

Fiscal Year 2005

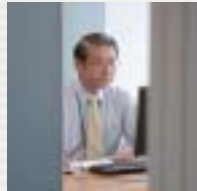
(From April 1, 2005, through March 31, 2006)

2006 ANNUAL REPORT



CORPORATE DATA

Name:	Shinsei Trust & Banking Co., Ltd.
Established:	November 27, 1996
Address:	1-8, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-8501, Japan
Capital:	JPY 5 billion
Number of shares issued:	100,000
Shareholder:	Shinsei Bank, Limited (100%)
Stockholders' equity:	JPY 7,461 million (an increase of JPY 596 million over the previous fiscal year)
Total assets entrusted:	JPY 4.1 trillion



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FINANCIAL RESULTS

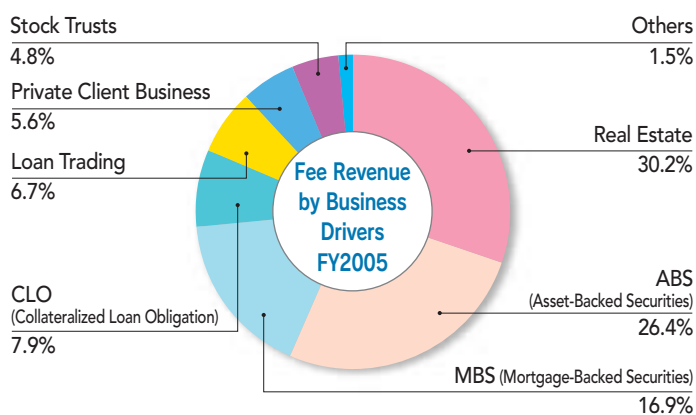
FINANCIAL RESULTS FY2005

JPY MM's

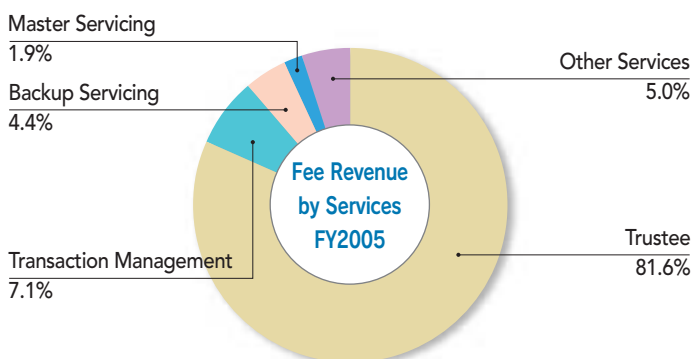
	FY2005	FY2004	FY2003	FY2002	FY2001
Operating Income	4,877	3,997	3,006	1,755	801
Operating Expenses.....	1,799	1,533	1,407	1,244	780
Income (Loss) Before Taxes.....	3,078	2,463	1,625	580	(46)
Return on Revenues	63.1%	61.6%	53.2%	29.1%	2.6%
Return on Equity.....	25.2%	23.6%	14.0%	6.1%	(0.1)%
Capital.....	5,000	5,000	5,000	5,000	5,000
Stockholders' Equity.....	7,461	6,865	6,039	5,715	5,374
Dividends Paid.....	—	1,900	500	—	—
Total Assets Entrusted.....	4,120,485	5,357,151	4,805,518	4,511,406	3,990,318
Directors and Employees.....	70	51	51	42	35

Results Analysis

Operating income and income before taxes for the year ended March 1, 2006, were JPY 4,877 million and JPY 3,078 million, up 22.0% and 24.9%, respectively, over last year. As a result, return on revenues and return on equity increased to 63.1% and 25.2%, respectively.



Fee income as a whole grew, as increases in MBS, Loan Trading and Real Estate more than compensated for decreases in ABS, CLO and Stock Trust. Private Client Business, a new addition to our family of products, also contributed to our growth.



A decrease in ABS transactions resulted in a decline in Transaction Management and Backup Servicing fees as a percentage of total fee income from services, although we recorded an increase from Trustee Services.

Financial Results for Fiscal Year 2005

Shinsei Trust has focused on enhancing staff and marketing in growth areas of the business, on providing flexible value-added trust services to meet ever-changing customer needs and on strengthening existing business relationships while developing new relationships. As a result, we were able to achieve increased revenues and income during fiscal year 2005. Operating income, income before taxes and net income increased 22.0%, 24.9% and 18.6%, respectively.

The Role of Shinsei Trust

Recent years have seen the trust sector of financial services expanding and developing substantially. The trust law and other related statutes are expected to be revised in the near future to accommodate the expansion of trust assets and trust entities. We are confident that trust services will play an increasingly important role among the competing financial services in Japan.

Shinsei Trust, as a member of the Shinsei Bank Group, will continue to offer premium trust services solutions to its customers. Shinsei Trust and the Shinsei Bank Group operate with a vision to be the preeminent financial services firm in Japan.

Enhancing Expertise

Our prime objective is to support our customers by providing solutions that match their specific needs. We have taken concrete measures to enhance our due diligence and assessment procedures as well as to reinforce our transaction management capabilities in order to fulfill our obligations as trustee throughout our involvement with our valued customers from the commencement of the trust to the termination of our trust agreement. Moreover, we will devote greater resources to improve our system capabilities for speedier and reliable trust operations.

