Management Structure

DIRECTORS AND EXECUTIVES

As of July 1, 2010

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 Corporate 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)
Oct. 1996 Director, Enstar Group 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
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

Oki Matsumoto*1

Director,
CEO, Monex Group, Inc.

Jun. 2008 Director, Shinsei Bank, Limited (Current)
Jun. 2008 Director, Tokyo Stock Exchange Group, Inc. (Current)
May 2005 CEO, Monex Beans, Inc. (Predecessor of Monex, Inc.) (Current)
Aug. 2004 CEO, Monex Beans Holdings, Inc. (Predecessor of Monex Group, Inc.) (Current)
Apr. 1999 CEO, Monex, Inc.
Nov. 1994 General Partner, The Goldman Sachs Group, L.P.
Apr. 1987 Joined Salomon Brothers Asia Ltd., Tokyo Branch

Hiroyuki Takahashi*1

Director,
Former Director, Japan Corporate Auditors Association

Jun. 2007 Auditor, Kyowa Hakko Kogyo Co., Ltd. (Predecessor of Kyowa Hakko Kirin Co., Ltd.) (Current)
Jun. 2006 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
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 Watanabe

Standing Statutory Auditor

Jun. 2010 Standing Statutory Auditor, Shinsei Bank, Limited (Current)
Jan. 2009 General Manager, Finance Group, Shinsei Bank, Limited
Apr. 2006 General Manager, Office of Audit Committee, Shinsei Bank, Limited
Sep. 2005 General Manager, IB Business Division and Capital Markets Division, Shinsei Bank, Limited
Nov. 2003 General Manager, Treasury Division and Capital Markets Division, Shinsei Bank, Limited
Jul. 2003 General Manager, Markets Division, Shinsei Bank, Limited
Apr. 1983 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 Auditor, Tokushu Tokai Holdings Co., Ltd. (Predecessor of Tokushu Tokai Paper Co., Ltd.) (Current)
Mar. 2007 Auditor, FX Prime Corporation (Current)
Oct. 2005 Partner, Shiraishi & Partners (Current)
Jun. 2004 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. 2009 Director, Nipponkoa Insurance Company, 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 (13)

Shigeki Toma
Representative Director, President,
Chief Executive Officer,
Head of Institutional Group

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

Akira Kagiichi
Senior Managing Executive Officer,
Chief of Staff

Izumi Ogura
Senior Managing Executive Officer,
Head of Institutional Group

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

Shigeru Tsukamoto
Senior Managing Executive Officer,
Chief Financial Officer

Norio Funayama
Managing Executive Officer,
Executive Head of Institutional
Business Sub-Group

Kazuya Fujimoto
Executive Officer,
Head of Institutional Business Sub-
Group

Michimasa Honda
Executive Officer,
Head of Institutional Business Sub-
Group

Takao Matsuzaki
Executive Officer,
General Manager, Osaka Branch

Shigeru Oishi
Executive Officer,
Head of Consumer Finance Sub-Group

Takashi Tsuchiya
Executive Officer,
Head of Advisory Sub-Group

ORGANIZATION

As of July 1, 2010

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 Planning Division
- Office of Corporate Development
- Human Resources Division
- Group Investor Relations & Corporate Communications Division *3
- Compliance Division
  - (Retail Compliance Department)
  - (Financial Crime Information Department)
- Legal Division
- Credit Assessment Division
- General Services Division
  - (Head Office Relocation Preparation Department)

Institutional Group

- Institutional Group Management Division
  - (Corporate Customer Service Department)
- Commercial Finance Division
- Alternative Investment Division
- Capital Markets Division
- Wealth Management Division
- Institutional Business Sub-Group
  - Corporate Banking Business Division I
  - Corporate Banking Business Division II
  - Corporate Banking Business Division III
  - Corporate Banking Business Division IV
  - Corporate Banking Business Division V
  - Corporate Banking Business Division VI
  - Corporate Banking Business Division VII
  - Corporate Banking Business Division VIII
  - Corporate Banking Business Division IX
  - Institutional Banking Business Division
  - Osaka Corporate Banking Business Division I
  - Osaka Corporate Banking Business Division II
  - Financial Institutions Business Division I
  - Financial Institutions Business Division II
  - Public Sector Finance Division
  - Osaka Financial Institutions Business and Public Sector Finance Division
  - (Sapporo, Sendai, Kanazawa, Nagoya, Hiroshima, Takamatsu and Fukuoka)
- Real Estate Finance Sub-Group
  - Real Estate Finance Division
  - Real Estate Business Division
- Advisory Sub-Group
  - Corporate Advisory Division
  - Solution Advisory Division
- Principal Transactions Sub-Group
  - International Principal Finance Division
  - Private Equity Division
  - Credit Trading Division
  - Real Estate Principal Investment Division
  - Specialty Finance Division

