



**SHINSEI BANK**

# Financial and Business Results

Fiscal Year Ended March 31, 2008

Investors' Meeting

**Shinsei Bank, Limited**

**May 15, 2008**



# Agenda

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## Part 1.

Thierry Porté, President and Chief Executive Officer

- ◆ Consolidated Financial Summary
- ◆ Investor Topics
- ◆ Announcement of New Strategy
- ◆ Net Income Forecast & Corporate Imperatives

## Part 2.

Rahul Gupta, Senior Managing Executive Officer, Chief Financial Officer

- ◆ Funding and Liquidity
- ◆ Business Line Overview
  - ✓ Institutional Banking
  - ✓ Retail Banking
  - ✓ Consumer and Commercial Finance

# Consolidated Financial Summary:

Fiscal Year Ended March 31, 2008

 Return to profitability supported by capital strength

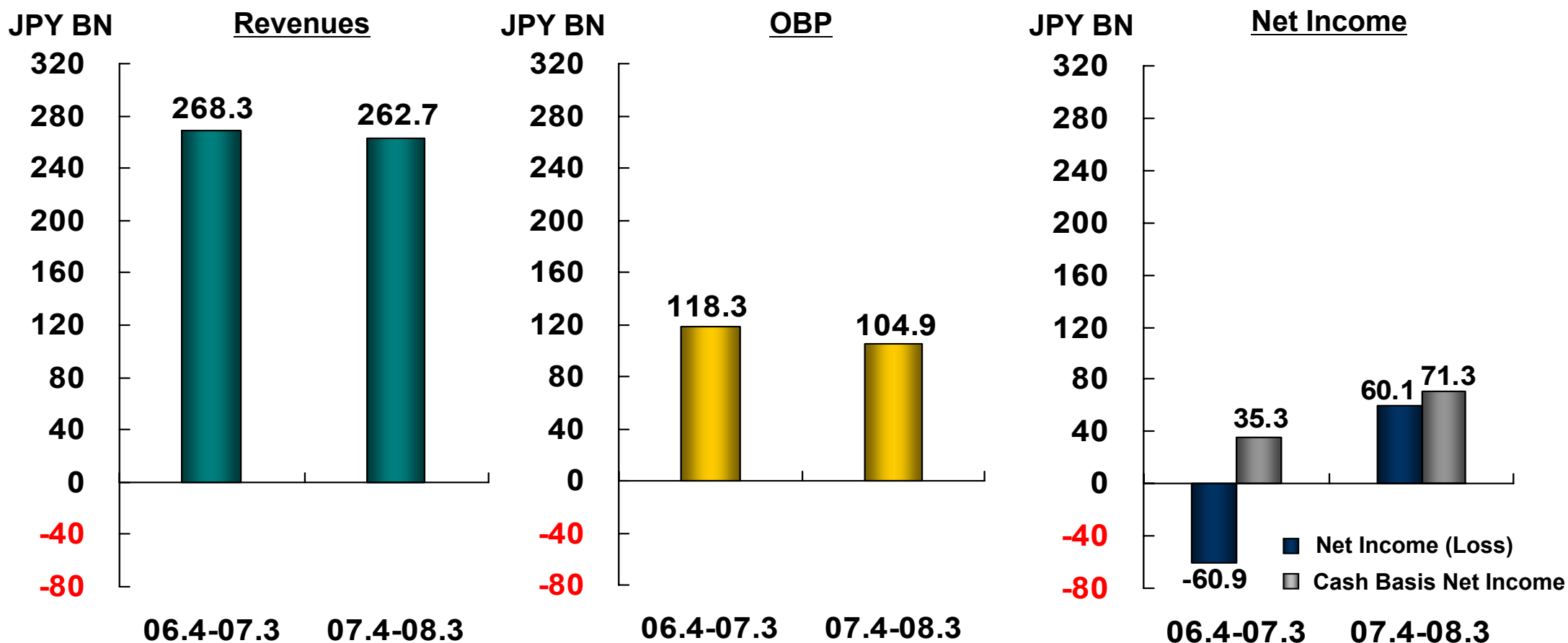
	2007.4-2008.3	2006.4-2007.3	Change %
Total Revenue	262.7	268.3	-2.1%
Ordinary Business Profit	104.9	118.3	-11.4%
Net Income	60.1	-60.9	+198.6%
Cash Basis Net Income	71.3	35.3	+102.0%
Diluted Net Income Per Share (JPY)	32.44	-31.79	+202.0%
Dividend Per Share (JPY)	2.94	2.66	+10.5%
ROA	0.5%	-0.6%	-
ROE (Fully Diluted)	8.8%	-8.1%	-
	<b>2008.3</b>	<b>2007.3</b>	<b>Change %</b>
Total Assets	11,525.7	10,837.6	+6.3%
Diluted Equity Per Share (JPY)	364.35	355.09	+2.6%
Total Capital Adequacy Ratio	11.74%	13.13%	-
Tier I Capital Ratio	7.37%	8.11%	-
Non-Performing Loan Ratio*	0.95%	0.53%	-

\*Non-performing loan ratio under the Financial Revitalization Law on a non-consolidated basis

# Consolidated Financial Summary:

## Revenues, Ordinary Business Profit (OBP) and Net Income

➔ Impacted by U.S. market turmoil, but building business for the future

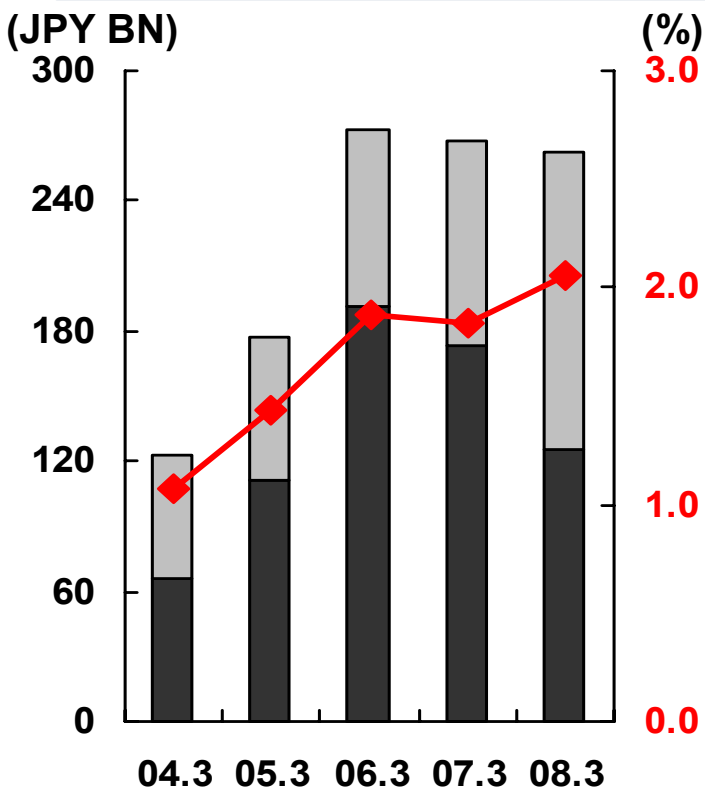


# Consolidated Financial Summary:

## Management Focus

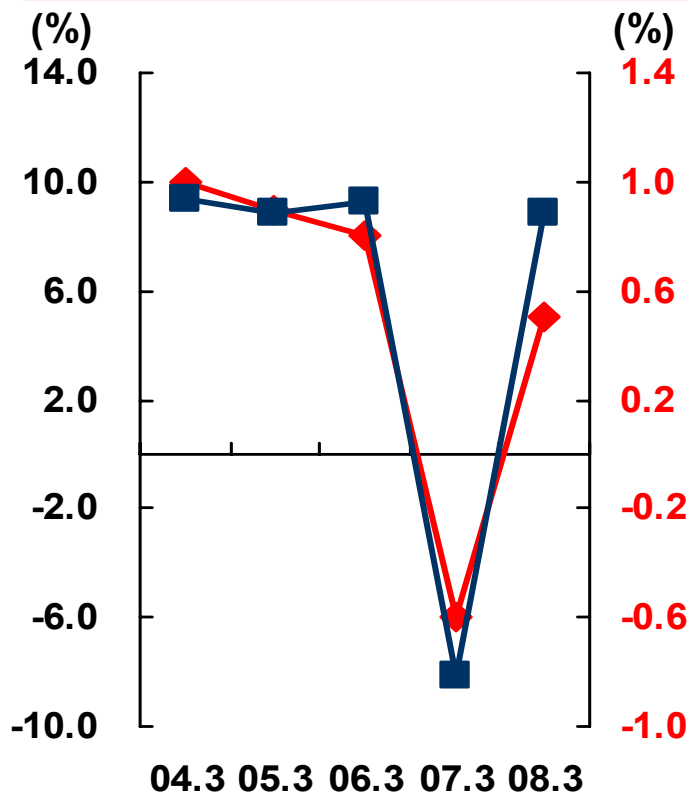
➔ Well-balanced and well-prepared

### Growth



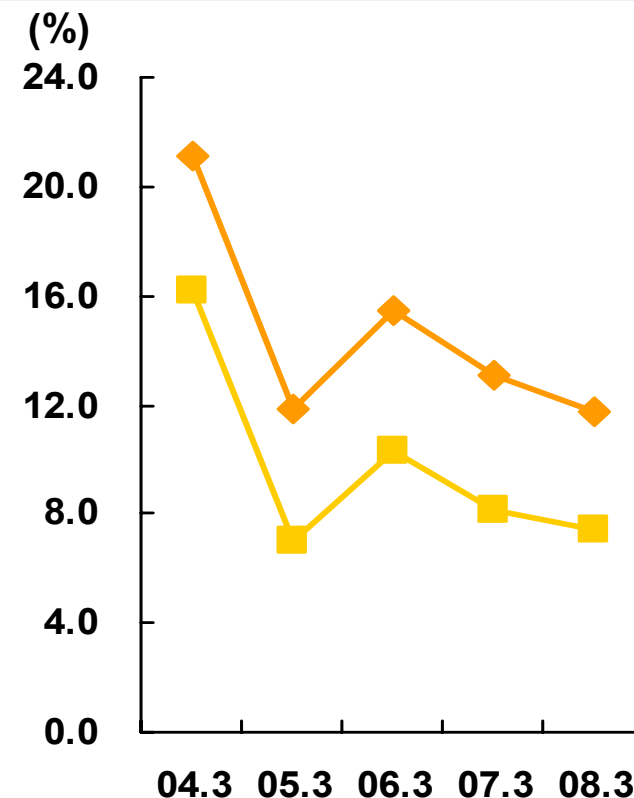
Net Interest Income (lhs)  
 Net Non-Interest Income (lhs)  
◆ Net Interest Margin (rhs)

### Profitability



◆ ROA (rhs)  
■ ROE (fully diluted) (lhs)

