

2017

ANNUAL REPORT

For the fiscal year ended March 31, 2017



IR ACTIVITIES:

Constructive Dialogue with a Market Purpose (Engagement)

Policies for IR Activities in Fiscal Year 2016

- 1) Clearly designate the CEO as bearing ultimate responsibility for investor relations (IR) activities and performing a core role in our strategic IR execution
- 2) Implement IR activities with clearly identified themes in a well-balanced manner across four regions—Japan, North America, Europe, and Asia—that reflect the role and function of the executive officers or employees who have been tasked with IR assignments
- 3) Promote dialogue with the market about future measures as well as progress on the Third MTMP's strategy and issues
- 4) Conduct gap analysis and map out the Bank's current status as a preparatory step to further improve and elevate our information disclosure
- 5) Foster an environment where the voice of the market can be harnessed as management information to broaden internal communication

New Initiatives in Fiscal Year 2016

- 1) Holding Shinsei IR Day
Executive officers in charge of each business came to IR Day, which was aimed at domestic and overseas investors, and explained each business in the Shinsei Bank Group. For Shinsei IR Day, we bolstered fair disclosure through a variety of tools all available in English and Japanese such as live online audio streaming, an archive of videos, and Q&A summaries and other materials.
- 2) Equity analysts from brokerages informed our executive officers about the market's view of the Bank.
- 3) IR training for employees



Participants at Shinsei IR Day



The executive officer in charge of investor relations reports on IR activities at a meeting of general managers and division, branch and department managers.

IR Activities Record (FY2016 Results)

Events	No. of events
Results briefings for investors and analysts, conference calls	8
Shinsei IR Day	1
Participant in conferences organized by brokerages	7
Individual meetings (includes individual meetings at conferences)	358

Individual IR Meetings and Top Management Commitment (FY2016 Results)

CEO	IR Executive Officer	IR Staff	Total
105 meetings	135 meetings	118 meetings	358 meetings
29%	38%	33%	100%

Policies for IR Activities in Fiscal Year 2017

- 1) **Strategically engage in constructive dialogue between CEOs and investors in the four regions of Japan, North America, Europe, and Asia**
- 2) **Promote fair information disclosure with an eye to adopting fair disclosure rules**
- 3) **Foster information disclosure that factors in ESG investment and elevate our IR activities to a higher level**
- 4) **Disseminate to employees across multiple tiers the viewpoints investors and analysts express to management**

Sources of Corporate Value

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 SHINSEI BANK

AT A GLANCE

Segment Data

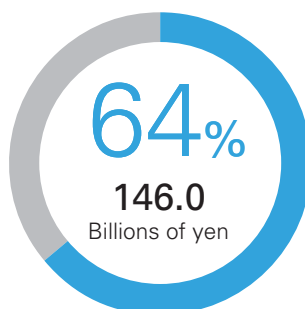
INDIVIDUAL BUSINESS

Major Business

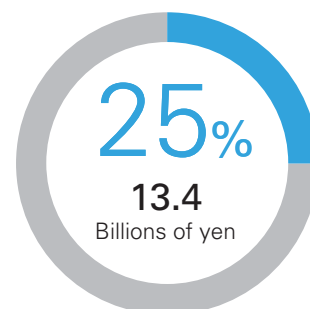
- Retail Banking
 - Deposit related products (saving deposits, time deposits, structured deposits, foreign currency deposits)
 - Asset management (consultation, mutual funds, annuity products)
 - Housing loans
- Consumer Finance
 - Unsecured personal loans (Shinsei Bank, Shinsei Financial, NOLOAN)
 - Installment sales credit, settlement, credit cards (APLUS FINANCIAL)
 - Credit Guarantees (Shinsei Financial, APLUS FINANCIAL)

Contribution¹

Total Revenue



Ordinary Business Profit after Net Credit Costs



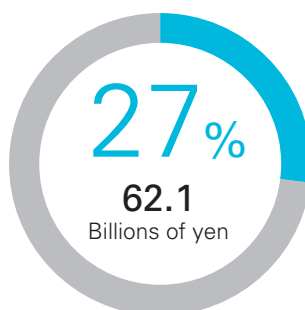
INSTITUTIONAL BUSINESS

Major Business

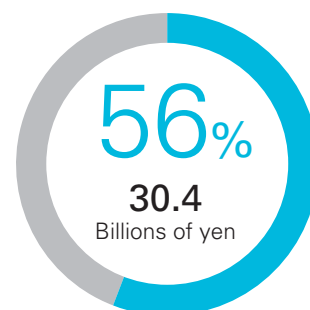
- Corporate, Financial Institutions & Public Sector Finance
- Healthcare Finance
- Real Estate Finance
- Project Finance
- Specialty Finance
- Business Succession Finance
- Corporate Restructuring
- Credit Trading
- Private Equity
- Advisory Services
- Leasing (Showa Leasing)
- Trust Operations (Shinsei Trust & Banking)

Contribution¹

Total Revenue



Ordinary Business Profit after Net Credit Costs



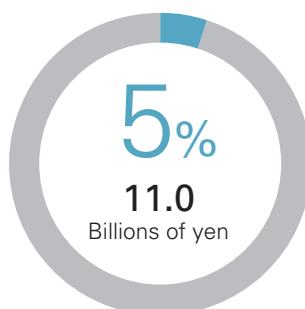
GLOBAL MARKETS BUSINESS

Major Business

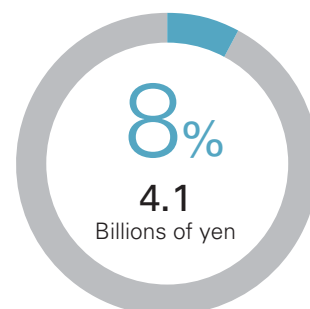
- Markets Business
- Asset Management
- Wealth Management
- Securitization (Shinsei Securities)

