



# **Business and Financial Highlights**

## **First Quarter Ended June 30, 2018**

**Shinsei Bank, Limited**  
**August 2018**



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# Key Points

## 1 Ordinary Business Profit (OBP): JPY 22 billion (24% progression)

- Total revenue: JPY 56.9 billion (24% progression toward full year projection, YoY down 2%)
- Expenses: JPY 34.8 billion (24% progression toward full year projection, YoY down 3%)
  - ✓ Expense-to-Revenue Ratio: 61.2% (62.1% in 1QFY2017)

## 2 Net Income : JPY 9 billion (17% progression)

- Net credit costs: JPY 10.7 billion (31% progression toward full year projection, YoY up 18%)
  - ✓ High progress rate due to one-off factors is within our expectation
- Net income: JPY 9 billion (17% progression toward full year projection, YoY down 17%)
  - ✓ This progress rate largely relates to net credit costs in 1Q; no material impact envisioned in full year net income forecast of JPY 52 billion

## 3 Lake ALSA

- New customer acquisition: 23K, Approval ratio: 28.9%
  - ✓ Lake ALSA faced the necessity for distinction between Lake ALSA and old Bank Lake and challenges in navigating new customers to the new website, which invited fewer applications and lower credit score applicants
  - ✓ Various measures are being taken to fully bring out the potential performance of "Lake" brand

# 1QFY2018 Financial Results Summary

(Unit: JPY billion; %)

Consolidated	17.4-6 (Actual)	18.4-6 (Actual)		18.4-19.3 (Plan)	
		YoY % B(+)/W(-)	Progress %		
<b>Total Revenue</b>	57.8	56.9	-2	24	236.5
<b>Net Interest Income</b>	31.9	33.4	+5		
<b>Noninterest Income</b>	25.9	23.4	-10		
<b>Expenses</b>	-35.9	-34.8	+3	24	-144.5
<b>Ordinary Business Profit (OBP)</b>	21.9	22.0	+0	24	92.0
<b>Net Credit Costs</b>	-9.1	-10.7	-18	31	-34.0
<b>OBP after Net Credit Costs</b>	12.7	11.3	-11	19	58.0
<b>Others</b>	-1.8	-2.2	-22	37	-6.0
<b>Income Tax, etc.</b>	-1.2	-1.5	-25		
<b>Net Income</b>	10.9	9.0	-17	17	52.0

## Points

### Total Revenue: YoY-2%

- ◆ Net Interest Income: YoY+5%
- ◆ Noninterest Income: YoY-10%

### Expenses: YoY +3%

- ◆ Expense-to-revenue ratio: 61.2% (1QFY2017: 62.1%)

### OBP: YoY+0%

### Net Credit Costs: YoY-18%

- ◆ Structured Finance : JPY 1.9 billion
- ◆ APLUS FINANCIAL : JPY 4.8 billion
- ◆ Unsecured Loans : JPY 4.6 billion

### OBP after Net Credit Costs: YoY-11%

### Others: YoY -22%

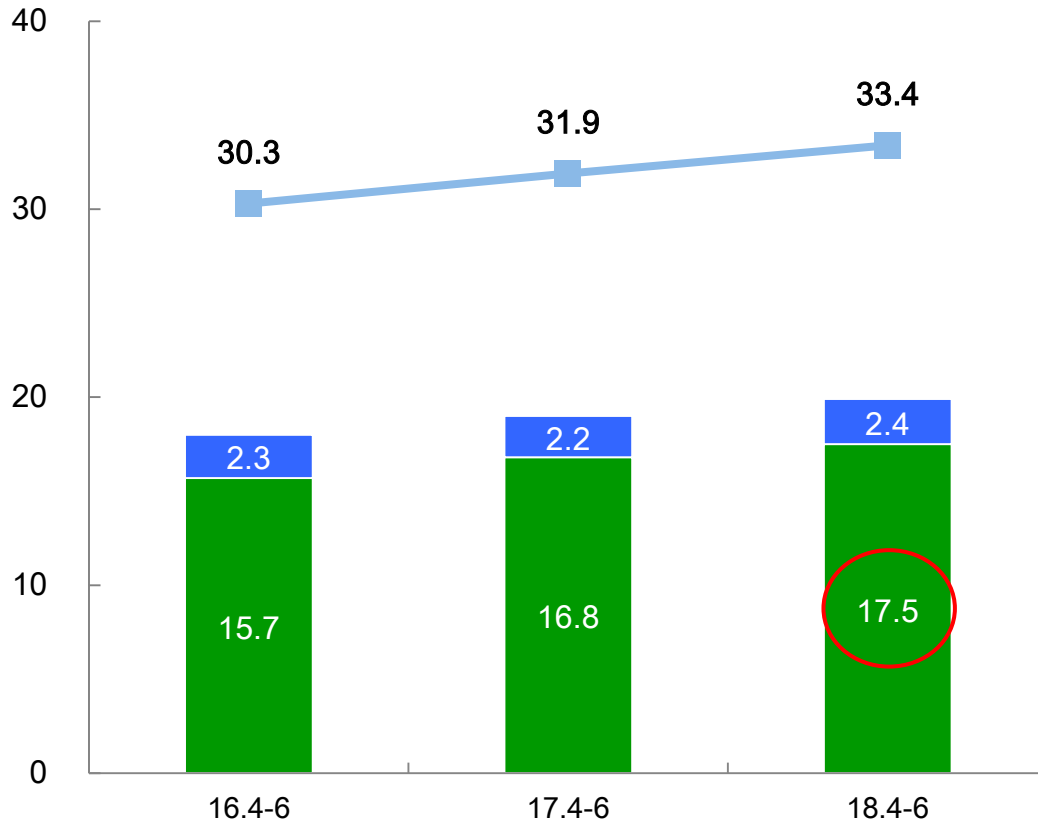
- ◆ Mainly reflects income tax expenses

# Financial Update: Net Interest Income, Noninterest Income

(Unit: JPY billion)

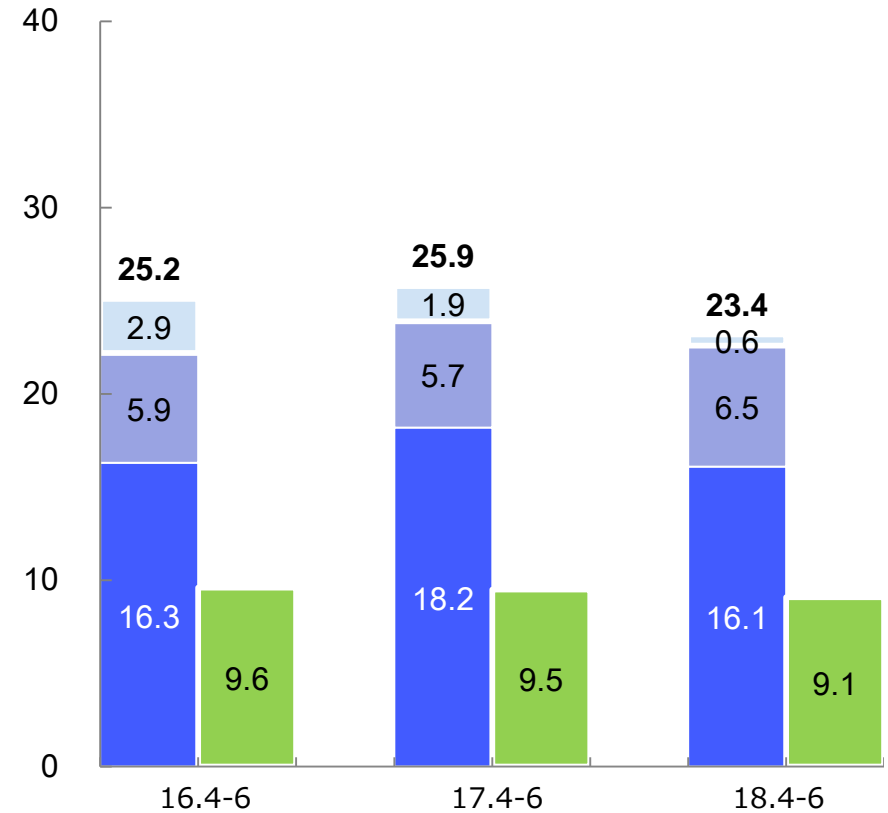
## Net Interest Income

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



## Noninterest Income

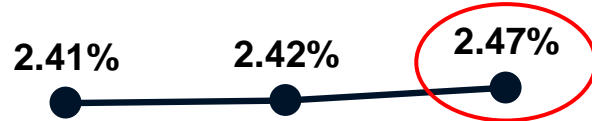
- Net Trading Income
- Net Fees and Commissions
- Net Other Business Income
- Of which, Income on leasing and installment receivables



# Financial Update: Net Interest Margin(NIM), Yield on Interest Earning Assets, Funding Costs

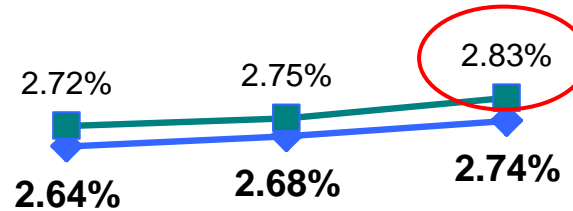
(Unit: %)

## Net Interest Margin <sup>1</sup>



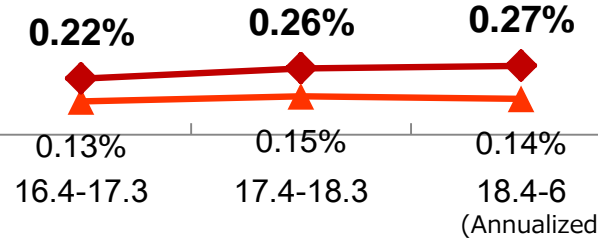
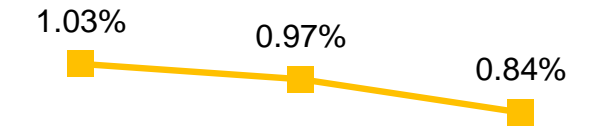
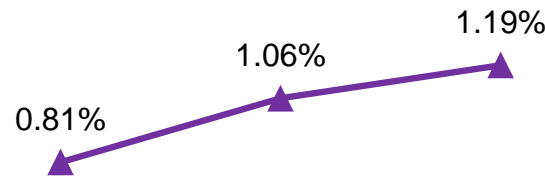
## Yield on Interest Earning Assets

- Yield on Loans and Bills Discounted
- ◆ Yield on Interest Earning Assets<sup>1</sup>
- ▲ Yield on Securities



## Funding Costs

- Rate on Corporate Bonds
- ◆ Rate on Interest Bearing Liabilities
- ▲ Rate on Deposits, including NCDs



16.4-17.3      17.4-18.3      18.4-6  
(Annualized)

16.4-17.3      17.4-18.3      18.4-6  
(Annualized)

16.4-17.3      17.4-18.3      18.4-6  
(Annualized)

