Business and Financial Highlights
Nine Months Ended December 31, 2010

Shinsei Bank, Limited
February 3, 2010

Agenda

Executive Summary

1. **Significant upward revision of full year earnings forecast due to improvement in earnings power as a result of steady implementation of operational strategy**
   - **Top-line revenues** down JPY7.1 billion (2.9%) to JPY242.1 billion
     - Institutional Group worked to increase new borrowers while promoting cross-sell to existing clients
     - Markets & Investment Banking Group (M&I Group) recorded higher revenues due to steady performance of core businesses, fewer factors responsible for non-recurring investment-related losses, and gains from divestiture of non-core business assets
     - Retail banking business trended steadily
     - Revenues decreased significantly in the consumer finance business but in line with expectations as a result of lower operating assets and lower lending rates
   - **Expenses** down JPY19.1 billion (15.0%) to JPY108.4 billion, reflecting business right-sizing and Group-wide rationalization
   - **Net credit costs** down by JPY13.0 billion (20.9%) to JPY49.3 billion due to improved asset quality and collections in the Individual Group, despite posting additional reserves, primarily in the second quarter of this fiscal year, for the specialty finance and domestic real estate non-recourse finance businesses
   - **Net income:** consolidated reported basis net income up JPY41.8 billion (188.0%) to JPY64.0 billion, consolidated cash basis net income up JPY36.8 billion (103.0%) to JPY72.6 billion. Non-consolidated net income up JPY5.9 billion (94.9%) to JPY12.1 billion
2. **Further progress in reducing non-core business assets and optimizing balance of domestic real estate non-recourse finance**
   - Progress in reduction of non-core business assets through collections and divestiture, reducing concentration risk, and making provisions for potential risks
3. **Capital ratios basically steady despite capital management strategies implemented in third quarter (3 months), steady liquidity**
   - Total consolidated capital adequacy ratio at 8.85% and Tier I capital ratio at 6.85%, both steady from September 2010 (and up on March 2010) as a result of higher retained earnings, and lower risk-weighted assets reflecting continued optimization of risk-weighted assets and a decrease in loan assets, despite a reduction in foreign currency-denominated capital securities due to buybacks of preferred securities and the impact of a strong yen
   - Maintaining ample liquidity position with approximately JPY1.3 trillion of cash, cash equivalents and liquidity reserves
4. **Significant upward revision to full year consolidated earnings forecasts due to steady performance**
   - Consolidated reported basis net income forecast revised upwards from JPY12.5 billion to JPY43.0 billion, and consolidated cash basis net income forecast revised upwards from JPY23.6 billion to JPY54.0 billion, significantly above the initial forecasts, due to our steady performance and non-recurring profits related to capital management measures
   - Non-consolidated net income forecast maintained at initial forecast of JPY10.0 billion, despite recording a loss of JPY31.7 billion through the transfer of our holding of common shares in subsidiary APLUS FINANCIAL to subsidiary Shinsei Financial

Financial Results Overview

(JPY billion)

Earnings	3Q FY2010 (9 months)	3Q FY2009 (9 months)	FY2009 (reference)
[Consolidated]			
Revenue	**242.1**	249.2	285.5
Expenses	**108.4**	127.6	168.3
Ordinary Business Profit (OBP)	**133.6**	121.6	117.1
Net Credit Costs	**49.3**	62.3	112.2
OBP after Net Credit Costs	**84.3**	59.3	4.8
Net Income	**64.0**	22.2	-140.1
Cash Basis Net Income	**72.6**	35.7	-53.7
[Non-Consolidated]			
OBP	**45.7**	30.4	20.9
Net Income	**12.1**	6.2	-47.6

Profitability	3Q FY2010 (9 months)	3Q FY2009 (9 months)	FY2009 (reference)
Net Interest Margin (NIM)	**2.28%**	2.52%	2.47%
Expense-to-Revenue Ratio	**44.8%**	51.2%	59.0%
ROE (annualized)	**17.8%**	5.0%	-27.6%
Cash Basis ROE (annualized)	**20.2%**	8.0%	-10.6%
ROA (annualized)	**0.8%**	0.3%	-1.2%
Cash Basis ROA (annualized)	**0.9%**	0.4%	-0.5%

Asset Quality	2010.12	2010.9	2010.3
Total Assets	**10,428**	10,464	11,376
Risk Weighted Assets (“RWA”)	**6,770**	7,180	7,722
RWA / Total Assets (%)	**64.9%**	68.6%	67.9%
Non-performing Loans / Total Claims (%) (non-consolidated basis)	**6.49%**	6.52%	6.70%
Coverage Ratio[1] (%)	**96.2%**	96.3%	97.6%

Capital	2010.12	2010.9	2010.3
Basic Items (Tier I)	**464.0**	500.5	490.7
Amount Eligible for Inclusion in Capital (Tier II)	**239.7**	251.2	268.7
Deduction	**-104.1**	-109.6	-114.0
Total Capital	**599.7**	642.1	645.4
Total Capital Adequacy Ratio	**8.85%**	8.94%	8.35%
Tier I Capital Ratio	**6.85%**	6.97%	6.35%
Diluted Equity Per Share (yen)	**253.49**	232.54	232.72

Liquidity	2010.12	2010.9	2010.3
Liquidity Reserves[2]	1,284	1,375	1,292

[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

Financial Results Overview (*continued*)

(JPY billion)

Ordinary Business Profit (OBP) after Net Credit Costs

Institutional Group, M&I Group	3Q FY2010 (9 months)	3Q FY2009 (9 months)	FY2009 (reference)
Institutional Group	**11.4**	**7.1**	**9.2**
M&I Group	**20.0**	**11.5**	**-59.2**

Individual Group	3Q FY2010 (9 months)	3Q FY2009 (9 months)	FY2009 (reference)
Retail Banking	**6.9**	5.4	6.3
Shinsei Financial	**12.8**	13.5	20.6
Shinki	**2.2**	6.8	6.9
APLUS FINANCIAL	**4.9**	3.9	3.5
Other Subsidiaries	**-3.6**	0.5	0.3
Individual Group	**23.3**	**30.3**	**37.7**

Corporate/Other	3Q FY2010 (9 months)	3Q FY2009 (9 months)	FY2009 (reference)
Corporate/Other	**29.5**	**10.3**	**17.1**
OBP after Net Credit Costs	**84.3**	**59.3**	**4.8**
Other Losses, Amortization of Goodwill and Intangible Assets	**-8.0**	-25.0	-127.9
Tax, Minority Interests	**-12.2**	-11.9	-17.0
Net Income	**64.0**	**22.2**	**-140.1**

Institutional Group, M&I Group:

- Improvement in earnings power as a result of steady implementation of operational strategy
- Gains from divestiture of non-core business assets
- Posted prudent and conservative reserves against potential risks primarily in 2Q
- Continue to enforce strict expense controls

Individual Group:

- Steady performance in retail banking business, promoting optimized funding base and efficient branch network expansion while maintaining focus on providing high value-added products and services to meet customer needs
- Sound results in consumer finance business, focusing on profitability rather than scale, and enforcing strict expense and credit controls

Corporate/Other:

- Gains on repurchase of preferred securities and subordinated debt increased from JPY14.8 billion to JPY28.9 billion

Other:

- Lower amortization costs following impairment of APLUS FINANCIAL goodwill and intangible assets at end of last FY, as well as absence of additional grey zone provisions

FY2010 Third Quarter Business Highlights

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
  - ✓ Appropriate management of expenses and credit costs

Progress Made in Third Quarter (3 months) of FY2010

Institutional Group / M&I Group

- ■ Established dedicated subsidiary for investment to support corporate restructuring in November 2010
- ■ Recorded gains from divestiture of non-core business assets, accelerating reduction ahead of initial plans
- ■ Forged alliances with Baoviet Holdings (Vietnam) and YES BANK LIMITED (India) to provide support to customers expanding into Asia
- ■ Promoting "aggressive" sales stance through disciplined coordination with Risk Management Group
- ■ Deepening relationships with regional financial institutions through organizing seminars etc.

Individual Group

- ■ Channeling maturing yen campaign deposits to Two-Week Maturity Deposits for enhanced funding efficiency
- ■ Optimization of retail branch network, Kawasaki Consulting Spot to open soon
- ■ Retail Banking partnering with APLUS FINANCIAL in "Home Bridge Loan," and affiliated loans business
- ■ Shinsei Financial moved HQ to a company-owned building in December 2010 to further cut costs
- ■ All major consumer finance subsidiaries now consolidated under Shinsei Financial for further integration of strategy and operations

Major Items Included in Results of Operations

One-off, investment-related losses decreased; made additional prudent provisioning primarily in 2Q

(Consolidated, JPY billion)

	3Q FY2010 (9 months)	3Q FY2010 (3 months)	1H FY2010 (6 months)
Gains included in revenue	**38.6**	25.7	12.8
Gain from the sale of CLOs	**4.3**	-	4.3
Gain from buyback of preferred securities, subordinated debt	**28.9**	24.6	4.3
Gain from sale and revaluation of ABS and ABI	**5.2**	1.0	4.1
Major positive items (1)	**38.6**	25.7	12.8
Mark-downs/impairments included in revenue	**-3.3**	-0.8	-2.4
Domestic real estate non-recourse finance (bonds)	**-2.7**	-0.8	-1.8
Japanese real estate principal investments	**-0.5**	-	-0.5
Items included in net credit costs	**-31.1**	0.6	-31.7
Specialty finance	**-17.1**	0.7	-17.9
Domestic real estate non-recourse finance	**-15.1**	-0.5	-14.5
ABI	**1.1**	0.4	0.6
Items included in other losses	**-3.5**	-	-3.5
Asset retirement obligation costs	**-3.5**	-	-3.5
Deferred income tax (Shinsei Bank non-consolidated basis)	**-1.8**	-	-1.8
Major negative items (2)	**-39.8**	-0.2	-39.5
(1) + (2)	**-1.2**	**25.4**	**-26.6**

Divestiture of non-core business assets:

- Recorded gains of JPY4.3 billion on the sale of CLOs, JPY5.2 billion from sale and revaluation of ABS and ABI, and JPY1.1 billion on reversal of reserve for ABI
- Mark-downs and impairments limited to domestic real estate-related investments (JPY0.5 billion)

Conservative and prudent provisions for potential risks primarily in 2Q:

- Recorded reserves of JPY17.1 billion within specialty finance (LBO-related)
- Total of JPY17.8 billion of provisioning related to domestic real estate non-recourse finance (JPY15.1 billion related to lending, JPY2.7 billion related to corporate bonds)

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

- Recorded gains of JPY28.9 billion on the repurchase of preferred securities and subordinated debt

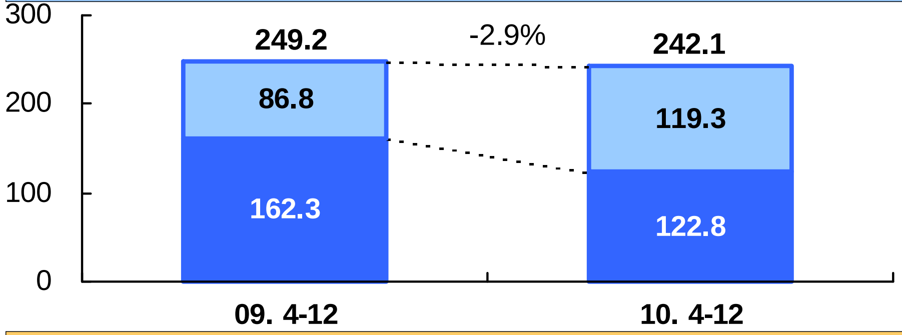
Revenue

Institutional Group and M&I Group improved, Individual Group decreased in line with expectations

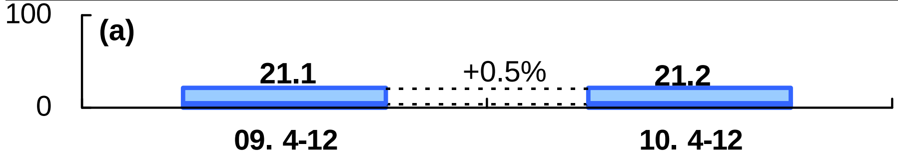
(Consolidated, JPY billion)

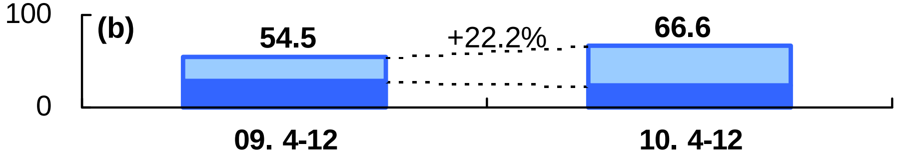
Total Revenue[1] ***《Medium-Term Management Plan (MTMP) target for FY2012 (full year): 258.0》***

Total

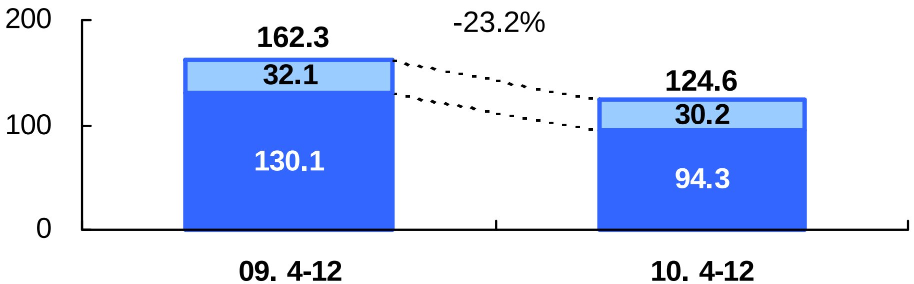


Institutional Group (a), M&I Group (b)





