Financial and Business Results

First Quarter Ended June 30, 2009

July 31, 2009

Masamoto Yashiro
President and Chief Executive Officer

Rahul Gupta
Senior Managing Executive Officer
Chief Financial Officer

Agenda: Back to Basics

Consolidated Results Overview:
First Quarter Ended June 30, 2009

Revenues up 43.4% to 87.5 billion compared to the same period of the previous fiscal year; 20% reduction in “normalized expenses” resulting in a 50.9% expense-to-revenue ratio

Net Interest Margin improved to 2.58% in this quarter from 2.41% in the previous fiscal year

Individual Group revenues increased 63.5% as compared to the same period of the previous fiscal year largely driven by the consolidation of financial results from Shinsei Financial

Institutional Group made significant progress in cleaning up legacy portfolios while achieving a 31.2% reduction in expenses

Strong contribution from Corporate/Other through subordinated debt buybacks

Consolidated Results Overview:
First Quarter Ended June 30, 2009

Liquidity

- Liquidity was JPY1.9 trillion
- Deposits at JPY7 trillion
- Proactively maintaining strong liquidity position

Capital

Total Capital Adequacy Ratio:	9.29%
Tier I Capital Ratio:	6.84%
Core Tier I Capital Ratio:	4.58%
Tangible Common Equity Ratio:	3.22%

Earnings/Asset Quality

Consolidated Net Income	- Cash Basis:	JPY 9.7 billion
	- Reported:	JPY 5.1 billion
Non-Consolidated Net Income:		JPY 10.4 billion
Non-Performing Loan Ratio:		3.65%

Business Segment Results*

Institutional Group

Institutional Banking:	JPY -0.3 billion
Showa Leasing:	JPY 0.4 billion
Institutional Group:	**JPY 0.1 billion**

Individual Group

Retail Banking:	JPY 1.7 billion
Shinsei Financial:	JPY 6.4 billion
APLUS:	JPY 0.0 billion
Shinki:	JPY 0.1 billion
Other Subsidiaries:	JPY 0.0 billion
Individual Group:	**JPY 8.6 billion**

Corporate/Other

Corporate/Other:	**JPY 8.2 billion**

*Ordinary business profit (loss) after net credit costs

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Consolidated Results Overview:

First Quarter Ended June 30, 2009

Achieved positive net income under back to basics approach

Revenues Up, Normalized Expenses Down 20%, NIM at 2.58%...

Consolidation of Shinsei Financial, gains from sale of CLOs and contribution from subordinated debt buyback led to higher revenues while normalized expenses were down for all businesses resulting in strong net interest margin

…but Net Credit Costs Up as we Clean Up and…

Recognition of net credit costs due mainly to consolidation of Shinsei Financial, as well as increase in reserves related to overseas loans and real estate non-recourse finance loans

…Other Gains not Recognized

Other losses mainly included additional grey zone expenses at Shinki and Shinsei Financial recorded this first quarter while the first quarter of the previous fiscal year included a one-time gain on the sale of the Bank's Meguro Production Center

Net Income

Merger Between Shinsei Bank and Aozora Bank:

Synergy

Combined Bank to focus on customers' needs

Organizational Stability

Ranked sixth domestically in terms of total assets at March 31, 2009, the Combined Bank will secure organizational stability through its robust capital base and enhanced funding capabilities

Financial and IT Expertise

Superior financial knowledge and expertise, coupled with innovative systems and technology

Neutrality

Neither mega- nor regional, the Combined Bank will be independent and not belong to any particular financial group

Mid- to Long-term Perspective

With experience and knowledge based on a shared history as long-term credit banks, the Combined Bank will take a mid- to long-term perspective, and be equipped with strong credit assessment capabilities

Brand Awareness

Widely recognized brand, demonstrated by highly ranked customer satisfaction levels

Increase shareholder value through stable and sustainable earnings over mid- to long-term

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Merger Between Shinsei Bank and Aozora Bank:
Schedule

Moving towards merger in October 2010

•July 1, 2009: Entered into an Alliance Agreement to merge
•July 7, 2009: Norito Ikeda appointed as Senior Advisor to both banks
•July 7, 2009: Establishment of Integration Committee, Integration Advisory Group and Sub-Committees

•June 2010 (TBD): Approval of the Merger Agreement at the Board of Directors' Meeting
•June 2010 (TBD): Signing of the Merger Agreement
•June 2010 (TBD): Resolution to approve the Merger Agreement at the Shareholders' Meeting
•October 2010 (TBD): Target Effective Date of the Merger

Merger Between Shinsei Bank and Aozora Bank:

Strategy

Focusing operations on Japan around the customer

Domestic Corporate Finance

- Asset finance (real estate, securitization and leasing)
- Corporate reorganization
- Corporate restructuring and finance
- SME lending and provision of risk capital to businesses
- Collaboration with regional financial institutions and increase business with public sector

Individual Customers

- Continue to expand retail banking business
- Provide seamless products and services that include mortgage, card and consumer loans

Alliances with Regional Financial Institutions

- Support regional financial institutions
- Proactively respond to the consolidation of the financial industry
- Provide financial products to meet the investment and funding needs of regional financial institutions and their clients

