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[TRANSLATION]

**Shinsei Bank, Limited**

**TSE Stock code: 8303**

**Notice of the Annual General Meeting of Shareholders for the 13th Term**

***Date and Time:***

Wednesday, June 19, 2013 at 10:00 a.m.  
(Doors Open at 9:00 a.m.)

***Place:***

Grand Hall  
Nomura Conference Plaza Nihonbashi  
6<sup>th</sup> floor, Nihonbashi Nomura Building  
4-3 Nihonbashi-muromachi 2-chome  
Chuo-ku, Tokyo

***Agenda:***

Election of Six (6) Directors

***Index:***

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## **Instructions on Exercising Voting Rights**

You are sincerely requested to exercise your voting rights in any of the following ways:

### **If you attend the Meeting in person**

Please submit to the receptionist the enclosed Voting Right Exercise Form while indicating your approval or disapproval for the agenda.

*Date and Time: Wednesday, June 19, 2013 at 10:00 a.m. (Doors Open at 9:00 a.m.)*

*Place: Grand Hall, Nomura Conference Plaza Nihonbashi,*

*6<sup>th</sup> floor, Nihonbashi Nomura Building*

*4-3 Nihonbashi-muromachi 2-chome, Chuo-ku, Tokyo (Please refer the map on back)*

### **Exercise of voting rights in writing via Voting Right Exercise Form**

Please indicate your approval or disapproval for the agenda on the Voting Right Exercise Form enclosed herewith and send it back to us (no postage is needed.)

Deadline: Tuesday, June 18, 2013 by 5:00 p.m.

### **Exercise of voting rights by Internet**

Please access to the website for exercising voting rights. (<http://www.web54.net>)

Log on with your "Voting Rights Exercise Code" and password written on the Voting Right Exercise Form enclosed herewith to follow the instruction on the site for approval or disapproval.

Deadline: Tuesday, June 18, 2013 by 5:00 p.m.

Image of QR code
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※You may access via QR code on the right if your cell phone scans bar-code.

("QR code" is a trademark owned by DENSO WAVE, Incorporated.)

## **Matters Determined for Convocation**

### **Voting by proxy**

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If you are not able to attend the meeting, you can designate another shareholder who is also eligible to vote at the meeting to vote on your behalf at the meeting. Please note, however, that a document must be submitted that provides evidence of this power of representation.

### **Method of announcing corrections, if any, of descriptions in the Reference Materials of the General Meeting of Shareholders and the Financial Statements, etc.**

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If it becomes necessary for the Bank to make corrections in the matters to be described in the Reference Materials of the Annual General Meeting of Shareholders, the financial statements (*keisan-shorui*), consolidated financial statements (*renketsu-keisan-shorui*) and business report (*jigyou-houkokusho*) for the period from the date on which the Bank issues this notice of convocation to the day immediately prior to the date of the Annual General Meeting of Shareholders, the Bank will post the corrected matters on its website (<http://www.shinseibank.com>).

### **Treatment of duplicate votes cast by using the Form for Exercising Voting Rights and via Internet**

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If you cast your votes twice by using the Form for Exercising Voting Rights and via Internet, the Bank will consider the vote cast via Internet to be the valid vote.

### **Treatment of duplicate votes cast via Internet**

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If you have cast your votes more than once via Internet, the Bank will consider the vote last cast via Internet to be the valid vote.

### **Treatment of requests for the Form for Exercising Voting Rights, etc. by shareholders who have agreed to receive the notice of convocation by way of electromagnetic means**

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Any shareholder who has agreed to receive the notice of convocation by electromagnetic means, and who wishes to request that the Form for Exercising Voting Rights, etc. be delivered in written form, will be sent these written forms and documents. If any shareholder wishes such treatment, please contact the Web Support, Stock Transfer Agency Department of Sumitomo Mitsui Trust Bank in the “Inquiries concerning Exercising Voting Rights via the Internet” on the next page.

### **Treatment of the voting platform for institutional investors**

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Registered Shareholders, such as trust banks acting as administrators (including standing proxies), can use the voting platform in order to exercise their voting rights by electromagnetic means at the Annual General Meeting of Shareholders of the Bank, provided that each has applied in advance to use the electronic voting platform for institutional investors which is operated by ICJ Inc., the joint venture company formed by the Tokyo Stock Exchange, Inc. and other entities.

**For details on exercising voting rights via Internet, please see the “Procedure for Exercising Voting Rights via Internet” on the next page.**

## **Procedures for Exercising Voting Rights via Internet**

Please take note of the following instructions before exercising voting rights via Internet.

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1. Voting rights can be exercised via Internet only by accessing the following website for exercising voting rights from a personal computer or cell phone.  
Website for exercising voting rights <http://www.web54.net>
2. When exercising voting rights via the Internet, you must enter the “Voting Rights Exercise Code” and “Password”, both of which are contained in the enclosed Form for Exercising Voting Rights. Please follow the instructions on the screen to vote in favor of or against the proposed items.
3. Shareholders may exercise their voting rights via the Internet until 5:00 p.m. on Tuesday, June 18, 2013. However, we urge shareholders to exercise their voting rights at their earliest convenience for the purpose of tallying voting rights.
4. If you have cast your votes twice by using the Form for Exercising Voting Rights and via the Internet, the Bank will consider the vote cast via the Internet to be the valid vote.
5. If you have cast your votes more than once via Internet, the Bank will consider the vote last cast via the Internet to be the valid vote.
6. Any costs incurred to access the website for exercising voting rights, such as Internet connection costs payable to a provider or telecommunication fees (telephone charges, etc.) shall be borne by the shareholder exercising the voting rights.

## **System Environment for Exercising Voting Rights via the Internet**

The following computer system environment is necessary in order to use the website for exercising voting rights.

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1. Ability to access the website via the Internet
2. In order to exercise voting rights using a personal computer, it is necessary to be able to use an Internet browser as well as software such as Internet Explorer 6.0 or higher from Microsoft®. It is necessary to have a hardware environment that allows for the use of the above internet browser and software.
3. In order to exercise voting rights via a cell phone, the cell phone must be a model that allows for 128bitSSL transmissions (encrypted transmissions). (For security purposes, the website is accessible only by models that allow for 128bitSSL transmissions (encrypted transmissions) so that some models, including smartphones, may not be able to access the website.)  
(“Microsoft” is a trademark owned by the Microsoft Corporation in the United States and other countries.)

## **Inquiries concerning Exercising Voting Rights via the Internet**

Please contact the following.

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Shareholder List Administrator:

Web Support, Stock Transfer Agency Department, Sumitomo Mitsui Trust Bank, Limited.

Hotline 0120-652-031 (available from 9 a.m. to 9 p.m.)

Other inquires 0120-782-031 (available from 9 a.m. to 5 p.m., except Saturdays, Sundays, and Holidays)

In case that you have an account at a securities company, please consult them directly.

END

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[TRANSLATION]

TSE Stock code: 8303  
May 29, 2013  
4-3 Nihonbashi-muromachi 2-chome, Chuo-ku, Tokyo  
Shinsei Bank, Limited

### **Notice of the Annual General Meeting of Shareholders for the 13th Term**

Dear Shareholders,

We are pleased to invite you to the Annual General Meeting of Shareholders of Shinsei Bank, Limited (“the Bank”) for the 13th term, which will be held as shown below.

If you are not able to attend the meeting in person, we encourage you to examine the accompanying reference materials below and exercise your voting right by either filling out the enclosed Form for Exercising Voting Rights and returning it to the Bank or by an electromagnetic method using the Internet, etc. In either case, please read the "Instructions on Exercising Voting Rights, etc." carefully and exercise your voting right, using either method, so that your vote is received by 5:00 p.m. on Tuesday, June 18, 2013.

Yours faithfully,

Shigeki Toma  
Representative Director and  
President

*Request:*

*When you attend the meeting in person, please submit the enclosed Form for Exercising Voting Rights to the reception desk at the meeting.*

*Notes:*

*Among the documents to be provided in conjunction with this notice, the notes to the financial statements and the notes to the consolidated financial statements are provided through the Bank's website (<http://www.shinseibank.com>) pursuant to the laws and Article 13 of the Company's Articles of Incorporation, and they are not stated in the documents accompanying this notice. The financial statements and the consolidated financial statements audited by the Office of Statutory Auditors or the Independent Accounting Auditors include the notes to the financial statements and the notes to the consolidated financial statements provided through the Bank's website described above.*

*Please note that this is a translation of the original document, and is provided for reference only. Although this translation is intended to be complete and accurate, the Japanese original shall take precedence over this translation in case of any discrepancies between this translation and the original.*

*If it becomes necessary for the Bank to make corrections to the Reference Materials for the General Meeting of Shareholders, business report, financial statements (keisan-shorui) or consolidated financial statements (renketsu-keisan-shorui), the Bank will post these matters on its website (<http://www.shinseibank.com>).*

*For both domestic and foreign institutional shareholders, we will participate in the ICJ electronic voting platform. This system uses Broadridge's ProxyEdge voting platform to provide users instantaneous access to agenda information, proxy statement details as they are officially released and the ability to immediately vote on proposals.*

*We are planning to disclose the Annual General Meeting of Shareholders for the 13th Term by posting the media file on the Bank's website at a later date for a certain period in order to enable shareholders who were unable to attend the meeting to view the images of the meeting. Images of individual shareholders who attended the meeting will not be shown.*

*As part of efforts to conserve electricity, the air conditioning at the Meeting venue will be set at 28°C and the executives in attendance will be dressed in "Cool Biz" attire. We ask for your understanding in this regard.*

### **Description of the Meeting**

1. ***Date and Time:*** *Wednesday, June 19, 2013 at 10:00 a.m.  
Doors Open at 9:00 a.m.*
2. ***Place:*** *Grand Hall, Nomura Conference Plaza Nihonbashi,  
6<sup>th</sup> floor, Nihonbashi Nomura Building  
4-3 Nihonbashi-muromachi 2-chome, Chuo-ku, Tokyo*
3. ***Purposes:***  
***Matters to be reported:***
  1. *Report on the Business Report, Consolidated Financial Statements and the Results of the Audit of the Consolidated Financial Statements by the Accounting Auditor and the Board of Statutory Auditors for the 13th Term (from April 1, 2012 to March 31, 2013).*
  2. *Report on the Financial Statements for the 13th Term (from April 1, 2012 to March 31, 2013).****Matters to be voted on:***  
***Agenda :*** *Election of Six ( 6 ) Directors*

## Agenda Election of Six (6) Directors

We would like to seek approval to elect six persons as Directors, since all Directors will have completed their terms of office at the end of this Annual General Meeting of Shareholders.

Career summary of the candidates is as follows.

	Name (Date of Birth)	Personal History/Positions and Responsibilities in the Bank and Important Concurrent Posts	Ownership (# of Shares)
1	Shigeki Toma (September 29, 1948)	1972 Y 4 M Joined The Dai-Ichi Kangyo Bank, Ltd. (Predecessor of Mizuho Bank, Ltd. and Mizuho Corporate Bank, Ltd.) 2000 Y 6 M Executive Officer 2001 Y 5 M Managing Executive Officer 2002 Y 4 M Managing Executive Officer, Mizuho Corporate Bank, Ltd. 2002 Y 11 M Executive Vice President and Director, Isuzu Motors Limited 2007 Y 6 M Director 2010 Y 5 M Advisor, Shinsei Bank, Limited 2010 Y 6 M Representative Director, President, CEO (Current)	Common Shares 106,110
2	Yukio Nakamura (September 5, 1954)	1978 Y 4 M Joined The Long-Term Credit Bank of Japan, Ltd. (Predecessor of Shinsei Bank Limited) 2000 Y 10 M General Manager, Risk Management Planning and Policy Division, Portfolio and Risk Management Division 2007 Y 4 M General Manager, Risk Management Planning and Policy Division, Portfolio and Risk Management Division, Operational Risk Management Division 2008 Y 6 M Statutory Executive Officer, Executive Head of Institutional Business Sub-Group 2009 Y 10 M Managing Executive Officer, Executive Head of Institutional Business Sub-Group 2010 Y 6 M Representative Director, Senior Managing Executive Officer, Head of Risk Management Group 2013 Y 4 M Representative Director, Deputy President, Chief of Staff, Head of Corporate Staff Group (Current)	Common Shares 10,688
3	J. Christopher Flowers (October 27, 1957)	1979 Y 3 M Joined Goldman, Sachs & Co. 1988 Y 12 M Partner 2000 Y 3 M Director, Shinsei Bank, Limited (Current) 2002 Y 11 M Managing Director and Chief Executive Officer, J. C. Flowers & Co. LLC (Current) 2007 Y 8 M Member of the Advisory Board, The Kessler Group (Current) 2008 Y 9 M Chairman and Director, Flowers National Bank (Current) 2012 Y 5 M Member of the Supervisory Board, NIBC Holding N.V. (Current)	Common Shares 76,753,748
4	* Ernest M. Higa (October 15, 1952)	1976 Y 4 M Joined Higa Industries Co., Ltd. 1983 Y 4 M President and Chief Executive Officer 2008 Y 4 M Board Member, New Business Conference (Current) 2009 Y 5 M Board of Overseers, The Columbia Business School (Current) 2010 Y 2 M Chairman and Chief Executive Officer, Higa Industries Co., Ltd. (Current) 2010 Y 6 M Director, JC Comsa Corporation (Current) 2011 Y 3 M Chief Executive Officer, Wendy's Japan (Current) 2011 Y 4 M Trustee, Japan Association of Corporate Executives (Current)	Nil
5	Shigeru Kani (September 20, 1943)	1966 Y 4 M Joined The Bank of Japan 1992 Y 5 M Executive Auditor and Senior Advisor to the Chairman, The Tokyo International Financial Futures Exchange (Predecessor of Tokyo Financial Exchange Inc.) 1996 Y 5 M Director, Administration Department, The Bank of Japan 1999 Y 5 M Executive Managing Director, Tokyo Stock Exchange, Inc 2002 Y 4 M Advisor, NEC Corporation 2004 Y 6 M Director, Shinsei Bank, Limited (Current) 2006 Y 4 M Professor, Yokohama College of Commerce (Current)	Common Shares 80,092
6	Jun Makihara (January 15, 1958)	1981 Y 9 M Joined Goldman, Sachs & Co. 1992 Y 11 M Partner 1996 Y 11 M Co-Head of the Equities Division and Co-Branch Manager, Goldman Sachs Japan Ltd. 2000 Y 7 M Chairman of the Board, Neoteny Co., Ltd. (Current) 2005 Y 3 M Director, RHJ International SA (Current) 2006 Y 6 M Director, Monex Group, Inc. (Current) 2011 Y 6 M Director, Shinsei Bank, Limited (Current)	Common Shares 200,000

Notes.

