

Shinsei Bank, Limited  
Overview of the 9<sup>th</sup> Annual General Meeting of Shareholders

■ Summary of question and answer session

- (Questioner 1)      1) Will you continue to grant stock options?  
2) How come there are executives and directors that do not own Shinsei shares?  
3) When do you expect to make profits, and what is your targeted level of earnings?
- (Answer)            We have decided not to grant stock options for this term. Many statutory executive officers have invested during the tender offer. We cannot expect financial institutions to substantially grow profits like once before; our goal is to achieve stable, sustainable profits so that these will be reflected in our share price. I cannot comment on the specific timing of when our profits/share price will recover.
- (Questioner 2)      1) How do you decide on changes such as the termination of offering mutual funds and other products to individual customers at bank counters?
- (Answer)            As we believe it is important to offer products that our customers want, and meet their needs, we will realign products with lower demand or offer new products as deemed appropriate.
- (Questioner 3)      1) Shouldn't the bank operate a more stable business?  
2) Why is the compensation so high despite the poor business performance?  
3) What is the president's shareholding status of the Bank's shares?
- (Answer)            We did not have strong risk management expertise until the previous term, and have put in place a new management as part of our efforts to return to profitability. It is highly regrettable that we did not meet the goals as outlined under the revitalization plan. In order to define responsibility, executive compensation has been significantly reduced compared to the previous term. We have also decreased overall compensation through the realignment of divisions that performed poorly. Please refer to page 54 of the "Notice of the Annual General Meeting of Shareholders for the Ninth Term" for ownership status.
- (Questioner 4)      1) Please commit to paying dividends again if you meet your full year forecast of 10 billion yen.  
2) Do you think it is prudent to pursue a business strategy that relies only on refocusing operations in Japan? Please comment on the future of the bank including strategic business mergers with other banks and the development of human resources.
- (Answer)            We believe that developing human resources internally is extremely important, and it is for this reason that we have reestablished the Management Development Committee. Our disappointing overall results are because we pursued margins in areas and businesses overseas where we did not have strong risk management capabilities and oversight. Going forward, we will not pursue business in these areas unless we have market expertise and fully grasp the risks involved. I cannot comment on mergers as nothing has been decided, but we are considering various options. I cannot guarantee a dividend payment as it must be decided by considering several factors.

However, it is the basic policy of a corporation to make profits and pay dividends, and I therefore believe it is management's responsibility to return to profits and start repaying dividends once again.

(Questioner 5) 1) The attendance rate by directors for Board of Directors' meetings is too low, and there are too many directors who hold concurrent offices.  
2) Aren't the directors too old to fulfill their duties?

(Answer) The three directors who are absent today have asked not to be reelected, and we accepted their request due to their low attendance rate. As for the directors who hold concurrent offices, some of these positions are within the same group company and are considered as one position, so we feel that there are not too many of these cases. The other directors have devoted an amount of time beyond what is normally requested of outside directors, and have fulfilled their duties. I have noted your comment regarding the age of directors.

(Questioner 6) 1) Perhaps the Bank should employ executives and directors based on their passion for the job rather than those who are simply after their pay.

(Answer) The current statutory executive officers are more than capable in terms of experience and skills. While their compensation has been restricted, they have worked very hard.

(Questioner 7) 1) I would like to ask Mr. Makihara about his views on what the Bank's problems are.

2) What do you mean by "global standard level" mentioned under "Remuneration and other payment for Directors" on page 25 of the "Notice of the Annual General Meeting of Shareholders for the Ninth Term"?

(Answer) (Chairman) Not even the existing "global standard" itself is clear. We are in the process of reviewing our compensation structure.

(Director Makihara) The disappointing overall results are due mainly to the fact that we did not have a strong risk management structure. I believe the strategy of refocusing the Bank's business on Japan must concentrate on implementing the necessary risk management while utilizing the Bank's strengths.

(Questioner 8) 1) What are your corporate principles, and how do you see the economy going forward?

2) Who do you look up to as the business person?

(Answer) Customers should always come first for a bank, followed by shareholders, then employees. Taking care of employees and developing human resources eventually pays rewards for customers and shareholders. If I were to pick someone I admire, it would be Mr. Kounosuke Matsushita, who was a self-starter and created businesses on his own.

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