Business and Financial Highlights
Fiscal Year Ended March 31, 2011

Shinsei Bank, Limited
May 16, 2011

Agenda

Executive Summary

Full Year Profit for the First Time in 3 Years. Back on the Offensive after Successful Capital Raising

1. **Full year consolidated profit and dividend planned for first time in three fiscal years. Consolidated net income more than tripled on initial forecast, due to improvement in earnings power and comprehensive expense reductions, as well as gains on repurchase of preferred securities, while making further provisions for potential risks**

   - **Top-line revenues** up JPY6.6 billion (2.3%) to JPY292.1 billion due to higher revenues in the Institutional Group, higher revenues in the Markets and Investment Banking Group which recorded gains from the divestiture of non-core business assets and an improvement in earnings power, steady performance in the retail banking business, in addition to higher gains on repurchase of preferred securities and subordinated debt. This was despite lower revenues in the consumer finance business due to the full implementation of the Money Lending Business Control and Regulation Law
   - **Expenses** down JPY25.5 billion (15.2%) to JPY142.8 billion, reflecting rigorous Group-wide rationalization and business right-sizing centered around consumer finance business. Both personnel and non-personnel expenses decreasing faster than shown in our Medium-Term Management Plan
   - **Net credit costs** down JPY43.9 billion (39.1%) to JPY68.3 billion, despite posting additional reserves for specialty finance and domestic real estate non-recourse finance businesses, and posting earthquake-related reserves (JPY6.1 billion) primarily at subsidiaries in 4Q
   - **Consolidated net income** up JPY182.8 billion to JPY42.6 billion, and consolidated cash basis net income up JPY107.5 billion to JPY53.8 billion, despite posting JPY10.1 billion in additional grey zone provisions at our consumer finance subsidiaries in 4Q, as interest repayments did not decrease in line with our initial expectations due to the effects of the Takefuji bankruptcy. Non-consolidated net income up JPY58.8 billion to JPY11.1 billion. Shinsei Financial, Shinki and APLUS FINANCIAL, as well as Showa Leasing, have all posted full year profits

2. **Reduction of non-core assets and domestic real estate non-recourse finance balance progressing ahead of schedule**

   - Reduction of non-core business assets through collections and disposal, and mitigation of industry concentration risk have progressed faster than outlined in our Medium-Term Management Plan
   - Also made progress in provisioning for potential risks in specialty finance and domestic real estate non-recourse finance businesses. New high-quality domestic non-recourse loan transactions and progress with asset replacement in 4Q

3. **Enhanced quality and quantity of capital through capital measures implemented in 2H, with capital ratios improving across the board, while maintaining steady liquidity**

   - Total consolidated capital adequacy ratio at 9.76%, Tier I capital ratio at 7.76%, both increasing 141 basis points year-on-year as a result of the issuance of common shares (JPY71.8 billion) in March 2011 and higher retained earnings, and lower risk-weighted assets reflecting their continued optimization and a decrease in loan assets, despite a reduction in foreign currency-denominated capital securities due to buybacks
   - Maintaining ample liquidity position with approximately JPY1.1 trillion of cash, cash equivalents and liquidity reserves as at March 31, 2011

4. **FY2011 forecasts in line with revised Medium-Term Management Plan**

   - Full year consolidated reported basis net income forecast at JPY22.0 billion, and consolidated cash basis net income forecast at JPY32.0 billion, in line with targets set forth in our revised Medium-Term Management Plan, while economic trends remain uncertain due to factors including the Great East Japan Earthquake. Non-consolidated net income forecast at JPY15.0 billion. Dividends on common shares forecast at 1 yen per share, also as outlined in our Revitalization Plan

Financial Results Overview

(JPY billion)

Earnings	FY2009 (12 months)	FY2010 (12 months)	(Reference) 1H FY2010 (6 months)
[Consolidated]			
Revenue	285.5	**292.1**	155.6
Expenses	168.3	**142.8**	72.8
Ordinary Business Profit (OBP)	117.1	**149.2**	82.8
Net Credit Costs	112.2	**68.3**	52.3
OBP after Net Credit Costs	4.8	**80.8**	30.4
Net Income	-140.1	**42.6**	16.8
Cash Basis Net Income	-53.7	**53.8**	22.7
[Non-Consolidated]			
OBP	20.9	**54.6**	40.2
Net Income	-47.6	**11.1**	9.3

Profitability	FY2009 (12 months)	FY2010 (12 months)	(Reference) 1H FY2010 (6 months)
Net Interest Margin (NIM)	2.47%	**2.19%**	2.31%
Expense-to-Revenue Ratio	59.0%	**48.9%**	46.8%
ROE (annualized)	-27.6%	**8.5%**	7.4%
Cash Basis ROE (annualized)	-10.6%	**10.7%**	9.9%
ROA (annualized)	-1.2%	**0.4%**	0.3%
Cash Basis ROA (annualized)	-0.5%	**0.5%**	0.4%

Asset Quality	2010.3	2010.9	2011.3
Total Assets	11,376	10,464	**10,231**
Risk Weighted Assets (“RWA”)	7,722	7,180	**6,653**
RWA / Total Assets (%)	67.9%	68.6%	**65.0%**
Non-performing Loans / Total Claims (%) (non-consolidated basis)	6.70%	6.52%	**6.78%**
Coverage Ratio[1] (%)	97.6%	96.3%	**96.8%**

Capital	2010.3	2010.9	2011.3
Basic Items (Tier I)	490.7	500.5	**516.7**
Amount Eligible for Inclusion in Capital (Tier II)	268.7	251.2	**231.8**
Deduction	-114.0	-109.6	**-98.6**
Total Capital	645.4	642.1	**649.9**
Total Capital Adequacy Ratio	8.35%	8.94%	**9.76%**
Tier I Capital Ratio	6.35%	6.97%	**7.76%**
Diluted Equity Per Share (yen)	232.72	232.54	**205.83**

Liquidity	2010.3	2010.9	2011.3
Liquidity Reserves[2]	1,292	1,375	**1,130**

[1] (Reserve for loan losses + collateral + guarantees) / Amount of claims (Non-consolidated basis)
[2] Cash, unencumbered JGBs and other assets pledged to Bank of Japan

FY2010 Highlights

Implementing Reform: Firm Management Commitment to Strengthening Corporate Structure

FY2010 - Solving Multiple Management Issues

- Announcement of Revised Medium-Term Management Plan
  - ✓ Bold and intensive Group-wide expense review
  - ✓ Revision of consumer finance asset projections and credit cost control
  - ✓ Development of healthcare finance, corporate restructuring and other new businesses
  - ✓ Exploring new business development opportunities in Asia
  - ✓ Capital policy aligned with Basel III

Management reform aimed at strengthening our financial base

March 2010

June 2010
- New Management
- Announcement of Medium-Term Management Plan

September 2010
- Exchange offers for Tier II subordinated notes

December 2010
- Repurchased USD 1,072 million of Tier I preferred securities
- APLUS FINANCIAL became a subsidiary of Shinsei Financial

February 2011
- JPY 71.8 billion of capital raising through international common share offering

- Established Healthcare Finance Division
- Shinsei Financial forged alliances with regional banks in unsecured personal loan guarantee business
- Established Corporate Support Division for SMEs
- Partnership with APLUS FINANCIAL in personal loan business
- Established subsidiary to provide capital to support corporate restructuring
- Alliance with India's YES Bank
- Alliance with Vietnam's Baoviet Holdings
- Strengthened economic/industrial research function
- Business Collaboration with Taiwan affiliate Jih Sun
- Joint ATM installation with Seven Bank
- Organizational changes in institutional banking business

Organizational reform aimed at expanding client base and strengthening core businesses

FY2011 - Shifting Gears

"Rebuilding the Customer Franchise in Japan"
"Establishing a Stabilized Earnings Base"

Back on the Offensive

Consolidated Net Income	JPY -140.1 billion (FY2009)	→	JPY 42.6 billion (FY2010)

FY2010 Highlights

Business: Steady performance while laying the groundwork for the future

FY2010 Areas of Focus

Institutional Group / M&I Group

- Focus on expanding customer franchise
- Continued reduction of non-core business assets
- Further enhance the provision of appropriate solutions for corporate, financial institutions and public sector customers, by leveraging our product development capabilities
- Group-wide efforts to provide capital, credit, consulting services and staffing support to customers with restructuring needs and growth companies

Individual Group

- Retail Banking
  - ✓ Stabilize funding base and promote lower funding costs
  - ✓ Further enhance asset management business
  - ✓ Further strengthen housing loan business
  - ✓ Expand branch network
- Consumer Finance
  - ✓ Appropriate response to MLBL[2]
  - ✓ Appropriate management of expenses and credit costs

Progress

Institutional Group / M&I Group

- Moved to two-group organization and consolidated sales divisions for more agile business promotion
- Established dedicated subsidiary for investment to support corporate restructuring in November 2010
- Closed deals in healthcare finance and corporate restructuring. Restarted ship finance business
- Recorded gains from divestiture of non-core business assets, accelerating reduction ahead of initial plans
- Forged alliances with Baoviet Holdings (Vietnam), YES BANK LIMITED (India), and Jih Sun (Taiwan)
- Promoting "aggressive" sales stance through disciplined coordination with Risk Management Group.