1. \*: Candidate for new Director
2. The responsibilities in Shinsei Bank, Limited (hereinafter, the Bank) of the candidates for Directors who are current Directors are described on page 19 of the Business Report.
3. Special interests between the Bank and a candidate:
  - ① The Bank invests as a limited partner in J.C. Flowers II L.P. and J.C. Flowers III L.P. which are investment funds operated by JCF Associates II Ltd. and JCF Associates III Ltd., respectively, and advised by J.C. Flowers & Co. LLC (JCF), an investment advisory firm founded by Mr. J. Christopher Flowers, who serves as Managing Director and Chief Executive Officer.
  - ② In January 2008, four investment vehicles advised by JCF acquired 358,456 thousand common shares of the Bank through a public tender offer and subsequently subscribed to a primary issue of an additional 117,647 thousand shares to strengthen the capital base of the Bank. In addition, in March 2011, the four investment vehicles and Mr. J. Christopher Flowers acquired in total 172,000 thousand common shares of the Bank through the Bank's international offering of newly issued shares. Mr. J. Christopher Flowers, a Director of the Bank, is the founder and Managing Director of JCF.
  - ③ The Bank has indirectly invested in NIBC Holding N.V. through investment vehicle advised by JCF. NIBC Holding N.V. is indirectly controlled by New NIB limited, 49% of which is owned by Mr. J. Christopher Flowers.No special interests exist between any of the other candidates for Directors and the Bank.

4. The following persons are candidates for Outside Directors:  
Messrs. J. Christopher Flowers, Ernest M. Higa, Shigeru Kani and Jun Makihara

5. Matters concerning candidates for Outside Directors:

***(1) Reasons for nominating each of the candidates for Outside Director***

- ① Mr. J. Christopher Flowers is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management his experience and expertise in banking, finance and the financial services industry as a whole.
- ② Mr. Ernest M. Higa is asked to stand as a candidate for Outside Director in order to reflect in Bank's management his experience and deep insight of business for consumers.
- ③ Mr. Shigeru Kani is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management his discernment in the risk management area and his wide range of knowledge concerning banking operations.
- ④ Mr. Jun Makihara is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management his extensive knowledge of finance and his domestic and international experience.



*(2) Violation of laws or articles of incorporation or other unjust business execution by the relevant joint stock company (kabushiki-kaisha) during the most recent term of office of the Outside Director candidate in the joint stock company, as well as actions actually taken by the Outside Director candidate to prevent recurrence of such violation and subsequent countermeasures taken by him/her.*

None

*(3) If a candidate for Outside Director had been a Statutory Executive Officer, a Director, or an Auditor in other joint stock companies (kabushiki-kaisha) in the last five years, the fact (if any) of violation of laws or articles of incorporation or other unjust business execution by the relevant joint stock company during his/her term of office in the company, as well as actions actually taken by the relevant candidate to prevent a recurrence of this violation and subsequent countermeasures taken by him/her.*

None

*(4) The number of years since candidates for Outside Directors who are currently Outside Directors became Outside Directors:*

- ① As of the end of this General Meeting of Shareholders, Mr. J. Christopher Flowers will have been an Outside Director for twelve years and three months in total.
- ② As of the end of this General Meeting of Shareholders, Mr. Shigeru Kani will have been Outside Directors for nine years.
- ③ As of the end of this General Meeting of Shareholders, Mr. Jun Makihara will have been an Outside Director for two years.

*(5) Overview of the contents of the Agreement for Limitations on Liability concluded with Outside Directors*

Candidates for Outside Directors, namely, Messrs. J. Christopher Flowers, Shigeru Kani, and Jun Makihara have concluded an Agreement for Limitations on Liability with the Bank under Article 427, Paragraph 1 of the Corporation Act. Under this agreement, the Outside Directors' liability for any damage caused through neglect of their duties and responsibilities shall be limited. If the Bank suffers damage as a result of such neglect, the Outside Directors shall be liable up to the lowest maximum liability provided for in Article 425, Paragraph 1 of the Corporation Act, provided that there should be no willful misconduct or gross negligence involved in their duties and responsibilities.

If the above mentioned three candidates are re-elected as Directors, the Bank will continue the said Agreement for Limitations on Liability with them. The candidate for new Outside Director, Mr. Ernest M. Higa, once elected as Director, will conclude with the Bank an Agreement for Limitations on Liability with the same conditions as mentioned above.

6. The Bank has submitted to the Tokyo Stock Exchange, Inc. an “independent director statement” (*dokuritsu-yakuin todokede-sho*) that Outside Directors Shigeru Kani and Jun Makihara are independent directors. The Bank will notify Mr. Ernest M. Higa, once elected as Director, as an independent director (*dokuritsu-yakuin*).

END

(Attachment)

## **Business Report for the 13<sup>th</sup> Fiscal Year** (From April 1, 2012 to March 31, 2013)

### **1. Current State of the Bank**

#### **(1) Business Development and Performance of the Group**

##### *[Principal Business of the Group]*

The Group, which consisted of Shinsei Bank, Limited, 269 subsidiaries (comprising 186 consolidated companies including APLUS FINANCIAL Co., Ltd., Showa Leasing Co., Ltd., Shinsei Financial Co., Ltd. and 83 unconsolidated subsidiaries) and 15 affiliated companies (comprising 15 affiliates accounted for under the equity method including Jih Sun Financial Holding Company, Limited) as of March 31, 2013, provides a wide variety of financial products and services to institutional and individual customers through our Institutional Group, Global Markets Group and Individual Group. These groups consist of business segments which provide their respective financial products and services. Shinsei Bank, Limited, subsidiaries and affiliated companies are related to each segment as follows.

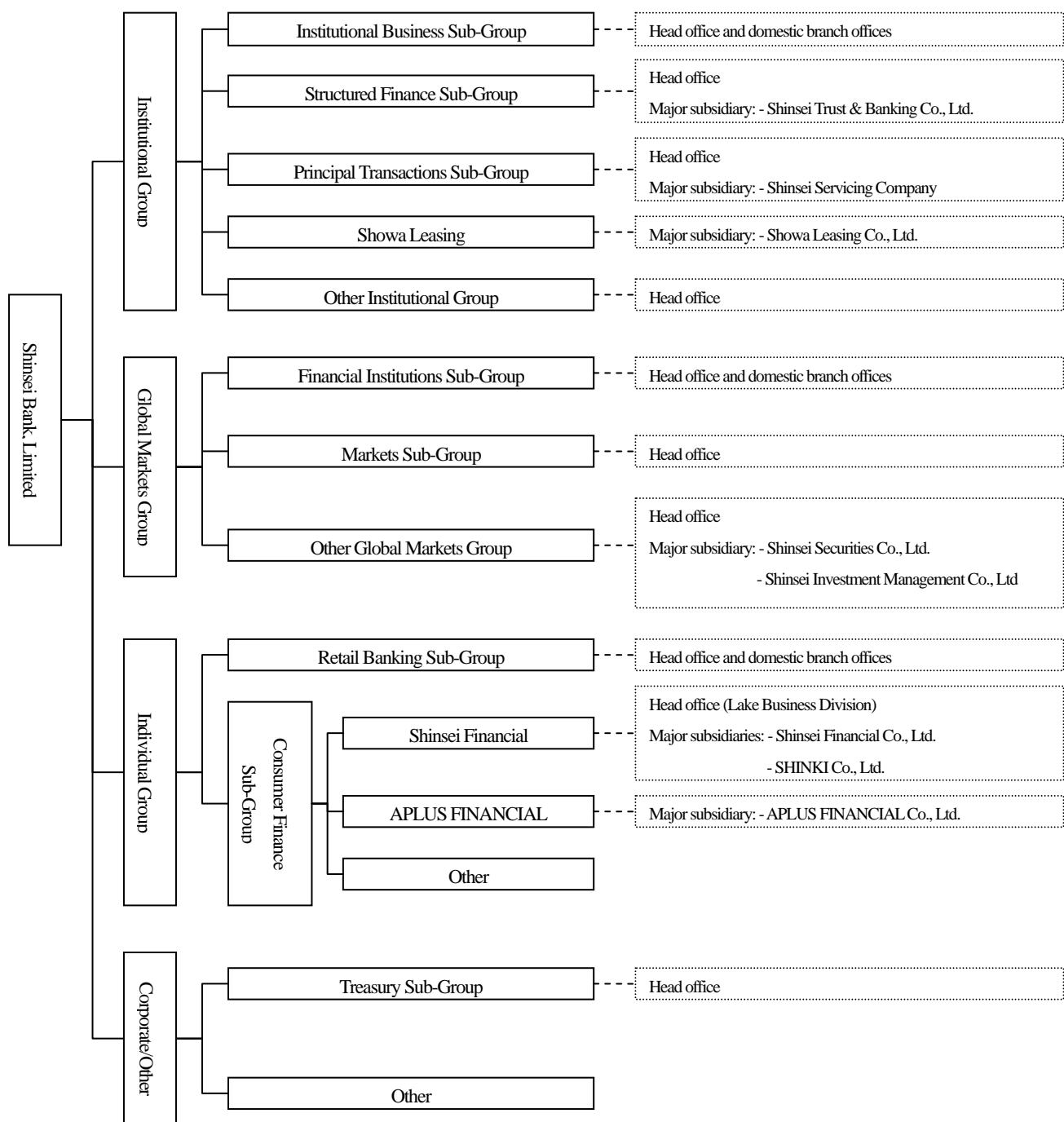
In the Institutional Group, the “Institutional Business Sub-Group” provides financial products, services and advisory services for corporate banking business and public sector finance. The “Structured Finance Sub-Group” provides real estate finance, such as non-recourse loans, financial products and services for the real estate and construction industries, specialty finance, such as M&A finance, and trust business. The “Principal Transactions Sub-Group” provides financial products and services related to credit trading. “Showa Leasing” primarily provides leasing related financial products and services. The “Other Institutional Group” consists of asset-backed investment and other products and services in the Institutional Group.

In the Global Markets Group, the “Financial Institutions Sub-Group” provides financial products and services for financial institutions business. The “Markets Sub-Group” is engaged in foreign exchange, derivatives, equity trading and other capital markets transactions. The “Other Global Markets Group” consists of the business of Shinsei Securities Co., Ltd., asset management, wealth management and other products and services in the Global Markets Group.

In the Individual Group, the “Retail Banking Sub-Group” provides financial products and services for retail banking customers, “Shinsei Financial” which consists of the business of Shinsei Financial Co., Ltd., SHINKI CO., Ltd. and “Shinsei Bank Card Loan - Lake” transferred from Shinsei Financial from October 1, 2011, provides consumer finance, and “APLUS FINANCIAL” provides installment sales credit, credit cards, guarantees and settlement services. The “Other” consists of profit and loss attributable to the Consumer Finance Sub-Group and other subsidiaries. The profit and loss related to “Go Remit Overseas Remittance Service” that transferred from Lloyds TSB Bank plc, and that transfer process was finalized on March 1, 2013, is included in the “Retail Banking Sub-Group”.

In the Corporate / Other, the “Treasury Sub-Group” is engaged in operations ALM and capital fund raising.

The above can be illustrated in a business organization chart as follows.



### ***[Financial and Economic Environment]***

During the fiscal year 2012, the Japanese economy initially showed signs of a gradual recovery, despite the effects of the prolonged strong yen and deflation. However, later in the year, the recovery showed signs of weakness due to the continuing European debt crisis and a worldwide economic slump. In addition to these circumstances, due to the continuous political confusion and the strengthening tendency of worldwide easy money, it became evident that domestic developments in comprehensive social security, tax reform and other economic policies which were tackled by the Noda government and the gradual expansion of monetary easing policies by the Bank of Japan would not be enough to enable economic recovery.

However, the new Abe government, which was formed in December 2012 following a Lower House General Election, has clearly declared its intention to work swiftly to implement aggressive monetary easing measures, dynamic fiscal measures and a growth strategy aimed at stimulating private demand in order to overcome deflation, correct the strong yen trend and revitalize the domestic economy. In response to this and due to the part of the worldwide economic growth, the Japanese economy has again shown positive sign of recovery, including the correction of the strong yen and an increase in stock prices. The recovery is expected to continue steadily, while supported by improved consumer and business sentiment, better export conditions, and governmental and monetary policy. However, the Japanese economic outlook still remains unclear due to the high level of uncertainty in the global economy caused by the ongoing debt crisis in several southern European nations, and the severity of Japan's domestic labor market and income conditions.

Until December 2012, the yen continued to appreciate due to the European debt crisis and the global economic slump. However, the new Abe government's intention to deploy aggressive monetary easing measures and correct the strong yen trend has caused the yen to depreciate from December 2012. At the end of March 2013, the U.S. dollar-Japanese yen exchange rate was approximately ¥94 per USD (approximately ¥11 lower than 12 months earlier) and the euro-Japanese yen exchange rate was approximately ¥121 per EURO (approximately ¥10 lower than 12 months earlier). The interest rate for domestic long-term (10 year) government bond yields was approximately 1.0% at the beginning of the fiscal year, but fell to less than 0.6% by the end of March 2013 due to inflows of capital seeking a safe haven in Japanese government bonds as well as expectations of further monetary easing. The short term interest rate, which was already low, went even lower level during the fourth quarter of the fiscal year. While deepening risk aversion weighed down the Nikkei 225, the index began to rise after the dissolution of the House of Representatives in November 2012. The Nikkei 225 reached ¥12,397.91 at the end of March 2013 (approximately ¥2,310 higher than 12 months earlier).

### ***[Business Development and Performance of the Group in fiscal year 2012]***

Shinsei Bank has strived to improve its efficiency and responsiveness throughout the Group in order to provide a wide range of financial products and services tailored to the needs of its customers. The Institutional Group and the Global Markets Group focus on businesses for institutional customers, and the Individual Group focuses on retail banking and consumer finance operations.

The Bank has formulated its First Medium-Term Management Plan ("the Plan"), which targets the period from fiscal year 2010 to fiscal year 2012, with the basic concepts of "rebuilding our customer franchise in Japan" and "establishing a stabilized earnings base." Fiscal year 2012 was the third year of the Plan. We continued to make progress across all of our businesses towards achievement of the Plan as outlined below, and have achieved most of the goals we set out in the Plan.

