

Consolidated Balance Sheets

Shinsei Bank, Limited, and Consolidated Subsidiaries
As of March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	2006
ASSETS			
Cash and due from banks (Notes 4 and 22)	¥ 488,601	¥ 277,593	\$ 4,159,375
Call loans	50,000	70,000	425,641
Collateral related to securities borrowing transactions	33,107	3,744	281,837
Other monetary claims purchased (Note 5)	273,937	320,379	2,331,978
Trading assets (Notes 6 and 35)	193,581	168,501	1,647,920
Monetary assets held in trust (Note 7)	456,167	372,224	3,883,268
Securities (Notes 8 and 22)	1,494,489	1,478,219	12,722,311
Loans and bills discounted (Notes 9, 22 and 33)	4,087,561	3,430,421	34,796,638
Foreign exchanges (Note 17)	12,140	8,550	103,349
Other assets (Notes 10, 22 and 35)	974,398	850,440	8,294,874
Premises and equipment (Notes 11, 22 and 30)	415,522	418,938	3,537,269
Deferred discounts on and issuance expenses for debentures	177	284	1,515
Deferred tax assets (Note 32)	30,022	24,623	255,574
Consolidation goodwill, net	226,692	244,042	1,929,788
Customers' liabilities for acceptances and guarantees (Note 21)	813,480	1,058,161	6,925,009
Reserve for credit losses (Note 12)	(144,868)	(149,799)	(1,233,240)
Total assets	¥9,405,013	¥8,576,328	\$80,063,106
LIABILITIES, MINORITY INTERESTS IN SUBSIDIARIES AND SHAREHOLDERS' EQUITY			
Liabilities:			
Deposits, including negotiable certificates of deposit (Notes 13 and 22)	¥4,071,758	¥3,452,813	\$34,662,116
Debentures (Note 14)	1,018,909	1,242,632	8,673,781
Call money	30,000	204,295	255,384
Commercial paper	133,200	13,300	1,133,907
Trading liabilities (Notes 15 and 35)	149,990	69,101	1,276,843
Borrowed money (Notes 16 and 22)	1,205,765	1,160,265	10,264,454
Foreign exchanges (Note 17)	39	20	337
Corporate bonds (Note 18)	298,002	88,344	2,536,839
Other liabilities (Notes 19, 22 and 35)	535,753	412,763	4,560,770
Accrued employees' bonuses	13,886	10,276	118,214
Accrued directors' bonuses	13	—	117
Reserve for retirement benefits (Note 20)	3,309	3,376	28,176
Reserve for loss on disposition of premises and equipment	—	153	—
Reserve under special law	2	2	21
Deferred tax liabilities (Note 32)	13,718	20,262	116,787
Acceptances and guarantees (Note 21)	813,480	1,058,161	6,925,009
Total liabilities	8,287,832	7,735,769	70,552,755
Minority interests in subsidiaries (Note 23)	261,845	53,891	2,229,037
Shareholders' equity:			
Capital stock (Notes 24 and 25):			
Common stock	180,853	180,853	1,539,574
Preferred stock	270,443	270,443	2,302,232
Capital surplus (Note 24)	18,558	18,558	157,984
Retained earnings (Note 24)	379,502	311,039	3,230,631
Net unrealized gain on securities available-for-sale, net of taxes	2,208	3,043	18,804
Foreign currency translation adjustments	3,781	2,738	32,195
Treasury stock, at cost (Notes 24 and 25)			
17,059 shares in 2006 and 14,415 shares in 2005	(12)	(9)	(106)
Total shareholders' equity	855,335	786,667	7,281,314
Total liabilities, minority interests in subsidiaries and shareholders' equity	¥9,405,013	¥8,576,328	\$80,063,106

