SHINSEI BANK

RIGHT CHOICES

Interim Report 2008

Six months ended September 30, 2008

Shinsei Bank is a leading diversified Japanese financial institution providing a full range of financial products and services to both institutional and individual customers. The Bank has total assets of ¥12.4 trillion ($119 billion) on a consolidated basis (as of September 2008) and a network of 36 outlets that includes 34 Shinsei Financial Centers, 2 Platinum Centers in Japan. Shinsei Bank demands uncompromising levels of integrity and transparency in all its activities to earn the trust of customers, staff and shareholders. The Bank is committed to delivering long-term profit growth and increasing value for all its stakeholders.

FORWARD-LOOKING STATEMENTS

This interim report contains statements that constitute forward-looking statements. These statements appear in a number of places in this annual report and include statements regarding our intent, belief or current expectations, and/or the current belief or current expectations of our officers with respect to the results of our operations and the financial condition of the Bank and its subsidiaries. Such statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Our forward-looking statements are not a guarantee of future performance and involve risks and uncertainties. Actual results may differ from those in such forward-looking statements as a result of various factors.

Aiming for the RIGHT CHOICES

An organization faces many choices as it executes its business strategy. During challenging times, some of these choices may be very difficult to make; however, if we are to drive a successful strategy, we must ensure that we make the right choices across all of our businesses.

We focus closely on the needs of our customers, who remain the foundation of our business. By developing and delivering innovative products, services and solutions, we provide them with the right choices.

FINANCIAL HIGHLIGHTS

Shinsei Bank, Limited, and Consolidated Subsidiaries

	Billions of yen[1]		
	Sept. 30, 2007 (6 months)	**Sept. 30, 2008 (6 months)**	Mar. 31, 2008 (12 months)
For the fiscal year:			
Net interest income	¥ 56.5	**¥ 70.5**	¥ 137.7
Net fees and commissions	23.1	**17.2**	40.8
Net trading income (loss)	7.2	**(0.9)**	9.0
Net other business income	51.6	**15.5**	74.9
Total revenue	138.6	**102.3**	262.6
Net income (loss)	23.1	**(19.2)**	60.1
Cash basis net income (loss) [2]	28.7	**(14.3)**	71.3
Balances at fiscal year-end:			
Loans and bills discounted	5,456.5	**6,579.7**	5,622.2
Total assets	12,423.4	**12,446.2**	11,525.7
Deposits and negotiable certificates of deposit	5,870.6	**6,415.6**	5,806.6
Debentures	686.5	**748.2**	662.4
Total liabilities	11,488.7	**11,527.8**	10,560.5
Total equity	934.6	**918.4**	965.2
Total liabilities and equity	12,423.4	**12,446.2**	11,525.7
		Yen	
Per share data:			
Common equity	¥ 352.71	**¥ 338.12**	¥ 364.35
Fully diluted equity [3]	354.04	**338.12**	364.35
Basic net income (loss)	15.72	**(9.81)**	38.98
Diluted net income (loss)	12.72	**—**	32.44
Dividends	—	**—**	2.94
Cash basis per share data:			
Basic net income (loss)	¥ 19.57	**¥ (7.28)**	¥ 46.31
Diluted net income (loss)	15.77	**(7.28)**	38.50
		%	
Ratios:			
Return on assets [4][6]	0.4	**(0.3)**	0.5
Return on equity (fully diluted) [5][6]	7.2	**(5.6)**	8.8
Tier I capital ratio	7.62	**6.41**	7.37
Total capital adequacy ratio	12.40	**10.48**	11.74

Notes:
(1) Since all yen figures have been truncated rather than rounded, the totals do not necessarily equal the sum of the individual amounts.
(2) Cash basis net income (loss) is calculated by excluding impairment and amortization of goodwill and other intangible assets, net of tax benefit, from net income (loss) under Japanese Generally Accepted Accounting Principles (GAAP).
(3) Fully diluted equity per share is calculated by dividing equity at the end of the periods presented by the number of common shares that would have been outstanding had all securities convertible into or exercisable for common shares been converted or exercised with an applicable conversion or exercise price within the predetermined range at the end of the period.
(4) Return on assets is calculated by dividing net income (loss) by the average of total assets at the beginning and end of the period presented.
(5) Return on equity (fully diluted) is calculated by dividing net income (loss) by the average of fully diluted equity at the beginning and end of the period presented.
(6) Annualized basis.

CONTENTS

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 contribute 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.

December 2008

Masamoto Yashiro
President and CEO

REVIEW OF OPERATIONS

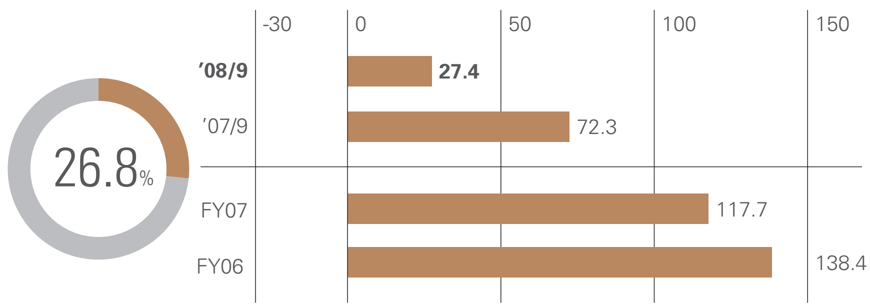
AT A GLANCE

'08/9 Contribution [1] | Financial Summary (Billions of yen)

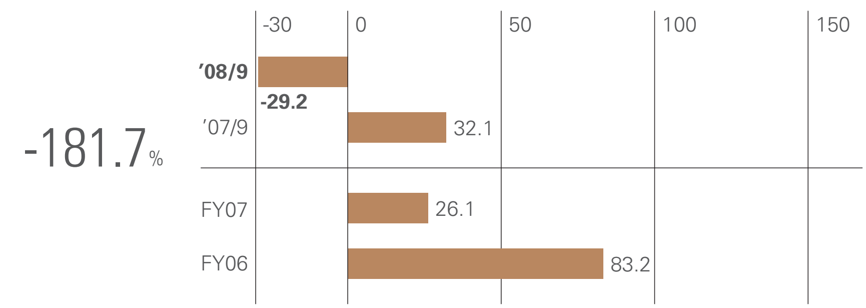
Institutional Group

The Institutional Group serves mid-market companies, financial institutions, the public sector, financial sponsors and other institutional customers. We are currently focusing on six key strategies that include improving the stability of our credit trading and principal investment businesses, maximizing the synergies between Shinsei Bank and Shinsei Securities, and incorporating Showa Leasing into this group to better leverage first-sales opportunities. In addition, we continue to focus on our non-recourse financing business while enhancing existing industry specialization in our corporate lending business. Finally, we are focused on becoming the premier distributor of emerging market and alternative investment funds in Japan by working closely with unique and high-performing external asset managers.

Revenues



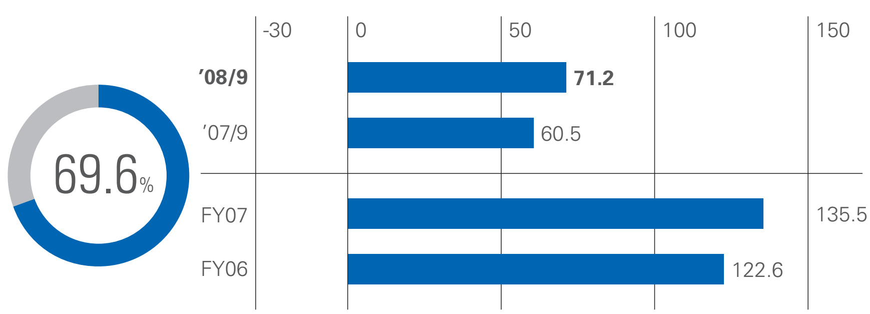
Ordinary Business Profit (Loss) After Net Credit Costs (Recoveries)



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.

Revenues



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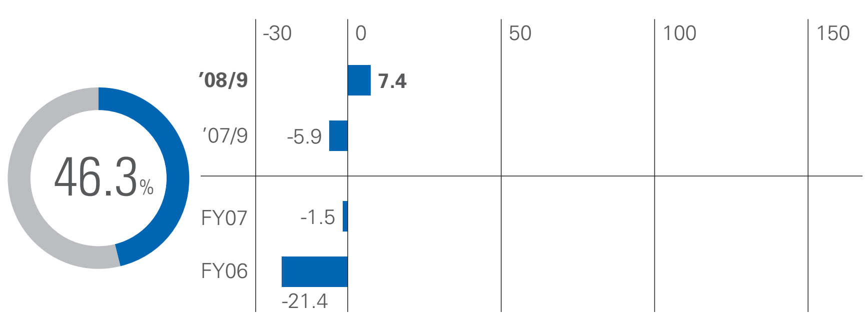


Note: (1) The percentage figures do not add up to 100 because of Corporate/Other.

PRODUCT & SERVICE HISTORY

2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008

- Corporate loans (Basic Banking), syndicate loans
- Capital markets (foreign exchange, derivatives)
- M&A advisory
- Asset-backed, mortgage-backed securitization
- Credit trading
- Leveraged and project finance
- Non-recourse finance
- Structured credit
- Asset management
- Private equity
- Corporate revitalization
- Leasing
- Auto leasing*
- Rentals
- Installment sales credit (for SMEs)

- Real estate secured loans and small property development loans
- Savings and time deposits, debentures
- Foreign currency deposits
- Structured deposits
- Mutual funds
- Comprehensive retail account, *PowerFlex*, and Internet banking service, *PowerDirect*
- *PowerSmart Home Mortgage*
- Fixed and variable annuities
- Installment sales credit (for individuals), auto loans
- Credit cards
- Consumer/business loans
- Guarantees
- Collection services
- Securities brokerage services
- Shinsei VISA Card
- Medical, cancer and automobile insurance
- Shinsei Bank *SmartCard Loan*

*Sold the business in September 2008.

INSTITUTIONAL GROUP

The Institutional Group serves mid-market companies, financial institutions, the public sector, financial sponsors and other institutional customers. We are currently focusing on six key strategies that include improving the stability of our credit trading and principal investment businesses, maximizing the synergies between Shinsei Bank and Shinsei Securities, and incorporating Showa Leasing into this group to better leverage first-sales opportunities. In addition, we continue to focus on our non-recourse financing business while enhancing existing industry specialization in our corporate lending business. Finally, we are focused on becoming the premier distributor of emerging market and alternative investment funds in Japan by working closely with unique and high-performing external asset managers.

Operating Results

Total revenue was 27.4 billion yen in the first half of this fiscal year, compared to 72.3 billion yen in the previous first half. While revenues increased for Shinsei Bank's non-recourse real estate finance business, the turmoil in global markets materially impacted its capital markets, principal investment and securitization businesses. In particular, the bankruptcy of Lehman Brothers Holdings, Inc. as well as losses related to European asset-backed investments and to other investments in Europe impacted revenue. While we were able to reduce expenses by 9.2%, an ordinary business loss was recorded in the first half of this fiscal year of 2.5 billion yen, compared to an ordinary business profit of 39.3 billion yen in the same period of the previous fiscal year due to the above reasons. The bank recorded an ordinary business loss after net credit costs of 29.2 billion yen in the first half due to lower revenues and an increase in credit costs related to the failure of a Lehman Brothers subsidiary and declines in the value of European asset-backed investments, compared to an ordinary business profit after net credit costs of 32.1 billion yen in the same period of the previous fiscal year.

Business Environment

As with other corporate and investment banks, our Institutional Banking Group has faced an unprecedented and volatile business environment. Credit markets were in severe crisis by the second quarter of the fiscal year, while spreads and funding premiums widened significantly. Our performance reflects strict mark-to-market and other risk exposure accounting policies. As with the rest of the financial sector, we have been negatively impacted by mark-downs and reserves on capital markets trading activity and on remaining asset-backed investment and securitization portfolios. Amidst ongoing industry-wide deleveraging, we deliberately curtailed trading activity, first at our subsidiary, Shinsei Securities, in the early part of the fiscal year and at the bank level by the second quarter of the fiscal year. We believe that scaling back proprietary trading to focus on customer flow has created operating leverage for the future when the industry stabilizes.

Basic Banking and Lending

Based on a clear understanding of our customers' needs and circumstances, our corporate relationship management teams offer solutions from a diverse range of products and services that extend far beyond traditional loans. Our extensive capabilities draw upon expertise from various product areas in the Bank, such as our Capital Markets' professionals in FX, derivatives and commodities, as well as our M&A advisory team and specialists in subsidiaries such as Shinsei Securities and Showa Leasing.

We also work closely with governmental agencies, municipalities and related organizations, with whom we have a long-standing history, to provide funding and new financing solutions for the public sector. Aiming to strengthen this business further, we integrated three Sub-Groups — Corporate Banking, Financial Institutions and Public Sector Finance — into one Institutional Business Unit.

Credit Trading, Principal Investment and Real Estate Lending

We continue to allocate capital and resources to trading and principal investment activities in performing, sub-performing and non-performing loans in Japan and selected overseas markets. Servicing non-performing loans (NPLs) is a core competency, while our experience as private equity investors, both directly and via funds, continues to distinguish Shinsei from our competitors.

We have continued to enhance our core competencies in Japanese real estate, where we aim to capitalize on market inefficiencies during all cycles. We have a strong financing and investing presence at all levels of the real estate capital structure.

Capital Markets

The Capital Markets business is active in a wide range of activities with our customer base, including FX and FX derivatives, interest rate, commodity and credit derivatives. In addition, we are active in the loan market, both in originating and syndicating primary business, as well as in buying and distributing secondary products.

Corporate Advisory and M&A

Advisory services are essential in helping our customers strengthen their financial fundamentals and improve asset efficiency. As an M&A advisor, we prepare acquisition/sale strategies, offer comprehensive deal management (including coordinating professionals such as lawyers and accountants), calculate company value, arrange due diligence, assist in the preparation of negotiation strategies and documentation and issue fairness opinions. Shinsei Bank has managed a wide range of deals, both in Japan and overseas, including mid-cap and cross-border transactions — two fields in which we excel. We have built a successful track record in corporate revitalization, centered on revitalization of companies and hotel/golf course deals. Restructuring advice and deal execution are key capabilities that we offer our middle market and regional customer base. Together with our core loan products, they represent a key strength that few other financial firms can match.

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

Shinsei's Asset Management Unit has developed various externally managed fund products for distribution in Japan via teams in the bank and in certain licensed subsidiaries, including Shinsei Investment Management and Shinsei Securities. Total customer assets exceed 840 billion yen across the group. This accomplishment reflects the successes of our highly skilled fiduciary professionals in selecting products from external managers and our sophisticated needs assessments of institutional, pension and retail customers and third party distributors.

Building on our relationship with a leading Indian investment firm, UTI Asset Management Company Pvt., Ltd. ("UTI"), we have established a joint venture, UTI International (Singapore) Pvt., Ltd., to serve as a hub for co-branded products to be offered throughout Asia. This venture has been licensed by the Monetary Authority of Singapore and is in the final stages of preparing initial product launches.

Commercial Finance

Showa Leasing, a subsidiary of Shinsei Bank, is a leading general leasing company, primarily focused domestically on SMEs. In July 2008, Showa Leasing acquired a 95% stake in Yamagata-based Kirayaka Leasing Co., Ltd. In September 2008, Showa Leasing sold all of its shares in Showa Auto Rental & Leasing Co., Ltd., to Nippon Car Solutions Co., Ltd., with the aim of improving operational efficiency. Through deal referrals from Shinsei Bank, developing new products such as factoring and tie-ups in movable property collateralized loans with regional financial institutions, and by maintaining its longstanding close relationship with the Resona Group, Showa Leasing is expanding into new business channels.

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 operations 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.

DIRECTORS AND EXECUTIVES

As of November 12, 2008

BOARD OF DIRECTORS

Masamoto Yashiro	Chairman of the Board, Shinsei Bank, Limited
Michael J. Boskin*	Professor, Stanford University
Emilio Botín*	Chairman, Grupo Santander
J. Christopher Flowers*	Chairman, J. C. Flowers & Co. LLC
Yukinori Ito*	President and CEO, Centennial Economic Advisors (Japan), Inc., Former Professor, Teikyo University
Shigeru Kani*	Former Director, Administration Department, The Bank of Japan, Professor, Yokohama College of Commerce
Fred H. Langhammer*	Chairman, Global Affairs, The Estée Lauder Companies, Inc.
Minoru Makihara*	Senior Corporate Advisor, Mitsubishi Corporation
Oki Matsumoto*	CEO, Monex Group, Inc.
Yasuharu Nagashima*	Lawyer
Nobuaki Ogawa*	Lawyer
Hiroyuki Takahashi*	Former Director, Japan Corporate Auditors Association
John S. Wadsworth, Jr.*	Advisory Director, Morgan Stanley

* Outside Directors

SENIOR ADVISORS

Takashi Imai
Honorary Chairman, Nippon Steel Corporation

Juan Rodriguez Inciarte
Director General, Grupo Santander

Paul A. Volcker
Former Chairman,
Board of Governors of the Federal Reserve System

COMMITTEE MEMBERSHIPS

NOMINATION COMMITTEE
Minoru Makihara (Chairman)
Michael J. Boskin
J. Christopher Flowers
Oki Matsumoto

AUDIT COMMITTEE
Hiroyuki Takahashi (Chairman)
Yukinori Ito
Shigeru Kani
Yasuharu Nagashima
Nobuaki Ogawa

COMPENSATION COMMITTEE
John S. Wadsworth, Jr. (Chairman)
Emilio Botín
J. Christopher Flowers
Fred H. Langhammer
Minoru Makihara
Masamoto Yashiro

STATUTORY EXECUTIVE OFFICERS

Masamoto Yashiro	Representative Statutory Executive Officer, President, Chief Executive Officer
Masazumi Kato	Representative Statutory Executive Officer, Executive Vice President
Junzo Tomii	Representative Statutory Executive Officer, Executive Vice President
Akira Ito	Representative Statutory Executive Officer, Senior Managing Executive Officer, Head of Corporate Governance Group, General Counsel
Dhananjaya Dvivedi	Senior Managing Executive Officer, Group Chief Information Officer, Head of Banking Infrastructure Group
Rahul Gupta	Senior Managing Executive Officer, Chief Financial Officer
Sang-Ho Sohn	Senior Managing Executive Officer, Head and Chief Executive of Institutional Group
Norio Funayama	Managing Executive Officer, Executive Head of Institutional Business Sub-Group
Kazumi Kojima	Managing Executive Officer
Kazuya Fujimoto	Statutory Executive Officer, Head of Institutional Business Sub-Group, General Manager of Public Sector Finance Division
Michimasa Honda	Statutory Executive Officer, General Manager of Financial Institutions Business Division III
Yukio Nakamura	Statutory Executive Officer, Executive Head of Institutional Business Sub-Group
Shigeru Oishi	Statutory Executive Officer, General Manager of Osaka Branch
Michiyuki Okano	Statutory Executive Officer, Head of Operations Sub-Group, Head of Retail Services Sub-Group
Thomas Pedersen	Statutory Executive Officer, Head of People and Communications Group, Chief Learning Officer
Yoshikazu Sato	Statutory Executive Officer, Head of Technology Sub-Group
Takashi Tsuchiya	Statutory Executive Officer, Head of Advisory Sub-Group, General Manager of International Corporate Banking Division

ORGANIZATION

As of December 4, 2008

Customers

- Board of Directors
  - Chairman of the Board
  - Chief Executive Officer
    - Internal Audit Division*3
  - Management Committee
  - Nomination Committee *1
  - Audit Committee
    - Office of Audit Committee
  - Compensation Committee *2

- Office of Corporate Development
- Office of Strategy Management
- Corporate Governance Group
  - Office of Corporate Secretary*1
  - Compliance Division
    - (Retail Compliance Department)
    - (Financial Crime Information Department)
  - Legal Division
  - General Services Division
    - (Head Office Relocation Preparation Department)
  - Office of Affiliate Administration
  - Credit Assessment Division
  - Office of Regulatory Relations
- Institutional Group
  - Institutional Group Management Division
    - (Corporate Customer Service Department)
  - Alternative Investment Division
  - Capital Markets Division
  - Process Control Division *4
  - Institutional Business Sub-Group
    - Business Promotion Unit I–V
    - Corporate Business Unit
    - Business Development Unit
    - Finance Company Business Unit
    - Financial Sponsor Business Unit
    - Osaka Business Promotion Unit
    - Osaka Corporate Business Unit
    - Financial Institutions Business Division I
    - Financial Institutions Business Division II
    - Financial Institutions Business Division III
    - Public Sector Finance Division
    - Osaka Financial Institutions Business and Public Sector Finance Division
    - (Sapporo, Sendai, Kanazawa, Nagoya, Hiroshima, Takamatsu and Fukuoka)
  - Real Estate Finance Sub-Group
    - Real Estate Finance Division
    - Real Estate Business Division
  - Advisory Sub-Group
    - Corporate Advisory Division
    - Solution Advisory Division
    - International Corporate Banking Division
  - Principal Transactions Sub-Group
    - International Principal Finance Division
    - Corporate Solutions Division
    - Private Equity Division
    - Credit Trading Division
    - Real Estate Principal Investment Division
    - Specialty Finance Division
    - Healthcare Transactions Division
  - Commercial Finance Sub-Group
- Asset Management Sub-Group*5
  - Asset Management Division
- Wealth Management Division*5
- Individual Group
  - Consumer Finance Sub-Group
  - Retail Banking Sub-Group
    - Marketing Division
      - (Customer Service Department)
    - Retail Sales and Distribution Division*6 — 31 Financial Centers (Branches)*7
    - Channel Planning Division
    - Retail Products Division
      - (Insurance Business Management Department)
    - Loan Products Division
    - Retail Business Division
    - Excellence in Banking Division
  - Retail Services Sub-Group
    - Retail Services Division
    - Channel Management Division
    - Retail Technology Division
- Finance Group
  - Financial Controlling Sub-Group
    - Group Business Controlling Division
      - (Expense Control Department)
    - Group Regulatory Accounting and Tax Division
      - (Basel II Project Management Department)
    - Group Financial Accounting Division
    - Capital Markets and Treasury Product Control Division
  - Treasury and Corporate Sub-Group
    - Group Treasury Division
    - Group Investor Relations Division
    - Group Financial Strategies Division
    - Group Corporate Analytics Division
    - Group J-SOX Program Office
    - Office of CFO
- Banking Infrastructure Group
  - Control Sub-Group *4
    - Operations Planning and Administration Division
  - Technology Sub-Group
    - Information Technology Division
    - Technology Support Division
  - Operations Sub-Group
    - Operations Services Division — Grand Cayman Branch
    - Operation Support Division
    - Centralized Operations Division
- Risk Management Group
  - Portfolio and Risk Management Division
  - Market Risk Management Division
  - Credit Risk Division
  - Financial Engineering Risk Management Division
  - Retail Banking Risk Management Division
  - Risk Management Planning and Policy Division
  - Operational Risk Management Division
  - Office of CLO
- People and Communications Group
  - Human Resources Division*2
  - Corporate Value Division
  - Corporate Communications Division

*1 Office of Corporate Secretary shall act as the secretariat for the Board of Directors, Nomination Committee and Management Committee.
*2 Human Resources Division shall act as the secretariat for the Compensation Committee.
*3 Internal Audit Division shall report not only to CEO but also to Audit Committee directly.
*4 Process Control Division is attached to Institutional Group, however it shall report to Head of BIG as well.
*5 As Asset Management Sub-Group and Wealth Management Division are co-jurisdiction (Joint Venture) of Institutional Group and Individual Group, each division shall report to both Group Head.
*6 Incl. Ginza Annex
*7 Head Office, Sapporo, Sendai, Kanazawa, Omiya, Kashiwa, LaLaport, Tokyo, Ikebukuro, Ueno, Kichijoji, Shinjuku, Shiodome SIO-SITE, Roppongi Hills (incl. Keyakizakadori Annex), Shibuya (incl. Omotesando Hills Annex), Hiroo, Meguro, Futakotamagawa, Hachioji, Machida, Yokohama, Fujisawa, Nagoya, Kyoto, Osaka, Umeda, Namba, Kobe, Hiroshima, Takamatsu, Fukuoka

SUMMARY OF MAJOR EVENTS

2000	March	Launched as an innovative Japanese bank under new management and new ownership
	June	Changed name from The Long-Term Credit Bank of Japan, Limited (LTCB), to Shinsei Bank, Limited
2001	May	Commenced operations of Shinsei Securities Co., Ltd.
2003	April	Commenced operations of Shinsei Investment Management Co., Ltd.
	September	Established Hibiya Kids Park, an on-site children's day care center for Head Office staff—the first among Japanese banks
2004	February	Listed the Bank's common shares on the First Section of the Tokyo Stock Exchange
	April	Converted the Bank's long-term credit bank charter to an ordinary bank charter
	May	Achieved one million retail accounts
	June	Converted to a Company with Committees board model
	September	Acquired a controlling interest in APLUS Co., Ltd.
2005	March	Acquired a controlling interest in Showa Leasing Co., Ltd.
	May	Commenced operations of Shinsei International Limited
2006	February	Issued preferred securities and subordinated notes outside Japan
	July	Commenced resolution of public funds
	November	Partially cancelled Shinsei Bank common shares held as treasury stock
		Established strategic alliance with UTI Asset Management Company Pvt. Ltd.
	December	Issued GBP-denominated perpetual subordinated notes
2007	April	Achieved two million retail accounts
	June	Launched new *Shinsei Platinum Services*
	August	Acquired and cancelled Series 3 Class-B preferred shares
		Established a joint venture engaged in investment management with UTI International Ltd.
	December	Acquired a controlling interest in SHINKI Co., Ltd.
2008	January	Reached a mutual agreement with Seven Bank, Ltd. to share sales channels and develop products and services together
	February	Completed a tender offer bid for the Bank's common shares and a third-party allotment of new common shares of the Bank to the investor group led by J.C. Flowers & Co. LLC and affiliates
		Launched private equity fund with the Development Bank of Japan
		Concluded an Operational Alliance Agreement with Towa Bank, Ltd.
	March	Agreed to the sale of headquarters building
		Acquired and cancelled Series 2 Class-A Preferred Shares pursuant to a request by shareholder
	April	Launched *Shinsei MobileDirect* mobile banking service
	June	Launched Shinsei Bank *SmartCard Loan* service
	August	Established a business alliance with So-net M3, Inc.
	September	Opened first joint ATM corner with Seven Bank, Ltd.
		Acquired GE Consumer Finance Co. Ltd.

DATA SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our consolidated and non-consolidated interim financial statements prepared in accordance with accounting principles generally accepted in Japan ("Japanese GAAP") for banks, including the notes to those interim financial statements, included elsewhere in this interim report. Except as otherwise indicated, the financial information in the following discussion is based on our consolidated interim financial statements.

In this section, except where the context indicates otherwise, "we" or "our" means Shinsei Bank, Limited, its subsidiaries and its affiliates accounted for by the equity method, and "Shinsei" or "the Bank" refers to Shinsei Bank on a non-consolidated basis.

Financial and operational data that are stated in multiples of ¥0.1 billion have been truncated. All percentages have been rounded to the nearest 0.1%.

OVERVIEW

Shinsei Bank, Limited is a leading diversified financial institution in Japan bringing innovative banking practices to the Japanese market. In June 2008 we reorganized our business around two business groups: an Institutional Group and an Individual Group. Our groups cover a broad range of products and customer segments which provide us with diversified revenues. We believe our unique history and business strategy have made us more global than local financial institutions in Japan and more local than foreign financial institutions having a presence in Japan.

Our focus is to grow sustainable revenues by offering innovative products and solutions to meet the needs of our customers. The scope and synergies of our innovative, customer-focused, two-group business model consists of:

- *Individual Group*, which consists of Retail Banking and our consumer finance subsidiaries. We continue to expand our product range and enhance consultative services for retail customers to better serve the needs of its customers, including high net worth individuals. With the acquisition of GE Consumer Finance Co., Ltd. (GECF) on September 22, 2008, we believe that we are better positioned to offer a full range of products and services across the breadth of the retail banking and consumer finance businesses. This enables us to provide 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.
- *Institutional Group*, which consists of our Institutional Bank and Showa Leasing Co., Ltd. (Showa Leasing). The Institutional Bank is organized around product specialists and relationship managers working closely together to leverage our long-standing customer relationships and to increase the number of products per customer. We serve mid-market companies, financial institutions, the public sector, financial sponsors and other institutional customers. Showa Leasing provides commercial finance to small and medium-sized businesses.

FINANCIAL SUMMARY FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2008

We reported a consolidated net loss of ¥19.2 billion for the first six months of fiscal year 2008, as compared to net income of ¥23.1 billion during the same period in the previous fiscal year.

Our Individual Group generated improved results compared to the prior period. Retail Banking returned to profitability during the period, and our APLUS Co., Ltd. (APLUS) and SHINKI Co., Ltd. (Shinki) subsidiaries continued to improve upon their performance from the prior period. With the addition of GECF to our consumer finance subsidiaries, we expect this group to increase its contribution to profits going forward.

Despite the progress that was made in our Individual Group, our overall business was impacted by the turmoil in the global capital markets and resulting losses in our Institutional Group. Our Institutional Group business was primarily impacted by a consolidated loss of ¥29.1 billion related to the bankruptcy of Lehman Brothers Holdings Inc. (Lehman Brothers), as well as mark-downs and credit costs of ¥22.2 billion related to our European investments, asset-backed investments and asset-backed securities. Our capital markets and principal investments businesses have been impacted by turmoil in the global capital markets, resulting in lower revenues within these businesses.

Our domestic businesses have continued to perform well despite the global market slowdown. We continue to show strong results in our non-recourse lending business as well as good results in our basic banking and credit trading businesses. Considering the present operating environment, we have become more discerning in our management of our domestic portfolio and continue to monitor the market closely.

During the current period, we booked gains from the sale of our Meguro Production Center of ¥7.2 billion, net of future restoration and other costs and the sale of Showa Auto Rental & Leasing Co., Ltd. (Showa Auto Rental & Leasing) of ¥8.2 billion, although these gains were lower than the gains recorded in the first half of the previous year that included the gain on the sale of Life Housing Loan Co., Ltd. for ¥20.3 billion.

Consolidated cash basis net loss for the first six months of fiscal year 2008 was ¥14.3 billion. Cash basis net income is calculated by excluding amortization (and impairment) of goodwill and other intangible assets, net of tax benefit, from net income under Japanese GAAP.

BANKRUPTCY OF LEHMAN BROTHERS HOLDINGS INC.

On September 15, 2008, Lehman Brothers filed for bankruptcy protection in New York. We subsequently announced that we had potential exposure to Lehman Brothers of approximately ¥38 billion, comprised primarily of a ¥25.0 billion loan to a Japanese domestic subsidiary of Lehman Brothers, ¥9.0 billion in bonds (notional amount), and ¥1.0 billion in market counterparty risk.

For the period ended September 30, 2008, we have recognized ¥29.1 billion in losses on a consolidated basis. Included in these losses are credit costs of ¥18.6 billion related to our loan to the Japanese domestic subsidiary of Lehman Brothers, ¥8.4 billion of losses on bonds, and ¥2.0 billion in other related losses.

The settlement of claims against Lehman Brothers is being administered by a bankruptcy trustee. We are working to recover our claims against Lehman Brothers both in the United States and in Japan.

EUROPEAN ASSET BACK INVESTMENTS

Our financial results for the six months ended September 30, 2008, were impacted by the rapidly deteriorating economy and credit cycle within Europe. During the period, we marked-down or took losses on ¥15.7 billion of European investments, asset-backed investments and asset-backed securities and incurred credit costs of ¥6.5 billion.

U.S. RESIDENTIAL MORTGAGE PORTFOLIO

Our exposures to the U.S. residential mortgage market have been reduced from the year earlier period. As of September 30, 2008, our net exposure to the U.S. residential mortgage market amounted to approximately US$251 million, or less than 0.25% of our total assets of approximately US$119.2 billion as of September 30, 2008. Total mark-downs and reserves related to U.S. residential mortgages recorded in the first half of fiscal year 2008 amounted to US$15.5 million. A full breakdown of our exposures, net mark-downs and reserves related to the U.S. residential mortgage market may be found in Table 23.

GREY ZONE AND CREDIT RESERVES – APLUS AND SHINKI

During the first six months of fiscal year 2008, APLUS recorded additional grey zone reserves for losses on interest repayments of ¥2.7 billion in connection with grey zone refunds recorded during this period. As of September 30, 2008, APLUS' grey zone reserve balance amounted to ¥7.7 billion.

During the first six months of fiscal year 2008, Shinki made grey zone refunds of ¥7.6 billion. As of September 30, 2008, Shinki's grey zone reserve balance amounted to ¥23.0 billion. No new contribution was made to grey zone reserves during the period since reserves appear adequate to meet forecast redemptions.

SIGNIFICANT EVENTS

ACQUISITION OF GE CONSUMER FINANCE

On September 22, 2008, we acquired GECF and its subsidiaries for an all cash consideration of ¥580 billion from GE Japan Holdings Corporation. GECF brings additional scale in personal loans, credit cards, mortgage and sales finance to Shinsei's existing related operations in Shinsei Bank, APLUS and Shinki.

Under Japanese GAAP, GECF's results of operations for the six months ended September 30, 2008 had no effect on our consolidated income statement for the same period because GECF became our consolidated subsidiary at the end of the period. Following our investment in GECF, we conducted a fair value review of GECF's assets and liabilities, and also conducted a fair value review of its intangible assets for purposes of preparing our consolidated balance sheet as of September 30, 2008. The excess of our purchase price over the net asset fair value after deducting identified intangible assets and their associated deferred tax liability was accounted for as consolidation (acquired) goodwill. As a result, ¥10.4 billion in consolidation goodwill and ¥27.0 billion in intangible assets were recorded in our consolidated financial statements.

SALE OF MEGURO BUILDING

Our Meguro Production Center has outgrown the 30-year-old building in Meguro, Tokyo in which it is housed. A central Tokyo location for these operations is no longer necessary, given advances in technology, and repositioning them is more prudent from the point of view of continuity-of-business planning. As a result, we sold the Meguro building with the land for ¥19.2 billion. The Bank has entered into a lease contract with the purchaser, an affiliate of the Lone Star Real Estate Fund, which allows us to remain in the building until March 2011.

Chowa Tatemono Co., Ltd. (Chowa Tatemono), a consolidated subsidiary within the Shinsei Bank Group, owned the Meguro property. As a result of this transaction, Chowa Tatemono recorded a gain of ¥5.3 billion, net of taxes, while Shinsei Bank recorded a net gain of ¥5.6 billion on a consolidated basis in fiscal year 2008.

SALE OF SHOWA AUTO RENTAL & LEASING

After a business review of our leasing operations, we concluded that we lacked sufficient scale of our auto rental and leasing business to remain competitive over the long term. As a result, on September 30, 2008, we concluded the sale of Showa Auto Rental & Leasing, a subsidiary of Showa Leasing. After deducting our book value in Showa Auto Rental & Leasing and net costs of the transaction, our gain at September 30, 2008 was ¥8.2 billion.