#### ***(Institutional Business)***

The Institutional Group, which focuses primarily on the corporate and public sector finance and advisory business, and the Global Markets Group, which concentrates on financial markets business and serving financial institution clients, have been working in close cooperation to proactively promote the institutional business.

The Institutional Group has concentrated on expanding our customer base through initiatives such as approaching potential new borrowers and providing optimal solutions to our corporate and public sector clients, based on their specific characteristics. Since fiscal year 2011, we have put emphasis on customers whose technology or business model holds latent growth potential, development of new business domains, and businesses that will lead to regional revitalization including post-disaster recovery. We have drawn up a new strategy to promote the support of growth industries by providing multi-faceted solutions for management issues, and have promoted the initiative throughout the Institutional Group as a whole. Specifically, we have syndicated project finance for the construction of large-scale solar power plants in the eastern area of Hokkaido, and have promoted the arrangement of business deals in the renewable

energy industry. In the regional revitalization area, we have invested in a fund that aims to develop growth industries, including non-listed companies, in Fukushima prefecture. We also focus on providing assistance to customers planning to enter Asian markets by leveraging business alliances with regional financial institutions. Additionally, we are striving to achieve a leading position in certain industries and sectors, such as healthcare finance, for which there are expectations for social needs or growth potential, while taking measures to strengthen the corporate restructuring business, and are working on deals in both areas. In the healthcare finance sector, we provided non-recourse loans for two privately placed real estate funds for individual investors where healthcare facilities constitute the underlying investment asset, and we will investigate the potential to produce a series of similar funds with the intention of establishing a Japanese healthcare REIT (Real Estate Investment Trust). Furthermore, we continued to strengthen and promote the real estate non-recourse finance, specialty finance including M&A financing, credit trading and advisory businesses. In addition, Showa Leasing Co., Ltd., (“Showa Leasing”), which is positioned within the Institutional Group, worked to strengthen its business base alongside its traditional strengths in providing leasing services to mid-market and SME customers for industrial machinery and machine tools. In fiscal year 2012, Showa Leasing took initiatives in its environmental businesses in areas including LED lighting, wind and solar power generation for corporate customers, financing for semiconductor equipment, while strengthening its supplier alliances and expanding its asset finance operations. In addition, Showa Leasing continued to expand its customer base through collaboration with the Bank’s institutional business.

The Global Markets Group has taken proactive measures to strengthen its support for regional financial institutions’ arrangement of syndicated loans working with the institutional business and public sector financing divisions, as well as providing investment products such as structured deposits and credit linked loans to these institutions, which face difficulties in finding investment options amid the low-interest rate environment. At the same time, the Global Markets Group continues to promote its “white label” business in which regional financial institutional customers sell structured deposits and other financial products developed by Shinsei Bank under their own brands, as well as to promote regional revitalization measures working with our regional financial institution customers.

Meanwhile, we have also been more progressively reducing non-core assets that were built up through past proprietary trading activities, while carefully surveying market movements and other factors, than the amount we expected in the Plan’s goals.

On December 14, 2012, Shinsei Investment Management Co., Ltd., a subsidiary of Shinsei Bank, received a business improvement order from the Financial Services Agency based on findings that the company’s due diligence framework, with regard to purchase prices for investment assets in its discretionary asset management business, was insufficient, and as such the company had breached the duty of care of a good manager. We take the contents of this Order very seriously, and will strive to further strengthen compliance and internal control systems throughout the Shinsei Bank Group in order to prevent a recurrence of such incidents.

*(Individual Business)*

Combining Shinsei Bank’s retail bank with the consumer finance services provided by Shinsei Bank and our subsidiaries, our Individual Group brings innovative financial solutions to approximately six million active customers in Japan.

Ever alert to changing and diverse customer needs, we have been offering a comprehensive selection of financial products including yen deposits as well as various types of foreign currency deposits, structured deposits, structured securities, investment trusts and insurance products, in addition to our uniquely designed “PowerSmart” home mortgages. Specifically, we provided campaigns for yen fixed deposits from November 2012 to January 2013, which were well received by customers. We temporarily discontinued sales of yen-denominated structured deposits from September 6, 2012 to December 16, 2012, and started providing these deposits again from December 17, 2012, by ensuring they are covered by deposit insurance. In the foreign currency deposit services, we have begun handling the Chinese renminbi, Brazilian real and Turkish lira since June 2012. We also took over ownership of the overseas remittance business held by Lloyds TSB Bank plc, and have commenced a new overseas remittance service at Shinsei Bank since March 2013 aiming to provide various options for foreign currency transactions and to increase the level of convenience in foreign currency services. In addition, we launched official Facebook and Twitter sites in June 2012 in order to expand our opportunities to provide information to customers.

As a result of these measures, the retail bank posted steady results and its customer base continued to grow in fiscal year 2012. The number of newly opened “PowerFlex” accounts continues to show strong growth. The total number of retail accounts, including existing accounts, as of March 31, 2013, has surpassed 2.7 million. We have improved funding

efficiency by channeling matured funds from structured deposits into a two-week maturity deposit, and the balance of deposits from individuals has exceeded ¥4.69 trillion as of March 31, 2013, contributing to our stable funding base. The balance of assets under management, including debentures, mutual funds and insurance investment products was over ¥5.82 trillion as of March 31, 2013. In December 2012, we launched a new housing loan product, “Anshin Pack PowerSmart” home mortgage, which allows customers to make provisions for possible changes in their lifestyle during the loan term with new functions of control of monthly payment and insurance to prepare a certain level of nursing care. As a result of efforts to enhance quality of services, the balance of “PowerSmart” home mortgages has increased to ¥1.09 trillion as of March 31, 2013.

In our consumer finance operations, although conditions remain challenging due to factors such as the impact of the full-scale implementation of the revised Money-Lending Business and Control Law, there are clear signs of recovery in the market. We progressed with ongoing rationalization and efficiency-improving measures across the Shinsei Bank Group while also taking new and proactive initiatives to develop this business. We have seen good growth in new customer acquisition and loan balance for “Shinsei Bank Card Loan – Lake”, which has been operated at the bank since October 2011 by transferring the brand from our consolidated subsidiary Shinsei Financial Co., Ltd. (“Shinsei Financial”). As of March 31, 2013, the number of customers exceeded 180 thousand and the outstanding loan balance exceeded ¥64.6 billion. We will further enhance this business by focusing on obtaining the same customer segment as that constituted by Shinsei Financial’s core customers and marketing to our PowerFlex customers as well as those who have potential needs for unsecured personal loans.

APLUS FINANCIAL Co., Ltd. (“APLUS FINANCIAL”) has been expanding the installment sales credit, credit card, settlement, personal loan, debt servicing and other businesses it runs through operating companies, in collaboration with external partners. “APLUS (Shopping) Credit with T Points,” which APLUS Co., Ltd. (“APLUS”) introduced in May 2011, based on a partnership with Culture Convenience Club Co., Ltd., has increased transaction volume and the number of merchant partners. As APLUS introduced “APLUS Auto Loan Credit with T Points” in July 2012 and “APLUS Rent Payment Service with T Points in November 2012, it has now become a strong service that differentiates APLUS from other competitors. Meanwhile, Shinsei Financial aims to continue generating stable earnings and pursue further growth by continuing to serve existing customers and through expansion of its credit guarantee business for the Shinsei Bank Card Loan – Lake service and for other financial institutions’ unsecured personal loan businesses.

Both claims for disclosure of past transaction history and the amount of repayments of “grey zone” interest at our consumer finance subsidiaries continue on a generally declining trend and are well below historical peaks. In light of these circumstances, we decided to take the initiative during fiscal year 2011 to eliminate downside risks to our earnings, and recorded additional provisions for grey zone reserves at our consumer finance subsidiaries aiming to eliminate any so-called grey zone risks in the future. As a result, we have not posted any additional grey zone reserves in this fiscal year. Furthermore, the risk at Shinsei Financial remains limited as the acquisition of the company included a unique indemnity from GE guaranteeing a substantial portion of the company’s grey zone liabilities. Going forward, we will continue to improve the efficiency and strengthen the competitiveness of our consumer finance businesses.

#### *(Financial Position)*

As a result of an increase in Tier I capital, due to recording positive net income and other factors, coupled with a reduction in risk-weighted assets, due to an improvement of asset quality, our total capital adequacy ratio was 12.24%, while our Tier I capital ratio was 10.41% as at March 31, 2013, both marking an improvement over the same period of the previous fiscal year.

#### *(Response to the Great East Japan Earthquake)*

In response to the Great East Japan Earthquake, employees from Shinsei Bank and Group companies have undertaken volunteer work in the affected areas. We ran these volunteer programs a total of three times in fiscal year 2012 in disaster-affected areas including Miyagi prefecture, and around 70 employee volunteers participated in total. In addition, we organized an internal fundraiser to erect street lighting in a temporary housing complex in Miyagi prefecture and donated four LED solar-panel street lights. We will continue to strive to provide smooth access to financial services in order to help the areas affected by the disaster as quickly as possible.

#### *(Business Performance)*

Based on the business developments discussed above, for the fiscal year ended March 31, 2013, ordinary income was ¥386.0 billion, a decrease of ¥27.1 billion from the previous fiscal year, while ordinary expenses were ¥331.5 billion, a decrease of ¥64.8 billion from the previous fiscal year. As a result, our consolidated net ordinary income was ¥54.4

billion, an increase of ¥37.7 billion from the previous fiscal year and our consolidated net income for the fiscal year ended March 31, 2013 was ¥51.0 billion, an increase of ¥44.6 billion from the previous fiscal year. Segment profits under management reporting for Shinsei Bank and its consolidated subsidiaries amounted to ¥64.8 billion for the fiscal year ended March 31, 2013, an increase of ¥2.1 billion from the previous fiscal year.

During the fiscal year ended March 31, 2013, Shinsei Bank's business as a whole showed a large improvement in its performance as we made steady progress in the implementation of various initiatives aimed at rebuilding our customer franchise and stabilizing our earnings power, while we continued to pursue cost reductions. Furthermore there was only a limited impact of non-recurring items on performance due to the initiatives taken during the previous fiscal year to eliminate downside risks to our earnings.

Looking at each business segment, overall, the Institutional Group's performance improved over the previous fiscal year as a result of pursuing various businesses aimed at rebuilding the customer franchise and improving earnings power, while a decline in expenses and net credit costs was achieved along with a steady performance by Showa Leasing.

The Global Markets Group's performance was better than that of the previous fiscal year due to continuous efforts to rebuild the customer base, development and provision of financial products and services that meet customers' needs, as well as a reduction of expenses and collection of written-off claims.

In the Individual Group, the Retail Banking operations continued to record stable profit as a result of our continued provision of products and housing loans that appropriately meet customers' needs, as well as our efforts towards further operational efficiency, in spite of the prevailing low interest rate environment.

At the subsidiaries operating in the Consumer Finance Sub-Group, while interest income declined in line with a decrease in loan assets due to the impact of the full-scale implementation of the revised Money Lending Business Control and Regulation Law, the pace of decrease has slowed due to an increase in the loan balance at "Shinsei Bank Card Loan – Lake." Overall performance was stable as a result of the decrease in net credit costs due to the implementation of strict credit management, strengthening of the structure for loan collections and continuous improvement in operational efficiency, while credit quality continues to improve including the impact of the income-linked borrowing limitation regulation.

In the "Corporate/Other" segment, the performance improved from the previous fiscal year due to sales gains from trading Japanese national government bonds by the Treasury Sub-Group, which is in charge of ALM management.

Each segment attained the following business results for the fiscal year ended March 31, 2013.

(Million of yen)

Fiscal 2012 (13th Fiscal Period)								
Institutional Group					Global Markets Group			
	Institutional Business Sub-Group	Structured Finance Sub-Group	Principal Transactions Sub-Group	Showa Leasing	Other Institutional Group	Financial Institutions Sub-Group	Markets Sub-Group	Other Global Markets Group
Revenue	14,885	20,452	11,421	14,094	(3,958)	4,571	7,213	2,458
Net Interest Income	10,110	16,365	5,022	(1,618)	(65)	1,603	1,256	135
Non-interest income	4,775	4,087	6,398	15,712	(3,893)	2,967	5,957	2,322
Expense	6,379	4,635	3,844	7,860	1,536	2,310	3,197	3,520
Net Credit costs (Recoveries)	(3,273)	6,063	(531)	(85)	4,151	(6,284)	(1,050)	(241)
Segment Profit (loss)	11,779	9,753	8,107	6,318	(9,646)	8,545	5,066	(820)

Individual Group				Corporate/Other			
	Retail Banking Sub-Group	Consumer Finance Sub-Group			Treasury Sub-Group	Other	Total
		Shinsei Financial	APLUS FINANCIAL	Other			
Revenue	33,104	43,955	47,820	1,611	4,496	(3,117)	199,009
Net Interest Income	26,005	47,842	9,223	1,412	(2,710)	(2,897)	111,685
Non-interest income	7,099	(3,887)	38,597	199	7,207	(219)	87,324
Expense	30,236	29,367	33,203	503	1,263	763	128,624
Net Credit costs (Recoveries)	16	(165)	6,497	(89)	-	515	5,522
Segment Profit (loss)	2,851	14,753	8,119	1,197	3,233	(4,397)	64,862

*Note*

*In the amount shown above, all figures have been truncated to the unit stated.*



### ***[Challenges Facing the Shinsei Bank Group]***

The Shinsei Bank Group has formulated its Second Medium-Term Management Plan (the Plan), which targets the period from fiscal year 2013 to fiscal year 2015, with the basic concepts of “further expanding the customer base” and “increasing quality assets while improving our portfolio,” aiming to secure sustainable growth and realize management principles based on the First Medium-Term Management Plan for the three fiscal years ended fiscal year 2012. The Bank has continued to work towards achieving the Plan’s goals through implementing various strategies and strengthening our operational structure as described below.

#### *1. Striving for long-term and stable profit growth by offering products and services that meet the needs of our customers*

In order to provide high quality value-added products and services to meet the increasingly diversified and sophisticated needs of our customers, the Shinsei Bank Group is actively working to develop new product and service categories. We strive for long-term and stable profit growth by offering a broad range of products and services in a timely manner that better meets the needs of our customers. In addition, the Bank is making sincere efforts to support the recovery of areas affected by the Great East Japan Earthquake, and is striving to provide smooth access to financial services, in its role as a financial institution, in order to help these areas recover from the disaster as quickly as possible.

