



Second Medium-Term Management Plan (FY2013-FY2015)

**Shinsei Bank, Limited
March 18, 2013**

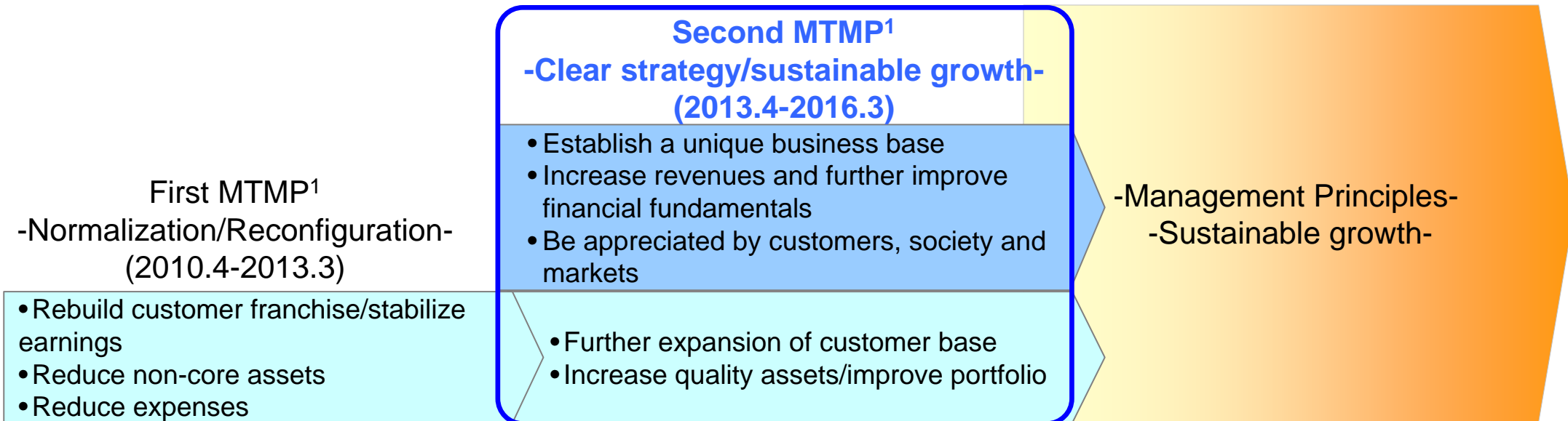


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Second Medium-Term Management Plan Overview: Positioning

- Under the present MTMP¹, based upon the assessment and reflection of past issues, we are focusing on the basic concepts of “rebuilding the customer franchise” and “establishing a stabilized earnings base” as we work to rebuild and normalize our business
- In the Second MTMP, we will focus on “establishing a clear strategy and pursuing sustainable growth” by “further expanding the customer base” and “increasing quality assets while improving our portfolio”



Management Principles

- To be a banking group that is sought out by customers, with stable profitability, and contributing to the development of the industrial economies in Japan and overseas
- To be a banking group that values diverse talents and cultures and that is constantly able to take on new challenges in a changing environment while taking into consideration experience and history
- To be a banking group that has highly transparent management and again trusted by all stakeholders including customers, investors and employees

Second Medium-Term Management Plan Overview: Basic Strategy

- Individual Business: To implement a new retail banking model to grow our core customer base to 5 million
- Institutional Business: To strengthen and utilize expertise to support the growth of companies, industries and regions by working together with customers

Implement a new retail banking model

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

Individual Business

Expand/develop the loan business

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

Integrated Group Management

Pursue differentiation in key industries/fields

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

Institutional Business

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

Second Medium-Term Management Plan Overview: Goals/Targets

Goals

- Establish a unique business base
- Increase revenues and further improve financial fundamentals
- Become a financial group appreciated by customers and valued by society/markets
- As a financial institution with public funds we recognize our expected role to fulfill our social responsibilities
- We will work to build a robust and stable computer system that operates smoothly

FY2015 Financial Targets

Growth	Net Income	70.0 BY
	Cash Basis ¹ Net Income	76.0 BY
Profitability	RORA ²	about 1.0%
	Expense-to- Revenue Ratio	50% level
	ROE	about 10%
Financial Stability	Common equity Tier I ratio ³	about 7.5%
	NPL Ratio ⁴	2% level

- We are targeting consolidated reported basis net income of 70.0 BY and consolidated cash basis¹ net income of 76.0 BY in FY2015

- Our aim is not only the absolute amount of net income, but also to achieve a high level of profitability while enhancing the financial stability of our operations

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

² Return on risk assets is calculated as net income divided by fiscal year end risk assets

³ Basel III fully loaded basis

⁴ Non-consolidated basis non-performing loan ratio

Financial Projections

(Consolidated, JPY billion)

■ Total Revenues

Net interest income is projected to increase due to increase in quality assets across divisions and lower funding costs due to the maturity of past campaign rate retail term deposits

Non interest income is projected to increase due to higher revenues associated with our corporate revitalization business and strengthening of sales of investment products through the expansion of our customer base and promotion of cross selling, despite the decrease due to a change in the estimation of revenues related to structured deposits, etc.