Individual Group

- Consumer Finance Sub-Group
- Retail Banking Sub-Group
  - Customer Service Division
    - (Customer Service Department)
  - Marketing Division
  - Retail Sales and Distribution Division — Financial Centers*4
  - Channel Planning Division
  - Retail Products Division
    - (Insurance Business Management Department)
  - Loan Products Division
  - Retail Business Division
  - Retail Human Resources Development Division
- Retail Services Sub-Group
  - Retail Services Division
  - Channel Management Division
    - (Fukuoka Call Center)
  - Retail Technology Division

Finance Group *3

- Financial Controlling Sub-Group
  - Group Business Controlling Division
    - (Expense Control Department)
    - (J-SOX Program Department)
  - Group Regulatory Accounting and Tax Division
    - (Basel II Project Management Department)
  - Group Financial Accounting Division
  - Office of IFRS
  - Capital Markets and Treasury Product Control Division
- Treasury and Corporate Sub-Group
  - Group Treasury Division
  - Group Corporate Analytics Division
  - Office of CFO

Banking Infrastructure Group

- Control Sub-Group
  - Operations Planning and Administration Division
- Technology Sub-Group
  - Information Technology Division
  - Technology Support Division
- Operations Sub-Group
  - Operations Services Division
  - Operation Support Division
  - Centralized Operations Division

Risk Management Group

- Portfolio and Risk Management Division
- Market Risk Management Division
- Credit Risk Division
- Individual Pillar Risk Management Division
- Risk Management Planning and Policy Division
- Operational Risk Management 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 Group Investor Relations & Corporate Communications Division shall report to Head of FG for Investor Relations matters.
*4 Head Office, Sapporo, Sendai, Kanazawa, Omiya, Kashiwa, LaLaport (incl. Tsudanuma Annex), Tokyo, Ginza, Ikebukuro (incl. Kawaguchi Annex), Ueno, Kichijoji, Shinjuku, Roppongi Hills, Shibuya (incl. Omotesando Hills Annex and Jiyugaoka Annex), Hiroo, Meguro, Futakotamagawa, Hachioji, Machida, Yokohama (incl. Kamakura Annex), Fujisawa, 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

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*). In a "Company with Committees" board model, statutory executive officers are engaged in ordinary business execution while directors are mainly responsible for supervising business execution. 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.

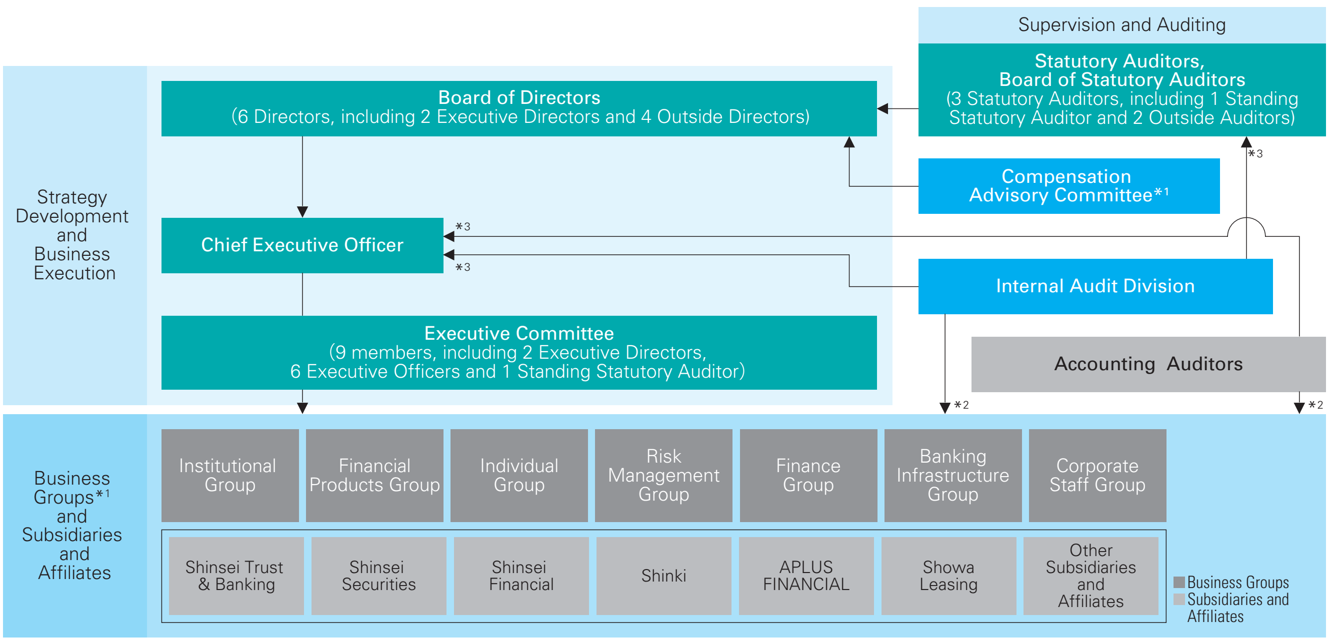
Change to a "Company with Board of Statutory Auditors"

"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 execution and director activities by audit officers responsible for audits and independent from directors. For these reasons, the Bank amended its Articles of Incorporation and changed its governance framework from a "Company with Committees" board model to a "Company with Board of Statutory Auditors" board model (*kansayakukai-setchi-*

Corporate Governance System Chart (as of July 1, 2010)



*1 Organizational chart after the completion of the reform scheduled at the end of August 2010 *2 Audit *3 Report *gaisha*) at the completion of the June 23, 2010 annual general meeting of shareholders.