Individual Group



Corporate/Other

09. 4-12	10. 4-12
11.1	29.5

■ Net interest income ■ Non-interest income[1]

[1] Includes income on leased assets and installment receivables

《Main Points》

- Down slightly as consumer finance subsidiaries' interest income decreased significantly. This was in spite of the steady retail banking business, improvement in earnings power and gains from the divestiture of non-core business assets in the Institutional Group and Markets and Investment Banking Group, as well as higher gains on repurchase of preferred securities and subordinated debt

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 increased by promoting optimized funding base and higher housing loan yields, despite lower revenue from structured deposits
- Interest income decreased but in line with expectations at consumer finance subsidiaries as result of lower operating assets and lower lending rates

Corporate/Other:

- Gains on repurchase of preferred securities and subordinated debt increased from JPY14.8 billion to JPY28.9 billion

Revenue

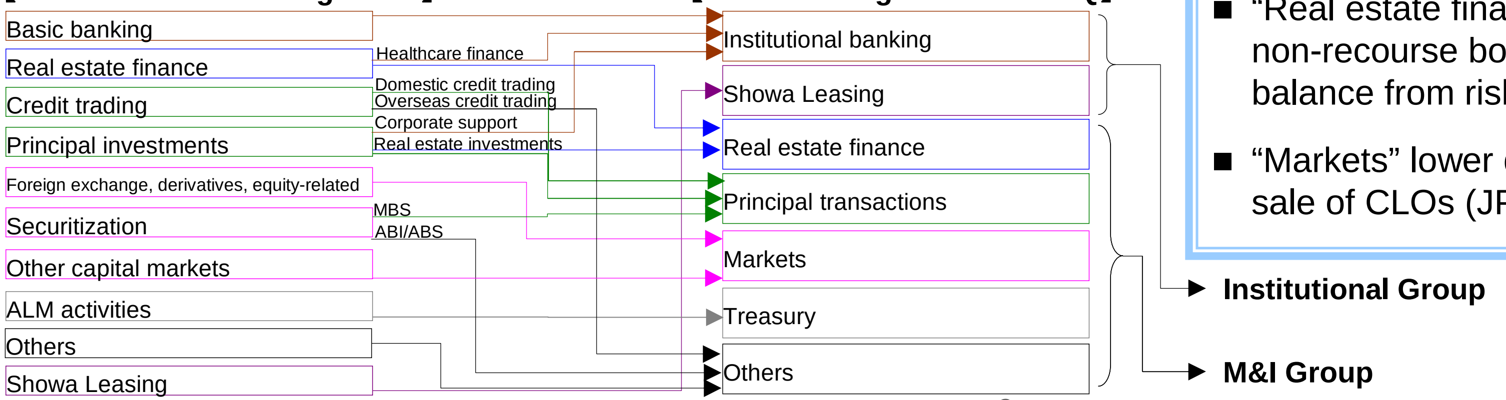
Institutional Group, M&I Group: improvement in earnings power as result of steady implementation of operational strategy

(Consolidated, JPY billion)

Total Revenue (Institutional Group, M&I Group)

Institutional Group, M&I Group	3Q FY2010 (9 months)	3Q FY2009 (9 months)	FY2009 (reference)
Institutional banking	**10.0**	9.3	12.5
Showa Leasing	**11.2**	11.7	15.8
Institutional Group total revenue	**21.2**	21.1	28.3
Real estate finance	**11.1**	12.4	-9.5
Principal transactions	**18.7**	14.0	18.4
Markets	**12.5**	27.7	33.0
Treasury	**11.6**	1.2	1.2
Others	**12.6**	-0.9	-11.7
M&I Group total revenue	**66.6**	54.5	31.3

【Previous business segments】 **【Business segments from 3Q】**



Businesses with <u>higher</u> revenues y-o-y:

- "Principal transactions" higher due to improvement at Jih Sun (JPY-4.2 billion→JPY1.9 billion), decrease in losses on domestic real estate principal investments (JPY-8.1 billion→JPY-0.5 billion), in addition to strong domestic credit trading business
- "Treasury" higher due mainly to trading gains on 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, steady advisory and asset management business

Businesses with <u>lower</u> revenues y-o-y:

- "Real estate finance" lower due to impairment of non-recourse bonds (JPY2.7 billion) and lower balance from risk asset optimization
- "Markets" lower due mainly to lower gains on sale of CLOs (JPY15.6 billion→JPY4.3 billion)

Revenue

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

(Consolidated, JPY billion)

Total Revenue (Individual Group)

Individual Group	3Q FY2010 (9 months)	3Q FY2009 (9 months)	FY2009 (reference)
Retail Banking	**32.8**	32.0	41.5
Deposits and debentures net interest income	**19.0**	19.1	25.3
Deposits and debentures non-interest income	**4.3**	4.5	5.2
Asset management	**3.5**	3.8	4.9
Loans	**5.9**	4.4	6.0
(Reference) Revenue from structured deposits	**4.5**	5.2	6.2
Shinsei Financial	**46.4**	69.6	88.5
Shinki	**8.5**	11.1	14.0
APLUS FINANCIAL	**39.6**	48.4	62.6
Other subsidiaries	**-2.7**	1.0	1.4
Individual Group total revenue	**124.6**	**162.3**	**208.2**

Businesses with higher or flat revenues y-o-y:

- Interest income for retail banking steady due to strong Two-Week Maturity Deposit and foreign currency deposit sales
- Higher net interest income from housing loans purchased from Shinsei Financial and interest income from housing loans provided by the Bank
- Steady fee income from guarantees and other businesses in consumer finance

Businesses with lower revenues y-o-y:

- Lower revenue from structured deposits
- Interest income decreased in line with expectations at consumer finance subsidiaries as a result of lower operating assets and lower lending rates

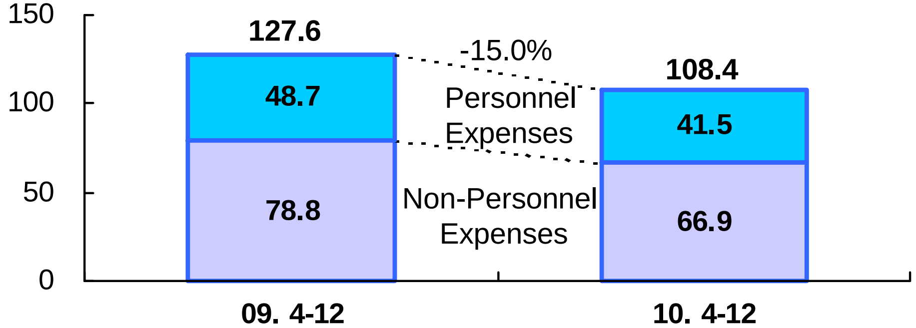
General and Administrative Expenses

Expense rationalization progresses across the Group

(Consolidated, JPY billion)

