

Review of Operations

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AT A GLANCE

Segment Data

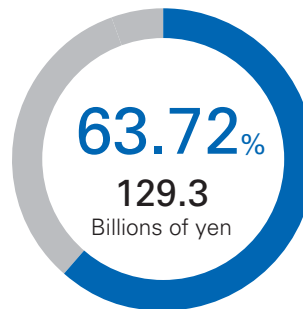
INDIVIDUAL GROUP

Major Business

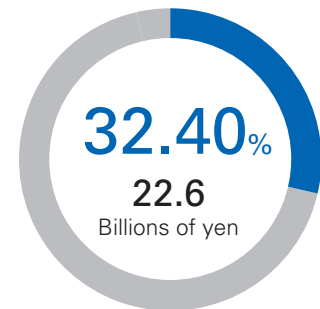
- Retail Banking
 - Deposit related products (saving deposits, time deposits, structured deposits, foreign currency deposits)
 - Asset management (consultation, mutual funds, annuity products)
 - Housing loans
- Consumer Finance
 - Unsecured personal loans (Shinsei Bank, Shinsei Financial, SHINKI)
 -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

Contribution¹

Total Revenue



Ordinary Business Profit after Net Credit Costs



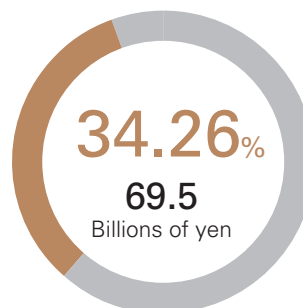
INSTITUTIONAL GROUP

Major Business

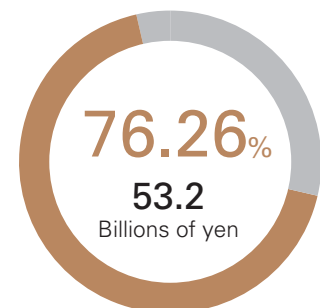
- Corporate & Public Sector Finance
- Healthcare Finance
- Real Estate Finance
- Specialty Finance
- Corporate Restructuring
- Credit Trading
- Private Equity
- Advisory Services
- Leasing (Showa Leasing)
- Trust operations (Shinsei Trust & Banking)

Contribution¹

Total Revenue



Ordinary Business Profit after Net Credit Costs



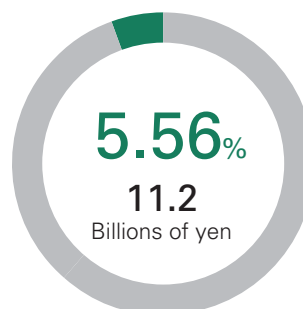
GLOBAL MARKETS GROUP

Major Business

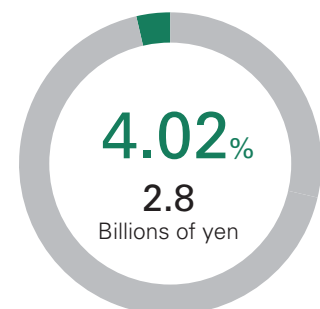
- Financial Institutions Business
- Markets
- Asset Management
- Wealth Management
- Securitization (Shinsei Securities)