Contribution¹

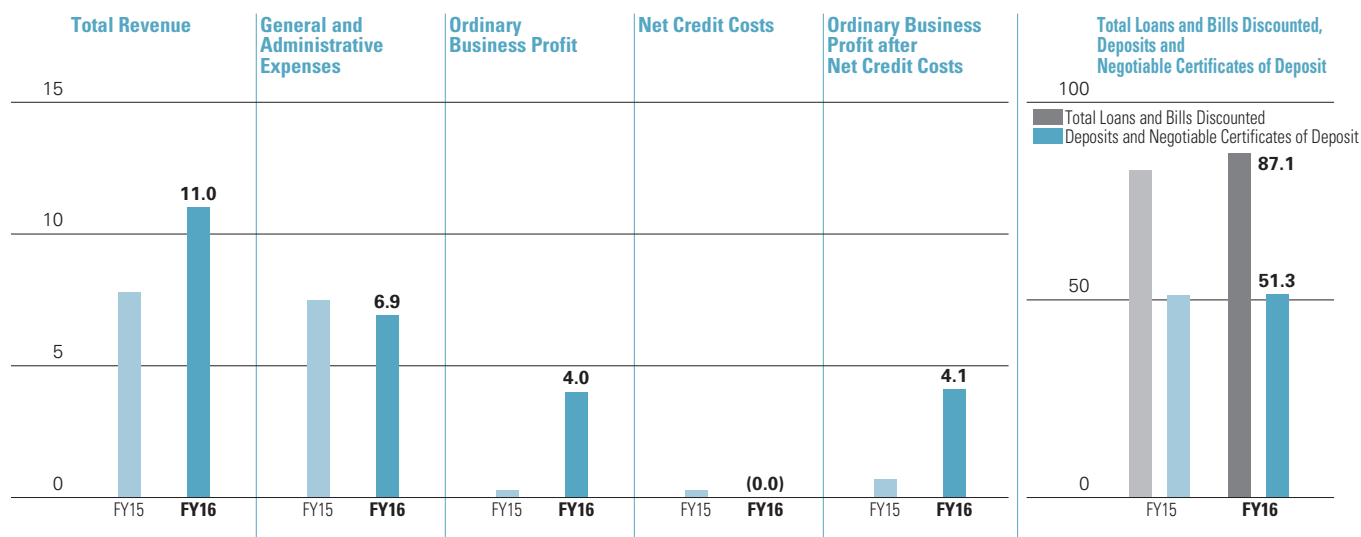
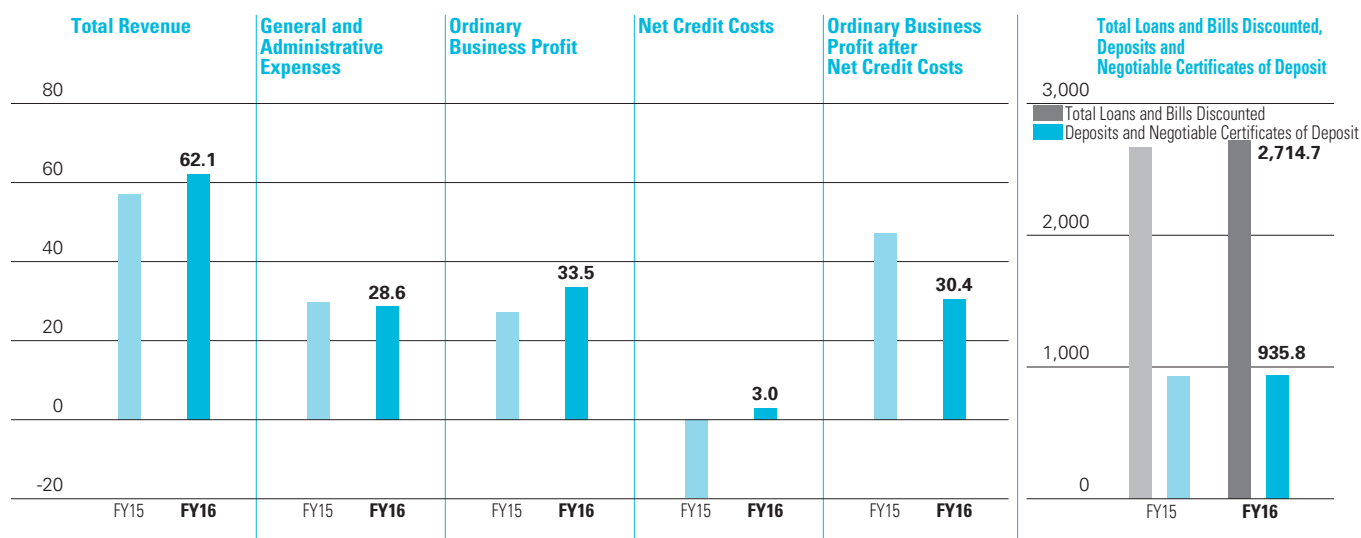
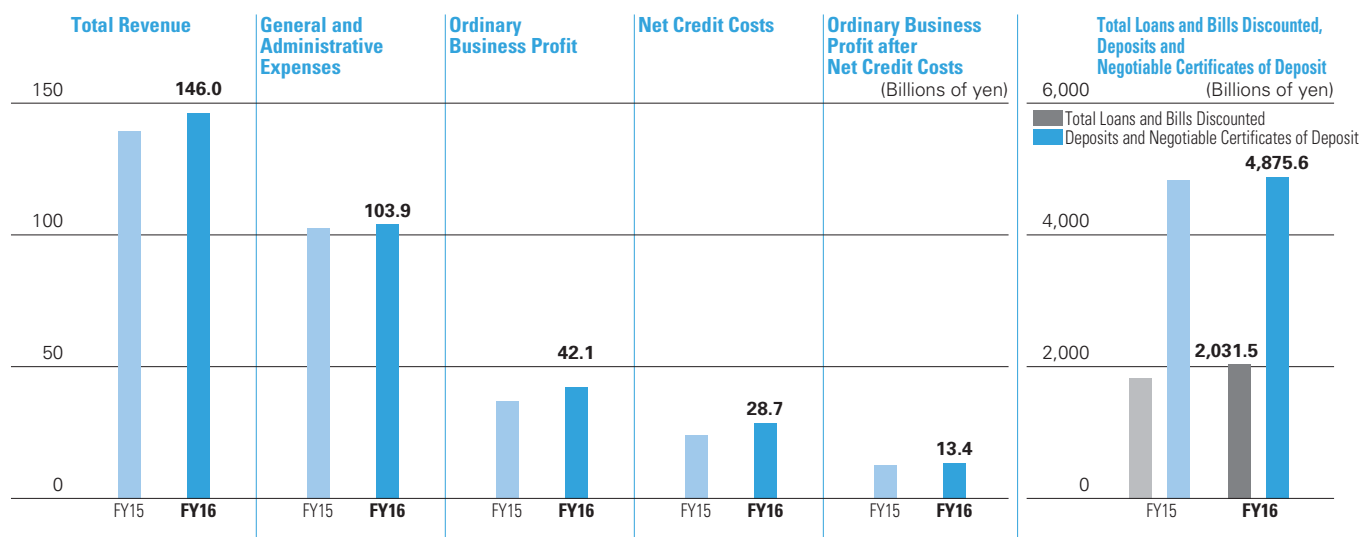
Total Revenue



Ordinary Business Profit after Net Credit Costs



¹ The percentage figures do not add up to 100% due to the contribution of Corporate/Other.



