



Decisive Action Today for Success Tomorrow

Shinsei Bank, Limited
May 16, 2007

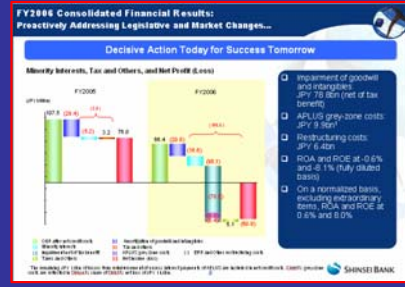
Thierry Porté
President and Chief Executive Officer



Highlights

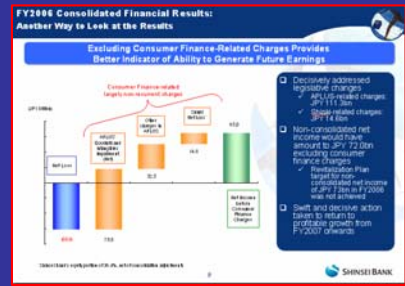
Fiscal 2006 a challenging year for Shinsei Bank

- Results reflect the measures taken to respond to the significant legislative and market changes that have impacted the consumer finance business



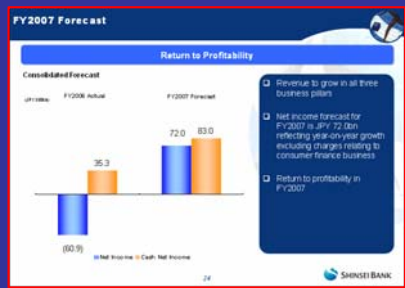
No impact on operating performance envisaged

- Impairment is a direct result of legislative changes
- Impairment is largely a non-recurrent event
- Balance Sheet and Capital Ratios remain strong



Return to profitable growth from FY2007

- Net income forecast for FY2007 is JPY 72 billion reflecting year-on-year growth excluding charges relating to consumer finance business



Committed to Growth

- Shinsei Bank remains committed to delivering sustainable long-term profitable growth based on its three pillar business strategy



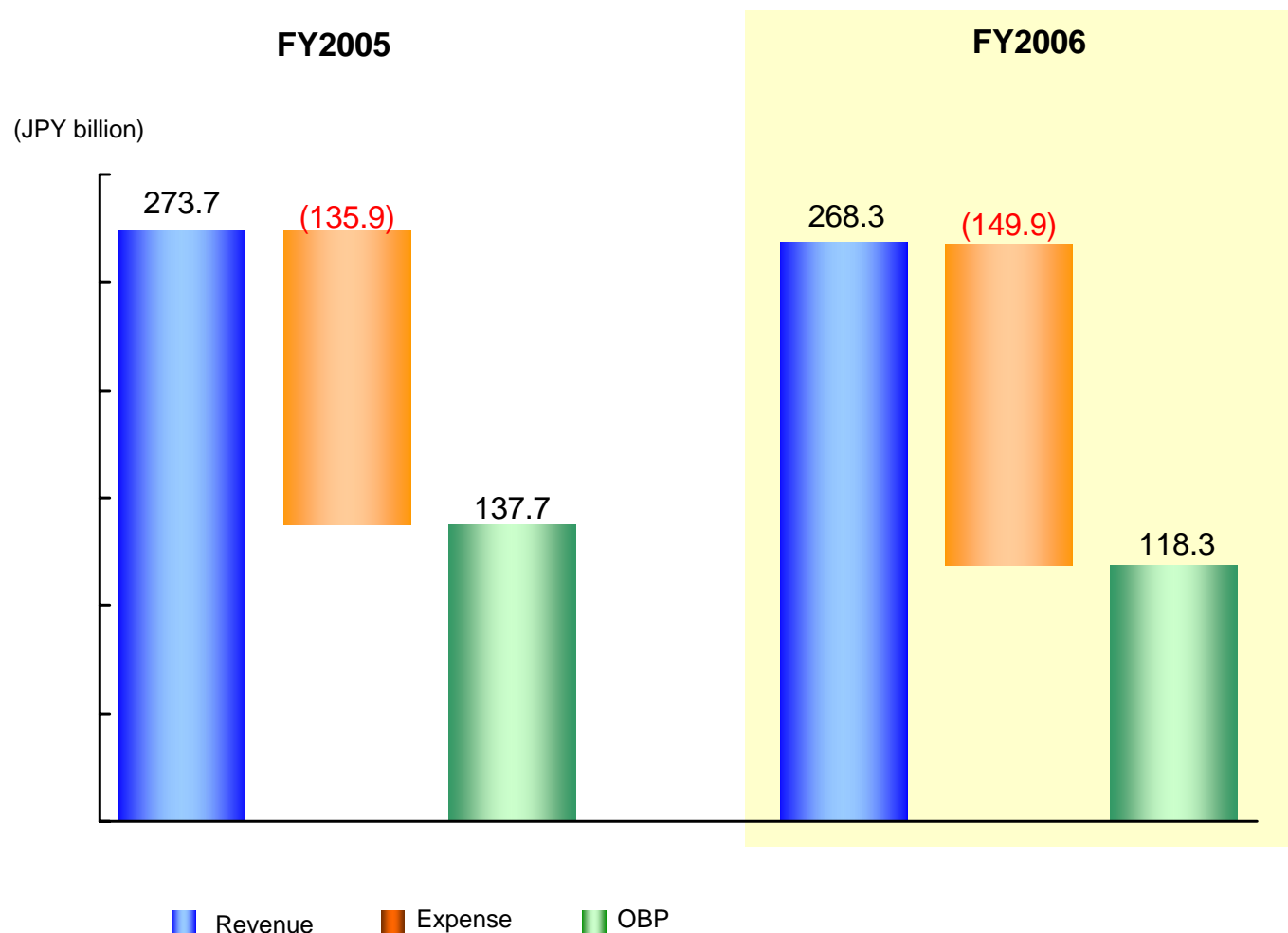


Fiscal Year 2006 Financial Results



Revenue Maintained Despite a Challenging Year

Revenue, Expense and OBP



- ❑ Revenue impacted by share of net loss in Shinki (JPY 14.6bn)³
- ❑ Expense increase arising from strategic investments in all three business pillars
- ❑ Expense-to-revenue ratio at 55.9%

¹ All figures in this presentation are on a management accounting basis

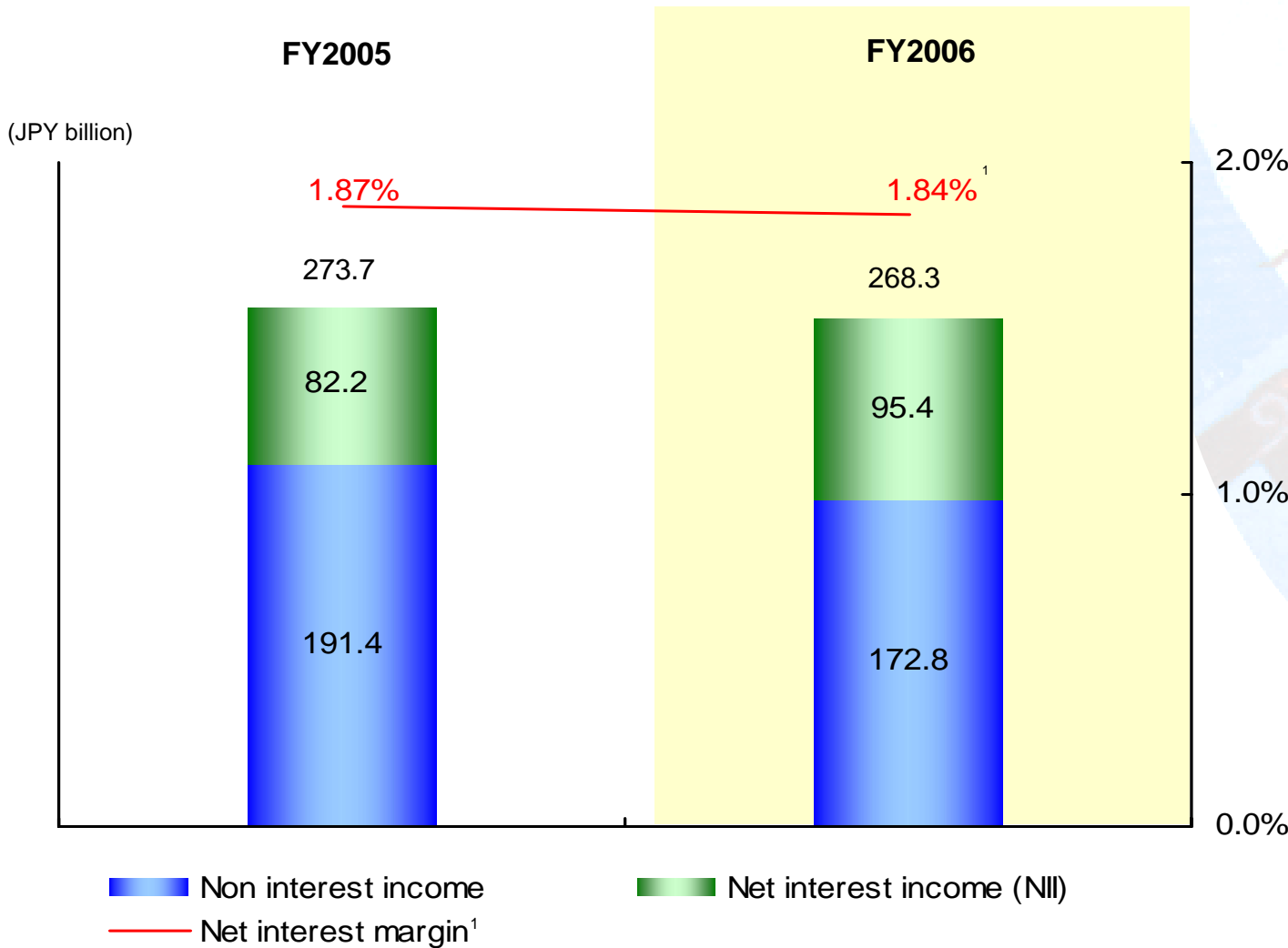
² Ordinary Business Profit/Loss

³ Shinsei Bank's equity portion of 36.4%, net of consolidation adjustments



Strong Net Interest Income Growth Driven by Increasing Volume Across All Business

Revenue



- ❑ NII strong at JPY 95.4bn, increase of 13.1bn
 - ✓ Interest-earning assets grew in all three business pillars by JPY 1.1tn
 - ✓ Net interest margin 1.84%¹ (vs. 1.87% in FY2005), reflecting margin compression