Individual Group

- Channeling maturing yen time deposits and structured deposits to Two-Week Maturity Deposits for enhanced funding efficiency
- Optimization of retail network through relocation and scrap-and-build. Opened 5 new Consulting Spots
- APLUS FINANCIAL extending partnerships: "Home Bridge Loan" (Shinsei, Kita-Nippon Bank), and affiliated loans (Shinsei). Expanding relationship with CCC[1] (T Points)
- Shinsei Financial forged alliances with 4 regional banks (by April) in unsecured personal loan guarantee business. Further cut costs through moving HQ and other measures
- All major consumer finance subsidiaries consolidated under Shinsei Financial for further integration of strategy and operational efficiency

[1] Culture Convenience Club Co., Ltd.

[2] Money Lending Business Control and Regulation Law

Management Vision

Establishing Solid Industry Position by Capitalizing on Strengths and Addressing Weaknesses

Management Principles

- A banking group that has stable earnings power, is depended upon by customers and that contributes to the development of both domestic and international industrial economies
- A banking group that has built on its past experience and history, values diverse talents and cultures and takes on new challenges
- A banking group that strives for transparent management and is valued and trusted by all stakeholders, including customers, investors and employees

Institutional Group, Global Markets Group

- *Utilize our strengths to stabilize revenue*
- *Shift from a passive to a proactive operational stance, focus on areas that will contribute to sustainable development of society*

  Support development of industries that will meet society's future welfare and environmental needs

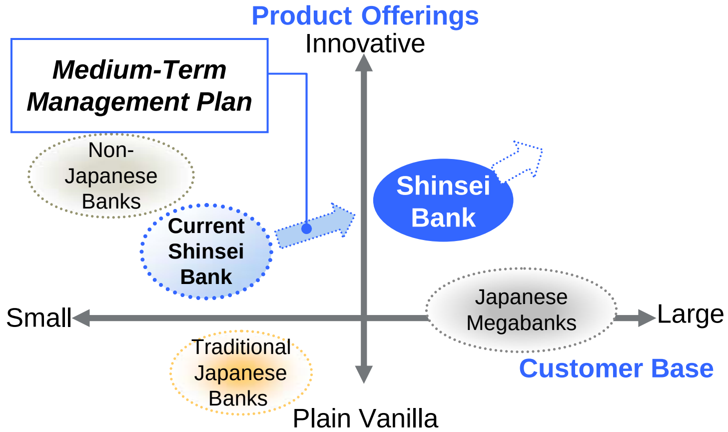
  Strengthen role as incubator of new technologies, and build a framework that unites industry, government and academia

  As cross-industrial coordinator, unlock growth potential by the application of existing technologies in different fields and geographical regions

Customers

Goals of Medium-Term Management Plan

"Rebuilding the customer franchise in Japan"
"Establishing a stabilized earnings base"



Individual Group

- *Achieve stable, low funding costs*

  Offer unique deposit products through convenient channels
- *Providing unique housing loan products*
- *Investment Consultant*
  Utilize Consulting Spots, high-level consulting capabilities and varied product line-up to meet customers' asset management needs
- *Further strengthen consumer finance business*
  Pursue synergies between Bank and consumer finance subsidiaries

Strengths		Opportunities	
■ Diversity ■ Tailor-made solutions	■ High customer satisfaction ■ Swift decision making, agile execution	■ New customers ■ "Responsible consumer lending"	■ Niche businesses ■ Ever-changing lending and investment needs of customers
Weaknesses		**Threats**	
■ Volatility of earnings	■ Smaller customer base	■ Fierce competition	■ Political, legislative and economic uncertainties

FY2011 Initiatives

Back on the Offensive

FY2011 Initiatives

- Continue working on FY2010 areas of focus
- In addition to core businesses and further development of FY2010 initiatives, we will pursue the following new initiatives in FY2011

FY2011 New Initiatives

Global Markets Group
Institutional Group

- Aligning organization with customer attributes to unlock further business synergy and create more agile sales structure
- Preparation and action to provide support for development of new industries
- Proactive efforts to support recovery after Great East Japan Earthquake
- Set to work on concrete development of Asia-related business
- Enhance asset management proposals for institutional customers
- Advancement of ALM capabilities through strengthening Markets business

Individual Group

- Enhancing asset management business and development of investment products that meet individual customers' needs
- Enhancing asset management consulting services targeting retirement-aged customers
- Further strengthen housing loan business through expanding new disbursements
- Leverage Group companies' credit assessment and marketing expertise, and integrate into Bank to meet sound demand for personal loans
- Realize greater synergies including further development of credit guarantee business by fully leveraging Bank's network with financial institutions
- Implementing more efficient marketing activities, including effective campaigns

Progress on Revised Medium-Term Management Plan

Generally on target towards rebuilding customer franchise and stabilizing earnings, although uncertainties remain

(Consolidated, JPY billion)

		FY2010 Actual	FY2012 Plan	Level of Progress[1]	Comment on Progress
Earnings	Revenue	292.1	258.0	△	■ Revenue will be impacted by lower level of consumer finance operating assets, but will work to grow top-line by building up assets through expanding institutional customer base and winning transactions in post-earthquake business environment
Earnings	Expenses	142.8	140.0	◎	■ Expense reductions exceeding expectations due to intensive efficiency improvements
Earnings	Net Credit Costs	68.3	49.0	◎	■ Conservative provisioning largely completed in FY2010. Credit costs should run at operating speed going forward
Earnings	Net Income	42.6	51.0	○	■ Expect net income to progress generally in line with MTMP[3]
Assets	Operating Assets (Institutional)	6,870	6,660	○	■ New customer and borrower numbers increasing as efforts to "rebuild the customer franchise in Japan" progress. Expect balance growth going forward
Assets	Operating Assets (Individual)	2,430	2,500	△	■ Speed of decline in consumer finance assets greater than initial expectations
Assets	Deposits	5,610.6	n.a.	○	■ Expect deposit balance to reach an appropriate level due to improvements in funding efficiency
Assets	Non-core Business Assets	618.7	543.0	◎	■ Reduction of non-core business assets progressing much more rapidly than planned
Profitability	ROE	8.5%	At least 8%	○	■ Expect to achieve target level through efficient capital management while paying attention to asset quality
Profitability	ROE (Cash Basis)	10.7%	At least 10%	○	
Capital	Risk Weighted Assets	6,653	Basel III Basis: 7,800	◎	■ RWA optimization progressed due to reduction of non-core business assets. Project higher RWA going forward as assets grow
Capital	Total CAR Tier I Ratio Common Equity Tier I Ratio	9.76% 7.76% -[2]	Basel III Basis: 10% 7% 5%	◎	■ JPY71.8 billion capital raising (March 2011) surpassed initial MTMP assumption of JPY50 billion. Together with other capital-strengthening measures, improved quantity and quality of capital

[1] ◎Exceeding expectations; ○ In line with expectations; △ Below expectations [2] Estimated at 5.6% on Basel III basis [3] Medium-Term Management Plan

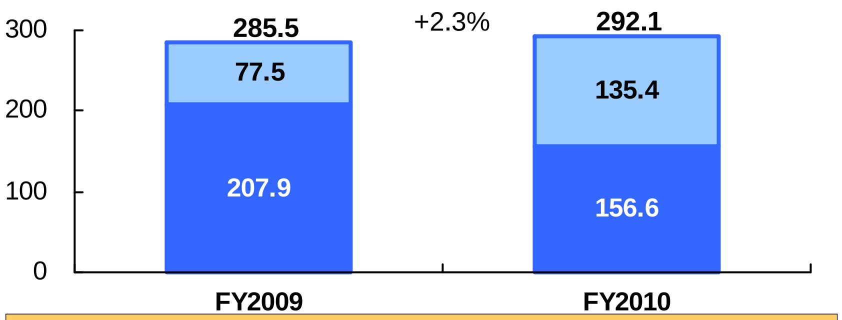
Revenue

Institutional businesses improved while Individual Group decreased in line with expectations

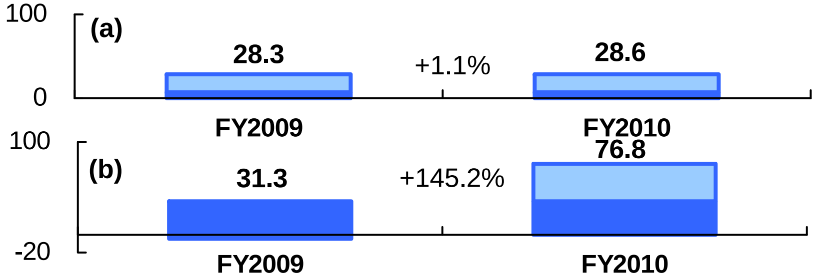
(Consolidated, JPY billion)

Total Revenue[1] ***《Medium-Term Management Plan (MTMP) target for FY2012 (full year): 258.0》***

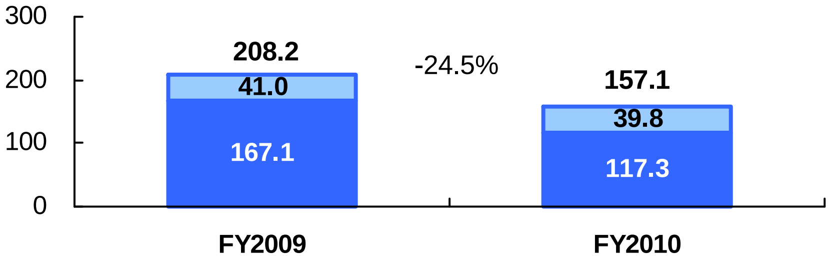
Total



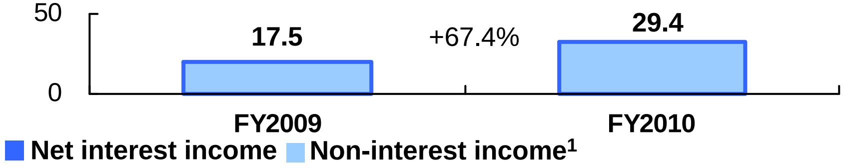
Institutional Group (a), M&I Group (b)



