

# REVIEW OF OPERATIONS

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# AT A GLANCE

## INSTITUTIONAL GROUP/ GLOBAL MARKETS GROUP

The Institutional Group focuses primarily on corporate and public sector finance and advisory business, while the Global Markets Group concentrates on financial markets business and serving financial institution clients

### Major Business

#### Institutional Group

- Corporate & Public Sector Finance
- Healthcare Finance
- Real Estate Finance
- Specialty Finance
- Corporate Restructuring
- Credit Trading
- Private Equity
- Advisory
- Leasing (Showa Leasing)
- Trust operations (Shinsei Trust)

#### Global Markets Group

- Financial Institutions Business
- Markets
- Asset Management
- Wealth Management
- Securitization (Shinsei Securities)

### Major Subsidiaries



SHINSEI TRUST



SHINSEI SECURITIES



SHINSEI SERVICER



SHINSEI INVESTMENT MANAGEMENT



SHOWA LEASING CO.,LTD.

## INDIVIDUAL GROUP

The Individual Group serves six million core customers in its retail banking, and unsecured personal loan, installment sales and other consumer finance businesses, offering products and services ranging from asset management to loans

### Major Business

- Retail Banking
  - Deposit related products (saving deposits, time deposits, structured deposits, foreign currency deposits)
  - Asset management (consultation, mutual funds, annuity products)
  - Housing loans
- Consumer Finance
  - Unsecured personal loans (Shinsei Bank, Shinsei Financial, Shinki)
  - Installment sales credit, settlement, credit cards (APLUS FINANCIAL)
  - Credit Guarantees (Shinsei Financial, APLUS FINANCIAL)

### Major Subsidiaries and Services



SHINSEI FINANCIAL



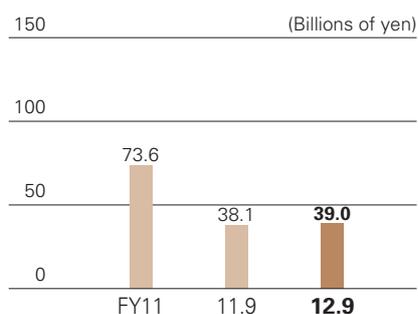
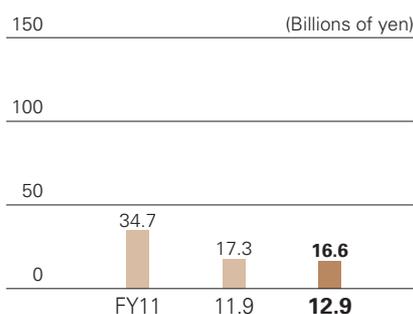
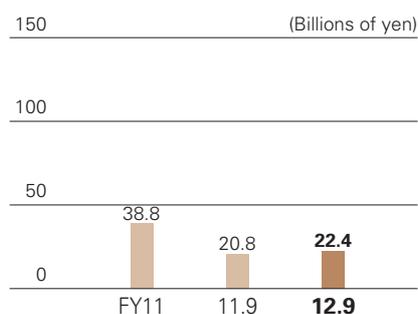
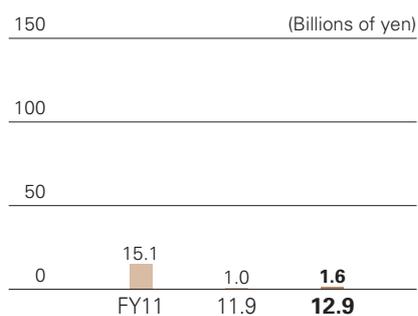
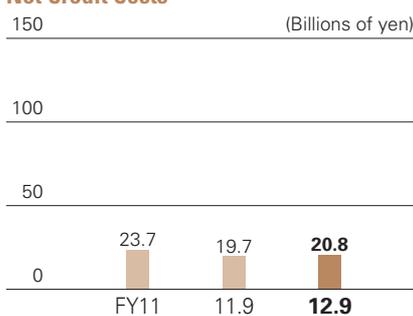
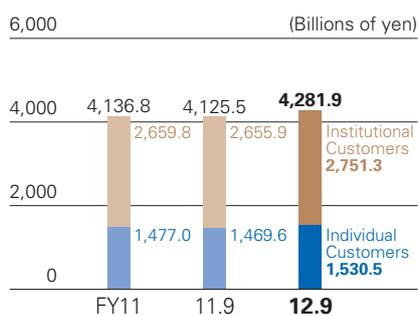
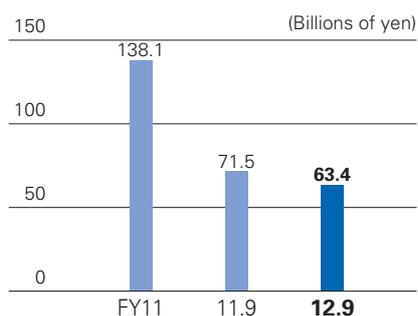
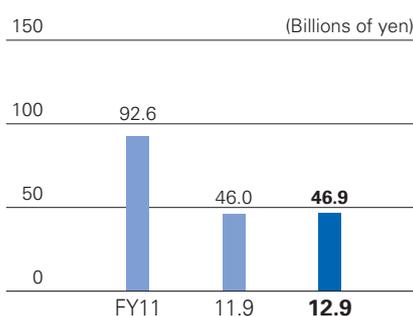
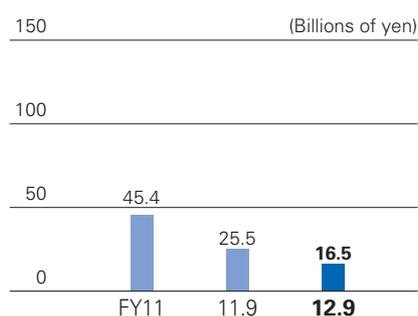
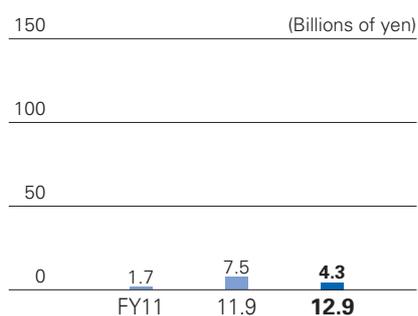
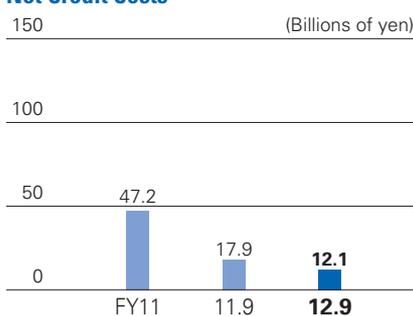
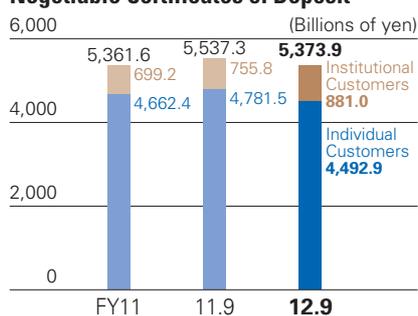
A Financial Venture  
**シンキ株式会社**  
 Shinki Co.Ltd.



