

Review of Operations

At a Glance	10
Individual Group	14
Institutional Group	16
Global Markets Group	18
Status of Regional Revitalization and SME Management Improvement Initiatives	20
Glossary	21

AT A GLANCE

Segment Data

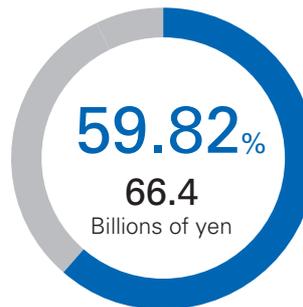
INDIVIDUAL GROUP

Major Business

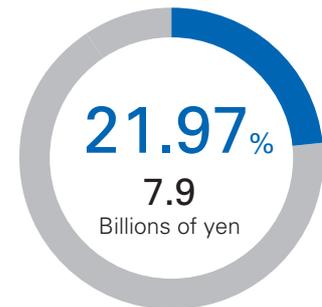
- Retail Banking
 - Deposit related products (saving deposits, time deposits, structured deposits, foreign currency deposits)
 - Asset management (consultation, mutual funds, annuity products)
 - Housing loans
- Consumer Finance
 - Unsecured personal loans (Shinsei Bank, Shinsei Financial, SHINKI)
 -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

Contribution¹

Total Revenue



Ordinary Business Profit after Net Credit Costs



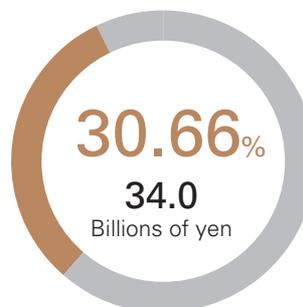
INSTITUTIONAL GROUP

Major Business

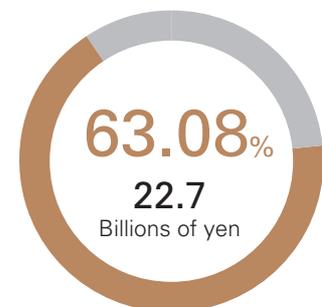
- Corporate & Public Sector Finance
- Healthcare Finance
- Real Estate Finance
- Specialty Finance
- Corporate Restructuring
- Credit Trading
- Private Equity
- Advisory Services
- Leasing (Showa Leasing)
- Trust operations (Shinsei Trust & Banking)

Contribution¹

Total Revenue



Ordinary Business Profit after Net Credit Costs



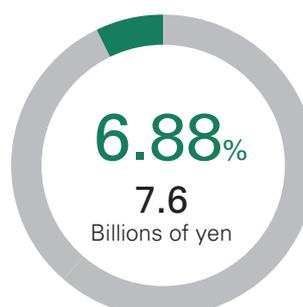
GLOBAL MARKETS GROUP

Major Business

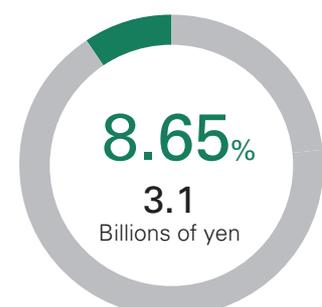
- Financial Institutions Business
- Markets
- Asset Management
- Wealth Management
- Securitization (Shinsei Securities)

