



**SHINSEI BANK**

# Financial and Business Results

First Quarter of Fiscal Year Ending March 31, 2009

Investors' Meeting

**Shinsei Bank, Limited**

**July 31, 2008**



# Agenda

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## Part 1.

Thierry Porté, President and Chief Executive Officer

- ◆ Consolidated Financial Summary
- ◆ Key Topics
- ◆ Net Income Forecast & Corporate Imperatives

## Part 2.

Rahul Gupta, Senior Managing Executive Officer, Chief Financial Officer

- ◆ Funding and Liquidity
- ◆ Business Pillar Overview
  - ✓ Institutional Group
  - ✓ Individual Group
- ◆ Macroeconomic Environment

# Consolidated Financial Summary:

First Quarter Ending June 30, 2008

→ Capital remains strong but unstable markets having impact on earnings

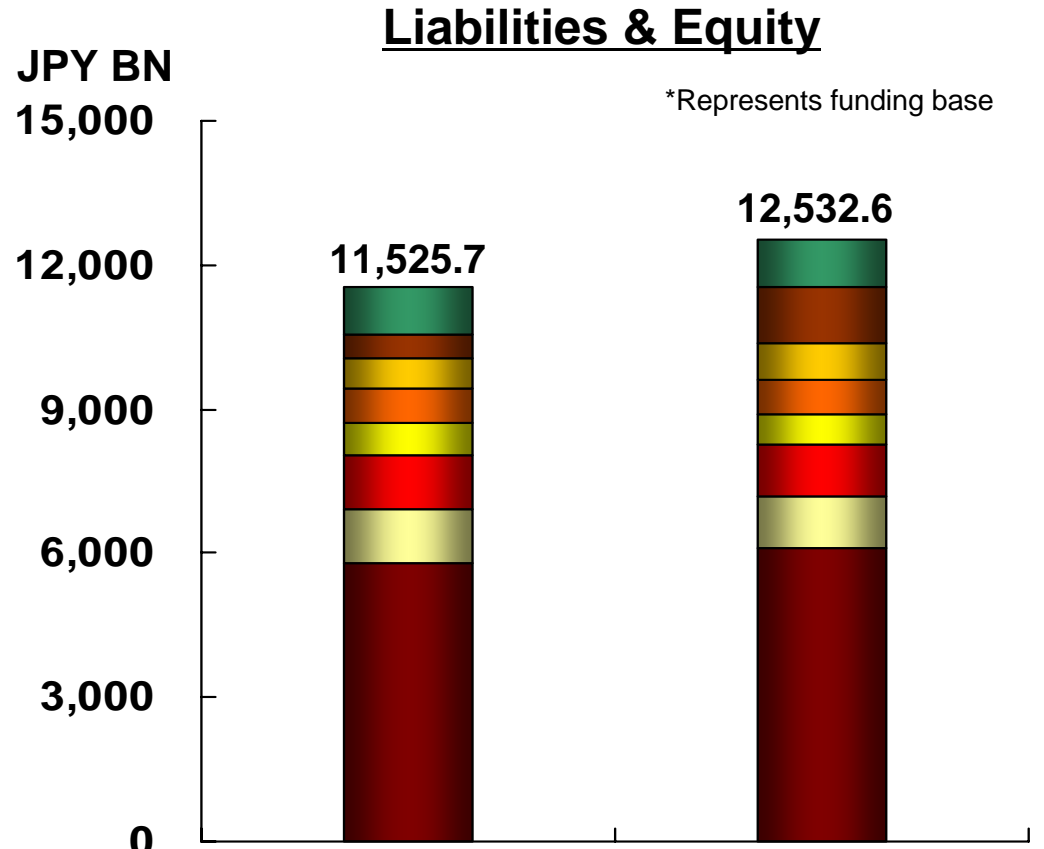
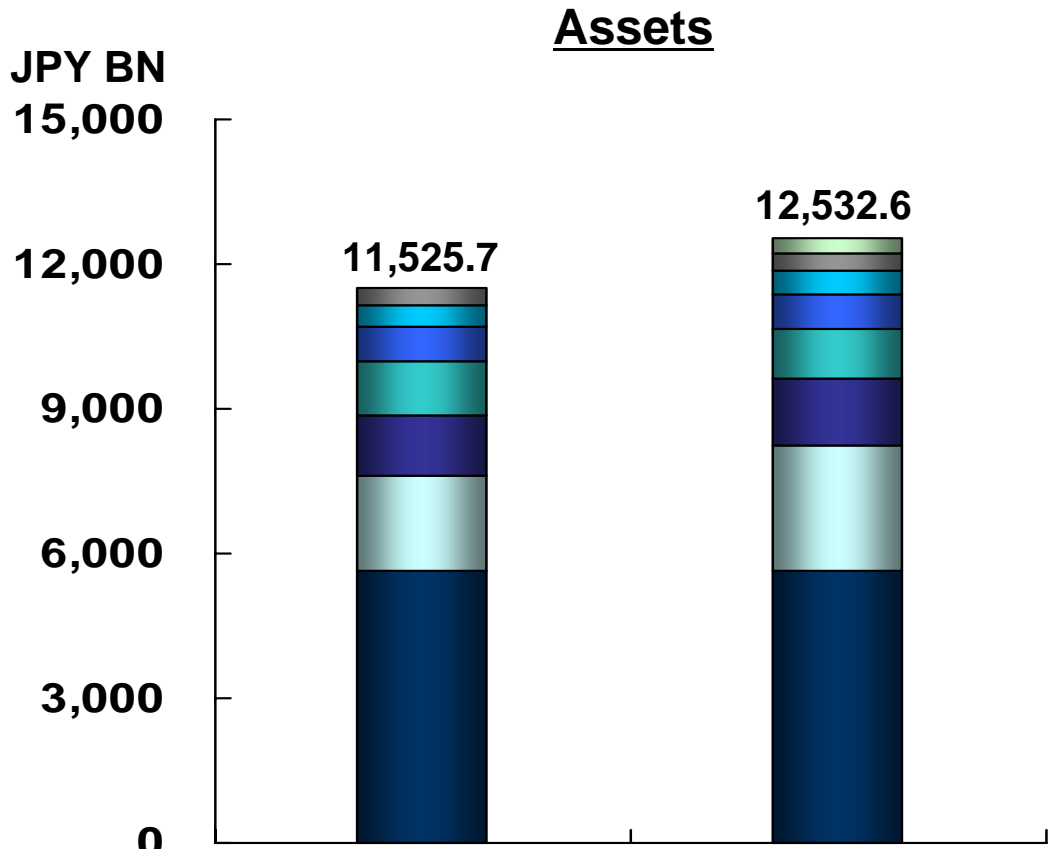
	2008.4-6	2007.4-6	Change %
Total Revenue	61.0	76.5	-20.3%
General and Administrative Expenses	40.9	37.3	+9.7%
Ordinary Business Profit	20.0	39.1	-48.9%
Net Income	10.8	31.2	-65.2%
Cash Basis Net Income	13.4	33.9	-60.4%
Diluted Net Income Per Share (JPY)	5.53	17.26	-68.0%
ROA	0.4%	1.1%	-
ROE (Fully Diluted)	6.1%	19.3%	-
	<b>2008.6</b>	<b>2008.3</b>	<b>Change %</b>
Total Assets	12,532.6	11,525.7	+8.7%
Diluted Equity Per Share (JPY)	363.15	364.35	-0.3%
Total Capital Adequacy Ratio	12.01%	11.74%	-
Tier I Capital Ratio	7.58%	7.37%	-
Non-Performing Loan Ratio*	0.64%	0.95%	-

\*Non-performing loan ratio under the Financial Revitalization Law on a non-consolidated basis

# Consolidated Financial Summary:

## Balance Sheet Snap Shot

**➔ Diversified business supported by deposit and equity base**



- Call Loans
- Monetary Assets Held in Trust
- Other Monetary Claims Purchased
- Customers' Liabilities
- Other Assets
- Other
- Securities
- Loans & Bills Discounted

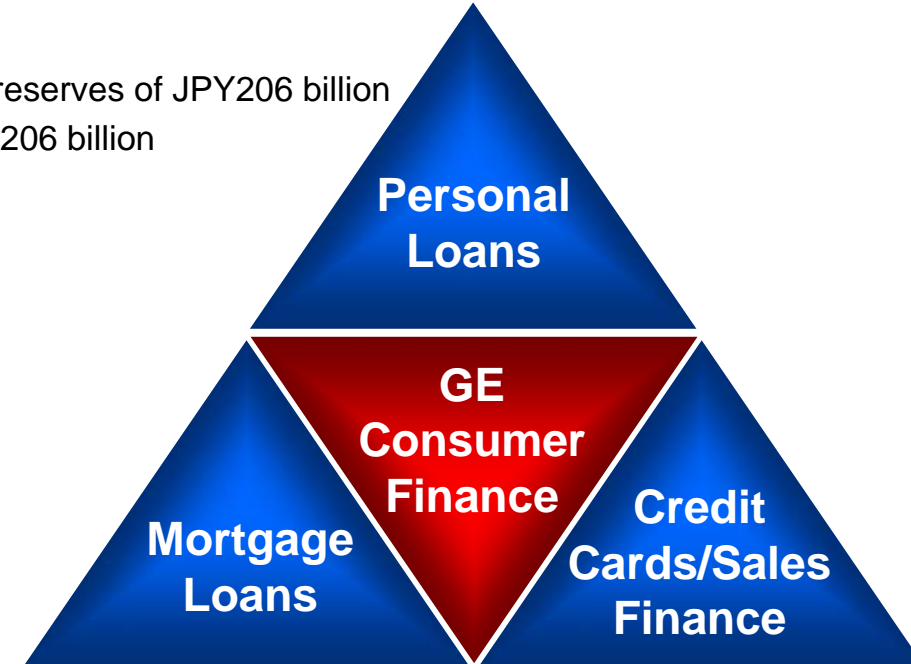
- Equity
- Other
- Call Money
- Acceptances & Guarantees
- Other Liabilities
- Debentures & Corporate Bonds\*
- Borrowed Money\*
- Deposits & NCDs\*

