



Business and Financial Highlights

First Quarter Ended June 30, 2016

Shinsei Bank, Limited
August 2016



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Key Points

1 1QFY2016 net income¹ totaled JPY 8.1 billion

- ✓ 16% progression toward FY2016 full year net income¹ forecast of JPY 52.0 billion
 - Total revenue was JPY 55.6 billion, a 24% progression toward the full year plan of JPY 231.0 billion. The effects of the BOJ's negative interest rate policy (NIRP) are within our expectations
 - Net credit costs were JPY 8.0 billion, a 29% progression toward the full year plan of JPY 28.0 billion. Net credit costs have increased in the first quarter due to a revision of the reserve ratio for unsecured loans in accordance with the original plan and the Bank anticipates full year net credit costs to be within the full year plan
- ✓ Stable/recurring profits totaled JPY 7.2 billion, accounting for 89% of total profits

2 Progression in the acquisition of treasury shares as of end July, 2016 at 89% (vs. JPY 10 billion maximum repurchase amount)

- ✓ Total repurchase amount was JPY 8,889,046,000 (Up to JPY 10 billion)
- ✓ Number of shares repurchased was 58,088,000 shares (Up to 100 million shares)

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

1QFY2016 Financial Summary

(Unit: JPY billion; %)

- Total revenue was JPY 55.6 billion, a 24% progression toward the full year plan of JPY 231.0 billion. The effects of the BOJ's NIRP are within our expectations
- Net credit costs were JPY 8.0 billion, a 29% progression toward the full year plan of JPY 28.0 billion. Net credit costs have increased in the first quarter due to a revision of the reserve ratio for unsecured loans in accordance with the original plan and the Bank anticipates full year net credit costs to be within the full year plan
- Others totaled JPY -3.9 billion, a 56% progression toward the full year plan of JPY -7.0 billion. The Bank anticipates a reduction in its income tax burden towards the end of the fiscal year and full year results are expected to be within target

Consolidated	1Q FY2015 (Actual)	1Q FY2016 (Actual)		FY2016 Full Year (Plan)
		YoY B(+)/W(-)	Progression Toward Full Year Plan	
Net Interest Income	31.1	30.3	-2%	
Noninterest Income	26.8	25.2	-6%	
Total Revenue	57.9	55.6	-4%	24%
Expenses	-34.9	-35.4	-1%	25%
Ordinary Business Profit	23.0	20.1	-12%	23%
Net Credit Costs	2.0	-8.0	n.m.	29%
Others	-2.5	-3.9	-54%	56%
Net Income	22.5	8.1	-64%	16%

Q1 FY2016 Key Points

- **Total Revenue: JPY 55.6 billion, a 24% progression rate**
 - ◆ Q1 revenue forecasts for the Global Markets and Retail Banking Businesses incorporate effects of market turmoil arising from the NIRP and results are in line with expectations
- **Expenses: JPY 35.4 billion, a 25% progression rate**
 - ◆ Expense-to-revenue ratio: 63.7%
 - ◆ Expense increase in Shinsei Bank Lake and Shinsei Financial
- **Net Credit Costs: JPY 8.0 billion, a 29% progression rate**
 - ◆ Individual Business: JPY 7.3 billion in Consumer Finance Business
 - ◆ Institutional Business: JPY 0.7 billion in Structured Finance Business
- **Others: JPY -3.9 billion, a 56% progression rate**
 - ◆ JPY -2.4 billion recorded due to income tax, etc.

FY2016 Full Year Outlook

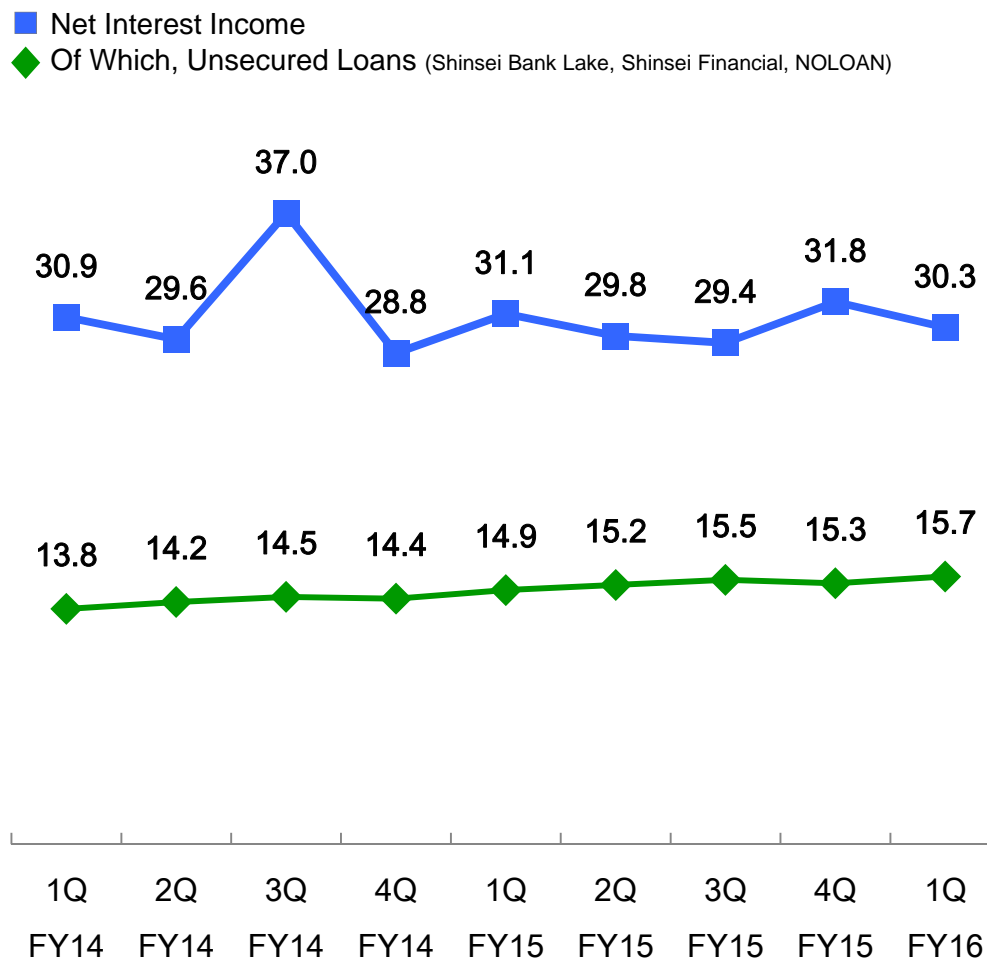
- Full year forecast incorporates a recovery in revenues recorded by the Global Markets and Retail Banking Businesses from the second quarter onward
- The Bank is cognizant of the mounting importance of expense control under the present market environment and is currently engaged in the execution of a Group-wide productivity enhancement project, the scope of which includes reductions of nonpersonnel expenses, and by the end of the current calendar year the Bank will develop a feasible plan

Net Interest Income

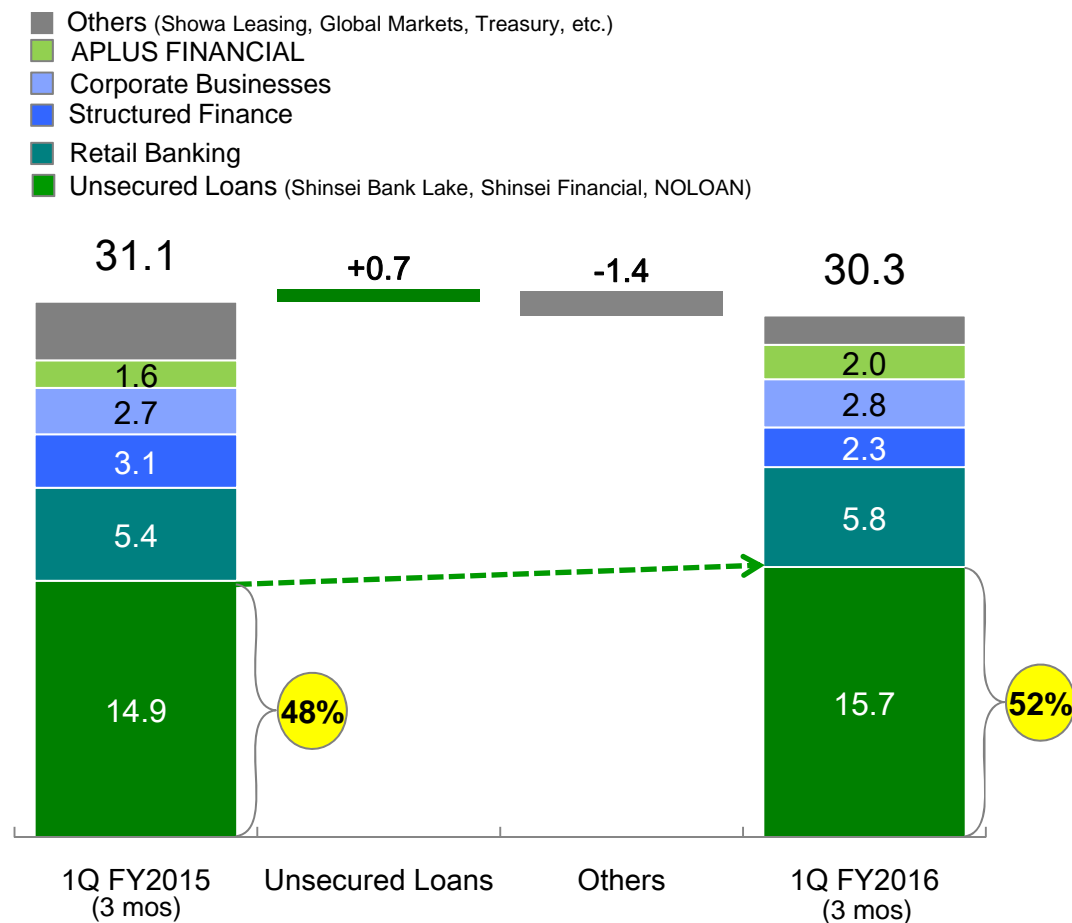
(Unit: JPY billion)

- Net interest income in 1QFY2016 totaled JPY 30.3 billion. Of this amount, net interest income recorded from unsecured loans totaled JPY 15.7 billion (Increased 5% from JPY 14.9 billion recorded in 1QFY2015)
- The effects of the base rate reduction resulting from the NIRP and spread compression resulting from increased competition are within expectations

Net Interest Income Quarterly Trend



Y-o-Y Increase/Decrease Factors

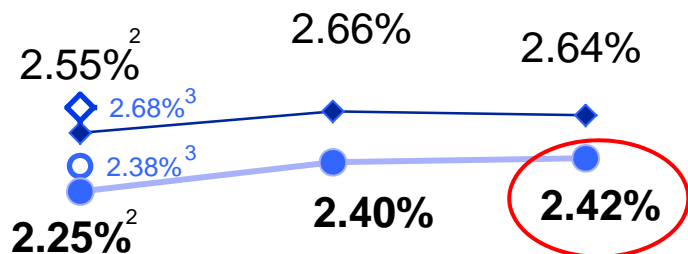


Net Interest Margin (NIM)

