SHINSEI BANK

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For Immediate Release

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Name of Representative: Shigeki Toma
President and CEO
(Code: 8303, TSE First Section)

Shinsei Bank Announces Revision to Medium-Term Management Plan
-Measures to further strengthen earnings base and carry out new action plans -

Tokyo (Tuesday, September 28, 2010) –On June 23, 2010, Shinsei Bank announced details of the Medium-Term Management Plan (the Plan), which set the direction that the Bank will follow for the three years ending March 31, 2013. As a result of subsequent changes in the economic environment and a review of our businesses by the new management team, the Bank has decided to revise the original Medium-Term Management Plan, and has now laid out the details of the "Revised Medium-Term Management Plan," that includes changes to certain targets for the fiscal year ending March 2013 (fiscal year 2012), which marks the end of the Plan, in light of additional planned business initiatives and cost reduction measures. In the revised Plan, the Bank is forecasting for fiscal year 2012 a net income of 51 billion yen, an increase of 19 billion yen from the original Plan, and cash basis net income of 60 billion yen, an increase of 19 billion yen from the original Plan. Furthermore, for fiscal year 2012 all capital ratios are estimated to be higher than the new Basel III regulatory requirements, including a total capital adequacy ratio of 10% or higher. We will strive for a ROE of 8% or higher and cash basis ROE of 10% or higher for fiscal year 2012.

1. Background of Revision

While continuing to focus on "rebuilding the customer franchise in Japan" and "establishing a stabilized earnings base," basic concepts for the Medium-Term Management Plan, the revision reflects changes in the economic environment and a review of the business, and was devised with the intention to further increase corporate value. Specifically, under strong leadership of the new management team, we have drawn up additional cost reduction measures and implemented a review of our management policy by taking into consideration changes in the environment surrounding the Bank, such as increased uncertainty of the economic outlook and new Basel III regulations. We have also clarified business areas to actively pursue and made conservative revisions to the projection of assets for businesses with high uncertainty, and as a result revised certain targets for fiscal year 2012.

2. Key Revisions of Original Plan

The main points for the "Revised Medium-Term Management Plan" are as follows.

(1) Key Measures for Each Business Group

The Institutional Group and the Markets and Investment Banking Group ("M&I Group") will focus on drawing up and implementing specific measures aimed to realize the basic concepts and goal for the Plan. In alignment with the concept of "rebuilding the customer franchise in Japan," organizational changes will be implemented on October 1, 2010 (as previously announced on September 21, 2010) where the existing Institutional Group will be separated into two business groups, the Institutional Group and the M&I Group, and will swiftly establish a structure that accurately grasps customer needs, and develops and provides necessary products and services. In addition, to meet the goal of "establishing a stabilized earnings base," the Asset Optimization Project Team, reporting directly to the president, will be launched to promote further reconstruction of the Bank's risk weighted assets centering on reduction of non-core business assets.

The Institutional Group will continue to promote the corporate, financial institution and public sector customer businesses (loans and fee businesses). We have also been strengthening our healthcare finance and corporate restructuring businesses since July 2010 as new areas of business focus under our management policy to emphasize specific sectors and areas with growth potential and establish a strong position in these businesses. We are expecting higher earnings by differentiating ourselves from the competition. In addition to these measures implemented on a Bank-level, we are collaborating with our subsidiary Showa Leasing to provide appropriate products and services to small- and medium-sized enterprises.

The M&I Group will cooperate with the Institutional Group, primarily in the capital markets and advisory businesses, to strengthen the provision of tailor-made products and services to meet customer needs. The M&I

Group will continue to focus on strengthening measures for core businesses such as real estate finance, credit trading and specialty finance where we have a proven track record.

In order to provide support for corporate customers looking to expand overseas, we will also strive to establish a structure that allows us to provide services that best meet the needs of our customers, through business alliances with local financial institutions, primarily in Asia. In addition, we will effectively utilize our functions outside of the traditional banking business, such as consumer finance, installment sales credit, and leasing, to explore potential business opportunities for the Bank Group in Asia.

The Individual Group will continue to actively pursue the retail banking business, where it will concentrate on stabilizing our funding base and promoting lower funding costs, while strengthening the asset management business through opening of additional Consulting Spots and increasing opportunities for face-to-face contacts, and expanding the housing loan business. The consumer finance business will strive to build a portfolio focused on profitability, integrate the consumer finance business into the Bank to effectively cope with changes in the environment, and explore further synergy by standardizing the Bank’s and consumer finance subsidiaries’ platforms. In addition, we will pursue fee businesses such as the settlement and credit card businesses.

The Bank will review and reinforce its risk management structure in its aim to achieve the goal for the Plan. Specifically, we will reevaluate risk management in line with new management principles such as strengthening the capability to provide appropriate solutions to corporate customers and reducing non-core business assets, while enhancing the monitoring process of various issues within our core businesses. In addition, we will reinforce the integrated risk management framework in order to ensure appropriate control of risk capital usage.

(2) Cost Reductions

As a result of the bold Group-wide expense review, reflecting the change in operating environment and directionality of our strategy going forward, expenses for the fiscal year ending March 2013 are projected to decrease an additional 12 billion yen from the original Plan, for a forecast of 140 billion yen. In the original Plan announced in June, expenses for the fiscal year ending March 2013 were projected to be 16.3 billion yen lower than for the fiscal year ended March 2010. Expenses were reviewed across the organization under new management, and in the process each business line drew up cost reduction plans incorporating enhanced efficiency of operations, which led to the projection of an additional reduction of 12 billion yen in expenses. The consumer finance business especially contributed to the reduction of expenses through the review of overlapping operations in Shinsei Financial and Shinki, where both companies provide personal loans, and by deciding to speed up the integration process to the extent possible.

(3) Revised Targets for Fiscal Year 2012 (Consolidated)[1]

As a result of the revision, fiscal year 2012 targets are as follows.

（All figures are on a consolidated basis）　　　　（Billions of yen/%）

		FY2009 (a)	【Before revision】 FY2012 (b)	【After revision】 FY2012 (c)	Change（before and after revision） (c) – (b)	Change（on FY2009） (c) – (a)
Earnings	Total Revenue	285.5	265.0	258.0	-7.0	-27.5
	General and Administrative Expenses	168.3	152.0	140.0	-12.0	-28.3
	Ordinary Business Profit	117.1	113.0	118.0	5.0	0.9
	Net Credit Costs	112.2	63.0	49.0	-14.0	-64.2
	Net Income (Loss)	-140.1	32.0	51.0	19.0	191.1
	Cash Basis[2] Net Income (Loss)	-53.7	41.0	60.0	19.0	113.7
	ROE	-27.6%		Over 8%		
	Cash Basis[1] ROE	-0.5%		Over 10%		
Asset Quality	Total Assets	11,377.6	10,700.0	9,900.0	-800.0	-1,477.6
	Risk-Weighted Assets	7,722.1	8,050.,0	7,800.0	-250.0	77.9
Financial Base	Total Capital Adequacy Ratio	8.35%	10.2%[3]	Over 10%[4]		