# Key Topics:

## 1.1 GE Consumer Finance (GECF) Acquisition

➔ Quality assets and management to contribute to Group

- **Transformational** acquisition of **high quality reasonably priced portfolio, brand and management** to **redefine** consumer finance industry in Japan
  - **Significant upside potential** – immediately accretive to earnings with **downside protection** – fully provisioned grey zone liability at closing combined with solid GE indemnity
  - **Significant synergies** – revenue and costs: internal funding from the Retail Bank, leveraging Shinsei's technology, organizing retail & consumer business under one management structure in Individual Group
- Purchase Price: JPY580 billion (JPY570 debt and JPY10 equity)
    - ✓ Grey Zone Reserves: Company to have minimum initial grey zone reserves of JPY206 billion
    - ✓ Indemnity: GE to cover all grey zone related expenses beyond JPY206 billion
  - Established: 1994 (Acquired Lake in 1998)
  - Operating Assets: JPY884 billion (as of Dec. 2007)
    - ✓ Personal Loans: JPY686 billion
    - ✓ Mortgage Loans: JPY103 billion
    - ✓ Credit Card/Sales Finance: JPY93 billion
  - Number of Branches: 1,146
  - Number of Customers: 2.2 million
  - Number of Employees: 2,000



# Key Topics:

## 1.2 GE Consumer Finance (GECF) Acquisition

➔ Addition of GE Consumer Finance means better balance for Group

### Individual Group

#### Retail Banking

Savings and time deposits, debentures, mutual funds, home mortgage, annuities, securities brokerage services, Visa card, medical, cancer and auto insurance, card loan

#### APLUS

Installment sales credit, auto loans, credit cards, consumer loans, guarantees and collection services

#### Shinki

Consumer/business loans

#### GE Consumer Finance

Consumer loans, home mortgage, credit cards/sales finance

Customers

### Institutional Group

#### Institutional Banking

Corporate loans, capital markets, M&A advisory, ABS, MBS, credit trading, leveraged and project finance, non-recourse finance, structured credit, asset management, private equity and corporate revitalization

#### Showa Leasing

General and auto leasing, rentals and installment sales credit

Corporate Governance + Compliance + Risk Management + Technology Platform

# Key Topics:

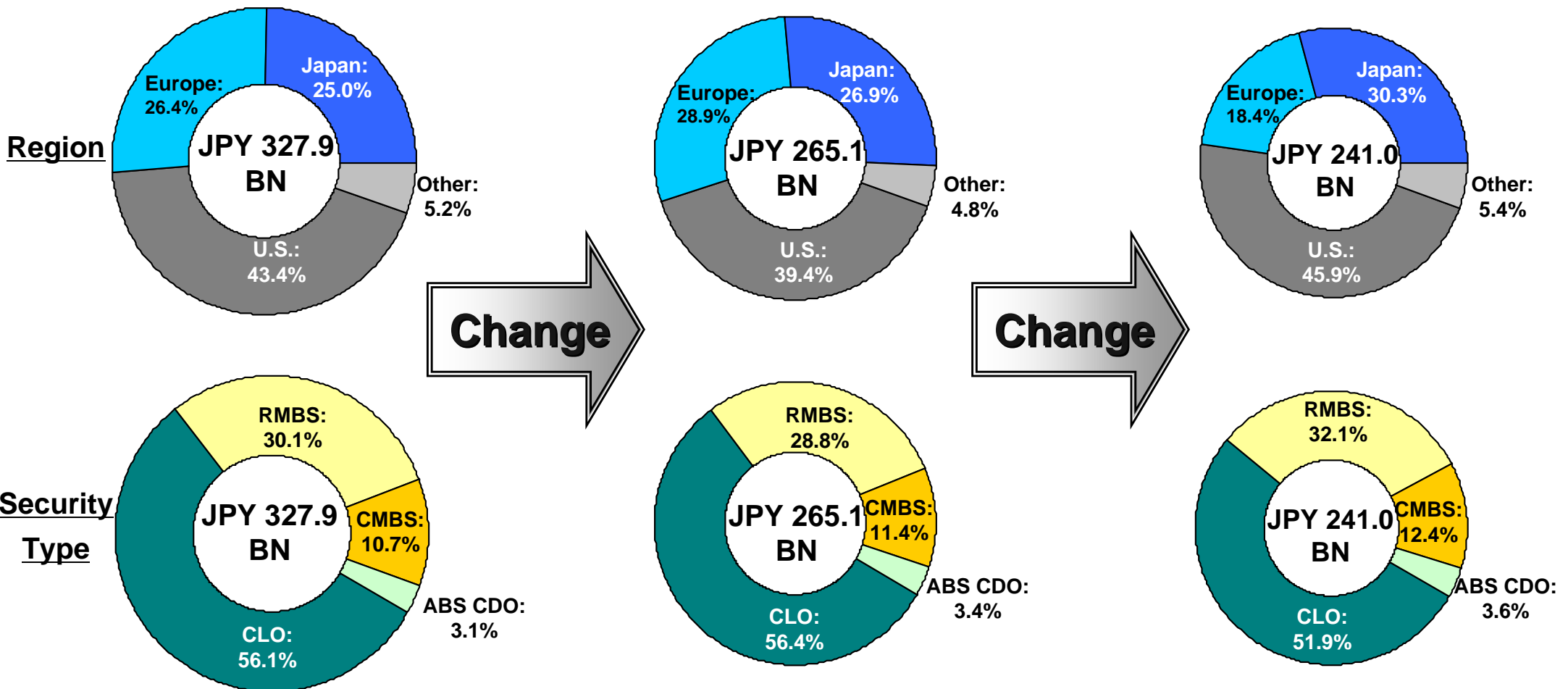
## 2.1 Securitized Products\* Update

➔ Securitized products balance down 26.5% on September 2007

Sept. 30, 2007

March 31, 2008

June 30, 2008



\*Approximately 64% of all securitized products and about 87% of foreign-currency denominated securitized products are rated AA or higher. Details on securitized products available on p. 31-32 of the First Quarter Ended June 30, 2008 Financial Summary.

# Key Topics:

## 2.2 U.S. Residential Mortgage Market Exposure Update

 Net exposure down with no material mark-downs or reserves needed

### Total Mark-Downs and Reserves Related to U.S. Residential Mortgages\*

US\$ Million

	2006 Fiscal Year	2007 Fiscal Year	2008 Fiscal Year
	FY06 (Apr 1, 2006- Mar 31, 2007)	FY07 (Apr 1, 2007- Mar 31, 2008)	FY08 1Q (Apr 1-Jun 30, 2008)
Mark-Downs	11	157	4
Reserves	8	134	0
<b>Total</b>	<b>19</b>	<b>291</b>	<b>4</b>

\* Net exposure, after mark-downs and reserves, to U.S. residential mortgage market aggregates to US\$270.0 million (JPY 28.5 BN) as at June 30, 2008 down US\$10.8 million on March 31, 2008.

