

FY2019 Interim Financial Results

Presentation scripts

[Slide 3]

Key Points

- 1 JPY 28.1 billion of net income¹; +2% y-o-y; 53% progression toward the full year net income forecast**
 - Ordinary Business Profit (OBP) : JPY 47.6 billion (increase 9% y-o-y; 52% progression)
 - OBP after Net Credit Costs: JPY 31.1 billion (increase 6% y-o-y; 56% progression)
- 2 Share buyback progressed at 49%; EPS (excl. share buyback) grew at 2%**
 - Executed JPY 11.5 billion of share buyback (49% progression) as of October 31, 2019
Total share buyback target of JPY 23.5 billion with total payout ratio at 50% (as approved on May 15, 2019)
 - EPS growth rate: 5%; it would be 2%² without the effect of share buyback
- 3 Secondary offering of shares from the largest shareholder**
 - Offering amount : JPY 63.3 billion, The number of shares: 45 million shares
 - Impact on share price: while a drop in share price reflected the concern on imbalance of demand and supply in the market, it has recovered to the announcement of the transaction date:
 - ✓ The offering did not bring dilution of shares
 - ✓ The largest shareholder, JCF funds, had no direct involvement in our businesses and financials
 - Retirement of Mr. Flowers, an outside director, poses no impact on our corporate governance given the current state of corporate governance (the Board of Directors is composed of a majority of outside directors with diverse expertise)

¹ Profit attributable to owners of the parent

² 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))

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- I would like to explain the main points of this interim financial results.
- First, net income attributable to owners of the parent amounted to ¥28.1 bn, up 2% from the same period of the previous fiscal year and represents 53% of the full-year target.
- Second, we have made steady progress on the share buyback with 49% achievement as of October-end.
 - On May. 15, we announced share repurchase up to ¥23.5 bn. By the end of Oct., we have repurchased ¥11.5 bn in treasury shares.
 - Our financial target in the medium-term management strategy is to achieve an average annual EPS growth rate of 2% or more without considering share buybacks. We achieved this target in the first half of this fiscal year. With the share buyback we achieved EPS growth rate of 5%.

- Third, JCF Fund, a major shareholder, exited its investment through a secondary offering in August this year.
 - The offering totaled ¥63.3 bn, and the number of shares offered was 45 mn. The transaction was successfully completed by selling shares primarily to overseas institutional investors and domestic individual investors.
 - Immediately after the offering was announced, share price fell temporarily due to concerns about supply and demand for our shares. However, the offering itself was a capital transaction that was neutral from the value per share perspective.
 - ◇ First, there is no effect on the denominator of value per share as it does not involve dilution of shares.
 - ◇ Second, there is no impact on the numerator of value per share as JCF Fund did not have any direct involvement in conducting day-to-day business or financial operations.
 - Mr. Flowers also retired from his role as an outside director after the offering was completed. The majority of Shinsei Bank's Board of Directors is composed of outside directors with diverse expertise. In addition, the Board of Directors, other than Mr. Flowers, has been actively communicating with the Bank's management. As a result, we do not believe that his retirement affects Shinsei Bank's corporate governance.
 - Considering high ratio of subscriptions to the offering and the removal of the overhang, the share price has since recovered to the level prior to the announcement of the offering.

- I would like to provide an overview of our financial results and update our key businesses.

[Slide 4]

1H FY19 Financial Results Summary

(Unit: JPY billion; %)

Consolidated	18.4-9 (Actual)	19.4-9 (Actual)		19.4-20.3 (Plan)	
		YoY % B(+)/W(-)	Progress %		
Total Revenue	114.7	121.5	+6%	50%	243.0
Net Interest Income	66.3	66.7	+1%		
Noninterest Income	48.3	54.7	+13%		
Expenses	-70.9	-73.8	-4%	49%	-152.0
Ordinary Business Profit (OBP)	43.7	47.6	+9%	52%	91.0
Net Credit Costs	-14.4	-16.5	-15%	47%	-35.0
OBP after Net Credit Costs	29.3	31.1	+6%	56%	56.0
Others	-1.6	-2.9	-81%	97%	-3.0
Income Tax, etc.	-1.8	-3.2	-78%		
Net Income	27.6	28.1	+2%	53%	53.0

Points

Total Revenue:

Solid progress rates of 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 shifting to 2H

Net Credit Costs:

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

Kabarai:

JPY 1.2 billion was reversed from Kabarai reserves in this 1H

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- Page 4 provides an overview of interim results.
 - Total revenue grew 6% year-on-year representing 50% of the full-year forecast, which is in line with our initial expectation. Increase in noninterest income year-on-year reflects reduction of ATM transaction fees in Retail Banking coupled with our Treasury and Corporate businesses recording gains on sale of securities.
 - Expenses increased 4% year-on-year mainly reflecting new systems expenses. The overall expenses progress rate was 49%. For the full fiscal year, expenses are expected to be in line with the initial plan.
 - Though the net credit costs grew 15% year-on-year, it represents 47% of the full-year target. The progress rate relates to improvement of credit quality as well as enhanced collection in the Unsecured Loan business. In the previous fiscal year, we recorded a large net credit reversal in our Structured Finance business. In addition, both Shinsei Financial and APLUS FINANCIAL segments required lower