Contribution¹

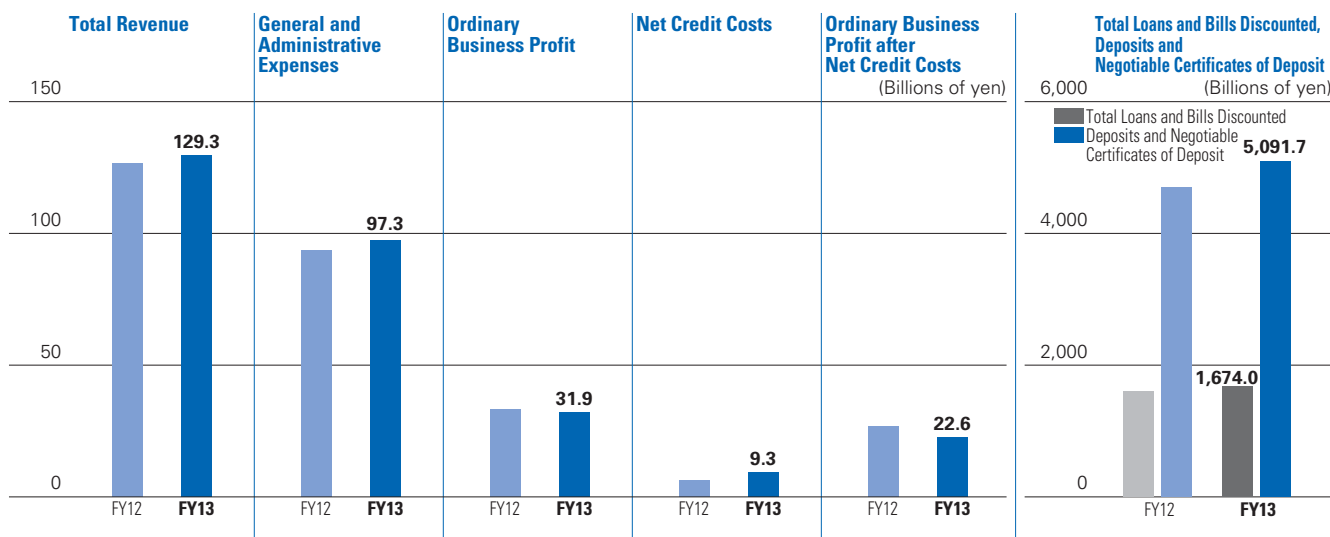
Total Revenue



Ordinary Business Profit after Net Credit Costs

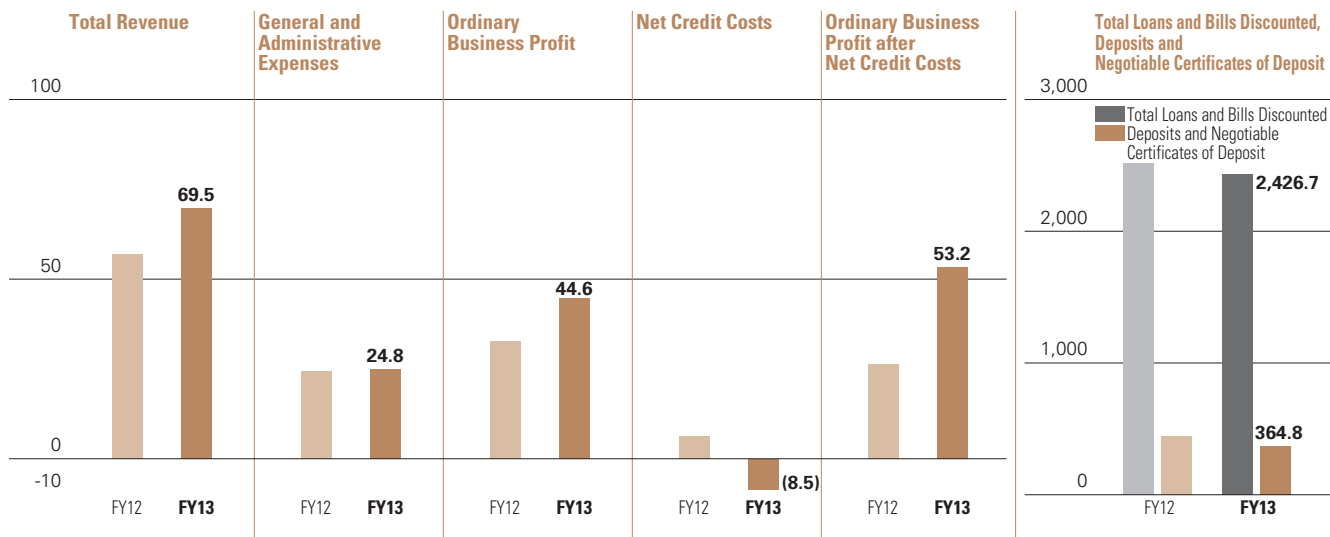


¹ The percentage figures do not add up to 100% because Corporate/Other was negative.



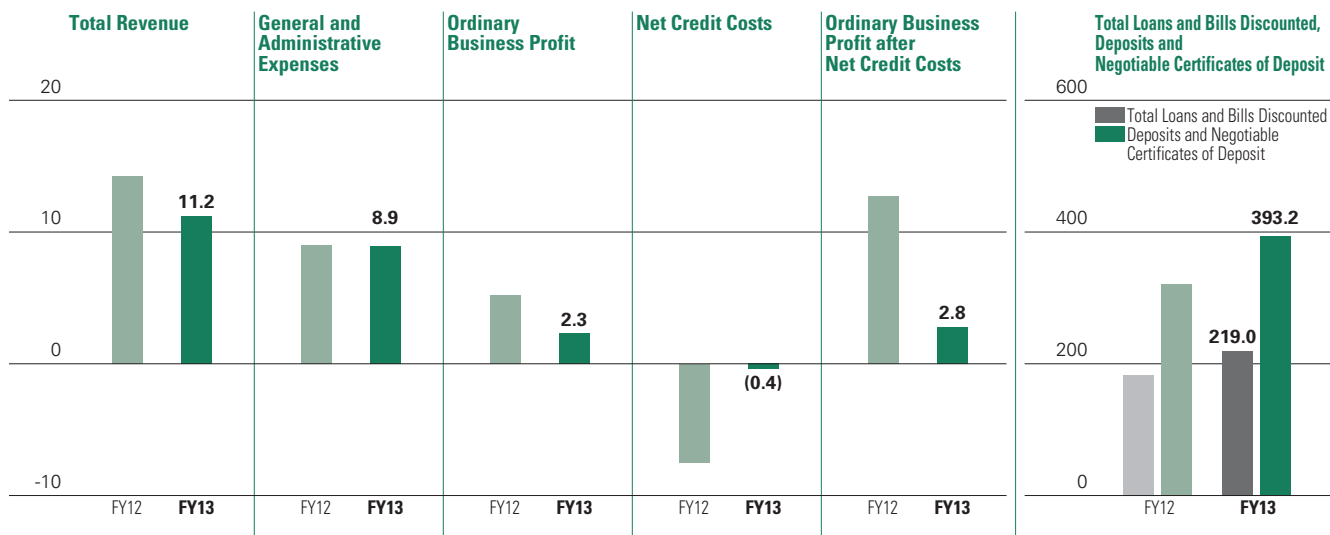
Financial Highlights

Message from the Management



Special Features

Review of Operations
At a Glance



Management Structure

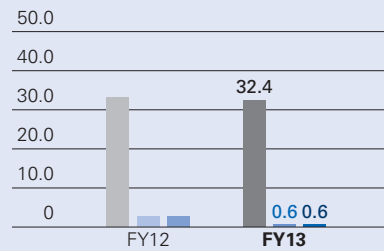
Data Section

Explanations of Major Businesses

INDIVIDUAL GROUP

Retail Banking

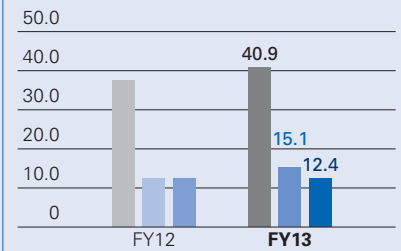
Financial products and services for individual customers, such as yen/foreign currency deposits, structured deposits, mutual funds, brokerage service through an alliance partner, life/casualty insurance through alliance partners, and housing loans



(Billions of yen)
 ■ Revenue
 ■ Ordinary Business Profit
 ■ OBP after Net Credit Costs

Shinsei Financial and Shinsei Bank Card Loan—Lake

Unsecured personal loan business and credit guarantee services (Shinsei Financial and *Shinsei Bank Card Loan—Lake*)