(Basel III basis estimate)

	FY2012
Total Capital Adequacy Ratio (estimate)	10%
Tier I Capital Ratio (estimate)	7%
Common Equity Capital Ratio (estimate)	5%

[1] Management accounting basis
[2] Cash-basis figures are calculated by excluding amortization and impairment of goodwill and other intangible assets, net of tax benefit
[3] Basel II basis
[4] Basel III basis

1. Profitability

- Revenue for the fiscal year ending March 2013 is projected to be 7 billion yen lower than originally projected. While we expect higher revenues from the healthcare finance and corporate restructuring businesses of the Institutional Group, asset projection was revised downward conservatively in the consumer finance business, in light of the challenging market environment, strict credit assessment and based on our policy to build a portfolio focused on profitability. Due mainly to these factors, revenue for the fiscal year ending March 2013 is now projected to be 258 billion yen.
- As a result of the bold Group-wide expense review, reflecting the change in operating environment and directionality of our strategy going forward, expenses for the fiscal year ending March 2013 are projected to be 140 billion yen, or 12 billion yen lower than originally expected.
- Credit costs for the fiscal year ending March 2013 are projected to be to 49 billion yen, or 14 billion yen lower than originally projected, due mainly to our plan to significantly decrease consumer finance assets. While we are projecting an increase in loan assets for the Institutional Group and retail banking business, we expect credit costs to continue to remain at a low level. We expect credit costs for the M&I Group to normalize in fiscal year 2012.
- As a result of the cross-organizational review, net income for the fiscal year ending March 2013 is projected to be 51 billion yen, or 19 billion yen, and cash basis net income to be 60 billion yen, or 19 billion yen higher than originally projected.
- We will strive for ROE of 8% or higher and cash basis ROE of 10% or higher.
- Regarding non-core business assets, we will continue to reduce divestible non-core business assets by 50% during the period of the Plan, while carefully considering related risks, costs and effect on capital
- Risk weighted assets are projected to be 250 billion yen lower than originally projected, due to the downward revision of assets in the consumer finance business, despite an increase from the incorporation of new Basel regulation methodology.
- Revised targets for the Institutional Group, M&I Group and Individual Group are as follows.

【Institutional Group and M&I Group】 (Billions of yen)

		【Before revision】 FY2012	【After revision】 FY2012	Change
Earnings	Total Revenue	89.0	93.0	4.0
	General and Administrative Expenses	49.0	44.0	-5.0
	Ordinary Business Profit	40.0	49.0	9.0
	Net Credit Costs	10.0	10.0	0.0
	Ordinary Business Profit after Net Credit Costs	30.0	39.0	9.0
Operating Assets	Assets	6,720.0	6,660.0	-60.0

【Individual Group (Retail Banking and Consumer Finance Businesses)】(Billions of yen)

		【Before revision】 FY2012	【After revision】 FY2012	Change
Earnings	Total Revenue	175.0	164.0	-11.0
	General and Administrative Expenses	100.0	95.0	-5.0
	Ordinary Business Profit	75.0	69.0	-6.0
	Net Credit Costs	53.0	39.0	-14.0
	Ordinary Business Profit after Net Credit Costs	22.0	30.0	8.0
Operating Assets	Assets	3,200.0	2,500.0	-700.0

2. Capital Policy

- While we have recalculated capital deductions and risk weighted assets as at March 2013 in line with the new framework for total capital adequacy ratio recently outlined, we will continue to target a total capital adequacy ratio of 10% or higher, and focus on the appropriate management of risk weighted assets.
- Under the new Basel III regulations to be implemented from March 31, 2013, we currently estimate a total capital adequacy ratio of 10%, Tier I capital ratio of 7% and common equity capital ratio of 5% as of completion of the Plan, and therefore expect to achieve the new capital requirements.

As a bank in receipt of public funds, Shinsei Bank will work with a sense of urgency to achieve the targets set forth under the revised Plan and faithfully fulfill its role as a Japanese bank going forward. The Plan will be reviewed annually, and at the same time as creating a plan for the year following the final year of the current plan and onwards, we will link budget proposals to the Medium-Term Management Plan.

The above description of Shinsei's medium-term plan contains forward-looking statements regarding the intent, belief and current expectations of our management with respect to our financial condition and future results of operations. These statements reflect our current views with respect to future events that are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results may vary materially from those we currently anticipate. Potential risks include those described in our annual securities report filed with the Kanto Local Finance Bureau, and you are cautioned not to place undue reliance on forward-looking statements.

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Shinsei Bank
Revised Medium-Term Management Plan

（Fiscal Year 2010- Fiscal Year 2012）

Shinsei Bank, Limited
September 28, 2010

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Management Principles and following FY2012 targets/goals for the Plan, announced on June 23, 2010, remain unchanged

■Management Principles

- A banking group that has stable earnings power, is truly depended upon by customers and that contributes to the development of both domestic and international industrial economies
- A banking group that has built on its past experiences and history, values diverse talents and cultures and continually takes on new challenges
- A banking group that strives for transparent management, valued and trusted by all stakeholders, including customers, investors and employees

■Period: Three years from fiscal year 2010 to fiscal year 2012

- Focus on rebuilding the customer franchise and establishing a stabilized earnings base for the mid- to long-term

■Targets at the end of management plan

- Achieve external credit ratings of A/A-

Revised Medium-Term Management Plan (Fiscal Year 2010 - Fiscal Year 2012)
Key Revisions of Original Plan