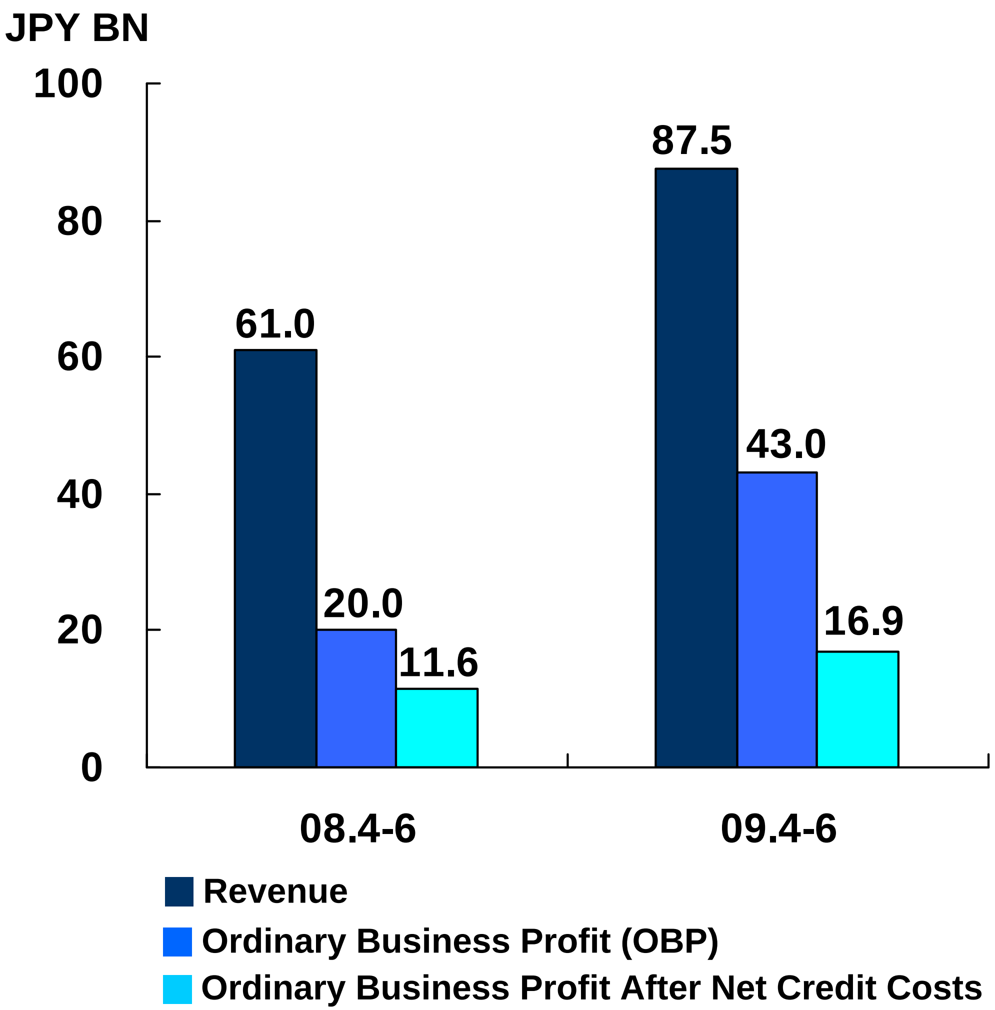
Solidify base to ensure stable earnings over medium- to long-term

Overview of Business Groups:

Overall: Results

Revenue increase driven by consolidation of Shinsei Financial, debt buybacks and selected asset sales

Results



Highlights

- Large increase in revenues due mainly to the consolidation of Shinsei Financial and contribution from subordinated debt buybacks and sale of CLOs

- OBP up due mainly to higher revenues while lower normalized expenses as a result of business and organizational restructuring contributed

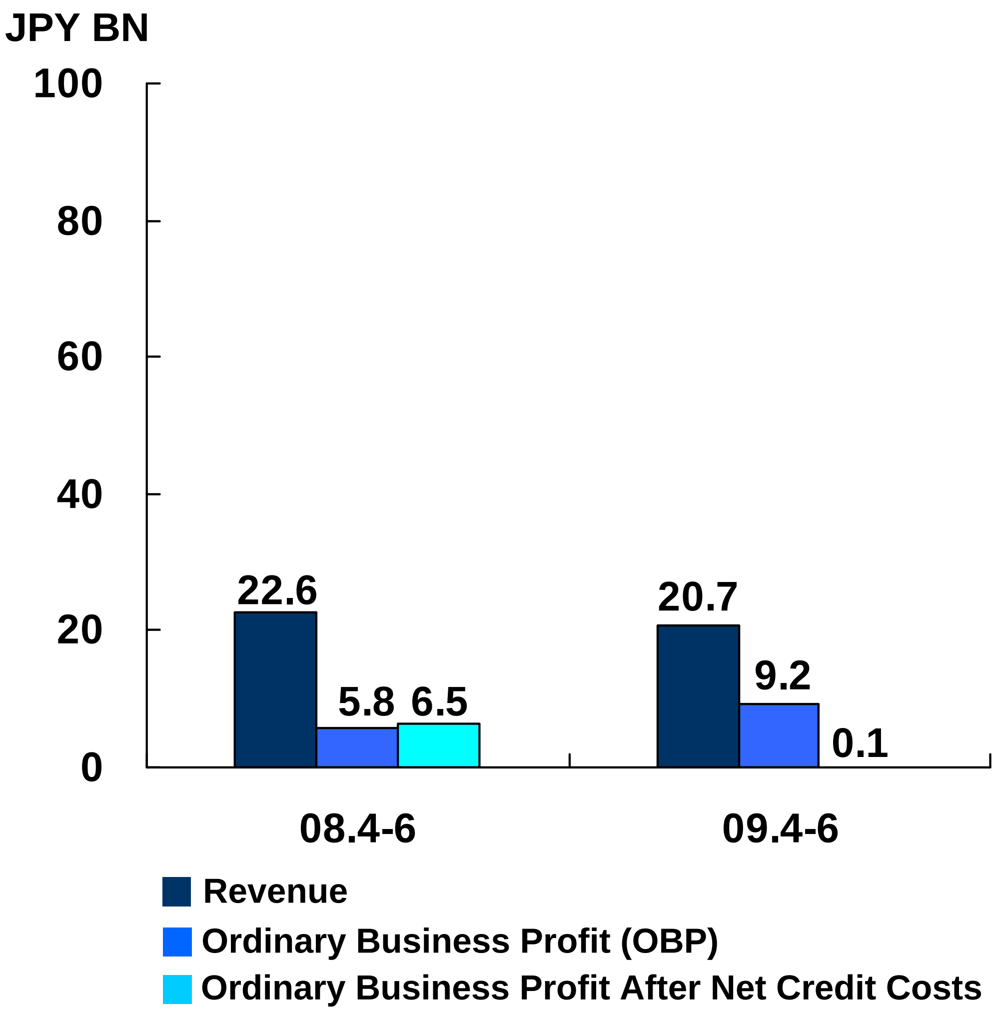
- OBP after net credit costs up due to higher revenues and positive impact of expense rationalization

