



Business and Financial Highlights

Nine Months Ended December 31, 2014

Shinsei Bank, Limited
January 2015



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Q3 FY2014 Results: Key Points

1

Consolidated net income of 52.3 billion yen was recorded for Q3 of FY 2014, increased JPY24.6 billion (+89%) compared to JPY27.7 billion recorded for Q3 of FY2013; Progression toward original full year target at approx. 95%

- Consolidated Net Income: JPY52.3 billion (Q3 FY2013: JPY27.7 billion)
- Consolidated Cash Basis Net Income: JPY58.1 billion (Q3 FY2013: JPY34.2 billion)

2

Reflecting strong business results, FY2014 full year net income forecast revised upwards from JPY55.0 billion to JPY63.0 billion

- Revised FY2014 Consolidated Net Income Forecast: JPY63.0 billion (+JPY8.0 billion/+15%)
- Revised FY2014 Consolidated Cash Basis Net Income Forecast: JPY70.0 billion (+JPY8.0 billion/+13%)

3

Capital policy is a key management issue

- We seek to improve cash returns to shareholders while pursuing the accumulation of a sufficient level of retained earnings as a public fund injected bank.

Q3 FY2014 Results: Financial Summary

(JPY billion)

【Consolidated】	Q3 FY2013 (9 months) (A)	Q3 FY2014 (9 months) (B)	Change (B-A)
Net Interest Income	82.5	97.6	+15.0
Noninterest Income	69.5	78.0	+8.4
Revenue	152.1	175.6	+23.5
Expenses	-99.4	-105.4	-5.9
Ordinary Business Profit	52.6	70.2	+17.5
Net Credit Costs	-0.6	-5.7	-5.0
Provision for Reserve for Losses on Interest Repayment	-13.6	-0.8	+12.7
Net Income	27.7	52.3	+24.6
Cash Basis Net Income ¹	34.2	58.1	+23.9
【Nonconsolidated】			
Net Business Profit	16.9	31.1	+14.1
Net Income	21.8	35.7	+13.9

Q3 FY2014 Results: Financial Summary

- Net Interest Income**
 Progression toward original target (JPY125.0 billion) at 78%. Even discounting one-time gain factors (JPY9.2 billion) net interest income of JPY88.4 billion recorded, increased from JPY82.5 billion recorded Q3 FY 2013.
- Noninterest Income**
 Progression toward original target (JPY115.0 billion) at 68% with noninterest income of JPY78.0 billion recorded, increased JPY8.4 billion versus JPY69.5 billion recorded Q3 FY 2013.
- Expenses**
 Increased versus Q3 FY 2013 to JPY105.4 billion due to the investment of management resources in focus areas and increases in personnel and advertising.
- Net Credit Costs**
 Increased from JPY0.6 billion in Q3 FY 2013 to JPY5.7 billion primarily due to an increase in general reserves for loan losses corresponding to the growth of the Bank's consumer finance loan balance.
- Reserve for Losses on Interest Repayment Provisioning**
 Reserves of JPY0.8 billion provisioned for APLUS FINANCIAL, compared to JPY13.6 provisioned for SHINKI and Shinsei Financial in the previous fiscal year.

FY2014 Results Forecasts

- Consolidated Net Income Forecast**
 Revised Upwards: JPY55.0 billion → JPY63.0 billion
- Consolidated Cash Basis Net Income Forecast**
 Revised Upwards: JPY62.0 billion → JPY70.0 billion
- Reasons for Revision**
 Due to the strong business results up to 3Q FY2014, as well as the expectation that net credit costs will be less than the original forecast

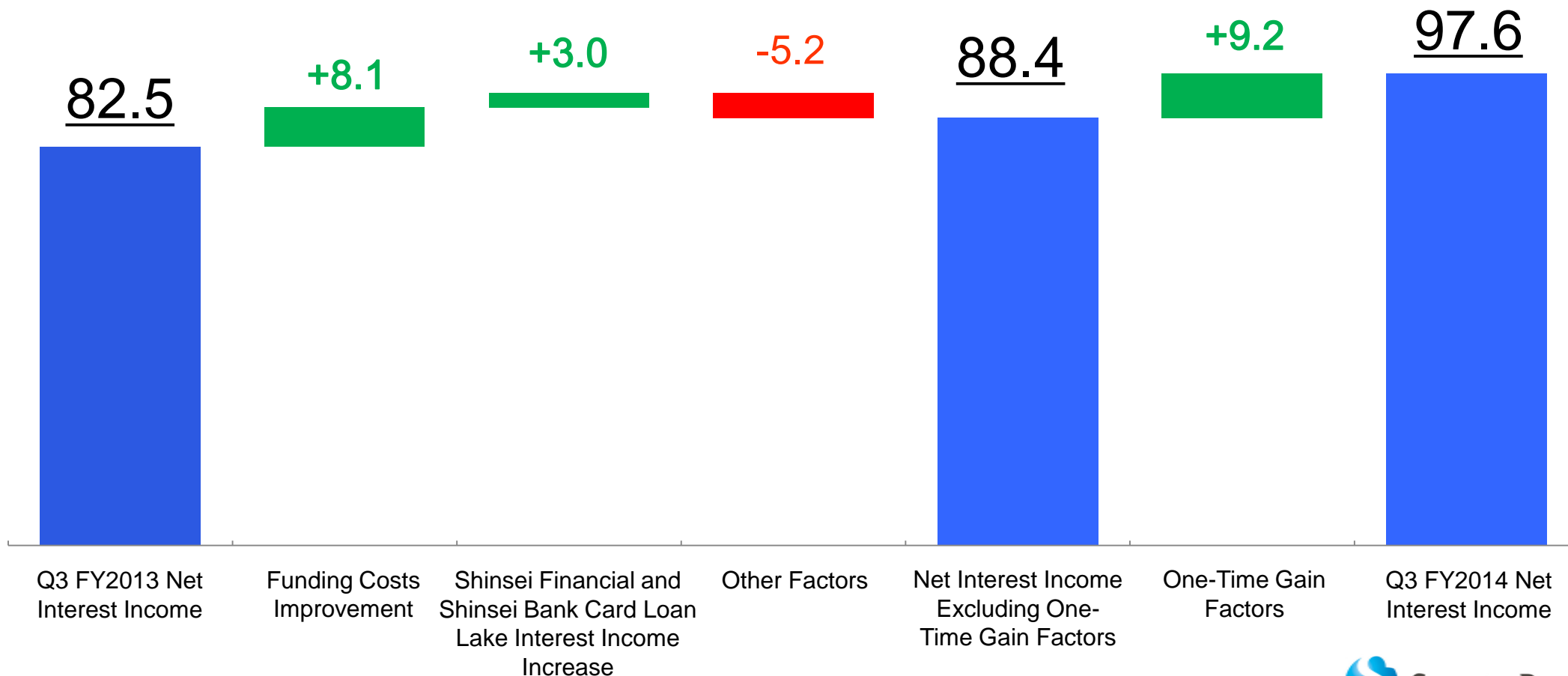
¹ Cash basis net income is calculated by excluding amortization of goodwill and other intangible assets, net of tax benefit

Financial Results: Net Interest Income (Growth/Decline Factors)

(Consolidated, JPY billion)

- Net interest income excluding one-time gain factors (JPY9.2 billion) was JPY88.4 billion, increased JPY5.9 billion compared to JPY82.5 billion recorded in Q3 FY2013.
- In addition to an improvement in funding costs, interest income increased JPY3.0 billion due to increase of combined loan balance of Shinsei Financial and Shinsei Bank Card Loan Lake.

