

For Immediate Release

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**Issuance of the FY2017 - 2020 “Japanese Economy Outlook”
(Sixth Issue, Q3 2017 GDP (2nd Preliminary),
December 26, 2017 edition)**

- While we expect stronger economic outlook, price is unlikely to reach 2% goal: (Summary) -

Tokyo (Tuesday, December 26, 2017) --- Shinsei Bank, Limited today announced its issuance of fiscal year 2017 to fiscal year 2020 “Japanese Economy Outlook” (Sixth Issue, Q3 2017 GDP (2nd Preliminary), December 26, 2017 edition).

Highlights:

- We revise up the economic outlook based on the recent GDP data and robust overseas economy.
- Reason 1: 2017-Q3 GDP (2nd Preliminary) growth rate is stronger than our expectation.
- Reason 2: Stronger demand in overseas economy due to the impact of future US tax cut and the improvement in European economy.
- Although we are relatively bullish on recent economic growth rates, we are still cautious on the economic outlook in the long-run because we believe that Japanese economy is still staying at “deflationary equilibrium”.

We revised up nominal GDP growth rate outlook for FY2017 from +2.1% to +2.4% and for FY2018 from +1.9% to +2.1%. We also changed real GDP outlook for FY2017 from +1.9% to +2.1% and for FY2018 from +1.5% to +1.6%.

2017-Q3 GDP growth rate (2nd Preliminary, annualized) was +2.5%, stronger than our expectation (+2.0%), which was higher than the market consensus.

In the monetary policy meetings held in December, the US and Eurozone central banks revised up their respective economic outlook for 2018 substantially, by +0.5 percentage points. The policy development in the US tax cut and the robust Eurozone growth, despite the strong Euro, were the reasons for the revisions.

Around 2010, the US economy faced a deflation risk similar to Japan. However, the Fed started to increase the policy rate in December, 2015, and currently the short-term interest rate is well above 1%. We think the deflation risk in the US is already over. On the other hand, there is still a significant risk that Japanese economy may fall back to deflation despite the improvements in the employment figures as we see no strong sign of increase in prices, which has made the economy stay near the “deflationary equilibrium.”

Shinsei Bank is a leading diversified Japanese financial institution providing a full range of financial products and services to both institutional and individual customers. The Bank has a network of outlets throughout Japan and is committed in its pursuit of uncompromising levels of integrity and transparency in all of its activities in order to earn the trust of its customers, staff and shareholders. The Bank is committed to delivering long-term profit growth and increasing value for all its stakeholders. News and other information about Shinsei Bank is available at <http://www.shinseibank.com/corporate/en/index.html>