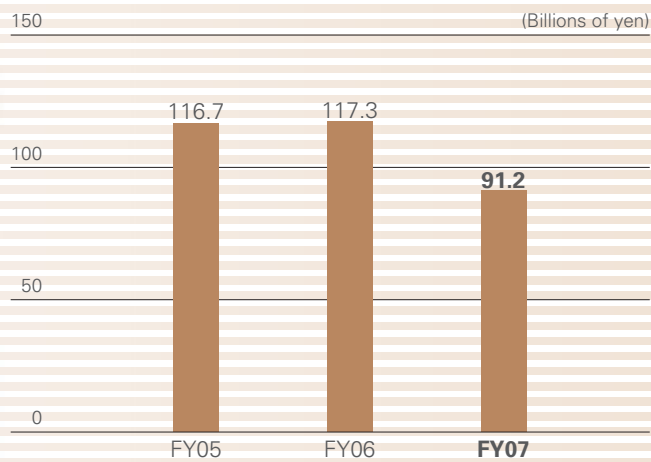


INSTITUTIONAL BANKING



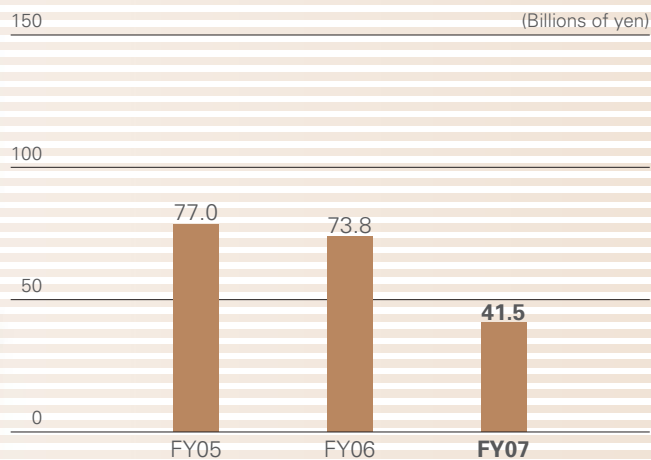
Revenues

(Billions of yen)



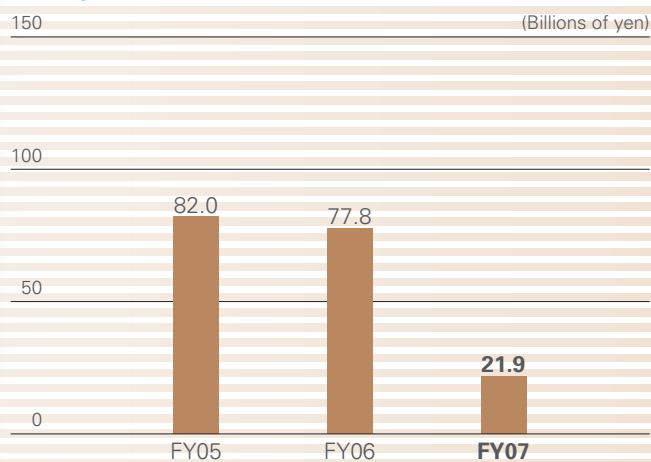
Ordinary Business Profit

(Billions of yen)



Ordinary Business Profit After Net Credit Costs (Recoveries)

(Billions of yen)



Our Institutional Banking Group faces a highly competitive and volatile business environment. It is precisely such an environment in which the Group's combined commercial and investment banking abilities distinguish the Bank from the competition. Our M&A, capital markets, industry and other product specialists work closely with customer relationship managers to ensure long-standing relationships, quality and sustainable earnings.

Operating Results

In fiscal year 2007, the Institutional Banking business earned revenue of ¥91.2 billion, a 22.2% decline or ¥26.0 billion lower than the previous fiscal year. This is mainly attributable to the recognition of mark-downs (¥15.6 billion) and reserves (¥13.4 billion) specific to our U.S. residential mortgage portfolio and reduced size and volume of securitization transactions. However, our loan, real estate non-recourse finance, credit trading and principal investment businesses continued to show solid results as did our asset management and advisory businesses. Consequently, we expect to continue to invest in and grow these businesses. Steady loan demand from financial sponsors has led to favorable asset growth in Institutional Banking. We continue to price loans based on disciplined risk-return criteria to ensure asset quality is not compromised. We continue to pursue profitable opportunities and work together within the Shinsei Bank Group and with our partners to provide solutions to current and prospective customers.

Business Environment

While we expect our operating environment to remain challenging, certain marginal competitors have faded as a result. For our Institutional Banking professionals, this has resulted in better pricing, more opportunities and an occasion to demonstrate greater consistency to our customers.

Strategy

To deepen our lending relationships, both with traditional customers and financial sponsors, the Group made a number of key new hires for the capital markets in the second half of fiscal year 2007. These professionals bring with them expertise in product development, management and marketing. We believe they will continue to diversify our sales and trading revenues and ensure a balance between revenues from agency and proprietary transactions, which is one of the key objectives of Institutional Banking. By strategically investing in personnel, we anticipate increased customer flows, specifically from SMEs, at the Bank, and at our securities and asset management subsidiaries.

Challenges

In this market environment, it is more important than ever to allocate resources in a disciplined manner. Institutional Banking's management team aims for efficient allocation of resources into the areas where we see the potential for growth and results. In the fourth quarter of fiscal year 2007, management instituted a new and more rigorous budgeting process to ensure value is created accordingly for customers and the Bank's shareholders.

