Strategic Initiatives

CLSA Japan 2007

February 26, 2007

Thierry Porté
President and Chief Executive Officer
Shinsei - A Different Kind of Japanese Bank

Our Strategic Approach

Business Strategy - Three Pillar Business Model

Approach to Risk Pricing

Capital Strategy

Financial Update and Forecast
A Different Kind of Japanese Bank

What Sets Us Apart

**Customer Focused**
- Empowered
- Value-Focused
- Flexible
- Open-Minded

**More Global Than Local Competition**
- Innovative Products
- Better Service
- Open Thinking
- Useful Network

**More Local Than Global Competition**
- Proud Heritage
- Long-Term Approach
- Decisions Made in Japan
- Japan First and Last

**Responsible to Shareholders and Society**
- Transparency
- High Standards
- Ethics and Integrity
- Measures and Rewards

Long Term Profitable Growth

**Established Three Pillar Strategic Business Model**

**Recognized and Appreciated Banking Approach**

**Strong Results Diversified Income Growing Profitable Customer Base**
## Shinsei’s Strategic Approach

### Business Enablers

<table>
<thead>
<tr>
<th>Customers and Brand</th>
<th>Our Challenge</th>
</tr>
</thead>
<tbody>
<tr>
<td>We need to continue building a brand based on customer loyalty and trust</td>
<td>Delivering service quality and value added solutions to customers while gearing up for expansion</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Innovation</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Continue to innovate in products, services and business models</td>
<td>Changing the culture to be more entrepreneurial while retaining risk awareness and financial control</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Technology</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>We need to leverage our advanced technological capabilities and improve our internal processes</td>
<td>Delivering improvements in efficiency and analytics to fund investment in new capabilities and expansion</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>People</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>We need to build and retain a highly motivated and skilled workforce with an entrepreneurial culture</td>
<td>Finding and motivating the right staff to deliver growth with control</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Growth</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Our growth strategy requires high level acquisition skills and trained integration teams “We are too small to be a slow mover!”</td>
<td>Implementing a high performance acquisition and integration process</td>
</tr>
</tbody>
</table>
Shinsei’s Strategic Approach

The diversified businesses face contrasting challenges

- **Customers**
  - Institutional Banking (IBG)
  - Retail Banking (RBG)
  - Consumer and Commercial Finance (CCF)

**Risk Management**

**Corporate Governance**

**Technology Platform**

- **Market Attractiveness**
  - High
  - Medium
  - Low

- **Competitive Strength**
  - Weak
  - Average
  - Strong

- **RBG: Build scale to leverage brand**
- **CCF: Growth through acquisitions**
- **IBG: Focus on profitable customers**
Overview of Consumer and Commercial Finance Subsidiaries

Consumer Solutions
- APLUS¹
- Shinki²

Small & Medium Business Solutions
- Showa Leasing³

Specialty Property Solutions
- Shinsei Property Finance
- Life Housing Loan

Revenue and Ordinary Business Profit (OBP)⁴

<table>
<thead>
<tr>
<th></th>
<th>1H FY2005</th>
<th>1H FY2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>57.6</td>
<td>60.7</td>
</tr>
<tr>
<td>OBP</td>
<td>27.8</td>
<td>25.7</td>
</tr>
<tr>
<td>OBP after net credit costs</td>
<td>11.2</td>
<td>5.5</td>
</tr>
</tbody>
</table>

¹ APLUS was consolidated in September 2004, contributing to Shinsei since 2HFY2004
² Shinki is an equity-method affiliate, Shinsei ownership 36.4%
³ Showa Leasing was consolidated in March 2005, contributing to Shinsei since FY2005
⁴ Management accounting basis
APLUS’ Core Strengths

- Shopping & Credit Card Platform
- Servicing
  - Credit view
  - Operational management
  - Collection
- Shinsei Group’s Technology and Network

APLUS Business Transformation

- Revised Reserve Level\(^1\)
  - JPY 10 Billion reserve for grey zone interest refund
  - JPY 51 Billion reserve for credit losses
- Drastic Revision of Cost Structure
  - Reduction of expenses (slimmer/flatter divisional structure, voluntary early retirement program, etc.)
  - Curb on credit costs
- Reformation of the Business Model and Revenue Structure
  - Structure reform of the main business following the amended Money Lenders Law
  - Strengthen relationships with mutually valuable partners
  - Business expansion via new products/services, new partners
- Cultural Reform
  - Place top priority on the frontline (business promotion, collection, etc.)