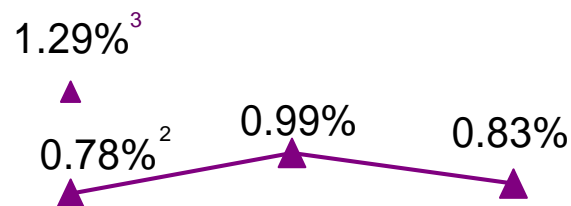
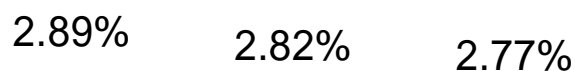
(Unit: %, annualized basis)

- NIM improved from 2.40% to 2.42%
- The improvement on the rate in interest bearing liabilities is the result of factors such as reductions in retail deposit funding costs and the redemption of subordinated bonds

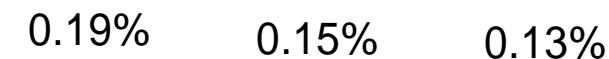
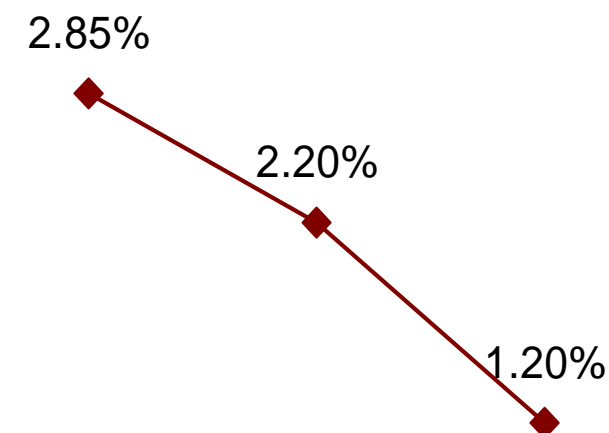
Net Interest Margin



Yield on Loans, Securities



Rate on Deposits, Corporate Bonds



FY2014 (12 mos) FY2015 (12 mos) 1Q FY2016 (3 mos)

FY2014 (12 mos) FY2015 (12 mos) 1Q FY2016 (3 mos)

FY2014 (12 mos) FY2015 (12 mos) 1Q FY2016 (3 mos)

- ◆ 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

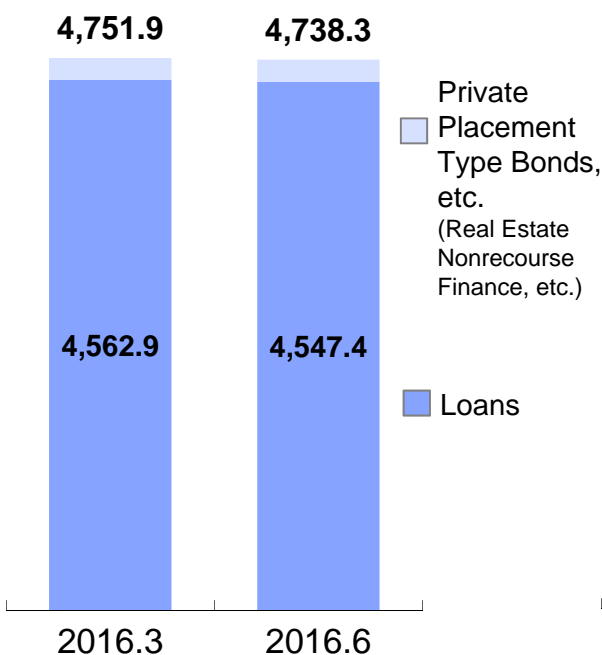
³ Disclosed basis

Balances: Assets and Liabilities

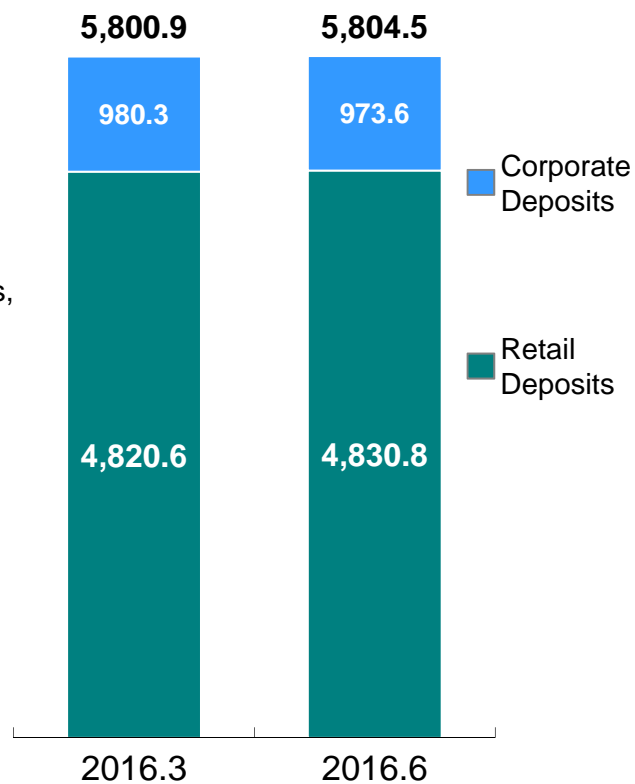
(Unit: JPY billion)

- Loan to deposit ratio (“LDR”) at 78%. The true LDR incorporating real estate nonrecourse bonds, etc. was 82%
- The combined balance of relatively higher yield unsecured loans and structured finance has grown slightly from Mar. 31, 2016

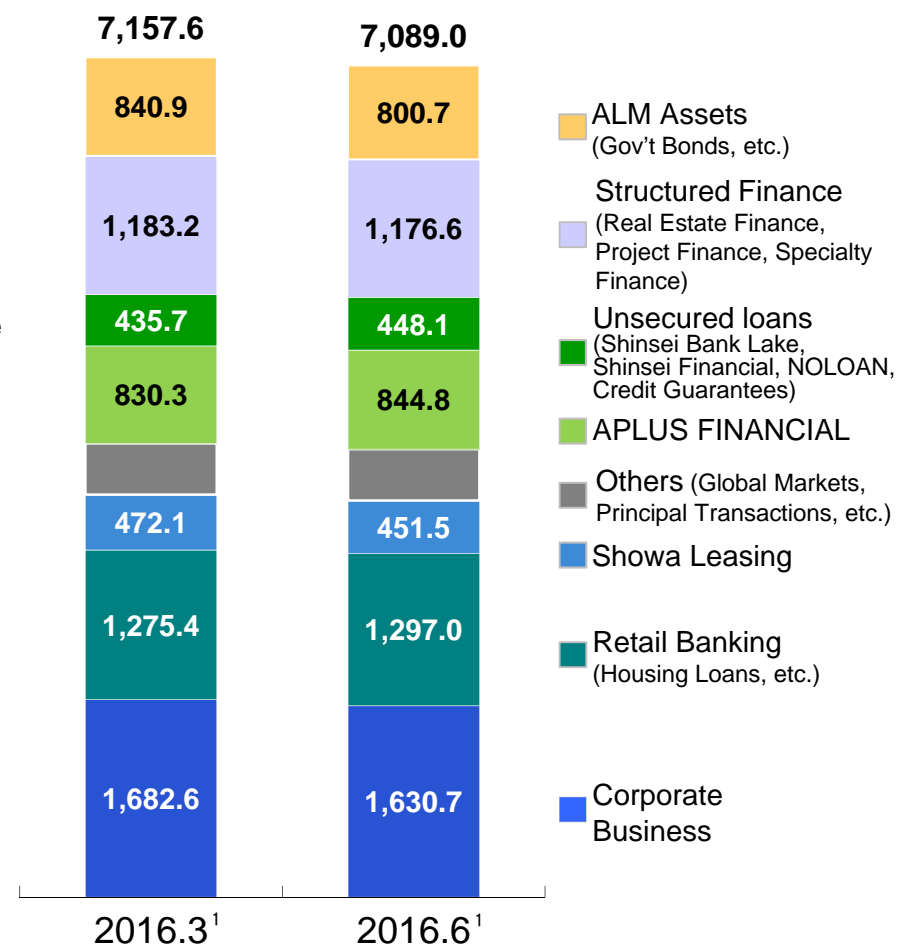
Loans, etc.



Deposits



Operating Assets¹ + ALM Assets



¹ Includes insurance not requiring funding (customers' liabilities for acceptance and guarantee)

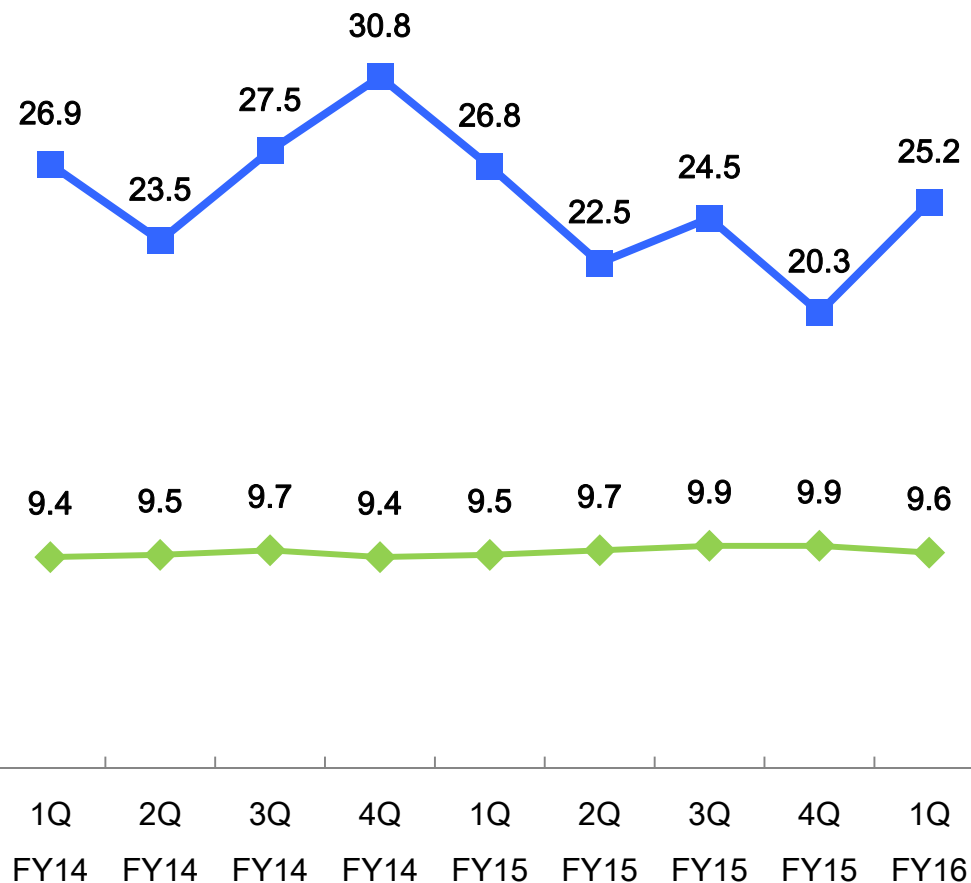
Noninterest Income:

(Unit: JPY billion)