### Financial Stability



◆ Total Capital Adequacy Ratio  
■ Tier I Capital Ratio

# Consolidated Financial Summary:

## Growth and Diversification

 Demand-led rise

### Total Assets

### Main Points

JPY BN

15,000

12,000

9,000

6,000

3,000

0

10,837.6

11,525.7

07.3

08.3



Stronger demand led to 6.3% rise in total assets

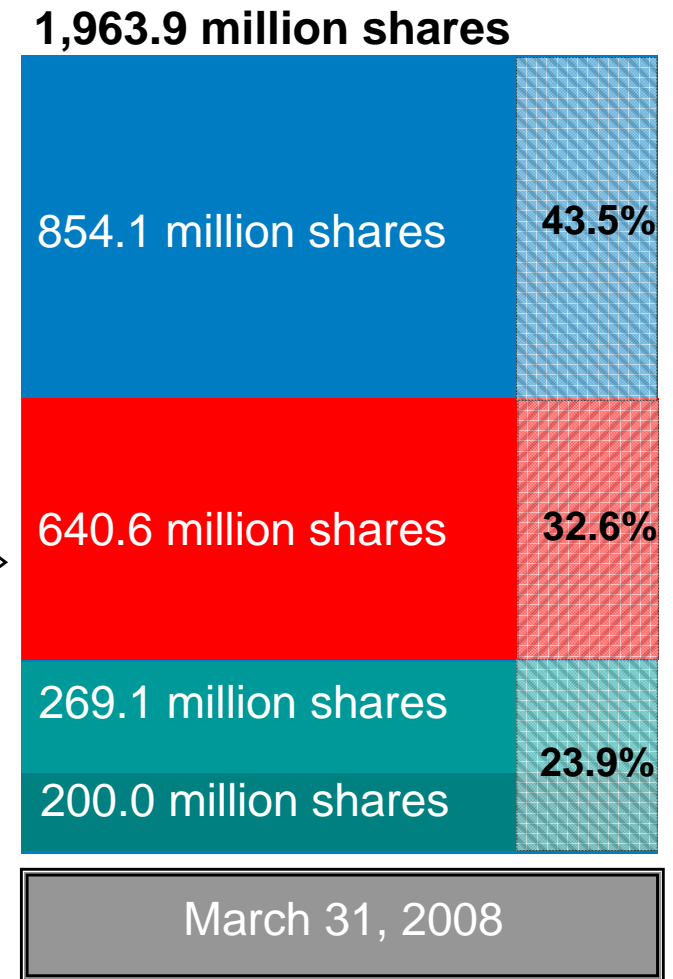
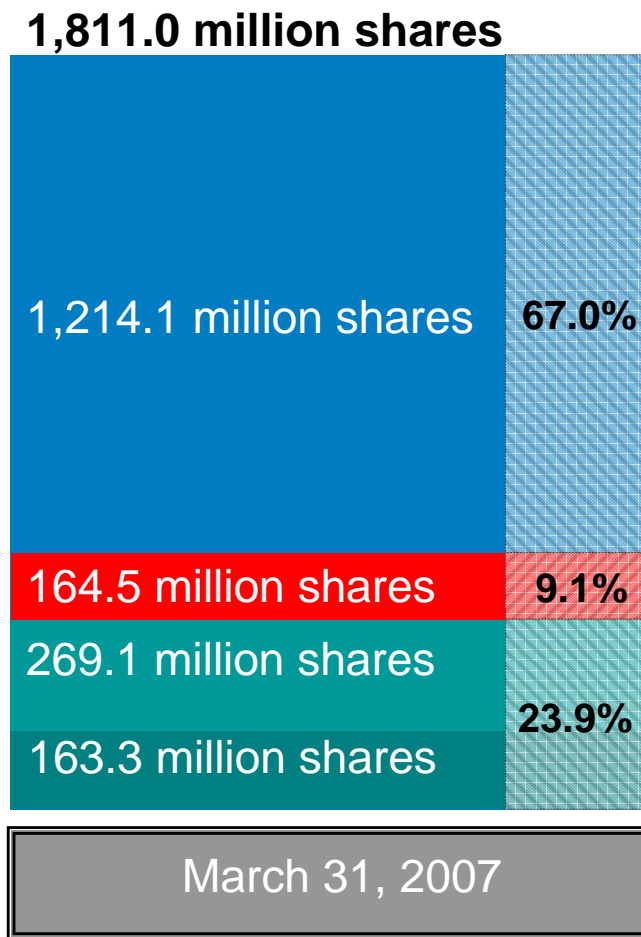
Loans increased 9.2% due mainly to growth in housing loans, specialty finance loans and the consolidation of Shinki

Securities increased 6.8% due mainly to an increase in Japanese corporate bonds

# Investor Topics:

## 1. Change in Shareholder Structure (after deducting treasury shares on a fully diluted basis)

 Emergence of two large shareholders

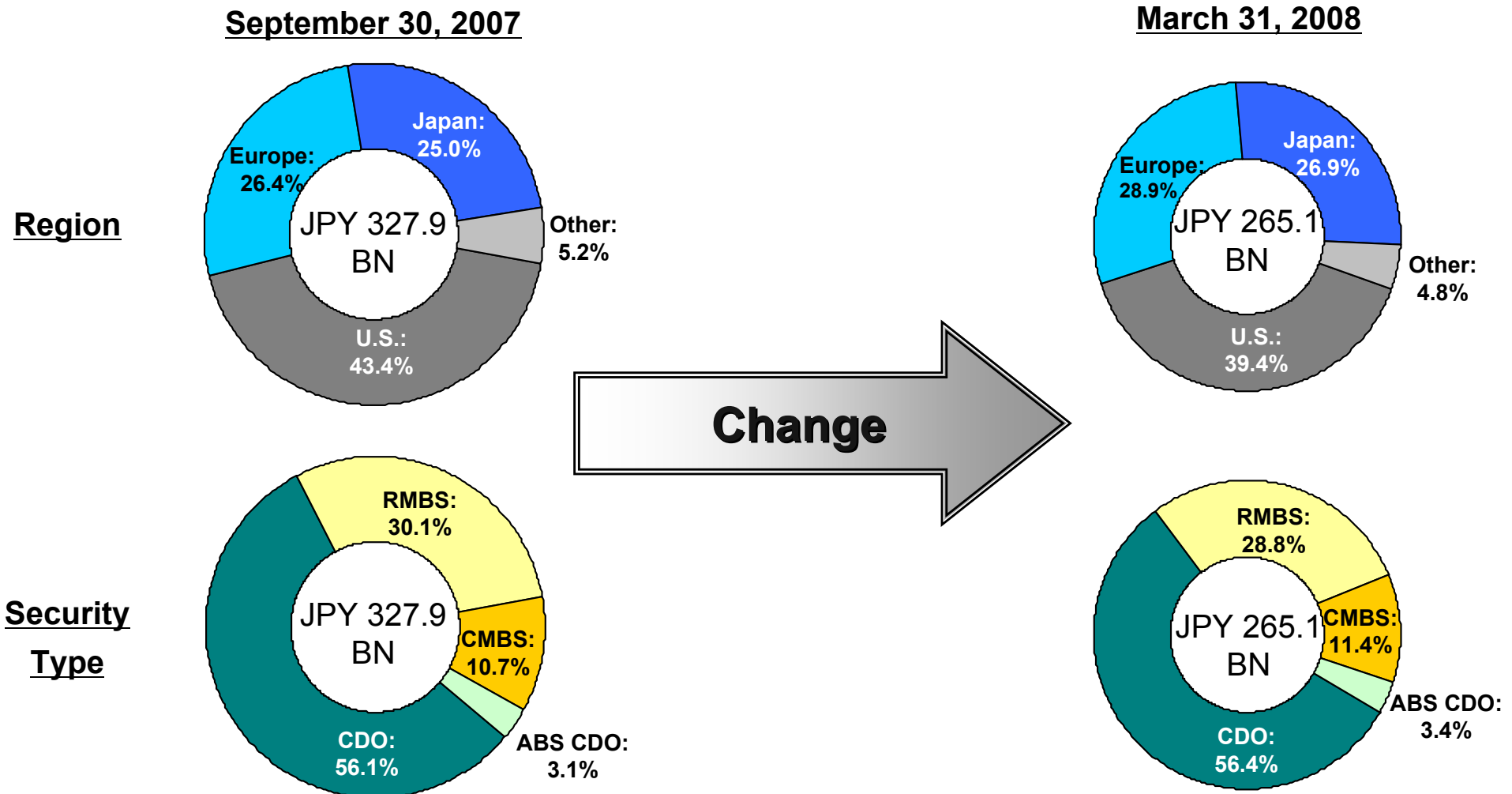


- Other Investors
- J.C. Flowers & Co. and Affiliates
- Japanese Government (DIC)
- Japanese Government (RCC)

# Investor Topics:

## 2.1 Securitized Products\*

➔ Full disclosure and transparency remains top management priority



\*Two-thirds of all securitized products and 84% of foreign-currency denominated securitized products are rated AA or higher. Details on securitized products available on p. 41-42 of the FY07 Financial Summary.



# Investor Topics:

## 2.2 U.S. Residential Mortgage Market Exposure

 Dealing directly and prudently

### Total Mark-Downs and Reserves Related to U.S. Residential Mortgages\*

US\$ Million

	2006 Fiscal Year		2007 Fiscal Year				
	4Q (Jan 1- Mar 31, 2007)	2006 Fiscal Year Total	1Q (Apr 1-Jun 30, 2007)	2Q (July 1- Sep 30, 2007)	3Q (Oct 1- Dec 31, 2007)	4Q (Jan 1- Mar 31, 2008)	2007 Fiscal Year Total
<b>Mark-Downs</b>	11	11	17	48	40	52	157**
<b>Reserves</b>	8	8	0	107	-11	38	134***
<b>Total</b>	19	19	17	155	29	90	291

\* Net exposure, after mark-downs and provisions, to U.S. residential mortgage market aggregates to US\$280.8 million (JPY 28.0 BN) as at March 31, 2008

\*\* Total mark-downs of US\$157 million (JPY 15.6 BN) in the fiscal year ended March 31, 2008

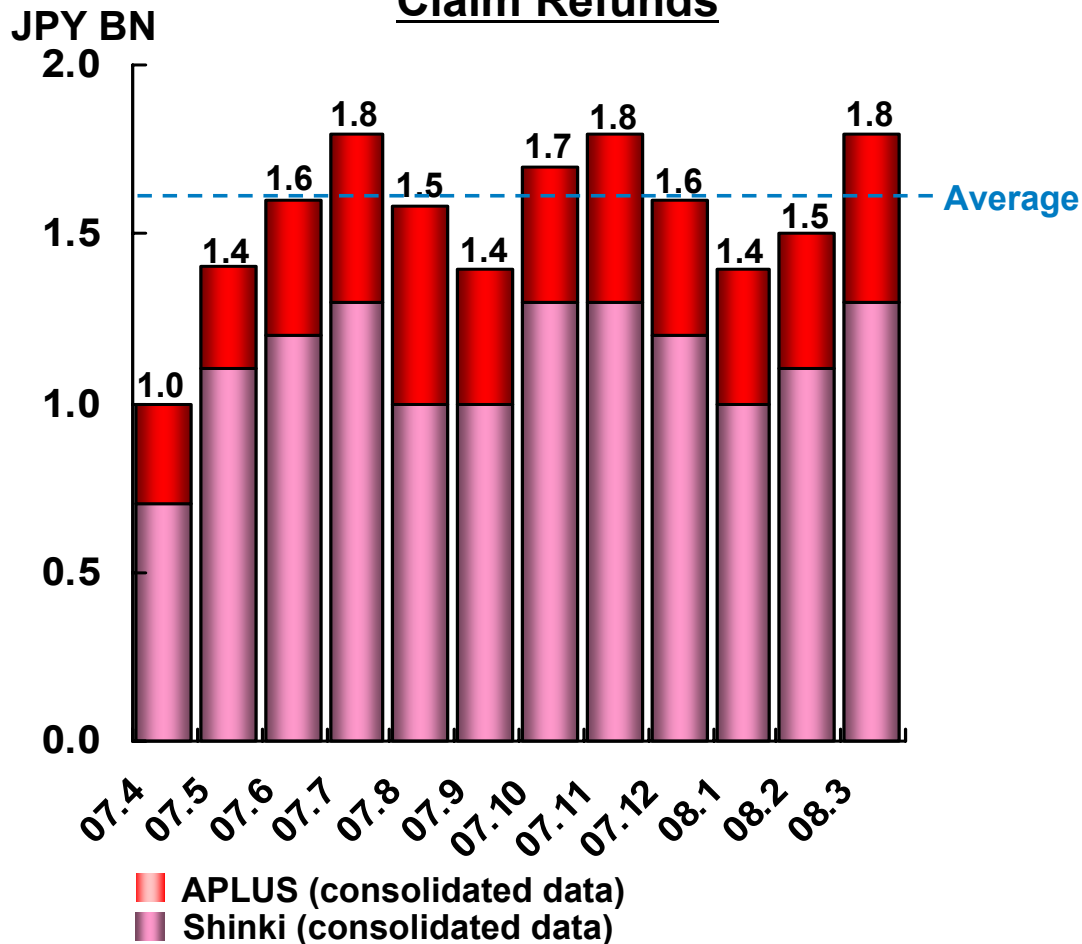
\*\*\* Total reserves of US\$134 million (JPY 13.4 BN) in the fiscal year ended March 31, 2008

# Investor Topics:

## 3. Grey Zone Trend

 Flat trend

**APLUS & Shinki Grey Zone  
Claim Refunds**



### Main Points

Grey zone claim refunds amounted to about JPY 19.5 BN in FY07 and averaged about JPY 1.6 BN per month

Grey zone claims at APLUS flat and averaging JPY 0.4 BN per month

Grey zone claims at Shinki generally flat averaging JPY 1.1 BN per month

# New Strategy: Overview

 **Goal: To become the fastest-growing, highest-returning financial services firm in Japan**

- **Modify the current three-pillar to a two-pillar strategy to concentrate on institutional and individual customers**
- **Optimize operations including cost rationalization measures and introduction of “*Shareholder Value Added (SVA)*”**
- **Expand quality customer base organically and actively pursue M&A opportunities to grow the business**



