

# BASEL II PILLAR III (MARKET DISCIPLINE) DISCLOSURE

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

## QUALITATIVE DISCLOSURE

### 1. SHINSEI BANK'S APPROACH TO RISK CAPITAL MANAGEMENT

As part of its comprehensive risk management, Shinsei Bank (the "Bank"), at the start of its fiscal year, determines a Risk Capital budget in consideration of its regulatory capital. This Risk Capital budget is allocated to each business line and monitored. Each month the Management Committee receives a report on the amount of Risk Capital used and the relevant regulatory capital. In this way, senior management can monitor and assess the availability of capital to support current and future activities. At least once a year, the Bank performs stress tests on its estimates of Risk Capital and regulatory capital.

The Bank's current portfolio analysis indicates that there is sufficient capital to support its current activities. The Bank is organized to take action through active credit portfolio management to further optimize capital usage.

- Regulatory capital is calculated for both consolidated and non-consolidated subsidiaries. The Bank's investments in non-consolidated subsidiaries are deducted from Shinsei Bank's regulatory capital.
- In accordance with the Accord's Article 38, the Bank Group's two foreign special purpose companies, which issued preferred securities, are included in the calculation of the non-consolidated capital ratio.

### 2. CHARACTERIZATION OF BANK SUBSIDIARIES

As of March 31, 2008, there were 104 consolidated subsidiaries and 100 unconsolidated subsidiaries. Seventy seven of these unconsolidated subsidiaries are subsidiaries of Showa Leasing Co., Ltd. The majority of the Showa Leasing subsidiaries are partnerships set up to accommodate leveraged leases.

Among the consolidated subsidiaries, the primary operating companies were:

- Shinsei Trust & Banking Co., Ltd. (trust banking)
- Shinsei Securities Co., Ltd. (securities)
- APLUS Co., Ltd. (installment credit)
- Showa Leasing Co., Ltd. (leasing)
- SHINKI Co., Ltd. (consumer financing)

### 3. TYPES OF CAPITAL INSTRUMENTS

The Bank has issued common shares, preferred shares, preferred securities, perpetual subordinated bonds and loans, and dated subordinated bonds and loans. Please see "Management Discussion and Analysis of Financial Condition and Results of Operations - Capital Ratios" on page 96 for details on the amount outstanding for each type of capital instrument.

### 4. CREDIT RISK MANAGEMENT POLICIES AND PROCEDURES

#### DEFINITION OF CREDIT RISK

Credit risk is defined as the risk of an obligor or counterparty failing to meet its obligations as specified in a transaction agreement. In the case of a loan, credit risk arises from the obligor becoming unable to pay its contractual spread and ultimately finding itself unable to repay the loan principal. Credit risk is found in a variety of transactions across the Bank's portfolio including not only loans, bonds and financial guarantees, but also the risk of a counterparty in a derivative transaction becoming unable to meet its obligations. Credit risk constitutes the largest risk to which the Bank is exposed. The Bank has invested in systems to facilitate credit risk management across its portfolio. As the Bank integrates new subsidiaries and new asset classes into its portfolio, these systems are expanded to accommodate new exposures added to the Bank's portfolio.

#### CREDIT RISK MANAGEMENT SYSTEM

The Bank's credit risk policies and systems focus on strategic portfolio management, including:

- Assisting management in building a portfolio with a satisfactory return per unit of risk,
- Managing concentration risk that may arise from excessive exposure to particular products or sectors,
- Estimating expected loss as a guide for determining reserve levels against expected portfolio losses,
- Determining how much capital to hold in the event of unexpected, extreme loss, and
- Facilitating stress testing to evaluate the portfolio's strength.

In order to achieve these stated goals, the Bank has established guidelines for managing credit risk as outlined in Shinsei Bank's Core Credit Policies and Procedures.

The credit risk management process focuses on both specific transactions and on groups of specific exposures as portfolios. We will consider each component of this process below:

### CREDIT RISK MANAGEMENT OF SPECIFIC TRANSACTIONS

#### (1) Organization and Systems

An essential characteristic of an effective process for managing credit risk of specific transactions is the development of an evaluation and monitoring system that covers the entire life-cycle of a transaction. This includes identification of a transaction opportunity, approval for granting credit, monitoring after disbursement, action in the event of deterioration, and repayment or termination of the obligation.

Once a corporate loan transaction opportunity has been identified, the approval process begins. Based on the size and nature of the transaction, the Bank's rules stipulate whether approval will be given by the Risk Management Group, the Credit Committee (CC), or the Risk Investment Committee (RIC). A joint-approval system is employed in these committees to enhance objectiveness and transparency of the approval processes. The Internal Audit Division regularly evaluates these credit-related operations. In this way, the business promotion sections, the credit risk management sections, and the audit sections operate independently, ensuring that checks and balances are maintained throughout the Bank.

The RIC also makes decisions on investment transactions. The Bank makes use of the most appropriate and effective risk management approaches available, and has developed the skills and systems necessary to manage these investment transactions in accordance with the Bank's risk policies.

Structured products and other investments are handled in accordance with a process based on Product Programs. A Product Program is defined as a series of financial transactions that are intended to be accumulated as a portfolio based on criteria determined in advance, including purpose, standards, size limits on facilities to be used, expected return and risks, promotion strategy, management approach, method of assessing and monitoring risks, approval authority and exit strategy based on scenarios. The RIC approves all Product Programs.

#### (2) Obligor Rating System

For corporate exposures, the Bank uses an internal obligor rating system with the following characteristics:

- A model is used to ensure a high level of discriminatory power
- Qualitative factors are incorporated
- Methodology is consistent with ratings issued by external rating agencies
- Consolidated financial statements are incorporated
- Ratings are consistent across industries

The Bank's credit model is designed, based on a set of data, to calculate obligor ratings that are consistent with external agency ratings. The quantitatively-derived ratings are then adjusted to account for various qualitative factors. The final determination of a rating is made by the Credit Ratings Committee (CRC). This approach ensures transparency as the details of the process must be understood and approved by members of the CRC. These ratings are also consistent with the obligor categorizations determined by self assessments.

The Bank's internal obligor ratings are fundamental to the credit approval process, the credit risk monitoring process, and credit portfolio management. In addition to obligor ratings, the Bank determines facility ratings, taking specific characteristics of the transaction into account, based on the potential loss of each transaction.

Since January 2007, a obligor rating system and facility rating system similar to those adopted in the Bank have been introduced in the analysis of major customers of lease receivables at Showa Leasing.

#### (3) Pool Classification

Given the large number of retail exposures, the Bank pools these exposures based on characteristics that create reasonably homogeneous sub-portfolios of borrowers. In this way, the Bank conducts timely and regular analysis of both sub-portfolios of exposures as well as the entire Bank Group's portfolio. The principal retail exposures to which pool classification is applied are housing loans originated by the Bank itself, the installment credit receivables of APLUS, and small-lot leasing transactions of Showa Leasing.

### PORTFOLIO-BASED CREDIT RISK MANAGEMENT

The accumulation of a portfolio of exposures creates the possi-

bility of concentration risk. The Portfolio and Risk Management Division (PRMD) analyzes such risks and monitors the diversification of the portfolio. Diversification is analyzed across industries, ratings, customer types, and corporate groups. Each month PRMD prepares a report for management on the Bank Group's portfolio as well as on obligor ratings transition factors. On a quarterly basis, PRMD submits to the RIC a comprehensive report concerning the Bank Group's portfolio including analysis of the factors driving diversification.

#### PRINCIPAL "CREDIT RISK MANAGEMENT STANDARDS"

For Basel II, the Foundation Internal Ratings-Based Approach (F-IRB) has been adopted by the Bank for calculation of credit risk-weighted assets. In accordance with this approach, the Bank established "Credit Risk Management Standards," which document the framework. This documentation also covers the details of the Bank's internal rating system, which covers rating design and operation, internal control, use of internal rating and risk quantification.

These Standards contain "Shinsei Bank's Core Credit Policies," describing basic principles of the Bank's internal rating system. In addition, these Standards provide the details of management policy and procedures in the form of specific rules for each group of exposures in the portfolio.

#### INTERNAL CONTROL ROLES AND RESPONSIBILITIES

The Bank Group's internal control system for credit risk management has been set up in accordance with current regulations.

##### (1) Credit Risk Management

The risk management sections of the Bank and its subsidiaries undertake the roles and responsibilities for the Bank's management of credit risk. Functions are divided into Credit Risk Management Sections, responsible for the management of each asset category, and the Credit Risk Control Section (a section specified in the Risk Management Group of the Bank), responsible for management across asset categories.

##### (2) The Board of Directors and the Management Committee

As the Bank is a "Company with Committees" (*iinkai setchi-gaisha*), the authority to execute business operations is delegated to the Management Committee. The Management Committee makes operational business decisions. Specifically, the Management Committee grants approval for the establishment, revision and repeal of fundamental rules governing the design and operations of the Bank's internal rating system as well as the

estimation and validation of parameters used in this system.

##### (3) Overall Executive Oversight

The Representative Executive Officers, Chief Financial Officer (CFO) and Group Head of Risk Management undertake this role and responsibility.

##### (4) Daily Operational Executive Oversight

The Group Head of Risk Management undertakes this role and responsibility.

##### (5) Audit Section

At least once a year, the Internal Audit Section evaluates the Bank's internal rating system and ensures the system is in compliance with existing regulations.

#### APPLICATION OF THE INTERNAL RATING SYSTEM

The Bank uses its own internal rating systems for portfolios to which the F-IRB Approach are applied. These items are listed in the "Exhibit" for each portfolio.

The internal rating system is applied to corporate and retail exposures as categorized below. The rules for applying the internal rating system are part of the Bank's overall "Credit Risk Management Standards."

##### (1) Corporate Exposure

- Corporate exposure
- Financial institution exposure
- Sovereign exposure
- Non-recourse real estate loans (specialized lending using slotting criteria)
- Credit trading claims
- Claims not subject to pool management
- Claims against individuals for the purpose of funding a business
- Claims against a business with exposure after "aggregation" (*nayose*) on a consolidated basis of ¥100 million or more

##### (2) Retail Exposure

Retail exposures are defined as:

- Exposures subject to pool management
- Claims against an individual (except for a claim for the purpose of funding business operations), or claims against a corporation (including an individual with the purpose of funding a business) with an outstanding amount of less than ¥100 million after the "aggregation" (*nayose*) on a consolidated basis.

Features of these products and credit analysis standards

may vary between the Bank and its subsidiaries. As such, specific pool classification systems for each product are applied at each entity, in accordance with established guidelines.

#### ESTIMATION AND VALIDATION OF PARAMETERS

The approach for estimation and validation of parameters such as Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD) is set forth in "Credit Risk Management Standards." Ratings, pool classifications and estimated parameters are also used for internal control. Depending on the specific characteristics of the Bank Group's portfolios, the parameters used for internal control may differ from the parameters used in the course of calculating the regulatory capital ratio of the Bank Group. The existence of differences and the rationale for such differences is stated in the guidelines for parameter estimation and validation.

#### STRESS TESTS

Specific implementation guidelines are established for stress tests used in the assessment of capital adequacy, and credit risk stress tests to assess the effect of certain specific conditions on the Bank's regulatory capital requirements. Stress test results are reported to senior management at least once a year.

#### RESERVE POLICY

A reserve for credit losses of the Bank and its subsidiaries is provided as detailed below, pursuant to the predetermined internal rules for providing such reserves according to the obligor categorizations based on the self assessment of their assets.

A general reserve for claims against normal obligors, need-caution obligors and substandard obligors is provided based on the specific actual past loss experience.

A specific reserve for claims to possibly bankrupt, virtually bankrupt and legally bankrupt obligors is provided based on the full amount of the unsecured, un-guaranteed portion of the respective claims after a solvency assessment.

For claims against obligors that are possibly bankrupt (that is, those that are not presently bankrupt but are likely to go bankrupt in the future), 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.

