



# **Business and Financial Highlights**

## ***First Quarter Ended June 30, 2013***

**Shinsei Bank, Limited**  
**July 30, 2013**



# Table of Contents

---

■ Q1 FY2013 Results: Key Points	----- P3
■ Q1 FY2013 Results: Financial Summary	----- P4
■ Financial Results	----- P5
■ Balance Sheet Overview	----- P7
■ Net Interest Margin	----- P8
■ Business	----- P9
■ Asset Quality	----- P14
■ Capital	----- P15
■ Appendix	----- P16

# Q1 FY2013 Results: Key Points

## 1 Smooth Start Toward the Achievement of FY2013 48.0BY Net Income Target

- Consolidated Net Income: JPY12.7 billion (EPS: JPY4.81)
- Consolidated Cash Basis Net Income: JPY15.0 billion (Cash Basis EPS: JPY5.66)
- Diluted Equity Per Share: JPY236.25
- Capital ratio continues to be above the level targeted in the Second MTMP<sup>1</sup> Plan

## 2 Revenue Rises for Two Quarters; Progress Made Toward Stabilization of Earnings

- While net interest income down, net interest margin up from 1.95% in previous quarter to 1.98%
- Non-interest income has risen versus the previous quarter due to factors such as steady earnings trends from real estate finance and domestic credit trading in the institutional business, and strong sales of investment products in the individual business

## 3 Progress in the Disposal of NPLs and Improvements in Asset Quality Contributed to a Reduction in Credit Costs

- Non-performing loan balance reduced by JPY26.2 billion versus March 31, 2013, and the non-performing loan ratio has dropped to 4.80%
- Net credit costs have experienced a large decline, due to improvements in the quality of assets in each business

# Q1 FY2013 Results: Financial Summary

(JPY billion)

- Smooth start with net income of JPY12.7 billion recorded representing 26% progress
- Non-consolidated net income of JPY8.4 billion recorded representing 32% progress

【Consolidated】	Q1 FY2012	Q4 FY2012	Q1 FY2013	FY2013 Full-Year Forecast	Progress
Revenue	52.0	48.6	50.5	215.0	23%
Net Interest Income	28.2	27.4	26.9	115.0	23%
Non-Interest Income	23.8	21.2	23.5	100.0	24%
Expenses	31.7	32.9	32.6	135.0	24%
Ordinary Business Profit	20.2	15.7	17.8	80.0	22%
Net Credit Costs (Recoveries)	-0.6	0.6	-0.0	20.0	-
Net Income	16.4	13.2	12.7	48.0	26%
Cash Basis Net Income <sup>1</sup>	18.8	15.4	15.0	56.0	27%
【Non-Consolidated】					
Operating Business Profit	8.1	4.9	10.1	36.2	28%
Net Income	7.4	6.7	8.4	26.0	32%

## Q1 FY2013 Results: Financial Summary

- **Net Interest Income:** While net interest income down, net interest margin up from 1.95% in previous quarter to 1.98%
- **Non-Interest Income:** Non-interest income has risen vs. previous quarter due to steady earnings trends from real estate finance and domestic credit trading in the institutional business, and strong sales of investment products in the individual business
- **Net Credit Costs:** Net credit costs have experienced a large decline, due to improvements in the quality of assets in each business

## Outlook for Achieving FY2013 Forecast

- Aiming to further promote transactions with customers by strengthening the customer base and building up quality assets

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

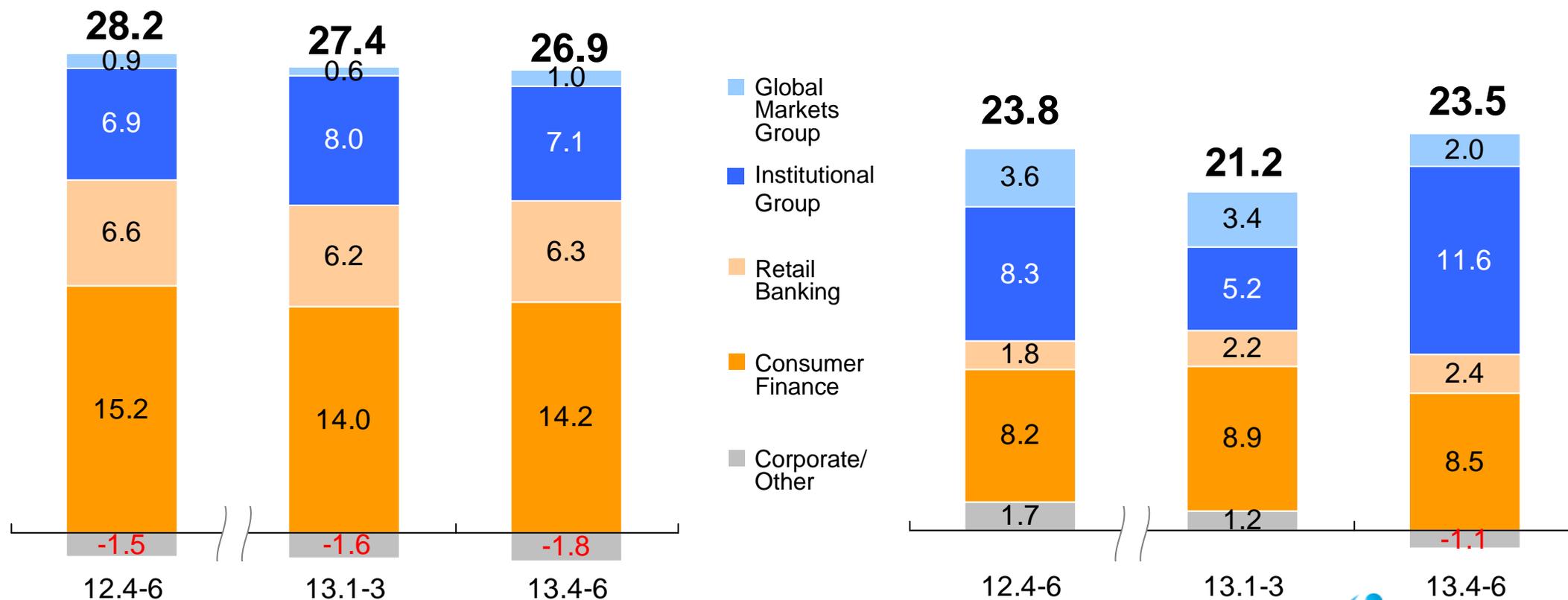
# Financial Results: Revenue

(Consolidated, JPY billion)

- While overall net interest income declined, consumer finance was up vs. Q4 FY2012
- Non-interest income has risen vs. Q4 FY2012 due to steady earnings trends from real estate finance and domestic credit trading in the institutional business, and strong sales of investment products in the individual business