APLUS FINANCIAL



Shinsei Bank Card Loan—Lake

**Total Revenue****General and Administrative Expenses****Ordinary Business Profit****Net Credit Costs****Ordinary Business Profit after Net Credit Costs****Total Loans and Bills Discounted****Total Revenue****General and Administrative Expenses****Ordinary Business Profit****Net Credit Costs****Ordinary Business Profit after Net Credit Costs****Deposits and Negotiable Certificates of Deposit**

# INSTITUTIONAL GROUP GLOBAL MARKETS GROUP

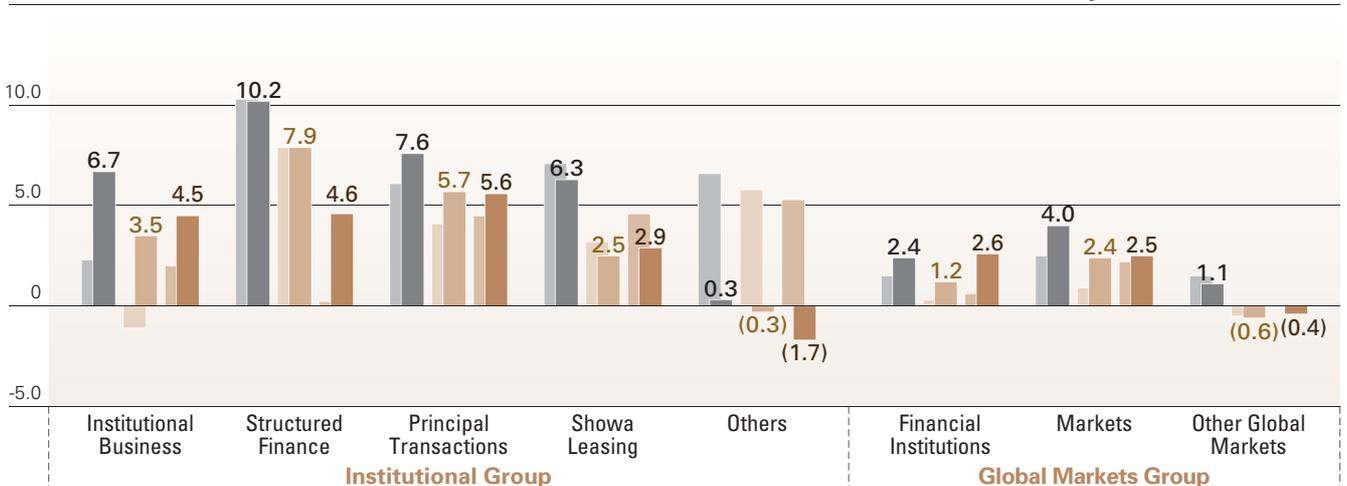
In our Institutional Group, which focuses primarily on corporate and public sector finance and advisory business, and the Global Markets Group, which concentrates on financial markets business and serving financial institution clients, we moved steadily towards achieving our Medium-Term Management Plan goals, making tangible progress in expanding the customer base and revitalizing our portfolio composition with high-quality assets. While the loan balance in our core customer-focused businesses has increased, the balance of our non-core assets has declined dramatically thanks to ongoing efforts in this area. At the same time, we are moving forward with new initiatives for the future. These include offering proactive support for emerging companies, regional revitalization and SMEs that are planning overseas expansion, seizing opportunities in project finance and other businesses in the Asia-Pacific region, and offering solutions for Japan's new growth industries.

## Results

In the first half of fiscal year 2012, the Institutional Group's ordinary business profit after net credit costs was ¥16.1 billion, on par with the ¥16.8 billion recorded in the same period of the previous year. However, this result also represents the Group's achievement of a more stable and robust earnings structure, as non-recurring factors declined due to asset replacement, while net interest income increased in line with a growth in the loan balance in core businesses. The Global Markets Group recorded an ordinary business profit after net credit costs of ¥4.7 billion, rising from ¥2.9 billion for the first half of fiscal year 2011. This improved performance reflects the Group's efforts to increase the customer base further through timely provision of relevant products, despite a challenging operating environment.

### Performance by Segment (Consolidated, Billions of yen)

1H FY2011 1H FY2012 Revenue Ordinary Business Profit OBP after Net Credit Costs (Note) Figures shown are for 1H FY2012



\* From the first half of fiscal year 2012, financial results for the Treasury Sub-Group have been transferred from the "Global Markets Sub-Group" to the "Corporate/Other" account.

### OBP after Net Credit Costs (Consolidated, Billions of yen):

	1H FY2011	1H FY2012
Institutional Group	16.8	16.1
Global Markets Group	2.8	4.7

## Strategy

### Key Points of Institutional Business Strategy

- **Expanding Client Franchise**
  - Building customer base by continuously promoting new business development and strengthening consultancy for middle-market and SMEs
  - Further enhancing the provision of solutions for corporate, financial institutions and public sector customers by leveraging product development capabilities
  - Growing domestic and overseas assets in areas centered on infrastructure-related project finance
  - Enhancing asset management proposals for institutional customers
- **Further Strengthening Shinsei's Distinctive Business Approach**
  - Developing business incubation operations aimed at proactive engagement in new business domains and regional revitalization, and providing management solutions to growth companies, as part of VBI (Venture Banking Initiative)
  - Building internal infrastructure to promote Asia-related business
- **Continuing reduction of non-core assets while building up high quality assets in core businesses**
- **Strengthening markets business**

## Operating Environment & Progress

### Institutional Group

#### Institutional Business and Showa Leasing

*Financial products and services for corporate and public sector customers, healthcare finance, ship finance, promotion of VBI, leasing business*

In our Institutional Business, we provide a wide range of financial products and solutions tailored to customers' needs, in addition to basic banking services such as loans and deposits. As the result of continuing branch-wide efforts, the proportion of new customers amongst our total borrower base has grown, and we are steadily expanding our customer base as a whole. In public sector finance, we are working with new local government and extra-governmental organization customers, while proactively participating in loan tenders in collaboration with regional financial institution partners that are looking to grow their assets. Despite a slight decline in the public sector lending balance due to repayments from existing customers, our overall outstanding loan balance is growing as we build up our loan book with corporate clients.

