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[TRANSLATION]

Shinsei Bank, Limited
TSE Stock code: 8303

Notice of the Annual General
Meeting of Shareholders for
the 14th Term

Date and Time:

Wednesday, June 18, 2014 at 10:00 a.m.
(Doors Open at 9:00 a.m.)

Place:

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

Agenda Items:

1. Election of Six (6) Directors
2. Election of Two (2) Audit & Supervisory Board Members
3. Election of Two (2) Substitute Audit & Supervisory Board Members
4. Payment of Retirement Allowance to Retiring/Retired Audit & Supervisory Board Members

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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 18, 2014 at 10:00 a.m.
(Doors Open at 9:00 a.m.)

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.

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 17, 2014 by 5:00 p.m.

Exercise of voting rights by Internet Please see the last page for more details

Please access the website to exercise 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 17, 2014 by 5:00 p.m.

Image of
QR code

※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.)

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

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[TRANSLATION]

TSE Stock code: 8303
May 28, 2014
4-3 Nihonbashi-muromachi 2-chome, Chuo-ku, Tokyo
Shinsei Bank, Limited

Notice of the Annual General Meeting of Shareholders for the 14th Term

Dear Shareholders,

We are pleased to invite you to the Annual General Meeting of Shareholders of Shinsei Bank, Limited ("the Bank") for the 14th 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 17, 2014.

Yours faithfully,

Shigeki Toma
Representative Director and
President

Description of the Meeting

1. **Date and Time:** *Wednesday, June 18, 2014 at 10:00 a.m.
Doors Open at 9:00 a.m.*
2. **Place:** *Grand Hall, Nomura Conference Plaza Nihonbashi,
6th 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 Audit & Supervisory Board for the 14th Term (from April 1, 2013 to March 31, 2014).*
 2. *Report on the Financial Statements for the 14th Term (from April 1, 2013 to March 31, 2014).*
 - Matters to be voted on:**
 - Item1 :** *Election of Six (6) Directors*
 - Item2 :** *Election of Two (2) Audit & Supervisory Board Members*
 - Item3 :** *Election of Two (2) Substitute Audit & Supervisory Board Members*
 - Item4 :** *Payment of Retirement Allowance to Retiring/Retired Audit & Supervisory Board Members*

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 Audit & Supervisory Board Members 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>).

We are planning to disclose the Annual General Meeting of Shareholders for the 14th Term by posting media file(s) on the Bank's website at a later date for a certain period of time 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.

Item 1 Election of Six (6) Directors

We would like to seek approval to elect six persons as Directors, since all Directors (six persons) 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.) 2000 Y 6 M Executive Officer 2001 Y 5 M Managing Executive Officer 2002 Y 4 M Managing Executive Officer, Mizuho Corporate Bank, Ltd. (Predecessor of Mizuho 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 122,211
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 11,759
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, The Tokyo New Business Conference (Current) 2009 Y 5 M Board of Overseers, 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) 2013 Y 6 M Director, Shinsei Bank, Limited (Current)	Common Shares 3,131
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 96,192
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) 2006 Y 6 M Director, Monex Group, Inc. (Current) 2011 Y 6 M Director, Shinsei Bank, Limited (Current)	Common Shares 200,000

Notes.

1. All candidates for Directors are current Directors. The responsibilities in Shinsei Bank, Limited (hereinafter, the Bank) of the candidates for Directors are described on page 29 of the Business Report.
2. Candidates for Directors, namely, Mr. Shigeki Toma and Mr. Yukio Nakamura will be elected as Executive Directors at the Board of Directors meeting to be held after this General Meeting of Shareholders. They have the knowledge and experience to be able to carry out business management of a bank appropriately, fairly and efficiently.
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 the 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 thirteen years and three months in total.
- ② As of the end of this General Meeting of Shareholders, Mr. Ernest M. Higa will have been an Outside Director for one year.
- ③ As of the end of this General Meeting of Shareholders, Mr. Shigeru Kani will have been an Outside Director for ten years.
- ④ As of the end of this General Meeting of Shareholders, Mr. Jun Makihara will have been an Outside Director for three 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, Ernest M. Higa, 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 four candidates are re-elected as Directors, the Bank will continue the said Agreement for Limitations on Liability with them.

6. The Bank has submitted to the Tokyo Stock Exchange, Inc. an "independent director statement" (*dokuritsu-yakuin todokede-sho*) that Messrs. Ernest M. Higa, Shigeru Kani and Jun Makihara are independent directors (*dokuritsu-yakuin*).

Item 2 Election of Two (2) Audit & Supervisory Board Members

We would like to seek approval to elect two persons as Audit & Supervisory Board Members, since Ms. Kozue Shiga and Mr. Tatsuya Tamura will have completed their terms of office at the end of this Annual General Meeting of Shareholders.

The Audit & Supervisory Board's consent has been obtained.

Career summary of the candidates is as follows.

	Name (Date of Birth)	Personal History/Positions in the Bank and Important Concurrent Posts	Ownership (# of Shares)
1	Kozue Shiga (November 23, 1948)	1967 Y 11 M Joined Japan Airlines Corporation 1993 Y 4 M Prosecutor, Yokohama District Public Prosecutors' Office 1998 Y 4 M Registered Daiichi Tokyo Bar Association 1999 Y 8 M Established Shiga Law Office 2002 Y 6 M Partner, Son Sogo Law Office (Resigned, 2005Y 9M) 2005 Y 10 M Partner, Shiraishi & Partners (Current) 2007 Y 4 M Audit & Supervisory Board Member, Tokushu Tokai Holdings Co., Ltd. (Predecessor of Tokushu Tokai Paper Co., Ltd.) (Current) 2009 Y 9 M Director, Toyoko Inn Co., Ltd. (Current) 2010 Y 6 M Audit & Supervisory Board Member, Shinsei Bank, Limited (Current)	Nil
2	* Ryuichi Tomimura (February 17, 1959)	1983 Y 10 M Joined IBM Japan, Ltd. 1991 Y 10 M General Manager, Network Integration Division, Recruit Co. Ltd. (Predecessor of Recruit Holdings Co., Ltd.) 1994 Y 1 M Managing Partner, Pricewaterhouse Consultant 2002 Y 10 M Managing Director, IBM Business Consulting Service, Asia Pacific 2004 Y 2 M Representative Director, Senior Executive Vice President, JAPAN TELECOM CO., LTD (Predecessor of Softbank Telecom Corp.) 2007 Y 12 M Representative Director, Managing Director, RHJ International Japan, Inc. (Resigned, 2012Y 6M) 2010 Y 4 M Executive Vice President, Director, SIGMAXYZ Inc. (Current) 2012 Y 8 M Director, Plan•Do•See Inc. (Current)	Nil

Notes.

1. *: Candidate for new Audit & Supervisory Board Member
2. Ms. Kozue Shiga and Mr. Ryuichi Tomimura, who are the candidates for Audit & Supervisory Board Members, have the knowledge and experience to be able to carry out the audit of the execution of duties of directors of a bank appropriately, fairly and efficiently.
3. Special Interests between the Bank and a candidate:
 - ① No Special Interests exist between any candidates for Audit & Supervisory Board Members and the Bank.
 - ② Mr. Ryuichi Tomimura served as a representative director of RHJ International Japan, Inc. until his retirement from that position in June 2012. For the duration of his tenure at RHJ International Japan, Inc. and up until the present, there has been no capital or transactional relationship between the Bank and RHJ International Japan, Inc.

4. The following persons are candidates for Outside Audit & Supervisory Board Members:
Ms. Kozue Shiga, Mr. Ryuichi Tomimura

5. Matters concerning candidates for Outside Audit & Supervisory Board Members:

(1) Reasons for nominating each of the candidates for Outside Audit & Supervisory Board Members

- ① Ms. Kozue Shiga is asked to stand as a candidate for Outside Audit & Supervisory Board Member in order to reflect in the Bank's audit operations her expertise and extensive experience as a lawyer.
- ② Mr. Ryuichi Tomimura is asked to stand as a candidate for Outside Audit & Supervisory Board Member in order to reflect in the Bank's audit operations his extensive experience and wide range of knowledge including information systems as a management executive and a consultant.

(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 Audit & Supervisory Board Member candidate in the joint stock company, as well as actions actually taken by the Outside Audit & Supervisory Board Member candidate to prevent recurrence of such violation and subsequent countermeasures taken by him/her.

On June 30, 2010, based on the Act on Emergency Measures for Early Strengthening of Financial Functions and the Banking Law, the Bank received a Business Improvement Order from the Financial Services Agency (hereinafter, FSA). This is because the Bank's non-consolidated financial results for the fiscal year ended March 2010 were significantly lower than the non-consolidated earnings target set forth in the Revitalization Plan.

In response to the Business Improvement Order, on July 30, 2010, the Bank submitted to the FSA a Business Improvement Plan which clarified the Bank's future business strategy. In advance to the submission, on July 21, 2010, the Board of Directors approved the Plan after confirming the importance of earnings stabilization, risk management and governance enhancement. After the Bank received the Business Improvement Order, the candidate for Outside Audit & Supervisory Board Member, Ms. Kozue Shiga (who was elected as our Outside Audit & Supervisory Board Member at our Annual General Meeting of Shareholders held on June 23, 2010), performed auditing activities in order to contribute to the steady implementation of the Business Improvement Plan and held discussions from various viewpoints in an effort to further improve the Bank's earning base and strengthen its risk management framework at the Board of Directors meetings and Audit & Supervisory Boards.

(3) If a candidate for Outside Audit & Supervisory Board Members had been a Statutory Executive Officer, a Director, or an Audit & Supervisory Board Member 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 ground on which the Bank judges that a candidate for Outside Audit & Supervisory Board Member can appropriately implement his/her duties, in the case where the relevant candidate has not been involved in the management of a company by means other than by assuming the office of an Outside Director or Outside Audit & Supervisory Board Member.

Given that Ms. Kozue Shiga has, from her specialist viewpoints as a lawyer, distinguished track records in activities related to corporate law and further that she has extensive experience, she is expected to function appropriately as Outside Audit & Supervisory Board Member of the Bank.

(5) The number of years since a candidate for Outside Audit & Supervisory Board Member who is a currently Outside Audit & Supervisory Board Member

As of the end of this General Meeting of Shareholders, Ms. Kozue Shiga will have been an Outside Audit & Supervisory Board Member for four years.

(6) Overview of the contents of the Agreement for Limitations on Liability concluded with Outside Audit & Supervisory Board Members

Candidate for Outside Audit & Supervisory Board Member, namely, Ms. Kozue Shiga has concluded an Agreement for Limitations on Liability with the Bank under Article 427, Paragraph 1 of the Corporation Act. Under this agreement, the Outside Audit & Supervisory Board Member's 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 Audit & Supervisory Board Member 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 Ms. Shiga is re-elected as Audit & Supervisory Board Member, the Bank will continue the said Agreement for Limitations on Liability with her.