In a "Company with Board of Statutory Auditors" board model, directors are responsible for both business decision-making and execution. Therefore, business execution authority and responsibility is centralized in the Board of Directors. Moreover, the Bank will entrust the Board of Directors' audit/supervisory functions to statutory auditors and the Board of Statutory Auditors, who are independent from business execution and the Board of Directors, in order 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. Under the new framework established on June 23, 2010, the Board of Directors is composed of the following members: 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. As seen above, the Bank maintains the transparency of its management strategy determination process.

Furthermore, the Bank is looking into establishing a "Compensation Advisory Committee" to opine on officer/employee compensation policies from an objective standpoint.

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 will 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 June 23, 2010, 13 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 Liquidity Management), Compliance, Risk Policy, Transaction Approval, Credit, New Business/Product, SME Loan, IT, Basel II Steering and J-SOX Program 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 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. 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" established by the Board of Directors. Moreover, the Board of Directors periodically reviews the status of internal control systems. In this process, the Board of Directors establishes a framework to ensure effective audits by statutory auditors, establishes 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, and endeavors to ensure appropriate, transparent and efficient operations in the Shinsei Bank Group as a whole. In addition, the Internal Control Rules prohibit relationships with anti-social organizations and establish 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 governance, 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 CEO 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

Turning point

Under the leadership of a new management, the foundations for a stronger risk management framework were defined during the course of the past 18 months. Risk policies that are now more aligned with the back to basics business philosophy and more considered risk taking will ensure the Bank's recurrent credit costs will be normalized.

Asset quality is expected to gradually improve, due to a three pronged approach:

- First, the past weak policies and practices were terminated and replaced by a comprehensive decision making framework.
- Second, the risk appetite has been redefined and clear guidelines stated in a Core Credit Risk Policy and several specific risk policies for real estate finance, consumer finance, and market risk amongst others.
- Third, the portfolio is now being comprehensively risk managed, to mitigate losses and optimize recoveries on individual assets or products. Naturally, this close scrutiny of the books has given rise to some additional credit reserves.

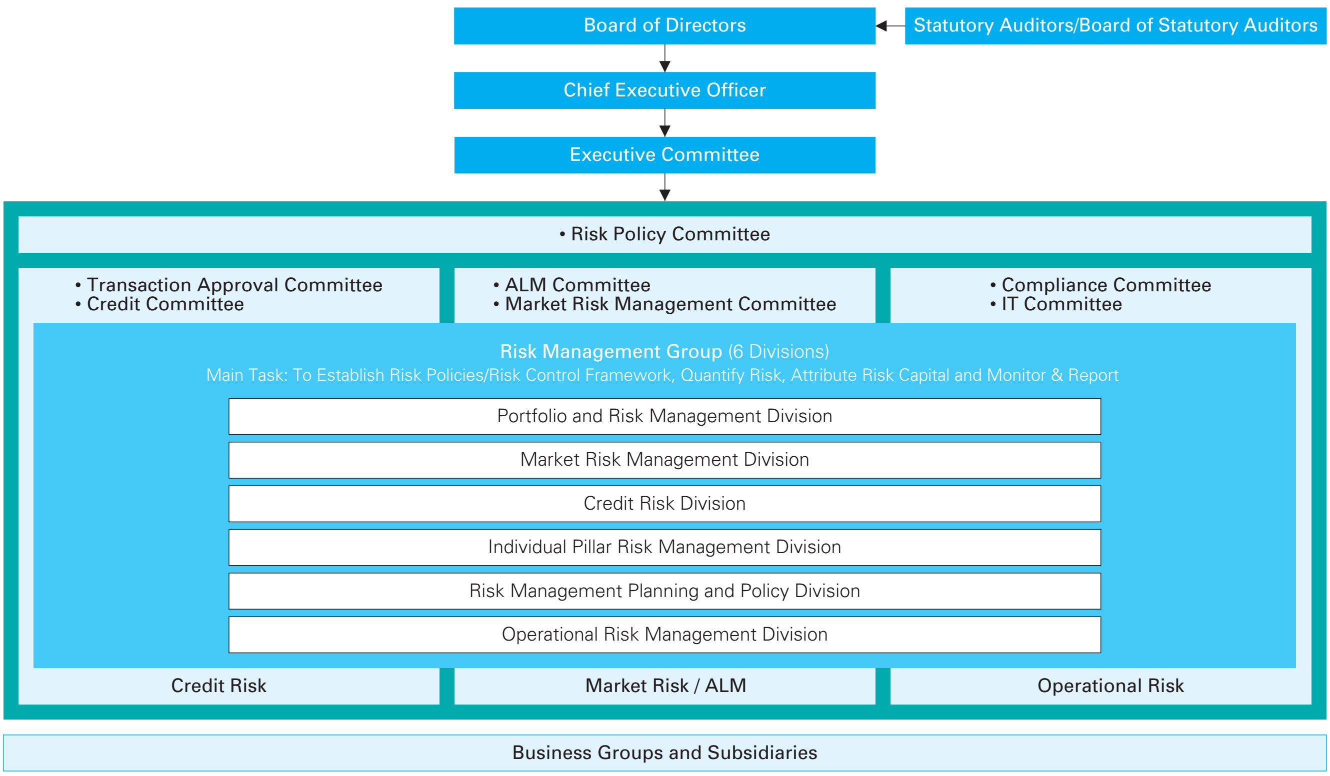
As stated in last year's report, it will take time for the full benefits of the new risk practices to show. As expected, the exposure to overseas investments and bias towards domestic real estate non-recourse lending, would cause additional credit costs in fiscal year 2009. It was as anticipated, that the difficult market conditions and balance sheet mix would cause continued abnormal credit costs. Due to the size and complexity of the portfolio, the full extent of the reserving requirements could not be determined until late in the final quarter of fiscal year 2009.

