



**Business and Financial Highlights**  
***Nine Months Ended December 31, 2017***

**Shinsei Bank, Limited**  
**January 2018**



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## 1 Net Income in 3Q FY2017 Totaled JPY 35.6 billion (YoY-18%)

- Net credit costs increased by JPY 6.9 billion compared to 3Q FY2016; net credit costs in Showa Leasing increased by JPY 3.9 billion due mainly to provisioning for specific reserves

## 2 Voluntary Disclosure on January 31, 2018 about Possible Reassessment of Corporate Income Tax

- We may receive a notice of reassessment of corporate income tax from the Tokyo Regional Taxation Bureau relating to a specific transaction in FY2013
- We understand the exposure may be up to JPY 16 billion
- We will promptly file an objection with the tax authorities should we receive such a notice
- We will make appropriate disclosures at that time including recording estimated income tax expenses<sup>1</sup> and a revision of earnings forecast should we receive such a notice

<sup>1</sup> Based on Japanese generally accepted accounting principles ("JGAAP")

## 3 Shareholder Return

- A share buyback program up to JPY 10 billion or 10 million shares was approved by the Board of Directors
- The share buyback would result in total payout ratio of 25% (based on FY2016 net income of JPY 50.7 billion)

# 3Q FY2017 Financial Results Summary

(Unit: JPY billion; %)

Consolidated	3Q FY2016 (Actual)	3Q FY2017 (Actual)		Full Year FY2017 (Plan)
		YoY B(+)/W(-)	Progress	
Net Interest Income	92.1	96.7	+5%	
Noninterest Income	79.8	78.1	-2%	
Total Revenue	172.0	174.9	+2%	76%
Expenses	-107.4	-107.1	+0%	74%
Ordinary Business Profit (OBP)	64.6	67.7	+5%	80%
Net Credit Costs	-22.9	-29.9	-31%	93%
OBP after Net Credit Costs	41.6	37.8	-9%	71%
Others	1.7	-2.2	n.m.	n.m.
Net Income	43.3	35.6	-18%	70%

## Key Points

Revenue up 2%; Expenses flat; OBP up 5%;  
Expense-to-revenue ratio down to 61.2% in 3Q FY2017

- Total Revenue: JPY 174.9 billion, Progression 76%, YoY+ 2%
  - ◆ Net Interest Income: YoY+5%
  - ◆ Noninterest Income: YoY-2%
- Expenses: JPY 107.1 billion, Progression 74%, YoY+0%
  - ◆ Expense-to-revenue ratio: 61.2% (62.4% in 3Q FY2016)
- OBP: JPY 67.7 billion, Progression 80%, YoY+5%
- Net Credit Costs: JPY 29.9 billion, Progression 93%, YoY-31%
  - ◆ Showa Leasing: increased by JPY 3.9 billion YoY
- OBP after Net Credit Costs: JPY 37.8 billion, Progression 71%, YoY-9%
- Others: JPY -2.2 billion
- Net Income: JPY 35.6 billion, Progression 70%, YoY -18%
  - ◆ Recurring Profit<sup>1</sup>: JPY 15.9 billion, YoY-29%

<sup>1</sup> Excludes one-off/highly volatile profit/loss, markets related profit/loss from Treasury, and grey zone provisioning/reversal from net income

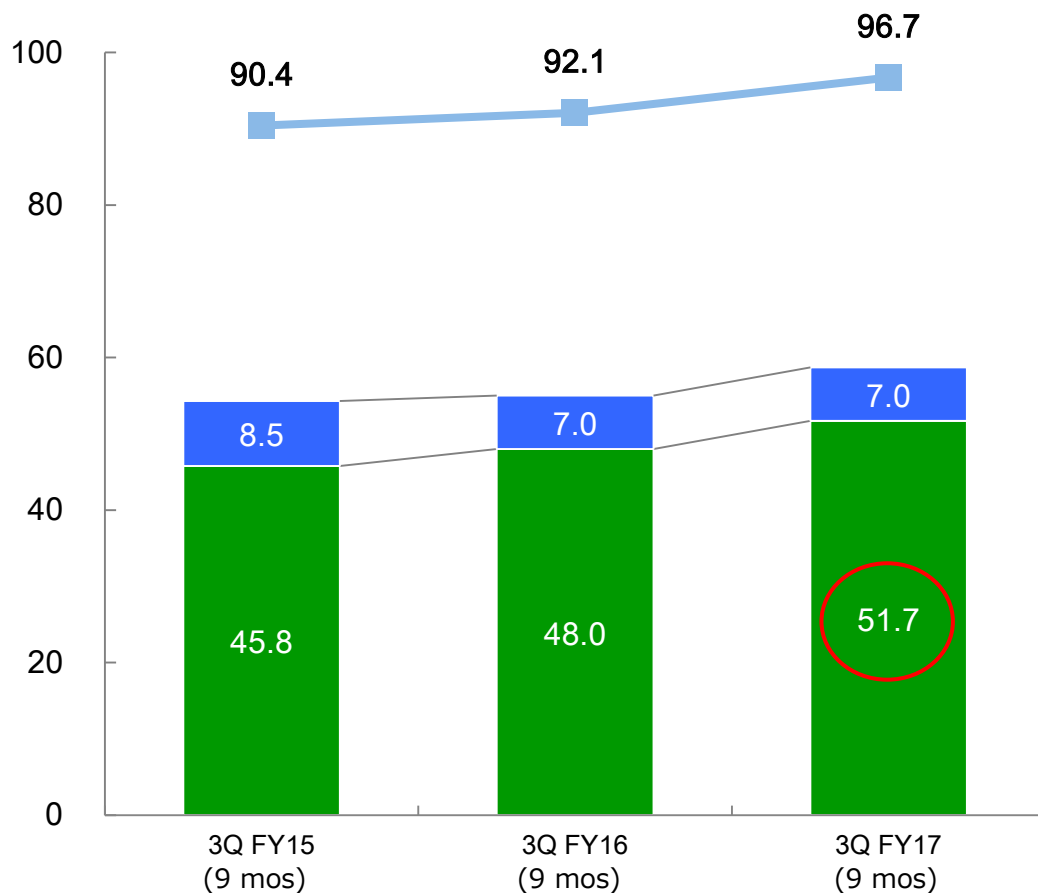
# Financial Update: Net Interest Income, NIM

(Unit: JPY billion; %)

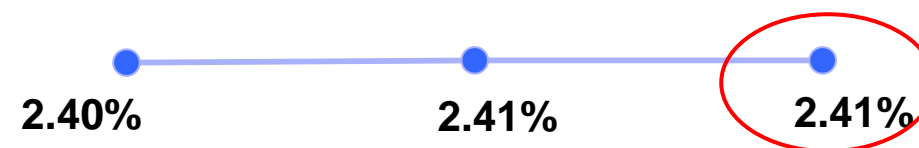
- Increase in the unsecured card loan balance resulted in steady growth in net interest income
- NIM was 2.41%, flat from FY2016

## Net Interest Income

- Net Interest Income
  - Of which, Structured Finance
  - Of which, Unsecured Card Loans
- (Shinsei Bank Lake, Shinsei Financial, NOLOAN, Shinsei Bank SmartCard Loan Plus)



## Net Interest Margin (NIM)<sup>1</sup>

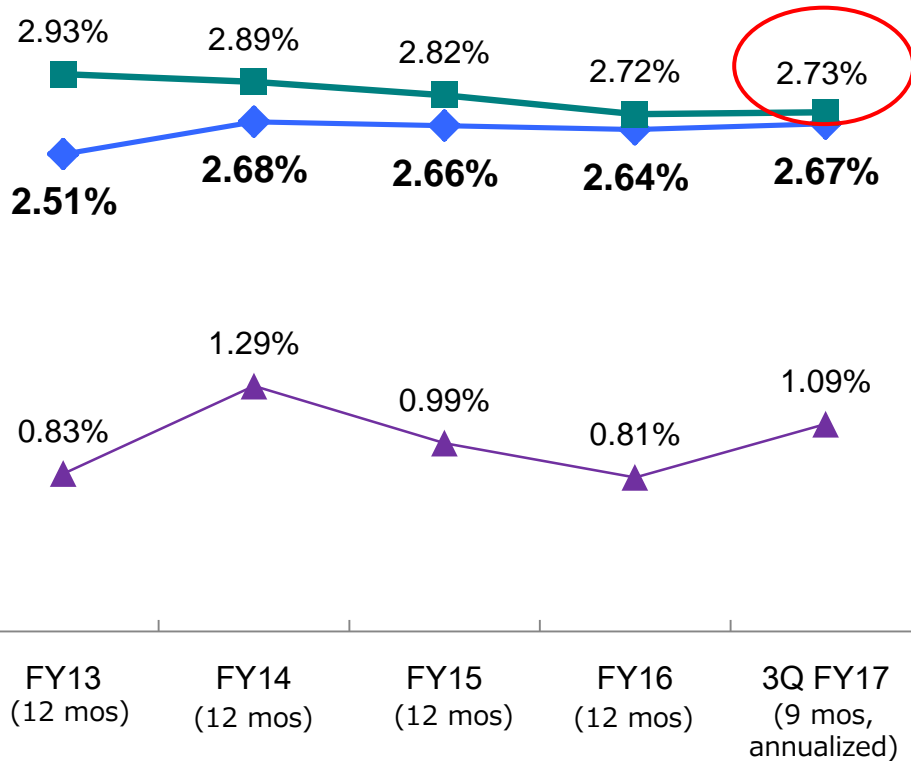


# Financial Update: Yield on Interest Earning Assets, Funding Costs

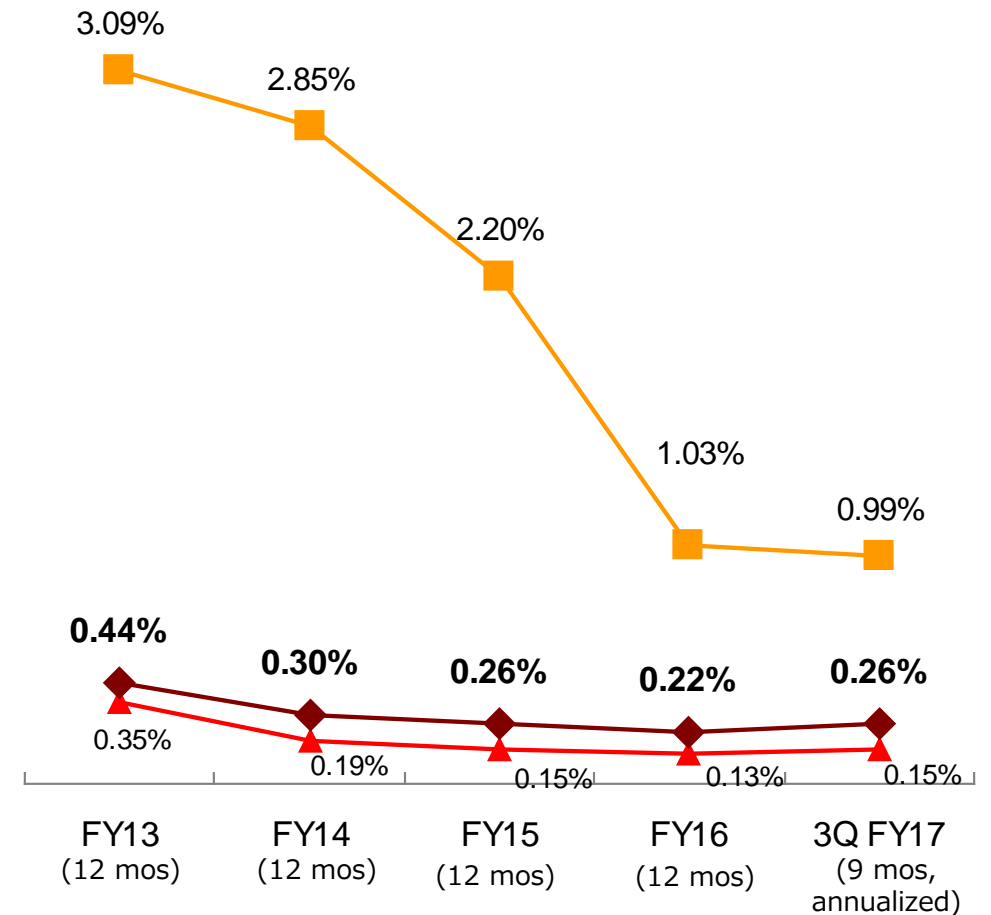
(Unit: %)

■ Yield on loans increased to 2.73% from 2.72% in FY2016, despite negative impact of NIRP<sup>1</sup>

## Yield on Interest Earning Assets<sup>2</sup>: Loans, Securities



## Rate on Interest Bearing Liabilities: Rate on Deposits, Corporate Bonds



◆ Yield on Interest Earning Assets<sup>2</sup>    ■ Yield on Loans and Bills Discounted

<sup>1</sup> Negative Interest Rate Policy  
<sup>2</sup> Includes income on leased assets and installment receivables

