

INDIVIDUAL GROUP

The Individual Group is committed to providing our customers with best-in-class financial products and services for every stage of their lives, serving them seamlessly as they move from loans to asset accumulation. In leveraging the power and competencies of our previously independent operating groups, the Individual Group's objective is to create Japan's leading franchise for integrated consumer finance and retail banking services.

Operating Results

During the first six months of this fiscal year, the Individual Group generated an "ordinary business profit after net credit costs" of 7.4 billion yen compared to an "ordinary business loss after net credit costs" of 5.9 billion yen during the first half of the previous fiscal year. The improved "ordinary business profit after net credit costs" reflects the progress that we have made in our Retail Banking, APLUS and Shinki businesses. Shinsei Bank's retail banking operations posted their best quarter in over two years, sustaining the momentum of the previous quarter. The performance of GE Consumer Finance Co., Ltd. (GECF), a newly acquired consumer finance company, will be incorporated into the Individual Group's operations from the third quarter of fiscal year 2008.

Business Environment

The business environment for the six months ended September 30, 2008 was characterized by increasing uncertainty due to escalating challenges in the global credit and equity markets. During this time, the Individual Group continued to focus on generating deposits and tightening credit standards while expanding services, managing grey zone exposure, strengthening front office operations and streamlining back office operations. All of these initiatives were designed to enhance the customer experience, especially in anticipation of impacts to our customers resulting from an economic downturn.

Strategy

The Individual Group's strategy is to focus on rapidly changing customer needs in this unprecedented economic environment.

Against a backdrop of uncertainty in the global economy and recessionary pressures in the Japanese economy, the Individual Group will continue to operate with strict fiscal and credit control, and focus on generating deposits, providing above average returns for our customers and controlling asset growth to optimize the level of risk and return.

Challenges

The current economic outlook implies continued volatility in both the global and Japanese economies. This presents an array of significant and dynamic challenges which the Individual Group plans to address by remaining agile and responsive to changing customer needs, while maintaining acute risk management awareness and control. Additionally, numerous regulatory changes phased in over recent years have required organizational improvements which our Retail Banking has rigorously implemented to ensure consistent and timely compliance.

Business and Progress

Retail Banking Business

New Age. New Stage

The Retail Banking Group has continued to focus on helping our customers build wealth through every stage of their lives. Our strong customer focus has been supported by organizational changes to align our actions more directly with customer needs. The Retail Banking Sub-Group has taken various steps to create a more efficient, responsive, customer-focused organization during the period. Our Retail Banking completed a significant rationalization of head office support staff, freeing up resources to be redeployed into customer-oriented functions. The Retail Banking reviewed and optimized its branch network and successfully lowered production costs through the relocation or downsizing of

underutilized facilities and infrastructure. The Retail Banking stepped up branch staff training programs to increase the effectiveness of interactions with our customers. These efforts have effectively increased our trained sales staff by 60% resulting in higher-quality customer interaction.

In addition to strengthening our sales force, the Retail Banking steadily attracted new deposits and introduced several new innovative products and services.

Retail Deposits

The importance of the Retail Banking business is its proven ability to bring in stable deposits from a large base of customers. The summer bonus campaign was able to bring in 310 billion yen in new deposits between May and July 2008. During the first six months of this fiscal year, the net growth in retail deposits was 254.4 billion yen.

Bricks and Clicks

In addition to Shinsei Financial Centers, our brick-and-mortar branches, Shinsei Retail Banking takes full advantage of such remote channels as the Internet, call center and mobile banking. The Internet channel has always been a very important channel for Shinsei Bank since it initially launched PowerFlex in 2001. During the summer campaign this year, our strengths of the Internet channel was evidenced by the fact that the Internet contributed approximately 30% of total deposit bookings. All remote channels combined contributed approximately 60% of the total summer campaign deposit bookings.

Increased Foreign Currency Offering

Retail Banking introduced the South African rand and Norwegian krone in June 2008 for our foreign currency savings accounts and time deposits. South Africa is renowned for its abundant mineral resources while Norway boasts rich reserves of oil and natural gas. By adding these two countries' currencies to the eight foreign currencies already available (U.S. dollar, Euro, Canadian dollar, British pound, Australian dollar, New Zealand dollar, Hong Kong dollar and Singapore dollar), Retail Banking is providing our customers with an even wider variety of asset management options.

Shinsei Platinum Call

"Shinsei Platinum Services" are premium services available exclusively to customers who fulfill certain criteria. In June 2008, Retail Banking established an exclusive call center, "Shinsei Platinum Call," to offer a smoother banking experience for asset management consultation and inquiries over the phone to these valuable customers. Customers need only their branch number, account number and PIN for instant connection to a professional operator who can answer inquiries and process transaction requests.

Partnership with So-net M3

In July 2008, Shinsei established a business alliance with Tokyo-based So-net M3 Inc., operator of m3.com, one of the biggest portal sites for people working in the medical profession in Japan. Our multi-channel banking platform represents an ideal solution for busy medical professionals. Through this new partnership, Retail Banking is introducing our convenient banking and asset management services to the m3.com user base.

Termination to Accept Bearer Checks

Committed to play a part in international efforts to prevent money laundering, Retail Banking stopped accepting physical securities for which Shinsei Bank is not the place of payment, (certified) bank checks made out to the bearer and bearer checks, drawn on current accounts from retail customers as of September 2008. The change of policy is in line with Japan's Law for the Prevention of Transfer of Criminal Proceeds.

