Business and Financial Highlights
Three Months Ended June 30, 2010

Shinsei Bank, Limited
July 29, 2010

Agenda

1. Executive Summary

2. Results for Three Months Ended June 30, 2010

   - Financial Results Overview
   - Profitability
   - Asset Quality
   - Capital

3. Forecast for Fiscal Year 2010

4. Business Highlights for Three Months Ended June 30, 2010

5. Key Takeaways

Executive Summary

1. Net income increased due to improved performance from core businesses, lower expenses and credit costs, despite lower revenues due to fewer one-time gains

- **Top-line revenues** down 19.4% year-on-year in line with expectations
  - Decrease due to fewer one-time gains such as capital buyback and asset sales gains
  - Revenues increased for Institutional Group and Retail Banking
  - Revenues decreased at our consumer finance subsidiaries largely as a result of interest rate reductions
- **Funding costs** declined to 0.62% due to lower interest expense on deposits, borrowed money and corporate bonds, while net interest margin steady at 2.33%
- **Expenses** down 18.0% through business right-sizing, consolidation and technology deployment
- **Net credit costs** down 47.0% due to credit recoveries as a result of a reduction in risk-weighted assets as well as lower credit costs at our consumer finance subsidiaries
- **Net income**: consolidated cash basis net income of JPY 16.7 billion (compared to JPY 9.7 billion in prior period), consolidated reported basis net income of JPY 13.8 billion (compared to JPY 5.1 billion in prior period). Non-consolidated net income of JPY 4.7 billion (compared to JPY 10.4 billion in prior period)

2. Capital ratios improved

- Capital ratios improved due to increase in net income and lower level of risk weighted assets (total capital adequacy ratio at 8.97%, Tier I capital ratio at 6.95% and core Tier I capital ratio at 4.60% at June 30, 2010, an improvement from 8.35%, 6.35% and 4.05% at March 31, 2010, respectively)
- No immediate plans for capital-raising. However, recognize changing regulatory and market environment, and will continue to consider capital-raising as one key strategic option, while giving ample consideration to potential impact from dilution

3. No revision to full year forecast

- Uncertainty remains surrounding the macroeconomic environment, domestic real estate market and impact of revised Money-Lending Business Control and Regulation Law (MLBL)
- No revision to forecast of consolidated cash basis net income of JPY 23.6 billion, consolidated reported basis net income of JPY 12.5 billion and non-consolidated net income of JPY 10.0 billion for fiscal year ending March 31, 2011

Financial Results Overview

(JPY billion)

Earnings	1Q FY2010	1Q FY2009	FY2009 (reference)
[Consolidated]			
Revenue	**70.4**	87.5	285.5
Expenses	**36.4**	44.5	168.3
Ordinary Business Profit (OBP)	**34.0**	43.0	117.1
Net credit costs	**13.8**	26.0	112.2
OBP after Net Credit Costs	**20.1**	16.9	4.8
Net Income	**13.8**	5.1	-140.1
Cash Basis Net Income	**16.7**	9.7	-53.7
[Non-Consolidated]			
OBP	**9.5**	10.3	20.9
Net Income	**4.7**	10.4	-47.6

Profitability	1Q FY2010	1Q FY2009	FY2009 (reference)
Net Interest Margin	**2.33%**	2.65%	2.47%
Expense-to-Revenue Ratio	**51.8%**	50.9%	59.0%
Cash Basis ROA (Annualized)	**0.6%**	0.3%	-0.5%
Cash Basis ROE (Annualized)	**14.6%**	6.8%	-10.6%

Asset Quality	2010.6	2010.3
Total assets	**10,947**	11,376
Risk Weighted Assets (“RWA”)	**7,276**	7,722
RWA / Total Assets (%)	**66.5%**	67.9%
Non-performing Loans / Total Claims (%)	**6.38%**	6.70%
Coverage Ratio[1] (%)	**97.4%**	97.6%

Capital	2010.6	2010.3
Tier I Capital	**506.4**	490.7
Total Capital	**653.0**	645.4
Total Capital Adequacy Ratio	**8.97%**	8.35%
Tier I Capital Ratio	**6.95%**	6.35%
Core Tier I Capital Ratio[2]	**4.60%**	4.05%
Tangible Common Equity Ratio[3]	**3.32%**	3.09%
Diluted Equity Per Share (JPY)	**236.82**	232.72

Liquidity	2010.6	2010.3
Liquidity Reserve[4]	**1,319**	1,292

[1](Reserve for loan losses + collateral + guarantees) / Amount of claims (Non-consolidated basis)
[2](Tier I capital – preferred securities – preferred stock – deferred tax assets (net)) / Risk weighted assets
[3](Net assets – preferred stock – intangible assets – minority interests) / Total assets (excluding intangible assets)
[4]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	1Q FY2010	1Q FY2009	FY2009 (reference)
Institutional Banking	**9.4**	-0.3	-52.5
Showa Leasing	**1.2**	0.4	2.4
Institutional Group	**10.6**	**0.1**	**-50.0**

Individual Group	1Q FY2010	1Q FY2009	FY2009 (reference)
Retail Banking	**2.1**	1.7	6.3
Shinsei Financial	**2.5**	6.4	20.6
Shinki	**0.7**	0.1	6.9
APLUS FINANCIAL	**1.2**	0.0	3.5
Other Subsidiaries	**0.0**	0.0	0.3
Individual Group	**6.8**	**8.6**	**37.7**

Corporate/Other	1Q FY2010	1Q FY2009	FY2009 (reference)
Corporate/Other	**2.6**	**8.2**	**17.1**
OBP after Net Credit Costs	**20.1**	**16.9**	**4.8**
Other Losses, Amortization of Goodwill and Intangible Assets	**-4.0**	**-9.4**	**-127.9**
Tax, Minority Interests	**-2.3**	**-2.3**	**-17.0**
Net Income	**13.8**	**5.1**	**-140.1**

- **Institutional Group:**
  Improved due to higher revenue from core businesses, lower expenses and net credit costs

- **Individual Group:**
  Increased profits in Retail Banking while expanding franchise and shifting focus from deposits to asset management.