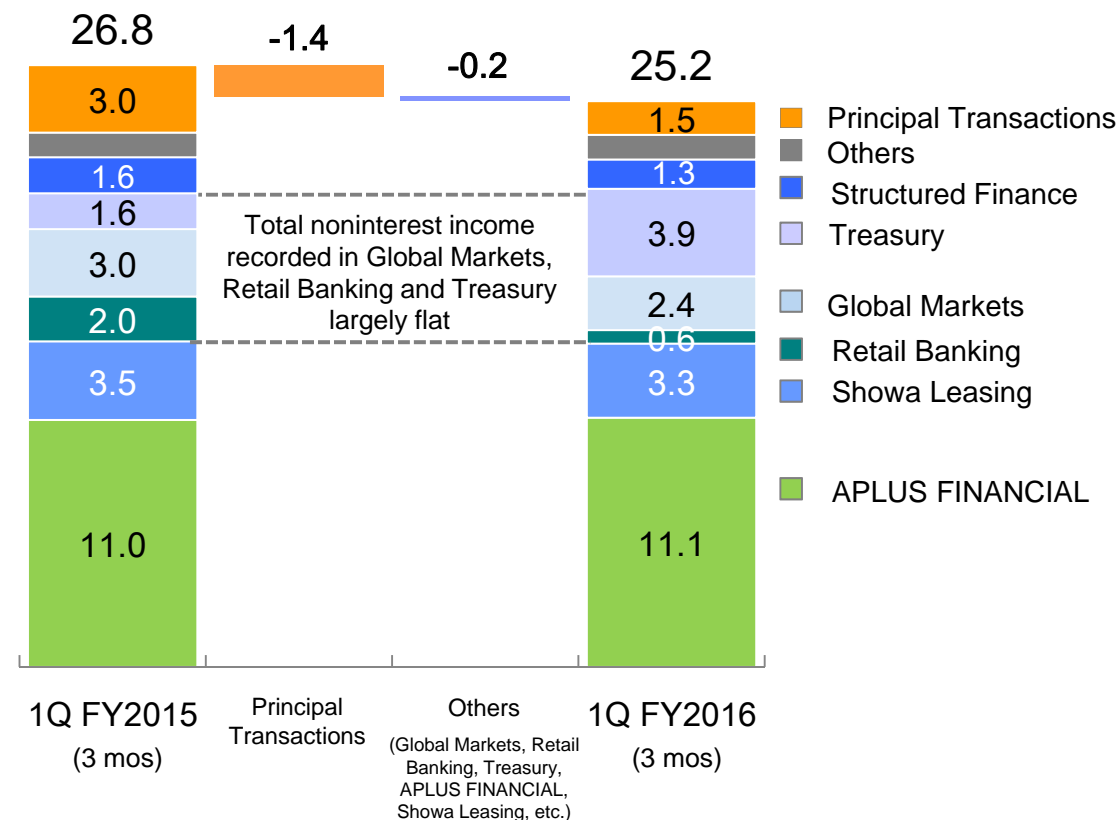
- Noninterest income recorded in 1QFY2016 totaled JPY 25.2 billion. Of this amount, income from lease transactions and installment receivables recorded from APLUS FINANCIAL and Showa Leasing totaled JPY 9.6 billion
- Noninterest income recorded from the Principal Transactions Business declined from JPY 3.0 billion recorded in 1QFY2015 to JPY 1.5 billion
- While noninterest income recorded in Global Markets and Retail Banking declined compared to 1QFY2015 due to market wide risk aversion, bond related income including government bonds in Treasury increased

Noninterest Income Quarterly Trend

- Noninterest Income
- ◆ Of which, Income on Lease Transactions and Installment Receivables



Y-o-Y Increase/Decrease Factors

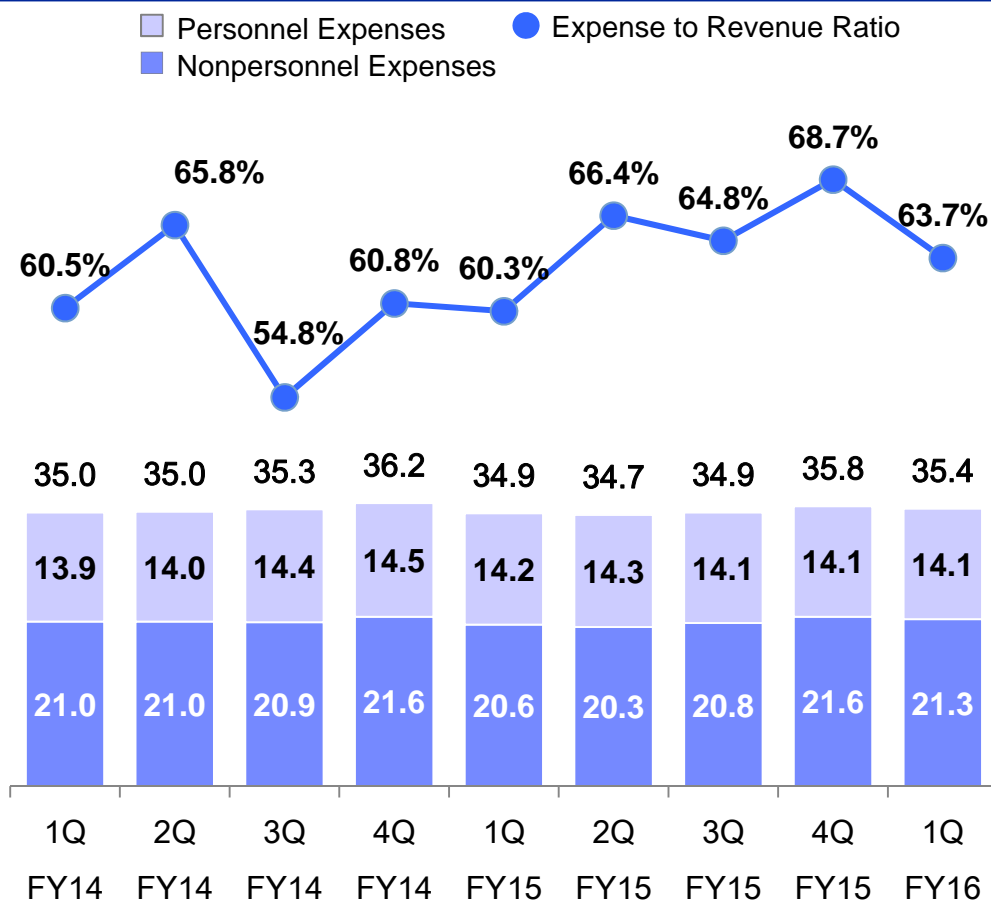


Expenses, Expense to Revenue Ratio

(Unit: JPY billion; %)

- Expenses recorded in 1QFY2016 totaled JPY 35.4 billion, a 25% progression toward the full year plan (JPY 144.0 billion)
- Expense to revenue ratio at 63.7%
- In Shinsei Bank Lake and Shinsei Financial, which are engaged in the unsecured loan business, one of the Bank's growth areas, expenses increased from JPY 8.0 billion recorded in 1QFY2015 to JPY 8.4 billion

Expenses, Expense to Revenue Ratio: Quarterly Trend



Nonpersonnel Expenses Components

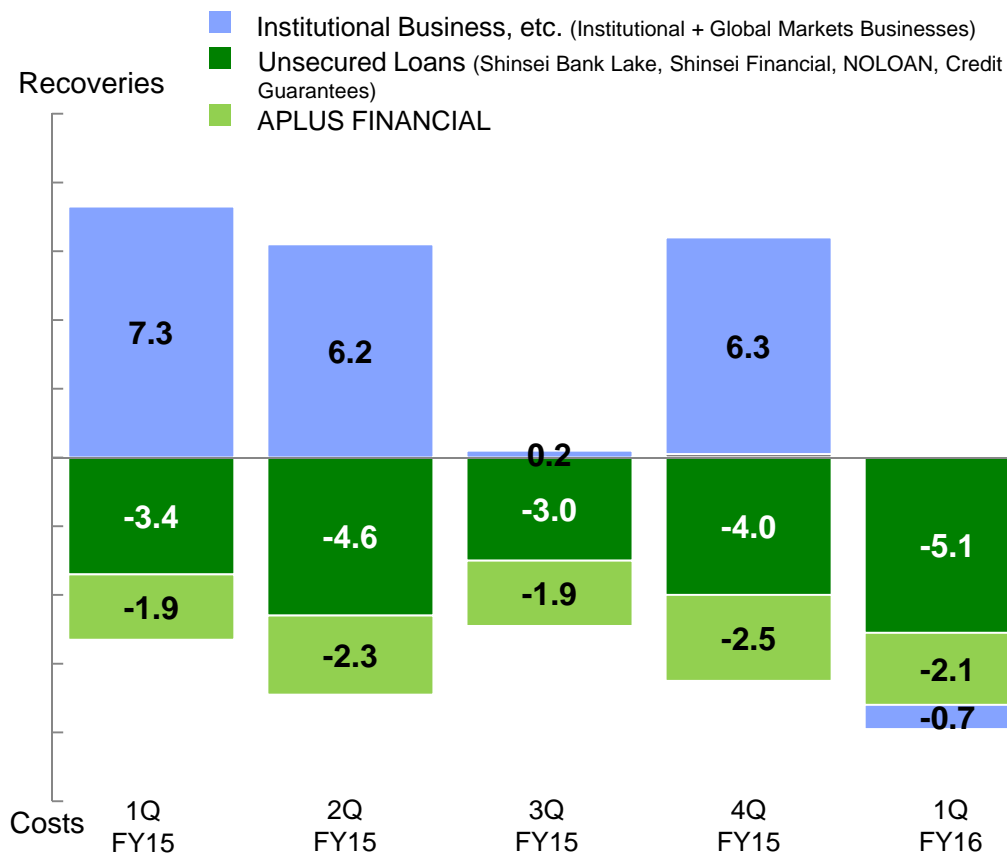
	1Q FY2015	1Q FY2016	YoY(%) B(+)/W(-)
Premises expenses	-4.7	-4.7	0%
Technology and data processing expenses	-4.6	-5.0	-9%
Advertising expenses	-2.7	-2.9	-7%
Consumption and property taxes	-2.2	-2.4	-9%
Deposit insurance premium	-0.5	-0.5	0%
Other general and administrative expenses	-5.7	-5.6	+2%
Nonpersonnel expenses	-20.6	-21.3	-3%