For claims against obligors that are legally bankrupt (due to bankruptcy and special liquidation) or virtually bankrupt, a specific reserve is provided based on the amount of claims, net of amounts expected to be collected through the disposal of col-

lateral or execution of guarantees.

The reserve for loans to restructuring countries is provided based on the amount of expected losses due to the political and economic situation in each country.

Additionally, with regard to claims against possibly bankrupt obligors and substandard obligors, a reserve is provided based on the discounted cash flow method when the obligor's future cash flows for debt service are reasonably estimable and the balance of claims to such obligors is large.

#### TRANSITION PLAN FOR MOVING A PORTION OF THE BANK'S PORTFOLIO, WHICH HAS NOT YET APPLIED F-IRB, FROM THE STANDARDIZED APPROACH TO THE F-IRB APPROACH

The F-IRB Approach will be applied at a future date to the one portfolio and three entities listed below. Currently, this portfolio and the portfolio of these three entities are considered to be comprised of "roll-out" exposures. The Bank follows the Standardized Approach for evaluating these exposures.

(1) Residential mortgages at the Bank: because this business started in 2003, the Bank has not collected enough historical default data (especially for estimation of LGD) for F-IRB calculation. Once the Bank has collected sufficient historical default data (in four years), IRB (retail) will be applied to this portfolio.

(2) Zen-Nichi-Shinpan: a subsidiary consolidated to Shinsei in fiscal year 2005. To secure historical data for a longer period and to further develop its internal rating system, the Bank Group plans to apply IRB (retail) for this subsidiary two years from now.

(3) Shinki: a subsidiary consolidated to Shinsei in fiscal year 2007. To secure historical data for a longer period and to further develop its internal rating system, the Bank Group plans to apply IRB (retail) for this subsidiary three years from now.

(4) S.S. Solutions: a subsidiary consolidated to Shinsei in fiscal year 2007. Detailed roll-out plan to adopt IRB (retail) will be finalized based on its strategy for data maintenance/internal rating system design.

In the case of portfolios to which the Standardized Approach is applied, the Bank will use ratings from the following qualified rating agencies to determine exposure risk weights:

S&P, Moody's, Fitch, R&I and JCR

**CREDIT RISK MITIGATION POLICIES AND PROCEDURES**

(1) Policies and framework for mitigating credit risk

The Bank mitigates credit exposure with collateral and guarantees to reduce the credit risk of obligors. The Bank has a clear framework regarding methods for mitigating credit risk. Basic procedures and descriptions of controls, as well as types of standard collateral, guarantees necessary in granting credit, evaluation methods for different types of credit and collateral, possible “haircuts” to collateral and regular revaluation of collateral, are stipulated in the Bank’s credit procedures.

(2) Controls concerning overall methods to mitigate credit risk

The Bank uses net exposure for capital calculations after netting deposit and loan claims. All collateral and guarantees are registered in a dedicated system. The information is linked to obligor and credit account data. Collateral and guarantees are revalued at least once a year. Perfection of security interest, currency, date and correlation between collateral and counterparty are checked. The Bank uses credit derivatives for credit risk mitigation in required regulatory capital calculations as active credit portfolio management.

(3) Eligible financial asset collateral

Financial asset collateral types are defined by the Bank to include deposits, fixed income securities, equities and commercial paper.

(4) Eligible collateralized claims

Collateral types in this category include commercial bills, rights to claim return of security deposits, rights to claim return of construction funds, loan receivables, leasing and sales installment receivables and beneficial interests in trust.

(5) Eligible real estate collateral

Collateral types in this category include land and buildings, plants and foundations including industrial foundations.

(6) Other asset-backed collateral

Eligible other asset-backed collateral is defined by the Bank as aircraft and ships.

(7) Guarantees

Guarantors are classified into the following categories: governments, central banks, municipalities, public institutions, credit guarantee associations, banks, general business entities and individuals.

**5. POLICIES AND PROCEDURES FOR COUNTERPARTIES OF DERIVATIVE PRODUCT AND TRANSACTIONS WITH LONG-HORIZON SETTLEMENT PERIODS**

**COUNTERPARTY RISK**

Credit risk arising from market trading, such as derivatives, is controlled based on fair market value and estimation of future price volatility.

**ALLOCATION OF CREDIT LIMITS**

In order to accurately reflect the Bank’s overall exposure, counterparty limits are added to any other credit exposure for each obligor.

**CREDIT ENHANCEMENT BASED ON COLLATERAL AND RESERVES**

Credit enhancement measures are taken to mitigate the Bank’s concerns regarding certain obligors’ credit quality as well as concentration risk in the Bank’s portfolio.

The Bank follows the guidelines outlined in the ISDA Credit Support Annex (CSA), which has been accepted by many financial institutions. Accordingly, reserves that are adequately marked to market are treated as normal claims (*seijo saiken*). In the case that collateral coverage is below the mark-to-market exposure, reserves are determined according to the obligor’s credit quality.

**POSSIBILITY OF THE BANK POSTING ADDITIONAL COLLATERAL DUE TO A DECLINE IN THE BANK’S CREDIT QUALITY**

If the Bank’s credit quality were to decline and be reflected as such in the assignment of lower external ratings, the Bank may be required to provide additional collateral to counterparties in transactions subject to the ISDA Credit Support Annex (CSA).

**6. EQUITY RISK MANAGEMENT**

The Bank’s equity investments are in general approved by the RIC, based on their risk-return profile as investments. For certain fund investments, the RIC has approved a Product Program approach by which the RIC delegates approval authority within the Program limit. For investments that do not meet the delegation criteria, RIC approval is required.

The risk management methodology for each investment is determined to reflect its type and investment purpose. Each risk is recognized and monitored appropriately using VaR, Net Asset Value method, or a specifically-created Risk Capital cal-

valuation logic. For securities that do not have fair market values, self assessments are conducted.

Risks held within each Product Program are reported monthly to senior management. In addition, a detailed explanation is provided to the RIC on a quarterly basis by the Risk Management Group.

## 7. SECURITIZATION EXPOSURE RISK MANAGEMENT POLICIES AND PROCEDURES

### BANK RULES

The Bank is active in securitizations and manages securitization transactions as follows:

#### (1) Originator

For fundraising, mitigation of exposure concentration and balance sheet management purposes, the Bank securitizes loans and APLUS securitizes card credit receivables.

As an originator, the Bank manages the credit risk of its securitized transactions using the assumption that original debts are maintained on its books. Since the purpose of these transactions includes acquiring funds, mitigating exposure concentration and managing the Bank's balance sheet, securitization transactions are a tool to control liquidity risk.

#### (2) Investor

The Bank invests in securitization transactions which are backed by various financial products.

The Bank also re-securitizes some securitized products which the Bank has purchased and may hold the subordinated/residual portion.

As a general rule, the Bank manages the risks arising from securitization exposure, according to the types of products based on the Bank's Product Programs. In each Product Program, the transaction approval authority, size of the line to be used, methods for management, risk-checking monitoring and scenario-specific exit (loss limit) are defined.

When the Bank invests in and monitors securitization exposures, the Bank focuses on external ratings and their changes as one of the effective indicators. The Bank not only refers to the external ratings but also monitors the actual performance of underlying assets through trustee reports and independently analyzes the forecasted performance of underlying assets to assign an internal rating to each transaction.

The risks related to securitization exposures are properly identified and managed. Risk Capital is calculated based on the internal rating assigned to each transaction. In addition, if the

investments fall under the category of securities that do not have fair value or market value, the Bank recognizes and manages the risk through self-assessment. The investment judgment is determined based on those analyses and expected return. After the investment is executed, the performance of underlying assets is monitored on an ongoing basis and the Bank monitors the impact of covenants and "triggers" on the risk of each securitization exposure.

Based on the Product Programs, the status of using the program and of observing the established guidelines are verified on a monthly basis. Furthermore, transactions to be watched because of changes in environment/markets or for specific reasons are reported to the senior management, together with the program status. Monthly updates as well as comprehensive quarterly reports on the programs are provided and presented to the RIC by the Risk Management Group.

#### (3) Servicer

The Bank acts as a servicer when loans which were originated by the Bank are used as underlying assets in securitization.

Similarly, when financial assets originated by APLUS are used as underlying assets for a securitization, APLUS serves as a servicer.

#### (4) Swap provider

In some transactions wherein the Bank is the arranger, the Bank provides swaps in order to mitigate interest rate risk within a specified range or to manage any cashflow difference between interest from underlying assets and coupons from the securities backed by the same assets.

### CALCULATION METHODS FOR DETERMINING THE AMOUNT OF CREDIT RISK IN THE CONTEXT OF SECURITIZATION EXPOSURE

Risk weights are calculated based on internal rules entitled "Standards for Administering Risk Weight Calculation for Securitization Exposure." In general, the amount of credit risk assets related to securitization exposures is calculated using the Ratings-Based Approach (RBA).

In certain cases, where ratings have not been assigned by qualified rating agencies, the Risk Management Group and Finance Group may approve exceptions to using the RBA. For such transactions, the Bank has sufficient data to estimate PDs and LGDs of the original assets, and therefore can calculate the transaction-specific PDs, LGDs and credit risk amount based on the Supervisory Formula Approach.

Where no ratings are assigned by qualified rating agencies

and no data are available for estimating the PDs and LGDs of original assets, the Bank's investment amount is deducted from the Bank's capital.

#### ACCOUNTING POLICY ADOPTED FOR SECURITIZATION TRANSACTIONS

(1) When assets to be securitized are owned by the Bank, securitization assets are removed from the balance sheet and assignment of gains and losses are calculated based on the financial component (*zaimu-kousei-youso*) approach.

The assets sold and retained interests are recognized as separate components of a transfer of financial assets. Those components in the transferred assets are measured by allocating the previous carrying amount between the assets sold and retained interests based on the relative fair values at the time of transfer. Based on the calculated values of assets that are sold, gains or losses on the transfer are recognized.

However, when assets are securitized for fundraising purposes, the book value to be credited on the balance sheet is adjusted in order to prevent generating any initial profits, after removing the assets from the balance sheet using the financial component approach.

(2) When the Bank purchases securitized products, Accounting Standards for Financial Products apply to each financial asset.

(3) Fee income earned by the Bank in arranging securitization for other parties (no investment) is treated as non-interest income.

#### QUALIFIED RATING AGENCIES WHOSE RATINGS ARE USED BY THE BANK IN DETERMINING SECURITIZED EXPOSURE TYPE-SPECIFIC RISK WEIGHTS:

S&P, Moody's, Fitch, R&I, and JCR.

### 8. MARKET RISK MANAGEMENT POLICIES AND PROCEDURES

#### DEFINITION OF MARKET RISK

Market risk, which is the risk associated with changes in the value of financial instruments from fluctuations in bonds price, foreign exchange rates, interest rates, stock prices, credit spread and other market-determined price mechanisms, is inherent in all assets and liabilities, as well as off-balance sheet transactions.

#### MARKET RISK MANAGEMENT POLICY

We manage market risk by segregating the overall balance sheet into a trading book and a banking book. The ALM Committee, chaired by the Bank's CEO, is the senior review and decision-making body for the management of all market risks related to asset/liability management. The actual risk limits for asset/liability management as well as trading, such as the Value-at-Risk (VaR) method, are approved by the ALM Committee. VaR is the potential loss in value of the bank's trading book positions due to market movements over a defined time horizon with a specified confidence level.

The Market Risk Management Committee serves as an arm of the ALM Committee and is chaired by the Group Head of Risk Management, with senior representatives from related divisions. The committee meets weekly to review detailed market risk and liquidity reports from the Market Risk Management Division, which is responsible for the objective and timely recognition, monitoring and reporting of market risk in both the Bank's trading and banking operations. In addition to reporting risk information to management, administrative divisions and front office units, the Market Risk Management Division carries out regular risk analyses and recommendations.

#### MARKET RISK MANAGEMENT SYSTEM

The Group Treasury Division manages asset and liability risk arising from normal banking operations and the Capital Markets Division manages the active risk from the Bank's trading operations. The Group Treasury Division and each unit within the Capital Markets Division are assigned overall risk limits.