  Profits down in Consumer Finance due mainly to lower revenues at Shinsei Financial and APLUS FINANCIAL as anticipated

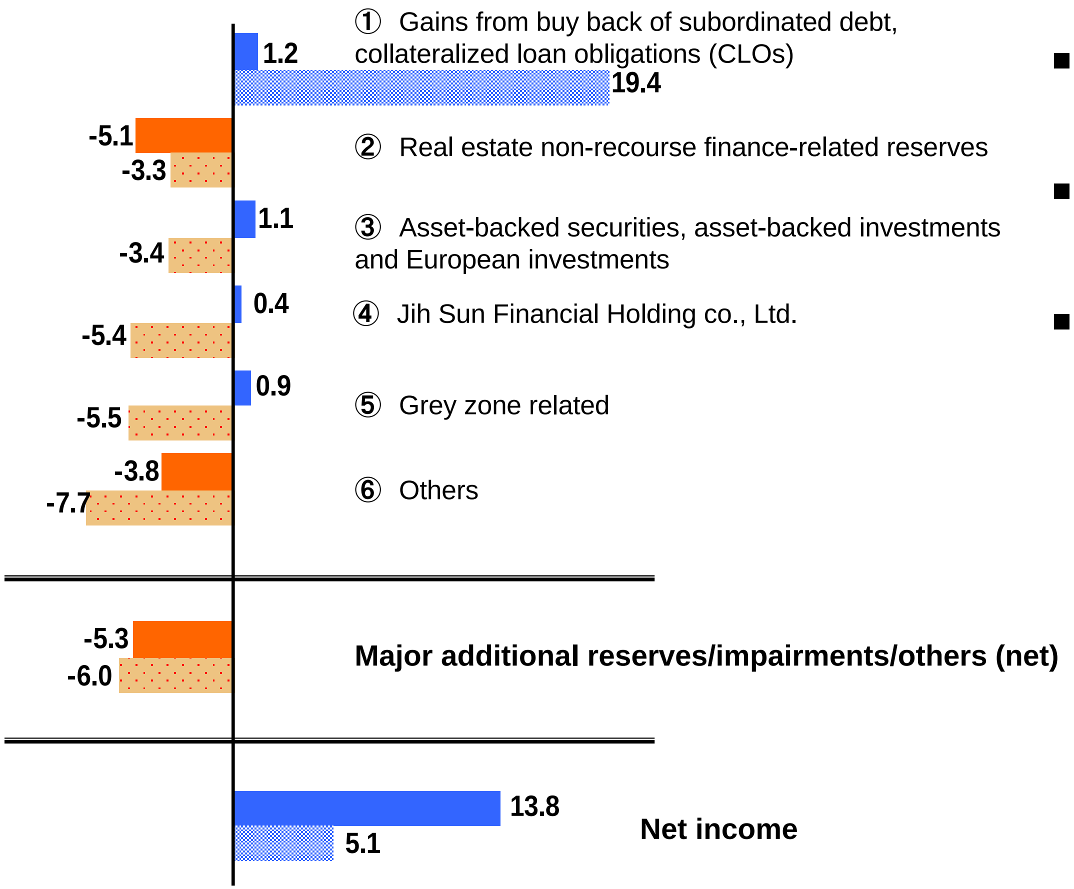
- **Corporate/Other:**
  Gains from buyback of subordinated debt decreased to JPY 1.2 billion from JPY 9.4 billion in prior period

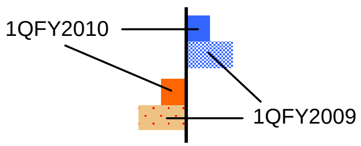
Non-recurring Items and Stabilized Profits

Fewer one-off factors and signs of earnings stability

(JPY billion)

1QFY2010 vs 1QFY2009 (consolidated)





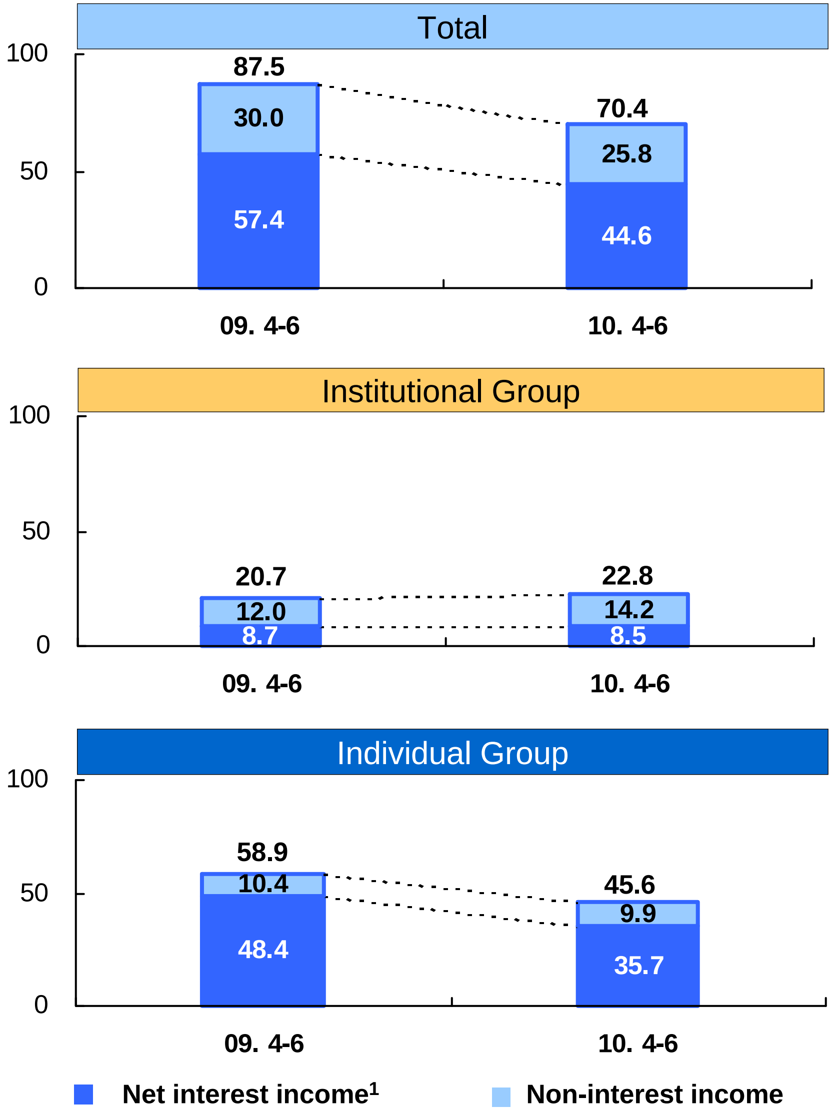
- Fewer one-off items such as gains from buyback of subordinated debt
- No losses on overseas risk weighted assets including ABS/ABI recorded this quarter
- Lower volatility of earnings, profits stabilizing