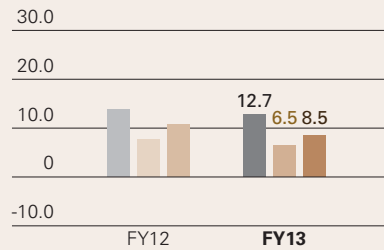
Financial Highlights

Message from the Management

INSTITUTIONAL GROUP

Institutional Business

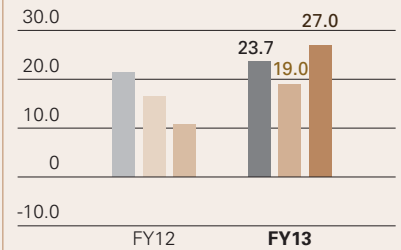
Financial products and services for corporate and public sector customers (including health-care finance and advisory services)



(Billions of yen)
 ■ Revenue
 ■ Ordinary Business Profit
 ■ OBP after Net Credit Costs

Structured Finance

Specialty finance business including real estate finance, M&A related finance and project finance, as well as corporate restructuring and trust business



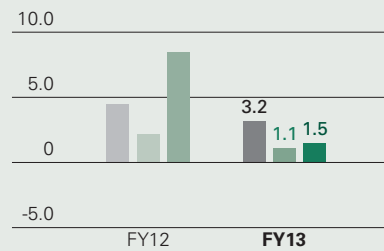
Special Features

Review of Operations At a Glance

GLOBAL MARKETS GROUP

Financial Institutions Business

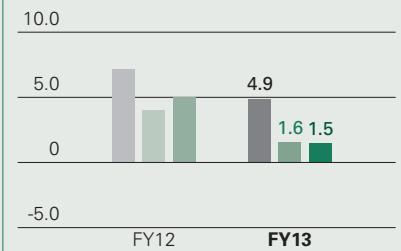
Provides financial solutions, such as investment management and managerial reinforcement, to financial institutional customers including regional financial institutions



(Billions of yen)
 ■ Revenue
 ■ Ordinary Business Profit
 ■ OBP after Net Credit Costs

Markets

Foreign currency exchange, derivatives, equity, alternative investments, and other capital markets business

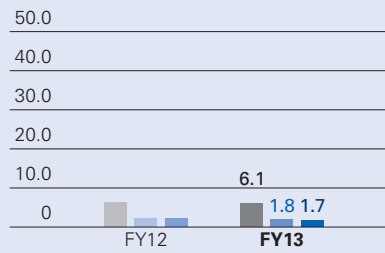


Management Structure

Data Section

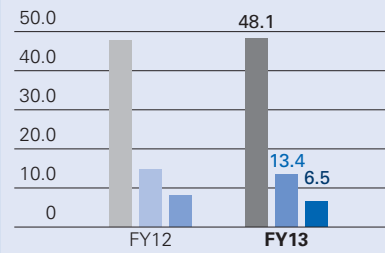
SHINKI

Unsecured personal loan business—brand name “NO LOAN”



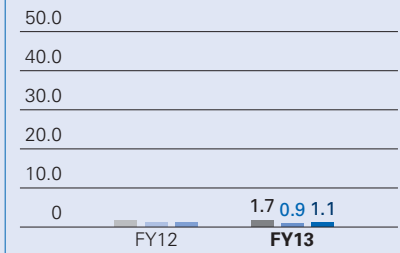
APLUS FINANCIAL

Installment sales credit, credit cards, credit guarantee services, loans, and settlement services



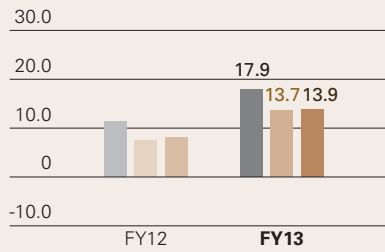
Other Businesses

Consumer Finance Sub-Group and Shinsei Property Finance which is engaged in real estate collateral finance



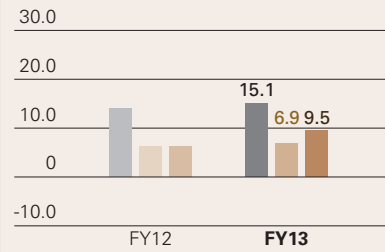
Principal Transactions

Credit trading—the business of trading various monetary claims—and private equity



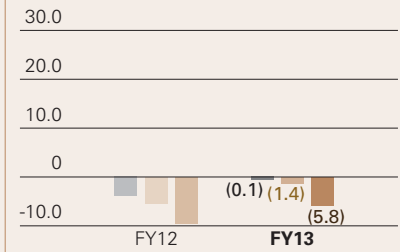
Showa Leasing

Leasing services for information equipment, industrial machinery, and machine tools as well as finance services such as installment sales credit



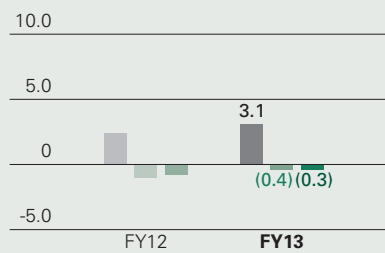
Other Businesses

Asset-backed investment and other products and services for corporate customers



Other Businesses

Shinsei Securities, asset management, and wealth management business



INDIVIDUAL GROUP



Tetsuro Shimizu
Head of Retail Banking Sub-Group

Sanjeev Gupta
Senior Managing Executive Officer,
Head of Individual Group

Masashi Yamashita
Managing Executive Officer,
Deputy Head of Individual Group,
Head of Consumer Finance Sub-Group

The Individual Group is comprised of: 1) the retail banking business handling deposits, investment trusts, insurance and housing loans, 2) Shinsei Bank Card Loan–Lake offering unsecured personal loan (UPL) services, 3) Shinsei Financial Co., Ltd. handling UPL and the credit guarantee operations, 4) SHINKI Co., Ltd. specializing in UPL, 5) APLUS FINANCIAL Co., Ltd. whose core business is the instalment sales credit business, and 6) Shinsei Property Finance Co., Ltd. that handles loans secured by real estate.

Achievements and Challenges in Fiscal Year 2013

The Individual Group's most important goal under the Second Medium-Term Management Plan (MTMP) is to increase the number of "core customers"—customers who can freely use the products and services offered by the Shinsei Bank Group companies according to their individual needs—to five million. We positioned fiscal year 2013, which was the first year of the Second MTMP, as the year in which we would "rebuild and develop businesses, operational frameworks and infrastructure through the integration of the Shinsei Bank Group." To achieve these, we worked on "integration measures," "service enhancement," and "organizational improvement."

