



## Launch of Shinsei Bank Card Loan Service under the Lake Brand

*Contributing to the development of a sound and healthy unsecured personal loan market*

**Shinsei Bank, Limited**

June 22, 2011



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# Overview of Shinsei Bank Card Loan – Lake

## Highlights



### Strategic Significance

- Individual customer business is extremely important for Shinsei Bank  
We are committed to building on our successful track record in delivering innovative services in this business area with potential
- After this service's launch, Shinsei will be the only Japanese bank to provide a full line of services for individual customers, ranging from retail banking to consumer finance, from the Bank. This new initiative further leverages our strengths in individual customer business
- As a result, we believe that Shinsei will further sharpen its competitive edge

### Key Points of Shinsei Bank Card Loan – Lake

- Will become **first bank in Japan** to begin full-scale operations of unsecured personal card loan service through a large-scale, approximately 800-strong **nationwide** unmanned **network**
  - ✓ Commence service via the bank level from October 1, 2011
- Will use strengths of 100% owned Bank subsidiary Shinsei Financial
  - ✓ **brand recognition** (industry No. 1 in share of new applications)
  - ✓ **marketing expertise** (efficient channels)
  - ✓ personal loan **credit assessment expertise** (prudent approval rate and low delinquencies)
- Capture needs of potential unsecured personal loan users by utilizing **reliability** and **peace-of-mind** of a bank-based business model
- Expect to **strengthen earnings power** as **market expands**
- Contribute to the development of a **sound** and **healthy** unsecured personal loan market

# Overview of Shinsei Bank Card Loan – Lake

Contributing to the development of a sound and healthy unsecured personal loan market through Bank-based business



## Operating Environment: Sound needs remain amid shrinking market due to regulatory changes

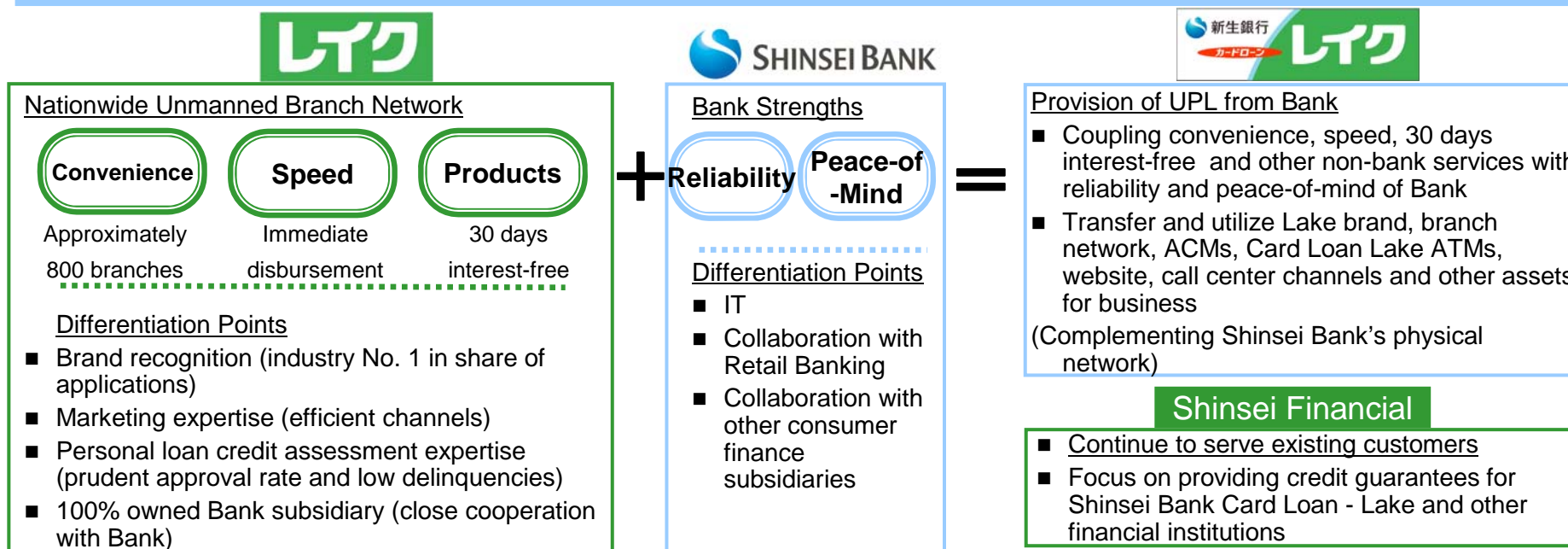
Turning Point for Japanese Unsecured Personal Loan (UPL) Market