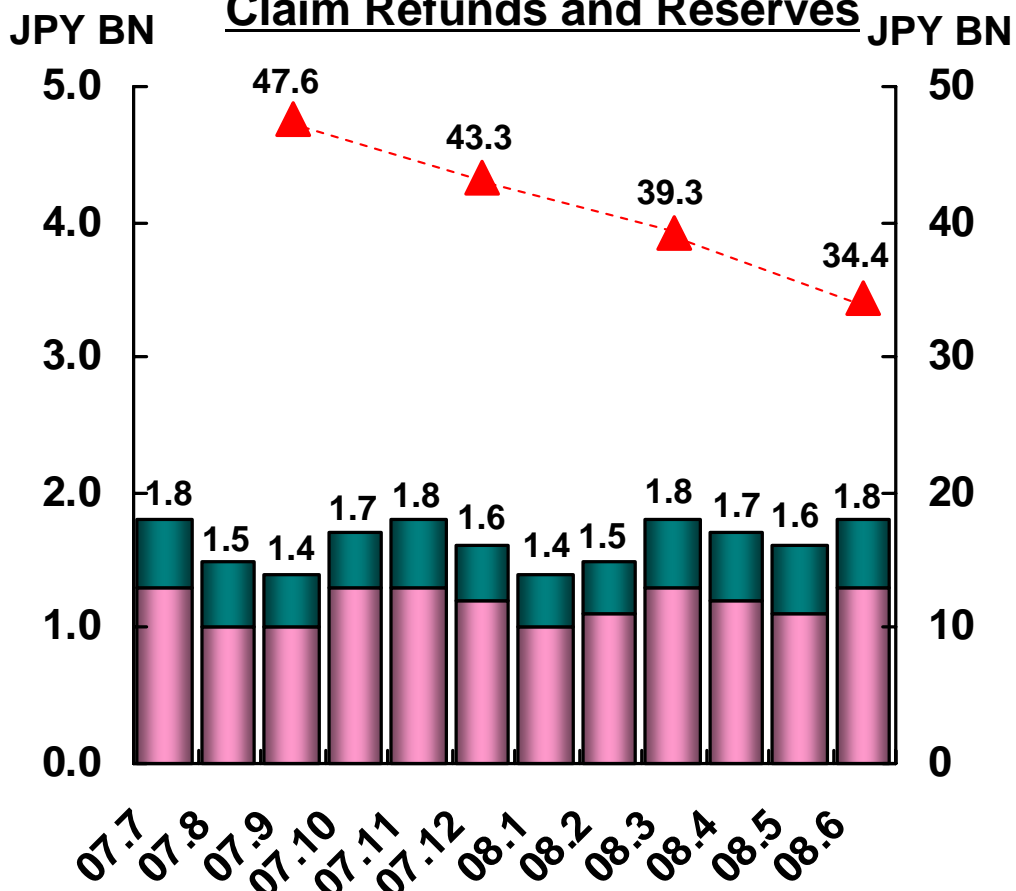


# Key Topics:

## 3. Grey Zone Trend Update

➔ Continuation of flat trend has become clearer

**APLUS & Shinki Grey Zone  
Claim Refunds and Reserves**



### Main Points

Grey zone claim refunds amounted to about JPY 19.6 BN over the last 12 months

Grey zone claims at APLUS and Shinki flat and averaging JPY 1.6 BN per month

Grey zone reserves equivalent to over 21 months of refund run-rate remain

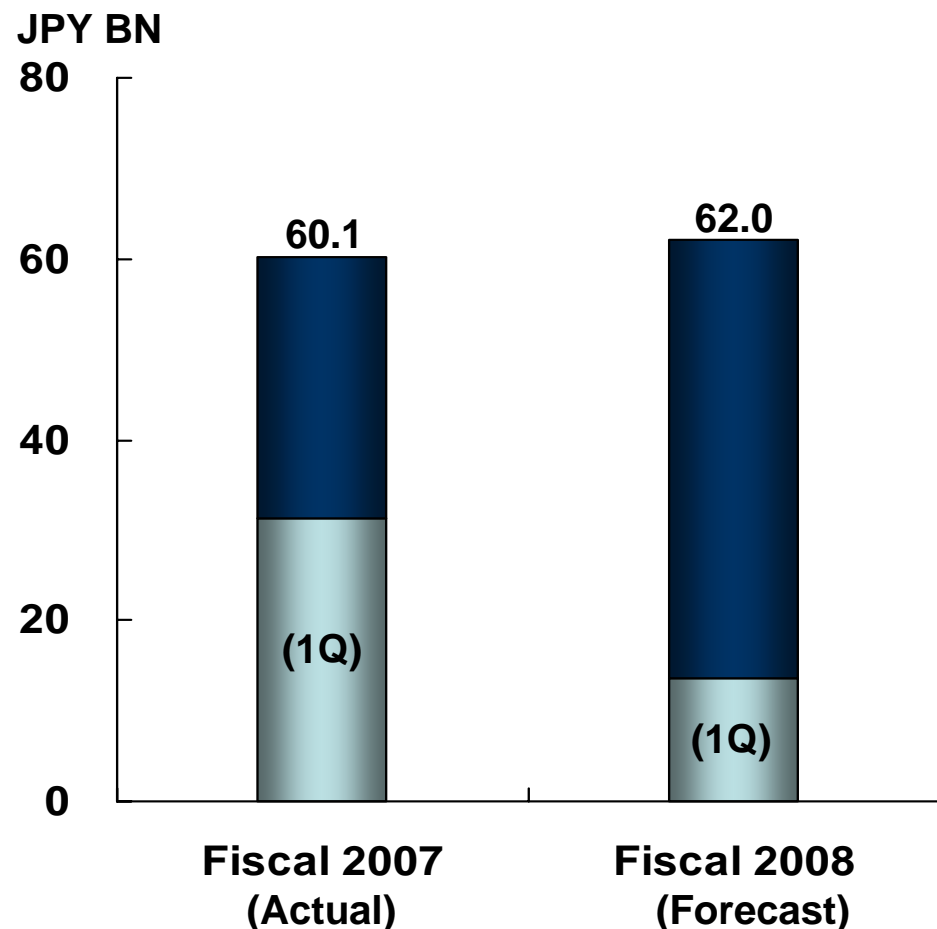
■ APLUS (Consolidated data) (lhs) ▲ Reserves (rhs)  
■ Shinki (Consolidated data) (lhs)

# Net Income Forecast:

## Consolidated Basis Update

 No revision in forecast with inclusion of GECF

### Net Income



### FY08 1Q Overview

Lower revenues in Institutional Group including mark-downs of European ABI/ABS had large impact

Higher expenses due mainly to inclusion of Shinki from the beginning of this fiscal year

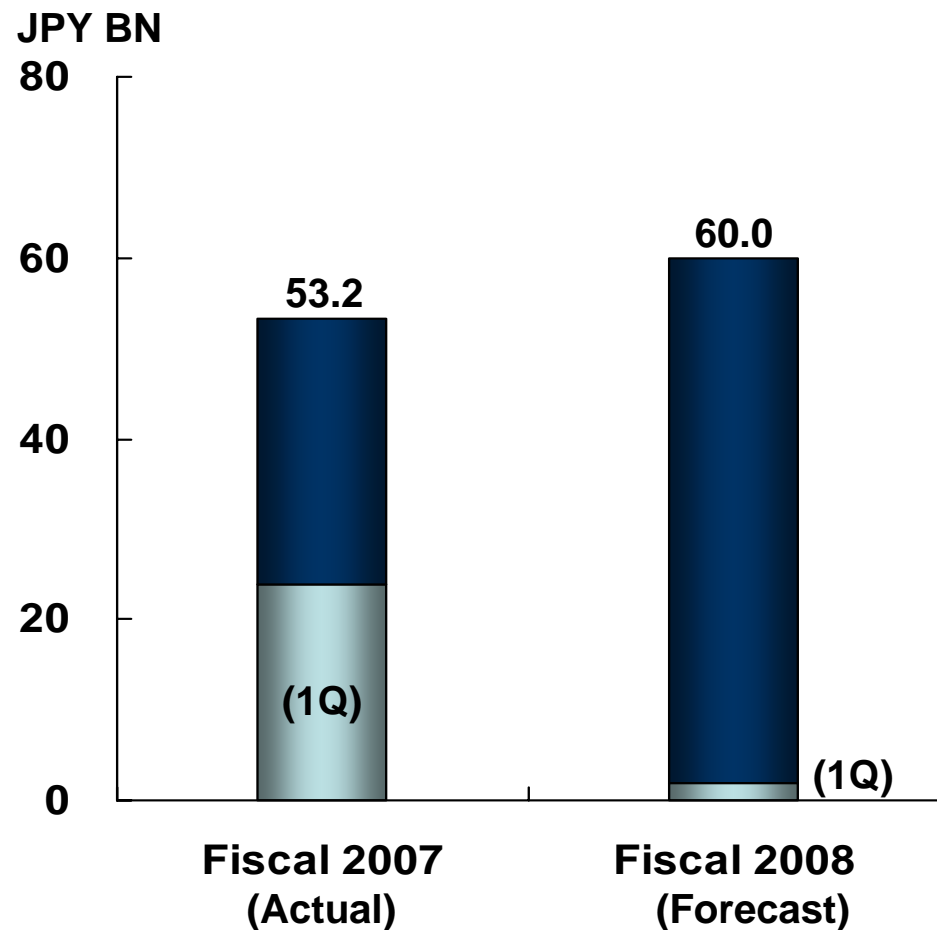
Lower extraordinary gains as sale of Meguro Production Center this 1Q added about a third of sale of Life Housing Loan in the 1Q of the previous fiscal year

# Net Income Forecast:

## Non-Consolidated Basis Update

➔ Core business remains challenging but dividends not yet recognized

### Net Income



### FY08 1Q Overview

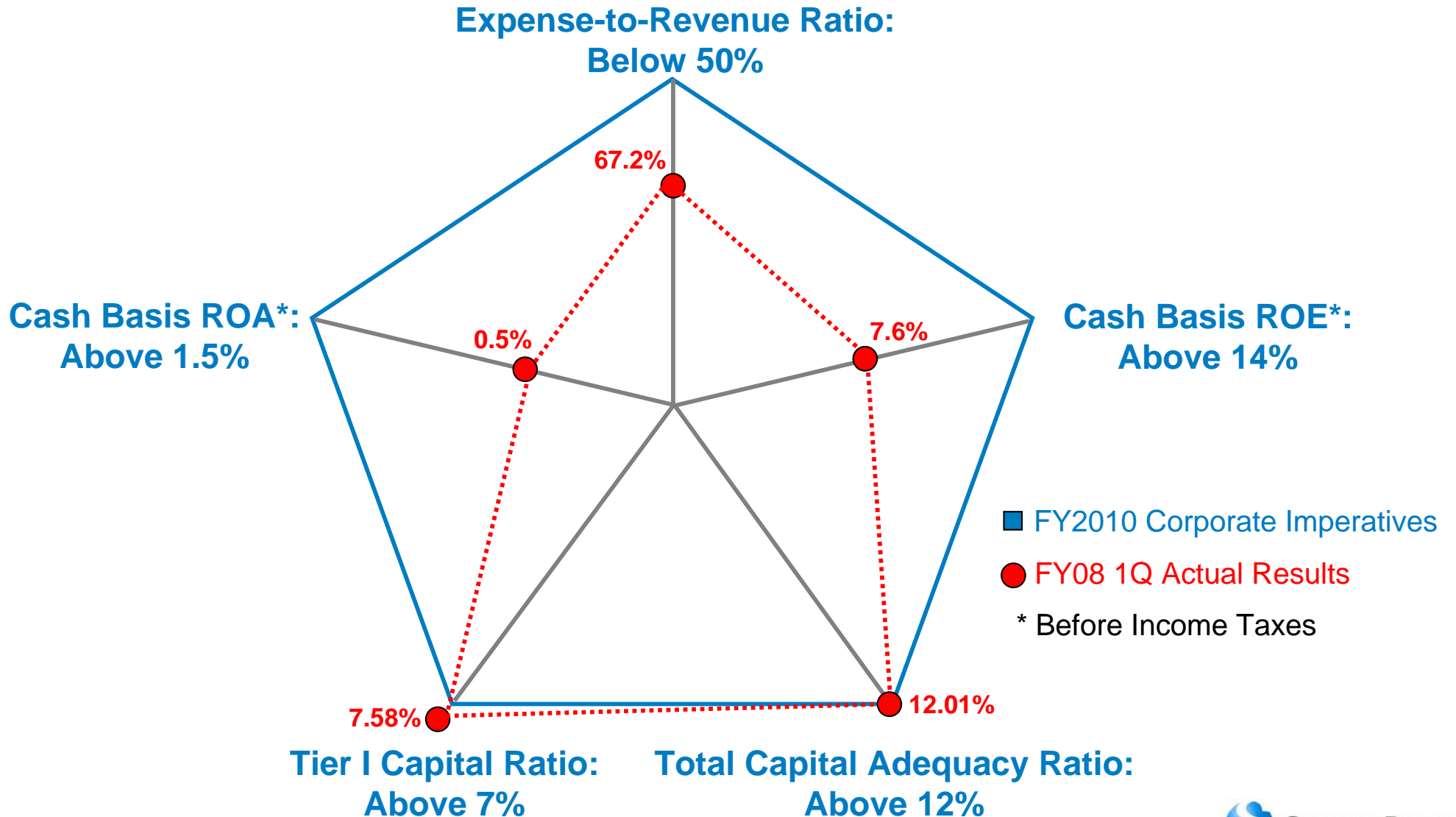
Lower net income due mainly to lower net other business income from mark-downs of European ABI/ABS