■ Expenses

Aiming for an expense-to-revenue ratio at the 50% level. While this level takes into consideration higher expenses related to an increase in resources as we further expand our customer base in strategic areas, and costs related to system development, we will also work to improve operating efficiency whereby growth in expenses will be less than the growth in revenues

■ Credit Costs

Net credit costs are projected to increase due to an increase in general reserves for loan losses as we actively expand lending that will lead to a higher level of assets

	FY2013	FY2014	FY2015
Total Revenues	215.0	240.0	270.0
Net Interest Income	115.0	130.0	145.0
Non Interest Income	100.0	110.0	125.0
Expenses	135.0	140.0	145.0
Net Credit Costs	20.0	30.0	40.0
Net Income	48.0	55.0	70.0
Cash Basis ¹ Net Income	56.0	62.0	76.0

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

Individual Business Basic Strategy

- Implement a new retail banking model to grow core customer base to 5 million

Enhance customer base across the Shinsei Bank Group

- Expand core customer base by providing services leveraging the entire Shinsei Bank Group
- Focus on multifaceted transactions across multiple generations and stable funding through a wide range of contact points through the promotion of investments, settlements, loans and consulting

Implement a new retail banking model

- Strengthen the cooperation between and leverage the characteristics of each sales channel that includes branches, the call center and the internet
- Provide products and services, such as investment trusts and structured bonds from the customer's perspective ahead of other banks/companies
- Improve consulting capabilities by providing courteous consultations

Expand and develop the loan business

- Expand mortgage products that better meet customer needs
- Establish a position in the market of unsecured card loans as a trusted lender
- Increase balance and line up of multipurpose loans
- Expand guarantee business in cooperation with regional financial institutions

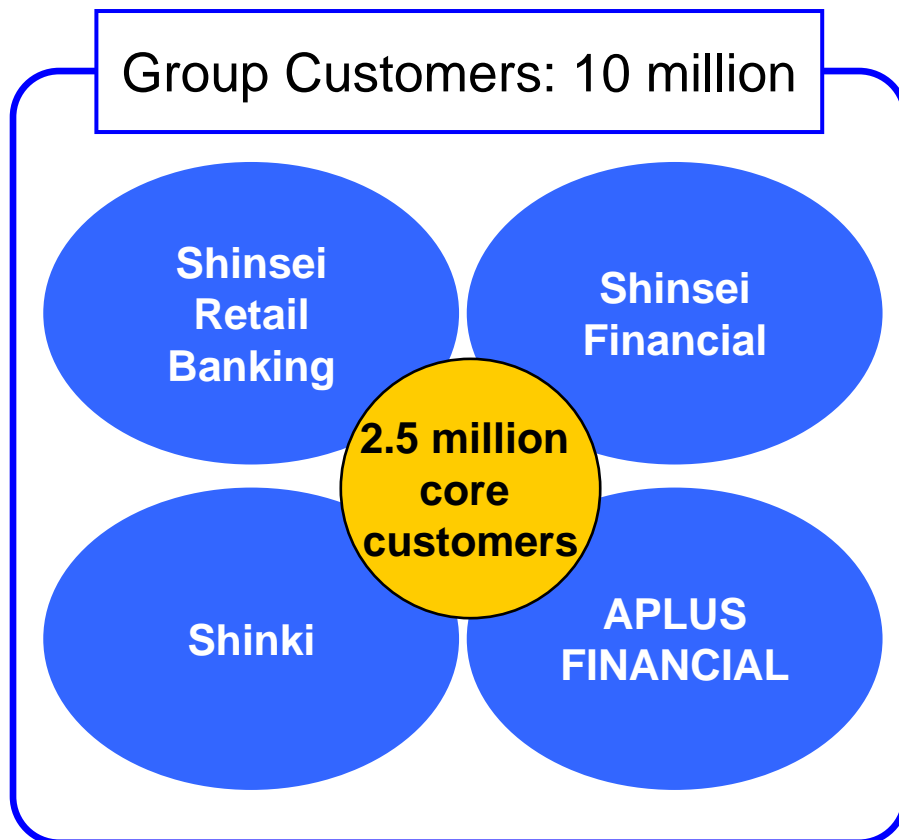
Overseas Strategy

- Explore provision of unsecured loans and installment sales credit to meet small lot financing needs in Asia where the middle class is growing
- Consider to meet the needs of domestic customers for overseas asset management products

