



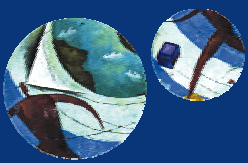
# SHINSEI BANK

*Investor Meeting*

*FY2005 Business and Financial Results*

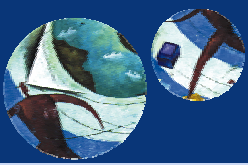
*Thierry Porté  
President & CEO*

May 30, 2006



# Forward Looking Statement

- ✓ The following materials 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. Actual results may differ materially from those in the statements as a result of various factors.
- ✓ Unless otherwise noted, the financial data contained in these materials are presented under Japanese GAAP. 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 financials are 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.



**Section 1: A Different Kind of Japanese Bank**

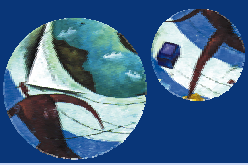
**Section 2: Financial Highlights**

**Section 3: The Three Business Pillars**

- » **Institutional Banking**
- » **Consumer and Commercial Finance**
- » **Retail Banking**

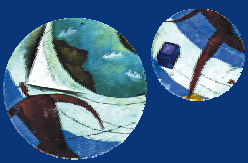
**Section 4: Key Corporate Imperatives**

**Section 5: Conclusion**



## Well Positioned for Stable Long-term Profitable Growth

- ✓ Three pillar business model established
- ✓ Shinsei Bank's approach recognized and appreciated
- ✓ Strong results based on diversified income streams and growing profitable customer base

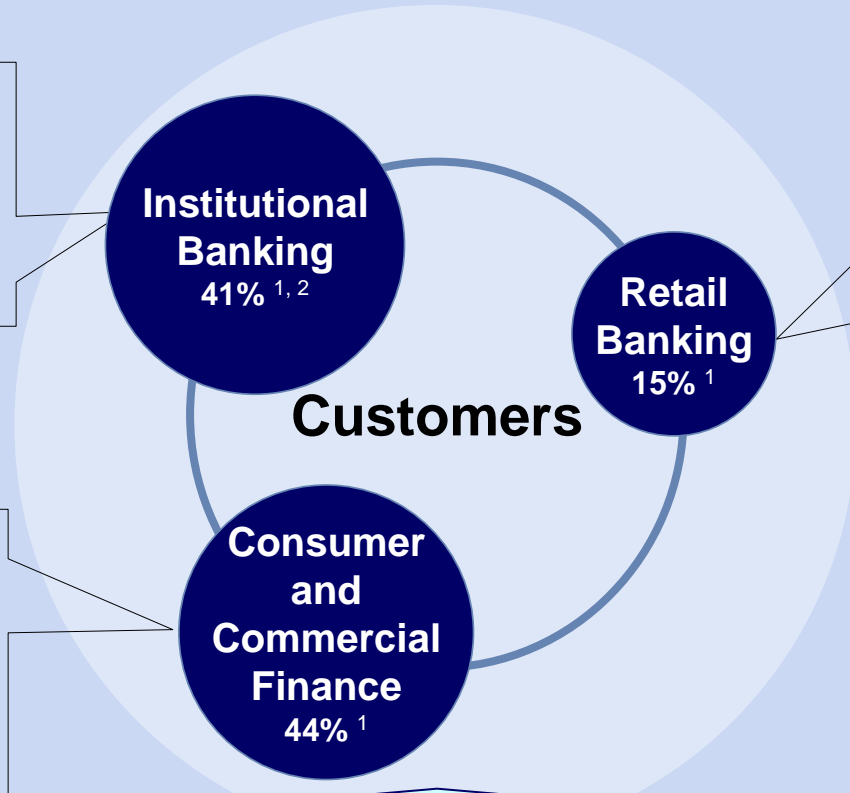


## A Business Model Organized Around The Customer

Revenue

- ❑ Unique hybrid banking model
- ❑ Value-added solutions
- ❑ Integrated product specialists and relationship manager teams providing innovative solutions

- ❑ Implementation of Shinsei's expertise
- ❑ Synergies with Institutional / Retail Banking businesses
- ❑ Organic growth and opportunistic strategic acquisitions



- ❑ Attractive and innovative value proposition
- ❑ Strong brand recognition
- ❑ Highly efficient and effective “bricks and clicks” distribution model

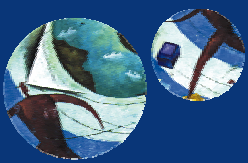
**Risk Management**

**Corporate Governance**

**Technology Platform**

<sup>1</sup> Percentage of total revenue contribution for the fiscal year ended March 31, 2006, management accounting basis

<sup>2</sup> Includes revenue (losses) of ALM/Corporate/Other



## Setting Shinsei Bank Apart

### Customer Focused

Empowered

Value-Focused

Flexible

Open-Minded

### More Global Than Local Competition

Innovative Products

Better Service

Open Thinking

Useful Network

### More Local Than Global Competition

Proud Heritage

Long-Term Approach

Decisions Made in Japan

Japan First and Last

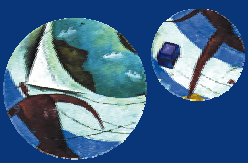
### Responsible to Shareholders and Society

Transparency

High Standards

Ethics and Integrity

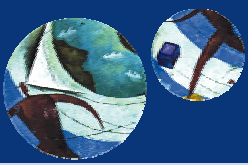
Measures and Rewards



## Growing Recognition and Credibility

- ❑ No.1 in Nikkei customer satisfaction (2004, 2005)
- ❑ Launch of new online securities service
- ❑ First major acquisition within consumer finance platform (e.g., APLUS – Zen-Nichi Shinpan)
- ❑ CMBS deal of the year award
- ❑ Joint ventures and investments in Germany, Korea and Taiwan
- ❑ Top financial institution in corporate governance ranking <sup>1</sup>
- ❑ Award for “Color your life” campaign
- ❑ Inclusion in Nikkei 225

<sup>1</sup> The Japan Corporate Governance Research Institute, Inc



## Strong FY2005 Results Validate our Business Model

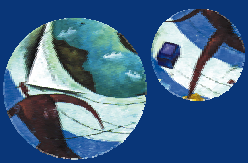
- ❑ Total revenue grew 53.7% to JPY 273.7 billion <sup>1</sup>
- ❑ Ordinary business profit increased 68.1% to JPY 137.7 billion <sup>1</sup>
- ❑ Net income increased 12.8% to JPY 76.0 billion
- ❑ Cash basis net income increased 36.4% to JPY 101.9 billion
- ❑ Expense-to-revenue ratio improved from 54.0% to 49.7%
- ❑ Earning assets <sup>2</sup> grew 27.0% to JPY 6,749.7 billion
- ❑ Non-performing loans decreased to JPY 42.5 billion or 1.0% of total claims outstanding
- ❑ Capital adequacy ratio increased from 11.78% to 15.53% and Tier 1 ratio from 7.00% to 10.27%
- ❑ Moody's upgraded senior debt ratings from Baa1 to A3 (February, 2006)

