

Better Banking – Better Value



(TSE : 8303)

BUILDING A JAPANESE BANKING LEADER

Investor Meeting 1HFY2004

December 21, 2004

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.

First Half FY2004: Financial Highlights

- Net profit rose 20%* to JPY 40.7 billion
- Non-interest revenue was JPY 47.3billion, increase of 42%* (65% of total revenue)
- NPL's fall to 2.0% of total claims or JPY 73.7 billion
- an overall decline of JPY 23.6 billion during first half FY2004
- 57% of total customer funding from retail customers
- up 3% during first half FY2004
- Credit rating upgrades (S&P: BBB → BBB+**, R&I: BBB+ → A-***)

* comparison against 1HFY2003

** announced on December, 17, 2004

*** announced on August, 17, 2004

Significant Progress in All Key Areas

First Half FY2004: Stronger Returns

Financial Overview

JPY Bn

	FY'01	FY'02	FY'03	1HFY'03	1HFY'04
Total Revenue	119.8	107.7	123.5	61.5	72.6
Total Expenses	69.5	69.7	70.1	34.1	39.2
Net Income	61.2	53.0⁽¹⁾	66.4	34.0	40.7
<hr/>					
ROA	0.7%	0.7%	1.0%	1.0%	1.3%
ROE ⁽²⁾	10.2%	8.1%	9.4%	9.9%	10.9%

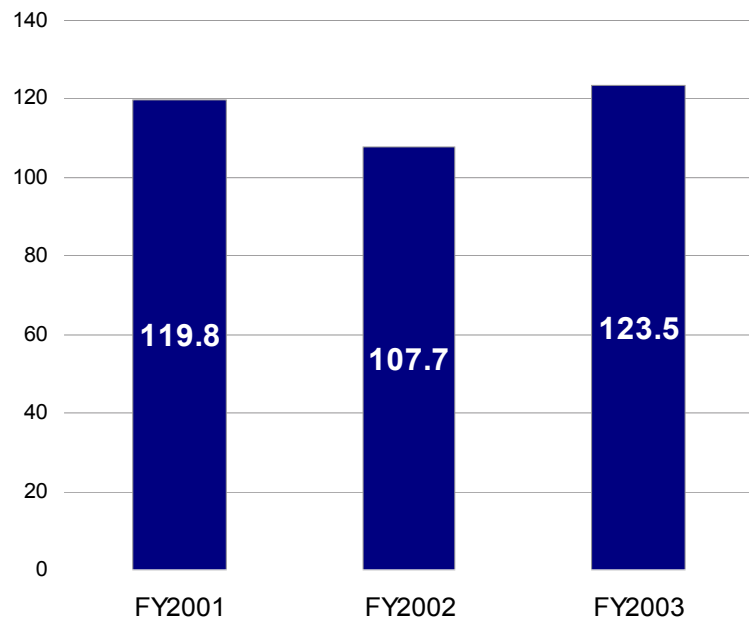
1. Reflects JPY 20Bn of realized losses from Shinsei's US bond portfolio