Revenue

Recovery in Institutional Group; Individual Group lower as expected

(JPY billion)

Total Revenue[1]



[1] Includes income on leased assets and installment receivables

- Down 19.4% year-on-year due mainly to decrease in net interest income (JPY -12.3 billion) at Shinsei Financial and APLUS FINANCIAL, lower gains from capital buybacks (JPY -8.1 billion), and absence of CLO sales gains (JPY 8.7 billion) recorded in the same period of the previous fiscal year

- **Institutional Group:**

  Up JPY 2.1 billion from profits of JPY 0.4 billion on our equity method affiliate Jih Sun (compared to a loss of JPY 4.6 billion in prior period) as well as improved performance in core businesses such as securitization and credit trading, despite absence of prior period CLO sales gains (JPY 8.7 billion)

- **Individual Group:**

  - Up in Retail Banking due to increased interest income from housing loans and higher fees from asset management products, despite lower income from structured deposits
  - Net interest income decreased due to interest rate reductions within Consumer Finance subsidiaries including Shinsei Financial and APLUS FINANCIAL

Revenue

Institutional Group: Positive revenues in all businesses

(JPY billion)

Total Revenue

Institutional Group	1Q FY2010	1Q FY2009	Difference	4Q FY2009
Basic banking	**2.7**	3.3	-0.6	3.1
Real estate finance	**4.9**	4.9	0.0	5.0
Credit trading	**2.7**	1.3	1.4	-13.4
Principal investments	**1.5**	-5.2	6.7	-23.1
Foreign exchange, derivatives, equity-related	**2.1**	2.8	-0.7	1.9
Securitization	**1.8**	-0.9	2.7	2.0
Other capital markets	**1.0**	9.3	-8.3	2.8
ALM activities	**1.1**	-0.6	1.7	-0.0
Leasing (Showa Leasing)	**3.7**	4.5	-0.8	4.0
Others	**0.9**	1.1	-0.1	1.6
Total revenue	**22.8**	20.7	2.1	-16.0

Businesses with higher or flat revenues:

- Real estate finance business flat despite lower real estate-related exposure, as higher fees and net interest income on non-recourse loans contributed
- Credit trading higher compared to prior period when mark-downs of certain international credit trading positions, mainly in Europe, were taken
- Principal investments higher as current period includes JPY 0.4 billion in gains in Jih Sun, while JPY 4.6 billion of losses in Jih Sun were recorded in prior period
- Securitization and ALM activities also recorded higher revenues

Businesses with lower revenues:

- Basic banking lower primarily due to lower loan balances
- Foreign exchange, derivatives and equity-related transactions lower but improved on 4Q FY2009
- Other capital markets lower due to the absence CLO sales gains (JPY 8.7 billion)
- Showa Leasing recorded lower revenues due to lower lease income

Revenue

Individual Group: Lower net interest income from Consumer Finance; Retail Banking steady

(JPY billion)

Total Revenue

Individual Group	1Q FY2010	1Q FY2009	Difference	4Q FY2009
Retail Banking	**11.0**	10.7	0.3	9.5
Deposits and debentures net interest income	**6.4**	6.3	0.1	6.1
Deposits and debentures non-interest income	**1.4**	1.8	-0.4	0.6
Asset management	**1.2**	1.1	0.1	1.1
Loans	**1.9**	1.3	0.6	1.5
(Reference) Revenue from structured deposits	**1.5**	2.3	-0.8	1.0
Shinsei Financial	**17.1**	27.5	-10.4	18.9
Shinki	**3.0**	4.1	-1.1	2.9
APLUS FINANCIAL	**14.1**	16.2	-2.1	14.1
Other subsidiaries	**0.3**	0.3	0.0	0.3
Total revenue	**45.6**	58.9	-13.3	45.9

Businesses with Higher or Flat Revenues:

- In Retail Banking, net interest income from retail deposits and housing loans, and fees from asset management products increased
- Steady non-interest income from guarantees and other operations in Consumer Finance
- Other subsidiaries were flat

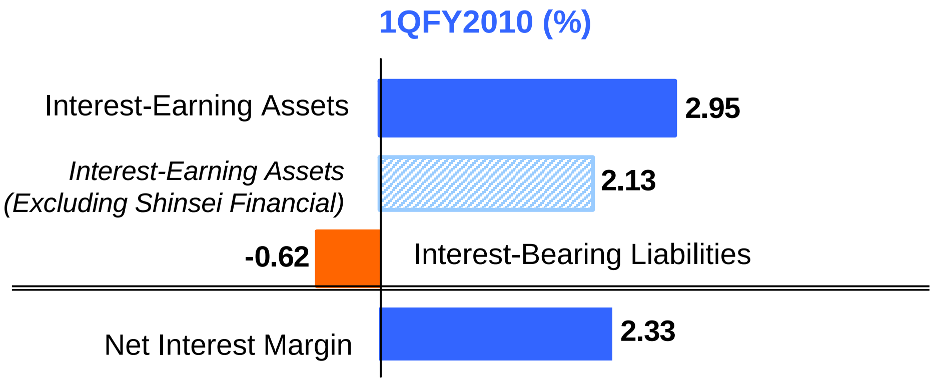
Businesses with Lower Revenues:

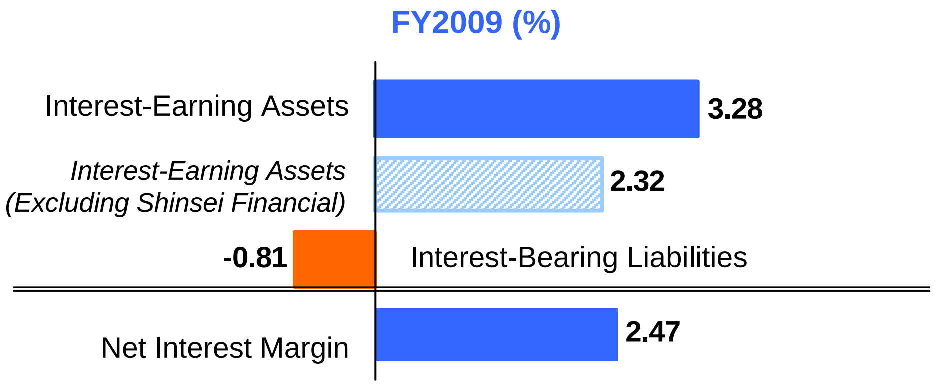
- Income from structured deposits decreased in Retail Banking
- Interest income decreased due to interest rate reductions at Shinsei Financial, Shinki and APLUS FINANCIAL

Net Interest Margin

Lower deposit interest expense and other funding costs offset lower loan balance and yield

Net Interest Margin[1]





- Net yield on interest earning-assets decreased due to lower yield and lower volume of loans and bills discounted, lease receivables and leased investment assets and installment receivables, and due to lower yields on securities
- Funding costs declined to 0.62% due to lower interest expense on deposits, borrowed money and corporate bonds
- Net interest margin was 2.33% (flat from 4QFY2009)
- Net interest margin excluding Shinsei Financial flat at 1.51%

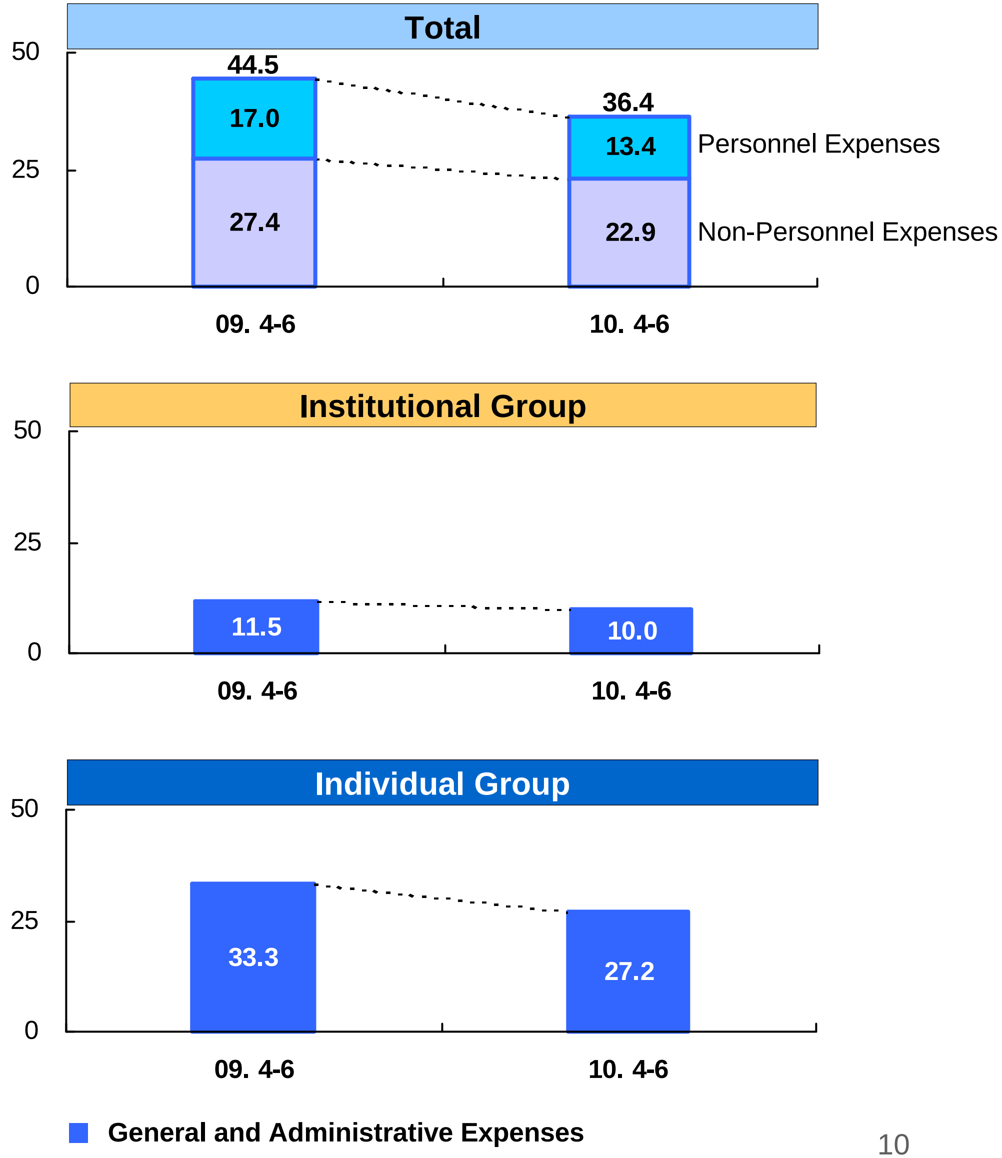
[1] Includes income on leased assets and installment receivables

