MANAGEMENT STRUCTURE

DIRECTORS AND EXECUTIVES

As of July 1, 2011

BOARD OF DIRECTORS (6)

Shigeki Toma

Representative Director, President

Jun. 2010 Representative Director, President, Shinsei Bank, Limited (Current)
May 2010 Advisor, Shinsei Bank, Limited
Jun. 2007 Director, Isuzu Motors Limited
Nov. 2002 Executive Vice President and Director, Isuzu Motors Limited
Apr. 2002 Managing Executive Officer, Mizuho Corporate Bank, Ltd.
May 2001 Managing Executive Officer, The Dai-Ichi Kangyo Bank, Ltd.
Jun. 2000 Executive Officer, The Dai-Ichi Kangyo Bank, Ltd.
Apr. 1972 Joined The Dai-Ichi Kangyo Bank, Ltd. (Predecessor of Mizuho Bank, Ltd. and Mizuho Corporate Bank, Ltd.)

Yukio Nakamura

Representative Director, Senior Managing Executive Officer

Jun. 2010 Representative Director, Senior Managing Executive Officer, Head of Risk Management Group, Chief Risk Officer, Shinsei Bank, Limited (Current)
Oct. 2009 Managing Executive Officer, Executive Head of Institutional Business Sub-Group, Shinsei Bank, Limited
Jun. 2008 Statutory Executive Officer, Executive Head of Institutional Business Sub-Group, Shinsei Bank, Limited
Apr. 2007 General Manager, Risk Management Planning and Policy Division, Portfolio and Risk Management Division, Operational Risk Management Division, Shinsei Bank, Limited
Oct. 2000 General Manager, Risk Management Planning and Policy Division, Portfolio and Risk Management Division, Shinsei Bank, Limited
Apr. 1978 Joined The Long-Term Credit Bank of Japan, Ltd. (Predecessor of Shinsei Bank, Limited)

J. Christopher Flowers*1

Director,
Chairman, J. C. Flowers & Co. LLC

Sep. 2008 Chairman and Director, Flowers National Bank (Current)
Aug. 2007 Director, The Kessler Group (Current)
Nov. 2002 Chairman, J.C. Flowers & Co. LLC (Current)
Mar. 2000 Director, Shinsei Bank, Limited (Current)
Dec. 1988 Partner, Goldman, Sachs & Co.
Mar. 1979 Joined Goldman, Sachs & Co.

Shigeru Kani*1

Director,
Former Director, Administration Department, The Bank of Japan, Professor, Yokohama College of Commerce

Apr. 2006 Professor, Yokohama College of Commerce (Current)
Jun. 2004 Director, Shinsei Bank, Limited (Current)
Apr. 2002 Advisor, NEC Corporation
May 1999 Executive Managing Director, Tokyo Stock Exchange, Inc.
May 1996 Director, Administration Department, The Bank of Japan
May 1992 Executive Advisor and Senior Advisor to the Chairman, The Tokyo International Financial Futures Exchange (Predecessor of Tokyo Financial Exchange Inc.)
Apr. 1966 Joined The Bank of Japan

Jun Makihara*1

Director,
Chairman of the Board, Neoteny Co., Ltd.

Jun. 2011 Director, Shinsei Bank, Limited (Current)
Jun. 2006 Director, Monex Group, Inc. (Current)
Mar. 2005 Director, RHJ International SA (Current)
Jul. 2000 Chairman of the Board, Neoteny Co., Ltd. (Current)
Nov. 1996 Co-Head of the Equities Division and Co-Branch Manager, Goldman Sachs Japan Ltd.
Nov. 1992 Partner, Goldman Sachs & Co.
Sep. 1981 Joined Goldman Sachs & Co.

Hiroyuki Takahashi*1

Director,
Former Director, Japan Corporate Auditors Association

Jun. 2007 Statutory Auditor, Kyowa Hakko Kogyo Co., Ltd. (Predecessor of Kyowa Hakko Kirin Co., Ltd.) (Current)
Jun. 2006 Statutory Auditor, Matsushita Electric Industrial Co., Ltd. (Predecessor of Panasonic Corporation) (Current)
Jun. 2006 Director, Shinsei Bank, Limited (Current)
Oct. 2005 Director, Japan Corporate Auditors Association
Oct. 2000 Executive Managing Director and Secretary-General, Japan Corporate Auditors Association
Jun. 2000 Counselor, Mitsui & Co., Ltd.
Jun. 1997 Corporate Auditor, Mitsui & Co., Ltd.
Jun. 1996 Executive Managing Director, General Manager, Personnel Division, Mitsui & Co., Ltd.
Apr. 1959 Joined Mitsui & Co., Ltd.

STATUTORY AUDITORS (3)

Akira Kagiichi

Standing Statutory Auditor

Jun. 2011 Standing Statutory Auditor, Shinsei Bank, Limited (Current)
Apr. 2011 Senior Managing Executive Officer, Shinsei Bank, Limited
Oct. 2010 Senior Managing Executive Officer, Head of Corporate Staff Group, Chief of Staff, Shinsei Bank, Limited
Jun. 2010 Senior Managing Executive Officer, Chief of Staff, Shinsei Bank, Limited
Sep. 2008 President and Representative Director, Comfort Wing Co., Ltd.
Nov. 2005 Managing Director, Mother Bird Co., Ltd.
Apr. 2002 Managing Director, Green House Co., Ltd.
Mar. 2000 Associate Director, General Manager, Credit Division, The Long-Term Credit Bank of Japan, Ltd.
Nov. 1999 Associate Director, General Manager, The Americas Division, New York and General Manager, New York Branch, The Long-Term Credit Bank of Japan, Ltd.
Apr. 1972 Joined The Long-Term Credit Bank of Japan, Ltd. (Predecessor of Shinsei Bank, Limited)

Kozue Shiga*2

Statutory Auditor
Lawyer

Jun. 2010 Statutory Auditor, Shinsei Bank, Limited (Current)
Sep. 2009 Director, Toyoko Inn Co., Ltd. (Current)
Apr. 2007 Statutory Auditor, Tokushu Tokai Holdings Co., Ltd. (Predecessor of Tokushu Tokai Paper Co., Ltd.) (Current)
Mar. 2007 Statutory Auditor, FX Prime Corporation (Current)
Oct. 2005 Partner, Shiraishi & Partners (Current)
Jun. 2004 Statutory Auditor, Nipponkoa Insurance Company, Limited (Current)
Jun. 2002 Partner, Son Sogo Law Office
Aug. 1999 Established Shiga Law Office
Apr. 1998 Registered Daiichi Tokyo Bar Association
Apr. 1993 Prosecutor, Yokohama District Public Prosecutors' Office
Nov. 1967 Joined Japan Airlines Corporation

Tatsuya Tamura*2

Statutory Auditor
Former Executive Director, The Bank of Japan, and President, Global Management Institute, Inc.

Jun. 2010 Statutory Auditor, Shinsei Bank, Limited (Current)
Jun. 2008 Director, Autobacs Seven Co., Ltd. (Current)
Mar. 2003 Chairman, Japan Independent Directors Network (Current)
May 2002 President, Global Management Institute Inc. (Current)
Apr. 1996 Chairman, A.T. Kearney
Jan. 1992 Executive Director, The Bank of Japan
Apr. 1961 Joined The Bank of Japan

*1 Outside Directors
*2 Outside Statutory Auditors

EXECUTIVE OFFICERS (19)

Shigeki Toma
Representative Director, President,
Chief Executive Officer

Yukio Nakamura
Representative Director,
Senior Managing Executive Officer,
Head of Risk Management Group,
Chief Risk Officer

Sanjeev Gupta
Senior Managing Executive Officer,
Head of Individual Group

Michiyuki Okano
Senior Managing Executive Officer,
Group Chief Information Officer,
Head of Banking Infrastructure Group

Hitomi Sato
Senior Managing Executive Officer,
Head of Institutional Group

Shigeru Tsukamoto
Senior Managing Executive Officer,
Chief Financial Officer,
Head of Finance Group

Norio Funayama
Managing Executive Officer,
General Manager, Osaka Branch

Yoshiaki Kozano
Managing Executive Officer,
Head of Principal Transactions
Sub-Group

Hideyuki Kudo
Managing Executive Officer,
Head of Structured Finance
Sub-Group

Takao Matsuzaki
Managing Executive Officer,
Head of Institutional Business
Sub-Group

Akira Watanabe
Managing Executive Officer,
Head of Global Markets Group

Masashi Yamashita
Managing Executive Officer,
Chief of Staff,
Head of Corporate Staff Group

Souichirou Hasegawa
Executive Officer,
General Manager,
Office of Corporate Secretary

Satoshi Koiso
Executive Officer,
General Manager,
Corporate Planning Division

Yuji Matsuura
Executive Officer,
Head of Markets Sub-Group

Shinya Nagata
Executive Officer,
General Manager,
Financial and Regulatory
Accounting Division