The candidate for new Outside Audit & Supervisory Board Member, Mr. Ryuichi Tomimura, once elected as Audit & Supervisory Board Member, 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 Ms. Kozue Shiga is independent director (*dokuritsu-yakuin*). The Bank will notify Mr. Ryuichi Tomimura, once elected as Audit & Supervisory Board Member, as an independent director.

Item 3 Election of Two (2) Substitute Audit & Supervisory Board Members

We received a notice from Mr. Eiji Takahashi (the current Substitute Audit & Supervisory Board Member as a substitute for Audit & Supervisory Board Member who is not an Outside Audit & Supervisory Board Member) expressing his intention to decline the post of Substitute Audit & Supervisory Board Member at the end of this Annual General Meeting of Shareholders. As a result, the Board of Directors approved a resolution to the cancel his election as Substitute Audit & Supervisory Board Member at the end of this Annual General Meeting of Shareholders, with a consent of the Audit & Supervisory Board, in accordance with the resolution at the Annual General Meeting of Shareholders for the Twelfth Term. In addition, the resolution for the election of Ms. Makiko Yasuda as Substitute Outside Audit & Supervisory Board Member will expire at the opening of this Annual General Meeting of Shareholders.

Therefore, we would like to seek approval to elect two persons as Substitute Audit & Supervisory Board Members, pursuant to Article 329, Paragraph 2 of the Corporation Act, in order to prepare for the event that the number of Audit & Supervisory Board Members falls short of the number stipulated by law. Mr. Kojiro Taima is a candidate for Substitute Audit & Supervisory Board Member as a substitute for Audit & Supervisory Board Member who is not an Outside Audit & Supervisory Board Member. Ms. Makiko Yasuda is a candidate for Substitute Audit & Supervisory Board Member as a substitute for Outside Audit & Supervisory Board Member. Until and prior to actually assuming office, the above election as Substitute Audit & Supervisory Board Member may be cancelled by a resolution of the Board of Directors and with a consent of the Audit & Supervisory Board.

The Audit & Supervisory Board's consent has been obtained.

Career summary of the candidates is as follows.

	Name (Date of Birth)	Personal History and Important Concurrent Posts		Ownership (# of Shares)
1	* Kojiro Taima (June 10, 1964)	1989 Y 4 M	Joined The Long-Term Credit Bank of Japan, Ltd. (Predecessor of Shinsei Bank, Limited)	Common Shares 4,672
		2007 Y 10 M	General Manager, Corporate Banking Business Sub-Group	
		2011 Y 4 M	General Manager, Corporate Banking Business Division IV	
		2012 Y 3 M	Department Head, VBI Promotion Division, Business Incubation Department	
		2013 Y 4 M	Department Head, Institutional Business Division, West Japan Business Department	
		2014 Y 4 M	General Manager, Office of Audit & Supervisory Board Members (Current)	
2	Makiko Yasuda (March 10, 1944)	1973 Y 4 M	Registered Daiichi Tokyo Bar Association	Nil
		1980 Y 5 M	Established Yasuda Law & Patent Office (Predecessor of Yasuda Law Office) (Current)	
		1997 Y 4 M	Executive Vice President, Daiichi Tokyo Bar Association	
		2000 Y 3 M	Audit & Supervisory Board Member, Shinsei Bank, Limited	
		2006 Y 6 M	Audit & Supervisory Board Member, Shinsei Trust & Banking Co., Ltd. (Current)	

Notes.

1. ※ : Candidate for new Substitute Audit & Supervisory Board Member
2. Mr. Kojiro Taima and Ms. Makiko Yasuda, who are the candidates for Substitute Audit & Supervisory Board Members, have the knowledge and experience to be able to carry out the audit of the execution of duties of directors of a bank appropriately, fairly and efficiently.
3. Special Interests between the Bank and a candidate:
No Special Interests exist between any candidates for Substitute Audit & Supervisory Board Members and the Bank.
4. The following person is a candidate for Substitute Outside Audit & Supervisory Board Member:
Ms. Makiko Yasuda

5. Matters concerning a candidate for Substitute Outside Audit & Supervisory Board Member:

(1) Reasons for nominating the candidate for Substitute Outside Audit & Supervisory Board Member

Ms. Makiko Yasuda is asked to stand as a candidate for Substitute Outside Audit & Supervisory Board Member in order to reflect in the Bank's audit operations her expert knowledge and extensive experience related to audit for banking business as a lawyer.

(2) The ground on which the Bank judges that a candidate for Substitute Outside Audit & Supervisory Board Member can appropriately implement his/her duties, in the case where the relevant candidate has not been involved in the management of a company by means other than by assuming the office of an Outside Director or Outside Audit & Supervisory Board Member.

Given that Ms. Makiko Yasuda has, from her specialist viewpoints as a lawyer, distinguished track records in activities related to corporate law and audit for banking business, and further that she has extensive experience, she is expected to function appropriately as Outside Audit & Supervisory Board Member of the Bank.

(3) Overview of the contents of the Agreement for Limitations on Liability concluded with Substitute Outside Audit & Supervisory Board Member

Candidate for Substitute Outside Audit & Supervisory Board Member, namely, Ms. Makiko Yasuda when she becomes an Audit & Supervisory Board Member, is to conclude an Agreement for Limitations on Liability with the Bank under Article 427, Paragraph 1 of the Corporation Act. Under this agreement, the Outside Audit & Supervisory Board Member's liability for any damage caused through neglect of her duties and responsibilities shall be limited.

If the Bank suffers damage as a result of such neglect, the Outside Audit & Supervisory Board Member 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 her duties and responsibilities.

Item 4 Payment of Retirement Allowance to Retiring/Retired Audit & Supervisory Board Members

The Bank seeks to reward Mr. Akira Watanabe (who retired as an Audit & Supervisory Board Member on June 22, 2011) and Mr. Tatsuya Tamura (who shall complete his term of office as an Audit & Supervisory Board Member at the end of this Annual General Meeting of Shareholders) retirement allowances for their services to the Bank. These allowances will be provided in accordance with “the policy of retirement allowance” as prescribed by the Bank and the sum of the amount to be awarded to the two retiring Audit & Supervisory Board Members can be up to, but not exceed, 12 million yen. The Bank requests that the determination of specifics regarding the allowances, namely, exact amounts, timing of reward and method of payment, be left to the discretion of the Members of the Audit & Supervisory Board.

The career summaries of the Audit & Supervisory Board Members the Bank seeks to reward are as follows.

Name	Career Summary
Akira Watanabe	2010 Y 6 M Audit & Supervisory Board Member (Full-time)
	2011 Y 6 M Retired from Audit & Supervisory Board Member (Full-time)
Tatsuya Tamura	2010 Y 6 M Audit & Supervisory Board Member (Outside) (Current)

END

(Attachment)

Business Report for the 14th Fiscal Year (From April 1, 2013 to March 31, 2014)

1. Current State of the Bank

(1) Business Development and Performance of the Group

[Principal Business of the Group]

The Shinsei Group, which consists of Shinsei Bank, Limited, 277 subsidiaries (comprised of 184 consolidated companies including APLUS FINANCIAL Co., Ltd., Showa Leasing Co., Ltd., Shinsei Financial Co., Ltd., Shinsei Principal Investments Ltd. and 93 unconsolidated subsidiaries) and 19 affiliated companies (comprised of 19 affiliates accounted for under the equity method including Jih Sun Financial Holding Company, Limited) as of March 31, 2014, 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.

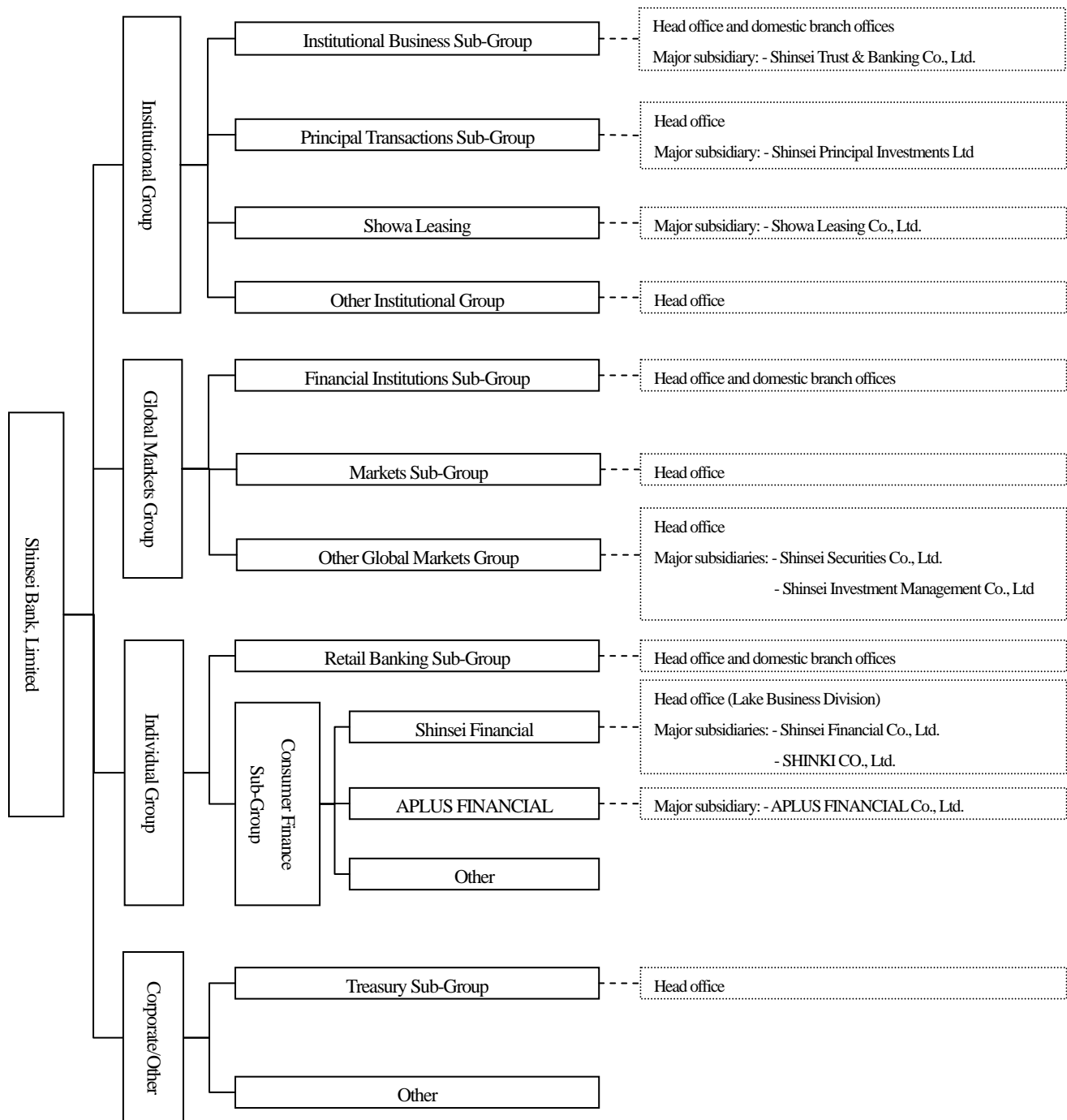
In the Institutional Group, the “Institutional Business Sub-Group” provides financial products, services and advisory services for corporate banking business and public sector finance, real estate finance, such as non-recourse loans, financial products and services for the real estate and construction 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” in the bank 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 on March 1, 2013, is included in the “Retail Banking Sub-Group”.