The Goal for Shinsei Bank Group

Strategies to Increase Value for Stakeholders

Sources of Corporate Value

ESG as Foundation Increasing Corporate Value

Data Section

INDIVIDUAL BUSINESS



Tetsuro Shimizu
Managing Executive Officer,
Head of Individual Business

The Individual Business is composed of: retail banking, which accepts deposits and handles asset management products and housing loans; and consumer finance, which handles unsecured personal loans, credit cards, installment sales credit (shopping credit), settlements, and sales of financial products to individuals and related services.

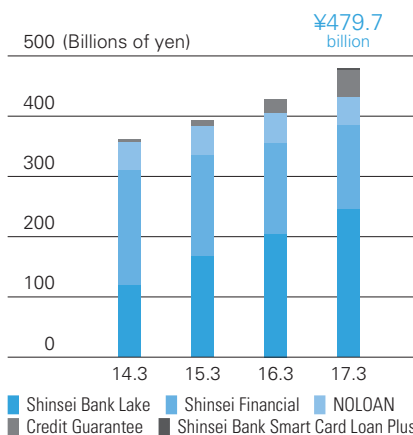
Business Environment Awareness: Risks and Opportunities

The investment appetite of our individual customers has continued to diminish since the Bank of Japan adopted its negative interest rate policy in 2016. In the medium-and-long term, however, a shrinking overall population with a composition evolving toward a growing elderly cohort supported by smaller working age and youth populations will lead to lifestyle changes and amplify the structural push in the shift toward investment from savings. These trends are expected to drive major structural changes in Japan's asset management environment. Moreover, the entry of new businesses with innovative financial technologies such as FinTech mainly into the fields of settlements and credit cards, which are APLUS FINANCIAL Co., Ltd.'s core domains, will likely further intensify competition. In the consumer finance field, we recognize there is likely to be even more scrutiny than before on whether lenders meet the funding needs of their customers in ways that are socially sound. With the Shinsei Bank Group a contributor to efforts to address an array of such social challenges, we once again strongly sense the need to create business opportunities.

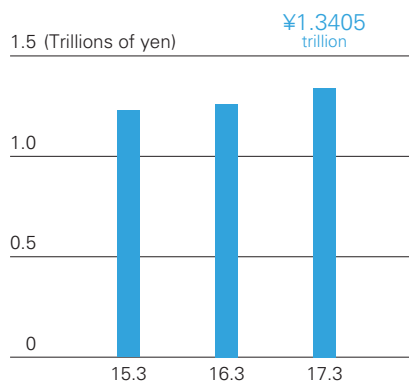
In particular, we believe one major theme for Shinsei Bank is supporting long-term asset formation of our individual customers, as opposed to depending mainly on swings in investor appetite in response to the external economic environment. Many people in the age 30-40 cohort are ready to accumulate financial assets but find it difficult to set aside a large block of time to visit a financial institution during the work day. In keeping with a Third MTMP core initiative, we provide asset management consulting services that minimize time and place constraints for the age 30-40 cohort, offering an environment of branches and remote access for mobile handsets that customers can seamlessly harness. We seek to provide new value to customers, constructing marketing models and increasing the sophistication of our credit screening strategies based on artificial intelligence and big data, while also drawing on the analytical work of SecondXight, Inc.

Operating Assets

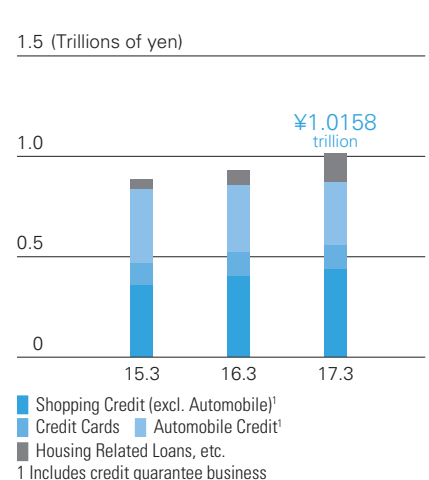
Unsecured Loan Balance



Housing Loans



APLUS FINANCIAL Operating Assets



Progress Assessment of Third MTMP's First Year

Growth Areas

Unsecured loans: Shinsei Bank Card Loan—Lake (Shinsei Bank Lake) continued to increase its loan balance and the size of its customer base through expansion focused on such measures as a new advertisement campaign, an ATM alliance with JAPAN POST BANK Co., Ltd. and a branch strategy. We continued to run our business in a disciplined manner in keeping with the spirit of the Money Lending Business Act, which aims to prevent borrowers from taking out loans from multiple lenders.