# New Strategy: Institutional Pillar

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## ■ Customer Focus

- ◆ Mid-market including Owner Individuals/ HNW Individuals
- ◆ Financial Institutions (regional)
- ◆ Public Sector and Financial Sponsors

## ■ Strategy

- ◆ Improve stability of credit trading and principal investment businesses
- ◆ Maximize synergies between Shinsei Bank and Shinsei Securities through complementary capital markets offerings
- ◆ Incorporate Showa Leasing in Institutional pillar to better leverage first sales opportunities
- ◆ Optimize balance sheet efficiency of non-recourse financing business
- ◆ Build new and enhance existing industry specialization in corporate lending business
- ◆ Become the premier distributor of emerging market and alternative investment funds from a banking-based platform in Japan through tie-ups with unique and high performing external asset managers



# New Strategy: Individual Pillar

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## ■ Customer Focus

- ◆ Mass Affluent
- ◆ Mass Retail

## ■ Strategy

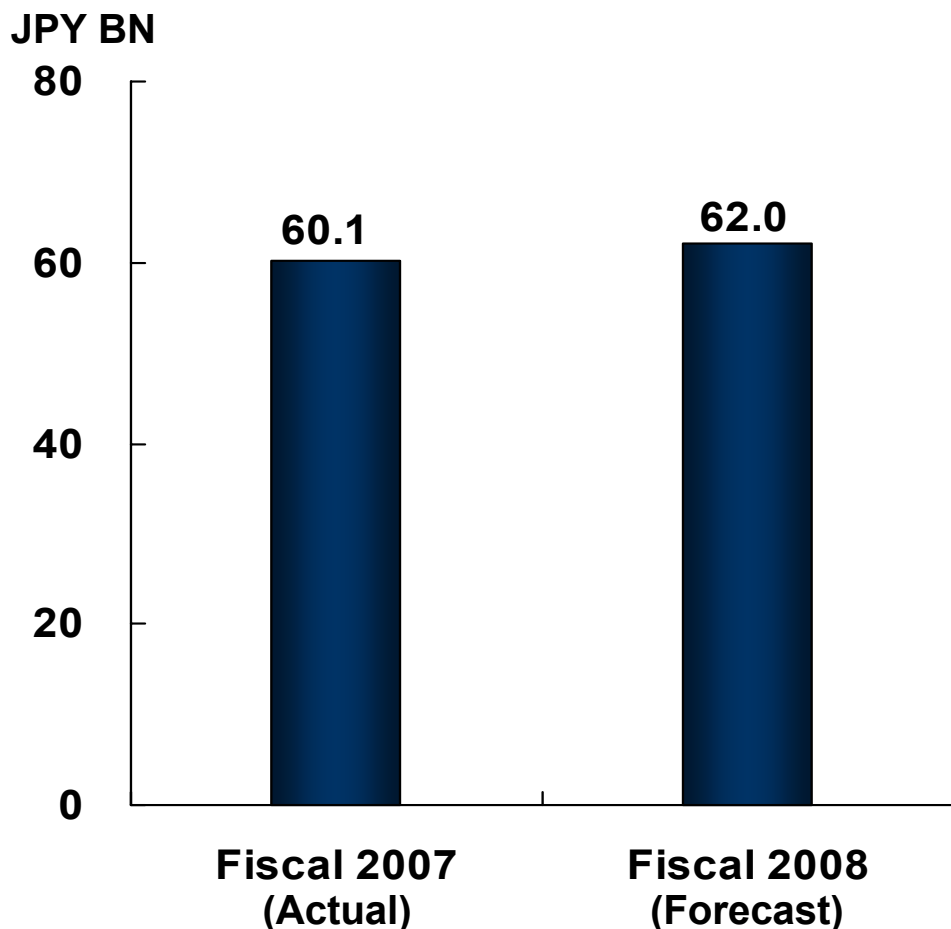
- ◆ Realign consumer finance and retail operations into one management structure
- ◆ Deliver traditional bank and non-bank consumer credit solutions seamlessly through multiple channels
- ◆ Expand high quality retail customer base by leveraging existing non-bank relationships
- ◆ Improve efficiency and rationalize costs
- ◆ Consider M&A to expand business scale

# Net Income Forecast:

## Consolidated Basis

➔ Expect modest growth in FY08 of 3.2%

### Net Income



### Overview

Expect good contribution from credit trading, principal investments and non-recourse real estate finance in Institutional pillar

Expect improved results in consumer finance business (APLUS & Shinki) as restructuring efforts start to bear fruit

Expect retail banking to return to profitability with continued growth in asset management, housing loans and deposits

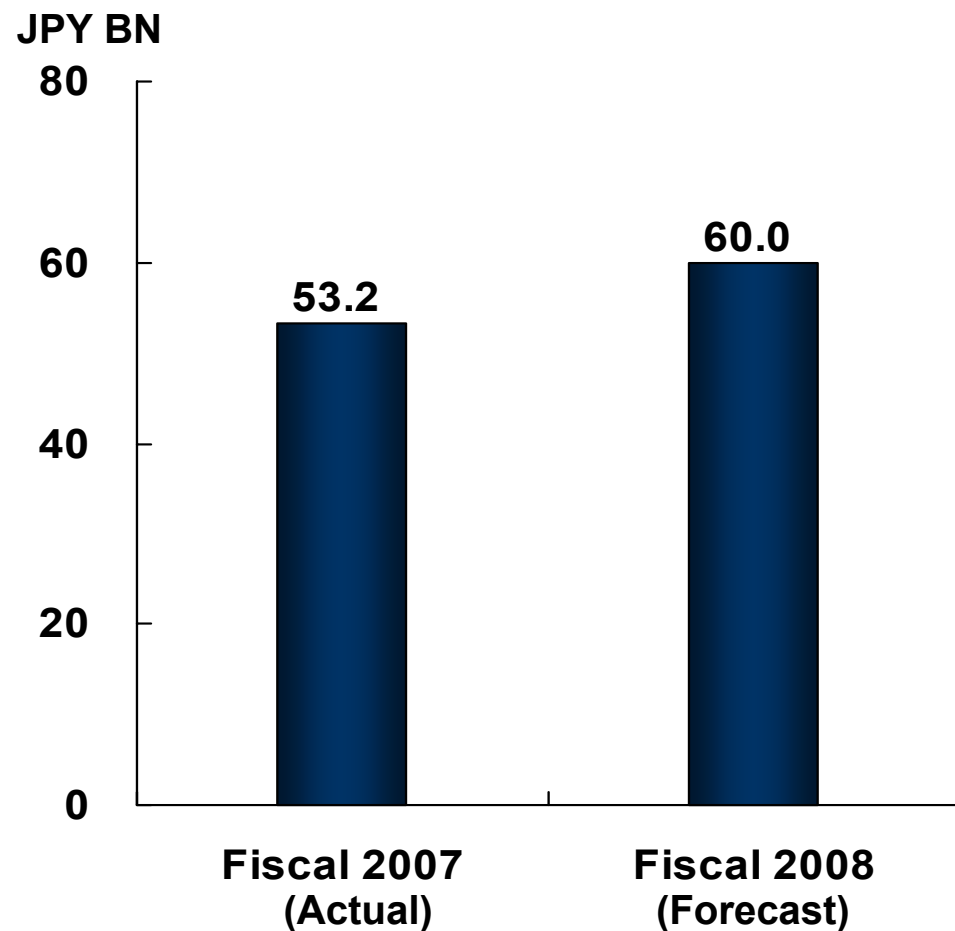
# Net Income Forecast:

## Non-Consolidated Basis

 Expect growth in FY08 of 12.8%

### Net Income

### Overview

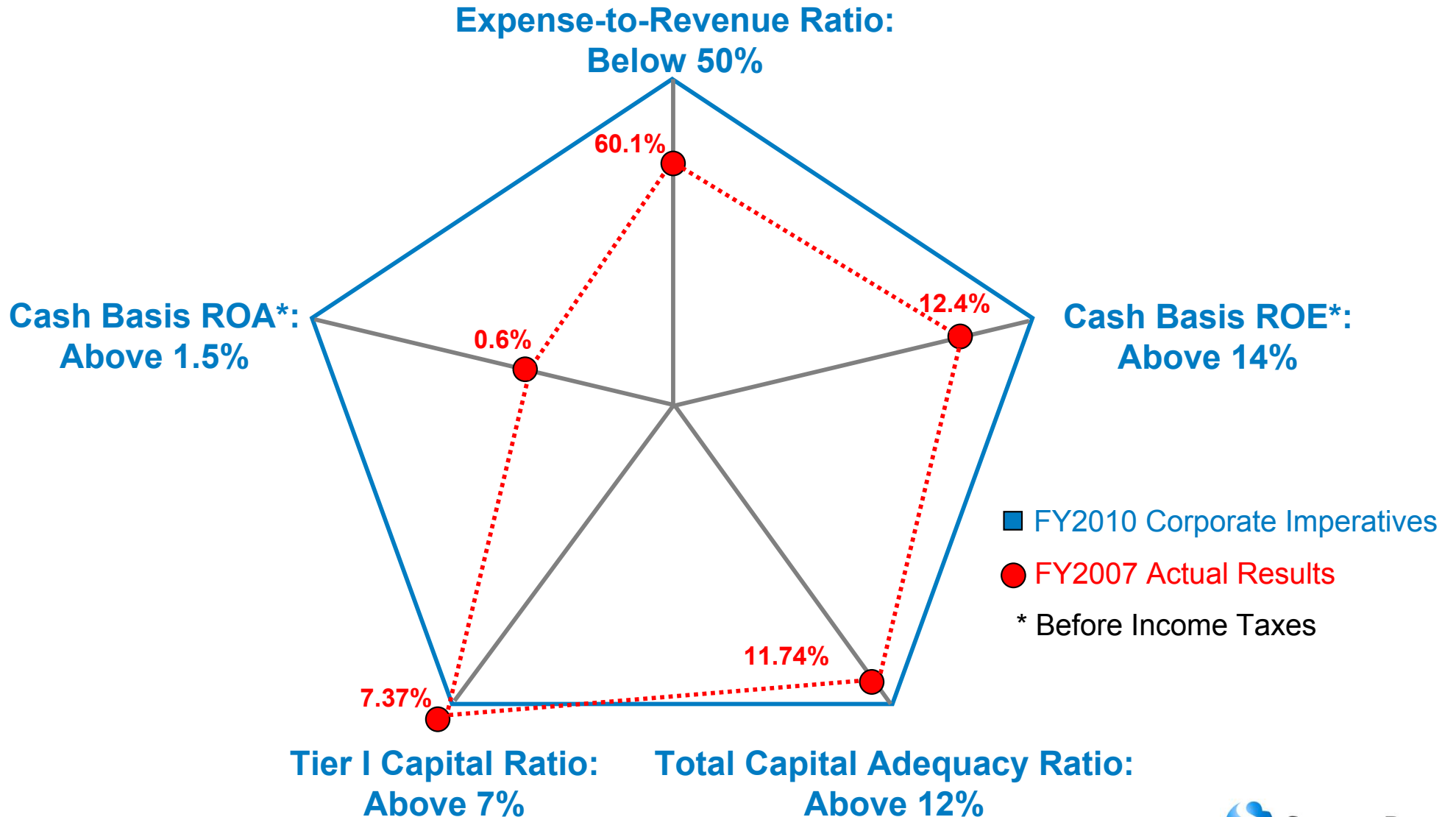


Expect growth in core businesses to lead to higher non-consolidated net income

# Corporate Imperatives:

## Key Target Ratios

➔ Management's commitment to shareholders by fiscal year 2010







# Agenda

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## ■ Part 1.

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## ✔ Part 2.