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

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



[Financial and Economic Environment]

During fiscal year 2013, economic sentiment improved due in part to “Abenomics,” and pickups in spending by individuals and industrial manufacturing, and increases in corporate earnings and public investment were observed, and the entire Japanese economy moved towards a gradual recovery.

The Japanese Government (“the Government”) and the Bank of Japan (“the BOJ”) have promoted a variety of measures in order to stimulate the economy. On April 4, 2013, the BOJ introduced new monetary easing measures that are “of a different dimension, both in terms of quantity and quality.” Additionally, the Government is promoting a flexible financial policy, known as the “fifteen-month budget,” and has raised the consumption tax rate. Through such economic measures, the Government has taken steps to prevent the Japanese economy from buckling. Going forward, as exports recover, while it is expected that the economic recovery will continue as various policies are executed, individuals will begin to contribute to the recovery and private sector earnings and investments will rise, as the original momentum of “Abenomics” is softening, the Government will need to take further actions, such as creating more effective growth strategies. Additionally, there are concerns regarding the negative effects of the consumption tax hike and downturn in overseas economies. Close attention must continue to be paid to developments in these areas.

To provide an overview of the financial markets, from when the BOJ announced monetary easing measures until May 2013, the yen experienced a relatively rapid weakening in the foreign exchange market. However, after this period, the yen experienced buybacks and from June 2013 onwards has only experienced modest movements in price. Although the yen weakened from November 2013 through to December 31, 2013 due to expectations of recovery in the U.S. economy, the yen began to strengthen in the New Year and the exchange rate for the yen as of March 31, 2014 was approximately ¥103/USD1 (a depreciation of approximately ¥9 versus end of March 2013) and ¥142/EUR1 (a depreciation of approximately ¥21 versus end of March 2013).

Regarding domestic interest rates, the domestic long-term interest rate (10 year government bond yields), which was below the 0.6% level as of March 2013, saw large movements; temporarily plummeting to 0.3% immediately following the BOJ’s announcement of monetary easing policies. This was followed by a rise in yield, touching the 1% level in the later half of May 2013. From June 2013 onwards, as the effects of long-term bond buying operations by the BOJ penetrated the market, the long-term interest rate stabilized at lower levels and, as of March 31, 2014, returned to approximately 0.6%. Additionally, the short term interest rate continues to remain at low levels.

Finally, regarding the Nikkei Stock Average, due to factors such as rising expectations of an economic recovery and corrections in the price of the yen, the Stock Average rose at a rapid rate. Although this was followed by corrections in the form of large drops in May 2013 the price movements began to be subdued from June 2013 onwards. From November 2013, the rise in price began to strengthen once again, and as of December 31, 2013, the Nikkei Stock Average reached ¥16,291.31 (a rise of ¥3,890 compared to March 31, 2013); the highest price reached that year. However, the Nikkei Stock Average entered a downward trend in the New Year, and as of March 31, 2014, the Nikkei Stock Average closed at ¥14,827.83 (a rise of ¥2,430 compared to March 31, 2013).

[Business Development and Performance of the Group in fiscal year 2013]

Shinsei Bank, in 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, has strived to improve its efficiency and responsiveness as a unified Group in order to provide a wide range of financial products and services tailored to the needs of its customers.

The Bank has formulated its Second Medium-Term Management Plan (“MTMP”), which targets the period from fiscal year 2013 to fiscal year 2015, and established as its objectives the “establishment of a unique business base,” “increase revenues and further improve financial fundamentals,” and “become a financial group appreciated by customers and valued by society and markets.” Fiscal year 2013 was the first year of the Second MTMP, and the Bank continues to make progress across all of its businesses towards achievement of the Plan. Specific undertakings in each business area are as follows:

(Institutional Business)

The Institutional Group, which focuses primarily on the corporate and public sector finance and advisory businesses, 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.

In the Institutional Group, in addition to promoting its differentiation in key strategic fields through initiatives such as the provision of growth support for businesses, industries, and regions through business participation, and as a fundamental strategy is looking to enhance its expertise in areas such as the medical, healthcare, and renewable energy industries, and in corporate establishment support and corporate revitalization support, in addition to enhancing all areas of the Bank that has expertise.

In the corporate business, synergies between the operations of traditional balance sheet finance and cash flow finance businesses such as project finance, real estate finance, and buyout finance in which the Bank has experience and expertise, have been enhanced and, in order to enhance our ability to provide comprehensive solutions, the Structured Finance Division and the Institutional Business Sub-Group were integrated in April 2013, creating an integrated operational structure. Furthermore, in order to fundamentally strengthen sales in regional areas in Western Japan, the West Japan Business Department of the Institutional Business Division was established within the Bank's Osaka Branch in April, 2013, which has made possible the establishment of a system which allows more flexible sales activities. Additionally, the Osaka Branch, coinciding with the strengthening of its sales structure and functions, was relocated in October 2013. In addition, while continuing to actively promote the development of new business and the expansion of its customer base, efforts have been made to provide goods and services that meet the needs of customers while strengthening collaboration within the Bank. Furthermore, in fiscal year 2013, a large progression in the disposal of non-performing loans related to real estate finance took place, and soundness of the portfolio has been improved.

As part of its efforts in key strategic fields, in healthcare finance the Bank is actively expanding its efforts to grow its business while strengthening collaboration with investors and operators (nursing and medical facility operating companies). In April 2014, the Bank and five companies including Kenedix, Inc. concluded an agreement to establish a healthcare REIT (Real Estate Investment Trust), and established an asset management company to manage it. Going forward, the management company will actively undertake efforts in order to publicly list the REIT on the Tokyo Stock Exchange in the second half of calendar year 2014. In addition, efforts that capitalize on the uniqueness of the Bank are actively being made in the corporate revitalization and healthcare finance businesses, with focus on the promotion of specific projects in each area. In the renewable energy sector, the Institutional Group is continuing its efforts from the previous fiscal year to promote its arrangement of project finance for large scale solar power generation plants (mega solar). Furthermore, while actively engaging on overseas project finance primarily in the Asia and Oceania regions, the Institutional Group is strengthening its involvement in the areas of PFI (Private Finance Initiative) and PPP (Public Private Partnership) infrastructure finance, and has made an investment in the Private Finance Initiative Promotion Corporation of Japan in October of 2013 as part of those efforts. In regard to corporate revitalization, the Bank has entered into a business partnership agreement with Shinkin Central Bank in March 2014 to provide business succession support for Shinkin bank customers.

In the credit trading and private equity businesses, the "Shinsei Principal Investments Group" was established in July, 2013, through the reorganization of the headquarters within the Bank responsible for the businesses together with subsidiaries under it. The Shinsei Principal Investments Group looks to respond flexibly and effectively to the rapidly changing business environment, and is actively pursuing the development of new businesses and realization of initiatives, such as the enhancement of consulting capabilities in the credit trading business and the establishment of joint funds in the private equity business.

In regard to overseas market entry support for corporate customers, Shinsei Bank concluded a business alliance agreement with Forval Corporation in March 2014, and started supporting the entry of SME (small and medium-sized enterprise) customers into ASEAN (Association of Southeast Asian Nations) countries from April 2014. Furthermore, the Bank entered into a business alliance with Military Commercial Joint-Stock Bank (MB Bank), a major commercial bank in Vietnam, in March 2014, and will provide local currency institutional lending and business matching services for institutional customers. The Bank is also looking into providing standby credit in Vietnam in cooperation with MB Bank to give credit guarantees to loans granted to local subsidiaries of Japanese companies in Vietnamese dong.

In addition, Showa Leasing Co., Ltd. ("Showa Leasing"), which comes under the umbrella of the Institutional Group, looks to expand its business base in its mainstay businesses such as providing leasing services to mid-market and SME customers for industrial machinery and machine tools, and strengthening its fee revenue in areas such as its assets based buying-selling. Also, Showa Leasing is engaged in increasing its focus on specific areas such as construction

machines where it has competitive strengths, and while enhancing its expertise, further expand its customer base by strengthening collaboration with leading suppliers and working to promote small business alliances in sales finance. Furthermore, Showa Leasing has completed an agreement with Shinkin Central Bank in October 2013 to provide support as part of the “ABL (Asset Based Lending) Introduction Support Program,” where Showa Leasing will provide its expertise to credit unions that are looking to engage in ABL. Through measures such as this, Showa Leasing is looking to provide financial solutions to both regional financial institutions, as well as their customers.

In the Global Markets Group, measures are being proactively implemented to provide products such as structured deposits and credit linked loans to financial institutions customers which face difficulties in finding investment options in the current low-interest rate environment, as well as efforts being made to in the brokerage, buying and selling of loans in collaboration with business corporations and public entities. In addition, the Shinsei Bank Group is utilizing its financial expertise in order to support the business expansion of its customers, and is promoting its cash flow finance initiatives in renewable energy related initiatives and the composition of loans utilizing real estate as collateral. In regard to meeting financial institution customers’ investment management needs, the Group is strengthening its privately placed investment trust services through steps such as commencing the sale of privately placed investment trust which invest primarily in U.S. bank loans in this fiscal year. 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, and the Bank continues to promote regional revitalization measures working with our regional financial institution customers.

(Individual Business)

The Individual Group, by promoting the provision of its consumer finance services through its retail bank services as well as the services provided by Shinsei Bank and its subsidiaries, is bringing innovative financial solutions to its individual customers. Shinsei Bank defines customers who are able to freely utilize the products and services of the Bank and its group companies freely as “core customers.” Utilizing the various resources of the Bank Group to provide comprehensive financial services such as asset management, settlement, investment services, and consulting services, the Bank looks to expand its base of core customers.

