



Business and Financial Highlights

First Half Ended September 30, 2013

Shinsei Bank, Limited



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H1 FY2013 Results: Key Points

Progress rate toward full FY2013 net income target (JPY48.0 billion) at 57%

- 1**
- Consolidated Net Income: JPY27.2 billion (EPS: JPY10.26)
 - Consolidated Cash Basis Net Income: JPY31.7 billion (Cash Basis EPS: JPY11.96)
 - Diluted Equity Per Share: JPY242.90
 - Capital ratio continues to be above the level targeted in the Second MTMP

Funding Costs Continue to Improve and NIM Recovered to 2% Level

- 2**
- Accumulation of loans pausing, however yield on interest-earning assets improved
 - Funding costs continue to decline even as balance of deposits increased

Disposal of NPLs progressed, and improvement in credit quality of loans contributed to decline in credit costs

- 3**
- NPL balance reduced by JPY40.6 billion from March 31, 2013 and NPL ratio has dropped to 4.76%
 - Large decline in net credit costs due to improvements in the quality of assets and reversal of reserves for loan losses associated with disposal of NPLs

FY2013 Key Business Developments

Individual Business Basic Strategy: To implement a new retail banking model to grow our core customer base to 5 million

Individual Business

■ Implement a new retail banking model

- Provide products and services with a level of high customer satisfaction
- Strengthen consulting capabilities
- Promote cross selling

■ Expand/develop the loan business

- Expand housing loan products
- Establish position in the unsecured card loan market as a trusted lender
- Expand unsecured card loan guarantee business

■ Channel Enhancement

- Began Shinsei Bank ATM services through ATMs at Lawson, E-net and East JR Company railway stations
- Commenced “APLUS Point Plus Mall” services for smart phones

■ Utilizing Group Function

- Started giving T-Points for new accounts and deposit transactions

■ Expansion of Mortgage Products

- Providing Shinsei Bank *PowerSmart* home mortgages for home improvements

Institutional Business Basic Strategy: To strengthen and utilize expertise to support the growth of companies, industries and regions by working together with customers

Institutional Business

■ Pursue differentiation in key industries/fields

- New business/corporate rehabilitation support
- Renewable energy
- Medical and healthcare

■ Further promote areas of expertise

- Rebuild the real estate portfolio
- Expand corporate revitalization business
- Utilize the regional financial institutions network
- Strengthen competency of capital market solutions, including sourcing function

■ Business Start-up Support

- Initiated pilot project aimed at discovering and nurturing “innovators”
- Established Femto Growth Capital Fund to support growth of early-stage internet-related companies

■ Renewable Energy

- Arrangement of project financing for mega solar projects (Hokkaido and Ibaraki prefectures)

■ Medical and Health Care

- Provided non-recourse loan to leading Singapore-based medical services development company to purchase healthcare facilities (in Japan)

■ Reconstruction of Real Estate Portfolio

- Progression in disposal of NPLs; NPL balance reduced by JPY40.6 billion vs. March 31, 2013

H1 FY2013 Results: Financial Summary

(JPY billion)

- H1 FY2013 saw robust earnings with consolidated net income of JPY27.2 billion (JPY31.7 billion on a cash basis¹) recorded representing 57% progress
- Non-consolidated net income of JPY15.5 billion recorded representing 60% progress of the revitalization plan

【Consolidated】	H1 FY2012	H2 FY2012	H1 FY2013	FY2013 Full- Year Forecast	Progress
Revenue	104.1	94.9	100.2	215.0	47%
Net Interest Income	56.1	55.4	55.0	115.0	48%
Non-Interest Income	47.9	39.4	45.2	100.0	45%
Expenses	63.7	64.8	65.8	135.0	49%
Ordinary Business Profit	40.3	30.0	34.4	80.0	43%
Net Credit Costs	6.2	-0.7	0.3	20.0	1.5%
Net Income	25.7	25.3	27.2	48.0	57%
Cash Basis Net Income ¹	30.6	29.7	31.7	56.0	57%
【Non-Consolidated】					
Net Business Profit	18.7	7.2	13.5	36.2	37%
Net Income	15.6	8.9	15.5	26.0	60%

H1 FY2013 Results: Financial Summary

■ **Net Interest Income:** Due to disposal of NPLs and a reduction in the consumer finance loan balance, net interest income at JPY55.0 billion, down vs. JPY56.1 billion in H1 FY2012, but similar level to H2 FY2012

■ **Non-Interest Income:** H1 FY2013 non-interest income was JPY45.2 billion, a decline vs. JPY47.9 billion in H1 FY2012, but an increase vs. JPY39.4 billion in H2 FY2012

■ **Net Credit Costs:** Due to factors such as reversal of reserves for loan losses upon sale of NPLs and improvements in loan quality in the consumer finance business, net credit costs in H1 FY2013 were JPY0.3 billion, a decline vs. 6.2 billion in H1 FY2012

H2 Outlook for Achieving FY2013 Forecast

■ Continuing to accumulate assets in order to expand the customer base

■ Further reduction in funding costs expected due to the maturation of time deposits

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

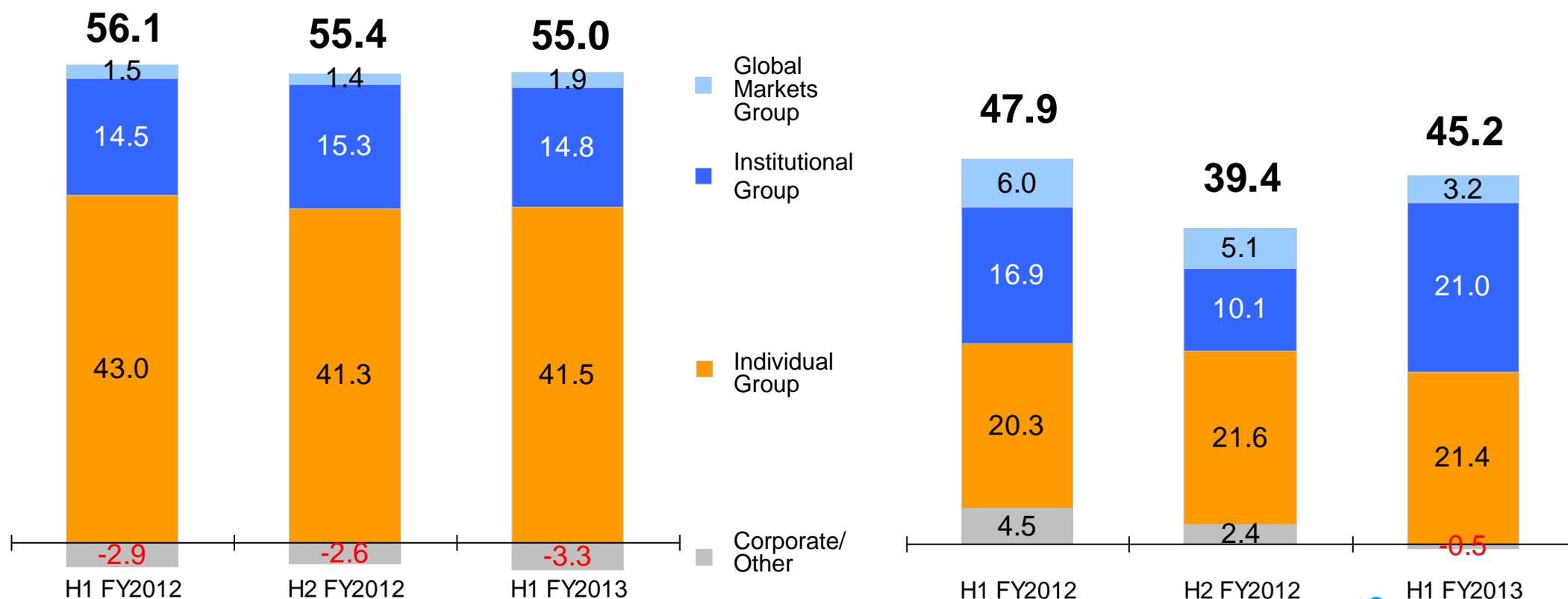
Financial Results: Revenue

(Consolidated, JPY billion)

