



# **Business and Financial Highlights**

## ***First Half Ended September 30, 2016***

**Shinsei Bank, Limited**  
**November 2016**



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# Key Points

## 1 1HFY2016 net income totaled JPY 24.9 billion

- ✓ 48% progression toward FY2016 full year net income forecast of JPY 52.0 billion
  - Balance of growth area operating assets: JPY 1,594.3 billion
  - Unsecured loan balance: JPY 454.6 billion, increased 12% on an annualized basis (vs. Mar. 31, 2016)
  - Structured finance balance: JPY 1,139.7 billion, decreased 7% on an annualized basis (vs. Mar. 31, 2016)
  - While noninterest income recorded from the Retail Banking and Global Markets Businesses has declined as a result of market turmoil caused by negative interest rates, this reduction has been offset by gains on bonds

## 2 Challenges and Initiatives in 2HFY2016

- ✓ The Bank believes exceeding the level of 1H gains on bonds in Treasury in 2H may be challenging
- ✓ Markets related revenues, which includes revenue associated with retail customer asset management product and institutional customer derivative product sales, are strongly influenced by market trends and customer sentiment. While conditions have begun to improve, current business initiatives are focused on encouraging customers to return to the market through efforts to find potential customer needs
- ✓ The Bank looks to provide a summary of its Productivity Enhancement Project around the time of the release of its 3QFY2016 financial results

# 3<sup>rd</sup> MTMP: Progression in Overall Strategy

## “Selection and Concentration” of Businesses/Creation of Value through Group Integration

### 1H FY2016 Progression

#### ◆ Growth Areas

- New customer acquisitions and approval rates improved from 2HFY2015 in unsecured loans. Initiatives in 2HFY2016 will include the introduction of new brand ambassadors in TV commercial advertising and new branch openings
- In structured finance, new project finance commitments and new real estate finance disbursements are robust. Overall balance is reduced due to exchange rates, early repayments and the dynamic promotion of distribution efforts

#### ◆ Stable Revenue Areas

- Anemic performance in markets related business, including the sale of asset management products, due in part to persistence of risk-off sentiment in the market
- Robust housing loan performance and corporate loan undertakings strongly focused on profitability

#### ◆ Strategic Initiative Areas

- In settlements, APLUS FINANCIAL has commenced the provision of settlement agent services in Japan to the China based settlement service “WeChat Pay”
- Strong performance in collaborative initiatives (guarantees, structured finance syndication, structured product sales) with regional banks

### Future Initiatives and Strategy

#### ◆ Growth Areas

- Enhancing unsecured loan new customer acquisitions through the introduction of a new advertising campaign resulting in strengthened brand awareness as well as improved convenience of ACM and ATMs
- In structured finance, efforts to increase transaction volume through the enhancement of sourcing capabilities and to improve profitability through the leveraging of loan syndications to continue

#### ◆ Stable Revenue Areas

- Expanding offerings of products with strongly attractive qualities to customers and promoting meticulous business and customer service practices

#### ◆ Strategic Initiative Areas

- Commencing a vendor leasing business serving SMEs and small business owners through the combination of the consumer credit capabilities of APLUS FINANCIAL and the leasing functions of Showa Leasing

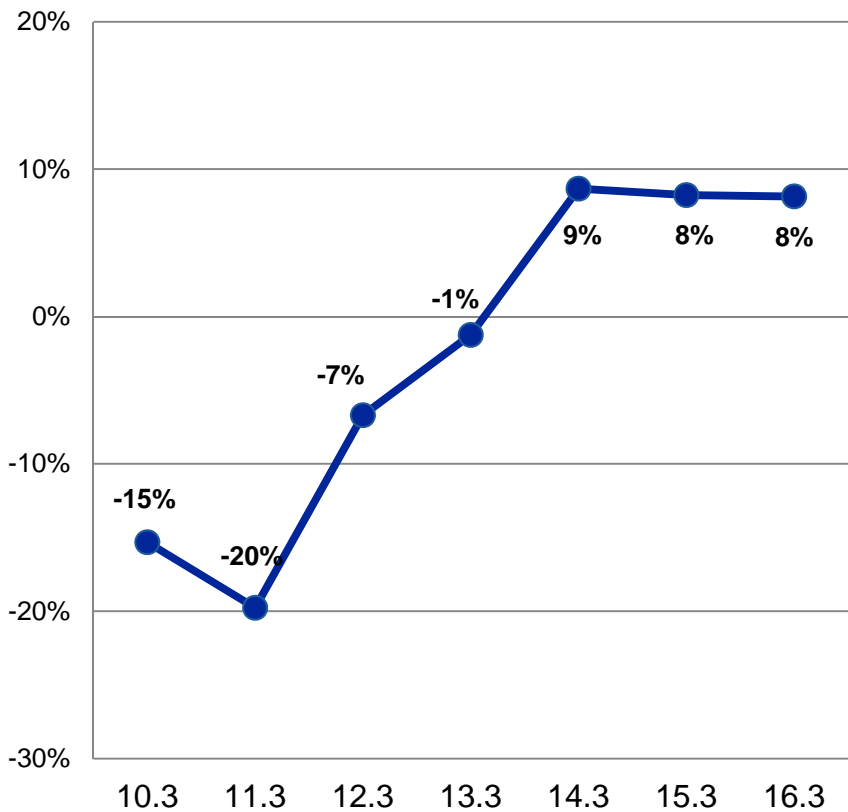
## Group Management Infrastructure: Seeking the Realization of Responsive, Flexible Business Management and Lean Operations on a Group-wide Basis

- ◆ Multiple projects related to increasing business productivity and enhancing the sophistication of functions currently underway
  - “Integration of Operations”: Enhancement of productivity through rationalization and consolidation (call center rationalization; consolidation of Group procurement functions; consolidation of head office administrative functions)
  - “Integration of People”: Establishment of Group corporate culture, encouraging employees’ mindset changes, Inclusion & Diversity
  - “Integration of Organizations”: Establishment of framework which supports Group integration
- ◆ Seeking Group-wide productivity improvement in pursuit of the optimized allocation of human capital on a Group-wide basis to areas and businesses undergoing enhancement

# 3<sup>rd</sup> MTMP: Growth of Unsecured Loans (1)

- Unsecured loan market growth rate at 8% on an annualized basis due to the growth of bank card loan balance and the bottoming out of nonbank lender balances
- Of these, the growth of the bank card loan balance contributing strongly to the overall growth rate

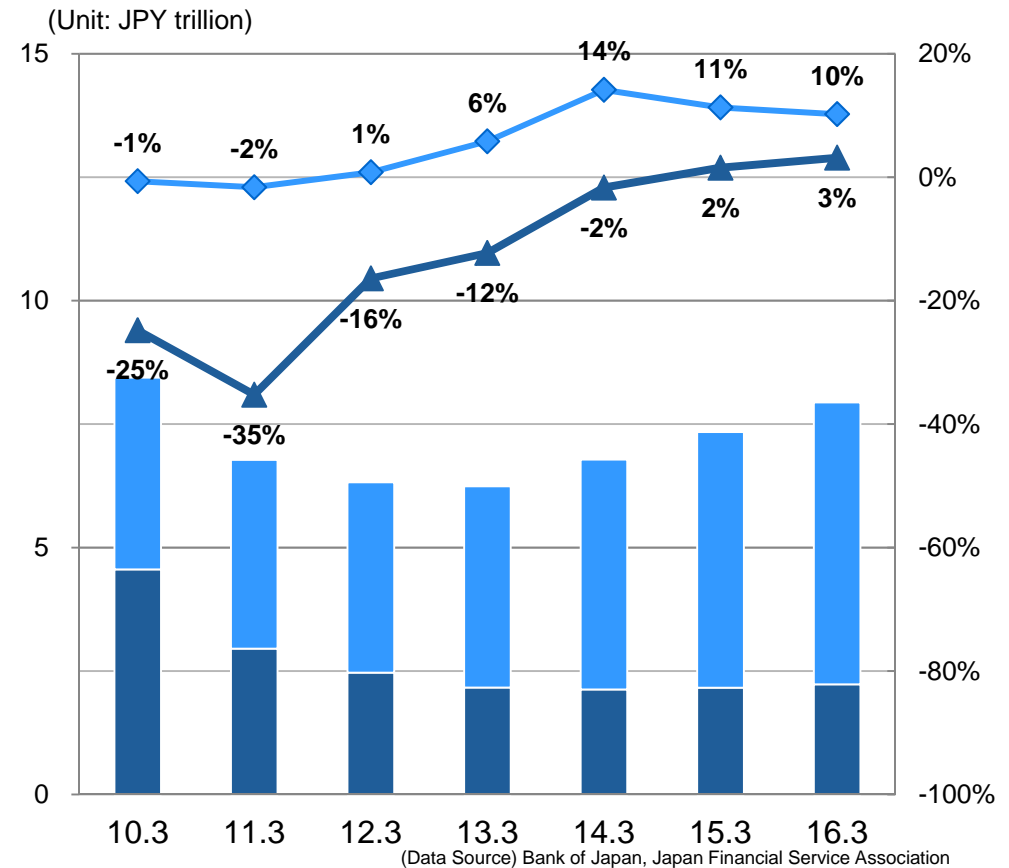
## Unsecured Loan Market Growth Rate<sup>1</sup>



(Data Source) Bank of Japan, Japan Financial Service Association

● YoY: Unsecured Loan Market

## Unsecured Loan Market Size<sup>1</sup>



(Data Source) Bank of Japan, Japan Financial Service Association

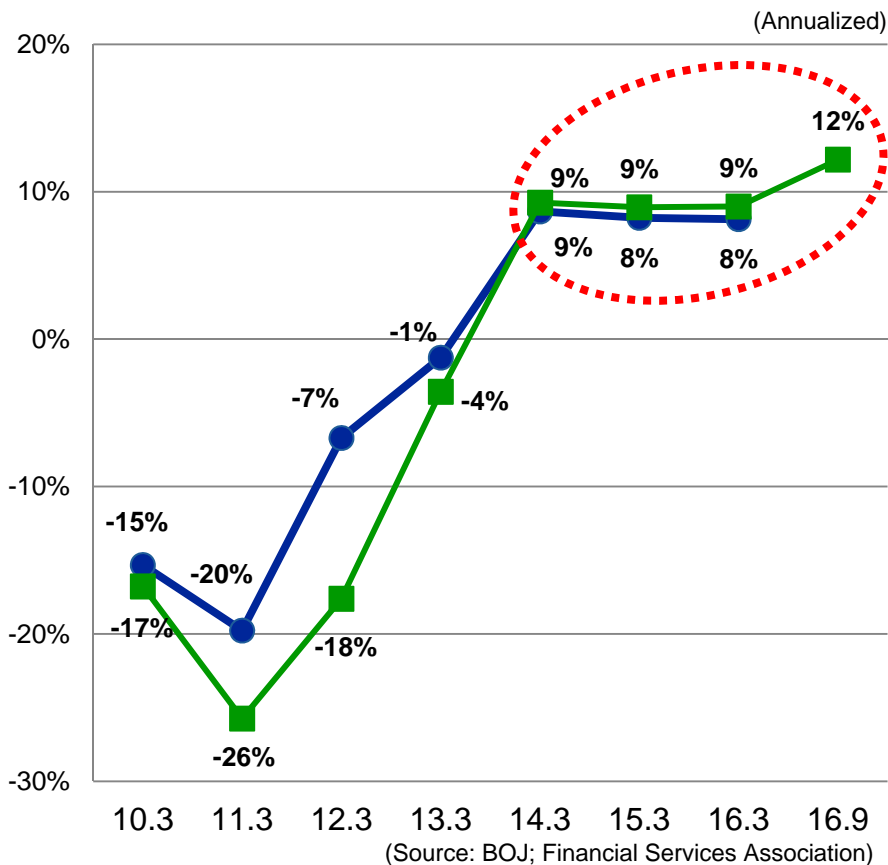
▲ YoY: Nonbank Unsecured Loan Balance  
 ◆ YoY: Bank Card Loan Balance  
 ■ Nonbank Unsecured Loan Balance  
 ■ Bank Card Loan Balance

<sup>1</sup> "Unsecured card 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 personal loans (consumer finance sector) month end balance (excludes housing loans)

# 3<sup>rd</sup> MTMP: Growth of Unsecured Loans (2)

- The annualized growth rate of the Shinsei Bank Group unsecured loan balance as of Sept. 30, 2016, was 12% (annualized, compared to Mar. 31, 2016), a level which exceeds that of the market average
- Future growth opportunities to be captured through the full leveraging of the strengths of the Shinsei Bank Group

## Unsecured Loan Growth Rate (Market vs. Shinsei Bank Group)



- YoY: Unsecured Loan Shinsei Bank Group
- YoY: Unsecured Loan Market

<sup>1</sup> "Shinsei Bank Group unsecured loan balance" refers to the combined balances of "Shinsei Bank Lake" + "Shinsei Financial Unsecured Card Loan" + "NOLOAN" + "Shinsei SmartCard Loan Plus" + "Credit Guarantees"

## Fully Leveraging the Strengths of the Shinsei Bank Group

- Accumulation and Analysis of Customer Data: Marketing, credit assessment, and collections expertise
- The Shinsei Bank Group Customer Base: Shinsei Bank customers, APLUS FINANCIAL customers, Shinsei Financial customers, etc.
- IT Platform: Flexible and highly scalable systems developed by Shinsei Financial
- Funding Stability: Highly stable retail banking deposits serve as funding base

## Shinsei Bank Group Growth Opportunities

### Domestic Market

- Utilization of Group-wide customer base
- Customer acquisitions and credit scoring fine-tuning utilizing IT, data, and statistical models
- Expansion of credit guarantee business in partnership with regional financial institutions

### Overseas Market

- Capturing small-lot middle class financing needs in local markets
- Provision of core system by Shinsei Financial to local consumer finance companies

- Competition intensified due to high sector profitability
- Bank and nonbank customer segments becoming less differentiated
- Excess interest rate repayment issue (grey zone issue) lingering

## Business Environment

# 1HFY2016 Financial Summary

(Unit: JPY billion; %)

- 1HFY2016 recorded net income represents a 48% progression toward the FY2016 full year net income target of JPY 52.0 billion

Consolidated	1H FY2015 (Actual)	2H FY2015 (Actual)	1H FY2016 (Actual)	Progression		FY2016 Full Year (Plan)
				YoY B(+)/W(-)	Toward Full Year Plan	
Net Interest Income	61.0	61.3	60.4	-1%		
Noninterest Income	49.3	44.8	52.7	+7%		
Total Revenue	110.3	106.2	113.2	+3%	49%	231.0
Expenses	-69.7	-70.8	-71.3	-2%	50%	-144.0
Ordinary Business Profit	40.6	35.3	41.8	+3%	48%	87.0
Net Credit Costs	1.2	-4.9	-14.7	n.m.	53%	-28.0
Others	-4.4	-6.8	-2.1	+52%	30%	-7.0
Interim Net Income	37.4	23.4	24.9	-33%	48%	52.0

