SHINSEI BANK

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For Immediate Release

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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 is a leading diversified Japanese financial institution providing a full range of financial products and services to both institutional and individual customers. The Bank has total assets of 10.9 trillion yen (US$123.5 billion) on a consolidated basis (as of June 2010) and a network of 41 outlets that includes 30 branches and 11 annexes in Japan. Shinsei Bank demands uncompromising levels of integrity and transparency in all its activities to earn the trust of customers, staff and shareholders. The Bank is committed to delivering long-term profit growth and increasing value for all its stakeholders.
News and other information about Shinsei Bank is available at http://www.shinseibank.com/english/index.html

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