[TRANSLATION]

TSE Stock code: 8303
May 29, 2007
1-8 Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo
Shinsei Bank, Limited

Notice of the Annual General Meeting of Shareholders for the Seventh Term

Dear Shareholders,

We are pleased to invite you to the Annual General Meeting of Shareholders of Shinsei Bank, Limited ("the Bank") for the seventh term, which will be held as shown below.

If you are not able to attend the meeting in person, we encourage you to examine the accompanying reference materials and vote by filling out the enclosed Form for Exercising Voting Rights and returning it to the Bank so that we will receive it by 5:00 p.m. on Tuesday, June 19, 2007.

Very truly yours,

Thierry Porté
Director
Representative Statutory
Executive Officer and President

Request:

When you attend the meeting in person, please submit the enclosed Form for Exercising Voting Rights to the reception desk at the meeting.

Notes:

Please note that this is a translation of the original document, and is provided for reference only. Although this translation is intended to be complete and accurate, the Japanese original shall take precedence over this translation in case of any discrepancies between this translation and the original.

If it becomes necessary for the Bank to make corrections to the Reference Materials for the General Meeting of Shareholders, business report, financial statements *(keisan-shorui)* or consolidated financial statements, the Bank will post these matters on its website (http://www.shinseibank.com).

For both domestic and foreign institutional shareholders, we will participate in the ICJ electronic voting platform. This system uses Broadridge's ProxyEdge voting platform to provide users instantaneous access to agenda information, proxy statement details as they are officially released and the ability to immediately vote on proposals.

No individual that resides outside Japan may exercise one's voting right via internet or mobile phone.

<u>Description of the Meeting</u>

1. **Date and Time:** Wednesday, June 20, 2007 at 10:00 a.m.

2. **Place:** Shinsei Hall, First Floor of Head Office, Shinsei Bank, Limited 1-8, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo

3. **Purposes:**

Matters to be reported:

1. Report on the Business Report, Consolidated Financial Statements and the Results of the Audit of the Consolidated Financial Statements by the Accounting Auditor and the Audit Committee for the Seventh Term (from April 1, 2006 to March 31, 2007).
2. Report on the Financial Statements for the Seventh Term (from April 1, 2006 to March 31, 2007).

Matters to be voted on:

Agenda 1: Election of fourteen (14) Directors

Agenda 2: Issuance of Stock Acquisition Rights as Stock Options to Directors, Officers and Employees of the Bank and its Subsidiaries

Agenda 3: Authorization of a Facility for the Purchase of Shinsei Bank Limited Shares (Class A Preferred Shares)

Instructions on Exercising Voting Rights, etc.

(1) Voting by proxy:

If you are not able to attend the meeting, you can designate another shareholder who is also eligible to vote at the meeting to vote on your behalf at the meeting. Please note, however, that a document must be submitted that provides evidence of this power of representation.

(2) Method of announcing corrections, if any, of descriptions in the Reference Materials of the General Meeting of Shareholders and the Financial Statements, etc.:

If it becomes necessary for the Bank to make corrections in the matters to be described in the Reference Materials of the Annual General Meeting of Shareholders, the financial statements (keisan-shorui), consolidated financial statements and business report for the period from the date on which the Bank issues this notice of convocation to the day immediately prior to the date of the Annual General Meeting of Shareholders, the Bank will post the corrected matters on its website (http://www.shinseibank.com).

(3) Treatment of duplicate votes cast by using the Form for Exercising Voting Rights and via Internet:

If you cast your votes twice by using the Form for Exercising Voting Rights and via Internet, the Bank will consider the vote cast via Internet to be the valid vote.

(4) Treatment of duplicate votes cast via Internet:

If you have cast your votes more than once via Internet, the Bank will consider the vote last cast via Internet to be the valid vote.

(5) Treatment of requests for the Form for Exercising Voting Rights, etc. by shareholders who have agreed to receive the notice of convocation by way of electromagnetic means:

Any shareholder who has agreed to receive the notice of convocation by electromagnetic means, and who wishes to request that the Form for Exercising Voting Rights, etc. be delivered in written form, should please contact the Stock Transfer Agency Department of Sumitomo Trust & Banking Co., Ltd., the contact details for which are described in the "Procedures for Exercising Voting Rights via Internet" on page 94 below.

(6) Treatment of the voting platform for institutional investors

Registered Shareholders, such as trust banks acting as administrators (including standing proxies), can use the voting platform in order to exercise their voting rights by electromagnetic means at the Annual General Meeting of Shareholders of the Bank, provided that each has applied in advance to use the electronic voting platform for institutional investors which is operated by ICJ Inc., the joint venture company formed by the Tokyo Stock Exchange, Inc. and other entities.

For details on exercising voting rights via Internet, please see the "Procedure for Exercising Voting Rights via Internet" on page 94 below.

(Attachment)

Business Report for the 7th Fiscal Year

(From April 1, 2006 to March 31, 2007)

1. Current State of the Bank

(1) Business Development and Performance of the Group

[Principal Business of the Group]

As of March 31, 2007, the Shinsei Bank Group (Shinsei Bank, Limited and its subsidiaries) consisted of Shinsei Bank, Limited and its consolidated subsidiaries (95 companies including APLUS Co., Ltd. and Showa Leasing Co., Ltd.) and affiliated companies (27 companies accounted for under the equity method, including Shinki 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. In our financial statements for FY2006, we consolidated 95 subsidiaries and accounted for 27 affiliated companies under the equity method.

The positioning of the Group's businesses is as follows:

[Banking business]

The following businesses are conducted in our head office and domestic branch offices, some of our consolidated subsidiaries, and some of our affiliated companies (accounted for under the equity method): deposit business, bond business, loan and debt guarantee business, domestic exchange business, foreign exchange business, securities investment business, product securities trading business, securitization business, credit trading business, non-recourse finance business, M&A business, corporate revitalization business, and consumer and commercial finance business.

[Securities business]

Shinsei Securities Co., Ltd., a domestic consolidated subsidiary, conducts the securitization business and bond underwriting sales business.

[Trust business]

Shinsei Trust & Banking Co., Ltd., a domestic consolidated subsidiary, conducts the money credit trust business, securities trust business, and specified non-trust business.

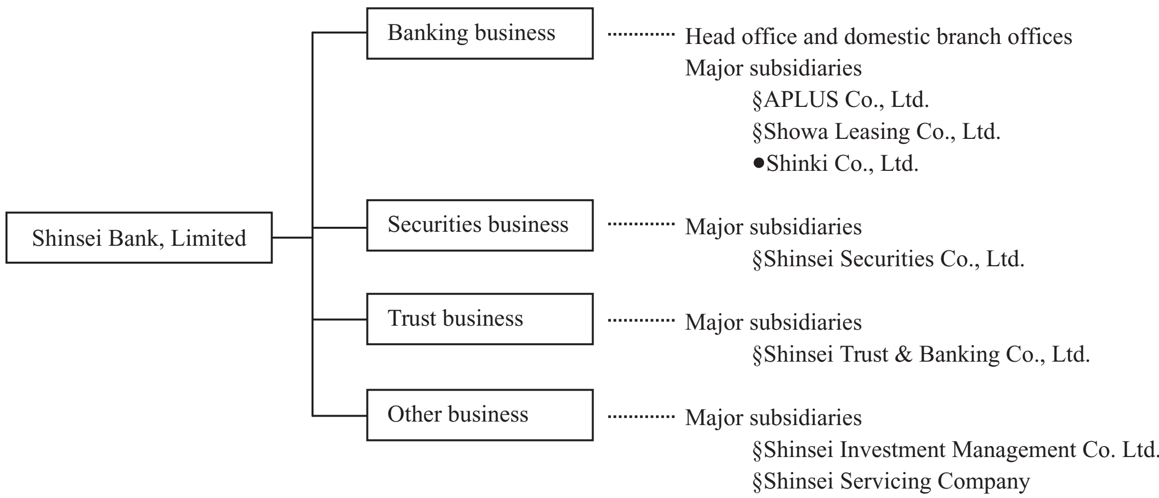
(*) In addition, we have 90 non-consolidated subsidiaries.

[Other businesses]

Shinsei Investment Management Co., Ltd., a domestic consolidated subsidiary, conducts the investment trust entrustment business and investment advisory business. Shinsei Servicing Company, also a domestic consolidated subsidiary, conducts the credit management and collection business.

The above explanation is illustrated in the business chart as follows.

(§ indicates consolidated subsidiaries, and ● indicates companies accounted for under the equity method.)



[Economic and financial environment]

Looking back at the macroeconomic and financial environment of fiscal year, the Japanese economy has continued with its longest economic expansion after the World War II. GDP growth for the third quarter was high at 5.5% on an annualized basis, and the growth rate for the year is expected to be 2%. Changes in consumer prices have been close to 0% on account of the influence of a downturn in energy prices, but in the longer run the risks of returning to deflation have been reduced. While those banks that received injections of public money have been accelerating their repayments, the amount of loans, which had been declining for a long time, has started to increase again. Thus, it is evident that the financial system as a whole has become stronger.

Against this backdrop, and following the termination of the quantitative easing policy in March 2006, the Bank of Japan terminated its zero-interest rate policy in July, raising the inducing interest rate of unsecured overnight call from 0% to 0.25%. In February 2007, the Bank of Japan decided to make an additional interest rate increase and raised the inducing interest rate from 0.25% to 0.5%. The Bank of Japan is expected to maintain financial policies for normal levels of interest rate, and to exit from the long period of extremely low interest rate policies, based on the steady economy.

Overseas economies have been steadily expanding. Not only major developed countries but also emerging countries have been enjoying steady economic growth, and the impact of soaring energy prices was less than expected. The impact of the weakening housing sector on consumer spending should still be closely watched in the US economy, which has been driving the world economy, but growth close to the potential growth rate is expected to be achieved.

Growth has been maintained in the environment of globally low inflation rate, and increases in the central bank interest rates have been moderate. The excessive saving structure on a global basis remains unchanged despite the rising central bank interest rates in major countries, and ample liquidity has been maintained.

In the interest market, yields have initially increased over concerns of a tightening of the monetary policy by the Bank of Japan, but the bond yield has since been gradually falling thanks to subdued inflation, despite the two hikes of the interest rate.

In the stock market, after the Nikkei average recovered to ¥17,500 in April 2006, stock prices fell back in reaction to the rising interest rate and the conservative performance outlook. Thereafter, stock prices gradually increased, reflecting the favorable economy, and the Nikkei average recovered to ¥18,000 in February 2007 for the first time since 2000.

The yen appreciated to ¥109 to the dollar in May 2006 as a result of yen purchases against the dollar following the recovery of the Japanese economy, but it temporarily fell to the ¥122 range on account of the continued interest rate differential and the ongoing trend of global diversification of investment of private assets by Japanese individuals.

As a whole, the Japanese economy may be summarized as having a strong corporate sector and less strong consumer spending. The expected increase in income as a driver of growth in the consumer sector, however, is expected to continue to boost the economy.

On the other hand, the circumstances surrounding the consumer finance, credit card, and consumer credit businesses have become more severe. The loan usury and over-indebtedness issues became a focus of public interest, and the revision of the three moneylending laws (Moneylending Business Restriction Law, Interest Rate Restriction Law, and Law Concerning the Regulation on Acceptance of Contributions, Money Deposits and Interest) was proposed. Discussions on such revisions intensified following the Supreme Court announcement on January 13, 2006 that it would deny the right to receive "voluntary payment" exceeding the maximum amount of interest in relation to the payment of interest in the so-called "gray zone", and revisions of each of the laws were officially announced on December 20, 2006.

This substantial revision of the three moneylending laws mainly featured the lowering of the maximum interest rate, introduction of total lending limits, and strengthening of participation restrictions as fundamental and comprehensive measures to solve the over-indebtedness issue. These revisions significantly affect consumer finance companies, credit card companies, consumer credit companies and their customers and have forced the moneylending industry to fundamentally reorganize its business model. In addition, based on the announcement of the "Audit Guidelines on Consumer Finance Companies' Provisions for Possible Losses on Reimbursements of Excess Interest Payments" by the Japanese Institute of Certified Public Accountants, the five major companies in the moneylending industry had to appropriate allowances for losses from return of interest in relation to the interest in the gray zone. The impact of these changes resulted in all of the companies in the industry recording significant losses.

[Business Development and Performance]

(Three Strategic Pillars)

The Shinsei Bank Group offers a broad array of financial products and services to institutional and retail customers based on our healthy financial structure and our business models, for which we have three strategic segments: Institutional Banking, Consumer and Commercial Finance and Retail Banking.

<Institutional Banking>

We have steadily made efforts for the diversification and stabilization of our profit bases, not only through providing traditional financial products for corporations but also through providing new, high value-added financial products and services to our customers.

We have established a position as a major player in the segments of non-recourse loans, which we have always emphasized, securitization and credit trading. Further, we have also made steady progress in segments with high growth, including the advisory business and asset management business.

In May 2006, we agreed on a strategic investment in Jih Sun Financial Holding Co., Ltd., a financial holding company in Taiwan. We will strive to strengthen the competitiveness of the Jih Sun Group, using not only our know-how in non-performing loans, but also our experience in corporate and private businesses as well as the latest IT.

In July 2006, we established Macquarie Shinsei Advisory Co., Ltd., a fifty-fifty joint venture with Macquarie Bank, an international investment bank based in Australia. The joint venture operates an advisory business for asset purchases and management in the Japanese infrastructure and related sectors, including telecommunication, media and transportation.

In October 2006, Rakuten Mortgage Co., Ltd., a joint venture with Rakuten Co., Ltd., started its operations. The company specializes in home mortgages using the Internet and handles "Flat 35," its leading product, with the Government Housing Loan Corporation.

For loans to small- and medium-sized enterprises, we are making a bank-wide commitment to meet the needs of our customers by regularly holding meetings of the SME Loan Committee, chaired by our President.

<Consumer and Commercial Finance>

In the area of consumer and commercial finance, which has become one of our core businesses through the acquisition of APLUS Co., Ltd. and Showa Leasing Co., Ltd. in the fiscal year ended March 2005, we provide a wide range of products and services including installment sales for individual products, credit cards, consumer loans and leasing to SMEs and individuals.

The business environment has become more severe for the group companies in this segment on account of the scheduled reduction of the maximum interest rate under the revised Moneylending Business Restriction Law and increased expenses for claims to return overpaid money. However, we will strive to meet these challenges by further strengthening our sales channels, rationalizing our cost structure as well as promoting further improvement using our technical and risk management expertise.

Our subsidiary, APLUS Co., Ltd., recorded a consolidated net loss of ¥29.3 billion for the fiscal year ended March 31, 2007, driven largely by the appropriation of loan loss provision, an allowance for loss from return of excess interest, and restructuring related expenses for the implementation of management changes including a voluntary early retirement program. To further accelerate company's restructuring, we strengthened the management by transferring our Executive Vice President Clark Graninger to be the Representative Director and President of the company, and reinforced Aplus' capital base by subscribing to ¥20.0 billion of new preferred shares in a third party allotment.

Our equity method affiliate, Shinki Co., Ltd., recorded an equity method loss of ¥14.6 billion for the fiscal year ended March 2007 due to similar factors, particularly loss allowances in accordance with the "Audit Provisions for Possible Losses on Reimbursements of Excess Interests Payments Guidelines on Consumer Finance Companies" announced by the Japanese Institute of Certified Public Accountants on October 13, 2006.

<Retail Banking>

We have been striving to establish a business that efficiently combines our physical branches with remote channels such as the internet and our retail banking call center, in order to offer convenient and high value-added products and services.

The number of "PowerFlex" accounts has continued to steadily increase, and as of the end of March 2007, reached about 1.9 million. Customer assets, including deposits and investment products, from retail customers reached ¥4.6 trillion, mainly because of the increased sales of structured products, investment, annuity and insurance products, in addition to an increase in retail customers. The benefits of our home mortgage product, such as no early repayment fee and the start of offering of long-term fixed interest rate types, were well received, and the outstanding balance of "Power Smart Home Mortgage" amounted to approximately ¥540.0 billion at the end of March 2007.

We started offering the first Japanese investment-type annuity which can be applied for over the Internet (underwriter: Winterthur Swiss Life Insurance Co., Ltd.).

We also made an alliance with the largest investment company in India, UTI Asset Management Company Pvt. Ltd. in November 2006, and started offering "Shinsei UTI India Fund" in December.

We opened Nihombashi Financial Center (Tokyo) in June 2006. In addition, our ATMs are now installed in 37 stations in the Tokyo Metropolitan Co., Ltd. (Tokyo Metro) network as of March 31, 2007.

Under the brand concept of "Color your life," we aim to help our customers add richness and color to their lives. We strive to improve the convenience for customers and expand our customer base by launching products and services that satisfy their needs in a timely manner.

(Reinforcement of Financial Structure)

To reinforce our financial structure, we have been continually making efforts for the disposition of non-performing loans. Loans required to be disclosed under the Financial Revitalization Law were ¥27.9 billion at the end of March 2007, and our non-performing loans as a percentage of total loans were 0.53%. We are reviewing and diversifying our funding structure to reduce financing costs. Our funding costs from both deposits and debt securities have been decreasing because of improved ratings and higher levels of trust from our customers. We have expanded our deposit base through the growth in number of transactions with our customers.

Japan Credit Rating Agency, Ltd. raised our long-term preferred debt rating from A- to A in June 2006.

(Equity Capital)

In the new framework for capital adequacy requirements for banks (Basel II, applied from March 2007 in Japan), the Financial Services Agency has approved the use of the basic internal rating method (F-IRB) as a method for calculating credit risks. The calculation of credit risks based on our internal rating system and the parameter estimation has been approved, which means that we can now use our highly advanced risk management capabilities to calculate regulated capital, and the calculated regulated capital will be more reasonable and compatible with actual risks. At the same time, the use of the gross margin distribution method (TSA) for operational risks and the use of the internal model method for market risks have also been approved. We are striving to maintain and improve our internal control system and enhance information disclosure befitting our bank through the application of such advanced methods.

(Business Performance)

Based on the business developments discussed above, Shinsei Bank and its consolidated subsidiaries attained the following business results for the fiscal year ended March 31, 2007.

Consolidated subsidiaries partly operate in the securities and trust businesses in addition to the banking business, but since the proportion of such businesses is insignificant in terms of all segments, we have stated the results of the business as a whole.

<Financial Highlights>

As of March 31, 2007, our total assets amounted to ¥10,837.6 billion, an increase of ¥1,432.6 billion from the end of the previous fiscal year. The main components of this are ¥5,420.9 billion in deposits and negotiable certificate of deposits (up ¥1,349.1 billion from the previous year), ¥703.2 billion in debentures (down ¥315.6 billion from the previous year) and ¥5,146.3 billion in loans and bills discounted (up ¥1,058.7 billion from the previous year).

For the fiscal year ended March 31, 2007, ordinary income was ¥560.0 billion, an increase of ¥30.9 billion from the previous year, while ordinary expenses were ¥536.8 billion, an increase of ¥79.2 billion from the previous year. Consequently, our net ordinary income was ¥23.1 billion, down ¥48.2 billion from the previous year; and our net loss for the fiscal year ended March 31, 2007, after extraordinary gains of ¥15.2 billion, extraordinary losses of ¥104.1 billion, income tax expenses (losses) of ¥3.2 billion, income tax adjustments (gains) of ¥24.6 billion, and minority interests of ¥16.6 billion, was ¥60.9 billion compared to net income of ¥76.0 billion in the previous year.

<Deposits including negotiable certificates of deposit>

For the fiscal year ended March 31, 2007, deposits increased by ¥1,026.3 billion, mainly because of sales of new-type deposit products, which led to a continued increase in deposits from retail customers. In addition, during the fiscal year ended March 31, 2007, negotiable certificates of deposit increased by ¥322.8 billion. As a result, deposits including negotiable certificates of deposit totaled ¥5,420.9 billion, up ¥1,349.1 billion from the previous fiscal year.

<Debt securities and corporate bonds>

We have continued to shift our financing emphasis from debentures to deposits to reflect our transition to an ordinary bank, and therefore our outstanding debentures have been decreasing steadily. For the fiscal year ended March 31, 2007, debentures decreased by ¥315.6 billion to ¥703.2 billion. In contrast, corporate bonds increased by ¥102.4 billion for the fiscal year ended March 31, 2007 to ¥400.4 billion, partly because of our issuance of new subordinated bonds in international markets.

<Loans and bills discounted>

We have provided a wide variety of financing solutions and focused on meeting the recovering demand for new financing against the backdrop of the steady economic outlook. In light of these varied business efforts, our outstanding loans and discounted bills totaled ¥5,146.3 billion as of March 31, 2007, an increase of ¥1,058.7 billion from the previous fiscal year.

<Securities and trading assets>

As of March 31, 2007, securities were ¥1,854.6 billion, up ¥360.1 billion from the previous fiscal year, while trading account assets increased by ¥109.8 billion to ¥303.3 billion.

<Ordinary income>

Gross interest income increased by ¥47.7 billion from the previous year to ¥172.8 billion, principally because interest on loans and bills increased by ¥22.3 billion to ¥126.8 billion largely due to the growth in loan balances, and because interest and dividend on securities increased by ¥15.4 billion to ¥32.3 billion. We have continued to promote the investment banking business as a strategic business for generating non-interest income, and our total ordinary income increased by ¥30.9 billion to ¥560.0 billion.

On the other hand, interest expenses increased by ¥34.5 billion to ¥77.3 billion and net interest income (interest income less interest expense) increased by ¥13.1 billion to ¥95.4 billion. General and administrative expenses increased due to the increase in the number of customers and transactions in the retail banking business. Further, other operating expenses increased because both our subsidiary APLUS Co., Ltd. and our equity method affiliate Shinki Co., Ltd. reserved a provision for the repayment of excess interest responding to the revised Moneylending Business Restriction Law and other developments. As a result, ordinary expenses increased by ¥79.2 billion from the previous year to ¥536.8 billion, and our net ordinary income for the fiscal year ended March 31, 2007 (ordinary income less ordinary expenses) decreased by ¥48.2 billion to ¥23.1 billion.

In addition, ordinary business profit[*], a benchmark for profits of a bank's primary business operations, amounted to ¥118.3 billion, down ¥19.3 billion from the previous fiscal year. We have been placing emphasis on our credit trading business as one of our primary businesses and have included it in our ordinary business profit. The income and losses from monetary assets held in trust are generated mainly from this business. At the same time, we have not included the amortization of consolidation goodwill and other intangibles of APLUS Co., Ltd. and Showa Leasing Co., Ltd. in our ordinary business profit.

<Net income/losses>

For the fiscal year ended March 31, 2007, extraordinary gains increased by ¥11.5 billion to ¥15.2 billion comparing to the previous year, mainly because we recorded a gain of ¥11.6 billion on the sale of shares of BlueBay Asset Management Ltd., our affiliate company, which was listed in fiscal year 2006. On the other hand, we posted impairment of goodwill and intangible assets of consolidated subsidiary APLUS Co., Ltd. in the amount of ¥85 billion (net of reversal of deferred tax liabilities), and we also recorded restructuring related expenses for APLUS Co., Ltd. As a result, extraordinary losses increased by ¥102.6 billion to ¥104.1 billion, and net loss before

[*] Ordinary business profit reflects the same items as those used to calculate non-consolidated ordinary business profit under our revitalization plan (i.e., the sum of net business income and income/losses on monetary assets held in trust, less general and administrative expenses (except one time expenses)).

income taxes and minority interests was ¥65.7 billion for the fiscal year ended March 31, 2007, while net income before income taxes and minority interests in the previous fiscal year was ¥73.7 billion.

Minority interests increased its expenses by ¥11.3 billion to ¥16.6 billion because of the dividend payment for preferred investment certificates issued by a subsidiary. Net loss after income taxes and minority interests was ¥60.9 billion for the fiscal year ended March 31, 2007, while net income after income taxes and minority interests in the previous fiscal year was ¥76.0 billion.

On a non-consolidated basis, Shinsei Bank posted a net loss after income taxes of ¥41.9 billion, while net income after income taxes and minority interests was ¥74.8 billion in the previous year. Thus, the Bank was unable to achieve net income after income taxes of ¥73.0 billion, which was the target in our revitalization plan.

<Net assets>

Total net assets as of March 31, 2007 amounted to ¥933.2 billion. Net assets are indicated from the fiscal year ended March 31, 2007 using what was traditionally shareholders' equity (¥855.3 billion of balance at the end of the previous fiscal year) plus minority shareholders' equity (¥261.8 billion of balance at the end of the previous fiscal year). We obtained 175,466,000 ordinary shares of our bank held by the Resolution and Collection Corporation in a market transaction as treasury stock in connection with the partial repayment of public money on August 17, 2006 and of these, we cancelled 85,000,000 shares on November 16, 2006. The balance of treasury stock was therefore ¥72.5 billion at March 31, 2007.

Note: Amounts representing our business results in this report have been rounded off to the nearest numeral unit presented, and all ratios have been rounded off to the first decimal place.

[Challenges to be met by the Group]

1. The targets in our revitalization plan.

The Bank recorded a consolidated net loss of ¥60.9 billion mainly because of the impairment of goodwill and intangible assets of APLUS Co., Ltd. The Bank also recorded net loss of ¥41.9 billion on non-consolidated basis because of the impairment of preferred shares of APLUS Co., Ltd. and the recording of allowances for investment losses from APLUS's common shares on a non-consolidated basis, as well as the recording of allowances for investment losses from common shares of Shinki Co., Ltd., a company which is accounted for under the equity method.

As a result, we reported results significantly below the ¥73.0 billion net income targeted in our revitalization plan for the fiscal year ended March 31, 2007. As a bank that received a capital injection from public funds, we deeply regret not having achieved the target in our revitalization plan. We aim to conduct our businesses as a group to strengthen the profit bases in each of our three strategic pillars and to improve our businesses including through efficient management of our costs.

2. We will improve our advertisements.

The Bank received a cease and desist order from the Japan Fair Trade Commission under Paragraph 1, Article 6 of the Act against Unjustifiable Premiums and Misleading Representations on March 28, 2007 because our advertisement flyer for the time deposit "Powered Time Deposit Plus," which we used from August to October 2006, had violated Item 2, Paragraph 1, Article 4 of the said act.

We believe one of the reasons why this situation arose was because of an insufficient checking system for advertisements from the viewpoint of consumers. We would like to apologize for the anxiety we caused our customers and other related parties. From December 4, 2006, we started using revised flyers that conform to the act mentioned in the above paragraph. In addition, we started using a completely new type of flyer from January 2007 that displays the advantages and risks of "Powered Time Deposit Plus" side by side on the front. Further, to prevent a similar situation from happening again, we have reviewed our advertisement checking system and establishing the "consumer advertisement checking system" as well as Advertisement Screening Committee to review our advertisements from the viewpoint of consumers. We take a grave and serious view of the cease and desist order, and we are determined to make our advertisements easier for consumers to understand.

3. We will attain long-term and stable profit growth by offering products and services that meet the needs of our customers.

The Shinsei Bank Group is actively working to develop new products and service categories to offer high value-added products and services in response to the increasingly diversified and sophisticated needs of our customers. We will continue to aim for long-term and stable profit growth by promptly offering a broad array of products and services in a timely manner that better meet the needs of our customers, and that are based on highly flexible systems that use cutting-edge technologies.