## 1HFY2016 Financial Results: Key Points

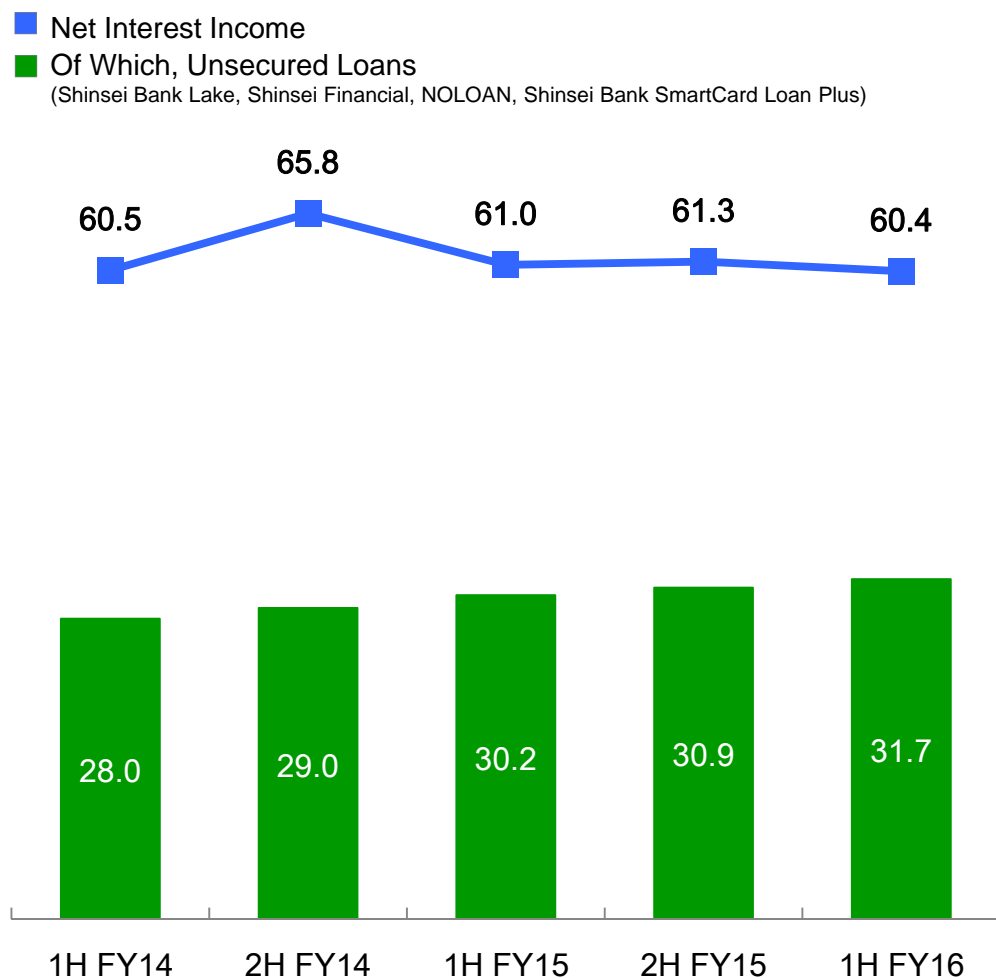
- **Total Revenue: JPY 113.2 billion, 49% progression**
  - ◆ Net Interest Income: JPY 60.4 billion. Effects of the NIRP within expectations. While spread compression is observed in new loan and debt management transactions, impact on net interest income is limited. Unsecured loan revenues increased
  - ◆ Noninterest Income: JPY 52.7 billion. Revenues from the Retail Banking and Global Markets Businesses reduced as a result of market turmoil caused by NIRP and weakness is more pronounced than initially expected. On the other hand, reduced markets related revenues were partially offset by increased gains on bonds recorded in Treasury operations
- **Expenses: JPY 71.3 billion, 50% progression**
  - ◆ Expense-to-revenue ratio: 63%
- **Net Credit Costs: JPY 14.7 billion, 53% progression**
  - ◆ The difference between the actual progression rate and the normalized basis progression rate is primarily due to the revision of the unsecured loan reserve ratio performed in 1QFY2016. This difference has diminished compared to 1QFY2016
- **Others: JPY -2.1 billion, 30% progression**
  - ◆ Full year actual anticipated to be within plan

# Net Interest Income

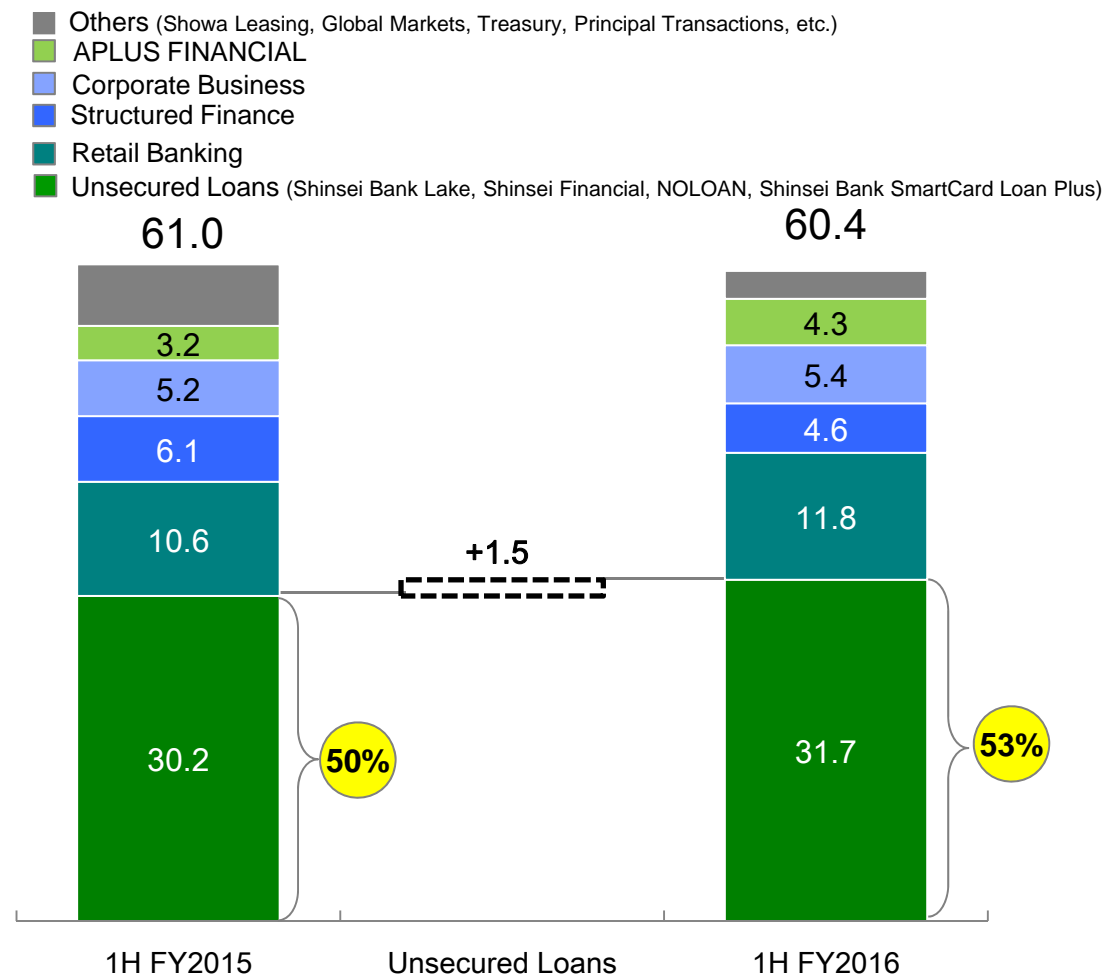
(Unit: JPY billion)

- Net interest income in 1HFY2016 totaled JPY 60.4 billion. Of this amount, net interest income recorded from unsecured loans totaled JPY 31.7 billion (increased 5% compared to JPY 30.2 billion recorded in 1HFY2015)
- The effects of the base rate reduction resulting from the NIRP and spread compression resulting from increased competition are within expectations

## Net Interest Income Trend



## Y-o-Y Increase/Decrease Factors



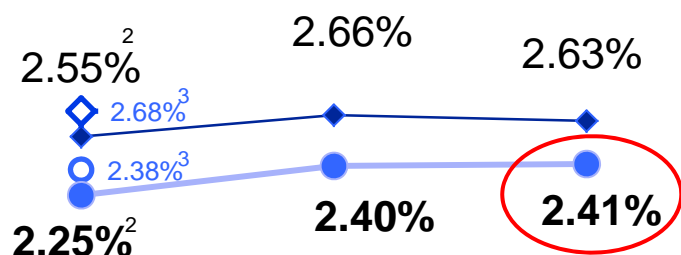


# Net Interest Margin (NIM)

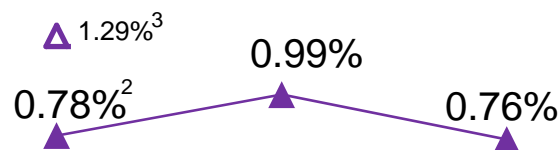
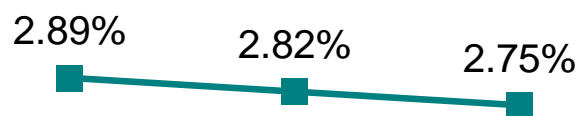
(Unit: %, annualized basis)

- Despite the introduction of the NIRP, NIM has improved further to 2.41%, a level exceeding what was recorded for the previous fiscal year. Underlying this improvement is a softened decline in the yield on interest earning assets resulting from a reduced securities balance, primarily relatively lower yield JGBs, as well as funding cost reductions realized through the redemption of subordinated debt and reduced deposit costs
- Despite the unsecured loan balance having continued to grow at a healthy rate, the yield on loans and bills discounted has declined to 2.75% primarily due to the base rate reduction and the tightening of spreads caused by the NIRP. At the same time, this reduction in yield is within initial expectations

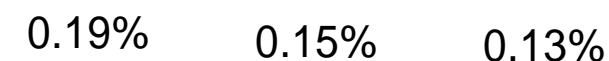
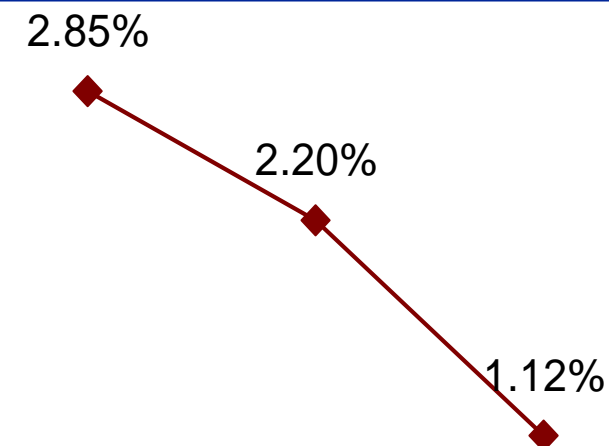
## Net Interest Margin



## Yield on Loans, Securities



## Rate on Deposits, Corporate Bonds



FY2014 (12 mos)      FY2015 (12 mos)      1H FY2016 (6 mos)

FY2014 (12 mos)      FY2015 (12 mos)      1H FY2016 (6 mos)

FY2014 (12 mos)      FY2015 (12 mos)      1H FY2016 (6 mos)

- ◆ Yield on Interest Earning Assets<sup>1</sup>
- Net Interest Margin<sup>1</sup>
- Rate on Interest Bearing Liabilities (including Subordinated Bonds etc.)

- Yield on Loans and Bills Discounted
- ▲ Yield on Securities

- ◆ Rate on Corporate Bonds
- Rate on Deposits, including NCDs

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

<sup>2</sup> Excludes one time gain factors

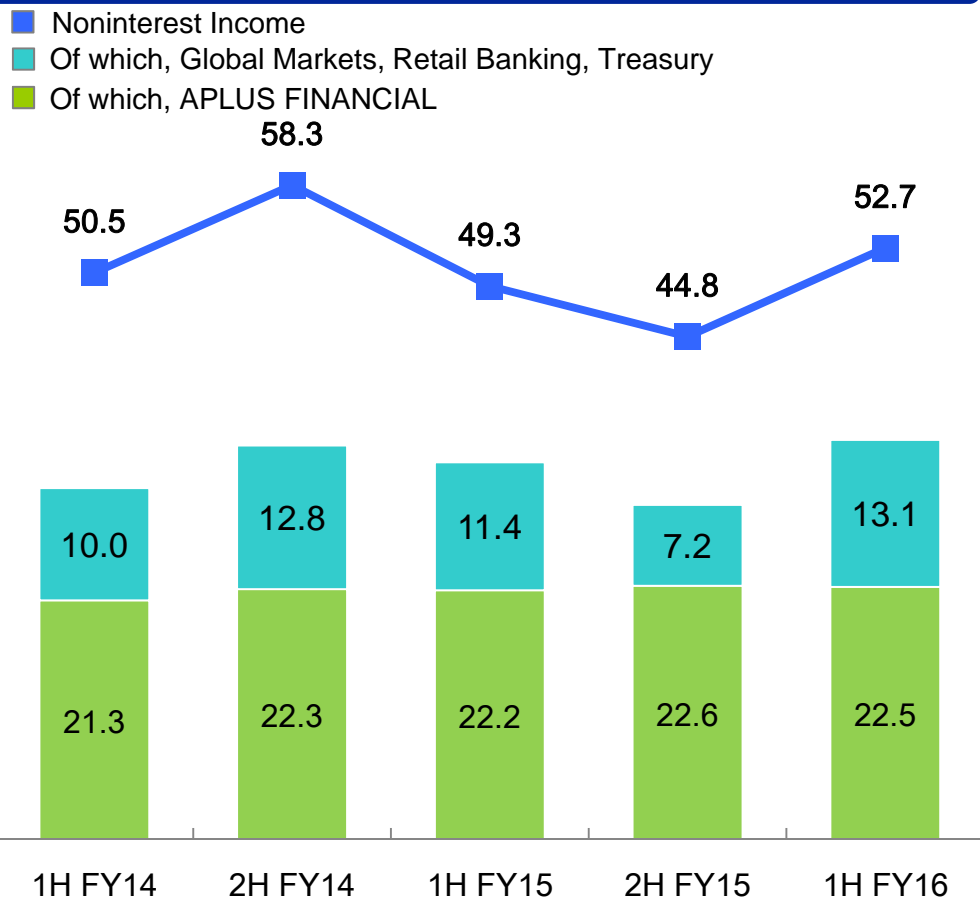
<sup>3</sup> Disclosed basis

# Noninterest Income

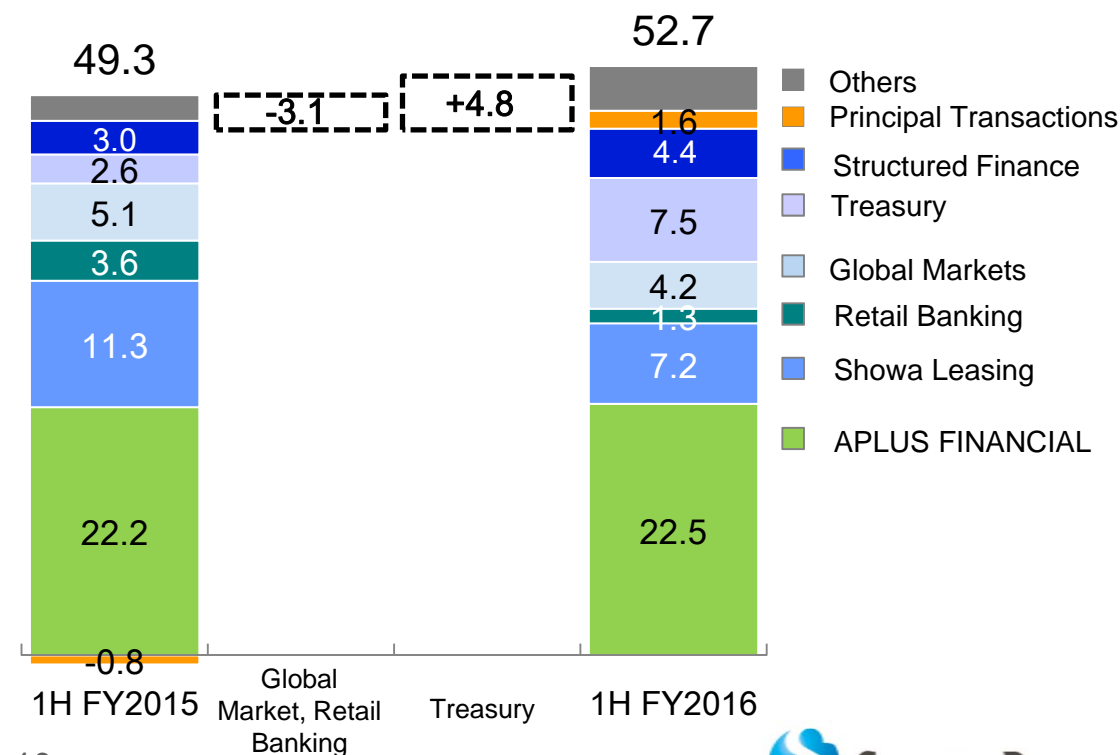
(Unit: JPY billion)

