



Business and Financial Highlights **Fiscal Year Ended March 31, 2014**

Shinsei Bank, Limited
May 2014

Fiscal Year 2013 Financial Results & Fiscal Year 2014 Financial Projection

FY2013 Key Financial Data

(Consolidated, JPY billion)

- Consolidated net income of 41.3 billion in FY2013; Profit recorded for 4 consecutive fiscal years since FY2010
- FY2014 net income forecast of 55.0 billion; Management remains strongly committed to achieving Second Medium-Term Management Plan (MTMP) FY2014 targets
- Sufficient coverage level secured due to additional provision of reserves for losses on interest repayment
- Common equity tier 1 ratio (international standard, fully loaded basis) at 9.2%, above approx. 7.5% targeted in Second MTMP

FY2013	Reported basis net income:	<u>JPY41.3 billion</u>	(EPS ² : <u>JPY15.59</u>)
	Cash-basis ¹ net income:	<u>JPY49.8 billion</u>	(Cash-basis EPS ^{1,2} : <u>JPY18.78</u>)
FY2013	ROE :	<u>6.5%</u>	(Cash-basis ROE ^{1,2} : <u>8.3%</u>)
	ROA :	<u>0.5%</u>	(Cash-basis ROA ^{1,2} : <u>0.5%</u>)
	Book value Per Common Share:	<u>JPY247.82</u>	(FY2012: JPY233.65)
	Grey zone reserve provisions:	<u>JPY15.6 billion</u>	
Mar. 31, 2014	Common equity tier 1 ratio:	<u>9.2%</u>	(Basel III, international standard, fully loaded basis)
FY2014	Reported basis net income (forecast):	<u>JPY55.0 billion</u>	(EPS ² : <u>JPY20.72</u>)
	Cash-basis ¹ net income (forecast):	<u>JPY62.0 billion</u>	(Cash basis EPS ^{1,2} : <u>JPY23.36</u>)

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

² Number of shares used for calculation of earnings per share was 2,653,919,247 for FY2013 and FY2014

Fiscal Year 2013 Summary of Financial Results

(JPY Billion)

- Revenues grew vs. FY2012 due in part to increase in non interest income at Individual Group and Institutional Group, despite net interest income decline
- While net credit costs improved, consolidated net income declined vs. FY2012 due to additional provisioning of grey zone reserves

[Consolidated]	FY2012 (A)	FY2013 (B)	Change (B-A)
Net Interest Income	111.6	110.5	-1.1
Non Interest Income	87.3	92.5	+5.1
Revenue	199.0	203.0	+4.0
Expenses	-128.6	-132.8	-4.2
Ordinary Business Profit (OBP)	70.3	70.1	-0.2
Net Credit Costs	-5.5	-0.2	+5.2
Provision for Losses on Interest Repayment	-	-15.6	-15.6
Net Income	51.0	41.3	-9.7
Cash Basis ¹ Net Income	60.4	49.8	-10.6
[Non-Consolidated]			
Net Business Profit	25.9	29.8	+3.8
Net Income	24.6	36.4	+11.7

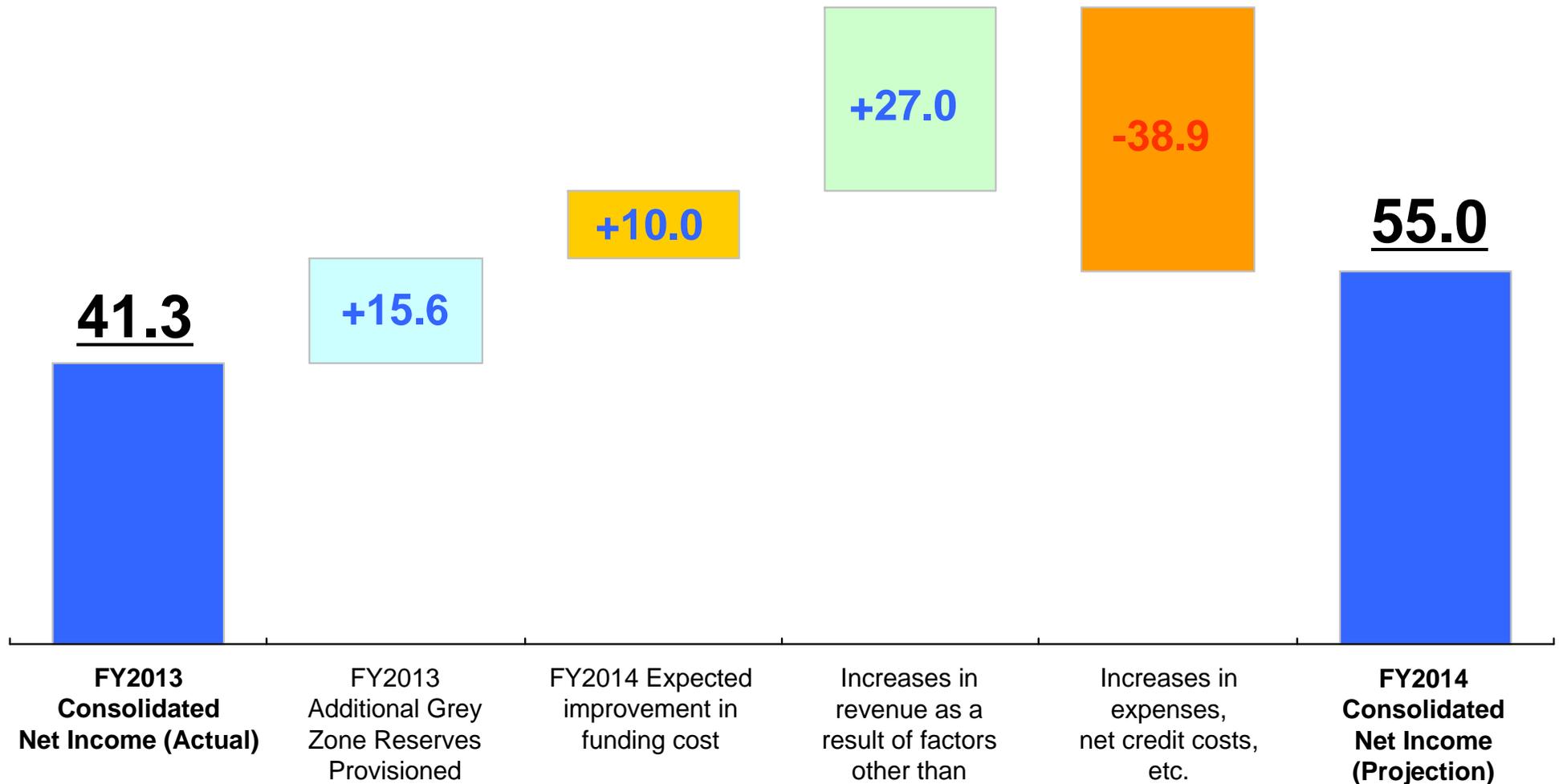
FY2013 Financial Results	
■ Net Interest Income	Net interest income, despite an improvement in interest margin, declined vs. FY2012 as a result of an increase in the total balance of interest bearing liabilities and the sluggish growth of operating assets
■ Non Interest Income	Increase vs. FY2012 due to factors such as steady growth of principal transactions business income and investment product sales and increase in shopping credit transaction volume in the Individual Group
■ Expenses	Increase vs. FY2012 due to efforts to invest management resources into strategic focus areas and resulting increases in personnel and advertising
■ Net Credit Costs	Continued to improve due to the reversal of reserves for loan losses as a result of disposal of NPLs and improving asset quality
■ Additional Provision of Reserves for Loan Losses on Interest Repayment	JPY15.6 billion of additional reserves made at three consumer finance subsidiaries

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

Fiscal Year 2014 Net Income Forecast

(JPY Billion)

- Additional provisioning of reserves for losses on interest repayment in FY2014 is not expected while 15.6 billion of additional reserves provisioned in FY2013
- Net interest income expected to increase by approx. 10.0 billion due to funding cost improvement in FY2014



Fiscal Year 2014 Financial Projection

(JPY Billion)

- Consolidated net income of 55.0 billion projected for FY2014, in line with the Second MTMP
- By investing management resources, we expect significant revenue growth through increase of high quality assets
- In net credit costs, an increase in general reserve provisions for loan losses corresponding with asset growth is expected

[Consolidated]	FY2013 (Original Projection)	FY2013 (Actual)	FY2014 (Projection)
Net Interest Income	115.0	110.5	125.0
Non Interest Income	100.0	92.5	115.0
Revenue	215.0	203.0	240.0
Expenses	-135.0	-132.8	-145.0
Ordinary Business Profit (OBP)	80.0	70.1	95.0
Net Credit Costs	-20.0	-0.2	-25.0
Provision for Losses on Interest Repayment	-	-15.6	-
Net Income	48.0	41.3	55.0
Cash Basis ¹ Net Income	56.0	49.8	62.0
[Non-Consolidated]			
Net Business Profit	36.2	29.8	42.0
Net Income	26.0	36.4	34.0

