



Business and Financial Highlights

Nine Months Ended December 31, 2015

Shinsei Bank, Limited
January 2016



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3Q FY2015 Key Points:

1 3Q FY2015 net income¹ was JPY 48.1 billion

- ✓ Down 8% year-on-year
- ✓ Revenue : JPY 164.3 billion (down 6% year-on-year)
- ✓ Net Credit Costs: JPY 3.5 billion (improved 39% year-on-year)

2 FY2015 full year net income¹ forecast has been revised downward to JPY 62 billion

- ✓ Downward revision from original forecast of JPY 70 billion to JPY 62 billion (11% decrease)
- ✓ Revision was made due mainly to the recording of a loss of JPY 5.3 billion in the Principal Transactions business as a result of the reassessment of a fund investment, as well as the recent deterioration in overall market conditions

¹ In accordance with the revision of the Accounting Standard for Business Combination, as of FY2015 net income and cash basis net income are referred to as profit attributable to owners of the parent and cash basis profit attributable to owners of the parent

3Q FY2015 Financial Summary:

(Unit: JPY billion)

Consolidated	3Q FY2014 (9 mon)	3Q FY2015 (9 mon)		FY2015 Full year Forecast
			YoY B(+)/W(-)	
Revenue	175.6	164.3	-6%	
Net Interest Income	97.6	90.4	-7%	
Noninterest Income	78.0	73.8	-5%	
Expenses	-105.4	-104.6	+1%	
Ordinary Business Profit	70.2	59.6	-15%	
Net Credit Costs	-5.7	-3.5	+39%	
Others	-12.1	-8.0	+34%	
Net Income	52.3	48.1	-8%	62.0
Cash Basis Net Income ¹	58.1	53.3	-8%	68.0

3Q FY2015 Financial Summary

- **Net Interest Income: JPY 90.4 bn**
Down due to absence of one time gain (JPY 9.2 bn) recorded in the previous fiscal year
- **Noninterest Income: JPY 73.8 bn**
Down due primarily to significant loss (JPY 5.3 bn) in Principal Transactions business
- **Expenses: JPY -104.6 bn**
Expense control continues
- **Net Credit Costs: JPY -3.5 bn**
Credit costs in consumer finance businesses partly offset by credit reversals arising from disposal of NPLs

Risks in the FY2015 Full Year Forecast

- Uncertainty of credit reversals from further disposal on NPLs
- Uncertainty of market related revenue

¹ Cash basis net income is calculated by excluding amortization of goodwill and other intangible assets, net of tax benefit

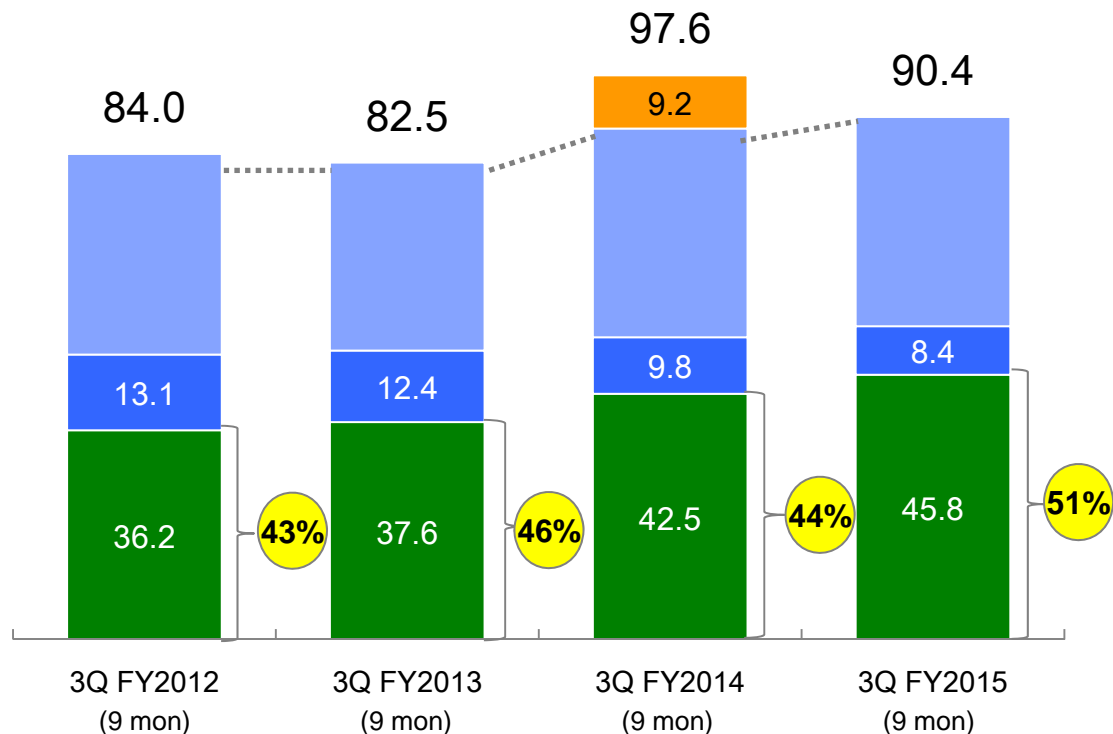
Net Interest Income:

(Unit: JPY billion)

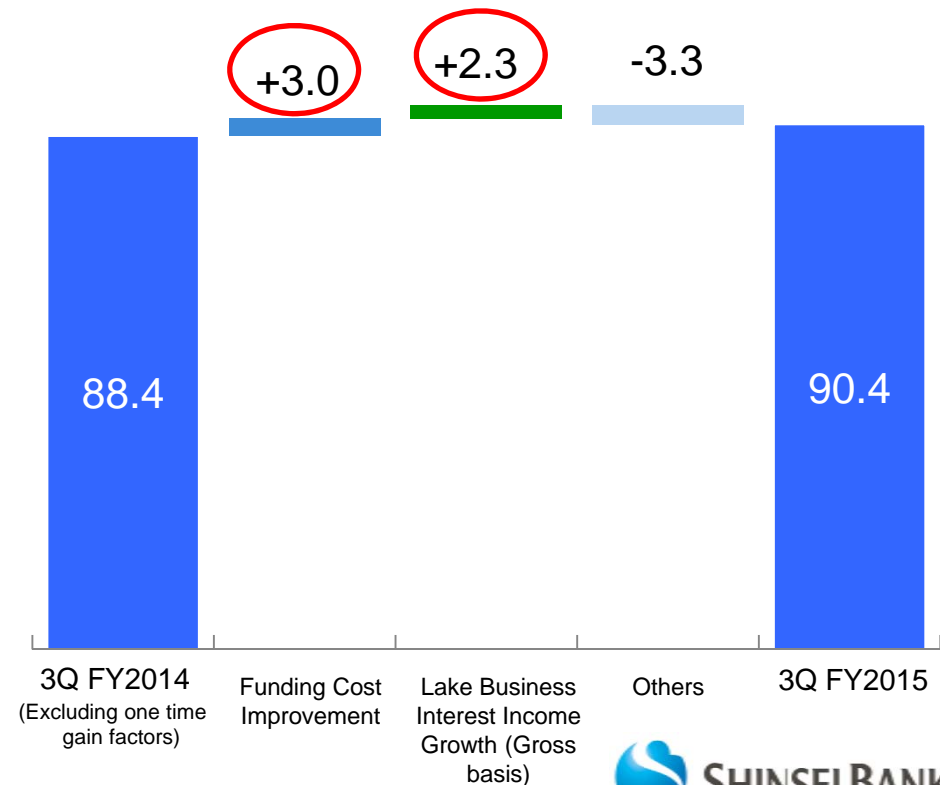
- Net interest income in 3Q FY2015 was JPY 90.4 billion, down JPY 7.1 billion year-on-year, due mainly to factors such as the absence of one time gain factors (JPY 9.2 billion) in the Principal Transactions business which were recorded in FY2014
- Net interest income from the unsecured personal loan business grew steadily, and now accounts for over 50% of total net interest income

Net Interest Income Trend

- One time gain factors
- Retail Banking, APLUS FINANCIAL, Institutional Businesses etc.
- Structured Finance
- Unsecured Personal Loans (Shinsei Bank Lake, Shinsei Financial, SHINKI)



Y-o-Y Increase/Decrease Factors



Net Interest Margin (NIM):

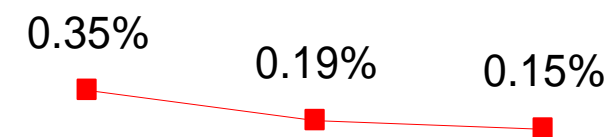
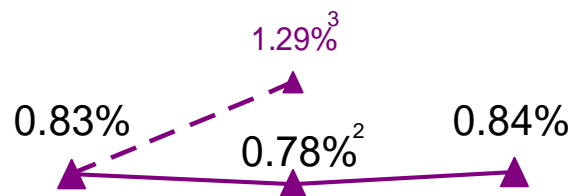
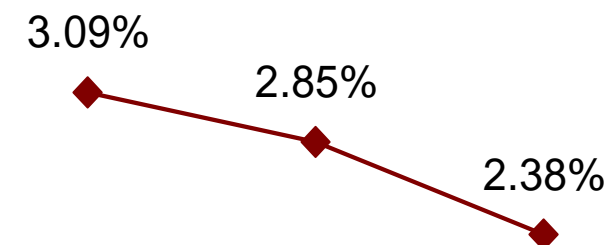
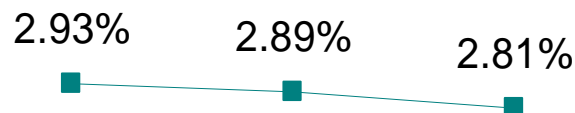
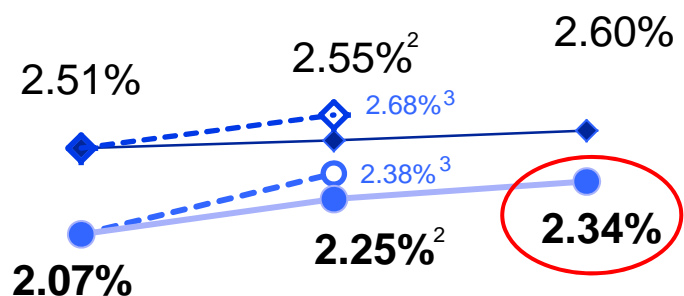
(Unit:%, JPY billion)