Regarding specific "integration measures," in June 2013, we formed an alliance with Culture Convenience Club Co., Ltd. ("CCC"), with which APLUS Co., Ltd.—a subsidiary of APLUS FINANCIAL—already had a broad partnership in the T Point Program. Through the alliance, we were to offer "T Points" to users of financial services provided by the Bank, and we began awarding "T Points" from September 2013 to members of the "T Point Program" when they opened accounts at Shinsei Bank or used financial products or services designated by the Bank.

Regarding "service enhancement," we have expanded our convenience store ATM partnerships. As a result, our customers are now able to use Seven Bank ATMs in Seven-Eleven stores as well as ATMs installed in Lawson and FamilyMart stores. This has greatly improved customer convenience increasing the number of ATMs that accept transactions using Shinsei Bank cash cards free of charge to approximately 97,000 (as of May 2014).

Regarding "organizational improvement," we have recalculated the necessary amount to cover future grey-zone interest repayments based upon recent repayment trends, and made an additional provision of 15.6 billion yen of grey-zone reserves for our three consumer finance subsidiaries. In addition, when Shinsei Bank acquired Shinsei Financial from GE Japan in September 2008 we reached an agreement that GE would indemnify a substantial portion of Shinsei Financial's assets acquired by Shinsei Bank against grey-zone claims. This indemnity agreement was terminated as of March 31, 2014 in exchange for a lump-sum, cash payment of 175 billion yen by GE Japan—the amount expected to be required to cover future grey zone losses that will be incurred to the Bank. We consider that these measures sufficiently cover grey-zone claims that may be made against the Shinsei Bank Group in future.

Strategy

Fiscal year 2014—the second year in the Second MTMP—is positioned as the year for “continuing operational framework improvement and shifting to expanding the customer base.”

We aim to achieve the target number of “core customers” and grow cross selling opportunities by enhancing collaboration between Group companies to improve customer convenience.

In product and service enhancement, we will continue to strengthen cooperation with housing developers and retailers to expand sales channels for our customers in order to respond to the increased competition in the housing loan market and the decline in demand for refinancing loans, and continue enhancing our products to satisfy diverse needs.

In our unsecured personal loan operations, we will further develop new products and enhance our marketing capability, while further strengthening our credit guarantee business in collaboration with regional financial institutions. We will also grow the transaction volumes of settlement products such as credit cards and rent payment, leveraging the T Point Program alliance formed in the last fiscal year. Furthermore, we are looking into satisfying the financial needs of Japanese retail customers in the Asian market.

Going forward, in order to respond to the diverse financial product needs of individual customers, we will further grow our product line-up to increase transactions with our existing customers within the Shinsei Bank Group while engaging in various initiatives in order to expand the customer base of the entire Shinsei Bank Group.

Business Development in Fiscal Year 2013

In our retail banking business, while we saw an increase in revenue due to the loan balance increase as a result of our continued steady performance in housing loans, total revenue decreased due to a reduction in net interest income from deposits resulting from lower market interest rates. Total revenue in the consumer finance business rose as a result of an increase in net interest income due to the larger total balance of unsecured personal loans at Shinsei Financial and *Shinsei Bank Card Loan—Lake* and greater non-interest income attributable to an increase in the shopping credit and settlement transaction volumes of APLUS FINANCIAL. As a result, total revenue of the Individual Group increased from 126.4 billion yen in fiscal year 2012 to 129.3 billion

yen in fiscal year 2013. Business expenses rose from 93.3 billion yen in fiscal year 2012 to 97.3 billion yen in fiscal year 2013 due to the active implementation of measures to smoothly carry out the Second MTMP, although continued efforts were made to improve efficiency and to rationalize operations from a variety of approaches including a review of the advertising expense unit price. Net credit costs increased from 6.2 billion yen in fiscal year 2012 to 9.3 billion yen in fiscal year 2013 due to an increase in credit costs at Shinsei Financial, *Shinsei Bank Card Loan—Lake*, and APLUS FINANCIAL.

As a result of the preceding, ordinary business profit after net credit costs at the Individual Group shrank from 26.9 billion yen in fiscal year 2012 to 22.6 billion yen in fiscal year 2013.

In our retail banking business, we offered a wide range of financial products including yen deposits, housing loans, foreign currency deposits, structured deposits, investment trusts and insurance products.

In *Shinsei PowerDirect*—the internet banking service for Shinsei *PowerFlex* accounts holders—, we launched smart phone banking services in February 2014. Furthermore, we introduced an application for opening accounts in March 2014 in order to accept account opening requests online. The application simplifies the account opening process allowing customers to complete account opening procedures by submitting information via their smart phone, using the camera function of their smart phone to capture the images of customer identification documents and registered seal or signature, and transmitting them to the Bank.

In our housing loan business, we launched the “*Shinsei Bank PowerSmart Home Mortgage Anshin Pack W*” in January 2014. The product adds to our existing home mortgage product coupons which are given according to contracted loan amount. Customers can use these coupons to receive sick child care services and housekeeping services by service providers designated by Shinsei Bank. This product proved to be popular, due in part to the increased desire for employment amongst women in recent years. Our housing loan balance steadily increased from 1,091.6 billion yen as of March 31, 2013 to 1,184.0 billion yen as of March 31, 2014.

In our consumer finance business, the loan balance of *Shinsei Bank Card Loan—Lake* continued to increase steadily and had reached 118.8 billion yen as of March 31, 2014 with approximately 300,000 customers.

APLUS FINANCIAL has been focusing on installment sales credit, credit cards, and settlement services as its core business areas. Through its partnership with T Point Japan Co., Ltd., it has been expanding and developing businesses by leveraging the T Point service.