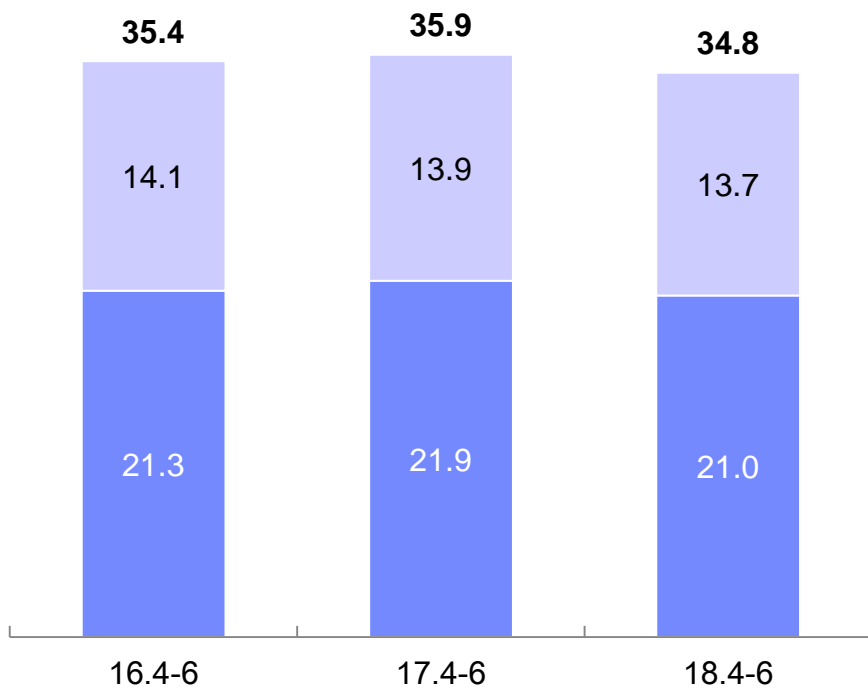
<sup>1</sup> Includes income on leased assets and installment receivables

# Financial Update: Expenses

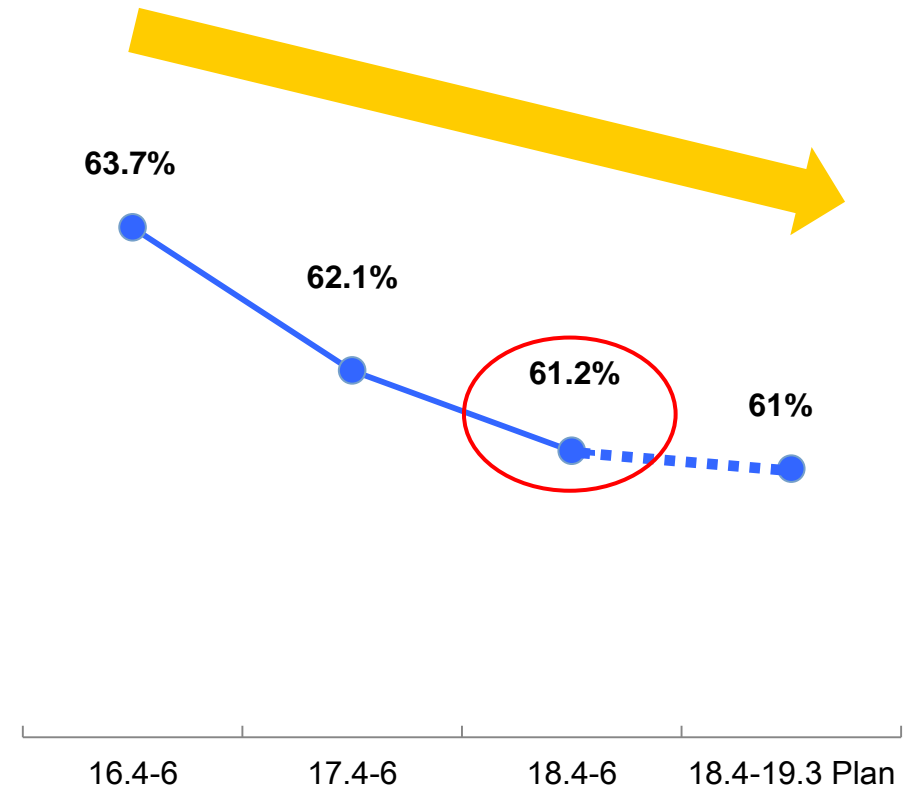
(Unit: JPY billion)

## Expenses

- Personnel Expenses
- Nonpersonnel Expenses



## Expense-to-Revenue Ratio



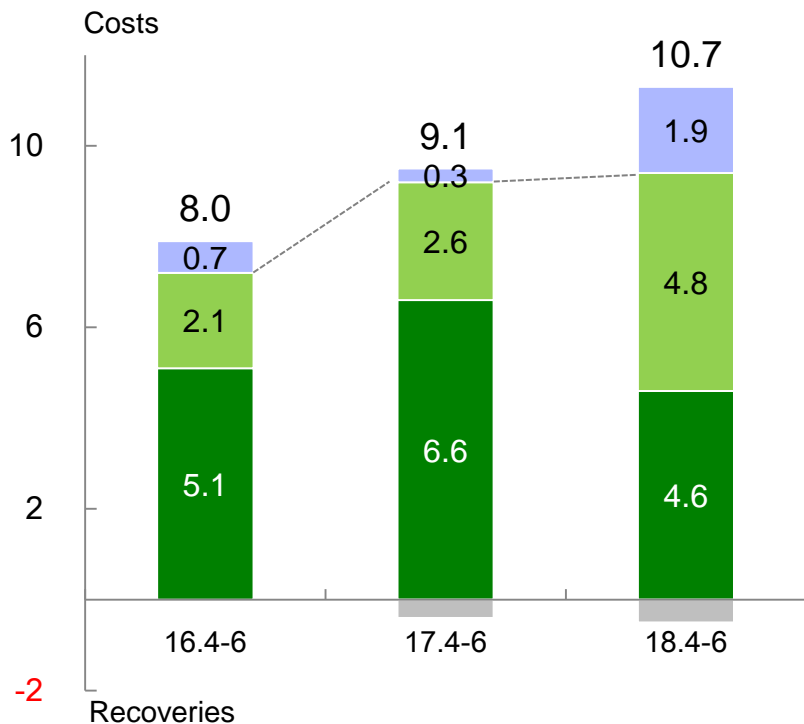
# Financial Update: Net Credit Costs

(Unit: JPY billion)

## Net Credit Costs

- Net credit costs increased by 18%
- Increase in structured finance was due mainly to new overseas transactions in real estate finance and shipping finance
- Increase in APLUS FINANCIAL was offset by decrease in the unsecured loans, resulting in YoY flat

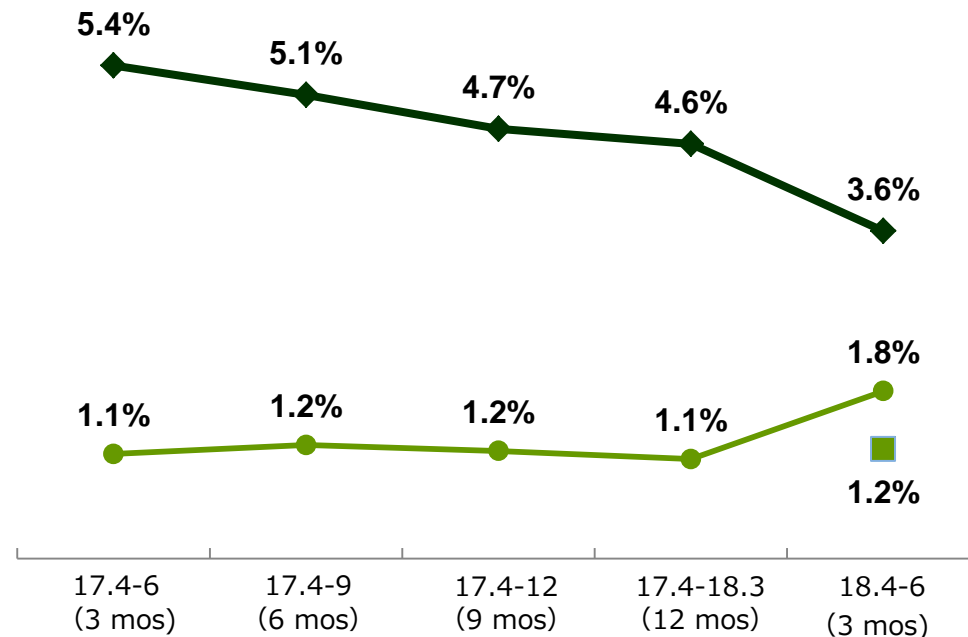
- Structured Finance
- APLUS FINANCIAL
- Unsecured Loans (Lake Businesses, NOLOAN, Credit Guarantees, Shinsei Bank SmartCard Loan Plus)
- Others (Corporate Business, Showa Leasing, Global Markets etc.)



## Consumer Finance: Net Credit Costs Ratio

- Net credit costs ratio of the unsecured loans were down to 3.6%, reflecting decline in net credit costs related to a slight decrease in the unsecured loan balance from March 2018
- Net credit costs ratio of APLUS FINANCIAL were up to 1.8%, reflecting a bulk sale of delinquent loans. The ratio excluding this factor was at 1.2%

- Unsecured Loans: Net Credit Costs Ratio (annualized basis<sup>1</sup>)
- APLUS FINANCIAL: Net Credit Costs Ratio (annualized basis<sup>1</sup>)
- APLUS FINANCIAL: Net Credit Costs Ratio (excluding the factor of a bulk sale of delinquent loans, annualized basis<sup>1</sup>)