Contribution¹

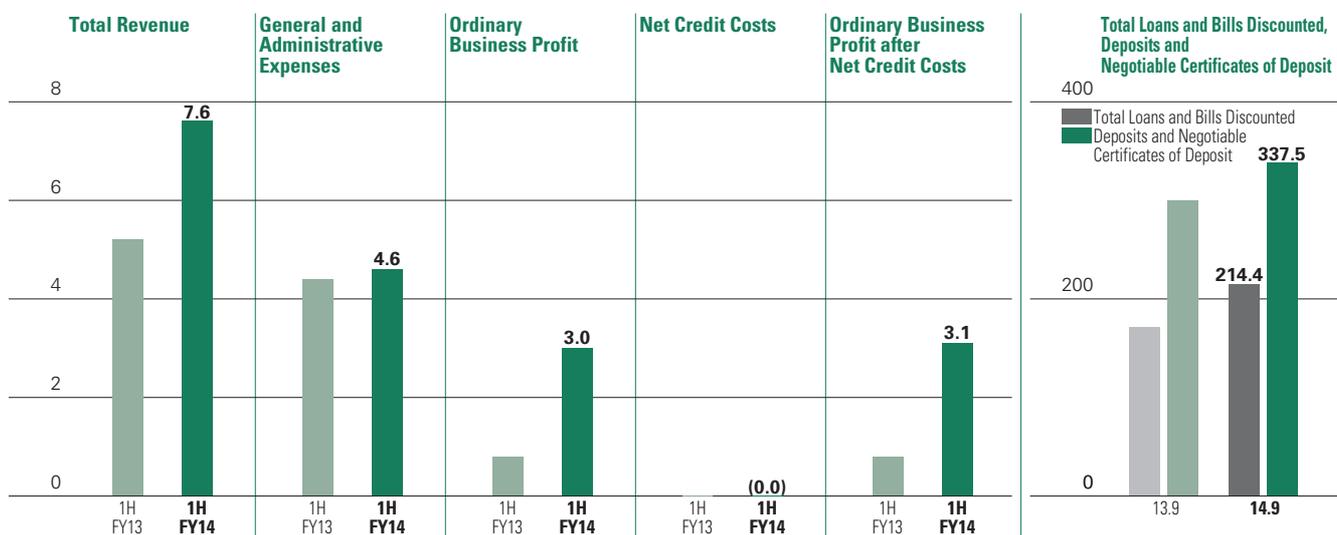
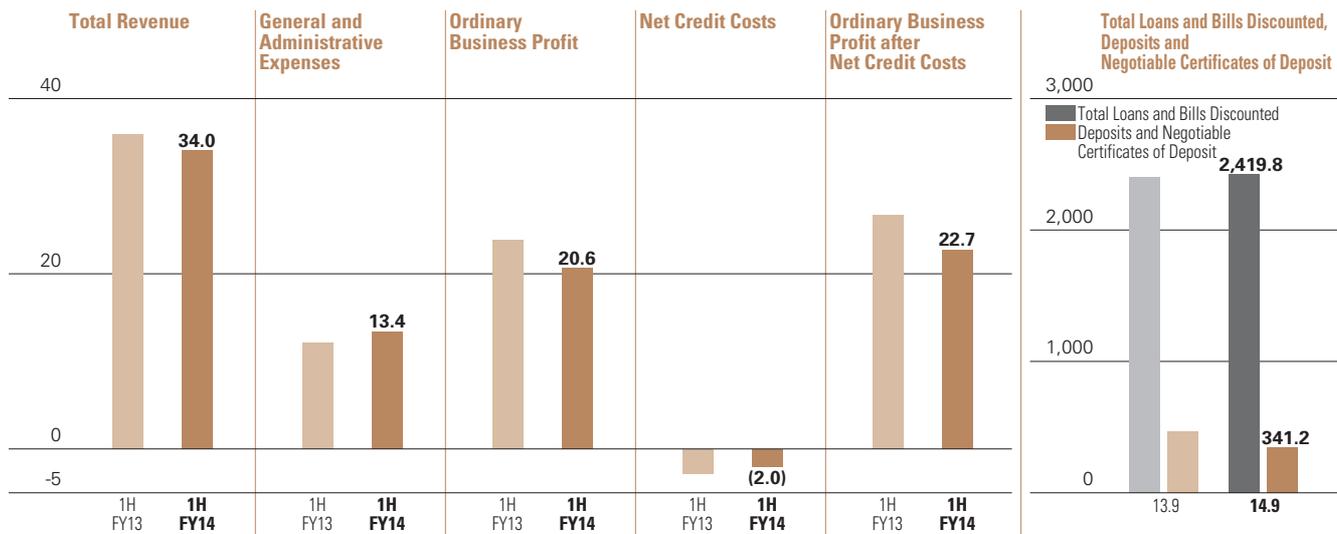
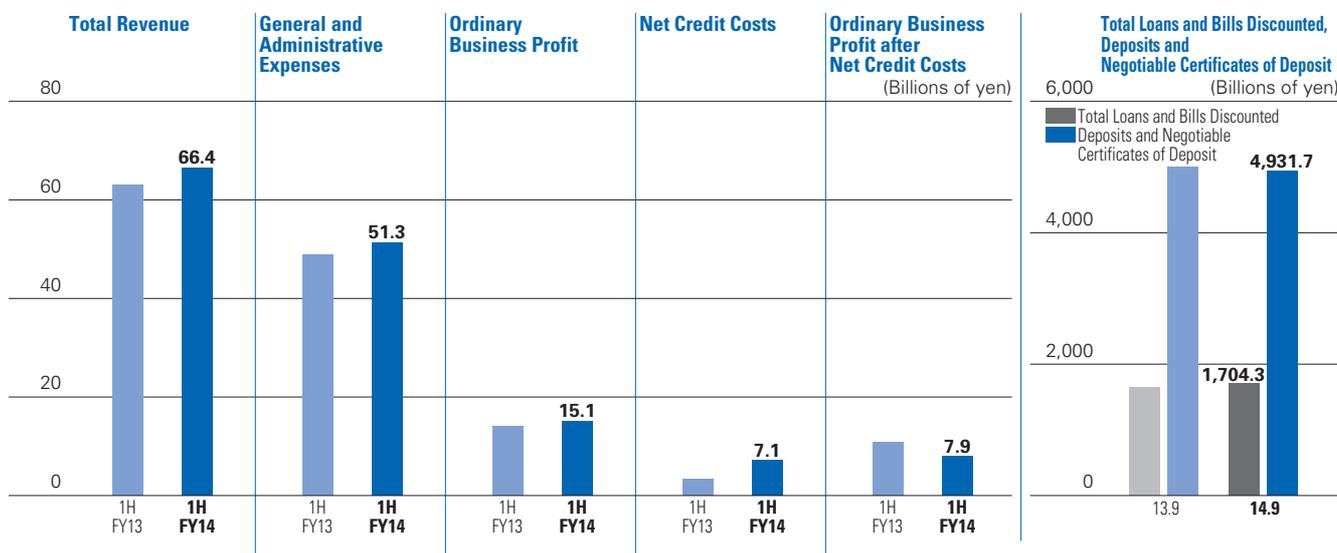
Total Revenue