Individual Group



Corporate/Other



《Main Points》

- Increased as M&I Group recorded higher revenues on gains from divestiture of non-core business assets and recovered earnings power, retail banking progressed steadily, and gains were recorded on repurchase of preferred securities and subordinated debt, offsetting lower revenues in consumer finance due to impact of MLBL[2]

Institutional Group, M&I Group:

- Higher revenues in Institutional Group as it worked to increase new borrowers while promoting cross-selling to existing clients
- Higher revenues in M&I Group due to steady performance of core businesses, fewer factors responsible for non-recurring investment-related losses, and recorded gains from sale and revaluation of non-core business assets

Individual Group:

- In retail banking, interest income from housing loans and fee income from securities intermediary business increased despite a decrease in asset management-related fee income
- Interest income decreased in the consumer finance business as result of lower operating assets and lower lending rates

Corporate/Other:

- Gains on repurchase of preferred securities and subordinated debt increased from JPY20.9 billion in FY2009 to JPY29.4 billion in FY2010

[1] Includes income on leased assets and installment receivables

[2] Money Lending Business Control and Regulation Law

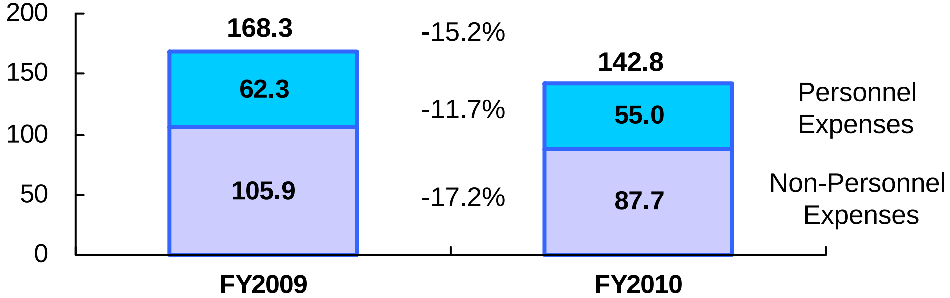
General and Administrative Expenses

Expense rationalization progresses ahead of Plan across the Group

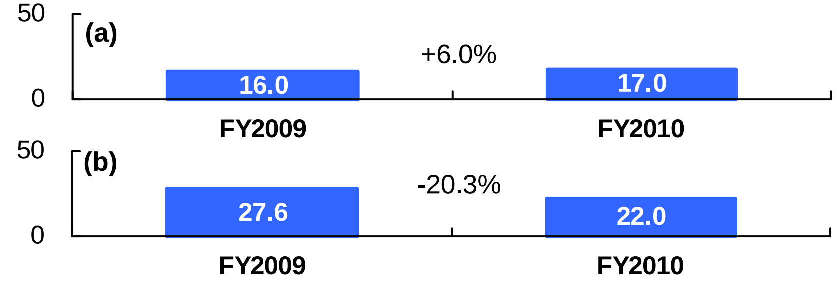
(Consolidated, JPY billion)

General and Administrative Expenses *《MTMP target for FY2012 (full year): 140.0》*

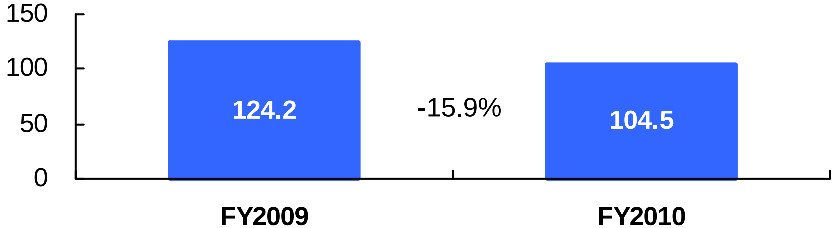
Total



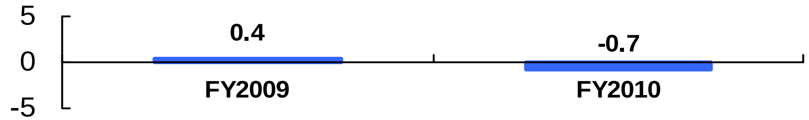
Institutional Group (a), M&I Group (b)



Individual Group



Corporate/Other



■ **General and Administrative Expenses**

《Main Points》

- Reducing expenses faster than outlined in MTMP due to business right-sizing and determined rationalization in each business area

Institutional Group, M&I Group:

- Increase in expenses in Institutional Banking as we focused on areas such as healthcare and corporate restructuring businesses where the Bank can demonstrate its unique strength as part of efforts to rebuild the customer franchise
- Lower expenses in M&I Group due to the scaling down/divestiture of non-core businesses and ongoing business-wide rationalization

Individual Group:

- Advertising expenses declined by JPY2.9 billion due to optimization of advertising activities
- Premises expenses declined by JPY3.7 billion at consumer finance subsidiaries due to branch optimization
- Technology and data processing expenses declined by JPY3.4 billion in the consumer finance business due to ATM sharing and optimization between Shinsei Financial and Shinki

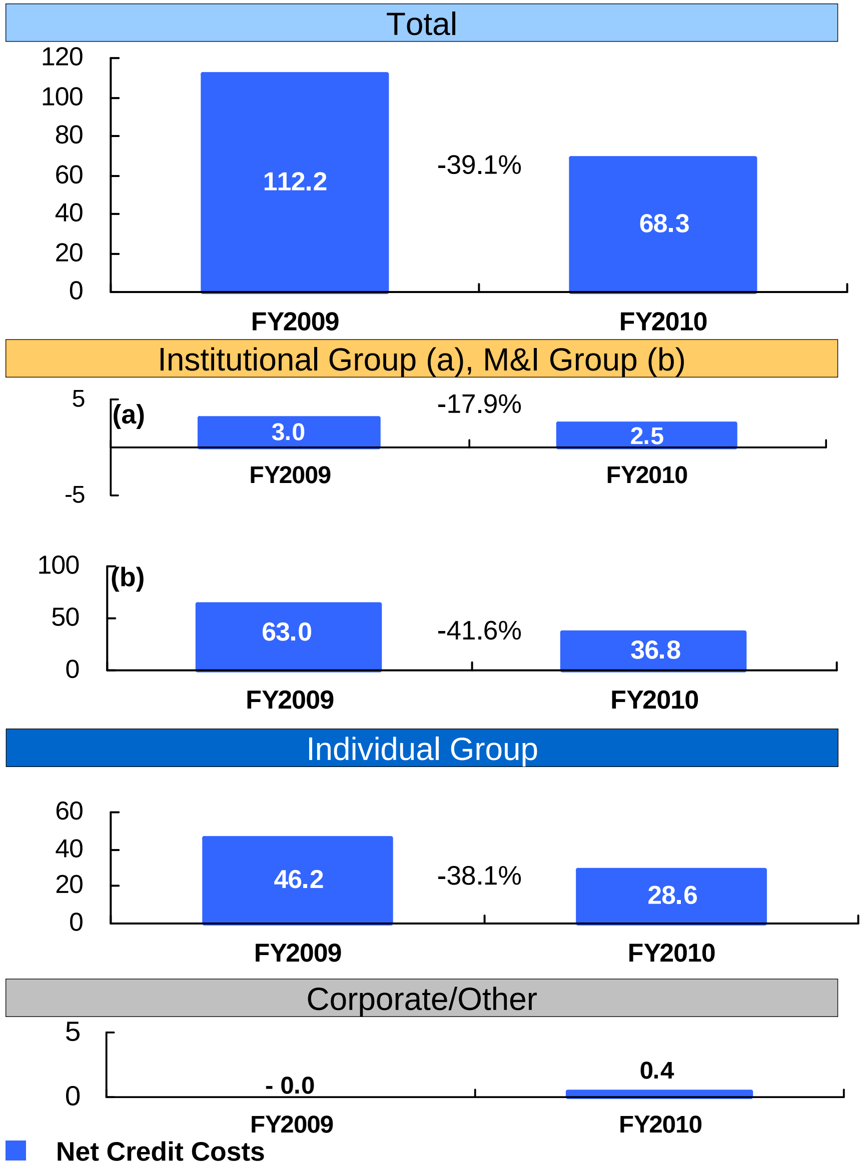
Net Credit Costs

Prudent reserves recorded for institutional business, net credit costs lower in Individual Group due to lower balance and strict credit control

Profitability

(Consolidated, JPY billion)

Net Credit Costs ***《MTMP target for FY2012 (full year): 49.0》***



《Main Points》

- Lower despite posting additional reserves for specialty finance and domestic real estate non-recourse finance businesses, and making reserves in 4Q related to the Great East Japan Earthquake primarily at subsidiaries

Institutional Group, M&I Group:

- Higher recoveries in Institutional Banking business due to strict credit management and collections on doubtful debts, resulting in overall reversal of provisions for credit losses of JPY0.9 billion
- While net credit costs declined at Showa Leasing due to strict credit management and decrease in operating assets, reserves of JPY1.6 billion recorded in relation to Great East Japan Earthquake
- In M&I Group, credit costs declined overall as reduction of non-core business assets offset reserving against potential risks in specialty finance and domestic real estate non-recourse finance