- Noninterest income recorded in 1HFY2016 totaled JPY 52.7 billion. This performance is primarily due to increased gains on bonds recorded in Treasury and the absence of the loss resulting from the reassessment of fund investments recorded in the first half of the previous fiscal year despite the recording of softer revenues in the Retail Banking and Global Markets Businesses as a result of market turmoil
- The balance of JGBs has declined from JPY 750.0 billion (Mar. 31, 2016) to JPY 496.7 billion (Sept. 30, 2016) and durations have declined from 5.4 years to 3.5 years, respectively
- APLUS FINANCIAL recorded noninterest income of JPY 22.5 billion, which continues to trend stably

## Noninterest Income Trend



## Y-o-Y Increase/Decrease Factors



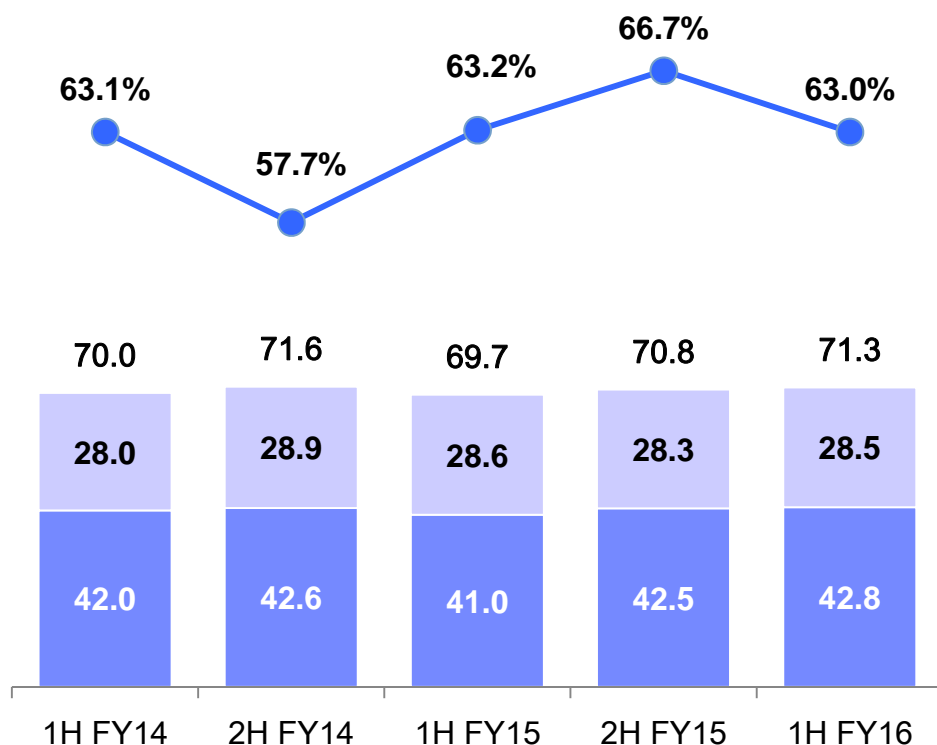
# Expenses, Expense-to-Revenue Ratio

(Unit: JPY billion; %)

- Expenses recorded in 1HFY2016 totaled JPY 71.3 billion, a 50% progression toward the full year plan (JPY 144.0 billion)
- The expense-to-revenue ratio was 63%, a level similar to what was recorded 1HFY2015
- While continuing to exercise strict expense controls and pursuing additional expense reductions, investments undertaken in order to increase growth area topline revenues to be continued

## Expenses, Expense to Revenue Ratio

■ Personnel Expenses    ● Expense to Revenue Ratio  
■ Nonpersonnel Expenses



## Nonpersonnel Expenses Components

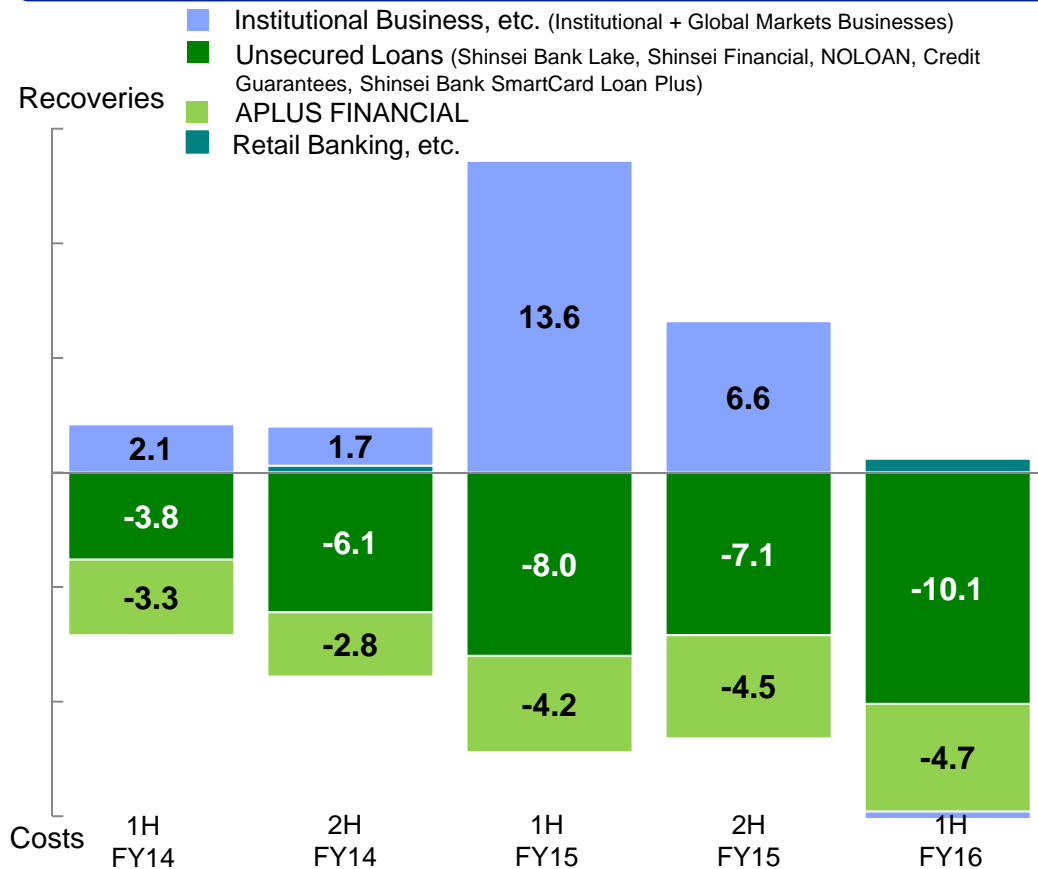
	1H FY2015	1H FY2016	YoY(%) B(+)/W(-)
Premises expenses	-9.5	-9.8	-3%
Technology and data processing expenses	-9.5	-10.0	-5%
Advertising expenses	-5.0	-5.4	-8%
Consumption and property taxes	-4.3	-4.8	-12%
Deposit insurance premium expense	-1.0	-1.0	0%
Other general and administrative expenses	-11.5	-11.5	0%
<b>Nonpersonnel expenses</b>	<b>-41.0</b>	<b>-42.8</b>	<b>-4%</b>

# Net Credit Costs

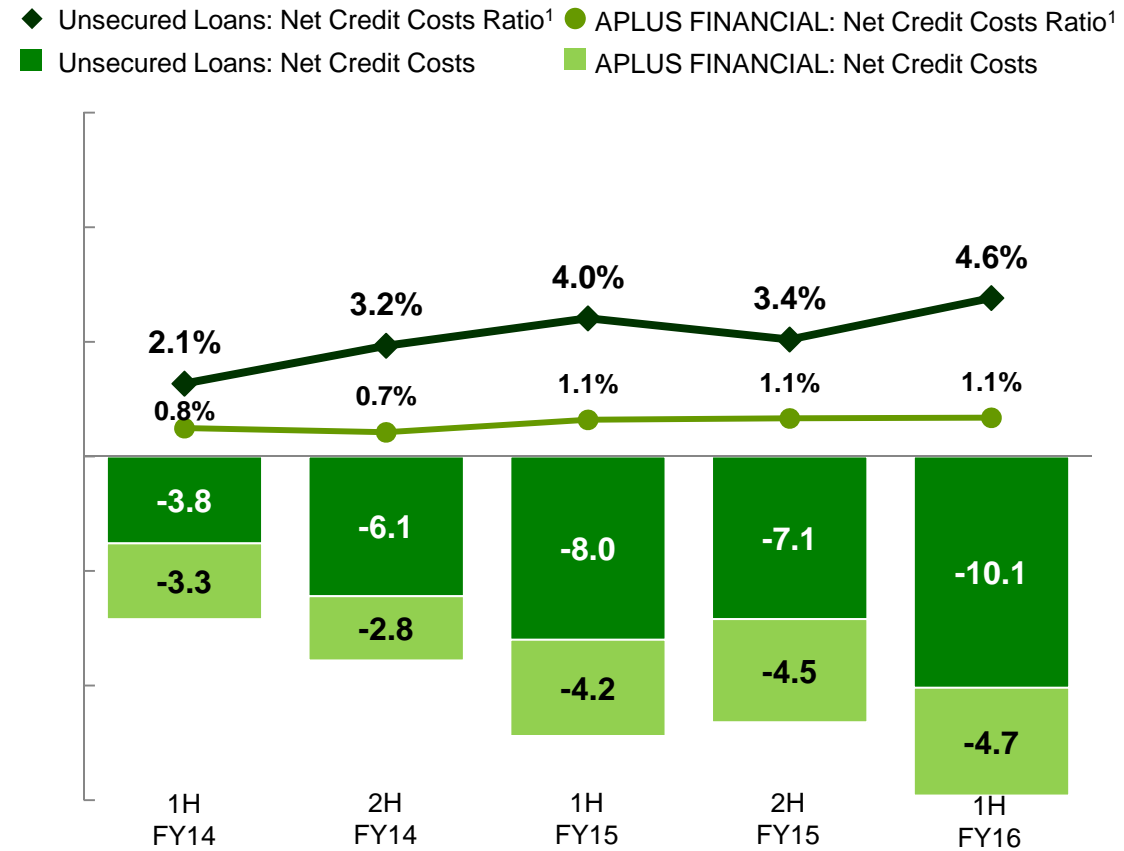
(Unit: JPY billion; %)

- Net credit costs in 1HFY2016 totaled JPY 14.7 billion, a 53% progression toward the full year plan (JPY 28.0 billion)
- The net credit cost increase in the first half resulting from the revision of the reserve ratio for unsecured loans was accounted for in the original plan and the Bank anticipates full year net credit costs to be within the original plan

## Net Credit Costs Trend



## Consumer Finance: Net Credit Costs Ratio<sup>1</sup>



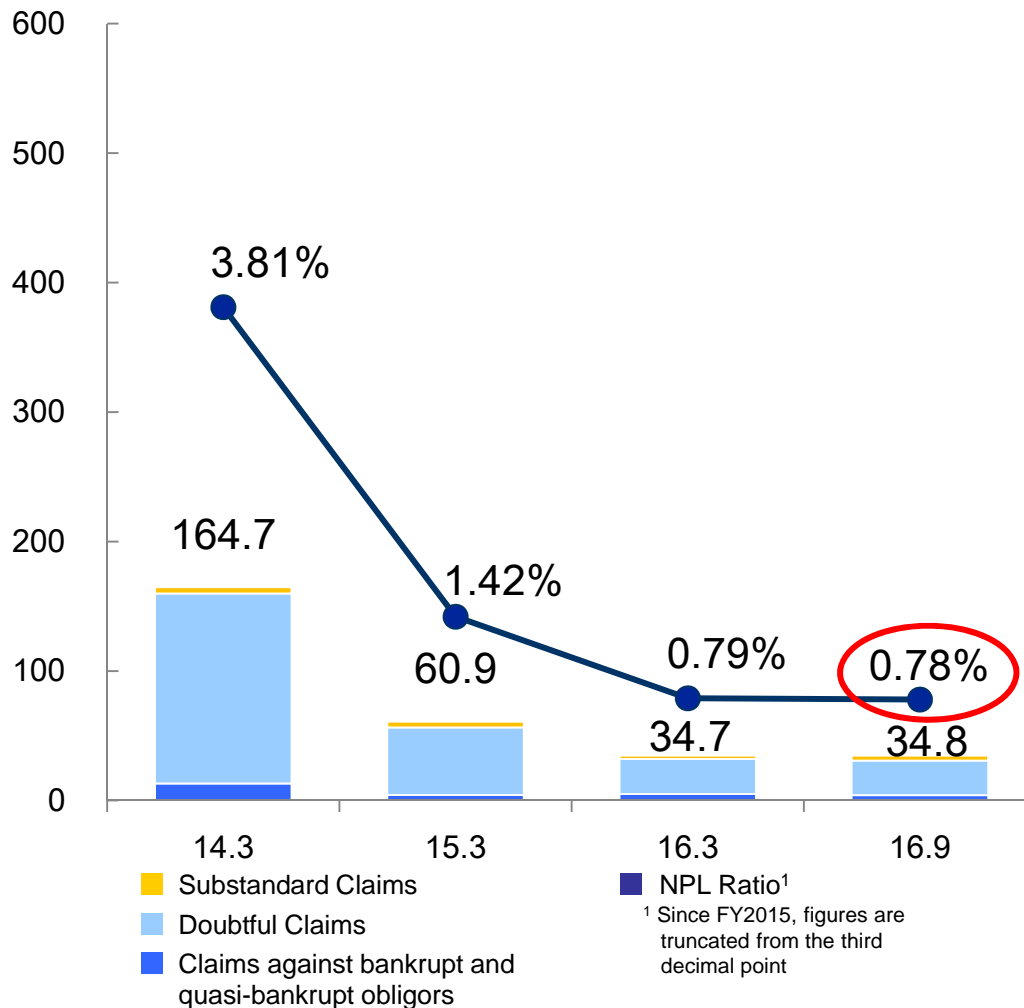
<sup>1</sup> Net Credit Costs Ratio = (Net Credit Costs ÷ Average Balance of Operating Assets) \* 2

# Asset Quality

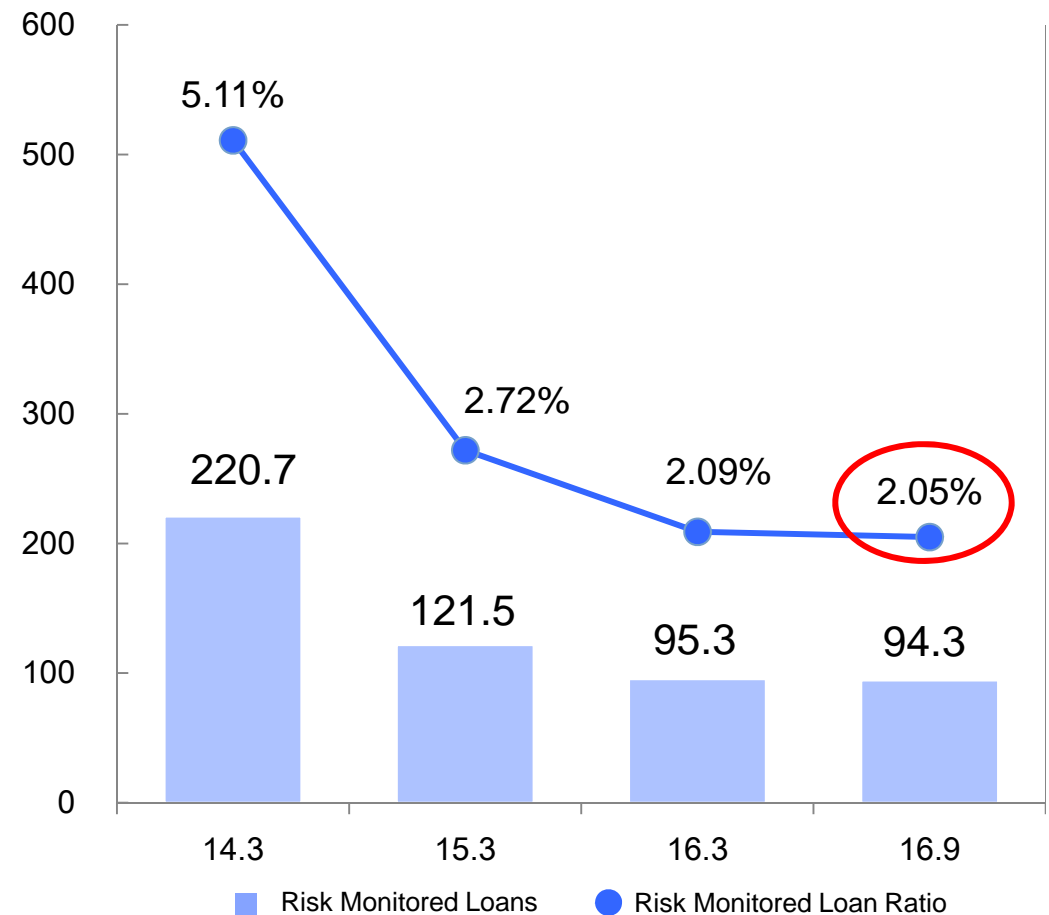
(Unit: JPY billion; %)

