

Shinsei Bank
Medium-Term Management Plan
(Fiscal Year 2010- Fiscal Year 2012)

Shinsei Bank, Limited
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Medium-Term Management Plan (Fiscal year 2010 - Fiscal year 2012)

Summary 1: Management Principles, Basic Concept

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

Basic Concept of Medium-Term Management Plan

- Period: Three years from fiscal year 2010 to fiscal year 2012
- Focus on rebuilding customer franchise, stabilizing earnings and cost reductions, having reflected on lessons learned and past events
- Targets at the end of management plan
 - ✓ Achieve external credit ratings of A/A-
 - ✓ Realize total capital adequacy ratio of 10%, Tier I capital ratio of 8%, core Tier I capital ratio of 6%
- Goals for each fiscal year
 - ✓ Fiscal year 2010: lay groundwork for stabilized earnings
 - ✓ Fiscal year 2011: Measures for diversification of revenues through new businesses
 - ✓ Fiscal year 2012: Record stable earnings at operating speed
- Enhance management control (including renewal of corporate governance structure)
- Establish an organizational framework to devise detailed plans for the repayment of public funds
 - ✓ Speedy and stringent execution to ensure the achievement of the targets set in the financial projection
 - ✓ Foster healthy organizational culture with emphasis on the importance of compliance

Medium-Term Management Plan (Fiscal year 2010 - Fiscal year 2012)

Summary 2: Business Operation Policy

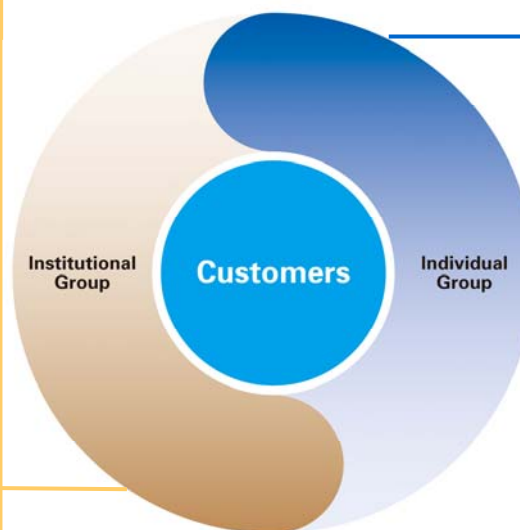
Medium-Term Goals

Rebuilding the Customer Franchise and Establishing a Stabilized Earnings Base for the Mid- to Long-Term

Institutional Group

Concentrate Resources in Core Businesses

- Build customer-centric organization
- Provide financial services with added value and rebuilding domestic customer franchise by strengthening relationships
- Improve ability to provide solutions and cross-selling
- Reduce divestible non-core business assets by 50%
- Enhance abilities of relationship managers, promote appropriate reallocation of the workforce and upgrade risk assessment capability



Individual Group

Enhance Core Businesses

- Retail Banking
 - ✓ Stabilize funding base and promote lower funding costs
 - ✓ Strengthen asset management business by expanding access points (Consulting Spots)
 - ✓ Expand housing loan business
- Consumer Finance
 - ✓ Appropriate measures to comply with Money Lending Business Control and Regulation Law (MLBL)
 - ✓ Draw up and implement strategy by taking into consideration industry trends and performance
- Explore synergy between retail banking and consumer finance operations

Strengths

- Diversity
- Tailor made solutions
- High customer satisfaction
- Swift decision making, agile execution

Opportunities

- New customers
- "Responsible consumer lending"
- Niche businesses
- Ever-changing lending and investment needs of customers

Weaknesses

- Volatility of earnings
- Smaller customer base

Threats

- Fierce competition
- Political, legislative and economic uncertainties

Medium-Term Management Plan (Fiscal year 2010 - Fiscal year 2012)

Expand Core Business and Customer Franchise, Exit Non-Core Business

Non-Core Business

- Volatile business
- Comparatively at a disadvantageous position to acquire proprietary knowledge or information

**Current
Shinsei
Business**

Core Business

- Customer oriented
- Niche businesses with proven track record

Non-Core Businesses:

- Real Estate Equity Investment
- Private Equity
- Housing Loans Warehousing
- CLO / ACPM / CFI ¹
- Asset-backed Investment
- Alternative Investment
- Wealth Management

Core Businesses:

Institutional

- Customer Business: Corporate, Financial Institutions, and Public Sector
- Real Estate Finance
- Credit Trading
- Specialty Finance
- Capital Markets
- Other Businesses (Advisory, Showa Leasing)

Individual

- Retail Banking
- Consumer Finance (Unsecured personal loans, installment sales credit, credit cards)

