



Business and Financial Highlights

First Quarter Ended June 30, 2014

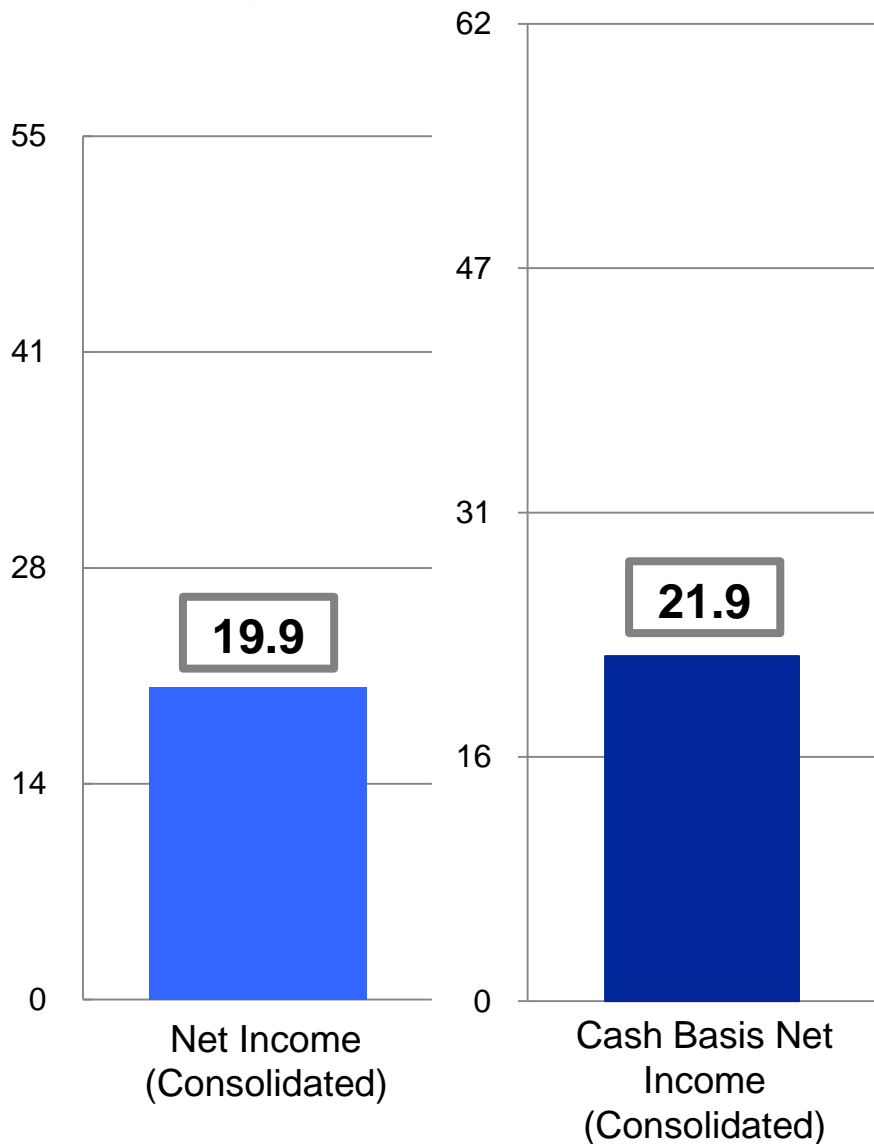
Shinsei Bank, Limited
July, 2014

Second Medium Term Management Plan (Second Year)

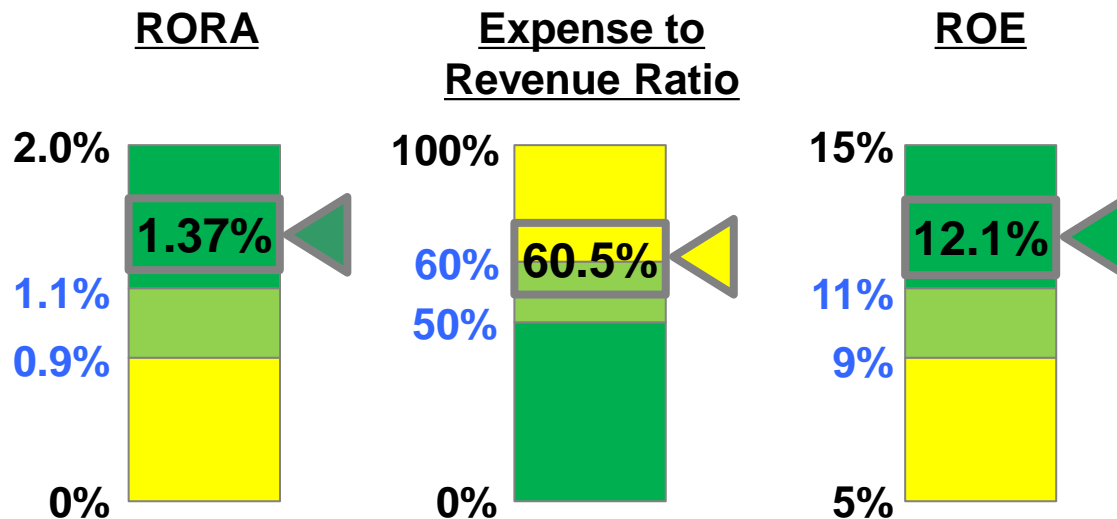
Financial Targets Dashboard

Growth

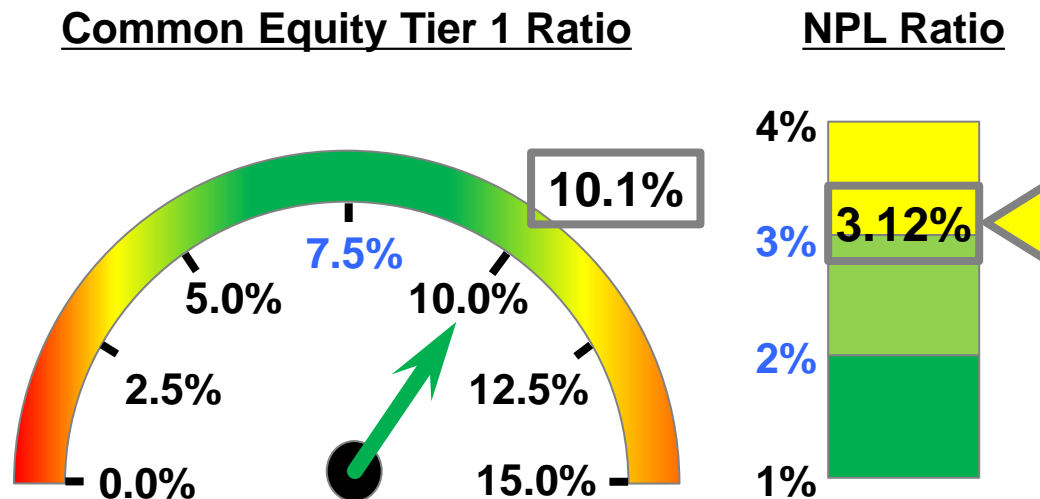
(Unit: Billions of Yen)