- The balance of nonperforming loans was JPY 34.8 billion and the nonperforming loan ratio remains low at 0.78%
- The Group-wide risk monitored loan balance was JPY 94.3 billion and the risk monitored loan ratio was 2.05%

NPL Amounts and NPL Ratio<sup>1</sup> Based on Financial Revitalization Law (Nonconsolidated)



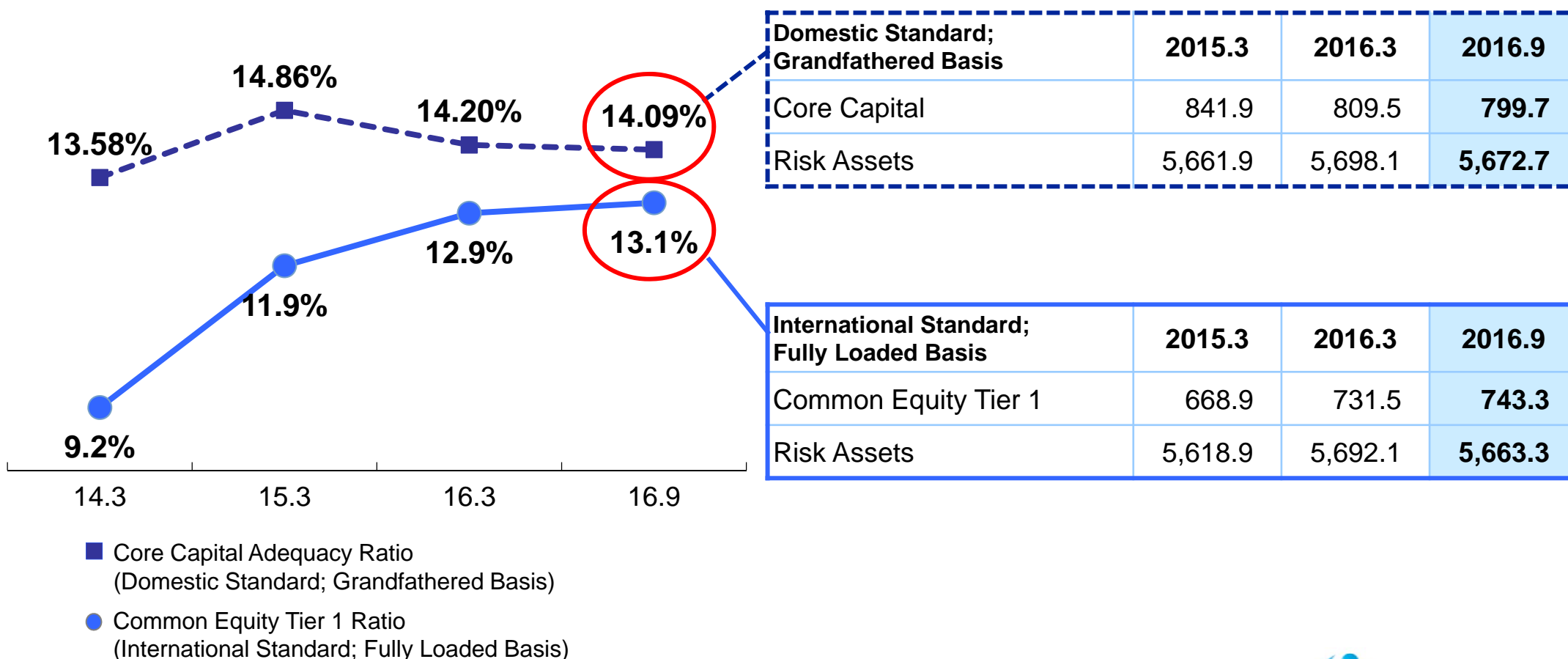
Risk Monitored Loans, Risk Monitored Loan Ratio (Consolidated)



# Capital

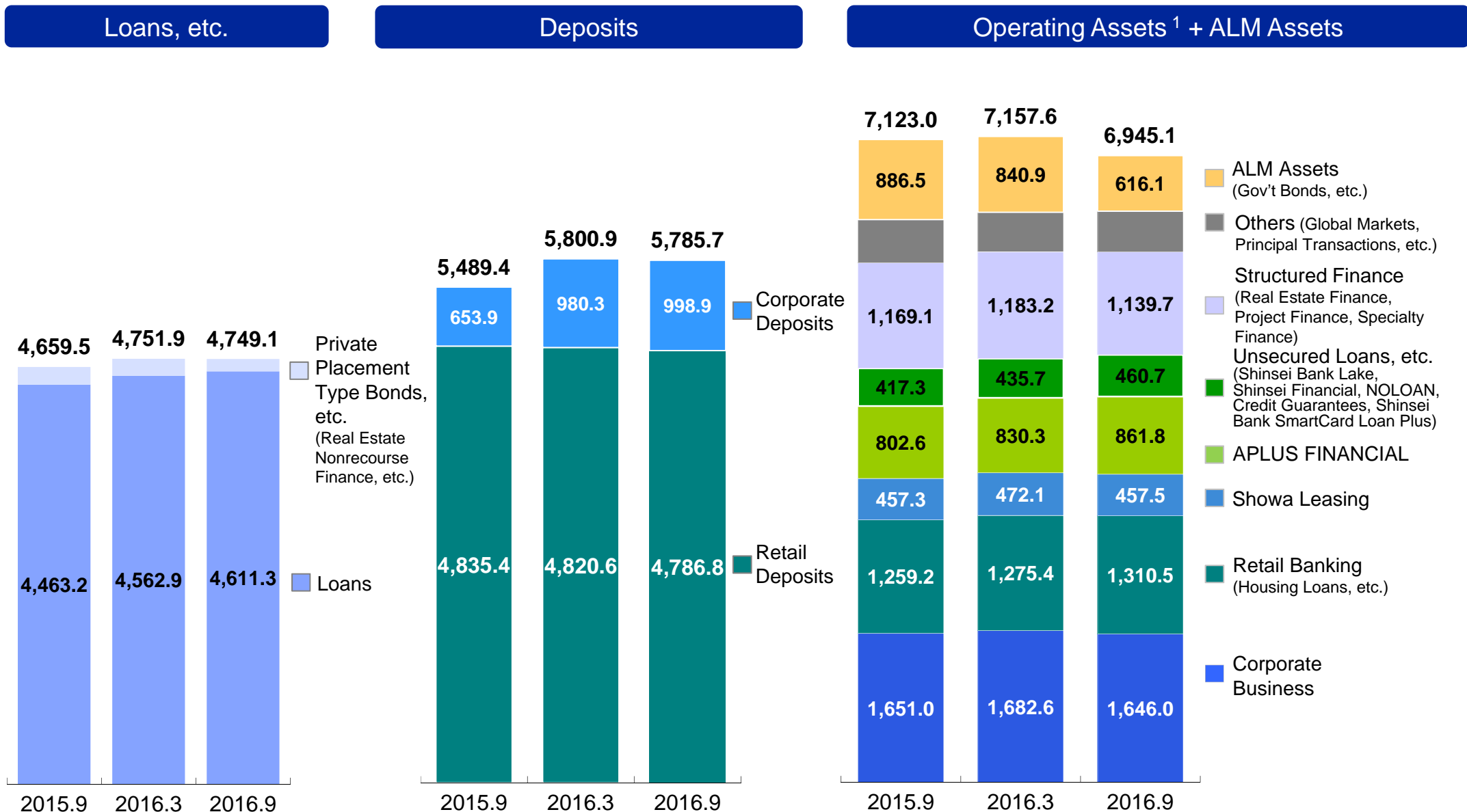
(Unit: JPY billion; %)

- Capital ratios continue to be maintained at ample levels
- Basel III domestic standard core capital adequacy ratio at 14.09%
- Basel III international standard fully loaded basis CET1 ratio at 13.1%
- The acquisition of treasury shares approved through a resolution of the Bank's Board of Directions on May 11, 2016, was completed on Aug. 5, 2016 (total repurchase amount: JPY 9.9 billion; shares repurchased: 65 million shares)



# Balances: Loans, Deposits; Operating Assets by Segment

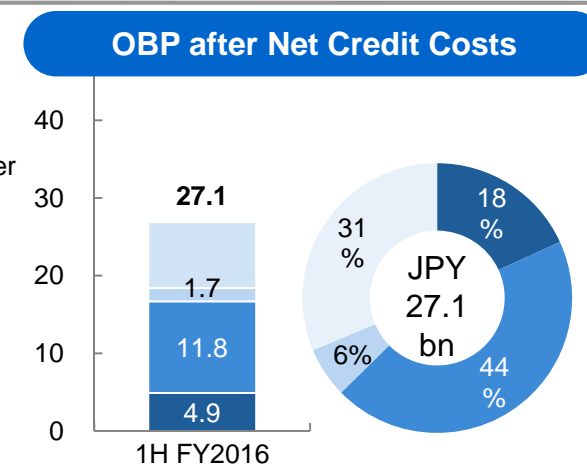
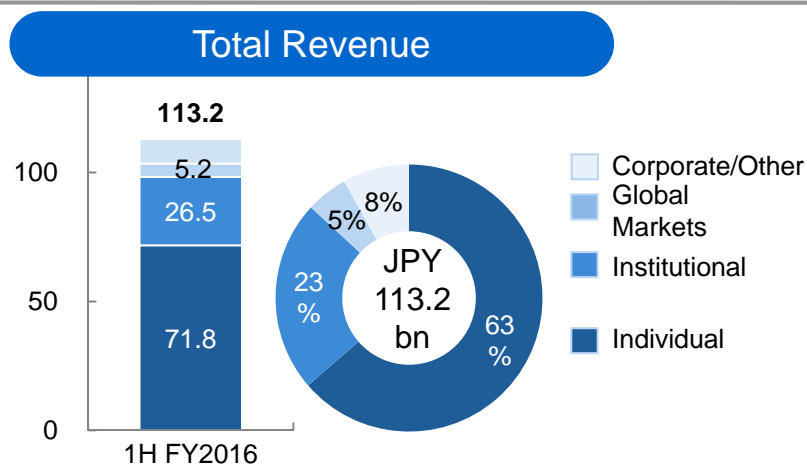
(Unit: JPY billion)



<sup>1</sup> Includes insurance not requiring funding (customers' liabilities for acceptance and guarantee)

# Segment PL (1H FY2016)

(Unit: JPY billion)



Segment
<b>Individual Business</b>
Retail Banking
Shinsei Financial <sup>1</sup>
APLUS FINANCIAL
Others
<b>Institutional Business</b>
Corporate Business
Structured Finance
Principal Transactions
Showa Leasing
<b>Global Markets Business</b>
Markets
Others
<b>Corporate/Other</b>
Treasury
Corporate/Other (excluding Treasury)
<b>Total</b>

1H FY2016	
Amount	Weight (%)
<b>71.8</b>	<b>63%</b>
13.2	12%
31.0	27%
26.8	24%
0.6	1%
<b>26.5</b>	<b>23%</b>
7.8	7%
9.1	8%
2.9	3%
6.5	6%
<b>5.2</b>	<b>5%</b>
4.3	4%
0.9	1%
<b>9.5</b>	<b>8%</b>
7.7	7%
1.8	2%
<b>113.2</b>	<b>100%</b>

1H FY2016	
Amount	Weight (%)
<b>4.9</b>	<b>18%</b>
-2.6	-10%
3.9	14%
3.3	12%
0.2	1%
<b>11.8</b>	<b>44%</b>
2.3	8%
5.7	21%
0.9	3%
2.7	10%
<b>1.7</b>	<b>6%</b>
2.7	10%
-0.9	-3%
<b>8.5</b>	<b>31%</b>
6.8	25%
1.6	6%
<b>27.1</b>	<b>100%</b>

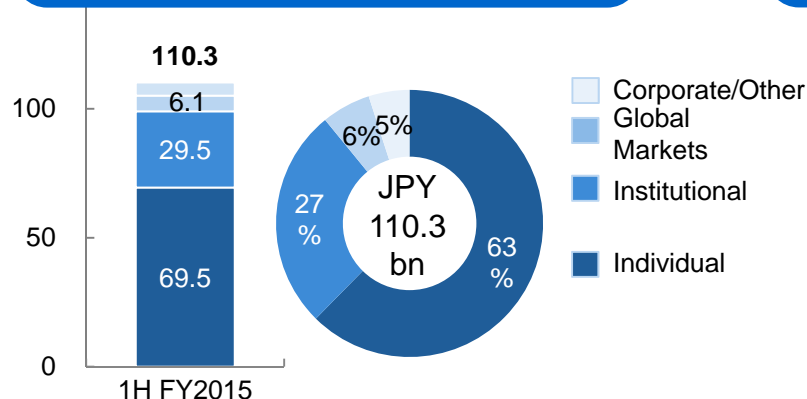
<sup>1</sup> Includes Shinsei Bank Lake and NOLOAN



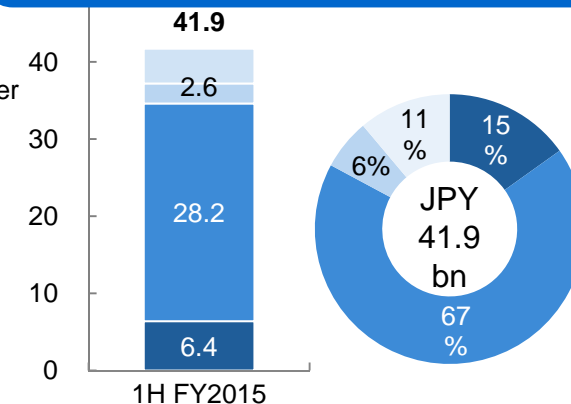
# Segment PL (1H FY2015)

(Unit: JPY billion)

## Total Revenue



## OBP after Net Credit Costs



Segment
<b>Individual Business</b>
Retail Banking
Shinsei Financial <sup>1</sup>
APLUS FINANCIAL
Others
<b>Institutional Business</b>
Corporate Business
Structured Finance
Principal Transactions
Showa Leasing
<b>Global Markets Business</b>
Markets
Others
<b>Corporate/Other</b>
Treasury
Corporate/Other (excluding Treasury)
<b>Total</b>

1H FY2015	
Amount	Weight (%)
<b>69.5</b>	<b>63%</b>
14.3	13%
29.0	26%
25.5	23%
0.7	1%
<b>29.5</b>	<b>27%</b>
8.0	7%
9.1	8%
2.0	2%
10.2	9%
<b>6.1</b>	<b>6%</b>
4.6	4%
1.5	1%
<b>5.1</b>	<b>5%</b>
4.5	4%
0.5	1%
<b>110.3</b>	<b>100%</b>

1H FY2015	
Amount	Weight (%)
<b>6.4</b>	<b>15%</b>
-2.3	-5%
5.2	12%
3.0	7%
0.4	1%
<b>28.2</b>	<b>67%</b>
1.8	4%
20.1	48%
-0.2	-0%
6.5	16%
<b>2.6</b>	<b>6%</b>
2.9	7%
-0.2	-0%
<b>4.5</b>	<b>11%</b>
3.7	9%
0.8	2%
<b>41.9</b>	<b>100%</b>