- Due to disposal of NPLs and a reduction in the consumer finance loan balance, net interest income at JPY55.0 billion, down vs. JPY56.1 billion in H1 FY2012, but similar level to H2 FY2012
- H1 FY2013 non-interest income was JPY45.2 billion, a decline vs. JPY47.9 billion in H1 FY2012, but an increase vs. JPY39.4 billion in H2 FY2012

Net Interest Income

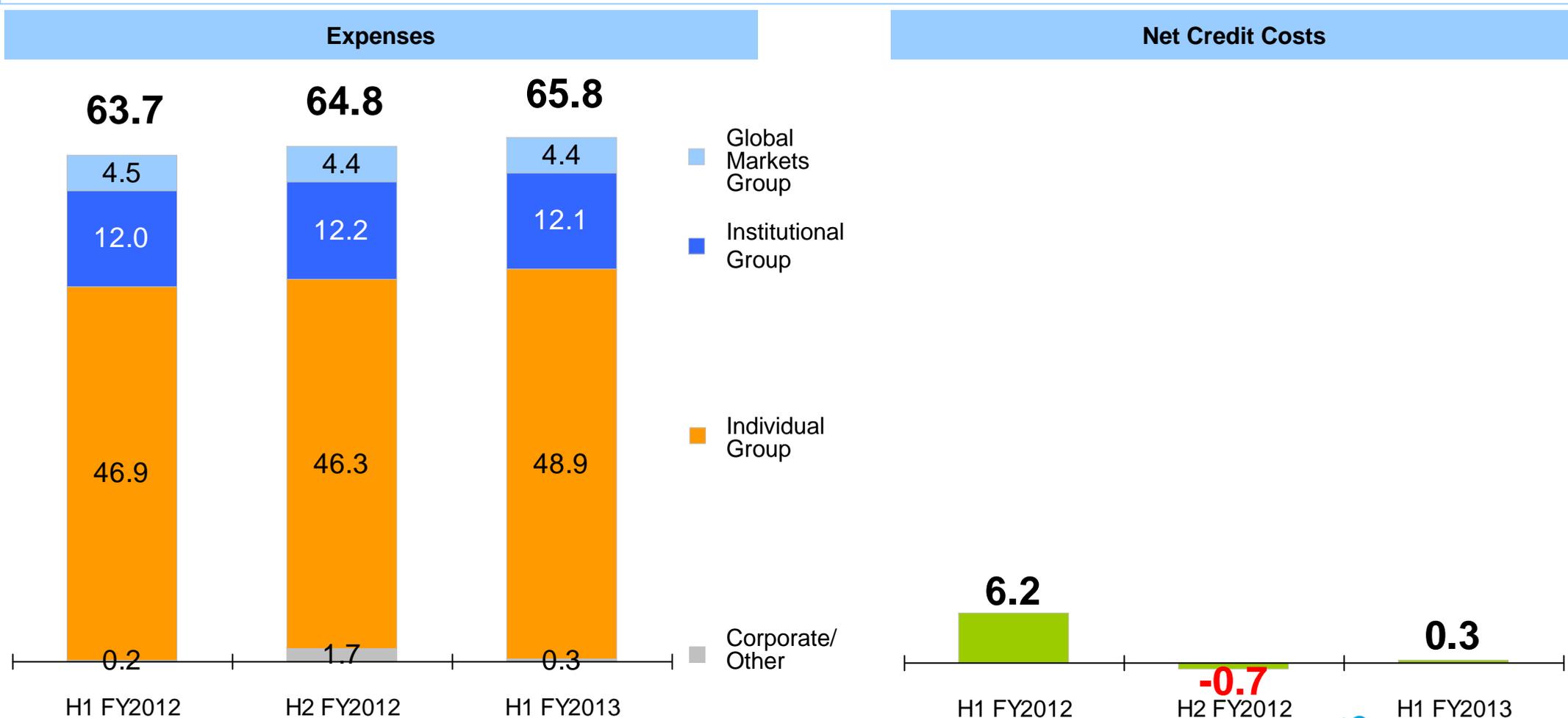
Non-Interest Income



Financial Results: Expenses and Net Credit Costs

(Consolidated, JPY billion)

- Expenses of JPY65.8 billion were recorded, up from JPY63.7 billion in H1 FY2012 due to promotion of investments that concentrated management resources into strategic focus areas while promoting strict expense management and rationalization of operations
- Net credit costs down from JPY6.2 billion in H1 FY2012 to JPY0.3 billion in H1 FY2013 due mainly to reversal of reserves for loan losses upon sale of NPLs and improvements in loan quality in consumer finance business

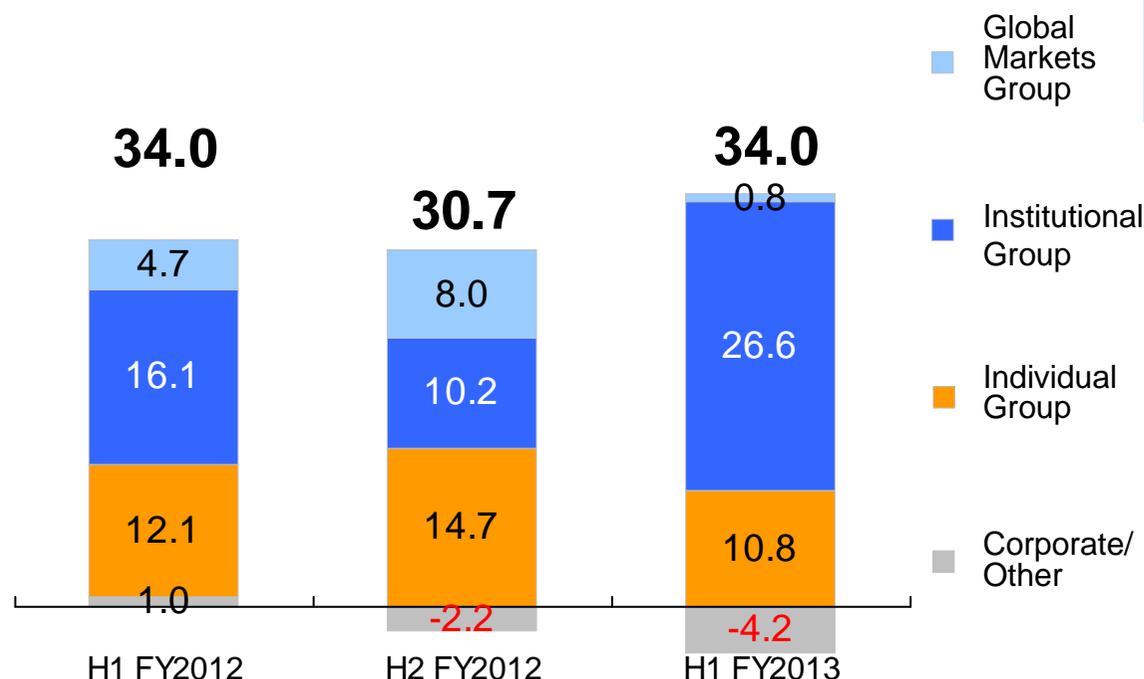


Financial Results: Ordinary Business Profit after Net Credit Costs

(Consolidated, JPY billion)

- Decline in revenue and higher expenses offset by lower credit costs due to improvements in the quality of loans, resulting in JPY34.0 billion in H1 FY2013, the same level as in H1 FY2012

Ordinary business profit after net credit costs



Institutional Business

- Institutional Group:** There were some reversals of reserves for loan losses, resulting in JPY26.6 billion in H1 FY2013 vs. JPY16.1 billion in H1 FY2012
- Global Markets Group:** JPY0.8 billion was recorded in H1 FY2013 vs. JPY4.7 billion in H1 FY2012 due to sluggish growth in customer transaction volume and market transaction related fees, as well as the absence of large recoveries of written-off claims seen in H1 FY2012