Profitability



Financial Stability



Progression of Second MTMP: Individual Business

Implement a New Retail Banking Model

Provide products and services with a high level of customer satisfaction

- Introduced the NISA Plus*, a program which charges customers no upfront fees for investments beyond the NISA tax exempt allotment and was designed to meet the needs of NISA customers as well as meet their needs that are potentially unfulfilled in the NISA program (*NISA Plus is an investment trust service. Investment trusts carry a risk of loss of principal. Fees are charged during the holding period and at redemption. For details, please see the NISA Plus disclaimer on page 18).
- Enhanced smartphone accessibility (Provision of: account opening application; a transaction support application; smartphone optimized site content; etc.)
- ATM partnership expanded to cover most major convenience store ATMs (zero fees 24 hours a day, 365 days a year maintained)

Strengthen consulting capabilities

- Enhancing sophistication of approach to and capturing of customer needs (enhanced internal frameworks through measures such as establishing the Customer Analytics Division)
- Developed product provision and case support frameworks for the asset succession business

Promote cross selling

- Entered partnership with Culture Convenience Club (Awarded T Points for transactions such as opening accounts and utilizing financial services; initiated advertising in T Point partner businesses)

Expand/Develop the Loan Business

Expand housing loan products

- Introduced the “PowerSmart Housing Loan Anshin Pack W,” a housing loan that supports households such as those with children by making it easier for women to remain in the workforce, in addition to no early repayment fees and no guarantee fees

Establish a position in the unsecured card loan market as a trusted lender

- Shinsei Bank Lake loan balance grew by more than JPY50 billion in a year; Outstanding balance now exceeds JPY130 billion
- Efforts underway to identify and disseminate marketing best practices throughout the Shinsei Bank Group; Group Marketing Division established
- “APLUS Online Auction Loans” (limited to Yahoo! Japan Auctions) launched

Expand unsecured card loan guarantee business

- Continue to promote guarantee business (Currently partnered with 10 companies)

Progression of Second MTMP: Institutional Business

Pursue Differentiation in Key Industries/Fields

Medical and healthcare

- A proven track record and wide ranging network in the area of healthcare finance
- Cofounded asset management company aimed at establishing and listing a healthcare REIT

Renewable energy

- Facilitating the entry of growing enterprises into the sector through the provision of financing schemes which focused on business cash flows
- In addition to multiple megasolar projects, composed financing for projects such as wind and biomass power generation
- Enhancing partnerships with regional financial institutions through project composition. Will look to pursue business opportunities in areas such as medical and healthcare

Incorporation/corporate rehabilitation support

- Supporting the incorporation, growth, new business and overseas expansion support of customers through the Bank's business participation approach. In this the Bank looks to provide management solutions that leverage the functions of the entire Bank Group to support companies, not just offer financial support
- Steadily building the Bank's track record

Further Promote Areas of Expertise

Rebuild the real estate portfolio

- A proven track record and a pioneer in the area of real estate finance
- Asset quality markedly improved as a result of actively promoted NPL disposal in light of the recovery of the real estate market

Expand corporate revitalization business

- Capturing a wide range of business opportunities leveraging the neutrality and independence of the Bank through the Shinsei PI Group,
- Securing stable profits by supporting business revitalization that emphasize repayment based on cash flows

Utilize the regional financial institutions network and expand business partnerships

- Expanding cash flow finance and asset backed lending aimed at revitalizing regional economies
- Expanding loan trading and brokerage business base; promoted expansion of business succession related business partnerships

Strengthen competency of capital market solutions, including sourcing function

- Expanding business base leveraging markets related transactions that satisfy customer needs associated with interest and exchange rate fluctuations.
- Expanding offerings of products such as investment trusts, structured bonds and structured deposits to capture future market trends

Q1 FY2014 Financial Results Summary

Q1 FY2014 Results: Key Points

1

Firm start toward the achievement of both consolidated net income and consolidated cash basis net income targets for FY2014

- Consolidated Net Income: JPY19.9 billion (FY2014 Target: JPY55.0 billion)
- Consolidated Cash Basis Net Income: JPY21.9 billion (FY2014 Target: JPY62.0 billion)

2

While expenses increased due to proactive allocation of management resources in strategic focus areas, as a result of revenue increasing vs. Q1FY2013, ordinary business profit also increased vs. Q1FY2013

- Revenue: JPY57.8 billion (+JPY 7.3 billion from Q1FY2013); Expenses: JPY35.0 billion (+JPY2.3 billion from Q1FY2013)
- Ordinary Business Profit: JPY22.8 billion (+JPY5.0 billion from Q1FY2013)

3

Net credit costs remaining at low levels as NPL disposal progresses

- As of June 30, 2014, NPL ratio reduced to 3.12%
- In net credit costs, recovery of JPY0.7 billion recorded

Q1 FY2014 Summary of Financial Results

(Unit: Billions of yen)

【Consolidated】	Q1 FY2013 (A)	Q1 FY2014 (B)	Change (B-A)
Net Interest Income	26.9	30.9	+3.9
Noninterest Income	23.5	26.9	+3.4
Revenue	50.5	57.8	+7.3
Expenses	-32.6	-35.0	-2.3
Ordinary Business Profit	17.8	22.8	+5.0
Net Credit Costs (Recoveries)	0.0	0.7	+0.6
Grey Zone Reserve Provisions	-	-	-
Net Income	12.7	19.9	+7.2
Cash Basis Net Income ¹	15.0	21.9	+6.9
【Nonconsolidated】			
Ordinary Business Profit	10.1	14.3	+4.2
Net Income	8.4	16.7	+8.2

【Consolidated】	Mar. 31, 2014 (C)	Jun. 30, 2014 (D)	Change (D-C)
Loans	4,319.8	4,217.0	-102.8
Securities	1,557.0	1,653.2	+96.2
Lease Assets ²	227.7	223.9	-3.7
Installment Receivables	421.9	423.8	+1.8
Reserve for Credit Losses	-137.3	-116.5	+20.8
Total Assets	9,321.1	9,538.9	+217.8
Deposits and NCDs	5,850.4	5,754.9	-95.4
Borrowed Money	643.4	672.7	+29.3
Corporate Bonds	177.2	175.6	-1.6
Grey Zone Reserves	208.2	196.2	-11.9
Total Liabilities	8,598.5	8,800.4	+201.9
Shareholders' Equity	665.1	680.6	+15.5
Total Equity	722.5	738.4	+15.8