1. **While continuing to focus on basic concepts of "rebuilding the customer franchise in Japan" and "establishing a stabilized earnings base," under strong leadership of the new management team, the Bank prepared a revision by taking into consideration changes in environment surrounding Bank, including increased uncertainty of economic outlook and new Basel III regulations, in order to 1) realize the goal for the Plan; and 2) achieve higher earnings**
2. **Upward revision of profit levels for the final fiscal year of the 3-year plan due to additional cost reductions and managing credit costs, despite lower revenues as a result of challenging operating environment**
   - **Revenue** for FY2012 projected to be 258 billion yen, <u>7 billion yen lower than originally projected</u> (original plan: 265 billion yen; FY2009 actual revenue: 285.5 billion yen)
     - Asset projection revised downward conservatively in the consumer finance business, in light of the challenging market environment, strict credit assessment and based on our policy to build a portfolio focused on profitability
     - Higher revenues from healthcare finance and corporate restructuring businesses in the Institutional Group partially offset lower revenues mentioned above
     - Although not included in the plan, will implement measures including exploring new areas and considering new business opportunities in Asia to achieve higher revenues in the mid- to long-term
   - **Expenses** for FY2012 projected to be 140 billion yen, <u>12 billion yen lower than originally expected</u> (original plan: 152 billion yen; FY2009 actual expenses: 168.3 billion yen)
     - Includes further expense reductions, incorporating 10 billion yen in additional reductions expected at the time of announcement of original plan
     - Majority of 12 billion yen in additional expense reduction result of bold Group-wide expense review, reflecting change in operating environment and directionality of strategy going forward
     - Continue to focus on Group-wide cost management measures
   - **Credit costs** for FY2012 projected to be 49 billion yen, <u>14 billion yen lower than originally projected</u> (original plan: 63 billion yen; FY2009 actual credit costs: 112.2 billion yen)
     - Lower in line with our plan to significantly decrease consumer finance assets and revise the growth projection conservatively
     - Projecting increase in loan assets for Institutional Group and Retail Banking business, but expect credit costs to continue to remain at low level
     - Expect credit costs for Markets and Investment Banking Group (M&I Group) to normalize in FY2012
   - Net income for FY2012 projected to be 51 billion yen, <u>19 billion yen higher than originally projected</u> (original plan: 32 billion yen; FY2009 actual net loss: 140.1 billion yen). Cash basis net income for FY2012 projected to be 60 billion yen, <u>19 billion yen higher than originally projected</u> (original plan: 41 billion yen; FY2009 actual net loss: 53.7 billion yen)
   - Newly set ROE and cash basis ROE targets for FY2012 of 8% or higher and 10% or higher, respectively
3. **Capital policy incorporating Basel III framework**
   - Aim for total capital adequacy ratio of over 10% based on Basel III basis to be implemented from March 2013 (estimate Tier capital I ratio of 7% and common equity capital ratio of 5% based on new Basel regulation methodology)
   - Continue to focus on appropriate management of risk weighted assets, including the reduction of non-core business assets, while considering other capital policies by monitoring market trends

Revised Medium-Term Management Plan (Fiscal Year 2010 - Fiscal Year 2012)

(Revision) FY2012 Financial Targets[1]: Overall

(JPY billion)

FY2009 (March 31, 2010)	
Total Revenue	285.5
General and Administrative Expenses	168.3
Ordinary Business Profit	117.1
Net Credit Costs	112.2
Net Loss	-140.1
Cash Basis[2] Net Loss	-53.7
Total Assets	11,377.6
Risk-Weighted Assets	7,722.1
ROE	-27.6%
Cash Basis[2] ROE	-10.6%
Total Capital Adequacy Ratio	8.35%[3]

FY2012 (March 31, 2013)	Original Plan	New Plan	Change
Total Revenue	265.0	258.0	-7.0
General and Administrative Expenses	152.0	140.0	-12.0
Ordinary Business Profit	113.0	118.0	5.0
Net Credit Costs	63.0	49.0	-14.0
Net Income	32.0	51.0	19.0
Cash Basis[2] Net Income	41.0	60.0	19.0
Total Assets	10,700.0	9,900.0	-800.0
Risk-Weighted Assets	8,050.0	7,800.0	-250.0
ROE		Over 8%	
Cash Basis[2] ROE		Over 10%	
Total Capital Adequacy Ratio	10.2%[3]	Over 10%[4]	

(Basel III based estimate)

Total Capital Adequacy Ratio (Estimate)		10%	
Tier I Capital Ratio (Estimate)		7%	
Common Equity Capital Ratio (Estimate)		5%	

[1] Management accounting basis

[2] Cash-basis figures are calculated by excluding amortization and impairment of goodwill and other intangible assets, net of tax benefit

[3] Basel II basis

[4] Basel III basis

Revised Medium-Term Management Plan (Fiscal Year 2010 - Fiscal Year 2012)

(Revision) FY2012 Financial Targets[1]: By Group (1)

(JPY billion)

FY2009（March 31, 2010）	
Total Revenue	285.5
IG / MIG	59.7
Retail Banking	41.5
Consumer Finance	166.7
General & Admin. Expenses	168.3
IG / MIG	43.7
Retail Banking	35.2
Consumer Finance	89.0
Ordinary Business Profit	117.1
IG / MIG	16.0
Retail Banking	6.3
Consumer Finance	77.7
Net Credit Costs	112.2
IG / MIG	66.0
Retail Banking	-0.0
Consumer Finance	46.2
OBP/L after Net Credit Costs	4.8
IG / MIG	-50.0
Retail Banking	6.3
Consumer Finance	31.4

(Operating Assets)

Institutional Group and MIG	7,810
Individual Group	2,550

FY2012（March 31, 2013）	Original Plan	New Plan	Change
Total Revenue	265.0	258.0	-7.0
IG / MIG	89.0	93.0	4.0
Retail Banking	48.0	48.0	0.0
Consumer Finance	127.0	116.0	-11.0
General & Admin. Expenses	152.0	140.0	-12.0
IG / MIG	49.0	44.0	-5.0
Retail Banking	37.0	34.0	-3.0
Consumer Finance	64.0	61.0	-2.0
Ordinary Business Profit	113.0	118.0	5.0
IG / MIG	40.0	49.0	9.0
Retail Banking	11.0	14.0	3.0
Consumer Finance	64.0	55.0	-9.0
Net Credit Costs	63.0	49.0	-14.0
IG / MIG	10.0	10.0	0.0
Retail Banking	1.0	1.0	0.0
Consumer Finance	52.0	38.0	-14.0
OBP after Net Credit Costs	50.0	65.0	15.0
IG / MIG	30.0	39.0	9.0
Retail Banking	10.0	13.0	3.0
Consumer Finance	12.0	17.0	5.0

(Operating Assets)