<sup>1</sup> Management accounting basis

<sup>2</sup> Average balance during FY2005, mainly include loans, securities, lease and installment receivables

\*All figures, where applicable, compared to FY2004





## Diversified Revenue Streams

### Net Interest Income and Non-NII Revenue Composition

FY2004 vs. FY2005

JPY Bn

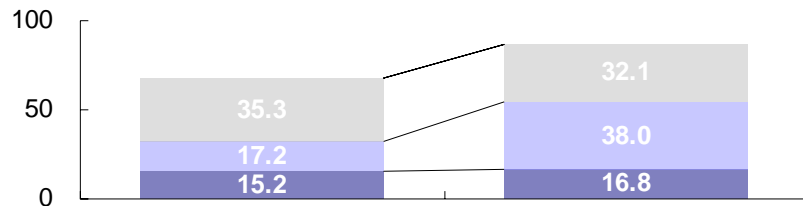
% of Non Interest income to total revenue

62.4%

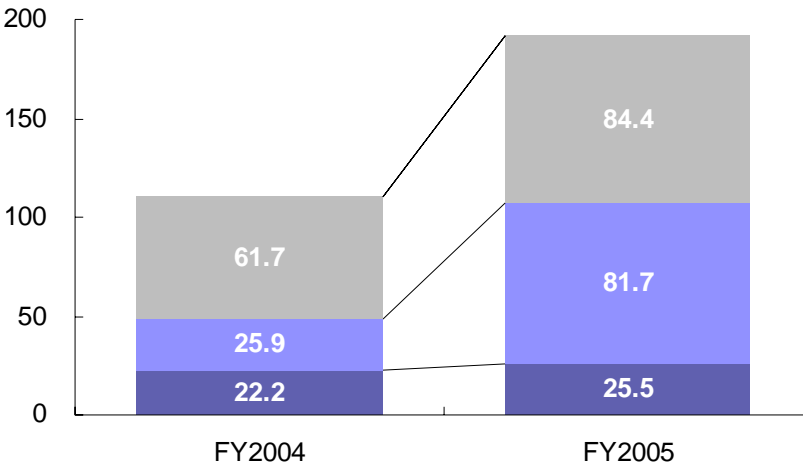
69.9%



Net Interest Income <sup>1</sup>



Non-Interest Income <sup>1</sup>



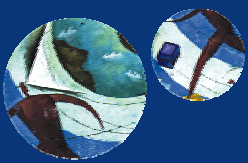
<sup>1</sup> Excludes revenue (losses) of ALM/Corporate/Other

### Major Components of Net Interest Income:

- Institutional Banking (IB)  
Corporate loans, Non-recourse loans
- Consumer and Commercial Finance (CCF)  
Credit cards, Cashing loans, Consumer finance, Secured and unsecured lending, Real estate finance, Residential mortgage loans
- Retail Banking  
Housing loans

### Major Components of Non Interest Income:

- Institutional Banking  
Capital markets activities including foreign exchange, derivatives, equity-related transaction, Non-recourse finance, Credit trading, Securitization, Principal investment, Asset management, M&A
- Consumer and Commercial Finance  
Installment sales credit, general and auto leasing,
- Retail Banking  
Deposit-related non-interest income, Asset management (mutual fund, annuities)



## Effective Cost Management

### Expense Composition

FY2004 vs. FY2005

JPY Bn

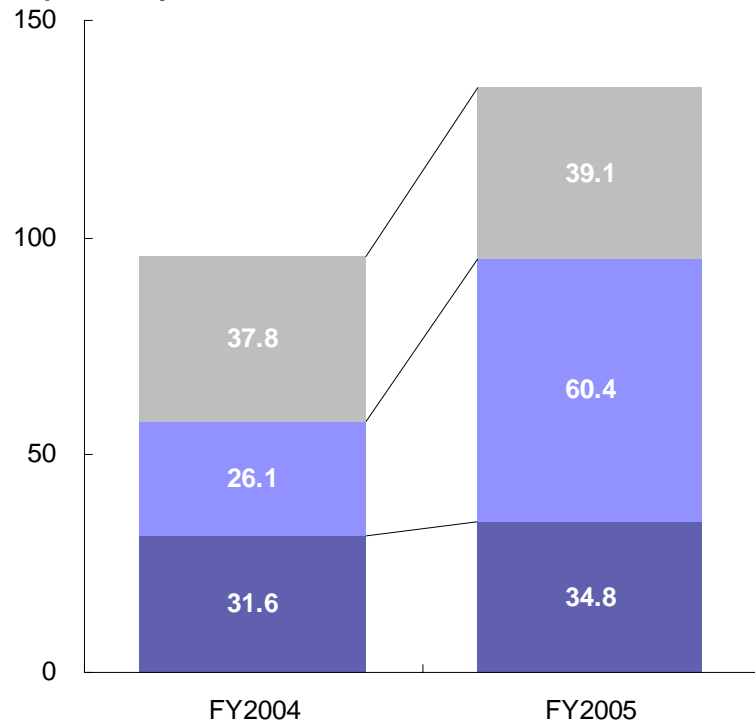
#### Expense to revenue ratio

54.0%

49.7%



#### Expenses by business line <sup>1</sup>



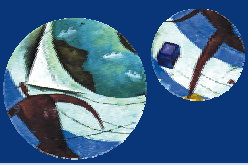
<sup>1</sup> Excludes expenses of ALM/Corporate/Other