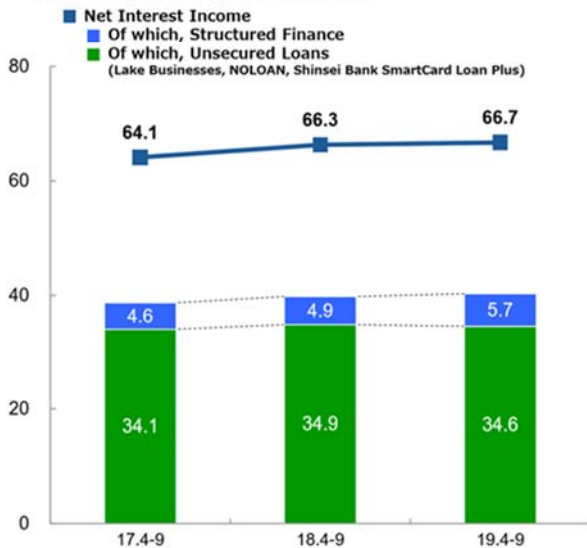
credit reserve level as compared to the same period in the previous year.

- Kabarai reserve reversal amounted to ¥1.2 bn during the 1H period.
- As a result, net income attributable to owners of the parent was ¥28.1 bn, up 2% year on year.

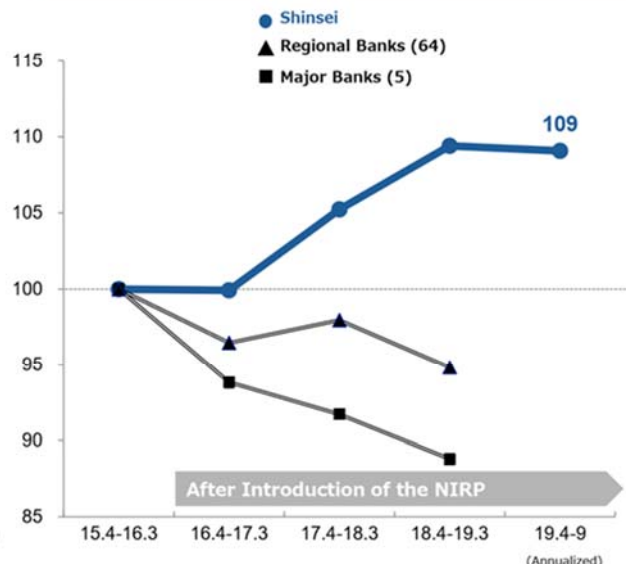
[Slide 6]

Financial Update: Net Interest Income (Unit: JPY billion)

- Increase in Structured Finance reflects growth of operating assets balance
- Slight decrease in Unsecured loans reflects lower average loan balance (y-o-y), and now constitutes 52% of total net interest income



Net Interest Income Trend (FY2015=100)



(Source) Regional Banks joining Regional Banks Association of Japan (nonconsolidated basis): Compiled based on disclosures of Japanese Bankers Association
Major Banks (consolidated basis): Based on disclosures of each bank

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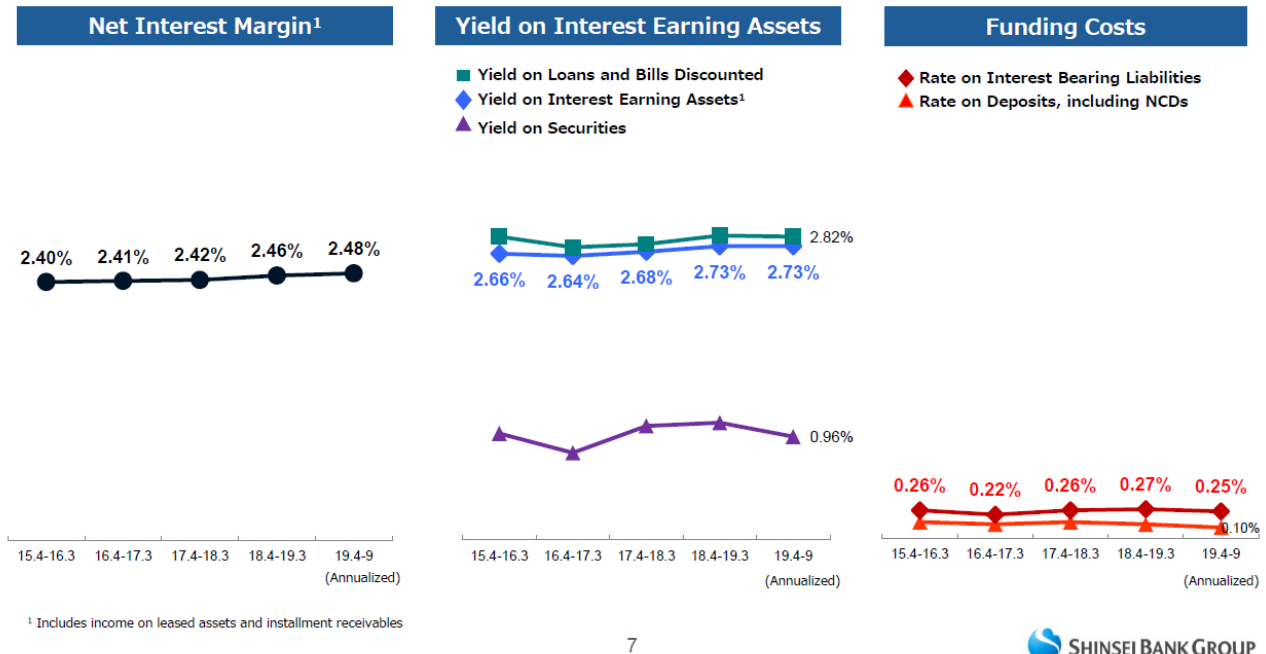
SHINSEI BANK GROUP