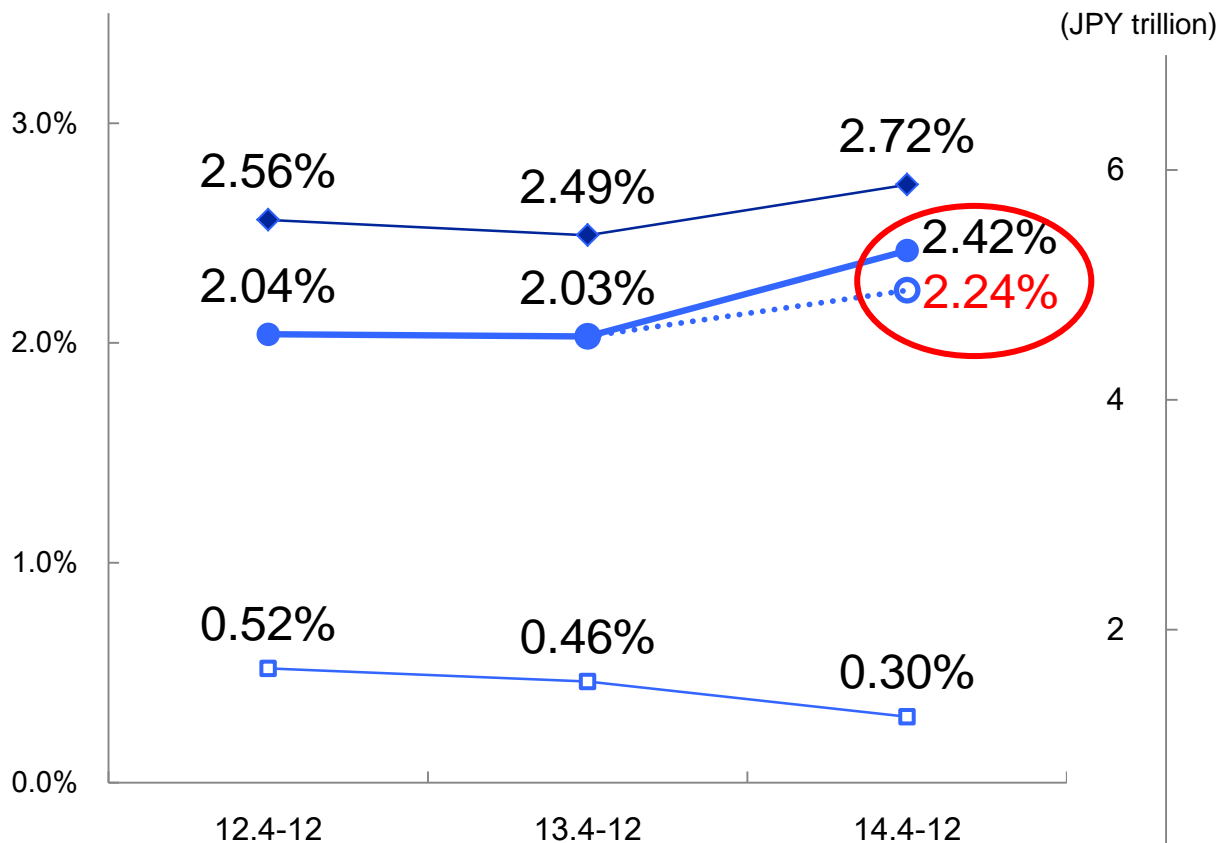
Net Interest Income Growth/Decline Factors



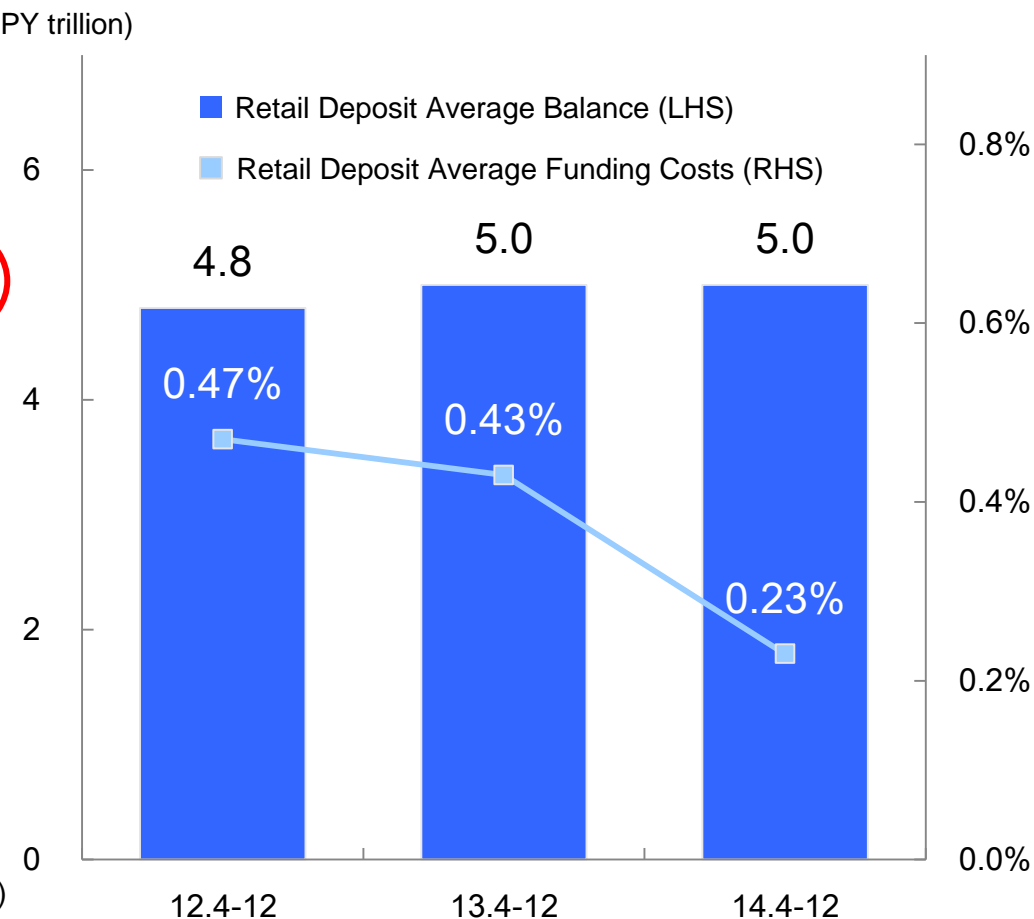
Financial Results: Net Interest Margin

- NIM maintained at 2.24%, even with the exclusion of one-time gain factors.
- Significant improvement in retail funding costs from 0.43% to 0.23% while maintaining average deposit balance of approx. JPY5 trillion.

Net Interest Margin¹



Retail Deposit Average Balance & Customer Interest Rate



● Net Interest Margin¹ ○ Net Interest Margin¹ (excluding one-time gain factors)
 ◆ Yield on Interest Earning Assets¹ □ Rate on Interest Bearing Liabilities

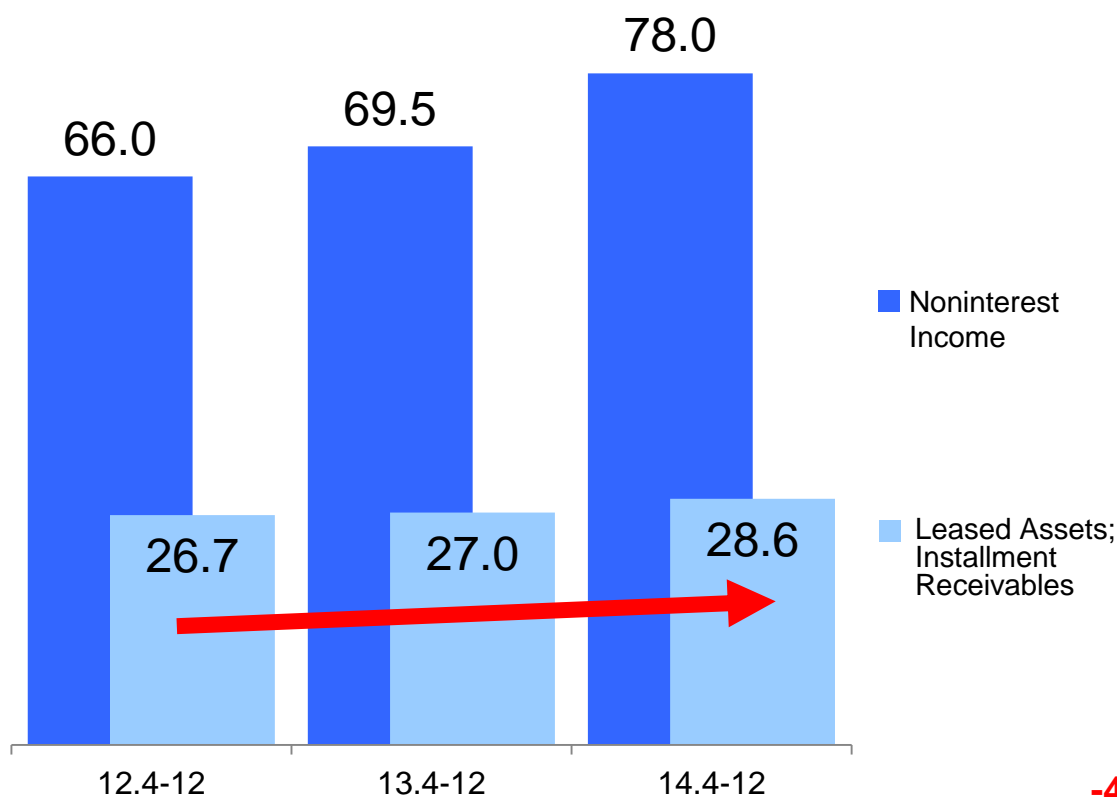
¹ Includes income on leased assets and installment receivables

