

Shinsei Bank – Successful turnaround and expanding its business in Central Europe

What is the history of Shinsei Bank?

In October 1998, the Long-Term Credit Bank of Japan, the predecessor of Shinsei Bank, was temporarily nationalized under the provisions of the Financial Revitalization Law. While in nationalization, the bank implemented management policies to fully resolve its non-performing loan issues and undertake the rationalization of its operations. In March 2000, ownership of the bank was transferred to New LTCB Partners, an investor group established by influential financial institutions in Europe and the United States. The temporary nationalization ended June 5, 2000, the bank's name was changed to Shinsei Bank, Limited.

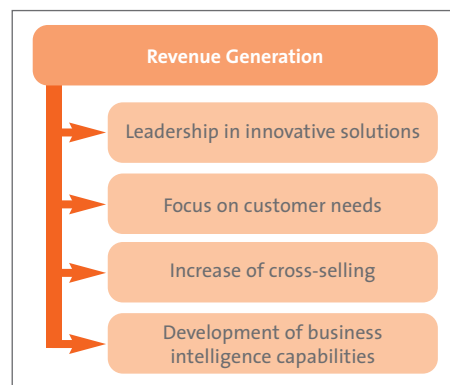


Figure 1: Approach to the revenue generation of Shinsei Bank

What did you do to transform the bank?

Shinsei now is recognized as one of the most impressive turnaround stories in Japan. The key focus was on building a platform which, among other things, involved:

- Creating a dedicated group to work out the \$20B+ of non-performing loans.
- Establishment of a PC and server based scalable technology platform that does not utilize a mainframe.
- Major hiring efforts to attract talent and experience.
- The establishment of a retail bank.
- Creation of a solutions based business model for institutional banking.

Also, following the IPO in 2004, Shinsei entered a phase of revenue generation focusing on quality and diversification of earning streams. In doing so, Shinsei Bank (see Figure 1):

- Became a leader in innovative solutions such as Non-Recourse Lending and Securitization and established Consumer and Commercial Finance as a third strategic business pillar to complement the existing Institutional Banking and Retail Banking Groups.
- Focused on customer needs by integrating product specialists with relationship managers.



Clark D. Graninger, Executive Vice President, Head of Institutional Banking Group Shinsei Bank, Tokyo

- Increased cross-selling to both institutional and retail customers.
- Developed business intelligence capabilities, including customer segmentation using customer relationship management systems.

What is new in institutional banking?

Shinsei's Institutional Banking Group is a unique hybrid investment and corporate banking model that offers an integrated and customer-focused approach in which product specialists and customer relationship managers work together to provide not only corporate loans but also value-added solutions to our institutional customers. Those innovative solutions include securitization, credit trading, non-recourse lending to new growth areas such as capital markets distribution, loan syndication, asset management, and wealth management.

What is new in retail banking?

Shinsei's retail banking offers unique customer-focused value with innovative products, flexible and convenient service and an efficient "bricks and clicks" distribution model. The distribution model has enabled rapid customer growth to take place mainly through cost-efficient remote channels while allowing

branches to focus on providing personal and financial advice and handling higher value transactions.

How is the bank positioned today?

As previously mentioned, we have developed three strategic business pillars; Institutional Banking, Retail Banking, and Consumer and Commercial Finance. It is clearly a different type of Japanese bank. We pride ourselves on being more global than local banks in terms of range of solutions offered and more local than global banks in terms of our long-standing customer relationships.

You are engaged in the German NPL joint venture. What is the purpose and who are the partners?

We set up a joint venture with NORD/LB and WestLB for non-performing loans in September 2005. The joint venture, named SGK (Servicegesellschaft Kreditmanagement GmbH), was the first company in Germany's public sector banking industry to offer the purchase and restructuring of non-performing loans. This joint venture exemplifies our international strategy, which is to leverage the knowledge and expertise from our home market in Japan with excellent partners in overseas markets. We have had very successful experiences with clean-up of our own non-performing loans and investing in those assets in Japan, Korea, and Taiwan. We believe we can leverage that expertise in the German market.

What is the reason to set up your subsidiary in Frankfurt?

Frankfurt is a financial center and provides good access to most of the major markets in the country.