



Third Medium-Term Management Plan (FY2016-FY2018)

**Shinsei Bank, Limited
January 29, 2016**

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Medium- to Long-Term Vision

In accordance with its management principles¹, the Shinsei Bank Group aims to become a banking group that is proactively sought out by customers, and strives to develop and provide groundbreaking financial services by providing the financial functions and services of the entire Shinsei Bank Group to its clients in a truly customer centric manner.

- 1. To be a financial innovator that provides innovative financial services made possible through the integration of its Group companies**
- 2. To be a financial group that achieves outstanding productivity and efficiency by implementing lean operations through ongoing improvements and reforms**
- 3. To be a financial group which, in addition to rewarding its stakeholders, is unified by the core values born from the confidence, sense of fulfillment and the pride created through the achievement of the above**

¹ Shinsei Bank Group Management Principles

- To become a banking group that is sought out by customers, and contributes to the development of both domestic and international industrial economies, while maintaining stable profitability
- To become a banking group that values diverse talents and cultures and is constantly taking on new challenges presented by change, based on its experiences and history
- To become a banking group that strives for highly transparent management and values that is trusted by all stakeholders including customers, investors and employees

- Revenues from effective investment undertaken in light of the improving economic environment and gains on the reversal of reserves for loan losses on the disposal of nonperforming loans (NPLs) being realized
- RORA, ROE and NPL ratios have reached acceptable levels
- Due to the accumulation of net income and capital, Common Equity Tier I ratio far above original target
- Net income forecast revised down to 62.0 billion yen from original target of 70.0 billion yen

		FY2013	FY2014	FY2015	
		Actual	Actual	3Q Actual	Original Target
Growth	Net Income	41.3	67.8	48.1	70.0 (Forecast: 62.0)
Profitability	RORA ^{1,2}	0.7%	1.2%	1.1%	Around 1%
	Expense-to-Revenue Ratio	65.4%	60.2%	63.7%	Below 60%
	ROE	6.5%	9.8%	8.5%	Around 10%
Financial Stability	Common Equity ² Tier I Ratio	9.2%	11.9%	12.8%	Around 7.5%
	NPL Ratio	3.81%	1.42%	0.81%	2% Level

1. RORA is calculated as net income divided by fiscal year end risk assets

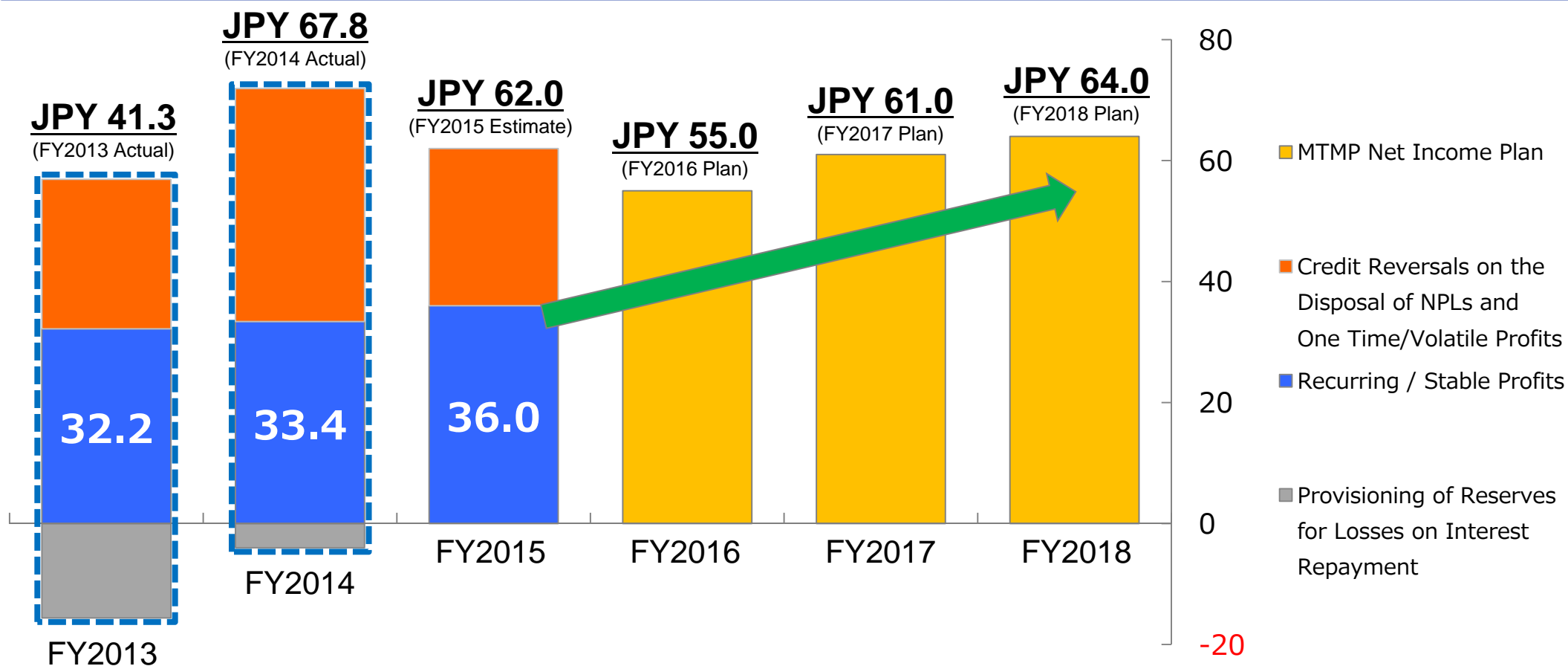
2. Basel III international standard fully loaded basis

2nd MTMP: Transitioning to the 3rd MTMP

(Unit: JPY Billion)

- Gains on the reversal of reserves for loan losses on the disposal of NPLs and one time/volatile profits boosted bottom line profit in the 2nd MTMP
- Key focus of the 3rd MTMP is increasing recurring/stable profits