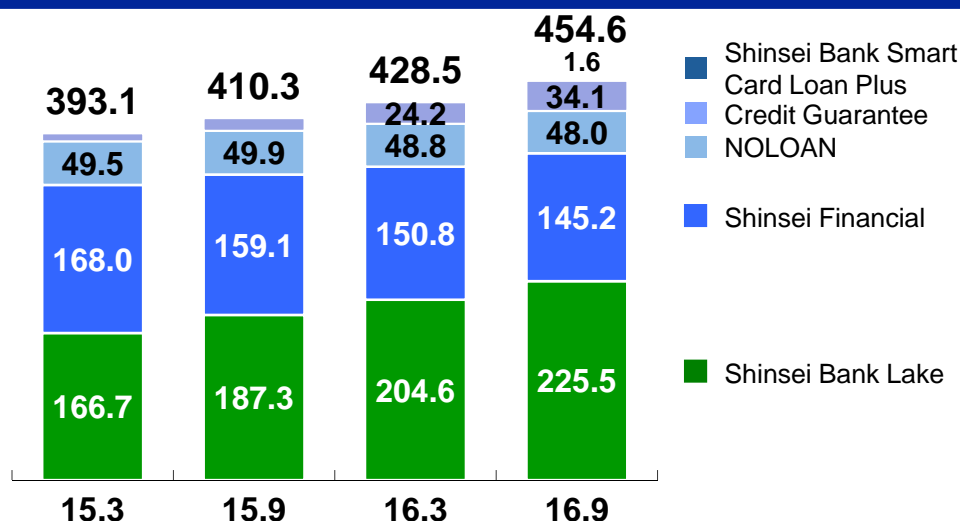
<sup>1</sup> Includes Shinsei Bank Lake and NOLOAN

# Unsecured Loans

(Unit: JPY billion; %)

- Total unsecured loan (Shinsei Bank Lake, Shinsei Financial, NOLOAN, Credit Guarantees and Shinsei Bank SmartCard Loan Plus) balance is JPY 454.6 billion, increased 12% on an annualized basis (compared to Mar. 31, 2016)
- Shinsei Bank Lake recorded total net interest income of JPY 18.2 billion, increased 21% Y-o-Y

## Unsecured Loan Balance

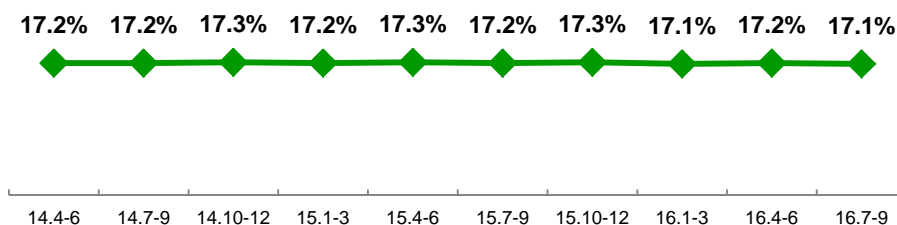


Shinsei Bank Lake + Shinsei Financial <sup>1</sup>	1H FY2015	1H FY2016	YoY(%) B(+)/W(-)
Net Interest Income	30.2	31.7	+5%
of which, Shinsei Bank Lake <sup>2</sup>	15.0	18.2	+21%
of which, NOLOAN	3.4	3.3	-3%
Noninterest Income	-1.2	-0.6	+50%
Expenses	-15.6	-16.9	-8%
Ordinary Business Profit	13.3	14.1	+6%
Net Credit Costs	-8.0	-10.1	-26%
OBP after Net Credit Costs	5.2	3.9	-25%

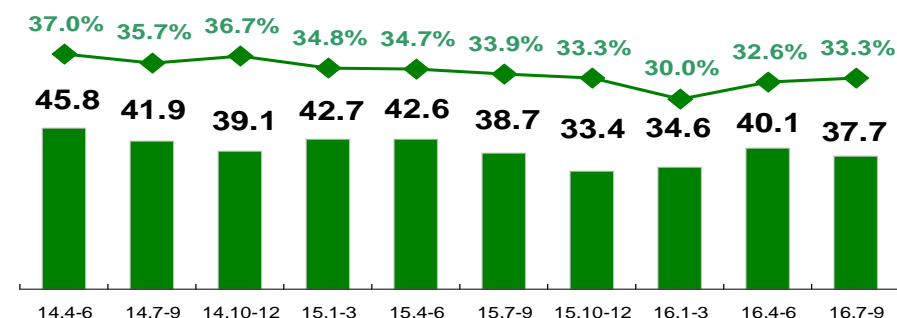
<sup>1</sup> Includes NOLOAN

<sup>2</sup> Includes Shinsei Bank Smart Card Loan Plus net interest income

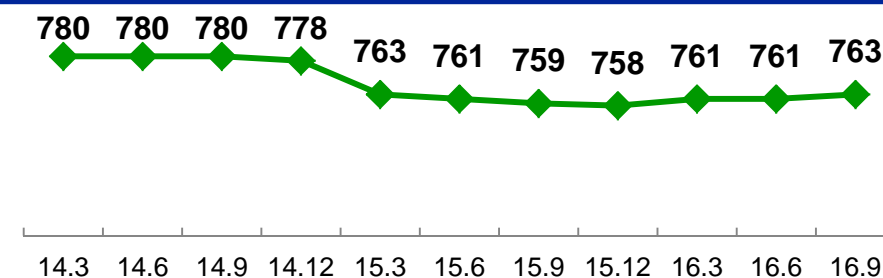
## Lake: Average Lending Rate



## Lake: New Customers (thousands), Approval Rate



## Lake: Number of Branches



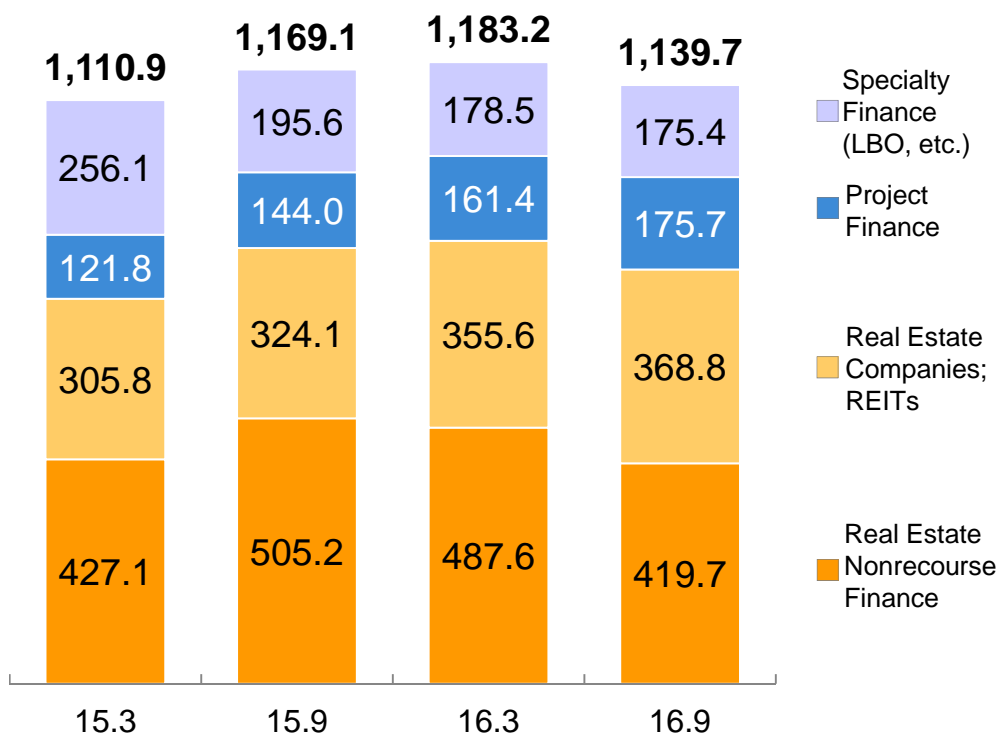
# Structured Finance

(Unit: JPY billion; %)

- New Project Finance commitments in 1HFY2016 totaled approx. JPY 90.0 billion (of which, JPY 60.0 billion domestic). Refining mega solar cash flow analysis capabilities and pursuing the diversification of project sectors through undertakings in other sources of power including wind, biomass and thermal power generation
- New real estate nonrecourse finance disbursements in 1HFY2016 totaled approx. JPY 130.0 billion (of which, JPY 100.0 billion domestic). Domestic undertakings were conducted selectively, primarily in office, hospitality and logistical facilities. Due to factors such as possible overheating of real estate prices and the uncertainty surrounding domestic and overseas economies, the Bank continues to place a strong emphasis on risk and return in the undertaking of initiatives
- Regarding direct effects of the U.K.'s EU referendum ("Brexit") on overseas lending
  - ◆ Real estate nonrecourse finance: Balance of JPY 56.0 billion. Vast majority associated with A class office buildings
  - ◆ Project finance: Balance of JPY 19.2 billion. Primarily high credit rating social infrastructure PPP<sup>1</sup> initiatives in the U.K.

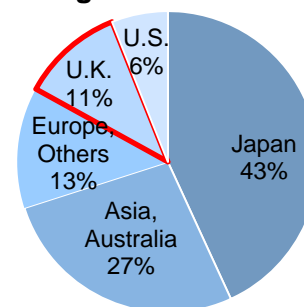
## Structured Finance

【Operating Asset Balance】

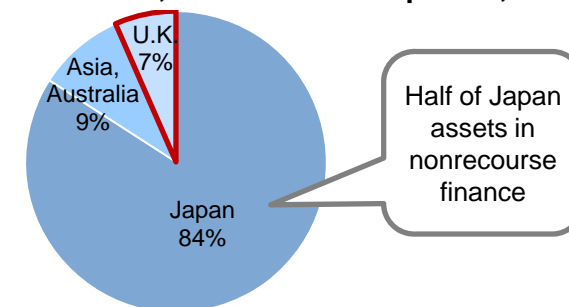


## Regional Breakdown (as of September 30, 2016)

【Project Finance】 (excluding commitment basis) (Nonrecourse, Real Estate Companies; REITs)



【Real Estate Finance】



Structured Finance	1H FY2015	1H FY2016	YoY(%) B(+)/W(-)
Net Interest Income	6.1	4.6	-25%
Noninterest Income	3.0	4.4	+47%
Expenses	-2.3	-2.4	-4%
Ordinary Business Profit	6.7	6.6	-1%
Net Credit Costs	13.3	-0.8	n.m.
OBP after Net Credit Costs	20.1	5.7	-72%

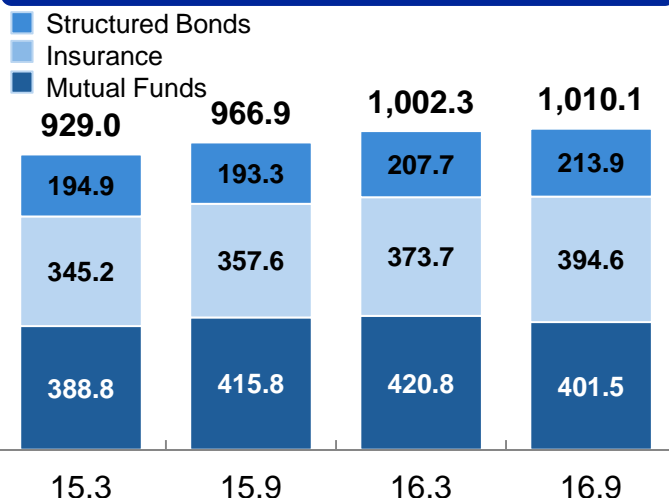
<sup>1</sup> PPP = Public Private Partnership

# Retail Banking

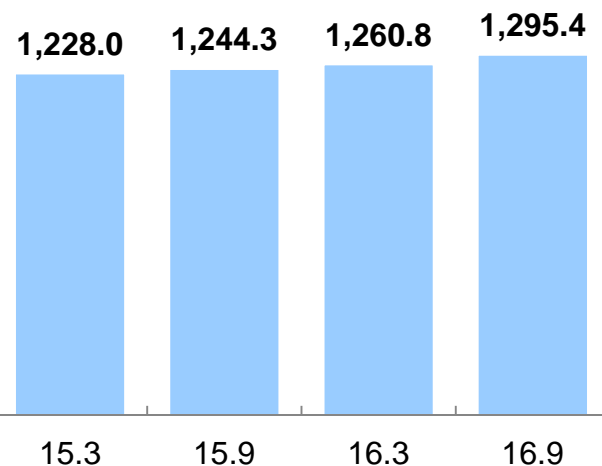
(Unit: JPY billion; %)

- While market wide risk aversion and situational vigilance continues, a slight recovery in the sale of asset management products has recently been observed
- Efforts to capture the refinancing needs of customers seeking to revise their loan terms has resulted in the housing loan balance growing 5% on an annualized basis (compared to Mar. 31, 2016) to JPY 1,295.4 billion
- The Bank's retail FCY deposit balance as of Sept. 30, 2016, totaled JPY 358.1 billion, increased 13% on an annualized basis (compared to Mar. 31, 2016), and continues to serve as the core of the Bank's FCY funding

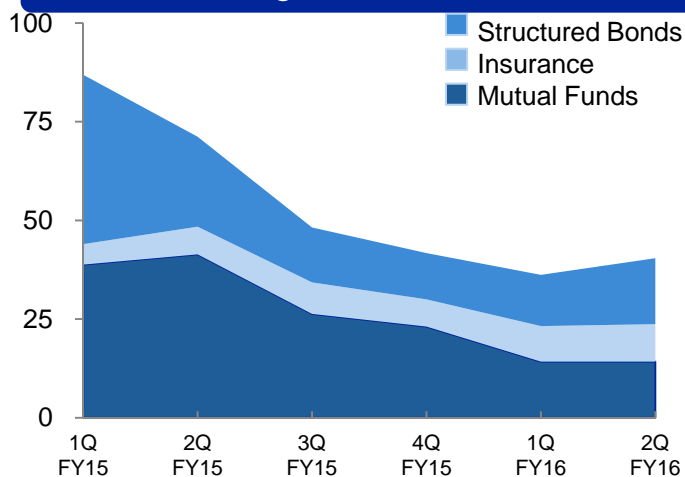
## Asset Management Product Balance



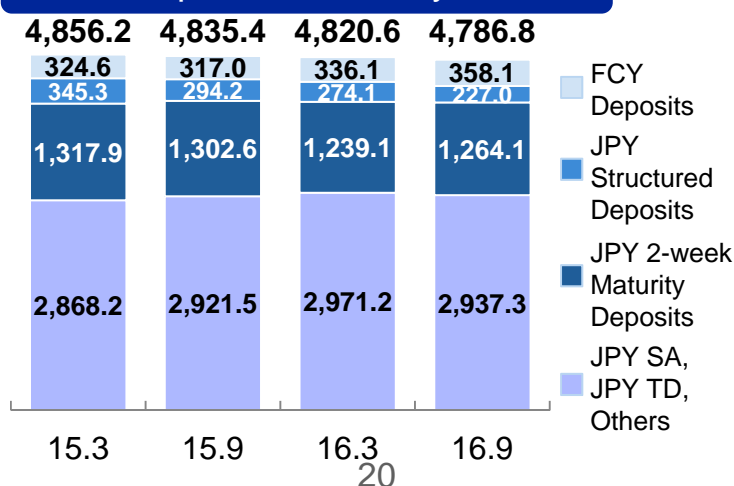
## Housing Loan Balance



## Asset Management Product Sales



## Retail Deposit Balance by Product



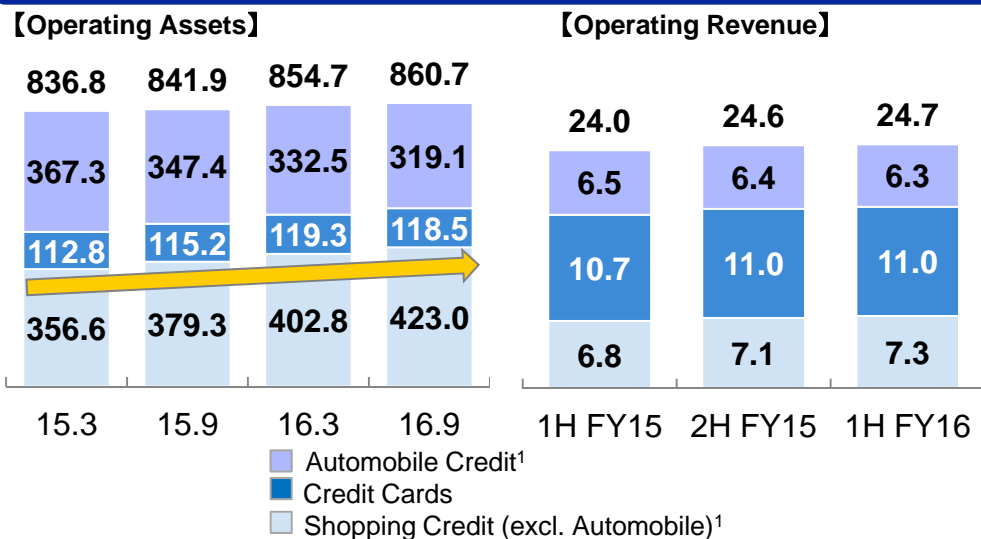
Retail Banking	1H FY2015	1H FY2016	YoY(%) B(+)/W(-)
Net Interest Income	10.6	11.8	+11%
of which, from Loans	5.2	5.4	+4%
of which, from Deposits, etc.	5.4	6.4	+19%
Noninterest Income	3.6	1.3	-64%
of which, from AMPs	5.6	3.6	-36%
of which, Other fees (ATM, FT, FX etc.)	-2.0	-2.2	-10%
Expenses	-16.4	-16.5	-1%
Ordinary Business Profit	-2.1	-3.2	-52%
Net Credit Costs	-0.1	0.6	n.m.
OBP after Net Credit Costs	-2.3	-2.6	-13%

