

To Our Shareholders, Customers and Employees

In June 2005, Masamoto Yashiro was appointed as Chairman of the Board and I became President and CEO. Under Masamoto Yashiro, Shinsei was successfully transformed from a traditional long-term credit bank to a modern financial services group that is now well positioned to compete effectively and grow in a large and lucrative market.

The Bank's clean balance sheet, strong capital ratios, transparent and sound management practices, customer-centric business model and growing range of market-leading products and services that meet the needs of a growing and increasingly profitable customer base provide Shinsei with a strong platform to achieve stable, long-term profit growth.

Strong Fiscal 2005 Interim Results

For the first half of fiscal 2005, ended September 30, 2005, consolidated total revenue was ¥130.4 billion, an increase of 79.5% over the first half of fiscal 2004. Underlying this strong growth in revenue was the incorporation of the results of the Bank's recently acquired subsidiaries, APLUS Co., Ltd. in September 2004 and Showa Leasing Co., Ltd. in March 2005, as well as continued solid growth in the retail and institutional banking businesses.

Consolidated net income was ¥37.7 billion, compared to ¥40.7 billion in the first half of fiscal 2004. The first half results of this fiscal year included ¥12.8 billion of amortized acquired goodwill and intangible assets, net of tax benefit, relating to the acquisition of APLUS and Showa Leasing. In order to provide greater transparency and understanding of the Bank's underlying performance, we also report cash basis net income, which excludes this amortization. Consolidated cash basis net income for the first half of fiscal 2005 was ¥50.5 billion, a 24% increase from the first half of fiscal 2004.

Asset quality improved further as Shinsei Bank's non-performing claims declined 11.0% during the first half of fiscal 2005 to reach ¥46.0 billion as of September 30, 2005, which represented 1.2% of total claims outstanding on a non-consolidated basis.

As of September 30, 2005, the consolidated capital adequacy ratio stood at 12.2% and the Tier I capital ratio was 7.5%.



Growth based on a Three Pillar Strategy

Shinsei Bank's business model is based on three strategic pillars: Institutional Banking, Consumer and Commercial Finance ("CCF") and Retail Banking. Institutional Banking continues to grow steadily by offering advanced investment and commercial banking services to provide innovative solutions to our institutional customers. Consumer and Commercial Finance, which has become a major contributor to the Bank's results following the acquisitions of APLUS and Showa Leasing, offers a full range of products and services to small and medium-sized companies and individual customers. Retail Banking, launched in June 2001, is growing rapidly as it expands its range of products and services and focuses on empowering individual customers.

These three pillars cover a broad range of businesses and customer segments which provide the Bank with a diversified source of revenue streams. A common advanced technological infrastructure, capital base and risk management capability provide efficiencies of scale and enhanced scalability while close interaction between the different businesses generates both revenue-earning and cost-reducing synergies through referrals, joint customer solutions and resource sharing.

This increase in earnings stream diversification and enhanced efficiency are reflected in the Bank's first half fiscal 2005 results. The contribution to total revenue from each pillar leveled out significantly from the first half of fiscal 2004 to 40% from Institutional Banking, 44% from CCF and 16% from Retail

Banking. Fees and commissions as a percentage of total revenue increased to 69% while the expense to revenue ratio improved further, from 54% to 51%.

Institutional Banking Business

Shinsei Bank has positioned itself as a hybrid commercial and investment bank which provides innovative solutions to institutional customers quickly and efficiently through an integrated team of product specialists and relationship managers. This approach has enabled the business to focus on growing steady and recurring revenue by building and strengthening relationships with target institutional customers. Consequently, the business, in addition to interest income from traditional corporate lending, also derives revenue from an array of other activities such as securitization, non-recourse lending, credit trading and market transactions. During the first half of fiscal 2005, we set up the Public Sector Sub-Group in order to better serve the needs of the Japanese public sector.

Although we remain focused on developing and expanding our business in Japan, we are also looking selectively for opportunities overseas where we can leverage skills and experience that we have acquired in our home market. During the first half of this fiscal year we entered into a joint venture in Germany with NORD/LB Norddeutsche Landesbank and WestLB AG for the workout of non-performing loans (NPLs).

Consumer and Commercial Finance Business

The acquisition of APLUS and Showa Leasing during fiscal 2004 transformed the Consumer and Commercial Finance business into a core Shinsei business. CCF's business complements the Bank's other pillars, Institutional Banking and Retail Banking by providing products and services such as installment credit, credit cards, consumer loans and leasing services to small and medium-sized enterprises and individuals. The incorporation of APLUS and Showa Leasing, which have performed in line with our expectations, have not only contributed to a substantial increase in CCF's revenue and operating business profit but also have already led to a significant improvement in the subsidiaries' operational efficiency.

Retail Banking Business

The Retail Banking business continues to build on its successful "bricks and clicks" business model by focusing on understanding customers' needs, expanding its range of customer-acclaimed

products and enhancing distribution channels to provide customers with greater value and convenience. During fiscal 2005, we reached an agreement with Rakuten Securities, Inc. to offer equities through Shinsei's internet service *PowerDirect* in order to expand the range of investment choices available to our customers. The *PowerSmart* housing loan also continued to grow significantly both in terms of volume and number of customers. Shinsei Bank remains the leading distributor of mutual funds on the web, and the Bank recently concluded an agency agreement to launch a new variable annuity product via the internet. Our ATM network was extended by opening ATMs in Tokyo Metro Co., Ltd. subway stations. Shinsei Bank's ATMs are now able to accept around two billion cards issued worldwide.

The importance that we attach to understanding our customers' needs and satisfying these needs has been clearly recognized by the Japanese consumer and resulted in significant growth in our customer base. Shinsei Bank has been ranked No. 1 in a customer satisfaction survey by the Nihon Keizai Shimbun (Nikkei) for the past two consecutive years (2004 and 2005). During the first half of this fiscal year, which included the successful launch of our "Color your life" campaign, the Bank added more than 247,000 new *PowerFlex* retail customers, compared to 194,000 over the same period last year. The retail business now has over 1.6 million accounts.

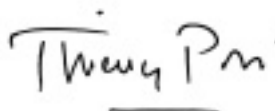
Better Banking

Focusing on the concept of "Better Banking," we strive to maintain a leadership position by placing the needs of the customer at the center of all our decisions and actions. We must provide effective solutions to meet our customers' evolving needs by offering market-leading value-added products and services in a timely manner.

We demand uncompromising levels of integrity and transparency in all our activities to earn the trust of our customers, our staff and our shareholders. We remain committed to delivering long-term profit growth and increasing Shinsei's value for our stakeholders.

We are grateful for your continuing support and guidance.

December 2005



Thierry Porté
President and CEO