Summary of Fiscal Year 2014 Financial Projections

- **Net Interest Income**
Improvements in funding costs due to the maturation of high interest time deposits made in the past as well as increase in quality assets in both Institutional and Individual business are expected to result in an increase in net interest income
- **Non Interest Income**
Income growth expected due to factors such as greater income growth in the principal transactions business, enhancement of financial products and increase of market related transactions, and expansion of sales of investment products and shopping credit business
- **Expenses**
Expenses expected to rise due to investment of management resources in strategic areas such as personnel and advertising, as well as systems related costs
- **Net Credit Costs**
Increase in general reserve provisions for loan losses corresponding to loan asset growth expected

Dividend		
[Year End Dividend]	FY2013 (Actual)	FY2014 (Projection)
Dividend per Share	1.00 JPY	1.00 JPY

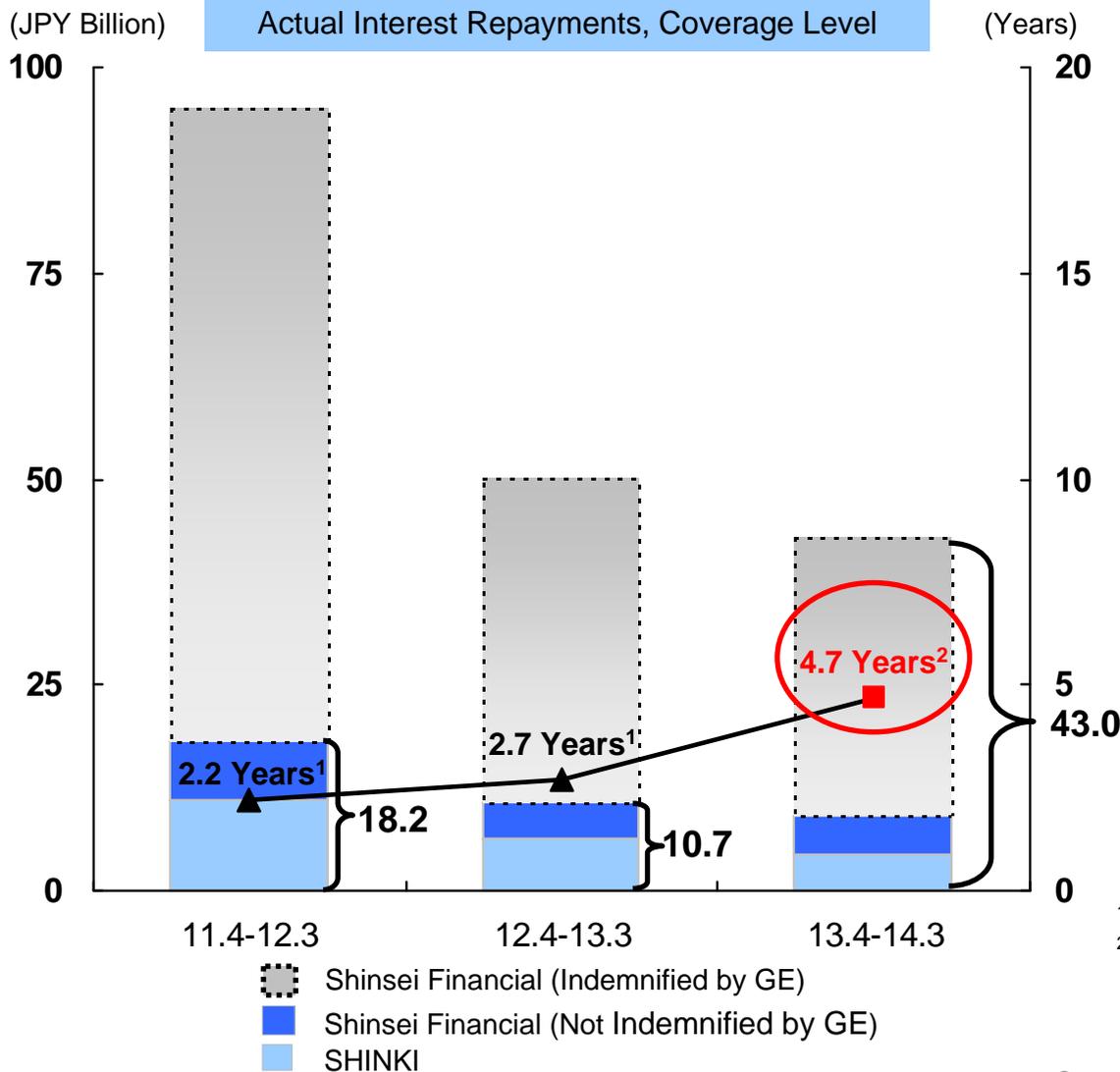
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Fiscal Year 2013 Key Topics

Interest Repayment Losses (Grey Zone)

(JPY Billion)

- Sufficient level of reserves secured with additional grey zone reserve provisioning
- Shinsei Financial received JPY175.0 billion upon conclusion of the GE indemnity, which also contributes to improvements in liquidity and funding costs



Summary of GE Indemnity for Shinsei Financial

- | | |
|----------------|---|
| September 2008 | <ul style="list-style-type: none"> ■ Shinsei Bank acquired consumer finance business from GE Japan ■ Assets with grey zone risk were largely covered by the "GE Indemnity," where GE Japan compensated the Bank for grey zone losses incurred |
| March 2014 | <ul style="list-style-type: none"> ■ In exchange for a lump sum, one-time cash payment of JPY175.0 billion, the GE indemnity was concluded |

Reference*	Grey Zone Reserves (A) (Dec. 31, 2013)	Interest Repayment Amounts (B) (12 Mons) (2013.1-12)	Coverage Level (A)/(B)
Company A	95.7	74.3	1.3x
Company B	133.9	94.3	1.4x
Company C	101.2	38.7	2.6x

*Source: In- House Research

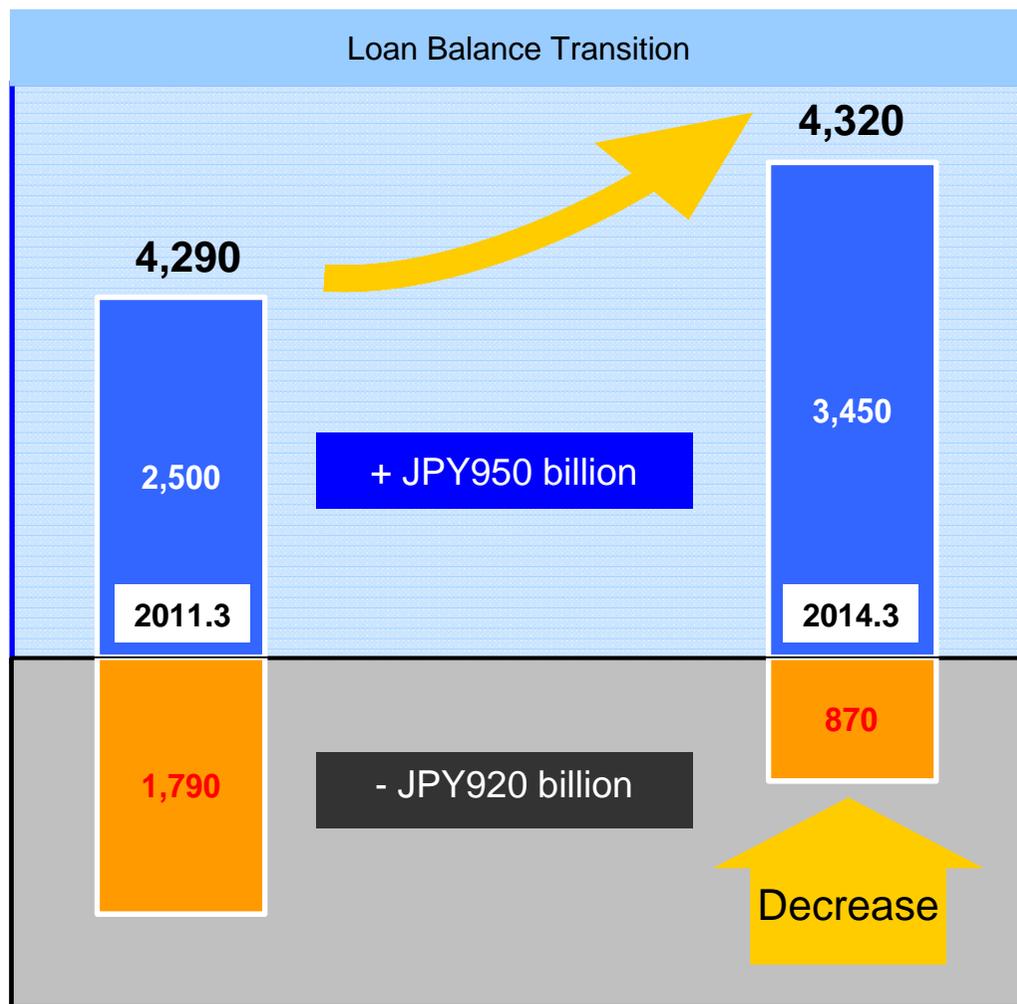
¹ Total coverage level for SHINKI and Shinsei Financial (not indemnified by GE)

² Coverage level including additional provisions of grey zone reserves made following the conclusion of the GE indemnity on March 31, 2014

Shift to Strategic Focus Areas

(Consolidated; JPY Billion)