Net Credit Costs

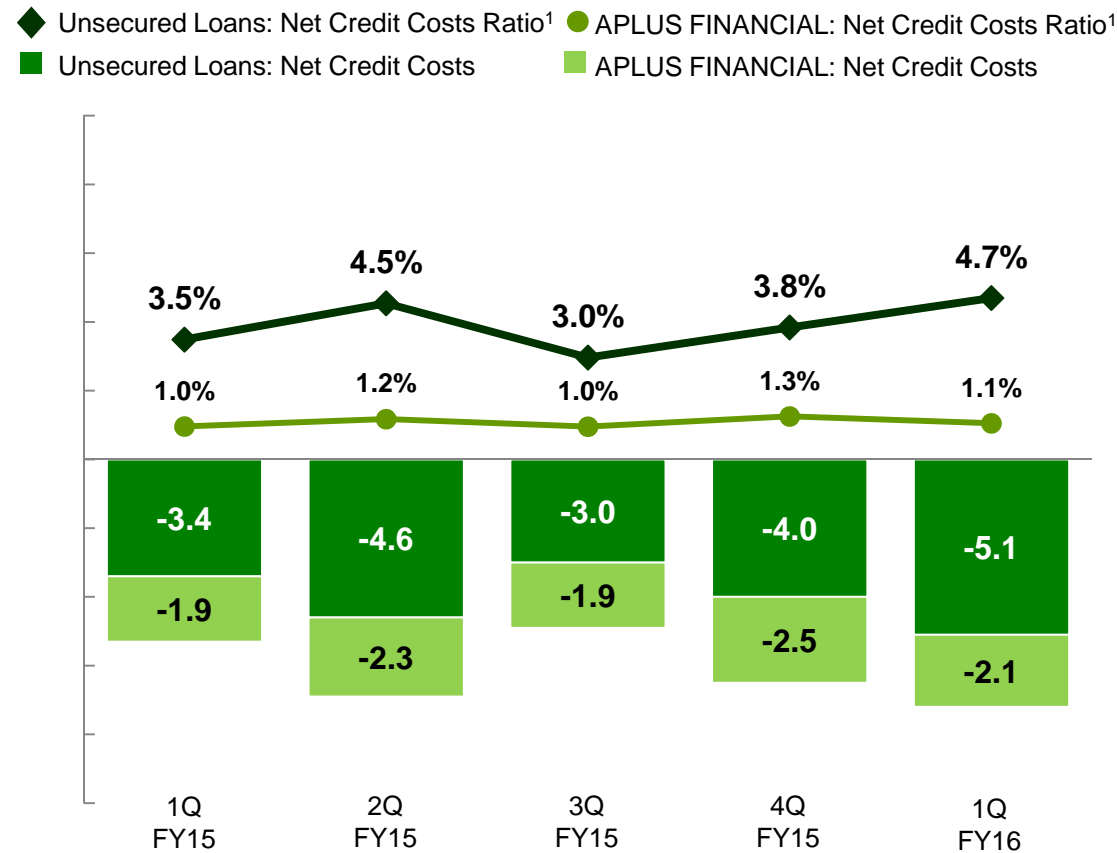
(Unit: JPY billion; %)

- Net credit costs in 1QFY2016 totaled JPY 8.0 billion, a 29% progression toward the full year plan (JPY 28.0 billion)
- In the Individual Business, net credit costs have increased in the first quarter due to a revision of the reserve ratio for unsecured loans in accordance with the original plan and the Bank anticipates full year net credit costs to be within the full year plan
- In the Institutional Business there was an absence of major net credit recoveries and net credit costs were provisioned in the Structured Finance Business

Net Credit Costs Quarterly Trend



Consumer Finance: Net Credit Costs Ratio¹



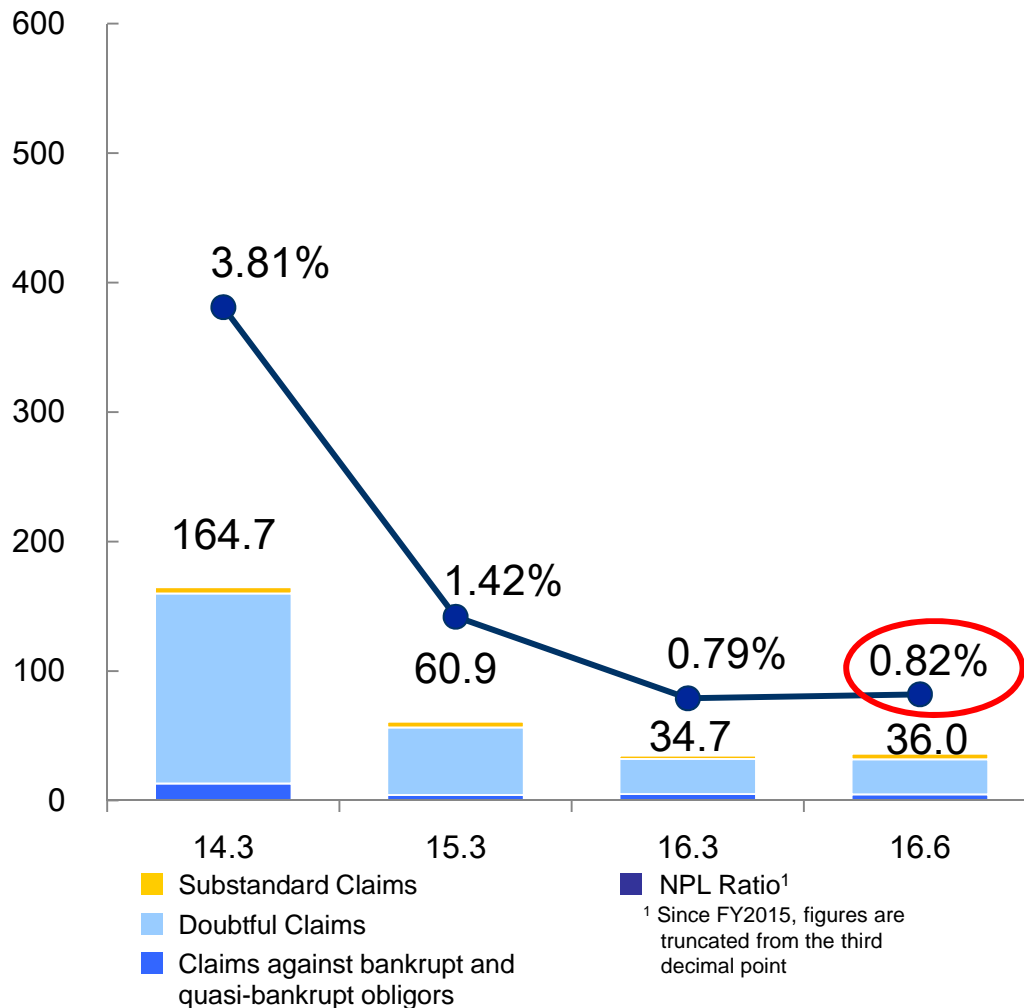
¹ Net Credit Costs Ratio = (Net Credit Costs / Average Balance of Operating Assets) * 4

Asset Quality

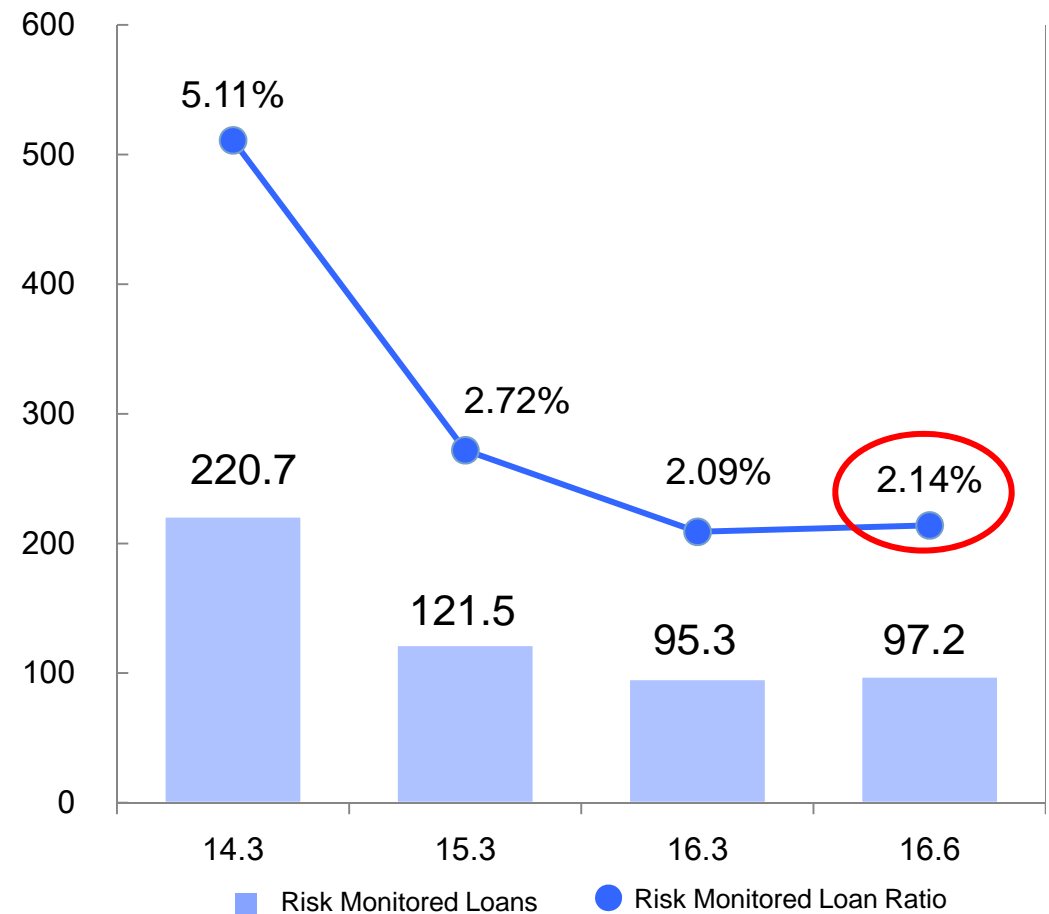
(Unit: JPY billion; %)

- The balance of nonperforming loans was JPY 36.0 billion and the nonperforming loan ratio remains at the low level of 0.82%
- The Group wide risk monitored loan balance was JPY 97.2 billion and the risk monitored loans ratio was 2.14%

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



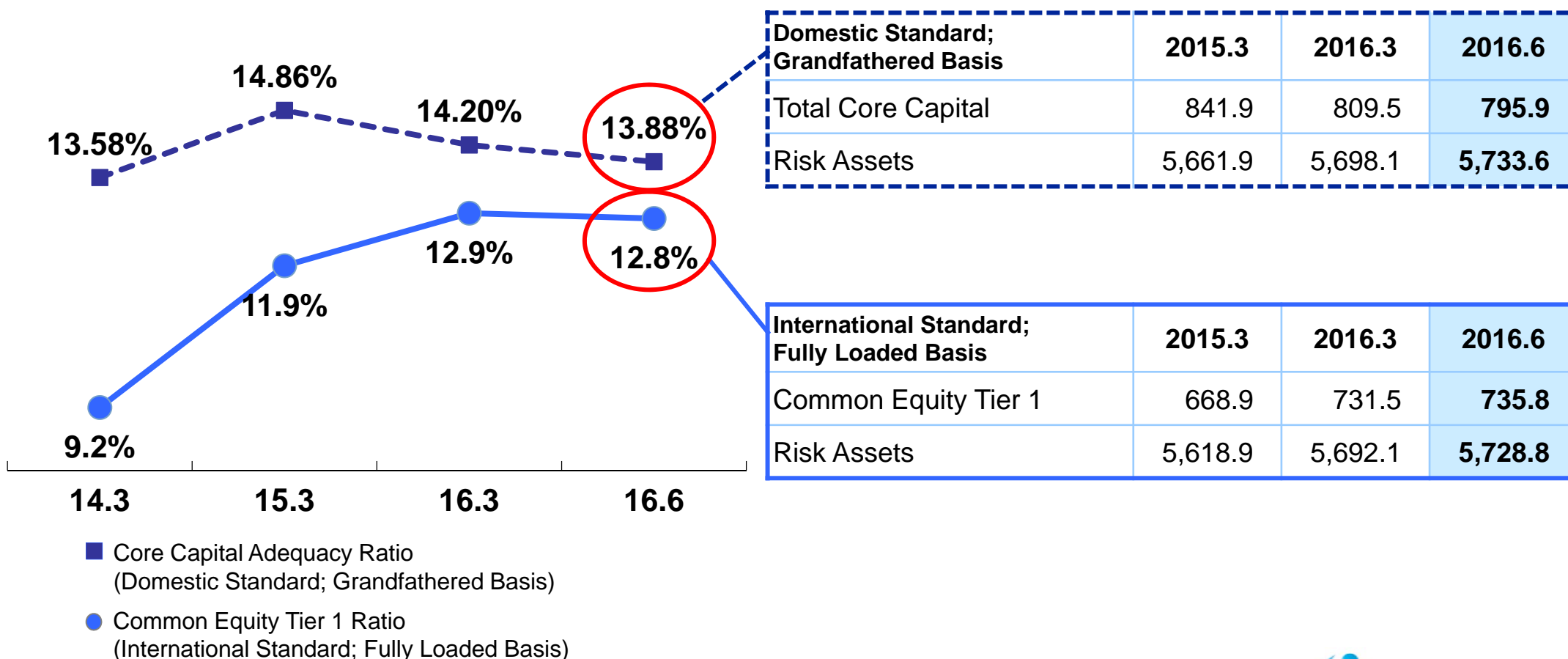
Risk Monitored Loans, Risk Monitored Loan Ratio (Consolidated)