SELECTED FINANCIAL DATA (CONSOLIDATED)

Shinsei Bank, Limited and Consolidated Subsidiaries

As of or for the six months ended September 30, 2008 and 2007, and as of or for the fiscal year ended March 31, 2008

	Billions of yen (except per share data and percentages)		
	Sept. 30, 2008 (6 months)	Sept. 30, 2007 (6 months)	Mar. 31, 2008 (1 year)
Income statement data:			
Net interest income	**¥ 70.5**	¥ 56.5	¥ 137.7
Net fees and commissions	**17.2**	23.1	40.8
Net trading income (loss)	**(0.9)**	7.2	9.0
Net other business income	**15.5**	51.6	74.9
Total revenue	**102.3**	138.6	262.6
General and administrative expenses	**77.5**	77.4	158.7
Amortization of goodwill and other intangible assets	**5.7**	6.1	12.5
Total general and administrative expenses	**83.2**	83.5	171.2
Net credit costs	**41.6**	30.7	73.5
Other gains, net	**13.3**	18.9	74.7
Income (loss) before income taxes and minority interests	**(9.1)**	43.2	92.5
Current income tax	**2.4**	4.0	4.9
Deferred income tax (benefit)	**(0.5)**	5.3	9.5
Minority interests in net income of subsidiaries	**8.2**	10.6	18.0
Net income (loss)	**¥ (19.2)**	¥ 23.1	¥ 60.1
Balance sheet data:			
Trading assets	**¥ 285.1**	¥ 251.4	¥ 315.2
Securities	**1,994.3**	2,368.5	1,980.2
Loans and bills discounted	**6,579.7**	5,456.5	5,622.2
Customers' liabilities for acceptances and guarantees	**695.5**	725.5	701.7
Reserve for credit losses	**(135.1)**	(141.7)	(145.9)
Total assets	**12,446.2**	12,423.4	11,525.7
Deposits, including negotiable certificates of deposit	**6,415.6**	5,870.6	5,806.6
Debentures	**748.2**	686.5	662.4
Trading liabilities	**178.9**	110.5	205.0
Borrowed money	**1,062.7**	1,092.7	1,127.2
Acceptances and guarantees	**695.5**	725.5	701.7
Total liabilities	**11,527.8**	11,488.7	10,560.5
Capital stock	**476.2**	451.2	476.2
Total equity	**918.4**	934.6	965.2
Total liabilities and equity	**¥ 12,446.2**	¥ 12,423.4	¥ 11,525.7
Per share data			
Common equity[1]	**¥ 338.12**	¥ 352.71	¥ 364.35
Fully diluted equity[1][2]	**338.12**	354.04	364.35
Basic net income (loss)	**(9.81)**	15.72	38.98
Diluted net income (loss)	**—**	12.72	32.44
Capital adequacy data:			
Tier I capital ratio	**6.4 %**	7.6%	7.4%
Total capital adequacy ratio	**10.5 %**	12.4%	11.7%
Average balance data:			
Securities	**¥ 2,531.9**	¥ 1,991.3	¥ 2,058.7
Loans and bills discounted	**5,780.3**	5,235.4	5,390.3
Total assets	**11,986.0**	11,630.5	11,181.7
Interest-bearing liabilities	**9,617.4**	8,866.9	9,065.8
Total liabilities	**11,044.1**	10,696.6	10,232.4
Total equity	**941.8**	933.9	949.2
Other data:			
Return on assets	**(0.3)%**	0.4%	0.5%
Return on equity (fully diluted)[1]	**(5.6)%**	7.2%	8.8%
Ratio of deposits, including negotiable certificates of deposit, to total liabilities	**55.7 %**	51.1%	55.0%
Expense-to-revenue ratio[3]	**75.7 %**	55.9%	60.4%
Non-performing claims, non-consolidated	**¥ 52.4**	¥ 45.9	¥ 53.1
Ratio of non-performing claims to total claims, non-consolidated	**0.9 %**	0.8%	1.0%
Net deferred tax assets	**¥ 17.8**	¥ 34.1	¥ 23.9
Net deferred tax assets as a percentage of Tier I capital	**2.9 %**	5.3%	3.5%

Notes: (1) Stock acquisition rights and minority interests in subsidiaries are excluded from equity in calculating per share data.
(2) Fully diluted equity per share is calculated by dividing equity at the end of the periods presented by the number of common shares that would have been outstanding had all securities convertible into or exercisable for common shares been converted or exercised with an applicable conversion or exercise price within the predetermined range at the end of the period.
(3) The expense-to-revenue ratio is calculated by dividing general and administrative expenses for the periods presented by the total revenue for such period.

SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2008 COMPARED WITH SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2007

Consolidated financial results for the six months ended September 30, 2008 were impacted by the reserves and markdowns on our exposure related to Lehman Brothers, European investments, asset-backed investments and asset-backed securities as well as lower capital markets and principal investments activity due to adverse global market conditions.

Total revenue for the first six months of fiscal year 2008 was ¥102.3 billion, or 26.2% lower than in the first six months of the previous fiscal year. Net interest income revenues rose to ¥70.5 billion in the current half from ¥56.5 billion in the first half of fiscal year 2007. This increase was primarily driven by the ¥11.3 billion in net interest income from Shinki which became a consolidated subsidiary from the second half of fiscal year 2007. Non-interest income decreased to ¥31.8 billion versus ¥82.0 billion in the same period of the previous year. Our non-interest income was impacted by a decline of ¥5.9 billion of fee and commission revenues. In addition, we incurred a trading loss of ¥0.9 billion and a decline in other business income to ¥15.5 billion from ¥51.6 billion. Included in the trading loss and other business income are ¥8.4 billion in losses on bonds incurred upon the bankruptcy of Lehman Brothers, as well as ¥15.7 billion of losses related to our holdings of European investments, asset-backed investments and asset-backed securities as well as lower capital markets and principal investments activity due to adverse global market conditions.

General and administrative expenses (excluding amortization of goodwill and other intangible assets) were ¥77.5 billion in the first six months of fiscal year 2008, nearly flat compared to last year despite the consolidation of Shinki's financial results for the first six months of fiscal year 2008, which for the prior period was accounted for as an equity method affiliate. Excluding ¥5.5 billion of Shinki's expenses, including allocated expenses, expenses declined to ¥71.9 billion in the current period, a decrease of ¥5.4 billion from the year earlier period. Our expense-to-revenue ratio of 75.7% for the six months ended September 30, 2008 is primarily a result of the drop in total revenue, and compares to an expense-to-revenue ratio of 55.9% in the first half of fiscal year 2007.

Net credit costs of ¥41.6 billion for the first six months of fiscal year 2008 were ¥10.9 billion higher than for the same period in the last fiscal year. The increase was driven primarily by ¥18.6 billion in credit costs related to a loan to a Lehman Brothers subsidiary, and ¥6.5 billion in credit costs associated with our holdings of European asset backed investments, partially offset by approximately ¥5.3 billion improvement of credit costs within our consumer finance subsidiaries.

Amortization of goodwill and other intangible assets associated with the acquisition of consumer and commercial finance companies was ¥5.7 billion for the six months ended September 30, 2008 as compared with ¥6.1 billion in the first six months of the previous fiscal year.

Other gains of ¥12.6 billion largely included a ¥7.2 billion gain on the sale of the Bank's Meguro Production Center, net of future restoration and other costs and a gain of ¥8.2 billion on the sale of Showa Auto Rental & Leasing, while the first half of fiscal year 2007 results included a gain from the sale of Life Housing Loan Co, Ltd. of ¥20.3 billion, net of consolidation adjustments. In addition, the tax impact of these gains has been reflected in income taxes (benefit).

Current and deferred income taxes reflected a net expense of ¥1.8 billion compared to a net expense of ¥9.3 billion in the first half of the previous fiscal year. Deferred taxes for the current first half include the recognition of a ¥2.0 billion deferred tax asset by Showa Leasing.

Minority interests in net income of subsidiaries for the first six months of fiscal year 2008 amounting to ¥8.2 billion largely reflected dividends paid on perpetual preferred securities and minority interests relating to APLUS' preferred shareholders.

As a result, the Bank recognized a consolidated net loss of ¥19.2 billion for the first six months of fiscal year 2008, a decrease of ¥42.4 billion, or 183.2%, as compared to the same period in the previous fiscal year.

Shinsei's non-performing loans (NPLs) balance under the Financial Revitalization Law totaled ¥52.4 billion as of September 30, 2008. NPLs were 0.90% of total claims outstanding at September 30, 2008 on a non-consolidated basis.

Our Tier I capital ratio was 6.4% and total capital adequacy ratio was 10.5% as of September 30, 2008, on a Basel II basis.

SUPPLEMENTAL FINANCIAL DATA AND RECONCILIATIONS TO JAPANESE GAAP MEASURES

Shinsei Bank, Limited and Consolidated Subsidiaries

For the six months ended September 30, 2008	Billions of yen (except per share data and percentages)
Amortization of goodwill and other intangible assets	
Amortization of other intangible assets	¥ 1.8
Associated deferred tax liability	(0.7)
Amortization of goodwill	3.8
Total amortization of goodwill and other intangible assets, net of tax benefit	¥ 4.9
Reconciliation of net income to cash basis net income	
Net income (loss)	¥ (19.2)
Amortization of goodwill and other intangible assets, net of tax benefit	4.9
Cash basis net income (loss)	¥ (14.3)
Reconciliation of basic net income per share to cash basis basic net income per share	
Basic net income (loss) per share	¥ (9.81)
Effect of amortization of goodwill and other intangible assets, net of tax benefit	2.53
Cash basis basic net income (loss) per share	¥ (7.28)
Reconciliation of return on assets to cash basis return on assets	
Return on assets	(0.3)%
Effect of amortization of goodwill and other intangible assets, net of tax benefit	0.1
Cash basis return on assets	(0.2)%
Reconciliation of return on equity to cash basis return on equity	
Return on equity (fully diluted)	(5.6)%
Effect of amortization of goodwill and other intangible assets, net of tax benefit	1.4
Cash basis return on equity (fully diluted)	(4.1)%
Reconciliation of return on equity to return on tangible equity	
Return on equity (fully diluted)	(5.6)%
Effect of goodwill and other intangible assets(1)	0.1
Return on tangible equity (fully diluted)	(5.4)%

Note: (1) Net income excludes amortization of goodwill and other intangible assets, net of tax benefit. Average equity excludes goodwill and other intangible assets, net of associated deferred tax liability.

TABLE 1. INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES (CONSOLIDATED)

Billions of yen (except percentages)

	Six months ended September 30, 2008			Six months ended September 30, 2007		
	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate
Interest-earning assets:						
Loans and bills discounted	¥ 5,780.3	¥ 98.0	3.38%	¥ 5,235.4	¥ 84.3	3.22%
Leased assets and installment receivables	718.4	24.3	6.76	781.4	27.2	6.98
Securities	2,531.9	20.9	1.65	1,991.3	20.5	2.07
Other interest-earning assets(1)	1,074.0	5.4	n.m.	821.8	6.5	n.m.
Total revenue on interest-earning assets	¥ 10,104.8	¥ 148.7	2.94%	¥ 8,830.0	¥ 138.7	3.14%
Interest-bearing liabilities:						
Deposits, including negotiable certificates of deposit	¥ 6,117.2	¥ 25.1	0.82%	¥ 5,549.7	¥ 22.9	0.83%
Debentures	690.8	2.2	0.64	693.1	1.5	0.45
Borrowed money	1,132.9	8.6	1.52	1,122.6	8.9	1.59
Subordinated debt	108.0	0.7	1.41	108.0	0.5	1.10
Other borrowed money	1,024.9	7.8	1.54	1,014.6	8.3	1.64
Corporate bonds	409.0	7.3	3.57	441.3	7.8	3.57
Subordinated bonds	329.4	6.6	4.03	364.7	7.3	4.01
Other corporate bonds	79.6	0.6	1.65	76.5	0.5	1.50
Other interest-bearing liabilities(1)	1,267.2	10.5	n.m.	1,060.1	13.6	n.m.
Total expense on interest-bearing liabilities	¥ 9,617.4	¥ 53.9	1.12%	¥ 8,866.9	¥ 54.9	1.24%
Non-interest-bearing sources of funds:						
Non-interest-bearing (assets) liabilities, net	¥ (203.7)	¥ —	—	¥ (686.0)	¥ —	—
Total equity excluding minority interest in subsidiaries(2)	691.1	—	—	649.0	—	—
Total interest-bearing liabilities and non-interest-bearing sources of funds	¥ 10,104.8	¥ —	—	¥ 8,830.0	¥ —	—
Net interest margin	—	—	1.82%	—	—	1.90%
Impact of non-interest-bearing sources	—	—	0.05	—	—	(0.01)
Net revenue on interest-earning assets/yield on interest-earning assets	—	94.8	1.87%	—	83.7	1.90%
Reconciliation of total revenue on interest-earning assets to total interest income						
Total revenue on interest-earning assets	¥ 10,104.8	¥ 148.7	2.94%	¥ 8,830.0	¥ 138.7	3.14%
Less: Income on leased assets and installment receivables	718.4	24.3	6.76	781.4	27.2	6.98
Total interest income	¥ 9,386.4	¥ 124.4	2.64%	¥ 8,048.5	¥ 111.4	2.77%
Total interest expenses	—	53.9	—	—	54.9	—
Net interest income	¥ —	¥ 70.5	—	¥ —	¥ 56.5	—

Notes: (1) Other interest-earning assets and other interest-bearing liabilities include interest swaps and fund swaps.
(2) Represents a simple average of the balance at the end of the current period and the balance at the end of the previous period.

Net revenue on interest-earning assets includes net interest income as well as revenue earned on the average balance of leased assets and installment receivables. We consider income on leased assets and installment receivables to be a component of interest income, but Japanese GAAP does not include income on leased assets and installment receivables in net interest income. Under Japanese GAAP, therefore, income on leased assets and installment receivables is reported in net other business income in our consolidated statement of income.

TABLE 2. ANALYSIS OF CHANGES IN NET REVENUE ON INTEREST-EARNING ASSETS (CONSOLIDATED)

	Billions of yen		
	Due to change in[1]		
From the six months ended September 30, 2007 to the six months ended September 30, 2008	Volume	Rate	Net Change
Increase (decrease) in interest revenue:			
Loans and bills discounted	¥ 8.7	¥ 4.9	¥ 13.7
Leased assets and installment receivables	(2.1)	(0.7)	(2.9)
Securities	5.5	(5.2)	0.3
Other interest-earning assets	2.0	(3.1)	(1.0)
Total revenue on interest-earning assets			¥ 10.0
Increase (decrease) in interest expenses:			
Deposits, including negotiable certificates of deposit	¥ 2.3	¥ 0.0	¥ 2.2
Debentures	0.0	0.6	0.6
Borrowed money	0.0	(0.3)	(0.2)
Subordinated debt	0.0	0.1	0.1
Other borrowed money	0.0	(0.5)	(0.4)
Corporate bonds	(0.5)	0.0	(0.5)
Subordinated bonds	(0.7)	0.0	(0.6)
Other corporate bonds	0.0	0.0	0.0
Other interest-bearing liabilities	2.6	(5.8)	(3.1)
Total expense on interest-bearing liabilities			¥ (1.0)
Net increase in net revenue on interest-earning assets			¥ 11.1

Reconciliation of total revenue on interest-earning assets to total interest income

Total revenue on interest-earning assets	¥ 10.0
Less: Income on leased assets and installment receivables	(2.9)
Total interest income	¥ 12.9
Total interest expenses	(1.0)
Net increase in net interest income	¥ 14.0

Note: (1) The changes in interest income and expense for each category are divided into the portion of change attributable to the variance in volume or rate for that category. The attribution of the volume variance is calculated by multiplying the change in volume by the previous year's rate. The attribution of the rate variance is calculated by multiplying the change in rate by the current year's balance.

NET REVENUE ON INTEREST-EARNING ASSETS

Net revenue on interest-earning assets for the six months ended September 30, 2008 was ¥94.8 billion, an increase of ¥11.1 billion compared to the first half of the prior fiscal year. Total revenue on interest-earning assets increased by ¥10.0 billion and total expense on interest-bearing liabilities decreased by ¥1.0 billion in the first six months of fiscal year 2008, respectively, from the first half of the previous fiscal year. The net yield on interest-earning assets was 1.87% in the first half of fiscal year 2008, compared with 1.90% for the same period in the prior fiscal year, a decrease of 0.03%.

The ¥10.0 billion increase in total revenue on interest-earning assets in the first half of fiscal year 2008 is primarily attributable to both a higher volume and rate on loans and bills discounted. The increase in average balance of loans and bills discounted was primarily the result of inclusion of consumer loans by Shinki and growth in retail housing loans, which also benefited from increasing yields on those loans. The rise in securities interest revenue, due primarily to the increase of Japanese National Government bonds, was offset by lower yields on these assets.

The ¥1.0 billion decrease in total expense on interest-bearing liabilities was primarily due to the decreased rates on other interest-bearing liabilities. The increase in deposits and negotiable certificates of deposit (NCD) interest expense was primarily due to an increase in the average balance to ¥6,117.2 billion from ¥5,549.7 billion. This expense was offset by a decline in other interest bearing liabilities expense of ¥3.1 billion.

Overall, Shinki contributed ¥11.3 billion to the net increase in net revenue on interest-earning assets on a consolidated basis.

NET FEES AND COMMISSIONS

Net fees and commissions mainly includes fees on non-recourse real estate finance, consumer finance related guarantees and other financing products and commissions on sales of asset management products. Net fees and commissions of ¥17.2 billion were earned in the six months ended September 30, 2008, a decrease of ¥5.9 billion compared to the same period of the previous year, primarily as a result of lower market activity due to the ongoing turmoil in the global financial markets. Our Retail Banking asset management business generated total fees of ¥3.0 billion in the first six months of fiscal year 2008, a decrease of ¥2.6 billion from the first six months of the previous fiscal year, as retail customers slowed their purchases of fee based products, including mutual funds and annuities.

NET TRADING INCOME

The table below shows the principal components of net trading income.

TABLE 3. NET TRADING INCOME (CONSOLIDATED)

	Billions of yen		
	Six months ended September 30, 2008	Six months ended September 30, 2007	% Change
Income from trading securities	**¥ 1.8**	¥ 2.2	(18.9)
Income (loss) from securities held to hedge trading transactions	**(6.2)**	0.7	(909.5)
Income from trading-related financial derivatives	**3.3**	4.2	(20.9)
Other, net	**0.0**	(0.0)	200.5
Net trading income (loss)	**¥ (0.9)**	¥ 7.2	(113.7)

For figures in millions of yen, please see Note 26 on page 69.

Net trading income reflects revenues from customer-driven transactions as well as transactions undertaken for trading purposes. In addition to investments in securities, it encompasses income we receive from providing derivative products, including structured deposits, to retail and institutional customers.

During the first half of fiscal year 2008, net trading income showed a loss of ¥0.9 billion, a decline of ¥8.2 billion from the same period in the previous fiscal year. Our overall business showed lower volumes due to lower customer-driven activity in the current period.

The loss from securities held to hedge trading transactions includes ¥3.0 billion in losses on positions related to Lehman Brothers and another ¥3.6 billion in bond related losses.

Our income from trading-related financial derivatives includes liquidity and credit reserves of 1.4 billion as a result of the increased market volatility and credit risk in the market as well as 0.6 billion in losses on derivatives positions related to Lehman Brothers.

NET OTHER BUSINESS INCOME

The table below shows the principal components of net other business income.

TABLE 4. NET OTHER BUSINESS INCOME (CONSOLIDATED)

	Billions of yen		
	Six months ended September 30, 2008	Six months ended September 30, 2007	% Change
Income on monetary assets held in trust, net	**¥ 4.2**	¥ 12.0	(64.3)
Net gain (losses) on securities	**(21.5)**	(0.1)	(13,114.8)
Net gain (losses) on foreign exchange	**(0.0)**	5.1	(100.3)
Net gain on other monetary claims purchased	**7.3**	11.6	(37.0)
Other business income (losses), net			
Income (losses) from derivatives for banking purposes, net	**(0.9)**	0.0	(11,445.2)
Equity in net income (losses) of affiliates	**(0.2)**	(6.4)	95.9
Gain on lease cancellation and other lease income, net	**0.8**	1.1	(23.9)
Other, net	**1.5**	1.0	48.6
Net other business income (losses) before income on leased assets and installment receivables, net	**(8.7)**	24.3	(135.8)
Income on leased assets and installment receivables, net	**24.3**	27.2	(10.8)
Net other business income	**¥ 15.5**	¥ 51.6	(69.8)

For figures in millions of yen of "other business income (loss), net," please see Note 27 on page 69.

Net other business income for the first half ended September 30, 2008 was ¥15.5 billion. This included income of ¥24.3 billion from the leased assets and installment receivables businesses of Showa Leasing and APLUS. Excluding such income, net other business income for the first half of fiscal year 2008 showed a loss of ¥8.7 billion, a decrease of ¥33.3 billion from the same period in the previous fiscal year.

Income on monetary assets held in trust, net should be considered together with net gain on other monetary claims purchased for trading purposes as both of these income categories mainly include credit trading, securitization and real estate principal investment income. During the six months ended September 30, 2008, income on monetary assets held in trust, net, totaled ¥4.2 billion versus ¥12.0 billion in the prior period, a decrease of ¥7.7 billion compared to the same period in the prior fiscal year. This decline was driven both by losses of ¥3.7 billion on our European investments as well as an additional ¥4.0 billion of lower credit trading revenues.

The ¥21.5 billion of net loss on securities includes ¥9.0 billion of losses related to our holdings of European investments and asset-backed securities, and ¥4.7 billion of losses on our Lehman Brothers positions. This category also includes net losses on the securities portfolio held in our capital markets business of ¥4.2 billion. The capital markets business-related activities should be considered together with corresponding equity derivatives included in income (losses) from derivatives for banking purposes, net.

Our foreign exchange business did not generate revenue during the current period, while the net gain on foreign exchange of ¥5.1 billion in the prior period includes option income in connection with currency-linked structured deposits provided to retail customers of ¥2.4 billion.

Equity in net (losses) income of affiliates for the prior period is largely attributable to Shinsei Bank's equity in the non-consolidated net loss of Shinki, an equity-method affiliate, amounting to ¥6.8 billion, net of consolidation adjustments. Shinki's results have been consolidated during the current period.

TOTAL REVENUE

Due to the factors described above, total revenue in the six months ended September 30, 2008 was ¥102.3 billion, as compared with ¥138.6 billion in the six months ended September 30, 2007.

GENERAL AND ADMINISTRATIVE EXPENSES

The table below sets forth the principal components of our general and administrative expenses.

TABLE 5. GENERAL AND ADMINISTRATIVE EXPENSES (CONSOLIDATED) Billions of yen

	Six months ended September 30, 2008	Six months ended September 30, 2007	% Change
Personnel expenses	**¥ 30.5**	¥ 32.5	(6.0)
Premises expenses	**11.2**	8.6	29.5
Technology and data processing expenses	**11.5**	10.1	13.8
Advertising expenses	**4.2**	5.0	(14.7)
Consumption and property taxes	**3.4**	4.2	(18.4)
Deposit insurance premium	**1.9**	1.7	13.3
Other general and administrative expenses	**14.5**	15.1	(4.1)
General and administrative expenses	**77.5**	77.4	0.1
Amortization of goodwill and other intangible assets	**5.7**	6.1	(6.1)
Total general and administrative expenses	**¥ 83.2**	¥ 83.5	(0.4)

From the fiscal year which commenced on April 1, 2006, amortization of goodwill and other intangible assets is recorded in total general and administrative expenses.

General and administrative expenses (excluding amortization of goodwill and other intangible assets) were ¥77.5 billion in the first six months of fiscal year 2008, nearly flat compared to last year despite the consolidation of Shinki's financial results for the first six months of fiscal year 2008, which for the prior period was accounted for as an equity method affiliate. Excluding ¥5.5 billion of Shinki's expenses, including allocated expenses, expenses declined to ¥71.9 billion in the current period, a decrease of ¥5.4 billion from the year earlier period.

Personnel expenses of ¥30.5 billion were ¥1.9 billion lower than in the first half of the previous fiscal year. The decrease was largely due to ongoing expense reductions as we have continued to rationalize our operations in light of the present operating environment.

Non-personnel expenses rose compared to the same period in the prior fiscal year mainly due to the inclusion of Shinki's financial results. Premises expenses increased mainly due to Shinki's premises expenses and office rent for the Shinsei Bank headquarters building. Advertising expenses were ¥0.7 billion lower than the same period last fiscal year reflecting continued optimization of advertising activities in Individual Group businesses. Consumption and property taxes were ¥0.7 billion lower mainly due to the absence of property taxes caused by the sale of the Shinsei Bank headquarters building in March 2008.

AMORTIZATION OF GOODWILL AND OTHER INTANGIBLE ASSETS

The amortization of goodwill and other intangible assets associated with the acquisition of consumer and commercial finance companies was ¥5.7 billion for the six months ended September 30, 2008 as compared with ¥6.1 billion in the first half of the previous fiscal year.

This mainly includes amortization of goodwill and other intangible assets attributable to APLUS (including Zen-Nichi Shinpan Co., Ltd.), Showa Leasing and Shinki.

NET CREDIT COSTS

The following table sets forth our net credit costs on a consolidated basis for the six months ended September 30, 2008 and 2007.

TABLE 6. NET CREDIT COSTS (CONSOLIDATED)

	Billions of yen		
	Six months ended September 30, 2008	Six months ended September 30, 2007	% Change
Losses on write-off of loans/Losses on sale of loans	**¥ 2.9**	¥ 0.0	2880.9
Net provision (reversal) of reserve for loan losses:			
Net provision (reversal) of general reserve for loan losses	**18.4**	(5.4)	440.3
Net provision of specific reserve for loan losses	**22.1**	33.6	(34.2)
Net provision (reversal) of reserve for loan losses to restructuring countries	**(0.0)**	(0.0)	(42.9)
Subtotal	**40.6**	28.2	43.9
Net provision (reversal) of specific reserve for other credit losses	**(2.2)**	1.0	(324.0)
Other credit costs relating to leasing business	**0.3**	1.3	(74.9)
Net credit costs	**¥ 41.6**	¥ 30.7	35.6

For figures in millions of yen, please see Note 28 on page 70.

The principal components of net credit costs are provisions or reversals of loan loss reserves. In accordance with Japanese regulatory requirements, Shinsei maintains general and specific reserves for loan losses, a reserve for loans to restructuring countries, as well as a specific reserve for other credit losses. Certain of our subsidiaries, particularly GECF, APLUS, Shinki and Showa Leasing, also maintain general and specific reserves for loan losses.

We recorded net credit costs of ¥41.6 billion for the half year ended September 30, 2008 compared with net credit costs of ¥30.7 billion for the half ended September 30, 2007. The increase in net credit costs was driven by higher credit costs for a loan to a subsidiary of Lehman Brothers of ¥18.6 billion and an increase in our provisions for European asset-backed investments which totaled ¥6.5 billion for the half year. APLUS recorded net credit costs of ¥12.1 billion, a decrease of ¥7.6 billion from the same period in the previous fiscal year as a result of stricter credit controls put in place in the prior fiscal year.

OTHER GAINS, NET

Other gains of ¥12.6 billion largely included a ¥7.2 billion gain on the sale of the Bank's Meguro Production Center, net of future restoration and other costs and a gain of ¥8.2 billion on the sale of Showa Auto Rental & Leasing, while the first half of fiscal year 2007 results included a gain from the sale of Life Housing Loan Co, Ltd. of ¥20.3 billion, net of consolidation adjustments. In addition, the tax impact of these gains has been reflected in income taxes (benefit).

INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS

As a result of the foregoing, loss before income taxes and minority interests totaled ¥9.1 billion for the six months ended September 30, 2008, as compared to an income before income taxes and minority interests of ¥43.2 billion in the same period in the previous fiscal year.

INCOME TAXES (BENEFIT)

Current and deferred income taxes reflected a net expense of ¥1.8 billion compared to a net expense of ¥9.3 billion in the first half of the previous fiscal year. Deferred taxes for the current first half include the recognition of a ¥2.0 billion deferred tax asset by Showa Leasing.

For the six months ended September 30, 2007, we recorded ¥4.0 billion in current income tax, mainly related to local income tax paid by our subsidiaries. We also recorded a deferred income tax expense of ¥5.3 billion, largely reflecting a reversal of deferred tax assets amounting to ¥7.1 billion related to the sale of Life Housing Loan. This was partly offset by the tax benefit on the amortization of fair value adjustments to net assets and other intangible assets of ¥0.5 billion.

MINORITY INTERESTS IN NET INCOME OF SUBSIDIARIES

Minority interests in net income of subsidiaries for the first half of fiscal year 2008 amounting to ¥8.2 billion largely reflected dividends paid on perpetual preferred securities and minority interests relating to APLUS' preferred shareholders.

NET INCOME

The Bank recognized a consolidated net loss of ¥19.2 billion for the first six months of fiscal year 2008, a decrease of ¥42.4 billion, or 183.2%, as compared to the same period in the previous fiscal year.

We report both Japanese GAAP net income and cash basis net income in order to provide greater transparency and understanding of our underlying performance. Consolidated cash basis net loss for the first six months of fiscal year 2008 was ¥14.3 billion, a decrease of ¥43.0 billion, or 149.8%, as compared to the first half in the previous fiscal year. Cash basis net income is defined as Japanese GAAP net income adjusted to exclude the impairment and amortization of goodwill and other intangible assets, net of tax benefit, attributable to our consumer and commercial finance companies.

RECONCILIATION FROM REPORTED-BASIS RESULTS TO OPERATING-BASIS RESULTS

In addition to analyzing our results of operations in the format used for our financial statements, which we refer to as the reported-basis, our management also reviews our results on an operating-basis to assess each of our business lines and to measure our results against targeted goals. Operating-basis results are calculated by adjusting the reported-basis results principally for the amortization of goodwill and other intangible assets, certain revenue items, amortization of net actuarial losses and lump-sum payments. In essence, the operating-basis results represent what we consider to be core business results and are in conformity with Japanese GAAP at the net income level. The following summary table provides a reconciliation between our results on a reported and operating basis.

TABLE 7. RECONCILIATION FROM REPORTED-BASIS RESULTS TO OPERATING-BASIS RESULTS (CONSOLIDATED)

Billions of yen

	Six months ended September 30, 2008			Six months ended September 30, 2007		
	Reported basis	Reclassifications	Operating basis	Reported basis	Reclassifications	Operating basis
Revenue:						
Net interest income	¥ 70.5	¥ —	¥ 70.5	¥ 56.5	¥ —	¥ 56.5
Non-interest income[1]	31.8	0.0	31.8	82.0	0.1	82.2
Total revenue	102.3	0.0	102.3	138.6	0.1	138.7
General and administrative expenses[2]	77.5	(0.7)	76.7	77.4	(0.1)	77.3
Amortization of goodwill and other intangible assets	5.7	(5.7)	—	6.1	(6.1)	—
Total general and administrative expenses	83.2	(6.5)	76.7	83.5	(6.2)	77.3
Net business profit/Ordinary business profit[3]	19.1	6.4	25.5	55.0	6.3	61.3
Net credit costs	41.6	—	41.6	30.7	—	30.7
Amortization of goodwill and other intangible assets	—	5.7	5.7	—	6.1	6.1
Other gains (losses), net[1][2]	13.3	(0.7)	12.6	18.9	(0.2)	18.6
Income (loss) before income taxes and minority interests	(9.1)	—	(9.1)	43.2	—	43.2
Income taxes and minority interests	10.0	—	10.0	20.0	—	20.0
Net income (loss)	¥ (19.2)	¥ —	¥ (19.2)	¥ 23.1	¥ —	¥ 23.1

Notes: (1) Reclassifications consist principally of adjustments relating to other business income between other gains (losses), net and non-interest income.
(2) Reclassifications consist principally of adjustments relating to lump-sum compensation and amortization of net actuarial gains or losses from general and administrative expenses to other gains (losses), net.
(3) Ordinary business profit is derived after reclassifying certain items from net business profit.

BUSINESS LINES RESULTS

In June 2008 we reorganized our business around two business groups: an Institutional Group and an Individual Group. Our groups cover a broad range of products and customer segments which provide us with diversified revenues. In the six months ended September 30, 2008, ordinary business loss after net credit costs was ¥16.0 billion, as compared to ordinary business profit after net credit costs of ¥30.6 billion during the same period in the previous fiscal year, primarily due to reserves and mark-downs on our exposure related to Lehman Brothers, European investments, asset-backed investments and asset-backed securities as well as lower capital markets and principal investments activity due to adverse global market conditions.

Our Individual Group generated improved results compared to the prior period. Retail Banking returned to profitability during the period, and our APLUS and Shinki subsidiaries continued to improve upon their performance from the prior period. With the addition of GECF to our consumer finance subsidiaries, we expect this group to increase its contribution to profits going forward.

Despite the progress that was made in our Individual Group, our overall business was impacted by the turmoil in the global capital markets and resulting losses in our Institutional Group.

Our Institutional Group business was primarily impacted by a consolidated loss of ¥29.1 billion related to the bankruptcy of Lehman Brothers, as well as mark-downs and credit costs of ¥ 22.2 billion related to our European investments, asset-backed investments and asset-backed securities. Our capital markets and principal investments businesses have been impacted by turmoil in the global capital markets, resulting in lower revenues within these businesses.

Our domestic businesses have continued to perform well despite the global market slowdown. We continue to show strong results in our non-recourse lending business as well as good results in our basic banking and credit trading businesses. Considering the present operating environment, we have become more discerning in our management of our domestic portfolio and continue to monitor the market closely.

Management monitors the performance of these business lines on an operating basis. The business line discussion below covers the operating-basis ordinary business profit (loss) after net credit costs (recoveries) of the two business lines and a third category of Corporate/Other.

TABLE 8. OPERATING-BASIS ORDINARY BUSINESS PROFIT (LOSS) AFTER NET CREDIT COSTS (RECOVERIES) BY BUSINESS LINE (CONSOLIDATED)

	Billions of yen			
	Six months ended September 30, 2008			
	Institutional Group	Individual Group	Corporate/ Other[(1)]	Total
Net interest income	**¥ 23.5**	**¥ 44.2**	**¥ 2.6**	**¥ 70.5**
Non-interest income	**3.8**	**27.0**	**0.9**	**31.8**
Total revenue	**27.4**	**71.2**	**3.5**	**102.3**
General and administrative expenses	**29.9**	**47.1**	**(0.3)**	**76.7**
Ordinary business profit (loss)	**(2.5)**	**24.1**	**3.9**	**25.5**
Net credit costs (recoveries)	**26.7**	**16.6**	**(1.7)**	**41.6**
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ (29.2)**	**¥ 7.4**	**¥ 5.7**	**¥ (16.0)**

	Billions of yen			
	Six months ended September 30, 2007[(2)]			
	Institutional Group	Individual Group	Corporate/ Other[(1)]	Total
Net interest income	¥ 18.6	¥ 33.1	¥ 4.7	¥ 56.5
Non-interest income	53.7	27.4	1.1	82.2
Total revenue	72.3	60.5	5.8	138.7
General and administrative expenses	33.0	44.4	(0.1)	77.3
Ordinary business profit	39.3	16.1	5.9	61.3
Net credit costs	7.1	22.0	1.5	30.7
Ordinary business profit (loss) after net credit costs	¥ 32.1	¥ (5.9)	¥ 4.4	¥ 30.6

Notes: (1) Corporate/Other largely includes results of equity and sub-debt finance activities, corporate level expenses and credit costs.
(2) Prior period has been adjusted to conform to current period presentation.

INSTITUTIONAL GROUP

The Institutional Group consists of the Institutional Banking business and Showa Leasing. The Institutional Banking business generated total revenue of ¥16.0 billion in the first six months of this fiscal year. This is ¥42.2 billion, or 72.4%, lower than the same period last fiscal year.

Our non-recourse real estate finance business generated revenue of ¥10.9 billion, an increase of ¥1.4 billion compared to the same period in the last fiscal year. Basic Banking and Credit Trading generated total revenues of ¥7.5 billion and ¥11.1 billion respectively in the first half of fiscal year 2008, slightly below the ¥8.1 billion and ¥12.7 billion generated in the same period of the previous year. Foreign exchange, derivatives and equity-related transactions showed a loss of ¥2.5 billion from the ¥8.3 billion revenue recorded in the first half of the previous fiscal year. This includes ¥3.0 billion of losses on our Lehman Brothers holdings. Our principal investments business generated revenues of ¥0.5 billion, or ¥11.7 billion lower than in the first half of the prior fiscal year. Principal investments revenue for the first half of fiscal year 2008 includes ¥5.1 billion of mark downs on European investments. Securitization recognized a loss of ¥8.3 billion during the first half of fiscal year 2008. This includes mark-downs of ¥10.5 billion on European asset-backed investments and asset-backed securities. Our Other Capital Markets businesses generated a loss of ¥7.2 billion for the current period, compared to revenue of ¥1.1 billion in the prior period. This includes a loss of ¥4.7 billion related to Lehman Brothers.

