SHINSEI BANK

Annual Report 2013

For the fiscal year ended March 31, 2013

Unique
Growing
Speed & Action

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Shinsei Bank is a leading diversified Japanese financial institution providing a full range of financial products and services to both institutional and individual customers. The Bank has total assets of ¥9.0 trillion (U.S.$96.0 billion) on a consolidated basis (as of March 2013) and a network of outlets throughout Japan. Shinsei Bank demands uncompromising levels of integrity and transparency in all its activities to earn the trust of customers, staff and shareholders. The Bank is committed to delivering long-term profit growth and increasing value for all its stakeholders.

The Shinsei Bank Group provides a wide variety of financial products and services to domestic institutional and individual customers through the "Institutional Group," the "Global Markets Group," and the "Individual Group."

Shinsei Bank, Limited

Institutional Group
Head Office and domestic branch offices
Major subsidiary: •Showa Leasing Co., Ltd.
•Shinsei Trust & Banking Co., Ltd.
•Shinsei Servicing Company

Global Markets Group
Head Office and domestic branch offices
Major subsidiaries: •Shinsei Securities Co., Ltd.
•Shinsei Investment Management Co., Ltd.

Individual Group
Head Office and domestic branches
Major subsidiaries: •Shinsei Financial Co., Ltd.
•SHINKI Co., Ltd.
•APLUS FINANCIAL Co., Ltd.

Forward-Looking Statements
This annual report contains statements that constitute forward-looking statements. These statements appear in a number of places in this annual report and include statements regarding our intent, belief or current expectations, and/or the current belief or current expectations of our officers with respect to the results of our operations and the financial condition of the Bank and its subsidiaries. Such statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Our forward-looking statements are not a guarantee of future performance and involve risks and uncertainties. Actual results may differ from those in such forward-looking statements as a result of various factors.

Unique Growing Speed & Action

After having resolved most of our legacy issues in the previous fiscal year, Shinsei Bank made active efforts to enhance our performance in both our institutional and individual businesses in fiscal year 2012, the final year of the First MTMP. We believe that we have achieved the major tasks set in the First MTMP both qualitatively and quantitatively.

Based on these results, we have developed the Second MTMP for the three years starting in fiscal year 2013. Shinsei Bank will seek to establish a unique business base, increase our revenue, further improve our financial fundamentals, and become a financial group that is valued by our customers and needed by society and markets. We are strongly committed to realizing this vision.

FINANCIAL HIGHLIGHTS

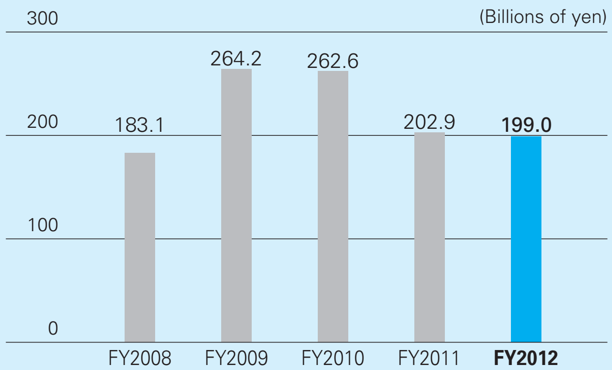
Shinsei Bank, Limited, and Consolidated Subsidiaries
For the fiscal years ended March 31, 2009, 2010, 2011, 2012 and 2013*1

	Billions of yen				
	2009	2010	2011	2012	**2013**
For the fiscal year:					
Net interest income	¥ 202.9	¥ 207.9	¥ 156.6	¥ 116.9	**¥ 111.6**
Non-interest income	(19.8)	56.2	106.0	86.0	**87.3**
Net fees and commissions	26.5	25.1	26.0	25.1	**19.1**
Net trading income (loss)	(4.6)	9.0	11.6	13.6	**20.0**
Net other business income (loss)	(41.7)	22.1	68.3	47.2	**48.1**
Total revenue	183.1	264.2	262.6	202.9	**199.0**
General and administrative expenses	182.0	170.8	145.3	130.3	**130.9**
Ordinary business profit (loss)	(16.4)	72.5	104.2	60.6	**57.2**
Net credit costs	129.0	112.2	68.3	12.2	**5.5**
Ordinary business profit (loss) after net credit costs	(145.5)	(39.7)	35.8	48.3	**51.7**
Net income (loss)	(143.0)	(140.1)	42.6	6.4	**51.0**
Cash basis net income (loss)*2	(97.0)	(53.7)	53.8	16.0	**60.4**

*1 Since all yen figures have been truncated rather than rounded, the totals do not necessarily equal the sum of the individual amounts.
*2 Cash basis net income is calculated by excluding impairment and amortization of goodwill and other intangible assets, net of tax benefit, from net income (loss) under Japanese Generally Accepted Accounting Principles (GAAP).

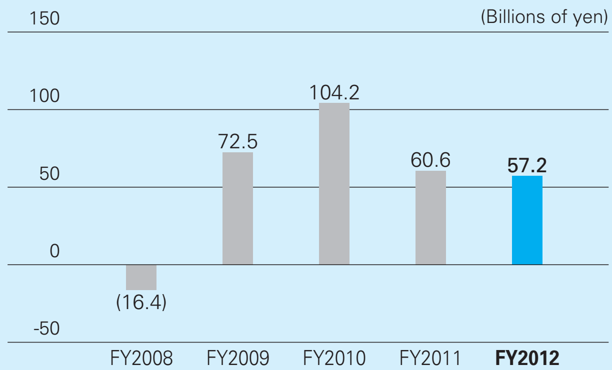
Total revenue

Total revenue—the indicator of gross profit— is composed of "Net interest income" such as interest from loans and "Non-interest income" such as fees from sales of investment products.



