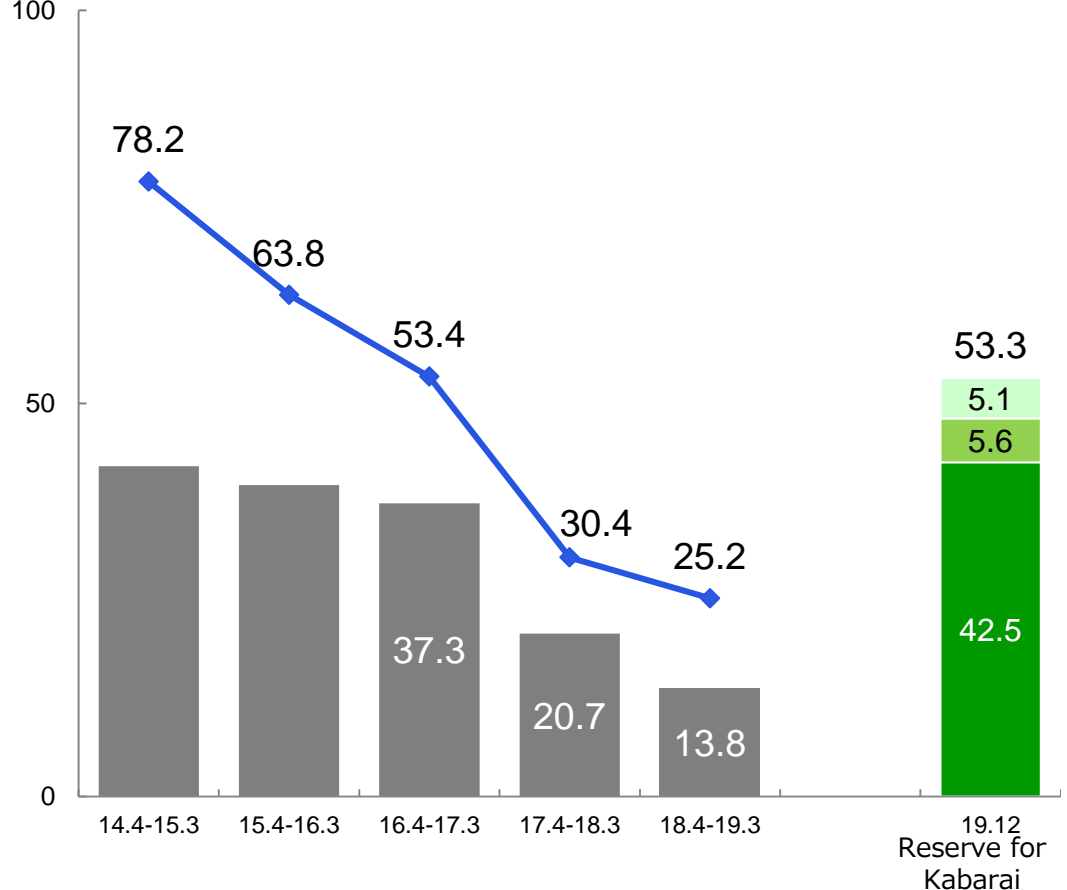
◆ Number of Disclosure Claims<sup>1</sup>

- Actual Repayments Amounts<sup>1</sup>
- Reserve for Kabarai : Shinsei Personal Loan
- Reserve for Kabarai : APLUS FINANCIAL
- Reserve for Kabarai : Shinsei Financial

(Unit: JPY billion; thousands)



(Unit: JPY billion; thousands)



<sup>1</sup> Shinsei Financial, Shinsei Personal Loan and APLUS FINANCIAL combined

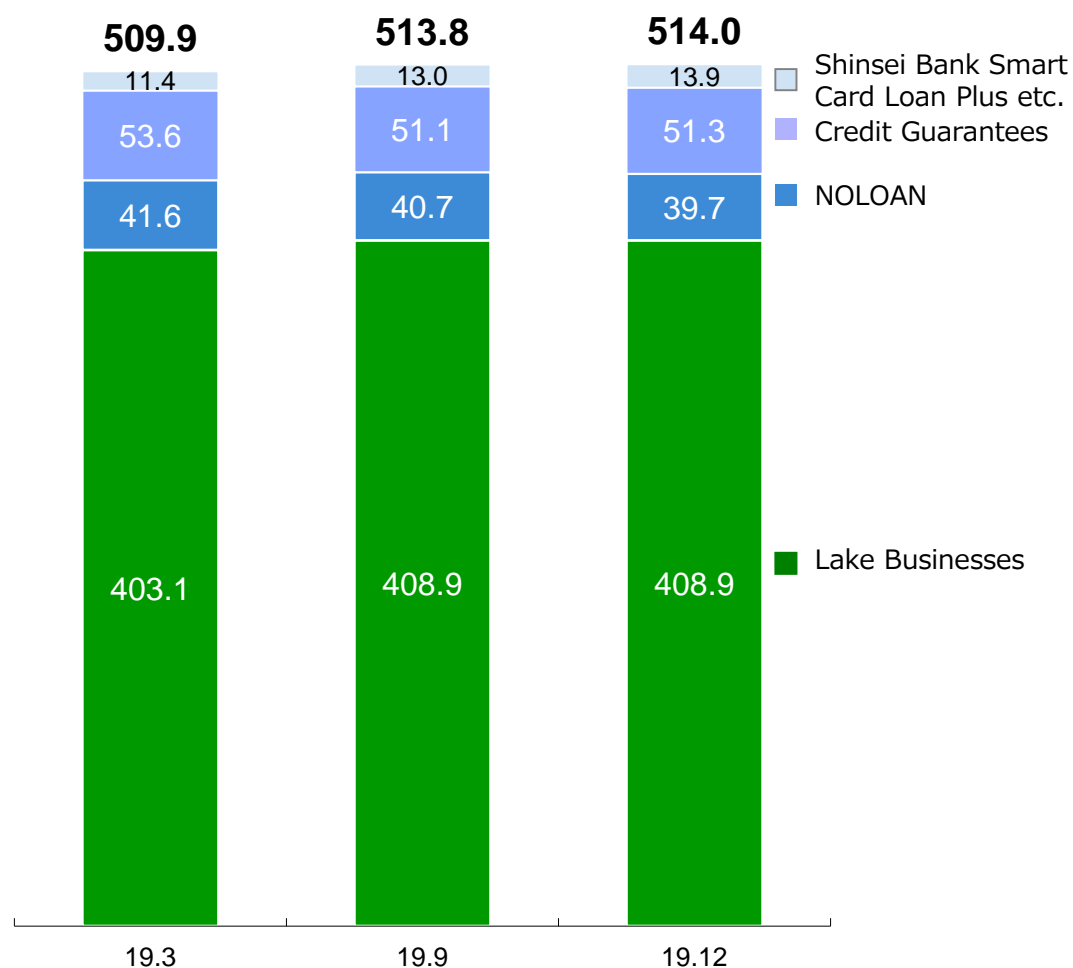
# Business Update



# Small Scale Finance: Unsecured Loans (1)

(Unit: JPY billion)

## 【Loan Balance】



## ■ Performance Results:

- ✓ Loan balances of Lake Businesses stand at JPY 408.9 billion, increased by JPY 5.8 billion from March 2019 while remained flat from September 2019 due mainly to sluggish cash demand season
- ✓ Slight decrease in OBP after net credit costs reflects decrease in noninterest income from credit guarantee business and increase in personnel expenses

Shinsei Financial <sup>1</sup>	18.4-12	19.4-12
Net Interest Income	52.3	<b>52.1</b>
of which, Lake Businesses	47.8	<b>47.8</b>
Noninterest Income	0.0	<b>-0.7</b>
Total Revenue	52.3	<b>51.3</b>
Expenses	-24.8	<b>-25.3</b>
Ordinary Business Profit (OBP)	27.4	<b>26.0</b>
Net Credit Costs	-10.5	<b>-9.3</b>
OBP after Net Credit Costs	16.9	<b>16.7</b>

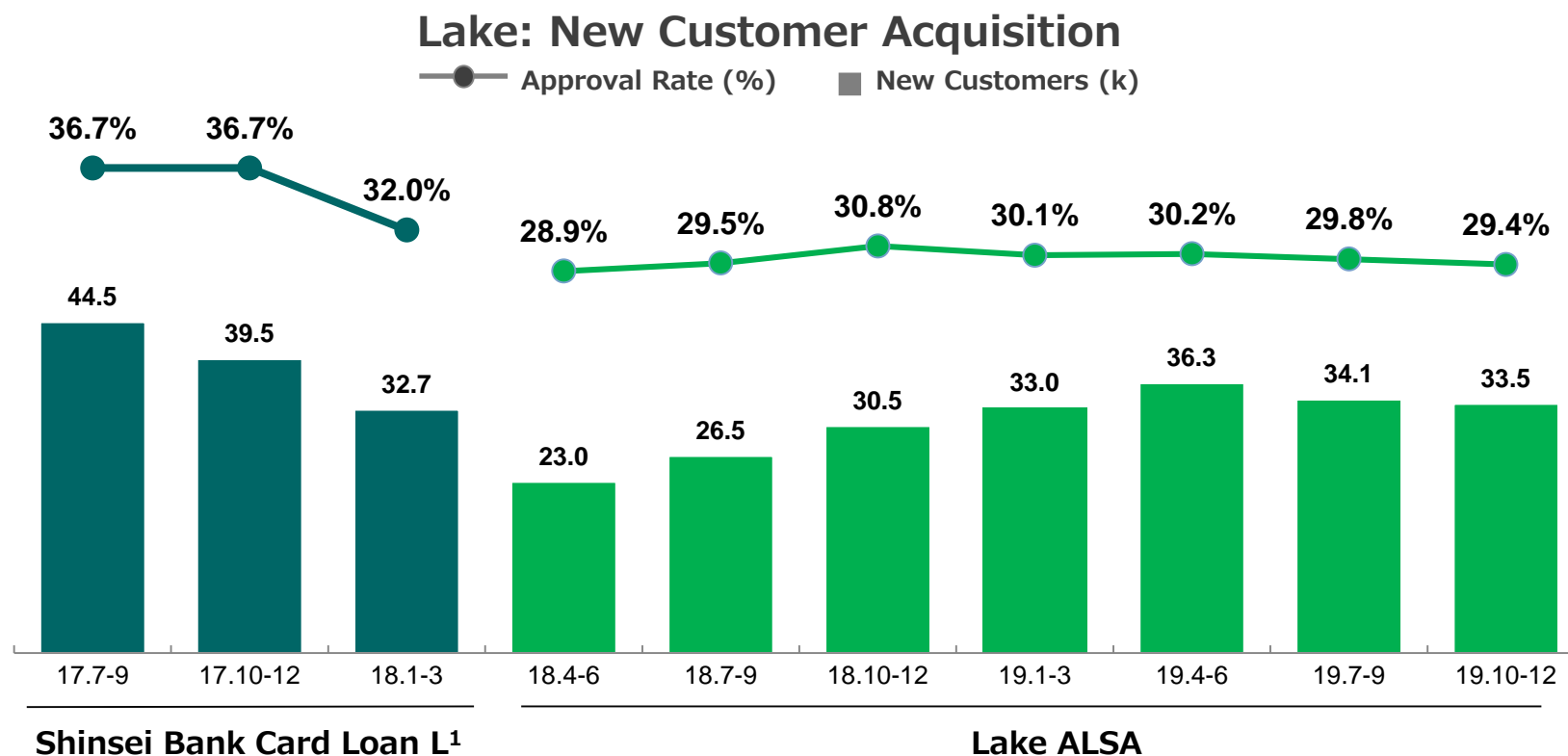
<sup>1</sup> Includes profits and losses of Shinsei Financial, Shinsei Bank Card Loan L, and Shinsei Bank Smart Card Loan Plus etc.