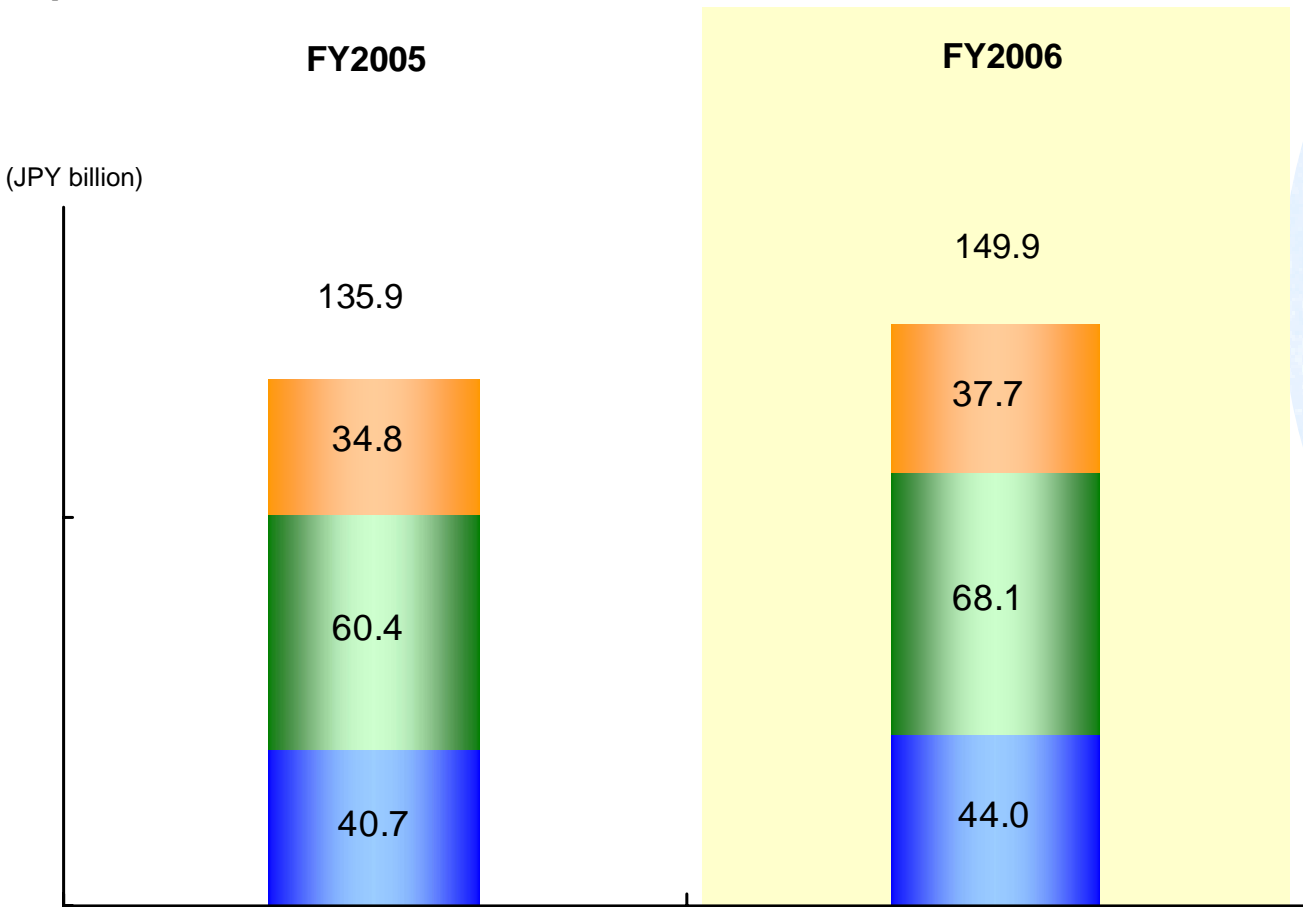
- ❑ Non interest income decreased to JPY 172.9bn from JPY 191.5bn
 - ✓ Shinki: JPY -14.6bn
 - ✓ Retail Structured deposits: JPY -8.3bn

¹ Disclosure basis, including lease and installment receivables



Controlling Base Expenses to Fund Strategic Investments for Future Growth

Expense



- Retail Banking (RBG)
- Consumer and Commercial Finance (CCF)
- Institutional Banking (IBG) / Others

- Growth in expenses mainly due to strategic investments in all three business areas for future growth
 - ✓ IBG¹: JPY 3.3bn
 - ✓ CCF: JPY 7.7bn
 - ✓ RBG: JPY 2.9bn

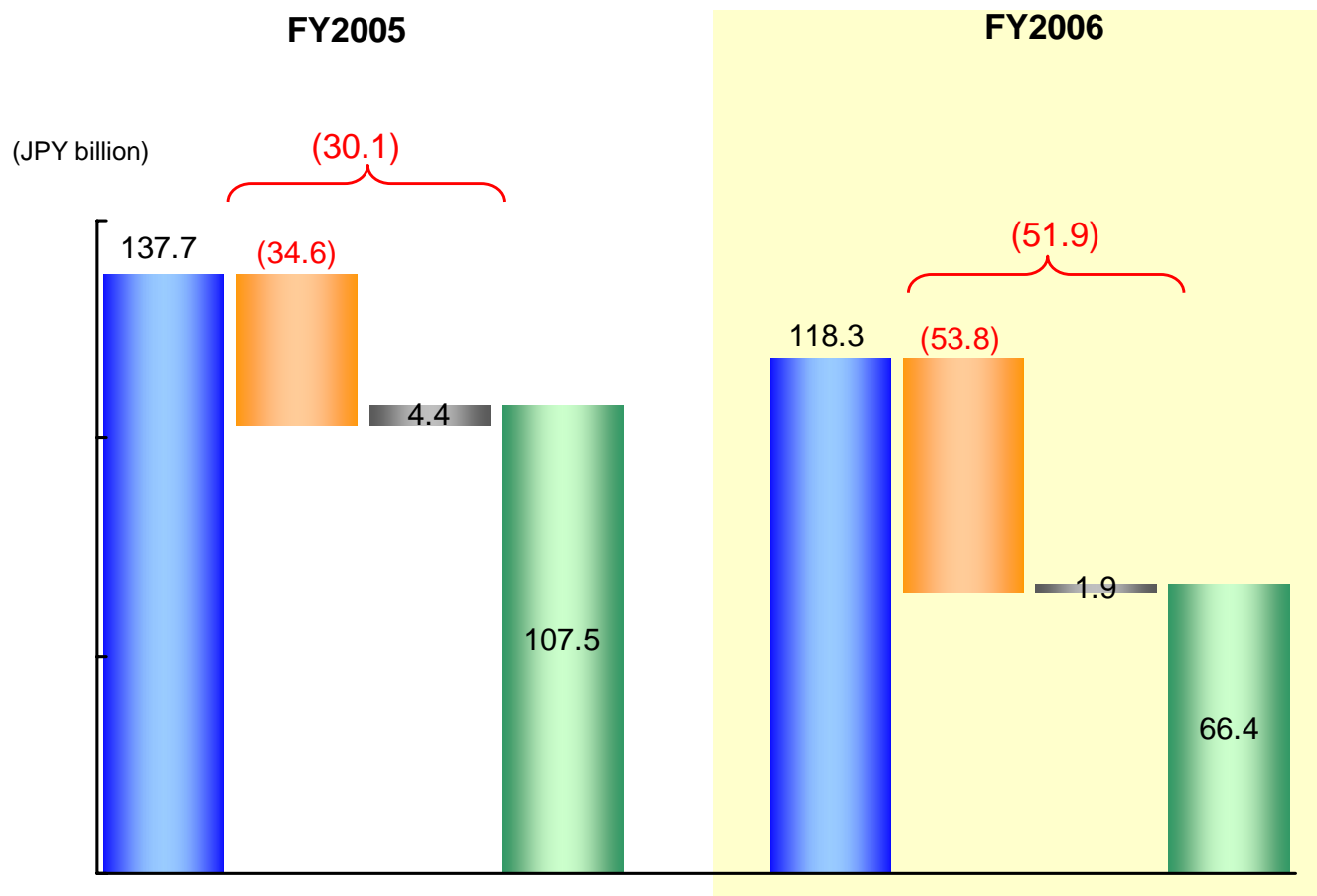
- Increased expenses for CCF include expenses attributable to Zen-Nichi Shinpan (JPY 4.8bn)

¹ Includes ALM/Corporate/Others



Prudent Provisioning by APLUS to Address Legislative and Market Changes

Net Credit Costs and OBP After Credit Costs



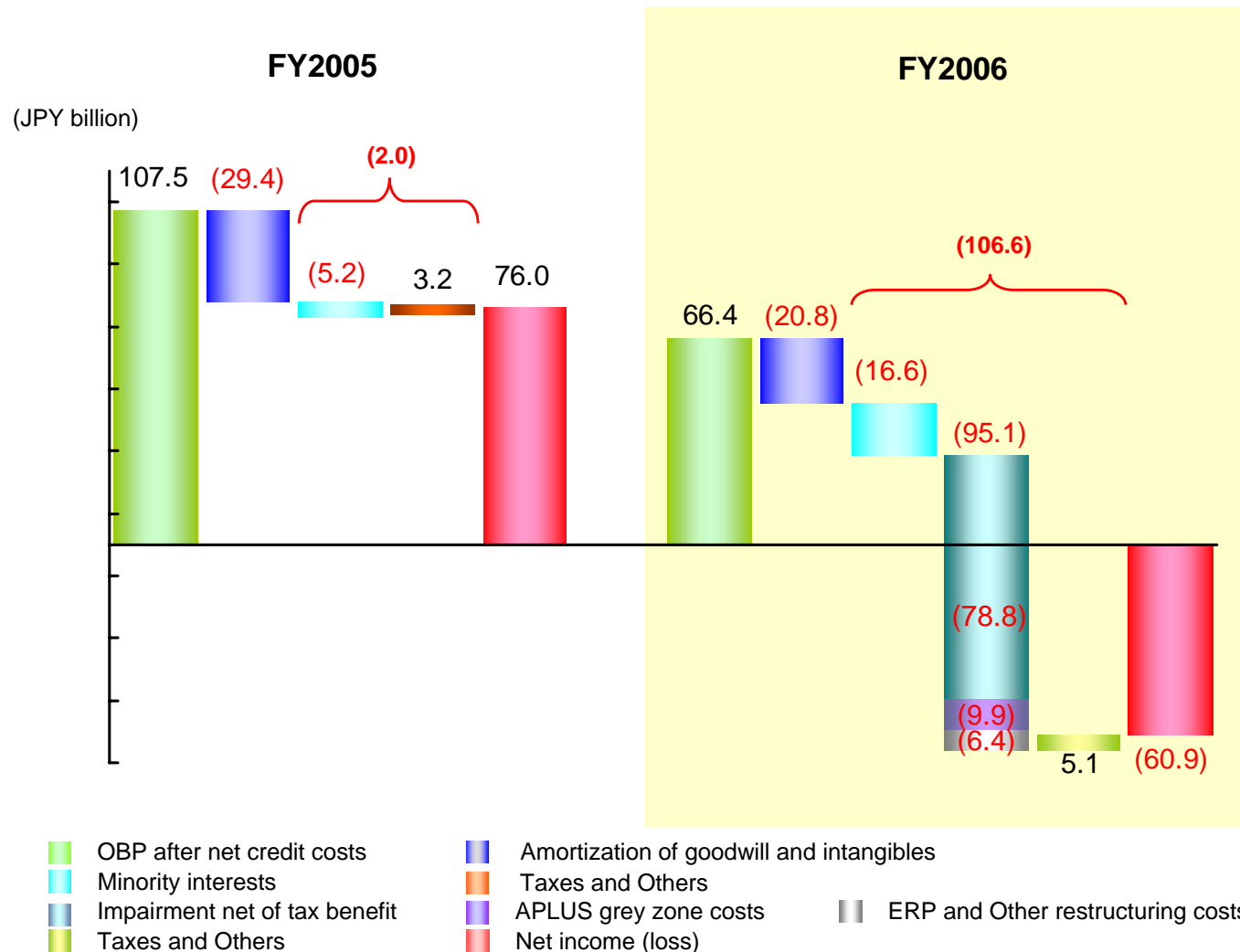
- ❑ Increase of JPY 21.7bn in net credit costs attributable mainly to APLUS (JPY 18.6bn)
- ❑ Net credit recoveries in Institutional Banking
 - ✓ NPLs continue to decline
 - ✓ Improvement in credit rating of key obligors
- ❑ Minimal net credit costs in Retail Banking

■ OBP ■ OBP after net credit costs
■ Net Credit costs (CCF) ■ Net credit recovery (IBG, net of minimal credit costs in RBG)