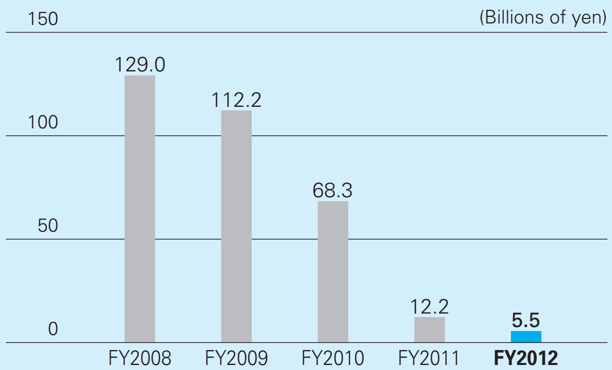
Ordinary business profit (loss)

Ordinary business profit (loss)—the indicator of profit (loss) from core business after expenses—is calculated by subtracting "expenses" from "total revenue." "Net credit costs" are excluded from this calculation.



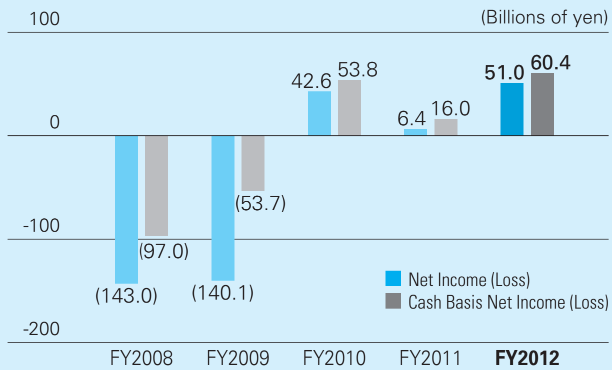
Net credit costs

Net credit costs are the sum of reserves for loan losses set aside (credit costs) according to the credit standing of borrowers, reversal (gains) of reserves for loan losses, and recoveries of written-off claims resulting from their disposal.



Consolidated net income (loss), cash basis net income (loss)

Cash basis net income is calculated by excluding impairment and amortization of goodwill resulting from acquisitions of subsidiaries and other intangible assets, net of tax benefits, from consolidated net income—and represents the bottom-line profit for the relevant fiscal year.



	Billions of yen				
	2009	2010	2011	2012	**2013**
Balances at fiscal year-end:					
Securities	¥ 2,174.1	¥ 3,233.3	¥ 3,286.3	¥ 1,873.4	**¥ 1,842.3**
Loans and bills discounted	5,876.9	5,163.7	4,291.4	4,136.8	**4,292.4**
Total assets	11,949.1	11,376.7	10,231.5	8,609.6	**9,029.3**
Deposits and negotiable certificates of deposit	6,272.1	6,475.3	5,610.6	5,362.4	**5,457.5**
Debentures	675.5	483.7	348.2	294.1	**262.3**
Total liabilities	11,181.7	10,741.8	9,620.3	7,982.0	**8,345.6**
Total equity	767.4	634.9	611.1	627.6	**683.6**
Total liabilities and equity	11,949.1	11,376.7	10,231.5	8,609.6	**9,029.3**

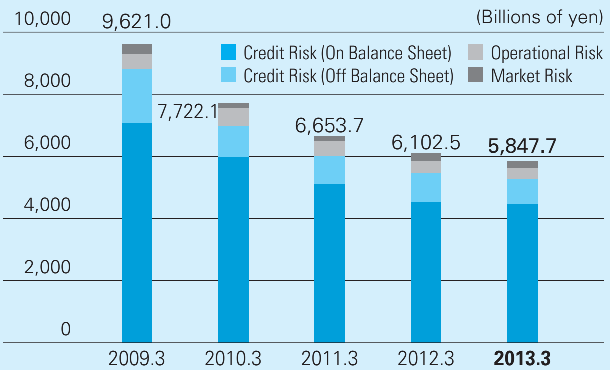
	Yen				
	2009	2010	2011	2012	**2013**
Per share data:					
Common equity	¥ 284.95	¥ 232.72	¥ 205.83	¥ 212.67	**¥ 233.65**
Fully diluted equity*3	284.95	232.72	205.83	212.67	**233.65**
Basic net income (loss)	(72.85)	(71.36)	21.36	2.42	**19.24**
Diluted net income	—	—	21.36	2.42	**19.24**
Dividends	0.00	0.00	1.00	1.00	**1.00**
Cash basis per share data:					
Basic net income	¥ (49.39)	¥ (27.37)	¥ 26.96	¥ 6.05	**¥ 22.77**
Diluted net income	—	—	26.96	6.05	**22.77**

	%				
	2009	2010	2011	2012	**2013**
Ratios:					
Return on assets*4	(1.2)	(1.2)	0.4	0.1	**0.6**
Cash basis return on assets	(0.8)	(0.5)	0.5	0.2	**0.7**
Return on equity (fully diluted)*5	(22.4)	(27.6)	8.5	1.2	**8.6**
Cash basis return on equity (fully diluted)*6	(20.2)	(13.7)	12.4	3.2	**11.1**
Expense-to-revenue ratio	99.4	64.6	55.3	64.2	**65.8**
Total capital adequacy ratio	8.35	8.35	9.76	10.27	**12.24**
Tier I capital ratio	6.02	6.35	7.76	8.80	**10.41**
Risk weighted assets (billions of yen)	9,621.0	7,722.1	6,653.7	6,102.5	**5,847.7**