Masayuki Nankouin
Executive Officer,
Head of Consumer Finance
Sub-Group

Akimori Nomura
Executive Officer,
Head of Financial Institutions
Sub-Group

Shinichiro Seto
Executive Officer,
General Manager,
Institutional Business Division

ORGANIZATION

As of June 23, 2011

Customers

- Board of Directors
- Chief Executive Officer
  - Internal Audit Division*2
- Executive Committee
- Office of Corporate Secretary*1
- Statutory Auditors
- Board of Statutory Auditors
  - Office of Statutory Auditors

- Corporate Staff Group
  - Corporate Planning Division
    - (Research Department)
  - Human Resources Division
  - Investor Relations & Corporate Communications Division *3
  - Compliance Division
    - (Retail Compliance Department)
    - (Financial Crime Information Department)
  - Legal Division
  - Credit Assessment Division
  - General Services Division
  - Operations Management Division
  - Office of Financing Facilitation Management
- Institutional Group
  - Institutional Business Sub-Group
    - (Corporate Customer Service Department)
    - Institutional Business Division
      - Corporate Banking Business Division I
      - Corporate Banking Business Division II
      - Corporate Banking Business Division III
      - Corporate Banking Business Division IV
      - Osaka Corporate Banking Business Division
      - Public Sector Finance Division
      - Healthcare Finance Division
      - Sapporo, Sendai, Kanazawa, Nagoya, Hiroshima, Takamatsu and Fukuoka
  - Advisory Sub-Group
    - Corporate Advisory Division
    - Solution Advisory Division
    - Asset Solutions Division
  - Structured Finance Sub-Group
    - Real Estate Finance Division
    - Real Estate Business Division
    - Specialty Finance Division
    - Corporate Support Division
  - Principal Transactions Sub-Group
    - Private Equity Division
    - Credit Trading Division
    - International Principal Finance Division
  - Asset Backed Investments Division
- Global Markets Group
  - Global Markets Business Management Division
  - Markets Sub-Group
    - Trading Division
    - Markets Division
    - Credit Products Division
  - Financial Institutions Sub-Group
    - Financial Institutions Business Division
    - Osaka Financial Institutions Business Division
  - Asset Management Sub-Group
    - Wealth Management Division
    - Asset Management Products Division
  - Treasury Sub-Group
    - Treasury Funding Division
    - ALM Division
- Individual Group
  - Consumer Finance Sub-Group
  - Retail Banking Sub-Group
    - Customer Service Division
      - (Customer Service Department)
    - Customer Development Division
    - Retail Sales and Distribution Division*4 — Financial Centers*5
    - Channel Planning Division
    - Retail Products Division
      - (Insurance Business Management Department)
    - Loan Products Division
    - Retail Business Division
    - Retail Human Resources Development Division
    - Channel Management Division *6
      - (Fukuoka Call Center)
- Risk Management Group
  - Portfolio and Risk Management Division
  - Market Risk Management Division
  - Institutional Credit Management Division
  - Structured Risk Management Division
  - Individual Pillar Risk Management Division
  - Risk Management Planning and Policy Division
  - Operational Risk Management Division
- Finance Group *3
  - Business Controlling Division
    - (J-SOX Program Department)
  - Financial and Regulatory Accounting Division
    - (IFRS Department)
  - Capital Markets and Treasury Product Control Division
- Banking Infrastructure Group *6
  - Operations Planning and Administration Division
  - Information Technology Division
  - Operations Services Division
  - Centralized Operations Division
  - Retail Services Division

*1 Office of Corporate Secretary shall act as the secretariat for the Board of Directors and Executive Committee.

*2 Internal Audit Division shall report not only to CEO but also to Board of Statutory Auditors directly.

*3 Investor Relations & Corporate Communications Division shall report to Head of Finance Group for Investor Relations matters.

*4 Incl. Chiba Annex and Urawa Annex

*5 Head Office (incl. Nihonbashi Muromachi Annex), Sapporo, Sendai, Kanazawa, Omiya, Kashiwa, LaLaport (incl. Tsudanuma Annex), Tokyo, Ginza, Ikebukuro (incl. Kawaguchi Annex), Ueno, Kichijoji, Shinjuku, Roppongi Hills (incl. Omotesando Hills Annex), Hiroo, Meguro, Futakotamagawa (incl. Jiyugaoka Annex), Hachioji, Machida, Yokohama (incl. Kawasaki Annex), Fujisawa (incl. Kamakura Annex), Nagoya, Kyoto, Umeda (incl. Takatsuki Annex, Senri-Chuo Annex, Nishinomiya-Kitaguchi Annex and Hankyu-Umeda Annex), Namba (incl. Sakai-Higashi Annex), Kobe (incl. Ashiya Annex), Hiroshima, Takamatsu, Fukuoka

*6 Channel Management Division shall report to Head of Banking Infrastructure Group

CORPORATE GOVERNANCE

On June 23, 2010, Shinsei Bank changed its corporate governance framework from a "Company with Committees" board model (*iinkai-setchi-gaisha*) to a "Company with Board of Statutory Auditors" board model (*kansayakukai-setchi-gaisha*). The switch to a "Company with Board of Statutory Auditors" board model aims to ensure appropriate managerial decision-making and business execution and to establish a governance framework with sufficient organizational checking functions. These are achieved by 1) the consolidation of business execution authorities and responsibilities in the Board of Directors and 2) assigning responsibility for auditing duties that include auditing and monitoring of the Board of Directors, to statutory auditors and a Board of Statutory Auditors that are independent of business execution and the Board of Directors. Moreover, we have been making continuous efforts to achieve an efficient and appropriate managerial framework by adopting the Executive Officer system at the same time as the change to a "Company with Board of Statutory Auditors" board model.

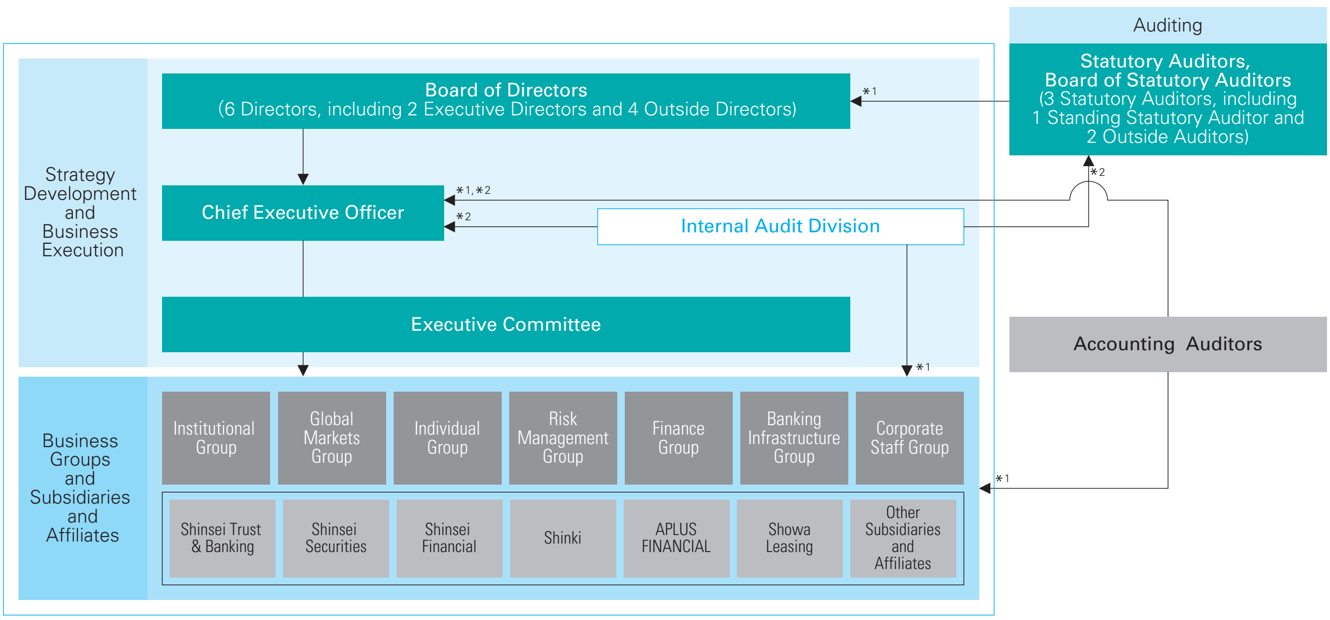
Change to a "Company with Board of Statutory Auditors"

"Company with Board of Statutory Auditors"

Shinsei Bank adopted the governance framework of a "Company with Committees" board model (*iinkai-setchi-gaisha*) on June 24, 2002, based on the then applicable Commercial Code. Under this framework, the Bank established an effective supervisory framework and aimed at efficient and transparent management by achieving speedy and flexible business execution by statutory executive officers and ensuring that the Board of Directors is engaged in decision-making on important managerial matters and business execution monitoring and supervision.