Decisive Action Today for Success Tomorrow

Minority Interests, Tax and Others, and Net Profit (Loss)

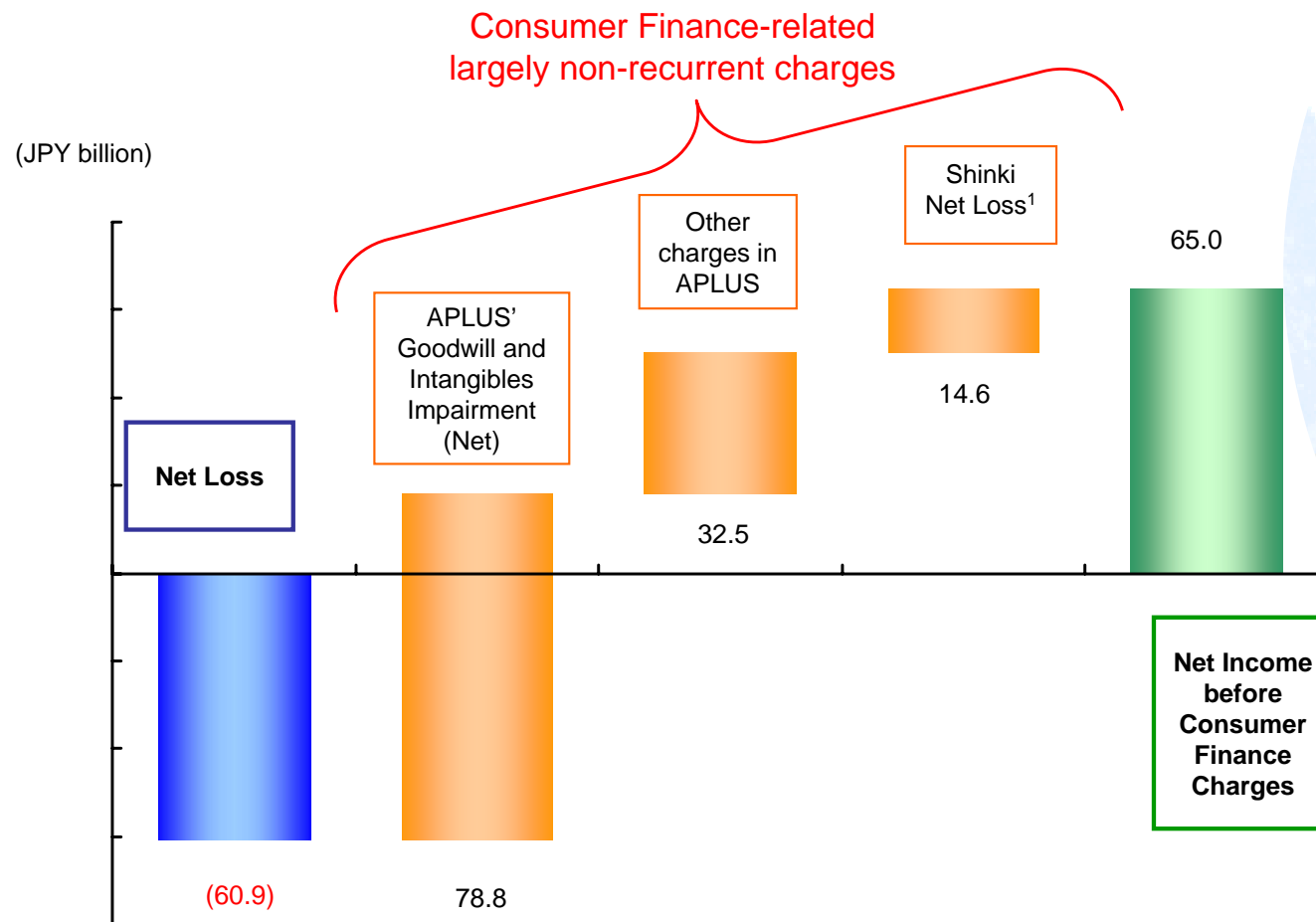


- ❑ Impairment of goodwill and intangibles: JPY 78.8bn (net of tax benefit)
- ❑ APLUS grey-zone costs: JPY 9.9bn¹
- ❑ Restructuring costs: JPY 6.4bn
- ❑ ROA and ROE at -0.6% and -8.1% (fully diluted basis)
- ❑ On a normalized basis, excluding extraordinary items, ROA and ROE at 0.6% and 8.0%

¹ The remaining JPY 1.6bn of losses from reimbursement of excess interest payments of APLUS are included in net credit costs. Shinki's grey-zone costs are reflected in Shinsei's share of Shinki's net loss of JPY 14.6bn.



Excluding Consumer Finance-Related Charges Provides Better Indicator of Ability to Generate Future Earnings



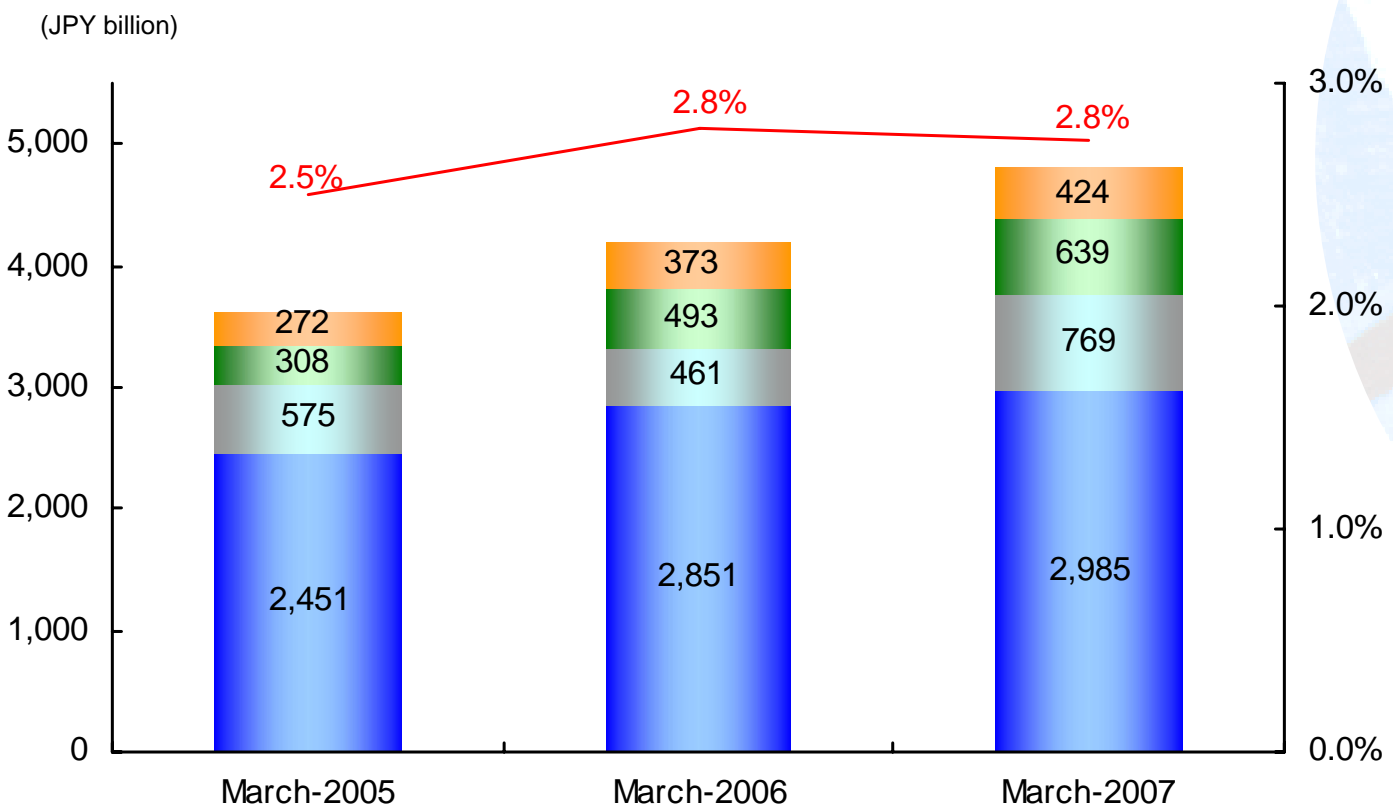
- ❑ Decisively addressed legislative changes
 - ✓ APLUS-related charges: JPY 111.3bn
 - ✓ Shinki-related charges: JPY 14.6bn
- ❑ Non-consolidated net income would have amount to JPY 72.0bn excluding consumer finance charges
 - ✓ Revitalization Plan target for non-consolidated net income of JPY 73bn in FY2006 was not achieved
- ❑ Swift and decisive action taken to return to profitable growth from FY2007 onwards

¹ Shinsei Bank's equity portion of 36.4%, net of consolidation adjustments



Robust Loan Growth Achieved Across All Businesses

Loan Outstanding



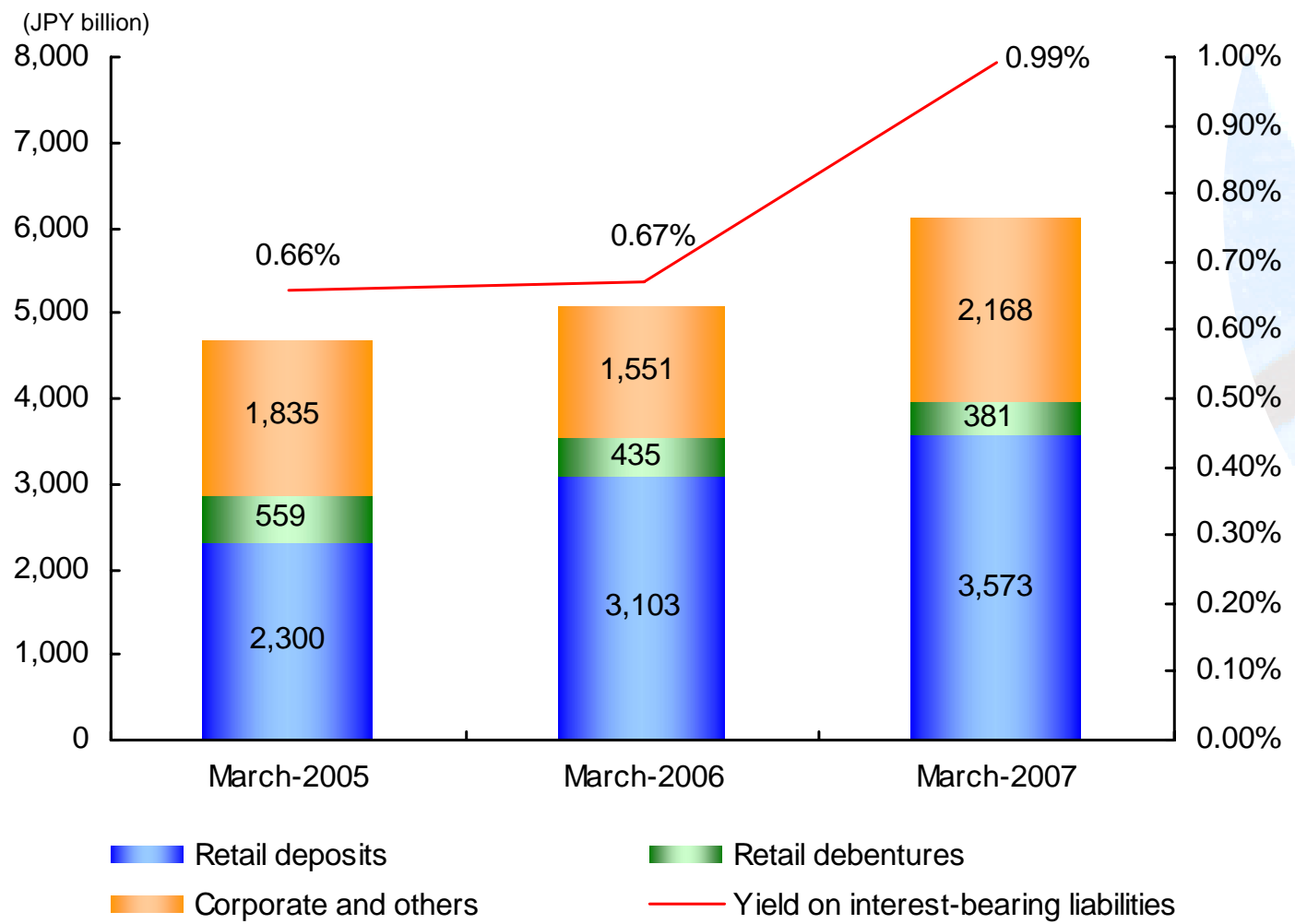
- CCF Loans
- Retail Loans (including high net worth individuals)
- Non-Recourse Loans
- Corporate Loans
- Gross Yield on loans and bills discounted