*3 Fully diluted equity per share is calculated by dividing equity at the end of the periods presented by the number of common shares that would have been outstanding had all securities convertible into or exercisable for common shares been converted or exercised with an applicable conversion or exercise price within the predetermined range at the end of the period.
*4 Return on assets is calculated by dividing net income (loss) by the average of total assets at the beginning and end of the period presented.
*5 Return on equity (fully diluted) is calculated by dividing net income (loss) by the average of fully diluted equity at the beginning and end of the period presented.
*6 Cash-basis return on equity (fully diluted) is calculated by dividing cash basis consolidated net income (loss) by the average of (total equity–goodwill–intangible assets acquired in business combinations (net of associated deferred tax liability)) at the beginning of the period and the same values at the end of period presented.

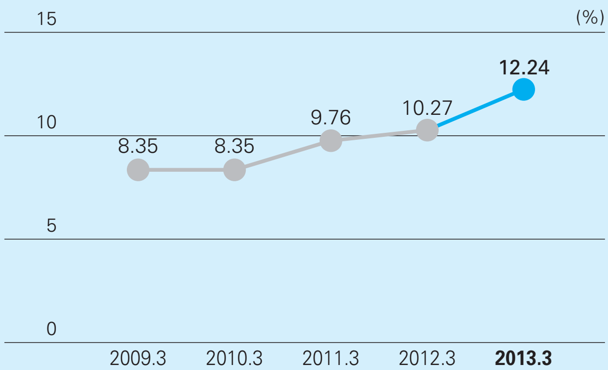
Risk weighed assets

Risk weighed assets are an amount equivalent to the volume of "credit risk" and "market risk" of the Bank's assets/transactions and "operational risk" involving operational errors.



Consolidated capital adequacy ratio

The consolidated capital adequacy ratio is the ratio of "Total capital" over "Risk assets." "Total capital" is obtained by subtracting "Deductions" from the sum of Basic items (Tier I)—mainly composed of equity capital—and Supplementary items (Tier II)—composed of subordinated bonds and other debts.



TO OUR SHAREHOLDERS, CUSTOMERS, AND EMPLOYEES

In fiscal year 2012, the final year of our First Medium-Term Management Plan ("MTMP"), we worked aggressively to develop new business areas and to enhance our performance. As a result, we were able to achieve our consolidated net income target and most of the other major goals set forth in the First MTMP. Under the Second MTMP that began in fiscal year 2013, we will endeavor to establish a business base unique to our Bank and to further increase our profitability.

President and Chief Executive Officer **Shigeki Toma**

In fiscal year 2012, the Japanese economy was on a moderate recovery trend despite the impact of the long-term appreciation of the yen and deflation, but the harsh economic environment continued due to the persistence of the sovereign debt crisis in Europe and the slow down of the global economy. In December of last year, the announcement of a bold monetary easing, flexible fiscal action, and the development of a clear growth plan by the newly inaugurated Abe administration led to rises in stock prices and a correction in the strength of the yen. However, the feeling of unrest regarding the world economy continues to linger, and the uncertainty surrounding the future of the economy has yet to be dispelled.

Under such circumstances, after having resolved most of our legacy issues in the previous fiscal year, we made active efforts to enhance our performance in both our institutional and individual businesses in fiscal year 2012, the final year of the First MTMP.

Our institutional business again advanced in its expansion: our corporate loans continued to grow and we gradually began seeing the fruits of our initiatives in providing solutions to support the development of companies with growth potential and new business domains, and for the revitalization of regional economies including post-disaster recovery. In our individual business, the housing loan balance surpassed 1 trillion yen in December. In addition, a bank-based, unsecured personal loan service under the *Shinsei Bank Card Loan—Lake* brand, which we launched in October 2011, is growing steadily.

As a result, we posted a consolidated net income of 51.0 billion yen in fiscal year 2012, a significant increase from the 6.4 billion yen recorded in the previous fiscal year. It also meant that we attained the consolidated net income target for the final year of the First MTMP. Furthermore, we were ahead of schedule in reaching our targets for improving the profit structure, such as reductions in expenses and non-core assets, and we achieved a capital adequacy ratio that exceeded our established target. Reflecting this performance, the Bank paid a one yen per share term-end dividend.

We believe that we have achieved the major tasks set forth in the First MTMP both qualitatively and quantitatively. We could not have done this without the understanding and support of our shareholders and other stakeholders, to whom I would like to express our sincere gratitude.

Based on these results, we have developed the Second MTMP for the next three years starting in fiscal year 2013. In the future, Shinsei Bank will seek to establish a unique business base, increase our revenue, further improve our financial fundamentals, and become a financial group that is valued by our customers and needed by society and markets. We are strongly committed to realizing this vision.

I would like to thank our shareholders, customers, and all other stakeholders for your continued support and guidance.

July 2013

Shigeki Toma
President and Chief Executive Officer

QUESTIONS & ANSWERS

Q

Please summarize the First Medium-Term Management Plan ("MTMP") which was completed in FY2012. Please share with us your determination towards the Second MTMP?

A

We believe that we have achieved the major tasks set in the First MTMP both qualitatively and quantitatively. In the Second MTMP, we will seek to establish a unique business base, increase our revenue, further improve our financial fundamentals, and become a financial group that is valued by our customers and needed by society and markets.

During the three-year period of the First MTMP, we focused on resolving the legacy issues by focusing on the concepts of "rebuilding the customer franchise" and "establishing a stabilized earnings base."

