



Institutional Banking Group: Delivering Value-Added Solutions to Our Customers

Backed by the strong business structure brought about by the merging of our Group's relationship management teams with our products development and service teams, we are able to continue leveraging our expertise in key areas of investment banking such as securitization, credit trading and non-recourse lending, where further growth is expected, and to deliver prompt and optimal services to our customers.

In May 2005, we established the Real Estate Finance Sub-Group, which is focused on growing real estate finance business areas such as non-recourse lending, and the Public Sector Finance Sub-Group, which utilizes Shinsei Bank's longstanding business relationships to address the needs of public sector finance customers. These changes have strengthened our organization and improved our business promotion system, enabling us to respond more promptly to a wider range of customer needs.

Loan Origination

To ensure profitability and asset quality, Shinsei continues to price loans based on strict adherence to the credit standing of customers. In particular, by fully utilizing our advanced financial technologies and knowledge, we have expanded our financing methods to include non-recourse lending, project finance and leveraged lending.

Particularly in regards to non-recourse lending, we have launched a program for fee-based senior care facilities. By executing loans in cooperation with regional financial institutions, we eagerly plan to expand the range of potential assets.

Securitization and Credit Trading

Shinsei's securitization and credit trading operations are widely acclaimed for their quality and innovation. We have put significant effort into these areas and introduced several approaches that are unique to the Japanese banking sector. As a result, our performance in these areas continues to improve.

A notable example of our innovations is multi-asset, residential mortgage-backed securities, called the "Hydra" series, which apply housing loans obtained from multiple originators. This approach allows us to package assets that are expected to diversify risks and generate more stable cash flows. In addition, this method makes it possible for us to securitize assets that were

difficult to securitize on their own in the past.

Capitalizing on the strength of our balance sheet, we have so far launched five innovative securitization products (Hydra series I-V) with a total issuance of ¥485 billion.

In September 2005, following on from a year ago, we issued a collateralized debt obligation (CDO) with commercial mortgage-backed securities issued in Japan and commercial property mezzanine loans as the underlying assets (Synergy II Funding). This is the first CDO repackaging securitization executed in Japan, which contains various asset-backed securities including commercial mortgage-backed securities and residential mortgage-backed securities, providing a new tool for institutional investors.

In November 2005, we set up the first securitization based on operating cash flows from *pachinko* parlors, which acts as the inaugural issuer, under the first multi-seller whole-business securitization repackaging program to be created by a Japanese bank. Broadening the target assets helped us to provide investors with greater diversification, lower operational risk and access to a new investment opportunity at an appropriate time.

Shinsei Bank has become a leader in the Japanese securitization business. Our subsidiaries, including Shinsei Securities Co., Ltd., Shinsei Trust & Banking Co., Ltd. and Shinsei Servicing



Company (Shinsei Servicer), play crucial roles in this important business area. Shinsei Bank will continue to leverage the strong servicing abilities of these subsidiaries to generate new assignments not only for its own credit trading and securitization projects but also for projects incorporated from outside the Group. We will thereby expand our business opportunities and offer a wider range of value-added products and services.

Asset Management Service

Shinsei's asset management business focuses on leveraging our global relationships with leading European and U.S. asset management companies, such as Ramius Capital Group, LLC, BlueBay Asset Management Limited and Smith Breeden Associates, Inc., to deliver advanced, unique investment products to our customers.

Shinsei Investment Management (SIM), our wholly owned investment trust and investment advisory subsidiary, has adopted a new business model as a "Manager's Manager." It carefully and impartially selects investment products from a range of options offered both within and outside of Japan.

Corporate Revitalization Business

Shinsei uses hands-on experience and know-how to proactively provide solutions that help customers strengthen their financial fundamentals and improve asset efficiency by restructuring their businesses through such measures as divestitures and acquisitions.

Consumer and Commercial Finance Business

Shinsei has positioned consumer and commercial finance as a core business, alongside institutional and retail banking. In fiscal year 2004, Shinsei greatly increased its presence in this market by acquiring the controlling interests of APLUS and Showa Leasing, and we are now well positioned to drive further growth and expansion.

The consumer and commercial finance business is focused on serving three markets: consumer finance, commercial finance and specialty property finance for both consumers and

small businesses. For each of these markets, we enhance management efficiency in order to increase profitability and competitiveness by bringing financial stability, state-of-the-art technology and operations processing, risk management discipline, and a strong heritage of innovation and execution.

A key tenet of Better Banking is to break the bonds of conformity when there is a better way. With Shinsei's unique branding and strong financial backbone as well as variety of the Shinsei Bank Group companies' capabilities, the consumer and commercial finance business will continually strive to remain customer-focused, responsible to our shareholders and employees, and committed to finding the best path forward.

Working with Others to Find Solutions

In May 2005, we established Shinsei International Limited ("Shinsei International") after receiving an official approval to operate a securities business from the Financial Services Authority in the U.K. Leveraging the Euromarket, Shinsei International will structure and arrange securitization and structured financial products, which are the Shinsei Bank Group's strengths, to primarily meet the needs of Japanese customers. Shinsei International's products are distributed through Shinsei Securities Co., Ltd.

Furthermore, together with international partners Shinsei Bank, NORD/LB and WestLB, we set up a joint venture for NPLs. This company offers the purchase, restructuring and realization of non-performing loans in Germany. The expertise and capabilities we have been developing in our home market in Japan will be fully utilized in collaboration with our overseas partners.

Creating Value: The Key to Better Banking

Leveraging our talented professionals, strong balance sheet, extensive market knowledge and years of experience, we provide value-added financial solutions to meet our customers' needs. That, in our view, is the key to Better Banking.