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

Total



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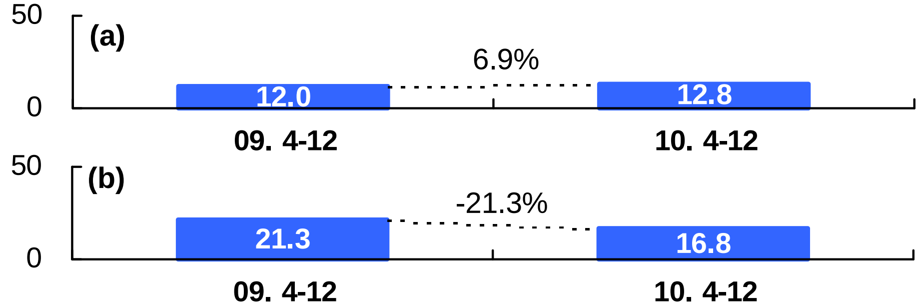
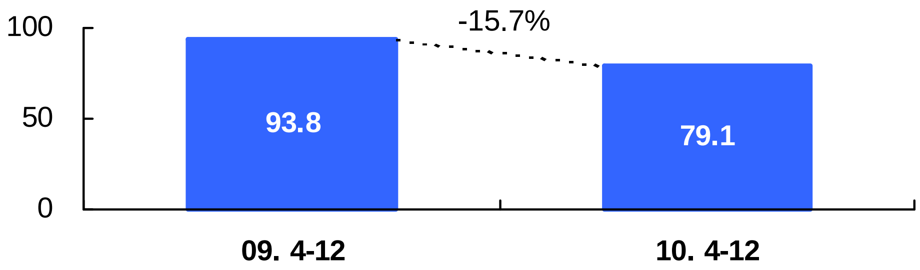


Individual Group



Corporate/Other

09. 4-12	10. 4-12
0.3	-0.2

■ General and Administrative Expenses

《Main Points》

- Lower expenses reflecting continuous Group-wide rationalization such as business right-sizing and lower IT costs following reviews of subsidiaries' operations, despite recording non-recurring costs (JPY0.8 billion) related to headquarters relocation

Institutional Group, M&I Group:

- Increase in expenses in Institutional Banking as we focused on areas such as health care and corporate restructuring businesses where the Bank can demonstrate its unique strength and also put effort in identifying new outlets for corporate lending
- 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 JPY1.6 billion due to optimization of advertising activities
- Premises expenses declined by JPY2.7 billion due to consumer finance subsidiaries' branch optimization
- Technology and data processing expenses declined by JPY3.4 billion due to ATM sharing and optimization between Shinsei Financial and Shinki

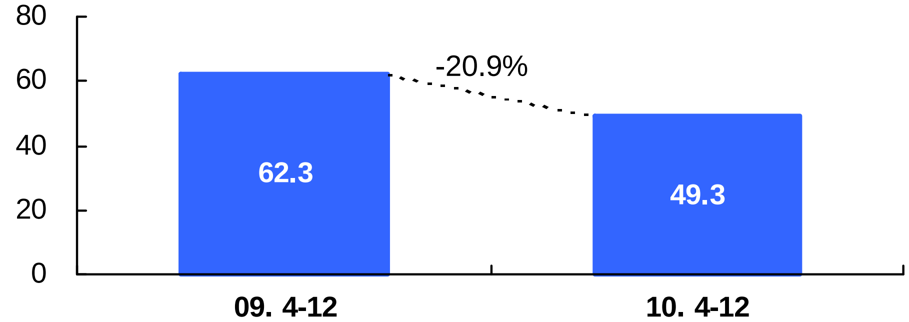
Net Credit Costs

Prudent reserves recorded for institutional business, net credit costs lower in Individual Group due to stringent credit control and improved collections

(Consolidated, JPY billion)

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

Total



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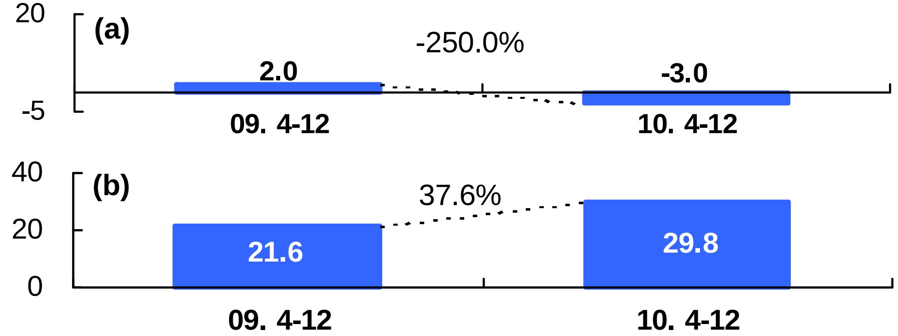
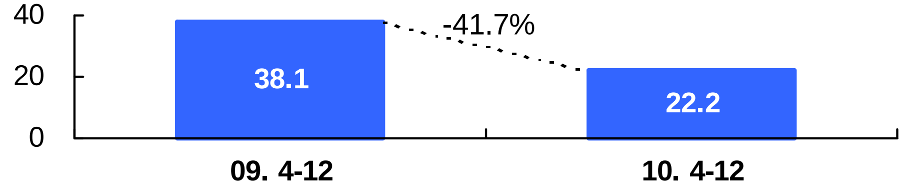


Individual Group



Corporate/Other

09. 4-12	10. 4-12
0.4	0.2

■ **Net Credit Costs**

《Main Points》

- Lower due to improved asset quality and collections in the Individual Group, despite posting additional reserves for specialty finance and domestic real estate non-recourse finance businesses in the M&I Group

Institutional Group, M&I Group:

- Higher recoveries in Institutional Banking business due to strict credit management and collections on doubtful debts, which led to increase in reversal of provisions for credit losses from JPY1.0 billion to JPY2.9 billion
- Posted net credit recoveries at Showa Leasing due to strict credit management and decrease in operating assets
- M&I Group posted prudent and conservative reserves against potential risks, primarily in 2Q, for specialty finance (JPY17.1 billion) and domestic real estate non-recourse finance (JPY15.1 billion)