Ordinary Business Profit after Net Credit Costs



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



Explanations of Major Businesses

INDIVIDUAL GROUP

Retail Banking

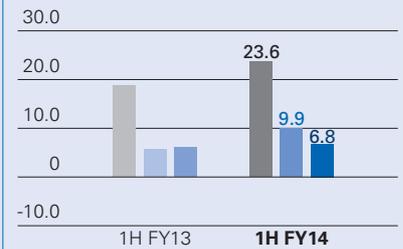
Financial products and services for individual customers, such as yen/foreign currency deposits, structured deposits, mutual funds, brokerage service through an alliance partner, life/casualty insurance through alliance partners, and housing loans



(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*)



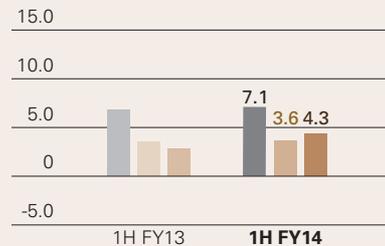
Financial Highlights

Message from the Management

INSTITUTIONAL GROUP

Institutional Business

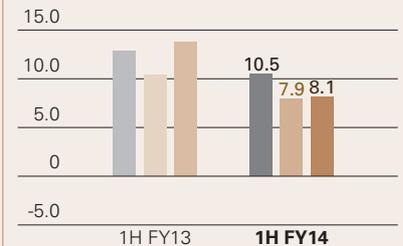
Financial products and services for corporate and public sector customers (including health-care finance and advisory services)



(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



Overview of the Second Medium-Term Management Plan (MTMP)

Review of Operations At a Glance

GLOBAL MARKETS GROUP

Financial Institutions Business

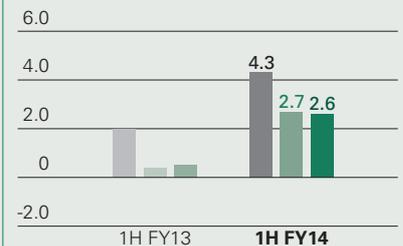
Provides financial solutions, such as investment management and managerial reinforcement, to financial institutional customers including regional financial institutions



(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”



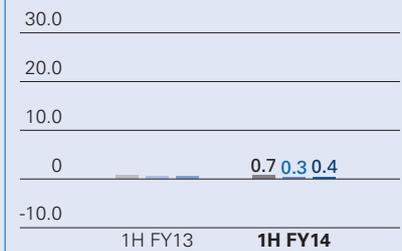
APLUS FINANCIAL

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



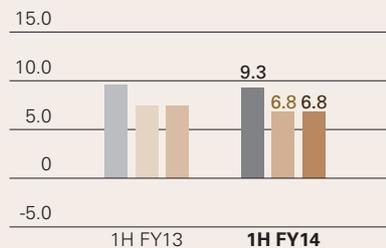
Other Businesses

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



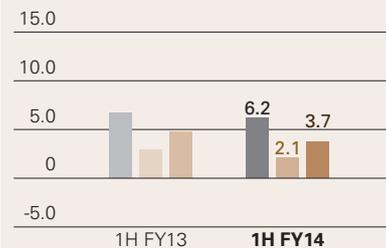
Principal Transactions

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

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 installment sales credit business, and 6) Shinsei Property Finance Co., Ltd. that handles loans secured by real estate.