Reduce divestible non-core assets by approximately 50%

Exit or Run-off

***Expand business base
Strengthen profitability***

Expand and strengthen customer franchise

¹ CLO (Collateralized Loan Obligation), ACPM (Active Credit Portfolio Management), CFI (Corporate Floater Investment)

FY2010

FY2011

FY2012

Medium-Term Management Plan (Fiscal year 2010 - Fiscal year 2012)

Institutional Group Core Businesses

	Core Product and Service Offering	Strategy
Corporate Customers	<ul style="list-style-type: none"> • Corporate, Financial Institutions, and Public Sector Customer Business <ul style="list-style-type: none"> ✓ Loan, Deposit, Debenture ✓ Products & Solutions to meet customer needs 	<ul style="list-style-type: none"> • Corporate, Financial Institutions and Public Sector Customer Business <ul style="list-style-type: none"> ✓ Corporate: Explore and promote transactions in niche markets with proven track record and expand customer franchise ✓ Financial Institutions: Provide the customers with the solutions mainly to enhance their top-line and bottom-line figures ✓ Public Sector: Provide the customers with appropriate solutions, including loans, using our network and ability to structure products
Financial Institutions	<ul style="list-style-type: none"> • Real Estate Finance <ul style="list-style-type: none"> ✓ Non-recourse loans ✓ Loans to real estate companies • Credit Trading <ul style="list-style-type: none"> ✓ Purchase and servicing of non-performing loans 	<ul style="list-style-type: none"> • Real Estate Finance <ul style="list-style-type: none"> ✓ Focus on senior loans ✓ Increase net interest income through advisory services ✓ Optimize portfolio risk. Swiftly reduce balance of real estate non-recourse loans by approximately 20% from end of FY2009 to 800 billion yen • Credit Trading <ul style="list-style-type: none"> ✓ Expand domestic business to meet restructuring needs of customers. Limited overseas businesses
Public Sector	<ul style="list-style-type: none"> • Specialty Finance <ul style="list-style-type: none"> ✓ Structured Finance centered around acquisition financing • Capital Markets <ul style="list-style-type: none"> ✓ Forex and derivatives ✓ Credit-related products 	<ul style="list-style-type: none"> • Specialty Finance <ul style="list-style-type: none"> ✓ Selective transactions with added value, centered around acquisition financing • Capital Markets <ul style="list-style-type: none"> ✓ Expand corporate customer network, and enhance product offering towards individual customers ✓ Strengthen sales of credit-related products
New Corporate Customers	<ul style="list-style-type: none"> • Other businesses <ul style="list-style-type: none"> ✓ Advisory ✓ Support for corporate restructuring and growth companies 	<ul style="list-style-type: none"> • Other businesses <ul style="list-style-type: none"> ✓ Expand and strengthen advisory service to corporate customers ✓ Focus on corporate restructuring business and providing support to growth companies
Financial Sponsors and Others	<ul style="list-style-type: none"> • Showa Leasing <ul style="list-style-type: none"> ✓ Lease, Loan 	<ul style="list-style-type: none"> • Showa Leasing <ul style="list-style-type: none"> ✓ Provide financial intermediary services, mainly leases, to SMEs
	FY2010	FY2011
		FY2012

Medium-Term Management Plan (Fiscal year 2010 - Fiscal year 2012)

Individual Group Core Businesses: Retail Banking

	Core Product and Service Offering	Strategy	
Platinum	<ul style="list-style-type: none"> Highly convenient financial infrastructure (24/7, 365 days) <ul style="list-style-type: none"> ✓ ATM network ✓ Internet banking ✓ Mobile banking 	<ul style="list-style-type: none"> Customers <ul style="list-style-type: none"> ✓ Add 100,000 new customers per year ✓ Improve customer profitability and customer mix ✓ Increase Platinum and Gold customer base ✓ Address asset management needs of retiring baby-boomers Products <ul style="list-style-type: none"> ✓ Increase housing loan disbursement by addressing refinancing needs ✓ Broaden asset management product offering through efficient use of Internet ✓ Strengthen bank-based personal loan business ✓ Stabilize funding base and promote lower funding costs Channels <ul style="list-style-type: none"> ✓ Aim to add 10 new Consulting Spots each year ✓ Strengthen face-to-face sales ✓ Further enhance Internet and mobile banking Staff <ul style="list-style-type: none"> ✓ Continue sales training to improve customer protection, sales and efficiency Explore synergy with consumer finance business 	
Gold	<ul style="list-style-type: none"> Deposit-related Products <ul style="list-style-type: none"> ✓ Saving deposits ✓ Time deposits (includes two week maturity deposits) ✓ Structured deposits ✓ Foreign currency deposits 		
Standard	<ul style="list-style-type: none"> Housing loans 		
New Customers	<ul style="list-style-type: none"> Asset management <ul style="list-style-type: none"> ✓ Consultation ✓ Mutual funds ✓ Annuity products 		
	FY2010	FY2011	FY2012