2. Based on total shareholders' equity

Total Revenue

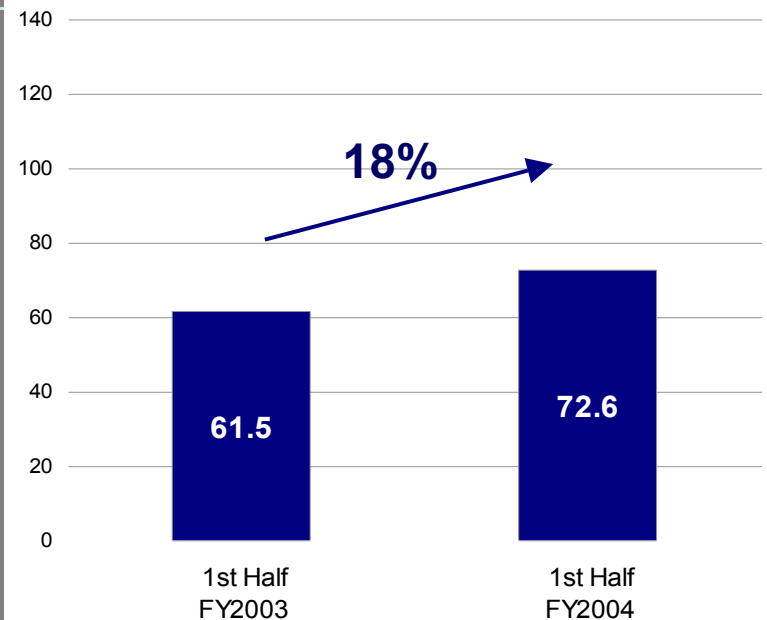
Annual Basis

JPY Bn



Semi-Annual Basis

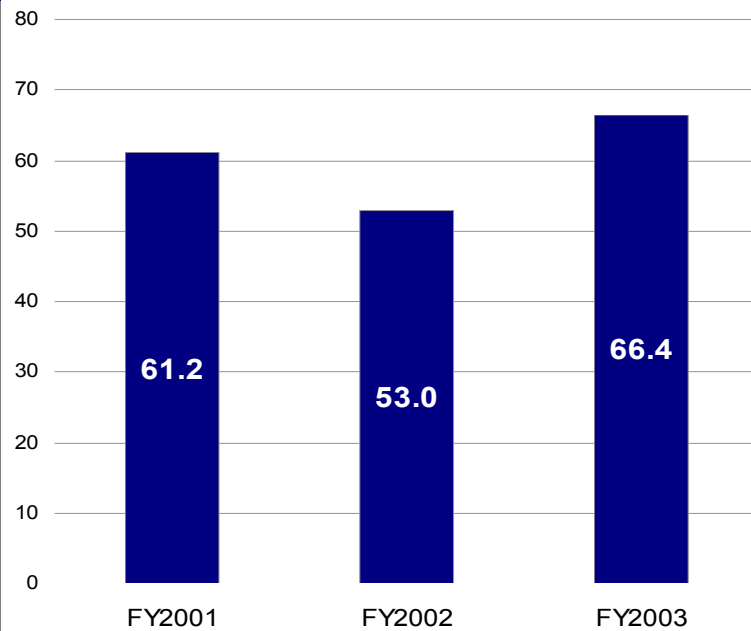
JPY Bn



Net Income

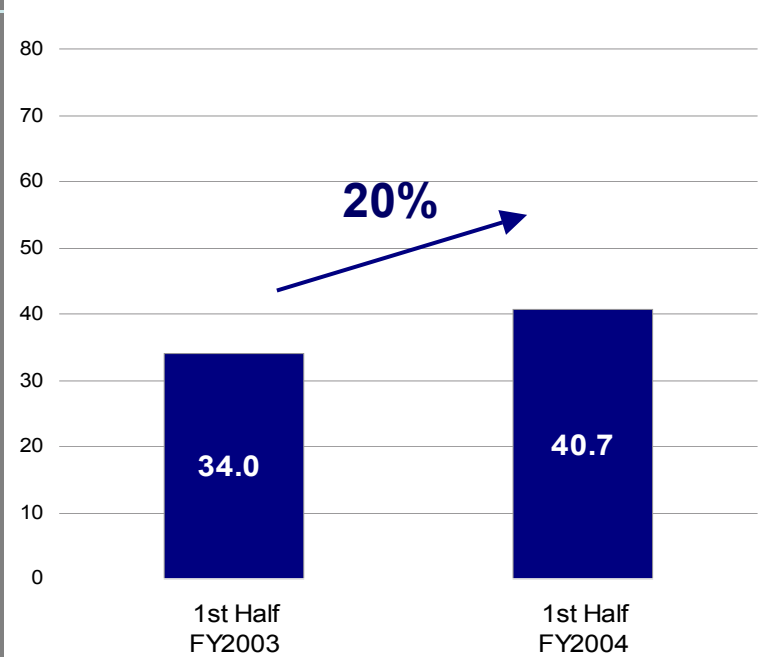
Annual Basis

JPY Bn

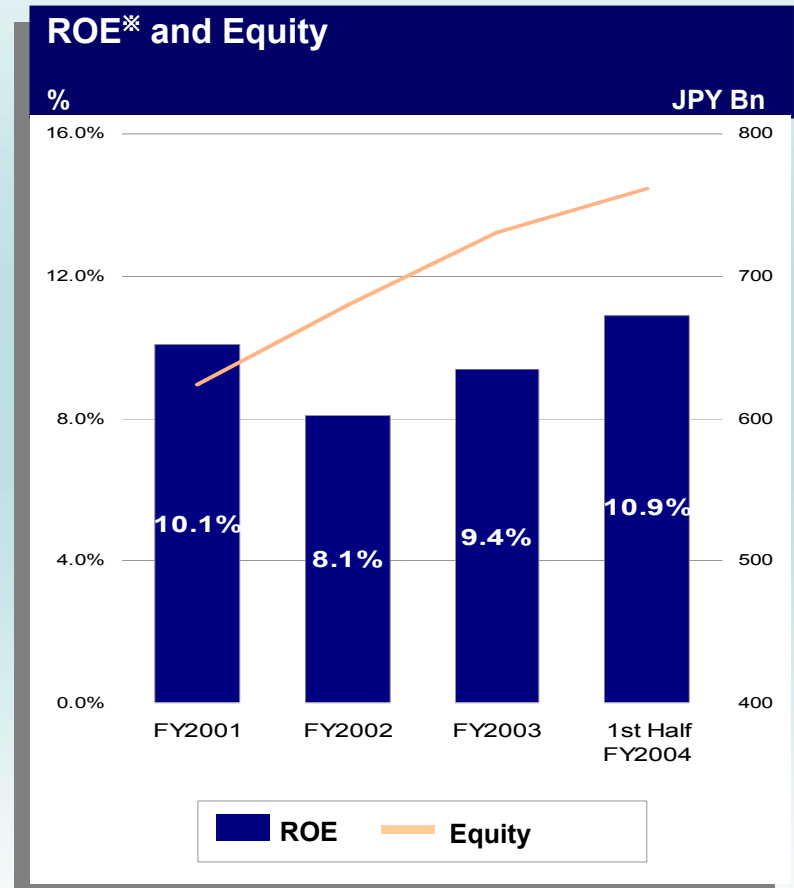
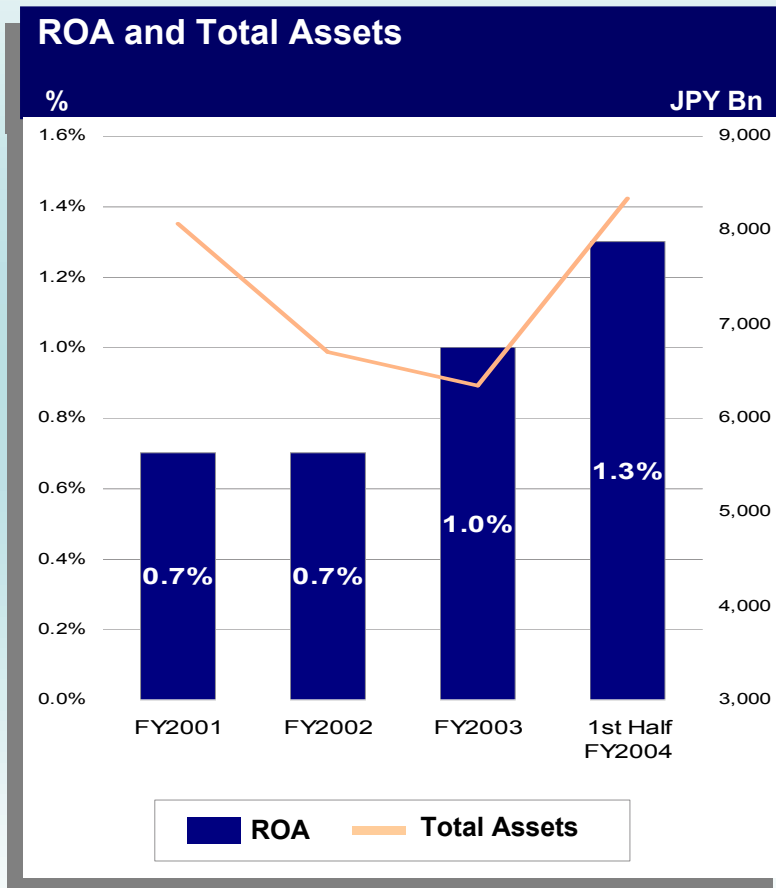