Achievements and Challenges in the First Half of Fiscal Year 2014

The Individual Group's most important goal under the Second Medium-Term Management Plan (MTMP) is to increase the number of its "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. In fiscal year 2014, the second year of the Second MTMP, the year designated as the year for further organizational enhancement and a shift to a new phase of growth in customer base, we are focusing on strengthening marketing, expanding alliance sales, and enhancing services.

Specific measures to strengthen marketing included the establishment of the Customer Analytics Division, tasked with promoting target marketing, and the Group Marketing Division to promote the shared use of best practices in all Group marketing activities.

In the area of alliance sales, through the alliance with Culture Convenience Club Co., Ltd. ("CCC") that was expanded to include the Bank in June of last fiscal year, we are broadening the range of related business activities, including offering users of our financial services T Points under CCC's T Point Program, utilizing marketing approaches that utilize big data made available to us by CCC, and promoting the Bank's products and services through advertising at other T Point Program affiliates. We are also strengthening coordination throughout the Shinsei Bank Group to more proactively introduce the Bank's products and services to corporate customers of Group companies.

Measures to enhance services during the first half of fiscal year 2014 included the introduction of the NISA Plus program, which waives the application fee for customers opening a NISA (Nippon Individual Savings Account) even if the amount invested exceeds the tax-free limit. The program is the Bank's response to customer expectations and dissatisfaction with the NISA system as we strive to create an environment that encourages long-term investment by our individual customers. In addition, we improved the convenience of our foreign currency services, one of the core strengths of Shinsei Bank, by lowering fees charged on foreign currency deposits.

Strategy

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 Performance in the First Half of Fiscal Year 2014

In our retail banking business, net interest income from deposits decreased mainly due to lower market interest rates. Additionally, the retail banking business' sales of investment products, primarily structured bonds, were at a similar level recorded for the first half of fiscal year 2013. However, non-interest income declined due to an increase in ATM-related expenses and lower foreign currency-related fee income. As a result of these factors, total revenue in the retail banking business declined year on year in the first half of fiscal year 2014. In the consumer finance business, net interest income increased due to the growth of the total balance of unsecured personal loans at Shinsei Financial and *Shinsei Bank Card Loan—Lake*. Noninterest income also increased due to an increase in the shopping credit and settlement transaction volumes of APLUS FINANCIAL. As a result, total revenue in the consumer finance business was higher than in the first half of the previous year. As a result of the preceding, total revenue

for the Individual Group of ¥66.4 billion for the first half of fiscal year 2014, up from ¥63.0 billion recorded for the same period of the previous year. The Group's first half expenses rose to ¥51.3 billion, up from ¥48.9 billion in the previous first half, as a result of increases in personnel and advertising expenses as measures to achieve the goals of the Second MTMP were actively implemented. Net credit costs also increased, rising from ¥3.2 billion for the first half of fiscal year 2013 to ¥7.1 billion for the first half of fiscal year 2014. The increase is mainly due to an increase in credit costs at the consumer finance business as a result of growth in the total balance of unsecured personal loans.

As a result of the preceding factors, ordinary business profit after net credit costs at the Individual Group in the first half of fiscal year 2014 totaled ¥7.9 billion, compared with ¥10.8 billion for the first half of fiscal year 2013.

Our retail banking business continues to offer customers a wide range of financial products including yen deposits, housing loans, foreign currency deposits, structured deposits, investment trusts and insurance products.

In the first half of fiscal year 2014, a large amount of yen denominated time deposits reached maturity, and as a result of offers to undertaken to propose products and services to the deposit holders in order to keep their business, Shinsei Bank was successful in avoiding a significant reduction of its deposit balance, which contributed to an improvement in funding costs for the Shinsei Bank Group as a whole.

In our housing loan business, the loan balance increased from ¥1,184.0 billion as of March 31, 2014, to ¥1,200.4 billion as of September 30, 2014. The steady growth in our loan business reflects consumers' high evaluation of our housing loan product and the maintenance of appropriate interest rates. In particular, we saw strong demand for the “*Shinsei Bank PowerSmart Home Mortgage Anshin Pack W*,” a relatively new product that provides the borrower with a number of coupons based upon loan amount that can be exchanged for sick child care services and housekeeping services from service providers designated by Shinsei Bank (coupon value varies with contracted loan amounts).

At the consumer finance business, *Shinsei Bank Card Loan—Lake* continued to steadily expand its business, with its loan balance increasing to ¥144.4 billion and total customers surpassing 350,000 as of September 30, 2014.