## Net Interest Income

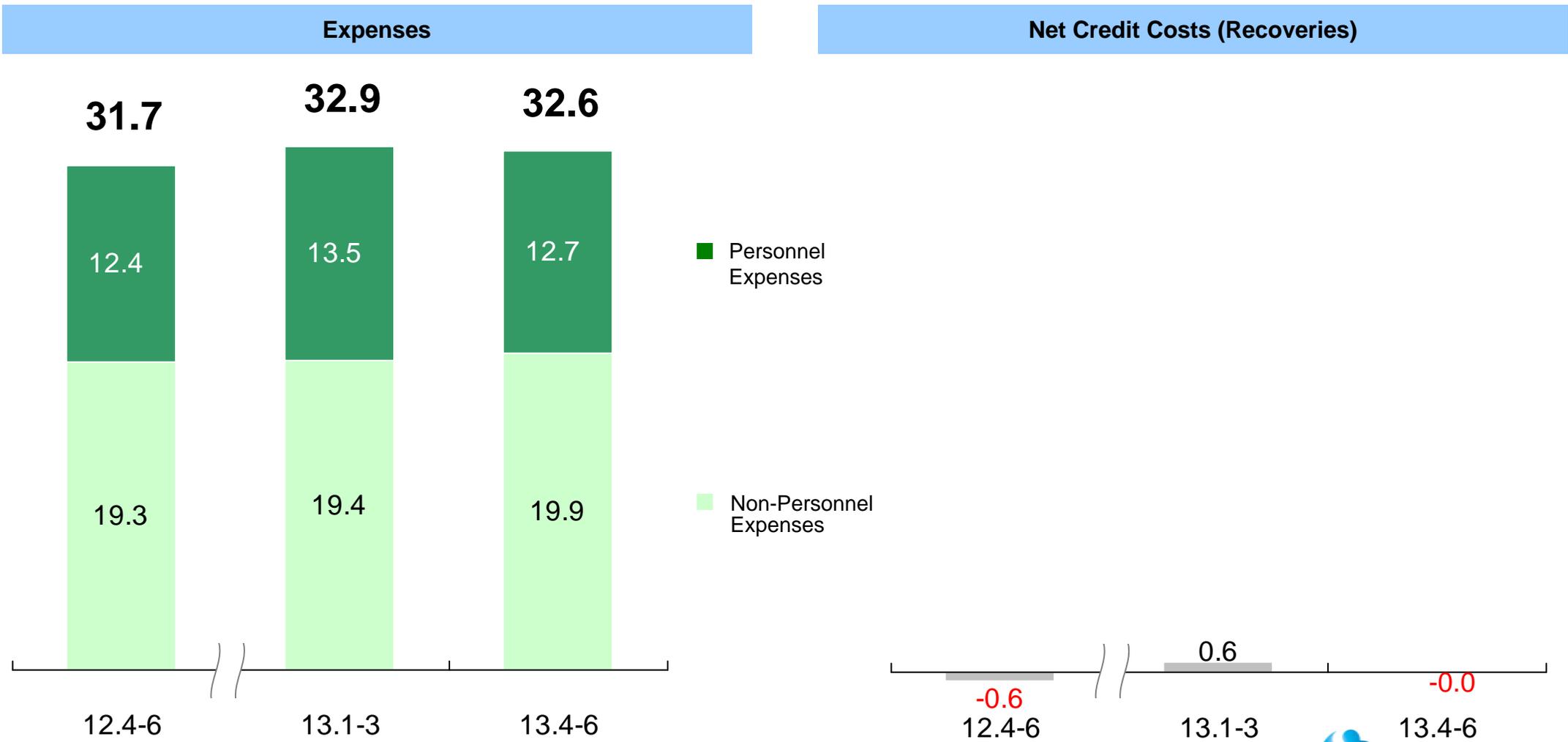
## Non-Interest Income



# Financial Results: Expenses and Net Credit Costs

(Consolidated, JPY billion)

- Expenses basically flat on Q4 FY2012 as we concentrated resources in strategic focus areas
- Large decline in net credit costs due to improvements in the quality of assets in each business



# Balance Sheet Overview: Loans, Deposits (Retail and Corporate Deposits)

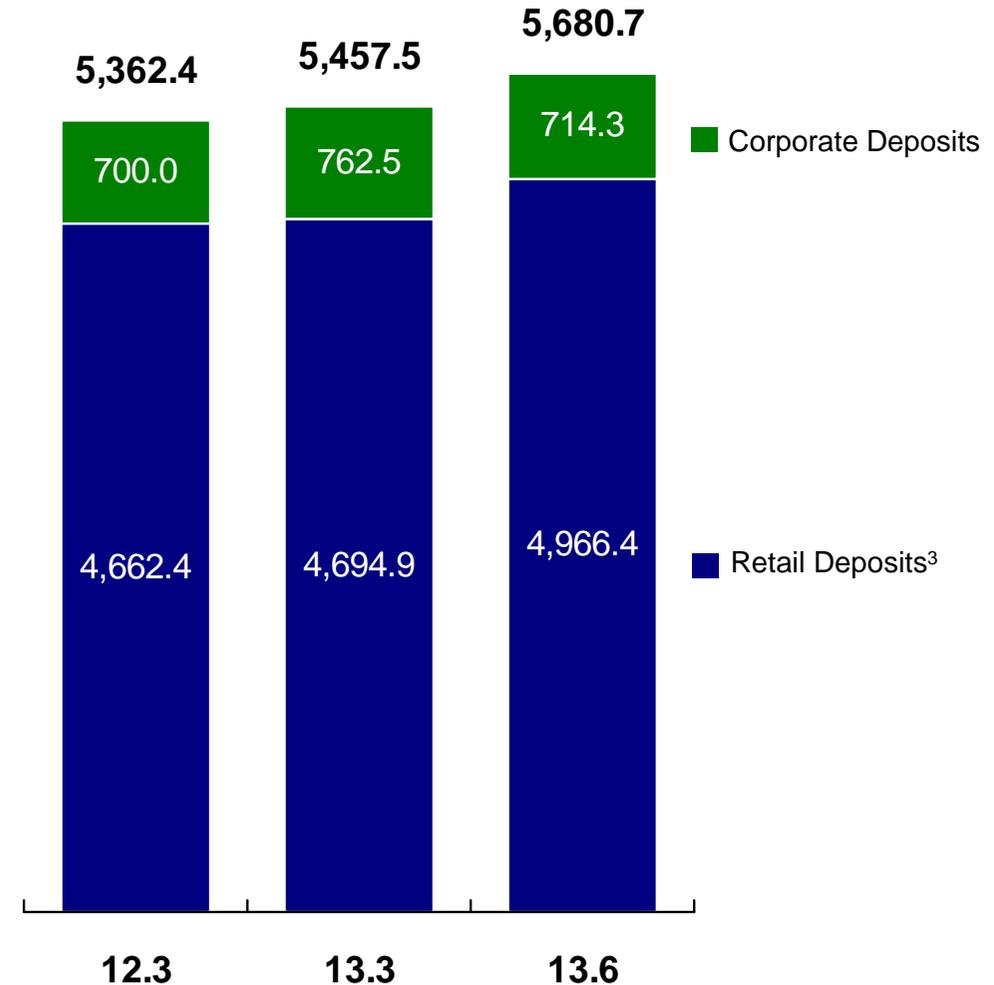
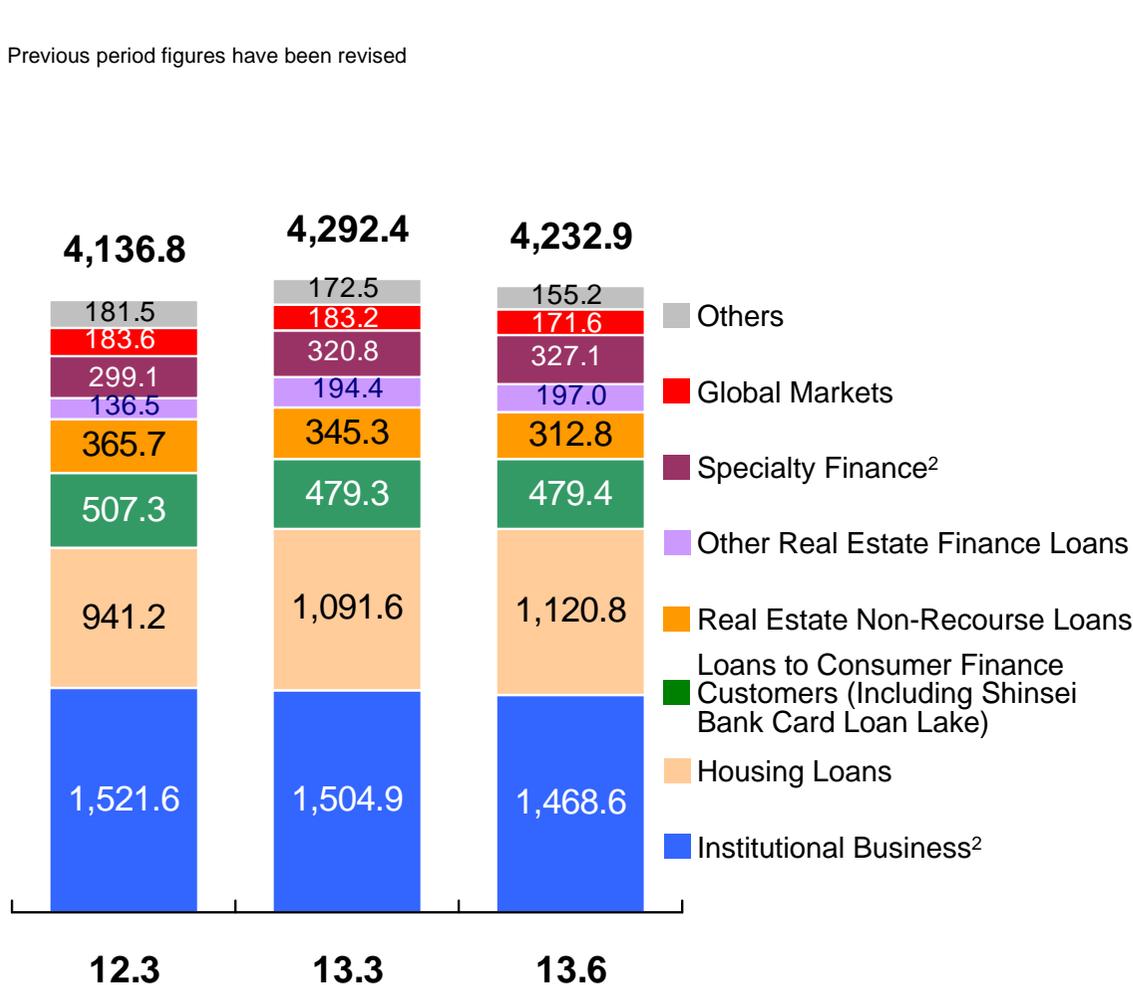
(Consolidated, JPY billion)