##### *(Institutional Business)*

In our institutional business, we set a basic strategy of strengthening and utilizing expertise to support the growth of companies, industries and regions by working together with customers, and key industries and fields such as medical and healthcare, renewable energy, new business and corporate rehabilitation support. We will promote differentiation from other competitors by providing the best services combining expertise, our network and financial functions in the area of key industries and fields. We will also further promote areas of expertise including rebuilding the real estate portfolio, expanding corporate revitalization business, utilizing the regional financial institutions network, and strengthening competency of capital market solutions as well as sourcing function. For corporate sector loans, we will increase loans by strengthening the institutional business organization and expanding our customer base by working together with customers to resolve any issues and expand our customer base. In the financial institutions business, we will promote business cooperation and a wider range of transactions by providing multifaceted functions to financial institutions, and establish a revenue base and promote business alliances through a strong network with financial institutions. For our overseas strategy, we will support overseas expansion of corporate sector customers by teaming up with regional financial institutions and overseas local financial institutions. We will also focus on high-quality project finance in Europe and Oceania.

##### *(Individual Business)*

In our operations for individual customers, we aim to increase the number of core customers that are able to freely use the Shinsei Bank Group’s companies products and services that fit their needs by providing multifaceted transactions including promotion of investments, settlements, loans and consulting, leveraging functions in the entire Shinsei Bank Group. We aim to implement a new retail banking model by strengthening the cooperation between and leverage the characteristics of each sales channel that includes branches, the call center and the internet, providing products and services, such as investment trusts and structured bonds from the customer’s perspective ahead of other banks and companies, and improving consulting capabilities by providing courteous consultations. We will also aim to expand and develop the loan business by expanding mortgage products that better meet customer needs, establishing a position in the market of unsecured card loans as a trusted lender, increasing balance and line up of multipurpose loans and expanding guarantee business in cooperation with regional financial institutions. In the overseas strategy, we will explore the provision of unsecured loans and installment sales credit to meet small lot financing needs in Asia where the middle class is growing, and consider to meet the needs of domestic customers for overseas asset management products.

#### *2. Reinforcement of risk management and the corporate governance system and working to achieve a high level of transparency in management*

We will optimally allocate management resources and establish a balanced management of our operations through the smooth implementation of Basel II under the internal ratings based approach, the capitalization ratio parameter under the Banking Act, by the Bank and its Group companies, by enhancing risk management and accurately identifying risk and return. We are also working to put in place the framework and initiatives that are necessary in light of the impending introduction of new capital regulations (“Basel III”).

The Bank has selected a “Company with Board of Statutory Auditors” board model. This corporate governance framework aims to ensure appropriate managerial decision-making and business execution and to establish a governance

framework with sufficient organizational checking functions. These are achieved by the consolidation of business execution authorities and responsibilities in the Board of Directors, the highest decision-making authority, and assigning responsibility for auditing duties that include the auditing and monitoring of the Board of Directors, to statutory auditors and a Board of Statutory Auditors that are independent of business execution and the Board of Directors. The Bank has adopted an Executive Officer system in order to ensure flexible daily business execution. Under this system, as well as the leadership of executive directors including the CEO, executive officers and business group heads entrusted by the Board of Directors will execute their operations in an efficient manner. In addition, based on the Board of Directors' approval, the Bank established an Executive Committee consisting of executive directors and executive officers who are group heads, with a view to achieving swift and efficient business administration. In fiscal year 2012, we improved the operation of this system in order to strengthen the checking function of the Executive Committee over the representative director and president, while deepening the involvement of the group head executive officers in the Bank's management and revitalizing the organization as a whole.

The Shinsei Bank Group intends to further enhance our legal compliance by strengthening its compliance system while giving ample consideration to customer protection in line with the Financial Instruments and Exchange Law. While the Group has fully complied with J-SOX, the Group will continue to improve its internal control systems and reinforce its audit function. Furthermore, as a listed company, the Group will continue to endeavor to make timely, proper, and highly transparent disclosure for the benefit of investors.

Shinsei Bank recognizes that building a robust and stable IT system that operates smoothly is an expected mission for a financial institution to play a role in social infrastructure and an important management issue. We will strive to stabilize the operations of the current system and set a basic policy and start building the next system in line with the management policy.

### *3. Revitalization plan targets*

Shinsei Bank submitted a newly revised "Plan for Restoring Sound Management" (the newly revised Revitalization Plan) to the Financial Services Agency in March 2013. In the Second Medium-Term Management Plan, we will aim to further grow the Shinsei Bank Group by taking on challenges in new areas while continuing to apply the basic concepts of the First Medium-Term Management Plan. In the newly revised Revitalization plan, we recognize our expected role to fulfill our social responsibilities as a financial institution with public funds by establishing a stable revenue base over the long-term. We take the measures set out in the newly revised Revitalization Plan very seriously and will strive towards meeting the Revitalization targets in the future.

#### *Note*

*The description of item 3. does not refer to subsidiaries.*

## (2) Overview of Assets, Profit and Loss

### i. Overview of Assets, Profit and Loss of the Group

	(Hundred millions of yen)			
	Fiscal 2009 (10th Fiscal Period)	Fiscal 2010 (11th Fiscal Period)	Fiscal 2011 (12th Fiscal Period)	Fiscal 2012 (13th Fiscal Period)
Consolidated ordinary income	5,663	4,658	4,132	3,860
Consolidated ordinary profit (loss)	(726)	244	167	544
Consolidated net income (loss)	(1,401)	426	64	510
Consolidated comprehensive income	—	149	240	627
Consolidated total equity	6,349	6,111	6,276	6,836
Consolidated total assets	113,767	102,315	86,096	90,293

#### Notes

1. In the amount shown above, all figures have been truncated to the unit stated.
2. Net credit costs significantly improved and additional provisions for losses on interest repayment were not recorded mainly due to measures implemented in the previous fiscal year in order to ensure stable earning. As a result, consolidated net income was ¥51.0 billion in fiscal year 2012, an increase of ¥44.6 billion from fiscal year 2011.

### ii. Overview of Assets, Profit and Loss of the Bank

	(Hundred millions of yen)			
	Fiscal 2009 (10th Fiscal Period)	Fiscal 2010 (11th Fiscal Period)	Fiscal 2011 (12th Fiscal Period)	Fiscal 2012 (13th Fiscal Period)
Deposits	68,244	57,393	57,882	58,362
Time deposits	44,275	36,081	32,976	32,554
Other	23,969	21,311	24,905	25,808
Issuance of debentures	4,875	3,525	2,968	2,650
Coupon debenture	4,875	3,525	2,968	2,650
Discount debenture	—	—	—	—
Corporate bonds	3,425	2,222	2,122	2,207
Loans and bills discounted	47,328	39,732	41,026	42,244
To individuals	8,907	9,211	9,561	11,565
To small- and medium-sized businesses	19,091	14,549	16,580	15,835
Other	19,329	15,971	14,884	14,842
Trading assets	2,110	1,828	1,566	2,589
Trading liabilities	1,766	1,443	1,276	2,262
Securities	36,745	37,017	22,866	22,826
Japanese national government bonds	23,615	24,625	12,851	13,373
Other	13,129	12,392	10,015	9,452
Total assets	104,885	92,580	78,744	83,076
Total equity	5,559	6,187	6,441	6,658
Domestic exchange transactions	306,443	279,869	208,650	194,947
	(Millions of dollars)	(Millions of dollars)	(Millions of dollars)	(Millions of dollars)
Foreign exchange transactions	7,421	9,524	12,432	10,969
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Ordinary profits (loss)	(44,205)	7,968	18,119	25,710
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Net income (loss)	(47,644)	11,170	13,894	24,656
	(yen)	(yen)	(yen)	(yen)
Net income (loss) per share	(24.26)	5.59	5.23	9.29

#### Notes

1. In the amounts shown above, figures are truncated at the unit stated.
2. Deposits and Deposits-Others include negotiable certificates of deposits.
3. For fiscal year 2012, net income was ¥24.6 billion with increase by ¥10.7 billion than previous year, due to decrease of credit cost as a result of reduction of "Non-core assets," to add to decrease of interest expense and increase of gains on sales of Japanese government bonds under circumstances of decline of interest rate.

### (3) Employees on consolidated basis

	End of this fiscal year	End of the previous fiscal year
Number of employees		
<b>Institutional Group</b>		
Institutional Business Sub-Group	178	170
Structured Finance Sub-Group	138	131
Principal Transactions Sub-Group	154	146
Showa Leasing	507	508
Other Institutional Group	41	37
<b>Global Markets Group</b>		
Financial Institutions Sub-Group	62	61
Markets Sub-Group	59	54
Other Global Markets Group	122	129
<b>Individual Group</b>		
Retail Banking Sub-Group	600	569
Consumer Finance Sub-Group		
Shinsei Financial	1,005	984
APLUS FINANCIAL	1,260	1,309
Other	49	47
<b>Corporate / Other</b>		
Treasury Sub-Group	19	16
Other	669	669
<b>Total</b>	<b>4,863</b>	<b>4,830</b>

Note

These numbers include overseas local employees.

### (4) Principal Offices of the Group

i. The Bank

1) Number of business offices

	End of this fiscal year (Annex)		End of the previous fiscal year (Annex)	
Hokkaido・Tohoku area.....	2	(–)	2	(–)
Kanto area.....	24	(7)	24	(7)
(Tokyo).....	(14)	(2))	(14)	(2))
Chubu area.....	2	(–)	2	(–)
Kinki area.....	12	(7)	11	(6)
Chugoku・Shikoku・Kyushu area.....	3	(–)	3	(–)
Domestic total.....	43	(14)	42	(13)
Overseas.....	–	(–)	–	(–)
Grand total.....	43	(14)	42	(13)

Note

ATMs located outside branches and unmanned branch for Lake business were installed at 80 locations and 785 locations, respectively at the end of this fiscal year.

2) Newly established business offices in this fiscal year

Name of office	Address
Umeda Branch - Hankyu Umeda Annex	2F, Hankyu Grand Building, 8-47, Kakudacho, Kita-ku, Osaka-shi, Osaka

3) List of agencies of the bank

Company name	Address	Main business except bank agent
Lloyds TSB Bank plc, Tokyo Branch	Akasaka Twin Tower, New Tower 5F, 11-7 Akasaka 2-chome, Minato-ku, Tokyo	Other banking business
The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch	11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo	Other banking business, Credit card business
Standard Chartered Bank Marunouchi Branch	Kishimoto Building, 2-1 Marunouchi 2-chome, Chiyoda-ku, Tokyo	Other banking business Financial instruments business Financial instruments intermediary business Life insurance intermediary business

4) Agent activities operated by the Bank  
None

ii. Subsidiaries

1) Institutional Group

Main company name and the main office

<u>Company name</u>	<u>Name of office</u>	<u>Address</u>
Shinsei Trust & Banking Co., Ltd.	Head office	4-3, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo
Shinsei Servicing Company	Head office	4-3, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo
Showa Leasing Co., Ltd.	Head office	4-14, Koraku 1-chome, Bunkyo-ku, Tokyo

2) Global Markets Group

Main company name and the main office

<u>Company name</u>	<u>Name of office</u>	<u>Address</u>
Shinsei Securities Co., Ltd.	Head office	4-3, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo
Shinsei Investment Management Co., Ltd.	Head office	4-3, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo

3) Individual Group

Main company name and the main office

<u>Company name</u>	<u>Name of office</u>	<u>Address</u>
Shinsei Financial Co., Ltd.	Head office	7-7, Kajicho 1-chome, Chiyoda-ku, Tokyo
SHINKI Co., Ltd.	Head office	1-1, Higashi-ikebukuro 3-chome, Toshima-ku, Tokyo
APLUS FINANCIAL Co., Ltd.	Tokyo Head office	4-1, Shin-ogawa-machi, Shinjuku-ku, Tokyo

(5) Facility Investment of the Group

i. Total facility investment

<u>Business segment</u>	<u>(Millions of yen)</u>	
	<u>Amount</u>	
Shinsei Bank (Note 2) .....	2,782	
Subsidiaries		
Institutional Group.....	669	
Global Markets Group .....	39	
Individual Group .....	3,980	
Corporate/Other .....	0	
Total .....	7,472	

Notes

1. In the amount shown above, all figures have been truncated to the unit stated.
2. This amount is the total amount invested in each business segment on a non-consolidated basis.

ii. New establishment of important facilities

None

(6) Significant Parent Company and Subsidiaries

i. Parent Company

None

ii. Subsidiaries

Name	Address	Major business	Establishment date	Capital (million)	Shinsei's Voting Shareholding Ratio (%)	Other
APLUS FINANCIAL Co., Ltd.	Osaka City Osaka	Consumer credit business	October 6, 1956	¥15,000	95.03 (91.99)	—
Showa Leasing Co., Ltd.	Bunkyo-ku, Tokyo	Leasing business	April 2, 1969	¥29,360	97.84	—
SHINKI Co., Ltd.	Toshima-ku, Tokyo	Consumer finance business	December 1, 1954	¥28,619	100.00 (100.00)	—
Shinsei Financial Co., Ltd.	Chiyoda-ku, Tokyo	Consumer finance business	June 3, 1991	¥91,518	100.00	—
Shinsei Trust & Banking Co., Ltd.	Chuo-ku, Tokyo	Trust business	November 27, 1996	¥5,000	100.00	—
Shinsei Securities Co., Ltd.	Chuo-ku, Tokyo	Securities business	August 11, 1997	¥8,750	100.00	—

Notes

1. Fractions smaller than one million yen have been omitted.
2. Numbers included in parentheses in the "Shinsei's Voting Shareholding Ratio" column indicate indirect holdings.
3. Shinsei has 186 consolidated subsidiaries, including the major subsidiaries listed above, as well as 15 affiliated companies that are accounted for under the equity method.

**Summary of Important Business Alliances**

1. The Bank offers automated cash withdrawal services through the mutual use of ATMs under alliance relationships with the following financial institutions:

Commercial banks:

The Bank of Tokyo-Mitsubishi UFJ, Ltd.; Mizuho Bank, Ltd.; Sumitomo Mitsui Banking Corporation; Resona Bank, Ltd.; and Saitama Resona Bank, Ltd.

Trust and banking companies:

Sumitomo Mitsui Trust Bank, Limited.; Mitsubishi UFJ Trust and Banking Corporation; and Mizuho Trust & Banking Co., Ltd.