Shinsei’s Commitment

- Management Changes
  - Deployment of key senior managements
  - President & CEO: Clark Graninger, currently Head and Chief Executive of IBG at Shinsei
  - Chairman: Junji Sugiyama, currently Chairman of Shinsei, assumes additional responsibility
- Capital Injection
  - APLUS maintains sound capital base

Towards Efficient and Sustainable Business Model as the Core CCF Subsidiary

- Targeting positive earnings in FY2007 and return to normalized profitability by FY2009
- Strong and clean operational base to encounter new lending interest limits implementation
- Stable revenue source for Shinsei

\(^1\) For the end of March, 2007 forecast
Showa Leasing has an increasingly strong presence in the SME market

Showa Leasing: Attractive SME Platform

- Major general and automobile leasing company
- Significant customer base
  - Over 37,500 business customers
  - Over 250 dealer partners
- Enhancing SME loan business
  - Merged Shinsei Business Finance into its platform to achieve further scale

Credit Rating (JCR)

- A- / J-1
  (March 2005)

Trend of Leasing Assets and Installment Payments Receivable

(1) As of September 30, 2006
(2) All figures presented above are Showa Leasing’s disclosed non-consolidated financials (numbers rounded)
## Transformation towards a new business model

### Key Issues

- **Consumer** (JPY 1.8 trillion of Total Assets)
  - Changing Money Lending Law and increased industry scrutiny

- **Commercial** (JPY 0.5 trillion of Total Assets)
  - Anticipated lease accounting changes

- **Property** (JPY 0.15 trillion of Total Assets)
  - Mega banks recovery and new market entrants

### Actions

- Increasing Shinsei management support
- Accelerating APLUS transformation to become leading Shinpan partner
- Significantly reducing both operating and credit costs at APLUS and Shinki
- Focusing development resources on long-term mutually beneficial partnerships

- SME concentration should minimize impact
- Growth via product line expansion
- Further industry consolidation possible

- Consistent execution has led to strong growth
- Projecting to exceed FY06 earnings target
- Future growth from product expansion
A hybrid banking model with diversified revenue streams
Continued rating upgrades and demand for funds contributed to loan growth

Revenue Breakdown by Products

<table>
<thead>
<tr>
<th>Product</th>
<th>FY2004</th>
<th>FY2005</th>
<th>1HFY2005</th>
<th>1H FY2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional Loans Outstanding 1</td>
<td>97.0</td>
<td></td>
<td>116.6</td>
<td></td>
</tr>
<tr>
<td>Corporate Loans 2</td>
<td>16.7</td>
<td>18.9</td>
<td>14.6</td>
<td>15.8</td>
</tr>
<tr>
<td>Credit Trading</td>
<td>15.8</td>
<td>15.2</td>
<td>12.6</td>
<td>7.8</td>
</tr>
<tr>
<td>Securitization</td>
<td>7.8</td>
<td>6.0</td>
<td>14.7</td>
<td>14.7</td>
</tr>
<tr>
<td>Other Capital Markets</td>
<td>7.7</td>
<td>7.1</td>
<td>5.9</td>
<td>8.1</td>
</tr>
<tr>
<td>Other Product Loans</td>
<td>7.7</td>
<td>7.1</td>
<td>4.3</td>
<td>3.7</td>
</tr>
<tr>
<td>Non-recourse loans (Equity related)</td>
<td>2.6</td>
<td>3.8</td>
<td>4.3</td>
<td>3.7</td>
</tr>
<tr>
<td>Forex, Derivatives, Equity related</td>
<td>9.4</td>
<td>11.2</td>
<td>8.6</td>
<td>8.6</td>
</tr>
<tr>
<td>Non-recourse loans</td>
<td>11.2</td>
<td>8.6</td>
<td>10.2</td>
<td>3.7</td>
</tr>
<tr>
<td>Corporate Loans</td>
<td>52.8</td>
<td>55.2</td>
<td></td>
<td></td>
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<tr>
<td>Credit Trading</td>
<td>9.4</td>
<td>11.2</td>
<td>8.6</td>
<td>8.6</td>
</tr>
<tr>
<td>Securitization</td>
<td>11.2</td>
<td>8.6</td>
<td>10.2</td>
<td>3.7</td>
</tr>
<tr>
<td>Other Capital Markets</td>
<td>8.6</td>
<td>8.6</td>
<td>6.6</td>
<td>6.6</td>
</tr>
<tr>
<td>Other Product Loans</td>
<td>11.2</td>
<td>11.2</td>
<td>4.4</td>
<td>4.4</td>
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<tr>
<td>Non-recourse loans (Equity related)</td>
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<td>7.0</td>
<td></td>
<td></td>
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<td>Non-recourse loans</td>
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<td>7.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate Loans</td>
<td>55.2</td>
<td>55.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit Trading</td>
<td>8.6</td>
<td>8.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Securitization</td>
<td>8.6</td>
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<td></td>
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<tr>
<td>Other Capital Markets</td>
<td>8.6</td>
<td>8.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Product Loans</td>
<td>8.6</td>
<td>8.6</td>
<td></td>
<td></td>
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</table>

