(Attachment)

Business Report for the Sixth Fiscal Year

(From April 1, 2005 to March 31, 2006)

1. Outline of the Business Operations

(1) Business Development and Performance of the Group

[Principal Nature of the Business of the Group]

As of March 31, 2006, the Shinsei Bank Group (Shinsei Bank, Limited and its subsidiaries) consisted of Shinsei Bank, Limited and its consolidated subsidiaries and sub-entities (82 companies including APLUS Co., Ltd. and Showa Leasing Co., Ltd.) and affiliated companies (13 companies accounted for under the equity method, including Shinki Co., Ltd. and BlueBay Asset Management Limited)(*), and 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 the fiscal year just ended, we consolidate 82 subsidiaries and sub-entities, and account for 13 affiliated companies under the equity method.

[Financial and Economic Environment]

Looking back on the macro-economic environment during the fiscal year ended March 31 2006, the Japanese economy improved and is back on the path to recovery, which started two years ago. Since last summer corporate sentiment has improved significantly, consumer spending has increased, and the job market has been improving. The consumer price index turned positive toward the end of the calendar year of 2005. Given the favorable macro-economic environment is expected to last going forward, the Bank of Japan decided to cease its policy of quantitative monetary easing at its Monetary Policy Meeting on March 9. This is a change in monetary policy that signifies the transformation of the Japanese economy that has suffered from a deflationary environment for a long time. If a departure from the zero interest policy, which is assumed to be the next step, materializes, Japanese monetary policy will be moving back to normal both in name and in reality.

Corporate earnings are still in a healthy growth trend reflecting the positive business climate, and asset prices have increased significantly in part due to still abundant liquidity conditions. The Nikkei 225 Index has continued to be steadily buoyant since last summer, after it had once been at the level of 11,000, and at the end of March 2006 it reached the level of 17,000 for the first time since 2000. Land prices have revived nationwide, and it is possible that the deflation of asset prices may have ended.

The international economy is also performing well. The U.S. economy has maintained its growth rate at a level of higher than 3%, and the euro-zone economy, which had experienced a slow recovery in tandem with Japan, is clearly becoming stronger. Thus, the world economy has continually grown from the prior fiscal year.

Reflecting the robust economic growth, major nations have started to moderately tighten their monetary policies, which had been quite loose. The United States has continued to modestly increase policy rate, and the European Central Bank implemented a policy rate hike at the end of last year. It is expected that globally abundant liquidity, which has been considered excessive, is going to shrink slowly but steadily.

Globally, savings still exceed investments. Thanks to the redundancy of supply capacity from, among other countries, the People's Republic of China, inflation rates remain extremely stable, in particular the core inflation rates that exclude food and energy prices, despite sustained increases in oil and other commodity prices.

For this reason, it is considered that a sharp increase in inflation rates and an adoption of substantial monetary policy tightening is less likely to occur despite healthy worldwide growth.

(*) In addition, we have 79 non-consolidated subsidiaries.

As for foreign exchange rates, the Japanese yen remained weak throughout the latest fiscal year, in part due to larger interest differential against the currencies of other major countries and expanded international investments by Japanese domestic investors. The exchange rate for the Japanese yen against the U.S. dollar ranged from around ¥105 to near ¥120.

Overall, the steady recovery of the Japanese economy has continued reflecting robust global economic growth. Although there are some concerns including possible further increase in the prices of primary products, particularly energy prices, it is expected that the Japanese economy is likely to be on track for sustainable growth at a modest pace.

[Business Development and Performance of the Group as a Whole]

(Three Strategic Segments)

We offer 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.

For the consolidated fiscal year ended March 31, 2006 both Institutional Banking and Retail Banking performed favorably. In addition, Consumer and Commercial Finance, one of our strategic segments, has grown as one of our segments largely through the acquisitions during the previous consolidated fiscal year of APLUS Co., Ltd. and Showa Leasing Co., Ltd. as subsidiaries, and these have contributed to our results throughout the fiscal year.

(Business Developments and Performance for the Consolidated Fiscal Year Ended March 31, 2006)

The following outlines our major business developments during the consolidated fiscal year ended March 31, 2006.

<Retail Banking>

Retail Banking experienced steady growth in their new integrated "PowerFlex" accounts, and the number of accounts, including existing accounts, exceeded 1.7 million at the end of March 2006. The balance for the "Powered One Plus" time deposit that we launched in May 2005 (with 5 or 10 years to maturity, with the option to extend the term) increased steadily, and sales from foreign currency deposits, investment trust funds, and individual annuity and insurance products also increased strongly. Assets under management on deposit from retail customers exceeded ¥4 trillion, which contributed to increased fees and commissions. For home mortgages, their characteristics as a financial product, such as no early repayment fee, are well recognized and outstanding balance of "Power Smart Home Mortgage" amounted to approximately ¥430.0 billion at the end of March 2006. As a result, Retail Banking continued to post steady profit growth, as it also did in the previous fiscal year.

During the consolidated fiscal year ended March 31, 2006 we opened "Shinsei Bank Spots" in Kyobashi, Shinjuku-Minami, and Omotesando in Tokyo, and Shinsaibashi and Umeda in Osaka, and installed our ATMs in Tokyo Metro stations to expand our service channels.

In June 2005, we launched our securities trading brokerage services in alliance with Rakuten Securities, Inc. so that our customers could conduct securities transactions through our Internet banking services, known as "Shinsei PowerDirect." In April 2006, we started selling "Shinsei PowerDirect Nenkin," the first Japanese investment-type annuity which can be applied for via the Internet (Underwriter: Winterthur Swiss Life Insurance Co., Ltd).

We will continue to further increase the convenience of our customers and expand our customer base by the timely offering of products and services which meet the needs of our customers.

<Institutional Banking>

Institutional Banking has been steadily diversifying its revenue sources.

For our securitization business, which we have always emphasized, we are well positioned to deal with the securitization of a wide variety of assets, such as business loans, leasing, credit cards, installments, consumer loans, mortgage loans and commercial real estate, and with respect to these assets we have established ourselves as a leading player in the securitization business.

In January 2006 we agreed to form a joint venture company with Rakuten, Inc., called "Rakuten Mortgage", which will engage in the Internet-based mortgage loan business. The company is preparing to open for business in October 2006, and plans to handle "Flat 35" as its leading product at the beginning, in alliance with The Government Housing Loan Corporation.

In the area of corporate rehabilitation business, to expand our business operations we will offer solutions for increasing corporate profitability and competitiveness, by making full use of the expertise we have developed in this area.

For loans to small- or medium-sized companies, 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 the President.

In May 2005 our U.K.-based corporation, called Shinsei International, opened for business. We also formed a joint venture company with Nord/LB and WestLB in Germany, in order to enter the non-performing loan business with the aim of purchasing, restructuring, and disposing of non-performing loans in Germany. Each of those companies is making effective use of our experience and skills.

<Consumer and Commercial Finance>

Consumer and Commercial Finance, the so-called non-bank business, is one of our three strategic segments. We acquired APLUS Co., Ltd. and Showa Leasing Co., Ltd. in September 2004 and March 2005, respectively, and they became our subsidiaries. In addition, in October 2004, we added Shinki Co., Ltd. to our affiliated companies. As a result of these additions, we established the framework for offering consumer credit and credit cards, consumer loans and lease financing products, and services which our group could not provide before.

During the consolidated fiscal year ended March 31, 2006, while those companies within the Group contributed to our business results throughout the year, we also further improved their profitability and competitive edge by promoting more efficient management, utilizing our own systems and risk management expertise.

<Reinforcement of Financial Structure>

Loans required to be disclosed by the Financial Rehabilitation Act were ¥42.5 billion at the end of March 2006, and our non-performing loans as a percentage of total loans were 1.0%. We are reviewing and diversifying the funding structure to reduce costs for financing.

Our funding costs from both deposits and debt securities have been decreasing due to improved ratings and higher levels of trust from our customers. We have expanded our deposit procurement bases through the increasing growth in transactions with our customers. We have issued preferred investment certificates and term subordinated bonds in the overseas markets in order to make our capital structure more flexible for future growth and to realize low-cost financing.

Moody's raised our long-term deposit rating and unsecured long-term debt rating from Baa1 to A3 in February 2006.

<Business Performance>

Under the business developments discussed above, Shinsei Bank, Limited, and its consolidated subsidiaries attained the following business results for the consolidated fiscal year ended March 31, 2006.

Financial Highlight

As of March 31, 2006 our total assets amounted to ¥9,405.0 billion, an increase of ¥828.6 billion from the prior fiscal year. The significant items consist of ¥4,087.5 billion in loans and bills discounted (up ¥657.1 billion from the prior year). Our total liabilities includes ¥1,316.9 billion in debentures and corporate bonds (down ¥14.0 billion from the prior year), ¥4,071.7 billion in deposits, including negotiable certificates of deposit (up ¥618.9 billion from the prior year).

For the fiscal year ended March 31, 2006, ordinary income was ¥529.0 billion, an increase of ¥280.4 billion from the prior year, while ordinary expenses were ¥457.5 billion, an increase of ¥263.4 billion from the prior year. Consequently, our net ordinary income was ¥71.4 billion, up ¥17.0 billion from the prior year, and our net income, after special gains of ¥3.7 billion, special losses of ¥1.4 billion, income tax expenses of ¥3.7 billion, and income tax adjustments (benefit) of ¥(11.4) billion, was ¥76.0 billion, up ¥8.6 billion from the prior year. Beginning April 1, 2005, we have consolidated all financial statements of APLUS and Showa Leasing into our consolidated financial statements. In the previous fiscal year, we had consolidated APLUS's balance sheets as of March 31, 2005, and its statements of income for the period from October 1, 2004 to March 31, 2005, and had consolidated Showa Leasing's balance sheets as of March 31, 2005.

Deposits, including negotiable certificates of deposit

For the fiscal year ended March 31, 2006, deposits increased ¥834.1 billion, due mainly to the wide acceptance of our *PowerFlex* integrated account, which is convenient and accessible, and the successful introduction of new types of deposit solutions that meet the needs of our customers, which led to a continued increase in deposits from retail customers. During the fiscal year ended March 31, 2006, negotiable certificates of deposit decreased by ¥215.2 billion. As a result, deposits including negotiable certificates of deposit, totaled ¥4,071.7 billion, up ¥618.9 billion from the prior fiscal year.

Debt securities and corporate bonds

We have been continuing to shift our financing emphasis from debentures to deposits to reflect our transition to an ordinary bank, coupled with the progress of our customer strategy discussed above, and therefore, our outstanding debentures have been decreasing steadily. For the fiscal year ended March 31, 2006 debentures decreased by ¥223.7 billion, to ¥1,018.9 billion. In contrast to this, corporate bonds increased by ¥209.6 billion for the fiscal year ended March 31, 2006, to ¥298.0 billion, partly due to the issuance of new subordinated bonds in international markets.

Loans

Against the backdrop of the bottoming-out of the economy we have provided a wide variety of financing solutions to meet corporate funding requirements. We put emphasis on provided loans to small and medium companies, among others, in keeping with our sound management plans. We have also promoted to residential loans to consumers. In light of these various business efforts our loans and bills discounted outstanding totaled ¥4,087.5 billion for the consolidated fiscal year ended March 31, 2006, an increase of ¥657.1 billion from the prior fiscal year.

Securities and trading account assets

As of March 31, 2006, securities were ¥1,494.4 billion, up ¥16.2 billion from the prior fiscal year, while trading account assets increased by ¥25.0 billion, to ¥193.5 billion.

Ordinary income (expenses)

Gross interest income increased by ¥23.6 billion from the prior year, to ¥125.0 billion, principally because interest on loans and bills discounted increased by ¥27.0 billion, to ¥104.4 billion, largely due to the growth in loan balances. Non-interest income increased in our investment banking business, such as capital markets, and investment trusts and variable annuities activities. Fees and commissions income was ¥68.2 billion, up

¥10.5 billion from the prior consolidated fiscal year, trading income was ¥27.6 billion, up ¥3.6 billion, and other ordinary income was ¥39.4 billion, up ¥12.1 billion. Other business income amounted to ¥268.6 billion, an increase of ¥230.3 billion from the prior year, due to installment and leasing income from APLUS and Showa Leasing, coupled with the strong performance in other businesses. Consequently, our total ordinary income increased by ¥280.4 billion, to ¥529.0 billion.

On the other hand, ordinary expenses increased by ¥263.4 billion, to ¥457.5 billion, which included ordinary expenses and amortization of consolidation goodwill and other intangibles amounting to ¥29.4 billion arising largely from the acquisitions of APLUS and Showa Leasing. In addition, transaction related expenses were higher than the prior year due to the substantial growth in our revenue. Marginal funding costs increase of ¥8.2 billion, to ¥42.7 billion, is largely due to inclusion of APLUS and Showa Leasing. This was partly offset by further redemptions of relatively higher-interest bearing notes and bonds issued in previous fiscal years, as well as improvement of funding costs arising from higher credit ratings. As a result, net interest income (i.e., interest income less interest expense) for the fiscal year ended March 31, 2006 increased to ¥82.2 billion, compared to ¥66.8 billion a year ago. General and administrative expenses also increased by ¥39.2 billion, to ¥136.5 billion, reflecting the impact of newly acquired subsidiaries and expenses related to the growth in retail customers and transactions. This expense increase was partly offset by continual expense rationalization across all businesses.

Overall, our net ordinary income was ¥71.4 billion, an increase of ¥17.0 billion from the prior year.