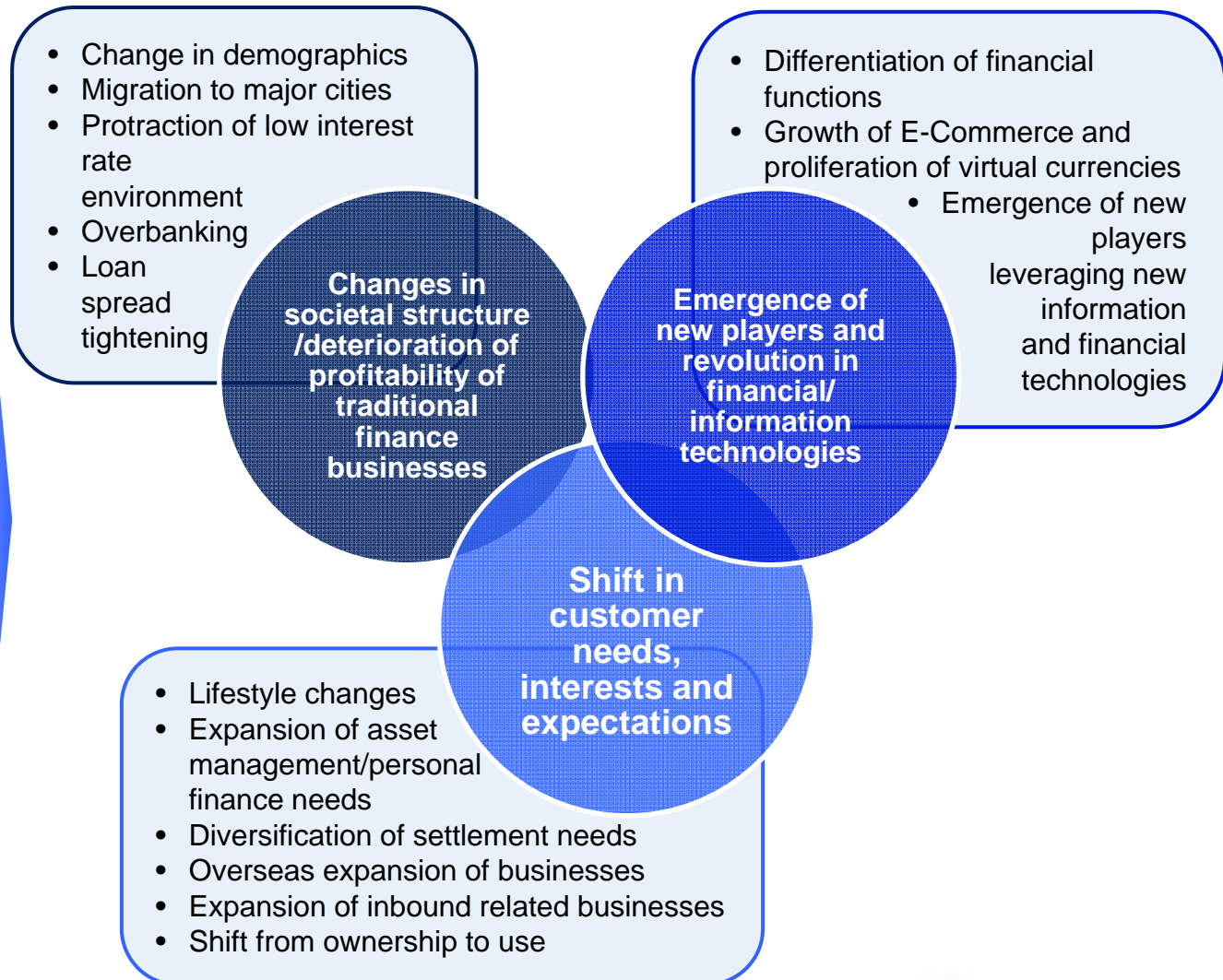
Trend of Net Income



Macroeconomic Environment

- Rapid aging of the population and reduction of working population expected to accelerate
- Domestic economy outlook austere. Downturns in overseas emerging economies also expected
- Market interest rates trending at historic lows due to quantitative easing by the Bank of Japan, and the achievement of CPI targets continues to remain unclear
- Overall reaction of the stock market to Abenomics positive. Quantitative easing by the BOJ and GPIF also acting as tailwinds

Business Environment Changes Affecting Financial Institutions



■ “Selection and Concentration” of Businesses/ Creation of Value through Group Integration

◆ Growth Areas

Areas with high profit/growth expectations in which the Bank holds competitive advantages

◆ Stable Revenue Areas

Areas in which the Bank will stably and selectively engage in without being involved excessive competition

◆ Strategic Initiative Areas

Areas which are expected to deliver future growth and in which the Bank looks to create customer value through groundbreaking innovations

◆ Curtailment Areas

Areas in which the Shinsei Bank Group holds little expertise or the market is expected to shrink

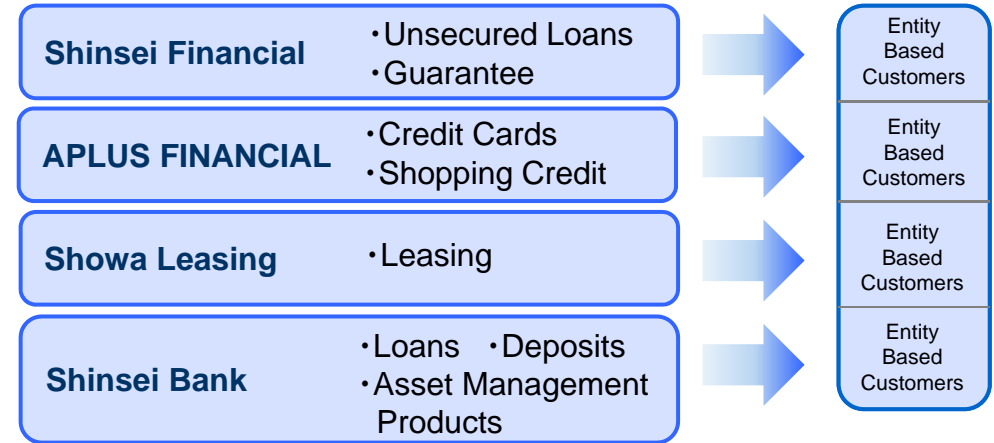
■ Group Management Infrastructure: Achieve Responsive, Flexible Business Management and Lean Operations throughout the Bank Group

- ◆ Flexible and proactive reallocation/optimal use of Group management resources based upon business environment changes and plan progression
- ◆ Business management framework which enables maximum realization of organization and employee latent potential whilst eliminating waste and overextension
- ◆ Robust Group governance through unified Group management and enhancement of horizontal business functions

3rd MTMP Overview: Group Integration (1)~ Creation of Business Synergies

Before

- Allocation of management resources and provision of products and services currently on an entity basis
- Holds skills and expertise as a mid size player
- Flexibility and mobility made possible by smaller business scale

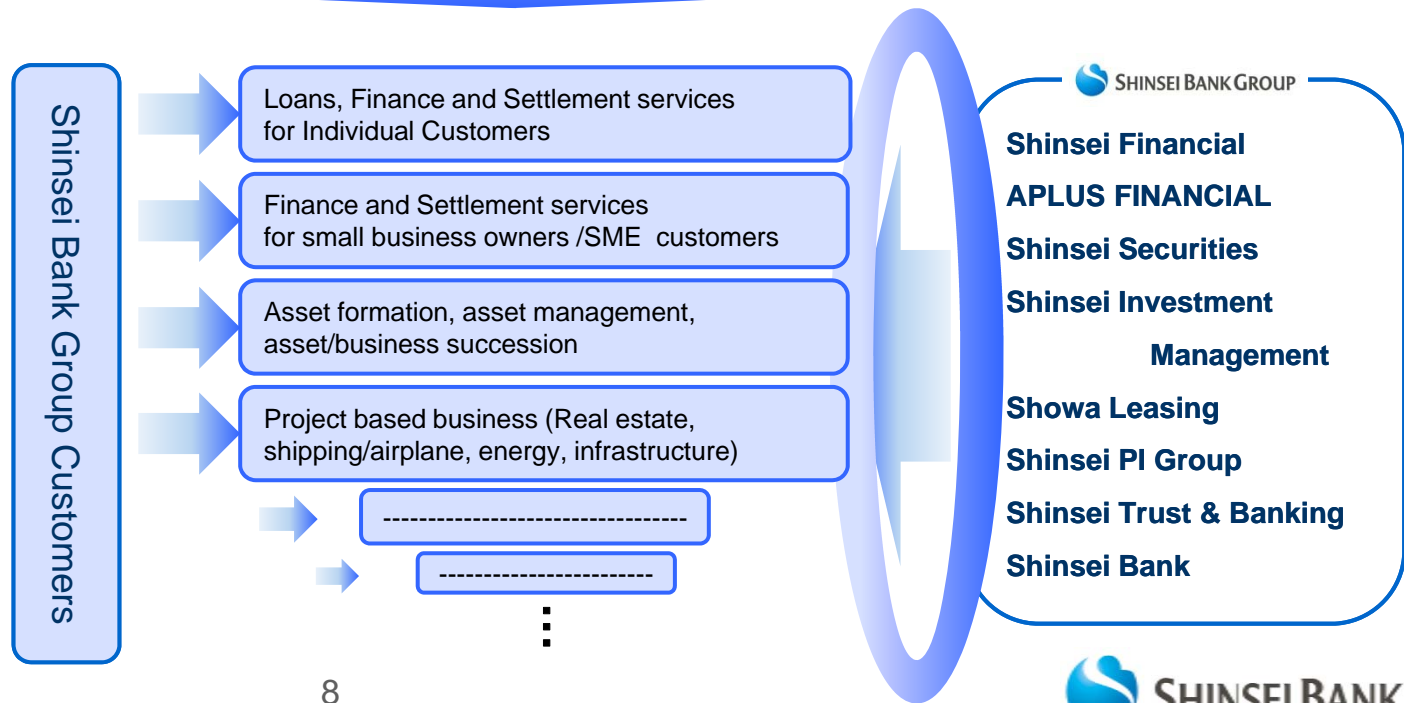


Group Integration

■ Creation of new businesses beyond the current framework based on real customer needs

After

- Realization of Group synergies which leverage newly created services and the Group's customer base
- Creation of sustainable business model capable of delivering stable growth