Institutional Loans Outstanding 1

<table>
<thead>
<tr>
<th>Period</th>
<th>Mar-04</th>
<th>Mar-05</th>
<th>Mar-06</th>
<th>Sep-06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Recourse Loans Outstanding</td>
<td>2,492</td>
<td>576</td>
<td>2,852</td>
<td>3,103</td>
</tr>
<tr>
<td>Corporate Loans Outstanding</td>
<td>59</td>
<td>63</td>
<td>162</td>
<td>202</td>
</tr>
<tr>
<td>Non-Recourse Loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate Loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 Management accounting basis
2 Includes balance sheet and specialty finance loans
3 Includes revenue of private equity, real estate principal investment and corporate revitalization activities
4 Largely includes income on CDO investments
5 Mainly includes revenue of Shinsei Trust, corporate advisory and asset management
Focusing on our Key Client relationships and leveraging through cross-selling of innovative products and solutions.

**Client Coverage Strategy – Adding higher Value**

- **Account Segmentation**
  - Key
  - Priority
  - General

- **Our Customer Focus**
  - 90% of focus spent on approximately 2,000 customers
  - 10% on over 2,000 other customers

**Divisional Cross-selling of Products**

- **Universe of Relationships**
  - Corporates
  - Financial Institutions
  - Real Estate
  - Public Sector

- **Growth Areas**
  - New Securitization Asset Classes
  - Loan Syndication
  - Capital Markets Distribution
  - Wealth Management
  - Asset Management

- **Stable Base**
  - Securitization
  - Non-recourse Loans
  - Credit Trading
Our international strategy is to leverage our expertise proven in Japan to areas of growth.

**South Korea**
Joint venture with Woori F&I, a wholly owned subsidiary of Woori Financial Group, for non-performing loans business.

**Taiwan**
Continue to make progress with our investment in Jih Sun Financial Holdings. Shinsei is providing restructuring, credit and product support.

**India**
A new asset management partnership with UTI Asset Management Company, one of the largest and oldest mutual fund managers in India. Shinsei offers Japanese investors UTI’s investment products through Shinsei Investment Management.

**UK (London)**
The hub of our international Asset Backed Investment (ABI) activity - this portfolio continues to grow in Europe. Also, established a small but growing franchise to originate MTNs from European issuers and place with our client base in Japan.