Ordinary business profit[1], a benchmark for profits of a bank's primary business operations, amounted to ¥137.7 billion, up ¥55.7 billion from the prior fiscal year. We have been placing emphasis on our credit trading business as one of our primary businesses, and have included it in ordinary business profit. The income or losses from monetary assets held in trust, is generated mainly from this business. At the same time, amortization of consolidation goodwill and other intangibles of APLUS and Showa Leasing have not been included in ordinary business profit.

Net income

For the fiscal year ended March 31, 2006, special gains were ¥3.7 billion, a decrease of ¥8.1 billion from the prior year, mainly due to lower credit recoveries. We continue to maintain a low non-performing loans ratio as a percentage of total loans. The decline in special gains was more than offset by the strong increase in business profits. Consequently, we recorded ¥73.7 billion in income before income taxes, up ¥8.1 billion, and ¥76.0 billion in net income after income taxes and minority interests, etc., up ¥8.6 billion from the prior year.

On a non-consolidated basis, Shinsei Bank, Ltd. attained net income after income taxes of ¥74.8 billion, an increase of ¥6.7 billion from the prior year, which is ¥6.8 billion more than the ¥68.0 billion stated in the sound management plans (revitalization plan).

Shareholders' equity

Given the gains and losses discussed above, our total shareholders' equity at the consolidated fiscal year ended March 31, 2006 was ¥855.3 billion, an increase of ¥68.6 billion from the prior consolidated fiscal year.

[Challenges to be Coped with by the Group as a Whole]

The Shinsei Bank Group is coping with the following challenges in order to further improve our customer satisfaction and build on our firm position as a new type of financial institution that is healthy and highly profitable.

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

(i) We will attain long-term and stable profit growth by offering products and services which meet the needs of our customers

The Shinsei Bank Group is aggressively working on the development of new products and service categories in order to offer highly value-added products and services in response to the increasingly diversified and sophisticated needs of our customers. We continue to aim to attain long-term and stable profit growth by offering a broad array of products and services that will better meet the needs of our customers.

(ii) We will enhance the competitive edge and profitability of the Group as a whole

We will make the optimum allocation of our management resources and try to attain well-balanced business operations by making our risk management more stringent through advanced methodologies and approaches and by accurately identifying potential risks and returns, and will enhance the competitive edge and profitability of the Bank, as well as of the Group as a whole, by undertaking streamlining initiatives. In addition, we will strive to manage our capital position, and to build on a more efficient, and profitable financial structure by effectively utilizing our capital resources.

(iii) We will reinforce our corporate governance system and achieve more transparent management

Shinsei Bank, Limited is a company with committees (iinkai-tou-setchi-gaisha), 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 the Nomination Committee, the Audit Committee, and the 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 strive to build and operate a more efficient internal control system than ever before and, as a listed company, endeavor to make timely, proper, and fair disclosure that is investor-oriented.

On April 26, 2006, Shinsei Trust & Banking ("STB"), a wholly owned subsidiary of Shinsei Bank, was the subject of administrative actions taken by the Financial Services Agency ("FSA") to suspend for a year STB's operations engaging in new businesses associated with the real estate trust business 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 and we will take every measure necessary to enhance Shinsei group's compliance and internal control systems to prevent the re-occurrence of such problems.

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

To that end, we consistently act on the following five "Shinsei Values": Customer Focus, Integrity, Accountability, Teamwork, and Community.

Through these initiatives, we will attain long-term and stable profit growth and increase our corporate value, thereby responding to the trust of our shareholders.

We appreciate your further support and insight.

[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.

(2) Changes in Operating Results of the Group

i Changes in Consolidated Operating Results

	Fiscal 2002 (3rd Fiscal Period)	Fiscal 2003 (4th Fiscal Period)	Fiscal 2004 (5th Fiscal Period)	Fiscal 2005 (6th Fiscal Period)
	(Billions of yen)			
Consolidated ordinary income	201.1	172.3	248.6	529.0
Consolidated net ordinary income	33.9	47.3	54.4	71.4
Consolidated net income	53.0	66.4	67.4	76.0
Consolidated shareholders' equity	679.8	730.0	786.6	855.3
Consolidated total assets	6,706.9	6,343.7	8,576.3	9,405.0

ii Changes in Non-Consolidated Operating Results

	Fiscal 2002 (3rd Fiscal Period)	Fiscal 2003 (4th Fiscal Period)	Fiscal 2004 (5th Fiscal Period)	Fiscal 2005 (6th Fiscal Period)
	(Billions of yen)			
Deposits	2,602.9	2,778.4	3,528.8	4,158.1
Time deposits	1,537.0	1,180.7	1,786.0	2,343.1
Others	1,065.8	1,597.6	1,742.8	1,815.0
Debentures issued	1,888.4	1,362.2	1,246.8	1,021.4
Coupon debenture	1,804.1	1,295.2	1,218.6	1,021.4
Discount debenture	84.2	67.0	28.2	—
Loans	3,673.1	3,217.8	3,443.7	3,961.2
To individuals	52.6	172.2	292.1	457.8
To small and medium-sized businesses	1,733.0	1,691.3	1,744.4	1,615.0
Others	1,887.4	1,354.2	1,407.1	1,888.3
Trading assets	356.4	633.4	166.8	173.3
Trading liabilities	118.2	90.3	64.2	129.0
Securities	1,768.0	1,508.2	1,820.7	1,809.7
Japanese government bonds	1,347.8	868.3	586.7	474.4
Others	420.1	639.8	1,233.9	1,335.3
Total assets	6,763.7	6,406.3	6,396.3	7,208.6
Net assets	680.3	729.2	788.9	853.0
Domestic exchange transactions	29,086.9	26,050.6	27,834.4	24,171.5
	(Millions of dollars)	(Millions of dollars)	(Millions of dollars)	(Millions of dollars)
Foreign remittance transactions	11,951	10,715	14,200	15,533
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Net ordinary income	38,089	44,806	46,697	60,497
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Net income	59,091	65,320	68,097	74,890
Net income per share	(Yen)	(Yen)	(Yen)	(Yen)
	20.32	45.23	47.27	52.27

[Notes] 1. In the amounts shown above, figures below the first decimal place have been omitted.

2. Due to an amendment to the form attached to the Enforcement Regulation of The Long Term Credit Banking Law, the former terms "Income" and "Income per share" have been respectively changed to "Net Income" and "Net Income per share", from fiscal 2003 (4th term).

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 the reported term.

4. "Deposits" and "Deposits-Others" include negotiable certificates of deposit.

(3) Significant Events in this Corporate Group that Occurred After the Closing of Fiscal 2005 Financials

— Not applicable.

2. Current Conditions

(1) Changes in Capital Stock

	March 31, 2006	March 31, 2005
	(Millions of yen)	
Capital stock	451,296	451,296

[Note] Figures of less than one million yen have been rounded down.

(2) Common and Preferred Shares

i Number of shares

		(Thousands of shares)
Number of shares authorized	Common shares:	2,500,000
	Class A preferred shares:	74,528
	Class B preferred shares:	600,000
Number of shares issued	Common shares:	1,358,537
	Class A preferred shares:	74,528
	Class B preferred shares:	600,000

[Note] Numbers of shares shown have been rounded down to thousands of shares.

ii Number of shareholders at the end of the current fiscal year

Common shares:	59,106 shareholders
Class A preferred shares:	1 shareholder
Class B preferred shares:	1 shareholder

iii Major shareholders

a) Common shares

Name of shareholder	Investment in the Bank: Number of common shares (thousands)	Investment in the Bank: Shareholding percentage (%)	Investment by the Bank in major shareholders: Number of common shares	Investment by the Bank in major shareholders: Shareholding percentage (%)
State Street Bank and Trust Company	131,124	9.65%	—	—
The Chase Manhattan Bank, N. A. London	112,534	8.28%	—	—
Santander Investment SA, C. Central Valores	63,766	4.69%	—	—
State Street Bank and Trust Company 505103	57,294	4.21%	—	—
Morgan Stanley & Co., Inc.	46,897	3.45%	—	—
UBS Financial Services Inc.	43,400	3.19%	—	—
The Master Trust Bank of Japan Ltd. (Trust Account)	41,807	3.07%	—	—
Japan Trustee Services Bank, Ltd. (Trust Account)	38,252	2.81%	—	—
Mellon Bank, N. A. As Agent for its Client Mellon Omnibus US Pension	34,742	2.55%	—	—
The Bank of New York, Treaty Jasdec Account	31,486	2.31%	—	—

[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. It has been reported to the Bank that Mr. J. Christopher Flowers, a director of the Bank, holds the actual voting rights for 43,372,091 of the shares held under the name "The Chase Manhattan Bank, N.A. London".

4. It has been reported to the Bank that Mr. J. Christopher Flowers, a director of the Bank, holds the actual voting rights for 43,366,307 of the shares held under the name "UBS Financial Services Inc.".

5. Morgan Stanley Japan Securities Co., Ltd. and other co-holders (totaling 7 companies) have filed the amendment report No. 1 with the head of the Kanto Local Finance Bureau on April 11, 2006 (the filing obligation arose on March 31, 2006), which describes that the total number of common shares held by the co-holders is 93,298,119; 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. Wellington Management Company LLP and other co-holders (totaling 2 companies) have filed a large shareholding report with the head of the Kanto Local Finance Bureau on April 14, 2006 (the filing obligation arose on March 31, 2006) and an amendment report on April 16, 2006, which describes that the total number of common shares held by the co-holders is 99,577,566; 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

Name of shareholder	Investment in the Bank: Number of shares (thousands)	Investment in the Bank: Shareholding percentage (%)	Investment by the Bank in major shareholders: Number of shares	Investment by the Bank in major shareholders: Shareholding percentage (%)
Deposit Insurance Corporation	74,528	100.00	—	—

c) Class B preferred shares

Name of shareholder	Investment in the Bank: Number of shares (thousands)	Investment in the Bank: Shareholding percentage (%)	Investment by the Bank in major shareholders: Number of shares	Investment by the Bank in major shareholders: Shareholding percentage (%)
Resolution and Collection Corporation	600,000	100.00	—	—

iv Acquisitions, disposals, and holdings of treasury stock

a) Acquisition of treasury stock

Common shares	3,023 shares
Total acquisition cost	¥1,838 thousand

The above common shares were all acquired through the purchase of common shares constituting less than one full unit.

b) Disposal of treasury stock

Not applicable

c) Cancelled treasury stock

Not applicable

d) Treasury stock held at the end of current fiscal year

Common shares 9,772 shares

e) Treasury stock purchased after the annual general meeting of shareholders for the fifth fiscal year in accordance with the resolution of the Board of Directors based on the Articles of Incorporation

Not applicable

[Note] Total acquisition cost presented herein has been rounded down to one thousand yen.

(3) Employees on consolidated Bases

	End of this fiscal year	End of the previous year
	Number of employees (persons)	
Banking business	4,995	4,667
Securities business	77	40
Trust business	64	44
Other	271	262
Total	5,407	5,013

[Note] The number of employees contains overseas local employees

(4) Business office

i Banking business

a) Number of business office

	End of this fiscal year	(liaison office)	End of the previous fiscal year	(liaison office)
Hokkaido • Tohoku area	13	(—)	13	(—)
Kanto area	72	(7)	68	(4)
(Tokyo metropolis)	(41	(7))	(37	(4))
Chubu area	20	(—)	23	(—)
Kinki area	28	(2)	23	(1)
Chugoku • Shikoku • Kyushu area	42	(—)	31	(—)
Domestic total	175	(9)	158	(5)
Overseas	4	(—)	5	(—)
Grand total	179	(9)	163	(5)

[Note] Besides the above, the Group has one overseas representative office (1 on March 31, 2005) and no agency (10 on March 31, 2005). In addition, ATMs outside the branches are set up in 151 places by the end of this fiscal year.

b) Newly established business office in this fiscal year

Company name	Name of office	Address
Shinsei Bank, Limited	Kyobashi liaison office	7-19, Kyobashi 2-chome, Chuo-ku, Tokyo
Shinsei Bank, Limited	Shinjuku South liaison office	1st and 2nd floor of Morimoto Bldg., 9-5 Yoyogi 2-chome, Shibuya-ku, Tokyo
Shinsei Bank, Limited	Shinsaibashi liaison office	5-18, Shinsaibashi-suji 1-chome, Chuo-ku, Osaka
Shinsei Bank, Limited	Omotesando Hills liaison office	Omotesando Hills Main Building B3F, 12-10, Jingumae 4-chome, Shibuya-ku, Tokyo
Shinsei Business Finance Co., Ltd.	Osaka branch	5-7, Kawaramachi 3-chome, Chuo-ku, Osaka
APLUS Co., Ltd.	Nara branch	2-11, Omiyacho 5-chome, Nara City, Nara
Showa Leasing Co., Ltd.	Shinjuku branch	3-12, Yotsuya, Shinjuku-ku, Tokyo
Showa Auto Rental & Leasing Co., Ltd.	Okinawa office	507-8, Minatogawa, Urasoe City, Okinawa

ii Trust & 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

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
Shinsei International Limited	Head office	Buchanan House, 3 St James's Square, London SW1Y 4JU

iv Other

The main company name and the main office

Company name	Name of office	Address
Shinsei Information Technology Co., Ltd.	Head office	1-8, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo
Shinsei Business Service Co., Ltd.	Head office	1-8, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo
Shinsei Real Estate Valuation Services Co., Ltd.	Head office	1-8, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo
Shinsei Investment Management Co., Ltd.	Head office	1-8, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo

(5) Major Subsidiaries

Name	Address	Major business	Establishment date	Capital	Shinsei shares	Other
APLUS Co., Ltd.	Osaka Prefecture Osaka City	Consumer credit business	October 6, 1956	¥15,000 million	63.55% (63.55)%	—
Showa Leasing Co., Ltd.	Tokyo Metropolis Shinjuku Ward	Leasing business	April 2, 1969	¥24,300 million	96.31%	—
Shinsei Trust & Banking Co., Ltd.	Tokyo Metropolis Chiyoda Ward	Trust business	November 27, 1996	¥5,000 million	100.00%	—
Shinsei Securities Co., Ltd.	Tokyo Metropolis Chiyoda Ward	Securities business	August 11, 1997	¥5,500 million	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 82 consolidated subsidiaries including the major subsidiaries listed above, as well as 13 affiliated companies that are accounted for by the equity method. In the fiscal year, these companies generated consolidated ordinary income of ¥529.0 billion, up ¥280.4 billion from the preceding fiscal year, and consolidated net income of ¥76.0 billion, up ¥8.6 billion.