Dividend from gain on sale of Meguro Production Center not included yet

# Corporate Imperatives:

## Key Target Ratios

➔ Financially stable, but need to improve efficiency and profitability





# Agenda

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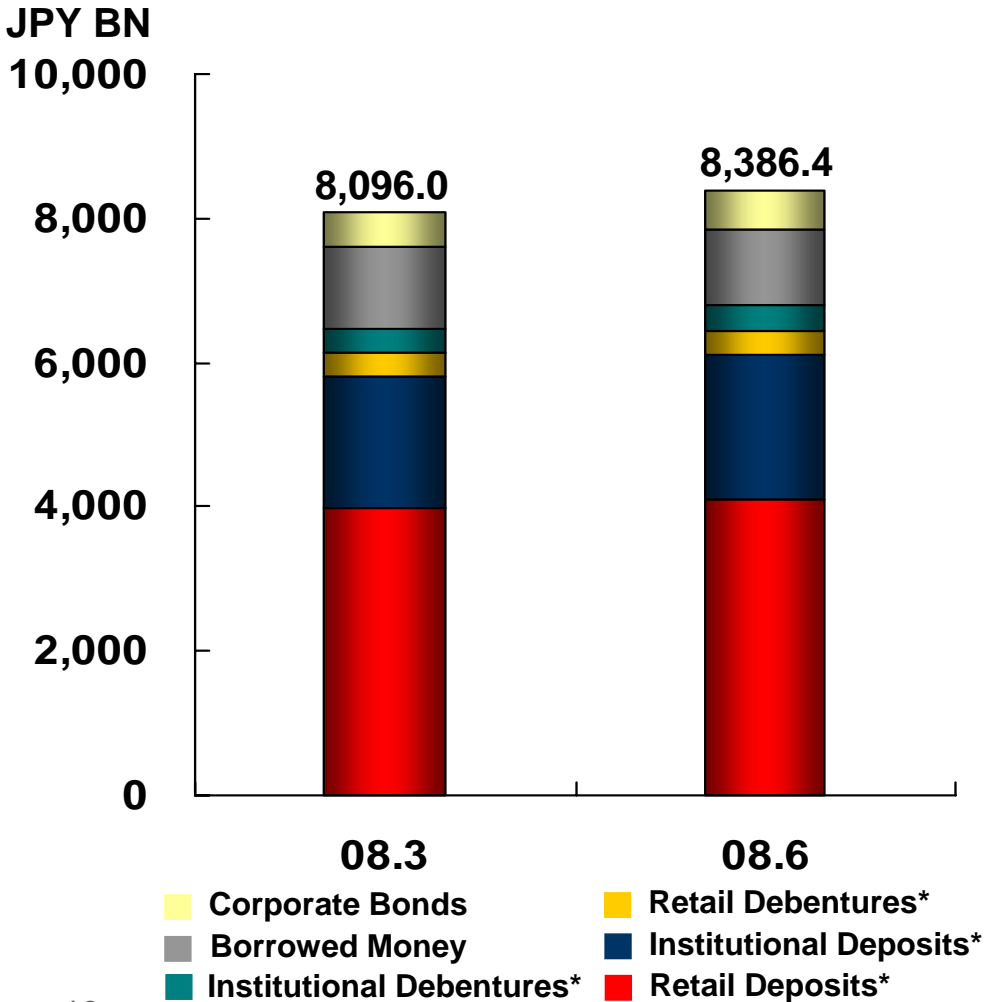
# Funding & Liquidity:

## Funding Composition

**→ Strong fund raising capability in retail deposits**

Funding Composition

Main Points



Growth in funding amount accompanying rise in assets

Maintaining good balance between customer-based\* and non-customer based funding

Continued strong growth in retail deposits

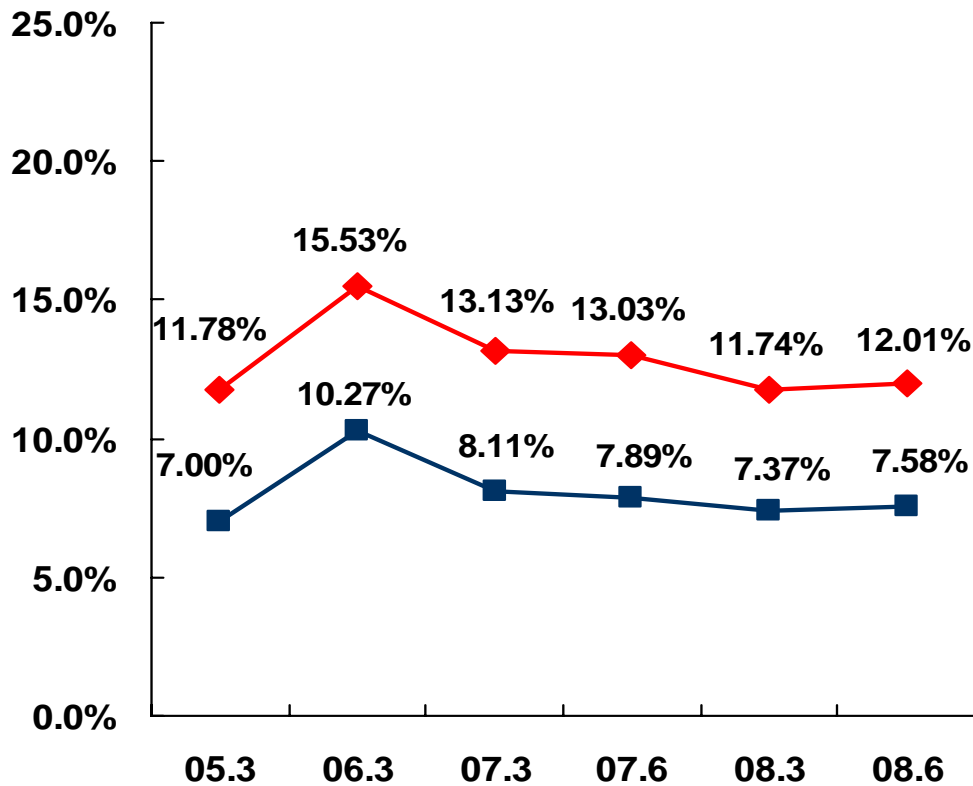
\* Customer-based funding

# Funding & Liquidity:

## Financial Stability and Asset Quality

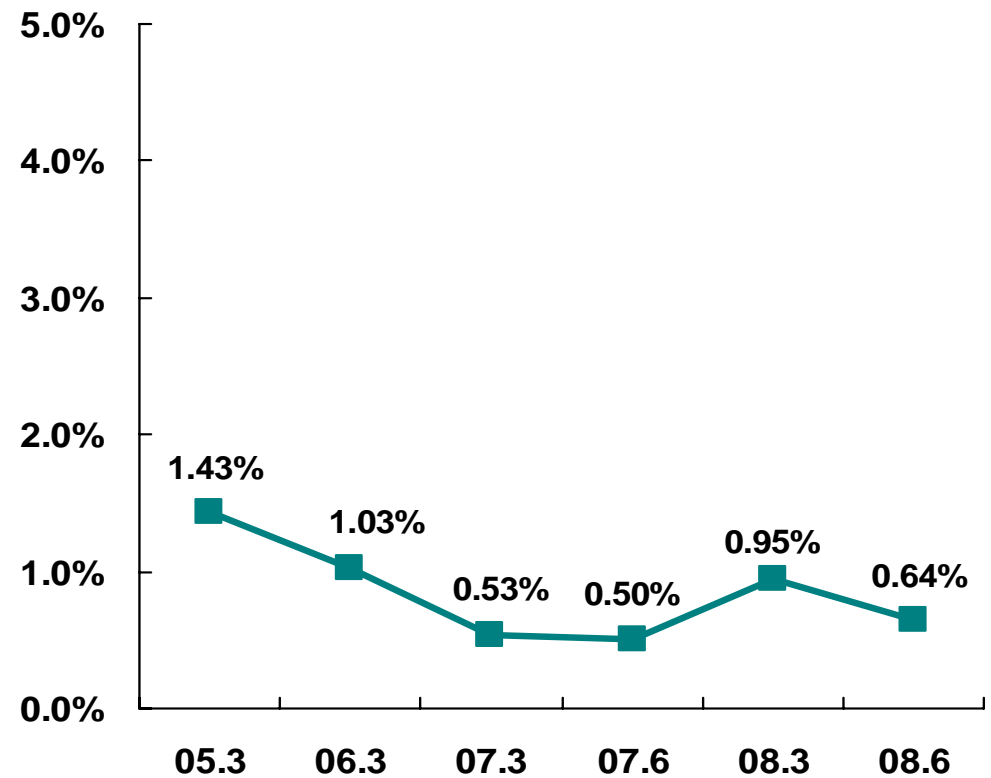
➔ Both financial stability and asset quality improved over last quarter

### Financial Stability



◆ Total Capital Adequacy Ratio ■ Tier I Capital Ratio

### Asset Quality



■ NPL Ratio Under Financial Revitalization Law (Non-Consolidated)