GE Consumer Finance

The most significant event of the first half of the fiscal year for the Individual Group occurred on September 22, 2008, when Shinsei Bank, Limited, announced that it had successfully acquired GE Consumer Finance Co., Ltd. (GECF) (to be renamed as Shinsei Financial Co., Ltd. on April 1, 2009) and its subsidiaries for an all-cash consideration of 580 billion yen from GE Japan Holdings Corporation.

GECF brings additional scale in personal loans, credit cards, mortgage and sales finance to existing related oper-

ations in Shinsei's Retail Bank, APLUS and Shinki. The newly acquired company will contribute immediately to Shinsei's earnings. We believe this acquisition will increase shareholder value for three main reasons:

Firstly, we have acquired a high-quality customer base originated through *Lake*, a well regarded brand built upon many years of consistently sound underwriting. This acquisition has also brought to Shinsei a highly effective management team and workforce who have worked to achieve a position of leadership in the consumer finance industry through outstanding operational execution and sound credit risk management. Highlights of these efforts include:

Rise to the Top

In June 2008, *Lake* became the No.1 originator of unsecured personal loans in the personal loan industry, capturing 25% of all new accounts booked by the five largest industry players.

Return to Growth

Reversing the negative account growth of the first quarter of 2008, *Lake* led the industry in new account growth in the second quarter. *Lake's* new account growth rates reached 13% in August 2008, surpassing the mainstay of the industry, who are still collectively posting negative account growth.

Marketing Expertise

As a result of optimizing marketing initiatives and more conservative underwriting, the inflow of new applications with zero Lender's Exchange (LE=0, the lowest default risk) has increased and now represents more than one third of all new customers that apply to *Lake* for credit.

Lowest Cost Marketing

Lake continues to set the standard for lowest costs per application in the industry.

Building Strategic Relationships

In September 2008, GE Consumer Finance Co., Ltd., American Airlines, Inc., and American Express Global Network Services partnered to issue the AAdvantage®/GE

Money® American Express® Card. The first airline co-branded card on the American Express network in Japan, the card is aimed at individuals seeking the worldwide business and leisure benefits of the AAdvantage® Program. Card members can also redeem flight miles with American Airlines and nine other *Oneworld* member airlines to more than 700 cities in 140 countries. The new card reflects GE Consumer Finance's desire to harness American Express' premium network and provide American Airlines' customers with top quality credit card services.

Secondly, this was a very attractive acquisition from a financial perspective. We acquired more than 800 billion yen in assets of personal loans, mortgage loans, credit cards and sales finance. The purchase agreement included an indemnity from the seller that provides protection for potential losses beyond 203.9 billion yen from the majority of legacy accounts with grey zone interest exposure. The indemnity also provides Shinsei with loss protection. In this respect, the indemnity is a competitive advantage that places Shinsei in a position to make significant gains in an industry that remains potentially very rewarding.

Finally, there are significant opportunities for leveraging both expense and revenue synergies across the related operating entities. While much of this potential impact has not been factored into current forecasts, the opportunities for further profitability include the ability to utilize retail deposits to fund GECF's operations, potential cross-selling of deposit services, consumer, mortgage and auto loans, credit cards and insurance brokerage services, and further operational efficiencies through leveraging Shinsei's technology and operating platforms.

We believe that demand and preferences for consumer financial services will continue to grow in both diversity and sophistication, and responsible consumer credit solutions will be an important part of meeting the future needs of our individual customers. With this strategic and transformational acquisition, Shinsei is well positioned to be a leader in redefining retail and consumer finance in Japan.

APLUS

With over 50 years of experience in the sales finance industry, APLUS, a 76.7% owned consolidated subsidiary of Shinsei Bank, has developed deep and long-standing relationships with many merchant partners. APLUS strives to work closely with these partners to provide a range of solutions designed for growth and mutual benefit. Through these merchant partner relationships, APLUS offers a variety of credit products, including installment sales credit and credit cards to individual consumers. Through other distribution channels, APLUS also provides credit cards and unsecured personal loans directly to individual consumers. APLUS continues to succeed in growing its settlement services and credit performance guarantee program for correspondent retail bank lenders, of which Shinsei Retail Bank is a partner. APLUS is the Shinsei Bank designated guarantee company for the Shinsei Bank *SmartCard Loan* launched in June, 2008.

The impact of last year's credit tightening in response to a contracting market has led to improved delinquencies during the first half of this year, despite the challenges of slowing GDP and increasing unemployment. Although the business environment remains very challenging for a host of reasons, including the various regulations impacting the industry, APLUS' mid-year performance remains largely in line with expectations.

Shinki

In response to the regulatory changes imposed on the consumer finance industry, Shinki, a 67.7% owned consolidated subsidiary, has significantly revised its business model and has been offering white zone consumer loans to individual and small- and medium-sized enterprise owners since April 2007. Shinki is forging ahead with its aggressive business transformation by applying stricter underwriting standards and implementing cost efficiency improvements. In July 2008, Shinki introduced a new credit standard based on customers' annual income, ahead of the implementation of lending limits for individual borrowers scheduled to come into effect in December 2009. At the same time, Shinki is introducing a number of cost reduction measures, including the closure of 100 underutilized ACMs (automated contract machines) and the integration of its Contract Center with another facility in Ikebukuro, Tokyo. Shinki's adequate provisioning in 2007 in response to the challenging grey zone environment has enabled the company to absorb the current level of grey zone claims without additional material provisioning. In fact, grey zone refunds have shown a downward trend since peaking in May 2007. Although Shinki has strategically reduced the size of its loan portfolio over the last two years, the company remains well positioned to generate profits in the new lending environment expected to prevail once all regulatory changes have been implemented in 2010.