Rahul Gupta, Senior Managing Executive Officer, Chief Financial Officer

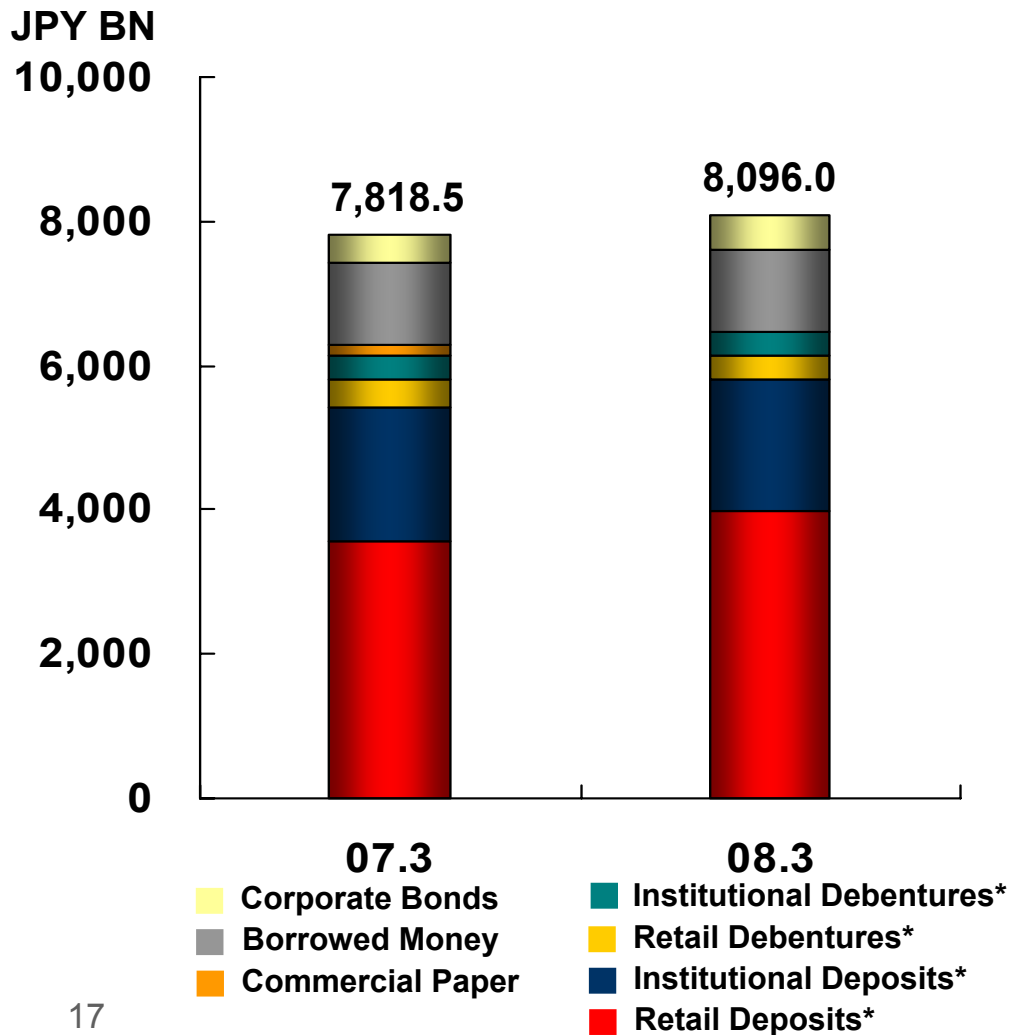
- ◆ Funding and Liquidity
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  - ✓ Institutional Banking
  - ✓ Retail Banking
  - ✓ Consumer and Commercial Finance

# Funding & Liquidity:

## Funding Composition

- Focus on liquidity management and diversification to meet funding needs
  - ✓ Customer-based funding making up 80% of total funding

### Funding Composition



### Main Points

Growth in funding amount accompanying rise in assets

Maintaining good balance between customer-based\* and non-customer based funding

Strong growth in retail deposits

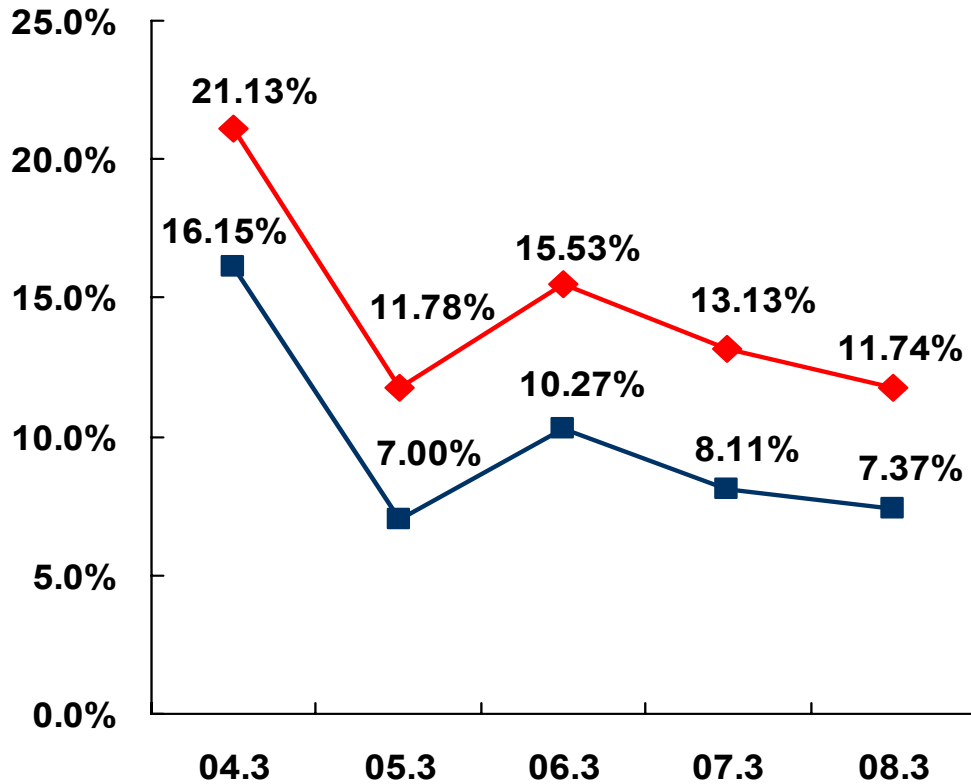
\* Customer-based funding

# Funding & Liquidity:

## Financial Stability and Asset Quality

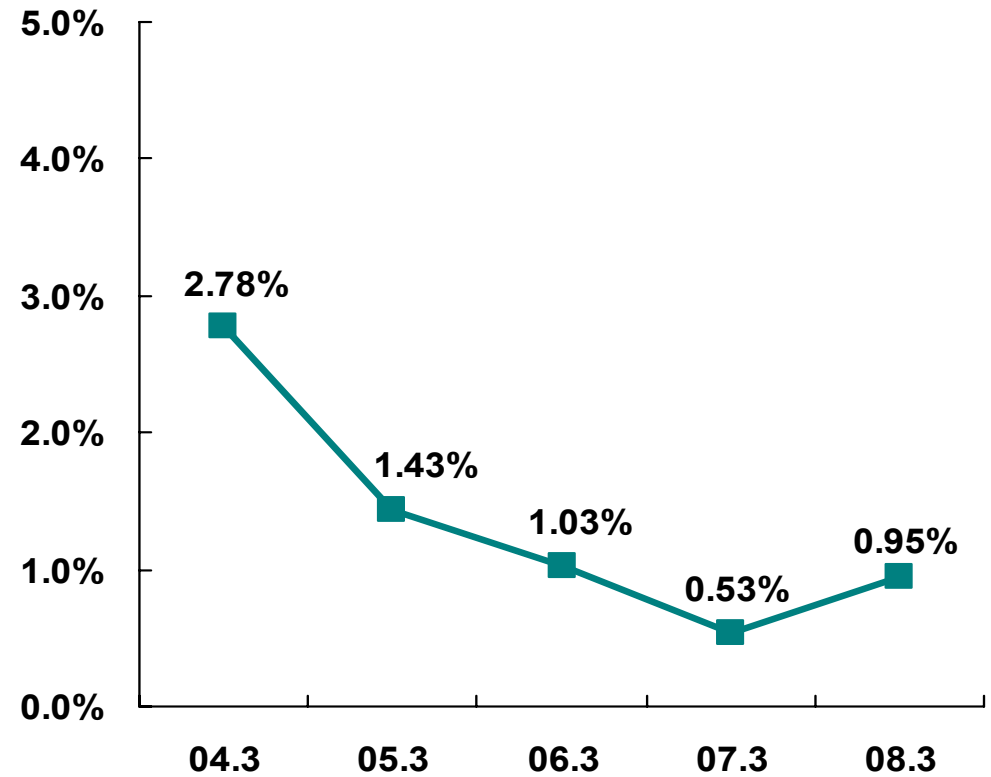
➤ Maintaining solid financial stability and healthy asset quality

**Financial Stability**



◆ Total Capital Adequacy Ratio ■ Tier I Capital Ratio

**Asset Quality**



■ NPL Ratio Under Financial Revitalization Law (Non-Consolidated)

# Business Line Overview:

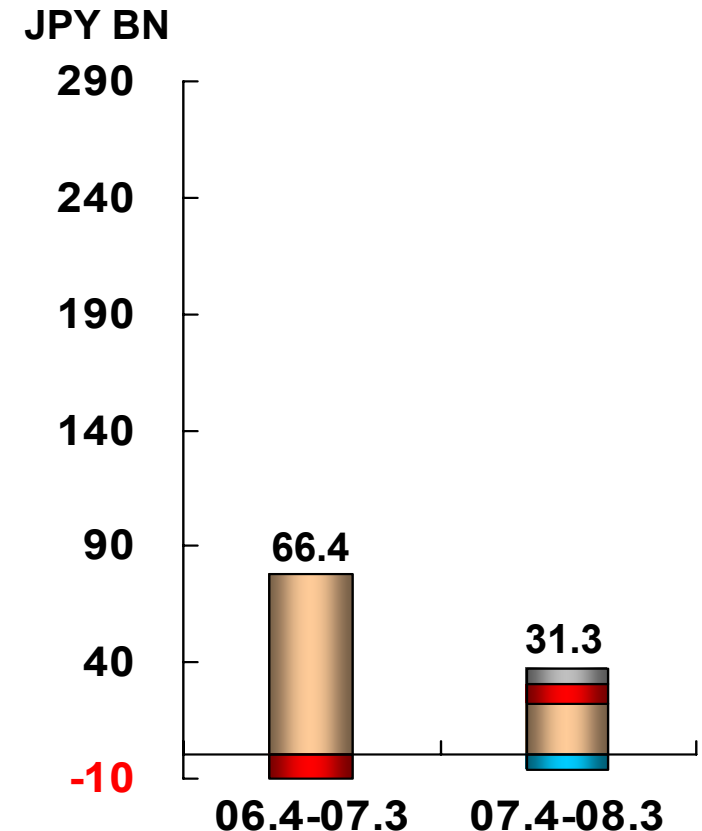
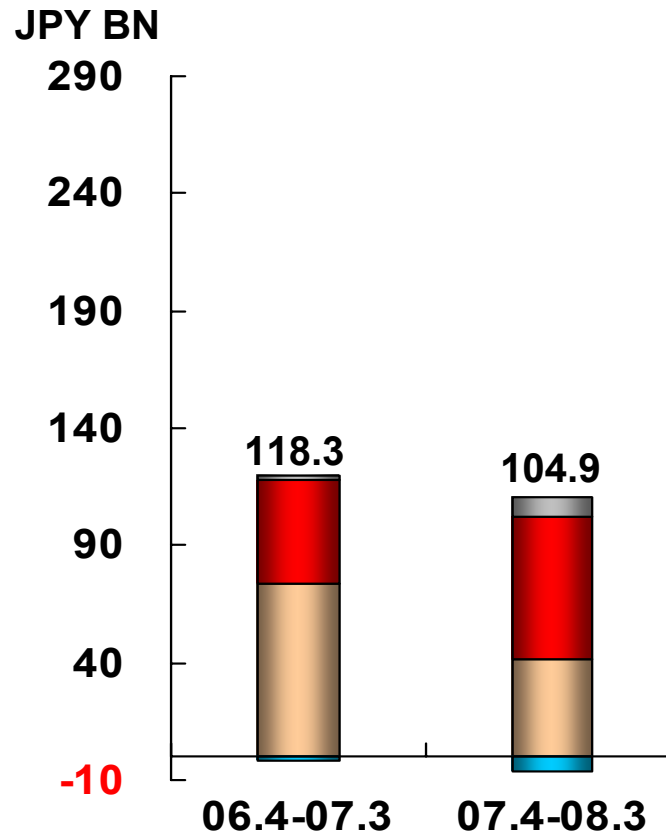
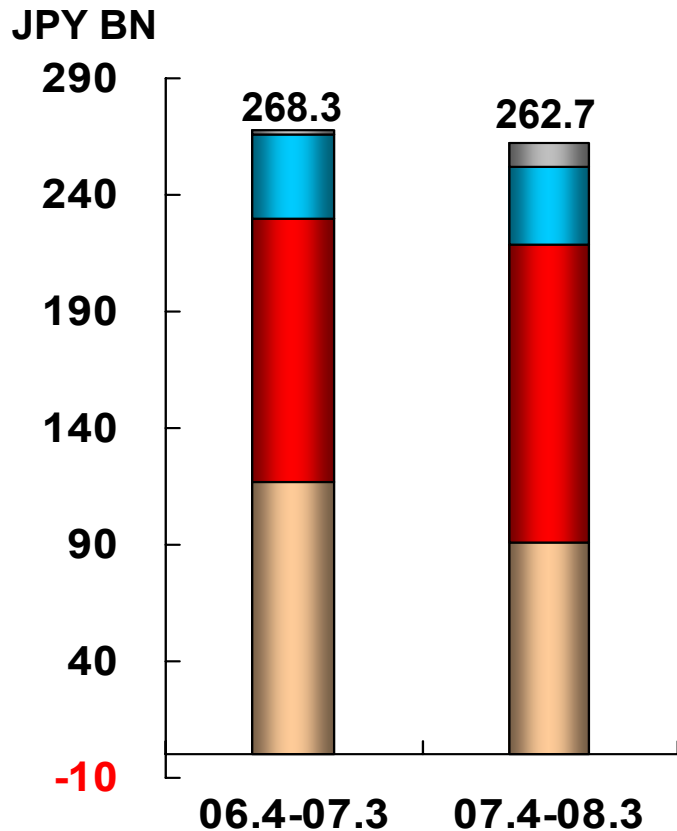
## Institutional Banking, Retail Banking and Consumer and Commercial Finance