Corporate Governance

Shinsei Trust reaffirms its commitment to high standards of compliance and corporate governance as the cornerstone of trust it enjoys with its customers. We consider the highest standards of integrity and transparency indispensable as we move forward to reinforce our compliance and corporate governance structures. For instance, we have established a new internal audit function under the Board of Auditors in addition to our existing three auditors, including two newly appointed and highly experienced outside auditors, in an effort to enhance the transparency of our business operations.



In Closing

Shinsei Trust was subject to administrative actions by the Financial Services Agency (FSA) on April 26, 2006, under Article 26 (1) of the Banking Law and Article 8 (2) of the Law for Trust Business of Financial Institutions and was suspended from engaging in new real estate entrustments for one year until May 10, 2007.

Shinsei Trust takes this matter very seriously. We wish to express our contrition to our customers. Based on our business improvement plan submitted to the FSA, we will take the necessary steps to enhance our corporate governance and compliance. We pledge to rebuild ourselves as a trust bank and to emerge worthy of your trust.

We look forward to your continued support and guidance.

Tadao Toyofuku, President

July 1, 2006

Corporate Governance and Management

Under a totally new management team, we have pledged to address our organizational, structural and business process issues to ensure compliance with the law. We will also install proper safeguards so that internal checks and control by board members and auditors are maintained. For corporate governance, we have enhanced the oversight function of our Board of Directors. Our auditing function has improved significantly with the creation of a new Internal Audit Division, which will work in close liaison with the Board of Auditors.

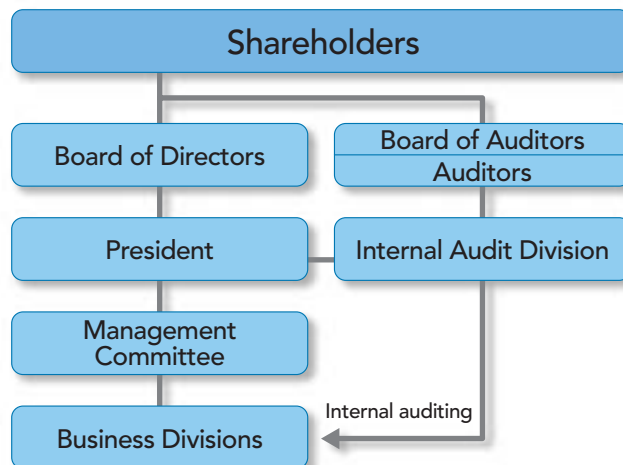
Our Management Committee, consisting of in-house board members and division heads, deliberates on key issues related to the management of Shinsei Trust. The committee will be positioned as an advisory body to the president and will consist of in-house board members, thereby ensuring that responsibility for key decisions rests squarely on the president and in-house board members.

Our Internal Audit Division will function separately from our Compliance Division to ensure objectivity and independence. It will be charged with the responsibility of fully comprehending and reviewing the nature of our business, our operations and our internal controls and for developing and implementing a new internal audit procedure. We believe that this can be best achieved in cooperation with the Board of Auditors and the Audit Division of Shinsei Bank.

Compliance

We believe that one of the most important challenges for our management team is to make sure that our executives and employees thoroughly comply with laws, regulations and ethical practices.

In response to administrative actions by the FSA, our Compliance Committee, consisting of board members, division heads of Shinsei Trust and relevant division managers from Shinsei Bank, has created and approved a compliance program focused on securing the conditions necessary to achieve full compliance with the law. Specifically, the program calls for establishing trust business policies in the form of rules incorporating the fundamental principles of the Trust Business Law. Based on these rules, the committee will review internal procedures and compliance manuals. Also, compliance awareness will need to be enhanced among all executives and employees through regularly scheduled business seminars and compliance training



(As of July 19, 2006)



programs. Such training programs may include company-wide and new-hire training seminars sponsored by our Compliance Division, but may also include training sessions in cooperation with Shinsei Bank by external instructors, which may feature sessions covering topics such as revisions in related laws and regulations. We also plan to encourage seminars sponsored at the divisional level within the trust bank. The Compliance Committee will also work on skill enhancement and information sharing for executives and employees by having them participate in external training sessions.

Risk Management

We have recently established a separate Risk Management Division with the intention of analyzing and managing the risks inherent in our business.

To gain a total picture of company risks and to proactively manage these risks, we have established what we call the Fundamental Policies for Risk Management, which defines a basic understanding of each type of risk and fundamental policies for risk management. Going forward, we will define a risk control framework pursuant to a review of our practices. We also envision that our risk assessment methods will evolve over time, and consequently a mechanism will be installed to ensure our risk management organization remains both relevant and efficient.

Moreover, we will establish relevant rules and ensure that all executives and employees are fully informed and aware of such rules.

Risks that financial institutions may face vary and include credit risk, market risk, liquidity risk, clerical risk, systems risk, compliance risk, legal and regulatory risk, and reputational risk. As an institution specializing in the securitization business, we recognize that three major risks related to our business are operational risk (which includes clerical risk, systems risk and compliance risk), legal and regulatory risk, and reputational risk.

