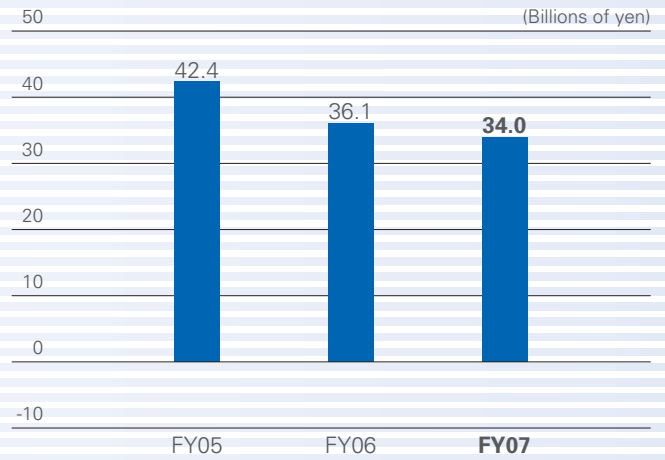


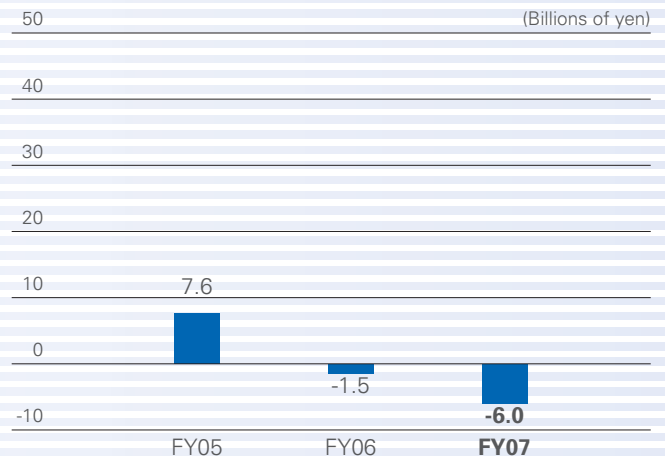
RETAIL BANKING



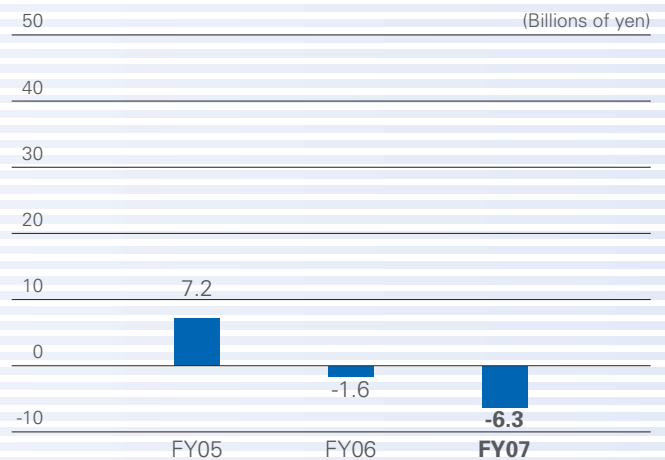
Revenues



Ordinary Business Profit (Loss)



Ordinary Business Profit (Loss) After Net Credit Costs



The Retail Banking Group aims to become the “Best Money Advisor” and meet the needs of its customers by providing optimum asset management solutions and by further enhancing its *Shinsei Platinum Services* and asset management consulting services. As a reflection of these efforts, Shinsei Bank was ranked second for outstanding customer satisfaction in the *Nihon Keizai Shim-bun’s* fourth annual survey of the retail banking industry in December 2007. Customers in their 20s, 30s and 50s rated us as the bank with highest customer satisfaction in the same survey. We will continue to enhance our commitment to customer satisfaction by offering banking and financial services which truly exceed expectations.