Financial Results: Noninterest Income

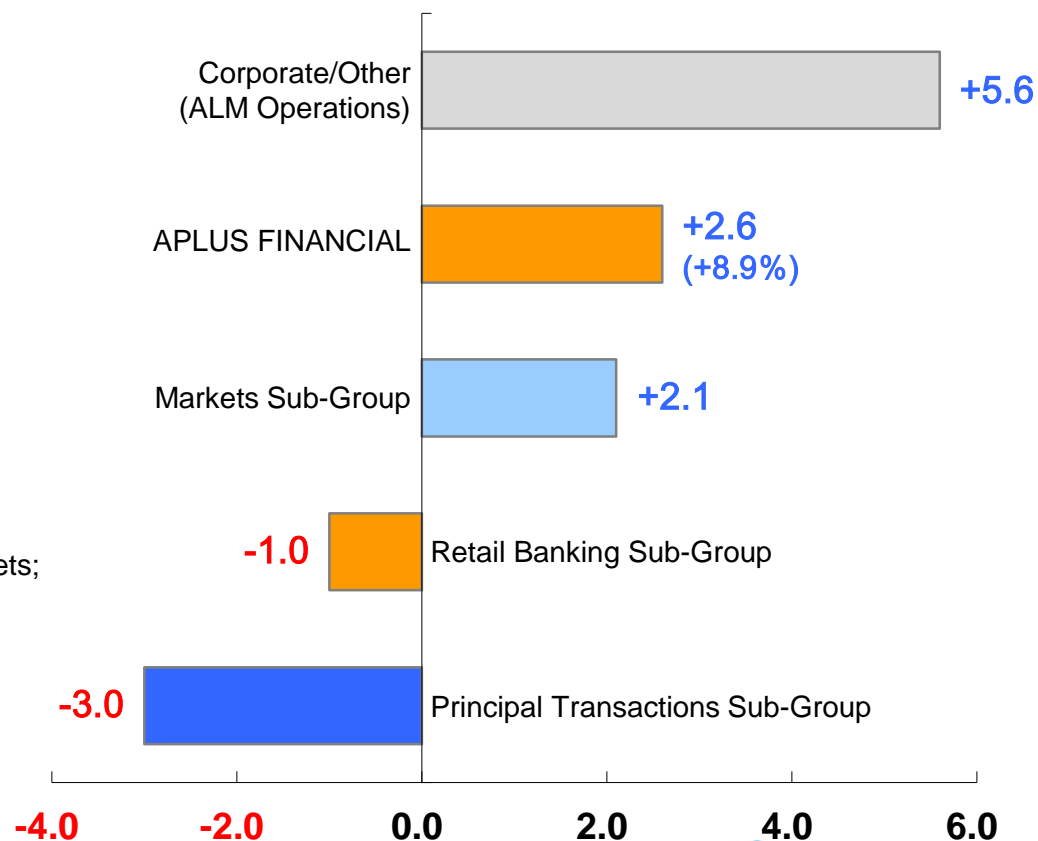
(Consolidated, JPY billion)

- Noninterest income grew to JPY78.0 billion, an increase of JPY8.4 billion compared to JPY69.5 billion recorded in Q3 FY2013.
- Income on leased assets and installment receivables increased steadily due mainly to growth in the shopping credit business of APLUS FINANCIAL.
- Corporate/Other noninterest income significantly increased due to improvement in ALM operations.

Noninterest Income



Major Increased/Decreased Segments (Y-o-Y)

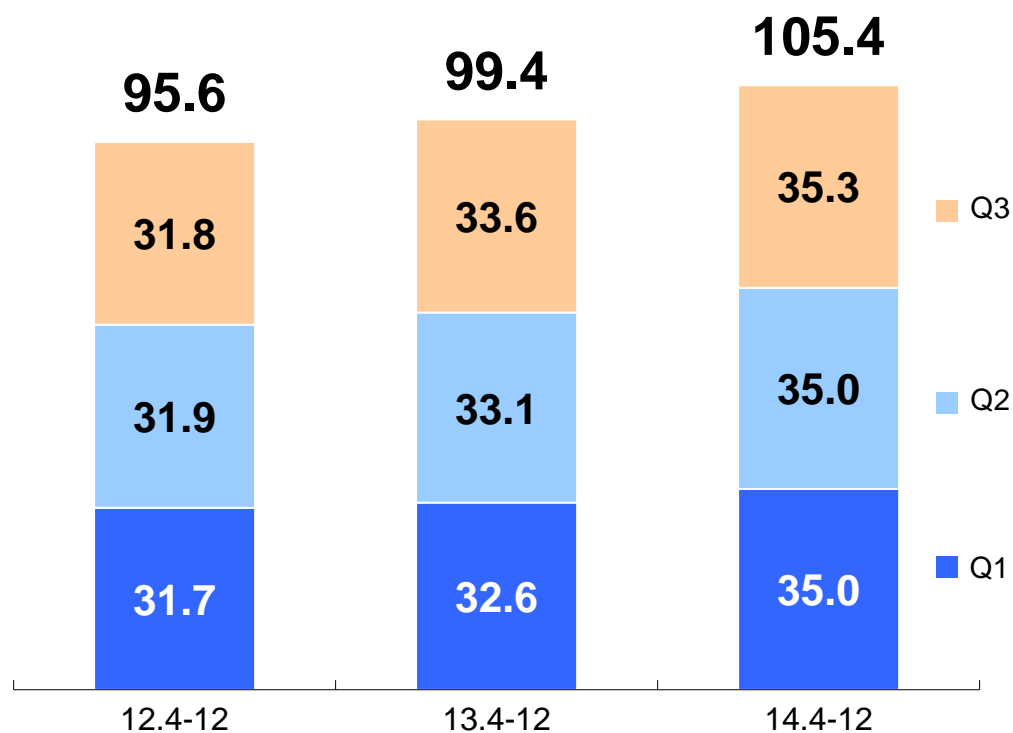


Financial Results: Expenses; Expense to Revenue Ratio

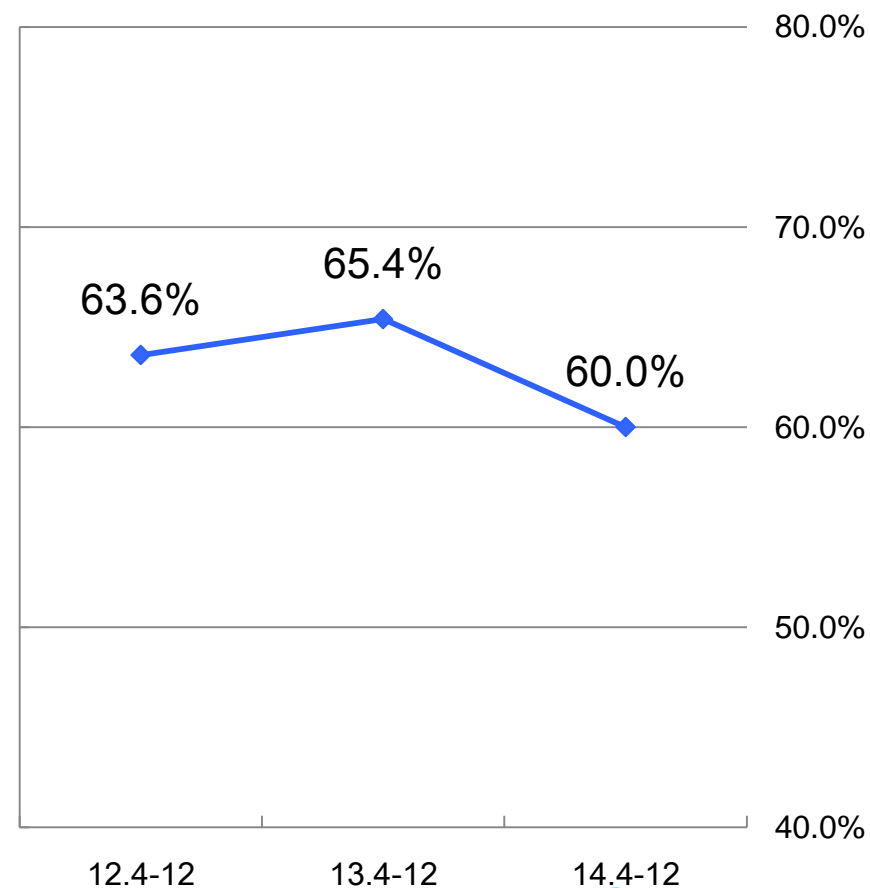
(Consolidated, JPY billion)

- Expenses, while the promotion of rationalization across all business lines was continued, due to increases in personnel, advertising costs and the investment of management resources necessary to grow the customer base, increased by JPY5.9 billion versus Q3 FY2013 to JPY105.4 billion.
- Management commits to improving expense to revenue ratio to between 50%-60% as targeted in the 2nd MTMP.