Strategic Initiative Areas

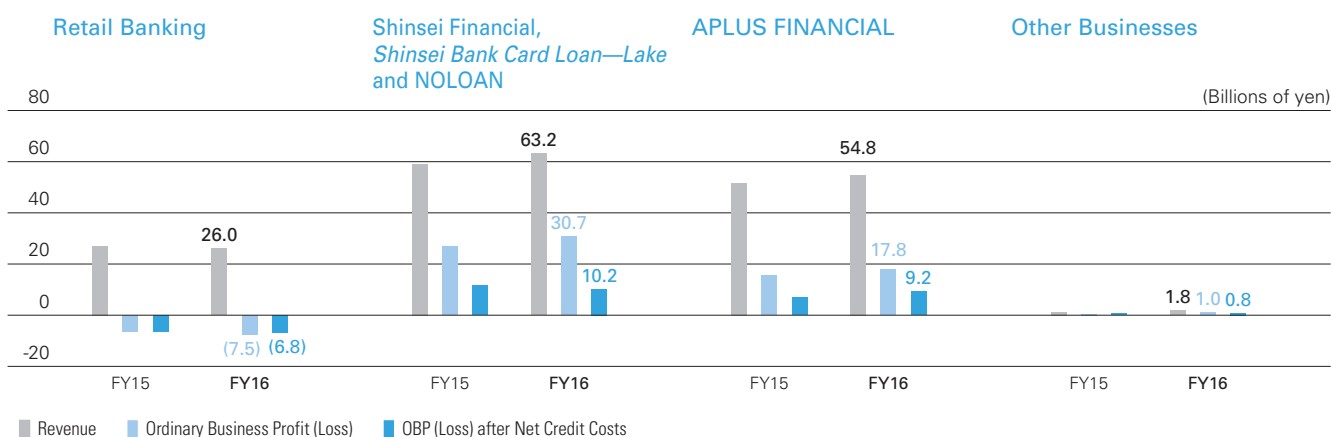
Settlements: APLUS FINANCIAL began offering a settlement agent service in Japan for WeChat Pay, a Chinese mobile settlement service offered as a part of WeChat, China's largest SNS service run by Tencent Holdings Ltd. The number of merchants accepting the service is increasing.

Stable Revenue Areas

Asset management consulting: Investment appetite across markets overall diminished sharply through the first half of fiscal year 2016 and dampened our performance but sales of asset management products recovered, mainly in structured notes, toward the fiscal year-end as the stock market rebounded.

Credit cards and shopping credit: APLUS FINANCIAL's shopping credit business expanded the number of member merchants in its network using the APLUS e-order system, and the revolving credit balance at the credit card business grew. As a result, both businesses delivered solid performances.

Data on Major Operations



Topics

Financial Literacy Program “MoneyConnection®”

“MoneyConnection®” is a financial literacy program aimed at young people Shinsei Financial Co., Ltd. developed jointly in 2006 with Sodateage.net, an approved, specified non-profit corporation, with the two parties initiating a rollout of the program. The program offers young people an opportunity to think about money, working, lifestyles, and their own values and is designed to be a catalyst that encourages participants to seriously think about their own future. Drawing on its relationships with regional financial institutions, Shinsei Bank has sponsored “MoneyConnection®” as one of its philanthropic initiatives focusing on the theme of “nurturing the next generation.” Since fiscal year 2012, the program has been offered at 846 high schools across Japan as of June 30, 2017. For further details, please see page 18 of this report.



Learning materials for MoneyConnection®

INSTITUTIONAL BUSINESS



Shinichirou Seto
Senior Managing Executive Officer,
Head of Institutional Business

The Institutional Business is composed of the corporate business that provides finance and solutions to the Bank's corporate, public corporation and financial institution customers; structured finance, which provides services such as real estate finance and project finance; principal investments, which is engaged in businesses such as private equity and business succession; and a leasing business.

Business Environment Awareness: Risks and Opportunities

In domestic financial markets under the negative interest rate policy, margins on corporate lending continued to trend at a low level against a backdrop of interest rate competition among financial institutions and an improvement in the financial structure of corporations. In this environment, the Shinsei Bank Group strove to maintain and improve its earnings base by focusing on fields where it has competitive advantages.

Structured finance, which includes real estate finance and project finance, is a business we locate in growth areas. Our expertise and analytical capabilities in structured finance reflect our many years of experience in the field.

In real estate finance, we have been prudent in view of possible overheating recently in some corners of the domestic real estate market, keeping a close eye on the risk-return profile of each project we evaluate and trends in real estate prices. In this context, we forged ahead with forming projects in response to customer needs.

In domestic project finance, reflecting changes in laws relating to renewable energy, we sought to diversify our mix of initiatives to include electric power sources such as wind and biomass in anticipation of a peaking in funding demand from

megasolar projects.

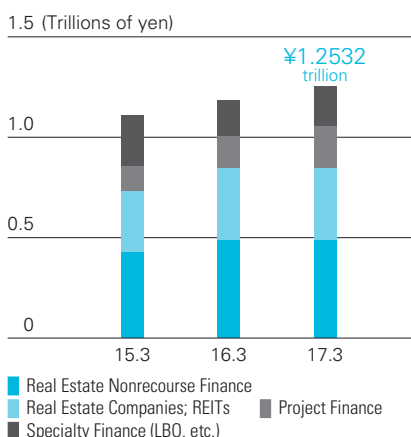
To provide one-stop solutions harnessing the comprehensive capabilities of the Shinsei Bank Group to corporate customers, including middle-market companies and small- and medium-sized enterprises (SMEs), we moved ahead with joint development of new products and services using the know-how of Group companies, starting with Showa Leasing.

In response to growing funding operation needs of regional financial institutions, we continued to provide them ways to manage their balance sheets through sales of loan claims, the formation of syndicate loans and sales of asset management products such as structured products and private placement investment trusts, leveraging the network of regional banks we do business with, a strength of the Shinsei Bank Group.

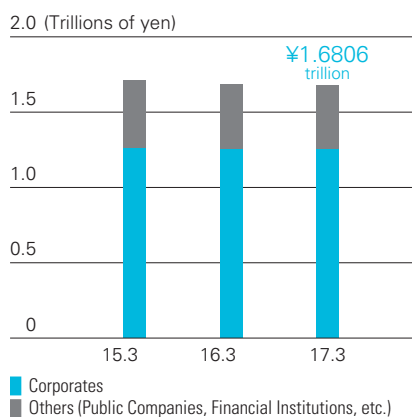
With many baby-boom-generation company owners approaching retirement age, we are harnessing our know-how in principal transactions to provide financial solutions such as buyout finance and debt workouts to customers with needs in business succession or in restructuring or closing down their businesses.