TABLE 9. INSTITUTIONAL GROUP REVENUE BY PRODUCT (CONSOLIDATED)

	Billions of yen		
	Six months ended September 30, 2008	Six months ended September 30, 2007[1]	% Change
Institutional Group:			
Leasing (Showa Leasing)	**¥ 11.4**	**¥ 14.0**	(18.8)
Credit Trading	**11.1**	**12.7**	(13.1)
Non-Recourse Real Estate Finance	**10.9**	**9.5**	14.8
Basic Banking[2]	**7.5**	**8.1**	(7.7)
ALM Activities	**2.6**	**(0.4)**	718.4
Principal Investments	**0.5**	**12.2**	(95.8)
Foreign Exchange, Derivatives, Equity-Related	**(2.5)**	**8.3**	(130.5)
Other Capital Markets	**(7.2)**	**1.1**	(729.1)
Securitization	**(8.3)**	**0.0**	(8,735.6)
Others	**1.4**	**6.4**	(77.9)
Total revenue	**¥ 27.4**	**¥ 72.3**	(62.0)

Notes: (1) Prior period has been adjusted to conform to current period presentation.
(2) Basic Banking mainly consists of corporate loans, deposits and debentures revenue.

In the first half of this fiscal year, the Institutional Group general and administrative expenses were ¥29.9 billion, a ¥3.0 billion decrease from the first half in the previous fiscal year. The decrease was largely due to stricter cost controls and cost reduction measures put in place across the business.

The ordinary business loss for the first half of fiscal year 2008 was ¥2.5 billion, compared to an ordinary business profit of ¥39.3 billion in the prior period. The increase in net credit costs to ¥26.7 billion from ¥7.1 billion in the prior period was primarily driven by ¥18.6 billion of credit costs related to a loan to a subsidiary of Lehman Brothers. As a result, the Institutional Group showed an ordinary business loss after net credit costs of ¥29.2 billion for the first half of fiscal year 2008, compared to an ordinary business profit after net credit costs of ¥32.1 billion in the prior period.

INDIVIDUAL GROUP

The Individual Group consists of the Retail Banking business as well as the subsidiaries APLUS, Shinki and Shinsei Property Finance Co., Ltd. In addition, on September 22, 2008, we acquired GECF from GE Japan Holdings Corporation. GECF's results will be incorporated in our Results of Operations from the third quarter of fiscal year 2008. For the current period, only Balance Sheet data is contained.

During the first six months of this fiscal year, the Individual Group generated ordinary business profit after net credit costs of ¥7.4 billion compared to an ordinary business loss after net credit costs of ¥5.9 billion 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.

During the first six months of this fiscal year, total Retail Banking revenue was ¥19.3 billion as compared to ¥18.0 billion during the first half of the previous fiscal year. The main sources of revenue were interest income from retail deposits, fees from asset management products, income from structured deposits and fees and net interest income from loan products. During the half, we generated increased net interest income of ¥12.7 billion compared to ¥9.8 billion during the prior fiscal year. The increase in net interest income comes primarily from increases in deposits and debentures net interest income as well as from loans. Non-interest income declined to ¥6.5 billion from ¥8.2 billion in the prior fiscal year period as fees from asset management products declined.

TABLE 10. INSTITUTIONAL GROUP REVENUE BY PRODUCT (CONSOLIDATED)

	Billions of yen		
	Six months ended September 30, 2008	Six months ended September 30, 2007	% Change
Retail Banking:	**¥ 19.3**	**¥ 18.0**	6.9
Deposits and Debentures Net Interest Income	**10.1**	**8.1**	23.5
Deposits and Debentures Non-Interest Income	**2.7**	**2.1**	28.8
Asset Management	**3.0**	**5.7**	(46.8)
Loans	**3.4**	**2.0**	67.7
(Reference) Revenue from Structured Deposits	**3.1**	**3.5**	(11.6)
GE Consumer Finance (GECF)	—	—	—
APLUS	**38.8**	**46.9**	(17.2)
Shinki	**10.6**	**(6.9)**	254.7
Other Subsidiaries	**2.3**	**2.3**	(0.6)
Total revenue	**¥ 71.2**	**¥ 60.5**	17.8

Retail Banking incurred general and administrative expenses of ¥18.8 billion during the six-month period, a decrease of 7.0% as compared to the first half in the previous fiscal year. The business generated ordinary business profit of ¥0.4 billion for the first six months of fiscal year 2008, as compared to an ordinary business loss of ¥2.2 billion during the first half of the previous fiscal year. The net profit within Retail Banking reflects the steps that we have made to restructure our business and focus upon providing profitable products and services to our customer base.

In the six months ended September 30, 2008, APLUS generated total revenue of ¥38.8 billion, compared to ¥46.9 billion for the same period of the prior fiscal year. The decline in revenue was largely due to tighter credit controls that we enacted earlier this fiscal year. The revenue shortfall was more than fully offset by lower expenses and net credit costs. General and administrative expenses declined to ¥21.6 billion from ¥22.9 billion in the previous fiscal year, while net credit costs were ¥12.1 billion and ¥19.8 billion for the respective periods. As a result, the business generated ordinary business profit after net credit costs of ¥5.0 billion in the first half of fiscal year 2008, an increase of ¥0.8 billion from the same period in the previous fiscal year.

During the first six months of fiscal year 2007, Shinsei Bank accounted for its interest in Shinki under the equity-method of accounting. Accordingly, results for Shinki in the first half of fiscal year 2007 reflect our equity interest in the company and credit provision for loans from Shinsei Bank to Shinki. For the first half of fiscal year 2008, Shinki recorded total revenue of ¥10.6 billion, general and administrative expenses of ¥5.5 billion and net credit costs of ¥2.9 billion, for an ordinary business profit after net credit costs of ¥2.2 billion. This compares to an ordinary business loss after net credit costs of ¥8.9 billion in the first half of fiscal year 2007.

APLUS' grey zone payments and write-offs amounted to ¥3.6 billion in the first half of fiscal year 2008. The business made new grey zone related provisions of ¥2.7 billion and, as a result, the total balance of the grey zone reserve was ¥7.7 billion as of September 30, 2008, as compared to ¥8.6 billion as of March 31, 2008.

Shinki's grey zone payments and write-offs amounted to ¥7.6 billion in the first half of fiscal year 2008. The total balance of the grey zone reserve was ¥23.0 billion as of September 30, 2008, as compared to ¥30.6 billion as of March 31, 2008.

Other subsidiaries' financials mainly includes the financial results of Shinsei Property Finance Co., Ltd.

TABLE 11. INDIVIDUAL GROUP ORDINARY BUSINESS PROFIT (LOSS) AFTER NET CREDIT COSTS BY SUBSIDIARY(1)

	Billions of yen				
	Six months ended September 30, 2008				
	Retail Banking	APLUS	Shinki	Other Subsidiaries(2)	Individual Group
Net interest income	**¥ 12.7**	**¥ 18.2**	**¥ 11.3**	**¥ 1.9**	**¥ 44.2**
Non-interest income (loss)	**6.5**	**20.6**	**(0.6)**	**0.3**	**27.0**
Total revenue	**19.3**	**38.8**	**10.6**	**2.3**	**71.2**
General and administrative expenses	**18.8**	**21.6**	**5.5**	**1.0**	**47.1**
Ordinary business profit	**0.4**	**17.2**	**5.1**	**1.2**	**24.1**
Net credit costs	**0.1**	**12.1**	**2.9**	**1.4**	**16.6**
Ordinary business profit (loss) after net credit costs	**¥ 0.3**	**¥ 5.0**	**¥ 2.2**	**¥ (0.1)**	**¥ 7.4**

	Billions of yen				
	Six months ended September 30, 2007(3)				
	Retail Banking	APLUS	Shinki	Other Subsidiaries(2)	Individual Group
Net interest income (expense)	¥ 9.8	¥ 21.3	¥ (0.0)	¥ 2.0	¥ 33.1
Non-interest income (loss)	8.2	25.6	(6.8)	0.2	27.4
Total revenue (loss)	18.0	46.9	(6.9)	2.3	60.5
General and administrative expenses	20.3	22.9	0.0	1.0	44.4
Ordinary business profit (loss)	(2.2)	24.0	(6.9)	1.2	16.1
Net credit costs	0.1	19.8	1.9	0.1	22.0
Ordinary business profit (loss) after net credit costs	¥ (2.3)	¥ 4.2	¥ (8.9)	¥ 1.1	¥ (5.9)

Notes: (1) Net of consolidation adjustments, if applicable.
(2) Includes Shinsei Property Finance and unallocated Consumer Finance Sub-Group financials.
(3) Prior period has been adjusted to conform to current period presentation.

CORPORATE/OTHER

Corporate/Other primarily includes results of corporate treasury activities, inter-company adjustments, and corporate level expenses. For the six months ended September 30, 2008, ordinary business profit after net credit recoveries was ¥5.7 billion.

TOTAL ASSETS

As of September 30, 2008, we had consolidated total assets of ¥12,446.2 billion, representing an 8.0% increase from March 31, 2008 and a 0.2% increase from September 30, 2007. Our loans and bills discounted balance was ¥6,579.7 billion as at September 30, 2008 as compared to ¥5,622.2 billion as at March 31, 2008. Loan growth in the first half of fiscal year 2008 was largely due to the acquisition of GECF on September 22, 2008. Loans at GECF totaled ¥743.6 billion at September 30, 2008. In addition to the increase in consumer finance loans, loans to retail customers, including lending to high net worth individuals, grew 11.2% or ¥101.7 billion to ¥1,009.1 billion. Corporate loans increased 2.0% to ¥2,913.9 billion and the non-recourse real estate finance balance increased 1.9% to ¥708.9 billion.

Most of our loan portfolio was originated by Shinsei and our domestic subsidiaries. Of loans we originated, loans to the finance and insurance industry and the real estate industry constituted close to 40% of total loans as of September 30, 2008. Loans to the real estate industry as of September 30, 2008 consisted, in part, of non-recourse and project finance loans. Loans to this industry decreased by 12.6%, to ¥1,270.0 billion.

Loans to others of ¥2,460.9 billion as of September 30, 2008 included loans extended to Shinsei's, GECF's, APLUS' and Shinki's individual customers amounting, in aggregate, to ¥2,008.6 billion.

The securities balance as of September 30, 2008 amounted to ¥1,994.3 billion as compared to ¥1,980.2 billion as of March 31, 2008.

TABLE 12. LOANS BY BORROWER INDUSTRY (CONSOLIDATED)

	Billions of yen (except percentages)			
	Six months ended September 30, 2008		Six months ended September 30, 2007	
Domestic offices (excluding Japan offshore market account):				
Manufacturing	**¥ 224.0**	**3.5%**	¥ 280.8	5.3%
Agriculture	**0.0**	**0.0**	0.0	0.0
Forestry	**—**	**—**	0.0	0.0
Fishery	**2.8**	**0.0**	0.8	0.0
Mining	**4.6**	**0.1**	5.6	0.1
Construction	**15.3**	**0.2**	16.1	0.3
Electric power, gas, heat supply and water supply	**66.8**	**1.0**	77.8	1.5
Information and communications	**47.5**	**0.7**	56.7	1.1
Transportation	**362.9**	**5.6**	381.3	7.2
Wholesale and retail	**129.0**	**2.0**	108.5	2.0
Finance and insurance	**1,179.9**	**18.3**	1,051.0	19.7
Real estate	**1,270.0**	**19.7**	1,453.3	27.3
Services	**373.2**	**5.8**	364.0	6.8
Local government	**301.1**	**4.7**	60.8	1.1
Others	**2,460.9**	**38.2**	1,469.0	27.6
Total domestic (A)	**¥ 6,438.5**	**100.0%**	¥ 5,326.3	100.0%
Overseas offices (including Japan offshore market accounts):				
Governments	**¥ 1.2**	**0.9%**	¥ 0.8	0.7%
Others	**139.8**	**99.1**	129.3	99.3
Total overseas (B)	**¥ 141.1**	**100.0%**	¥ 130.1	100.0%
Total (A+B)	**¥ 6,579.7**		¥ 5,456.5	

FUNDING AND LIQUIDITY

Shinsei Bank continues to diversify its funding base through deposits from retail customers. Total deposits increased ¥608.9 billion or 10.5% from March 31, 2008 to ¥6,415.6 billion in the first half ended September 30, 2008. The retail deposits balance, including high net worth customers, totaled ¥4,248.1 billion at September 30, 2008, an increase of ¥254.3 billion compared to March 31, 2008. Retail Banking represents 63.8% of the Bank's total funding through customer deposits and debentures. The table below shows changes in the proportion of our overall funding represented by funds raised from debentures and deposits in our Retail and Institutional Banking businesses, as well as from our collateralized loan obligation program at the end of the periods indicated.

TABLE 13. DIVERSIFICATION BY FUNDING TYPE (CONSOLIDATED)

	Billions of yen			
	As of September 30, 2008	As of March 31, 2008	As of March 31, 2007	As of March 31, 2006
Retail deposits[(1)(2)]	**¥ 4,248.1**	¥ 3,993.7	¥ 3,573.8	¥ 3,103.4
Retail debentures	**324.9**	342.2	381.9	435.3
Institutional deposits	**2,167.5**	1,812.8	1,847.1	968.2
Institutional debentures	**423.3**	320.2	321.3	583.5
Collateralized loan obligation	**—**	—	155.0	255.0
Total	**¥ 7,163.8**	¥ 6,469.0	¥ 6,279.2	¥ 5,345.6

Notes: (1) Excludes unclaimed matured debentures.
(2) Includes wealth management customers' deposits.

TOTAL EQUITY

Total equity as of September 30, 2008 was ¥918.4 billion and included minority interests in subsidiaries of ¥252.8 billion.

SUMMARY OF NON-CONSOLIDATED FINANCIAL RESULTS

We disclose non-consolidated financial information of Shinsei in addition to our consolidated financial statements. As a recipient of public funds, we are required by the FSA to update and report on Shinsei's non-consolidated performance in relation to targets set forth in our Revitalization Plan on a quarterly basis, and to publicly disclose that information semi-annually.

Shinsei Bank recorded a net loss for the six months ended September 30, 2008 of ¥36.3 billion on a non-consolidated basis. Current results on a non-consolidated basis differ from our consolidated results primarily because our non-consolidated results do not include the gain on the sale of the Meguro Production Center, which was booked within a subsidiary of the Bank and can not be recognized on a non-consolidated basis unless and until these funds have been received as a dividend by the Bank. On a non-consolidated basis, we recorded ¥3.0 billion in write-offs and disposal costs on the furniture and equipment which are owned by Shinsei Bank in the Meguro Production Center and a current income taxes benefit of ¥2.9 billion in accordance with the consolidated corporate tax system in the first half of fiscal year 2008. In addition, our non-consolidated results do not include the ¥8.2 billion gain on the sale of Showa Auto Rental & Leasing.

TABLE 14. OPERATING-BASIS RESULTS (NON-CONSOLIDATED)

	Billions of yen	
	Six months ended September 30, 2008	Six months ended September 30, 2007
Gross business profit *(gyomu sorieki)*[(1)] :		
Net interest income	**¥ 37.8**	¥ 39.5
Net fees and commissions[(1)]	**13.2**	29.3
Net trading income (loss)	**(3.3)**	4.9
Net other business income (loss)	**(16.9)**	3.1
Total gross business profit[(1)]	**30.7**	76.9
Total expenses	**38.9**	42.4
Net business profit (loss)[(1)(2)] *(jisshitsu gyomu jun-eki)*	**(8.2)**	34.5
Other operating expenses, net[(3)]	**27.8**	11.0
Net operating income (loss) *(keijo rieki)*	**(36.1)**	23.5
Extraordinary income (loss)	**(2.9)**	(26.6)
Income (loss) before income taxes	**(39.0)**	(3.1)
Current income taxes (benefit)	**(3.5)**	(7.7)
Deferred income tax expense	**0.8**	6.7
Net income (loss)	**¥ (36.3)**	¥ (2.1)

Notes: (1) Includes income from monetary assets held in trust of 7.5 billion yen in the six months ended September 30, 2008 and 21.6 billion yen in the six months ended September 30, 2007.
(2) Excludes provisions for or reversals of general reserve for loan losses.
(3) Excludes income from monetary assets held in trust.

SUPPLEMENTAL NON-CONSOLIDATED MEASURES

In addition to the reporting items set forth in our non-consolidated financial statements, Japanese banking law requires us to disclose gross business profit (gyomu sorieki) on a non-consolidated basis. Furthermore, in the Japanese banking industry, net business profit before general reserve for loan losses (jisshitsu gyomu jun-eki) has traditionally been used as a measure of the profitability of core banking operations. We review these non-Japanese GAAP performance measures in monitoring the results of our operations.

Gross business profit is the sum of:

- net interest income;
- net fees and commissions, which consist of:
  - fees on loans as well as on sales of asset management products,
  - other fee-based activities, and
  - income on monetary assets held in trust (in keeping with the definition of gross business profit in our Revitalization Plan);
- net trading income; and
- net other business income, which includes, among other things, gains or losses on securities and foreign exchange.

Net business profit before general reserve for loan losses is gross business profit minus non-consolidated total expenses, which corresponds to our consolidated general and administrative expenses.

While these business profit measures should not be viewed as a substitute for net income, management believes that these non-Japanese GAAP measures provide a meaningful way of comparing a number of the important components of Shinsei's revenues and profitability from year to year. The table below sets forth these supplemental financial data and corresponding reconciliations to net income under Japanese GAAP for the six months ended September 30, 2008 and 2007.

ASSET QUALITY AND DISPOSAL OF PROBLEM LOANS OF SHINSEI

At September 30, 2008, 31.5% of our consolidated problem loans as disclosed in accordance with the guidelines of the Japanese Bankers' Association (JBA) were held by Shinsei and most of the rest were held by APLUS, Shinki and GECF. This discussion of our asset quality presents information of Shinsei on a non-consolidated basis unless specified otherwise. In particular, problem claims as defined in the Financial Revitalization Law are only disclosed on a non-consolidated basis, and therefore do not include problem loans held by APLUS, Shinki and GECF. For a discussion of the problem claims of APLUS, Showa Leasing, Shinki and GECF see "—Asset Quality of APLUS and Showa Leasing, Shinki and GECF."

We classify our obligors and assess our asset quality based on our self-assessment manual developed in accordance with guidelines published by the FSA. We generally perform our self-assessment quarterly. The self-assessment process involves classifying obligors based on their financial condition and then categorizing claims against obligors in order of collection risk. Based on these classifications, we establish reserves and disclose our problem loans and other claims using criteria specified in the Financial Revitalization Law. We also disclose our problem loans under a format devised by the JBA for the disclosure of risk-monitored loans.

CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW

Under the Financial Revitalization Law, Japanese banks categorize their total claims in four categories by reference to the nature of the relevant assets. In addition to loans and bills discounted, claims that are subject to disclosure under the Financial Revitalization Law include foreign exchange claims, securities lent, private placement bonds guaranteed by Shinsei, accrued income and suspense payments in other assets, as well as customers' liabilities for acceptances and guarantees.

DISCLOSURE OF CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW

Our current management team has consistently emphasized the monitoring of problem loans. Shinsei's total amount of problem claims as disclosed pursuant to the Financial Revitalization Law decreased ¥0.6 billion, or 1.3%, to ¥52.4 billion, between March 31, 2008 and September 30, 2008. During the six months ended September 30, 2008, claims against bankrupt and quasi-bankrupt obligors increased from ¥8.0 to ¥26.4 billion, and doubtful claims decreased from ¥15.5 to ¥8.2 billion, and substandard claims decreased from ¥29.5 billion to ¥17.8 billion, as a result of our self assessment. The ratio of non-performing claims disclosed under the Financial Revitalization Law to total non-consolidated claims as of September 30, 2008 decreased to 0.9%, compared to 1.0% as of March 31, 2008.

Shinsei's other claims against need caution obligors, excluding substandard claims, totaled ¥132.7 billion as of September 30, 2008, an 24.9% increase from ¥106.2 billion as of March 31, 2008, which included private placement bonds guaranteed by Shinsei classified as other claims against need caution obligors. These claims represented 2.3% of total non-consolidated claims as of September 30, 2008, up from 1.9% as of March 31, 2008.

TABLE 15. CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW (NON-CONSOLIDATED)

Billions of yen (except percentages)

	As of September 30, 2008	As of September 30, 2007	As of March 31, 2008
Claims against bankrupt and quasi-bankrupt obligors	¥ 26.4	¥ 9.8	¥ 8.0
Doubtful claims	8.2	23.4	15.5
Substandard claims	17.8	12.5	29.5
Total claims disclosed under the Financial Revitalization Law[1]	52.4	45.9	53.1
Normal claims and claims against need caution obligors excluding substandard claims	5,787.6	5,584.1	5,512.8
Total claims	¥ 5,840.1	¥ 5,630.0	¥ 5,566.0
Ratio of total claims disclosed under the Financial Revitalization Law to total claims	0.9%	0.8%	1.0%

Note: (1) Total claims disclosed under the Financial Revitalization Law include loans and bills discounted, customers' liabilities for acceptances and guarantees and other exposures to or in respect of bankrupt and quasi-bankrupt obligors and doubtful claims, as well as loans and bills discounted classified as substandard claims.

COVERAGE RATIOS

As of September 30, 2008, Shinsei's non-consolidated coverage ratios for claims classified under the Financial Revitalization Law, which for each category of claims is the total of collateral pledged against claims, guarantees for claims and reserve for loan losses, measured against total claims, were 100.0% for claims against bankrupt and quasi-bankrupt obligors, 77.5% for doubtful claims and 42.7% for substandard claims. For all claims classified under the Law, the coverage ratio was 77.0%, an increase from 62.2% as of March 31, 2008.

Shinsei directly writes off, rather than reserves, the portion of claims against virtually and legally bankrupt obligors that are estimated to be uncollectible. In the six months ended September 30, 2008, ¥58.4 billion of such claims were written off on a non-consolidated basis.

TABLE 16. COVERAGE RATIOS FOR NON-PERFORMING CLAIMS DISCLOSED UNDER THE FINANCIAL REVITALIZATION LAW (NON-CONSOLIDATED)

Billions of yen (except percentages)

		Amounts of coverage			
	Amount of claims	Reserve for loan losses	Collateral and guarantees	Total	Coverage ratio
As of September 30, 2008:					
Claims against bankrupt and quasi-bankrupt obligors	¥ 26.4	¥ —	¥ 26.4	¥ 26.4	100.0%
Doubtful claims	8.2	5.5	0.7	6.3	77.5
Substandard claims	17.8	5.5	2.0	7.6	42.7
Total	¥ 52.4	¥ 11.1	¥ 29.2	¥ 40.3	77.0%
As of September 30, 2007:					
Claims against bankrupt and quasi-bankrupt obligors	¥ 9.8	¥ —	¥ 9.8	¥ 9.8	100.0%
Doubtful claims	23.4	16.8	0.9	17.8	76.0
Substandard claims	12.5	3.0	8.1	11.1	89.2
Total	¥ 45.9	¥ 19.9	¥ 18.9	¥ 38.9	84.8%
As of March 31, 2008:					
Claims against bankrupt and quasi-bankrupt obligors	¥ 8.0	¥ —	¥ 8.0	¥ 8.0	100.0%
Doubtful claims	15.5	7.6	5.8	13.5	87.1
Substandard claims	29.5	9.2	2.2	11.5	38.9
Total	¥ 53.1	¥ 16.8	¥ 16.1	¥ 33.0	62.2%

RESERVE FOR CREDIT LOSSES

The following table sets forth a breakdown of Shinsei's total reserve for credit losses on a non-consolidated basis as of the dates indicated:

TABLE 17. RESERVE FOR CREDIT LOSSES (NON-CONSOLIDATED)

Billions of yen (except percentages)

	As of September 30, 2008	As of March 31, 2008
General reserve for loan losses	¥ 51.1	¥ 57.9
Specific reserve for loan losses	8.2	9.6
Reserve for loans to restructuring countries	0.0	0.0
Subtotal reserve for loan losses	59.4	67.5
Specific reserve for other credit losses	23.7	26.0
Total reserve for credit losses	¥ 83.2	¥ 93.6
Total claims(1)	¥ 5,840.1	¥ 5,566.0
Ratio of total reserve for loan losses to total claims	1.0%	1.2%
Ratio of total reserves for credit losses to total claims	1.4%	1.7%

Note: (1) Total claims include loans and bills discounted, foreign exchange claims, securities lent, accrued interest income and suspense payments in other assets, as well as customers' liabilities for acceptances and guarantees.

As of September 30, 2008 and March 31, 2008, Shinsei's total reserve for credit losses on a non-consolidated basis was ¥83.2 billion and ¥93.6 billion, respectively, constituting 1.4% and 1.7%, respectively, of total claims as of each such date.

RISK-MONITORED LOANS

Consolidated risk-monitored loans increased by 59.2% during the six months ended September 30, 2008 to ¥166.2 billion. The ¥24.3 billion in loans to bankrupt obligors, the ¥22.3 billion in non-accrual delinquent loans and the ¥18.4 billion in restructured loans added during the period were primarily attributable to GECF and downgrading of other consolidated loans.

The following tables set forth information concerning our consolidated and non-consolidated risk-monitored loans as of the dates indicated:

TABLE 18. RISK-MONITORED LOANS (CONSOLIDATED)

Billions of yen (except percentages)

	As of September 30, 2008	As of March 31, 2008
Loans and bills discounted	¥ 6,579.7	¥ 5,622.2
Loans to bankrupt obligors (A)	26.4	2.1
Non-accrual delinquent loans (B)	64.8	42.5
Total loans (A)+(B)	¥ 91.3	¥ 44.7
Ratio to total loans and bills discounted	1.4%	0.8%
Loans past due for three months or more (C)	¥ 1.5	¥ 4.7
Restructured loans (D)	73.4	54.9
Total risk-monitored loans (A)+(B)+(C)+(D)	¥ 166.2	¥ 104.4
Ratio to total loans and bills discounted	2.5%	1.9%
Reserve for credit losses	¥ 135.1	¥ 145.9

TABLE 19. RISK-MONITORED LOANS (NON-CONSOLIDATED)

Billions of yen (except percentages)

	As of September 30, 2008	As of March 31, 2008
Loans and bills discounted	¥ 5,660.1	¥ 5,356.3
Loans to bankrupt obligors (A)	18.4	0.5
Non-accrual delinquent loans (B)	16.1	22.8
Total loans (A)+(B)	¥ 34.5	¥ 23.4
Ratio to total loans and bills discounted	0.6%	0.4%
Loans past due for three months or more (C)	¥ 0.0	¥ 0.1
Restructured loans (D)	17.7	29.4
Total risk-monitored loans (A)+(B)+(C)+(D)	¥ 52.4	¥ 53.0
Ratio to total loans and bills discounted	0.9%	1.0%
Reserve for credit losses	¥ 83.2	¥ 93.6

ASSET QUALITY OF APLUS, SHOWA LEASING, SHINKI AND GECF

APLUS, Showa Leasing, Shinki and GECF classify their obligors and assess their asset quality on a quarterly basis based on self-assessment manuals developed in accordance with guidelines published by the FSA. APLUS, Showa Leasing, Shinki and GECF's assessments, where applicable, include, among other things, an assessment of credit extended to credit card customers as well as lease obligors, unsecured personal loans and customer guarantees.

The following tables set forth information concerning consolidated risk-monitored loans and risk-monitored installment receivables held by Shinsei, APLUS, Showa Leasing, Shinki, GECF and other subsidiaries as of the dates indicated:

TABLE 20. RISK-MONITORED LOANS BREAKDOWN FOR LARGE ENTITIES (CONSOLIDATED)

	Billions of yen					
	Shinsei	GECF	APLUS	Shinki	Other subsidiaries	Total
As of September 30, 2008:						
Loans to bankrupt obligors	**¥ 18.4**	**¥ 1.4**	**¥ —**	**¥ 0.1**	**¥ 6.5**	**¥ 26.4**
Non-accrual delinquent loans	**16.1**	**14.9**	**11.0**	**4.7**	**17.9**	**64.8**
Loans past due for three months or more	**0.0**	**0.5**	**0.9**	**—**	**0.0**	**1.5**
Restructured loans	**17.7**	**31.6**	**17.3**	**6.2**	**0.2**	**73.4**
Total	**¥ 52.4**	**¥ 48.5**	**¥ 29.3**	**¥ 11.2**	**¥ 24.7**	**¥ 166.2**
As of March 31, 2008:						
Loans to bankrupt obligors	¥ 0.5	¥ —	¥ —	¥ 0.1	¥ 1.3	¥ 2.1
Non-accrual delinquent loans	22.8	—	3.2	5.1	11.2	42.5
Loans past due for three months or more	0.1	—	4.5	—	0.0	4.7
Restructured loans	29.4	—	18.6	6.8	0.0	54.9
Total	¥ 53.0	¥ —	¥ 26.3	¥ 12.2	¥ 12.7	¥ 104.4

TABLE 21. RISK-MONITORED INSTALLMENT RECEIVABLES INCLUDED IN OTHER ASSETS (CONSOLIDATED)[1]

	Billions of yen				
	APLUS	Showa Leasing	GECF	Other subsidiaries	Total
As of September 30, 2008:					
Credits to bankrupt obligors	**¥ —**	**¥ 0.5**	**¥ 0.0**	**¥ 0.0**	**¥ 0.6**
Non-accrual delinquent credits	**0.5**	**2.5**	**0.1**	**—**	**3.2**
Credits past due for three months or more	**0.5**	**1.1**	**—**	**—**	**1.6**
Restructured credits	**5.0**	**4.3**	**0.0**	**—**	**9.4**
Total	**¥ 6.1**	**¥ 8.6**	**¥ 0.1**	**¥ 0.0**	**¥ 15.0**
As of March 31, 2008:					
Credits to bankrupt obligors	¥ 0.0	¥ 2.5	¥ —	¥ 0.0	¥ 2.6
Non-accrual delinquent credits	1.9	2.9	—	—	4.9
Credits past due for three months or more	1.2	0.0	—	—	1.3
Restructured credits	6.6	0.1	—	—	6.7
Total	¥ 9.8	¥ 5.7	¥ —	¥ 0.0	¥ 15.6

Note: (1) Shinsei and Shinki have no such installment receivables.

CAPITAL RATIOS

From the fiscal year ended March 31, 2007, the Basel II methodology has been adopted to calculate capital ratios. For credit risk, the Foundation Internal Ratings Based Approach (F-IRB) has been applied. For operational risk, the Standardized Approach (TSA) has been adopted and the Internal Model Method has been used for market risk.

Our total capital adequacy ratio as of September 30, 2008 was 10.48%, compared with 11.74% as of March 31, 2008. Our Tier I capital ratio, or the ratio of Tier I capital to risk assets, decreased from 7.37% as of March 31, 2008 to 6.41% as of September 30, 2008. The decreases in the capital ratios at September 30, 2008 reflect partly an inclusion of GECF.

TABLE 22. CAPITAL RATIOS (CONSOLIDATED)[1]

Billions of yen (except percentages)

	As of September 30, 2008	As of March 31, 2008
Basic items (Tier I):		
Capital stock	¥ 476.2	¥ 476.2
Common stock	476.2	476.2
Preferred stock	—	—
Capital surplus	43.5	43.5
Retained earnings	277.3	302.5
Treasury stock, at cost	(72.5)	(72.5)
Expected income distribution	—	(5.7)
Net unrealized losses on securities available-for-sale, net of taxes	(58.6)	(35.0)
Foreign currency translation adjustments	0.8	1.8
Share warrant	1.5	1.2
Minority interests in consolidated subsidiaries	169.8	160.5
Preferred securities issued by foreign SPC	153.9	147.1
Consolidation goodwill	(146.5)	(142.2)
Other intangibles	(48.8)	(23.6)
Gain on sale of securitization	(14.6)	(15.3)
50% of expected loss provision shortfall	(14.6)	(11.6)
Total Tier I (A)	613.6	679.7
Step-up preferred securities	80.8	77.2
Supplementary items (Tier II):		
General reserve for loan losses	13.8	5.7
Perpetual preferred stocks	81.0	81.0
Perpetual subordinated debt and bonds	98.1	103.5
Non-perpetual preferred stocks	—	—
Non-perpetual subordinated debt and bonds	334.0	344.6
Total	¥ 527.0	¥ 535.0
Amount eligible for inclusion in capital (B)	¥ 499.8	¥ 530.2
Deduction (C)	110.8	128.0
Intentional capital investment to other financial institutions	14.9	15.9
Capital investment to affiliated companies	42.0	42.1
50% of expected loss provision shortfall	14.6	11.6
Expected losses on exposures under PD/LCD measures such as equities	0.3	1.2
Unrated securitization exposure	43.3	61.6
Exclusion from deductions	4.4	4.6
Total capital (D) [(A)+(B)-(C)]	¥ 1,002.6	¥ 1,081.9
Risk assets:		
On-balance sheet items	¥ 7,066.6	¥ 6,629.6
Off-balance sheet items	1,666.0	1,868.0
Market Risk[1]	369.3	251.3
Operational Risk[1]	456.8	463.4
Total (E)	¥ 9,558.9	¥ 9,212.5
Consolidated capital adequacy ratio (D) / (E)	10.48%	11.74%
Consolidated Tier I capital ratio (A) / (E)	6.41%	7.37%

Note: (1) Derived by multiplying the capital requirement by 12.5 (i.e., the reciprocal of the minimum capital ratio of 8%).

EXPOSURE TO U.S. RESIDENTIAL MORTGAGE, SECURITIZED PRODUCTS AND RELATED INVESTMENTS

EXPOSURE TO U.S. RESIDENTIAL MORTGAGE, SECURITIZED PRODUCTS AND RELATED INVESTMENTS

The slowdown in the U.S. economy, deterioration in global credit markets, liquidity worries surrounding financial institutions and the collapse of the structured products markets caused us to record significant mark-downs and credit provisions during the first half of fiscal year 2008.

Tables 23 through 27 below set forth certain information regarding our exposure to the U.S. residential mortgage market, securitized products and related investments as of September 30, 2008 and as of and for the fiscal year ended March 31, 2008. Table 28 provides definitions for the defined terms used in Tables 23 through 27.

TABLE 23. U.S RESIDENTIAL MORTGAGE EXPOSURE (SECURITIES AND LOANS) (CONSOLIDATED)

	Millions of dollars, %				Billions of yen
	Balance Before Evaluation[1]	Mark-Down During 1HFY2008 or Credit Reserve as of Sept. 30, 2008		**Net Exposure Sept. 30, 2008**	**Net Exposure Sept. 30, 2008**
	(a)	(b)	% Decline	**(c) = (a) - (b)**	**(c) x ¥104.36**
Mark-to-Market Exposure	28.4	15.9[2]	(56.1)	**12.5**	**1.3**
Securities[3]	28.4	15.9	(56.1)	12.5	1.3
AAA[4]	14.7	2.8	(19.0)	11.9	1.2
Other[4]	13.7	13.1	(95.9)	0.5	0.0
Exposure Recorded Unrealized Losses	51.8	7.9	(15.3)	**43.9**	**4.5**
Securities[3]	51.8	7.9	(15.3)	43.9	4.5
BB[4]	51.8	7.9	(15.3)	43.9	4.5
Loans and Other Credit Exposure	254.0	59.4[5]		**194.5**	**20.3**
Loans[6]	170.7	57.7		113.0	11.7
Securities Whose Fair Value is Not Readily Determinable[3][7]	83.3	1.7		81.5	8.5
Total	334.4	83.3		**251.0**	**26.1**

Notes: (1) Figures are balances as of September 30, 2008 before mark-to-market adjustments or credit reserves.
(2) Mark-downs of U.S. residential mortgage exposure during 1HFY2008 totaled 1.6 billion yen (15.9 million dollars, using an exchange rate of 104.36 yen/dollar for September 30, 2008).
(3) Comprised of 2007-vintage securities except for one AAA-rated security of 2006-vintage amounting to 14.7 million dollars (1.5 billion yen) as of September 30, 2008. Of the total 14.5 billion yen of securities exposure, subprime-related exposure is 1.8 billion yen, including the security of Note 7, as of September 30, 2008.
(4) Based on ratings as of September 30, 2008.
(5) Net credit costs and others for U.S. residential mortgage exposure during 1HFY2008 totaled 0.0 billion yen.
(6) Includes undrawn portion of commitment lines.
(7) At inception, 82% of the fair value of original investment could be attributed to a U.S. Treasury Note-based security (rated AAA) in the underlying assets; balance was comprised of various other securities including U.S. RMBS. As of September 30, 2008, the U.S. Treasury Note-based security accounted for nearly all of the underlying asset value (please see the definition of subprime-related in the table 28).