Expenses



Expense to Revenue Ratio

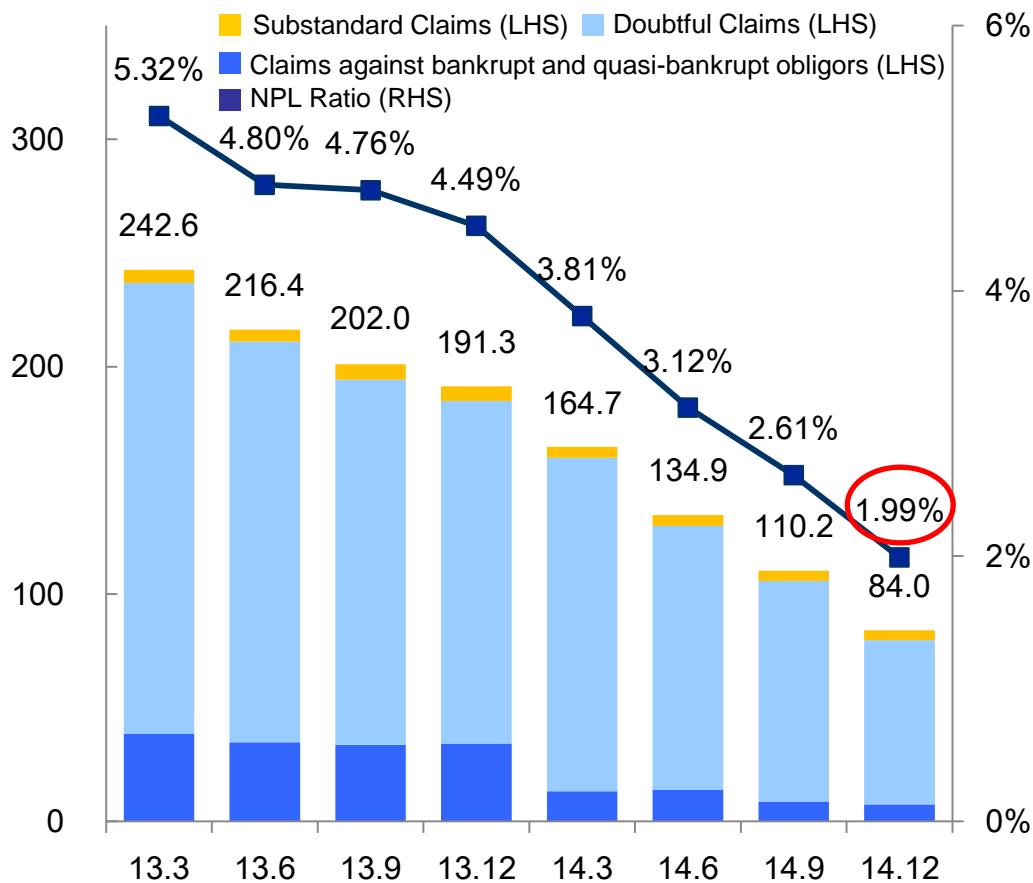


Asset Quality: Nonperforming Loans/Net Credit Costs

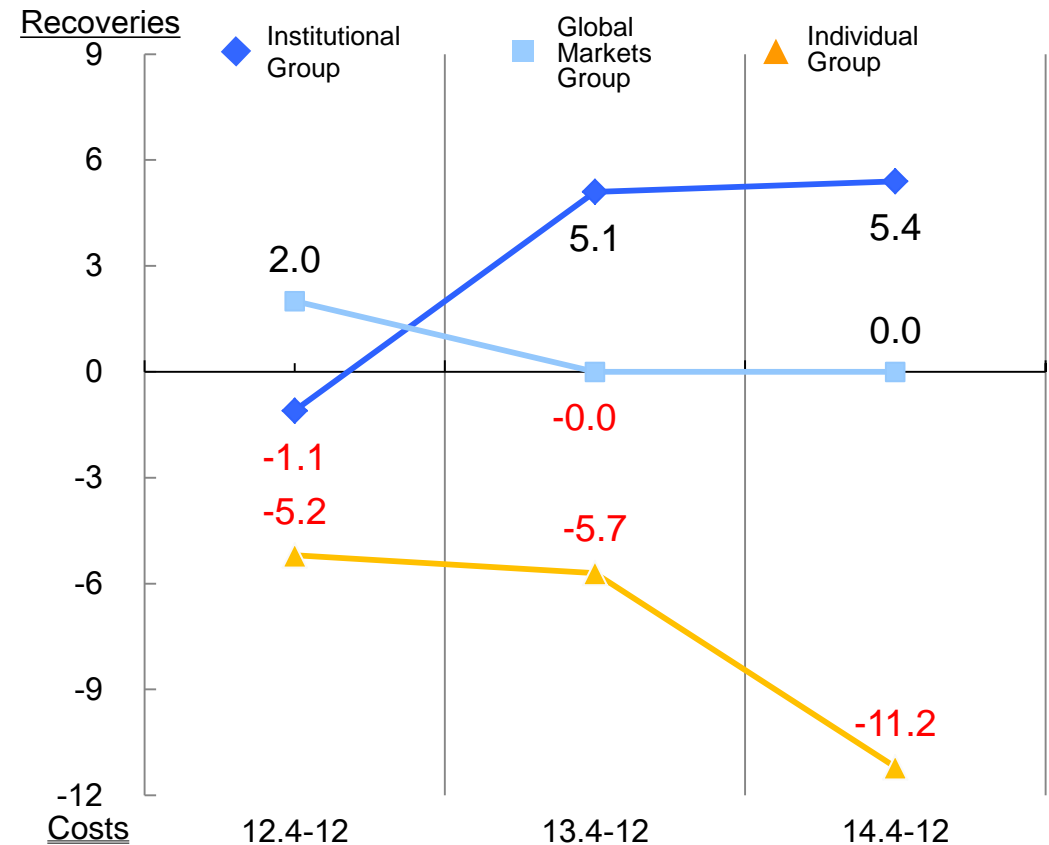
(JPY billion)

- Significant progress made in NPL disposal, and NPL ratio as of Dec. 31, 2014 was 1.99%.
- Net credit recoveries recorded in the Institutional Group primarily due to progress in the disposal of NPLs.
- In the Individual Group, net credit costs increased reflecting loan growth; overall asset quality remains stable.

NPL Amounts and NPL Ratio Based on Financial Revitalization Law (Nonconsolidated)



Net Credit Costs by Group (Consolidated)

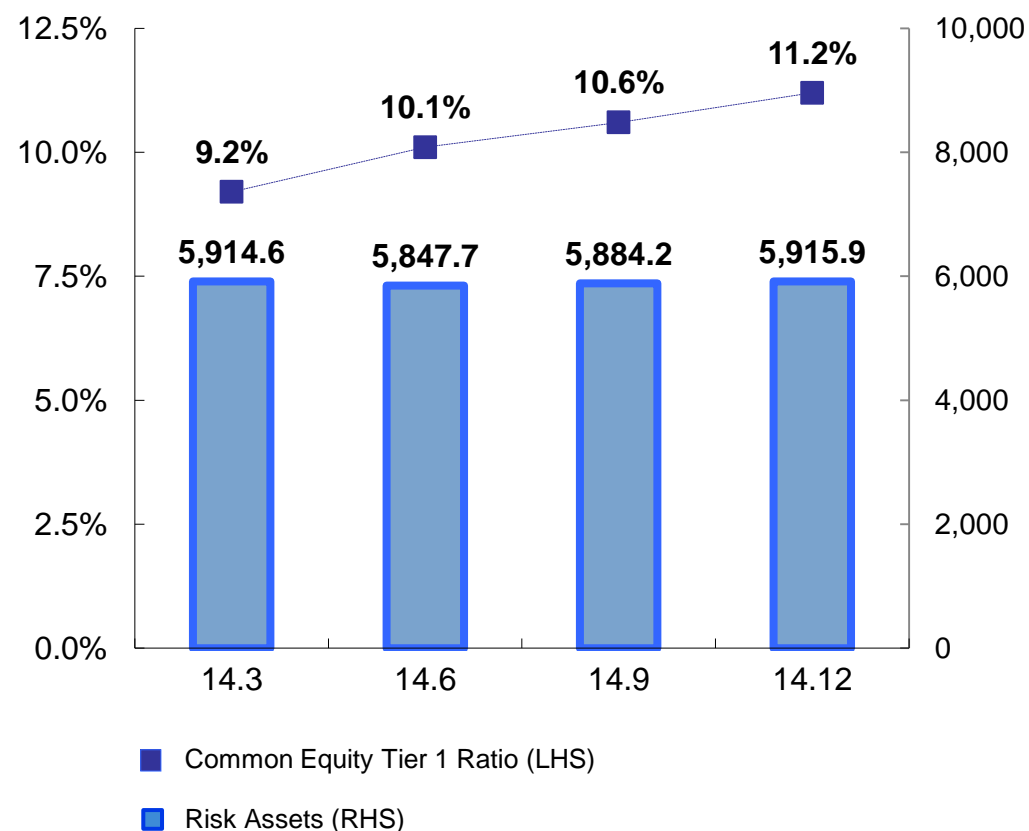


- Basel III domestic standard core capital adequacy ratio was 14.20%, improved compared to March 31, 2014 (13.58%).
- Basel III international standard fully loaded Common Equity Tier I ratio at 11.2%.