- Page 6 shows net interest income.
 - In the Structured Finance, net interest income increased due to the steady growth in the operating assets balance.
 - In the unsecured loan business, although the balance at the end of Sep. increased from the end of Mar., the average balance has not yet increased sufficiently compared to the same period of the previous year, and therefore net interest income decreased slightly.

Financial Update: Net Interest Margin (NIM), Yields

(Unit: %)

- NIM improved to 2.48%, reflecting lower rate on deposit funding costs

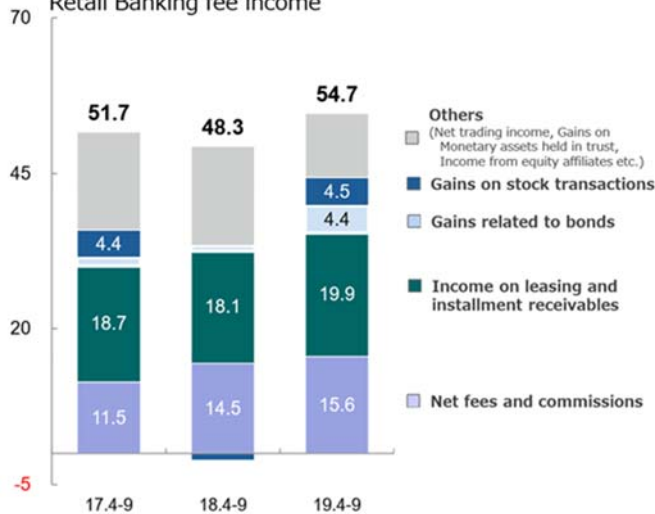


- Page 7 shows the net interest margin.
 - The net interest margin continued to improve, and it stood at 2.48%.
 - This was mainly due to a decrease in the deposits funding costs associated with redemption of the previous campaign products.
 - The total yield on interest earning assets remained stable at 2.73% even in this low interest rate environment.

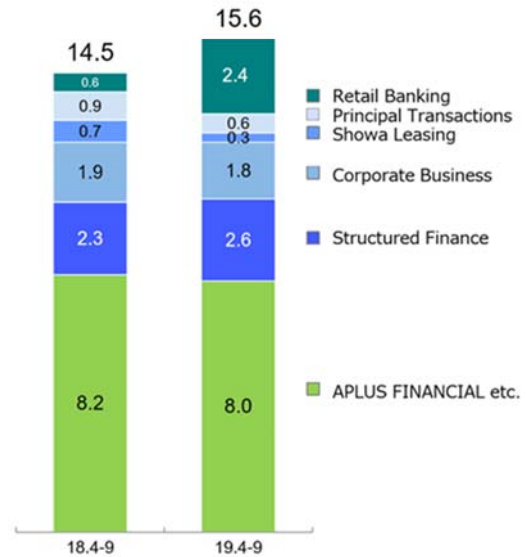
Financial Update: Noninterest Income

(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

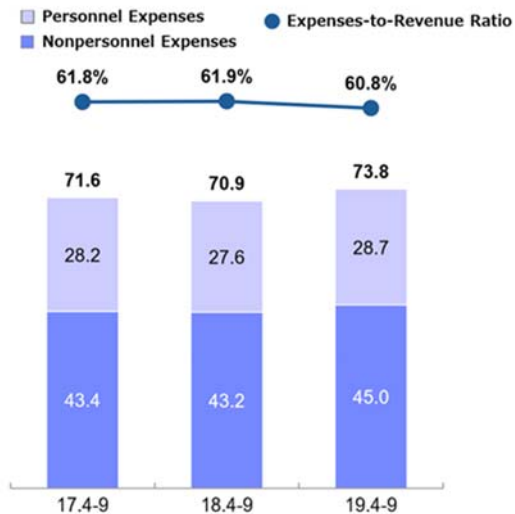


- Page 8 shows noninterest income.
 - Noninterest income increased substantially by 13% year-on-year.
 - The main factors behind this are gains on the sale of stocks in the corporate business and gains on the sale of government bonds and other securities as a part of our treasury's ALM activities. In addition, we recorded steady increase in lease and installment income from APLUS and Showa Leasing, as well as the increase in fees and commissions in the Retail Banking business.