Others:

The Shoko Chukin Bank, Ltd, Aozora Bank, Ltd., and Miura Fujisawa Shinkin

2. The Bank offers cash withdrawal and depository services, and mutual fund transfer services through the mutual use of ATMs under an alliance with Japan Post Bank Co., Ltd.
3. The Bank offers cash withdrawal and depository services through the use of ATMs installed primarily in convenience stores, and managing joint ATM corners under an alliance with Seven Bank, Ltd.
4. The Bank offers automated cash withdrawal services through ATMs located in railway and subway stations under contracts with the following railway companies:  
Tokyo Metro Co., Ltd.; Kintetsu Corporation.  
In addition, the Bank has installed ATMs at JR Nagoya station and JR Mitaka station, and offers automated cash withdrawal services.
5. The Bank offers automated local currency cash withdrawal services through overseas ATMs in the PLUS network under alliance relationships with Visa International.
6. The Bank has an alliance with APLUS Co., Ltd., a consolidated subsidiary, and has been processing applications

for the Shinsei APLUS Card and the Shinsei APLUS Gold Card, a credit card issued by APLUS Co., Ltd.

7. The Bank entered into a contract with Shinsei Financial Co., Ltd, a consolidated subsidiary, which acts as a guarantor for the unsecured personal card loan service (“Shinsei Bank Card Loan –Lake”) which started from October 2011.
8. The Bank has an Operational Alliance Agreement with The Towa Bank, Ltd.
9. The Bank has signed a business alliance on broad business cooperation regarding business matching, loans, trade finance, advisory services, and provision of financial instruments with Baoviet Holdings, a Vietnamese financial holding company.
10. The Bank has signed a business alliance on broad business cooperation regarding information-sharing, business matching, syndications, loans, investment banking, trade finance, remittances, treasury operations with YES BANK, Limited, an Indian commercial bank.
11. The Bank has signed a memorandum of understanding on broad business cooperation regarding business matching, loans, trade finance, advisory, and provision of financial Instruments with Jin Sun Financial Holdings Co., Ltd, a Taiwanese equity-method affiliate of the Bank.

**(7) State of Business Transfer, etc.**

- i. Significant Business Transfer, Merger and Splitting, New Establishment and Splitting

None

- ii. Transfer of Business from Other Companies

None

- iii. Stock, Other Equities or Stock Acquisition (or Disposal) Rights of Other Companies

None

- iv. Material Succession of Rights and Obligations regarding Other Corporations’ Businesses through Merger or Company Split

None

**(8) Other Important Items Regarding the Current State of the Group**

None

## 2. Matters Concerning Corporate Directors and Statutory Auditors

### (1) Corporate Directors and Statutory Auditors

(As of March 31, 2013)

Name	Position/Responsibilities	Important Concurrent Post	Others
Shigeki Toma	Representative Director, President and CEO	—	—
Yukio Nakamura	Representative Director	—	—
J. Christopher Flowers	Director (Outside)	Managing Director and Chief Executive Officer, J. C. Flowers & Co. LLC Member of the Advisory Board, The Kessler Group Chairman and Director, Flowers National Bank Member of the Supervisory Board, NIBC Holding N.V.	—
Shigeru Kani	Director (Outside)	Professor, Yokohama College of Commerce	—
Jun Makihara	Director (Outside)	Chairman of the Board, Neoteny Co., Ltd. Outside Director, RHJ International Outside Director, Monex Group, Inc.	—
Hiroyuki Takahashi	Director (Outside)	Outside Statutory Auditor, Panasonic Corporation Outside Statutory Auditor, Kyowa Hakko Kirin Co., Ltd.	—
Shinya Nagata	Standing Statutory Auditor	—	Mr. Nagata has long experience in the business area of financial control and accounting and has a considerable level of knowledge of matters of finance and accounting.
Kozue Shiga	Statutory Auditor (Outside)	Lawyer Outside Statutory Auditor, Tokushu Tokai Paper, Co., Ltd. Outside Director, Toyoko Inn Co., Ltd.	—
Tatsuya Tamura	Statutory Auditor (Outside)	President, Global Management Institute Inc. Chairman, Japan Corporate Governance Network Outside Director, Autobacs Seven Co., Ltd. Auditor, Japan Center for Economic Research	—

#### Notes

1. Statutory Auditor Satoshi Suzuki resigned at the end of the Annual Meeting of Shareholders for the 12<sup>th</sup> term held on June 20, 2012.
2. Outside Directors Shigeru Kani, Jun Makihara, and Hiroyuki Takahashi, and Outside Statutory Auditors Kozue Shiga and Tatsuya Tamura submitted an “independent director statement” (*dokuritsu-yakuin todokede-sho*) to the Tokyo Stock Exchange, Inc.
3. The Bank has adopted the Executive Officer system. As of March 31, 2013, there were 20 Executive Officers including those who also serve as Directors.

### (2) Compensation for Corporate Directors and Officers

Total Amount of Compensation, etc. for Corporate Directors and Officers for this Fiscal Year

Classification	Number	Compensation, etc.	Remarks
Directors	6 (Of whom, 0 has already resigned)	¥129 million (including ¥0 million for payments other than compensation)	
Statutory Auditors	4 (Of whom, 1 has already resigned)	¥40 million (including ¥- million for payments other than compensation)	
Total	10 (Of whom, 1 has already resigned)	¥169 million (including ¥0 million for payments other than compensation)	

#### Notes

1. In the amount shown above, all figures have been truncated to the unit stated.



2. The above-mentioned “¥0 million other than compensation” includes expenses related to equity-linked allowance which was paid as consideration for execution of duties in the past fiscal year. These amounts were expensed in this fiscal year.
3. In the above categories, two Directors also work as Executive Officer.
4. The Bank does not pay performance-linked compensation to its Directors.
5. The Bank did not pay retirement allowance to its Directors or Statutory Auditors during this fiscal year.
6. The 10<sup>th</sup> General Meeting of Shareholders held on June 23, 2010 adopted a resolution to set ceilings for the total amount of compensation, etc. paid to Directors at ¥180 million a year (including ¥50 million for outside Directors) and for the total amount of compensation, etc. paid to Statutory Auditors at ¥60 million a year. However, these amounts do not include salaries payable to Directors as the Bank’s employees when they also work as the Bank’s employees. For the Director who also works as Executive Officer, ¥5 million a year was paid as an Executive Officer bonus.

### 3. Matters concerning Outside Directors and Outside Statutory Auditors

#### (1) Concurrent Posts and Other Details of Outside Directors and Outside Statutory Auditors

Name	Concurrent Posts and Other Details	Relationship between the Bank and the company in question
J. Christopher Flowers	Managing Director and Chief Executive Officer (Executive Officer), J. C. Flowers & Co. LLC	Investors in private investment funds advised by J.C. Flowers & Co. LLC (JCF) are also investors in Shinsei through certain of the Bank’s major shareholders that are also advised by JCF. The Bank has invested in private investment funds advised by JCF. The Bank and JCF have an advisory arrangement regarding one of JCF’s private investment funds.
	Member of the Advisory Board, The Kessler Group	The Bank has no particular transaction with The Kessler Group including shareholdings, etc.
	Chairman and Director, Flowers National Bank	The Bank has no particular transaction with Flowers National Bank including shareholdings, etc.
	Member of the Supervisory Board, NIBC Holding N.V.	The Bank invests in NIBC Holding N.V. indirectly.
Shigeru Kani	Professor, Yokohama College of Commerce	The Bank has no particular transaction with Yokohama College of Commerce including shareholdings, etc.
Jun Makihara	Chairman of the Board (Executive Officer), Neoteny Co., Ltd.	The Bank has no particular transaction with Neoteny Co., Ltd. including shareholdings, etc.
	Outside Director, RHJ International	The Bank has no particular transaction with RHJ International including shareholdings, etc.
	Outside Director, Monex Group, Inc.	The Bank extends loans to Monex Group, Inc. The Bank has no other relationship, including shareholdings, etc.
Hiroyuki Takahashi	Outside Statutory Auditor, Panasonic Corporation	The Bank has no particular transaction with Panasonic Corporation including shareholdings, etc.
	Outside Statutory Auditor, Kyowa Hakko Kirin Co., Ltd.	The Bank has no particular transaction with Kyowa Hakko Kirin Co., Ltd. including shareholdings, etc.
Kozue Shiga	Outside Statutory Auditor, Tokushu Tokai Paper, Co., Ltd.	The Bank has no particular transaction with Tokushu Tokai Paper, Co., Ltd. including shareholdings, etc.
	Outside Director, Toyoko Inn Co., Ltd.	The Bank has no particular transaction with Toyoko Inn Co., Ltd. including shareholdings, etc.
Tatsuya Tamura	President (Executive Officer), Global Management Institute Inc.	The Bank has no particular transaction with Global Management Institute Inc. including shareholdings, etc.
	Chairman (Executive Officer), Japan Corporate Governance Network	The Bank has no particular transaction with Japan Corporate Governance Network including shareholdings, etc.
	Outside Director, Autobacs Seven Co., Ltd.	The Bank has no particular transaction with Autobacs Seven Co., Ltd. including shareholdings, etc.
	Auditor, Japan Center for Economic Research	The Bank has no particular transaction with Japan Center for Economic Research including shareholdings, etc.

**(2) Major Activities of Outside Directors and Outside Statutory Auditors**

Name	Term of Office	Participation in Meetings of Board of Directors etc.	Remarks at Meetings of Board of Directors etc. and Other Activities
J. Christopher Flowers	12 years as an Outside Director and 1 year as a Director (Non-executive)	Participated in all six meetings of the Board of Directors held during this fiscal year	Provided timely and necessary remarks and advice on general agenda items and deliberations based on his wide-ranging financial knowledge.
Shigeru Kani	8 years 9 months	Participated in all six meetings of the Board of Directors held during this fiscal year	Provided timely and necessary remarks and advice on agenda items and deliberations in terms of risk management – his specialty.
Jun Makihara	1 year 9 months	Participated in all six meetings of the Board of Directors held during this fiscal year	Provided timely and necessary remarks and advice on general agenda items based on his wide-ranging financial knowledge.
Hiroyuki Takahashi	6 years 9 months	Participated in all six meetings of the Board of Directors held during this fiscal year	Provided necessary remarks and advice on general agenda items and deliberations with extensive professional experience including experience as an auditor of other companies.
Kozue Shiga	2 years 9 months	Participated in all six meetings of the Board of Directors and all twelve meetings of the Board of Statutory Auditors held during this fiscal year	Provided necessary remarks and advice on agenda items and deliberations mainly from her special viewpoint as a lawyer and experienced outside auditor and director of other companies..
Tatsuya Tamura	2 years 9 months	Participated in all six meetings of the Board of Directors and all twelve meetings of the Board of Statutory Auditors held during this fiscal year	Provided necessary remarks and advice on general agenda items and deliberations with extensive professional experience including experience as a director of other companies.

**(3) Agreement for Limitation on Liability**

Name	Overview of Contents of Agreement for Limitation on Liability
J. Christopher Flowers Shigeru Kani Jun Makihara Hiroyuki Takahashi Kozue Shiga Tatsuya Tamura	The Outside Directors and the Outside Statutory Auditors' liability for any damage caused through neglect of their duties and responsibilities shall be limited under Article 427, Paragraph 1 of the Corporation Act. If the Bank suffers damage as a result of such neglect, the Outside Directors and the Outside Statutory Auditors shall be liable up to the lowest maximum liability provided for in Article 425, Paragraph 1 of the Corporation Act, provided that there should be no willful misconduct or gross negligence involved in their duties and responsibilities.

**(4) Compensation for Outside Directors and Outside Statutory Auditors**

	Number	Compensation received from the Bank	Compensation received from the Bank's parent company
Total compensation for outside directors and outside statutory auditors	6 persons ( - of them have already retired)	56 million yen (¥0 million of this amount is other than compensation)	—

*Notes*

1. In the amount shown above, all figures have been truncated to the unit stated.
2. The above-mentioned "¥0 million other than compensation" includes expenses related to equity-linked allowance which was paid as consideration for execution of duties in the past fiscal year. These amounts were expensed in this fiscal year.

**(5) Opinions from Outside Directors and Outside Statutory Auditors**

None

#### 4. Matters concerning Common Shares of the Bank

##### (1) The Number of Shares

- Aggregate number of shares authorized to be issued

4,000,000,000

- Aggregate number of shares issued

2,750,346,000

*Note*

*The number of shares shown has been rounded down to thousands of shares (same as in the Notes below).*

##### (2) The Number of Shareholders at the End of Fiscal Year 2012

52,094

##### (3) Major Shareholders

Shareholder's name	Investment in the Bank	
	Number of common shares	Shareholding percentage
SATURN IV SUB LP (JPMCB 380111)	342,840,000	12.91%
Deposit Insurance Corporation of Japan	269,128,000	10.14%
THE RESOLUTION AND COLLECTION CORPORATION	200,000,000	7.53%
THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	115,453,000	4.35%
SATURN JAPAN III SUB C.V. (JPMCB 380113)	110,449,000	4.16%
JAPAN TRUSTEE SERVICE BANK, LTD. (TRUST ACCOUNT)	95,703,000	3.60%
UBS SECURITIES LLC-HFS CUSTOMER SEGREGATED ACCOUNT	90,191,000	3.39%
JAMES CHRISTOPHER FLOWERS 380603	76,742,000	2.89%
JP MORGAN CHASE BANK 380055	65,851,000	2.48%
SSBT OD05 OMNIBUS ACCOUNT – TREATY CLIENTS	61,970,000	2.33%

*Notes*

- 1. The number of common shares shown has been rounded down to thousands of shares.*
- 2. Percentages of investment have been calculated by deducting the treasury shares (96,427,000 shares) from the denominator and rounding down to the second decimal place.*
- 3. The Bank has been notified that the shares under the name "James Christopher Flowers 380603" are substantially held by Mr. J. Christopher Flowers, a director of the Bank.*

## 5. Stock Acquisition Rights of the Bank

### (1) Stock acquisition rights of the Bank owned by the directors, outside directors, and statutory auditors of the Bank as of the end of the fiscal year ended March 31, 2013.