Medium-Term Management Plan (Fiscal year 2010 - Fiscal year 2012)

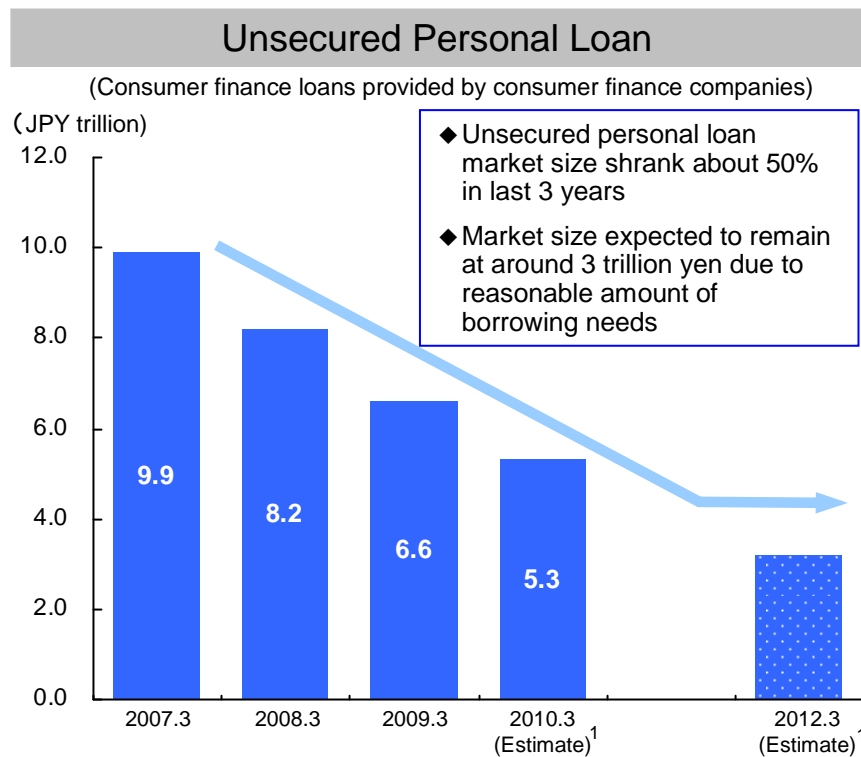
Individual Group Core Businesses: Consumer Finance

		Core Product and Service Offering	Strategy
Individual Customers	Shinsei Financial, Shinki	<ul style="list-style-type: none"> • Unsecured Personal Loans <ul style="list-style-type: none"> ✓ Develop “responsible consumer lending” • Installment sales <ul style="list-style-type: none"> ✓ Installment sales credit centered around auto loans • Settlements <ul style="list-style-type: none"> ✓ New products utilizing IT 	<ul style="list-style-type: none"> • Unsecured Personal Loans (Shinsei Financial, Shinki) <ul style="list-style-type: none"> ✓ Achieve steady ROA of 2.0 – 3.0% (details on next slide) ✓ Strong marketing to add and retain quality customers ✓ Implement credit policy aligned with MLBL and reduce credit costs and less creditworthy personal loan portfolios ✓ Business operation and financial literacy promotion as “responsible lender” ✓ Expand guarantee business with regional financial institutions • Installment sales credit, settlement, credit cards (APLUS FINANCIAL) <ul style="list-style-type: none"> ✓ Installment sales credit: expand installment sales credit, focusing on auto loan business ✓ Settlement: develop new products and expand product offering by leveraging IT ✓ Credit cards: expand revolving business, capture fee income, maximize profitability by improving transaction terms
	APLUS FINANCIAL	<ul style="list-style-type: none"> • Credit Cards <ul style="list-style-type: none"> ✓ Highly convenient revolving payments 	<ul style="list-style-type: none"> • Reduce costs with IT and Web-based sales strategies • Explore synergies with retail banking business
		FY2010	FY2011
			FY2012