Individual Business

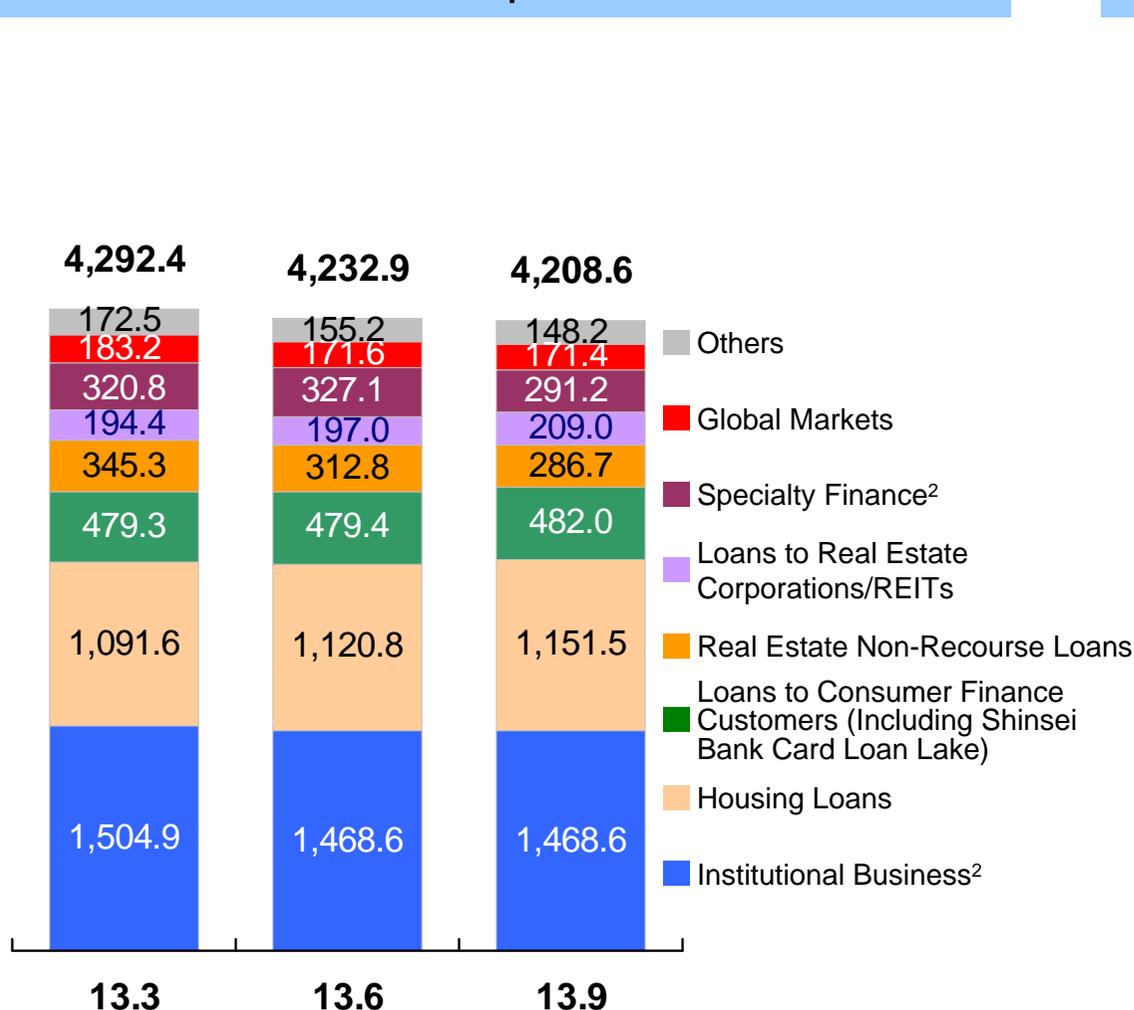
- Retail Banking:** While revenue increased due to increase in non-interest income, expenses also increased due to strengthening of business base, with JPY0.5 billion recorded in H1 FY2013, a decline vs. JPY1.3 billion in H1 FY2012
- Consumer Finance:** While Shinsei Financial and Shinsei Bank Card Loan-Lake were up, SHINKI and APLUS FINANCIAL fell due in part to lower net interest income, resulting in JPY10.3 billion in H1 FY2013 vs. JPY10.7 billion in H1 FY2012

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

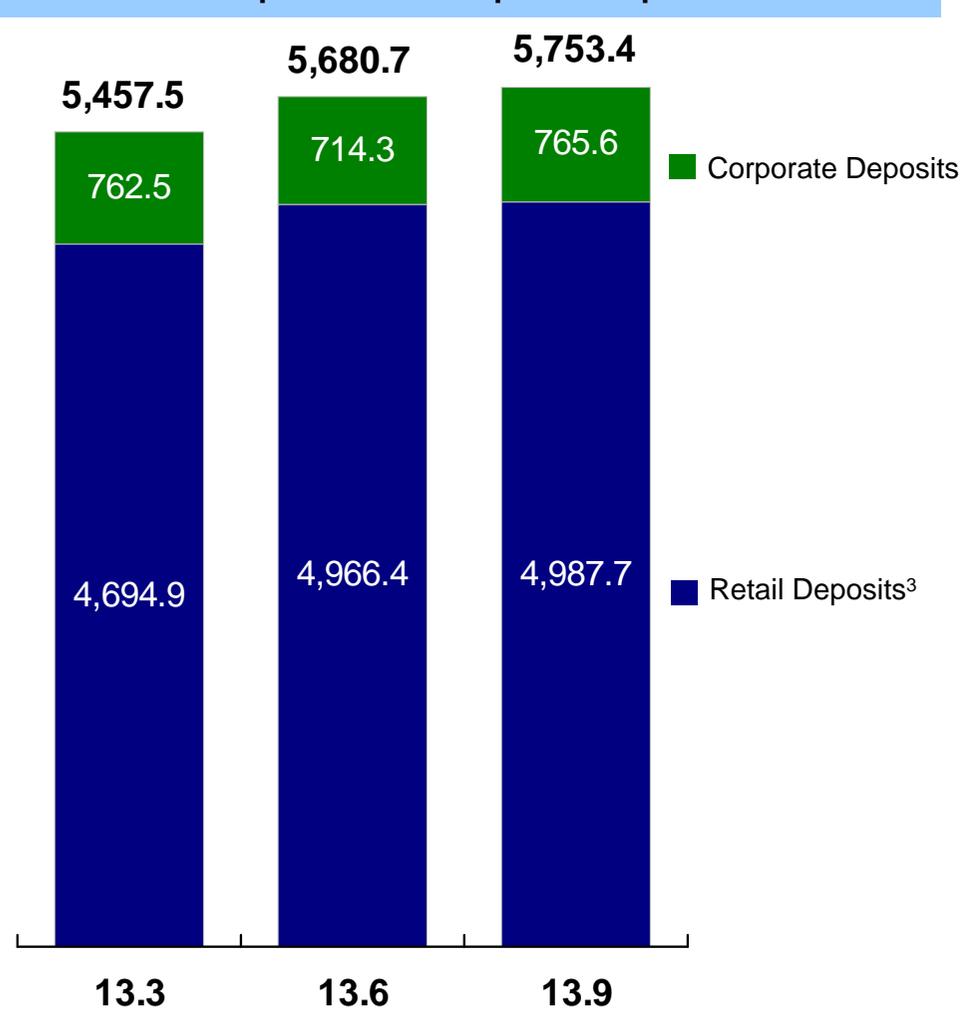
(Consolidated, JPY billion)

- While retail loan performance remained strong, the overall balance declined due to disposal of NPLs in the institutional business
- Retail and corporate deposits grew, with total balance of JPY5,753.4 billion at Sep 30, 2013

