

TO OUR SHAREHOLDERS, CUSTOMERS AND EMPLOYEES



Masamoto Yashiro, President and Chief Executive Officer

We are living through extraordinary times. The turmoil we are seeing in global financial markets today is clearly unprecedented. Monetary authorities in the U.S. and Europe have intervened on a massive scale to stabilize the international finance system. Japanese financial institutions, including Shinsei Bank, have not been immune and the authorities in Japan have also taken steps to restore investor confidence. However, we are taking decisive steps to improve our performance in this challenging environment. In short, we are going back to basics. We are listening to our customers better, making sure we are providing them with the right products and solutions for this brave new financial world. We are refocusing on operating efficiency and risk management, two key elements to success. And we are concentrating on the domestic businesses we know best, in retail and consumer finance as well as in institutional banking.

I was appointed as the new president and CEO of Shinsei Bank and chairman of the board at a Board of Directors meeting held on November 12, 2008, and have quickly resumed my duties as chief executive officer.

Thierry Porté took initiatives that have made Shinsei a unique “hybrid” bank in Japan by merging the investment banking and commercial banking businesses. However, unforeseeable events, including changes in the regulatory environment and the recent global financial turmoil, led to his resignation. He stepped down on November 12, 2008.

Strategy Going Forward

I am reviewing the group’s current organizational structure and business operations and working to improve our financial performance. Together with our current management team, I have been examining what we need to do to restore our profitability and stability in the long run and will take actions swiftly and decisively in order to meet the challenges that face us in these difficult times.

Our current “Two Pillar Strategy” is appropriate for Shinsei and I do not intend to change it. However, I believe that we can improve upon its implementation by returning to the basics of the banking business and listening more attentively to the voices of our customers. All of our actions must ultimately serve our customers. To this end, I plan to implement three specific actions as outlined below:

1. Maximize revenue generated by the Individual Group

We expect our newly acquired subsidiary GE Consumer Finance Co., Ltd. (GECF) (to be renamed as Shinsei Financial Co., Ltd. on April 1, 2009) to con-

tribute about 30 billion yen in net income in the second half of this fiscal year. In addition, our new subsidiary will open up synergies between our retail banking and consumer finance businesses, which should help expand our group-wide revenue base. We have been reviewing our consumer finance business as a whole, integrating operations and subsidiary locations where appropriate and leveraging our strengths in IT capabilities, to ensure that it is strategically aligned and efficiently run.

2. Re-allocate strategic resources in the Institutional Group, review international business

We will reduce our exposure to regions outside of Japan in our institutional business, one of the reasons for our disappointing performance, and allocate more resources to domestic business areas where growth is expected. Our aim is to leverage our strengths to meet the needs of our customers. More specifically, we will develop broader relationships with small- and medium-sized enterprises by providing them with advisory services for M&A and alliance opportunities that address their business succession needs and provide them with diversified sources of funding. We will also strengthen ties with our financial institution customers by supporting their equity financing activities and providing them with new business opportunities to raise profitability.

3. Enhance risk management

While our risk management capabilities remain among the best in the industry, there have been some shortcomings in the process of approving and monitoring investments. We are now reviewing the positioning of the Risk Management Group within the organization and will take steps to re-emphasize the importance of

risk management across all our businesses. We will devise ways to detect problems early on, set new rules that clarify the actions to be taken when issues arise, and ensure that these rules are enforced.

By taking these measures, we will improve our risk management capability and restore Shinsei's long-term profitability. With the completion of our acquisition of GECF in September 2008, we have established a platform that allows us to provide our individual customers with best-in-class services and products. Going forward, we will focus on providing our institutional and individual customers with unrivalled solutions.

Challenges and Outlook for the Second Half of Fiscal Year 2008

Shinsei Bank posted a consolidated net loss of 19.2 billion yen and a net loss of 36.3 billion yen on a non-consolidated basis in the first half. The second half of the fiscal year is also expected to be challenging, given the low visibility on earnings and the uncertainty of the economic outlook. Considering our first half results, we have decided not to pay interim dividends.

While we expect our Institutional Group to post weak results across most business lines, we envisage that a strong performance from our Individual Group in the second half will prevent the same level of losses experienced in the first half. In addition to a 30 billion yen contribution to net income from GECF, we expect increased profitability in our retail banking operations, a strong second half from APLUS and steady results from Shinki.

Conclusion

While these last few years have presented us with extraordinary challenges in the financial industry, we will continue to stay focused on exceeding our customers' expectations. Ultimately, that is the best way to create value for all our stakeholders, including shareholders, customers and employees.

I would like to sincerely thank you, our shareholders, customers and employees, for your support and guidance.

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Masamoto Yashiro
President and CEO