INSTITUTIONAL GROUP



Hitomi Sato
Senior Managing Executive Officer,
Head of Institutional Group

The Institutional Group is composed of: (1) the Institutional Business Sub-Group that provides private and public sector corporate customers with lending and other banking services, structured finance for real estate and other finance projects, as well as additional financial products and solutions, (2) the Principal Transactions Sub-Group that operates the credit trading and private equity businesses including pre-IPO investments, (3) the VBI Promotion Division, (4) the Corporate Advisory Division, (5) the Asset Backed Investments Division, and (6) the Shinsei Bank Group companies, including Showa Leasing and Shinsei Trust & Banking, that offer financial services to corporate customers.

Achievements and Challenges in Fiscal Year 2013

The Institutional Group's overall performance improved steadily from fiscal year 2012 as our efforts to strengthen the customer base and to enhance profit-generating abilities in our priority areas and new business areas, which were promoted until fiscal year 2012 under the First "Medium-Term Management Plan" (MTMP), produced steady, positive results. In fiscal year 2013, we also aimed to transform our loan portfolio by shifting from legacy assets to assets in strategically important areas. This was done by capturing the upturn of the market environment brought about by "Abenomics" and the BOJ's monetary easing policy that was "quantitatively and qualitatively of a different dimension" and by aggressively disposing of nonperforming loans.

In our institutional business, we consolidated the Institutional Business Sub-Group and Structured Finance Sub-Group in April 2013 to enhance synergy effects of traditional balance-sheet finance and cash flow finance including project finance. Furthermore, we established the West Japan Business Department in the Osaka Branch to enhance business promotion activities in our branches located in western Japan. We also relocated the Osaka Branch to a new, larger office in an attempt to create a flexible business promotion structure. These initiatives are gradually starting to have positive impacts, such as a large increase in the number of new customer acquisitions from the previous fiscal year.

In new business areas we established as our goal the creation and development of the project finance market in Japan. To achieve this, we increased our support to growing companies, primarily in the form of medium-sized project finance arrangement for renewable energy projects. As a result, we made a solid foundation for the development of the market.

In July 2013, we reorganized the Principal Transactions Sub-Group and its subsidiaries and established the "Shinsei Principal Investments Group (Shinsei PI Group)" in order to develop our business more flexibly. To maximize the impact of this reorganization, the Shinsei PI Group relocated to a new office which is designed to encourage proactive communication with an emphasis on face-to-face conversations. Through these changes, we will expand our credit trading and private equity businesses more aggressively with a greater competitive edge.

In fiscal year 2013, we strategically engaged in the disposal of nonperforming loans and large loans to borrowers with low credit ratings. This led to significant progress in improving our loan asset portfolio, which in turn contributed to a considerable reduction in our nonperforming loan ratio. We are thus now close to achieving the goals set in the Second MTMP that started in fiscal year 2013. Going forward, we will continue to pursue sustainable growth by further expansion of our customer base including small- and medium-sized enterprises (SMEs), more aggressive implementation of our strategies by working together with customers and increase high-quality assets in growth areas.

Strategy

In fiscal year 2014, the second year of the Second MTMP, we will accelerate our business expansion centered on the areas of focus such as renewable energy, medical/healthcare services, start-up support, corporate rehabilitation support, and support for new, growing businesses.

We will enhance our customer base with further increase of high-quality assets by the deliberate customer segmentation and the well-organized sales promotion system through clear business plans, and by the development of the speedy risk assessment system through the enhancement of the risk management framework.

In new business areas, we will aim to revitalize regional financial markets together with regional financial institutions by utilizing the relationships between the Global Markets Group and regional financial institutions and by applying the expertise we have developed in mega solar projects in the Japanese market to other renewable energy sectors such as geothermal and biomass. In the area of medical/healthcare services, we reached an agreement in April 2014 with five companies including Kenedix Inc. on the creation of a healthcare Real Estate Investment Trust (REIT), and jointly established an asset management company for this REIT. We are aggressively developing this business with the aim to create and list a healthcare REIT in the second half of 2014 and to promptly increase its asset size to approximately 100 billion yen as early as possible after listing.

The Principal Transactions Sub-Group will enhance its consulting functions, its capabilities in providing solutions for long-term fixed claims of large corporate customers and increasing the investment value of investees who are planning to conduct an IPO through the strengthening of growth support in light of the expiration of the SME Financing Facilitation Act, the ageing of the population, and other changes in the business environment.

In our overseas businesses, we are further reinforcing our overseas business promotion support structure for middle-market companies and SMEs through initiatives such as 1) the expansion of the scope of the business partnership with Yes Bank in India, 2) the business partnership with Forval Corporation which provides consulting services to support overseas business development of middle-market companies and SMEs, and 3) the business partnership agreement with Military Commercial Joint-Stock Bank, a large private commercial bank in Vietnam. Additionally, we are also actively seeking business opportunities for project financing in the Asia/Oceania region and Private Finance Initiatives (PFI) in Europe. To further enhance our overseas businesses, we will organize an overseas business development structure including the establishment of the Overseas Banking Division in July 2014.

Showa Leasing Co., Ltd. aims to enlarge its core customer base of middle-market companies and SMEs in the areas of its strengths. In addition to asset finance for semiconductors, construction machinery, medical services, and airplanes, the company will continue enhancing its fee income from businesses such as the buy-sell business where the company buys and sells second-hand machinery. Shinsei Trust & Banking Co., Ltd. will continue providing its customers with financing schemes utilizing its trust function as a member of the Shinsei Bank Group. For instance, it played a core function in the arrangement of project finance for mega solar businesses using the trust scheme.

Business Development in Fiscal Year 2013

Revenue at the Institutional Group grew from 56.8 billion yen in fiscal year 2012 to 69.5 billion yen in fiscal year 2013. This was due to a significant increase in noninterest income thanks to fee income obtained upon loan originations in REIT and other real estate-related projects and mega solar projects, strong performance of the domestic credit trading business, and gains on the sale of private equities. Net interest income, on the other hand, decreased due to the smaller margin resulting from the aggressive disposal of large loans to borrowers with low credit ratings.