In March 2012, we established the VBI Promotion Division to implement the Venture Banking Initiative, centered around the principle of contributing to the "growth of customers, the economy and society, and creating and enhancing new productivity" across the Institutional Group. This division is now fully operational and working on multiple projects that are providing support to companies with growth potential or that are in the process of changing their business model, as well as contributing to regional revitalization. Specific examples include the provision of loans and equity to a company that is developing technology to manufacture bio-fuel from non-edible raw materials, and companies with growth potential in the renewable

energy sector. In the regional revitalization area, we have invested in a fund that aims to develop growth industries, including non-listed companies, in Fukushima prefecture. Following the introduction in July 2012 of a feed-in tariff mechanism for renewable energy in Japan, we expect to see growth in the mega-solar industry. In the second half of fiscal year 2012, we will work in collaboration with regional financial institutions to provide financing for renewable energy projects, including those that may not qualify for regular corporate loans, such as small-scale projects run by local people for their local area.

In Healthcare Finance, the Japanese Ministry of Land, Infrastructure, Transport and Tourism has set up a dedicated committee to investigate the introduction of healthcare REITs and preparations are moving ahead to build the framework necessary for the launch of such vehicles. In response, we are drawing on the industry network we have built up to draft plans to set up a healthcare REIT, while continuing to provide financing to this sector.

Showa Leasing continues to grow its customer base by expanding existing initiatives such as supplier alliances and environmental businesses including solar power generation financing schemes for corporate customers, alongside its traditional strengths in the leasing of industrial equipment and machine tools to the middle-market and SMEs.

#### Structured Finance

*Real estate related non-recourse and corporate finance, M&A, project and other specialty finance, Corporate restructuring, Trust business*

The real estate finance market remains dominated by restructuring needs. However, there is potential for growth in new financing needs as the increase in vacancy rates is beginning to slow, and a growing number of properties show signs of a bottom-out in rent levels. Amidst this environment, we have selectively engaged in new non-recourse lending, and stepped up lending to real estate companies and J-REITs, while continuing to dispose of non-performing claims. We have also participated in a project to provide accommodation for post-earthquake reconstruction workers, as we begin initiatives to assist the recovery process in the wake of the Great East Japan Earthquake. Going forward, we will look to expand our exposure to projects outside Japan as we aim for stable growth in the overall balance of our real estate related lending.

In Specialty Finance, while competition remained intense in the Japanese LBO market, we built up our track record in MBO financing for privatizing middle-market listed companies. In Project Finance, there is increasing demand for financing for mega-solar and other renewable energy projects, while the scale down of activity by foreign banks has led to increased funding demand for Japanese banks in overseas markets in the Asia-Pacific region in particular. In response, Shinsei established a dedicated Project Finance Department in June 2012 and we now aim to grow this business proactively in Japan and overseas, both organically through extending loans, and through selective asset purchases.

In Corporate Restructuring, disbursements are rising steadily, and as the Act Concerning Temporary Measures to Facilitate Financing for SMEs, etc. is set to expire by the end of fiscal



year 2012, we believe that there will be more opportunities for us to contribute in this area, as demand grows for financial institutions to provide management improvement and corporate restructuring solutions to their debtors.

### Principal Transactions

#### *Credit Trading, Private Equity*

In Credit Trading, our domestic business faced a challenging operating environment as the historically low level of corporate bankruptcies means that there are fewer needs for assistance in non-performing loan disposal among financial institution customers. Amidst this environment, we have continued to deliver strong results through arranging special situation financing in collaboration with a subsidiary. In our overseas credit trading business, we are continuing to purchase distressed debt in the Korean market, where we see abundant investment opportunities going forward.

In Private Equity, we are seeing increasing demand for financing from venture companies in areas such as smartphones, social media (SNS) and cloud computing. Shinsei has partnered with gumi Inc. to establish a venture investment fund targeting mobile entertainment companies primarily in Asia, and we are actively pursuing opportunities to provide financing to growth sectors and to companies in preparations for IPOs. Going forward, we will also continue working on initiatives to meet the growing succession needs of SMEs.

### Advisory

#### *(included within "Institutional Business" in financial results)*

Amidst a difficult operating environment, our Advisory business won various mandates to source sponsors for Japanese companies with restructuring needs. In addition to steadily building up our track record with successes including advisory on M&A deals for companies entering new business domains, we have worked proactively to develop overseas-related business for the second half of the fiscal year, including for cross-border M&A deals where we see increasing activity due to the ongoing strength of the yen. As part of our efforts to enhance our framework for supporting Japanese companies' overseas expansion, we also deepened our relationship with India's YES BANK, Limited, by concluding a comprehensive business alliance in July 2012, expanding the scope of the Japan-India cross-border M&A business alliance that we made in 2010.

## Global Markets Group

### Financial Institutions Business

#### *Products and services for Financial Institutions*

Amidst uncertain economic conditions both in Japan and overseas, due to the stagnant domestic economy, strong yen, and European sovereign debt crisis, our financial institution customers have tended towards risk aversion, while still facing difficulties in securing investment outlets. Approaching financial institutions as both customers and business partners, we worked closely with the Markets Sub-Group, to provide investment products such as structured loans, structured deposits and credit-linked loans, as well as buying, selling and brokering public sector loans. In addition to this business, going forward we will work to build up loan assets through specially structured lending, one of our strengths, and making timely proposals for lending opportunities that take into account market conditions or industry specific factors, as well as providing credit-linked loans, buying and selling loan assets and offering public sector financing opportunities for customers looking for new investment and balance sheet improvement solutions.

### Markets

#### *Foreign currency exchange, derivatives, equity, and other capital markets business*

While the strong yen and slump in equity markets and interest rates has made for a challenging operating environment, we have continued to win new customers and outperform our results in the same period last fiscal year by focusing on currency exchange and credit related products such as credit-linked loans. In the second half of fiscal year 2012, we will closely monitor customers' needs to ensure we are providing timely products, while stepping up the support we offer to customers who are expanding overseas through our leading range of currency exchange products.