Individual Business Strategy: Core Customers

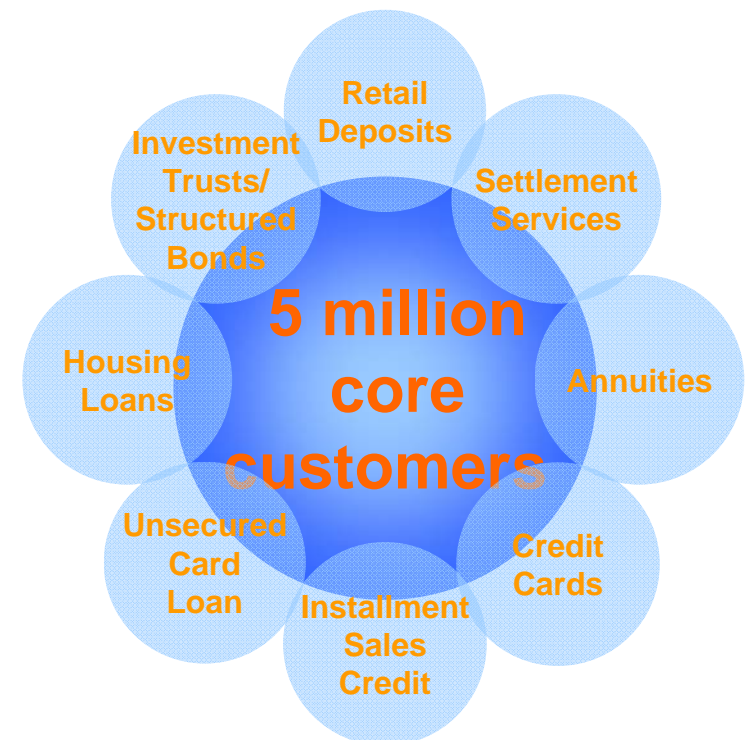
- Aim to double the number of core customers that are able to freely use the Shinsei Bank Group's companies products and services that fit their needs from the present level of 2.5 million to 5 million by March 31, 2016

Individual Group Customers (Present)



Expand core customer base by leveraging all functions of Group to provide services

Focus on growing core customer base

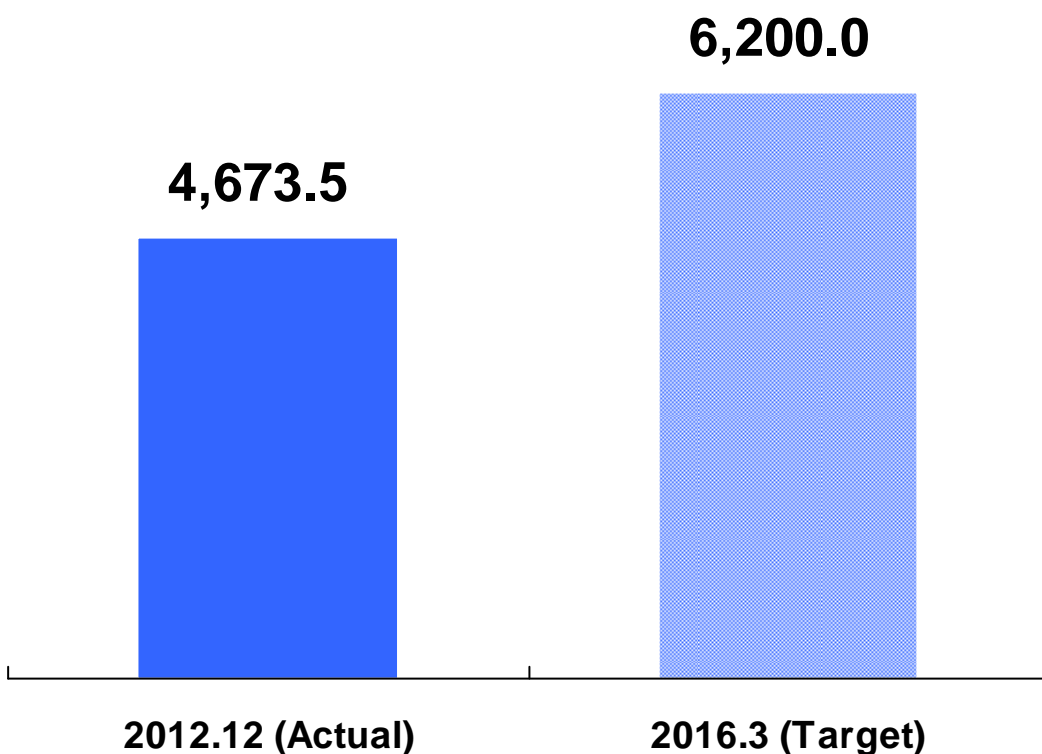


Individual Business Strategy: Retail Deposits

(Consolidated, JPY billion)

- Retail deposits continue to be the funding engine of the Shinsei Bank Group
- Actively expand funding through retail deposits in line with the growth in assets