- Growth of loan assets in strategic focus areas (approx. +40% vs. March 31, 2011) and reduction of legacy assets accelerated improvement of loan portfolio quality



Loan Growth Trend by Group

	2011.3	2012.3	2013.3	2014.3
Institutional Group	1,010.0	1,200.0	1,450.0	1,620.0
Global Markets Group	70.0	150.0	180.0	220.0
Individual Group	1,430.0	1,350.0	1,500.0	1,610.0

Key Loans Declined (March 31, 2011 → March 31, 2014)

- Non-performing loans: Approx. JPY -170.0 billion
- Need caution loans: Approx. JPY -320.0 billion
- Other non-core assets: Approx. JPY -100.0 billion

Fiscal Year 2013 Financial Results Details

Revenue (Net Interest Income/Non Interest Income)

(Consolidated; JPY Billion)

- Net interest income declined 1.1 billion vs. FY2012: Net interest income grew vs. FY2012 in the Individual Group due to steady growth of Shinsei Bank Card Loan Lake and housing loan balances; In the Institutional Group net interest income declined vs. FY2012 due in part to factors such as NPL disposal and softer than expected operating asset balance growth
- Non interest income increased 5.1 billion vs. FY2012: Non interest income grew vs. FY2012 due to steady growth in the sales of investment products in addition to growth in transaction volume in the shopping credit business in the Individual Group, as well as income growth in the principal transactions business and fee income from new loan origination in the Institutional Group. In the Global Markets Group non interest income declined vs. FY2012 due to sluggish growth of transaction volume and markets related transactions

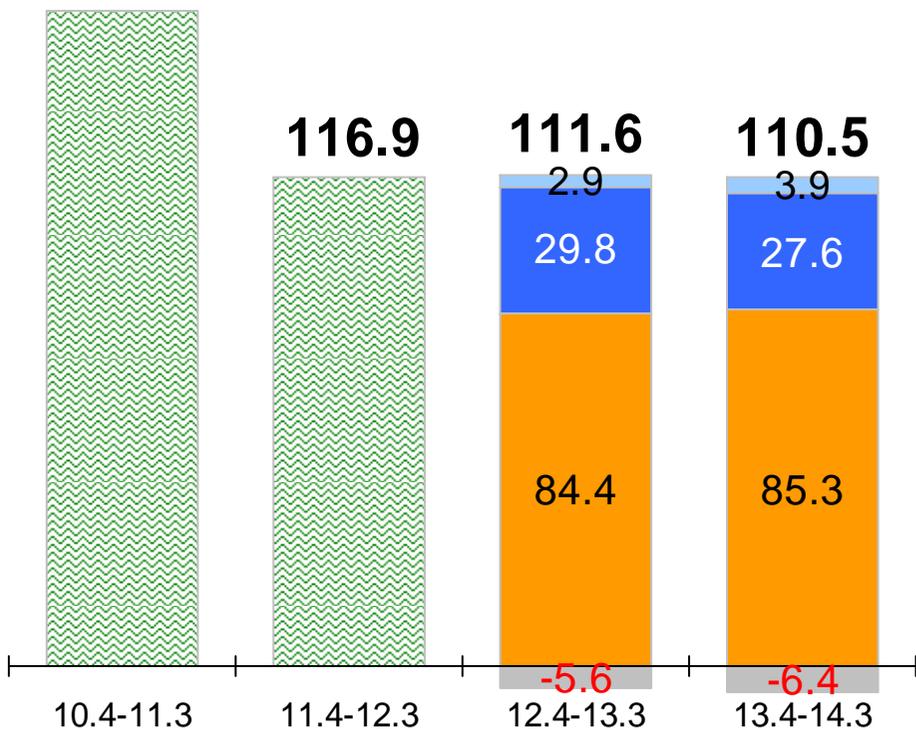
Net Interest Income

156.6

116.9

111.6

110.5



Global Markets Group

Institutional Group

Individual Group

Corporate/Other

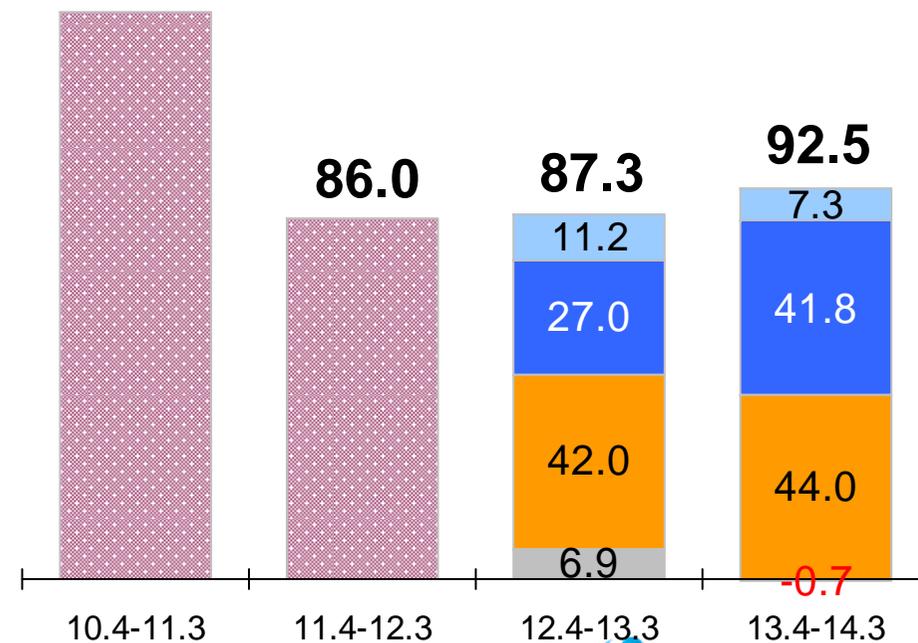
Non Interest Income

135.4

86.0

87.3

92.5

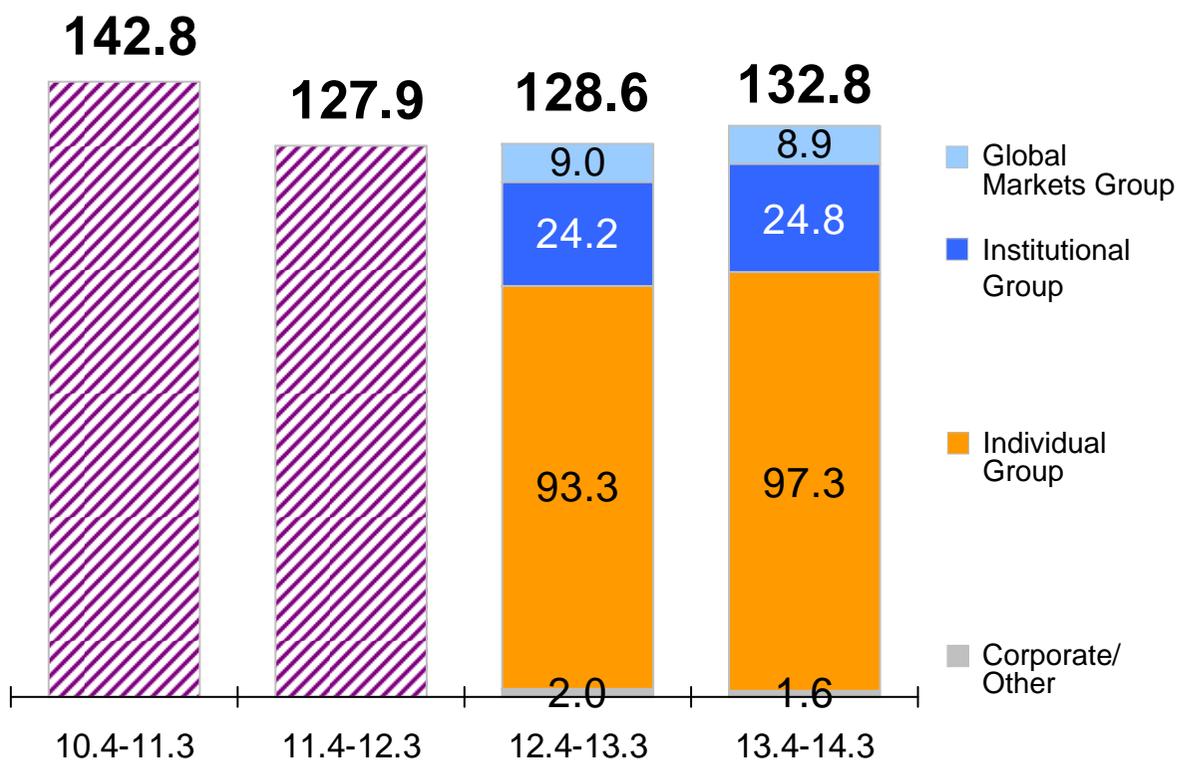


Expenses/Net Credit Costs

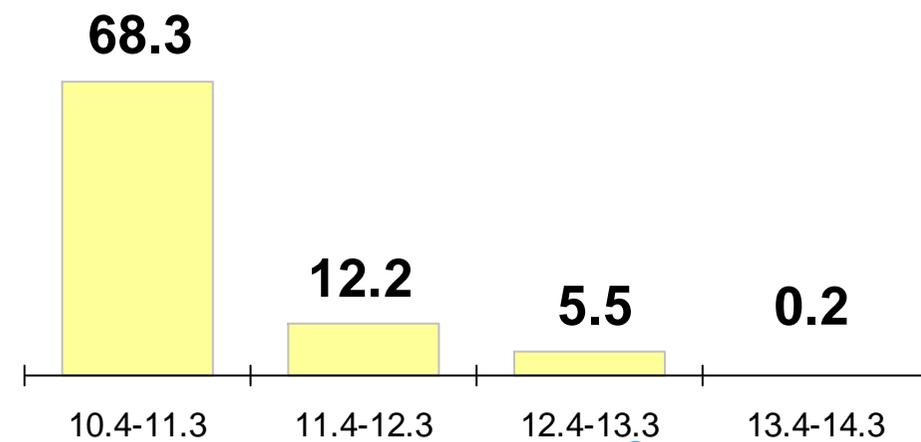
(Consolidated; JPY Billion)