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

The Institutional Group is composed of: (1) the Institutional Business Sub-Group that provides private and public sector corporate customers with loans and other corporate financial services, structured finance for real estate and other projects, and other diverse financial products and solutions, (2) the Principal Transactions Sub-Group that operates the credit trading and private equity businesses, (3) the VBI Promotion Division, (4) the Corporate Advisory Division, (5) the Overseas Banking Division, and (6) the Shinsei Bank Group companies, including Showa Leasing and Shinsei Trust & Banking.

Achievements and Challenges in the First Half of Fiscal Year 2014

In our institutional business, we continued efforts to drive the full scale implementation of the Venture Banking Initiative (VBI), a central theme of our Second MTMP. These efforts were facilitated by the previous year's consolidation of the Institutional Business Sub-Group and the Structured Finance Sub-Group, which provides a better platform for enhancing the synergistic effects of traditional balance sheet finance and cash flow finance, including project finance.

In new business areas, where one key theme is the creation and development of the project finance market in Japan, we increased our support for growth companies in the renewable energy field, primarily by providing financing arrangements for medium sized projects. As a result, we now have a committed total of nearly ¥80 billion of project financing to 15 renewable energy projects. Additionally, by arranging project financing for wind power generation projects and providing highly stable trust schemes with Shinsei Trust & Banking serving both as trustee and main operating entity of several mega solar projects, we are contributing to the diversification of energy sources and structures in the renewable energy field.

Furthermore, in the medical and healthcare sector, in April 2014, we entered an agreement with Kenedix, Inc., and four other companies to establish a healthcare real estate investment trust (REIT). Together with the same five partners, we established an asset management company to manage the healthcare REIT and took other measures in preparation for the listing of the healthcare REIT.

Amid a favorable market environment that continues due to support by the Bank of Japan's monetary easing policy, we continued to make further progress from last fiscal year in improving the quality of the bank's overall loan portfolio, which contributed to the early achievement of the Bank's Second MTMP nonperforming loan ratio target. Meanwhile, we continue to expand our customer base including middle market companies and small and medium sized enterprises (SMEs), a critical component in the realization of the goals of the Second MTMP. Going forward, we will continue to engage in the implementation of aggressive strategies, including "business participation," and increase high quality assets in growth areas as we strive to build a platform for sustainable growth.

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.

Our efforts in new business areas include the promotion of the renewable energy industry in Japan, including wind power, geothermal power and biomass projects in addition to mega solar plant projects. Going forward, we plan to engage in a growing number of such projects. Meanwhile, we will continue to work to contribute to the revitalization of regional financial markets by leveraging our robust and extensive relationships with regional financial institutions in the arranging of syndicated loans and other financing schemes.

The Principal Transactions Sub-Group is leveraging the Shinsei Principal Investments Group platform established in fiscal year 2013 to strengthen its ability to meet newly emerging customer needs prompted by changes in the business environment, such as the expiration of the SME Financing Facilitation Act and ageing of the population. Specifically, we are enhancing our consulting functions and our ability to provide financing solutions for corporate customers burdened by increasingly long term receivables and to increase the investment appeal of companies we have conducted IPO investment in by providing stronger support for their growth strategies.

In overseas businesses, we are strengthening our ability to support middle market companies and SMEs seeking to enter overseas markets or expand overseas operations, including through tie ups and joint ventures with local firms. Specific developments to date have included (1) expanding the scope of our business partnership with Yes Bank in India, (2) forming a business partnership with Forval Corporation, a consulting firm that supports the overseas business development of middle market companies and SMEs, (3) entering into a business alliance agreement with Military Commercial Joint-Stock Bank, a large private commercial bank in Vietnam, and (4) the establishment in July 2014 of the Overseas Banking Division as a new organization within the Principal Transactions Sub-Group. We are also actively seeking project financing business opportunities in the Asia/Oceania region and private finance initiatives (PFI) in Europe.

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 Performance in the First Half of Fiscal Year 2014

In the Institutional Group, net interest income declined due to the disposal of large loans to borrowers with low credit ratings, the resulting significant improvement in the quality of the loan portfolio limited the emergence of additional credit costs, leading to a stronger, more stable profit structure.

The Institutional Group's total revenue for the first half of fiscal year 2014 totaled ¥34.0 billion, down slightly from ¥35.9 billion recorded for the first half of fiscal year 2013. Net interest income of ¥14.5 billion was recorded in the first half of fiscal year 2014, roughly the same level as ¥14.8 billion recorded for the first half of fiscal year 2013, as a result of the disposal of large loans to borrowers with low credit ratings offsetting our success in steadily expanding the customer base through robust new customer development activities. Noninterest income for the period declined, from ¥21.0 billion for the first half of fiscal year 2013 to ¥19.5 billion in the first half of fiscal year 2014, mainly due to the absence of gains on sales of unlisted stocks that contributed to higher noninterest income in the first half of fiscal 2013. The absence of such one off gains was partially offset by increased fee income from loan originations to mega solar projects and other projects and a continued strong performance from our domestic credit trading business.