Semi-Annual Basis

JPY Bn



ROA and ROE



* equity includes preferred shares

Driving Profitability and Returns

➤ Institutional Banking

- ✓ Deliver value-added solutions to broader institutional customer base
- ✓ Provide quick and high quality services with integrated teams of product specialists and relationship managers
- ✓ Diverse revenue mix

➤ Retail Banking

- ✓ Offer customer-focused, high quality products and services
- ✓ Expand service channels to maximize convenience and value
- ✓ Low cost operation, IT leadership

➤ Non-Bank Business

- ✓ Expand business as the third pillar of Shinsei strategy

Institutional Banking

Operational Highlights

- **Strong momentum in securitization business**
 - ✓ **Securitization of Mizuho Bank HQ (August)**
 - ✓ **IFR Japanese Securitisation of the Year (2004)**
 - **First CDO repackage securitization of CMBS arranged by a Japanese Bank**
 - ✓ **#3 in ABS League table**
(Nikkei Bonds and Financial Weekly, Bloomberg)
- **Corporate revitalization deals**
 - ✓ **Refinance for Matsuyadenki**
 - ✓ **DIP financing to Kimuraya**
- **Loan volume stability**
- **Expanded non-bank business**

Institutional

- **Traditional Products**
 - Loans
 - Debentures
 - Forex/ Derivative
- **New Products, Services**
 - Credit Trading
 - Securitization (ABS, MBS)
 - Non Recourse Financing
 - Corporate Revitalization
 - Private Equity
 - M&A Advisory
 - Asset Management

Retail Banking

Operational Highlights

- Exceeded 1 million accounts after three years
- Strong customer response to “Powered One” and “PowerSmart”
- Ranked #1 in customer satisfaction of the Nikkei survey of financial institutions※
- Approach new customers through the launch of a new distribution channel “Shinsei *BankSpot*”
- Agreement with Rakuten Securities to offer Securities Brokerage Services※※

※ Nikkei, October 2004

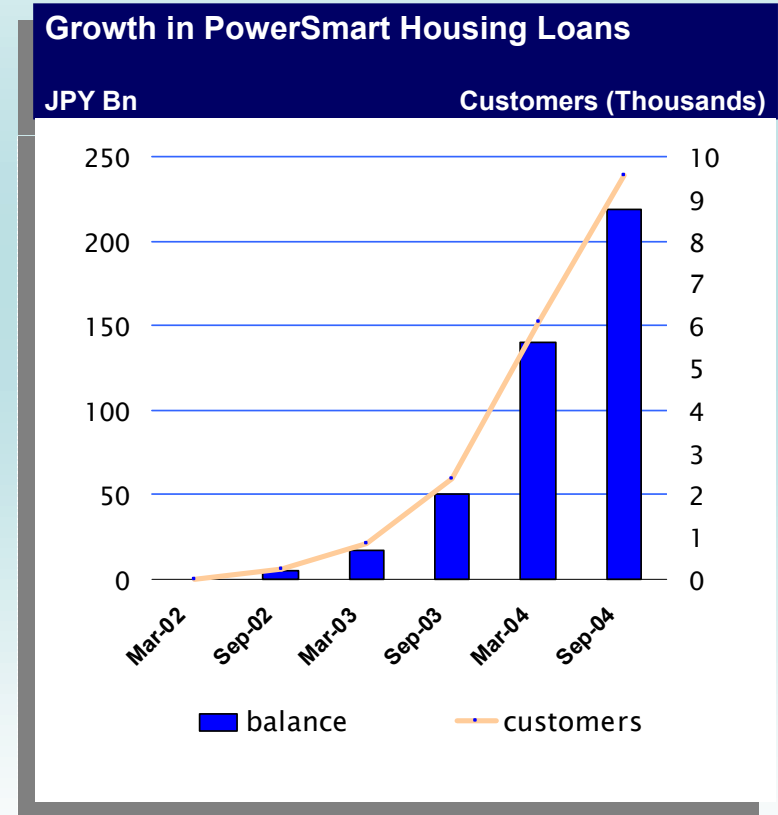
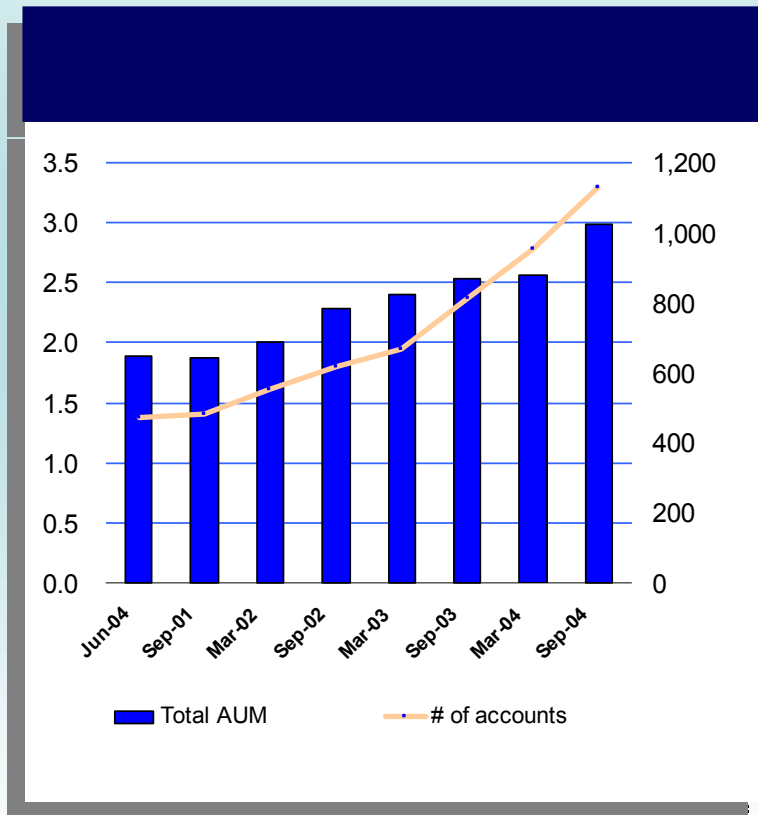
※※ Scheduled to launch after January 2005