Operating Results

In fiscal year 2007, a steady increase in assets, including housing loans, mutual funds and variable annuities, contributed to a continued expansion of our customer base. The number of retail accounts surpassed 2.2 million and the assets under management reached ¥5 trillion as of the end of April 2008. While we have substantially decreased our dependence on structured deposit earnings by promoting revenue diversification, we recorded larger losses year on year due to increased expenses from channel expansion, and lower sales of investment products reflecting challenging market conditions.

Business Environment

In terms of business environment, competition intensified for retail banking services in Japan during fiscal year 2007 due to the enhancement of retail strategy by major banks, the entry of overseas financial institutions and non-financial companies into the banking industry, as well as the emergence of Internet-based banks. Against this backdrop, we have continued our efforts to differentiate ourselves from the competition by offering unique services. These include our “Best Money Advisor” strategy of providing quality asset management consulting services to meet the needs of each customer, and the *Shinsei Platinum Services*, which offers new and preferential services to customers meeting certain conditions. Regarding legal changes surrounding the retail banking business, we consider the implementation of the Financial Instruments and Exchange

Law in September 2007 as an opportunity to strengthen relationships with our customers and offer financial products backed by a sound compliance system.

Strategy

Our operations will focus on the “Best Money Advisor” strategy and growth of loan assets to achieve continued expansion of our customer base and sales of our popular loan products. With the introduction of the “Best Money Advisor” strategy last year, we improved the consulting skills of each staff member at our Shinsei Financial Centers, and were successful in building and strengthening customer relationships by offering optimum financial advice and products. As for our loan assets, *PowerSmart Home Mortgages* (which have no guarantee or early repayment fees) made a significant contribution to loans made last fiscal year. We will continue to enhance this particular product while expanding our overall loan product lineup.

Challenges

To achieve these goals, we consider the thorough deployment of compliance and establishment of enhanced administration as one of our top priorities. We will strive to acquire more customers by tailoring our product lineup, such as investment trusts and annuities, to market needs. We will also reexamine our fixed and variable costs, and leverage our strengths in low-cost technology and operational efficiency to generate greater profits.

Business and Progress

Becoming the Best Bank for Asset Management Services

Five-minute asset management manual

We started an advertising campaign in October 2007, titled "Please Give Shinsei Bank Five Minutes," that primarily targets the demand for asset management services among retirees and those who are making plans for their retirement years. This campaign stresses the need for asset management in order to lead a fulfilling post-retirement life and encourages individuals to read a Shinsei Bank publication called "*Managing Your Own Money: A Five-Minute Reader*." The *Reader* explains the need to manage assets wisely and outlines methods for growing assets while limiting risk. Our objective was to create a manual that encourages customers to become involved in asset management.

Shinsei Platinum Services

We started offering new *Shinsei Platinum Services* in July 2007 to customers who meet certain requirements. Eligible customers receive a Shinsei Platinum Card, higher interest rates on six-month and one-year yen time deposits and many other benefits. For example, customers can make an overseas remittance once a month at no charge and pay no fees for the first visit to a financial planner.

Meeting the need for long-term internationally diversified investment

We started offering an investment trust in December 2007, launched by Shinsei Investment Management, a wholly-owned subsidiary of Shinsei Bank. The management of the funds will be carried out by the Bank Julius Baer & Co., Ltd., a Swiss private bank focused on wealth management.

Bancassurance

We started offering seven insurance policies including medical, cancer and automobile insurance at Shinsei Bank branches and over the Internet (*Shinsei PowerDirect*) from January 2008. The move follows the deregulation of Japan's insurance market in December 2007 to allow the sale of insurance products, bancassurance, through banks. Offering insurance products, in addition to existing savings products, we are now able to provide consulting services to better meet the financial and life planning needs of individual customers.

Offering Security and Convenience

Security measures

We understand the importance of providing customers with effective and strict risk controls when delivering our services. Security concerns in Japan prompted the Bank to introduce *PowerYokin* in March 2005. This is a yen deposit account that allows customers to withdraw funds flexibly in the same manner as savings deposits, while offering greater security against fraudulent ATM use.