General and Administrative Expenses

Expense rationalization progresses across the Group

(JPY billion)

General and Administrative Expenses



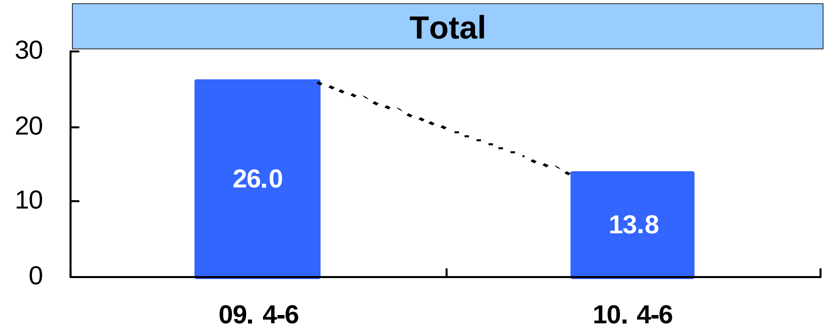
- Down 18.0% year-on-year through business right-sizing and technology deployment in subsidiaries. Personnel expenses down 20.6% as Group employees decreased (from 6,970 at June 30, 2009 to 6,066 at June 30, 2010). Non-personnel expenses declined 16.4%.
- **Institutional Group:**
  - Decrease due to stricter cost controls and cost reductions across Institutional Banking businesses
- **Individual Group:**
  - Advertising expenses down through continued optimization of advertising activities across Individual Group including Retail Banking
  - Premises expenses down as result of branch optimization in Consumer Finance subsidiaries
  - Technology and data-processing expenses reduced through ACM (automated contract machine) sharing and optimization between Shinsei Financial and Shinki

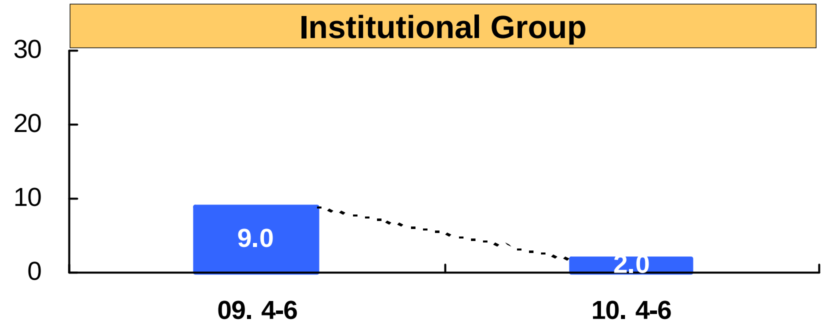
Net Credit Costs

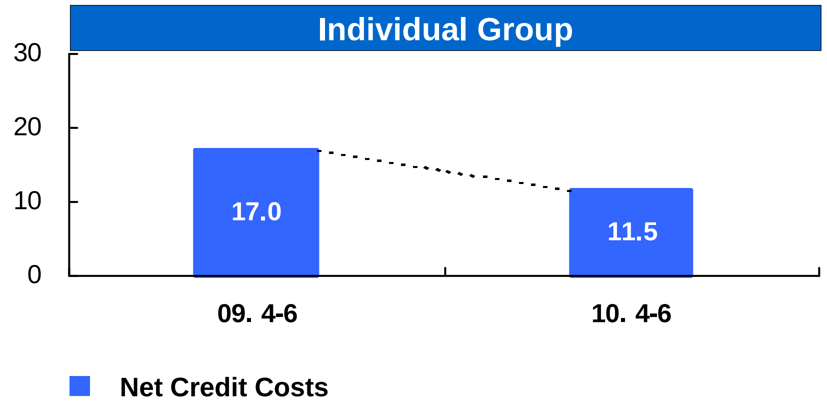
Decreased due to improved earnings, stricter credit standards and stronger collections

(JPY billion)

Net Credit Costs







- Down by 47.0% year-on-year due to improved performance within Institutional Group and Consumer Finance subsidiaries

- **Institutional Group**
  - Institutional Banking net credit costs declined to JPY 1.5 billion from JPY 6.9 billion in prior period
  - JPY 5.1 billion of net credit costs recorded in relation to domestic real estate non-recourse finance portfolio were largely offset by credit recoveries and credit reserve releases generated through reduction of risk weighted assets
  - Showa Leasing's net credit costs declined to JPY 0.5 billion from JPY 2.0 billion in prior period due to strengthening of credit standards and NPL loan collection measures

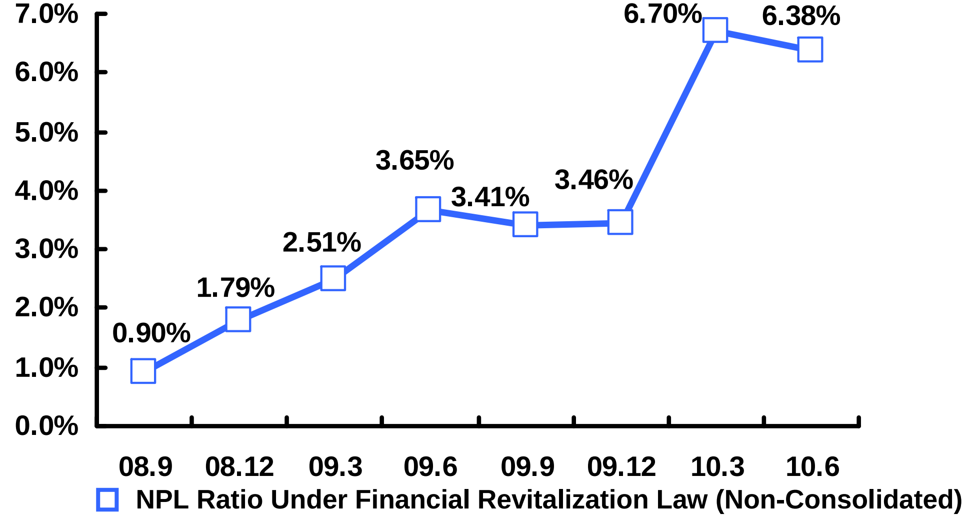
- **Individual Group**
  - Additional credit costs in Retail Banking for housing loans acquired from Shinsei Financial
  - Consumer Finance business credit costs lower as subsidiaries implemented stricter credit standards and controlled additional lending in compliance with revised MLBL
  - Credit costs declined steeply at APLUS FINANCIAL as collection capability improved