#### Total expenses increased by:

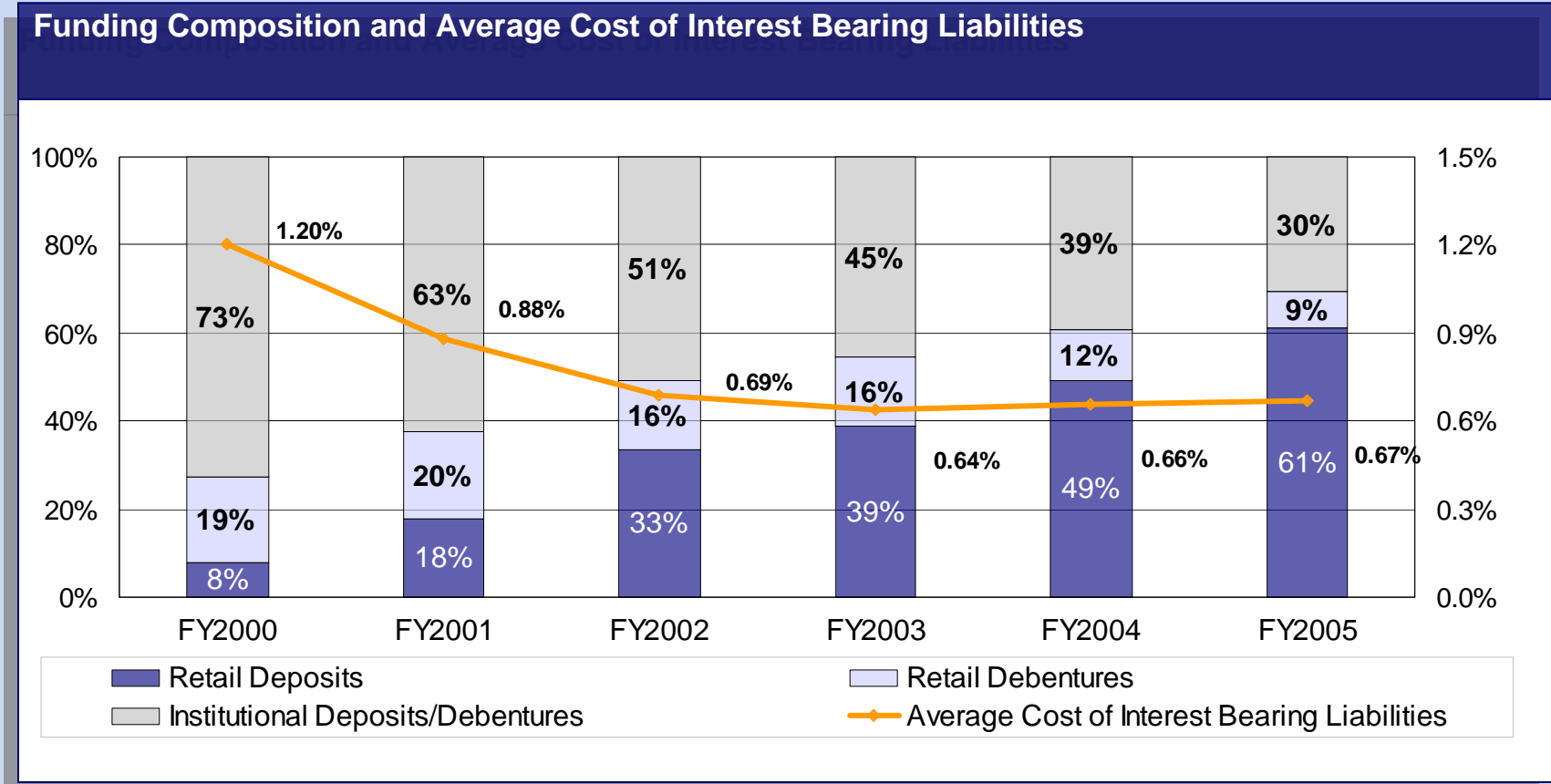
- Inclusion of expenses of Showa Leasing
- Full year impact of APLUS
- Increased customer and product support required as a result of growth in retail banking activity
- Expansion of our Retail banking distribution channels

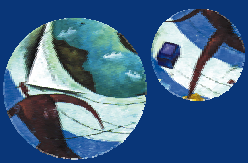
#### Expenses to revenue ratio decreased to 49.7% by:

- Strong revenue growth in each business line
- Continued expense rationalization across all businesses



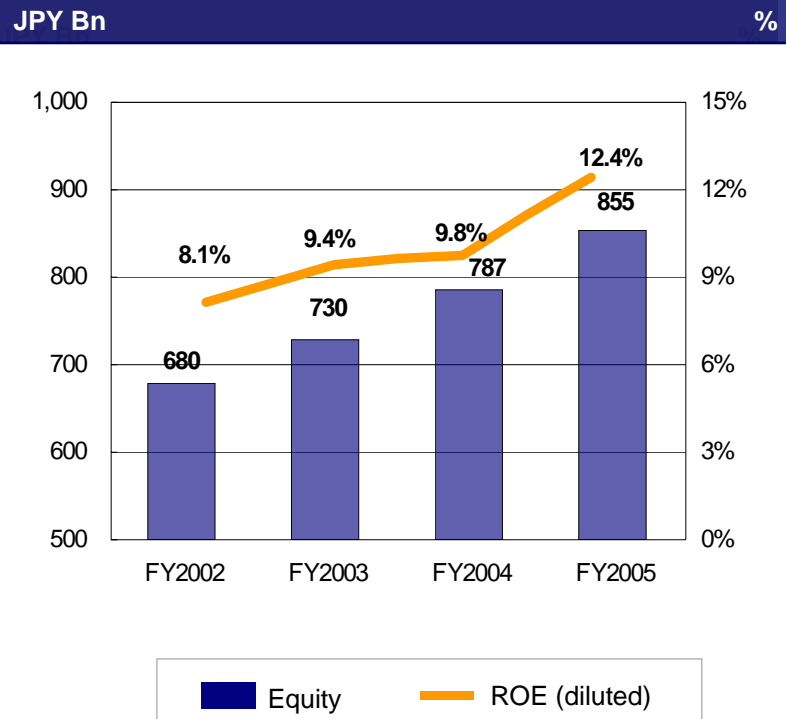
## Low-cost and Stable Funding from Growing Retail Customer Base



