

## Shinsei Bank 13th Annual General Meeting of Shareholders Q&A Summary

June 19th, 2013

Inquirer #1

Q1. Please tell me the history of Mr. Flowers' ownership of, and the value of his Shinsei Bank stock when he purchased it.

A1. Mr. Flowers holds approximately 21% of the Bank's common stock as an individual and through his investment group. He has both sold and acquired stock on several occasions and held 27% of the Bank's common stock at the end of March 2011. I am not aware of the purchase price of his stock.

Q2. Please tell me about the possibility of mergers.

A2. We are currently neither in the process of performing nor considering a merger. If an opportunity for a merger which benefits the Bank presents itself in the future, we will give it proper consideration.

Inquirer #2

Q1. Last year's corporate loan balance only grew by JPY 7 billion, and I would like to know if the Bank was operating in this market in the proper manner.

A1. Last year we saw little growth in corporate loan balances amongst most banks due to the harsh economic environment, and we have therefore done well even with the relatively small growth. We also believe that we were able to engage in loans of good quality.

Q2. Is there a possibility that that the standing statutory auditor, due to his position as a Shinsei Bank insider, is not accurately presenting the status of Shinsei Bank?

A2. The board of statutory auditors consists of two external corporate auditors in addition to the standing statutory auditor, and as a result inaccurate reporting is prevented.

Q3. I feel that the lack of reporting on the misconduct of the Bank due to unauthorized ATM withdrawals made overseas casts a shadow on the credibility of the statutory auditors' report.

A3. The skimming that occurred is not considered misconduct as the Bank itself is also a victim. Shinsei Bank accounts were targeted by thieves due to the fact that funds can be withdrawn overseas. Countermeasures to prevent further skimming have been taken, and we are considering making a change that funds can only be accessed overseas if account holders opt in for the service. We will be paying close attention to the issue in the future.

Inquirer #3 (Directed at Mr. Flowers)

Q1. You have been a major shareholder for over ten years. How has the vision of the Bank changed from its inception?

A1. I, as the acting Chairman of the Board of Directors, will answer on behalf of Mr. Flowers and will express the opinion of the Bank Group as a whole regarding your question. Shinsei Bank has focused on providing advanced individual financial solutions from the start, and our focus has not changed as we continue to seek to provide such services. After I took office, we have begun to focus on providing funds to companies and industries in need of funding in our corporate business, as well as lending to the so-called emerging sectors in Japan. I believe that this is the vision that we have now which was not present at the time of our founding as Shinsei Bank.

Q2. You are actively involved in the consumer finance business. Please tell me what you envisioned when you first became involved in this business.

A2. While there was impact from the revision of the money lending business law, there exists strong needs among customers for this business, and we recognized the importance of this as part of our individual financial services as we are able to provide the service with the convenience of a bank.

Q3. Isn't it a conflict of interest for you to be in a position to seek the mid- to long-term profitability of Shinsei Bank as a Director, while you seek the profitability of your fund as an investor?

A3. Mr. Flowers has been a major shareholder in Shinsei Bank for over ten years, and it is our understanding that his intention is not to buy and sell off shares in a short period of time to generate profit, but that he is involved with the Bank over a mid- to long-term period. His position as a Director has allowed us to receive valuable advice and he has made significant contributions to the management of the Bank.

Inquirer #4

Q1. Although business has improved, there has been no change to the dividend. Please think a little more about (increasing) it.

A1. Now that Shinsei Bank has been able to solve its legacy issues, there is a need for sufficient capital in order to ensure sound management of the Bank. In addition to this, the Second Medium-Term Management Plan includes a plan to increase high quality assets and the Bank will require larger reserves than what we currently hold to achieve this. Although we currently plan no large increases in dividend in the next three years, please be aware that we do not think a JPY 1 is a sufficient dividend.

Q2. Please tell me your thoughts on the repayment of public funds.

A2. As all public funds have been converted into common stock, the stock must be sold in the market in order to recoup the funds, and the current stock price is not sufficient to be able to allow the recovery of the full principal of the public funds. It is necessary for the Bank to improve its business performance and increase earnings to raise its stock price, and the Bank will strive to do so in order to allow for the recovery of all public funds as quickly as possible.

Q3. The souvenir we received was a book card, but I would prefer to receive a prepaid card.

A3. Thank you for your feedback.

Inquirer #5

Q1. You said that there were no plans to increase the dividends for three years. Will this really result in an increase in stock price?

A1. We will not distribute large dividends such as JPY 10 or JPY 20 but in the event of strong earnings, we would be willing to consider slightly higher dividends such as JPY 2 or JPY 3.

Q2. What are your thoughts on individual businesses targeted at the more affluent customer segments?

A2. We have had a focus on these segments from the outset of our retail banking business, and we would like to continue to offer our asset management services to these customers in the future.

Inquirer #6

Q1. Are you considering changing the trading unit of share from a 1000 shares to, say, 100 shares?

A1. Changing the trading unit of our shares will result in an environment which will make it easier for individual investors to invest in the Bank, but given the lack of effectiveness of such a tactic due to the current stock price we are not considering any such moves. We would like to give consideration to such moves once the stock price rises above JPY 1000 per share.

Inquirer #7

Q1. Although the dividend has gone from JPY 0 to JPY 1 after President Toma took office, I would like to see an increase in the stock price.

A1. All executives and employees of the Bank will make diligent effort to improve the performance of the Bank, which in turn will lead to an increase in the stock price.

Q2. How much public funds were converted into common stock?

A2. The principal converted into common stock was over JPY 200 billion.

Inquirer #8

Q1. Does Shinsei Bank have a balance of securitized products of subprime loans such as those which were the underlying cause of Lehman Shock?

A1. Shinsei Bank does not have a balance of securitized products of subprime loans. The Bank has been affected in a number of ways such as a drop in stock price due to the effect of the Lehman Shock, but after continued efforts we have reached a point where we have more or less resolve these effects.

Inquirer #9

Q1. Is there anything in place that I can look forward to, such as a strategy to increase dividends?

A1. We are not fully satisfied with the dividend or the current policy surrounding it, but we require a certain level of capital reserves in order to be able to maintain the health of the Bank and ensure future growth. Rather than using the capital to pay higher dividends, we hope to utilize the capital to reinvest into the Bank in order to raise earnings and subsequently raise the stock price.

Inquirer #10

Q1. Current interest rates of 10 year government bonds currently range from 0.6% to 0.8%. What level of loss would be incurred by the Bank if the rate was to rise to 1%?

A1. Interest rate sensitivity simulations performed by the Bank have shown that in the event that not just government bond rates, but short- and long-term interest rates were to rise to 1%, stand alone losses would total approximately JPY 15 billion. That being said, the Bank's holding of government bonds is currently JPY 1.3 trillion, close to the minimum level. Even if an emergency situation where interest rates was to take place, my understanding is that the Bank is capable of absorbing the losses.

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