▲ Yield on Securities

◆ Rate on Interest Bearing Liabilities

■ Rate on Corporate Bonds

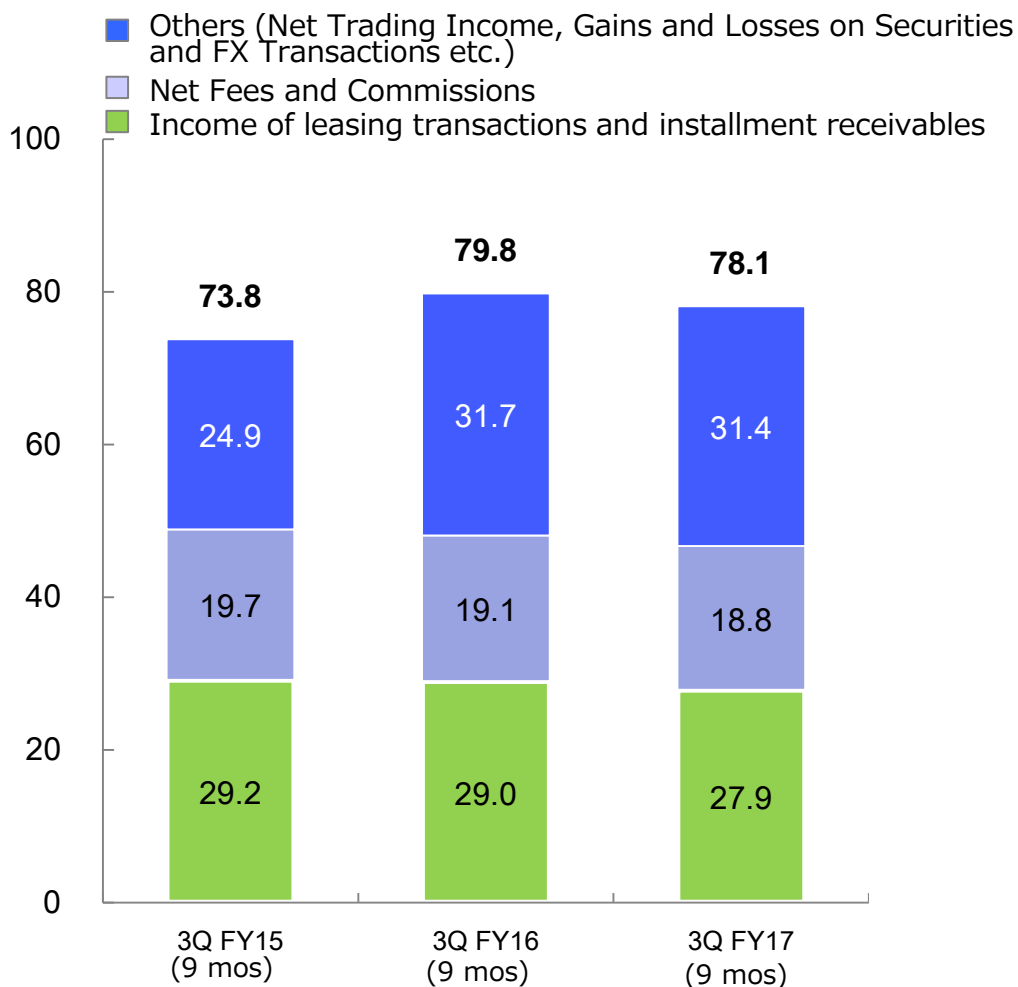
▲ Rate on Deposits, including NCDs

# Financial Update: Noninterest Income

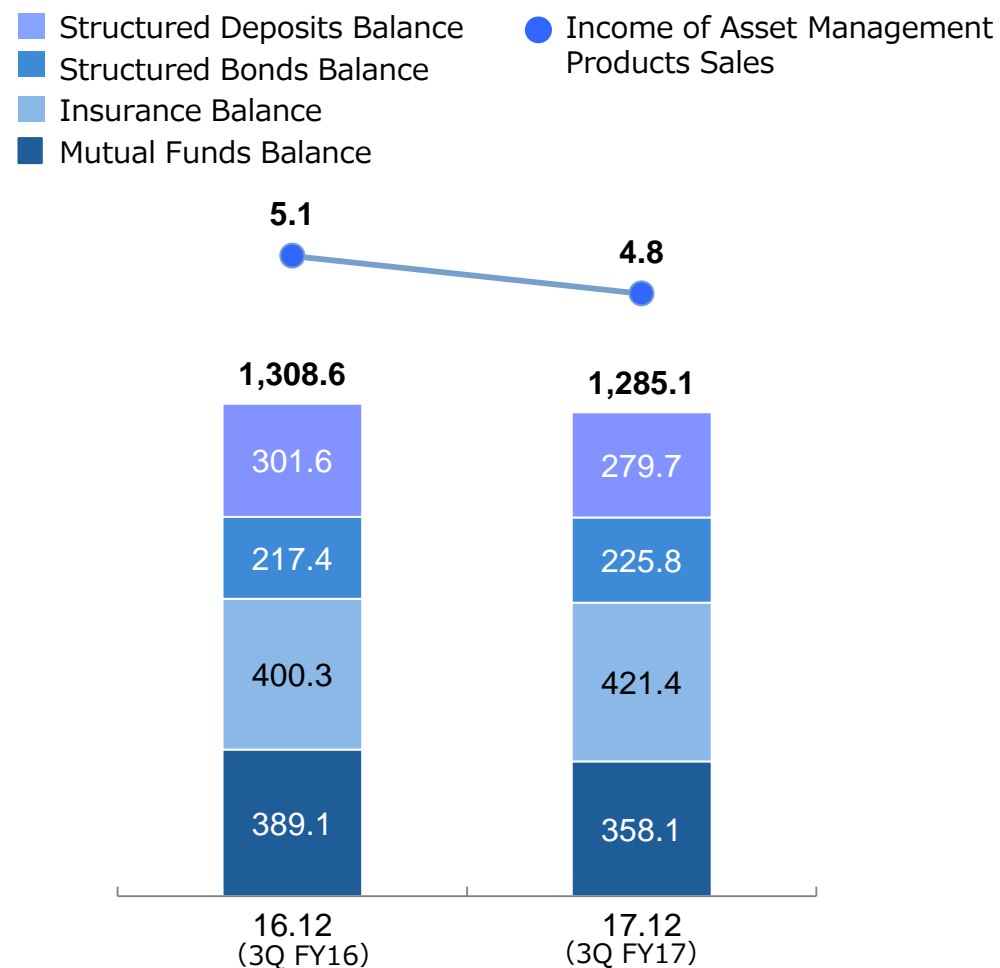
(Unit: JPY billion; %)

- Income from leasing and installment receivables in APLUS FINANCIAL and Showa Leasing declined slightly
- Net fees and commissions decreased mainly reflecting a decline in balance and related income from asset management products as well as lower transactions fees in housing loan business due to subdued new originations in Retail Banking

## Noninterest Income



## Retail Banking Asset Management Products

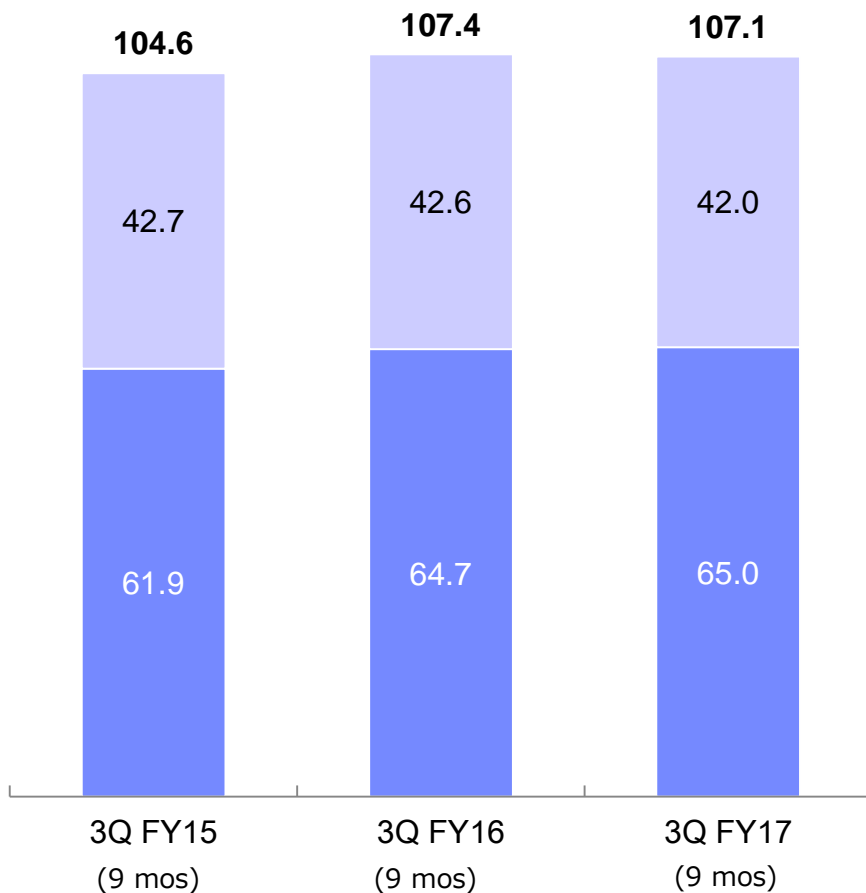


# Financial Update: Expenses

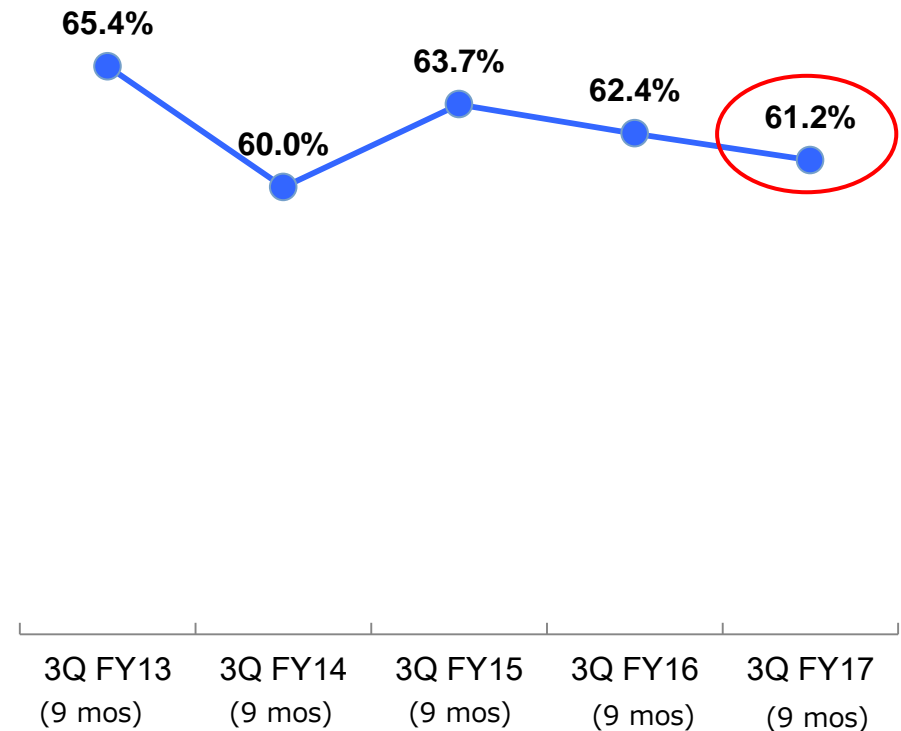
(Unit: JPY billion; %)

## Expenses

- Personnel Expenses
- Nonpersonnel Expenses



## Expense-to-Revenue Ratio





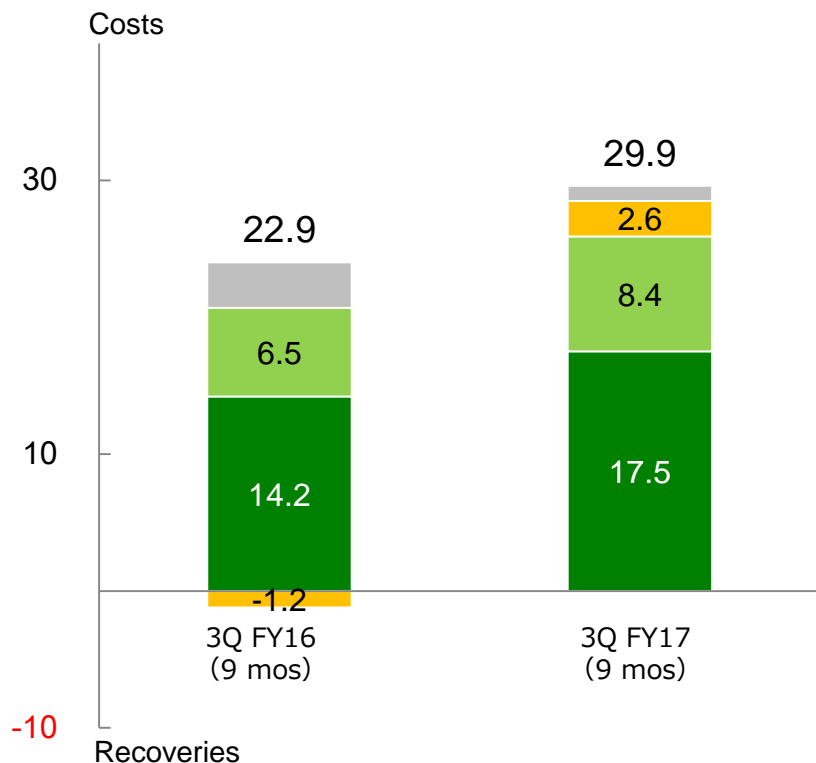
# Financial Update: Net Credit Costs

(Unit: JPY billion; %)

- Net credit costs in Showa Leasing increased by JPY 3.9 billion compared to 3Q FY2016, mainly reflecting to provisioning for specific reserves in 3Q FY2017 and absence of credit recovery as recorded in 3Q FY2016
- Net credit costs ratio of the unsecured card loans improved from 2Q FY2017 (6 mos), reflecting (1) stabilization of the loan collection operation subsequent to its process enhancement and (2) seasonal factor as bonus season resulted in higher collections

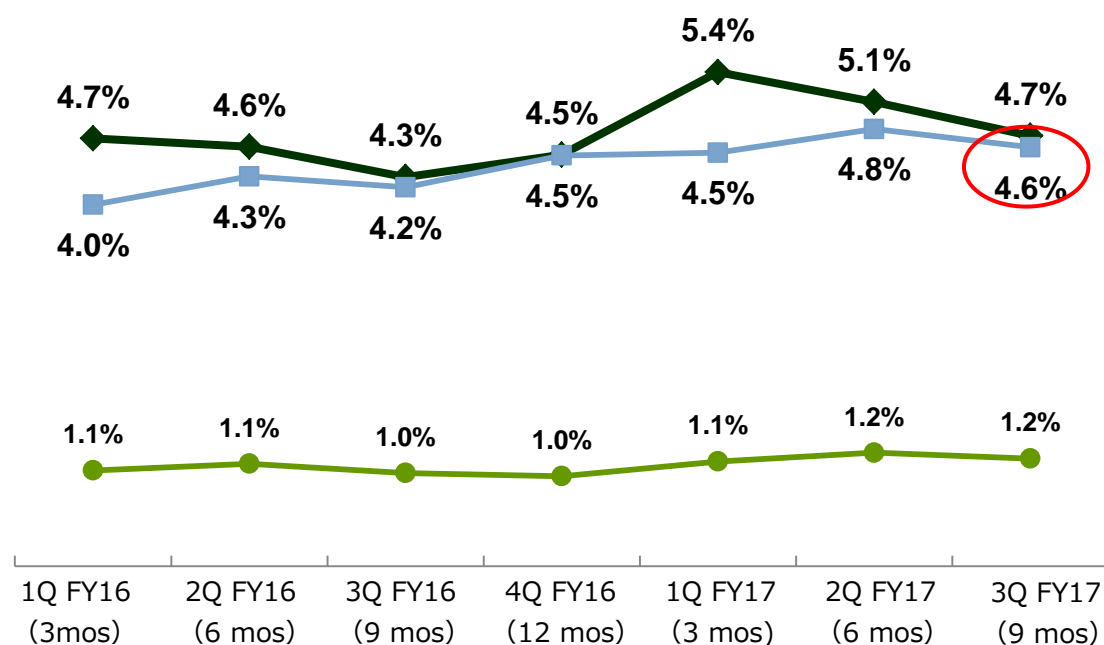
## Net Credit Costs

- Others (Corporate Business, Structured Finance, Global Markets etc.)
- Showa Leasing
- APLUS FINANCIAL
- Unsecured Card Loans (Shinsei Bank Lake, Shinsei Financial, NOLOAN, Credit Guarantees, Shinsei Bank SmartCard Loan Plus)



## Consumer Finance: Net Credit Costs Ratio

- ◆ Unsecured Card Loans: Net Credit Costs Ratio (annualized basis<sup>1</sup>)
- Unsecured Card Loans: Net Credit Costs Ratio (normalized impact of change in the reserve ratio)
- APLUS FINANCIAL: Net Credit Costs Ratio (annualized basis<sup>1</sup>)



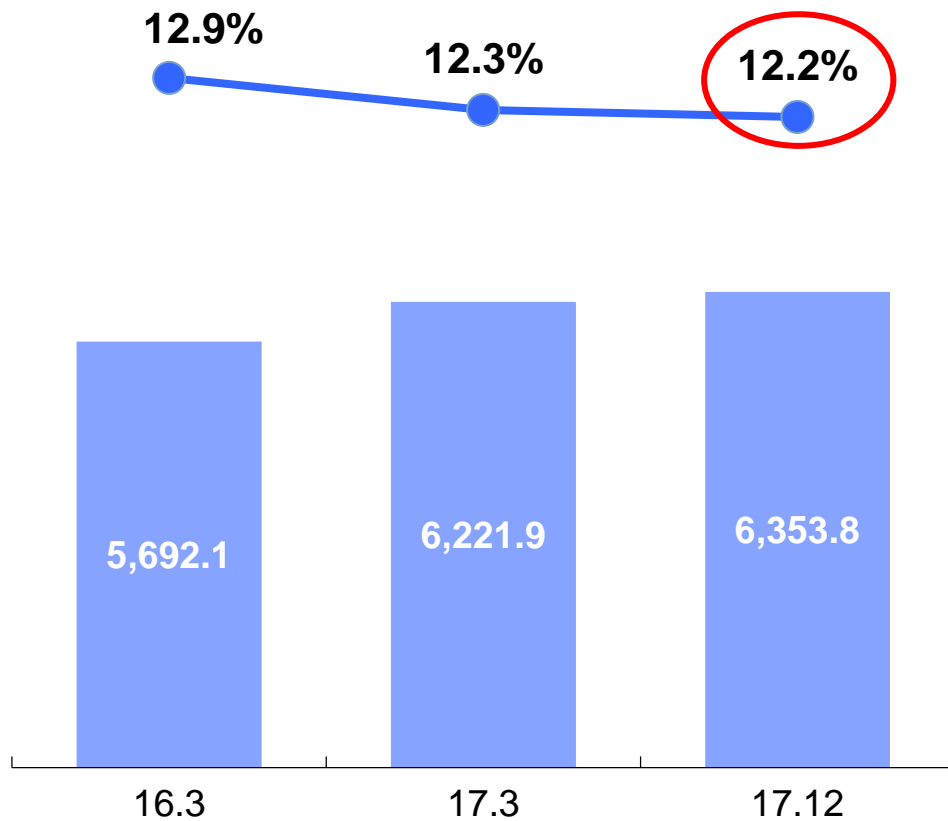
<sup>1</sup> Net Credit Costs Ratio = Calculated by annualizing the following formula :  
(Net Credit Costs ÷ Average of Beginning and End of Period Operating Assets Balances)

# Financial Update: Capital

(Unit: JPY billion; %)