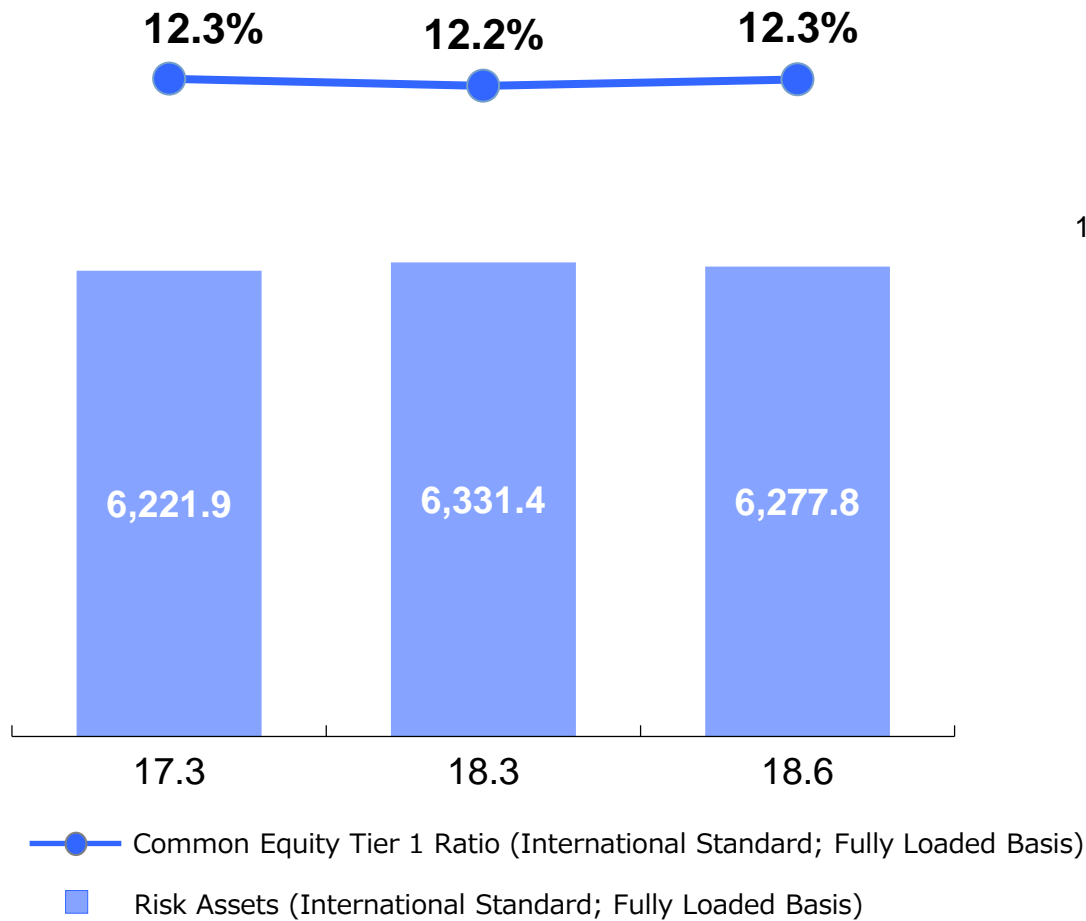
<sup>1</sup> Net Credit Costs Ratio = Calculated by annualizing the following formula :  
(Net Credit Costs ÷ Average of Beginning and End of Period Operating Assets Balances)



# Financial Update: Capital

(Unit: JPY billion)

## Common Equity Tier1 Ratio



## Amounts of Capital



# Financial Update: Excess Interest Repayment (Kabarai)

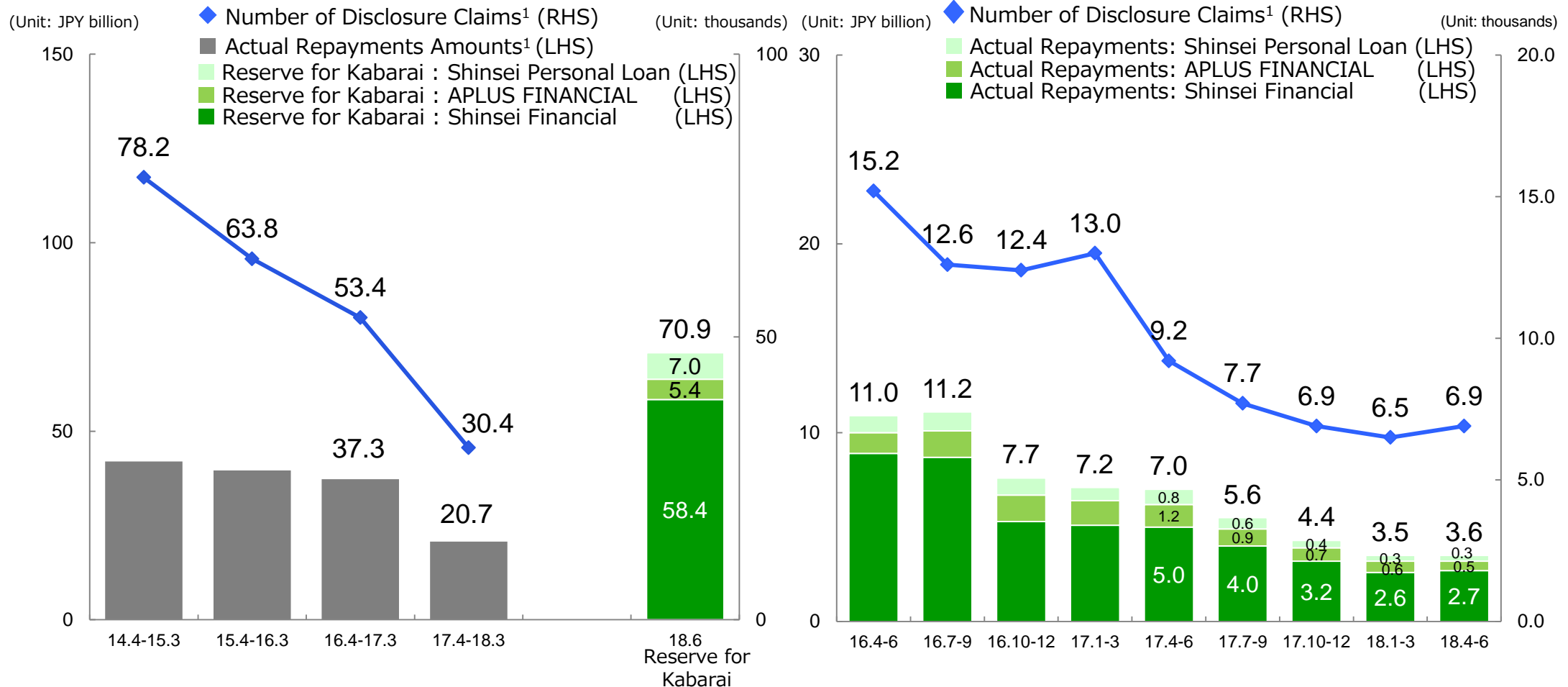
(Unit: JPY billion)

## Annual Trend

■ Combined reserve ratio based on the total actual payments in 2018.4-6 is 4.8 years (Shinsei Financial: approx. 5 years, APLUS FINANCIAL: approx. 2 years, Shinsei Personal Loan: approx. 4 years)

## Recent Quarterly Trend

■ Increase in the number of disclosure claims and actual repayments in 2018.4-6 from 2018.1-3 resulted from resumption of advertising activities by certain legal firms



<sup>1</sup> Shinsei Financial, Shinsei Personal Loan and APLUS FINANCIAL combined

# Business Update

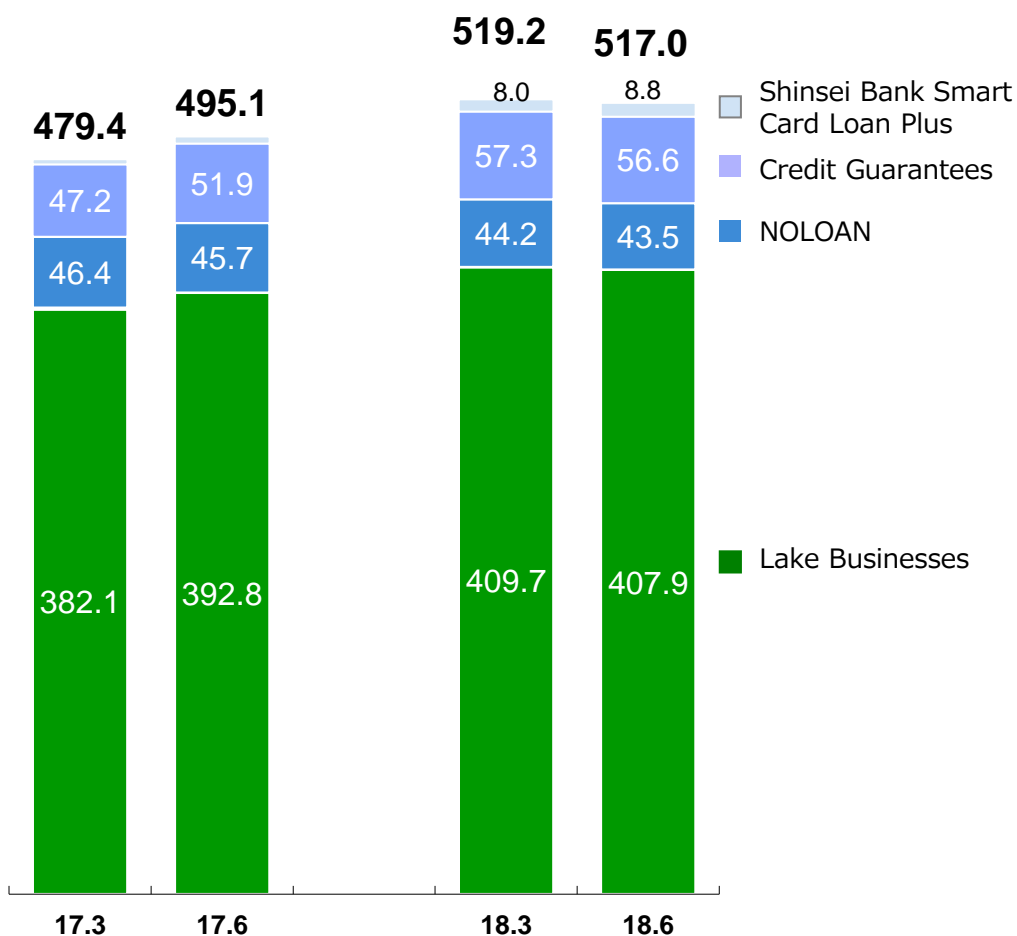


# Business: Unsecured Loans

(Unit: JPY billion; %)

## Balance

- Loan balance increased 4% from June 2017
- Loan balance of Lake businesses slightly decreased from March 2018, affected by a slow start of new customer acquisition using new brand Lake ALSA

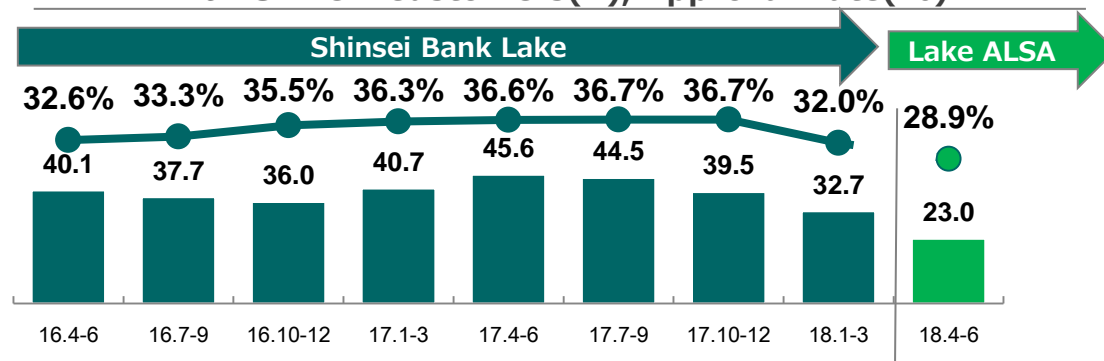


## P&L

- Measures to improve new customer acquisition are being taken such as reviewing website contents to smoothly navigate customers and further enhancement of advertisement

Shinsei Financial <sup>1</sup>	17.4-6	18.4-6	YoY % B(+)/W(-)
Net Interest Income	16.8	17.5	+4
of which, Lake Businesses	15.2	16.0	+5
Noninterest Income	-0.1	0.0	n.m.
Total Revenue	16.7	17.5	+5
Expenses	-8.3	-8.2	+1
Ordinary Business Profit (OBP)	8.3	9.2	+11
Net Credit Costs	-6.6	-4.6	+30
OBP after Net Credit Costs	1.7	4.6	+171