- Full implementation of revised MLBL
- Excess interest repayment issue
- Significant reduction in market size
- Lenders withdrawing from market



- Expectations for improved transparency
- Expectations for greater reliability
- Smooth and flexible service to meet sound needs for small-lot personal finance

## Strategy: Launch of Shinsei Bank Card Loan Service under the Lake Brand



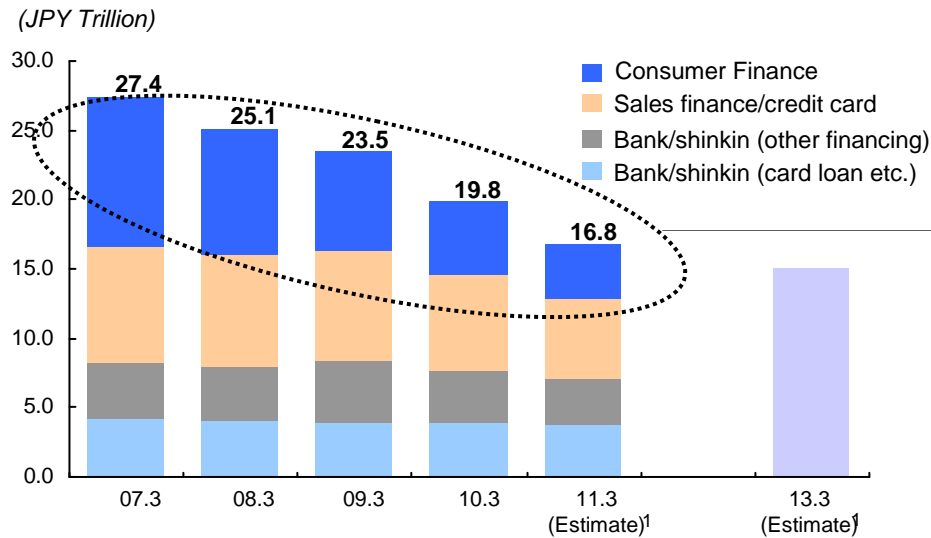
Contributing to development of sound and healthy UPL market, serving wide range of customers

# Operating Environment for Shinsei Bank Card Loan - Lake

UPL Market set to recover in mid-to-long term on rising needs for bank-based borrowing

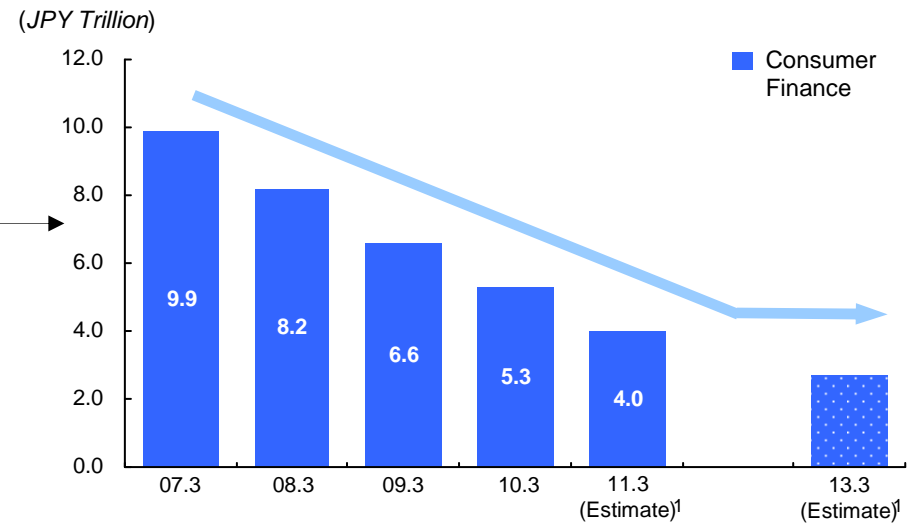


## UPL Market (Overall)



<sup>1</sup> Estimates of market size at 11.3 and 13.3 are Shinsei Financial's estimates  
(Source) Statistics from Bank of Japan and Japan Financial Services Association

## UPL Balance at Consumer Finance Companies



<sup>1</sup> Estimates of market size at 11.3 and 13.3 are Shinsei Financial's estimates  
(Source) FSA report based on data from Japan Financial Services Association

- Japanese UPL market has shrunk significantly due to revised MLBL and excess interest repayment issue
- Although bank borrowing is also declining due to slumping consumption, the decline is smaller than at consumer finance or sales finance/card companies
- Decline at consumer finance companies is expected to continue further
- Bank card loans will bottom out due to megabanks ramping up operations