Business and Progress

Basic Banking and Lending

In addition to traditional banking products and services, our corporate, financial institutions and public sector relationship management teams offer an increasingly diverse range of innovative and value-added financial solutions to our customers. The teams work closely with current and prospective customers to determine their needs and work across our product groups to find solutions. For example, longstanding relationships with regional banks and other local financial institutions have led to a number of new activities, such as providing balance sheet and capital structure advice and distribution arrangements for “white-labeled” investment trust products sourced and vetted by our asset management group. These partnerships distinguish Shinsei within the Japanese market. One such arrangement was established in February 2008 with Towa Bank, Limited to develop and promote high value-added financial products and services to Towa Bank customers, as well as expand product offerings to a broader customer base. As the Japanese government continues to make financial and administrative reforms, we have also worked closely with governmental agencies, municipalities and affiliated associations to arrange alternative sources of funding and new financing solutions for the public sector.

Credit Trading and Principal Investment

Our trading and investment activities in non-investment grade markets performed well in fiscal year 2007. We continue to allocate capital and resources to this business and invest actively in distressed asset portfolios in Japan and selected overseas markets. Servicing non-performing loans (NPLs) and securitization schemes remains a core competency. Our experience as private equity investors, direct and via funds, is also well-established and geographically diverse. To build and expand on this experience, we established a ¥10 billion private equity fund jointly with the Development Bank of Japan in February 2008.

Capital Markets

We are actively marketing to a wide variety of financial institutions, corporate, public sector and wealth management customers. Given the breadth of our customer relationships, we are very optimistic about the future potential of these markets’ businesses. The Capital Markets business is active in a range of activities with our customer base, including FX, interest-rate and credit derivatives. We provide both products and solutions for asset buyers, as well as for customers who require liability services. We have been boosting our capability across the full range of capital markets products, as well as enhancing our new product development and risk management, in order to meet our customers’ needs.

Securitization

The quality and innovation of our securitization operations have established the Shinsei Bank Group as a leader in what has now become a core business. However, the credit market turmoil in fiscal year 2007 affected our securitization business, along with the industry in general, resulting in mark-downs related to the U.S. residential mortgage portfolio and slower volumes. As a result, we have focused less on introducing new asset classes for warehousing and have repositioned the business to a size commensurate with the market.

Corporate Advisory and Revitalization Business

Providing advisory services is an essential approach to help our customers strengthen their financial fundamentals and improve asset efficiency. Restructuring advice and deal execution are therefore key products for our middle market and regional customer base which, along with our core loan capabilities, few other financial firms can duplicate.

Wealth Management

Our Wealth Management Division provides innovative solutions for both the personal and business needs of high net worth individuals and owners of small- and medium-sized enterprises. Our customer list includes some of the most successful and influential entrepreneurs and business leaders in Japan.

Asset Management

We strive to meet the asset management needs of our institutional and retail customers by offering “best in class” asset management solutions. Upon rigorous review of leading Asian, European and U.S. asset managers we selected those with unique products that performed consistently throughout cycles. Through our licensed discretionary asset management subsidiary, Shinsei Investment Management Co., Ltd., these products are tailored for the Japanese market for distribution into our own institutional and retail channels, and via third-party regional banks or brokerage firms with which we have established strong relationships. Consistent with other businesses within Shinsei, which have developed transactions and activities in certain emerging markets, the Asset Management Sub-group has entered into a business cooperation agreement with a leading Indian investment firm, UTI Asset Management. Its objective is to offer products managed by the UTI Group in India and elsewhere for our customers in Japan and to broaden such cooperation throughout the Asian region.

WE ARE A DIFFERENT KIND OF JAPANESE BANK — BETTER TOGETHER —



Shinsei isn't a megabank with a broad global network of international offices. So why did British mega brand HMV Group handpick Shinsei to sell its Japanese business in a move that caught major global investment banks by surprise?

Last February, the London-based group came to Japan to meet with potential financial advisors about a possible sale of HMV Japan. HMV wanted an advisor with deep ties to the local market. But it also needed a partner who could make the Japanese market understandable to

HMV executives in the UK. For several years, Shinsei had been calling on HMV Japan regularly regarding various strategic alternatives for Japan. The senior management of HMV Japan knew Shinsei had the combination of cross-border capability, international attitude and unmatched local knowledge they needed. The persistence and efforts paid off when Shinsei won the exclusive advisory mandate for the sale.

Neil Bright, the Chief Financial Officer of HMV Group plc, said “Shinsei Bank’s well-organized team of professionals was able to come up with an innovative solution to meet our needs on our terms. By working with Shinsei Bank, we were able to close the transaction successfully and gained the confidence that we can trust Shinsei to provide first-class service in a professional manner.”

“To win a mandate from a customer, you’ve got to be in front of them, always pitching, always there,” said Bruce Pomer, General Manager, International Corporate Banking Division. But it was Shinsei’s unique profile that sealed the deal, he added. “Not just any Japanese bank could do this deal. We really are a different kind of Japanese bank.”

Shinsei executed a bidder-heavy auction and secured a highly competitive sale price of ¥17 billion for HMV.

The sale to Daiwa SMBC Principal Investments closed in August 2007.