- Expenses increased 4.2 billion vs. FY2012: As a result of initiatives to invest management resources into strategic focus areas, personnel costs increased vs. FY2012 in the Institutional Group, and in the Individual Group, systems costs incurred in order to stabilize operations and advertising costs increased vs. FY2012
- Net credit costs improved 5.2 billion vs. FY2012: Due to reversals of reserves for loan losses associated with NPL disposal at the Institutional Group and improvement in the write off ratio at Showa Leasing, net credit costs continued to improve vs. FY2012

Expenses



Net Credit Costs

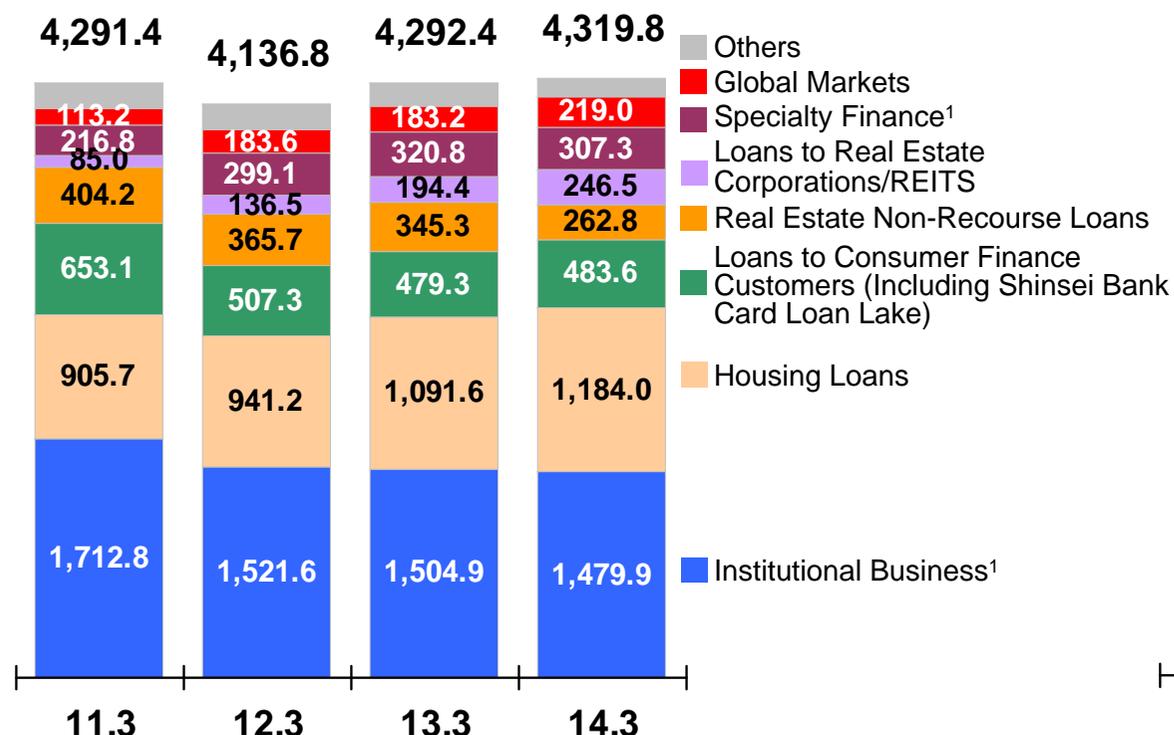


Loans, Deposits

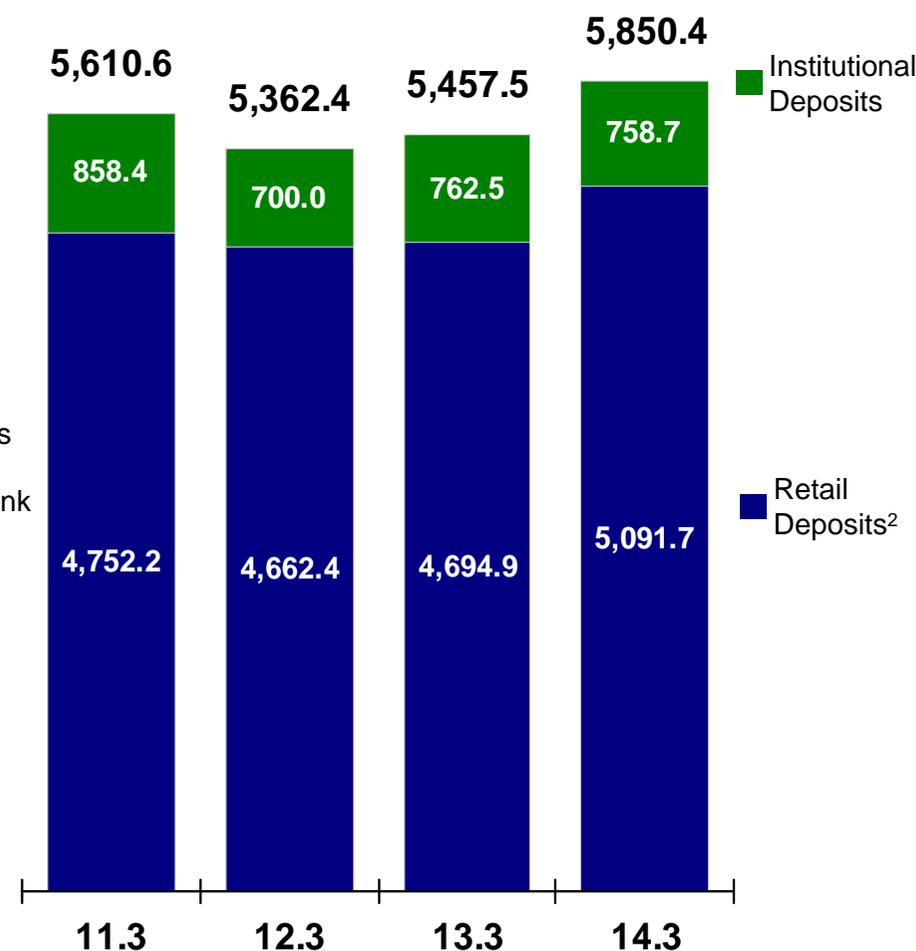
(Consolidated; JPY Billion)

- The loan balance has risen vs. March 31, 2013 to 4,319.8 billion as a result of steady increase of housing loans and the bottoming out of consumer finance loans while NPL disposal progressed
- Retail deposits continued to grow, and overall deposit balance as of March 31, 2014 was 5,850.4 billion

Loan Composition



Retail Deposits² and Institutional Deposits



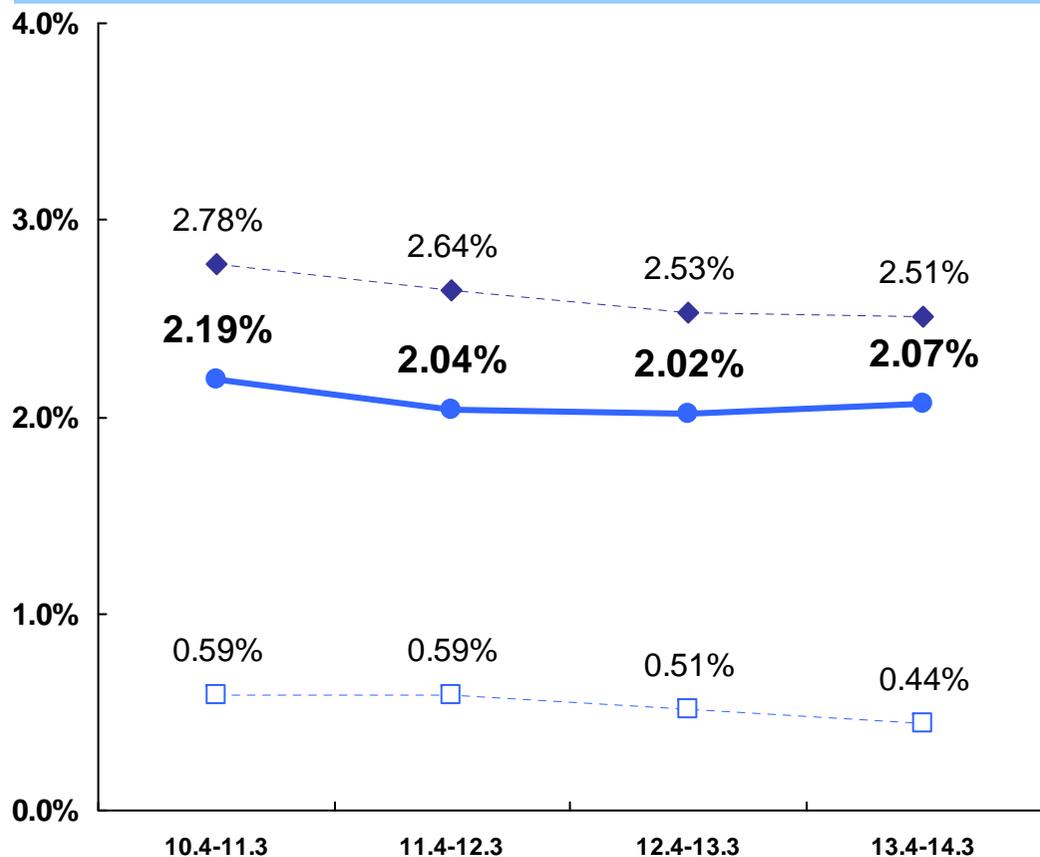
¹ The balance of shipping finance has been moved from the Institutional Business to Specialty Finance as a result of an organizational change on April 1, 2013