4. We will enhance the competitive edge and profitability of the Group as a whole.

Both the Bank and the Group as a whole will optimally allocate our management resources and try to attain well-balanced business operations by smoothly implementing Basel II, making our risk management more advanced, and accurately identifying potential risks and returns. By doing this while undertaking thorough streamlining initiatives, we will enhance the competitive edge and profitability of the Bank and the whole Group. In addition, we will strive to expand our businesses by effectively utilizing our capital resources while maintaining our capital quality.

On April 26, 2006, the Financial Services Agency ("FSA") took an administrative action for a one-year suspension of those operations of our consolidated subsidiary Shinsei Trust & Banking ("STB") that concern new businesses associated with the real estate trust business. This suspension is pursuant to Article 26 (1) of the Banking Law and Article 8 (2) of the Law for Trust Business of Financial Institutions. Shinsei Bank takes this matter very seriously, having strengthened the supervision for STB by establishing a business supervision committee. We have been making efforts to review and strengthen the governance compliance system of the Bank as a whole and to establish administrative and internal systems, in addition to the real estate management trust business system that was pointed out as being in need of improvement.

5. We will reinforce our corporate governance system and achieve more transparent management.

Shinsei Bank, Limited uses a company-with — committees board model, and, as such, has established a management system which enables it to reinforce its management supervision functions and make decisions expeditiously. In addition to the Board of Directors, we have a Nomination Committee, an Audit Committee, and a Compensation Committee, the majority of the members of which are outside directors, and which have the responsibility of overseeing our operations. We also delegate substantial business execution powers to the Statutory Executive Officers, in order to enable them to run the operations of the Bank in a flexible and efficient manner. We intend to further ensure our legal compliance by establishing and operating an internal control system and improving the level of our audit function, as well as strengthening our compliance system responding to the needs of improved convenience of users and customer protection. In addition, we endeavor to make timely, proper, and highly transparent disclosure that is investor-oriented.

We would like to be "Japan's preeminent financial services firm, delivering trusted solutions to grow sustainable value with our customers, our employees, and our shareholders," which is the "Shinsei Vision."

To that end, we make our employees fully aware of the concept of consistently acting in accordance with the five Shinsei Values, namely Customer Focus, Integrity, Accountability, Teamwork and Community. In addition, we will also strive to establish a new corporate brand and pursue positive CSR (Corporate Social Responsibility) activities as the important pillars of our management strategies.

In addition, having introduced the management control method called SPB (Shinsei Strategy, Plans and Budgets), we make strategic objectives, establish action plans for those objectives and manage them with budgets in an integrated manner, not only in the sales divisions but also in the back-office sections. We do this to improve the chance of realizing Shinsei visions through regular monitoring of progress. While promoting the introduction of SPB to our major subsidiaries we made efforts to confirm and share our strategies, which is the purpose of SPB, and to handle medium- and long-term issues from the viewpoint of our customers and regularly hold meetings for the management to focus more on strategies and discuss cross-sectional issues.

We appreciate your further support and insight.

(2) State of Assets, Profit and Loss

i. State of Assets, Profit and Loss of the Group

(Hundred millions of yen)

	Fiscal 2003 (4th Fiscal Period)	Fiscal 2004 (5th Fiscal Period)	Fiscal 2005 (6th Fiscal Period)	Fiscal 2006 (7th Fiscal Period)
Consolidated ordinary income	1,723	2,486	5,290	5,600
Consolidated net ordinary income	473	544	714	231
Consolidated net income	664	674	760	(609)
Consolidated shareholders' equity	7,300	7,866	8,553	9,332
Consolidated total assets	63,437	85,763	94,050	108,376

ii. State of Assets, Profit and Loss of the Bank

(Hundred millions of yen)

	Fiscal 2003 (4th Fiscal Period)	Fiscal 2004 (5th Fiscal Period)	Fiscal 2005 (6th Fiscal Period)	Fiscal 2006 (7th Fiscal Period)
Deposits	27,784	35,288	41,581	54,714
Time deposits	11,807	17,860	23,431	29,380
Others	15,976	17,428	18,150	25,334
Debentures issued	13,622	12,468	10,214	7,039
Coupon debenture	12,952	12,186	10,214	7,039
Discount debenture	670	282	—	—
Corporate bonds	—	500	4,470	5,624
Loans	32,178	34,437	39,612	50,752
To individuals	1,722	2,921	4,578	5,669
To small and medium-sized businesses	16,913	17,444	16,150	22,802
Others	13,542	14,071	18,883	22,281
Trading assets	6,334	1,668	1,733	2,841
Trading liabilities	903	642	1,290	873
Securities	15,082	18,207	18,097	20,620
Japanese government bonds	8,683	5,867	4,744	7,472
Others	6,398	12,339	13,353	13,147
Total assets	64,063	63,963	72,086	87,289
Net assets	7,292	7,889	8,530	6,588
Domestic exchange transactions	260,506	278,344	241,715	311,040
	(Millions of dollars)	(Millions of dollars)	(Millions of dollars)	(Millions of dollars)
Foreign exchange transactions	10,715	14,200	15,533	11,559
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Net ordinary income	44,806	46,697	60,497	47,146
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Net income (losses)	65,320	68,097	74,890	(41,960)
	(Yen)	(Yen)	(Yen)	(Yen)
Net income (losses) per share	45.23	47.27	52.27	(32.14)

Notes

1. In the amount shown above, figures below the first decimal place have been omitted.
2. "Deposits" and "Deposits-Others" include negotiable certificates of deposits.

3. We converted from a long-term credit bank to an ordinary bank as of April 1, 2004. In accordance with this conversion, we have begun to use a different form from Fiscal 2004 (5th Fiscal Period).

4. The "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Corporate Accounting Standard No. 5, December 9, 2005) and the "Guidelines for Application of Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Corporate Accounting Standard Guidelines No. 8, December 9, 2005) are applied from this fiscal year.

5. Net income decreased from ¥74.8 billion in fiscal year 2005 to a net loss of ¥41.9 billion in fiscal year 2006 due mainly to losses arising from impairment of ¥99.3 billion and valuation allowance of ¥15.9 billion on subsidiary shares recorded in extraordinary losses. Also, net assets decreased by ¥194.1 billion in fiscal year 2006 due mainly to purchase of treasury stock amounting to ¥136.6 billion (of which ¥63.9 billion were cancelled) in addition to losses as described above.

(3) Employees on consolidated bases

	End of this fiscal year	End of the previous fiscal year
	Number of employees (persons)	
Banking business	4,848	4,995
Securities business	126	77
Trust business	95	64
Other	295	271
Total	5,364	5,407

Note
The number of employees contains overseas local employees.

(4) State of Major Offices of the group

i. Banking Business of the Bank

① Number of business office

	End of this fiscal year	(liaison office)	End of the previous fiscal year	(liaison office)
Hokkaido • Tohoku area	2	(−)	2	(−)
Kanto area	24	(7)	24	(7)
(Tokyo metropolis)	(20	(7))	(20	(7))
Chubu area	2	(−)	2	(−)
Kinki area	7	(2)	7	(2)
Chugoku • Shikoku • Kyushu area	3	(−)	3	(−)
Domestic total	38	(9)	38	(9)
Overseas	1	(−)	1	(−)
Grand total	39	(9)	39	(9)

Notes
Besides the above, the Group has one overseas representative office (1 on March 31, 2006).

In addition, ATMs outside the branches were installed at 173 locations at the end of this fiscal year.

② Newly established business office in this fiscal year

Name of office	Address
Nihombashi Annex	1-1, Nihombashi Muromachi, 2-chome, Chuo-ku, Tokyo

③ List of agencies of the bank

None.

④ Agent activities operated by the Bank

None.

ii. Banking Business of the Group

The main company name and the main office.

Company name	Name of office	Address
APLUS Co., Ltd.	Tokyo Head office	1, Shin-ogawacho, 4-chome, Shinjuku-ku, Tokyo
Showa Leasing Co., Ltd.	Head office	12, Yotsuya 3-chome, Shinjuku-ku, Tokyo

① Number of business office

iii Securities business

The main company name and the main office

Company name	Name of office	Address
Shinsei Securities Co., Ltd.	Head office	1-8, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo

iv. Trust and Banking business

The main company name and the main office

Company name	Name of office	Address
Shinsei Trust & Banking Co., Ltd.	Head office	1-8, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo

v. Other

The main company name and the main office

Company name	Name of office	Address
Shinsei Investment Management Co., Ltd.	Head office	1-8, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo
Shinsei Servicing Company	Head office	1-8, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo

(5) Facility Investment of the Group

i. Total facility investment

Business segment	(Millions of yen) Amount
Banking business	8,933
Securities business	48
Trust business	46
Other	580
Total	9,608

ii. New establishment of important facilities

Business segment	Details	(Millions of yen) Amount
Banking Business	Sales of head office building of Showa Leasing Co., Ltd.	—

(6) Significant Parent Company and Subsidiaries

i. Parent Company

None.

ii. Subsidiaries

Name	Address	Major business	Establishment date	Capital (million)	Shinsei Shares (%)	Other
APLUS Co., Ltd.	Osaka Prefecture Osaka City	Consumer credit business	October 6, 1956	¥25,000	68.96 (68.96)	—
Showa Leasing Co., Ltd.	Tokyo Metropolis Shinjuku Ward	Leasing business	April 2, 1969	¥24,300	96.31	—
Shinsei Trust & Banking Co., Ltd.	Tokyo Metropolis Chiyoda Ward	Trust business	November 27, 1996	¥5,000	100.00	—
Shinsei Securities Co., Ltd.	Tokyo Metropolis Chiyoda Ward	Securities business	August 11, 1997	¥5,500	100.00	—

Notes

1. Fractions smaller than one million yen have been omitted.
2. Numbers included in parentheses in the "Shinsei shares" column indicate indirect holdings.
3. Shinsei has 95 consolidated subsidiaries, including the major subsidiaries listed above, as well as 27 affiliated companies that are accounted for by the equity method. In the fiscal year ended March 31, 2007, these companies generated consolidated ordinary income of ¥560.0 billion, an increase of ¥30.9 billion from the preceding fiscal year, and consolidated net losses of ¥60.9 billion compared to consolidated net income of ¥76.0 billion in the previous fiscal year.

Summary of Important Business Alliances

1. The Bank offers automated cash withdrawal services through the mutual use of ATMs under alliance relationships with the following financial institutions:

   Commercial banks:
   The Bank of Tokyo-Mitsubishi UFJ, Ltd.; Mizuho Bank, Ltd.; Sumitomo Mitsui Banking Corporation; Resona Bank, Ltd.; and Saitama Resona Bank, Ltd.

   Trust and banking companies:
   The Chuo Mitsui Trust and Banking Co., Ltd.; Mitsubishi UFJ Trust and Banking Corporation; The Sumitomo Trust and Banking Co., Ltd.; and Mizuho Trust & Banking Co., Ltd.

   Others:
   The Shoko Chukin Bank and Aozora Bank, Ltd.

2. The Bank offers cash withdrawal and depository services through ATMs under alliances with Seven Bank, Ltd.
3. The Bank offers cash withdrawal and depository services and mutual fund transfer services through the mutual use of ATMs under an alliance with Japan Post.
4. The Bank offers automated cash withdrawal services through ATMs located in railway and subway stations under alliance relationships with the following railway companies:

   Tokyo Metro Co., Ltd.; Keihin Electric Express Railway Co., Ltd.; and Kintetsu Corporation.

5. The Bank offers automated local currency cash withdrawal services through the PLUS ATM network located overseas under alliance relationships with Visa International.
6. In July 2006, the Bank established Macquarie Shinsei Advisory Co., Ltd., a fifty-fifty joint venture with Macquarie Bank, an Australian bank, as an advisory company for investing in infrastructure assets in Japan.
7. On December 12, 2006, the Bank established Guaranteed Pensions LLP with other alliance partners to solve the pension liabilities of companies through capital markets in the UK, and the Bank holds 22.5% of its equity.

8. In November 2006, the Bank entered into a business alliance with UTI Asset Management Company Pvt. Ltd., the largest investment company in India, and agreed to provide fund management services in India conducted by the UTI Group to investors in Japan.

9. In February 2006, the Bank established Rakuten Mortgage Co., Ltd, a fifty-fifty joint venture with Rakuten Co., Ltd., as a financial company specialized in home mortgages and started its operations in October 2006.

10. The Bank has an alliance with APLUS Co., Ltd., which is the bank's subsidiary and has been acting as an agent of credit card "Shinsei VISA Card" issued by APLUS Co., Ltd.

(7) State of Business Transfer, etc.

i. Significant Business Transfer, Merger and Splitting, New Establishment and Splitting

None.

ii. Significant Business Transfer of Business of Other Companies

None.

iii. Significant Acquisition of Stock, Other Equities or Stock Acquisition Rights of Other Companies

Date	Details
April 1, 2006	The Bank transferred all shares of Shinsei Sales Finance Co., Ltd. to APLUS Co., Ltd., which is the Bank's subsidiary.
July 21, 2006	As a strategic partner of Jih Sun Financial Holding Co., Ltd., a financial holding company in Taiwan, the Company obtained a total of 32.96% of the ordinary stock and preferred stock with a clause to convert to ordinary stock of Jih Sun Financial Holding on July 21, 2006.
March 26, 2007	The Bank purchased class F preferred shares of ¥20 billion issued by APLUS Co., Ltd., which is the Bank's subsidiary on March 26th, 2007.

iv. Significant Absorption and Succession of Rights and Obligations of Other Corporations' Businesses by Merger and Acquisition or Merger and Splitting

None.

(8) Other Current State of the Group

None.

2. Matters Concerning Corporate Directors

(1) States of Corporate Directors and Officers

i. Corporate Directors

(As of March 31, 2007)

Name	Position/Responsibilities, and Committee	Important Concurrent Post	Others
Thierry Porté	Director, Nomination	—	—
Junji Sugiyama	Director	—	—
Michael J. Boskin	Director (Outside) Nomination	Professor, Stanford University	—
Emilio Botín	Director (Outside) Compensation	Chairman, Grupo Santander	—
Timothy C. Collins	Director (Outside) Nomination, Compensation	CEO, Ripplewood Holdings, LLC	Resigned on February 28, 2007
J. Christopher Flowers	Director (Outside) Nomination, Compensation*	Chairman, J. C. Flowers & Co., LLC	—
Shigeru Kani	Director (Outside) Audit	Professor, Yokohama College of Commerce	—
Fred H. Langhammer	Director (Outside) Compensation	Chairman, Global Affairs, The Estée Lauder Companies, Inc.	—
Minoru Makihara	Director (Outside) Nomination*, Compensation	Senior Corporate Advisor, Mitsubishi Corporation	—
Yasuharu Nagashima	Director (Outside) Audit	Lawyer	—
Lucio A. Noto	Director (Outside) Nomination	Managing Partner, Midstream Partners, LLC	—
Nobuaki Ogawa	Director (Outside) Audit	Lawyer	—
Hiroyuki Takahashi	Director (Outside) Audit*	—	—
John S. Wadsworth, Jr.	Director (Outside) Compensation	Advisory Director, Morgan Stanley	—
Teruaki Yamamoto	Director	Director, Vice Chairman, APLUS Co., Ltd.	—

Note
Directors with * are the chairmen of their respective committees.

ii. Statutory Executive Officers

(As of March 31, 2007)

Name	Position and Responsibilities	Important Concurrent Post	Others
Thierry Porté	Representative Statutory Executive Officer, President Chief Executive Officer	—	—
Junji Sugiyama	Representative Statutory Executive Officer, Chairman	Director, Chairman of APLUS Co., Ltd.	—
Dhananjaya Dvivedi	Senior Managing Executive Officer Group Chief Information Officer Head of Banking Infrastructure Group	—	—
Rahul Gupta	Senior Managing Executive Officer Chief Financial Officer, Head of Finance Group	—	—
Masazumi Kato	Senior Managing Executive Officer Head of Institutional Banking Group	—	—
Sang-Ho Sohn	Senior Managing Executive Officer Head and Chief Executive of Institutional Banking Group	—	—
Hirotaka Terai	Senior Managing Executive Officer Head of Retail Banking Group	—	—
Junzo Tomii	Senior Managing Executive Officer Head of Institutional Banking Group	—	—
Kazumi Kojima	Managing Executive Officer Head of Corporate Affairs Group	—	—
Kazuya Fujimoto	Statutory Executive Officer Head of Public Sector Finance Sub-Group	—	—
Norio Funayama	Statutory Executive Officer GM of Office of Strategy Management	—	—
Michimasa Honda	Statutory Executive Officer GM of Financial Institutions Business and Public Sector Finance Division	—	—
Michiyuki Okano	Statutory Executive Officer Head of Operations Sub-Group, Head of Retail Services Sub-Group	—	—
Yoshikazu Sato	Statutory Executive Officer Head of Technology Sub-Group	—	—
Takashi Tsuchiya	Statutory Executive Officer GM of Osaka Branch	—	—
Satoru Katayama	Senior Managing Executive Officer, Head of Retail Banking Group	—	Resigned on January 10, 2007
Clark Graninger	Executive Vice President, Head and Chief Executive of Institutional Banking Group	—	Resigned on March 14, 2007

(2) Compensation for Corporate Directors and Officers

Classification	Compensation, etc.
Directors	¥153 million (Includes 16 million for consideration other than compensation)
Statutory Executive Officers	¥1,919 million (Includes 157 million for consideration other than compensation)
Total	¥2,072 million (Includes 173 million for consideration other than compensation)

Notes

1. The Bank did not pay director compensation to statutory executive officers that are also directors.
2. One director and two statutory executive officers who resigned between the period of a day after annual shareholders' meeting and fiscal year ended March 31, 2007 are included in this number.
3. The Bank does not pay performance-linked remuneration to directors.
4. The above-mentioned amounts include the following amounts recorded as expenses for this fiscal year in relation to stock acquisition rights granted in consideration for the execution of duties and responsibilities:

Directors:	¥ 16 million
Statutory Executive Officers:	¥157 million

5. The above-mentioned amounts include the following retirement allowances:

One Director:	¥ 3 million
Two Statutory Executive Officers:	¥69 million

6. Policies of compensation for directors and statutory executive officers determined in the Compensation Committee are as follows:

   (1) Basic Policy

   Officers' compensation to be determined based on:

   - The Officers' performance
   - The Bank's performance
   - Market competitiveness

   Officers' compensation to be determined from the Total Reward point of view.

   (2) Directors' Compensation Total Reward is to be set at a global standard level. Total Reward may consist of fixed remuneration, equity-linked awards, a retirement allowance, and other appropriate awards.

   (3) Statutory Executive Officers' Compensation
   Total Reward objectives:

   - Attract and retain high performing individuals
   - Provide appropriate incentive to improve the Bank's performance

   Total Reward may consist of fixed remuneration, performance linked remuneration, equity-linked awards, a retirement allowance and other appropriate awards. Total Reward to be determined with consideration of individual contributions to the Bank's business performance. Expatriate benefit package to be provided to expatriate Statutory Executive Officers. For this purpose, Executive Directors are classified as Statutory Executive Officers.

3. Matters concerning Outside Directors

(1) Concurrent Posts and Other Details of Outside Directors

Name	Concurrent Posts and Other Details
Michael J. Boskin	Outside Director, Exxon Mobil Corporation Outside Director, Oracle Corporation Outside Director, Vodafone Group PLC
Emilio Botín	Chairman (Executive Officer), Banco Santander Central Hispano S.A. Chairman (Executive Officer), Santander Investment S.A. Chairman (Executive Officer), Santander Chile Holding, S.A. Chairman (Executive Officer), Portal Universia S.A. & affiliates
Timothy C. Collins (1)	Chief Executive Officer (Executive Officer), Ripplewood Holdings, LLC Chief Executive Officer (Executive Officer), RHJ International S.A. Outside Director, Supresta LLC Outside Director, Commercial International Bank Outside Director, RSC Equipment Rental Outside Director, The Reader's Digest Association
J. Christopher Flowers (3)	Chairman (Executive Officer), J. C. Flowers & Co., LLC Outside Director, Enstar Group Limited Supervisory Board Member, NIBC Bank N.V. Supervisory Board Member, NIBC Holding N.V. Supervisory Board Member, HSH Nordbank AG Outside Director, Fox-Pitt, Kelton, LLC
Shigeru Kani	Affiliate Professor, Graduate School, Takushoku University
Fred H. Langhammer	Outside Director, The Walt Disney Company Outside Director, American International Group, Inc.
Minoru Makihara	Outside Director, Mitsubishi UFJ Securities Co., Ltd. Outside Director, Mitsubishi Logistics Corporation Outside Director, Mitsubishi Research Institute, Inc. Outside Director, Millea Holdings, Inc. Outside Director, International Business Machines Corporation (IBM) Outside Director, Ripplewood Holdings, LLC
Yasuharu Nagashima	Outside Director, Nippon Otis Elevator Company Outside Auditor, Isuzu Motors Limited Outside Auditor, Osaka Hilton Co., Ltd.
Lucio A. Noto	Outside Director, Altria Group, Inc. Outside Director, International Business Machines Corporation (IBM) Outside Director, United Auto Group, Inc. Outside Director, Commercial International Bank Outside Director, Stem Cell Innovations
Nobuaki Ogawa	Outside Auditor, T. HASEGAWA CO., LTD.
Hiroyuki Takahashi (2)	Outside Auditor, Matsushita Electric Industrial Co., Ltd.
John S. Wadsworth, Jr.	Partner, Manitou Ventures Chairman, Ceyuan Ventures

Notes
1. Mr. Collins resigned on February 28, 2007.
2. Mr. Takahashi will assume office as an Outside Auditor of Kyowa Hakko Kogyo Co, Ltd. in June 2007.
3. The Bank participates in certain transactions in which J.C. Flowers & Co., LLC or its affiliate acts as General Partner; Mr. Flowers is the Chairman of J.C. Flowers & Co., LLC.

There is no significant transaction between the bank and the companies at which other directors serve as executives.

(2) Major Activities of Outside Directors

Name	Term of Office	Participation in Meetings of Board of Directors Participation in Meetings of Audit Committee	Remarks at Meetings of Board of Directors and Other Activities(i)
Michael J. Boskin	7 years 1 month	Participated in all ten meetings of the Board of Directors held during this fiscal year	Provided timely and necessary remarks on agenda items, etc. in terms of economics — his specialty
Emilio Botín	6 years 11 months	Participated in three out of ten meetings of the Board of Directors held during this fiscal year	Provided timely and necessary remarks and advice mainly on agenda items related to Shinsei Bank's retail banking from his special viewpoint as an Executive Officer of a bank
Timothy C. Collins (1)	7 years	Participated in two out of nine meetings of the Board of Directors held during this fiscal year until his resignation at the end of February 2007	Provided timely and necessary remarks and advice on general agenda items and deliberations
J. Christopher Flowers	7 years 1 month	Participated in nine out of ten meetings of the Board of Directors held during this fiscal year	Provided timely and necessary remarks and advice on general agenda items and deliberations
Shigeru Kani	2 years 9 months	Participated in all ten meetings of the Board of Directors and all fifteen meetings of the Audit Committee held during this fiscal year	Provided timely and necessary remarks and advice on agenda items and deliberations in terms of risk management — his specialty
Fred H. Langhammer	1 year 9 months	Participated in eight out of ten meetings of the Board of Directors held during this fiscal year	Provided timely and necessary remarks and advice specifically on retail banking from his special viewpoint as an experienced Executive Officer in the consumer field
Minoru Makihara	7 years 1 month	Participated in eight out of ten meetings of the Board of Directors held during this fiscal year	Provided timely and necessary remarks on general agenda items based on his long experience as an Executive Officer
Yasuharu Nagashima	2 years 9 months	Participated in all ten meetings of the Board of Directors and thirteen out of fifteen meetings of the Audit Committee held during this fiscal year	Provided necessary remarks and advice on agenda items and deliberations mainly from his special viewpoint as a lawyer and experienced outside director of other companies
Lucio A. Noto	1 year 9 months	Participated in nine out of ten meetings of the Board of Directors held during this fiscal year	Provided timely and necessary remarks and advice on general agenda items and deliberations focusing on internal controls based on his long experience as an Executive Officer
Nobuaki Ogawa	1 year as a Standing Statutory Auditor and 7 years 1 month as an Outside Director	Participated in all ten meetings of the Board of Directors and all fifteen meetings of the Audit Committee held during this fiscal year	Provided necessary remarks and advice on agenda items and deliberations mainly from his special viewpoint as a lawyer and experienced outside director of other companies
Hiroyuki Takahashi	9 months	Participated in all nine meetings of the Board of Directors and all eleven meetings of the Audit Committee held during this fiscal year after assuming office in June 2006	Provided necessary remarks and advice on general agenda items and deliberations as the Chairman of the Audit Committee with extensive operational experience including experience as an auditor of other companies
John S. Wadsworth, Jr.	1 year 9 months	Participated in nine out of ten meetings of the Board of Directors held during this fiscal year	Provided timely and necessary remarks on general agenda items based on his extensive operational experience

Name	Remarks at Meetings of Board of Directors and Other Activities(ii)
Michael J. Boskin Emilio Botín Timothy C. Collins (1) J. Christopher Flowers Shigeru Kani Fred H. Langhammer Minoru Makihara Yasuharu Nagashima Lucio A. Noto Nobuaki Ogawa Hiroyuki Takahashi John S. Wadsworth, Jr.	On March 28, 2007, the Bank received a cease and desist order from the Japan Fair Trade Commission regarding a flyer for financial products for individual customers (issued from August to October 2006) that was in breach of the Act against Unjustifiable Premiums and Misleading Representations. All the Outside Directors had repeatedly called for attention to be paid to the importance of legal compliance and for the establishment of a system to that end, at the meetings of the Board of Directors or the Audit Committee. The Outside Directors have been paying attention to the fact that advertisements for individual customers have been an issue, including the facts that the Japan Fair Trade Commission had started its research and the voluntary improvement actions taken upon receiving reports on the matter at the meetings of the Board of Directors or the Audit Committee. At the meetings of the Board of Directors before the Bank received the cease and desist order, the Executive Officers reported on the matter, and the Audit Committee requested that the Bank strictly comply with any cease and desist order, and review the internal control system to establish a structure to protect customers. The Outside Directors also received reports from the Executive Officers at the meetings of the Board of Directors after the Bank received the cease and desist order and requested that the overall internal checking system, and not only the "consumer advertisement checking system," the system introduced as the preventative measures in which advertisements of the Bank are checked from the viewpoint of customers, be improved. The need to implement preventive measures to ensure that similar sanctions would not recur was acknowledged in the Board discussion.

Note
1. Mr. Collins resigned on February 28, 2007.

(3) Agreement for Limitation on Liability

Name	Overview of Contents of Agreement for Limitation on Liability
Michael J. Boskin Emilio Botín Timothy C. Collins (1) J. Christopher Flowers Shigeru Kani Fred H. Langhammer Minoru Makihara Yasuharu Nagashima Lucio A. Noto Nobuaki Ogawa Hiroyuki Takahashi John S. Wadsworth, Jr.	The Outside Directors' liability for any damage caused through neglect of their duties and responsibilities shall be limited to the amount specified in Article 427, Paragraph 1 of the Corporation Act. If the Bank suffers damage as a result of such neglect, the Outside Directors shall be liable up to the lowest maximum liability provided for in Article 425, Paragraph 1 of the Corporation Act, provided that there should be no willful misconduct or gross negligence involved in their duties and responsibilities.

Note
1. Mr. Collins resigned on February 28, 2007.