Retail

- **Traditional Products**
 - Savings
 - Time Deposits
 - Debentures
- **New Products**
 - PowerFlex - Integrated Account
 - Foreign Currency Savings / Deposits
 - Mutual Funds
 - Variable Annuity Insurance
 - High Net-Worth Special Products
 - Powered One deposit
 - PowerSmart Housing Loan
- **New Services**
 - 24x7 (ATM, Call center, Internet Banking)
 - ATM Network
 - International Cash Service
 - Securities Brokerage Agent Business

Retail Banking: Rapid Retail Deposit and Loan Growth

- 1.18 million accounts achieved through rapid growth of PowerFlex accounts (as of November 30, 2004)
- “Powered One” deposit volume reached 390 billion yen (as of November 30, 2004)
- “PowerSmart” loan balance reached 219 billion yen (as of September 30, 2004)



Expanding the Non Bank Business

➤ Acquisition of Aplus

- Major step to build Shinsei's non-bank business franchise
- Opportunities to apply Shinsei's strong brand, capital position and technology leadership

➤ Expanding Non-Bank Franchise in Three Key Markets

- Complement to Shinsei's Retail and Institutional Businesses

Shinsei Platform

- Financial Strength
- Risk Management
- IT and Operations
- Client-focused
- Shinsei Brand Power

	Customer	Products	Group Companies
▶ Consumer		<ul style="list-style-type: none"> • Installment Sales • Credit Card • Cashing Loan • Consumer Credit 	<ul style="list-style-type: none"> • Aplus • Shinsei Sales Finance • Shinki
▶ Small & Medium Business		<ul style="list-style-type: none"> • Secured Lending • Unsecured Lending 	<ul style="list-style-type: none"> • Shinsei Business Finance
▶ Specialty Property		<ul style="list-style-type: none"> • Mortgage Loan • Housing Loan 	<ul style="list-style-type: none"> • Shinsei Property Finance • Life Housing Loan

Financial Impact of Aplus Transaction

- Forecasted FY2004 cash basis net income is 74.0 billion yen
- Intangibles are approx. 270 billion yen and will be amortized between 10 – 20 years

◆ Intangibles from Aplus Transaction

(JPY bn)

Net Assets of Aplus on 9/30/2004	(181.0)
Value attributable to identified intangibles¹	70.2
Mark-up on 9/30/2004 net assets	4.3
Deferred Tax Liability (DTL) Adjustment ²	(30.3)
	(1,368)
Purchase price (common and preferred) ³	(65.0)
Residual Goodwill	(201.7)

1. Identified intangibles of 70.2 billion yen is based on a third party's assessment. These include trade name, customer relationships, among others.
2. DTL adjustment is the tax portion of identified intangibles assets and mark-up on net assets. DTL adjustment will be amortized based on useful life of respective identified intangibles.
3. 35 billion yen of newly issued common stock and 30 billion yen of outstanding preferred shares (completed on September 29, 2004)

◆ Impact on Net Income

**FY2003
Actual**

**FY2004
Forecast**

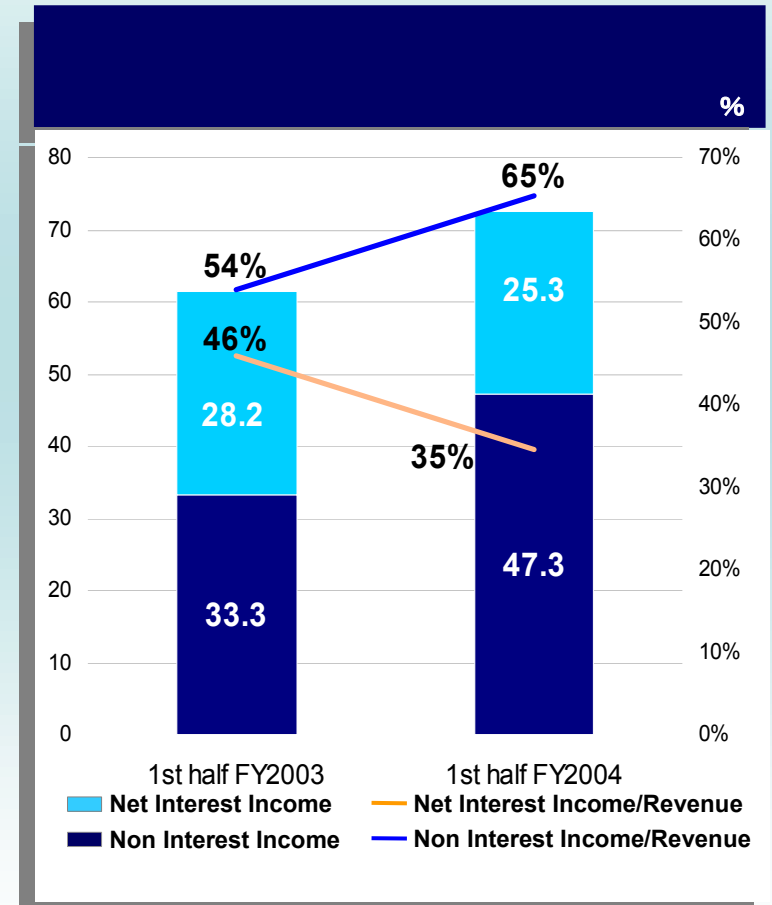
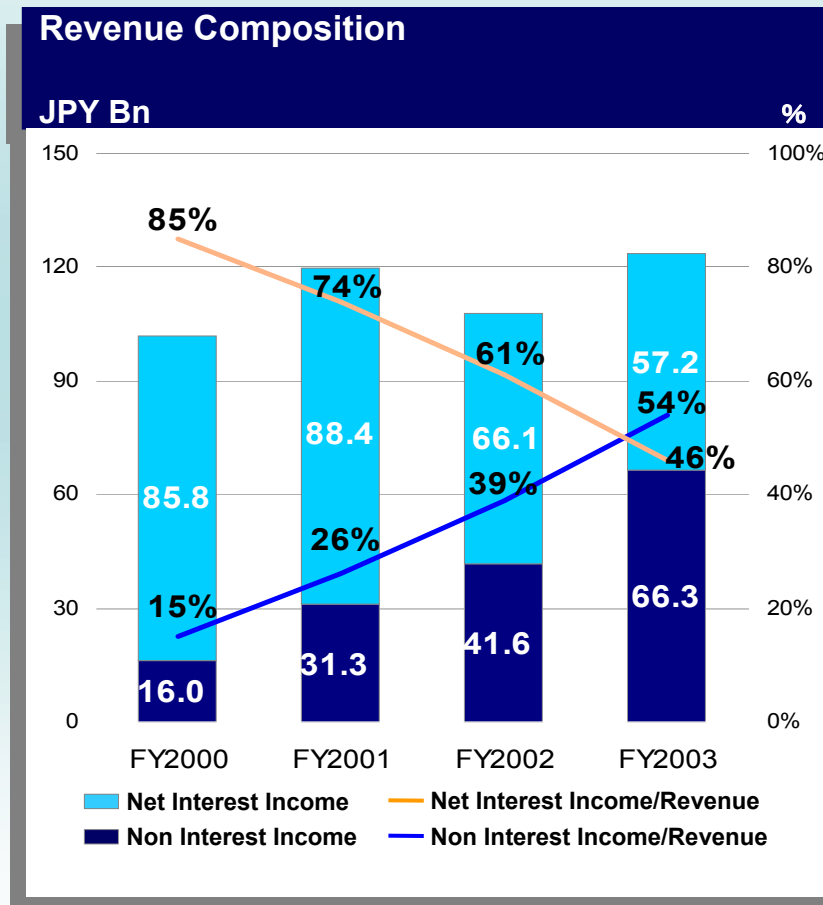
Earnings (JPY bn):