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.

City banks:

The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, Resona Bank, Ltd., 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., Mizuho Trust & Banking Co., Ltd.

Long-term credit bank:

Aozora Bank, Ltd. (Converted from a long-term credit bank to an ordinary bank from April, 2006)

Others:

The Shoko Chukin Bank

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 alliances with the postal savings system.

4. The Bank offers automated cash withdrawal services through ATMs located in station premises under alliance relationships with the following railway companies.

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

5. The Bank offers automated local currency cash withdrawal services through PLUS ATM network located overseas under alliance relationships with Visa International.

3. Directors and Statutory Executive Officers

The Bank has been a Company with Committees since June 24, 2004.

(1) Directors (As of March 31, 2006)

Position	Name	Responsibilities or Principal Occupation
Director Chairman of the Board	Masamoto Yashiro	
*Director	Thierry Porté	
*Director	Junji Sugiyama	
° Director	Akira Aoki	Senior Advisor, Japan Securities Finance Co., Ltd.
° Director	Michael J. Boskin	Professor, Stanford University
° Director	Emilio Botín	Chairman, Grupo Santander
° Director	Timothy C. Collins	CEO, Ripplewood Holdings, LLC
° Director	J. Christopher Flowers	Chairman, J. C. Flowers & Co., LLC
° Director	Takashi Imai	Senior Advisor, Honorary Chairman, Nippon Steel Corporation
° Director	Shigeru Kani	Former Director, Administration Department, The Bank of Japan
° Director	Fred H. Langhammer	Chairman, Global Affairs, The Estée Lauder Companies, Inc.
° Director	Minoru Makihara	Senior Corporate Advisor, Mitsubishi Corporation
° Director	Yasuharu Nagashima	Lawyer
° Director	Lucio A. Noto	Managing Partner, Midstream Partners, LLC Former Vice Chairman, Exxon Mobil Corporation
° Director	Nobuaki Ogawa	Lawyer
° Director	John S. Wadsworth, Jr.	Advisory Director, Morgan Stanley
Director	Teruaki Yamamoto	President, APLUS Co., Ltd.

Committee memberships:

Nomination Committee:	Minoru Makihara (Chairman), Michael J. Boskin, Timothy C. Collins, J. Christopher Flowers, Lucio A. Noto, Thierry Porté, Masamoto Yashiro
Audit Committee:	Akira Aoki (Chairman), Shigeru Kani, Yasuharu Nagashima, Nobuaki Ogawa
Compensation Committee:	J. Christopher Flowers (Chairman), Emilio Botín, Timothy C. Collins, Fred H. Langhammer, Minoru Makihara, John S. Wadsworth, Jr.

[Notes] 1. Directors with "*" are also Statutory Executive Officers

2. Directors with "°" are Outside Directors as stipulated in Article 188, Paragraph 2, 7-2 of the Commercial Code of Japan

3. Directors who retired during the fiscal year ended March 31, 2006 are as follows:

Position at the Bank at Retirement	Name	Date of Retirement and Reason therefore
Director	Donald B. Marron	Retired as director on June 24, 2005 because of completion of his term of office
Director	Martin G. McGuinn	Same
Director	David Rockefeller	Same

(2) Statutory Executive Officers (As of March 31, 2006)

Position	Name	Responsibilities
Representative Statutory Executive Officer, President	Thierry Porté	Chief Executive Officer
Representative Statutory Executive Officer, Vice Chairman	Junji Sugiyama	—
Executive Vice President	Clark Graninger	Head of Institutional Banking Group
Senior Managing Executive Officer	Rahul Gupta	Chief Financial Officer, Head of Finance Group
Senior Managing Executive Officer	Satoru Katayama	Head of Retail Banking Group
Senior Managing Executive Officer	Masazumi Kato	Head of Financial Institutions and Capital Markets Sub-Group
Senior Managing Executive Officer	Junzo Tomii	Head of Corporate Banking Business Sub-Group
Managing Executive Officer	Kazumi Kojima	Head of Corporate Affairs Group
Statutory Executive Officer	Kazuya Fujimoto	Head of Public Sector Finance Sub-Group
Statutory Executive Officer	Norio Funayama	GM of Corporate Strategy Division
Statutory Executive Officer	Michimasa Honda	GM of Financial Institutions Business Division 3
Statutory Executive Officer	Michiyuki Okano	Head of Banking Infrastructure Group
Statutory Executive Officer	Yoshikazu Sato	Head of Banking Infrastructure Group
Statutory Executive Officer	Takashi Tsuchiya	GM of Strategic Business Unit 1

[Note] Statutory Executive Officers who retired during the fiscal year ended March 31, 2006 are as follows:

Position at the Bank at Retirement	Name	Date of Retirement and Reason therefore
Representative Statutory Executive Officer, Chairman and CEO	Masamoto Yashiro	Retired as Statutory Executive Officer on June 24, 2005 because of completion of his term of office
Representative Statutory Executive Officer, Senior Managing Executive Officer	Teruaki Yamamoto	Retired as Statutory Executive Officer on June 24, 2005 because of completion of his term of office
Managing Executive Officer	Tadashi Ishikuro	Retired on June 24, 2005 because of completion of his term of office
Senior Managing Executive Officer	Janak Raj	Resigned on September 23, 2005
Senior Managing Executive Officer	Dhananjaya Dvivedi	Resigned on September 30, 2005
Senior Managing Executive Officer	John E. Mack	Resigned on September 30, 2005
Senior Managing Executive Officer	K. Sajeeve Thomas	Resigned on September 30, 2005

4. Compensation and Other Consideration for the Services of Directors and Statutory Executive Officers

	Directors		Statutory executive officers		Total	
	Number	Amount	Number	Amount	Number	Amount
Fixed amount based on resolution of the Compensation Committee	18 people (Note 1,2)	¥159 million	21 people (Note 3)	¥1,511 million	37 people (Note 4)	¥1,671 million
Non-cash compensation based on resolution of the Compensation Committee	—	—	7 people	¥41 million	7 people	¥41 million
Retirement allowance based on resolution of the Compensation Committee	3 people	¥20 million	6 people	¥244 million	9 people	¥265 million
Total.	—	¥180 million	—	¥1,798 million	—	¥1,978 million

[Notes]
1. The Bank did not pay director compensation to statutory executive officers that are also directors.
2. Three directors who retired during the fiscal year ended March 31, 2006 are included in this number.
3. Seven statutory executive officers who retired during the fiscal year ended March 31, 2006 are included in this number.
4. Two directors who retired as statutory executive officers during the fiscal year ended March 31, 2006 are included in both the number of statutory executive officers and directors.
5. The Bank does not pay performance-linked remuneration to directors.
6. The Bank estimated and reserved ¥693 million for performance-linked remuneration to statutory executive officers at the end of fiscal year 2005, based upon a certain standard, and the amount was resolved at the meeting of the Compensation Committee held on May 9th 2006. (As of the end of fiscal year 2004: ¥729 million)
7. Stock acquisition rights were granted by the Bank to directors and statutory executive officers, for the purpose of granting stock options for shares of common stock of the Bank without charge. The conditions of the stock acquisition rights are shown in "Details of Stock Acquisition Rights Issued with Especially Favorable Terms to Persons Other Than Shareholders during the Fiscal Year Ended March 31, 2006" below.

5. Stock Acquisition Rights

Stock Acquisition Rights Currently Issued

	Stock Acquisition Rights No. 1	Stock Acquisition Rights No. 2	Stock Acquisition Rights No. 3
Resolution date of Board of Directors meeting	June 24, 2004	September 17, 2004	December 2, 2004
Number of stock acquisition rights	9,455	161	25
Class of and number of shares that are subject of stock acquisition rights	Common stock 9,455,000 shares	Common stock 161,000 shares	Common stock 25,000 shares
Issue price of stock acquisition rights	¥0	¥0	¥0
Amount per share to be paid upon exercising stock acquisition rights	¥684	¥646	¥697

	Stock Acquisition Rights No. 4	Stock Acquisition Rights No. 5	Stock Acquisition Rights No. 6
Resolution date of Board of Directors meeting	May 24, 2005	June 24, 2005	June 24, 2005
Number of stock acquisition rights	250	4,922	2,856
Class of and number of shares that are subject of stock acquisition rights	Common stock 250,000 shares	Common stock 4,922,000 shares	Common stock 2,856,000 shares
Issue price of stock acquisition rights	¥0	¥0	¥0
Amount per share to be paid upon exercising stock acquisition rights	¥551	¥601	¥601

	Stock Acquisition Rights No. 7	Stock Acquisition Rights No. 8	Stock Acquisition Rights No. 9
Resolution date of Board of Directors meeting	June 24, 2005	June 24, 2005	September 23, 2005
Number of stock acquisition rights	1,287	561	157
Class of and number of shares that are subject of stock acquisition rights	Common stock 1,287,000 shares	Common stock 561,000 shares	Common stock 157,000 shares
Issue price of stock acquisition rights	¥0	¥0	¥0
Amount per share to be paid upon exercising stock acquisition rights	¥601	¥601	¥697

	Stock Acquisition Rights No. 10	Stock Acquisition Rights No. 11	Stock Acquisition Rights No. 12
Resolution date of Board of Directors meeting	September 23, 2005	February 28, 2006	February 28, 2006
Number of stock acquisition rights	53	50	17
Class of and number of shares that are subject of stock acquisition rights	Common stock 53,000 shares	Common stock 50,000 shares	Common stock 17,000 shares
Issue price of stock acquisition rights	¥0	¥0	¥0
Amount per share to be paid upon exercising stock acquisition rights	¥697	¥774	¥774

Details of Stock Acquisition Rights Issued with Especially Favorable Terms to Persons Other Than Shareholders during the Fiscal Year Ended March 31, 2006

	Stock Acquisition Rights No. 4
(1) Number of the stock acquisition rights issued	250
(2) Class and number of shares that are subject of stock acquisition rights	Common stock/250,000 shares
(3) Issue price of stock acquisition right	0 yen
(4) Amount per a share to be paid upon exercising the stock acquisition rights	551 yen
(5) Exercise period of stock acquisition rights	From July 1, 2006 to June 23, 2014
(6) Conditions for exercising stock acquisition rights	1) 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. 2) Stock Acquisition Rights holders may exercise their rights between July 1, 2006 and June 30. 2007 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) 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 a Stock Acquisition Rights holder based on resolutions of the 4th Annual General Meeting of Shareholders of the Bank and Board of Directors meeting held on the day shown at the end.
(7) Events and conditions of cancellation of stock acquisition rights	1) If the General Meeting of Shareholders approves a merger agreement that stipulates the Bank is the dissolving company or if the General Meeting of Shareholders approves a proposal to approve a statutory stock exchange agreement or statutory stock transfer that makes the Bank a wholly owned subsidiary, the Bank may cancel Stock Acquisition Rights without charge. 2) If a Stock Acquisition Rights holder falls into a situation that does not satisfy the conditions stipulated in the "Agreement on the Grant of Stock Acquisition Rights" between the Bank and a Stock Acquisition Rights holder based on resolutions of the 4th Annual General Meeting of Shareholders of the Bank and Board of Directors meeting held on the day shown at the end or the legal heir of a Stock Acquisition Right holder does not take the succession procedures within the period fixed by the Bank and forfeits their rights, the Bank may cancel their Stock Acquisition Rights which have not been exercised, without charge. Provided, however, that procedures for cancellation in this case may be carried out together after the expiration of the exercise period of the Stock Acquisition Rights.
(8) Details of favorable terms	Stock Acquisition Rights that have been issued without charge.
(9) Name of persons who received allotments and the number of stock acquisition rights allotted	1) Statutory Executive Officer of the Company Total 1 person, 250 Stock Acquisition Rights **Name** — **Number** Teruaki Yamamoto* . . . 250 * Retired during the fiscal year.
Resolution date of Board of Directors meeting	May 24, 2005