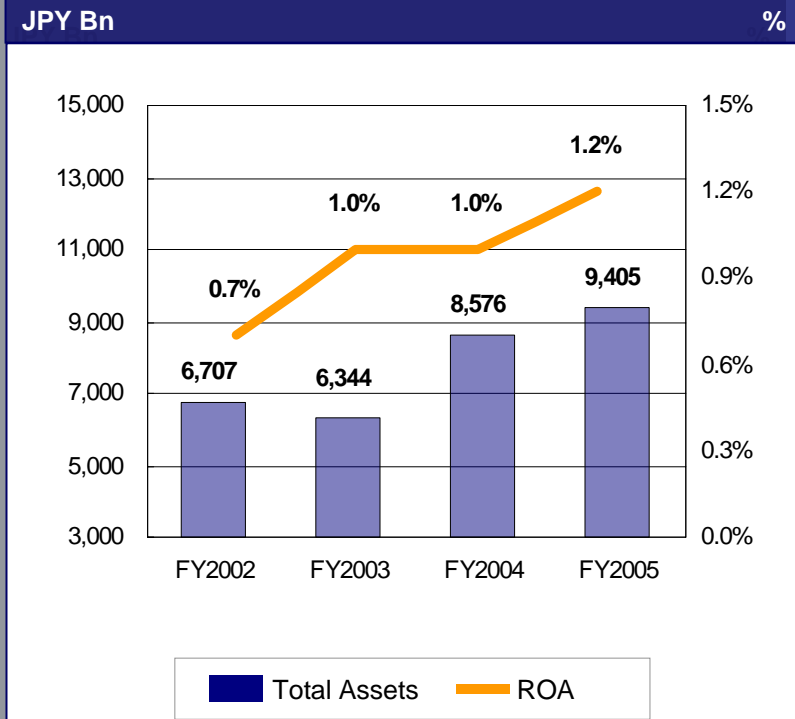


## Increasing Levels of Profitability and Returns

### ROE (diluted) <sup>1</sup> and Equity

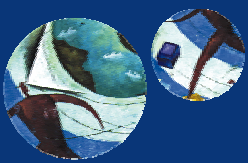


### ROA <sup>2</sup> and Total Assets

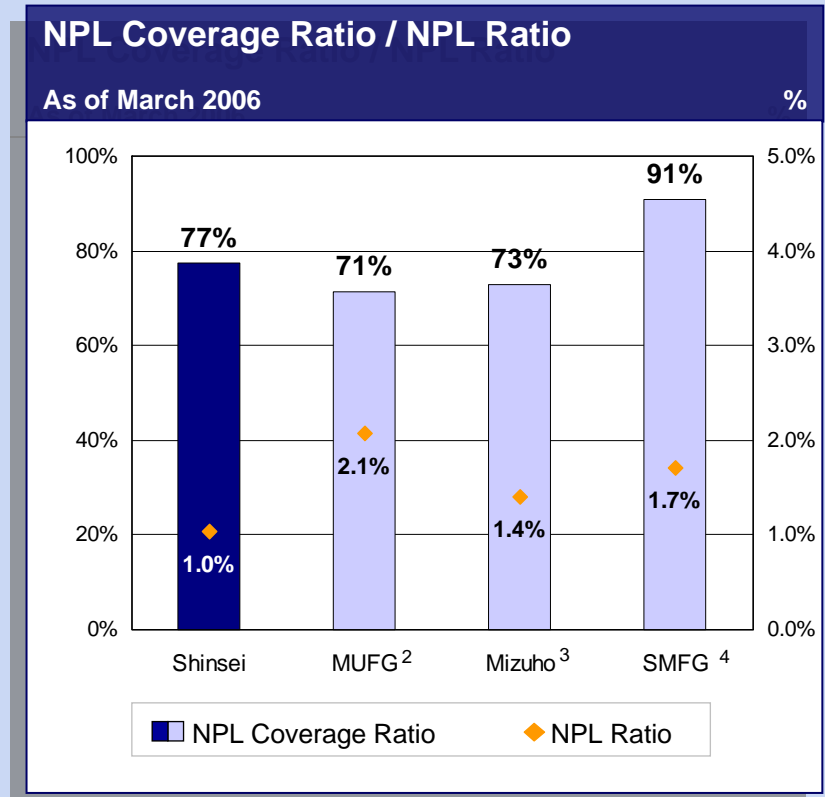
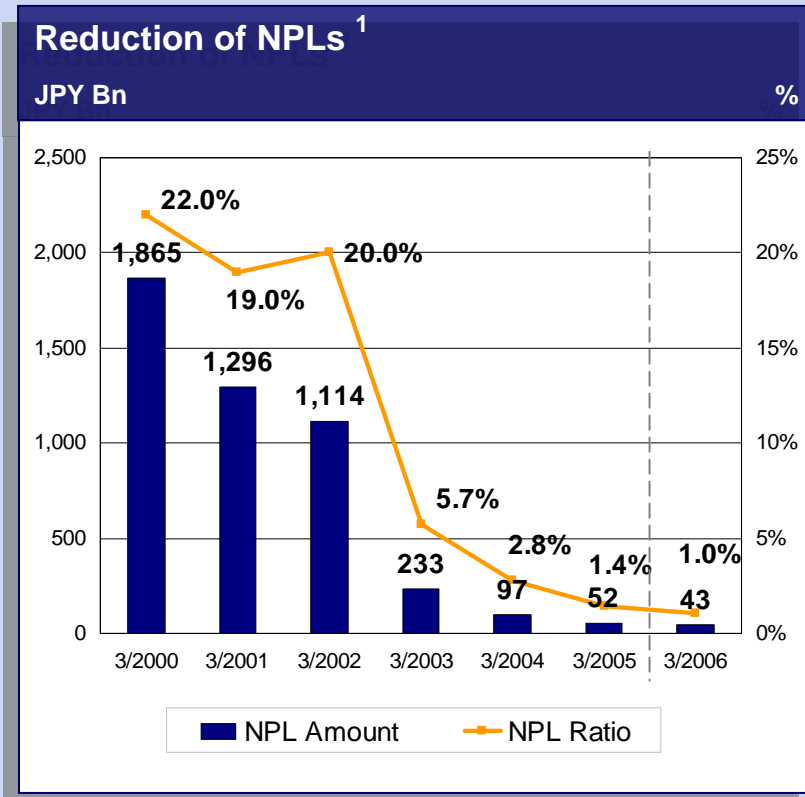


<sup>1</sup> Equity includes preferred shares. Cash basis ROE (diluted) for FY2004 and FY2005

<sup>2</sup> Cash basis ROA for FY2004 and FY2005



## Healthy Balance Sheet



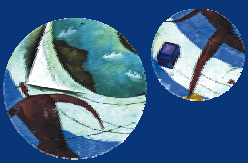
Source: Company disclosure

<sup>1</sup> Based on Financial Revitalization Law (Non-consolidated)

<sup>2</sup> Bank of Tokyo-Mitsubishi UFJ, Mitsubishi UFJ Trust and Banking Corporation, "MUSP", "UFJTE"

<sup>3</sup> Mizuho Bank, Mizuho Corporate Bank, Mizuho Trust & Banking and Revitalization subsidiaries

<sup>4</sup> SMBC (Non-consolidated)