- Consumer finance companies' UPL market has shrunk about 60% during past 4 years
- However, market size expected to remain at around JPY 2-3 trillion due to ongoing needs

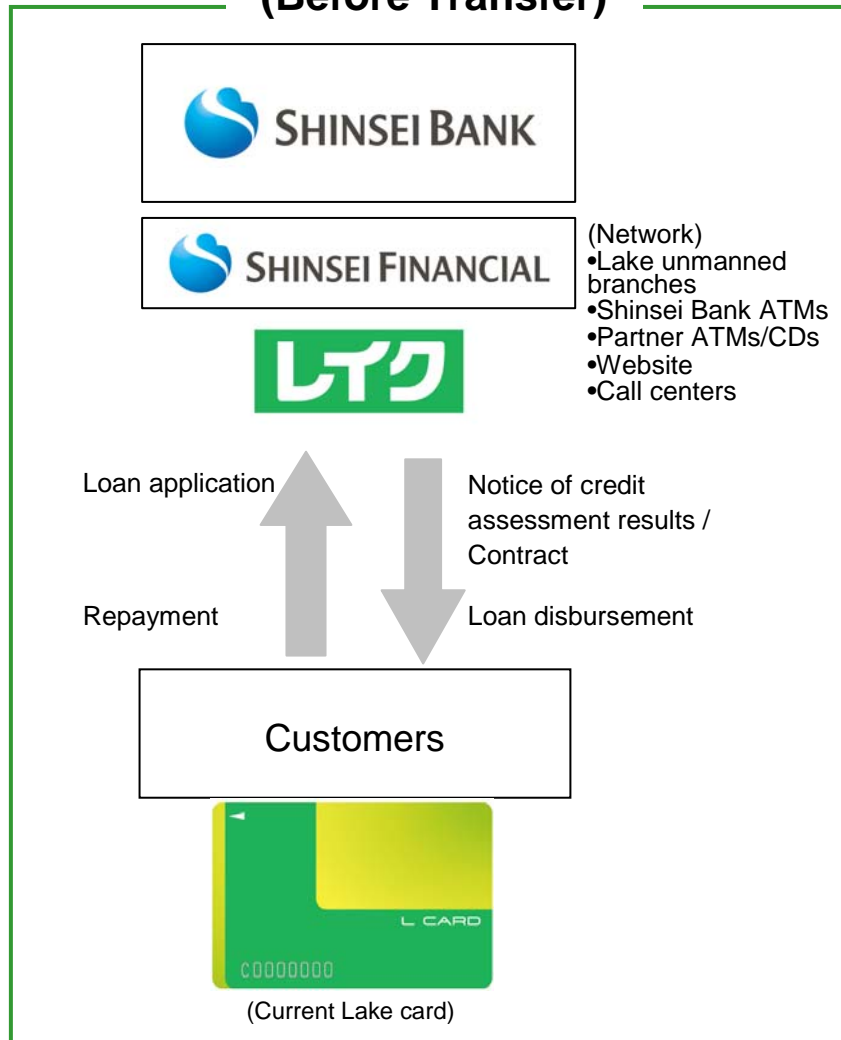
**Opportunity for Shinsei Bank Group to go on the offensive in the UPL market**