	Stock Acquisition Rights No. 5
(1) Number of the stock acquisition rights issued	4,922
(2) Class and number of shares that are subject of stock acquisition rights	Common stock/4,922,000 shares
(3) Issue price of stock acquisition right	0 yen
(4) Amount per a share to be paid upon exercising the stock acquisition rights	601 yen
(5) Exercise period of stock acquisition rights	From July 1, 2007 to June 23, 2015
(6) Conditions for exercising stock acquisition rights	1) 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. 2) 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) All the Stock Acquisition Rights, however, may be exercised from the inception date of the exercise period according to the conditions 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 a Stock Acquisition Rights holder based on resolutions of the 5th Annual General Meeting of Shareholders of the Bank and Board of Directors meeting held on the day shown at the end.
(7) Events and conditions of cancellation of stock acquisition rights	1) If the General Meeting of Shareholders approves a merger agreement that stipulates the Bank is the dissolving company or if the General Meeting of Shareholders approves a proposal to approve a statutory stock exchange agreement or statutory stock transfer that makes the Bank a wholly owned subsidiary, the Bank may cancel Stock Acquisition Rights without charge. 2) If a Stock Acquisition Rights holder falls into a situation that does not satisfy the conditions stipulated in the "Agreement on the Grant of Stock Acquisition Rights" between the Bank and a Stock Acquisition Rights holder based on resolutions of the 5th Annual General Meeting of Shareholders of the Bank and Board of Directors meeting held on the day shown at the end or the legal heir of a Stock Acquisition Right holder does not take the succession procedures within the period fixed by the Bank and forfeits their rights, the Bank may cancel their Stock Acquisition Rights which have not been exercised, without charge. Provided, however, that procedures for cancellation in this case may be carried out together after the expiration of the exercise period of the Stock Acquisition Rights.
(8) Details of favorable terms	Stock Acquisition Rights that have been issued without charge
(9) Name of persons who received allotments and the number of stock acquisition rights allotted	1) Directors of the Bank Total 15 people, 375 Stock Acquisition Rights **Name** / **Number** / **Name** / **Number** Masamoto Yashiro . . . . 25 / Fred H. Langhammer . . 25 Akira Aoki . . . . 25 / Minoru Makihara . . . . . 25 Michael J. Boskin . . . . . 25 / Yasuharu Nagashima . . 25 Emilio Botín . . . . 25 / Lucio A. Noto . . . . 25 Thimothy C. Collins . . . 25 / Nobuaki Ogawa . . . . 25 J. Christopher Flowers 25 / John S. Wadsworth, Jr. 25 Takashi Imai . . . . 25 / Teruaki Yamamoto . . . . 25 Shigeru Kani . . . . 25 2) Statutory Executive Officers of the Bank Total 10 people, 1,138 Stock Acquisition Rights **Name** / **Number** / **Name** / **Number** Thierry Porté . . . . 179 / K. Sajeeve Thomas* . . . 179 Junji Sugiyama . . . . 125 / Satoru Katayama . . . . . . 38 Dhananjaya Dvivedi* . . 179 / Masazumi Kato . . . . 54 Clark Graninger . . . . 179 / Junzo Tomii . . . . 57 Janak Raj* . . . . 129 / Kazumi Kojima . . . . 19 * Retired during the period. 3) Specified Employees and Others Please refer to the Appendix. 4) Stock Acquisition Rights Issued to Specified Employees and Others **Person granted**: Employees of the Bank **Number of people** . . . . 437 **Number of rights** . . . . 3,409 **Type and number of shares under stock acquisition rights** . . . . Common Stock 3,409,000
Resolution date of Board of Directors meeting	June 24, 2005

	Stock Acquisition Rights No. 6
(1) Number of the stock acquisition rights issued	2,856
(2) Class and number of shares that are subject of stock acquisition rights	Common stock/2,856,000 shares
(3) Issue price of stock acquisition right	0 yen
(4) Amount per a share to be paid upon exercising the stock acquisition rights	601 yen
(5) Exercise period of stock acquisition rights	From July 1, 2005 to June 23, 2015
(6) Conditions for exercising stock acquisition rights	1) 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. 2) 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 granted to them. (any amount less than one shall be rounded up) All the Stock Acquisition Rights, however, may be exercised from the inception date of the exercise period according to the conditions 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 a Stock Acquisition Rights holder based on resolutions of the 5th Annual General Meeting of Shareholders of the Bank and Board of Directors meeting held on the day shown at the end.
(7) Events and conditions of cancellation of stock acquisition rights	1) If the General Meeting of Shareholders approves a merger agreement that stipulates the Bank is the dissolving company or if the General Meeting of Shareholders approves a proposal to approve a statutory stock exchange agreement or statutory stock transfer that makes the Bank a wholly owned subsidiary, the Bank may cancel Stock Acquisition Rights without charge. 2) If a Stock Acquisition Rights holder falls into a situation that does not satisfy the conditions stipulated in the "Agreement on the Grant of Stock Acquisition Rights" between the Bank and a Stock Acquisition Rights holder based on resolutions of the 5th Annual General Meeting of Shareholders of the Bank and Board of Directors meeting held on the day shown at the end or the legal heir of a Stock Acquisition Right holder does not take the succession procedures within the period fixed by the Bank and forfeits their rights, the Bank may cancel their Stock Acquisition Rights which have not been exercised, without charge. Provided, however, that procedures for cancellation in this case may be carried out together after the expiration of the exercise period of the Stock Acquisition Rights.
(8) Details of favorable terms	Stock Acquisition Rights that have been issued without charge.
(9) Name of persons who received allotments and the number of stock acquisition rights allotted	1) Statutory Executive Officer of the Company Total 5 people, 1,265 Stock Acquisition Rights **Name** / **Number**: Thierry Porté . . . . 847 Dhananjaya Dvivedi* . . 146 Clark Graninger . . . . 228 John E. Mack* . . . . 43 K. Sajeeve Thomas* . . . 1 * Retired during the fiscal year. 2) Specified Employees and Others Please refer to the Appendix 3) Stock Acquisition Rights Issued to Specified Employees and Others **Person granted**: Employees of the Bank **Number of people** . . . . 35 **Number of rights** . . . . 1,591 **Type and number of shares under stock acquisition rights** . . . . Common Stock 1,591,000
Resolution date of Board of Directors meeting	June 24, 2005

	Stock Acquisition Rights No. 7
(1) Number of the stock acquisition rights issued	1,287
(2) Class and number of shares that are subject of stock acquisition rights	Common stock/1,287,000 shares
(3) Issue price of stock acquisition right	0 yen
(4) Amount per a share to be paid upon exercising the stock acquisition rights	601 yen
(5) Exercise period of stock acquisition rights	From July 1, 2007 to June 23, 2015
(6) Conditions for exercising stock acquisition rights	1) 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. 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 granted to them. (any amount less than one shall be rounded up) All the Stock Acquisition Rights, however, may be exercised from the inception date of the exercise period according to the condition 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 and each Board of Directors meeting held on the day shown at the end.
(7) Events and conditions of cancellation of stock acquisition rights	1) If the General Meeting of Shareholders approves a merger agreement that stipulates the Bank is the dissolving company or if the General Meeting of Shareholders approves a proposal to approve a statutory stock exchange agreement or statutory stock transfer that makes the Bank a wholly owned subsidiary, the Bank may cancel Stock Acquisition Rights without charge. 2) If a Stock Acquisition Rights holder falls into a situation that does not satisfy the conditions stipulated in the "Agreement on the Grant of Stock Acquisition Rights" between the Bank and a Stock Acquisition Rights holder based on resolutions of the 5th Annual General Meeting of Shareholders of the Bank and Board of Directors meeting held on the day shown at the end or the legal heir of a Stock Acquisition Right holder does not take the succession procedures within the period fixed by the Bank and forfeits their rights, the Bank may cancel their Stock Acquisition Rights which have not been exercised, without charge. Provided, however, that procedures for cancellation in this case may be carried out together after the expiration of the exercise period of the Stock Acquisition Rights.
(8) Details of favorable terms	Stock Acquisition Rights that have been issued without charge.
(9) Name of persons who received allotments and the number of stock acquisition rights allotted	1) Statutory Executive Officer of the Bank Total 8 people, 405 Stock Acquisition Rights **Name** / **Number** / **Name** / **Number** Dhananjaya Dvivedi* .. 109 / Satoru Katayama ...... 13 Clark Graninger .... 136 / Masazumi Kato .... 18 Janak Raj* .... 43 / Junzo Tomii .... 19 K. Sajeeve Thomas* ... 60 / Kazumi Kojima .... 7 * Retired during the fiscal year. 2) Specified Employees and Others Please refer to the Appendix 3) Stock Acquisition Rights Issued to Specified Employees and Others **Person granted**: Employees of the Bank **Number of people** .... 127 **Number of rights**............................ 882 **Type and number of shares under stock acquisition rights**............................ Common Stock 882,000
Resolution date of Board of Directors meeting	June 24, 2005

	Stock Acquisition Rights No. 8
(1) Number of the stock acquisition rights issued	561
(2) Class and number of shares that are subject of stock acquisition rights	Common stock/561,000 shares
(3) Issue price of stock acquisition right	0 yen
(4) Amount per a share to be paid upon exercising the stock acquisition rights	601 yen
(5) Exercise period of stock acquisition rights	From July 1, 2005 to June 23, 2015
(6) Conditions for exercising stock acquisition rights	1) 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. 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 granted to them. (any amount less than one shall be rounded up) All the Stock Acquisition Rights, however, may be exercised from the inception date of the exercise period according to the condition 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 and each Board of Directors meeting held on the day shown at the end.
(7) Events and conditions of cancellation of stock acquisition rights	1) If the General Meeting of Shareholders approves a merger agreement that stipulates the Bank is the dissolving company or if the General Meeting of Shareholders approves a proposal to approve a statutory stock exchange agreement or statutory stock transfer that makes the Bank a wholly owned subsidiary, the Bank may cancel Stock Acquisition Rights without charge. 2) If a Stock Acquisition Rights holder falls into a situation that does not satisfy the conditions stipulated in the "Agreement on the Grant of Stock Acquisition Rights" between the Bank and a Stock Acquisition Rights holder based on resolutions of the 5th Annual General Meeting of Shareholders of the Bank and Board of Directors meeting held on the day shown at the end or the legal heir of a Stock Acquisition Right holder does not take the succession procedures within the period fixed by the Bank and forfeits their rights, the Bank may cancel their Stock Acquisition Rights which have not been exercised, without charge. Provided, however, that procedures for cancellation in this case may be carried out together after the expiration of the exercise period of the Stock Acquisition Rights.
(8) Details of favorable terms	Stock Acquisition Rights that have been issued without charge.
(9) Name of persons who received allotments and the number of stock acquisition rights allotted	1) Statutory Executive Officer of the Bank Total 1 person, 15 Stock Acquisition Rights **Name** / **Number** John E. Mack* .... 15 * Retired during the fiscal year. 2) Specified Employees and Others Please refer to the Appendix 3) Stock Acquisition Rights Issued to Specified Employees and Others **Person granted**: Employees of the Bank **Number of people** .... 34 **Number of rights** .... 546 **Type and number of shares under stock acquisition rights** .... Common Stock 546,000
Resolution date of Board of Directors meeting	June 24, 2005

	Stock Acquisition Rights No. 9
(1) Number of the stock acquisition rights issued	157
(2) Class and number of shares that are subject of stock acquisition rights	Common stock/157,000 shares
(3) Issue price of stock acquisition right	0 yen
(4) Amount per a share to be paid upon exercising the stock acquisition rights	697 yen
(5) Exercise period of stock acquisition rights	From July 1, 2007 to June 23, 2015
(6) Conditions for exercising stock acquisition rights	1) 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. 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 the number of Stock Acquisition Rights granted to them. (any amount less than one shall be rounded up) All the Stock Acquisition Rights, however, may be exercised from the inception date of the exercise period according to the condition 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 and each Board of Directors meeting held on the day shown at the end.
(7) Events and conditions of cancellation of stock acquisition rights	1) If the General Meeting of Shareholders approves a merger agreement that stipulates the Bank is the dissolving company or if the General Meeting of Shareholders approves a proposal to approve a statutory stock exchange agreement or statutory stock transfer that makes the Bank a wholly owned subsidiary, the Bank may cancel Stock Acquisition Rights without charge. 2) If a Stock Acquisition Rights holder falls into a situation that does not satisfy the conditions stipulated in the "Agreement on the Grant of Stock Acquisition Rights" between the Bank and a Stock Acquisition Rights holder based on resolutions of the 5th Annual General Meeting of Shareholders of the Bank and Board of Directors meeting held on the day shown at the end or the legal heir of a Stock Acquisition Right holder does not take the succession procedures within the period fixed by the Bank and forfeits their rights, the Bank may cancel their Stock Acquisition Rights which have not been exercised, without charge. Provided, however, that procedures for cancellation in this case may be carried out together after the expiration of the exercise period of the Stock Acquisition Rights.
(8) Details of favorable terms	Stock Acquisition Rights that have been issued without charge.
(9) Name of persons who received allotments and the number of stock acquisition rights allotted	1) Specified Employees and Others Please refer to the Appendix 2) Stock Acquisition Rights Issued to Specified Employees and Others **Person granted**: Employees of the Bank **Number of people** . . . . 2 **Number of rights** . . . . 157 **Type and number of shares under stock acquisition rights** . . . . Common Stock 157,000
Resolution date of Board of Directors meeting	September 23, 2005