The Market Risk Management Division is responsible for the objective and timely recognition, monitoring and reporting of market risk in both the Bank's trading and banking operations. In addition to reporting risk information to management, administrative divisions and front office units, this division carries out regular risk analyses and recommendations. The transaction execution, operations and risk management sections operate independently, establishing a system of effective checks and balances.

#### QUALITATIVE MARKET RISK MANAGEMENT

The Bank has built a system capable of facilitating the recognition and management of market risk by quantifying this risk frequently, tracking it objectively, and making adjustments according to market trends.

Market risk management relies on a five-step process.

1. Construct a transaction information database.
2. Clarify data according to the nature of the risk.

## QUALITATIVE DISCLOSURE (CONTINUED)

3. Quantify the risk based on the characteristics and nature of the risk.
4. Summarize and report the overall risk calculation.
5. Determine appropriate adjustments based on the reported risk calculations.

To obtain a precise picture of the current risk position, transaction data must be accurate and complete. Measurement definitions must be valid, and valuation criteria such as rates and prices must be reliable. The Bank's market risk measurement system meets all of these requirements.

### MARKET RISK MEASUREMENT METHODOLOGY

The Bank uses a Value-at-Risk (VaR) approach in its trading operations. For general market risk, internal-model VaR calculation started from March 31, 2007 for Shinsei Bank and Shinsei Securities. This internal model makes use of a Historical Simulation Method for all books except foreign exchange related risks where a Variance-Covariance Method is used. Specific risk is reported using the Standardized Method. The VaR calculation uses a 99% confidence interval, ten day horizon period and 250 observation days. Risk Capital is measured on a presumed one-year holding period basis.

Please refer to the VaR data table.

#### Market Risk Methodologies

		Trading	FX-related Risks except Trading
Shinsei Bank	General Market Risk	Internal Model Method • Historical Simulation Method except FX-related risks • A Variance-Covariance Method for FX-related risks	Standardized Method
	Specific Risk	Standardized method	
Shinsei Securities	General Market Risk	Internal Model Method • Historical Simulation Method	Standardized Method
	Specific Risk	Standardized Method	
Other Subsidiaries		—	Standardized Method

(VaR data table) VaR amounts as calculated at the end of March 2008 together with the high, mean and low VaR in fiscal year 2007 (99% confidence interval, 10 day horizon period)

	Millions of yen	
	Consolidated	Non-consolidated
VaR at the end of year	4,206	3,980
VaR through this year		
High	5,131	4,392
Mean	2,688	2,352
Low	1,517	1,213

### EXPECTED HOLDING PERIOD AND ADEQUATE PRICING METHOD TAKING POSSIBILITIES INTO CONSIDERATION THAT ACTUAL HOLDING PERIOD MAY EXCEED EXPECTED HOLDING PERIOD

The expected length of time necessary to close a position in the trading books is ten days. The VaR framework is using this ten day horizon period to accommodate this fact.

### INTERNAL MODEL VALIDATION

The validity of the Bank's market-risk VaR model is verified through back-testing, which examines how frequently actual daily profit or loss exceeds daily VaR for a one-day holding period. Back-testing of the sample data for fiscal year 2007 confirmed the continued reliability of the Bank's VaR model.

The back-testing results are reported daily to the trading divisions and quarterly to senior management. The back-testing results for fiscal year 2007 show that the number of days in which Loss Amount exceeded VaR on a consolidated basis was zero.

Under the Internal Model method, the Bank has initiated stress testing using 40 scenarios. Stress tests are produced on a weekly basis and reported to the Market Risk Management Committee.

### ASSUMPTIONS AND VALUATION METHOD FOR INTERNAL CHECK OF CAPITAL EFFICIENCY

When we evaluate capital sufficiency for market risk using risk capital, we convert the above mentioned calculation method using a one year horizon.

### LIQUIDITY RISK MANAGEMENT

The Bank's ALM Committee is the senior review and decision-making body for the management of liquidity risk. The ALM Committee manages liquidity risk by establishing the short-term liquidity gap structure limits and minimum liquidity reserve levels.

The Bank's "Cash Liquidity Risk Management Policy," reviewed and approved periodically by the ALM Committee, stipulates the guidelines and norms for appropriate liquidity risk management.

## QUALITATIVE DISCLOSURE (CONTINUED)

To quantify liquidity risk, we have developed three liquidity forecast models:

- Business as Usual model: This model forecasts the liquidity situation on an ongoing basis. The output of this model is an estimate of the funds we need to raise under normal circumstances.
- Stress/Event model: This is a liquidity forecast under extraordinary circumstances. The output of this methodology is the outflow of funds under extraordinary circumstances.
- Contractual Maturity model: This is a liquidity forecast on the assumption that assets and liabilities will be liquidated at contracted maturity. The model indicates how much we need to raise based on the Bank's actual contractual obligations.

The output of these models is carefully analyzed and presented monthly to the ALM Committee together with a recommendation on the liquidity gap structure and minimum reserve level, as well as the underlying rationale, which is determined as follows:

- The first requirement of the test is that we should be able to survive in a crisis or emergency situation; based on the assumptions relating to inflow and outflow in a stress situation, the net cumulative outflow over a specified period should not exceed available reserves.
- If available reserves are insufficient to meet the test, actions to remedy the situation, such as increasing reserves or changing the Bank's liability profile, must be taken.
- If available reserves are sufficient to meet the test, then available reserves may be reduced, but only if the first stress test (emergency survival test) is still met and the liquidity gap at various times is within approved gap limits.

### BANKING BOOK INTEREST RATE RISK MANAGEMENT

#### (1) Interest Rate Risk Management

The Bank's risk management of banking book assets and liabilities is managed based on our "Asset Liability Management Policy for Banking Account." Risk is monitored on a daily basis. The ALM Committee meets on a monthly basis in order to provide management with appropriate and timely reports on the status of the Bank's interest rate risk exposure. This committee also reviews and makes decisions on ALM policies and related topics. The purpose of comprehensively managing assets and liabilities is to optimize the overall interest income for the medium- to long-term by appropriately balancing interest rate risks on assets and liabilities and liquidity risks arising in the ordinary course of operations. This optimization is achieved by maintaining the appropriate balance between the following two approaches.

- Static point of view: Stabilize fluctuations and the range of changes in interest income based on the Bank's estimation by adjusting interest rate risks resulting from gaps in the amount of assets and liabilities, terms and the current interest rate conditions.
- Active point of view: Increase interest income by restructuring the present combination of assets and liabilities into a structure to generate more return per unit of risk.

For banking book interest rate risk management, in addition to limits or guideline including net 100bpv and equity duration, net interest income simulation is used. Interest income is simulated in order to monitor risk status on both a net present value and accounting basis. The Bank monitors the shape of the yield curve and regularly analyzes scenarios such as sudden steepening or flattening of the yield curve. The impact of these scenario changes on assets and liabilities is also evaluated.

#### (2) Stress scenarios and outlier criteria

In the context of the outlier criteria for the second pillar of Basel II, the Bank has adopted a 2% parallel-shift scenario. This measures fluctuation in the economic value of assets and liabilities on the banking book as a result of a 2% interest rate shock. This scenario is consistent with the Bank's interest rate risk sensitivity analysis, which is used for internal control purposes. This approach enhances the clarity of the scenario analysis.

#### (3) Calculation method for interest rate risk

- Housing loan prepayments

Instead of using contractual maturity, the cash flows for housing loans are based on a particular prepayment ratio, which is determined using actual prepayment data for similar loans and pricing in the housing loan securitization market. This data is incorporated into the interest rate risk calculation for the banking book. Prepayment rates are reviewed as appropriate.

- Definition of core deposits

The Bank has adopted an internal model for determining the maturity of core deposits. This system defines customer-specific and currency-specific maturities of ordinary deposits. In particular, the anticipated residual maturity model, wherein a probability distribution is applied, has been used for determining the maturity of yen-denominated retail ordinary deposits which account for the majority of the Bank's deposits.

According to this model, the average term is about 1.8 to 1.9 years (the longest term is 5 years).

Regarding other corporate deposits and liquid foreign currency deposits, an average term of 10.5 months has been

## QUALITATIVE DISCLOSURE (CONTINUED)

reflected in the interest rate risk calculation in the banking book.

The parameters and models for core deposits are reviewed as necessary.

(4) Banking book interest rate risk calculation method by consolidated subsidiaries for internal management purpose

In general, consolidated subsidiaries conduct risk management under the supervision of the Board of Directors or ALM committee except for SPVs and other such entities whose risk management is integrated into the Bank's business.

Interest rate risk of consolidated subsidiaries, which have interest rate sensitive assets and liabilities, are based on each subsidiary's interest rate risk management method and included in consolidated interest rate risk. At this time, a 2% interest-rate shock is adopted and used for outlier criteria calculation.

Amounts of gains (losses) from a 2% upward interest-rate shock on the banking book at the end of March 2008:

	Billions of yen	
	Consolidated	Non-consolidated
JPY	(35.5)	(16.9)
USD	1.2	1.2
Other	0.6	0.6
Total	(33.5)	(14.9)

## 9. OPERATIONAL RISK MANAGEMENT POLICIES AND PROCEDURES

### MANAGEMENT POLICIES AND PROCEDURES

#### (1) Definition of Operational Risk

The Bank classifies operational risk into several risk categories, such as operational and administrative risk, compliance risk, labor-related risk, systems risk, extensive disaster risk and material object risk, which are applied across the Bank and its consolidated subsidiaries.

#### (2) Operational Risk Management System

The Bank manages operational risk at multiple levels as follows:

- Management by business lines according to the nature of each business
- Cross-organizational management by designated management divisions for respective risk categories mentioned above (hereinafter "designated management divisions") and by the firm-wide management division of operational risk

(hereinafter "firm-wide management division").

- Verification by the Internal Audit Division on the appropriateness and effectiveness of the overall risk management system
- Based on reports and proposals, the Management Committee makes decisions on important items, including general rules and organizational changes related to operational risk management

The designated management divisions and the firm-wide management division are independent from business lines, and are professionally well-versed to manage overall operational risk and each risk category. The divisions develop uniform management standards and procedures, capture and evaluate errors and irregularities, conduct causal analysis and support establishment of recurrence prevention measures. Moreover, the divisions meet on a monthly basis to share information, identify challenges and promote measures for each risk category, as well as to implement effective operational risk management.

Operational risk is recognized and evaluated through review of internal errors and irregularities that have occurred, as well as through consideration of potential errors and irregularity scenarios that may occur less frequently but may have a significant impact. Uniform standards for collection and evaluation of errors and irregularities are established to capture and/or evaluate significant actual errors and/or irregularities on a regular basis. Procedures are determined to ensure that potential errors and irregular scenarios for each business operation are specified and their frequency and severity are evaluated in a complete and appropriate manner on an at least an annual basis.

Such identified and evaluated risks are reported to senior management by the designated management divisions and the firm-wide management division and, based on an internal model (loss distribution approach), are used in Risk Capital measurement for internal management purposes.

#### (3) "Operational Risk Management Standards"

"Operational Risk Management Standards" are a set of policies and procedures used to define the organizational framework, specific methods and processes for operational risk management. They are composed of the following:

- "Operational Risk Management Policy"
- Specific management rules
- Management rules at consolidated subsidiaries

## QUALITATIVE DISCLOSURE (CONTINUED)

“Operational Risk Management Policy” is the highest set of rules on operational risk management, and is established, revised and repealed only with the approval of the Management Committee. To ensure comprehensive and consistent operational risk management within the Bank Group, the Policy establishes risk definitions, governance and basic policies on operational risk management, and the basic framework for risk capture, evaluation, monitoring, reporting, control and mitigation.

Specific management rules include management standards and procedures for each respective operational risk category, and for new businesses and products. The rules are established, revised and repealed by the approval of the Management Committee and/or the Group Head in charge.