Capital

(Unit: JPY billion; %)

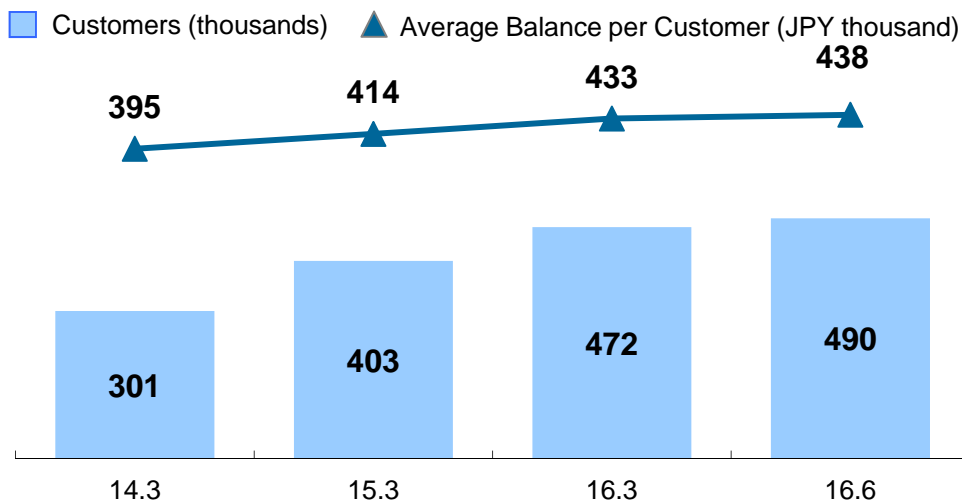
- Capital ratios continue to be maintained at ample levels
- Basel III domestic standard core capital adequacy ratio at 13.88%
- Basel III international standard fully loaded basis CET1 ratio at 12.8%



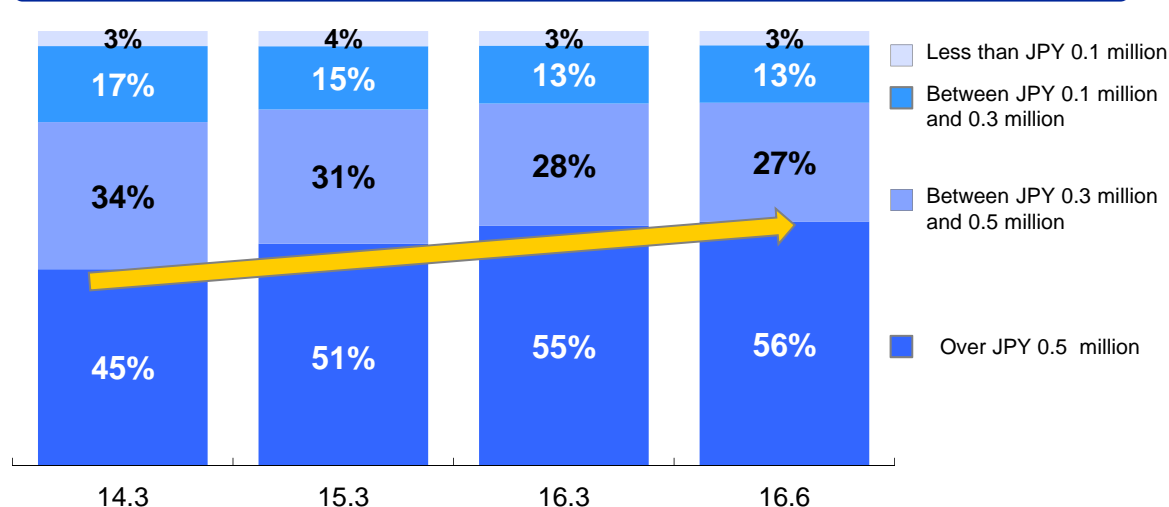
Unsecured Personal Loans: Lake Business

- 40,000 new customers acquired in 1QFY2016 with an approval rate of 32.6%, both increased compared to the previous quarter. This performance in new customer acquisitions is attributable to proactive investment in web affiliate advertising expenses during the high demand months of April and May. Approval rate is improved due to the fine tuning of the credit scoring model
- Regarding branch network development, the Bank is currently engaged in the selection of locations for new branch development for the 1- establishment of new branches in previously uncovered areas; 2- reinforcement of presence in prime locations; and 3- the closing and relocation of branches in unproductive areas as part of efforts to improve branch productivity. Actual opening/closing/relocation of branches planned to take place from the second quarter onward

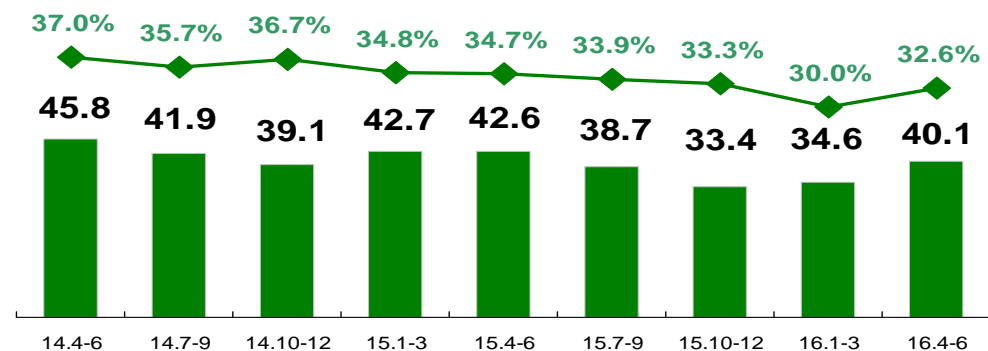
Customers (thousands), Balance per Customer (JPY thousand)



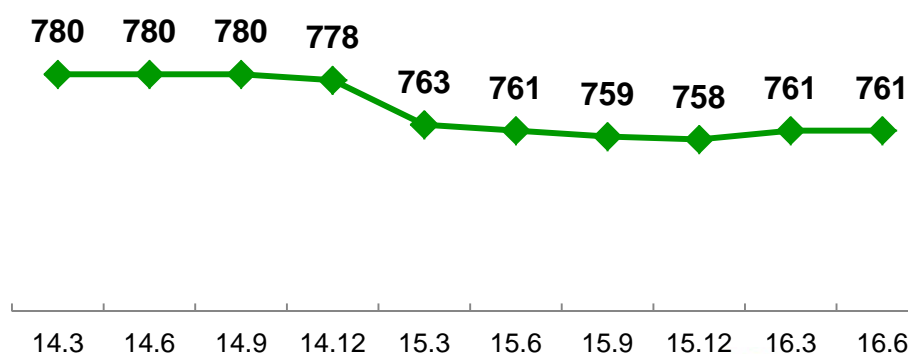
Balance Composition by Customer Loan Balances



New Customers (thousands), Approval Rate



Number of Branches

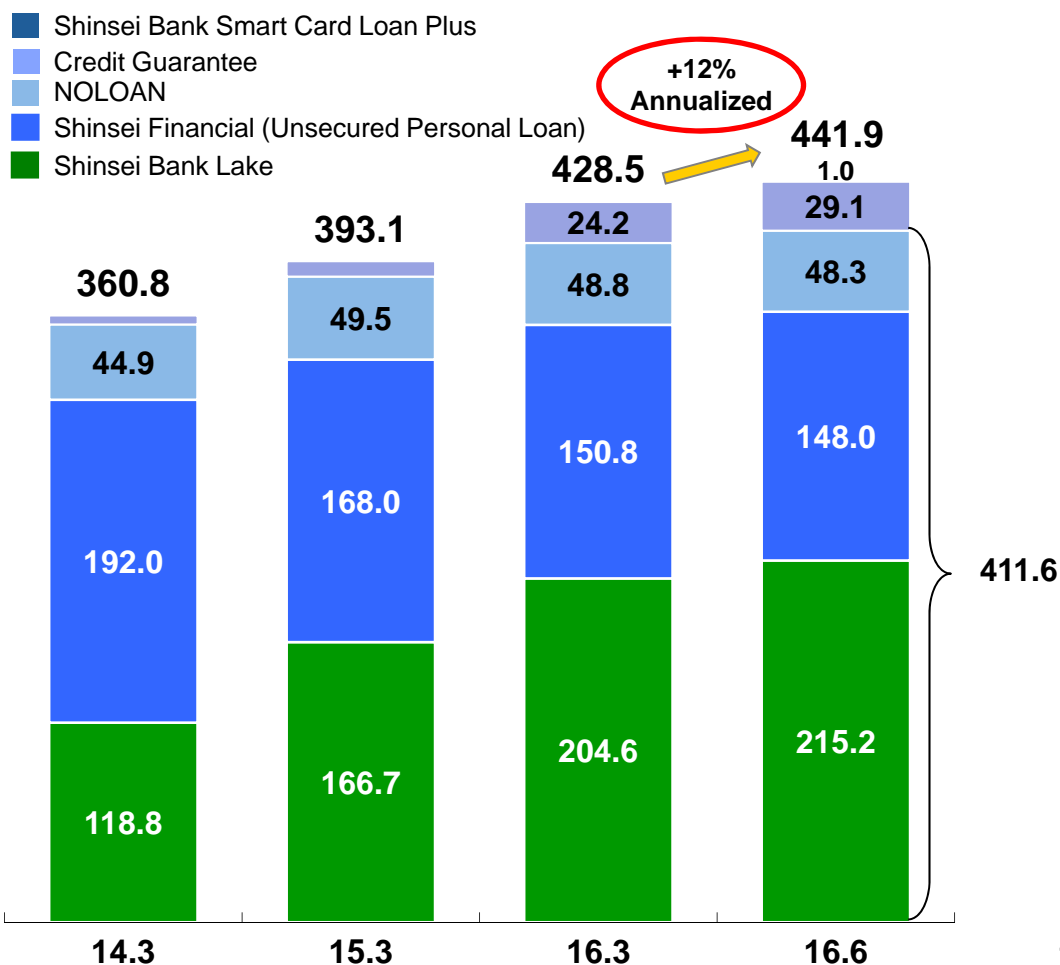


Unsecured Personal Loans

(Unit: JPY billion; %)