- Net Interest Margin improved to 2.34%
- Attributable to further improvement on rates on deposits and corporate bonds, as well as an increase in the yield on securities

Net Interest Margin

Yield on Loans, Securities

Rate on Deposits, Corporate Bonds



FY2013 FY2014 3QFY2015
Annualized basis

FY2013 FY2014 3Q FY2015
Annualized basis

FY2013 FY2014 3Q FY2015
Annualized basis

- ◆ Yield on Interest Earning Assets¹
- Net Interest Margin¹
- 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

¹ Includes income on leased assets and installment receivables

² Excludes one time gain factors

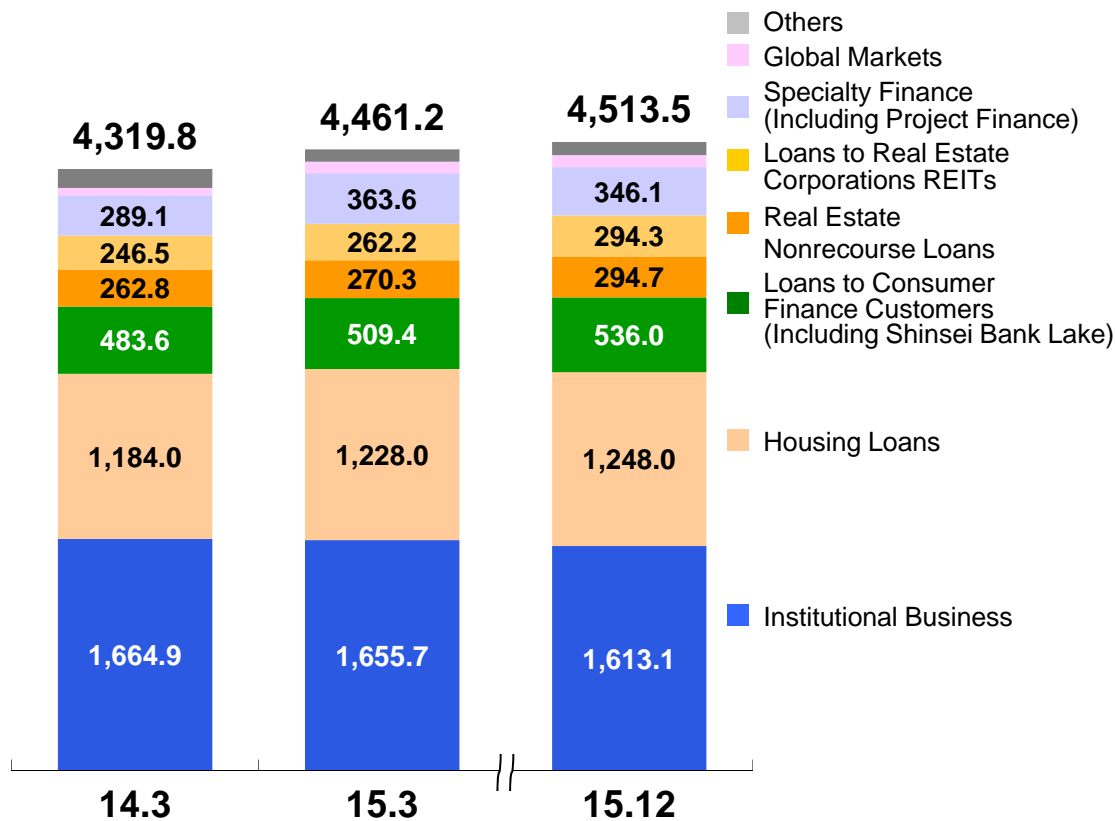
³ Disclosed basis

Loans and Deposits:

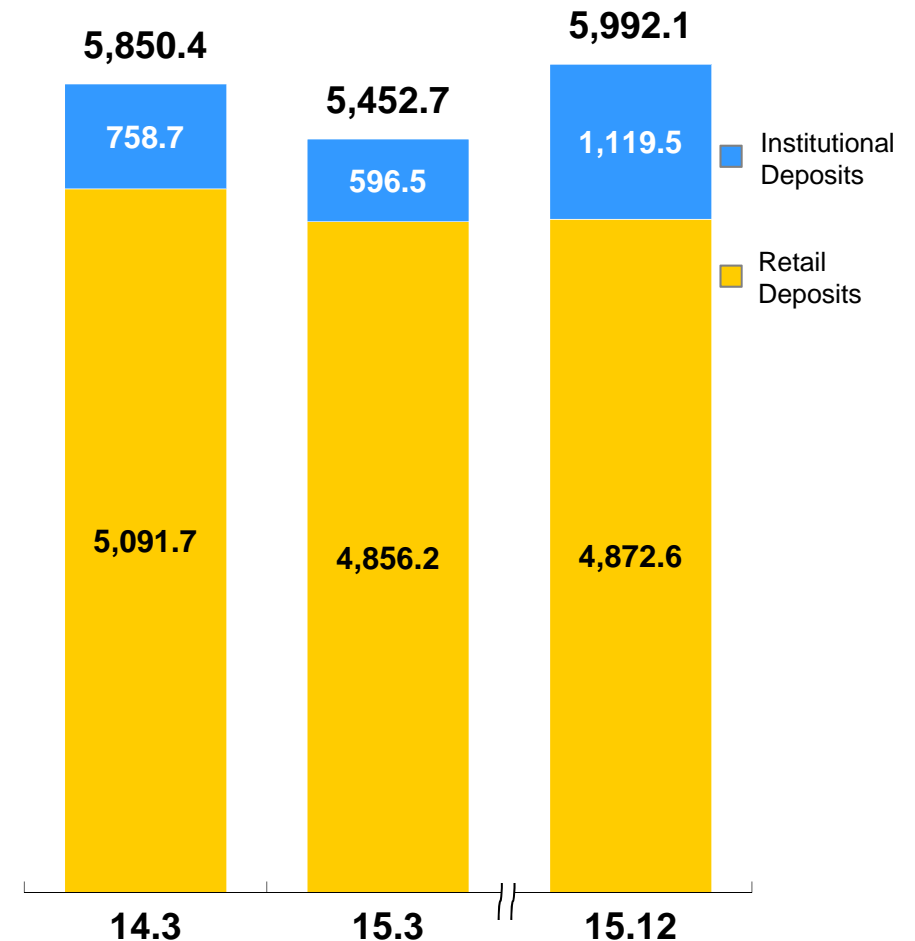
(Unit: JPY billion)

- Steady loan growth centered in unsecured personal loan and structured finance including real estate finance and project finance
- Retail deposits account for approx. 80% of deposits. Loan-to-Deposit ratio is 75% as of December 31, 2015

Loans



Deposits



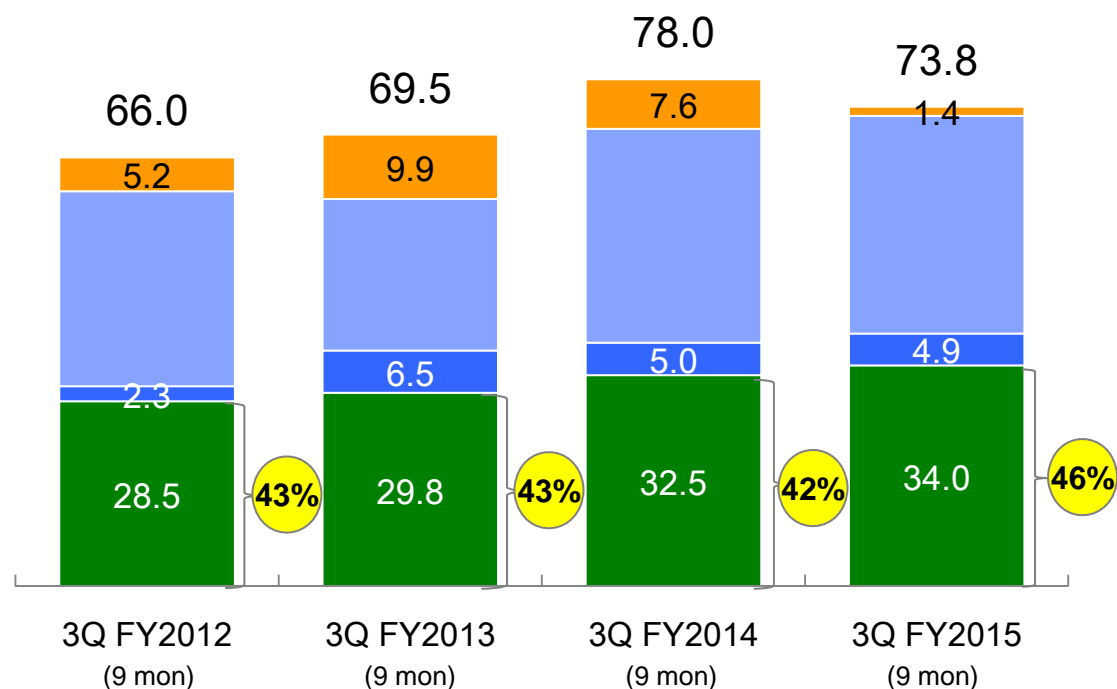
Noninterest Income:

(Unit: JPY billion)

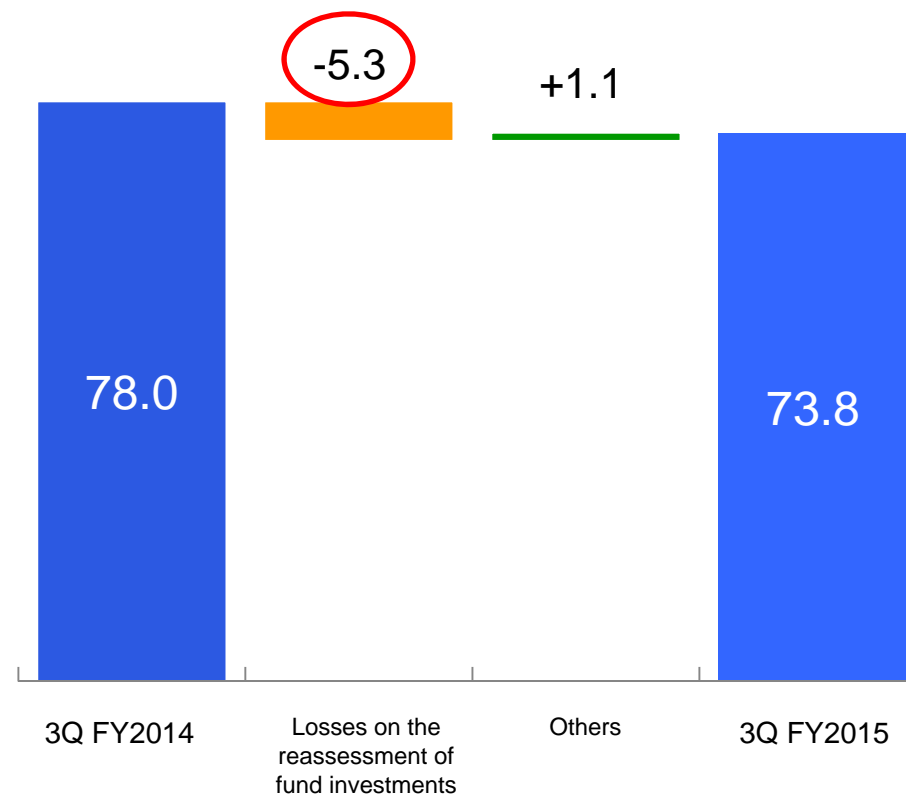
- Noninterest income for the 3Q FY2015 was JPY 73.8 billion, down JPY 4.1 billion year-on-year, due primarily to a loss (JPY 5.3 billion) resulting from the reassessment of a fund investment in Principal Transactions business
- In APLUS FINANCIAL, revenue associated with shopping credit and credit cards increased by JPY 1.5 billion year-on-year

Noninterest Income Trend

- Principal Transactions
- Retail Banking, Showa Leasing, Global Markets, Treasuries etc.
- Structured Finance
- APLUS FINANCIAL



Y-o-Y Increase/Decrease Factors

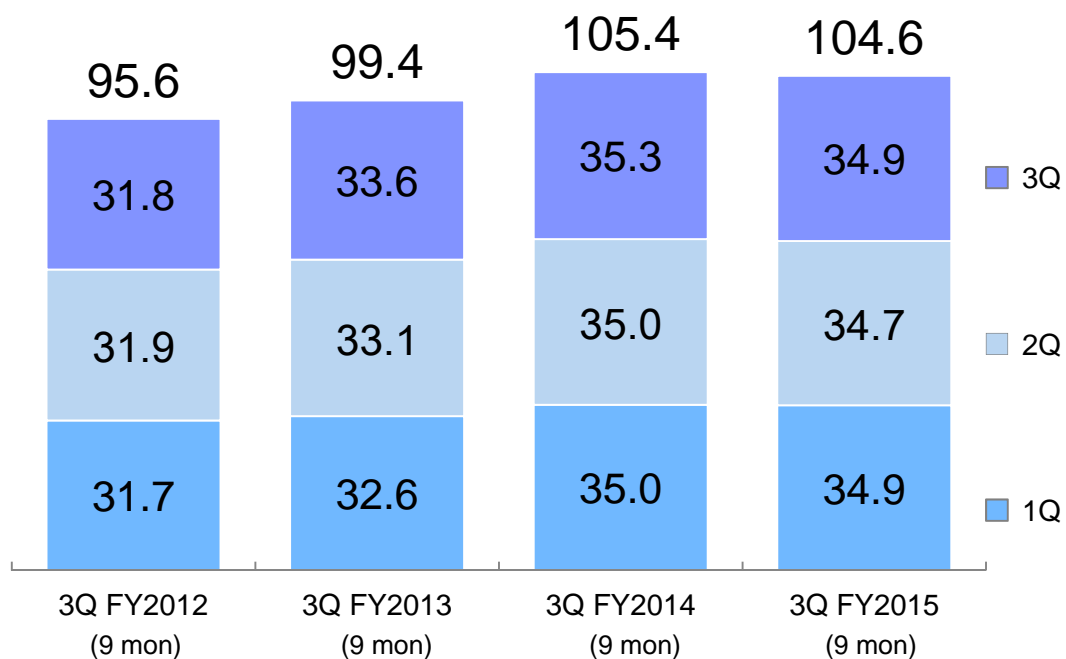


Expenses, Expense to Revenue Ratio:

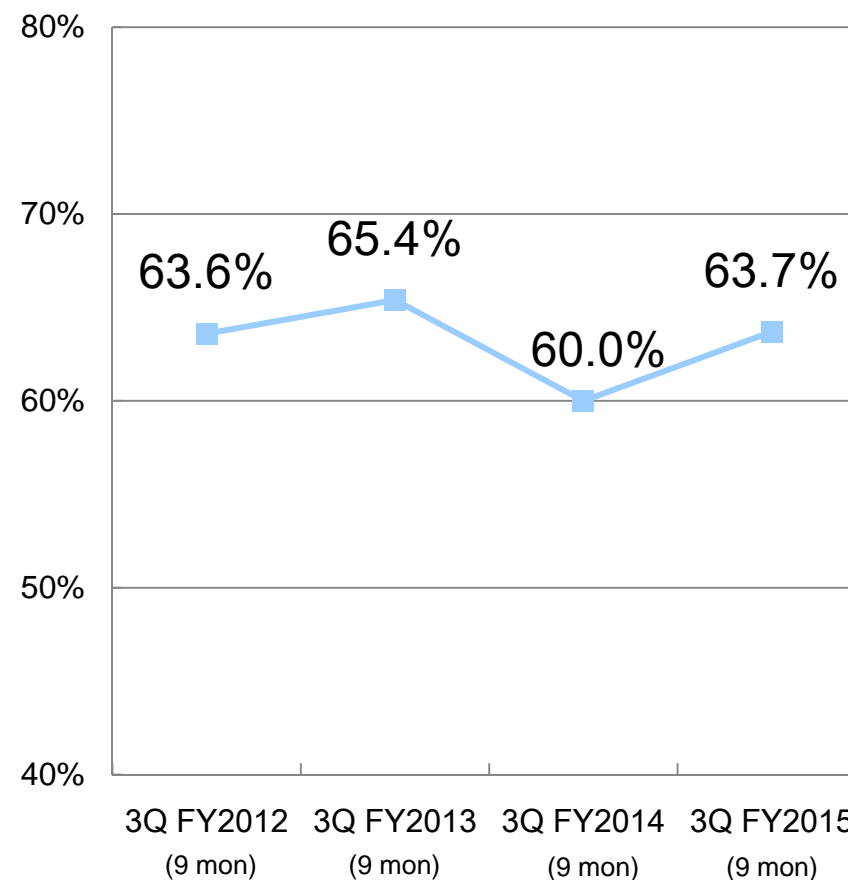
(Unit: JPY billion)

- Expenses of JPY 104.6 billion recorded in 3Q FY2015, largely flat in comparison to JPY 105.4 billion recorded in 3Q FY2014
- Expense to revenue ratio was 63.7%. The ratio for FY2015 full year is expected to be around the same level