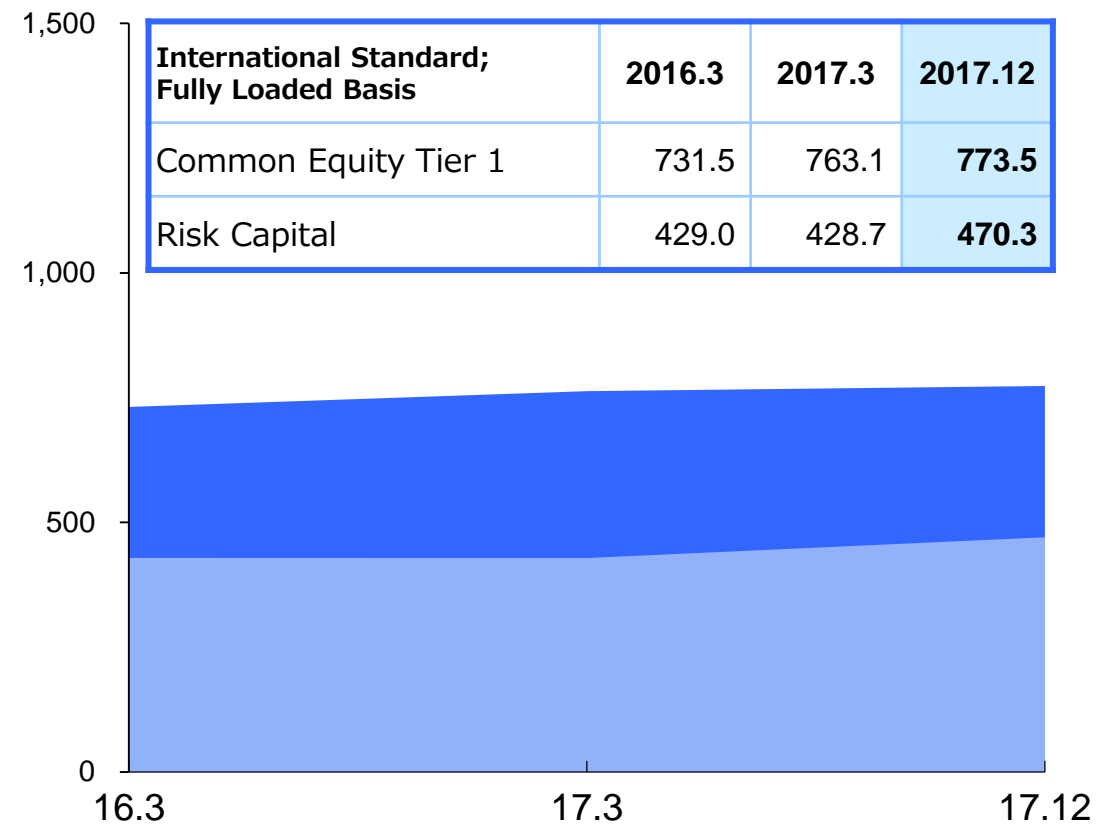
- CET1 ratio of 12.2% as of December 31, 2017 reflects slight increase in risk assets resulting from growth of operating assets

## Common Equity Tier1 Ratio



- Common Equity Tier 1 Ratio (International Standard; Fully Loaded Basis)
- Risk Assets (International Standard; Fully Loaded Basis)

## Amounts of Capital



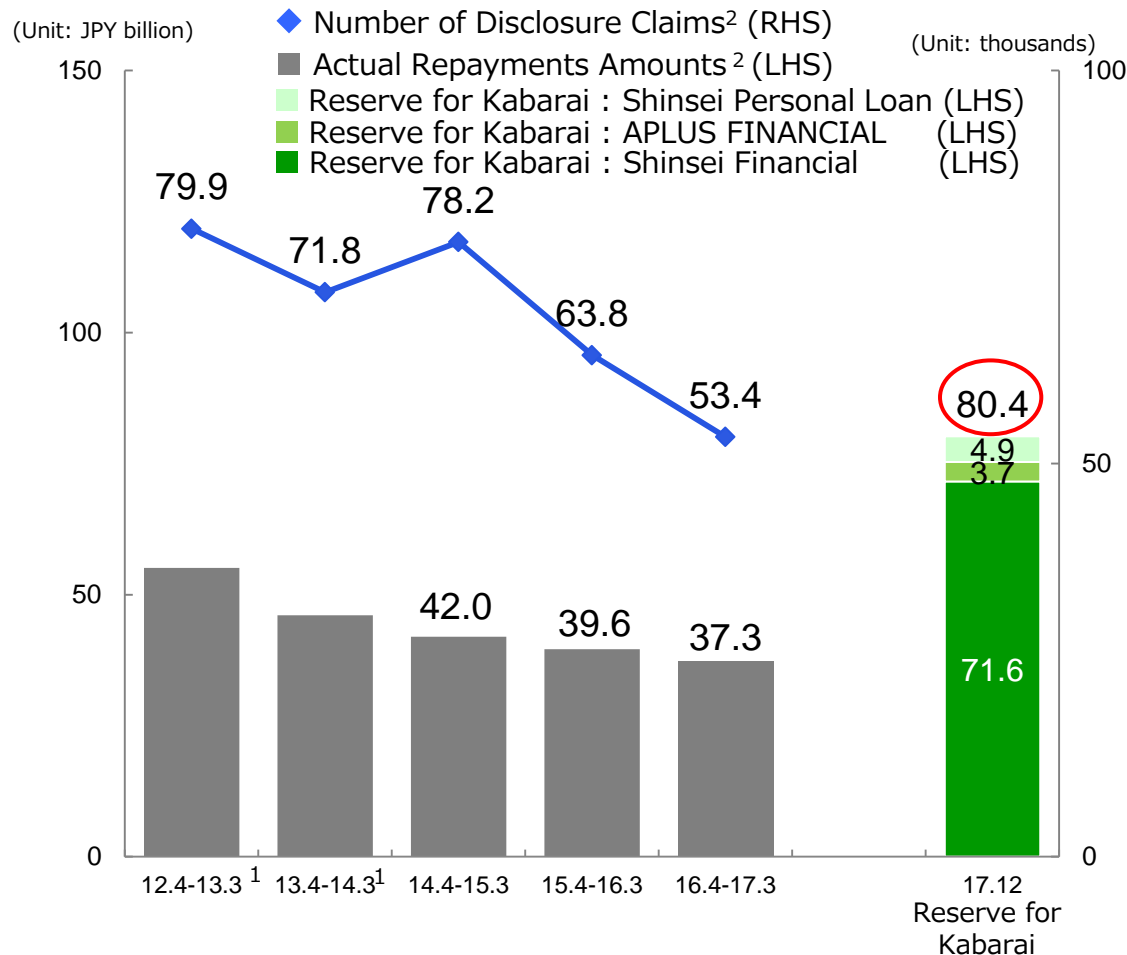
- Common Equity Tier 1 Capital (Regulatory Capital)
- Risk Capital

# Financial Update: Excess Interest Repayment (Kabarai)

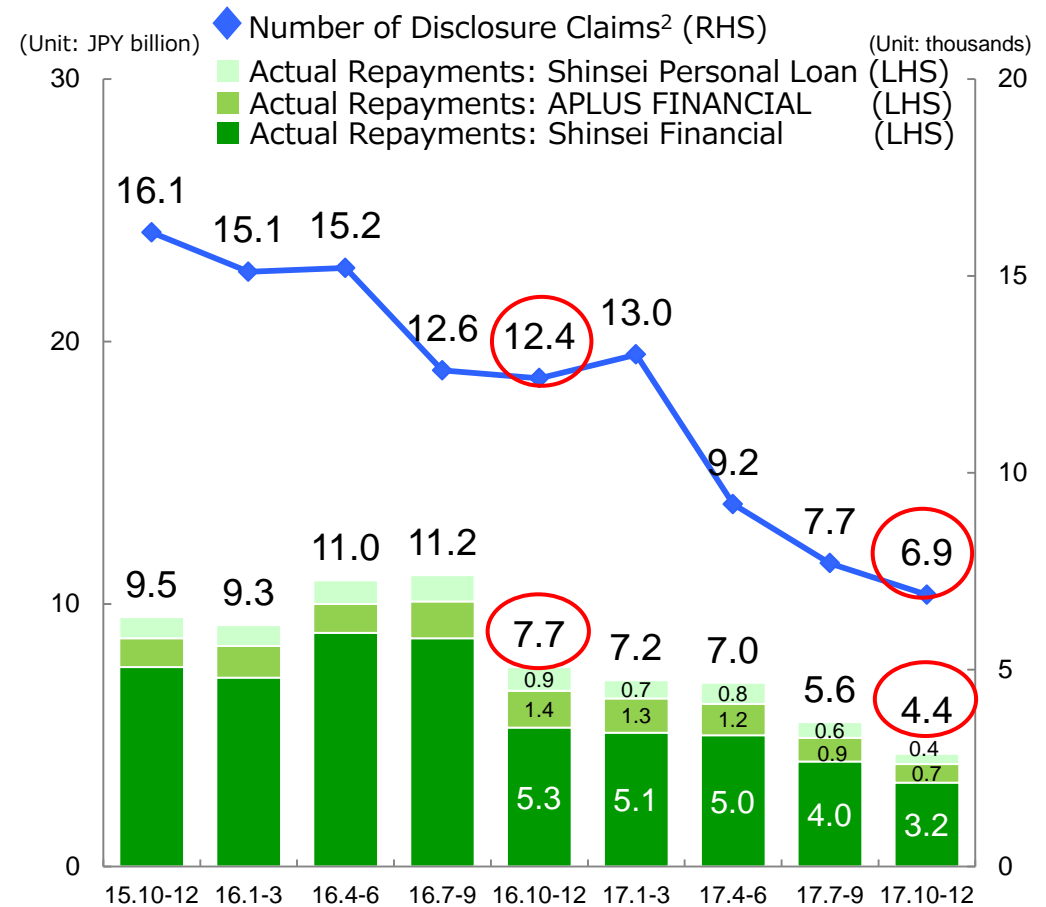
(Unit: JPY billion; %)

- The number of disclosure claims and actual repayments decreased by over 40% YoY in 3Q FY2017 (3 mos)
- Combined reserve ratio based on the total actual payments for 3Q FY2017 (3 mos) is approx. 4.5 years (Shinsei Financial: above 5 years, APLUS FINANCIAL: above 1 year, Shinsei Personal Loan: above 3 years)

## Annual Trend



## Recent Quarterly Trend



<sup>1</sup> Actual repayments include grey zone claims for Shinsei Financial indemnified by GE until March 2014

<sup>2</sup> Shinsei Financial, Shinsei Personal Loan and APLUS FINANCIAL combined

# Measurements toward Productivity Enhancement

## Part 1

Consolidation of head office functions of the Group entities

Streamlining of call centers in the Group entities

Reduction of back office nonpersonnel expenses; Centralization of procurement

Enhanced efficiency of installment sales processes, etc.

Enhanced efficiency of housing loan processes



- Progressing well, in line with the FY2017 plan (approx. JPY 2 billion of the project effect)

- Commenced streamlining of head office functions of subsidiaries, in accordance with consolidation of head office functions into Shinsei Bank
- Developing streamlining of call centers in Shinsei Bank
  - ✓ Revising operating services during nights

## Part 2

Optimization of branch networks across the Group

Review of products and services of businesses

Streamlining of operation processes utilizing AI and RPA (Robotic Process Automation) etc.



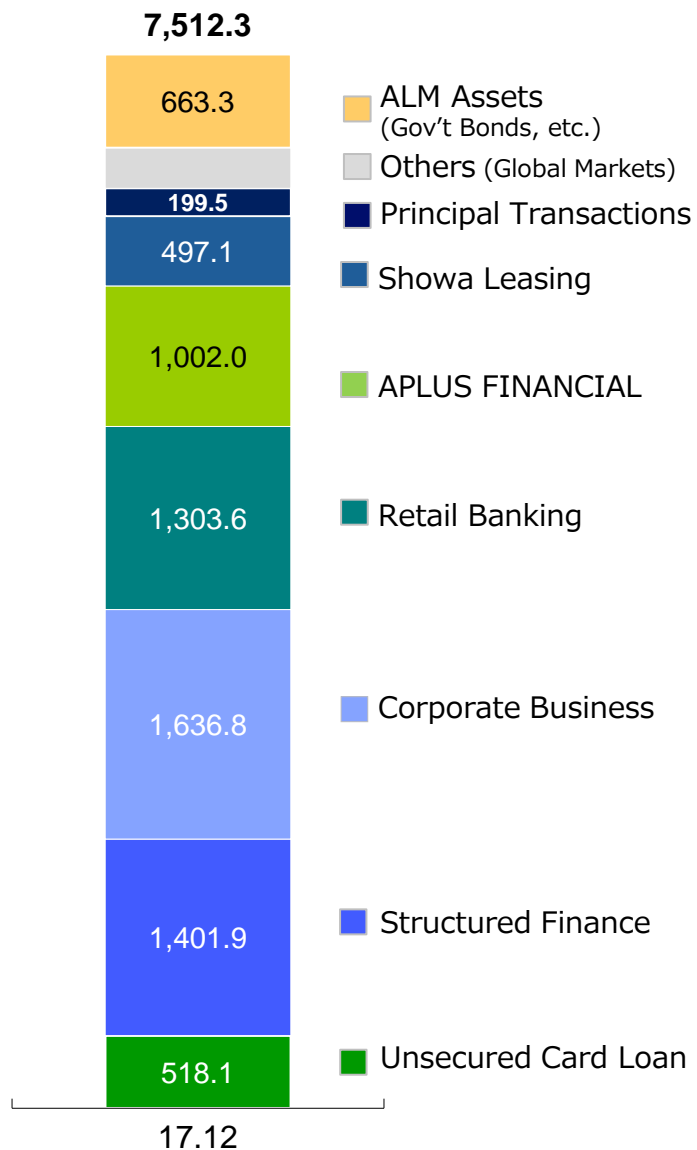
- Feasibility study and impact analysis is complete and execution of the plan has started

- Realigning business across the Group
  - ✓ Consolidation of real estate secured loan business
  - ✓ Consolidation of servicer business
- Implementing revision of the branch strategy of Shinsei Bank
- Introduced RPA in the housing loan processes in Shinsei Bank, in addition to APLUS FINANCIAL and Showa Leasing businesses. Shinsei Financial started to utilize AI for the payment matching operation

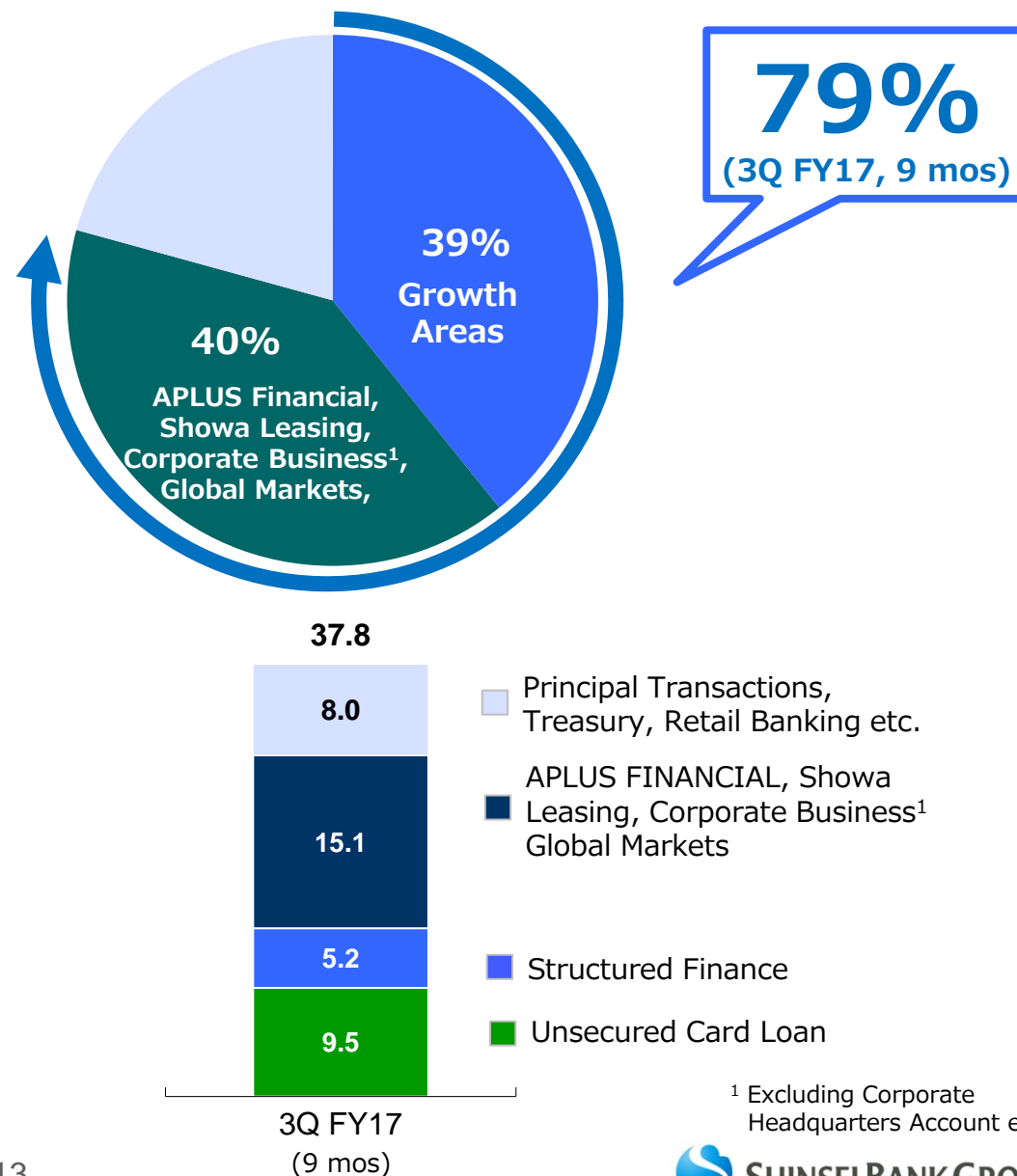
# Business Portfolio: Overall

(Unit: JPY billion; %)

## Operating Assets



## Profit (Ordinary Business Profit after Net Credit Costs)



<sup>1</sup> Excluding Corporate Headquarters Account etc.