	Stock Acquisition Rights No. 10
(1) Number of the stock acquisition rights issued	53
(2) Class and number of shares that are subject of stock acquisition rights	Common stock/53,000 shares
(3) Issue price of stock acquisition right	0 yen
(4) Amount per a share to be paid upon exercising the stock acquisition rights	697 yen
(5) Exercise period of stock acquisition rights	From July 1, 2007 to June 23, 2015
(6) Conditions for exercising stock acquisition rights	1) 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. 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 granted to them. (any amount less than one shall be rounded up) All the Stock Acquisition Rights, however, may be exercised from the inception date of the exercise period according to the condition 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 and each Board of Directors meeting held on the day shown at the end.
(7) Events and conditions of cancellation of stock acquisition rights	1) If the General Meeting of Shareholders approves a merger agreement that stipulates the Bank is the dissolving company or if the General Meeting of Shareholders approves a proposal to approve a statutory stock exchange agreement or statutory stock transfer that makes the Bank a wholly owned subsidiary, the Bank may cancel Stock Acquisition Rights without charge. 2) If a Stock Acquisition Rights holder falls into a situation that does not satisfy the conditions stipulated in the "Agreement on the Grant of Stock Acquisition Rights" between the Bank and a Stock Acquisition Rights holder based on resolutions of the 5th Annual General Meeting of Shareholders of the Bank and Board of Directors meeting held on the day shown at the end or the legal heir of a Stock Acquisition Right holder does not take the succession procedures within the period fixed by the Bank and forfeits their rights, the Bank may cancel their Stock Acquisition Rights which have not been exercised, without charge. Provided, however, that procedures for cancellation in this case may be carried out together after the expiration of the exercise period of the Stock Acquisition Rights.
(8) Details of favorable terms	Stock Acquisition Rights that have been issued without charge.
(9) Name of persons who received allotments and the number of stock acquisition rights allotted	1) Specified Employees and Others Please refer to the Appendix 2) Stock Acquisition Rights Issued to Specified Employees and Others **Person granted**: Employees of the Bank **Number of people** .... 2 **Number of rights** .... 53 **Type and number of shares under stock acquisition rights** .... Common Stock 53,000
Resolution date of Board of Directors meeting	September 23, 2005

	Stock Acquisition Rights No. 11
(1) Number of the stock acquisition rights issued	50
(2) Class and number of shares that are subject of stock acquisition rights	Common stock/50,000 shares
(3) Issue price of stock acquisition right	0 yen
(4) Amount per a share to be paid upon exercising the stock acquisition rights	774 yen
(5) Exercise period of stock acquisition rights	From July 1, 2007 to June 23, 2015
(6) Conditions for exercising stock acquisition rights	1) 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. 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 the number of Stock Acquisition Rights granted to them. (any amount less than one shall be rounded up) All the Stock Acquisition Rights, however, may be exercised from the inception date of the exercise period according to the condition 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 and each Board of Directors meeting held on the day shown at the end.
(7) Events and conditions of cancellation of stock acquisition rights	1) If the General Meeting of Shareholders approves a merger agreement that stipulates the Bank is the dissolving company or if the General Meeting of Shareholders approves a proposal to approve a statutory stock exchange agreement or statutory stock transfer that makes the Bank a wholly owned subsidiary, the Bank may cancel Stock Acquisition Rights without charge. 2) If a Stock Acquisition Rights holder falls into a situation that does not satisfy the conditions stipulated in the "Agreement on the Grant of Stock Acquisition Rights" between the Bank and a Stock Acquisition Rights holder based on resolutions of the 5th Annual General Meeting of Shareholders of the Bank and Board of Directors meeting held on the day shown at the end or the legal heir of a Stock Acquisition Right holder does not take the succession procedures within the period fixed by the Bank and forfeits their rights, the Bank may cancel their Stock Acquisition Rights which have not been exercised, without charge. Provided, however, that procedures for cancellation in this case may be carried out together after the expiration of the exercise period of the Stock Acquisition Rights.
(8) Details of favorable terms	Stock Acquisition Rights that have been issued without charge.
(9) Name of persons who received allotments and the number of stock acquisition rights allotted	1) Specified Employees and Others Please refer to the Appendix 2) Stock Acquisition Rights Issued to Specified Employees and Others **Person granted**: Employees of the Bank **Number of people** . . . . 2 **Number of rights** . . . . 50 **Type and number of shares under stock acquisition rights** . . . . Common Stock 50,000
Resolution date of Board of Directors meeting	February 28, 2006

	Stock Acquisition Rights No. 12
(1) Number of the stock acquisition rights issued	17
(2) Class and number of shares that are subject of stock acquisition rights	Common stock/17,000 shares
(3) Issue price of stock acquisition right	0 yen
(4) Amount per a share to be paid upon exercising the stock acquisition rights	774 yen
(5) Exercise period of stock acquisition rights	From July 1, 2007 to June 23, 2015
(6) Conditions for exercising stock acquisition rights	1) 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. 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 granted to them. (any amount less than one shall be rounded up) All the Stock Acquisition Rights, however, may be exercised from the inception date of the exercise period according to the condition 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 and each Board of Directors meeting held on the day shown at the end.
(7) Events and conditions of cancellation of stock acquisition rights	1) If the General Meeting of Shareholders approves a merger agreement that stipulates the Bank is the dissolving company or if the General Meeting of Shareholders approves a proposal to approve a statutory stock exchange agreement or statutory stock transfer that makes the Bank a wholly owned subsidiary, the Bank may cancel Stock Acquisition Rights without charge. 2) If a Stock Acquisition Rights holder falls into a situation that does not satisfy the conditions stipulated in the "Agreement on the Grant of Stock Acquisition Rights" between the Bank and a Stock Acquisition Rights holder based on resolutions of the 5th Annual General Meeting of Shareholders of the Bank and Board of Directors meeting held on the day shown at the end or the legal heir of a Stock Acquisition Right holder does not take the succession procedures within the period fixed by the Bank and forfeits their rights, the Bank may cancel their Stock Acquisition Rights which have not been exercised, without charge. Provided, however, that procedures for cancellation in this case may be carried out together after the expiration of the exercise period of the Stock Acquisition Rights.
(8) Details of favorable terms	Stock Acquisition Rights that have been issued without charge.
(9) Name of persons who received allotments and the number of stock acquisition rights allotted	1) Specified Employees and Others Please refer to the Appendix 2) Stock Acquisition Rights Issued to Specified Employees and Others **Person granted**: Employees of the Bank **Number of people** .... 2 **Number of rights** .... 17 **Type and number of shares under stock acquisition rights** .... Common Stock 17,000
Resolution date of Board of Directors meeting	February 28, 2006

Appendix Specified Employees and Other
(The 10 people listed below are Employees of the Bank)

Name	Number	Name	Number
Sang-Ho Sohn	326	Keith Fujii	199
Douglas Smith	294	Stuart Baker	178
Daniel Shireman	267	Masahiko Fujita	167
Nitin Bajpai	254	Rahul Gupta *	144
Yoshitaka Hata	214	Robert Luton	138

* Appointed as statutory executive officer during the fiscal year ended March 31, 2006.

[Note] We listed above the top ten (in connection with the number of rights granted) "specified employees and others" to whom stock acquisition rights were allotted as determined after summation of the stock acquisition rights granted from the fourth to the twelfth issue.

6. Outline of Resolutions Adopted by the Board of Directors Concerning Matters Necessary for the Performance of the Duties and Responsibilities of the Audit Committee

With respect to the matters necessary for the performance of the duties and responsibilities of the audit committee as set forth in Article 193 of the Enforcement Regulations of the Commercial Code and to be determined by the board of directors of a company with committees (iinkaitou-setchi-gaisha) pursuant to Article 21-7, Paragraph 1, Item (2) of the Law for Special Exemptions to the Commercial Code Concerning Audit, Etc. of Stock Companies, the Board of Directors determines those matters in detail mainly in the "Internal Control Rules" pursuant to its resolution, the outline of which is as explained below:

(1) Matters concerning employees assisting in the duties and responsibilities of the Audit Committee and securing the independence of said employees from the Statutory Executive Officers

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 shall be an employee who should assist in the duties and responsibilities of the Audit Committee ("Assistant"). The General Manager of the Office of Audit Committee has the obligation to report to the Audit Committee on the results of its business.

To secure independence from the Statutory Executive Officers, the appointment, removal, reassignment or other change of the Assistant shall be determined by the Board of Directors with the consent of the Audit Committee. Revisions of wages and other allowances for the Assistant are subject to the prior consent of the Audit Committee.

(2) Matters to be reported to the Audit Committee by the Statutory Executive Officers and Employees, and other matters regarding reports to the Audit Committee

If any of the Statutory Executive Auditors or employees detect any facts that would cause the Bank substantial damage, he/she must make a report on the matters concerning such facts and other matters designated by the Board of Directors or the Audit Committee, without delay and in such manner as previously designated.

In order to audit the adequacy of the implementation of the internal control measures, the Audit Committee has the authority to receive reports from the Statutory Executive Officers and key employees responsible for the Internal Audit Division, the Credit Assessment Division, the Finance Group, the Risk Management Group, the Legal Division and Compliance Division, and other divisions or groups as required from time to time, and at any time.

(3) Matters concerning the retention and management of information regarding the execution of the duties and responsibilities of the Statutory Executive Officers

It is required that we 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 may not be divulged, and also to provide it to the Audit Committee from time to time upon its request. In addition, it is required that we manage information regarding the execution of the duties and responsibilities of the Statutory Executive Officers and employees pursuant to the "Information Security Policy".

(4) Matters concerning the risk of loss management regulations and other systems

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

(5) Other matters concerning the systems to ensure that the Statutory Executive Officers execute their duties and responsibilities in conformity with the applicable laws, ordinances, regulations, and the Articles of Incorporation, as well as in an effective and efficient manner

As the basis for the systems to ensure that the Statutory Executive Officers execute their duties and responsibilities in conformity with the applicable laws, ordinances, regulations, and the Articles of Incorporation, as well as in an effective and efficient manner, the "Shinsei Bank Code of Conduct" has been established and all individual officers and employees are required to comply with it. Under this code, various internal rules that govern their activities in more detail have been established as necessary.

In order to inspect how the above-mentioned internal control measures are implemented, the Internal Audit Division conducts internal audits in accordance with the Internal Audit Policy, and submits reports on its results to the Statutory Executive Officer/President and the Audit Committee.

7. Policy for the Determination of the Individual Compensation of Directors and Statutory Executive Officers

The policy for the compensation of directors and statutory executive officers determined and adopted by the Compensation Committee is as follows.

(1) Basic Policy

- Officers' compensation to be determined based on:
  - (a) The Officers' performance
  - (b) The Bank's performance
  - (c) Market competitiveness
- Officers' compensation to be determined from the Total Reward point of view.

(2) Directors Compensation

- Total Reward to be set at 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 business 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.

8. Fees to Shinsei's Independent Accounting Auditor

(Millions of yen)

Amount of all fees to the independent accounting auditor (including Shinsei's subsidiaries)	542
Including amount of fees for certification of audit (including Shinsei's subsidiaries)	453
Including amount of fees which the Bank shall pay to the independent accounting auditor for certification of audit (only Shinsei)	200

[Note] The above amount of fees which the Bank pays to the independent accounting auditor for certification of audit includes fees paid to the Bank's independent auditor for auditing pursuant to the Securities and Exchange Law of Japan.

SHINSEI BANK, LIMITED, AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
As of March 31, 2006

	Millions of yen
ASSETS	
Cash and due from banks	¥ 488,601
Call loans	50,000
Collateral related to securities borrowing transactions	33,107
Other monetary claims purchased	273,937
Trading assets	193,581
Monetary assets held in trust	456,167
Securities	1,494,489
Loans and bills discounted	4,087,561
Foreign exchanges	12,140
Other assets	974,398
Premises and equipment	415,522
Deferred discounts on and issuance expenses for debentures	177
Deferred tax assets	30,022
Consolidation goodwill, net	226,692
Customers' liabilities for acceptances and guarantees	813,480
Reserve for credit losses	(144,868)
[Total assets]	¥9,405,013
LIABILITIES, MINORITY INTERESTS IN SUBSIDIARIES AND SHAREHOLDERS' EQUITY	
Liabilities:	
Deposits	¥3,914,385
Negotiable certificates of deposit	157,373
Debentures	1,018,909
Call money and bills sold	30,000
Commercial paper	133,200
Trading liabilities	149,990
Borrowed money	1,205,765
Foreign exchanges	39
Corporate bonds	298,002
Other liabilities	535,753
Accrued employees bonuses	13,886
Reserve for bonuses to directors	13
Reserve for retirement benefits	3,309
Reserve under special law	2
Deferred tax liabilities	13,718
Acceptances and guarantees	813,480
[Total liabilities]	8,287,832
Minority interests in subsidiaries	
Minority interests in subsidiaries	261,845
Shareholders' equity:	
Capital stock	451,296
Capital surplus	18,558
Retained earnings	379,502
Net unrealized gain on securities available-for-sale, net of taxes	2,208
Foreign currency translation adjustments	3,781
Treasury stock, at cost	(12)
[Total shareholders' equity]	855,335
[Total liabilities, minority interests in subsidiaries and shareholders' equity]	¥9,405,013

SHINSEI BANK, LIMITED, AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME
From April 1, 2005 to March 31, 2006

	Millions of yen
ORDINARY INCOME	
Interest income	¥125,029
Interest on loans and bills	104,438
Interest and dividends on securities	16,879
Interest on call loans	22
Interest on collateral related to securities borrowing transactions	30
Interest on deposits with banks	2,369
Other interest income	1,288
Fees and commissions income	68,263
Trading profits	27,665
Other business income	268,611
Other ordinary income	39,487
Total ordinary income	529,057
ORDINARY EXPENSES	
Interest expenses	42,729
Interest on deposits	16,872
Interest on negotiable certificates of deposit	62
Interest on debentures	4,709
Interest on call money	95
Interest on payables under repurchase agreements	0
Interest on collateral related to securities lending transactions	27
Interest on commercial paper	160
Interest on borrowings	14,598
Interest on corporate bonds	3,149
Other interest expenses	3,053
Fees and commissions expenses	22,767
Trading losses	152
Other business expenses	186,283
General and administrative expenses	136,596
Other ordinary expenses	69,057
Provision of reserve for loan losses	25,962
Amortization of consolidation goodwill	20,397
Amortization of identified intangible assets	9,047
Other ordinary expenses — others	13,649
Total ordinary expenses	457,586
NET ORDINARY INCOME	71,471
Special gains	3,703
Gains on disposal of premises and equipment	25
Recoveries of written-off claims	989
Other special gains	2,688
Special losses	1,463
Losses on disposal of premises and equipment	228
Reserve for contingent liabilities from securities transactions	0
Other special losses	1,234
Income before income taxes and minority interests	73,711
Income taxes — current	3,733
Income taxes — deferred	(11,414)
Minority interest in net income of subsidiaries	5,293
NET INCOME	¥ 76,099

< 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: 82 companies

Major Consolidated Subsidiaries

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

During this fiscal year, BM Finance Co., Ltd. changed the name to Shinseigin Finance Co., Ltd.