# Business Line Overview:

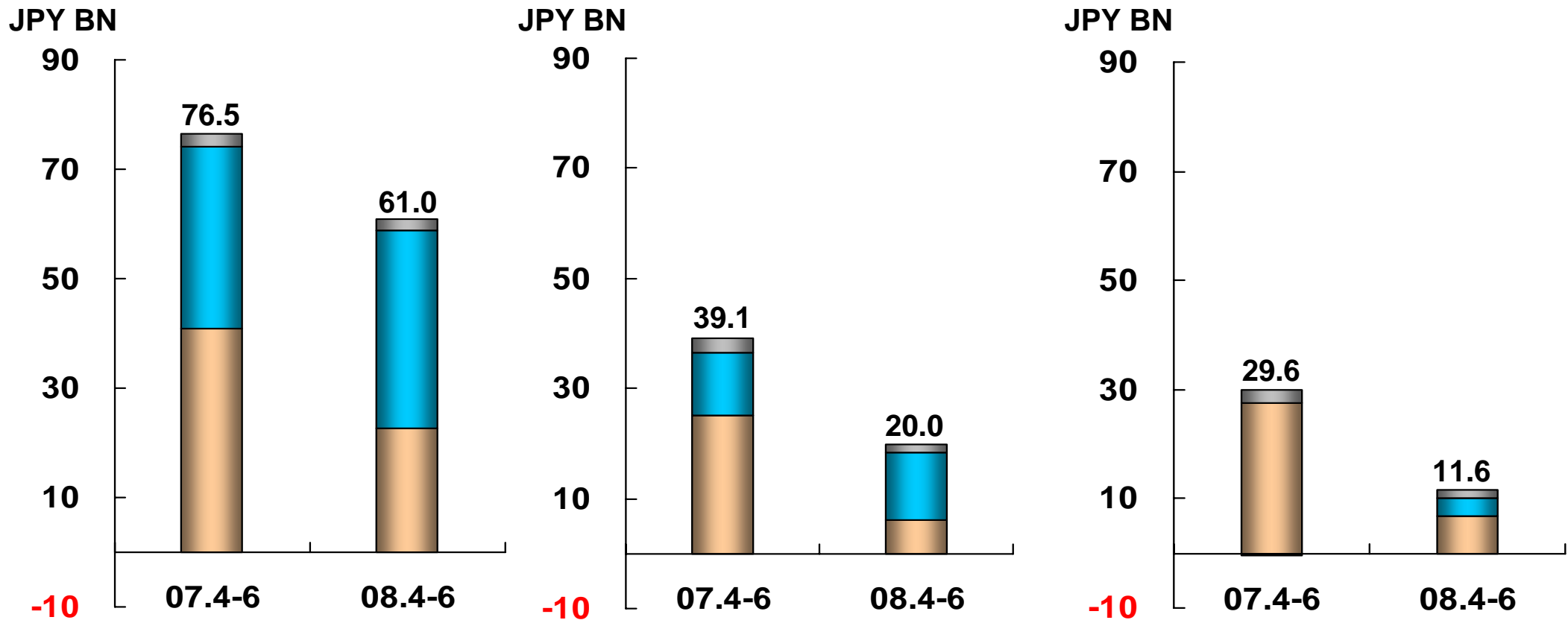
## Institutional Group and Individual Group

➔ Individual Group helps cover Institutional Group decline

Revenues

OBP

OBP After Net Credit  
(Recoveries) Costs



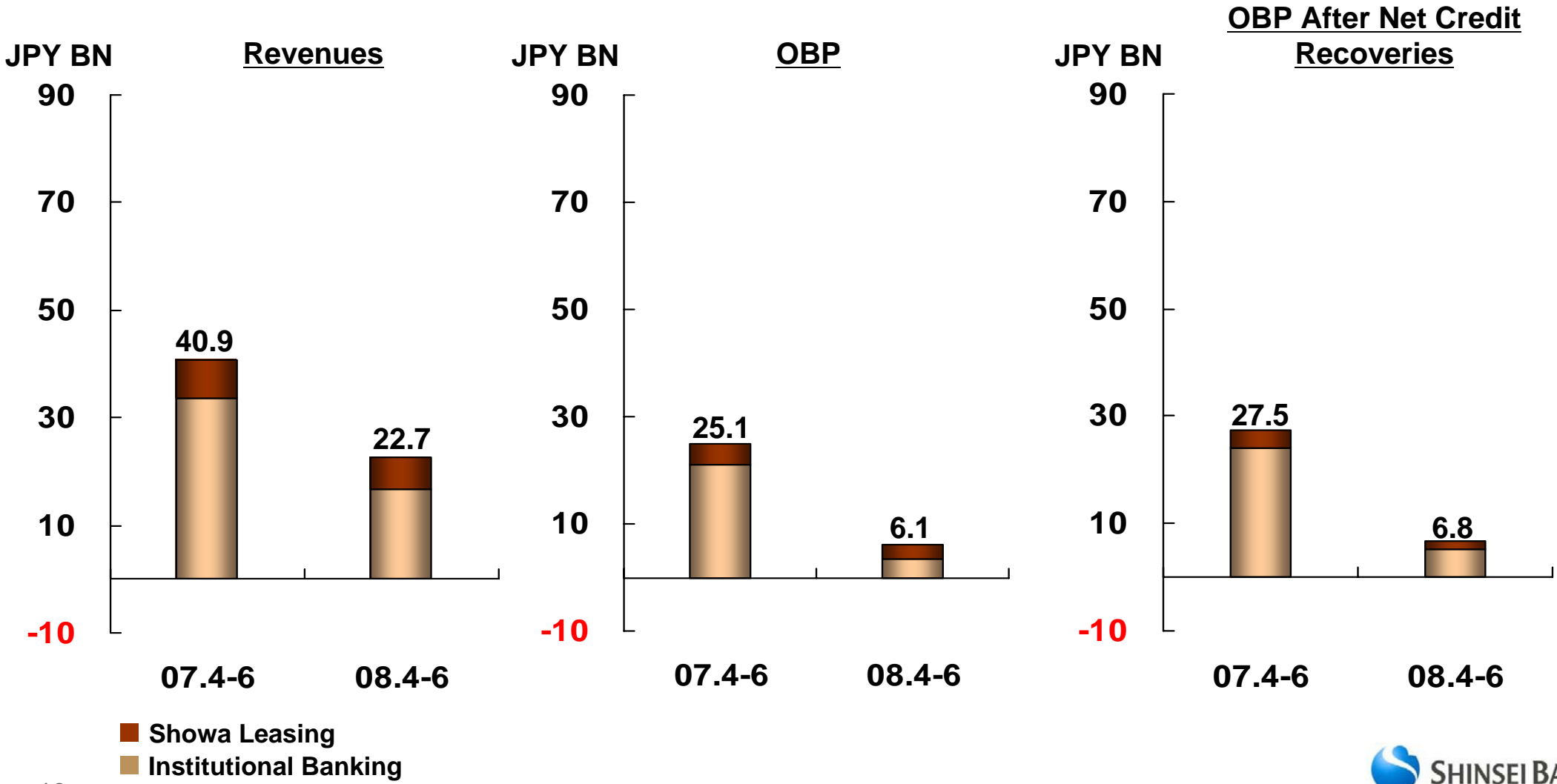
- ALM/Corporate/Other
- Individual Group
- Institutional Group



# Institutional Group:

## Financial Highlights

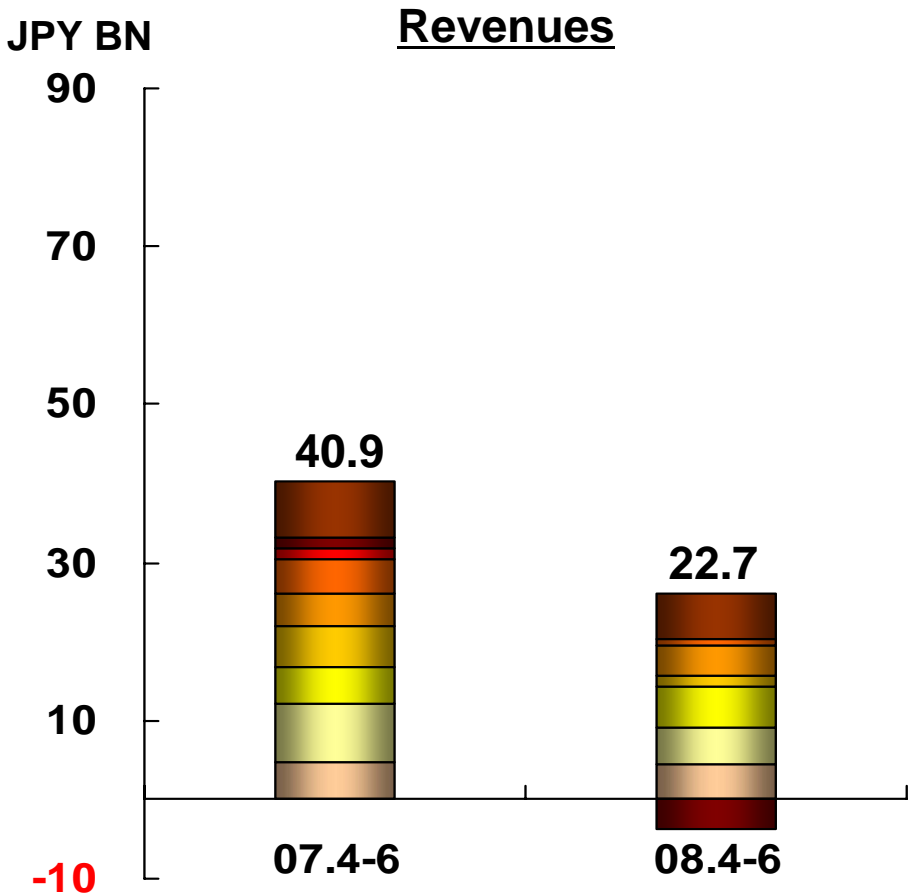
**→ Large impact from global market turmoil**



# Institutional Group:

## Revenue Breakdown

**➔ Diversified earnings, but almost all businesses impacted**



### Main Points

- Revenues down year on year for both net interest income and non-interest income
- Revenues down for all businesses except “Non-Recourse Real Estate Finance”
- Mark-downs for U.S. RMBS not material, but European ABI/ABS mark-downs had large impact

- Showa Leasing
- Other Capital Markets
- Others
- Basic Banking
- Non-Recourse Real Estate Finance
- Foreign Exchange, Derivatives, Equity-Related
- Principal Investments
- Credit Trading
- Securitization