## Lake: New Customers(K), Approval Rate(%)



<sup>1</sup> Includes profits and losses of Shinsei Financial, Shinsei Bank Lake, and Shinsei Bank Smart Card Loan Plus

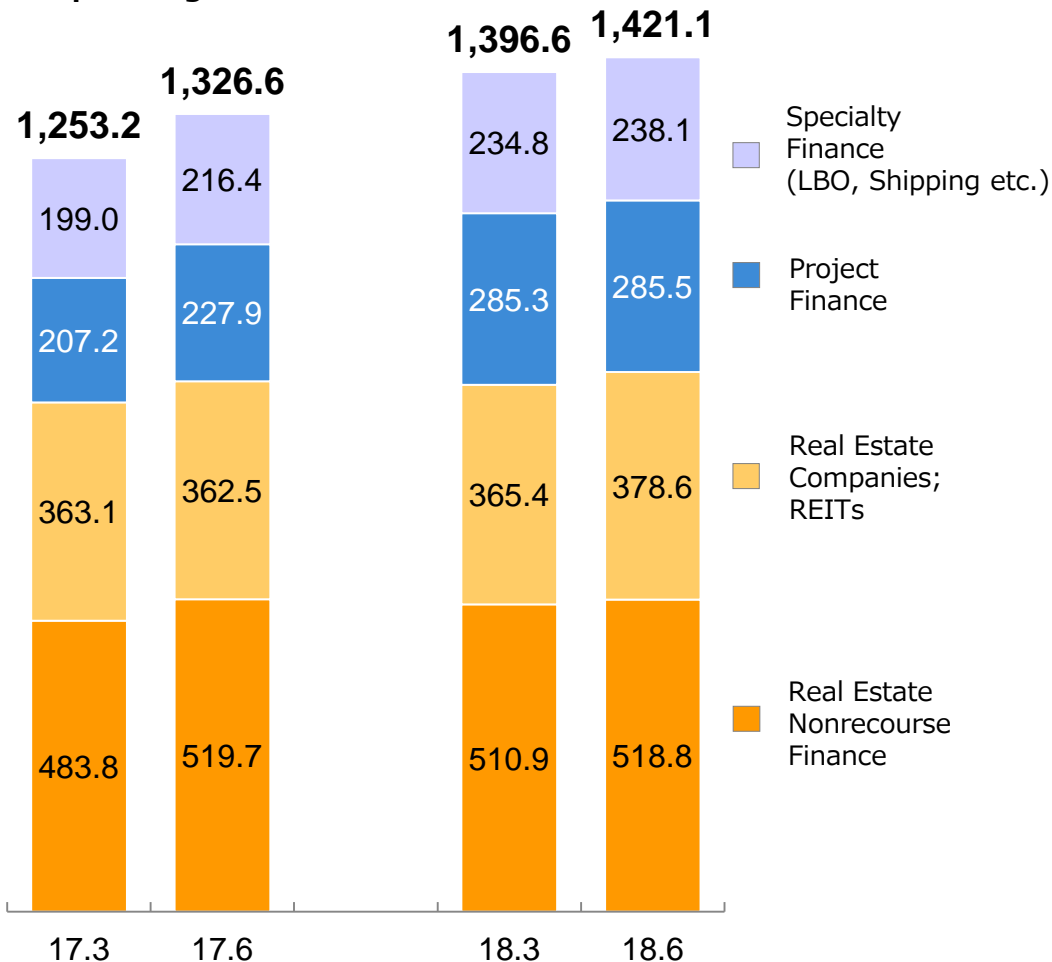
# Business: Structured Finance

(Unit: JPY billion; %)

## Balance

- Operating asset in structured finance increased 7% from June 2017
- New commitments in domestic mega solar and wind power projects continue to increase

### 【Operating Assets】

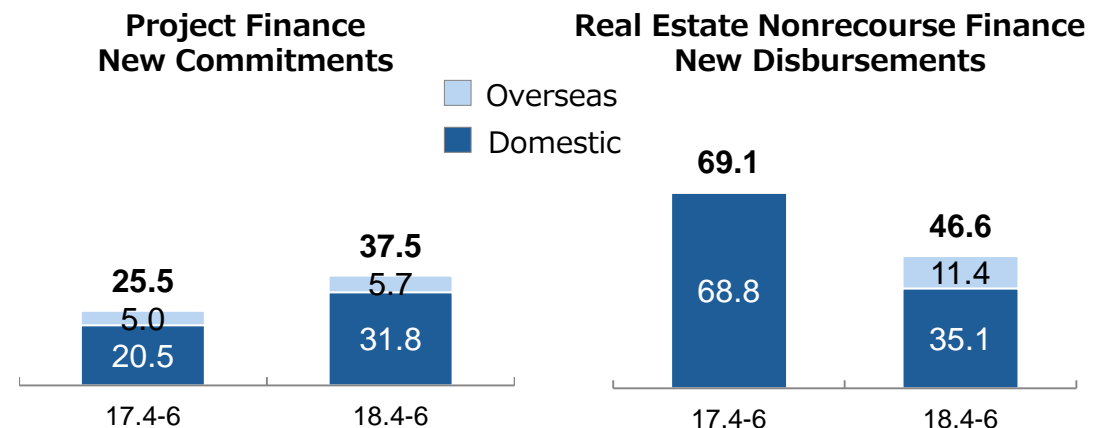


## P&L

- Increase in net credit cost resulted mainly from new overseas transactions in real estate finance and shipping finance
- Domestic real estate finance continues prudent operation considering market, risk-return of individual deals and diversification in the portfolio

Structured Finance	17.4-6	18.4-6	YoY % B(+)/W(-)
Net Interest Income	2.2	2.4	+9
Noninterest Income	1.7	1.0	-41
Expenses	-1.7	-1.9	-12
Ordinary Business Profit (OBP)	2.2	1.6	-27
Net Credit Costs	-0.3	-1.9	-533
OBP after Net Credit Costs	1.9	-0.2	n.m.

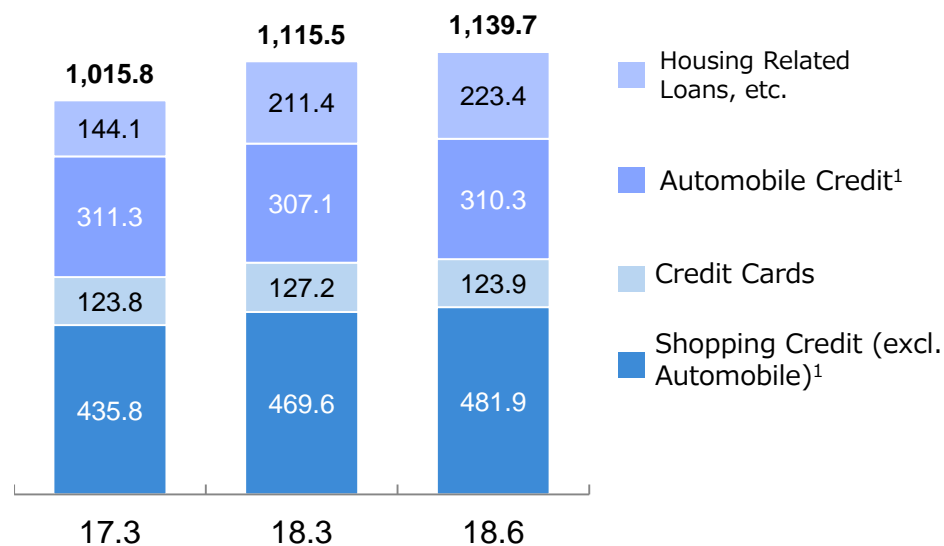
## New Commitments; New Disbursements



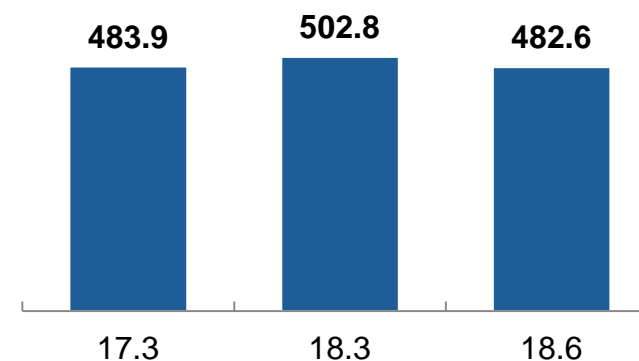
# Business: APLUS FINANCIAL, Showa Leasing

(Unit: JPY billion; %)

## APLUS FINANCIAL: Operating Assets Balance



## Showa Leasing: Operating Assets Balance



APLUS FINANCIAL	17.4-6	18.4-6	YoY % B(+)/W(-)
Net Interest Income	2.7	<b>2.8</b>	+4
Noninterest Income	11.1	<b>11.4</b>	+3
Expenses	-9.2	<b>-8.9</b>	+3
Ordinary Business Profit (OBP)	4.5	<b>5.2</b>	+16
Net Credit Costs	-2.6	<b>-4.8</b>	-85
OBP after Net Credit Costs	1.9	<b>0.4</b>	-79

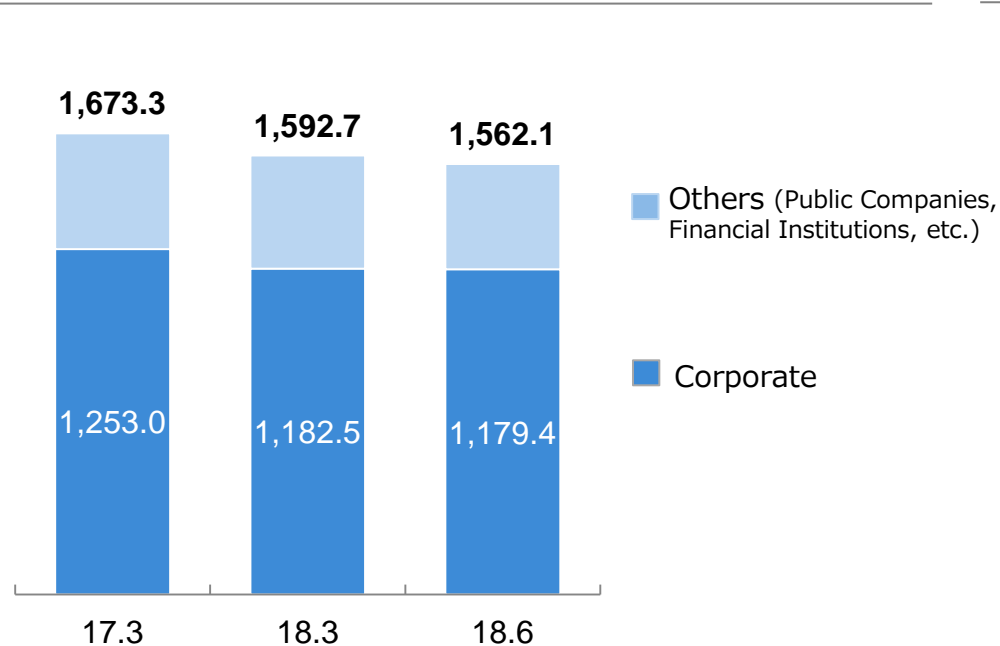
Showa Leasing	17.4-6	18.4-6	YoY % B(+)/W(-)
Net Interest Income	-0.0	<b>-0.0</b>	0
Noninterest Income	3.2	<b>3.8</b>	+19
Expenses	-1.9	<b>-2.3</b>	-21
Ordinary Business Profit (OBP)	1.2	<b>1.4</b>	+17
Net Credit Costs	-0.2	<b>0.7</b>	n.m.
OBP after Net Credit Costs	0.9	<b>2.2</b>	+144