Expenses



Expense to Revenue Ratio

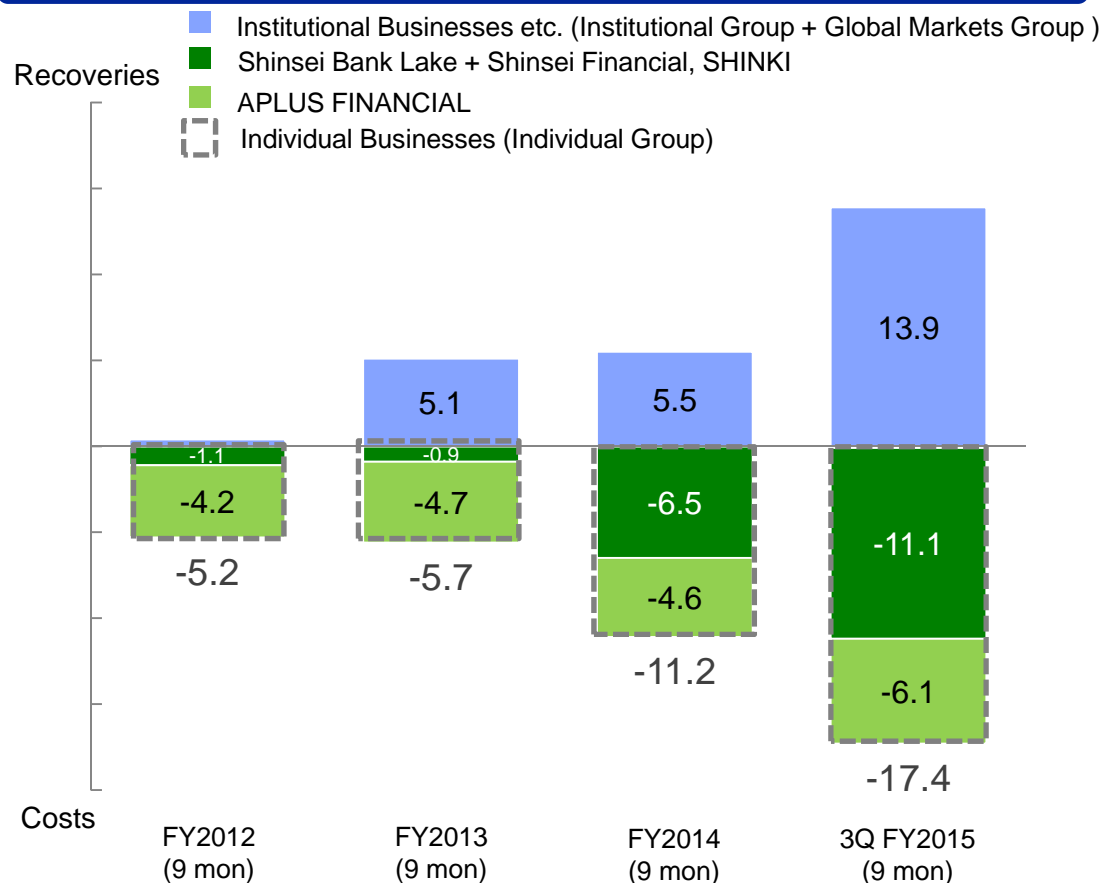


Net Credit Costs:

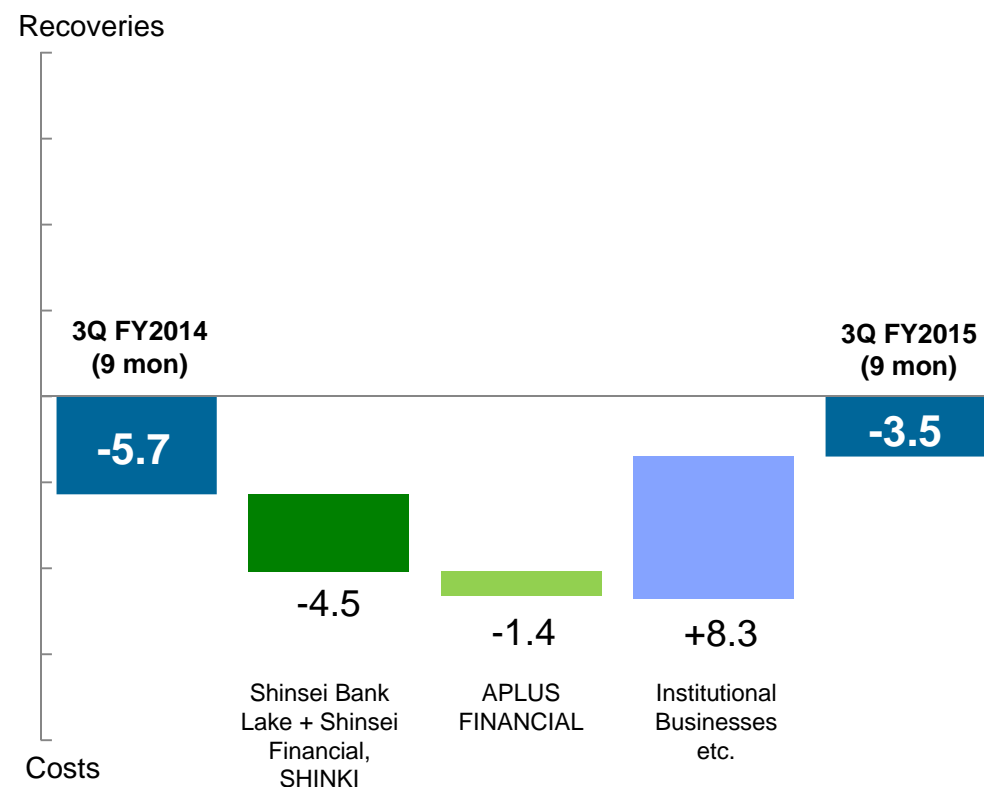
(Unit: JPY billion)

- Net credit recoveries recorded in the Institutional Group are due to the reversal of reserves for loan losses associated with the disposals of NPLs. Such one time gains are expected to be negligible going forward
- Net credit costs increased in the Individual Group due to growth of the Shinsei Bank Lake balance, an ongoing decline in gains on the reversal of reserves for loan losses associated with Shinsei Financial and an increase in operating assets at APLUS FINANCIAL

Net Credit Cost Trend



Y-o-Y Increase/Decrease Factors

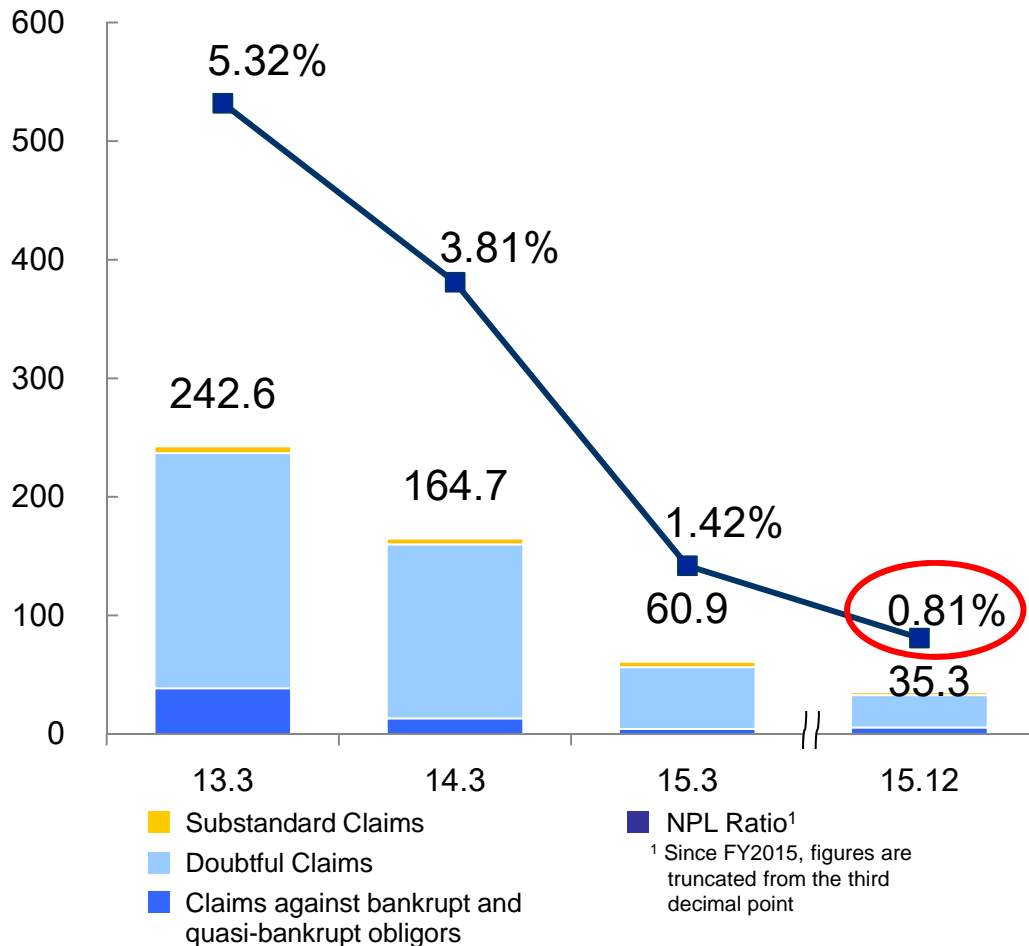


Asset Quality:

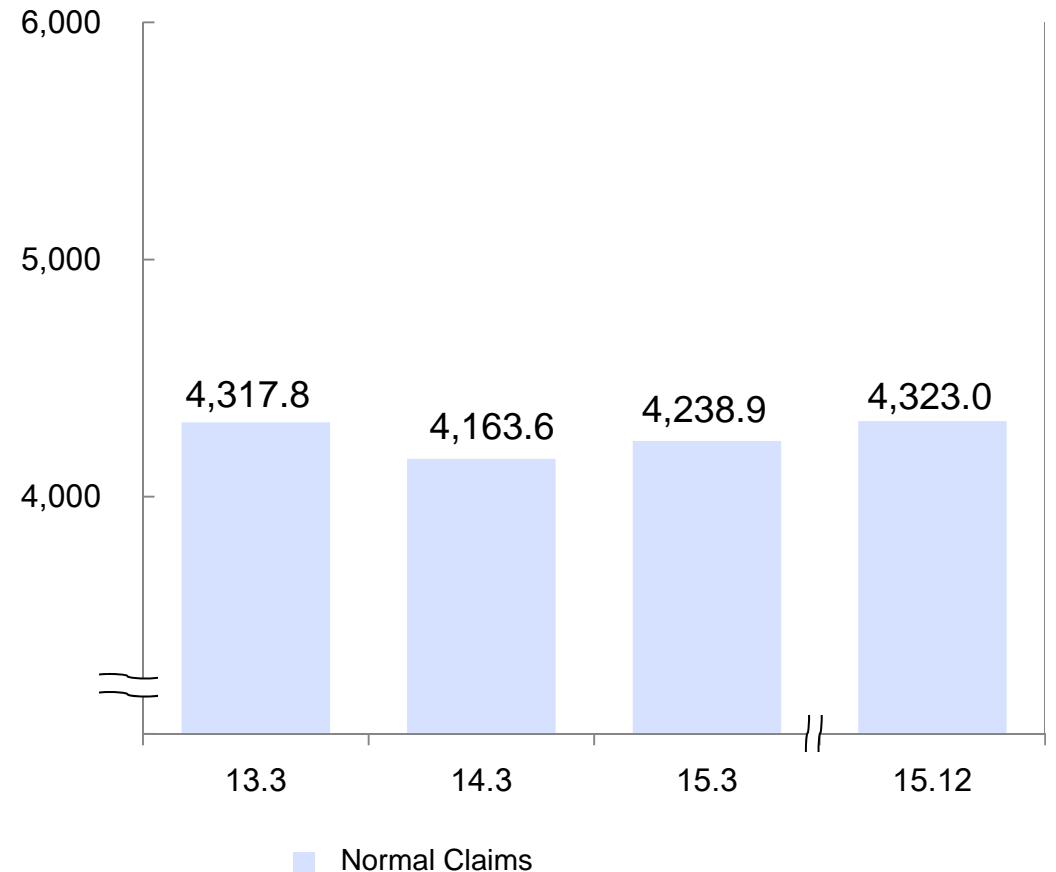
(Unit: JPY billion)

- NPL ratio reduced to 0.81%, due to significant progress in the disposal of major nonperforming loans in real estate finance and specialty finance in FY2015
- The balance of normal claims bottomed out in March 2014 and has been steadily increasing since

NPL Amounts and NPL Ratio¹ Based on Financial Revitalization Law (Nonconsolidated)



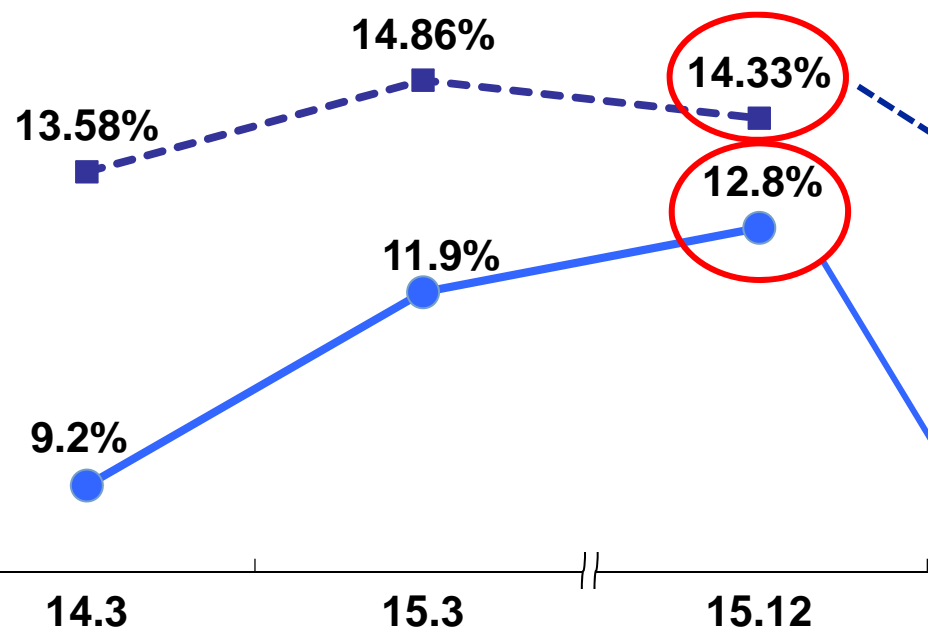
Normal Claims Amounts (Nonconsolidated)



Capital:

(Consolidated; Unit: JPY billion)

- Capital ratios continue to increase from a relatively high base
- Basel III domestic standard core capital ratio at 14.33%
- Basel III international standard fully loaded basis CET 1 ratio at 12.8%



Domestic Standard; Grandfathered Basis	2014.3	2015.3	2015.12
Total Core Capital	817.6	841.9	818.6
Risk Assets	6,016.7	5,661.9	5,709.7

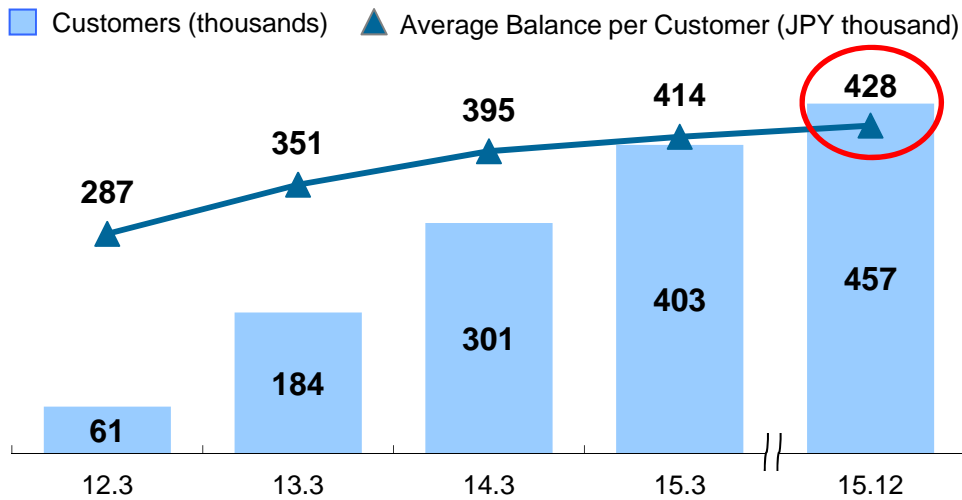
International Standard; Fully Loaded Basis	2014.3	2015.3	2015.12
Common Equity Tier I	541.5	666.0	732.4
Risk Assets	5,914.6	5,618.3	5,712.9

- Core Capital Adequacy Ratio
(Domestic Standard; Grandfathered Basis)
- Common Equity Tier I Ratio
(International Standard; Fully Loaded Basis)

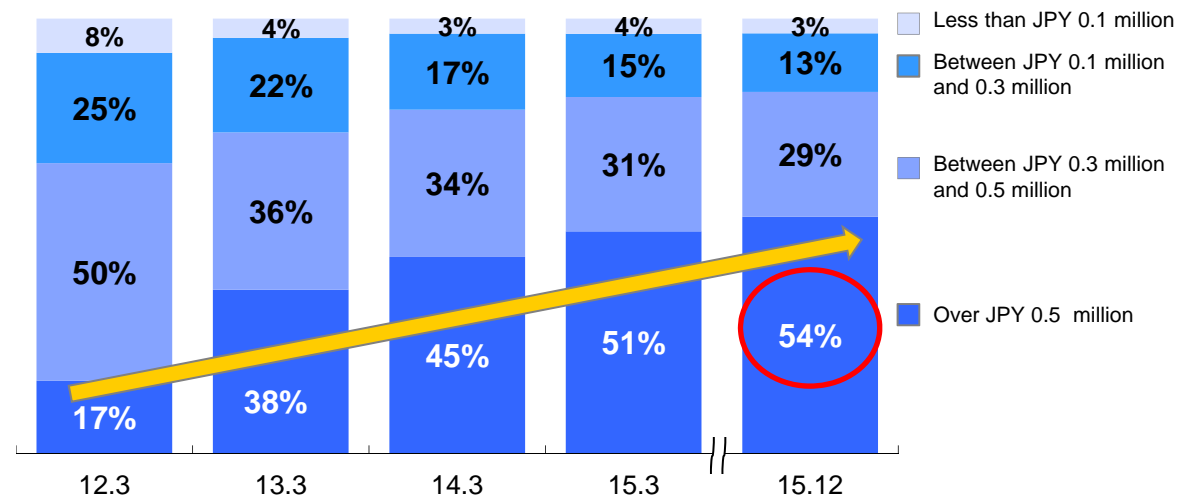
Unsecured Personal Loan:

- Average balance per customer of Shinsei Bank Lake continues to increase
- Cultivation of relationships with existing customers has resulted in an increase of customers with loan amounts above JPY 0.5 million and now account for over 50% of total loan balance