- While loans were down, balance up for consumer finance up vs. March 31, 2013
- Retail deposits continued to rise due in part to conversion of certain debentures to deposits

Loan Composition<sup>1</sup>

Retail Deposits<sup>3</sup> and Corporate Deposits

<sup>1</sup> Previous period figures have been revised



<sup>2</sup> The balance of shipping finance (JPY103.2 billion at the end of June 2013) has been moved from the Institutional Business to Specialty Finance as a result of an organizational change on April 1, 2013

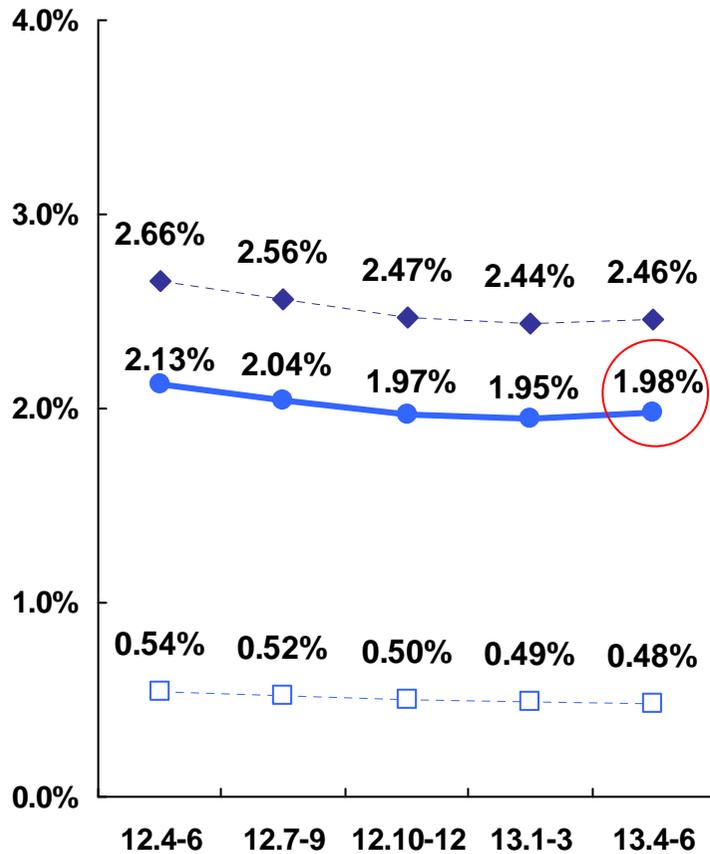
<sup>3</sup> A total of JPY202.8 billion of Zaikai debentures were transferred to Zaikai time deposits in April 2013

# Net Interest Margin

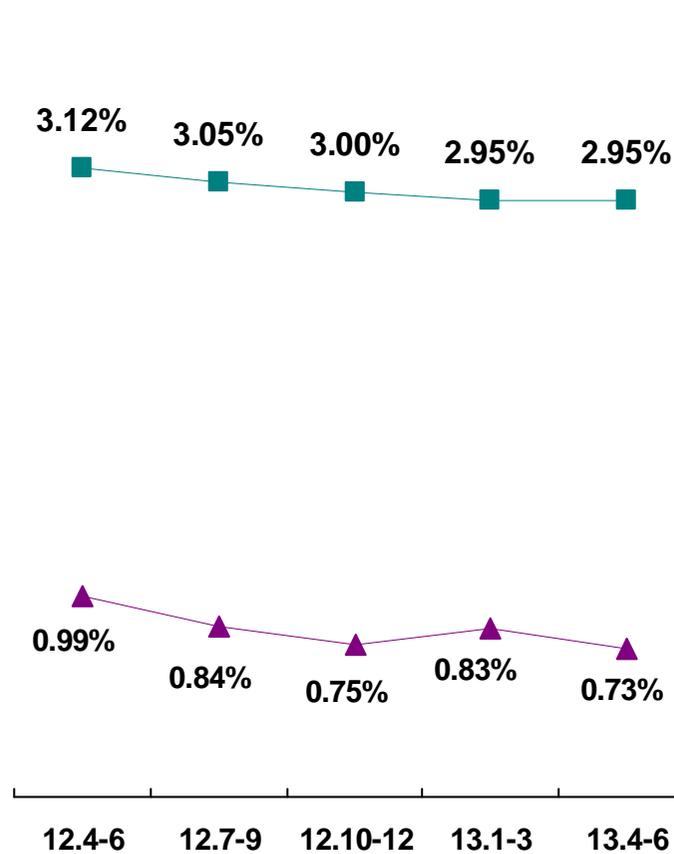
(Consolidated, JPY billion)

- Net interest margin improved from 1.95% at Q4 FY2012 to 1.98% at Q1 FY2013
- Yield on loans has stopped falling and stayed flat at 2.95% q-o-q