TABLE 24. BALANCE OF SECURITIZED PRODUCTS (BREAKDOWN BY REGION AND TYPE OF SECURITIES)[1] (NON-CONSOLIDATED)

Billions of yen

	Credit Ratings of Securities[2] (Sept. 30, 2008)						
	AAA	AA	A or lower	N/A	Sept. 30, 2008 (a)	Mar. 31, 2008 (b)	Change (a)-(b)
RMBS	30%	9%	9%	51%	**73.3**	76.2	(2.9)
Japan	31%	5%	4%	60%	**48.7**	45.6	3.1
U.S.[3]	9%	0%	32%	60%	**14.5**	15.9	(1.3)
Europe	0%	100%	0%	0%	**4.0**	7.3	(3.2)
Other[4]	100%	0%	0%	0%	**5.8**	7.2	(1.3)
CMBS[5]	0%	15%	85%	0%	**24.9**	30.3	(5.4)
Japan	0%	7%	93%	0%	**14.2**	17.6	(3.3)
U.S.	—	—	—	—	**—**	—	—
Europe	0%	0%	100%	0%	**7.9**	10.0	(2.0)
Other	0%	100%	0%	0%	**2.6**	2.6	0.0
CLO	55%	43%	0%	2%	**107.5**	149.5	(41.9)
Japan	—	—	—	—	**—**	—	—
U.S.	52%	46%	0%	2%	**81.2**	87.6	(6.3)
Europe	60%	40%	0%	0%	**23.4**	59.1	(35.7)
Other	100%	0%	0%	0%	**2.8**	2.7	0.0
ABS CDO (Resecuritized Products)	0%	0%	23%	77%	**8.0**	8.9	(0.9)
Japan[6]	0%	0%	23%	77%	**8.0**	8.0	(0.0)
U.S.[3]	0%	0%	100%	0%	**0.0**	0.8	(0.8)
Europe	—	—	—	—	**—**	—	—
Other	—	—	—	—	**—**	—	—
Total	38%	27%	14%	21%	**213.9**	265.1	(51.2)
Japan	21%	5%	24%	50%	**71.1**	71.4	(0.3)
U.S.	45%	39%	5%	11%	**95.8**	104.4	(8.5)
Europe	39%	38%	22%	0%	**35.4**	76.5	(41.0)
Other	76%	24%	0%	0%	**11.4**	12.7	(1.2)

	Sept. 30, 2008 (a)	Mar. 31, 2008 (b)	Change (a)-(b)
Securities	**146.0**	199.1	(53.0)
RMBS	**24.5**	30.6	(6.0)
CMBS	**13.9**	18.1	(4.1)
CLO	**107.5**	149.5	(41.9)
ABS CDO	**0.0**	0.8	(0.8)
Other monetary claims purchased[7]	**67.8**	66.0	1.7
RMBS	**48.7**	45.6	3.1
CMBS	**10.9**	12.2	(1.2)
CLO	**—**	—	—
ABS CDO	**8.0**	8.0	(0.0)
Total	**213.9**	265.1	(51.2)

Notes: (1) The amount is the outstanding balance, after mark-downs and other comprehensive income (OCI) adjustments, at the end of each period. This table excludes securitized products backed by consumer loans, credit card loans, and other similar exposure to individuals.
(2) Based on ratings by S&P or ratings equivalent to the S&P ratings matrix as of September 30, 2008. The "N/A" rating for Japanese RMBS represents senior portions of other monetary claims purchased for the purpose of warehousing for future securitization. The "N/A" rating for U.S. RMBS is for a security where U.S. Treasury Note-based security represents 82% of the value and various other securities including U.S. RMBS represent the remaining 18% at inception.
(3) Securities related to U.S. residential mortgage market. Of the 14.5 billion yen in U.S. RMBS outstanding as of September 30, 2008, subprime-related exposure is 1.8 billion yen.
(4) Includes exposures guaranteed by a monoline insurer (1.1 billion yen as of September 30, 2008, and 1.4 billion yen as of March 31, 2008).
(5) Breakdown of collateral: office building (41%), multi-family (43%), retail and shops (8%), hotel and others (7%).
(6) Backed by Japanese RMBS and CMBS and does not include subprime-related exposure.
(7) Includes Japanese RMBS recorded as monetary assets held in trust of 3.7 billion yen as at September 30, 2008.

TABLE 25. SECURITIZED PRODUCTS RECORDED UNDER "SECURITIES" AND "OTHER MONETARY CLAIMS PURCHASED" AND OCI (NON-CONSOLIDATED)

SECURITIES

Billions of yen, %

	As of September 30, 2008			
	Balance before Mark-to-Market Evaluation	Market Value or Balance	Unrealized Gains/ Losses (OCI)	Price Decline Ratio (%)
Trading Securities		**11.2**		
RMBS (Japan)		**—**		
RMBS (U.S.)[2]		**1.3**		
RMBS (Other foreign countries)		**5.4**		
CLO (U.S.)		**1.6**		
CLO (Other foreign countries)		**2.8**		
Securities Available for Sale	161.0	**126.1**	(34.9)	(21.7)
Other	161.0	**126.1**	(34.9)	(21.7)
Foreign Securities	161.0	**126.1**	(34.9)	(21.7)
Foreign Currency Denominated Foreign Corporate and Government Bonds	157.7	**122.8**	(34.9)	(22.1)
RMBS	10.0	**9.1**	(0.8)	(8.3)
U.S.[2]	5.4	**4.5**	(0.8)	—
Europe	4.0	**4.0**	0.0	0.0
Other foreign countries	0.4	**0.4**	0.0	(0.2)
CMBS	11.0	**10.6**	(0.4)	(3.9)
U.S.	—	**—**	—	—
Europe	7.9	**7.9**	0.0	0.0
Other foreign countries	3.1	**2.6**	(0.4)	(13.8)
CLO	136.6	**103.0**	(33.6)	(24.6)
U.S.	107.8	**79.6**	(28.2)	(26.2)
Europe	28.7	**23.4**	(5.3)	(18.7)
Other foreign countries	—	**—**	—	—
ABS CDO	0.0	**0.0**	0.0	—
U.S.[2]	0.0	**0.0**	0.0	—
Europe	—	**—**	—	—
Other foreign countries	—	**—**	—	—
Yen-Denominated Foreign Corporate and Government Bonds	3.2	**3.2**	0.0	—
RMBS (Japan)	—	**—**	—	—
CMBS (Japan)	3.2	**3.2**	0.0	(0.1)
ABS CDO (Japan)	—	**—**	—	—
Book Value of Securities Whose Fair Value is Not Readily Determinable	8.6	**8.6**	0.0	—
Foreign Securities	8.6	**8.6**	0.0	—
RBMS (U.S.)[2]	8.6	**8.6**	0.0	—
Securities		**146.0**		
RMBS		**24.5**		
CMBS		**13.9**		
CLO		**107.5**		
ABS CDO		**0.0**		

OTHER MONETARY CLAIMS PURCHASED[3]

Billions of yen, %

	As of September 30, 2008			
	Balance before Mark-to-Market Evaluation	Market Value or Balance	Unrealized Gains/ Losses (OCI)	Price Decline Ratio (%)
Trading Purposes		**20.2**		
RMBS (Japan)[3]		**16.4**		
CMBS (Japan)		**3.8**		
Others	47.5	**47.5**	0.0	—
RMBS (Japan)	32.3	**32.3**	0.0	—
CMBS (Japan)	7.1	**7.1**	0.0	—
ABS CDO (Japan)	8.0	**8.0**	0.0	—
Total		**67.8**		
RMBS (Japan)		**48.7**		
CMBS (Japan)		**10.9**		
ABS CDO (Japan)		**8.0**		

RMBS, CMBS, CLO, ABS CDO Total		**213.9**		
Securities		**146.0**		
Other Monetary Claims Purchased		**67.8**		

Notes: (1) This table excludes securitized products backed by consumer loans, credit card loans, and other similar exposure to individuals.
(2) Securities with exposure to U.S. residential mortgage market.
(3) Includes Japanese RMBS recorded as monetary assets held in trust of 3.8 billion yen as at September 30, 2008.

TABLE 26. LBO, MONOLINE, SIV, ABCP (NON-CONSOLIDATED)

	Billions of yen		
	Sept. 30, 2008 (a)	Mar. 31, 2008 (b)	Change (a)-(b)
LBO[1]	**313.8**	277.1	36.7
Japan	**297.8**[2]	258.6	39.2
U.S.	**3.6**	3.6	0.0
Europe	**—**	—	—
Other	**12.3**	14.8	(2.5)
(Breakdown by Industry Sector as of September 30, 2008)			
Manufacturing	**12.8%**		
Information and communications	**12.6%**		
Wholesale and retail	**9.3%**		
Finance and Insurance	**32.2%**		
Services	**33.1%**		
Total	**100.0%**		

Notes: (1) The amount includes an unfunded commitment line.
(2) As of September 30, 2008, the unfunded commitment line (only domestic) is 12.0 billion yen.

	Billions of yen		
	Sept. 30, 2008 (a)	Mar. 31, 2008 (b)	Change (a)-(b)
Monoline	**1.1**	1.4	(0.3)
Japan	**—**	—	—
U.S.	**—**	—	—
Europe	**—**	—	—
Other	**1.1**	1.4	(0.3)
SIV	**—**	—	—
ABCP	**—**	—	—

TABLE 27. CREDIT DEFAULT SWAPS (CDS)[1] (NON-CONSOLIDATED)

	Billions of yen							
	As of September 30, 2008							1HFY2008
	Nominal Amount		Fair Value		Netted Nominal Amount and Fair Value[2]			Realized Profits (Losses)
					Nominal Amount	Fair Value		
	Protection (buy)	Protection (sell)	Protection (buy)	Protection (sell)		Protection (buy)	Protection (sell)	
Total	1,433.1	1,561.1	55.6	(45.6)	1,224.1	39.3	(37.0)	2.6
Japan	1,268.1	1,403.6	43.8	(33.8)	1,100.4	30.6	(28.3)	0.5
U.S.	82.0	73.6	9.9	(9.9)	56.2	7.3	(7.4)	2.2
Europe	44.0	37.3	0.5	(0.4)	31.0	0.3	(0.1)	0.0
Other	38.8	46.4	1.3	(1.4)	36.4	1.0	(1.0)	0.0

Notes: (1) Represents transactions under both banking book and trading book.
(2) Transactions which are netted with buy and sell.

TABLE 28. DEFINED TERMS FOR TABLES 23-27

Names	Definitions
RMBS	Residential mortgage-backed securities and other related assets, including beneficial interests backed by mortgage loans. Recorded in "trading securities," "securities available-for-sale" and "other monetary claims."
CMBS	Commercial mortgage-backed securities. Recorded in "securities available-for-sale" and "other monetary claims." We have no U.S. CMBS exposure.
CLO	Collateralized loan obligations (CLO) mainly backed by LBO debt, corporate loans and high-yield securities. From this disclosure as at June 30, 2008, this category has been changed from CDO to CLO as approximately 98% of the exposure in this category is products mainly backed by loans (CLO). Recorded in "trading securities" and "securities available-for-sale."
ABS CDO (Re-securitized Products)	CDO backed by asset-backed securities (ABS) such as RMBS. Recorded in "securities available-for-sale" and "other monetary claims."
Subprime-Related	Subprime-related exposure is the total book value of securities whose underlying assets include U.S. subprime, Alt-A and/or second-lien loans, with the exception of one security whose underlying assets are comprised of a AAA-rated U.S. Treasury Note-based security and U.S. RMBS ("STRIPS-RMBS"). In the case of STRIPS-RMBS, which had a book value of 83.3 million dollars (or 8.6 billion yen) as of September 30, 2008, the fair value of the U.S. Treasury Note-based security (78.4 million dollars as of September 30, 2008) is excluded from the calculation of subprime-related exposure (related footnotes can be found in Note 3 and Note 7 of Table 23 and Note 2 and Note 3 of Table 24). As of September 30, 2008, total subprime-related exposure stood at 1.8 billion yen.
LBO	Loans for leveraged buyout for acquisition finance including refinancing of past acquisitions.
Monoline	Monolines are insurance companies that insure against the risk of a bond or other security defaulting. As of September 30, 2008, the exposure guaranteed by monoline insurers is 1.1 billion yen in Asia.
SIV	A structured investment vehicle (SIV) is a fund which borrows money by issuing short-term securities at low interest rates, then lends that money by buying long-term securities (such as securitization products) at higher interest rates, making a profit for investors from the difference. We have no exposure to SIVs.
ABCP	An asset-backed commercial paper (ABCP) conduit is a limited-purpose entity that issues CP to finance the purchase of assets or to make loans. Some asset types include receivables generated from trade, credit card, auto loan, auto, and equipment leasing obligors, as well as collateralized loan obligations (CLOs) and collateralized bond obligations (CBOs). We have no exposure to ABCP.
CDS	Credit default swap is a type of derivative in which the buyer receives credit protection by making periodic payments to a counterparty and the seller provides credit protection by giving the promise of a payoff if a third-party defaults.

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

Shinsei Bank, Limited, and Consolidated Subsidiaries

As of September 30, 2008 and 2007, and March 31, 2008

	Millions of yen			Thousands of U.S. dollars (Note 1)
	Sept. 30, 2008	Sept. 30, 2007	Mar. 31, 2008	**Sept. 30, 2008**
ASSETS				
Cash and due from banks (Notes 4 and 22)	**¥ 278,461**	¥ 394,179	¥ 505,630	**$ 2,668,276**
Call loans	**199,000**	736,100	—	**1,906,861**
Receivables under resale agreements	**—**	—	2,014	**—**
Collateral related to securities borrowing transactions	**19,057**	74,763	18,753	**182,611**
Other monetary claims purchased (Notes 5 and 22)	**454,635**	445,108	468,880	**4,356,411**
Trading assets (Notes 6 and 33)	**285,162**	251,485	315,287	**2,732,486**
Monetary assets held in trust (Note 7)	**377,205**	417,655	371,572	**3,614,462**
Securities (Notes 8 and 22)	**1,994,372**	2,368,558	1,980,292	**19,110,507**
Loans and bills discounted (Notes 9, 22 and 32)	**6,579,707**	5,456,582	5,622,266	**63,048,176**
Foreign exchanges (Note 10)	**22,449**	26,798	17,852	**215,112**
Lease receivables and leased investment assets (Notes 22 and 30)	**252,628**			**2,420,741**
Other assets (Notes 11, 22 and 33)	**1,109,799**	1,018,463	1,100,151	**10,634,335**
Premises and equipment (Notes 12, 22 and 30)	**53,727**	372,222	305,771	**514,826**
Intangible assets (Notes 13 and 30)	**228,587**	238,816	233,174	**2,190,376**
Deferred issuance expenses for debentures	**153**	111	125	**1,470**
Deferred tax assets	**30,941**	38,767	28,238	**296,492**
Customers' liabilities for acceptances and guarantees (Notes 21 and 22)	**695,538**	725,545	701,717	**6,664,799**
Reserve for credit losses (Note 14)	**(135,150)**	(141,710)	(145,966)	**(1,295,040)**
Total assets	**¥ 12,446,276**	¥ 12,423,448	¥ 11,525,762	**$ 119,262,901**
LIABILITIES AND EQUITY				
Liabilities:				
Deposits, including negotiable certificates of deposit (Notes 15 and 22)	**¥ 6,415,628**	¥ 5,870,638	¥ 5,806,634	**$ 61,475,938**
Debentures (Note 16)	**748,262**	686,588	662,434	**7,170,015**
Call money (Note 22)	**480,870**	1,377,475	632,117	**4,607,808**
Collateral related to securities lending transactions (Note 22)	**485,292**	285,107	148,421	**4,650,181**
Trading liabilities (Notes 17 and 33)	**178,912**	110,599	205,011	**1,714,380**
Borrowed money (Notes 18 and 22)	**1,062,712**	1,092,738	1,127,227	**10,183,137**
Foreign exchanges (Note 10)	**20**	19	39	**196**
Short-term corporate bonds	**90,100**	115,000	73,600	**863,358**
Corporate bonds (Note 19)	**407,416**	432,780	426,286	**3,903,952**
Other liabilities (Notes 20 and 33)	**669,301**	766,199	708,749	**6,413,393**
Accrued employees' bonuses	**7,191**	8,447	14,572	**68,911**
Accrued directors' bonuses	**201**	293	249	**1,934**
Reserve for employees' retirement benefits	**9,521**	3,204	4,660	**91,237**
Reserve for directors' retirement benefits	**228**	47	132	**2,190**
Reserve for losses on interest repayments	**256,298**	9,496	39,333	**2,455,911**
Reserve for losses on disposal of premises and equipment	**7,291**	—	5,025	**69,864**
Reserve under special law	**4**	3	4	**41**
Deferred tax liabilities	**13,074**	4,611	4,283	**125,278**
Acceptances and guarantees (Notes 21 and 22)	**695,538**	725,545	701,717	**6,664,799**
Total liabilities	**11,527,868**	11,488,798	10,560,501	**110,462,523**
Equity:				
Capital stock (Notes 24 and 25):				
Common stock	**476,296**	402,853	476,296	**4,563,980**
Preferred stock	**—**	48,443	—	**—**
Capital surplus	**43,554**	18,558	43,558	**417,347**
Stock acquisition rights (Note 25)	**1,507**	877	1,257	**14,450**
Retained earnings	**277,311**	266,097	302,535	**2,657,263**
Unrealized gain (loss) on available-for-sale securities	**(58,600)**	(3,802)	(35,073)	**(561,520)**
Deferred gain (loss) on derivatives under hedge accounting	**(2,779)**	(9,537)	(1,057)	**(26,638)**
Foreign currency translation adjustments	**832**	3,605	1,872	**7,975**
Treasury stock, at cost (Note 24)	**(72,558)**	(72,561)	(72,566)	**(695,270)**
Total	**665,564**	654,534	716,823	**6,377,587**
Minority interests in subsidiaries (Note 23)	**252,842**	280,115	248,437	**2,422,791**
Total equity	**918,407**	934,650	965,261	**8,800,378**
Total liabilities and equity	**¥ 12,446,276**	¥ 12,423,448	¥ 11,525,762	**$ 119,262,901**

See accompanying "Notes to Interim Consolidated Financial Statements (Unaudited)," which are an integral part of these statements.

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

Shinsei Bank, Limited, and Consolidated Subsidiaries

For the six months ended September 30, 2008 and 2007, and the fiscal year ended March 31, 2008

	Millions of yen			Thousands of U.S. dollars (Note 1)
	Sept. 30, 2008 (6 months)	Sept. 30, 2007 (6 months)	Mar. 31, 2008 (1 year)	**Sept. 30, 2008 (6 months)**
Interest income:				
Interest on loans and bills discounted	**¥ 98,823**	¥ 84,612	¥ 187,782	**$ 946,949**
Interest and dividends on securities	**20,937**	20,597	42,768	**200,625**
Interest on deposits with banks	**1,523**	3,292	5,359	**14,597**
Other interest income	**3,167**	2,992	6,261	**30,353**
Total interest income	**124,451**	111,494	242,171	**1,192,524**
Interest expenses:				
Interest on deposits, including negotiable certificates of deposit	**25,167**	22,901	47,925	**241,159**
Interest and discounts on debentures	**2,232**	1,569	3,398	**21,392**
Interest on other borrowings	**12,525**	17,250	30,176	**120,020**
Interest on corporate bonds	**7,318**	7,882	15,278	**70,123**
Other interest expenses	**6,657**	5,377	7,617	**63,790**
Total interest expenses	**53,900**	54,981	104,395	**516,484**
Net interest income	**70,551**	56,513	137,775	**676,040**
Fees and commissions income	**28,888**	35,164	65,977	**276,818**
Fees and commissions expenses	**11,646**	11,974	25,141	**111,601**
Net fees and commissions	**17,242**	23,189	40,835	**165,217**
Net trading income (loss) (Note 26)	**(991)**	7,234	9,090	**(9,504)**
Other business income (loss), net:				
Income on lease transactions and installment receivables, net	**24,335**	27,270	52,157	**233,184**
Income on monetary assets held in trust, net	**4,291**	12,019	20,967	**41,123**
Net gain (loss) on foreign exchanges	**(15)**	5,178	2,701	**(145)**
Net gain (loss) on securities	**(21,582)**	(163)	(10,427)	**(206,813)**
Net gain (loss) on other monetary claims purchased	**7,323**	11,620	15,408	**70,175**
Other, net (Note 27)	**1,237**	(4,256)	(5,816)	**11,854**
Net other business income (loss)	**15,589**	51,668	74,990	**149,378**
Total revenue	**102,390**	138,606	262,692	**981,131**
General and administrative expenses:				
Personnel expenses	**30,569**	32,530	64,526	**292,922**
Premises expenses	**11,231**	8,672	18,677	**107,624**
Technology and data processing expenses	**11,515**	10,120	21,803	**110,340**
Advertising expenses	**4,292**	5,033	9,958	**41,132**
Consumption and property taxes	**3,431**	4,206	8,455	**32,882**
Deposit insurance premium	**1,944**	1,715	3,431	**18,634**
Other general and administrative expenses	**14,562**	15,189	31,907	**139,541**
General and administrative expenses	**77,547**	77,468	158,761	**743,076**
Amortization of goodwill and other intangible assets	**5,734**	6,107	12,534	**54,945**
Total general and administrative expenses	**83,281**	83,576	171,295	**798,020**
Net business profit	**19,109**	55,030	91,396	**183,110**
Net credit costs (recoveries) (Note 28)	**41,661**	30,715	73,591	**399,209**
Other gains (losses), net (Note 29)	**13,357**	18,940	74,750	**127,992**
Income (loss) before income taxes and minority interests	**(9,194)**	43,254	92,556	**(88,107)**
Income taxes (benefit):				
Current	**2,412**	4,053	4,902	**23,114**
Deferred	**(596)**	5,319	9,500	**(5,718)**
Minority interests in net income of subsidiaries	**8,274**	10,696	18,044	**79,285**
Net income (loss)	**¥ (19,284)**	¥ 23,186	¥ 60,108	**$ (184,788)**

	Yen			U.S. dollars (Note 1)
Basic net income (loss) per common share (Note 34)	**¥ (9.81)**	¥ 15.72	¥ 38.98	**$ (0.09)**
Diluted net income (loss) per common share (Note 34)	**—**	12.72	32.44	**—**

See accompanying "Notes to Interim Consolidated Financial Statements (Unaudited)," which are an integral part of these statements.

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

Shinsei Bank, Limited, and Consolidated Subsidiaries

For the six months ended September 30, 2008 and 2007, and the fiscal year ended March 31, 2008

	Millions of yen			Thousands of U.S. dollars (Note 1)
	Sept. 30, 2008 (6 months)	Sept. 30, 2007 (6 months)	Mar. 31, 2008 (1 year)	**Sept. 30, 2008 (6 months)**
Common stock:				
Balance at beginning of period	**¥ 476,296**	¥ 291,853	¥ 291,853	**$ 4,563,980**
Issuance of new shares of common stock	**—**	—	25,000	**—**
Conversion from preferred stock	**—**	111,000	159,443	**—**
Balance at end of period	**476,296**	402,853	476,296	**4,563,980**
Preferred stock:				
Balance at beginning of period	**—**	159,443	159,443	**—**
Conversion into common stock	**—**	(111,000)	(159,443)	**—**
Balance at end of period	**—**	48,443	—	**—**
Capital surplus:				
Balance at beginning of period	**43,558**	18,558	18,558	**417,385**
Issuance of new shares of common stock	**—**	—	25,000	**—**
Disposal of treasury stock	**(4)**	—	—	**(38)**
Balance at end of period	**43,554**	18,558	43,558	**417,347**
Stock acquisition rights:				
Balance at beginning of period	**1,257**	517	517	**12,053**
Net change during the period	**250**	359	740	**2,397**
Balance at end of period	**1,507**	877	1,257	**14,450**
Retained earnings:				
Balance at beginning of period	**302,535**	245,499	245,499	**2,898,960**
Dividends paid	**(5,773)**	(2,587)	(3,072)	**(55,327)**
Net income (loss)	**(19,284)**	23,186	60,108	**(184,788)**
Changes by exclusion of consolidated subsidiaries	**(165)**	—	—	**(1,582)**
Changes by inclusion of subsidiaries (former non-consolidated subsidiaries)	**—**	(0)	(0)	**—**
Balance at end of period	**277,311**	266,097	302,535	**2,657,263**
Unrealized gain (loss) on available-for-sale securities:				
Balance at beginning of period	**(35,073)**	5,091	5,091	**(336,082)**
Net change during the period	**(23,526)**	(8,893)	(40,165)	**(225,438)**
Balance at end of period	**(58,600)**	(3,802)	(35,073)	**(561,520)**
Deferred gain (loss) on derivatives under hedge accounting:				
Balance at beginning of period	**(1,057)**	(7,744)	(7,744)	**(10,134)**
Net change during the period	**(1,722)**	(1,792)	6,686	**(16,504)**
Balance at end of period	**(2,779)**	(9,537)	(1,057)	**(26,638)**
Foreign currency translation adjustments:				
Balance at beginning of period	**1,872**	2,952	2,952	**17,945**
Net change during the period	**(1,040)**	653	(1,079)	**(9,970)**
Balance at end of period	**832**	3,605	1,872	**7,975**
Treasury stock, at cost:				
Balance at beginning of period	**(72,566)**	(72,560)	(72,560)	**(695,351)**
Purchase of treasury stock	**(0)**	(0)	(1)	**(6)**
Disposal of treasury stock	**9**	—	—	**87**
Changes by inclusion of subsidiaries	**—**	—	(4)	**—**
Balance at end of period	**(72,558)**	(72,561)	(72,566)	**(695,270)**
Minority interests in subsidiaries:				
Balance at beginning of period	**248,437**	289,642	289,642	**2,380,583**
Net change during the period	**4,404**	(9,526)	(41,204)	**42,208**
Balance at end of period	**252,842**	280,115	248,437	**2,422,791**
Total equity	**¥ 918,407**	¥ 934,650	¥ 965,261	**$ 8,800,378**

See accompanying "Notes to Interim Consolidated Financial Statements (Unaudited)," which are an integral part of these statements.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Shinsei Bank, Limited, and Consolidated Subsidiaries

For the six months ended September 30, 2008 and 2007, and the fiscal year ended March 31, 2008

	Millions of yen			Thousands of U.S. dollars (Note 1)
	Sept. 30, 2008 (6 months)	Sept. 30, 2007 (6 months)	Mar. 31, 2008 (1 year)	**Sept. 30, 2008 (6 months)**
Cash flows from operating activities:				
Income (loss) before income taxes and minority interests	**¥ (9,194)**	¥ 43,254	¥ 92,556	**$ (88,107)**
Adjustments for:				
Income taxes paid	**(4,859)**	(1,324)	(995)	**(46,564)**
Depreciation (other than leased assets)	**6,337**	5,911	12,541	**60,726**
Amortization of goodwill and other intangible assets	**5,734**	6,107	12,534	**54,945**
Impairment losses of long-lived assets	**1**	—	919	**10**
Net change in reserve for credit losses	**(10,732)**	(4,944)	(688)	**(102,838)**
Net change in other reserves	**(15,122)**	(5,734)	(1,685)	**(144,908)**
Interest income	**(124,451)**	(111,494)	(242,171)	**(1,192,524)**
Interest expenses	**53,900**	54,981	104,395	**516,484**
Investment (gains) losses	**18,663**	(4,177)	3,919	**178,837**
Net exchange (gain) loss	**(9,541)**	11,956	25,522	**(91,432)**
Net change in trading assets	**30,125**	51,903	(11,897)	**288,665**
Net change in trading liabilities	**(26,098)**	11,345	105,764	**(250,086)**
Net change in loans and bills discounted	**(213,158)**	(307,691)	(385,175)	**(2,042,534)**
Net change in deposits, including negotiable certificates of deposit	**608,994**	448,702	389,111	**5,835,517**
Net change in debentures	**85,828**	(16,709)	(40,863)	**822,425**
Net change in borrowed money (other than subordinated debt)	**(35,914)**	(30,150)	(36,765)	**(344,141)**
Net change in corporate bonds (other than subordinated corporate bonds)	**(4,229)**	27,565	22,595	**(40,528)**
Net change in interest-bearing deposits with banks	**2,973**	(43,779)	80,196	**28,497**
Net change in call loans, receivables under resale agreements, collateral related to securities borrowing transactions and other monetary claims purchased	**(189,595)**	(829,759)	(61,820)	**(1,816,749)**
Net change in call money, collateral related to securities lending transactions, commercial paper and short-term corporate bonds (liabilities)	**202,125**	905,156	(26,287)	**1,936,808**
Net change in foreign exchange assets	**(4,596)**	(11,751)	(2,805)	**(44,043)**
Net change in foreign exchange liabilities	**(18)**	(99)	(79)	**(182)**
Interest received	**126,484**	102,723	246,447	**1,212,005**
Interest paid	**(52,829)**	(61,662)	(120,275)	**(506,221)**
Net change in securities for trading purposes	**26,153**	437	53,470	**250,611**
Net change in monetary assets held in trust for trading purposes	**(6,402)**	70,477	90,344	**(61,350)**
Net change in leased assets		(46,686)	(88,665)	
Net change in lease receivables and leased investment assets	**2,266**			**21,722**
Other, net	**(51,321)**	4,876	96,996	**(491,778)**
Total adjustments	**420,714**	226,179	224,583	**4,031,373**
Net cash provided by (used in) operating activities	**411,519**	269,434	317,139	**3,943,266**
Cash flows from investing activities:				
Purchase of investments	**(1,512,134)**	(1,510,443)	(2,793,634)	**(14,489,599)**
Proceeds from sales of investments	**663,405**	323,297	597,333	**6,356,890**
Proceeds from maturity of investments	**776,679**	854,063	1,902,928	**7,442,314**
Purchase of premises and equipment (other than leased assets)	**(1,732)**	(2,733)	(6,498)	**(16,597)**
Proceeds from sales of premises and equipment (other than leased assets)	**19,357**	1,508	119,795	**185,484**
Payment for acquisition of new subsidiaries	**(573,308)**	—	—	**(5,493,567)**
Proceeds from acquisition of new subsidiaries	**—**	—	4,509	**—**
Proceeds from sale of subsidiary's stocks	**13,989**	24,999	24,999	**134,053**
Payment for acquisition of business	**—**	(31,302)	(31,302)	**—**
Other, net	**(5,913)**	(4,670)	(9,335)	**(56,661)**
Net cash provided by (used in) investing activities	**(619,656)**	(345,280)	(191,205)	**(5,937,683)**
Cash flows from financing activities:				
Payment for redemption of subordinated corporate bonds	**(2,786)**	(2,308)	(3,308)	**(26,696)**
Proceeds from minority shareholders of subsidiaries	**1,480**	1,200	1,223	**14,182**
Payment for capital returned to minority shareholders of subsidiaries	**(329)**	(4,227)	(18,622)	**(3,161)**
Proceeds from issuance of stock	**—**	—	49,777	**—**
Dividends paid	**(5,773)**	(2,587)	(3,072)	**(55,327)**
Dividends paid to minority shareholders of subsidiaries	**(12,245)**	(13,803)	(17,407)	**(117,343)**
Purchase of treasury stock	**(0)**	(0)	(1)	**(6)**
Proceeds from sale of treasury stock	**4**	—	—	**48**
Net cash provided by (used in) financing activities	**(19,651)**	(21,728)	8,588	**(188,303)**
Foreign currency translation adjustments on cash and cash equivalents	**(11)**	7	(89)	**(106)**
Net change in cash and cash equivalents	**(227,799)**	(97,567)	134,433	**(2,182,826)**
Cash and cash equivalents at beginning of period	**405,926**	271,493	271,493	**3,889,680**
Cash and cash equivalents at end of period (Note 4)	**¥ 178,127**	¥ 173,925	¥ 405,926	**$ 1,706,854**

See accompanying "Notes to Interim Consolidated Financial Statements (Unaudited)," which are an integral part of these statements.
Note: Investments consist of securities and monetary assets held in trust for other than trading purposes.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the six months ended September 30, 2008 and 2007

1. BASIS OF PRESENTATION

CONSOLIDATED

The accompanying interim consolidated financial statements of Shinsei Bank, Limited (the "Bank") and its consolidated subsidiaries (collectively, the "Group"), stated in Japanese yen, have been prepared on the basis of generally accepted accounting principles in Japan ("Japanese GAAP") and in conformity with the Banking Law of Japan (the "Banking Law"), and compiled from the interim consolidated financial statements prepared under the provisions set forth in the Accounting Standards for Interim Consolidated Financial Statements (the Business Accounting Council, March 13, 1998) and the standards of the Financial Instruments and Exchange Law of Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Certain reclassifications and rearrangements have been made to the interim consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, the accompanying notes include information that is not required under Japanese GAAP, but is presented herein for the convenience of readers.

The preparation of interim consolidated financial statements in conformity with Japanese GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

As permitted by the Financial Instruments and Exchange Law of Japan, yen amounts, except for per share amounts, are presented in millions of yen and are rounded down to the nearest million. As a result, the totals do not necessarily agree with the sum of the individual amounts.

The interim consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥104.36 to U.S.$1.00, the rate of exchange prevailing on the Tokyo Foreign Exchange Market on September 30, 2008. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

The Bank was placed under temporary nationalization by the Prime Minister of Japan on October 23, 1998, under Section 1 of Article 36 of the Financial Revitalization Law of Japan, and continued its operations in accordance with Articles 47 and 48 of the same law. The Bank's temporary nationalization status was terminated on March 1, 2000, when all common shares of the Bank held by the Deposit Insurance Corporation of Japan (the "DIC") were transferred to New LTCB Partners C.V. in accordance with the Share Purchase Agreement, dated February 9, 2000 (the "Share Purchase Agreement").

In the fiscal year ended March 31, 2004, the Bank completed an initial public offering (IPO) of its shares and became listed on the First Section of the Tokyo Stock Exchange on February 19, 2004. The Bank's then controlling shareholder, New LTCB Partners C.V., offered the shares sold in the IPO. Following the IPO, the Bank also completed a secondary share offering on February 17, 2005. Prior to the secondary offering, the Bank's controlling shareholder, New LTCB Partners C.V., distributed most of its shareholdings to its investors. The investors, in turn, sold an aggregate of 36.9% of the Bank's outstanding common shares in the secondary offering.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATED

(A) PRINCIPLES OF CONSOLIDATION

The Group applies its consolidation scope using the control and influence concept. Under the control and influence concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated and those companies in which the Bank, directly or indirectly, is able to exercise significant influence over operations are accounted for by the equity method.

The number of consolidated subsidiaries and affiliates as of September 30, 2008 and 2007 was as follows:

As of September 30,	2008	2007
Consolidated subsidiaries	116	98
Unconsolidated subsidiaries	105	95
Affiliates accounted for by the equity method	30	29

Unconsolidated subsidiaries are mainly operating companies that undertake leasing business based on the *Tokumei Kumiai* system (silent partnerships). *Tokumei Kumiai*'s assets, liabilities, profit and loss virtually belong to each silent partner, and the Group does not have any material transactions with these subsidiaries. Therefore, these subsidiaries are excluded from consolidation in order to avoid any material misunderstanding by the Bank's stakeholders.

Other unconsolidated subsidiaries are excluded from consolidation because they are not material to the financial condition or results of operations of the Group.

Major consolidated subsidiaries as of September 30, 2008 were as listed below:

Name	Location	Percentage ownership
APLUS Co., Ltd.	Japan	76.7%
Showa Leasing Co., Ltd.	Japan	96.4%
Shinki Co., Ltd.	Japan	67.7%
Shinsei Trust & Banking Co., Ltd.	Japan	100.0%
GE Consumer Finance Co., Ltd.	Japan	100.0%
Shinsei Securities Co., Ltd.	Japan	100.0%

All significant inter-company transactions, related account balances and unrealized gains and losses have been eliminated in consolidation. As of September 30, 2008, the six month period ending dates are September 30 for 64 subsidiaries and June 30 for 52 subsidiaries. Those consolidated subsidiaries whose six month periods end at dates other than September 30 are consolidated using their six month period-end financial statements with appropriate adjustments made for significant transactions during the period from the ending dates of their six month periods to the date of the Group's interim consolidated financial statements, except that 5 subsidiaries whose six month periods end at June 30 are consolidated using their September 30 interim financial statements.