Management rules at each consolidated subsidiary are composed of comprehensive rules on overall operational risk management and specific rules for respective operational risk categories. Consolidated subsidiaries establish, revise and

repeal rules by the approval of their Board of Directors, according to their risk characteristics and specific internal controls. Their establishment, revision and repeal are subject to prior discussions with and after-the-fact reports to the Bank to ensure consistency with the Bank’s risk management rules.

## METHODOLOGY TO CALCULATE OPERATIONAL RISK UNDER BASEL II

The Standardized Approach is adopted by the Bank.

Amount of required capital for Operational Risk in fiscal year 2007:

	Millions of yen	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
The Standardized Approach	37,078	20,324

QUALITATIVE DISCLOSURE (CONTINUED)

PRINCIPAL “CREDIT RISK MANAGEMENT STANDARDS”

	Corporate Exposures		Retail Exposures			
	<p><b>Shinsei Bank</b> (Corporate, Sovereign, Bank, Specialized Lending, Equity)</p>	<p><b>Showa Leasing</b> (Corporate, Other Retail)</p>	<p><b>APLUS</b> (Residential Mortgage, Qualifying Revolving Retail, Other Retail)</p>	<p><b>Shinsei Bank</b> (Purchased Residential Mortgage/ Purchased Other Retail; Residential Mortgage (roll-out asset to IRB))</p>		
<b>Overall</b>	Shinsei Bank Core Credit Policies					
	Internal Controls on Internal Rating System of Corporate Exposures			Comprehensive Standards for Internal Rating System for Retail Exposures		
<b>Internal Rating System Design/ Operations</b>	Obligor Rating Standards	Internal Rating System Preparation and Operation Standards for Specialized Lending	Standards for Internal Rating System		Credit Policy/Credit Risk Management Official Regulations	Pool Categorization Methods and Parameter Estimation/Verification Criteria regarding Purchased Housing Loans
	Facility Rating Standards		Credit Rating Standards		Credit Risk Estimation Rules	
		Facility Rating Standards	Guidelines of Pool Classification		Shinsei Housing Loan Pool Category Handling Standards	
	Self-Assessment Standards/Manual		Self-Assessment Manual/Procedures		Self-Assessment Standards	Self-Assessment Standards/Manual
<b>Risk Quantification/ Validation</b>	Estimation/Validation Standards (for Corporate Exposures)		Estimation/Validation Standards (for Retail Exposures)			Parameter Estimation and Validation Standards for Housing Loan Exposure
	Parameter Estimation Standards		Guidelines of Parameter Estimation	Pool Categorization Methods and Parameter Estimation/Verification Criteria regarding Purchased Housing Loans		
<b>Others</b>	Standards for Implementing Stress Tests in Basel II Regulatory Capital Measurement					
	Comprehensive Standards for Measuring and Managing Dilution Risks					
	Standards for Measuring and Managing Dilution Risks of Purchased Loans					

QUALITATIVE DISCLOSURE (CONTINUED)

EXHIBIT

Type of Exposures		Shinsei Bank (Non-Consolidated)	
		(a) Corporate Exposures, (b) Sovereign Exposures, (c) Exposures to Banks, and (d) Equity Exposures (Exposures to which Internal Rating and PD/LGD approach is applied)	(e) Specialized Lending
Type of Internal Rating Approaches to be Used		<ul style="list-style-type: none"> <li>• Obligor rating based on the rating estimation model</li> <li>• Facility rating based on the obligor ratings/expected losses</li> </ul>	Rating in accordance with the capital rating structure model based on LTV.
Summary of Internal Rating System	Structure of Internal Rating System	<p>An internal obligor rating system has been adopted since February 2001. This system:</p> <ul style="list-style-type: none"> <li>• Uses a highly precise model to obtain the ranking of creditworthiness and reflects appropriate qualitative factors</li> <li>• Conforms with external rating agencies</li> <li>• Applies on a consolidated basis</li> <li>• Conforms the rating system across industries</li> </ul> <p>For categorizing each individual transaction, an obligor rating and a facility rating system, based on expected losses taking into account the status of the preservation of claims, has been implemented since May 2001. Also, a facility rating, in addition to the total amount of credit to an obligor group, has been introduced to enable more appropriate credit judgment.</p>	<p>“Specialized Lending” refers to a claim whose source of recovery is solely dependent on the cash flow generated from a transaction such as a real estate non-recourse loan. As the risk profile is different from that of general corporate exposure and also the frequency of occurrence of actual default is quite low, the framework of Basel II permits the classification into a designated category by using the Guideline for Judging Risks based on FSA Notification (“Slotting Criteria”) and calculation of risk assets. This “Slotting Criteria” is applied for calculating required regulatory capital, and internal ratings are estimated through the following process.</p> <ul style="list-style-type: none"> <li>• Quantitative rating is estimated based on LTV.</li> <li>• Qualitative adjustments are made on quantitative rating.</li> </ul>
	Obligor Rating (Corporate)	<p><b>Obligor Rating</b></p> <p>i) Model score: A quantitative model score is derived based on the financial data of a customer by applying a neural network model prepared by using external ratings as a benchmark. Financial data from “Nikkei Needs Financial Information” and “Shinsei Financial Analysis System Data” were used for calculation of model scores.</p> <p>ii) Verification of reliability of obligor financial data</p> <p>iii) Overall adjustment: Unrealized profit or loss and external ratings.</p> <p>Obligor ratings for Sovereign/Bank exposures are assigned based on specific rules as “Obligors Subject to Special Treatment.”</p> <p><b>Facility Rating</b></p> <p>Derived on the basis of expected loss rate by taking into account the following factors.</p> <p>i) Probability of Default (PD) corresponding to an obligor rating/term of credit</p> <p>ii) Loss Given Default (LGD) corresponding to the status of credit enhancement of a facility.</p> <p>Facility rating system is not implemented for equity exposures.</p>	<p><b>Obligor Rating and Facility Rating</b></p> <p>The obligor rating is derived based on the rating approach in line with the foregoing framework. However, as the facility rating is directly calculated, no particular distinction is made between the obligor rating and the facility rating.</p>
	Facility Rating (Corporate)		
	Usage of Various Estimated Values (Use Test)		<p>Facility rating is derived and assigned based on Expected Loss (EL) calculated from the PD corresponding to the credit rating. EL using the foregoing PD is also applied to pricing. PDs are used for calculating and allocating Risk Capital. No specific pricing rule with PD/LGD Approach for Equity exposures.</p>
Management of Internal Rating System and Validation Procedures	Management of Internal Rating System	<p>Portfolio and Risk Management Division (PRMD) of the Bank is in charge of designing the rating system and ratings are assigned by the Credit Rating Committee.</p> <p>PRMD is in charge of estimation and validation of parameters.</p> <p>Internal Audit Division (IAD) of the Bank audits all these processes.</p>	<p>Financial Engineering Risk Management Division (FERM) of the Bank is in charge of the design/management of the rating system.</p> <p>FERM and PRMD are jointly in charge of validation.</p> <p>IAD audits all these processes.</p>
	Validation Procedures	<p><b>Quantitative Validation</b></p> <p>Model ratings and final credit ratings are validated in a manner as multifaceted as possible using Shinsei Bank data, Showa Leasing data and external databases.</p> <p>1) Back Testing: using historical data, credit ratings goodness of fit, and Accuracy Ratio (AR) by segments, such as industry and sales scale, are validated.</p> <p>2) Benchmarking: Comparison between internal and external ratings and mapping analysis are performed for the obligors with external ratings.</p> <p><b>Qualitative Validation</b></p> <p>Examinations of the newly defaulting obligors and rating transition analyses are conducted, and operations of individual assessments are examined.</p>	<p>The Bank validates the process by comparing simulated quantitative rating (based on quantitative data only) with a rating assigned by external agencies for CMBS transactions whose terms and conditions are available.</p>
Summary of Rating Assignment Procedures for Each Portfolio	Rating Assignment Procedures	<p>The assigned rating is approved by the Credit Rating Committee, an internal committee.</p> <p>Ratings are revised at least once a year.</p>	FERM is in charge of the assignment of internal ratings and mapping to the slotting criteria.
	Estimation of Parameters	<p>PDs of corporate exposures are estimated by defining a default as any of the following: i) obligor categorization under self assessment falls to sub-standard (9B) or lower, ii) sale of claims at 30% economic loss, iii) amount of overdraft exceeds the maximum amount of the overdraft facility for 3 months.</p> <p>1) Characterization of the Bank’s internal data: Observation period is from end of March 2001, and population is obligors with loan exposures in (a) - (c).</p> <p>2) Estimated PD data of the population that is treated as the corporate exposures at Showa Leasing (observation period: from end of March 2003).</p> <p>3) For obligors at 3 rank or higher where track record of default is scarce, the PDs are estimated based on corporate bond spreads.</p> <p>4) For Sovereign exposures, estimated PD for OA is 0.00% for required regulatory capital calculation purposes.</p>	<p>The mapping of internal ratings to the slotting criteria is as follows:</p> <ul style="list-style-type: none"> <li>i) Strong: 1AF - 4BF</li> <li>ii) Good: 4CF</li> <li>iii) Satisfactory: 5AF</li> <li>iv) Weak: 5BF - 6CF and 9AF</li> </ul>

QUALITATIVE DISCLOSURE (CONTINUED)

EXHIBIT

		Shinsei Bank (Non-Consolidated)		Showa Leasing	
Type of Exposures		(f) Residential Mortgage Exposures (Housing Loans) [ Roll-out Assets from Standardized Approach to IRB Approach by 3/31/2012 ]		(g) Purchased Residential Mortgage Exposures (A portion is classified as Purchased Other Retail Exposures)	
Type of Internal Rating Approaches to be Used		Pool classification based on a matrix of obligor and transaction attribute and delinquency (Expected roll-out period: 5 years)		(h) Corporate Exposures, (i) Sovereign Exposures	
Summary of Internal Rating System	Structure of Internal Rating System	Summary of Rating System	The criteria for pool classification is LTV (Loan to Value ratio) and DTI (Debt to Income ratio).	These exposures are housing loans originated by lenders other than the Bank, and purchased as portfolios by the Bank. Pools are classified on a portfolio basis and delinquency basis. Business purpose loans collateralized by real estate to retail customers are classified as purchased other retail exposures or purchased corporate exposures.	An obligor rating system has been introduced that is identical to the system used at the Bank.  Facility ratings based on EL for each transaction are established.
		Obligor Rating (Corporate) Facility Rating (Corporate) Pool Classification (Retail)	<b>Pool Classification</b> Criteria for pool classification are: i) LTV, ii) DTI, and iii) delinquency.	<b>Pool Classification</b> Normal, Delinquent and Default pools are established for each portfolio.	<b>Obligor Rating</b> Same as (a) and (b). <b>Facility Rating</b> The facility rating is established based on the EL of each transaction by reflecting the characteristics of risk profile of a transaction as well as the risk profile of an obligor.
	Usage of Various Estimated Values (Use Test)	PDs and LGDs are used for calculating and allocating Risk Capital.	PDs and LGDs are used for calculating and allocating Risk Capital.	<ul style="list-style-type: none"> <li>The facility rating is assigned based on EL using PD corresponding to the credit rating.</li> <li>EL using PD is also applied to pricing.</li> <li>PDs are used for calculating and allocating Risk Capital.</li> </ul>	
	Management of Internal Rating System and Validation Procedures	Management of Internal Rating System	Retail Banking Risk Management Division (RBRM) is in charge of rating system design. Retail Services Division (RSD) is in charge of the pool assignment, with confirmation by the Loan Product Division (LPD). RBRM oversees pool assignment process. PRMD estimates/validates parameters. IAD audits all these processes.	FERM is in charge of rating system design and pool assignment. FERM estimates/validates parameters with support by PRMD. IAD audits all these processes.	PRMD of the Bank and Credit Risk Management Section (CRMS) of the Company are jointly responsible for the design of the rating system, and CRMS of the Company is in charge of rating assignment. PRMD of the Bank is in charge of the final approval process of parameter estimation and validation. IAD of the Bank audits all these processes.
		Validation Procedures	<b>PD/LGD</b> Comparison of external data with internal historical data.	<b>PD</b> Binominal test, comparison with track record of defaults in other purchased housing loan portfolios and the Bank's housing loan portfolio. <b>LGD</b> Validation if estimated LGDs remain within a certain confidence level, and comparison with the track record of loss rate in other purchased housing portfolios.	Same as (a) and (b).
Summary of Rating Assignment Procedures for Each Portfolio	Rating Assignment Procedures	As part of loan approval process, RSD: assigns exposures to specific pools LPD: confirms pool assignment RBRM: oversees and controls pool assignment process	FERM is in charge of pool assignment.	CRMS of the Company is in charge of rating assignment.	
	Estimation of Parameters	<b>Definition of Default</b> Any of the following: i) three month delinquency, ii) relaxation of terms and conditions, iii) legal bankruptcy, iv) loan sales at 30% economic loss. <b>PD</b> Pools of Normal obligors: PDs on six month delinquency basis are estimated using financial data from the Japan Housing Finance Agency, and are adjusted to estimate PDs on three month delinquency. Pools of Need Caution obligors: PDs are estimated using the Bank Group data. <b>LGD</b> LGD estimation model is developed for each collateral property type. <b>Exposure at Default (EAD)</b> EAD for on-balance sheet items is the outstanding amount of mortgages, and utilized amount of overdraft facilities. EAD for off-balance sheet items is 100% of undrawn amount of overdraft facilities.	<b>Definition of Default</b> Any of the following: i) 3 month delinquency, ii) relaxation of terms and conditions, iii) legal bankruptcy, iv) receipt of notice for entrustment by legal counsel, v) payment in subrogation by guarantors, vi) acceleration, vii) loan sales at 30% economic loss. <b>PD</b> PDs are estimated based on historical data of each purchased housing loan portfolio. Period before loan purchase is also included in data observation period. <b>LGD</b> LGDs are estimated based on historical data of each purchased housing loan portfolio. Loss data of exposures paid in subrogation by guarantors is not used for LGD estimation. <b>EAD</b> EAD for on-balance sheet items is the outstanding balance of beneficiary interest in trust. EAD for off-balance sheet items is zero, since no undrawn amount exists.	Default is defined as any of the following: i) 3 month delinquency, ii) relaxation of terms and conditions, iii) legal bankruptcy, iv) sales of receivables at 30% economic loss, v) Special Supervision or lower in self assessment of assets. PD estimation process is same as (a) and (b).	