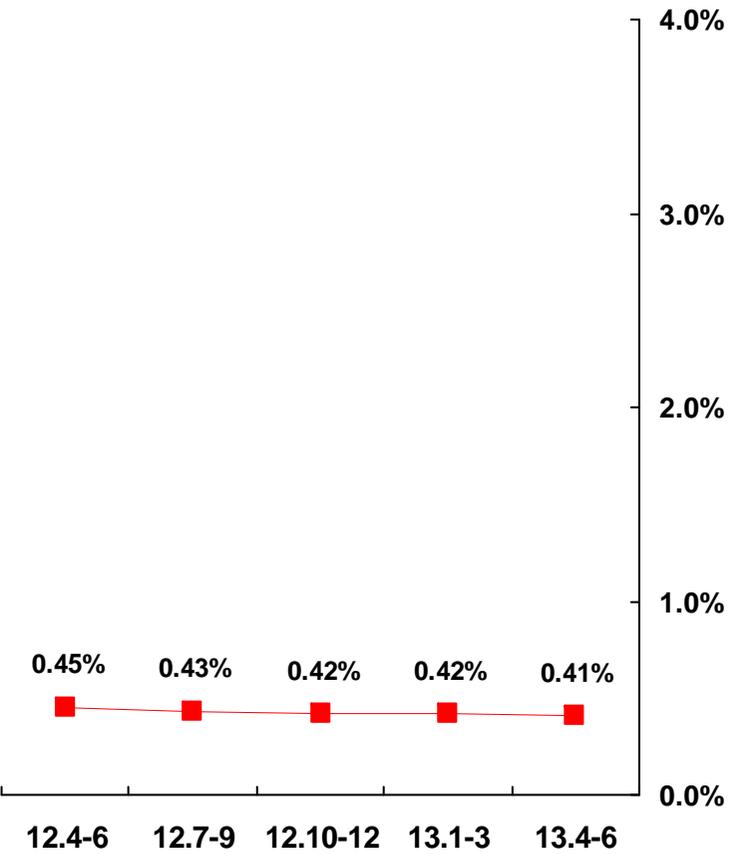
Net Interest Margin<sup>1</sup>



Yield on Loans and Securities



Rate on Deposits



- ◆ Yield on Interest Earning Assets<sup>1</sup>
- Net Interest margin<sup>1</sup>
- Rate on Interest Bearing Liabilities

- Yield on Loans and Bills Discounted
- ▲ Yield on Securities

- Rate on Deposits, Including Negotiable Certificates of Deposit (NCD)

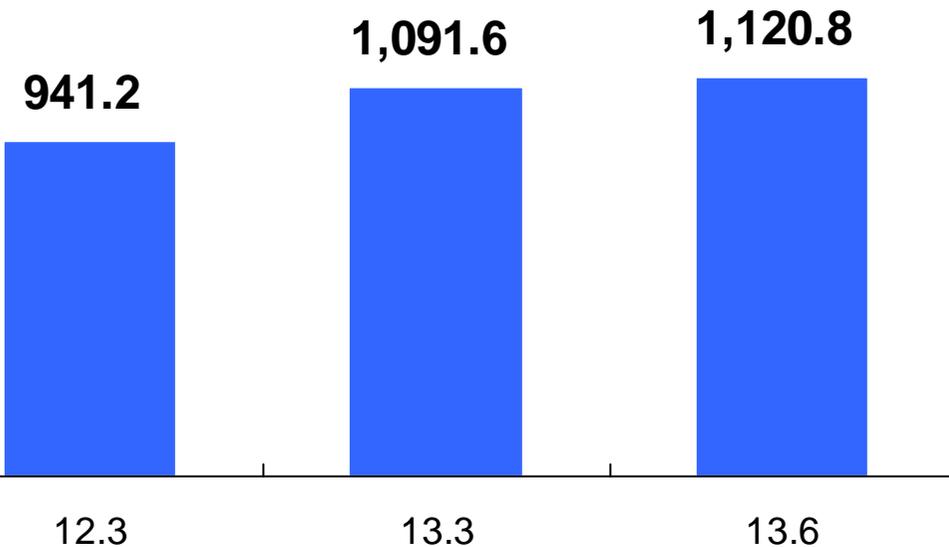
<sup>1</sup> Includes income on leased assets and installment receivables

# Business: Housing Loans

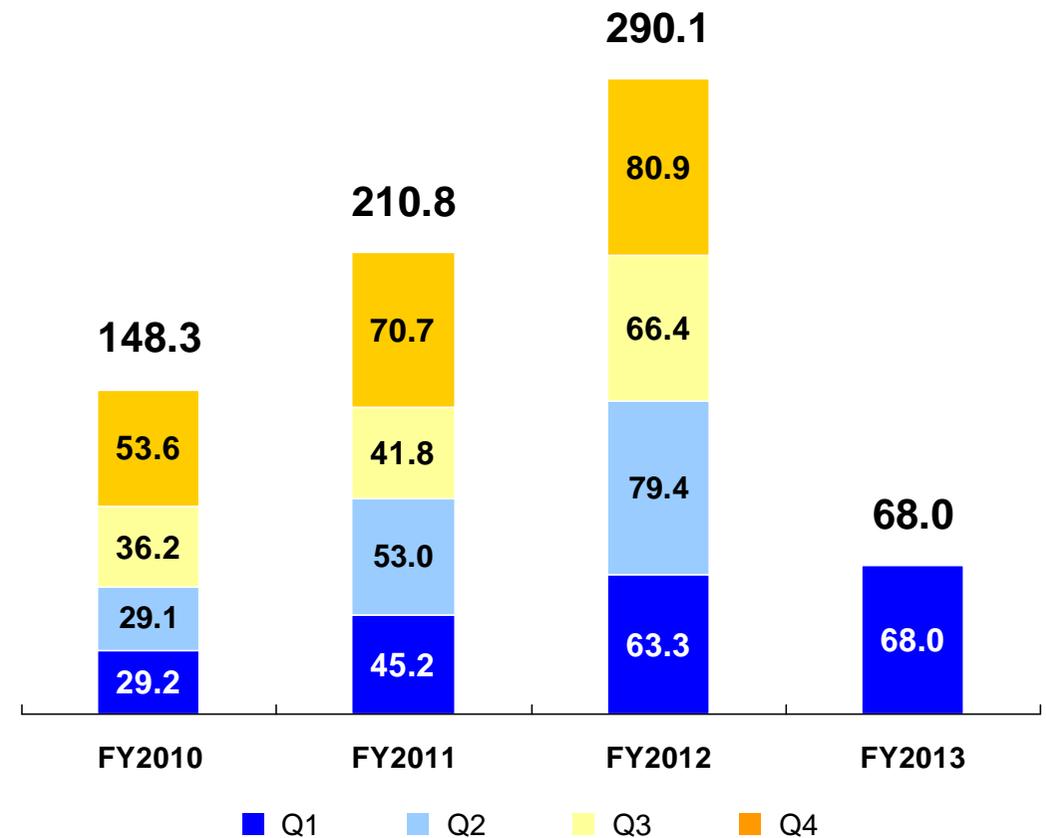
(Consolidated, JPY billion)

- Housing loan balance has steadily increased and contributed to earnings
- New disbursements of JPY68.0 billion were recorded in Q1 FY2013 representing an increase for three consecutive quarters