### Asset Management

#### *Investment trusts, Wealth management*

Amidst low visibility conditions for investors, we saw a decline in the overall balance of our investment trusts, compounded by weak sales as a result of lower dividends on some of our top products. In response, we have continued to introduce new products attuned to the changing market environment, such as funds with a limited risk profile aimed at retail banking customers with maturing yen time deposits. Looking to the second half of fiscal year 2012 and beyond, we plan to introduce more appealing products targeted at retail banking customers, such as a foreign bond fund with a relatively low risk profile.

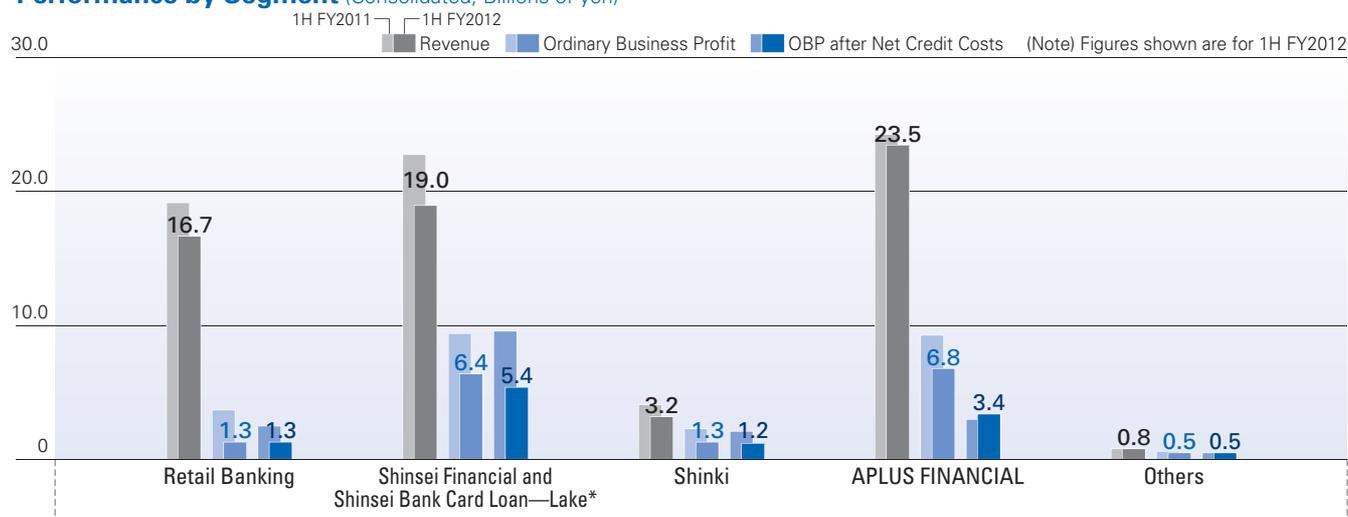
# INDIVIDUAL GROUP

Shinsei Bank's Individual Group combines Shinsei's retail banking operations with the Bank and its major subsidiaries Shinsei Financial, Shinki and APLUS FINANCIAL's consumer finance operations to provide a wide range of financial products and services for the ever changing financial needs of our individual customers. In retail banking, although demand for investment products has been muted due to the European sovereign debt crisis and other factors, our housing loan business performed strongly and the outstanding loan balance exceeded ¥1 trillion as of September 30, 2012. The *Shinsei Bank Card Loan—Lake* business, which launched in October 2011, is also showing strong growth, and we are proactively communicating the service's convenience and peace-of-mind to our retail banking customers and other first-time users of unsecured personal loans.

## Results

In the first half of fiscal year 2012, both net interest and non-interest income were down year-on-year in our retail banking operations due to factors including the prevailing low interest rate environment and the slump in financial markets. In our consumer finance operations, although net interest income decreased alongside the continuing decline in the overall loan balance as a result of the impact of the revised Money Lending Business Law ("MLBL"), non-interest income increased due primarily to the contribution from APLUS FINANCIAL. At the same time, net credit costs in our unsecured personal loan (UPL) operations also declined due to improvements in asset quality and the lower overall lending balance, as well as stronger credit management and collections. As a result, the Individual Group's ordinary business profit after net credit costs declined to ¥12.1 billion in the first half of fiscal year 2012, from ¥17.9 billion in the same period of fiscal year 2011.

### Performance by Segment (Consolidated, Billions of yen)



\* Results for Shinsei Financial and "Shinsei Bank Card Loan—Lake" (launched on October 1, 2011) in the Lake business are combined on a management accounting basis from the third quarter of fiscal year 2011.

### OBP after Net Credit Costs (Consolidated, Billions of yen):

	1H FY2011	1H FY2012
Individual Group Total	17.9	12.1

## Strategy

### Retail Banking

- Enhancing our line-up of asset management products and consultation services to assist customers in finding the optimal financial solutions for their individual needs
- Further building out our business in housing loan products with unique features, such as guarantee fee waivers and a free-of-charge early repayment facility
- Offering a wide range of distinctive deposit products that contribute to stabilizing the Bank's funding base and lowering funding costs
- Strengthening Internet banking, call center and other convenient remote channels
- Continuing the roll-out of compact-sized outlets and modifying branch-based services in line with customer needs

### Consumer Finance

- Acquiring new customers and building up loan assets through the launch of *Shinsei Bank Card Loan—Lake*
- Forging new partnerships with regional financial institutions in the unsecured personal loan guarantee business
- Continuing to grow high-quality assets in the installment sales credit and credit card businesses through differentiation, and strict management of credit costs and expenses

## Operating Environment & Progress

### Retail Banking

In retail banking, total account numbers continued to grow steadily, topping 2.65 million as of September 30, 2012. While the deposit balance declined year-on-year to ¥4.4 trillion, as time deposits sold in previous campaigns reached maturity, this also resulted in lower funding costs. Retail banking remains a stable source of funding for the Bank's operations, and a new yen time deposit campaign has been launched, running from October 2012 to January 2013.