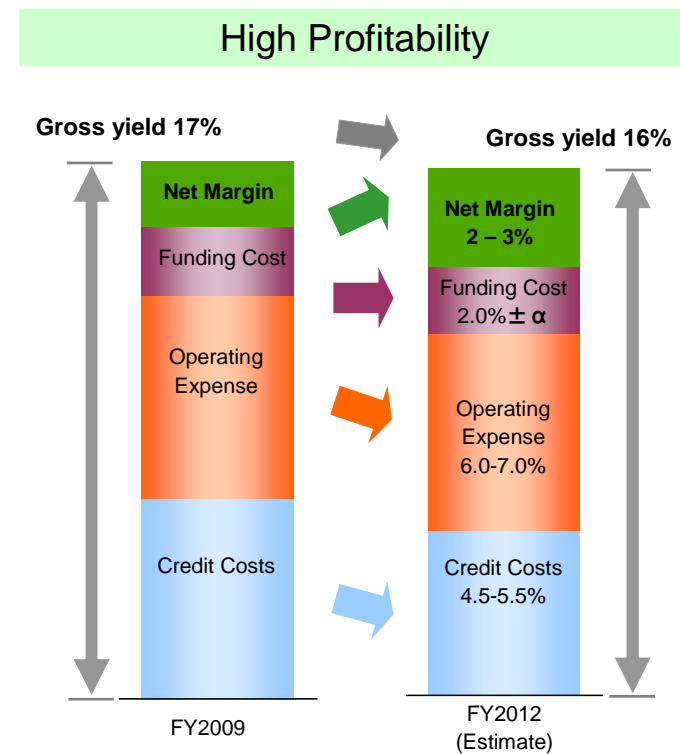
Medium-Term Management Plan (Fiscal year 2010 - Fiscal year 2012)

Unsecured Personal Loan Market and Profitability Model

- Increase market share in 3 trillion yen market and achieve stable earnings base with higher margin of 2-3%
- Maintain and strengthen competitive edge in market as a responsible bank-affiliated lender