- ☐ Strong loan growth
 - ✓ Corporate Loans +4.7%
 - ✓ Non-Recourse Loan: +66.8%
 - ✓ Retail Loans: +29.5%
 - ✓ CCF Loans: +13.8%
- ☐ Asset quality maintained with NPL ratio of 0.5% (non-consolidated basis)



Strong Deposit Growth Leading to Stable NII

Deposits, Debentures and Yield on Interest-Bearing Liabilities



- ❑ Retail funds represent 64.6% of total deposits and debentures
- ❑ Funding costs remain at attractive levels: 0.99% as of March 2007
 - ✓ Funding cost from retail deposits continue at low levels at approximately 0.74%
- ❑ Net interest margin at 1.84%¹

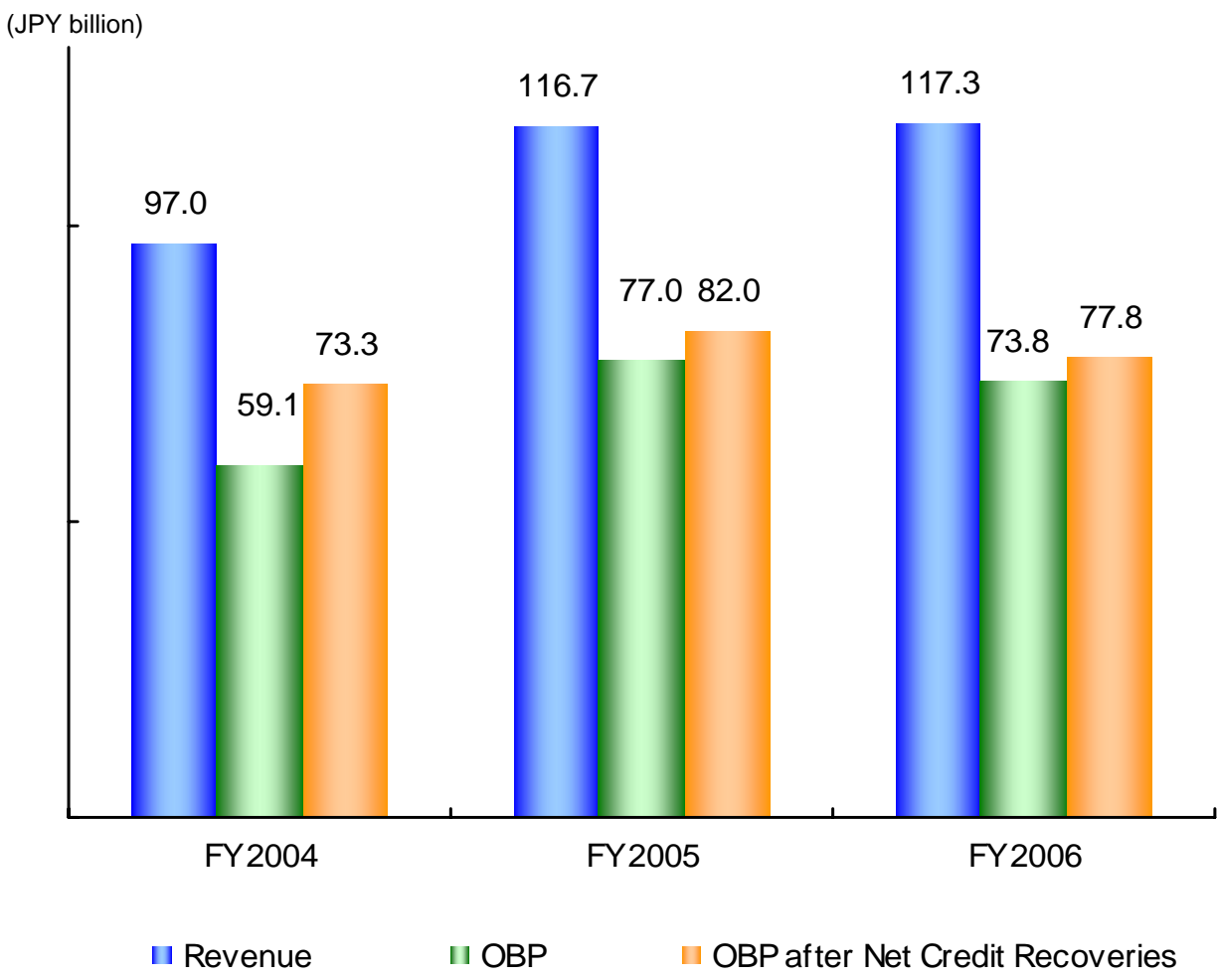
¹ Disclosure basis, including lease and installment receivables



Business Highlights

Continued Strength in Real Estate Finance, Corporate Lending and Credit Trading

Key Financial Results

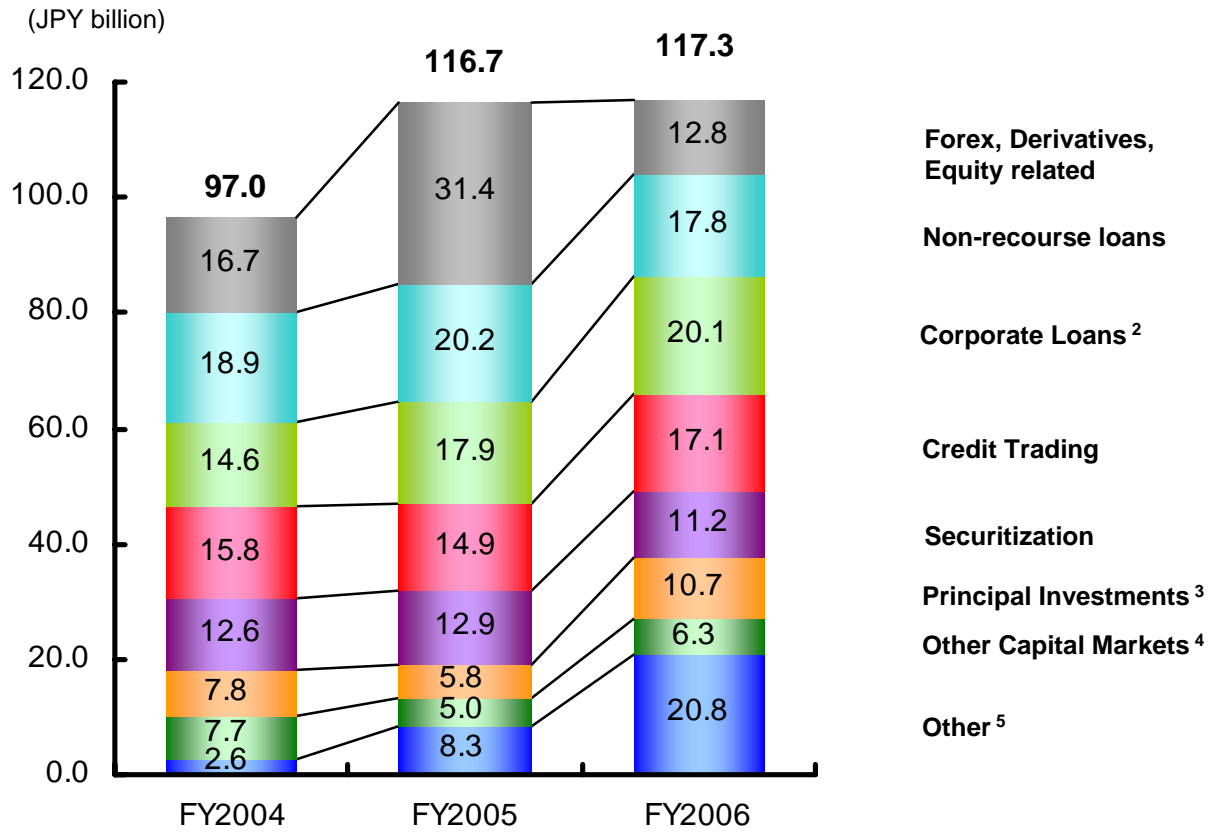


- Strong performance in real estate finance, corporate lending and credit trading
 - Revenue
 - ✓ Real estate finance: JPY 17.8bn
 - ✓ Corporate lending: JPY 20.1bn
 - ✓ Credit trading: JPY 17.1bn

- Decline in OBP due to increase in strategic expenses to support expanding business
 - ✓ Expense-to-Revenue Ratio: 37%
 - ✓ Strategic expenses especially focused on sales efforts in capital markets

Diversification Provides Earnings Stability and Access to High-Growth Markets

Revenue Breakdown by Products¹

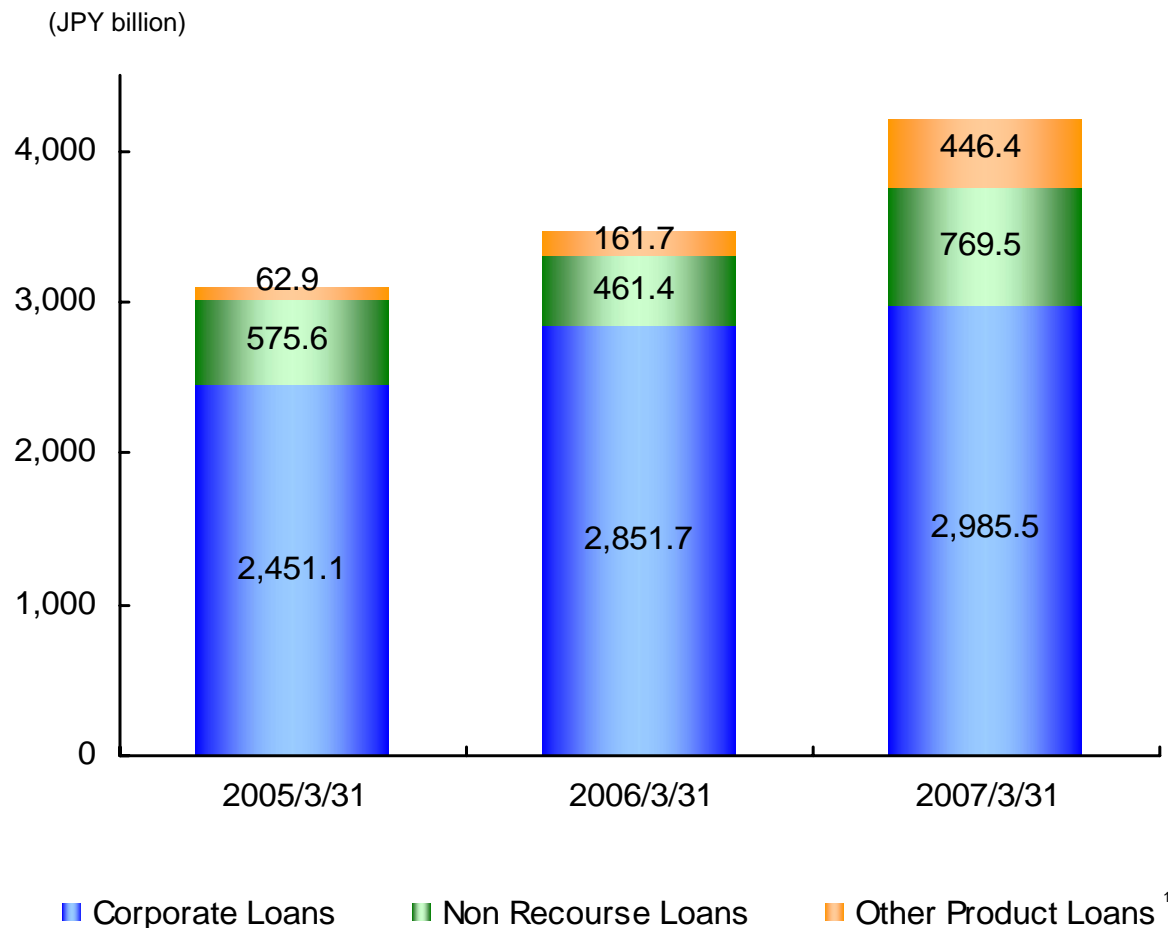


- ❑ Strong performance in real estate finance, corporate lending and credit trading
 - ✓ Approximately one third of revenues earned from corporate and non-recourse finance activities
 - ✓ Capital markets and securitization activities adversely affected by market volatility and weaker customer flows

