

For Immediate Release

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Shinsei Bank Reports Third Quarter Results for Fiscal Year Ending March 31, 2014 and Revises Full Year Earnings Forecasts

-Consolidated Net Income Down due to the Provisioning of Additional Reserves for Losses on Interest Repayment-

Tokyo (Wednesday, January 29, 2014) --- Shinsei Bank, Limited ("Shinsei Bank;" "the Bank"), a leading diversified financial institution serving both institutional and individual customers in Japan, today announced a consolidated reported basis net income of 27.7 billion yen for the nine months ended December 31, 2013. This was due to the provisioning of an additional 13.6 billion yen of reserves for losses on interest repayment for consumer finance subsidiaries. Consolidated cash basis¹ net income for the third quarter of fiscal year 2013 was 34.2 billion yen, a decline compared to the third quarter of fiscal year 2012. Non-consolidated net income was 21.8 billion yen, an increase compared to the same period of fiscal year 2012.

Additional provisions for losses on interest repayment were recorded at SHINKI and Shinsei Financial after recalculating necessary grey zone reserves to cover future grey zone liabilities based upon recent grey zone interest repayment trends.

Based upon the above, the consolidated fiscal year 2013 full year earnings forecasts that were made public on May 8, 2013 are revised as follows:

- Consolidated net income forecast revised downwards from 48.0 billion yen to 37.0 billion yen
- Consolidated cash basis¹ net income forecast revised downwards from 56.0 billion yen to 45.0 billion yen
- Full year consolidated ordinary profit forecast revised to 41.0 billion yen
- Non-consolidated net business profit forecast revised downwards from 36.2 billion yen to 26.0 billion yen due to total revenue being weaker than expected, while expenses increased as a result of investment of management resources in focus areas
- Non-consolidated net income forecast revised upwards from 26.0 billion yen to 34.0 billion yen due to the gains recorded on the sale of equities up until the end of the third quarter, as well as the expectation of a large year-on-year reduction in net credit costs
- Year-end dividend per share forecast of 1.00 yen per share maintained

Shinsei Bank, by continuing to invest management resources in strategic focus areas, is making efforts to accumulate assets and expand its net income, and will work as a part of the unified Shinsei Bank Group toward the achievement of the targets of the Second Medium-Term Management Plan.

Summary of 3Q FY2013 Financial Results (Consolidated)

(USD in Millions²/JPY in Billions)

	2013.4-12 (9 Months) (USD)	2013.4-12 (9 Months) (JPY)	2012.4-12 (9 Months) (JPY)	Change
Total Revenue	1,443.7	152.1	150.3	1.2%
General and Administrative Expenses	943.5	99.4	95.6	4.0%
Net Credit Costs	5.6	0.6	4.8	-86.7%
Provision of Reserve for Losses on Interest Repayment	129.0	13.6	—	
Reported Basis Net Income	262.9	27.7	37.8	-26.7%
Cash Basis ¹ Net Income	324.6	34.2	44.9	-23.9%

Revision of Consolidated Forecasts for FY2013

(JPY in Billions)

	Ordinary Profit	Reported Basis Net Income	Reported Basis Diluted Net Income Per Share	Cash Basis Net Income ¹
Previous forecast as of May 8, 2013 (A)	—	48.0	18.08 yen	56.0
Revised forecast (B)	41.0	37.0	13.94 yen	45.0
Difference (B-A)	—	-11.0	-4.14 yen	-11.0
Difference (%)	—	-22.9%	-22.9%	-19.6%
(Reference) Results for the fiscal year ended March 31, 2013	54.4	51.0	19.24 yen	60.4

Revision of Non-Consolidated Forecasts for FY2013 (JPY in Billions)

	Net Business Profit	Net Income
Previous forecast as of May 8, 2013 (A)	36.2	26.0
Revised forecast (B)	26.0	34.0
Difference (B-A)	-10.2	8.0
Difference (%)	-28.2%	30.8%
(Reference) Results for the fiscal year ended March 31, 2013	25.9	24.6

3Q FY2013 Performance Highlight

(USD in Millions²/JPY in Billions, excluding share amounts)