# Business Portfolio: Growth Areas

(Unit: JPY billion; %)

## Operating Assets

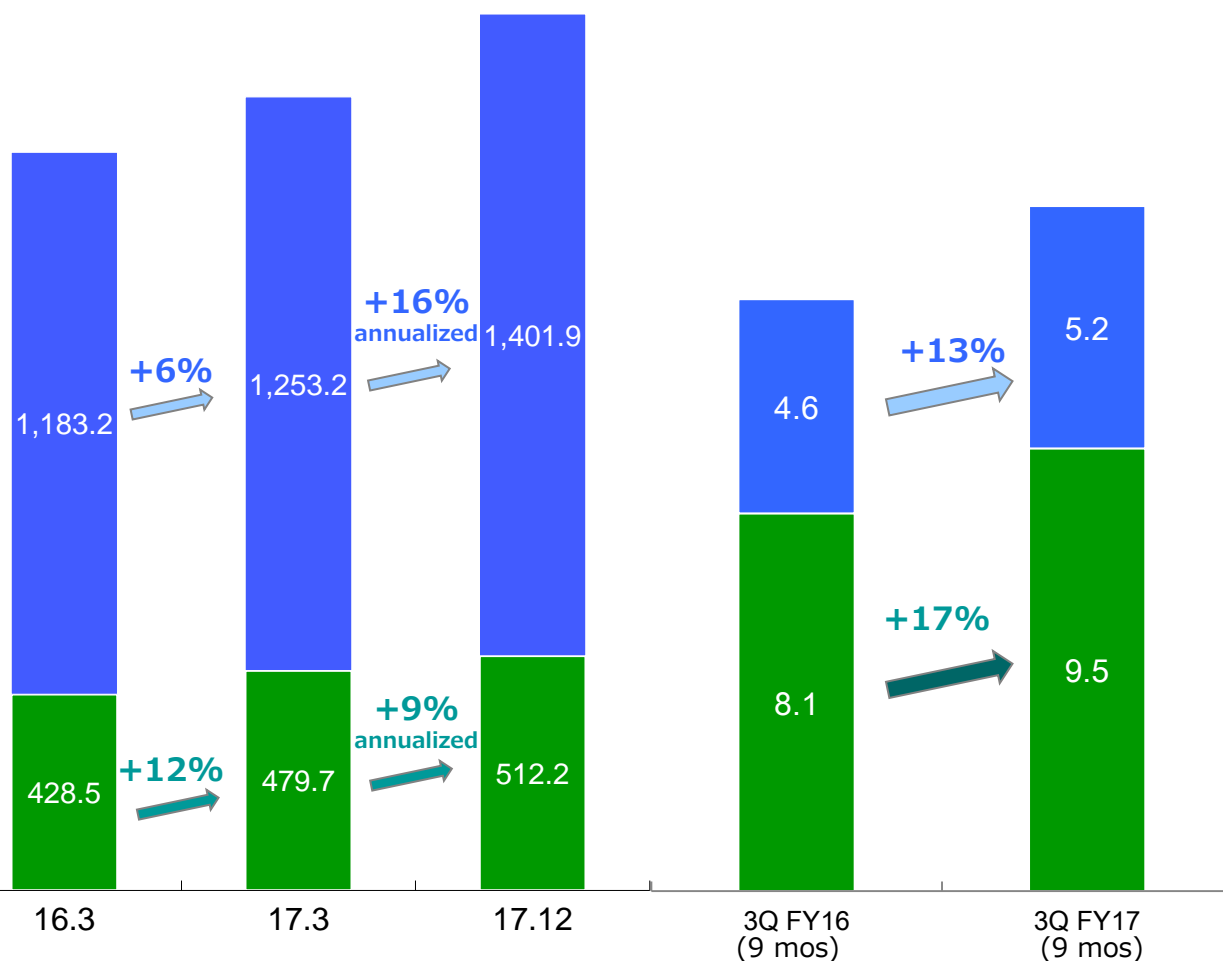
- Structured Finance (Real Estate Finance, Project Finance, Specialty Finance)
- Unsecured Card Loans (Shinsei Bank Lake, Shinsei Financial, NOLOAN, Credit Guarantees, Shinsei Bank SmartCard Loan Plus)

## Profit (Ordinary Business Profit after Net Credit Costs)

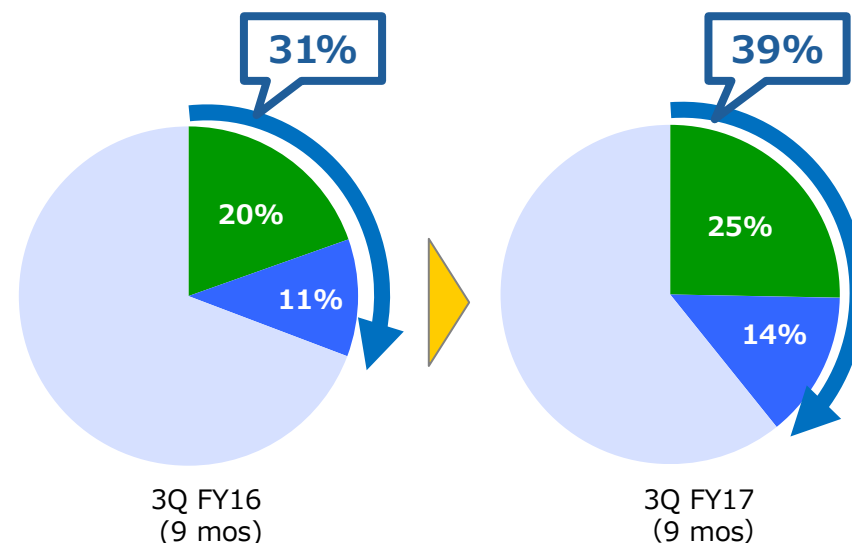
## ROA<sup>1</sup>

ROA <sup>1</sup>	FY16 (12 mos)	3Q FY17 (9 mos)
Unsecured Card Loan	2.2%	2.5%
Structured Finance	1.0%	0.5%

<sup>1</sup> Segment ROA (annualized basis) = OBP after net credit costs per segment / average operating assets balance of beginning of term and end of term



## Profit Share of Growth Areas

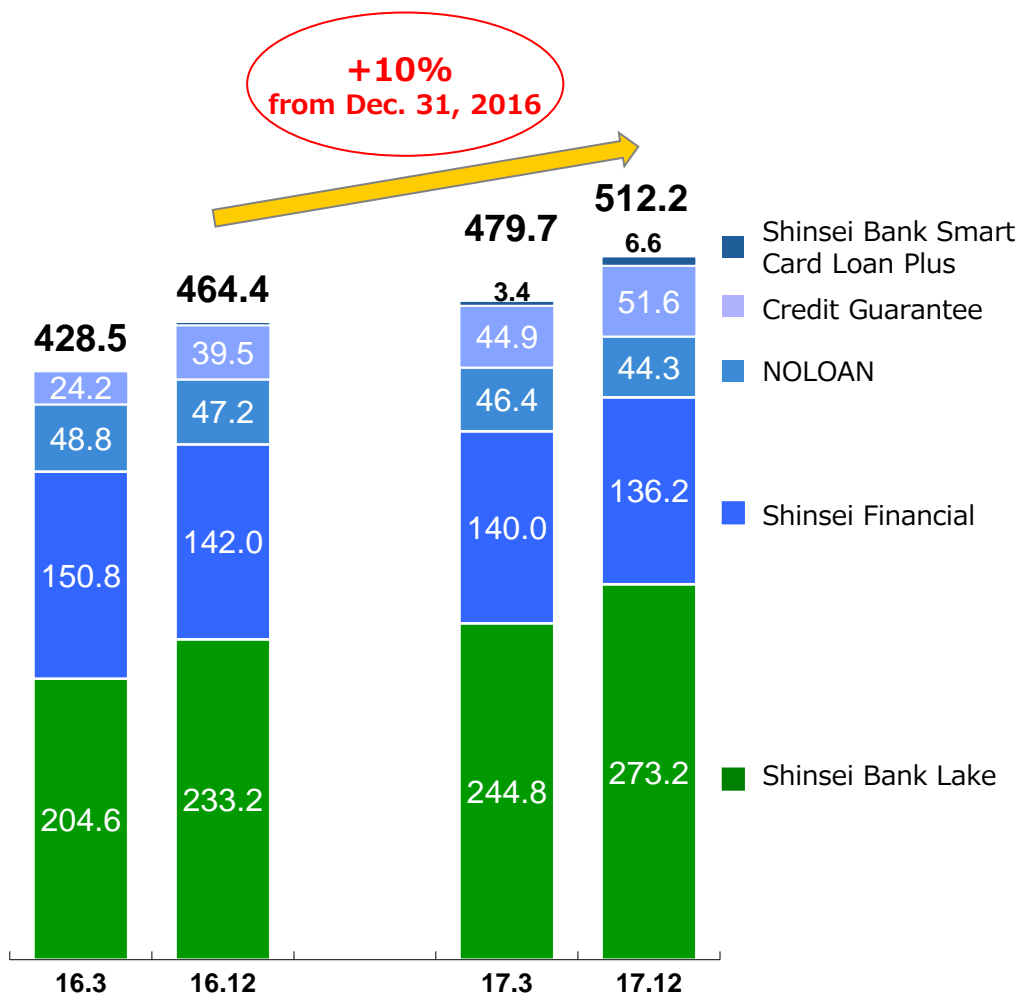


# Business: Unsecured Card Loans

(Unit: JPY billion; %)

- Unsecured card loan balance totaled JPY 512.2 billion (increased by 10% from Dec. 31, 2016)
- Ordinary Business Profit (OBP) after Net Credit Costs totaled JPY 9.5 billion (YoY +17%)

## Balance

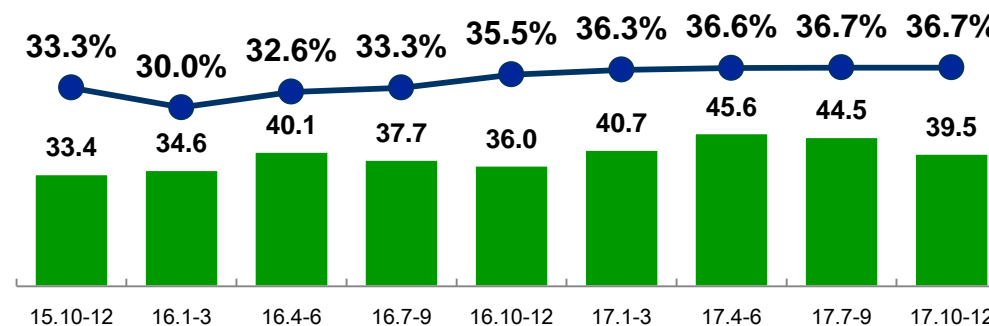


## P&L

Shinsei Bank Lake and Shinsei Financial	3Q FY16 (9 mos)	3Q FY17 (9 mos)	YoY B(+)/W(-)
Net Interest Income	48.0	51.7	+8%
of which, Shinsei Bank Lake <sup>1</sup>	28.0	33.3	+19%
of which, NOLOAN	4.9	4.6	-6%
Noninterest Income	-0.8	-0.1	+88%
Total Revenue	47.2	51.6	+9%
Expenses	-24.8	-24.4	+2%
Ordinary Business Profit	22.4	27.1	+21%
Net Credit Costs	-14.2	-17.5	-23%
OBP after Net Credit Costs	8.1	9.5	+17%

<sup>1</sup> Includes net interest income of Shinsei Bank Smart Card Loan Plus

## Shinsei Bank Lake: New Customers ('000 s); Approval Rate



# Business: Structured Finance

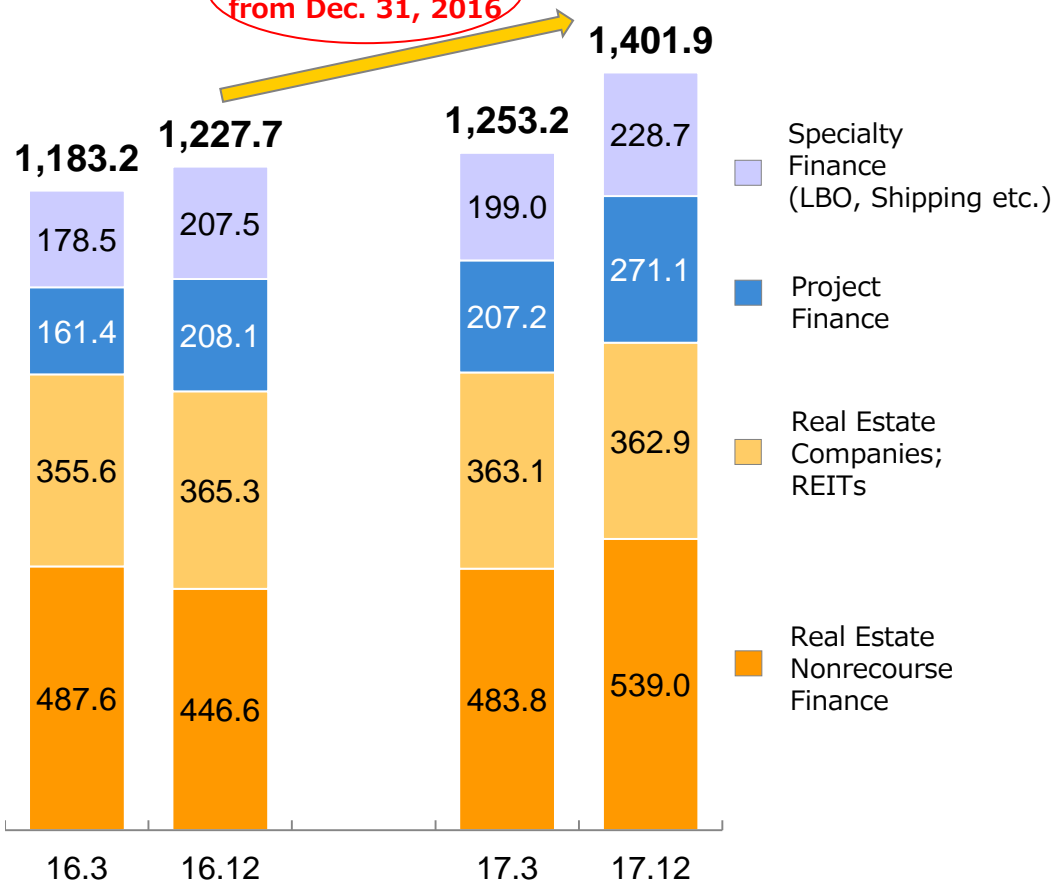
(Unit: JPY billion; %)

- Structured finance asset balance totaled JPY 1.4 trillion (up 14% from Dec. 31, 2016)
- New disbursements in the domestic real estate nonrecourse finance performed well reflecting improved distribution, while carefully monitoring real estate market trend
- New commitments in the domestic project finance performed well. We arranged a syndicated loan to an infrastructure fund in 3Q FY2017

## Balance

[Operating Asset Balance]

+14%  
from Dec. 31, 2016

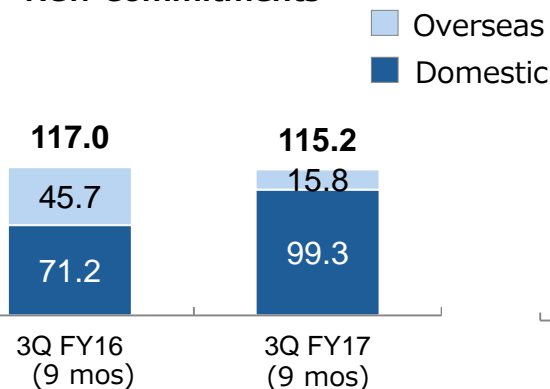


## P&L

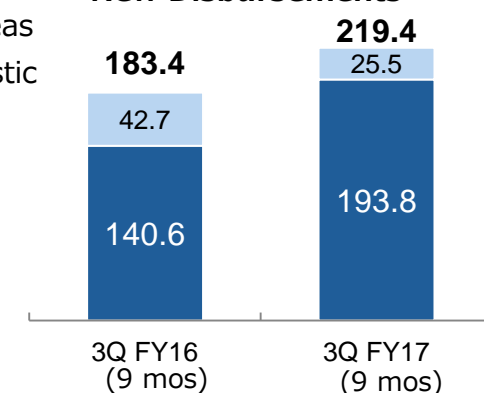
Structured Finance	3Q FY16 (9 mos)	3Q FY17 (9 mos)	YoY B(+)/W(-)
Net Interest Income	7.0	7.0	0%
Noninterest Income	5.7	5.6	-2%
Expenses	-4.8	-5.1	-6%
Ordinary Business Profit	7.9	7.5	-5%
Net Credit Costs	-3.2	-2.2	+31%
OBP after Net Credit Costs	4.6	5.2	+13%