# Small Scale Finance: Unsecured Loans (2)

(Unit: JPY billion)

## ■ Lake ALSA Unsecured Loans:

- ✓ The number of applications increased 15% y-o-y; The number of new customer acquisition increased by 10% y-o-y
- ✓ Approval rate decreased 1.4% point y-o-y. We plan to improve the operating structure to facilitate an increase in the number of application, and aim to recover the approval ratio to the previous level as early as possible in FY2020
- ✓ The number of unmanned branches is at 708 (vs. 725 as of March 31, 2019)

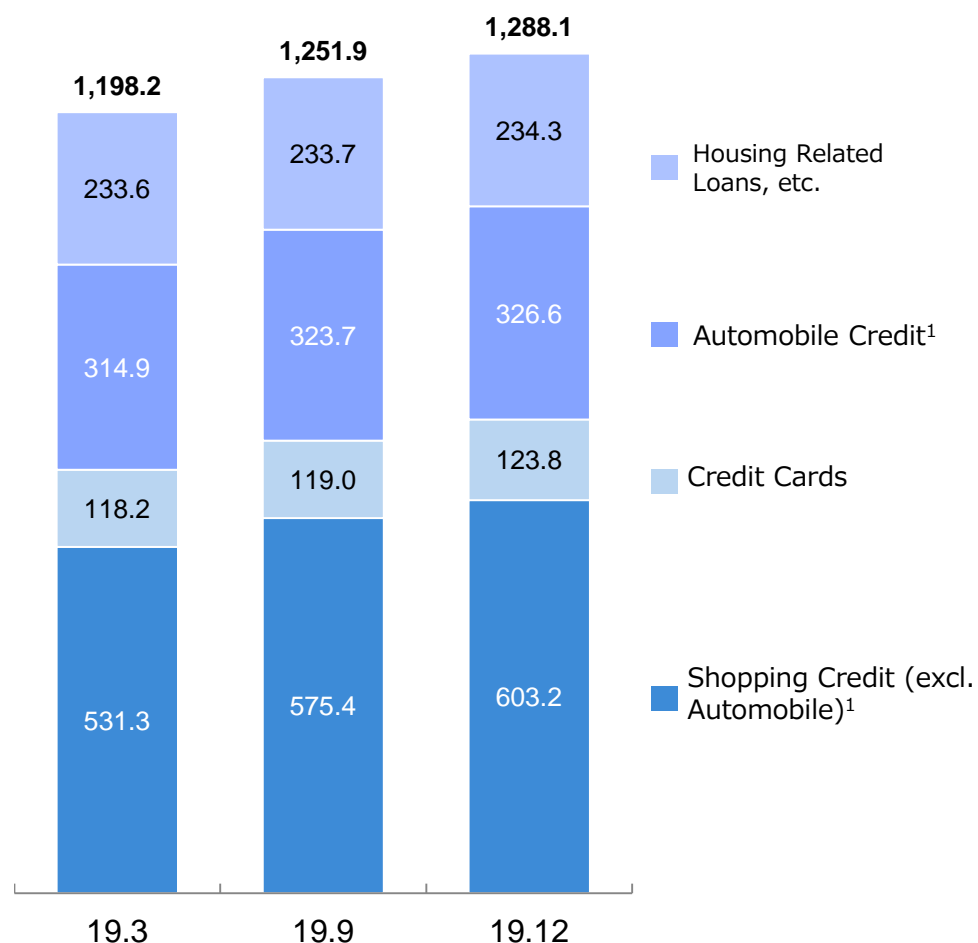


<sup>1</sup> Shinsei Bank Lake was renamed to "Shinsei Bank Card Loan L" on November 28, 2019

# Small Scale Finance: APLUS FINANCIAL (1)

(Unit: JPY billion)

## 【Operating Assets Balance】



## ■ APLUS' apartment loans for investment purposes:

(as of December 31, 2019)

- ✓ Total outstanding balance: JPY 155 billion (incl. shopping credit: JPY 14.8 billion)
  - Loan balance intermediated by Aruhi: JPY 143 billion (incl. shopping credit: JPY 3.2 billion)
- ✓ Average loan balance: approx. JPY 12 million

APLUS FINANCIAL	18.4-12	19.4-12
Net Interest Income	8.2	7.4
Noninterest Income	35.1	36.1
Total Revenue	43.3	43.5
Expenses	-28.5	-28.8
Ordinary Business Profit (OBP)	14.8	14.7
Net Credit Costs	-10.9	-10.0
OBP after Net Credit Costs	3.8	4.6

<sup>1</sup> Includes credit guarantees business



# Small Scale Finance: APLUS FINANCIAL (2)

(Unit: JPY billion)

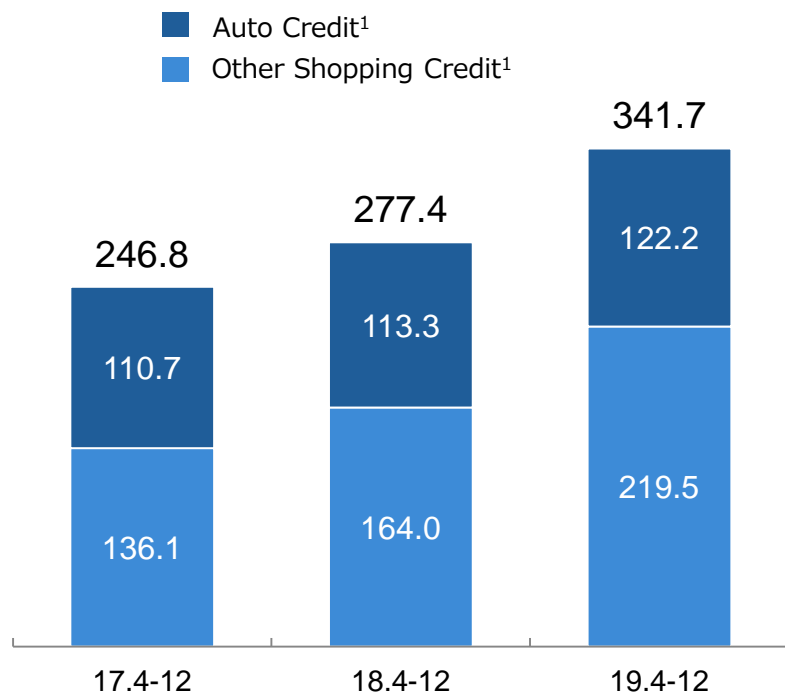
## ■ Shopping Credit in APLUS FINANCIAL:

- ✓ Transaction volume of “other shopping credit” has increased by 34% y-o-y. This reflects medical (dental treatment), solar power generation (for industrial usage, for household usage) as well as auto leasing and vender leasing transactions with Showa Leasing

## ■ Payment Business in APLUS FINANCIAL :

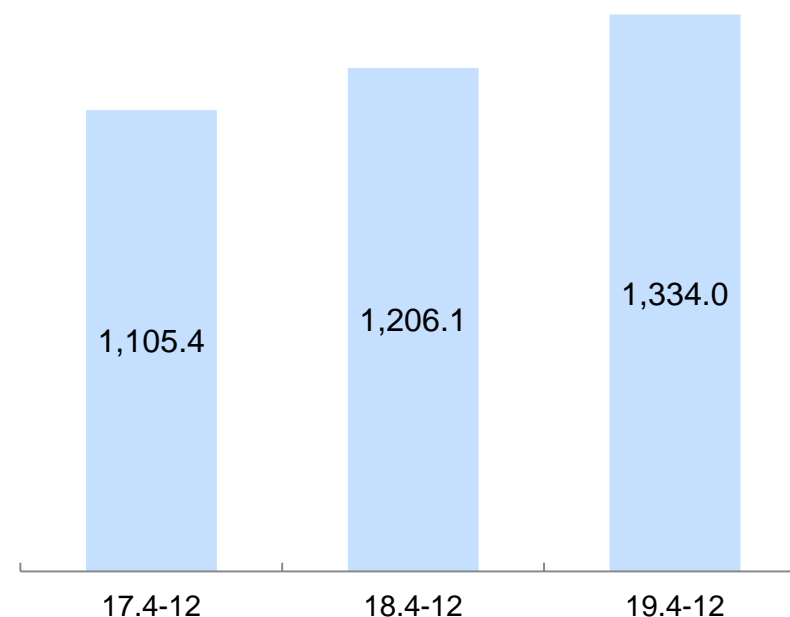
- ✓ Transaction volume of settlement via bank accounts and rent guarantees constitute 95% in all payment transaction volume. It has been contributing as stable recurring revenue sources
- ✓ Code settlement service constitutes 4%. It grew 4 times compared with the same period of last year

### Transaction Volume: Auto Credit, Other Shopping Credit



### Payments Transaction Volume

Settlement via bank accounts, rent guarantees, prepaid cards, code settlement services

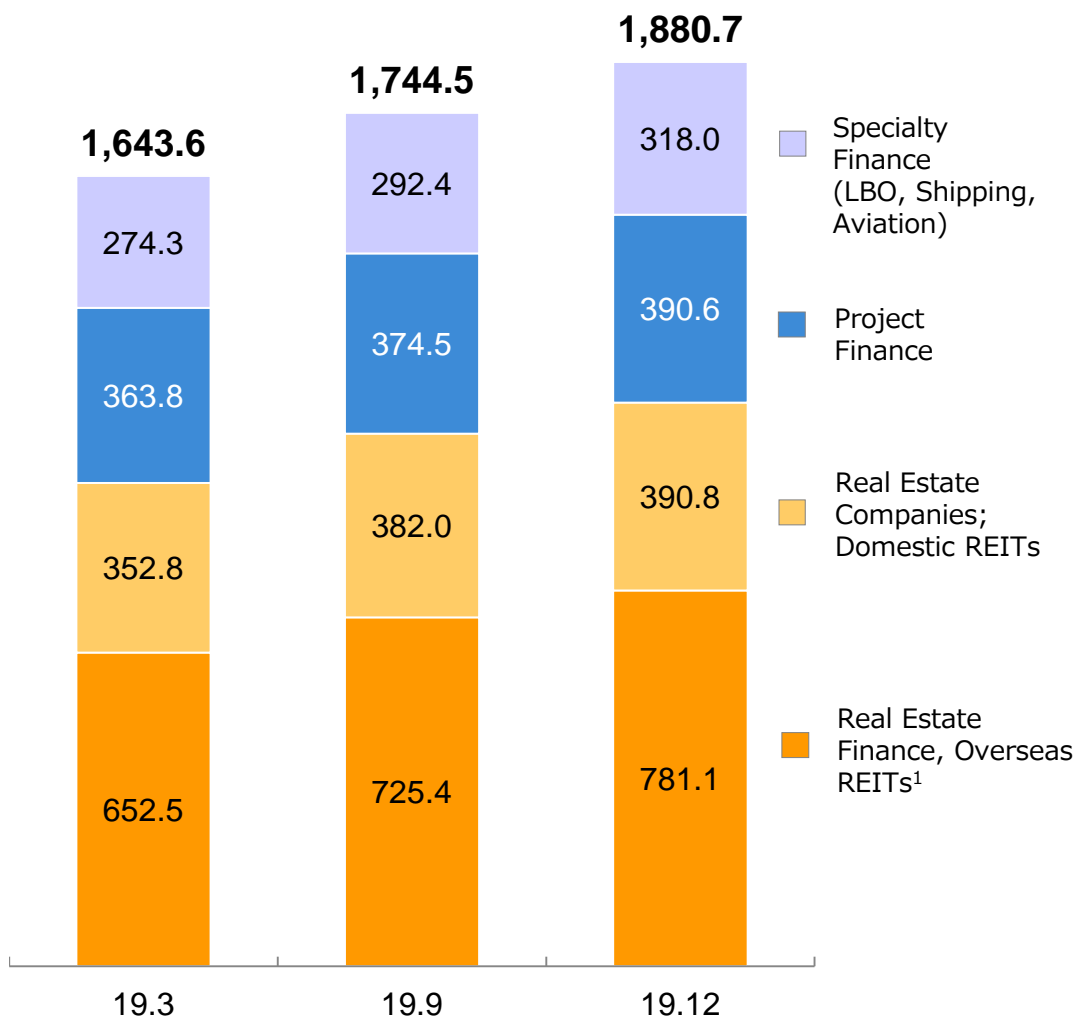


<sup>1</sup> Includes credit guarantees and leasing businesses

# Business with Institutional Investors: Structured Finance (1)

(Unit: JPY billion)