Reported Net Income	66.4	65.0
Intangible Amortization ^a	-	(9.0)
Cash Basis Net Income	-	74.0
Fully Diluted EPS (JPY)^b		
EPS	32.7	34
Cash Basis EPS	-	38

- a. Includes goodwill and identifiable Intangibles amortizations
- b. Diluted EPS calculations use fully diluted number of shares of 1,927,663,645

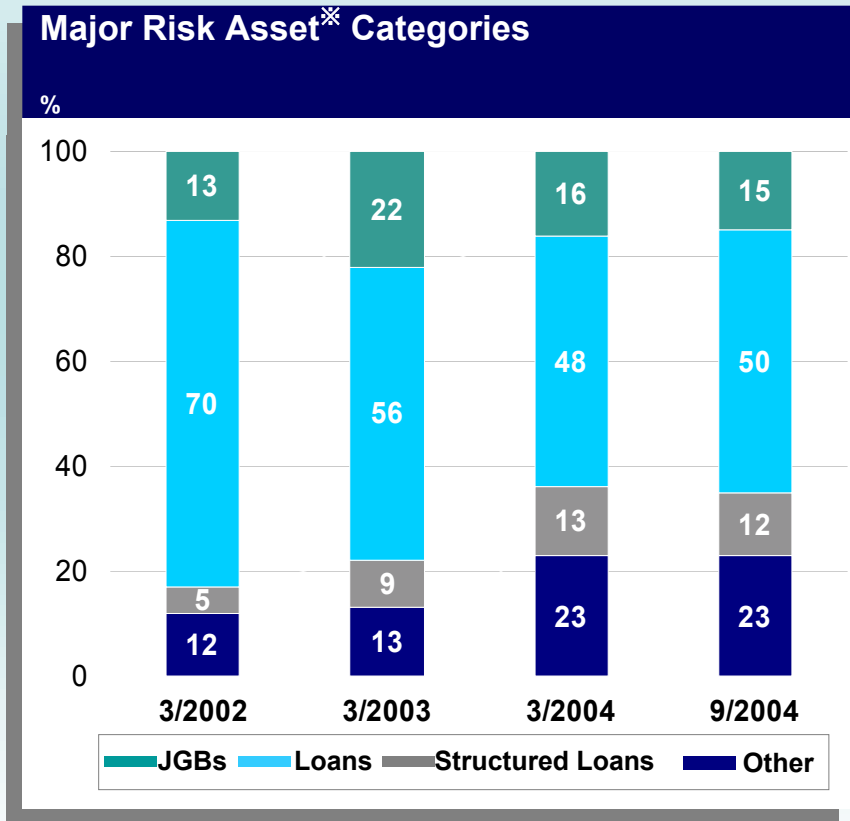
Revenue Mix Continues to Diversify

- Non-interest income growth more than offset interest income decrease