Retail Deposit Balance Target



Retail Deposits Strategy

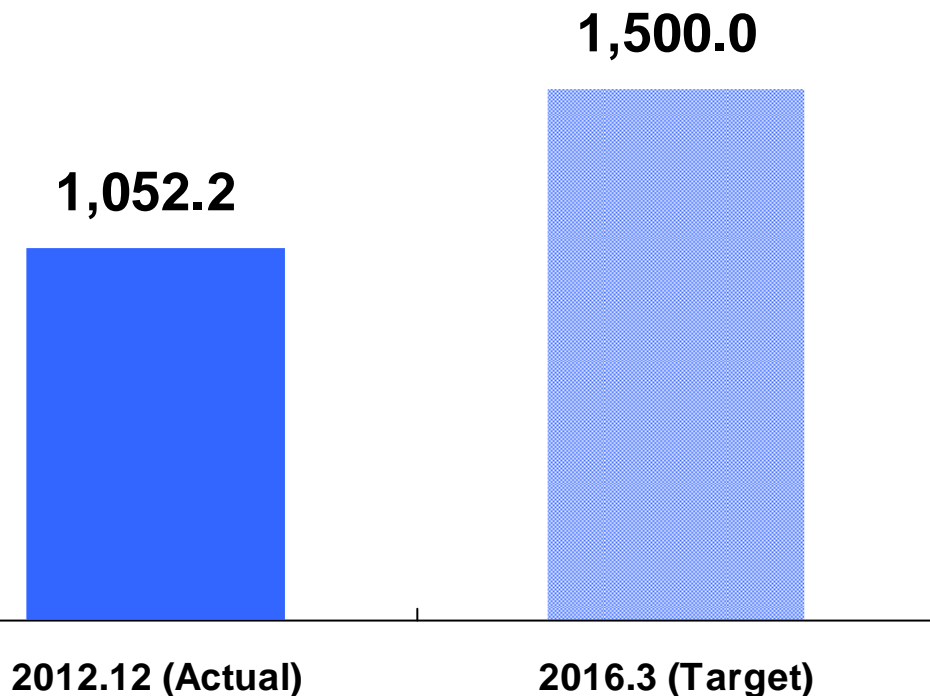
- While leveraging the characteristics of each channel, we aim to increase stable retail deposits by expanding the customer base
- Further promote product development that leverages the characteristics of products such as our two week maturity deposits and structured deposits
- Reduce funding costs as past yen term deposit campaigns come to maturity

Individual Business Strategy: Housing Loans

(Consolidated, JPY billion)

- Aim to continue to expand housing loan balance
- Focus on the expansion of mortgage products that better take into consideration customer needs without engaging in price competition

Housing Loan Balance Target



Housing Loan Strategy

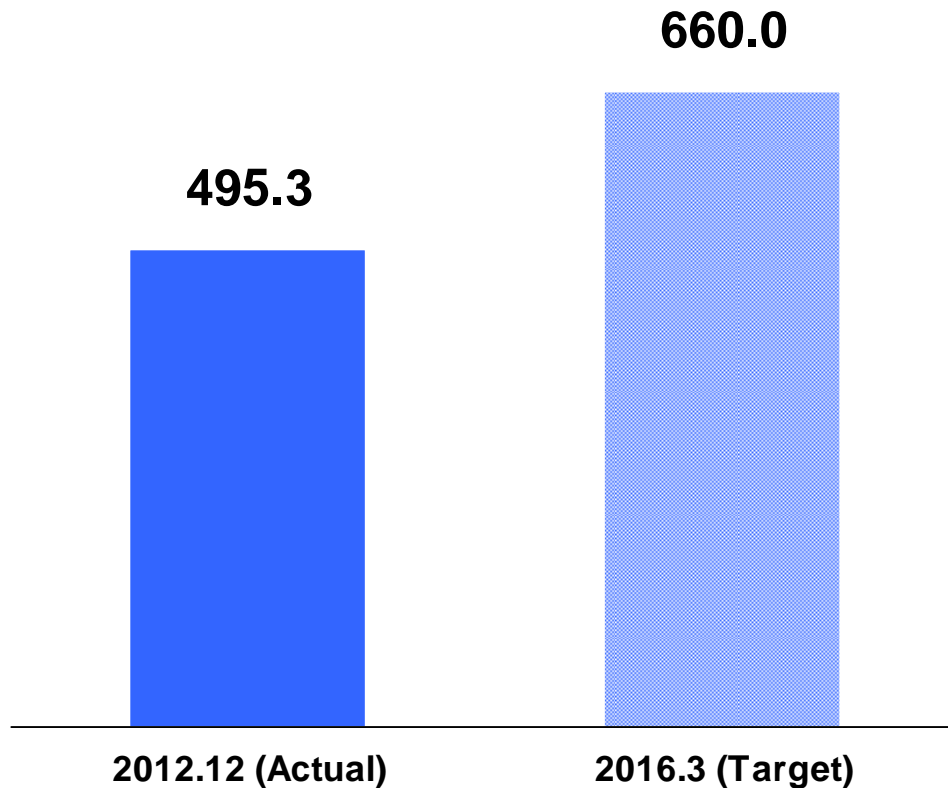
- With potential demand for refinancing large we will continue to steadily focus on capturing demand for loan refinancing
- Continue with differentiation strategies that leverage our unique products without competing on interest rates
- Aim to further expand the mortgage business by expanding mortgage products that better fit customer needs