## New Commitments; New Disbursements

### Project Finance New Commitments



### Real Estate Nonrecourse Finance New Disbursements

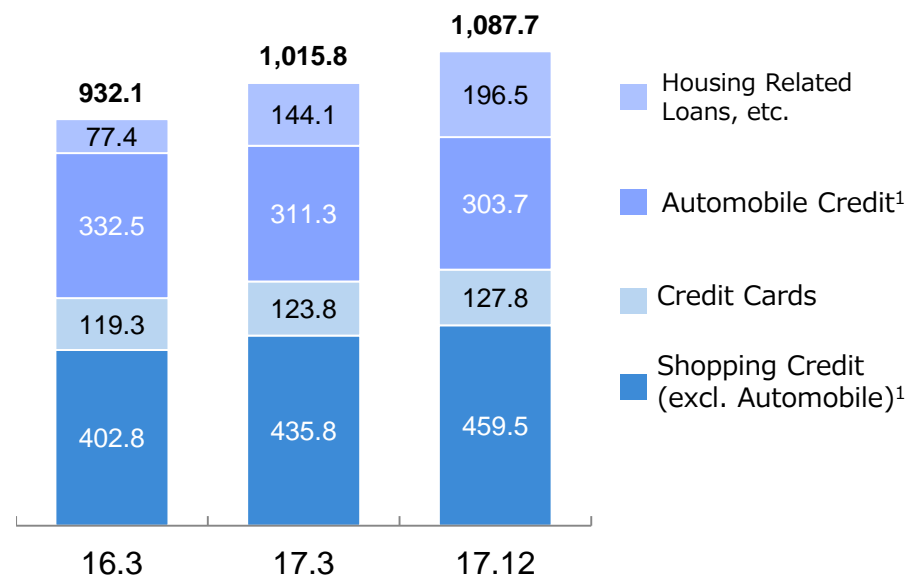




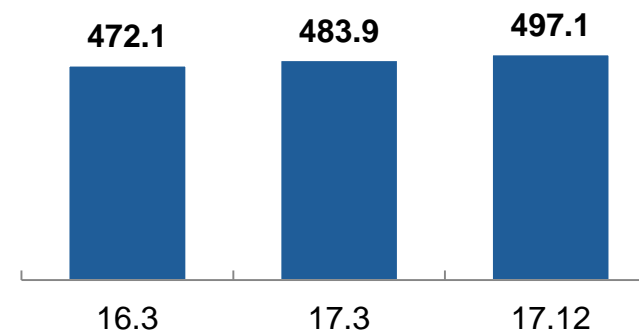
# Business: APLUS FINANCIAL, Showa Leasing

(Unit: JPY billion; %)

## 【APLUS FINANCIAL: Operating Assets Balance】



## 【Showa Leasing: Operating Assets Balance】



APLUS FINANCIAL	3Q FY16 (9 mos)	3Q FY17 (9 mos)	YoY B(+)/W(-)
Net Interest Income	6.7	<b>8.4</b>	+25%
Noninterest Income	34.0	<b>33.9</b>	-0%
Expenses	-27.8	<b>-27.7</b>	+0%
Ordinary Business Profit	12.8	<b>14.7</b>	+15%
Net Credit Costs	-6.5	<b>-8.4</b>	-29%
OBP after Net Credit Costs	6.3	<b>6.2</b>	-2%

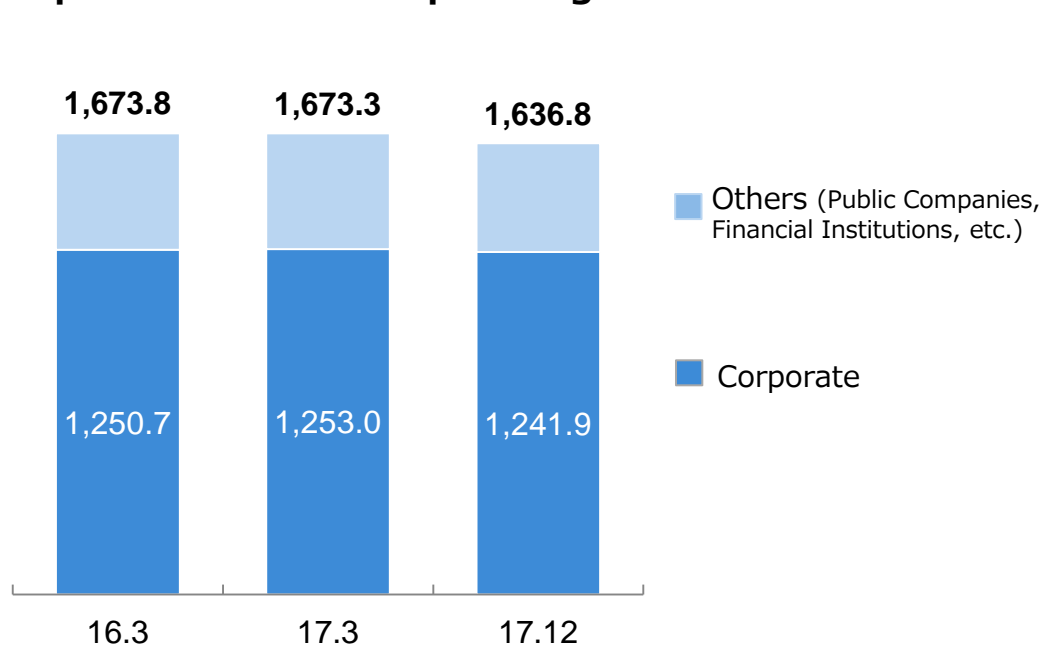
Showa Leasing	3Q FY16 (9 mos)	3Q FY17 (9 mos)	YoY B(+)/W(-)
Net Interest Income	-0.9	<b>-0.0</b>	+100%
Noninterest Income	11.1	<b>10.9</b>	-2%
Expenses	-6.4	<b>-6.4</b>	0%
Ordinary Business Profit	3.7	<b>4.4</b>	+19%
Net Credit Costs	1.2	<b>-2.6</b>	n.m.
OBP after Net Credit Costs	5.0	<b>1.7</b>	-66%

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

# Business: Corporate Business, Global Markets

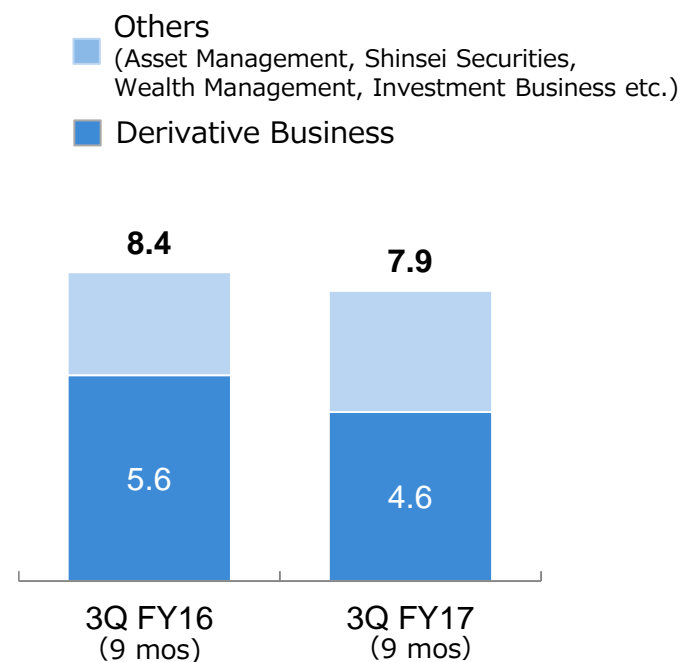
(Unit: JPY billion; %)

## 【Corporate Business: Operating Assets Balance】



Corporate Business	3Q FY16 (9 mos)	3Q FY17 (9 mos)	YoY B(+)/W(-)
Net Interest Income	8.0	7.5	-6%
Noninterest Income	3.9	7.2	+85%
Expenses	-9.0	-9.0	0%
Ordinary Business Profit	2.9	5.7	+97%
Net Credit Costs	-0.6	0.0	n.m.
OBP after Net Credit Costs	2.3	5.8	+152%

## 【Global Markets: Revenue from Derivative Business】

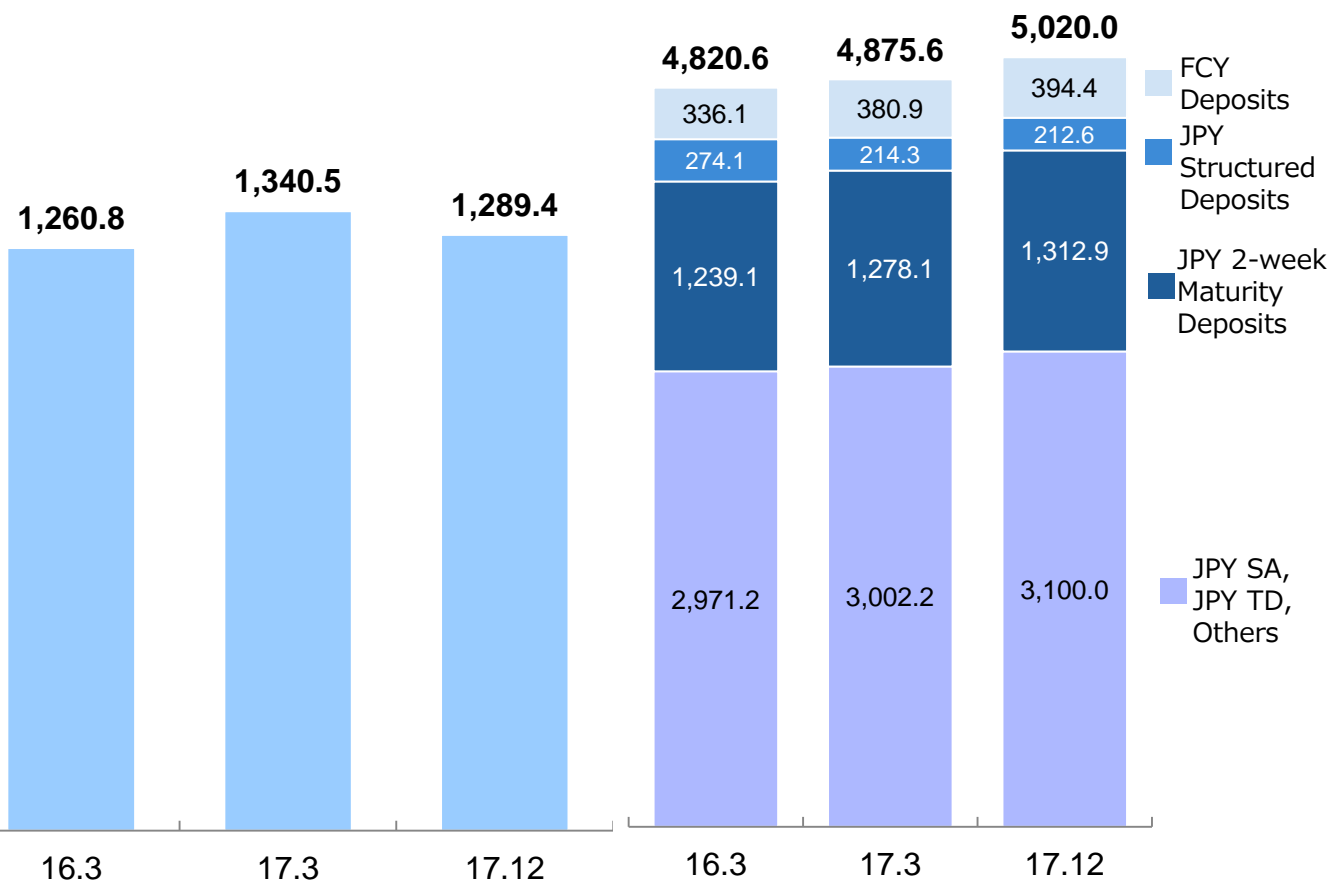


Global Markets	3Q FY16 (9 mos)	3Q FY17 (9 mos)	YoY B(+)/W(-)
Net Interest Income	1.7	1.7	0%
Noninterest Income	6.6	6.1	-8%
Expenses	-5.3	-5.3	0%
Ordinary Business Profit	3.1	2.5	-19%
Net Credit Costs	0.0	-0.0	n.m.
OBP after Net Credit Costs	3.1	2.5	-19%

# Business: Retail Banking

(Unit: JPY billion; %)

【Housing Loan : Balance】    【Retail Deposits : Balance by Product】



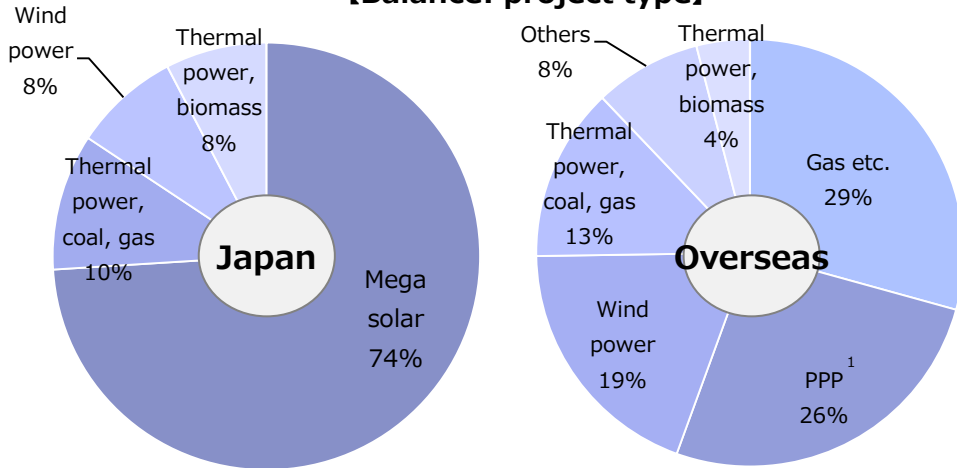
Retail Banking	3Q FY16 (9 mos)	3Q FY17 (9 mos)	YoY B(+)/W(-)
Net Interest Income	17.7	16.7	-6%
of which, from Loans	8.1	7.9	-2%
of which, from Deposits, etc.	9.5	8.8	-7%
Noninterest Income	1.7	0.6	-65%
of which, from Asset Management Products	5.1	4.8	-6%
of which, Other fees (ATM, FT, FX etc.)	-3.4	-4.2	-24%
Expenses	-21.9	-22.1	-1%
Ordinary Business Profit	-2.4	-4.6	-92%
Net Credit Costs	0.6	-0.1	n.m.
OBP after Net Credit Costs	-1.8	-4.8	-167%

# Structured Finance: Portfolio (as of Dec. 31, 2017)

(Unit: JPY billion; %)

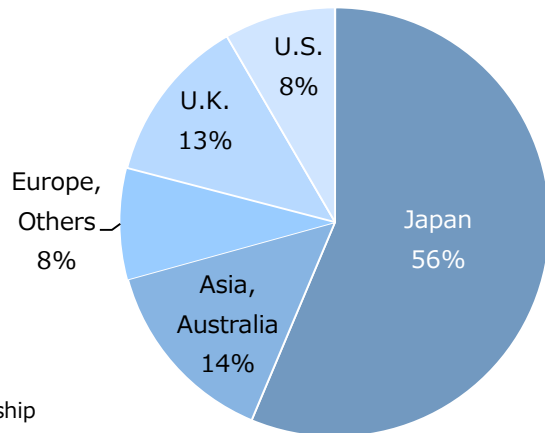
## Project Finance

【Balance: project type】



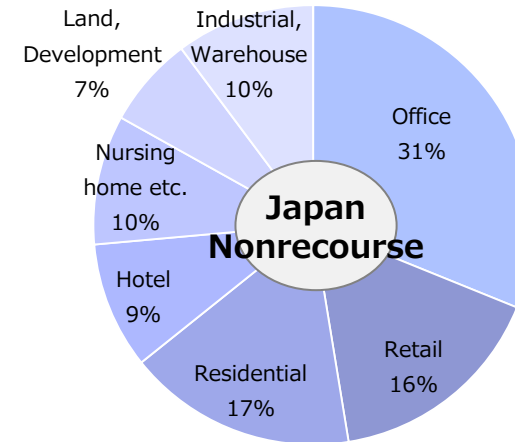
- Overseas transactions:
- Mainly to participate in the syndication arranged by major banks
  - Mostly to structure not affected by changes in market price or credit guaranteed by ECA (Export Credit Agency) etc.