As a part of these efforts, in its retail banking business, the Bank has entered into an agreement with Culture Convenience Club Co., Ltd. (“CCC”), a business partner of APLUS Co., Ltd. (“APLUS”) of the Shinsei Bank Group, to introduce members of CCC’s shared point service “T-Point*” to financial products and services of the Bank, in June 2013, and as of September 2013, the Bank has begun offering T-Points as an incentive of T members to open a “PowerFlex” account, Shinsei Bank’s comprehensive account. Going forward, the bank will expand its promotional campaigns, services, and products, through which T members are able to earn T-Points in a wide variety of situations in their daily lives. Going forward, the Bank will combine financial products and services with T-Point services, as well as evaluate the development and provision of new products and services, in order to actively pursue the expansion of the Bank’s base of core customers.

In addition, regarding deposits, the Bank continues to execute promotional campaigns of yen denominated time deposits as well as focus on the active promotion of foreign currency deposits, and in investment products such as investment trusts, against the background of the high level of activity in financial markets, has worked to expand the offering of products which meet the needs of customers. In housing loans, following the introduction of support for renovation needs for “PowerSmart Housing Loans” in June 2013, the Bank has commenced the sale of “Anshin Pack W (Double)” from January 2014 in which the Bank provides coupons for housekeeping and child sitting services in order to assist its customers with children and those with heavy work schedules through the provision of a product which provides support to these customers. Furthermore, in October 2013, the Bank expanded its ATM alliance network, making fee free ATM services available to customers at ATMs operated by JR East Japan and major convenience store chains such as LAWSON and Family Mart, in order to improve customer convenience. The Bank has also started providing smartphone banking services through its online banking services “Shinsei *PowerDirect*” from February 2014.

Due in part to these measures, the total number of the Bank’s retail banking accounts in use by customers as of March 31, 2014, has surpassed 27 million. In regard to total deposits by individuals, through measures such as yen denominated time deposit promotional campaigns in addition to the provision of various deposit products such as structured deposits and two-week maturity time deposits, the individual balance of deposits has exceeded ¥5 trillion as of March 31, 2014, contributing to the realization of a stable funding base. The balance of assets under management for individuals, including debentures, mutual funds, insurance investment products, and structured bonds was over ¥6 trillion as of March 31, 2014. In addition, the balance of “PowerSmart” home mortgages has increased to ¥1.10 trillion as of March 31, 2014.

In consumer finance operations, the Shinsei Bank Group continues to proactively engage in initiatives to develop this business. “Shinsei Bank Card Loan – Lake,” (“Lake”) which has been operated at the bank since October 2011 after being transferring from our consolidated subsidiary Shinsei Financial Co., Ltd. (“Shinsei Financial”) to the Bank, business continues to grow at a steady rate, and as of March 31, 2014, the total number of customers is approximately 300 thousand and the outstanding loan balance exceeds ¥118.8 billion. In addition, at Shinsei Financial, efforts are being made to expand the guarantee business for personal unsecured loans in cooperation with Lake and other financial institutions.

At APLUS FINANCIAL Co., Ltd. (“APLUS FINANCIAL”), efforts have been made to strengthen collaboration with CCC, mainly around its subsidiary APLUS, and starting in March 2013, in addition to issuing “T Card Plus” (issued by APLUS), a T Card with credit card functions, shopping credit and rental services which are eligible for T-Points have been promoted. In addition, active efforts have been undertaken in a wide range of businesses, including measures such as the issuance of credit cards targeted at SMEs and sole proprietors, and participation in the establishment of a new business model in Japan in the launch of the Tay Two Prepaid Credit Card together with Tay Two Corporation, a business of the partner of the Bank.

Furthermore, efforts are being made to strengthen cooperation within the Bank Group through measures such as newly adding the use of a Lake loan or a “Shinsei APLUS Gold Credit Card” as qualifying criterion for the “Gold Stage” of the Bank’s “Shinsei Step-Up Program,” a program that provides preferential services to customers with PowerFlex accounts, as well as the continuation of promotional campaigns launched in collaboration between APLUS and the Bank that are targeted at credit card customers.

In regard to losses on interest repayment, based upon recent trends of interest repayments, a total additional provisioning of reserves for losses on interest repayment of ¥15.6 billion was made in the fiscal year 2013, in order to cover future interest repayment risk. It should be noted that the recent trends of interest repayments and disclosure claims are currently far below their peaks in the past.

In addition, in regard to the Shinsei Financial interest repayment loss indemnification by GE Japan Corporation (“GE Japan”), Shinsei Bank and GE Japan have reached an agreement to conclude the indemnification on March 31, 2013, in exchange for a lump-sum cash payment described below. As a result of this agreement, on March 31, 2013, Shinsei Financial received a lump sum cash payment of ¥175.0 billion in order to cover all expected losses on interest repayment, and the same amount was provisioned for reserves for losses on interest repayment in the fourth quarter of fiscal year 2013. In September 2008, Shinsei Bank entered into a share transfer agreement with GE Japan (GE Japan Holdings LLC at the time), and acquired Shinsei Financial and its subsidiaries. Within the contract to acquire Shinsei Financial, a provision was included which would allow GE Japan the option to make a single lump-sum payment of the amount Shinsei Bank believes to be required to cover all future losses on interest repayment to Shinsei Financial in exchange for the termination of the indemnification. As a result of GE Japan exercising this right, the indemnification is now terminated. Shinsei Bank, based upon the continuing downward trend of interest repayments at Shinsei Financial, believes that it has sufficient provisions to cover all future losses on interest repayment due to this additional provisioning of reserves for losses on interest repayment.

Going forward, Shinsei Bank will actively engage in the consumer finance business in a forward looking manner, and in addition to the traditional consumer finance markets, look to expand its business in the bank card loan market, and will continue to work to establish its presence in the unsecured card loan market as a trusted lender.

* T-Point is a shared point service operated by Culture Convenience Club Co., Ltd., and as of the end of February, 2014, has a total membership of 48 million (active and unique) members, and 110 affiliated companies nationwide operate a total of 68,000 retail outlets.

(Financial Position)

As a result of an increase in Tier I capital, due to factors such as recording positive net income, coupled with a reduction in risk-weighted assets, due to an improvement of asset quality, our consolidated-basis total capital adequacy ratio under Basel II was 13.80%, while our consolidated Tier I capital ratio was 12.22% as of March 31, 2014, both marking an improvement over the same period of the previous fiscal year. Additionally the consolidated-basis total capital adequacy ratio under Basel III (domestic standard), which has been applied since the end of this fiscal year, was 13.58%.

(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. In this fiscal year, in addition to engaging in volunteer activities twice in areas affected by the disaster in Miyagi Prefecture, the Bank invited a speaker from the Miyagi Prefecture Minami Sanriku Social Welfare Council to give a lecture in March 2014. In addition, the Bank continuously organized internal fundraisers, and gathered donations to erect 2 LED solar-panel street lights in a fishing harbor in Miyagi prefecture in June 2013. 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)

In the fiscal year ended March 31, 2014, ordinary income on a consolidated basis was ¥375.2 billion (decrease of ¥10.8 billion compared to the previous fiscal year), while ordinary expenses on a consolidated basis were ¥331.0 billion (decrease of ¥0.4 billion compared to the previous fiscal year). As a result, our consolidated net ordinary income was ¥44.1 billion (decrease of ¥10.3 billion compared to the previous fiscal year) and our consolidated net income for the fiscal year ended March 31, 2014 was ¥41.3 billion (decrease of ¥9.7 billion compared to the previous fiscal year). Additionally, segment profits under management of Shinsei Bank and its consolidated subsidiaries totaled ¥69.8 billion for the fiscal year ended March 31, 2014 (increase of ¥5.0 billion compared to the previous fiscal year).

On a business segment level, the Institutional Group's efforts aimed at rebuilding the customer franchise and improving profitability are yielding results, and due to factors such as a large decline in net credit costs as a result of reversal of reserves for loans losses associated with the disposal of NPLs, as well as the posting of steady profit by Showa Leasing, the Group continued to experience a strong performance.

In the Global Markets Group, while efforts continued to be made to rebuild the customer base and to provide financial products and services that meet customers' needs, growth of revenues in areas such as customer transaction volumes and markets related transactions were sluggish. Furthermore, in the area of credit costs due to a lack of recovery of written off claims as in the previous business year, earnings declined compared to the previous fiscal year. At the Individual Group, in the Retail Banking Sub-Group, while expenses increased as a result of the active implementation of measures aimed at enabling the smooth execution of the Second Medium-Term Management Plan, as a result of factors such as the continuation of the steady accumulation of housing loans and strong sales of investment products such as investment trusts, a corresponding profit level was secured.

At the Consumer Finance Sub-Group, due to the loan balance having moved to a growth trend in the fourth quarter of last fiscal year, the increase in acceptance of shopping credit and such of APLUS FINANCIAL, and the tightening of credit controls, enhancement of collections frameworks, and limited occurrence of credit costs as a result of improving asset quality, steady earnings were recorded. Regarding reserves for losses on interest repayment, total additional provisions of ¥15.6 billion were made in fiscal year 2013 due to recalculation of future interest repayment risk.

In the "Corporate/Other" segment losses on the sale of Japanese government bonds and U.S. Treasury bills recorded by the Treasury Sub-Group, which manages ALM operations, is included.

Each segment attained the following business results for the fiscal year ended March 31, 2014.

(Millions of yen)

Fiscal 2013 (14th Fiscal Period)

	Institutional Group				Global Markets Group		
	Institutional Business Sub-Group	Principal Transactions Sub-Group	Showa Leasing	Other Institutional Group	Financial Institutions Sub-Group	Markets Sub-Group	Other Global Markets Group
Revenue	36,522	17,948	15,190	(106)	3,251	4,902	3,142
Net Interest Income	25,098	5,297	(2,468)	(250)	1,571	2,246	129
Non-interest income	11,424	12,651	17,658	143	1,679	2,655	3,013
Expense	11,013	4,224	8,275	1,344	2,136	3,252	3,563
Credit costs (Recoveries)	(10,106)	(246)	(2,662)	4,418	(440)	97	(118)
Segment Profit (loss)	35,616	13,969	9,577	(5,869)	1,555	1,552	(302)

	Individual Group				Corporate/Other		
	Retail Banking Sub-Group	Consumer Finance Sub-Group			Treasury Sub-Group	Other	Total
		Shinsei Financial	APLUS FINANCIAL	Other			
Revenue	32,420	47,072	48,152	1,720	(4,424)	(2,756)	203,036
Net Interest Income	25,391	50,971	7,501	1,478	(3,342)	(3,106)	110,518
Non-interest income	7,028	(3,899)	40,651	242	(1,081)	350	92,518
Expense	31,792	30,108	34,726	757	1,540	139	132,875
Net Credit costs (Recoveries)	(46)	2,782	6,830	(227)	-	(0)	279
Segment Profit (loss)	673	14,180	6,596	1,190	(5,964)	(2,894)	69,882

Note

Figures have been truncated to the unit stated in all amounts shown above.