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

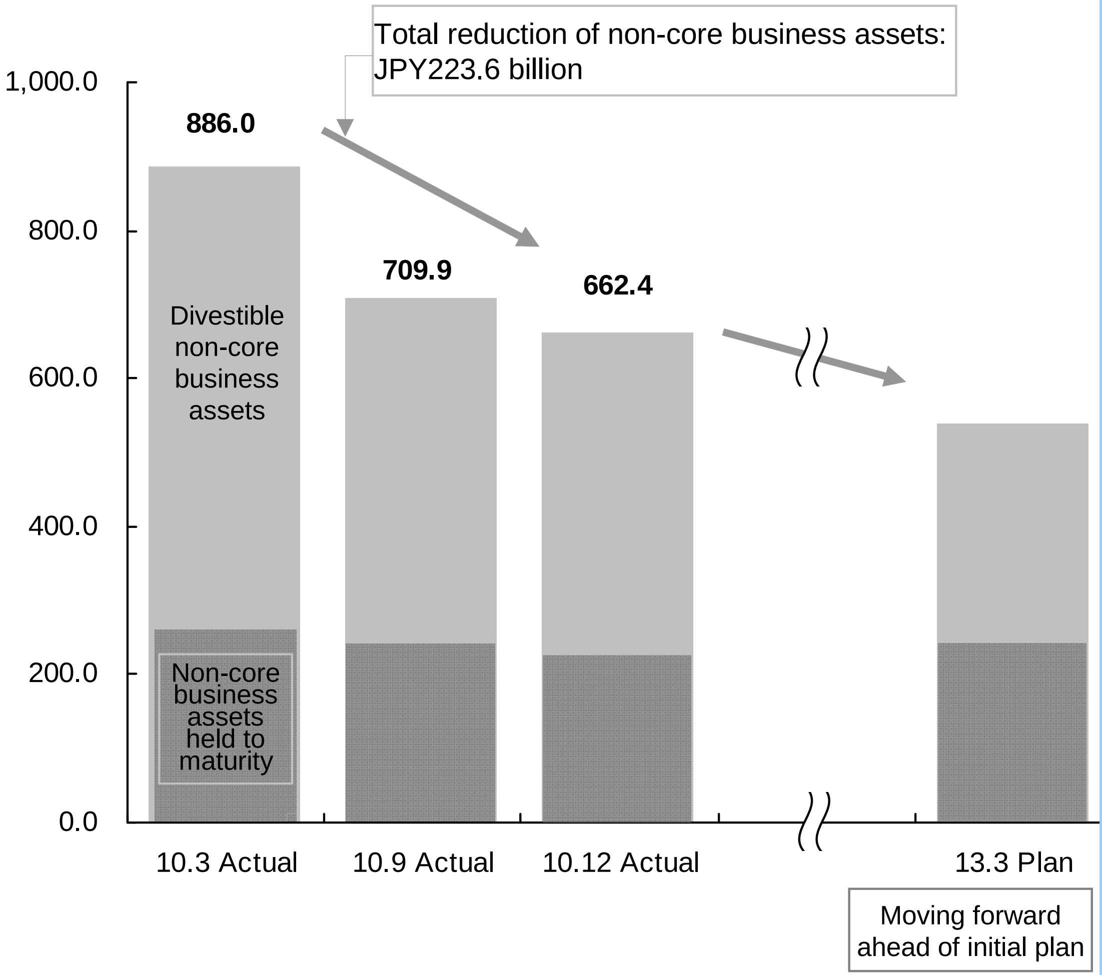
Divestiture of Non-Core Business Assets

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)

(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)



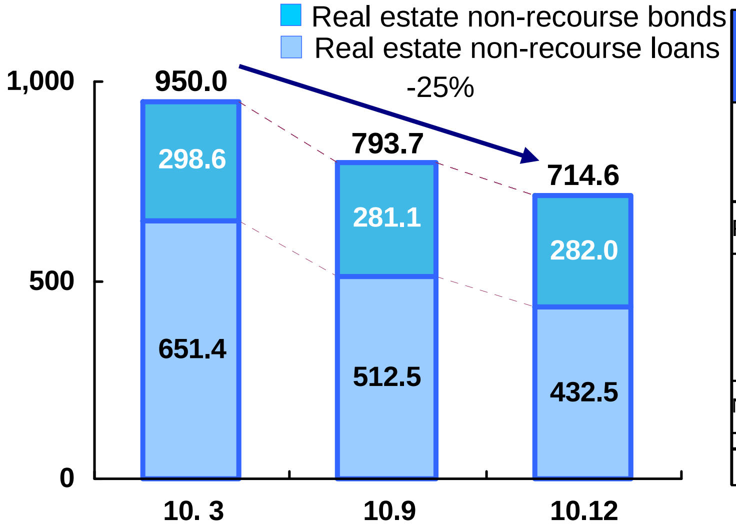
- In the 9 month period from April to December 2010, reduced JPY223.6 billion of non-core business assets through the divestiture centering on ABS and ABI. Divestiture moving ahead more rapidly than outlined in Medium-Term Management Plan
- Recorded gains in the process of asset reduction. Effect of divestiture on our earnings will generally be under control going forward
- 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 December 31, 2010, overseas ABS balance reduced to JPY47.9 billion, overseas ABI reduced to JPY53.2 billion (includes JPY12.1 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 Exposure by Region and Asset Category

(as at December 31, 2010)

Region	
Kanto (mainly Tokyo)	60.4%
Kansai (mainly Osaka)	13.4%
Other Regions	12.6%
Portfolio (Diversified)	13.6%
Total	100.0%

Category	
Office	35.3%
Retail	14.0%
Residential	9.8%
Hotel	8.0%
Land	15.8%
Development	6.6%
Industrial/Parking/Other	4.6%
Other Portfolio (Diversified)	6.0%
Total	100.0%

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

(as at December 31, 2010)

	B/S Balance	Reserves for Loan Losses	Collateral/ Guarantees	Coverage Ratio	Partial Write-Off[2]	(Reference) Balance 2010.9	(Reference) Balance 2010.3
Normal	172.1	0.5				171.4	452.3
Need Caution	278.9	5.5				327.8	192.5
Performing Loans sub-total	451.0	6.1				499.2	644.8
Substandard/Possibly Bankrupt	214.6	27.9	177.2	95.6%	-	243.4	238.4
Virtually/Legally Bankrupt	49.0	-	49.0	100.0 %	37.2	51.0	66.7
Non-Performing Loans sub-total	263.6	27.9	226.2	96.4%	37.2	294.4	305.2
Total	**714.6**	**34.0**			**37.2**	**793.7**	**950.0**

[1]Real estate non-recourse bonds are marked to market (market value = balance). Of the total amount, JPY239.1 billion (balance as at December 31, 2010) 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.