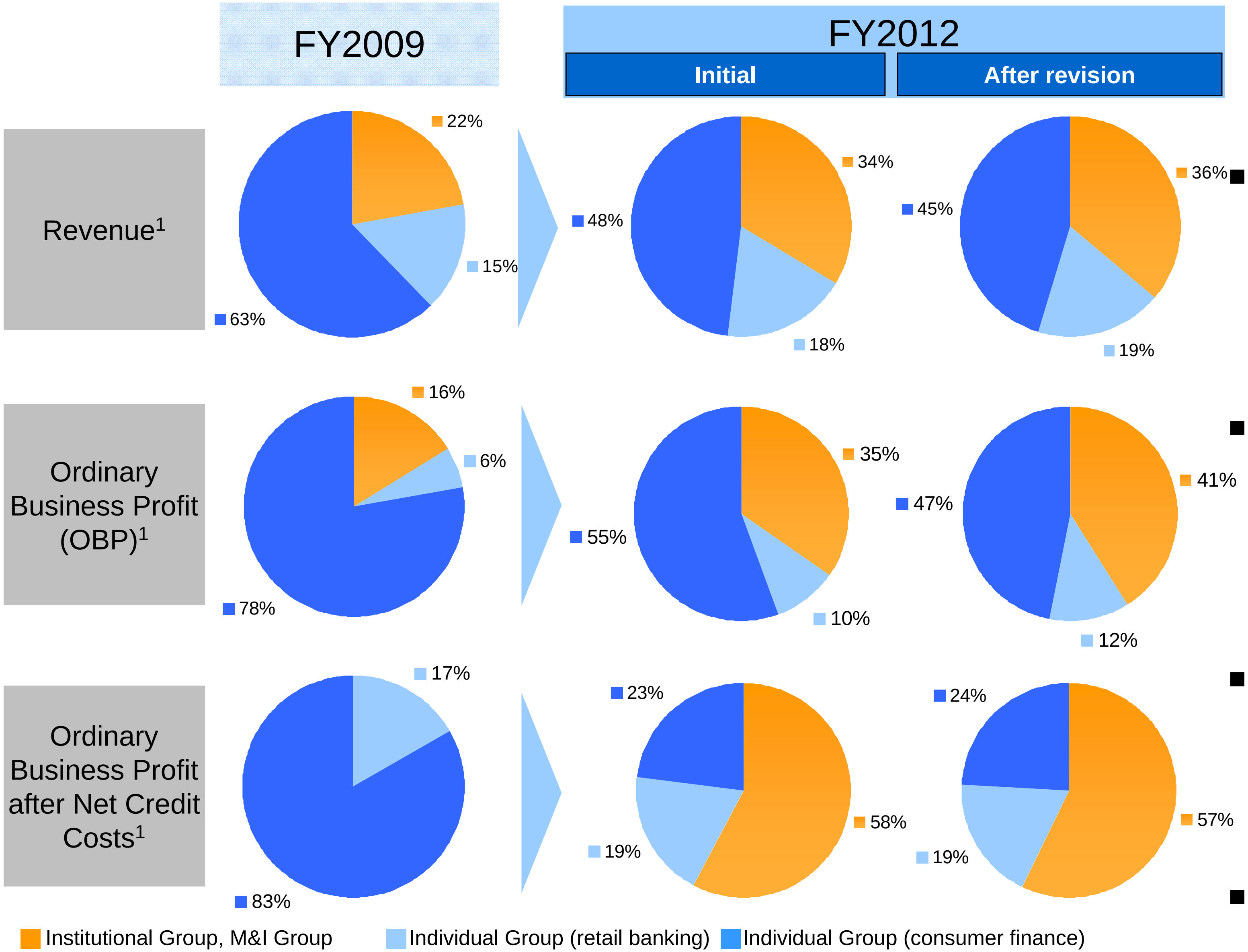
Institutional Group and MIG	6,720	6,660	-60
Individual Group	3,200	2,500	-700

[1] Figures are on a management accounting basis. Individual breakdown does not include "Corporate /Other" and therefore might differ from the total

Revised Medium-Term Management Plan (Fiscal Year 2010 - Fiscal Year 2012)

(Revision) FY2012 Financial Targets[1] By Group (2)

(JPY billion)



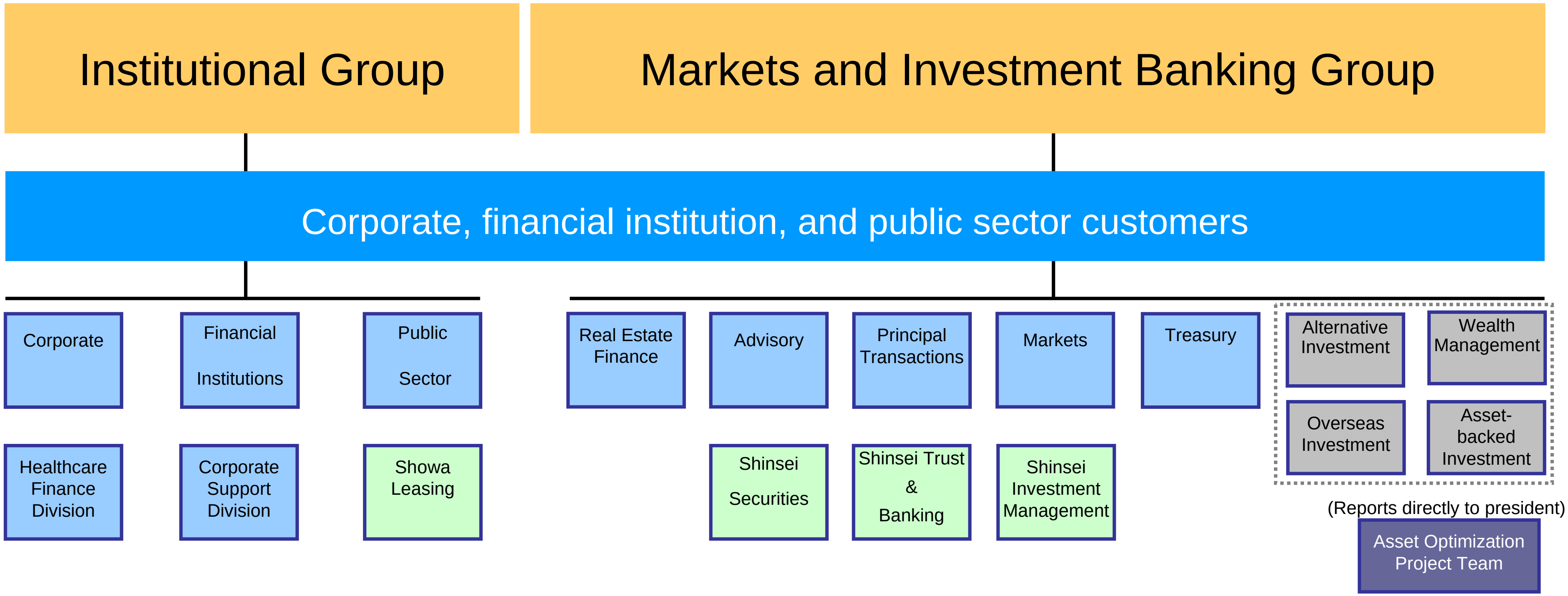
- Well balanced revenue composition due to decrease in assets of consumer finance subsidiaries, as well as higher revenue of Institutional Group and M&I Group
- Larger contribution to OBP from institutional businesses due to relatively lower expense-to-revenue ratio of Institutional Group and M&I Group
- Institutional Group and M&I Group account for about 60%, while Individual Group account for about 40% of OBP after net credit costs
- Contribution from consumer finance subsidiaries accounts for about a quarter of OBP after net credit costs

[1] Ratios are on a management accounting basis and “Corporate/Other” is not included in the calculation

Revised Medium-Term Management Plan (Fiscal Year 2010 - Fiscal Year 2012)

Institutional Group, Markets and Investment Banking Group: Strategy & Organization

- Realigned organization along customer-centric viewpoint to concentrate resources centered around core, customer oriented businesses
- Institutional Group will focus on multi-faceted sales to corporate, financial institution, and public sector customers by leveraging its close relationship with the Markets and Investment Banking Group
- M&I Group will provide comprehensive financial services to meet the needs of institutional customers



Strength of Institutional Group, M&I Group

Capability to provide tailor-made solutions	Swift decision-making and quick implementation	Culture that realizes “selection and concentration,” free of fixed concepts	Diversity

Run-off or scale down

Institutional Group, Markets and Investment Banking Group: Measures to Improve Earnings

(JPY billion)