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

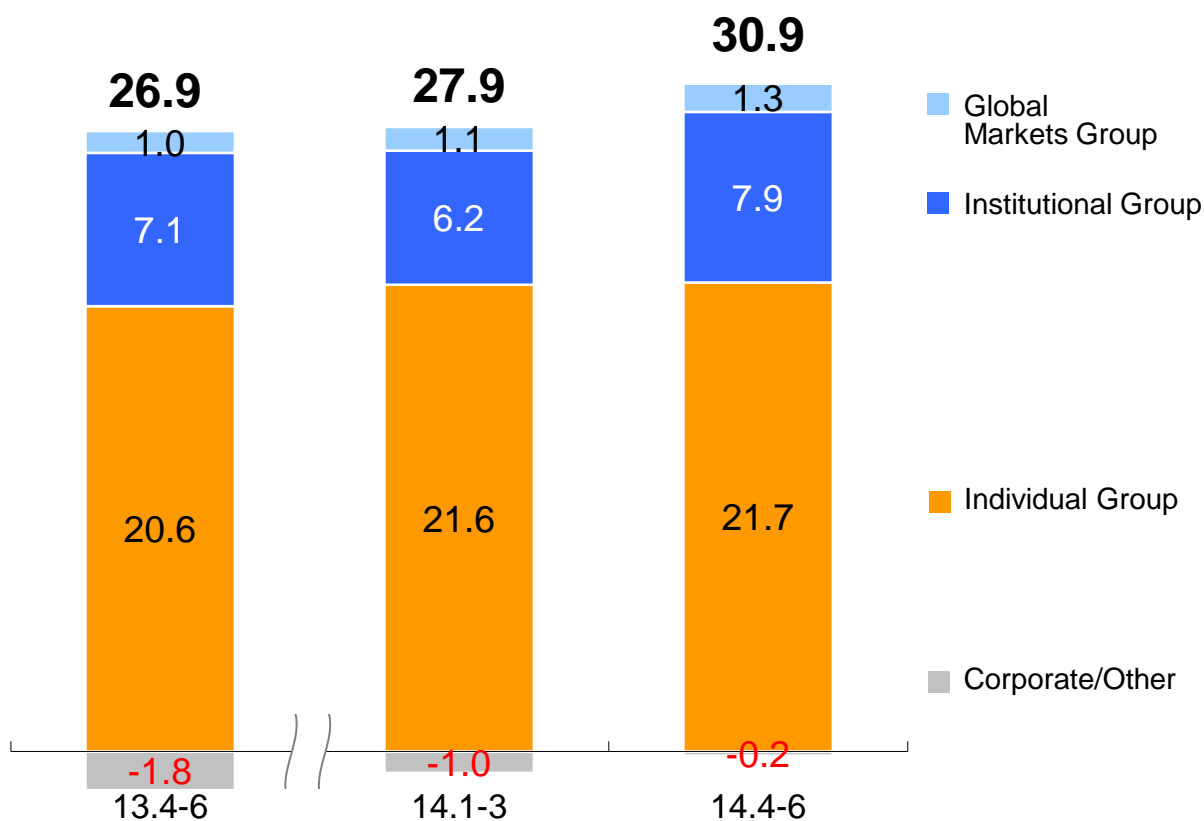
²Lease assets includes lease receivables and leased investment assets

Financial Results: Revenue

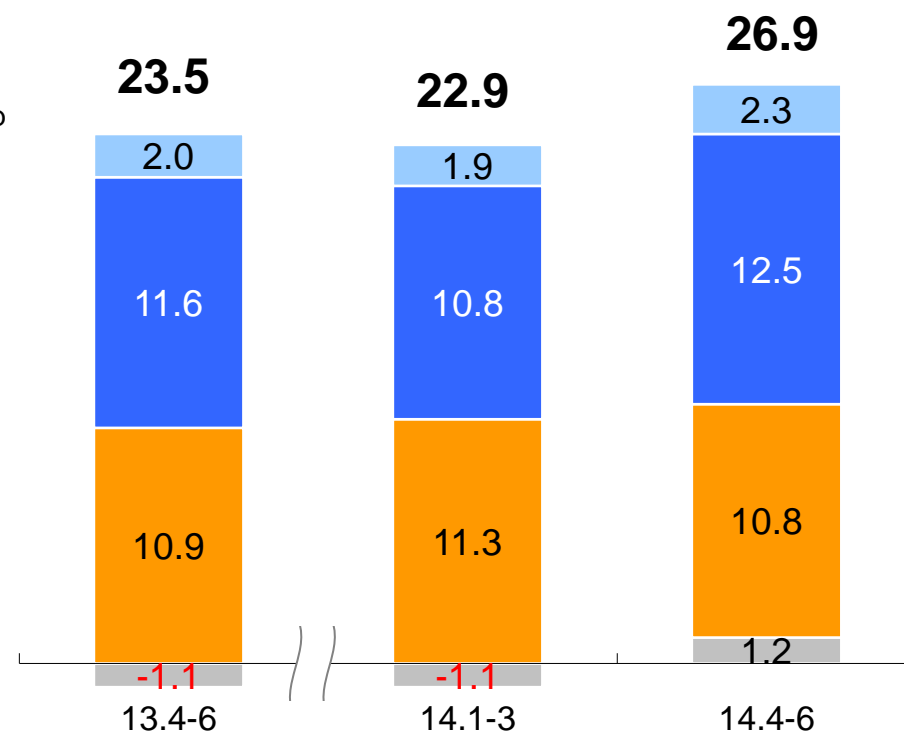
(Consolidated; Unit: Billions of yen)

- Net interest income was JPY30.9 billion, +JPY3.9billion from Q1FY2013 due to factors such as an increase in loans at the consumer finance business, a reduction in funding costs and an increase in dividends from securities at the Institutional Group
- Noninterest income was JPY26.9 billion, +JPY 3.4 billion from Q1FY2013 due to factors such as a steady rise in earnings in our domestic credit trading business and improvements in bond related income in our ALM business