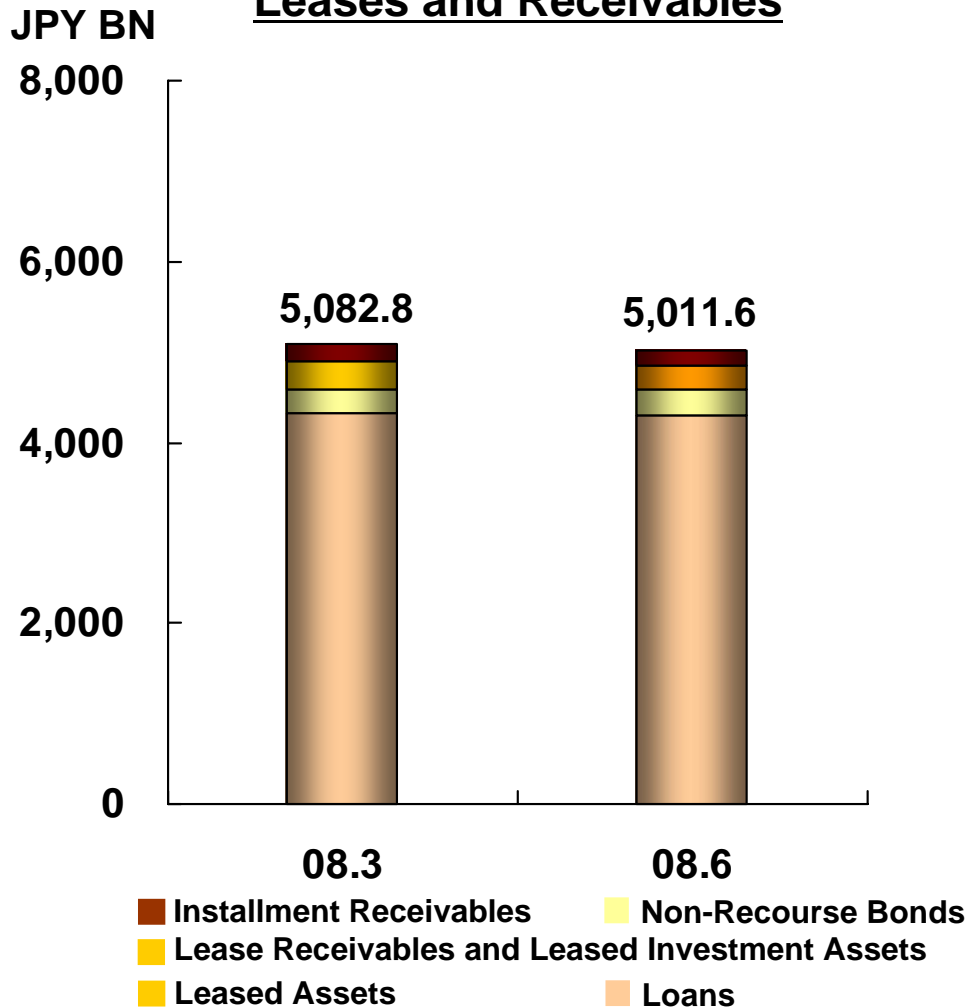


# Institutional Group:

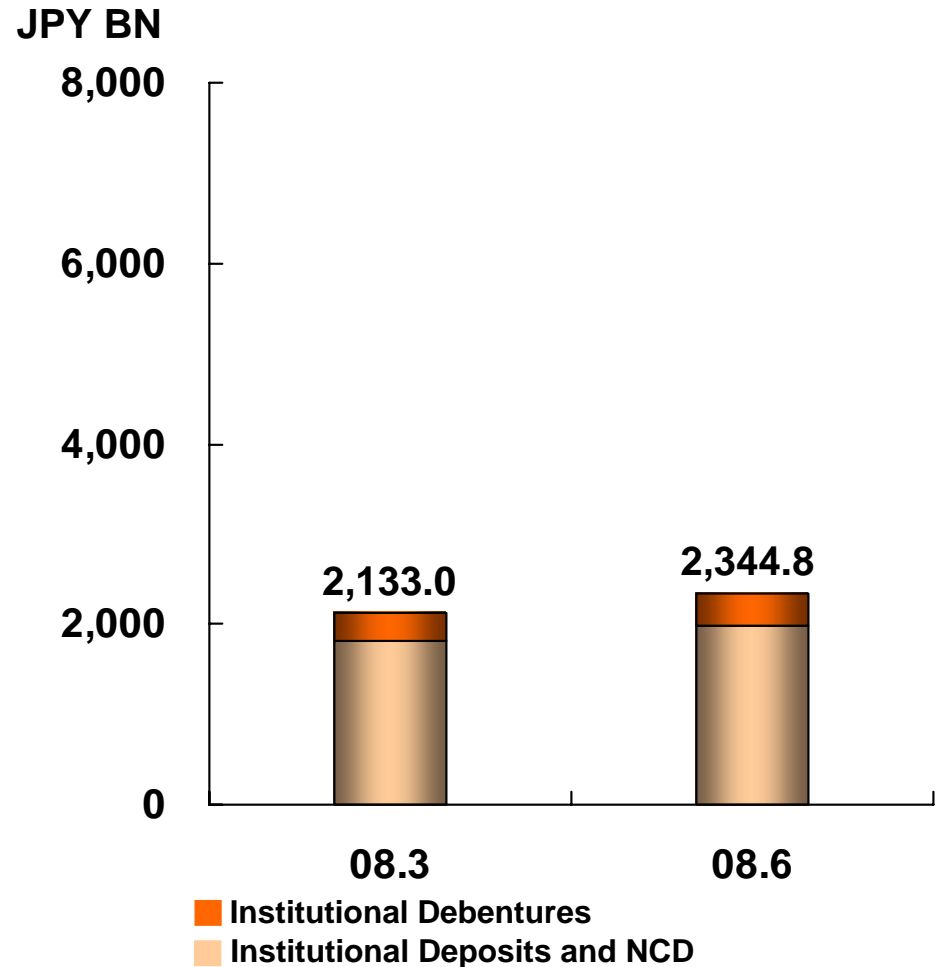
## Loans, Non-Recourse Bonds, Leases, Receivables, Deposits and Debentures

**➔ Steady asset base and higher fund raising achieved**

### Loans, Non-recourse Bonds, Leases and Receivables



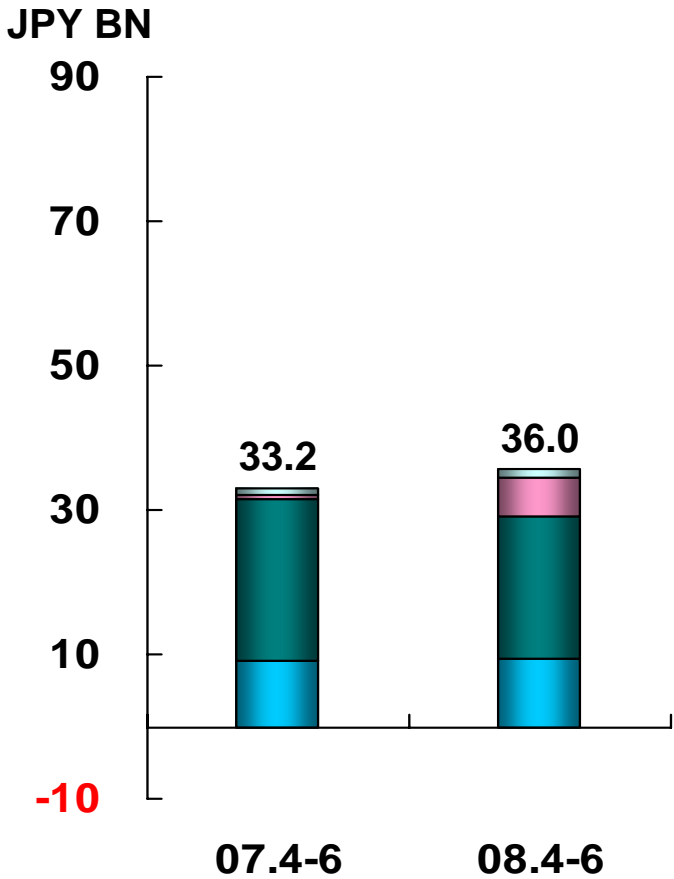
### Deposits & Debentures



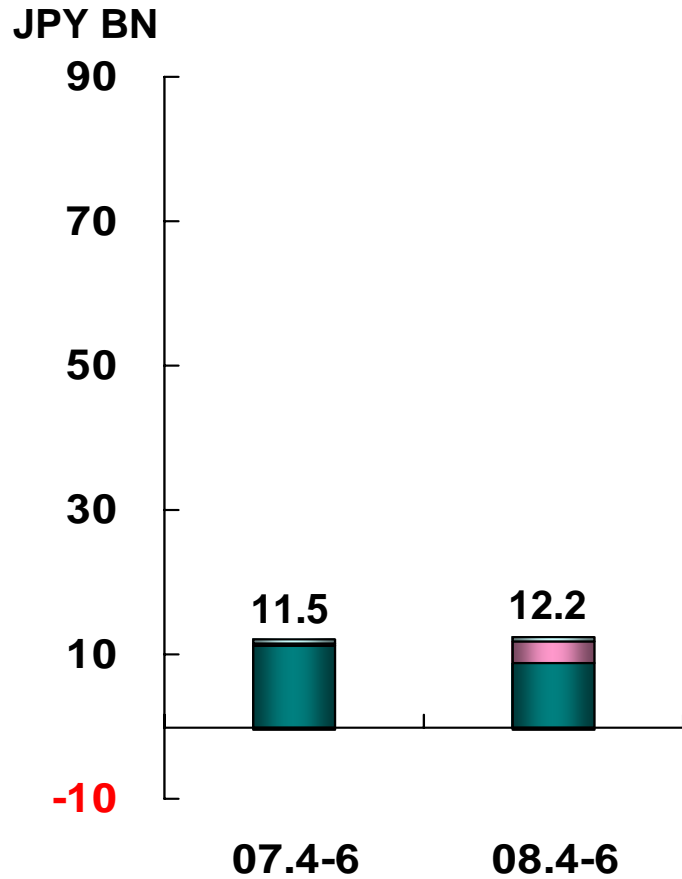
# Individual Group: Financial Highlights