## 【Operating Assets Balance】



## ■ Performance Results:

- ✓ Increase in net interest income reflects regular accumulation of operating assets
- ✓ Increase in noninterest income reflects fee income from real estate finance
- ✓ Increase in net credit costs relates to absence of net credit recoveries as recorded in the previous year

Structured Finance	18.4-12	19.4-12
Net Interest Income	7.6	8.8
Noninterest Income	5.5	5.9
Total Revenue	13.1	14.8
Expenses	-5.8	-6.2
Ordinary Business Profit (OBP)	7.3	8.5
Net Credit Costs	2.9	-2.0
OBP after Net Credit Costs	10.2	6.4

<sup>1</sup> Category of overseas REITs has been change for current and previous periods

# Business with Institutional Investors: Structured Finance (2)

(Unit: JPY billion)

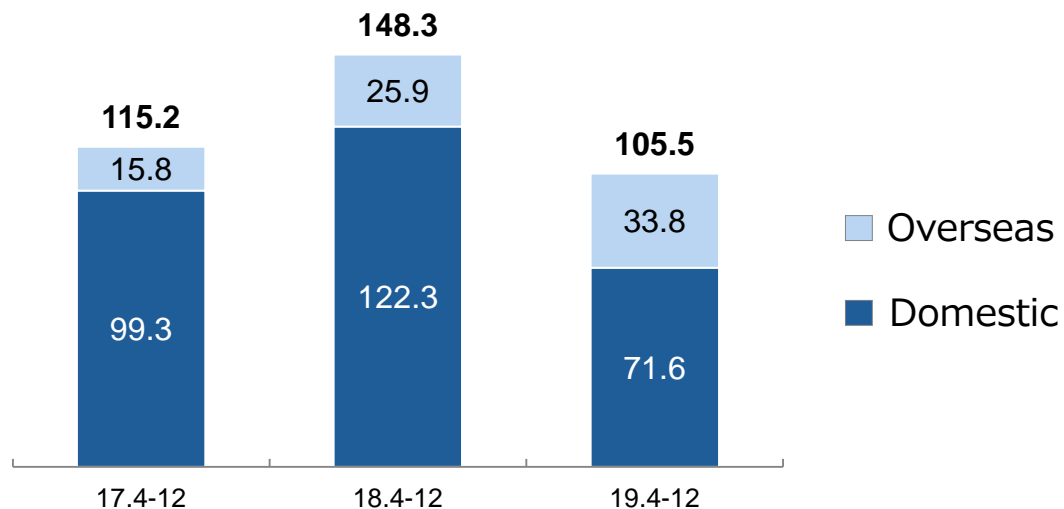
## ■ Project Finance:

- ✓ Newly committed mega solar projects and biomass project in Japan; offshore wind power project and infrastructure projects overseas in Oct-Dec. 2019

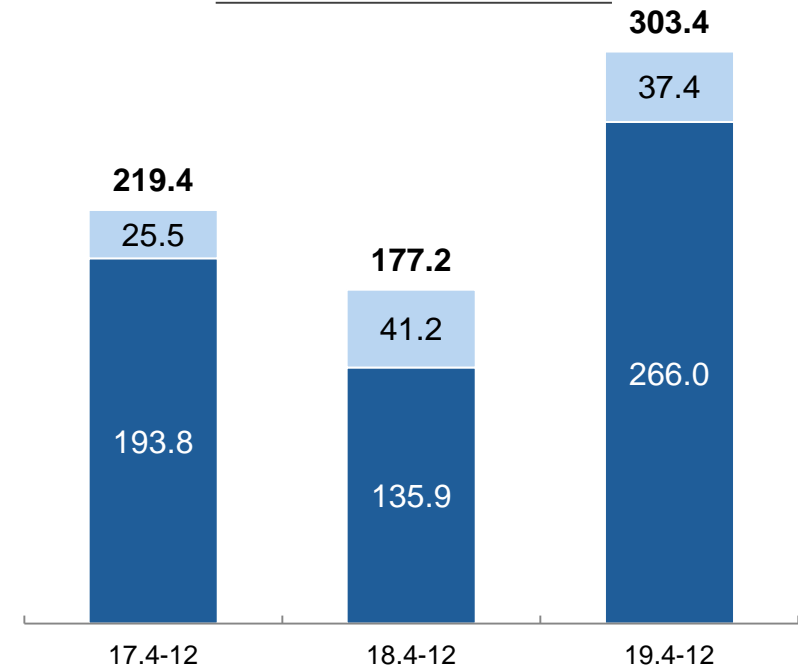
## ■ Real Estate Finance:

- ✓ The market remained robust with prices holding at high level with ample deals flow
- ✓ New disbursements reflect office building projects and sizable logistic facilities incorporating sell down structure in Oct-Dec. 2019

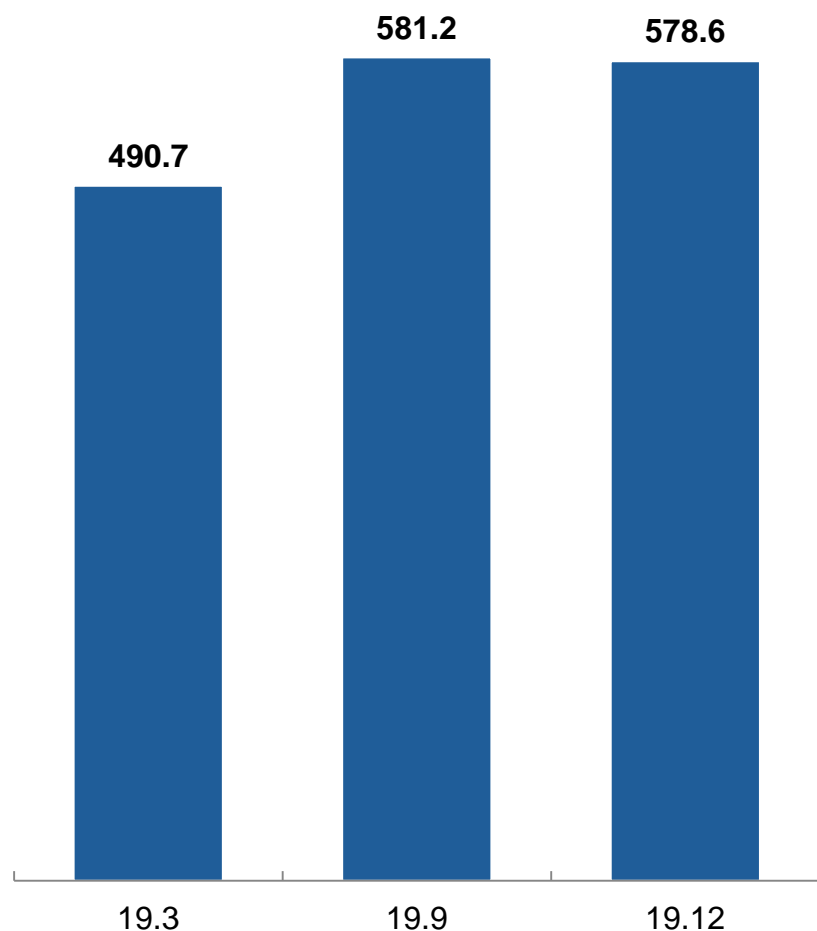
**Project Finance  
New Commitments**



**Real Estate Nonrecourse Finance  
New Disbursements**



## [Operating Assets Balance]

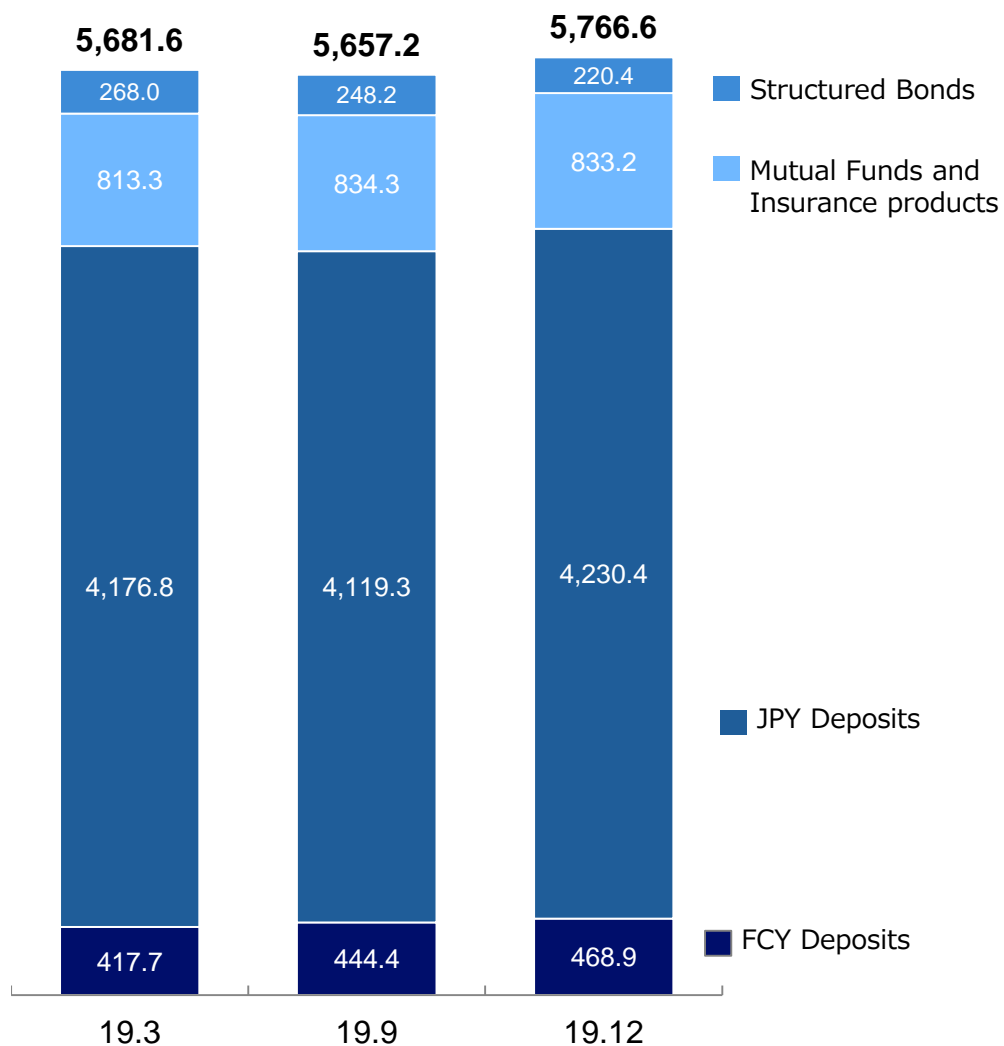


## ■ Performance Results:

- ✓ Acquisition of SHINKO LEASE (July 2019) contributed to income as well as an increase in expenses
- ✓ Increase in operating assets balance as of December 2019 (vs. March 2019) relates to an increase in SHINKO LEASE

Showa Leasing	18.4-12	19.4-12
Net Interest Income	-0.2	<b>-0.2</b>
Noninterest Income	10.1	<b>10.6</b>
Total Revenue	9.9	<b>10.4</b>
Expenses	-7.1	<b>-7.8</b>
Ordinary Business Profit (OBP)	2.7	<b>2.6</b>
Net Credit Costs	0.5	<b>0.0</b>
OBP after Net Credit Costs	3.3	<b>2.6</b>

## 【AUM Balance】



## ■ Performance Results:

- ✓ Acquisition of Financial Japan (May 2019) improved noninterest income and increased expenses
- ✓ Segment has returned to profitability

Retail Banking	18.4-12	19.4-12
Net Interest Income	17.9	17.9
of which, from Loans	7.4	7.0
of which, from Deposits, etc.	10.5	10.9
Noninterest Income	1.9	3.6
of which, from Asset Management Products	5.1	6.3
of which, Other fees (Loan origination, ATM, FT, FX etc.)	-3.2	-2.6
Total Revenue	19.9	21.5
Expenses	-20.7	-20.8
Ordinary Business Profit (OBP)	-0.8	0.7
Net Credit Costs	0.0	-0.0
OBP after Net Credit Costs	-0.7	0.7

