



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

Shinsei Bank, Limited
September 28, 2010



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

Reaffirming basic concepts of the original Medium-Term Management Plan

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, 7 billion yen lower than originally projected (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, 12 billion yen lower than originally expected (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, 14 billion yen lower than originally projected (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, 19 billion yen higher than originally projected (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, 19 billion yen higher than originally projected (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: 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 Targets¹: 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)

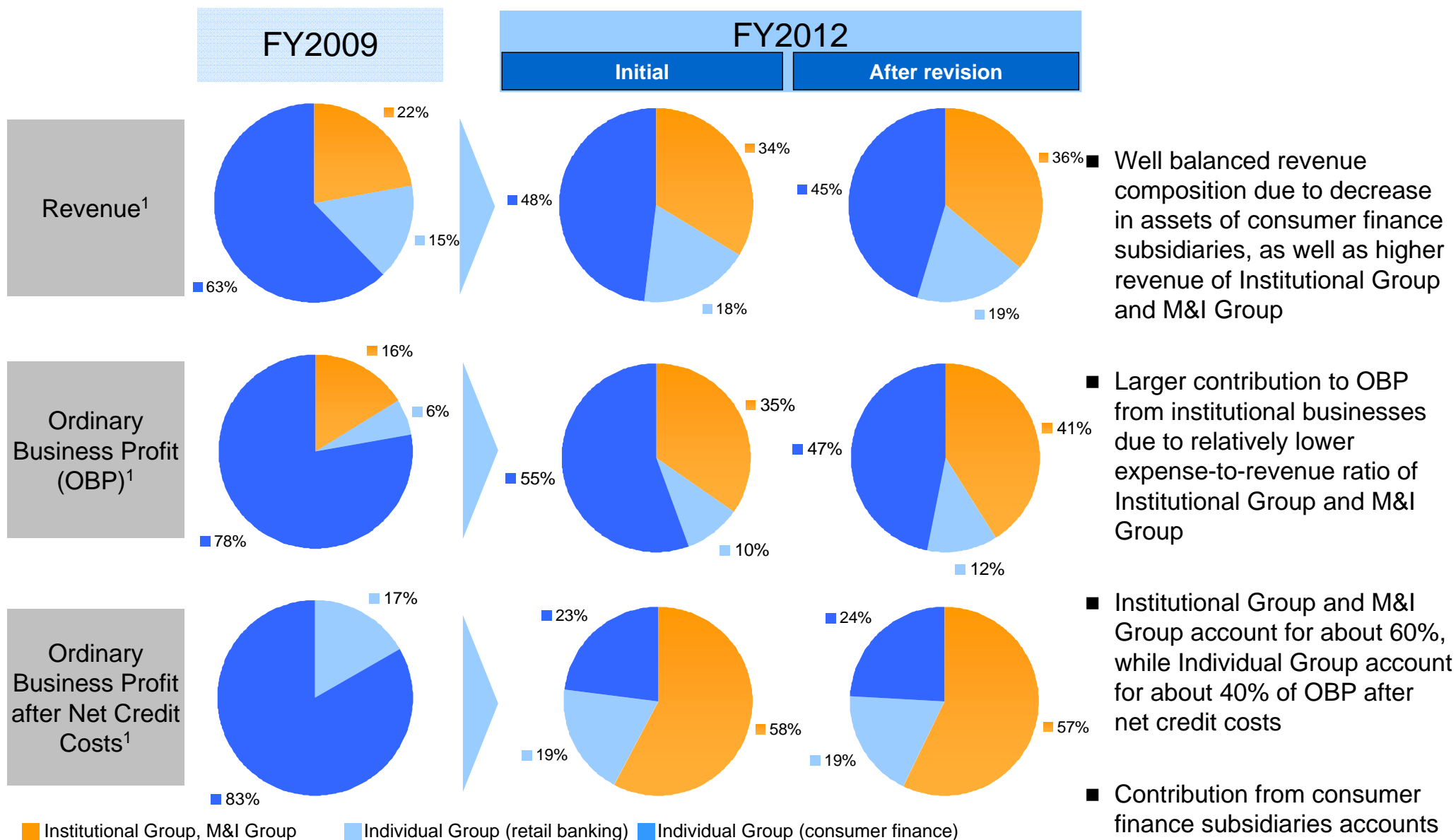
Institutional Group and MIG	6,720	6,660	-60
Individual Group	3,200	2,500	-700