Housing Loan Balance



Trend in New Disbursements

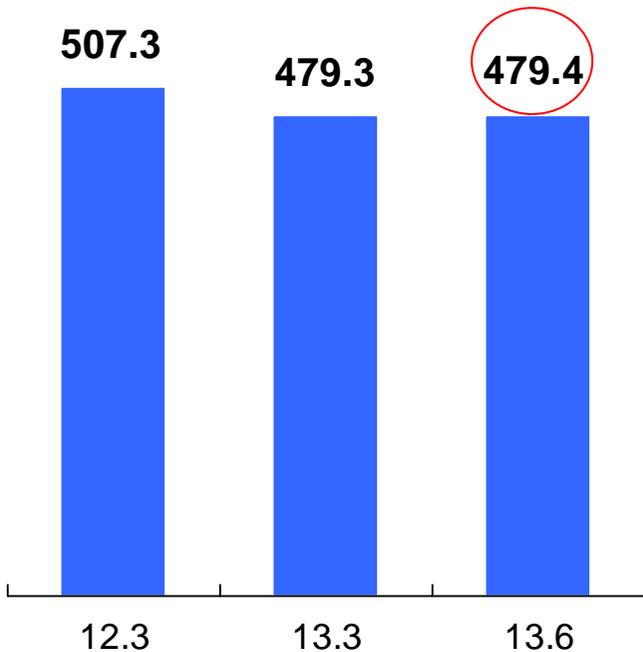


# Business: Consumer Finance

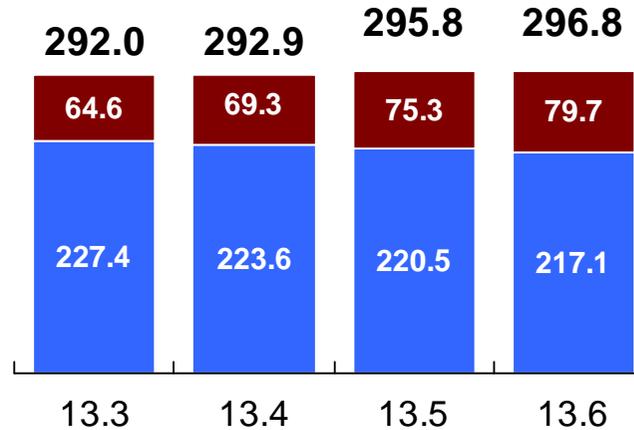
(JPY billion)

- The combined loan balance of Shinsei Bank Card Loan – Lake and Shinsei Financial up six consecutive months since January 2013 with continued improvement trend
- Overall consumer finance loan balance up two consecutive quarters with bottom at Dec. 2012

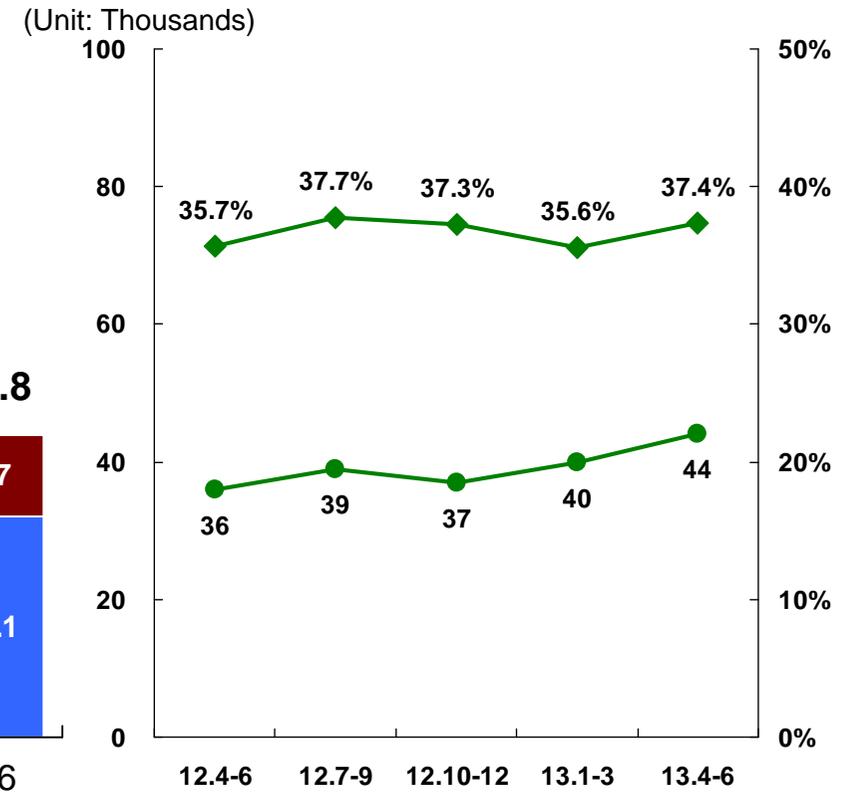
Consumer Finance Loan Balance<sup>1</sup>



UPL Balance: Shinsei Financial and Shinsei Bank Card Loan - Lake



Quarterly Trends in New Customer Numbers and Approval Rate



<sup>1</sup> Overall consumer finance loan balance includes Shinsei Bank Card Loan – Lake, Shinsei Financial, SHINKI, APLUS FINANCIAL and Other customers

■ Shinsei Bank Card Loan Lake  
■ Shinsei Financial

Shinsei Bank Card Loan Lake:

● Number of New Customers (lhs)  
◆ Approval Rate (rhs)



# Business: Grey Zone Interest Repayment

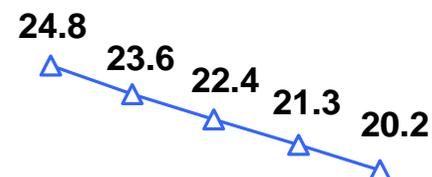
(JPY billion)

- Number of disclosure claims and debt write-off and interest repayment amount down y-o-y for all three companies

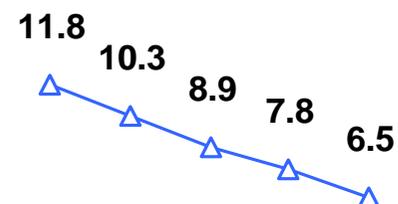
(Unit: thousands)

Number of Disclosure Claims	12.4-6	12.7-9	12.10-12	13.1-3	13.4-6	13.7-9	13.10-12	14.1-3
Shinsei Financial	16.6	14.4	14.0	14.2	14.1			
SHINKI	2.8	2.5	2.5	2.6	2.6			
APLUS Financial	2.7	2.4	2.4	2.4	2.5			

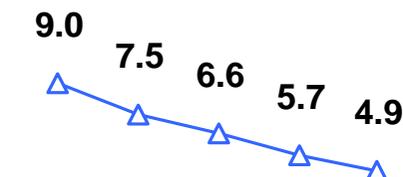
Shinsei Financial<sup>1,2</sup>



SHINKI



APLUS Financial



1.2 1.1 1.1 1.0 1.1

12.4-6 12.7-9 12.10-12 13.1-3 13.4-6 13.7-9 13.10-12 14.1-3

2.1 1.5 1.3 1.1 1.3

12.4-6 12.7-9 12.10-12 13.1-3 13.4-6 13.7-9 13.10-12 14.1-3

1.5 1.4 0.9 0.8 0.8

12.4-6 12.7-9 12.10-12 13.1-3 13.4-6 13.7-9 13.10-12 14.1-3

△ Reserves for Losses on Interest Repayments ■ Debt Write-off and Interest Repayment Amount

<sup>1</sup> A certain portion of Shinsei Financial's portfolio is covered by a GE indemnity contract Interest repayment amount is net of refunds subject to the GE indemnification