However, the Bank is now expected to ensure more active involvement by the Board of Directors in internal control system establishment and risk management as well as to enhance business execution-based managerial judgment functions in determining its management policies. It also recognizes the need to strengthen its audit functions, such as daily business execution audit activities by full-time audit officers, and supervision of business exe-

Corporate Governance System Chart (as of July 1, 2011)



*1 Audit *2 Report ■Business Groups ■Subsidiaries and Affiliates cution and director activities by audit officers responsible for audits and independent from directors. Based on such an understanding, the Bank changed its governance framework from a "Company with Committees" board model to a "Company with Board of Statutory Auditors" board model (*kansayakukai-setchi-gaisha*) at the completion of the June 23, 2010 annual general meeting of shareholders.

Continuing efforts will be made to ensure adequate business execution based on flexible managerial judgment and to establish a governance framework placing more emphasis on checks-and-balances.

Board of Directors

The Board of Directors maintains the appropriate business promotion framework through determining long-term management strategy, ensuring that management is working to maximize shareholder returns, evaluating and supervising business execution by executive directors, and making decisions on management and business execution after ample deliberation by the Board. As of June 22, 2011, the Board of Directors is composed of the following members intended to provide an appropriate balance: two inside directors who are responsible for daily business execution and four outside directors with advanced expertise, such as extensive financing experience and risk management or audit knowledge. These four outside directors play an important role in corporate governance, such as providing independent and objective opinions to management and supervising business execution by directors. In this way, the Bank maintains the transparency of its management strategy determination process.

Executive Committee and Executive Officers

As a result of the switch to a "Company with Board of Statutory Auditors" board model, the scope of the Board of Directors' decision-making expanded without any clear distinction between decisions on and supervision over business execution. On the other hand, Shinsei Bank has adopted an Executive Officer system in order to ensure flexible daily business execution. Under this system as well as the leadership of executive directors including the CEO, executive officers and business group heads entrusted by the Board of Directors execute their operations in an efficient manner. In addition, based on the Board of Directors' approval, the Bank established the Executive Committee consisting of executive directors and executive officers who are group heads, with a view to achieving swift and efficient business administration. Under the new framework established on July 1, 2011, 19 executive officers including executive directors were appointed by the Board of Directors.

With the Bank's expanding specialized offerings, we have established Group-wide committees to enable swift and appropriate responses. Shinsei Bank's primary committees include ALM (Asset and Liability Management), Compliance, Risk Policy, Doubtful Debt, SME Loan, IT, COB (Continuity of Business), Basel II Steering, and Management Development Committees, and are chaired by the CEO, executive directors, executive officers and group heads.

Transactions with Directors and Major Shareholders

In January 2008, a group of investors led by J.C. Flowers & Co. LLC and affiliates completed a tender offer for common shares of Shinsei Bank. In February 2008, the Bank increased its capital through a third-party allotment to the same group of investors. As a result, this group of investors, with which Mr. Flowers is influential, became Shinsei Bank's largest shareholder. Even after the successful issuance of new shares through an international offering carried out in March 2011, this group of investors, with which Mr. Flowers is influential, remains Shinsei Bank's largest shareholder. In accordance with the Bank Rule, the Bank established a process for obtaining approval from the Board of Directors for transactions with parties related to the Bank that may involve a conflict of interest. Furthermore, in order to ensure the Bank's independence from major shareholders, as required by the Banking Law, the Bank established the Bank Rule requiring the Board of Directors to judge transactions with major shareholders in accordance with a set of guidelines. The Bank also established adequate control frameworks to maintain and enhance the Board of Directors' checking functions over transactions with directors and major shareholders, such as preparing a structure for the business execution side to verify transaction fairness and conflict of interest and strengthening post-approval follow-up functions. The Bank prepared and implemented such frameworks to protect the interests of stakeholders based on objective judgment.

Ensuring Internal Control

To enable appropriate corporate governance, it is necessary to prepare a system that ensures proper governance of internal audit and legal/compliance functions and a structure for monitoring business execution and decision-making centered on the Board of Directors. Putting in place the internal control system required by the Corporation Act, and ensuring internal control so that financial statements comply with the accuracy requirements of the Financial Instruments and Exchange Law are also important elements of corporate governance. Even though internal control is the responsibility of management, the overall internal control system takes measures to ensure specific internal control in each of the groups that carry out actual operations. Basic policies on internal control systems to ensure appropriate and efficient daily operations are stipulated in our "Internal Control Rules" decided by the Board of Directors. Moreover, the Board of Directors periodically verifies the status of internal control systems. The Internal Control Rules provide that the Board of Directors establish a framework to ensure effective audits by statutory auditors, define the Subsidiaries and Affiliates Policy, the Information Security Policy, the Shinsei Bank Risk Management Policy, the Regulations of Business Execution, the Shinsei Bank Code of Conduct and the Internal Audit Policy as the basic rules in order to ensure appropriate, transparent and efficient operations in the Shinsei Bank Group as a whole. In addition, the Charter of Corporate Ethics prohibits relationships with anti-social organizations and establishes a framework to prevent various types of damage by such organizations and to ensure appropriate operations.

Statutory Auditors/Board of Statutory Auditors

As stated above, on June 23, 2010, Shinsei Bank changed its corporate governance framework to a "Company with Board of Statutory Auditors." The Board of Statutory Auditors of Shinsei Bank, which is composed of a full-time auditor with a background in and business experience at Shinsei Bank and two outside auditors who are highly specialized in legal affairs and corporate governance theory, shall audit the Directors' execution of their duties as a body that is completely independent from the Board of Directors. The appointment of a full-time auditor will permit full-time monitoring of the Bank's operations, access to detailed internal data and a timely and appropriate response to external changes thereby enhancing the audit function. By providing opinions from a more independent and objective viewpoint at meetings of the Board of Statutory Auditors and the Board of Directors, the outside statutory auditors contribute to enhanced auditing activities.

The statutory auditors shall systematically and efficiently audit the state of business execution at the Shinsei Bank Group as a whole, including Shinsei Bank and its subsidiaries.

The statutory auditors will achieve this by cooperating with the internal control groups, such as the Internal Audit Division, and by using staff of the Office of Statutory Auditors in addition to attending the Bank's important meetings, such as meetings of the Board of Directors, reviewing important documents and undertaking audits of their own, such as interviewing the directors, the executive officers and the accounting auditor.

Legal and Compliance Activities

The Compliance Division and Legal Division work closely together and play a central role in our corporate governance.

Compliance Systems Organization

We have, with a strong belief that thorough compliance must be one of the most important management missions, established a robust compliance system to help enable sound and proper management that earns public trust. The Compliance Committee, Compliance Division and individual compliance managers within various business and support units constitute the main elements of our compliance organization. The Compliance Committee, with our Chief of Staff as its chairman, examines and discusses important compliance matters. The Compliance Division plans various measures concerning compliance risk and implements these measures through central management. Every division, department or branch in the Bank also has a compliance manager to act as the point of contact for compliance-related matters. These managers' duties also include periodical reporting to the Compliance Division on compliance-related issues. This enables the Compliance Division to conduct Bank-wide monitoring of how various measures are being implemented as well as to provide centralized compliance guidance.

Compliance Activities

We implement an annual compliance program that outlines our compliance-related plans, including compliance enhancement activities such as creating and updating internal rules. We place special focus on training programs for compliance awareness, including periodic training on important subjects, and are working to increase the effectiveness of this training by introducing active e-learning courses alongside classroom training.

Legal Supervision

Banks are required to comply with a wide variety of laws and regulations in their day-to-day business operations. Violations may severely damage not only our credibility and reputation as a financial institution, but that of the overall banking system itself. In terms of individual transactions, we may face unexpected claims for damages if our contracts are unreasonable or we act inadvisably during the process of negotiation leading up to contract execution. Prevention and proper management of these legal risks are now the most important mandate for a bank's business conduct. The Legal Division is in charge of legal affairs, including compliance with corporate and transactional laws, legal documentation and litigation supervision. The Legal Division, working with the Compliance Division, also supports our overall compliance systems.

Internal Audit

The importance of risk management is becoming increasingly acute with the increased diversification and complexity of risks relating to the Bank's operations. The role of the internal audit is to independently assess the effectiveness of risk management measures and internal controls. This, in turn, helps maintain and enhance our corporate governance.

The Internal Audit Division (IAD) of the Bank reports directly to the CEO and also to the Board of Statutory Auditors. IAD supports the CEO in his responsibility for controlling business execution, and in particular for establishing an effective system of internal controls. IAD provides independent and objective assessments of the effectiveness of risk management, control and governance processes; the reliability of information and information technology systems; and compliance with statutory, legal and regulatory requirements as well as internal policy and procedure requirements of the Bank; consequently, IAD provides solutions to management. IAD also maintains a close relationship with the Board of Statutory Auditors and provides them with internal audit-related information.