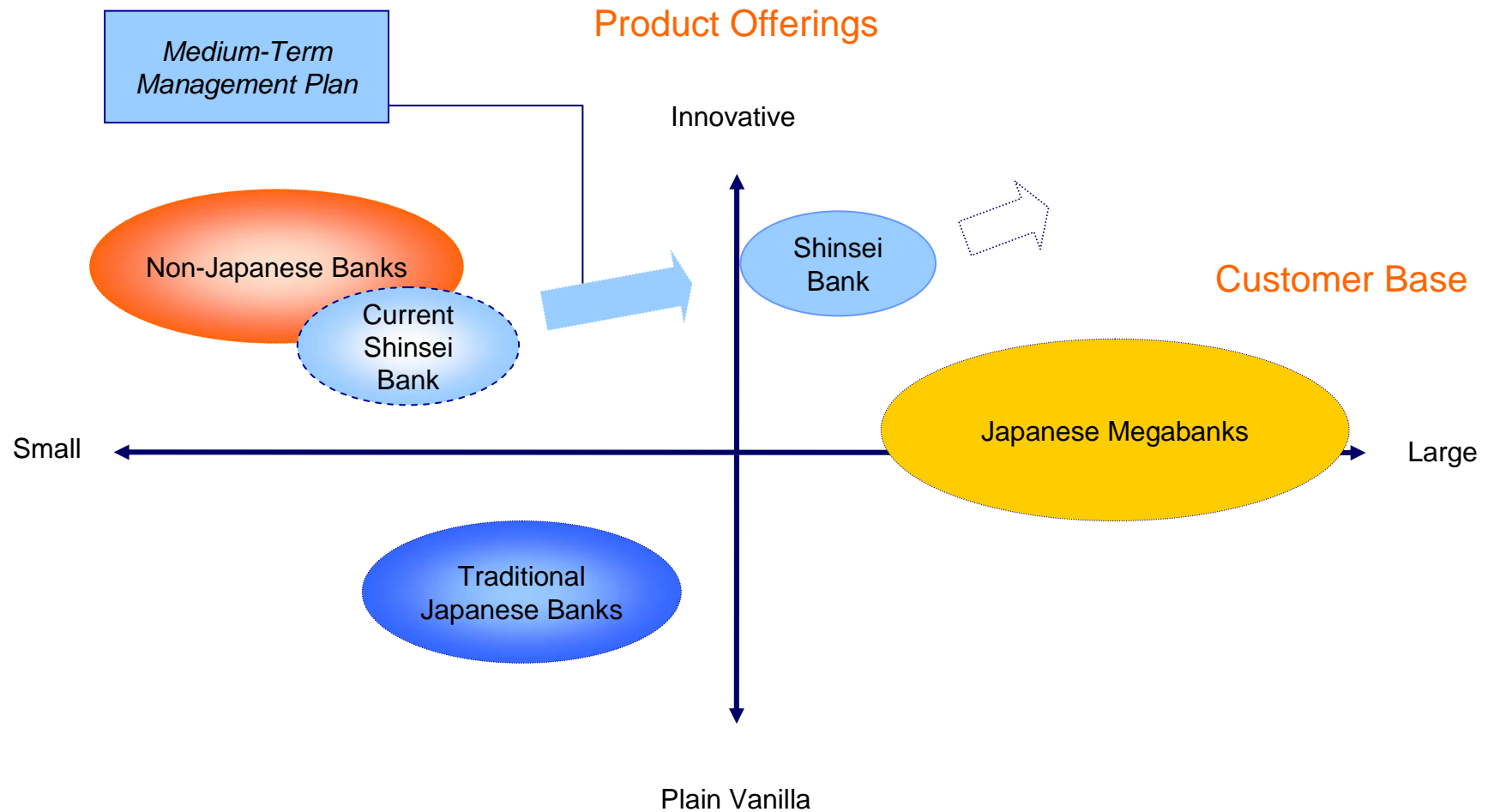


(Source) FSA report based on data provided by Japan Financial Services Association
¹ Market size estimates for March 2010 and March 2012 provided by Shinsei Financial



Medium-Term Management Plan (Fiscal year 2010 - Fiscal year 2012)

Further Enhance Strengths to Capture Unique Positioning Within Industry

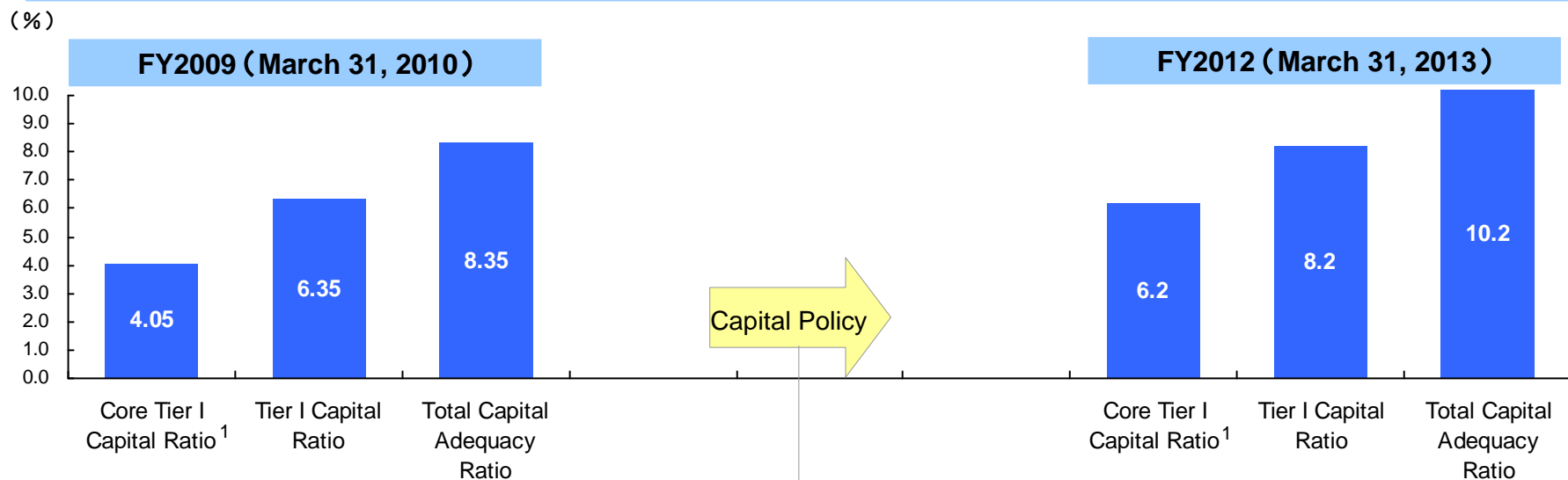


Medium-Term Management Plan (Fiscal year 2010 - Fiscal year 2012)

Capital Policy

Medium-Term Goal

Achieve total capital adequacy ratio of 10%, Tier I capital ratio of 8% and Core Tier I capital ratio of 6% by end of fiscal year 2012