Non-Performing Loans (NPL) and Coverage Ratios

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

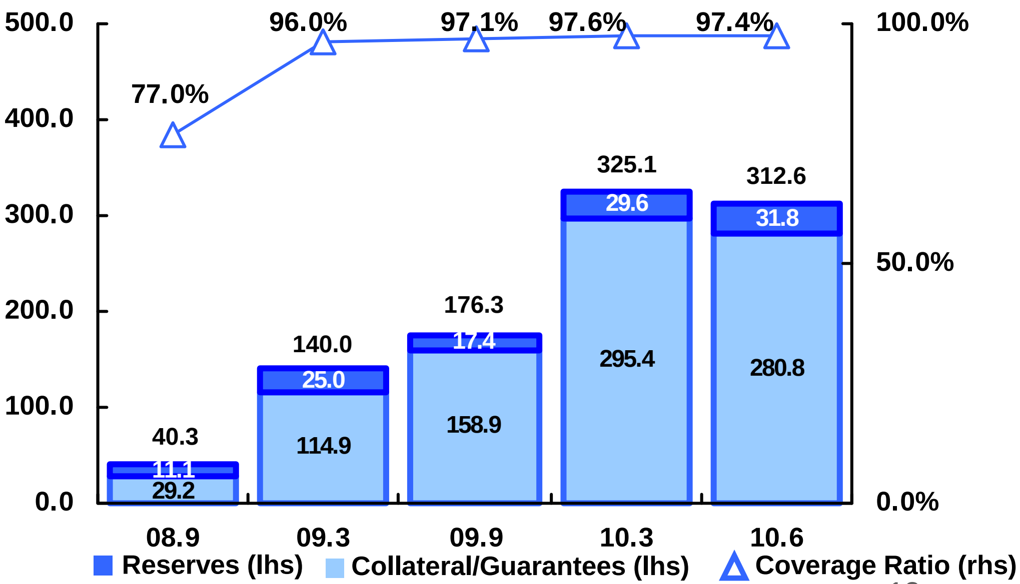
(JPY billion)

NPL Ratio[1]



- NPL ratio rose steeply to 6.70% at March 31, 2010 reflecting conservative valuations for real estate-related non-recourse finance
- NPL ratio declined to 6.38% at June 30, 2010 as NPLs decreased and overall lending increased

NPL Coverage



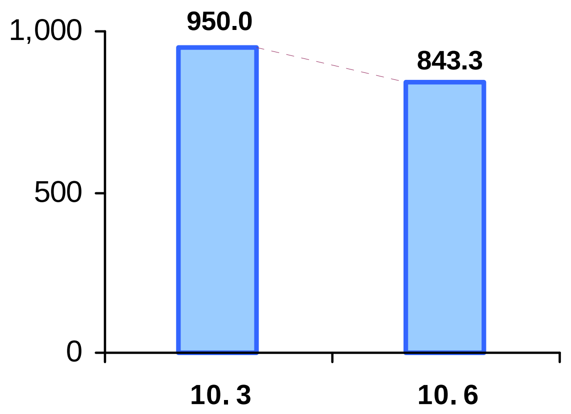
- Maintaining high coverage ratio
- Collateral/guarantees account for high proportion of coverage, but applying conservative valuation standards

Real Estate Non-Recourse 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

(as at June 30, 2010)

	B/S Balance	Reserves for Loan Losses	Collateral/ Guarantees	Coverage Ratio	Partial Write-Off*
Normal	343.6	1.1			
Need Caution	203.3	4.3			
Performing Loans sub-total	547.0	5.5			
Substandard/Possibly Bankrupt	234.2	23.7	202.3	96.5%	-
Virtually/Legally Bankrupt	62.0	-	62.0	100%	34.9
Non-Performing Loans sub-total	296.3	23.7	264.4	97.2%	34.9
Total	**843.3**	**29.2**			**34.9**

*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 June 30, 2010)

Region	
Kanto (mainly Tokyo)	63.7%
Kansai (mainly Osaka)	12.5%
Other Regions	11.1%
Portfolio (Diversified)	12.6%
Total	100.0%

Category	
Office	32.4%
Retail	12.7%
Residential	13.7%
Hotel	7.0%
Land	16.4%
Development	8.0%
Industrial/Parking/Other	4.4%
Other Portfolio (Diversified)	5.3%
Total	100.0%