	1st Issuance of Stock Acquisition Rights	5th Issuance of Stock Acquisition Rights
Date of resolution at Board of Directors meeting	June 24, 2004	June 24, 2005
Issue date	July 1, 2004	June 27, 2005
Number of stock acquisition rights issued	9,455	4,826
Holdings by Directors (excluding Outside Directors)	21 / 1 person	4 / 1 person
Holdings by Outside Directors and Outside Statutory Auditors	-	50 / 2 persons
Holdings by Standing Statutory Auditor	-	-
Class and number of shares that can be purchased through the exercise of stock acquisition rights	Common stock/ 4,789,000 shares (1,000 shares per stock acquisition right)	Common stock/ 2,108,000 shares (1,000 shares per stock acquisition right)
Per-share amount to be paid upon exercise of stock acquisition rights	¥684	¥601
Exercise period of stock acquisition rights	From July 1, 2006 to June 23, 2014	From July 1, 2007 to June 23, 2015
Conditions for exercising stock acquisition rights	<p>1) In case a Stock Acquisition Rights holder dies and his or her legal heir completes the succession procedures within a term fixed by the Bank, Stock Acquisition Rights may be inherited by the legal heir of the Stock Acquisition Rights holder.</p> <p>2) Holders may exercise up to half of their rights between July 1, 2006 and June 30, 2007 (any amount less than one shall be rounded up).</p> <p>3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other way.</p> <p>4) Other conditions shall be stipulated in the "Agreement on the granting of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the annual general meeting of shareholders for the fourth term and the Board of Directors meeting held on the day shown above.</p>	<p>1) In case a Stock Acquisition Rights holder dies and his or her legal heir completes the succession procedures within a term fixed by the Bank, Stock Acquisition Rights may be inherited by the legal heir of the Stock Acquisition Rights holder.</p> <p>2) In principle, holders may exercise up to half of these rights between July 1, 2007 and June 30, 2008 (any amount less than one shall be rounded up). However, in certain cases as stipulated in the "Agreement on the granting of Stock Acquisition Rights," all stock acquisition rights may be exercised from the first day of the exercise period.</p> <p>3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other way.</p> <p>4) Other conditions shall be stipulated in the "Agreement on the granting of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the annual general meeting of shareholders for the fifth term and the Board of Directors meeting held on the day shown above.</p>
Favorable terms	Stock Acquisition Rights that have been issued without charge.	

	<b>7th Issuance of Stock Acquisition Rights</b>	<b>13th Issuance of Stock Acquisition Rights</b>
Date of resolution at Board of Directors meeting	June 24, 2005	May 23, 2006
Issue date	June 27, 2005	May 25, 2006
Number of stock acquisition rights issued	1,255	5,342
Holdings by Directors (excluding Outside Directors)	2 / 1 person	4 / 1 person
Holdings by Outside Directors and Outside Statutory Auditors	-	50 / 2 persons
Holdings by Standing Statutory Auditor	-	-
Class and number of shares that can be purchased through the exercise of stock acquisition rights	Common stock/ 451,000 shares (1,000 shares per stock acquisition right)	Common stock/ 2,053,000 shares (1,000 shares per stock acquisition right)
Per-share amount to be paid upon exercise of stock acquisition rights	¥601	¥825
Exercise period of stock acquisition rights	From July 1, 2007 to June 23, 2015	From July 1, 2008 to June 23, 2015
Conditions for exercising stock acquisition rights	<p>1) In case a Stock Acquisition Rights holder dies and his or her legal heir completes the succession procedures within a term fixed by the Bank, Stock Acquisition Rights may be inherited by the legal heir of the Stock Acquisition Rights holder.</p> <p>2) In principle, holders may exercise their rights after July 1, 2008. They may exercise up to half of these rights between July 1, 2008 and June 30, 2010 (any amount less than one shall be rounded up). However, in certain cases as stipulated in the "Agreement on the granting of Stock Acquisition Rights," all stock acquisition rights may be exercised from the first day of the exercise period.</p> <p>3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other way.</p> <p>4) Other conditions shall be stipulated in the "Agreement on the granting of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the annual general meeting of shareholders for the fifth term and the Board of Directors meeting held on the day shown above.</p>	<p>1) In case a Stock Acquisition Rights holder dies and his or her legal heir completes the succession procedures within a term fixed by the Bank, Stock Acquisition Rights may be inherited by the legal heir of the Stock Acquisition Rights holder.</p> <p>2) In principle, holders may exercise up to half of these rights between June 1, 2008 and May 31, 2009 (any amount less than one shall be rounded up). However, in certain cases as stipulated in the "Agreement on the granting of Stock Acquisition Rights," all stock acquisition rights may be exercised from the first day of the exercise period.</p> <p>3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other way.</p> <p>4) Other conditions shall be stipulated in the "Agreement on the granting of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the annual general meeting of shareholders for the fifth term and the Board of Directors meeting held on the day shown above.</p>
Favorable terms	Stock Acquisition Rights that have been issued without charge.	

	<b>15th Issuance of Stock Acquisition Rights</b>	<b>17th Issuance of Stock Acquisition Rights</b>
Date of resolution at Board of Directors meeting	May 23, 2006	May 9, 2007
Issue date	May 25, 2006	May 25, 2007
Number of stock acquisition rights issued	1,439	3,306
Holdings by Directors (excluding Outside Directors)	2 / 1 person	-
Holdings by Outside Directors and Outside Statutory Auditors	-	30 / 3 persons
Holdings by Standing Statutory Auditor	-	-
Class and number of shares that can be purchased through the exercise of stock acquisition rights	Common stock/ 449,000 shares (1,000 shares per stock acquisition right)	Common stock/ 1,224,000 shares (1,000 shares per stock acquisition right)
Per-share amount to be paid upon exercise of stock acquisition rights	¥825	¥555
Exercise period of stock acquisition rights	From June 1, 2008 to June 23, 2015	From June 1, 2009 to May 8, 2017
Conditions for exercising stock acquisition rights	<p>1) In case a Stock Acquisition Rights holder dies and his or her legal heir completes the succession procedures within a term fixed by the Bank, Stock Acquisition Rights may be inherited by the legal heir of the Stock Acquisition Rights holder.</p> <p>2) In principle, holders may exercise their rights after June 1, 2009. They may exercise up to half of these rights between June 1, 2009 and May 31, 2011 (any amount less than one shall be rounded up). However, in certain cases as stipulated in the "Agreement on the granting of Stock Acquisition Rights," all stock acquisition rights may be exercised from the first day of the exercise period.</p> <p>3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other way.</p> <p>4) Other conditions shall be stipulated in the "Agreement on the granting of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the annual general meeting of shareholders for the fifth term and the Board of Directors meeting held on the day shown above.</p>	<p>1) In case a Stock Acquisition Rights holder dies and his or her legal heir completes the succession procedures within a term fixed by the Bank, Stock Acquisition Rights may be inherited by the legal heir of the Stock Acquisition Rights holder.</p> <p>2) In principle, holders may exercise up to half of these rights between June 1, 2009 and May 31, 2011 (any amount less than one shall be rounded up). However, in certain cases as stipulated in the "Agreement on the granting of Stock Acquisition Rights," all stock acquisition rights may be exercised from the first day of the exercise period.</p> <p>3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other way.</p> <p>4) Other conditions shall be stipulated in the "Agreement on the granting of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the annual general meeting of shareholders for the sixth term and the Board of Directors meeting held on the day shown above.</p>
Favorable terms	Stock Acquisition Rights that have been issued without charge.	

	<b>20th Issuance of Stock Acquisition Rights</b>
Date of resolution at Board of Directors meeting	May 14, 2008
Issue date	May 30, 2008
Number of stock acquisition rights issued	2,830
Holdings by Directors (excluding Outside Directors)	-
Holdings by Outside Directors and Outside Statutory Auditors	30 / 3 persons
Holdings by Standing Statutory Auditor	-
Class and number of shares that can be purchased through the exercise of stock acquisition rights	Common stock/ 1,174,000 shares (1,000 shares per stock acquisition right)
Per-share amount to be paid upon exercise of stock acquisition rights	¥416
Exercise period of stock acquisition rights	From June 1, 2010 to May 13, 2018
Conditions for exercising stock acquisition rights	<p>1) In case a Stock Acquisition Rights holder dies and his or her legal heir completes the succession procedures within a term fixed by the Bank, Stock Acquisition Rights may be inherited by the legal heir of the Stock Acquisition Rights holder.</p> <p>2) In principle, holders may exercise up to half of these rights between June 1, 2010 and May 31, 2012 (any amount less than one shall be rounded up). However, in certain cases as stipulated in the "Agreement on the granting of Stock Acquisition Rights," all stock acquisition rights may be exercised from the first day of the exercise period.</p> <p>3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other way.</p> <p>4) Other conditions shall be stipulated in the "Agreement on the granting of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the annual general meeting of shareholders for the seventh term and the Board of Directors meeting held on the day shown above.</p>
Favorable terms	Stock Acquisition Rights that have been issued without charge.

- (2) **Stock Acquisition Rights of the Bank issued to employees, etc. during the fiscal year ended March 31, 2013**  
None

## 6. Matters concerning the Bank's Independent Accounting Auditor

### (1) The Bank's Independent Accounting Auditor

Name	Fees for This Fiscal Year (millions of yen)		Others
Deloitte Touche Tohmatsu LLC	Audit certification business	391	Business other than audit certification business includes research and reporting on internal control systems for capital adequacy ratios.
	Business other than audit certification business	13	
	Total fees	405	

#### Notes

1. Seno Tezuka, Masahiro Ishizuka, Shigehiko Matsumoto and Hiroyuki Hamahara are managing partners.
2. The audit certification business is the business that falls under Article 2, Paragraph 1 of the Certified Public Accountant Law.
3. Compensation for independent accounting auditors of the Bank and the consolidated subsidiaries of the Bank for this fiscal year is as follows.

Fees for This Fiscal Year (millions of yen)		
	Audit certification business	715
	Business other than audit certification business	20
Total fees		736

### (2) Agreement for Limitation on Liability

None

### (3) Other Matters Concerning the Bank's Independent Accounting Auditor

#### i) Policy to determine dismissal or non-reassignment of independent accounting auditor

The Board of Statutory Auditors has a policy to discuss the dismissal or non-reassignment of the independent accounting auditor if it falls under any of the provisions in each item of Article 340, Paragraph 1 of the Corporation Act.

In addition, the Board of Directors' policy is to submit the agenda regarding the dismissal or non-reassignment of the independent accounting auditor to the General Meeting of Shareholder's based on a consent or upon request of the Board of Statutory Auditors, if it is determined that the independent accounting auditor can not exercise its duties properly or as otherwise demanded necessary.

#### ii) Policy concerning exercise of authorities granted to the Board of Directors in accordance with the provisions of the Articles of Incorporation under the provision of Article 459, Paragraph 1 of the Corporation Act.

We plan to exercise the authorities granted to the Board of Directors in accordance with Article 36 of our Articles of Incorporation under the provision of Article 459, Paragraph 1 of the Corporation Act from the viewpoint of flexible and agile capital policy implementation, taking into consideration the soundness, stability and efficiency of finance.

## 7. Basic Policy for Persons Who Determine Financial and Business Policies

None

## 8. Systems to Ensure Business Relevance

As for the systems to ensure business relevance (internal control systems) to be resolved by the Board of Directors in accordance with Article 362, Paragraph 4, Item 6 of the Corporation Act and Article 100, Paragraphs 1 and 3 of the Enforcement Regulations of the Corporation Act, we provide for those matters in detail mainly in the "Internal Control Rules" and their related rules pursuant to the Board of Directors' resolutions. The executive directors and executive officers are required to establish and operate the internal control system for their respective businesses, and all the executive directors, executive officers and employees are required to follow them. The status of our internal control systems is verified and the policy of building adequate internal control systems is resolved regularly at the Board of Directors. The outline of the system is as follows.

### (1) Systems to ensure that directors and employees perform their duties and responsibilities in conformity with the applicable laws, ordinances, regulations and the Articles of Incorporation (Article 362, Paragraph 4, Item 6 of the Corporation Act; Article 100, Paragraph 1, Item 4 of the Enforcement Regulations of the Corporation Act)

We have established the "Shinsei Bank Code of Conduct" as a base for systems to ensure that the directors and employees perform their duties and responsibilities in conformity with applicable laws, ordinances, regulations, and the Articles of Incorporation, and all directors and employees must comply with it.



The “Shinsei Bank Code of Conduct” requires that the letter and spirit of all applicable laws, rules and regulations, and internal rules be adhered to, and stipulates an obligation to report violations. In addition, all the directors and employees are required to regularly pledge and affirm in writing that they understand and are complying with the Code of Conduct. The actions of directors and employees are regulated in detail in the individual internal rules based on the laws, rules and regulations under the Code of Conduct and training sessions have been implemented in order to ensure their effectiveness.

- (2) Systems for retention and management of information regarding the execution of the duties and responsibilities of directors (Article 100, Paragraph 1, Item 1 of the Enforcement Regulations of the Corporation Act)

We must retain and manage the information regarding the performance by the directors of their duties and responsibilities with the due care required for each type of storage media so that it is not divulged, and we must also provide it to the statutory auditors from time to time upon request. In addition, we must manage information regarding the performance of the duties and responsibilities of the directors and employees pursuant to the “Information Security Policy” established by the Bank.

The objectives of the “Information Security Policy” are to recognize information as an important asset and appropriately manage and protect information assets. Under this Policy, various information assets are to be prepared and stored in compliance with various internal rules and appropriately managed in a manner suited to their characteristics. Their confidentiality and usability are ensured so that only those who are authorized can access the information when required.

- (3) Risk of loss management regulations and other systems (Article 100, Paragraph 1, Item 2 of the Enforcement Regulations of the Corporation Act)

The “Shinsei Bank Risk Management Policy” has been prescribed as the basis for risk of loss management, and we have constructed the risk management system based on the Policy.

The basic policy for monitoring the total risks held by the Bank and the Bank Group and actively managing them has been determined in the “Shinsei Bank Risk Management Policy,” and the system for the risk control is based on the integration of the “macro approach” (distribution and evaluation of capital and resources by the management organization) and the “standardized operation management framework” (a progressively decentralized transaction approval process). The Policy stipulates as the specific “operation management framework” 1) risk classifications including credit risks, market risks, liquidity risks, operational risks, and investment risks, 2) formation, objectives, missions, and functions of various committee organizations responding to risks including the Risk Policy Committee, Transaction Approval Committee, Credit Committee, Doubtful Debt Committee, ALM Committee, Market Business Management Committee, and New Business and Product Committee and 3) functions, roles and responsibilities of the Risk Management Group. Under this Policy, various internal rules have been prepared, and risks are to be managed by each section in charge and each Committee.

Moreover, the Business Continuity Management Committee was established and various rules on the business continuity framework have been set forth in order to enable preparedness against large-scale disasters, accidents, or interruptions in the Bank’s operations. These measures are aimed at ensuring a framework for continuing important operations and fulfilling, to the maximum extent possible, our duties to customers and society.