Carry out measures to boost earnings and return to profitability

Capital strengthening measures

Reduce risk weighted assets and capital deductions by reducing non-core assets

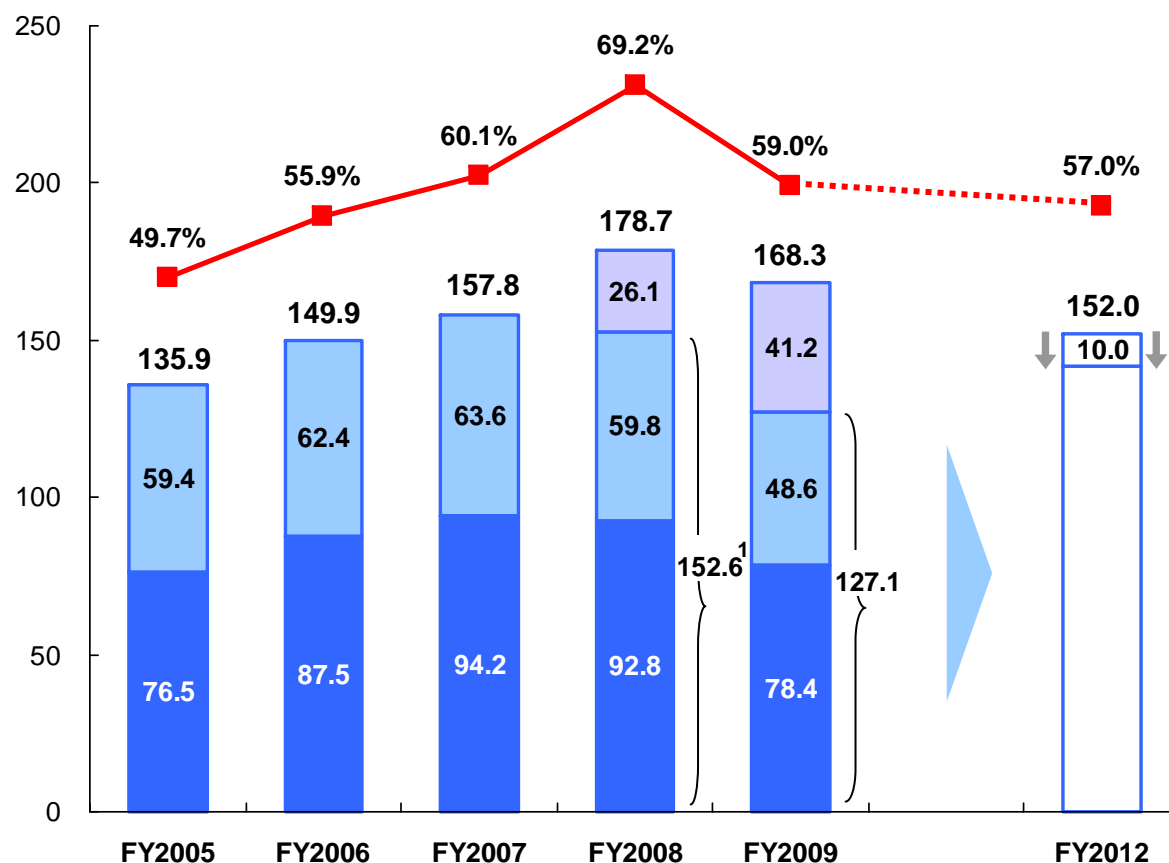
¹ (Tier I capital – preferred securities – preferred stock – deferred tax assets (net)) / Risk weighted assets

Medium-Term Management Plan (Fiscal year 2010 - Fiscal year 2012)

Further Cost Reduction Plans

(JPY billion)

General and Administrative Expenses



- Direct expenses of Shinsei Financial
- Personnel expenses (excluding Shinsei Financial)
- Non-personnel expenses (excluding Shinsei Financial)
- Expense-to-revenue ratio (including Shinsei Financial)

Cost Reduction Plans

- 16.3 billion yen cost reduction already incorporated to Medium-Term Management Plan (FY2010-FY2012)
- Aim to cut expenses by additional 10 billion yen during same period through:
 - Realignment of personnel
 - Efficiency improvements
 - Thorough review of non-personnel expenses

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

Medium-Term Management Plan (Fiscal year 2010 - Fiscal year 2012)

Fiscal Year 2012 Financial Targets

(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 Income (Loss)	- 140.1
Cash Basis Net Income (Loss)	- 53.7
Total Assets	11,377
Risk-Weighted Assets	7,722
Total Capital Adequacy Ratio	8.35%
Tier I Capital Ratio	6.35%
Core Tier I Capital Ratio¹	4.05%



FY2012 (March 31, 2013)

Total Revenue	265.0
General and Administrative Expenses	152.0
Ordinary Business Profit	113.0
Net Credit Costs	63.0
Net Income	32.0
Cash Basis Net Income	41.0
Total Assets	10,700
Risk-Weighted Assets	8,050
Total Capital Adequacy Ratio	10.2%
Tier I Capital Ratio	8.2%
Core Tier I Capital Ratio¹	6.2%

¹ Core Tier I capital ratio =(Tier I capital – preferred securities – preferred stock – deferred tax assets (net)) / Risk weighted assets

Medium-Term Management Plan (Fiscal year 2010 - Fiscal year 2012)