# Shinsei Bank Card Loan - Lake Scheme

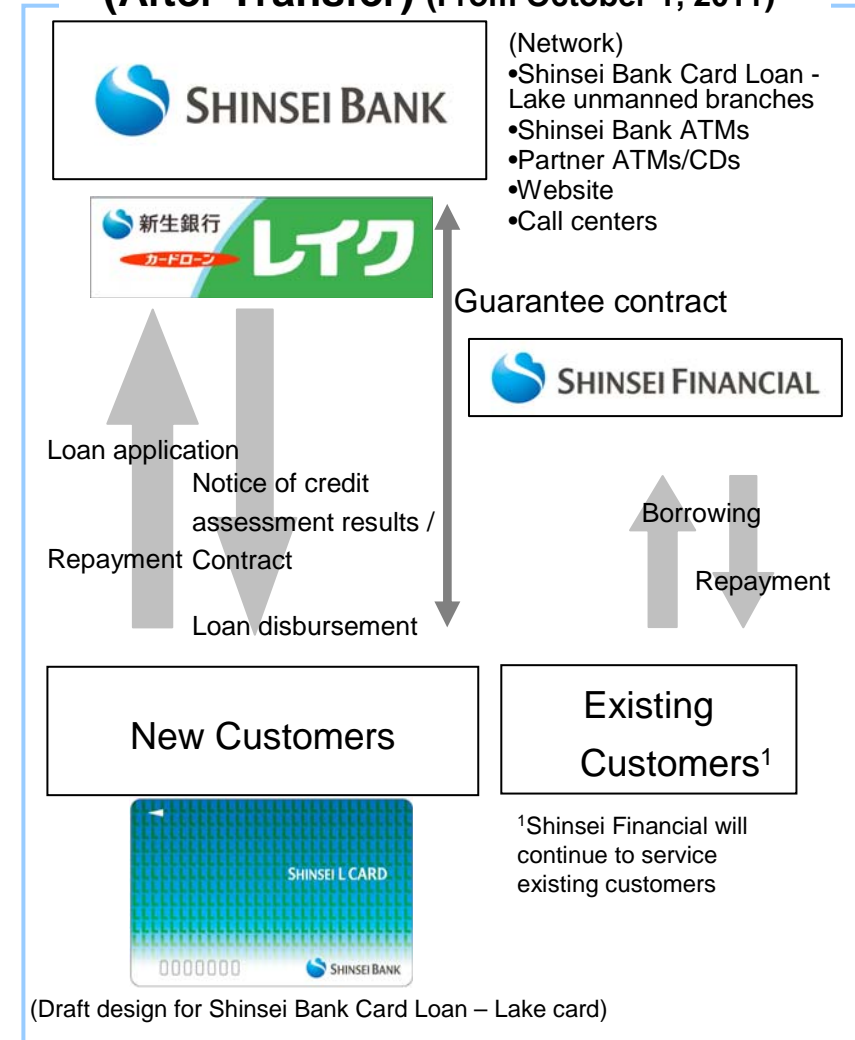
Incorporating Lake Brand into Bank-based Business, maximizing Shinsei Financial's expertise



## (Before Transfer)



## (After Transfer) (From October 1, 2011)\*



**Scheme that fully leverages Group functions**

# Significance of Shinsei Bank Card Loan - Lake

*Harnessing the strength of the Shinsei Bank Group towards the development of new integrated financial services for individual customers*



## Significance for Customers

- Adding Bank's reliability and peace-of-mind to existing Lake brand recognition and quick, convenient service to serve a greater number of customers
- Shinsei will become a more familiar presence as the first bank in Japan to offer UPL services through a large-scale unmanned branch network, with benefits such as immediate disbursement and an application process that does not require a visit to a branch
- Existing customers will continue to be able to borrow, make repayments and make balance inquiries at the Shinsei Bank Card Loan – Lake unmanned branches, Card Loan - Lake ATMs and at Shinsei Bank ATMs or partner ATMs /CDs

## Significance as Shinsei Bank Group

- **Building the Foundations for the Development of Integrated Financial Services for Individual Customers**
  - ✓ Creating a new business domain serving individual customers through full-scale promotion of the UPL business at the Bank level
  - ✓ Providing even more value to customers through collaboration between retail banking operations and other consumer finance subsidiaries
- **Establishing a Solid Position in the Market**
  - ✓ By taking over these operations from its subsidiary, Shinsei Bank will leverage the Lake brand and its top-level track record to quickly establish itself as a leading company in the market
- **Strengthening Earnings Power by Harnessing Strengths of Bank and Shinsei Financial**
  - ✓ Grow loan balance to strengthen sustainable earnings power at the Bank
  - ✓ Shinsei Financial will aim to continue generating stable earnings and pursue further growth by serving existing customers and through expansion of its credit guarantee business for the “Shinsei Bank Card Loan – Lake” service and for other banks

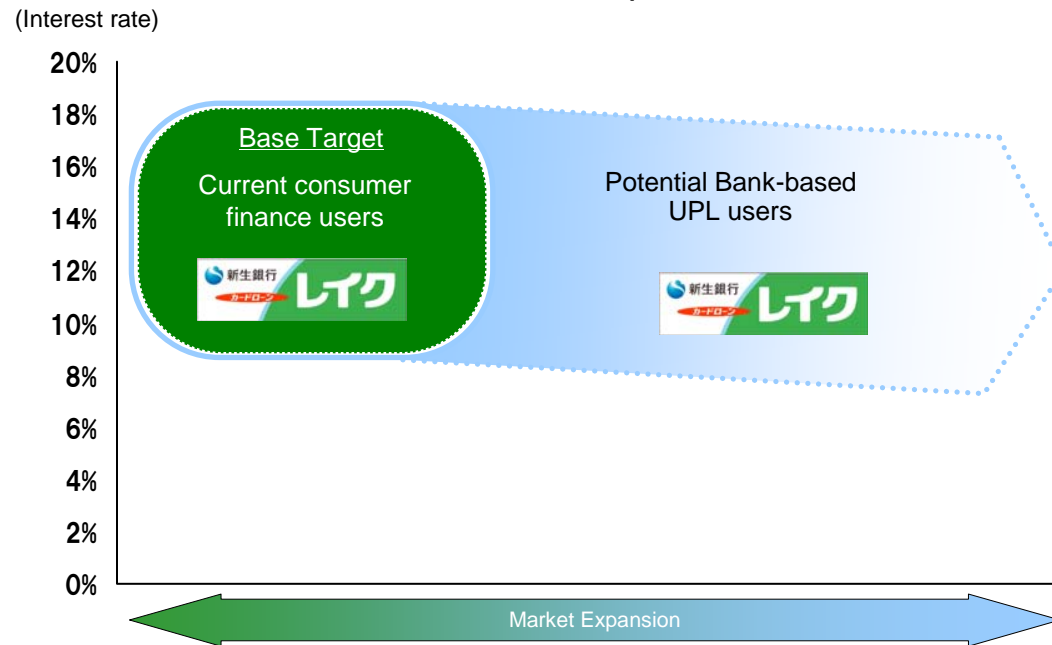
**Becoming the leading, responsible UPL provider, trusted by customers**