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

# Business: Corporate Business, Global Markets

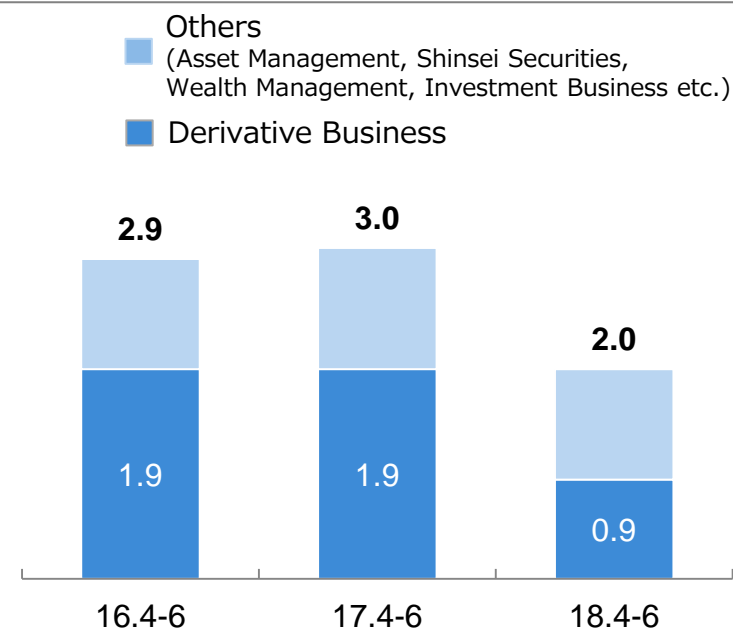
(Unit: JPY billion; %)

## Corporate Business: Operating Assets Balance



Corporate Business	17.4-6	18.4-6	YoY % B(+)/W(-)
Net Interest Income	2.6	<b>2.5</b>	-4
Noninterest Income	1.4	<b>1.0</b>	-29
Expenses	-2.9	<b>-3.0</b>	-3
Ordinary Business Profit (OBP)	1.0	<b>0.6</b>	-40
Net Credit Costs	0.4	<b>0.0</b>	-100
OBP after Net Credit Costs	1.4	<b>0.6</b>	-57

## Global Markets: Revenue from Derivative Business



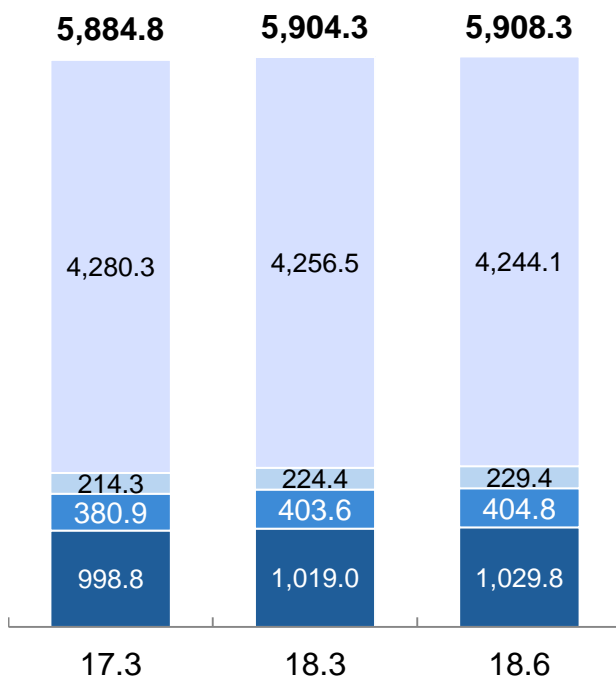
Global Markets	17.4-6	18.4-6	YoY % B(+)/W(-)
Net Interest Income	0.6	<b>0.5</b>	-17
Noninterest Income	2.4	<b>1.5</b>	-38
Expenses	-1.7	<b>-1.7</b>	0
Ordinary Business Profit (OBP)	1.2	<b>0.2</b>	-83
Net Credit Costs	0.0	<b>0.0</b>	0
OBP after Net Credit Costs	1.2	<b>0.2</b>	-83

# Business: Retail Banking

(Unit: JPY billion; %)

## AUM<sup>1</sup>: Balance

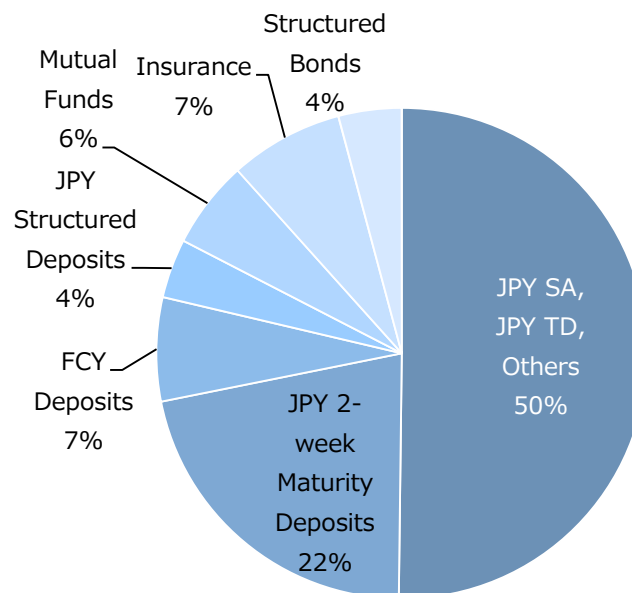
- JPY Deposits
- JPY Structured Deposits
- FCY Deposits
- Asset Management Products  
(Mutual Funds, Insurance, Structured Bonds)



<sup>1</sup> Asset Under Management

## AUM<sup>1</sup> : % Share

(as of June 30, 2018)



## P&L

	17.4-6	18.4-6	YoY % B(+)/W(-)
<b>Retail Banking</b>	17.4-6	18.4-6	
Net Interest Income	5.6	5.8	+4
of which, from Loans	2.6	2.5	-4
of which, from Deposits, etc.	3.0	3.3	+10
Noninterest Income	0.0	0.4	n.m.
of which, from Asset Management Products	1.5	1.7	+13
of which, Other fees (Loan origination, ATM, FT, FX etc.)	-1.4	-1.2	+14
Expenses	-7.4	-6.9	+7
Ordinary Business Profit (OBP)	-1.6	-0.5	+69
Net Credit Costs	-0.0	0.0	n.m.
OBP after Net Credit Costs	-1.7	-0.5	+71