Individual Business Strategy: Consumer Finance

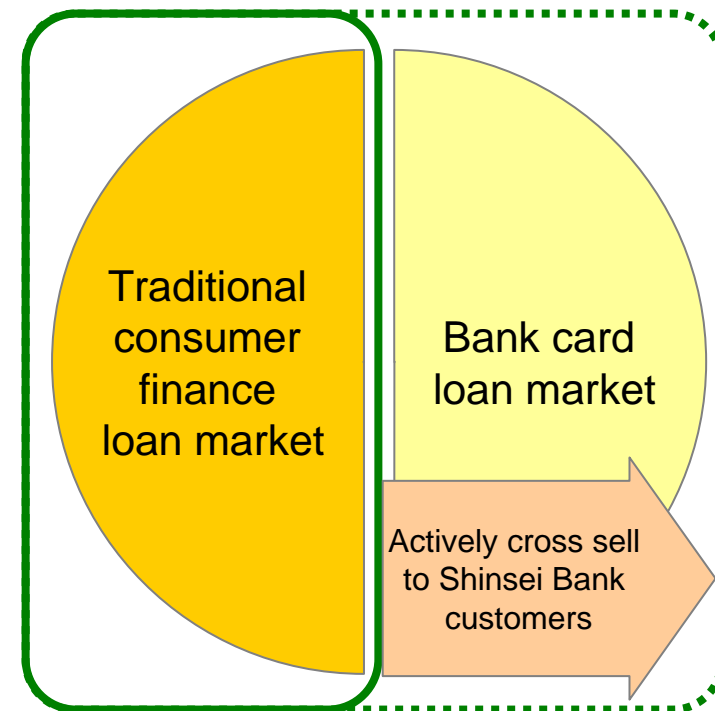
(Consolidated, JPY billion)

- Aim to grow the consumer finance loan balance at an annual rate of about 10% by actively focusing on the bank card loan market in addition to the existing focus on the traditional consumer finance market

Consumer Finance Loan Balance¹ Target



Expand focus into bank card loan market in addition to traditional consumer finance market



• Main focus up until FY2012 was solidifying presence in traditional consumer finance market

• From FY2013 onward look to also actively penetrate bank card loan market

¹ Includes Shinsei Bank Card Loan Lake business

Institutional Business Basic Strategy

- Strengthen and utilize expertise to support the growth of companies, industries and regions by working together with customers

Provide Functions from a Shinsei Bank Group Wide Perspective

- Create a multidimensional profit-generating model that leverages the opportunities generated along with the expansion of the customer's business by working together with the customer to resolve any issues
- Provide solutions to companies, industries and regions using our regional financial institutions network in addition to the financial solutions provided by each company in the Shinsei Bank Group to our customers

Promote Differentiation in Key Industries and Fields

- Identify “medical and healthcare,” “renewable energy,” and “new business/corporate rehabilitation support” as focus areas and achieve growth and development by providing the highest level of services combining expertise, our network and financial functions

Further Strengthen Areas of Expertise

- Reconfigure the real estate portfolio and secure earnings
- Strengthen new initiatives in the field of structured finance that is expected to grow in the future
- Provide knowhow for corporate revitalization in cooperation with other financial institutions upon expiration of SME Financing Facilitation Act
- Strengthen competency of capital market solutions