Overview of Business Groups:

Institutional Group: Results

Expenses down, but higher credit costs impacted earnings

Results



Highlights

- While gains on sale of CLOs were recorded, losses on Jih Sun and mark-downs and impairments on ABI/ABS and European investments, and real estate principal investments led to lower revenues

- Achieved significantly lower expenses due to business and organizational restructuring

- Higher credit costs including additional reserves for overseas loans and real estate non-recourse finance related loans impacted OBP after net credit costs while previous first quarter recorded credit recoveries

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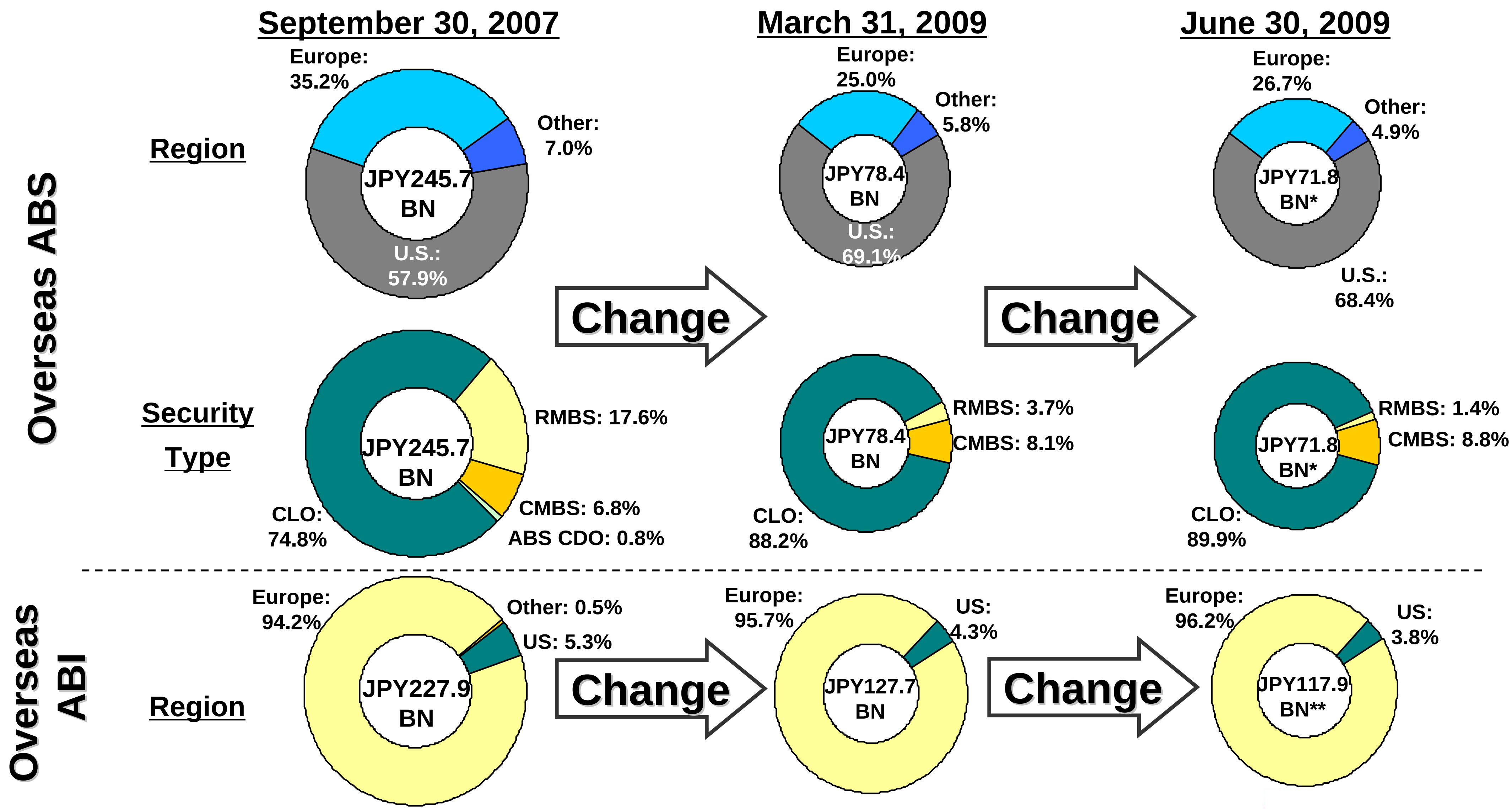
Overview of Business Groups:

Institutional Group: Asset-Backed Securities and Investments (ABS & ABI)

Actively winding down our overseas ABS & ABI



*About 89% of foreign-currency denominated securitized products are rated AA or higher. Details on securitized products available on p. 35-36 of the 1Q FY2009 Financial Summary.
**The coverage ratio for risk monitored loans related to overseas asset backed investments was 84.1% at June 30, 2009.

Overview of Business Groups:

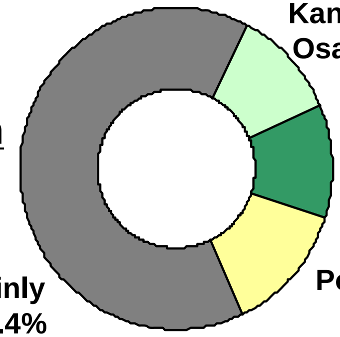
Institutional Group: Real Estate Non-Recourse Lending (NRL)

Real estate portfolio by region and property type

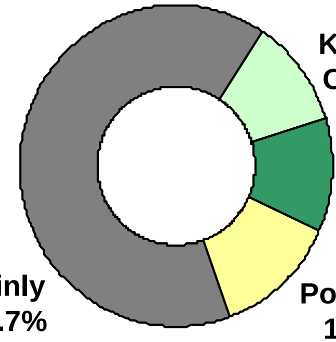
March 31, 2009 | **June 30, 2009** | **Highlights**

Region

March 31, 2009:



June 30, 2009:

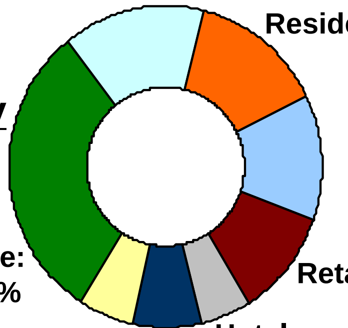


- Our real estate exposure is located primarily in Tokyo and Osaka

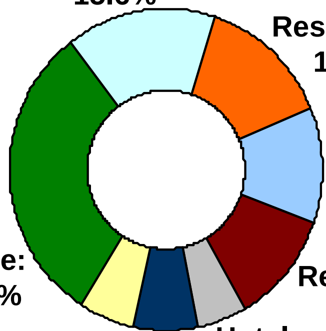
Change

Property Type

March 31, 2009:



June 30, 2009:



- Our real estate exposure is also well diversified by property type

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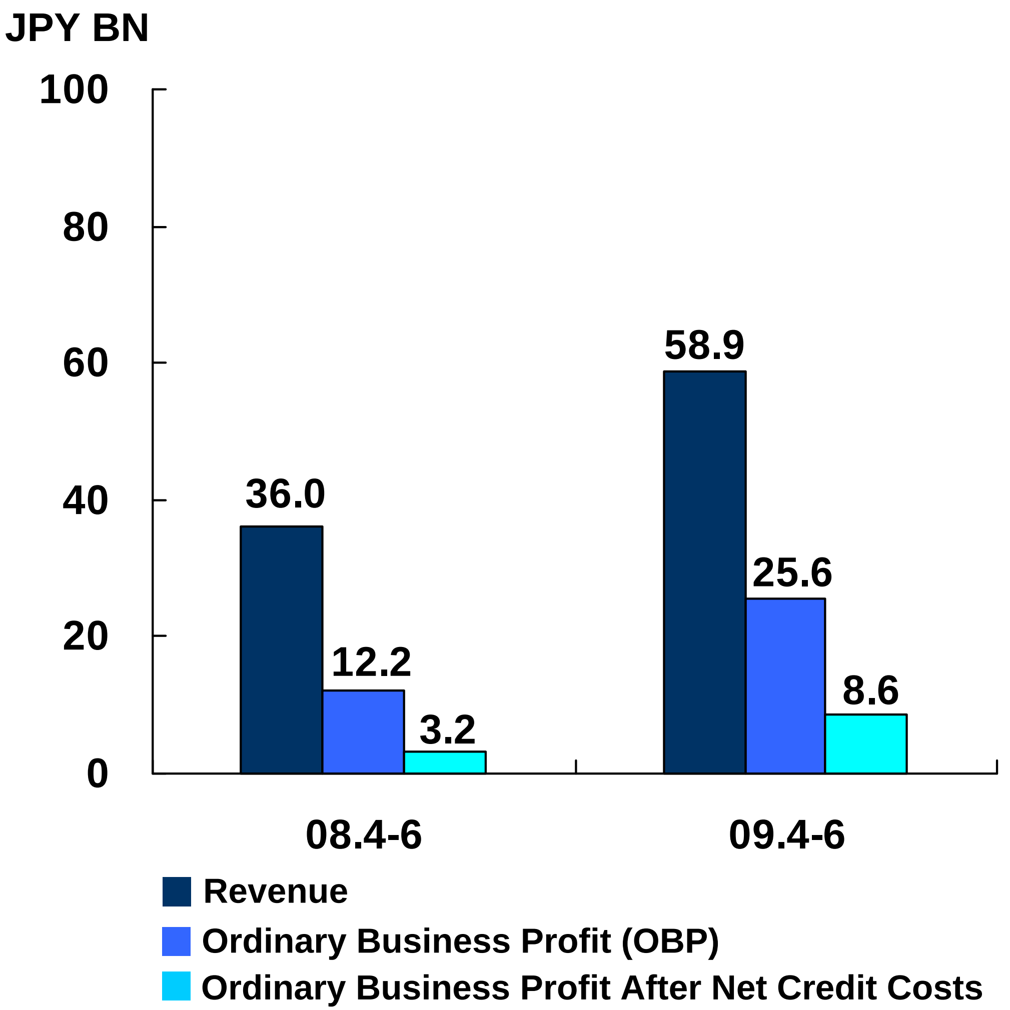
Overview of Business Groups:

Individual Group: Results

Shinsei Financial and Retail Banking make strong contribution

Results



Highlights

- Strong revenue growth due to consolidation of Shinsei Financial and improvement at Retail Banking

- Expenses up due to consolidation of Shinsei Financial while expenses down at other subsidiaries, but OBP increased due to higher revenues

- Steady growth of OBP after net credit costs, despite higher credit costs, due to consolidation of Shinsei Financial and stronger Retail Banking operations

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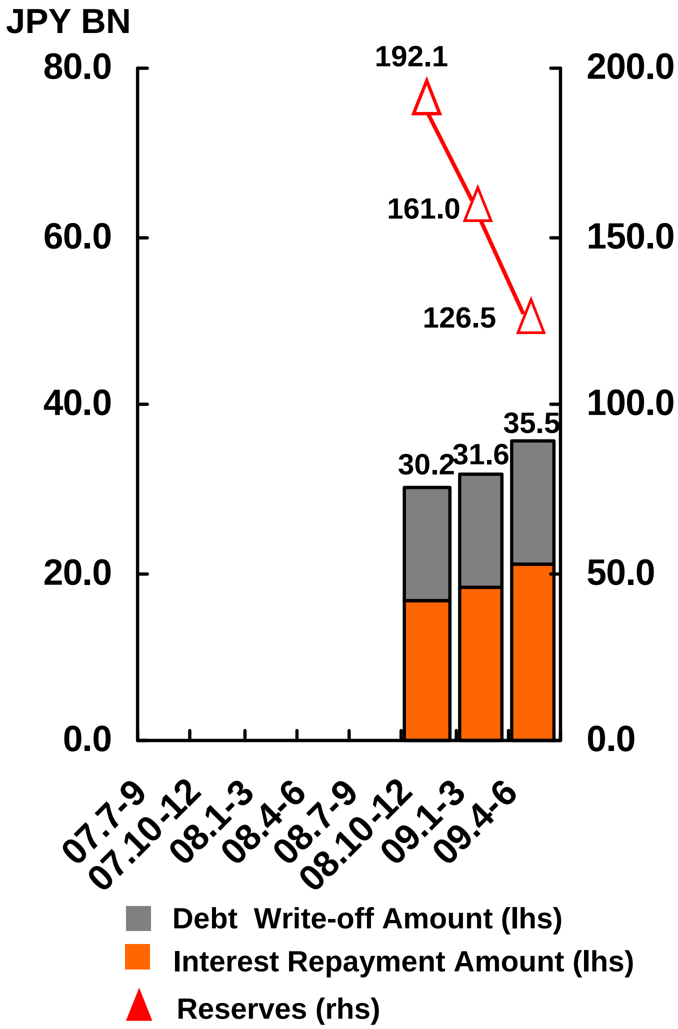
Overview of Business Groups:

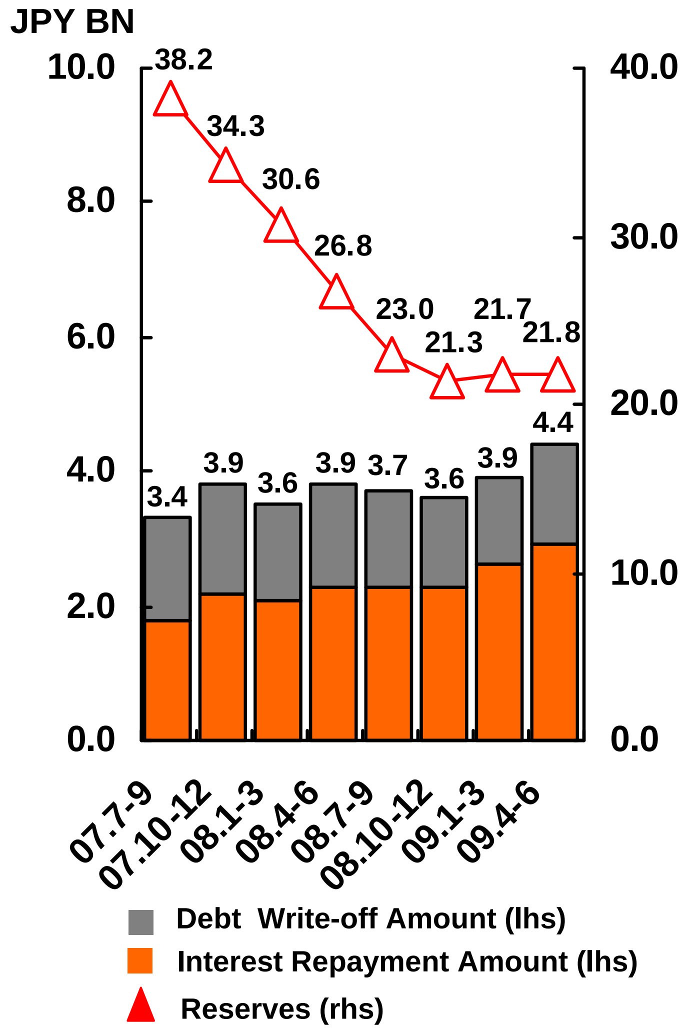
Individual Group: Grey Zone Update

Grey zone trend remains uncertain, but GE indemnity in force

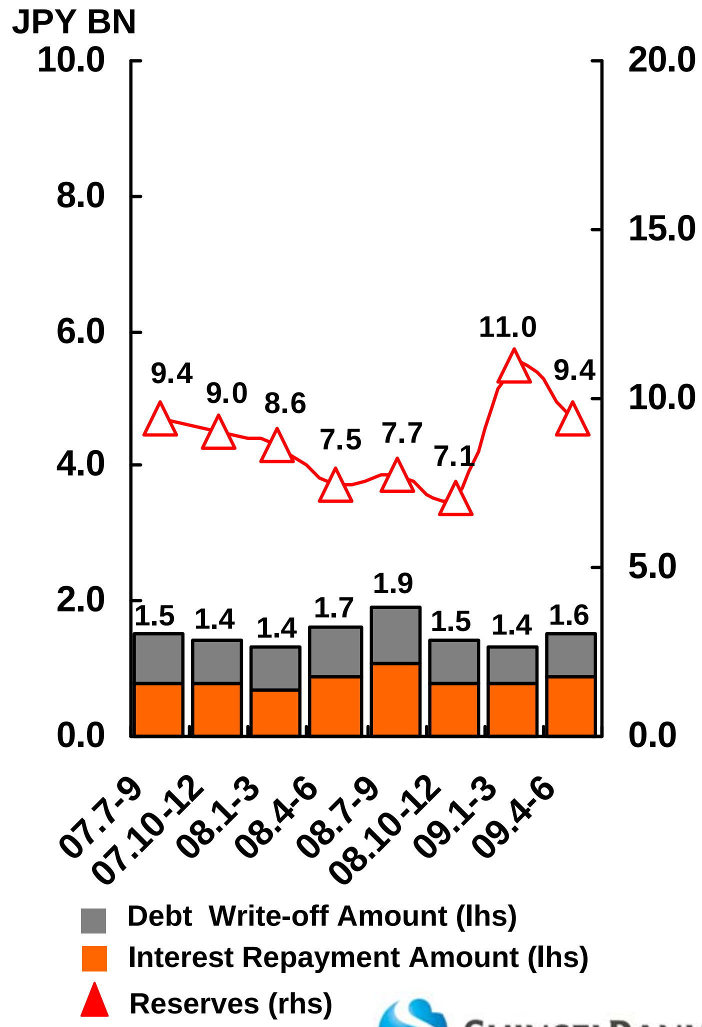
Shinsei Financial



Shinki



APLUS



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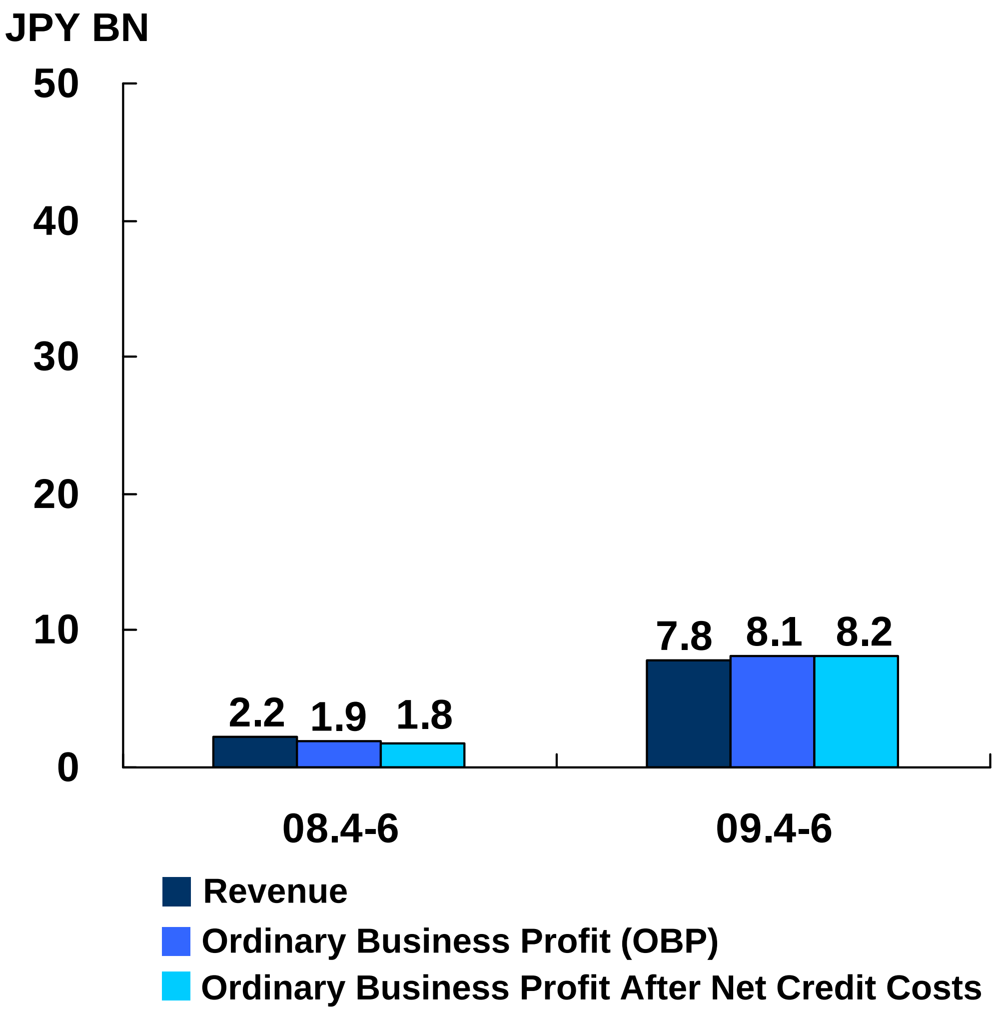
Overview of Business Groups:
Corporate/Other: Results

Corporate continues to play a major role

Results



Highlights

- Recorded JPY9.4 billion in gains by repurchasing about JPY23.0 billion of our subordinated debt

Liquidity, Capital and Asset Quality:

Liquidity

Working towards goal to fund all core assets internally

Overall Funding Composition

JPY BN	08.3	09.3	09.6
Total Customer Based Funding	6,469.0	6,947.6	7,616.1
Institutional Deposits	1,872.5	1,249.0	1,337.8
Institutional Debentures	320.2	367.4	319.7
Retail Deposits	3,934.1	5,023.0	5,656.7
Retail Debentures	342.2	308.1	301.8
Call Money	632.1	281.5	155.5
Payable under Repurchase Agreements	-	53.8	60.9
Collateral Related Securities Lending Transactions	148.4	569.5	598.8
Commercial Paper	-	0.1	0.0
Borrowed Money	1,127.2	1,012.3	879.5
Corporate Bonds	499.8	277.9	259.9
Total	**8,876.5**	**9,142.7**	**9,570.7**

Highlights

- **Strong liquidity position with about JPY 1.9 trillion of cash, cash equivalents and liquidity reserves on hand in June 2009 accounting for about 15% of our balance sheet**
- **Customer based funding, centered on retail deposits, accounts for about 80% of overall funding**