² A total of JPY202.8 billion of Zaikai debentures were transferred to Zaikai time deposits in April 2013

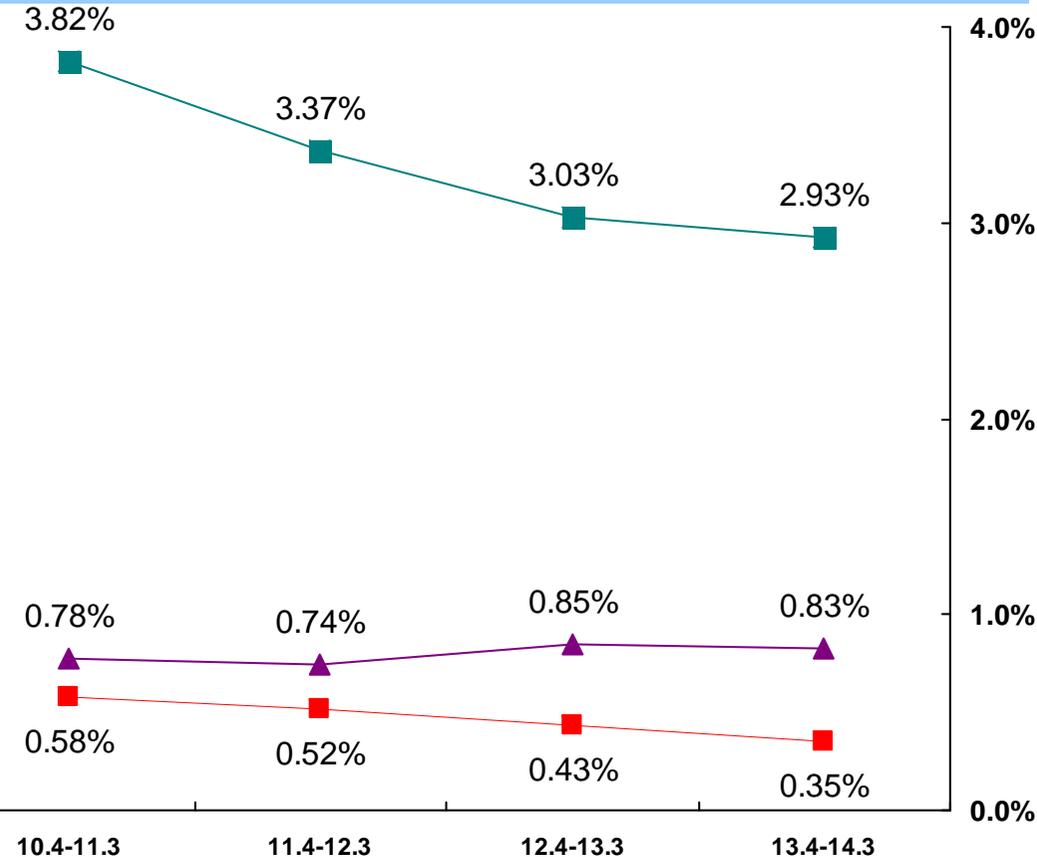
Net Interest Margin

- Due to maturation of high interest rate yen denominated time deposits made in the past, rate on deposits, including NCDs, declined to 0.35%
- Further improvement in NIM expected due to reduction in funding costs and bottoming out of yield on interest earning assets

Net Interest Margin¹



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: Non-Performing Loans

(Non-Consolidated; JPY Billion)

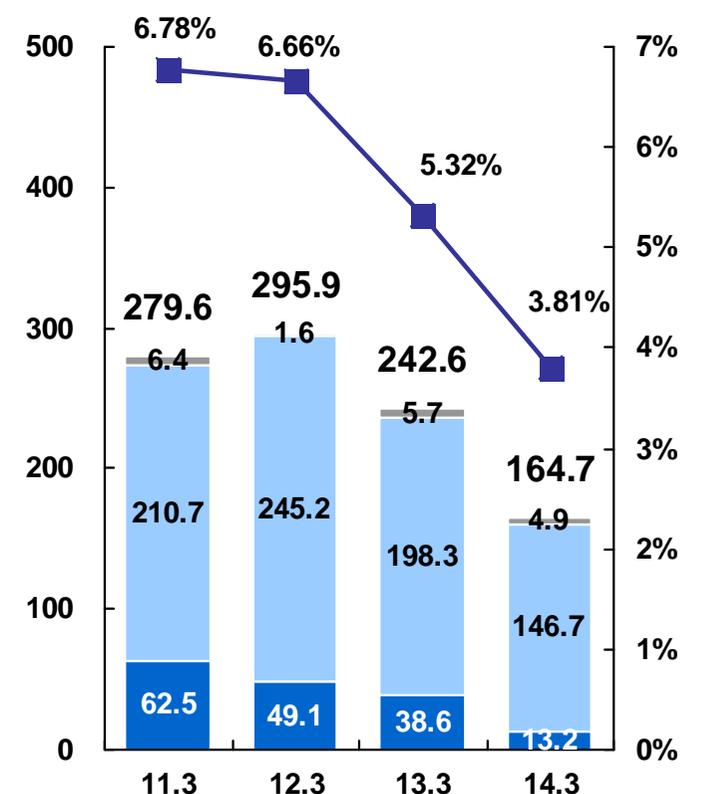
- NPLs reduced by JPY77.9 billion vs. March 31, 2013; significant improvement in NPL ratio to 3.81%
- Need caution assets also reduced by JPY87.2 billion vs. March 31, 2013

Breakdown of Total Claims and Coverage by Credit Category¹

(As of March 31, 2014)

	Balance	Reserves	Collateral/ Guarantee	Coverage Ratio	Partial Write- Off
Normal	4,054.8	13.8			0.1
Need Caution	108.8	7.1			0.2
Performing Loans	4,163.6	20.9			0.2
Substandard/ Possibly Bankrupt	151.5	60.3	83.5	94.9%	0.1
Virtually Bankrupt/ Legally Bankrupt	13.2	-	13.2	100.0%	63.1
Non-Performing Loans	164.7	60.3	96.7	95.3%	63.2
Total Claims	4,328.3	81.1			63.5

NPL Amounts and NPL Ratio Based upon Financial Revitalization Law



■ Substandard Claims (LHS) ■ Doubtful Claims (LHS)
 ■ Claims against bankrupt and quasi-bankrupt obligors (LHS)
 ■ NPL Ratio (RHS)

¹ Coverage of total claims based upon Financial Revitalization Law

Capital Adequacy

(Consolidated; JPY Billion)

- Basel III domestic standard basis core capital adequacy ratio was 13.58%, far above the 4% required from a regulatory standpoint
- Fully loaded Basel III international standard basis Common Equity Tier I capital ratio of 9.2% secured, above the level targeted in the final year of the Second MTMP (approx. 7.5%)

	Core Capital Adequacy Ratio (Basel III: Domestic Standard)		Reference (Basel III: International Standard)
	2014.3 (With Grandfathering)	2014.3 (Fully Loaded Basis)	2014.3 (Fully Loaded Basis)
Basic Items Related to Core Capital	889.5	661.6	
Deductions Related to Core Capital	-71.9	-93.7	
Total Core Capital	817.6	567.9	
Risk Assets	6,016.7	6,037.4	
Core Capital Adequacy Ratio	13.58%	9.40%	
Common Equity Tier I Capital Ratio			9.2%

- **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.**
- **These materials do not constitute an invitation or solicitation of an offer to subscribe for or purchase any securities and neither this document nor anything contained herein shall form the basis for any contract or commitment whatsoever.**



Supplementary Materials: Individual Business Update

Shinsei Bank, Limited
May 2014

Second Medium Term Management Plan Progression by Individual Group

(JPY Billion)