Institutional Group	**【Institutional Group】** ■ **Actively pursue, on a Group-wide level, healthcare finance and corporate restructuring business, specific sectors and areas where we can leverage our specialties and uniqueness based on solid track record** ➢ Utilize close relationship and top-rate screening know-how with leading, quality operators in healthcare ➢ Leverage solid track record, including hands-on experience, in corporate restructuring over the past 10 years ■ **Expand into other areas going forward** ■ **Actively promote corporate, financial institution and public sector businesses (such as loans and fee businesses)** ■ **Provide appropriate products and services to small- and medium-sized enterprises through the Bank and Showa Leasing**
Markets and Investment Banking Group	**【Markets and Investment Banking Group】** ■ **Strengthen and expand measures for core businesses** ➢ Real estate finance, credit trading, specialty finance ➢ Cooperate with Institutional Group, primarily in capital markets and advisory businesses, to strengthen provision of tailor-made products and services **《Strategy in Asia》** ■ **Consider new business opportunities in Asia** ➢ Business alliances with local financial institutions, primarily in Asia ➢ Strengthen structure to support corporate customers looking to expand overseas ➢ Look for opportunities to utilize financial functions outside of traditional banking business (such as consumer finance, installment sales credit, and leasing)

Revised Medium-Term Management Plan (Fiscal Year 2010 - Fiscal Year 2012)

Individual Group: Strategy & Organization

The Individual Group operates in three business areas - Retail Banking, Installment Sales Credit and Unsecured Personal Loans - serving 6 million core customers, providing a wide range of financial products and services from asset management to loans

Individual Group

Bank Customers [2 million[1]]

Retail Banking

- ***Deposits***
- ***Asset Management***
- ***Housing Loans***
- ***Housing Equity Loans***

Installment Sales Credit Customers [3.4 million[1]]

APLUS FINANCIAL

- ***Installment Sales Credit***
- ***Credit Cards***
- ***Settlement***

Unsecured Personal Loan Customers [600 thousand[1]]

Shinsei Financial (and Shinki)

- ***Unsecured Personal Loans***

Lake *brand*

Strength of Individual Group

High customer satisfaction for retail banking	Highly unique sales channels leveraging low-cost remote channels	Opportunities to realize synergy between Group companies	Opportunity to become "responsible lender" backed by the Bank

[1] Core customers

Individual Group: Measures to Improve Earnings

(JPY billion)

Individual Group

【Retail Banking Business】

- **Further Strengthen Retail Banking Business**
  - Strive to stabilize funding base and promote lower funding costs
  - Strengthen asset management business through opening additional Consulting Spots and increasing opportunities for face-to-face contacts
  - Expand housing loan business

【Consumer Finance Business】

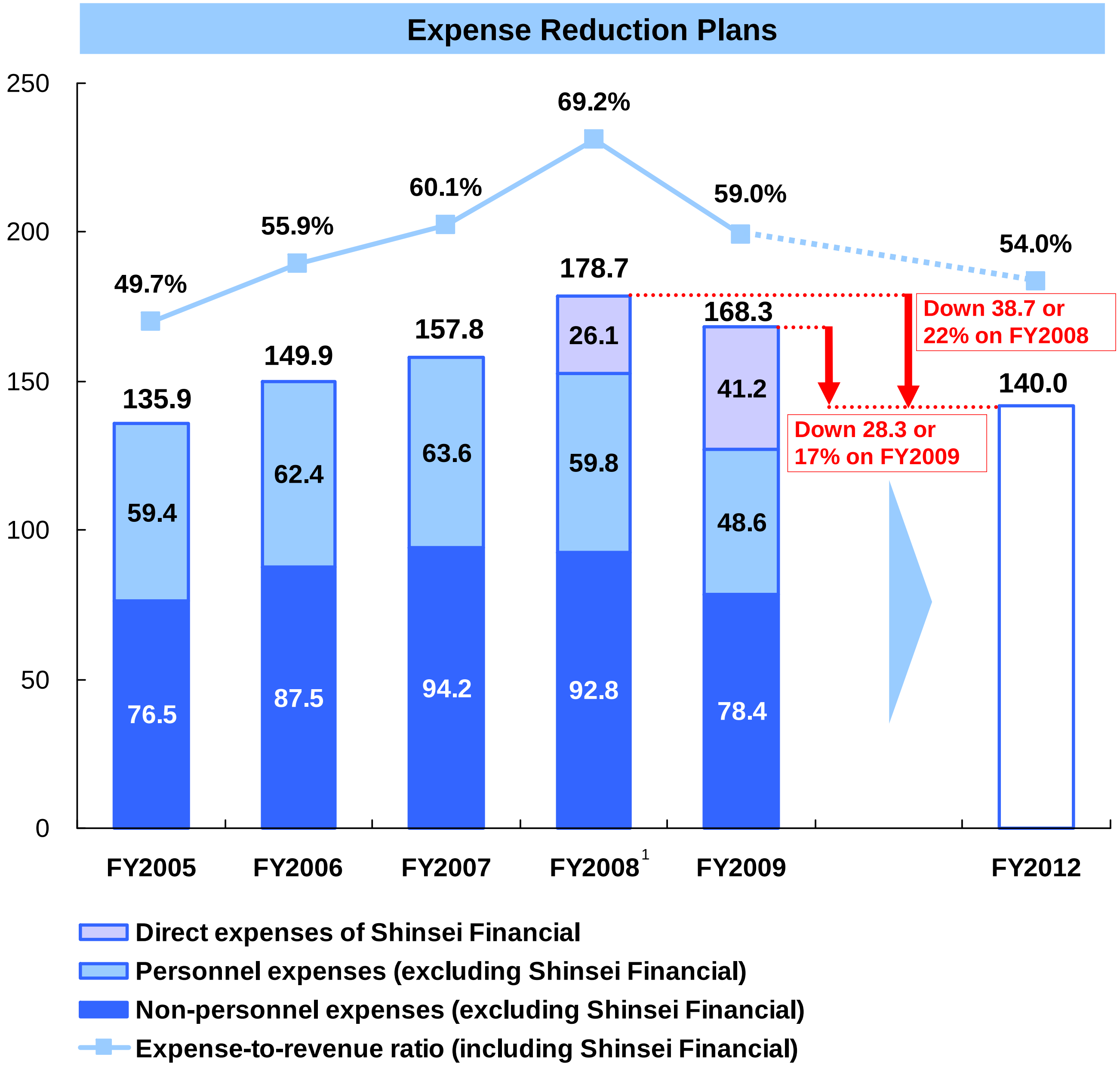
- Asset projection revised downward conservatively in consumer finance business, in light of the challenging market environment, in an effort to build a portfolio focused on profitability and strict credit assessment

- **Promote effective operations throughout the Group**
  - Leverage screening capabilities and marketing know-how accrued at our Group companies and integrate into Bank to meet sound demand for personal loans
  - Explore further synergy through efficient operations by standardizing Bank's and consumer finance subsidiaries' platforms
  - Pursue fee businesses such as settlement and credit card businesses, in addition to increasing higher quality assets