Loan Composition¹



Retail Deposits³ and Corporate Deposits



¹ Previous periods have been adjusted to conform to current period presentation

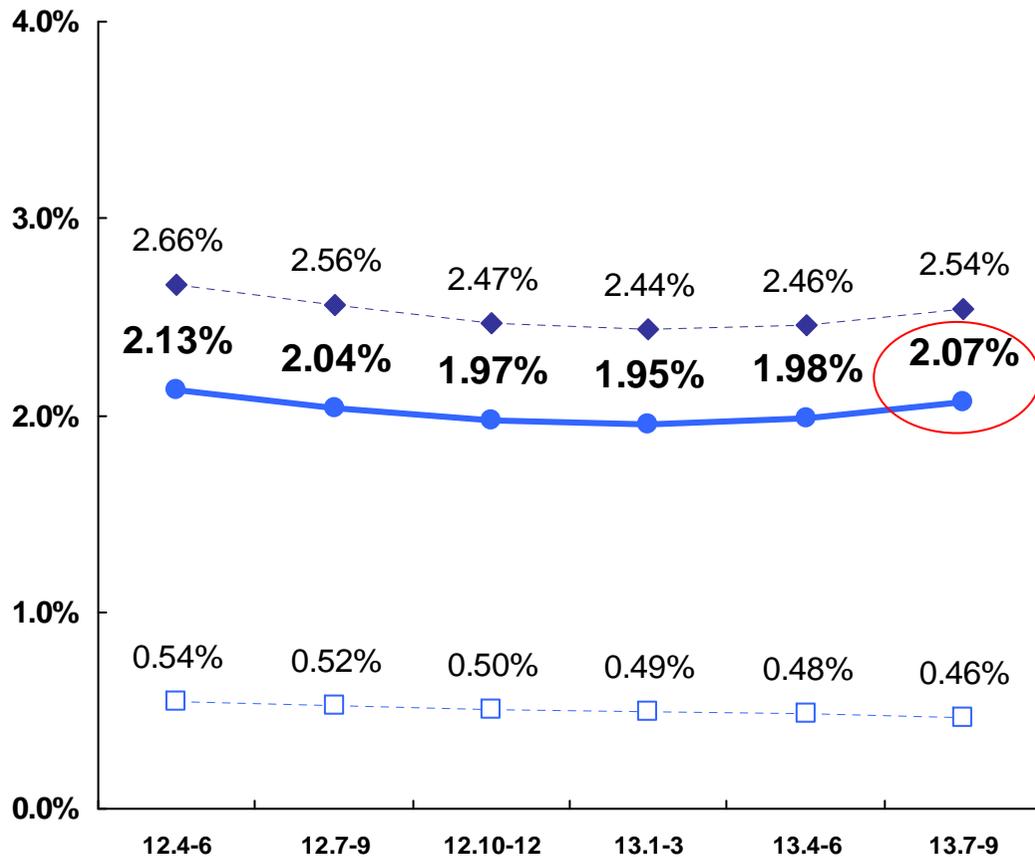
² The balance of shipping finance has been moved from the Institutional Business to Specialty Finance as a result of an organizational change on April 1, 2013

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

Net Interest Margin

- Funding cost rates continue to improve, and net interest margin has recovered to the 2% level
- Funding costs are expected to fall further in H2 FY2013 due to the maturation of time deposits

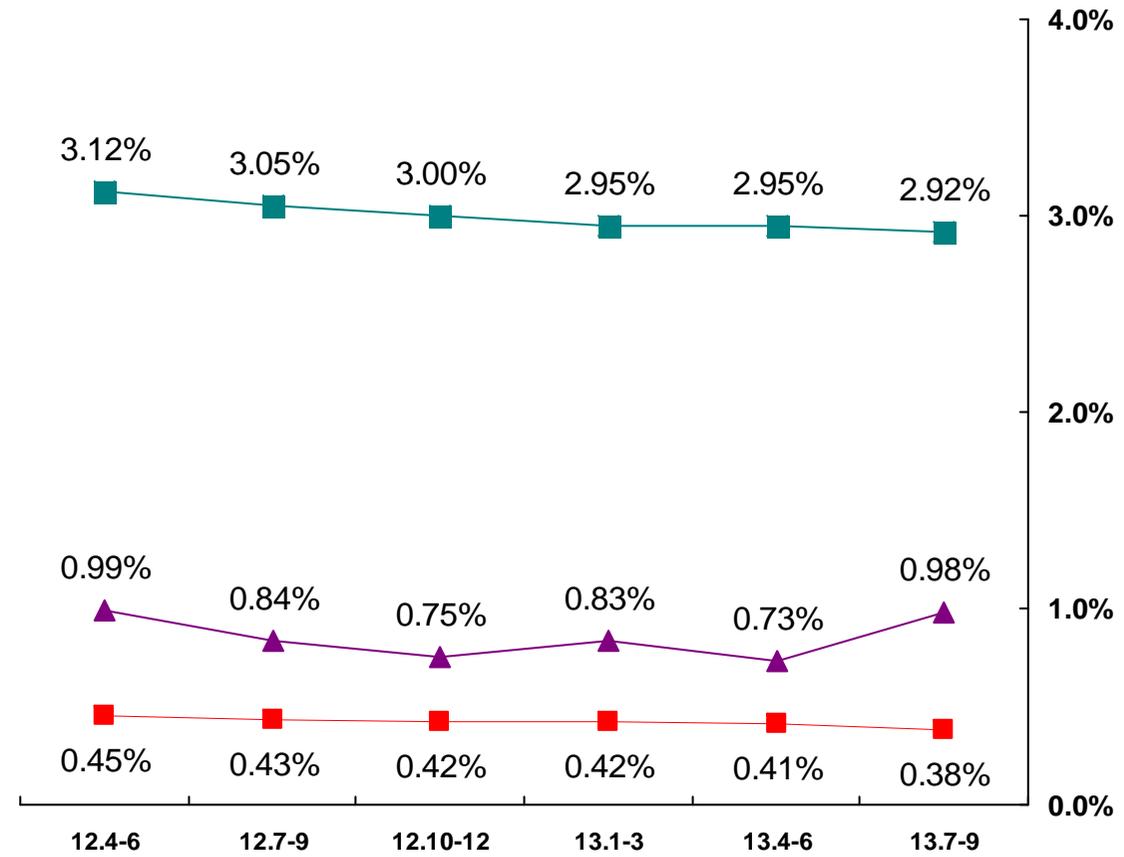
Net Interest Margin¹



- ◆ Yield on Interest Earning Assets¹
- Net Interest margin¹
- Rate on Interest Bearing Liabilities

¹ Includes income on leased assets and installment receivables

Yield on Loans and Securities; Rate on Deposits



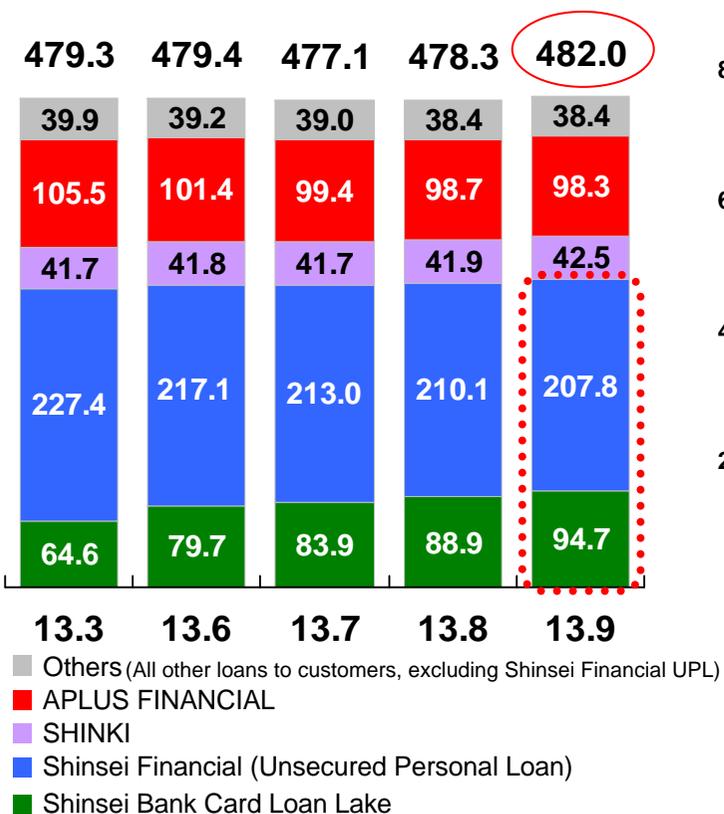
- Yield on Loans and Bills Discounted
- ▲ Yield on Securities
- Rate on Deposits, Including Negotiable Certificates of Deposit (NCD)