The sensitivity to a further decline in the domestic real estate market remains, but is now somewhat diminished as the loan book is now conservatively marked to "lenders' valuation" levels and comfortably reserved.

As seen in the last fiscal year, the management have taken the decision to allocate further prudential reserves on some overseas investments. This significantly reduces the risk of unexpected credit losses going forward. Indeed, it should be possible to reverse some of the existing credit reserves, as legacy assets run off, or are restructured or sold. In particular, recoveries are expected from the European asset-backed investments and from domestic real estate non-recourse lending.

Despite the heavy credit costs, there have been some notable successes in the last fiscal year. The opportunistic sale of the majority of the legacy "available-for-sale" CLO and CDO book, allowed the Bank to recover a portion of the prior fiscal year markdowns. The Bank was also successful to anticipate a few of the large non-bank financial institution defaults, and had already hedged these exposures at effective levels in the default swap market.

Risk Management System Chart (as of July 1, 2010)



Risk Management has also played a role in the balance sheet optimization, which has produced significant reductions in risk weighted assets through more rigorous and accurate measurement as well as a comprehensive clean up of risk data. This joint Finance / Risk Management project has benefited the reduction of risk assets and succeeded in maintaining capital ratios in spite of the decrease in capital in the last fiscal year.

Although a lot of focus has been given to the Institutional Group assets, the risks taken by the Individual Group, and in particular the consumer finance subsidiaries, have not escaped attention.

Following a Group-level review of the consumer finance risk policies, the Bank has brought considerable influence on the subsidiaries' credit underwriting and collections. Positive trends can already be seen in the cost of risk, with the main benefits expected through fiscal year 2010 and 2011. In between, the industry will come to terms with the final phase of the Money-Lending Business Control and Regulation Law (MLBL), that will cap borrowing at one third of income, and will cause some contraction in total market size. After the initial short-term challenge to credit costs, the income restriction is expected to lead to an overall long-term sector-wide improvement in credit quality.

Risk Management will continue to build on best practices, by developing advanced stress testing models that will more accurately predict the impact of external change on the Bank's overall performance. Measuring the sensitivities will allow the Bank's management to better understand, anticipate and manage its risks. The Bank is also investing in the best technology available to support its advanced approach for risk capital measurement: counterparty risk and issuer risk monitoring; and a credit rating early warning system, amongst others.

In line with international best practice, the Bank has taken initiatives to further reinforce the already strong risk governance. Shinsei Bank is amongst the leaders by creating a truly independent risk management function where the chief risk officer (CRO) has a full veto power for risk matters and provides reports directly to the Board of Directors. As the next step, the Bank strengthened risk oversight, by having the CRO attend and present to every regular Board of Directors meeting and bi-monthly to the Audit Committee. In June 2010, the Bank moved from a "Company with Committees" to a "Company with Board of Statutory Auditors" board model and renewed its senior management. Currently, the chief risk officer is both a representative director and senior managing executive officer, and sits on the Bank's Board of Directors.

With the increased oversight, the independence and the autonomy, Shinsei Bank has created the ideal risk governance standard, which clearly demonstrates commitment to put prudential risk management first, alongside its back to basics business strategy.

The redefinition of risk management and recalibration of risk appetite is also largely complete, so the Bank can now focus on its core domestic business and rebuild its franchise based on corporate banking relationships and retail / consumer finance channels.

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, liquidity risk, operational risk, systems risk, legal risk and compliance 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. Shinsei Bank has undertaken a detailed analysis of its performance during the financial crisis. In the fall of 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) structured credit and other investment risk, (3) market risk, (4) interest rate risk, and (5) 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.