# APLUS FINANCIAL, Showa Leasing

(Unit: JPY billion; %)

- In APLUS FINANCIAL, operating revenues from housing related loans and shopping credit continued to steadily increase. The provision of settlement agent services to the China based settlement service “WeChat Pay” in Japan has commenced and the development of a domestic network of outlets accepting WeChat Pay is underway
- Showa Leasing and APLUS FINANCIAL have commenced a vendor lease business in order to enhance capabilities in the provision of solutions to SMEs and small business owners

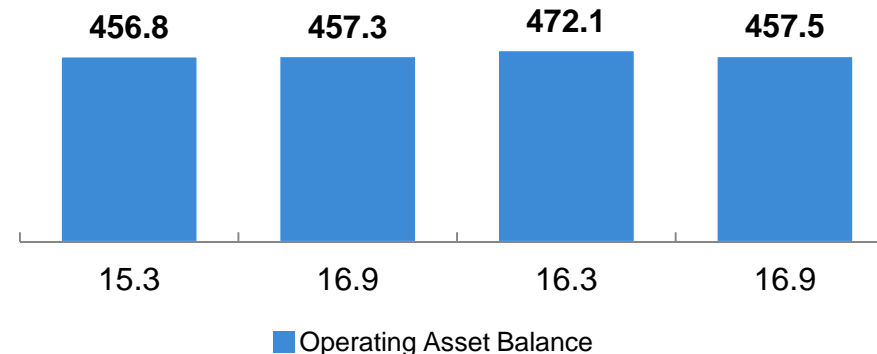
## APLUS FINANCIAL: Shopping Credit; Credit Cards



APLUS FINANCIAL	1H FY2015	1H FY2016	YoY(%) B(+)/W(-)
Net Interest Income	3.2	4.3	+34%
Noninterest Income	22.2	22.5	+1%
Expenses	-18.2	-18.7	-3%
Ordinary Business Profit	7.2	8.1	+13%
Net Credit Costs	-4.2	-4.7	-12%
OBP after Net Credit Costs	3.0	3.3	+10%

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

## Showa Leasing: Operating Assets



Showa Leasing	1H FY2015	1H FY2016	YoY(%) B(+)/W(-)
Net Interest Income	-1.0	-0.6	+40%
Noninterest Income	11.3	7.2	-36%
Expenses	-4.1	-4.2	-2%
Ordinary Business Profit	6.1	2.3	-62%
Net Credit Costs	0.4	0.3	-25%
OBP after Net Credit Costs	6.5	2.7	-58%

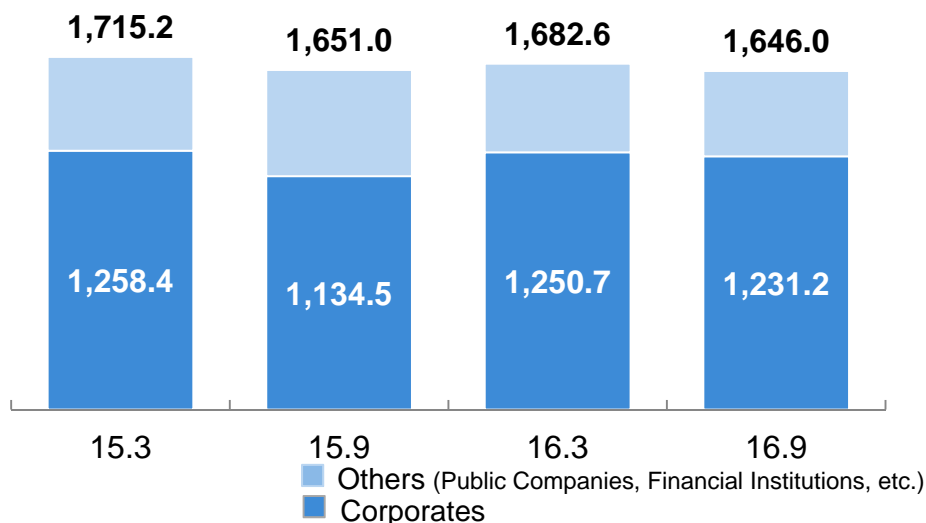
# Corporate Business, Global Markets

(Unit: JPY billion; %)

- In the Corporate Business emphasis has been shifted from transaction volume to quality and the Bank has engaged in new initiatives even more selectively in regard to risk and return, and net interest income is largely in line with our expectations
- Regarding Global Markets, while aversion toward investments by retail customers resulted in weak sales of asset management products, including structured bonds, sales of structured deposits which met the asset management needs of regional financial institution customers were robust

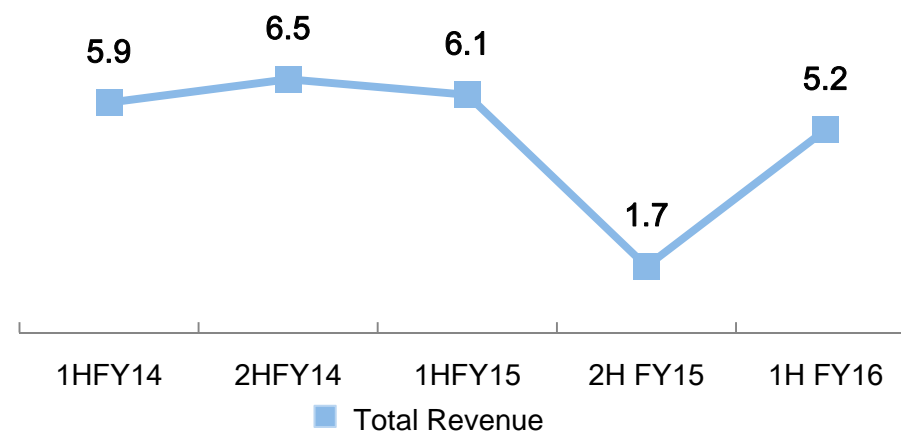
## Corporate Business

【Operating Asset Balance】



Institutional Business	1H FY2015	1H FY2016	YoY(%) B(+)/W(-)
Net Interest Income	5.2	5.4	+4%
Noninterest Income	2.7	2.4	-11%
Expenses	-5.7	-5.4	+5%
Ordinary Business Profit	2.2	2.4	+9%
Net Credit Costs	-0.4	-0.1	+75%
OBP after Net Credit Costs	1.8	2.3	+28%

## Global Markets



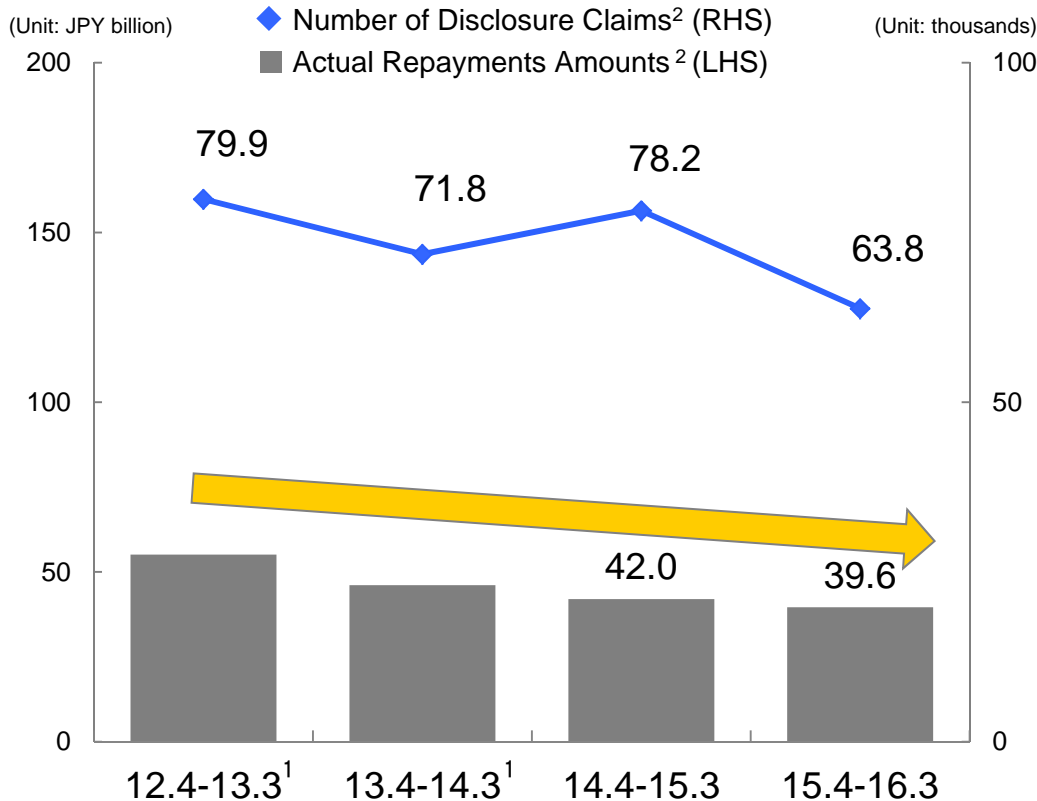
Global Markets	1H FY2015	1H FY2016	YoY(%) B(+)/W(-)
Net Interest Income	1.0	1.0	0%
Noninterest Income	5.1	4.2	-18%
Expenses	-3.7	-3.4	+8%
Ordinary Business Profit	2.4	1.7	-29%
Net Credit Costs	0.2	0.0	-100%
OBP after Net Credit Costs	2.6	1.7	-35%

# Interest Repayment (Grey Zone)

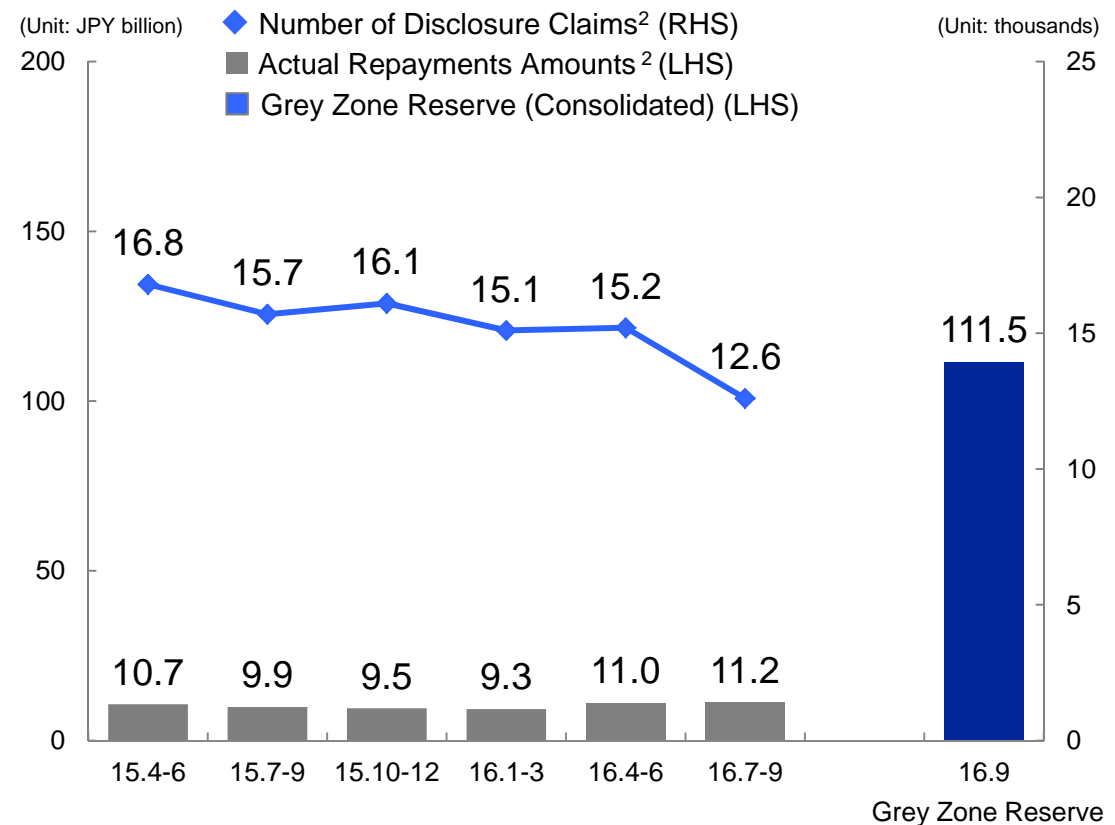
(Unit: JPY billion)

- The total grey zone reserve of the Shinsei Bank Group stands at JPY 111.5 billion, a sufficient level from a Group-wide perspective
- While interest repayments in 2QFY2016 were largely flat on a Q-on-Q basis due to the processing of previously received claims at each company, disclosure claims have decreased significantly
- While continuing to closely monitor disclosure claims and actual repayment amounts, the Bank has observed no significant changes to the long term declining trend

## 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

# Key Data

(Unit: JPY billion; %)

## Balance Sheet

	2013.3	2014.3	2015.3	2016.3	2016.9
Loans and bills discounted	4,292.4	4,319.8	4,461.2	4,562.9	4,611.3
Securities	1,842.3	1,557.0	1,477.3	1,227.8	1,028.6
Lease receivables/ leased investment assets	203.5	227.7	227.0	211.4	190.7
Installment receivables	365.8	421.9	459.1	516.3	521.2
Reserve for credit losses	-161.8	-137.3	-108.2	-91.7	-95.6
Deferred Tax Assets	16.3	16.5	15.3	14.0	15.5
<b>Total assets</b>	<b>9,029.3</b>	<b>9,321.1</b>	<b>8,889.8</b>	<b>8,928.7</b>	<b>8,997.1</b>
Deposits including negotiable certificates of deposits	5,457.5	5,850.4	5,452.7	5,800.9	5,785.7
Borrowed money	719.2	643.4	805.2	801.7	760.6
Corporate bonds	174.2	177.2	157.5	95.1	112.1
Grey zone reserves	34.9	208.2	170.2	133.6	111.5
<b>Total liabilities</b>	<b>8,345.6</b>	<b>8,598.5</b>	<b>8,136.0</b>	<b>8,135.6</b>	<b>8,206.9</b>
Shareholders' equity	626.3	665.1	728.5	786.8	798.4
<b>Total net assets</b>	<b>683.6</b>	<b>722.5</b>	<b>753.7</b>	<b>793.1</b>	<b>790.2</b>