➤ Institutional Banking continues to account for a large portion of ordinary business profits (OBP) after net credit (recoveries) costs

Revenues

OBP (Loss)

OBP (Loss) After Net Credit (Recoveries) Costs

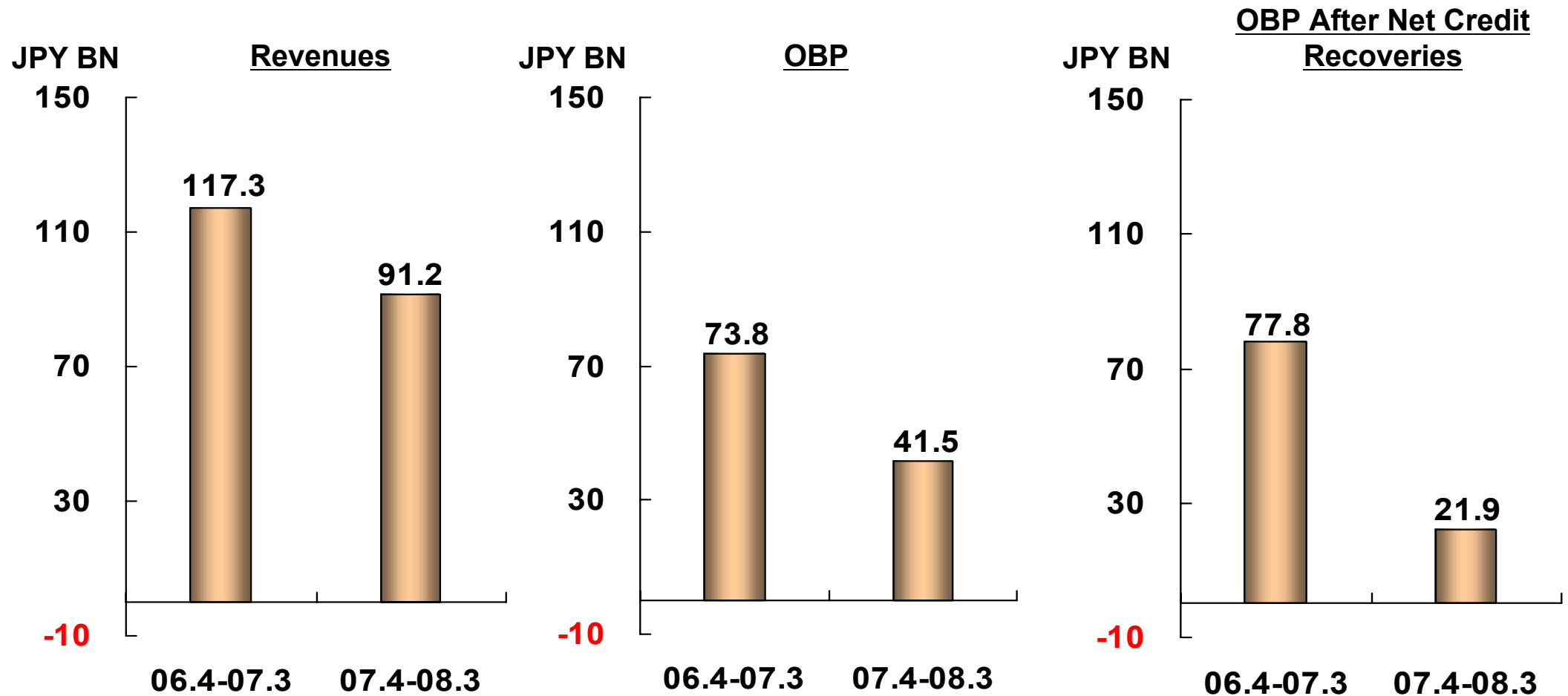


- ALM/Corporate/Other
- Retail Banking
- Consumer and Commercial Finance
- Institutional Banking

# Institutional Banking:

## Financial Highlights

- Revenues down due to mark-downs on U.S. residential mortgage portfolio and absence of large gains
- OBP was lower due to an increase in employees to support business expansion
- OBP after net credit costs lower as a result of reserves related to U.S. residential mortgage business

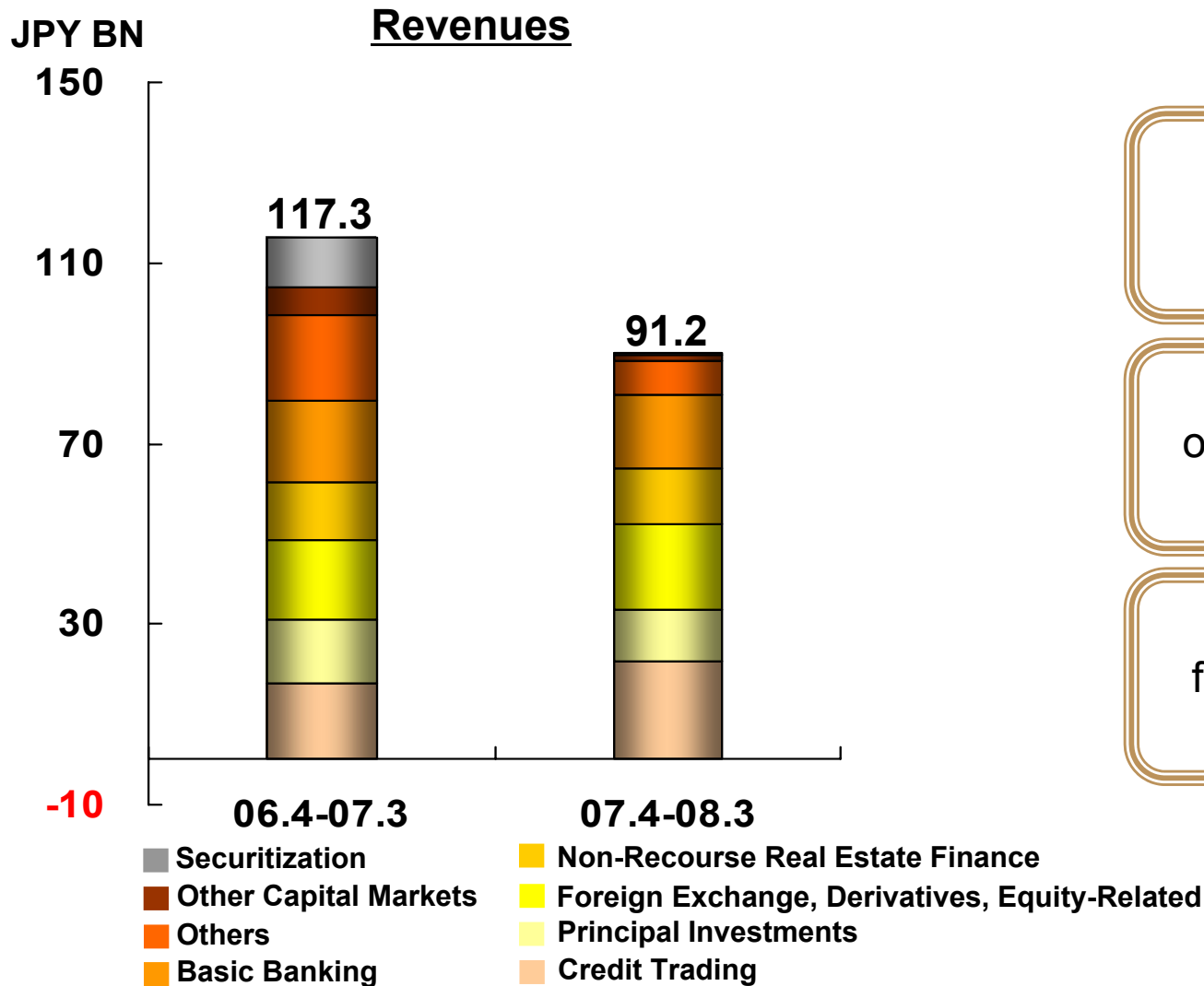


■ Institutional Banking

# Institutional Banking:

## Revenue Breakdown

➤ Revenue diversification ensures earnings stability in Institutional Banking



### Main Points

Revenues from “Credit Trading”,  
and “Non-Recourse  
Real Estate Finance” up

“Others” down due to absence  
of large gains that were recognized in  
the previous fiscal year

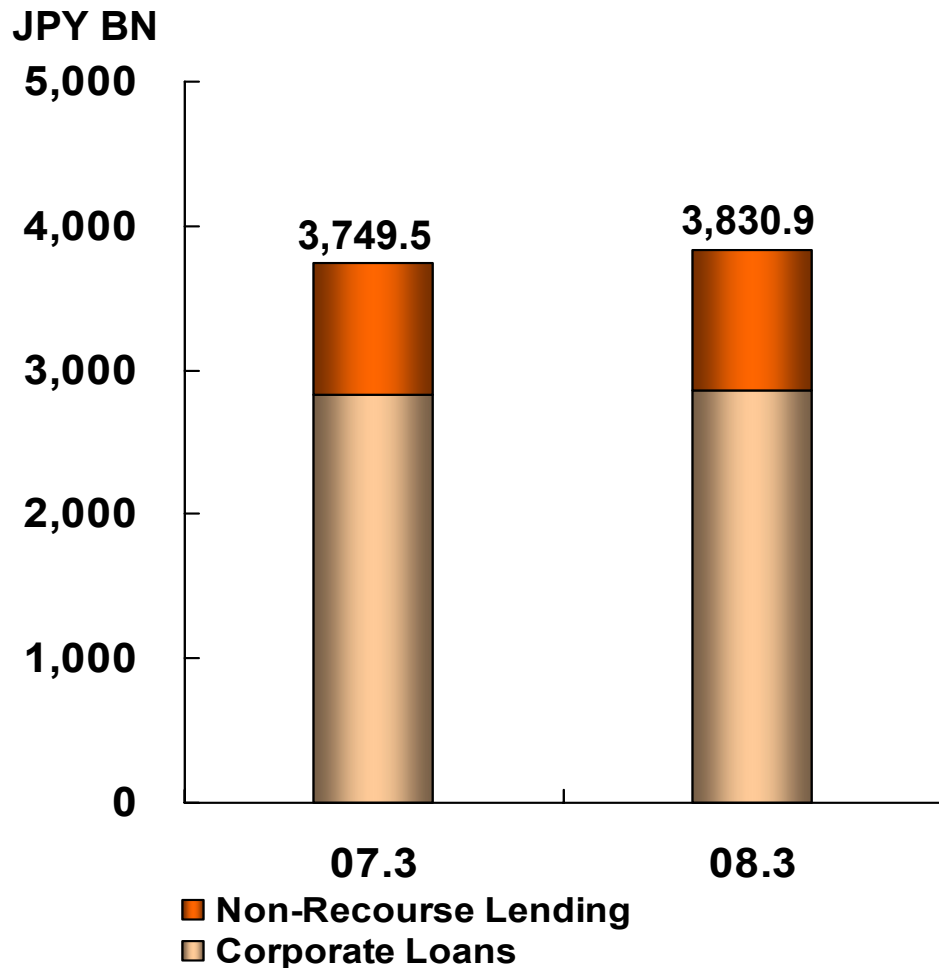
“Securitization” down due to impact  
from mark-downs on U.S. residential  
mortgage portfolio