Individual Group:

- Net credit costs decreased at consumer finance subsidiaries reflecting change in credit assessment policy following implementation of MLBL and restriction of additional lending
- In retail banking, higher reserves on housing loans purchased from Shinsei Financial

Major Items Included in Results of Operations

One-off, investment-related losses decreased; made additional prudent provisioning

(Consolidated, JPY billion)

	3Q FY2010 (9 months)	4Q FY2010 (3 months)	FY2010 (12 months)
Gains included in revenue	38.6	2.3	**40.9**
Gain from buyback of preferred securities, subordinated debt	28.9	0.5	**29.4**
Gain from sale and revaluation of ABS and ABI	5.2	1.8	**7.0**
Gain from the sale of CLOs	4.3	-	**4.3**
Major positive items (1)	38.6	2.3	**40.9**
Mark-downs/impairments included in revenue	-3.3	-3.5	**-6.8**
Domestic real estate non-recourse finance (bonds)	-2.7	-0.9	**-3.7**
ABS, ABI	-	-1.9	**-1.9**
Domestic real estate principal investments	-0.5	-0.6	**-1.1**
Items included in net credit costs	-31.1	-10.6	**-41.7**
Specialty finance	-17.1	-2.7	**-19.9**
Domestic real estate non-recourse finance	-15.1	-4.3	**-19.5**
Great East Japan Earthquake related provisions	-	-6.1	**-6.1**
ABI	1.1	2.6	**3.7**
Items included in other losses	-3.5	-14.5	**-18.0**
Grey zone related reserves	-	-10.1	**-10.1**
Restructuring costs at subsidiaries	-	-4.4	**-4.4**
Asset retirement obligation costs	-3.5	-	**-3.5**
Deferred income tax (Bank non-consolidated)	-1.8	0.2	**-1.5**
Major negative items (2)	-39.8	-28.4	**-68.2**
(1)+(2)	**-1.2**	**-26.1**	**-27.3**

Completed tender offer for preferred securities, exchange offer for subordinated debt:

- Recorded gains of JPY29.4 billion on the repurchase of preferred securities and subordinated debt

Divestiture of non-core business assets:

- Recorded gains of JPY4.3 billion on the sale of CLOs, JPY7.0 billion from sale and revaluation of ABS and ABI, and JPY3.7 billion on reversal of reserves for ABI
- Mark-downs and impairments of JPY1.9 billion related to ABS and ABI, JPY1.1 billion related to domestic real estate-related investments etc.

Conservative and prudent provisions for potential risks:

- Recorded reserves of JPY19.9 billion within specialty finance (LBO-related)
- Total of JPY23.2 billion of provisioning related to domestic real estate non-recourse finance (JPY19.5 billion related to lending, JPY3.7 billion related to corporate bonds)
- Additional JPY10.1 billion in grey zone related reserves recorded in 4Q (JPY4.7 billion at Shinsei Financial, JPY2.1 billion at Shinki and JPY3.2 billion at APLUS FINANCIAL)

Earthquake-related provisions:

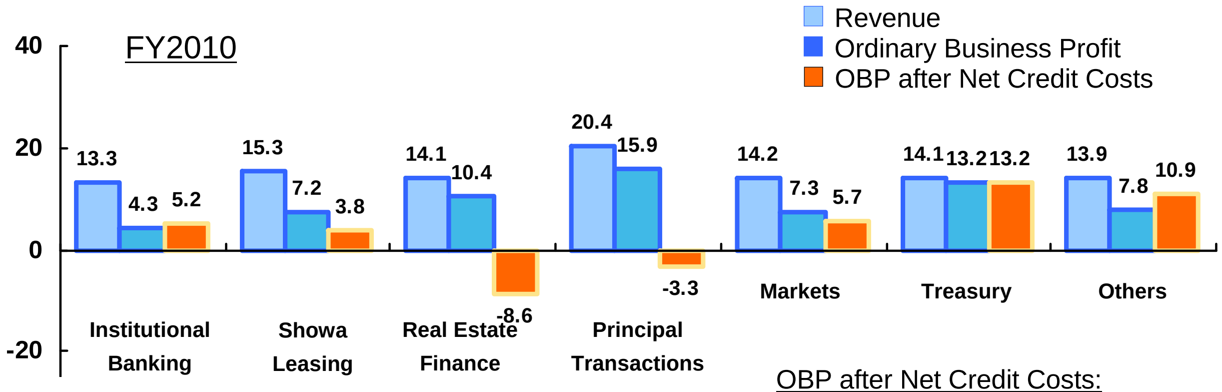
- Recorded earthquake-related reserves of JPY6.1 billion mainly within subsidiaries

Performance by Segment: Institutional Group, M&I Group

Improvement in earnings power as result of steady implementation of operational strategy

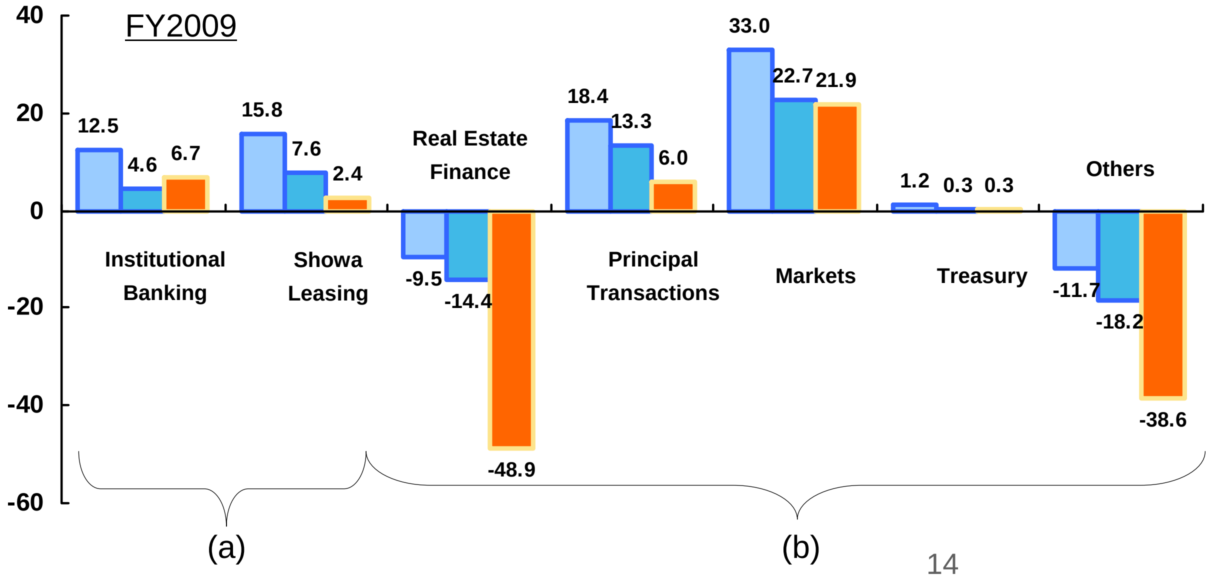
(Consolidated, JPY billion)

Institutional Group (a), M&I Group (b)



OBP after Net Credit Costs:

	Institutional Group Total (a)	M&I Group Total (b)
FY2010	9.1	18.0
FY2009	9.2	-59.2



Businesses with <u>higher revenues and higher OBP after net credit costs</u> y-o-y:

- "Real estate finance" higher due to decrease in losses on domestic real estate principal investments (JPY-35.1 billion→JPY-1.1 billion). Made provisions for potential risks
- "Treasury" higher due mainly to gains on sale of JGBs
- "Others" higher due to recovery of overseas credit trading business, gains on the sale and revaluation of asset-backed investments and asset-backed securities

Businesses with <u>higher revenues, lower OBP after net credit costs</u> y-o-y:

- "Institutional banking" focused on channeling resources into areas where the Bank can demonstrate its unique strength as part of efforts to rebuild the customer franchise
- "Principal transactions" saw improvement at Jih Sun (JPY-3.8 billion→JPY2.1 billion) in addition to strong domestic credit trading business

Businesses with <u>lower revenues, higher OBP after net credit costs</u> y-o-y:

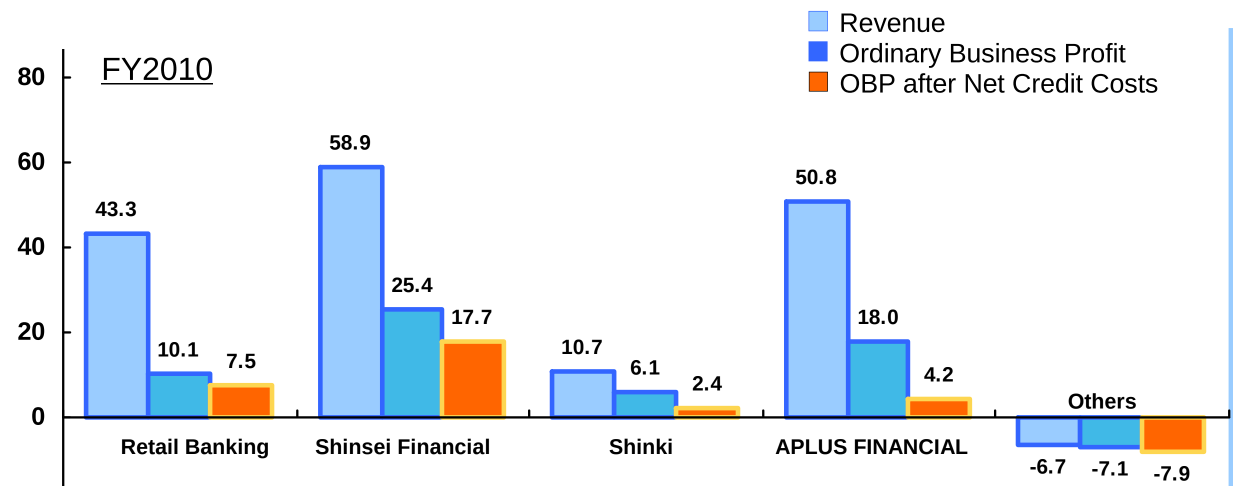
- "Showa Leasing" had higher profits due to strict credit control despite lower operating assets
- "Markets" enjoyed steady customer transaction business despite lower non-recurring gains on sale of securities (CLOs etc.)