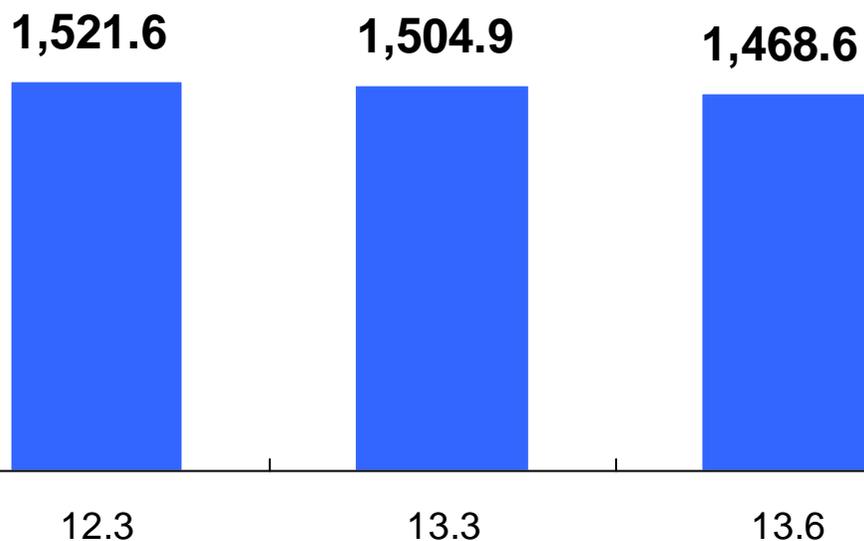
<sup>2</sup> Reversals of reserves for losses on interest repayment include reversals of provision of reserves for loan losses

# Business: Institutional Business and Specialty Finance

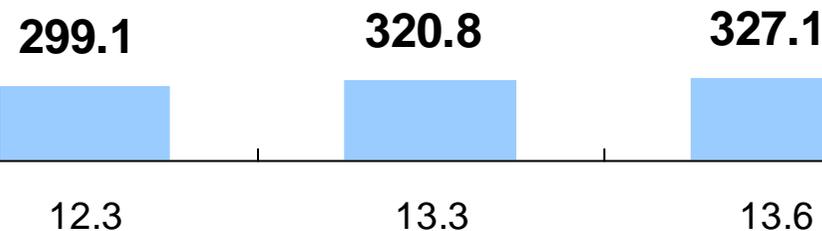
(Consolidated, JPY billion)

- While the Institutional Business loan balance was down on Q4 FY2012, continuing to actively pursue deals
- Specialty finance up due to increase in new transactions

Institutional Business Loan Balance<sup>1</sup>



Specialty Finance Balance<sup>1</sup>



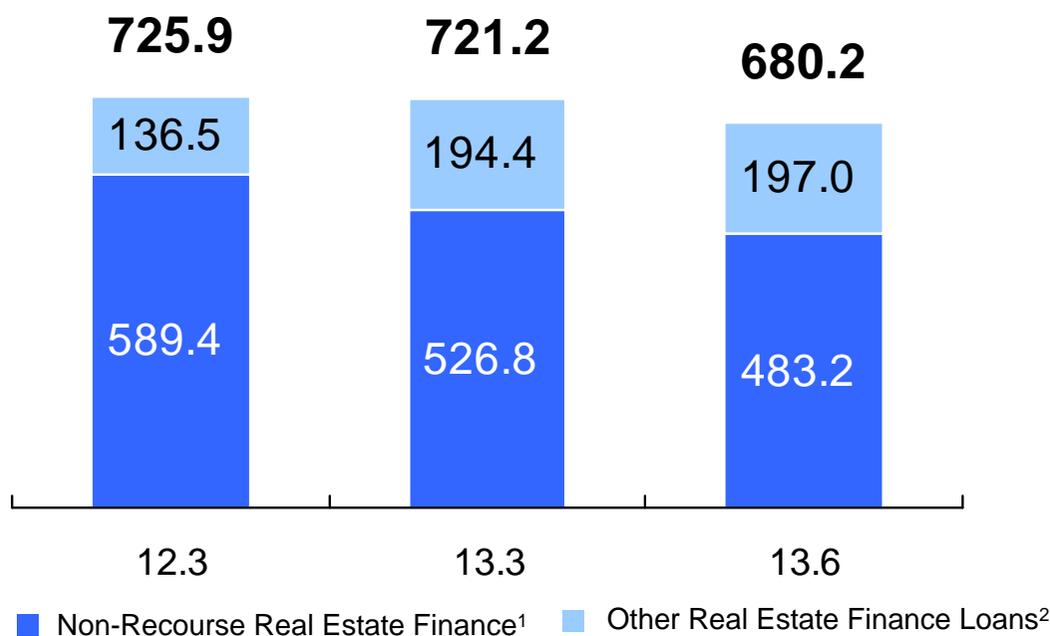
<sup>1</sup> The balance of shipping finance (JPY103.2 billion at the end of June 2013) has been moved from the Institutional Business to Specialty Finance as a result of an organizational change on April 1, 2013

# Business: Real Estate Finance

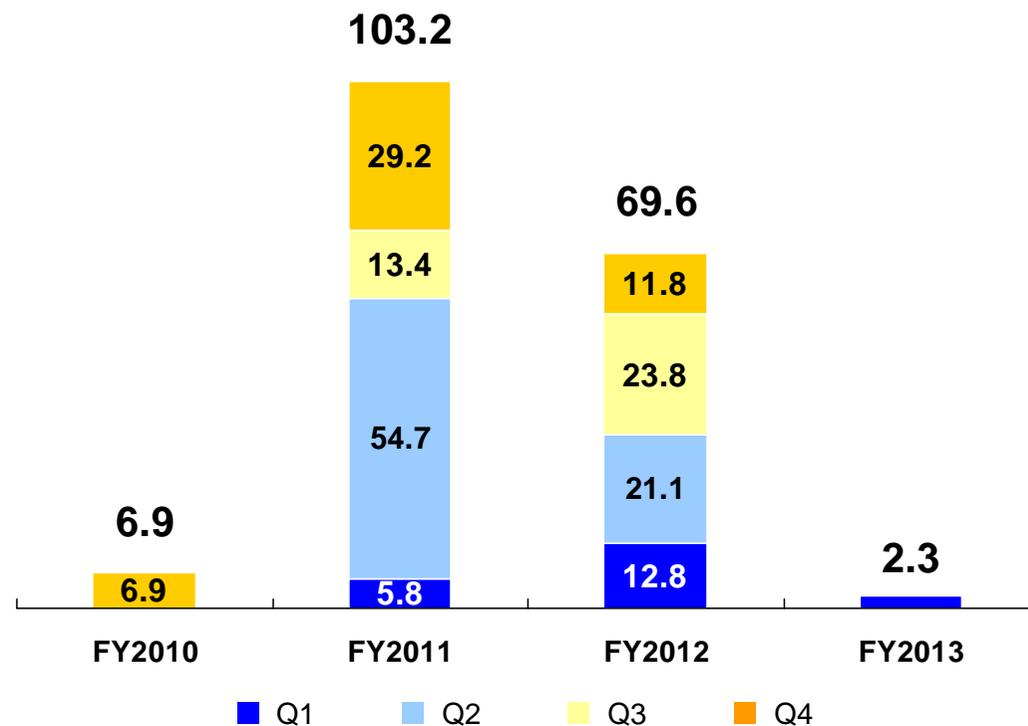
(Consolidated, JPY billion)

- Lower real estate non-recourse finance balance due to acceleration of NPL disposal
- Other real estate finance loans up due to new transactions

### Real Estate Finance Balance



### Trend in New Disbursements for Non-Recourse Real Estate Finance



<sup>1</sup> Real estate non-recourse finance includes bonds (including other monetary claims purchased)

<sup>2</sup> Other real estate finance loans include loans to real estate companies and REITs

# Asset Quality: Non-Performing Loans

(Non-Consolidated, JPY billion)

- Non-performing loan balance reduced by JPY26.2 billion versus March 31, 2013, and the non-performing loan ratio has dropped from 5.32% to 4.80% over same period