¹ Management accounting basis
² Includes balance sheet and specialty finance lending activities
³ Includes revenue of private equity, real estate principal investment and corporate revitalization activities
⁴ Largely includes income on CDO investments
⁵ Mainly includes revenue of Shinsei Trust, corporate advisory and asset management, including gain on BlueBay investment of JPY 11.6bn in FY2006

Disciplined Loan Growth with Commitment to Quality and Profitability

Institutional Loans Outstanding



- Institutional lending business growing steadily without compromising profitability and asset quality
 - ✓ Corporate loans: +4.7%
 - ✓ Non-recourse loans: +66.8%
 - ✓ Other Product Loans¹ include structured loans

- Lending margins under pressure due to intense competition
 - ✓ Loan pricing based on adequate risk-return hurdle rates

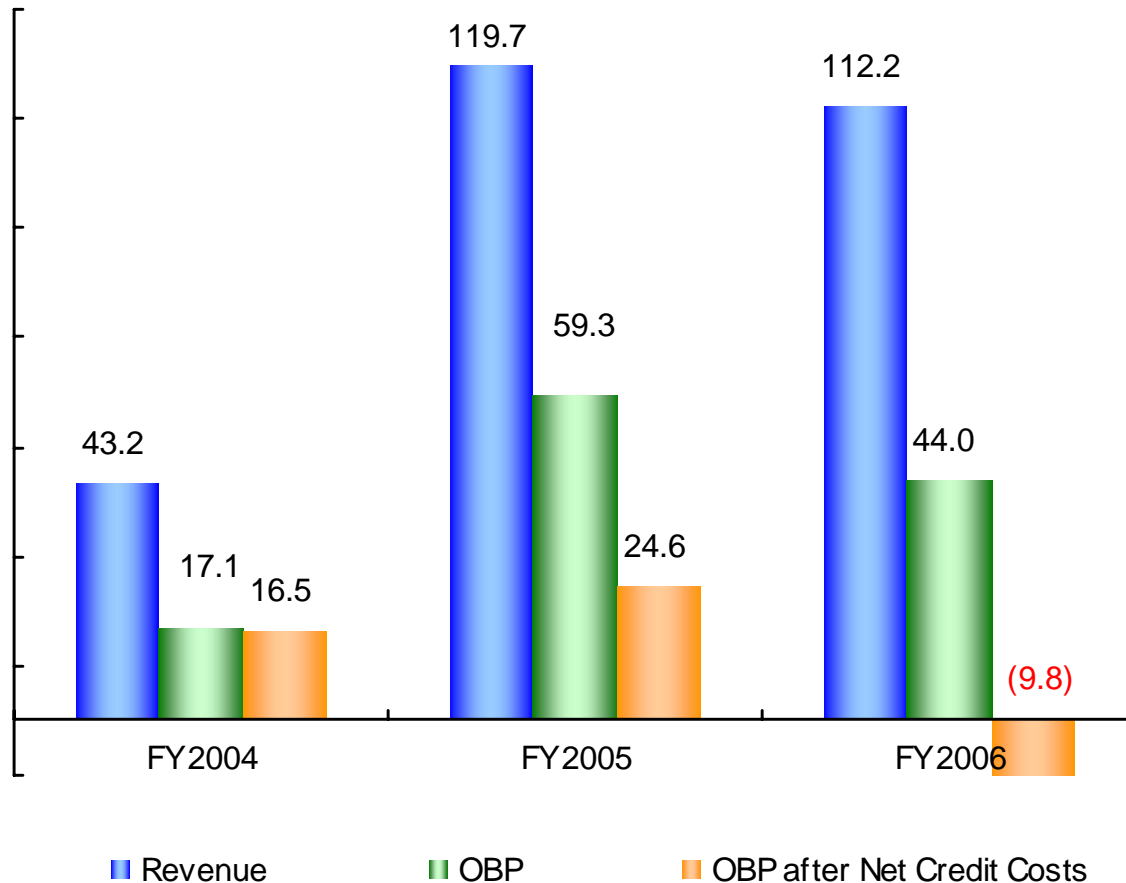
- Strong asset quality

¹ Includes assets such as Asset-Backed investments

Proactively Addressing Changes to Focus on Future Growth

Key Financial Results

(JPY billion)



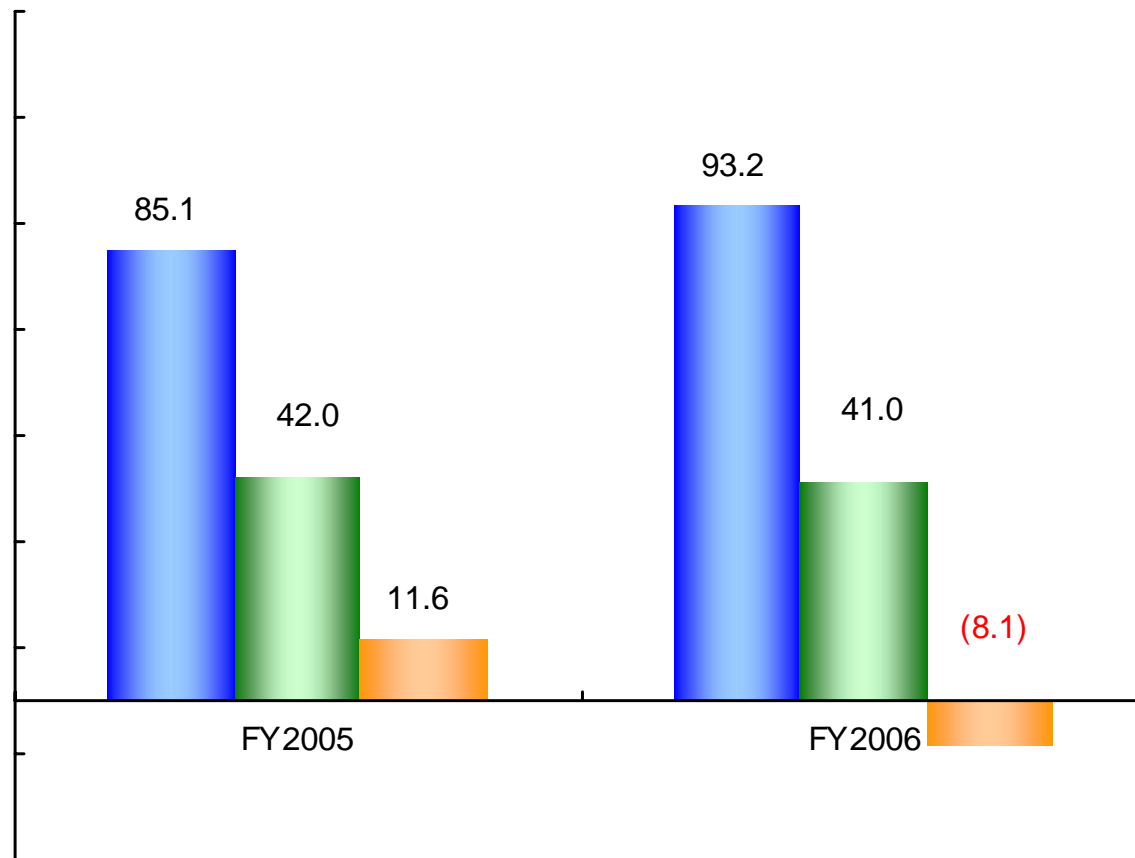
- ❑ Revenue decline reflects Shinsei's share of Shinki's net loss of JPY 14.6bn¹
 - ✓ Revenues in APLUS and Commercial Finance businesses remain strong
- ❑ Increase in expenses in FY2006 addressed by restructuring in consumer finance business
- ❑ Decline in OBP after credit costs largely reflects APLUS' credit costs
 - ✓ APLUS credit costs increased to JPY 49.1bn (+18.6bn)
 - ✓ Increased credit costs largely non-recurrent

¹ Shinsei Bank's equity portion of 36.4%, net of consolidation adjustments

APLUS Results Reflect Measures to Counter Impact of Legislative and Market Changes

APLUS Key Financial Results¹

(JPY billion)



■ Revenue ■ OBP ■ OBP after Net Credit Costs

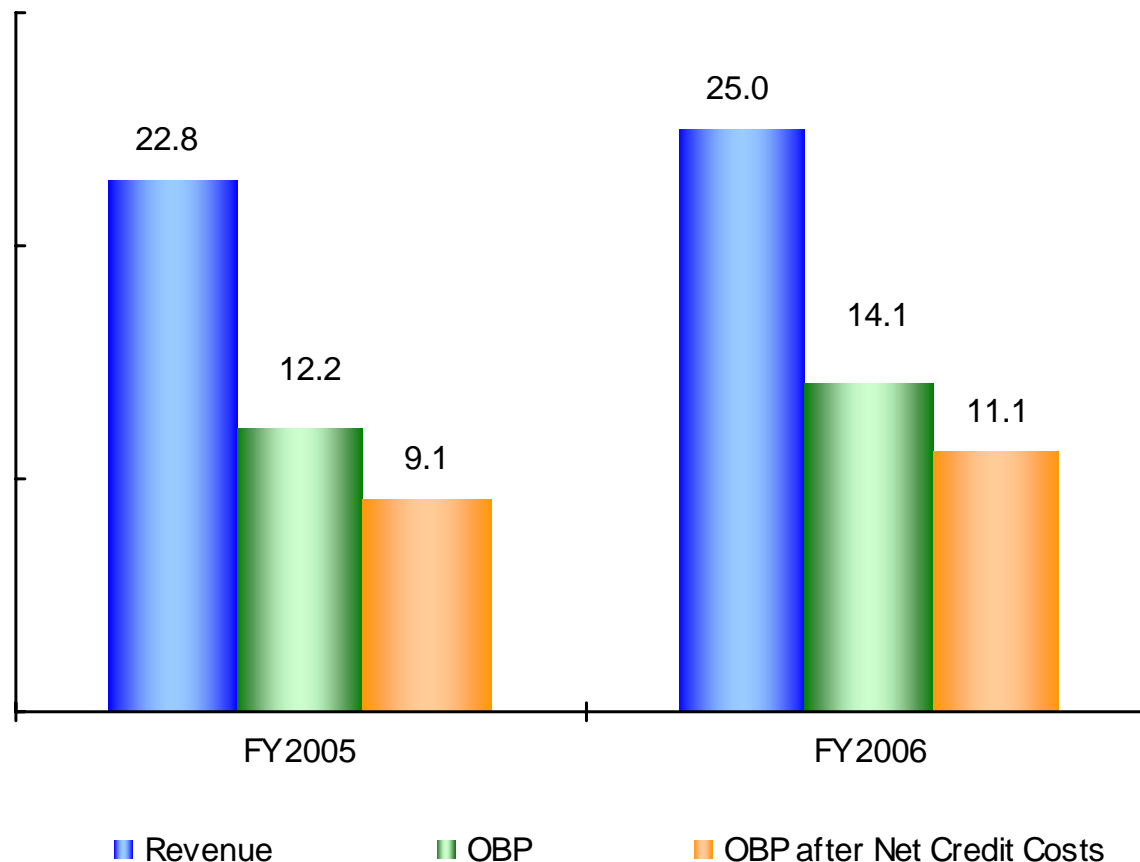
- Revenue at APLUS increased JPY 8.1bn
 - ✓ Reflecting Zen-Nichi Shinpan revenue of approximately JPY 9bn
- Expense-to-Revenue Ratio: 56.0%
- OBP largely flat despite significant challenges in APLUS' consumer finance business
- Decline in OBP after credit costs largely reflects APLUS' credit costs
 - ✓ APLUS credit costs increased to JPY 49.1bn (+18.6bn)
 - ✓ Increased credit costs largely non-recurrent