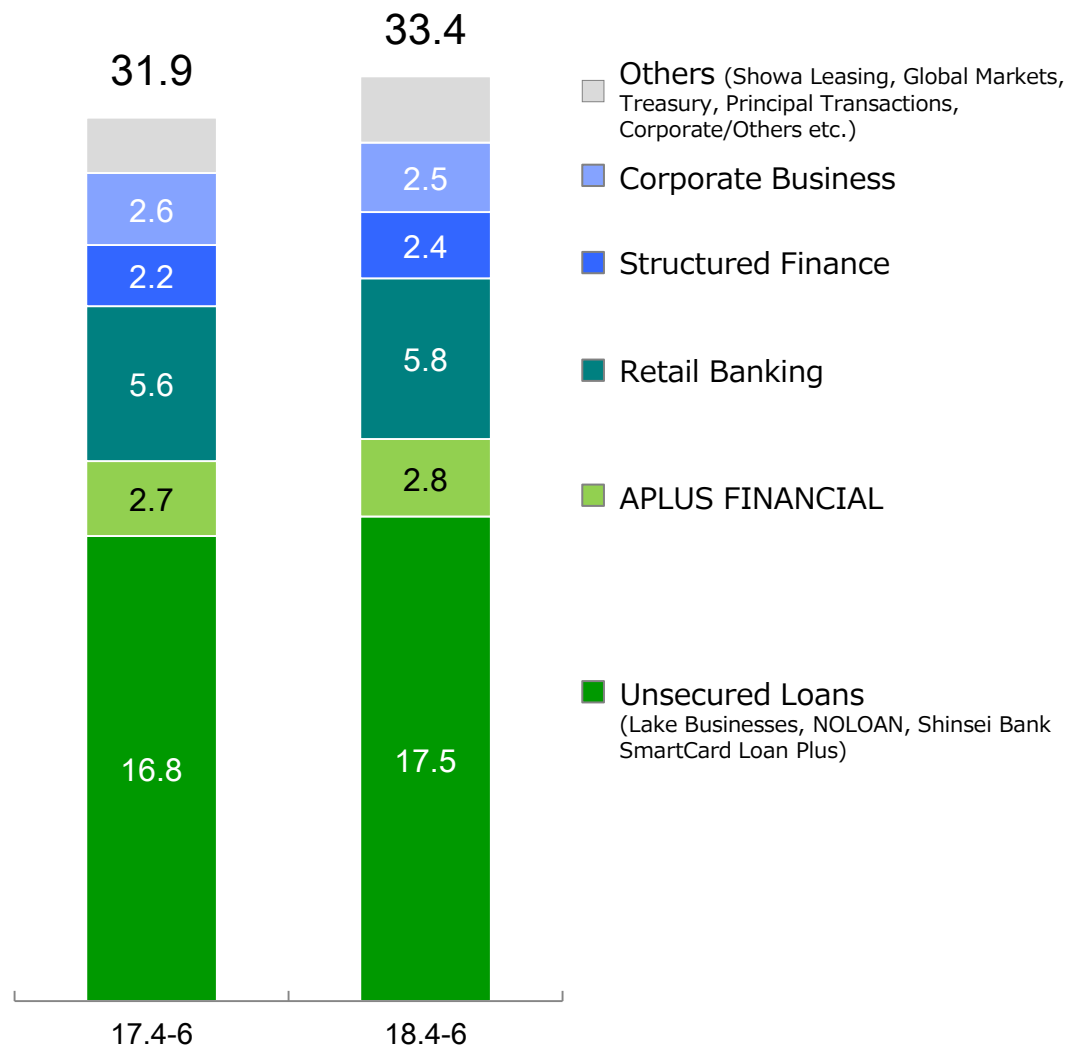
# Segment Information



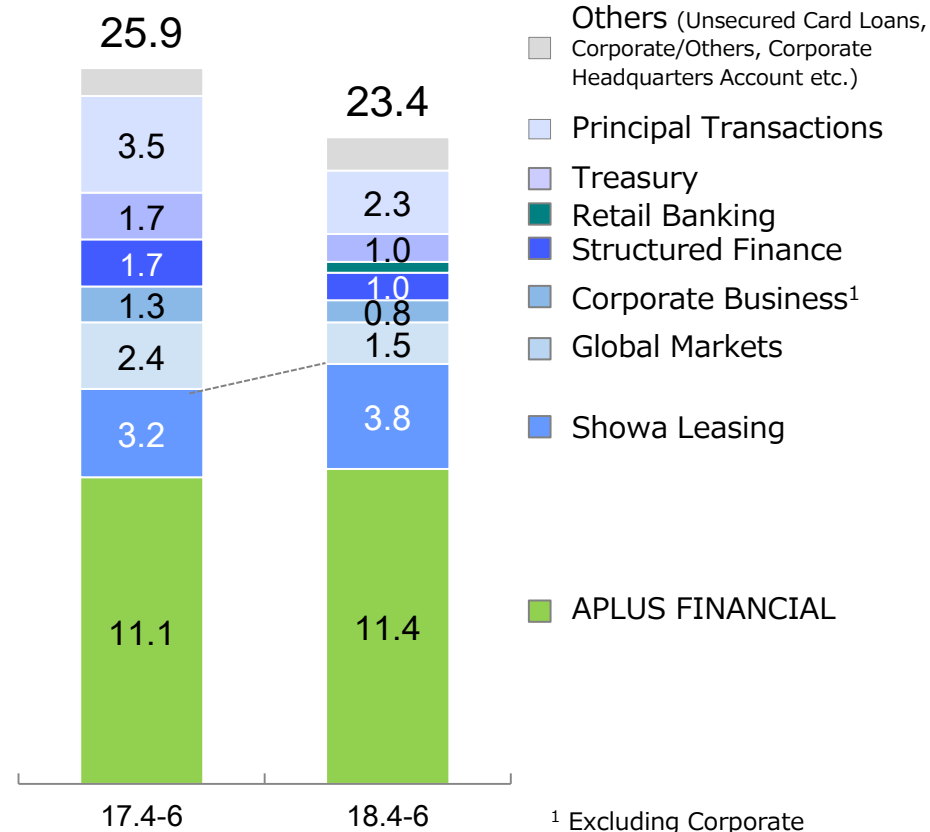
# Segment: Net Interest Income, Noninterest Income

(Unit: JPY billion)

## Net Interest Income: Segment YoY



## Noninterest Income: Segment YoY

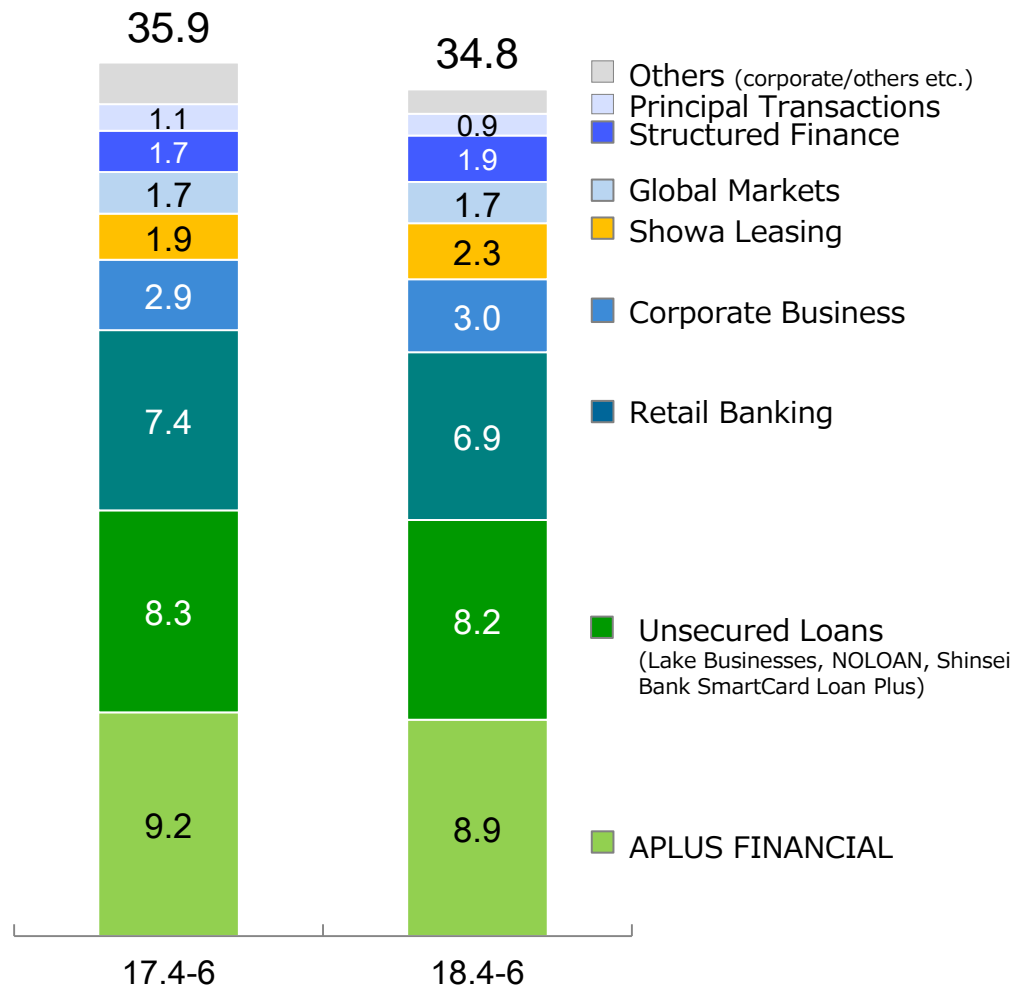


<sup>1</sup> Excluding Corporate Headquarters Account etc.

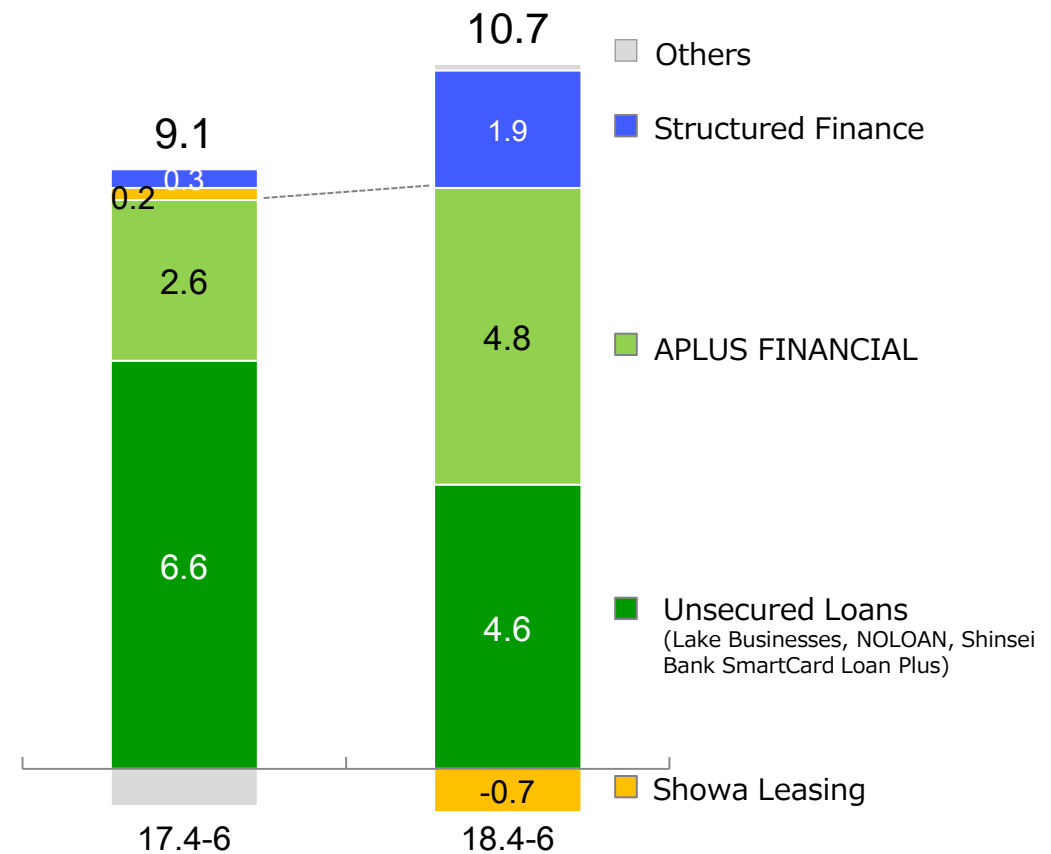
# Segment: Expenses, Credit Costs

(Unit: JPY billion)

## Expenses: Segment YoY



## Credit Costs: Segment YoY

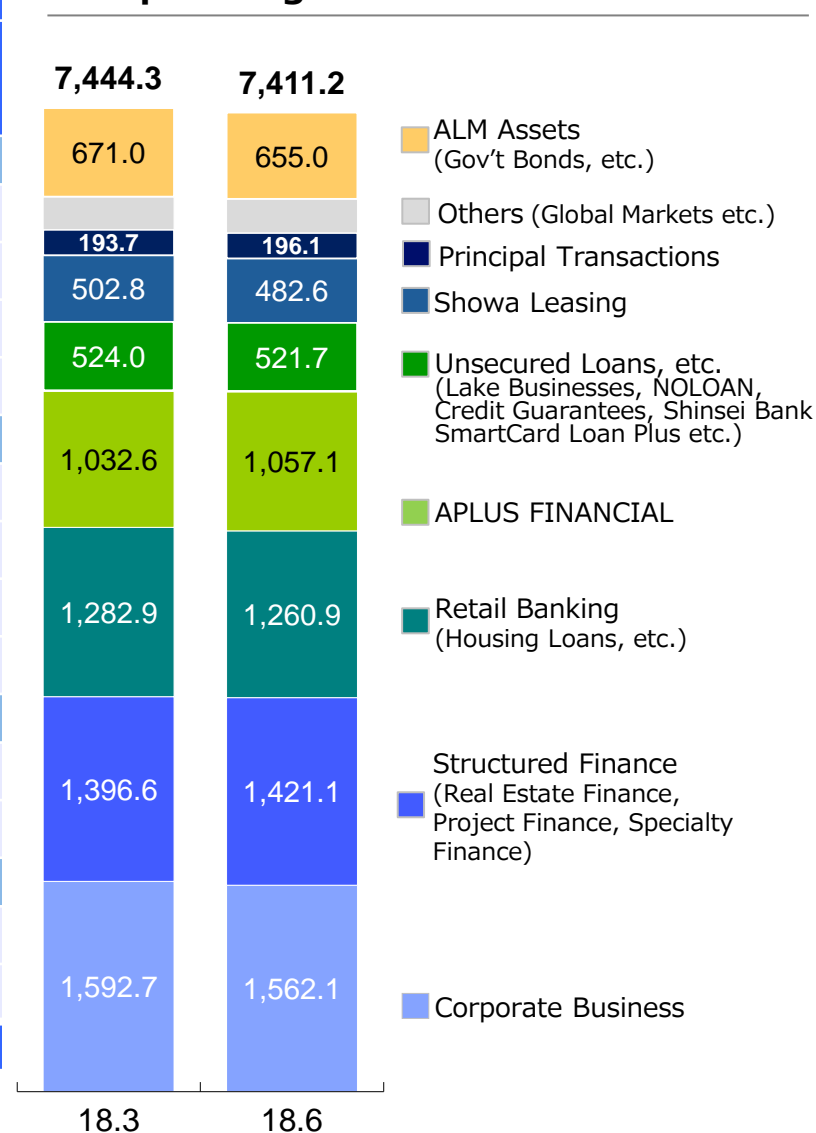


# Segment: P&L and Operating Assets Balance (1QFY2018)

(Unit: JPY billion; %)