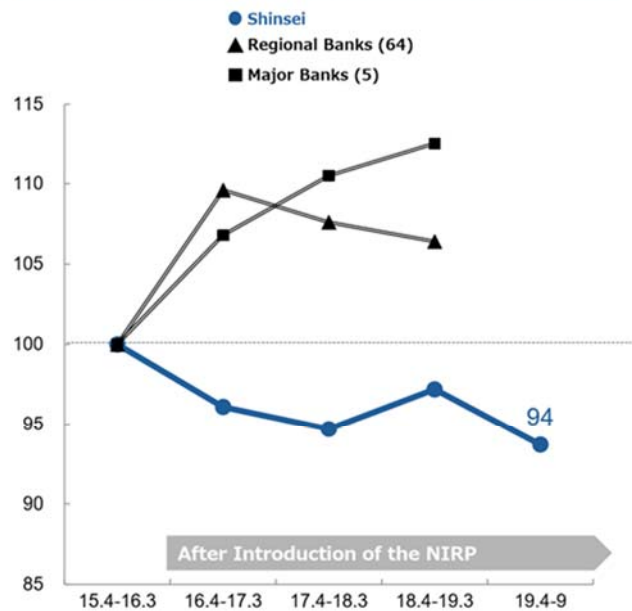
Financial Update: Expenses, Expenses-to-Revenue Ratio

(Unit: JPY billion)

- Expenses-to-revenue ratio reflects timing difference due to certain projects and IT expenses shifting to 2H
- Increase in personnel expenses reflects acquisitions of SHINKO LEASE and Financial Japan
- Increase in nonpersonnel expenses mainly reflects IT related expenses (JPY 1.7 billion of depreciation expenses on new IT systems was recorded in this 1H)



Expenses-to-Revenue Ratio Trend (FY2015=100)



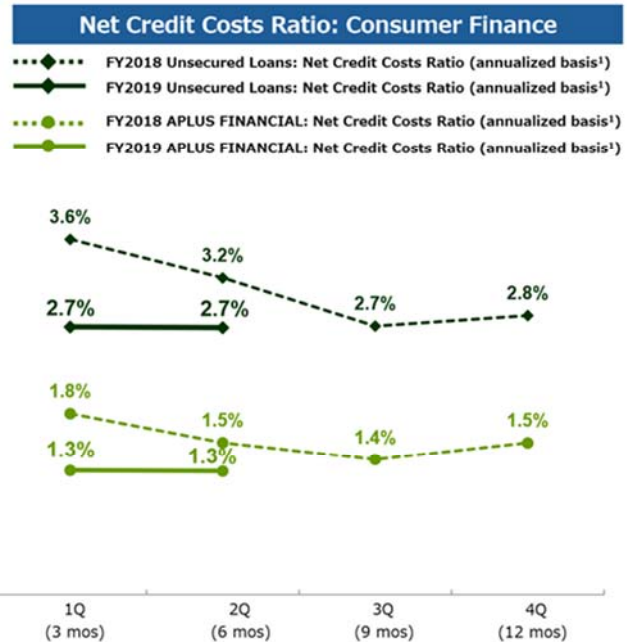
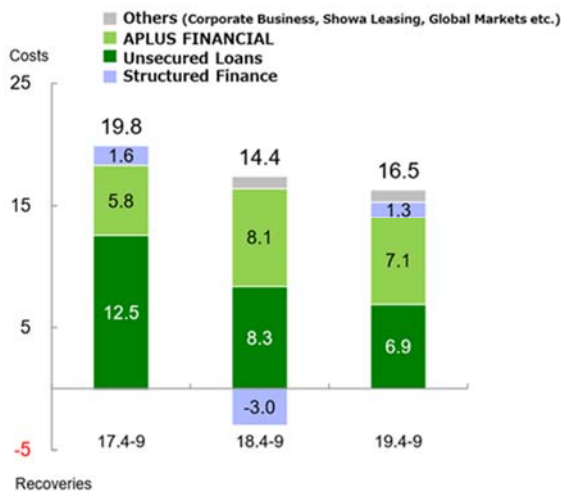
(Source) Regional Banks joining Regional Banks Association of Japan (nonconsolidated basis): Compiled based on disclosures of Japanese Bankers Association
Major Banks (consolidated basis): Based on disclosures of each bank

- Page 9 covers expenses.
 - Expenses totaled ¥73.8 bn with expenses-to-revenue ratio of 60.8% for the 1H. Expenses were lower than expectations due to postponement of certain projects and system-related expenses to the 2H of the fiscal year. Accordingly, we expect expenses for the full year to be in line with the initial plan.
 - Personnel expenses increased mainly due to the acquisition of SHINKO LEASE and Financial Japan.
 - Increase in non-personnel expenses was mainly attributable to the increase in the depreciation burden of the new core banking IT system.