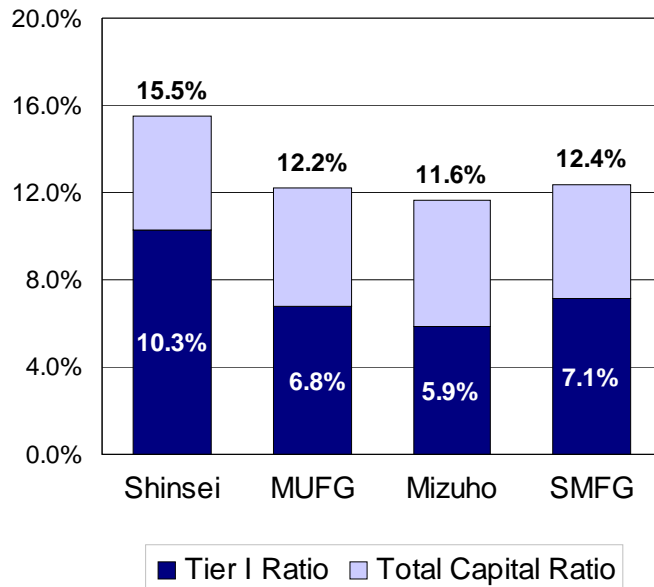


## Capital Ratios and Quality of Capital – Ahead of Top Peers

### Regulatory Capital Ratio

As of March 2006

%

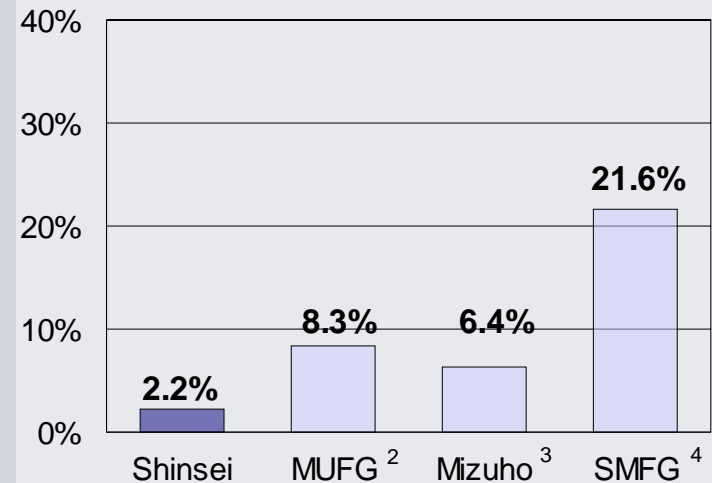


Source: Company disclosures

### Net DTAs<sup>1</sup> / Tier 1 Capital

As of March 2006

%



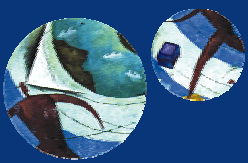
Source: Company disclosures

<sup>1</sup> Deferred Tax Assets

<sup>2</sup> Mitsubishi UFJ Financial Group and UFJ Holdings Inc (consolidated basis)

<sup>3</sup> Mizuho Bank, Mizuho Corporate Bank, Mizuho Trust & Banking and Revitalization subsidiaries (consolidated basis)

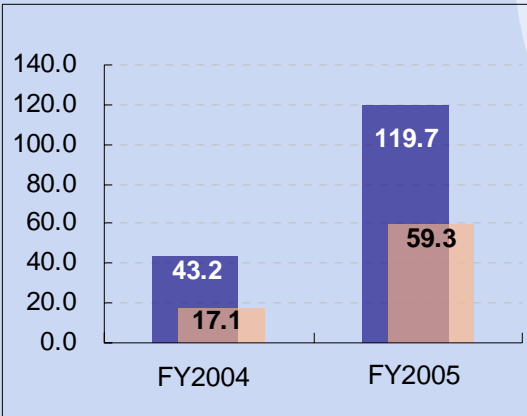
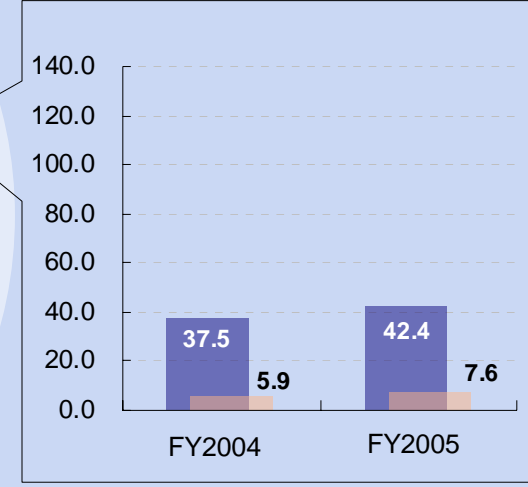
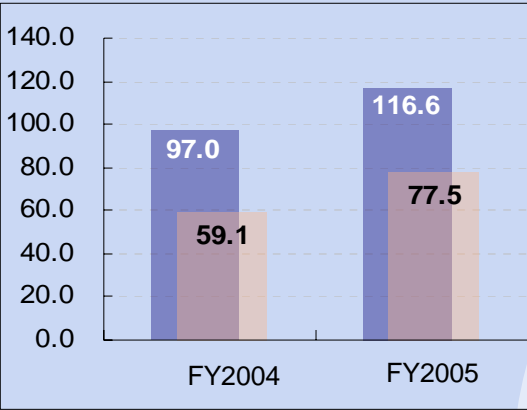
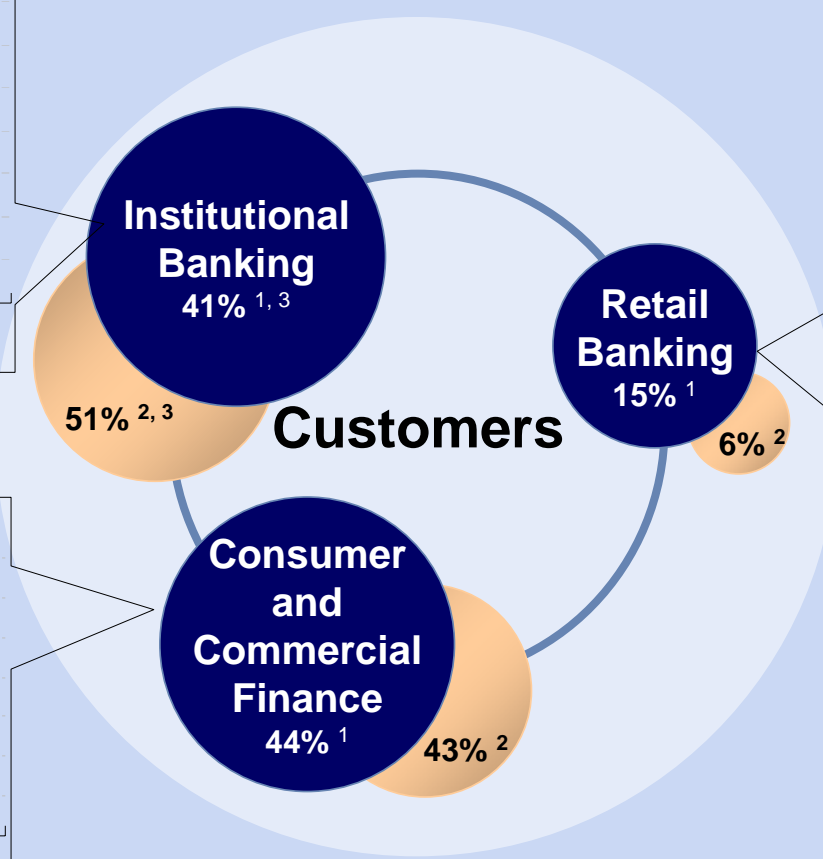
<sup>4</sup> Sumitomo Mitsui Financial Group (consolidated basis)