## Financial Ratios

	FY2012	FY2013	FY2014	FY2015	1H FY2016
Expense-to-revenue ratio	64.6%	65.4%	60.2%	64.9%	63.0%
Loan-to-deposit ratio	78.7%	73.8%	81.8%	78.7%	79.7%
ROA	0.6%	0.5%	0.7%	0.7%	0.6% <sup>1</sup>
ROE	8.6%	6.5%	9.8%	8.1%	6.3% <sup>1</sup>
RORA	n.a.	0.7%	1.2%	1.1%	0.9% <sup>1</sup>

## Per Share Data

(Unit: Yen)	FY2012	FY2013	FY2014	FY2015	1HFY2016
BPS	233.65	247.82	275.45	294.41	303.96
EPS	19.24	15.59	25.57	22.96	9.51

## Credit Ratings

	2013.3	2014.3	2015.3	2016.3	2016.9
<b>R&amp;I</b>	BBB+ (Stable)	BBB+ (Positive)	BBB+ (Positive)	BBB+ (Positive)	BBB+ (Positive)
<b>JCR</b>	BBB (Positive)	BBB+ (Stable)	BBB+ (Stable)	BBB+ (Stable)	BBB+ (Stable)
<b>S&amp;P</b>	BBB+ (Stable)	BBB+ (Stable)	BBB+ (Stable)	BBB+ (Stable)	BBB+ (Stable)
<b>Moody's</b>	Ba1 (Stable)	Baa3 (Stable)	Baa3 (Positive)	Baa3 (Positive)	Baa2 (Stable)

<sup>1</sup> Annualized Basis





**Appendices:**  
***Overview of the Shinsei Bank Group***

# The Shinsei Bank Group: Corporate Overview

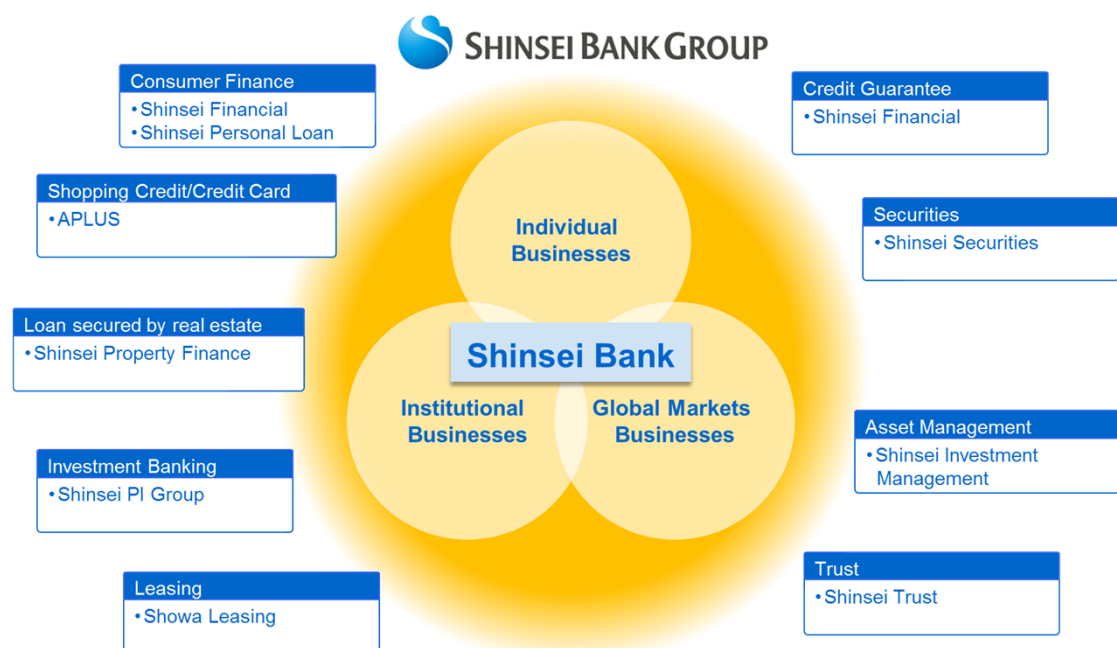
## Company Information

Name	Shinsei Bank, Limited		
Established	December 1, 1952		
Representative Director & President	President & CEO Hideyuki Kudo (Appointed June 17, 2015)		
Listed on	Tokyo Stock Exchange (Listed on February 19, 2004)		
Code	8303		
No. of outstanding shares issued	2,750,346,891 (Including treasury shares)		
No. of employees	5,356 (Consolidated basis), 2,210 (Nonconsolidated basis)		
No. of branches	28 branches including head office and 7 annexes		
Large Shareholders * (as of March 31, 2016)	J.C.F Flowers&Co.LLC (including its affiliates)	553,663,517	(20.86%)
	Government (the Deposit Insurance Corporation and the Resolution and Collection	469,128,888	(17.67%)
Ratings information (As of Sept. 30, 2016)	Moody's	Long-term Baa2 (St)	Short-term Prime 2
	Standard & Poor's (S&P)	Long-term BBB+ (St)	Short-term A-2
	Japan Credit Rating Agency (JCR)	Long-term BBB+ (St)	Short-term J-2
	Rating & Investment Information, Inc. (R&I)	Long-term BBB+ (Pos)	Short-term a-2

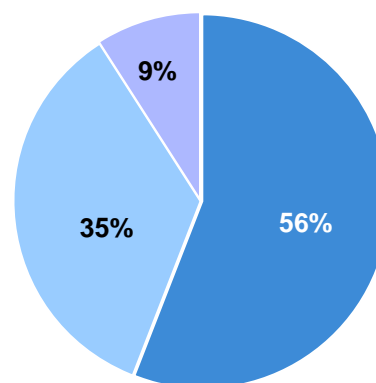
## History

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. in April 1, 2010)
March 2005	Acquired a controlling interest in Showa Leasing Co., Ltd.
December 2007	Acquired a controlling interest in SHINKI 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

## Businesses



## Basic Information on Shares



(As of March 31, 2016)

### [Ownership Structure]

- Foreign Institutions and Individuals
- Japanese Institutions
- Japanese Individuals and Others (including Treasury Stock)

Dividend	FY2015
Dividend	1 yen / share
Payout Ratio	4 %

# The Shinsei Bank Group: Management Structure

(As of April 1, 2016)

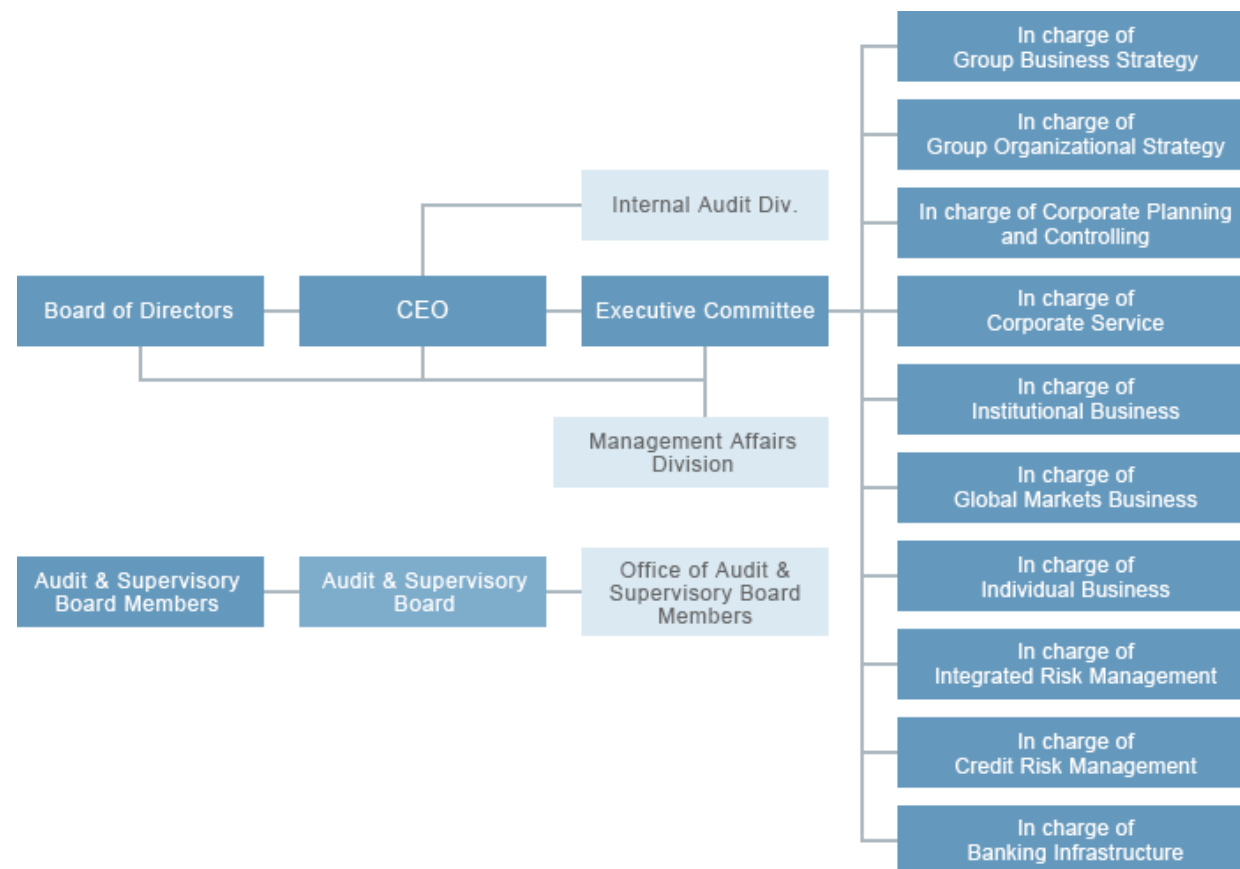
## Board of Directors (2 Internal, 5 External)

Hideyuki Kudo		Shinsei Bank Representative Director, President & CEO
Yukio Nakamura		Shinsei Bank Representative Director, Deputy President
J. Christopher Flowers	Outside Director	Managing Director and CEO, J. C. Flowers & Co. LLC
Ernest M. Higa	Outside Director	Chairman President & CEO, Higa Industries Co., Ltd.
Shigeru Kani	Outside Director	Former Director, Administration Department, The Bank of Japan Specially Appointed Professor, Yokohama College of Commerce
Jun Makihara	Outside Director	Director, Monex Group, Inc. Director, Philip Morris International Inc.
Ryuichi Tomimura	Outside Director	Executive Vice President, Director, SIGMAXYZ Inc.

## Audit & Supervisory Board Members (1 Internal, 2 External)

Shinya Nagata	Shinsei Bank
Michio Shibuya	Certified Public Accountant
Kozue Shiga	Lawyer

## Organization



# The Shinsei Bank Group: Medium- to Long-Term Vision, Competitive Advantages of the Group

## ■ Medium- to Long-Term vision:

1. To be a financial innovator that provides innovative financial services made possible through the integration of its Group companies
2. To be a financial group that achieves outstanding productivity and efficiency by implementing lean operations through ongoing improvements and reforms
3. To be a financial group which, in addition to rewarding its stakeholders, is unified by the core values born from the confidence, sense of fulfillment and the pride created through the achievement of the above

## ■ Comparative Advantages:



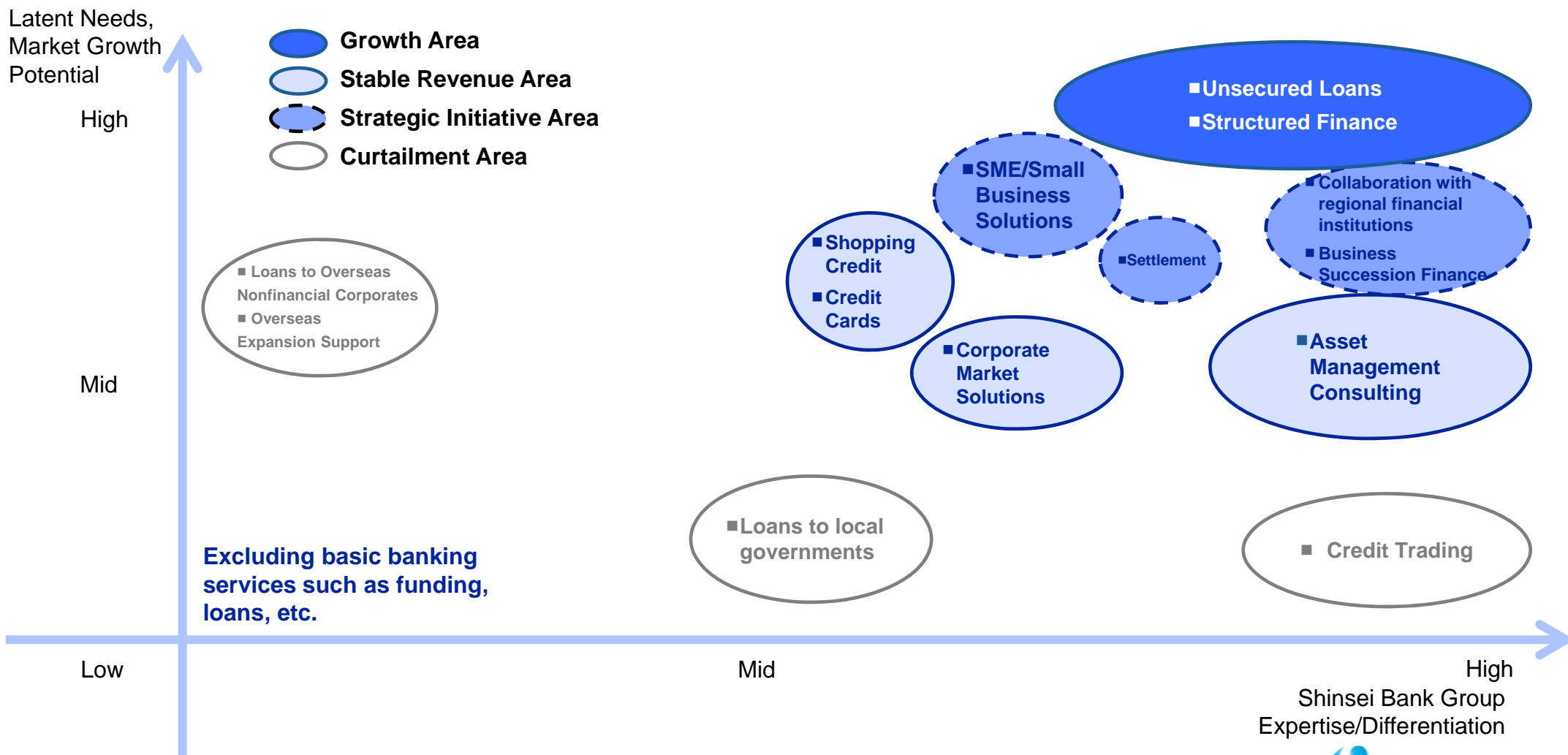
Information Technology  
Retail Businesses Leveraging  
Scientific/Statistical Approaches

Financial Technology  
High Added Value Financial Services Made  
Possible Through Tailor-Made Services



# The Shinsei Bank Group: Strategic Mapping of Businesses

- Proactively allocating management resources to Unsecured Loans and Structured Finance, businesses classified as “growth areas”
- Engaging selectively in other business areas while reapplying strengths and optimizing resources



# The Shinsei Bank Group: 3<sup>rd</sup> MTMP Financial Indicators

(Unit: JPY billion; %)

- With a focus on growing stable revenues, the Bank establishes a net income target of JPY 64.0 billion in FY2018
- Achieve an expense-to-revenue ratio between 50%-60% through business management that emphasizes efficiency
- Capital policy remains a key management issue. We continue to seek to set a path to public fund repayment and to improve shareholder returns while pursuing the accumulation of a sufficient level of retained earnings as a public fund injected bank
- Deliberations regarding appropriate ROE and CET1 ratio targets under way

		FY2015 Actual		FY2018 Target
<b>Sustainability</b>	<b>Net Income</b>	60.9		64.0
	<b>RORA<sup>1,2</sup></b>	1.1%		Around 1%
<b>Efficiency</b>	<b>Expense-to-Revenue Ratio</b>	64.9%		Below 60%
	<b>ROE</b>	8.1%		
	<b>Common Equity Tier 1 Ratio<sup>2</sup></b>	12.9%		