Major affiliates accounted for by the equity method as of September 30, 2008 were as listed below:

Name	Location	Percentage ownership
Hillcot Holdings Limited	Bermuda	33.7%
Jih Sun Financial Holding Company Limited	Taiwan	32.9%

(B) GOODWILL AND OTHER INTANGIBLE ASSETS

The Bank recognized certain identifiable intangible assets in connection with the acquisition of APLUS Co., Ltd. ("APLUS"), Showa Leasing Co., Ltd. ("Showa Leasing"), SHINKI Co., Ltd. ("Shinki"), and GE Consumer Finance Co., Ltd. ("GECF"), because they arose from contractual or other legal rights, or were separable. The identified intangible assets with amortization method and period are as listed below:

APLUS CO., LTD.

Identified intangible assets	Amortization method	Amortization period
Trade name and trademarks	Straight-line	10 years
Customer relationship	Sum-of-the-years digits	10 years
Merchant relationship	Sum-of-the-years digits	20 years

SHOWA LEASING CO., LTD.

Identified intangible assets	Amortization method	Amortization period
Trade name	Straight-line	10 years
Customer relationship	Sum-of-the-years digits	20 years
Maintenance component contracts	Straight-line	Subject to the remaining contract years
Sublease contracts	Straight-line	Subject to the remaining contract years

SHINKI CO., LTD.

Identified intangible assets	Amortization method	Amortization period
Trade names and trademarks	Straight-line	10 years
Customer relationship	Sum-of-the-years digits	10 years

GE CONSUMER FINANCE CO., LTD.

Identified intangible assets	Amortization method	Amortization period
Trade names and trademarks	Straight-line	10 years
Customer relationship	Sum-of-the-years digits	10 years

The excess of the purchase price over the fair value of the net assets acquired, including identified intangible assets, was recorded as goodwill and is amortized on a straight-line basis mainly over 20 years. The amortization period is the maximum period allowed under Japanese GAAP and was determined based upon the Bank's business strategy. The unamortized balances of identified intangible assets and goodwill are subject to impairment testing.

When the purchase price is lower than the fair value of the net assets acquired, including identified intangible assets, the difference is recorded as negative goodwill and amortized on a straight-line basis over 20 years, which is the maximum period allowed under Japanese GAAP.

(C) IMPAIRMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS

The Bank conducts impairment testing for goodwill and other intangible assets semi-annually as a result of certain triggering events such as:

- An expectation of an operating loss or negative cash flow for two consecutive years
- Impairment of underlying investment securities is recognized
- A significant adverse change in the environment surrounding the business operations of the subsidiary, such as a change in law which significantly impacts the business in a negative way, the suspension of business due to sanction or adverse changes in the interest rate laws

As the first step of the impairment test, we estimate the undiscounted future cash flow value of the business as a grouping unit. If the value of the undiscounted future cash flows is less than the book value of the net assets, including goodwill and other intangible assets, of the business, it is determined that impairment exists and the next step of the impairment test is performed to measure the amount of impairment loss, if any.

The next step of the impairment test compares the "value in use," which is calculated as the discounted value of future cash flows of the business, and the net asset book value which includes unamortized balances of goodwill and other intangible assets. Impairment loss for the total of goodwill and other intangible assets (A) is recognized as an amount by which the net asset book value exceeds the "value in use." The fair value of other intangible assets (and any other assets) will be determined in the same manner used to apply purchase accounting at the time of the initial acquisition, and the impairment loss of other intangible assets (B) is determined as the difference between the fair value and book value. Finally, the impairment loss of goodwill is calculated as the residual calculated as (A) less (B) above.

(D) TRANSLATION OF FOREIGN CURRENCY FINANCIAL STATEMENTS AND TRANSACTIONS

(i) The interim financial statements of consolidated foreign subsidiaries are translated into Japanese yen at exchange rates as of their respective interim balance sheet dates, except for equity, which is translated at historical exchange rates. Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of equity in the accompanying interim consolidated balance sheets.

(ii) Foreign currency accounts held by consolidated foreign subsidiaries are translated into the currency of the subsidiary at the respective period-end exchange rates.

(iii) Foreign currency-denominated assets and liabilities and the accounts of overseas branches of the Bank and consolidated domestic subsidiaries are translated into Japanese yen at the exchange rates prevailing at the interim balance sheet date, except for investments in unconsolidated subsidiaries and affiliates which are translated at the relevant historical exchange rates.

(E) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and non-interest-bearing deposits.

(F) OTHER MONETARY CLAIMS PURCHASED

The components of other monetary claims purchased are principally loans held for trading purposes. Other monetary claims purchased held for trading purposes are recorded at fair value and unrealized gains and losses are recorded in other business income (loss), net.

(G) VALUATION OF TRADING ACCOUNT ACTIVITIES

Trading account positions entered into to generate gains arising from short-term changes in interest rates, currency exchange rates or market prices of financial instruments and other market-related indices, or from price differences among markets, are included in trading assets and trading liabilities on a trade date basis.

Trading securities and monetary claims purchased for trading purposes are stated at market value and derivative financial instruments related to trading positions are stated at fair value based on estimated amounts that would be settled in cash if such positions were terminated at the end of the period, which reflects liquidation and credit risks.

Trading revenue and trading expenses include interest received and paid during the period and unrealized gains and losses resulting from the change in the value of securities, monetary claims purchased, and derivatives between the beginning and the end of the period.

(H) MONETARY ASSETS HELD IN TRUST

The components of trust assets are accounted for based on the standard appropriate for each asset type. Instruments held in trust for trading purposes are recorded at fair value and unrealized gains and losses are recorded in other business income (loss), net. Instruments held in trust classified as available-for-sale are recorded at fair value with the corresponding unrealized gains and losses recorded directly in a separate component of equity.

Instruments held in trust classified as available-for-sale for which fair value is not readily determinable are carried at cost.

(I) SECURITIES

Securities other than investments in unconsolidated subsidiaries and affiliates are classified into three categories, based principally on the Group's intent, as follows:

Trading securities are securities held in anticipation of gains arising from short-term changes in market value and/or held for resale to customers. Trading securities are carried at fair value with corresponding unrealized gains and losses recorded in income.

Securities being held to maturity are debt securities for which the Group has both the positive intent and ability to hold until maturity. Securities being held to maturity are carried at amortized cost determined by the moving average method.

Securities available-for-sale are securities other than trading securities and securities being held to maturity. Securities available-for-sale are carried at fair value with the corresponding unrealized gains and losses recorded directly in a separate component of equity. The cost of these securities upon sale is determined by the moving average method. Securities available-for-sale for which fair value is not readily determinable are carried at moving average cost or amortized cost determined by the moving average method.

In addition, investments in unconsolidated subsidiaries that are not accounted for by the equity method are carried at cost determined by the moving average method.

Individual securities are written down when a decline in fair value below the cost of such securities is deemed to be other than temporary.

(J) PREMISES AND EQUIPMENT

Premises and equipment are stated at cost less accumulated depreciation.

Depreciation of the Group's buildings and the Bank's computer equipment (including ATMs) other than personal computers is computed principally using the straight-line method, and depreciation of other equipment is computed principally using the declining-balance method. Principal estimated useful lives of buildings and equipment as of September 30, 2008 were as follows:

Buildings .... 3 years to 50 years
Equipment .... 2 years to 15 years

(K) SOFTWARE

Capitalized software for internal use is depreciated using the straight-line method based on the Group's estimated useful lives (mainly 5 or 8 years).

(L) IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. An impairment loss is recognized if the carrying amount of assets exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the assets. The impairment loss is measured as the amount by which the carrying amount of an asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition. No significant impairment loss was recognized for the six month periods ended September 30, 2008 and 2007.

(M) DEFERRED CHARGES

Stock issuance costs of the Bank are charged to income as incurred.

Deferred issuance expenses for debentures and the Bank's corporate bonds issued after April 1, 2006 are amortized using the straight-line method over the term of the debentures and corporate bonds.

Deferred issuance expenses for debentures and the Bank's corporate bonds issued before March 31, 2006 are amortized using the straight-line method over the shorter of the terms of the debentures and corporate bonds or the maximum three-year period stipulated in the former Japanese Commercial Code and its regulations.

Consolidated subsidiaries' deferred issuance expenses for corporate bonds are mainly amortized using the straight-line method over the terms of the corporate bonds.

Formation costs and stock issuance costs of consolidated subsidiaries are charged to income as incurred.

(N) RESERVE FOR CREDIT LOSSES

The reserve for loan losses of the Bank and the consolidated domestic trust and banking subsidiary has been established as described below based on the Bank's internal rules for establishing the reserve.

For claims to obligors who are legally bankrupt (due to bankruptcy, special liquidation, etc.) or virtually bankrupt, a specific reserve is provided based on the amount of claims, after the charge-off stated below, net of amounts expected to be collected through the disposal of collateral or execution of guarantees.

For claims to obligors who are possibly bankrupt, a specific reserve is provided for the amount considered to be necessary based on an overall solvency assessment performed for the amount of claims net of amounts expected to be collected through the disposal of collateral or execution of guarantees.

The Bank applies the discounted cash flow method (the "DCF method") in calculating the loan loss reserve amounts for most of the claims against obligors categorized as possibly bankrupt or substandard under the self-assessment guidelines. Under the DCF method, the loan loss reserve is determined as the difference between (a) relevant estimated cash flows discounted by the original contractual interest rate and (b) the book value of the claim. In cases where it is difficult to reasonably estimate future cash flows, the Bank sets aside, as reserves, the product of the estimated loss ratios on the claims and either (A) the balance of the claims, in the case of claims against substandard obligors, or (B) the unsecured, unguaranteed portion of the claims, in the case of claims against possibly bankrupt obligors.

For other claims, the Bank provides a general reserve based on historical loan loss experience.

The historical loan loss ratio is calculated by taking the greater result from the following three calculation methods: (1) the average of three consecutive calculation periods defined to be the previous one year as from each fiscal year-end (0.5 year for the interim closing), (2) the average of three consecutive calculation periods defined to be the previous three years as from each fiscal year-end (2.5 years for the interim closing), or (3) the average of all calculation periods since 1998, the period for which records for loan losses have been maintained.

For specific foreign claims, there is a reserve for loans to restructuring countries which has been provided based on losses estimated by considering the political and economic conditions in those countries.

All claims are assessed by business divisions and branches based on the predetermined internal rules for the self-assessment of asset quality. The Credit Assessment Division, which is independent from business divisions and branches, conducts verifications of these assessments, and additional reserves may be provided based on the verification results.

The reserve for other credit losses primarily consists of reserves on amounts, included in accounts receivable, that the Bank believes the DIC is obligated to reimburse to it in accordance with certain indemnification clauses in the Share Purchase Agreement but which the DIC has not yet accepted, as well as certain litigation claims and a reserve taken on the Bank's contribution to an industry-wide fund set up to purchase and collect loans.

The consolidated subsidiaries other than the domestic trust and banking subsidiary calculate the general reserve for "normal" and "caution, including substandard" categories based on the specific actual historical loss ratio, and the specific reserve for the "possibly bankrupt," "virtually bankrupt" and "legally bankrupt" categories based on estimated losses, considering the recoverable value.

For collateralized or guaranteed claims of the Bank and certain consolidated subsidiaries to obligors who are legally bankrupt or virtually bankrupt, the amount of claims exceeding the estimated value of collateral or guarantees, which is deemed uncollectible, has been charged off and totaled ¥138,903 million (U.S.$1,331,005 thousand) and ¥66,818 million as of September 30, 2008 and 2007, respectively.

(O) ACCRUED BONUSES FOR EMPLOYEES AND DIRECTORS

Accrued bonuses for employees and directors are provided in the amount of the estimated bonuses which are attributable to each period.

(P) RESERVE FOR EMPLOYEES' RETIREMENT BENEFITS

The Bank, APLUS, Showa Leasing, Shinki and GECF each have a non-contributory defined benefit pension plan and certain of the consolidated domestic subsidiaries have unfunded severance indemnity plans, which cover substantially all of the Group's employees. The reserve for employees' retirement benefits is provided for the payment of employees' retirement benefits based on the estimated amounts of the actuarial retirement benefit obligation net of the estimated value of pension assets. Net actuarial gains and losses and prior service costs are amortized using the straight-line method over the average remaining service period mainly from the period of occurrence.

Effective April 1, 2000, the Bank adopted a new accounting standard for employees' retirement benefits and accounts for the liabilities for retirement benefits based on the projected benefit obligations net of plan assets at the balance sheet date. The transitional unrecognized net retirement benefit obligation for the Bank of ¥9,081 million is being amortized using the straight-line method over 15 years.

(Q) RESERVE FOR DIRECTORS' RETIREMENT BENEFITS

Prior to April 1, 2007, retirement benefits to directors were expensed when paid.

Effective April 1, 2007, retirement benefits to directors are provided at the amount that would be required if all directors retired at the interim balance sheet date in accordance with a Report of the Auditing and Assurance Practice Committee, "An Auditing Treatment for Retirement Benefits to Directors," which was published by the Japanese Institute of Certified Public Accountants on April 13, 2007 and is effective for fiscal years beginning on or after April 1, 2007.

(R) RESERVE FOR LOSSES ON INTEREST REPAYMENTS

The reserve for losses on interest repayments is provided for possible losses on reimbursements of excess interest payments and loan losses related to consumer finance loans extended at interest rates in excess of the maximum interest rate prescribed in the Interest Rate Restriction Law. The amount of such reserve is calculated using the average period to maturity of the affected loans, an estimate of the percentage of such loan transactions that will be subject to a future reimbursement request based on past experience and an estimate of the average amount to be reimbursed based on past experience.

In addition, a reserve for losses on interest repayments of GECF is calculated considering the terms stipulated in the transfer agreement of GECF shares entered into by and between the Bank and the seller, GE Japan Holdings Corporation ("GE"), for the acquisition of GECF, under which the sharing of interest repayment costs of GECF between the Bank and GE is determined.

(S) RESERVE FOR LOSSES ON DISPOSAL OF PREMISES AND EQUIPMENT

A reserve for losses on disposal of premises and equipments is established based on reasonable estimates mainly for the restoration cost associated with the planned relocation of the headquarters of the Bank, some of the consolidated subsidiaries and the Bank's Meguro financial center, and the planned closure of some of the BankSpots, ATM sites for retail banking.

(T) RESERVE UNDER SPECIAL LAW

The reserve under special law is provided for contingent liabilities from brokering of securities transactions in accordance with section 1 of Article 46-5 of the Financial Instruments and Exchange Law of Japan.

(U) STOCK OPTIONS

On December 27, 2005, the ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions.

The Bank applied this accounting standard for stock options to those granted on and after May 1, 2006.

(V) LEASE TRANSACTIONS

Prior to April 1, 2008, under Japanese accounting standards for leases, finance leases where the ownership of the property was deemed to transfer to the lessee were capitalized, while other finance leases could be accounted for as operating leases if certain "as if capitalized" information was disclosed in the notes to the interim consolidated financial statements. All leases entered into by the Bank and its consolidated domestic subsidiaries as lessee had been accounted for as operating leases.

Lease and rental income was recognized at the due date of each lease payment according to the lease contracts. Leased assets held by consolidated domestic subsidiaries as lessor were depreciated using the straight-line method over the leasing periods.

On March 30, 2007, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," and ASBJ Practical Solutions Report No.16, "Practical Solutions for the Accounting Standard for Lease Transactions" which revised the former accounting standard for lease transactions issued on June 17, 1993.

Effective April 1, 2008, the Bank and its consolidated subsidiaries applied the revised accounting standard for lease transactions. Under the revised accounting standard, all finance lease transactions are capitalized.

The effect of this change on the interim consolidated statement of operations for the six months ended September 30, 2008 was negligible.

Lessee

All finance lease transactions were capitalized recognizing lease assets and lease obligations in the balance sheet.

Depreciation of leased assets from finance lease transactions that do not deem to transfer ownership of the leased property to the lessee is computed using the straight-line method over the leasing period. Residual values of leased assets are the guaranteed values determined in the lease contracts and zero for assets without such guaranteed value.

With regard to finance lease transaction entered into prior to April 1, 2008 that do not deem to transfer ownership of the leased property to the lessee, leased assets are recognized at the amount of the remaining lease obligation as of the end of March 31, 2008.

Lessor

All finance lease transactions that deem to transfer ownership of the leased property to the lessee are recognized as lease receivables, and all finance lease transactions that do not deem to transfer ownership of the leased property to the lessee are recognized as leased investment assets.

Lease revenue is recognized at the due date of each lease payment according to the lease contracts and lease cost is recognized as the amount that assumed interest income allocated to each period is deducted from the lease revenue.

With regard to finance lease transactions entered into prior to April 1, 2008 that do not deem to transfer ownership of the property to the lessee, leased investment assets are recognized at the book values of those leased assets as of the end of March 31, 2008.

As a result, income (loss) before income taxes and minority interests for the six months ended September 30, 2008 of the consolidated domestic subsidiaries that specialize in leasing business decreased by ¥10,973 million (U.S.$105,152 thousand) than it would be if the revised accounting standard was applied retroactively to all finance lease transactions.

(W) INSTALLMENT SALES FINANCE AND CREDIT GUARANTEES

Fees from installment sales finance have principally been prorated over the respective number of installments, and the prorated amounts have been recognized as income either when they become due (the "sum-of-the-months digits method"), or by using the credit-balance method depending on the contract terms.

Fees from credit guarantees have been recognized either by the sum-of-the-months digits method, the straight-line method or the credit-balance method depending on the contract terms.

(X) REVENUE RECOGNITION FOR INTEREST ON CONSUMER LENDING BUSINESS

In a consolidated subsidiary specialized in consumer lending business, accrued interest income at the interim balance sheet date is accrued at the lower of the amount determined using a rate permissible under the Interest Rate Restriction Law of Japan or the amount determined using rates on contracts with customers.

(Y) INCOME TAXES

Deferred income taxes relating to temporary differences between financial reporting and tax bases of assets and liabilities and tax loss carryforwards have been recognized. The asset and liability approach is used to recognize deferred income taxes.

The Bank files its corporate income tax return under the consolidated corporation tax system, which allows companies to base tax payments on the combined profits and losses of the Bank and its wholly-owned domestic subsidiaries.

A valuation allowance is recognized for any portion of the deferred tax assets when it is considered more likely than not that it will not be realized.

(Z) DERIVATIVES AND HEDGE ACCOUNTING

Derivatives are stated at fair value. Derivative transactions that meet the hedge accounting criteria are primarily accounted for using a deferral method whereby unrealized gains and losses are deferred until the gains and losses on the hedged items are realized.

(i) Hedge of interest rate risks

Derivative transactions that meet the hedge accounting criteria for mitigating interest rate risks of the Bank's financial assets and liabilities are accounted for using the deferral method. Prior to April 1, 2003, the Bank principally applied a "macro hedge" approach for interest rate derivatives used to manage interest rate risks and its ALM activities based on the transitional treatment prescribed in Industry Audit Committee Report No. 24 issued by the JICPA. Effective April 1, 2003, the Bank adopted portfolio hedging to determine the effectiveness of its hedging instruments in accordance with Report No. 24. Under portfolio hedging, a portfolio of hedged items with common maturities such as deposits or loans is designated and matched with a group of hedging instruments such as interest rate swaps, which offset the effect of fair value fluctuations of the hedged items by identified maturities. The effectiveness of the portfolio hedging is assessed by each group.

Deferred hedge losses and deferred hedge gains previously recorded on the consolidated balance sheets as a result of macro hedge accounting before implementation of portfolio hedging are being amortized as interest expense or income over the remaining lives of the hedging instruments. The unamortized balances of deferred hedge losses attributable to macro hedge accounting, before deduction of tax benefit, as of September 30, 2008 and 2007 were ¥8 million (U.S.$82 thousand) and ¥17 million, respectively.

The interest rate swaps of certain consolidated subsidiaries which qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value, but the net payments or receipts under the swap agreements are recognized and included in interest expenses or income.

(ii) Hedge of foreign exchange fluctuation risks
Fund swap and certain currency swap transactions are accounted for using either deferral hedge accounting or fair value hedge accounting in accordance with Industry Audit Committee Report No. 25 of the JICPA.

Fund swap transactions are foreign exchange swaps, and consist of spot foreign exchange contracts bought or sold and forward foreign exchange contracts sold or bought. Such transactions are contracted for the purpose of lending or borrowing in a different currency and converting the corresponding principal equivalents and foreign currency equivalents to pay and receive, whose amounts and due dates are predetermined at the time of the transactions, into forward foreign exchange contracts sold or bought.

Under deferral hedge accounting, hedged items are identified by grouping the foreign currency-denominated financial assets and liabilities by currencies and designating derivative transactions such as currency swap transactions and forward exchange contracts as hedging instruments. Hedge effectiveness is reviewed by comparing the total foreign currency position of the hedged items and hedging instruments by currency.

The Bank also applies deferral hedge accounting and fair value hedge accounting to translation gains or losses from foreign currency assets of net investments in foreign affiliates and securities available-for-sale (other than bonds denominated in foreign currencies) when such foreign currency exposures recorded as assets are hedged with offsetting foreign currency liabilities and the liabilities exceed the acquisition cost of such foreign currency assets.

(iii) Inter-company and intra-company derivative transactions
Gains and losses on inter-company and intra-company derivative hedging transactions between the trading book and the banking book are not eliminated since offsetting transactions with third parties are appropriately entered into in conformity with the non-arbitrary and strict hedging policy in accordance with Industry Audit Committee Reports No. 24 and No. 25. As a result, in the banking book, realized gains and losses on such inter-company and intra-company transactions are reported in current earnings and valuation gains and losses which meet the hedge accounting criteria are deferred. On the other hand, in the trading book, realized gains and losses and valuation gains and losses on such inter-company and intra-company transactions are substantially offset with covering contracts entered into with third parties.

(AA) PER SHARE INFORMATION

Basic net income (loss) per common share calculations represent net income (loss) available to common shareholders, divided by the weighted average number of outstanding shares of common stock during the respective period, retroactively adjusted for stock splits and reverse stock splits.

Diluted net income per common share calculations consider the dilutive effect of common stock equivalents, which include preferred shares and stock acquisition rights, assuming that all preferred shares were converted into common shares at the beginning of the period with an applicable adjustment for related dividends on preferred stock, and that stock acquisition rights were fully exercised at the time of issuance for those issued during the period and at the beginning of the period for those previously issued and outstanding at the beginning of the period.

(AB) RECLASSIFICATIONS

Certain reclassifications have been made to the interim consolidated financial statements for the six months ended September 30, 2007 to conform to the presentation for the six months ended September 30, 2008.

3. ACQUISITION

CONSOLIDATED

GE Consumer Finance Co., Ltd.

On September 22, 2008, the Bank, together with APLUS, acquired 100% of the controlling interest (equity and debt) in GE Consumer Finance Co., Ltd. (GECF), a consumer finance company in Japan, and its subsidiaries. This acquisition was made in line with the Bank's business strategy to expand the Individual Group and pursue further synergy between its retail banking and consumer finance operations.

The purchase price reflects the following terms under which gray zone costs will be shared between the Bank and the Seller (GE).

- The Bank will take on the first loss from Gray Zone up to ¥201.5 billion
- Risk sharing between the Bank and the Seller (GE) for the loss from Gray Zone between ¥201.5 billion and ¥258 billion
- The Seller (GE) will cover the loss from Gray Zone beyond ¥258 billion

The Bank's maximum gray zone liability for assets subject to those terms is ¥203.9 billion.

As part of the investment in GECF, on September 24, 2008, securitization of ¥402.9 billion (senior beneficial interest of ¥362.1 billion, rated A3 and mezzanine beneficial interest of ¥40.8 billion, rated Baa3) of GECF's unsecured consumer loan assets was implemented and the Bank purchased all of the senior and mezzanine beneficial interests issued by GECF, which allows those assets to be funded directly through the stable retail deposits and other internal funding resources of the Bank. The securitization does not, however, impact Shinsei consolidated financial statements as any portion of the beneficial interests was not sold to a third party.

In connection with the acquisition, the Bank conducted a fair value review of GECF's assets and liabilities, including intangible assets, for the purpose of preparing the consolidated balance sheet as of September 30, 2008 (deemed acquisition date). The excess of the purchase price over the fair value of assets acquired and liabilities assumed, including intangible assets is accounted for as goodwill. The purchase price will be adjusted within 90 days after the closing based on the difference of GECF's financial positions preliminarily recognized and those of finalized.

The following table is the provisional summary of the fair value of the assets acquired and liabilities assumed, including intangible assets and goodwill as of September 30, 2008, subject to be adjusted based on the later purchase price adjustment.

	Millions of yen	Thousands of U.S. dollars
Cash and due from banks	¥ 33,100	$ 317,174
Securities	300	2,875
Loans	765,500	7,335,186
Other assets	18,813	180,272
Premises and equipment	11,443	109,651
Intangible assets (Including ¥27,077 million of intangible assets recognized through fair value review)	29,763	285,197
Total assets acquired	858,919	8,230,355
Other liabilities	(31,334)	(300,250)
Reserve for losses on interest repayments	(225,420)	(2,160,031)
Deferred tax liabilities	(11,017)	(105,575)
Total liabilities assumed	(267,772)	(2,565,856)
Net assets acquired	591,147	5,664,499
Total contribution	601,631	5,764,965
Goodwill	10,484	100,466

4. CASH AND CASH EQUIVALENTS

CONSOLIDATED

The reconciliation of cash and cash equivalents at the end of the period and cash and due from banks in the interim consolidated balance sheets as of September 30, 2008 and 2007 was as follows:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	**2008**	2007	**2008**
Cash and due from banks	**¥ 278,461**	¥ 394,179	**$ 2,668,276**
Interest-bearing deposits included in due from banks	**(100,334)**	(220,253)	**(961,422)**
Cash and cash equivalents at end of period	**¥ 178,127**	¥ 173,925	**$ 1,706,854**

5. OTHER MONETARY CLAIMS PURCHASED

CONSOLIDATED

(a) Other monetary claims purchased as of September 30, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	**2008**	2007	**2008**
Trading purposes	**¥ 274,493**	¥ 252,625	**$ 2,630,256**
Other	**180,141**	192,483	**1,726,155**
Total	**¥ 454,635**	¥ 445,108	**$ 4,356,411**

(b) The fair value and the unrealized loss of other monetary claims purchased for trading purposes as of September 30, 2008 and 2007 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2008		2007		**2008**	
As of September 30,	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Trading purposes	**¥ 274,493**	**¥ (5,533)**	¥ 252,625	¥ (7,917)	**$ 2,630,256**	**$ (53,019)**

6. TRADING ASSETS

CONSOLIDATED

Trading assets as of September 30, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	**2008**	2007	**2008**
Trading securities	**¥ 17,751**	¥ 31,536	**$ 170,102**
Derivatives for trading securities	**18,782**	14,640	**179,982**
Securities held to hedge trading transactions	**67,062**	102,083	**642,610**
Derivatives for securities held to hedge trading transactions	**22,261**	4,836	**213,310**
Trading-related financial derivatives	**153,082**	97,744	**1,466,872**
Other trading assets	**6,220**	644	**59,610**
Total	**¥ 285,162**	¥ 251,485	**$ 2,732,486**

7. MONETARY ASSETS HELD IN TRUST

CONSOLIDATED

(a) Monetary assets held in trust as of September 30, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	**2008**	2007	**2008**
Trading purposes	**¥ 255,155**	¥ 268,619	**$ 2,444,955**
Other	**122,049**	149,035	**1,169,507**
Total	**¥ 377,205**	¥ 417,655	**$ 3,614,462**

(b) The fair value and the unrealized loss of monetary assets held in trust for trading purposes as of September 30, 2008 and 2007 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2008		2007		**2008**	
As of September 30,	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Trading purposes	**¥ 255,155**	**¥ (6,629)**	¥ 268,619	¥ (5,903)	**$ 2,444,955**	**$ (63,525)**

(c) The acquisition cost, which is the same as the book value, of monetary assets held in trust for other than trading purposes as of September 30, 2008 and 2007 was ¥122,049 million (U.S.$1,169,507 thousand) and ¥149,035 million, respectively.

8. SECURITIES

CONSOLIDATED

(a) Securities as of September 30, 2008 and 2007 consisted of the following:

As of September 30,	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Trading securities	¥ 36,969	¥ 116,156	$ 354,247
Securities being held to maturity	330,980	438,835	3,171,526
Securities available-for-sale:			
Marketable securities, at fair value	1,100,776	1,433,099	10,547,880
Book value of securities whose fair value is not readily determinable	476,242	320,532	4,563,458
Investments in unconsolidated subsidiaries, at cost and affiliates using the equity method	49,403	59,934	473,396
Total	¥ 1,994,372	¥ 2,368,558	$ 19,110,507

The above balances do not include securities held in relation to securities borrowing transactions with or without cash collateral, securities purchased under resale agreements or securities accepted as collateral based on derivative transactions, where the Group has the right to sell or pledge such securities without restrictions. The balances of those securities as of September 30, 2008 and 2007 were ¥63,741 million (U.S.$610,782 thousand) and ¥128,928 million, respectively. In addition, ¥17,846 million ($171,011 thousand) of those securities were further pledged as of September 30, 2008.

The amount of guarantee obligations for privately-placed bonds (Item 3 of Article 2 of the Financial Instruments and Exchange Law), out of bonds included in securities as of September 30, 2008 and 2007 were ¥68,650 million (U.S.$657,821 thousand) and ¥103,763 million, respectively.

(b) The amortized cost and the fair value of marketable securities (other than trading securities) as of September 30, 2008 and 2007 were as follows:

	Millions of yen							
	2008				2007			
As of September 30,	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
Securities being held to maturity:								
Japanese national government bonds	¥ 244,229	¥ 911	¥ 165	¥ 244,976	¥ 324,431	¥ 324	¥ 915	¥ 323,840
Japanese corporate bonds	75,215	641	4	75,853	101,656	153	19	101,790
Other	11,532	1,122	—	12,655	12,747	343	—	13,091
Total	¥ 330,977	¥ 2,676	¥ 169	¥ 333,484	¥ 438,835	¥ 821	¥ 935	¥ 438,721
Securities available-for-sale:								
Equity securities	¥ 22,127	¥ 776	¥ 5,653	¥ 17,250	¥ 23,674	¥ 2,142	¥ 2,261	¥ 23,555
Japanese national government bonds	557,902	273	5,173	553,003	563,094	97	3,611	559,580
Japanese local government bonds	1,708	26	—	1,734	114,974	13	66	114,921
Japanese corporate bonds	114,672	134	567	114,239	206,174	203	219	206,157
Other, mainly foreign debt securities	463,035	5,897	54,384	414,549	529,178	11,863	12,155	528,885
Total	¥ 1,159,446	¥ 7,109	¥ 65,778	¥ 1,100,776	¥ 1,437,095	¥ 14,319	¥ 18,314	¥ 1,433,099

	Thousands of U.S. dollars			
	2008			
As of September 30,	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
Securities being held to maturity:				
Japanese national government bonds	$ 2,340,263	$ 8,736	$ 1,581	$ 2,347,418
Japanese corporate bonds	720,729	6,151	40	726,840
Other	110,505	10,759	—	121,264
Total	$ 3,171,497	$ 25,646	$ 1,621	$ 3,195,522
Securities available-for-sale:				
Equity securities	$ 212,033	$ 7,442	$ 54,175	$ 165,300
Japanese national government bonds	5,345,946	2,623	49,573	5,298,996
Japanese local government bonds	16,366	251	—	16,617
Japanese corporate bonds	1,098,814	1,292	5,439	1,094,667
Other, mainly foreign debt securities	4,436,904	56,516	521,120	3,972,300
Total	$11,110,063	$ 68,124	$ 630,307	$10,547,880

Individual securities are written down when a decline in fair value below the cost of such securities is deemed to be other than temporary. The amount written down is accounted for as an impairment loss. Impairment losses on marketable securities available-for-sale for the six months ended September 30, 2008 were ¥17,486 million (U.S.$167,556 thousand).

(c) Securities available-for-sale sold during the six months ended September 30, 2008 and 2007 were as follows:

	Millions of yen					
	2008			2007		
Six months ended September 30,	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
Securities available-for-sale sold	**¥637,016**	**¥3,566**	**¥ 351**	¥289,734	¥4,902	¥ 731

	Thousands of U.S. dollars		
	2008		
Six months ended September 30,	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
Securities available-for-sale sold	**$ 6,104,031**	**$ 34,174**	**$ 3,372**

(d) The book value (amortized cost) of securities being held to maturity and securities available-for-sale whose fair value was not readily determinable as of September 30, 2008 and 2007 was as follows:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	**2008**	2007	**2008**
Securities being held to maturity:			
Japanese corporate bonds	**¥ 3**	¥ —	**$ 29**
Total	**¥ 3**	¥ —	**$ 29**
Securities available-for-sale:			
Equity securities	**¥ 15,941**	¥ 15,280	**$ 152,759**
Japanese local government bonds	**4**	4	**38**
Japanese corporate bonds	**324,493**	193,690	**3,109,365**
Foreign securities	**75,018**	79,845	**718,842**
Other	**60,784**	31,712	**582,454**
Total	**¥476,242**	¥320,532	**$ 4,563,458**

(e) Redemption schedules for securities being held to maturity and available-for-sale as of September 30, 2008 and 2007 were as follows:

	Millions of yen							
	2008				2007			
As of September 30,	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Bonds:								
Japanese national government bonds	**¥552,540**	**¥199,671**	**¥ 2,393**	**¥ 42,627**	¥530,632	¥306,448	¥ —	¥ 46,930
Japanese local government bonds	**4**	**1,219**	**514**	**—**	112,707	516	1,701	—
Japanese corporate bonds	**119,507**	**382,534**	**11,909**	**—**	172,219	269,304	59,979	—
Subtotal	**672,052**	**583,425**	**14,817**	**42,627**	815,559	576,269	61,681	46,930
Other	**25,521**	**200,190**	**141,450**	**118,827**	19,518	170,919	202,385	202,022
Total	**¥697,573**	**¥783,615**	**¥156,267**	**¥161,455**	¥835,077	¥747,189	¥264,066	¥248,952

	Thousands of U.S. dollars			
	2008			
As of September 30,	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Bonds:				
Japanese national government bonds	**$5,294,560**	**$1,913,298**	**$ 22,935**	**$ 408,466**
Japanese local government bonds	**38**	**11,684**	**4,933**	**—**
Japanese corporate bonds	**1,145,151**	**3,665,524**	**114,115**	**—**
Subtotal	**6,439,749**	**5,590,506**	**141,983**	**408,466**
Other	**244,553**	**1,918,266**	**1,355,411**	**1,138,631**
Total	**$6,684,302**	**$7,508,772**	**$1,497,394**	**$1,547,097**

9. LOANS AND BILLS DISCOUNTED

CONSOLIDATED

Loans and bills discounted as of September 30, 2008 and 2007 consisted of the following:

As of September 30,	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Loans on deeds	**¥ 5,124,898**	¥ 4,712,138	**$ 49,107,878**
Loans on bills	**124,099**	109,723	**1,189,146**
Bills discounted	**1,624**	662	**15,567**
Overdrafts	**1,329,085**	634,058	**12,735,585**
Total	**¥ 6,579,707**	¥ 5,456,582	**$ 63,048,176**

(a) Loans and bills discounted include loans to bankrupt obligors totaling ¥26,488 million (U.S.$253,816 thousand) and ¥623 million as of September 30, 2008 and 2007, respectively, as well as non-accrual delinquent loans totaling ¥64,853 million (U.S.$621,435 thousand) and ¥39,076 million as of September 30, 2008 and 2007, respectively.

Non-accrual delinquent loans include loans classified as "possibly bankrupt" and "virtually bankrupt" under the Bank's self-assessment guidelines.

In addition to non-accrual delinquent loans as defined, certain other loans classified as "substandard" under the Bank's self-assessment guidelines include loans past due for three months or more.

Loans past due for three months or more consist of loans for which the principal and/or interest is three months or more past due but exclude loans to bankrupt obligors and non-accrual delinquent loans. The balances of loans past due for three months or more as of September 30, 2008 and 2007 were ¥1,539 million (U.S.$14,754 thousand) and ¥9,961 million, respectively.

Restructured loans are loans where the Group relaxes lending conditions, such as by reducing the original interest rate, or by forbearing interest payments or principal repayments to support the borrower's reorganization, but exclude loans to bankrupt obligors, non-accrual delinquent loans or loans past due for three months or more. The outstanding balances of restructured loans as of September 30, 2008 and 2007 were ¥73,401 million (U.S.$703,349 thousand) and ¥25,543 million, respectively.