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 Targets¹: 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

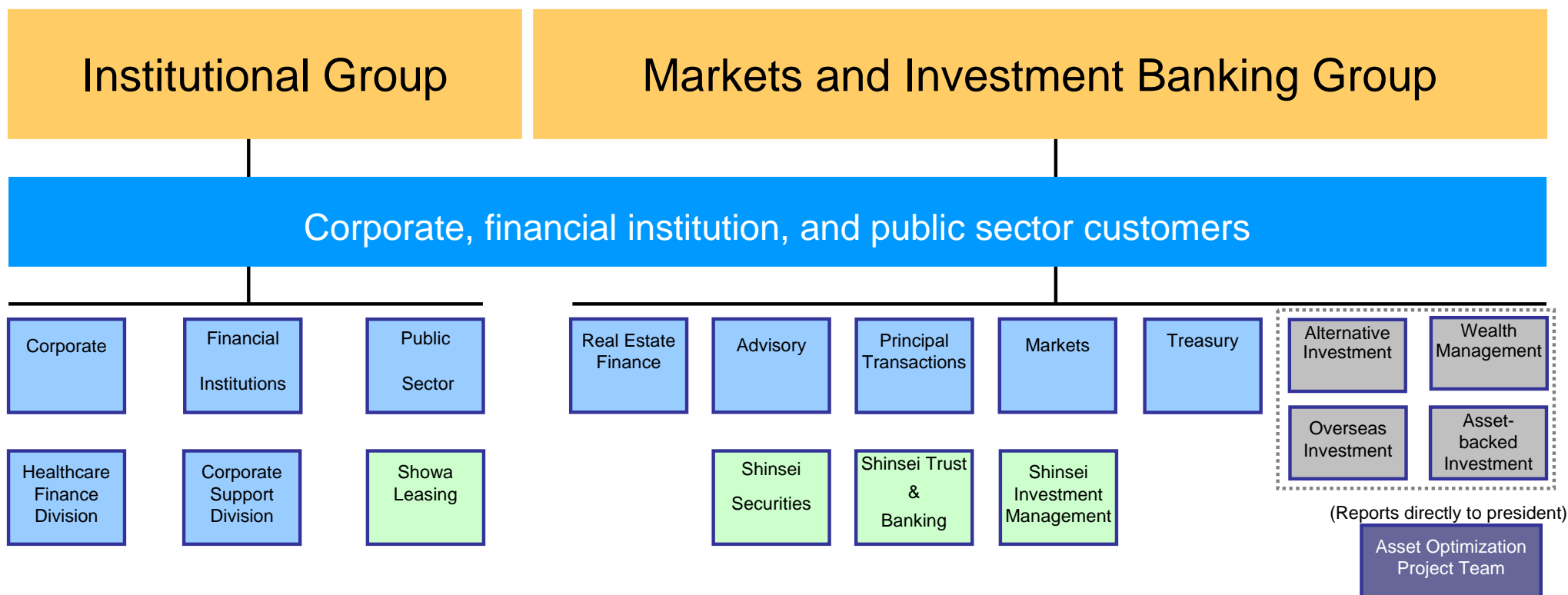
■ Institutional Group, M&I Group ■ Individual Group (retail banking) ■ Individual Group (consumer finance)