# Institutional Banking:

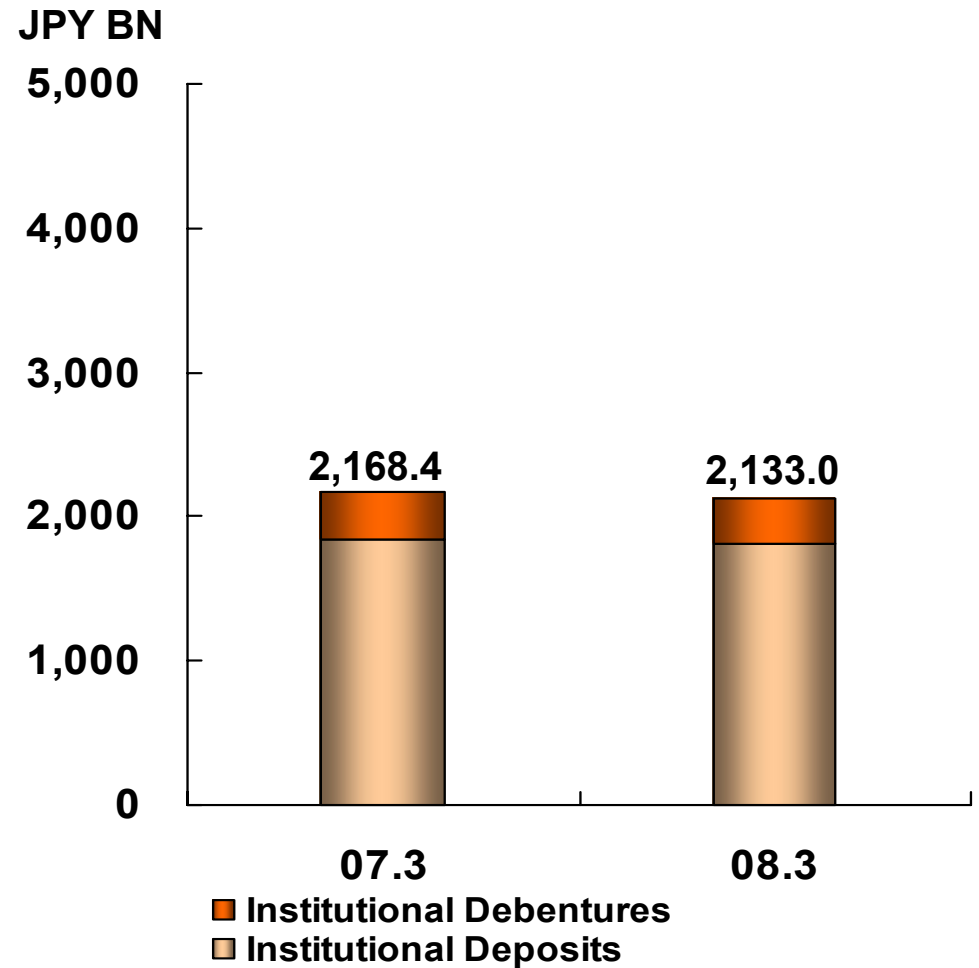
## Loans, Deposits and Debentures

- Solid base of corporate loans and non-recourse lending
- Stable base of institutional deposits and debentures

### Corporate Loans & Non-Recourse Lending



### Deposits & Debentures

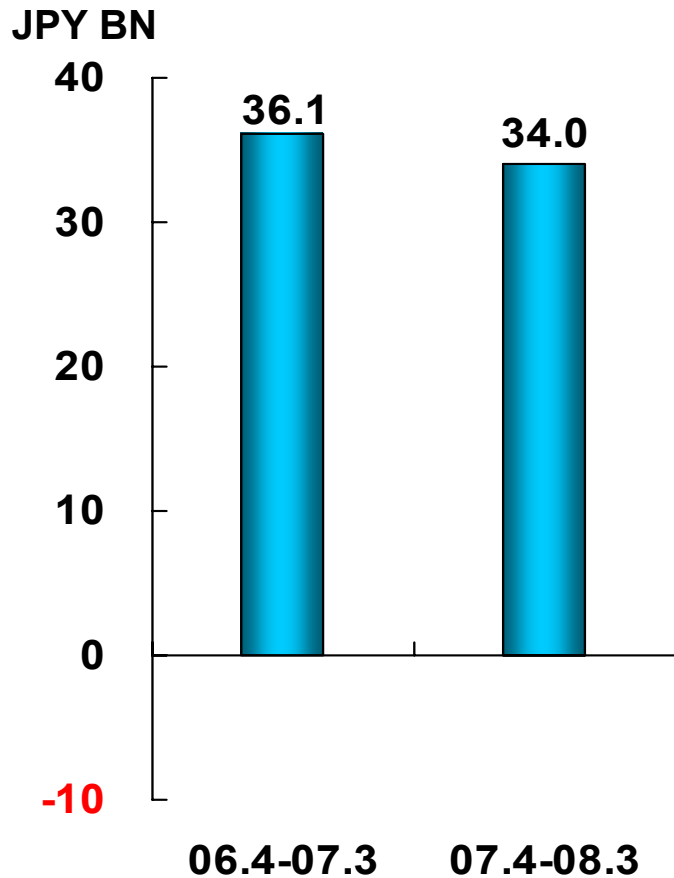


# Retail Banking:

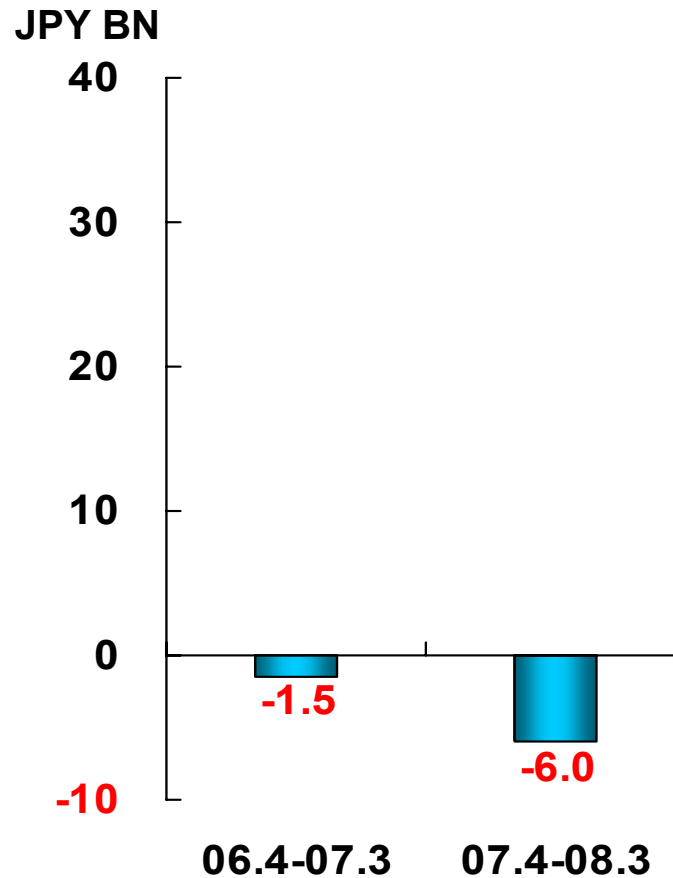
## Financial Highlights

- Challenges continue to face the Retail Banking business as revenues, ordinary business loss (OBL) and OBL after net credit costs were down year on year

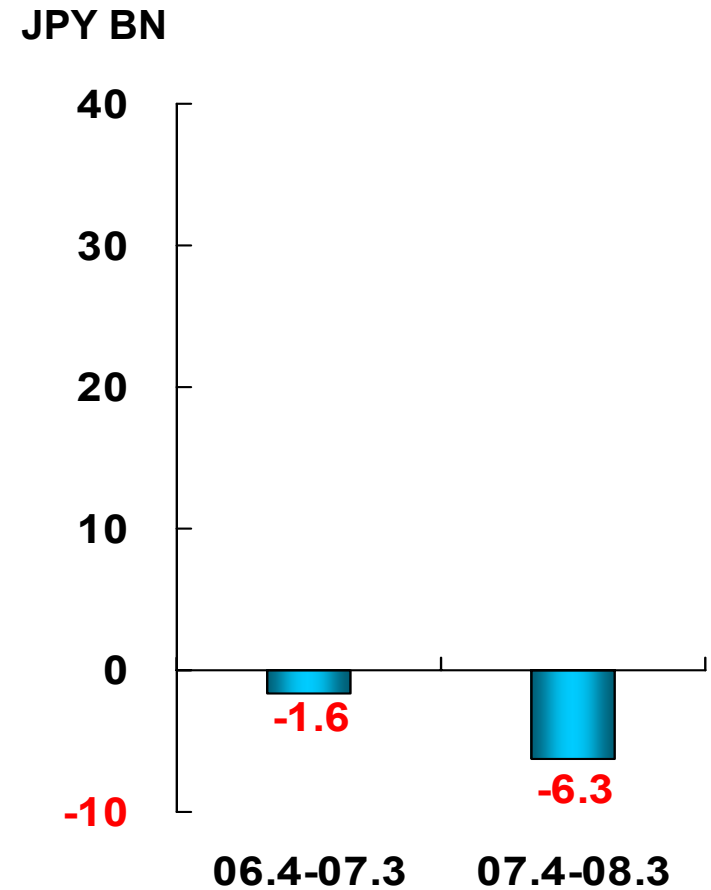
Revenues



OBL



OBL After Net Credit Costs



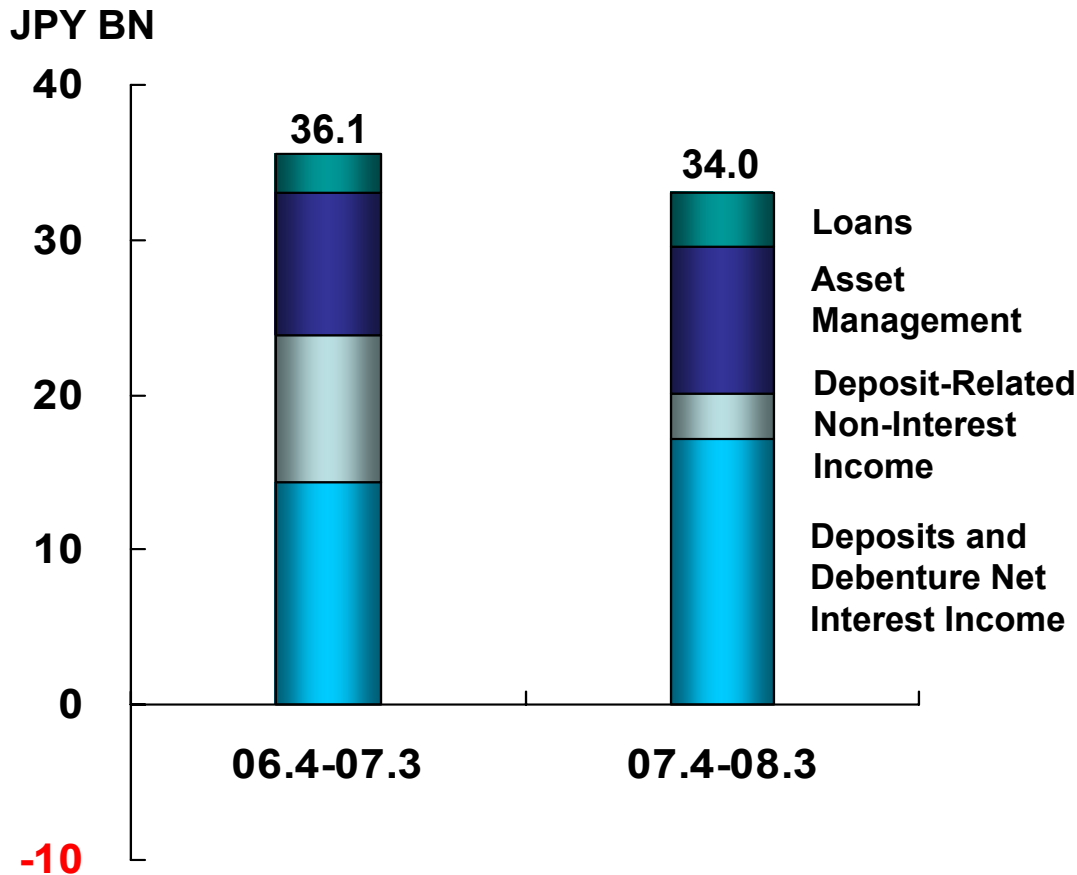
■ Retail Banking



# Retail Banking: Revenue Breakdown

➤ Good growth in all areas except deposit-related non-interest income

## Revenues



## Main Points

Net interest income increased while non-interest income declined

Good growth in revenue from “Deposit and Debenture Net-Interest Income” and “Loans”