Core Capital Adequacy Ratio (Basel III: Domestic Standard; Grandfathered Basis)

【Consolidated】	Mar. 31, 2014	Dec. 31, 2014
Basic Items Related to Core Capital	889.5	882.4
Deductions Related to Core Capital	-71.9	-41.7
Total Core Capital	817.6	840.6
Risk Assets	6,016.7	5,917.6
Core Capital Adequacy Ratio	13.58%	14.20%

Reference: (Basel III: International Standard; Fully Loaded Basis)

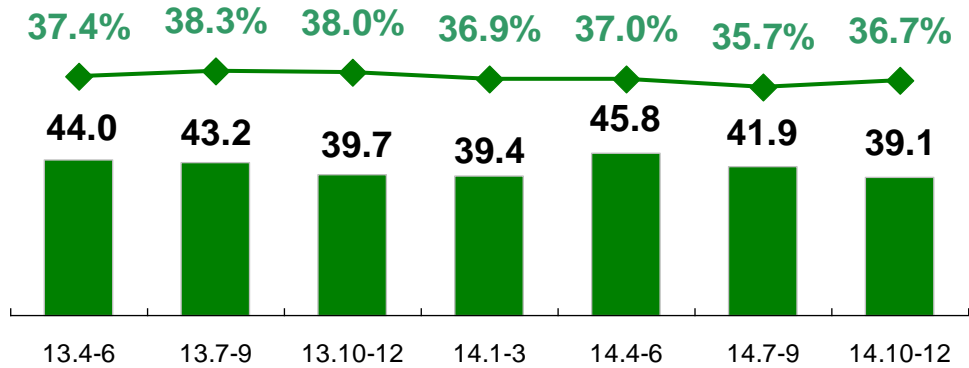


Business Update: Unsecured Personal Loan Business (Lake)

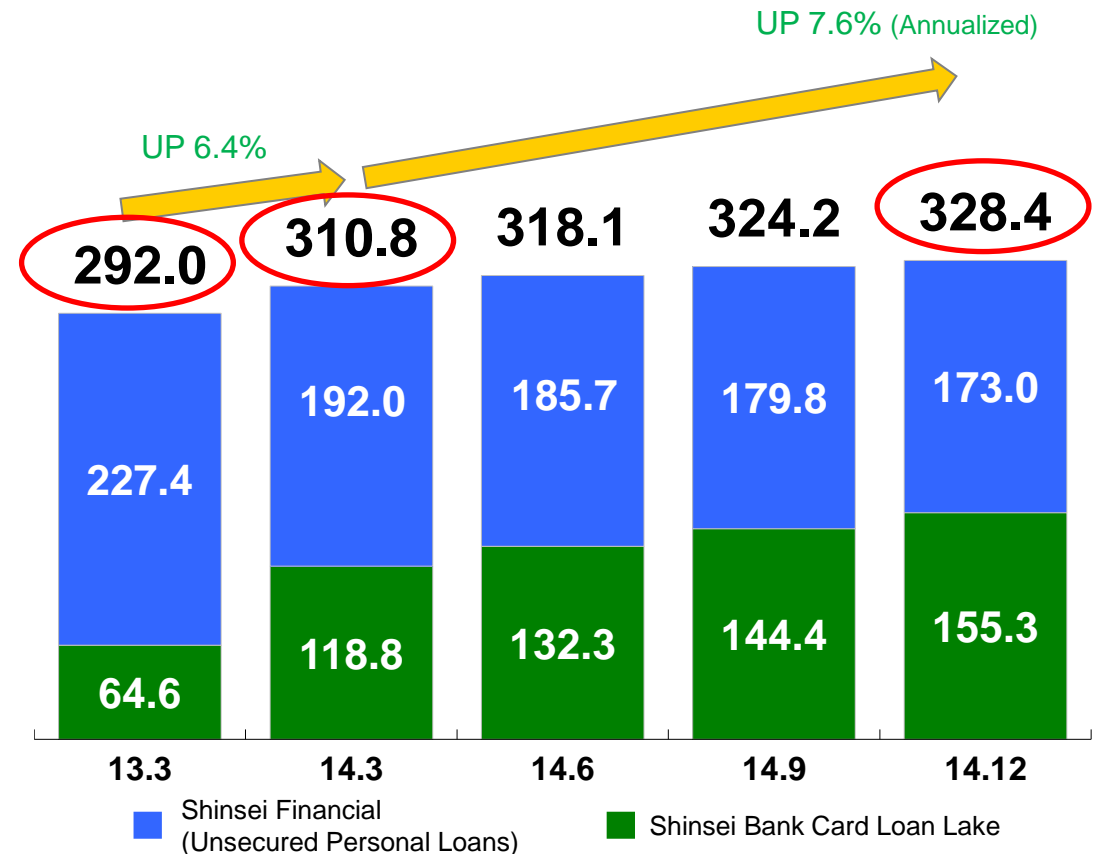
(JPY billion)

- Acquisition of new customers remains strong even while maintaining strict credit standards.
- Together with the growth of total customers, the loan balance continues to grow stably at a rate (annualized: 7.6%) greater than the previous year (6.4%).

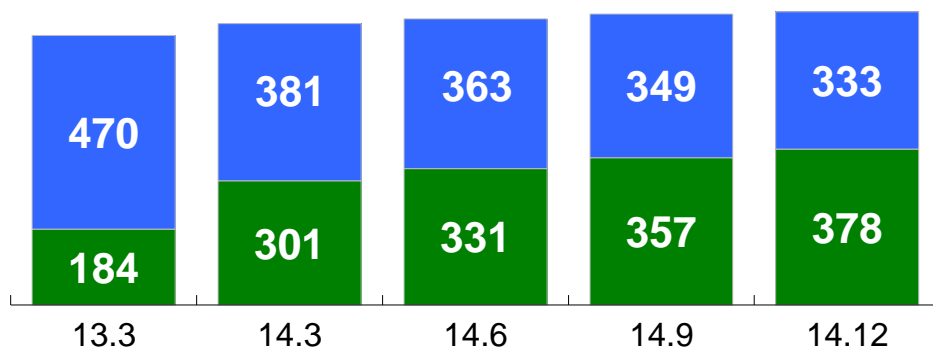
Lake New Customers (thousands); Approval Rate



Unsecured Loan Balance



Total Number of Customers (thousands)