(4) Compensation, etc. for Outside Directors

	Compensation received from the Bank	Compensation received from the Bank's parent company and other related bodies.
Total of compensation, etc.	¥153 million (of which, amount other than compensation: ¥16 million)	—

Notes

1. This includes compensation for Timothy C. Collins, who resigned in February 2007.
2. The above amount includes a retirement allowance of ¥3 million for an outside director paid during this fiscal year.
3. The amount other than compensation of ¥16 million is the amount recorded as expenses for stock acquisition rights granted to outside directors in consideration for the execution of their duties and responsibilities.

(5) Opinions from Outside Directors

None.

4. Common and Preferred Shares of the Bank

(1) The Number of Common and Preferred Shares

- Number of shares authorized

Common shares	2,500,000,000
Class A preferred shares	74,528,000
Class B preferred shares	600,000,000

- Number of shares issued

Common shares	1,473,570,000
Class A preferred shares	74,528,000
Class B preferred shares	300,000,000

(2) The Number of Shareholders at the End of the Current Fiscal Year

Common shares	54,939
Class A preferred shares	1
Class B preferred shares	1

(3) Major Shareholders

a) Common shares

Shareholder's name	Investment in the Bank	
	Number of common shares	Shareholding percentage
THE CHASE MANHATTAN BANK, N. A. LONDON	133,306,000	9.04%
STATE STREET BANK AND TRUST COMPANY	110,122,000	7.47%
SHINSEI BANK, LIMITED	96,418,000	6.54%
SANTANDER INVESTMENT SA, C. CENTRAL VALORES	65,184,000	4.42%
STATE STREET BANK AND TRUST COMPANY 505103	48,502,000	3.29%
UBS-FINANCIAL SRV INC SPECIAL RESERVE ACCT-EXCLUSIVE BBNE CUS	44,138,000	2.99%
ASTYANAX CORPORATION	44,138,000	2.99%
THE MASTER TRUST BANK OF JAPAN LTD. (TRUST ACCOUNT)	39,131,000	2.65%
JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT)	29,846,000	2.02%
MELLON BANK, N. A. AS AGENT FOR ITS CLIENT MELLOM OMNIBUS US PENSION	28,219,000	1.91%
THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT	22,810,000	1.54%

Notes:

1. The number of common shares shown has been rounded down to thousands of shares.
2. Percentages of investment have been rounded down to the second decimal place.
3. The Bank has been notified that the shares under the name "UBS-FINANCIAL SRV INC SPECIAL RESERVE ACCT-EXCLUSIVE BBNE CUS" are actually held by Mr. J. Christopher Flowers, a director of the Bank.
4. The Bank has been notified that the shares under the name "Astyanax Corporation 380098" are actually held by Mr. J. Christopher Flowers, a director of the Bank.
5. Barclays Global Investors Japan Trust & Banking Co., Ltd. and other co-holders (totaling 9 companies) have filed a large shareholding report with the head of the Kanto Local Finance Bureau on January 9, 2007 (the filing obligation arose on December 31, 2006), which describes that the total number of common shares held by the co-holders is 108,046,100; however, as it is not feasible to confirm the name of the shareholders and the actual number of shares held, the above information is based on the register of shareholders.
6. Morgan Stanley Japan Securities Co., Ltd. and other co-holders (totaling 6 companies) have filed the amendment report No. 1 with the head of the Kanto Local Finance Bureau on January 22, 2007 (the filing obligation arose on January 15, 2007), which describes that the total number of common shares held by the co-holders is 100,388,528; however, as it is not feasible to confirm the name of the shareholders and the actual number of shares held, the above information is based on the register of shareholders.
7. Templeton Global Advisors Limited and other co-holders (totaling 3 companies) have filed the amendment report No. 1 with the head of the Kanto Local Finance Bureau on February 7, 2007 (the filing obligation arose on January 31, 2007), which describes that the total number of common shares held by the co-holders is 136,287,139; however, as it is not feasible to confirm the name of the shareholders and the actual number of shares held, the above information is based on the register of shareholders.

b) Class A preferred shares

Shareholder's name	Investment in the Bank	
	Number of shares	Shareholding percentage
Deposit Insurance Corporation	74,528,000	100.00%

c) Class B preferred shares

Shareholder's name	Investment in the Bank: Number of shares	Investment in the Bank: Shareholding percentage
Resolution and Collection Corporation	74,528,000	100.00%

5. Stock Acquisition Rights of the Bank

(1) Stock acquisition rights of the Bank owned by the directors and officers of the Bank as of the end of the fiscal year ended March 31, 2007

	Stock Acquisition Rights No. 1	Stock Acquisition Rights No. 4
Resolution date of Board of Directors meeting	June 24, 2004	May 24, 2005
Issuing date	July 1, 2004	June 1, 2005
Number of the stock acquisition rights issued	9,455	250
Held by Directors and Statutory Executive Officers (excluding outside directors)	1,005/13 persons	250/1 person
Held by outside directors	—	—
Class and number of shares that are subject of stock acquisition rights	Common stock/6,781,000 shares (1,000 shares per stock acquisition right)	Common stock/250,000 shares (1,000 shares per stock acquisition right)
Amount per a share to be paid upon exercising the stock acquisition rights	684 yen	551 yen
Exercise period of stock acquisition rights	From July 1, 2006 to June 23, 2014	From July 1, 2006 to June 23, 2014
Conditions for exercising stock acquisition rights	1) In case a Stock Acquisition Rights holder dies and its legal heir completes the succession procedures within a term fixed by the Bank, Stock Acquisition Rights may be inherited by the legal heir of the Stock Acquisition Rights holder. 2) Stock Acquisition Rights holders may exercise their rights between July 1, 2006 and June 30, 2007 with respect to only one half of Stock Acquisition Rights granted to them (any amount less than one shall be rounded up). 3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other ways. 4) Other conditions shall be stipulated in the "Agreement on the grant of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the 4th Annual General Meeting of Shareholders of the Bank and each Board of Directors meeting held on the day shown above.	1) In case a Stock Acquisition Rights holder dies and its legal heir completes the succession procedures within a term fixed by the Bank, Stock Acquisition Rights may be inherited by the legal heir of the Stock Acquisition Rights holder. 2) Stock Acquisition Rights holders may exercise their rights between July 1, 2006 and June 30. 2007 with respect to only one half of Stock Acquisition Rights granted to them (any amount less than one shall be rounded up). 3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other ways. 4) Other conditions shall be stipulated in the "Agreement on the grant of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the 4th Annual General Meeting of Shareholders of the Bank and each Board of Directors held on the day shown above.
Favorable terms	Stock Acquisition Rights that have been issued without charge.	

	Stock Acquisition Rights No. 5	Stock Acquisition Rights No. 6
Resolution date of Board of Directors meeting	June 24, 2005	June 24, 2005
Issuing date	June 27, 2005	June 27, 2005
Number of the stock acquisition rights issued	4,922	2,856
Held by Directors and Statutory Executive Officers (excluding outside directors)	703/12 persons	1,241/4 persons
Held by outside directors	250/10 persons	—
Class and number of shares that are subject of stock acquisition rights	Common stock/3,917,000 shares (1,000 shares per stock acquisition right)	Common stock/2,548,000 shares (1,000 shares per stock acquisition right)
Amount per a share to be paid upon exercising the stock acquisition rights	601 yen	601 yen
Exercise period of stock acquisition rights	From July 1, 2007 To June 23, 2015	July 1, 2005 June 23, 2015
Conditions for exercising stock acquisition rights	1) In case a Stock Acquisition Rights holder dies and its legal heir completes the succession procedures within a term fixed by the Bank, Stock Acquisition Rights may be inherited by the legal heir of the Stock Acquisition Rights holder. 2) Basically Stock Acquisition Rights holders may exercise their rights between July 1, 2007 and June 30, 2008 with respect to only a half of the number of Stock Acquisition Rights granted to them (any amount less than one shall be rounded up). However, the entire Stock Acquisition Rights may be exercisable from the first day of the exercise period in accordance with the provisions of the "Agreement on the Grant of Stock Acquisition Rights." 3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other ways. 4) Other conditions shall be stipulated in the "Agreement on the grant of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the 5th Annual General Meeting of Shareholders of the Bank and each Board of Directors held on the day shown above.	1) In case a Stock Acquisition Rights holder dies and its legal heir completes the succession procedures within a term fixed by the Bank, Stock Acquisition Rights may be inherited by the legal heir of the Stock Acquisition Rights holder. 2) Generally Stock Acquisition Rights shall be exercised after July 1, 2007 and also the Stock Acquisition Rights holders may exercise their rights between July 1, 2007 and June 30, 2008 with respect to only a half of the number of Stock Acquisition Rights (any amount less than one shall be rounded up). However, the entire Stock Acquisition Rights may be exercisable from the first day of the exercise period in accordance with the provisions of the "Agreement on the Grant of Stock Acquisition Rights." 3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other ways. 4) Other conditions shall be stipulated in the "Agreement on the grant of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the 5th Annual General Meeting of Shareholders of the Bank and each Board of Directors held on the day shown above.
Favorable terms	Stock Acquisition Rights that have been issued without charge.	

	Stock Acquisition Rights No. 7	Stock Acquisition Rights No. 8
Resolution date of Board of Directors meeting	June 24, 2005	June 24, 2005
Issuing date	June 27, 2005	June 27, 2005
Number of the stock acquisition rights issued	1,287	561
Held by Directors and Statutory Executive Officers (excluding outside directors)	176/9 persons	84/2 persons
Held by outside directors	—	—
Class and number of shares that are subject of stock acquisition rights	Common stock/1,037,000 shares (1,000 shares per stock acquisition right)	Common stock/432,000 shares (1,000 shares per stock acquisition right)
Amount per a share to be paid upon exercising the stock acquisition rights	601 yen	601 yen
Exercise period of stock acquisition rights	From July 1, 2007 to June 23, 2015	From July 1, 2005 to June 23, 2015
Conditions for exercising stock acquisition rights	1) In case a Stock Acquisition Rights holder dies and its legal heir completes the succession procedures within a term fixed by the Bank, Stock Acquisition Rights may be inherited by the legal heir of the Stock Acquisition Rights holder. 2) Basically the Stock Acquisition Rights shall be exercised after July 1, 2008 and also the Stock Acquisition Rights holders may exercise their rights between July 1, 2008 and June 30, 2010 with respect to only a half of the number of Stock Acquisition Rights (any amount less than one shall be rounded up). However, the entire Stock Acquisition Rights may be exercisable from the first day of the exercise period in accordance with the provisions of the "Agreement on the Grant of Stock Acquisition Rights." 3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other ways. 4) Other conditions shall be stipulated in the "Agreement on the grant of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the 5th Annual General Meeting of Shareholders of the Bank and each Board of Directors held on the day shown above.	1) In case a Stock Acquisition Rights holder dies and its legal heir completes the succession procedures within a term fixed by the Bank, Stock Acquisition Rights may be inherited by the legal heir of the Stock Acquisition Rights holder. 2) Generally the Stock Acquisition Rights shall be exercised after July 1, 2008 and also the Stock Acquisition Rights holders may exercise their rights between July 1, 2008 and June 30, 2010 with respect to only a half of the number of Stock Acquisition Rights (any amount less than one shall be rounded up). However, the entire Stock Acquisition Rights may be exercisable from the first day of the exercise period in accordance with the provisions of the "Agreement on the Grant of Stock Acquisition Rights." 3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other ways. 4) Other conditions shall be stipulated in the "Agreement on the grant of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the 5th Annual General Meeting of Shareholders of the Bank and each Board of Directors held on the day shown above.
Favorable terms	Stock Acquisition Rights that have been issued without charge.	

	Stock Acquisition Rights No. 9	Stock Acquisition Rights No. 10
Resolution date of Board of Directors meeting	September 23, 2005	September 23, 2005
Issuing date	September 28, 2005	September 28, 2005
Number of the stock acquisition rights issued	157	53
Held by Directors and Statutory Executive Officers (excluding outside directors)	108/1 person	36/1 person
Held by outside directors	—	—
Class and number of shares that are subject of stock acquisition rights	Common stock/157,000 shares (1,000 shares per stock acquisition right)	Common stock/53,000 shares (1,000 shares per stock acquisition right)
Amount per a share to be paid upon exercising the stock acquisition rights	697 yen	697 yen
Exercise period of stock acquisition rights	From July 1, 2007 to June 23, 2015	From July 1, 2007 to June 23, 2015
Conditions for exercising stock acquisition rights	1) In case a Stock Acquisition Rights holder dies and its legal heir completes the succession procedures within a term fixed by the Bank, Stock Acquisition Rights may be inherited by the legal heir of the Stock Acquisition Rights holder. 2) Basically Stock Acquisition Rights holders may exercise their rights between July 1, 2007 and June 30, 2008 with respect to only a half of the number of Stock Acquisition Rights granted to them (any amount less than one shall be rounded up). However, the entire Stock Acquisition Rights may be exercisable from the first day of the exercise period in accordance with the provisions of the 'Agreement on the Grant of Stock Acquisition Rights.' 3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other ways. 4) Other conditions shall be stipulated in the "Agreement on the grant of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the 5th Annual General Meeting of Shareholders of the Bank and each Board of Directors held on the day shown above.	1) In case a Stock Acquisition Rights holder dies and its legal heir completes the succession procedures within a term fixed by the Bank, Stock Acquisition Rights may be inherited by the legal heir of the Stock Acquisition Rights holder. 2) Generally the Stock Acquisition Rights shall be exercised after July 1, 2008 and also the Stock Acquisition Rights holders may exercise their rights between July 1, 2008 and June 30, 2010 with respect to only a half of the number of Stock Acquisition Rights (any amount less than one shall be rounded up). However, the entire Stock Acquisition Rights may be exercisable from the first day of the exercise period in accordance with the provisions of the 'Agreement on the Grant of Stock Acquisition Rights.' 3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other ways. 4) Other conditions shall be stipulated in the "Agreement on the grant of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the 5th Annual General Meeting of Shareholders of the Bank and each Board of Directors held on the day shown above.
Favorable terms	Stock Acquisition Rights that have been issued without charge.	

	Stock Acquisition Rights No. 13	Stock Acquisition Rights No. 14
Resolution date of Board of Directors meeting	May 23, 2006	May 23, 2006
Issuing date	May 25, 2006	May 25, 2006
Number of the stock acquisition rights issued	5,342	3,027
Held by Directors and Statutory Executive Officers (excluding outside directors)	673/15 persons	1,659/3 persons
Held by outside directors	250/10 persons	—
Class and number of shares that are subject of stock acquisition rights	Common stock/4,676,000 shares (1,000 shares per stock acquisition right)	Common stock/2,680,000 shares (1,000 shares per stock acquisition right)
Amount per a share to be paid upon exercising the stock acquisition rights	825 yen	825 yen
Exercise period of stock acquisition rights	From June 1, 2008 to June 23, 2015	June 1, 2006 to June 23, 2015
Conditions for exercising stock acquisition rights	1) If Stock Acquisition Rights holders die and their legal heirs complete the succession procedures within the period fixed by the Bank, the Stock Acquisition Rights may be inherited by those legal heirs. 2) Stock Acquisition Rights holders may exercise their rights between June 1, 2008 and May 31, 2009 with respect to only half of the Stock Acquisition Rights granted to them (any fractional amounts shall be rounded up). However, the entire Stock Acquisition Rights may be exercisable from the first day of the exercise period in accordance with the provisions of the 'Agreement on the Grant of Stock Acquisition Rights.' 3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other way. 4) Other conditions shall be stipulated in the "Agreement on the Grant of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the 5th Annual General Meeting of Shareholders of the Bank held on June 24, 2005, and the Board of Directors Meeting held on the day shown above.	1) If Stock Acquisition Rights holders die and their legal heirs complete the succession procedures within the period fixed by the Bank, the Stock Acquisition Rights may be inherited by those legal heirs. 2) Stock Acquisition Rights holders may in principle exercise their rights on or after June 1, 2008, and they may exercise their rights between June 1, 2008 and May 31, 2009 with respect to only half of the number of Stock Acquisition Rights granted to them (any fractional amounts shall be rounded up). However, the entire Stock Acquisition Rights may be exercisable from the first day of the exercise period in accordance with the provisions of the "Agreement on the Grant of Stock Acquisition Rights." 3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other way. 4) Other conditions shall be stipulated in the "Agreement on the Grant of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the 5th Annual General Meeting of Shareholders of the Bank held on June 24, 2005, and the Board of Directors Meeting held on the day shown above.
Favorable terms	Stock Acquisition Rights that have been issued without charge.	

	Stock Acquisition Rights No. 15
Resolution date of Board of Directors meeting	May 23, 2006
Issuing date	May 25, 2006
Number of the stock acquisition rights issued	1,439
Held by Directors and Statutory Executive Officers (excluding outside directors)	193/12 persons
Held by outside directors	—
Class and number of shares that are subject of stock acquisition rights	Common stock/1,258,000 shares (1,000 shares per stock acquisition right)
Amount per a share to be paid upon exercising the stock acquisition rights	825 yen
Exercise period of stock acquisition rights	From June 1, 2008 to June 23, 2015
Conditions for exercising stock acquisition rights	1) If Stock Acquisition Rights holders die and their legal heirs complete the succession procedures within the period fixed by the Bank, the Stock Acquisition Rights may be inherited by those legal heirs. 2) Stock Acquisition Rights holders may in principle exercise their rights on or after June 1, 2009, and they may exercise their rights between June 1, 2009 and May 31, 2011 with respect to only half of the number of Stock Acquisition Rights granted to them (any fractional amounts shall be rounded up). However, the entire Stock Acquisition Rights may be exercisable from the first day of the exercise period in accordance with the provisions of the "Agreement on the Grant of Stock Acquisition Rights." 3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other way. 4) Other conditions shall be stipulated in the "Agreement on the Grant of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the 5th Annual General Meeting of Shareholders of the Bank held on June 24, 2005, and the Board of Directors Meeting held on the day shown above.
Favorable terms	Stock Acquisition Rights that have been issued without charge.

(2) Stock Acquisition Rights of the Bank issued to the employees, etc. during the fiscal year ended March 31, 2007

	Stock Acquisition Rights No. 13	Stock Acquisition Rights No. 14
Resolution date of Board of Directors meeting	May 23, 2006	May 23, 2006
Issuing date	May 25, 2006	May 25, 2006
Number of the stock acquisition rights issued	5,342	3,027
Number of rights issued to the employees	4,384/559 persons	1,319/28 persons
Number of rights issued to the corporate directors and employees of (consolidated) subsidiaries.	—	—
Class and number of shares that are subject of stock acquisition rights	Common stock/5,342,000 shares (1,000 shares per stock acquisition right)	Common stock/3,027,000 shares (1,000 shares per stock acquisition right)
Amount per a share to be paid upon exercising the stock acquisition rights	825 yen	825 yen
Exercise period of stock acquisition rights	From June 1, 2008 to June 23, 2015	From June 1, 2006 to June 23, 2015
Conditions for exercising stock acquisition rights	1) If Stock Acquisition Rights holders die and their legal heirs complete the succession procedures within the period fixed by the Bank, the Stock Acquisition Rights may be inherited by those legal heirs. 2) Stock Acquisition Rights holders may exercise their rights between June 1, 2008 and May 31, 2009 with respect to only half of the Stock Acquisition Rights granted to them (any fractional amounts shall be rounded up). However, the entire Stock Acquisition Rights may be exercisable from the first day of the exercise period in accordance with the provisions of the "Agreement on the Grant of Stock Acquisition Rights." 3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other way. 4) Other conditions shall be stipulated in the "Agreement on the Grant of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the 5th Annual General Meeting of Shareholders of the Bank held on June 24, 2005, and the Board of Directors Meeting held on the day shown above.	1) If Stock Acquisition Rights holders die and their legal heirs complete the succession procedures within the period fixed by the Bank, the Stock Acquisition Rights may be inherited by those legal heirs. 2) Stock Acquisition Rights holders may in principle exercise their rights on or after June 1, 2008, and they may exercise their rights between June 1, 2008 and May 31, 2009 with respect to only half of the number of Stock Acquisition Rights granted to them (any fractional amounts shall be rounded up). However, the entire Stock Acquisition Rights may be exercisable from the first day of the exercise period in accordance with the provisions of the "Agreement on the Grant of Stock Acquisition Rights." 3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other way. 4) Other conditions shall be stipulated in the "Agreement on the Grant of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the 5th Annual General Meeting of Shareholders of the Bank held on June 24, 2005, and the Board of Directors Meeting held on the day shown above.
Favorable terms	Stock Acquisition Rights that have been issued without charge.	

	Stock Acquisition Rights No. 15	Stock Acquisition Rights No. 16
Resolution date of Board of Directors meeting	May 23, 2006	May 23, 2006
Issuing date	May 25, 2006	May 25, 2006
Number of the stock acquisition rights issued	1,439	331
Number of rights issued to the employees	1,250/159 persons	331/19 persons
Number of rights issued to the corporate directors and employees of (consolidated) subsidiaries.	—	—
Class and number of shares that are subject of stock acquisition rights	Common stock/1,439,000 shares (1,000 shares per stock acquisition right)	Common stock/331,000 shares (1,000 shares per stock acquisition right)
Amount per a share to be paid upon exercising the stock acquisition rights	825 yen	825 yen
Exercise period of stock acquisition rights	From June 1, 2008 to June 23, 2015	From June 1, 2006 to June 23, 2015
Conditions for exercising stock acquisition rights	1) If Stock Acquisition Rights holders die and their legal heirs complete the succession procedures within the period fixed by the Bank, the Stock Acquisition Rights may be inherited by those legal heirs. 2) Stock Acquisition Rights holders may in principle exercise their rights on or after June 1, 2009, and they may exercise their rights between June 1, 2009 and May 31, 2011 with respect to only half of the number of Stock Acquisition Rights granted to them (any fractional amounts shall be rounded up). However, the entire Stock Acquisition Rights may be exercisable from the first day of the exercise period in accordance with the provisions of the "Agreement on the Grant of Stock Acquisition Rights." 3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other way. 4) Other conditions shall be stipulated in the "Agreement on the Grant of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the 5th Annual General Meeting of Shareholders of the Bank held on June 24, 2005, and the Board of Directors Meeting held on the day shown above.	1) If Stock Acquisition Rights holders die and their legal heirs complete the succession procedures within the period fixed by the Bank, the Stock Acquisition Rights may be inherited by those legal heirs. 2) Stock Acquisition Rights holders may in principle exercise their rights on or after June 1, 2009, and they may exercise their rights between June 1, 2009 and May 31, 2011 with respect to only half of the number of Stock Acquisition Rights granted to them (any fractional amounts shall be rounded up). However, the entire Stock Acquisition Rights may be exercisable from the first day of the exercise period in accordance with the provisions of the "Agreement on the Grant of Stock Acquisition Rights." 3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other way. 4) Other conditions shall be stipulated in the "Agreement on the Grant of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the 5th Annual General Meeting of Shareholders of the Bank held on June 24, 2005, and the Board of Directors Meeting held on the day shown above.
Favorable terms	Stock Acquisition Rights that have been issued without charge.	

Notes

The number of stock acquisition rights includes the number of rights issued to employees who became directors after issuance of the stock acquisition rights. This number is also included in (1) Stock acquisition rights of the Bank owned by the corporate directors of the Bank as of the end of the fiscal year ended March 31, 2007.

6. Matters concerning Shinsei's Independent Accounting Auditor

(1) State of Shinsei's Independent Accounting Auditor

Name	Fees for This Fiscal Year (millions of yen)			Others
Deloitte Touche Tohmatsu		Audit certification business	¥290	Business other than audit certification business includes research and report of internal control system for capital adequacy ratio.
		Business other than audit certification business	¥ 6	
		Total fees	¥296	

Notes

1. Yoriko Goto and Shigeru Miyazaki are designated employees.
2. The audit certification business is the business that falls under Paragraph 1, Article 2 of the Certified Public Accountant Law.
3. Compensation for independent accounting auditors of the bank and the consolidated subsidiaries of the bank for this fiscal year is as follows.

Fees for This Fiscal Year (millions of yen)		
	Audit certification business	¥471
	Business other than audit certification business	¥ 10
	Total fees	¥481

(2) Agreement for Limitation on Liability

None.

(3) Other Matters Concerning Shinsei's Independent Accounting Auditor

i) Policy to determine dismissal or non-reassignment of independent accounting auditor

The Audit Committee has a policy to discuss the dismissal or non-reassignment of the independent accounting auditor if it falls under any of the following categories. In addition, the Audit Committee' policy is to make necessary resolutions when dismissal or the non-reassignment is appropriate.

1. It infringes on any of the provisions in each item of Paragraph 3, Article 337 of the Corporation Act.
2. It falls under any of the provisions in each item of Paragraph 1, Article 340 of the Corporation Act.
3. The proper execution of the business by the independent accounting auditor is otherwise deemed to have been difficult.

ii) Policy concerning exercise of authorities granted to the Board of Directors in accordance with the provisions of the Articles of Incorporation under the provision of Paragraph 1, Article 459 of the Corporation Act

We plan to exercise the authorities granted to the Board of Directors in accordance with Article 35 of our Articles of Incorporation under the provision of Paragraph 1, Article 459 of the Corporation Act from the viewpoint of flexible and mobile capital policy implementation, taking into consideration the soundness, stability and efficiency of finance.

Further, our dividend policy in the medium to long term is to pay a predetermined dividend for preferred stock. Our basic policy for ordinary stock is to distribute profits to shareholders based on the global standard considering profit trends, management results, and our future prospects. We will, however, determine our policies in a comprehensive manner in accordance with the revitalization plan that govern banks that have received public funds, while also paying attention to the balance between stability and retained earnings.

7. Basic policy for persons who determine financial and business policies

None.

8. Systems to Ensure Business Relevance

As for the systems to ensure business relevance (internal control systems) to be resolved by the Board of Directors of the company with committees in accordance with Section 1 b and e of Paragraph 1 of Article 416 of the Corporation Act and Paragraphs 1 and 2 of Article 112 of the Enforcement Regulations of the Corporation Act, we determine those matters in detail mainly in the “Internal Control Rules” and their related rules pursuant to the Board of Directors’ resolutions. The Statutory Executive Officers are obligated to establish and operate the internal control system for their business in charge, and all the Statutory Executive Officers and employees are obligated to follow them. The outline of the system is as follows.

The Board of Directors resolved the “Internal Control Rules” as the matter required to implement operations of the Audit Committee provided for in the former Commercial Code and the Enforcement Regulations of the Commercial Code to establish internal control systems when we shifted to a company with committees based on the former Commercial Code and the former Law for Special Exemptions to the Commercial Code Concerning Audit, etc. of Stock Companies in July 2004. Following the execution of the Corporation Act in May 2006, we made revisions required for the “Internal Control Rules,” and the Board of Directors newly made a resolution on the matter.

(1) Matters concerning Directors and employees in the duties and responsibilities of the Audit Committee (Section 1, Paragraph 1, Article 112 of the Enforcement Regulations of the Corporation Act)

It is stipulated that the Office of Audit Committee shall be established to assist in the performance of the duties and responsibilities of the Audit Committee; and the General Manager of the Office of Audit Committee, the head of the Office of Audit Committee, and the employees belonging to the Audit Committee appointed by the Board of Directors shall be employees who should assist in the duties and responsibilities of the Audit Committee (“Assistants”). The Assistants have an obligation to report to the Audit Committee on the results of their businesses.