Business: Consumer Finance

(JPY billion)

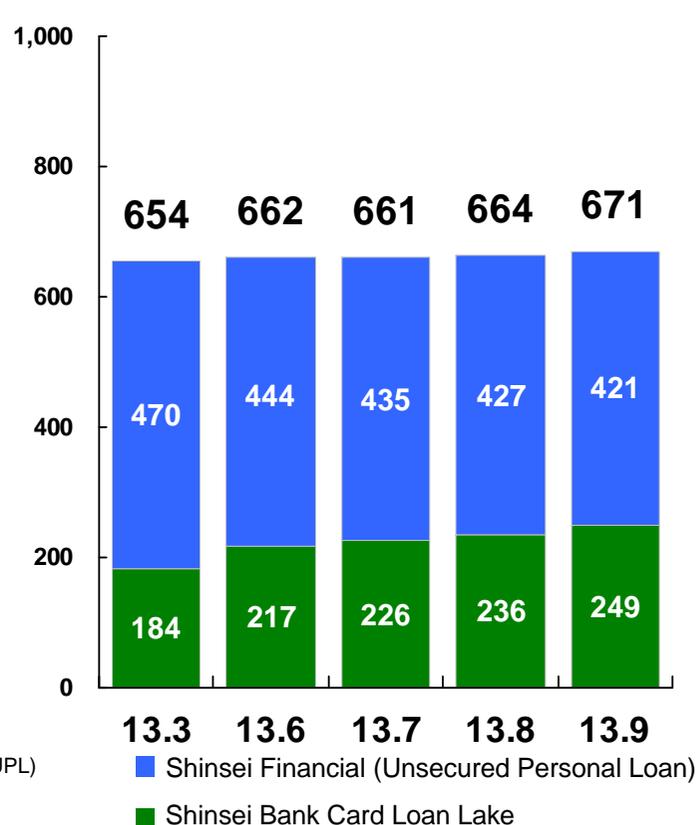
- Overall consumer finance loan balance grew compared to March 31, 2013, to JPY482.0 billion
- Combined balance of Shinsei Bank Card Loan Lake and Shinsei Financial UPLs grew month-on-month for nine months from Jan 2013, and balance at Sep 30, 2013 was JPY302.6 billion

Consumer Finance Loan Balance



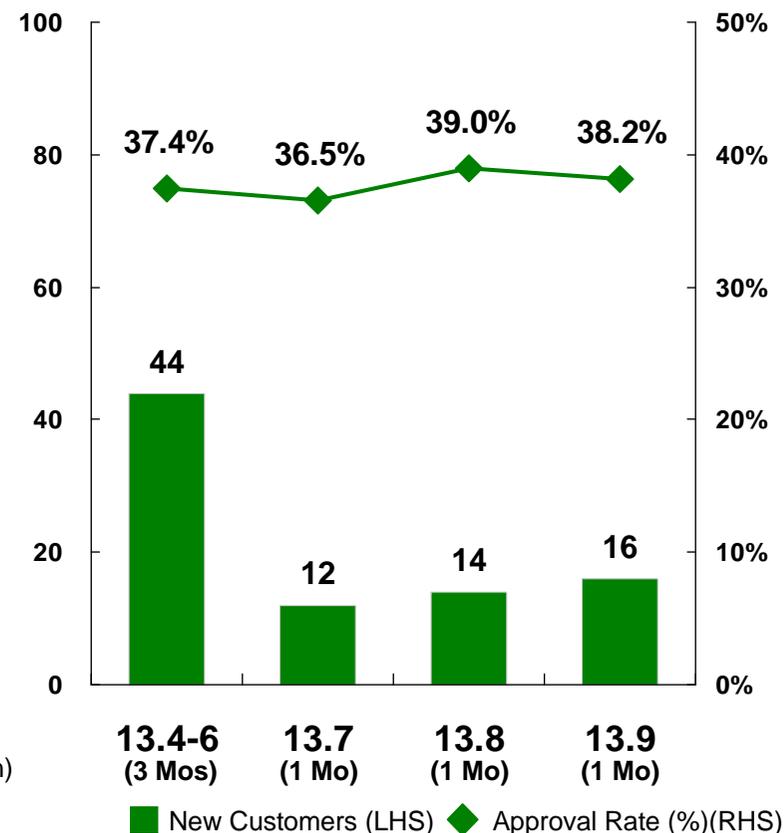
Total Customers: Shinsei Financial and Shinsei Bank Card Loan Lake

(Unit: Thousands)



Quarterly Trends in Shinsei Bank Card Loan Lake New Customers/Approval Rate

(Unit: Thousands)



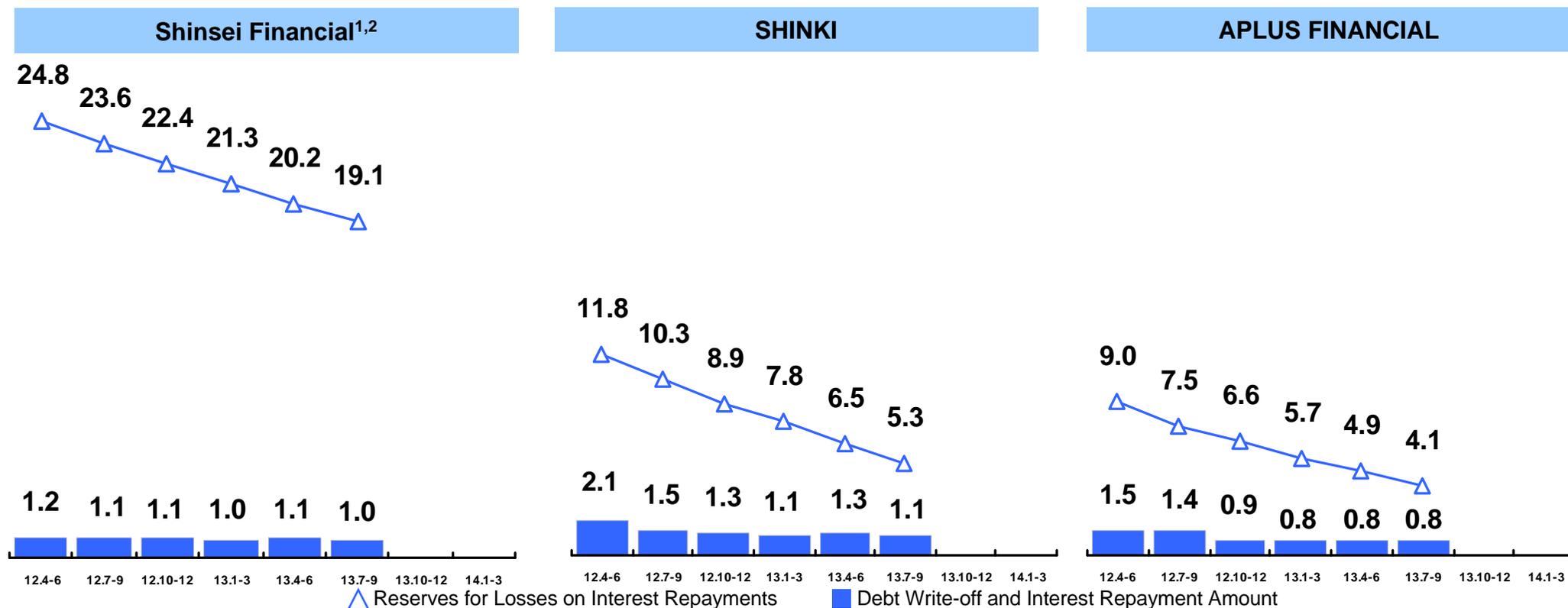
Business: Grey Zone Interest Repayment

(JPY billion)