(b) The total outstanding amounts deducted from the loan account for loan participations as of September 30, 2008 and 2007 were ¥62,160 million (U.S.$595,632 thousand) and ¥68,270 million, respectively. This "off-balance sheet" treatment was in accordance with the guideline issued by the JICPA. The total amount of such loans in which the Bank participated was ¥106,266 million (U.S.$1,018,268 thousand) and ¥238,958 million, respectively.

(c) The amount of loans sold through senior certificates under a collateralized loan obligation (CLO) securitization totaled ¥74,688 million as of September 30, 2007, with the subordinated certificates retained by the Bank totaling ¥19,971 million as of September 30, 2007, recorded as loans.

A reserve for credit losses was established based on the aggregate amount of the senior and subordinated certificate portions described above, taking into consideration all credit risks to be absorbed by the subordinated certificates.

(d) Bills discounted, such as bank acceptances bought, commercial bills discounted, documentary bills and foreign exchange contracts bought, are accounted for as financing transactions in accordance with the Industry Audit Committee Report No.24 issued by the JICPA, although the Group has the right to sell or pledge them without restrictions. The face values of such bills discounted held as of September 30, 2008 and 2007 were ¥1,772 million (U.S.$16,988 thousand) and ¥725 million, respectively.

10. FOREIGN EXCHANGES

The assets and liabilities related to foreign currency trade financing activities of the Bank as of September 30, 2008 and 2007 consisted of the following:

As of September 30,	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Foreign exchange assets:			
Foreign bills bought	**¥ 148**	¥ 63	**$ 1,421**
Foreign bills receivable	**6,257**	1,383	**59,961**
Due from foreign banks	**16,043**	25,351	**153,730**
Total	**¥ 22,449**	¥ 26,798	**$ 215,112**
Foreign exchange liabilities:			
Foreign bills payable	**¥ 18**	¥ 17	**$ 173**
Due to foreign banks	**2**	2	**23**
Total	**¥ 20**	¥ 19	**$ 196**

11. OTHER ASSETS

CONSOLIDATED

Other assets as of September 30, 2008 and 2007 consisted of the following:

As of September 30,	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Accrued income	¥ 45,877	¥ 50,095	$ 439,606
Prepaid expenses	6,980	7,298	66,893
Fair value of derivatives	344,894	209,704	3,304,855
Financial stabilization fund contribution	70,239	70,239	673,045
Accounts receivable	115,864	124,567	1,110,240
Installment receivables	420,608	438,550	4,030,362
Security deposits	24,999	15,063	239,555
Suspense payments	20,019	48,200	191,834
Other	60,314	54,744	577,945
Total	**¥ 1,109,799**	¥ 1,018,463	**$ 10,634,335**

Installment receivables in other assets as of September 30, 2008 and 2007 included credits to bankrupt obligors totaling ¥617 million (U.S.$5,920 thousand) and ¥1,041 million, non-accrual delinquent credits totaling ¥3,279 million (U.S.$31,427 thousand) and ¥2,936 million, credits past due for three months or more of ¥1,692 million (U.S.$16,221 thousand) and ¥1,651 million, and restructured credits of ¥9,482 million (U.S.$90,866 thousand) and ¥8,143 million, respectively.

12. PREMISES AND EQUIPMENT

CONSOLIDATED

Premises and equipment as of September 30, 2008 and 2007 consisted of the following:

As of September 30,	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Buildings	¥ 28,151	¥ 50,269	$ 269,750
Land	9,795	41,548	93,861
Tangible leased assets	81,268	533,083	778,730
Other	23,763	18,993	227,708
Subtotal	142,978	643,895	1,370,049
Accumulated depreciation	(89,251)	(271,673)	(855,223)
Net book value	**¥ 53,727**	¥ 372,222	**$ 514,826**

13. INTANGIBLE ASSETS

CONSOLIDATED

Intangible assets as of September 30, 2008 and 2007 consisted of the following:

As of September 30,	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Software	¥ 30,029	¥ 24,909	$ 287,753
Goodwill, net	146,511	154,119	1,403,906
Goodwill	153,405	154,127	1,469,964
Negative goodwill	6,893	8	66,058
Intangible assets acquired through acquisitions	48,810	18,467	467,709
Intangible leased assets	1,582	41,201	15,160
Other	1,653	117	15,848
Total	**¥ 228,587**	¥ 238,816	**$ 2,190,376**

14. RESERVE FOR CREDIT LOSSES

CONSOLIDATED

Reserve for credit losses as of September 30, 2008 and 2007 consisted of the following:

As of September 30,	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Reserve for loan losses:			
General reserve	**¥ 82,060**	¥ 83,171	**$ 786,322**
Specific reserve	**29,295**	25,077	**280,720**
Reserve for loans to restructuring countries	**14**	8	**143**
Subtotal	**111,371**	108,257	**1,067,185**
Specific reserve for other credit losses	**23,779**	33,452	**227,855**
Total	**¥ 135,150**	¥ 141,710	**$ 1,295,040**

15. DEPOSITS, INCLUDING NEGOTIABLE CERTIFICATES OF DEPOSIT

CONSOLIDATED

Deposits, including negotiable certificates of deposit, as of September 30, 2008 and 2007 consisted of the following:

As of September 30,	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Current	**¥ 17,707**	¥ 21,227	**$ 169,675**
Ordinary	**1,347,126**	1,492,880	**12,908,452**
Notice	**10,945**	23,884	**104,879**
Time	**4,054,928**	3,153,377	**38,855,198**
Negotiable certificates of deposit	**744,479**	719,310	**7,133,759**
Other	**240,442**	459,957	**2,303,975**
Total	**¥ 6,415,628**	¥ 5,870,638	**$ 61,475,938**

16. DEBENTURES

CONSOLIDATED

Debentures as of September 30, 2008 and 2007 consisted of the following:

As of September 30,	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Coupon debentures	**¥ 748,262**	¥ 686,588	**$ 7,170,015**

Annual maturities of debentures as of September 30, 2008 were as follows:

Year ending September 30	Millions of yen	Thousands of U.S. dollars
2009	¥ 228,851	$ 2,192,900
2010	141,933	1,360,033
2011	177,612	1,701,921
2012	97,868	937,796
2013 and thereafter	101,997	977,365
Total	¥ 748,262	$ 7,170,015

17. TRADING LIABILITIES

CONSOLIDATED

Trading liabilities as of September 30, 2008 and 2007 consisted of the following:

As of September 30,	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Trading securities sold for short sales	**¥ —**	¥ 4,518	**$ —**
Derivatives for trading securities	**17,578**	13,262	**168,437**
Derivatives for securities held to hedge trading transactions	**5,862**	1,228	**56,180**
Trading-related financial derivatives	**155,471**	91,527	**1,489,763**
Other	**—**	62	**—**
Total	**¥ 178,912**	¥ 110,599	**$ 1,714,380**

18. BORROWED MONEY

CONSOLIDATED

Borrowed money as of September 30, 2008 and 2007 consisted of the following:

As of September 30,	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Subordinated debt	**¥ 108,000**	¥ 108,000	**$ 1,034,879**
Borrowings from the Bank of Japan and other financial institutions	**954,712**	984,738	**9,148,258**
Total	**¥ 1,062,712**	¥ 1,092,738	**$ 10,183,137**

Annual maturities of borrowed money as of September 30, 2008 were as follows:

Year ending September 30	Millions of yen	Thousands of U.S. dollars
2009	¥ 477,935	$ 4,579,684
2010	222,651	2,133,495
2011	82,211	787,767
2012	61,743	591,639
2013 and thereafter	218,170	2,090,552
Total	¥ 1,062,712	$ 10,183,137

19. CORPORATE BONDS

CONSOLIDATED

Corporate bonds as of September 30, 2008 and 2007 consisted of the following:

As of September 30,	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Corporate bonds	**¥ 80,689**	¥ 70,906	**$ 773,185**
Subordinated bonds	**326,726**	361,874	**3,130,767**
Total	**¥ 407,416**	¥ 432,780	**$ 3,903,952**

In February 2006, the Bank issued €1.0 billion of step-up callable subordinated notes. The issue price was 99.486% of the principal amount. The notes bear interests at the fixed rate per annum of 3.75% through February 23, 2011, and at the floating rate per annum equal to three-month EURIBOR plus 1.95% thereafter. The notes are redeemable at the Bank's option in whole but not in part on any interest payment date on or after February 23, 2011, subject to the prior approval of the Financial Services Agency of Japan.

In December 2006, the Bank issued £400 million of step-up callable perpetual subordinated notes. The issue price was 99.669% of the principal amount. The notes bear interests at the fixed rate per annum of 5.625% through December 6, 2013, and at the floating rate per annum equal to LIBOR for six-month deposits in British pounds plus 2.12% thereafter. The notes are redeemable at the Bank's option in whole but not in part on any interest payment date on or after December 6, 2013, subject to the prior approval of the Financial Services Agency of Japan.

Annual maturities of corporate bonds as of September 30, 2008 were as follows:

Year ending September 30	Millions of yen	Thousands of U.S. dollars
2009	¥ 21,544	$ 206,444
2010	33,240	318,519
2011	6,400	61,330
2012	4,803	46,024
2013 and thereafter	341,427	3,271,635
Total	¥ 407,416	$ 3,903,952

20. OTHER LIABILITIES

CONSOLIDATED

Other liabilities as of September 30, 2008 and 2007 consisted of the following:

As of September 30,	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Accrued expenses	¥ 38,773	¥ 39,961	$ 371,539
Unearned income	1,742	2,014	16,694
Income taxes payable	3,298	4,311	31,607
Fair value of derivatives	313,095	160,569	3,000,152
Matured debentures, including interest	26,645	30,049	255,318
Trust account	7,135	4,971	68,372
Accounts payable	78,470	261,281	751,919
Deferred gains on installment receivables	37,251	46,392	356,952
Deposits payable	117,910	121,671	1,129,845
Other	44,978	94,976	430,995
Total	¥ 669,301	¥ 766,199	$ 6,413,393

21. ACCEPTANCES AND GUARANTEES

CONSOLIDATED

Acceptances and guarantees as of September 30, 2008 and 2007 consisted of the following:

As of September 30,	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Guarantees	¥ 695,538	¥ 725,402	$ 6,664,799
Letters of credit	—	142	—
Total	¥ 695,538	¥ 725,545	$ 6,664,799

22. ASSETS PLEDGED AS COLLATERAL

CONSOLIDATED

Assets pledged as collateral and debts collateralized as of September 30, 2008 and 2007 consisted of the following:

As of September 30,	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Assets:			
Cash and due from banks	¥ 783	¥ 70	$ 7,503
Other monetary claims purchased	47,380	—	454,005
Securities	711,901	553,352	6,821,597
Loans and bills discounted	181,469	27,868	1,738,875
Lease receivables and Lease investment assets	26,349	—	252,489
Other assets	939	—	9,006
Premises and equipment	2,361	—	22,625
Debts:			
Deposits, including negotiable certificates of deposit	¥ 1,596	¥ 805	$ 15,297
Call money	110,000	85,000	1,054,044
Collateral related to securities lending transactions	470,080	285,107	4,504,415
Borrowed money	98,281	40,532	941,758
Acceptances and guarantees	907	903	8,698

A total of ¥16,669 million of unearned lease claims were pledged as collateral for the above mentioned borrowed money as of September 30, 2007.

In addition, ¥171,893 million (U.S.$1,647,120 thousand) of securities as of September 30, 2008, and ¥143,619 million of securities as of September 30, 2007 were pledged as collateral for transactions, including exchange settlements, swap transactions and replacement of margin for future trading.

Also, ¥281 million (U.S.$2,700 thousand) and ¥711 million of margin deposits for futures transactions outstanding were included in other assets as of September 30, 2008 and 2007, respectively. In addition, ¥4,485 million (U.S.$42,984 thousand) of cash collateral pledged for derivative transactions are included in other assets as of September 30, 2008.

23. PREFERRED SECURITIES ISSUED BY SUBSIDIARIES OUTSIDE JAPAN

CONSOLIDATED

In February 2006, Shinsei Finance (Cayman) Limited, the Bank's wholly-owned subsidiary, issued U.S.$775 million of step-up non-cumulative perpetual preferred securities. Dividends on the securities are payable on a non-cumulative basis annually in arrears at a rate of 6.418% until July 2016. After July 2016, dividends on the securities will be calculated at a floating rate of LIBOR plus 2.22%. On July 20, 2016 or any dividend payment date thereafter, Shinsei Finance (Cayman) Limited may redeem the securities at a price equal to the liquidation preference together with any dividends otherwise payable.

In March 2006, Shinsei Finance II (Cayman) Limited, the Bank's wholly-owned subsidiary, issued U.S.$700 million of non-cumulative perpetual preferred securities. Dividends on the securities are payable on a non-cumulative basis annually in arrears at a rate of 7.160% until July 2016. After July 2016, dividends on the securities will be calculated at a floating rate of LIBOR plus 1.87%. On July 25, 2016 and on each dividend payment date falling at ten year intervals thereafter, Shinsei Finance II (Cayman) Limited may redeem the securities at a price equal to the liquidation preference together with any dividends otherwise payable.

These preferred securities are accounted for as minority interests in the consolidated financial statements of the Bank.

24. EQUITY

CONSOLIDATED

The authorized number of shares of capital stock as of September 30, 2008 was 4,000,000 thousand common shares.

The following table shows changes in the number of shares of common stock, preferred stock and treasury stock.

	Thousands				
	Issued number of shares			Treasury stock	
	Common stock	Preferred Stock Class-A	Preferred Stock Class-B	Common stock	Preferred Stock Class-B
Six months ended September 30, 2008:					
Beginning of year	2,060,346	—	—	96,436	—
Increase	—	—	—	1	—
Decrease	—	—	—	(13)	—
End of period	2,060,346	—	—	96,424	—
Six months ended September 30, 2007:					
Beginning of year	1,473,570	74,528	300,000	96,425	—
Increase	200,000	—	—	1	300,000
Decrease	—	—	(300,000)	—	(300,000)
End of period	1,673,570	74,528	—	96,427	—

On August 1, 2007, pursuant to the provisions of Shinsei Bank's Articles of Incorporation concerning the mandatory acquisition of 300,000 thousand Class-B preferred shares issued by the Bank, owned entirely by the Resolution and Collection Corporation (the "RCC"), the Bank acquired all relevant preferred shares and issued 200,000 thousand of the Bank's common shares in exchange for these preferred shares. The Bank subsequently cancelled all the relevant preferred shares immediately after it obtained these shares, pursuant to Article 178 of the Law of Japan (the "Corporate Law").

On February 4, 2008, the Bank issued 117,647 thousand new common shares by third-party allotment to a group of investors which included affiliates of J. C. Flowers & Co. LLC at ¥425 per common share. The Bank raised its capital by ¥50,000 million through this allotment.

On March 31, 2008, pursuant to a request by the DIC, the Bank acquired all 74,528 thousand Class-A preferred shares and issued 269,128 thousand of the Bank's common shares in exchange for these preferred shares. The conversion price of the preferred shares was ¥360. The Bank subsequently cancelled all the relevant preferred shares immediately after it obtained these shares, pursuant to Article 178 of the Corporate Law.

25. STOCK ACQUISITION RIGHTS

CONSOLIDATED

The Bank issues stock acquisition rights as a stock option plan to directors, statutory executive officers and employees of the Bank and its subsidiaries as well as its senior advisors.

Stock acquisition rights provide eligible individuals (the "holders") with the right to purchase common stock of the Bank without any consideration at an exchange rate of one thousand common shares to one stock acquisition right. The amount of money to be paid upon exercising stock acquisition rights is the amount calculated by multiplying the payment amount per share (the "exercise price") and the number of common shares that can be purchased through the exercise of one stock acquisition right. Conditions are stipulated in the "Agreement on the Grant of Stock Acquisition Rights" entered into between the Bank and the holders to whom stock acquisition rights were allotted based on the resolution of the annual general meeting of shareholders and the meetings of the Board of Directors which resolves the issuance of stock acquisition rights subsequent to the shareholders' meeting.

On December 27, 2005, the ASBJ issued "Accounting Standard for Stock Options" and related guidance, which requires companies to recognize compensation expense for stock acquisition rights based on the fair value at the date of grant and over the vesting periods for stock acquisition rights newly granted on and after May 1, 2006.

Stock-based compensation expenses were ¥336 million (U.S.$3,221 thousand) and ¥359 million for the six months ended September 30, 2008 and 2007. The following table shows the details of stock acquisition rights issued during the six months ended September 30, 2008.

Date of issuance	Total number of stock acquisition rights issued	Total number of holders	Exercise period	Exercise price	Fair value of the grant date
May 30, 2008	2,830	124	June 1, 2010-May 13, 2018	¥ 416	158 or 169
May 30, 2008	2,081	30	June 1, 2010-May 13, 2018	¥ 416	158 or 169
July 10, 2008	203	43	July 1, 2010-June 24, 2018	¥ 407	127 or 137

26. NET TRADING INCOME (LOSS)

CONSOLIDATED

Net trading income (loss) for the six months ended September 30, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
Six months ended September 30,	**2008**	2007	**2008**
Income (loss) from trading securities	**¥ 1,849**	¥ 2,279	**$ 17,720**
Income (loss) from securities held to hedge trading transactions	**(6,219)**	768	**(59,593)**
Income (loss) from trading-related financial derivatives	**3,340**	4,224	**32,008**
Other, net	**37**	(37)	**361**
Total	**¥ (991)**	¥ 7,234	**$ (9,504)**

27. OTHER BUSINESS INCOME (LOSS), NET

CONSOLIDATED

"Other, net" in other business income (loss), net, for the six months ended September 30, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
Six months ended September 30,	**2008**	2007	**2008**
Incomes (losses) from derivatives for banking purposes, net	**¥ (932)**	¥ 8	**$ (8,935)**
Equity in net income (loss) of affiliates	**(261)**	(6,443)	**(2,501)**
Gain on lease cancellation and other lease income, net	**846**	1,112	**8,114**
Other, net	**1,583**	1,065	**15,176**
Total	**¥ 1,237**	¥ (4,256)	**$ 11,854**

28. NET CREDIT COSTS

CONSOLIDATED

Net credit costs for the six months ended September 30, 2008 and 2007 consisted of the following:

Six months ended September 30,	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Losses on write-off of loans/Losses on sale of loans	¥ 2,945	¥ 98	$ 28,220
Net provision (reversal) of reserve for loan losses:			
Net provision (reversal) of general reserve for loan losses	18,487	(5,432)	177,147
Net provision (reversal) of specific reserve for loan losses	22,177	33,685	212,507
Net provision (reversal) of reserve for loan losses to restructuring countries	(0)	(0)	(5)
Subtotal	40,663	28,251	389,649
Net provision (reversal) of specific reserve for other credit losses	(2,285)	1,020	(21,899)
Other credit costs relating to leasing business	338	1,344	3,239
Total	**¥ 41,661**	¥ 30,715	**$ 399,209**

29. OTHER GAINS (LOSSES), NET

CONSOLIDATED

Other gains (losses), net, for the six months ended September 30, 2008 and 2007 consisted of the following:

Six months ended September 30,	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Net gain (loss) on disposal of premises and equipment	¥ 9,769	¥ 379	$ 93,618
Provision for losses on disposal of premises and equipment	(3,039)	—	(29,121)
Pension-related costs	—	(302)	—
Gain on prescription of debentures	477	299	4,579
Recoveries of written-off claims	994	119	9,526
Gain on sale of subsidiary's stock	8,226	20,368	78,830
Provision of reserve for losses on interest repayments	(2,786)	(1,707)	(26,699)
Other, net	(286)	(215)	(2,741)
Total	**¥ 13,357**	¥ 18,940	**$ 127,992**

30. LEASE TRANSACTIONS

CONSOLIDATED

The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008.

(a) Notes for finance lease transaction under the revised standard as of September 30, 2008 and the former standard as of September 30, 2007 are as follows.

As of September 30, 2008

AS LESSEE

As for finance lease transactions, under which the ownership of the property is not deemed to transfer to the lessee,

(1) Leased assets are mainly tools, equipment and fixtures included in "Premises and equipment," and software included in "Intangible assets."

(2) Depreciation method is described in "(v) Lease Transactions" in "2. Summary of Significant Accounting Policies."

AS LESSOR

(1) Breakdown of leased investment assets

As of September 30,	Millions of yen 2008	Thousands of U.S. dollars 2008
Leasing receivables	¥ 265,603	$ 2,545,066
Estimated residual value	11,229	107,601
Interest equivalent	(32,830)	(314,593)
Leased investment assets	¥ 244,001	$ 2,338,074

(2) Leasing receivables to be received in future for "Lease receivables and leased investment assets"

As of September 30,	Millions of yen 2008	Thousands of U.S. dollars 2008
Due within one year	¥ 96,970	$ 929,192
Due after one year within two years	76,855	736,450
Due after two years within three years	47,909	459,082
Due after three years within four years	27,733	265,748
Due after four years within five years	13,273	127,185
Due after five years	12,336	118,213
Total	¥ 275,079	$ 2,635,870

As of September 30 , 2007

AS LESSEE

Finance lease transactions, under which the ownership of the property is not deemed to transfer to the lessee consisted of the following:

The assumed amounts of acquisition cost, accumulated depreciation and net balance of leased assets as of September 30, 2007 were as follows:

LEASED ASSETS

As of September 30,	Millions of yen 2007
Acquisition cost:	
Equipment	¥ 2,905
Other	140
Total	¥ 3,046
Accumulated depreciation:	
Equipment	¥ 2,014
Other	88
Total	¥ 2,103
Net balance:	
Equipment	¥ 890
Other	52
Total	¥ 942

Lease obligations as of September 30, 2007 consisted of the following:

As of September 30,	Millions of yen 2007
Obligations:	
Due within one year	¥ 667
Due after one year	325
Total	¥ 993

For the six months ended September 30, 2007, total lease payment was ¥418 million, assumed depreciation expense was ¥386 million, and assumed interest expense was ¥19 million.

Assumed depreciation expense is calculated using the straight-line method over the useful life of the respective leased assets with zero residual value. The difference between total lease payments and the assumed acquisition cost of leased assets is charged to assumed interest expense and is allocated to each period using the interest method.

AS LESSOR

Acquisition cost, accumulated depreciation and net balance of leased assets as of September 30, 2007 were as follows:

LEASED ASSETS

As of September 30,	Millions of yen 2007
Acquisition cost:	
Equipment	¥ 451,484
Other	80,513
Total	¥ 531,998
Accumulated depreciation:	
Equipment	¥ 193,189
Other	33,077
Total	¥ 226,267
Net balance:	
Equipment	¥ 258,295
Other	47,435
Total	¥ 305,730

Future lease payment receivables as of September 30, 2007 consisted of the following:

As of September 30,	Millions of yen 2007
Future lease payment receivables:	
Due within one year	¥ 109,349
Due after one year	214,975
Total	¥ 324,325

For the six months ended September 30, 2007, total lease revenue was ¥67,411 million, depreciation expense was ¥55,612 million, and assumed interest income was ¥9,551 million.

Depreciation expense is calculated using the straight-line method over the leasing period. The difference between total lease revenues and acquisition cost of leased assets is credited to assumed interest income and is allocated to each period using the interest method.

(b) Non-cancelable operating lease obligations as lessee and future lease payment receivables as lessor as of September 30, 2008 and 2007 consisted of the following:

AS LESSEE

	Millions of yen		Thousands of U.S. dollars
As of September 30,	**2008**	2007	**2008**
Obligations:			
Due within one year	**¥ 5,561**	¥ 1,375	**$ 53,295**
Due after one year	**5,755**	3,041	**55,152**
Total	**¥ 11,317**	¥ 4,416	**$ 108,447**

AS LESSOR

	Millions of yen		Thousands of U.S. dollars
As of September 30,	**2008**	2007	**2008**
Future lease payment receivables:			
Due within one year	**¥ 2,468**	¥ 8,427	**$ 23,654**
Due after one year	**4,899**	8,802	**46,947**
Total	**¥ 7,367**	¥ 17,230	**$ 70,601**

31. SEGMENT INFORMATION

CONSOLIDATED

(A) BUSINESS SEGMENT INFORMATION

The Group is engaged in banking and other related activities such as trust, securities and other businesses. Business segment information, however, has not been presented as the percentage of the other activities is not material to the banking business.

(B) GEOGRAPHIC SEGMENT INFORMATION

Since the proportion of business that the Group conducts in Japan exceeds 90% of operating income, geographic segment information is not presented.

(C) FOREIGN OPERATING INCOME

Foreign operating income is comprised of income from transactions at overseas branches and consolidated overseas subsidiaries. The composition of the volume of such transactions for the Group did not reach 10% of its operating income, therefore foreign operating income information is not presented.

32. OFF-BALANCE SHEET LENDING-RELATED FINANCIAL INSTRUMENTS

CONSOLIDATED

The Bank and certain of its consolidated subsidiaries issue commitments to extend credit and establish credit lines for overdrafts to meet the financing needs of their customers. The unfunded amounts of these commitments were ¥5,677,927 million (U.S.$54,407,124 thousand) and ¥4,327,480 million as of September 30, 2008 and 2007, respectively, out of which the amounts with original agreement terms of less than one year or which were cancelable were ¥5,387,808 million (U.S.$51,627,146 thousand) and ¥3,925,254 million as of September 30, 2008 and 2007, respectively. Since a large majority of these commitments expire without being drawn upon, the unfunded amounts do not necessarily represent future cash requirements. Many of such agreements include conditions granting the Bank and consolidated subsidiaries the right to reject the drawdown or to reduce the amount on the basis of changes in the financial circumstances of the borrower or other reasonable grounds.

In addition, the Bank obtains collateral when necessary to reduce credit risk related to these commitments.

33. DERIVATIVE FINANCIAL INSTRUMENTS

CONSOLIDATED

(A) INTEREST RATE-RELATED TRANSACTIONS

Interest rate-related transactions as of September 30, 2008 and 2007 were as follows:

	Millions of yen					
	2008			2007		
As of September 30,	Contract/Notional principal	Fair value	Unrealized gain (loss)	Contract/Notional principal	Fair value	Unrealized gain (loss)
Future contracts (listed):	**¥ 160,903**	**¥ (4)**	**¥ (4)**	¥ 17,568	¥ (1)	¥ (1)
Interest rate swaps (over-the-counter):	**11,334,995**	**23,687**	**23,687**	10,446,413	(4,296)	(4,296)
Interest rate swaptions (over-the-counter):	**4,968,768**	**(15,108)**	**(4,804)**	4,897,463	14,723	27,867
Interest rate options (over-the-counter):	**289,428**	**(206)**	**(71)**	362,337	(204)	675
Total		**¥ 8,367**	**¥ 18,805**		¥ 10,220	¥ 24,245

	Thousands of U.S. dollars		
	2008		
As of September 30,	Contract/Notional principal	Fair value	Unrealized gain (loss)
Future contracts (listed):	**$ 1,541,813**	**$ (47)**	**$ (47)**
Interest rate swaps (over-the-counter):	**108,614,365**	**226,979**	**226,979**
Interest rate swaptions (over-the-counter):	**47,611,810**	**(144,774)**	**(46,040)**
Interest rate options (over-the-counter):	**2,773,366**	**(1,980)**	**(690)**
Total		**$ 80,178**	**$ 180,202**

(1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income. Derivatives for which hedge accounting was adopted were excluded from the table above.

(2) Fair Values:
The fair values of listed transactions represent the closing price on the Tokyo Financial Exchange and other exchanges at the consolidated balance sheet date. The fair values of over-the-counter transactions are calculated mainly by using the discounted present value or option pricing models.

The fair value estimates for derivatives as of September 30, 2008 and 2007 are adjusted for credit risk by reducing ¥2,008 million (U.S.$19,242 thousand) and ¥1,383 million, respectively, and also adjusted for liquidity risk by reducing ¥5,025 million (U.S.$48,153 thousand) and ¥3,258 million, respectively, although the amounts of those risks are not reflected in the fair values shown in the tables.

(B) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions as of September 30, 2008 and 2007 were as follows:

	Millions of yen					
	2008			2007		
As of September 30,	Contract/Notional principal	Fair value	Unrealized gain (loss)	Contract/Notional principal	Fair value	Unrealized gain (loss)
Currency swaps (over-the-counter)	¥ 1,377,721	¥ (5,349)	¥ (5,349)	¥ 1,540,338	¥ 20,322	¥ 20,322
Forward foreign exchange contracts (over-the-counter):	4,120,890	19,587	19,587	2,650,192	8,440	8,440
Currency options (over-the-counter):	19,379,960	24,253	31,894	11,220,960	(3,948)	12,014
Total		**¥ 38,491**	**¥ 46,132**		¥ 24,814	¥ 40,778

	Thousands of U.S. dollars		
	2008		
As of September 30,	Contract/Notional principal	Fair value	Unrealized gain (loss)
Currency swaps (over-the-counter)	$ 13,201,626	$ (51,261)	$ (51,261)
Forward foreign exchange contracts (over-the-counter):	39,487,264	187,695	187,695
Currency options (over-the-counter):	185,702,958	232,401	305,617
Total		**$ 368,835**	**$ 442,051**

(1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income. Fund swap transactions and currency swap transactions for which hedge accounting was adopted in accordance with Industry Audit Committee Report No.25 of the JICPA were excluded from the table above.

(2) Fair Values:
The fair values are calculated mainly by using the discounted present values or option pricing models.

(C) EQUITY-RELATED TRANSACTIONS

Equity-related transactions as of September 30, 2008 and 2007 were as follows:

	Millions of yen					
	2008			2007		
As of September 30,	Contract/Notional principal	Fair value	Unrealized gain (loss)	Contract/Notional principal	Fair value	Unrealized gain (loss)
Equity index futures (listed):	¥ 10,294	¥ (478)	¥ (478)	¥ 45,948	¥ 1,808	¥ 1,808
Equity index options (listed):	22,400	1,084	(368)	1,939	44	(5)
Equity options (over-the-counter):	503,221	2,944	(1,064)	552,075	(165)	2,903
Equity index swaps (over-the-counter):	1,000	116	116	1,000	65	65
Other (over-the-counter):	194,433	19,980	19,957	178,783	5,143	5,120
Total		¥ 23,648	¥ 18,163		¥ 6,897	¥ 9,893

	Thousands of U.S. dollars		
	2008		
As of September 30,	Contract/Notional principal	Fair value	Unrealized gain (loss)
Equity index futures (listed):	$ 98,644	$ (4,585)	$ (4,585)
Equity index options (listed):	214,642	10,395	(3,529)
Equity options (over-the-counter):	4,821,977	28,218	(10,198)
Equity index swaps (over-the-counter):	9,582	1,118	1,118
Other (over-the-counter):	1,863,107	191,455	191,239
Total		$ 226,601	$ 174,045

(1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income. Derivatives for which hedge accounting was adopted were excluded from the table above.

(2) Fair Values:
The fair values of listed transactions represent the closing price on the Tokyo Stock Exchange and other exchanges at the consolidated balance sheet date. The fair values of over-the-counter transactions are calculated mainly by using the discounted present values or option pricing models.

(D) BOND-RELATED TRANSACTIONS

Bond-related transactions as of September 30, 2008 and 2007 were as follows:

	Millions of yen					
	2008			2007		
As of September 30,	Contract/Notional principal	Fair value	Unrealized gain (loss)	Contract/Notional principal	Fair value	Unrealized gain (loss)
Bond futures (listed):	¥ 22,689	¥ 77	¥ 77	¥ 15,941	¥ 25	¥ 25

	Thousands of U.S. dollars		
	2008		
As of September 30,	Contract/Notional principal	Fair value	Unrealized gain (loss)
Bond futures (listed):	$ 217,420	$ 742	$ 742

(1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income. Derivatives for which hedge accounting was adopted were excluded from the table above.

(2) Fair Values:
The fair values of listed transactions represent the closing price on the Tokyo Stock Exchange and other exchanges at the consolidated balance sheet date.

(E) CREDIT DERIVATIVES TRANSACTIONS

Credit derivatives transactions as of September 30, 2008 and 2007 were as follows:

	Millions of yen					
	2008			2007		
As of September 30,	Contract/Notional principal	Fair value	Unrealized gain (loss)	Contract/Notional principal	Fair value	Unrealized gain (loss)
Credit default option (over-the-counter):	**¥ 3,261,836**	**¥ 10,957**	**¥ 10,957**	¥ 2,618,860	¥ 41,638	¥ 985

	Thousands of U.S. dollars		
	2008		
As of September 30,	Contract/Notional principal	Fair value	Unrealized gain (loss)
Credit default option (over-the-counter):	**$ 31,255,620**	**$ 105,001**	**$ 105,001**

(1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income. Derivatives for which hedge accounting was adopted were excluded from the table above.

(2) Fair Values:
The fair values are calculated by using the discounted present values or other models.

34. NET INCOME PER COMMON SHARE

CONSOLIDATED

Diluted net income per share for the six months ended September 30, 2008 is not disclosed because of the Group's net loss position.

A reconciliation of the differences between basic and diluted net income per common share ("EPS") for the six months ended September 30, 2007 is as follows:

	Net income (Millions of yen)	Weighted average shares (Thousands)	EPS (Yen)
For the six months ended September 30, 2007:			
Basic EPS			
Net income available to common shareholders	**¥ 22,701**	**1,443,810**	**¥ 15.72**
Effect of dilutive securities			
Preferred stock	**484**	**377,972**	
Diluted EPS			
Net income for computation	**¥ 23,186**	**1,821,783**	**¥ 12.72**

INTERIM NON-CONSOLIDATED BALANCE SHEETS (UNAUDITED)

Shinsei Bank, Limited

As of September 30, 2008 and 2007, and March 31, 2008

	Millions of yen			Thousands of U.S. dollars (Note)
	Sept. 30, 2008	Sept. 30, 2007	Mar. 31, 2008	**Sept. 30, 2008**
ASSETS				
Cash and due from banks	**¥ 94,918**	¥ 238,023	¥ 272,940	**$ 909,533**
Call loans	**199,000**	736,100	—	**1,906,861**
Receivables under resale agreements	**—**	—	2,014	**—**
Collateral related to securities borrowing transactions	**16,986**	73,466	13,850	**162,768**
Other monetary claims purchased	**559,155**	171,131	161,344	**5,357,945**
Trading assets	**240,326**	207,349	275,136	**2,302,862**
Monetary assets held in trust	**621,336**	603,549	606,018	**5,953,781**
Securities	**2,426,111**	2,590,905	2,300,303	**23,247,524**
Valuation allowance for investments	**(3,370)**	—	(3,370)	**(32,299)**
Loans and bills discounted	**5,660,152**	5,335,172	5,356,363	**54,236,803**
Foreign exchanges	**22,449**	26,798	17,852	**215,112**
Other assets	**514,072**	437,712	577,856	**4,925,953**
Premises and equipment	**19,707**	21,026	20,895	**188,841**
Intangible assets	**14,165**	14,151	14,560	**135,740**
Deferred issuance expenses for debentures	**153**	111	125	**1,470**
Deferred tax assets	**18,168**	30,984	14,697	**174,097**
Customers' liabilities for acceptances and guarantees	**11,321**	19,411	11,746	**108,482**
Reserve for credit losses	**(83,225)**	(100,555)	(93,662)	**(797,487)**
Total assets	**¥ 10,331,429**	¥ 10,405,340	¥ 9,548,673	**$ 98,997,986**
LIABILITIES AND EQUITY				
Liabilities:				
Deposits, including negotiable certificates of deposit	**¥ 6,509,444**	¥ 5,912,142	¥ 5,865,130	**$ 62,374,896**
Debentures	**748,962**	687,898	663,134	**7,176,723**
Call money	**480,870**	1,377,475	632,117	**4,607,808**
Collateral related to securities lending transactions	**485,292**	287,643	148,421	**4,650,181**
Trading liabilities	**181,926**	99,590	203,716	**1,743,260**
Borrowed money	**317,537**	293,275	304,078	**3,042,715**
Foreign exchanges	**257**	289	269	**2,465**
Corporate bonds	**513,351**	566,501	519,902	**4,919,045**
Other liabilities	**406,012**	510,306	450,643	**3,890,504**
Accrued employees' bonuses	**2,913**	5,817	10,341	**27,917**
Reserve for retirement benefits	**1,059**	465	1,554	**10,149**
Reserve for losses on disposal of premises and equipment	**7,190**	—	4,913	**68,896**
Acceptances and guarantees	**11,321**	19,411	11,746	**108,482**
Total liabilities	**9,666,140**	9,760,817	8,815,970	**92,623,041**
Equity:				
Capital stock:				
Common stock	**476,296**	402,853	476,296	**4,563,980**
Preferred stock	**—**	48,443	—	**—**
Capital surplus	**43,558**	18,558	43,558	**417,385**
Stock acquisition rights	**1,507**	877	1,257	**14,450**
Retained earnings:				
Legal reserve	**11,035**	9,784	9,880	**105,747**
Unappropriated retained earnings	**264,091**	252,616	307,395	**2,530,582**
Unrealized gain (loss) on available-for-sale securities	**(58,471)**	(4,405)	(35,024)	**(560,290)**
Deferred gain (loss) on derivatives under hedge accounting	**(171)**	(11,647)	1,896	**(1,639)**
Treasury stock, at cost	**(72,558)**	(72,556)	(72,557)	**(695,270)**
Total equity	**665,289**	644,523	732,703	**6,374,945**
Total liabilities and equity	**¥ 10,331,429**	¥ 10,405,340	¥ 9,548,673	**$ 98,997,986**

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥104.36=U.S.$1.00, the rate of exchange prevailing on the Tokyo Foreign Exchange Market on September 30, 2008.