- Combined balance of Shinsei Bank Lake, Shinsei Financial, NOLOAN and credit guarantees was JPY 441.9 billion. The balance growth represents an annualized growth rate of 12% (vs. Mar. 31, 2016)
- The balance of Shinsei Bank Lake was JPY 215.2 billion. Net interest income totaled JPY 8.8 billion, increased +21% vs. 1QFY2015
- The regional bank credit guarantee balance was JPY 29.1 billion. Currently on course to exceed target due to credit guarantee agreements with leading regional banks
- The Smart Card Loan Plus balance was JPY 1.0 billion. In addition to Bank account holders, currently increasing the number of users from the Bank's Group-wide customer base

Unsecured Personal Loan Balance



Shinsei Bank Lake + Shinsei Financial ¹	1Q FY2015	1Q FY2016	YoY(%) B(+)/W(-)
Net Interest Income	14.9	15.7	+5%
Of which, Shinsei Bank Lake ²	7.3	8.8	+21%
Of which, NOLOAN	1.7	1.6	-6%
Noninterest Income	-0.6	-0.3	+50%
Expenses	-8.0	-8.4	-5%
Ordinary Business Profit	6.2	6.8	+10%
Net Credit Costs	-3.4	-5.1	-50%
OBP after Net Credit Costs	2.8	1.7	-39%

¹ Includes P&L from NOLOAN (SHINKI)

² Includes net interest income from Shinsei Bank Smart Card Loan Plus

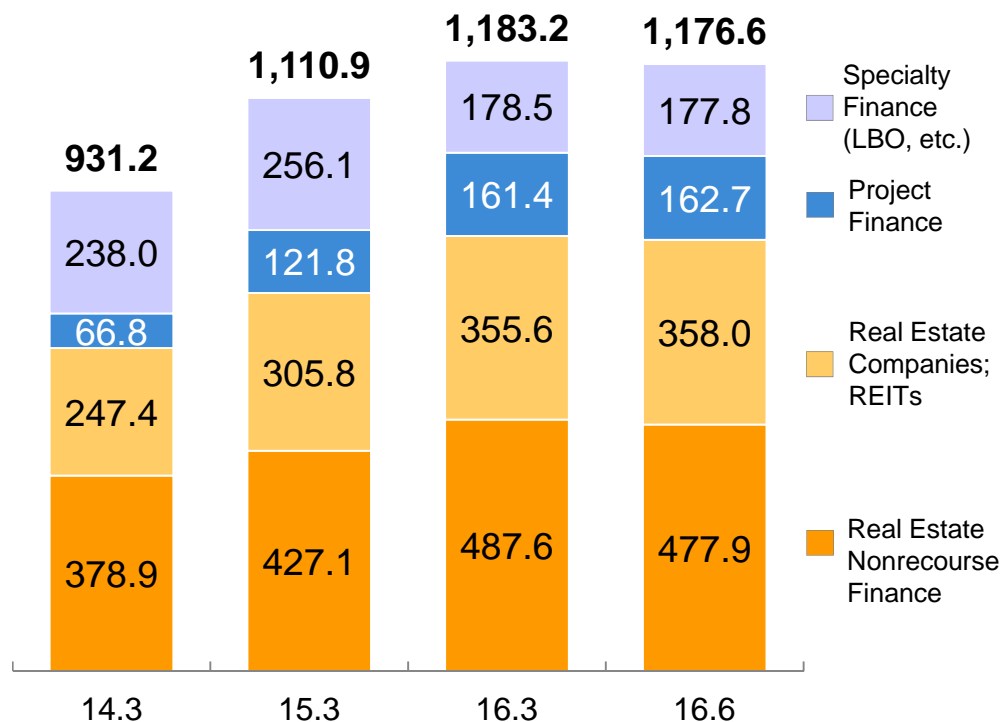
Structured Finance

(Unit: JPY billion; %)

- When adjusting for the effects of foreign exchange rate fluctuations between Mar. 31, 2016 and Jun. 30, 2016, the Structured Finance balance has grown steadily
- Regarding the domestic real estate market, while deteriorations of fundamental indicators such as the vacancy rate and rents have not been observed, due to growing concern of overheating and uncertainties surrounding domestic and international economies, the Bank continues to engage in deals with a strong focus on risk and return
- Regarding the effects of the British EU referendum (“Brexit”), the Bank’s U.K related exposures are largely associated with low risk assets and while there is a need to monitor for medium to long term effects, the Bank anticipates no major problems to arise
 - ◆ Real estate nonrecourse finance: approx. JPY 50.0 billion. Vast majority of assets are A class office buildings
 - ◆ Project finance: approx. JPY 18.0 billion (balance including committed credit lines: JPY 20.0 billion). Primarily associated with social infrastructure facility Public Private Partnership projects in the U.K. and projects are assigned high credit ratings

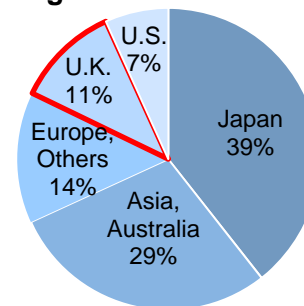
Structured Finance

【Operating Asset Balance】

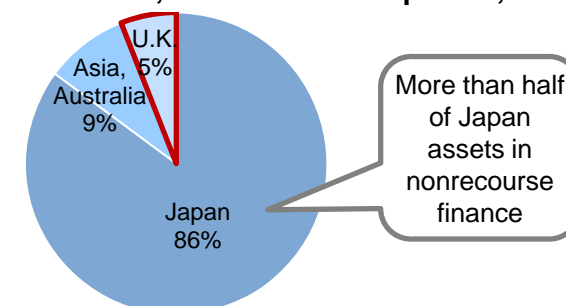


Regional Breakdown (as of June 30, 2016)

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



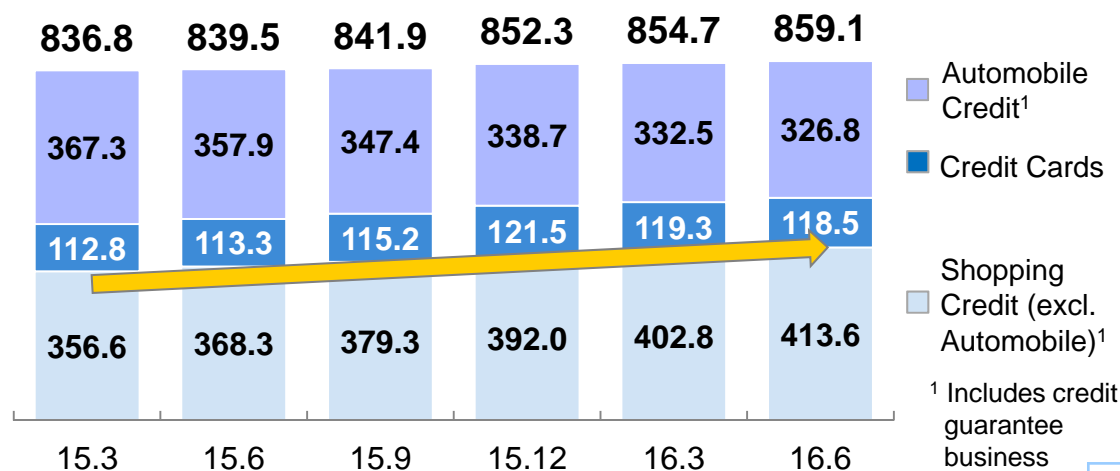
【Real Estate Finance】



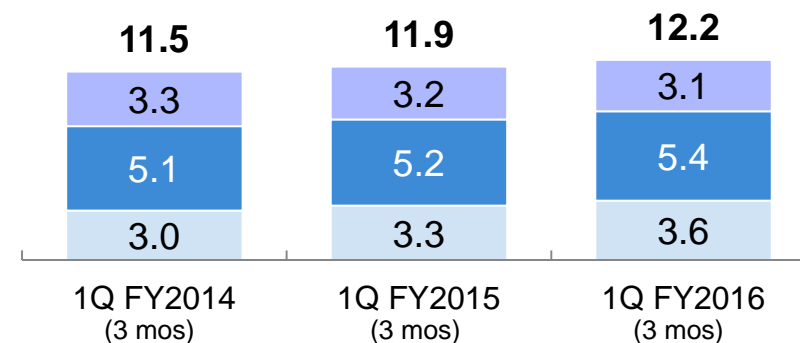
Structured Finance	1Q FY2015	1Q FY2016	YoY(%) B(+)/W(-)
Net Interest Income	3.1	2.3	-26%
Noninterest Income	1.6	1.3	-19%
Expenses	-1.2	-1.2	0%
Ordinary Business Profit	3.6	2.5	-31%
Net Credit Costs	7.0	-0.7	n.m.
OBP after Net Credit Costs	10.6	1.7	-84%

- Regarding shopping credit, both operating assets and operating revenues increase due to a firm performance in general merchandise
- Regarding credit cards, operating revenues continue to grow due to an increase in the operating asset balance from the first quarter of fiscal year 2015
- The growth of the loan balance was due to the accumulation of housing related loans

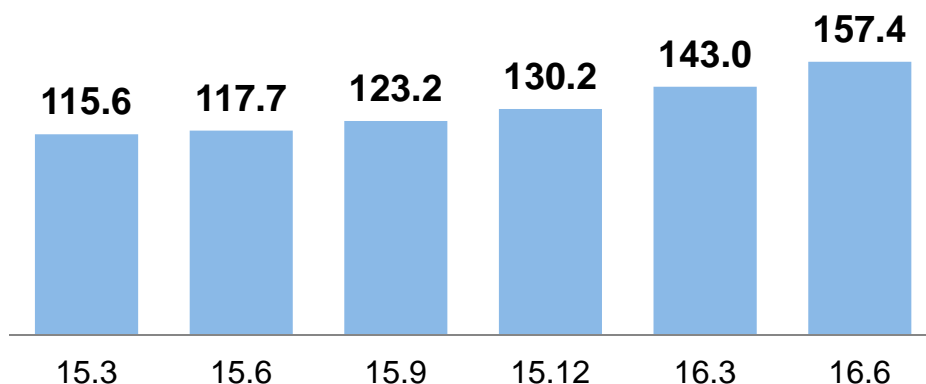
Operating Asset Balance (Shopping Credit; Credit Cards)



Operating Revenue (Shopping Credit; Credit Cards)