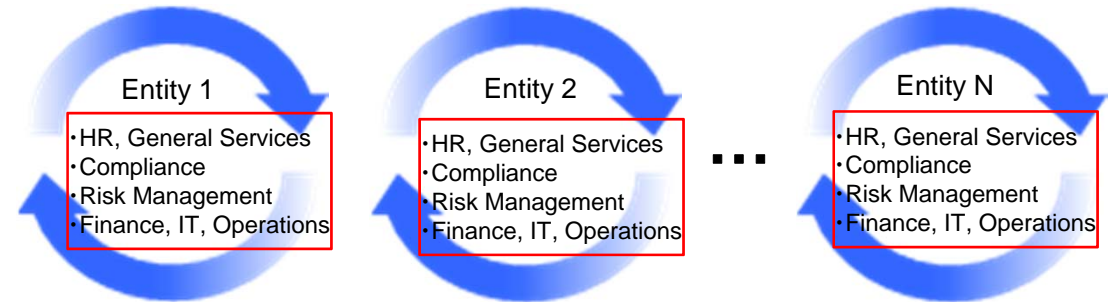
3rd MTMP Overview: Group Integration (2)

~ Creation of Synergies Through the Unification of Management Functions

Before

- Allocation of management resources and provision of products and services currently on an entity basis
- Skills and expertise held on a company basis

Optimized on Entity Level



Group Integration

- Holding of “Group Management Meetings,” Creation of Cross Company Project Teams on a topical area basis
- Pursuing operational efficiency through unification of management functions (HR, General Services, Compliance, Risk Management, Finance, IT, Back Office, etc.) in order to improve productivity on all levels

After

- Support front office frameworks necessary to provide customers with optimal products and services
- Maintain an continuously optimized management organization through an endless review process
- Realization of optimal, Group wide allocation of management resources
- Achieve exceptional productivity and efficiency through lean operations

Optimized on Group-wide Level

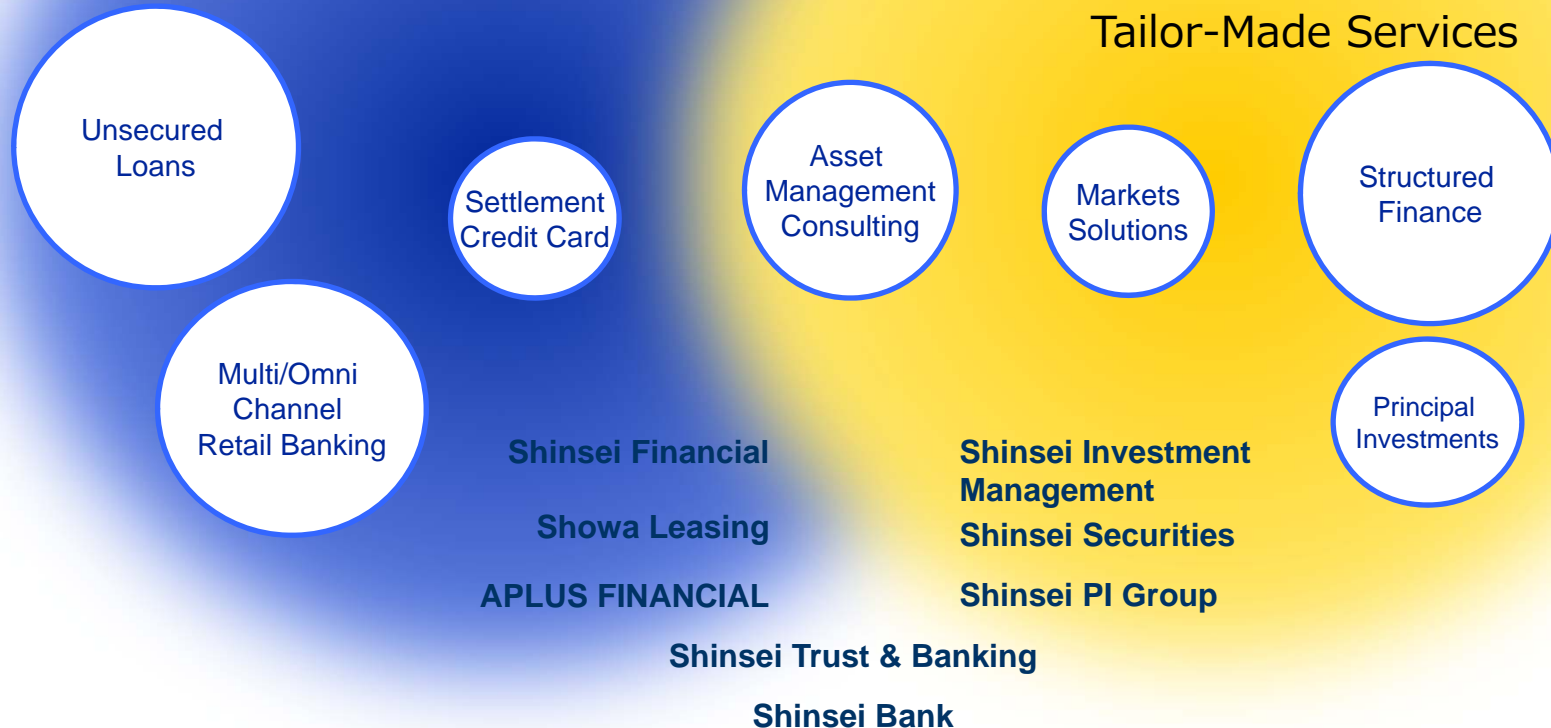


Business Plan: Pursuing Group Competitiveness and Comparative Advantages



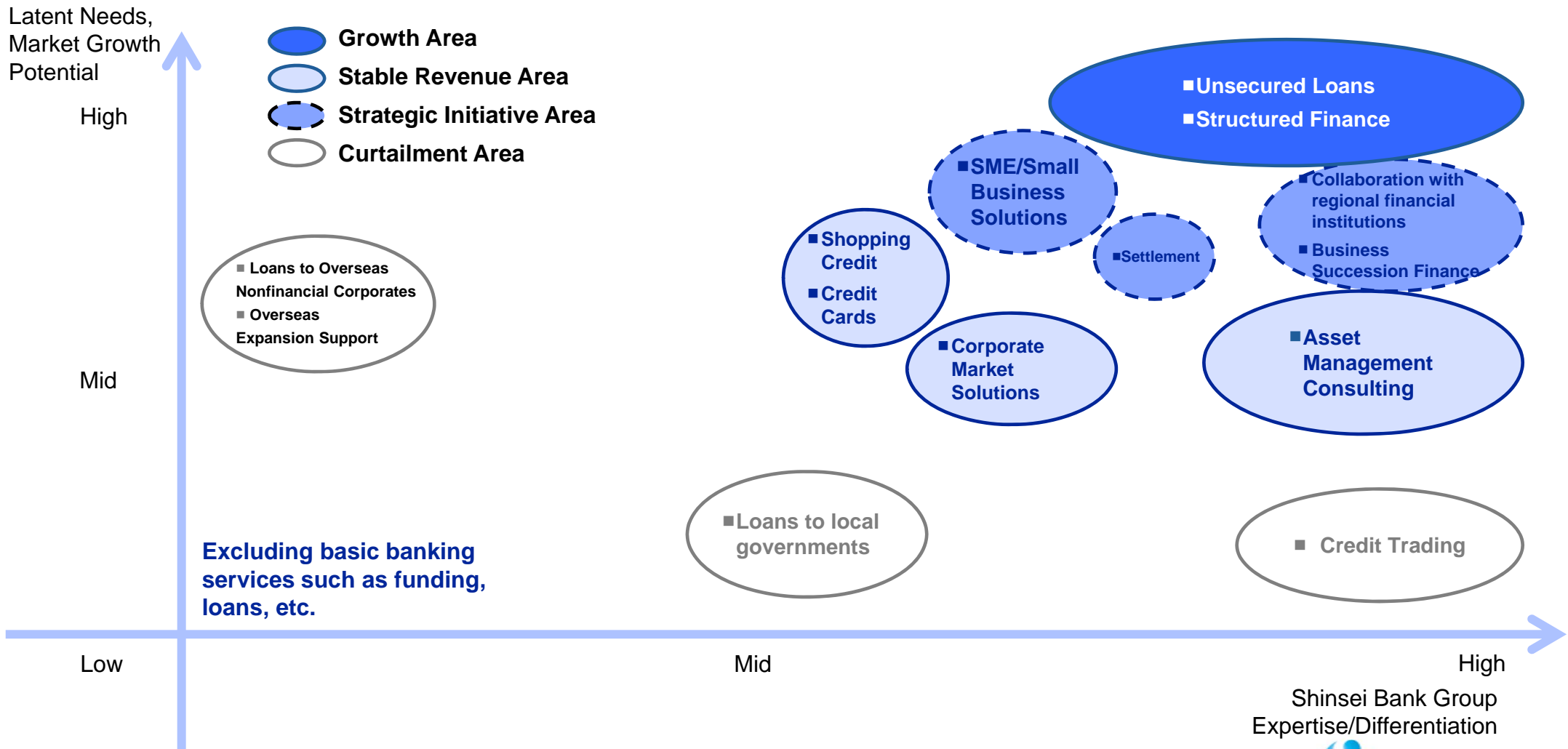
Information Technology
Retail Businesses Leveraging
Scientific/Statistical Approaches