Performance by Segment: Individual Group

Lower interest income at consumer finance subsidiaries, steady retail banking business

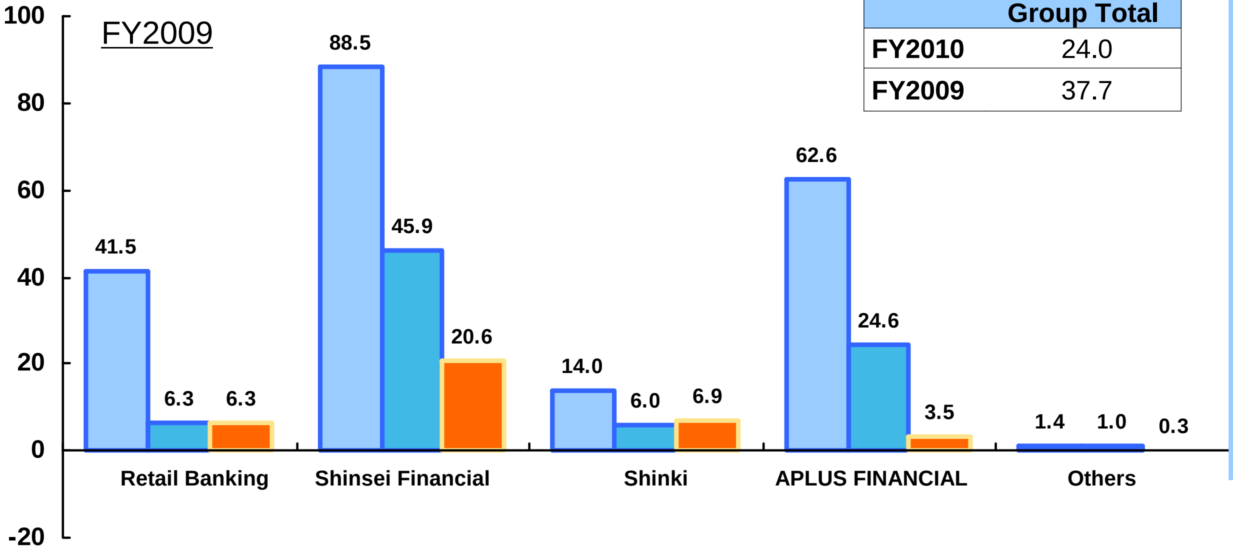
(Consolidated, JPY billion)

Individual Group



OBP after Net Credit Costs:

	Individual Group Total
FY2010	24.0
FY2009	37.7



Businesses with <u>higher revenues and higher OBP after net credit costs</u> y-o-y:

- "Retail banking" higher due to interest income from housing loans acquired from Shinsei Financial, fee income from securities intermediary business, and strong sales of foreign currency deposits. Profit up despite recording JPY0.5 billion in earthquake-related reserves

Businesses with <u>lower revenues, higher OBP after net credit costs</u> y-o-y:

- "APLUS FINANCIAL" offset lower interest income with expense reductions through rationalization and controlled credit costs through strict credit management to increase profits despite recording JPY1.6 billion in earthquake-related reserves

Businesses with <u>lower revenues, lower OBP after net credit costs</u> y-o-y:

- "Shinsei Financial" partially offset lower interest income with expense reductions and lower credit costs (but also recorded JPY1.8 billion in earthquake-related reserves in FY2010)
- "Shinki" largely offset lower interest income through expense reduction but recorded lower profit due to absence of reversal of reserves of previous fiscal year (but also recorded JPY0.4 billion of earthquake-related reserves in FY2010)

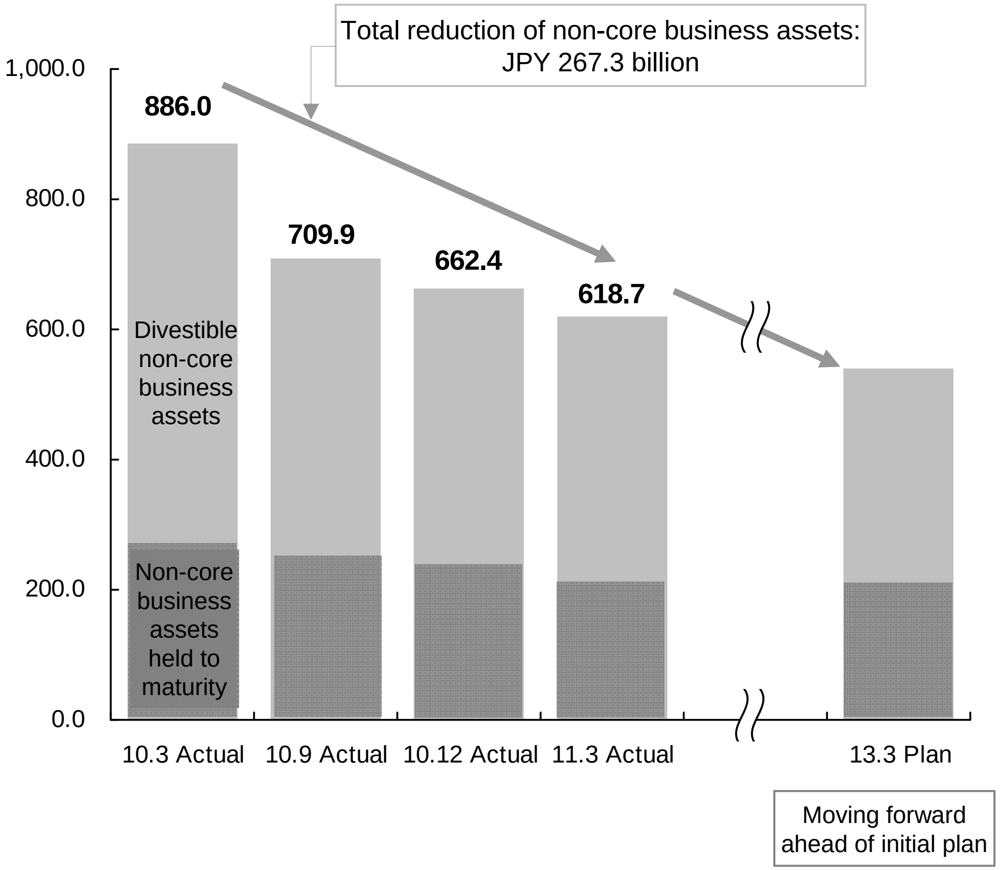
Divestiture of Non-Core Business Assets

Divestiture moving forward more rapidly than outlined in our Medium-Term Management Plan (reduce divestible non-core assets by approximately 50% by March 31, 2013)

(Consolidated, JPY billion)

Divestiture of non-core business assets

*Reduce divestible non-core business assets by approximately 50% by end of Medium-Term Management Plan (March 31, 2013)



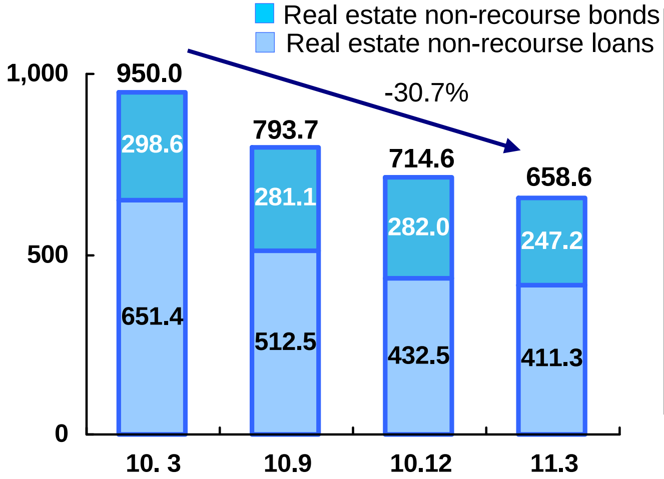
- In FY2010, reduced JPY267.3 billion of ABS, ABI and other non-core business assets and divestiture moving ahead more rapidly than outlined in Medium-Term Management Plan
- Recorded gains in the process of asset reduction, and going forward, non-recurring gains from sales of non-core business assets are expected to decline
- Balance of non-core business assets held to maturity gradually declining due to redemption or maturity
- With the steady progress in divestiture of non-core business assets, expect downside risks to decline to a sufficiently manageable level
- While pace of divestiture could slow down going forward depending on market environment, we will continue at a pace faster than outlined for March 31, 2013
- As at March 31, 2011, overseas ABS balance reduced to JPY44.5 billion, overseas ABI reduced to JPY35.1 billion (includes JPY13.1 billion in risk monitored loans with coverage ratio of 100%)