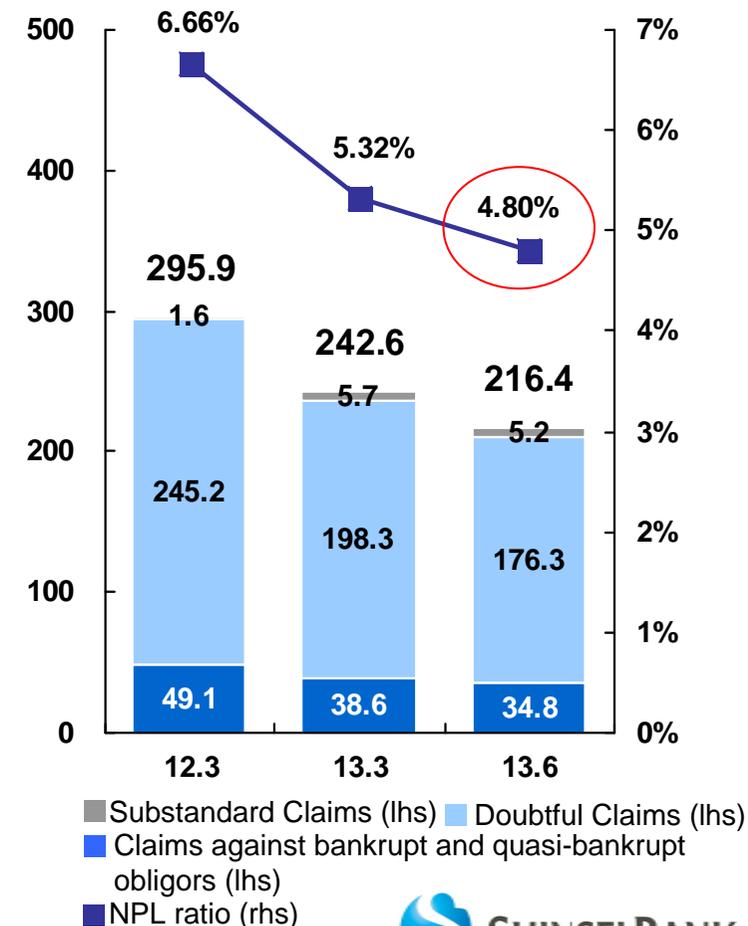
## Breakdown of Total Claims and Coverage by Credit Category<sup>1</sup>

(as of June 30, 2013)

	Balance	Reserves for Loan Losses	Collateral/ Guarantees	Coverage Ratio	Partial Write-Off
Normal	4,092.2	18.7	/	/	0.1
Need Caution	202.7	11.1	/	/	0.1
Performing Loans	4,294.8	29.9	/	/	0.2
Substandard/ Possibly bankrupt	181.6	61.7	111.8	95.6%	0.1
Virtually Bankrupt/ Legally Bankrupt	34.8	0.0	34.6	100.0%	62.8
Non-Performing Loans	216.4	61.7	146.6	96.3%	62.9
<b>Total Claims</b>	<b>4,511.2</b>	<b>91.6</b>	/	/	<b>63.1</b>

<sup>1</sup> Coverage of total claims based on Financial Revitalization Law

## NPL Amounts and NPL Ratio Based on Financial Revitalization Law

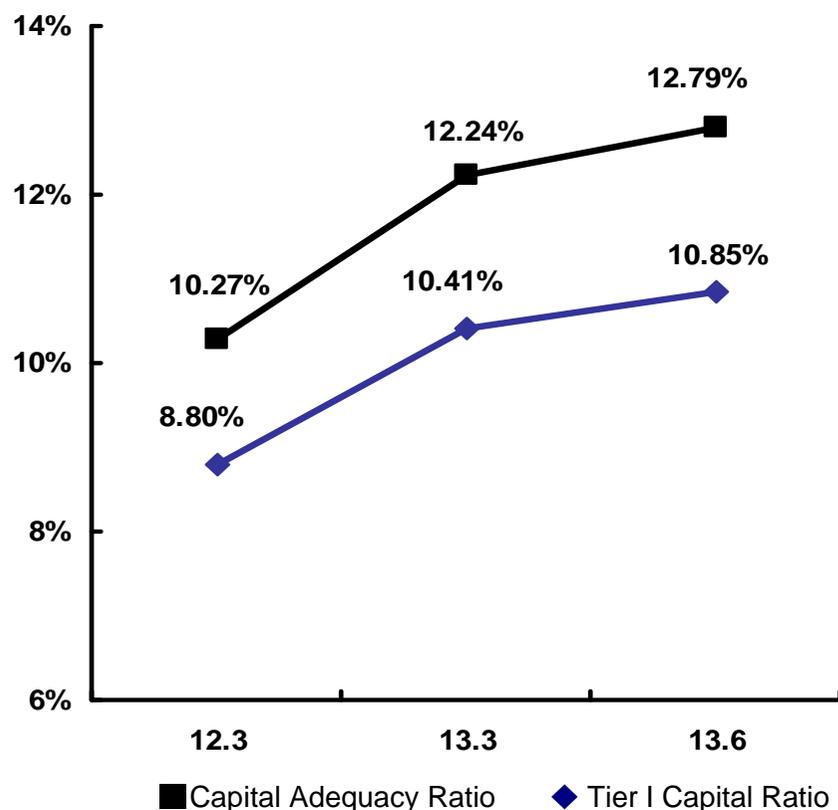


# Capital: Capital Adequacy

(Consolidated, JPY billion)

- Basel II capital ratios continue to improve
- Basel III capital ratio continues to be above the level targeted in the Second MTMP Plan

### Trend of Capital Ratios (Basel II)



### Capital Composition and Ratio

	2013.3 (Basel II <sup>1</sup> )	2013.6 (Basel II <sup>1</sup> )	2013.6 (Basel III <sup>2</sup> Estimate)	2016.3 Second MTMP Target (Basel III <sup>2</sup> )
Basic Item (Tier I)	608.8	631.5		
Amount Eligible for Inclusion in Capital (Tier II)	178.7	179.5		
Deduction	-71.7	-67.2		
Total Capital	715.8	743.8		
Risk Weighted Assets	5,847.7	5,815.2		
Capital Adequacy Ratio	12.24%	12.79%		
Common Equity Tier I Capital Ratio			8.1%	About 7.5%
Tier I Capital Ratio	10.41%	10.85%	8.1%	

<sup>1</sup> Reflected stressed VaR of so-called "Basel 2.5"

<sup>2</sup> Estimates have been made by Shinsei Bank on information available at this time. Estimate for June 30, 2013 is based upon Basel III international standard (fully loaded basis)

# Appendix

## Balance Sheet

<b>【Consolidated】</b>	<b>March 31, 2011</b>	<b>March 31, 2012</b>	<b>March 31, 2013</b>	<b>June 30, 2013</b>
Loans	4,291.4	4,136.8	4,292.4	4,232.9
Securities	3,286.3	1,873.4	1,842.3	1,871.5
Lease Receivables and Leased Investment Assets	206.2	197.4	203.5	204.0
Installment Receivables	330.4	347.9	365.8	364.7
Reserve for Credit Losses	-199.2	-180.6	-161.8	-147.1
<b>Total Assets</b>	<b>10,231.5</b>	<b>8,609.6</b>	<b>9,029.3</b>	<b>8,811.3</b>
Deposits and NCDs	5,610.6	5,362.4	5,457.5	5,680.7
Borrowed Money	1,672.7	476.7	719.2	587.9
Corporate Bonds	179.6	168.7	174.2	187.9
Reserves for Losses on Interest Repayments	43.1	50.9	34.9	31.6
<b>Total Liabilities</b>	<b>9,620.3</b>	<b>7,982.0</b>	<b>8,345.6</b>	<b>8,119.6</b>
Shareholders' Equity	574.1	577.9	626.3	636.5
<b>Total Equity</b>	<b>611.1</b>	<b>627.6</b>	<b>683.6</b>	<b>691.6</b>