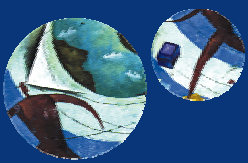
## Strong Ordinary Business Profit Growth in all Business Lines



Revenue (JPY Bn)  
OBP (JPY Bn)



<sup>1</sup> Percentage of total revenue contribution for the fiscal year ended March 31, 2006, management accounting basis  
<sup>2</sup> Percentage of OBP contribution for the fiscal year ended March 31, 2006, management accounting basis  
<sup>3</sup> Includes revenue (losses) of ALM/Corporate/Other



## Solid Performance of Growth Businesses

### FY2005 Highlights

#### □ Revenue:

- ✓ Foreign exchange, derivatives and equity related increased 88.0% resulting from diversified capital market activities
- ✓ Non-recourse real estate finance increased 7.0%, supported by 135 new transactions
- ✓ Corporate loan revenue increased 22.6% due to the loan growth of approximately JPY 400 billion
- ✓ Completed 43 new credit trading transactions with aggregated investment of JPY 76.3 billion
- ✓ Closed 14 new securitization transactions with JPY 277.8 billion total issuance and revenue growth of 16.7%

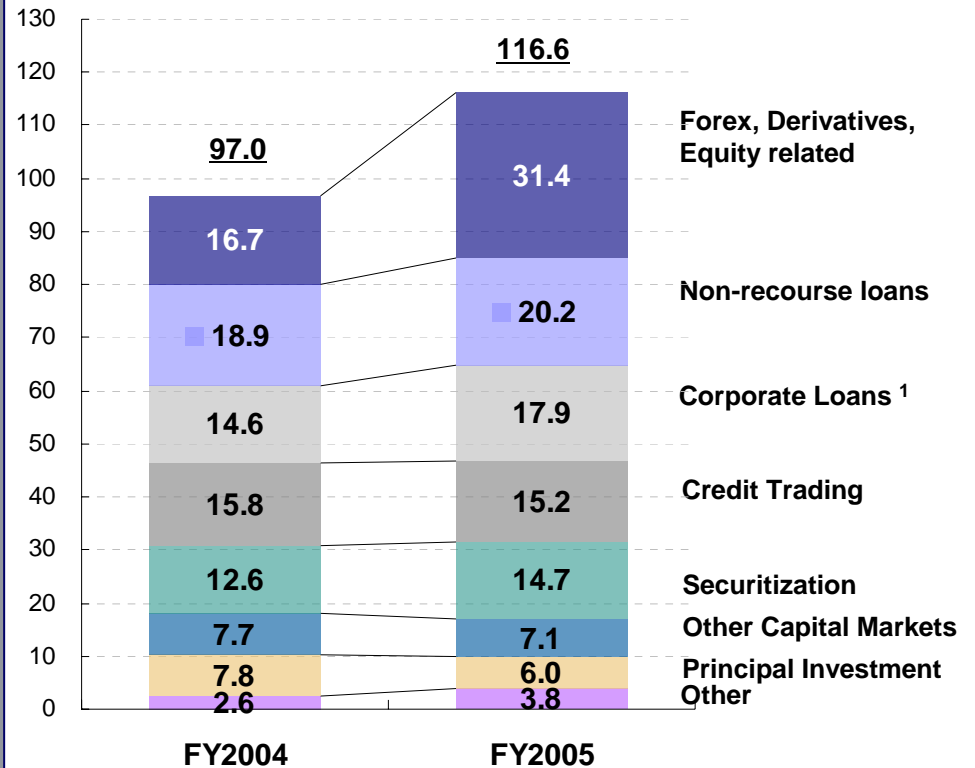
#### □ Expense to revenue ratio

- ✓ 33.5% in FY2005 compared to 39.0% in FY2004

### Revenue Breakdown by Products

FY2004 vs. FY2005

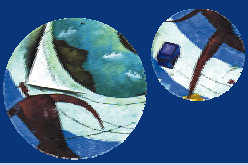
JPY Bn



<sup>1</sup>: Includes balance sheet and specialty finance loans

Note: Management accounting basis





## Focusing on Growth Businesses and Customer Relationships

### Key Revenue Drivers

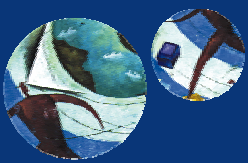
- Build out product offering in capital markets and at securities firm
- Increase products per corporate customer relationship
- Expand product offering to public sectors
- Leverage financial institutions relationships for 3<sup>rd</sup> party distribution of Shinsei products and capabilities
- Extend Shinsei Bank core competencies overseas

### Key Earnings Drivers

- Manage customer profitability (CRM)
- Use of technology to enhance operational efficiency
- Maintain expense ratio at low levels

### Challenges

- Lack of market pricing discipline for corporate loans
- Continue to evolve business model as core product business growth decelerates
- Future key fee business franchises (M&A, Asset Management, Wealth Management) are longer term builds, thus we must execute on schedule
- Hire and retain quality staff



## Successful Incorporation of New Acquisitions

### FY2005 Highlights

#### Revenue by Subsidiaries

##### APLUS

- ✓ Largest contributor, accounted for 71% of CCF revenue and its OBP
- ✓ Revenue grew to JPY 85.1 billion owing to loan and card growth