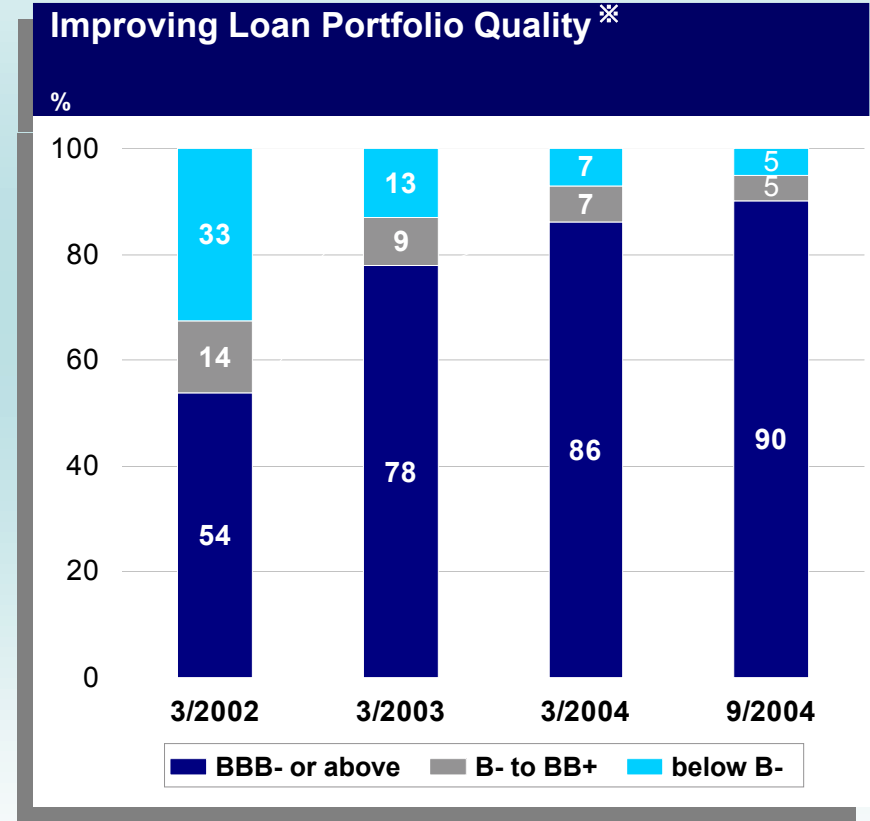


Better Asset / Loan Composition

- **Balanced risk profile**
- **Improved credit quality**



* Internal category, differ from financial balance sheet

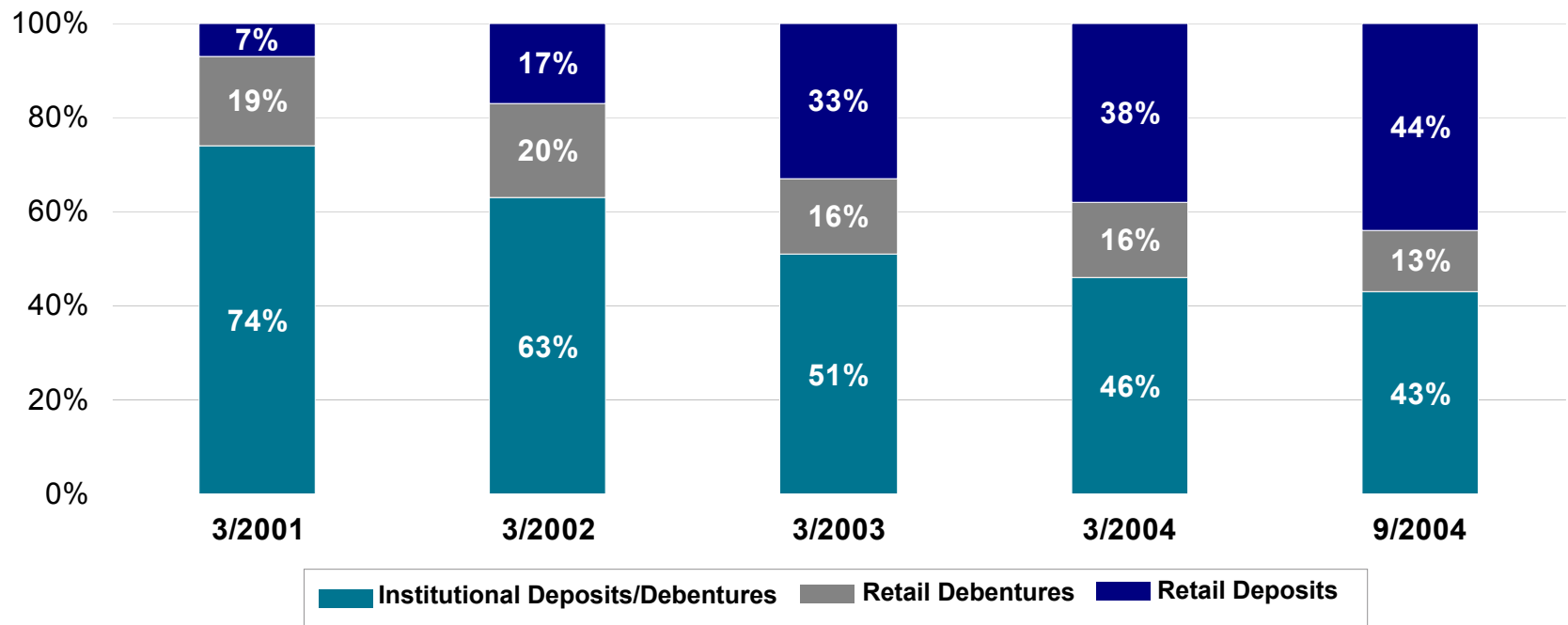


* Internal Facility Rating Basis (Transformed to corresponding ratings of R&I)

Better Funding Mix

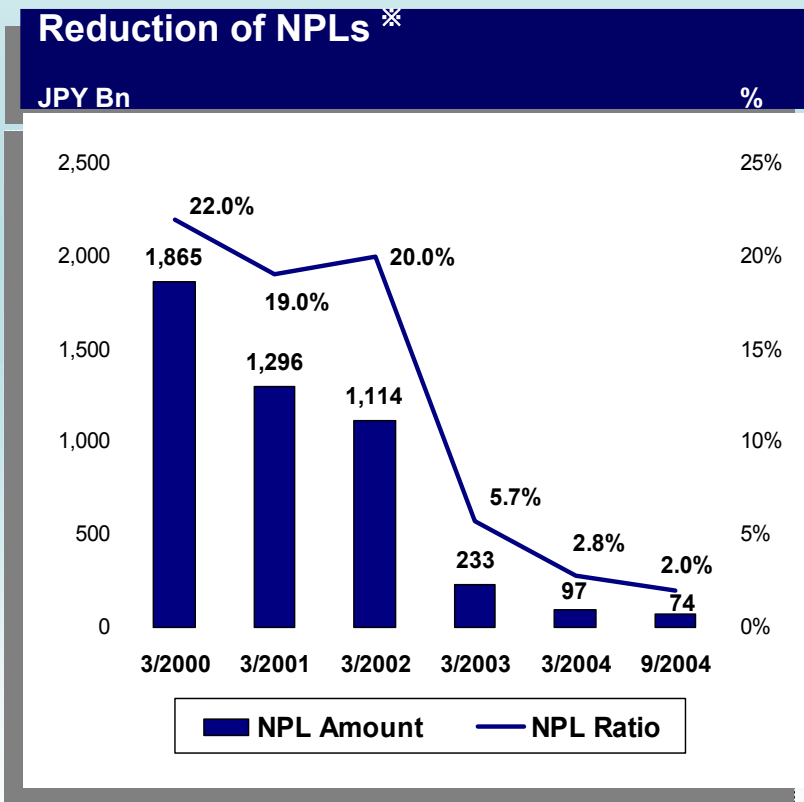
- Retail deposit growth shifts balance of liability composition
- Low-cost and diverse sources of funding