IAD is independent from all the organizations subject to internal audits, and from day-to-day operational activities and control processes including regular preventive and detective controls.

IAD adopts a risk-based audit approach and conducts a comprehensive risk assessment based on macro-risk assessment—to capture high-level risks across the Bank—and micro-risk assessment to assess the risks inherent in each business or process audited. IAD prioritizes the allocation of audit resources to businesses or processes with higher risk profiles.

It is important to gather relevant information about the business to improve effectiveness and efficiency of internal audit activities. IAD has been enhancing off-site monitoring activities by attending key management meetings, reviewing internal control documents and holding regular meetings with senior management.

Comprising the Business Audit Team, the IT Audit Team and the Quality Control and Planning Team, IAD takes the initiative in developing our internal auditors' expertise, and in particular, strongly encourages them to obtain professional certifications such as Certified Internal Auditor and Certified Information Systems Auditor. IAD has also been enhancing its infrastructure in addition to developing new audit methodologies.

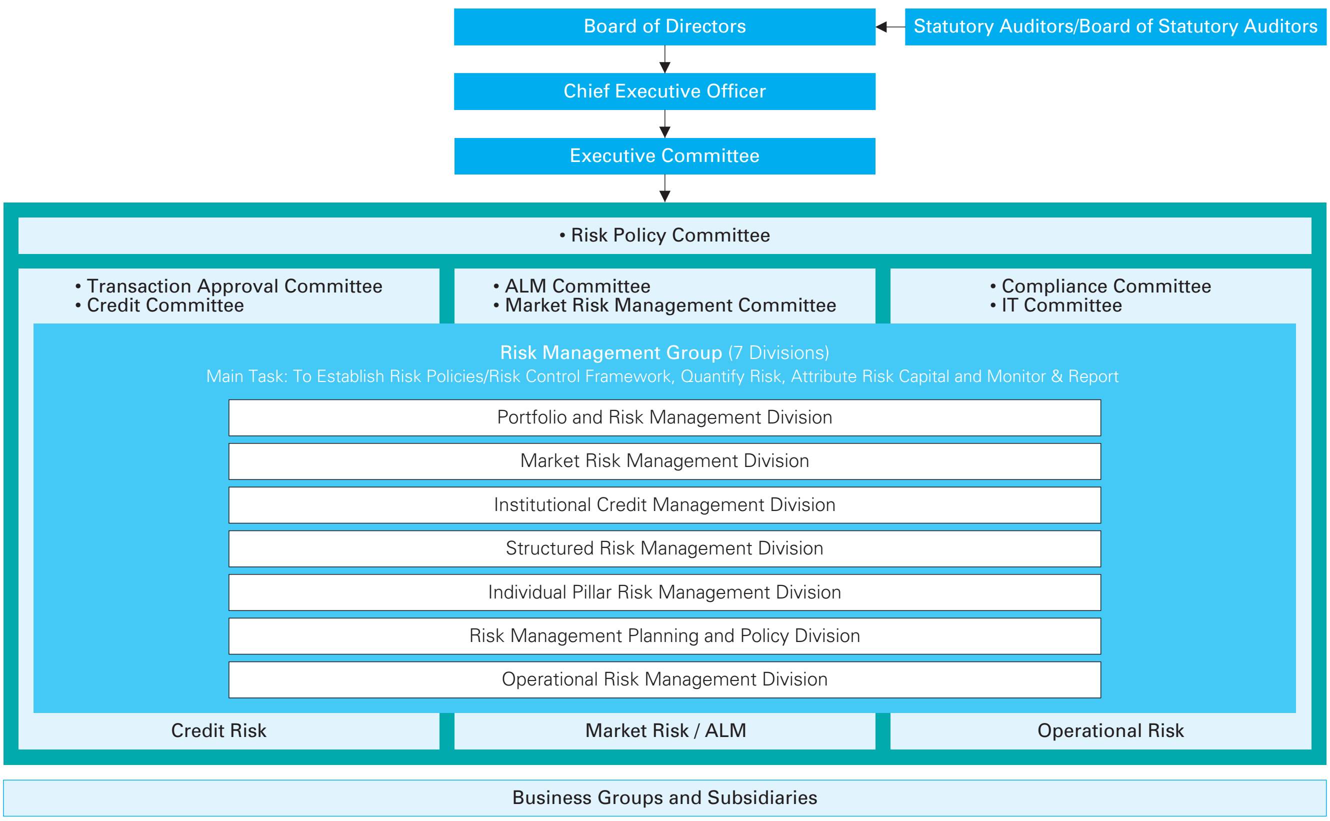
An external consulting firm conducts a quality review on IAD's internal audit activities in order to objectively identify opportunities for improvement periodically. IAD also involves Group subsidiaries' internal audit divisions in its drive for continuous improvement.

RISK MANAGEMENT

Shinsei Bank posted significant losses due to asset-backed investments and other overseas investments and loans. Given this experience, the Bank identified credit risk management as one of its most important management issues. Since 2009, the Bank has taken various measures to strengthen risk management frameworks. These include the elimination of the product program, further empowerment of the functions of our various committees, and adoption of a strong governance structure for building a risk management function that is fully independent of other divisions and organizations in the Bank and that exercises real authority. Introducing this risk governance has strengthened the Risk Management Group's control over the front line and its risk management frameworks.

The new management team that was established in 2010 assumed responsibility for this transformation, and has been further strengthening risk market frameworks so that they function in practice. The Risk Management Group is enhancing its communication with the Board of Directors, regularly reporting on the status of portfolio and risk management frameworks and deliberating on the direction to take going forward. Experts in the risk management field have been assigned to the Group. They have in-depth discussions on risk management policies that range in scope from various portfolios to transactions with individual companies. In this way, the Group has become an organization capable of making appropriate and prompt judgments. We are also strengthening management frameworks for various risks by improving comprehensive risk management systems, developing computer systems to automate measurements, and improving verification structures for real estate and product evaluations. Based on the Medium-Term Management Plan drawn up by the management in 2010, we are making necessary structural improvements such as revision to credit screening and monitoring processes, and holding training sessions for sales staff in line with the target of expanding the customer base, in addition to promoting reduction of the non-core asset balance.

Risk Management System Chart (as of June 23, 2011)



Fiscal Year 2010 Overview

Despite concern over sovereign risks in some EU countries, fiscal year 2010 saw a broad recovery in the global economy overall due to interest rate reductions and macroeconomic policies such as quantitative easing, taken by individual countries amid a spirit of global cooperation after the Lehman Shock, as well as the early emergence of countries such as China, and India from economic recession. The recovery of the domestic economy in Japan was temporarily delayed compared with conditions overseas due to a strong yen. However, the economy did begin to show a gradual and self-sustaining recovery. Economic indices were improving until the beginning of 2011 and accordingly, the number of bankruptcies has been decreasing. Under such an environment, the Bank has taken various actions to reduce portfolio risks and resolve legacy problems.

Specifically, with respect to individual portfolios, we are working on real estate exposures centered on non-recourse loans that incurred credit costs in fiscal year 2010, and reducing high-risk assets, such as those relating to possibly bankrupt or virtually bankrupt obligors, so as to reduce risk concentration. Regarding real estate evaluation, the risk of incurring additional credit costs is being reduced by adhering to a conservative evaluation structure. In recent, new deals, we have been careful to ensure an appropriate risk-return balance and have made efforts to achieve both risk reduction and portfolio quality improvement.

The Bank has focused on consumer finance businesses such as APLUS FINANCIAL, SHINKI, and Shinsei Financial. This industry has a risk of losses from refunds of excess "grey zone" interest payments, or grey zone costs, and a risk of increased customer defaults due to annual income-linked borrowing restrictions introduced in connection with the enforcement of the revised Money Lending Business Control and Regulation Law ("MLBL") in June 2010. However, the risk of grey zone costs is limited because of an indemnity backed by GE relating to the consumer finance business of Shinsei Financial. We tightened credit screening and made preparations for the impact of the introduction of annual income restrictions in advance of full enforcement of the revised MLBL last year. Taking into account a future decrease in loans subject to annual income restriction, we expect any increase in the number of customer defaults to be within the scope of our assumptions. However, we will continue to closely monitor the situation.

Proprietary trading centered on Europe, such as asset-backed investments/loans and CLO, incurred significant losses in previous years. We eliminated the product program in 2009 and froze all new loan origination. As these assets have also been positioned as non-core in the Medium-Term Management Plan, we are devoting ourselves to reducing the balance. At present, the level of reduction has been higher than the target in the Medium-Term Management Plan, implying a further reduction of downside risk.