We have a Transaction Acceptance Committee, consisting of in-house board members and division heads, which deliberates and assesses such risks before accepting any transactions. We have also established a Transaction Surveillance Division to enhance our risk assessment of transactions, new products, and new business opportunities. Moreover, we have been working toward improving our transaction management capability to ensure the better management of risks associated with assets under entrustment.

Type of Risk	How to Minimize Risk
Operational Risk	<ul style="list-style-type: none"> ■ Establish rules that define authority and responsibilities ■ Install cutting-edge systems technology ■ Conduct business under the principle of Segregation of Duties and Mutual Checks and Balances ■ Review business operations through monthly self-inspection ■ Staff training ■ Minimize the possibility of information leaks, etc., by enhancing security management measures* ■ Conduct systems risk reviews ■ Build data backup systems ■ Establish contingency plans for coping with systems failures and disasters ■ Ensure appropriate staffing ■ Enhance systems controls*
Legal and Regulatory Risk	<ul style="list-style-type: none"> ■ Coordinate with legal counsel ■ Ensure that all new transactions are reviewed by the Transaction Acceptance Committee ■ Conduct appropriate due diligence of sponsor/trustor* ■ Maintain communications with regulatory authorities ■ Establish legal and regulatory guidelines
Reputational Risk	<ul style="list-style-type: none"> ■ Observe procedures governing transaction approvals by the Transaction Acceptance Committee ■ Observe "Know Your Customer" due diligence procedures

*Pursuant to revisions of the Trust Law and the Law for Trust Business of Financial Institutions and the enactment of the Personal Information Protection Law.

Our Business

Shinsei Trust provides services and solutions targeted at investors, issuers, originators and intermediaries (arrangers and law firms) in the structured finance and securities markets.

Shinsei Trust's focus for the past four years has included

- Asset-backed securities
- Mortgage-backed securities
- Real estate transactions

Our Position in the Securitization Market

Asset securitization trust is a category of trust assets that includes most structured finance transactions that utilize the trust scheme. In a broad sense, it means the "sale or transfer of assets."

According to the Trust Companies Association of Japan, trust assets that fall in the securitization category totaled JPY 19.8 trillion for the year ended March 31, 2002, but this figure increased approximately 2.7 times to JPY 53.5 trillion for the year ended March 31, 2006. Among these trust assets, monetary claims trusts and real estate trusts were

JPY 34.3 trillion (64% of securitization trusts) and JPY 18.7 trillion (35% of securitization trusts), respectively, for the year ended March 31, 2006. These two asset classes account for 99% of the asset securitization trust market.

As described earlier, Shinsei Trust conducts business specialized in the structured finance market. Because there are no benchmarks available, it is impossible to clearly confirm our position in the Japanese market, but our market share is estimated at approximately 8% based on the asset securitization trust balances of the Trust Companies Association.

Diversification of the Market

As mentioned in previous annual reports, Shinsei Trust commenced a reorganization plan in 2001 to expand services to customers, diversify revenue sources and differentiate itself from other trust banks in Japan.

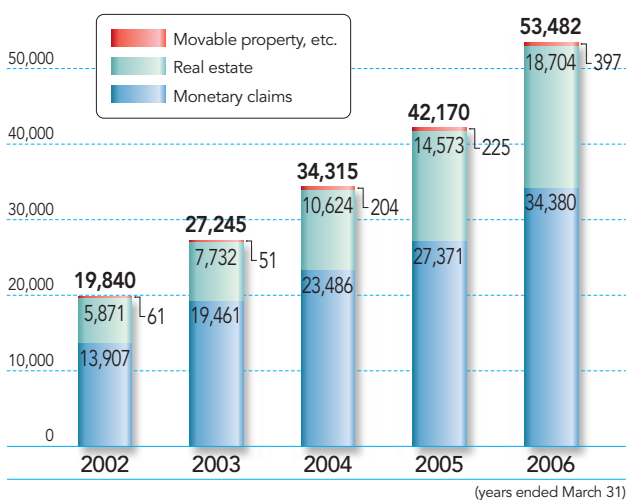
The four major activities of our trust business model are trust acceptance, transaction management, master servicing and support for investors and issuers. Our services support customers' financial structuring and cash flow for transactions varying from the simple to the complex. Our reporting and independent analysis are a unique service that provides investors with comprehensive and reliable information prepared by processing raw data from originators.

Asset Securitization Trust Balances

(billions of yen)

60,000

Source: Trust Companies Association



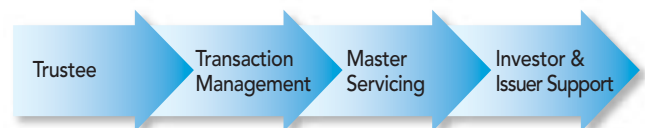
Asset securitization trust balances of Shinsei Trust

(as of March 31, 2006)

(billions of yen)

Monetary claims	Real estate	Movable property, etc.	Total
3,050	519	—	3,569

Our Services





Our Customers

As mentioned at the beginning of this report, we are accepting an increasing number of transactions from customers outside the Shinsei Bank Group. These customers include real estate companies, investment banks, commercial banks, specialized financial institutions and high net worth individual clients.