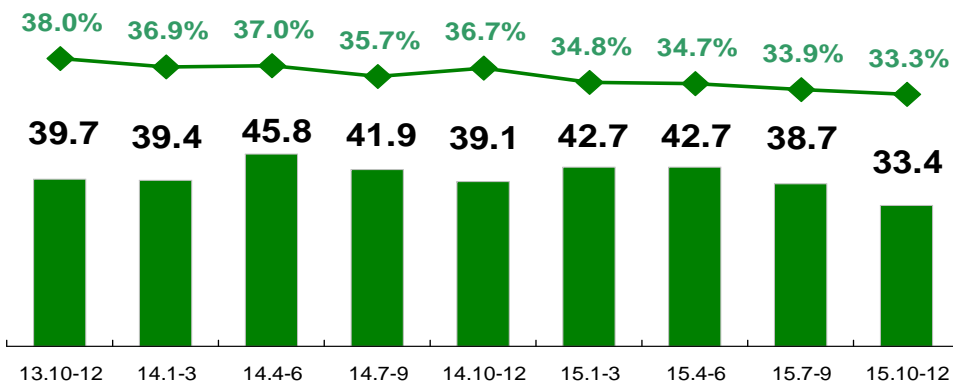
Shinsei Bank Lake:
Customers (thousands), Balance per Customer (JPY thousand)



Shinsei Bank Lake:
Balance Composition by Customer Loan Balances



Shinsei Bank Lake:
New Customers (thousands), Approval Rate



Business Initiatives

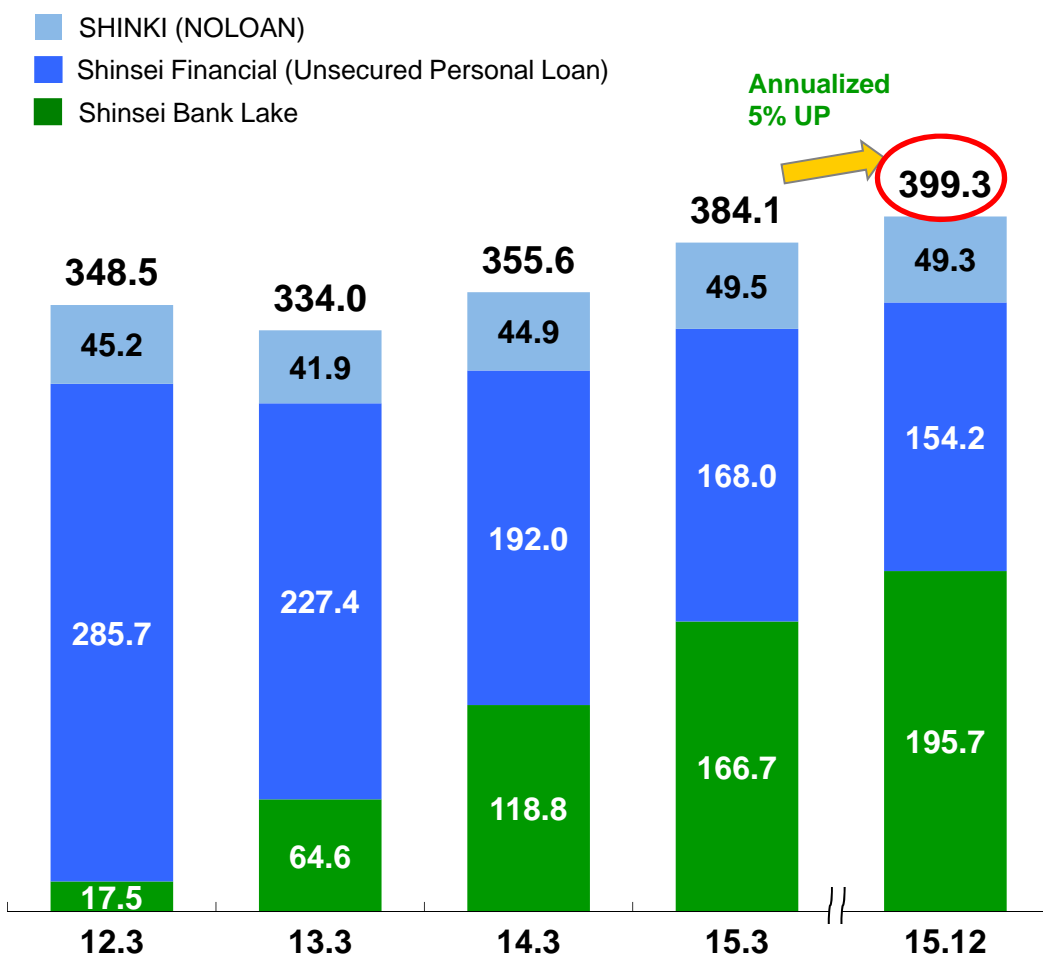
- **Enhancing Lake Brand Recognition and New Customer Acquisition:**
 - Undertake marketing aimed at increasing brand awareness and to accelerate new customer acquisition
 - ◆ Enhance advertising
 - ◆ Open new branches
- **Encouraging Customer Utilization of Lake:**
 - Enhance marketing approach to existing customers

Unsecured Personal Loan:

(Unit: JPY billion)

- Total unsecured personal loan balance in Shinsei Bank Lake, Shinsei Financial, and SHINKI combined grew 5% on an annualized basis to JPY 399.3 billion
- We aim for further growth in the loan balance and profitability by pursuing functional consolidation and operational efficiencies

Unsecured Personal Loan Balance (JPY billion)



Shinsei Bank Lake + Shinsei Financial	3Q FY2013 (9 mon)	3Q FY2014 (9 mon)	3Q FY2015 (9 mon)
Net Interest Income	32.6	37.5	40.5
Noninterest Income	-2.5	-1.5	-1.3
Expenses	-19.6	-20.0	-20.5
Net Credit Costs	-0.9	-5.7	-10.0
OBP after Net Credit Costs	9.4	10.1	8.6

SHINKI	3Q FY2013 (9 mon)	3Q FY2014 (9 mon)	3Q FY2015 (9 mon)
Net Interest Income	5.0	5.0	5.2
Noninterest Income	-0.4	-0.4	-0.3
Expenses	-3.1	-3.3	-2.5
Net Credit Costs	-0.0	-0.7	-1.0
OBP after Net Credit Costs	1.3	0.5	1.2

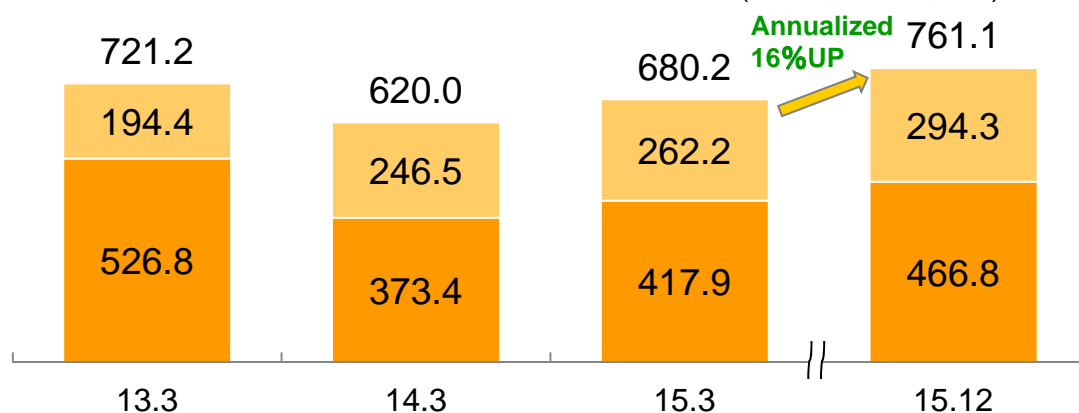
Structured Finance:

(Unit: JPY billion)

- Balance of real estate finance grew 16% on an annualized basis reflecting initiatives in a variety of facilities including commercial, offices and logistical facilities
- The combined balance of domestic and overseas project finance grew 39% on an annualized basis, driven primarily by the origination of renewable energy projects in Japan, as well as the syndication of infrastructure related projects and renewable energy projects overseas

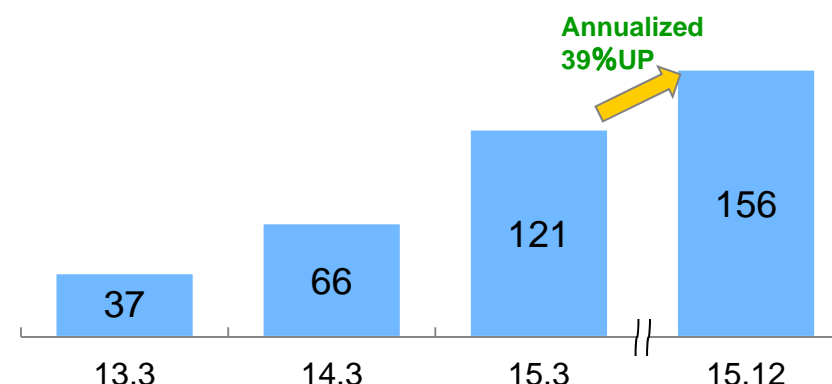
Real Estate Finance

【Asset Balance】 ■ Real Estate Companies; REITs (Loans)
■ Real Estate Nonrecourse Finance (Loans, Bonds, etc.)