**➔ Good progress made across all businesses**

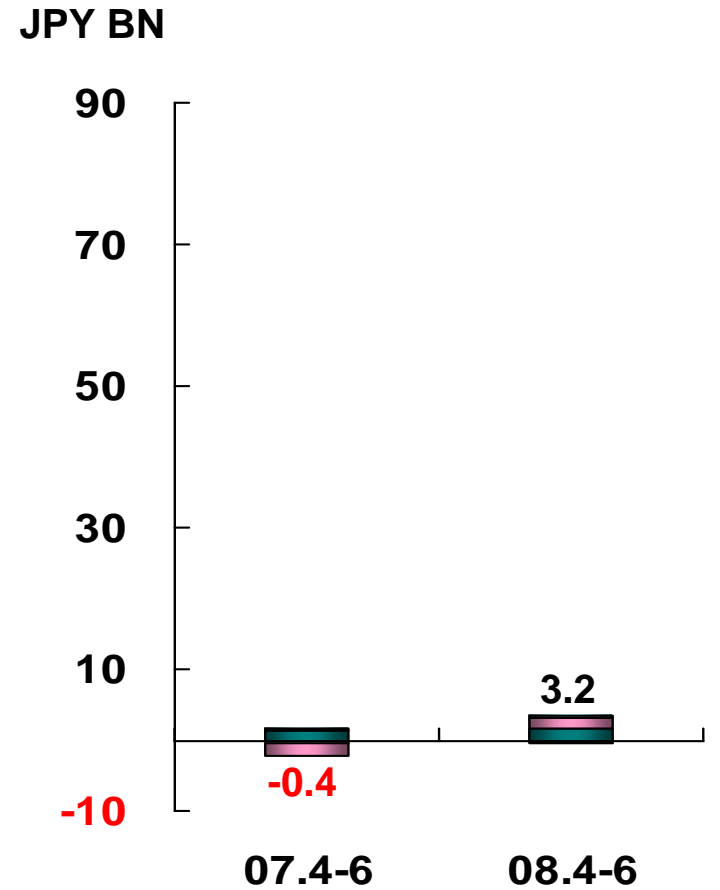
Revenues



OBP



OBP/L After Net Credit Costs



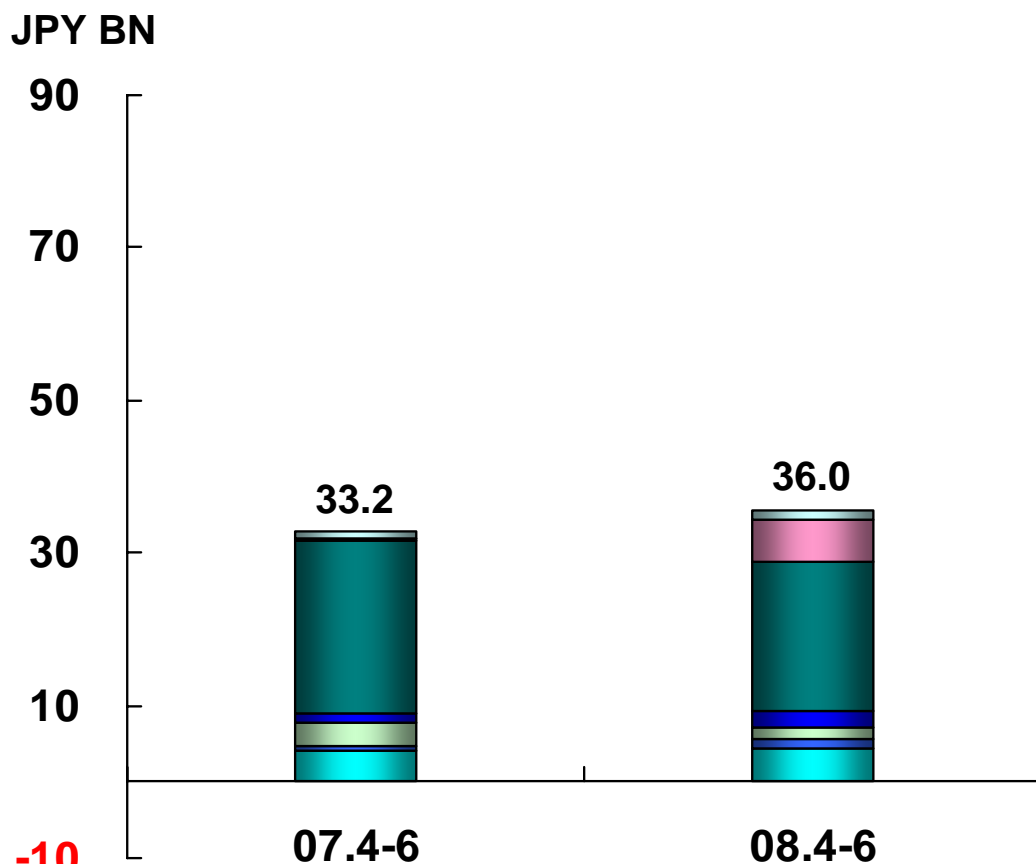
Other Subsidiaries    APLUS  
Shinki    Retail Banking

# Individual Group:

## Revenue Breakdown

➔ Individual Group making positive contribution to revenues

### Revenues



### Main Points

Shinki up as it was equity method affiliate in first quarter of last fiscal year and subsidiary this first quarter

APLUS down on stricter credit screening

Loans up from higher housing loan balance and deposit and debenture income up due to higher balance

Other Subsidiaries  
Shinki  
APLUS

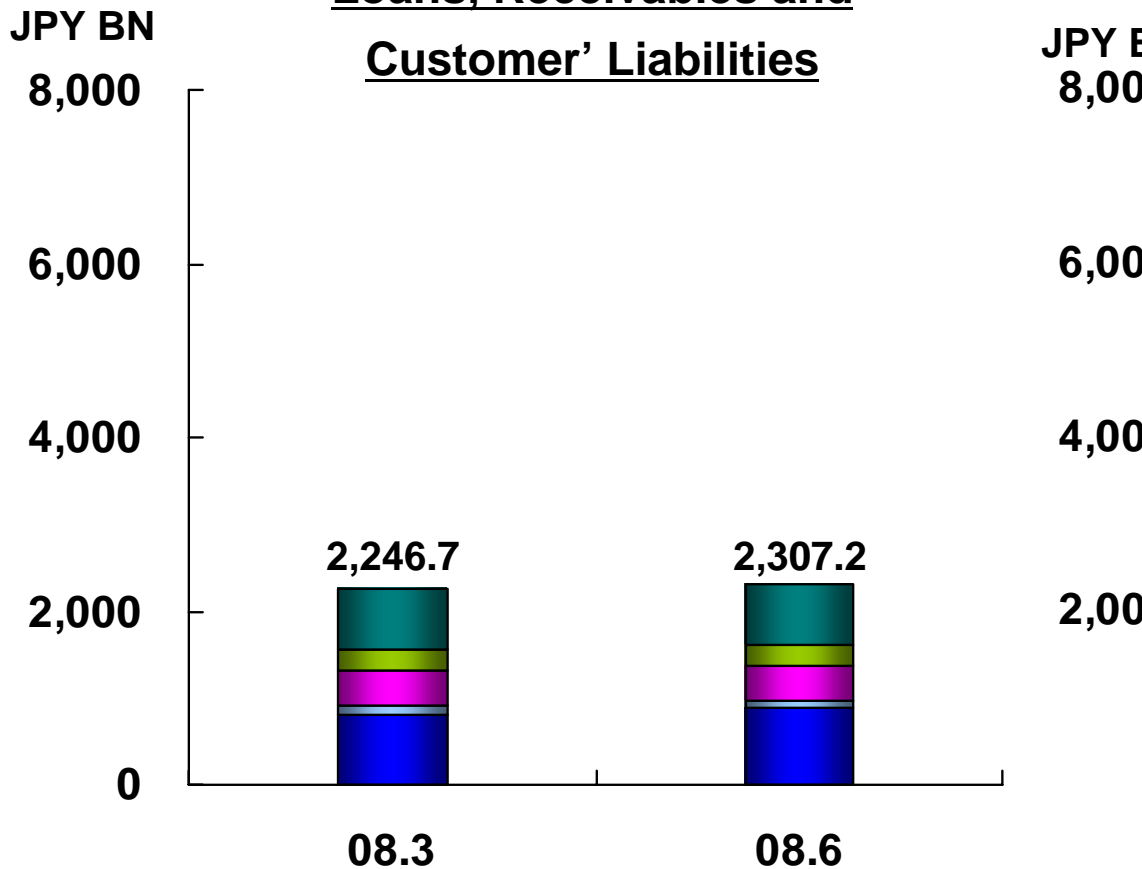
Loans  
Asset Management  
Deposits and Debentures Non-Interest Income  
Deposits and Debentures Net Interest Income

# Individual Group:

## Assets and Assets Under Management (AUM) & Customers

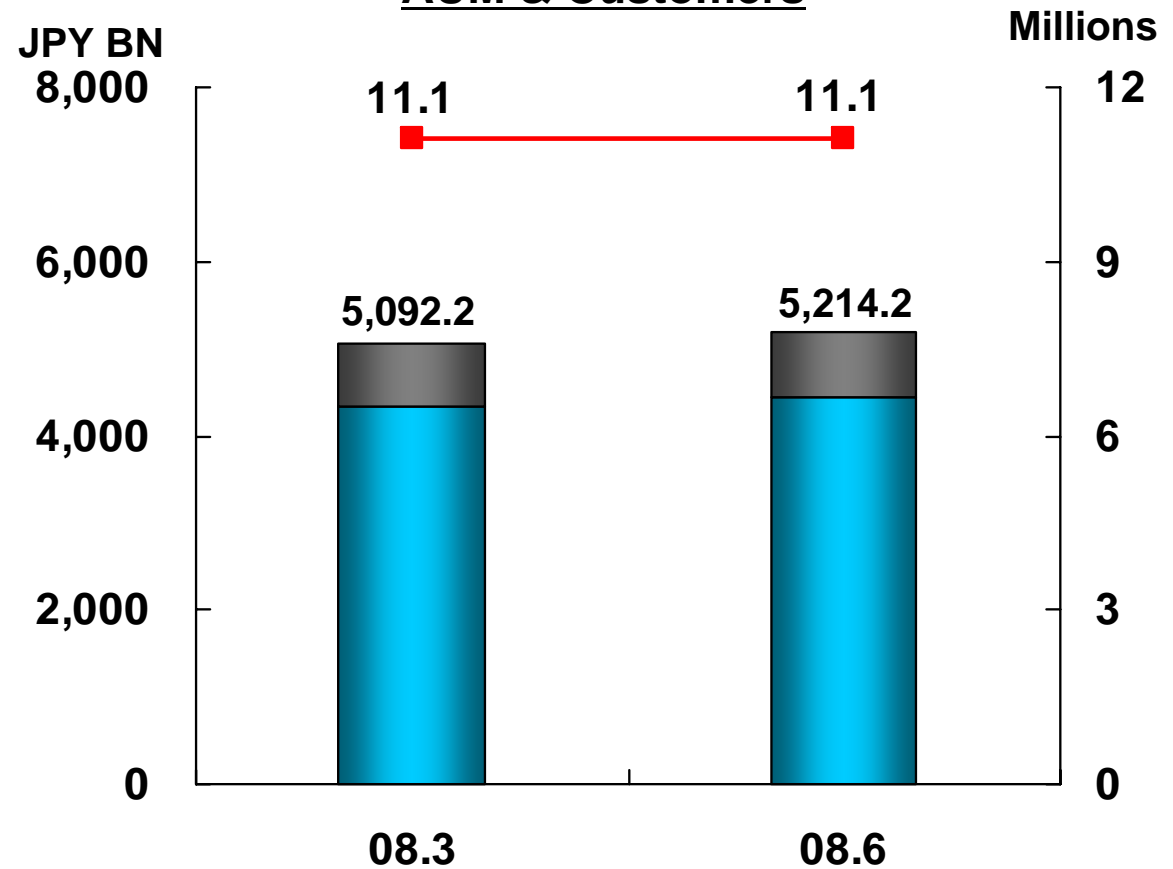
➔ Individual Group in growth stage with AUM increasing