Expenses rose from 24.2 billion yen to 24.8 billion yen on a year-on-year basis as a result of the use of management resources in focus areas to bolster profit-generating capability. Such measures included increasing personnel and enhancing business infrastructure. Net credit costs improved considerably from a cost of 6.3 billion yen to a recovery of 8.5 billion yen due to reversals of reserve on a year-on-year basis. This was attributable to the reduction of potential risks during the First MTMP period through measures such as the reduction of noncore business assets, implementation of various measures to improve risk management which resulted in the absence of any reserves for large loans, reversals reserves for loan losses following sales of nonperforming loans, and improvements to the credit quality of some borrowers.

As a result of the preceding, ordinary business profit after net credit costs at the Institutional Group grew significantly from 26.3 billion yen in fiscal year 2012 to 53.2 billion yen in fiscal year 2013.

In fiscal year 2013, we started seeing the results of our efforts to become involved in a diverse range of renewable energy projects: in September 2013, we participated in a syndicated loan as a co-arranger to a wood biomass power generation and wood pellet manufacturing business in Sukumo, Kochi Prefecture; and in April 2014, we arranged project financing for a wind power generation business in Sakata, Yamagata Prefecture. In mega solar projects, we are utilizing the full capabilities of the Shinsei Bank Group. For instance, in April 2014, Shinsei Trust & Banking became the trustee and the main project entity in project finance we arranged for a newly emerging company. This transaction structure improved the stability of the project.

In the area of business succession support, we entered a business partnership agreement in March 2014 with Shinkin Central Bank and Shinkin Capital Co., Ltd. to provide business succession support to the customers of Shinkin banks. Based on this agreement, Shinsei Bank and its subsidiary, Shinsei Corporate Support Finance Co., Ltd., began offering business succession finance from May 2014 to the customers referred to us by Shinkin banks all over Japan.

Additionally, Shinsei Corporate Investment Limited, a member company of the Shinsei Bank Group, announced in January 2014 that it would, jointly with ReprOCELL Inc., establish Cell Innovative Partners, a fund that invests in iPS cell and regenerative medicine bio tech ventures in Japan and overseas. Through the provision of risk money and other initiatives, we will contribute to the creation of new industry areas.

GLOBAL MARKETS GROUP



Hironobu Satou
Managing Executive Officer,
Head of Global Markets Group

The Global Markets Group is composed of: 1) the Financial Institutions Sub-Group that offers financial products and services to financial institution customers, 2) the Markets Sub-Group that engages in foreign exchange, derivatives, and other capital markets operations, 3) the Asset Management Sub-Group that engages in the asset and wealth management business, and 4) Shinsei Securities.

Achievements and Challenges in Fiscal Year 2013

The Global Markets Group aims to strengthen its networks with regional financial institutions and enhance its market solution capabilities and product and service provision including sourcing abilities under the Second Medium-Term Management Plan.

With respect to cooperation with regional financial institutions, our transaction base for the sale/purchase and brokering of loans has grown and we have cooperated in project finance to renewable energy initiatives. In addition, we developed various frameworks for cooperating with regional financial institutions. For instance, we entered a business partnership agreement on business succession support with Shinkin Central Bank to address the business succession needs of customers of Shinkin bank throughout Japan. Furthermore, Showa Leasing formed an alliance with Shinkin Central Bank to help Shinkin banks provide asset-backed loans (ABLs). Going forward, we will work to further strengthen our cooperative relationships, promote more transactions, and enhance our profit-generating abilities.

In respect to improving our market solution capabilities, we made progress in increasing our customer transaction base. Specifically, we grew our derivatives transactions by responding to the needs of corporate customers' for hedging to deal with

market volatilities, while steadily building up a good track record in structured bond sales to individual customers by combining the product development abilities of Shinsei Securities with the securities brokering function of the Individual Group in their retail banking operations. To offset smaller transaction profit margins caused by lower market interest rates and tighter credit spreads, we will review and improve our business promotion structure as well as product and service supply structure with the aim of developing the ability to generate stable yet firm results. We will continue to work to provide timely and finely-tuned solutions that meet the diverse needs of our customers.

Strategy

Financial Institutions Sub-Group

The Financial Institutions Sub-Group will continue working to strengthen cooperation with regional financial institution customers by utilizing the functions and strengths of the entire Shinsei Bank Group to help them actively supply funds to their local communities and support the revitalization of regional economies. In addition, we are reorganizing and reinforcing our loan syndication section to form closer partnerships in the loan business including cash flow finance and overseas transactions. Furthermore, we have established a

special business promotion section which is dedicated to speedily developing and delivering products in response to our customers' needs for more advanced asset management methods. We are also promoting our "white label" business model where partner financial institutions sell structured deposits and other products developed by Shinsei Bank under their own brand as well as addressing our financial institution customers' needs to enhance their fundraising abilities. Moreover, we are cooperating with regional financial institutions in the area of regional contributions through initiatives such as financial education programs targeting younger generations.

Markets Sub-Group

The Markets Sub-Group will work to strengthen its solutions proposal business to capture the needs of corporate and financial institution customers and to improve the product line-up for individual customers based on market trends. Through these efforts, we will expand our operations and promote the growth of our transactions with new customers. In addition, we will raise our visibility as a bank that has strengths in foreign exchange operations by, for instance, actively providing information on foreign exchange markets through seminars for customers and our website in order to enhance our profit-generating abilities.

In the trading business, we will endeavor to enlarge the scope of our business and enhance our product line-up, flexibly create positions based on the comprehensive understanding of market trends, and rigorously manage risks in order to ensure stable revenues.

Asset Management Sub-Group

The Asset Management Sub-Group will contribute to increasing the balance of assets under management by Shinsei Bank through enhancing the Bank's line-up of progressive investment trust products, taking into account the market environment and customers' needs. In our transactions with individual customers, we will expand our offerings of products that are suitable for Nippon Individual Savings Accounts (NISA), and aim to increase the customer base and build up the balance of assets under management. We will also work on expanding our product line-up by, for instance, creating privately placed investment trusts to flexibly cater to the investment needs of financial institutions and high-net-worth individual customers.