**Germany**
Measurable steps with our partners with regard to our servicing platform SGK - which is now operational. A significant new transaction with Aareal Bank (approximately EUR 1.4 BN).
Focusing on growth businesses and customer relationships

**Key Issues**

- Products per relationship still low
- Corporate lending margins still under pressure
- Slower than expected revenue growth from new fee based franchises (Asset/Wealth Management, Healthcare, M&A)
- Limited product offering in the capital markets

**Actions**

- Continue intensive focus on client profitability, products per relationship and client segmentation
- More senior resources available to cover key relationships
- Created new business development group to win new clients and improve overall relationship mix
- Strengthening securities firm as primary provider of capital markets solutions
- Created management structure to increase co-work between Financial Institutions and Public Sector
Retail Banking

Strong brand based on innovation and quality customer service

Nationwide Retail Banking Recognition

- #1 in Customer Satisfaction Ranking 2004, 2005 and 2006 (Nihon Keizai Shimbun)
- Good Design Award 2005 for “32 Color Cash Cards”

Revenue Breakdown by Products¹

<table>
<thead>
<tr>
<th>Year</th>
<th>Deposit and Debentures</th>
<th>Net Interest Income</th>
<th>Loans</th>
<th>Asset Management</th>
<th>Deposit and Debentures</th>
<th>Net Interest Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2004</td>
<td>16.5</td>
<td>18.3</td>
<td>1.9</td>
<td>6.0</td>
<td>12.9</td>
<td>7.4</td>
</tr>
<tr>
<td>FY2005</td>
<td>21.5</td>
<td>19.5</td>
<td>3.2</td>
<td>3.8</td>
<td>13.3</td>
<td>6.9</td>
</tr>
<tr>
<td>1H FY2005</td>
<td>19.5</td>
<td>18.3</td>
<td>1.5</td>
<td>3.2</td>
<td>9.8</td>
<td>6.8</td>
</tr>
<tr>
<td>1H FY2006</td>
<td>19.5</td>
<td>18.3</td>
<td>1.5</td>
<td>3.2</td>
<td>9.8</td>
<td>6.8</td>
</tr>
</tbody>
</table>

¹ Management accounting basis
Revenue growth through customer acquisition and cross-selling

Growth in AUM¹ and Number of “PowerFlex” Accounts

- **Growth in “PowerFlex” Housing Loan Accounts (Thousand)**
  - Mar-01: 1,200
  - Mar-02: 1,800
  - Mar-03: 2,400
  - Mar-04: 3,000
  - Mar-05: 3,600
  - Sep-06: 4,200

- **Growth in AUM (Trillion)**
  - Mar-01: 1.0
  - Mar-02: 2.0
  - Mar-03: 3.0
  - Mar-04: 4.0
  - Mar-05: 5.0
  - Sep-06: 6.0

¹ Assets under management
² Including other insurance products
Growth in asset business and internet presence as sales channel

Number of Customer Contact by Channel

- FY2001: 0
- FY2002: 0
- FY2003: 1
- FY2004: 4
- FY2005: 5
- 1H FY2006: 5

Mutual Fund sales through the Internet Channel

- FY2003: 0
- FY2004: 20
- FY2005: 80
- Dec-06 (9 months): 80

1 Monthly average data
Focus on enhancing customer base profitability

**Key Issues**

- Market uncertainty post zero-interest period leading to reduced customer traffic
- Increased competition
- Increasing commoditization of Mortgages
- Absence of Credit and Loan products to service younger customers
- Customer preferences shift away from Structured Deposits, traditionally our leading product category

**Actions**

- Continue to build brand differentiation through superior customer service delivery
- Focus on high value customer segments (e.g., Baby Boomers/Working Women)
- Achieve deeper customer engagement through needs-based cross-sell
- Improve consultation skills to facilitate growth of Investment products (eg. Mutual Funds/Annuities)
- Co-work with other business units to strengthen and expand the Mortgage portfolio and introduce Credit/Loan products
- Use the outcomes of completed cost analysis to significantly reduce expense/revenue ratio whilst reallocating some expense saves to revenue producing activities
Shinsei leads in Japan in implementing the systems and organization to facilitate a portfolio approach for managing the Bank. Banks that have followed a similar path have delivered superior returns to their investors.