Financial Technology
High Added Value Financial
Services Made Possible Through
Tailor-Made Services



Business Plan: Strategic Mapping Businesses

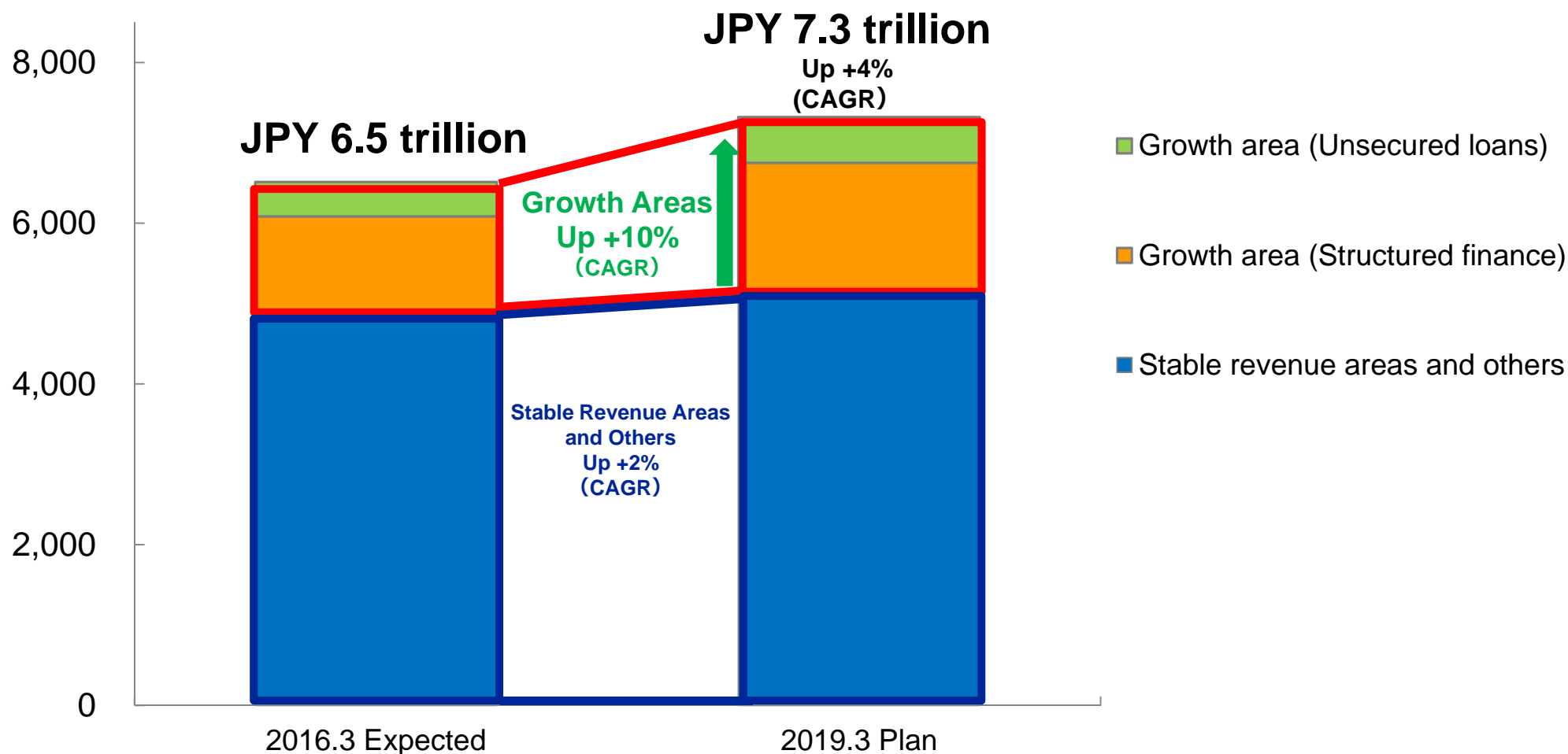
- Proactively allocating management resources to Unsecured Loan and Structured Finance businesses as growth areas
- Selectively addressing in other business areas by converting strengths and optimizing resources



Business Plan: Operating Assets

(Unit: JPY Billion)

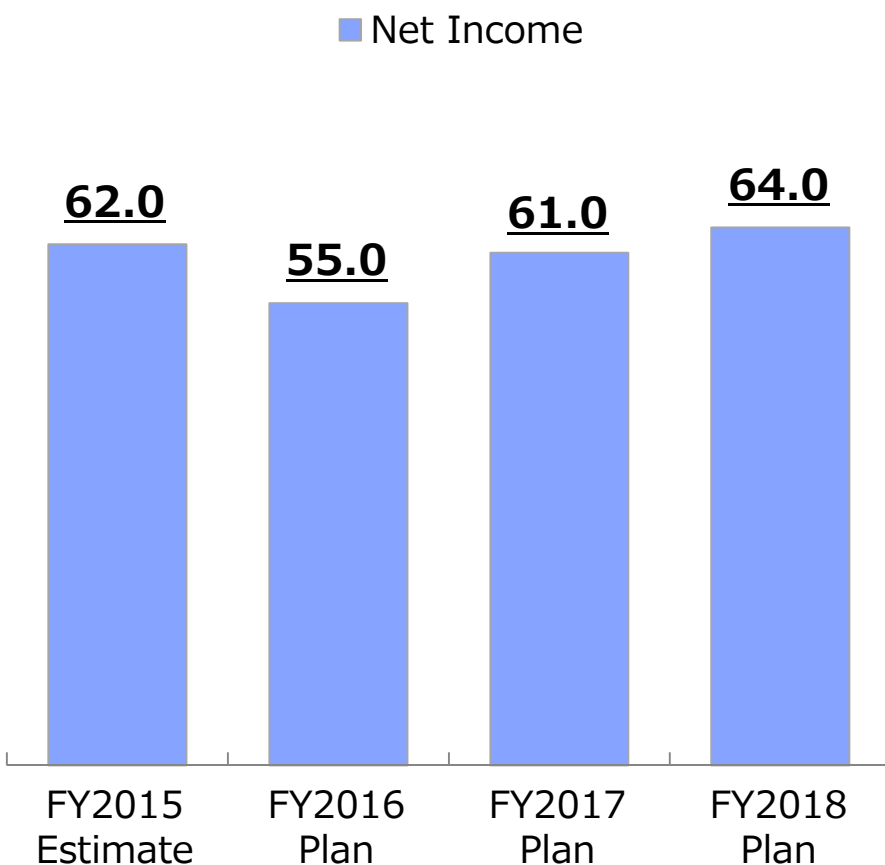
- Actively accumulate operating assets through “selection and concentration” of businesses and flexible revisions to management resource allocation upon changes in the business environment and progression versus business plans
- Compound annual growth rate of total operating assets from March 2016 to March 2019 expected to be around 4%. Growth rate of operating assets in growth areas expected to be 10% for the same period



Business Plan: Financial Projections (PL)

(Unit: JPY Billion)