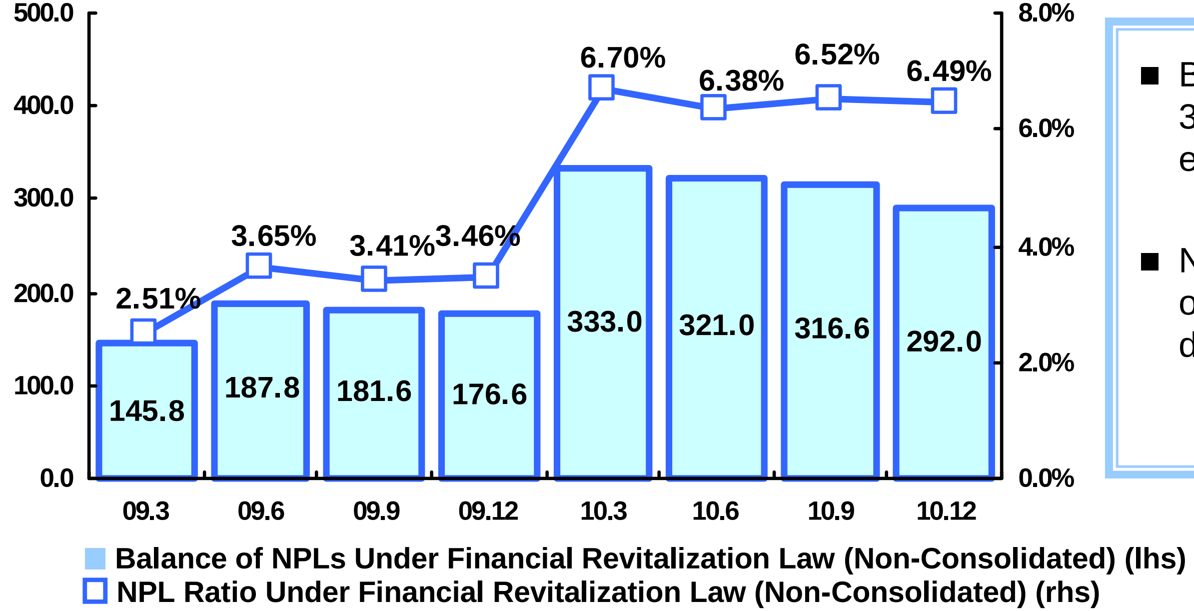
- Conservative valuation of collateral
  - Sales value of collateral properties is generally higher than Shinsei Bank's valuation. (Sales value has been approximately 14% higher than Bank's valuation in collections made via the sale of properties in the first nine months of FY2010)
  - Rent levels used 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
- Obligor rating downgrades based on prudent and forward-looking collateral valuation for domestic real estate non-recourse finance mostly completed in the first half, in anticipation of continued market slowdown

Non-Performing Loans (NPL) and Coverage Ratios

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

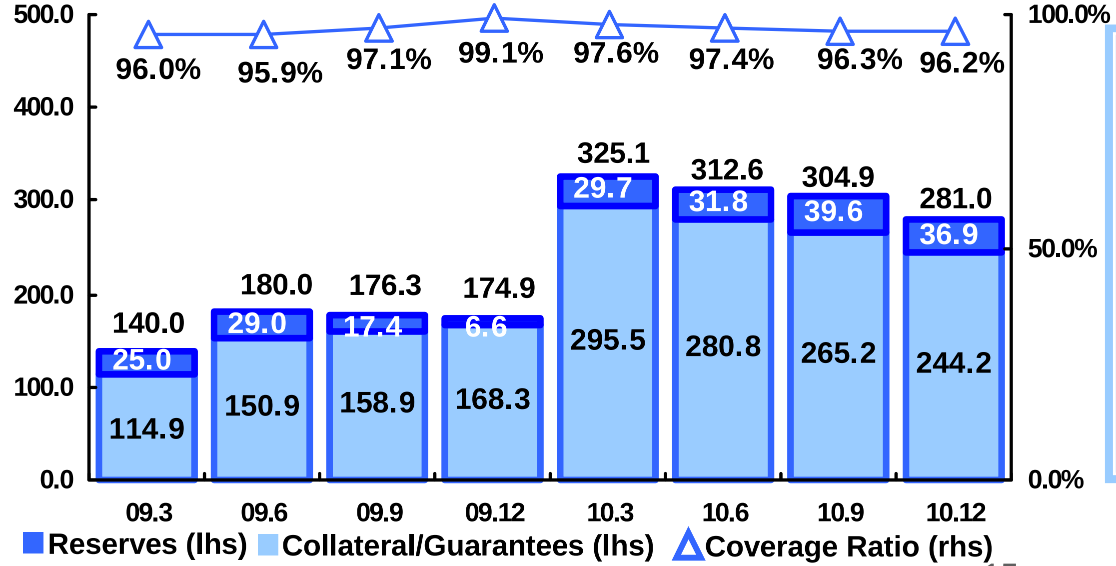
(Non-consolidated, JPY billion)

Balance of NPLs, NPL Ratio



- Balance of NPLs, NPL ratio rose steeply at March 31, 2010 reflecting conservative valuations for real estate-related non-recourse finance
- NPL ratio remains at high level due to decrease in overall loan balance, but balance of NPLs steadily declining

NPL Coverage



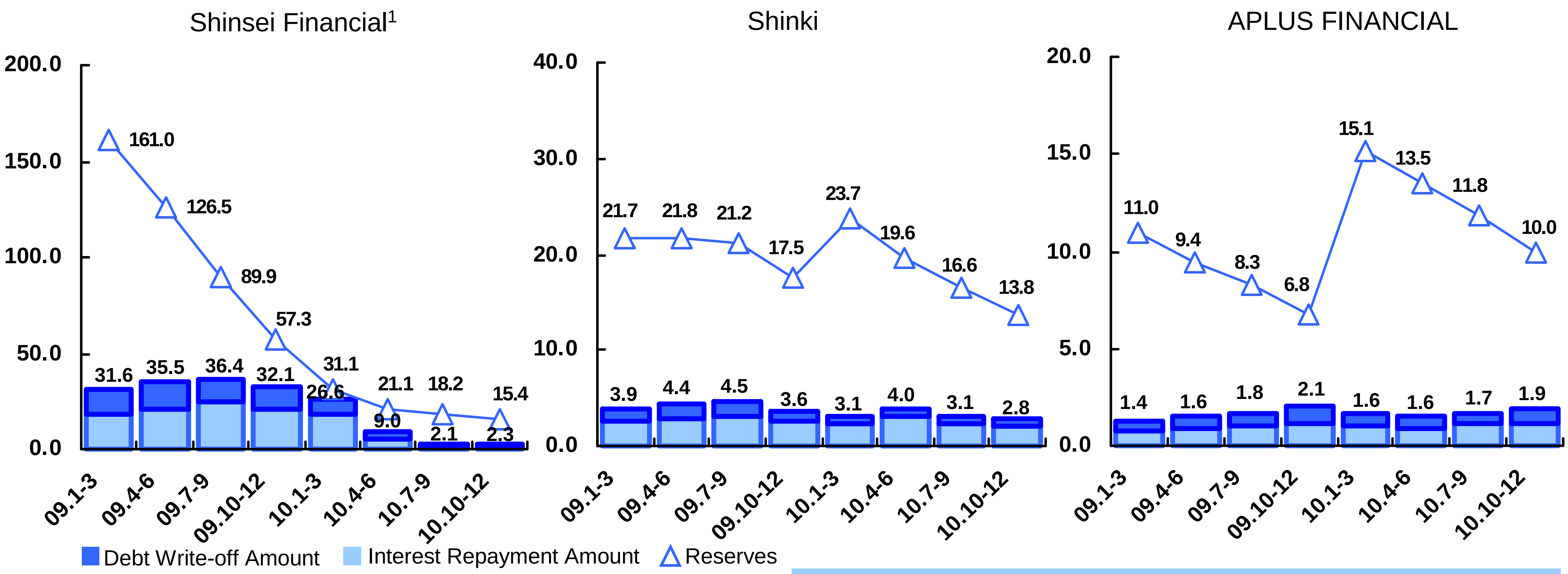
- Maintaining high coverage ratio
- Collateral/guarantees account for high proportion of coverage, but applying conservative valuation standards