(2) Matters concerning the independence of Directors and employees provided for in the previous paragraph (Section 2, Paragraph 1, Article 112 of the Enforcement Regulations of the Corporation Act)

The Office of Audit Committee directly reports to the Audit Committee, which is established as an independent organization from each Statutory Executive Officer and business execution. In addition, the appointment, removal, reassignment, or other change of the Assistants shall be determined by the Board of Directors upon consent of the Audit Committee. Revisions of wages and other allowances for the Assistants are subject to the prior consent of the Audit Committee.

(3) System for Statutory Executive Officers and employees to report to the Audit Committee and systems for reporting other matters to the Audit Committee (Section 3, Paragraph 1, Article 112 of the Enforcement Regulations of the Corporation Act)

If any Statutory Executive Officers or employees become aware of any facts that could cause the Bank substantial damage, they must report on such facts and other matters designated by the Board of Directors or the Audit Committee without delay. The said report shall be made to the Audit Committee directly by Statutory Executive Officers and through the Office of Audit Committee by employees in writing in principle. The Office of Audit Committee listens to the opinions of the Statutory Executive Officers or employees who have reported in the manner described above in accordance with the order from the Audit Committee or the Audit Committee member previously designated.

(4) Other systems to ensure effective auditing by the Audit Committee (Section 4, Paragraph 1, Article 112 of the Enforcement Regulations of the Corporation Act)

It is stipulated that the Statutory Executive Officers and employees shall cooperate on auditing by the Audit Committee and may not act in a manner to prevent such cooperation, and the Audit Committee may use external professionals as required within the range permitted by law, at the expense of the Bank.

(5) Systems to ensure that Statutory Executive Officers and employees execute their duties and responsibilities in conformity with the applicable laws, ordinances, regulations and the Articles of Incorporation (Paragraph 1-e, Article 416 of the Corporation Act; Section 4, Paragraph 2, Article 112 of the Enforcement Regulations of the Corporation Act)

We have established the "Shinsei Bank Code of Conduct" as a base for systems to ensure that the Statutory Executive Officers and employees execute their duties and responsibilities in conformity with the applicable laws, ordinances, regulations, and the Articles of Incorporation and all Directors and employees must comply with it.

The "Shinsei Bank Code of Conduct" stipulates that anyone breaching laws, regulations, or internal rules could be subject to disciplinary action including dismissal, and Directors and employees are obligated to promptly report any breaches of laws, regulations, or internal rules. In addition, all the Directors and employees are required to regularly pledge and affirm in writing that they understand and comply with the Code of Conduct. Actions of Directors and employees have been regulated in detail in the individual internal rules as required under the Code of Conduct.

(6) Systems for retention and management of information regarding the execution of the duties and responsibilities of the Statutory Executive Officers (Section 1, Paragraph 2, Article 112 of the Enforcement Regulations of the Corporation Act)

We must retain and manage the information regarding the execution by the Statutory Executive Officers of their duties and responsibilities with the due care required for each type of storage media so that it is not divulged, and we must also provide it to the Audit Committee from time to time upon request. In addition, we must manage information regarding the execution of the duties and responsibilities of the Statutory Executive Officers and employees pursuant to the "Information Security Policy" established by the Bank.

The objectives of the "Information Security Policy" are to recognize information as an important asset, and apporopriately manage and protect information assets. In addition, we define information security as apporopriately managing information assets based on their characteristics and ensuring and maintaining their confidentiality, completeness, and usability, and the purpose of the "Information Security Policy" is to realize information security described above. The Policy stipulates the legal compliance, granting of access authorities based on the principle of minimal disclosure, establishing and operating of the required systems, classification and management of information assets, and implementation of education and training, etc.

(7) Risks of loss management regulations and other systems (Section 2, Paragraph 2, Article 112 of the Enforcement Regulations of the Corporation Act)

The "Shinsei Bank Risk Management Policy" has been prescribed as the basis for risk of loss management, and we have constructed the risk management system based on the Policy.

The basic policy for monitoring the total risks held by the Bank and the Bank group and actively managing them has been determined in the "Shinsei Bank Risk Management Policy," and the system for the risk control is based on the integration of the "macro approach" (distribution and evaluation of capital and resources by the management organization) and the "standardized operation management framework" (a progressively decentralized transaction approval process). The Policy stipulates as the specific "operation management framework" 1) risk classifications including credit risks, market risks, liquidity risks, operational risks, and investment risks, 2) formation, objectives, missions, and functions of various committee organizations responding to risks including the Risk and Investment Committee, Credit Committee, ALM/Market Risk Committee, and New Business and Product Committee and 3) functions, roles and responsibilities of the risk control division.

(8) Systems to ensure that the Statutory Executive Officers efficiently execute their duties and responsibilities (Section 3, Paragraph 2, Article 112 of the Enforcement Regulations of the Corporation Act)

Statutory Executive Officers are to execute their daily duties and responsibilities in accordance with the "Regulations of the Statutory Executive Officers" that stipulate the duties and responsibilities of the Statutory Executive Officers.

The "Regulations of the Statutory Executive Officers" provide for basic matters to ensure the efficient execution of the duties and responsibilities of the Statutory Executive Officers including the legal compliance, obligation of care of a good manager and duty of loyalty, duty not to compete, prohibition of actions of conflict of interest, duty of reporting to the Board of Directors, responsive actions to be taken if significant damage is likely to be caused to the Bank, storage and management of information for the execution of duties and responsibilities, and the selection and dismissal of the Statutory Executive Officers.

(9) Systems to ensure business relevance of the corporate group consisting of a stock corporation, its parent company, and subsidiaries (Section 5, Paragraph 1, Article 112 of the Enforcement Regulations of the Corporation Act)

To ensure our business operations are consistent with our overall management policies, business plans, and risk and compliance control, we have determined the division in charge of each subsidiary, and established systems in which the divisions in charge of subsidiaries instruct and manage the overall management of each subsidiary and affiliated company. In addition, we conduct the management instruction and control of our subsidiaries and affiliated companies in accordance with our "Subsidiaries and Affiliates Policy."

The objective of the "Subsidiaries and Affiliates Policy" is to maximize our group value in the management of our subsidiaries and affiliated companies (including relevant management control contributing to minimizing various risks for such matters as our group reputation). The Policy provides for the management instruction and control of the subsidiaries and affiliated companies including the roles and responsibilities of the divisions in charge of subsidiaries and affiliated companies and other related divisions of the Bank, responsibilities of subsidiaries and affiliated companies, responsibilities of our Directors and employees involved with our subsidiaries and affiliated companies, and other responsibilities of our Directors and employees.

In order to inspect how the above-mentioned internal control system is being implemented, the Internal Audit Division conducts internal audits in accordance with the "Internal Audit Policy" established by the Bank and submits reports on the results to the Statutory Executive Officer/President and the Audit Committee.

9. Matters concerning accountants

None.

10. Others

None.

SHINSEI BANK, LIMITED, AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
As of March 31, 2007

	Millions of yen
ASSETS	
Cash and due from banks	¥448,554
Call loans	43,100
Collateral related to securities borrowing transactions	11,050
Other monetary claims purchased	366,505
Trading assets	303,389
Monetary assets held in trust	502,332
Securities	1,854,682
Loans and bills discounted	5,146,306
Foreign exchanges	15,047
Other assets	870,375
Tangible fixed assets	382,460
Buildings	39,216
Land	41,756
Construction in progress	139
Tangible leased assets	294,473
Other tangible fixed assets	6,874
Intangible fixed assets	244,155
Software	24,221
Goodwill	158,066
Intangible assets	19,826
Intangible leased assets	41,912
Other intangible fixed assets	127
Deferred issuance expenses for debentures	103
Deferred tax assets	42,474
Customers' liabilities for acceptances and guarantees	754,420
Reserve for credit losses	(147,275)
[Total assets]	10,837,683
LIABILITIES	
Deposits	¥4,940,730
Negotiable certificates of deposit	480,199
Debentures	703,298
Call money	692,792
Collateral related to securities lending transactions	8,333
Commercial paper	171,300
Trading liabilities	99,255
Borrowed money	1,122,688
Foreign exchanges	118
Corporate bonds	400,485
Other liabilities	498,358
Accrued employees bonuses	13,134
Reserve for bonuses to directors	359
Reserve for retirement benefits	3,521
Reserve for loss on interest repayments	10,353
Reserve under special law	3
Deferred tax liabilities	5,075
Acceptances and guarantees	754,420
[Total liabilities]	9,904,430
NET ASSETS	
Shareholders' equity:	
Capital stock	451,296
Capital surplus	18,558
Retained earnings	245,499
Treasury stock, at cost	(72,560)
[Total shareholders' equity]	642,794
Net unrealized gain/Loss and translation adjustments:	
Net unrealized gain on securities available-for-sale, net of taxes	5,091
Net deferred loss on hedge, net of taxes	(7,744)
Foreign currency translation adjustments	2,952
[Total net unrealized gain/loss and translation adjustments]	299
Stock acquisition rights	517
Minority interests in subsidiaries	289,642
[Total net assets]	933,253
[Total liabilities and net assets]	¥10,837,683

SHINSEI BANK, LIMITED, AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
From April 1, 2006 to March 31, 2007

	Millions of yen
ORDINARY INCOME	
Interest income	¥172,818
Interest on loans and bills discounted	126,815
Interest and dividends on securities	32,309
Interest on call loans and bills discounted	210
Interest on collateral related to securities borrowing transactions	480
Interest on deposits with banks	4,284
Other interest income	8,717
Fees and commissions income	70,858
Trading profits	18,128
Other business income	271,274
Other ordinary income	26,935
Total ordinary income	560,016
ORDINARY EXPENSES	
Interest expenses	77,322
Interest on deposits	33,164
Interest on negotiable certificates of deposit	1,176
Interest on debentures	3,006
Interest on call money and bills discounted	5,652
Interest on collateral related to securities lending transactions	245
Interest on commercial paper	906
Interest on borrowings	11,312
Interest on corporate bonds	10,409
Other interest expenses	11,448
Fees and commissions expenses	24,409
Trading losses	319
Other business expenses	183,117
General and administrative expenses	171,034
Amortization of goodwill	12,507
Amortization of intangible assets	8,293
Other general and administrative expenses	150,233
Other ordinary expenses	80,641
Provision of reserve for loan losses	48,427
Other ordinary expenses	32,213
Total ordinary expenses	536,843
NET ORDINARY INCOME	23,172
Special gains	15,278
Gains on disposal of fixed assets	2,532
Recoveries of written-off claims	294
Other special gains	12,451
Special losses	104,159
Losses on disposal of fixed assets	1,093
Impairment losses on goodwill	55,085
Impairment losses on intangible assets	40,061
Other impairment losses	544
Reserve for contingent liabilities from securities transactions	1
Other special losses	7,373
Loss before income taxes and minority interests	65,708
Income taxes-current	3,249
Income taxes-deferred	(24,615)
Minority interest in net income of subsidiaries	16,643
NET LOSS	¥60,984

SHINSEI BANK, LIMITED, AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
For the fiscal years ended March 31, 2007

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at beginning of period (Millions of yen)	¥451,296	¥18,558	¥379,502	(¥12)	¥849,345
Changes in amounts during the period					
Dividends from surplus (note)	—	—	(3,947)	—	(3,947)
Dividends from surplus	—	—	(3,496)	—	(3,496)
Net loss	—	—	(60,984)	—	(60,984)
Acquisition of treasury stock	—	—	—	(136,672)	(136,672)
Disposal of treasury stock	—	—	(15)	160	145
Retirement of treasury stock	—	—	(63,963)	63,963	—
Increase by exclusion of affiliates	—	—	65	—	65
Decrease by exclusion of affiliates	—	—	(1,661)	—	(1,661)
Net change of items other than shareholders' equity	—	—	—	—	—
Total changes during the period	—	—	(134,002)	(72,548)	(206,550)
Balance at end of period (Millions of yen)	¥451,296	¥18,558	¥245,499	(¥72,560)	¥642,794

	Net unrealized gain/loss and translation adjustments						
	Net unrealized gain on securities available-for-sale, net of taxes	Net deferred loss on hedge, net of taxes	Foreign currency translation adjustments	Total net unrealized gain/loss and translation adjustments	Stock acquisition rights	Minority interests in subsidiaries	Total net assets
Balance at beginning of period (Millions of yen)	¥2,208	—	¥3,781	¥5,990	—	¥261,845	¥1,117,180
Changes in amounts during the period							
Dividends from surplus (note)	—	—	—	—	—	—	(3,947)
Dividends from surplus	—	—	—	—	—	—	(3,496)
Net loss	—	—	—	—	—	—	(60,984)
Acquisition of treasury stock	—	—	—	—	—	—	(136,672)
Disposal of treasury stock	—	—	—	—	—	—	145
Retirement of treasury stock	—	—	—	—	—	—	—
Increase by exclusion of affiliates	—	—	—	—	—	—	65
Decrease by exclusion of affiliates	—	—	—	—	—	—	(1,661)
Net change of items other than shareholders' equity	2,882	(7,744)	(829)	(5,690)	517	27,797	22,623
Total changes during the period	2,882	(7,744)	(829)	(5,690)	517	27,797	(183,927)
Balance at end of period (Millions of yen)	¥5,091	(¥7,744)	¥2,952	¥299	¥517	¥289,642	¥933,253

(Note) This item is resulted from appropriation of profit of previous fiscal year.

<Policy for Preparation of Consolidated Financial Statements>

The definition of subsidiaries and affiliates, etc. is based on the 8th clause of Article 2 of the Banking Law and the 2 of Article 4 of the Banking Law enforcement ordinance.

(1) Scope of consolidation

(a) Consolidated subsidiaries: 95 companies

Major companies;
APLUS Co., Ltd.
Showa Leasing Co., Ltd.
Shinsei Trust & Banking Co., Ltd.
Shinsei Securities Co., Ltd.

From this fiscal period, Shinsei Corporate Advisory Services Private Limited and other 16 companies are newly established subsidiaries, and Uchisai Partners, L.P. is included due to the adoption of the No. 20 Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations issued on September 8, 2006 by The Accounting Standards Board of Japan.

Hub Asset Funding Limited and other 4 companies are excluded due to the dissolution during this fiscal period.

(b) Unconsolidated subsidiaries: 90 companies
Major Company;
HUA-HE INTERNATIONAL LEASING CO.,LTD.

SL PACIFIC LIMITED and other 68 unconsolidated subsidiaries are mainly operating companies who undertake lease business based on Tokumei-kumiai system and their assets and profits/losses belong not to them or their parent company but to the silent partners substantially. Also, there is no material transaction with them. Therefore, they are excluded from the scope of consolidation pursuant to Article 95 Paragraph 1 Item 2 of the Corporation Act.

Other unconsolidated subsidiaries are also excluded from the scope of consolidation because they are not material to the financial condition or result of operations such as assets, ordinary income, net income (our interest portion), retained earnings (our interest portion) and net deferred gains/losses on hedge(our interest portion) of Shinsei Bank Group.

(2) Application of the equity method

(a) Unconsolidated subsidiaries
and affiliates accounted for using the equity method: 27 companies
Major Companies;
Shinki Co., Ltd.
Hillcot Holdings Limited
Jih Sun Financial Holding Company Limited

From this fiscal year, Jih Sun Financial Holding Company Limited is included due to the purchase of stocks; Macquarie Shinsei Advisory Co., Ltd. and other 4 companies are newly established affiliates; and Raffia Investment Business Limited Partnership and other 9 companies are included due to the adoption of the No. 20 Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations issued on September 8, 2006 by The Accounting Standards Board of Japan.

Bluebay Assets Management limited and MU Frontier Servicer Co., Ltd are excluded from the scope of affiliates accounted for by the equity method, because of the sale of shares and the decrease of Shinsei group’s influence on the company respectively.

(b) Unconsolidated subsidiaries
and affiliates accounted for not using the equity method: 90 companies
Major Company;
HUA-HE INTERNATIONAL LEASING CO.,LTD.

SL PACIFIC LIMITED and other 68 unconsolidated subsidiaries and affiliates are mainly operating companies who undertake lease business based on Tokumei-kumiai system and their assets and profits/losses belong not to them or their parent company but to the silent partners substantially. Also, there is no material transaction with them. Therefore, they are excluded from the scope of consolidation pursuant to Article 101 Paragraph 1 Item 2 of Corporation Act.

Other unconsolidated subsidiaries and affiliates are also excluded from the scope of consolidation because they are not material to the financial condition or result of operations such as net income (our interest portion), retained earnings (our interest portion) and net deferred gains/losses on hedge(our interest portion) of Shinsei Bank Group.

(3) End of fiscal period of consolidated subsidiaries

(a) The ends of the respective fiscal period of consolidated subsidiaries are as follows;
December 31: 34 companies
March 31 : 61 companies

(b) 6 consolidated subsidiaries with fiscal period ending on December 31 is consolidated using its provisional financial statements as of March 31.
The other consolidated subsidiaries are consolidated using its financial statements as of its respective fiscal period with appropriate adjustments.

(4) Valuation of assets and liabilities of consolidated subsidiaries
Overall fair value method is applied for the assets and liabilities of consolidated subsidiaries.

(5) Amortization of goodwill

Goodwill is equally amortized for mainly twenty years in principle. When there is no importance, the total amount is written off in the fiscal period during which they occurred.

(Notes to Consolidated Balance Sheet)

1. All yen amounts are rounded down to millions of yen.
2. Trading account positions entered into to generate gains arising from short-term changes in interest rates, currency exchange rates or market prices of securities and other market-related indices, or from price differences among markets, are included in trading assets and trading liabilities on a trade date basis.
3. 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 fiscal year, which reflects liquidation and credit risks.

   Securities for trading purposes (except those included in trading accounts) are stated at fair value (sales cost is calculated by the moving-average method). Securities being held to maturity are carried at amortized cost determined by the moving average method. Investments in unconsolidated subsidiaries that are not accounted for the equity method are carried at cost determined by the moving average method.

   Securities available-for-sale whose fair value is readily determinable are stated at fair value at the fiscal year-end (sales cost is determined by the moving-average method) and other non-marketable securities are stated at cost or amortized cost computed by the moving-average method. Unrealized gains and losses on available-for-sale securities are included in net assets, net of income tax.
4. The values of securities included in monetary assets held in trust are determined by using the same method as stated in Note 3 above.
5. Derivatives except those included in trading accounts are stated at fair value.
6. Other monetary claims purchased and held for trading purposes (except for those included in trading accounts) are stated at fair value.
7. Depreciation for buildings and computers other than personal computers in the category of equipment, such as ATMs, is computed principally using the straight-line method, and depreciation for other equipment is computed principally using the declining-balance method.

   Principal estimated useful lives are listed below:

   Buildings: 3 — 50 years
   Equipment: 2 — 15 years
8. The amortization method and the amortization period of identified intangible assets recorded by applying the fair value method to the acquisitions of APLUS Co., Ltd., Showa Leasing Co., Ltd. and their consolidated subsidiaries are as follows.

(a) APLUS Co., Ltd.

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

(b) Showa Leasing Co., Ltd.

	Amortization method	Amortization period
Trade name	Straight-line	10 years
Existing customer relationship	Sum-of-years-digits	20 years
Maintenance component contracts	Straight-lines	Subject to the remaining contract years
Sublease contracts	Straight-line	Subject to the remaining contract years

Intangible fixed assets other than the above-mentioned are depreciated using the straight-line method. Capitalized software for internal use is depreciated using the straight-line method based on the estimated useful lives (mainly five or eight years) determined by the Bank and its consolidated subsidiaries.

9. Leased assets held by consolidated domestic subsidiaries as lessor included in “Tangible fixed assets” and “Intangible fixed assets” are depreciated using the straight-line method over the leasing period.

10. The Bank’s deferred assets are amortized as follows;

(1) Previously deferred expenses for issuance of bonds and notes were recorded as assets and amortized over the term of the bonds and notes within the maximum period (3 years) stipulated in the former Commercial Code Enforcement Regulations. With the application in this consolidated fiscal year of “Tentative Solution on Accounting for Deferred Assets” (August 11, 2006; Practical Solutions Report No. 19 issued by the Accounting Standards Board of Japan (ASBJ)) effective for the consolidated accounting periods ending after its announcement, deferred expenses are amortized using the straight-line method over the term of bonds and notes. The impact of this change on the balance sheet was insignificant.
With regard to the unamortized balance of bond issuance costs as of March 31, 2006, the previous accounting treatment is applied based on measures under the afore-mentioned report and being amortized over the term of the bonds within the maximum period (3 years) stipulated in the former Commercial Code Enforcement Regulations.

(2) Previously deferred expenses for the issuance of debentures were recorded as assets and amortized over the period until their redemption date within the maximum period (3 years) stipulated in the former Commercial Code Enforcement Regulations. With the application in this consolidated fiscal year of “Tentative Solution on Accounting for Deferred Assets” (August 11, 2006; Practical Solutions Report No. 19 of ASBJ) effective for the consolidated accounting periods ending after its announcement, such costs are amortized using the straight-line method over the redemption period of the bonds. The impact of this change on the consolidated balance sheet was insignificant.
With regard to deferred expenses for the issuance of debentures posted on the consolidated balance sheet for the fiscal year ended March 31, 2006, the previous accounting treatment is applied based on measures under the afore-mentioned report and being amortized over the period to the redemption date within the maximum period (3 years) stipulated in the former Commercial Code Enforcement Regulations.

(3) Previously deferred bond discounts were recorded as assets and amortized over the term of the bond. With the partial revision to “Accounting Standards for Financial Instruments” (Business Accounting Standard No. 10 on August 11, 2006) effective from the consolidated accounting periods ending after its announcement, bonds are stated at their amortized costs using the straight-line method. The impact of this change on the balance sheet was insignificant.
With regard to the unamortized balance of deferred bond discounts as of March 31, 2006, the previous accounting treatment is applied based on measures under “Tentative Solution on Accounting for Deferred Assets” and is being amortized over the term of the bonds using the annual straight-line method. The unamortized balance was directly deducted from the balance of the bonds.
Deferred expenses for the issuance of corporate bonds of the consolidated subsidiaries are amortized by the straight-line method over the terms of the corporate bonds.
Formation costs and issuance costs of the subsidiaries are expensed in the period incurred.

11. Foreign currency-denominated assets and liabilities and the accounts of overseas branches are translated into Japanese yen at the exchange rates prevailing at the balance sheet date, except for investments in unconsolidated subsidiaries and affiliates that are translated at the relevant historical exchange rates.
Assets and liabilities of consolidated subsidiaries are translated at the exchanged rates of balance sheet date.

12. A reserve for credit losses of the Bank and the domestic trust and banking subsidiary is provided as detailed below pursuant to the predetermined internal rules for providing such a 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 as 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 (that is, those that are not presently bankrupt but are very likely to go bankrupt in the future), except claims to obligors with larger claims than a predetermined amounts as described below, 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.

With regard to claims to possibly bankrupt obligors, restructured loans as described in Note 30 below and certain claims for which the reserve has been provided based on the discounted cash flow method (as mentioned below) in previous fiscal years, provided that obligors' cash flows for debt service are reasonably estimable and the balance of claims to such obligors are at or larger than a predetermined amount, the reserve for credit losses is provided for the difference between the present value of estimated cash flows discounted at the contractual interest rates that have been determined prior to any concession on lending conditions and the carrying value of the claim (discounted cash flow method). For claims to obligors whose future cash flows are not reasonably estimable and the balance is at or larger than a predetermined amount, the reserve is provided by estimating the expected loss amount for the remaining term of the respective claims.

For claims other than those mentioned above, a general reserve is provided based on historical loan loss experience

The reserve for loans to restructuring countries is provided based on the amount of expected losses due to the political and economic situation in their respective 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 audits of these assessments, and an additional reserve may be provided based on the audit results.

The consolidated subsidiaries other than the domestic trust bank calculate the general reserve for "normal" and "caution, including special supervision segment," categories based on the specific actual past loss ratio, and the specific reserve for "possible bankruptcy," "virtual bankruptcy" and "legal bankruptcy" categories based on estimated loss, considering the recoverable value.

For collateralized or guaranteed claims 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 the amount is ¥39,758 million.

The Bank's loan loss ratio had been calculated by the average of 3 consecutive calculation periods. However, the recent actual loan loss has rapidly declined resulting in less rationale as a basis for loan loss calculation. Starting from fiscal year 2006, the calculation methodology has been changed by taking the higher of the following two methods:

A. the existing methodology mentioned above, or

B. the average of all calculation periods since 1998 when the actual track records for loan losses have been maintained.

As a result, the reserve for credit losses as of March 31, 2007 has increased by ¥23,205 million and net ordinary income and income before income taxes and minority interests for the fiscal year ended March 31, 2007 has decreased by the same amounts.

13. Accrued employees bonuses are provided for the payment of employees' bonuses based on estimated amounts of future payments attributed to this fiscal year.
14. A reserve for bonuses to directors is provided in the amount of estimated bonuses to be paid to directors and corporate auditors which is attributable to each period.
15. A reserve for retirement benefits is provided for the payment of employees' retirement benefits as of the end of this fiscal year, based on the estimated amounts of the actuarial retirement benefit obligation, net of the estimated value of the pension assets as of the end of the fiscal year. The prior service cost and the actuarial difference are treated in the following manner:

Prior service cost:	Amortized using the straight-line method over the average remaining service period from the fiscal year of occurrence.
Actuarial difference:	Amortized using the straight-line method over the average remaining service period from the fiscal year of occurrence.

The Bank's transitional unrecognized net retirement benefit obligation of ¥9,081 million is being amortized using the straight-line method over 15 years.

16. A reserve for losses on interest repayments of consolidated subsidiaries is provided for possible losses arising from reimbursement of excess interest payments, based on 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 refund request based on past experience and an estimate of the average amount to be refunded based on past experience.

(Additional information)

Previously a reserve for losses on interest repayments (¥1,050 million as of March 31, 2006) had been included in "Reserve for credit losses". From this consolidated fiscal year, the reserve is recorded as "Reserve for losses on interest repayments" in compliance with announcement of The Japanese Institute of Certified Public Accountants concerning the accounting treatment of provisions established by consumer finance and related companies for losses due to interest repayment claims.

The difference of ¥909 million resulted from the change of estimate method at the beginning of this consolidated fiscal year is included in extraordinary losses.

17. Equipment used by the Bank and its domestic subsidiaries under finance lease agreements is accounted for as equipment leased under operating leases, except for those cases where ownership of equipment is deemed to be transferred to the lessee.

18. Effective April 1, 2003, the Bank adopted portfolio hedging in accordance with Industry Audit Committee Report No. 24 issued by the Japanese Institute of Certified Public Accountants (the "JICPA"). Under portfolio hedging, a portfolio of hedged items such as deposits or loans with common maturities is 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, and are designated as a hedge of the portfolio. The effectiveness of the portfolio hedge is assessed by each group.

    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. 15 issued by the JICPA. Deferred hedge losses and deferred hedge gains previously recorded on the balance sheet as a result of macro hedge accounting are being amortized as expenses or income over the remaining lives of the hedging instruments. The unamortized balance of deferred hedge losses attributable to macro hedge accounting was ¥21 million as of March 31, 2007.

    The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not re-measured at market value but the net payments or receipts under the swap agreements are recognized and included in interest expenses or income.

19. Effective April 1, 2003, 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.

    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.