Financial Update: Net Credit Costs

(Unit: JPY billion; %)

- In unsecured loans, decrease in net credit costs reflects improved credit quality due to enhanced collection in Lake business as well as decrease in credit guarantees to regional banks. Net credit cost ratio is at 2.7%
- In APLUS FINANCIAL, decrease in net credit costs reflects an absence of provisioning related to delinquent loans in the previous year. Net credit cost ratio is at 1.3%



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

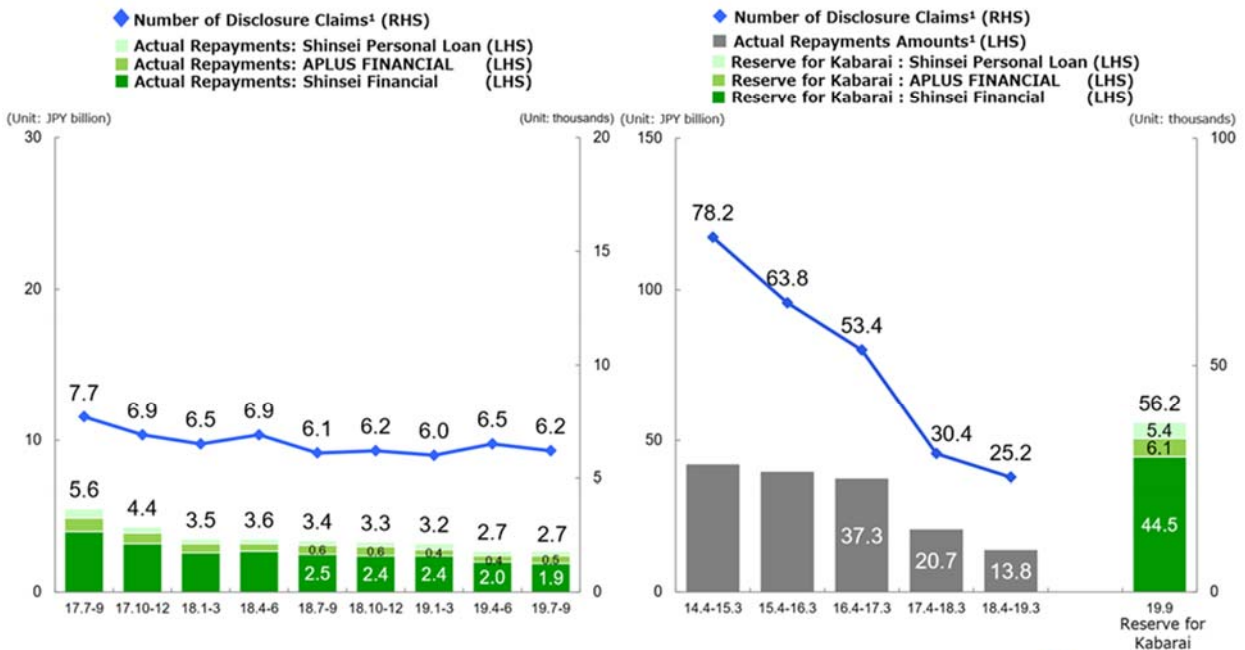
■ Page 10 covers net credit costs.

- In the unsecured loan business, net credit costs declined to ¥6.9 bn reflecting improvements in the quality of loans due to the strengthening of collections in the Lake business and a decline in the outstanding balance of guarantees provided to regional banks customers.
- APLUS net credit costs decreased to ¥7.1bn due to the absence of an additional provision for delinquent loans which was recorded in the previous fiscal year.
- Structured Finance recorded one-off gain on reversal of reserves in the previous fiscal year as well.

Financial Update: Excess Interest Repayment (Kabarai)

(Unit: JPY billion)

- Kabarai payments declined by approx. 20% compared with same period of last year
- Combined reserve coverage ratio based on the total actual payments in 19.7-9 is above 5 years



¹ Shinsei Financial, Shinsei Personal Loan and APLUS FINANCIAL combined

- Page 12 shows Kabarai trends.
 - The number of requests for disclosure declined slightly in 2Q due to a slowdown in the number of requests for disclosure at APLUS.
 - At the same time, interest repayments for the Group decreased by about 20% year-on-year, and the reserve was at a sufficient level of 5 years as at Sep. 30, 2019.