- Number of disclosure claims and reserves for losses on interest repayment continue to fall year-on-year 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	12.5		
SHINKI	2.8	2.5	2.5	2.6	2.6	2.3		
APLUS FINANCIAL	2.7	2.4	2.4	2.4	2.5	2.1		



¹ 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

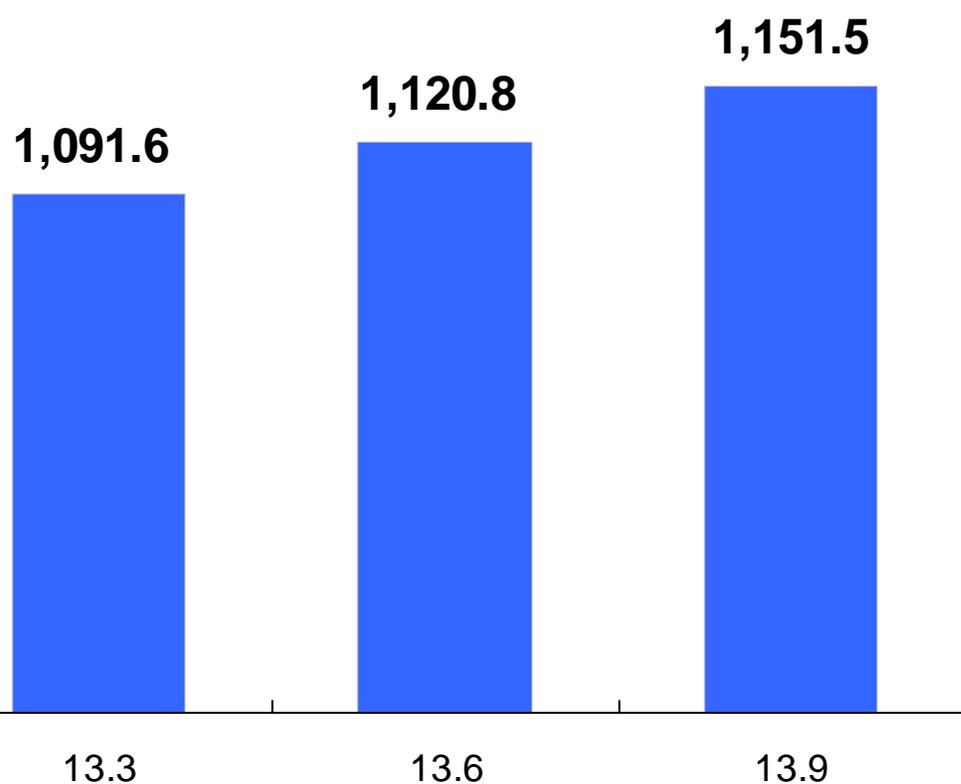
² Reversals of reserves for losses on interest repayment include reversals of provision of reserves for loan losses

Business: Housing Loans

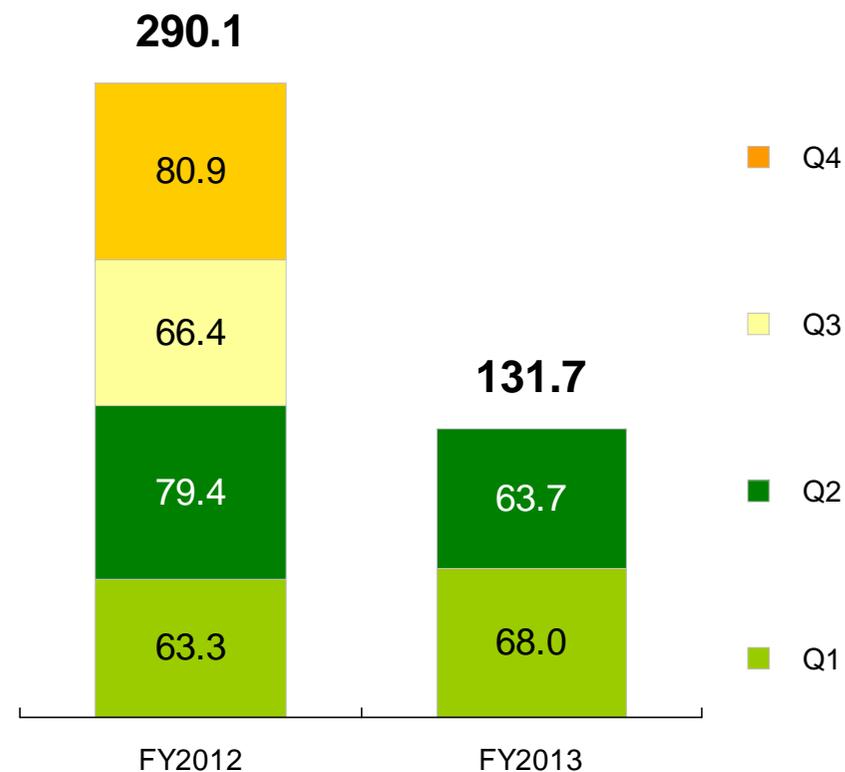
(Consolidated, JPY billion)

- Steady growth while not competing on interest rates in strongly competitive housing loan market
- In addition to expected surge in demand in H2 FY2013 before consumption tax rate hike, Shinsei Bank also looks to capture demand by expanding offering of mortgage products and services

Housing Loan Balance



Trend in New Disbursements

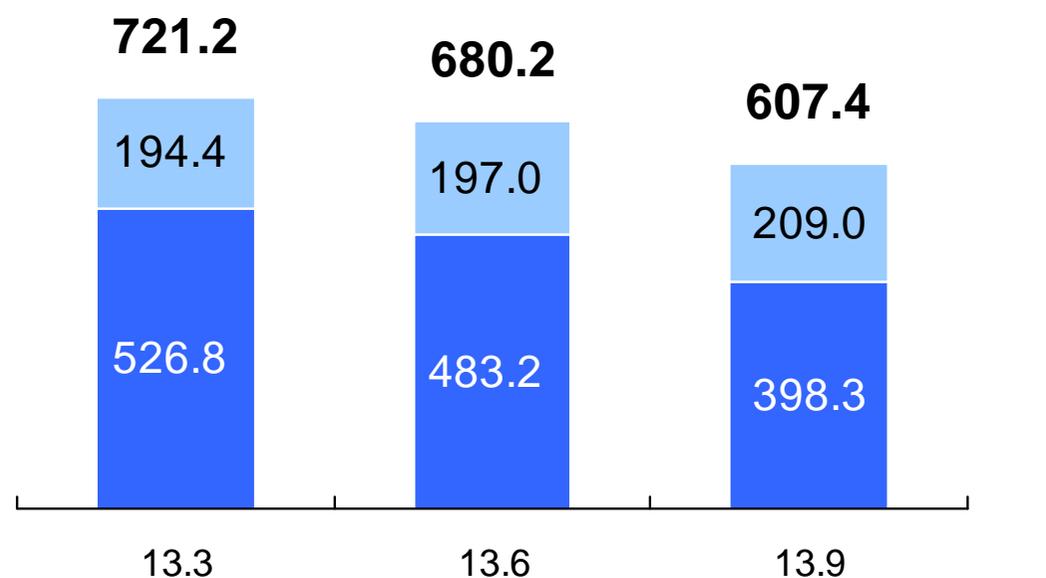


Business: Real Estate Finance

(Consolidated, JPY billion)