Loan Balance



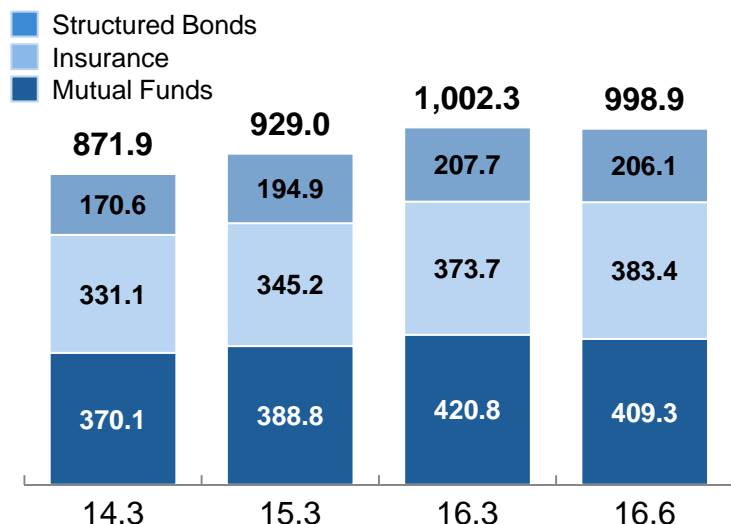
APLUS FINANCIAL	1Q FY2015	1Q FY2016	YoY(%) B(+)/W(-)
Net Interest Income	1.6	2.0	+25%
Noninterest Income	11.0	11.1	+1%
Expenses	-9.1	-9.3	-2%
Ordinary Business Profit	3.5	3.8	+9%
Net Credit Costs	-1.9	-2.1	-11%
OBP after Net Credit Costs	1.6	1.6	0%

Retail Banking

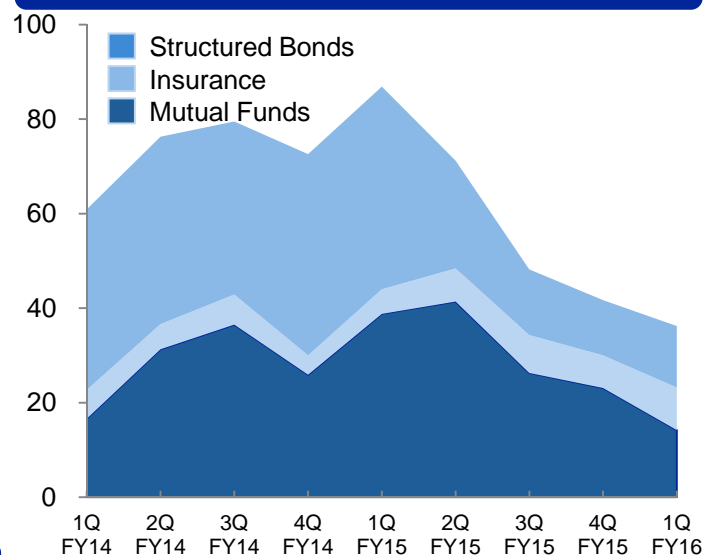
(Unit: JPY billion; %)

- The market wide risk aversion and situational observation are striking and the Bank saw a decline in the sale of asset management products, in particular, structured bonds
- The housing loan balance increased to JPY 1,281.6 billion through the meeting of customer needs for refinancing
- Retail foreign currency deposits serve as the core of the Bank's foreign currency funding and the balance as of June 30, 2016 was JPY 334.3 billion

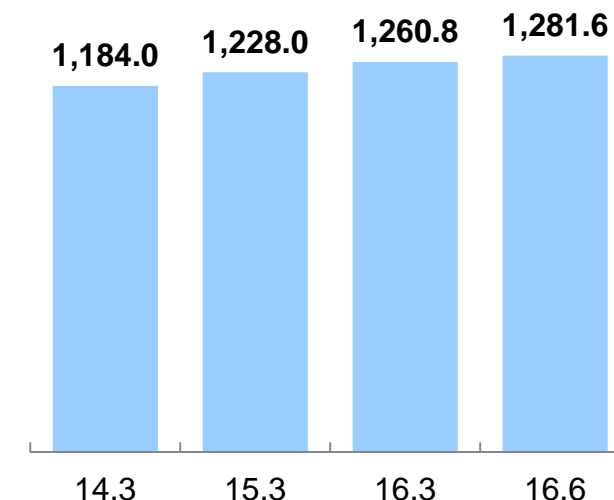
Asset Management Product Balance



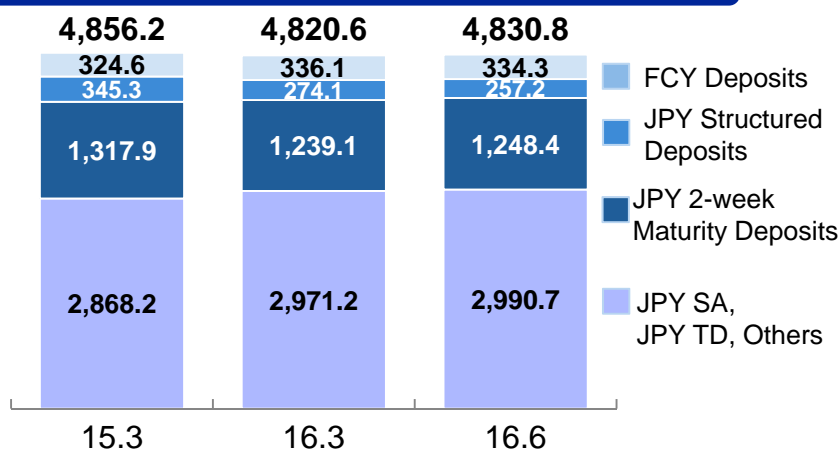
Asset Management Product Sales



Housing Loan Balance



Retail Deposit Balance by Product



Retail Banking	1Q FY2015	1Q FY2016	YoY(%) B(+)/W(-)
Net Interest Income	5.4	5.8	+7%
Noninterest Income	2.0	0.6	-70%
Expenses	-8.2	-8.4	-2%
Ordinary Business Profit	-0.7	-1.8	-157%
Net Credit Costs	-0.1	-0.0	n.m.
OBP after Net Credit Costs	-0.9	-1.9	-111%

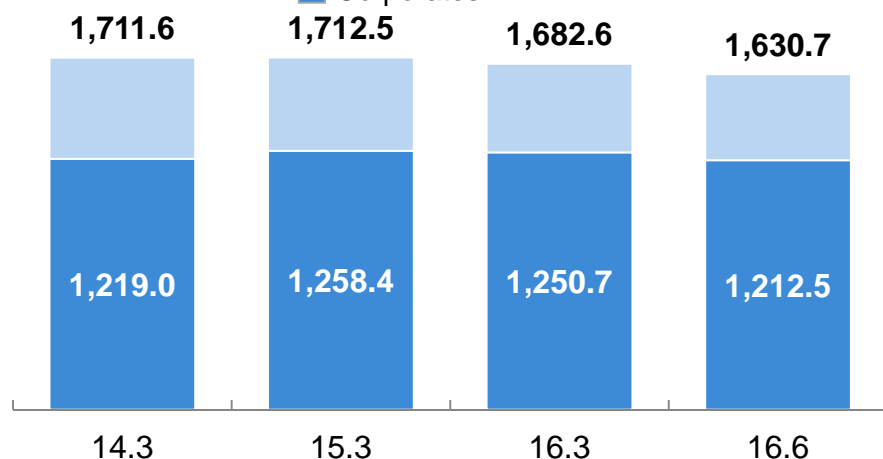
Corporate Business, Showa Leasing

(Unit: JPY billion; %)

- In the Corporate Business in order to ease the shift from transaction volume to quality the Bank has engaged in new initiatives even more selectively in regard to risk and return, resulting in largely flat revenue despite a decline in the overall operating asset balance
- Noninterest income has declined slightly at Showa Leasing due to weak buy-sell, etc. income

Corporate Business

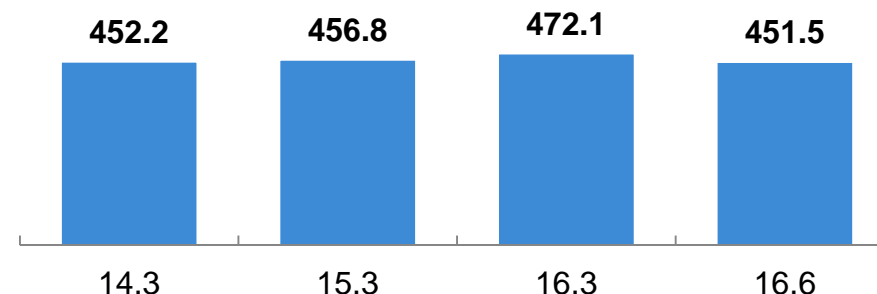
【Operating Asset Balance】 Others (Public Companies, Financial Institutions, etc.)
Corporates



Institutional Business	1Q FY2015	1Q FY2016	YoY(%) B(+)/W(-)
Net Interest Income	2.7	2.8	+4%
Noninterest Income	1.1	0.9	-18%
Expenses	-2.9	-2.6	+10%
Ordinary Business Profit	0.8	1.0	+25%
Net Credit Costs	-0.6	-0.1	+83%
OBP after Net Credit Costs	0.1	0.9	+800%

Showa Leasing

Operating Asset Balance



Showa Leasing	1Q FY2015	1Q FY2016	YoY(%) B(+)/W(-)
Net Interest Income	-0.4	-0.2	+50%
Noninterest Income	3.5	3.3	-6%
Expenses	-2.0	-2.0	0%
Ordinary Business Profit	1.0	1.0	0%
Net Credit Costs	0.9	0.2	-78%
OBP after Net Credit Costs	1.9	1.3	-32%

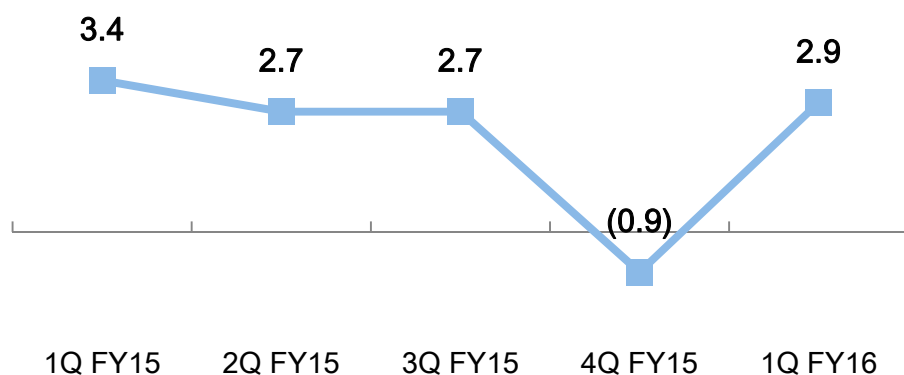
Global Markets, Treasury

(Unit: JPY billion; %)

- The Global Markets Business recorded total revenue of JPY 2.9 billion in 1QFY2016. The Markets Business saw a firm performance in the sale of structured products which meet the asset management needs of regional financial institution customers due to efforts undertaken in light of market conditions including negative interest rates, etc.
- Treasury recorded total revenue of JPY 4.0 billion in 1QFY2016. In ALM operations, in addition to the recording of gains on government bond, etc., trading, a portion of the outstanding JGB balance has been shifted to foreign currency denominated bonds including U.S. T Bills and European bonds

Global Markets Business

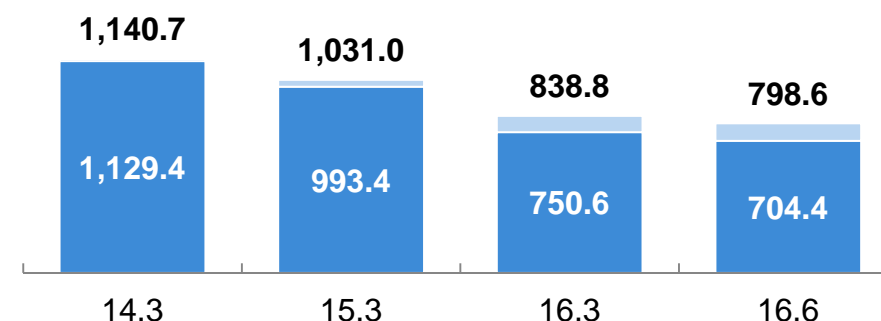
■ Quarterly Revenue Trend



Global Markets	1Q FY2015	1Q FY2016	YoY(%) B(+)/W(-)
Revenue	3.4	2.9	-15%
Expenses	-1.8	-1.7	+6%
Ordinary Business Profit	1.5	1.1	-27%

Treasury (includes ALM operations)

■ Foreign Currency Denominated Bond Balance (Foreign Government, etc.)
■ Domestic Bond Balance (Japanese Government, etc.)