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

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

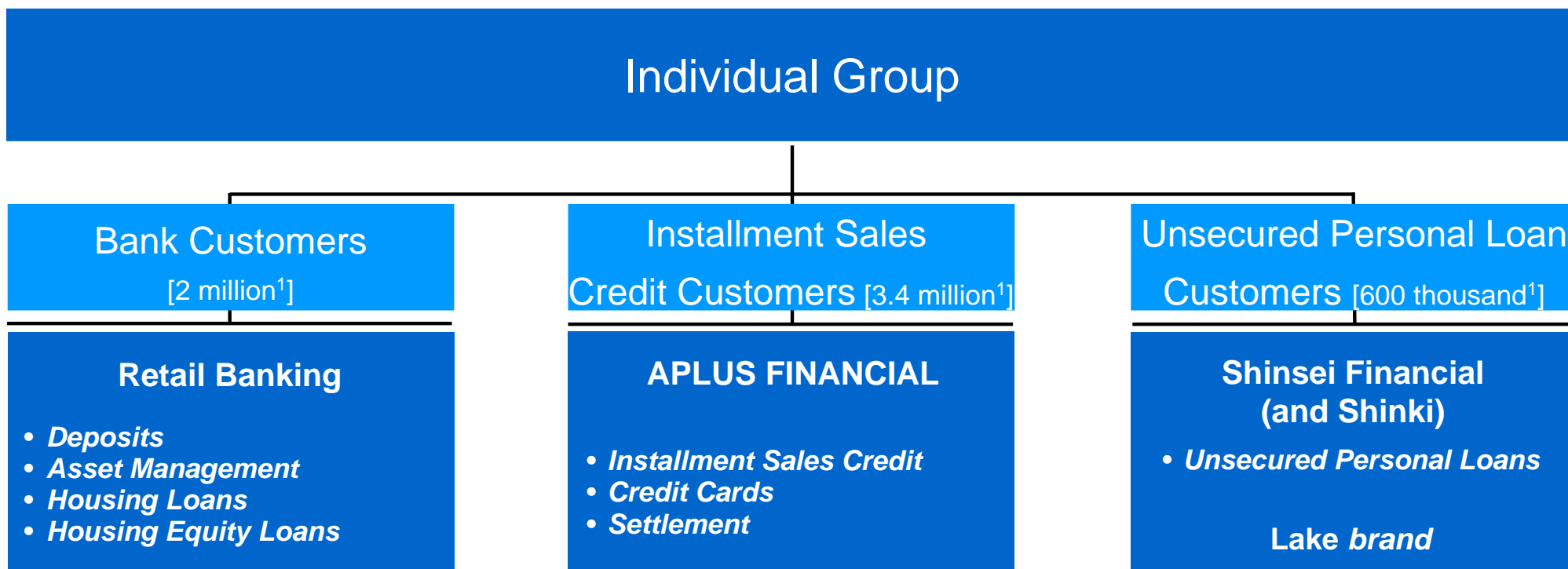
《Strategy in Asia》

- **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



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

【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**

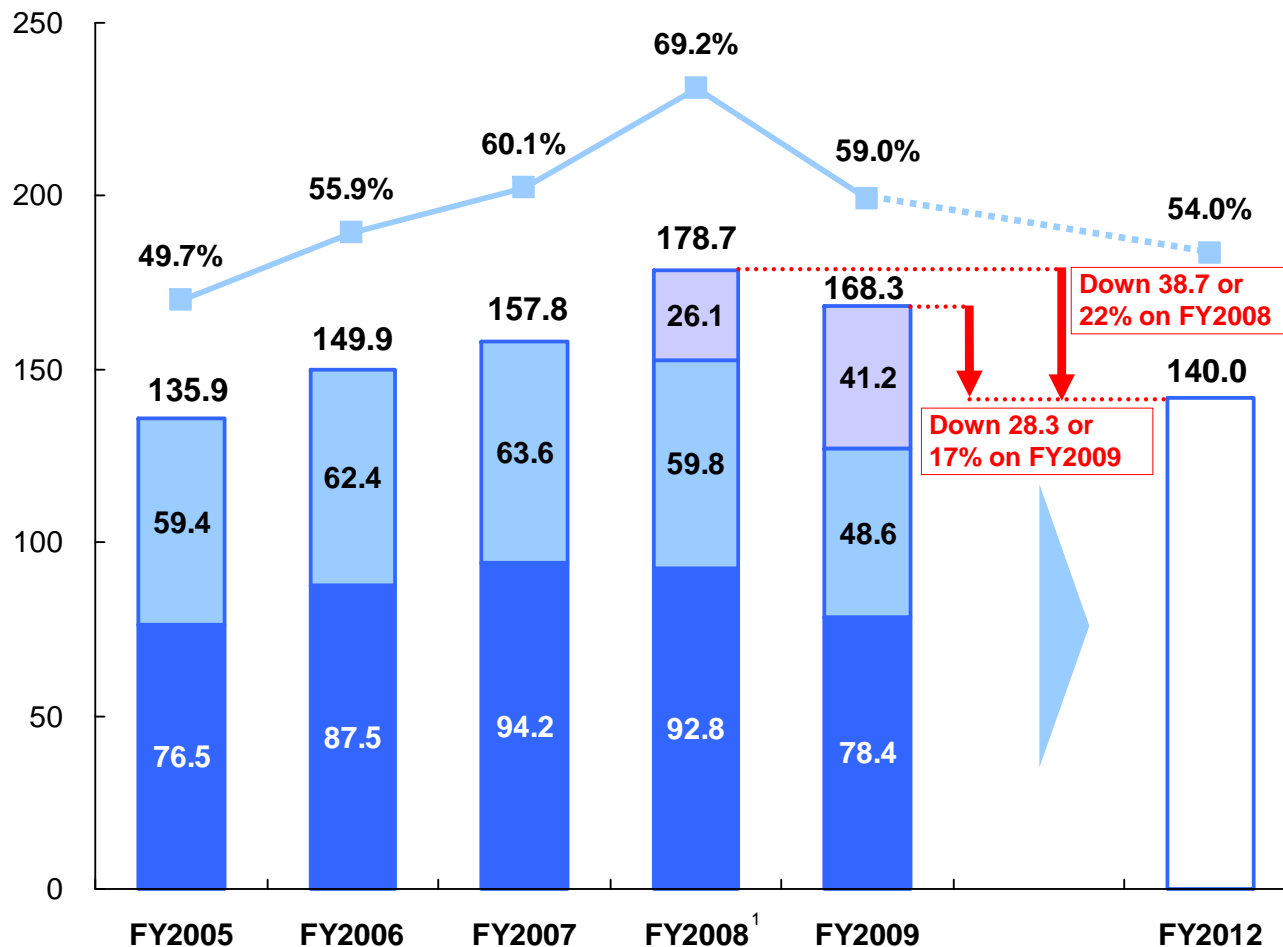
- Leverage screening capabilities and marketing know-how accrued at our Group companies and integrate into Bank to meet sound demand for personal loans