<table>
<thead>
<tr>
<th>Shinsei’s portfolio management system</th>
<th>Shinsei’s organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Relies on quantitative risk models</td>
<td>• Results in improved return/risk portfolio performance through centralization of credit portfolio management</td>
</tr>
<tr>
<td>• Measures portfolio diversification across the entire bank</td>
<td>• Separates credit risk and business management leading to stable, growing cash flow streams</td>
</tr>
<tr>
<td>• Facilitates efficient capital allocation and better risk-based transaction pricing</td>
<td>• Facilitates performance-based compensation programs aligning business development with share price performance</td>
</tr>
</tbody>
</table>
Approach to Risk Pricing
The Importance of a Comprehensive Analytical Framework

- Shinsei uses quantitative models for stand-alone risk assessment
- Target is to model all asset classes in the same framework

- Relevant risk drivers for each asset class are determined based on collected data
- Portfolio impact determined by the stand-alone risk, correlation, and concentration of each exposure
- Portfolio is modeled in a factor-based, simulation environment to determine a portfolio loss distribution
- Current technology reflects global best practice

- Risk capital is calculated to evaluate portfolio impact of each transaction
- Return per unit of risk capital will become the basis for compensation program
- Sharpe ratio (return per unit of contribution to portfolio volatility) and Vasicek ratio (return per unit of portfolio tail risk contribution) are part of evaluation process
• On a gross basis, the “turnover” of our capital base is 101%; On a net basis, we have completed public issuances totaling 55% of our capital base
• Higher capital ratios allowed public funds repayment, while achieving target capital ratios

**Capital Strategy**

On a gross basis, the “turnover” of our capital base is 101%; on a net basis, we have completed public issuances totaling 55% of our capital base. Higher capital ratios allowed public funds repayment, while achieving target capital ratios.

**Capital Raising since October 1, 2005 to December 13, 2006 vs. Total Capital as of September 2005**

**Total Capital Ratio and Tier I Ratio**

**Source:** Company Disclosure, Bloomberg
Our results for the first nine months of this fiscal year have been significantly impacted by the current situation affecting the consumer finance industry.

### Fiscal 2006 Forecast

Additional credit and restructuring expenses at Shinsei Bank’s consumer finance businesses, to be booked in the fourth quarter of fiscal year 2006, will lead to a reported net income forecast for fiscal year 2006 of 40.0 billion yen (prior to potential impairments).

### Revenue Growth

<table>
<thead>
<tr>
<th>Fiscal Quarter</th>
<th>Revenue Growth (JPY Billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3Q FY2005</td>
<td>203.5</td>
</tr>
<tr>
<td>3Q FY2006</td>
<td>215.7</td>
</tr>
</tbody>
</table>

### Ordinary Business Profit (OBP)

<table>
<thead>
<tr>
<th>Fiscal Quarter</th>
<th>Ordinary Business Profit (OBP) (JPY Billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3Q FY2005</td>
<td>102.0</td>
</tr>
<tr>
<td>3Q FY2006</td>
<td>103.2</td>
</tr>
</tbody>
</table>

### Ordinary Business Profit after Net Credit Costs

<table>
<thead>
<tr>
<th>Fiscal Quarter</th>
<th>Ordinary Business Profit after Net Credit Costs (JPY Billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3Q FY2005</td>
<td>79.2</td>
</tr>
<tr>
<td>3Q FY2006</td>
<td>83.6</td>
</tr>
</tbody>
</table>

### Reported Net Income

<table>
<thead>
<tr>
<th>Fiscal Quarter</th>
<th>Reported Net Income (JPY Billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3Q FY2005</td>
<td>59.6</td>
</tr>
<tr>
<td>3Q FY2006</td>
<td>47.1</td>
</tr>
</tbody>
</table>

1. All figures where applicable, compared to first nine months of fiscal year 2005 (3QFY2005)
2. Management Accounting Basis
3. Cash basis excludes amortization of total intangibles
The above 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 and are subject to risks and uncertainties.

Actual results may differ materially from those in such forward-looking statements as a result of various factors.

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 financial information is shown on a consolidated basis.

Information concerning financial institutions other than the Company and its subsidiaries are based on publicly available information.

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\(^1\) Generally Accepted Accounting Principles
Color your life