¹ Net of consolidation adjustments

Strong Revenue and OBP Performance in FY2006

Showa Leasing Key Financial Results¹

(JPY billion)

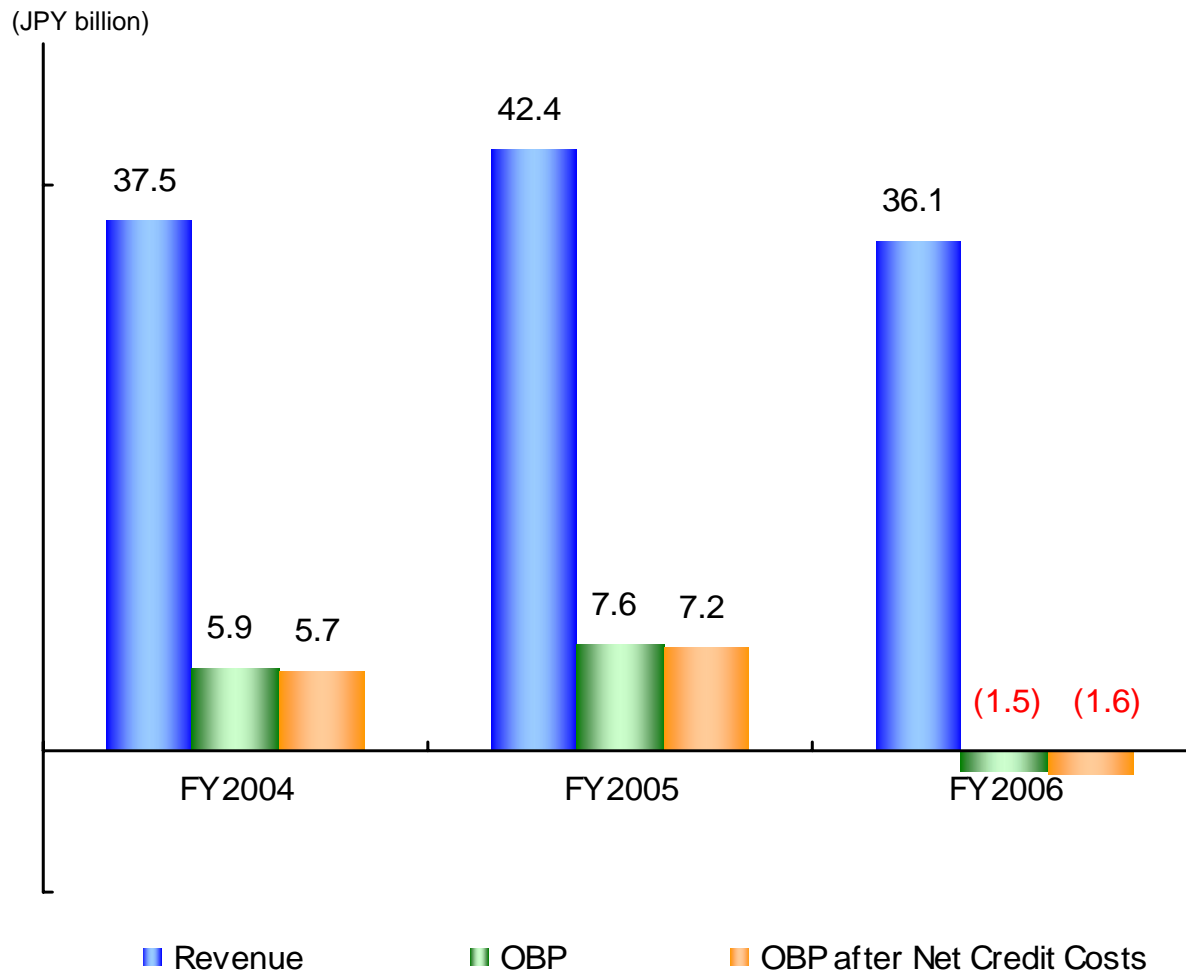


- Showa Leasing revenue increased JPY 2.2bn to JPY 25.0bn reflecting strong business momentum
- Improvement in operating efficiency
 - ✓ Expense-to-Revenue ratio: 43.5%
- Credit costs remain largely flat at JPY 3.0bn

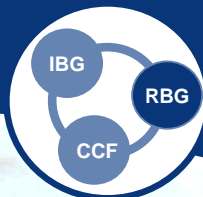
¹ Net of consolidation adjustments

Revenue Diversification Key to Future Performance

Key Financial Results

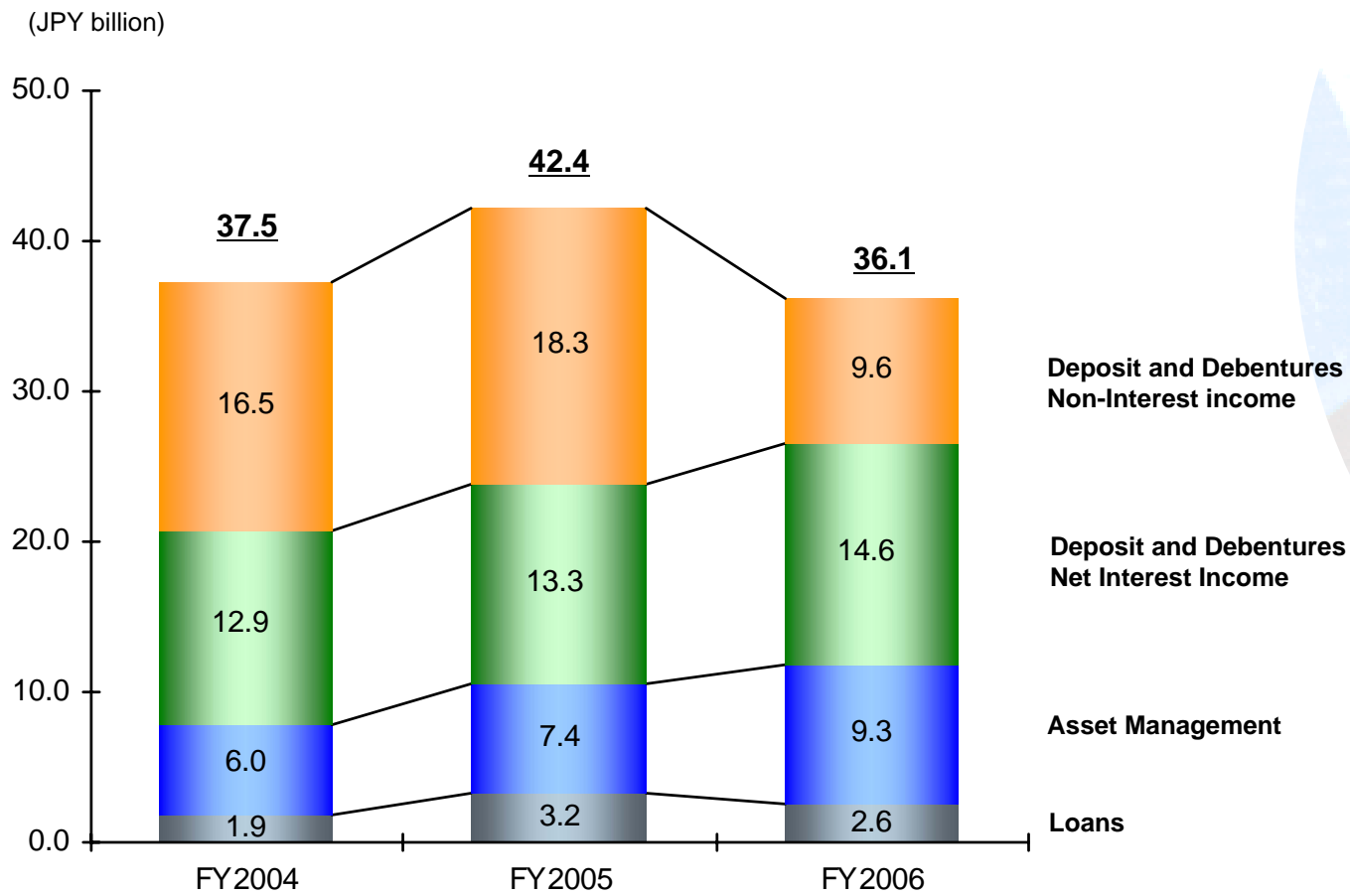


- Revenue adversely impacted by lower demand for structured deposits
 - ✓ Structured deposits upfront fees declined JPY 8.3bn to JPY 11.3bn
- Expenses increased by JPY 2.9bn due to additional investment in new technology and growth in customer-driven transaction activity
- However, revenue diversification steadily increasing
 - ✓ Strong mutual funds revenue: Revenue increased JPY 2.0bn to JPY 6.9bn in FY2006



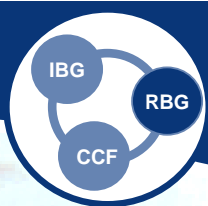
Decrease in Structured Deposits Significantly Impacted Retail Profitability