For any kind of new business, the most important factor in our marketing activities is gaining customer confidence. To build such confidence requires time, effort and a stable reputation. We believe the fact that most of our customers use our services repeatedly means that our business model and group of experts have been favorably evaluated by a growing number of trust market participants.



CORE SERVICES

The following are our service offerings, which can be utilized, individually or in combination, for most kinds of transactions and assets.

Trustee

- Receive legal ownership of entrusted assets
- Provide appropriate category of trust accounts
- Perform periodic trust accounting and reporting, including balance sheet and profit and loss statements
- Complete regulatory filing and reporting
- Perform necessary asset trust management

Master Servicing and Investor and Issuer Support

- Design and develop originator- and transaction-specific models
- Test and validate asset eligibility
- Manage and aggregate originator data
- Mine and test data in detail



- Provide servicer reporting
- Provide advanced investor reporting
- Analyze and benchmark transaction performance



Transaction Manager

- Develop transaction cash flow and monitoring models
- Perform cash flow calculations
- Monitor and supervise transaction performance
- Distribute payments to investors
- Report details of transaction activity
- Offer calculation agency and cash management services

Backup Servicing

- Take over servicing in the event of servicer default
- Provide solutions for multiple asset classes through cooperative backup servicing alliances with major asset servicers
- Use standardized documents to cover all aspects of backup servicing activities
- Cover the following levels of backup servicing:
 - "Cold": minimal preparation
 - "Warm": due diligence, servicer transfer planning
 - "Hot": full parallel running of servicing data

OVERVIEW FOR THE TERM ENDED MARCH 2006

Economic and Financial Environment

Since 2002, the Japanese economy has witnessed a recovery driven by strong exports, solid personal consumption and robust capital investment. Although the economy faced a temporary downturn in the second half of 2004 because of an inventory adjustment mainly in the IT and digital industries, the major drivers up to then, the economy has been on a slow recovery path since the second half of 2005 with exports and manufacturing taking a favorable turn. This modest recovery is expected to continue, led by private-sector demand, with the corporate

sector increasing capital investments, and increases in employment and income leading to growth in personal consumption.

Interest rates in the financial markets have shown an upward trend due primarily to the economic recovery and expectations for the discontinuation of quantitative monetary easing. The Nikkei Stock Average, which dropped below JPY 12,000 during the first half of 2005, rose above JPY 17,000 later in the year in step with the recovery of the economy.

PROGRESS AND RESULTS OF OPERATIONS

Against this backdrop, Shinsei Trust steadily expanded the number of entrustments accepted from customers both within and outside the Shinsei Bank Group as it increased staffing and boosted sales in targeted growth areas. As customers' fund procurement needs continued to change, we enhanced existing relationships and succeeded in developing new relationships with customers by providing flexible value-added trust services. While some of our volume business contracts expired, we were successful in new business procurement, including the securitization of mortgage loans. The following are the results of our operations for the year.

Trust Business

Composite trusts stood at JPY 2,797.3 billion at the end of the term, an increase of JPY 249.1 billion over the previous fiscal year. Real estate trusts grew JPY 100.0 billion to JPY 529.1 billion. Money claim trusts decreased JPY 31.6 billion to JPY 89.4 billion. Specified pecuniary trusts other than money trusts decreased JPY 1,554.2 billion during the year to JPY 704.5 billion. As a result, entrusted assets decreased JPY 1,236.6 billion to total JPY 4,120.4 billion at the end of the term.

Banking Business

Total assets increased JPY 3,213 million, reaching JPY 51,349 million at the end of the term, mainly attributable to a rise in cash and due to trust account. The balance of securities amounted to JPY 5,414 million thanks to our effective management efforts under the current low interest rate environment, with our emphasis on profitability and soundness, and to our appropriate management of liquidity risk.

Profits

During the period under review, we focused on the real estate trust and composite trust ends of our business to build up our trust assets and on the delivery of a wide range of trust services. Trust fees amounted to JPY 3,948 million, and other fees stood at JPY 915 million. Moreover, our efforts to efficiently manage funds despite low interest rates produced JPY 13 million in interest income from fund management. As a result, operating income reached JPY 4,877 million. Operating expenses were JPY 1,799 million, mainly comprising of JPY 1,292 million in general and administrative expenses and JPY 502 million in fees and commissions expenses. This resulted in net operating income of JPY 3,078 million, income before taxes of JPY 3,078 million and net income of JPY 1,810 million.