[Funding]	2013.3	2014.3
Retail Deposits	4,694.9	5,091.7
[Assets]	2013.3	2014.3
Housing Loan Balance	1,091.6	1,184.0
Unsecured Personal Loans ¹	292.0	310.8
Total Installment Receivables	218.1	263.6
[Income]	FY2012	FY2013
Net Interest Income	84.4	85.3
Non Interest Income	42.0	44.0
Revenue	126.4	129.3
Expenses	-93.3	-97.3
Ordinary Business Profit (OBP)	33.1	31.9
Net Credit Costs	-6.2	-9.3
OBP After Net Credit Costs	26.9	22.6

Comments on Plan Progression (Achievements and Challenges)

- Commenced T Point Program alliance between Culture Convenience Club Co., Ltd. (CCC) and Retail Banking business
- Expanded business alliances and ATM network aimed at growing customer base
- Expanded Housing Loan product line up
- Enhanced smartphone services
- Grew balance of unsecured loans for individuals
- Grew credit card revolving credit balance
- Successfully resolved grey zone issues

Future Initiatives

- Look to grow core customer base and cross selling opportunities by enhancing collaboration between Group companies to improve customer convenience
- Promote enhancement of developer channels and diversification of marketing in order to respond to increased competition in the housing loan market as well as declining refinancing demand
- Develop new unsecured loan products and strengthen marketing and cross selling to Bank customers
- Further strengthen guarantee business in cooperation with regional financial institutions
- Increase balances of products such as credit cards, auto loans, and settlement products which leverage T Point functions
- Capture personal financing needs in the Asia region

¹ Total balance of Shinsei Bank Card Loan Lake and Shinsei Financial

Individual Group: Business Model and Strategy

MTMP: Implement a New Retail Banking Model to Achieve 5 Million Core Customers

FY2013
Rebuilding and Development of Business, Operational Frameworks, and Infrastructure

FY2014
Continue Operational Framework Improvement and Shift to Expanding Customer Base

FY2015
Expand Customer Base and Profitability

Total Group Customers:
10 Million

Shinsei Retail Banking

Shinsei Financial

Core Customers: 2.5 Million

SHINKI

APLUS FINANCIAL

Integration Measures

- Expansion of "T Point"¹ Program Alliance

Expansion of Services:

- ATM Channel Expansion
- Enhancement of Housing Loan Product Line Up

Organizational Improvement:

- Addressed Grey Zone Risk

Marketing Enhancement

Service Enhancement

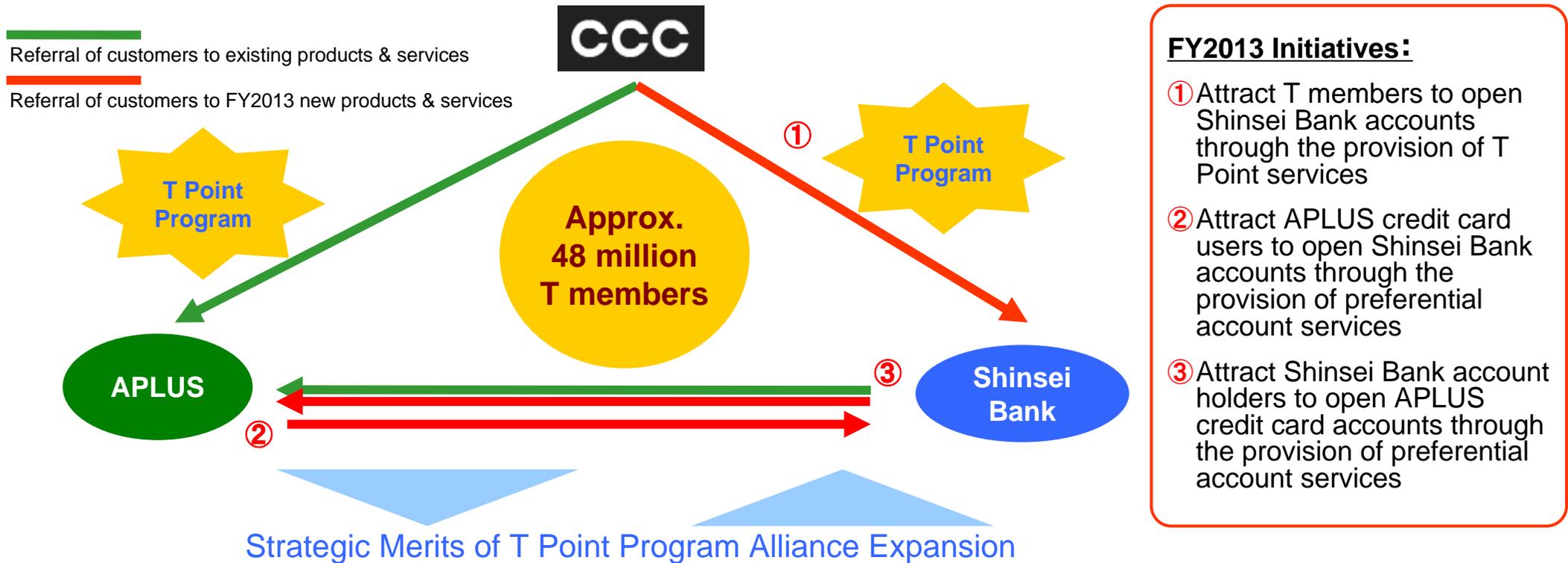
Evaluate T Point Program Big Data Utilization



¹ "T Point" is a shared point service operated by CCC

Consolidation Strategy: T Point Program Alliance

- Utilize “T point” programs as a marketing tool in order to expand usage of the Shinsei Bank Group’s products and services
- By expanding the T point program alliance, Shinsei Bank looks to approach T members as prospective Bank customers



CCC, T Point partner companies, T members

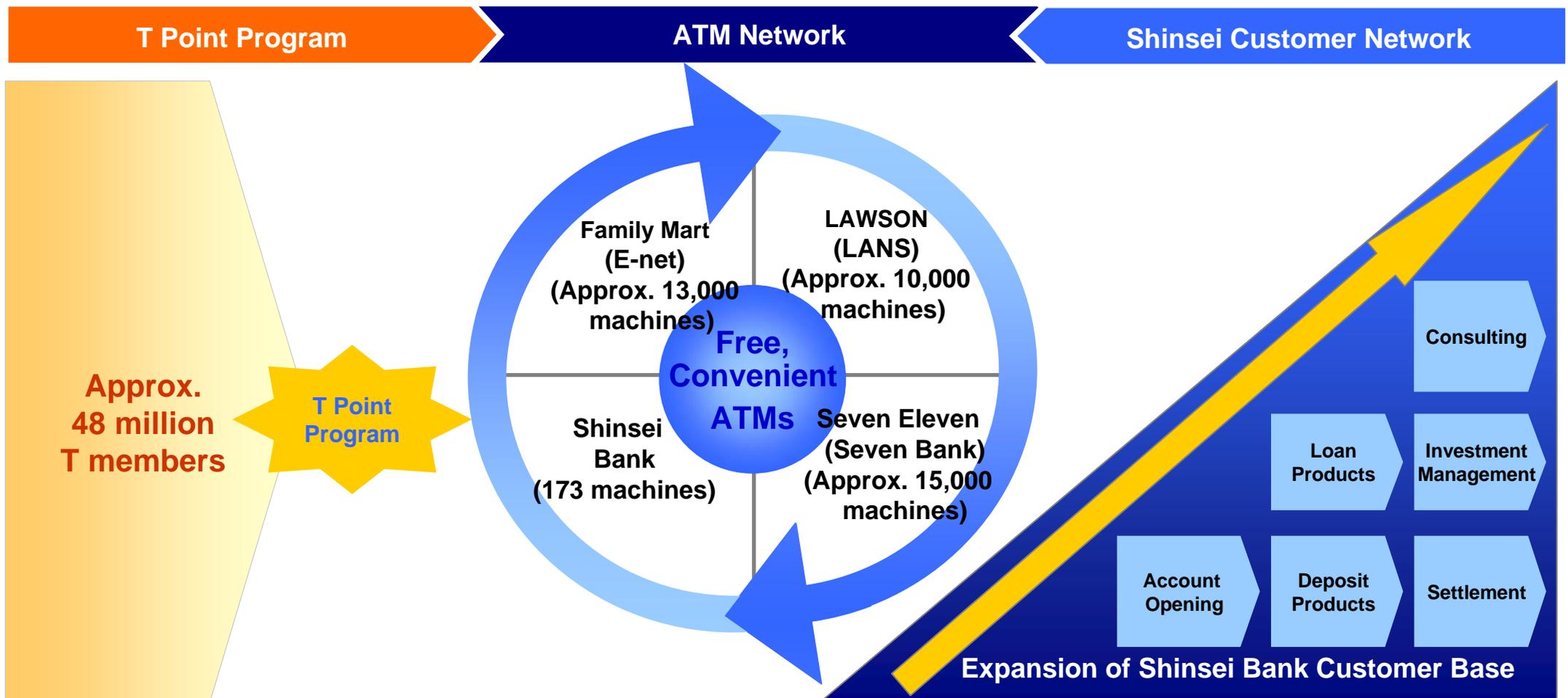
Due to transaction amounts of financial products being large, T members can earn large amounts of points and usage of points at partner merchants is facilitated

Shinsei Bank, APLUS

By providing financial products and services to T members, T Point services will expand in both quality and volume, as well as increase users of the Shinsei Bank Group’s Products and Services