## ■ Performance Results:

- ✓ Sales gain from equities contributed to a significant increase in noninterest income

Corporate Business	18.4-12	19.4-12
Net Interest Income	7.5	<b>7.9</b>
Noninterest Income	4.3	<b>7.2</b>
Total Revenue	11.9	<b>15.1</b>
Expenses	-8.9	<b>-9.4</b>
Ordinary Business Profit (OBP)	3.0	<b>5.6</b>
Net Credit Costs	-2.9	<b>-1.0</b>
OBP after Net Credit Costs	0.1	<b>4.6</b>

## ■ Performance Results:

- ✓ Increase in total revenue reflects income related to structured deposits to institutional customers under the lower interest rate environment

Markets	18.4-12	19.4-12
Net Interest Income	1.1	<b>2.0</b>
Noninterest Income	3.7	<b>5.0</b>
Total Revenue	4.8	<b>7.1</b>
Expenses	-2.8	<b>-2.5</b>
Ordinary Business Profit (OBP)	1.9	<b>4.6</b>
Net Credit Costs	-0.0	<b>0.0</b>
OBP after Net Credit Costs	1.9	<b>4.6</b>

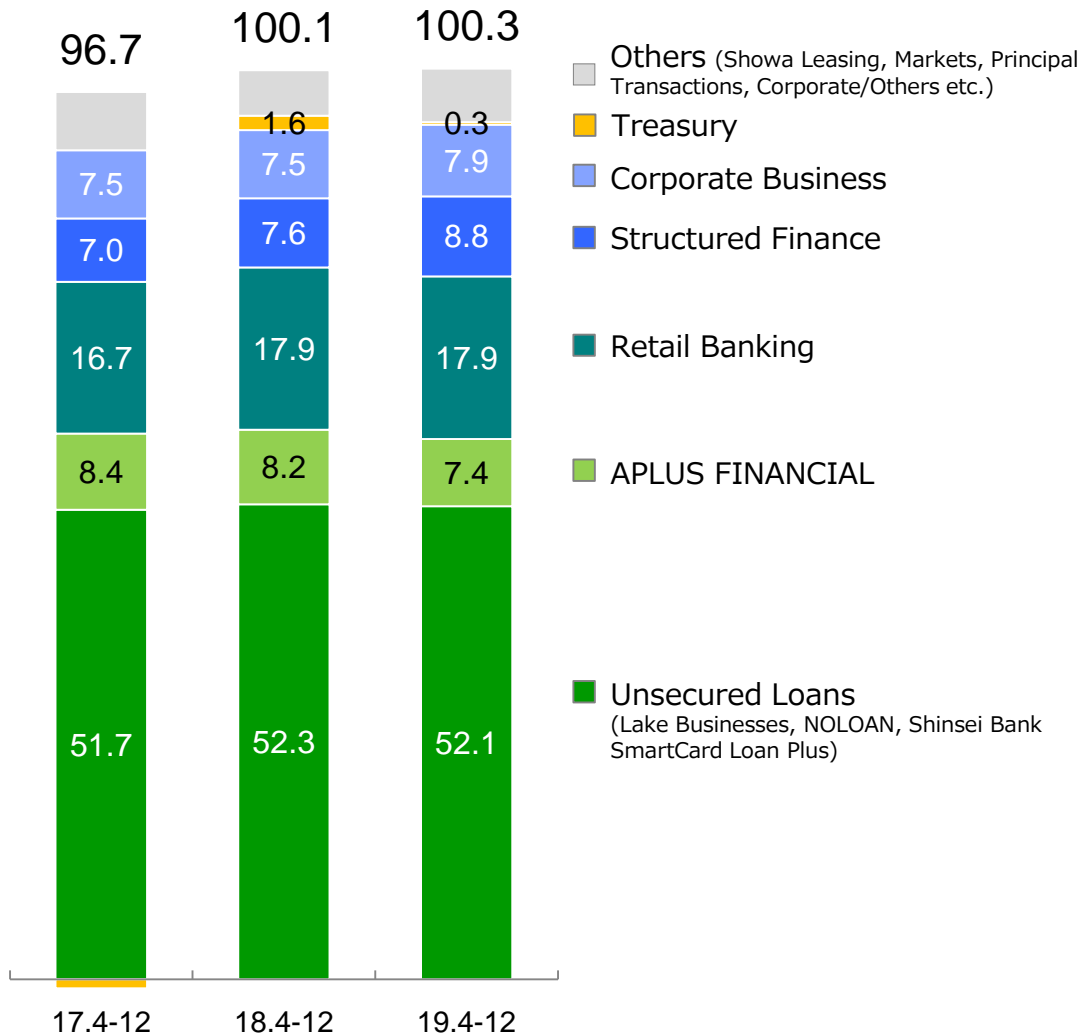
# Segment Information



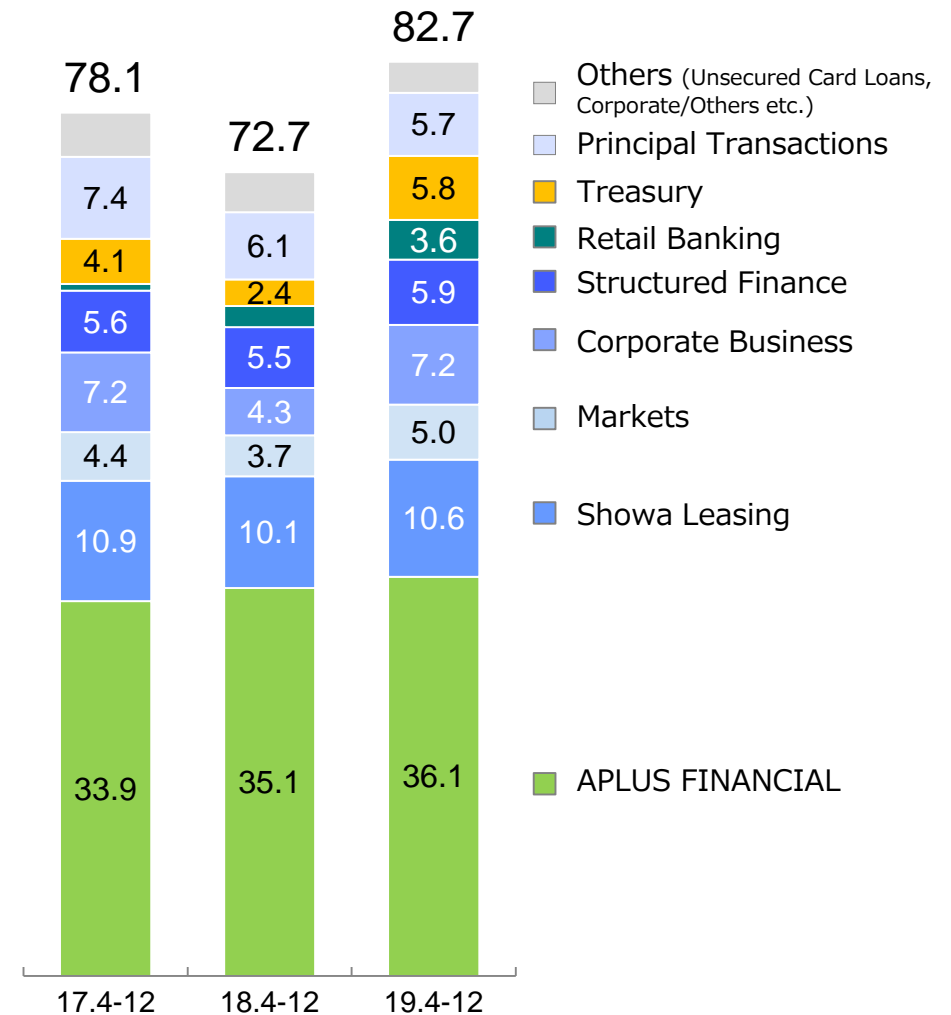
# Segment: Net Interest Income, Noninterest Income

(Unit: JPY billion)