Revised Medium-Term Management Plan (Fiscal Year 2010 - Fiscal Year 2012)

Group-wide Intensive Expense Reduction Plan

(JPY billion)



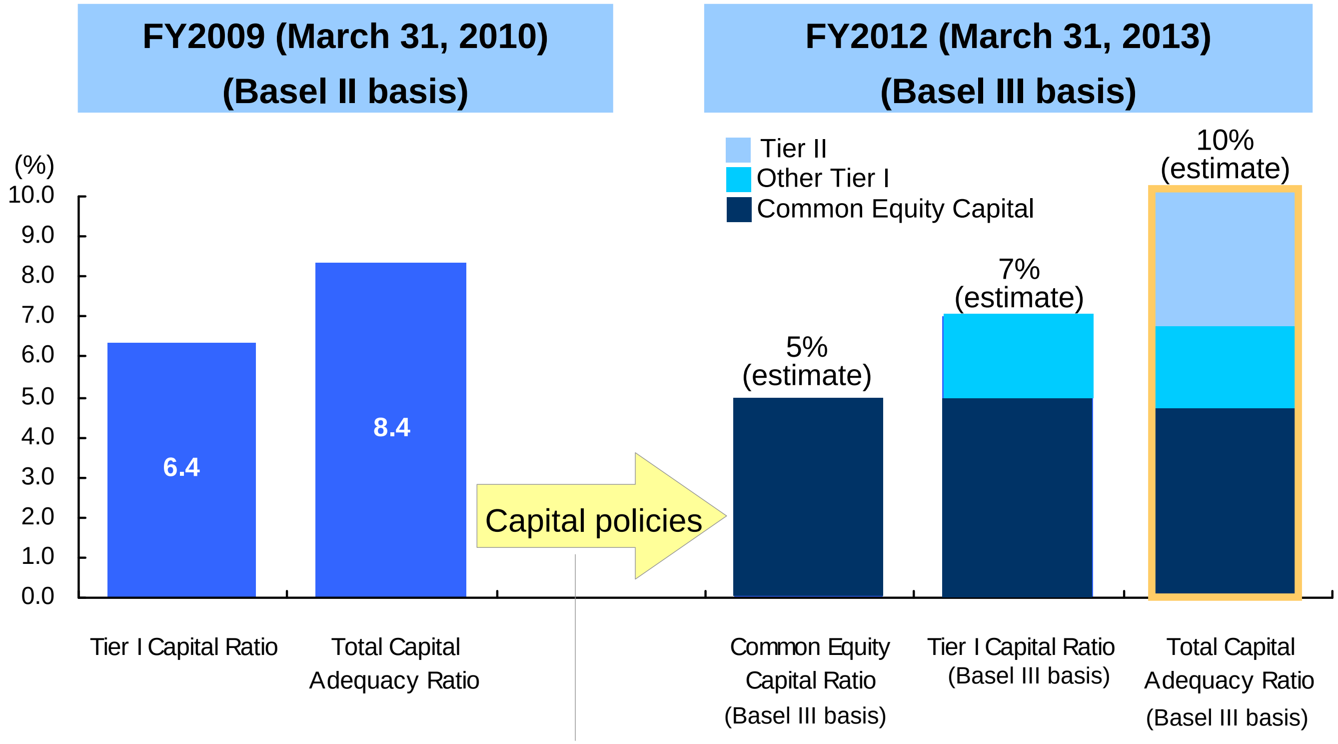
[1] Shinsei Financial's expenses were only included for six months of fiscal year 2008

- In addition to the 16.3 billion yen cost reduction already incorporated into the Medium-Term Management Plan (FY2010-FY2012), new management implemented a bold Group-wide expense review, reflecting change in operating environment and directionality of strategy going forward to establish an organizational structure that can withstand changes in market conditions
- As a result, an additional 12.0 billion yen was reduced (total reduction of 28.3 billion yen). Now expecting FY2012 expenses to decline to 140 billion yen
- In the consumer finance business, implemented review of overlapping operations in Shinsei Financial and Shinki, and speeding up integration process to the extent possible
- Reduced 38.7 billion yen on FY2008 when we began cost reductions
- While expense-to-revenue ratio will gradually decline due to lower revenues, ratio is expected to decline towards the lower 50% range

Revised Medium-Term Management Plan (Fiscal Year 2010 - Fiscal Year 2012)
Capital Policy

Medium-Term Goal

- Targeting consolidated total capital adequacy ratio of over 10% (estimate) by March 31, 2013 on a stricter Basel III basis



(1) Carry out measures to boost earnings and return to profitability

(2) Optimize risk weighted assets and reduce capital deductions through reduction of non-core business assets

(3) Continue to consider various measures by taking into consideration market trends

- Common equity capital ratio is projected to be 5%, well above the 3.5% required as at March 31, 2013
- Expect to meet regulatory capital ratio requirements of Basel III framework with final deadline of 2019 by fiscal year ending March 2019
- Deal with decrease in eligible capital amount during the grandfathering period by implementing capital policies that take into consideration market conditions, while at the same time carefully monitoring retained earnings, optimizing risk weighted assets, reducing capital deductions, and various funding methods

Revised Medium-Term Management Plan (Fiscal Year 2010 - Fiscal Year 2012)

Enhancing Risk Management

Measures to enhance risk management

- Re-establish risk management structure to be in line with new management principles: rebuilding customer franchise in Japan, strengthening capability to provide appropriate solutions to corporate customers and reducing non-core business assets
  - Consumer finance: managing “grey zone” interest repayment liabilities, prudent asset management under borrowing limit regulations
  - Real estate: monitor market trends closely, implement risk control based on current situation
- Reinforce comprehensive risk management framework in order to ensure more appropriate control of risk capital usage

【Measures for each risk category】

Credit risk management	➢ Enhance and review credit approval process ➢ Reinforce oversight for real estate finance ➢ Establish a new framework for structured products
Market risk management	➢ Revised market risk management framework ➢ Reinforce back testing and stress testing procedures
Comprehensive risk management	➢ Reinforce risk capital monitoring and follow-up framework ➢ Utilize diversified stress tests, enhance reporting to management