- The growth areas of unsecured loans and structured finance will be main drivers of steady total revenue growth
- While expense increases are expected due to IT system investment, stringent expense controls will be exercised
- Net credit costs will be normalized and are expected to increase as the consumer finance loan balance grows
- The 3rd MTMP places an emphasis on achievability, does not assume the recording of one time gain factors, and instead with a focus on stable revenues, targets net income of JPY 55.0 billion in FY2016, JPY 61.0 billion in FY2017, and JPY 64.0 billion in FY2018



	3 rd MTMP		
	FY2016	FY2017	FY2018
Total Revenue	236.0	246.0	258.0
Expenses	-146.0	-147.0	-149.0
Ordinary Business Profit	90.0	99.0	109.0
Net Credit Costs	-27.0	-31.0	-34.0
Others/Taxes	-8.0	-7.0	-11.0
Net Income	55.0	61.0	64.0

Business Plan: Financial Targets

(Unit: JPY Billion)

- With a focus on growing stable revenues, the Bank establishes a net income target of JPY 64.0 billion in FY2018
- Achieve an expense-to-revenue ratio between 50%-60% through business management that emphasizes efficiency
- Capital policy remains a key management issue. We continue to seek to set a path to public fund repayment and to improve shareholder returns while pursuing the accumulation of a sufficient level of retained earnings as a public fund injected bank
- Deliberations regarding appropriate ROE and CET1 ratio targets under way

		FY2015 Estimate		FY2018 Target
Sustainability	Net Income	62.0		64.0
	RORA^{1,2}	Around 1%		Around 1%
Efficiency	Expense-to-Revenue Ratio	About 64%		Below 60%
		3Q FY2015 Actual		
	ROE	8.5%		
	Common Equity Tier 1 Ratio²	12.8%		

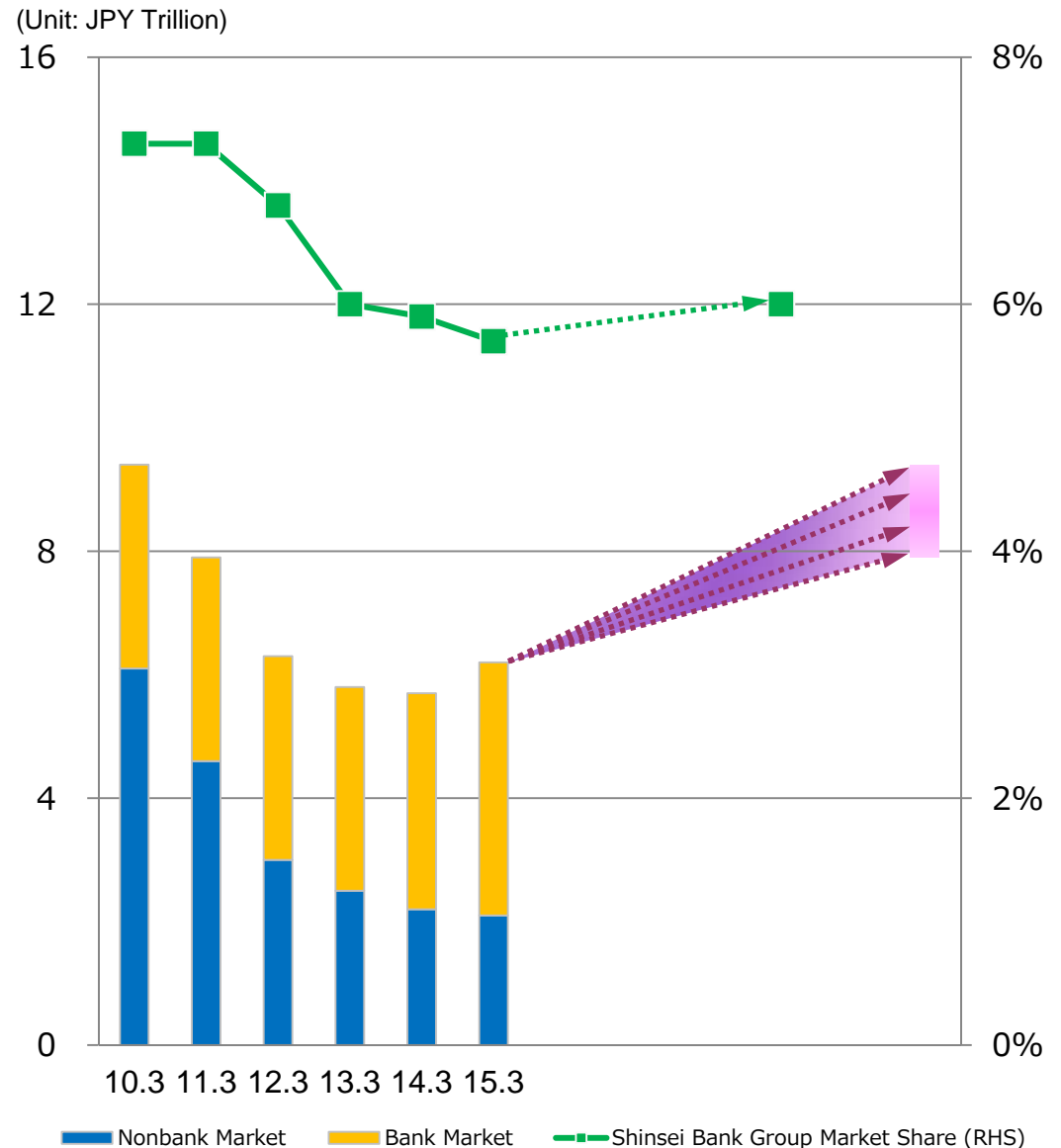
1. RORA is calculated as net income divided by fiscal year end risk assets
 2. Basel III international standard fully loaded basis

Business Plan: Growth Area

- Unsecured Loans (1)

- Grow topline revenue by leveraging the characteristics of the 3 brands of Bank Loan “Lake,” the new brand “Smart Card Loan Plus” and “NOLOAN” (SHINKI)
 - ◆ In “Lake,” the Bank seeks to grow the customer base through raising of brand awareness
 - ◆ In “Smart Card Loan Plus,” the Bank plans to cross sell primarily to Group customers while avoiding the utilization of mass advertising
 - ◆ In “NOLOAN,” the Bank plans initiatives such as referrals of “Lake” customers seeking consolidation loans
- Expansion of Shinsei Financial Guarantee Business
 - ◆ Grow unsecured loan guarantee balance of regional banks, etc. through collaboration between the Bank and Shinsei Financial
- Through the above measures, the Bank looks to capture a wide range of needs and expand its market share
- Whilst maintaining rigorous credit standards, the Bank seeks to maximize bottom line profits by reducing expense-to-revenue ratio through growing the scale of its business