From this fiscal year, ZEN-NICHI SHINPAN CO., LTD.(*) is included due to the purchase of stocks; Shinsei Finance (Cayman) Limited, Shinsei Finance II (Cayman) Limited and 5 other companies are newly established subsidiaries; and Bronwyn Investments (Ireland) Limited is included due to the acquisition of a controlling interest.

Shinsei Card Co., Ltd. and WAHOO Asset Funding Limited have been excluded due to the dissolution during this fiscal year. SLS Corporation was merged into Showa Leasing Co., Ltd. during this fiscal year.

(*) The operating result of ZEN-NICHI SHINPAN CO., LTD., will be consolidated beginning April 1, 2006, because it became a subsidiary dated March 24, 2006.

(b) Unconsolidated subsidiaries: 79 companies

Major Company

HUA-HE INTERNATIONAL LEASING CO.,LTD.

Unconsolidated subsidiaries are mainly operating companies that undertake leasing business based on the *Tokumei Kumiai* system (Silent Partnership). These subsidiaries are excluded from consolidation because they are not material to the financial condition or result of operations such as assets, ordinary income, net income (our interest portion) and retained earnings (our interest portion) of the Shinsei Bank Group.

(2) Application of the equity method

(a) Unconsolidated subsidiaries and affiliates accounted for using the equity method: 13 companies

Major Companies

Shinki Co., Ltd.
Hillcot Holdings Limited
BlueBay Asset Management Ltd.

From this fiscal year, Woori-SB Asset Management Co.,Ltd. and Terwin Holdings LLC are included due to the purchase of stocks, Consus SB First Securitization Speciality Co., Ltd. and other 3 companies are newly established affiliates.

On the other hand, Showa Auto Leasing Yamagata Co., Ltd. and Northern Halk Maritime S.A. are excluded due to the sales of their stock.

(b) Unconsolidated subsidiaries and affiliates to which the equity method is not applied: 79 companies

Major Company

HUA-HE INTERNATIONAL LEASING CO.,LTD.

Unconsolidated subsidiaries and affiliates for which the equity method is not applied are mainly operating companies that undertake leasing business based on the *Tokumei Kumiai* system (Silent Partnership). These subsidiaries are excluded from the scope of equity method because they are not material to the financial condition or result of operations such as net income (our interest portion) and retained earnings (our interest portion) of the Shinsei Bank Group.

(3) Fiscal year end of consolidated subsidiaries

(a) The respective fiscal year ends of consolidated subsidiaries are as follows;

December 31: 23 companies

January 31: 3 companies

March 31: 56 companies

(b) 3 consolidated subsidiaries with a fiscal period ending on December 31 are consolidated using their provisional financial statements as of March 31.

The other consolidated subsidiaries are consolidated using their financial statements as of their respective fiscal period with appropriate adjustments.

(4) Valuation of assets and liabilities of consolidated subsidiaries

The fair value method is primarily applied to the assets and liabilities of consolidated subsidiaries at acquisition.

(5) Amortization of consolidation goodwill

Consolidation goodwill is amortized on a straight line basis primarily over twenty years. Consolidation goodwill if not material is expensed as incurred in the respective fiscal year.

(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.

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.

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 by the moving average method.

Investments in unconsolidated subsidiaries without application of the equity method are carried at cost by the moving average method.

Securities available-for-sale are carried at fair value with the corresponding unrealized gains/losses recorded directly in a separate component of shareholders' equity. The cost of sale of these securities is determined by the moving average method. Securities available-for-sale for which fair value is not readily determinable are carried at moving average cost or amortized cost determined by the moving average method.

4. The values of securities included in monetary assets held in trust are determined 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 held for trading purposes except those included in trading accounts are stated at fair value.

7. The Bank and its subsidiaries' 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 as follows:

Buildings: 3 – 50 years

Equipment: 2 – 15 years

8. Leased assets held by consolidated domestic subsidiaries included in other assets and premises and equipment are amortized over the lease term using the straight-line method.

9. Capitalized software for internal use is depreciated using the straight-line method over the estimated useful lives (mainly five and eight years) determined by the Bank and its consolidated subsidiaries.

10. 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. Identified intangible assets are included in other assets.

(a) APLUS Co., Ltd.

	Amortization method	Amortization period
Trade Name and Trade Marks....	straight-line	10 years
Customer Relationship	sum-of-the-years-digits	10 years
Merchant Relationship	sum-of-the-years-digits	20 years

(b) Showa Leasing Co., Ltd.

	Amortization method	Amortization period
Trade Name	straight-line	10 years
Existing Customer Relationship . . .	sum-of-the-years-digits	20 years
Maintenance Component Contract	straight-line based on contract years	depends on the remaining contract years
Sublease Contract	straight-line based on contract years	depends on the remaining contract years

11. The Bank's deferred charges are amortized as follows:

(a) Deferred discounts on corporate bonds included in other assets are amortized over the terms of the corporate bonds.

(b) Deferred expenses for the issuance of corporate bonds included in other assets are amortized by the straight-line method over the shorter of the terms of the corporate bonds or the maximum three-year period stipulated in the former Commercial Code Enforcement Regulation.

(c) Deferred expenses for the issuance of debentures are amortized by the straight-line method over the shorter of the terms of the debentures or the maximum three-year period stipulated in the former Commercial Code Enforcement Regulation.

Deferred expenses for the issuance of corporate bonds of the consolidated subsidiaries are amortized using the straight-line method over the terms of the corporate bonds.

Formation costs and stock issuance costs of the consolidated subsidiaries are expensed in the period incurred.

12. 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 which are translated at the relevant historical exchange rates.

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

13. 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 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 is 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 banking subsidiary calculate the general reserve for "normal" and "caution, including substandard," categories based on the historical loss ratio and specific reserve for the "possibly bankrupt," "virtually bankrupt" and "legally bankrupt" categories based on estimated losses, considering the recoverable value.

For collateralized or guaranteed claims 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 ¥28,106 million.

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

15. 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. This is the reserve stipulated in the Article 43 of the former Commercial Code Enforcement Regulation.

16. A reserve for retirement benefits is provided for the payment of employees' retirement benefits as of the end of fiscal year, based on the estimated amounts of the actuarial retirement benefit obligation and 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 difference: Amortized using the straight-line method over the average remaining service period from the fiscal year of occurrence. (Some consolidated subsidiaries processes it from next fiscal year of occurrence)

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

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 leases which transfer the ownership of leased equipment to the lessee.

18. Derivatives for the purpose of hedging interest rate risks arising from financial assets and liabilities of the Bank are accounted for using deferred hedge accounting. Under portfolio hedging in accordance with the "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 as of the balance sheet date was ¥72 million.

Certain consolidated subsidiaries use deferred hedge accounting or special treatment for interest rate swaps. A consolidated domestic subsidiary (a leasing company) partly applies the deferred hedge accounting that is permitted by "Temporary Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Leasing Industry" (Industry Audit Committee Report No. 19 of the JICPA).

19. 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 deferred 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.

20. 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. On the other hand, in the trading book, realized gains/losses and valuation gains/losses on such 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 and Exchange Law of Japan.

24. Accumulated depreciation on premises and equipment was ¥134,847 million.

25. Deferred gains on sales of real estate of ¥2,985 million were deducted from the acquisition cost of newly acquired premises and equipment.

26. The Bank and some consolidated subsidiaries lease some vehicles and other equipment in addition to the premises and equipment recorded on the balance sheet.

27. Loans and bills discounted held by the Bank and its subsidiaries include loans to bankrupt obligors and non-accrual delinquent loans, totaling ¥1,889 million and ¥36,347 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 ¥1,301 million and ¥3,631 million, respectively, at the balance sheet date.

28. Loans past due for three months or more of ¥3,125 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.

Installment receivables in other assets include claims past due for three months or more totaling ¥1,337 million at the balance sheet date.

29. Restructured loans of ¥42,832 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.

Restructured installment receivables of ¥16,265 million are included in other assets.

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 items 27 to 30 are ¥84,195 million which represent the contractual principal balance prior to reduction for 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 items 27 to 30 are ¥22,536 million which represent the contractual principal balance prior to reduction for the reserve for credit losses.

31. The total principal amount of loans accounted for as a sale through loan participations was ¥124,475 million as of March 31, 2006. This off-balance sheet treatment is in accordance with Report No. 3 issued by the Framework Committee of the JICPA on June 1, 1995.

32. The total amount of loans accounted for as a sale through the collateralized loan obligation ("CLO") securitization was ¥252,812 million as of March 31, 2006. Since the Bank holds subordinated beneficial interests in this CLO of ¥97,622 million, which are recorded in loans and bills discounted, a reserve for credit losses was provided for the total principal amount of ¥350,434 million, including the senior beneficial interests that have been sold.

33. Bills discounted, such as bank acceptances bought, commercial bills discounted, documentary bills and foreign exchange contracts bought, are accounted for as financing transactions in accordance with 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, 2006 were ¥401 million.

34. Assets pledged as collateral were as follows:

Cash and due from banks	¥70	million
Securities	284,378	
Liabilities related to pledged assets were as follows:		
Deposits, including negotiable certificates of deposit	2,500	
Borrowed money	602	
Other liabilities	910	

Lease receivables of ¥455 million were pledged as collateral for the above borrowed money.

In addition, securities of ¥173,124 million were pledged as collateral for transactions, including exchange settlements, swap transactions and replacement of margin for future trading.

Also, security deposits of ¥14,663 million were included in premises and equipment, and margin deposits for futures transactions outstanding of ¥15,322 million were included in other assets.

35. The gross amounts of deferred hedge losses and deferred hedge gains recorded as a result of deferral hedge accounting as of March 31, 2006 were ¥15,654 million and ¥4,143 million, respectively. The net amounts were stated as deferred losses on derivatives for hedging purposes in other assets.

36. Other assets included identified intangible assets of ¥68,181 million, intangible leased assets of ¥43,694 million and installment receivables of ¥472,901 million.

The identified intangible assets were recognized as a result of fair value review in connection with the acquisition of APLUS Co., Ltd., Showa Leasing Co., Ltd. and their consolidated subsidiaries.

37. Tangible leased assets of ¥308,432 million were included in premises and equipment.

38. Subordinated debt of ¥144,000 million was included in borrowed money.

39. Subordinated bonds of ¥262,293 million were included in corporate bonds.

40. Common shareholders' equity per share was ¥380.20.

41. The estimated fair value and unrealized gains or 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 44.

Trading securities

Carrying amount on balance sheet	¥205,044	million
Net unrealized gain recognized in the current fiscal year	3,471	

Securities being held-to-maturity with fair value

	Amortized cost	Fair value	Net unrealized gain/(loss)	Gross unrealized gain	Gross unrealized loss
			(Millions of yen)		
Japanese national government bonds	¥160,454	¥157,949	¥(2,505)	¥0	¥2,505

Securities available-for-sale with fair value

	Amortized cost	Fair value	Net unrealized gain/(loss)	Gross unrealized gain	Gross unrealized loss
			(Millions of yen)		
Equity securities	¥ 19,087	¥ 24,652	¥ 5,564	¥5,678	¥ 114
Domestic bonds	679,034	674,341	(4,693)	66	4,760
Japanese national government bonds	322,705	318,123	(4,582)	4	4,587
Japanese local government bonds	81,164	81,132	(32)	0	32
Japanese corporate bonds	275,164	275,085	(78)	62	140
Other	153,281	155,931	2,675	3,390	715
Total	¥851,404	¥854,925	¥ 3,546	¥9,136	¥5,590

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

Gross unrealized gains and losses above do not include valuation losses of ¥25 million related to certain securities with embedded derivatives, for which the gain or loss has been recorded in other business income or expenses.

The net unrealized gain on securities available-for-sale, net of taxes, included in shareholders' equity was ¥2,208 million, which consisted of:

- the above ¥3,546 million of net unrealized gain less ¥1,446 million of deferred tax liabilities and minority interests of ¥154 million,
- the addition of ¥225 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,
- and the addition of ¥37 million representing net unrealized gain attributable to our interests in investment business limited liability unions which are recorded as "Securities carried at cost".

During the fiscal year ended March 31, 2006, with regard to securities available-for-sale with fair value, ¥10 million was written down.

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.

42. Securities available-for-sale sold during the fiscal year ended March 31, 2006, were as follows:

Sales amounts	Gains on sale	Losses on sale
¥688,993 million	¥8,054 million	¥2,403 million

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

Equity of unconsolidated subsidiaries and affiliates	¥35,505 million
Securities available-for-sale	
Non-listed domestic equity securities	5,969
Non-listed Japanese local government bonds	4
Non-listed Japanese corporate bonds	212,439
Non-listed foreign securities	52,879
Other	9,646

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

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
	(Millions of yen)			
Domestic bonds	¥547,772	¥450,434	¥ 2,477	¥46,556
Japanese national government bonds	146,674	282,916	2,431	46,556
Japanese local government bonds	81,122	4	9	—
Japanese corporate bonds	319,974	167,512	36	—
Other	7,125	102,566	53,078	22,953
Total	¥554,897	¥553,000	¥55,555	¥69,509

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

Monetary assets held in trust for trading purposes

Carrying amount (Fair Value)	¥277,434 million
Net unrealized loss included in current earnings	5,730

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

Other monetary assets held in trust for other than trading purposes

Acquisition cost	178,732
Carrying amount	178,732
Unrealized gains and losses	—

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

Carrying amount (Fair value)	¥177,314 million
Net unrealized loss included in current earnings	5,028

47. 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, was ¥59,797 million as of March 31, 2006.

