

## Shinsei Bank 14<sup>th</sup> Annual General Meeting of Shareholders Q&A Transcript

June 18, 2014

Shareholder 1

Question 1: Please tell us of the accounting method for stock acquisition rights at the time of exercise and how their exercise will change the total number of shares outstanding.

Answer 1: As the current share price is far below the strike price, the rights were not exercised during the exercise period, and the rights will automatically expire if they are not exercised by the date of their expiration.

Question 2: Are the shares held by the major shareholders the Deposit Insurance Corporation of Japan and the Resolution and Collection Corporation in lieu of public money?

Answer2: Correct. They hold their stake in the Bank through common stock.

Shareholder 2:

Question 1: If interest rates increase, will your Bank's share prices, which remain low, rise in value?

Answer 1: Interest rates and share prices have nothing in common. Regarding the low price of Shinsei Bank's shares, we will continue to work to raise their value to a level which you will be satisfied with.

Shareholder 3:

Question 1: I would like to see Shinsei Bank's online banking made more convenient, especially in areas such as logging in and checking balances. I would like for you to consider utilizing similar inquiry systems as those used by other Banks.

Answer 1: We believe that it is necessary to balance convenience with security. Regarding our services, we will investigate into this area.

Shareholder 4:

Question 1: You say that Shinsei Bank will proactively engage in initiatives in which the Bank has expertise. What areas specifically are you talking about and how will these efforts contribute to profitability?

Answer 1: One area is cash flow financing such as non recourse financing and project financing. This is a funding scheme based upon the evaluation and analysis of business risks and cash flows, rather than simply providing loans based upon the credit history of companies. We consider this to be one of our areas of expertise due to our experience in such lending. Additionally, this kind of lending is more profitable than traditional financing.

Shareholder 5:

Question 1: How quickly are you disposing of non performing loans?

Answer 1: The Bank's NPL ratio has declined from 6.78% on March 31, 2011 to 3.81% on March 31, 2014. The boom in the real estate market is a large factor in this reduction.

Going forward, we look to enter the final phase of our NPL disposal, and we will be able to further reduce the NPL ratio to the 2% level by the end of the fiscal year.

Shareholder 6:

Question 1: Please tell me about the breakdown of profits and losses related to securities.

Answer 1: We are keeping our securities investment limited in order to adjust the funding demand gap. While fluctuations in the market cannot be controlled, we are maintaining our positions so that we could keep losses limited to certain levels, and any such losses would be one offs.

Shareholder 7:

Question 1: Please tell me your views concerning foreign currency market.

Answer 1: The forecasting of rates is extremely difficult. My personal opinion is that the U.S. Federal Reserve Bank is moving in the direction back to normalizing monetary policy from the current extraordinary monetary easing policy, and I have heard many opinions that such actions will cause an increase in interest rates in the U.S., and the yen will depreciate gradually.

Shareholder 8:

Question 1: How much of Shinsei Bank's business is comprised of consumer finance such as Lake and SHINKI? How much does this segment contribute in terms of profit?

Answer 1: In terms of the outstanding loan balance, loans to consumer finance customers stood at approximately 500 billion yen. This represents roughly 1/8 of our overall 4.3 trillion loan balance, and is thus quite significant. Shinsei Bank looks to improve the convenience of its consumer finance services, reach new customers, and contribute to healthy growth of the consumer finance market.

Question 2: Will Shinsei Bank be able to repay public funds if the share price reaches 463 yen per share?

Answer 2: As public funds have been converted to common shares, the Bank must raise the price per share significantly in order to repay public funds. However, we are not in a position to make a statement regarding what price per share the Bank must achieve in order to repay the funds.