

Interim Consolidated Balance Sheets (Unaudited)

Shinsei Bank, Limited, and Consolidated Subsidiaries
As of September 30, 2007 and 2006, and March 31, 2007

	Millions of yen			Thousands of U.S. dollars (Note 1)
	Sept. 30, 2007	Sept. 30, 2006	Mar. 31, 2007	Sept. 30, 2007
ASSETS				
Cash and due from banks (Notes 3 and 21)	¥ 394,179	¥ 312,406	¥ 448,554	\$ 3,419,028
Call loans	736,100	20,000	43,100	6,384,769
Collateral related to securities borrowing transactions	74,763	27,215	11,050	648,481
Other monetary claims purchased (Note 4)	445,108	296,955	366,505	3,860,777
Trading assets (Notes 5, 21 and 32)	251,485	423,423	303,389	2,181,334
Monetary assets held in trust (Note 6)	417,655	506,563	502,332	3,622,648
Securities (Notes 7 and 21)	2,368,558	1,771,793	1,854,682	20,544,353
Loans and bills discounted (Notes 8, 21 and 31)	5,456,582	4,781,419	5,146,306	47,329,190
Foreign exchanges (Note 17)	26,798	13,908	15,047	232,447
Other assets (Notes 9, 21 and 32)	1,018,463	844,194	870,375	8,833,926
Premises and equipment (Notes 10 and 29)	372,222	398,152	382,460	3,228,574
Intangible assets (Note 11)	238,816	351,079	244,155	2,071,440
Deferred issuance expenses for debentures	111	115	103	964
Deferred tax assets	38,767	30,805	42,474	336,257
Customers' liabilities for acceptances and guarantees (Notes 20 and 21)	725,545	789,451	754,420	6,293,225
Reserve for credit losses (Note 12)	(141,710)	(133,820)	(147,275)	(1,229,166)
Total assets	¥12,423,448	¥10,433,666	¥10,837,683	\$107,758,247
LIABILITIES AND EQUITY				
Liabilities:				
Deposits, including negotiable certificates of deposit (Notes 13 and 21)	¥ 5,870,638	¥ 4,945,741	¥ 5,420,930	\$ 50,920,621
Debentures (Note 14)	686,588	758,891	703,298	5,955,317
Call money (Note 21)	1,377,475	449,989	692,792	11,947,919
Collateral related to securities lending transactions (Note 21)	285,107	41,407	8,333	2,472,956
Trading liabilities (Notes 15 and 32)	110,599	106,634	99,255	959,315
Borrowed money (Notes 16 and 21)	1,092,738	1,213,998	1,122,688	9,478,170
Foreign exchanges (Note 17)	19	4	118	170
Short-term corporate bonds	115,000	168,700	171,300	997,485
Corporate bonds (Note 18)	432,780	300,627	400,485	3,753,840
Other liabilities (Notes 19 and 32)	766,199	619,725	498,358	6,645,849
Accrued employees' bonuses	8,447	8,059	13,134	73,270
Accrued directors' bonuses	293	103	359	2,545
Reserve for employees' retirement benefits	3,204	3,190	3,521	27,799
Reserve for directors' retirement benefits	47	—	—	412
Reserve for losses on interest repayments	9,496	2,485	10,353	82,370
Reserve under special law	3	2	3	31
Deferred tax liabilities	4,611	13,903	5,075	40,003
Acceptances and guarantees (Notes 20 and 21)	725,545	789,451	754,420	6,293,225
Total liabilities	11,488,798	9,422,915	9,904,430	99,651,297
Equity:				
Capital stock (Notes 23 and 24):				
Common stock	402,853	291,853	291,853	3,494,265
Preferred stock	48,443	159,443	159,443	420,186
Capital surplus	18,558	18,558	18,558	160,971
Stock acquisition rights (Note 24)	877	260	517	7,609
Retained earnings	266,097	414,399	245,499	2,308,070
Unrealized gain (loss) on available-for-sale securities	(3,802)	(556)	5,091	(32,979)
Deferred gain (loss) on derivatives under hedge accounting	(9,537)	(3,944)	(7,744)	(82,725)
Foreign currency translation adjustments	3,605	2,604	2,952	31,276
Treasury stock, at cost (Note 23)	(72,561)	(136,543)	(72,560)	(629,383)
Total	654,534	746,075	643,611	5,677,290
Minority interests in subsidiaries (Note 22)	280,115	264,675	289,642	2,429,660
Total equity	934,650	1,010,750	933,253	8,106,950
Total liabilities and equity	¥12,423,448	¥10,433,666	¥10,837,683	\$107,758,247