Net Interest Income



Noninterest Income

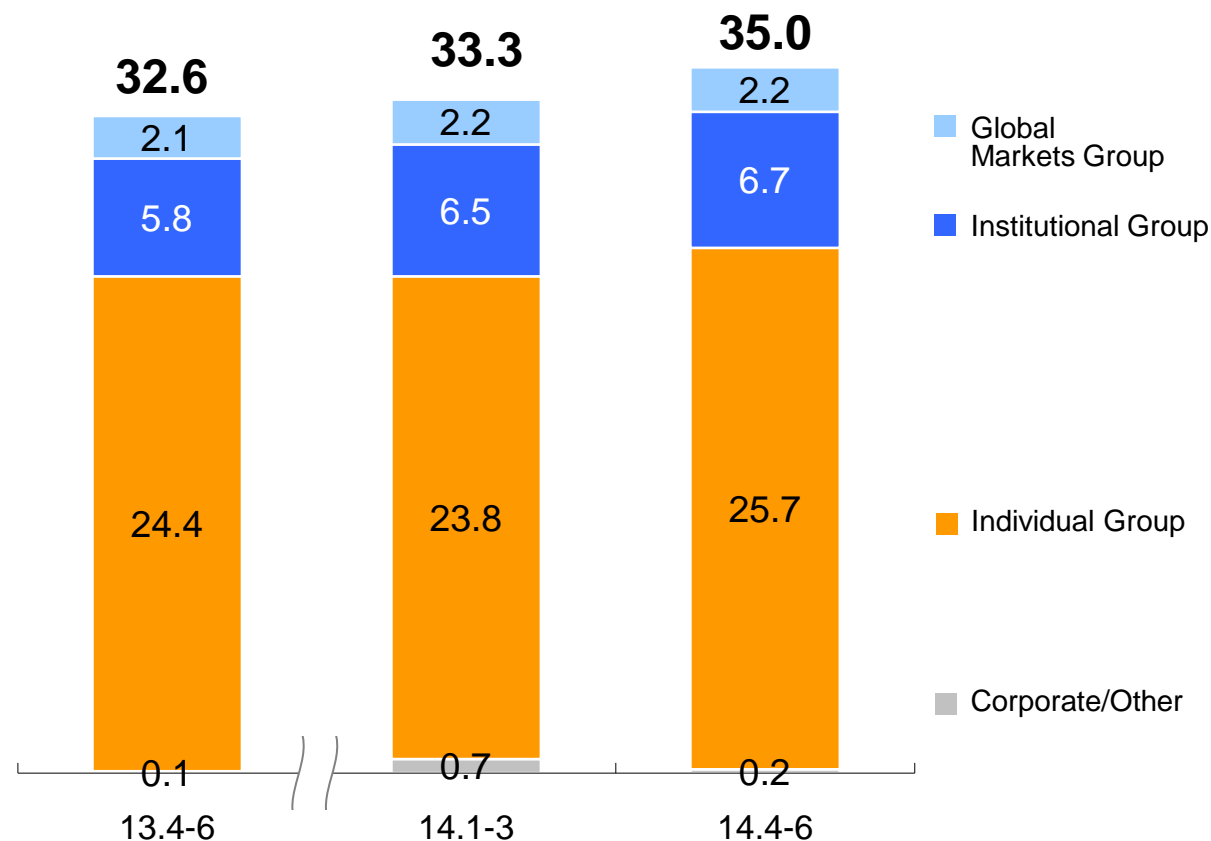


Financial Results: Expenses; Ordinary Business Profit

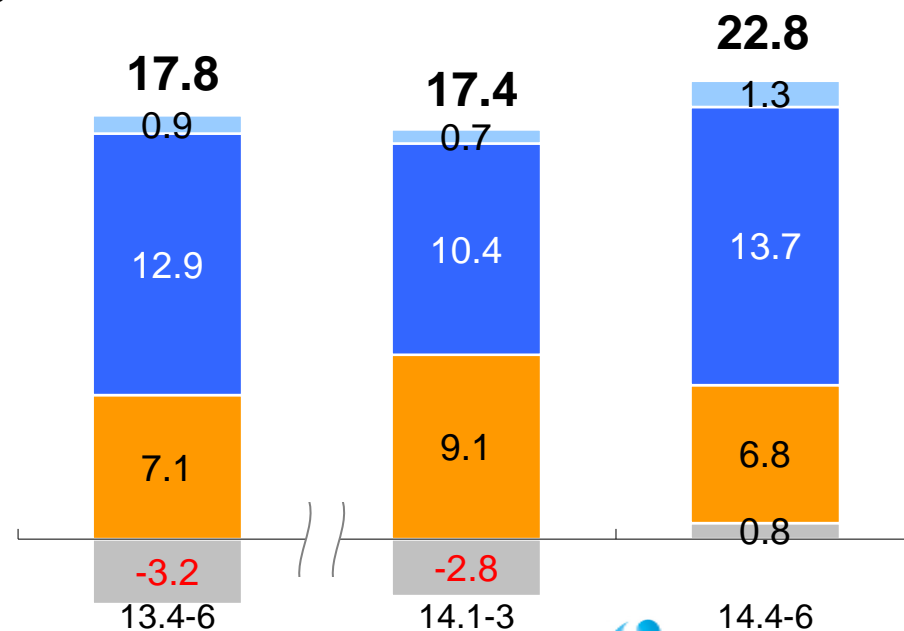
(Consolidated; Unit: Billions of yen)

- Expenses were JPY35.0 billion, +JPY2.3billion from Q1FY2013 due to a rise in personnel and advertising expenses as a result of the investment of management resources in strategic focus areas
- Ordinary business profit was JPY22.8 billion, +JPY5.0billion from Q1FY2013 due to the growth of revenue (+JPY7.3 billion) being greater than increases in expenses (+JPY2.3 billion)