In FY2010, the first fiscal year of the First MTMP, we focused on laying the foundations of what must be done in order to be able to "establish a framework to stabilize revenues." To be able to better accomplish this, we set about clearly identifying what parts of our business were "core" and "non-core." Our core businesses, which we seek to expand and strengthen, included our customer oriented business and areas where the Bank has an advantage versus our competitors and can add value. Our non-core businesses were those that had volatile revenues and businesses the Bank generally had a disadvantage in acquiring the expertise and information necessary to be able to compete effectively in. We also clearly separated out assets that were tied up in non-core businesses while making efforts to strategically focus our core businesses. On top of this, we took actions to strengthen our financial base such as repurchasing preferred stock, making an exchange offer for subordinated debt, and issuing new common shares.

In FY2011, the second fiscal year of the First MTMP, we made numerous efforts to undertake "initiatives to diversify revenue by developing new businesses."

In our corporate business, we reorganized our organization into the Institutional Group and the Global Markets Group and also established the Venture Banking Initiative ("VBI") in order to provide multifaceted solutions to business challenges faced by our customers.

In our individual business, we started offering an unsecured personal card loan service, at the Bank, through the *Shinsei Bank Card Loan—Lake* Brand.

Also, carrying on from FY2010, we made further efforts to improve our financial position to stabilize revenue, and achieved our reduction target of non-core assets ahead of schedule thereby allowing us to eliminate future downside risks to financial performance.

In FY2012, the final fiscal year of the First MTMP, we achieved the 51.0 billion yen consolidated net income target set forth in the First MTMP as our actions to mitigate risk resulted in the prevention of large impacts of non-recurring factors which had existed in past fiscal years.

In our corporate business, we gradually saw the fruits of our labor and an increase in net lending with our initiatives aimed at providing solutions to activate companies with growth potential and local economies, with a focus on new business fields and reconstruction efforts in the earthquake disaster area.

In our retail business we were able to achieve a housing loan balance of over 1 trillion yen in December 2012, and the *Shinsei Bank Card Loan—Lake* balance is steadily increasing. We believe that the targets set out under the basic concepts of the First MTMP of "rebuilding the customer franchise" and "establishing a stabilized earnings base" were achieved in both qualitative and quantitative terms.

Followings the achievements of the First MTMP, we have positioned the Second MTMP as the stage for "establishing a clear strategy and pursuing sustainable growth" by "further expanding the customer base" and "increasing quality assets while improving our portfolio." In order to accomplish these goals, we have set out the following three targets in the Second MTMP: "establish 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."

In the Second MTMP, we will be pursuing "a new business model of a commercial bank in an advanced economy." For this purpose, we will employ the full capabilities of the Shinsei Bank Group to provide various products and services to customers in a timely manner. We will look to develop a management style which will leverage the capabilities of the entire Shinsei Bank Group in order to provide solutions that are truly sought after by both institutional and individual customers.

Summary of the First Medium-Term Management Plan

(Billions of yen)

		First MTMP		
	FY2009	FY2010	FY2011	FY2012
Net Income (Loss)	(140.1)	42.6	6.4	51.0
Cash Basis Net Income (Loss)	(53.7)	53.8	16.0	60.4
ROE	(27.6%)	8.5%	1.2%	8.6%
Cash Basis ROE	(13.7%)	12.4%	3.2%	11.1%
Non-Core Assets	886.0	618.7	463.5	341.7
Total Capital Adequacy Ratio*		9.3%	9.5%	11.6%

* Estimate for March 31, 2013 is based on the international standard of Basel III applying grandfathering.

FY2010
Stabilize earnings through structural reform

- Bought back preferred securities/made exchange offer for subordinated debt
- Completed the raising of 71.8 billion yen in capital through a common share offering

FY2011
Diversify earnings through new business expansion

- Started consumer finance at the Bank and expanded corporate business through the Venture Banking Initiative
- Achieved non-core asset reduction target ahead of schedule and eliminated downside risk to earnings

FY2012
Secure normalized stable earnings

- Achieved stable earnings with only limited impact from non-recurring items

Second MTMP:
Moving towards "Establishing a clear strategy and pursuing sustainable growth"

- Establish a unique business base
- Increase revenues and further improve financial fundamentals
- Become a financial group appreciated by customers, and valued by society and markets

Q

We see similar strategies in other banks such as overseas strategies focused in Asia, and project finance in the renewable energy sector such as mega solar projects. How will Shinsei Bank be able to differentiate itself from its peers?

A

Domestic projects that Shinsei Bank is involved in, such as renewable energy projects, are non-recourse loans that focus on cash flows from the projects themselves.

The first thing that I would like to say is that domestic projects that Shinsei Bank is involved in, such as renewable energy projects, are non-recourse loans that focus on cash flows from the projects themselves. Up until now, financing provided to mega solar projects in Japan have been in the form of either a corporate loan or project financing which were dependant upon the credit standing of the sponsor.

Shinsei Bank is the first bank in the market to start activities for originating project finance in this area. The financing method used in the mega solar project in the Eastern area of Hokkaido (made public in March 2013) and the mega solar project in the city of Mito and surrounding areas in Ibaraki Prefecture (made public in May 2013) are projects which were evaluated based upon their cash flows only, and was a revolutionary project evaluation method in Japan.

We will continue to deepen our expertise in the renewable energy area and strengthen our capabilities in providing finance which focuses on cash flows from the project.