Real Estate Non-Recourse Finance Exposure

Lower balance and conservative collateral valuation

(Non-consolidated, JPY billion)

Real Estate Non-Recourse Finance Balance



Real Estate Non-Recourse Finance Balance and Coverage Ratios by Credit Category[1]

(as at March 31, 2011)

	B/S Balance	Reserves for Loan Losses	Collateral/ Guarantees	Coverage Ratio	Partial Write-Off[2]	(Reference) Balance 2010.12	(Reference) Balance 2010.3
Normal	158.6	0.7				172.1	452.3
Need Caution	264.9	5.8				278.9	192.5
Performing Loans sub-total	423.6	6.6				451.0	644.8
Substandard/Possibly Bankrupt	194.5	31.3	155.9	96.2%	-	214.6	238.4
Virtually/Legally Bankrupt	40.4	-	40.4	100%	33.6	49.0	66.7
Non-Performing Loans sub-total	234.9	31.3	196.3	96.9%	33.6	263.6	305.2
Total	**658.6**	**38.0**			**33.6**	**714.6**	**950.0**

[1]Real estate non-recourse bonds are marked to market (market value = balance). Of the total amount, JPY 205.6 billion (balance as at March 31, 2011) in non-recourse bonds not guaranteed by the Bank are not included as claims classified under the Financial Revitalization Law

[2]Amount of Partial Write-Off shows accounting reductions made to the loan balance. The claim on the borrower is for the loan balance (as shown on the balance sheet) and the amount of partial write-off.

Real Estate Non-Recourse Exposure by Region and Asset Category

(as at March 31, 2011)

Region	
Kanto (mainly Tokyo)	59.2%
Kansai (mainly Osaka)	14.2%
Other Regions	12.6%
Portfolio (Diversified)	14.0%
Total	100.0%

Category	
Office	36.5%
Retail	15.6%
Residential	10.1%
Hotel	7.9%
Land	14.6%
Development	3.4%
Industrial/Parking/Other	3.8%
Other Portfolio (Diversified)	8.1%
Total	100.0%

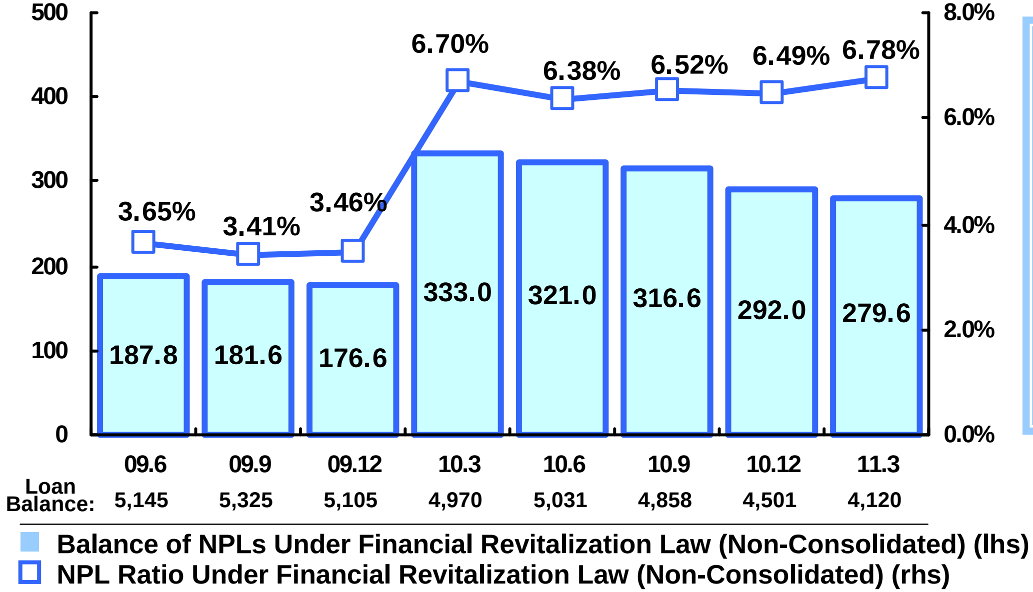
- Conservative valuation of collateral
  - Actual sales value of collateral properties is generally higher than Shinsei Bank’s valuation. (Sales value has been approximately 13% higher than Bank’s valuation in collections made via the sale of properties during FY2010)
  - Rent levels used for property valuations are set conservatively, based on a comparison of rent paid by existing tenant (occupant) and market levels
  - Collateral for delinquent loans is valued conservatively using a “fire sale price” that is 20%-30% lower than market trends
- Almost all development-type exposures, including land, which are considered comparatively higher risk, have been downgraded to Substandard or below
- Ensure forward-looking collateral valuations in anticipation of continued market slowdown, while continuously monitoring the appropriateness and prudence of factors affecting collateral values (rents, vacancy rates, cap rates etc.) to make timely and appropriate revaluations

Non-Performing Loans (NPL) and Coverage Ratios

Real estate non-recourse finance makes up majority of NPLs; high coverage ratio

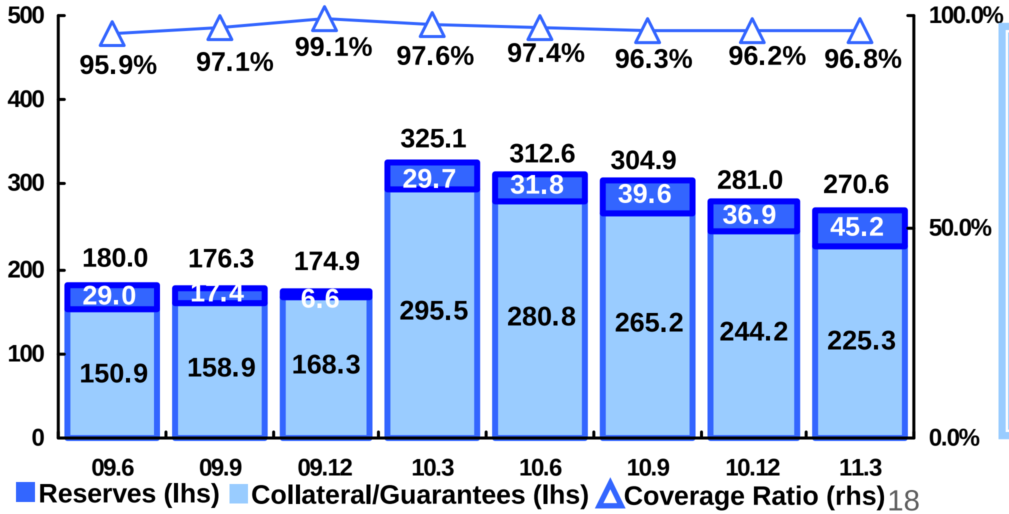
(Non-consolidated, JPY billion)

Balance of NPLs, NPL Ratio



- NPL ratio remains at high level in March 2011 due to decrease in overall loan balance, but balance of NPLs steadily declining since March 2010
- Most of the decrease in the NPL balance during FY2010 was real estate non-recourse finance related

NPL Coverage



- Maintaining high coverage ratio
- Collateral/guarantees account for high proportion of coverage, but applying conservative valuation standards

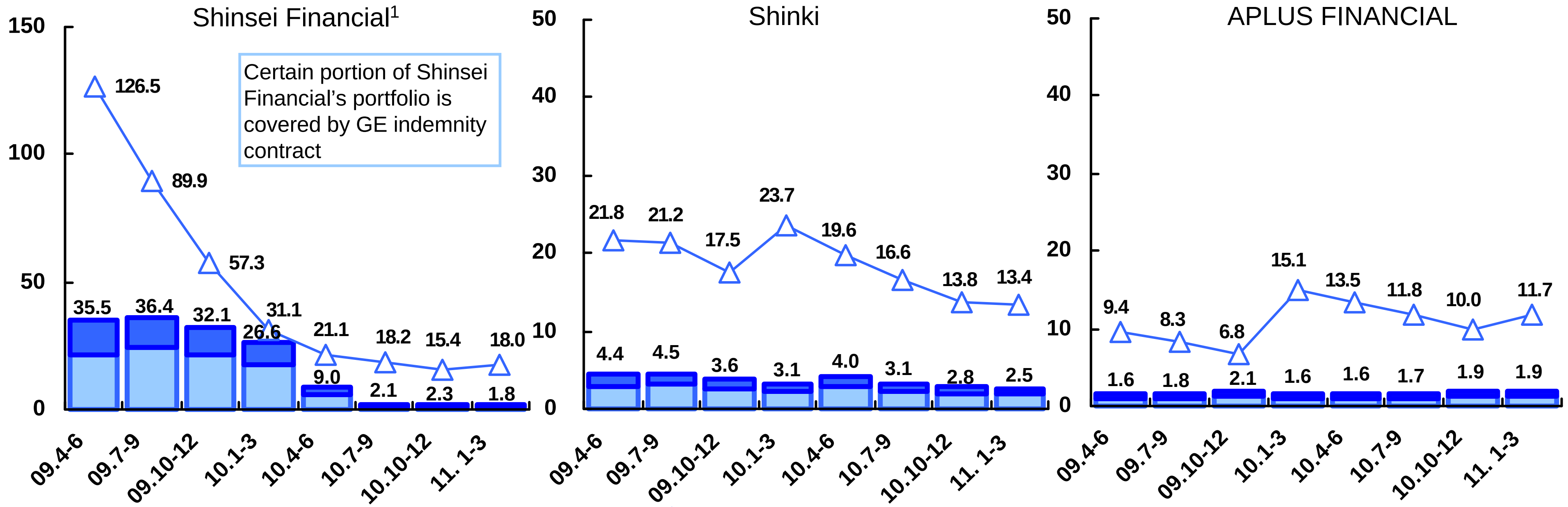
Asset Quality

Grey Zone Interest Repayment, Reserves and Disclosure Claims

Additional provisioning in March 2011, disclosure claims on decreasing trend again since March *(JPY billion)*