KEY PERFORMANCE INDICATORS

Millions of Yen (Excluding Per-Share Figures)

Years Ended March 31	2006	2005	2004	2003	2002
Operating Income (keijo shueki)	4,877	3,997	3,006	1,755	801
Net Business Profit (gyomu juneki)	3,081	2,460	1,609	510	16
Net Operating Income (keijo rieki)	3,078	2,463	1,598	510	21
Net Income (loss).....	1,810	1,525	824	337	(6)
Capital Stock	5,000	5,000	5,000	5,000	5,000
Number of Shares Outstanding (thousands)...	100	100	100	100	100
Stockholders' Equity	7,461	6,865	6,039	5,715	5,374
Total Assets	51,349	48,136	22,501	14,325	57,780
Deposits	—	—	—	—	—
Loans	—	—	—	—	—
Securities	5,414	4,045	5,252	5,050	4,727
Non-Consolidated Capital Adequacy Ratio... (Domestic Criteria)	69.55%	56.77%	129.18%	197.44%	46.85%
Stockholders' Equity per Share (yen)	74,619.03	68,658.04	60,394.56	57,153.97	53,740.66
Dividends per Share (yen)	—	19,000	5,000	—	—
Interim Dividends per Share (yen)	—	7,000	5,000	—	—
Dividends Payout Rate	—	124.56%	60.66%	—	—
Net Income (loss) per Share (yen)	18,103.08	15,253.67	8,241.84	3,371.11	(60.37)
Ratio of Operating Expenses to Operating Income ...	36.88%	38.36%	46.82%	70.91%	97.35%
Number of Employees	62	44	45	36	28
Trust Fees	3,948	3,041	2,166	1,290	678
Balance of Loans in Trust Account.....	—	—	—	—	—
Balance of Securities in Trust Account.....	115,488	1,753,278	1,967,425	2,064,907	2,150,875
Total Trust Assets	4,120,485	5,357,151	4,805,518	4,511,406	3,990,318

Note: Ratio of Operating Expenses to Operating Income = Operating Expenses / Operating Income x 100

MAJOR TRUST BUSINESSES

Pecuniary Trusts

These are trusts in which we, as trustee, are entrusted with cash and invest it in securities such as stocks and bonds.

There are two types of pecuniary trusts: "money trusts," in which the trust assets are delivered in cash to the beneficiary at the end of the trust, and "pecuniary trusts other than money trusts," in which the trust assets can be delivered in-kind as well as in cash.

We handle "specified money trusts" and "specified pecuniary trusts other than money trusts," in which the trustor specifies how to invest trust assets. With these types of trusts, we purchase, manage and collect marketable securities, etc., as specified by the trustors and report their performance to the trustors.

Securities Trusts

Securities trusts are trusts in which customers, as trustors, entrust us with their marketable securities for the purposes of management, investment and disposal. We, as trustee, take care of the securities, including the collection and management of interest, dividends and redemptions, and lend them to third parties.

Money Claim Trusts

Money claim trusts are trusts in which customers entrust us with their monetary claims as trust assets. We, as trustee, collect the monetary claims in the capacity of creditor and deliver the collected monies to the beneficiaries.

Money claims include loans, lease credit, trade receivable, bills receivable and others.

Real Estate Trusts (Entrustment of land and associated fixtures)

Real estate trusts are trusts in which customers entrust us with real estate (land and associated fixtures). We, as trustee, manage the real estate and deliver the operating revenues to the beneficiaries.

Composite Trusts (Entrustment of two or more assets of different types)

Composite trusts are trusts in which customers, as trustors, entrust us with two or more assets of different types in a single trust transaction. Depending on the needs of customers, such entrusted assets may consist, for example, monetary claims and securities holdings plus cash.

STATEMENTS OF INCOME

Millions of Yen

Years Ended March 31	2006	2005
Operating Income (keijo shueki)	4,877	3,997
Trust Fees	3,948	3,041
Interest Income	13	19
Interest and Dividends on Securities	12	18
Interest on Deposits with Banks	1	1
Fees and Commissions	915	933
Other Fees and Commissions	915	933
Other Income	0	3
Other Income	0	3
Operating Expenses	1,799	1,533
Interest Expenses	1	1
Other Interest Expenses	1	1
Fees and Commissions	502	422
Remittance Fees	2	1
Other Fees and Commissions	499	421
General and Administrative Expenses	1,292	1,109
Other Expenses	3	0
Other Expenses	3	0
Net Operating Income (keijo rieki)	3,078	2,463
Income before Income Taxes	3,078	2,463
Income Taxes Expense—Current	1,483	1,035
Income Taxes Benefit—Deferred	(215)	(97)
Net Income	1,810	1,525
Retained Earning at Beginning of Year	183	937
Interim Dividends Paid	—	700
Transfer to Legal Reserve	—	140
Unappropriated Net Income	1,993	1,623

Notes to the Statement of Income (for year ended March 31, 2006)

1. Total amount of gross income from controlling shareholder: ¥417 million
2. Total amount of expenses to controlling shareholder: ¥90 million
3. Net Income per Share: ¥18,103.08

STATEMENTS OF RETAINED EARNINGS

Millions of Yen

Years Ended March 31 (Date of Approval at the General Meeting of Stockholders)	2006 (June 26, 2006)	2005 (June 21, 2005)
Unappropriated Net Income for the Term	1,993	1,623
Appropriation	—	1,440
Transfer to Legal Reserve	—	240
Dividends Paid (on Common Stock)	(—)	(¥12,000 per share) 1,200
Retained Earning Carried Forward	1,993	183