In the first half of fiscal year 2012, uncertainty in global markets driven by factors such as the European sovereign debt crisis, dampened individual investors' sentiment and encouraged a trend towards risk aversion. As a result, sales of certain investment products, such as investment trusts, were slow. However, we still saw strong needs for financial products that aim to provide more stable investment opportunities such as fixed annuities and structured bonds (in our financial products intermediary business with Shinsei Securities). Competition in the housing loan market remains fierce amidst an ultra-low-interest environment. However, with the recovery in this market after the Great East Japan Earthquake, and refinancing needs from borrowers looking to reduce monthly repayments, sales of our housing loans were strong, and the outstanding balance topped ¥1 trillion yen as of September 30, 2012.

Buoyed by the enduring strength of the yen and other fac-

tors, we also saw an increase in the balance of our foreign currency deposits, particularly in U.S. dollar and Australian dollar accounts. In June 2012, we began handling the Chinese renminbi, Brazilian real and Turkish lira, and also reached an agreement with Lloyds TSB Bank plc ("Lloyds TSB") in which Lloyds TSB will transfer ownership of its overseas remittance business to Shinsei. Through this business transfer, which is subject to the approval of the Financial Services Agency of Japan, we aim to swiftly commence provision of a new overseas remittance service at Shinsei Bank. These initiatives are all part of our efforts to expand our range of foreign currency-related services for individual customers.

We have also worked to broaden our asset management line-up to meet diversifying customer needs, introducing new products that range from a fixed annuity which aims to provide stable returns, to an investment trust that aims for a high level of regular dividends. Additionally, in September 2012, we rolled out a facility that enables online review of reports and other documents that were previously mailed after investment trust transactions, via our Internet banking service, to further enhance customer convenience.

In our housing loan business, we continue striving to offer ever higher service standards both to potential new customers, and to customers considering refinancing, while increasing access points by expanding our network of Housing Loan Centers which offer face-to-face consultations. In December 2012, we launched a new housing loan product that allows customers to make provisions for possible changes in their lifestyle during the loan term, such as changes in their income or state of health. By adding this flexibility to respond to lifestyle changes to the original product's highly convenient features, we believe that we will be able to serve a wider range of customer needs while avoiding excessive competition on interest rates.

Through continually reviewing our branch network and the service offering at each branch in line with customer traffic, we are endeavoring to respond ever more flexibly to our customers' asset management needs. At the same time, we remain focused on staff development in order to increase satisfaction levels, particularly among retirement-age customers and other customers who prefer face-to-face consulting. In addition, we launched official Facebook and Twitter sites in June 2012 in order to expand our opportunities to provide information to customers.

### Consumer Finance Business

In our consumer finance business, although operating conditions remain challenging due to factors such as full-scale implementation of the revised MLBL, there are clear signs of recovery in the market. The pace of decline in the overall balance of the Shinsei Bank Group's UPL has slowed, and we have seen good growth in new customer acquisition and loan balance for *Shinsei Bank Card Loan—Lake*, the bank-based UPL service which launched in October 2011. Meanwhile, disclosure claims, the leading indicator for "grey zone" interest repayment losses, continue



on a long-term declining trend. Following substantial additional provisioning made for interest repayments at consumer finance subsidiaries at the end of fiscal year 2011 in order to eradicate any so-called future “grey zone risks,” we have made no new provisions in the first half of fiscal year 2012. In addition, our ongoing indemnification agreement with GE continues to limit the risks related to a portion of the “grey zone” interest repayment liabilities at Shinsei Financial.

#### Unsecured Personal Loans (UPL):

##### **Shinsei Bank Card Loan—Lake and Shinki**

Following the transfer to Shinsei Bank of a portion of the UPL business previously operated by Shinsei Financial, the Bank launched the *Shinsei Bank Card Loan—Lake* service in October 2011. As of September 30, 2012, the business has 124,000 customers and an outstanding loan balance of ¥37.9 billion, showing steady performance in line with initial projections. Going forward, we will focus both on Lake’s traditional customer profile, as well as looking to serve retail banking customers and other customers with latent UPL needs.

As part of efforts to attract retail banking customers, we are providing information on Lake via electronic direct mail, as well implementing initiatives such as displaying advertising on Seven Bank ATMs from April 2012, and running a campaign offering free funds transfers to other banks from Shinsei Bank *PowerFlex* accounts for first time Lake borrowers from September 2012.

Meanwhile, Shinki, which provides UPL under the NO LOAN brand, is also expanding its business, targeting customers who wish to borrow from a non-bank consumer finance company. As a result of these initiatives, we anticipate a rebound in the Group’s overall unsecured personal loan balance in the near future, and plan to grow the business into an important contributor to profitability over the mid-to-long-term.

##### **Shinsei Financial**

Following the transfer of the Lake brand to Shinsei Bank in October 2011, Shinsei Financial now continues to serve its approximately 530,000 existing UPL customers while providing credit guarantee services for the *Shinsei Bank Card Loan—Lake* service and for other financial institutions. In the credit guarantee business, we have seen the balance of bank card loans rebound in fiscal year 2011 as regional financial institutions in particular ramp up their individual lending operations. Shinsei Financial currently has credit guarantee agreements

with six regional financial institutions as of September 30, 2012 and is working with the Bank’s financial institutions business to develop this business further in the future.

#### APLUS FINANCIAL

APLUS FINANCIAL, one of Japan’s three largest listed *shinpan* (sales finance) companies, has continued to make steady progress in its three major businesses—installment sales credit, credit cards and settlement services—as it works towards its medium-term management plan vision of “becoming a *shinpan* company chosen by customers, supported by business partners, and fit for the new age,” and breaking away from dependence on consumer finance loan income.

In installment sales credit, a key business, APLUS FINANCIAL has continued to pursue transaction growth both in its core auto sales finance business as well as in other areas, for example, through ongoing efforts to grow its housing-related business including finance for products such as solar power generation systems and EcoCute energy-efficient water heating systems. In addition, following the launch in May 2011 of “APLUS Shopping Credit with T Points,” in July 2012 the company introduced a new auto finance product that also rewards customers with T Points.\*

In the credit card business, shopping transaction volumes have maintained the momentum showed in fiscal year 2011 and continue to grow amidst an expansion of the overall credit card shopping market. We are carefully managing the range of cards issued to improve profitability, while introducing new products such as the “Shinsei APLUS Gold Card” and “Shinsei APLUS Card” - jointly branded Shinsei Bank Group credit cards released in April 2012, and a Manchester United Football Club affiliate credit card released in July 2012.

In the settlement service business, we are working together with the Bank’s Institutional Group to win new customers for our housing rent guarantee service. We are also working to increase transaction volumes for this service through initiatives such as the launch in November 2012 of a new product that rewards customers with T points.