Expenses



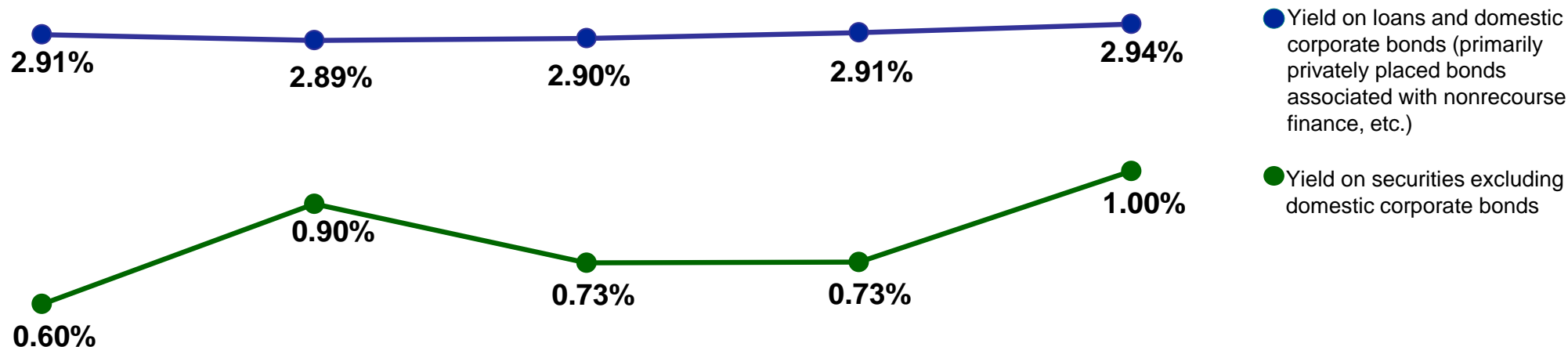
Ordinary Business Profit



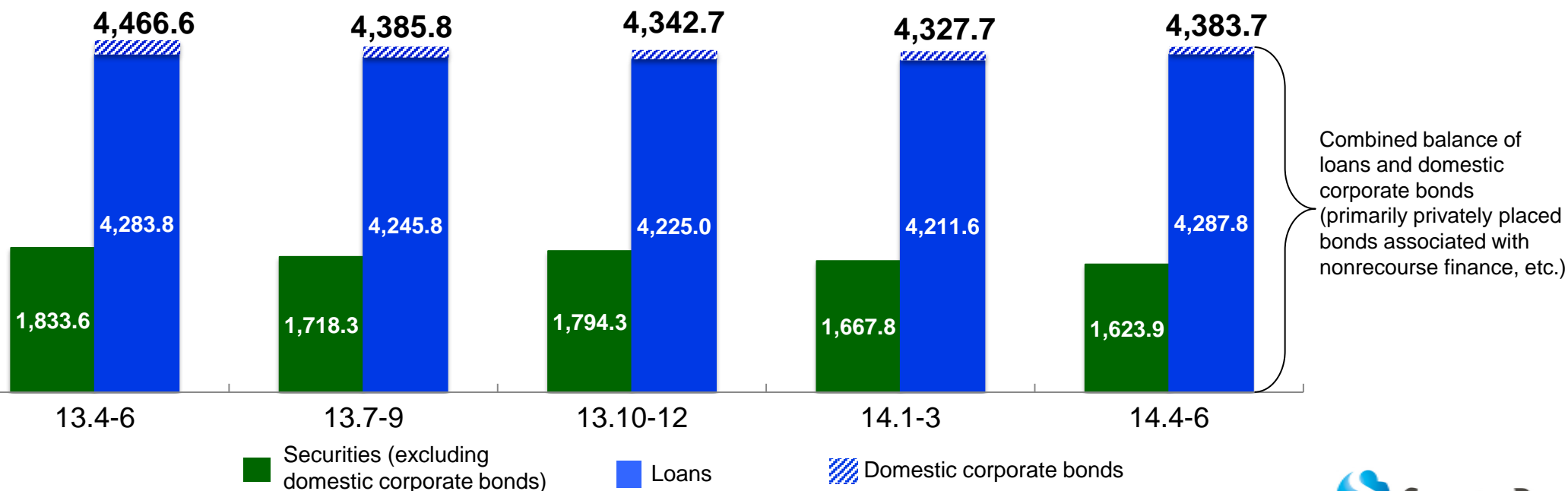
Average Balances and Yields on Loans and Securities

(Consolidated; Unit: Billions of yen)