Service Expansion: ATM Network

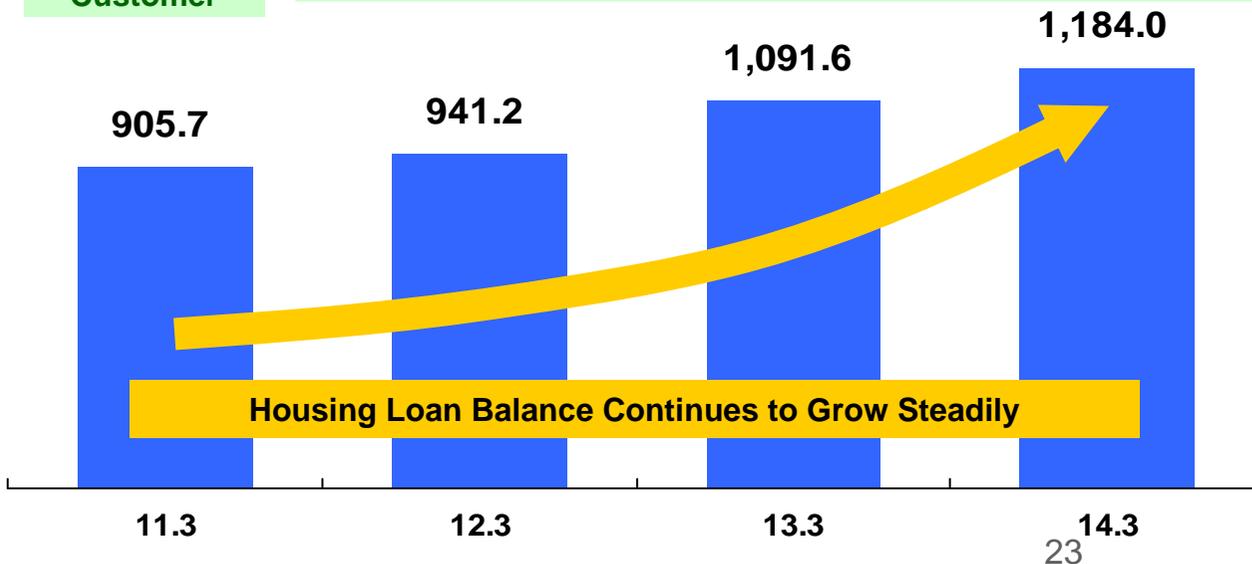
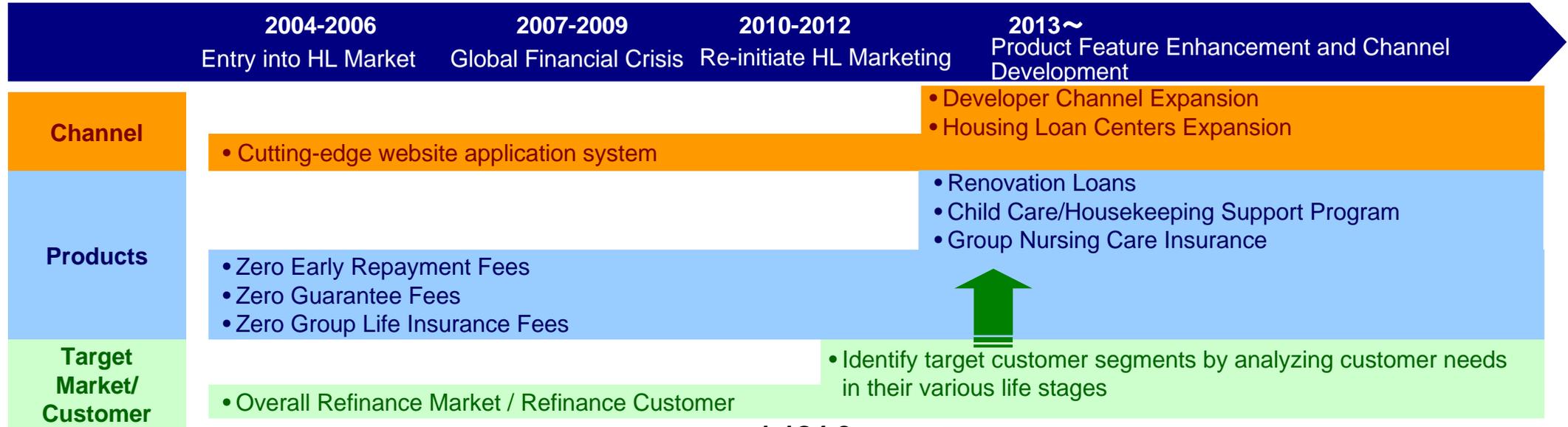
- Improved customer convenience through expansion of the Bank's fee free ATM network. Furthermore, look to expand cross selling of the Shinsei Bank Group's other products and services
- Launched promotional campaign which awards T-points to T members for ATM usage. Started marketing to T members utilizing ATM network



Product Line Up Expansion: Housing Loans

(JPY Billion)

- Offered well-designed housing loan products and services in line with needs of each customer segment
- Steady growth in housing loan balance by appealing to customer not only through interest rates but unique product features



(As of April 2014)	Shinsei Offer Rate	Lowest Rate in Market
6M-Floating	0.98%	0.599%
3Y-Fixed	1.10%	0.450%
5Y-Fixed	1.10%	0.500%
7Y-Fixed	1.35%	0.900%
10Y-Fixed	1.65%	1.100%
15Y-Fixed	1.70%	1.570%
20Y-Fixed	2.10%	1.800%
25Y-Fixed	2.40%	1.850%
30Y-Fixed	2.60%	1.900%

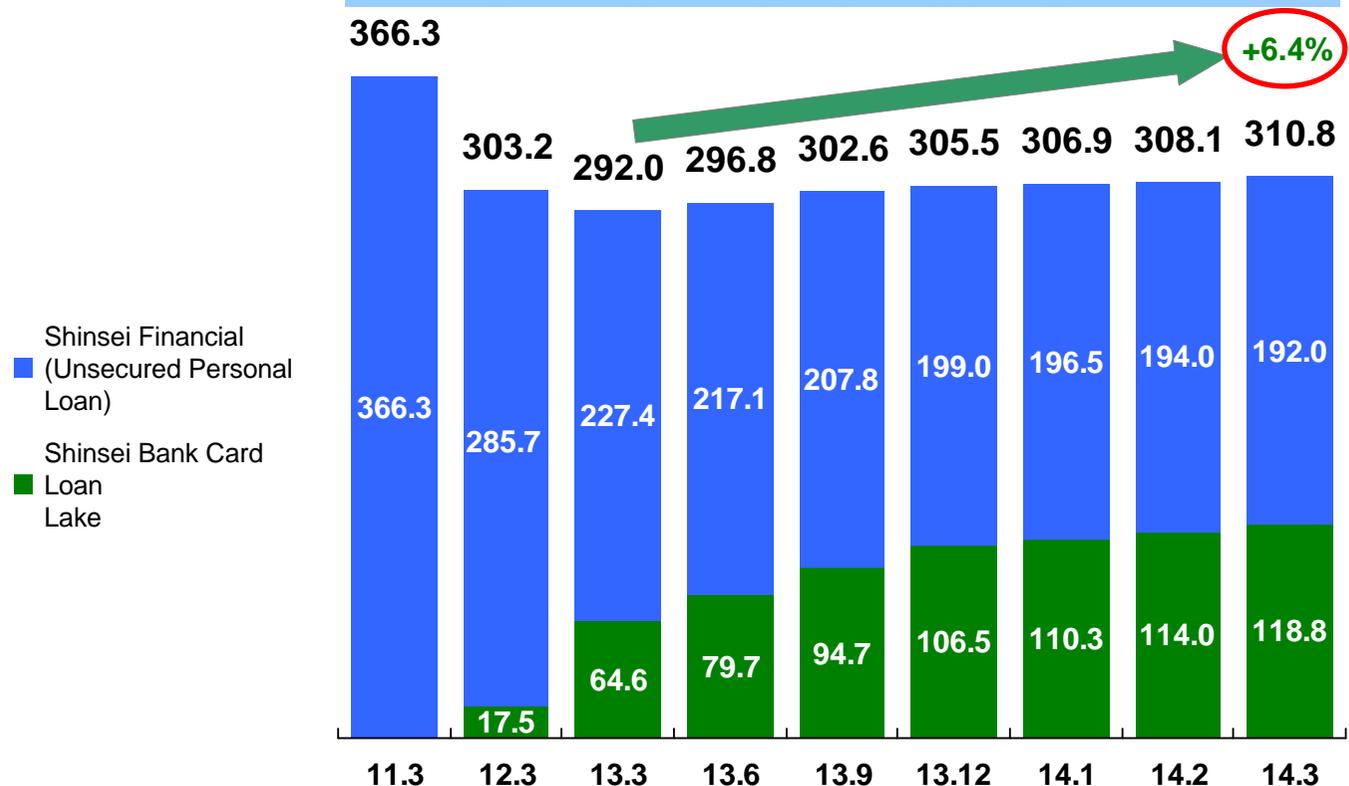
*Source: In-House Research

Lake: Loan Asset Growth

(JPY Billion)