Shinsei Securities

Shinsei Securities will work on promoting sales of structured bonds to individual customers by creating a diverse product line-up, including the development of low risk products for new customers, based on the market outlook and different levels of risk tolerance of customers. We will also work to supply products to regional financial institutions. For corporate customers, Shinsei Securities arranges and sells housing loans and lease/installment claim securitized products. It also engages in securitization projects overseas and in new business areas. To provide optimal solutions to customers, Shinsei Securities will expand its structured finance business utilizing the technologies and the expertise it has developed in the securitization business.

Business Development in Fiscal Year 2013

In fiscal year 2013, the Global Markets Group's revenue decreased from 14.2 billion yen in fiscal year 2012 to 11.2 billion yen. This was due to the lower profitability caused by lower market interest rates, tighter credit spreads as well as the weak performance in market-related transactions, despite our best efforts to enlarge the customer base and to develop and deliver products that meet our customers' needs. Expenses declined from 9 billion yen in fiscal year 2012 to 8.9 billion yen in fiscal year 2013. We invested our resources in priority areas to strengthen these areas in order to re-build the customer base, while working on improving efficiency in each business line. As a result, expenses shrank slightly from the previous business year. In net credit costs, a reversal of 0.4 billion yen was recorded in fiscal year 2013 as a result of changes in the reserve rates and other factors, compared to a reversal of 7.5 billion yen posted in fiscal year 2012 due to reversals of general reserves for loan losses and recoveries of written-off loans.

As a result of the preceding, the Global Markets Group's ordinary business profit after net credit costs shrank from 12.7 billion yen in fiscal year 2012 to 2.8 billion yen in fiscal year 2013.

Although the Global Markets Group's revenue was weaker than expected, derivatives transactions for risk hedging of institutional customers grew steadily thanks to the enhanced solution business promotion structure. As a result, we saw progress in the expansion of our customer base.

In our transactions with financial institution customers, the sale/purchase and brokering of transactions of loans to local governments developed steadily. In addition, we formed partnerships with several financial institution customers as part of the promotion of the tie-up credit guarantee business of Shinsei Financial for card loans handled by regional financial institutions. We will continue responding to the needs of financial institution customers to strengthen and develop their businesses.

In the provision of asset management products, we formed an alliance with Invesco Asset Management (Japan) Limited—the Japan arm of Invesco Limited (U.S.)— and in September 2013 started selling to financial institution customers privately placed investment trusts that mainly invest in bank loans disbursed in the U.S. In addition, we resumed the creation of privately placed investment trusts for high-net-worth customers for the first time in several years. We will continue introducing funds that blaze trails in markets and provide solutions for our customers' needs and challenges.

Shinsei Securities promoted the sale of structured bonds centered on stock price linked bonds as products for individual customers on the back of the strong stock market. As a result of the efforts to enhance the product line-up through the development of new products such as structured bonds linked to two financial indicators or 1-year bonds, the total sales of structured bonds increased significantly.

Status of Regional Revitalization and SME Management Improvement Initiatives

In order to improve the management of Small- and Medium-sized Enterprises (“SME” or “SMEs”) and contribute to regional revitalization efforts, the Institutional Group and the Global Markets Group are engaging in initiatives such as those described below, providing Shinsei Bank’s expertise and, depending upon the initiative, cooperating with local financial institutions and the SME Business Rehabilitation Support Cooperative. In addition, the VBI Promotion Department is engaging in business with SMEs and local businesses which have promising technologies or business models, as well as businesses in new business areas and earthquake reconstruction that will help revitalize regional economies as its area of focus. By providing multi-faceted solutions (management solutions) that satisfy not only funding needs, but needs for human resources and services such as business strategy planning and implementation support, the Bank aims to expand the scope of its business with SMEs that are undergoing growth and contribute to the development of new businesses that are created as a result of innovation.

Examples of Shinsei Bank Initiatives

• Examples of Support for Business Improvement, Business Rehabilitation, and Changing Business Activities

Food Manufacturing SME: This Company is a well established manufacturer of niche foodstuffs with strong brand value. Due to changes in diets in Japan, however, the market for the foodstuffs they produce had shrunk, and the company had suffered from poor sales over a long period of time. Shinsei Bank had information that a private equity fund was looking for a buyer for a frozen food manufacture and retail company that was owned by the fund which catered to the prepared food market. Recognizing the compatibility of prepared foods with the company’s established product retail route to market as well as the growth potential of the prepared food market, we advised the company on this information and took on the role of its financial advisor. Ultimately, the company was selected as the best partner for the frozen food manufacturer/retailer from among several buyer candidates.

Parts Manufacturing SME: This Company has advanced technological skills in the manufacturing of mobile phone parts. However, its cash flow situation had deteriorated due to capital expenditure in overseas as well as a reduction in orders caused by the popularity of smart phones. Consequently, the company had to apply for civil rehabilitation proceedings. The company wished to enlist support from other companies to restructure its business, and approached Shinsei Bank to look for a sponsor. Shinsei Bank approached several companies and funds, and selected as a sponsor a manufacturer of similar parts. Consequently, the company was successfully able to complete its rehabilitation proceedings, ensuring the continuation of its business and the employment of its workers.

• Examples of Support for Business Improvement, Business Rehabilitation, and Change in Business Activities, and Examples of Regional Revitalization

SME Operating Energy Business in Western Japan: This Company had developed its business mainly around energy management including energy saving. Its aspiration is to sponsor solar and geothermal power generation using the technologies it has developed. In the past, Shinsei Bank had provided loans for mega solar facilities located throughout Japan which were sponsored by the company using the project finance method. Recently, however, in light of the company’s needs to build its business and to raise funds without stressing management indices, we used the project finance method to support the company, creating a trust account at Shinsei Trust & Banking with this trust bank became the main project entity for mega solar business. By supporting this company, the Bank looks to continue contributing

to the expansion of renewable energy facilities and to the stable supply of energy in various regions.

Company Operating Marine Product Wholesale Markets for Fisheries Products in Eastern Japan: This Company saw a deterioration in its business due to factors such as debt burden from the opening of new markets, intensifying competition and changes in the external environment and, as a result tried to rehabilitate its business using the “second company method” where profitable businesses are transferred to a new company under the initiative of the SME Business Rehabilitation Support Cooperative. Subsequently, the company’s revenue started increasing and it steadily posted profits. Shinsei Bank refinanced the existing borrowings of the company for which the company was making repayments based on a support plan. As a result, the support plan was completed ahead of schedule. With the recovery of its credit standing, the company was able to re-establish transaction relationships with banks and increase the number of its lenders. This is expected to contribute to the revitalization of the local food industry.