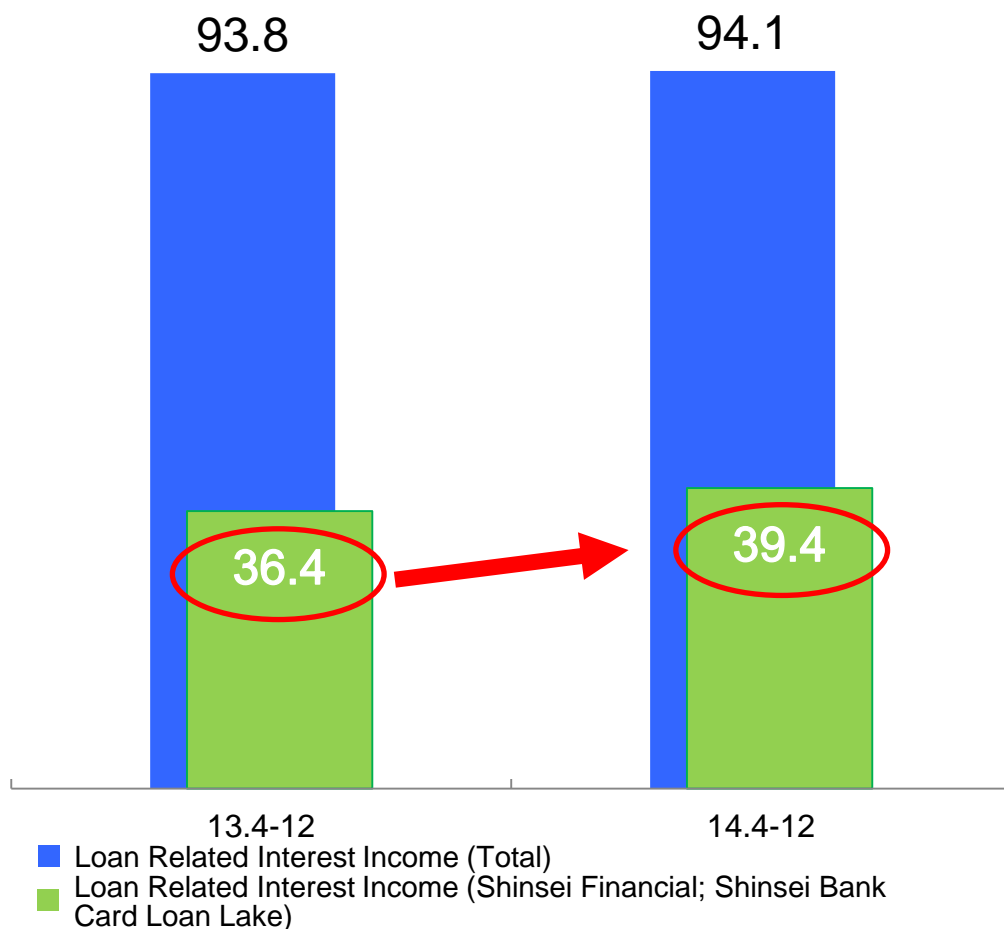


Business Update: Unsecured Personal Loan Business (Lake)

(Consolidated, JPY billion)

- Lake business contributes approx. 42% of interest income from overall loan portfolio.
- ROA improved to 4.1% compared to same period previous year due to steady growth of average loan balance.

Interest Income from Loans (Gross)



Q3 FY2014 (9 months) Results of Operations

【Shinsei Financial; Shinsei Bank Card Loan Lake】	13.4-12 (A)	14.4-12 (B)	Change (B-A)
Revenue	30.0	36.1	6.1
Expenses	-19.6	-20.2	-0.6
Ordinary Business Profit	10.3	15.8	5.4
Net Credit Costs	-0.9	-5.2	-4.2
Ordinary Business Profit after Net Credit Costs	9.4	10.6	1.2

Average Loan Balance	318.5	347.7
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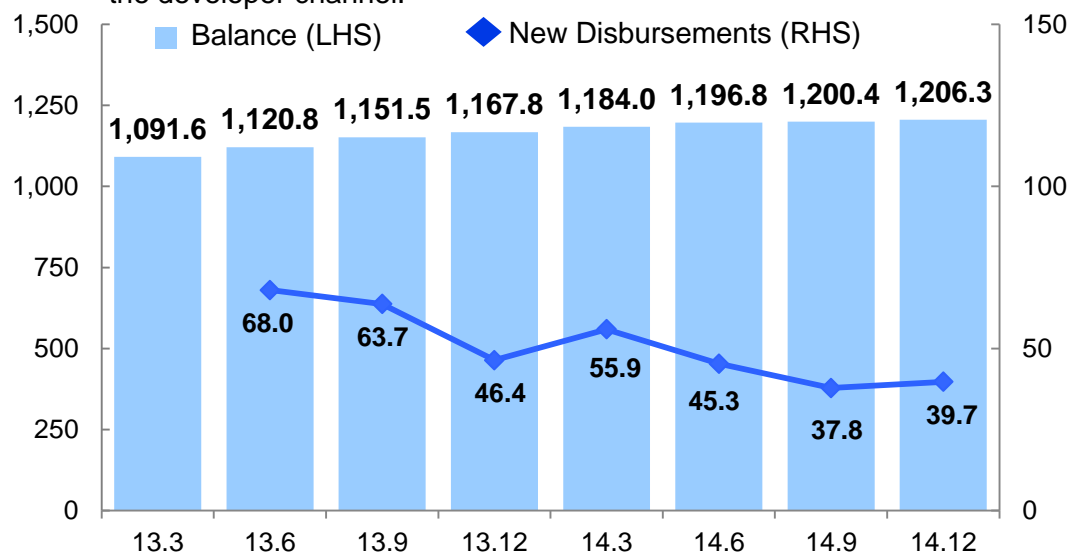
ROA (Annualized)	3.9%	4.1%
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Business Update: Individual Business

(JPY billion)

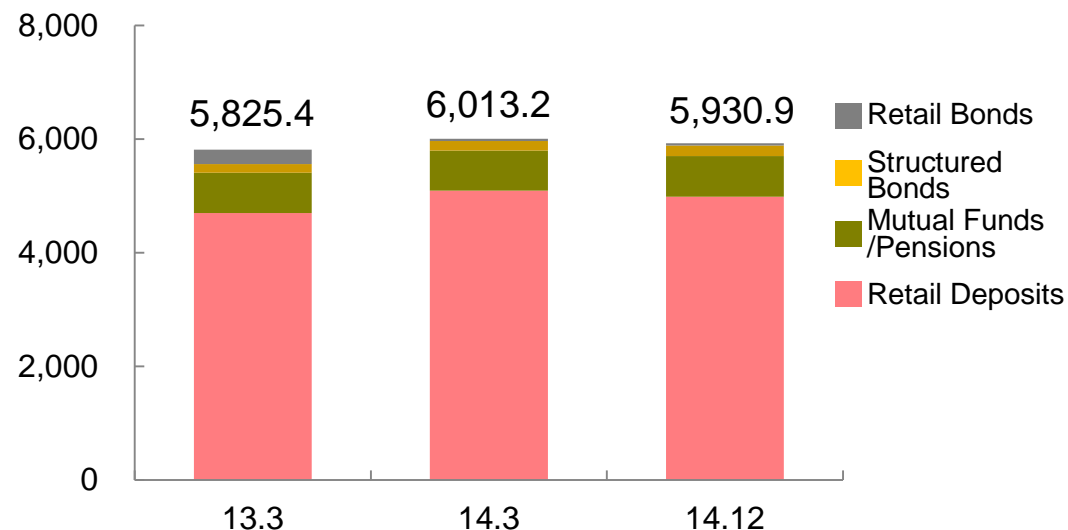
Housing Loans

- Housing loans grew stably due to the appeal of unique product features rather than interest rates.
- Focusing on refinancing, as well as new disbursements by expanding the developer channel.



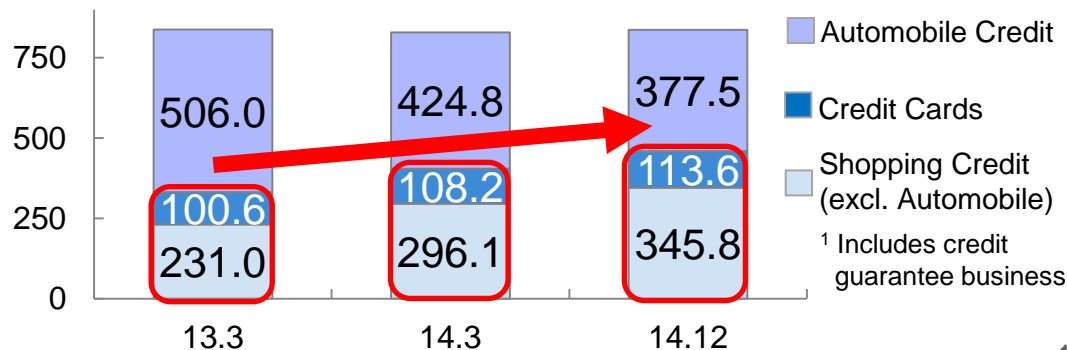
Assets Under Management

- Core Customers: 2.72 million (Dec. 31, 2014)
- In addition to stable retail deposits, due to firm sales of mutual funds and structured bonds, total assets under management saw firm growth.