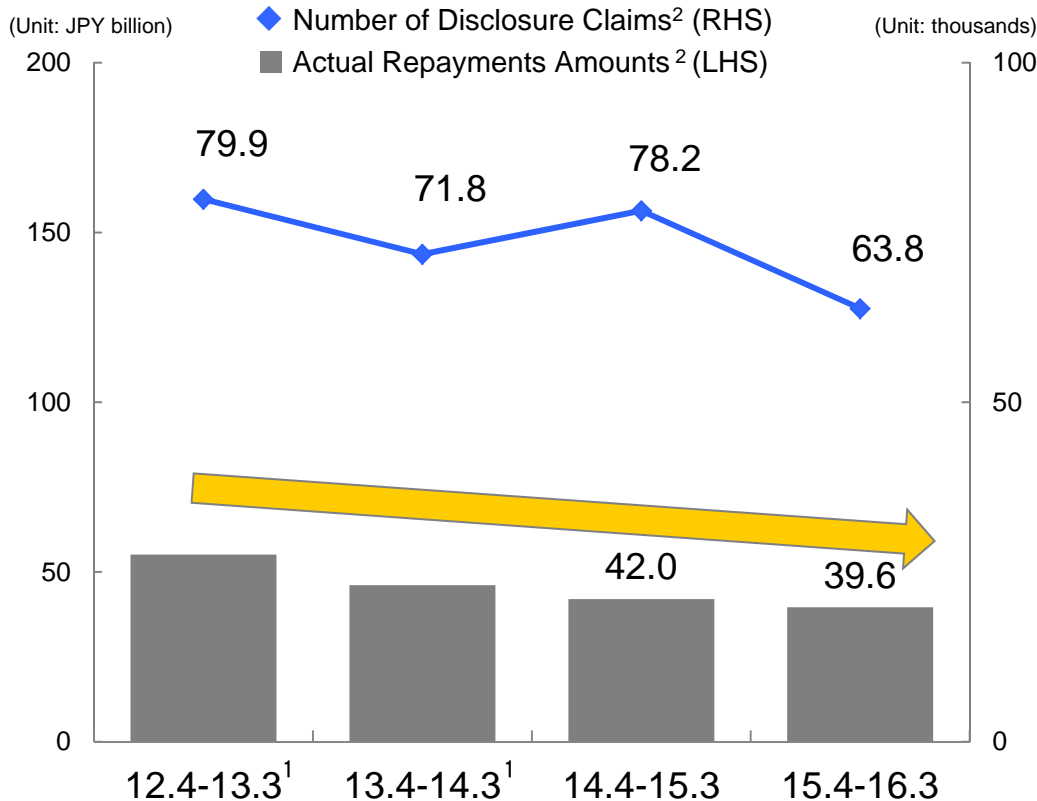
Treasury (incl. ALM ops.)	1Q FY2015	1Q FY2016	YoY(%) B(+)/W(-)
Revenue	3.0	4.0	+33%
Of which, Gains (losses) on Bond, etc., Trading	1.1	3.5	+218%
Expenses	-0.4	-0.4	0%
Ordinary Business Profit	2.5	3.6	+44%

Appendix: Interest Repayment (Grey Zone)

(Unit: JPY billion)

- The total grey zone reserve of the Shinsei Bank Group stands at JPY 122.6 billion, a sufficient level of reserves
- The uptick in interest repayments is the result of the processing of previously received claims in Shinsei Financial
- While continuing to closely monitor disclosure claims and actual repayment amounts, the Bank has observed no significant changes to the long term declining trend

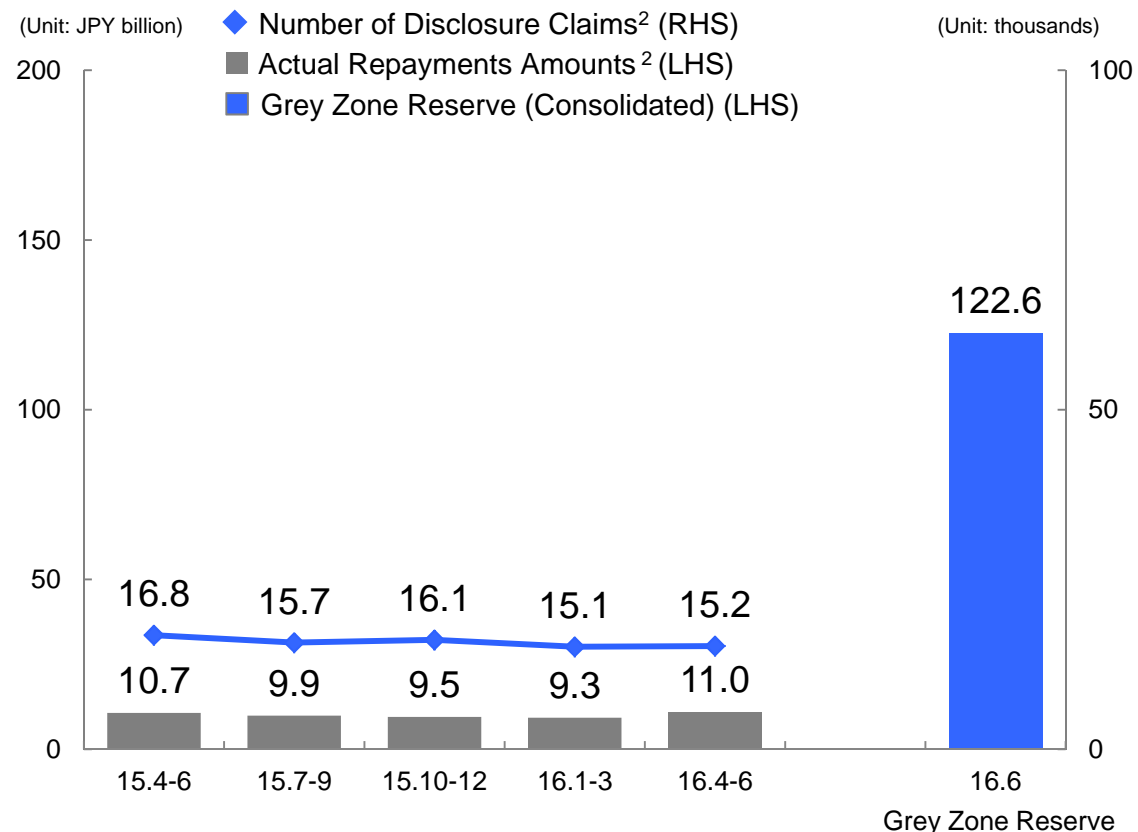
Annual Trend



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

² Shinsei Financial, SHINKI and APLUS FINANCIAL combined

Recent Quarterly Trend



Grey Zone Reserve

Appendix: Segment P&L

(Unit: JPY billion)

Segment	Total Revenue		Ordinary Business Profit after Net Credit Costs	
	Amount	Share (%)	Amount	Share (%)
Individual Business	35.3	63%	1.5	12%
Retail Banking	6.5	12%	-1.9	-16%
Shinsei Financial ¹	15.3	28%	1.7	14%
APLUS FINANCIAL	13.1	24%	1.6	13%
Others	0.3	1%	0.1	1%
Institutional Business	13.1	24%	5.4	45%
Corporate Business	3.7	7%	0.9	7%
Structured Finance	3.7	7%	1.7	14%
Principal Transactions	2.5	4%	1.3	11%
Showa Leasing	3.1	6%	1.3	11%
Global Markets Business	2.9	5%	1.2	10%
Markets	2.3	4%	1.5	12%
Others	0.5	1%	-0.3	-2%
Corporate/Other	4.2	8%	3.9	32%
Treasury	4.0	7%	3.6	30%
Corporate/Other (excluding Treasury)	0.1	0%	0.2	2%
Total	55.6	100%	12.1	100%

¹ Includes Shinsei Bank Lake and NOLOAN

Appendix: Key Data

Balance Sheet

(Unit: JPY billion)	2013.3	2014.3	2015.3	2016.3	2016.6
Loans and bills discounted	4,292.4	4,319.8	4,461.2	4,562.9	4,547.4
Securities	1,842.3	1,557.0	1,477.3	1,227.8	1,190.9
Lease receivables/ leased investment assets	203.5	227.7	227.0	211.4	194.7
Installment receivables	365.8	421.9	459.1	516.3	512.1
Reserve for credit losses	-161.8	-137.3	-108.2	-91.7	-94.5
Deferred Tax Assets	16.3	16.5	15.3	14.0	12.9
Total assets	9,029.3	9,321.1	8,889.8	8,928.7	9,270.4
Deposits including negotiable certificates of deposits	5,457.5	5,850.4	5,452.7	5,800.9	5,804.5
Borrowed money	719.2	643.4	805.2	801.7	755.4
Corporate bonds	174.2	177.2	157.5	95.1	104.5
Grey zone reserves	34.9	208.2	170.2	133.6	122.6
Total liabilities	8,345.6	8,598.5	8,136.0	8,135.6	8,483.2
Shareholders' equity	626.3	665.1	728.5	786.8	786.6
Total net assets	683.6	722.5	753.7	793.1	787.1

Financial Ratios

(Unit: %)	FY2012	FY2013	FY2014	FY2015	FY2016 1Q
Expense-to-revenue ratio	64.6%	65.4%	60.2%	64.9%	63.7%
Loan-to-deposit ratio	78.7%	73.8%	81.8%	78.7%	78.3%
ROA	0.6%	0.5%	0.7%	0.7%	0.4%
ROE	8.6%	6.5%	9.8%	8.1%	4.2%

Per Share Data

(Unit: Yen)	FY2012	FY2013	FY2014	FY2015	FY2016 1Q
BPS	233.65	247.82	275.45	294.41	296.25
EPS	19.24	15.59	25.57	22.96	3.09

Credit Ratings

	Mar. 31 2013	Mar. 31 2014	Mar. 31 2015	Mar. 31 2016	Jul. 31 2016
R&I	BBB+ (Stable)	BBB+ (Positive)	BBB+ (Positive)	BBB+ (Positive)	BBB+ (Positive)
JCR	BBB (Positive)	BBB+ (Stable)	BBB+ (Stable)	BBB+ (Stable)	BBB+ (Stable)
S&P	BBB+ (Stable)	BBB+ (Stable)	BBB+ (Stable)	BBB+ (Stable)	BBB+ (Stable)
Moody's	Ba1 (Stable)	Baa3 (Stable)	Baa3 (Positive)	Baa3 (Positive)	Baa2 (Stable)

- **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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