Overseas, there is strong demand for funding of projects aimed at developing infrastructure assets in the Asia-Oceania region and many available projects require significant levels of capital. In the current financial environment where Western financial institutions are downsizing their project finance business or loan portfolios due to the impacts of the sovereign debt crisis and asset re-balancing, Japanese financial institutions are the only lenders who are capable of meeting such strong demand for funding. However, it is difficult for all of this demand to be satisfied by the Japanese mega-banks alone, and most other Japanese banks are not capable of engaging in overseas project finance. We have recognized this as a business opportunity for our Bank as we are well prepared to engage in future overseas finance projects.

Q

Is it correct to say that Shinsei Bank's consumer finance subsidiaries are now completely free from grey-zone risks?

A

The number of transaction record disclosure requests and the amount of interest repayments are both staying at a significantly lower level than the peak. Given these trends, we feel it is safe to say that at this point in time each consumer finance subsidiary has sufficient reserves set aside for grey-zone risks.

In order to rid ourselves of so called "grey-zone risk," Shinsei Bank took aggressive action to eliminate downside risks to our future earnings by making additional provisions (totaling 32.8 billion yen) in FY2011 for interest repayments at our three consumer finance subsidiaries—Shinsei Financial, SHINKI, and APLUS FINANCIAL.

Recently, the number of transaction record disclosure requests and the amount of interest repayments are both staying at significantly lower levels than their peaks.

Given these trends, we feel it is safe to say that at this point in time each consumer finance subsidiary has sufficient reserves set aside for grey-zone risks. Specifically, Shinsei Financial has a balance of 21.3 billion yen in reserves for losses on interest repayments (as of March 31, 2013), and a significant portion of Shinsei Financial's assets carrying the possibility of grey-zone interest repayment claims is covered by a GE indemnity. The additional reserves of 15.9 billion yen set aside for grey-zone risks at Shinsei Financial in FY2011 were for loans which were not covered by the GE indemnity. SHINKI had a balance of 7.8 billion yen in reserves for losses on interest repayment (as of March 31, 2013) and APLUS FINANCIAL had a balance of 5.7 billion yen in reserves for losses on interest repayments (as of March 31, 2013).

While we will continue to closely monitor the number of transaction record disclosure requests and the amount of interest repayments, we believe that as of this point in time each company has a sufficient balance of reserves for possible losses on interest repayments.

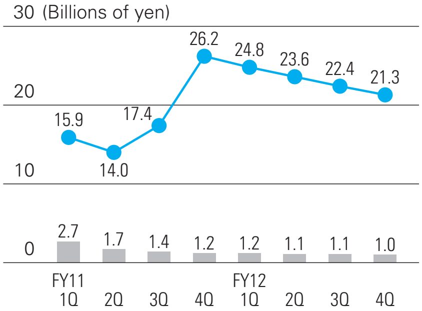
Number of Disclosure Claims

(Thousands)

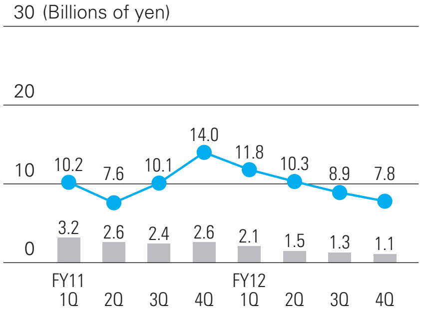
	FY2009	FY2010	FY2011	FY2012
Shinsei Financial	168.9	138.4	78.9	59.3
SHINKI	31.0	23.5	13.0	10.6
APLUS FINANCIAL	20.4	18.3	12.8	10.0

Amount of Interest Repayment and Reserve for Losses

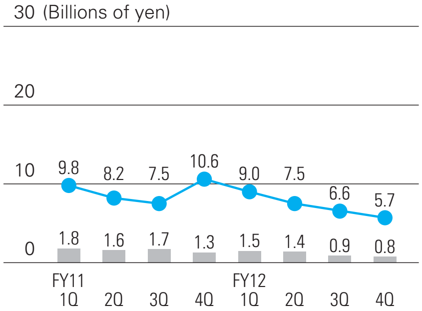
Shinsei Financial*1,2



SHINKI



APLUS FINANCIAL



Interest Repayment Amount ● Reserves

*1 A certain portion of Shinsei Financial's portfolio is covered by a GE indemnity contract. Interest repayment amount is net of refunds subject to the GE indemnification.
2 Reversals of reserves for losses on interest repayment include reversals of provision of reserves for loan losses.

Financial Highlights
Message from the Management
Questions & Answers
Special Feature
Review of Operations
Management Structure
Data Section

Q Although the targeted consolidated net income for the Plan's final fiscal year (FY2016) is 70 billion yen, the basic dividend policy is that each fiscal year end target dividend is 1 yen per common share. What is the rationale for this dividend policy?

A

In the Second MTMP, we are planning to enhance our re-investment capabilities by retaining the Bank's earnings in order to be able to deliver sustainable growth.

The level of dividend payout is decided by considering three key factors: capital adequacy, stability of revenues, and shareholders returns.

Shinsei Bank considers the distribution of earnings to shareholders based upon the Bank's performance and prospects of future growth, the balance of risk to internal reserves, as well as our revitalization plan as a Bank which has received public funds in order to come to a decision on dividends. We succeeded in stabilizing our earnings base by enhancing our customer franchise under the First MTMP, but in the Second MTMP we are planning to establish a unique business base and enhance our re-investment capabilities by retaining the Bank's earnings in order to be able to deliver sustainable growth. We will endeavor to improve the Bank's credit standing and increase the stock's value by strengthening our financial fundamentals and enhancing our unique business base.