While the domestic economy was back on track to recovery, the Great East Japan Earthquake that occurred on March 11, 2011 has caused tremendous damage to Japan's economic activities. The impact of the damage on each sector has become a destabilizing factor in financial and other markets and it is difficult to forecast the future of Japan's economy. However, now that we are approaching a resolution to the majority of our legacy problems, the Bank is striving to shift gears and go back on the offensive from fiscal year 2011. Under the operating environment described above, we will continue to closely monitor both the domestic and international situation and various economic indices, make thorough analyses and take timely and appropriate action as we strive to make necessary improvements to the Bank's risk management frameworks and enhance them further.

Comprehensive Risk Management

Basic Concept of Risk Management Systems

In order to run highly profitable operations, a financial institution must understand the basic challenges of risk management, namely, how to take and how to face risks.

For this reason, it is necessary to monitor whether risks are taken in line with Bank-wide policies as well as individual operational policies, whether risks remain within appropriate limits and whether they are adequately controlled by the respective sections in charge.

Financial institutions are exposed to various risks, including credit risk, market risk, interest rate risk, liquidity risk, and operational risk.

To Achieve Comprehensive Risk Management

Shinsei Bank sets forth its “Shinsei Bank Risk Management Policy” as a basic management policy in order to recognize risks and implement proactive controls based on an understanding of the total risks faced by the Bank as a whole. Amidst severe competition and an evolving regulatory and market environment, the risks which Shinsei Bank faces are increasingly complex. Based on the experience of financial crisis, in 2009, the Bank revised its “Risk Management Policy” and redefined the fundamental principles of risk management including a rebuilding of the risk culture within the Bank.

Comprehensive risk management means detailed monitoring of each risk involved in individual operations, as well as the understanding of total bank-wide risks, and quantifying risks to the greatest extent possible based on analysis and insight into a bank’s markets and customers. Estimating “Risk Capital,” which is an integrated control approach, requires measurements for each risk category, namely (1) credit risk, (2) market risk, (3) interest rate risk, and (4) operational risk. In this way, our management capabilities and risk acquisition activities are controlled in an integrated manner by monitoring the Bank-wide risk volume and Group-specific capital attribution status. Last summer, we made a step toward further enhancement by developing and introducing a new Integrated Risk Management System as well as reorganizing the measurement framework.

Categories of Risk Capital

Risk Capital	Capital amount required as a cushion against unexpected economic losses. Unexpected Loss calculated by subtracting expected loss from estimated maximum loss of which time horizon is one year.
Credit Risk	Unexpected Loss calculated by subtracting expected loss from Credit VaR (Credit Value at Risk). Credit VaR is estimated maximum loss calculated by a simulation based on data including probability of default, exposure at default, and loss given default.
Market Risk	Estimated maximum loss from interest rate, foreign exchange and price change risk based on Market VaR (Market Value at Risk). Market VaR is calculated by a simulation based on data including position, volatility of risk factors, etc.
Interest Rate Risk	Estimated maximum loss from interest rate risk in banking account based on Interest Rate VaR (Interest Rate Value at Risk). Interest Rate VaR is calculated by a variance-covariance method based on data including sensitivity of fair market value when interest rates move 100 basis points.
Operational Risk	Estimated maximum loss based on Operational Risk VaR (Operational Risk Value at Risk). Operational Risk VaR is calculated by a simulation based on frequency and severity distributions which will be derived from internal loss records and scenario loss data.
Total Risk Capital	Amount calculated by subtracting effect of correlation across risk categories from simple sum of Risk Capital for each risk category.

Shinsei Bank’s senior management has delegated certain risk management authority to specific committees including the “Credit Committee,” “Asset and Liability Management (ALM) Committee” and “Market Risk Management Committee.” The Risk Policy Committee (RPC) and Transaction Approval Committee were established in 2009 to strengthen and reorganize committees. The two committees have been firmly established under the new management structure as committees responsible for making important risk judgments, and are functioning effectively. The Risk Policy Committee involves the top management of the Bank (including the CEO, CFO, and CRO), and plays an important role in defining and calibrating appropriate and optimal risk taking for the Group by reviewing business strategy along side risk management policy.

Institutional Credit Risk Management

Credit risk is defined as the risk of loss due to a counterpart defaulting on contractual debt obligations.

Our model for credit risk management focuses on securing adequate return on risk, avoiding excessive concentration in particular sectors or to particular obligors, and managing the credit portfolio with an awareness of potential losses under a worst-case scenario.

To achieve these goals, Shinsei Bank established a comprehensively revised “Credit Risk Policy” which defines specific policy on customer attributes, products, markets, industries and transaction types where risks should be taken or limited, and clarifies basic policies for credit provision operations and specific guidelines for credit risk management together with the Bank’s “Credit Risk Policy,” “Credit Procedures” and other related procedures.

Credit risk management processes are roughly classified into credit risk management for individual transactions and portfolio-based credit risk management, as follows.

Credit Risk Management for Individual Transactions

(1) ORGANIZATION/SYSTEMS

There are two main categories of decision—a credit risk for an appropriate amount and maximum duration of an obligor or counterparty risk; and a deal risk on an appropriate type and structure of a transaction. In general, the decisions are taken jointly by the business stakeholder and the risk delegation holder. The Risk Management Group is independent of the business line, to provide objectivity and impartiality and has the power of veto on any risk decision.

Credit approval authorities are only awarded to the most senior and experienced business heads, group heads, sub-group heads, and general managers, to be exercised jointly with the head of Risk Management Group (CRO) or general managers, according to the amount and type of risk. Naturally the business has the right to appeal an unfavorable credit decision, but the final authority and decision will rest with the CRO.

Transactions can be very diverse and complex in nature, and hence Shinsei Bank has adopted a specific approval process for dealing with them. Recognizing that risk can emerge from not only credit, market or operational aspects, on occasion, Finance, Compliance, Legal or other specialized functions, will be invited to participate in the decision process, in the format of a Transaction Approval Committee. This allows for the thorough evaluation of reputational risk, compliance risk, suitability risk, legal risk or tax/regulatory aspects to ensure that the Bank and its customers avoid inappropriate deals. It is possible for any member of a Transaction Approval Committee to express an objection, although the final decision rests with the business stakeholder and the risk delegation holder, with the latter having the power to veto.

Doubtful Debt Committee ensures comprehensive monitoring and proactive management of weak assets. At the meetings of this Committee, we monitor the business conditions and discuss the future outlook and action plans for obligors whose ratings are below a certain level and whose borrowings outstanding are above a certain amount, or of obligors for which Shinsei Bank has set aside a certain amount of reserves. Through this preemptive monitoring and alertness to deterioration in obligors' business environment, Shinsei Bank is striving to minimize credit costs and improve our overall asset quality.

(2) OBLIGOR RATING SYSTEMS

Obligor rating systems, which are Shinsei Bank's internal rating systems, are outlined as follows.

CHARACTERISTICS OF SHINSEI BANK'S OBLIGOR RATING SYSTEMS

- Increasing model accuracy and reflecting appropriate qualitative factors
- Benchmarked against external ratings
- Properly reflecting obligors' consolidated-basis accounting systems
- Ensuring conformity with rating systems among industry classifications

More specifically, obligor ratings are determined by applying adjustments with qualitative factors to the model ratings calculated by our estimation models, which are created using data from external rating agencies. Obligor ratings shall be determined at the "Credit Rating Review Committee" in order to ensure objectivity and transparency. Moreover, we ensure conformity of obligor ratings with obligor categories based on the regulatory self-assessment requirements.

Obligor ratings are used in the standards of credit approval authority procedures and portfolio controls, and are the foundation for credit risk management.

Furthermore, we also apply a facility rating system based on expected losses that allows for improvement in the credit status, such as collateral and/or covenants, from the perspective of obligor ratings and the credit status of individual transactions.

Portfolio-Based Credit Risk Management

(1) MONITORING ANALYSIS SYSTEM

Controls must be carried out in such a way that risks are diversified in terms of industries as well as ratings. This is done on a portfolio basis, which is an aggregation of transactions, and operations of individual transactions must be conducted based on appropriate risk analyses. At Shinsei Bank, the Portfolio and Risk Management Division undertakes risk analyses of portfolios, and monitors the segment-specific risk diversification status including industry classifications, ratings, specific customers/groups and also rating fluctuations related to customers within the portfolios. The Division uses this information to provide reports to senior management and the CRO on a monthly as well as ad hoc basis.

(2) QUANTITATIVE MEASUREMENT OF CREDIT RISK

Quantitative measurement of credit risk means measuring and assessing the likelihood of losses that may be incurred from changes in a customer's creditworthiness. The probability of default, an assumption based on past experiences and future outlook, and expected loss amounts based on collection ratios, are generally called "expected losses."

Losses that could be incurred in the worst case scenario and cannot be estimated based on past experiences are generally called "unexpected losses." It is generally considered that risk capital can be quantified by measuring both "expected losses" and "unexpected losses."