48. 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 ¥4,092,758 million, out of which the amount with original agreement terms of less than one year or which were cancelable was ¥3,922,148 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.

49. Retirement benefit obligations, etc, as of March 31, 2006, were as follows:

	(Millions of yen)
Projected benefit obligations	¥(69,904)
Plan assets (fair market value) (including retirement benefit trust)	71,339
Funded status	1,435
Unrecognized obligation at transition	5,470
Unrecognized net actuarial losses	1,251
Unrecognized prior service cost (reduction of liabilities)	(4,867)
Net amount accrued on the balance sheet	3,289
Prepaid pension cost	6,599
Reserve for retirement benefits	¥ (3,309)

50. Deferred issuance expenses for corporate bonds, which had been classified as "Deferred discounts on and issuance expenses for corporate bonds" before, were included in "Other assets". The amount was ¥765 million as of March 31, 2006.

51. The classification of assets and liabilities in the consolidated balance sheets conforms to the "Banking Law Enforcement Rules" (Ministry of Finance Ordinance No. 10, 1982).

(Notes to consolidated statement of income)

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

2. Net income per common share was ¥53.16.

3. Diluted net income per common share was ¥37.75.

4. Income from shopping credit business is calculated mainly using installment basis as follows:

(Contracts based on add-ons)	
Installment credit	78 method
Guarantees (batch acceptance of guarantee fee when contracted)	78 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 "78 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.

5. Lease and rental income is recognized at the due date of each lease payment according to the lease contracts.

6. Profits and losses from transactions for trading purposes are included in "trading profits" and "trading losses" in the consolidated 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.

7. "Other business income" included leasing revenue of ¥168,352 million.

8. "Other ordinary income" included income on monetary assets held in trust of ¥23,505 million.

9. "Other business expenses" included leasing expenses of ¥152,163 million.

10. "Amortization of identified intangible assets" is amortization of intangible assets recognized as a result of a fair value review in connection with the acquisition of APLUS Co., Ltd., Showa Leasing Co., Ltd. and their consolidated subsidiaries.

11. "Other special gains" included gain on sales of investments in subsidiary of ¥2,570 million.

12. The classification of income and expenses in the consolidated statements of income conforms to the "Banking Law Enforcement Rules" (Ministry of Finance Ordinance No. 10, 1982).

(TRANSLATION)

INDEPENDENT AUDITORS' REPORT

May 15, 2006

To the Board of Directors of
Shinsei Bank, Limited:

Deloitte Touche Tohmatsu

Designated Partner,
Engagement Partner,
Certified Public Accountant:

Shigeru Furusawa

Designated Partner,
Engagement Partner,
Certified Public Accountant:

Yoriko Goto

Designated Partner,
Engagement Partner,
Certified Public Accountant:

Shigeru Miyazaki

Pursuant to second clause of Article 21-32 of the "Law Concerning Special Measures under the Commercial Code with respect to Audit, etc. of Corporations (Kabushiki-Kaisha)" of Japan, we have audited the consolidated balance sheet and the consolidated statement of income of Shinsei Bank, Limited and consolidated subsidiaries for the 6th fiscal year from April 1, 2005 to March 31, 2006. These financial statements are the responsibility of the Company'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 are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. Our audit includes auditing procedures applied to consolidated subsidiaries as considered necessary.

(TRANSLATION)

As a result of our audit, in our opinion, the consolidated financial statements referred to above present fairly the financial position and the results of operations of Shinsei Bank, Limited and consolidated subsidiaries in conformity with the applicable laws and regulations of Japan and the Articles of Incorporation.

Our firm and the engagement partners do not have any financial interest in the Company 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.

Audit Report for Consolidated Financial Statements

The Audit Committee of Shinsei Bank, Limited (the "Company") audited the consolidated balance sheet and consolidated income statement (the "Consolidated Financial Statements") during the 6th fiscal year (from April 1, 2005 to March 31, 2006) and, based on the results of the audit, hereby reports as follows:

1. Outline of the audit process

We received from the Executive Officers, the Company's Accounting Auditors and others reports on and an account of their audits and examined the Consolidated Financial Statements in accordance with the audit policy and the assignment of audit duties, etc. In addition, we requested reports from affiliates and the consolidated subsidiaries, and investigated their operations and the status of their assets.

2. Results of our audit

(1) We acknowledge that the process and results of the audit made by the Company's Accounting Auditors, Deloitte Touche Tohmatsu are appropriate;

(2) We have nothing to point out with respect to the Consolidated Financial Statements as a result of our investigation of the affiliates and the consolidated subsidiaries.

May 17, 2006

The Audit Committee of Shinsei Bank, Limited

Akira Aoki
Nobuaki Ogawa
Shigeru Kani
Yasuharu Nagashima

Note: All members of the Audit Committee are outside directors as stipulated in Article 188, paragraph 2, 7-2 of the Commercial Code of Japan and are not statutory executive officers.

SHINSEI BANK, LIMITED

NON-CONSOLIDATED BALANCE SHEET
As of March 31, 2006

	Millions of yen
ASSETS	
Cash and due from banks	¥ 315,282
Cash	8,451
Due from banks	306,830
Call loans	50,000
Collateral related to securities borrowing transactions	33,107
Other monetary claims purchased	40,233
Trading assets	173,315
Trading securities	183
Securities related to trading transactions	34,768
Derivatives of securities related to trading transactions	2,078
Trading-related financial derivatives	136,285
Monetary assets held in trust	556,448
Securities	1,809,798
Japanese national government bonds	474,458
Japanese local government bonds	81,136
Japanese corporate bonds	517,967
Equity securities	352,730
Other securities	383,505
Loans and bills discounted	3,961,246
Bills discounted	401
Loans on bills	133,715
Loans on deeds	3,183,803
Overdrafts	643,326
Foreign exchanges	12,140
Due from foreign banks	10,860
Foreign bills receivable	1,280
Other assets	282,669
Prepaid expenses	1,499
Accrued income	15,407
Margin on futures transactions	4,629
Suspense payment on futures transactions	46
Derivatives held in banking account	49,583
Deferred losses on derivatives for hedging purposes	12,421
Deferred bond discounts	719
Deferred expenses for issuance of bonds and notes	762
Other assets	197,598
Premises and equipment	26,701
Land, buildings and others	21,285
Suspense payment for construction in progress	246
Security deposit and others	5,169
Deferred discounts on and issuance expenses for debentures	177
Deferred expenses for issuance of debentures	177
Deferred tax assets	27,965
Customers' liabilities for acceptances and guarantees	30,985
Reserve for credit losses	(111,421)
[Total assets]	¥7,208,651

SHINSEI BANK, LIMITED

NON-CONSOLIDATED BALANCE SHEET (CONTINUED)
As of March 31, 2006

	Millions of yen
LIABILITIES AND SHAREHOLDERS' EQUITY	
Liabilities	
Deposits	¥4,000,819
Current accounts	54,849
Ordinary deposits	1,268,207
Notice deposits	24,128
Time deposits	2,343,174
Other deposits	310,460
Negotiable certificates of deposit	157,373
Debentures	1,021,419
Issuance of debentures	1,021,419
Call money	30,000
Trading liabilities	129,059
Derivatives of securities related to trading transactions	2,124
Trading-related financial derivatives	126,935
Borrowed money	314,789
Borrowed money	314,789
Foreign exchanges	325
Due to foreign banks	288
Foreign bills payable	37
Corporate bonds	447,024
Other liabilities	213,567
Income taxes payable	1,179
Accrued expenses	45,181
Unearned income	827
Suspense receipt on futures transactions	183
Borrowed securities related to trading transactions	17,241
Borrowed securities	21,136
Derivatives held in banking account	51,717
Other liabilities	76,099
Accrued employees bonuses	10,040
Reserve for retirement benefits	200
Acceptances and guarantees	30,985
Total liabilities	6,355,605
Shareholders' equity	
Capital stock	451,296
Capital surplus	18,558
Additional paid-in capital	18,558
Retained earnings	380,526
Appropriated for legal reserve	7,777
Unappropriated retained earnings	372,749
Net income	74,890
Net unrealized gain on securities available-for-sale, net of taxes	2,670
Treasury stock, at cost	(6)
Total shareholders' equity	853,046
[Total liabilities and shareholders' equity]	¥7,208,651

SHINSEI BANK, LIMITED

NON-CONSOLIDATED STATEMENT OF INCOME
From April 1, 2005 to March 31, 2006

	Millions of yen
ORDINARY INCOME	
Interest income	¥ 82,620
Interest on loans and bills	57,895
Interest and dividends on securities	21,036
Interest on call loans	22
Interest on collateral related to securities borrowing transactions	30
Interest on deposits with banks	2,019
Interest on swaps	697
Other interest income	919
Fees and commissions income	22,065
Domestic and foreign exchange commissions income	954
Other fees and commissions income	21,111
Trading profits	20,740
Revenue from securities and derivatives related to trading transactions	2,236
Profits from trading-related financial derivatives	18,503
Other business income	23,523
Gains on foreign exchange	10,266
Gains on sales of bonds	4,611
Other business income — others	8,645
Other ordinary income	48,334
Gains on sales of equity securities and others	5,083
Gains on monetary assets held in trust	39,787
Other ordinary income — others	3,464
Total ordinary income	¥197,284

SHINSEI BANK, LIMITED

NON-CONSOLIDATED STATEMENT OF INCOME (CONTINUED)
From April 1, 2005 to March 31, 2006

	Millions of yen
ORDINARY EXPENSES	
Interest expenses	¥ 32,398
Interest on deposits	16,932
Interest on negotiable certificates of deposit	62
Interest on debentures	4,720
Interest on call money	95
Interest on payables under repurchase agreements	0
Interest on collateral related to securities lending transactions	27
Interest on borrowings	5,800
Interest on corporate bonds	1,738
Other interest expenses	3,021
Fees and commissions expenses	10,659
Domestic and foreign exchange commissions expenses	1,941
Other fees and commissions expenses	8,717
Trading losses	463
Losses on trading securities and derivatives	4
Other trading losses	458
Other business expenses	5,415
Losses on sales of bonds	1,203
Amortization of deferred expenses for issuance of debentures	231
Amortization of deferred expenses for issuance of corporate bonds	422
Losses on derivatives	430
Other business expenses — others	3,127
General and administrative expenses	73,860
Other ordinary expenses	13,990
Losses on write-offs of loans	187
Losses on sales of equity securities and others	2,990
Losses on write-down of equity securities and others	6,963
Losses on monetary assets held in trust	278
Other ordinary expenses — others	3,570
Total ordinary expenses	136,787
NET ORDINARY INCOME	60,497
Special gains	6,261
Gains on disposal of premises and equipment	0
Recoveries of written-off claims	763
Other special gains	5,498
Special losses	119
Losses on disposal of premises and equipment	119
Income before income taxes	66,639
Income taxes — current	(5,991)
Income taxes — deferred	(2,260)
NET INCOME	74,890
Unappropriated retained earnings brought forward	302,595
Interim cash dividends	3,947
Appropriation to legal reserve	789
Unappropriated retained earnings at the end of fiscal year	¥372,749

(Notes to non-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.

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 by the moving average method. Securities of subsidiaries and affiliated companies are stated at cost calculated 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 securities available-for-sale are included in shareholders' equity, net of income tax.

4. The values of securities included in monetary assets held in trust are determined 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 buildings and computers 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 as follows:

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

8. Capitalized software for internal use is depreciated using the straight-line method over the estimated useful lives (mainly 5 years).

9. Deferred charges are amortized as follows:

(a) Deferred bond discounts are amortized over the terms of the bonds.

(b) Deferred expenses for issuance of bonds and notes are amortized over the shorter of the terms of the bonds or the maximum three-year period stipulated in the former Commercial Code Enforcement Regulation.

(c) Deferred expenses for the issuance of debentures are amortized over the shorter of the terms of the debentures or the maximum three-year period stipulated in the former Commercial Code Enforcement Regulation.

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 unconsolidated subsidiaries and affiliates which 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 28 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 ¥2,441 million.

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

13. A reserve for retirement benefits is provided for 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.

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

14. 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.

15. 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 as of the balance sheet date was ¥72 million.

16. 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.

17. 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.

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

19. The consolidated corporation tax system has been adopted.

20. The total value of shares in subsidiaries of the Bank was ¥352,967 million.

21. Total monetary claims against subsidiaries of the Bank were ¥251,548 million.

22. Total monetary liabilities against subsidiaries of the Bank were ¥118,289 million.

23. Accumulated depreciation on premises and equipment was ¥12,475 million.

24. Deferred gains on sales of real estate of ¥2,985 million were deducted from the acquisition cost of newly acquired premises and equipment.

25. The Bank leases some vehicles and other equipment in addition to the premises and equipment recorded on the balance sheet.

26. Loans to bankrupt obligors and non-accrual delinquent loans of ¥586 million and ¥20,443 million, respectively, are included in loans and bills discounted.

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.