Operating Assets

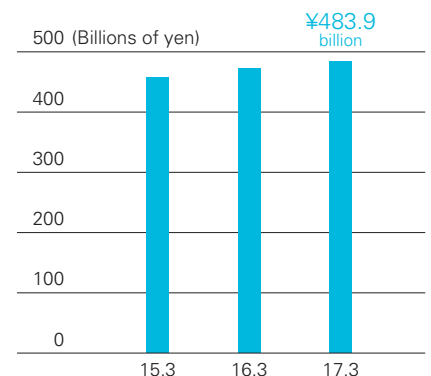
Structured finance balance



Corporate business balance



Showa Leasing operating assets



Progress Assessment of Third MTMP's First Year

Growth Areas

Project finance: With initiatives mainly focused on regional renewable energy projects, domestic project finance is growing into a reliable earnings base, as we bolstered relationships with key players in project finance such as domestic and foreign project sponsors, regional financial institutions and electric power facility operators. In overseas project finance, we are focused on locking in high-quality projects with Japan-affiliated sponsors, especially in Asia, Australia and Europe.

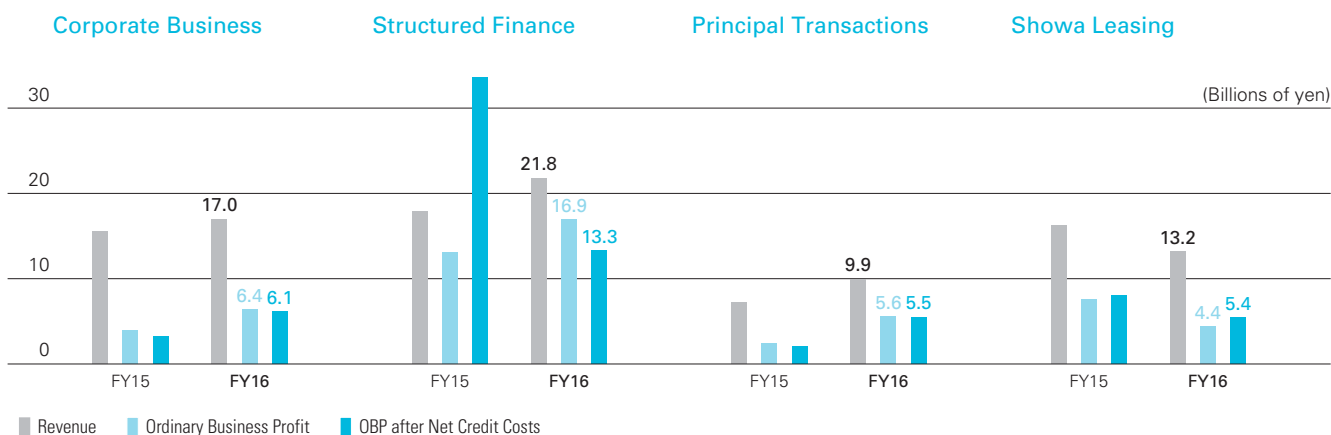
Real estate finance: Based on external environmental factors such as the murkiness of domestic real estate prices and domestic and overseas economic conditions, we strive to apply risk-return-focused metrics rigorously in selecting initiatives, while steadfastly implementing new projects.

Strategic Initiative Areas

Solutions for SMEs: We commenced a vendor leasing business working in collaboration with consolidated subsidiaries APLUS Co., Ltd. and Showa Leasing Co., Ltd. The Shinsei Bank Group is working to bolster its provision of solutions and financial services to SMEs, a strategic initiative area, through the integration of the APLUS member merchant network and Showa Leasing's lease functions.

Business-succession finance: We work to provide financial solutions such as buyout finance and debt workouts to middle-market companies and SMEs with needs in business succession or in restructuring or closing down their businesses.

Data on Major Operations



Topics

Shinsei Bank Group's "Child-care Support Fund" Invests in Childcare Business

Shinsei Bank, Limited and Shinsei Corporate Investment (SCI) Limited formed the "Japan Impact Investment I Limited Partnership" in January 2017 as a way to make impact investments (Glossary P.50) in domestic businesses involved in supporting childcare. Its first investment is a third-party allotment issued by mama square Co., Ltd. to raise capital. The Fund aims to invest in companies engaged in businesses such as childcare that supports the work-life balance of working women, childcare, afterschool care, education, household support, and support for families caring for both children and elders in parallel. Harnessing SCI's venture and buyout investment expertise and experience, the Fund seeks to contribute to addressing social challenges through its investments.



mama square Kakogawa space

For impact investment, visit Shinsei Corporate Investment Limited website.
<http://www.shinsei-ci.com/impact-investment/>
 For specifics, visit our website to read our press release on this matter.
http://www.shinseibank.com/corporate/en/news/pdf/pdf2016/170130_impactinvestment_e.pdf

GLOBAL MARKETS BUSINESS

Global Markets Business is composed of: the markets business, which engages in foreign exchange, derivatives and other capital market operations; asset management, which offers investment trusts; wealth management, which provides financial products and services to high net-worth customers; and securities brokerage through subsidiary Shinsei Securities Co., Ltd.

Business Environment Awareness: Risks and Opportunities

Financial markets in fiscal year 2016 were roiled by the UK's Brexit decision in the context of a prolonged low-interest-rate environment. In particular, amid growing uncertainties in the first half, the investment stance of individual customers tended to be cautious. In this environment, we sought to expand our stable earnings foundation by working to deepen transactions with customers and expand our customer base by providing services in a flexible manner and bolstering our lineup of products that align well with trends and opportunities in response to the diverse needs of our corporate and individual customers.

In corporate market solutions, a category the Third MTMP locates in stable revenue areas, we continued to work to strengthen and advance a marketing approach based on proposing solutions. We strove to deepen transactions with existing customers and develop new ones and enhance our competitive advantage via our fine-tuned response to the needs of individual customers such as needs to hedge foreign currency and interest rate exposures and funding operation needs

thanks to our advanced, flexible product formation system. This system, in turn, relies on tight-knit collaboration between our highly experienced sales leaders and managers responsible for devising products.