Progress on Productivity Enhancement Initiatives

- We have started to plan initiatives and currently verifying their effects in order to generate profit contribution from next year and beyond

New Initiatives in Medium-Term Strategies	Progress
<ul style="list-style-type: none"> • Branch and office optimization <ul style="list-style-type: none"> ✓ Efficiency of branch channels ✓ Effective use of office space 	<ul style="list-style-type: none"> • Integration of offices such as Group's IT sections • Optimization of the number of Lake Automatic Contract Machines (ACM) in alignment with Lake's digital strategy
<ul style="list-style-type: none"> • Cost structure reforms <ul style="list-style-type: none"> ✓ Expense reassessment, expenditure control ✓ Greater enforcement of procurement rules and transparency 	<ul style="list-style-type: none"> • Review of IT related expenses; Considering to consolidate Group's data centers and to use cloud computing system • Undertake Group's supplier management and consider to bring in electronic contract system
<ul style="list-style-type: none"> • Digital technology and workstyle reforms <ul style="list-style-type: none"> ✓ Implementation of AI, digital technology etc. ✓ Review on business process and operations ✓ More flexible hours and workplace 	<ul style="list-style-type: none"> • Introduce digital tools such as RPA, OCR, AI translation etc. • Install mobile based working environment by ICT tools
<p>Full year benefits of previous productivity enhancement projects have been realized</p>	
<ul style="list-style-type: none"> • Consolidation of group corporate functions (Group's head office) • Call centers and business centers optimization • Restructuring initiatives in APLUS • Performance improvement in delinquent loan's collection 	<ul style="list-style-type: none"> • RPA: Robotic Process Automation • OCR: Optical Character Recognition • ICT: Information Communication Technology

- Page 14 shows the progress of productivity enhancement initiatives.
 - In the current fiscal year, while realizing the full-year effects of various projects resulting from numerous productivity enhancement initiatives, we have begun formulating plans for new productivity enhancement initiatives and currently verifying their effects from the next fiscal year and beyond.
 - In particular, we will embark on full-fledged integrated management of our IT divisions on a group-wide basis. Specifically, in addition to consolidating the IT bases of each Group companies, we will consider adopting a cloud computing system for data management.
 - In addition, we are considering optimizing the number of unmanned Lake branches in line with our digital strategy. In addition, we are proactively introducing digital tools such as RPA and AI in each business.

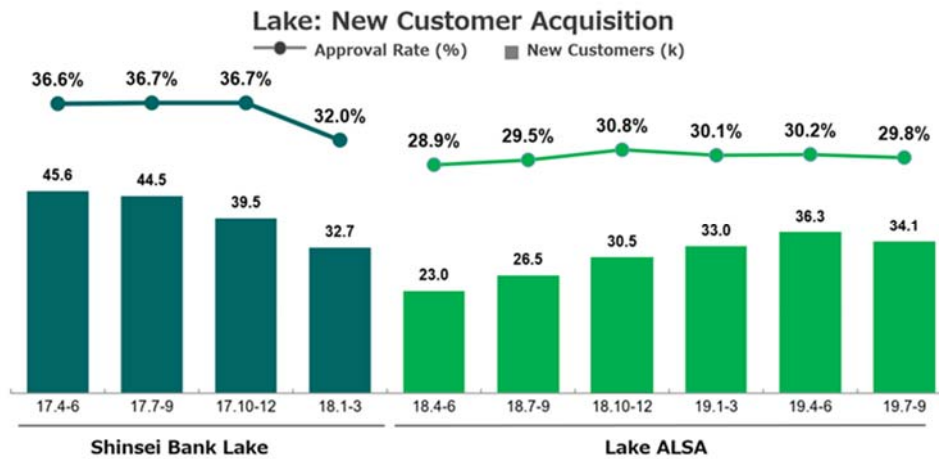


Small Scale Finance: Unsecured Loans (2)

(Unit: JPY billion)

■ Lake ALSA Unsecured Loans:

- ✓ From September 2019, “60-day interest-free loan” has been made a regular product feature for new customers who apply on the web and through smartphone
- ✓ Application channel has been shifting to web for customer convenience and operational efficiency
 - The number of unmanned branches is at 714 (vs. 725 as of March 31, 2019)
 - The number of applications increased 27% y-o-y; approval rate remains stable at ~30%
 - The number of new customer acquisition increased by 28% y-o-y



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- On page 16, we will explain Lake ALSA’s consumer finance business.
 - At Lake ALSA, in order to attract applications through digital channels, we have now converted the 60-day interest-free loan as a regular product feature for new applicants who apply via the Internet and smartphones.
 - The number of applications increased 27% year on year, despite a slight quarterly decline, partly due to the non-demand period in July.
 - The number of new customer acquisitions though decreased slightly from the previous quarter, but increased by 28% year-on-year.
 - The contract approval rate has remained stable at approximately 30%.