Amount of Interest Repayment and Reserve for Losses

- JPY10.1 billion of additional provisioning for interest repayments in 4Q



[1] Interest repayment amount is net of refunds subject to GE indemnification

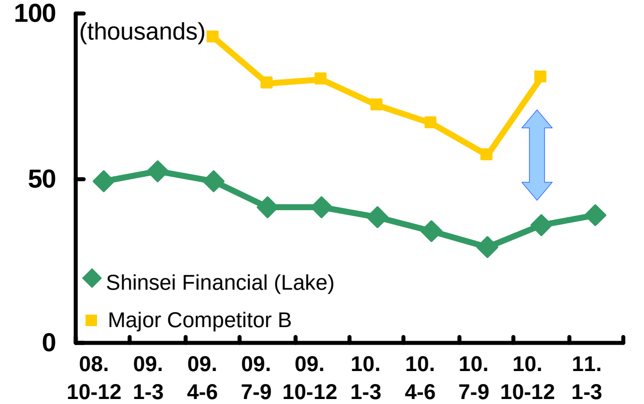
Disclosure Claims

○ Peak level (thousands)

	08. 10-12	09. 1-3	09. 4-6	09. 7-9	09. 10-12	10. 1-3	10. 4-6	10. 7-9	10. 10-12	11. 1-3	10 Qtr. Ave.	11. 1	11. 2	11. 3	11. 4
Shinsei Financial	48.6	52.4	48.5	41.2	41.0	38.1	34.4	29.0	36.2	**38.6**	40.8	11.5	14.3	12.6	9.0
Shinki	10.0	10.3	9.2	7.7	7.5	6.4	5.8	5.2	6.1	**6.2**	7.4	1.7	2.3	2.1	1.3
APLUS FINANCIAL	4.7	5.2	5.7	5.4	4.8	4.4	4.5	4.3	4.8	**4.6**	4.8	1.4	1.6	1.5	1.6

- Disclosure claims increased in February 2011 due to deadline for Takefuji claim applications, but have generally been on a decreasing trend since March
- 4Q disclosure claims continue to be lower than past peak levels

Disclosure Claim Trend Differs from Competitors

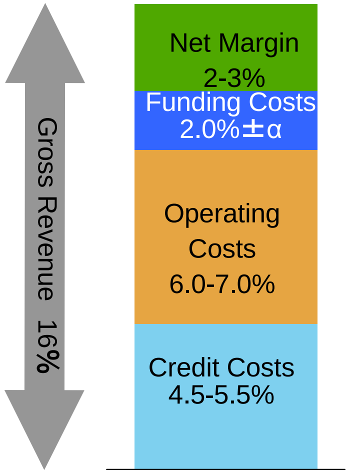


Source: Publicly disclosed documents available as of 2011/5/13

Shinsei Financial

Securing Leading Position through Strict Expense Reductions, Credit Control & Cost Competitiveness

Shinsei Financial's (Lake) White Zone Earnings Model



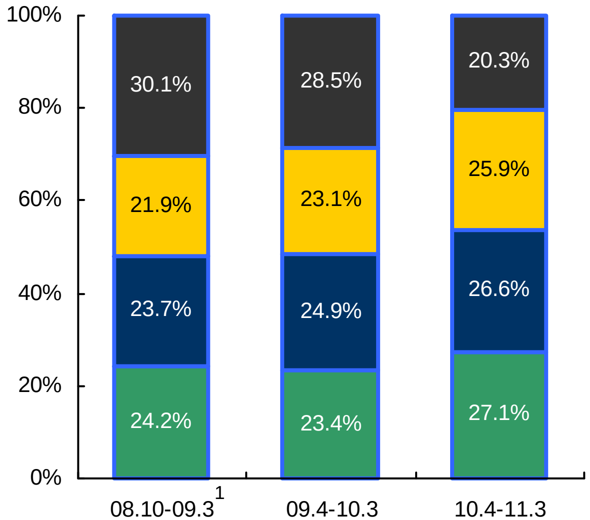
【The Shinsei Financial (Lake) Difference】

- Low consolidated funding costs as 100% Bank subsidiary
- Full Bank support for management efficiency and synergy generation
- GE indemnity for grey zone interest repayment liabilities
- Interest repayment trends differs from competitors

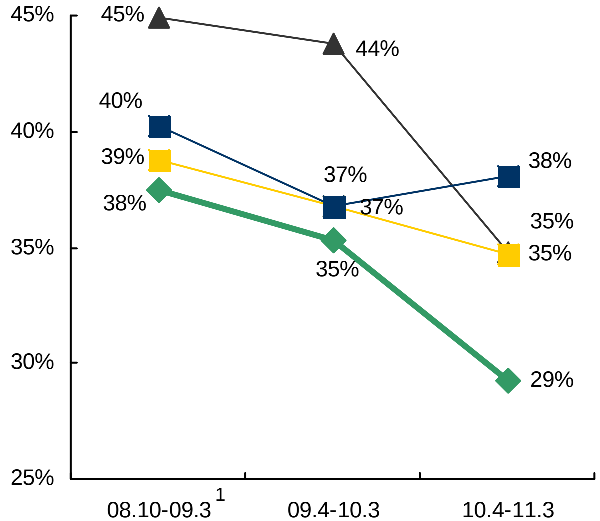
【Leading Position as Major Player】

- Top share for new applications through strong brand recognition and effective marketing
- More prudent approval rate among the major players due to strict assessment criteria
- Maintains high market share with efficient branch network

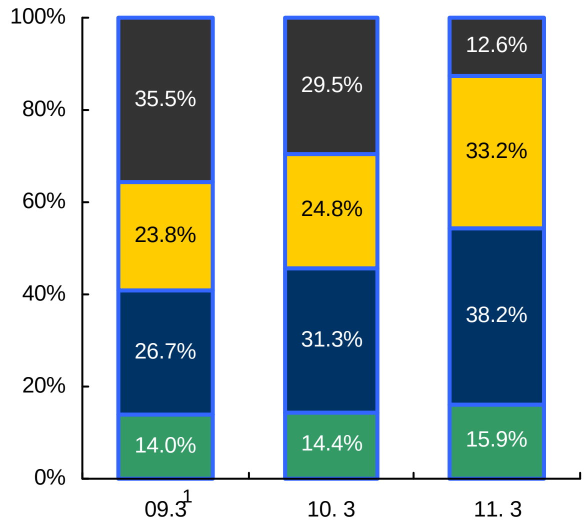
Market Share for New Applications



Approval Rate



Market Share for Loans Outstanding



Lake ■ Competitor A ■ Competitor B ■ Two Other Competitors[2]

[1] Uses data for 2H of FY2008 for comparison as Shinsei Financial (Lake) was acquired in September 2008

[2] Data for one company is as of August 31, 2010. However, the balance of this company is excluded from the calculation of market share for loans outstanding as of March 2011

(Source) Publicly disclosed corporate documents. In cases where numbers of new applications are not disclosed, the figures presented here represent an estimate based on the number of customers acquired monthly and the approval rate over the same period

Impact of Great East Japan Earthquake

Overall impact is negligible, but made necessary provisions in 4Q

(Consolidated, JPY billion)

Exposure to Affected Areas

(As at March 31, 2011)

	3 Prefectures (Iwate, Miyagi, Fukushima)	Ratio to Total Assets
Institutional banking	5.2	-
Domestic real estate non-recourse finance	12.5	-
Other (non-consolidated)[1]	1.8	-
Showa Leasing	6.9	-
Institutional Group, M&I Group Total	**26.6**	0.3%
Housing loans[2]	10.5	-
Shinsei Financial	20.1	-
Shinki	2.7	-
APLUS FINANCIAL	42.5	-
Individual Group Total	**75.8**	0.7%
Grand Total	**102.4**	1.0%

[1] Derivatives and credit trading within Shinsei Bank

[2] Includes housing loans purchased from Shinsei Financial and card loans issued by Shinsei Bank

- Exposure to affected areas is limited comparative to operating assets
- Total of JPY6.1 billion in earthquake-related credit costs recorded in 4Q of FY2010
  - Institutional banking: JPY0
  - Domestic real estate non-recourse finance: JPY0
  - Showa Leasing: JPY1.6 billion

  - Housing Loans: JPY0.5 billion
  - Shinsei Financial: JPY1.8 billion
  - Shinki: JPY0.4 billion
  - APLUS FINANCIAL: JPY1.6 billion
- Total of JPY0.6 billion in other impairments in credit trading, corporate donations (JPY136 million), and costs related to building damages
- While a few properties in our domestic real estate non-recourse lending portfolio suffered damages due to the earthquake, none were impacted by the tsunami or liquefaction, and the physical impact was negligible. However, will continue monitoring the impact of the slowdown in economic activity resulting from the earthquake on operating conditions of collateral properties
- The Bank has little equity exposure and has made no impairments to shareholdings attributable to the impact of the earthquake

Capital

Total, Tier I and common equity Tier I capital ratios increase due to common share issuance and accumulation of profits

(Consolidated, JPY billion)