20. Gains/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/losses on such inter-company and intra-company transactions are reported in current earnings and valuation gains/losses are deferred as assets/liabilities. On the other hand, in the trading book, realized gains/losses and valuation gains/losses on such inter-company and intra-company transactions are substantially offset with covering contracts entered into with third parties.

21. The National Consumption Tax and the Local Consumption Tax of the Bank and its domestic consolidated subsidiaries are excluded from transaction amounts.

22. The consolidated corporation tax system has been adopted by the Bank and some domestic consolidated subsidiaries.

23. Reserve under special law is a reserve for security transaction responsibilities.

    It is provided for contingent liabilities from brokering of securities transactions in accordance with Article 51 of the Securities Exchange Law of Japan.

24. The total net book value of equity investments in affiliates (Except for equity in consolidated subsidiaries) was ¥63,593 million.
25. Accumulated depreciation on tangible fixed assets was ¥231,096 million.
26. Deferred gains on sales of real estate of ¥2,985 million were deducted from the acquisition cost of newly acquired tangible fixed assets.
27. Apart from "fixed assets" included in the consolidated balance sheets, some vehicles, etc. are used by leasing contract.
28. Loans and bills discounted held by the Bank and its subsidiaries include loans to bankrupt obligors and non-accrual delinquent loans, totaling ¥1,748 million and ¥21,849 million, respectively, at the balance sheet date.

    Included in loans placed on non-accrual status (because the ultimate collectability of either principal or interest is in doubt or a delay in payments of either principal or interest is judged to last for a certain period of time) are loans to bankrupt obligors, as defined in Article 96, Paragraph 1, Subparagraphs 3 and 4 of the Enforcement Ordinance for the Corporation Tax Law (Ordinance No. 97 of 1965). Non-accrual delinquent loans are non-accrual loans other than loans to obligors in bankruptcy and loans for which interest payments are deferred in order to facilitate the rehabilitation of the obligor or to assist in the financial recovery of the obligors.

    Installment receivables in other assets include claims to bankrupt obligors and non-accrual delinquent claims, totaling ¥279 million and ¥3,192 million, respectively, at the balance sheet date.
29. Loans past due for three months or more of ¥4,792 million are included in loans bills discounted.

    Loans past due for three months or more are loans other than loans to bankrupt obligors and non-accrual delinquent loans for which the principal and/or interest is past due for three months or more.

    Installment receivables in other assets include claims past due for three months or more totaling ¥1,733 million at the balance sheet date.
30. Restructured loans of ¥36,422 million are included in loans and bills discounted.

    Restructured loans are loans other than loans of bankrupt obligors, non-accrual delinquent loans or loans past due for three months or more, on which concessions such as reduction of the stated interest rate, a deferral of interest payment, an extension of the maturity date, debt forgiveness, or other agreements which give advantages to obligors in financial difficulties have been grated to obligors to facilitate their rehabilitation.

    Restructured installment receivables of ¥10,271 million are included in other assets.
31. The total amount of loans to bankrupt obligors, non-accrual delinquent loans, loans past due for three months or more, and restructured loans reflected in Notes 28 through 31 respectively are ¥64,813 million which represent the contractual gross receivable balance prior to reduction of the reserve for credit losses.

    The total installment receivables in other assets of claims to bankrupt obligors, non-accrual delinquent claims, claims past due for three months or more, and restructured claims reflected in Notes 28 through 31 respectively are ¥15,476 million which represent the contractual gross receivable balance prior to reduction of the reserve for credit losses.
32. The total principal amount of loans accounted for as a sale through loan participations was ¥83,124 million as of March 31, 2007. This off-balance sheet treatment is in accordance with Report No. 3 issued by the Framework Committee of JICPA on June 1, 1995. Of the loan participation principal amount posted as loans to original obligors, the amount posted on the balance sheet was ¥93,818 million.
33. The total amount of loans accounted for as a sale through the collateralized loan obligation ("CLO") securitization is ¥129,695 million as of March 31, 2007. Since the Bank holds subordinated beneficial interests in this CLO of ¥43,862 million, which are recorded in loans and bills discounted, a reserve for credit losses was provided for the total principal amount of ¥173,557 million, including the senior beneficial interests that have been sold.
34. Bills discounted, such as bank acceptances purchased, commercial bills discounted, documentary bills and foreign exchange contracts purchased, are accounted for as financing transactions in accordance with Industry Audit Committee Report No. 24 of the JICPA, although the Bank has the right to sell or pledge them without restrictions. The face values of such bills discounted held as of March 31, 2007 were ¥179 million.

35. Assets pledged as collateral were as follows:

Cash and due from banks	¥70 million
Securities	240,740
Loans and bills discounted	2,576

Liabilities related to pledged assets were as follows:

Deposits, including negotiable certificates of deposits	¥568 million
Collateral related to securities lending transactions	8,333
Borrowed money	20,218
Acceptances and guarantees	902

¥30,862 million of lease receivables were pledged as collateral for the above borrowed money. In addition, securities of ¥141,344 million were pledged as collateral for transactions, including exchange settlements, swap transactions and the substitution of margin on futures transactions. In addition, ¥13,432 million of margin deposits for futures transactions outstanding, and ¥15,320 million of security deposits are included in other assets.

36. Installment receivables of ¥440,864 million were included in "Other assets"
37. Subordinated debt of ¥108,000 million was included in borrowed money.
38. Subordinated bonds of ¥357,166 million were included in corporate bonds.
39. The amount of guarantee obligations for privately-placed bonds (Securities and Exchange Law, Article 2, Item 3), out of bonds included in the "Securities" category, stands at ¥ 90,671 million.
40. Common shareholders' equity per share was ¥308.60

Following the revision of "Implementation Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4; September 25, 2002) as of January 31, 2006 and its application to fiscal year ending on or after the enactment date of the Corporation Act, the said Application Guidelines was adopted from this fiscal year and calculated common shareholders' equity per share by including "Net unrealized gain/loss on deferred hedge."

41. The estimated fair value and unrealized gains and losses of securities were as shown below. Securities below include trading securities recorded in trading assets. The same definition applies to the following items through Note 45.

Trading securities:

(Millions of yen)

	Carrying amount on balance sheet	Net unrealized gains recognized in the current fiscal year
Trading securities	¥315,829	¥4,299

Securities being held to maturity with readily determinable fair value:

(Millions of yen)

	Carrying amount	Fair value	Net unrealized gain(loss)	Gross unrealized gain	Gross unrealized loss
Japanese national government bonds	¥364,526	¥363,337	(¥1,188)	¥159	¥1,347
Japanese corporate bonds	42,474	42,440	(33)	8	42
Total	¥407,000	¥405,777	(¥1,222)	¥168	¥1,390

Available-for-sale securities with readily determinable fair value:

(Millions of yen)

	Amortized Cost	Carrying amount (fair value)	Net unrealized gain (loss)	Gross Unrealized gain	Gross unrealized loss
Equity securities	¥21,395	¥22,402	¥1,006	¥2,372	¥1,366
Domestic bonds:	¥577,671	¥574,301	(¥3,370)	¥413	¥3,783
Japanese national government bonds	389,570	385,883	(3,686)	23	3,709
Japanese local government bonds	53,262	53,251	(11)	8	19
Japanese corporate bonds	134,838	135,166	327	381	53
Other	¥409,045	¥419,611	¥10,566	¥11,372	¥806
Total	¥1,008,112	¥1,016,315	¥8,202	¥14,159	¥5,956

[Note] "Other" mainly consists of foreign bonds.

The net unrealized gain (loss) on securities available for sale, net of taxes, included in net assets was ¥5,091 million, which consisted of:

- the above ¥8,202 million of net unrealized gains add up ¥161 million representing net unrealized gain attributable to our interests in investment business limited liability unions which are recorded as "Securities carried at cost"
- the reduction of (¥3,406) million of deferred tax liabilities
- the reduction of (¥55) million representing equivalent value of minority interests
- and the addition of ¥188 million of the Bank's interest equivalent of unrealized gain on securities available-for-sale held by affiliates to which the equity method is applied.

If the fair value is lower than 50% of the book value, the book value is written down to the fair value as a new cost basis, unless there is solid evidence that the fair value will recover. If the fair value of the security has declined by the amount ranging from 30% to 50% of its cost, the Bank assesses the probability of recovery of value, and, if necessary, book value is written down to fair value as a new cost basis. An Impairment loss on available-for-sale marketable securities of ¥517 million was recorded during this fiscal year ended March 31, 2007.

42. Available-for-sale Securities sold during the fiscal year ended March 31, 2007, were as follows:

(Millions of yen)

Sales amounts	Gain on sale	Loss on sale
¥207,162	¥9,056	¥2,470

43. The balance and description of major securities whose fair value is not readily determinable were as follows:

	Carrying amount on balance sheet
Equity of unconsolidated subsidiaries and affiliates	¥54,461 million
Available-for-sale securities	260,311
Equity securities	7,969
Japanese local government bonds	4
Japanese corporate bonds	156,939
Foreign securities	72,553
Other	22,845

44. The stocks of BlueBay Asset Management Limited (¥9,524 million) and MU Frontier Servicer Co., Ltd. (¥200 million) held as "equity securities of affiliates" are classified as "available-for-sale securities" due to the partial sale of the shares and the decrease of influential power by Shinsei group respectively during the consolidated fiscal year ended in March 2007.

45. The redemption schedules for securities being held to maturity and available-for-sale securities with contractual maturity was as follows:

(Millions of yen)

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Bonds:	¥510,341	¥554,039	¥26,892	¥46,970
Japanese national government bonds	319,016	384,422	—	46,970
Japanese local government bonds	51,554	507	1,193	—
Japanese corporate bonds	139,770	169,110	25,699	—
Other	4,342	128,751	164,895	161,583
Total	¥514,684	¥682,791	¥191,787	¥208,554

46. The components of monetary assets held in trust were as follows:

(Millions of yen)

	Carrying amount (Fair Value)	**Net unrealized losses included in current earnings**
Monetary assets held in trust for trading purposes	¥339,097	(¥5,629)

(Millions of yen)

	Acquisition Cost	**Carrying amount**	**Net Unrealized gain**	**Gross Unrealized gain**	**Gross unrealized loss**
Other monetary assets held in trust for other than trading purposes	¥163,235	¥163,235	—	—	—

There were no monetary assets held in trust being held to maturity

47. The unrealized gains or losses on other monetary claims purchased for trading purposes were as follows:

	Carrying amount (Fair Value)	**Net unrealized losses included in current earnings**
Monetary claims purchased for trading purposes	¥281,034	(¥7,717)

48. The balance of securities held in relation to securities borrowing transactions with or without cash collateral, securities purchased under resale agreements and securities accepted as collateral based on derivative transactions, where the Group has the right to sell or pledge such securities without restrictions is ¥60,379 million, and the amount further pledged is ¥4,604 million.

49. 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 amount of these commitments was ¥4,456,538 million, out of which the amount with original agreement terms of less than one year or which were cancelable was ¥4,118,334 million. 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.

50. Retirement benefit obligations, etc, as of the end of this term is as follows:

Projected benefit obligations	¥(68,303) million
Plan assets (fair market value) (including retirement benefit trust)	69,467
Funded status	1,164
Unrecognized obligation at transition	4,852
Unrecognized net actuarial losses	2,418
Unrecognized prior service cost (reduction of liabilities)	(4,295)
Net amount accrued on the balance sheet	4,140
Prepaid pension cost	7,661
Reserve for retirement benefits	(3,521)

51. Stock Option

The matter concerning the stock option is as follows.

(1) Expenses amount and accounting item related to stock options in this consolidated fiscal year Stock reward expenses in operating expenses ¥ 517 million

(2) Details of stock options, number of eligible shares and grantees, and changes in them

① Details of stock options

Stock options existed during this consolidated fiscal year

	The 1st stock acquisition right		The 2nd stock acquisition right	
Number of grantees by category	Statutory Executive Officers: 11 Employees: 2,185		Employees: 3	
Number of options granted (Note 1)	Common Shares: 5,343,000 shares	Common Shares: 4,112,000 shares	Common Shares: 82,000 shares	Common Shares: 79,000 shares
Grant date	July 1, 2004		October 1, 2004	
Vesting conditions	(Note: 2)		(Note: 2)	
Vesting period	From July 1, 2004 to July 1, 2006	From July 1, 2004 to July 1, 2007	From October 1, 2004 to July 1, 2006	From October 1, 2004 to July 1, 2007
Contractual period	From July 1, 2006 to June 23, 2014	From July 1, 2007 to June 23, 2014	From July 1, 2006 to June 23, 2014	From July 1, 2007 to June 23, 2014

	The 3rd stock acquisition right		The 4th stock acquisition right	
Number of grantees by category	Employees: 1		Statutory Executive Officers: 1	
Number of options granted (Note 1)	Common Shares: 13,000 shares	Common Shares: 12,000 shares	Common Shares: 125,000 shares	Common Shares: 125,000 shares
Grant date	December 10, 2004		June 1, 2005	
Vesting conditions	(Note: 2)		(Note: 2)	
Vesting period	From December 10, 2004 to July 1, 2006	From December 10, 2004 to July 1, 2007	From June 1, 2005 to July 1, 2006	From June 1, 2005 to July 1, 2007
Contractual period	From July 1, 2006 to June 23, 2014	From July 1, 2007 to June 23, 2014	From July 1, 2006 to June 23, 2014	From July 1, 2007 to June 23, 2014

	The 5th stock acquisition right		The 6th stock acquisition right	
Number of grantees by category	Directors: 15 Statutory Executive Officers: 10 Employees: 437		Statutory Executive Officers: 5 Employees: 35	
Number of options granted (Note 1)	Common Shares: 2,609,000 shares	Common Shares: 2,313,000 shares	Common Shares: 1,439,000 shares	Common Shares: 1,417,000 shares
Grant date	June 27, 2005		June 27, 2005	
Vesting conditions	(Note: 2)		(Note: 2)	
Vesting period	From June 27, 2005 to July 1, 2007	From June 27, 2005 to July 1, 2008	From June 27, 2005 to July 1, 2007	From June 27, 2005 to July 1, 2008
Contractual period	From July 1, 2007 to June 23, 2015	From July 1, 2008 to June 23, 2015	From July 1, 2007 to June 23, 2015	From July 1, 2008 to June 23, 2015

	The 7th stock acquisition right		The 8th stock acquisition right	
Number of grantees by category	Statutory Executive Officers: 8 Employees: 127		Statutory Executive Officers: 1 Employees: 34	
Number of options granted (Note 1)	Common Shares: 678,000 shares	Common Shares: 609,000 shares	Common Shares: 287,000 shares	Common Shares: 274,000 shares
Grant date	June 27, 2005		June 27, 2005	
Vesting conditions	(Note: 2)		(Note: 2)	
Vesting period	From June 27, 2005 to July 1, 2008	From June 27, 2005 to July 1, 2010	From June 27, 2005 to July 1, 2008	From June 27, 2005 to July 1, 2010
Contractual period	From July 1, 2008 to June 23, 2015	From July 1, 2010 to June 23, 2015	From July 1, 2008 to June 23, 2015	From July 1, 2010 to June 23, 2015

	The 9th stock acquisition right		The 10th stock acquisition right	
Number of grantees by category	Employees: 2		Employees: 2	
Number of options granted (Note 1)	Common Shares: 79,000 shares	Common Shares: 78,000 shares	Common Shares: 27,000 shares	Common Shares: 26,000 shares
Grant date	September 28, 2005		September 28, 2005	
Vesting conditions	(Note: 2)		(Note: 2)	
Vesting period	From September 28, 2005 to July 1, 2007	From September 28, 2005 to July 1, 2008	From September 28, 2005 to July 1, 2008	From September 28, 2005 to July 1, 2010
Contractual period	From July 1, 2007 to June 23, 2015	From July 1, 2008 to June 23, 2015	From July 1, 2008 to June 23, 2015	From July 1, 2010 to June 23, 2015

	The 11th stock acquisition right		The 12th stock acquisition right	
Number of grantees by category	Employees: 2		Employees: 2	
Number of options granted (Note 1)	Common Shares: 26,000 shares	Common Shares: 24,000 shares	Common Shares: 9,000 shares	Common Shares: 8,000 shares
Grant date	March 1, 2006		March 1, 2006	
Vesting conditions	(Note:2)		(Note:2)	
Vesting period	From March 1, 2006 to July 1, 2007	From March 1, 2006 to July 1, 2008	From March 1, 2006 to July 1, 2008	From March 1, 2006 to July 1, 2010
Contractual period	From July 1, 2007 to June 23, 2015	From July 1, 2008 to June 23, 2015	From July 1, 2008 to June 23, 2015	From July 1, 2010 to June 23, 2015

	The 13th stock acquisition right		The 14th stock acquisition right	
Number of grantees by category	Directors: 15 Statutory Executive Officers: 14 Employees: 559		Statutory Executive Officers: 3 Employees: 28	
Number of options granted (Note 1)	Common Shares: 2,854,000 shares	Common Shares: 2,488,000 shares	Common Shares: 1,522,000 shares	Common Shares: 1,505,000 shares
Grant date	May 25, 2006		May 25, 2006	
Vesting conditions	(Note: 2)		(Note: 2)	
Vesting period	From May 25, 2006 to June 1, 2008	From May 25, 2006 to June 1, 2009	From May 25, 2006 to June 1, 2008	From May 25, 2006 to June 1, 2009
Contractual period	From June 1, 2008 to June 23, 2015	From June 1, 2009 to June 23, 2015	From June 1, 2008 to June 23, 2015	From June 1, 2009 to June 23, 2015

	The 15th stock acquisition right		The 16th stock acquisition right	
Number of grantees by category	Statutory Executive Officers: 12 Employees: 159		Employees: 19	
Number of options granted (Note 1)	Common Shares: 749,000 shares	Common Shares: 690,000 shares	Common Shares: 170,000 shares	Common Shares: 161,000 shares
Grant date	May 25, 2006		May 25, 2006	
Vesting conditions	(Note: 2)		(Note: 2)	
Vesting period	From May 25, 2006 to June 1, 2009	From May 25, 2006 to June 1, 2011	From May 25, 2006 to June 1, 2009	From May 25, 2006 to June 1, 2011
Contractual period	From June 1, 2009 to June 23, 2015	From June 1, 2011 to June 23, 2015	From June 1, 2009 to June 23, 2015	From June 1, 2011 to June 23, 2015

Notes

1. Stated in terms of the number of shares.
2. In principle, grantees must continue to be employed by the company during the service period. However, the right will be granted if the grantee leaves the company for certain reasons specified in the "Agreement on Granting Stock Acquisition Rights"

② Number of stock options and movements of them

Stock options existed any time during this consolidated fiscal year are covered. Number of stock options is stated in terms of the number of shares.

a. Number of Stock Options

	1st	2nd	3rd	4th
Before vested (share)				
Outstanding at the beginning of the period	7,243,000	161,000	25,000	250,000
Granted during the period	—	—	—	—
Forfeited during the period	625,000	—	—	—
Vested during the period	3,738,000	82,000	13,000	125,000
Outstanding at the end of the period	2,880,000	79,000	12,000	125,000
After vested (Share)				
Outstanding at the beginning of the period	490,000	—	—	—
Vested during the period	3,738,000	82,000	13,000	125,000
Exercised during the period	156,000	60,000	—	—
Forfeited during the period	—	—	—	—
Exercisable at the end of the period	4,072,000	22,000	13,000	125,000

	5th	6th	7th	8th
Before vested (share)				
Outstanding at the beginning of the period	4,070,000	2,579,000	981,000	514,000
Granted during the period	—	—	—	—
Forfeited during the period	640,000	251,000	154,000	108,000
Vested during the period	30,000	—	—	—
Outstanding at the end of the period	3,400,000	2,328,000	827,000	406,000
After vested (Share)				
Outstanding at the beginning of the period	497,000	220,000	214,000	26,000
Vested during the period	30,000	—	—	—
Exercised during the period	—	—	—	—
Forfeited during the period	—	—	—	—
Exercisable at the end of the period	527,000	220,000	214,000	26,000

	9th	10th	11th	12th
Before vested (share)				
Outstanding at the beginning of the period	157,000	53,000	50,000	17,000
Granted during the period	—	—	—	—
Forfeited during the period	—	—	—	—
Vested during the period	—	—	—	—
Outstanding at the end of the period	157,000	53,000	50,000	17,000
After vested (Share)				
Outstanding at the beginning of the period	—	—	—	—
Vested during the period	—	—	—	—
Exercised during the period	—	—	—	—
Forfeited during the period	—	—	—	—
Exercisable at the end of the period	—	—	—	—

	13th	14th	15th	16th
Before vested (share)				
Outstanding at the beginning of the period	—	—	—	—
Granted during the period	5,342,000	3,027,000	1,439,000	331,000
Forfeited during the period	658,000	347,000	178,000	116,000
Vested during the period	227,000	—	66,000	—
Outstanding at the end of the period	4,457,000	2,680,000	1,195,000	215,000
After vested (Share)				
Outstanding at the beginning of the period	—	—	—	—
Vested during the period	227,000	—	66,000	—
Exercised during the period	—	—	—	—
Forfeited during the period	—	—	—	—
Exercisable at the end of the period	227,000	—	66,000	—

b. Unit Price Information

	1st	2nd	3rd	4th
Exercise Price (yen)	684	646	697	551
Weighted average stock price at the date of exercise	721	739	—	—

	5th	6th	7th	8th
Exercise Price (yen)	601	601	601	601
Weighted average stock price at the date of exercise	—	—	—	—

	9th	10th	11th	12th
Exercise Price (yen)	697	697	774	774
Weighted average stock price at the date of exercise	—	—	—	—

	13th		14th	
Exercise Price (yen)	825		825	
Weighted average stock price at the date of exercise	—		—	
Exercise period	From June 1, 2008 to June 23, 2015	From June 1, 2009 to June 23, 2015	From June 1, 2008 to June 23, 2015	From June 1, 2009 to June 23, 2015
Fair value of the grant date	163	173	163	173

	15th		16th	
Exercise Price (yen)	825		825	
Weighted average stock price at the date of exercise	—		—	
Exercise period	From June 1, 2009 to June 23, 2015	From June 1, 2011 to June 23, 2015	From June 1, 2009 to June 23, 2015	From June 1, 2011 to June 23, 2015
Fair value of the grant date	173	192	173	192

(3) Measurement of the fair values of stock options

The following is the method to measure a fair value of stock options from 13th to 16th granted in the consolidated fiscal year 2006.

a) Used method: Black-Scholes option pricing model

b) Major inputs and variables to the model used

	13th		14th	
Exercise period	From June 1, 2008 to June 23, 2015	From June 1, 2009 to June 23, 2015	From June 1, 2008 to June 23, 2015	From June 1, 2009 to June 23, 2015
Expected volatility (Note 1)	26.3%	26.3%	26.3%	26.3%
Expected life (Note 2)	5 Year 7 Months	6 Year 1 Month	5 Year 7 Months	6 Year 1 Month
Expected dividends (Note 3)	2.96 Yen/Share	2.96 Yen/Share	2.96 Yen/Share	2.96 Yen/Share
Risk-free interest rate (Note 4)	1.46%	1.53%	1.46%	1.53%

	15th		16th	
Exercise period	From June 1, 2009 to June 23, 2015	From June 1, 2011 to June 23, 2015	From June 1, 2009 to June 23, 2015	From June 1, 2011 to June 23, 2015
Expected volatility (Note 1)	26.3%	26.3%	26.3%	26.3%
Expected life (Note 2)	6 Year 1 Month	7 Year 1 Month	6 Year 1 Month	7 Year 1 Month
Expected dividends (Note 3)	2.96 Yen/Share	2.96 Yen/Share	2.96 Yen/Share	2.96 Yen/Share
Risk-free interest rate (Note 4)	1.53%	1.65%	1.53%	1.65%

Note

1. Measured based on the historical stock price of the past 2 years (from June, 2004 to May, 2006).

2. Estimated based on the assumption that the option is exercised at the mid point of the contractual period, as the reasonable estimate is difficult without enough data.
3. Based on the actual dividend for the period ended in March, 2006.
4. Used the yield of JGB with the maturity that is equivalent of expected life.

(4) Method of determining the vested number of stock options
Incorporated only the actual forfeited options, as the reasonable estimate of future forfeiture is difficult.

52. Following the revision to the attached formats to "Banking Law Enforcement Rules" (1982 MOF Ordinance No. 10) by the "Cabinet Ordinance to Partially Revise Detailed Enforcement Rules etc. of Mutual Loan Business Law" (Cabinet Ordinance No. 60; April 28, 2006) due to the application of "Accounting Standards for Presentation of Net Assets in the Balance Sheet" (Business Accounting Standard No. 5; December 9, 2005) and "Implementation Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet" (Business Accounting Standard Implementation Guidance No. 8; December 9, 2005) for fiscal years ending on or after the enactment date of the Corporation Act, the following changes were made to the presentation of our balance sheets from this fiscal year.

(1) "Shareholders' equity" is replaced by "Net assets" and is comprised of "shareholders' equity," "net unrealized gain/loss and translation adjustments", "stock acquisition rights" and "minority interests in subsidiaries.

The amount corresponding to "shareholders' equity" in the previous definition as of the end of this fiscal year is ¥650,838 million.

(2) Gains/losses on valuation differences concerning hedge instruments that were included in "other assets" or "other liabilities" as deferred hedge losses or deferred hedge gains are stated as "net deferred gains/losses on hedge, net of taxes".

(3) "Net unrealized gains on equity etc." is displayed as "net unrealized gains/losses on available-for-sale securities, net of taxes."

(4) Minority interests in subsidiaries, which were recorded next to "liabilities", are included in "Net assets."

(5) "Premises and equipment" are classified as "tangible fixed assets," "intangible fixed assets" or "other assets."

① "Land, Buildings and others" included in "Premises and equipment" are now classified as "land", "building" and "other tangible assets" in "tangible fixed assets". "Suspense payment for Construction in progress" is classified as "Construction in progress" in "tangible fixed assets". "Security deposit and others" included in "Premises and equipment" is now classified as "Security deposit" in "intangible fixed asset" and "Guarantee" in "other assets".

② Software, intangible assets and intangible leased assets that were included in "other assets" are now classified as "Software", "Intangible assets" and "Intangible leased assets" in "intangible fixed assets." And amortization of intangible assets that was included in "other ordinary expenses" is now included in "general administrative expenses".

(6) Consolidation goodwill that was described in "assets" independently is now included in "intangible fixed assets" as "goodwill". And amortization of consolidation goodwill that was included in "other ordinary expenses" is now included in "general administrative expenses".

53. Following the application of "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations" (Practical Solutions Report No. 20; September 8, 2006) to consolidated financial statements concerning the consolidated fiscal year ending on or after its announcement date, we started applying the said Practical Solution from this consolidated interim accounting period. The impact of this change to the consolidated balance sheet etc. is insignificant.

54. We adopted the "Accounting Standard for Share-based Payment" (Business Accounting Standard No. 8; December 27, 2005) and "Implementation Guidance on Accounting Standard for Share-based Payment" (Business Accounting Standard Implementation Guidance No. 11; December 27, 2005) from this fiscal year. The impact of this change on the financial statements is insignificant. As a result, the general and administrative expenses of March 31, 2007 has increased by ¥517 million and net ordinary income and income before income taxes and minority interests for the fiscal year ended March 31, 2007 has decreased by the same amounts.