Overseas Strategy

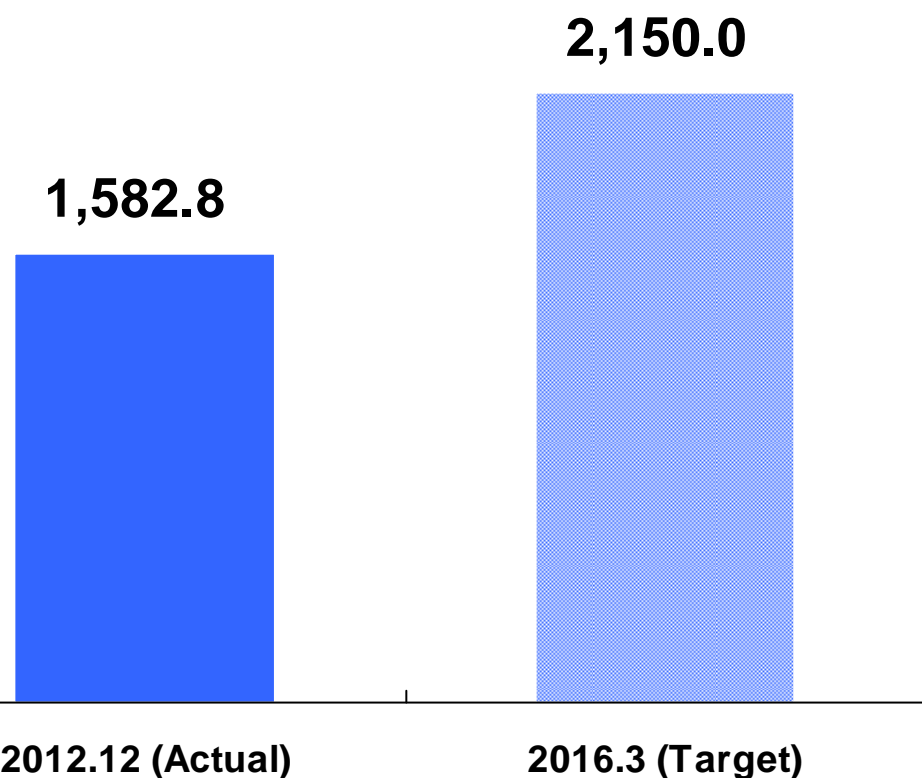
- Support overseas expansion of corporate sector customers by teaming up with regional financial institutions and overseas local financial institutions
- Focus on high-quality PFI¹ projects with other Japanese companies in Europe and Oceania
- Participate in high-quality real estate projects in Australia and expand corporate revitalization related business in Korea

Institutional Business Strategy: Institutional Business

(Consolidated, JPY billion)

- Increase loans to the corporate sector by strengthening the institutional business organization and expanding our customer base by working together with customers to resolve any issues
- Acquire and cultivate relationships with core customers in strategic growth areas while establishing our presence

Corporate Sector Loan Balance Target



Corporate Sector Strategy

- Strengthen support for growing customers' businesses by providing management solutions (funding, capital, human resources and information) based on VBI¹ strategy while also taking certain business risks
- Investing management resources in priority areas of "medical and healthcare," "renewable energy," and "business startup support/corporate revitalization" while working to acquire and deepen relationships with core customers

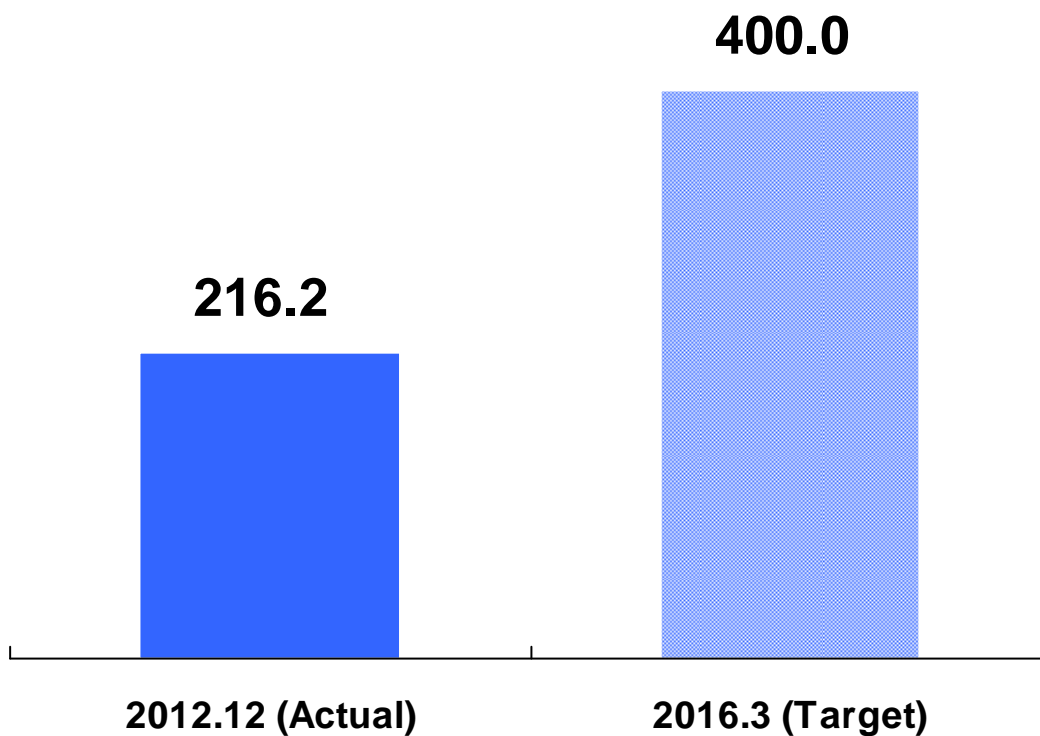
¹ Venture Banking Initiative

Institutional Business Strategy: Specialty Finance

(Consolidated, JPY billion)

- Expand project finance in Japan and overseas leveraging extensive experience and high level of financial knowhow in structured finance
- Expand leveraged finance and M&A finance that meets market needs

Specialty Finance³ Balance Target



¹ Specialty finance includes structured finance such as project finance and leveraged finance