Expenses for the first half of fiscal year 2014 totaled ¥13.4 billion, increased from ¥12.1 billion for the first half of the previous year, as we continued to invest management resources in key areas expected to strengthen our profit generating capability. The investments focused on increasing staff and expanding our business platform in those key areas. Net credit costs continued to improve, as we recorded a net recovery of ¥2.0 billion for the first half of fiscal year 2014, compared to a net recovery of ¥2.8 billion recorded in the same period of fiscal year 2013. The net recovery is attributable to (1) the reduction of potential risks following disposals of large loans to borrowers with low credit ratings, (2) the ongoing strengthening of risk management, which has helped us avoid the emergence of new nonperforming loans requiring large provisions for loan losses, and (3) improvements in the credit quality of some borrowers.

As a result of the preceding factors, the Institutional Group's ordinary business profit after net credit costs was ¥22.7 billion for the first half of fiscal year 2014. Although down from ¥26.6 billion recorded for the same period fiscal year 2013, the result represents a solid performance by the Group.

The balance of loans to corporates increased from ¥1,040.9 billion at end-September 2013 to ¥1,105.3 billion as of end-September 2014. It should be noted that, while the growth rate of the loan balance as a whole was somewhat mild, this was due to the strategic disposal of nonperforming loans and of some large loans to low-credit borrowers. Additionally, the Specialty Finance Division, which engages in project financing, increased its outstanding loan balance from ¥291.2 billion at end-September 2013 to ¥339.9 billion as of end-September 2014. It should be noted that the Group is seeing success in the accumulation of high-quality assets in strategic areas.

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 the First Half of Fiscal Year 2014

The Global Markets Group, in line with the goals of the Second Medium-Term Management Plan, aims to achieve sustainable growth by strengthening its networks with regional financial institutions, enhancing its sourcing and other market solution capabilities, and expanding the portfolio of products and services provided to clients.

In our cooperation with regional financial institutions, we are focusing on providing products and services that meet diverse needs, including the financing needs of our regional partners' customers. As part of this effort to strengthen the operations of regional financial institutions, we have expanded our involvement in the sale/purchase and brokering of loans, and promoted greater cooperation in cash flow financing, primarily in the financing of renewable energy projects, in order to respond to the demand for new types of investment instruments among the regional financial institutions. Additionally, in order to provide solutions for the needs of regional financial institutions to strengthen their businesses, we have stepped up our participation in corporate restructuring and M&A, strengthened our support for regional financial institutions' housing loan businesses, as well as support for their entry into the unsecured personal loan business. By providing the products, services and expertise of the Shinsei Bank Group to regional financial institutions in fulfilling their needs and facing their challenges including the revitalization of local companies, creation of new business opportunities for the next generation of local entrepreneurs and business owners, and strengthening of retail banking businesses, we are thereby pursuing greater contribution to the rejuvenation of local communities, expansion in the volume of executed transactions and further enhancing our earnings potential.

We continued to strengthen and expand our market solution capabilities from last year as we made further progress in increasing our customer transaction base during the first half

of fiscal year 2014, through measures such as further expanding derivative transactions in response to corporate customers' needs to hedge exposures to market fluctuations, as well as steadily expanding sales of structured bonds to individual customers by leveraging the product development abilities of Shinsei Securities and the securities brokerage function at the Individual Group's retail banking operations. While transaction profit margins continued to decline due to lower market interest rates and tighter credit spreads, due to the promotion of the development of foreign currency derivative transactions with superior middle-market companies and the development of a more extensive lineup of structured bond products, we have seen success in our efforts to strengthen and expand our marketing organization and our structure for providing products and services to customers. Going forward, 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

In the first half of fiscal year 2014, we established two new specialist teams within this sub-group, in order to engage in more aggressive sourcing activities in cooperation with other groups of the Bank and with external institutions, as well as to provide fast, unified responses to needs for market operations and the distribution of various asset types in line with the diversification of financing techniques.

We believe this new internal structure will enable us to develop and deliver products to customers more quickly, as we expand from traditional corporate loans and market-linked loans to cash flow financing and cross-border loans in order to provide more diverse financing solutions and meet customers' increasingly sophisticated and diverse asset management needs.