Q Please provide specific details of the policy and plans for preparing and investing in IT systems under the Second MTMP.

A

Stable operation of the IT systems is an important managerial challenge because it is an essential task of a financial institution responsible for social infrastructure.

Among the management infrastructure initiatives that will support the implementation of the Second MTMP, stable operation of the IT systems is an important managerial challenge because it is an essential task of a financial institution responsible for social infrastructure. For this reason, in the Second MTMP, we will endeavor to stably operate the existing IT systems which are at the heart of important businesses by comprehensively inspecting important IT systems and further improving the existing backup centers. We will establish a basic policy for next-generation IT systems which will allow the creation of a robust and stable IT solution in accordance with the medium- and long-term management policies. As such, we expect to invest a total of more than 20 billion yen (on a cash-out basis) in IT systems—almost double the amount invested under the First MTMP, during the three-year period covered by the Second MTMP. These investments are planned for projects aimed at stabilizing the existing IT system and some investments for the next-generation IT systems.

Q What specific initiatives have you launched to make use of the Bank's diversity?

A

The Bank is working on improving management capabilities with a focus on managerial staff members, actively utilizing female employees, and recruiting and nurturing non-Japanese employees.

In order to achieve the goals stipulated in the Second MTMP, and ensure sustainable growth and the implementation of Management Principles, we consider it imperative to diversify the Bank's human resources and to develop personnel with a broad perspective and a high degree of professionalism. For this reason, the Bank is working on improving management capabilities with a focus on managerial staff members, actively utilizing female employees, and recruiting and nurturing non-Japanese employees through measures such as the introduction of a recruitment quota for overseas students graduating from Japanese universities. In particular, the Bank has continuously implemented supporting measures for the utilization of female employees including maternity leave. As a result, the Bank has a high ratio of female managerial staff, which stood at 26% as of March 31, 2013.* The Bank also appointed its first female executive officer this April, and hopes to further facilitate the appointment of women in executive positions in the future.

* The ratio of female employees amongst personnel at the level of Manager or above

Q What is your policy for repaying public funds?

A

We will work to increase the corporate value by improving our earning capabilities and increasing retained earnings to repay public funds, and after achieving these goals, in consultation with the government we will examine methods to repay public funds as early as possible, while monitoring the trends in the Bank's share price.

The Bank has received a total of 336.9 billion yen in public funds, including some funds that were injected during the former Long-Term Credit Bank of Japan, Ltd. (LTCB) days and those that were injected when starting as Shinsei Bank in 2000. As of March 31, 2013, 216.9 billion yen in public funds were outstanding (on a principal basis) because some of the public funds were subsequently repaid.

In relation to these public funds, the Japanese Government—through the Deposit Insurance Corporation of Japan and the Resolution and Collection Corporation—is, in effect, our second largest shareholder, owning 17.67% of the issued and outstanding Shinsei Bank common shares.

Public funds will be repaid by the selling of government-owned shares in the market. Therefore, we will work to increase the corporate value by improving our earning capabilities and increasing retained earnings. After achieving these goals, in consultation with the government we will examine methods to repay public funds as early as possible, while monitoring trends in the Bank's share price.

Special Feature:

Summary of the First Medium-Term Management Plan

(FY2010 - FY2012)

Summary

In June 2010, Shinsei Bank drew up the First Medium-Term Management Plan ("MTMP") covering the three-year period between FY2010 and FY2012 with the basic concepts of "rebuilding the customer franchise" and "establishing a stabilized earning base." The Bank officially announced the revised plan in September 2010.

We successfully achieved the targets set out in the First MTMP in terms of both quality and quantity in FY2012, achieving the financial targets set out in the First MTMP with favorable performances in both institutional and individual businesses.

(Billions of yen)

		First MTMP		
	FY2009	FY2010	FY2011	FY2012
Net Income (Loss)	(140.1)	42.6	6.4	51.0
Cash Basis Net Income (Loss)	(53.7)	53.8	16.0	60.4
ROE	(27.6%)	8.5%	1.2%	8.6%
Cash Basis ROE	(13.7%)	12.4%	3.2%	11.1%
Non-Core Assets	886.0	618.7	463.5	341.7
Total Capital Adequacy Ratio*		9.3%	9.5%	11.6%

* Estimate for March 31, 2013 is based on the international standard of Basel III applying grandfathering.

FY2010
Stabilize earnings through structural reform
- Bought back preferred securities/made exchange offer for subordinated debt
- Completed the raising of 71.8 billion yen in capital through a common share offering

FY2011
Diversify earnings through new business expansion
- Started consumer finance at the Bank and expanded corporate business through the Venture Banking Initiative
- Achieved non-core asset reduction target ahead of schedule and eliminated downside risk to earnings

FY2012
Secure normalized stable earnings
- Achieved stable earnings with only limited impact from non-recurring items

Moving on from the First MTMP to the Second MTMP

During the period covered by the First MTMP, we focused on resolving our legacy issues and made efforts to ensure stable earnings capabilities in order to prevent our financial performance from being largely impacted by non-recurring factors. This was achieved by reducing expenses and enhancing the capital base, resulting in an improvement in our financial fundamentals.

In the Second MTMP, we will move on to the stage of "establishing a clear strategy and pursuing sustainable growth" by "further expanding the customer base" and "increasing our assets while improving our portfolio."