## Financial Ratios

<b>【Consolidated】</b>	<b>FY2010</b>	<b>FY2011</b>	<b>FY2012</b>	<b>Q1 FY2013</b>
Expense-to-Revenue Ratio	48.9%	63.1%	64.6%	64.7%
Loan-to-Deposit Ratio	76.5%	77.1%	78.6%	74.5%
ROA	0.4%	0.1%	0.6%	0.6%
ROE	8.5%	1.2%	8.6%	8.2%
ROA (Cash Basis)	0.5%	0.2%	0.7%	0.7%
ROE (Cash Basis)	12.4%	3.2%	11.1%	10.4%

## Per Share Data (JPY)

<b>【Consolidated】</b>	<b>FY2010</b>	<b>FY2011</b>	<b>FY2012</b>	<b>Q1 FY2013</b>
Common Equity per Share	205.83	212.67	233.65	236.25
Net Income per Share	21.36	2.42	19.24	4.81
Cash Basis Net Income per Share	26.96	6.05	22.77	5.66

# Segment Revenue

(Consolidated, JPY billion)

Revenues: Institutional Group	12.4-6	12.7-9	12.10-12	13.1-3	13.4-6	13.7-9	13.10-12	14.1-3
Institutional Business Sub-Group <sup>1</sup>	3.2	3.2	3.2	4.2	3.2			
Structured Finance Sub Group <sup>1</sup>	5.7	4.7	4.9	5.9	6.7			
Principal Transactions Sub Group	2.5	5.0	1.0	2.6	5.4			
Showa Lease	3.0	3.2	3.4	4.2	3.3			
Others	0.5	-0.2	-0.5	-3.8	0.0			
<b>Institutional Group Total</b>	<b>15.2</b>	<b>16.2</b>	<b>12.1</b>	<b>13.2</b>	<b>18.8</b>			

Revenues: Global Markets Group	12.4-6	12.7-9	12.10-12	13.1-3	13.4-6	13.7-9	13.10-12	14.1-3
Financial Institutions Sub-Group	1.7	0.6	0.8	1.2	0.9			
Markets Sub-Group	2.2	1.7	0.9	2.1	1.3			
Others	0.5	0.5	0.7	0.6	0.7			
<b>Global Markets Group Total</b>	<b>4.5</b>	<b>3.0</b>	<b>2.5</b>	<b>4.1</b>	<b>3.1</b>			

Revenues: Individual Group	12.4-6	12.7-9	12.10-12	13.1-3	13.4-6	13.7-9	13.10-12	14.1-3
Retail Banking	8.4	8.2	7.8	8.5	8.7			
Shinsei Financial and Shinsei Bank Card Loan Lake	9.7	9.3	9.4	9.0	9.2			
SHINKI	1.6	1.5	1.5	1.4	1.5			
APLUS Financial	11.6	11.8	12.1	12.0	11.6			
Others	0.4	0.3	0.4	0.3	0.4			
<b>Individual Group Total</b>	<b>31.9</b>	<b>31.4</b>	<b>31.4</b>	<b>31.6</b>	<b>31.6</b>			

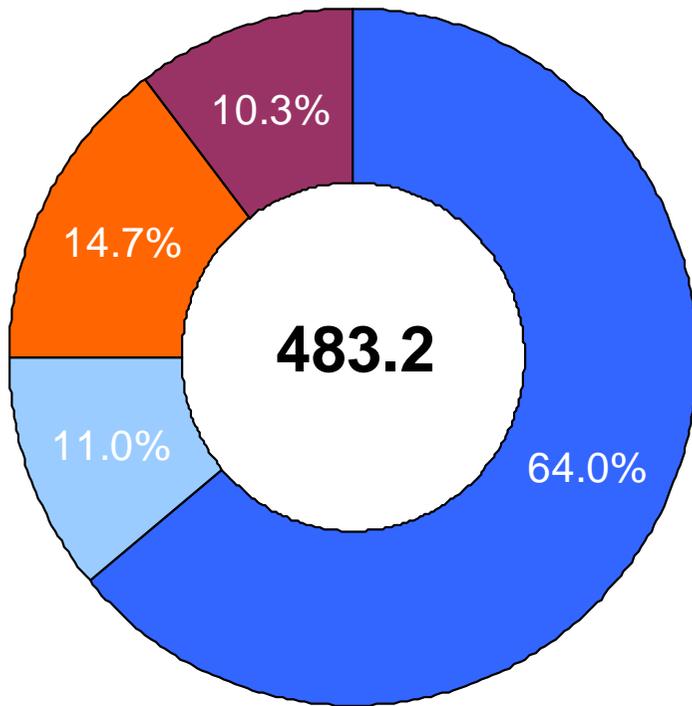
<sup>1</sup> The balance of shipping finance has been moved from the Institutional Business to Specialty Finance as a result of an organizational change on April 1, 2013

# Real Estate Non-Recourse Finance: By Region/Asset Category

(JPY billion)

Breakdown by Region

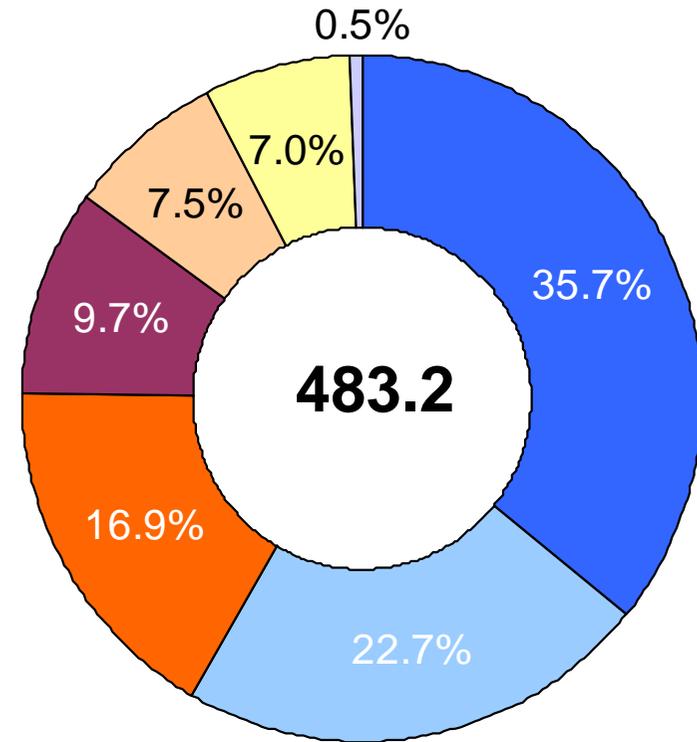
(as of June 30, 2013)



- Kanto (Mainly Tokyo)
- Portfolio (Diversified)
- Kansai (Mainly Osaka)
- Other Regions

Breakdown by Asset Category

(as of June 30, 2013)



- Office
- Land
- Hotel
- Development
- Retail (Shops)
- Residential
- Other Portfolio (Diversified)

- **The above description of Shinsei's medium-term 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.**
- **Unless otherwise noted, the financial data contained in these materials are presented under Japanese GAAP. The Company disclaims any obligation to update or to announce any revision to forward-looking statements to reflect future events or developments. Unless otherwise specified, all the financials are shown on a consolidated basis.**
- **Information concerning financial institutions other than the Company and its subsidiaries are based on publicly available information.**
- **These materials do not constitute an invitation or solicitation of an offer to subscribe for or purchase any securities and neither this document nor anything contained herein shall form the basis for any contract or commitment whatsoever.**