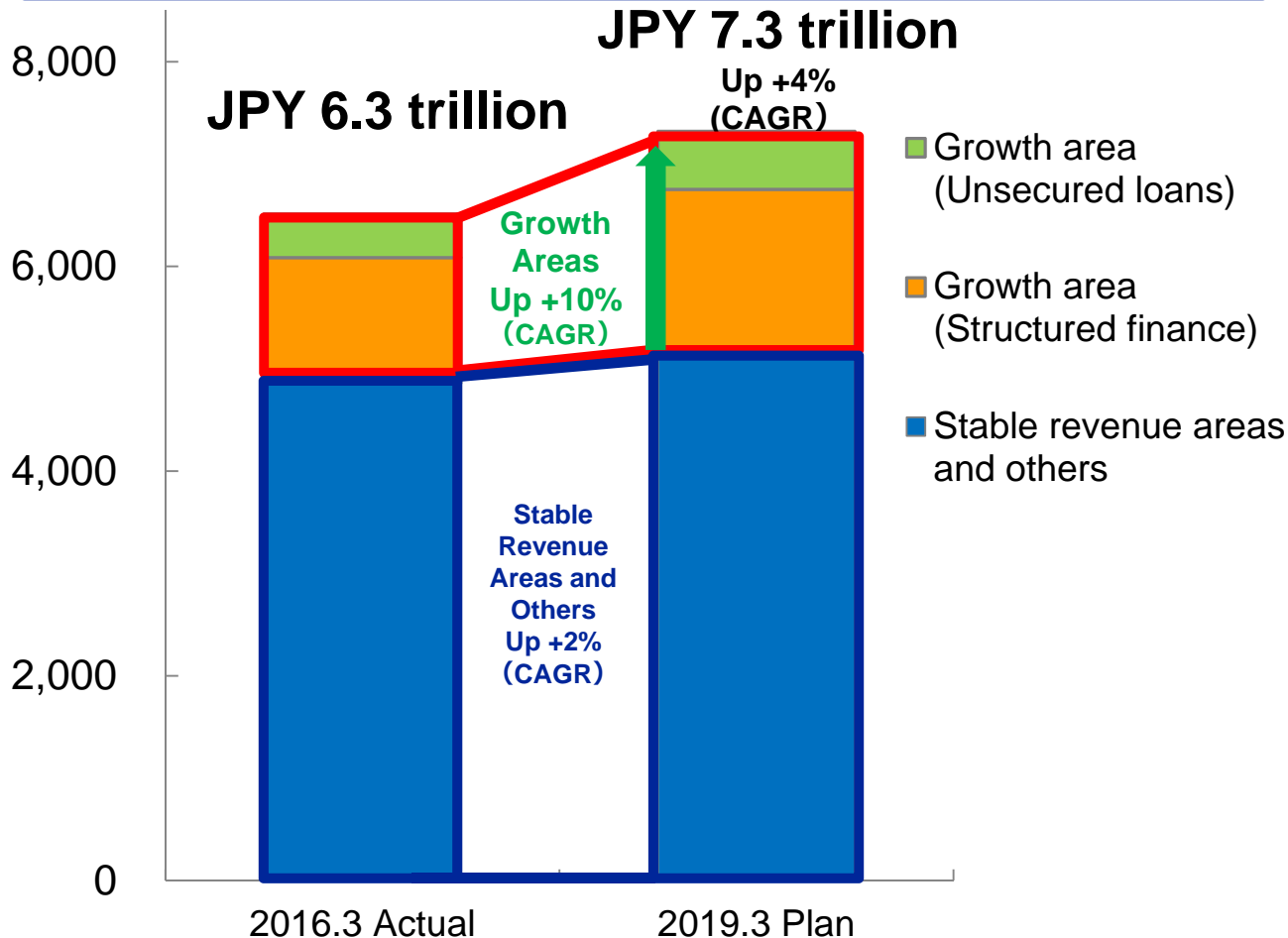
1. RORA is calculated as net income divided by fiscal year end risk assets  
 2. Basel III international standard fully loaded basis

# The Shinsei Bank Group: 3<sup>rd</sup> MTMP Financial Targets

(Unit: JPY billion)

- The growth areas of unsecured loans and structured finance continue to spearhead stable net revenue growth
- While expenses are expected to increase due to IT system investment, costs will be minimized through control enhancement
- Net credit costs normalizing and are expected to increase as the Consumer Finance business balance grows
- Focusing on plan achievability and not incorporating one time revenues, the 3<sup>rd</sup> MTMP targets a FY2018 (final year of 3<sup>rd</sup> MTMP) full year net income target of JPY 64.0 billion through the growth of stable revenues

## Operating Asset Balance



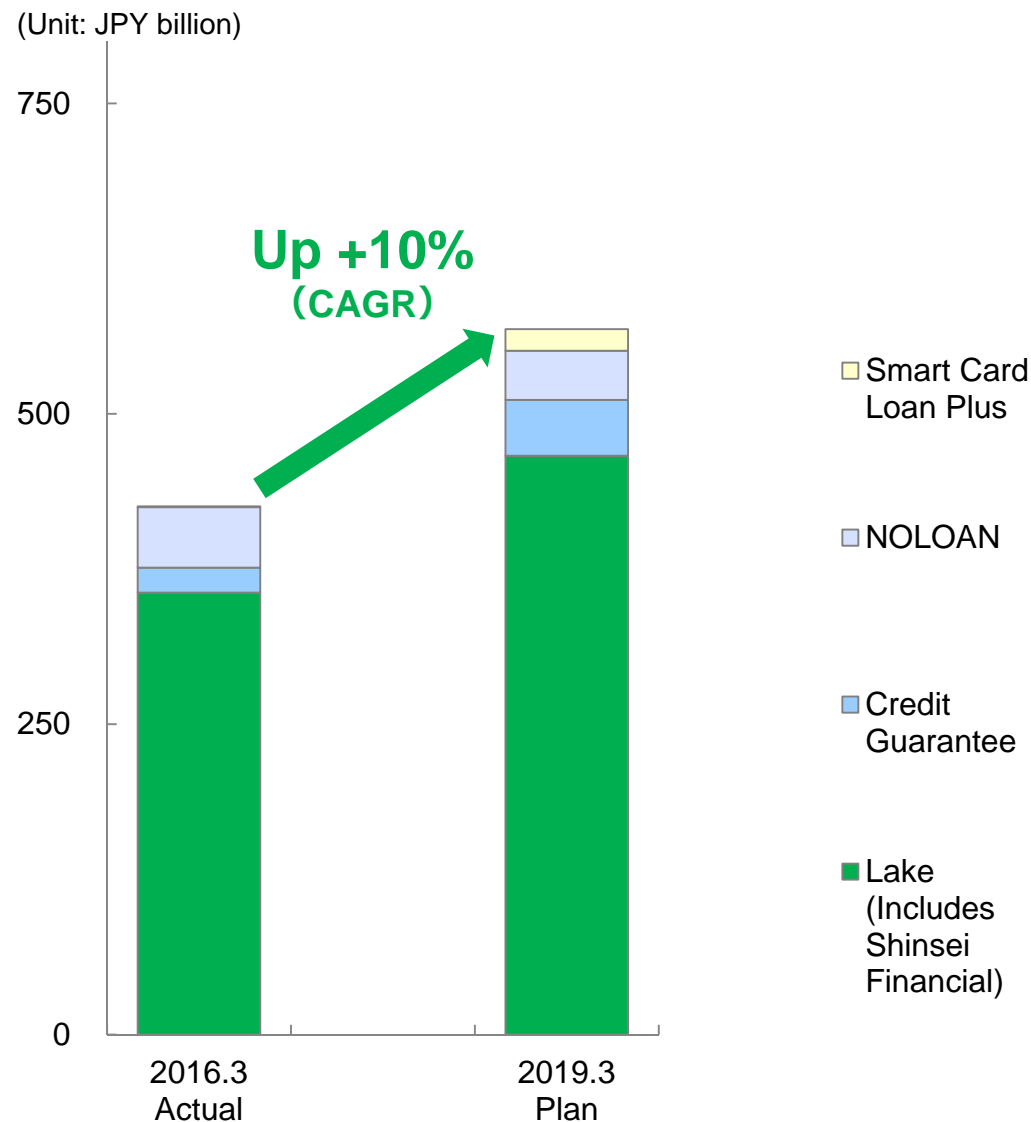
## P&L

3 <sup>rd</sup> MTMP (3 <sup>rd</sup> year)	FY2018
Total Revenue	258.0
Expenses	-149.0
Ordinary Business Profit	109.0
Net Credit Costs	-34.0
Others/Taxes, etc.	-11.0
<b>Net Income</b>	<b>64.0</b>

# The Shinsei Bank Group: Unsecured Loans

- Grow balance and total customers of “Lake,” the Bank’s primary brand, through the following initiatives
  - ◆ Raise brand awareness through the appropriate investment of advertising expenses and increasing advertising effectiveness in order to grow new customer acquisitions
  - ◆ Improve convenience through online contracting services and revisions of unmanned outlet locations
  - ◆ Increase utilization and retention by implementing a framework, including the utilization of AI, to enable the accumulation and analysis of customer behavioral patterns in order to enable highly customized contact approaches
  - ◆ Grow average customer balances and utilization rates through simplification of document submission processes and enhancing product features

## Unsecured Loan Operating Asset Balance





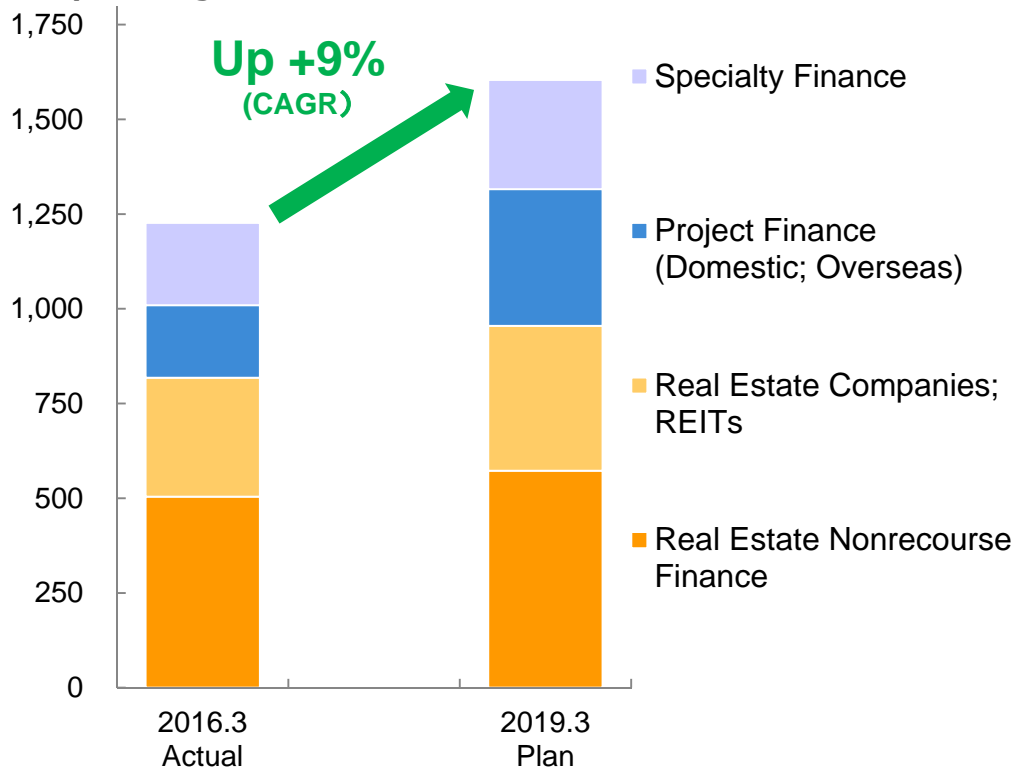
# The Shinsei Bank Group: Structured Finance

(Unit: JPY billion)

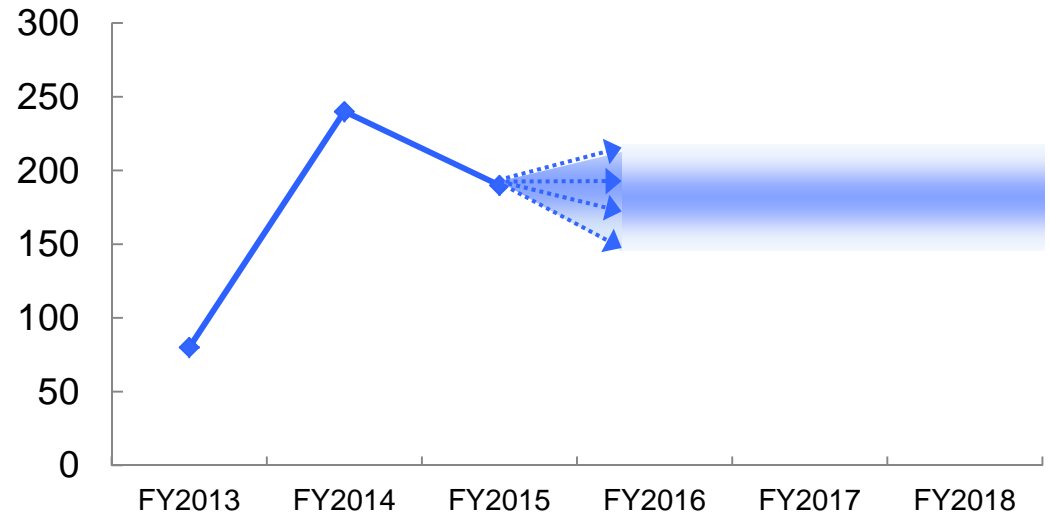
## Structured Finance Business

- Real Estate Finance:** Whilst ensuring operation which takes into account both market conditions as well as risk and return, by speedily and flexibly evaluating initiatives in order to meet customer needs, going forward the Bank expects to newly disburse approximately JPY 200 billion each fiscal year
- Project Finance:** Leveraging the Bank's expertise in risk analysis and structuring, the Bank expects to engage in a wide variety of both domestic and overseas projects

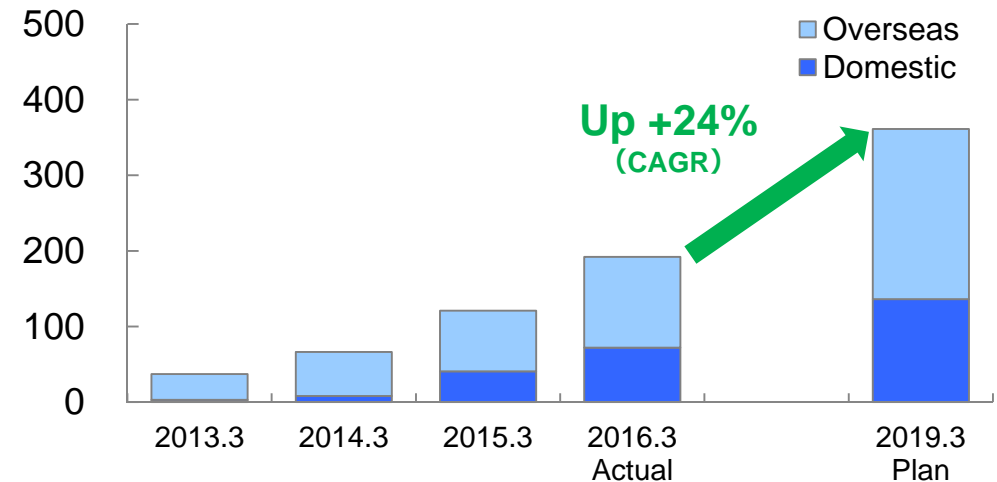
### 【Operating Assets】



## New Real Estate Finance Disbursements



## Project Finance Balance (Domestic; Overseas)



- **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.**
- **Unless otherwise noted, the financial data contained in these materials are presented under Japanese GAAP. The Company 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 other than the Company and its subsidiaries 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.**