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

Consolidated Statements of Income

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the fiscal years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	2006
Interest income:			
Interest on loans and bills	¥104,460	¥ 77,379	\$ 889,254
Interest and dividends on securities	16,879	15,862	143,694
Interest on deposits with banks	2,369	2,834	20,169
Other interest income	1,319	5,320	11,235
Total interest income	125,029	101,396	1,064,352
Interest expenses:			
Interest on deposits, including negotiable certificates of deposit	16,934	13,671	144,164
Interest and discounts on debentures	4,709	6,184	40,091
Interest on other borrowings	14,694	13,550	125,095
Other interest expenses	6,390	1,090	54,401
Total interest expenses	42,729	34,497	363,751
Net interest income	82,299	66,899	700,601
Fees and commissions income	68,263	47,366	581,118
Fees and commissions expenses	22,767	14,951	193,813
Net fees and commissions	45,496	32,414	387,305
Net trading income (Note 26)	27,513	23,992	234,214
Other business income, net:			
Income on leased assets and installment receivables, net	46,040	10,101	391,933
Income on monetary assets held in trust, net	23,505	16,879	200,095
Net gain on foreign exchanges	10,648	2,269	90,653
Net gain on securities	6,183	4,760	52,637
Net gain on other monetary claims purchased	17,176	14,926	146,220
Other, net (Note 27)	14,540	5,575	123,782
Net other business income	118,094	54,512	1,005,320
Total revenue	273,404	177,819	2,327,440
General and administrative expenses:			
Personnel expenses	59,767	42,979	508,788
Premises expenses	20,429	14,648	173,913
Technology and data processing expenses	16,764	11,522	142,715
Advertising expenses	8,404	6,074	71,548
Consumption and property taxes	7,518	5,840	64,000
Deposit insurance premium	2,307	2,115	19,645
Other general and administrative expenses	21,404	14,136	182,211
Total general and administrative expenses	136,596	97,317	1,162,820
Net business profit	136,807	80,502	1,164,620
Net credit costs (recoveries) (Note 28)	30,190	(989)	257,007
Amortization of consolidation goodwill and other intangibles	29,445	8,837	250,664
Other losses, net (Note 29)	(3,460)	(7,057)	(29,461)
Income before income taxes and minority interests	73,711	65,597	627,488
Income tax (benefit) (Note 32):			
Current	3,733	1,438	31,779
Deferred	(11,414)	(3,444)	(97,170)
Minority interests in net income of subsidiaries	5,293	168	45,061
Net income	¥ 76,099	¥ 67,435	\$ 647,818
	Yen		U.S. dollars (Note 1)
Basic net income per common share (Note 36)	¥ 53.16	¥ 46.78	\$ 0.45
Diluted net income per common share (Note 36)	37.75	34.98	0.32
Cash dividends applicable to the year:			
Common share (Note 37)	2.96	2.58	0.03
Class A preferred share (Note 37)	13.00	13.00	0.11
Class B preferred share (Note 37)	4.84	4.84	0.04

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

Consolidated Statements of Shareholders' Equity

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the fiscal years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	2006
Common stock:			
Balance at beginning of year	¥180,853	¥180,853	\$1,539,574
Balance at end of year	180,853	180,853	1,539,574
Preferred stock:			
Balance at beginning of year	270,443	270,443	2,302,232
Balance at end of year	270,443	270,443	2,302,232
Capital surplus:			
Balance at beginning of year	18,558	18,558	157,984
Balance at end of year	18,558	18,558	157,984
Retained earnings:			
Balance at beginning of year	311,039	250,737	2,647,820
Dividends paid	(7,635)	(7,133)	(65,004)
Bonuses to directors of consolidated subsidiaries	(0)	—	(3)
Net income	76,099	67,435	647,818
Balance at end of year	379,502	311,039	3,230,631
Net unrealized gain on securities available-for-sale, net of taxes:			
Balance at beginning of year	3,043	7,154	25,909
Net change during the year	(834)	(4,110)	(7,105)
Balance at end of year	2,208	3,043	18,804
Foreign currency translation adjustments:			
Balance at beginning of year	2,738	2,255	23,309
Net change during the year	1,043	482	8,886
Balance at end of year	3,781	2,738	32,195
Treasury stock, at cost:			
Balance at beginning of year	(9)	(1)	(79)
Purchase of treasury stock	(3)	(8)	(27)
Balance at end of year	(12)	(9)	(106)
Total shareholders' equity	¥855,335	¥786,667	\$7,281,314