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." Recently, the Bank has reviewed the structure of committees and reorganized them into a more appropriate framework. In addition to the existing "ALM Committee" and "Market Risk Management Committee," a "Risk Policy Committee" (RPC) and "Transaction Approval Committee" (TAC) were established in 2009. The Risk Policy Committee involves the top management of the Bank (including the CEO, CFO and CRO), and reviews business strategy alongside risk appetite. Its decisions help define and calibrate appropriate and optimal risk taking for the Group.

Categories of Risk Capital

Risk Capital	Unexpected Loss calculated by subtracting expected loss from estimated maximum loss of which time horizon is one year.
Credit Risk	Measured by subtracting expected loss from Credit Value at Risk (Credit VaR). Credit VaR is the estimated maximum loss calculated by a simulation utilizing data including probability of default, exposure at default, loss given default, etc.
Structured Credit and Other Investment Risk	Measured by the most appropriate combination chosen for each investment from some methods such as default loss distribution, value range distribution, sensitivity to other factors, etc.
Market Risk	Measured by calculating estimated maximum loss from market risk based on Value at Risk method (VaR method), of which time horizon is one year.
Interest Rate Risk	Sum of Japanese yen interest rate risk measured by Value at Risk method (VaR method), and other currencies interest rate risk measured by BPV method.
Operational Risk	Estimated maximum loss calculated by a simulation based on frequency and sensitivity distributions which will be derived from historical internal loss records and scenario loss data.
Total Risk Capital	Calculated by subtracting effect of correlation across risk categories from simple sum of Risk Capital for each risk category.

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, subgroup heads, and general managers, to be exercised jointly with the chief risk officer, chief credit officer or senior credit officers, 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.

To ensure comprehensive monitoring and proactive management of weak assets, a Doubtful Debt Committee has been established.

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 discussed at the "Credit Rating Review Committee" and determined with transaction approval 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."

Shinsei Bank ensures adequate return levels against risks involved in each transaction by measuring expected losses and unexpected losses and reflecting them in the interest rate margin on loans. Moreover, changes in risk capital and profitability against risks are analyzed to achieve sound portfolio operations and asset allocation.

(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 closed 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, primary assessments and final assessments are conducted by the credit analysis section and the Credit Assessment Division, respectively. For some obligors, the business promotion sections and the credit analysis section carry out the primary assessments and secondary assessments, 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

The Bank created the Individual Pillar Risk Management Division in March 2009, in consideration of the increasing importance in the balance sheet of the consumer finance businesses operated by the Bank's subsidiaries including Shinsei Financial, Shinki and APLUS FINANCIAL. Risk management in consumer finance has been embedded into the business operations, from credit scoring to collections. Each subsidiary has a dedicated head of risk, who reports into the head of Individual Pillar Risk Management Division and is ultimately supervised by the CRO.

The Individual Pillar Risk Management Division co-ordinates credit management in each of the subsidiaries, monitors performance and advises on credit policy and strategy.

The subsidiaries make use of several sophisticated credit scoring models, credit bureau data and behavior scores to determine credit line limits. Other public data records may also be used to enrich the decision criteria used in the score.

The portfolio performance is then measured by product type and by ageing bucket*1 to detect trends in delinquency, which then feedback into the calibration of the scorecard and credit actions. New customer trends are also followed using vintage curves, which represent the aggregate delinquency rate by number of months since loan disbursement.

Credit cost optimization also depends on efficient collections. The subsidiaries make use of the best available technology including predictive dialers and, more recently, collection scores to improve the early stage collections. In addition, they also use a flexible staffing system to optimize resource deployment through the monthly collection cycle.

Since the cost of risk has a pivotal importance in the overall profitability of the consumer finance business, a dedicated Risk Policy Committee involving the CEO, CFO and CRO as well as the CEOs of the consumer finance subsidiaries, now convenes at least once a year to ensure business strategy and risk-taking are properly aligned. The action plans defined in the Risk Policy Committee are reported monthly to the CRO and refined as necessary.

The Group maintains a medium-term objective to grow business volume, but reduce the net cost of risk to a range of 5.0% to 5.5% through the cycle for loan cards and credit cards. However this objective may only be fully realized after the full implementation of the MLBL, has been absorbed by the industry, and grey zone claims have declined.

*1 Ageing buckets refer to exposures grouped by delinquency period.

Market Risk Management

Market risk, which is the risk associated with changes in the 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. The ALM Committee, chaired by our CEO, is the senior review and decision-making body for the management of all market risks related to asset/liability management.

The actual risk limits for asset/liability management as well as trading, such as the value-at-risk (VaR) method, are approved by the ALM Committee. The VaR is the amount at risk for a specific time horizon and confidence interval. The Market Risk Management Committee serves as an arm of the ALM Committee and is chaired by the head of the Risk Management Group with senior representatives from related divisions. The Committee meets weekly to review detailed market risk and liquidity risk reports from the Market Risk Management Division, which is responsible for the objective and timely recognition, monitoring and reporting of market risk in both our trading and banking operations. In addition to reporting risk information to management, administrative divisions and front office units, the Market Risk Management Division carries out regular risk analyses and makes recommendations.