Revenue Breakdown by Products



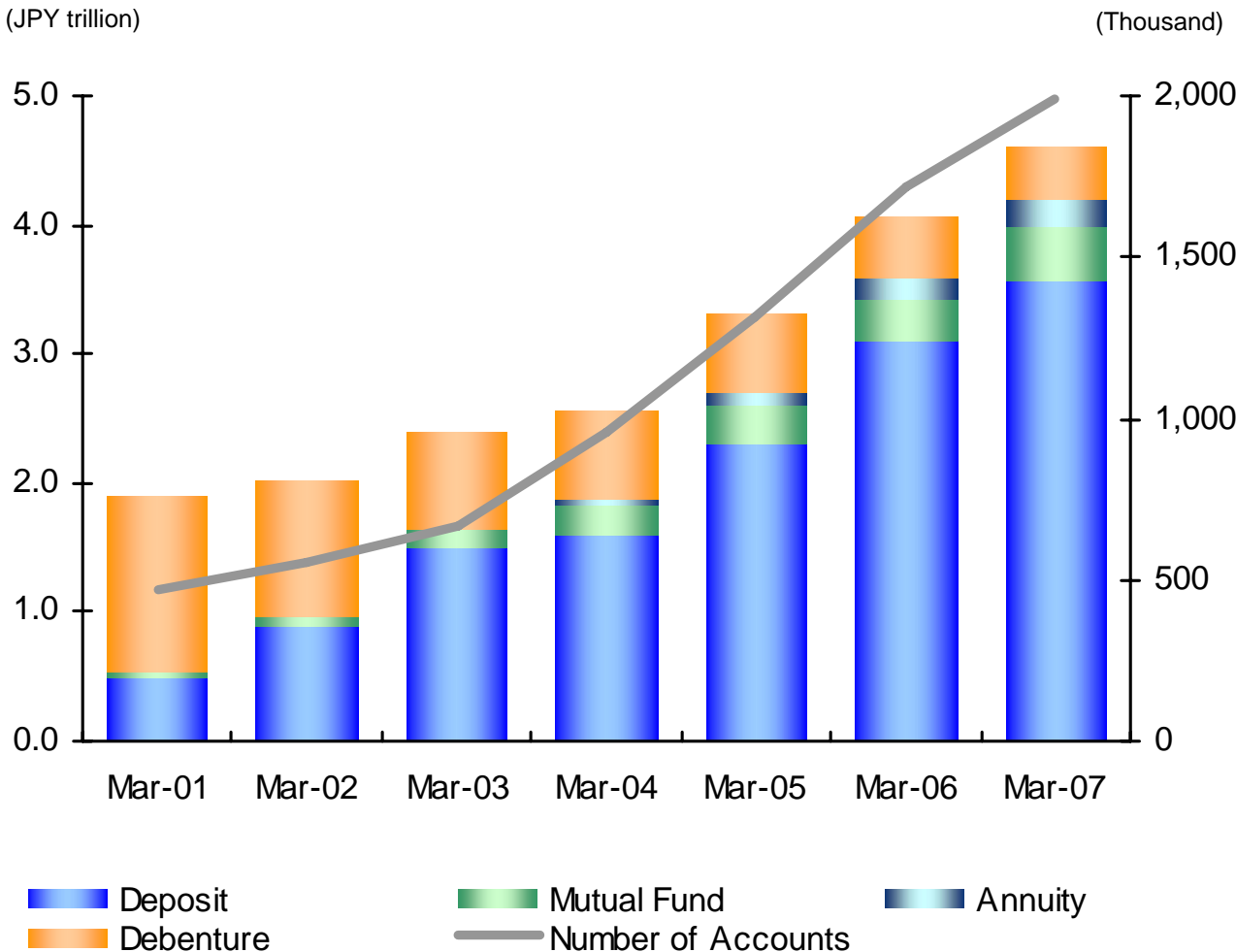
☐ Deposits NII and asset management product revenues increased; weaker demand for structured deposits impacted revenue growth:

- ✓ Deposit and Debentures NII: +9.3%
- ✓ Deposit and Debentures non-interest income: -47.4%
- ✓ Asset Management: +24.6%



Customer base and AUM¹ growing significantly

Growth in AUM and Number of Accounts



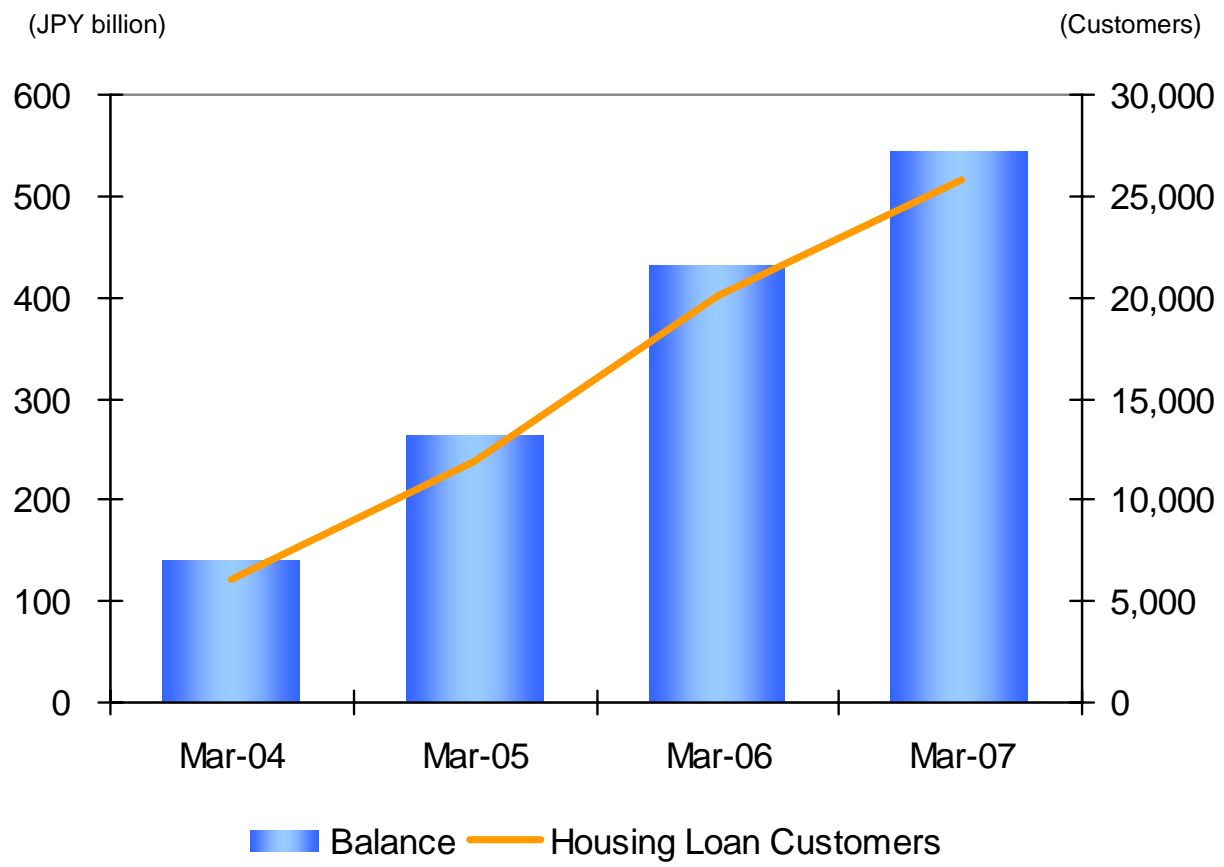
- ❑ Total customer accounts close to 2 million
- ❑ Deposit balance: +15.1% to over JPY 3.5tn
- ❑ Mutual funds balance: +24.4% to JPY 437bn
- ❑ Shinsei Bank remains #1 in terms of Customer Satisfaction

¹ Asset Under Management



Continuous Growth since 2002 Launch

Growth in Housing Loans



- ❑ Despite loan balance increase in FY2006, revenue has been impacted by narrower spreads in a competitive market
- ❑ However, while intense competition among banks exists, Shinsei continues to record positive growth

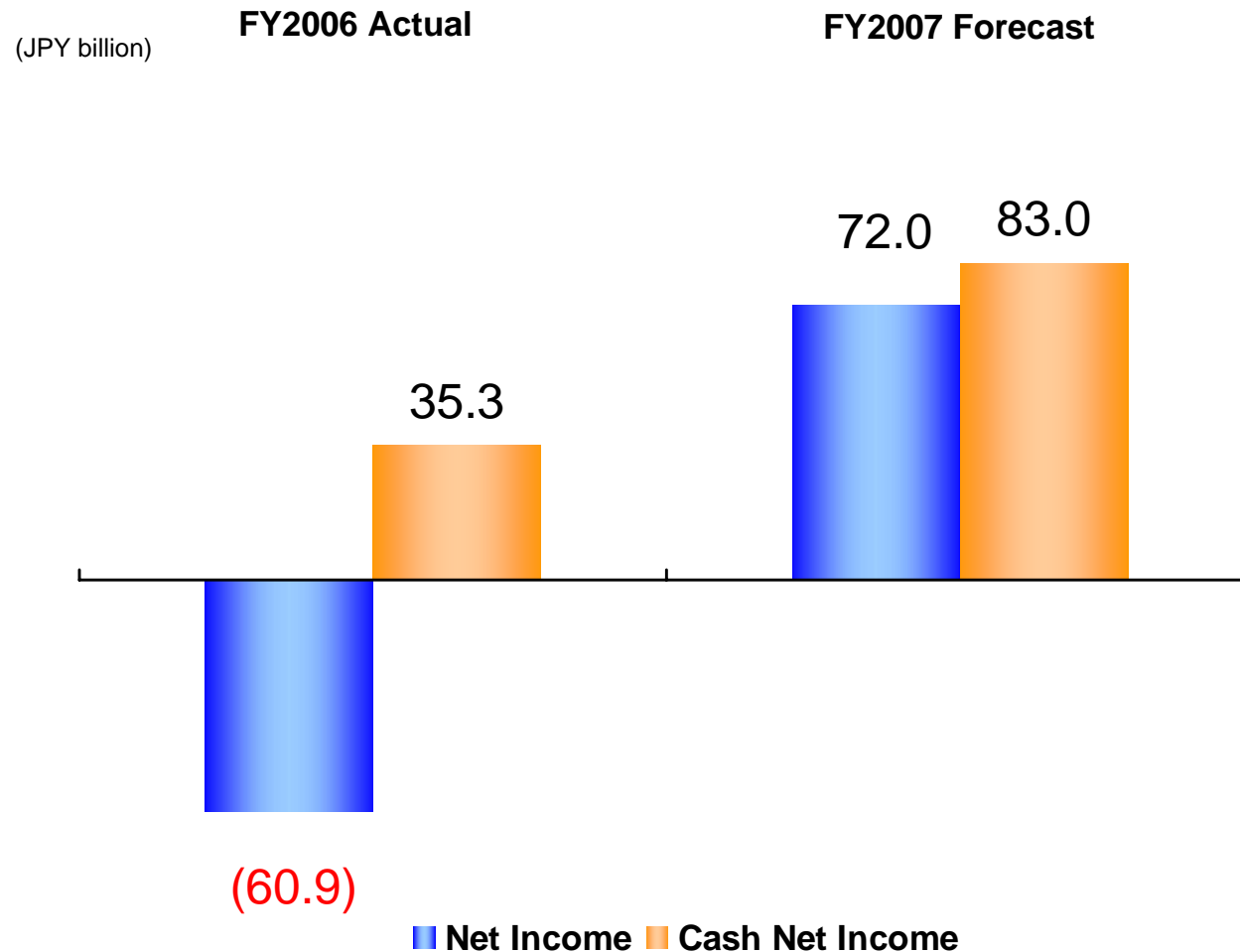


Strategic Goals and Action Plan for FY2007



Return to Profitability

Consolidated Forecast



- ❑ Revenue to grow in all three business pillars
- ❑ Net income forecast for FY2007 is JPY 72.0bn reflecting year-on-year growth excluding charges relating to consumer finance business
- ❑ Return to profitability in FY2007



Shinsei's Strategic Approach: Facing Challenges Head-On to Ensure Success

**Customers
and
Brand**

Innovation

Technology

People

Growth

Objectives

Continue building a brand based on customer loyalty and trust

Continue to innovate products, services and business models

Leverage our advanced technological capabilities and improve our internal processes

Build and retain a highly motivated and skilled workforce with an entrepreneurial culture

Our growth strategy requires high level acquisition skills and trained integration teams “We are too small to be a slow mover!”