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

Consolidated Statements of Cash Flows

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the fiscal years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	2006
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 73,711	¥ 65,597	\$ 627,488
Adjustments for:			
Income tax paid	(2,056)	(1,397)	(17,510)
Depreciation	142,302	3,706	1,211,394
Amortization of consolidation goodwill and other intangibles	29,445	8,837	250,664
Net change in reserve for credit losses	(4,940)	(28,083)	(42,058)
Net change in other reserves	2,676	(869)	22,788
Interest income	(125,029)	(101,396)	(1,064,352)
Interest expenses	42,729	34,497	363,751
Investment gains	(12,436)	(14,183)	(105,872)
Net exchange gain	(779)	(4,850)	(6,636)
Net change in trading assets	(25,079)	466,594	(213,494)
Net change in trading liabilities	80,889	(23,130)	688,599
Net change in loans and bills discounted	(698,761)	(506,571)	(5,948,422)
Net change in deposits, including negotiable certificates of deposit	618,944	718,324	5,268,961
Net change in debentures	(223,723)	(115,388)	(1,904,518)
Net change in borrowed money (other than subordinated debt)	76,499	56,030	651,226
Net change in corporate bonds (other than subordinated corporate bonds)	18,001	9,357	153,244
Net change in deposits with banks	(28,707)	136,664	(244,381)
Net change in call loans, collateral related to securities borrowing transactions and other monetary claims purchased	38,815	(128,397)	330,431
Net change in call money, payables under repurchase agreements, collateral related to securities lending transactions and commercial paper	(54,395)	(386,959)	(463,060)
Net change in foreign exchange assets	(3,589)	939	(30,558)
Net change in foreign exchange liabilities	18	16	161
Interest received	142,198	122,569	1,210,510
Interest paid	(41,464)	(33,534)	(352,980)
Net change in securities for trading purposes	(114,114)	24,381	(971,438)
Net change in monetary assets held in trust for trading purposes	(59,176)	12,454	(503,755)
Net change in leased assets	(125,396)	—	(1,067,480)
Other, net	(27,581)	(83,158)	(234,792)
Total adjustments	(354,709)	166,451	(3,019,577)
Net cash (used in) provided by operating activities	(280,998)	232,048	(2,392,089)
Cash flows from investing activities:			
Purchase of investments	(3,419,309)	(4,471,140)	(29,107,939)
Proceeds from sales of investments	708,726	652,188	6,033,255
Proceeds from maturity of investments	2,825,196	3,589,334	24,050,362
Purchase of premises and equipment (other than leased assets)	(6,488)	(7,301)	(55,236)
Proceeds from sales of premises and equipment (other than leased assets)	2,136	595	18,190
Payment for acquisition of new subsidiaries	(10,239)	(75,875)	(87,163)
Proceeds from acquisition of new subsidiaries	—	10,020	—
Proceeds from sales of subsidiary's stocks	32,616	—	277,657
Other, net	3,103	1,380	26,418
Net cash provided by (used in) investing activities	135,741	(300,798)	1,155,544
Cash flows from financing activities:			
Proceeds from subordinated debt	46,000	—	391,589
Repayment of subordinated debt	(77,000)	(19,000)	(655,486)
Proceeds from issuance of subordinated corporate bonds	199,870	50,000	1,701,456
Payment for redemption of subordinated corporate bonds	(11,166)	(2,570)	(95,060)
Proceeds from issuance of preferred securities to minority shareholders of subsidiaries	174,958	52,500	1,489,389
Dividends paid	(7,635)	(7,133)	(65,004)
Dividends paid to minority shareholders of subsidiaries	(1,310)	—	(11,156)
Purchase of treasury stock	(1)	(3)	(16)
Net cash provided by financing activities	323,713	73,793	2,755,712
Foreign currency translation adjustments on cash and cash equivalents	31	3	267
Net change in cash and cash equivalents	178,487	5,047	1,519,434
Cash and cash equivalents at beginning of year	162,226	157,178	1,381,000
Cash and cash equivalents at end of year (Note 4)	¥ 340,713	¥ 162,226	\$ 2,900,434

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