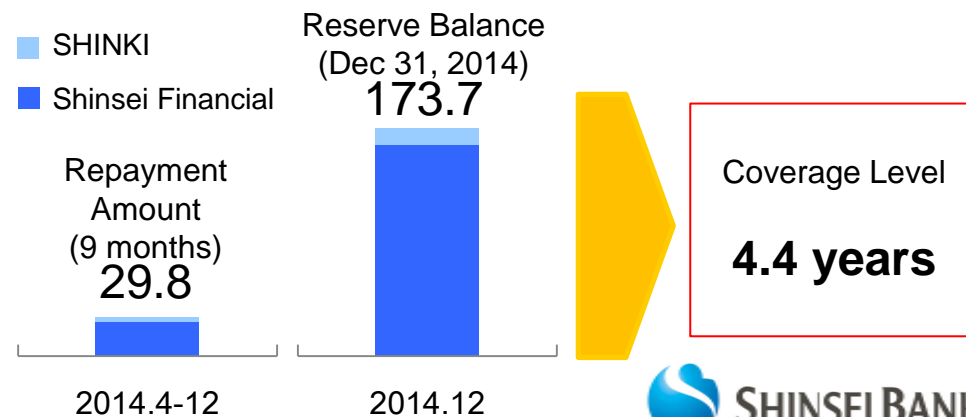


APLUS FINANCIAL (Shopping Credit; Credit Cards)

- Stable growth of operating assets¹ in main businesses of shopping credit and credit cards.



Grey Zone Repayment (Shinsei Financial and SHINKI)



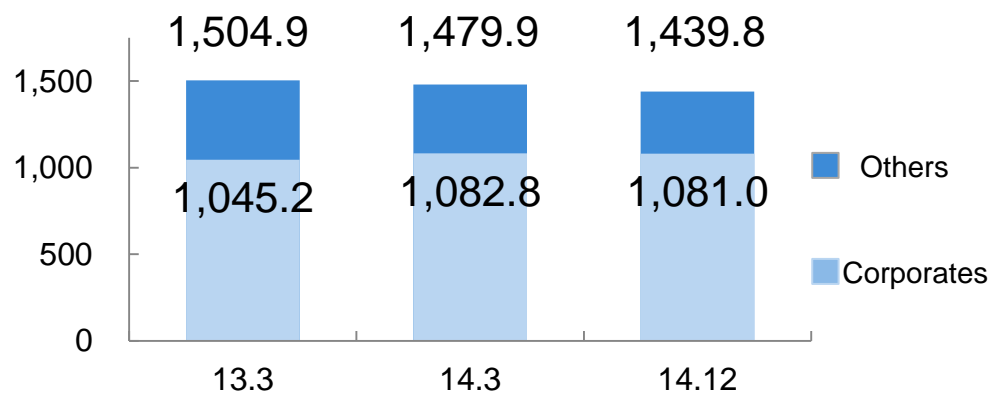
Business Update: Institutional Business

(Consolidated, JPY billion)

- In the Institutional Business, in addition to maintaining the steady balance growth of lending to corporates, OBP after net credit costs increased vs. Q3 FY2013.
- In Principal Transactions, collections on existing claims progressed, and profits increased significantly vs. Q3 FY2013.

Institutional Business

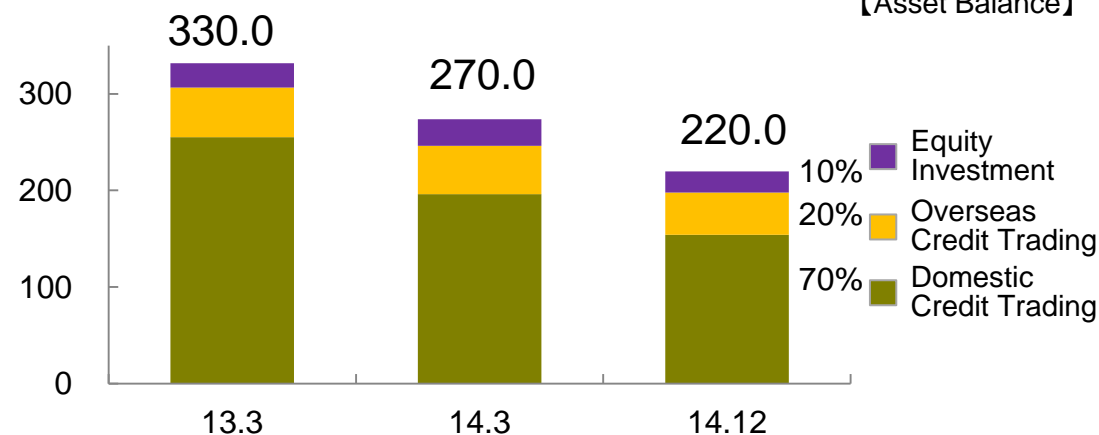
【Loan Balance】



【Institutional Business】	13.4-12 (A)	14.4-12 (B)	Change (B-A)
Revenue	9.5	10.3	0.7
Expenses	-4.8	-5.1	-0.2
Ordinary Business Profit	4.7	5.1	0.4
Net Credit Costs	-0.7	0.4	1.1
OBP after Net Credit Costs	3.9	5.5	1.5

Principal Transactions

【Asset Balance】



【Principal Transactions】	13.4-12 (A)	14.4-12 (B)	Change (B-A)
Revenue	13.4	18.6	5.2
Expenses	-3.1	-3.5	-0.4
Ordinary Business Profit	10.3	15.0	4.7
Net Credit Costs	-0.0	-0.0	-0.0
OBP after Net Credit Costs	10.3	15.0	4.6

Business Update: Institutional Business

(Consolidated, JPY billion)

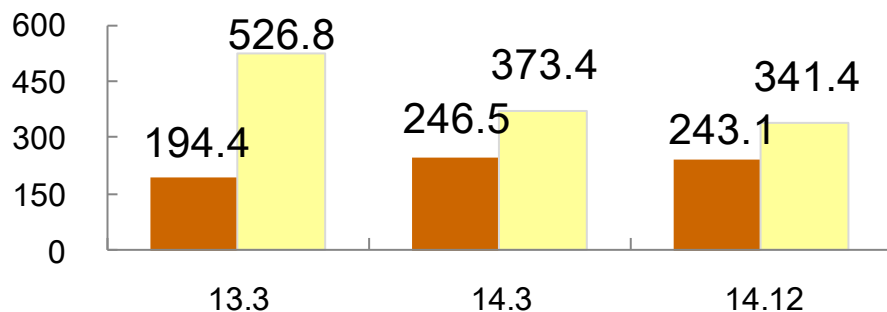
- Structured Finance recognized JPY4.1 billion of net credit recoveries due to progression in the disposal of NPLs in real estate finance, resulting in the recording of a in-the-black OBP after net credit costs.
- In Specialty Finance, domestic project finance accumulated commitment grew to approx. JPY100 billion, an increase of approx. JPY70 billion versus a year ago while overseas project finance accumulated commitment grew to approx. JPY110 billion, an increase of about JPY45 billion versus a year ago.

Structured Finance Business Results

	12.4-12	13.4-12 (A)	14.4-12 (B)	Change(B-A)
Revenue	15.4	19.0	15.0	-4.0
Expenses	-3.6	-3.6	-3.9	-0.3
Ordinary Business Profit	11.8	15.3	11.0	-4.3
Net Credit Costs	-4.6	6.0	4.1	-1.9
OBP after Net Credit Costs	7.1	21.4	15.1	-6.3

Real Estate Finance

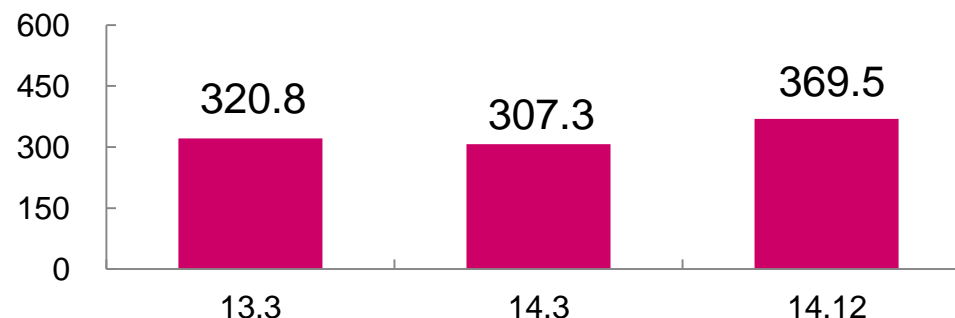
【Asset Balance】



■ Real Estate Companies; REITs ■ Nonrecourse Finance (Loans; Debt; etc.)