【Balance: regions, includes commitment basis】

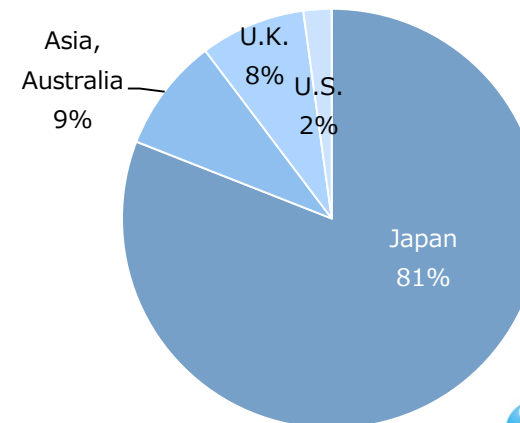


## Real Estate Finance

【Balance: asset type】



【Balance: regions in nonrecourse, real estate companies and REITs】

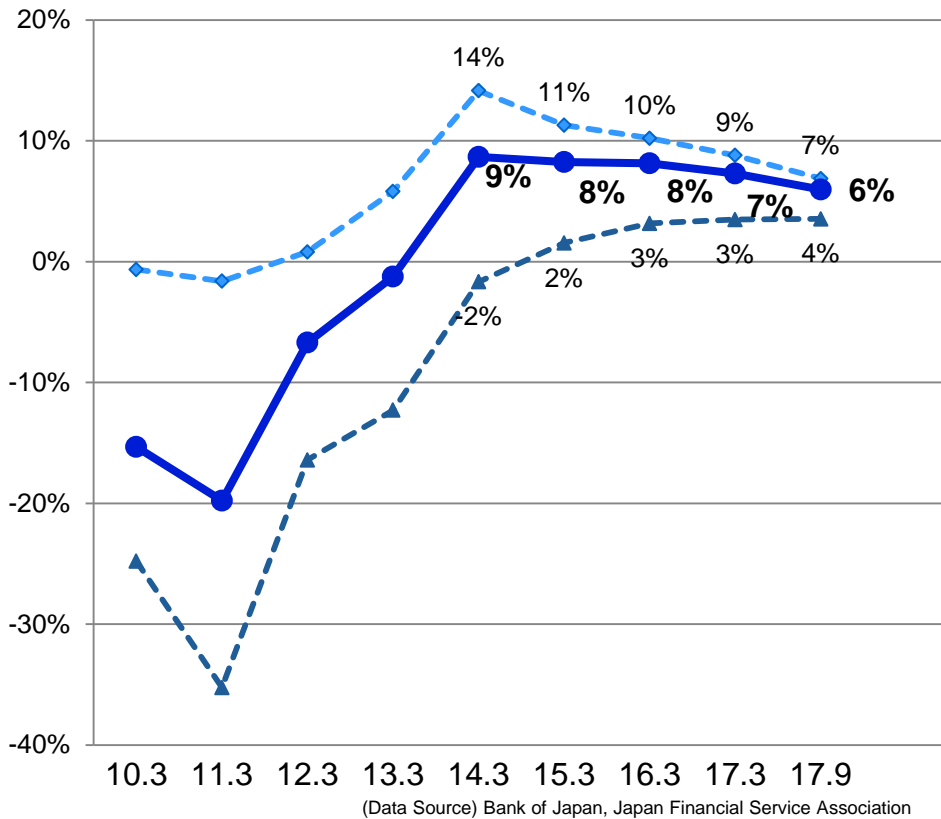


Nonrecourse finance accounts for more than half of the Japanese exposure.

<sup>1</sup> Public Private Partnership

# Unsecured Card Loans: Market

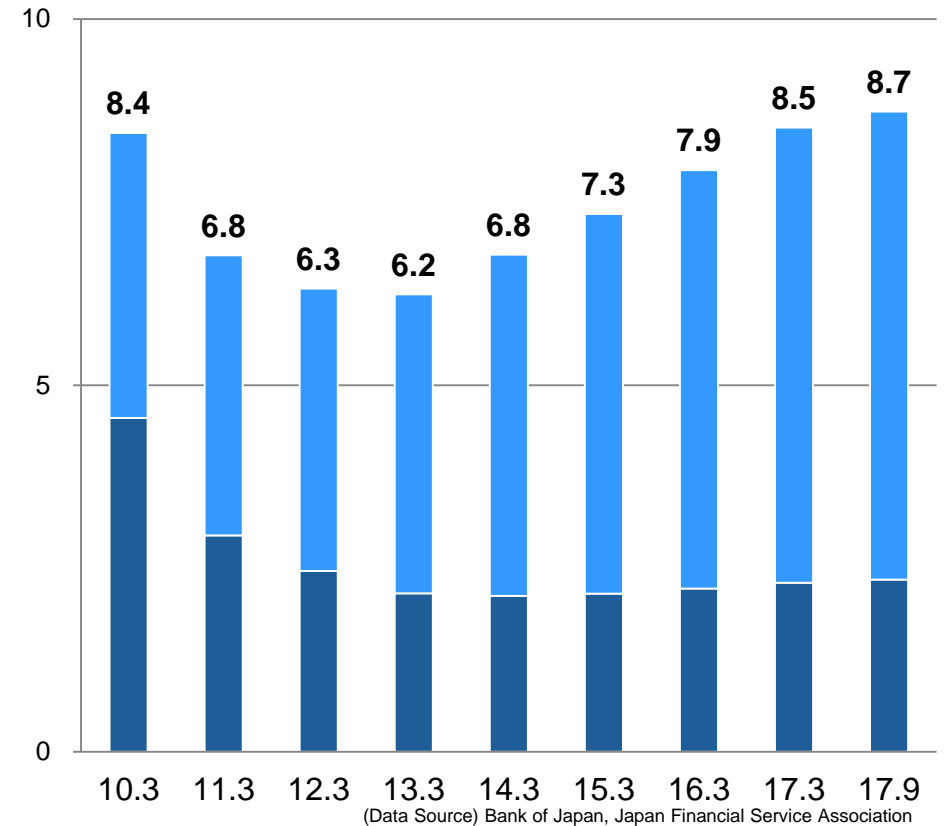
## Unsecured Card Loan Market: Growth Rate



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

## Unsecured Card Loan Market: Size

(Unit: JPY trillion)



- Bank Card Loan Balance
- Nonbank Unsecured Card Loan Balance

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

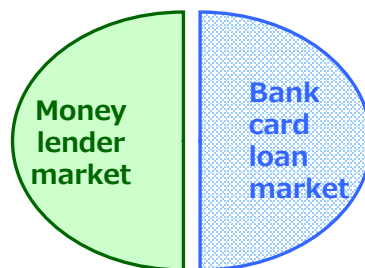
# Review of our unsecured card loan business strategy

## ■ Restructure of our unsecured card loan products, depending on our customers' needs

### Shinsei Bank Group Customer Coverage

#### ■ For customers who prefer money lenders' market for card loan needs

- ◆ Shinsei Financial will introduce a new product. It is being planned to start operating from April 2018
- ◆ Mainly targeting customers in their 20's and 30's with a high digital literacy



Customer acquisition by new product of Shinsei Financial and NOLOAN brand

Customer acquisition by Shinsei Bank Smart Card Loan Plus

#### ■ For customers who prefer banks for card loan needs

- ◆ Bank card loan products will be unified to "Shinsei Bank Smart Card Loan Plus"
- ◆ New customer acquisition under "Shinsei Bank Card Loan Lake" will terminate after April 2018

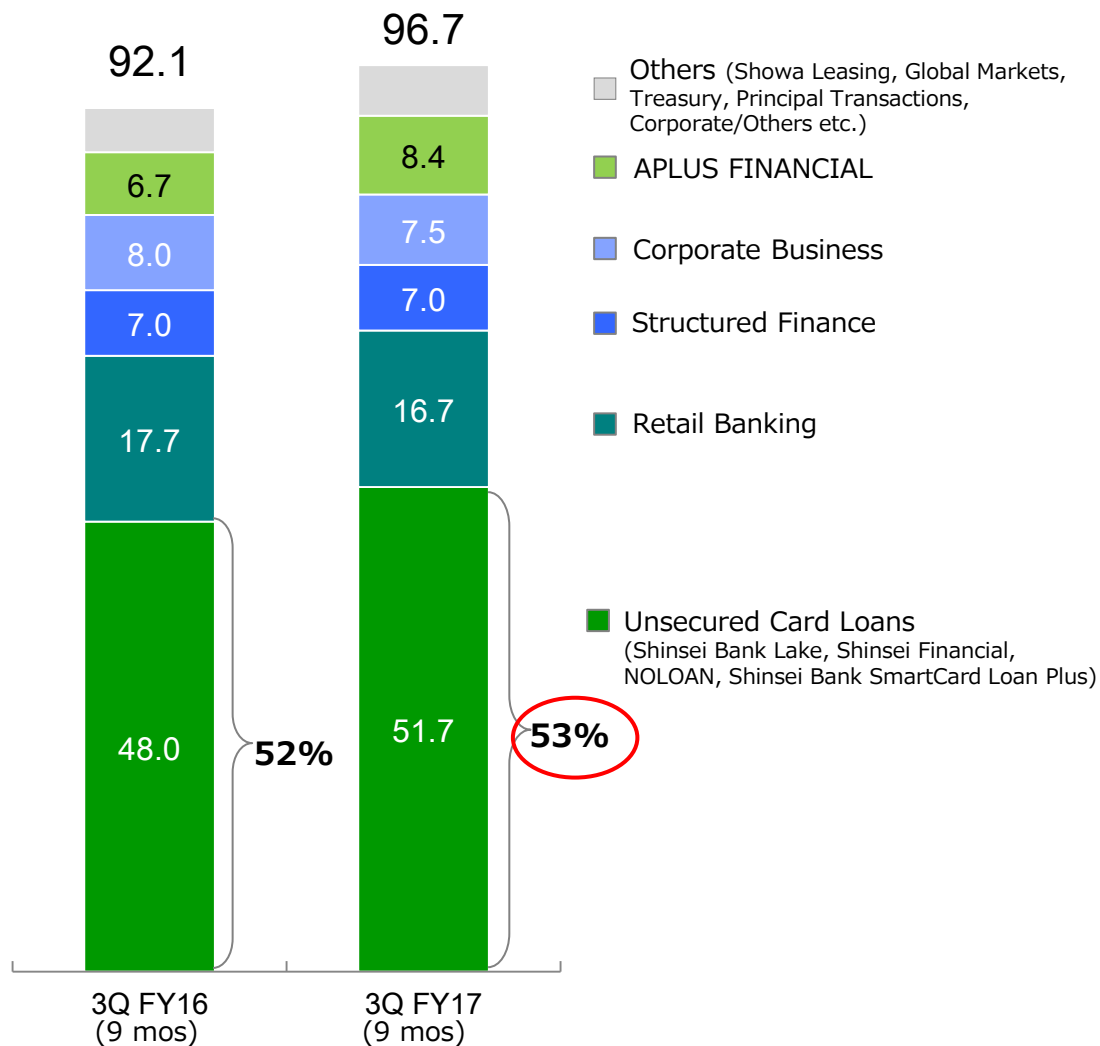
Shinsei Bank Group's unsecured card loan products:

Market	Product	Target customer	Competitor
Bank card loan market	<b>Shinsei Bank Smart Card Loan Plus</b>	Shinsei Bank Group's customers who have needs of bank card loan services	MUFG, SMFG, and other bank card loan
Money lender market	<b>New product</b>	Customer segments of Lake (money lender market), and customers in their 20's and 30's with a high digital literacy	ACOM, PROMISE, Aiful etc.
	<b>NOLOAN</b>	Customers who prefer money lenders' market for card loans	

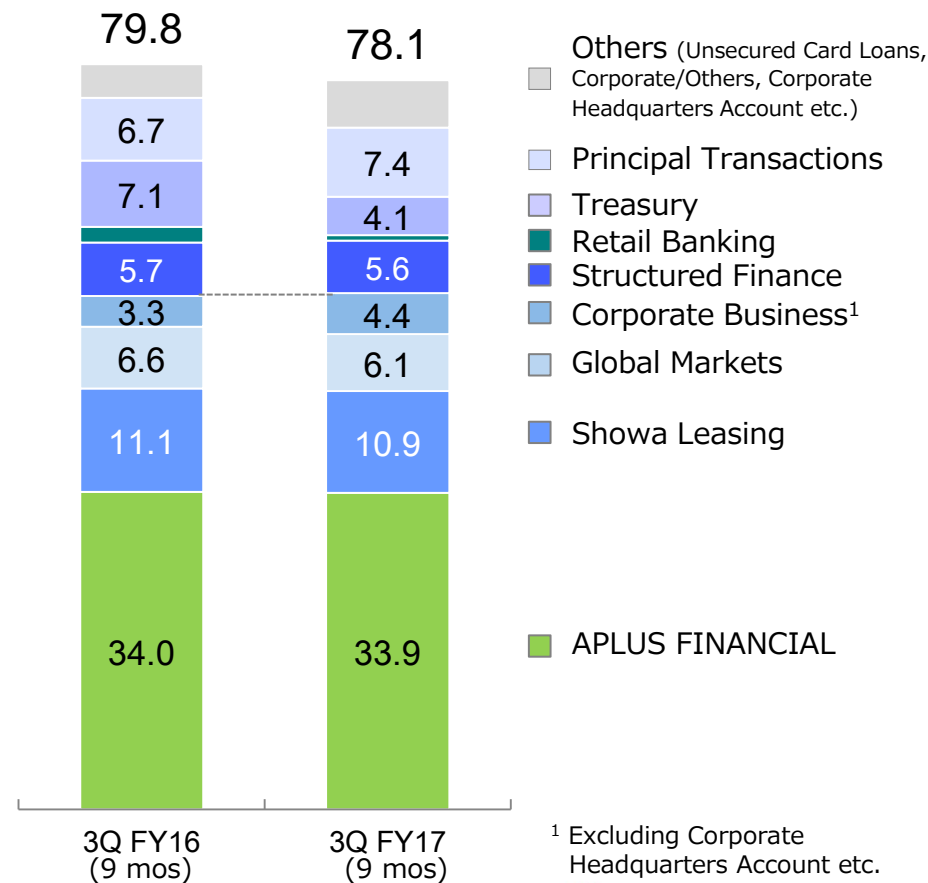
# Segment: Net Interest Income, Noninterest Income

(Unit: JPY billion; %)

## Net Interest Income: Segment YoY



## Noninterest Income: Segment YoY

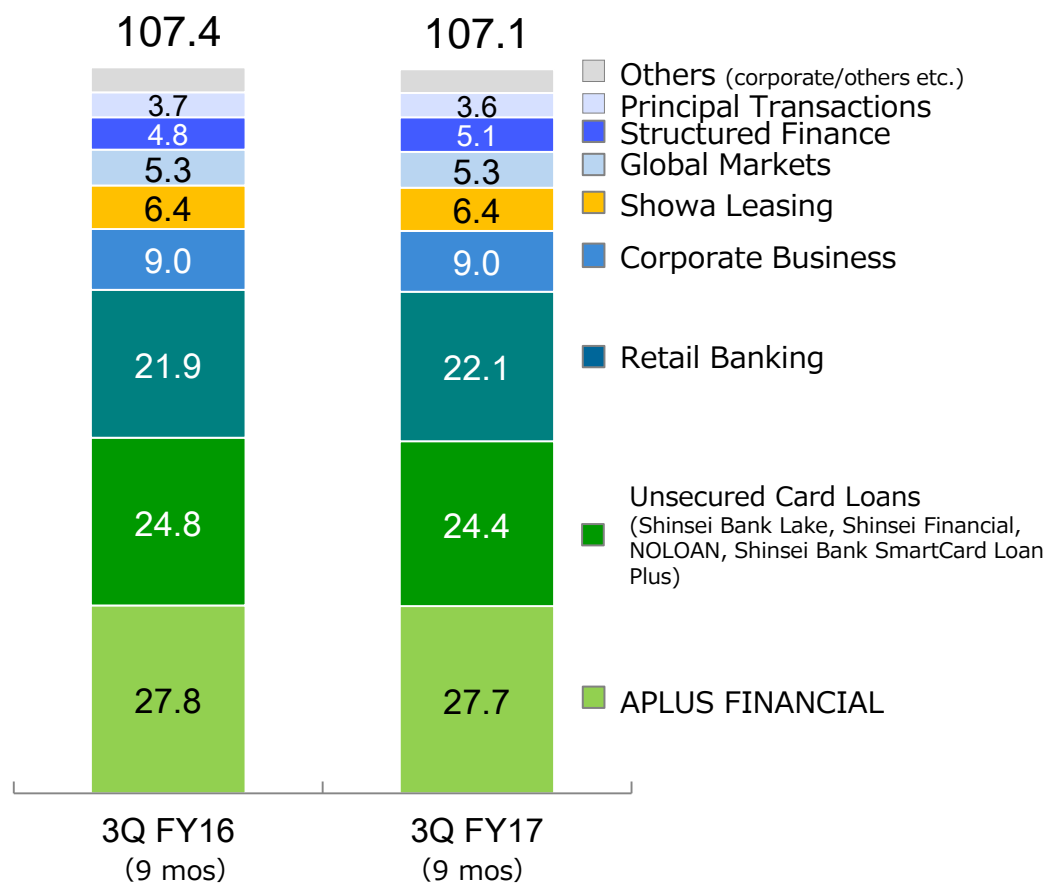


<sup>1</sup> Excluding Corporate Headquarters Account etc.