27. Loans past due for three months or more of ¥24 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.

28. Restructured loans of ¥21,069 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.

29. The total amount of loans to bankrupt obligors, non-accrual delinquent loans, loans past due for three months or more and restructured loans was ¥42,123 million. The amounts of loans mentioned in Notes 26 through 29 respectively represent the gross receivable amount prior to the reserve for credit losses.

30. The total principal amount of loans accounted for as a sale through loan participations was ¥124,475 million as of March 31, 2006. This off-balance sheet treatment is in accordance with Report No. 3 issued by the Framework Committee of the JICPA on June 1, 1995.

31. The total amount of loans accounted for as a sale through the collateralized loan obligation ("CLO") securitization was ¥252,812 million as of March 31, 2006. Since the Bank holds subordinated beneficial interests in this CLO of ¥97,622 million, which are recorded in loans and bills discounted, a reserve for credit losses was provided for the total principal amount of ¥350,434 million, including the senior beneficial interests that have been sold.

32. Bills discounted, such as bank acceptances bought, commercial bills discounted, documentary bills and foreign exchange contracts bought, are accounted for as financing transactions in accordance with 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, 2006 were ¥401 million.

33. Assets pledged as collateral were as follows:

Cash and due from banks	¥10	million
Securities	282,005	

Liabilities related to pledged assets were as follows:

Deposits, including negotiable certificates of deposits	2,500
Other liabilities	910

In addition, securities of ¥173,089 million were pledged as collateral for transactions, including exchange settlements, swap transactions and the substitution of margin on futures transactions.

34. The gross amounts of deferred hedge losses and deferred hedge gains recorded as a result of deferred hedge accounting as of March 31, 2006, were ¥16,617 million and ¥4,196 million, respectively. The net amounts were stated as deferred losses on derivatives for hedging purposes.

35. Subordinated debt of ¥156,423 million were included in borrowed money.

36. Subordinated bonds of ¥419,309 million and undated subordinated bonds of ¥7,000 million were included in corporate bonds.

37. Common shareholders' equity per share was ¥378.51.

38. The increase in shareholders' equity due to the application of former Article 124 (3) of the former Commercial Code Enforcement Regulation as of March 31, 2006, was ¥26,856 million.

39. 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 42.

Trading securities:

Carrying amount on balance sheet	¥197,618 million
Net unrealized gain recognized in the current fiscal year	3,293

Securities being held to maturity with readily determinable fair value:

	Carrying amount	Fair value	Net unrealized gain	Gross unrealized gain	Gross unrealized loss
			(Millions of yen)		
Securities being held to maturity	¥160,429	¥157,924	¥(2,505)	—	¥2,505

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

	Carrying amount	Fair value	Net unrealized gain
		(Millions of yen)	
Equity securities of affiliates	¥20,101	¥26,887	¥6,785

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

	Amortized cost	Carrying amount (fair value)	Net unrealized gain (loss)	Gross unrealized gain	Gross unrealized loss
			(Millions of yen)		
Equity securities	¥ 9,591	¥ 11,161	¥ 1,569	¥1,580	¥ 11
Domestic bonds:	676,161	671,446	(4,714)	31	4,746
Japanese national government bonds	318,597	314,028	(4,568)	4	4,573
Japanese local government bonds	81,164	81,132	(32)	0	32
Japanese corporate bonds	276,399	276,285	(113)	26	140
Other	146,988	149,648	2,685	3,390	705
Total	¥832,741	¥832,256	¥ (460)	¥5,002	¥5,462

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

Gross unrealized gains and losses above do not include valuation losses of ¥25 million related to certain securities with embedded derivatives, for which the gain or loss has been recorded in other business income or expenses.

The net unrealized gain on securities available-for-sale, net of taxes, included in shareholders' equity was ¥2,670 million, which consisted of:

- the above ¥460 million of net unrealized loss plus ¥187 million of deferred tax assets,
- the addition of ¥2,936 million representing net unrealized gain attributable to equity securities of affiliates that had been recorded as available-for-sale securities before their reclassifications,
- and the addition of ¥6 million representing net unrealized gain attributable to our interests in investment business limited liability unions which are recorded as "Securities carried at cost".

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.

40. Securities available-for-sale sold during the fiscal year ended March 31, 2006, were as follows:

Sales amounts	Gain on sale	Loss on sale
¥678,820 million	¥5,674 million	¥2,266 million

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

Carrying amount on balance sheet

Equity securities of subsidiaries and affiliates:	
Equity securities of subsidiaries	¥358,872 million
Equity securities of affiliates	9,819
Securities available-for-sale:	
Equity securities	3,933
Japanese local government bonds	4
Japanese corporate bonds	212,439
Foreign securities	38,526
Other	10,749

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

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
	(Millions of yen)			
Bonds:	¥547,946	¥447,340	¥ 2,477	¥46,556
Japanese national government bonds	145,648	279,822	2,431	46,556
Japanese local government bonds	81,122	4	9	—
Japanese corporate bonds	321,175	167,512	36	—
Other	7,125	104,748	60,714	17,310
Total	¥555,071	¥552,088	¥63,191	¥63,866

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

Monetary assets held in trust for trading purposes	
Carrying amount (Fair Value)	¥459,840 million
Net unrealized losses included in current earnings	2,941
There were no monetary assets held in trust being held to maturity	
Other monetary assets held in trust for other than trading purposes	
Acquisition Cost	96,607
Carrying amount	96,607
Unrealized gains and losses	—

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

Carrying amount (Fair Value)	¥20,637 million
Net unrealized loss included in current earnings	99

45. 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, was ¥59,597 million.

46. 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 ¥2,952,367 million, out of which the amount with original agreement terms of less than one year or which were cancelable was ¥2,777,363 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.

47. Retirement benefit obligations etc., as of March 31, 2006, were as follows:

	(Millions of yen)
Projected benefit obligation	¥(51,046)
Fair value of plan assets (including retirement benefit trust)	53,089
Funded status	2,042
Unrecognized obligation at transition	5,448
Unrecognized net actuarial losses	231
Unrecognized prior service cost (reduction of liabilities)	(3,656)
Net amount accrued on the balance sheet	4,066
Prepaid pension cost	4,266
Reserve for retirement benefit	¥ (200)

48. "Financial stabilization fund contribution" (¥70,239 million at March 31, 2006) was a separate category as of the end of the previous fiscal year because the amount exceeded one-hundredth of the total amount of assets, but it was included in "other assets" as of the end of the current fiscal year because the amount was less than one-hundredth of the total amount of assets.

(Notes to non-consolidated statement of income)

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

2. Total income from transactions with subsidiaries was ¥12,084 million.

   Total expenses from transactions with subsidiaries were ¥6,038 million.

3. Net income per common share was ¥52.27.

4. Diluted net income per common share was ¥37.15.

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 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.

6. "Other special gains" was a ¥5,498 million gain on the reversal of reserve for credit losses.

APPROPRIATION OF RETAINED EARNINGS FOR THE 6TH FISCAL YEAR (FY2005)

Items	Amount	
		(Yen)
Unappropriated retained earnings as of the end of the current fiscal year		¥372,749,642,187
Appropriation:		4,737,053,195
Legal reserve		790,000,000
Cash dividend for Class A preferred shares	(6.50 yen per share)	484,432,000
Cash dividend for Class B preferred shares	(2.42 yen per share)	1,452,000,000
Cash dividend for common shares	(1.48 yen per share)	2,010,621,195
Retained earnings carried forward to the next fiscal year		¥368,012,588,992

Notes concerning the appropriation of retained earnings for the 6th fiscal year:

1. Medium- to long-term policy regarding the appropriation of retained earnings

The Bank's basic dividend policy is to distribute dividends to shareholders with appropriate timing in line with global standards while considering our management performance, such as the income trend, as well as our expectation of future profit levels, and while focusing on maintaining the necessary balance between corporate stability and internal reserves.

2. Reasons for the appropriation of retained earnings for the current fiscal year

For the current fiscal year we determined dividends for preferred shares as provided by the terms and conditions thereof. For common shares, based upon the above policy and as a result of our consideration of the balance of dividends and internal reserves, and also the Revitalization Plan that was adopted in conjunction with the injection of public funds, we determined ¥1.48 per share to be the dividends. This dividend, plus the interim dividend of ¥1.48 per share, brings the total dividends for the year to ¥2.96 per share, up ¥0.38 per share, or 14.7%, from the preceding fiscal year.

[TRANSLATION]

INDEPENDENT AUDITORS' REPORT

May 15, 2006

To the Board of Directors of
Shinsei Bank, Limited.:

Deloitte Touche Tohmatsu

Designated Partner,
Engagement Partner,
Certified Public Accountant:

Shigeru Furusawa

Designated Partner,
Engagement Partner,
Certified Public Accountant:

Yoriko Goto

Designated Partner,
Engagement Partner,
Certified Public Accountant:

Shigeru Miyazaki

Pursuant to fourth clause of Article 21-26 of the "Law Concerning Special Measures under the Commercial Code with respect to Audit, etc. of Corporations (Kabushiki-Kaisha)" of Japan, we have audited the balance sheet, the statement of income, the business report (with respect to accounting matters only), the proposed appropriations of retained earnings and the supplementary schedules (with respect to accounting matters only) of Shinsei Bank, Limited for the 6th fiscal year from April 1, 2005 to March 31, 2006. The accounting matters included in the business report and supplementary schedules referred to above are based on the Company's books of account. These financial statements are the responsibility of the Company'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 are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. Our audit includes auditing procedures applied to subsidiaries as considered necessary.

As a result of our audit, in our opinion,

(1) The balance sheet and the statement of income present fairly the financial position and the results of operations of the Company in conformity with the applicable laws and regulations of Japan and the Articles of Incorporation,

(2) The business report (with respect to accounting matters only) presents fairly the Company's affairs in conformity with the applicable laws and regulations of Japan and the Articles of Incorporation,

(3) The proposed appropriations of retained earnings are in conformity with the applicable laws and regulations of Japan and the Articles of Incorporation, and

(4) The supplementary schedules (with respect to accounting matters only) present fairly the information required to be set forth therein under the Commercial Code of Japan.

Our firm and the engagement partners do not have any financial interest in the Company 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 "Company") audited the execution of duties by Directors and Executive Officers during the 6th fiscal year (from April 1, 2005 to March 31, 2006). The following report is based on the result of the audit.

1. Outline of the audit process

We monitored and examined the contents of the Board of Directors resolutions concerning the matters as listed in Article 21-7, paragraph 1, item 2 of the "Law Concerning Special Exceptions to the Commercial Code Concerning Audit, etc. of Kabushiki-Kaisha" (hereinafter referred to as the "Special Exceptions Law") and Article 193 of the Enforcement Regulations of the Commercial Code of Japan and the Company's system in general concerning the internal controls established thereunder. Furthermore, in accordance with the audit policy, and the assignment of audit duties, etc., as determined by the Audit Committee, we attended important meetings, received reports or heard from Directors, Executive Officers, etc. on matters concerning the execution of their duties, including internal control-related issues, inspected important decision documents, etc., and made investigation into the state of activities and property. Moreover, we received reports or heard from the Executive Officers of the Bank or the Directors of subsidiaries on their business operations and made investigation into the state of their activities and property, when necessary. In addition, we received from the Company's Accounting Auditors reports on and accounts of their audit and examined financial statements and supplemental statements based on such reports and accounts.

With respect to competitive transactions by Directors or Executive Officers, transactions involving conflicting interests between Directors or Executive Officers and the Company, gratuitous offering of proprietary benefits by the Company, transactions not ordinarily entered into between the Company and its subsidiary or its shareholder, acquisition and disposition by the Company of its shares, etc., we, in addition to the above-mentioned auditing process, requested reports on such transactions from Directors, Executive Officers and others as necessary, and investigated any such transactions in detail.

2. Results of our audit

(1) We acknowledge that the contents of the resolutions of the Board of Directors concerning the matters listed in Article 21-7, paragraph 1, item 2 of the Special Exceptions Law and Article 193 of the Enforcement Regulations of the Commercial Code of Japan are appropriate.

(2) We acknowledge that the process and results of the audit made by the Company's Accounting Auditors, Deloitte Touche Tohmatsu are appropriate.

(3) We acknowledge that the business report fairly presents the state of the Company, in accordance with the law, regulations and the Articles of Incorporation.

(4) We acknowledge that there is nothing to point out regarding the proposition relating to the appropriation of retained earnings in the light of the state of the property of the Company and other circumstances.

(5) We acknowledge that the supplemental statements fairly present the matters to be stated therein and contain nothing to be pointed out.

(6) We acknowledge that there are no material facts in the execution of the duties of any Director or Executive Officer, including matters related to affiliates, concerning unjust actions or the violation of the laws and regulations of Japan or the Articles of Incorporation.

In addition, we acknowledge that there is no failure by the Directors or Executive Officers in the execution of their duties in connection with: (i) any transactions by Directors or Executive Officers on their own behalf or on behalf of a third party that comes within the types of business carried out by the Company: (iii) gratuitous grants or benefits to others by the Company: (iv) unusual transactions between the Company and its subsidiaries or shareholders: and (v) acquisitions by the Company of its own shares and dispositions thereof.

(7) There were affiliates which have received Business Improvement Orders and some weaknesses were found with respect to internal controls over affiliates. We acknowledge that the measures are being taken to improve and strengthen internal controls. As to other affiliates, we have nothing to point out with respect to the execution by the Directors or Executive Officers of their duties.

May 17, 2006

The Audit Committee of Shinsei Bank, Limited

Akira Aoki
Nobuaki Ogawa
Shigeru Kani
Yasuharu Nagashima

Note: All four members of the Audit Committee are outside directors as stipulated in Article 188, paragraph 2, 7-2 of the Commercial Code of Japan and are not statutory executive officers.