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

Interim Consolidated Statements of Operations (Unaudited)

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the six months ended September 30, 2007 and 2006, and the fiscal year ended March 31, 2007

	Millions of yen			Thousands of U.S. dollars (Note 1)
	Sept. 30, 2007 (6 months)	Sept. 30, 2006 (6 months)	Mar. 31, 2007 (1 year)	Sept. 30, 2007 (6 months)
Interest income:				
Interest on loans and bills	¥84,612	¥59,341	¥127,026	\$733,908
Interest and dividends on securities	20,597	16,811	32,309	178,657
Interest on deposits with banks	3,292	1,514	4,284	28,556
Other interest income	2,992	5,278	9,198	25,960
Total interest income	111,494	82,946	172,818	967,081
Interest expenses:				
Interest on deposits, including negotiable certificates of deposit	22,901	13,692	34,341	198,643
Interest and discounts on debentures	1,569	1,556	3,006	13,613
Interest on other borrowings	17,250	5,864	16,964	149,629
Other interest expenses	13,259	10,115	23,009	115,011
Total interest expenses	54,981	31,228	77,322	476,896
Net interest income	56,513	51,717	95,496	490,185
Fees and commissions income	35,164	34,075	70,858	305,010
Fees and commissions expenses	11,974	11,808	24,409	103,868
Net fees and commissions	23,189	22,266	46,449	201,142
Net trading income (Note 25)	7,234	11,272	17,809	62,749
Other business income, net:				
Income on leased assets and installment receivables, net	27,270	25,592	51,123	236,542
Income on monetary assets held in trust, net	12,019	6,271	14,725	104,251
Net gain on foreign exchanges	5,178	6,886	10,423	44,916
Net gain (loss) on securities	(163)	11,048	15,144	(1,417)
Net gain on other monetary claims purchased	11,620	10,351	19,978	100,793
Other, net (Note 26)	(4,256)	(7,038)	(14,772)	(36,922)
Net other business income	51,668	53,111	96,622	448,163
Total revenue	138,606	138,367	256,378	1,202,239
General and administrative expenses:				
Personnel expenses	32,530	32,100	62,701	282,160
Premises expenses	8,672	8,466	17,359	75,222
Technology and data processing expenses	10,120	10,055	20,116	87,780
Advertising expenses	5,033	5,585	10,971	43,658
Consumption and property taxes	4,206	3,865	7,386	36,488
Deposit insurance premium	1,715	1,417	2,835	14,882
Other general and administrative expenses	15,189	14,423	28,862	131,750
General and administrative expenses	77,468	75,913	150,233	671,940
Amortization of goodwill and other intangible assets	6,107	10,541	20,800	52,979
Total general and administrative expenses	83,576	86,454	171,034	724,919
Net business profit	55,030	51,913	85,343	477,320
Net credit costs (Note 27)	30,715	5,235	51,934	266,422
Other gains (losses), net (Note 28)	18,940	606	(99,117)	164,287
Income (loss) before income taxes and minority interests	43,254	47,284	(65,708)	375,185
Income taxes (benefit):				
Current	4,053	1,367	3,249	35,155
Deferred	5,319	(1,209)	(24,615)	46,137
Minority interests in net income of subsidiaries	10,696	8,269	16,643	92,782
Net income (loss)	¥23,186	¥38,857	¥ (60,984)	\$201,111
		Yen		U.S. dollars (Note 1)
Basic net income (loss) per common share (Note 33)	¥15.72	¥27.19	¥(45.92)	\$0.14
Diluted net income per common share (Note 33)	12.72	19.54		0.11

Interim Consolidated Statements of Changes in Equity (Unaudited)

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the six months ended September 30, 2007 and 2006, and the fiscal year ended March 31, 2007