With its introduction of a new engine last year to measure credit risks, Shinsei Bank has realized a measurement framework with higher accuracy than before. We are striving to contribute to sound portfolio management and resource allocation through the analysis of risk capital changes and profitability against risks. Also, we reflect measured expected losses and unexpected losses in loan spread in order to help ensure appropriate risk-return for each transaction. Also, Shinsei Bank ensures adequate return levels against risks involved in each transaction by reflecting measured expected losses and unexpected losses in the interest rate margin on loans.

(3) CONCENTRATION GUIDELINES

Our concentration management framework consists of industry concentration guidelines, obligor group concentration guidelines, as well as effective review and countermeasures for matters outside the scope of the guidelines. These procedures are designed to insulate our credit portfolio against systemic shock or other extraordinary events.

Credit Risks Involved in Market-Related Transactions

Credit risks involved in market transactions, such as derivative transactions, are controlled based on fair value and estimations of future value fluctuations. The volume of risks associated with market transactions changes according to fluctuations in market rates after the transaction is traded and Shinsei Bank undertakes strict controls based on future value fluctuation forecasts.

Self-Assessments

As a result of introducing the "Prompt Corrective Action" system, financial institutions conduct self-assessment of their assets, such as loans, in order to adequately write off or set aside reserves.

Shinsei Bank has established a self-assessment system wherein the Credit Assessment Division, which is independent from the business promotion and credit analysis sections, is the section ultimately responsible for assessment.

More specifically, the criteria and procedures for self-assessment adhere to the Financial Services Agency's "Inspection Manual for Deposit-Taking Institutions." Accordingly, the business promotion sections and the credit analysis sections carry out the primary assessments and secondary assessments, and final assessments are conducted by the Credit Assessment Division respectively.

Obligor categories and categorizations are reviewed in a timely manner according to changes in the obligors' financial fundamentals so as to mitigate the emergence of problem loans and to strengthen and update systems to ensure the timely and accurate management of troubled loans.

Measures to Meet Basel II Requirements

In order to comply with the credit risk regulations under Basel II, which came into effect at the end of March 2007, Shinsei Bank has adopted the F-IRB (The Foundation Internal Ratings-Based) Approach. This framework ensures strict internal controls for our internal rating systems, the basis of credit risk management, by the execution of the design and operations of internal rating systems and parameter estimations such as probability of default. The results of the internal rating systems are reflected not only in credit risk management, but also in calculations of capital levels required under the regulations.

Individual Pillar Risk Management

Risk management for the consumer finance business covers the entire operations from application underwriting and credit management after contract conclusion through debt collections. The Individual Pillar Risk Management Division holds a risk performance review on a monthly basis with participation of Shinsei Bank risk-related divisions, and provides advice on risk management policies and strategies to subsidiary employees responsible for risk management.

We report the performance of this business to the Risk Policy Committee meeting (with participation of CEO, CFO, CRO, etc.) on a quarterly basis.

Risk divisions in subsidiaries carry out appropriate risk control based on initial credit scoring card, credit control scoring card, and collection strategy scoring card developed by the statistical method using customer attribute data, credit bureau data, and transaction history data. These scoring cards are constantly monitored to maintain their accuracy and adjusted on a regular basis.

Credit costs are extremely important in the profitability of the consumer finance business as a whole. For that reason, we analyze leading indicators of various factors that incur credit costs so as to recognize a declining trend early and make necessary improvements. We divide leading indicators into initial credit quality, portfolio quality, and debt collection quality, and monitor each category every month. If we observe a declining trend, we promptly take an improvement

Financial Highlights
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Data Section

action before a serious situation results.

The environment surrounding the consumer finance industry is significantly changing due to revision to the law and other reasons. In risk management, we implement strategies to ensure balanced risk and return relationships so as to meet the business plan, rather than simply avoiding losses.

Due to change in the environment surrounding the industry, the Shinsei Bank Group companies are working on appropriate credit cost control in order to maximize profitability.

Market Risk Management

Market risk, which is the risk associated with changes in the value (fair value) of financial instruments from fluctuations in bond prices, exchange rates, interest rates, stock prices, credit spreads and other market-determined price mechanisms, is inherent in all assets and liabilities, and in off-balance sheet transactions as well.

Market Risk Management Policy

We manage market risk by segregating the overall balance sheet into a trading book and a banking book. Market Risk Management Committee is in charge of market risk management and risk review of trading book. CRO is chairman of Market Risk Management Committee and representatives of related divisions are composed of Market Risk Management Committee. Market Risk Management Committee has monthly and weekly regular meeting and review detail market risk reported by Market Risk Management Division.

The ALM Committee has monthly regular meeting, in principle, for review and decision making of all asset and liability related market risk.

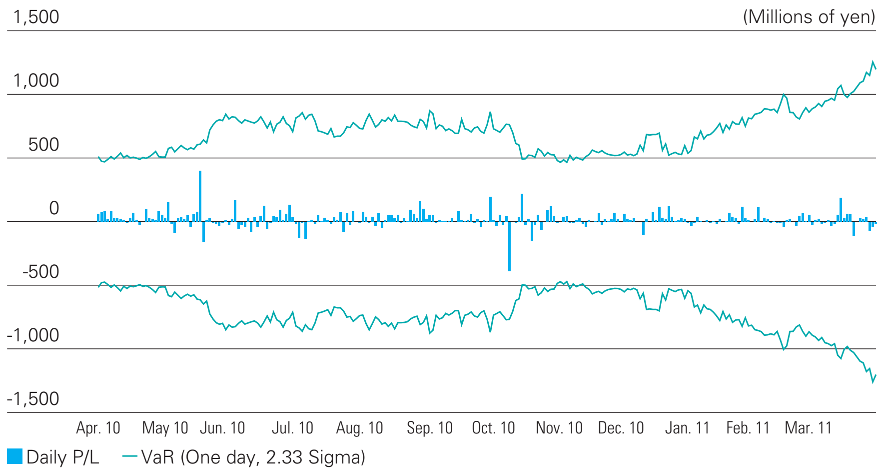
Trading Book

Value at Risk ("VaR") as risk limits on trading, is approved by Executive Committee. The VaR is the amount at risk for a specific time horizon and confidence level. Based on FSA approval, we use internal models for our General Market Risk calculations for Basel II purposes started from March 31, 2007. The VaR uses a 99% confidence level, 10 day holding period and 250 observation days. See the table below for VaR data.

VaR data for Fiscal Year End, Maximum, Minimum and Average during the fiscal year 2010 and 2011

		Millions of yen			
		2010		2011	
		Consolidated	Non-Consolidated	Consolidated	Non-Consolidated
FYE VaR		1,627	1,585	**3,785**	**3,734**
FY	Maximum	4,744	4,535	**3,964**	**3,912**
	Average	3,094	2,831	**2,251**	**2,186**
	Minimum	1,528	1,475	**1,478**	**1,434**

VaR and Daily Profit and Loss (Back-Testing) (Fiscal year ended March 31, 2011, Consolidated basis)



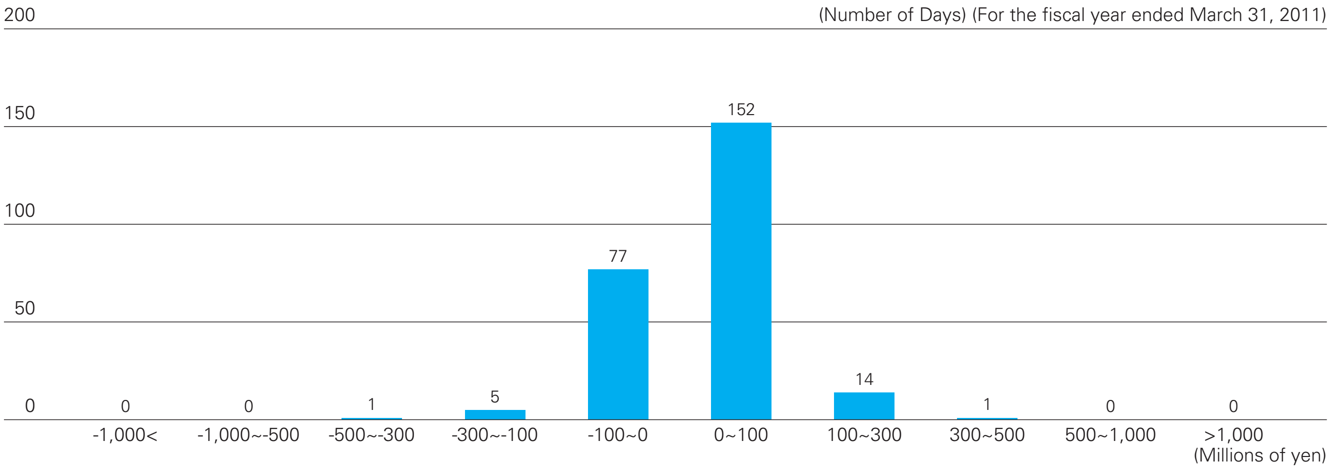
BACK-TESTING ON THE VaR MODEL APPLIED TO THE TRADING BUSINESS

Back-testing involves comparing the actual losses to estimated VaR to confirm the reliability of the VaR method.