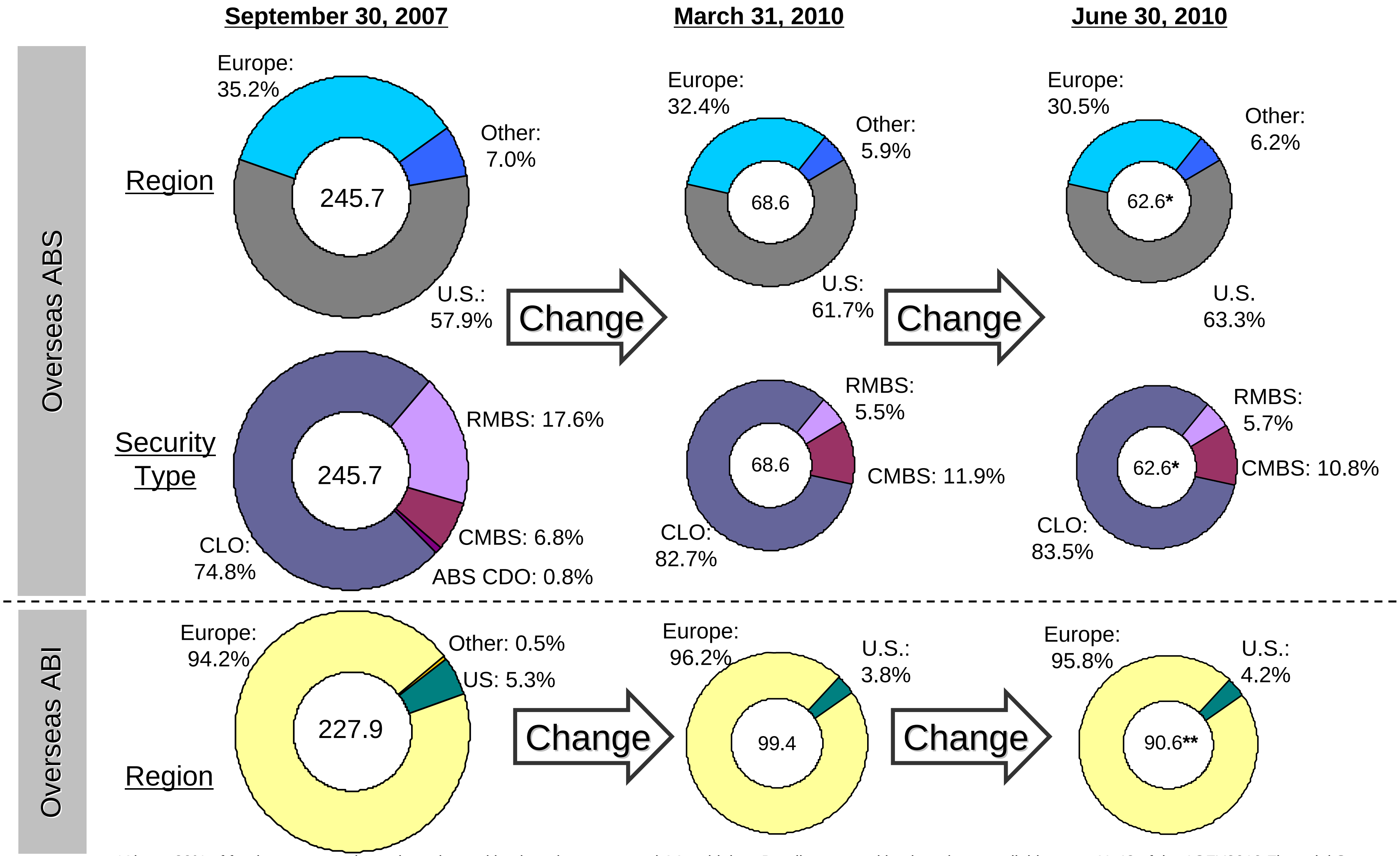
- Conservative Valuation of Collateral
  - Sales value of collateral properties (sale by borrower or voluntary sale) is generally higher than Shinsei Bank’s valuation. (Sales value has been approx. 15% higher than Bank’s valuation in non-recourse finance collections made via the sale of properties in the first quarter of FY2010)
  - Rent levels used for property valuations are always 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 Need Caution or below (as part of more conservative collateral valuation)

Asset Quality

Overseas Asset-Backed Securities (ABS) and Investments (ABI)

Ample coverage and ongoing balance reduction

(Non-consolidated, JPY billion)



*About 89% of foreign-currency denominated securitized products are rated AA or higher. Details on securitized products available on p. 41-42 of the 1QFY2010 Financial Summary.

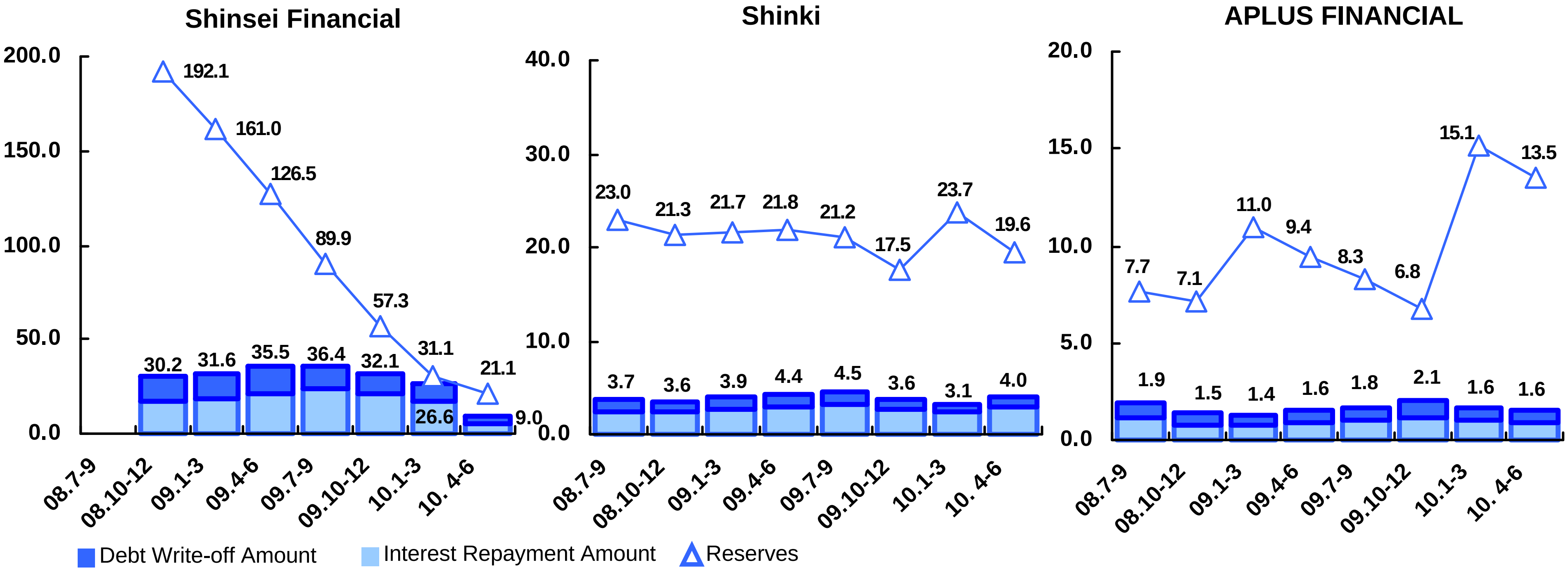
**The coverage ratio for risk monitored loans related to overseas asset backed investments remains at 100% at June 30, 2010.