\* The T Point Loyalty Program is an integrated loyalty point program, operated by T point Japan Co., Ltd. (“T point Japan”) which allows holders of a T card to accumulate T points when making purchases at participating retailers. Points can be redeemed across a spectrum of retailers including convenience stores and supermarkets. APLUS FINANCIAL has an alliance with T point Japan in the credit card business, where it offers the credit-enabled “T Card Plus” card.

# Shinsei Bank Card Loan—Lake First Year Review

Steady growth in new customer acquisition and loan balance.  
Targeting new customer segment for further growth

## The Launch of Shinsei Bank Card Loan—Lake

Just over one year after its launch on October 1, 2011, the bank-based *Shinsei Bank Card Loan—Lake* unsecured personal loan (UPL) service is showing steady growth both in new customer acquisition numbers and outstanding loan balance.

The Bank launched this service by acquiring the Lake brand, the entire network of unstaffed branches and automated contract machines (ACM) and Card Loan—Lake ATMs, and other assets necessary to operate the Lake UPL service from Shinsei Financial, a consolidated subsidiary.

In doing so, Shinsei Bank became the first bank in Japan to offer full-scale unsecured personal card loan services

through a large-scale unstaffed branch network.

Through this initiative, Shinsei Bank aims to provide small-lot personal finance more smoothly and flexibly to individual customers, and to contribute to the development of a sound and healthy market as the leading bank in this sector.



The Shinsei Bank Card Loan—Lake logo

## Market Trends and Shinsei Bank's Strategy

There are signs of a recovery in the consumer finance company UPL market, with a slow-down in the decline in loan balances, and year-on-year increases in monthly new customer numbers and loan disbursement. Meanwhile, the

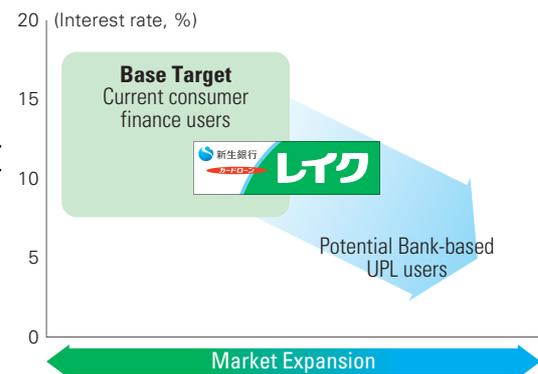
contraction in the bank-based UPL market has been comparatively smaller, and we expect to see growth in this market going forward.

### Shinsei Bank's Medium-Term Business Development Image



We believe that the launch of *Shinsei Bank Card Loan—Lake* allows us to serve a larger number of customers as the service combines the same speed and convenience provided until now by Shinsei Financial—including immediate loan disbursement, a no-branch-visit application process, fee-free usage of partner ATMs and a nationwide network of approxi-

mately 780 proprietary unstaffed branches—with the peace-of-mind and reassurance of bank service. Ultimately, we are aiming to create a new retail business domain by providing UPL services not only to current users, but also to potential borrowers who have legitimate financial needs but have not used UPL services before.

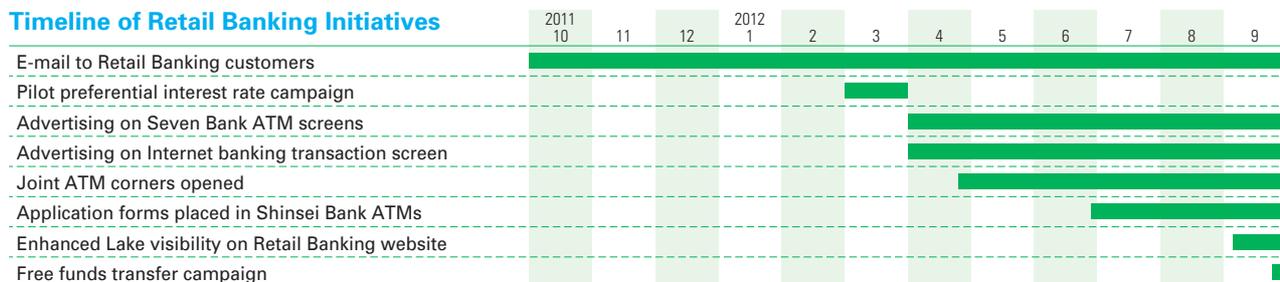


## Collaboration with Retail Banking

In the new business' first year, we have focused on building out the *Shinsei Bank Card Loan—Lake* service and product offering with initiatives such as a new smartphone site and enhanced website contents for first-time customers. Alongside these efforts, we have also launched an intensive

marketing campaign aimed at retail banking customers, centered around strategies to build awareness of *Shinsei Bank Card Loan—Lake* and special offers aligned with the needs of this customer segment.

### Timeline of Retail Banking Initiatives



As a result of these efforts over the first year, we are now confident that there is a steady level of UPL needs among retail banking customers, and that we can expect a constant level of Lake applications from these customers going forward.

Accordingly, as of November 22, 2012, we have lowered the minimum interest rate for Lake loans from 9.0% to 4.5%,

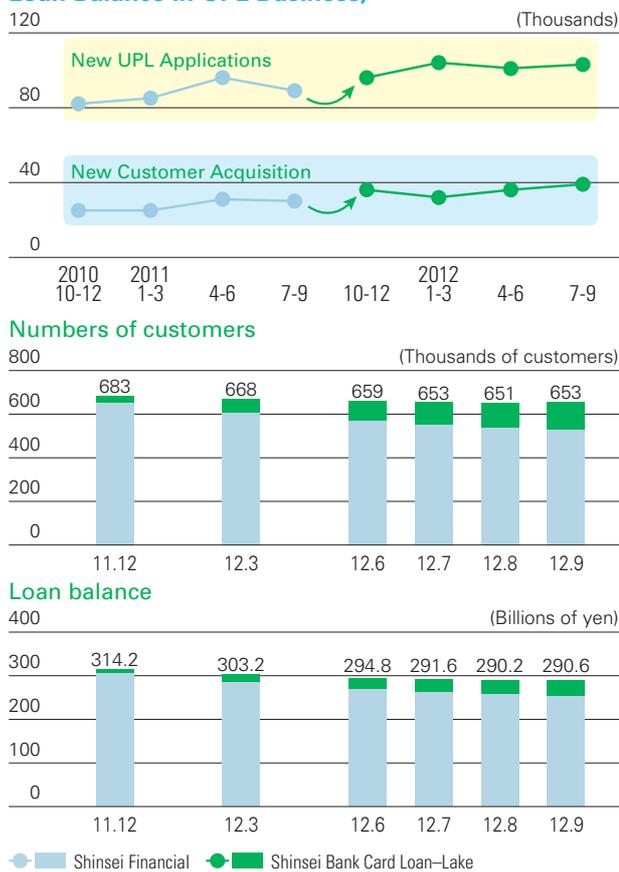
and increased the maximum credit line on new contracts from ¥2 million to ¥5 million in order to strengthen Lake's competitiveness vis-à-vis UPL offered by other banks. We believe that these changes will increase Lake's appeal both to Shinsei's retail banking customers and other customers wishing to use bank-based UPL.