- Explore further synergy through efficient operations by standardizing Bank's and consumer finance subsidiaries' platforms
- Pursue fee businesses such 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)

Expense Reduction Plans



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

- 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

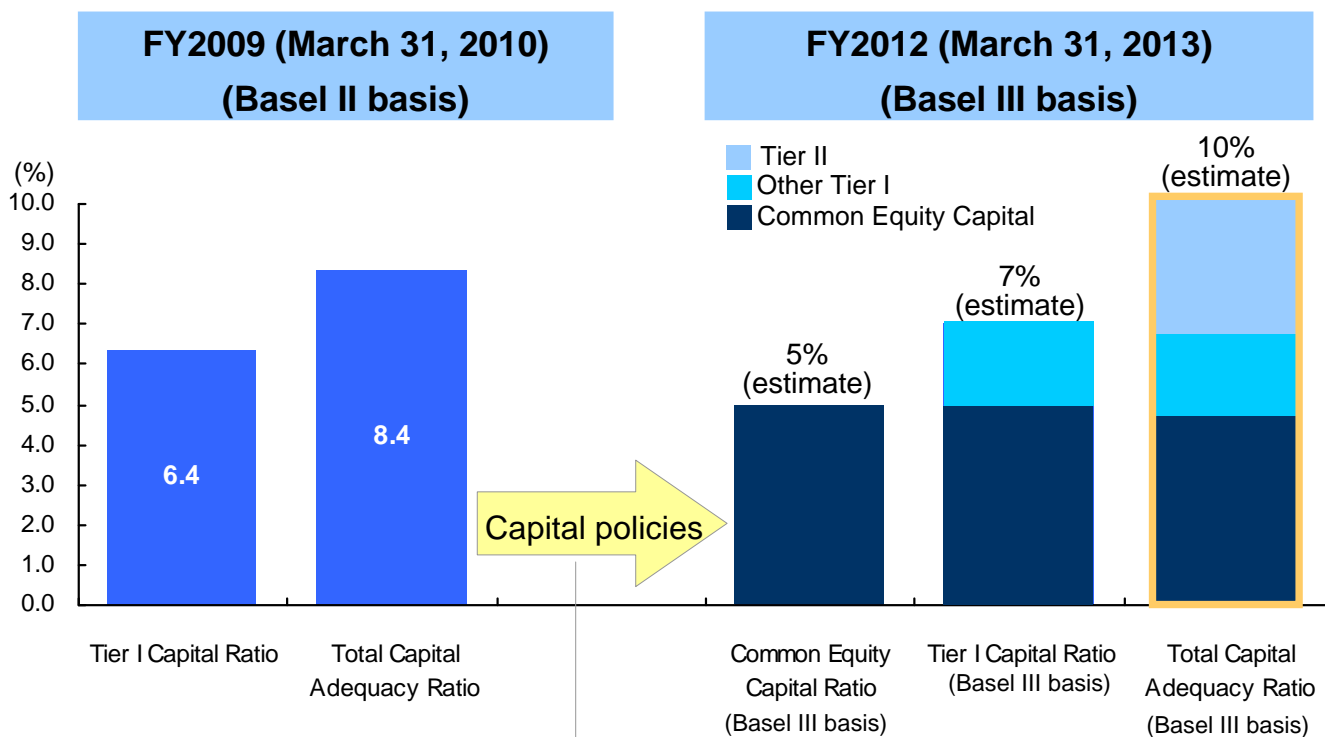
¹ Shinsei Financial's expenses were only included for six months of fiscal year 2008