From September 2005, we decreased the default withdrawal limit at domestic ATMs to ¥500,000 per day to promote customer account safety through stringent security measures. From October 2006, we also decreased the default withdrawal limit for overseas ATMs to ¥100,000 per day. Our website's "Shinsei Security Center" also provides easy to understand security information. In addition, in May 2007 we introduced a Shinsei *PowerDirect* Security Code Card for Shinsei *PowerDirect* (Internet banking) in order to improve the security of our customers' log in procedures through a random number security code.

Kashiwa Financial Center opens

In May 2007, Shinsei Bank opened a Financial Center in Kashiwa, a major commercial hub in Chiba prefecture, on the outskirts of Tokyo. Customers can visit the Center from 11 a.m. to 7 p.m. every day except Sunday. In addition to opening accounts, individuals can visit the Center for asset management consultation. Financial consultants will prepare a personalized plan and selection of investments based on the individual's knowledge, experience, objectives and financial position.

New call center in Fukuoka

Shinsei Bank began operations at its second domestic call center in June 2007. Located in Fukuoka, the largest city in Kyushu, the new facility shortens waiting times for customers by increasing capacity.

Expansion of ATM network inside

Japan Railway (JR) and major railway stations

We expanded our ATM network by opening a new ATM inside JR Mitaka (Tokyo) and Kyoto stations in December 2007 and January 2008, respectively. Our ATM network also includes stations on the Tokyo Metro, Keikyu and Kintetsu Railways. With 76 ATMs at 49 stations (as of March 31, 2008), Shinsei boasts the largest ATM network in the Tokyo Metro.

Shinsei Bank commences joint ATM tie-up with Miura Fujisawa Shinkin Bank

Shinsei Bank commenced a joint ATM tie-up with Miura Fujisawa Shinkin Bank from September 2007. The new partnership enables Shinsei *PowerFlex* cash card holders to make free of charge cash withdrawals and account balance inquiries at ATMs operated by Miura Fujisawa Shinkin Bank.

PowerSmart Home Mortgage

From January 2008, *PowerSmart Home Mortgage* customers can make early repayments in one-yen increments via Shinsei *PowerDirect* (Internet banking) and via our call center. *PowerSmart Home Mortgages* require neither a guarantee fee nor early repayment fee. In addition, customers can change the amount of early repayment or terminate the function via Shinsei *PowerDirect*.

POWERSMART HOME MORTGAGE — EXCEEDING EXPECTATIONS —



Customers at Head Office Shinsei Financial Center

The number of customers and loans actually made through our *PowerSmart Home Mortgage* has been constantly increasing, thanks to some highly acclaimed features such as the absence of a guarantee fee or early repayment fee and SmartPay (automatic early repayment). We are listening to customers' comments and striving to reflect them in our product development and sales activities. In fiscal year 2007, we acted on feedback from customers who said they wanted to complete their mortgage

payment as early as possible, with control over the amount and timing of payment. To further enhance our existing early repayment feature, we began offering *PowerSmart Home Mortgage* customers the choice of specifying the amount of early repayment via Shinsei *PowerDirect* (Internet banking) in January 2008. The addition of this new function to the *PowerSmart Home Mortgage* enables customers to make loan payments from as little as one yen through the Internet, thus accelerating the repayment process.

In addition to product enhancement, we have looked to streamline the screening process for *PowerSmart Home Mortgage* by providing various follow-up services to applicants.

Customers at the Head Office Shinsei Financial Center who have chosen *Shinsei PowerSmart Home Mortgage* said, "the quality and terms of products, as well as service and consultation by the sales staff, all exceeded our expectations. We are happy to call on Shinsei for one of our most important decisions in life."

We are committed to exceeding expectations by delivering continuously high levels of service and offering products that meet our customers' needs, while actively engaging in the development and sales of other financial products.