QUALITATIVE DISCLOSURE (CONTINUED)

EXHIBIT

		Showa Leasing	APLUS
Type of Exposures		(j) Other "Retail" Exposures	(k) Residential Mortgage/Qualifying Revolving Retail/Other Retail Exposures
Type of Internal Rating Approaches to be Used		Pool classification based on a matrix of obligor and transaction attributes and delinquency	Pool classification based on a matrix of obligor and transaction attributes and delinquency
Summary of Internal Rating System	Structure of Internal Rating System	Small-lot lease receivables to corporate obligors in the Company are managed on a pool basis, and are treated as "retail" exposures. A credit rating is assigned to each obligor based on such factors as whether equity of obligor is listed or not, size of annual income, length of business history, credit score assigned by a credit agency. In addition, classification by type of asset leased is also implemented.	Main portfolio is sales finance, classified as other retail exposures. Credit is also extended through credit/loan cards, classified as qualifying revolving retail exposures. The Company retains but no longer originates housing loans. A rating is assigned to each exposure. Ratings are risk grades based on obligor attributes, borrowing behavior information provided by credit information agencies and transaction history with the company. For sales finance, pool classification is also determined by type of asset being financed. For card exposures, card type and card limit amount is employed as criteria of pool classification. Housing loan pools are classified by LTV and DTI.
	Pool Classification (Retail)	Criteria for pool classification are i) credit rating, ii) type of asset leased, and iii) obligor classification including delinquency.	Criteria for pool classification are as follows: Sales finance: i) rating, ii) type of asset financed, and iii) delinquency. Card exposure: i) rating, ii) card type, iii) card limit amount, and iv) delinquency. Housing loan: i) LTV, ii) DTI, and iii) delinquency.
	Usage of Various Estimated Values (Use Test)	PDs are reflected in pricing. For pricing purposes, LGDs are calculated assuming that defaulted exposures do not recover to non-default status. PDs and LGDs are used for calculating and allocating Risk Capital.	PDs, LGDs and Credit Conversion Factors (CCFs) are used for calculating and allocating Risk Capital.
	Management of Internal Rating System and Validation Procedures	Management of Internal Rating System CRMS of the Company and PRMD of the Bank are jointly in charge of the rating system design. Business Divisions/Branches of the Company assign exposures to pools, and CRMSs confirm and oversee pool assignment. CRMS and PRMD of the Bank jointly estimate and validate parameters, based on data provided by the Company. IAD of the Bank audits all these processes.  Validation Procedures PD Binominal test and verification of PDs and ratings goodness of fit. LGD Validation if estimated LGDs are remaining within a certain confidence level. Pool Classification Validation by Accuracy Ratio (AR).	Management of Internal Rating System CRMS of the Company and PRMD of the Bank are jointly in charge of the rating system design. Business Divisions/Branches of the Company assign exposures to pools, and CRMS confirms and oversees pool assignment. CRMS and PRMD of the Bank jointly estimate and validate parameters, based on data provided by the Company. IAD of the Bank audits all these processes.  Validation Procedures PD Binominal test and verification of PDs and ratings goodness of fit. LGD Validation if estimated LGDs are remaining within a certain confidence level. Pool Classification Validation by Accuracy Ratio (AR).
Summary of Rating Assignment Procedures for Each Portfolio	Rating Assignment Procedures	As part of the approval process, Business Divisions/Branches of the Company assign exposures to pools, and CRMSs of the Company confirm pool assignment and oversee and control overall pool assignment processes.	Business Divisions/Branches of the Company assign exposures based on guidance provided by CRMS of the Company, and CRMS confirms pool assignment and controls overall pool assignment processes. For housing loan portfolio, no pool assignment process exists, since such loans are no longer originated.
	Estimation of Parameters	<b>Definition of Default</b> Any of the following: i) 3 month delinquency, ii) relaxation of terms and conditions, iii) legal bankruptcy, iv) sales of receivables at 30% economic loss, v) Special Supervision or lower in self assessment of assets. <b>PD</b> PDs are estimated on the Company's historical data. <b>LGD</b> LGDs are estimated on the Company's historical data. <b>EAD</b> EAD for on-balance sheet items is defined as outstanding balance in compliance with U.S. Financial Accounting Standards Board (FASB). EAD for off-balance sheet items is zero, since no undrawn amount exists. <b>Data Observation Period</b> From April 2002 to September 2007.	<b>Definition of Default</b> Any of the following: i) 3 month delinquency, ii) relaxation of terms and conditions, iii) legal bankruptcy, iv) reconciliation/mediation, v) sales of claims at 30% economic loss. <b>PD</b> PDs are estimated on the Company's historical data. <b>LGD</b> LGDs are estimated on the Company's historical data. <b>EAD</b> EAD for on-balance sheet items is the outstanding amount of principal + uncollected commissions + uncollected interest + uncollected guarantee fee. EAD for off-balance sheet items is calculated by undrawn amount of card exposures multiplied by Credit Conversion Factors (CCFs). CCFs are estimated for each card type, using historical data of the Company. <b>Data Observation Period</b> From April 2001 to September 2007 for sales finance and card receivables.

QUALITATIVE DISCLOSURE (CONTINUED)

SHINSEI BANK CORPORATE OBLIGOR RATING SYSTEM

Obligor Rating Categories	Corresponding Rating Assigned by R & I	Summary
0A		1. Japanese Government, BOJ 2. Government-affiliated agencies, expected high certainty from strong backup by the Government.
1A	AAA	Highest capability to meet its financial commitments on the obligations and many other positive factors.
2A	AA+	Very high capability to meet its financial commitment on the obligation and other positive factors.
2B	AA	
2C	AA-	
3A	A+	High capability to meet its financial commitments on the obligations and some good factors.
3B	A	
3C	A-	
4A	BBB+	There is adequate certainty of the fulfillment of obligations, but there are also some factors requiring attention in the event of serious adverse economic conditions in the future.
4B	BBB	
4C	BBB-	
5A	BB+	No problem regarding the certainty of the fulfillment of obligations for the time being, but some factors need to be closely watched in the event of adverse economic conditions in the future.
5B	BB	
5C	BB-	
6A	B+	No problem regarding the certainty of the fulfillment of obligations in the present situation, but special supervision is needed to monitor the trends in business performance and the protection of credit exposure.
6B	B	
6C	B-	
9A		Classified as "Need Caution" at the self-assessment
9B		Classified as "Sub-Standard" at the self-assessment
9C		Classified as "Possibly Bankrupt" at the self-assessment
9D		Classified as "Virtually Bankrupt" at the self-assessment
9E		Classified as "Bankrupt" at the self-assessment

## QUANTITATIVE DISCLOSURE

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

Most of the 100 unconsolidated subsidiaries are special purpose companies (SPCs) or Limited Partnerships (LPs) for leverage leasing. As the economic risk associated with leveraged leasing has been hedged in these subsidiaries, the amount of invested equity is equal to applicable loss limits.

### 2. CAPITAL STRUCTURE

Please see "Management's Discussion and Analysis of Financial Condition and Results of Operations" - "Capital Ratios" on page 96 for capital calculation details. The Bank was not required to deduct any excess deferred tax assets which banks are prohibited from including in their Tier I capital. The Bank has no Tier III capital.

### 3. CAPITAL ADEQUACY

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

(1) Portfolios under the Standardized Approach (SA)

As of March 31	Millions of yen			
	2008		2007	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
Shinsei Home Loans	28,172	28,172	15,363	15,363
Subsidiaries of APLUS	6,617	—	97,886	—
Subsidiaries of Showa Leasing	6,665	—	4,521	—
Shinki Group	9,292	—	—	—
Other subsidiaries	10,239	—	12,613	—

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

As of March 31	Millions of yen			
	2008		2007	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
Corporate	202,587	182,306	190,428	181,358
Sovereign	11,007	10,972	7,272	7,262
Bank	61,791	57,462	54,054	54,245
Residential mortgages	1,798	—	3,334	—
Qualified revolving retail	61,712	—	—	—
Other retails	146,652	—	10,227	—
Total	485,549	250,741	265,318	242,866
Securitization Exposure	40,230	27,209	17,880	16,982

**QUANTITATIVE DISCLOSURE (CONTINUED)**
**AMOUNT OF REQUIRED CAPITAL FOR EQUITY EXPOSURE UNDER IRB**

	Millions of yen			
	2008		2007	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
As of March 31				
Market-Based Approach				
Simplified Method	<b>22,993</b>	<b>40,997</b>	19,499	23,508
PD/LGD Method	<b>7,411</b>	<b>66,815</b>	9,005	39,443
Total	<b>30,405</b>	<b>107,813</b>	28,504	62,951

**AMOUNT OF REQUIRED CAPITAL FOR REGARDED-METHOD EXPOSURE UNDER IRB**

	Millions of yen			
	2008		2007	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
As of March 31				
Regarded-Method exposure	<b>76,290</b>	<b>70,294</b>	52,297	52,452

**AMOUNT OF REQUIRED CAPITAL FOR MARKET RISK**

	Millions of yen			
	2008		2007	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
As of March 31				
The Standardized Approach				
(Specific Risk)				
Interest rate risk	<b>11,192</b>	<b>10,411</b>	9,019	8,851
Equity position risk	<b>15</b>	<b>—</b>	210	—
FX risk	<b>1,261</b>	<b>3,406</b>	215	2,939
The Standardized Approach				
(General Market Risk)	<b>—</b>	<b>—</b>	341	—
The Internal Models Approach				
(IMA) (General Market Risk)	<b>7,641</b>	<b>6,344</b>	5,911	5,911