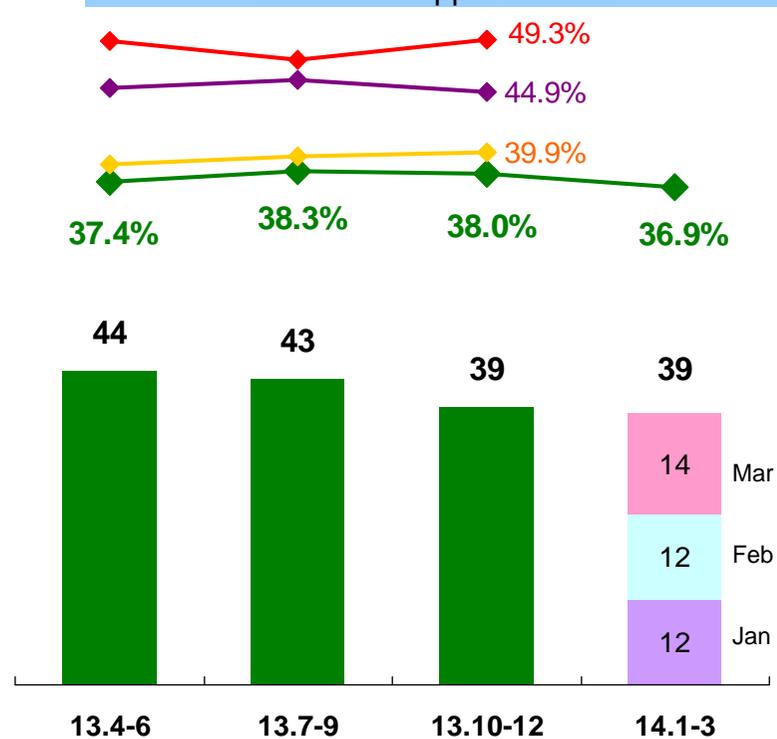
- Combined total balance of unsecured personal loans at Shinsei Bank Card Loan Lake and Shinsei Financial bottomed out in March 2013 and continued to recover. Total new customer acquisitions at Shinsei Bank Card Loan Lake on a cumulative basis as of March 31, 2014 grew steadily, +9.4% year on year
- Engage in effective and efficient customer acquisition, focusing on major touchpoints utilized by key segments of Lake customers such as smartphones and the internet
- Utilize credit expertise to keep credit risk management while maintaining customer credit standards

Shinsei Financial and Shinsei Bank Card Loan Lake Consumer Finance Loan Balance/Total Customers



Shinsei Financial Customers (Thousands)	743	606	470	444	421	400	393	387	381
Shinsei Bank Card Loan Lake Customers (Thousands)	-	61	184	217	249	274	282	290	301

Trend of Shinsei Bank Card Loan Lake New Customers/Approval Rate



■ New Customers (Thousands) (LHS)

Approval Rates

◆ Shinsei Bank Card Loan Lake (%) (RHS)

◆ Company A (%) (RHS)

◆ Company B (%) (RHS)

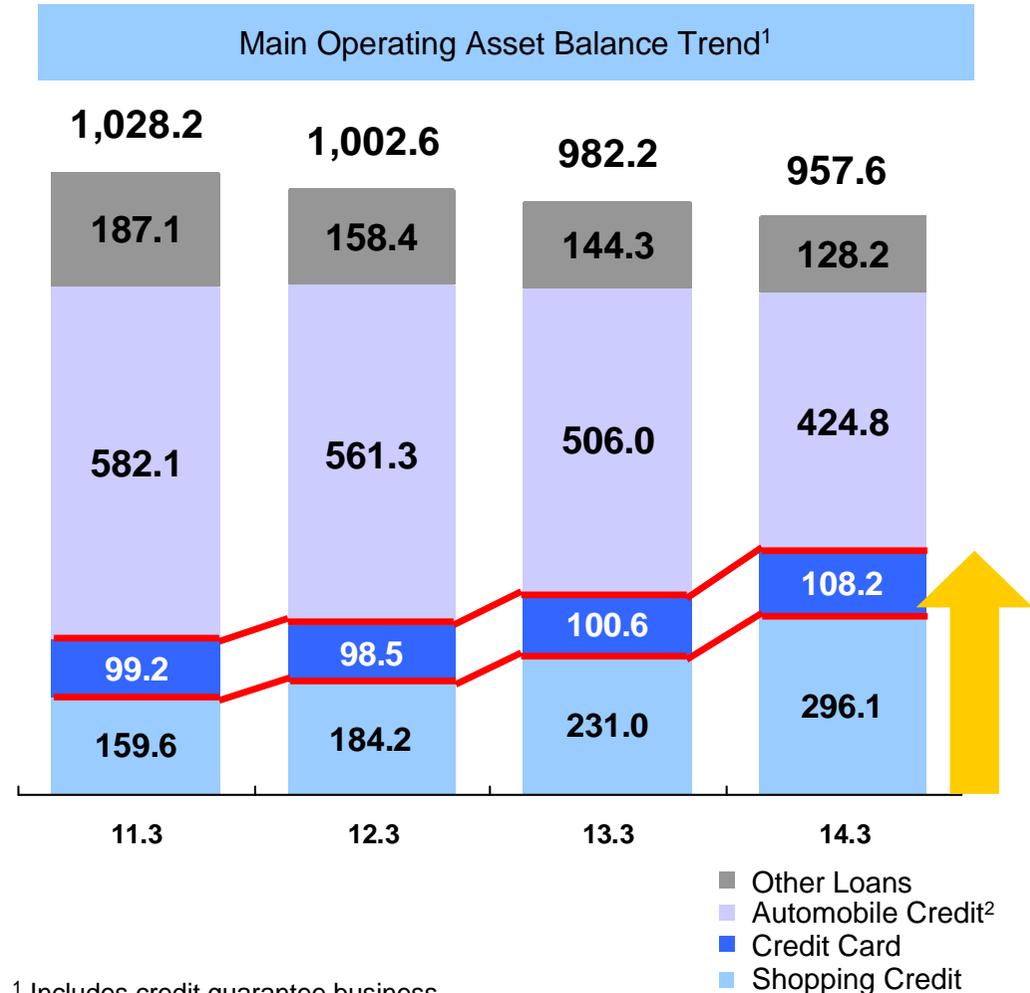
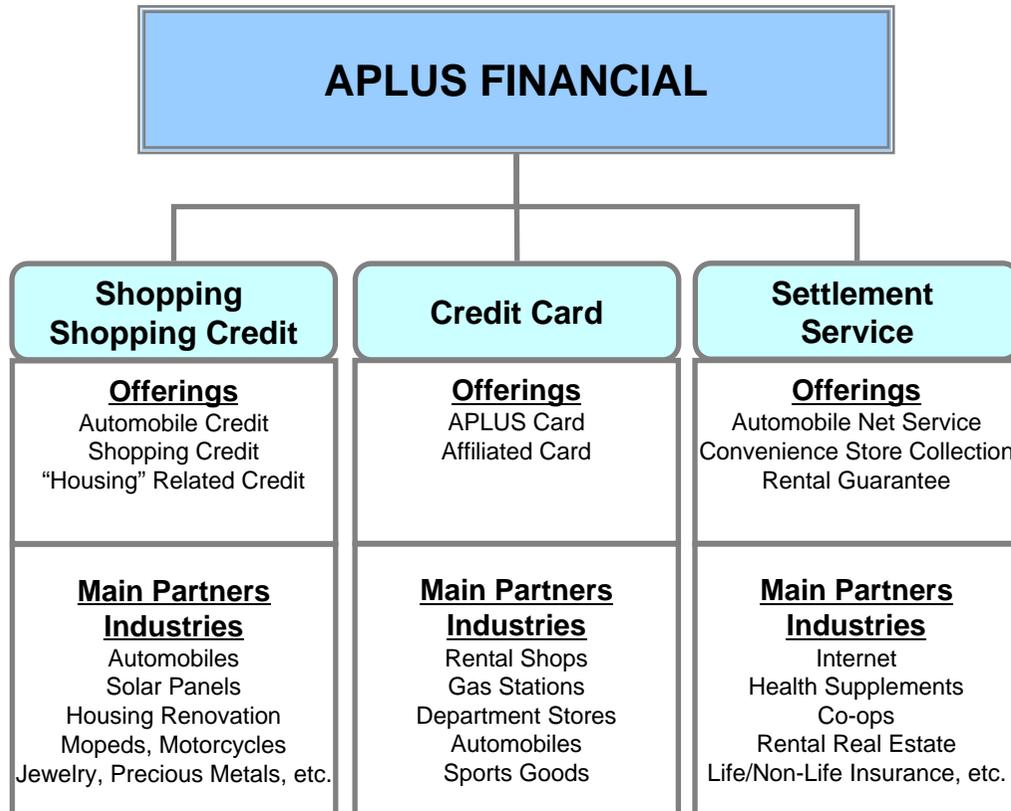
◆ Company C (%) (RHS)



APLUS FINANCIAL: Business Focus

(JPY Billion)

- Business focus has shifted from loans to shopping credit business, credit card business and settlement service business
- Operating assets of installment shopping credit and credit card shopping has grown steadily



¹ Includes credit guarantee business

² As of October 1, 2012, ended business alliance with major business partner (ceased accepting new applications for credit)

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