Funding Composition

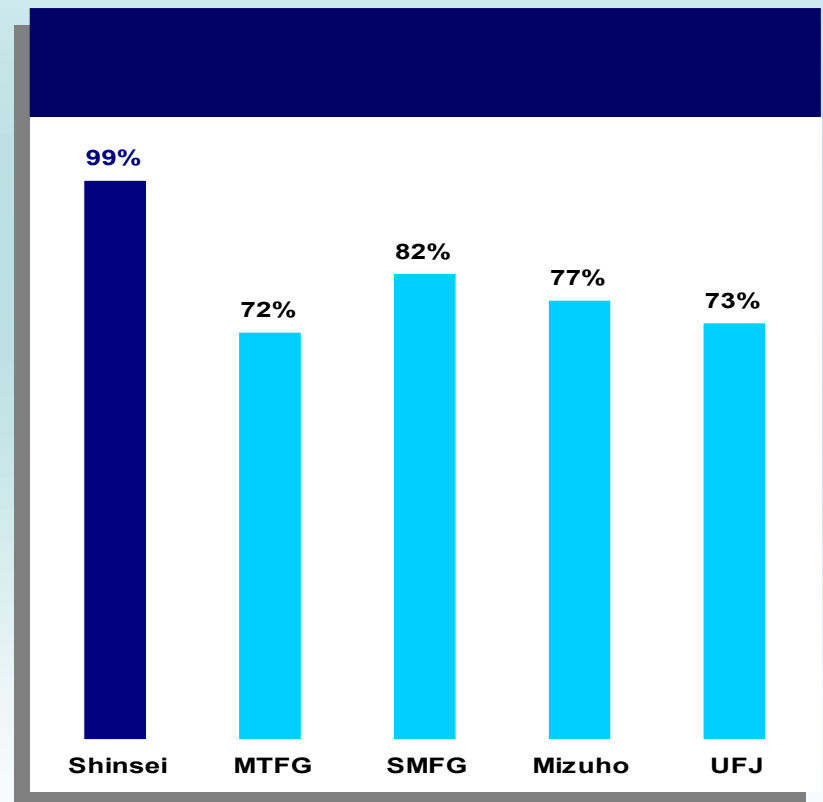


Balanced Assets

- Decreased NPLs by JPY 1.8 trillion (or 94%) over 4 years
- Industry leading coverage ratio
- Remain conservatively reserved



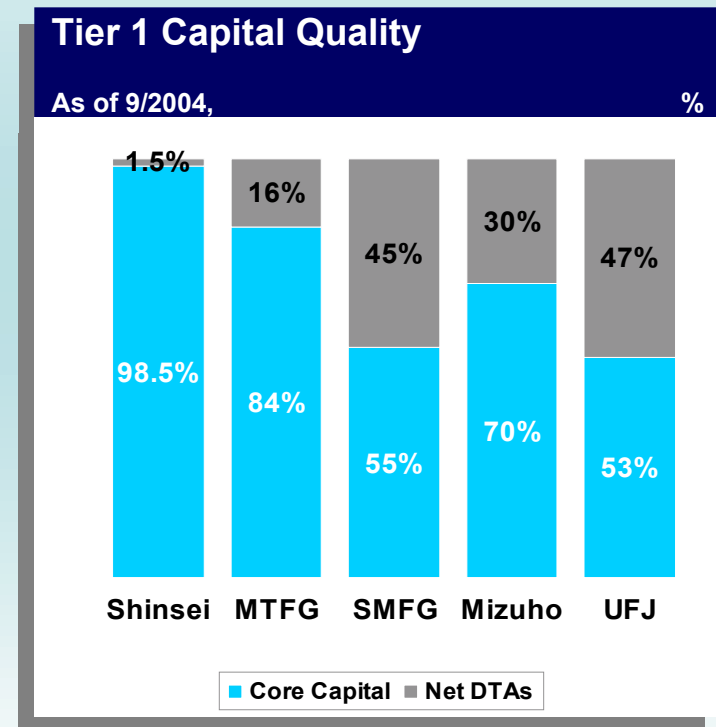
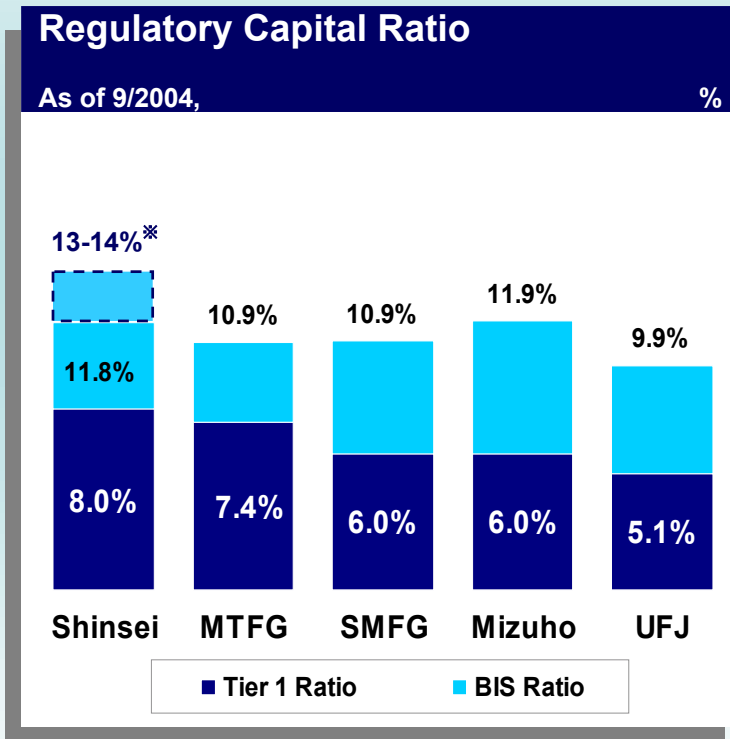
※Non-consolidated basis