ASSUMPTIONS OF SHINSEI's VaR MODEL

Method:	A historical simulation method
Confidence interval:	2.33 standard deviations
Confidence level:	99%
Holding period:	1 day
Observation days:	250 days
Coverage:	Trading business (except for customer margin)

Histogram of Daily Trading-Related Revenue (Excluding Customer Margin)



The validity of the VaR model is verified through back testing, which examines how frequently actual daily loss exceeds daily VaR for a one-day holding period. The back-testing results for fiscal year 2010 show that there was no day in which the loss amount exceeded VaR on a consolidated basis. We conduct stress tests on a weekly basis and reported to senior management at the Market Risk Management Committee meetings.

In addition, we monitor sensitivities and positions, delta, vega, gamma, etc., and report them to the CRO and management, and at Market Risk Management Committee meetings.

Banking Book

In our banking book, we use the basis point value (bpv) method and net interest income as principal risk indicators. The bpv method measures the risk of changes in fair market value resulting from fluctuations in interest rates. We manage fair market value change within specific range by integration on balance, lending, etc. and off balance, swap, etc.

Net interest income measures the risk of changes in net interest income during a specified period, usually one year, due to fluctuations in interest rates. We estimate future balance sheet on the assumptions of expected rollover of lending and deposits, etc., our specific balance sheet structure and business plans and we simulate net interest income at the period using multiple market rate change scenarios.

We have a plan to introduce VaR as risk management framework regarding ALM division in fiscal year 2011, which aims more active profit opportunities.

Basis point value (bpv) method:
The bpv method measures the risk of changes in fair market value due to fluctuations in interest rates. For example, 10 bpv indicates the change in fair market value when interest rates move 10 basis points, or 0.1%. The table below sets forth the impact on the fair market value of yen-denominated on-balance sheet and off-balance sheet items when interest rates change by 10 basis points.

100 Basis Point Value for JPY Balance Sheet (Non-Consolidated as of March 31, 2011)

Billions of yen

	Parallel Shift
On-balance sheet	-0.3
Off-balance sheet	-1.4
Total	-1.8

Note: Positive figures indicate where an increase in interest rate will result in an increase in fair market value. Negative figures indicate where an increase in interest rates will result in a decrease in fair market value.

Liquidity Risk

Liquidity risk management is implemented by ALM committee, as well as monitoring by Market Risk Management Committee, through the process for approval of liquidity gap limits and minimum liquidity reserve levels.

The Bank's "Cash Liquidity Management Policy," reviewed and approved periodically by the ALM Committee, stipulates the guidelines and norms for appropriate liquidity risk management.

To quantify liquidity risk, we have implemented following liquidity forecast calculation:

- Business-as-usual model: This model forecasts the liquidity situation on an ongoing basis. The output of this model is an estimate of the funds we need to raise under normal circumstances.
- Stress/event model: This is a liquidity forecast under extraordinary severe circumstances, our downgrade, etc. The output of this methodology shows the estimated cash in hand under the stressed circumstances.
- Gap Measurement: Basically we measure the future net funding gap based on business as usual assumptions for Assets and Retail Funding, and Contractual maturities for wholesale funding.

The output of these measurements are carefully analyzed and presented to the Market Risk Management Committee and to the ALM Committee. At the ALM Committee, through following process, liquidity gap and minimum liquidity reserve is approved.

- The first requirement is that we should be able to survive in a crisis or emergency situation; based on the assumptions relating to inflow and outflow in a stress situation, the net cumulative outflow over a specified period should not exceed available reserves.
- If available reserves are insufficient to meet the test, then action to remedy the situation, such as increasing reserves or changing our liability profile, must be taken.
- If available reserves are sufficient to meet the test, then minimum liquidity level reserves may be reduced, but only in such a way that the first stress test (emergency survival test) is still met and the liquidity gap at various times is within approved gap limits.

Operational Risk Management

1. Management of Operational Risk

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people or systems or from external events. Operational risk requires organization-wide management, because it is inherent in any business activity and covers extensive risk areas.

To comprehensively manage operational risk, an Operational Risk Management Policy has been established to clarify the definitions of risk, our basic policy and system for risk management and a framework for identifying, evaluating, monitoring, reporting and controlling/mitigating risk.

The Operational Risk Management Division, which is responsible for Group-wide operational risk management, evaluates, analyzes and reports on the overall operational risks. Specific management divisions have been designated for respective risk areas comprising operational risk, such as operational and administrative risk and systems risk. They are implementing various controls, including the formulation of cross-organizational measures, standards and procedures for managing risk according to the risk characteristics of each area. The Operational Risk Management Division and specific management divisions hold monthly meetings to share information on risk management issues and measures and to discuss how to manage the common elements across the risk areas, thereby ensuring the effective management of operational risk.

Regarding measurement of operational risk, we have adopted the standardized approach for regulatory capital under Basel II. On the other hand, we have also quantified operational Risk Capital for internal use based on our internal model, by utilizing risk scenarios which reflect risk perception of business lines as well as historical losses. This quantification result has been used as part of the overall Risk Capital system.

2. Management of Operational and Administrative Risk and Systems Risk

Operational and administrative risk refers to the risk of incurring losses resulting from executives' or employees' failure to perform accurate clerical work or from their errors or misconduct. Although we have expanded our retail banking and consumer finance businesses and developed our institutional banking business, we realize that appropriately addressing such operational risk is of crucial importance in order to offer reliable services to our customers.

As measures for such risk, the Operational Planning and Administration Division, responsible for control over the overall operational errors and losses, have established various guidelines such as an "Operations Guideline" and have also implemented operational flow improvement and supervision etc., to improve our operational levels. When errors do occur, we try to prevent recurrences by compiling a database of such cases and analyzing the causes. Our developments in paper reduction, simplified clerical work, extensive automation and computerization have succeeded in minimizing the occurrence of such mistakes/errors.

We believe that the following three factors are crucial for our information systems strategy: security/reliability, flexibility and scalability. In particular, we continue to focus on a more robust, secure and reliable information technology infrastructure in order to ensure the security of customers' transactions. We have also established a flexible system that enables us to provide new products and services to meet customers' constantly changing needs. In addition, we have endeavored to ensure scalability in order to respond to possible future increases in the number of our customers and transactions.

We have set up a special team tasked with minimizing systems risk. We have also improved our risk management in terms of continuity of business planning, disaster recovery planning and safeguards against personal information leakage and unauthorized access.

Growing social importance of banks' online systems and our experience of the earthquakes that happened last month are the main reasons for continuous tests and reviews to strengthen our BCP.

In March 2005, we extended the scope of ISMS certification, which we received in March 2004, from the Information Technology Division to the entire Banking Infrastructure Group and Retail Services Sub-Group (current Channel Management Division).

Furthermore, we have received certification to migrate to ISO/IEC27001, which became the international and domestic information security management system standard in March 2007, and have strived to enhance our approaches to information security measures.

We provide regular status reports to management and continue to make Bank-wide efforts to manage and minimize operational and administrative risk and systems risk.

HUMAN RESOURCES AND CORPORATE SOCIAL RESPONSIBILITY (CSR)

Human Resources —An Engine for Growth

In our management principles, Shinsei Bank has articulated our goal of becoming a banking group that is valued by customers and that contributes to the development of the domestic and international industrial economy. Amid concerns about the impact of the Great East Japan Earthquake on the Japanese economy, banks look likely to face a harsh business environment going forward. That is why at Shinsei we believe more strongly than ever that it is our mission to provide new financial services and create a new banking model that meets the demands of today, and supports our customers. Attracting and developing high-caliber people who can consistently deliver value-added solutions and superior services will be essential to achieve this mission. With talented people as the driving force of our business, we will continue to meet the challenge of new changes and fulfill our customers' ever-changing needs with accuracy and agility. By doing so, we believe we can build trust and grow as a financial group that offers comprehensive support to our customers.

Leveraging Diversity

At Shinsei Bank, we have built a performance-based human resources (HR) framework that makes no distinctions based on age, gender, nationality or length of time with the company. We respect diverse ways of thinking, and work to enhance our people's motivation. Employing a business group-based organization that reflects the differences in customer profile and characteristics of individual businesses, Shinsei aims to develop professionals who have a deep understanding of their respective business fields. To this end, we provide various types of training programs designed to hone specialized skills. On the other hand, to ensure our people acquire a wide-ranging perspective and systematic knowledge of finance in its broadest sense, we run a Bank-wide development program that enables us to utilize our individual employees' specialized knowledge across the organization. In addition, we also transfer our human resources strategically across business groups and Group companies. At the same time, we encourage our people to utilize an internal job posting program to take charge of their own career development by taking on new challenges in different fields. We have also promoted the advancement of talented female employees by introducing a variety of support including child-care leave, flexible working hours and a benefits program, while "Shinsei Women's Network" encourages interaction between female colleagues in the workplace. As at March 31, 2011, the proportion of female managers at Shinsei Bank remains among the highest in our industry with women representing approximately 23% of all titled managers. In this way, we are committed to implementing various initiatives which reflect our belief that by creating an environment where our people are fully empowered to demonstrate their capabilities, and are motivated to give their best everyday, we will grow even further as an organization.

