President and Chief Executive Officer Shigeki Toma

TO OUR SHAREHOLDERS, CUSTOMERS, AND EMPLOYEES

In fiscal year 2013 Shinsei Bank posted a consolidated net income of 41.3 billion yen, making it the fourth consecutive year of profitability since fiscal year 2010, when we launched the First MTMP, and we are becoming better structured to deliver stable profits. In fiscal year 2014, we aim to post a consolidated net income of 55.0 billion yen, and we plan to achieve this target by accelerating the accumulation of assets strategically important areas in both the individual and the institutional businesses.

In fiscal year 2013, the first year of our Second "Medium-Term Management Plan" ("MTMP"), we worked aggressively to enhance Shinsei Bank's individual and institutional business performance. As a result, we achieved positive results in many areas and saw signs of enhanced performance emerging. In fiscal year 2013, Shinsei Bank posted a consolidated net income of 41.3 billion yen, making it the fourth consecutive year of profitability since fiscal year 2010 when I assumed the position of President of the Bank and launched the First MTMP, and we are becoming better structured to deliver stable profits. In fiscal year 2014, we aim to post a consolidated net income of 55.0 billion yen—the same amount projected for the said year under the Second MTMP. We are continuing to work to expand our earnings, and by accelerating the accumulation of assets in strategically important areas in both the individual and the institutional businesses, we look to achieve our net income target for this year.

One of the Bank's achievements in fiscal year 2013 was the significant improvement in our portfolio quality. As a result of our efforts to dispose of non-performing loans (NPLs), the NPL ratio declined from the 5% level at the end of fiscal year 2012 to the 3% level at the end of fiscal year 2013, and we are close to achieving our 2% level target set in the Second MTMP. In addition, our capital ratios continued to improve. Thanks to the accumulation of profits and less-than-expected accumulation of risk assets, we recorded a Basel III International Standard fully loaded basis Common Equity Tier I Capital Ratio of 9.2%, above the final year target set in the Second MTMP. Regarding losses on interest repayment (grey zone) risks in the consumer finance business, we provisioned an additional 15.6 billion yen of grey zone reserves in fiscal year 2013. Moreover, Shinsei Financial received 175 billion yen from GE Japan Co., Ltd. (GE Japan) in return for the conclusion of the GE indemnity on grey zone losses, and as we have allocated the entire amount received into grey zone reserves, we believe we have more or less fully addressed our grey zone issues.

One of the goals we failed to fully achieve in fiscal year 2013 was to increase revenues. The Second MTMP aims to achieve three major goals: "establish a unique business base;" "increase revenues and further improve financial fundamentals;" and, "become a financial group appreciated by customers and valued by society and markets." Since then, we have shifted to a growth phase, looking to achieve sustainable growth. However, while there are notable signs of an increase in revenues, these have not translated sufficiently into numbers. While we stepped up our efforts in strategically important areas in both the individual and the institutional businesses in fiscal year 2013, we will continue in our efforts to improve our performance in and beyond fiscal year 2014.

Initiatives Undertaken in Fiscal Year 2013 and Plans in Fiscal Year 2014

Individual business:
Implement measures for the entire Shinsei Bank Group to work together to "create five million core customers"

In our individual business, we implemented various measures aimed at "creating five million core customers," which is one of our goals set in the Second MTMP. We are utilizing the full capabilities of the Shinsei Bank Group to expand our base of "core customers," developing new housing loan products, improving our ATM networks, and developing and offering new products and services which combine the Shinsei Bank Group's financial products and services with the point service program provided by our partner Culture Convenience Club Co., Ltd. ("CCC"). In our housing loans we are continuing our efforts to increase the housing loan balance, and in January 2014, in an effort to differentiate our products from our competition, we introduced a new product featuring child care support and housekeeping support as a housing loan that assists the working population and families with children. In regards to our partnership with CCC, the operator of the shared points service T-Points, we intend to utilize the partnership in order to approach nearly 50 million T-Point members to whom we can offer our superior financial products and services. Regarding our ATM channel, we expanded our ATM partnerships in convenience store chains in fiscal year 2013, and have succeeded in establishing a strong ATM network that makes available to our customers nearly 100,000 ATMs throughout Japan free of charge. Additionally, the balance of our unsecured personal loans also continued to increase in fiscal year 2013, and we will endeavour to maintain this trend in fiscal year 2014.

In fiscal year 2014, we will continue in our growth phase and focus our efforts on enlarging our core customer base. We will achieve this by fully utilizing the capabilities of the Shinsei Bank Group to provide multi-faceted transactions to customers through a wide range of points of contact including investments, settlements, loans, and consulting services. To that end, we will establish a new retail banking model by enhancing cooperation among our customer communication channels, including our branches, call centers, and online banking service through the effective use of the characteristics of the respective channels, provide products and services including investment trusts and structured bonds in a customer centric manner ahead of our competitors and further strengthen our consulting capabilities. We will also strive to further expand and develop our loan business by increasing our housing loan product offerings to better satisfy our customers' needs, establishing our position as a trusted lender in the unsecured card loan market and further expand the credit guarantee business offered in cooperation with regional financial institutions.