Unsecured Loan Market Size and Market Share



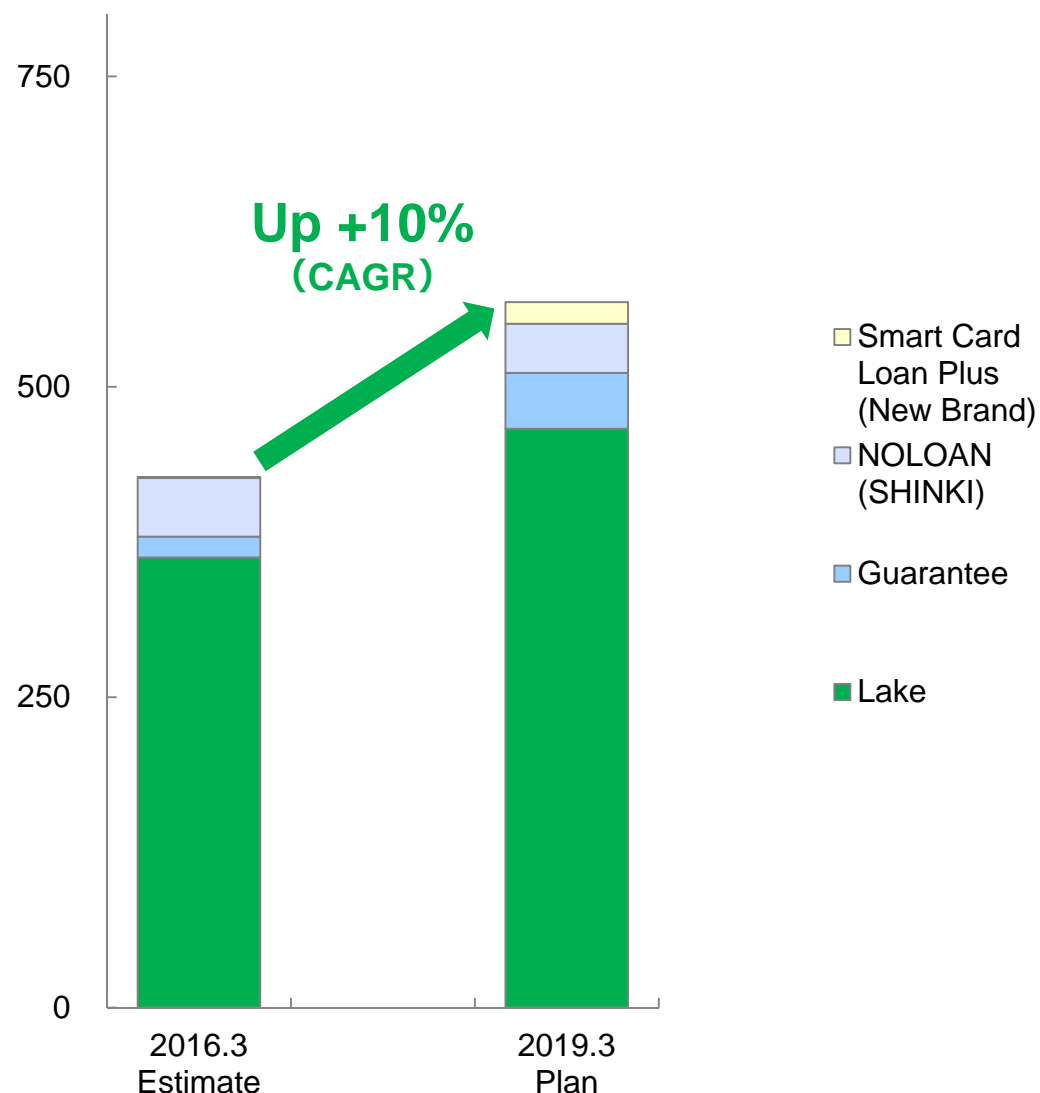
Business Plan: Growth Area

- Unsecured Loans (2)

(Unit: JPY Billion)

- Grow balance and total customers of “Lake,” the Bank’s primary brand, through the following initiatives
 - ◆ Raise brand awareness through the appropriate investment of advertising expenses and increasing advertising effectiveness in order to grow new customer acquisitions
 - ◆ Increase convenience through online contracting services and revisions of unmanned outlet locations
 - ◆ Increase utilization and retention by implementing a framework, including the utilization of AI, to enable the accumulation and analysis of customer behavioral patterns in order to enable highly customized contact approaches
 - ◆ Grow average customer balances and utilization rates through simplification of document submission processes and enhancing product features

Unsecured Loan Operating Asset Balance



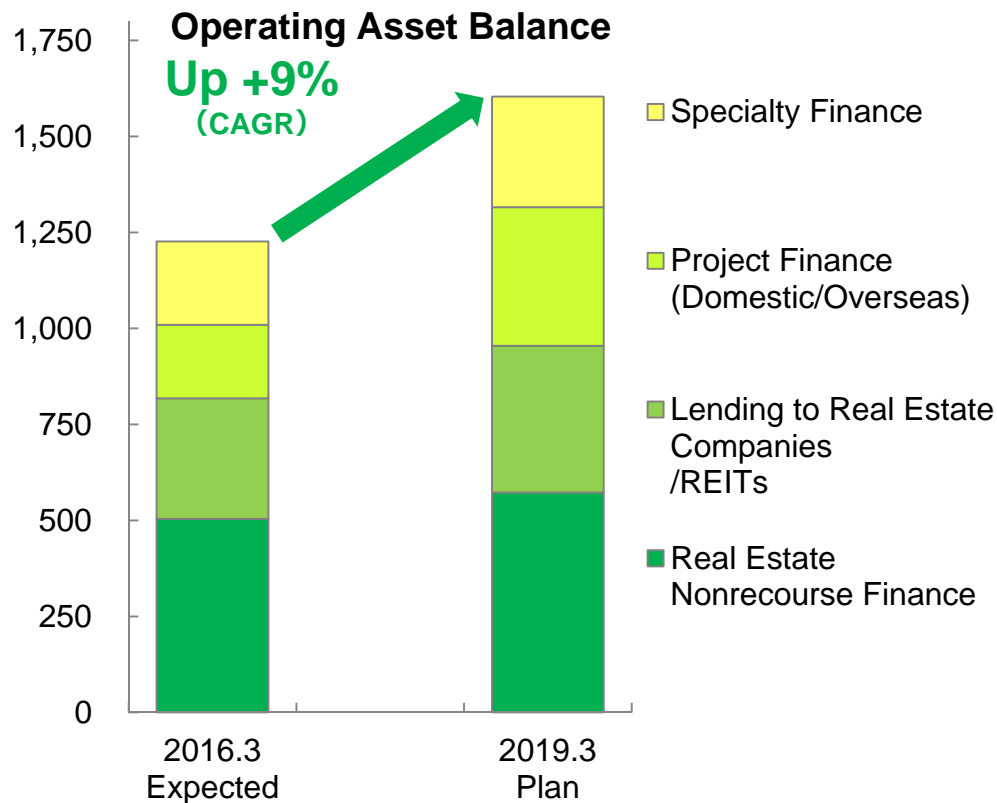
Business Plan: Growth Area

- Structured Finance

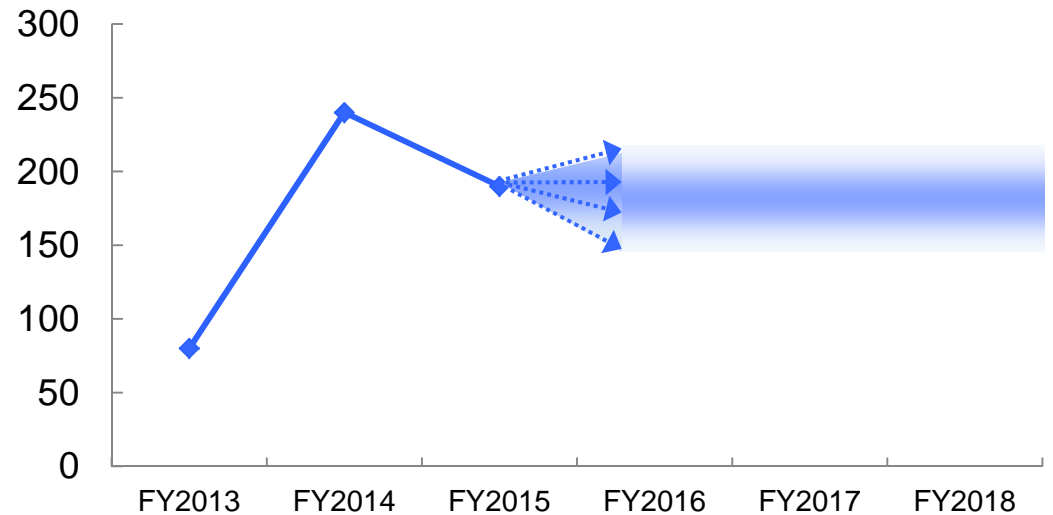
(Unit: JPY Billion)