Additionally, we are also continuing efforts to strengthen cooperation with regional financial institution customers through measures such as supporting our regional partners' corporate banking business through consultations and proposals related to M&A solutions for local businesses in different business stages, business restructuring and succession, asset-backed loans (ABLs) and asset disposals, in addition to providing support for improving management and strengthening business structures. On the retail banking side, we are assisting our regional financial institution customers meet the various funding and investment needs of their individual clients. Through such measures, we will continue to support regional financial institutions by providing them with access to the functions and strengths of the entire Shinsei Bank Group in support of their efforts to revitalize regional economies and to actively provide the necessary funding for local businesses and individuals.

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 Performance in the First Half of Fiscal Year 2014

In the first half of fiscal year 2014, the Global Markets Group's revenue was ¥7.6 billion, up from ¥5.2 billion for the first half of fiscal year 2013. This gain can be attributed to the successful development and provision of products that meet customer needs, such as foreign currency derivative transactions for superior middle-market companies and interest-rate swap transactions related to renewable energy projects. These positives offset the negative impact on revenues from the continued decline in transaction profitability caused by falling market interest rates and tighter credit spreads. While continuing efforts to improve efficiency in each business line, we remained focused on investing resources to strengthen priority areas and establish a differentiated business base, and as a result expenses totaled ¥4.6 billion, compared to ¥4.4 billion recorded for the first half of the previous year. In net credit costs, net credit recoveries of ¥0 billion (¥93 million) were recorded in the first half of fiscal year 2014, compared to a net credit recoveries of ¥0 billion (¥46 million) in the previous first half.

As a result of the preceding factors, the Global Markets Group posted a first-half ordinary business profit after net credit costs of ¥3.1 billion, up from ¥0.8 billion in the previous first half.

In our markets-related operations, the strengthening of our solutions-oriented marketing structure lead to business with new customers and increased transaction volume with existing customers, resulting in a steady increase in derivative transactions for institutional customers seeking to hedge forex and interest-rate risks. This ultimately resulted in progress in the overall expansion of the customer base.

Transactions with financial institution customers expanded steadily as we strengthened ties with regional financial institutions as we increased undertaking in the sale/purchase and brokering of loans to local governments while working together with regional partners on various new financing schemes, especially for renewable energy projects. In addition to the Bank's products and services, we are engaging in the provision of the wide ranging of functions and strengths of the entire Shinsei Bank Group to financial institutional customers. For example, Shinsei Financial and APLUS FINANCIAL have entered into alliances with regional financial institutions, and Showa Leasing has tied up with Shinkin Central Bank to help Shinkin banks engage in ABL transactions with their customers. Going forward, the Shinsei Bank Group will continue to serve its financial institution customers.

In the provision of asset management products, in addition to continuing the sale of privately placed investment trusts to financial institutions, the Sub-Group tied up with the Individual Group and Shinsei Investment Management (SIM) to launch the "Shinsei World Smart Bond Fund (also known as "Shinsei Kenjin no Saihai")" for individual investors. In addition, the Sub-Group saw strong growth in its investment trust asset balance due to the promotion of the opening of NISA accounts through the introduction of the Bank's "NISA Plus" program, as well an expanded "NISA-centric" product lineup.

Shinsei Securities continued to enjoy a strong expansion in sales to individuals of structured bonds centered on stock price-linked bonds. It also achieved a sharp increase in customer brokerage accounts by responding to customer needs for a stronger lineup of structured products through the development of securities linked to multiple indicators, such as stock indices and forex rates.

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 supporting regional revitalization through cooperation with regional financial institutions**

Environment-related venture business: Shinsei Bank has been focusing on environmental businesses engaged in recycling and renewable energy, such as the mega solar businesses, for which we have been providing financing to businesses since the earliest days of the industry. In the first half of fiscal year 2014, we arranged project financing focusing on cash flows and the business potential of a mega solar project in Japan’s Kanto region. In this instance, we sought to further strengthen ties with regional financial institutions, and we looked to undertake project financing in cooperation with local regional banks and succeeded in arranging the participation of several local banks.

Local sake brewery: Despite an award-winning new product and strong ties with a major department store, this company saw its sales decline sharply amid the contraction of Japan’s sake industry as a whole. The company’s elderly president/owner desired to retire but could not find an appropriate successor for the business. Shinsei Bank was informed of this need to find a successor by a local regional financial institution and, taking into consideration financial conditions, business motivation and potential synergies, we determined that the sake brewer was a good match for a health foods/cosmetics company that had been looking for an M&A opportunity. The result was a smooth transfer of the sake brewer’s business to the larger health foods/cosmetics maker. As a result, the sake brewer not only resolved its succession issues but is now able to take advantage of the successor entity’s sales channels and product development capabilities, and the deal has proven to be a significant development for both companies.