- **Goal is to ultimately have ability to fund all core assets internally through retail deposits, core institutional deposits and capital**

Liquidity, Capital and Asset Quality:
Capital

Strong rebound in capital ratios while reducing risk assets

Capital Adequacy Data

JPY BN	08.3	09.3	09.6
Basic Items (Tier I)	679.7	580.0	581.3
Supplementary Items (Tier II)	530.2	327.3	310.5
Deduction	(128.0)	(103.9)	(102.4)
Total Capital	1,081.9	803.4	789.4
Risk Assets	9,212.5	9,621.0	8,491.2
Total Capital Adequacy Ratio*	11.74%	8.35%	9.29%
Tier I Capital Ratio**	7.37%	6.02%	6.84%
Core Tier I Capital Ratio***	5.52%	4.03%	4.58%
Tangible Common Equity Ratio****	4.28%	3.00%	3.22%

Strategies

- **Recorded JPY 9.4 billion in gains by repurchasing subordinated debt**
- **All capital ratios were stronger due mainly to a significant reduction in risk assets and the TCE ratio was up due to an improvement in other comprehensive income or OCI**

*Total Capital Adequacy Ratio = Total Capital/Risk Weighted Assets
**Tier I Capital Ratio = Basic Items (Tier I)/Risk Weighted Assets
***Core Tier I Capital Ratio = (Tier I Capital – Preferred Securities – Preferred Stock – DTA (Net))/Risk Weighted Assets
****Tangible Common Equity (TCE) Ratio = (Net Assets – Preferred Stock – Intangible Assets – Minority Interests)/ Total Assets (excluding Intangible Assets)

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Liquidity, Capital and Asset Quality:

Asset Quality

Emphasis on prudent lending to avoid over-concentration risk

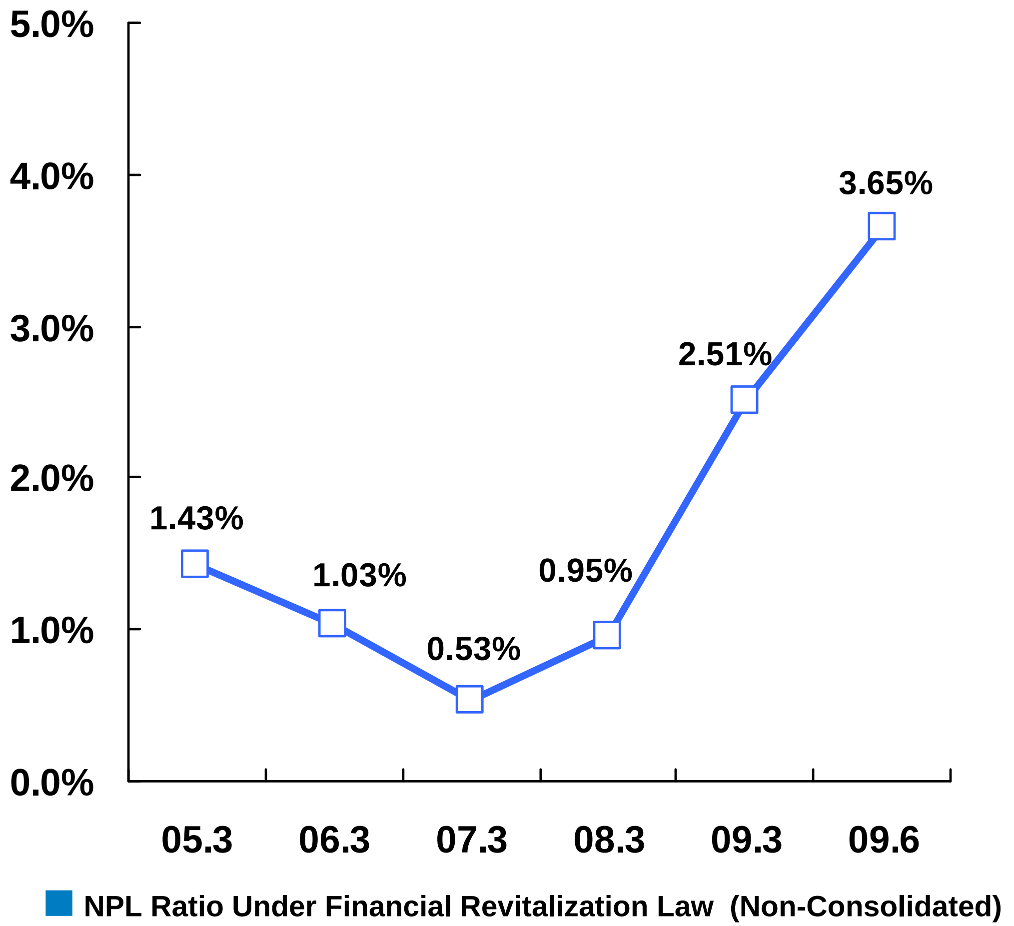
Risk Monitored Loans

JPY BN	09.3		09.6	
	Total Loans	Risk Monitored Loans	Total Loans	Risk Monitored Loans*
Transportation, Postal Service	331.6	6.0	319.5	5.8
Overseas Loans	460.9	39.8	438.1	28.8
Individual	905.3	5.3	876.8	5.4
Other	969.8	5.8	1,048.2	3.7
Real Estate and Construction	978.6	33.0	958.2	85.9
Finance and Insurance	1,521.2	51.1	1,096.5	53.8
Total	**5,168.0**	**141.0**	**4,737.3**	**183.4**
Loans to Bankrupt Obligors		23.9		23.0
Non-Accrual Delinquent Loans		110.2		146.9
Loans Past Due for 3 Months or More		3.7		10.7
Restructured Loans		3.1		2.6
Total		**141.0**		**183.4**

*Reserve ratio was 62.1% at June 30, 2009

(Non-Consolidated)

NPL Ratio



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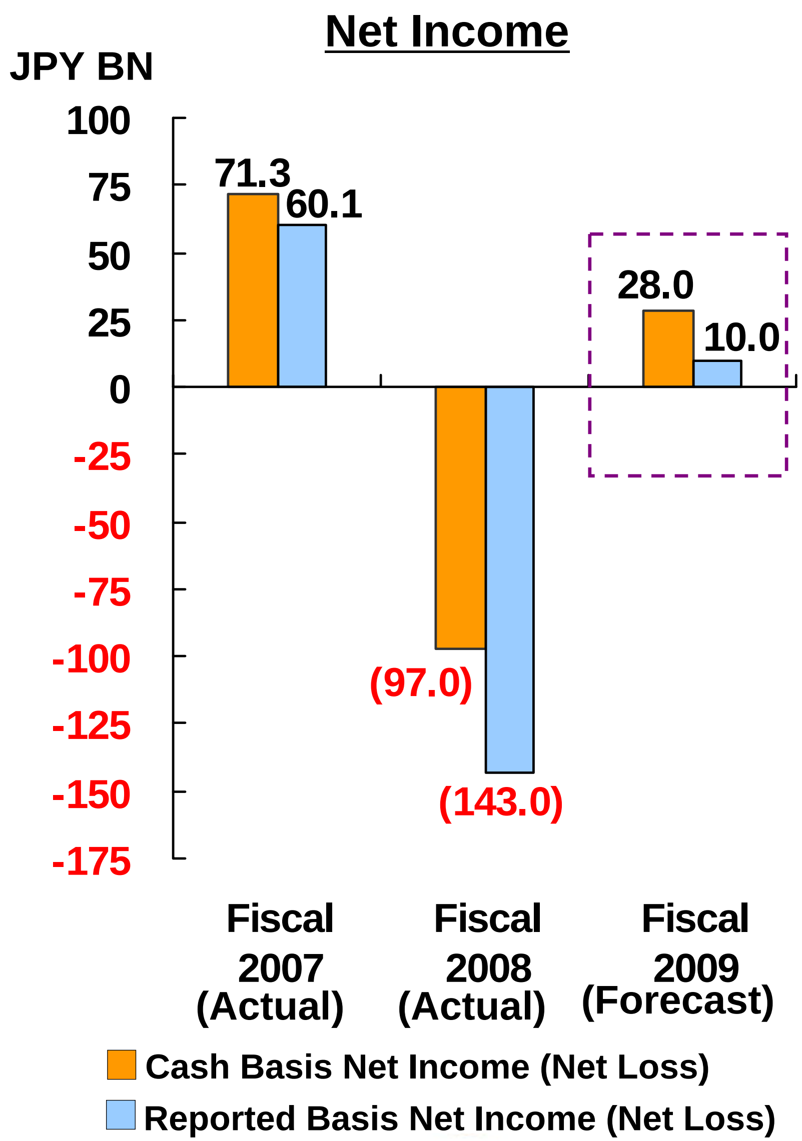
FY2009 Forecast:
Consolidated Results