## Net Interest Income: Segment y-o-y



## Noninterest Income: Segment y-o-y

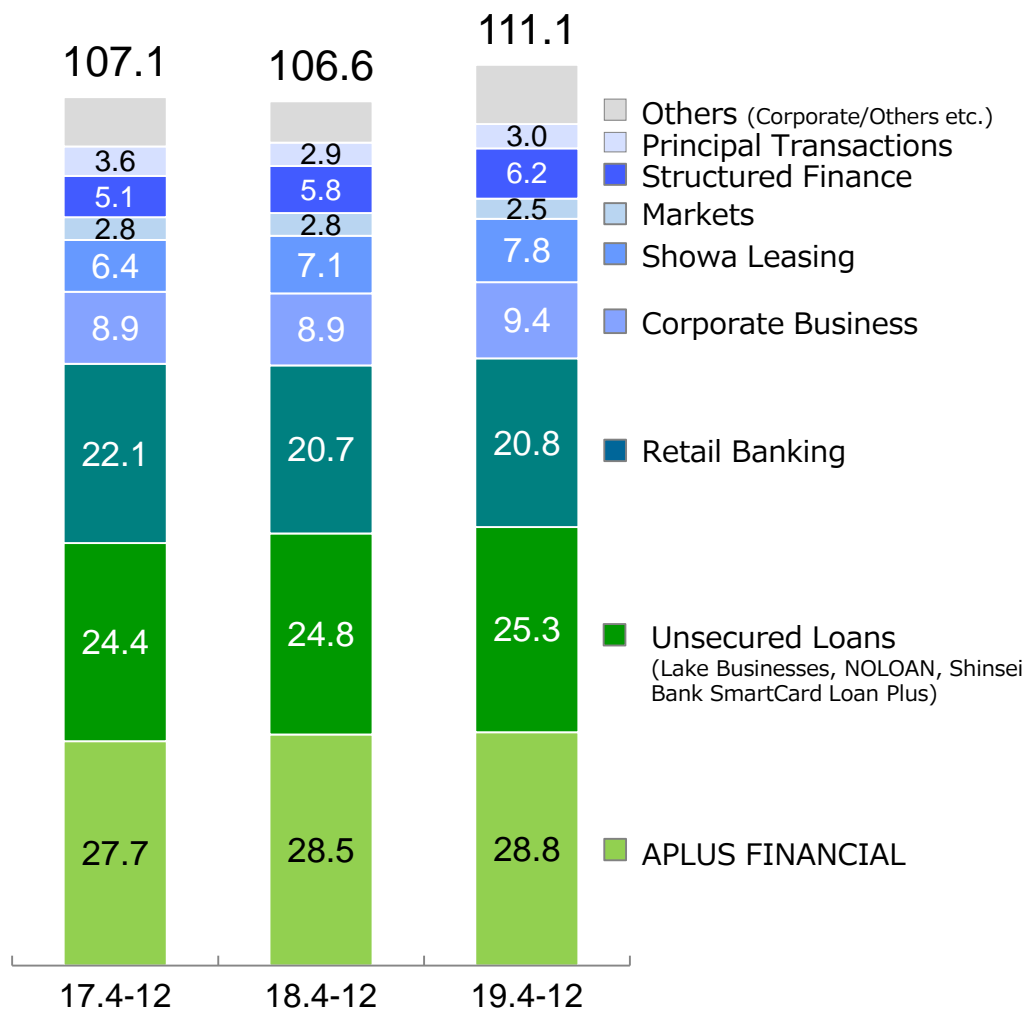




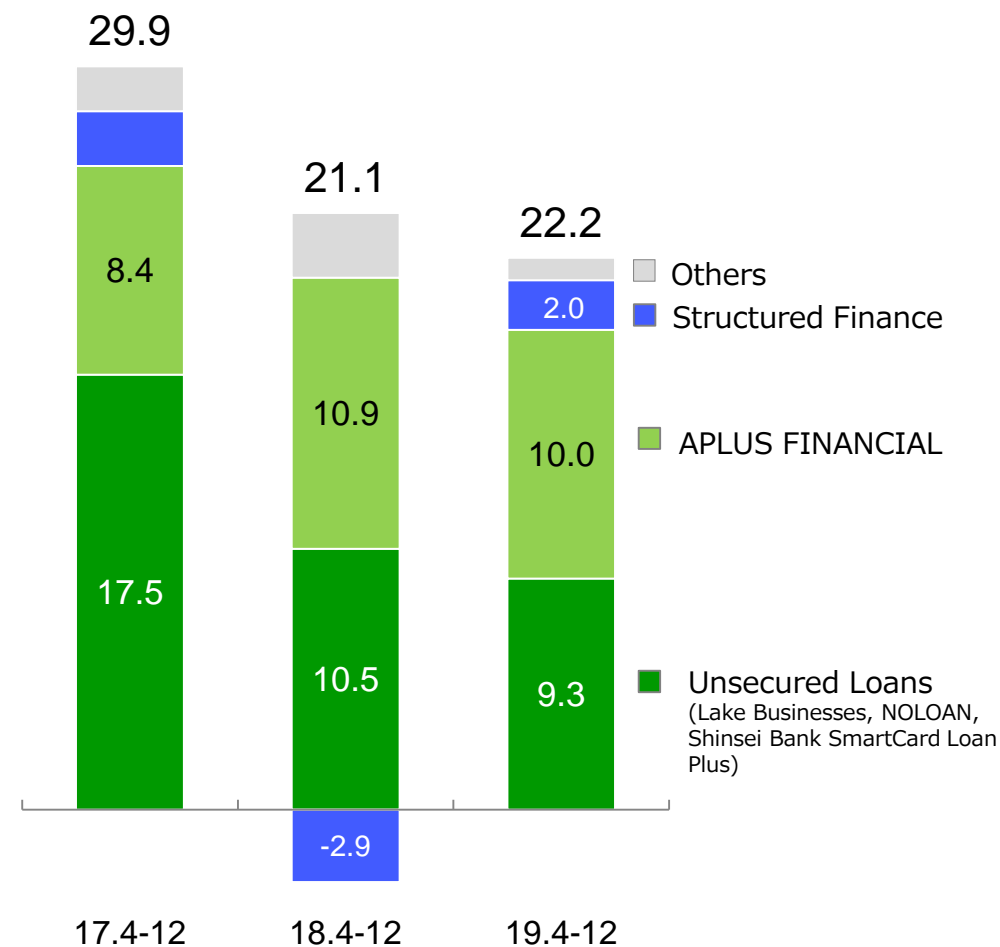
# Segment: Expenses, Credit Costs

(Unit: JPY billion)

## Expenses: Segment y-o-y



## Net Credit Costs: Segment y-o-y

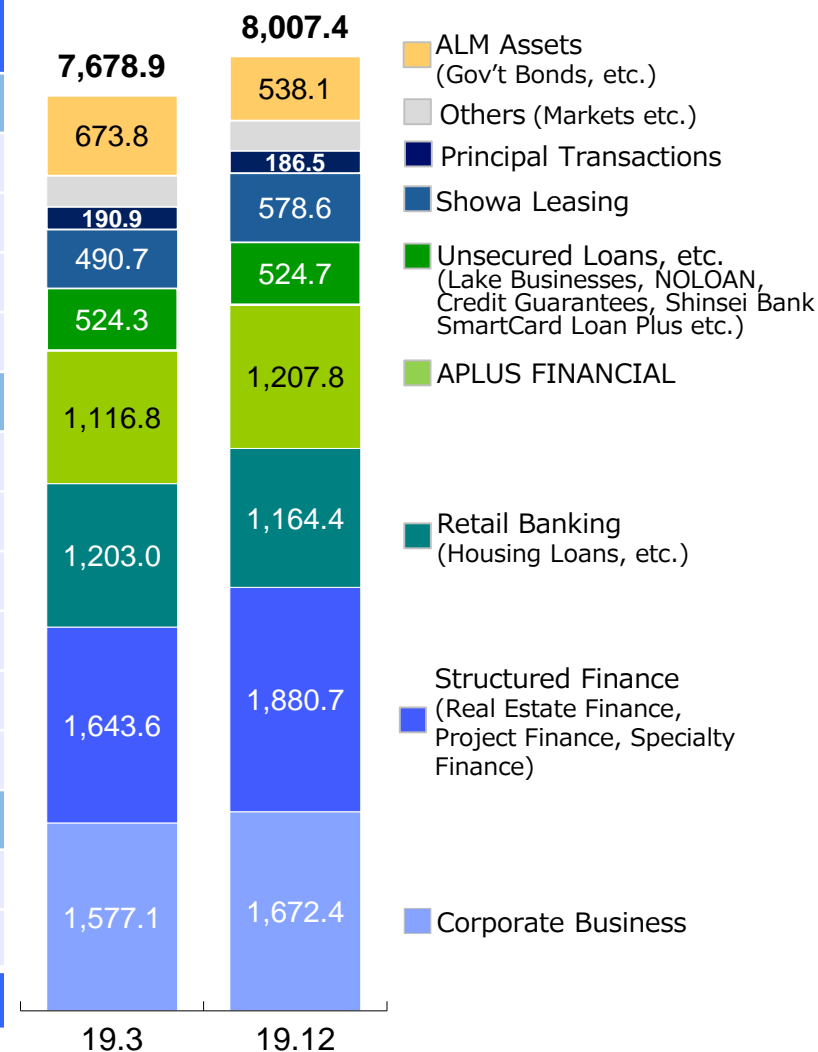


# Segment: P&L and Operating Assets Balance (3QFY19)

(Unit: JPY billion; %)

Segment	19.4-12 (3QFY19)		
	Amounts (OBP after net credit costs)	Weight	ROA <sup>3</sup> (Reference)
<b>Individual Business</b>	<b>21.6</b>	<b>43%</b>	<b>-</b>
Retail Banking	0.7	1%	0.1%
Shinsei Financial <sup>1</sup>	16.7	34%	4.2%
APLUS FINANCIAL	4.6	9%	0.5%
Others Individuals	-0.4	-1%	-1.0%
<b>Institutional Business</b>	<b>24.6</b>	<b>50%</b>	<b>-</b>
Corporate Business	4.6	9%	0.4%
Structured Finance	6.4	13%	0.5%
Principal Transactions	5.4	11%	3.8%
Showa Leasing	2.6	5%	0.7%
Markets	4.6	9%	n.m.
Other Global Markets	0.7	1%	n.m.
<b>Corporate/Other</b>	<b>3.3</b>	<b>7%</b>	<b>-</b>
Treasury	4.8	10%	1.1%
Corporate/Other (excluding Treasury)	-1.1	-3%	n.m.
<b>Total (OBP after net credit costs)</b>	<b>49.6</b>	<b>100%</b>	<b>0.8%</b>

## Operating Assets<sup>2</sup> + ALM Assets



<sup>1</sup> Includes Lake Businesses, NOLOAN, Shinsei Bank SmartCard Loan Plus, etc.

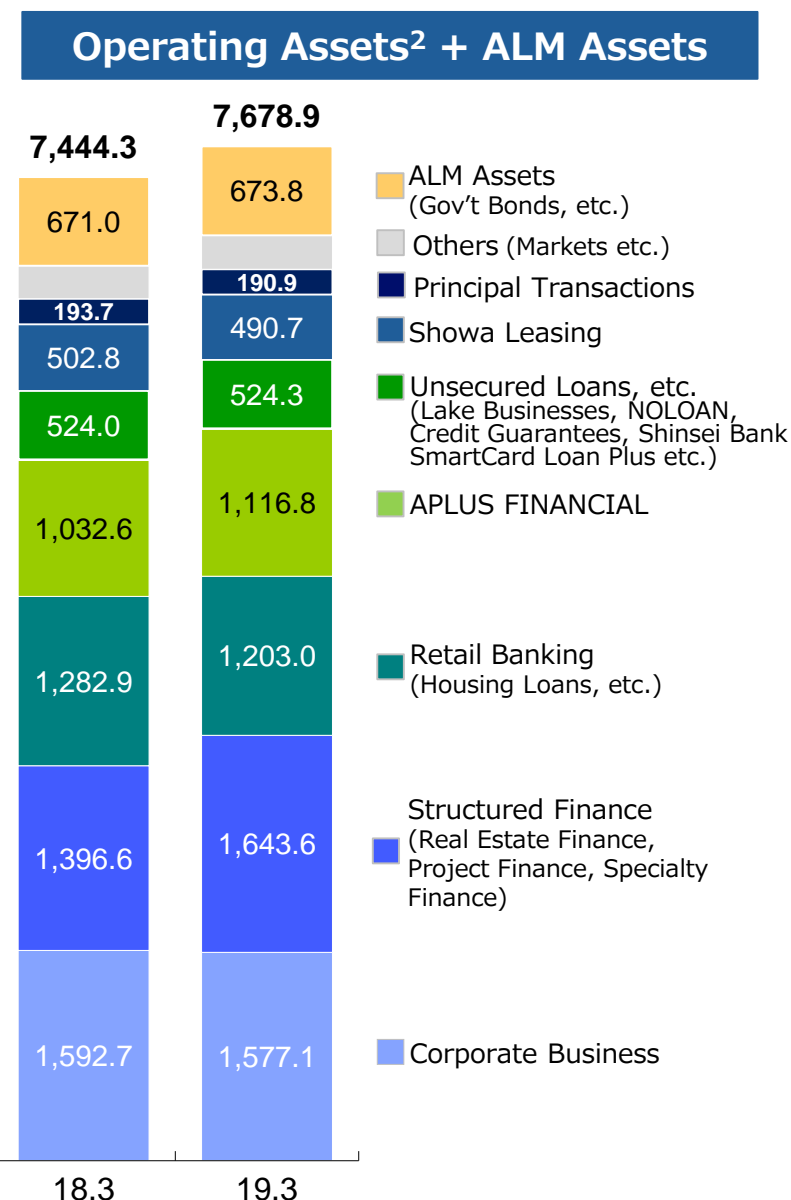
<sup>2</sup> Includes guarantees not requiring funding (customers' liabilities for acceptances and guarantees)

<sup>3</sup> Segment ROA = OBP after net credit costs per segment / average operating assets balance of beginning of term and end of term

# Segment: P&L and Operating Assets Balance (FY18)

(Unit: JPY billion; %)

Segment	18.4-19.3 (FY18)		
	Amounts (OBP after net credit costs)	Weight	ROA <sup>3</sup> (Reference)
<b>Individual Business</b>	<b>23.3</b>	<b>42%</b>	<b>-</b>
Retail Banking	-0.6	-1%	-0.0%
Shinsei Financial <sup>1</sup>	21.2	38%	4.0%
APLUS FINANCIAL	3.1	6%	0.3%
Other Individuals	-0.2	0%	-0.4%
<b>Institutional Business</b>	<b>28.7</b>	<b>52%</b>	<b>-</b>
Corporate Business	4.0	7%	0.3%
Structured Finance	12.0	22%	0.8%
Principal Transactions	5.3	10%	2.8%
Showa Leasing	4.9	9%	1.0%
Markets	3.3	6%	n.m.
Other Global Markets	-1.0	-2%	n.m.
<b>Corporate/Other</b>	<b>3.4</b>	<b>6%</b>	<b>-</b>
Treasury	4.3	8%	0.6%
Corporate/Other (excluding Treasury)	-0.8	-1%	n.m.
<b>Total (OBP after net credit costs)</b>	<b>55.6</b>	<b>100%</b>	<b>0.7%</b>



<sup>1</sup> Includes Lake Businesses, NOLOAN, Shinsei Bank SmartCard Loan Plus, etc.