Loans, Receivables and  
Customer' Liabilities



- Customers' Liabilities for Acceptances and Guarantees
- Installment Receivables (Consumer Finance)
- Loans to Consumer Finance Subsidiaries' Customers
- Other Retail Banking Loans
- Housing Loans

AUM & Customers

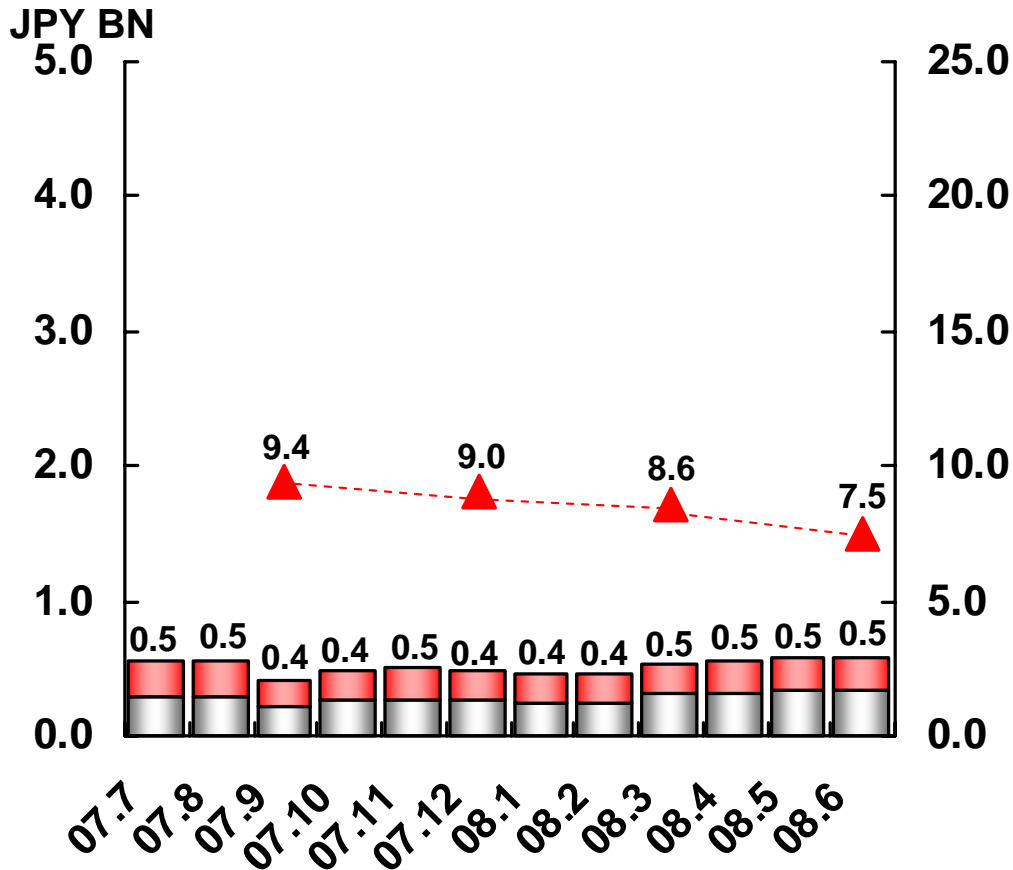


- Mutual Funds and Variable Annuities (lhs)
- Retails Deposits and Retail Debentures (lhs)
- Number of Customers (rhs)

# Individual Group: APLUS & Shinki Grey Zone Trend

➔ Flat grey zone trend continues

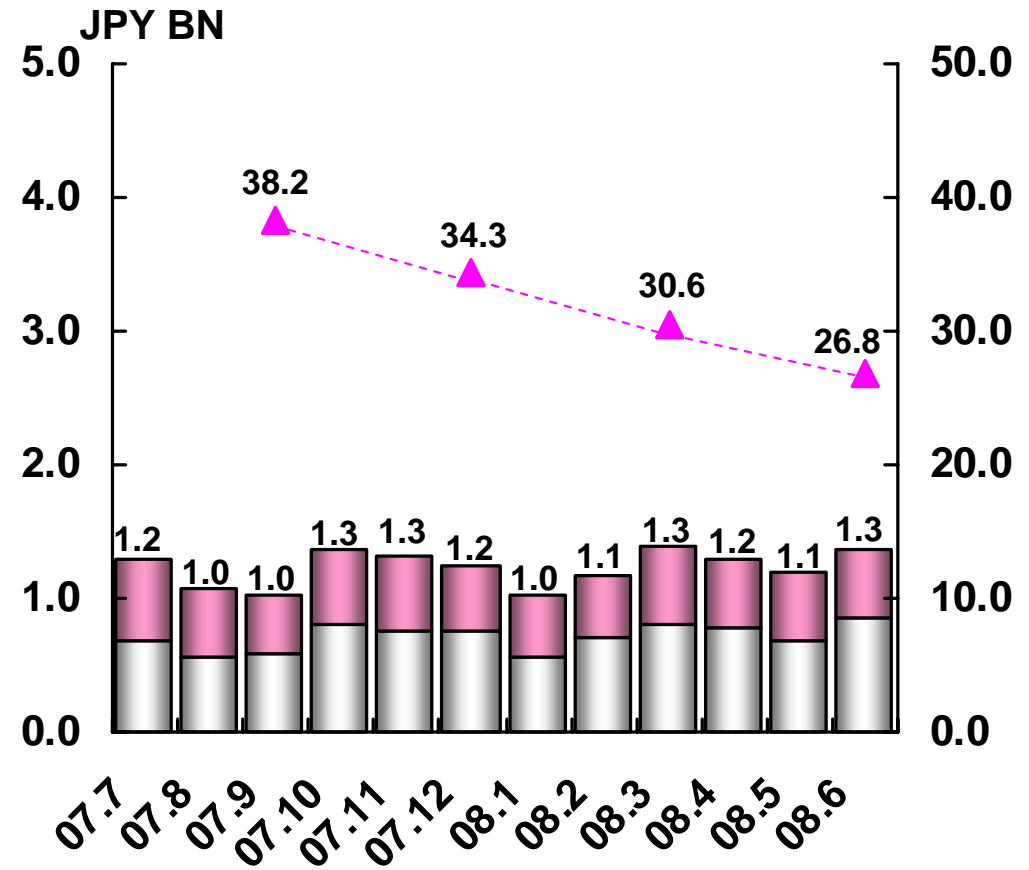
**APLUS Grey Zone Claims & Reserves\***



■ Debt Write-off Amount (lhs)    ▲ Reserves (rhs)  
 ■ Interest Repayment Amount (lhs)

\*APLUS consolidated data

**Shinki Grey Zone Claims & Reserves\***



■ Debt Write-off Amount (lhs)    ▲ Reserves (rhs)  
 ■ Interest Repayment Amount (lhs)

\*Shinki consolidated data

# Macroeconomic Environment:

## Japanese Economy

 More signs appear that Japanese economic growth continues to slow

### Real GDP Growth and National CPI

- Longest recovery (76 months) starting to show signs of softness, but still relatively better off
- Inflation coming mainly from rise in energy costs, but not expected to lead to rate hike yet

### Corporate and Personal Bankruptcies

- Number of corporate bankruptcies and associated liabilities up, but off a relatively low base
- Number of personal bankruptcies continues to drop year on year since peak in 2003

### Bank Lending and New Loan Rates

- Bank lending positive for last 29 months due to increase at regional banks and now city banks
- Average new loan rates still volatile and down y-o-y (regional banks higher than city banks)

### Land Prices and Office Rent/Vacancy Rates

- Pace of growth in land prices slowing with regional areas still negative
- Office rents continue to increase, but vacancies starting to creep up due in part to new supply



# Key Takeaways:

## FY08 First Quarter

### Consolidated Financial Summary

- Institutional Group's revenue down due to global turmoil, while Individual Group better yoy
- Decline in OBP due to lower revenues and inclusion of Shinki's expenses this FY
- Lower net income as Meguro Production Center gain lower than Life Housing Loan gain in prior 1Q
- No revision of net income target with inclusion of GE Consumer Finance in forecast

### Key Topics

- GE Consumer Finance acquisition expected to contribute immediately with no grey zone issue
- Securitized products balance continues to decline with no material U.S. RMBS charges
- Flat trend in grey zone refund payments becomes clear

### Institutional Group

- Includes Institutional Banking operations and Showa Leasing
- Loan and deposit demand remains steady
- Large impact from global market turmoil on business, including European ABI/ABS mark-downs

### Individual Group

- Includes Retail Banking, APLUS, Shinki and Shinsei Property Finance
- Improved results while continuing to add customers
- Inclusion of GE Consumer Finance expected to add better balance with Institutional Group



# Contact Information for Shinsei Bank

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# Forward Looking Statement

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- ✓ This document contains statements that constitute forward-looking statements, plans for the future, management targets, etc. relating to the Company and its subsidiaries. These forward-looking statements are based on current assumptions of future events and trends, which may be incorrect. Actual results may differ materially from those in the statements as a result of various factors.
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