[Challenges Facing the Shinsei Bank Group]

The Shinsei Bank Group formalized its Second Medium-Term Management Plan (MTMP), (the duration of which runs from April 1, 2013 to March 31, 2015). The Second MTMP establishes as its objectives “the establishment of a unique business base,” “increase revenues and further improve financial fundamentals,” and “become a financial group which is appreciated by customers, society and markets,” and aims to secure sustainable growth and realize management principles based upon the First MTMP. The Bank is working toward the achievement of the goals established in the Second MTMP through the implementation of various strategies and the strengthening of its operational structure as described below.

1. Realizing long-term, stable profit growth through the offering of products and services that meet the needs of our customers

In order to provide high quality value-added products and services that 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, 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 actively engaged in efforts to support the recovery of areas affected by the Great East Japan Earthquake, and, as a financial institution, is working to provide smooth access to financial services in order to help the affected areas recover from the disaster as quickly as possible.

(Institutional Business)

In our institutional business, we have established a basic strategy that focuses on the strengthening of and utilization of expertise to support the growth of companies, industries and regions by working together with customers, and the key industries and sectors of “medical and healthcare,” “renewable energy,” and “incorporation and corporate rehabilitation support,” and we look to differentiate ourselves from our competition through the provision of high quality services that leverage our expertise, networks and financial functions in key industries and fields. In addition, the Bank is actively engaged in further enhancing operation in which the Bank has expertise, rebuilding our real estate portfolio and securing profitability, expanding initiatives in the area of structured finance which is expected to grow, expanding our corporate revitalization business, working to make available the expertise of the Bank in collaboration with other financial institutions following the expiration of the Financial Facilitation Act, and enhancing and strengthening the Bank’s market solution capabilities. For corporate sector loans, we will look to increase loans by strengthening the institutional business organization and expanding our customer base, primarily through the “business participation approach” where the Bank works together with customers to resolve challenges they may face. In regards to the credit trading and private equity businesses, the Bank formed the Shinsei Principal Investments Group in July 2013, and by leveraging its management resources and accumulated expertise, the Bank will actively expand its business by improving its organizational efficiency and business sophistication. In the financial institutions business, we will promote business cooperation and a deepening of relationships through the provision of a wider range of transactions by providing multifaceted functions to financial institutions, and promote business alliances leveraging the Bank’s extensive network with financial institutions. For our overseas strategy, we will support the overseas expansion of our customers in cooperation with regional financial institutions and overseas local financial institutions. We will also focus on high-quality project finance initiatives in Europe and Oceania.

(Individual Business)

In the Bank’s 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 in a wide range of areas including investments, settlements, loans and consulting, by leveraging the functions of the entire Shinsei Bank Group. In order to accomplish this, we aim to implement a new retail banking model by taking steps such as strengthening the cooperation between sales channels including branches, the call center and the internet and leveraging their strengths, providing products and services such as investment trusts and structured bonds from a consumer centric point of view ahead of our competition, and further improving consulting capabilities. We will also aim to expand and develop the loan business by improving our line up of mortgage products that better meet customer needs, establishing a position in the unsecured card loan market as a trusted lender, improving the product line up of purpose loans and increasing the overall balance, and further expanding our guarantee business in cooperation with regional financial institutions. In our overseas strategy, we will evaluate the provision of unsecured loans and installment sales credit to meet small lot financing needs in Asia where the middle class is growing, and evaluate meeting 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

Shinsei Bank will optimally allocate management resources and establish a balanced management of our operations through the smooth implementation of Basel III (capital adequacy requirements in accordance with the Banking Act; Shinsei Bank utilizes an internal ratings based approach) by the Bank and its Group companies, and by enhancing risk management and accurately identifying risk and return. Additionally, in regards to Basel III, while Shinsei Bank is considered a domestic bank from a regulatory standpoint, it engages in management that is mindful of international standards and is working to put in place necessary frameworks and systems in order to accommodate the new standards.

The Bank has selected a “Company with Audit & Supervisory Board” 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 Audit & Supervisory Board Members and an Audit & Supervisory Board 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.

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 (also known as “J-SOX”). While the Group is fully compliant 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 perform disclosure in a timely, proper, and highly transparent manner for the benefit of investors.

Of the management infrastructure development initiative aimed at supporting the successful execution of the Second MTMP, Shinsei Bank recognizes that building a robust and stable IT system that operates smoothly is necessary for a financial institution which plays a role in social infrastructure and is recognized as an important management issue. Going forward, the Bank will strive to stabilize the operations of the current system and develop the Bank’s next system to be stable and robust, in line with mid to long-term management policies.

3. Achievement of revitalization plan targets

Shinsei Bank submitted a newly revised Plan for Restoring Sound Management (the “Business Revitalization Plan”) to the Financial Services Agency in March 2013. In the Second MTMP, 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 MTMP. In the fiscal year ended March 31, 2014 the Bank recorded a nonconsolidated net business profit of ¥29.8 billion, below the target set in the Business Revitalization Plan due to total revenue being weaker than expected. At the same time, a nonconsolidated net income of ¥36.4 billion was recorded, above the established target due to significant improvements in credit costs. The Bank recognizes its expected role in fulfilling social responsibilities as a financial institution with public funds, and in addition to fulfilling these responsibilities, will look to establish a stable revenue base in the mid to long-term through the implementation of measures outlined within the Business Revitalization Plan, and in the future, the Bank will work as a unified entity toward the accomplishment of the targets laid out within it.

Going forward, we appreciate your continued understanding and support.

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 2010 (11th Fiscal Period)	Fiscal 2011 (12th Fiscal Period)	Fiscal 2012 (13th Fiscal Period)	Fiscal 2013 (14th Fiscal Period)
Consolidated ordinary income	4,658	4,132	3,860	3,752
Consolidated ordinary profit	244	167	544	441
Consolidated net income	426	64	510	413
Consolidated comprehensive income	149	240	627	491
Consolidated total equity	6,111	6,276	6,836	7,225
Consolidated total assets	102,315	86,096	90,293	93,211

Note

Figures have been truncated to the unit stated in all amounts shown above.

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

	(Hundred millions of yen)			
	Fiscal 2010 (11th Fiscal Period)	Fiscal 2011 (12th Fiscal Period)	Fiscal 2012 (13th Fiscal Period)	Fiscal 2013 (14th Fiscal Period)
Deposits	57,393	57,882	58,362	61,942
Time deposits	36,081	32,976	32,554	35,821
Other	21,311	24,905	25,808	26,120
Issuance of debentures	3,525	2,968	2,650	417
Coupon debenture	3,525	2,968	2,650	417
Discount debenture	—	—	—	—
Corporate bonds	2,222	2,122	2,207	2,218
Loans and bills discounted	39,732	41,026	42,244	42,357
To individuals	9,211	9,561	11,565	13,040
To small- and medium-sized businesses	14,549	16,580	15,835	15,187
Other	15,971	14,884	14,842	14,129
Trading assets	1,828	1,566	2,589	2,350
Trading liabilities	1,443	1,276	2,262	2,065
Securities	37,017	22,866	22,826	19,778
Japanese national government bonds	24,625	12,851	13,373	11,267
Other	12,392	10,015	9,452	8,510
Total assets	92,580	78,744	83,076	84,867
Total equity	6,187	6,441	6,658	6,994
Domestic exchange transactions	279,869	208,650	194,947	203,852
	(Millions of dollars)	(Millions of dollars)	(Millions of dollars)	(Millions of dollars)
Foreign exchange transactions	9,524	12,432	10,969	11,042
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Ordinary profits	7,968	18,119	25,710	37,667
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Net income	11,170	13,894	24,656	36,454
	(yen)	(yen)	(yen)	(yen)
Net income per share	5.59	5.23	9.29	13.73

Notes

1. *Figures have been truncated to the unit stated in all amounts shown above.*

2. *Deposits" and "Deposits-Others" include negotiable certificates of deposits.*

3. *On 27 April, 2013, debentures for worker's property accumulation (Zailei) were terminated and their balance transferred to Time deposits for the same purpose (Zaikai). As a result, in fiscal year 2013, Issuance of debentures was decreased by ¥223.3 billion vs. previous fiscal year. On the other hand, Deposits increased by ¥358.0 billion compared to the previous fiscal year due to the transfer from debentures to Time deposits and a steady increase in deposits from individual customers.*

4. *For fiscal year 2013, net income was ¥36.4 billion, an increase by ¥11.7 billion vs. previous year due to continuous improvement of interest margin and a decrease in credit costs.*

(3) Employees on consolidated basis

	End of this fiscal year	End of the previous fiscal year
Number of employees		
Institutional Group		
Institutional Business Sub-Group	359	316
Principal Transactions Sub-Group	152	154
Showa Leasing	511	507
Other Institutional Group	41	41
Global Markets Group		
Financial Institutions Sub-Group	70	62
Markets Sub-Group	67	59
Other Global Markets Group	123	122
Individual Group		
Retail Banking Sub-Group	623	600
Consumer Finance Sub-Group		
Shinsei Financial	1,023	1,005
APLUS FINANCIAL	1,329	1,260
Other	53	49
Corporate / Other		
Treasury Sub-Group	23	19
Other	690	669
Total	5,064	4,863

Note

These numbers include overseas local employees.

(4) Status of Main 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 areas.....	2	(–)	2	(–)
Kanto area.....	21	(5)	24	(7)
(Tokyo).....	(12)	(1))	(14)	(2))
Chubu area.....	2	(–)	2	(–)
Kinki area.....	11	(6)	12	(7)
Chugoku/Shikoku/Kyushu areas.....	3	(–)	3	(–)
Domestic total.....	39	(11)	43	(14)
Overseas.....	–	(–)	–	(–)
Grand total	39	(11)	43	(14)

Note

ATMs located outside branches and unmanned branches for the Lake business were installed at 30 locations and 780 locations, respectively, by the end of this fiscal year.