Grey Zone Interest Repayment, Reserves and Disclosure Claims

Indemnity contract plus signs of peak-out, but maintain conservative outlook

(JPY billion)

Amount of Interest Repayment and Reserve for Losses



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

Disclosure Claims

(thousands)

	09. 1-3	09. 4-6	09. 7-9	09. 10-12	10. 1-3	10. 4-6	10. 7-9	10. 10-12	8 Qtr Avg.
Shinsei Financial	52.4	48.5	41.2	41.0	38.1	34.4	29.0	**36.2**	40.1
Shinki	10.3	9.2	7.7	7.5	6.4	5.8	5.2	**6.1**	7.3
APLUS FINANCIAL	5.2	5.7	5.4	4.8	4.4	4.5	4.3	**4.8**	4.9

Peak figure

- Disclosure claims increased for about one month after Takefuji's bankruptcy filing, but is now trending downwards
- While there was no additional provisioning for interest repayments in 3Q, maintain conservative outlook for disclosure claims, which continue to be uncertain going forward
- Certain portion of Shinsei Financial's portfolio is covered by indemnity contract

Capital

Capital ratios basically steady due to profits from buyback of preferred securities and capital management strategies

(Consolidated, JPY billion)

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

	10.12	10.9	Change	(Ref.) 10.3
Basic Items (Tier I)	**464.0**	500.5	-36.5	490.7
Amount Eligible for Inclusion in Capital (Tier II)	**239.7**	251.2	-11.4	268.7
Deduction	**-104.1**	-109.6	5.4	-114.0
Total Capital	**599.7**	642.1	-42.4	645.4
Risk Assets	**6,770.2**	7,180.8	-410.5	7,722.1
Capital Adequacy Ratio	**8.85%**	8.94%		8.35%
Tier I Capital Ratio	**6.85%**	6.97%		6.35%

(Reference) Common equity capital ratio as of December 31, 2010 estimated to be 4.3%[1], based on new Basel III regulation methodology

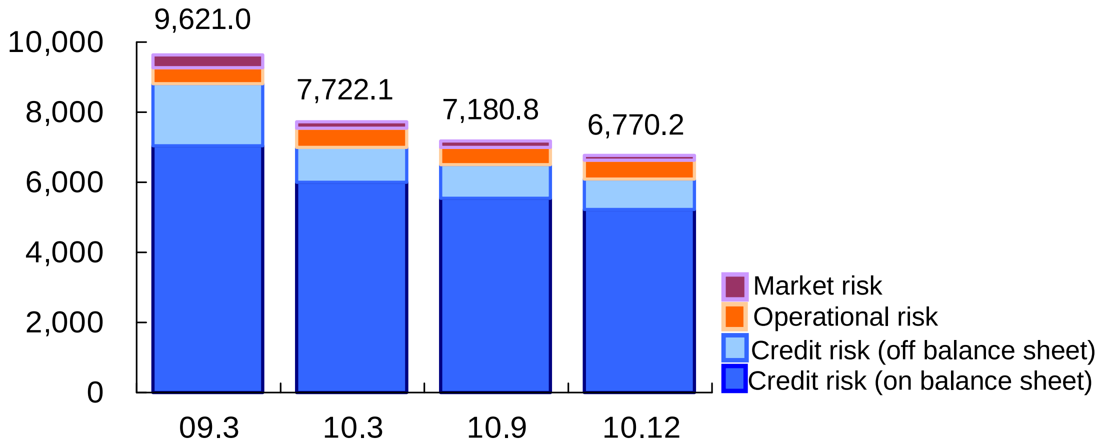
Numerator:

- 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
- Foreign currency-denominated capital securities decreased due to factors including impact of strong yen
- 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[1]



Basel III's effect on risk assets:

- 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

[1] Estimates based on Shinsei Bank's calculations using disclosed documents by the Basel Committee on Banking Supervision

[2] Basel II basis

Measures to Strengthen Common Equity Tier I Capital

Tier II Exchange Offer and TOB for Tier I Preferred Securities in light of Basel III

(JPY billion)

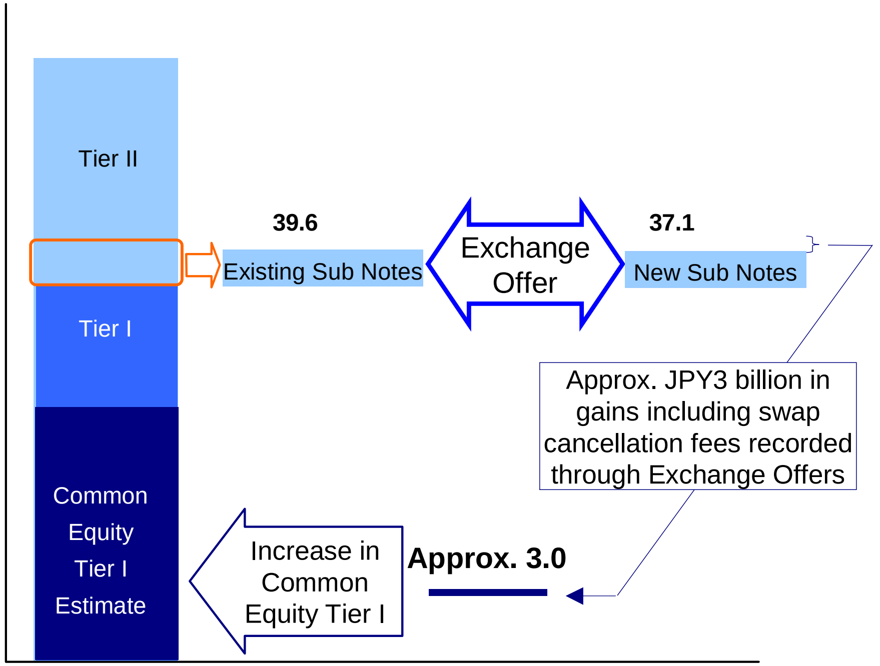
Exchange Offer for Tier II Subordinated Notes[1]

Executed: September 2010

Overview: Exchange offer to holders of existing subordinated notes (EUR543M of EUR-denominated callable notes, and GBP77M of GBP-denominated perpetual notes) for new notes (EUR-denominated, callable, non-step-up)

Results: 63% (EUR340M) of Euro callable notes and 33% (GBP25M) of GBP perpetual notes exchanged, and EUR347M of new notes issued