Lower “Deposit-Related Non-Interest Income (option income)” related to structured deposits

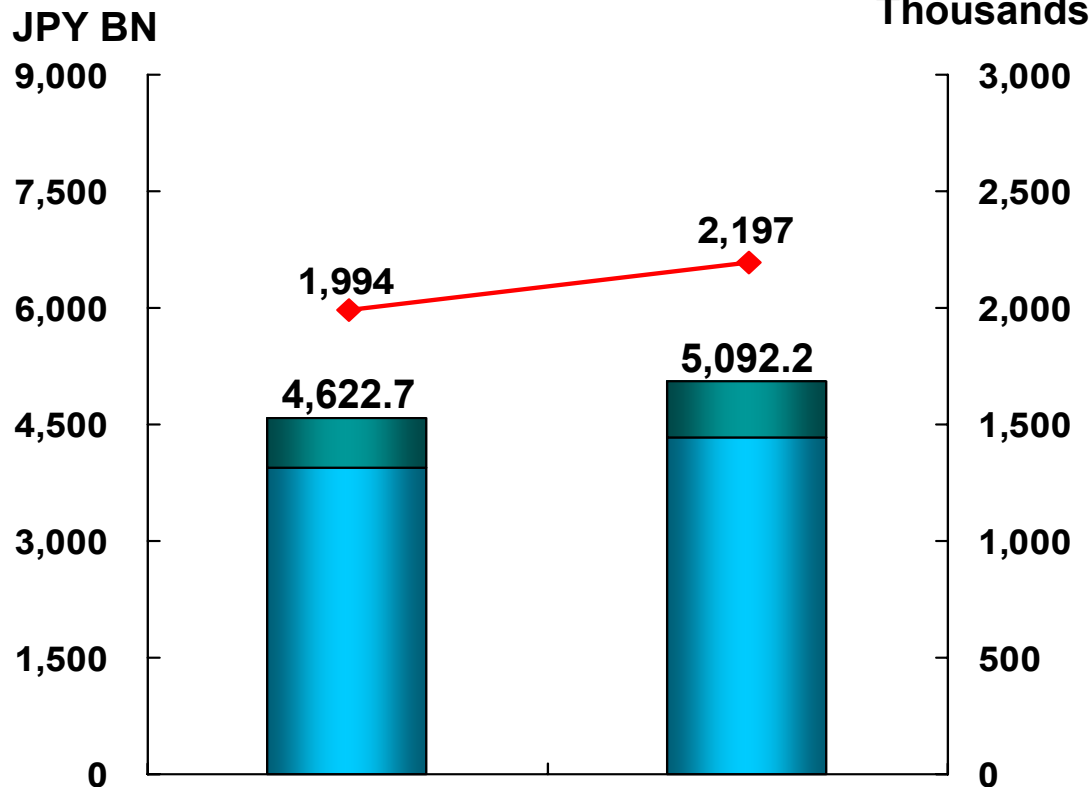


# Retail Banking:

## Assets Under Management (AUM), Retail Accounts and Housing Loans

- Strong growth of retail deposits, mutual funds and variable annuities
- Strong increase in housing loan customers leading to solid growth of housing loans

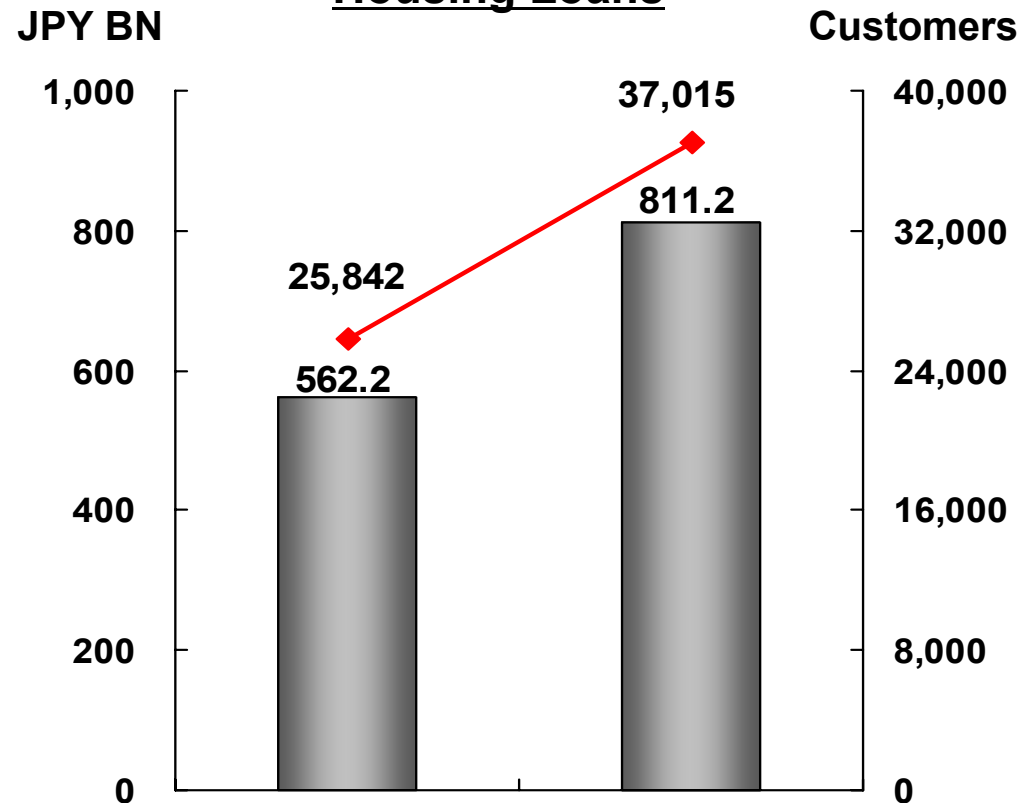
### AUM & Retail Accounts



07.3                      08.3

■ Mutual Funds and Variable Annuities (lhs)  
 ■ Retail Deposits and Debentures (lhs)  
 ◆ Retail Accounts (rhs)

### Housing Loans



07.3                      08.3

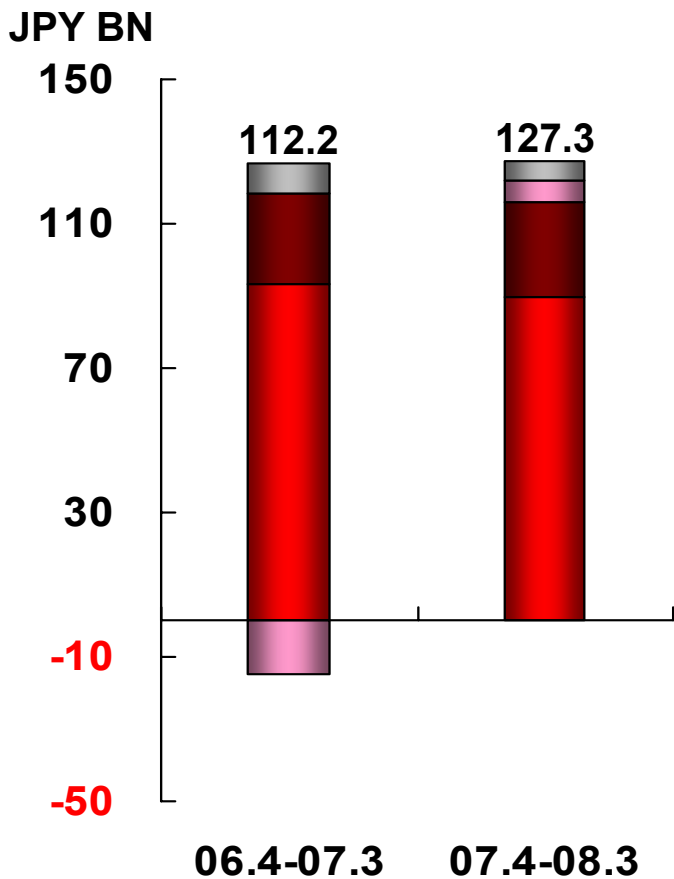
■ Housing Loans Balance (lhs)  
 ◆ Housing Loan Customers (rhs)

# Consumer and Commercial Finance:

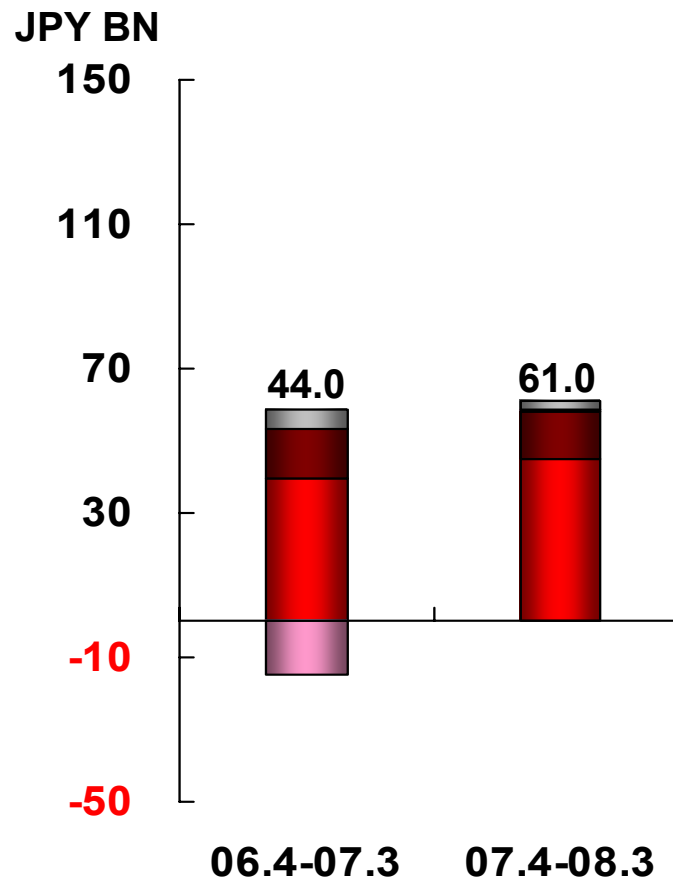
## Financial Highlights

➤ Improved OBP after net credit costs due mainly to larger contribution from APLUS and improvement at Shinki in the second half of fiscal year 2007

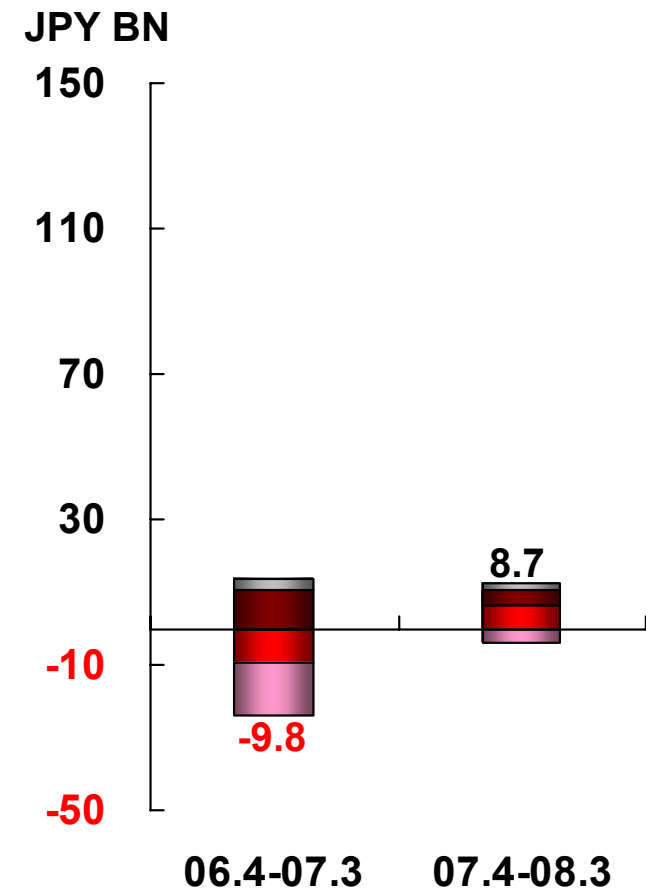
Revenues



OBP (Loss)