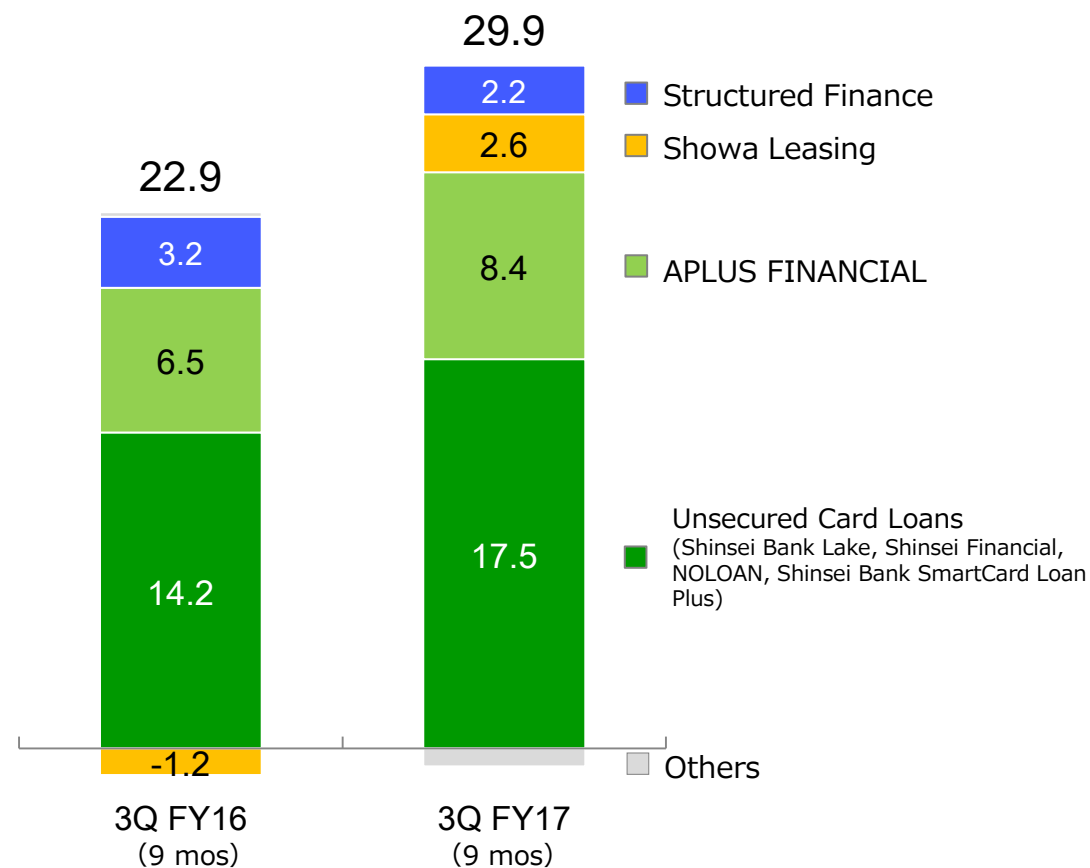
# Segment: Expenses, Credit Costs

(Unit: JPY billion; %)

## Expenses: Segment YoY



## Credit Costs: Segment YoY



(Note) Costs associated with the funding operations have been allocated to the interest earning businesses on a management accounting basis. Prior period has been adjusted to conform to current period presentation

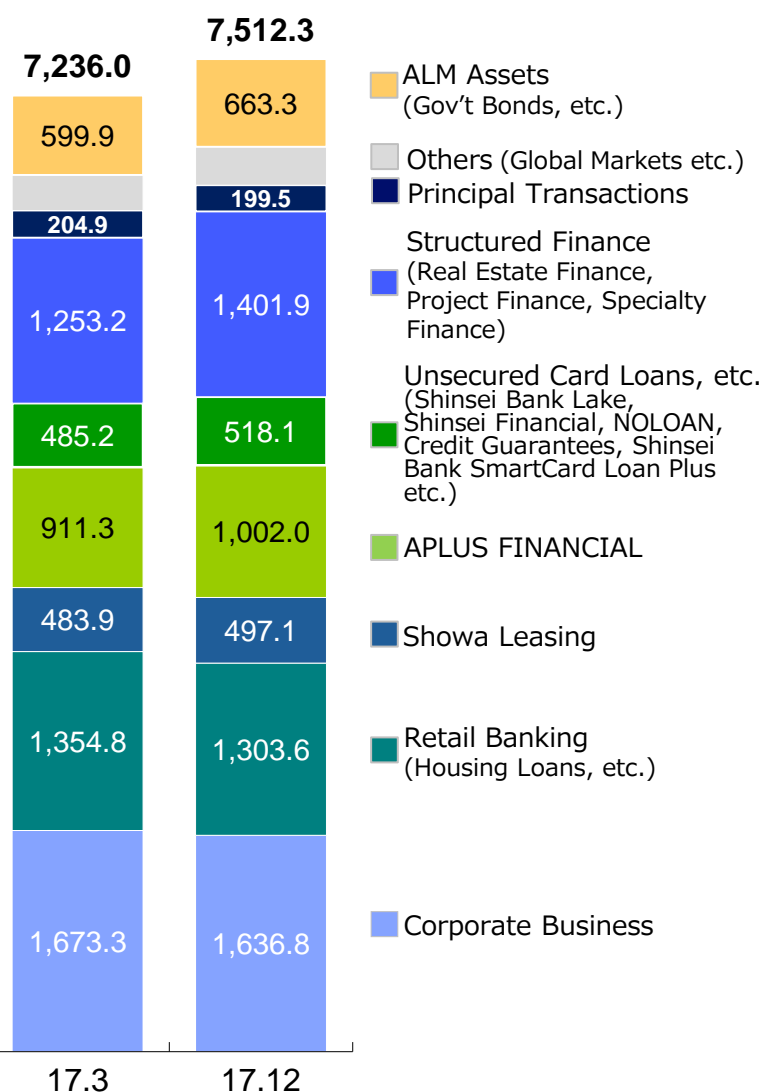


# Segment: P&L and Operating Assets Balance (3Q FY2017)

(Unit: JPY billion; %)

Segment	3Q FY2017 (9 mos)		
	Amounts (OBP after net credit costs)	Weight	ROA <sup>3</sup> (Reference)
<b>Individual Business</b>	<b>11.8</b>	<b>31%</b>	<b>-</b>
Retail Banking	-4.8	-13%	-0.5%
Shinsei Bank Lake and Shinsei Financial <sup>1</sup>	9.5	25%	2.5%
APLUS FINANCIAL	6.2	16%	0.9%
Others	0.9	2%	n.m.
<b>Institutional Business</b>	<b>22.0</b>	<b>58%</b>	<b>-</b>
Corporate Business	5.8	15%	0.5%
Structured Finance	5.2	14%	0.5%
Principal Transactions	9.1	24%	6.0%
Showa Leasing	1.7	7%	1.4%
<b>Global Markets Business</b>	<b>2.5</b>	<b>7%</b>	<b>-</b>
Markets	2.9	8%	n.m.
Others	-0.4	-1%	n.m.
<b>Corporate/Other</b>	<b>1.3</b>	<b>3%</b>	<b>-</b>
Treasury	1.7	4%	0.4%
Corporate/Other (excluding Treasury)	-0.3	-1%	-
<b>Total (OBP after net credit costs)</b>	<b>37.8</b>	<b>100%</b>	<b>0.7%</b>

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



(Note) Costs associated with the funding operations have been allocated to the interest earning businesses on a management accounting basis

<sup>1</sup> Includes NOLOAN and Shinsei Bank Smart Card Loan Plus

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

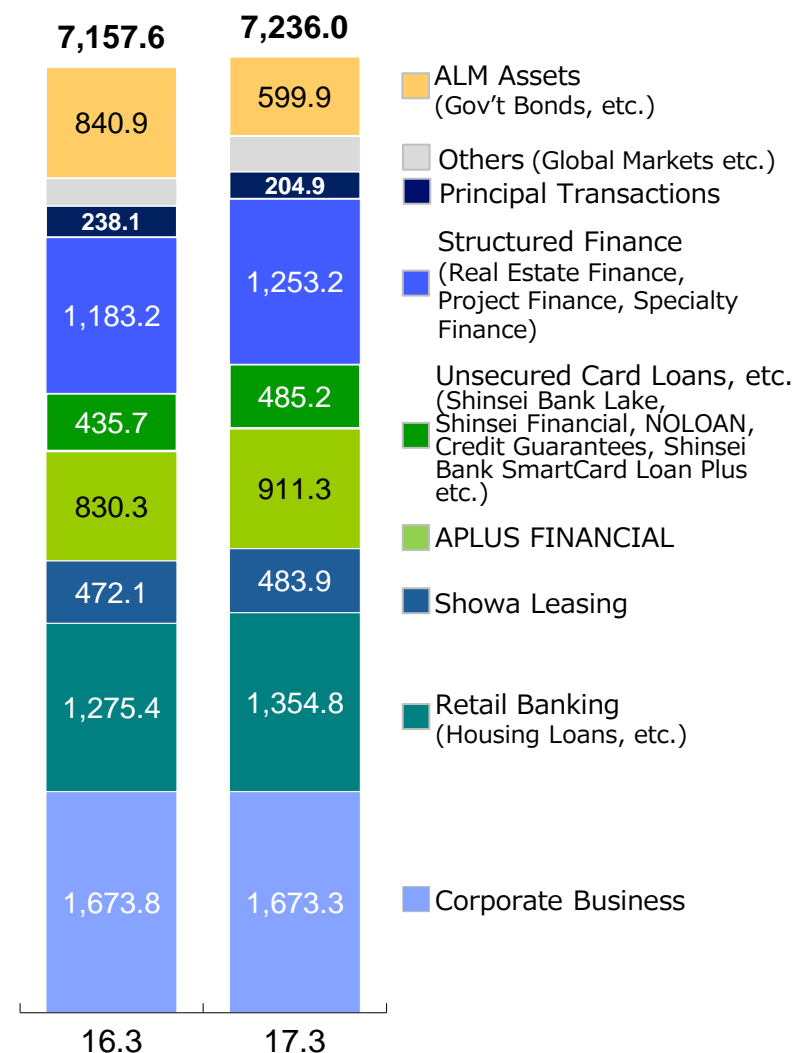
<sup>3</sup> Segment ROA (annualized basis) = OBP after net credit costs per segment / average operating assets balance of beginning of term and end of term

# Segment: P&L and Operating Assets Balance (FY2016)

(Unit: JPY billion; %)

Segment	FY2016 (12 mos)		
	Amounts (OBP after net credit costs)	Weight	ROA <sup>3</sup> (Reference)
<b>Individual Business</b>	<b>16.5</b>	<b>30%</b>	-
Retail Banking	-2.7	-5%	-0.2%
Shinsei Bank Lake and Shinsei Financial <sup>1</sup>	9.9	18%	2.2%
APLUS FINANCIAL	8.9	16%	1.0%
Others	0.3	1%	n.m.
<b>Institutional Business</b>	<b>27.4</b>	<b>51%</b>	-
Corporate Business	4.0	7%	0.2%
Structured Finance	11.8	22%	1.0%
Principal Transactions	6.1	11%	2.8%
Showa Leasing	5.3	10%	1.1%
<b>Global Markets Business</b>	<b>3.9</b>	<b>7%</b>	-
Markets	4.9	9%	n.m.
Others	-0.9	-2%	n.m.
<b>Corporate/Other</b>	<b>6.1</b>	<b>11%</b>	-
Treasury	5.3	10%	0.7%
Corporate/Other (excluding Treasury)	0.7	1%	-
<b>Total (OBP after net credit costs)</b>	<b>54.1</b>	<b>100%</b>	<b>0.8%</b>

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



(Note) Costs associated with the funding operations have been allocated to the interest earning businesses on a management accounting basis. FY2016 P&L has been adjusted to conform to current period presentation

<sup>1</sup> Includes NOLOAN and Shinsei Bank Smart Card Loan Plus

<sup>2</sup> Includes insurance 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 Trend

(Unit: JPY billion; %)

Segment P&L (OBP after Net Credit Costs)	FY2016				FY2017		
	16.4-6	16.7-9	16.10-12	17.1-3	17.4-6	17.7-9	17.10-12
<b>Individual Business</b>	<b>2.2</b>	<b>4.0</b>	<b>6.6</b>	<b>3.6</b>	<b>2.1</b>	<b>3.1</b>	<b>6.5</b>
Retail Banking	-0.9	0.3	-1.2	-0.9	-1.7	-1.7	-1.3
Shinsei Bank Lake and Shinsei Financial <sup>1</sup>	1.6	2.1	4.3	1.7	1.7	3.0	4.8
APLUS FINANCIAL	1.5	1.6	3.0	2.6	1.9	1.5	2.7
Others	-0.0	-0.0	0.4	0.0	0.3	0.2	0.3
<b>Institutional Business</b>	<b>4.7</b>	<b>5.7</b>	<b>8.4</b>	<b>8.4</b>	<b>8.6</b>	<b>7.5</b>	<b>5.7</b>
Corporate Business	0.4	0.9	0.8	1.6	1.4	4.0	0.3
Structured Finance	1.4	3.5	-0.3	7.2	1.9	0.7	2.5
Principal Transactions	1.5	-0.2	5.6	-0.7	4.3	1.8	2.9
Showa Leasing	1.3	1.4	2.3	0.3	0.9	0.8	-0.1
<b>Global Markets Business</b>	<b>1.1</b>	<b>0.5</b>	<b>1.4</b>	<b>0.8</b>	<b>1.2</b>	<b>0.4</b>	<b>0.8</b>
Markets	1.4	1.1	1.5	0.7	1.3	0.6	0.9
Others	-0.2	-0.5	-0.1	0.0	-0.0	-0.1	-0.1
<b>Corporate/Other</b>	<b>3.9</b>	<b>4.6</b>	<b>-1.9</b>	<b>-0.4</b>	<b>0.6</b>	<b>0.4</b>	<b>0.3</b>
Treasury	3.6	3.2	-0.9	-0.5	0.7	0.4	0.5
Corporate/Other (excluding Treasury)	0.2	1.4	-1.0	0.0	-0.1	-0.0	-0.1
<b>Total (OBP after Net Credit Costs)</b>	<b>12.1</b>	<b>15.0</b>	<b>14.5</b>	<b>12.4</b>	<b>12.7</b>	<b>11.6</b>	<b>13.4</b>

(Note) Costs associated with the funding operations have been allocated to the interest earning businesses on a management accounting basis. FY2016 P&L has been adjusted to conform to current period presentation