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



- 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

(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

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

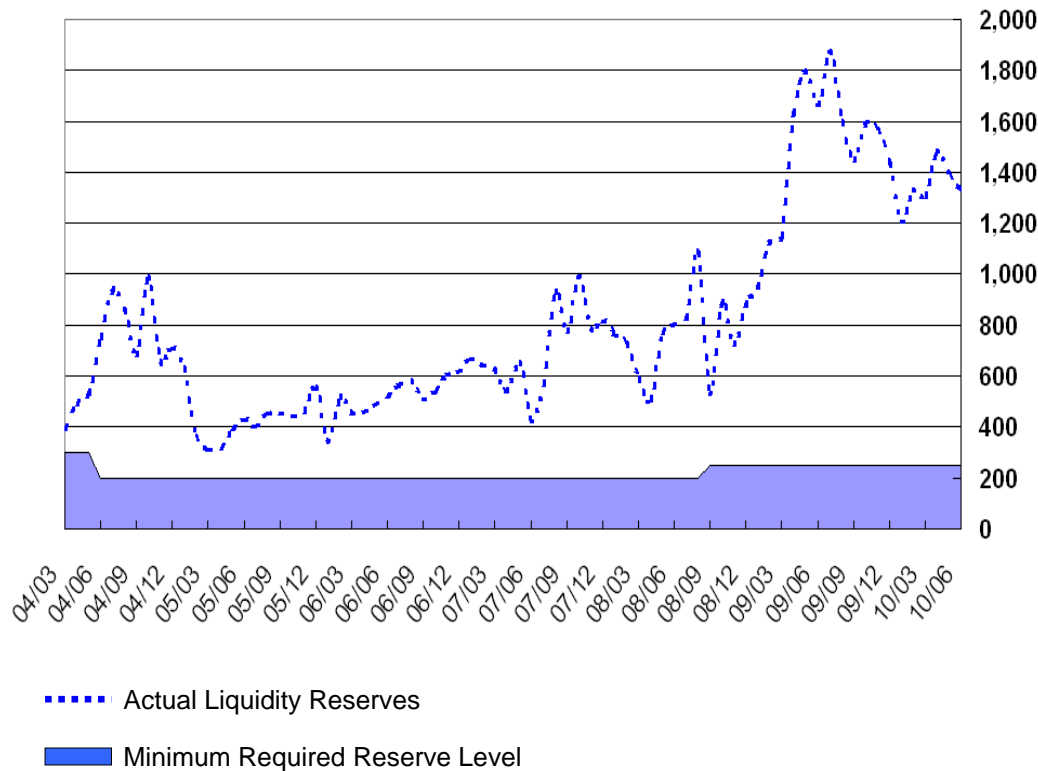
Comprehensive risk management

- 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

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

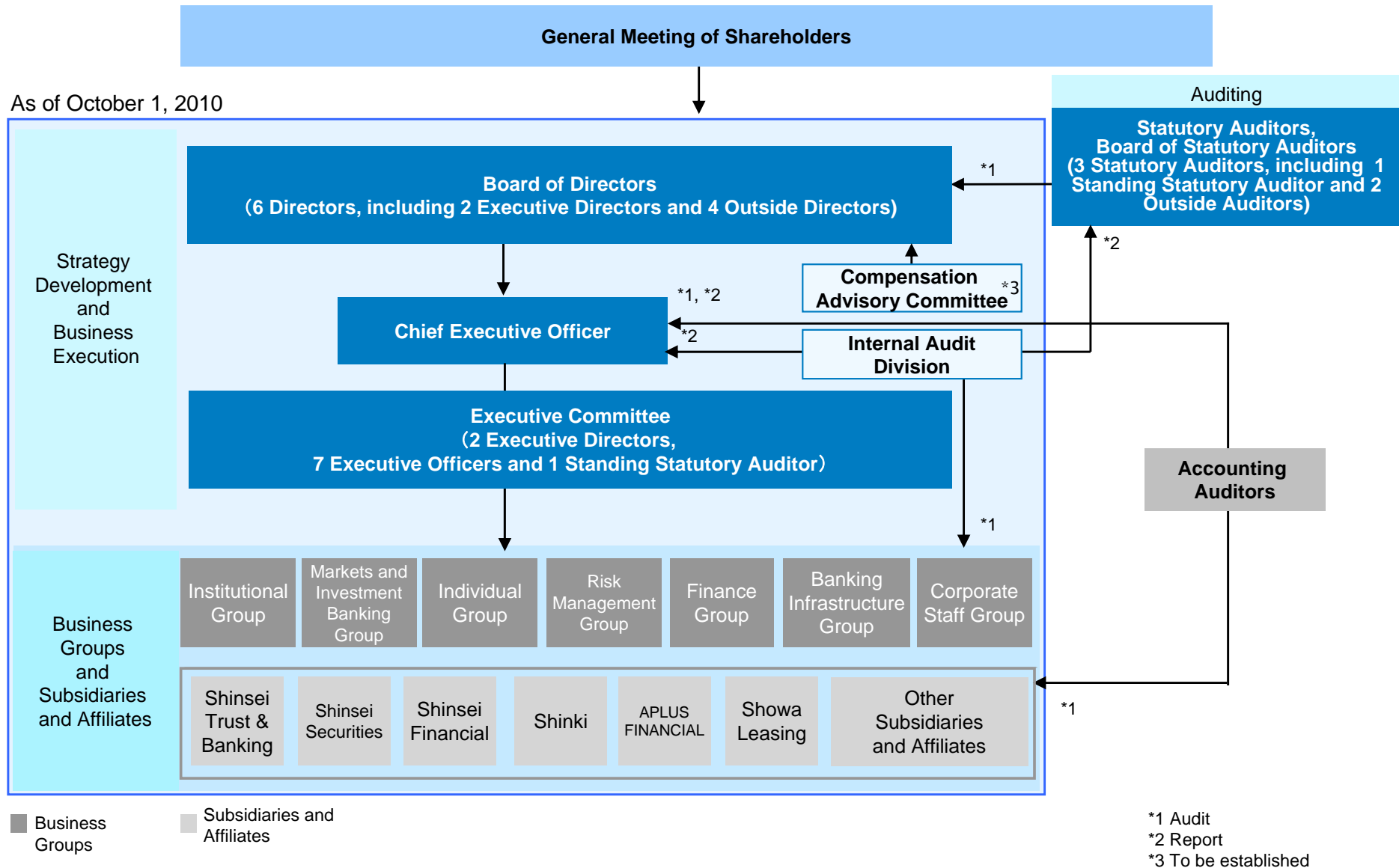
■ Liquidity Reserve Trends



- 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



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



Managing Executive Officer
Deputy Head of Institutional Group
Takao Matsuzaki

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

Executive Officer
Head of Consumer Finance Sub-Group
Shigeru Oishi

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

Executive Officer
General Manager Office of Corporate Secretary
Souichirou Hasegawa