INTERIM NON-CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

Shinsei Bank, Limited

For the six months ended September 30, 2008 and 2007, and the fiscal year ended March 31, 2008

	Millions of yen			Thousands of U.S. dollars (Note)
	Sept. 30, 2008 (6 months)	Sept. 30, 2007 (6 months)	Mar. 31, 2008 (1 year)	**Sept. 30, 2008 (6 months)**
Interest income:				
Interest on loans and bills discounted	**¥ 57,697**	¥ 53,432	¥ 111,601	**$ 552,870**
Interest and dividends on securities	**22,958**	27,641	76,969	**219,997**
Interest on deposits with banks	**1,262**	2,987	4,695	**12,100**
Other interest income	**3,260**	3,157	6,536	**31,246**
Total interest income	**85,179**	87,218	199,803	**816,213**
Interest expenses:				
Interest on deposits, including negotiable certificates of deposit	**25,233**	22,949	48,019	**241,791**
Interest and discounts on debentures	**2,232**	1,570	3,398	**21,392**
Interest on other borrowings	**6,222**	9,925	18,718	**59,625**
Interest on corporate bonds	**12,055**	13,382	24,564	**115,522**
Other interest expenses	**5,924**	4,669	6,293	**56,769**
Total interest expenses	**51,668**	52,498	100,993	**495,099**
Net interest income	**33,511**	34,719	98,809	**321,114**
Fees and commissions income	**11,807**	15,158	27,459	**113,140**
Fees and commissions expenses	**6,147**	7,440	15,960	**58,911**
Net fees and commissions	**5,659**	7,718	11,498	**54,229**
Net trading income (loss)	**(3,343)**	4,901	6,990	**(32,034)**
Other business income (loss), net:				
Income on monetary assets held in trust, net	**7,595**	21,614	37,339	**72,785**
Net gain (loss) on foreign exchanges	**2,975**	4,581	(727)	**28,508**
Net gain (loss) on securities	**(20,033)**	(1,988)	(13,822)	**(191,961)**
Net gain on other monetary claims purchased	**70**	219	223	**675**
Other, net	**(118)**	198	956	**(1,137)**
Net other business income (loss)	**(9,510)**	24,624	23,969	**(91,131)**
Total revenue	**26,317**	71,964	141,268	**252,178**
General and administrative expenses:				
Personnel expenses	**15,022**	17,549	34,023	**143,946**
Premises expenses	**5,398**	5,855	11,708	**51,734**
Technology and data processing expenses	**5,586**	5,203	10,669	**53,532**
Advertising expenses	**860**	1,296	3,120	**8,244**
Consumption and property taxes	**1,739**	2,074	4,274	**16,664**
Deposit insurance premium	**1,944**	1,715	3,431	**18,634**
Other general and administrative expenses	**9,208**	8,855	18,452	**88,239**
Total general and administrative expenses	**39,760**	42,550	85,681	**380,992**
Net business profit (loss)	**(13,443)**	29,414	55,586	**(128,814)**
Net credit costs (recoveries)	**22,916**	5,998	20,552	**219,587**
Other gains (losses), net	**(2,696)**	(26,532)	23,282	**(25,843)**
Income (loss) before income taxes	**(39,056)**	(3,116)	58,317	**(374,244)**
Income taxes (benefit):				
Current	**(3,574)**	(7,722)	(7,666)	**(34,255)**
Deferred	**894**	6,762	12,780	**8,567**
Net income (loss)	**¥ (36,375)**	¥ (2,156)	¥ 53,203	**$ (348,556)**

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥104.36=U.S.$1.00, the rate of exchange prevailing on the Tokyo Foreign Exchange Market on September 30, 2008.

INTERIM NON-CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

Shinsei Bank, Limited

For the six months ended September 30, 2008 and 2007, and the fiscal year ended March 31, 2008

	Millions of yen			Thousands of U.S. dollars (Note)
	Sept. 30, 2008 (6 months)	Sept. 30, 2007 (6 months)	Mar. 31, 2008 (1 year)	**Sept. 30, 2008 (6 months)**
Common stock:				
Balance at beginning of period	**¥ 476,296**	¥ 291,853	¥ 291,853	**$ 4,563,980**
Issuance of new shares of common stock	**—**	—	25,000	**—**
Conversion from preferred stock	**—**	111,000	159,443	**—**
Balance at end of period	**476,296**	402,853	476,296	**4,563,980**
Preferred stock:				
Balance at beginning of period	**—**	159,443	159,443	**—**
Conversion into common stock	**—**	(111,000)	(159,443)	**—**
Balance at end of period	**—**	48,443	—	**—**
Capital surplus:				
Balance at beginning of period	**43,558**	18,558	18,558	**417,385**
Issuance of new shares of common stock	**—**	—	25,000	**—**
Balance at end of period	**43,558**	18,558	43,558	**417,385**
Stock acquisition rights:				
Balance at beginning of period	**1,257**	517	517	**12,053**
Net change during the period	**250**	359	740	**2,397**
Balance at end of period	**1,507**	877	1,257	**14,450**
Retained earnings:				
Legal reserve:				
Balance at beginning of period	**9,880**	9,266	9,266	**94,682**
Transfer from unappropriated retained earnings	**1,154**	517	614	**11,065**
Balance at end of period	**11,035**	9,784	9,880	**105,747**
Unappropriated retained earnings:				
Balance at beginning of period	**307,395**	257,878	257,878	**2,945,530**
Appropriation:				
Transfer to legal reserve	**(1,154)**	(517)	(614)	**(11,065)**
Dividends paid	**(5,773)**	(2,587)	(3,072)	**(55,327)**
Net income (loss)	**(36,375)**	(2,156)	53,203	**(348,556)**
Balance at end of period	**264,091**	252,616	307,395	**2,530,582**
Unrealized gain (loss) on available-for-sale securities:				
Balance at beginning of period	**(35,024)**	4,181	4,181	**(335,615)**
Net change during the period	**(23,447)**	(8,587)	(39,206)	**(224,675)**
Balance at end of period	**(58,471)**	(4,405)	(35,024)	**(560,290)**
Deferred gain (loss) on derivatives under hedge accounting:				
Balance at beginning of period	**1,896**	(10,275)	(10,275)	**18,169**
Net change during the period	**(2,067)**	(1,371)	12,172	**(19,808)**
Balance at end of period	**(171)**	(11,647)	1,896	**(1,639)**
Treasury stock, at cost:				
Balance at beginning of period	**(72,557)**	(72,555)	(72,555)	**(695,264)**
Purchase of treasury stock	**(0)**	(0)	(1)	**(6)**
Balance at end of period	**(72,558)**	(72,556)	(72,557)	**(695,270)**
Total equity	**¥ 665,289**	¥ 644,523	¥ 732,703	**$ 6,374,945**

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥104.36=U.S.$1.00, the rate of exchange prevailing on the Tokyo Foreign Exchange Market on September 30, 2008.

BASEL II PILLAR III (MARKET DISCIPLINE) DISCLOSURE

This section describes the information consistent with the Japanese FSA Notification Number 15, based on Article 19.2.1.5.d of the Bank Law Enforcement Rule (Refer to Ministry of Finance Ordinance Number 10), herein referred to as Basel II Pillar III, issued on March 23, 2007. The Accord in this section refers to the Japanese FSA Notification Number 19, herein referred to as Basel II Pillar I, issued on March 27, 2006.

QUANTITATIVE DISCLOSURE

1. NAMES OF UNCONSOLIDATED SUBSIDIARIES WITH LOWER LEVEL OF CAPITAL THAN REQUIRED LEVEL OF ADEQUACY CAPITAL AND AMOUNT OF SHORTAGE

Most of the 105 unconsolidated subsidiaries are special purpose companies (SPCs) or Limited Partnerships (LPs) for leverage leasing. As the economic risk associated with leveraged leasing has been hedged in these subsidiaries, the amount of invested equity is equal to applicable loss limits.

2. CAPITAL STRUCTURE

Please see "Management's Discussion and Analysis of Financial Condition and Results of Operations"-"Capital Ratios" on page 41 for capital calculation details. The Bank was not required to deduct any excess deferred tax assets which banks are prohibited from including in their Tier I capital. The Bank has no Tier III capital.

3. CAPITAL ADEQUACY

AMOUNT OF REQUIRED CAPITAL FOR CREDIT RISK
(EXCLUDING EQUITIES EXPOSURE AND REGARDED-METHOD EXPOSURE)

(1) Portfolios under the Standardized Approach (SA)

	Millions of yen			
	As of September 30, 2008		As of March 31, 2008	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
Shinsei Home Loans	**32,173**	**32,173**	28,172	28,172
Subsidiaries of APLUS	**6,882**	**—**	6,617	—
Subsidiaries of Showa Leasing	**3,094**	**—**	6,665	—
Shinki Group	**8,169**	**—**	9,292	—
GECF Group	**52,431**	**—**		
Other subsidiaries	**8,546**	**—**	10,239	—

(2) Portfolios under the Internal Ratings-Based Approach (IRB)

	Millions of yen			
	As of September 30, 2008		As of March 31, 2008	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
Corporate (Excluding Specialized Lending) *	**198,326**	**192,171**	202,587	182,306
Specialized Lending	**126,586**	**124,986**	127,479	125,274
Sovereign	**9,124**	**9,106**	11,007	10,972
Bank	**61,088**	**58,727**	61,791	57,462
Residential mortgages	**1,894**	**—**	1,798	—
Qualified revolving retails	**63,202**	**—**	61,712	—
Other retails	**144,563**	**—**	146,652	—
Equity	**30,771**	**146,227**	32,012	115,904
Regarded (Fund)	**49,383**	**39,597**	76,290	70,294
Securitization	**99,929**	**95,766**	117,241	104,324
(Unrated securitization exposure)	**(57,933)**	**(57,348)**	(77,011)	(77,115)
Purchase receivables	**153,358**	**153,358**	120,992	120,992
Other assets	**9,263**	**4,741**	8,605	4,568
Total	**947,492**	**824,684**	968,171	792,102

* "Corporate" includes "Small and Medium-sized Entities"

QUANTITATIVE DISCLOSURE (CONTINUED)

AMOUNT OF REQUIRED CAPITAL FOR EQUITY EXPOSURE UNDER IRB

Millions of yen

	As of September 30, 2008		As of March 31, 2008	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
Market-Based Approach				
Simplified Method	**17,719**	**34,834**	22,993	40,997
PD/LGD Method	**11,941**	**103,313**	7,411	66,815
Grandfathering Rule	**1,110**	**8,078**	1,607	8,090
Total	**30,771**	**146,227**	32,012	115,904

AMOUNT OF REQUIRED CAPITAL FOR REGARDED-METHOD EXPOSURE UNDER IRB

Millions of yen

	As of September 30, 2008		As of March 31, 2008	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
Look Through	**7,534**	**7,534**	3,323	3,323
Revised Naivete Majority	**31,633**	**21,941**	45,374	36,992
Simplified [400%]	**5,448**	**7,420**	7,074	7,074
Simplified [1,250%]	**4,767**	**2,700**	20,517	22,904
Regarded-Method exposure	**49,383**	**39,597**	76,290	70,294

AMOUNT OF REQUIRED CAPITAL FOR MARKET RISK

Millions of yen

	As of September 30, 2008		As of March 31, 2008	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
The Standardized Approach				
(Specific Risk)	**17,319**	**17,323**	12,469	13,818
Interest rate risk	**9,501**	**8,613**	11,192	10,411
Equity position risk	**9**	**—**	15	—
FX risk	**7,808**	**8,710**	1,261	3,406
The Standardized Approach				
(General Market Risk)	**—**	**—**	—	—
The Internal Models Approach				
(IMA) (General Market Risk)	**12,226**	**10,680**	7,641	6,344

AMOUNT OF REQUIRED CAPITAL FOR OPERATIONAL RISK

Millions of yen

	As of September 30, 2008		As of March 31, 2008	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
The Standardized Approach	**36,548**	**18,853**	37,078	20,324

TOTAL CAPITAL ADEQUACY RATIO AND TIER I CAPITAL RATIO

	As of September 30, 2008		As of March 31, 2008	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Total capital adequacy ratio	**10.48%**	**13.70%**	11.74%	15.25%
Tier I capital ratio	**6.41%**	**9.44%**	7.37%	10.71%

TOTAL REQUIRED CAPITAL (DOMESTIC CRITERIA)

Millions of yen

	As of September 30, 2008		As of March 31, 2008	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Total required capital	**703,878**	**444,990**	683,698	432,226
Total risk assets x 4%	**382,357**	**332,339**	368,502	315,739

4. CREDIT RISK EXPOSURE (EXCLUDING SECURITIZATION AND REGARDED EXPOSURE)

AMOUNT OF CREDIT RISK EXPOSURE

Geographic, Industries or Maturity (Consolidated)

Millions of yen

	As of September 30, 2008				As of March 31, 2008			
	Total	Amount of Credit Risk Exposure			Total	Amount of Credit Risk Exposure		
		Loans,etc.(*1)	Securities(*2)	Derivatives(*3)		Loans,etc.(*1)	Securities(*2)	Derivatives(*3)
Manufacturing	**403,428**	**400,419**	**0**	**3,008**	375,517	371,554	0	3,963
Agriculture	**3,464**	**3,464**	**—**	**—**	4,085	4,085	—	—
Mining	**6,390**	**6,390**	**—**	**—**	6,787	6,787	—	—
Construction	**46,437**	**46,388**	**36**	**12**	61,801	56,818	4,955	28
Electric power, gas, water supply	**92,115**	**84,086**	**7,987**	**41**	100,672	92,612	7,999	60
Information and communication	**70,835**	**70,826**	**—**	**8**	80,423	80,412	—	10
Transportation	**313,661**	**287,341**	**6,480**	**19,839**	312,856	282,138	8,638	22,078
Wholesale and retail	**219,770**	**219,460**	**—**	**310**	236,318	235,904	—	413
Finance and insurance	**1,374,014**	**1,155,584**	**113,848**	**104,581**	1,547,269	1,251,736	184,343	111,190
Real estate	**1,655,590**	**1,354,390**	**299,305**	**1,894**	1,601,954	1,349,842	248,576	3,534
Services	**695,194**	**589,419**	**92,871**	**12,904**	724,162	620,395	90,621	13,145
Government	**1,068,413**	**266,675**	**798,971**	**2,766**	754,894	104,561	648,167	2,166
Individuals	**3,354,434**	**3,354,142**	**—**	**291**	2,473,429	2,471,705	—	1,724
Others	**1,805**	**1,505**	**300**	**—**	14,206	14,204	—	2
Domestic Total	**9,305,557**	**7,840,096**	**1,319,800**	**145,660**	8,294,380	6,942,760	1,193,301	158,318
Foreign	**1,729,847**	**547,880**	**257,522**	**924,444**	1,754,925	477,994	306,127	970,803
Consolidated Total	**11,035,404**	**8,387,976**	**1,577,323**	**1,070,104**	10,049,306	7,420,754	1,499,428	1,129,122
To one year	**3,193,486**	**2,320,609**	**679,294**	**193,582**	2,571,815	1,832,592	464,436	274,785
One to three years	**3,325,030**	**2,325,770**	**571,818**	**427,441**	3,323,753	2,381,884	512,659	429,210
Three to five years	**1,497,632**	**1,096,740**	**159,139**	**241,752**	1,897,434	1,324,355	320,658	252,421
Over five years	**1,970,086**	**1,597,620**	**165,138**	**207,327**	2,032,359	1,659,599	200,054	172,705
Undated	**1,049,168**	**1,047,235**	**1,932**	**—**	223,944	222,323	1,620	—
Consolidated Total	**11,035,404**	**8,387,976**	**1,577,323**	**1,070,104**	10,049,306	7,420,754	1,499,428	1,129,122

Geographic, Industries or Maturity (Non-consolidated)

Millions of yen

	As of September 30, 2008				As of March 31, 2008			
	Total	Amount of Credit Risk Exposure			Total	Amount of Credit Risk Exposure		
		Loans,etc.(*1)	Securities(*2)	Derivatives(*3)		Loans,etc.(*1)	Securities(*2)	Derivatives(*3)
Manufacturing	**295,034**	**292,025**	**0**	**3,008**	260,245	256,282	0	3,963
Agriculture	**2,800**	**2,800**	**—**	**—**	2,900	2,900	—	—
Mining	**5,638**	**5,638**	**—**	**—**	5,850	5,850	—	—
Construction	**25,709**	**25,697**	**—**	**12**	36,080	31,133	4,918	28
Electric power, gas, water supply	**91,202**	**83,172**	**7,987**	**41**	99,723	91,664	7,999	60
Information and communication	**47,339**	**47,331**	**—**	**8**	53,349	53,338	—	10
Transportation	**291,536**	**265,217**	**6,479**	**19,839**	291,213	260,519	8,615	22,078
Wholesale and retail	**132,090**	**131,779**	**—**	**310**	137,857	137,443	—	413
Finance and insurance	**1,655,022**	**1,418,042**	**113,853**	**123,126**	1,706,273	1,405,477	184,343	116,452
Real estate	**1,602,218**	**1,301,018**	**299,305**	**1,894**	1,546,313	1,294,201	248,576	3,534
Services	**520,747**	**415,042**	**92,700**	**13,004**	533,937	430,148	90,473	13,315
Government	**1,060,360**	**258,657**	**798,936**	**2,766**	747,275	96,976	648,132	2,166
Individuals	**940,756**	**940,464**	**—**	**291**	844,739	843,014	—	1,724
Others	**—**	**—**	**—**	**—**	2	—	—	2
Domestic Total	**6,670,458**	**5,186,889**	**1,319,263**	**164,305**	6,265,761	4,908,950	1,193,058	163,752
Foreign	**1,768,605**	**539,248**	**304,517**	**924,839**	1,773,194	482,028	318,545	972,620
Bank Total	**8,439,063**	**5,726,138**	**1,623,780**	**1,089,144**	8,038,955	5,390,979	1,511,603	1,136,372
To one year	**3,139,230**	**2,265,492**	**679,259**	**194,478**	2,541,840	1,800,419	464,401	277,020
One to three years	**2,593,361**	**1,592,525**	**571,818**	**429,018**	2,631,532	1,689,794	512,659	429,078
Three to five years	**1,055,340**	**621,163**	**185,265**	**248,911**	1,367,169	779,228	333,076	254,865
Over five years	**1,600,679**	**1,197,935**	**186,007**	**216,736**	1,487,562	1,112,307	199,846	175,408
Undated	**50,451**	**49,022**	**1,429**	**—**	10,851	9,230	1,620	—
Bank Total	**8,439,063**	**5,726,138**	**1,623,780**	**1,089,144**	8,038,955	5,390,979	1,511,603	1,136,372

Notes: (*1) Including total exposure, operating assets and securitized original assets originated from these exposures, excluding purchased receivables
(*2) Excluding equity exposures
(*3) Credit equivalent amount basis

QUANTITATIVE DISCLOSURE (CONTINUED)

AMOUNT OF DEFAULT EXPOSURE BEFORE PARTIAL WRITE-OFF

Geographic, Industries

Millions of yen

	As of September 30, 2008		As of March 31, 2008	
	Default Exposure		Default Exposure	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Manufacturing	**3,151**	**1,860**	4,127	3,356
Agriculture	**0**	**—**	488	—
Mining	**26**	**—**	37	—
Construction	**6,946**	**6,262**	6,261	5,819
Electric power, gas, water supply	**1**	**—**	1	—
Information and communication	**932**	**600**	502	—
Transportation	**7,087**	**6,633**	8,007	7,608
Wholesale and retail	**2,175**	**592**	5,389	3,797
Finance and insurance	**58,673**	**57,039**	33,402	31,067
Real estate	**19,514**	**5,252**	7,942	2,910
Services	**10,404**	**1,381**	7,750	190
Government	**—**	**—**	—	—
Individuals	**208,245**	**4,938**	135,539	1,385
Others	**613**	**—**	702	0
Domestic Total	**317,774**	**84,559**	210,154	56,137
Foreign	**42,183**	**45,731**	51,823	51,823
Total	**359,958**	**130,291**	261,978	107,960

AMOUNTS OF LOAN LOSS RESERVES (GENERAL, SPECIFIC AND COUNTRY RISK) BEFORE PARTIAL WRITE-OFF

Consolidated

Millions of yen

	As of September 30, 2008			As of March 31, 2008			As of September 30, 2007		
	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount
General	**96,650**	**(6,215)**	**90,434**	101,268	(4,618)	96,650	101,268	(18,097)	83,171
Specific	**145,679**	**61,273**	**206,952**	85,756	59,923	145,679	85,756	39,592	125,348
Country	**15**	**(0)**	**14**	9	6	15	9	(0)	8
Total	**242,345**	**55,056**	**297,402**	187,033	55,311	242,345	187,033	21,495	208,529

Non-consolidated

Millions of yen

	As of September 30, 2008			As of March 31, 2008			As of September 30, 2007		
	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount
General	**57,903**	**(6,717)**	**51,186**	65,434	(7,531)	57,903	65,434	(17,431)	48,002
Specific	**70,305**	**20,161**	**90,467**	47,912	22,393	70,305	47,912	20,459	68,372
Country	**15**	**(0)**	**14**	9	6	15	9	(0)	8
Total	**128,224**	**13,444**	**141,668**	113,356	14,867	128,224	113,356	3,027	116,384

Geographic (Consolidated)

Millions of yen

	As of September 30, 2008				As of March 31, 2008				As of September 30, 2007			
	Total	Reserve Amount			Total	Reserve Amount			Total	Reserve Amount		
		General	Specific	Country		General	Specific	Country		General	Specific	Country
Domestic	**260,190**	**75,548**	**184,641**	**—**	204,215	77,567	126,648	—	182,638	70,503	112,135	—
Foreign	**37,212**	**14,886**	**22,310**	**14**	38,129	19,083	19,031	15	25,890	12,667	13,213	8
Total	**297,402**	**90,434**	**206,952**	**14**	242,345	96,650	145,679	15	208,529	83,171	125,348	8

QUANTITATIVE DISCLOSURE (CONTINUED)

Geographic (Non-consolidated)

Millions of yen

	As of September 30, 2008				As of March 31, 2008				As of September 30, 2007			
	Total	Reserve Amount			Total	Reserve Amount			Total	Reserve Amount		
		General	Specific	Country		General	Specific	Country		General	Specific	Country
Domestic	**104,590**	**36,567**	**68,023**	**—**	89,420	38,146	51,274	—	89,551	34,392	55,158	—
Foreign	**37,077**	**14,619**	**22,443**	**14**	38,803	19,756	19,031	15	26,832	13,610	13,213	8
Total	**141,668**	**51,186**	**90,467**	**14**	128,224	57,903	70,305	15	116,384	48,002	68,372	8

Industries

Millions of yen

	As of September 30, 2008		As of March 31, 2008		As of September 30, 2007	
	Reserve Amount		Reserve Amount		Reserve Amount	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Manufacturing	**6,144**	**2,795**	4,357	3,811	3,438	3,063
Agriculture	**26**	**18**	18	18	5	4
Mining	**101**	**26**	21	19	34	23
Construction	**3,886**	**2,771**	2,527	2,276	1,873	1,795
Electric power, gas, water supply	**245**	**234**	249	247	285	285
Information and communication	**1,452**	**310**	490	305	466	440
Transportation	**7,231**	**6,643**	8,059	7,947	8,704	8,638
Wholesale and retail	**4,451**	**1,086**	2,473	1,812	1,630	1,278
Finance and insurance	**24,606**	**28,332**	7,126	10,887	7,926	9,208
Real estate	**19,727**	**16,803**	16,904	15,991	15,683	15,228
Services	**26,370**	**17,161**	20,172	16,472	14,020	13,154
Government	**92**	**—**	—	—	—	—
Individuals	**141,090**	**4,557**	108,169	3,497	90,850	2,881
Others	**23,905**	**23,849**	26,136	26,132	34,672	33,548
Foreign	**37,212**	**37,077**	38,129	38,803	25,890	26,832
Non-classified	**855**	**—**	7,507	—	3,045	—
Total	**297,402**	**141,668**	242,345	128,224	208,529	116,384

AMOUNT OF WRITE-OFFS

Industries

Millions of yen

	Six months ended September 30, 2008		Fiscal year ended March 31, 2008		Six months ended September 30, 2007	
	Amount of write-off		Amount of write-off		Amount of write-off	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Manufacturing	**84**	**—**	21	—	1	—
Agriculture	**—**	**—**	—	—	—	—
Mining	**—**	**—**	—	—	—	—
Construction	**8**	**0**	35	—	5	—
Electric power, gas, water supply	**—**	**—**	—	—	—	—
Information and communication	**—**	**—**	22	—	—	—
Transportation	**7**	**—**	14	—	—	—
Wholesale and retail	**14**	**—**	113	55	1	—
Finance and insurance	**725**	**725**	—	—	—	—
Real estate	**18**	**18**	0	0	7	7
Services	**197**	**146**	94	—	82	—
Government	**—**	**—**	—	—	—	—
Individuals	**60,006**	**24**	24,979	0	0	0
Others	**—**	**—**	0	—	—	—
Foreign	**2,703**	**2,703**	—	—	—	—
Non-classified	**—**	**—**	—	—	0	—
Total	**63,766**	**3,618**	25,281	56	98	7

AMOUNT OF EXPOSURES UNDER SA (AFTER CREDIT RISK MITIGATION)

Millions of yen

	As of September 30, 2008				As of March 31, 2008			
	Consolidated		Non-consolidated		Consolidated		Non-consolidated	
	Rated	Unrated	Rated	Unrated	Rated	Unrated	Rated	Unrated
0%	**82**	**12,533**	**—**	**—**	79	3,490	—	—
10%	**—**	**903**	**—**	**—**	—	—	—	—
20%	**88,636**	**13**	**—**	**—**	74,621	78	—	—
35%	**—**	**768,027**	**—**	**699,765**	—	609,871	—	609,871
50%	**6,387**	**24,394**	**—**	**191**	235	5,626	—	140
75%	**—**	**1,106,584**	**—**	**208,168**	—	394,070	—	183,528
100%	**287**	**174,181**	**—**	**964**	2,470	213,477	—	989
150%	**15**	**56,520**	**—**	**40**	—	13,022	—	—
350%	**—**	**—**	**—**	**—**	—	—	—	—
Capital Deduction	**—**	**—**	**—**	**—**	—	—	—	—
Total	**95,408**	**2,143,158**	**—**	**909,130**	77,406	1,239,637	—	794,529

SPECIALIZED LENDING EXPOSURE UNDER SLOTTING CRITERIA AND EQUITY EXPOSURE UNDER MARKET-BASED SIMPLIFIED METHOD

(1) Specialized lending excluding high-volatility commercial real estate

Millions of yen

	As of September 30, 2008		As of March 31, 2008	
Risk weight ratio	Amount of Exposure		Amount of Exposure	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
50%	**159,753**	**159,753**	157,370	157,370
70%	**339,276**	**338,314**	345,552	345,552
90%	**63,367**	**63,367**	54,549	54,549
115%	**200,332**	**198,329**	134,691	134,691
250%	**58,905**	**54,496**	38,521	30,971
0% (Default)	**—**	**—**	—	—
Total	**821,634**	**814,261**	730,685	723,135

(2) Specialized lending for high-volatility commercial real estate

Millions of yen

	As of September 30, 2008		As of March 31, 2008	
Risk weight ratio	Amount of Exposure		Amount of Exposure	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
70%	**72,902**	**72,902**	13,506	13,506
95%	**98,892**	**98,892**	100,682	100,682
120%	**8,214**	**8,214**	11,824	11,824
140%	**145,762**	**145,762**	227,566	227,566
250%	**47,824**	**47,824**	68,437	68,437
0% (Default)	**2,851**	**2,851**	4,331	4,331
Total	**376,448**	**376,448**	426,349	426,349

(3) Equity exposure under Market-Based Simplified Method

Millions of yen

	As of September 30, 2008		As of March 31, 2008	
	Amount Consolidated	Amount Non-consolidated	Amount Consolidated	Amount Non-consolidated
300%	**8,246**	**8,111**	7,941	7,787
400%	**46,053**	**96,613**	61,832	115,025
Total	**54,299**	**104,725**	69,773	122,812

PORTFOLIOS UNDER IRB EXCLUDING THE AMOUNT OF EXPOSURES UNDER SA (AFTER CREDIT RISK MITIGATION)

(1) Estimated average PD, LGD, Risk Weight Ratio and Exposure at Default (EAD) (on-balance and off-balance) for Corporate, Sovereign and Bank exposure

Corporate (Consolidated)

Millions of yen (except percentages)

	As of September 30, 2008					As of March 31, 2008				
Credit rating	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)
0	**0.04%**	**45.00%**	**30.80%**	**18,692**	**2,176**	0.03%	45.00%	24.44%	21,792	3,036
1	**0.04%**	**45.00%**	**21.40%**	**34,088**	**49,995**	0.03%	45.00%	15.95%	60,468	40,869
2	**0.07%**	**46.64%**	**20.74%**	**363,120**	**75,330**	0.07%	46.34%	20.51%	485,968	75,202
3	**0.14%**	**44.82%**	**32.10%**	**927,670**	**109,946**	0.12%	45.10%	30.71%	785,411	158,146
4	**0.36%**	**44.83%**	**50.97%**	**538,554**	**80,405**	0.29%	46.64%	49.58%	648,735	123,345
5	**1.05%**	**49.20%**	**95.47%**	**302,560**	**35,286**	0.88%	45.51%	84.64%	325,188	50,882
6	**3.26%**	**44.26%**	**131.77%**	**249,630**	**8,981**	2.58%	45.66%	127.15%	274,087	8,682
9A	**13.27%**	**44.45%**	**215.05%**	**150,993**	**22,438**	13.90%	45.17%	224.83%	162,291	13,134
Default	**100.00%**	**44.91%**	**—**	**62,820**	**10**	100.00%	45.00%	—	51,587	4,808

Sovereign (Consolidated)

Millions of yen (except percentages)

	As of September 30, 2008					As of March 31, 2008				
Credit rating	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)
0	**0.00%**	**45.00%**	**—**	**1,638,980**	**15,000**	0.00%	45.00%	0.01%	1,575,658	15,226
1	**0.04%**	**45.00%**	**17.57%**	**66,789**	**41**	0.03%	45.00%	14.50%	67,894	—
2	**0.07%**	**45.00%**	**32.33%**	**155,844**	**7,031**	0.07%	45.00%	32.27%	111,873	3,675
3	**0.10%**	**44.94%**	**31.08%**	**96,636**	**6,400**	0.09%	45.00%	30.19%	110,176	5,310
4	**0.33%**	**45.00%**	**59.99%**	**3,623**	**41**	0.20%	45.00%	47.16%	4,514	136
5	**0.74%**	**45.00%**	**69.58%**	**21**	**1,839**	1.31%	45.00%	83.71%	148	—
6	**—**	**—**	**—**	**—**	**—**	2.90%	45.00%	147.18%	1,196	374
9A	**13.27%**	**45.00%**	**232.86%**	**1,911**	**48**	13.90%	45.00%	205.13%	14,685	125
Default	**100.00%**	**45.00%**	**—**	**55**	**—**	100.00%	45.00%	—	56	—

Bank (Consolidated)

Millions of yen (except percentages)

	As of September 30, 2008					As of March 31, 2008				
Credit rating	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)
0	**0.04%**	**45.00%**	**21.75%**	**43,800**	**258**	0.03%	45.00%	14.27%	5,908	—
1	**0.04%**	**45.00%**	**16.38%**	**5,612**	**32**	0.03%	45.00%	11.70%	3,904	645
2	**0.06%**	**45.18%**	**20.81%**	**430,307**	**668,224**	0.06%	45.24%	22.52%	232,122	680,169
3	**0.12%**	**45.00%**	**29.38%**	**166,540**	**157,756**	0.10%	45.07%	25.26%	213,035	147,319
4	**0.29%**	**45.00%**	**47.36%**	**29,034**	**11,822**	0.24%	45.00%	43.26%	20,283	7,041
5	**1.02%**	**45.00%**	**98.15%**	**2,677**	**4,565**	0.96%	45.00%	91.32%	3,933	5,332
6	**2.21%**	**45.00%**	**121.02%**	**742**	**1,374**	2.17%	45.00%	142.42%	105	1,676
9A	**13.27%**	**45.00%**	**213.08%**	**11,352**	**110,660**	13.90%	45.00%	213.40%	20,231	119,781
Default	**100.00%**	**45.00%**	**—**	**765**	**—**	—	—	—	—	—

Corporate (Non-consolidated)

Millions of yen (except percentages)

	As of September 30, 2008					As of March 31, 2008				
Credit rating	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)
0	**0.04%**	**45.00%**	**30.61%**	**18,692**	**2,483**	0.03%	45.00%	24.33%	21,789	3,418
1	**0.04%**	**45.00%**	**21.40%**	**34,056**	**49,995**	0.03%	45.00%	15.96%	60,278	40,869
2	**0.07%**	**46.70%**	**20.81%**	**348,103**	**75,330**	0.07%	46.37%	20.42%	471,511	75,202
3	**0.14%**	**44.81%**	**31.94%**	**881,841**	**109,946**	0.12%	45.10%	30.69%	755,178	158,146
4	**0.37%**	**44.86%**	**49.22%**	**686,678**	**81,400**	0.29%	46.52%	47.21%	706,505	126,171
5	**1.07%**	**49.94%**	**99.57%**	**252,133**	**35,286**	0.87%	45.65%	84.58%	244,135	50,882
6	**3.38%**	**44.05%**	**135.55%**	**192,375**	**8,981**	2.70%	45.89%	132.75%	200,832	8,682
9A	**13.27%**	**44.45%**	**213.98%**	**151,205**	**23,246**	13.90%	45.19%	221.48%	144,702	13,134
Default	**100.00%**	**44.91%**	**—**	**61,929**	**10**	100.00%	45.00%	—	48,468	4,808

Sovereign (Non-consolidated)

Millions of yen (except percentages)

	As of September 30, 2008					As of March 31, 2008				
Credit rating	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)
0	**0.00%**	**45.00%**	**—**	**1,633,401**	**15,000**	0.00%	45.00%	0.00%	1,567,847	15,226
1	**0.04%**	**45.00%**	**17.57%**	**66,709**	**41**	0.03%	45.00%	14.50%	67,894	—
2	**0.07%**	**45.00%**	**32.42%**	**154,803**	**7,031**	0.07%	45.00%	32.32%	111,471	3,675
3	**0.10%**	**44.94%**	**31.08%**	**96,636**	**6,400**	0.09%	45.00%	30.19%	109,830	5,310
4	**0.33%**	**45.00%**	**59.99%**	**3,623**	**41**	0.20%	45.00%	47.22%	4,450	136
5	**0.74%**	**45.00%**	**69.58%**	**21**	**1,839**	1.31%	45.00%	83.71%	148	—
6	**—**	**—**	**—**	**—**	**—**	2.90%	45.00%	147.18%	1,196	374
9A	**13.27%**	**45.00%**	**232.86%**	**1,911**	**48**	13.90%	45.00%	205.13%	14,684	125
Default	**100.00%**	**45.00%**	**—**	**55**	**—**	100.00%	45.00%	—	56	—