**AMOUNT OF REQUIRED CAPITAL FOR OPERATIONAL RISK**

	Millions of yen			
	2008		2007	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
As of March 31				
The Standardized Approach	<b>37,078</b>	<b>20,324</b>	32,944	19,068

**TOTAL CAPITAL ADEQUACY RATIO AND TIER I CAPITAL RATIO**

	As of March 31			
	2008		2007	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Total capital adequacy ratio	<b>11.74%</b>	<b>15.25%</b>	13.13%	18.79%
Tier I capital ratio	<b>7.37%</b>	<b>10.71%</b>	8.11%	12.81%

**TOTAL REQUIRED CAPITAL (DOMESTIC CRITERIA)**

	Millions of yen			
	2008		2007	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
As of March 31				
Total required capital	<b>683,698</b>	<b>432,226</b>	633,519	361,377

QUANTITATIVE DISCLOSURE (CONTINUED)

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

AMOUNT OF CREDIT RISK EXPOSURE

Geographic, Industries or Maturity (Consolidated)

Millions of yen

As of March 31	2008				2007			
	Total	Amount of Credit Risk Exposure			Total	Amount of Credit Risk Exposure		
		Loans, etc. <sup>(1)</sup>	Securities <sup>(2)</sup>	Derivatives <sup>(3)</sup>		Loans, etc. <sup>(1)</sup>	Securities <sup>(2)</sup>	Derivatives <sup>(3)</sup>
Manufacturing	375,517	371,554	0	3,963	391,226	389,016	201	2,008
Agriculture	4,085	4,085	—	—	1,426	1,426	—	—
Mining	6,787	6,787	—	—	8,800	8,800	—	—
Construction	61,801	56,818	4,955	28	57,619	52,778	4,772	69
Electric power, gas, water supply	100,672	92,612	7,999	60	110,261	110,148	36	76
Information and communication	80,423	80,412	—	10	38,816	38,216	—	600
Transportation	312,856	282,138	8,638	22,078	323,546	301,831	8,200	13,514
Wholesale and retail	236,318	235,904	—	413	213,784	213,019	50	714
Finance and insurance	1,547,269	1,251,736	184,343	111,190	1,378,891	1,104,822	154,310	119,757
Real estate	1,617,412	1,365,300	248,576	3,534	1,718,485	1,554,312	162,711	1,461
Services	724,162	620,395	90,621	13,145	678,207	590,730	82,951	4,526
Government	754,894	104,561	648,167	2,166	860,990	54,407	804,175	2,406
Individuals	2,473,429	2,471,705	—	1,724	2,333,663	2,333,663	—	—
Others	14,206	14,204	—	2	48,936	48,936	—	—
Domestic Total	8,309,838	6,958,218	1,193,301	158,318	8,164,658	6,802,110	1,217,411	145,135
Foreign	1,739,467	462,536	306,127	970,803	1,226,246	531,681	240,296	454,268
Consolidated Total	10,049,306	7,420,754	1,499,428	1,129,122	9,390,904	7,333,792	1,457,708	599,403
To one year	2,571,815	1,832,592	464,436	274,785	2,670,089	1,964,821	514,546	190,721
One to three years	3,323,753	2,381,884	512,659	429,210	2,827,687	2,295,444	412,822	119,421
Three to five years	1,897,434	1,324,355	320,658	252,421	1,762,843	1,318,043	281,902	162,897
Over five years	2,032,359	1,659,599	200,054	172,705	1,934,132	1,611,825	195,942	126,364
Undated	223,944	222,323	1,620	—	196,151	141,656	52,494	—
Consolidated Total	10,049,306	7,420,754	1,499,428	1,129,122	9,390,904	7,333,792	1,457,708	599,403

Geographic, Industries or Maturity (Non-consolidated)

Millions of yen

As of March 31	2008				2007			
	Total	Amount of Credit Risk Exposure			Total	Amount of Credit Risk Exposure		
		Loans, etc. <sup>(1)</sup>	Securities <sup>(2)</sup>	Derivatives <sup>(3)</sup>		Loans, etc. <sup>(1)</sup>	Securities <sup>(2)</sup>	Derivatives <sup>(3)</sup>
Manufacturing	260,245	256,282	0	3,963	275,969	273,758	201	2,008
Agriculture	2,900	2,900	—	—	900	900	—	—
Mining	5,850	5,850	—	—	8,116	8,116	—	—
Construction	36,080	31,133	4,918	28	39,520	34,678	4,772	69
Electric power, gas, water supply	99,723	91,664	7,999	60	109,363	109,249	36	76
Information and communication	53,349	53,338	—	10	32,268	31,668	—	600
Transportation	291,213	260,519	8,615	22,078	303,926	282,212	8,200	13,514
Wholesale and retail	137,857	137,443	—	413	123,143	122,377	50	714
Finance and insurance	1,706,273	1,405,477	184,343	116,452	1,516,344	1,240,889	154,315	121,138
Real estate	1,561,771	1,309,659	248,576	3,534	1,737,065	1,572,892	162,711	1,461
Services	533,937	430,148	90,473	13,315	490,049	402,314	82,999	4,735
Government	747,275	96,976	648,132	2,166	852,613	49,161	801,045	2,406
Individuals	844,739	843,014	—	1,724	589,335	589,335	—	—
Others	2	—	—	2	184	184	—	—
Domestic Total	6,281,219	4,924,408	1,193,058	163,752	6,078,801	4,717,741	1,214,334	146,725
Foreign	1,757,736	466,570	318,545	972,620	1,288,641	580,372	253,589	454,679
Bank Total	8,038,955	5,390,979	1,511,603	1,136,372	7,367,442	5,298,113	1,467,924	601,405
To one year	2,541,840	1,800,419	464,401	277,020	2,671,600	1,965,580	514,867	191,153
One to three years	2,631,532	1,689,794	512,659	429,078	2,082,340	1,550,186	412,755	119,398
Three to five years	1,367,169	779,228	333,076	254,865	1,277,886	836,688	278,382	162,815
Over five years	1,487,562	1,112,307	199,846	175,408	1,201,523	864,113	209,371	128,039
Undated	10,851	9,230	1,620	—	134,092	81,544	52,547	—
Bank Total	8,038,955	5,390,979	1,511,603	1,136,372	7,367,442	5,298,113	1,467,924	601,405

Notes: (\*1) Including total exposure, operating assets and securitized original assets originated from these exposures, excluding purchased receivables

(\*2) Excluding equity exposures

(\*3) Credit equivalent amount basis

**QUANTITATIVE DISCLOSURE (CONTINUED)**
**AMOUNT OF DEFAULT EXPOSURE BEFORE PARTIAL WRITE-OFF**

Geographic, Industries

	Millions of yen			
	2008		2007	
	Default Exposure		Default Exposure	
As of March 31	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Manufacturing	4,127	3,356	4,896	4,439
Agriculture	488	—	0	—
Mining	37	—	71	—
Construction	6,261	5,819	6,110	6,023
Electric power, gas, water supply	1	—	—	—
Information and communication	502	—	443	—
Transportation	8,007	7,608	9,031	8,911
Wholesale and retail	5,389	3,797	10,659	10,133
Finance and insurance	33,402	31,067	593	1,536
Real estate	7,942	2,910	4,235	2,135
Services	7,750	190	6,532	3,959
Government	—	—	—	—
Individuals	135,539	1,385	86,731	3,038
Others	702	0	866	—
Domestic Total	210,154	56,137	130,173	40,177
Foreign	51,823	51,823	3,384	3,384
Total	261,978	107,960	133,557	43,561

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

Consolidated	Millions of yen					
	2008			2007		
As of March 31	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount
General	101,268	(4,618)	96,650	89,043	12,225	101,268
Specific	85,756	59,923	145,679	83,926	1,829	85,756
Country	9	6	15	5	3	9
Total	187,033	55,311	242,345	172,975	14,058	187,033

## Non-consolidated

	Millions of yen					
	2008			2007		
As of March 31	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount
General	65,434	(7,531)	57,903	60,220	5,214	65,434
Specific	47,912	22,393	70,305	53,637	(5,724)	47,912
Country	9	6	15	5	3	9
Total	113,356	14,867	128,224	113,863	(506)	113,356

**QUANTITATIVE DISCLOSURE (CONTINUED)**

## Geographic (Consolidated)

As of March 31	Millions of yen							
	2008				2007			
	Total	Reserve Amount			Total	Reserve Amount		
General		Specific	Country	General		Specific	Country	
Domestic	<b>204,215</b>	<b>77,567</b>	<b>126,648</b>	<b>—</b>	167,650	85,274	82,377	—
Foreign	<b>38,129</b>	<b>19,083</b>	<b>19,031</b>	<b>15</b>	19,383	15,994	3,379	9
<b>Total</b>	<b>242,345</b>	<b>96,650</b>	<b>145,679</b>	<b>15</b>	187,033	101,268	85,756	9

## Geographic (Non-consolidated)

As of March 31	Millions of yen							
	2008				2007			
	Total	Reserve Amount			Total	Reserve Amount		
General		Specific	Country	General		Specific	Country	
Domestic	<b>89,420</b>	<b>38,146</b>	<b>51,274</b>	<b>—</b>	92,350	47,817	44,533	—
Foreign	<b>38,803</b>	<b>19,756</b>	<b>19,031</b>	<b>15</b>	21,005	17,616	3,379	9
<b>Total</b>	<b>128,224</b>	<b>57,903</b>	<b>70,305</b>	<b>15</b>	113,356	65,434	47,912	9

## Industries

As of March 31	Millions of yen			
	2008		2007	
	Reserve Amount		Reserve Amount	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Manufacturing	<b>4,357</b>	<b>3,811</b>	3,497	3,441
Agriculture	<b>18</b>	<b>18</b>	6	6
Mining	<b>21</b>	<b>19</b>	43	28
Construction	<b>2,527</b>	<b>2,276</b>	2,389	2,368
Electric power, gas, water supply	<b>249</b>	<b>247</b>	346	346
Information and communication	<b>490</b>	<b>305</b>	216	216
Transportation	<b>8,059</b>	<b>7,947</b>	10,905	10,900
Wholesale and retail	<b>2,473</b>	<b>1,812</b>	5,993	5,868
Finance and insurance	<b>7,126</b>	<b>10,887</b>	14,838	16,497
Real estate	<b>16,904</b>	<b>15,991</b>	13,924	14,158
Services	<b>20,172</b>	<b>16,472</b>	3,510	3,254
Government	<b>—</b>	<b>—</b>	—	—
Individuals	<b>108,169</b>	<b>3,497</b>	74,903	2,761
Others	<b>26,136</b>	<b>26,132</b>	32,510	32,503
Foreign	<b>38,129</b>	<b>38,803</b>	19,383	21,005
Non-classified	<b>7,507</b>	<b>—</b>	4,564	—
<b>Total</b>	<b>242,345</b>	<b>128,224</b>	187,033	113,356

**QUANTITATIVE DISCLOSURE (CONTINUED)**
**AMOUNT OF WRITE-OFFS**

Industries

	Millions of yen			
	FY2007		FY2006	
	Amount of write-off		Amount of write-off	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Manufacturing	21	—	234	—
Agriculture	—	—	2	2
Mining	—	—	—	—
Construction	35	—	277	238
Electric power, gas, water supply	—	—	—	—
Information and communication	22	—	—	—
Transportation	14	—	15	0
Wholesale and retail	113	55	115	—
Finance and insurance	—	—	—	—
Real estate	0	0	—	—
Services	94	—	100	—
Government	—	—	—	—
Individuals	24,979	0	1	1
Others	0	—	—	—
Foreign	—	—	—	—
Non-classified	—	—	7	—
Total	25,281	56	754	242