Yield



Average Balance

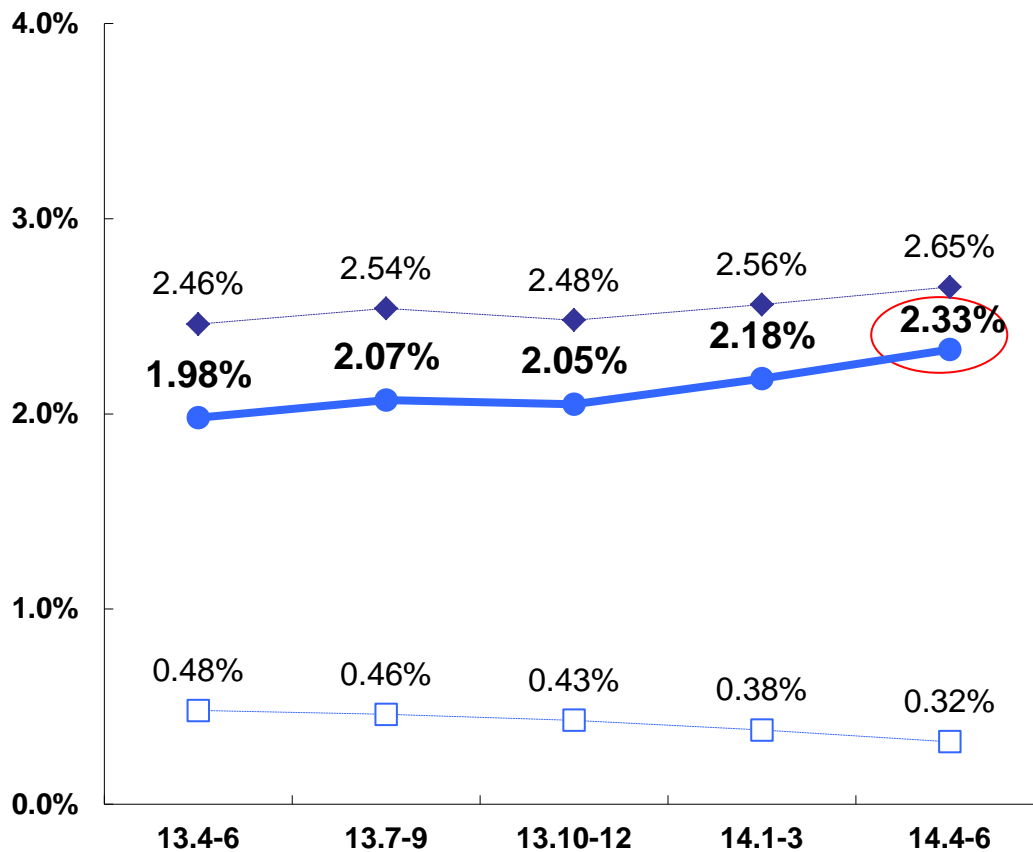


Net Interest Margin

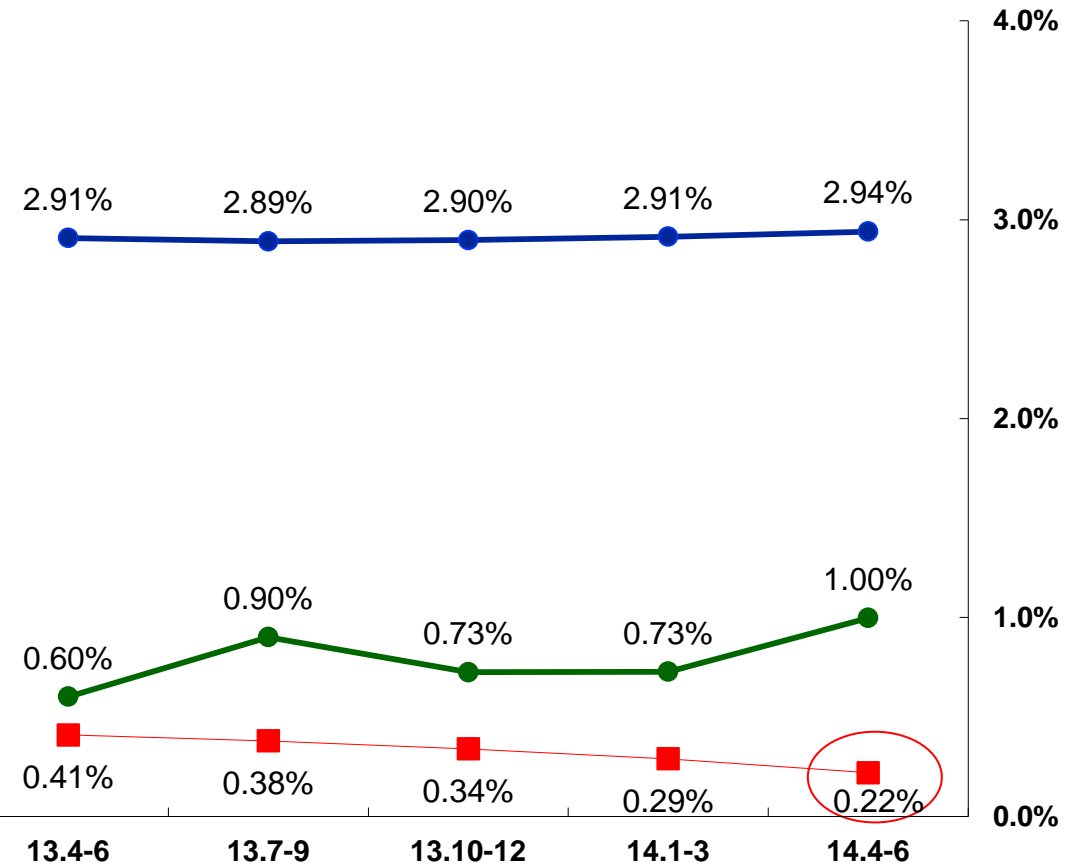
- Rate on deposits, including NCDs, declined to 0.22% due to maturation of time deposits made in the past
- Due to in part to increases in dividends from securities and the consumer finance loan balance resulting in the yield in interest earning assets rising, net interest margin reached 2.33%

NIM (Net Interest Margin)¹

Yield on Loans and Securities, Rate on Deposits



- ◆ Yield on interest earning assets¹
- Net interest margin¹
- Rate on Interest Bearing Liabilities



- Yield on loans and bills discounted
- Yield on securities
- Rate on deposits, including NCDs

¹ Includes income on leased assets and installment receivables

Asset Quality: Nonperforming Loans

(Nonconsolidated; Unit: Billions of yen)

- NPLs reduced by JPY29.8 billion from March 31, 2014, and NPL ratio continued improvement to 3.12%
- Early achievement of Second MTMP NPL ratio target of 2% level coming into sight

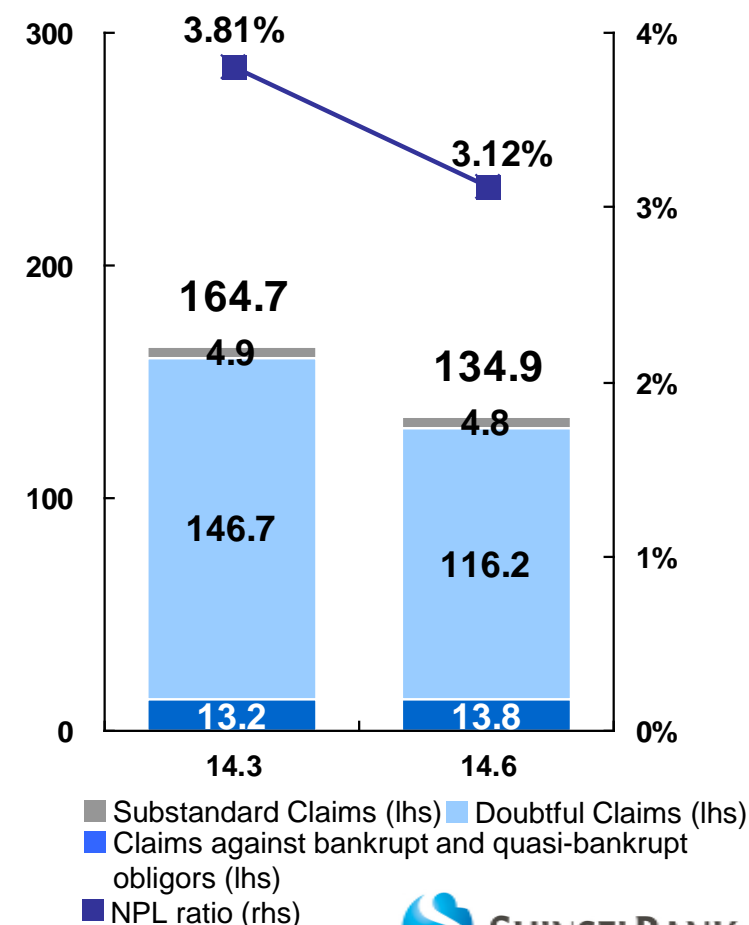
Breakdown of Total Claims and Coverage by Credit Category¹

(as of June 30, 2014)

	Total (Balance Sheet Reported Amount)	Reserves for Loan Losses	Collateral/ Guarantees	Coverage Ratio	Partial Write-Off
Normal	4,096.3	13.4	/	/	0.1
Need Caution	87.0	5.7	/	/	0.2
Performing Loans	4,183.3	19.1	/	/	0.3
Substandard/ Possibly Bankrupt	121.0	42.3	73.2	95.4%	0.1
Virtually Bankrupt/ Legally Bankrupt	13.8	-	13.8	100.0%	53.0
Nonperforming Loans	134.9	42.3	87.0	95.9%	53.0
Total Claims	4,318.1	61.4	/	/	53.3

¹ Coverage of total claims based on Financial Revitalization Law

NPL Amounts and NPL Ratio Based on Financial Revitalization Law



Capital Adequacy

(Consolidated; Unit: Billions of yen)

- Basel III domestic standard core capital adequacy ratio was 14.14%, improved compared to March 31, 2014 (13.58%)
- Basel III international standard fully loaded Common Equity Tier I ratio was 10.1%, and continues to be above the level targeted in the Second MTMP (approx. 7.5%)