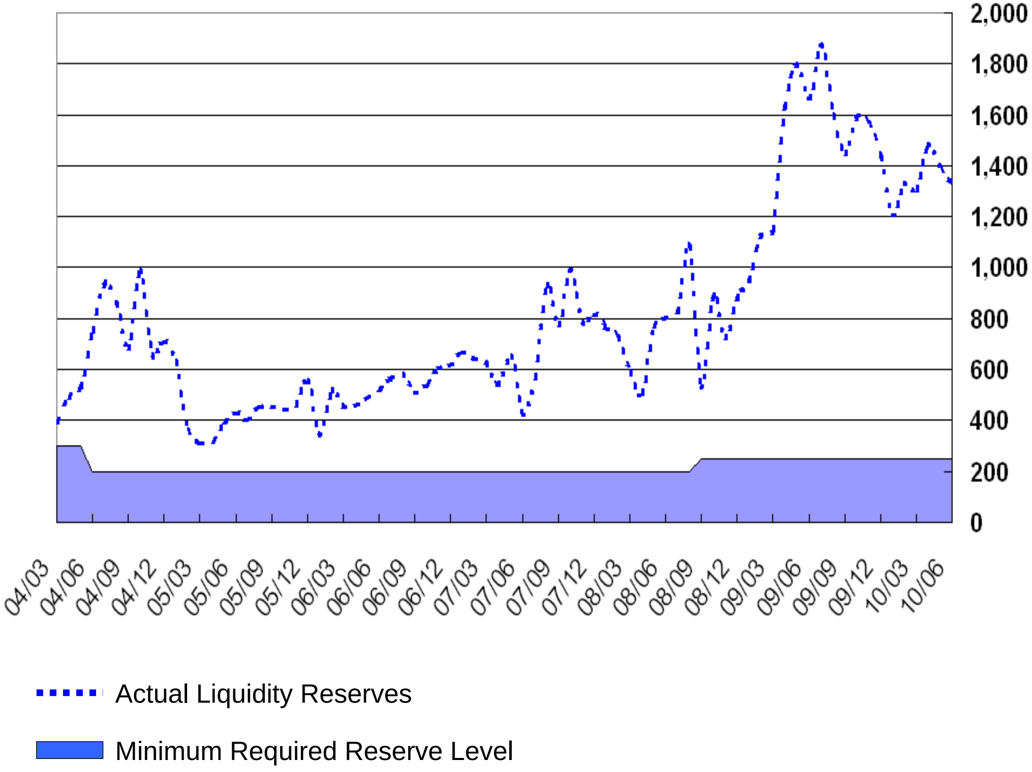
Implement various measures, appropriately monitor and control issues within core business by enhancing risk management in line with new management principles to achieve goals for the Medium-Term Management Plan

Liquidity Management

(JPY billion)

- Enhance efficiency of funding while continuing to maintain robust liquidity
- A diversified individual deposit base from over 2.5 million retail banking customers

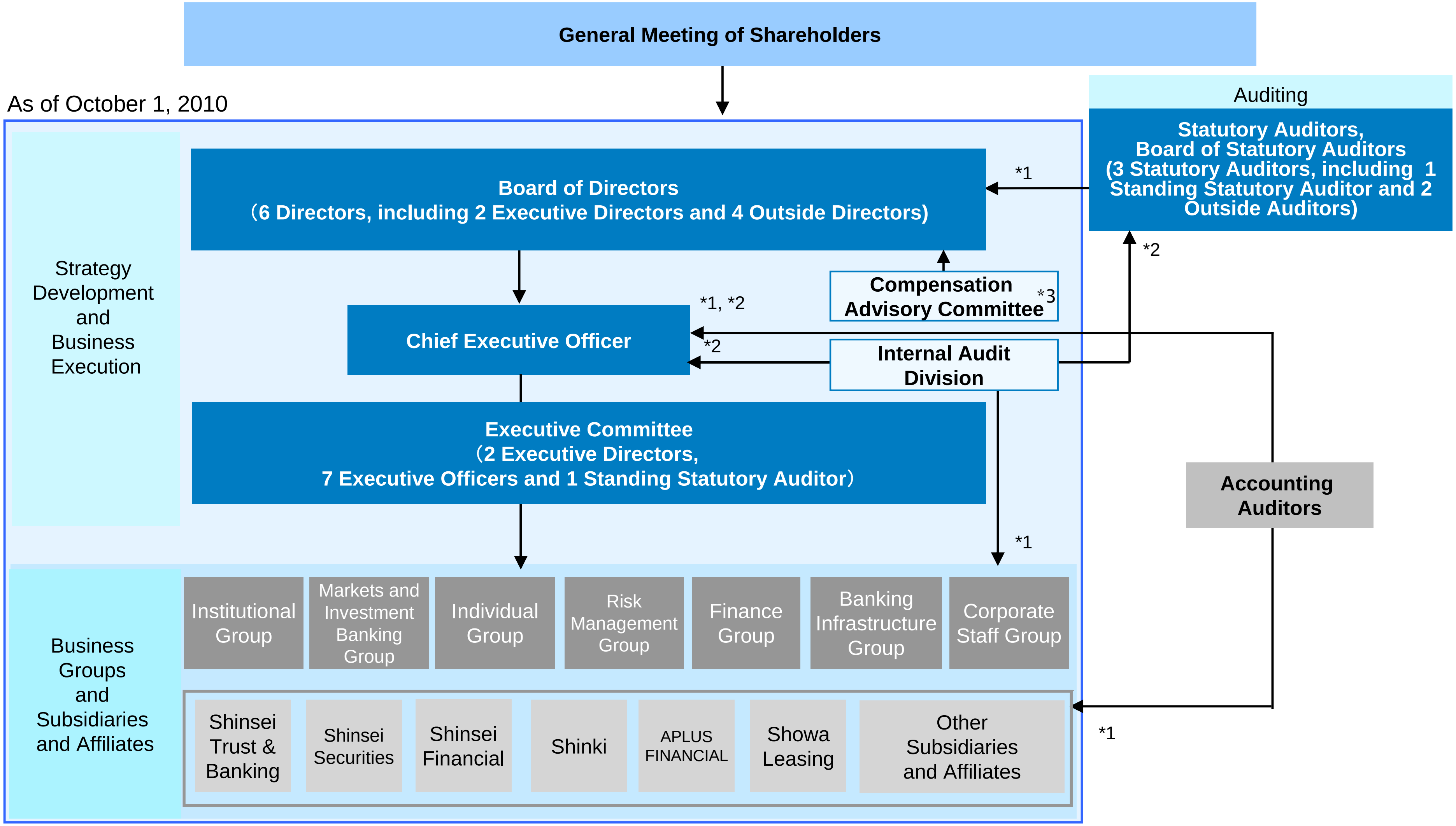
■ Liquidity Reserve Trends



- Robust funding position in excess of stress test results secure liquidity (1.2 trillion yen in liquidity reserves as of late September 2010)
- Liquidity portfolio consists primarily of unencumbered JGBs, Japanese government guaranteed bonds, BOJ deposits and other assets pledged to BOJ (collateral remaining after operation usage) and large portion is JGB
- Clear, President and CFO-led management framework, organization (division of roles, chain of command) and code of conduct for crisis situations
- Due to diversified deposits base with over 2.5 million retail banking accounts, impact of pay-off order (upon bankruptcy of the Incubator Bank of Japan) by the government was negligible to our liquidity
- Strict management of funding costs for Shinsei Bank's stable retail deposit base

Corporate Governance Structure

”Company with Board of Statutory Auditors” Board Model



Business Groups

Subsidiaries and Affiliates

*1 Audit
*2 Report
*3 To be established

Management Framework

As of October 1, 2010

Measures to achieve goal for Plan implemented by management team with vast experience and proven track record