STATEMENTS OF CASH FLOWS

Millions of Yen

Years Ended March 31	2006	2005
I. Cash Flows from Operating Activities:		
Income before Income Taxes.....	3,078	2,463
Depreciation	55	8
Increase in Reserve for Bonuses.....	(41)	(14)
Increase in Reserve for Retirement Benefits	7	6
Interest Income.....	(13)	(19)
Interest Expenses	1	1
Gain (loss) on Securities	1	3
Net Increase (decrease) in Due to Trust Account.....	936	24,422
Interest Received.....	14	21
Interest Paid.....	(1)	(1)
Others, Net.....	333	51
Subtotal	4,372	26,944
Income Taxes Paid	(1,051)	(861)
Net Cash Provided by (used in) Operating Activities	3,320	26,082
II. Cash Flows from Investing Activities:		
Purchases of Securities.....	(3,596)	(1,305)
Proceeds from Redemption of Securities	2,201	2,510
Purchases of Premises and Equipment.....	(8)	(15)
Net Cash Provided by (used in) Investing Activities	(1,402)	1,189
III. Cash Flows from Financing Activities:		
Proceeds from Issuance and Subscription of Shares	—	—
Dividends Paid	(1,200)	(700)
Net Cash Provided by (used in) Financing Activities	(1,200)	(700)
IV. Calculation Adjustments to Cash and Cash Equivalents	—	—
V. Net Increase (decrease) in Cash and Cash Equivalents	718	26,571
VI. Cash and Cash Equivalents at Beginning of Year	43,090	16,518
VII. Cash and Cash Equivalents at End of Year	43,808	43,090

Notes to the Statement of Cash Flows (for year ended March 31, 2006)

- The range of funds covered in the Statement of Cash Flows are due from the Bank of Japan and ordinary deposits with financial institutions within the due from banks on the balance sheet.
- Reconciliation of cash and due from banks on the balance sheet to cash and cash equivalents at the fiscal year-end is as follows:

Cash and due from banks	¥44,251 million
Time deposits	¥ (442 million)
Cash and cash equivalents	¥43,808 million

STATEMENTS OF TRUST ACCOUNT

Years Ended March 31	2006	2005	Years Ended March 31	2006	2005
Assets			Liabilities		
Securities	115,488	1,753,278	Pecuniary Trusts other		
Money Held in Trust.....	119,503	72,090	than Money Trusts.....	704,514	2,258,751
Money Claims.....	2,949,216	2,733,429	Money Claim Trusts	89,456	121,108
Premises and Equipment	492,704	406,570	Land and Fixtures Trusts	529,145	429,090
Superficies	10,546	4,030	Composite Trusts	2,797,367	2,548,201
Right of Land Lease.....	957	957			
Other Claims	239,295	158,675			
Loans to Banking Account	40,448	39,511			
Cash and Due from Banks.....	152,324	188,608			
Total	4,120,485	5,357,151	Total	4,120,485	5,357,151

Note: The Bank has no jointly operated trusts or entrusted assets of other financial institutions. The Bank does not have a balance in trust with principal guarantee provisions (including accounts re-entrusted for asset management).

OVERVIEW OF OPERATIONS

The Bank is not engaged in international operations.
The figures shown below are for domestic business units.

INCOME AND EXPENSE

Millions of Yen

Years Ended March 31	2006	2005
Gross Business Profit (gyomu sorieki).....	4,374	3,570
General and Administrative Expenses.....	1,292	1,109
Net Business Profit (gyomu juneki).....	3,081	2,460
Noncurrent Income (Expenses).....	(3)	3
Net Operating Income (keijo rieki).....	3,078	2,463
Income before Income Taxes.....	3,078	2,463
Income Taxes Expense—Current (corporation, inhabitants and enterprise).....	1,483	1,035
Income Taxes Benefit—Deferred.....	(215)	(97)
Net Income.....	1,810	1,525

GROSS BUSINESS PROFIT

Millions of Yen

Years Ended March 31	2006	2005
Interest Income and Expenses.....	12	18
Interest Income.....	13	19
Interest Expenses.....	1	1
Fees and Commissions.....	4,361	3,551
Fees and Commissions Earned.....	4,863	3,974
Fees and Commissions Paid.....	502	422
Trading Income and Expenses.....	—	—
Trading Income.....	—	—
Trading Expenses.....	—	—
Other Operating Income and Expenses.....	—	—
Other Operating Income.....	—	—
Other Operating Expenses.....	—	—
Gross Business Profit.....	4,374	3,570
Gross Business Profit Margin.....	3.27%	2.66%

Notes: 1. Fees and commissions earned includes trust fees.

2. Gross Business Profit Margin = Gross Business Profit / Average Balance of Invested Fund x 100

AVERAGE BALANCE, INTEREST, YIELD AND SPREAD OF INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES

Millions of Yen

Years Ended March 31	2006			2005		
	Average Balance	Interest	Yield (%)	Average Balance	Interest	Yield (%)
Interest-Earning Assets.....	133,489	13	0.01	134,146	19	0.01
Securities.....	5,079	12	0.24	5,030	18	0.36
Due from Banks.....	128,409	1	0.00	129,116	1	0.00
Interest-Bearing Liabilities.....	128,288	1	0.00	128,697	1	0.00
Net Interest Margin and Gross Spread.....	NA	12	0.00	NA	18	0.01

ANALYSIS OF INTEREST INCOME AND EXPENSES

Millions of Yen

Years Ended March 31	2006			2005		
	Change due to Balance	Change due to Interest Rates	Net Change	Change due to Balance	Change due to Interest Rates	Net Change
Interest Income.....	(0)	(5)	(5)	7	(10)	(2)
Interest Expenses.....	(0)	(0)	(0)	0	(0)	0

Note: Changes attributable to both balance and interest rates are accounted for as change due to interest rates.