##### Showa Leasing

- ✓ Second contributor, accounted for 19% of CCF revenue and 21% of its OBP

##### Other

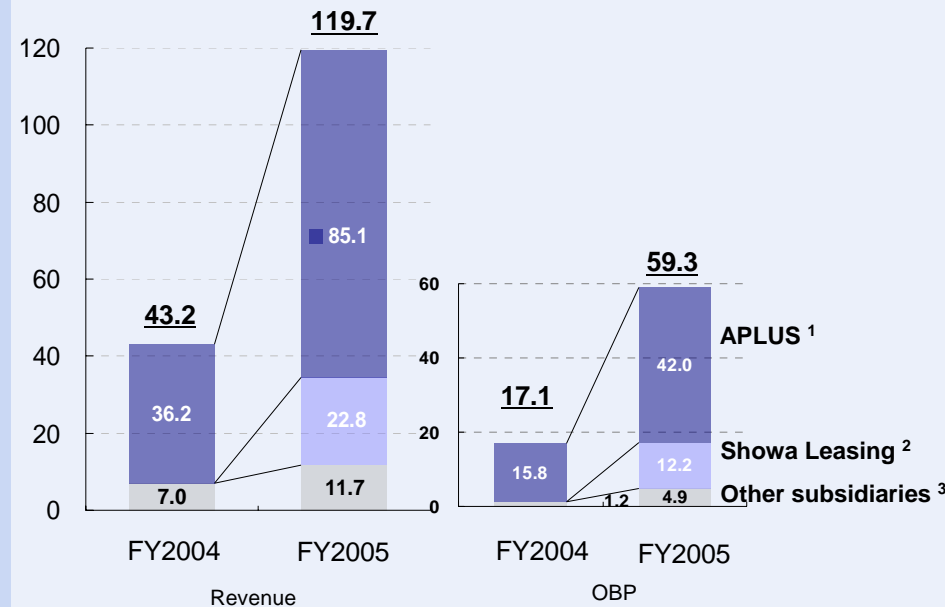
- ✓ Revenue grew 67.1% to JPY 11.7 billion
- ✓ OBP grew 4 times to JPY 4.9 billion

#### Expense to revenue ratio

- ✓ 50.5% in FY2005 from 60.4% in FY2004 due to expense rationalization across all companies

### Contribution by Subsidiaries

JPY Bn

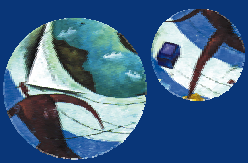


<sup>1</sup> APLUS was consolidated in September 2004, contributing to Shinsei since 2HFY2004

<sup>2</sup> Showa Leasing was consolidated in March 2005, contributing to Shinsei since FY2005.

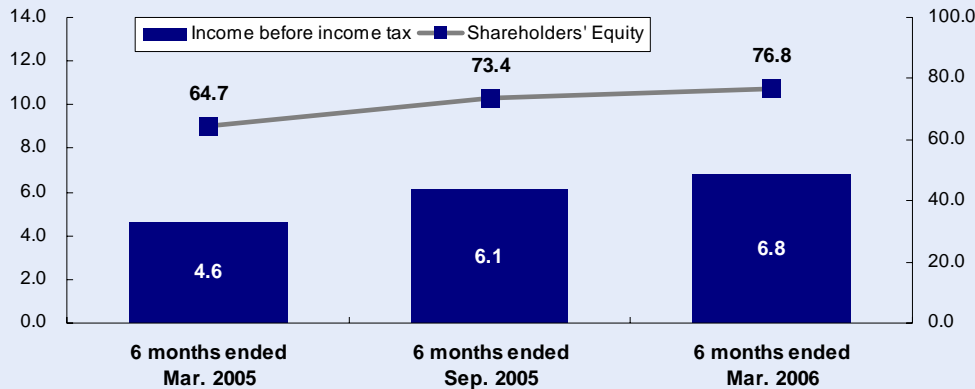
<sup>3</sup> Includes profit of Shinki, an affiliate

Note: Management accounting basis



## APLUS and Showa Leasing - Significant Contribution to Shinsei Group

### APLUS Key Disclosed Financials after Shinsei's Acquisition JPY Bn

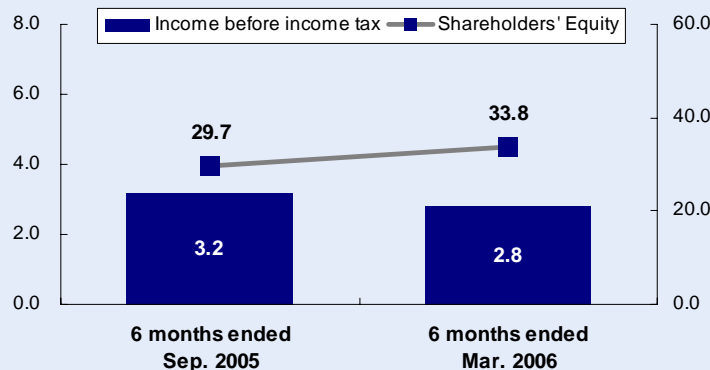


Note: All figures presented above are APLUS' disclosed financials (consolidated basis) and are before consolidation to Shinsei's financials.

#### APLUS' Updates:

- ✓ Japan's #5 Shinpan in terms of pre-tax earnings, #9 consumer finance company by outstanding assets of JPY 1.6 trillion
- ✓ Credit card growth continues since acquisition, up approx. 20% to over 5 million
- ✓ Acquisition of Zen-Nichi Shinpan (March 2006) as the first major acquisition with APLUS platform

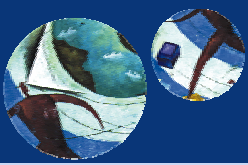
### Showa Leasing Key Financials after Shinsei's Acquisition JPY Bn



Note: All figures presented above are Showa Leasing's non-consolidated financials and are before consolidation to Shinsei's financials.

#### Showa Leasing Updates:

- ✓ Mid-sized leasing company providing leasing, installment finance and rental
- ✓ In FY2005, annual lease origination amount (kenshu-daka) increased approximately 12% compared to FY2004 (non-consolidated basis)



## Transforming Mature Platforms for Sustainable Growth

### Key Revenue Drivers

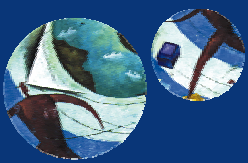
- Expand value delivered to merchants by APLUS and to commercial customers by Showa
- Increase cross-sell activities between Shinsei and CCF companies and within target markets
- Improve sales force effectiveness
- Extend business platforms through M&A, joint ventures and alliances

### Key Earnings Drivers

- Effective ALM management to minimize interest rate exposure
- Development of more productive risk models
- Standardization, simplification and long-term automation of operations

### Challenges

- Mega-banks full entry into consumer and commercial finance markets
- Scale
- Grey zone issue



## Increased Diversification of Revenue Sources

### FY2005 Highlights

#### Revenue

- ✓ Deposit related non-interest income increased 11.1%
- ✓ Deposit and debentures net interest income grew backed by deposit growth of 33.2% to over JPY 3.0 trillion
- ✓ Fee revenue from asset management products (i.e., mutual funds and variable annuities) increased 22.6%
- ✓ Loans revenue grew 63.5% to JPY 3.2 billion, while the housing loan balance grew 57.1% to JPY 454.5 billion