- (4) Systems to ensure that the directors efficiently perform their duties and responsibilities (Article 100, Paragraph 1, Item 3 of the Enforcement Regulations of the Corporation Act)

The Bank has adopted the executive officer system in order to ensure timely and efficient execution of daily business. Under the direction of the executive directors headed by the Director and President, business is to be undertaken by executive officers and Group Heads who are each delegated authority by the Board of Directors to undertake operations for which they are responsible. Executive directors and executive officers are to perform their daily duties and responsibilities in accordance with the “Regulations of Business Execution”.

The “Regulations of Business Execution” provide for basic matters to ensure the efficient execution of the duties and responsibilities of the executive directors and executive officers including the legal compliance, duty of care of a good manager and duty of loyalty, duty not to compete, prohibition of actions in conflict of interest, duty of reporting to the Board of Directors, responsive actions to be taken if significant damage is likely to be caused to the Bank, storage and

management of information for the execution of duties and responsibilities, establishment of the Executive Committee (composed of executive officers, such as executive directors and Group Heads and established as a body to allow the President to make decisions on business execution matters), duties and authorities of executive directors and executive officers, and the selection and dismissal of them.

- (5) Systems to ensure business relevance of the corporate group consisting of a stock corporation, its parent company, and subsidiaries (Article 100, Paragraph 1, Item 5 of the Enforcement Regulations of the Corporation Act)

To ensure our business operations are consistent with our overall management policies, business plans, and risk and compliance control, we have determined the division in charge of each subsidiary and affiliated company, and established systems in which the divisions in charge of subsidiaries instruct and manage the overall management of each subsidiary and affiliated company. In addition, we conduct the management instruction and control of our subsidiaries and affiliated companies in accordance with our “Subsidiaries and Affiliates Policy.”

The objective of the “Subsidiaries and Affiliates Policy” is to maximize our group value clarifying the following three responsibilities with respect to the management of subsidiaries and affiliated companies; 1) supporting and guiding the subsidiaries and affiliated companies in their autonomous management, while ensuring that their initiatives are consistent with the Bank's strategy and goals as a whole, 2) assisting the subsidiaries and affiliated companies in managing risks and their operations, in line with the Bank's standards, 3) ensuring that the subsidiaries and affiliated companies comply with various rules (including firewall rules) and maintain their reputation and appropriate internal controls. In order to ensure appropriateness of the businesses of the Shinsei Bank Group as a whole, the Policy provides for the management instruction and control of the subsidiaries and affiliated companies including the roles and responsibilities of the divisions in charge of subsidiaries and affiliated companies and other related divisions of the Bank, responsibilities of subsidiaries and affiliated companies, responsibilities of our directors and employees involved with our subsidiaries and affiliated companies, and other responsibilities of our directors and employees.

- (6) Matters concerning employees with the duties and responsibilities to support the statutory auditors (Article 100, Paragraph 3, Item 1 of the Enforcement Regulations of the Corporation Act)

It is stipulated that the Office of Statutory Auditors shall be established to assist in the performance of the duties and responsibilities of the statutory auditors and the employees belonging to the Office of Statutory Auditors shall be employees who should assist in the duties and responsibilities of the statutory auditors (“Assistants”). The Assistants have an obligation to report to the statutory auditors on the results of their businesses.

- (7) Matters concerning the independence of employees from directors provided for in the previous paragraph (Article 100, Paragraph 3, Item 2 of the Enforcement Regulations of the Corporation Act)

The Office of Statutory Auditors, which is established as an independent organization from each directors and business execution on request of statutory auditors, directly reports to the statutory auditors. In addition, the appointment, removal, reassignment, or other change regarding the Assistants shall be decided with a prior consent of the Board of Statutory Auditors. Revisions of wages and other remuneration for the Assistants are subject to a prior consent of the Board of Statutory Auditors. The aforementioned matters ensure the independence of the employees in the duties and responsibilities to support the statutory auditors from the directors.

- (8) System for directors and employees to report to the statutory auditors and systems for reporting other matters to the statutory auditors (Article 100, Paragraph 3, Item 3 of the Enforcement Regulations of the Corporation Act)

If any directors or employees become aware of any facts that could cause the Bank substantial damage, they must report on such facts and other matters designated by the Board of Directors or the Board of Statutory Auditors without delay. The said report shall be made in writing in principle. The Office of Statutory Auditors questions the directors or employees who have reported in the manner described above in accordance with orders from the statutory auditors.

- (9) Other systems to ensure effective auditing by the statutory auditors (Article 100, Paragraph 3, Item 4 of the Enforcement Regulations of the Corporation Act)

It is stipulated that the directors and employees shall cooperate on auditing by the statutory auditors and may not act in a manner to prevent such cooperation, and the statutory auditors may use external professionals as required within the

range permitted by law, at the expense of the Bank. At the Bank, efforts are made to ensure the effectiveness of audits, which include the provision of reports from the accounting auditor and the Internal Audit Division to statutory auditors, as well as attendance by statutory auditors at important meetings such as meetings of the Board of Directors and the Executive Committee.

(10) Others

We declare in “The Charter of Corporate Ethics” pursuant to the Board of Directors’ resolutions that we will take a firm and resolute stand against anti-social organizations which threaten the order and security of our society. We will consistently prevent and immediately eliminate illegal interference by such anti-social organizations.

In order to verify the effectiveness of the above-mentioned internal control system, the Internal Audit Division conducts internal audits in accordance with the “Internal Audit Policy” established by the Bank and reports the audit results to the President and the Board of Statutory Auditors.

**9. Matters Concerning Accountants**

None

**10. Others**

None

(Translation)

## Consolidated Balance Sheet

Shinsei Bank, Limited, and Consolidated Subsidiaries

As of March 31, 2013

	Millions of yen
<b>ASSETS</b>	
Cash and due from banks	¥648,897
Call loans and bills bought	18,806
Receivables under resale agreements	78,507
Receivables under securities borrowing transactions	19,083
Other monetary claims purchased	112,318
Trading assets	287,907
Monetary assets held in trust	233,847
Securities	1,842,344
Loans and bills discounted	4,292,464
Foreign exchanges	33,857
Lease receivables and leased investment assets	203,590
Other assets	770,905
Premises and equipment	52,716
Buildings	20,580
Land	7,286
Tangible leased assets as lessor	18,961
Construction in progress	226
Other premises and equipment	5,661
Intangible assets	68,429
Software	20,491
Goodwill	35,394
Intangible leased assets as lessor	3
Intangible assets acquired in business combinations	12,487
Other intangible assets	51
Deferred issuance expenses for debentures	95
Deferred tax assets	16,339
Customers' liabilities for acceptances and guarantees	511,032
Reserve for credit losses	(161,810)
<b>Total assets</b>	<b>¥9,029,335</b>
<b>LIABILITIES AND EQUITY</b>	
<b>Liabilities:</b>	
Deposits	¥5,252,935
Negotiable certificates of deposit	204,600
Debentures	262,342
Call money and bills sold	170,094
Payables under securities lending transactions	47,069
Trading liabilities	240,099
Borrowed money	719,292
Foreign exchanges	174
Short-term corporate bonds	82,800
Corporate bonds	174,286
Other liabilities	630,759
Accrued employees' bonuses	7,604
Accrued directors' bonuses	54
Reserve for employees' retirement benefits	7,309
Reserve for directors' retirement benefits	245
Reserve for losses on interest repayments	34,983
Reserve under special law	0
Deferred tax liabilities	7
Acceptances and guarantees	511,032
<b>Total liabilities</b>	<b>8,345,690</b>
<b>Equity:</b>	
<b>Shareholders' equity:</b>	
Common stock	512,204
Capital surplus	79,461
Retained earnings	107,288
Treasury stock, at cost	(72,558)
<b>Total shareholders' equity</b>	<b>626,395</b>
<b>Accumulated other comprehensive income:</b>	
Unrealized gain (loss) on available-for-sale securities	3,825
Deferred gain (loss) on derivatives under hedge accounting	(11,605)
Foreign currency translation adjustments	1,475
<b>Total accumulated other comprehensive income</b>	<b>(6,305)</b>
Stock acquisition rights	1,238
Minority interests	62,315
<b>Total equity</b>	<b>683,644</b>
<b>Total liabilities and equity</b>	<b>¥9,029,335</b>

(Translation)

## Consolidated Statement of Income

Shinsei Bank, Limited, and Consolidated Subsidiaries  
For the fiscal year ended March 31, 2013

	Millions of yen
<b>ORDINARY INCOME</b>	<b>¥386,079</b>
Interest income	147,834
Interest on loans and bills discounted	128,560
Interest and dividends on securities	17,028
Interest on call loans and bills bought	76
Interest on receivables under resale agreements	187
Interest on receivables under securities borrowing transactions	58
Interest on deposits with banks	334
Other interest income	1,590
Fees and commissions income	40,309
Trading income	22,698
Other business income	141,266
Other ordinary income	33,969
Recoveries of written-off claims	16,233
Other	17,736
<b>ORDINARY EXPENSES</b>	<b>331,584</b>
Interest expenses	36,149
Interest on deposits	23,066
Interest on negotiable certificates of deposit	373
Interest on debentures	979
Interest on call money and bills sold	152
Interest on payables under repurchase agreements	11
Interest on payables under securities lending transactions	298
Interest on borrowings	5,264
Interest on short-term corporate bonds	528
Interest on corporate bonds	5,467
Other interest expenses	7
Fees and commissions expenses	21,134
Trading losses	2,669
Other business expenses	99,833
General and administrative expenses	141,798
Amortization of goodwill	7,036
Amortization of intangible assets acquired in business combinations	3,774
Other general and administrative expenses	130,987
Other ordinary expenses	29,998
Provision of reserve for credit losses	13,785
Other	16,213
<b>ORDINARY PROFIT</b>	<b>54,495</b>
Extraordinary gains	1,162
Gain on disposal of premises and equipment	311
Other extraordinary gains	850
Extraordinary losses	1,782
Loss on disposal of premises and equipment	128
Impairment losses	916
Other extraordinary losses	736
Income before income taxes and minority interests	53,875
Income taxes (benefit) - current	595
Income taxes (benefit) - deferred	(1,334)
Total income taxes (benefit)	(738)
Income before minority interests	54,614
Minority interests in net income of subsidiaries	3,534
<b>NET INCOME</b>	<b>¥51,079</b>

(Translation)

### Consolidated Statement of Changes in Equity

Shinsei Bank, Limited, and Consolidated Subsidiaries

For the fiscal year ended March 31, 2013

(Millions of yen)

<b>Shareholders' equity</b>	
Common stock :	
Balance at beginning of the year	¥512,204
Changes during the year	
Total changes during the year	—
Balance at end of the year	512,204
Capital surplus :	
Balance at beginning of the year	79,461
Changes during the year	
Total changes during the year	—
Balance at end of the year	79,461
Retained earnings :	
Balance at beginning of the year	58,863
Changes during the year	
Dividends	(2,653)
Net income	51,079
Increase by inclusion of consolidated subsidiaries	0
Decrease by inclusion of consolidated subsidiaries	(0)
Decrease by exclusion of consolidated subsidiaries	(0)
Total changes during the year	48,425
Balance at end of the year	107,288
Treasury stock at cost :	
Balance at beginning of the year	(72,558)
Changes during the year	
Total changes during the year	—
Balance at end of the year	(72,558)
Total shareholders' equity :	
Balance at beginning of the year	577,970
Changes during the year	
Dividends	(2,653)
Net income	51,079
Increase by inclusion of consolidated subsidiaries	0
Decrease by inclusion of consolidated subsidiaries	(0)
Decrease by exclusion of consolidated subsidiaries	(0)
Total changes during the year	48,425
Balance at end of the year	626,395

(Translation)

<b>Accumulated other comprehensive income</b>	
Unrealized gain (loss) on available-for-sale securities :	
Balance at beginning of the year	(674)
Changes during the year	
Net changes during the year excluding shareholders' equity	4,499
Total changes during the year	4,499
Balance at end of the year	3,825
Deferred gain (loss) on derivatives under hedge accounting :	
Balance at beginning of the year	(11,754)
Changes during the year	
Net changes during the year excluding shareholders' equity	148
Total changes during the year	148
Balance at end of the year	(11,605)
Foreign currency translation adjustments :	
Balance at beginning of the year	(1,117)
Changes during the year	
Net changes during the year excluding shareholders' equity	2,592
Total changes during the year	2,592
Balance at end of the year	1,475
Total accumulated other comprehensive income :	
Balance at beginning of the year	(13,545)
Changes during the year	
Net changes during the year excluding shareholders' equity	7,240
Total changes during the year	7,240
Balance at end of the year	(6,305)
<b>Stock acquisition rights</b>	
Balance at beginning of the year	1,354
Changes during the year	
Net changes during the year excluding shareholders' equity	(115)
Total changes during the year	(115)
Balance at end of the year	1,238
<b>Minority interests</b>	
Balance at beginning of the year	61,877
Changes during the year	
Net changes during the year excluding shareholders' equity	438
Total changes during the year	438
Balance at end of the year	62,315
<b>Total equity</b>	
Balance at beginning of the year	627,657
Changes during the year	
Dividends	(2,653)
Net income	51,079
Increase by inclusion of consolidated subsidiaries	0
Decrease by inclusion of consolidated subsidiaries	(0)
Decrease by exclusion of consolidated subsidiaries	(0)
Net changes during the year excluding shareholders' equity	7,562
Total changes during the year	55,987
Balance at end of the year	¥683,644

(Translation)

## Non-Consolidated Balance Sheet

Shinsei Bank, Limited

As of March 31, 2013

	Millions of yen
<b>ASSETS</b>	
Cash and due from banks	¥546,411
Cash	3,511
Due from banks	542,899
Call loans	18,806
Receivables under resale agreements	78,507
Other monetary claims purchased	198,768
Trading assets	258,902
Securities held to hedge trading transactions	1,901
Derivatives for securities held to hedge trading transactions	49,075
Trading-related financial derivatives	207,925
Monetary assets held in trust	255,505
Securities	2,282,624
Japanese national government bonds	1,337,327
Japanese local government bonds	532
Japanese corporate bonds	186,379
Equity securities	395,448
Other securities	362,936
Valuation allowance for investments	(3,370)
Loans and bills discounted	4,224,433
Bills discounted	335
Loans on bills	27,458
Loans on deeds	3,665,330
Overdrafts	531,309
Foreign exchanges	33,857
Due from foreign banks	28,473
Foreign bills bought	150
Foreign bills receivable	5,234
Other assets	476,920
Prepaid expenses	1,802
Accrued income	9,212
Margin on futures transactions	5,102
Suspense payment on futures transactions	3
Derivatives held in banking account	159,375
Cash collateral paid for financial instruments	8,893
Deferred issuance expenses for corporate bonds	303
Accounts receivable	230,994
Other	61,231
Premises and equipment	19,600
Buildings	16,068
Leased assets	1
Construction in progress	1
Other premises and equipment	3,528
Intangible assets	9,333
Software	6,476
Goodwill	1,262
Other intangible assets	1,594
Deferred issuance expenses for debentures	95
Deferred expenses for issuance of debentures	95
Deferred tax assets	1,210
Customers' liabilities for acceptances and guarantees	12,566
Reserve for credit losses	(106,518)
<b>Total assets</b>	<b>¥8,307,655</b>