2) Newly established business offices in this fiscal year

None

3) List of agencies of the bank

None

4) Agent activities operated by the Bank

None

ii. Subsidiaries

1) Institutional Group

Main company name and main office location

<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 Principal Investments Ltd.	Head office	9-7, Otemachi 1-chome, Chiyoda-ku, Tokyo
Showa Leasing Co., Ltd.	Head office	4-14, Koraku 1-chome, Bunkyo-ku, Tokyo

2) Global Markets Group

Main company name and main office location

<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 main office location

<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).....	6,539
Subsidiaries	
Institutional Group.....	936
Global Markets Group.....	100
Individual Group.....	2,870
Corporate/Other.....	0
Total	10,447

Notes

1. Figures have been truncated to the unit stated in all amounts shown above.
2. This amount is the total amount invested in each business segment on a nonconsolidated basis.

ii. New establishment of important facilities

None

(6) Important Parent Company and Subsidiaries

i. Parent Company

None

ii. Subsidiaries

<u>Company Name</u>	<u>Address</u>	<u>Major business</u>	<u>Establishment date</u>	<u>Capital (millions of yen)</u>	<u>Percentage of voting rights of subsidiaries, etc. held by Shinsei Bank (%)</u>	<u>Other</u>
APLUS FINANCIAL Co., Ltd.	Osaka City Osaka	Consumer credit business	October 6, 1956	¥15,000	95.05 (91.49)	—
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	¥100	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	—
Shinsei Principal Investments Ltd.	Chiyoda-ku, Tokyo	Financial instruments business	April 11, 2006	¥100	100.00	—

Notes

1. Fractions of amounts shown less than one million yen have been truncated.
2. Numbers included in parentheses in the "Percentage of voting rights of subsidiaries, etc. held by Shinsei Bank" column indicate indirect holdings.
3. Shinsei has 184 consolidated subsidiaries, including the major subsidiaries listed above, as well as 19 affiliated companies that are accounted for under the equity method.

Summary of Important Business Alliances

1. Shinsei 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.; Saitama Resona Bank, Ltd.

Trust and banking companies:

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

Others:

The Shoko Chukin Bank, Ltd.; Aozora Bank, Ltd.; TRI bank Kanagawa.

2. The Bank offers cash withdrawal and depository 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 ATMs operated by Seven Bank, Ltd., Lawson ATM Networks, Inc., and E-net Co., Ltd. These ATMs are installed primarily in convenience stores. Additionally, the Bank manages joint ATM corners under an alliance with Seven Bank, Ltd.
4. The Bank offers ATM services through "VIEW ALTTE" ATMs which are located throughout East Japan Railway Company railway stations under a partnership agreement with Viewcard Co., Ltd.
5. The Bank offers automated local currency cash withdrawal services through overseas ATMs in the PLUS network under alliance relationships with Visa Worldwide.

6. The Bank is introducing financial products and services to “T Members,” who are the users of “T Points,” a loyalty program provided by Culture Convenience Club Co., Ltd., under a business alliance agreement with Culture Convenience Club Co., Ltd.
7. 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.
8. The Bank entered into a guarantee contract with Shinsei Financial Co., Ltd., a consolidated subsidiary, which acts as a guarantor for “Shinsei Bank Card Loan – Lake,” an unsecured personal card loan service, from October, 2011.
9. The Bank has an operational alliance agreement with The Towa Bank, Ltd.
10. The Bank has signed a business alliance agreement on business cooperation regarding business matching and lending with Military Commercial Joint-Stock Bank, a major commercial bank in Vietnam.
11. The Bank has concluded a business alliance agreement with Forval Corporation on business cooperation regarding business development support for small- and medium-sized enterprises (SMEs) entering into countries belonging to the Association of Southeast Asian Nations (ASEAN).
12. The Bank has signed a comprehensive business alliance with YES BANK, Limited, an Indian commercial bank. The alliance covers information-sharing, business matching, syndications, lending, investment banking, trade finance, remittances, treasury operations and other business in collaboration with YES BANK, Limited.
13. The Bank has signed a memorandum of understanding on broad business cooperation in areas such as business matching, loans, trade finance, advisory, and provision of financial instruments with Jih 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 Audit & Supervisory Board Members

(1) Corporate Directors and Audit & Supervisory Board Members

(As of March 31, 2014)

Name	Position(s)/Responsibility (ies)	Important Concurrent Post(s)	Other(s)
Shigeki Toma	Representative Director, President and CEO	—	—
Yukio Nakamura	Representative Director, Deputy President	—	—
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.	—
Ernest M. Higa	Director (Outside)	Chairman and Chief Executive Officer, Higa Industries Co., Ltd. Chief Executive Officer, Wendy's Japan Outside Director, JC Comsa Corporation Board of Overseers, Columbia Business School Board Member, The Tokyo New Business Conference	—
Shigeru Kani	Director (Outside)	Trustee, Japan Association of Corporate Executives	—
Jun Makihara	Director (Outside)	Professor, Yokohama College of Commerce Chairman of the Board, Neoteny Co., Ltd. Outside Director, RHJ International	—
Shinya Nagata	Audit & Supervisory Board Member	—	Mr. Nagata has extensive experience in the operational area of financial control and accounting and has a considerable level of knowledge of matters of finance and accounting.
Kozue Shiga	Audit & Supervisory Board Member (Outside)	Lawyer Outside Audit & Supervisory Board Member, Tokushu Tokai Paper, Co., Ltd. Outside Director, Toyoko Inn Co., Ltd.	—
Tatsuya Tamura	Audit & Supervisory Board Member (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. Outside Directors Ernest M. Higa, Shigeru Kani and Jun Makihara, and Outside Audit & Supervisory Board Members Kozue Shiga and Tatsuya Tamura submitted an "independent director statement" (*dokuritsu-yakuin todokede-sho*) to the Tokyo Stock Exchange, Inc.
2. The Bank has adopted the Executive Officer system. As of March 31, 2014, there were 22 Executive Officers including those who also serve as Directors. (Of these, 1 Executive Officer resigned as of March 31, 2014)

(2) Compensation for Corporate Directors and Officers

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

Classification	Number of payees	Compensation, etc.	Remarks
Directors	7 (Of whom, 1 has already resigned)	¥134million	
Audit & Supervisory Board Members	3	¥40 million	
Total	10 (Of whom, 1 has already resigned)	¥174 million	

Notes

- 1. Figures have been truncated to the unit stated in all amounts shown above.*
- 2. In the above categories, 2 Directors also work as Executive Officers.*
- 3. The Bank does not pay performance-linked compensation to its Directors.*
- 4. The Bank did not pay retirement allowances to its Directors or Audit & Supervisory Board Members during this fiscal year.*
- 5. The 10th 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 yen a year (including 50 million yen for outside Directors) and for the total amount of compensation, etc. paid to Audit & Supervisory Board Members at 60 million yen a year. However, these amounts do not include salaries payable to Directors working as employees of the Bank. For the Director who also works as Executive Officer, 1 million yen is paid as an Executive Officer bonus.*

3. Matters concerning Outside Directors and Outside Audit & Supervisory Board Members

(1) Concurrent Posts and Other Details of Outside Directors and Outside Audit & Supervisory Board Members

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.
	Member of the Advisory Board, The Kessler Group	The Bank has no particular transactions with The Kessler Group including shareholdings, etc.
	Chairman and Director, Flowers National Bank	The Bank has no particular transactions 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.
Ernest M. Higa	Chairman and Chief Executive Officer (Executive Officer), Higa Industries Co., Ltd.	The Bank has no particular transactions with Higa Industries Co., Ltd. including shareholdings, etc.
	Chief Executive Officer (Executive Officer), Wendy's Japan	The Bank has no particular transactions with Wendy's Japan including shareholdings, etc.
	Outside Director, JC Comsa Corporation	The Bank has no particular transactions with JC Comsa Corporation including shareholdings, etc.
	Board of Overseers, Columbia Business School	The Bank has no particular transactions with Columbia Business School including shareholdings, etc.
	Board Member, The Tokyo New Business Conference	The Bank has no particular transactions with The Tokyo New Business Conference including shareholdings, etc.
	Trustee, Japan Association of Corporate Executives	The Bank has no particular transactions with Japan Association of Corporate Executives including shareholdings, etc.
Shigeru Kani	Professor, Yokohama College of Commerce	The Bank has no particular transactions with Yokohama College of Commerce including shareholdings, etc.
Jun Makihara	Chairman of the Board (Executive Officer), Neoteny Co., Ltd.	The Bank has no particular transactions with Neoteny Co., Ltd. including shareholdings, etc.
	Outside Director, RHJ International S.A.	The Bank has no particular transactions with RHJ International S.A. 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.
Kozue Shiga	Outside Audit & Supervisory Board Member, Tokushu Tokai Paper, Co., Ltd.	The Bank has no particular transactions with Tokushu Tokai Paper, Co., Ltd. including shareholdings, etc.
	Outside Director, Toyoko Inn Co., Ltd.	The Bank has no particular transactions with Toyoko Inn Co., Ltd. including shareholdings, etc.
Tatsuya Tamura	President (Executive Officer), Global Management Institute Inc.	The Bank has no particular transactions with Global Management Institute Inc. including shareholdings, etc.
	Chairman (Executive Officer), Japan Corporate Governance Network	The Bank has no particular transactions with Japan Corporate Governance Network including shareholdings, etc.
	Outside Director, Autobacs Seven Co., Ltd.	The Bank has no particular transactions with Autobacs Seven Co., Ltd. including shareholdings, etc.
	Auditor, Japan Center for Economic Research	The Bank has no particular transactions with Japan Center for Economic Research including shareholdings, etc.

(2) Major Activities of Outside Directors and Outside Audit & Supervisory Board Members

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	13 years as an Outside Director and 1 year as a Director (Non-executive)	Participated in six out of seven 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 upon his wide-ranging financial knowledge.
Ernest M. Higa	9 months	Participated in all six meetings of the Board of Directors held during this fiscal year after assuming office in June 2013	Provided timely and necessary remarks and advice on agenda items and deliberation based upon his extensive knowledge regarding business for consumers and his experience as an executive officer.
Shigeru Kani	9 years 9 months	Participated in all seven 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	2 year 9 months	Participated in all seven meetings of the Board of Directors held during this fiscal year	Provided timely and necessary remarks and advice on general agenda items based upon his wide-ranging financial knowledge.
Kozue Shiga	3 years 9 months	Participated in all seven meetings of the Board of Directors and all twelve meetings of the Audit & Supervisory Board 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 audit & supervisory board member and director of other companies.
Tatsuya Tamura	3 years 9 months	Participated in all seven meetings of the Board of Directors and all twelve meetings of the Audit & Supervisory Board 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 Ernest M. Higa Shigeru Kani Jun Makihara Kozue Shiga Tatsuya Tamura	The Outside Directors and the Outside Audit & Supervisory Board Members' 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 Audit & Supervisory Board Members 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 Audit & Supervisory Board Members

	Number of payees	Compensation, etc. received from the Bank	Compensation, etc. received from the Bank's parent company
Total compensation, etc. for Outside Directors and Outside Audit & Supervisory Board Members	7 persons (Of whom, 1 has already resigned)	56 million yen	—

Note

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

(5) Opinions from Outside Directors and Outside Audit & Supervisory Board Members

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 (thousand shares)

- Aggregate number of shares issued

2,750,346 (thousand shares)

Note

The number of shares shown has been rounded down to thousands of shares.