Segment	18.4-6 (1QFY2018)		
	Amounts (OBP after net credit costs)	Weight %	ROA <sup>3</sup> % (Reference)
<b>Individual Business</b>	<b>4.5</b>	<b>40</b>	<b>-</b>
Retail Banking	-0.5	-4	-0.2
Shinsei Financial <sup>1</sup>	4.6	41	3.5
APLUS FINANCIAL	0.4	4	0.2
Others	0.0	0	0.3
<b>Institutional Business</b>	<b>5.0</b>	<b>44</b>	<b>-</b>
Corporate Business	0.6	5	0.2
Structured Finance	-0.2	-2	-0.1
Principal Transactions	2.4	21	5.1
Showa Leasing	2.2	19	1.8
<b>Global Markets Business</b>	<b>0.2</b>	<b>2</b>	<b>-</b>
Markets	0.3	3	n.m.
Others	-0.1	-1	n.m.
<b>Corporate/Other</b>	<b>1.4</b>	<b>12</b>	<b>-</b>
Treasury	1.0	9	0.6
Corporate/Other (excluding Treasury)	0.4	4	n.m.
<b>Total (OBP after net credit costs)</b>	<b>11.3</b>	<b>100</b>	<b>0.6</b>

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



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

<sup>1</sup> Includes Shinsei Financial, Shinsei Bank Lake, and Shinsei Bank Smart Card Loan Plus

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

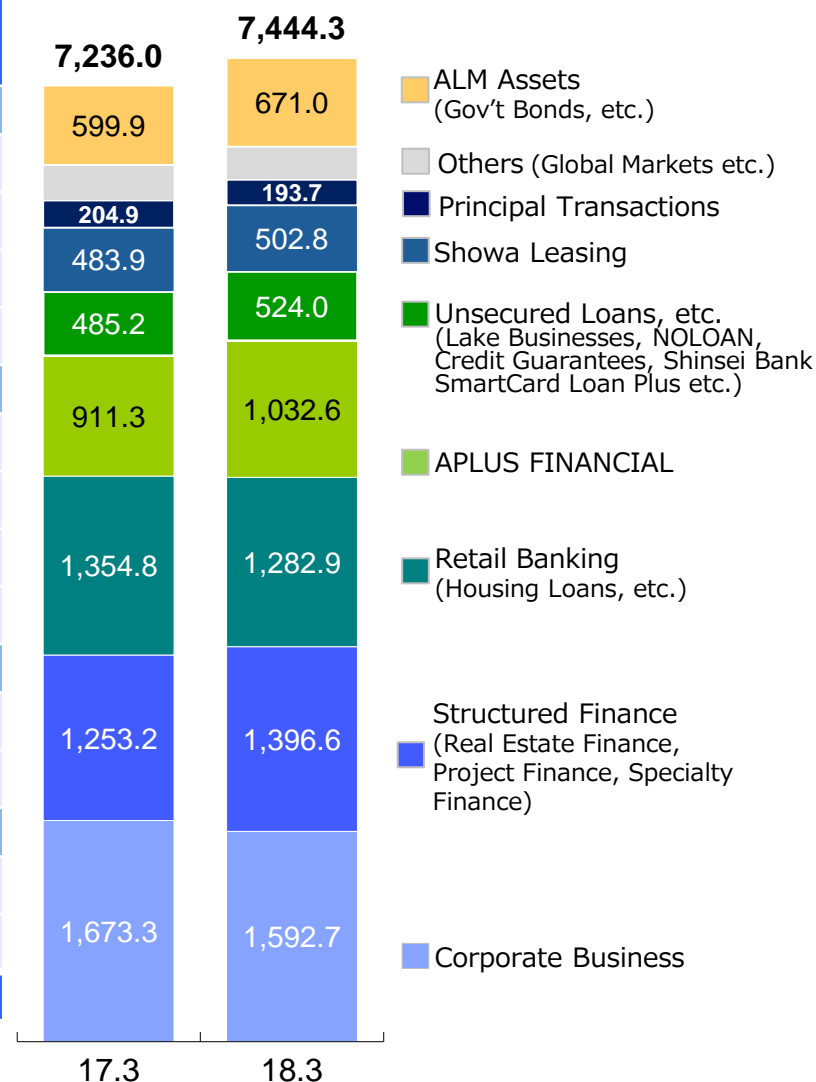
<sup>3</sup> Segment ROA = OBP after net credit costs per segment / average operating assets balance of beginning of term and end of term

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

(Unit: JPY billion; %)

Segment	17.4-18.3 (FY2017)		
	Amounts (OBP after net credit costs)	Weight %	ROA <sup>3</sup> % (Reference)
<b>Individual Business</b>	<b>19.0</b>	<b>36</b>	<b>-</b>
Retail Banking	-5.8	-11	-0.4
Shinsei Financial <sup>1</sup>	13.7	26	2.7
APLUS FINANCIAL	9.1	17	0.9
Others	2.0	4	4.8
<b>Institutional Business</b>	<b>28.6</b>	<b>55</b>	<b>-</b>
Corporate Business	6.6	13	0.4
Structured Finance	8.4	16	0.6
Principal Transactions	9.3	18	4.7
Showa Leasing	4.2	8	0.9
<b>Global Markets Business</b>	<b>4.3</b>	<b>8</b>	<b>-</b>
Markets	4.8	9	n.m.
Others	-0.5	-1	n.m.
<b>Corporate/Other</b>	<b>0.2</b>	<b>0</b>	<b>-</b>
Treasury	1.0	2	0.2
Corporate/Other (excluding Treasury)	-0.8	-2	n.m.
<b>Total (OBP after net credit costs)</b>	<b>52.1</b>	<b>100</b>	<b>0.8</b>

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



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

<sup>1</sup> Includes Shinsei Financial, Shinsei Bank Lake, and Shinsei Bank Smart Card Loan Plus

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

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

# Segment: Quarterly P&L

(Unit: JPY billion)

Segment P&L (OBP after Net Credit Costs)	FY2017				FY2018
	17.4-6	17.7-9	17.10-12	18.1-3	18.4-6
<b>Individual Business</b>	<b>2.1</b>	<b>3.1</b>	<b>6.5</b>	<b>7.1</b>	<b>4.5</b>
Retail Banking	-1.7	-1.7	-1.3	-1.0	-0.5
Shinsei Financial <sup>1</sup>	1.7	3.0	4.8	4.1	4.6
APLUS FINANCIAL	1.9	1.5	2.7	2.9	0.4
Others	0.3	0.2	0.3	1.0	0.0
<b>Institutional Business</b>	<b>8.7</b>	<b>7.6</b>	<b>5.6</b>	<b>6.5</b>	<b>5.0</b>
Corporate Business	1.4	4.0	0.3	0.7	0.6
Structured Finance	1.9	0.7	2.5	3.1	-0.2
Principal Transactions	4.3	1.8	2.9	0.1	2.4
Showa Leasing	0.9	0.8	-0.1	2.4	2.2
<b>Global Markets Business</b>	<b>1.2</b>	<b>0.4</b>	<b>0.8</b>	<b>1.7</b>	<b>0.2</b>
Markets	1.3	0.6	0.9	1.8	0.3
Others	-0.0	-0.1	-0.1	-0.1	-0.1
<b>Corporate/Other</b>	<b>0.5</b>	<b>0.4</b>	<b>0.3</b>	<b>-1.1</b>	<b>1.4</b>
Treasury	0.7	0.4	0.5	-0.6	1.0
Corporate/Other (excluding Treasury)	-0.1	-0.0	-0.1	-0.4	0.4
<b>Total (OBP after Net Credit Costs)</b>	<b>12.7</b>	<b>11.6</b>	<b>13.4</b>	<b>14.3</b>	<b>11.3</b>

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

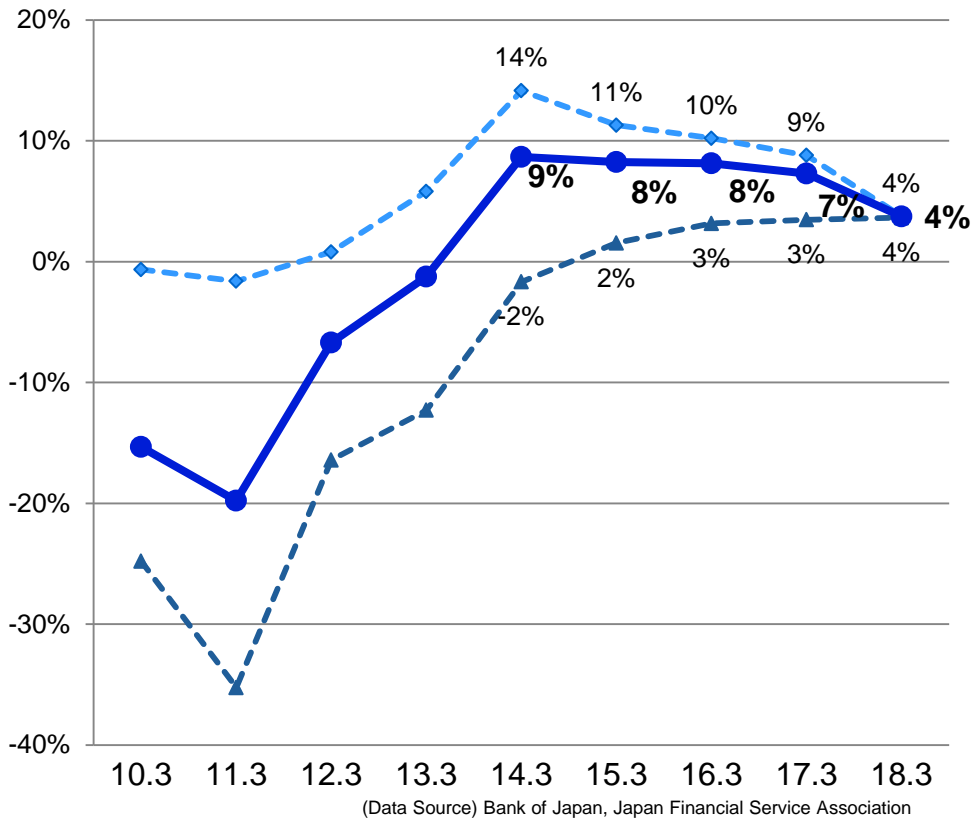
<sup>1</sup> Includes Shinsei Financial, Shinsei Bank Lake, and Shinsei Bank Smart Card Loan Plus