Structured Finance Business

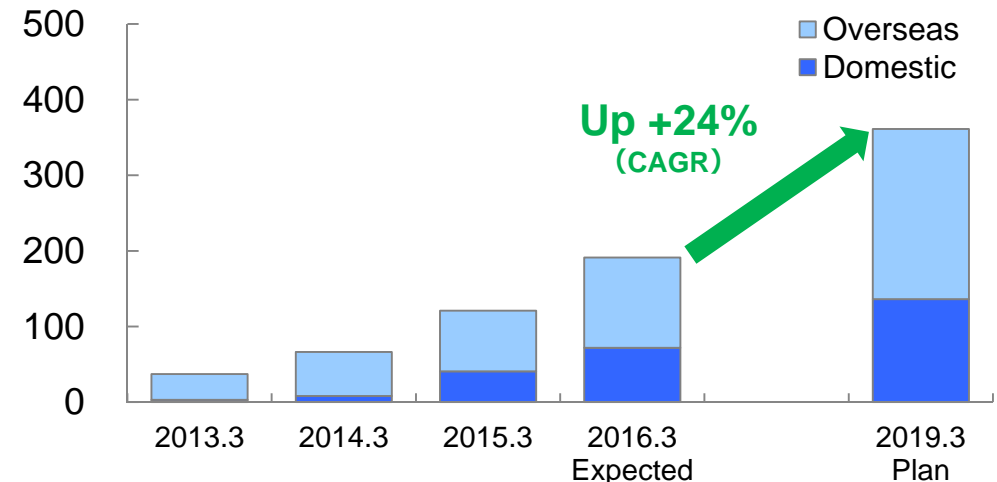
- Real Estate Finance: Whilst ensuring operation which takes into account both market conditions as well as risk and return, by speedily and flexibly evaluating initiatives in order to meet customer needs, going forward the Bank expects to newly disburse approximately ¥200 billion each fiscal year
- Project Finance: Leveraging the Bank's expertise in risk analysis and structuring, the Bank expects to engage in a wide variety of both domestic and overseas projects



New Real Estate Finance Disbursements



Project Finance Balance (Domestic/Overseas)



Business Plan: Stable Business Area - Asset Management Consulting

Shinsei Bank Group Individual Customers

Provision of Products and Services Unique to the Shinsei Bank Group

Approach Optimization through Scientific/Statistical Methods
(Fusion of Information Technology with “Human Touch”)

High Added Value Financial Services
(Financial Technology)

Products and Services

- Provision of products and services which leverage Group functions
- Meeting management/succession needs spanning multiple generations
- Expansion of small lot/affordable product offerings

NISA+ (Plus)

PowerSmart Housing Loan
Anshin Pack “W”

Customer Service and Hospitality, Communication

- Further improve SFC customer service skills and “Omotenashi” mindset
- A consistent message to customers across all channels
- Implementation of information provision and recommendations based upon customer attributes

First Place in Retail
Banking Survey

Channels

- Enhance information flow between channels
- Proactively address device evolutions
- Approach customers through appropriate channels with sophistication of customer analysis and CRM

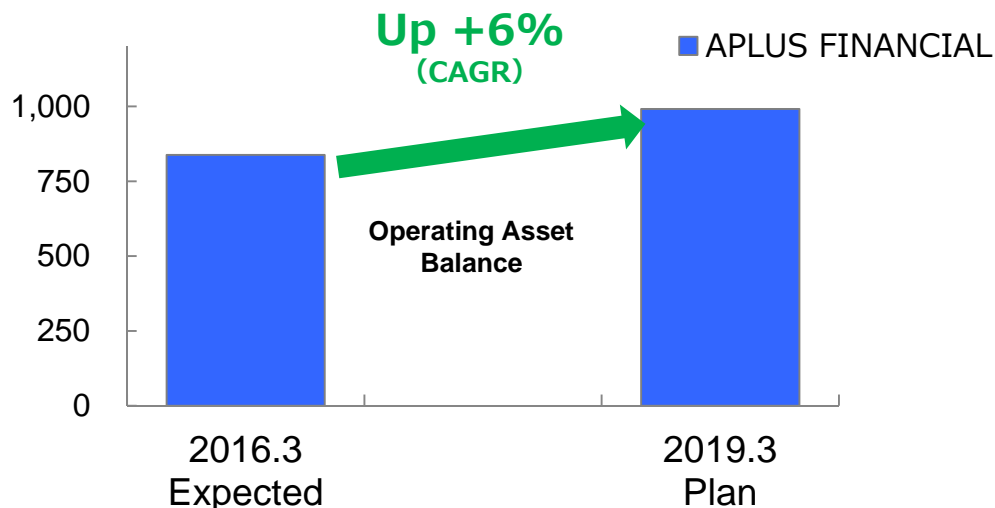
Approach customers through their preferred channels to overcome time and channel restraints to provide products and services

Business Plan: Stable Revenue Area

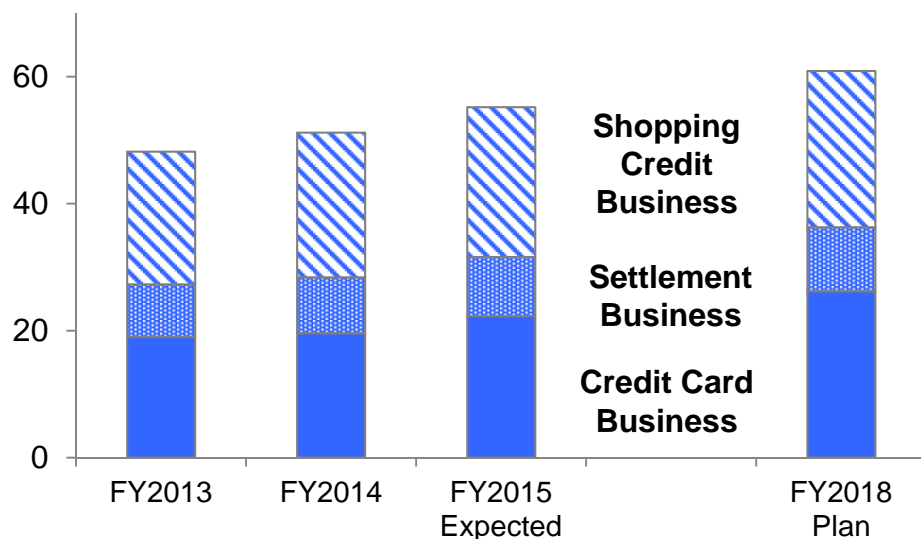
- Credit Card, Shopping Credit, Settlement

(Unit: JPY Billion)

Credit Card, Shopping Credit, Settlement Businesses



Revenue Trend of 3 Key APLUS FINANCIAL Businesses



Key Initiatives

Increasing/Leveraging Group Core Customers

Multi-Level Leveraging of Customer Base

- ◆ Cross selling of Group company products and services to all customers
- ◆ Asset management, asset/business succession services, etc.
- ◆ Promotion of new products and services made possible through Group integration
 - Business credit cards, prepaid credit cards, asset management products, etc.

Main Utilize APLUS's Settlement Functions as a Group Platform

- ◆ One-stop settlement services (Settlement Gateway Service)
- ◆ Expand customer base utilizing settlements as gateway transactions and increase cross selling

Main Business Initiatives

Provision of settlement solutions, primarily those associated with the EC market

- ◆ Provision of settlement gateway services
- ◆ Expansion of the prepaid credit card business, establishment of business infrastructure for new settlement methods

Further expansion of customer base by leveraging T Point functions

- ◆ Promotion of alliance credit cards with T Point functions
- ◆ Strengthen cross selling of various products utilizing T Point functions

Promote the credit card and shopping credit businesses in a way which emphasizes customer convenience, profitability and efficiency

- Credit Cards
 - Increase new credit card issuances in order to increase total customers
 - Further measures to increase revolving credit balance
- Shopping Credit
 - Enhance added value of shopping credit such as e-Order (Online Applications)
 - Enhance promotion of housing related shopping credit products

Business Plan: Stable Revenue/Strategic Initiative Areas

- Selective Engagement in Institutional Business

Selective Engagement in Institutional Business

- Enhancement of operational capabilities through a focused investment of Institutional Business management resources in the Tokyo and Osaka regions
- Grow the customer base through the provision of differentiated products and services to SMEs and companies expected to grow in the future
- Engaging in Initiatives Leveraging Strengths of the Group
 - Creation of added value and provision of differentiated products through markets solutions for institutional customers such as derivative transactions
 - Business undertakings in cooperation with Showa Leasing
 - Enhancement of strategic initiatives to meet business succession needs, which are increasing as a result of the ageing of the population



Focused Investment of Management Resources in Tokyo and Osaka Regions

Strategic Initiative Area – Response to the Needs of Business Succession

- With a focus on serving unlisted and family owned small to medium sized companies in Tokyo, utilize the expertise of the Shinsei Principal Investments Group (Shinsei PI Group) to originate investment and lending opportunities through the provision of business succession, business change and cessation support solutions in accordance with the needs of customers
- Provision of expertise and functions such as corporate loans, M&A, asset management and leasing held by the Shinsei Bank Group