Development of Business Opportunities

- Expand transactions in areas of resources, electric power generation, renewable energy and infrastructure in Asia and Oceania and PPP²/PFI³ in Europe by leveraging relationships with Japanese sponsors and infrastructure investment sponsors
- Take multifaceted approach to domestic renewable energy related projects (financing, arrangement and advisory)
- Expand cross border M&A in addition to MBO⁴ and LBO⁵ financing

² Public Private Partnership

³ Private Finance Initiative

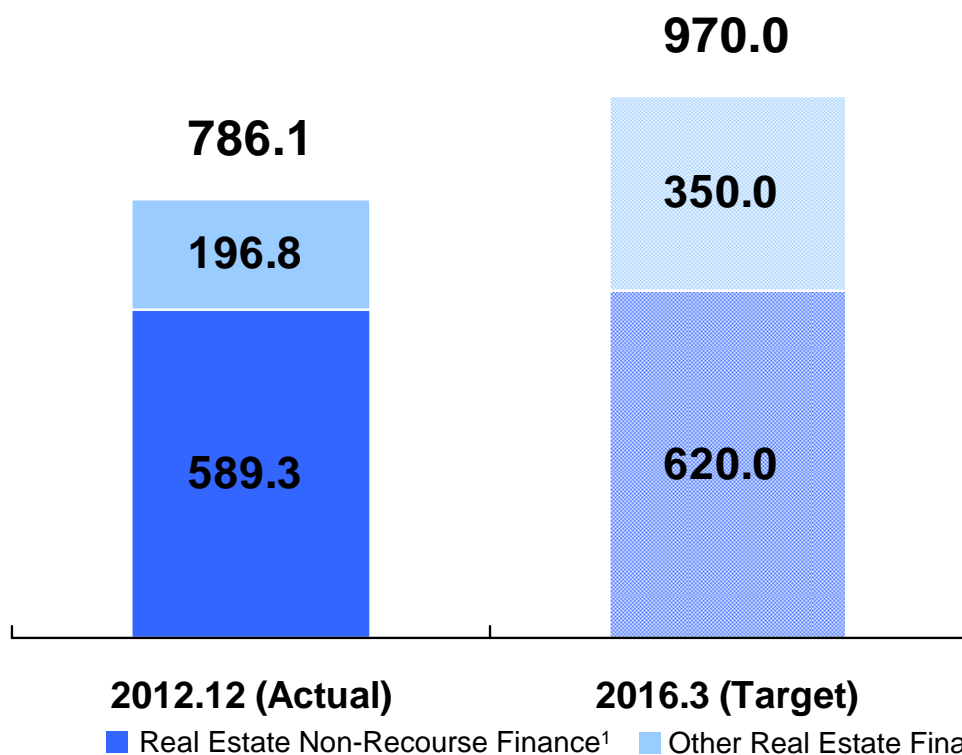
⁴ Management Buyout

⁵ Leveraged Buyout

Institutional Business Strategy: Real Estate Finance

- While the balance of non-recourse finance is expected to stay largely flat due to the reconfiguration of the real estate portfolio, the other real estate finance loan balance is expected to grow

Real Estate Finance Balance Target



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

² Other real estate finance loans include loans to real estate companies and REITs

Real Estate Finance Strategy

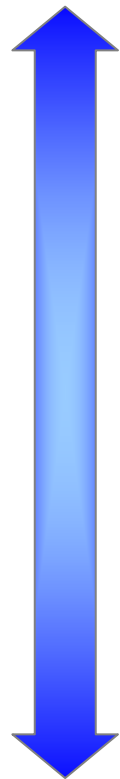
- In non-recourse finance, we will work to secure revenues and improve the quality of portfolio by financing new projects that have an appropriate risk-return profile
- In loans to real estate developers, we will work to expand our customer base and deepen relationships with existing customers while making loans to new high quality companies
- We will work to increase loans to J-REITs in backdrop of expected growth in industry in line with government's strategy to revitalize Japan

Institutional Business Strategy: Financial Institutions Business

- Promote business cooperation and wider range of transactions by providing multifaceted functions to financial institutions
- Establish a revenue base and promote business alliances through a strong network with financial institutions