- Non-recourse real estate finance balance decreased significantly due to accelerated disposal of NPLs
- Balance of loans to real estate companies and REITs has risen due to strong new credit initiatives

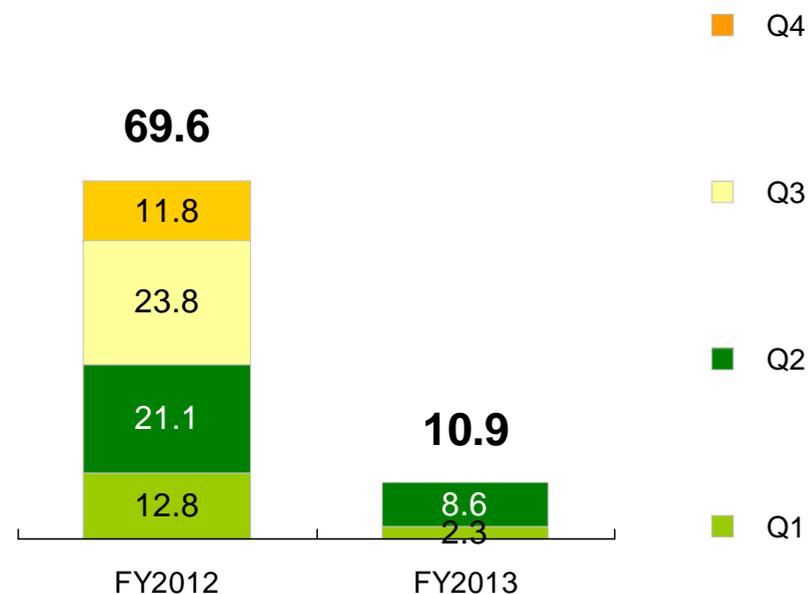
Real Estate Finance Balance



■ Loans to Real Estate Companies and REITs ■ Non-Recourse Real Estate Finance¹

¹Non-recourse real estate finance includes privately issued bonds and purchased monetary claims

Trend in New Disbursements for Non-Recourse Real Estate Finance



Asset Quality: Non-Performing Loans

(Non-Consolidated, JPY billion)

- NPLs have been reduced by JPY40.6 billion from March 31, 2013, and NPL ratio has improved markedly from 5.32% at March 31, 2013 to 4.76% at September 30, 2013

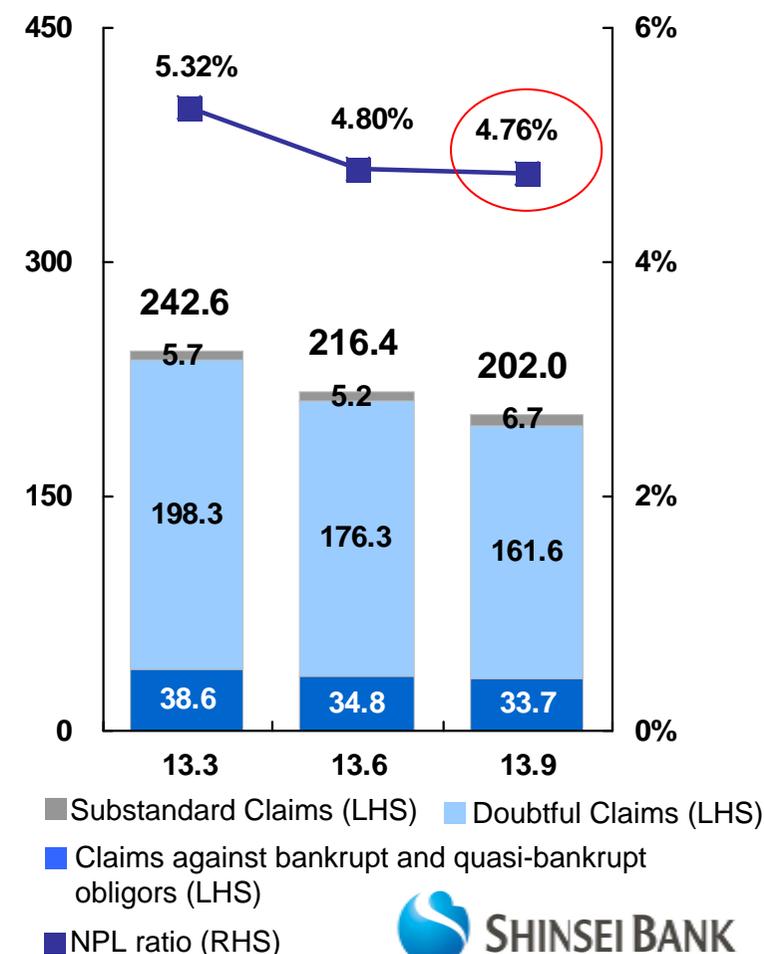
Breakdown of Total Claims and Coverage by Credit Category¹

(as of September 30, 2013)

	Balance	Reserves for Loan Losses	Collateral/ Guarantees	Coverage Ratio	Partial Write-Off
Normal	3,887.0	18.8	/	/	0.1
Need Caution	157.0	9.1	/	/	0.1
Performing Loans	4,044.0	28.0	/	/	0.2
Substandard/ Possibly bankrupt	168.3	59.1	100.1	94.7%	0.1
Virtually Bankrupt/ Legally Bankrupt	33.7	0.0	33.7	100.0%	62.8
Non-Performing Loans	202.0	59.1	133.8	95.5%	62.9
Total Claims	4,246.0	87.1	/	/	63.1

¹ Coverage of total claims based on Financial Revitalization Law

NPL Amounts and NPL Ratio Based on Financial Revitalization Law

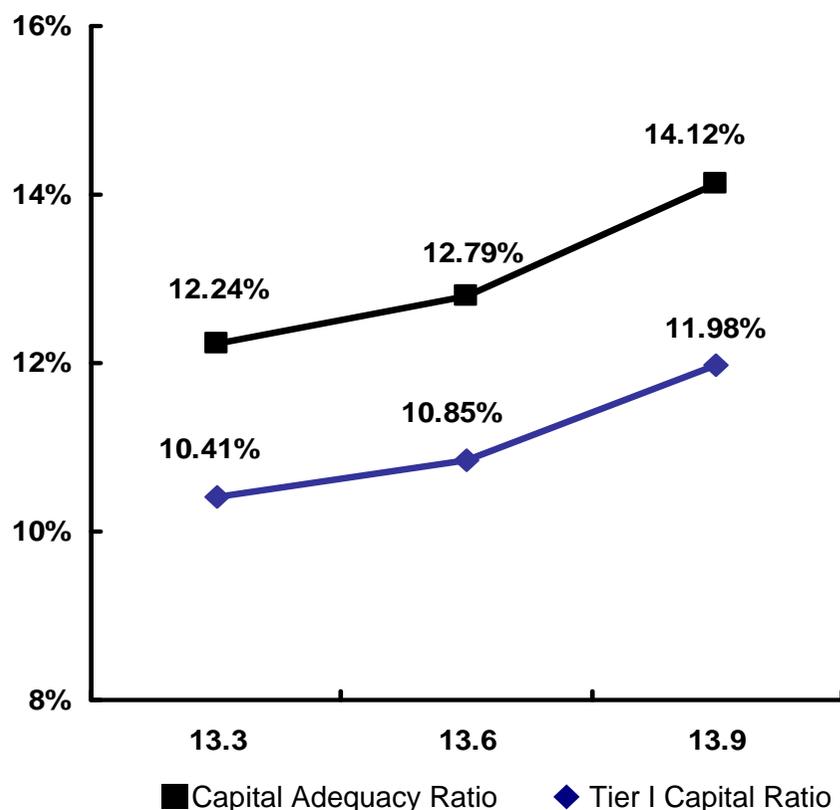


Capital: Capital Adequacy

(Consolidated, JPY billion)

- Basel II capital ratios continue to improve
- Basel III (fully loaded basis) capital ratio continues to be above the level targeted in the Second MTMP

Trend of Capital Ratios (Basel II)



Capital Composition and Ratio

	2013.3 (Basel II ¹)	2013.9 (Basel II ¹)	2013.9 (Basel III ² Estimate)	2016.3 Second MTMP Target (Basel III ²)
Basic Item (Tier I)	608.8	652.5		
Amount Eligible for Inclusion in Capital (Tier II)	178.7	178.4		
Deduction	-71.7	-62.3		
Total Capital	715.8	768.6		
Risk Weighted Assets	5,847.7	5,443.5		
Capital Adequacy Ratio	12.24%	14.12%		
Common Equity Tier I Capital Ratio			9.0%	Approx 7.5%
Tier I Capital Ratio	10.41%	11.98%	9.0%	

¹ Reflected stressed VaR of so-called "Basel 2.5"

² Estimates have been made by Shinsei Bank on information available at this time.