Capital Adequacy Data

≪Target for total consolidated capital adequacy ratio at March 31, 2013 under MTMP: Above 10% (Basel III basis)≫

	2010.3	2011.3	Change	(Ref.) 2010.12
Basic Items (Tier I)	490.7	**516.7**	25.9	464.0
Amount Eligible for Inclusion in Capital (Tier II)	268.7	**231.8**	-36.8	239.7
Deduction	-114.0	**-98.6**	15.4	-104.1
Total Capital	645.4	**649.9**	4.5	599.7
Risk Assets	7,722.1	**6,653.7**	-1,068.3	6,770.2
Capital Adequacy Ratio	8.35%	**9.76%**		8.85%
Tier I Capital Ratio	6.35%	**7.76%**		6.85%

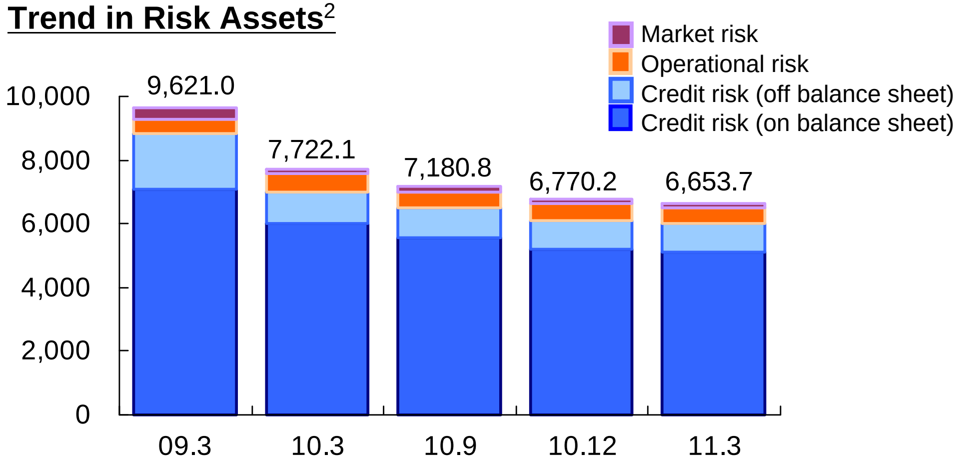
Numerator:

- JPY71.8 billion capital raising through common share issuance
- While Tier I decreased significantly due to repurchase of preferred securities, retained earnings (component of common equity Tier I based on new Basel III regulations) increased due to accumulation of profits
- Deductions decreased in line with reduced expected losses as a result of clean up of NPLs, and due to scheduled amortization of goodwill and intangible assets

Denominator:

- Decrease in risk weighted assets reflecting reduction of non-core business assets and reduced lending balance

Trend in Risk Assets[2]



Basel III's effect on common equity Tier I ratio:

- Elimination of preferred securities and increase in other deduction items
- Increase in risk weighted assets due to additional impositions on transactions related to large-scale financial institutions and counterparty risk
- Items currently deducted from total capital, such as unrated securitized products, are expected to be included as risk weighted assets (1,250% applied)
- Increase in risk weighted assets due to early implementation of market risk/stress VaR (Value-at-Risk) approach
- Common equity Tier I ratio (estimate) was 5.6%[1] as at March 31, 2011 (4.3% as at December 31, 2010)

[1] Estimates based on Shinsei Bank's calculations using documents disclosed by the Basel Committee on Banking Supervision. Since actual figures will be calculated based on the domestic rules after Basel III takes effect, there are factors that may cause estimates to diverge substantially from actual figures

[2] Basel II basis

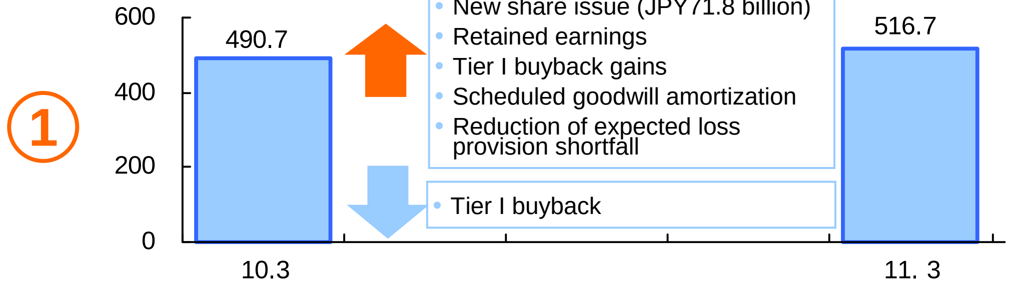
Capital Policy

Continuing Efforts to Improve Core Capital

(Consolidated, JPY billion)

Basel II Basis

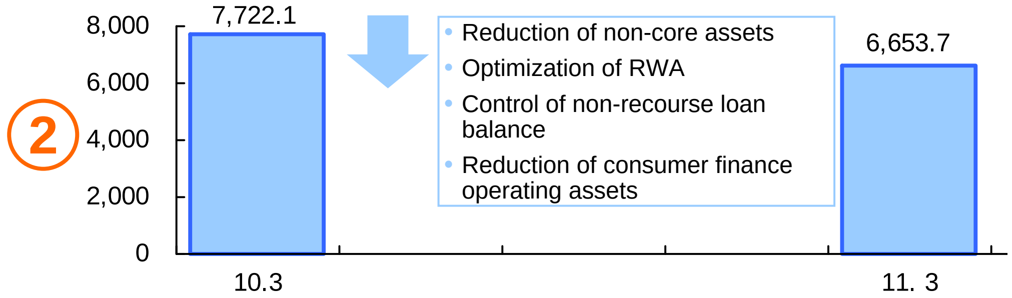
Tier I Capital



- New share issue (JPY71.8 billion)
- Retained earnings
- Tier I buyback gains
- Scheduled goodwill amortization
- Reduction of expected loss provision shortfall

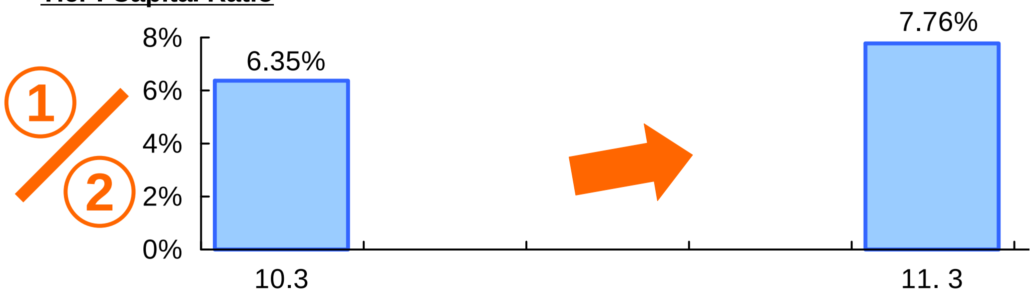
- Tier I buyback

Risk-Weighted Assets ("RWA")



- Reduction of non-core assets
- Optimization of RWA
- Control of non-recourse loan balance
- Reduction of consumer finance operating assets

Tier I Capital Ratio



Further Capital Management with a View to Basel III

- Retained earnings
- Amortization of goodwill
- Reduction of expected loss provision shortfall from non-core assets and NPLs

(Tier II Capital)
- Investigate appropriate Tier II measures

- Continue appropriate management of RWA including further reduction of non-core assets

- Increase in operating assets in Institutional Group and Retail Banking (housing loans etc.)

- Aiming to sufficiently exceed minimum regulatory required capital levels
- Common Equity Tier I Ratio as of March 31, 2011 under new Basel III framework estimated to be approximately 5.6%[1,2]

[1] Certain deductible items under Basel III are not deducted in the calculation of Common Equity Tier I Ratio considering phase-in application of deductions

[2] Estimates based on Shinsei Bank's calculations using documents disclosed by the Basel Committee on Banking Supervision. Since actual figures will be calculated based on the domestic rules after Basel III takes effect, there are factors that may cause estimates to diverge from actual figures

FY2011 Forecast

Shifting gear toward further expansion of customer base and earning stability, acceleration to sustainable growth

(JPY billion)

	FY2010 Actual	FY2011 Forecast
[Consolidated]		
Net Income	42.6	22.0
Cash Basis Net Income	53.8	32.0
[Non-Consolidated]		
Ordinary Business Profit (OBP)	54.6	28.0
Net Income	11.1	15.0
Dividends	1 yen	1 yen

- Full year consolidated reported basis net income forecast at JPY22.0 billion, and consolidated cash basis net income forecast at JPY32.0 billion, in line with targets set forth in our revised Medium-Term Management Plan, as economic trends remain uncertain due to factors including the Great East Japan Earthquake
- Non-consolidated net income forecast at JPY15.0 billion as outlined in our Revitalization Plan
- Dividends on common shares forecast at 1 yen per share, also as outlined in our Revitalization Plan

【Outlook for FY2011】

- Macro-economic forecasts suggest that economic recovery will be delayed, with the impact of the earthquake weighing down the economy in 1H, before a gradual recovery begins in 2H backed by recovery-related demand
- Interest rate, exchange rate and domestic equity market trends generally in line with March 2011-end levels. However, Shinsei Bank's sensitivity to these factors is comparatively low
- We have made provisions including defensive measures for real estate exposure in FY2010
- Stabilization of earnings will progress, but top-line revenues in our institutional and consumer finance businesses will continue to suffer due to uncertain business conditions. However, we see ample potential to achieve net income through comprehensive expense reductions and credit cost control

Disclaimer

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