Enhancing our Organization and Human Resources Further

At Shinsei, we believe that collaboration between our highly specialized staff, working across divisions to meet the common goal of serving customers better, will help us maximize organizational productivity, maintain stability in our management base and achieve higher earnings. In October 2010, the Bank established a new Corporate Staff Division, bringing together the formerly independent Corporate Planning, Human Resources, Compliance and other divisions and functions, to provide cross-organizational collaboration and coordination, and promote closer cooperation both within and across individual business groups. Going forward, we will place even greater emphasis on developing people who can truly live up to the role that society expects of banks. Alongside continuing efforts that began in fiscal year 2009 to further enhance our employees' skills in corporate analysis, credit assessment and asset management consultancy for individual customers, we will continue to proactively implement initiatives that boost employee morale and motivation from an organizational management perspective.

In addition to specialist training, Shinsei runs a broad-based human resources development program that includes hands-on training in environmental and CSR-related issues for new graduate recruits.

Contributing to Society

As part of our commitment to acting as a responsible corporate citizen and contributing to societal development, Shinsei Bank actively promotes Group-wide CSR initiatives focusing on opportunities that allow our employees to participate in volunteer activities. We have given particular priority to activities centered on the themes of "children" and "the environment," while continuing existing activities that have been strongly supported by our employees such as disaster relief fundraising and charity runs.

Supporting Recovery Efforts after the Great East Japan Earthquake

Shinsei Bank Group has reached out to support the victims of the Great East Japan Earthquake through corporate donations, Group-wide fundraisers and donations of food and other supplies. Together Shinsei Bank, Shinsei Financial, Showa Leasing, APLUS FINANCIAL, Zen-Nichi Shinpan and Shinki have made corporate donations totaling ¥136.47 million. In addition, employees of Shinsei Bank and our major group companies participated in a Group-wide fundraiser to raise a total of ¥15.63 million during the period between March 14 to April 27, 2011. These amounts were donated in full to the Japanese Red Cross Society. Furthermore, Shinsei Bank has donated food, furniture and other supplies in response to requests made through the Japanese Ministry of Education, Culture, Sports, Science and Technology's website "Kodomo no Manabi Shien Portal-site," and from Miyagi Prefecture, Tokyo City and the non-profit organization (NPO) Second Harvest Japan. Shinsei Bank Group will continue various initiatives to aid the swift recovery of the regions and people affected by the disaster.

MoneyConnection®—A Financial Literacy Program

As a responsible consumer credit provider, our subsidiary Shinsei Financial has been involved in financial literacy promotion since fiscal year 2006. Together with the NPO Sodateage.net, Shinsei Financial runs MoneyConnection®, a financial literacy program for junior high and high school students that aims to prevent young people from becoming NEETs (people Not in Employment, Education or Training)—a social problem in Japan. To date, the program has reached approximately 36,000 students nationwide (as of March 2011). In March 2011, MoneyConnection® received an Excellence Award in the "Career Education Awards" program organized by the Japanese Ministry of Economy, Trade and Industry.

Supporting Children in Care

Since fiscal year 2008, Shinsei Bank has undertaken various initiatives to support children in care. These have included organizing rice-planting, *taiko* (Japanese drum) playing sessions, participating in volunteer programs at children's homes and other activities in cooperation with other companies and NPOs. In the summer of 2010, employees from Shinsei Bank and group companies volunteered in a summer camp for children in care called the "Designing Artists Academy." In recognition of our proactive volunteer support, the Camp organizer, International Educational Association for Children (IEAC) Living Dreams, an NPO, designated Shinsei Bank Group as a Gold Sponsor of the event.

Supporting Special Olympics Nippon Tokyo

Special Olympics Nippon is the Japan branch of Special Olympics, the international sports organization that provides a range of coaching and competitive events for people with intellectual challenges. Shinsei Bank has been an active supporter of the organization since fiscal year 2004. In fiscal year 2010, we invited Special Olympics Nippon Tokyo athletes to a Christmas party held at our Tokyo headquarters. Athletes staged choral and dance performances at the party, and took part in various activities organized by Shinsei Bank Group employee volunteers.

Clean-up of Arakawa Riverbank and Environmental Workshop

With support from NPO Arakawa Clean Aid Forum, Shinsei Bank organized an environmental CSR training program for new recruits in April 2011. After the clean-up at Arakawa riverbank, the new recruits participated in an environmental workshop to learn more about refuse problems, and to discuss countermeasures. The objective of the environmental workshop was to help the new recruits build teamwork skills and foster environmental and social consciousness.

Our Commitment to Environmental Sustainability

Measures to Conserve Electricity

Shinsei Bank is stepping up efforts to conserve electricity, especially in light of the challenges caused by the Great East Japan Earthquake. Initiatives include turning off lights in communal spaces and using motion sensors to control lighting and air conditioning in common areas in our head office, and turning off illuminated signs at our head office, branches and ATMs. From June 2011, Shinsei Bank is progressively implementing additional measures such as reducing overhead lighting by 75% in its head office by issuing LED desk lamps to employees, full-scale implementation of the "Cool Biz" air conditioning and clothing policy, and trial introduction of summer time working hours in certain head office divisions and departments.

Reducing our Impact on the Environment

At Shinsei, we continue to work hard to minimize the environmental impact of our offices and work style. In January 2011, the Bank relocated its headquarters to the Nihonbashi Muromachi Nomura Building which features advanced energy-efficient air conditioning, lighting, water-heating systems and elevators, as well as green electricity procurement and roof-top greening. As a result of the relocation, the Bank expects to realize an annual reduction of

Environmental Impact Data

	Unit	FY2009	FY2010
CO_2 Emissions	t	16,039	14,810
Electricity Usage	kwh	36,995,005	34,510,026
Gas Usage	m^2	160,885	102,261
Clean Water Usage	t	14,962	11,280

Notes: (1) CO_2 emissions data have been calculated according to "Guidelines for Calculating Specified Greenhouse Gas Emission Volume under the Total Emission Reduction Obligations and the Emission Trading Framework."
(2) CO_2 emissions, electricity usage and gas usage data are for all Shinsei Bank facilities.
(3) Clean water usage data are for Shinsei Bank headquarters and Meguro Production Center only.

Amount of Waste Generated / Recycling Rate

	Unit	FY2009	FY2010
Waste Generated	t	552.33	516.47
Amount Recycled	t	332.13	308.97
Amount of Waste Disposal	t	220.20	207.50
Recycling Rate	%	60.0	60.0

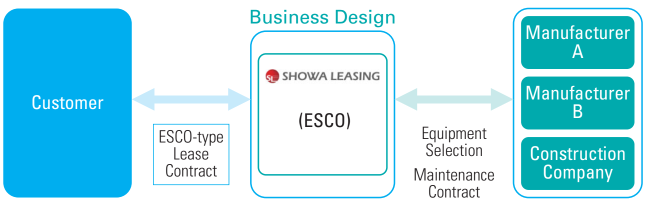
Notes: (1) Waste generation data have been calculated according to data provided by building maintenance companies.
(2) Data are for Shinsei Bank headquarters only.

approximately 30% in electricity consumption and 20% reduction in utility costs compared to the amount of energy consumption in the former head office. As part of our efforts to raise employee awareness, Shinsei Bank provides various environmental information as well as real-time data on the Bank's CO_2 emissions through a dedicated intranet site.

Promoting Energy-Saving Services

Our subsidiary Showa Leasing is providing a variety of energy-saving support services, including ESCO financing, for customers who are promoting environmental management in areas such as compliance with the revised Energy Saving Act. ESCOs typically provide solutions to improve energy efficiency in factories, office buildings and other commercial facilities, guarantee the energy consumption reductions, and receive a fee from the cost savings realized. In March 2011, Showa Leasing provided ESCO financing to Watami Food Services for the installation of LED lighting at 188 of its Katarai Docoro Za Watami restaurants throughout Japan. As a result of the LED lighting installation, Watami Food Service expects to achieve annual reductions of approximately ¥100 million in electricity and other charges, approximately 5,710,000 KWh in electricity consumption, as well as a 2,403 ton reduction in CO_2 emissions, or the equivalent of a 6% reduction in total electricity consumption in outlets equipped with LED lighting.

Overview of ESCO-type Lease Contract



Dow Jones Sustainability Indexes
Member 2010/11

Shinsei Bank has been selected for inclusion in the Dow Jones Sustainability Asia Pacific Index for three consecutive years since March 31, 2009.