## Shinsei Bank Card Loan—Lake's Performance to Date

Since its launch in the second half of fiscal year 2011, *Shinsei Bank Card Loan—Lake* has shown a strong start across all service channels (Internet, call center, unstaffed branches etc.) with monthly application and new customer acquisition numbers consistently trending higher year-on-year. So far this new business model – a bank-based UPL service operated through a large-scale unstaffed network – is proving successful. While it is difficult to make direct comparisons with the service offered by Shinsei Financial, an analysis of customer behavior has shown that customers are now using Seven Bank ATMs with much greater frequency, and beginning to use Shinsei Bank ATMs too. There has also been growth in the number of new applications received via the Internet. Considering these trends, we believe that we will be able to win more business both from customers wishing to use a bank-provided UPL service, as well as from the traditional Lake customer profile.

Over the last few years, Shinsei Financial's total customer numbers and outstanding loan balance had been declining due to the effects of the revised Money-Lending Business Law and other factors. However, as efforts to improve customer retention rates at Shinsei Financial begin to bear fruit while *Shinsei Bank Card Loan—Lake* performs steadily, the combined loan balance showed growth for the first time in six years as of September 30, 2012 – albeit on a single-month basis. While we expect some fluctuation on a month-to-month basis, we are now aiming for a bottom-out in the combined loan balance by the end of fiscal year 2012.

### Quarterly Trends in New UPL Applications and New Customer Acquisition, Customer Numbers, Loan Balance in UPL Business,



Shinsei Bank Card Loan—Lake First Year Review

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# DIRECTORS AND EXECUTIVES

As of December 1, 2012

## BOARD OF DIRECTORS (6)

Shigeki Toma	Representative Director, President
Yukio Nakamura	Representative Director, Senior Managing Executive Officer
J. Christopher Flowers*	Chairman, J.C. Flowers & Co. LLC
Shigeru Kani*	Former Director, Administration Department, The Bank of Japan, and Professor, Yokohama College of Commerce
Jun Makihara*	Chairman of the Board, Neoteny Co., Ltd.
Hiroyuki Takahashi*	Former Director, Japan Corporate Auditors Association

\*Outside Directors

## SENIOR ADVISOR (1)

David Morgan  
Managing Director, Europe and Asia-Pacific,  
J.C. Flowers & Co. UK Ltd

## ADVISOR (1)

Yuji Tsushima

## STATUTORY AUDITORS (3)

Shinya Nagata	Standing Statutory Auditor
Kozue Shiga*	Lawyer
Tatsuya Tamura*	Former Executive Director, The Bank of Japan, and President, Global Management Institute Inc.