Specialty Finance

【Loan Balance】



Balance Sheet

(Consolidated, JPY billion)

【Consolidated】	Mar. 31, 2014 (A)	Dec. 31, 2014 (B)	Change (B-A)
Cash and Due from Banks	1,451.4	1,138.2	-313.2
Loans and Bills Discounted	4,319.8	4,357.7	37.9
Securities	1,557.0	1,398.1	-158.9
Installment Receivables	421.9	450.6	28.6
Customers' Liabilities for Acceptances and Guarantees	358.4	318.8	-39.5
Reserve for Credit Losses	-137.3	-110.7	26.6
Total Assets	9,321.1	9,081.4	-239.6
Deposits and NCDs	5,850.4	5,622.1	-228.2
Borrowed Money	643.4	774.9	131.4
Grey Zone Reserves	208.2	176.9	-31.2
Total Liabilities	8,598.5	8,346.5	-252.0
Shareholders' Equity	665.1	713.0	47.9
Minority Interests	63.6	21.4	-42.2
Total Equity	722.5	734.9	12.3

Assets

Loans and Bills Discounted

Total balance of loans and bills discounted increased as a result of a steady increase in housing loans and the continued growth of the consumer finance business loan balance.

Securities

As a result of the sale of Japanese government bonds as interest rates declined, the securities balance declined due to the reduction of the balance of Japanese government bonds declining from JPY1,126.8 billion to JPY972.8 billion.

Liabilities

Deposits and NCDs

Maintained a stable level of funding even as the balance of deposits and NCDs declined as yen denominated campaign time deposits made in the past reached maturity and the balance of corporate deposits was reduced.

Grey Zone Reserves

Grey zone reserve balance reduced by JPY31.2 billion from March 31, 2014 due to usage of reserves.

Equity

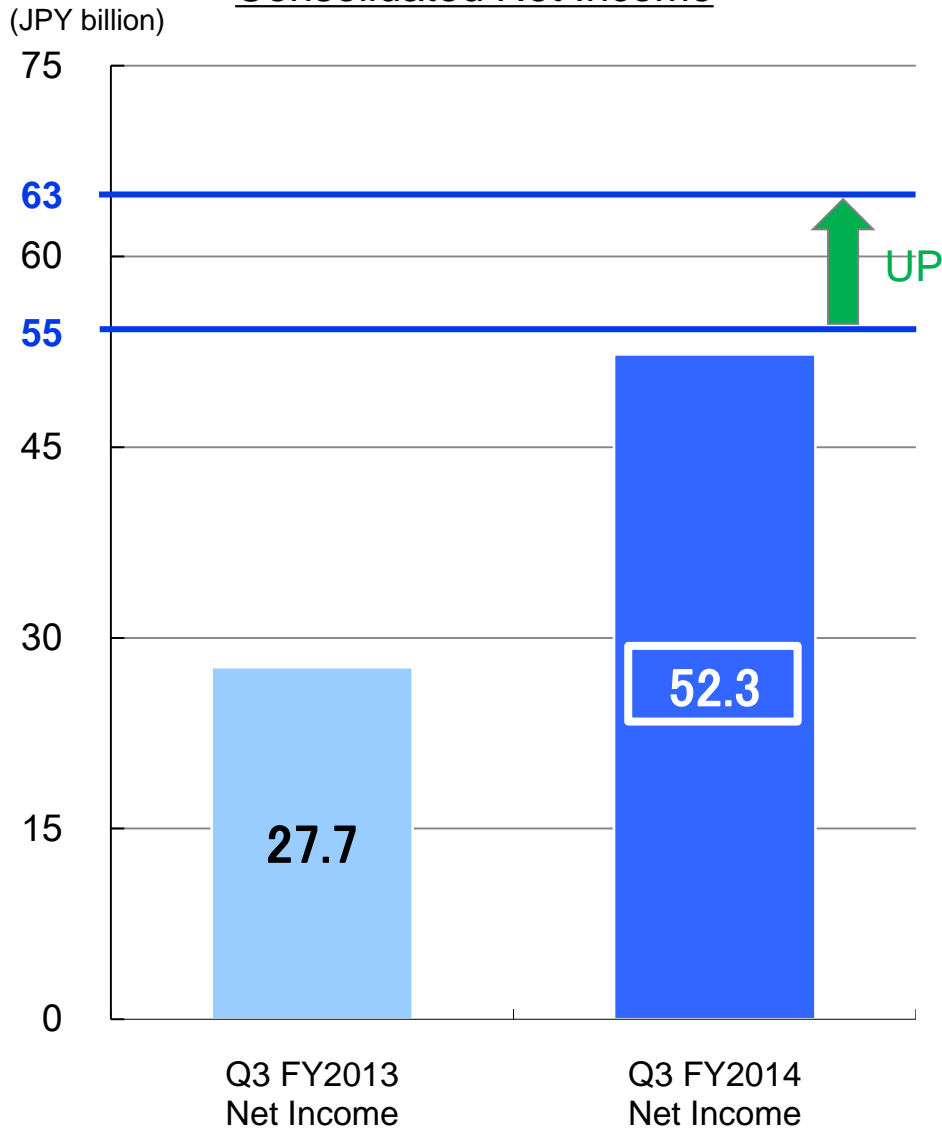
Minority Interests

Due to the exercise of call rights on JPY42.7 billion of preferred securities, minority interest balance reduced.

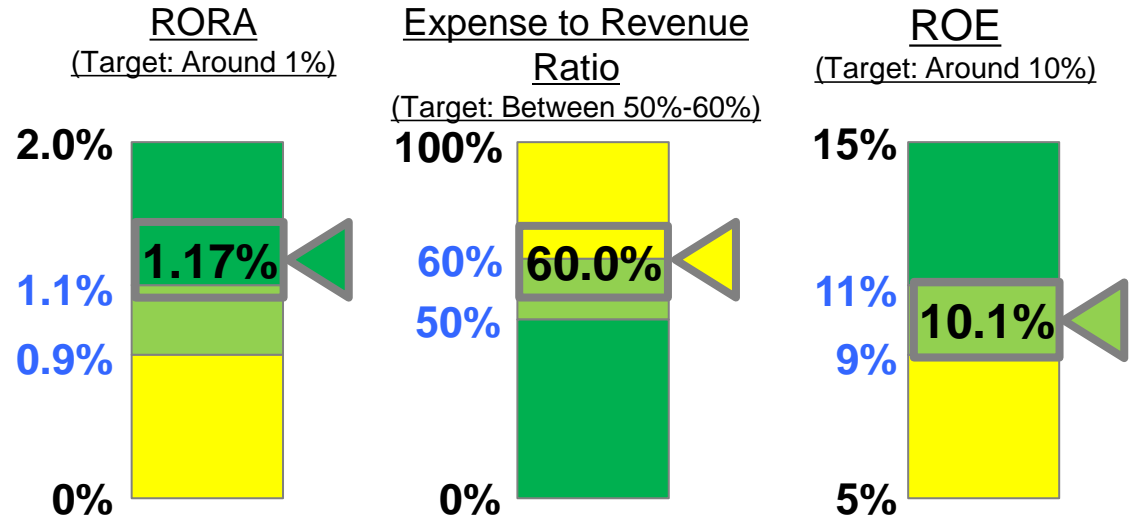
Progression of 2nd MTMP: Second Year Dashboard

Growth

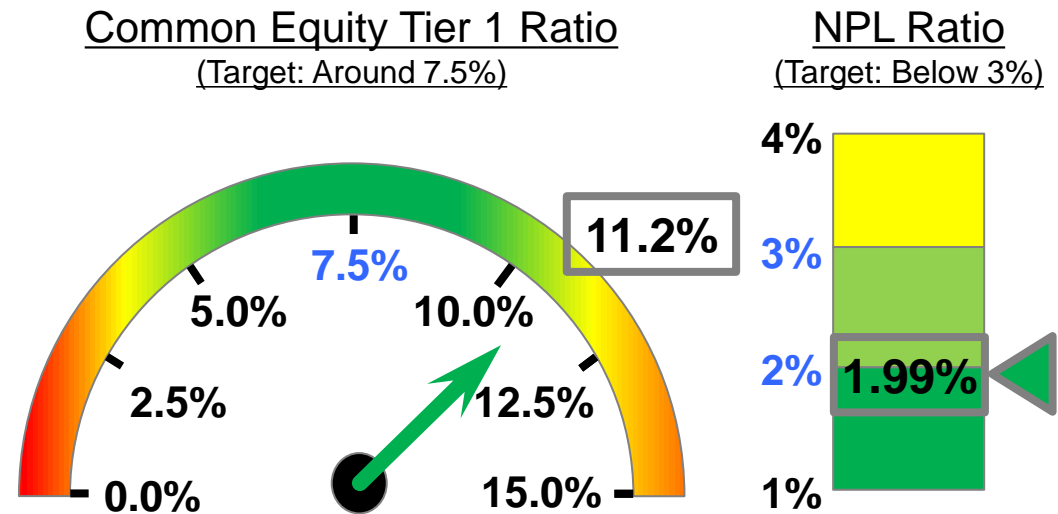
Consolidated Net Income



Profitability



Financial Stability



- **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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