(Notes to Consolidated Income Statement)

1. All yen amounts are rounded down to millions of yen.
2. Net loss per common share was ¥45.92.
3. Income from shopping credit business is calculated mainly using installment bases as follows:

(Contracts based on add-ons)	
Installment credit	7 • 8 method
Guarantees (batch acceptance of guarantee fee when contracted)	7 • 8 method
Guarantees (division acceptance of guarantee fee)	Fixed amount method
(Contracts based on charge on the declining balances)	
Installment credit	Charge on the declining balances
Guarantees (batch acceptance of guarantee fee)	Charge on the declining balances

Notes

1. In "7 • 8 method," the commission amount regarded as income at the time of each installment payment is calculated by dividing the total commission amount by the number of installment payments.
2. In "charge on the declining balances," the commission amount regarded as income at the time of each installment payment is calculated by multiplying the respective outstanding principal by a certain ratio.

4. Lease and rental income is recognized at the due date of each lease payment according to the lease contracts.
5. Profits and losses from transactions for trading purposes are included in "Trading profits" and "Trading losses" in the statement of income on a contract date basis. Trading profits and trading losses include interest received and paid, the amounts of increases/decreases in valuation gains/losses during the reported period for securities and monetary claims, and the net change in valuation gains/losses during the reported period using the estimated settlement prices assuming settlement in cash on the balance sheet date for derivatives.
6. "Other business income" includes leasing revenue of ¥164,136 million.
7. "Other ordinary income" includes income on monetary assets held in trust of ¥15,123 million
8. "Other business expenses" include leasing cost of ¥148,222 million.
9. "Other ordinary expenses" include loss on monetary assets held in trust of ¥488 million.
10. "Other special gains" includes gain on sale of stock of affiliated companies of ¥11,651 million.
11. Impairment losses on goodwill and Impairment losses on intangible assets in "Special losses" are associated with Shinsei's investment in its consolidated subsidiary APLUS, and its subsidiaries. The impairment testing is conducted for the business of APLUS group as a result of a triggering event which is the significant adverse impact on the consumer finance business caused by the legislative changes regarding consumer loan interest rates approved during the year 2006. Impairment loss on total of goodwill and intangible assets is calculated as the amount equal to the net asset book value including goodwill and intangible assets of APLUS group exceeds the "value in use" of APLUS group. Within that total impairment loss, impairment loss on intangible assets is determined as the difference between the fair value and book value with the same method applied at the time of initial purchase. Impairment loss on goodwill is recognized as a residual. For the calculation of "value in use" of APLUS business, discounted cash flow method with 10 year future cash flow projection and assumptions of 2.0% terminal growth rate, 9.5% discount rate are used.
12. "Other special losses" includes special severance payments for early retired employees etc. of consolidated subsidiary APLUS Co., Ltd. and ZEN-NICHI SHINPAN CO., LTD. of ¥7,347 million.

(Notes to the Consolidated Statement of Changes in Net Assets for the Period Ended March 31, 2007)

1. All yen amounts are rounded down to millions of yen.
2. The types and numbers of issued shares and treasury stock are as follows:

(Unit: thousand shares)

	Number of shares as of the end of the previous fiscal year	Increase in number of shares during this fiscal year	Decrease in number of shares during this fiscal year	Number of shares at the end of this fiscal year	Note
Issued shares					
Common shares	1,358,537	200,033	85,000	1,473,570	(note 1, 4)
Series 2 Class A Preferred shares	74,528	—	—	74,528	
Series 3 Class B Preferred shares	600,000	—	300,000	300,000	(note 2)
Total	2,033,065	200,033	385,000	1,848,098	
Treasury stock					
Common shares	17	181,624	85,216	96,425	(note 3, 4)
Series 3 Class B Preferred shares	—	300,000	300,000	—	(note2)
Total	17	481,624	385,216	96,425	

(Note 1) Shinsei Bank Series 3 Class B Preferred Shares of 300,000 thousands were converted to common shares of 200,033 thousands on 31 July, 2006.

(Note 2) Acquisition and cancellation of Series 3 Class B Preferred Shares associated with above the conversion .

(Note 3) 175,466 thousands of treasury stock increased during this fiscal year are the acquisition of a part of the common shares delivered by the above-mentioned.

(Note 4) 85,000 thousands of common shares out of issued shares and treasury stock were decreased during this fiscal year due to the cancellation.

3. All of stock acquisition rights is Shinsei Bank's stock option.
4. The Bank's dividend is as follows;

Dividend paid during this fiscal year

Resolution	Type of shares	Total amount of dividend	Per share	Record date	Effective Date
The Board of Directors meeting on 23 May, 2006	Common shares	¥2,010 million	¥1.48	31 March, 2006	8 June, 2006
	Class A preferred shares	484	6.50	31 March, 2006	8 June, 2006
	Class B preferred shares	1,452	2.42	31 March, 2006	8 June, 2006
The Board of Director meeting on 15 November, 2006	Common shares	¥2,286 million	¥1.66	30 September, 2006	8 December, 2006
	Class A preferred shares	484	6.50	30 September, 2006	8 December, 2006
	Class B preferred shares	726	2.42	30 September, 2006	8 December, 2006

Dividend of which effective date is after the end of this fiscal year

Resolution	Type of shares	Total amount of dividend	Resource of dividend	Per share	Record date	Effective date
The Board of Director meeting on 9 May, 2007	Common shares	¥1,377 million	Other retained earnings	¥1.00	31 March, 2007	30 May, 2007
	Class A preferred shares	484	Other retained earnings	6.50	31 March, 2007	30 May, 2007
	Class B preferred shares	726	Other retained earnings	2.42	31 March, 2007	30 May, 2007

5. We adopted the "Accounting Standards for Statement of Changes in Net Assets" (Business Accounting Standard No. 6; December 27, 2005) and "Implementation Guidance on Accounting Standards for Statement of Changes in Net Assets" (Business Accounting Standard Implementation Guidance No. 9; December 27, 2005) from this fiscal year in preparing the Consolidated Statement of Changes in Net Assets.

(Subsequent Events)

1. Sale of Subsidiary stock

   As at April 10, 2007, Shinsei Property Finance Co., Ltd, a subsidiary of Shinsei bank, has reached an agreement with Sumitomo Trust & Banking Co., Ltd ("Sumitomo Trust") to sell its shares of Life Housing Loan, Ltd to Sumitomo Trust, subject to fulfillment of final terms and conditions.

   This transaction is aimed to focus Shinsei group's housing loan business into higher value added market and achieve additional synergies with other businesses in the group. Completion of the sale is expected to take place in May 2007, with the book value (consolidated based) of ¥4,631 million and the sale price which is currently set at ¥25,000 million, will be finalized upon completion of all necessary due diligence.

(TRANSLATION)

INDEPENDENT AUDITORS' REPORT

May 3, 2007

To the Board of Directors of
Shinsei Bank, Limited:

Deloitte Touche Tohmatsu

Designated Partner,
Engagement Partner,
Certified Public Accountant:

Yoriko Goto

Designated Partner,
Engagement Partner,
Certified Public Accountant:

Shigeru Miyazaki

Pursuant to the fourth clause of Article 444 of the Corporate Law, we have audited the consolidated financial statements, namely, the consolidated balance sheet as of March 31, 2007 of Shinsei Bank, Limited (the "Bank") and consolidated subsidiaries, and the related statements of income and changes in net assets for the 7th fiscal year from April 1, 2006 to March 31, 2007. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of March 31, 2007, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Supplemental information

As discussed in the note for subsequent event to the consolidated financial statements, on April 10, 2007, Shinsei Property Finance Co., Ltd., a consolidated subsidiary of the Bank, agreed to sell its shares of Life housing Loan, Ltd., a consolidated subsidiary of the Bank.

Our firm and the engagement partners do not have any financial interest in the Bank for which disclosure is required under the provisions of the Certified Public Accountants Law .

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

SHINSEI BANK, LIMITED
NON-CONSOLIDATED BALANCE SHEET
As of March 31, 2007

ASSETS

	Millions of yen
Cash and due from banks	¥190,003
Cash	9,668
Due from banks	180,335
Call loans	43,100
Collateral related to securities borrowing transactions	11,050
Other monetary claims purchased	69,856
Trading assets	284,137
Trading securities	129
Securities related to trading transactions	186,150
Derivatives of securities related to trading transactions	3,671
Trading-related financial derivatives	93,529
Other trading assets	657
Monetary assets held in trust	687,346
Securities	2,062,064
Japanese national government bonds	747,280
Japanese local government bonds	53,255
Japanese corporate bonds	345,778
Equity securities	273,657
Other securities	642,093
Valuation allowance for investments	(15,908)
Loans and bills discounted	5,075,281
Bills discounted	10
Loans on bills	91,941
Loans on deeds	4,312,770
Overdrafts	670,559
Foreign exchanges	15,047
Due from foreign banks	14,259
Foreign bills bought	169
Foreign bills receivable	619
Other assets	325,654
Prepaid expenses	1,904
Accrued income	24,749
Margin on futures transactions	199
Suspense payment on futures transactions	27
Derivatives held in banking account	124,808
Deferred expenses for issuance of bonds and notes	1,008
Other assets	172,956
Tangible fixed assets	20,768
Buildings	14,753
Land	80
Construction in progress	132
Other tangible fixed assets	5,801
Intangible fixed assets	13,475
Software	13,391
Other intangible fixed assets	84
Deferred issuance expenses for debentures	103
Deferred expenses for issuance of debentures	103
Deferred tax assets	35,559
Customers' liabilities for acceptances and guarantees	18,357
Reserve for credit losses	(106,977)
[Total Assets]	¥8,728,921

SHINSEI BANK, LIMITED
NON-CONSOLIDATED BALANCE SHEET (CONTINUED)
As of March 31, 2007

Millions of yen

LIABILITIES AND NET ASSETS

Liabilities	
Deposits	¥4,991,263
Current accounts	26,869
Ordinary deposits	1,572,639
Notice deposits	37,660
Time Deposits	2,938,004
Other deposits	416,089
Negotiable certificates of deposit	480,199
Debentures	703,908
Issuance of debentures	703,908
Call money	692,792
Collateral related to securities lending transactions	8,333
Trading liabilities	87,361
Derivatives of securities related to trading transactions	3,619
Trading-related financial derivatives	83,742
Borrowed money	276,760
Borrowed money	276,760
Foreign exchanges	397
Due to foreign banks	281
Foreign bills payable	116
Corporate bonds	562,457
Other liabilities	237,614
Income taxes payable	444
Accrued expenses	53,426
Unearned income	1,016
Suspense receipt on futures transactions	32
Borrowed securities related to trading transactions	7,933
Borrowed securities	2,593
Derivatives held in banking account	92,250
Other liabilities	79,916
Accrued employees bonuses	9,850
Reserve for retirement benefits	756
Acceptances and guarantees	18,357
[Total Liabilities]	8,070,054
Net assets	
Shareholders' equity Capital stock	451,296
Capital surplus	18,558
Additional paid-in capital	18,558
Retained earnings	267,144
Appropriated for legal reserve	9,266
Other retained earnings	257,878
Earned surplus brought forward	257,878
Treasury stock, at cost	(72,555)
[Total shareholders' equity]	664,444
Net unrealized gain/loss and translation adjustments	
Net unrealized gain on securities available-for-sale, net of taxes	4,181
Net deferred loss on hedge, net of taxes	(10,275)
[Total net unrealized gain/loss and translation adjustments]	(6,094)
Stock acquisition rights	517
[Total net assets]	658,866
[Total liabilities and net assets]	¥8,728,921

SHINSEI BANK, LIMITED
NON-CONSOLIDATED STATEMENT OF OPERATIONS
From April 1, 2006 to March 31, 2007

	Millions of yen
ORDINARY INCOME	
Interest income	¥120,046
Interest on loans and bills discounted	75,357
Interest and dividends on securities	40,427
Interest on call loans	206
Interest on collateral related to securities borrowing transactions	480
Interest on bills discounted	4
Interest on deposits with banks	3,668
Interest on swaps	7,197
Other interest income	1,704
Fees and commissions income	28,198
Domestic and foreign exchange commissions income	1,028
Other fees and commissions income	27,169
Trading profits	15,339
Income from trading securities	8
Revenue from securities and derivatives related to trading transactions	6,424
Profits from trading-related financial derivatives	8,906
Other business income	18,661
Gains on foreign exchange	9,171
Gains on sales of bonds	5,381
Other business income — others	4,108
Other ordinary income	40,787
Gains on sales of equity securities and others	7,858
Gains on monetary assets held in trust	31,255
Other ordinary income — others	1,674
Total ordinary income	232,034
ORDINARY EXPENSES	
Interest expenses	77,534
Interest on deposits	33,276
Interest on negotiable certificates of deposit	1,176
Interest on debentures	3,009
Interest on call money	5,639
Interest on collateral related to securities lending transactions	245
Interest on bills rediscounted	12
Interest on borrowings	2,138
Interest on corporate bonds	20,776
Other interest expenses	11,258
Fees and commissions expenses	13,164
Domestic and foreign exchange commissions expenses	2,285
Other fees and commissions expenses	10,879
Trading losses	436
Other trading losses	436
Other business expenses	6,561
Losses on sales of bonds	216
Amortization of deferred expenses for issuance of debentures	187
Amortization of deferred expenses for issuance of corporate bonds	432
Losses on derivatives	4,908
Other business expenses — others	817
General and administrative expenses	77,865
Other ordinary expenses	9,325
Losses on write-offs of loans	1,887
Losses on sales of equity securities and others	1,520
Losses on write-down of equity securities and others	824
Losses on monetary assets held in trust	488
Other ordinary expenses — others	4,603
Total ordinary expenses	184,888
NET ORDINARY INCOME	47,146
Special gains	14,385
Net reversal of reserve for credit losses	2,086
Recoveries of written-off claims	60
Other special gains	12,238
Special losses	116,546
Losses on dispositions of fixed assets	884
Other special losses	115,661
Loss before income taxes	55,015
Income taxes — current	(2,779)
Income taxes — deferred	(10,276)
NET LOSS	¥41,960

SHINSEI BANK, LIMITED
NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
For the fiscal years ended March 31, 2007

(Millions of yen)

	Shareholders' equity							
		Capital surplus		Retained earnings				
					Other retained earnings			
	Capital Stock	Additional paid-in capital	Total capital surplus	Appropriated for legal reserve	Earned surplus brought forward	Total retained earnings	Treasury stock, at cost	Total of share-holders' equity
Balance at beginning of period	451,296	18,558	18,558	7,777	372,749	380,526	(6)	850,375
Changes in amounts during the period								
Dividends from surplus (note)				790	(4,737)	(3,947)		(3,947)
Dividends from surplus				699	(4,195)	(3,496)		(3,496)
Net loss					(41,960)	(41,960)		(41,960)
Acquisition of treasury stock							(136,673)	(136,673)
Disposal of treasury stock					(15)	(15)	160	145
Retirement of treasury stock					(63,963)	(63,963)	63,963	—
Net change of items other than shareholders' equity								
Total changes during the period	—	—	—	1,489	(114,871)	(113,382)	(72,549)	(185,931)
Balance at end of period	451,296	18,558	18,558	9,266	257,878	267,144	(72,555)	664,444

(Millions of yen)

	Net unrealized gain/loss and translation adjustments				
	Net unrealized gain/loss on securities available-for-sale, net of taxes	Net deferred gain /loss on hedge, net of taxes	Total net unrealized gain/loss and translation adjustments	Stock acquisition rights	Total net assets
Balance at beginning of period	2,670	—	2,670	—	853,046
Changes in amounts during the period					
Dividends from surplus (note)					(3,947)
Dividends from surplus					(3,496)
Net loss					(41,960)
Acquisition of treasury stock					(136,673)
Disposal of treasury stock					145
Retirement of treasury stock					—
Net change of items other than shareholders' equity	1,510	(10,275)	(8,765)	517	(8,247)
Total changes during the period	1,510	(10,275)	(8,765)	517	(194,179)
Balance at end of period	4,181	(10,275)	(6,094)	517	658,866

(note) This item is resulted from appropriation of profit of previous fiscal year.

(Notes to the Non-Consolidated Balance Sheet as of March 31, 2007)

1. All yen amounts are rounded down to millions of yen.

2. Trading account positions entered into to generate gains arising from short-term changes in interest rates, currency exchange rates or market prices of securities 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 position were terminated at the end of the fiscal year, which reflects liquidation and credit risks.

3. Securities for trading purposes (except those included in trading accounts) are stated at fair value (sales cost is calculated by the moving-average method). Securities being held to maturity are carried at amortized cost determined by the moving average method. Investments in subsidiaries and affiliated companies are stated at cost determined by the moving-average method. Available-for-sale securities whose fair value is readily determinable are stated at fair value at the fiscal year end (sales cost is determined by the moving-average method) and other non-marketable securities are stated at cost or amortized cost computed by the moving-average method. Unrealized gains and losses on available-for-sale securities are included in net assets, net of income tax.

   Traditionally, when "available-for-sale securities" fell under the definition of "shares in affiliated companies," they were transferred to "shares in affiliated companies" with fair market value, "unrealized gain/loss on securities portfolios (effective this fiscal year, 'unrealized gain/loss on available-for-sale securities')" and "deferred tax liabilities (stated by offsetting with 'deferred tax assets' in the balance sheet)" were accrued. Effective this fiscal year, however, reversal entries were made on the accounting item entitled "unrealized gain/loss on securities portfolios (effective this fiscal year, 'unrealized gain/loss on available-for-sale securities')" and the "deferred tax liabilities" account, due to the partial amendment to the "Practical Guidelines for Financial Products" (The Japanese Institute of Certified Public Accountants, Accounting System Committee Report No. 14 dated January 31, 2000) announced on April 27, 2006, applicable to fiscal year starting April 1, 2006. As a result, compared to the traditional method, "shares in affiliated companies" in the "equity securities" section decreased by ¥4,951 million, "unrealized gain/loss on available-for-sale securities" decreased by ¥2,936 million, and "deferred tax asset" increased by ¥2,014 million.

4. The values of securities included in monetary assets held in trust are determined by using the same method as stated in Note 3 above.

5. Derivatives except for those included in trading accounts are stated at fair value.

6. Other monetary claims purchased and held for trading purposes (except for those included in trading accounts) are stated at fair value.

7. Depreciation for tangible fixed asset other than personal computers in the category of equipment, such as ATMs, is computed using the straight-line method, and depreciation for other equipment is computed using the declining-balance method.

   Principal estimated useful lives are listed below:

   Buildings: 13 — 50 years
   Equipment: 2 — 15 years

8. Amortization of intangible fixed asset is computed using the straight-line method. Capitalized software for internal use is amortized using the straight-line method based on the estimated useful lives (mainly 5 years).

9. Deferred assets are amortized as follows.

(1) Previously deferred expenses for issuance of bonds and notes were recorded as assets and amortized over the term of the bonds and notes within the maximum period (3 years) stipulated in the former Commercial Code Enforcement Regulations. With the application in this accounting period of "Tentative Solution on Accounting for Deferred Assets" (August 11, 2006; Practical Solutions Report No. 19 issued by the Accounting Standards Board of Japan (ASBJ)) effective for the accounting periods ending after its

announcement, deferred expenses are amortized using the straight-line method over the term of bonds and notes. The impact of this change on the balance sheet was insignificant.

With regard to the unamortized balance of bond issuance costs as of March 31, 2006, the previous accounting treatment is applied based on measures under the afore-mentioned report and being amortized over the term of the bonds within the maximum period (3 years) stipulated in the former Commercial Code Enforcement Regulations.

(2) Previously deferred expenses for the issuance of debentures were recorded as assets and amortized over the period until their redemption date within the maximum period (3 years) stipulated in the former Commercial Code Enforcement Regulations. With the application in this accounting period of "Tentative Solution on Accounting for Deferred Assets" (August 11, 2006; Practical Solutions Report No. 19 of ASBJ) effective for the accounting periods ending after its announcement, such costs are amortized using the straight-line method over the redemption period of the bonds. The impact of this change on the balance sheet is insignificant.

With regard to deferred expenses for the issuance of debentures posted on the balance sheets for the fiscal year ended March 31, 2006, the previous accounting treatment is applied based on measures under the afore-mentioned report and being amortized over the period to the redemption date within the maximum period (3 years) stipulated in the former Commercial Code Enforcement Regulations.

(3) Previously deferred bond discounts were recorded as assets and amortized over the term of the bond. With the partial revision to "Accounting Standards for Financial Instruments" (Business Accounting Standard No. 10 on August 11, 2006) which is effective from the accounting periods ending after its announcement, bonds are stated at their amortized costs using the straight-line method. The impact of this change on the balance sheet is insignificant.

With regard to the unamortized balance of deferred bond discounts as of March 31, 2006, the previous accounting treatment is applied based on measures under "Tentative Solution on Accounting for Deferred Assets" and is being amortized over the term of the bonds using the annual straight-line method. The unamortized balance is directly deducted from the balance of the bonds.

10. Foreign currency-denominated assets and liabilities and the accounts of overseas branches are translated into Japanese yen at the exchange rates prevailing at the balance sheet date, except for investments in subsidiaries and affiliates that are translated at the relevant historical exchange rates.

11. A reserve for credit losses is provided as detailed below, pursuant to the predetermined internal rules for providing such a 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 (that is, those that are not presently bankrupt but are very likely to go bankrupt in the future), except claims to obligors with larger claims than a predetermined amount as described below, 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.

With regard to claims to possibly bankrupt obligors, restructured loans as described in Note 29 below and certain claims for which the reserve has been provided based on the discounted cash flow method (as mentioned below) in previous fiscal years, provided that obligors' cash flows for debt service are reasonably estimable and the balance of claims to such obligors are at or larger than a predetermined amount, the reserve for credit losses is provided for the difference between the present value of estimated cash flows discounted at the contractual interest rates that have been determined prior to any concession on lending conditions and the carrying value of the claim (discounted cash flow method). For claims to obligors whose future cash flows are not reasonably estimable and the balance is at or larger than a predetermined amount, the reserve is provided by estimating the expected loss amount for the remaining term of the respective claims.

For claims other than those mentioned above, a general reserve is provided based on historical loan loss experience.

The reserve for loans to restructuring countries is provided based on the amount of expected losses due to the political and economic situation in their respective 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 audits of these assessments, and an additional reserve may be provided based on the audit results.

For collateralized or guaranteed claims 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 the amount was ¥6,379 million.

The loan loss ratio had been calculated by the average of 3 consecutive calculation periods. However, the recent actual loan loss has rapidly declined resulting in less rationale as a basis for loan loss calculation. Starting from fiscal year 2006, the calculation methodology has been changed by taking the higher of the following two methods:

A. the existing methodology mentioned above, or

B. the average of all calculation periods since 1998 when the actual track records for loan losses have been maintained.

As a result, reserve for credit losses as of March 31, 2007 has increased by ¥23,417 million and gains from net reversal of reserve for credit losses for the fiscal year ended March 31, 2007 has decreased, thus loss before income tax has increased by the same amounts respectively.

12. Valuation allowances have been set aside in amounts that are deemed to be necessary for possible losses on investments, in light of the financial status, etc. of the issuers of the securities.

13. Accrued employees bonuses are provided for the payment of employees' bonuses based on estimated amounts of future payments attributed to this fiscal year.

14. A reserve for 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 as of the end of the fiscal year. The prior service cost and the actuarial difference are treated in the following manner:

Prior service cost:	Amortized using the straight-line method over the average remaining service period from the fiscal year of occurrence.
Actuarial differences:	Amortized using the straight-line method over the average remaining service period from the fiscal year of occurrence

The transitional unrecognized net retirement benefit obligation of ¥9,081 million is being amortized using the straight-line method over 15 years.

15. Equipment used under finance lease agreements is accounted for as equipment leased under operating leases, except for those cases where ownership of equipment is deemed to be transferred to the lessee.

16. Derivatives for the purpose of hedging interest rate risks arising from financial assets and liabilities are accounted for using deferred hedge accounting. Under portfolio hedging in accordance with "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (Industry Audit Committee Report No. 24 of the JICPA), a portfolio of hedged items such as deposits or loans with common maturities is 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, and are designated as a hedge of the portfolio. The effectiveness of the portfolio hedge is assessed by each group.

In previous years, the Bank principally applied a "macro hedge" approach for interest rate derivatives used to manage interest rate risks, and its ALM activities based on "Accounting and Auditing Transitional Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (Industry Audit Committee Report No. 15 of the JICPA).

Deferred hedge losses or deferred hedge gains previously recorded on the balance sheet as a result of macro hedge accounting are being amortized as expenses or income over the remaining lives of the hedging instruments. The unamortized balance of deferred hedge losses attributable to macro hedge accounting before the deduction of tax effect as of the balance sheet date was ¥21 million.

17. Derivative transactions for the purpose of hedging foreign exchange risk arising from financial assets and liabilities denominated in a foreign currency are accounted for using deferral hedge accounting by fully applying "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (Industry Audit Committee Report No. 25 of the JICPA). 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.

18. Gains/losses on 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/losses on such intra-company transactions are reported in current earnings and valuation gains/losses are deferred as assets/liabilities.

19. The National Consumption Tax and the Local Consumption Tax are excluded from transaction amounts.

20. The consolidated corporation tax system has been adopted.

21. The total net book value of equity investments in affiliates was ¥361,060 million.

22. Total monetary claims against affiliated companies stand at ¥404,081 million.

23. Total monetary liabilities against affiliated companies stand at ¥249,833 million.

24. Accumulated depreciation on tangible fixed asset was ¥14,858 million.

25. Deferred gains on sales of real estate of ¥2,985 million were deducted from the acquisition cost of newly acquired tangible fixed asset.

26. The Bank leases some vehicles and other equipment in addition to the fixed assets recorded on the balance sheet.

27. Loans and bills discounted include loans to bankrupt obligors and non-accrual delinquent loans, totaling ¥654 million and ¥10,614 million, respectively, at the balance sheet date.

    Included in loans placed on non-accrual status (because the ultimate collectability of either principal or interest is in doubt or a delay in payments of either principal or interest is judged to last for a certain period of time) are loans to bankrupt obligors, as defined in Article 96, Paragraph 1, Subparagraphs 3 and 4 of the Enforcement Ordinance for the Corporation Tax Law (Ordinance No. 97 of 1965).

    Non-accrual delinquent loans are non-accrual loans other than loans to obligors in bankruptcy and loans for which interest payments are deferred in order to facilitate the rehabilitation of the obligor or to assist in the financial recovery of the obligors.

28. Loans past due for three months or more of ¥21 million are included in loans and bills discounted.

    Loans past due for three months or more are loans other than loans to bankrupt obligors and non-accrual delinquent loans for which the principal and/or interest is past due for three months or more.

29. Restructured loans of ¥16,194 million are included in loans and bills discounted.

    Restructured loans are loans other than loans to bankrupt obligors, non-accrual delinquent loans or loans past due for three months or more, on which concessions such as reduction of the stated interest rate, a deferral of interest payment, an extension of the maturity date, debt forgiveness, or other agreements which give advantages to obligors in financial difficulties have been granted to obligors to facilitate their rehabilitation.

30. The total amount of loans to bankrupt obligors, non-accrual delinquent loans, loans past due for three months or more and restructured loans reflected in Notes 27 through 30 respectively are ¥27,485 million which represent the contractual gross receivable balance prior to reduction of the reserve for credit losses.