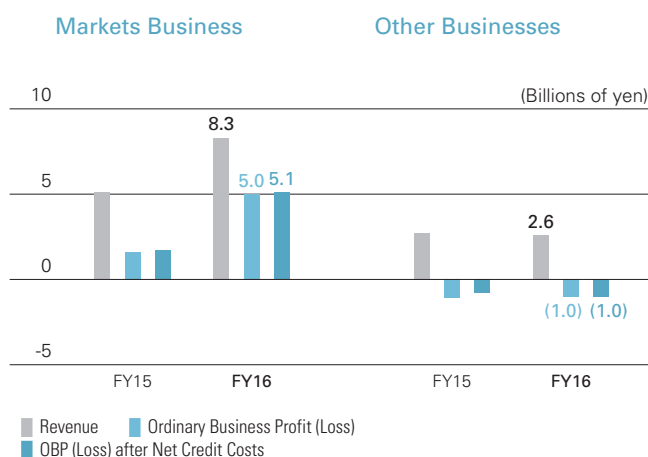
We view the growing fund operation needs of our regional financial institution clients, which find it harder to manage their balance sheets in a low interest rate environment, as an opportunity, so we have been agile in striving to bolster sales of structured products and private placement investment trusts. We offer differentiated services and products to our customers by harnessing the Group's functions such as proposing various products and solutions regardless whether they are domiciled in Japan or overseas or their corporate group affiliation. The Group provides such services, products and solutions through Shinsei Securities Co., Ltd., which has expertise in areas such as structured finance, and Shinsei Investment Management Co., Ltd., an asset manager that has assembled a unique lineup of investment trust products.

Progress Assessment of Third MTMP's First Year

Stable Revenue Areas

Corporate market solutions: Sales of structured deposits grew steadily in response to the proprietary investment needs of our regional financial institution customers and of our corporate customers for foreign currency derivatives.

Data on Major Operations



Topics

SIM Awarded First Prize and Second Prize in R&I Fund Award 2017

Shinsei Investment Management (SIM) was awarded first prize in the global equity fund aggregate category for investment trusts/aggregate in R&I Fund Award 2017, sponsored by Rating and Investment Information, Inc. (R&I). In the India equity fund category for investment trusts, SIM received second prize from R&I for the Shinsei UTI India Fund, which it established and operates. The Shinsei UTI India Fund has been recognized by the annual R&I Fund Award program for six successive years.

Investment Trusts/Aggregate

Category	Prize	Asset Manager
Global equity fund aggregate	First prize	Shinsei Investment Management

Investment Trusts

Category	Prize	Fund Name
India equity fund	Second prize	Shinsei UTI India Fund

Status of Regional Revitalization and SME Management Improvement Initiatives

To improve the management of small- and medium-sized enterprises (SMEs) and contribute to regional revitalization, the Shinsei Bank engages in initiatives such as those described below, providing our expertise and, depending on the initiative, cooperating with regional financial institutions and the SME Business Rehabilitation Support Cooperative. With respect to supporting SMEs and local businesses that have technologies or business models with unrealized growth potential as well as new business fields or business domains that contribute to regional economic revitalization, the Bank goes beyond merely satisfying funding needs to provide financing that emphasizes cash flows and multifaceted solutions to such management issues as business strategy planning and implementation support and other complementary functions. Through such efforts, the Bank aims to expand the operations of growth-stage SME clients and contribute to the development of new business opportunities that accompany innovation.

Examples of Shinsei Bank Initiatives

• Supporting regional revitalization through business rehabilitation

Regional textile product manufacturer: While staying on top of robust order inflows, the company had in the past made a large capital investment in facilities overseas and then later as a result strained to raise funds, seriously hampering its production activities. As a result, it was forced to file an application for legal liquidation. It needed to secure funding to remain in business, so it was under pressure to act swiftly to select a sponsor in a very short time span. As a financial advisor to the company in its sponsor selection process, Shinsei Bank harnessed its customer base and extensive experience in business rehabilitation and M&A to succeed in swiftly finding a sponsor to back up the company that showed a strong interest in its businesses. In this way, we contributed to reviving and sustaining employment and traditional textile product manufacturing in the region.

• Supporting management improvement

A regional dealer of imported vehicles: This dealer sought to enter the sales financing (auto loans) business to expand its business but to do so it needed to both improve its balance sheet and secure sufficient inventory financing. Accepting an infusion of capital-like funds, Shinsei Bank supported the dealer's efforts to bolster its financial position and helped facilitate its swift entry into auto loans by providing the credit screening and collection agency services of a Group company in installment sales credit. While continuing to support a scheme to securitize receivables from installment sales, the Bank plans to arrange joint financing for the dealer with several regional financial institutions to support it in securing an even more stable and diversified funding base.

• Supporting management improvement

Electronic component production equipment maker: With its earnings eroding after the Lehman Brothers collapse, the company needed to secure new sources of funding. Taking notice of the company's advanced technologies and solid customer base, Shinsei Bank arranged a syndicated loan with several regional financial institutions and has since then continued to support the company. Through this ongoing support combined with monitoring of its order status and access to funding, Shinsei Bank advised the company on ways to increase the transparency of its business activities in the eyes of the financial institutions where it does business, and in doing so enabled the company to improve its earnings and solidified the footing of a cooperative support system it has formed with its main banks. Shinsei Bank also provides the company with instruments to hedge business risks by initiating a trading relationship with it in foreign exchange forward contracts.

• Supporting business revitalization

Medical equipment manufacturer: Despite still formidable technologies, the company was stuck in vicious circle that originated in a sales expansion strategy that backfired and led to transaction margin erosion and persistent losses and ultimately to declining productivity due to aging production facilities. Burdened with enormous debts, the company sought rehabilitation through voluntary liquidation but recognizing how difficult it would be to recover on its own, the company publicly sought a sponsor to oversee its rehabilitation. Accepting a call to be its financial advisor in its sponsor selection efforts, Shinsei Bank recruited one with outstanding funding and management capabilities in a very short time span and then smoothly secured the cooperation of several creditors. In these ways, Shinsei Bank contributed to putting the manufacturer on a path to recovery through voluntary liquidation. At present, the manufacturer is off to a fresh start with its sponsor enabling it to invest in facilities necessary for business expansion.