Appendix

Balance Sheet

	March 31, 2011	March 31, 2012	March 31, 2013	September 30, 2013
Loans	4,291.4	4,136.8	4,292.4	4,208.6
Securities	3,286.3	1,873.4	1,842.3	1,794.7
Lease Receivables and Leased Investment Assets	206.2	197.4	203.5	211.6
Installment Receivables	330.4	347.9	365.8	380.1
Reserve for Credit Losses	-199.2	-180.6	-161.8	-143.9
Total Assets	10,231.5	8,609.6	9,029.3	8,905.5
Deposits and NCDs	5,610.6	5,362.4	5,457.5	5,753.4
Borrowed Money	1,672.7	476.7	719.2	619.3
Corporate Bonds	179.6	168.7	174.2	189.1
Reserves for Losses on Interest Repayments	43.1	50.9	34.9	28.6
Total Liabilities	9,620.3	7,982.0	8,345.6	8,198.5
Shareholders' Equity	574.1	577.9	626.3	650.9
Total Equity	611.1	627.6	683.6	706.9

Financial Ratios

	FY2010	FY2011	FY2012	H1 FY2013
Expense-to-Revenue Ratio	48.9%	63.1%	64.6%	65.6%
Loan-to-Deposit Ratio	76.5%	77.1%	78.7%	73.1%
ROA	0.4%	0.1%	0.6%	0.6%
ROE	8.5%	1.2%	8.6%	8.6%
ROA (Cash Basis)	0.5%	0.2%	0.7%	0.7%
ROE (Cash Basis)	12.4%	3.2%	11.1%	10.7%

Per Share Data (JPY)

	FY2010	FY2011	FY2012	H1 FY2013
Common Equity per Share	205.83	212.67	233.65	242.90
Net Income per Share	21.36	2.42	19.24	10.26
Cash Basis Net Income per Share	26.96	6.05	22.77	11.96

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 ¹	3.2	3.2	3.2	4.2	3.2	3.5		
Structured Finance Sub Group ¹	5.7	4.7	4.9	5.9	6.7	6.0		
Principal Transactions Sub Group	2.5	5.0	1.0	2.6	5.4	4.1		
Showa Leasing	3.0	3.2	3.4	4.2	3.3	3.4		
Others	0.5	-0.2	-0.5	-3.8	0.0	-0.1		
Institutional Group Total	15.2	16.2	12.1	13.2	18.8	17.1		

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	0.7		
Markets Sub-Group	2.2	1.7	0.9	2.1	1.3	0.6		
Others	0.5	0.5	0.7	0.6	0.7	0.6		
Global Markets Group Total	4.5	3.0	2.5	4.1	3.1	2.1		

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	8.0		
Shinsei Financial and Shinsei Bank Card Loan Lake	9.7	9.3	9.4	9.0	9.2	9.6		
SHINKI	1.6	1.5	1.5	1.4	1.5	1.5		
APLUS FINANCIAL	11.6	11.8	12.1	12.0	11.6	11.7		
Others	0.4	0.3	0.4	0.3	0.4	0.4		
Individual Group Total	31.9	31.4	31.4	31.6	31.6	31.3		

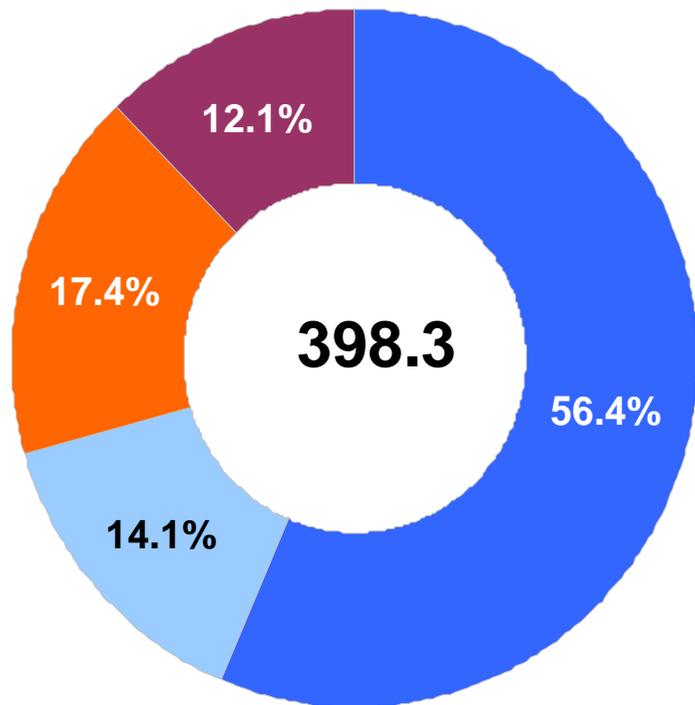
¹ The balance of shipping finance has been moved as of Q1 FY2012 from the Institutional Business to Specialty Finance as a result of an organizational change on April 1, 2013

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

(Consolidated, JPY billion)

Breakdown by Region

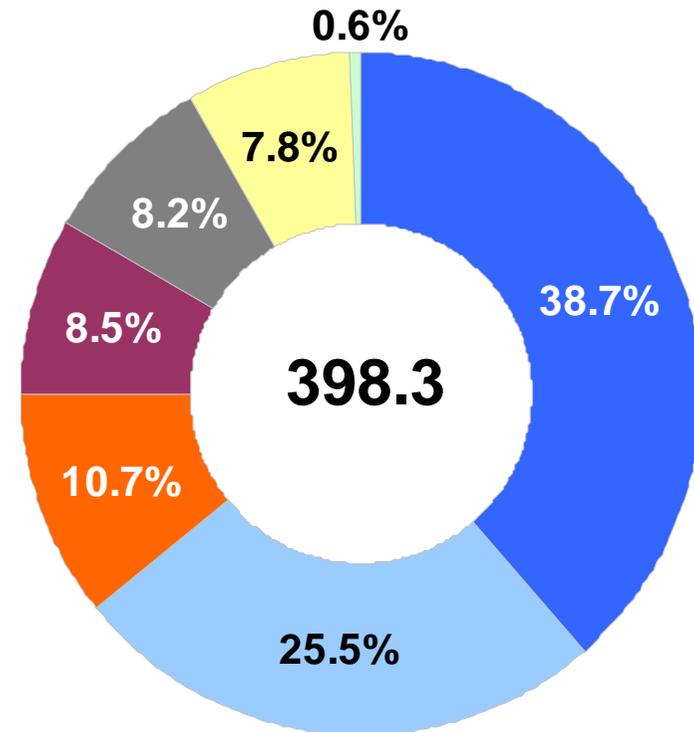
(as of September 30, 2013)



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

Breakdown by Asset Category

(as of September 30, 2013)



- Office
- Commercial Facilities/Shops
- Residential
- Hotel
- Other Portfolio (Diversified)
- Land

- **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.**
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