Trading Book

We use the VaR method in our trading operations (our trading activity is carried out mainly on behalf of customers). Based on FSA approval, we use internal models for our General Market Risk calculations for Basel II purposes. The VaR uses a 99% confidence level, 10 day holding period and 250 observation days. See the table below for VaR data.

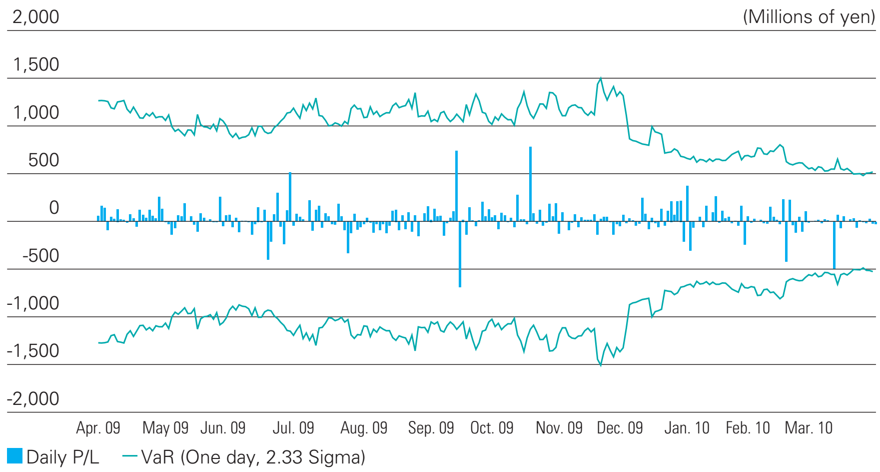
The validity of the VaR model is verified through back testing, which examines how frequently actual daily loss exceeds daily VaR for a one-day holding period. The back-testing results for fiscal year 2009 show that there was no day in which the loss amount exceeded VaR on a consolidated basis. We conduct stress tests using more than 40 scenarios. Stress tests are conducted 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, credit exposure and notional amount), and report daily to the CRO and management, and weekly at Market Risk Management Committee meetings.

VaR data for Fiscal Year End, Maximum, Minimum and Average during the fiscal year 2009 and 2010

		Millions of yen			
		2009		**2010**	
		Consolidated	Non-Consolidated	Consolidated	Non-Consolidated
FYE VaR		4,081	3,359	**1,627**	**1,585**
FY	Maximum	7,654	6,454	**4,744**	**4,535**
	Average	3,899	3,263	**3,094**	**2,831**
	Minimum	2,136	1,883	**1,528**	**1,475**

VaR and Daily Profit and Loss (Back-Testing) (Fiscal year ended March 31, 2010, Consolidated basis)



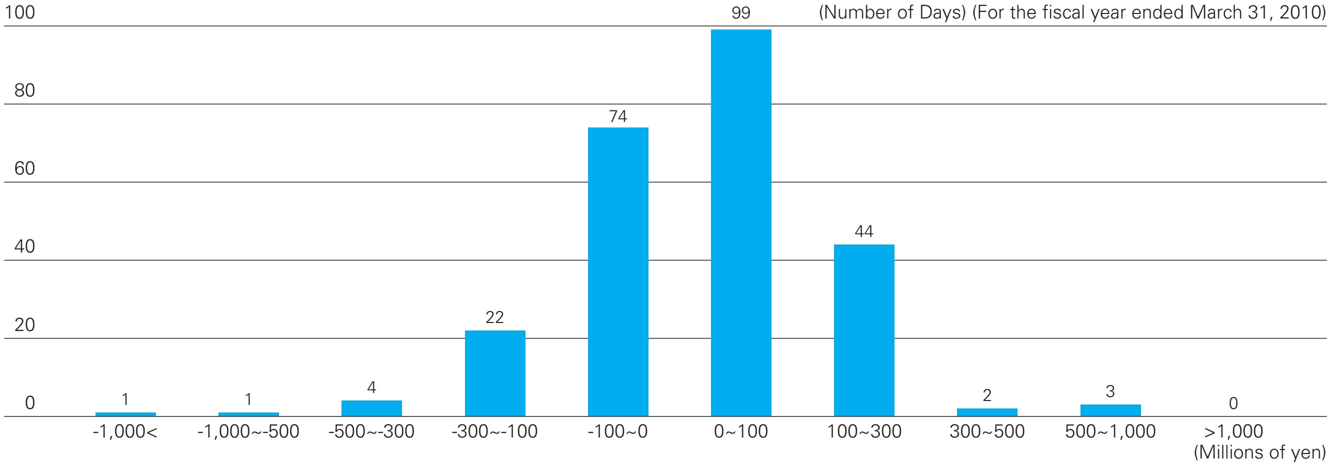
BACK-TESTING ON THE VaR MODEL APPLIED TO THE TRADING BUSINESS

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 retail customer margin)

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



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. 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.