31. The total principal amount of loans accounted for as a sale through loan participations was ¥83,124 million as of March 31, 2007. This off-balance sheet treatment is in accordance with Report No. 3 issued by the Framework Committee of the JICPA on June 1, 1995. Of the loan participation principal amount posted as loans to original obligors, the amount posted on the balance sheet was ¥93,818 million.

32. The total amount of loans accounted for as a sale through the collateralized loan obligation ("CLO") securitization is ¥129,695 million as of March 31, 2007. Since the Bank holds subordinated beneficial interests in this CLO of ¥43,862 million, which are recorded in loans and bills discounted, a reserve for credit losses is provided for the total principal amount of ¥173,557 million, including the senior beneficial interests that have been sold.

33. Bills discounted, such as bank acceptances purchased, commercial bills discounted, documentary bills and foreign exchange contracts purchased, are accounted for as financing transactions in accordance with Industry Audit Committee Report No. 24 of the JICPA, although the Bank has the right to sell or pledge them without restrictions. The face values of such bills discounted held as of March 31, 2007 were ¥179 million.

34. Assets pledged as collateral were as follows:

Cash and due from banks	¥10 million
Securities	239,743

Liabilities related to pledged assets were as follows:

Deposits, including negotiable certificates of deposits	¥568 million
Collateral related to securities lending transactions	8,333
Acceptances and guarantees	902

In addition, securities of ¥141,309 million were pledged as collateral for transactions, including exchange settlements, swap transactions and the substitution of margin on futures transactions.

In addition, and ¥4,813 million of security deposits are included in other assets.

35. Subordinated debt of ¥109,500 million were included in borrowed money.

36. Subordinated bonds of ¥532,571 million were included in corporate bonds.

37. The amount of guarantee obligations for privately-placed bonds (Securities and Exchange Law, Article 2, Item 3), out of "bonds" included in the "Securities" category, stands at ¥90,671 million.

38. Common shareholders' equity per share was ¥319.68.

Following the revision of "Implementation Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4; September 25, 2002) as of January 31, 2006 and its application to fiscal year ending on or after the enactment date of the Corporation Act, the said Application Guidelines was adopted from this fiscal year and calculated common shareholders' equity per share by including "Net unrealized gain/loss on deferred hedge."

39. According to the stipulations of Article 18 of the Banking Law, there is a limitation on dividend payments from retained earnings.

When dividends are paid out from retained earnings, notwithstanding the provisions of Article 445, Item 4 of the Corporation Act (Amounts of Capital and Amount of Reserves), the following amount is accrued as capital surplus reserves or earned surplus reserves. Specifically, the amount of retained earnings to be decreased by such dividend payments multiplied by 1/5.

The amount of earned surplus reserves to be accrued in connection with such dividend payments from retained earnings in this term is ¥1,489 million.

40. The estimated fair value and unrealized gains and losses of securities were as shown below. Securities below include trading securities recorded in trading assets. The same definition applies to the following items through Note 43.

Trading securities:

(Millions of yen)

	Carrying amount on balance sheet	Net unrealized gains recognized in the current fiscal year
Trading securities	¥300,973	¥9,528

Securities being held to maturity with readily determinable fair value:

(Millions of yen)

	Carrying amount	Fair value	Net unrealized gain (loss)	Gross unrealized gain	Gross unrealized Loss
Japanese national government bonds	¥364,526	¥363,337	(¥1,188)	¥159	¥1,347
Japanese corporate bonds	42,474	42,440	(33)	8	42
Total	¥407,000	¥405,777	(¥1,222)	¥168	¥1,390

Equity securities of subsidiaries and affiliates with readily determinable fair value:

(Millions of yen)

	Carrying amount	Fair value	Net unrealized gain (loss)
Equity securities of affiliates	¥15,150	¥8,527	(¥6,622)

The amount of Net unrealized loss has been accrued as "valuation allowance for investments".

Available-for-sale securities with readily determinable fair value:

(Millions of yen)

	Amortized Cost	Carrying amount (fair value)	Net unrealized gain (loss)	Gross Unrealized gain	Gross Unrealized Loss
Equity securities	¥14,454	¥14,193	(¥260)	¥573	¥834
Domestic bonds:	¥574,537	¥571,171	(¥3,366)	¥413	¥3,779
Japanese national government bonds	386,436	382,753	(3,682)	23	3,706
Japanese local government bonds	53,262	53,251	(11)	8	19
Japanese corporate bonds	134,838	135,166	327	381	53
Other	¥403,292	¥413,822	¥10,529	¥11,329	¥799
Total	¥992,284	¥999,186	¥6,902	¥12,316	¥5,413

[Note] "Other" mainly consists of foreign bonds.

The net unrealized gain (loss) on securities available for sale, net of taxes, included in net assets was ¥4,181 million, which consisted of:

- the above ¥6,902 million of net unrealized gains add up ¥147 million representing net unrealized gain attributable to our interests in investment business limited liability unions which are recorded as "Securities carried at cost"
- the reduction of (¥2,868) million of deferred tax liabilities

If the fair value is lower than 50% of the book value, the book value is written down to the fair value as a new cost basis, unless there is solid evidence that the fair value will recover. If the fair value of the security has declined by the amount ranging from 30% to 50% of its cost, the Bank assesses the probability of recovery of value, and, if necessary, book value is written down to fair value as a new cost basis. An Impairment loss on available-for-sale marketable securities of ¥463 million was recorded during this fiscal year ended March 31, 2007.

41. Available-for-sale Securities sold during the fiscal year ended March 31, 2007, were as follows:

(Millions of yen)

Sales amounts	Gain on sale	Loss on sale
¥203,716	¥8,051	¥2,397

42. The balance and description of major securities whose fair value is not readily determinable are as follows:

	Carrying amount on balance sheet
Equity securities of subsidiaries and affiliates	¥282,229 million
Equity securities of subsidiaries	276,285
Equity securities of affiliates	5,944
Available-for-sale securities	244,460
Equity securities	5,752
Japanese local government bonds	4
Japanese corporate bonds	156,939
Foreign securities	55,917
Other	25,847

43. The stocks of BlueBay Asset Management Limited (¥9,524 million) held as "equity securities of affiliates" are classified as "available-for-sale securities" due to the partial sale of its share during this fiscal year.

44. The redemption schedules for securities being held to maturity and available-for-sale securities with contractual maturity was as follows:

(Millions of yen)

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Bonds:	¥507,211	¥554,039	¥26,892	¥46,970
Japanese national government bonds	315,886	384,422	—	46,970
Japanese local government bonds	51,554	507	1,193	—
Japanese corporate bonds	139,770	169,110	25,699	—
Other	7,772	124,433	176,150	156,545
Total	¥514,984	¥678,473	¥203,043	¥203,515

45. The components of monetary assets held in trust were as follows:

(Millions of yen)

	Carrying amount (Fair Value)	Net unrealized losses included in current earnings (loss)
Monetary assets held in trust for trading purposes	¥587,364	(¥8,855)

(Millions of yen)

	Acquisition Cost	Carrying amount	Net Unrealized gain	Gross Unrealized gain	Gross unrealized loss
Other monetary assets held in trust for other than trading purposes	¥99,981	¥99,981	—	—	—

There were no monetary assets held in trust being held to maturity

46. The unrealized gains or losses on other monetary claims purchased for trading purposes were as follows:

(Millions of yen)

	Carrying amount (Fair Value)	Net unrealized losses included in current earnings
monetary claims purchased for trading purposes	¥36,574	¥121

47. The balance of securities held in relation to securities borrowing transactions with or without cash collateral and securities purchased under resale agreements and securities accepted as collateral based on derivative transactions, where the Bank has the right to sell or pledge such securities without restrictions is ¥60,227 million, and the amount further pledged is ¥4,604 million.

48. The Bank issues commitments to extend credit and establish credit lines for overdrafts to meet the financing needs of its customers. The unfunded amount of these commitments was ¥3,175,391 million, out of which the amount with original agreement terms of less than one year or which were cancelable was ¥2,832,139 million. 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 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.

49. Breakdowns of deferred tax assets and deferred tax liabilities by reason of their occurrence are as follows.

Deferred tax assets (In million yen)	
Tax loss carryforwards	63,958
Securities	59,489
Reserve for credit losses	46,124
Reserve for retirement benefits	7,655
Valuation allowance for investments	6,473
Accrued employees' bonuses	4,008
Other	23,049
Deferred tax assets sub-total	210,759
Valuation allowance	△170,660
Deferred tax assets total	40,098
Deferred tax liabilities	
Net unrealized gain on securities available-for-sale	2,868
Net deferred gain on hedge	1,670
Deferred tax liabilities total	4,538
Net deferred tax assets	35,559 million yen

50. Retirement benefit obligations, etc, as of the end of this term is as follows:

Projected benefit obligations	¥(52,360) million
Plan assets (fair market value) (including retirement benefit trust)	54,331
Funded status	1,970
Unrecognized obligation at transition	4,843
Unrecognized net actuarial losses	377
Unrecognized prior service cost (reduction of liabilities)	(3,329)
Net amount accrued on the balance sheet	3,861
Prepaid pension cost	4,618
Reserve for retirement benefits	(756)

51. Following the revision to the attached formats to "Banking Law Enforcement Rules" (1982 MOF Ordinance No. 10) by the "Cabinet Ordinance to Partially Revise Detailed Enforcement Rules etc. of Mutual Loan Business Law" (Cabinet Ordinance No. 60; April 28, 2006) due to the application of "Accounting Standards for Presentation of Net Assets in the Balance Sheet" (Business Accounting Standard No. 5; December 9, 2005) and "Implementation Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet" (Business Accounting Standard Implementation Guidance No. 8; December 9, 2005) for the fiscal years ending on or after the enactment date of the Corporation Act, the following changes were made to the presentation of our balance sheets from this fiscal year.

(1) "Shareholders' equity" is replaced by "Net Assets" and is comprised of "shareholders' equity," "net unrealized gain/loss and translation adjustments" and "stock acquisition rights." The amount corresponding to "shareholders' equity" under the previous definition as of the end of this fiscal year is ¥668,625 million.

(2) "Unappropriated retained earnings at the end of the period" included in "retained earnings" are replaced by "earned surplus brought forward" in "other retained earnings."

(3) Gains/losses on valuation differences concerning hedge instruments that were included in "other assets" or "other liabilities" as deferred hedge losses or deferred hedge gains are stated as "net deferred gains/losses on hedges," net of taxes.

(4) "Net unrealized gains on equity etc." is displayed as "net unrealized gains/losses on available-for-sale securities, net of taxes."

(5) “Premises and equipment” are classified as “tangible fixed assets,” “intangible fixed assets” or “other assets.”

① “Land, Buildings and others” included in “Premises and equipment” are now classified as “land”, “building” and “other tangible assets” in “tangible fixed assets”. “Suspense payment for Construction in progress” is classified as “Construction in progress” in “tangible fixed assets”.

② “Security deposit and others” included in “Premises and equipment” is now classified as “Security deposit” in “intangible fixed asset” and “Guarantee” in “other assets”.

(6) Software that was included in “other assets” is now included in “intangible fixed assets.”

52. We adopted the “Accounting Standard for Share-based Payment” (Business Accounting Standard No. 8; December 27, 2005) and “Implementation Guidance on Accounting Standard for Share-based Payment” (Business Accounting Standard Implementation Guidance No. 11; December 27, 2005), from this period. As a result, the general and administrative expenses has increased by ¥477 million, net ordinary income has decreased by the same amounts and loss before income taxes for the fiscal year ended March 31, 2007 has increased by the same amounts.

(Notes to the Non-Consolidated Statement of Operations for the Fiscal Year Ended March 31, 2007)

1. All yen amounts are rounded down to millions of yen.

2. Earnings from transactions with affiliate companies

   Total net interest income: ¥21,698 million

   Total non-interest income: ¥264 million

   Total earnings from "other operations and other ordinary transactions": ¥3,006 million

   Total earnings from "other transactions": ¥2,718 million

   Expenses from transactions with affiliate companies

   Total net interest expense: ¥12,906 million

   Total non-interest expense: ¥2,504 million

   Total expense s from "other operations and other ordinary transactions": ¥1,529 million

   Total expense s from "other transactions": ¥11,202 million

3. Net loss per common share is ¥32.14.

4. Profits and losses from transactions for trading purposes are included in "trading profits" and "trading losses" in the statement of income on a contract date basis. Trading profits and trading losses include interest received and paid, the amounts of increases/decreases in valuation gains/losses during the reported period for securities and other monetary claims purchased, and the net change in valuation gains/losses during the reported period using the estimated settlement prices assuming settlement in cash on the balance sheet date for derivatives.

5. "Other special gains" includes gain on sale of stocks of affiliates of ¥11,519 million.

6. "Other special losses" includes impairment loss of equity investment in subsidiaries of ¥99,392 million, and valuation allowance for investments on subsidiaries and affiliates of ¥15,908 million.

   Within the impairment loss of equity investment in subsidiaries above, ¥98,072 million is for the investment in APLUS which is owned by YMS6, which is a consolidated subsidiary of Shinsei. The loss amount is determined as the difference between the fair value and the book value of preferred share. For the calculation of fair value, discounted cash flow method with 10 year future cash flow projection and assumptions of 2.0% terminal growth rate, 9.5% discount rate are used.

   Valuation allowance for investments of ¥15,908 million is for the investment on common stocks of APLUS and that of Shinki, an affiliated company. The loss is determined as the amount the market values have declined from those book values.

7. Traditionally, the calculation of un-appropriated retained earnings for the term was shown at the end of the income statement. Effective this fiscal year, however, a Statement of Changes in Stockholder's Equity is prepared and the status of capital, reserves and retained earnings is shown. In this respect, a Statement of appropriation of profit is not provided for this term and thereafter.

8. Significant related party transactions to be disclosed are as follows:

(1) Parent company and major corporate share holders

   Not Applicable

(2) Subsidiaries and affiliates

(Millions of yen)

Attributes	Name of corporation or organization	Ratio of voting rights held (or ratio of own voting rights that are held by other parties)	Business relationship	Details of transaction	Transaction amount of this fiscal year	B/S account	Balance at the year end
Subsidiaries	Life Housing Loan Co., Ltd	Indirect holding 100%	Lending, Deposit, Securitization of monetary assets	Advance in current account (Note)	96,000	Advance in current account	96,000
	Shinsei Finance (Cayman) Ltd.	Direct holding 100%	Lending	Holding of bond issued by Shinsei Bank	—	Corporate bond	93,046
	Shinsei Finance II (Cayman) Ltd.	Direct holding 100%	Lending	Holding of bond issued by Shinsei Bank	—	Corporate bond	83,859

Note: The lending is for the purpose of business operation. Also, the interest rate is determined accordingly considering credit risk. No collateral is taken.

(3) Fellow subsidiaries

Not Applicable

(4) Directors and major individual shareholders

(Millions of yen)

Attributes	Name of corporation or organization	Ratio of voting rights held (or ratio of own voting rights that are held by other parties)	Business relationship	Details of transaction	Transaction amount of this fiscal Year (JPY million)	B/S account	Balance at the year end (JPY million)
Corporations and organizations in which the majority of the voting rights are held by major shareholders (individuals) or their family members (including subsidiaries of such corporations)	J.C. Flowers II L.P.(Note 1.)	—	Providing Service Concurrent Post	Receipt of management fee (Note 2.)	288	Unearned fee	51
				Investment (Note 3.)	4,423	—	—
	NIBC Bank N.V. (Note 4.)	—	—	Commitment line (Note 5.)	14,366	—	—
	NIBC Bank Ltd (Note 6.)			Loan participation (Note 7.)	139	Loans on deeds	139
	Hillcot Re Limited (Note 8.)	Indirect holding 33.7%	Subsidiary of an affiliate Concurrent Post	Guaranty (Note 9.)	—	Customers' liabilities for acceptance and guaranties	462
	Brampton Insurance Company Limited (Note 10.)	Indirect holding 33.7%	Subsidiary of an affiliate	Redemption of investment (Note 11.)	2,472	—	—
				Redemption of investment (Note 12.)	1,310	—	—

Note:

1. The fund is operated by J.C. Flowers & Co. LLC of which a director of the Bank, J. Christopher Flowers, serves as chairman.
2. The management fee is determined based on proportion of investment amounts by limited liability partner.
3. The committed investment amounts are US$200 million based on the limited partnership agreement.
4. NIBC Holding N.V. indirectly owns 100 of voting rights and J.C. Flowers & Co. LLC of which a director of the Bank, J. Christopher Flowers, serves as chairman, substantially controls NIBC holing N.V.
5. Considering the market circumstances, the transaction was concluded with the general terms and conditions that are identical to ones with independent third parties. The transaction amounts indicated herein are established commitment line amounts.
6. NIBC Holding N.V. indirectly owns 100 of voting rights and J.C. Flowers & Co. LLC of which a director of the Bank, J. Christopher Flowers, serves as chairman, substantially controls NIBC Holding N.V.
7. Considering the market circumstances, the transaction was concluded with the general terms and conditions that are identical to ones with independent third parties.
8. The company is a wholly owned subsidiary of Hillcot Holdings Limited which is the affiliate of the Bank accounted for by the equity method.
9. Even after the acquisition by Hillcot Holdings Limited, the seller continues to guarantee Hillcot Re Limited against contingent liability arising from reinsurance agreements which Hillcot Re assumed, and the Bank guarantees the seller against the contingent payment to be made by Hillcot Re Limited. This is part of agreement reached at the acquisition and a guarantee fee is not specified. The remaining period of the guarantee is 3 years.
10. The company is a wholly owned subsidiary of Hillcot Holdings Limited of which a director of the Bank, J. Christopher Flowers, indirectly owns majority of voting rights, and is the affiliate of the Bank accounted for by the equity method. The former name was Aioi Insurance Company of Europe Limited.
11. A part of refinance money for the purpose of merger and acquisition at Hillcot Holdings Limited was used for partial redemption of investment.
12. A part of investment was redeemed resulting from cancellation of treasury stocks utilizing surplus.

(Notes to the Statement of Changes in Net Assets for the Fiscal Year Ended March 31, 2007)

1. All yen amounts are rounded down to millions of yen.

2. The types and number of treasury shares are summarized as follows:

(Unit: thousand shares)

	Number of shares as of the end of the previous fiscal year	Increase in number of shares during this fiscal year	Reduction in number of shares during this fiscal year	Number of shares at the end of this fiscal year	Note
Treasury stock:					
Common stock	9	181,624	85,216	96,418	(note 1)
Series 3 Class B Preferred Shares	—	300,000	300,000	—	(note 2)
Total	9	481,624	385,216	96,418	

(Note 1) 175,466 thousands of treasury stock that increased during this fiscal year resulted from acquisition of a part of 200,003 thousand of the common shares converted from Series 3 Class B Preferred Shares of 300,000 thousands on 31 July, 2006 out of 600,000 shares. Also 85,000 thousands of common shares out of issued shares and treasury stock were decreased during this fiscal year due to the cancellation.

(Note 2) Acquisition and cancellation of Series 3 Class B Preferred Shares associated with above the conversion.

3. Net change in "unrealized gain/loss on available-for-sale securities" includes the amount affected by Note 3 of the Balance Sheet.

4. The Bank's dividend is as follows; Dividend paid during this fiscal year

Resolution	Type of shares	Total amount of dividend	Per share	Record date	Effective date
The Board of Directors meeting on 23 May, 2006	Common shares	¥2,010 million	¥1.48	31 March, 2006	8 June, 2006
	Class A preferred shares	484	6.50	31 March, 2006	8 June, 2006
	Class B preferred shares	1,452	2.42	31 March, 2006	8 June, 2006
The Board of Director meeting on 15, November, 2006	Common shares	¥2,286 million	¥1.66	30 September, 2006	8 December, 2006
	Class A preferred shares	484	6.50	30 September, 2006	8 December, 2006
	Class B preferred shares	726	2.42	30 September, 2006	8 December, 2006

Dividend of which effective date is after the end of this fiscal year

Resolution	Type of shares	Total amount of dividend	Resource of dividend	Per share	Record date	Effective date
The Board of Director meeting on 9 May,2007	Common shares	¥1,377 million	Other retained earnings	¥1.00	31 March, 2007	30 May, 2007
	Class A preferred shares	484	Other retained earnings	6.50	31 March, 2007	30 May, 2007
	Class B preferred shares	726	Other retained earnings	2.42	31 March, 2007	30 May, 2007

5. We adopted the "Accounting Standards for Statement of Changes in Net Assets" (Business Accounting Standard No. 6; December 27, 2005) and "Implementation Guidance on Accounting Standards for Statement of Changes in Net Assets" (Business Accounting Standard Implementation Guidance No. 9; December 27, 2005) from this period in preparing the Statement of Changes in Net Assets.

(TRANSLATION)

INDEPENDENT AUDITORS' REPORT

May 3, 2007

To the Board of Directors of
Shinsei Bank, Limited:

Deloitte Touche Tohmatsu

Designated Partner,
Engagement Partner,
Certified Public Accountant:

Yoriko Goto

Designated Partner,
Engagement Partner,
Certified Public Accountant:

Shigeru Miyazaki

Pursuant to the first item, second clause of Article 436 of the Corporate Law, we have audited the financial statements, namely, the balance sheet as of March 31, 2007 of Shinsei Bank, Limited (the "Bank"), and the related statements of income and changes in net assets for the 7th fiscal year from April 1, 2006 to March 31, 2007, and the accompanying supplemental schedules. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the accompanying supplemental schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and the accompanying supplemental schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement and the accompanying supplemental schedules presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of the Bank as of March 31, 2007, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Our firm and the engagement partners do not have any financial interest in the Bank for which disclosure is required under the provisions of the Certified Public Accountants Law.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

(Translation)
This translation is made for convenience only. The original report was issued in Japanese.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee of Shinsei Bank, Limited (the "Bank") audited the execution of duties by the Bank's Directors and Statutory Executive Officers during the 7th fiscal year (from April 1, 2006 to March 31, 2007). The following report is based on the process and results of this audit.

1. Audit Process and Details

The Audit Committee monitored and examined the contents of Board of Directors resolutions concerning matters listed in Article 416, Paragraph 1, Item 1 *"ro"* and *"ho"* of the Corporation Act and the status of the Bank's system of internal controls created based on such resolutions. Furthermore, in accordance with the audit policy, audit plan, the assignment of audit duties and other matters determined by the Audit Committee, we investigated the state of the Bank's business activities and property by attending or having employees assisting in the duties of the Audit Committee attend important meetings, by receiving reports and requesting explanations as necessary from Directors, Statutory Executive Officers and so forth on matters concerning the execution of their duties, including internal control-related issues, by inspecting or having employees assisting in the duties of the Audit Committee inspect important decision-making documents and so forth. With respect to the Bank's subsidiaries, we communicated and exchanged information with their Directors, Statutory Auditors and so forth and received reports on their business, as necessary.

In addition, we monitored and examined whether the Bank's Accounting Auditors were maintaining their independence and conducting appropriate audits; received their reports on the status of the execution of their duties; and requested explanations, as necessary. Moreover, we received from the Accounting Auditors a notice on the "System for Ensuring the Appropriate Execution of Duties" (the matter listed in each item in Article 159 of the Corporate Calculation Rules) and requested explanations, as necessary.

Based on the above process, we examined the Bank's business report, financial statements (balance sheet, income statement, and statement of change in shareholders' equity etc.), the schedules attached thereto, and consolidated financial statements (consolidated balance sheet, consolidated income statement and consolidated statement of change in shareholders' equity etc.), for the relevant business year.

2. Results of the Audit

(1) Results of the audit of the business report etc.

A. We acknowledge that the business report and its attached schedules fairly present the state of the Bank in accordance with laws, ordinances and its Articles of Incorporation.

B. We acknowledge that there is nothing came to our attention which falls within the definition of misconduct or a material violation of laws, ordinances or the Bank's Articles of Incorporation with respect to the execution of duties by Directors and Statutory Executive Officers.

C. We acknowledge that the contents of the Board of Directors resolutions concerning the system of internal controls were reasonable. In addition, we acknowledge that there is nothing came to our attention which should be pointed out concerning the execution of duties by Directors and Statutory Executive Officers in relation to the said internal control system.

Furthermore, the Fair Trade Commission has issued a Cease and Desist Order to Shinsei Bank on the grounds that the Bank violated the "Law for Preventing Unjustifiable Lagniappes and Misleading Representations" *(Fusei-keihin-rui oyobi futou-hyouji-boushi-hou)*, and we acknowledge that there was a weakness in internal controls for monitoring advertisements. However, we have verified the fact that measures are being taken to improve this.

(2) Results of the audit of financial statements and attached schedules
We acknowledge that the process and results of the audit by the Bank's Accounting Auditors, Deloitte Touche Tohmatsu, are appropriate.

(3) Results of the audit of consolidated financial statements
We acknowledge that the process and results of the audit by the Bank's Accounting Auditors, Deloitte Touche Tohmatsu, are appropriate.

May 7, 2007

The Audit Committee of Shinsei Bank, Limited

Hiroyuki Takahashi	(seal)
Nobuaki Ogawa	(seal)
Shigeru Kani	(seal)
Yasuharu Nagashima	(seal)

Note: All four members of the Audit Committee are outside directors as stipulated in Article 2, Item 15 of the Corporation Act.

Reference Materials for the Annual General Meeting of Shareholders

Agenda 1. Election of fourteen (14) Directors

This is to propose to elect following 14 directors, since all directors shall have completed their terms of office at the end of this General Meeting of Shareholders.

Career summary of the candidates is as follows.