Fiscal Year 2010 Areas of Focus

(JPY billion)

Institutional Group

- Focus on expanding customer franchise
- Continued reduction of non-core business assets
- Further enhance the provision of appropriate solutions for corporate, financial institutions and the public sector customers, by leveraging our product development capabilities
- Group-wide efforts to provide capital, credit, consulting and staffing services to customers with restructuring needs and growth companies

Individual Group

- Retail Banking
 - ✓ Stabilize funding base and promote lower funding costs
 - ✓ Strengthen asset management business
 - ✓ Further strengthen housing loan business
 - ✓ Expand branch network
- Consumer Finance
 - ✓ Appropriate response to MLBL
 - ✓ Appropriate management of expenses and credit costs

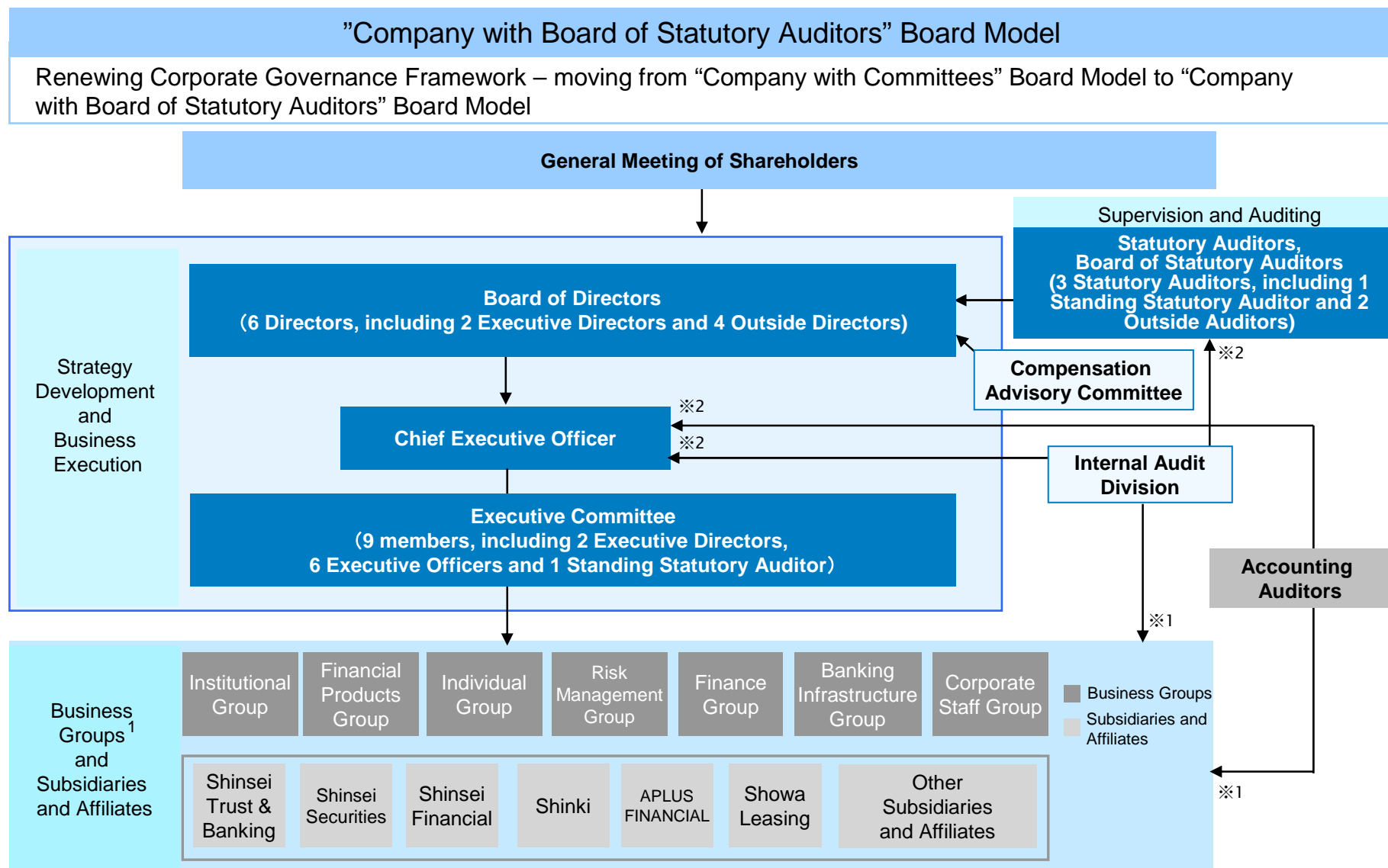
FY2010 (March 31, 2011)