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 (Fiscal year ended March 31, 2010, Non-Consolidated)

	Billions of yen					
	to one year	One year over to three years	Three years over to five years	Five years over to ten years	Ten years over	Parallel Shift
On-balance sheet	-6.3	6.6	12.9	-19.1	-7.4	-11.8
Off-balance sheet	-0.4	0.6	0.7	11.0	2.4	14.2
Total	-6.8	7.2	13.7	-8.2	-5.1	2.4

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

Our ALM Committee is the senior review and decision-making body for the management of liquidity risk. The ALM Committee manages liquidity risk by establishing the short-term liquidity gap structure limits and minimum liquidity reserve levels.

Our 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 developed three liquidity forecast estimations:

- 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. The output of this methodology is the cash on hand under stressed circumstances.
- Net 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 weekly to the Market Risk Management Committee and monthly to the ALM Committee together with a recommendation on the liquidity gap structure and minimum reserve level, which is determined as follows:

- 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.

Interest Rate Risk

We take an integrated approach to managing interest rate risk, incorporating both on-balance sheet transactions, such as lending activities, and off-balance sheet transactions, such as swaps. We analyze and manage risk both in terms of fair market value and profit or loss for a given accounting period.

We set limits for fair market value risk according to the bpv method, whereby risk arising from interest rate fluctuation is restricted to a predetermined proportion.

For profit or loss within a specific period, risk limits are set based on net interest income. Our future balance sheet is estimated by constructing a hypothetical model that includes expected rollover of lending and deposits, together with information from our current balance sheet and operational plans.

Net interest income simulations are carried out using various scenarios for market interest rate fluctuations.

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/training 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 extensive automation, computerization and customer self-service 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 and reliability, flexibility and scalability. In particular, we have kept our information technology infrastructure robust, secure and reliable 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.

With regard to continuity of business planning, we have undertaken a review by conducting regular tests in light of the growing social importance of banks' online systems.

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.

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. We believe that attracting and developing high-caliber people who can consistently deliver value-added solutions and superior services is essential in order to differentiate ourselves in a fiercely competitive environment and live up to our principles. 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 diversified financial institution that offers comprehensive support to our customers.

Attracting and Retaining Top-Class Talent

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 both their field and their customers. To this end, we promote individual specialization from the moment a new recruit enters the Bank and provide various development programs and on-the-job training aligned to specific positions and individual employees' development levels, at timely intervals, in order to deepen our employees' skills and expertise. 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.

In our efforts to build a corporate culture powered by diversity, we have promoted the advancement of talented female employees by offering a variety of support including a child-care leave and benefits program, and "Shinsei Women's Network," a support group for working mothers throughout the Bank. As a result of these measures, the proportion of female managers at Shinsei Bank remains among the highest in our industry with women representing approximately 23% of all titled managers as at the end of March 2010. In addition, we also provide free counseling services provided by external specialists to promote mental health care. In this way, we are working to create an environment where our people are empowered to fully demonstrate their capabilities and potential, and are motivated to give their best everyday.

A Human Resources Strategy that Supports Corporate Management

Given our difficult financial condition, we recognize that constant effort is required to increase business efficiency. We are focused on cost reduction by improving operational efficiency through further outsourcing of HR administration and IT deployment. At the same time, we believe that we need to further enhance our organizational strength through additional initiatives to develop and efficiently deploy our human resources in order to improve the Bank's profitability and stabilize our earnings base. Maintaining our business group-based structure, going forward, we will work to energize the organization by leveraging human resources across these groups. The primary mission of banks in society is to act as financial intermediaries. As we strive to fulfill this role, we will place particular importance on further developing employees' corporate credit screening and retail asset management consultation skills.

At the end of fiscal year 2008, we established a Management Development Committee to decide important HR-related policies and monitor HR management. The Committee enables management to make timely decisions on Bank-wide HR-related challenges. Going forward, we plan to introduce various HR initiatives, including a more appropriate and effective evaluation and compensation structure, boost employee morale and motivation, and follow highly transparent management practices. In this way, we will strive to earn the trust of our customers and shareholders and continuously grow our corporate value over the long-term.

Contributing to Society

As part of our commitment to acting as a responsible corporate citizen and contributing to societal development, Shinsei Bank actively promotes CSR initiatives. From the second half of fiscal year 2008, we have been working more closely with subsidiaries to organize these activities on a Group-wide basis, focusing on opportunities that allow our employees to participate in volunteer activities and share the Bank's technical expertise. We have given particular priority to activities centered on the themes of "children" and "the environment," while continuing existing activities, such as charity runs and disaster relief fundraising, that have been strongly supported by our employees, and finance-related initiatives including support for microfinance projects.

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 and other activities in cooperation with other companies and non-profit organizations, as well as sending employee-donated gifts to children living in children's homes. In fiscal year 2010, we will be working with Hands On Tokyo, a non-profit organization, to arrange additional support programs that will include opportunities for employees to volunteer at children's homes.

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 non-profit organization Sodateage.net, Shinsei Financial runs MoneyConnection®, a financial literacy program for high school students that aims to prevent young people from becoming NEETs (people Not in Employment, Education or Training) - a growing social problem in Japan. To date, the program has reached approximately 28,000 students nationwide (as of March 2010). Shinsei Financial and Shinsei Bank employee volunteers take part in the program by acting as facilitators in classroom-based workshops. Going forward, we plan to extend similar volunteer opportunities to employees in other Group companies as we strive to give back more to our local communities.