# Appendix



# Unsecured Loan Market

## Unsecured Loan Market: Growth Rate



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

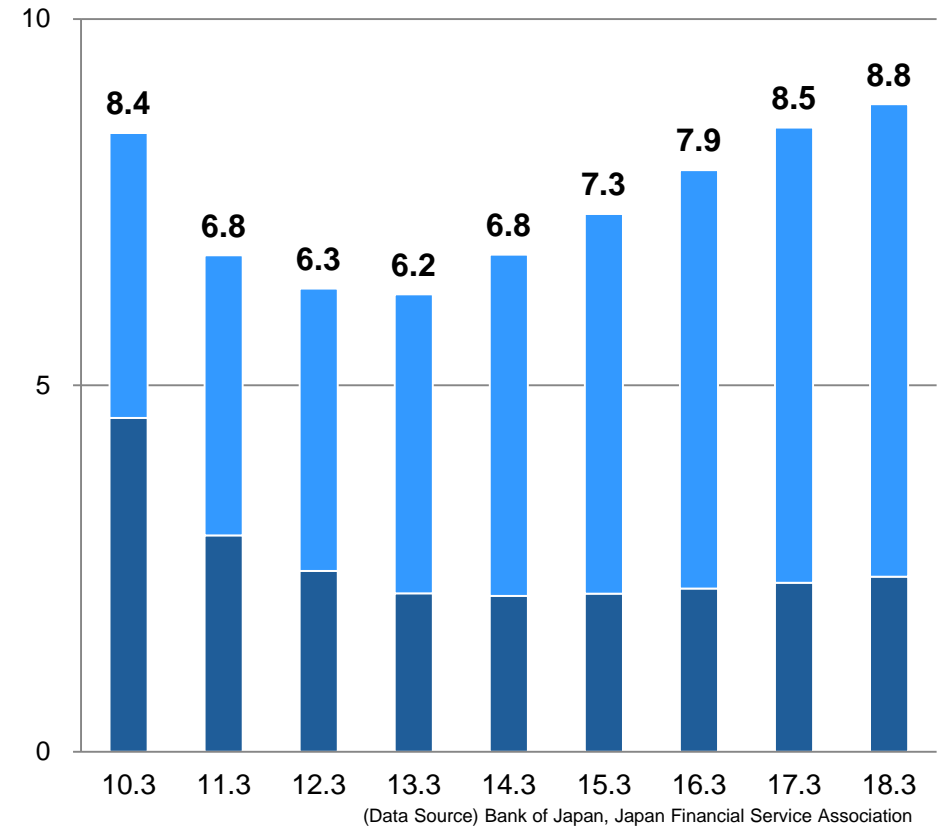
“Unsecured loan market”= “Bank card loan balance” + “Nonbank unsecured loan balance”

“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 loans (consumer finance sector) month end balance (excludes housing loans)

## Unsecured Loan Market: Size

(Unit: JPY trillion)



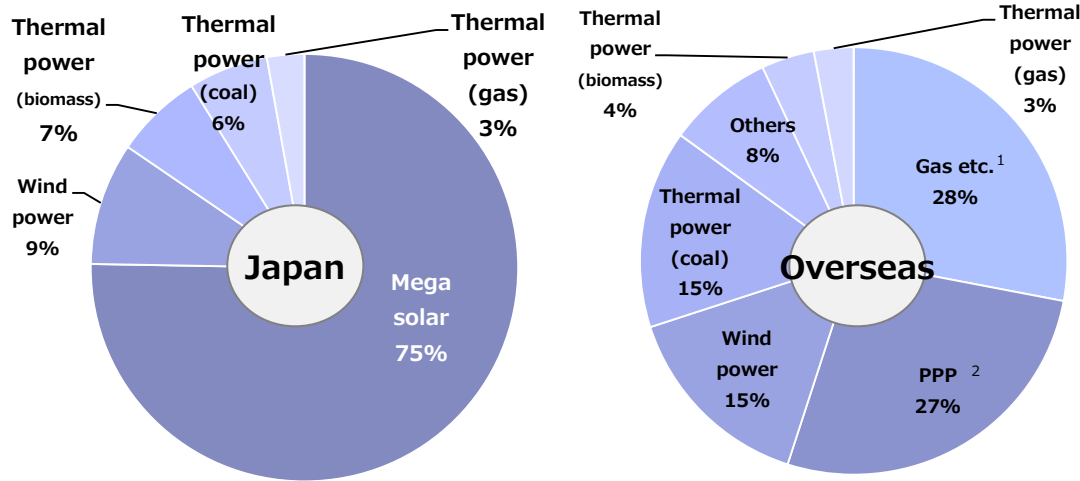
- Bank Card Loan Balance
- Nonbank Unsecured Loan Balance



# Structured Finance: Portfolio (as of June 30, 2018)

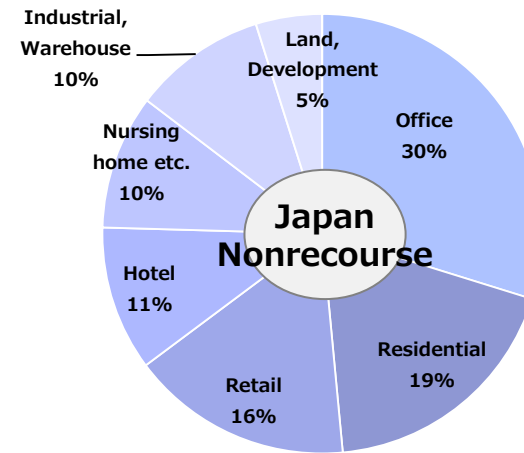
## Project Finance

[Balance: project type]

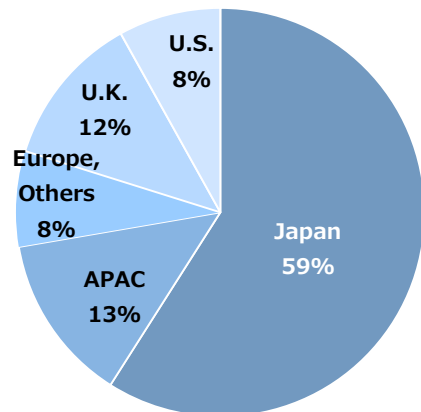


## Real Estate Finance

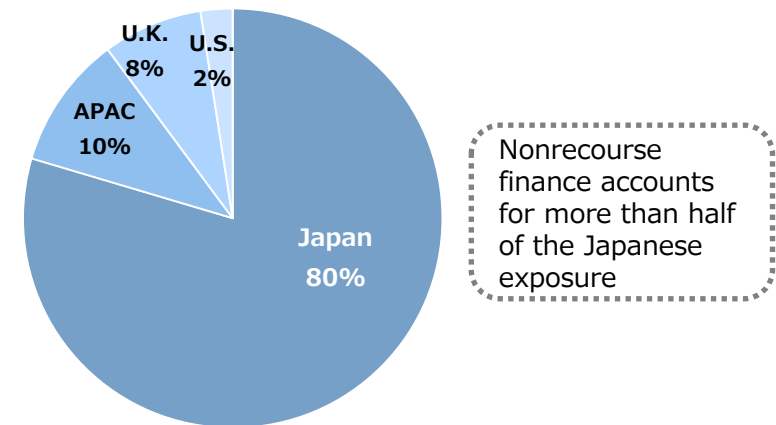
[Balance: asset type]



[Balance: regions, includes commitment basis]



[Balance: regions in nonrecourse, real estate companies and REITs]



Nonrecourse finance accounts for more than half of the Japanese exposure

<sup>1</sup> Finance to LNG related facilities and receiving terminal etc.

<sup>2</sup> Public Private Partnership

# Key Data

## Balance Sheet

(Unit: JPY billion)	15.3	16.3	17.3	18.3	18.6
Loans and bills discounted	4,461.2	4,562.9	4,833.4	4,895.9	4,846.7
Securities	1,477.3	1,227.8	1,014.6	1,123.5	1,121.6
Lease receivables/ leased investment assets	227.0	211.4	191.4	171.4	164.6
Installment receivables	459.1	516.3	541.4	558.8	556.2
Reserve for credit losses	-108.2	-91.7	-100.1	-100.8	-103.5
Deferred Tax Assets	15.3	14.0	15.5	14.7	15.0
<b>Total assets</b>	<b>8,889.8</b>	<b>8,928.7</b>	<b>9,258.3</b>	<b>9,456.6</b>	<b>9,453.8</b>
Deposits including negotiable certificates of deposits	5,452.7	5,800.9	5,862.9	6,067.0	6,059.7
Borrowed money	805.2	801.7	789.6	739.5	712.9
Corporate bonds	157.5	95.1	112.6	85.0	75.5
Grey zone reserves	170.2	133.6	101.8	74.6	70.9
<b>Total liabilities</b>	<b>8,136.0</b>	<b>8,135.6</b>	<b>8,437.5</b>	<b>8,600.6</b>	<b>8,592.0</b>
Shareholders' equity	728.5	786.8	823.7	862.5	866.8
<b>Total net assets</b>	<b>753.7</b>	<b>793.1</b>	<b>820.7</b>	<b>856.0</b>	<b>861.8</b>

## Financial Ratios

(Unit: %)	14.4-15.3	15.4-16.3	16.4-17.3	17.4-18.3	18.4-6
Expense-to-revenue ratio	60.2	64.9	62.3	61.5	61.2
Loan-to-deposit ratio	81.8	78.7	82.4	80.7	80.0
ROA	0.7	0.7	0.6	0.5	0.4 <sup>4</sup>
ROE	9.8	8.1	6.3	6.1	4.3 <sup>4</sup>
RORA	1.2	1.1	0.8	0.8	0.6 <sup>4</sup>
NPL Ratio <sup>1</sup>	1.42	0.79	0.22	0.17	0.17
Core Capital Ratio <sup>2</sup>	14.86	14.20	13.06	12.83	12.72

## Per Share Data

(Unit: JPY)	14.4-15.3	15.4-16.3	16.4-17.3 <sup>3</sup>	17.4-18.3 <sup>3</sup>	18.4-6
BPS <sup>3</sup>	275.45	294.41	3,163.89	3,376.39	3,419.64
EPS <sup>3</sup>	25.57	22.96	194.65	199.01	35.99

## Credit Ratings

	15.3	16.3	17.3	18.3	18.6
R&I	BBB+	BBB+	BBB+	A-	A-
JCR	BBB+	BBB+	BBB+	BBB+	A-
S&P	BBB+	BBB+	BBB+	BBB+	BBB+
Moody's	Baa3	Baa3	Baa2	Baa2	Baa2

<sup>1</sup> NPL ratio based on Financial Revitalization Law (Nonconsolidated)

<sup>2</sup> Domestic Standard; Grandfathered Basis

<sup>3</sup> Reverse stock split (10 stocks to 1 stock) was executed on October 1, 2017

Per share data for FY16 has been adjusted to conform to current period presentation

<sup>4</sup> Annualized basis

- **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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