First MTMP*
Normalization/Reconfiguration
(2010.4-2013.3)
- Rebuild customer franchise/stabilize earnings
- Reduce non-core assets
- Reduce expenses

Second MTMP*
Clear strategy/sustainable growth
(2013.4-2016.3)
- Establish a unique business base
- Increase revenues and further improve financial fundamentals
- Be appreciated by customers, society and markets

- Further expansion of customer base
- Increase quality assets/improve portfolio

Management Principles
Sustainable growth

* Medium-Term Management Plan

Special Feature:

Overview of the Second MTMP

(FY2013 - FY2015)

Basic strategy

In the Second MTMP, we will aim to integrate the management of both the individual business and the institutional business by combining and utilizing the customer base, networks, and financial functions held by the entire Shinsei Bank Group.

In the individual business, we will implement a new retail banking model to create 5 million "core customers" that are able to freely use the Shinsei Bank Group's products and services that fit their needs. In the institutional business, we will be implementing our "VBI" model as part of our plan, where we will support the growth of businesses, industries and regions, as well as support our customers in strengthening and applying business expertise.

Individual Business: To implement a new retail banking model to grow our core customer base to 5 million

Institutional Business: To strengthen and utilize expertise to support the growth of companies, industries and regions by working together with customers

Integrated Group Management

Individual Business

Implement a new retail banking model

- Provide products and services with a high level of customer satisfaction
- Strengthen consulting capabilities
- Promote cross selling

Expand/develop the loan business

- Expand housing loan products
- Establish a position in the unsecured card loan market as a trusted lender
- Expand unsecured card loan guarantee business

Institutional Business

Pursue differentiation in key industries/fields

- Medical and healthcare
- Renewable energy
- New business/corporate rehabilitation support

Further promote areas of expertise

- Rebuild the real estate portfolio
- Expand corporate revitalization business
- Utilize the regional financial institutions network
- Strengthen competency of capital market solutions, including sourcing function

Targets

We have established the three targets: "establishing a unique business base," "increasing revenues and further improving financial fundamentals," and "becoming a financial group appreciated by customers and valued by society and markets." Our financial targets are aimed at pursuing not only earnings in absolute amounts, but also high profitability and improving our financial soundness at the same time.

Targets

- Establishing a unique business base
- Increasing revenues and further improving financial fundamentals
- Becoming a financial group appreciated by customers and valued by society and markets

FY2015 Financial Targets

Growth	Net Income	70.0 BY
	Cash Basis*1 Net Income	76.0 BY
Profitability	RORA*2	about 1.0%
	Expense-to-Revenue Ratio	50% level
	ROE	about 10%
Financial Stability	Common equity Tier I ratio*3	about 7.5%
	NPL Ratio*4	2% level

- We are targeting consolidated reported basis net income of 70.0 billion yen and consolidated cash basis*1 net income of 76.0 billion yen in FY2015
- Our aim is not only the absolute amount of net income, but also to achieve a high level of profitability while enhancing the financial stability of our operations

*1 Cash-basis figures are calculated by excluding amortization of goodwill and other intangible assets, net of tax benefit
*2 Return on risk assets is calculated as net income divided by fiscal year end risk assets
*3 Basel III fully loaded basis
*4 Non-consolidated basis non-performing loan ratio

Special Feature:

Comments from Group Heads on the Second Medium-Term Management Plan

Below are the comments and business strategy from each Group Head on the Second Medium-Term Management Plan.

Individual Group

Sanjeev Gupta
Senior Managing Executive Officer,
Head of Individual Group

The individual customers' strategy in the Second Medium-Term Management Plan focuses on significantly growing our customer base and providing them with a full range of financial products to meet their rapidly evolving financial needs.

We believe we are well positioned to provide our customers with innovative financial products and services as we have the capabilities of being more global than the local banks and more local than the global banks in Japan. Our aim is to be the first choice for our customers when they seek value enhancing financial products.

Institutional Group

Hitomi Sato
Senior Managing Executive Officer,
Head of Institutional Group

The aim of the Second Medium-Term Management Plan at the Institutional Group is to fully deploy the Venture Banking Initiative ("VBI") launched in FY2012 by focusing on the three pillars of the VBI which are:

1) Appropriately respond to the changing business environment;
2) Strengthen the customer base and introduce new approaches; and
3) Strengthen risk management and consolidate the Bank's efforts to improve operations.

In order to appropriately respond to the changing business environment, we have transferred the functions of the Principal Transactions Sub-Group to a framework centered on subsidiaries in order to further improve customer services. In addition to this, we will not only strengthen our customer base but also create a new banking model that can provide strong support to growth and innovation initiatives in society, the economy, and for creating new industries and companies for our customers. In this, Shinsei Bank seeks to go beyond just providing conventional services of a traditional bank and become a business partner for our customers, providing not only with traditional financial services, but also providing management solutions for responding to various business challenges that are essential to their success.

By working together with customers to come up with solutions that improve their businesses, we seek to become a Bank which is deeply trusted by our customers.

Global Markets Group

Hironobu Satou
Managing Executive Officer,
Head of Global Markets Group

Our basic position regarding the Second Medium-Term Management Plan is that we must develop business from the viewpoint of the customer.

We will endeavor to accurately understand changes in the financial markets in order to swiftly provide solutions to our customer's needs.

We will strive to increase our expertise in each business area and constantly challenge ourselves to improve our operations in order to become a bank that will be needed by customers as well as society and markets.

Corporate Staff Group

Yukio Nakamura
Representative Director,
Deputy President,
Chief of Staff,
Head of Corporate Staff Group

In order to achieve sustainable growth, we have set forth three targets in the Second Medium-Term Management Plan which are "the establishment of a unique business base;" "increase our revenues and further improve financial fundamentals;" and "to become a financial group appreciated by customers and valued by society and markets." In order to achieve these goals, we must make continued efforts to reform ourselves. The Bank's name, "Shinsei," means "Rebirth" and I believe it is essential that we continue to remain a "Reborn" Bank. The Corporate Staff Group hopes to contribute to the further revitalization of the organization by ensuring the diversity and the development of human resources.