	Core Capital Adequacy Ratio (Basel III: Domestic Standard)		Reference: (Basel III: International Standard)
	2014.6 (Basel III) (with Grandfathering)	2014.6 (Basel III) (Fully Loaded Basis)	2014.6 (Basel III) (Fully Loaded Basis)
Basic Items Related to Core Capital	898.4	679.4	
Deductions Related to Core Capital	-68.2	-89.0	
Total Core Capital	830.1	590.4	
Risk Assets	5,867.5	5,894.5	
Core Capital Adequacy Ratio	14.14%	10.01%	
Common Equity Tier I Capital Ratio			10.1%

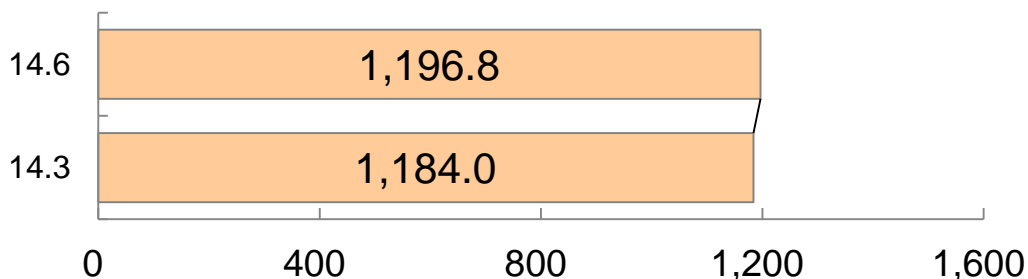
Business Update

Business: Individual Business

(Consolidated; Unit: Billions of yen)

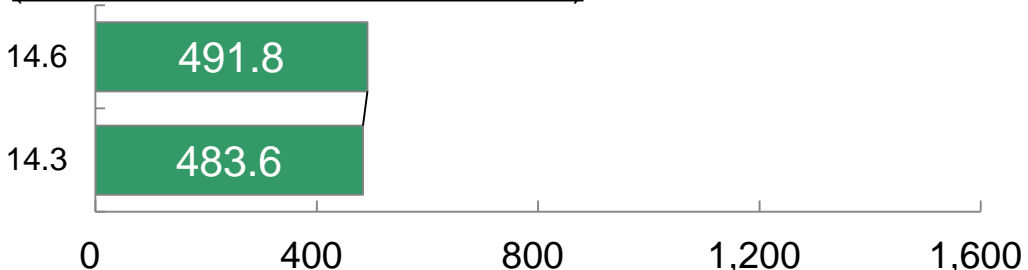
Loan Balance

Housing Loans



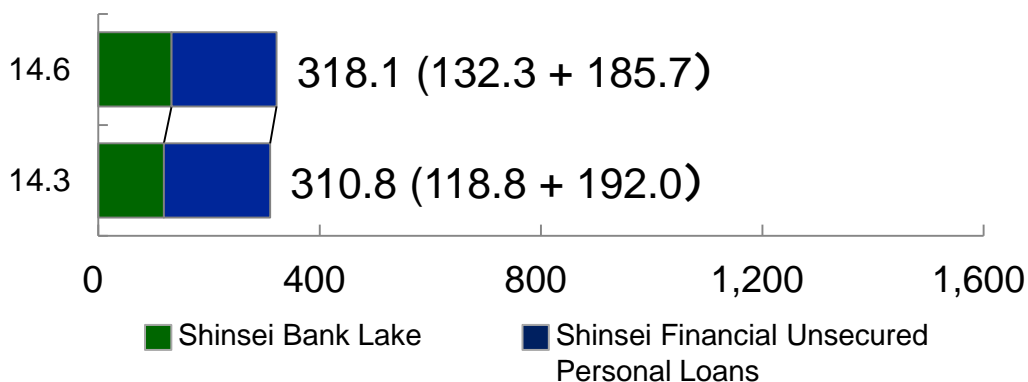
Consumer Finance Loans

(Includes Shinsei Bank Card Loan Lake)



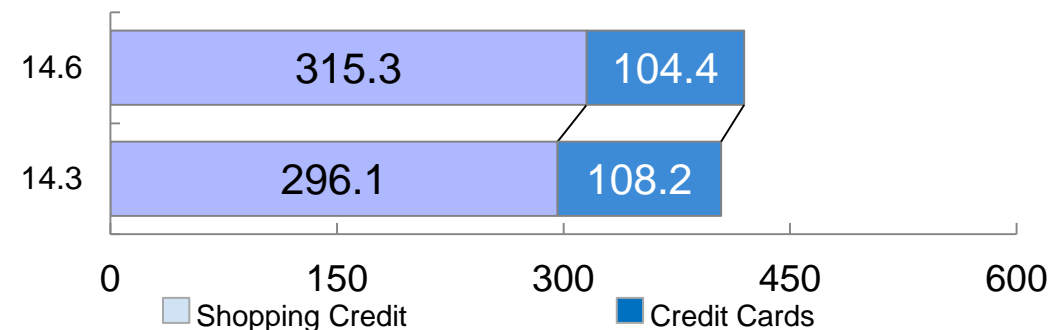
Lake

(Shinsei Bank Lake + Shinsei Financial Unsecured Personal Loans)



Balance of Other Business Receivables

APLUS FINANCIAL (Shopping credit; credit cards)



Status of Q1FY2014 Key Initiatives

Apr-Jun, 2014

- Initiated offering of investment trust application program "NISA Plus**"

Core Customers (as of June 30, 2014):	2.66 million
Housing Loans	
✓ New Disbursements (Q1FY2014):	JPY45.3 billion
Shinsei Bank Card Loan Lake	
✓ New Customers (Q1FY2014):	45K
✓ Approval Rate (Q1FY2014):	37.0%
✓ Total Customers (as of June 30, 2014):	331K

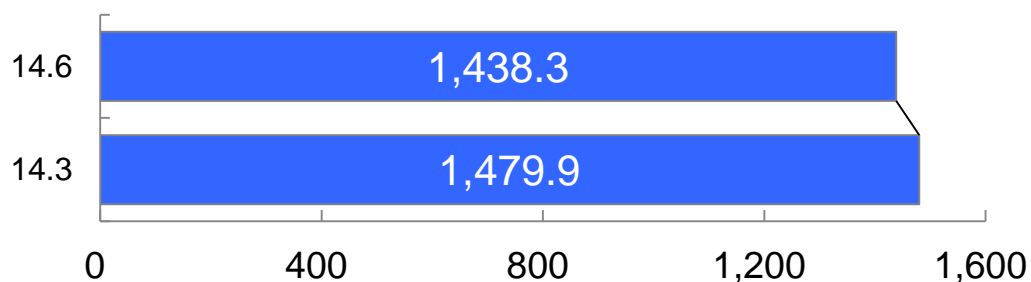
*NISA Plus is an investment trust service. Investment trusts carry a risk of loss of principal. Fees are charged during the holding period and at redemption.