	Millions of yen			Thousands of U.S. dollars (Note 1)
	Sept. 30, 2007 (6 months)	Sept. 30, 2006 (6 months)	Mar. 31, 2007 (1 year)	Sept. 30, 2007 (6 months)
Common stock:				
Balance at beginning of period	¥ 291,853	¥180,853	¥180,853	\$2,531,476
Conversion from preferred stock	111,000	111,000	111,000	962,789
Balance at end of period	402,853	291,853	291,853	3,494,265
Preferred stock:				
Balance at beginning of period	159,443	270,443	270,443	1,382,975
Conversion into common stock	(111,000)	(111,000)	(111,000)	(962,789)
Balance at end of period	48,443	159,443	159,443	420,186
Capital surplus:				
Balance at beginning of period	18,558	18,558	18,558	160,971
Balance at end of period	18,558	18,558	18,558	160,971
Stock acquisition rights:				
Balance at beginning of period	517			4,488
Net change during the period	359	260	517	3,121
Balance at end of period	877	260	517	7,609
Retained earnings:				
Balance at beginning of period	245,499	379,502	379,502	2,129,409
Dividends paid	(2,587)	(3,947)	(7,443)	(22,444)
Net income (loss)	23,186	38,857	(60,984)	201,111
Disposal of treasury stock	—	(13)	(15)	—
Retirement of treasury stock	—	—	(63,963)	—
Other changes by exclusion of affiliates	—	—	(1,595)	—
Changes by inclusion of subsidiaries (former non-consolidated subsidiaries)	(0)	—	—	(6)
Balance at end of period	266,097	414,399	245,499	2,308,070
Unrealized gain (loss) on available-for-sale securities:				
Balance at beginning of period	5,091	2,208	2,208	44,164
Net change during the period	(8,893)	(2,765)	2,882	(77,143)
Balance at end of period	(3,802)	(556)	5,091	(32,979)
Deferred gain (loss) on derivatives under hedge accounting:				
Balance at beginning of period	(7,744)			(67,173)
Net change during the period	(1,792)	(3,944)	(7,744)	(15,552)
Balance at end of period	(9,537)	(3,944)	(7,744)	(82,725)
Foreign currency translation adjustments:				
Balance at beginning of period	2,952	3,781	3,781	25,610
Net change during the period	653	(1,177)	(829)	5,666
Balance at end of period	3,605	2,604	2,952	31,276
Treasury stock, at cost:				
Balance at beginning of period	(72,560)	(12)	(12)	(629,376)
Purchase of treasury stock	(0)	(136,671)	(136,672)	(7)
Disposal of treasury stock	—	140	160	—
Retirement of treasury stock	—	—	63,963	—
Balance at end of period	(72,561)	(136,543)	(72,560)	(629,383)
Minority interests in subsidiaries:				
Balance at beginning of period	289,642			2,512,293
Net change during the period	(9,526)	264,675	289,642	(82,633)
Balance at end of period	280,115	264,675	289,642	2,429,660
Total equity	¥ 934,650	¥1,010,750	¥933,253	\$8,106,950

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

Interim Consolidated Statements of Cash Flows (Unaudited)

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the six months ended September 30, 2007 and 2006, and the fiscal year ended March 31, 2007