(Translation)

	Millions of yen
<b>LIABILITIES AND EQUITY</b>	
<b>Liabilities :</b>	
Deposits	¥5,631,651
Current accounts	252,498
Ordinary deposits	1,673,557
Notice deposits	9,852
Time deposits	3,255,436
Other deposits	440,306
Negotiable certificates of deposit	204,600
Debentures	265,042
Issuance of debentures	265,042
Call money	170,094
Payables under securities lending transactions	28,377
Trading liabilities	226,202
Derivatives for trading securities	247
Derivatives for securities held to hedge trading transactions	45,778
Trading-related financial derivatives	180,176
Borrowed money	479,854
Borrowed money	479,854
Foreign exchanges	368
Due to foreign banks	196
Foreign bills sold	146
Foreign bills payable	25
Corporate bonds	220,713
Other liabilities	398,199
Income taxes payable	317
Accrued expenses	71,468
Unearned income	835
Suspense receipt on futures transactions	310
Derivatives held in banking account	224,791
Cash collateral received for financial instruments	7,009
Lease obligations	1
Asset retirement obligations	6,986
Other	86,478
Accrued employees' bonuses	4,091
Acceptances and guarantees	12,566
<b>Total liabilities</b>	<b>7,641,761</b>
<b>Equity :</b>	
Shareholders' equity:	
Common stock	512,204
Capital surplus	79,465
Additional paid-in capital	79,465
Retained earnings	151,223
Legal reserve	12,097
Other retained earnings	139,126
Unappropriated retained earnings	139,126
Treasury stock, at cost	(72,558)
<b>Total shareholders' equity</b>	<b>670,335</b>
Unrealized gain (loss) on available-for-sale securities	2,976
Deferred gain (loss) on derivatives under hedge accounting	(8,657)
<b>Total net unrealized gain (loss) and translation adjustments</b>	<b>(5,680)</b>
Stock acquisition rights	1,238
<b>Total equity</b>	<b>665,893</b>
<b>Total liabilities and equity</b>	<b>¥8,307,655</b>

(Translation)

## Non-Consolidated Statement of Income

Shinsei Bank, Limited

For the fiscal year ended March 31, 2013

	Millions of yen
<b>ORDINARY INCOME</b>	¥161,220
Interest income	96,029
Interest on loans and bills discounted	67,040
Interest and dividends on securities	26,144
Interest on call loans	76
Interest on receivables under resale agreement	187
Interest on receivables under securities borrowing transactions	17
Interest on deposits with banks	249
Interest on swaps	284
Other interest income	2,028
Fees and commissions income	17,004
Domestic and foreign exchange commissions income	1,034
Other fees and commissions income	15,969
Trading income	17,006
Income from trading securities	74
Income from trading-related financial derivatives	16,932
Other business income	11,925
Gains on foreign exchange	2,405
Gains on sales of bonds	7,452
Gains on redemption of bonds	237
Other	1,829
Other ordinary income	19,254
Recoveries of written-off claims	8,537
Gains on sales of equity securities and others	3,024
Gains on monetary assets held in trust	5,244
Other	2,448
<b>ORDINARY EXPENSES</b>	135,510
Interest expenses	35,895
Interest on deposits	23,085
Interest on negotiable certificates of deposit	373
Interest on debentures	979
Interest on call money	152
Interest on payables under repurchase agreements	11
Interest on payables under securities lending transactions	253
Interest on borrowings	2,650
Interest on corporate bonds	8,381
Other interest expenses	6
Fees and commissions expenses	11,865
Domestic and foreign exchange commissions expenses	1,375
Other fees and commissions expenses	10,489
Trading losses	2,427
Losses on securities held to hedge trading transactions	2,258
Other trading losses	168
Other business expenses	5,551
Losses on sales of bonds	1,336
Losses on write-down of bonds	2,508
Amortization of deferred issuance expenses for debentures	63
Amortization of deferred issuance expenses for corporate bonds	85
Losses on derivatives held in banking account	690
Other	865
General and administrative expenses	69,701
Other ordinary expenses	10,068
Provision of reserve for credit losses	416
Losses on write-off of loans	6,863
Losses on sales of equity securities and others	0
Losses on write-down of equity securities and others	1,242
Losses on monetary assets held in trust	66
Other	1,478
<b>ORDINARY PROFIT</b>	25,710
Extraordinary gains	107
Gain on disposal of premises and equipment	1
Other extraordinary gains	106
Extraordinary losses	2,410
Loss on disposal of premises and equipment	97
Impairment losses	714
Other extraordinary losses	1,599
Income before income taxes	23,406
Income taxes (benefit) - current	(789)
Income taxes (benefit) - deferred	(460)
Total income taxes	(1,249)
<b>NET INCOME</b>	¥24,656

(Translation)

## Non-Consolidated Statement of Changes in Equity

Shinsei Bank, Limited

For the fiscal year ended March 31, 2013

(Millions of yen)

<b>Shareholders' equity</b>	
Common stock:	
Balance at beginning of the year	¥512,204
Changes during the year	
Total changes during the year	-
Balance at end of the year	512,204
Capital surplus:	
Additional paid-in capital:	
Balance at beginning of the year	79,465
Changes during the year	
Total changes during the year	-
Balance at end of the year	79,465
Total capital surplus:	
Balance at beginning of the year	79,465
Changes during the year	
Total changes during the year	-
Balance at end of the year	79,465
Retained earnings:	
Legal reserve:	
Balance at beginning of the year	11,566
Changes during the year	
Dividends	530
Total changes during the year	530
Balance at end of the year	12,097
Other retained earnings:	
Unappropriated retained earnings:	
Balance at beginning of the year	117,654
Changes during the year	
Dividends	(3,184)
Net income	24,656
Total changes during the year	21,471
Balance at end of the year	139,126
Total retained earnings:	
Balance at beginning of the year	129,221
Changes during the year	
Dividends	(2,653)
Net income	24,656
Total changes during the year	22,002
Balance at end of the year	151,223
Treasury stock, at cost:	
Balance at beginning of the year	(72,558)
Changes during the year	
Total changes during the year	-
Balance at end of the year	(72,558)
Total shareholders' equity:	
Balance at beginning of the year	648,332
Changes during the year	
Dividends	(2,653)
Net income	24,656
Total changes during the year	22,002
Balance at end of the year	670,335

(Translation)

<b>Net unrealized gain (loss) and translation adjustments</b>	
Unrealized gain (loss) on available-for-sale securities:	
Balance at beginning of the year	(1,031)
Changes during the year	
Net changes during the year excluding shareholders' equity	4,008
Total changes during the year	4,008
Balance at end of the year	2,976
Deferred gain (loss) on derivatives under hedge accounting:	
Balance at beginning of the year	(4,476)
Changes during the year	
Net changes during the year excluding shareholders' equity	(4,180)
Total changes during the year	(4,180)
Balance at end of the year	(8,657)
Total net unrealized gain (loss) and translation adjustments:	
Balance at beginning of the year	(5,508)
Changes during the year	
Net changes during the year excluding shareholders' equity	(172)
Total changes during the year	(172)
Balance at end of the year	(5,680)
<b>Stock acquisition rights</b>	
Balance at beginning of the year	1,354
Changes during the year	
Net changes during the year excluding shareholders' equity	(115)
Total changes during the year	(115)
Balance at end of the year	1,238
<b>Total equity</b>	
Balance at beginning of the year	644,178
Changes during the year	
Dividends	(2,653)
Net income	24,656
Net changes during the year excluding shareholders' equity	(288)
Total changes during the year	21,714
Balance at end of the year	¥665,893

(TRANSLATION)

## INDEPENDENT AUDITOR'S REPORT

May 2, 2013

To the Board of Directors of  
Shinsei Bank, Limited:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:

Seno Tezuka

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:

Masahiro Ishizuka

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:

Shigehiko Matsumoto

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:

Hiroyuki Hamahara

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated balance sheet as of March 31, 2013 of Shinsei Bank, Limited (the "Bank") and its consolidated subsidiaries, and the related consolidated statements of income and changes in equity for the fiscal year from April 1, 2012 to March 31, 2013, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

(TRANSLATION)

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Audit Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Bank and its consolidated subsidiaries as of March 31, 2013, and the results of their operations for the year then ended in conformity with accounting principles generally accepted in Japan.

### **Interest**

Our firm and the engagement partners do not have any interest in the Bank for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

(TRANSLATION)

## INDEPENDENT AUDITOR'S REPORT

May 2, 2013

To the Board of Directors of  
Shinsei Bank, Limited:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:

Seno Tezuka

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:

Masahiro Ishizuka

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:

Shigehiko Matsumoto

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:

Hiroyuki Hamahara

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the financial statements, namely, the balance sheet as of March 31, 2013 of Shinsei Bank, Limited (the "Bank"), and the related statements of income and changes in equity for the 13th fiscal year from April 1, 2012 to March 31, 2013, and a summary of significant accounting policies and other explanatory information, and the accompanying supplemental schedules.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements and the accompanying supplemental schedules in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the accompanying supplemental schedules that are free from material misstatement, whether due to fraud or error.

(TRANSLATION)

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements and the accompanying supplemental schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the accompanying supplemental schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the accompanying supplemental schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the accompanying supplemental schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the accompanying supplemental schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the accompanying supplemental schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Audit Opinion**

In our opinion, the financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of the Bank as of March 31, 2013, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

### **Interest**

Our firm and the engagement partners do not have any interest in the Bank for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.



*(Translation)*

*This translation is made for convenience only. The original report was issued in Japanese.*

## **REPORT OF THE BOARD OF STATUTORY AUDITORS**

The Board of Statutory Auditors of Shinsei Bank, Limited (hereinafter, the “Bank”) prepared this report, upon deliberation based on audit reports prepared by each Statutory Auditor, in relation to the execution of duties by the Bank’s Directors during the 13<sup>th</sup> fiscal year (from April 1, 2012 to March 31, 2013).

### **1. Process and Details of Audits by Statutory Auditors and the Board of Statutory Auditors**

The Board of Statutory Auditors determined the audit policy, audit plan and assignment of audit duties, etc. and received reports from each Statutory Auditor on the status and results of audits. Moreover, we received reports from Directors and the Accounting Auditor, etc. on the execution of their duties and requested explanations, as needed.

In accordance with the audit policy, audit plan and assignment of audit duties, etc. determined by the Board of Statutory Auditors, each Statutory Auditor made efforts to communicate with the employees of the internal audit section, etc., collect information and improve the audit environment. At the same time, we investigated the status of the Bank’s business activities and assets by attending important meetings, including the Board of Directors meetings, receiving reports and requesting explanations, as needed, from Directors and employees, etc. on the execution of their duties, referring to important approval documents, etc. In addition, with regard to the Board of Directors resolutions on the establishment of frameworks to ensure that the execution of duties by Directors mentioned in the business report complies with laws, ordinances and the Bank’s Articles of Incorporation as well as other frameworks that are necessary to ensure appropriate business activities by corporations as stipulated in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Corporation Act, and frameworks (internal control system) based on such resolutions, we received reports from Directors and employees, etc., on a regular basis, on the status of establishing and administering such frameworks and requested explanations and expressed opinions, as needed.

In relation to internal controls over financial reporting, we were provided reports on internal control assessments and audit status from Directors, etc. and from the Auditor – Deloitte Touche Tohmatsu LLC – and requested explanations, as needed.

With respect to the Bank’s subsidiaries, we communicated and exchanged information with their Directors, Statutory Auditors and so forth and received reports on their business, as needed. Based on the above process, we examined the Bank’s business report and schedules attached thereto for the relevant fiscal year.

In addition, we monitored and examined whether the Bank’s Accounting Auditor was maintaining its independence and conducting appropriate audits; received its reports on the status of the execution of its duties; and requested explanations, as needed. Moreover, we received from the Accounting Auditor a notice stating that the “System for Ensuring the

Appropriate Execution of Duties” (matter listed in each item of Article 131 of the Corporate Calculation Rules) is in operation in line with the “Audit Quality Control Standards” (released on October 28, 2005 by the Business Accounting Council), etc. and requested explanations, as needed. Based on the above process, we examined the Bank’s financial statements (balance sheet, income statement, statements of changes in equity, notes), schedules attached thereto, and consolidated financial statements (consolidated balance sheet, consolidated income statement, consolidated statements of changes in equity, consolidated notes) for the relevant fiscal year.

## 2. Results of the Audit

### (1) Results of the audit of the business report, etc.

- A. We acknowledge that the business report and its attached schedules fairly present the state of the Bank in accordance with laws, ordinances and its Articles of Incorporation.
- B. We acknowledge that nothing came to our attention which falls within the definition of misconduct or a material violation of laws, ordinances or the Bank’s Articles of Incorporation with respect to the execution of duties by Directors.
- C. We acknowledge that the contents of the Board of Directors resolutions concerning the system of internal controls were reasonable. In addition, we acknowledge that nothing came to our attention which should be pointed out concerning the contents of the business report and the execution of duties by Directors in relation to the said internal control system, including internal controls over financial reporting.

### (2) Results of the audit of financial statements and attached schedules

We acknowledge that the process and results of the audit by the Bank’s Accounting Auditor, Deloitte Touche Tohmatsu LLC, are appropriate.

### (3) Results of the audit of consolidated financial statements

We acknowledge that the process and results of the audit by the Bank’s Accounting Auditor, Deloitte Touche Tohmatsu LLC, are appropriate.

May 7, 2013

The Board of Statutory Auditors of Shinsei Bank, Limited  
Shinya Nagata, Standing Statutory Auditor (Seal)  
Kozue Shiga, Statutory Auditor (Seal)  
Tatsuya Tamura, Statutory Auditor (Seal)

Note: Statutory Auditors Kozue Shiga and Tatsuya Tamura are outside Statutory Auditors as stipulated in Article 2, Item 16 and Article 335, Paragraph 3 of the Corporation Act.