<sup>2</sup> Includes guarantees not requiring funding (customers' liabilities for acceptances and guarantees)

<sup>3</sup> Segment ROA = OBP after net credit costs per segment / average operating assets balance of beginning of term and end of term

# Segment: Quarterly P&L

(Unit: JPY billion)

Segment P&L (OBP after Net Credit Costs)	FY2017				FY2018				FY2019		
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12
<b>Individual Business</b>	<b>2.1</b>	<b>3.0</b>	<b>6.5</b>	<b>7.1</b>	<b>4.5</b>	<b>6.5</b>	<b>9.3</b>	<b>2.9</b>	<b>6.4</b>	<b>6.6</b>	<b>8.5</b>
Retail Banking	-1.7	-1.7	-1.3	-1.0	-0.5	-0.4	0.2	0.0	0.3	0.1	0.1
Shinsei Financial <sup>1</sup>	1.7	3.0	4.8	4.1	4.6	5.6	6.6	4.2	5.0	5.2	6.3
APLUS FINANCIAL	1.9	1.5	2.7	2.9	0.4	1.1	2.2	-0.7	1.1	1.3	2.1
Other Individuals	0.3	0.2	0.3	1.1	0.0	0.1	0.1	-0.6	-0.1	-0.1	-0.1
<b>Institutional Business</b>	<b>10.0</b>	<b>8.1</b>	<b>6.5</b>	<b>8.2</b>	<b>5.2</b>	<b>10.6</b>	<b>5.1</b>	<b>7.7</b>	<b>7.1</b>	<b>6.6</b>	<b>10.8</b>
Corporate Business	1.4	4.0	0.3	0.7	0.6	-0.6	0.0	3.9	0.3	2.9	1.3
Structured Finance	1.9	0.7	2.5	3.1	-0.2	7.8	2.6	1.8	4.1	-0.8	3.2
Principal Transactions	4.3	1.8	2.9	0.1	2.4	2.1	1.5	-0.8	-0.0	2.6	2.8
Showa Leasing	0.9	0.8	-0.1	2.4	2.2	0.8	0.2	1.6	1.2	0.6	0.8
Markets	1.3	0.6	0.9	1.8	0.3	0.7	0.8	1.3	1.2	1.1	2.2
Other Global Markets	-0.0	-0.1	-0.1	-0.1	-0.1	-0.3	-0.3	-0.2	0.0	0.1	0.4
<b>Corporate/Other</b>	<b>0.5</b>	<b>0.4</b>	<b>0.3</b>	<b>-1.1</b>	<b>1.4</b>	<b>0.8</b>	<b>1.3</b>	<b>-0.0</b>	<b>2.7</b>	<b>1.4</b>	<b>-0.8</b>
Treasury	0.7	0.4	0.5	-0.6	1.0	0.7	0.9	1.6	3.2	2.0	-0.5
Corporate/Other (excluding Treasury)	-0.1	-0.0	-0.1	-0.4	0.4	0.0	0.3	-1.7	-0.5	-0.5	-0.3
<b>Total (OBP after Net Credit Costs)</b>	<b>12.7</b>	<b>11.6</b>	<b>13.4</b>	<b>14.3</b>	<b>11.3</b>	<b>17.9</b>	<b>15.8</b>	<b>10.5</b>	<b>16.3</b>	<b>14.8</b>	<b>18.5</b>

<sup>1</sup> Includes Lake Businesses, NOLOAN, Shinsei Bank SmartCard Loan Plus, etc.

# Key Data

## Balance Sheet

(Unit: JPY billion)	16.3	17.3	18.3	19.3	19.12
Loans and bills discounted	4,562.9	4,833.4	4,895.9	4,986.8	5,119.7
Securities	1,227.8	1,014.6	1,123.5	1,130.2	981.0
Lease receivables/ leased investment assets	211.4	191.4	171.4	176.5	193.8
Installment receivables	516.3	541.4	558.8	562.2	653.9
Reserve for credit losses	-91.7	-100.1	-100.8	-98.0	-98.0
Deferred Tax Assets	14.0	15.5	14.7	15.0	13.8
<b>Total assets</b>	<b>8,928.7</b>	<b>9,258.3</b>	<b>9,456.6</b>	<b>9,571.1</b>	<b>10,113.5</b>
Deposits including negotiable certificates of deposits	5,800.9	5,862.9	6,067.0	5,922.1	6,230.9
Borrowed money	801.7	789.6	739.5	684.0	692.5
Corporate bonds	95.1	112.6	85.0	92.3	116.5
Grey zone reserves	133.6	101.8	74.6	63.0	53.3
<b>Total liabilities</b>	<b>8,135.6</b>	<b>8,437.5</b>	<b>8,600.6</b>	<b>8,674.5</b>	<b>9,191.8</b>
Shareholders' equity	786.8	823.7	862.5	899.5	927.2
<b>Total net assets</b>	<b>793.1</b>	<b>820.7</b>	<b>856.0</b>	<b>896.6</b>	<b>921.6</b>

## Financial Ratios

(Unit: %)	15.4-16.3	16.4-17.3	17.4-18.3	18.4-19.3	19.4-12
Expenses-to-revenue ratio	64.9	62.3	61.5	63.0	60.7
Loan-to-deposit ratio	78.7	82.4	80.7	84.2	82.2
ROA	0.7	0.6	0.5	0.5	0.6 <sup>2</sup>
ROE	8.1	6.3	6.1	6.0	6.6 <sup>2</sup>
NPL Ratio <sup>1</sup>	0.79	0.22	0.17	0.20	0.29

## Per Share Data

(Unit: JPY)	15.4-16.3	16.4-17.3	17.4-18.3	18.4-19.3	19.4-12
BPS <sup>3</sup>	294.41	3,163.89	3,376.39	3,636.92	3,872.86
EPS <sup>3</sup>	22.96	194.65	199.01	211.24	187.00

## Credit Ratings

	16.3	17.3	18.3	19.3	19.12
R&I	BBB+	BBB+	A-	A-	A-
JCR	BBB+	BBB+	BBB+	A-	A-
S&P	BBB+	BBB+	BBB+	BBB+	BBB+
Moody's	Baa3	Baa2	Baa2	Baa2	Baa1

<sup>1</sup> NPL ratio based on Financial Revitalization Law (Nonconsolidated)

<sup>2</sup> Annualized

<sup>3</sup> Reverse stock split (10 stocks to 1 stock) was executed on October 1, 2017.

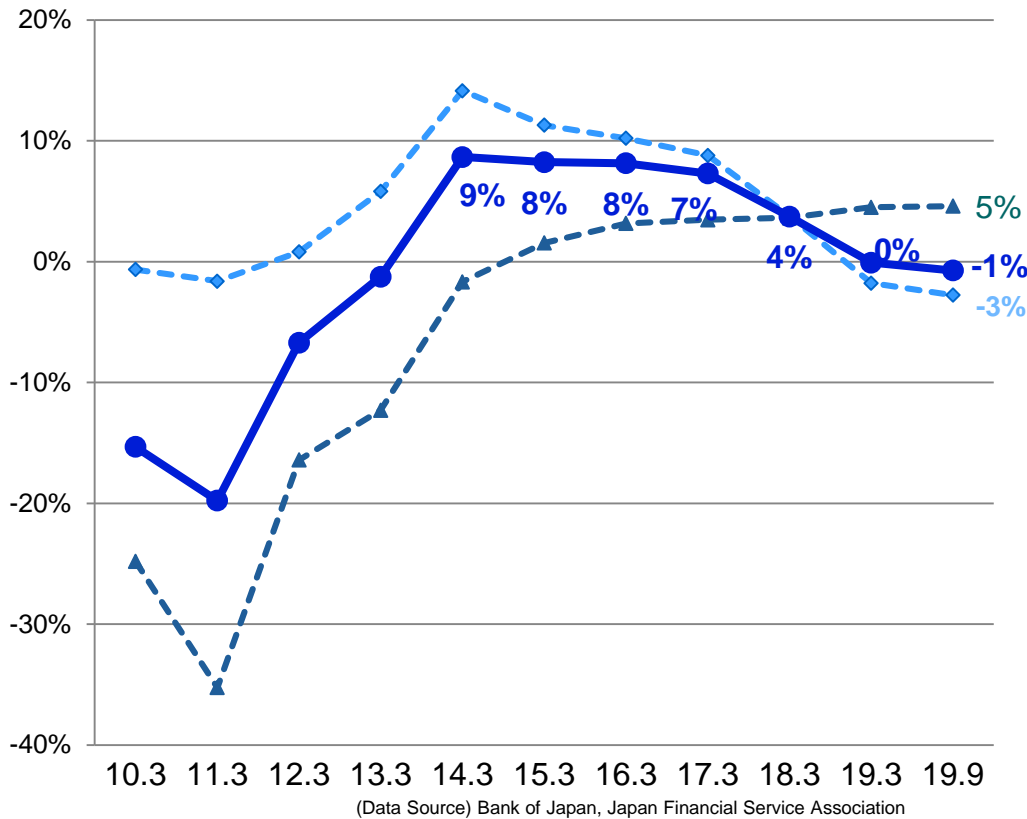
Per share data for FY16 has been adjusted to conform to current period presentation

# Appendix



# Unsecured Loan Market

## Unsecured Loan Market: Growth Rate (YoY)



- ◆ YoY: Bank Card Loan Growth Rate
- YoY: Unsecured Loan Market Growth Rate
- ▲ YoY: Nonbank Unsecured Loan Growth Rate

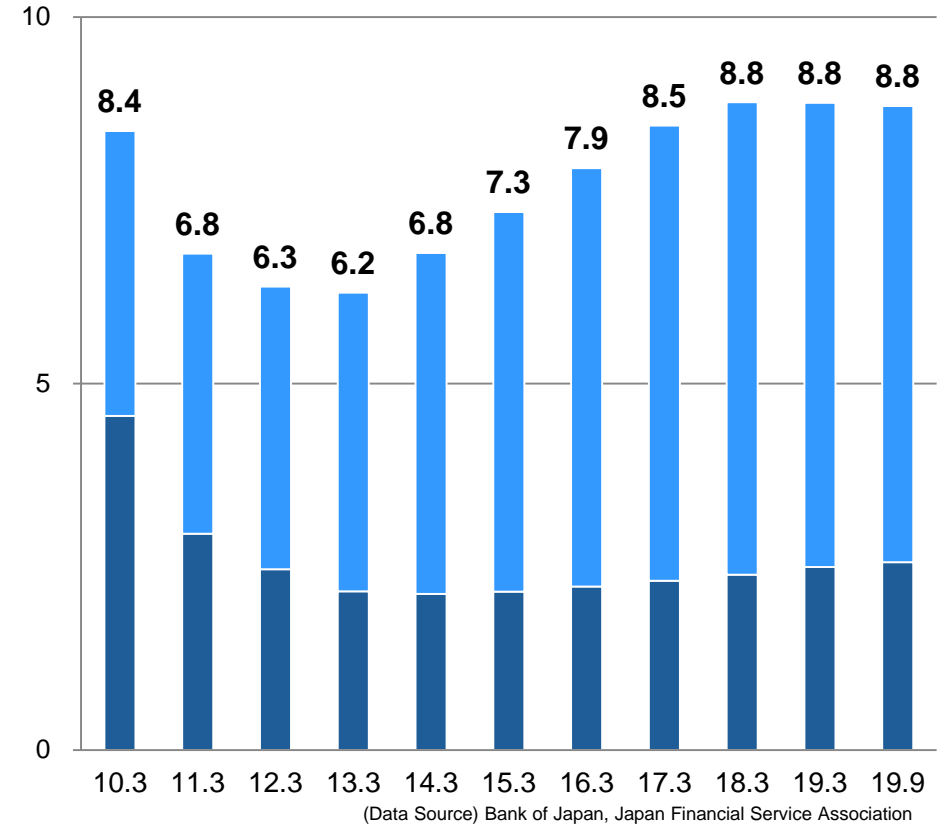
“Unsecured loan market”= “Bank card loan balance” + “Nonbank unsecured loan balance”

“Bank card loan balance”: Statistics aggregated by the Bank of Japan; Balance of consumer card loans extended by domestic banks and credit unions

“Nonbank unsecured loan balance”: Statistics aggregated by the Japan Financial Services Association; Unsecured loans (consumer finance sector) month end balance (excludes housing loans)

## Unsecured Loan Market: Size

(Unit: JPY trillion)