Small Scale Finance: Unsecured Loans (3)

■ Value co-creation in Shinsei Bank Smart Money Lending:

- ✓ Shinsei offers optimized financial services to the DOCOMO users through the Smart Money Lending products
- ✓ Shinsei co-works with DOCOMO for the DOCOMO Lending Platform by leveraging expertise of Lake brand
- ✓ Shinsei became first partner bank in the DOCOMO Lending Platform



"Shinsei Bank Smart Money Lending" for DOCOMO users

- ✓ Launched on August 29, 2019
- ✓ Aim to expand name recognition by marketing initiatives such as distribution of email magazine to DOCOMO users and campaign related to d-point program

■ Page 17 is about "Shinsei Bank Smart Money Lending" for NTT DOCOMO users.

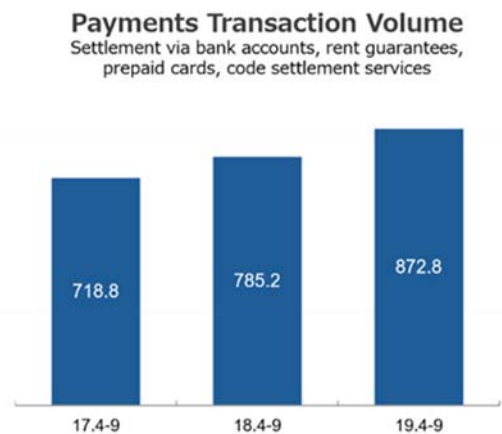
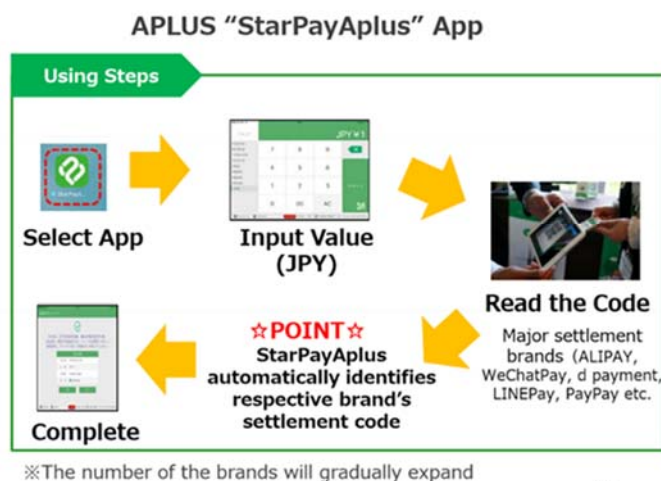
- On Aug. 29, NTT DOCOMO launched this service as planned. We are currently working to increase awareness of NTT DOCOMO 's services by distributing e-mail magazines to DOCOMO account users and through marketing campaigns utilizing DOCOMO's very popular d-POINTS reward program.

Small Scale Finance: APLUS FINANCIAL (3)

(Unit: JPY billion)

■ **Payment Business in APLUS FINANCIAL :**

- ✓ Offering "StarPayAplus" app to our merchants. The app on the smartphones and tablets of the merchants is capable to complete the settlement by identifying each of Japanese and overseas brand codes. Harmonizing merchants' customers needs who want to diversify settlement methods and improve convenience
- ✓ Transaction volume of settlement via bank accounts and rent guarantees has been stable



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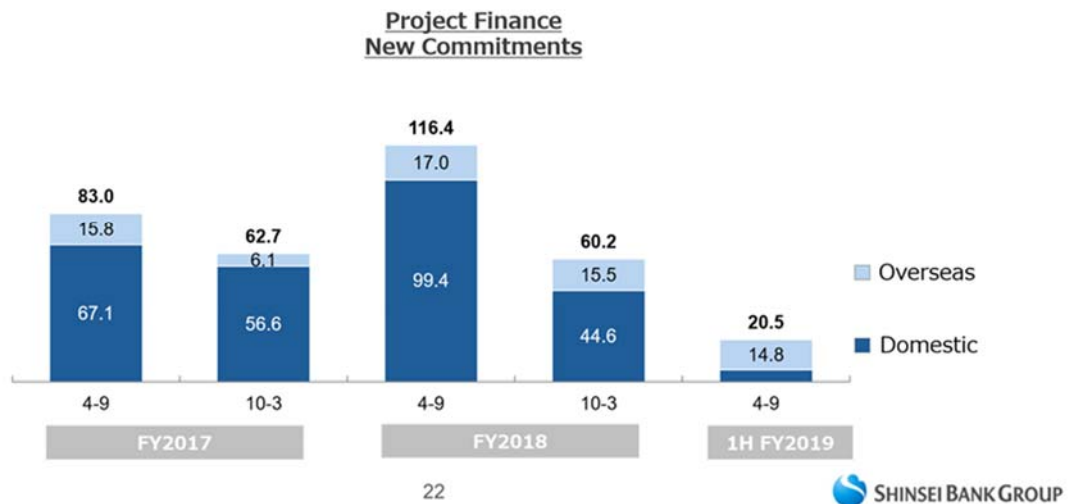
- Page 20 covers APLUS's payments related new initiative.
 - In the Payment business, APLUS provides a "StarPayAplus" app to merchants for code-payments. The merchants install this app on their smartphone or tablets.
 - This app supports major payment brands in Japan and overseas, and simply reading the payment code enables the app to automatically identify the payment brand and complete the payment.
 - As a result, we have been able to meet the needs of our merchants' customers by diversifying payment methods and enhancing convenience. We have steadily increased payment transaction volumes.