- **Example of supporting regional revitalization through business rehabilitation**

Leisure facilities operator: This company operates a ski resort, a golf course and a hotel. It has been a major contributor to its local economy by promoting the area’s tourism industry and by providing employment to local farming households during the winter seasons. However, due to the recent decline in the number of skiers and golfers in Japan as well as the wider

negative economic impact of Lehman Shock, the company had been recording losses in recent years. Eventually it had to abandon its efforts to restructure on its own and seek rehabilitation under a sponsor via civil rehabilitation proceedings. Responding to a request to help find a sponsor company, Shinsei Bank and the company’s attorney cooperated with a number of sponsor candidates to facilitate an efficient due diligence process that resulted in a fast selection of a nationwide hotel chain as the rehabilitation sponsor. The concerned company was thus able to continue business operations and maintain employment of its workers while successfully completing the rehabilitation process.

- **Example of supporting business rehabilitation**

SME maker of machine parts: This company is a supplier of machine parts with superior technologies and a strong customer base including several major finished product makers. However, deterioration in earnings led the company to seek a private rehabilitation under the sponsorship of a turnaround fund and debt forgiveness arranged by a public institution’s efforts to gain cooperation from financial institutions. The company’s rehabilitation included measures such as the elimination of unprofitable transactions, and more thorough controls on cost of goods sold and expenses, which are necessary for the company to regain profitability and further enhance its corporate value. Shinsei Bank provided the company with a new credit facility needed to smoothly carry out its business rehabilitation.

- **Example of supporting SME management**

A cooperative conducting sales and purchasing operations for SME member companies: This enterprise is a cooperative with a membership that includes SMEs in diverse business domains. The cooperative provides joint marketing of members’ products and purchasing of needed materials. It also provides training courses for foreign workers. In recent years, however, the cooperative launched the joint procurement of electric power for supply to its members and has grown this activity into its core business. While it had many SME members as stable sources of electricity supply, the cooperative needed to secure a stable source of electric power through its own generation. Shinsei Bank supported the cooperative’s decision to construct a gas-fired thermal power generation plant by not only helping it secure the funds necessary for construction, but by introducing business partners and proposing a project finance scheme. The Bank will continue to act as an adviser to the cooperative.

- **Example of supporting a company in its growth stage**

SME engaged in the development, production and sale of treatment agents for sewage, sludge, radioactive substances and other waste materials: This Shinsei Bank customer is an SME commissioned by the Japanese government to conduct trials on the use of wood biomass energy. The Bank is supporting this endeavor by providing the necessary project funding until the customer begins to receive commission income from the government. Shinsei Bank undertook the financing of this project for two reasons: (1) because the project is important to the customer’s development of its decontamination business which focuses on decontamination of radioactive cesium as well as the full-scale expansion of its biomass power generation business, and (2) because this project will contribute to the restoration of the forestry industry in areas still affected by the 2011 Great East Japan Earthquake and tsunami disaster while further promoting Japan’s use of renewable energy.

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.

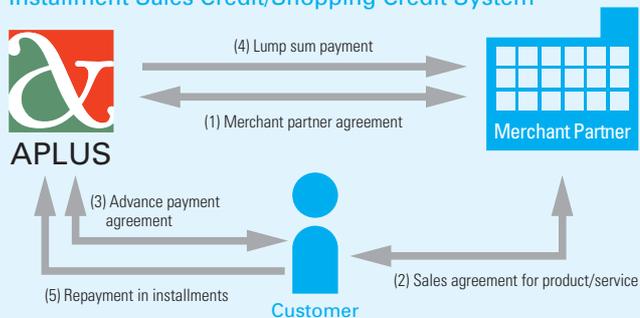
Healthcare Finance

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

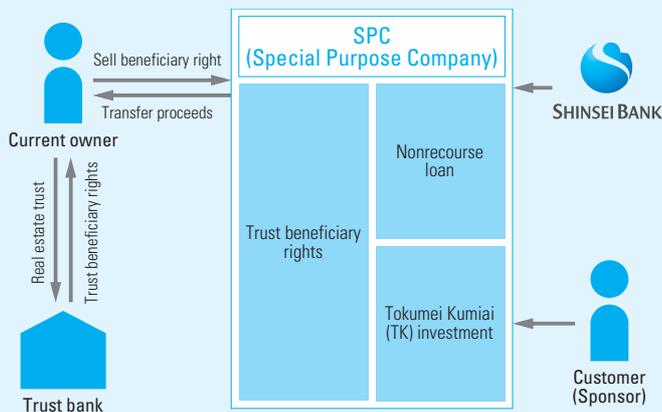
MBO stands for Management Buyout. It is a type of LBO finance offered when a company's management buys its own company co-working with an investment fund and others. At Shinsei Bank, MBO Finance is included in Specialty Finance.

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.