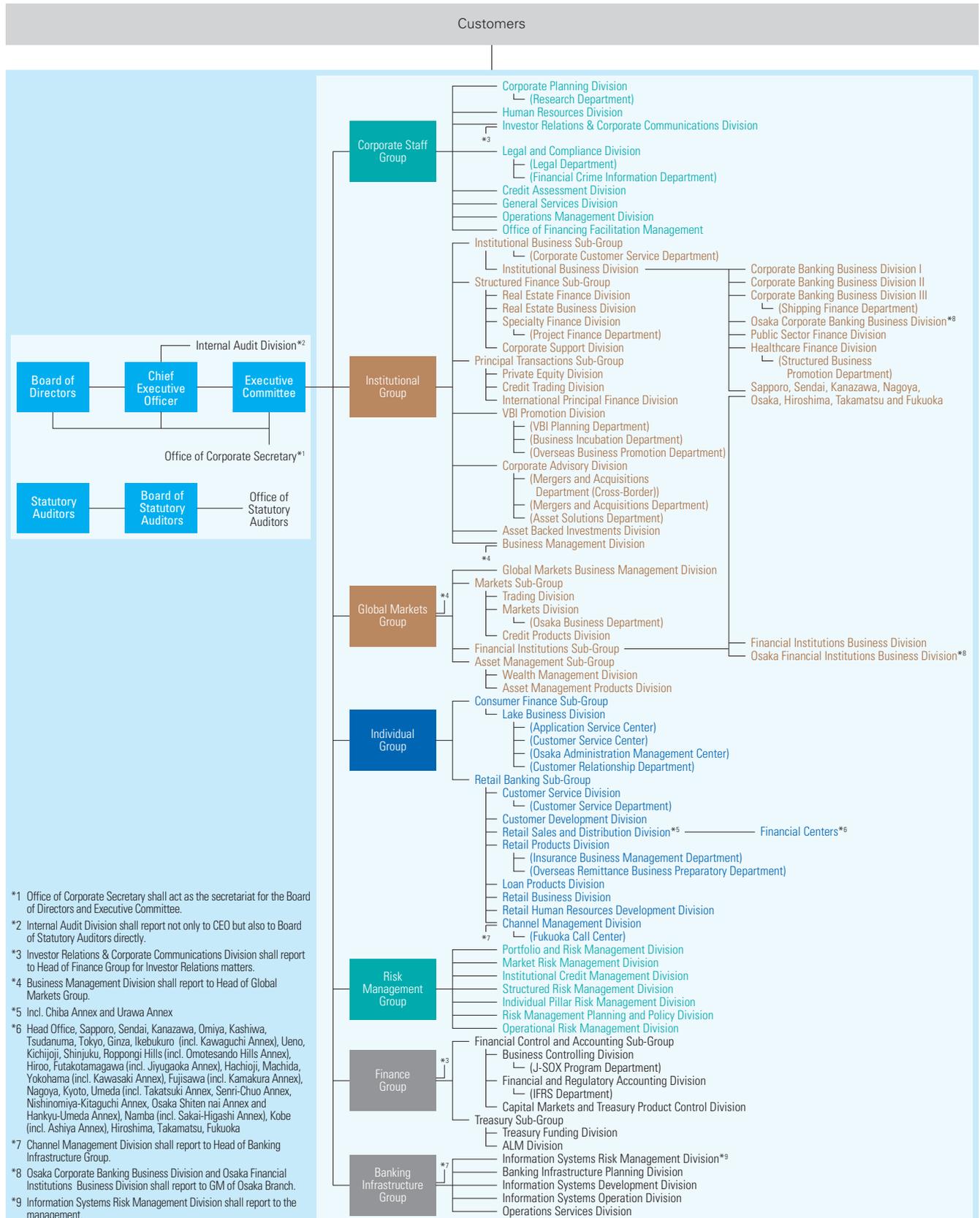
\*Outside Statutory Auditors

## EXECUTIVE OFFICERS (21)

Shigeki Toma	Representative Director, President, Chief Executive Officer
Yukio Nakamura	Representative Director, Senior Managing Executive Officer, Chief Risk Officer, Head of Risk Management Group
Sanjeev Gupta	Senior Managing Executive Officer, Head of Individual Group
Michiyuki Okano	Senior Managing Executive Officer, Group Chief Information Officer, Head of Banking Infrastructure Group
Hitomi Sato	Senior Managing Executive Officer, Head of Institutional Group, General Manager of VBI Promotion Division
Shigeru Tsukamoto	Senior Managing Executive Officer, Chief Financial Officer, Head of Finance Group, Head of Treasury Sub-Group
Norio Funayama	Managing Executive Officer, General Manager of Osaka Branch
Yoshiaki Kozano	Managing Executive Officer, Head of Principal Transactions Sub-Group
Hideyuki Kudo	Managing Executive Officer, Head of Structured Finance Sub-Group
Shinichirou Seto	Managing Executive Officer, Head of Institutional Business Sub-Group, General Manager of Institutional Business Division
Akira Watanabe	Managing Executive Officer, Head of Global Markets Group
Masashi Yamashita	Managing Executive Officer, Chief of Staff, Head of Corporate Staff Group
Souichirou Hasegawa	Executive Officer, General Manager of Office of Corporate Secretary
Akira Hirasawa	Executive Officer, General Manager of Portfolio and Risk Management Division
Yasunobu Kawazoe	Executive Officer, General Manager of Institutional Credit Management Division
Satoshi Koiso	Executive Officer, General Manager of Corporate Planning Division
Yuji Matsuura	Executive Officer, Head of Markets Sub-Group
Toru Myochin	Executive Officer, General Manager of Corporate Banking Business Division I, General Manager of Healthcare Finance Division
Masayuki Nankouin	Executive Officer, Head of Consumer Finance Sub-Group
Akimori Nomura	Executive Officer, Head of Financial Institutions Sub-Group
Hironobu Satou	Executive Officer, Head of Financial Control and Accounting Sub-Group, General Manager of Business Controlling Division

# ORGANIZATION

As of December 1, 2012



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# SUMMARY OF MAJOR EVENTS

Financial Highlights	2000	March	Launched as an innovative Japanese bank under new management and new ownership
		June	Changed name from The Long-Term Credit Bank of Japan, Limited (LTCB), to Shinsei Bank, Limited
	2001	May	Commenced operations of Shinsei Securities Co., Ltd.
Message from the Management	2003	April	Commenced operations of Shinsei Investment Management Co., Ltd.
	2004	February	Listed the Bank's common shares on the First Section of the Tokyo Stock Exchange
		April	Converted the Bank's long-term credit bank charter to an ordinary bank charter
		May	Achieved one million retail accounts
		June	Converted to a Company with Committees board model
		September	Acquired a controlling interest in APLUS Co., Ltd.
	2005	March	Acquired a controlling interest in Showa Leasing Co., Ltd.
		May	Commenced operations of Shinsei International Limited
	2006	July	Commenced resolution of public funds
	2007	April	Achieved two million retail accounts
Our Business Model		December	Acquired a controlling interest in SHINKI Co., Ltd.
	2008	January	Reached a mutual agreement with Seven Bank, Ltd. to share sales channels and develop products and services together
		February	Completed a tender offer bid for the Bank's common shares and a third-party allotment of new common shares of the Bank to the investor group led by J.C. Flowers & Co. LLC and affiliates
		April	Launched <i>Shinsei Mobile Banking</i>
		September	Acquired GE Consumer Finance Co., Ltd. (Changed company name to Shinsei Financial Co., Ltd. on April 1, 2009)
	2009	January	Launched <i>Shinsei Step Up Program</i>
		March	Concluded tender offer for the shares of common stock of SHINKI Co., Ltd.
		June	Opened first Shinsei Consulting Spots Launched <i>Two Weeks Maturity Deposit</i>
		October	Issued JPY-denominated preferred securities
		November	Issued non-dilutive subordinated bonds to retail investors
Review of Operations	2010	March	Partially repurchased and cancelled Tier I preferred securities
		June	Moved to a "Company with Board of Statutory Auditors" board model
		November	Announced business alliance with YES BANK LIMITED in Japan-India cross-border M&A business Formed business alliance with Baoviet Holdings to support Japanese institutional customers in the Vietnamese market Established corporate restructuring investment subsidiary, Shinsei Corporate Support Finance Co., Ltd.
	2011	January	Commenced operations at new head office
		March	Issued new shares through international common share offering Signed memorandum of understanding on business collaboration with Taiwanese equity-method affiliate, Jih Sun Financial Holding Co., Ltd.
Management Structure Summary of Major Events		September	Corporate Support Division provided financing for Corona Kogyo Corporation's construction of factory in Vietnam Assisted The Daito Bank, Ltd. in arranging its first syndicated loan
		October	Commenced unsecured personal card loan service under the Lake brand
	2012	March	Established VBI Promotion Division in the Institutional Group
		April	Added "Shinsei APLUS Gold Card" and "Shinsei APLUS Card" to credit card line-up
		June	Reached an agreement to take over overseas remittance business of Lloyds TSB Bank plc in Japan
Data Section		July	Established venture fund targeting mobile entertainment companies with gumi Inc.
		September	Balance of <i>PowerSmart</i> Home Mortgages exceeded one trillion yen
		October	Invested in "Fukushima Growth Industry Development Fund" Issued Fourth Series of Unsecured Callable Subordinated Bonds
		November	Provided non-recourse loan for construction of lodgings for post-earthquake reconstruction workers in Miyagi Prefecture