Business with Institutional Investors: Structured Finance (2)

(Unit: JPY billion)

■ Project Finance:

- ✓ Domestic project financing slowed in 1H; multiple transactions in pipelines, though requiring longer to conclude in light of the revision of the feed-in-tariff (FIT) in 2018
- ✓ Overseas project financing opportunities, such as large offshore wind projects in Europe are expanding
- ✓ There are several highly promising deals in pipeline which expect to close in 2H



■ Page 22 covers our project finance business activities.

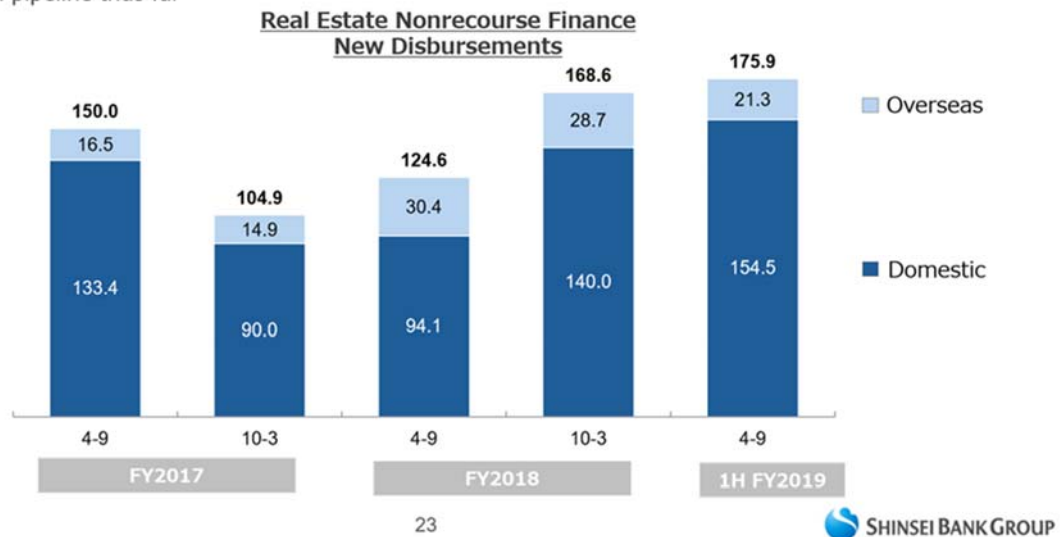
- Domestic project finance progress was slow in the 1H of this fiscal year, as the sponsors need more time to consider new projects in light of the revision of the FIT system in 2018.
- However, given that we have multiple highly reliable deals in pipelines, we expect to build the deals momentum back in the 2H.

Business with Institutional Investors: Structured Finance (3)

(Unit: JPY billion)

■ Real Estate Finance:

- ✓ The market has remained robust with prices holding at high level with ample deals flow
- ✓ Progressing initiatives such as sizable logistics facilities incorporating sell down structure and new asset types including warehouses
- ✓ Continue to select projects focusing on good properties and good sponsors in 2H, based on the accumulated pipeline thus far



■ Page 23 explains real estate finance.

- In the domestic real estate finance segment, new loan disbursements were robust in the 1H of the fiscal year, reflecting the progress made in developing large-scale logistics facilities that incorporate sell-downs and new asset types such as warehouses.
- In the 2H of the fiscal year, we will continue to make selective efforts with an awareness of outstanding properties and outstanding sponsors, as pipelines are accumulating as well.

■ Finally, I would like to summarize the highlights of the financial results and business for the interim term.

- Financial performance was favorable.
- In the area of business, we started initiatives for value co-creation in the area of consumer finance and began to make a contribution to earnings from the acquired entities SHINKO LEASE and Financial Japan.

- In terms of capital, there were many shareholders who participated in the secondary offering and as a result we increased new shareholders and diversified share ownership. To meet the expectations of our stakeholders, we will steadily implement our medium-term management strategy and endeavor to deliver the necessary financial results.

This concludes my presentation regarding our financial results for the first half of FY2019.

End