**AMOUNT OF EXPOSURES UNDER SA (AFTER CREDIT RISK MITIGATION)**

As of March 31	Millions of yen							
	2008				2007			
	Consolidated		Non-consolidated		Consolidated		Non-consolidated	
	Rated	Unrated	Rated	Unrated	Rated	Unrated	Rated	Unrated
0%	79	3,490	—	—	700	5,649	—	—
10%	—	—	—	—	—	2,304	—	—
20%	74,621	78	—	—	244,038	38,050	—	—
35%	—	609,871	—	609,871	—	548,707	—	548,707
50%	235	5,626	—	140	259	16,419	—	—
75%	—	394,070	—	183,528	—	1,171,061	—	—
100%	2,470	213,477	—	989	47	492,354	—	—
150%	—	13,022	—	—	—	1,394	—	—
350%	—	—	—	—	—	—	—	—
Capital Deduction	—	—	—	—	—	—	—	—
Total	77,406	1,239,637	—	794,529	245,046	2,275,943	—	548,707

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

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

As of March 31	Millions of yen	
	2008	2007
Risk weight ratio	Amount of Exposure	Amount of Exposure
50%	157,370	54,012
70%	345,552	396,314
90%	54,549	36,646
115%	134,691	121,412
250%	38,521	21,283
0% (Default)	—	—
Total	730,685	629,668

## QUANTITATIVE DISCLOSURE (CONTINUED)

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

As of March 31	Millions of yen	
	2008	2007
Risk weight ratio	Amount of Exposure	Amount of Exposure
70%	13,506	1,049
95%	100,682	67,435
120%	11,824	13,267
140%	227,566	83,076
250%	68,437	54,735
0% (Default)	4,331	—
Total	426,349	219,564

### (3) Equity exposure under Market-Based Simplified Method

As of March 31	Millions of yen			
	2008		2007	
	Amount Consolidated	Amount Non-consolidated	Amount Consolidated	Amount Non-consolidated
300%	7,941	7,787	386	208
400%	61,832	115,025	57,195	93,841
Total	69,773	122,812	57,582	94,050

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

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

### Corporate (Consolidated)

As of March 31	Millions of yen (except percentages)									
	2008					2007				
Credit rating	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)
0	0.03%	45.00%	24.44%	21,792	3,036	0.03%	45.00%	24.09%	24,608	81
1	0.03%	45.00%	15.95%	60,468	40,869	0.03%	45.00%	20.70%	26,262	56
2	0.07%	46.34%	20.51%	485,968	75,202	0.05%	44.94%	19.35%	270,886	39,223
3	0.12%	45.10%	30.71%	785,411	158,146	0.11%	45.02%	29.51%	743,525	103,768
4	0.29%	46.64%	49.58%	648,735	123,345	0.25%	45.14%	45.00%	639,749	112,133
5	0.88%	45.51%	84.64%	325,188	50,882	0.81%	44.68%	75.86%	329,223	75,589
6	2.58%	45.66%	127.15%	274,087	8,682	2.33%	39.78%	100.05%	212,436	7,957
9A	13.90%	45.17%	224.83%	162,291	13,134	15.42%	45.10%	236.97%	304,190	10,070
Default	100.00%	45.00%	—	51,587	4,808	100.00%	43.43%	—	38,352	727

### Sovereign (Consolidated)

As of March 31	Millions of yen (except percentages)									
	2008					2007				
Credit rating	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)
0	0.00%	45.00%	0.01%	1,575,658	15,226	0.00%	45.00%	0.00%	1,523,646	22,849
1	0.03%	45.00%	14.50%	67,894	—	0.03%	45.00%	9.58%	14,629	—
2	0.07%	45.00%	32.27%	111,873	3,675	0.05%	45.00%	20.06%	128,112	33,129
3	0.09%	45.00%	30.19%	110,176	5,310	0.08%	44.93%	29.29%	86,670	4,926
4	0.20%	45.00%	47.16%	4,514	136	0.37%	45.00%	54.27%	1,167	—
5	1.31%	45.00%	83.71%	148	—	1.29%	45.00%	132.75%	2	—
6	2.90%	45.00%	147.18%	1,196	374	3.04%	45.00%	111.23%	12	662
9A	13.90%	45.00%	205.13%	14,685	125	15.41%	45.00%	243.11%	6,913	8
Default	100.00%	45.00%	—	56	—	100.00%	45.00%	—	59	—

**QUANTITATIVE DISCLOSURE (CONTINUED)**

## Bank (Consolidated)

Millions of yen (except percentages)

As of March 31	2008					2007				
Credit rating	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)
0	0.03%	45.00%	14.27%	5,908	—	0.03%	45.00%	7.58%	0	—
1	0.03%	45.00%	11.70%	3,904	645	0.03%	45.00%	13.12%	8,544	115
2	0.06%	45.24%	22.52%	232,122	680,169	0.05%	45.23%	20.97%	279,684	317,781
3	0.10%	45.07%	25.26%	213,035	147,319	0.09%	42.92%	24.62%	80,532	49,360
4	0.24%	45.00%	43.26%	20,283	7,041	0.29%	45.00%	61.12%	6,042	12,617
5	0.96%	45.00%	91.32%	3,933	5,332	0.91%	45.00%	112.35%	—	10,304
6	2.17%	45.00%	142.42%	105	1,676	1.91%	45.00%	144.21%	2,625	6,863
9A	13.90%	45.00%	213.40%	20,231	119,781	15.09%	44.37%	221.70%	19,382	124,827
Default	—	—	—	—	—	—	—	—	—	—

## Corporate (Non-consolidated)

Millions of yen (except percentages)

As of March 31	2008					2007				
Credit rating	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)
0	0.03%	45.00%	24.33%	21,789	3,418	0.03%	45.00%	24.08%	24,588	81
1	0.03%	45.00%	15.96%	60,278	40,869	0.03%	45.00%	20.67%	25,623	56
2	0.07%	46.37%	20.42%	471,511	75,202	0.05%	44.94%	19.38%	266,251	39,223
3	0.12%	45.10%	30.69%	755,178	158,146	0.11%	45.02%	29.60%	718,895	103,768
4	0.29%	46.52%	47.21%	706,505	126,171	0.23%	45.11%	41.54%	820,824	118,040
5	0.87%	45.65%	84.58%	244,135	50,882	0.79%	44.59%	75.84%	237,729	75,589
6	2.70%	45.89%	132.75%	200,832	8,682	2.31%	38.30%	97.38%	163,797	7,957
9A	13.90%	45.19%	221.48%	144,702	13,134	15.42%	45.10%	236.78%	305,312	10,070
Default	100.00%	45.00%	—	48,468	4,808	100.00%	43.35%	—	36,305	727

## Sovereign (Non-consolidated)

Millions of yen (except percentages)

As of March 31	2008					2007				
Credit rating	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)
0	0.00%	45.00%	0.00%	1,567,847	15,226	0.00%	45.00%	0.00%	1,519,762	22,849
1	0.03%	45.00%	14.50%	67,894	—	0.03%	45.00%	9.58%	14,620	—
2	0.07%	45.00%	32.32%	111,471	3,675	0.05%	45.00%	20.07%	127,903	33,129
3	0.09%	45.00%	30.19%	109,830	5,310	0.08%	44.93%	29.29%	86,435	4,926
4	0.20%	45.00%	47.22%	4,450	136	0.37%	45.00%	54.27%	1,167	—
5	1.31%	45.00%	83.71%	148	—	1.29%	45.00%	132.75%	2	—
6	2.90%	45.00%	147.18%	1,196	374	3.04%	45.00%	111.23%	12	662
9A	13.90%	45.00%	205.13%	14,684	125	15.40%	45.00%	243.11%	6,913	8
Default	100.00%	45.00%	—	56	—	100.00%	45.00%	—	59	—

**QUANTITATIVE DISCLOSURE (CONTINUED)**

Bank (Non-consolidated)

Millions of yen (except percentages)

As of March 31	2008					2007					
	Credit rating	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)
0	<b>0.03%</b>	<b>45.00%</b>	<b>25.88%</b>	<b>2,158</b>	<b>—</b>	—	—	—	—	—	—
1	<b>0.03%</b>	<b>45.00%</b>	<b>11.70%</b>	<b>3,904</b>	<b>645</b>	0.03%	45.00%	13.12%	8,544	115	—
2	<b>0.06%</b>	<b>45.24%</b>	<b>22.60%</b>	<b>221,179</b>	<b>680,169</b>	0.05%	45.23%	20.95%	279,153	317,781	—
3	<b>0.10%</b>	<b>45.13%</b>	<b>30.87%</b>	<b>38,302</b>	<b>146,778</b>	0.10%	45.78%	25.13%	76,452	40,855	—
4	<b>0.21%</b>	<b>45.00%</b>	<b>38.40%</b>	<b>44,370</b>	<b>15,752</b>	0.25%	45.00%	49.61%	15,682	15,621	—
5	<b>0.84%</b>	<b>45.00%</b>	<b>102.83%</b>	<b>—</b>	<b>5,332</b>	0.91%	45.00%	112.35%	—	10,304	—
6	<b>2.18%</b>	<b>45.00%</b>	<b>145.29%</b>	<b>—</b>	<b>1,676</b>	1.91%	45.00%	144.21%	2,625	6,863	—
9A	<b>13.90%</b>	<b>45.00%</b>	<b>214.18%</b>	<b>12,416</b>	<b>119,443</b>	15.41%	45.32%	221.09%	19,381	121,801	—
Default	—	—	—	—	—	—	—	—	—	—	—

Note: LGD after credit risk mitigation

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

Millions of yen (except percentages)

As of March 31	2008				2007				
	Credit rating	PD	LGD	Risk Weight	Amount	PD	LGD	Risk Weight	Amount
0	<b>0.03%</b>	<b>90.00%</b>	<b>300.00%</b>	<b>9</b>	0.03%	90.00%	300.00%	9	—
1	—	—	—	—	—	—	—	—	—
2	<b>0.06%</b>	<b>90.00%</b>	<b>219.95%</b>	<b>6,433</b>	0.05%	90.00%	219.25%	8,904	—
3	<b>0.15%</b>	<b>90.00%</b>	<b>200.00%</b>	<b>2,605</b>	0.12%	90.00%	200.03%	3,125	—
4	<b>0.38%</b>	<b>90.00%</b>	<b>284.31%</b>	<b>11,704</b>	0.34%	90.00%	261.28%	8,686	—
5	<b>0.81%</b>	<b>90.00%</b>	<b>317.06%</b>	<b>2,338</b>	1.17%	90.00%	272.17%	17,756	—
6	<b>2.90%</b>	<b>90.00%</b>	<b>316.59%</b>	<b>1,140</b>	1.76%	90.00%	428.14%	18	—
9A	<b>13.90%</b>	<b>90.00%</b>	<b>496.09%</b>	<b>1,737</b>	15.53%	90.00%	508.73%	1,077	—
Default	<b>100.00%</b>	<b>90.00%</b>	<b>—</b>	<b>1,139</b>	—	—	—	—	—

(Non-consolidated)

Millions of yen (except percentages)

As of March 31	2008				2007				
	Credit rating	PD	LGD	Risk Weight	Amount	PD	LGD	Risk Weight	Amount
0	<b>0.03%</b>	<b>90.00%</b>	<b>300.00%</b>	<b>9</b>	0.03%	90.00%	300.00%	9	—
1	—	—	—	—	—	—	—	—	—
2	<b>0.06%</b>	<b>90.00%</b>	<b>219.95%</b>	<b>6,433</b>	0.05%	90.00%	219.25%	8,904	—
3	<b>0.15%</b>	<b>90.00%</b>	<b>200.00%</b>	<b>2,598</b>	0.12%	90.00%	200.03%	3,125	—
4	<b>0.23%</b>	<b>90.00%</b>	<b>299.18%</b>	<b>224,878</b>	0.19%	90.00%	297.38%	128,331	—
5	<b>0.82%</b>	<b>90.00%</b>	<b>319.84%</b>	<b>2,461</b>	1.17%	90.00%	272.17%	17,756	—
6	<b>2.90%</b>	<b>90.00%</b>	<b>316.59%</b>	<b>1,140</b>	1.76%	90.00%	428.14%	18	—
9A	<b>13.90%</b>	<b>90.00%</b>	<b>489.86%</b>	<b>11,252</b>	15.53%	90.00%	508.73%	1,077	—
Default	<b>100.00%</b>	<b>90.00%</b>	<b>—</b>	<b>1,138</b>	—	—	—	—	—