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

45,181

(3) Major Shareholders

Shareholder's name	Investment in the Bank	
	Number of common shares (thousand)	Shareholding percentage
SATURN IV SUB LP (JPMCB 380111)	323,680	12.19%
Deposit Insurance Corporation of Japan	269,128	10.14%
THE RESOLUTION AND COLLECTION CORPORATION	200,000	7.53%
SATURN JAPAN III SUB C.V. (JPMCB 380113)	110,449	4.16%
THE MASTER TRUST BANK OF JAPAN,LTD. (TRUST ACCOUNT)	108,867	4.10%
JAPAN TRUSTEE SERVICE BANK,LTD. (TRUST ACCOUNT)	95,116	3.58%
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	88,710	3.34%
JP MORGAN CHASE BANK 380072	79,461	2.99%
JAMES CHRISTOPHER FLOWERS 380603	76,742	2.89%
NORTHERN TRUST CO.(AVFC) RE 15PCT TREATY ACCOUNT	56,959	2.14%

Notes

1. The number of common shares shown has been rounded down to thousands of shares.
2. Shareholding percentages have been calculated by deducting treasury shares (96,427 thousand 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 Audit & Supervisory Board Members of the Bank as of the end of the fiscal year ended March 31, 2014.

	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	-	50 / 2 persons
Holdings by Audit & Supervisory Board Members	7 / 1 person	3 / 1 person
Class and number of shares that can be purchased through the exercise of stock acquisition rights	Common stock/ 4,665,000 shares (1,000 shares per stock acquisition right)	Common stock/ 2,036,000 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.	

	7th Issuance of Stock Acquisition Rights	13th Issuance of Stock Acquisition Rights
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	-	50 / 2 persons
Holdings by Audit & Supervisory Board Members	-	3 / 1 person
Class and number of shares that can be purchased through the exercise of stock acquisition rights	Common stock/ 434,000 shares (1,000 shares per stock acquisition right)	Common stock/ 1,975,000 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 June 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.	

	15th Issuance of Stock Acquisition Rights	17th Issuance of Stock Acquisition Rights
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	-	20 / 2 persons
Holdings by Audit & Supervisory Board Members	-	-
Class and number of shares that can be purchased through the exercise of stock acquisition rights	Common stock/ 430,000 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.	

	20th Issuance of Stock Acquisition Rights
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	20 / 2 persons
Holdings by Audit & Supervisory Board Members	-
Class and number of shares that can be purchased through the exercise of stock acquisition rights	Common stock/ 1,171,000 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, 2014**
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	398	Business other than audit certification business includes research and reporting on internal control systems for capital adequacy ratios.
	Business other than audit certification business	20	
	Total fees	419	

Notes

1. Masahiro Ishizuka, Kazutoshi Kogure, 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	710
	Business other than audit certification business	26
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 Audit & Supervisory Board 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 Audit & Supervisory Board, if it is determined that the independent accounting auditor can not exercise its duties properly or as otherwise demanded necessary.

Also, the Audit & Supervisory Board's policy is to have the Board of Directors submit the agenda regarding the dismissal or non-reassignment of the independent accounting auditor to the General Meeting of Shareholder's, if the Audit & Supervisory Board considers the independent accounting auditor's above inability.

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” (“Code of Conduct”) as a base for systems to ensure that the directors and employees of the Bank 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 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. The Code of Conduct prescribes the rules for respecting human rights, sincere and fair business activities, and behavior as an individual. The Bank requires all the directors and employees to regularly pledge and affirm that they understand and have been complying with the Code of Conduct in writing and by other means. 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 Audit & Supervisory Board Members 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, integrity and availability are ensured so that only those who are authorized can access the information when required. This Policy stipulates compliance when handling information, the principle of minimum disclosure, introduction and operation of the information security framework, classification and management of information assets, and education and training.

(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 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 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 and affiliated companies 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, and giving them guidance on improving operational efficiency, and 3) ensuring that the subsidiaries and affiliated companies comply with various rules (including firewall rules) and maintain their reputation and establish 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, items to be approved by the Executive Committee, 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 Audit & Supervisory Board Members (Article 100, Paragraph 3, Item 1 of the Enforcement Regulations of the Corporation Act)

It is stipulated that the Office of Audit & Supervisory Board Members is established to assist in the performance of the duties and responsibilities of the Audit & Supervisory Board Members and that the employees belonging to the

Office of Audit & Supervisory Board Members are employees who should assist in the duties and responsibilities of the Audit & Supervisory Board Members (“Assistants”). The Assistants have an obligation to report to the Audit & Supervisory Board Members 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 Audit & Supervisory Board Members, which is established as an independent organization from each director and business execution, directly reports to the Audit & Supervisory Board Members. In addition, the appointment, removal, reassignment, or other important matters concerning employment shall be decided with a prior consent of the Audit & Supervisory Board. Revisions of wages and other remuneration for the Assistants are also subject to a prior consent of the Audit & Supervisory Board. The aforementioned matters ensure the independence of the employees in the duties and responsibilities to support the Audit & Supervisory Board Members from the directors.

(8) System for directors and employees to report to the Audit & Supervisory Board Members and systems for reporting other matters to the Audit & Supervisory Board Members (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 Audit & Supervisory Board without delay. The said report shall be made in writing in principle. The Office of Audit & Supervisory Board Members questions the directors or employees who have reported in the manner described above in accordance with orders from the Audit & Supervisory Board Members.

(9) Other systems to ensure effective auditing by the Audit & Supervisory Board Members (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 Audit & Supervisory Board Members and may not act in a manner to prevent such cooperation, and the Audit & Supervisory Board Members 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 the Audit & Supervisory Board Members, as well as the attendance of the Audit & Supervisory Board Members 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 antisocial forces which threaten the order and security of our society, and we will consistently prevent illegal interference by such antisocial forces and completely exclude and eliminate any relationships with antisocial forces.

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” determined by the Board of Directors, after obtaining approval from the Audit & Supervisory Board and President, and reports the audit results to the President and the Audit & Supervisory Board.

9. Matters Concerning Accountants
None

10. Others
None

(Translation)

Consolidated Balance Sheet

Shinsei Bank, Limited, and Consolidated Subsidiaries

As of March 31, 2014

	Millions of yen
ASSETS	
Cash and due from banks	¥1,451,492
Call loans and bills bought	36,451
Receivables under resale agreements	53,216
Receivables under securities borrowing transactions	23,651
Other monetary claims purchased	105,857
Trading assets	249,115
Monetary assets held in trust	199,117
Securities	1,557,020
Loans and bills discounted	4,319,830
Foreign exchanges	25,656
Lease receivables and leased investment assets	227,764
Other assets	724,963
Premises and equipment	50,143
Buildings	19,142
Land	5,914
Tangible leased assets as lessor	17,810
Construction in progress	545
Other premises and equipment	6,731
Intangible assets	57,643
Software	18,693
Goodwill	28,949
Intangible leased assets as lessor	3
Intangible assets acquired in business combinations	9,182
Other intangible assets	815
Asset for retirement benefit	1,567
Deferred issuance expenses for debentures	32
Deferred tax assets	16,519
Customers' liabilities for acceptances and guarantees	358,414
Reserve for credit losses	(137,358)
Total assets	¥9,321,103
LIABILITIES AND EQUITY	
Liabilities:	
Deposits	¥5,733,223
Negotiable certificates of deposit	117,223
Debentures	41,747
Call money and bills sold	180,000
Payables under securities lending transactions	317,599
Trading liabilities	218,585
Borrowed money	643,431
Foreign exchanges	37
Short-term corporate bonds	86,900
Corporate bonds	177,248
Other liabilities	497,804
Accrued employees' bonuses	7,782
Accrued directors' bonuses	67
Liability for retirement benefit	10,116
Reserve for directors' retirement benefits	119
Reserve for losses on interest repayments	208,201
Deferred tax liabilities	9
Acceptances and guarantees	358,414
Total liabilities	8,598,512
Equity:	
Shareholders' equity:	
Common stock	512,204
Capital surplus	79,461
Retained earnings	146,002
Treasury stock, at cost	(72,558)
Total shareholders' equity	665,110
Accumulated other comprehensive income:	
Unrealized gain (loss) on available-for-sale securities	6,288
Deferred gain (loss) on derivatives under hedge accounting	(8,769)
Foreign currency translation adjustments	267
Accumulated adjustments for retirement benefit	(5,195)
Total accumulated other comprehensive income	(7,409)
Stock acquisition rights	1,221
Minority interests	63,667
Total equity	722,590
Total liabilities and equity	¥9,321,103

(Translation)

Consolidated Statement of Income

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the fiscal year ended March 31, 2014

	Millions of yen
ORDINARY INCOME	¥375,232
Interest income	143,270
Interest on loans and bills discounted	124,400
Interest and dividends on securities	15,694
Interest on call loans and bills bought	131
Interest on receivables under resale agreements	197
Interest on receivables under securities borrowing transactions	28
Interest on deposits with banks	1,052
Other interest income	1,766
Fees and commissions income	43,603
Trading income	16,517
Other business income	142,640
Other ordinary income	29,200
Recoveries of written-off claims	8,938
Other	20,261
ORDINARY EXPENSES	331,085
Interest expenses	32,752
Interest on deposits	20,358
Interest on negotiable certificates of deposit	247
Interest on debentures	155
Interest on call money and bills sold	125
Interest on payables under repurchase agreements	10
Interest on payables under securities lending transactions	394
Interest on borrowings	4,964
Interest on short-term corporate bonds	548
Interest on corporate bonds	5,940
Other interest expenses	7
Fees and commissions expenses	21,165
Trading losses	2,542
Other business expenses	100,438
General and administrative expenses	144,814
Amortization of goodwill	6,441
Amortization of intangible assets acquired in business combinations	3,305
Other general and administrative expenses	135,067
Other ordinary expenses	29,371
Provision of reserve for credit losses	6,279
Other	23,092
ORDINARY PROFIT	44,147
Extraordinary gains	3,879
Gain on disposal of premises and equipment	1,631
Other extraordinary gains	2,247
Extraordinary losses	2,006
Loss on disposal of premises and equipment	214
Impairment losses	1,558
Other extraordinary losses	233
Income before income taxes and minority interests	46,020
Income taxes (benefit) - current	2,464
Income taxes (benefit) - deferred	(795)
Total income taxes (benefit)	1,668
Income before minority interests	44,351
Minority interests in net income of subsidiaries	2,976
NET INCOME	¥41,374

(Translation)
Consolidated Statement of Changes in Equity
Shinsei Bank, Limited, and Consolidated Subsidiaries
For the fiscal year ended March 31, 2014

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Total shareholders' equity
Balance at beginning of the year (Millions of yen)	¥512,204	¥79,461	¥107,288	(¥72,558)	¥626,395
Changes during the year					
Dividends			(2,653)		(2,653)
Net income			41,374		41,374
Decrease by inclusion of consolidated subsidiaries			(5)		(5)
Decrease by exclusion of consolidated subsidiaries			(0)		(0)
Net changes during the year excluding shareholders' equity					
Total changes during the year	—	—	38,714	—	38,714
Balance at end of the year (Millions of yen)	¥512,204	¥79,461	¥146,002	(¥72,558)	¥665,110