Employee volunteers take part in a MoneyConnection® workshop

Supporting Special Olympics Nippon Tokyo (SONT)

Special Olympics Nippon Tokyo is the Japan branch of Special Olympics, the international sports organization that provides a range of coaching and competitive events for people with intellectual disabilities. Shinsei Bank has been an active supporter of the organization since fiscal year 2004. In fiscal year 2009, we invited SONT 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. In fiscal year 2010, employee volunteers will provide hands-on support to SONT athletes by taking part in a motor skills development program and other day-to-day sports training.

Christmas party choral performance by SONT athletes

Clean-Up of Arakawa Riverbank and Environmental Education Program

With support from Arakawa Clean Aid Forum, a non-profit organization, Shinsei Bank and Shinsei Financial employees organized a clean-up of Arakawa riverbank (Tokyo) and environmental education program in October 2009. Attended by Group employees and their families, the program aimed to raise awareness of environmental issues through providing an opportunity to discover the rich biodiversity of an urban riverbank while learning about environmental problems, such as garbage, firsthand.

Employee volunteers and their families clean up Arakawa riverbank

Our Commitment to Environmental Sustainability

Shinsei Bank has been working to reduce our CO_2 emissions as a member of "Team Minus 6%," a national, Japanese government-led campaign to halt global warming, since 2005. Following Japan's announcement in September 2009 of a new national target to reduce greenhouse gas emissions by 25% by 2020 compared with 1990 levels, "Team Minus 6%" was recast as the "Challenge 25" campaign. Embracing the spirit of the campaign, Shinsei Bank believes that it is a company's social responsibility to help tackle global warming, and we are committed to progressive action to reduce our carbon footprint. In addition, the Bank has developed a dedicated intranet site featuring environmental information in order to raise employees' awareness.

At Shinsei, we continue to work hard to minimize the environmental impact of our offices and work style. When opening new Retail Banking branches, we take care to consider the environment in our choices of everything from construction materials and methods, to interior fixtures and fittings. In fiscal year 2010, the Bank plans to relocate to a new headquarters building featuring advanced environmental design elements such as state-of-the-art energy-efficient facilities, a rooftop garden and "green" electricity procurement.

Reducing our Impact on the Environment

As part of our efforts to lighten our burden on the environment, we provide various relevant data including real-time information on the Bank's CO_2 emissions via a Bank-wide intranet to boost employee awareness of this important issue. From fiscal year 2009, we have been calculating data on our environmental impact in compliance with legal changes, and we intend to expand the scope and accuracy of this data collection going forward to provide stakeholders with more useful guidance.

Shinsei Bank is committed to promoting the 3R's of "reducing," "reusing" and "recycling." In fiscal year 2009 we collected various surplus items or items no longer being used at the Bank, and donated them to non-profit organizations. For instance, we donated pocket tissues, umbrellas, poster frames and stands, work gloves and children's goods to non-profit organizations including Family House, Living Dreams, Hands On Tokyo, Arakawa Clean Aid Forum and Shibukasa, a project that promotes the reuse of discarded umbrellas. With the help of our employees, we also collected 156,000 PET bottle caps in fiscal year 2009 as part of the Ecocap Movement, which will fund 195 child vaccinations through donation to the Japan Committee for Vaccines for the World's Children (JCV).

Environmental Impact Data

	Unit	FY2009
CO_2 Emissions	t	1,939
Electricity Usage	kwh	4,046,486
Gas Usage	m²	23,292
Water Usage	t	14,962

Notes: (1) CO_2 emissions data has been calculated using tenant energy estimation tools provided by The Energy Conservation Center, Japan in June 2009.
(2) Data is for Shinsei Bank headquarters only.

Amount of Waste Generated / Recycling Rate

	Unit	FY2008	FY2009
Waste Generated	t	440.66	406.88
Amount Recycled	t	260.91	229.13
Amount of Waste Disposal	t	179.75	177.75
Recycling Rate	%	59.2	56.3

Notes: (1) Waste generation data has been calculated according to Chiyoda City (Tokyo) bylaws.
(2) Data is for Shinsei Bank headquarters only.

Shinsei Bank Selected for Inclusion in the Dow Jones Sustainability Asia Pacific Index for Two Consecutive Years

Dow Jones Sustainability Indexes
Member 2009/10

Shinsei Bank has been selected for inclusion in the Dow Jones Sustainability Asia Pacific Index for two consecutive years, on March 31, 2009 and September 21, 2009. Jointly managed by Dow Jones Indexes and sustainability investment specialist Sustainable Asset Management (SAM), the DJSI Asia Pacific Index tracks the 20% most sustainable companies out of the 600 largest stocks in the region by free float market capitalization. As socially responsible investment continues to attract growing global attention, we believe that our inclusion in this authoritative index is an important achievement for Shinsei Bank.