Institutional business:

Support the growth of companies and contribute to regional development through business participation and a focus on strategically important areas

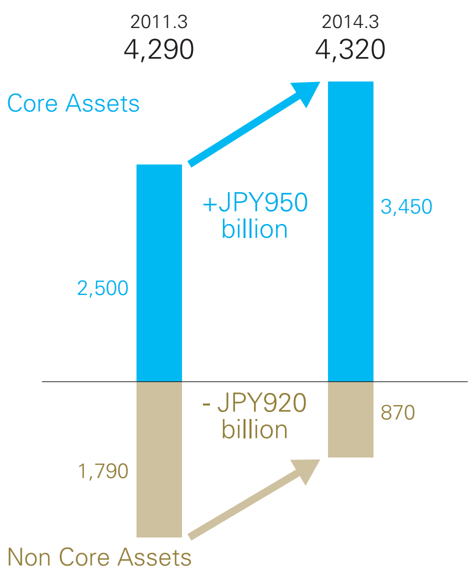
In fiscal year 2013, the institutional business worked aggressively to enhance its performance, focusing on new industries and sectors that are expected to grow significantly in the near future such as renewable energy, and medical and healthcare services. We also worked to support the growth of companies and contribute to regional development through business participation. The main characteristic of our involvement in the renewable energy business is to provide financing on a project basis to small- and medium sized companies and growing companies, and in fiscal year 2013, we provided project finance to initiatives in Ibaraki Prefecture, Hokkaido Prefecture, Shizuoka Prefecture, and Oita Prefecture, as well as initiatives in other locations. We plan to enhance our participation in projects involving other renewable energy sources such as geothermal power and wind power and become a business partner for growing companies in the field of renewable energy. In medical and healthcare services, we continued to work on the creation of a healthcare Real Estate Investment Trust (REIT). In April 2014, we jointly established an asset management company for a healthcare REIT and launched full-scale preparations for the scheduled creation and listing of a healthcare REIT on the Tokyo Stock Exchange in the second half of fiscal year 2014. The creation and listing of healthcare REITs are highly significant for society as it contributes to the resolution of the healthcare facility shortage problem by contributing to the sound development of this market, and we believe that we can make significant contributions in this area by utilizing the expertise we have developed through our healthcare facility financing business.

In fiscal year 2014, our basic strategy is to continue supporting the growth of companies, industries and regions through business participation, and to enhance as well as utilize our expertise. To further differentiate ourselves from our peers, we will provide the highest quality services in this area through the integration of our knowledge, networks, and financial functions in our strategic focus areas of medical and healthcare services, renewable energy, start-up support, and corporate rehabilitation support. We will also further step up efforts in areas where the Shinsei Bank Group has expertise. We will aggressively work on building our business in the area of structured finance, which is expected to grow in the future, by securing earnings in real estate finance and acquiring project finance opportunities both inside and outside of Japan. We will also further strengthen our credit trading and private equity businesses through the Shinsei Principal Investments Group which was established in July 2013. In response to the expiration of the SME Financial Facilitation Act, we will provide the Shinsei Bank Group's business rehabilitation expertise in cooperation with other financial institutions. We will also look to improve and expand our market solution capabilities.

Shift to Strategic Focus Areas

(Consolidated; JPY Billion)

Loan Balance Transition



Loan Growth Trend by Group

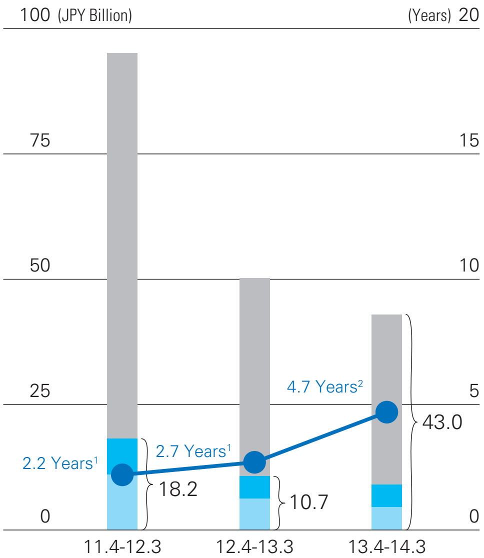
	2011.3	2012.3	2013.3	2014.3
Institutional Group	1,010.0	1,200.0	1,450.0	1,620.0
Global Markets Group	70.0	150.0	180.0	220.0
Individual Group	1,430.0	1,350.0	1,500.0	1,610.0

Main Loan Types Reduced (March 31, 2011→March 31, 2014)

Nonperforming loans:	Approx. JPY -170.0 billion
Need caution loans:	Approx. JPY -320.0 billion
Other noncore assets:	Approx. JPY -100.0 billion

Interest Repayment Losses (Grey Zone)

Actual Interest Repayments, Coverage Level



- Shinsei Financial (Indemnified by GE)
- Shinsei Financial (Not Indemnified by GE)
- SHINKI
- Duration of Reserves