FEES AND COMMISSIONS

Millions of Yen

Years Ended March 31	2006	2005
Fees and Commissions Earned	4,863	3,974
Trust Fees	3,948	3,041
Fees and Commissions Paid	502	422
Remittance Fees.....	2	1

PROFIT MARGINS

Percent (%)

Years Ended March 31	2006	2005
Net Operating Income (keijo rieki) as a Percentage of Total Assets	2.24	1.80
Net Operating Income (keijo rieki) as a Percentage of Stockholders' Equity	42.97	38.18
Net Income (Loss) as a Percentage of Total Assets	1.32	1.12
Net Income (Loss) as a Percentage of Stockholders' Equity	25.27	23.63

Notes: 1. Net Operating Income (Net Income) as a Percentage of Total Assets = Net Operating Income (Net Income) / Average Balance of Total Assets X 100

2. Net Operating Income (Net Income) as a Percentage of Stockholders' Equity = Net Operating Income (Net Income) / Average Balance of Stockholders' Equity X 100

GENERAL AND ADMINISTRATIVE EXPENSES BREAKDOWN

Millions of Yen

Years Ended March 31	2006	2005
Wages and Allowances	525	457
Provision for Reserve for Bonuses	119	160
Charges for Seconded Employee Retirement Allowance.....	39	45
Retirement Benefit Expenses	7	6
Welfare Expenses	96	51
Depreciation	55	8
Rent on Premises and Equipment	87	67
Repairs and Maintenance Expenses	27	23
Supplies Expenses	13	16
Utilities Expenses	9	5
Traveling Expenses	3	1
Communication Expenses.....	5	5
Publicity and Advertising Expenses.....	10	9
Membership, Entertainment Expenses, and Charitable Contributions	10	12
Taxes and Duties	34	28
Others	245	209
Total	1,292	1,109

RESERVE FOR LOAN LOSSES

Millions of Yen

Years Ended March 31	2006				2005			
	Start of Term Balance	Increase during Term	Decrease during Term	End of Term Balance	Start of Term Balance	Increase during Term	Decrease during Term	End of Term Balance
General Reserve.....	—	—	—	—	—	—	—	—
Specific Reserve.....	—	—	—	—	—	—	—	—
Reserve for Loans to Restructuring Countries ...	—	—	—	—	—	—	—	—
Total.....	—	—	—	—	—	—	—	—

SECURITIES

Term-End Balance of Securities

Millions of Yen

Years Ended March 31	2006	2005
Japanese Government Bonds.....	4,119	1,042
Corporate Bonds.....	1,294	3,003
Total.....	5,414	4,045

Average Balance of Securities

Millions of Yen

Years Ended March 31	2006	2005
Japanese Government Bonds.....	2,584	1,041
Corporate Bonds.....	2,495	3,989
Total.....	5,079	5,030

Note: The Bank has no positions in Japanese municipal bonds, Japanese equity securities, foreign bonds, foreign equity securities, other securities or securities lent.

Balance of Securities by Type and Remaining Maturity

Millions of Yen

Year Ended March 31	2006							
	Less than One Year	1-3 Years	3-5 Years	5-7 Years	7-10 Years	Over 10 Years	Indefinite Maturity	Total
Japanese Government Bonds.....	1,025	3,093	—	—	—	—	—	4,119
Corporate Bonds.....	700	594	—	—	—	—	—	1,294
Total.....	1,726	3,688	—	—	—	—	—	5,414

Millions of Yen

Year Ended March 31	2005							
	Less than One Year	1-3 Years	3-5 Years	5-7 Years	7-10 Years	Over 10 Years	Indefinite Maturity	Total
Japanese Government Bonds.....	502	539	—	—	—	—	—	1,042
Corporate Bonds.....	1,701	1,301	—	—	—	—	—	3,003
Total.....	2,204	1,841	—	—	—	—	—	4,045

Note: The amounts shown above are the estimated redemption value of securities available-for-sale and securities being held to maturity according to each redemption period as indicated in Note 17 on page 10.

ESTIMATED FAIR VALUE OF SECURITIES

Securities Being Held to Maturity with a Fair Value

Millions of Yen

Years Ended March 31	2006					2005				
	Balance Sheet Amount	Estimated Fair Value	Variance	Gross Unrealized Gains	Gross Unrealized Losses	Balance Sheet Amount	Estimated Fair Value	Variance	Gross Unrealized Gains	Gross Unrealized Losses
Japanese Government Bonds.....	25	25	0	0	—	25	26	0	0	—

Note: Estimated Fair Values were calculated based on market prices at the end of the fiscal year.