Bank (Non-consolidated)

Millions of yen (except percentages)

	As of September 30, 2008					As of March 31, 2008				
Credit rating	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)
0	**0.04%**	**45.00%**	**25.18%**	**33,846**	**258**	0.03%	45.00%	25.88%	2,158	—
1	**0.04%**	**45.00%**	**16.48%**	**5,468**	**32**	0.03%	45.00%	11.70%	3,904	645
2	**0.06%**	**45.19%**	**20.89%**	**415,823**	**668,224**	0.06%	45.24%	22.60%	221,179	680,169
3	**0.12%**	**45.00%**	**34.55%**	**34,106**	**156,945**	0.10%	45.13%	30.87%	38,302	146,778
4	**0.25%**	**45.00%**	**47.07%**	**45,776**	**37,627**	0.21%	45.00%	38.40%	44,370	15,752
5	**1.00%**	**45.00%**	**110.13%**	**256**	**4,565**	0.84%	45.00%	102.83%	—	5,332
6	**2.26%**	**45.00%**	**133.64%**	**4**	**1,374**	2.18%	45.00%	145.29%	—	1,676
9A	**13.27%**	**45.00%**	**213.72%**	**6,819**	**110,660**	13.90%	45.00%	214.18%	12,416	119,443
Default	**100.00%**	**45.00%**	**—**	**765**	**—**	—	—	—	—	—

Note: LGD after credit risk mitigation

(2) Estimated average PD, risk weight ratio and amount of exposure for equity exposure under PD/LGD method

(Consolidated)

Millions of yen (except percentages)

	As of September 30, 2008				As of March 31, 2008			
Credit rating	PD	LGD	Risk Weight	Amount	PD	LGD	Risk Weight	Amount
0	**0.04%**	**90.00%**	**300.00%**	**9**	0.03%	90.00%	300.00%	9
1	**—**	**—**	**—**	**—**	—	—	—	—
2	**0.06%**	**90.00%**	**222.50%**	**6,310**	0.06%	90.00%	219.95%	6,433
3	**0.17%**	**90.00%**	**249.49%**	**2,525**	0.15%	90.00%	200.00%	2,605
4	**0.38%**	**90.00%**	**265.94%**	**8,479**	0.38%	90.00%	284.31%	11,704
5	**1.29%**	**90.00%**	**380.75%**	**20,891**	0.81%	90.00%	317.06%	2,338
6	**3.64%**	**90.00%**	**332.49%**	**700**	2.90%	90.00%	316.59%	1,140
9A	**13.27%**	**90.00%**	**344.12%**	**3,451**	13.90%	90.00%	496.09%	1,737
Default	**100.00%**	**90.00%**	**—**	**28**	100.00%	90.00%	—	1,139

(Non-consolidated)

Millions of yen (except percentages)

	As of September 30, 2008				As of March 31, 2008			
Credit rating	PD	LGD	Risk Weight	Amount	PD	LGD	Risk Weight	Amount
0	**0.04%**	**90.00%**	**300.00%**	**9**	0.03%	90.00%	300.00%	9
1	**—**	**—**	**—**	**—**	—	—	—	—
2	**0.06%**	**90.00%**	**222.50%**	**6,310**	0.06%	90.00%	219.95%	6,433
3	**0.17%**	**90.00%**	**249.62%**	**2,519**	0.15%	90.00%	200.00%	2,598
4	**0.35%**	**90.00%**	**299.18%**	**350,352**	0.23%	90.00%	299.18%	224,878
5	**1.28%**	**90.00%**	**380.77%**	**21,014**	0.82%	90.00%	319.84%	2,461
6	**3.64%**	**90.00%**	**332.49%**	**700**	2.90%	90.00%	316.59%	1,140
9A	**13.27%**	**90.00%**	**483.26%**	**10,317**	13.90%	90.00%	489.86%	11,252
Default	**100.00%**	**90.00%**	**—**	**28**	100.00%	90.00%	—	1,138

(3) Estimated average PD, LGD, risk weight ratio, Exposure at Default (EAD) (on- and off-balance), amount of undrawn commitments and estimated average Credit Conversion Factors (CCF) of undrawn commitments for residential mortgage exposure, qualified revolving retail exposure and other retail exposure

Residential mortgage exposure

Millions of yen (except percentages)

	As of September 30, 2008							As of March 31, 2008						
						Undrawn Commitments							Undrawn Commitments	
Pool	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Amount	CCF	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Amount	CCF
Normal	**1.97%**	**55.00%**	**106.36%**	**15**	**14,068**	**—**	**—**	1.74%	54.60%	97.67%	0	14,935	—	—
Need caution	**81.11%**	**55.00%**	**121.57%**	**5**	**345**	**—**	**—**	90.60%	54.60%	61.97%	—	357	—	—
Default	**100.00%**	**51.00%**	**—**	**379**	**165**	**—**	**—**	100.00%	54.60%	—	306	103	—	—

Qualified revolving retail exposure

Millions of yen (except percentages)

	As of September 30, 2008							As of March 31, 2008						
						Undrawn Commitments							Undrawn Commitments	
Pool	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Amount	CCF	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Amount	CCF
Normal	**5.03%**	**85.32%**	**95.81%**	**126,362**	**84,983**	**2,616,563**	**3.24%**	4.17%	83.22%	82.25%	201,498	70,382	2,583,323	2.72%
Need caution	**80.35%**	**86.29%**	**138.63%**	**5,692**	**—**	**—**	**—**	91.62%	81.95%	63.68%	6,007	—	—	—
Default	**100.00%**	**84.23%**	**—**	**38,367**	**—**	**—**	**—**	100.00%	82.30%	—	34,632	—	—	—

Other retail exposure

Millions of yen (except percentages)

	As of September 30, 2008							As of March 31, 2008						
						Undrawn Commitments							Undrawn Commitments	
Pool	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Amount	CCF	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Amount	CCF
Normal	**2.43%**	**60.68%**	**73.52%**	**307,648**	**811,495**	**—**	**—**	2.54%	61.40%	75.02%	313,010	826,361	—	—
Need caution	**77.44%**	**60.78%**	**97.20%**	**5,842**	**4,162**	**—**	**—**	85.37%	61.69%	67.76%	4,857	3,842	—	—
Default	**100.00%**	**57.12%**	**—**	**90,612**	**1,097**	**—**	**—**	100.00%	57.39%	—	87,101	1,078	—	—

Note: LGD is shown after credit risk mitigation

COMPARATIVE RESULTS OF ACTUAL LOSSES AND EXPECTED LOSSES FOR THE LAST THREE YEARS UNDER F-IRB APPROACH

Millions of yen

	As of September 30, 2008	As of September 30, 2007	As of September 30, 2006
Results of actual losses (a)	**23,616**	15,553	3,226
Expected losses (b)	**8,812**	9,816	7,411
Differences ((b) - (a))	**(14,804)**	(5,737)	4,185

The above matrix shows the results of default (downgrade below substandard) losses (increase of reserve, write-offs and loss on sale) for the twelve-month period ended September 30, 2006, 2007 and 2008 for the Bank's non-default corporate exposure at the start of the twelve-month period, with expected losses calculated using estimated PD at the end of September 2008.
Several companies contributed to the losses in the three periods.

5. CREDIT RISK MITIGATION (CRM)

COVERED AMOUNT OF CRM BY COLLATERAL

FIRB

Millions of yen

	As of September 30, 2008		As of March 31, 2008	
	Eligible financial collateral	Other eligible FIRB collateral	Eligible financial collateral	Other eligible FIRB collateral
Corporate	**10,275**	**194,738**	14,775	156,628
Sovereign	**—**	**187**	—	214
Bank	**—**	**—**	—	570
Total	**10,275**	**194,925**	14,775	157,413

COVERED AMOUNT OF CRM BY GUARANTEE OR CREDIT DERIVATIVES

Millions of yen

	As of September 30, 2008		As of March 31, 2008	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
SA Exposures	**—**	**—**	—	—
IRB Exposures	**287,625**	**287,625**	263,518	263,518
Corporate	**84,272**	**84,272**	81,997	81,997
Sovereign	**116,708**	**116,708**	139,312	139,312
Bank	**86,645**	**86,645**	42,208	42,208
Residential mortgages	**—**	**—**	—	—
Qualified revolving retail	**—**	**—**	—	—
Other retail	**—**	**—**	—	—

6. COUNTERPARTY CREDIT RISK OF DERIVATIVES

(1) Measurement of EAD
Current Exposure Method

(2) Total amount of gross positive fair value
Refer to below table

(3) EAD before CRM
Refer to below table

(4) Net of: (2) + amount of gross add-on - (3)
Zero.

(5) Amount covered collateral
Zero.

(6) EAD after CRM
Refer to below table

Millions of yen

	As of September 30, 2008		As of March 31, 2008	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Total amount of gross positive fair value	**423,712**	**410,050**	596,294	579,429
Amount of gross add-on	**828,888**	**810,450**	733,959	713,032
EAD before CRM	**1,252,601**	**1,220,501**	1,330,253	1,292,462
FX-related	**543,918**	**544,592**	674,370	676,320
Interest-related	**305,628**	**320,508**	247,938	254,277
Equity-related	**37,811**	**—**	39,573	115
Commodity-related	**—**	**—**	—	—
Credit derivatives	**365,023**	**355,181**	368,371	361,749
Others	**218**	**218**	—	—
Amount of net	**125,516**	**131,217**	150,865	156,089
EAD after net	**1,127,084**	**1,089,283**	1,179,387	1,136,372
Amount covered collateral	**—**	**—**	—	—
EAD after CRM	**1,127,084**	**1,089,283**	1,179,387	1,136,372

(7) Nominal amount of credit derivatives which have counterparty risk

Millions of yen

	As of September 30, 2008		As of March 31, 2008	
Nominal amount	Protection-buy	Protection-sell	Protection-buy	Protection-sell
Single name	**853,920**	**1,047,320**	890,806	986,735
Multi name	**579,211**	**513,826**	550,778	497,166

(8) Nominal amount of credit derivatives which cover exposures by CRM

Millions of yen

	As of September 30, 2008		As of March 31, 2008	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Nominal amount	**22,964**	**22,964**	11,359	11,359

7. SECURITIZATION

SECURITIZATION EXPOSURE ORIGINATED BY THE BANK GROUP

(1) Amount of original assets

Securitization by transfer of assets

Consolidated

	Millions of yen	
	As of September 30, 2008	As of March 31, 2008
Type of original assets	Amount of original asset	Amount of original asset
Residential mortgages	**353,178**	514,373
Consumer loans	**149,540**	142,168
Commercial real estate loans	**158,180**	165,209
Corporate loans	**75,615**	75,981
Others	**17,364**	22,870
Total	**753,879**	920,603

Non-consolidated

	Millions of yen	
	As of September 30, 2008	As of March 31, 2008
Type of original assets	Amount of original asset	Amount of original asset
Residential mortgages	**353,178**	514,373
Consumer loans	**577,867**	21,736
Commercial real estate loans	**158,180**	165,209
Corporate loans	**75,615**	75,981
Others	**17,364**	22,870
Total	**1,182,206**	800,170

Synthetic Securitization

Consolidated/Non-consolidated

	Millions of yen	
	As of September 30, 2008	As of March 31, 2008
Type of original assets	Amount of original asset	Amount of original asset
Corporate loans	**30,100**	30,100
Total	**30,100**	30,100

Note: Includes originally securitized assets originated by the Bank Group, even though the Bank Group had no exposure to these particular assets.

(2) Amount of default exposure including original assets

Securitization by transfer of assets

Consolidated

	Millions of yen	
	As of September 30, 2008	As of March 31, 2008
Type of original assets	Amount of Default	Amount of Default
Residential mortgages	**7,645**	7,928
Consumer loans	**—**	—
Commercial real estate loans	**—**	—
Corporate loans	**31,402**	32,038
Others	**—**	—
Total	**39,048**	39,966

QUANTITATIVE DISCLOSURE (CONTINUED)

Non-consolidated

	Millions of yen	
	As of September 30, 2008	As of March 31, 2008
Type of original assets	Amount of Default	Amount of Default
Residential mortgages	**7,645**	7,928
Consumer loans	**—**	—
Commercial real estate loans	**—**	—
Corporate loans	**31,402**	32,038
Others	**—**	—
Total	**39,048**	39,966

Synthetic Securitization

Consolidated/Non-consolidated

	Millions of yen	
	As of September 30, 2008	As of March 31, 2008
Type of original assets	Amount of Default	Amount of Default
Corporate loans	**500**	500
Total	**500**	500

(3) Amount of securitization exposure the Bank Group has by type of original assets

Securitization by transfer of assets

Consolidated

	Millions of yen	
	As of September 30, 2008	As of March 31, 2008
Type of original assets	Amount of Exposure	Amount of Exposure
Residential mortgages	**1,351**	8
Consumer loans	**133,805**	120,432
Commercial real estate loans	**2,799**	—
Corporate loans	**58,902**	59,538
Others	**2,482**	1,831
Total	**199,341**	181,810

Non-consolidated

	Millions of yen	
	As of September 30, 2008	As of March 31, 2008
Type of original assets	Amount of Exposure	Amount of Exposure
Residential mortgages	**1,351**	8
Consumer loans	**404,244**	—
Commercial real estate loans	**2,799**	—
Corporate loans	**58,902**	59,538
Others	**2,482**	1,831
Total	**469,780**	61,378

Synthetic Securitization

Consolidated/Non-consolidated

	Millions of yen	
	As of September 30, 2008	As of March 31, 2008
Type of original assets	Amount of Exposure	Amount of Exposure
Corporate loans	**30,100**	29,100
Total	**30,100**	29,100

QUANTITATIVE DISCLOSURE (CONTINUED)

(4) Amount of securitization exposure and required capital the Bank Group has by risk weight ratio

Securitization by transfer of assets

Consolidated

Millions of yen

	As of September 30, 2008		As of March 31, 2008	
Band of risk weight ratio	Amount	Required Capital amount	Amount	Required Capital amount
To 12%	**32,183**	**197**	32,047	193
Over 12% to 20%	**1,177**	**18**	—	—
Over 20% to 50%	**719**	**30**	10,341	489
Over 50% to 75%	**25,302**	**1,219**	34,571	2,222
Over 75% to 100%	**35,200**	**2,491**	45,010	4,388
Over 100% to 250%	**80,102**	**9,113**	45,508	7,288
Over 250% to 425%	**24,654**	**6,742**	14,331	4,258
Over 425%	**—**	**—**	—	—
Total	**199,341**	**19,813**	181,810	18,841

Non-consolidated

Millions of yen

	As of September 30, 2008		As of March 31, 2008	
Band of risk weight ratio	Amount	Required Capital amount	Amount	Required Capital amount
To 12%	**32,183**	**197**	32,047	193
Over 12% to 20%	**363,277**	**6,160**	—	—
Over 20% to 50%	**719**	**30**	—	—
Over 50% to 75%	**96**	**6**	—	—
Over 75% to 100%	**40,952**	**3,472**	—	—
Over 100% to 250%	**17,799**	**1,958**	15,000	1,368
Over 250% to 425%	**14,751**	**4,410**	14,331	4,258
Over 425%	**—**	**—**	—	—
Total	**469,780**	**16,235**	61,378	5,820

Synthetic Securitization

Consolidated/Non-consolidated

Millions of yen

	As of September 30, 2008		As of March 31, 2008	
Band of risk weight ratio	Amount	Required Capital amount	Amount	Required Capital amount
To 12%	**30,100**	**302**	—	—
Over 12% to 20%	**—**	**—**	—	—
Over 20% to 50%	**—**	**—**	29,100	563
Over 50% to 75%	**—**	**—**	—	—
Over 75% to 100%	**—**	**—**	—	—
Over 100% to 250%	**—**	**—**	—	—
Over 250% to 425%	**—**	**—**	—	—
Over 425%	**—**	**—**	—	—
Total	**30,100**	**302**	29,100	563

(5) Amount of increase of capital by securitization (to be deducted from Tier I capital)

Millions of yen

	As of September 30, 2008		As of March 31, 2008	
Type of original assets	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Residential mortgages	**9,994**	**9,994**	9,983	9,983
Consumer loans, installment receivables	**677**	**84**	1,157	84
Commercial real estate loans	**169**	**169**	442	442
Others	**3,770**	**3,770**	3,770	3,770
Total	**14,612**	**14,019**	15,354	14,281

(6) Amount of securitization exposure which should be deducted from capital under the Accord Article 247

	Millions of yen			
	As of September 30, 2008		As of March 31, 2008	
Type of original assets	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Residential mortgages	**371**	**371**	1,847	1,847
Consumer loans, installment receivables	**0**	**0**	1,747	1,747
Commercial real estate loans	**95**	**95**	250	250
Others	**1,776**	**1,776**	2,489	2,489
Total	**2,243**	**2,243**	6,334	6,334

(7) Securitization exposure subject to early amortization

None.

(8) Summary of current year's securitization activities including amount of exposure securitized, and recognized gain/loss by original asset type

None.

(9) Amount of credit risk asset of securitization under SA subject to the Accord Supplementary Provision 15

None.

SECURITIZATION EXPOSURE IN WHICH THE BANK GROUP INVESTS

(1) Amount of securitization exposure the Bank Group has by type of original asset

Consolidated

	Millions of yen	
	As of September 30, 2008	As of March 31, 2008
Type of original assets	Amount of Exposure	Amount of Exposure
Residential mortgages	**30,432**	47,346
Consumer loans	**19,605**	23,753
Commercial real estate loans	**100,745**	226,499
Corporate loans	**105,538**	165,859
Others	**151,759**	187,074
Total	**408,081**	650,534

Non-consolidated

	Millions of yen	
	As of September 30, 2008	As of March 31, 2008
Type of original assets	Amount of Exposure	Amount of Exposure
Residential mortgages	**30,432**	47,346
Consumer loans	**19,605**	23,753
Commercial real estate loans	**100,745**	226,499
Corporate loans	**105,538**	165,859
Others	**151,759**	187,074
Total	**408,081**	650,534

(2) Amount of securitization exposure and required capital for the Bank Group by risk weight ratio

Consolidated

Millions of yen

	As of September 30, 2008		As of March 31, 2008	
Band of risk weight ratio	Amount	Required Capital amount	Amount	Required Capital amount
To 12%	**233,749**	**1,896**	274,760	2,239
Over 12% to 20%	**67,642**	**904**	88,621	1,193
Over 20% to 50%	**42,189**	**1,503**	12,523	490
Over 50% to 75%	**8,779**	**558**	48,757	2,495
Over 75% to 100%	**57**	**4**	753	63
Over 100% to 250%	**—**	**—**	2,833	600
Over 250% to 425%	**55,663**	**17,012**	46,493	13,720
Over 425%	**—**	**—**	36	20
Total	**408,081**	**21,879**	474,780	20,824

Non-consolidated

Millions of yen

	As of September 30, 2008		As of March 31, 2008	
Band of risk weight ratio	Amount	Required Capital amount	Amount	Required Capital amount
To 12%	**233,749**	**1,896**	274,760	2,239
Over 12% to 20%	**67,642**	**904**	88,621	1,193
Over 20% to 50%	**42,189**	**1,503**	12,523	490
Over 50% to 75%	**8,779**	**558**	48,757	2,495
Over 75% to 100%	**57**	**4**	753	63
Over 100% to 250%	**—**	**—**	2,833	600
Over 250% to 425%	**55,663**	**17,012**	46,493	13,720
Over 425%	**—**	**—**	36	20
Total	**408,081**	**21,879**	474,780	20,824

(3) Amount of securitization exposure which should be deducted from capital under the Accord Article 247

Millions of yen

	As of September 30, 2008		As of March 31, 2008	
Type of original assets	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Residential mortgages	**6,922**	**6,927**	15,872	15,872
Consumer loans, installment receivables	**—**	**—**	1,377	1,377
Commercial real estate loans	**110**	**110**	190	190
Corporate loans	**17,588**	**17,588**	18,890	18,890
Others	**16,456**	**16,458**	18,990	18,990
Total	**41,077**	**41,085**	55,321	55,321

(4) Amount of credit risk asset of securitization under SA subject to the Accord Supplementary Provision 15

None.

8. MARKET RISK (UNDER INTERNAL MODEL APPROACH)

VaR AT THE END OF MARCH 2008 AND SEPTEMBER 2008 AND THE HIGH, MEAN AND LOW VaR

Millions of yen

	As of September 30, 2008		As of March 31, 2008	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
VaR at term end	**4,545**	**3,991**	4,206	3,980
VaR through this term				
High	**6,627**	**6,242**	5,131	4,392
Mean	**3,226**	**2,811**	2,688	2,352
Low	**1,518**	**1,214**	1,518	1,214

Based on VaR back-testing for six months ended September 30, 2008, the trading portfolio experienced no losses that exceeded the specified VaR threshold.

9. EQUITY EXPOSURE IN BANKING BOOK

BOOK VALUE AND FAIR VALUE

Millions of yen

	As of September 30, 2008		As of March 31, 2008	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Market-Based Approach				
Listed Equity Exposure	**8,246**	**8,111**	7,941	7,787
Unlisted Equity Exposure	**46,053**	**96,613**	50,191	102,065
PD/LGD Method				
Listed Equity Exposure	**11,031**	**20,550**	11,306	20,825
Unlisted Equity Exposure	**31,365**	**370,700**	15,802	229,085

GAIN OR LOSS ON SALE OR DEPRECIATION OF EQUITY EXPOSURE

Millions of yen

	Six months ended September 30, 2008		Fiscal year ended March 31, 2008	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Gain/Loss on sale	**2,424**	**2,474**	4,241	1,696
Loss of depreciation	**2,752**	**2,171**	3,112	2,231

UNREALIZED GAIN OR LOSS WHICH IS RECOGNIZED ON BALANCE SHEET AND NOT RECOGNIZED ON PROFIT AND LOSS STATEMENT

Millions of yen

	As of September 30, 2008		As of March 31, 2008	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Unrealized gain (loss)	**628**	**875**	(3,157)	(3,112)

UNREALIZED GAIN OR LOSS WHICH IS NOT RECOGNIZED BOTH ON BALANCE SHEET AND ON PROFIT AND LOSS STATEMENT

Millions of yen

	As of September 30, 2008		As of March 31, 2008	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Equity to subsidiaries and affiliates	**—**	**(1,152)**	—	(25)

AMOUNT OF EQUITY EXPOSURE UNDER GRANDFATHERING RULE SUBJECT TO THE ACCORD SUPPLEMENTARY PROVISION 13

Millions of yen

	As of September 30, 2008		As of March 31, 2008	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Grandfathering Rule (100% risk weight apply)	**13,098**	**95,271**	18,951	95,411

10. AMOUNT OF REGARDED EXPOSURE UNDER THE ACCORD ARTICLE 167

	Millions of yen			
	As of September 30, 2008		As of March 31, 2008	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Regarded Exposure (Fund)	**143,330**	**118,621**	168,012	145,576

11. INTEREST RATE RISK IN THE BANKING BOOK (IRRBB) — THE INCREASE/DECREASE IN ECONOMIC VALUE FOR UPWARD/DOWNWARD RATE SHOCKS ACCORDING TO MANAGEMENT'S METHOD FOR IRRBB

The gain (loss) from an upward interest rate shock of 2% in the banking book is shown below:

	Billions of yen			
	As of September 30, 2008		As of March 31, 2008	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
JPY	**(57.6)**	**(13.6)**	(35.5)	(16.9)
USD	**(1.6)**	**(1.6)**	+1.2	+1.2
Others	**(1.2)**	**(1.2)**	+0.6	+0.6
Total	**(60.6)**	**(16.6)**	(33.5)	(14.9)

CORPORATE INFORMATION

SHINSEI BANK GROUP

AS OF SEPTEMBER 30, 2008

As of September 30, 2008, the Shinsei Bank Group consisted of Shinsei Bank, Limited, 221 subsidiaries (comprising 116 consolidated companies including APLUS Co., Ltd., GE Consumer Finance Co., Ltd. and Showa Leasing Co., Ltd. and 105 unconsolidated subsidiaries) and 30 affiliated companies (affiliates accounted for using the equity method, such as Jih Sun Financial Holding Co., Ltd.). The Shinsei Bank Group is an integrated financial services group which engages principally in the banking business and conducts securities, trust and other businesses.

Shinsei Bank, Limited

- Banking ------ Head office and domestic branch offices
  Major subsidiaries:
  - APLUS Co., Ltd.
  - Showa Leasing Co., Ltd.
  - SHINKI Co., Ltd.
  - GE Consumer Finance Co., Ltd.
- Securities ------ Major subsidiary:
  - Shinsei Securities Co., Ltd.
- Trust business ------ Major subsidiary:
  - Shinsei Trust & Banking Co., Ltd.
- Other business ------ Major subsidiaries:
  - Shinsei Investment Management Co., Ltd.
  - Shinsei Servicing Company.

MAJOR SUBSIDIARIES AND AFFILIATES

AS OF SEPTEMBER 30, 2008

Name	Location	Main business	Capital (Millions of yen unless otherwise specified)	Established (Acquired)	Equity stake held by Shinsei Bank and consolidated subsidiaries (%)		
						Equity stake held by Shinsei Bank	Equity stake held by consolidated subsidiaries of Shinsei Bank
Major Domestic Subsidiaries							
Shinsei Property Finance Co., Ltd.	Tokyo, Japan	Real estate collateral finance	¥ 250	1959.5	100.0%	100.0%	—%
Shinsei Information Technology Co., Ltd.	Tokyo, Japan	Information technology	100	1983.8	100.0	100.0	—
Shinseigin Finance Co., Ltd.	Tokyo, Japan	Finance	10	1993.1	100.0	100.0	—
Shinsei Trust & Banking Co., Ltd.	Tokyo, Japan	Trust banking	5,000	1996.11	100.0	100.0	—
Shinsei Securities Co., Ltd.	Tokyo, Japan	Securities	8,750	1997.8	100.0	100.0	—
Chowa Tatemono Co., Ltd.	Tokyo, Japan	Real estate leasing	10	1997.8	100.0	100.0	—
Shinsei Servicing Company	Tokyo, Japan	Servicing business	500	2001.10	100.0	—	100.0
Shinsei Investment Management Co., Ltd.	Tokyo, Japan	Investment trust and discretionary investment advisory	495	2001.12	100.0	100.0	—
APLUS Co., Ltd.	Osaka, Japan	Installment credit	15,000	(2004.9)	76.7	—	76.7
Zen-Nichi Shinpan Co., Ltd.	Okayama, Japan	Installment credit	1,000	(2006.3)	97.3	—	97.3
Showa Leasing Co., Ltd.	Tokyo, Japan	Leasing	24,300	(2005.3)	96.4	96.4	—
SHINKI Co., Ltd.	Tokyo, Japan	Finance	16,709	(2007.12)	67.7	67.7	—
GE Consumer Finance Co., Ltd.	Tokyo, Japan	Finance	100,711	(2008.9)	100.0	99.8	0.2
Major Overseas Subsidiaries							
Shinsei Bank Finance N.V.	Curaçao, Netherlands Antilles	Finance	$2.1 million	1976.3	100.0%	100.0%	—%
Shinsei International Limited	London, UK	Securities	£3 million	2004.9	100.0	100.0	—
Shinsei Finance (Cayman), Limited	Grand Cayman, Cayman Islands	Finance	$795.25 million	2006.2	100.0	100.0	—
Shinsei Finance II (Cayman), Limited	Grand Cayman, Cayman Islands	Finance	$715.35 million	2006.3	100.0	100.0	—
Major Affiliates Accounted for Using the Equity Method							
Jih Sun Financial Holding Co., Ltd.	Taipei, Taiwan	Finance	NT$26,124 million	2002.2	32.9%	—%	32.9%
Raffia Capital Co., Ltd.	Tokyo, Japan	Private equity fund management	¥ 10	2002.7	50.0	50.0	—
Hillcot Holdings Limited	Hamilton, Bermuda	Holding company	$24,000	2002.11	33.7	33.7	—

STOCK INFORMATION

AS OF SEPTEMBER 30, 2008

Shares Outstanding and Capital

1,000 shares, millions of yen

Date	Shares outstanding		Capital		Capital surplus		Notes
	Change	Balance	Change	Balance	Change	Balance	
July 29, 2003	(1,358,537)	2,033,065*	—	451,296	—	18,558	2-for-1 reverse share split for common shares Post reverse split common shares outstanding 1,358,537 thousand shares
July 31, 2006	(99,966)	1,933,098*	—	451,296	—	18,558	Use of call feature for Series 3 Class-B preferred shares Issuance of 200,033 thousand common shares Retirement of Series 3 Class-B preferred shares -300,000 thousand shares
November 16, 2006	(85,000)	1,848,098*	—	451,296	—	18,558	Cancellation of treasury shares (common) -85,000 thousand shares
August 1, 2007	(100,000)	1,748,098*	—	451,296	—	18,558	Mandatory acquisition of Series 3 Class-B preferred shares Issuance of 200,000 thousand common shares Retirement of Series 3 Class-B preferred shares -300,000 thousand shares
February 4, 2008	117,647	1,865,746*	25,000	476,296	25,000	43,558	Third party allocation of shares (common shares) Subscription price ¥425, par value ¥212.5
March 31, 2008	194,600	2,060,346	—	476,296	—	43,558	Use of call feature for Series 2 Class-A preferred shares Issuance of 269,128 thousand common shares Retirement of Series 2 Class-A preferred shares -74,528 thousand shares

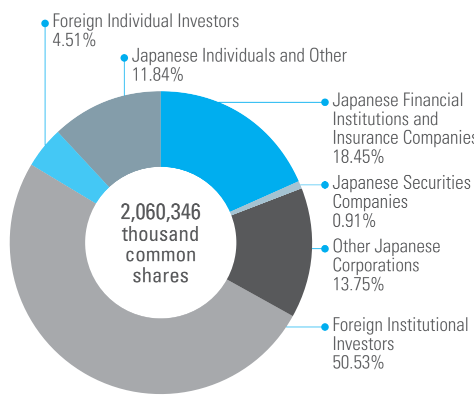
* Figure includes number of preferred shares outstanding

Largest Shareholders[(1)(2)]

Rank	Shareholders	Thousands of Common Shares	%
1	SATURN IV SUB LP (JPMCB 380111)	322,964	15.67
2	DEPOSIT INSURANCE CORPORATION OF JAPAN	269,128	13.06
3	THE RESOLUTION AND COLLECTION CORPORATION	200,000	9.70
4	SATURN JAPAN III SUB C.V. (JPMCB 380113)	110,449	5.36
5	SHINSEI BANK, LIMITED (Treasury shares)	96,424	4.67
6	J. CHRISTOPHER FLOWERS	92,670	4.49
7	JP MORGAN CHASE BANK 380055	82,302	3.99
8	STATE STREET BANK AND TRUST COMPANY	72,293	3.50
9	SATURN V C.V. (JPMCB 380114)	70,708	3.43
10	JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT 4 G)	46,705	2.26
11	JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT)	37,105	1.80
	Total	2,060,346	100.00

(1) As of September 30, 2008, a group of investors, including affiliates of J.C. Flowers & Co. LLC., holds 640,619,385 common shares or 32.6% of Shinsei's outstanding common shares, excluding treasury shares.
(2) As of September 30, 2008, in total, the Deposit Insurance Corporation and the Resolution and Collection Corporation hold 469,128,888 common shares or 23.9% of Shinsei's outstanding common shares, excluding treasury shares.

Breakdown of Shareholders



EMPLOYEES

	Six months ended September 30, 2007	FY2007	**Six months ended September 30, 2008**
Consolidated			
Number of Employees	4,750	5,245	**7,273**
Non-Consolidated			
Number of Employees	2,358	2,394	**2,381**
Male	1,266	1,300	**1,288**
Female	1,092	1,094	**1,093**
Average age	37 years 11 months	38 years 3 months	**38 years 2 months**
Average years of service	9 years 2 months	9 years 1 month	**9 years 1 month**
Average monthly salary	505 thousand yen	505 thousand yen	**503 thousand yen**

"Average monthly salary" includes overtime wages but excludes annual bonus.

NETWORK

DOMESTIC OUTLETS:

AS OF DECEMBER 4, 2008

36 outlets, including 34 Shinsei Financial Centers (31 Branches and 3 Annexes),
2 Platinum Centers (with 1 Branch and 1 Annex)

Name of 31 Branches and 3 Annexes

Head Office (Tokyo)
- Ginza Annex

Sapporo Branch
Sendai Branch
Kanazawa Branch
Omiya Branch
Kashiwa Branch
LaLaport Branch
Tokyo Branch
Ikebukuro Branch
Ueno Branch
Kichijoji Branch
Shinjuku Branch
Shiodome SIO-SITE Branch
Roppongi Hills Branch
- Keyakizakadori Annex

Shibuya Branch
- Omotesando Hills Annex

Hiroo Branch
Meguro Branch
Futakotamagawa Branch
Hachioji Branch
Machida Branch
Yokohama Branch
Fujisawa Branch
Nagoya Branch
Kyoto Branch
Osaka Branch
Umeda Branch
Namba Branch
Kobe Branch
Hiroshima Branch
Takamatsu Branch
Fukuoka Branch

OVERSEAS BRANCH:

AS OF NOVEMBER 30, 2008

Grand Cayman Branch

DOMESTIC SUB-BRANCHES (ATM ONLY):

AS OF NOVEMBER 30, 2008

Tokyo Metro stations	49 locations
Keikyu Station Bank	33 locations
Other train stations	10 locations
Other	84 locations

ACCESS TO SEVEN BANK, LTD. ATMS

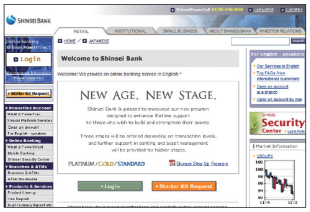
AS OF NOVEMBER 30, 2008

Access to Seven Bank, Ltd. ATMs	12,573 locations

WEBSITE

Our English and Japanese websites provide a wide range of information covering our Retail and Institutional Banking businesses, corporate data and investor relations.

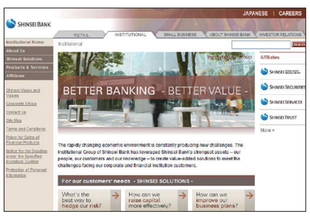
RETAIL



http://www.shinseibank.com/english/

The Retail Banking website provides information on our comprehensive retail account, *PowerFlex*. Customers can log on to our Internet banking service, Shinsei *PowerDirect*, submit requests for information on *PowerFlex* and apply to open an account. Product offerings, campaigns, branch and ATM information, and detailed explanations on foreign currency deposits and investment trusts are covered in the Retail website.

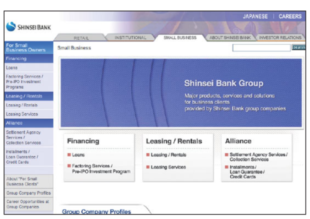
INSTITUTIONAL



http://www.shinseibank.com/institutional/en/

Our Institutional Banking website provides information for our institutional customers on our products, services and solutions. It also contains details of our branches and affiliates.

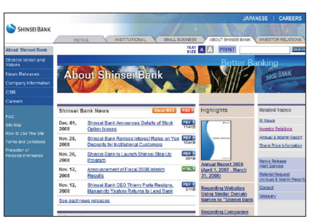
SMALL BUSINESS



http://www.shinseibank.com/nonbank/en/

The Small Business website provides information on unsecured and secured loans for small business owners. It also contains introductions to our consumer and commercial finance subsidiaries.

ABOUT SHINSEI BANK



http://www.shinseibank.com/investors/en/about/

This website provides information on our corporate profile, history, subsidiaries as well as CSR initiatives. It also contains news releases.

INVESTOR RELATIONS

http://www.shinseibank.com/investors/en/ir/

The Investor Relations website contains a company overview, information on corporate governance, financial information, IR news and IR calendar. It also provides equity- and debt-related information.

For further information, please contact:

Group Investor Relations Division
Shinsei Bank, Limited
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Tel: 81-3-5511-8303 Fax: 81-3-5511-5505 URL: http://www.shinseibank.com E-mail: Shinsei_IR@shinseibank.com

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