1 Total coverage level for SHINKI and Shinsei Financial (not indemnified by GE)
2 Coverage level including additional provisions of grey zone reserves made following the conclusion of the GE indemnity on March 31, 2014

Summary of GE Indemnity for Shinsei Financial

September 2008	• Shinsei Bank acquired consumer finance business from GE Japan • Assets with grey zone risk were largely covered by the "GE Indemnity," where GE Japan compensated the Bank for grey zone losses incurred
March 2014	• In exchange for a lump sum, one-time cash payment of JPY175.0 billion, the GE indemnity was concluded

Additional Provisioning of Reserves Brings End of Grey Zone Issues into Sight

Shinsei Bank, at the end of December 2013, recalculated the amount required to cover future grey zone repayments based upon the recent repayment trends at SHINKI and Shinsei Financial and as a result, an additional 13.6 billion yen of grey zone reserves were provisioned.

Furthermore, Shinsei Bank reached an agreement with GE Japan to conclude the indemnity for Shinsei Financial's grey zone losses in exchange for a lump sum, cash payment of 175.0 billion yen which was received on March 31, 2014. Due to the conclusion of the indemnity, Shinsei Financial received 175.0 billion yen in cash from GE Japan and allocated the entire amount to grey zone reserves in the fourth quarter of fiscal year 2013.

Shinsei Bank acquired Shinsei Financial and its subsidiaries in September 2008 by concluding a share transfer agreement with GE Japan (then GE Japan Holding Corporation). Under the agreement, GE Japan was to indemnify losses arising from grey zone risks for a substantial portion of Shinsei Financial's assets. The agreement granted GE Japan the right to agree to pay a lump payment to Shinsei Financial of an amount estimated by Shinsei Bank to be necessary to cover future grey zone losses in order to be released from its indemnity obligation for grey zone risks as of March 31, 2014. GE Japan chose to exercise this option, and the indemnity was concluded.

Given that interest repayments by Shinsei Financial have been steadily declining, we consider that the recent additional posting to the grey zone loss reserve has secured the necessary level of funds to cover any grey zone losses expected to arise in the future.

Capital Policy and Shareholders Returns Policy

A new capital ratio regulation (Basel III) became effective at the end of the term ended March 31, 2014. Although Shinsei Bank is a domestic standard bank from a regulatory perspective, we operate our business with an awareness of the international standards, and had set a Common Equity Tier I Capital Ratio (fully loaded basis) target of approximately 7.5% at the end of March 2016, the last year of the Second MTMP. While we intend to improve and reinforce our capital mainly by accumulating retained earnings, we have also steadily reduced capital deductions through the disposal of nonperforming loans. These factors, combined with less-than-expected risk asset growth in fiscal year 2013, resulted in our consolidated core capital adequacy ratio reaching 13.58% as of March 31, 2014 (Basel III, Domestic Standard). This represents a figure higher than 4% required from a regulatory perspective. In addition, our Common Equity Tier I Capital Ratio (International Standard, fully loaded basis) was 9.2%, exceeding our target of around 7.5% at March 31, 2016.

The focal point of the ongoing Second MTMP is to place Shinsei Bank on a sustainable growth track by expanding its customer base and enhancing its customer-related assets. With respect to the reinvestment capacity required to achieve this goal, the Bank's capital ratio as of March 31, 2014 stood at a satisfactory level.

On the other hand, with regard to shareholder returns, dividend payouts remained at a minimum level and were far from satisfactory. Going forward, we will consider profit allocation in a shareholders' interest-focused manner in order to better satisfy our shareholders, while achieving our objectives, such as stabalizing profits and enhancing our capital position which are required in our Revitalization Plan as a Bank which has received public funds.

Repayment of Public Funds

As of March 31, 2014, approximately 216.9 billion yen in public funds were outstanding (on a principal basis). These funds are comprised of funds that were received by the former Long-Term Credit Bank of Japan, Ltd. (LTCB) and funds that were received when starting as Shinsei Bank in 2000. Regarding these public funds, the Japanese Government—through the Deposit Insurance Corporation of Japan and the Resolution and Collection Corporation—is, in effect, our second largest shareholder, owning 17.67% of the issued and outstanding Shinsei Bank common shares, and the repayment of public funds is only possible through the sale of the government-owned shares on the market. In order to make this a reality, Shinsei Bank will work to increase our corporate value by improving our earning capabilities and increasing retained earnings, as well as focus its energies into various initiatives taken under the Second MTMP. After achieving these goals, in consultation with the government, we will examine methods to repay public funds as early as possible, while monitoring trends in the Bank's share price.

Shinsei Bank aims to become a financial group that is valued by customers and needed by society and markets. To that end, the entire Shinsei Bank Group will work together to achieve the goals set out in the Second MTMP.

I would like to express our sincere gratitude for the understanding and support shown to us by our stakeholders, and we ask for your continued guidance and support.

July 2014

Shigeki Toma
President and Chief Executive Officer