BUSINESS SEGMENT INFORMATION, OVERVIEW OF IMPORTANT SUB-UNITS

Individual Business:	Focuses on retail financial products and services
Retail Banking	“Retail Banking” provides financial transactions and services to retail customers such as yen/foreign currency, structured deposits, investment trusts, brokerage service (through a partner institution), life and nonlife insurance (through partner institutions) and housing loans.
Shinsei Financial	“Shinsei Financial” provides consumer finance products and services and guarantee services (Shinsei Financial, Shinsei Bank Lake, NOLOAN).
APLUS FINANCIAL	“APLUS FINANCIAL” provides installment sales credit, credit cards, guarantees, financing and settlement services.
Others	The “Others” consists of profit and loss attributable to unallocated consumer finance business and other subsidiaries.

For specifics, see page 42

Institutional Business:	Focuses primarily on corporate, public and financial sector finance and advisory businesses
Corporate Business	“Corporate Business” provides financial products and services, advisory services, health care finance and trust services to businesses and public corporations and financial institutions.
Structured Finance	“Structured Finance” provides real estate related nonrecourse and corporate finance, project finance, M&A related finance, and specialty finance.
Principal Transactions	“Principal Transactions” is engaged in the credit trading businesses, private equity, corporate revitalization support business, the provision of business succession and business switching and closure support services and asset-backed investment.
Showa Leasing	“Showa Leasing” primarily provides leasing related financial products and services.

For specifics, see page 44

Global Markets Business:	Focuses primarily on financial markets business
Markets	“Markets” is engaged in foreign exchange, derivatives, equity related and other capital markets transactions.
Others	“Others” consists of the profit and loss attributable to Shinsei Securities, asset management, wealth management and other products and services of the Global Markets Business.

For specifics, see page 46

GLOSSARY

Advisory	<p>Shinsei Bank's advisory business proposes solutions to meet customers' diverse needs in areas such as M&A, corporate restructuring, and fundraising in Japan and overseas.</p>
ALM (Asset Liability Management)	<p>ALM refers to the comprehensive management of the market and liquidity risks that exist in the Bank's balance sheet (i.e. assets and liabilities) as a result of its business operations. ALM aims to optimize interest rate income from the Bank's balance sheet and economic value by monitoring interest rate conditions and asset/liability duration, including off-balance items such as derivatives on the Bank's account, and adjusting for risks in assets/liabilities and derivatives transactions in consideration of the change in value of assets, liabilities, and periodic profits or losses due to market fluctuations.</p>
Asset Management	<p>In a broad sense, Asset Management refers to Shinsei Bank's overall asset management business, but in a narrower sense it refers to the investment trust business and investment advisory business. Shinsei Bank offers a variety of unique financial products and services for both institutional and individual (including high-net worth) customers, primarily through the Global Markets Business and the Individual Business (retail banking Business).</p>
Business Succession Support	<p>The provision of investments and loans to meet capital requirements for the transfer of shares, etc. to customers considering family members or employees as business successors in order to facilitate the smooth hand over of business ownership.</p>
Common Equity Tier 1 Ratio	<p>The financial indicator calculated in accordance with the international standard of the third Basel accord, indicating the adequacy ratio of capital of an even higher level of quality than the capital adequacy ratio commonly used to gauge the financial stability of banks, etc. The ratio is calculated by dividing the balance of common equity tier 1 capital, which is comprised of capital with high loss absorption capability such as common equity and retained earnings, and dividing the total by the balance of risk assets, the indicator of the magnitude of risk of assets, etc. held by banks.</p>
Credit Guarantee Business	<p>Credit Guarantees represent a guarantee to repay a loan made by a partner financial institution on behalf of the borrower, in the case that the borrower becomes unable to make repayments, in return for a fee. In the Shinsei Bank Group, Shinsei Financial is focused on this business, offering comprehensive support to partner financial institutions including advice on advertising strategies and product design as part of its service.</p>
Credit Trading	<p>Credit Trading offers balance sheet optimization solutions, including the purchase of loan receivables from current creditors or an investment in (purchase of) monetary claims held by the customer. Shinsei Bank also invests in monetary claims such as loans and leases sold in the secondary market for non-performing loans, aiming to make profits by securing a greater return than the initial investment through servicing or resale of the receivables.</p>
Derivative	<p>Derivative is a collective term referring to transactions that are derived from or linked to other underlying transactions such as interest rate, bond, foreign exchange, and equity transactions. They are also called "financial derivatives" since most of the transactions originate from financial products.</p>
Exposure	<p>Exposure refers to an amount of assets or an amount of money that is exposed to foreign exchange, price fluctuations or other risks as a result of loans and investments.</p>
(Grey Zone) Interest Repayment	<p>Prior to the interest rate reduction implemented as part of the revisions to the Money Lending Business Law, the interest rates on some consumer finance products offered by the Shinsei Bank Group's subsidiaries exceeded the upper limit stipulated by the Investment Law. Following a ruling by the Supreme Court in January 2006, customers who paid more than the upper limit stipulated by the Investment Law have been allowed to request a refund of the extra interest paid. Accordingly, consumer finance companies have recorded reserves in order to cover losses on (grey zone) interest repayments.</p>

Healthcare Finance

Healthcare Finance refers to financing— primarily nonrecourse loans— as well as financial advisory on management strategies and M&A for senior care facilities and nursing homes.

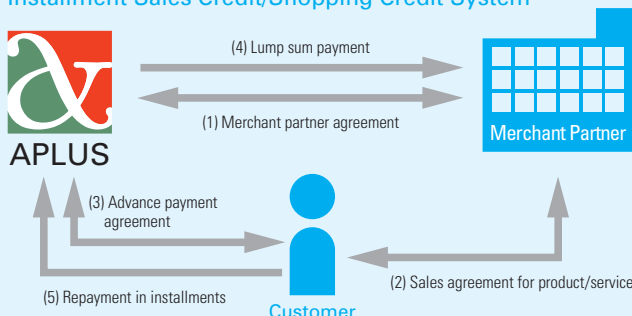
Impact Investment

Investment aimed at generating both an economic return and social return. This approach seeks out companies that address social issues while pursuing an economic return and invests accordingly. A distinguishing feature of impact investing is continuous measurement of the social impacts companies generate.

Installment Sales Credit (Shopping Credit)

Installment Sales Credit (Shopping Credit) is a service that allows customers to pay for goods or services in installments without using a credit card. Shinsei Bank group offers this service primarily through APLUS FINANCIAL.