Managing Executive Officer
General Manager, Osaka Branch
Norio Funayama

Executive Officer
Head of Advisory Sub-Group
Takashi Tsuchiya

Executive Officer
In charge of Human Resources Division
Masaharu Watanabe

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

Executive Officer
General Manager Corporate Planning Division
Masashi Yamashita



Appendix

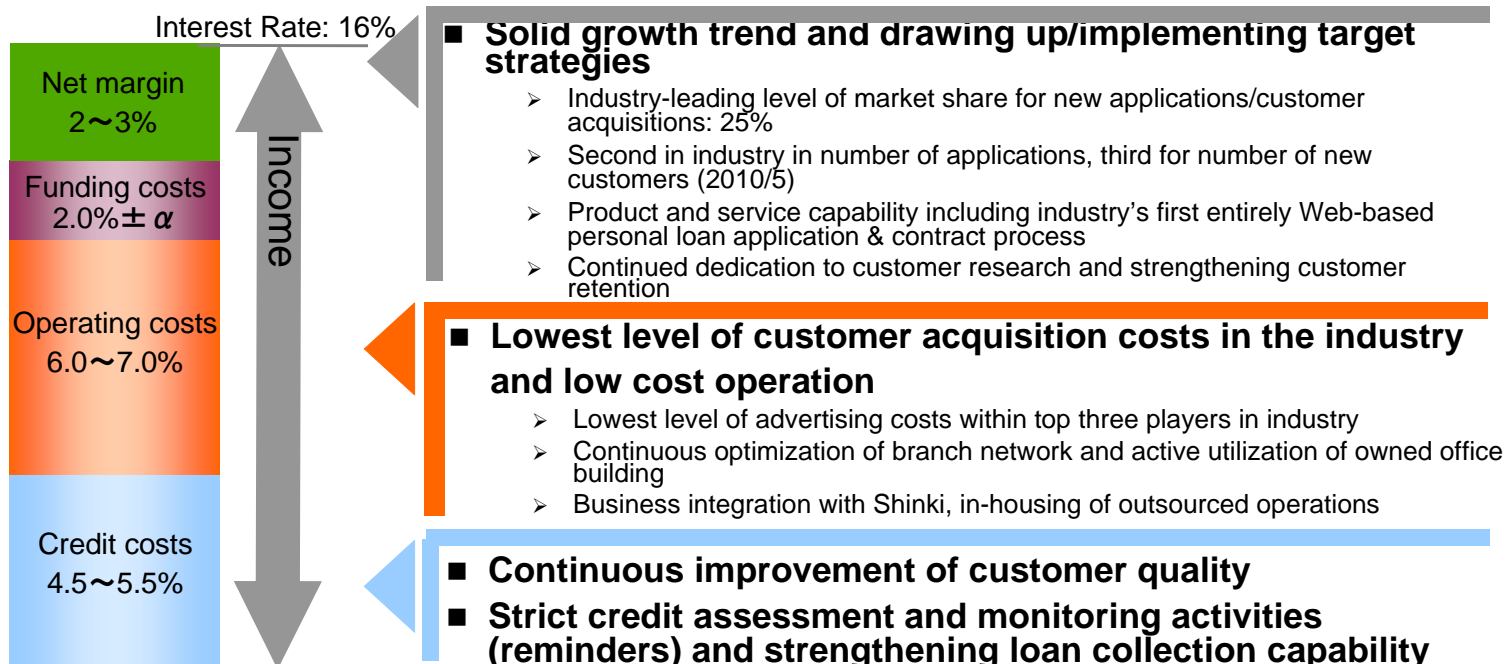
Revised Medium-Term Management Plan (Fiscal Year 2010 - Fiscal Year 2012)

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)

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 | ■ Efficient operations | ■ Advanced technology with Shinsei IT |
| ■ Established "Lake" Brand | ■ Limited grey zone risk | ■ 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

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 profitability of core business

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

Strengthen personal loans unique to sales finance company

APLUS FINANCIAL's Strength

- Consolidated subsidiary of a bank
- Track record in credit card, settlement business
- Consolidated back office
- APLUS brand/diverse customer base
- Opportunity to utilize Shinsei Bank's IT
- 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.
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¹Generally Accepted Accounting Principles