## QUANTITATIVE DISCLOSURE (CONTINUED)

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

### Residential mortgage exposure

Millions of yen (except percentages)													
As of March 31	2008								2007				
Pool	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Undrawn Commitments		PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	
						Amount	CCF						
Normal	1.74%	54.60%	97.67%	0	14,935	—	—	0.65%	37.09%	34.57%	79,014	—	
Need caution	90.60%	54.60%	61.97%	—	357	—	—	59.53%	37.13%	160.27%	296	—	
Default	100.00%	54.60%	—	306	103	—	—	100.00%	37.15%	—	1,939	—	

### Qualified revolving retail exposure

Millions of yen (except percentages)													
As of March 31	2008								2007				
Pool	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Undrawn Commitments		PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	
						Amount	CCF						
Normal	4.17%	83.22%	82.25%	201,498	70,382	2,583,323	2.72%	—	—	—	—	—	
Need caution	91.62%	81.95%	63.68%	6,007	—	—	—	—	—	—	—	—	
Default	100.00%	82.30%	—	34,632	—	—	—	—	—	—	—	—	

### Other retail exposure

Millions of yen (except percentages)													
As of March 31	2008								2007				
Pool	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Undrawn Commitments		PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	
						Amount	CCF						
Normal	2.54%	61.40%	75.02%	313,010	826,361	—	—	1.34%	48.17%	48.68%	190,808	—	
Need caution	85.37%	61.69%	67.76%	4,857	3,842	—	—	79.88%	46.22%	68.64%	907	—	
Default	100.00%	57.39%	—	87,101	1,078	—	—	100.00%	50.02%	—	1,364	—	

Note: LGD is shown after credit risk mitigation

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

	Millions of yen	
	FY2007	FY2006
Results of actual losses (a)	13,160	7,476
Expected losses (b)	8,219	7,348
Differences ((b) - (a))	(4,940)	(127)

The above matrix shows the results of default (downgrade below substandard) losses (increase of reserve, write-offs and loss on sale) for the fiscal years 2006 and 2007 for the Bank's non-default corporate exposure at the start of the fiscal year, with expected losses calculated using estimated PD at the end of March 2008.

Several companies contributed to the losses in the two fiscal years.

## QUANTITATIVE DISCLOSURE (CONTINUED)

### 5. CREDIT RISK MITIGATION (CRM)

#### COVERED AMOUNT OF CRM BY COLLATERAL

FIRB

As of March 31	Millions of yen			
	2008		2007	
	Eligible financial collateral	Other eligible FIRB collateral	Eligible financial collateral	Other eligible FIRB collateral
Corporate	14,775	156,628	45,285	155,325
Sovereign	—	214	—	268
Bank	—	570	—	—
<b>Total</b>	<b>14,775</b>	<b>157,413</b>	45,285	155,593

#### COVERED AMOUNT OF CRM BY GUARANTEE OR CREDIT DERIVATIVES

As of March 31	Millions of yen			
	2008		2007	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
SA Exposures	—	—	—	—
IRB Exposures	263,518	263,518	161,243	161,243
Corporate	81,997	81,997	45,026	45,026
Sovereign	139,312	139,312	98,717	98,717
Bank	42,208	42,208	17,500	17,500
Residential mortgages	—	—	—	—
Qualified revolving retail	—	—	—	—
Other retail	—	—	—	—

### 6. COUNTERPARTY CREDIT RISK OF DERIVATIVES

#### (1) Measurement of EAD

Current Exposure Method

#### (2) Total amount of gross positive fair value (as of March 31, 2008)

Consolidated           ¥445,515 million  
Non-consolidated       ¥423,340 million

#### (3) EAD before CRM

As of March 31	Millions of yen			
	2008		2007	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
FX-related	653,170	655,120	204,817	205,246
Interest-related	118,272	119,387	107,768	109,171
Equity-related	39,573	115	57,105	19,380
Commodity-related	—	—	—	—
Credit derivatives	368,371	361,749	127,179	127,254
Others	—	—	140,352	140,352
<b>Total</b>	<b>1,179,387</b>	<b>1,136,372</b>	637,223	601,405

## QUANTITATIVE DISCLOSURE (CONTINUED)

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

Zero.

(5) Amount covered collateral

Zero.

(6) EAD after CRM

Refer to (3) (No change from EAD before CRM)

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

As of March 31	Millions of yen			
	2008		2007	
Nominal amount	Protection-buy	Protection-sell	Protection-buy	Protection-sell
Single name	890,806	986,735	1,031,826	1,018,677
Multi name	550,778	497,166	43,600	6,800

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

¥11,359 million for both consolidated and non-consolidated (as of March 31, 2008)

## 7. SECURITIZATION

### SECURITIZATION EXPOSURE ORIGINATED BY THE BANK GROUP

(1) Amount of original assets

Securitization by transfer of assets

As of March 31	Millions of yen	
	2008	2007
Type of original assets	Amount of original asset	Amount of original asset
Residential mortgages	514,373	645,173
Consumer loans	142,168	144,089
Commercial real estate loans	165,209	—
Corporate loans	75,981	353,967
Others	22,870	—
Total	920,603	1,143,230

Synthetic Securitization

As of March 31	Millions of yen	
	2008	2007
Type of original assets	Amount of original asset	Amount of original asset
Corporate loans	30,100	—
Total	30,100	—

Notes: Includes originally securitized assets originated by the Bank Group in fiscal year 2007, even though the Bank Group had no exposure to these particular assets as of March 31, 2008.

**QUANTITATIVE DISCLOSURE (CONTINUED)**

## (2) Amount of default exposure including original assets

## Securitization by transfer of assets

As of March 31	Millions of yen	
	2008	2007
Type of original assets	Amount of Default	Amount of Default
Residential mortgages	7,928	11,379
Consumer loans	—	305
Commercial real estate loans	—	—
Corporate loans	32,038	34,039
Others	—	—
<b>Total</b>	<b>39,966</b>	45,724

## Synthetic Securitization

As of March 31	Millions of yen	
	2008	2007
Type of original assets	Amount of Default	Amount of Default
Corporate loans	500	—
<b>Total</b>	<b>500</b>	—

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

## Securitization by transfer of assets

As of March 31	Millions of yen	
	2008	2007
Type of original assets	Amount of Exposure	Amount of Exposure
Residential mortgages	8	71,648
Consumer loans	120,432	77,330
Corporate loans	59,538	77,156
Others	1,831	1,786
<b>Total</b>	<b>181,810</b>	227,922

## Synthetic Securitization

As of March 31	Millions of yen	
	2008	2007
Type of original assets	Amount of Exposure	Amount of Exposure
Corporate loans	29,100	—
<b>Total</b>	<b>29,100</b>	—

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

## Securitization by transfer of assets

As of March 31	Millions of yen			
	2008		2007	
Band of risk weight ratio	Amount	Required Capital amount	Amount	Required Capital amount
To 12%	32,047	193	52,287	292
Over 12% to 20%	—	—	—	—
Over 20% to 50%	10,341	489	—	—
Over 50% to 75%	34,571	2,222	—	—
Over 75% to 100%	45,010	4,388	—	—
Over 100% to 250%	45,508	7,288	—	—
Over 250% to 425%	14,331	4,258	—	—
Over 425%	—	—	—	—
<b>Total</b>	<b>181,810</b>	<b>18,841</b>	52,287	292

## QUANTITATIVE DISCLOSURE (CONTINUED)

### Synthetic Securitization

As of March 31	Millions of yen			
	2008		2007	
Band of risk weight ratio	Amount	Required Capital amount	Amount	Required Capital amount
Over 20% to 50%	29,100	563	—	—
Total	29,100	563	—	—

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

As of March 31	Millions of yen			
	2008		2007	
Type of original assets	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Residential mortgages	9,983	9,983	10,242	10,242
Consumer loans, installment receivables	1,157	84	2,547	370
Commercial real estate loans	442	442	—	—
Others	3,770	3,770	3,770	3,770
Total	15,354	14,281	16,561	14,384

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

As of March 31	Millions of yen			
	2008		2007	
Type of original assets	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Residential mortgages	1,847	1,847	15,348	15,348
Consumer loans, installment receivables	1,747	1,747	—	—
Commercial real estate loans	250	250	—	—
Others	2,489	2,489	1,786	1,786
Total	6,334	6,334	17,135	17,135

(7) Securitization exposure subject to early amortization

None.

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

None.

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

None.

### SECURITIZATION EXPOSURE IN WHICH THE BANK GROUP INVESTS

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

As of March 31	Millions of yen	
	2008	2007
Type of original assets	Amount of Exposure	Amount of Exposure
Residential mortgages	47,346	75,155
Consumer loans	23,753	19,114
Commercial real estate loans	226,499	20,506
Corporate loans	165,859	172,075
Others	187,074	263,877
Total	650,534	550,728

## QUANTITATIVE DISCLOSURE (CONTINUED)

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

As of March 31	Millions of yen			
	2008		2007	
Band of risk weight ratio	Amount	Required Capital amount	Amount	Required Capital amount
To 12%	274,760	2,239	191,941	1,211
Over 12% to 20%	88,621	1,193	104,137	1,311
Over 20% to 50%	12,523	490	170,032	4,925
Over 50% to 75%	48,757	2,495	23,716	1,423
Over 75% to 100%	753	63	1,668	133
Over 100% to 250%	2,833	600	5,775	1,155
Over 250% to 425%	46,493	13,720	1,831	622
Over 425%	36	20	—	—
Total	474,780	20,824	499,104	10,782

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

As of March 31	Millions of yen			
	2008		2007	
Type of original assets	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Residential mortgages	15,872	15,872	11,162	11,162
Consumer loans, installment receivables	1,377	1,377	2,459	3,041
Commercial real estate loans	190	190	3,392	3,392
Corporate loans	18,890	18,890	8,760	8,760
Others	18,990	18,990	25,848	25,848
Total	55,321	55,321	51,624	52,206

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

None.

## 8. MARKET RISK (UNDER INTERNAL MODEL APPROACH)

VaR AT THE END OF MARCH 2007 AND 2008 AND THE HIGH, MEAN AND LOW VaR

As of March 31	Millions of yen			
	2008		2007	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
VaR at term end	4,206	3,980	1,980	1,847
VaR through this term				
High	5,131	4,392	2,339	2,076
Mean	2,688	2,352	1,665	1,427
Low	1,517	1,213	909	770

Based on VaR back-testing for fiscal years 2007 and 2006, the trading portfolio experienced no losses that exceeded the specified VaR threshold.

## 9. EQUITY EXPOSURE IN BANKING BOOK

### BOOK VALUE AND FAIR VALUE

- (1) Listed Equity Exposure                    ¥7,941 million (as of March 31, 2008)  
 (2) Unlisted Equity Exposure                ¥50,191 million (as of March 31, 2008)

## QUANTITATIVE DISCLOSURE (CONTINUED)

### GAIN OR LOSS ON SALE OR DEPRECIATION OF EQUITY EXPOSURE

	Millions of yen			
	FY2007		FY2006	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Gain/Loss on sale	4,241	1,696	7,257	6,337
Loss of depreciation	3,112	2,231	909	824

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

Consolidated	¥(3,157) million (as of March 31, 2008)
Non-consolidated	¥(3,112) million (as of March 31, 2008)

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

	Millions of yen			
	2008		2007	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Equity to subsidiaries and affiliates	—	(25)	—	6,622

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

¥18,951 million (as of March 31, 2008)

### 10. AMOUNT OF REGARDED EXPOSURE UNDER THE ACCORD ARTICLE 167

¥124,331 million (as of March 31, 2008)

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

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

As of March 31	Billions of yen			
	2008		2007	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
JPY	(35.5)	(16.9)	(31.8)	(11.4)
USD	+1.2	+1.2	+1.8	+1.8
Others	+0.6	+0.6	+0.4	+0.4
Total	(33.5)	(14.9)	(29.5)	(9.1)