Securities Available-for-Sale with a Fair Value

Millions of Yen

Years Ended March 31	2006					2005				
	Amortized Cost	Balance Sheet Amount	Revaluation Variance	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost	Balance Sheet Amount	Revaluation Variance	Gross Unrealized Gains	Gross Unrealized Losses
Japanese Government Bonds.....	4,108	4,094	(14)	—	14	1,015	1,016	1	1	—
Corporate Bonds.....	1,300	1,294	(5)	0	5	3,000	3,003	3	3	—
Total.....	5,408	5,389	(19)	0	19	4,015	4,020	4	4	—

Note: Balance sheet amounts were carried at fair value based on market prices at the end of the fiscal year.

The amounts shown above are the fair value and gross unrealized gains or losses of securities being held to maturity and securities available-for-sale with a fair value as indicated in Note 16 on page 10.

CAPITAL ADEQUACY RATIO AND ORGANIZATION

NON-CONSOLIDATED CAPITAL ADEQUACY RATIO (DOMESTIC CRITERIA)

Millions of Yen

Years Ended March 31		2006	2005
Basic Items (Tier I)	Capital Stock.....	5,000	5,000
	Non-cumulative, Perpetual Preferred Stock.....	—	—
	Legal Reserve.....	480	480
	Retained Earning Carried Forward.....	1,993	183
	Net Unrealized Loss on Securities Available-for-Sale	(11)	—
	Total (A)	7,461	5,663
Supplementary Items (Tier II)	Difference in Book Value Arising from Revaluation, after 55% Discount...	—	—
	General Reserve for Loan Loss	—	—
	Subordinated Debt	—	—
	Total	—	—
	Amount Eligible for Inclusion in Capital (B)	—	—
Items to Be Deducted	Amount of Subordinated Debt Held of Other Financial Institutions (C) ...	—	—
Total Capital	(D) = (A) + (B) - (C)	7,461	5,663
Risk Assets	On-Balance Sheet Items.....	10,727	9,975
	Off-Balance Sheet Items.....	—	—
	Total (E).....	10,727	9,975
Non-Consolidated Capital Adequacy Ratio (D) / (E) (%)		69.55%	56.77%

Note: The Bank's capital adequacy ratio is calculated using the method set forth by the Financial Services Agency as specified in Article 14, Paragraph 2, of the Banking Law of Japan.

BOARD OF DIRECTORS (as of July 1, 2006)

Title	Name	
Chairman	Kenji Tozaki	
President	Tadao Toyofuku	
Vice President	Koji Saito	
Director	Takami Nakagawa	General Manager, Compliance & Corporate Affairs
Outside Director	Junji Sugiyama	Chairman of the Board, Shinsei Bank, Limited
Outside Director	Clark Graninger	Executive Vice President, Head of Institutional Banking Group, Shinsei Bank, Limited
Standing Statutory Auditor	Haruhito Kitamura	
Statutory Auditor	Yoshiki Soga	
Statutory Auditor	Makiko Yasuda	

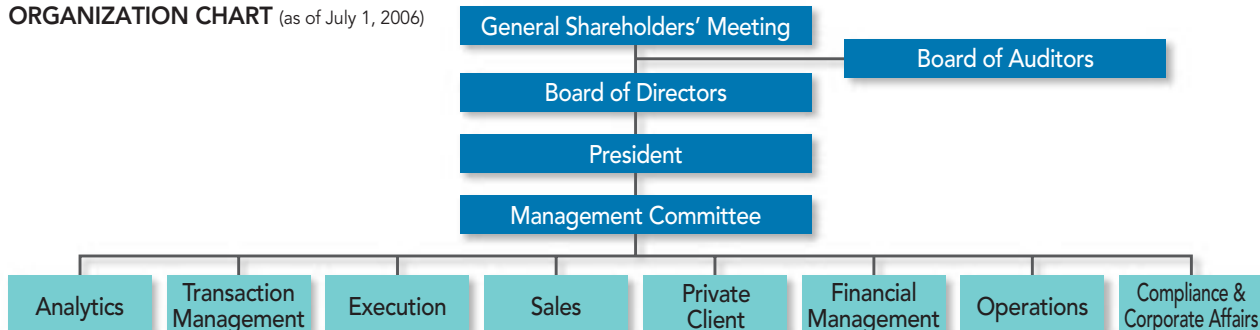
Note: Junji Sugiyama and Clark Graninger are outside directors as stipulated in Article 2-15 of the Corporation Act. Yoshiki Soga and Makiko Yasuda are independent auditors as stipulated in Article 2-16 of the Corporation Act.

EMPLOYEES (as of March 31, 2006)

Number of employees	Male employees	Female employees	Average age	Years employed with Shinsei Trust	Average monthly wages
62	27	35	34	2 1/4	¥535 thousand

Note: Average age, average years employed with Shinsei Trust and average monthly wages have been rounded down. Average monthly wages are those for the month of March, 2006 and include allowances for overtime but exclude bonuses.

ORGANIZATION CHART (as of July 1, 2006)



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II. Disclosure under Financial Function Reconstruction Law Enforcement Regulations

There are no loans or other assets which are subject to asset assessment in accordance with the Financial Function Reconstruction Law Enforcement Regulations.



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