OBP (Loss) After Net Credit Costs



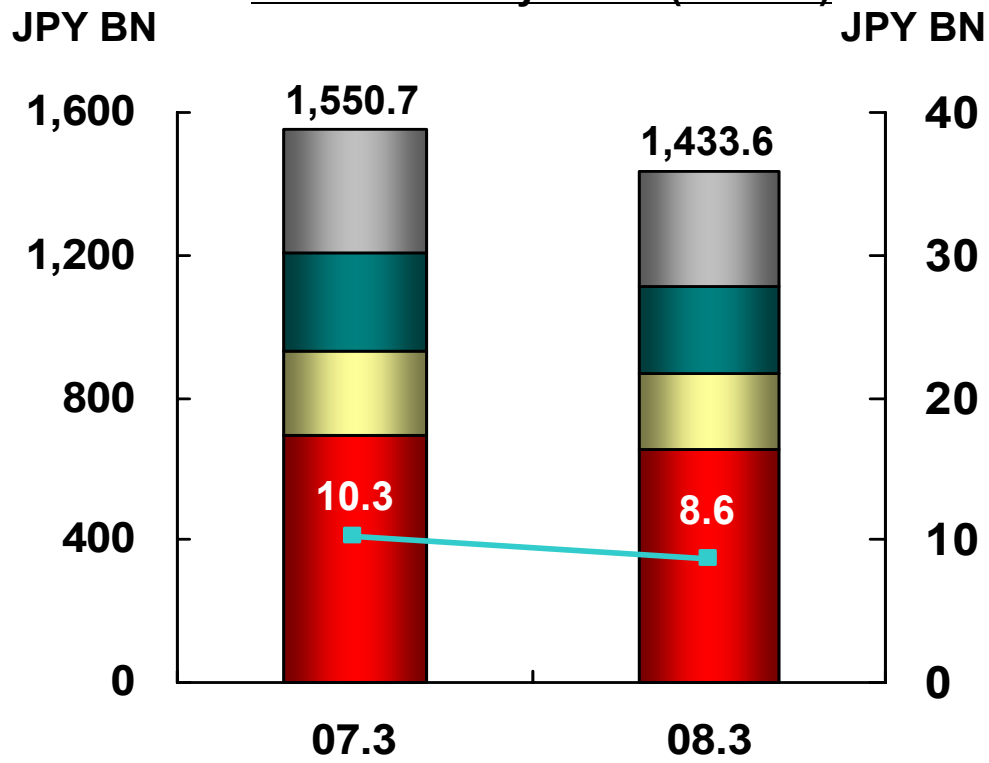
■ Showa Leasing    ■ Shinki  
■ APLUS            ■ Other Subsidiaries

# Consumer & Commercial Finance:

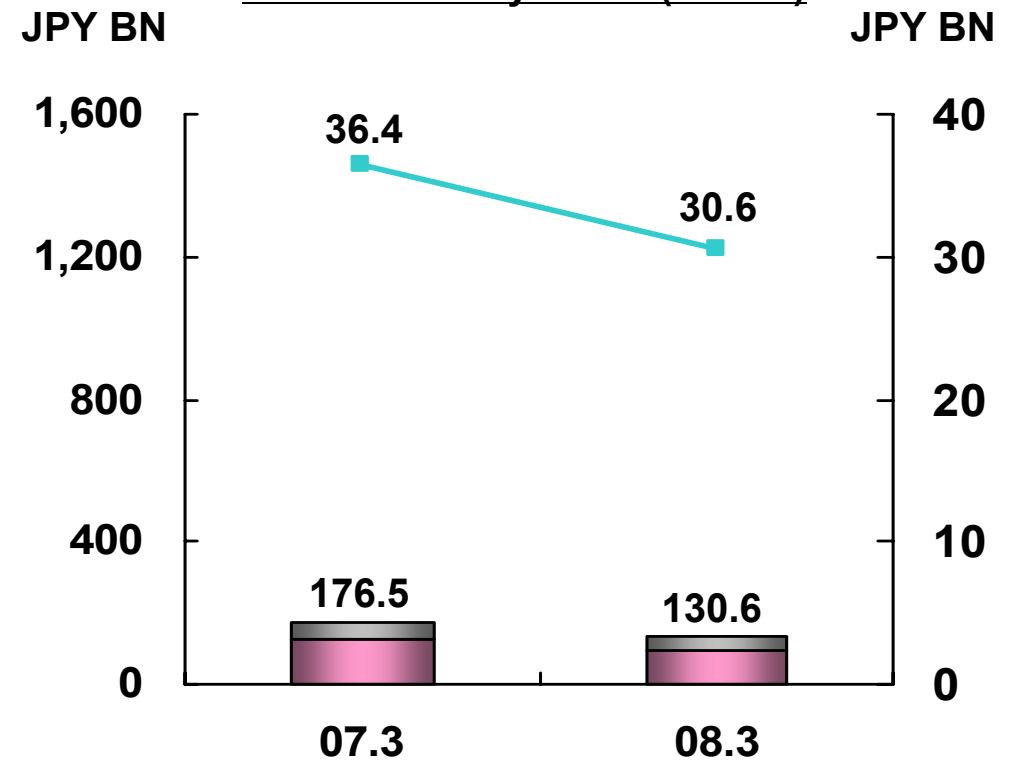
## APLUS & Shinki Assets and Reserves

- Total assets were down at APLUS and Shinki as a result of tighter credit standards
- Maintaining prudent reserve policy

**Total Assets & Reserve for Losses on Interest Payments (APLUS)**



**Total Loans & Reserve for Losses on Interest Payments (Shinki)**



- Other (lhs)
- Installment Sales Credit (lhs)
- Loans and Bills Discounted (lhs)
- Customers' Liabilities for Acceptances and Guarantees (lhs)
- Reserve for Losses on Interest Payments (rhs)

- Business Loans (lhs)
- Consumer Loans (lhs)
- Reserve for Losses on Interest Payments (rhs)

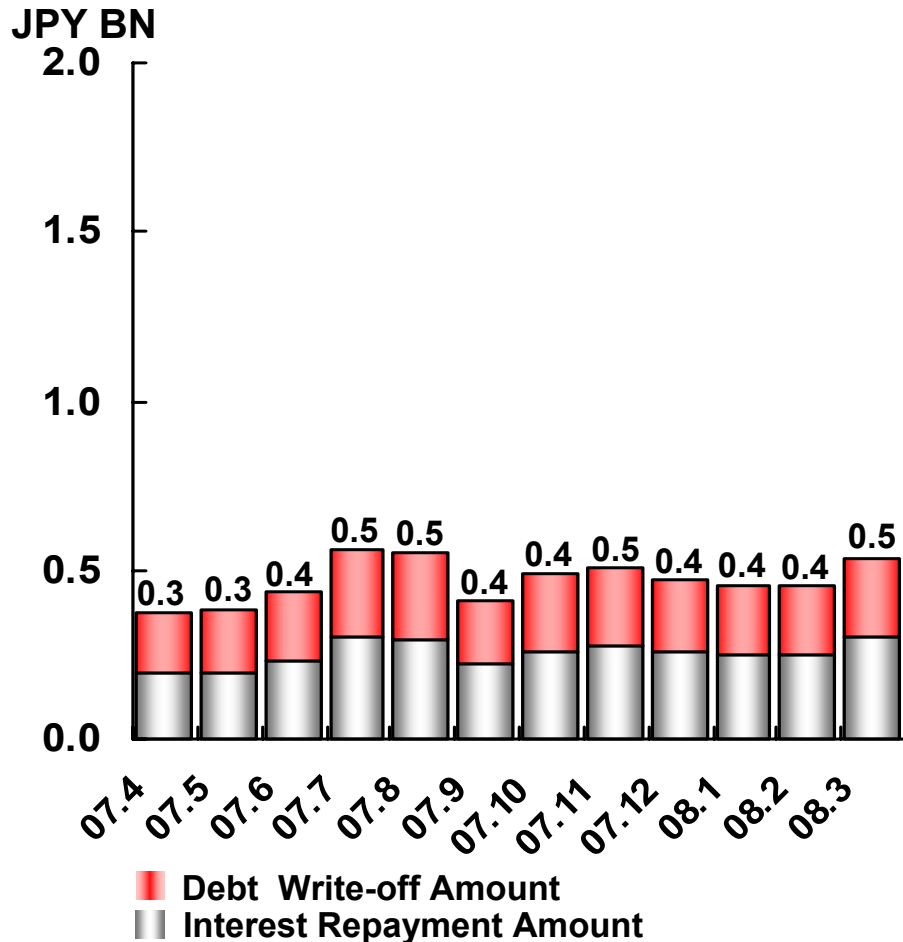
\*APLUS consolidated data

\*Shinki consolidated data

# Consumer & Commercial Finance: APLUS & Shinki FY07 Grey Zone Trend

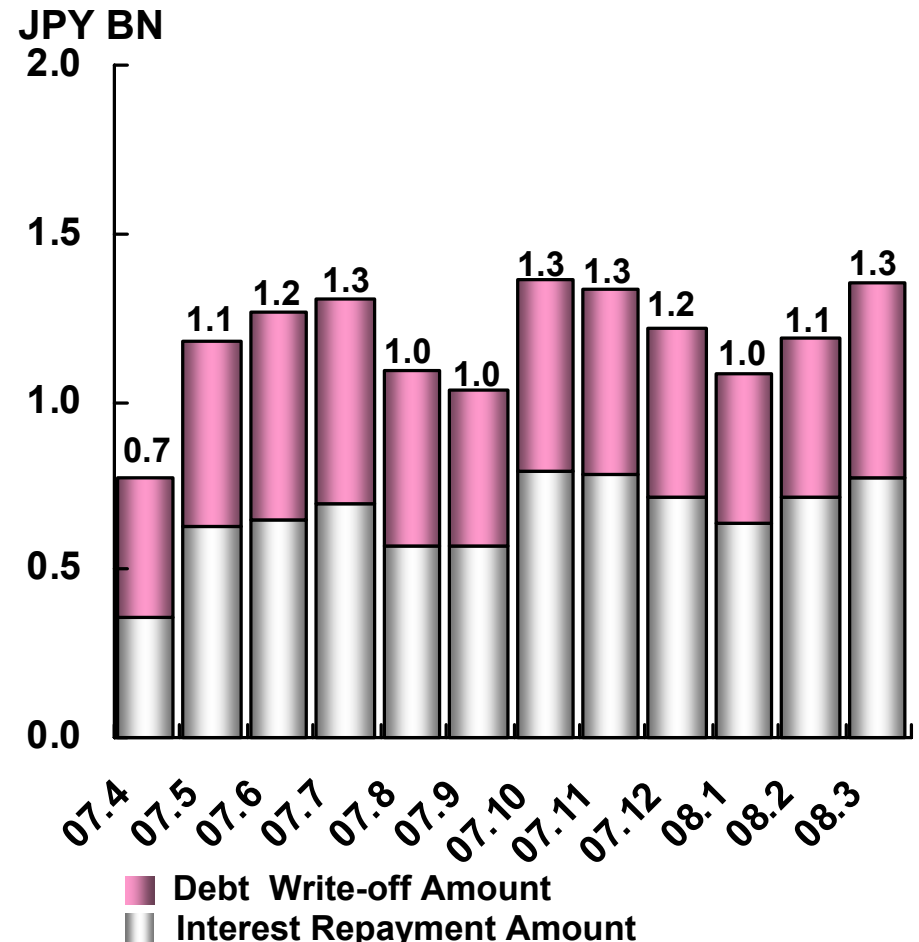
➤ Grey zone claim refund trend appears to be starting to flatten out

### APLUS Grey Zone Claim Refunds\*



\*APLUS consolidated data

### Shinki Grey Zone Claim Refunds\*



\*Shinki consolidated data

# Key Takeaways:

## Fiscal Year 2007

### Consolidated Financial Summary

- Lower revenues due to U.S. residential mortgage mark-downs and absence of large gains
- Decline in OBP due to an increase in employees to support business expansion
- Higher net income due mainly to sale of headquarters building and Life Housing Loan

### Investor Topics

- Change in shareholder structure: Now two large shareholders
- Full disclosure on securitized products: RMBS, CMBS, CDO, ABS CDO
- Starting to see flat trend emerge in grey zone refund payments

### Announcement of New Strategy for FY08

- From three to two-pillar strategy focusing on institutional and individual customers
- Optimization of operations including cost rationalization and introduction of SVA
- Expand quality customer base organically and through M&A

### Return to Profitability in FY07 and Expect Further Growth in FY08

- Consolidated net income forecast to grow to 62 billion yen, up 3.2% y-o-y
- Non-consolidated net income forecast to grow to 60 billion yen, up 12.8% y-o-y



# Contact Information for Shinsei Bank

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# Forward Looking Statement

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- ✓ 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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