Challenges

Delivering service quality and value added solutions to customers while gearing up for expansion

Changing the culture to be more entrepreneurial while fostering risk awareness and financial control

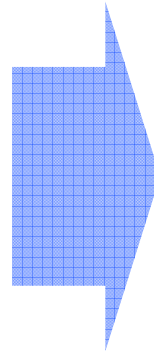
Delivering improvements in efficiency and analytics to fund investment in new capabilities and expansion

Finding and motivating the right staff to deliver growth with control

Implementing a high performance acquisition and integration process

Objectives

- **Sharply increase number of profitable customers**
- **Actively manage balance sheet**
- **Increase revenue with new franchise growth**
- **Generate expense-to-revenue ratio of less than 40%**



Actions

- **Emphasis on growing customer profitability by marketing three products per relationship: Currently 1.3 products per customer**
- **Discipline in Customer Relationships**
 - Target of 1,000 profitable relationship: Currently over 600 profitable relationships
 - Partnership with regional financial institutions
 - New corporate clients
- **Strengthening securities firm as primary provider of capital markets solutions**
- **Expand businesses of public sector, asset management, advisory, and M&A**
- **Implementation of priority IT projects**



Expected revenue growth in FY2007: 7%-9%

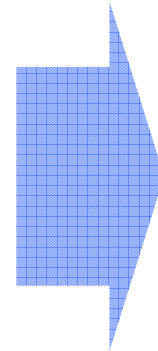
Expense-to-revenue ratio: 39%

Objectives

- **Create a new business model for APLUS**

- **Deliver top-line growth across all business lines**

- **Manage risk for highest return**



Actions

- **Accelerating APLUS transformation to become leading Shinpan partner**
 - Reconfirm core strategy of B2B2C business model with merchants as primary customers (fewer but better merchant partners)
 - Redefine/Expand banking partners as new origination partners for secured and unsecured 'white zone' customer finance
 - Improve B2C marketing strategy including better CRM¹ and risk selection
- **Continue to screen M&A opportunities selectively under industry consolidation**
- **Accelerate the introduction of a new flexible and scalable operating platform**
- **Apply Shinsei compliance standards to monitor risk control**



Expected revenue growth in FY2007: 3%-4%
Expense-to-revenue ratio: 50%

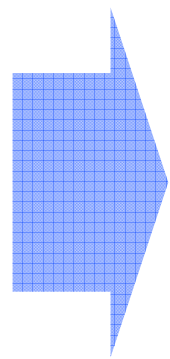
¹ Customer Relationship Management

Objectives

- **Improve customer relationships and increase total assets under management**

- **Loan and asset growth and development**

- **Carefully manage expenses and employ cutting-edge IT solutions at a low cost**



Actions

- **Future relationship with customers**
 - Special management for core customers
 - Intensive money-consultation
 - Special service for core customers
- **Enhance mortgage loan sales process**
 - Improve credit review procedure
 - Further speed up application screening and contract procedures
 - Improve SFC¹ sales framework and staff mindset in order to explore and follow up on mortgage prospects
- **Hold down fixed expense and control variable expenses increase**
- **Return to profitability in FY2007**



Expected revenue growth in FY2007: 12%-15%
Expense-to-revenue ratio: 96%-99%

¹ Shinsei Financial Center



Capital Strategy

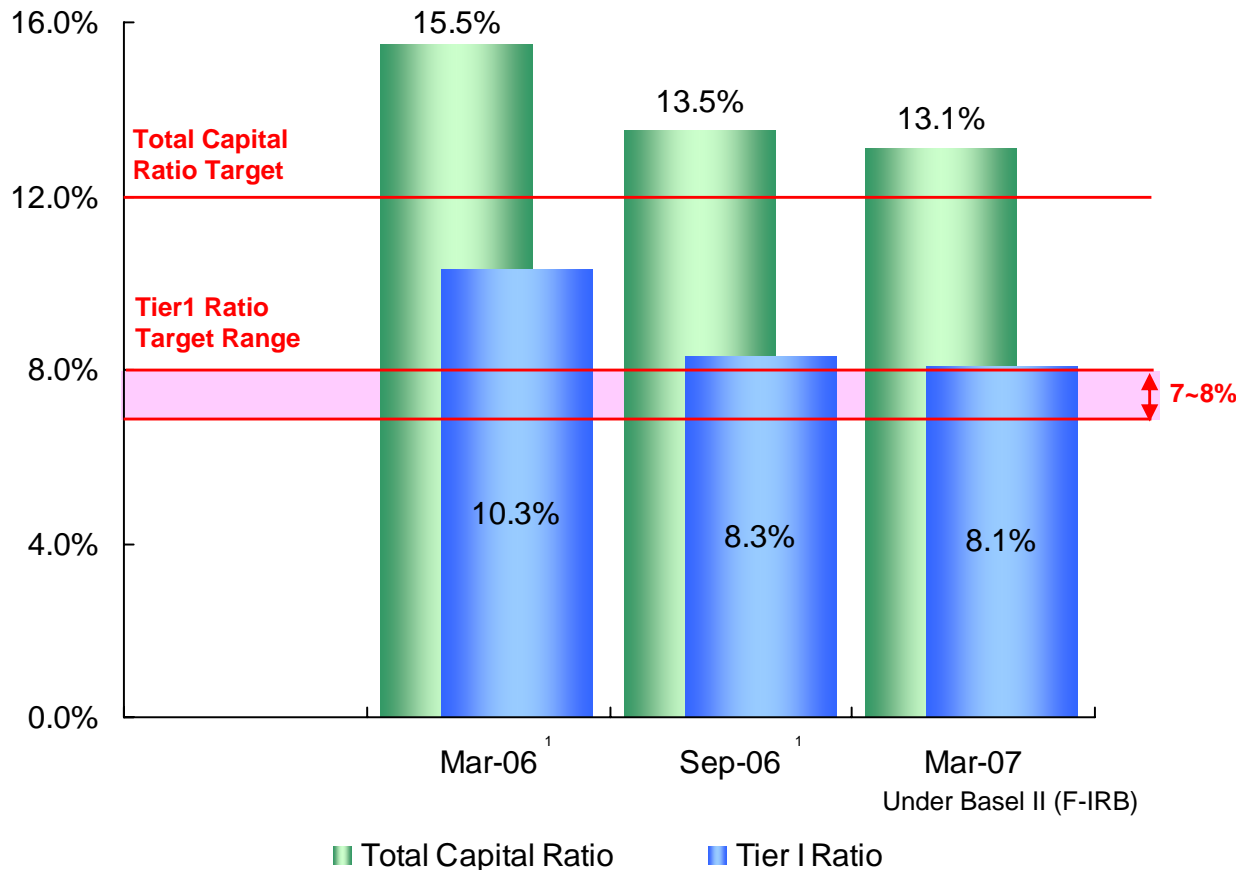




Capital Strategy: Capital Ratios Remain Above Target Levels

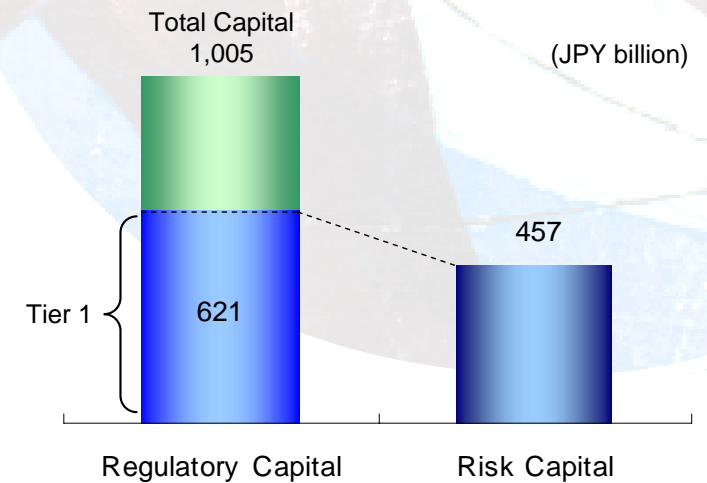
Strong capital position allows for further business expansion

Capital Adequacy Ratio and Tier1 Ratio (consolidated)



- Despite significant charges in FY2006, capital ratios remain strong under Basel II (F-IRB)
 - ✓ Tier 1 ratio: 8.1%
 - ✓ Total capital ratio: 13.1%
 - ✓ Risk capital: JPY 457bn
 - ✓ Return on risk capital: 15%

Regulatory and Risk Capital (Mar 2007)



¹ Under Basel I



Shinsei Seeks to Retain Financial Flexibility to Continue Resolution of Public Funds for the Benefit of All Stakeholders

Class B Preferred Shares

On July 31, 2006

50% of Class B Preferred Shares were Converted into 200 million Common Shares at JPY 599.9 per Share

On August 1, 2006

The Conversion Price for Remaining 50% of Class B Preferred Shares was Reset to JPY 735

On August 17, 2006

Shinsei Bought back 175.5 million out of 200 million Converted Common Shares through ToSTNeT-2
24.5 million sold to the market

On November 16, 2006

85 million Common Shares Held as Treasury Stock were Cancelled

On August 1, 2007

Class B Preferred Shares Mandatory Conversion Date¹



Class A Preferred Shares

On May 9, 2007

Announced proposed buyback capacity of up to JPY 225bn of Class A Preferred Shares

On April 1, 2008

Class A Preferred Shares Mandatory Conversion Date

Class	Book Value (JPY billion)	Conversion Price	Reset Mechanism	Ownership ⁽²⁾ (If Converted)
Class A	96.9	360.0	-	14.9%
Class B	120.0	735.0	JPY 599.9 - 799.9	9.0%
Total	216.9			23.9%

¹ On August 1, 2007 the Class B conversion price will be reset again based on a 30 day average of Shinsei Bank's closing price on the Tokyo Stock Exchange ("TSE") from May 29, 2007 to July 9, 2007. The minimum reset price is JPY 599.9 and the maximum reset price is JPY 799.9

² Class B conversion price assumed at JPY 735

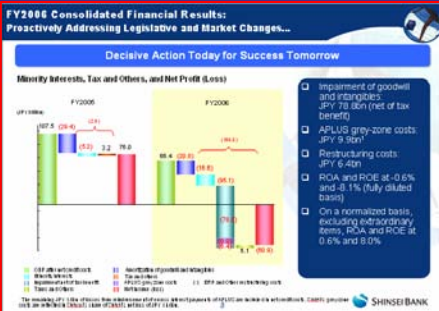


Key Takeaways





Key Takeaways

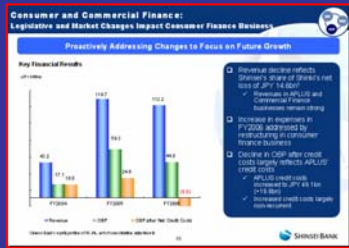


Fiscal 2006 was a challenging year for Shinsei Bank
No impact on operating performance envisaged
Return to profitable growth from FY2007

Committed to growth in all three business pillars



Institutional Banking
Focus on profitable customers and partnerships
Expand businesses
Strengthen capital markets capability



Consumer and Commercial Finance
Accelerate APLUS transformation
Deliver top line growth across all business lines
Manage risk for highest return



Retail Banking
Enhance customer relationships and profitability
Expand loan and asset business
Manage expenses



These slides contain 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 and are subject to risks and uncertainties.

Actual results may differ materially from those in such forward-looking statements as a result of various factors.

Unless otherwise noted, the financial data contained in these materials are presented under Japanese GAAP¹. The Company disclaims any obligation to update or to announce any revision to forward-looking statements to reflect future events or developments. Unless otherwise specified, all the financial information is shown on a consolidated basis.

Information concerning financial institutions other than the Company and its subsidiaries are based on publicly available information.

These materials do not constitute an invitation or solicitation of an offer to subscribe for or purchase any securities and neither this document nor anything contained herein shall form the basis for any contract or commitment whatsoever.

¹ Generally Accepted Accounting Principles



SHINSEI BANK