	Accumulated other comprehensive income					Stock acquisition rights	Minority interests	Total equity
	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Accumulated adjustments for retirement benefit	Total accumulated other comprehensive income			
Balance at beginning of the year (Millions of yen)	¥3,825	(¥11,605)	¥1,475	—	(¥6,305)	¥1,238	¥62,315	¥683,644
Changes during the year								
Dividends								(2,653)
Net income								41,374
Decrease by inclusion of consolidated subsidiaries								(5)
Decrease by exclusion of consolidated subsidiaries								(0)
Net changes during the year excluding shareholders' equity	2,463	2,835	(1,207)	(5,195)	(1,103)	(17)	1,351	230
Total changes during the year	2,463	2,835	(1,207)	(5,195)	(1,103)	(17)	1,351	38,945
Balance at end of the year (Millions of yen)	¥6,288	(¥8,769)	¥267	(¥5,195)	(¥7,409)	¥1,221	¥63,667	¥722,590

(Translation)

Nonconsolidated Balance Sheet

Shinsei Bank, Limited

As of March 31, 2014

	Millions of yen
ASSETS	
Cash and due from banks	¥1,367,839
Cash	3,238
Due from banks	1,364,600
Call loans	36,451
Receivables under resale agreements	53,216
Other monetary claims purchased	195,287
Trading assets	235,097
Derivatives for securities held to hedge trading transactions	61,117
Trading-related financial derivatives	173,979
Monetary assets held in trust	196,421
Securities	1,977,811
Japanese national government bonds	1,126,769
Japanese local government bonds	523
Japanese corporate bonds	116,064
Equity securities	394,126
Other securities	340,328
Valuation allowance for investments	(3,370)
Loans and bills discounted	4,235,713
Bills discounted	64
Loans on bills	30,649
Loans on deeds	3,635,608
Overdrafts	569,390
Foreign exchanges	25,656
Due from foreign banks	16,024
Foreign bills bought	190
Foreign bills receivable	9,441
Other assets	204,706
Prepaid expenses	2,180
Accrued income	8,164
Margin on futures transactions	1,455
Derivatives held in banking account	124,301
Cash collateral paid for financial instruments	3,230
Deferred issuance expenses for corporate bonds	441
Other	64,931
Premises and equipment	20,042
Buildings	15,002
Construction in progress	466
Other premises and equipment	4,574
Intangible assets	9,485
Software	6,385
Goodwill	1,021
Leased assets	775
Other intangible assets	1,303
Prepaid pension cost	1,830
Deferred issuance expenses for debentures	32
Deferred expenses for issuance of debentures	32
Deferred tax assets	2,458
Customers' liabilities for acceptances and guarantees	11,616
Reserve for credit losses	(83,550)
Total assets	¥8,486,745

(Translation)

	Millions of yen
LIABILITIES AND EQUITY	
Liabilities:	
Deposits	¥6,076,993
Current accounts	64,401
Ordinary deposits	1,985,024
Notice deposits	7,435
Time deposits	3,582,137
Other deposits	437,993
Negotiable certificates of deposit	117,223
Debentures	41,747
Issuance of debentures	41,747
Call money	180,000
Payables under securities lending transactions	300,690
Trading liabilities	206,587
Derivatives for trading securities	144
Derivatives for securities held to hedge trading transactions	53,247
Trading-related financial derivatives	153,194
Borrowed money	360,769
Borrowed money	360,769
Foreign exchanges	37
Due to foreign banks	2
Foreign bills payable	34
Corporate bonds	221,891
Other liabilities	265,671
Income taxes payable	387
Accrued expenses	46,410
Unearned income	1,029
Suspense receipt on futures transactions	57
Derivatives held in banking account	178,793
Cash collateral received for financial instruments	13,018
Asset retirement obligations	7,396
Other	18,577
Accrued employees' bonuses	4,035
Acceptances and guarantees	11,616
Total liabilities	7,787,262
Equity:	
Shareholders' equity:	
Common stock	512,204
Capital surplus	79,465
Additional paid-in capital	79,465
Retained earnings	185,023
Legal reserve	12,628
Other retained earnings	172,395
Unappropriated retained earnings	172,395
Treasury stock, at cost	(72,558)
Total shareholders' equity	704,135
Unrealized gain (loss) on available-for-sale securities	5,140
Deferred gain (loss) on derivatives under hedge accounting	(11,013)
Total net unrealized gain (loss) and translation adjustments	(5,873)
Stock acquisition rights	1,221
Total equity	699,483
Total liabilities and equity	¥8,486,745

(Translation)

Nonconsolidated Statement of Income

Shinsei Bank, Limited

For the fiscal year ended March 31, 2014

	Millions of yen
ORDINARY INCOME	¥170,404
Interest income	112,486
Interest on loans and bills discounted	71,891
Interest and dividends on securities	36,904
Interest on call loans	131
Interest on receivables under resale agreement	197
Interest on receivables under securities borrowing transactions	1
Interest on deposits with banks	948
Interest on swaps	643
Other interest income	1,767
Fees and commissions income	20,194
Domestic and foreign exchange commissions income	1,216
Other fees and commissions income	18,977
Trading income	8,164
Income from trading securities	89
Income from trading-related financial derivatives	8,074
Other business income	10,862
Gains on foreign exchange	6,228
Gains on sales of bonds	1,656
Gains on redemption of bonds	582
Income from derivatives held in banking account	653
Other	1,741
Other ordinary income	18,697
Net reversal of reserve for credit losses	7,299
Recoveries of written-off claims	1,976
Gains on sales of equity securities and others	3,286
Gains on monetary assets held in trust	4,347
Other	1,788
ORDINARY EXPENSES	132,737
Interest expenses	32,969
Interest on deposits	20,377
Interest on negotiable certificates of deposit	247
Interest on debentures	155
Interest on call money	125
Interest on payables under repurchase agreements	10
Interest on payables under securities lending transactions	360
Interest on borrowings	2,580
Interest on corporate bonds	9,106
Other interest expenses	6
Fees and commissions expenses	16,121
Domestic and foreign exchange commissions expenses	1,389
Other fees and commissions expenses	14,731
Trading losses	2,770
Losses on securities held to hedge trading transactions	2,347
Other trading losses	422
Other business expenses	6,215
Losses on sales of bonds	3,625
Losses on redemption of bonds	30
Losses on write-down of bonds	1,699
Amortization of deferred issuance expenses for debentures	65
Amortization of deferred issuance expenses for corporate bonds	74
Other	720
General and administrative expenses	71,381
Other ordinary expenses	3,279
Losses on write-off of loans	2,005
Losses on sales of equity securities and others	0
Losses on write-down of equity securities and others	34
Losses on monetary assets held in trust	505
Other	733
ORDINARY PROFIT	37,667
Extraordinary gains	17
Gain on disposal of premises and equipment	0
Other extraordinary gains	17
Extraordinary losses	1,838
Loss on disposal of premises and equipment	160
Impairment losses	1,557
Other extraordinary losses	120
Income before income taxes	35,845
Income taxes (benefit) - current	(348)
Income taxes (benefit) - deferred	(260)
Total income taxes (benefit)	(608)
NET INCOME	¥36,454

(Translation)
Nonconsolidated Statement of Changes in Equity
 Shinsei Bank, Limited
 For the fiscal year ended March 31, 2014

(Millions of yen)

	Shareholders' equity							
	Common stock	Capital surplus		Legal reserve	Retained earnings		Treasury stock, at cost	Total shareholders' equity
		Additional paid-in capital	Total capital surplus		Other retained earnings	Total retained earnings		
Balance at beginning of the year	¥512,204	¥79,465	¥79,465	¥12,097	¥139,126	¥151,223	(¥72,558)	¥670,335
Changes during the year								
Dividends				530	(3,184)	(2,653)		(2,653)
Net income					36,454	36,454		36,454
Net changes during the year excluding shareholders' equity								
Total changes during the year	-	-	-	530	33,269	33,800	-	33,800
Balance at end of the year	¥512,204	¥79,465	¥79,465	¥12,628	¥172,395	¥185,023	(¥72,558)	¥704,135

	Net unrealized gain (loss) and translation adjustments			Stock acquisition rights	Total equity
	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Total net unrealized gain (loss) and translation adjustments		
Balance at beginning of the year	¥2,976	(¥8,657)	(¥5,680)	¥1,238	¥665,893
Changes during the year					
Dividends					(2,653)
Net income					36,454
Net changes during the year excluding shareholders' equity	2,163	(2,355)	(192)	(17)	(209)
Total changes during the year	2,163	(2,355)	(192)	(17)	33,590
Balance at end of the year	¥5,140	(¥11,013)	(¥5,873)	¥1,221	¥699,483

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 2, 2014

To the Board of Directors of
Shinsei Bank, Limited:

Deloitte Touche Tohmatsu LLC

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

Masahiro Ishizuka

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

Kazutoshi Kogure

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, 2014 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, 2013 to March 31, 2014, 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 accordance 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, 2014, and the results of their operations for the year then ended in accordance 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, 2014

To the Board of Directors of
Shinsei Bank, Limited:

Deloitte Touche Tohmatsu LLC

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

Masahiro Ishizuka

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

Kazutoshi Kogure

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, 2014 of Shinsei Bank, Limited (the "Bank"), and the related statements of income and changes in equity for the 14th fiscal year from April 1, 2013 to March 31, 2014, 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 accordance 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, 2014, and the results of its operations for the year then ended in accordance 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 AUDIT & SUPERVISORY BOARD

The Audit & Supervisory Board of Shinsei Bank, Limited (hereinafter, the “Bank”) prepared this report, upon deliberation based on audit reports prepared by each Audit & Supervisory Board Member, in relation to the execution of duties by the Bank’s Directors during the 14th fiscal year (from April 1, 2013 to March 31, 2014).

1. Process and Details of Audits by Audit & Supervisory Board Members and the Audit & Supervisory Board.

The Audit & Supervisory Board determined the audit policy, audit plan and assignment of audit duties, etc. and received reports from each Audit & Supervisory Board Member 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 Audit & Supervisory Board, each Audit & Supervisory Board Member 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, Audit & Supervisory Board Members 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, 2014

The Audit & Supervisory Board of Shinsei Bank, Limited
Shinya Nagata, Full-time Audit & Supervisory Board Member (Seal)
Kozue Shiga, Outside Audit & Supervisory Board Member (Seal)
Tatsuya Tamura, Outside Audit & Supervisory Board Member (Seal)

Procedures for Exercising Voting Rights via Internet

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

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 17, 2014. 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.

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.

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.

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 Hotline above.

END