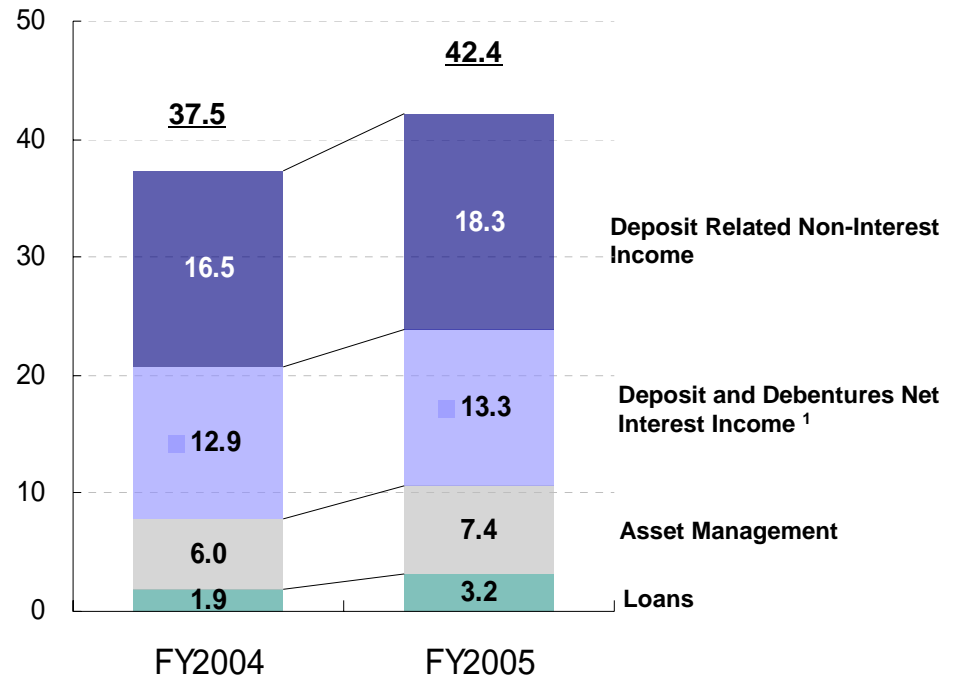
#### Expense to revenue ratio

- ✓ 82.0% in FY2005 from 84.3% in FY2004

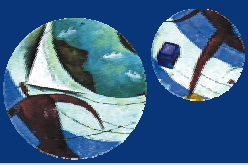
### Revenue Breakdown by Products

FY2004 vs. FY2005

JPY Bn



<sup>1</sup> Related to both customer deposits and debentures  
 Note: Management accounting basis



## Focus on Enhancing Customer Base Profitability

### Key Revenue Drivers

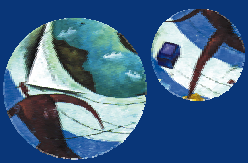
- Resource and capacity leverage
- Customer acquisition via active branding
- Increased numbers of cross sell products aligned to customer needs
- Increased numbers of profitable customers driven by segmentation model
- Development of innovative products supported by advanced business intelligence

### Key Earnings Drivers

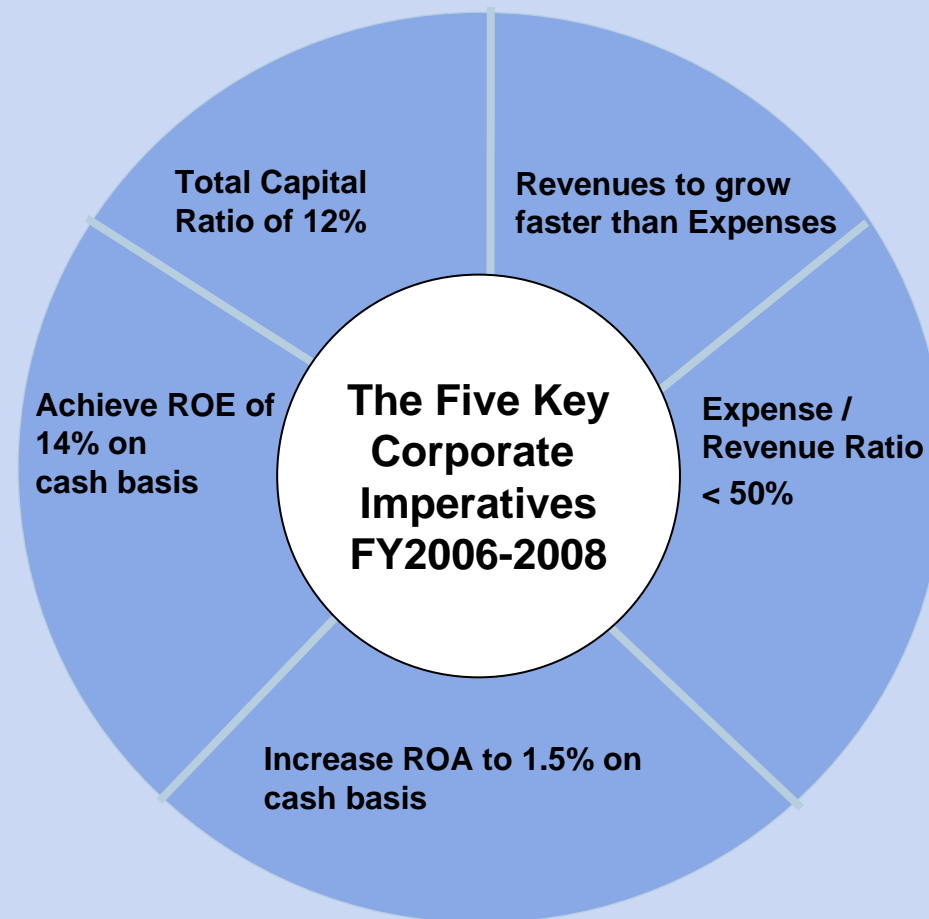
- Delivery effectiveness emphasizing synergy between physical and remote channels
- Targeted direct marketing effort using analytic tools
- Internet as a low cost revenue generator
- Lower expense ratio

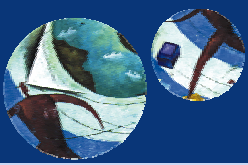
### Challenges

- Physical presence



## Pursuing Long-Term Sustainable Growth





## Well Positioned and Committed to Long-Term Profitable Growth

### Established Business Model

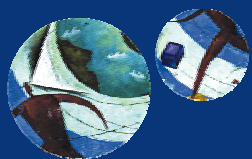
- ✓ Three pillar business model
- ✓ Shinsei approach recognized and appreciated
- ✓ Strong results based on diversified income streams and growing profitable customer base

### Strong Financials

- ✓ Diversified and growing revenue
- ✓ Disciplined cost management
- ✓ Improving profitability and returns
- ✓ High quality assets and balance sheet
- ✓ Stable capital base and capital quality

*Clear financial objectives to enhance shareholder value*





Color your life



**SHINSEI BANK**