Project Finance

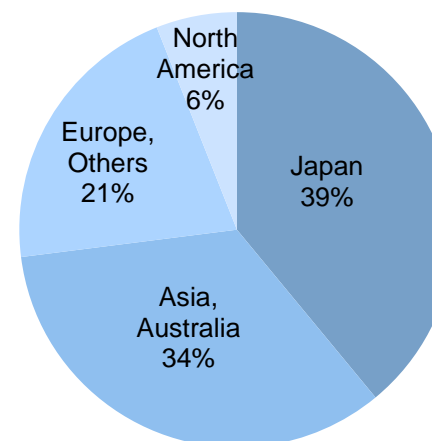
【Asset Balance】 ■ Combined Domestic and Overseas



	3Q FY2013 (9 mon)	3Q FY2014 (9 mon)	3Q FY2015 (9 mon)
Structured Finance ¹			
Net Interest Income	12.4	9.8	8.4
Noninterest Income	6.5	5.0	4.9
Expenses	-3.6	-3.8	-4.2
Net Credit Costs	6.0	4.2	13.3
OBP after Net Credit Costs	21.4	15.2	22.6

Project Finance: Balance by Region, Origination

(As of December 2015)



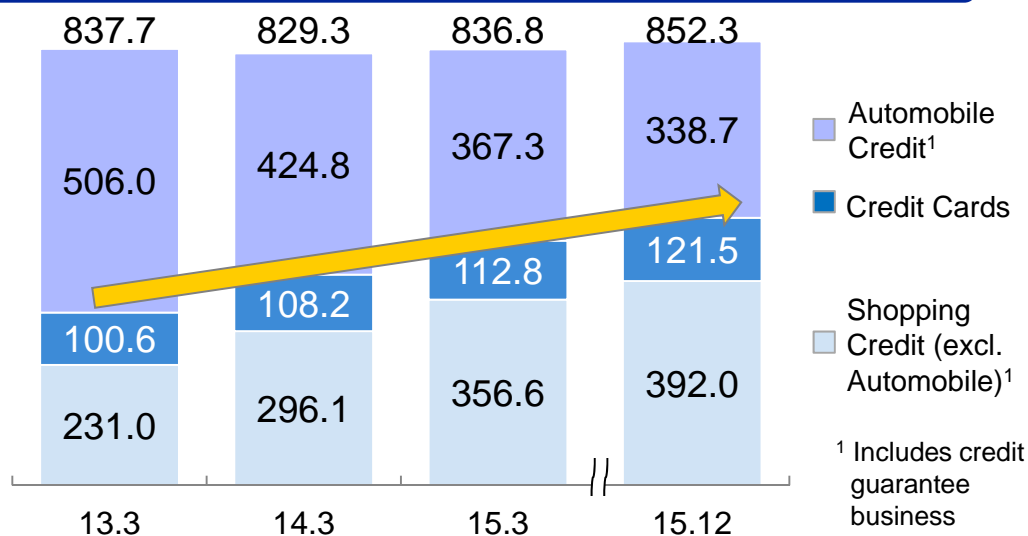
Accumulated Amounts of the Origination:

- Domestic = Approx. JPY130 billion (Up JPY36 billion from Dec. 2014)
- Overseas = Approx. JPY150 billion (Up JPY42 billion from Dec. 2014)

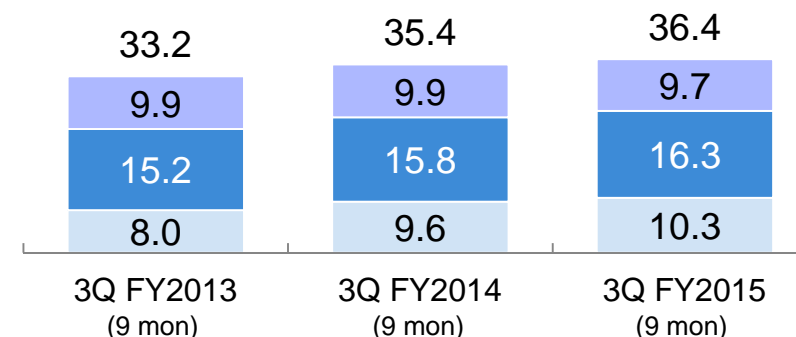
¹ PL of Structured Finance primarily composed of Real Estate Finance, Project Finance, Shipping Finance., etc.

- Shopping credit primarily associated with general merchandise has contributed to the steady growth of the operating asset balance
- Operating revenue grew due to an increase in the credit card revolving credit balance, in addition to the growth of shopping credit operating assets

Operation Asset Balance (Shopping Credit; Credit Cards)



Operation Revenue (Shopping Credit; Credit Cards)



APLUS FINANCIAL	3Q FY2013 (9 mon)	3Q FY2014 (9 mon)	3Q FY2015 (9 mon)
Net Interest Income	5.7	5.0	4.9
Noninterest Income	29.8	32.5	34.0
Expenses	-26.0	-26.9	-27.2
Net Credit Costs	-4.7	-4.6	-6.1
OBP after Net Credit Costs	4.9	5.9	5.5

Business Initiatives

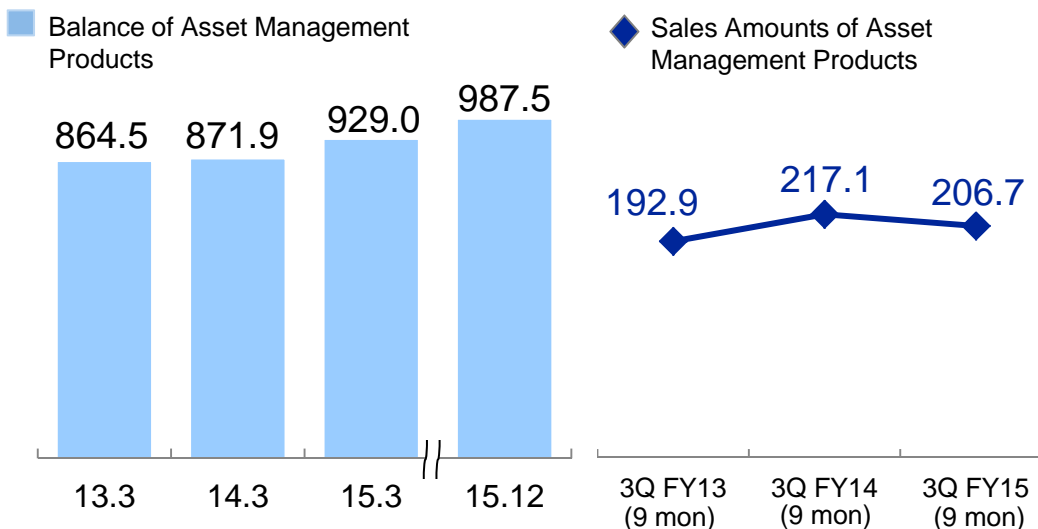
- **Shopping Credit:** Enhancing general merchandise shopping credit business through the introduction of an online Credit Application System (“APLUS e-order”) and highly popular shopping credit with T point awards
- **Credit Cards:** Revolving credit balance increased by approximately 30% year-on-year, the result of increased issuance of credit cards with default revolving credit settings as well as marketing efforts to convert existing customers to revolving credit

Retail Banking, Markets:

(Unit: JPY billion)

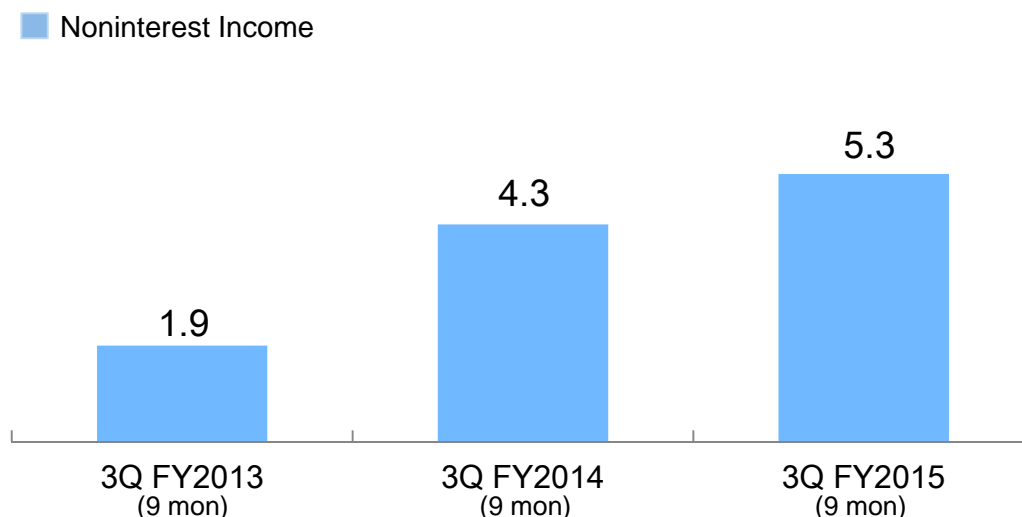
- In Retail Banking, while total sales of asset management products declined as a result of a market downturn, the overall balance of asset management products continued to grow and noninterest income remained largely flat year-on-year
- In Markets, a firm performance in market related businesses, primarily derivative transactions with customers reflects, has resulted in an increase in noninterest income year-on-year

Retail Banking (Asset Management Products: Mutual Funds, Insurance, Structured Bonds)