Grey Zone Interest Repayment, Reserves and Disclosure Claims

Indemnity contract plus signs of peak-out, but continue to monitor situation closely

(JPY billion)

Amount of Interest Repayment and Reserve for Losses



Disclosure Claims

(thousands)

	08. 7-9	08. 10-12	09. 1-3	09. 4-6	09. 7-9	09. 10-12	10. 1-3	10. 4-6	8 Qtr Avg.
Shinsei Financial	-	48.6	52.4	48.5	41.2	41.0	38.1	**34.4**	43.5
Shinki	8.6	10.0	10.3	9.2	7.7	7.5	6.4	**5.8**	8.4
APLUS FINANCIAL	3.9	4.7	5.2	5.7	5.4	4.8	4.4	**4.5**	4.7

- Disclosure claims on the decline
- Substantial additional provisioning for interest repayments in APLUS FINANCIAL and Shinki implemented on March 31, 2010
- Certain portion of Shinsei Financial’s portfolio is covered by indemnity contract

Capital

Capital ratios improve due to positive earnings and RWA reduction

(JPY billion, %)

Capital Adequacy Data

	10.6	10.3	Difference
Basic Items (Tier I)	**506.4**	490.7	15.6
Amount Eligible for Inclusion in Capital (Tier II)	**254.8**	268.7	-13.9
Deduction	**-108.1**	-114.0	5.9
Total Capital	**653.0**	645.4	7.6
Risk Assets	**7,276.3**	7,722.1	-445.7
Capital Adequacy Ratio	**8.97%**	8.35%	
Tier I Capital Ratio	**6.95%**	6.35%	
Core Tier I Ratio[1]	**4.60%**	4.05%	
TCE Ratio[2]	**3.32%**	3.09%	

Numerator:

- Increase in retained earnings due to positive net income
- Reduction in Tier I deductions due to scheduled amortization of goodwill and intangible assets
- Total capital increases as deductions decrease in line with reduced expected losses as a result of risk weighted asset reduction

Denominator:

- Decrease in risk weighted assets (from JPY 7.7 trillion at March 31, 2010 to JPY 7.2 trillion at June 30, 2010) reflecting lower loans and bills discounted balance

[1] Core Tier I capital ratio = Tier I capital, excluding preferred securities and preferred stock minus deferred tax assets (net) divided by risk weighted assets

[2] Tangible common equity ratio = Net assets minus preferred stock, intangible assets and minority interests divided by total assets, excluding intangible assets

FY2010 Forecast

No revision as uncertainty remains on macroeconomy and operating environment

(JPY billion)

	FY2009 Actual	FY2010 Forecast (No change)
[Consolidated]		
Net Income (Loss)	-140.1	12.5
Cash Basis Net Income (Loss)	-53.7	23.6
[Non-Consolidated]		
Net Income (Loss)	-47.6	10.0

- No revision to FY2010 forecast as uncertainty remains surrounding the macroeconomic environment, domestic real estate market, and impact of revised MLBL
- Shinsei is considering a number of new initiatives under new management and will consider revising its Medium-Term Management Plan

FY2010 First Quarter Business Highlights

Laying the groundwork for the future

FY2010 Areas of Focus

Institutional 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 and staffing services to customers with restructuring needs and growth companies

Individual Group

- Retail Banking
  - ✓ Stabilize funding base and promote lower funding costs
  - ✓ Strengthen 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 First Quarter

Institutional Group

- Strengthened Corporate Restructuring and Healthcare Finance businesses
- Ongoing reduction of non-core business assets while carefully considering P/L impact
- Leveraging Group companies and Bank’s network to organize seminars and training aimed at strengthening relationships with regional financial institutions

Individual Group

- Funding cost optimization progresses with funding costs declining as campaign time deposits mature or roll over into Two Week Maturity Deposits
- 2 new Consulting Spots bring total Retail Banking outlets to 42
- In Consumer Finance, stricter credit standards and strengthened collections in light of revised MLBL help reduce net credit costs, while further operational integration lowers expenses
- Reduced interest rates on SmartCard Loan (guaranteed by APLUS FINANCIAL) to attract wider customer base

Key Takeaways

1. **Net income increased due to improved performance from core businesses, lower expenses and credit costs, despite lower revenues due to fewer one-time gains**

   - Consolidated reported basis net income of JPY 13.8 billion (compared to JPY 5.1 billion in prior period)
   - Consolidated cash basis net income of JPY 16.7 billion (compared to JPY 9.7 billion in prior period)
   - Non-consolidated net income of JPY 4.7 billion (compared to JPY 10.4 billion in prior period)

2. **Capital ratios improved**

   - Capital ratios improved due to increase in net income and lower level of risk weighted assets (total capital adequacy ratio at 8.97%, Tier I capital ratio at 6.95% and core Tier I capital ratio at 4.60% at June 30, 2010, an improvement from 8.35%, 6.35% and 4.05% at March 31, 2010, respectively)
   - No immediate plans for capital-raising. However, recognize changing regulatory and market environment, and will continue to consider capital-raising as one key strategic option, while giving ample consideration to potential impact from dilution

3. **No revision to full year forecast**

   - Uncertainty remains surrounding the macroeconomic environment, domestic real estate market and impact from full implementation of revised Money-Lending Business Control and Regulation Law
   - No revision to consolidated cash basis net income of JPY 23.6 billion, consolidated reported basis net income of JPY 12.5 billion and non-consolidated net income of JPY 10.0 billion for fiscal year ending March 31, 2011

Disclaimer

- 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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