Installment Sales Credit/Shopping Credit System



- (1) APLUS concludes a merchant partner agreement with the merchant partner
- (2) Customer purchases a product or a service from the merchant partner
- (3) Customer applies to APLUS for installment sales credit
- (4) APLUS pays the purchase price for the product/service as a lump sum to the merchant partner
- (5) Customer repays the purchase price to APLUS in installments

LBO Finance (Leveraged Buyout Finance)

LBO finance is a type of M&A finance based on the assets or future cash flows of a company to be acquired. It is used when a company or an investment fund acquires another company. At Shinsei Bank, LBO Finance is included in Specialty Finance.

MBO Finance

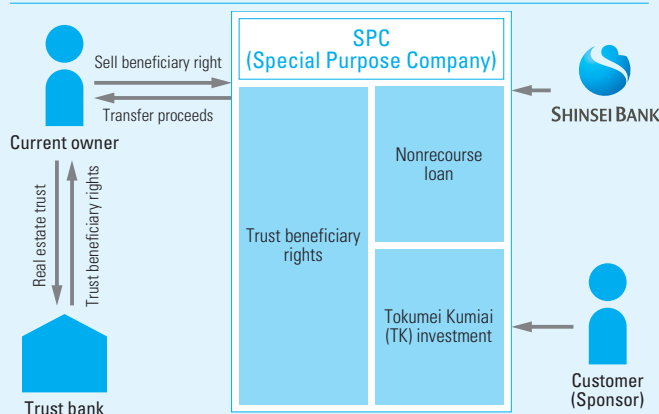
MBO stands for Management Buy-out. It is a type of LBO finance offered when a company's management buys its own company co-working with an investment fund and others. At Shinsei Bank, MBO Finance is included in Specialty Finance.

Net Credit Costs

Net credit costs are the sum of reserves for loan losses set aside (credit costs) according to the credit standing of borrowers, reversal (gains) of reserves for loan losses and recoveries of written-off claims resulting from their disposal.

Nonrecourse Loan

Nonrecourse loans are finances for which repayment is made solely from the cash flows generated from specific businesses or assets (typically, but not always real estate), with no recourse to the sponsor.



Ordinary Business Profit (Loss)

Ordinary business profit (loss)— the indicator of profit (loss) from core business after expenses— is calculated by subtracting “expenses” from “total revenue.” “Net credit costs” are excluded from this calculation.

Portfolio

A portfolio refers to a group of various components. An asset portfolio, for example, refers to a collection of various assets such as real estate, cash deposits and equities.

Principal Transactions

Principal Transactions generally refer to a bank's proprietary investments. Shinsei Bank proactively makes proprietary investments in the Credit Trading and Private Equity businesses in order to meet customers' needs for corporate restructuring, business succession and growth funds.

Private Equity In general, Private Equity refers to privately-placed shares and shares that are not traded in stock exchanges or over-the-counter markets. Private equity investments can be classified into venture capital, which are investments in growing companies, and investments to acquire control of mature companies in order to implement restructuring. Shinsei Bank is proactively engaged in venture capital investments, investing in up to 5% of total shares with representative rights of customers planning a public share offering as well as making buyout investments related to business divestments from mature companies.

Project Finance Project Finance refers to loans to finance specific projects for which the principal source of repayment is the cash flow generated from the project itself. Project Finance is often used for medium-to-long term projects in energy, natural resources, and infrastructure.

Revised Money Lending Business Law The key points of the Revised Money Lending Business Law which was enacted and issued in December 2006 are: (1) optimizing control of the money lending business (tightening entry requirements etc.), (2) reducing excessive lending (implementation of the designated credit bureau system and income-linked lending limitation), and (3) controlling the interest rate system (reducing the upper limit of the interest rate under the Investment Law to 20% p.a.). The law was enforced in a phased manner and was fully enforced in June 2010.

Risk Weighed Assets Risk weighed assets are an amount equivalent to the volume of "credit risk" and "market risk" of the Bank's assets/transactions and "operational risk" involving operational errors.

RORA Return on Risk-Weighted Assets—the indicator which shows a profitability based on Risk-Weighted Assets. RORA is calculated as the ratio of its profit attributable to owners of the parent to the total Risk-Weighted Assets at the end of the term.

Ship Finance Finance for the shipping industry. Shinsei Bank primarily provides shipping companies with funds for ship acquisition.

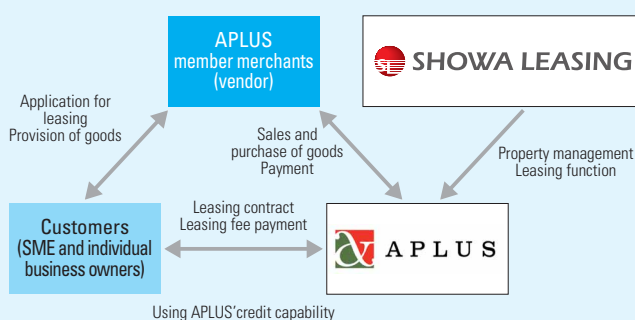
Specialty Finance Specialty Finance at Shinsei Bank refers to M&A finance, LBO finance and other types of finance that focus on the cash flows and value generated by businesses and assets. It is a type of structured finance.

Structured Finance Structured Finance refers to finance requiring special structures. In general, it takes the form of project finance or non-recourse finance which focuses on the cash flows or value generated by a specific project or asset. Shinsei Bank is primarily active in real estate finance, project finance, M&A finance and corporate restructuring finance.

Syndicated Loan Syndicated loans are loans provided jointly by a syndication of multiple financial institutions (lender group) based on a single loan agreement.

Treasury Treasury is normally the function in a company which is responsible for ALM (asset and liability management). At Shinsei Bank, Treasury basically refers to the function responsible for cash flow management including collateral management, transactions through transfer pricing (FTP, the inter-office fund transfer price), issuance or buyback of (subordinated) corporate bonds, liquidity planning, management of overseas subsidiaries that issue capital securities as well as ALM for the entire Group.

Vendor Lease Vendor Lease refers to providing leased properties to SME and individual business owners through APLUS member merchants (vendors).



Wealth Management Wealth Management refers to the financial services that Shinsei Bank offers to high-net worth customers. The Bank offers a variety of differentiated wealth management services tailored to customers' needs.