Retail Banking	3Q FY2013 (9 mon)	3Q FY2014 (9 mon)	3Q FY2015 (9 mon)
Net Interest Income	19.1	17.1	16.0
Noninterest Income	5.6	4.5	4.6
Expenses	-24.2	-26.1	-24.7
Net Credit Costs	-0.1	-0.1	-0.2
OBP after Net Credit Costs	0.4	-4.5	-4.4

Markets



Markets Sub-Group	3Q FY2013 (9 mon)	3Q FY2014 (9 mon)	3Q FY2015 (9 mon)
Net Interest Income	1.5	1.7	1.3
Noninterest Income	1.9	4.3	5.3
Expenses	-2.4	-2.4	-2.6
Net Credit Costs	-0.0	-0.0	0.0
OBP after Net Credit Costs	1.0	3.5	4.1

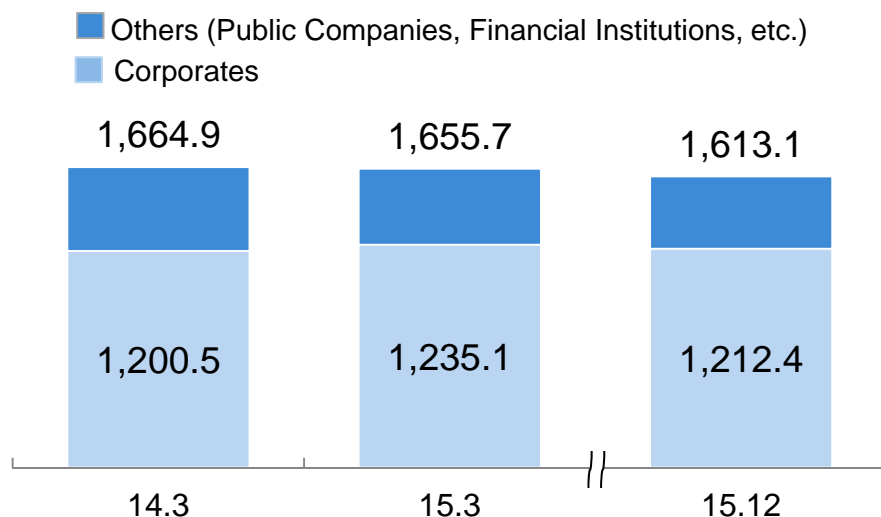
Institutional Business, Principal Transactions:

(Unit: JPY billion)

■ In Principal Transactions, revenue declined due to factors such as the absence of major revenues recorded in the previous fiscal year in addition to the recording of a loss due to the reassessment of a fund investment recorded in 2Q FY2015

Institutional Business

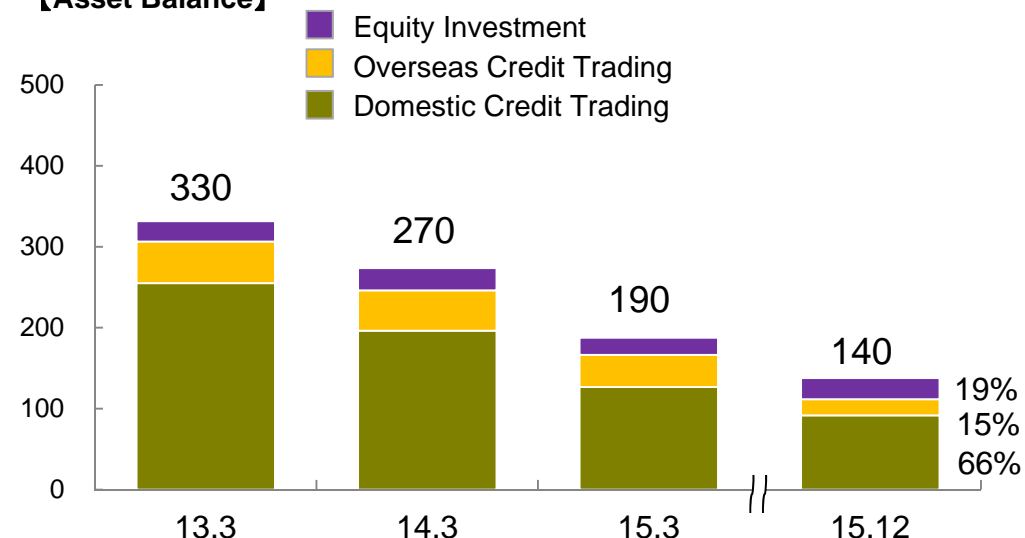
【Loan Balance】



Institutional Business	3Q FY2014 (9 mon)	3Q FY2015 (9 mon)
Net Interest Income	9.1	7.6
Noninterest Income	3.7	3.2
Expenses	-7.1	-7.9
Net Credit Costs	0.5	-0.8
OBP after Net Credit Costs	6.3	2.1

Principal Transactions

【Asset Balance】



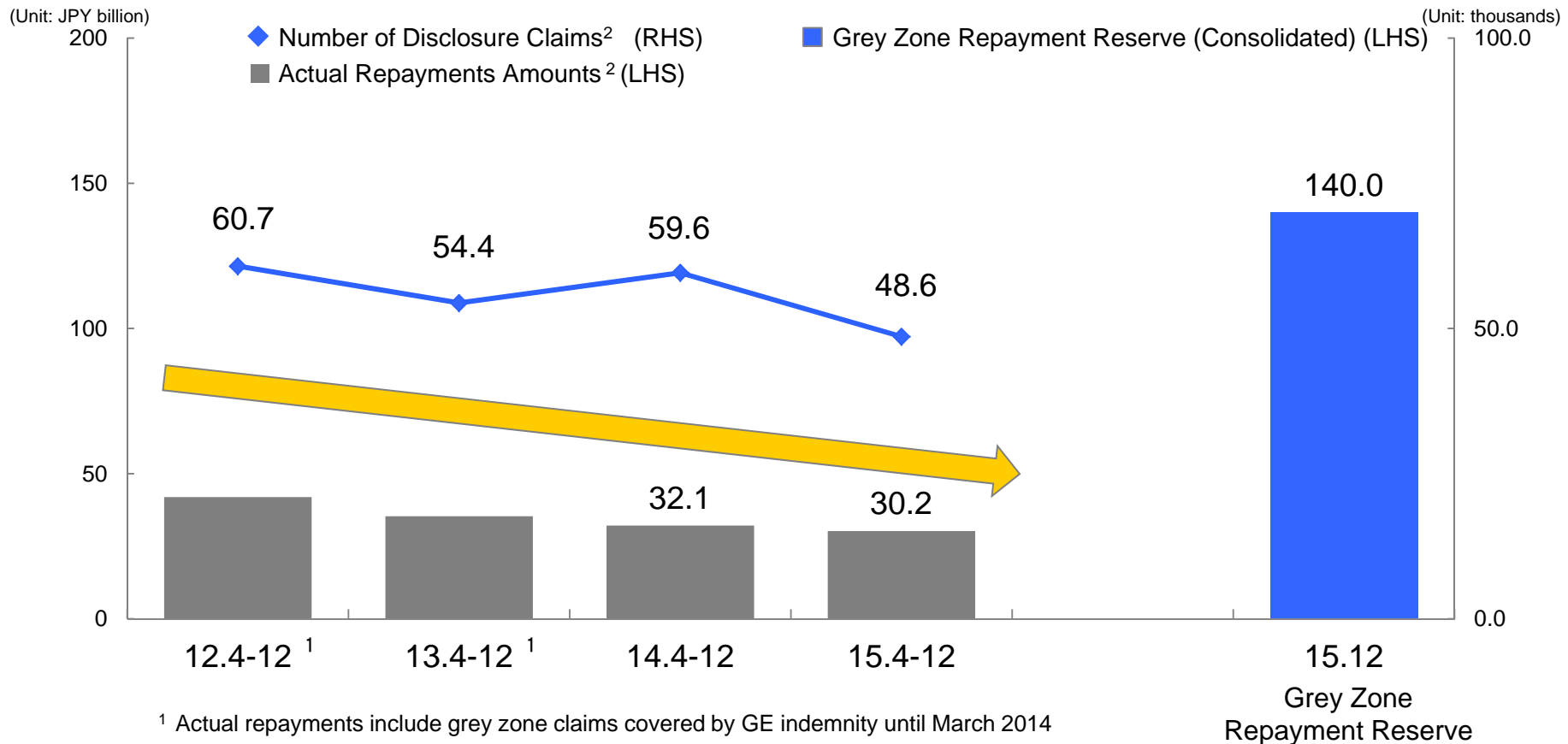
Principal Transactions	3Q FY2013 (9 mon)	3Q FY2014 (9 mon)	3Q FY2015 (9 mon)
Net Interest Income	3.5	11.6	3.5
Noninterest Income	9.9	7.6	1.4
Expenses	-3.1	-4.4	-3.8
Net Credit Costs	-0.0	-0.6	-0.0
OBP after Net Credit Costs	10.3	14.2	1.1

Appendix: Interest Repayment (Grey Zone)

(Unit: JPY billion; thousands)

- Long term decline in the number of disclosure claims and actual repayment amounts continues
- Grey zone reserves at an appropriate level for the Shinsei Bank Group at JPY 140 billion
- Disclosure claims are being closely monitored with attention to claims from certain law firms and judicial scrivener offices

Interest Repayments Amounts; Disclosure Claims Trend



- **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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