# Differentiation and Business Development for Shinsei Bank Card Loan - Lake

Utilize unmanned branch network at Bank to create and expand new market



## Potential Market Expansion & Image of Shinsei Bank's Mid-Term Business Development



Bank will reach potential UPL users through operating large-scale unmanned branch network and collaborating with retail banking in the future

**Reliability**

**Peace-of-Mind**

Customers using current consumer finance companies

**Convenience**

**Speed**

**Products**

- Key factors in brand selection are (1) reliable company, (2) major player (3) company with good image (Shinsei Financial survey)
- Expect market expansion through capturing needs of potential UPL users with the reliability and peace-of-mind of bank-based business
- Shinsei will become more familiar presence as the first bank in Japan to offer UPL services through a large-scale unmanned branch network, with benefits such as immediate disbursement and an application process that does not require a visit to a branch
- Transfer of the network enables huge expansion of outlets for Shinsei Bank card loan business

**Adding reliability and peace-of-mind to quick and convenient service to create new market in the mid- to long-term**



## (Reference) Shinsei Bank Card Loan - Lake Product Specifications (subject to change)



	Specifications
Product Name	Shinsei Bank Card Loan - Lake
Application Process	Internet (including mobile telephone), telephone, ACM, post *This product will not be offered at counters in Shinsei Bank's retail banking outlets
Eligibility	<ul style="list-style-type: none"> <li>• From 20 – 65 years of age (loans are renewable until 70 years of age)</li> <li>• Are able to receive a guarantee from Shinsei Financial</li> <li>• Non-Japanese nationals must possess permanent resident status in Japan</li> </ul>
Use of Funds	No restrictions in principle (excluding for commercial purposes)
Maximum Borrowing Amount	Maximum of JPY 3 million (in units of JPY 10,000)
Interest Rate (annual)	9~18% p.a. * Interest free credit for 30 days from the day following the contract date available on new contracts
Interest Calculation Methodology	Calculated in units of JPY 1 based on the day-end outstanding balance every day, on a pro-rata basis based on a year of 365 days
Borrowing Channels	<ol style="list-style-type: none"> <li>1) Shinsei Bank Card Loan – Lake ATMs, Shinsei Bank ATMs, planned partners ATMs / cash dispensers</li> <li>2) Telephone (audio response system) application for funds transfer into designated account</li> <li>3) Internet application for funds transfer into designated account</li> </ol>
Repayment Channels	<ol style="list-style-type: none"> <li>1) Shinsei Bank Card Loan – Lake ATMs, Shinsei Bank ATMs, planned partner ATMs / cash dispensers</li> <li>2) Direct debit from specified bank account (including from banks other than Shinsei Bank)</li> <li>3) Funds transfer to a designated Shinsei Bank account</li> <li>4) Convenience store (for late repayments only)</li> </ol>
Repayment Amount	Based on outstanding balance at time of latest disbursement (or repayment)
Repayment Dates	<ol style="list-style-type: none"> <li>1) A date determined by the customer</li> <li>2) Shinsei Bank will decide the date for repayments made by bank transfer</li> </ol>

- The above description of Shinsei's plans contains forward-looking statements regarding the intent, belief and current expectations of our management with respect to our financial condition and future results of operations. These statements reflect our current views with respect to future events that are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results may vary materially from those we currently anticipate. Potential risks include those described in our annual securities report filed with the Kanto Local Finance Bureau, and you are cautioned not to place undue reliance on forward-looking statements.
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