No.	Name (Date of Birth)	Personal History/Positions and Responsibilities in the Bank (Representative positions in Other Companies)	Ownership (# of Shares)
1	Thierry Porté (June 28, 1957)	1979 Y 9 M Joined Morgan Stanley, New York 1991 Y 1 M Managing Director 1995 Y 9 M President, Morgan Stanley Japan 2003 Y 11 M Corporate Executive Officer and Vice Chairman, Shinsei Bank, Limited 2004 Y 6 M Director, Vice Chairman 2005 Y 6 M Director, President, CEO (Current)	Common Shares 485,549
2	Junji Sugiyama (April 15, 1946)	1970 Y 5 M Joined The Sanwa Bank, Limited (Predecessor of The Bank of Tokyo-Mitsubishi UFJ, Ltd.) 1996 Y 6 M Director 1999 Y 6 M Managing Executive Officer 2001 Y 4 M Managing Executive Officer, UFJ Holdings, Inc. (Predecessor of Mitsubishi UFJ Financial Group, Inc.) 2002 Y 1 M Senior Managing Executive Officer 2002 Y 4 M Advisor, APLUS Co., Ltd. 2002 Y 6 M President 2005 Y 6 M Director, Vice Chairman, Shinsei Bank, Limited 2006 Y 6 M Director, Chairman (Current) 2007 Y 3 M Director, Chairman, APLUS Co., Ltd.(Current)	Nil
3	Michael J. Boskin (September 23, 1945)	1970 Y 9 M Assistant Professor, Stanford University 1978 Y 9 M Professor 1989 Y 1 M Chairman, President's Council of Economic Advisers 1993 Y 9 M T.M. Friedman Professor of Economics and Senior Fellow, Hoover Institution, Stanford University (Current) 1994 Y 4 M Director, Oracle Corporation (Current) 1996 Y 1 M Director, Exxon Corporation (Predecessor of Exxon Mobil Corporation) (Current) 1999 Y 6 M Director, Vodafone Group PLC (Current) 2000 Y 3 M Director, Shinsei Bank, Limited (Current)	Common Shares 105,783
4	Emilio Botín (October 1, 1934)	1958 Y 10 M Joined Banco Santander 1977 Y 10 M CEO 1986 Y 12 M Chairman 1999 Y 4 M Chairman, Banco Santander Central Hispano S.A. (Current) 2000 Y 4 M Director, Shinsei Bank, Limited (Current) 2003 Y 7 M Chairman, Grupo Santander (Current)	Nil

No.	Name (Date of Birth)	Personal History/Positions and Responsibilities in the Bank (Representative positions in Other Companies)	Ownership (# of Shares)
5	J. Christopher Flowers (October 27, 1957)	1979 Y 3 M Joined Goldman Sachs 1988 Y 12 M Partner 1996 Y 10 M Director, Enstar Group Limited (Current) 2000 Y 3 M Director, Shinsei Bank, Limited (Current) 2002 Y 11 M Chairman, J.C. Flowers & Co., LLC (Current) 2005 Y 12 M Supervisory Board Member, NIBC Bank N.V. (Current) 2006 Y 6 M Director, Fox-Pitt, Kelton, LLC (Current) 2006 Y 10 M Supervisory Board Member, HSH Nordbank AG (Current)	Common Shares 92,670,463
6	Yukinori Ito (March 8, 1936)	1962 Y 4 M Joined The Export-Import Bank of Japan (Predecessor of Japan Bank for International Cooperation) 1991 Y 6 M Senior Executive Director 1995 Y 4 M Corporate Advisor, Mitsubishi Corporation 2002 Y 4 M Professor of Department of Economics, Teikyo University 2003 Y 1 M Auditor, AOC Holdings, Ltd. 2006 Y 7 M Senior Fellow, NPO Japan Independent Directors Network (Current) 2007 Y 3 M President and CEO, Centennial Economic Advisors (Japan), Inc. (Current)	Common Shares 3,000
7	Shigeru Kani (September 20, 1943)	1966 Y 4 M Joined The Bank of Japan 1992 Y 5 M Executive Auditor and Senior Advisor to the Chairman, The Tokyo International Financial Futures Exchange 1996 Y 5 M Director, Administration Department, The Bank of Japan 1999 Y 5 M Executive Managing Director, Tokyo Stock Exchange 2002 Y 4 M Advisor, NEC Corporation 2004 Y 6 M Director, Shinsei Bank, Limited (Current) 2006 Y 4 M Professor, Yokohama College of Commerce (Current)	Nil
8	Fred H. Langhammer (January 13, 1944)	1970 Y 9 M General Manager of Import Division, Dodwell Japan 1975 Y 1 M President, Estée Lauder, Japan 1985 Y 9 M COO, The Estée Lauder Companies, Inc. 1995 Y 9 M President and COO 2000 Y 1 M President and CEO 2004 Y 7 M Chairman, Global Affairs (Current) 2005 Y 1 M Director, The Walt Disney Company (Current) 2005 Y 6 M Director, Shinsei Bank, Limited (Current) 2006 Y 1 M Director, American International Group, Inc. (Current)	Nil

No.	Name (Date of Birth)	Personal History/Positions and Responsibilities in the Bank (Representative positions in Other Companies)	Ownership (# of Shares)
9	Minoru Makihara (January 12, 1930)	1956 Y 3 M Joined Mitsubishi Corporation, Tokyo 1987 Y 6 M President, Mitsubishi International Corporation, New York 1992 Y 6 M President, Mitsubishi Corporation, Tokyo 1998 Y 4 M Chairman 2000 Y 3 M Director, Shinsei Bank, Limited (Current) 2000 Y 5 M Vice Chairman, Japan Business Federation (Nippon Keidanren) 2004 Y 6 M Senior Corporate Advisor, Mitsubishi Corporation, Tokyo (Current) 2004 Y 9 M Director, IBM Corporation (Current)	Nil
10	Yasuharu Nagashima (June 22, 1926)	1953 Y 4 M Attorney at Law in Japan 1961 Y 1 M Partner, Nagashima & Ohno (Predecessor of Nagashima Ohno & Tsunematsu) 1997 Y 1 M Advisor (Current) 2003 Y 4 M Member, Advisory Committee of Tokyo University Law School (Current) 2004 Y 6 M Director, Shinsei Bank, Limited (Current)	Nil
11	Lucio A. Noto (April 24, 1938)	1962 Y 6 M Joined Mobil Corporation 1994 Y 3 M Chairman and CEO 1995 Y 2 M Director, IBM Corporation (Current) 1998 Y 1 M Director, Altria Group, Inc. (Current) 1999 Y 12 M Vice Chairman, Exxon Mobil Corporation 2001 Y 3 M Managing Partner, Midstream Partners, LLC (Current) 2001 Y 5 M Director, United Auto Group, Inc. (Current) 2005 Y 6 M Director, Shinsei Bank, Limited (Current) 2006 Y 2 M Director, Commercial International Bank (Current)	Common Shares 23,238
12	Nobuaki Ogawa (March 13, 1939)	1968 Y 4 M Attorney at Law in Japan 1970 Y 8 M Partner, Ogawa Law Office (Current) (Predecessor of Ogawa Tomono Law Office) 1992 Y 4 M Vice Chairman, Tokyo Bar Association 1996 Y 4 M Secretary General, Japan Federation of Bar Associations 1998 Y 11 M Statutory Auditor, The Long-Term Credit Bank of Japan, Ltd 2000 Y 3 M Director, Shinsei Bank, Limited (Current)	Nil
13	Hiroyuki Takahashi (March 1, 1937)	1959 Y 4 M Joined Mitsui & Co., Ltd. 1996 Y 6 M Executive Managing Director, General Manager, Personnel Division 1997 Y 6 M Corporate Auditor 2000 Y 6 M Counselor 2000 Y 10 M Executive Managing Director and Secretary-General, Japan Corporate, Auditors Association 2005 Y 10 M Director 2006 Y 6 M Director, Shinsei Bank, Limited (Current) 2006 Y 6 M Auditor, Matsushita Electric Industrial Co., Ltd. (Current)	Nil

No.	Name (Date of Birth)	Personal History/Positions and Responsibilities in the Bank (Representative positions in Other Companies)	Ownership (# of Shares)
14	John S. Wadsworth, Jr. (September 12, 1939)	1963 Y 8 M Joined The First Boston Corporation 1978 Y 10 M Joined Morgan Stanley 1987 Y 3 M President , Morgan Stanley Japan 1992 Y 1 M Chairman, Morgan Stanley Asia Limited 2001 Y 2 M Advisory Director, Morgan Stanley (Current) 2001 Y 8 M Partner, Manitou Ventures (Current) 2005 Y 5 M Chairman, Ceyuan Ventures (Current) 2005 Y 6 M Director, Shinsei Bank, Limited (Current)	Common Shares 20,000

Note

1. The responsibilities (Committee) in the Bank of the candidates for Directors who are current Directors are described on page 17 of Business Report.

2. Special Interests between the Bank and a candidate:

① The Bank has established a commitment line of finance to NIBC Bank N.V., which is substantially controlled by Mr. J. Christopher Flowers through an investment partnership in which he serves as the general partner.

② The Bank provides loans to NIBC Bank Ltd. (Singapore subsidiary of NIBC Bank N.V.), which is substantially controlled by Mr. J. Christopher Flowers through an investment partnership in which he serves as the general partner.

③ The Bank has an equity interest in J.C. Flowers II L.P. established and operated by J.C. Flowers Co., LLC in which Mr. J. Christopher Flowers serves as a representative. No Special Interests exist between any of the other candidates for Directors and the Bank.

3. (1) The following persons are candidates for Outside Directors:
Messrs. Michael J. Boskin, Emilio Botín, Yukinori Ito, Shigeru Kani, Fred H. Langhammer, Minoru Makihara, Yasuharu Nagashima, Lucio A. Noto, Nobuaki Ogawa, Hiroyuki Takahashi, and John S. Wadsworth, Jr.
(2) Further, out of the candidates for Director who are not the candidates for Outside Director, namely, Messrs. Thierry Porté, Junji Sugiyama and J. Christopher Flowers, with respect to Mr. J. Christopher Flowers, there is no plan for him to be engaged in the execution of the Bank's business or to assume full time duty at the Bank regardless of his status or position.

4. Matters concerning candidates for Outside Directors:

(1) Reasons for nominating each of the candidates for Outside Director

① Mr. Michael J. Boskin is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management his deep insight as an expert in economics as well as his experience as an Outside Director in other companies.

② Mr. Emilio Botín is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management his extensive experience as a bank management executive and deep insight particularly into retail banking operations.

③ Mr. Yukinori Ito is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management his wide range of knowledge and extensive experience concerning international financing and his banking expertise.

④ Mr. Shigeru Kani is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management his discernment in the risk management area and his wide range of knowledge concerning banking operations.

⑤ Mr. Fred H. Langhammer is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management his extensive experience as a management executive and deep insight into consumer-related operations.
⑥ Mr. Minoru Makihara is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management his extensive experience as a management executive and deep insight into the field of corporate management.
⑦ Mr. Yasuharu Nagashima is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management his expert knowledge and experience, etc. as a lawyer.
⑧ Mr. Lucio A. Noto is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management his extensive experience as a management executive and wide range of knowledge about internal controls.
⑨ Mr. Nobuaki Ogawa is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management his expert knowledge and experience, etc. as a lawyer.
⑩ Mr. Hiroyuki Takahashi is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management his deep insight into corporate audits as well as his experience in a wide range of business spheres.
⑪ Mr. John S. Wadsworth, Jr. is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management his wide range of knowledge and experience, etc. in investment banking.

(2) Violation of laws or articles of incorporation by the relevant joint stock company (kabushiki-kaisha) during the most recent term of office of the Outside Director candidate in the joint stock company, as well as actions actually taken by the Outside Director candidate to prevent recurrence of such violation and subsequent countermeasures taken by him/her.

On March 28, 2007, the Bank received a cease and desist order from the Japan Fair Trade Commission regarding a flyer for financial products for individual customers (issued from August to October 2006) that was in breach of the Act against Unjustifiable Premiums and Misleading Representations.

At the meetings of the Board of Directors or the Audit Committee (Audit committee members: Messrs. Hiroyuki Takahashi, Shigeru Kani, Yasuharu Nagashima, and Nobuaki Ogawa) the candidates for Outside Directors, namely, Messrs. Michael J. Boskin, Emilio Botín, Shigeru Kani, Fred H. Langhammer, Minoru Makihara, Yasuharu Nagashima, Lucio A. Noto, Nobuaki Ogawa, Hiroyuki Takahashi, and John S. Wadsworth, Jr. had repeatedly called for attention to be paid to the importance of legal compliance and for the establishment of a system to that end. The candidates for Outside Directors had been paying attention to the fact that advertisements for individual customers had been an issue including the fact that the Japan Fair Trade Commission had started its research and the voluntary improvement actions upon receiving reports on the matter at meetings of the Board of Directors or the Audit Committee. At the meetings of the Board of Directors before the Bank received the cease and desist order, the Executive Officers reported on the matter, and the Audit Committee requested that the Bank strictly comply with any cease and desist order, and review its internal control system to establish a structure to protect customers. The candidates for Outside Directors also received reports from the Executive Officers at meetings of the Board of Directors after the Bank received the cease and desist order and requested that the overall internal checking system, and not only the "consumer advertisement checking system," the system introduced as the preventative measures in which advertisements of the Bank are checked from the viewpoint of customers, be improved. The need to implement preventative measures to ensure that similar sanctions would not recur was acknowledged in the Board discussion.

(3) If a candidate for Outside Director had been a Statutory Executive Officer, a Director, or an Auditor in other joint stock companies (kabushiki-kaisha) in the last five years, the fact (if any) of violation of laws or articles of incorporation or other willful misconduct by the relevant joint stock company during his/her term of office in the company, as well as actions actually taken by the relevant candidate to prevent a recurrence of this violation and subsequent countermeasures taken by him/her.

Mitsubishi UFJ Securities Co., Ltd. for which Mr. Minoru Makihara serves as a Director received a Business Improvement Order from the Financial Services Agency in January 2007, on the grounds that the company (then Mitsubishi Securities Co., Ltd.) contravened the Securities and Exchange Law in July 2005 with regard to "trading securities for 'proprietary purposes' (*jikono-keisan*) based on corporate information." He had not recognized this fact until the matter was discovered. However, even before this incident occurred, he had made every effort to prevent any misconduct by emphasizing the significance of compliance. After its discovery, he supervised the business improvement plan which had been proposed by management at the Board meeting and had expressed his opinions from the viewpoint of a director.

(4) The ground on which the Bank judges that a candidate for Outside Director can appropriately implement his/her duties, in the case where the relevant candidate has not been involved in the management of a company by means other than by assuming the office of an Outside Director or Outside Auditor.

① Given that Mr. Michael J. Boskin has great discernment as an economist and further that he has extensive experience as an Outside Director in other companies, he is expected to function appropriately as an Outside Director of the Bank.

② Given that Messrs. Yasuharu Nagashima and Nobuaki Ogawa have, from their specialist viewpoints as lawyers, distinguished track records in activities related to corporate laws and further that they have extensive experience, they are expected to function appropriately as Outside Directors of the Bank.

(5) The number of years since candidates for Outside Directors became Outside Directors:

① As of the end of this General Meeting of Shareholders, Messrs. Michael J. Boskin, Minoru Makihara, and Nobuaki Ogawa will have been Outside Directors for seven years four months.

② As of the end of this General Meeting of Shareholders, Mr. Emilio Botín will have been an Outside Director for seven years two months.

③ As of the end of this General Meeting of Shareholders, Messrs. Shigeru Kani and Yasuharu Nagashima will have been Outside Directors for three years.

④ As of the end of this General Meeting of Shareholders, Messrs. Fred H. Langhammer, Lucio A. Noto, and John S. Wadsworth, Jr. will have been Outside Directors for two years.

⑤ As of the end of this General Meeting of Shareholders, Mr. Hiroyuki Takahashi will have been an Outside Director for one year.

(6) Overview of the contents of the Agreement for Limitations on Liability concluded with Outside Directors

Candidates for Outside Directors, namely, Messrs. Michael J. Boskin, Emilio Botín, Shigeru Kani, Fred H. Langhammer, Minoru Makihara, Yasuharu Nagashima, Lucio A. Noto, Nobuaki Ogawa, Hiroyuki Takahashi, and John S. Wadsworth, Jr. have concluded an Agreement for Limitations on Liability with the Bank under Article 427, Paragraph 1 of the Corporation Act. Under this agreement, the Outside Directors' liability for any damage caused through neglect of their duties and responsibilities shall be limited. If the Bank suffers damage as a result of such neglect, the Outside Directors shall be liable up to the lowest maximum liability provided for in Article 425, Paragraph 1 of the Corporation Act, provided that there should be no willful misconduct or gross negligence involved in their duties and responsibilities.

If the above mentioned ten candidates are re-elected as Directors, the Bank will continue the said Agreement for Limitations on Liability with them.

The candidate for new Outside Director, Mr. Yukinori Ito, when elected as a Director, is to conclude with the Bank an Agreement for Limitations on Liability with the same conditions as mentioned above.

Agenda 2. Issuance of Stock Acquisition Rights as Stock Options to Directors, Officers and Employees of the Bank and its Subsidiaries

This Agenda is to request approval on the delegation to the Board of Directors of determination of the terms and conditions of the offering of stock acquisition rights to be issued as stock options (the "Stock Acquisition Rights") to directors, statutory executive officers and employees of the Bank and its subsidiaries as well as its senior advisors in the following manner, pursuant to the provisions of Articles 238 and 239 of the Corporation Act.

1. Reason for the necessity of making the offering without the payment of money

The Stock Acquisition Rights shall be issued to directors, statutory executive officers and employees of the Bank and its subsidiaries as well as its senior advisors free of charge for the purpose of improving their morale and willingness to improve the performance of the Bank group, thus increasing the corporate value of the Bank group.

The Board of Directors of the Bank may issue Stock Acquisition Rights which have different exercise periods and exercise conditions within the scope approved in "3. Items for the offering of Stock Acquisition Rights" below.

2. Persons receiving stock acquisition rights

Up to 9,000 Stock Acquisition Rights shall be allocated to directors, statutory executive officers and employees of the Bank and its subsidiaries as well as its senior advisors.

3. Items for the offering of stock acquisition rights

(1) Maximum number of stock acquisition rights to be offered Up to 9,000

(2) Content of stock acquisition rights to be offered

① Class and number of shares that can be purchased through the exercise of stock acquisition rights

One thousand (1,000) common shares of the Bank per Stock Acquisition Right

If the Bank carries out a stock split, reverse stock split or a stock allocation made free of charge, then the number of shares that can be purchased through the exercise of Stock Acquisition Rights shall be adjusted in accordance with the following formula. Provided, however, that such adjustments shall be made only to the number of shares that can be purchased through the exercise of Stock Acquisition Rights that have not yet been exercised at the time of such stock split, reverse stock split or stock allocation made free of charge and any fractional shares less than one (1) share that may result from such adjustments shall be rounded off.

Number of shares after adjustment = number of shares before adjustment x ratio of split, reverse split or allocation made free of charge

Furthermore, if the Bank merges with another company and is the surviving company, if the Bank acquires all of the issued shares of another company through share exchange and the Bank becomes its 100% parent company, if the Bank spins off its business to establish a new company (shinsetsu bunkatsu) or if the Bank spins off its business to an existing company (kyuushuu bunkatsu) or acquires all or part of rights and obligations of another company concerning its business through kyuusyuu bunkatsu, the Bank may adjust the number of shares that can be obtained through the exercise of Stock Acquisition Rights as considered necessary.

② Value of property payable for the exercise of stock acquisition rights

The value of property (limited to money) for one Stock Acquisition Right payable upon exercising Stock Acquisition Rights shall be the amount calculated by multiplying the payment amount per share as stipulated below (the "Exercise Price") and the number of common shares of the Bank that can be purchased through the exercise of one Stock Acquisition Right as determined in ① above.

The Exercise Price shall be the average value of the closing price of the Bank's common shares on the Tokyo Stock Exchange in the 30 trading days commencing 45 trading days immediately preceding the day that is immediately after the date of allocation of Stock Acquisition Rights (excluding days on which no transactions are concluded) and rounded up to the nearest yen. However, if said value is lower than the closing price on the allocation date, the closing price of the allocation date itself shall be the Exercise Price.

If the Bank issues shares at a price lower than market value in a stock split, reverse stock split or allotment to shareholders after the date of issuance of the Stock Acquisition Rights, the Exercise Price shall be adjusted in accordance with the following formula, and any amount less than 1 yen that arises as a result of such adjustments shall be rounded up.

$$\text{The Exercise Price after adjustment} = \text{The Exercise Price before adjustment} \times \frac{\text{Number of Outstanding shares} + \dfrac{\text{Number of new shares to be issued} \times \text{Payment amount per share}}{\text{Share price before split, reverse split, new issuance}}}{\text{Number of outstanding shares} + \text{number of increase in shares as a result of split / new issuance}}$$

(In the case of reverse stock split, the number of outstanding shares minus the number of shares merged)

Furthermore, if the Bank merges with another company and is the surviving company, if the Bank acquires all of the issued shares of another company through share exchange and becomes its 100% parent company, if the Bank spins off its business to establish a new company (shinsetsu bunkatsu) or if the Bank spins off its business to an existing company (kyuushuu bunkatsu) or acquires all or part of rights and obligations of another company concerning its business through kyuusyuu bunkatsu, the Bank may adjust the Exercise Price as considered necessary.

③ Exercise Period of stock acquisition rights

The Board of Directors shall determine the exercise period of Stock Acquisition Rights to be within the period from the allocation date of Stock Acquisition Rights to June 23, 2018.

④ Conditions for exercising stock acquisition rights

(i) In case a Stock Acquisition Rights holder dies and their legal heir completes the succession procedures within the period fixed by the Bank, Stock Acquisition Rights may be inherited by the legal heir of the Stock Acquisition Rights holder.

(ii) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other way.

(iii) Other conditions shall be stipulated in the “Agreement on the grant of stock acquisition rights” to be entered into between the Bank and Stock Acquisition Rights holders who are entitled to the allotment of Stock Acquisition Rights based on the resolution of this General Meeting of Shareholders and the Meeting of Board of Directors of the Bank to be held subsequently.

⑤ Matters related to the increase of capital and capital reserve in case of the issuance of shares for the exercise of stock acquisition rights

(i) In case of issuance of shares for the exercise of stock option, a half of the maximum amount of increase of capital and the like which shall be calculated in accordance with Article 40, Paragraph 1 of the Regulations for the Corporation Accounting shall be capitalized (any amount less than 1 yen that arises by the calculation is rounded up and capitalized).

(ii) In case of the issuance of shares for the exercise of stock option, the amount of the increased capital reserve shall be the amount obtained by deducting the capitalized amount prescribed in (i) above from the maximum amount of increase of capital and the like prescribed in (i) above.

⑥ Restrictions on the assignment of stock acquisition rights

Any assignment of stock acquisition rights shall be subject to the approval of the Board of Directors of the Bank.

⑦ Acquisition of stock acquisition rights

(i) If the General Meeting of Shareholders approves a merger agreement in which the Bank becomes a dissolving company, or if the General Meeting of Shareholders approves a proposal to approve a stock exchange agreement or stock transfer plan, and the Board of the Directors of the Bank resolves that the Bank acquires the Stock Acquisition Rights at the date of acquisition, the Bank acquires Stock Acquisition Rights without charge.

(ii) If persons who received Stock Acquisition Rights fall into a situation in which he or she cannot exercise Stock Acquisition Rights, such as where he or she does not satisfy the conditions stipulated in the "Agreement on the grant of stock acquisition rights", and the Board of the Directors of the Bank resolves that the Bank acquires such Stock Acquisition Rights with the date of acquisition, the Bank acquires such Stock Acquisition Rights without charge.

⑧ Stock acquisition rights granted via reorganization

In case the Bank becomes a dissolving company as a result of a merger, the Bank spins off its business to an existing company (kyuushuu bunkatsu), the Bank spins off its business to establish a new company (shinsetsu bunkatsu), the Bank executes a share exchange or a share transfer, then stock acquisition rights of the reorganized company in each case above (namely, the surviving company after such merger, the company newly established by such merger, the company which succeeds the rights and duties of the business through kyuushuu bunkastu, the company newly established by shinsetsu bunkatsu, the company which becomes its parent company through a share exchange or the company newly established by share transfer) may be granted in place of Stock Acquisition Rights based on an agreement on kyuushuu gappei, agreement on shinsetsu gappei, agreement on kyuushuu bunkatsu, plan for shinsetsu bunkatsu, agreement on share exchange or plan for share transfer.

In this case, the conditions of stock acquisition rights to be granted shall be determined in accordance with the following.

(i) Shares that can be purchased through the exercise of stock acquisition rights
Same class of shares of the surviving company after such merger, the company newly established by such merger, the company which succeeds rights and duties of the business through kyuushuu bunkastu, the company newly established by shinsetsu bunkatsu, the company which becomes its parent company through share exchange or the company newly established by share transfer.

(ii) Number of shares that can be purchased through the exercise of stock acquisition rights
To be adjusted in accordance with the ratio of merger, company split, share exchange or share transfer. With regard to shares to be granted to the person who exercised stock acquisition rights, any shares less than 1 share that arises as a result of such adjustments shall be rounded down.

(iii) Value of property payable for exercise of stock acquisition rights (Exercise Price)
To be adjusted in accordance with the ratio of merger, company split, share exchange or share transfer. Any amount less than 1 yen that arises as a result of such adjustments shall be rounded up.

(iv) Exercise period of stock acquisition rights, exercise conditions of stock acquisition rights, reasons for the company to acquire stock acquisition rights
To be determined in the merger agreement, agreement on kyuushuu bunkatsu, plan for shinsetsu bunkatsu, agreement on share exchange or plan for share transfer.

(v) Restrictions on the assignment of stock acquisition rights
Any assignment of stock acquisition rights shall be subject to approval of the Board of Directors of the company which grants stock acquisition rights.

(3) Payment amount for stock acquisition rights
To be issued free of charge. Payment is not required.

Agenda 3. Authorization of a Facility for the Purchase of Shinsei Bank Limited Shares (Class A Preferred Shares)

Approval is sought to retain the flexibility to repay some or all of public funds by purchasing some or all of Shinsei Bank Limited ("Shinsei") Class A preferred shares (74,528,000 shares outstanding) pursuant to Article 156, Paragraph 1 of the Corporation Act.

1.	Type of shares to be purchased:	Shinsei Class A preferred shares
2.	Total number of shares to be purchased:	Up to 74,528,000 Shinsei Class A preferred shares
3.	Consideration for Purchase of Class A preferred shares and total amount:	In cash for a total amount of up to 225 billion yen
4.	Eligible Purchase periods for Class A preferred shares:	The eligible purchase period is from the closing of the 7th Annual General Meeting of Shareholders to be held on June 20, 2007 to one business day before the Class A preferred shares mandatory conversion date of April 1, 2008

End

[Procedures for Exercising Voting Rights via Internet]

Please take note of the following instructions before exercising voting rights via Internet.

(1) Voting rights can be exercised via Internet only by accessing the following website for exercising voting rights from a personal computer or cell phone.

[Website for exercising voting rights] http://www.webdk.net

(2) When exercising voting rights via Internet, you must enter the "Voting Rights Exercise Code" and "Password", both of which are contained in the enclosed Form for Exercising Voting Rights. Please follow the instructions on the screen to vote in favor of or against the proposed items.

(3) Shareholders may exercise their voting rights via Internet until 5:00 p.m. on Tuesday, June 19, 2007. However, we urge shareholders to exercise their voting rights at their earliest convenience for the purpose of tallying voting rights.

(4) If you have cast your votes twice by using the Form for Exercising Voting Rights and via Internet, the Bank will consider the vote cast via Internet to be the valid vote.

(5) If you have cast your votes more than once via Internet, the Bank will consider the vote last cast via Internet to be the valid vote.

(6) Any costs incurred to access the website for exercising voting rights, such as Internet connection costs payable to a provider or telecommunication fees (telephone charges, etc.) shall be borne by the shareholder exercising the voting rights.

[System Environment for Exercising Voting Rights via Internet]

The following computer system environment is necessary in order to use the website for exercising voting rights.

(1) Ability to access the website via Internet

(2) In order to exercise voting rights using a personal computer, it is necessary to be able to use an Internet browser as well as software such as Internet Explorer 5.5 or greater of Microsoft® or Netscape 6.2 or greater. It is necessary to have a hardware environment that allows for the use of the above internet browser and software.

(3) In order to exercise voting rights via a cell phone, the cell phone must be a model that allows for 128bitSSL transmissions (encrypted transmissions).

(For security purposes, the website is accessible only by models that allow for 128bitSSL transmissions (encrypted transmissions) so that some models may not be able to access the website.)

("Microsoft" is a trademark owned by the Microsoft Corporation in the United States and other countries. "Netscape" is a trademark owned by the Netscape Communications Corporation in the United States and other countries.)

[Inquiries concerning Exercising Voting Rights via Internet]

For inquiries concerning exercising voting rights via Internet, please contact the following:

Shareholder List Administrator: Stock Transfer Agency Department, The Sumitomo Trust & Banking Co., Ltd.
[Hotline] 0120-186-417 (toll-free, available 24 hours a day)

End