※Non-consolidated basis

High Quality Capital Base

- Tier1 ratio after Aplus acquisition: 8.0%
- Capital quality supports growth strategy



※Expected capital adequacy ratio after the planned capital enhancement for Aplus

Shinsei “Strategy, Plans and Budgets” (SPB)

- Shinsei Bank introduced SPB as a new management tool this year
- The Bank and respective Groups/Divisions to have own “Vision”, “Strategies”, “Plans” and “Budgets” to seek a sustainable and mid-long term (three year) growth

Vision A sensible and appealing picture of the future

Strategies A logic for how the vision can be achieved

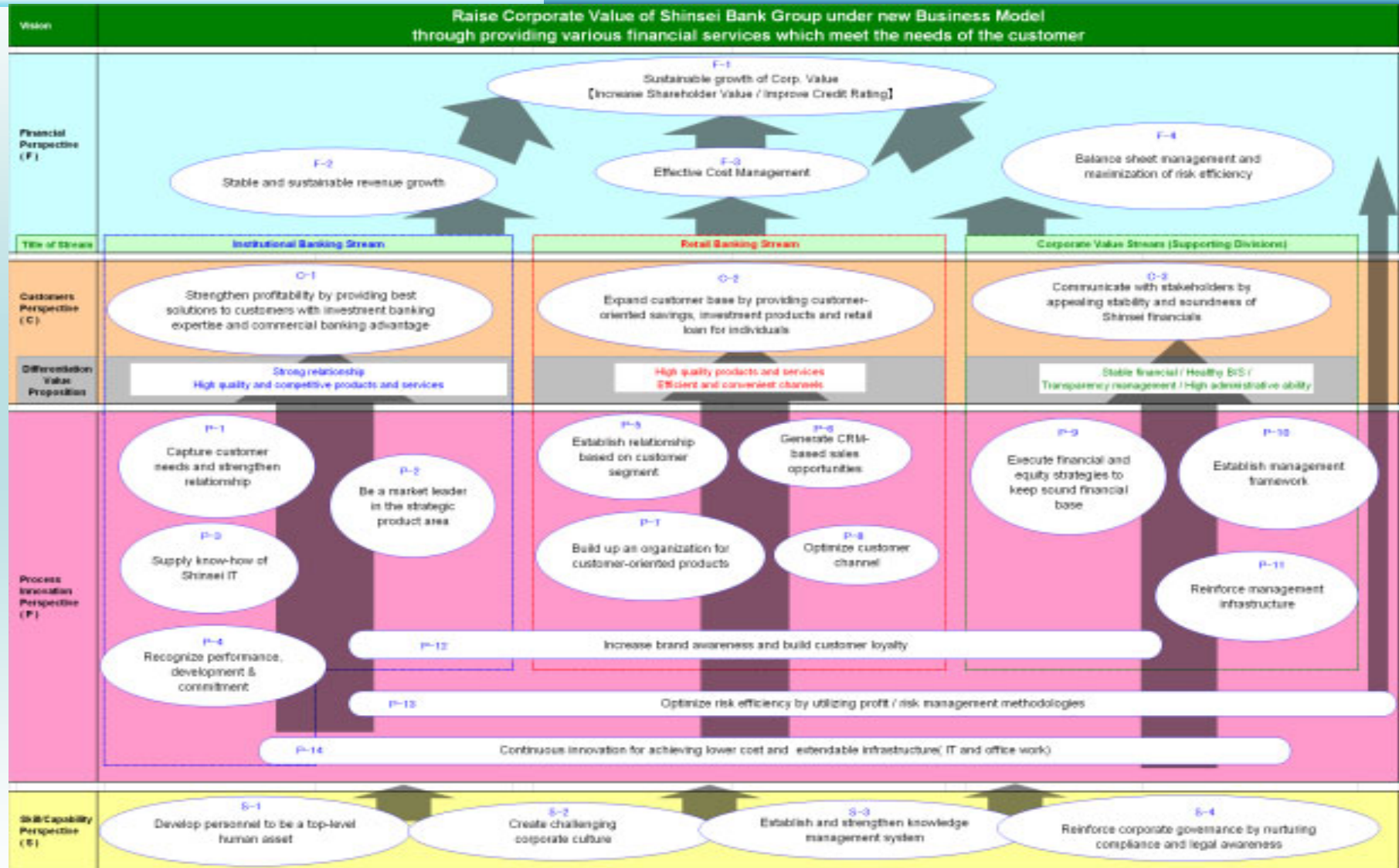
Plans Specific steps and timetables to implement the strategies

Budgets Plans converted into financial projections and goals

SPB Concept

- **Set various “Strategic Objectives” to achieve the Vision of the Bank and Groups/Divisions**
 - **First, make strategic objective in “Customer Perspective”
Articulate strategy with “Customer Value Proposition”**
 - **Long-term view , not only Short-term view**
 - **Non-Financial perspective, not only Financial perspective**
 - **Process Innovation** · **Skill / Capability**
 - **Set Key Performance Indicator (KPI)**
 - **Monitor performance and revise forecast quarterly**

Shinsei Corporate Strategy Map



Shinsei Bank is a Japanese banking institution founded on global standards of governance and management. With over \$60 billion in assets and 29 branches throughout Japan, Shinsei provides a broad range of value-added financial solutions to institutional and individual customers under the banner of “Better Banking.” Our PowerFlex account, free ATM network and internet banking service, and customer friendly financial centers have redefined the Japanese retail banking experience. Shinsei is committed to long-term growth and profitability by expanding its customer-focused business model.



SHINSEI BANK