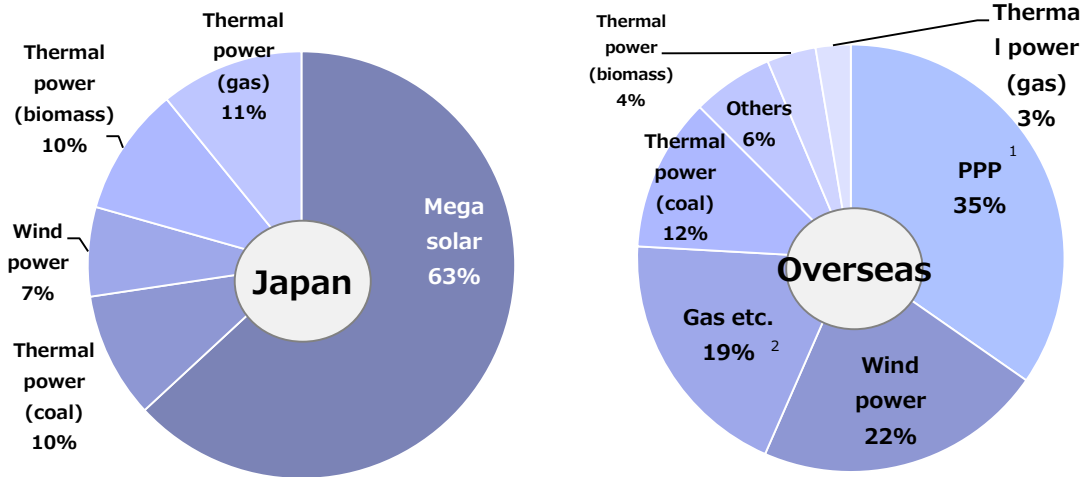


- Bank Card Loan Balance
- Nonbank Unsecured Loan Balance

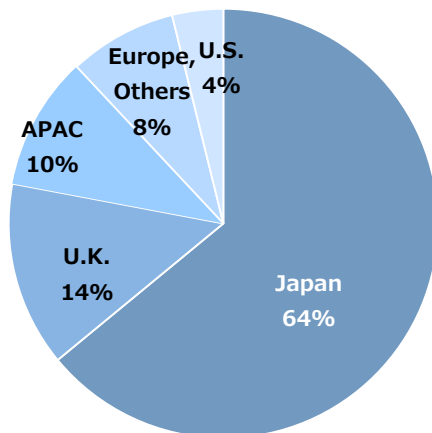
# Structured Finance: Portfolio (as of December 31, 2019)

## Project Finance

[Balance: project type, includes commitment basis]

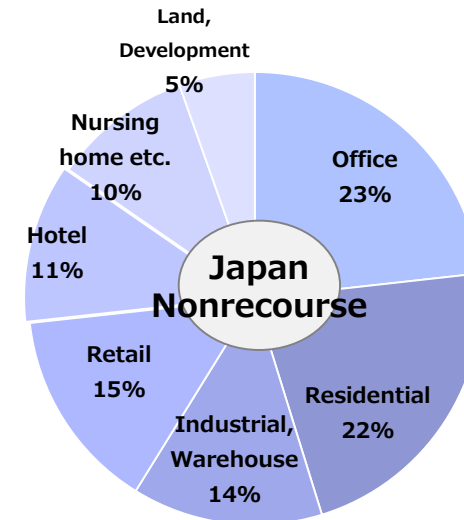


[Balance: regions, includes commitment basis]

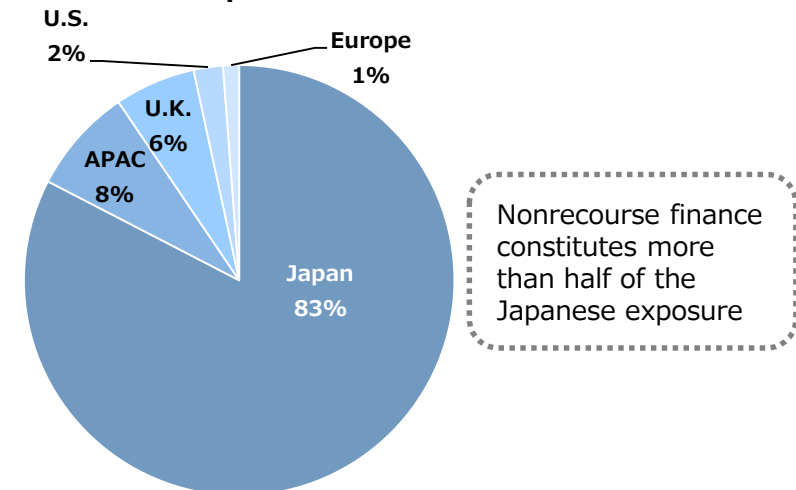


## Real Estate Finance

[Balance: asset type]



[Balance: regions in nonrecourse, real estate companies and REITs]



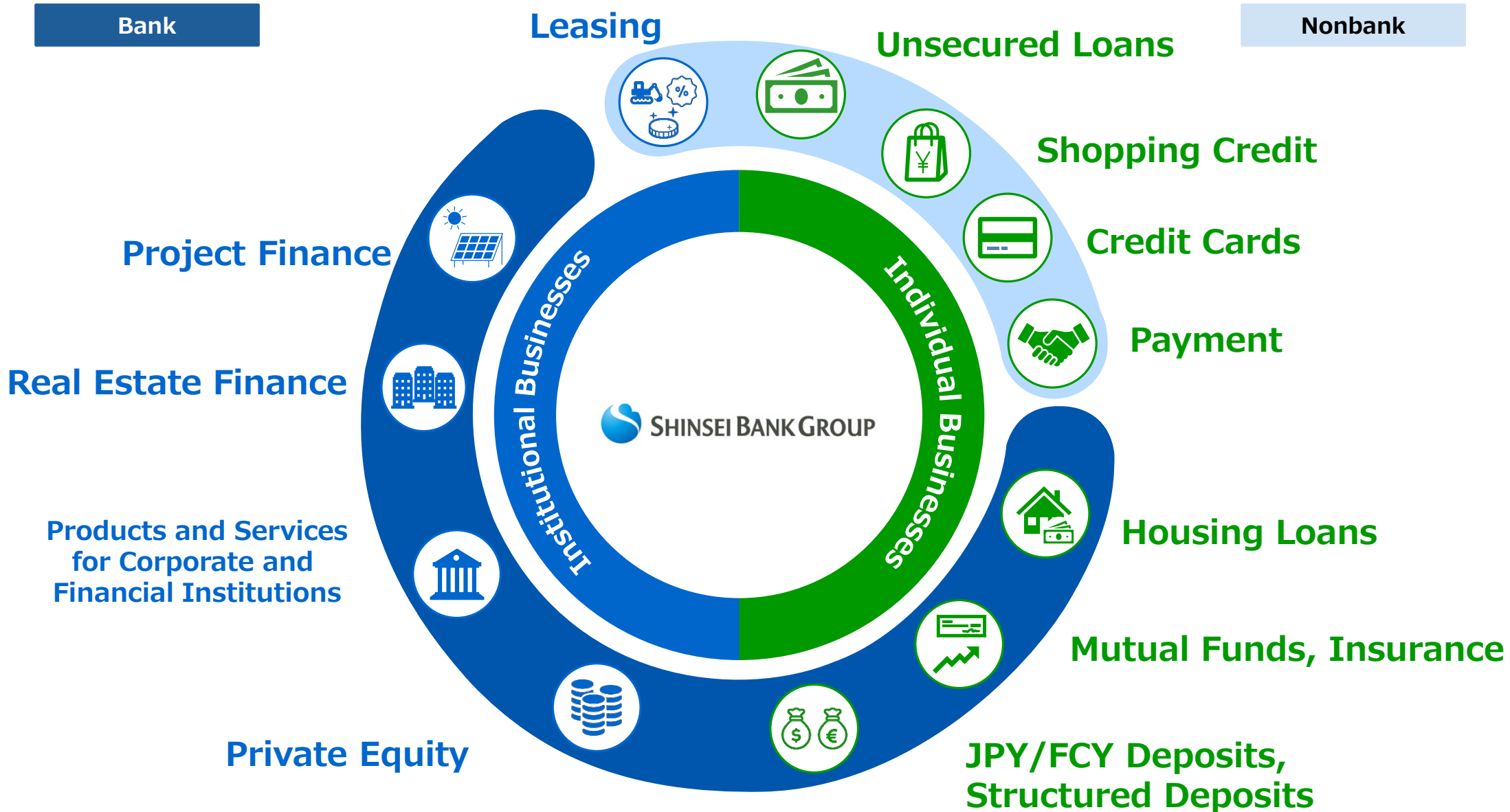
Nonrecourse finance constitutes more than half of the Japanese exposure

<sup>1</sup> Public Private Partnership

<sup>2</sup> Finance to LNG related facilities and receiving terminal etc.



# Hybrid and Seamless Products and Services Portfolio

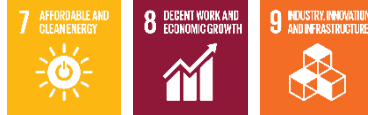


# Medium Term Strategies: Materiality

## Address social and environmental issues



Support these SDGs:



- Access to finance
  - Provide services for customer needs which are not satisfied by traditional financial services
  - Provide payment methods with emerging technology
- Fund flows that fit society's needs
  - Provide solutions for supporting sustainable social capital
- Solutions through integration with external services
  - Build / participate in ecosystems, use digital technology

## Fulfill our social responsibilities



Support these SDGs:



- Social infrastructure services
  - Firmly provide fundamental financial functions (deposit, loan, payment etc.) as social infrastructure
  - Maintain cyber security
  - Prevent money laundering
- Customer-oriented services
  - Place customer benefit first
  - Give information that is accurate and easy to digest

## Foundation for meeting our goals / responsibilities



- Expertise, execution
- Governance
- Organization

- People
- Operations

Support these SDGs:



- Capital

# Medium Term Strategies: Business Model

Source of our Strengths



**Self-Contained Model**

**B to B to C**  
/ **B to C**

Value creation from internal resources

Quick, flexible business deployment

Flexible response to customer needs

Internalized products / services



**Deploy**  
product / service know-how



**Enhance**  
product / service know-how

Opportunities for Growth



**Value Co-Creation Model**

**B X B to C**

Generation of synergies by integrating data, know-how with external services

Greater value for our customers

Deeper understanding of our customers

Finance as a Service

Examples: Ecosystems for foreigners and freelancers

# Medium Term Strategies: Business Cases (1)

Values provided by partners

Values provided by Shinsei

Objective

1

NTT DOCOMO

- Customer base
- Lending platform



- Unsecured card loan; credit assessment know-how, systems capability



Access to finance for customers who are underserved by existing consumer finance providers



2

Seven Bank

- Foreign customer base



- Loan by purpose, credit card



Access to finance for foreign residents

# Medium Term Strategies: Business Cases (2)

Values provided by partners

Values provided by Shinsei

Objective

3

- USEN-NEXT GROUP**
- Micro and Small Enterprise (MSE) customer base
  - Products and customer platform



- Shopping credit, leasing, lending services
- Fintech



Access to finance for MSE

4

- Products and services of the partner companies



- Platform
- Settlement/fund transfer, lending, asset management etc.