Business Plan: Strategic Initiative Areas

- SME/Small Business Solutions

Showa Lease Customer Base

- Due to its strength in SME transactions, has a base of approximately 35,000 customers including SMEs and small businesses
- Total customers increasing steadily as a result of initiatives such as the promotion of vendor finance in accordance with the collaboration strategy

Promotion of Cross Selling and Group Collaboration

- Promotion of cross selling within Showa Leasing (Life insurance sales, buy/sell, leverages product sales, etc.)
- Development/provision of new products, sourcing of funding needs and collaboration with regional financial institutions in cooperation with Group companies
- Referral of customers amongst Group companies

Provision of New Value Through Group Integration

“One Stop” Provision of the Financial Services of the Entire Group to SMEs and Small Businesses

- Utilize the functions of APLUS to provide settlement services (fund transfers, payment collections, etc.)
- Meeting funding needs of small business
- Provision of asset management products to business operators/owners
- Resolution of business succession related problems leveraging the expertise of the Shinsei PI Group



Business Plan: Strategic Initiative Areas

- Cooperation/Collaboration with Regional Financial Institutions

Initiatives to Meet Regional Financial Institution Asset Needs

- Structured Finance Syndication, a Competitive Advantage Area of the Bank
 - Regional Renewable Energy Project Finance
 - Real Estate Nonrecourse Loans
- Provision of Management Products to Financial Institutions
 - Structured Deposits/Loans, Investment Trusts, Derivatives, etc.

Promotion of Regional Financial Institution Collaboration Business

- Provision of Individual Business Solutions to Regional Financial Institutions
 - Unsecured Loan Guarantee Business
 - Collaboration in Securities Brokerage and Investment Trust Sales
- Increase business opportunities through regional economy vitalization and town development support initiatives in collaboration with regional financial institutions

Contributing to the Vitalization of Regional Economies Through Cooperation and Collaboration (e.g.)

Structured Finance Origination, a Competitive Advantage of the Bank

Syndications with Regional Financial Institutions

Provision of Diversified Finance Opportunities to Rural Regions

Contribution to the Vitalization of Regional Economies

Appendix: Historical Trends of Profits and Losses

(Unit: JPY billion)

Revenue, Expenses, Net Credit Costs

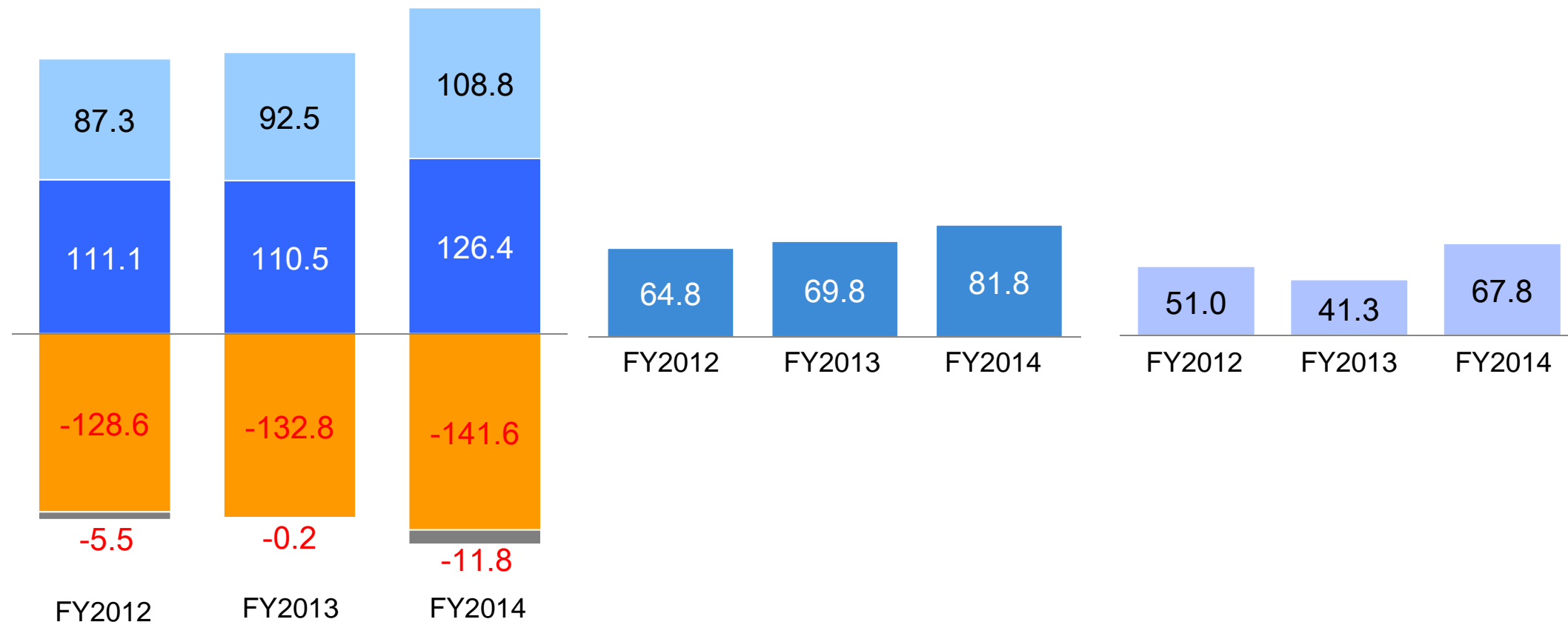
- Noninterest Income
- Net Interest Income
- Expenses
- Net Credit Costs

OBP after Net Credit Costs

- Ordinary Business Profits after Net Credit Costs

Net Income

- Net Income



Appendix : Balance Sheet

(Unit: JPY billion)

Balance Sheet (Consolidated)

【Consolidated】	2013.3	2014.3	2015.3
Loans and Bills Discounted	4,292.4	4,319.8	4,461.2
Securities	1,842.3	1,557.0	1,477.3
Lease Receivables and Leased Investment Assets	203.5	227.7	227.0
Installment Receivables	365.8	421.9	459.1
Reserve for Credit Losses	-161.8	-137.3	-108.2
Total Assets	9,029.3	9,321.1	8,889.8
Deposits and NCDs	5,457.5	5,850.4	5,452.7
Borrowed Money	719.2	643.4	805.2
Corporate Bonds	174.2	177.2	157.5
Reserves for Losses on Interest Repayments	34.9	208.2	170.2
Total Liabilities	8,345.6	8,598.5	8,136.0
Shareholders' Equity	626.3	665.1	728.5
Total Equity	683.6	722.5	753.7

Appendix : Financial Ratios, Per Share Data

Financial Ratios (Consolidated)

	FY2012	FY2013	FY2014
Expense-to-Revenue Ratio	64.6%	65.4%	60.2%
Loan-to-Deposit Ratio	78.6%	73.8%	81.8%
ROA	0.6%	0.5%	0.7%
ROE	8.6%	6.5%	9.8%

Per Share Data (Consolidated)

	FY2012	FY2013	FY2014
Common Equity per Share	233.65 yen	247.82 yen	275.45 yen
Net Income per Share	19.24 yen	15.59 yen	25.57 yen

Appendix : Business Data

	2013.3	2014.3	2015.3
Number of Customers (Thousands)			
Retail Accounts	2,701.3	2,776.1	2,856.8
Shinsei Bank Card Loan Lake Customers	184.5	301.1	403.2
Shinsei Financial Unsecured Personal Loan Customers	476.2	386.1	320.9
SHINKI Unsecured Personal Loan Customers	92.6	85.9	86.9
APLUS FINANCIAL Available Card Holders	6,499.5	6,002.7	5,815.6
Number of Channel			
Outlets (Head Office, Branches and Annexes)	43	39	35
ATMs under Partnership with Convenience Stores and Train Stations	N.A.	42,968	45,392
Shinsei Bank Lake Unmanned Branches	785	780	763
APLUS FINANCIAL Branches	35	37	37
Number of Employees¹ (Persons)			
Shinsei Bank Group (consolidated basis)	4,863	5,064	5,300
Shinsei Bank (nonconsolidated basis)	1,931	2,030	2,186

¹ Number of employees does not include part-time employees, temporary employees or overseas local employees

- **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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