Business: Institutional Business

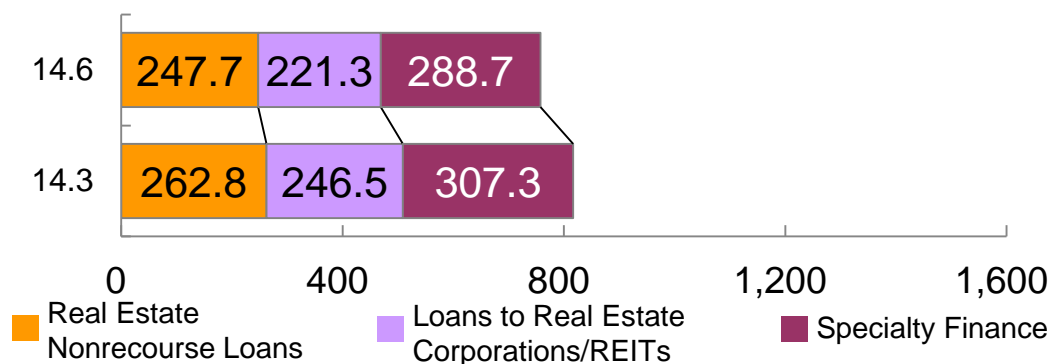
(Consolidated; Unit: Billions of yen)

Loan Balance

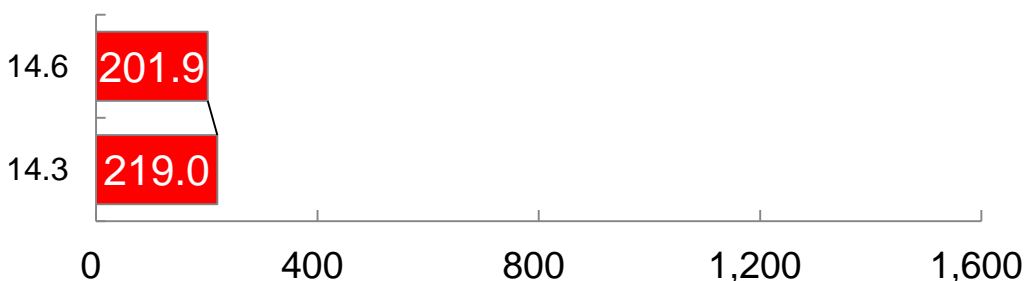
Institutional Business



Structured Finance

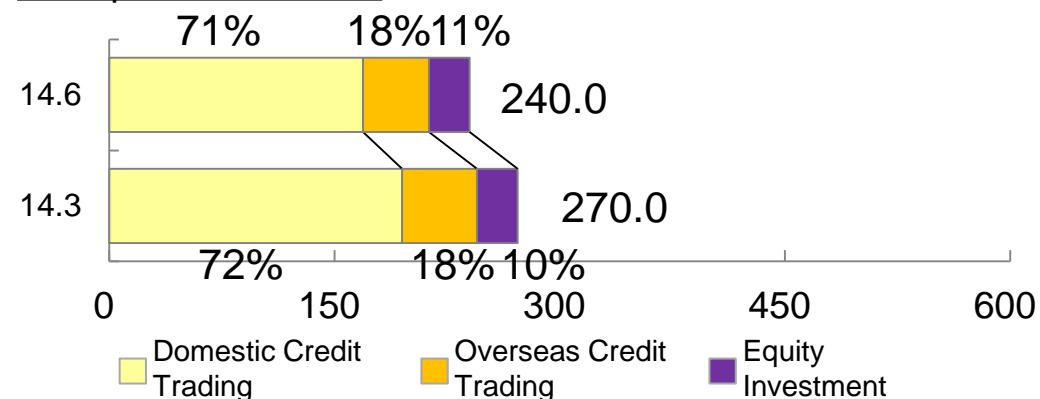


Global Markets



Balance of Other Business Receivables

Principal Transactions



Status of Q1 FY2014 Key Initiatives

Apr-Jun, 2014

- Established lending limit for wind power generation operating business in Sakata-shi, Yamagata Prefecture
- Composed project financing utilizing a trust scheme for mega solar business in seven domestic locations
- Cofounded Japan Senior Living Partners, Ltd., an asset management company, to manage a healthcare REIT

- The preceding description of Shinsei's medium-term management plan contains forward-looking statements regarding the intent, belief and current expectations of our management with respect to our financial condition and future results of operations. These statements reflect our current views with respect to future events that are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results may vary materially from those we currently anticipate. Potential risks include those described in our annual securities report filed with the Kanto Local Finance Bureau, and you are cautioned not to place undue reliance on forward-looking statements.
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- Information concerning financial institutions other than the Company and its subsidiaries are based upon publicly available information.
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NISA Plus Disclaimer

- “NISA Plus” is a program offered by Shinsei Bank that allows free-of-charge investments for Nippon Individual Savings Accounts (“NISA”) as well as for ordinary or special (*tokutei*) accounts. For the NISA Plus program to apply, the customer must first open a NISA with Shinsei Bank and apply for the purchase of investment trusts prescribed by Shinsei Bank. By doing so, the portion within the tax exempt NISA investment ceiling will be treated as an investment through NISA and the portion exceeding the tax exempt ceiling in the simultaneously applied-for investment will be treated as an investment through the ordinary account or special (*tokutei*) account.
- Investment trusts carry a risk of principal loss due to price fluctuations, etc. The fees specified below will be charged depending on the product. 【Upon application】 An application fee (maximum rate of 3.24% including tax) is applicable. 【During the holding period】 Investment trust fees or management fees (maximum rate of 3.0% per annum, including tax) and other expenses arising during the investment trust period (audit expenses, performance bonuses, fees charged by invested funds, etc.) will be applied. As these fees are tied to the investment performance, the rates and maximum fees cannot be indicated in advance. 【At redemption】 Amount retained in trust assets (maximum rate of 3.0% of invested principal or net asset value) and a redemption commission (maximum rate of 5.0%) will be applied. Total fees charged will vary based upon a number of factors such as the length of investment period, etc.
- An investment trust is not a bank deposit, and is therefore not insured by deposit insurance. Furthermore, an investment trust purchased at a bank is not covered by the Investor Protection Fund.
- An investment trust is not a bank deposit and neither its principal nor yield are guaranteed. Past performance is not an indicator of future results. When purchasing an investment trust, customers must make their own judgments regarding the suitability of an investment product by reviewing and confirming details provided within the product’s “prospectus (including supplementary documents).” Product prospectuses are available at Shinsei Bank branches or via the Internet.