Impact: (1) Although Tier II decreased slightly, gains of approximately JPY3 billion recorded through exchange at a discount (increase in common equity Tier I)
(2) Provided EUR note investors with choice ahead of first call date in February 2011



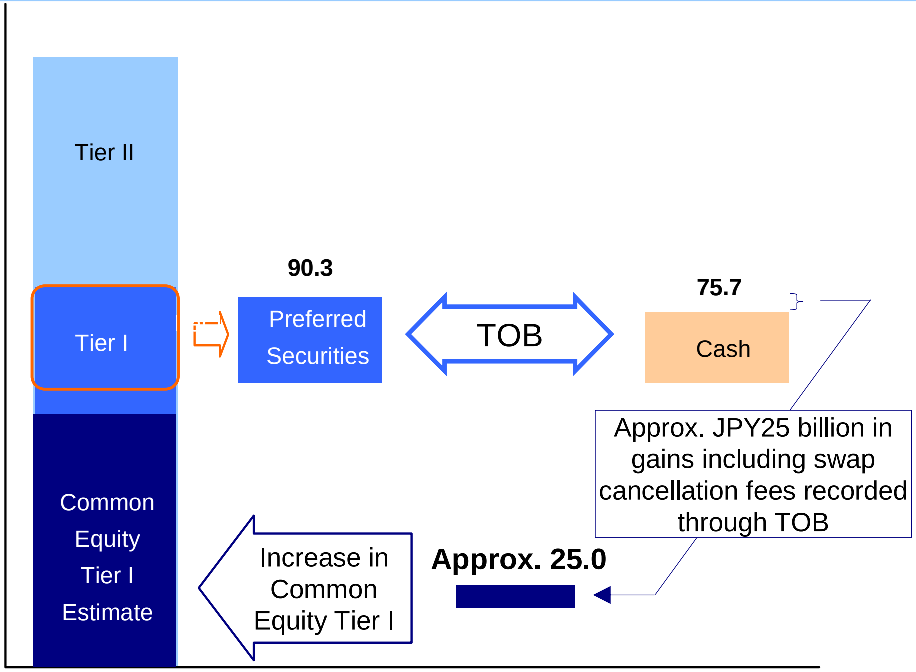
Tender Offers for Tier I Preferred Securities[2]

Executed: December 2010

Overview: Cash tender offer for USD denominated preferred securities (two issues totaling USD1,134M)

Results: Take-up rate of 94% (total of USD1,072M across two issues) leaving USD62M outstanding balance

Impact: (1) Although Tier I declined significantly, gains of approximately JPY25 billion recorded through repurchase at discount and swap cancellation fees (increase in common equity Tier I)
(2) Reduction of dividend obligations going forward



[1] For more details, please see our September 10, 2010 press release entitled “Shinsei Bank Announces Results of Exchange Offers for GBP and Euro Tier II Subordinated Notes and Terms and Conditions of New Euro Tier II Subordinated Notes Due 2020”

[2] For more details, please see our December 15, 2010 press release entitled “Shinsei Bank Announces Results of Tender Offers for Certain Preferred Securities in Overseas Markets”

Distributable Profit

Transferring APLUS FINANCIAL shares as part of reorganization of consumer finance subsidiaries eliminates concern for distributable profit and APLUS FINANCIAL's stock price volatility

(JPY billion)

Calculation of distributable profit

（Non-Consolidated figures）	10.12 (reference)	10.9 (reference)	10.3
Other retained earnings	**107.9**	105.0	95.7
Treasury stock	**-72.5**	-72.5	-72.5
Unrealized gain on available-for-sale securities (only for unrealized loss)	**-10.9**	-9.4	0
Distributable profit	**24.4**	**23.1**	**23.2**

- Due to tender offer for certain preferred securities completed in December 2010, obligation for future dividends decreased from approximately JPY10.0 billion per year to approximately JPY3.0 billion per year
- As a result of transferring APLUS FINANCIAL shares to Shinsei Financial (December 2010) as part of the reorganization of consumer finance subsidiaries, eliminated concern for distributable profits going forward and volatility in APLUS FINANCIAL's stock price (standalone Bank recorded profits through 3Q despite recording a loss of JPY31.7 billion through the transfer of shares on non-consolidated basis)

FY2010 Forecast

Significant upward revision of full year forecast due to strong performance; forecasting full year profit for first time in three FY

(JPY billion)

	FY2009 Actual	FY2010 Initial Forecast[1]	FY2010 Revised Forecast
[Consolidated]			
Net Income (Loss)	-140.1	12.5 ↑	**43.0**
Cash Basis Net Income (Loss)	-53.7	23.6 ↑	**54.0**
[Non-Consolidated]			
Ordinary Business Profit (OBP)	20.9	32.0 ↑	**57.0**
Net Income (Loss)	-47.6	10.0 →	**10.0**

[1] Figures from forecast announced on May 14, 2010

- Forecast revised upwards significantly due to strong performance, non-recurring profits related to capital management measures
- In order to establish stabilized earnings base for FY2011 and beyond, will actively implement following measures in 4Q (3 months) of this FY to manage downside risks in uncertain operating environment
    1. Post additional reserves in our specialty finance business and record credit costs in our real estate portfolio to accelerate clean up of non-performing loans
    2. Make additional grey zone provisions for consumer finance subsidiaries
    3. Record Group-wide, one-off restructuring costs

    Also expect to record tax-related expenses by taking into consideration ongoing discussions regarding reduction of corporate income tax rate in Japan
- By actively implementing these measures, from FY2011 and beyond, expect downside risks to decline to level that can be sufficiently managed within the scope of our earnings for each period
- Non-consolidated net income forecast maintained despite recording loss of JPY31.7 billion through transfer of our holding of common shares in subsidiary APLUS FINANCIAL to subsidiary Shinsei Financial

Key Takeaways

1. **Significant upward revision of full year consolidated earnings forecast due to improvement in earnings power as a result of steady implementation of operational strategy**

   - **Institutional Group:** made steady progress in rebuilding customer base through measures such as developing new borrowers and strengthening proposals to existing clients
   - **M&I Group:** divested risk assets and made prudent and conservative provisions against potential risk as core business trended steadily
   - **Individual Group (retail banking):** business trended steadily, promoting an optimized funding base and efficient branch network expansion while maintaining its focus on providing high value-added products and services to meet the needs of customers
   - **Individual Group (consumer finance):** recorded sound results by focusing on profitability rather than scale, and enforcing strict expense and credit controls. Steady progress in business collaboration with the Bank
   - **Corporate/Other:** Recorded gains from buyback of preferred securities and subordinated debt

2. **Further progress in reducing non-core business assets and optimizing balance of domestic real estate non-recourse finance**
3. **Capital ratios basically steady despite repurchase of preferred securities; steady liquidity**
4. **Significant upward revision to full year consolidated earnings forecast due to strong performance**

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