Focus on core businesses in Japan while rationalizing expenses

1 **Macroeconomic Environment**
Expect recessionary environment to continue to impact both corporate and retail customers in fiscal year 2009 with glimpses of recovery expected from the second half

2 **Institutional Group**
Expect substantial improvement compared to fiscal year 2008 while achieving further reductions in expenses, but most business lines will remain challenged as we work to finish restructuring of operations in fiscal year 2009

3 **Individual Group**
Expect retail banking to increase profitability and steady contribution of overall consumer finance operations that are being reorganized to better leverage synergies



FY2009 Forecast:

Non-Consolidated Results

Focus on core businesses in Japan while rationalizing expenses

1 **Variance with Consolidated Results**

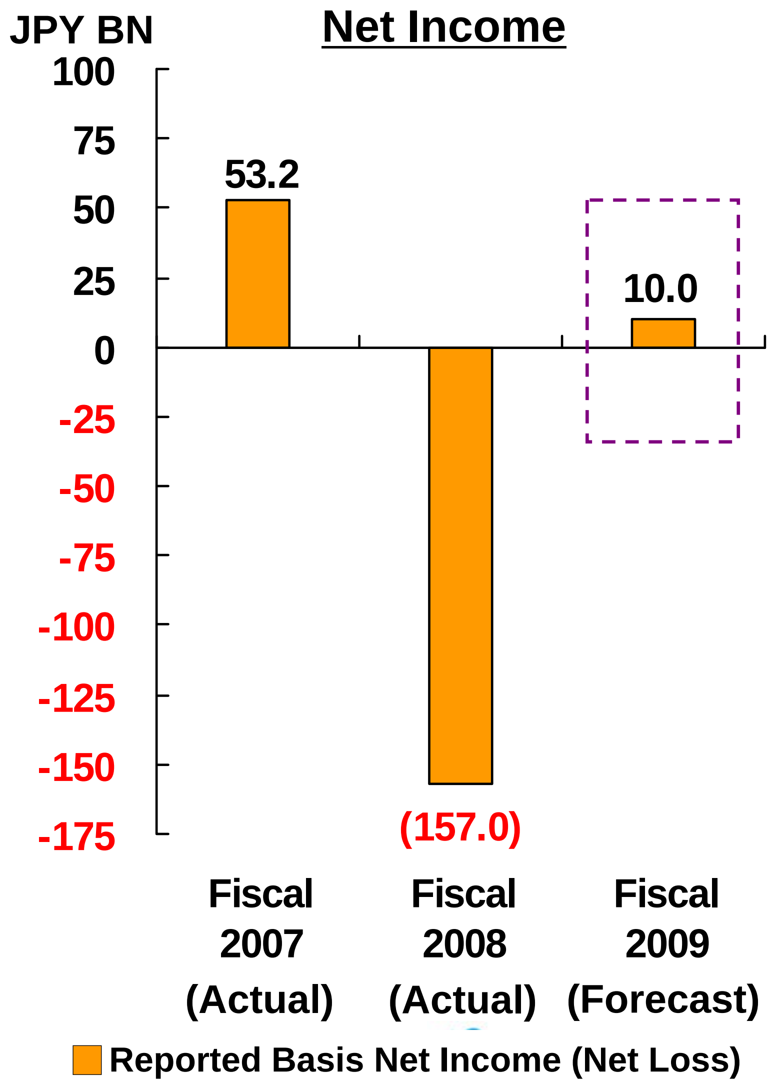
Non-consolidated results do not include the contribution from consolidated subsidiaries

2 **Institutional Group**

Expect substantial improvement compared to fiscal year 2008 while achieving further reductions in expenses, but most business lines will remain challenged as we work to finish restructuring of operations in fiscal year 2009

3 **Individual Group**

Expect retail banking to increase profitability



Key Takeaways:

Overview

Consolidated Results Overview

•Revenues and NIM up, normalized expenses and expense-to-revenue ratio down, but credit costs up and no other gains
•Shinsei Financial and Retail Banking contributed with CLO sale positive news
•Corporate/Other contributes through subordinated debt buyback

Liquidity, Capital and Asset Quality

•Strong liquidity position with deposits at JPY7 trillion and JPY1.9 trillion of cash, cash equivalents and liquidity reserves
•Improved capital ratios overall
•NPLs increased for domestic real estate, but improved overseas; emphasize prudent risk management

FY2009 Forecast

•Forecast FY2009 consolidated cash basis net income of JPY28.0 BN (consolidated reported basis net income of JPY10.0 BN) and non-consolidated net income of JPY10.0 BN
•Expect substantially better performance in Institutional Group as we complete restructuring
•Expect steady results in Individual Group with further improvement in retail banking and contribution from Shinsei Financial

Merger Between Shinsei Bank and Aozora Bank

•Improved organization stability as sixth largest bank at March 2009 with robust capital/enhanced funding
•Superior financial knowledge and expertise, coupled with innovative systems and IT
•Neutral and independent and neither mega- nor regional bank
•Long-term perspective with shared history equipped with strong credit assessment ability
•Widely recognized brand, demonstrated by top-ranked customer satisfaction levels

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