Access to finance for customers of the partner companies



# Medium Term Strategies: Financial Targets

## EPS Growth Rate

Growth

Annual average  
**2% or more**  
 excluding the effect of  
 purchasing treasury shares

## Profit Share of Focus Areas

Growth

(Share of operating business profit after net credit costs, excluding one-time factors)

### Small-scale finance

FY2018

45%



FY2021

**50%**

### Institutional investors

FY2018

10%



FY2021

**15%**

## ROE

Profitability

FY2018

6.0%



In the  
medium term

**8.0%**

## OHR

Efficiency

FY2018

63.0%



FY2021

**less than 60%**

## CET 1 Ratio

Soundness

FY2018

12.0%



In the  
medium term

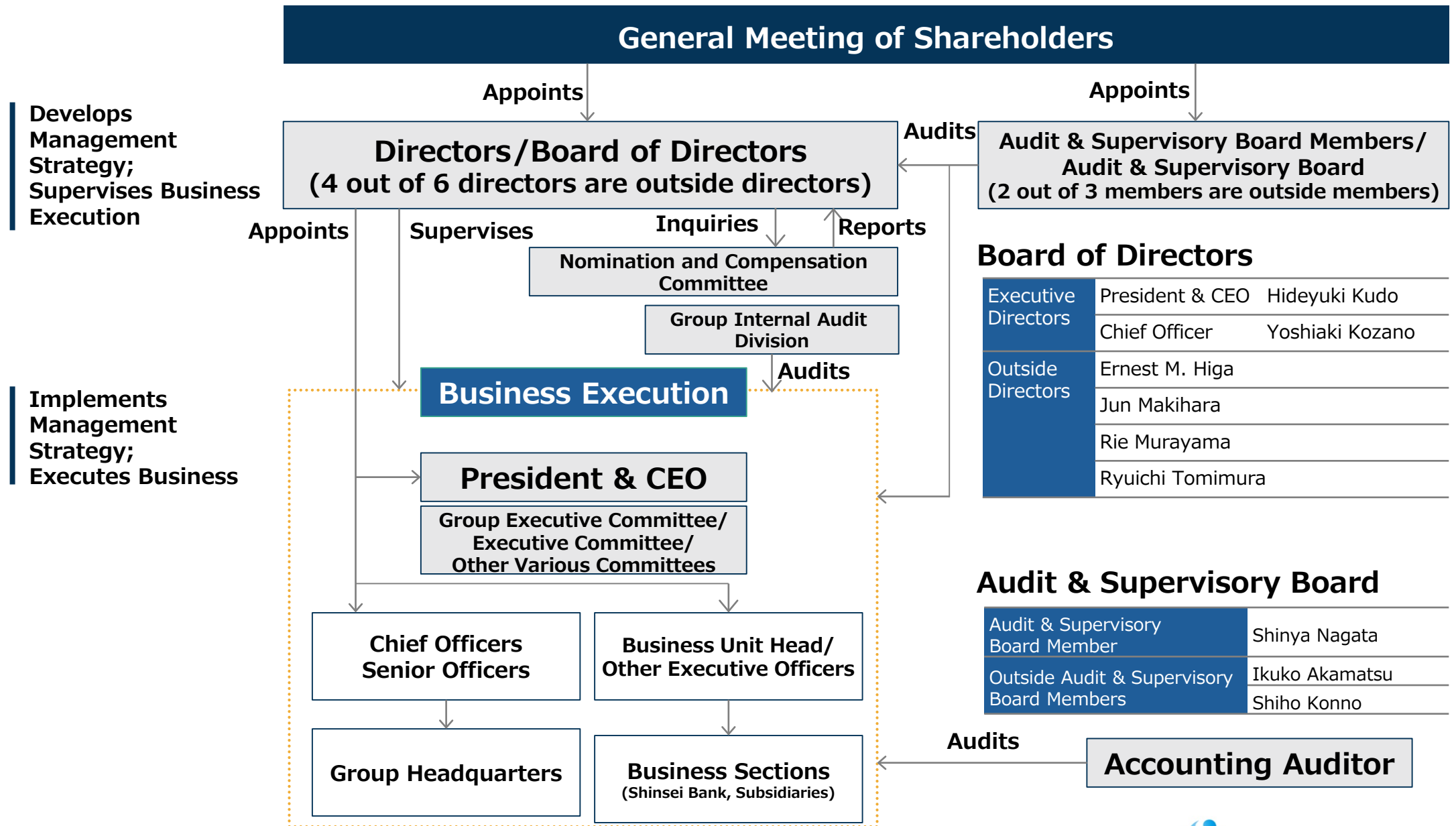
**minimum 10%**

## Shareholder Returns

Shinsei Bank aims to maintain or improve the total payout ratio, depending on financial conditions and market environment, within the range of total payout ratio as set in the Revitalization plan. (\*)

\* As mentioned in the Revitalization plan submitted to the Financial Services Agency on March 22, 2018, the range should be in principal within the range of the general total payout ratio of the domestic banks.

# Corporate Governance: Structure



Develops Management Strategy; Supervises Business Execution

Implements Management Strategy; Executes Business

# Corporate Governance: Diversified Talent Pool

## Board of Directors <sup>1</sup>



**Jun Makihara**

Director

Outside  
Mgmt Exp.  
Committee

Age : 61

### Major Experience

- Director, Philip Morris International Inc. (Current)
- Director, Monex Group, Inc. (Current)
- Partner, Goldman Sachs Japan Co., Ltd.



**Ernest M. Higa**

Director

Outside  
Mgmt Exp.  
Committee

Age : 66

### Major Experience

- Chairman, President & Chief Executive Officer, Higa Industries Co., Ltd. (Current)
- Chairman & Representative Director, Wendy's Japan K.K. (Current)



**Ryuichi Tomimura**

Director

Outside  
Mgmt Exp.  
Committee

Age : 60

### Major Experience

- President, Representative Director, SIGMAXYZ Inc. (Current)
- Representative Director, Senior Executive Vice President, Softbank Corp.
- Managing Director, IBM Business Consulting Service KK
- General Manager, Network Integration Division, Recruit Holdings Co. Ltd.



**Rie Murayama**

Director

Outside  
Committee

Age : 59

### Major Experience

- Trustee, National Center for Global Health and Medicine (Current)
- Chairman & Representative Director, ComTech, Ltd.
- Managing Director, Goldman Sachs Japan Co., Ltd.

## Board of Directors <sup>1</sup>



**Hideyuki Kudo**

Representative Director,  
President and Chief Executive  
Officer

Executive

Age : 56

### Major Experience

- Managing Executive Officer, Chief Risk Officer
- Managing Executive Officer, Head of Structured Finance Sub-Group
- Managing Executive Officer, Deputy Head of Institutional Group



**Yoshiaki Kozano**

Director

Executive

Age : 56

### Major Experience

- Director, Chief Officer, Group Business Strategy, Shinsei Bank, Limited
- Director, APLUS FINANCIAL Co., Ltd. (Current)
- Managing Executive Officer, Head of Principal Transactions Sub-Group, Shinsei Bank, Limited
- Managing Executive Officer, Deputy Head of Institutional Group



**Shinya Nagata**

Audit &  
Supervisory Board Member

Age : 61

### Major Experience

- Audit & Supervisory Board Member, Shinsei Bank, Limited (Current)
- Executive Officer, General Manager, Financial and Regulatory Accounting Division
- Executive Officer, General Manager, Group Regulatory Accounting and Tax Division, General Manager, Group Financial Accounting Division



**Ikuko Akamatsu**

Outside Audit &  
Supervisory Board Member

Age : 51

### Major Experience

- Audit & Supervisory Board Member, Shinsei Bank, Limited (Current)
- Member, Committee on Promotion of Active Participation for Women Accountants, The Japanese Institute of Certified Public Accountants (Current)
- Joined Showa Ota & Co. (Predecessor of Ernst & Young ShinNihon LLC)



**Shiho Konno**

Outside Audit &  
Supervisory Board Member

Age : 56

### Major Experience

- Director, Monex Group Inc. (Current)
- Audit & Supervisory Board Member, Shinsei Bank, Limited (Current)
- Director, Alfresa Holdings Corporation (Current)
- Director, Kakaku.com, Inc.
- Director, Watami Co., Ltd.
- Established Shiho Konno Habataki Law Office (Current)
- Registered in Daiichi Tokyo Bar Association

Executive Officer  
Management Experience  
Outside of Shinsei Bank Group

Outside Directors  
Nomination and Compensation Committee

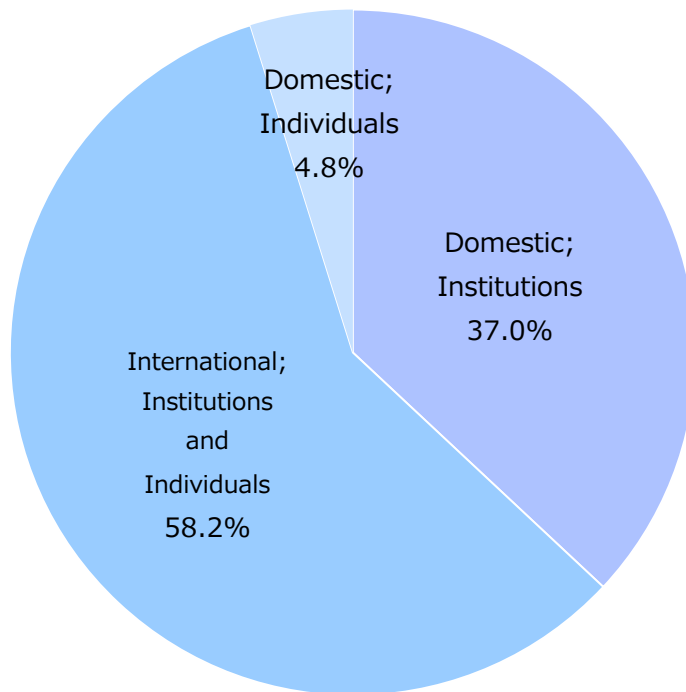
<sup>1</sup> As of September 30, 2019



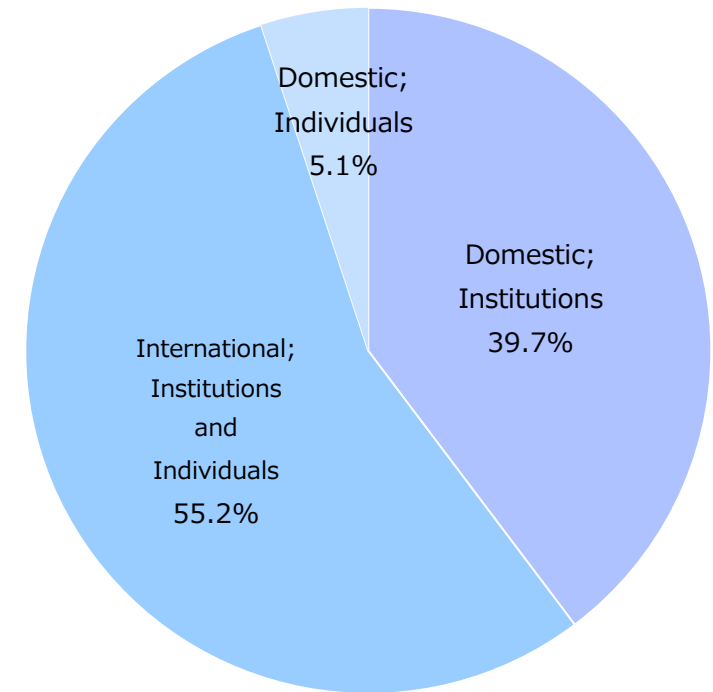
# Shareholders Composition:

- Secondary offering by a group of large shareholders (including affiliates of J.C. Flowers & Co. LLC, or JCF funds) was executed in August 2019
- This offering resulted in an increase in domestic individual and institutional shareholders while overseas shareholders constitute majority of shareholders

March 31, 2019 <sup>1</sup>



September 30, 2019 <sup>1</sup>



<sup>1</sup> Excluding treasury shares

- **The preceding description of Shinsei Bank Group’s Medium-Term Strategies contains forward-looking statements regarding the intent, belief and current expectations of our management with respect to our financial condition and future results of operations. These statements reflect our current views with respect to future events that are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results may vary materially from those we currently anticipate. Potential risks include those described in our annual securities report filed with the Kanto Local Finance Bureau, and you are cautioned not to place undue reliance on forward-looking statements.**
- **Unless otherwise noted, the financial data contained in these materials are presented under Japanese GAAP. Shinsei Bank Group disclaims any obligation to update or to announce any revision to forward-looking statements to reflect future events or developments. Unless otherwise specified, all the financials are shown on a consolidated basis.**
- **Information concerning financial institutions and their subsidiaries other than Shinsei Bank Group are based on publicly available information.**
- **These materials do not constitute an invitation or solicitation of an offer to subscribe for or purchase any securities and neither this document nor anything contained herein shall form the basis for any contract or commitment whatsoever.**