Financial Institutions Business

Secure Profits



Asset management proposal/
asset buying/selling

Advisory/
Human resource exchange

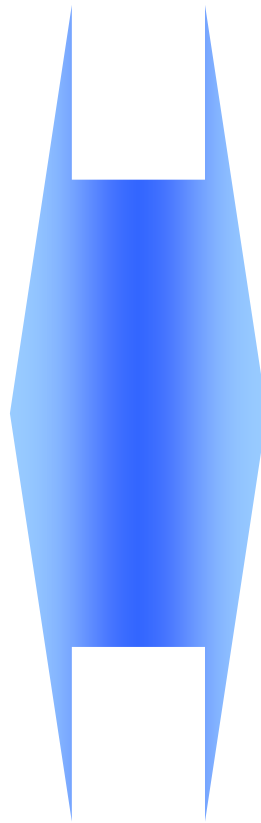
Growing assets

Collaboration & Sharing

Funding & Capital

Participating in restructuring

Regional development/
revitalization



Financial Institutions Network

Regional Financial Institutions

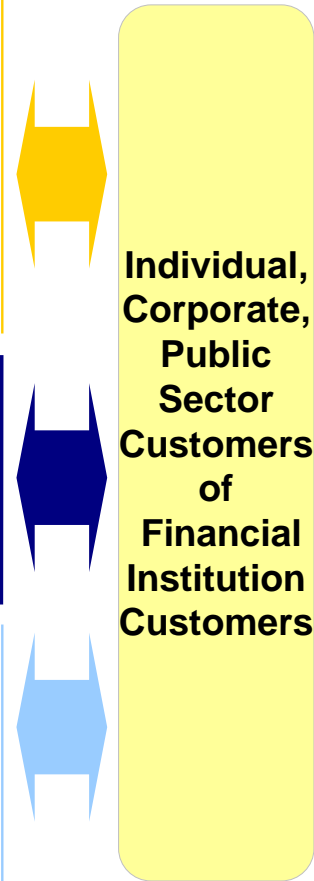
- Business alliance
 - White label structured deposits/derivatives
 - Consumer finance business alliance
 - Corporate rehabilitation advisory business alliance
- Regional development partners

Life & Non-Life Insurance Co.

- Advisory
- Maintain and expand funding and capital raising relationships

Securities Co.

- Business alliance (product purchasing and sales)
- Overseas business cooperation



Business based on Relationships

Capital Policy

- Aim for a common equity Tier I ratio of 7.5% (fully-loaded basis) under Basel III international standards
- Basic dividend policy is to pay fiscal year end common stock dividend of 1 yen per share

Common Equity Tier I Ratio Target

2012.12
(Estimate)
(Basel III¹)

2016.3
(Target)
(Basel III¹)

Common
Equity Tier I
Ratio

**almost
7.0%**

about 7.5%

Capital Policy

- Aim for a common equity Tier I ratio of 7.5% (fully-loaded basis) by March 31, 2016 under Basel III international standards
- Enhance and strengthen capital mainly by accumulating retained earnings
- Expect to see positive contribution from reduction in deduction items from capital due to reduction of non-performing loans
- Continue to consider early redemption of preferred securities and subordinated debt based on economic rationality

¹ Represents fully-load basis under Basel III international standard

Management Infrastructure Initiative

■ Management infrastructure that will support the Second MTMP¹

- Risk Management: Strengthen risk-taking capability, upgrade risk management framework and further deepen risk culture
- IT System: Build a robust and stable system the operates smoothly

Risk Management

- Upgrade risk management framework
 - Appropriate risk-return management
- Risk management in line with business expansion
 - Improve expertise and risk control
 - Improve screening techniques and processes
- Improve bank-wide project screening capability
 - Raise level of bank-wide screening capability (OJT)
 - Strengthen human resources
- Respond to changes in external regulations
 - Credit risk, market risk and liquidity risk

IT System

- Stabilize the operations of the current system while focusing on important businesses
 - Comprehensive check of important systems
 - Develop new backup center
- Set basic policy and start building the next system in line with management policy
 - Ensure superior technology and robust system
- Provide systems with performance and quality that fit business strategy efficiently

Shinsei Bank Group Organization

As of March 1, 2013



Individual Business (Individual Group)

Consumer Finance Sub-Group

Retail Banking Sub-Group

Shinsei Bank Card Loan Lake

Retail Deposits

Unsecured Personal Loans
and Credit Guarantees

Investment Trusts

SHINSEI FINANCIAL

Structured Bonds

Unsecured Personal Loans

A Financial Venture
シブキ株式会社

Insurance

Housing Loans

Credit Cards/Shopping Credit/Settlement

APLUS FINANCIAL

Overseas Remittance

Real Estate-Backed Loans

新生プロパティファイナンス

Institutional Business (Institutional Group, Global Markets Group)

Institutional Group

Global Markets Group

Corporate and Public
Sector Business

Financial Institutions
Business

Real Estate Finance

Markets Business

Specialty Finance

Wealth Management

VBI (Venture Banking Initiative)

Asset Management

Healthcare Finance

SHINSEI INVESTMENT MANAGEMENT

Private Equity

SHINSEI CORPORATE INVESTMENT

Securities (Securitization/
Structured Bonds)

SHINSEI SECURITIES

Corporate Restructuring
(Buying and selling of money
claims, administration, collection)

SHINSEI SERVICER

SHINSEI GIN FINANCE

Trust Business (ABS, MBS,
Real Estate Trust)

SHINSEI TRUST

Leasing (Lease, Movable
Property Management)

SHOWA LEASING

- **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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