	2013.4-12 (9 Months) (USD)	2013.4-12 (9 Months) (JPY)	2012.4-12 (9 Months) (JPY)	Change
Total Revenue	1,443.7	152.1	150.3	1.2%
General and Administrative Expenses	943.5	99.4	95.6	4.0%
Expense-to-Revenue Ratio	65.4%	65.4%	63.6%	-
Ordinary Business Profit	499.2	52.6	54.6	-3.6%
Net Credit Costs	5.6	0.6	4.8	-86.7%
Other Gains (Losses)	-142.3	-15.0	-0.8	-1,654.9%
Reported Basis Net Income	262.9	27.7	37.8	-26.7%
Cash Basis ¹ Net Income	324.6	34.2	44.9	-23.9%
Reported Basis Diluted Net Income Per Share (USD/JPY)	0.09	10.43	14.24	-26.7%
Cash Basis ¹ Diluted Net Income Per Share (USD/JPY)	0.12	12.89	16.94	-23.9%
ROE (annualized)	5.8%	5.8%	8.6%	-
Cash Basis ¹ ROE ³ (annualized)	7.6%	7.6%	11.2%	-
ROA (annualized)	0.4%	0.4%	0.6%	-
Cash Basis ¹ ROA (annualized)	0.5%	0.5%	0.7%	-
Total Revenue (non-consolidated)	654.0	68.9	71.1	-3.2%
General and Administrative Expenses (non-consolidated)	492.6	51.9	50.1	3.5%
Net Business Profit (non-consolidated)	160.4	16.9	21.0	-19.2%
Net Credit Costs (Recoveries) (non-consolidated)	-30.3	-3.2	0.1	-2,461.5%
Reported Basis Net Income (non-consolidated)	206.9	21.8	17.9	21.9%
	2013.12 (USD)	2013.12 (JPY)	2013.3 (JPY)	Change
Total Assets	86,893.2	9,154.2	9,029.3	1.4%
Risk Assets	50,980.5	5,370.8	5,847.7	-8.2%
Diluted Equity per Share (USD/JPY)	2.31	243.96	233.65	4.4%
Total Capital Adequacy Ratio (Basel II, F-IRB)	14.56%	14.56%	12.24%	232 bps
Tier I Capital Ratio	12.28%	12.28%	10.41%	187 bps
Non-Performing Loan Ratio (non-consolidated) ⁴	4.49%	4.49%	5.32%	-83 bps
Non-Performing Loan Coverage Ratio (non-consolidated) ⁵	95.7%	95.7%	95.9%	-

¹ Cash-basis figures are calculated by excluding amortization of goodwill and other intangible assets, net of tax benefit

² U.S. dollar amounts have been calculated at JPY105.35 to \$1.00, which was the approximate exchange rate at December 31, 2013

³ The denominator has been calculated as: ((Total capital – goodwill – intangible assets acquired in business combinations (net of associated deferred tax liability) at the beginning of the period) + (the same values at the end of the period))/2

⁴ Non-performing loan ratio under the Financial Revitalization Law on a non-consolidated basis

⁵ Non-performing loan coverage ratio under the Financial Revitalization Law on a non-consolidated basis = Reserve for loan losses and collateral and guarantees divided by amount of claims

Financial Results

- **Revenues** for the third quarter of fiscal year 2013 were 152.1 billion yen, an increase compared to 150.3 billion yen recorded in the third quarter of fiscal year 2012.
- **Expenses** have risen to 99.4 billion yen in the third quarter of fiscal year 2013 compared to 95.6 billion yen recorded in the third quarter of fiscal year 2012 due to continued investment of management resources in focus areas.
- **Net Credit Costs** totaled 0.6 billion yen for the third quarter of fiscal year 2013, a further decline compared to 4.8 billion yen recorded in the third quarter of fiscal year 2012. This decline was a result of factors such as the reversal of reserves for loan losses on the disposal of non-performing loans and improvement in the credit quality of loans.
- **Other Losses** of 15.0 billion yen were recorded in the third quarter of fiscal year 2013 as a result of the provisioning of 13.6 billion yen of additional reserves for losses on interest repayment for consumer finance subsidiaries, a large increase compared to 0.8 billion yen recorded in the third quarter of fiscal year 2012.
- **Consolidated Net Income** of 27.7 billion yen was recorded for the third quarter of fiscal year 2013, a decline compared to 37.8 billion yen recorded in the third quarter of fiscal year 2012. This decline was a result of the additional provisioning of reserves for interest repayment losses.
- **Non-Consolidated Net Income** for the third quarter of fiscal year 2013 increased to 21.8 billion yen from 17.9 billion yen in the same period fiscal year 2012.
- **Total Assets** increased 124.8 billion yen to 9,154.2 billion yen from 9,029.3 billion yen as of March 31, 2013.

Capital and Asset Quality

- **Total Consolidated Capital Adequacy Ratio** at 14.56% and Tier 1 capital ratio at 12.28%, an increase of 232 basis points and 187 basis points, respectively, compared to March 31, 2013, as a result of the steady accumulation of retained earnings and the disposal of non-performing loans.
- **Non Performing Loan Ratio** has declined 83 basis points to 4.49% as of December 31, 2013, compared to 5.32% as of March 31, 2013 as a result of the remaining balance of non-performing loans declining to 191.3 billion yen on December 31, 2013, from 242.6 billion yen at March 31, 2013. Additionally, the coverage ratio remains high at 95.7%.

Conference Call for Investors on Earnings for the Third Quarter Ended December 31, 2013

A conference call for investors will be held in English, on Wednesday, January 29, 2014, at 10:00 PM (Tokyo)/8:00 AM (EST)/1:00 PM (London)/2:00 PM (Continent). The presentation to be used for the conference will be posted on Shinsei Bank's website after 5:00 PM (Tokyo) on the same day. To download the "Third Quarter Financial Results 2013/12" please go to:

http://www.shinseibank.com/investors/ir/financial_info/quarterly_results/index.html

Shinsei Bank is a leading diversified Japanese financial institution providing a full range of financial products and services to both institutional and individual customers. The Bank has total assets of 9.1 trillion yen (US\$86.8 billion) on a consolidated basis (as of December 2013) and a network of outlets throughout Japan. Shinsei Bank demands uncompromising levels of integrity and transparency in all its activities to earn the trust of customers, staff and shareholders. The Bank is committed to delivering long-term profit growth and increasing value for all its stakeholders.

News and other information about Shinsei Bank is available at <http://www.shinseibank.com/english/index.html>