	Millions of yen			Thousands of U.S. dollars (Note 1)
	Sept. 30, 2007 (6 months)	Sept. 30, 2006 (6 months)	Mar. 31, 2007 (1 year)	Sept. 30, 2007 (6 months)
Cash flows from operating activities:				
Income (loss) before income taxes and minority interests	¥ 43,254	¥ 47,284	¥ (65,708)	\$ 375,185
Adjustments for:				
Income taxes paid	(1,324)	(3,986)	(5,684)	(11,485)
Depreciation	70,022	72,499	143,567	607,362
Amortization of goodwill and other intangible assets	6,107	10,541	20,800	52,979
Impairment losses on goodwill, other intangible assets and other	—	—	95,691	—
Net change in reserve for credit losses	(4,944)	(11,048)	2,406	(42,890)
Net change in other reserves	(5,734)	(3,468)	9,801	(49,742)
Interest income	(111,494)	(82,946)	(172,818)	(967,081)
Interest expenses	54,981	31,228	77,322	476,897
Investment (gains) losses	(4,177)	(10,755)	(28,583)	(36,234)
Net exchange (gain) loss	11,956	1,481	3,811	103,704
Net change in trading assets	51,903	(229,842)	(109,808)	450,200
Net change in trading liabilities	11,345	(43,356)	(50,735)	98,407
Net change in loans and bills discounted	(307,691)	(693,734)	(1,058,658)	(2,668,847)
Net change in deposits, including negotiable certificates of deposit	448,702	873,982	1,349,171	3,891,946
Net change in debentures	(16,709)	(260,017)	(315,610)	(144,936)
Net change in borrowed money (other than subordinated debt)	(30,150)	46,243	(47,062)	(261,519)
Net change in corporate bonds (other than subordinated corporate bonds)	27,565	6,845	7,141	239,094
Net change in interest-bearing deposits with banks	(43,779)	(26,217)	(28,630)	(379,735)
Net change in call loans, collateral related to securities borrowing transactions and other monetary claims purchased	(829,759)	15,585	(59,502)	(7,197,148)
Net change in call money, collateral related to securities lending transactions, commercial paper and short-term corporate bonds (liabilities)	905,156	496,896	709,226	7,851,127
Net change in foreign exchange assets	(11,751)	(1,768)	(2,907)	(101,928)
Net change in foreign exchange liabilities	(99)	(34)	79	(862)
Interest received	102,723	72,521	166,959	891,003
Interest paid	(61,662)	(24,086)	(78,506)	(534,847)
Net change in securities for trading purposes	437	(37,471)	46,072	3,792
Net change in monetary assets held in trust for trading purposes	70,477	(59,235)	(61,663)	611,310
Net change in leased assets	(46,686)	(77,836)	(121,645)	(404,948)
Other, net	(59,234)	152,347	(7,677)	(513,791)
Total adjustments	226,179	214,367	482,555	1,961,828
Net cash provided by (used in) operating activities	269,434	261,651	416,847	2,337,013
Cash flows from investing activities:				
Purchase of investments	(1,510,443)	(1,216,129)	(2,555,729)	(13,101,250)
Proceeds from sales of investments	323,297	82,890	260,930	2,804,208
Proceeds from maturity of investments	854,063	861,947	1,911,506	7,407,960
Purchase of premises and equipment (other than leased assets)	(2,733)	(2,094)	(3,734)	(23,708)
Proceeds from sales of premises and equipment (other than leased assets)	1,508	6,525	6,616	13,087
Proceeds from sale of subsidiary's stocks	24,999	3,077	3,077	216,838
Payment for acquisition of business	(31,302)	—	—	(271,513)
Other, net	(4,670)	(2,272)	(17,832)	(40,510)
Net cash provided by (used in) investing activities	(345,280)	(266,054)	(395,165)	(2,994,888)
Cash flows from financing activities:				
Proceeds from subordinated debt	—	60,000	62,000	—
Repayment of subordinated debt	—	(98,000)	(98,000)	—
Proceeds from issuance of subordinated corporate bonds	—	—	92,161	—
Payment for redemption of subordinated corporate bonds	(2,308)	(10,945)	(10,945)	(20,026)
Proceeds from minority shareholders of subsidiaries	1,200	0	20,253	10,412
Payment for capital returned to minority shareholders of subsidiaries	(4,227)	(628)	(1,227)	(36,668)
Dividends paid	(2,587)	(3,947)	(7,443)	(22,444)
Dividends paid to minority shareholders of subsidiaries	(13,803)	(8,422)	(11,175)	(119,732)
Purchase of treasury stock	(0)	(136,671)	(136,672)	(7)
Proceeds from sale of treasury stock	—	126	145	—
Net cash provided by (used in) financing activities	(21,728)	(198,486)	(90,903)	(188,465)
Foreign currency translation adjustments on cash and cash equivalents	7	2	1	62
Net change in cash and cash equivalents	(97,567)	(202,887)	(69,220)	(846,278)
Cash and cash equivalents at beginning of period	271,493	340,713	340,713	2,354,873
Cash and cash equivalents at end of period (Note 3)	¥ 173,925	¥ 137,826	¥ 271,493	\$ 1,508,595

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