• Examples of Support for Business Improvement, Business Rehabilitation, and Change in Business Activities, and Examples of Great East Japan Earthquake Reconstruction Assistance

Hotel Operator SME in Eastern Japan: This Company operates a long-established hotel in the Tohoku region. After building a new wing in the late 1980s, its business conditions deteriorated due to the collapse of the Bubble Economy and in 2007 the company applied for civil rehabilitation proceedings. Subsequently, it started posting stable turnover and operating profits and completed civil rehabilitation proceedings in 2010. In 2014, Shinsei Bank, together with a public sector financial institution, provided a refinancing loan for the company’s remaining debts which were handled under the rehabilitation proceedings. Through the rehabilitation of the company’s business, the Bank hopes to contribute to the recovery of the tourism industry and regional revitalization in the Tohoku region.

• Examples of Support for Companies in the Development Stage

Venture Company Developing and Selling Plant Factory Equipment:

This Company develops and sells plant factories (hydroponic facilities for growing vegetables) that use advanced technologies with the backing of a national university. Plant factories are supported by Japanese consumers as they provide a safe manufacturing structure without using chemicals. There are also attempts to export plant factories because they allow growers to stably produce high quality vegetables in places with harsh climate conditions. Recognizing the growth potential and advanced nature of the company’s business, we subscribed to some of the company’s new shares by third party allotment to help it raise growth funds necessary for the expansion of its business. We will also support the company’s business development utilizing our networks in Japan and overseas.

Venture Company Manufacturing, Developing, and Selling Electric Vehicles (EV):

This Company has an established position in certain areas of the manufacturing, development and sales of EVs in the Japanese market. It aims to enter overseas markets, particularly in South East Asia, as a Japanese EV venture company that addresses a global social issue—environmental pollution. In its preparations to launch business overseas, the company is opening offices in and dispatching its employees to overseas destinations. In support of the company’s overseas business development, Shinsei Bank subscribed to some of the company’s new shares by third party allotment to help it raise funds for corporate structure enhancement and product development.

GLOSSARY

ABI (Asset-backed Investment)

At Shinsei Bank, ABI refers to a former product program which included loans backed mainly with infrastructure, real estate, businesses, and business assets as collateral.

Advisory

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.

ALM (Asset Liability Management)

ALM refers to the comprehensive management of the market risks 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 values of assets, liabilities, and periodical profits or losses due to market fluctuations.

Asset Management

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 Group and the Individual Group (retail banking Business).

Business Incubation

Business Incubation offers not only loans and capital, but also management solutions such as human resources, supplementary functions, and business planning and strategy support to customers aiming to start, or customers who have recently started, a business.

Capital Markets Business

Capital Markets business refers to capital markets-related transactions, including derivatives and trading, in order to meet customer needs for investment, risk hedging, fundraising, etc.

CLO (Collateralized Loan Obligations)

CLOs are debt-collateralized securities with leveraged loans (LBO), corporate loans, and corporate bonds as the underlying assets.

Consolidated Net Income, Cash Basis Net Income

Cash basis net income is calculated by excluding impairment and amortization of goodwill resulting from acquisitions of subsidiaries and other intangible assets, net of tax benefits, from consolidated net income—and represents the bottom-line profit for the relevant fiscal year.

Credit Guarantee Business

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.

Credit-linked Loan

Credit-linked Loans are structured loans which incorporate derivatives linked to the credit risk of a company other than Shinsei Bank (the borrower). They are offered as an investment product to customers.

Credit Trading

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.

Derivative

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.

Exposure

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.

(Grey Zone) Interest Repayment

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. However, losses from a portion of the "grey zone" interest repayment liabilities at Shinsei Financial are indemnified by GE under the purchase agreement made when Shinsei Bank acquired the company.

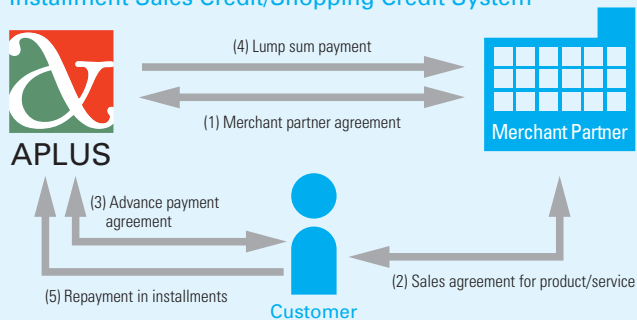
Healthcare Finance

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.

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

J-REIT

J-REIT stands for Japanese Real Estate Investment Trust.

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

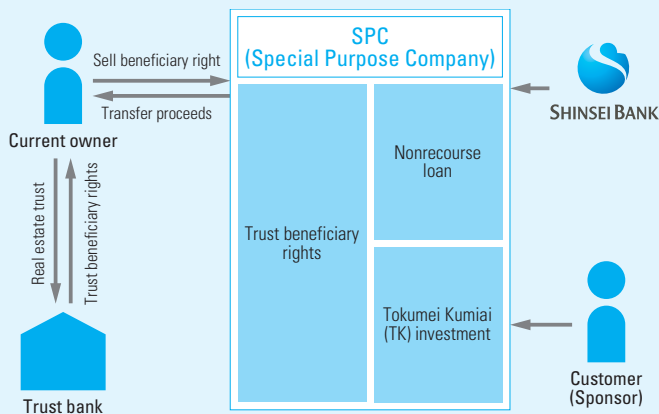
MBO stands for Management Buyout. It is a type of LBO finance offered when a company's management buys its own company co-working with an investment fund and others. At Shinsei Bank, MBO Finance is included in Specialty Finance.

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 loans 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. At Shinsei Bank, Project Finance is included in Specialty Finance.

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 net profit 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, project 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 through the Structured Finance Sub-Group.

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 (Sub-Group) 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.

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.