Total Revenue	260.0
General and Administrative Expenses	160.0
Ordinary Business Profit	100.0
Net Credit Costs	66.0
Net Income	12.5
Cash Basis Net Income	23.6
Total Assets	10,600

(Non-consolidated) Ordinary Business Profit	32.0
(Non-consolidated) Net Income	10.0

New Management Framework

Moving to a “Company with Board of Statutory Auditors” Board Model



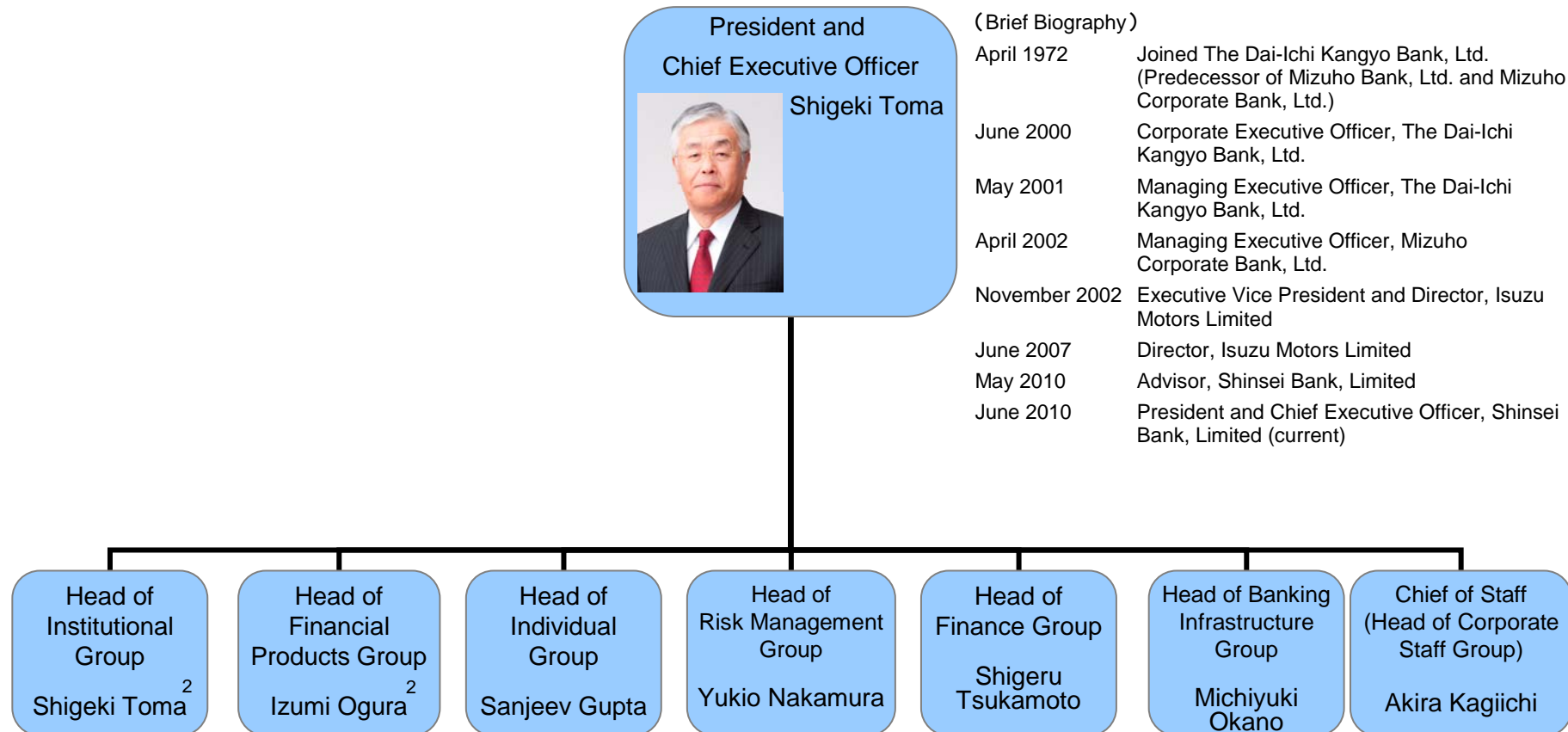
※1 Audit
※2 Report

¹ Organizational chart after the completion of the reform scheduled at the end of August 2010

New Management Framework

New Management Team

New Management Team¹



¹ Organizational chart after the completion of the reform scheduled at the end of August 2010

² Shigeki Toma and Izumi Ogura will act as joint head for both Groups within the Institutional Group, until the new Institutional Group and Financial Products Group are established.



Disclaimer

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