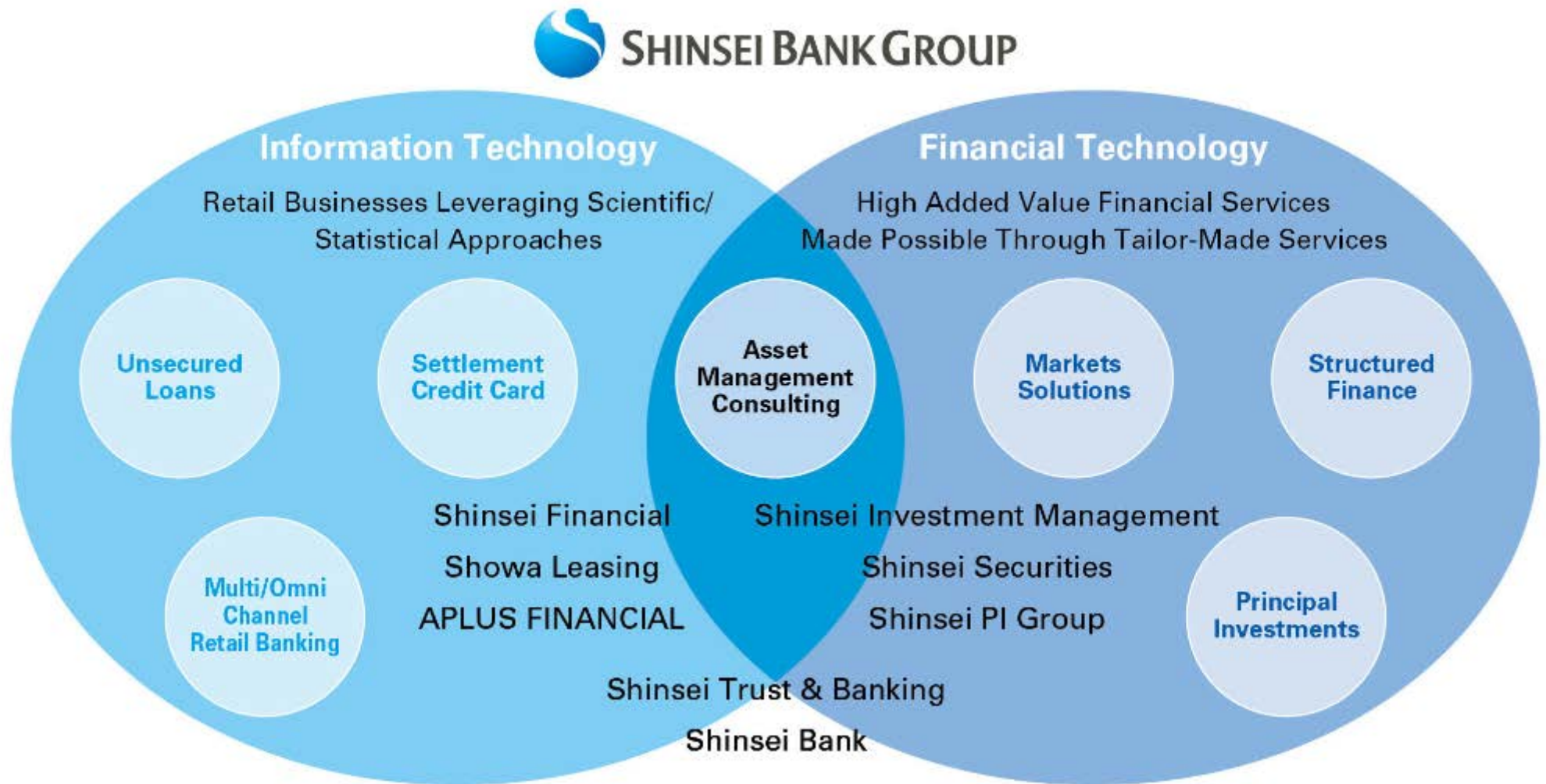
<sup>1</sup> Includes NOLOAN and Shinsei Bank Smart Card Loan Plus

# Appendix



# Strategy of 3<sup>rd</sup> Medium Term Management Plan (MTMP) FY2016-FY2018

- Strengths of Shinsei Bank Group: Providing high value-added financial services harnessing Information Technology and Financial Technology



# Strategy of 3<sup>rd</sup> Medium Term Management Plan (MTMP) FY2016-FY2018

## Business Areas

	Business
<p><b>Growth Areas</b></p> <p>Areas in which the Shinsei Bank Group already has competitive advantages and is seen as having strong profit and growth potential.</p>	<ul style="list-style-type: none"> <li>• Unsecured loans</li> <li>• Structured finance</li> </ul>
<p><b>Stable Revenue Areas</b></p> <p>Areas in which the Shinsei Bank Group will stably and selectively engage in without being involved in excessive competition.</p>	<ul style="list-style-type: none"> <li>• Asset management consulting</li> <li>• Corporate market solutions</li> <li>• Shopping credit, credit cards</li> </ul>
<p><b>Strategic Initiative Areas</b></p> <p>Areas which are expected to deliver future growth and in which the Bank looks to create customer value through groundbreaking innovations beyond conventional formats.</p>	<ul style="list-style-type: none"> <li>• Small- and medium-sized enterprise/ small business solutions</li> <li>• Settlements</li> <li>• Business with regional financial institutions</li> <li>• Business succession finance</li> </ul>

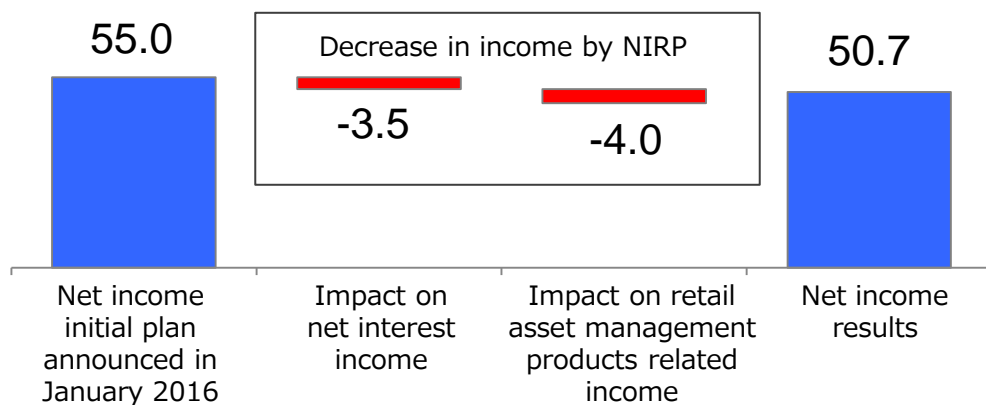
## Group Management Infrastructure: Achieve Responsive, Flexible Business Management and Lean Operations throughout the Bank Group

- Flexible and proactive reallocation/optimal use of Group management resources based upon business environment changes and plan progression
- Business management framework which enables maximum realization of organization and employee latent potential while eliminating waste and overextension
- Robust Group governance through unified Group management and enhancement of horizontal business functions

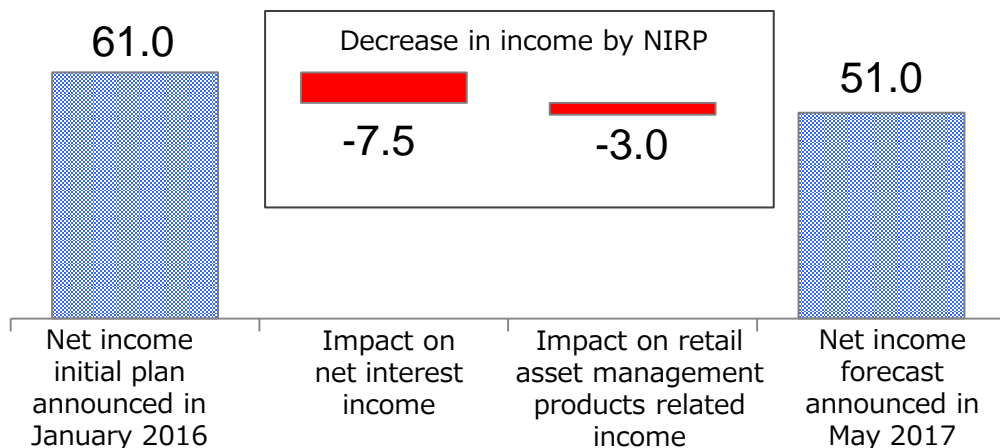
# Changes in External Environment and Impact on Financial Target of 3<sup>rd</sup> Medium Term Management Plan (MTMP)

- Financial targets of final year (FY2018) of the 3<sup>rd</sup> MTMP are to be reviewed, reflecting changes in external environment in the future
  - The 3<sup>rd</sup> MTMP, announced on January 29, 2016, excludes impact from external environment changes including introduction of Negative Interest Rate Policy (NIRP)
  - Net income for FY2018 will be influenced by factors such as effects of Productivity Enhancement Project and impact from market environment

## Impact on FY2016 results



## Impact on FY2017 plan



## 3<sup>rd</sup> MTMP FY2018 Financial Targets

Announced on January 29, 2016

Introduction of NIRP was announced on the same day

Profit Attributable to Owners of the Parent	JPY 64.0 billion	➔	Under Review
RORA	Around 1%		
Expense-to-Revenue Ratio	Below 60%		
ROE	Under way		
CET1 Ratio	Under way		

# Corporate Governance: Four Features

- The Bank established a corporate governance framework in accordance with its status as a “Company with an Audit & Supervisory Board”
- The Board of Directors has the authority and responsibility for business execution, and the Audit & Supervisory Board and its members are responsible for audits and monitoring of the Board of Directors

1

## Ratio of Outside Directors on the Board of Directors

71%

- Five of the seven directors at Shinsei Bank are outside directors

2

## Ratio of Outside Directors with Corporate Executive Experience

80%

- Four out of the five outside directors on our Board are or have worked as corporate executives

3

## Attendance Rate of the Board of Directors

100%

- Average attendance ratio for the Board of Directors from the 2016 general meeting of shareholders to the 2017 general meeting of shareholders

4

## No. of IR Meetings where the CEO met with Shareholders, Investors and Analysts

105

- Total number of IR meetings in FY2016 was 358. The CEO has been assigned ultimate responsibility for IR activities and performs the core role in our strategic IR initiatives



# Corporate Governance: Board Members

(As of June 30, 2017)

- Current outside directors are well-balanced group of executives who bring to the Bank their extensive experience and expertise in a range of fields
- The outside directors play vital roles as both supervisors and advisors to the executive directors overseeing the business execution of the Bank

## Board of Directors

Name		Title	Reason for Nomination
Hideyuki Kudo		Shinsei Bank Representative Director, President & CEO	
Yukio Nakamura		Shinsei Bank Representative Director, Deputy President	
J. Christopher Flowers		Managing Director and CEO, J. C. Flowers & Co. LLC	His experience and expertise in the financial service industry as a whole
Ernest M. Higa		Chairman President & CEO, Higa Industries Co., Ltd.	His experience and deep insight of business for consumers
Shigeru Kani	Outside Directors	Former Director, Administration Department, The Bank of Japan Specially Appointed Professor, Yokohama College of Commerce	His expertise in the risk management area and his extensive knowledge concerning banking operations
Jun Makihara		Director, Monex Group, Inc. Director, Philip Morris International Inc.	His extensive knowledge of finance and his domestic and international experience
Ryuichi Tomimura		Executive Vice President, Director, SIGMAXYZ Inc.	His extensive experience and wide range of knowledge including information systems as a management executive and a consultant

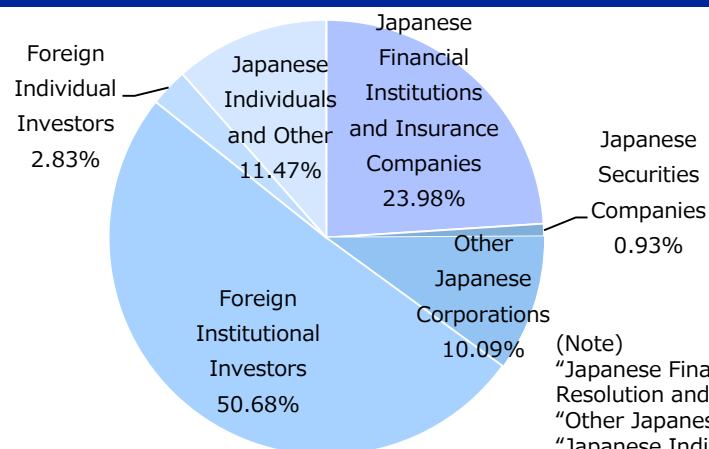
## Audit & Supervisory Board Members

Shinya Nagata		Shinsei Bank Audit & Supervisory Board Member	His long years of business experience in the areas of finance and accounting at Shinsei Bank
Michio Shibuya	Outside Audit & Supervisory Board Members	Certified Public Accountant	His expertise and extensive experience as a certified public accountant, and knowledge regarding corporate governance based on experience as an Audit & Supervisory Board Members at a listed company
Kozue Shiga		Lawyer	Her expertise and extensive experience as a lawyer

## Corporate Information

Name	Shinsei Bank, Limited	
Established	December 1, 1952	
Representative Director & President	President & CEO Hideyuki Kudo (Appointed June 17, 2015)	
Code	8303	
No. of outstanding shares issued <sup>1</sup>	275,034,689	
Of which, treasury shares	16,195,712	
No. of employees	5,438 (Consolidated basis), 2,238 (Nonconsolidated basis)	
No. of branches	28 branches including head office and 7 annexes	
Large Shareholders	J.C.Flowers & Co.LLC., (including its affiliates)	21.39%
	Government (the Deposit Insurance Corporation and the Resolution and Collection Corporation)	18.12%

## Shareholders Composition



(Note)  
 "Japanese Financial Institutions and Insurance Companies" includes the Resolution and Collection Corporation.  
 "Other Japanese Corporations" includes the Deposit Insurance Corporation.  
 "Japanese Individuals and Other" includes treasury shares.

## History

December 1952	Established The Long-Term Credit Bank of Japan, Limited (LTCB) under the Long-Term Credit Banking Law
October 1998	Commenced special public management under the Financial Revitalization Law, delisted from TSE and OSE
June 2000	Changed name from The Long-Term Credit Bank of Japan, Limited (LTCB) to Shinsei Bank, Limited
February 2004	Listed the Bank's common shares on the First Section of the Tokyo Stock Exchange
September 2004	Acquired a controlling interest in APLUS Co., Ltd. (Changed company name to APLUS Financial Co., Ltd. on April 1, 2010)
March 2005	Acquired a controlling interest in Showa Leasing Co., Ltd.
December 2007	Acquired a controlling interest in SHINKI Co., Ltd. (Changed company name to Shinsei Personal Loan Co., Ltd.)
February 2008	Completed a tender offer bid for the Bank's common shares and a third-party allotment of new common shares of the Bank (in the total value of 50 billion yen)
September 2008	Acquired GE Consumer Finance Co., Ltd. (Changed company name to Shinsei Financial Co., Ltd. on April 1, 2009)
April 2010	Launched the First Medium-Term Management Plan
March 2011	Issued 690 million new shares through international common share offering
October 2011	Commenced card loan service under the Lake brand in Shinsei Bank
April 2013	Launched the Second Medium-Term Management Plan
April 2016	Launched the Third Medium-Term Management Plan

<sup>1</sup> Reverse stock split (10 stocks to 1 stock) on October 1, 2017 has been reflected

# Key Data

## Balance Sheet

(Unit: JPY billion)	2014.3	2015.3	2016.3	2017.3	2017.12
Loans and bills discounted	4,319.8	4,461.2	4,562.9	4,833.4	4,944.1
Securities	1,557.0	1,477.3	1,227.8	1,014.6	1,156.3
Lease receivables/ leased investment assets	227.7	227.0	211.4	191.4	174.5
Installment receivables	421.9	459.1	516.3	541.4	548.9
Reserve for credit losses	-137.3	-108.2	-91.7	-100.1	-99.8
Deferred Tax Assets	16.5	15.3	14.0	15.5	15.1
<b>Total assets</b>	<b>9,321.1</b>	<b>8,889.8</b>	<b>8,928.7</b>	<b>9,258.3</b>	<b>9,495.8</b>
Deposits including negotiable certificates of deposits	5,850.4	5,452.7	5,800.9	5,862.9	6,104.2
Borrowed money	643.4	805.2	801.7	789.6	754.4
Corporate bonds	177.2	157.5	95.1	112.6	88.0
Grey zone reserves	208.2	170.2	133.6	101.8	80.4
<b>Total liabilities</b>	<b>8,598.5</b>	<b>8,136.0</b>	<b>8,135.6</b>	<b>8,437.5</b>	<b>8,641.8</b>
Shareholders' equity	665.1	728.5	786.8	823.7	856.7
<b>Total net assets</b>	<b>722.5</b>	<b>753.7</b>	<b>793.1</b>	<b>820.7</b>	<b>853.9</b>

<sup>1</sup> Annualized basis

<sup>2</sup> NPL ratio based on Financial Revitalization Law (Nonconsolidated)

<sup>3</sup> Domestic Standard; Grandfathered Basis

## Financial Ratios (%)

	FY13	FY14	FY15	FY16	3Q FY17
Expense-to-revenue ratio	65.4	60.2	64.9	62.3	61.2
Loan-to-deposit ratio	73.8	81.8	78.7	82.4	81.0
ROA	0.5	0.7	0.7	0.6	0.5 <sup>1</sup>
ROE	6.5	9.8	8.1	6.3	5.7 <sup>1</sup>
RORA	0.7	1.2	1.1	0.8	0.7 <sup>1</sup>
NPL Ratio <sup>2</sup>	3.81	1.42	0.79	0.22	0.18
Core Capital Ratio <sup>3</sup>	13.58	14.86	14.20	13.06	12.90

## Per Share Data

(単位：円)	FY13	FY14	FY15	FY16 <sup>4</sup>	3Q FY17 <sup>4</sup>
BPS <sup>4</sup>	247.82	275.45	294.41	3,163.89	3,289.90
EPS <sup>4</sup>	15.59	25.57	22.96	194.65	137.57

## Credit Ratings

	2014.3	2015.3	2016.3	2017.3	2017.12
R&I	BBB+	BBB+	BBB+	BBB+	A-
JCR	BBB+	BBB+	BBB+	BBB+	BBB+
S&P	BBB+	BBB+	BBB+	BBB+	BBB+
Moody's	Baa3	Baa3	Baa3	Baa2	Baa2

<sup>4</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

- **The preceding description of Shinsei’s Medium-Term Management Plan 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.**
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