President and Chief Executive Officer
Shigeki Toma

(Brief Biography)

April 1972	Joined The Dai-Ichi Kangyo Bank, Ltd. (Predecessor of Mizuho Bank, Ltd. and Mizuho Corporate Bank, Ltd.)
June 2000	Corporate Executive Officer, The Dai-Ichi Kangyo Bank, Ltd.
May 2001	Managing Executive Officer, The Dai-Ichi Kangyo Bank, Ltd.
April 2002	Managing Executive Officer, Mizuho Corporate Bank, Ltd.
November 2002	Executive Vice President and Director, Isuzu Motors Limited
June 2007	Director, Isuzu Motors Limited
May 2010	Advisor, Shinsei Bank, Limited
June 2010	President and Chief Executive Officer, Shinsei Bank, Limited (current)

[1] Senior Managing Executive Officer

Head of Institutional Group — Shigeki Toma

Managing Executive Officer
Deputy Head of Institutional Group
Takao Matsuzaki

Managing Executive Officer
General Manager, Osaka Branch
Norio Funayama

Executive Officers
Heads of Institutional Business Sub-Group
Kazuya Fujimoto
Michimasa Honda
Hiroyuki Monma

Head of Markets and Investment Banking Group — Izumi Ogura[1]

Managing Executive Officer
Deputy Head of Markets and Investment Banking Group
Hideyuki Kudo

Executive Officer
Head of Advisory Sub-Group
Takashi Tsuchiya

Head of Individual Group — Sanjeev Gupta[1]

Executive Officer
Head of Consumer Finance Sub-Group
Shigeru Oishi

Head of Risk Management Group — Yukio Nakamura[1]

Head of Finance Group — Shigeru Tsukamoto[1]

Executive Officer
General Manager, Group Regulatory Accounting and Tax Division
Shinya Nagata

Head of Banking Infrastructure Group — Michiyuki Okano[1]

Chief of Staff (Head of Corporate Staff Group) — Akira Kagiichi[1]

Executive Officer
General Manager Office of Corporate Secretary
Souichirou Hasegawa

Executive Officer
In charge of Human Resources Division
Masaharu Watanabe

Executive Officer
General Manager Corporate Planning Division
Masashi Yamashita

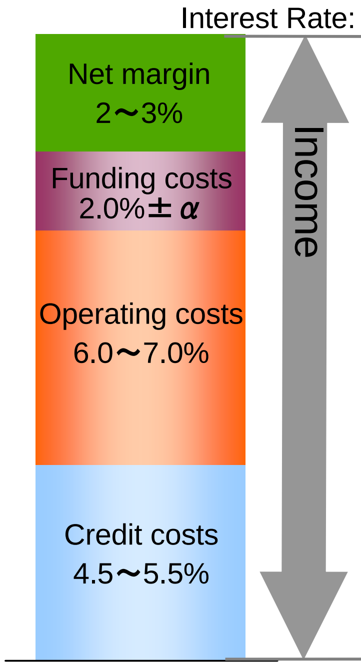
Appendix

Revised Medium-Term Management Plan (Fiscal Year 2010 - Fiscal Year 2012)
Individual Group: Shinsei Financial

Medium-Term Goal

- Take advantage of opportunities as surviving responsible lender with high brand recognition amid market shrinking down to 2-3 trillion yen range
- Steady funding capability, limited grey zone risk and highly efficient operations to secure net margin of 2-3%
- Looking for new future business opportunities by strengthening measures including unsecured personal loan guarantee business with financial institutions

Unsecured Personal Loan Earnings Model



FY2012 (estimate)

- **Solid growth trend and drawing up/implementing target strategies**
  - Industry-leading level of market share for new applications/customer acquisitions: 25%
  - Second in industry in number of applications, third for number of new customers (2010/5)
  - Product and service capability including industry's first entirely Web-based personal loan application & contract process
  - Continued dedication to customer research and strengthening customer retention
- **Lowest level of customer acquisition costs in the industry and low cost operation**
  - Lowest level of advertising costs within top three players in industry
  - Continuous optimization of branch network and active utilization of owned office building
  - Business integration with Shinki, in-housing of outsourced operations
- **Continuous improvement of customer quality**
- **Strict credit assessment and monitoring activities (reminders) and strengthening loan collection capability**

New Businesses

- Aim to expand earnings opportunities through guarantees with regional banks by leveraging the Bank's network with financial institutions
  - Business alliance with Towa Bank in unsecured personal loan guarantee business (2010/8)
  - Strategic business support by providing advice on marketing and operational process management
- Consider developing unsecured personal loan business in Asia

Shinsei Financial's Strength

- Stable, low cost funding
- Established "Lake" Brand
- Efficient operations
- Limited grey zone risk
- Advanced technology with Shinsei IT
- High compliance culture

Revised Medium-Term Management Plan (Fiscal Year 2010 - Fiscal Year 2012)
Individual Group: APLUS FINANCIAL

Medium-Term Goal

- Becoming a *shinpan* company chosen by customers, supported by business partners and ready for the new age
- Breaking away from dependence on consumer finance loan income, to increase income from core operations through a business model that only a *shinpan* company can achieve

Shopping credit business

(Installment shopping credit, credit guarantee)

- •Increase profitability of assets
- •Fully functional new sales structure that utilizes Business Promotion Center (B-to-B Center)*

Credit card business

(Credit card shopping, loans)

- •Increase ease of use for members (enhance revolving function, shopping malls, introduction of new card)
- •Reduce costs through IT utilization and maximizing automation

Settlement business

(Other)

- •Approach all customers of the Bank Group
- •Wide customer approach structure utilizing Web and sales phone calls

Strengthen profitability of core business

Personal loan business

(loans)

- •Promote loan cards to attract shopping credit customers, strengthen channels to capture B-to-C transactions
- •Strengthen the sales of loan cards, specific usage loans to high quality customers

Strengthen personal loans unique to sales finance company

Break away from business model that depends on consumer finance loan income

APLUS FINANCIAL's Strength

- ■ Consolidated subsidiary of a bank
- ■ APLUS brand/diverse customer base
- ■ Track record in credit card, settlement business
- ■ Opportunity to utilize Shinsei Bank's IT
- ■ Consolidated back office
- ■ Specializing in shinpan ahead of regulatory changes

*Business Promotion Center（B-to-B Center)･･･Business division specializing in merchant partners (B-to-B) and established for the purpose of providing services to merchants through new methods

Disclaimer

- The above description of Shinsei's medium-term plan contains forward-looking statements regarding the intent, belief and current expectations of our management with respect to our financial condition and future results of operations. These statements reflect our current views with respect to future events that are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results may vary materially from those we currently anticipate. Potential risks include those described in our annual securities report filed with the Kanto Local Finance Bureau, and you are cautioned not to place undue reliance on forward-looking statements.

- Unless otherwise noted, the financial data contained in these materials are presented under Japanese GAAP[1]. 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.

[1]Generally Accepted Accounting Principles