Finance Group

Shigeru Tsukamoto
Senior Managing Executive Officer,
Head of Finance Group

Under the First Medium-Term Management Plan, we were able to successfully achieve the income targets through stringent cost control in an environment where top-line revenues experienced sluggish growth.

In the Second Medium-Term Management Plan, we are planning to increase top-line revenues by establishing a new business model and expanding our scope of business. In order to accomplish this, we will seek to actively manage costs and invested capital to ensure that we are able to achieve a balanced expansion of our operation.

Risk Management Group

Hideyuki Kudo
Managing Executive Officer,
Chief Risk Officer,
Head of Risk Management Group

Although the framework and technology for risk management are constantly advancing, the most important factors are human wisdom and judgment. It is essential that we foster a culture which is not averse to risk but is able to actively embrace it when appropriate, as well as improve our abilities as an organization to assess and understand it. In an environment where society and economies are undergoing structural changes on a global basis and volatility is increasing, the Risk Management Group will strengthen the ability of Shinsei Bank to take risk, in order to further increase the Bank's significance as a unique Banking Group.

Banking Infrastructure Group

Michiyuki Okano
Senior Managing Executive Officer,
Group Chief Information Officer,
Head of Banking Infrastructure Group

We believe the most important challenge in the Second Medium-Term Management Plan is to renew the core banking system which is the foundation of providing better services to customers on a regular basis. As part of this effort we will perform a complete overhaul of our IT systems, including enhancing various functions to improve the customer's experience, unifying the whole process of the trading business from the front office to the back office, enhancing the availability of managerial and financial information, and upgrading our risk management. We are aiming to provide superior solutions in all necessary areas while ensuring the lowest possible cost.

We invited Mr. Hironari Nozaki, Managing Director of Citigroup Global Markets Japan Inc., to have a conversation with Mr. Toma, President and CEO of Shinsei Bank, on the overall assessment of the First Medium-Term Management Plan and notable aspects of the Second Medium-Term Management Plan. Mr. Nozaki is a top analyst of the banking sector.

The First Medium-Term Management Plan

Nozaki When you became the President of Shinsei Bank, I was actually wondering what would happen because all your predecessors had had a "western flavor," while you have a "Japanese flavor." Since your appointment, though, you have implemented various measures and I think that you have created a solid management base. You achieved success in many ways under the First Medium-Term Management Plan (the "First MTMP"). Can you tell me where you think you succeeded more than you had expected, especially regarding your personnel policy?

Toma We achieved most of our numerical targets. Also, we largely eliminated our negative legacy issues—the problems that resulted in deterioration of our performance in the past. In that sense, I think we were successful. However, the problem is that we achieved this through a reduction in our balance. When I came to Shinsei Bank (hereafter the "Bank") in May 2010, the development of the First MTMP was almost completed. But I thought the probability of us achieving the Plan was small, so I asked that revisions be made. I said that we should not expect our top-line (total revenue) to grow so much in the next three years, and suggested we set more conservative targets and generate profits through cost reduction.

In other words, rather than going on the offensive, the gist of the First MTMP was to strengthen our defenses to be able to overcome the existing crisis situation so that we could go to the next step. Nonetheless, our top-line revenue was too low. Despite that, due to the drop in our top-line being steeper than expected, the ratio of non-performing loans and the expense-to-revenue ratio went up. These two figures clearly demonstrate our bank's weakness. Although they are better than before, they are still not at the level of the industry average, and we will have to improve these figures under the Second Medium-Term Management Plan (the "Second MTMP").

As for human resources, since I as the "Japanese flavor President" joined the Bank, many non-Japanese and female employees have left the Bank. In such a situation, people around me thought that Shinsei Bank would end up becoming an ordinary Japanese bank. However, I declared that where Shinsei Bank should head was not back to the model of traditional Japanese banks but that we needed to create a different business model. This is what originally motivated me so much to become the President.

There are two important points in our personnel policy. The first is to restore diversity in human resources. After securing this, we would like to maintain and develop our strengths. This year, we started recruiting non-Japanese new graduates. There are many overseas students who are learning at business schools in Japan. They normally do not go back to their home countries soon after graduation, but they will work in Japan for five to ten years before going back home. Many Japanese companies do not like the fact that they will only stay in Japan for five to ten years. However, we started recruiting non-Japanese new graduates this year considering that they may find it easy to work for us as we utilize a bilingual system. While we are thinking of recruiting non-Japanese mid-career people, I have given instructions to do what we can right now. Our approach to mid-career recruitment is that we hire good people whether they are Japanese, non-Japanese, male, or female.

The other point is salary structure. Salary structure should be cross-sectional covering all Groups, and while we may have had such a structure in place, it wasn't working and wasn't applied in a uniform manner, and it took a great deal of effort to optimize the system.

Nozaki It must be very difficult to motivate employees while restructuring your business. Was that your experience?

Toma It is true that many employees unfortunately left the Bank due to declines in motivation caused by restructuring. However, this is, in a sense, unavoidable. What is most important is our actions from now on, and I think we need to seriously consider how to give appropriate incentives and how to conduct personnel evaluation.

The Second Medium-Term Management Plan

Nozaki You have fixed the Bank's financial basis to a reasonable extent under the First MTMP. How have you positioned the Second MTMP?

"Clarify our raison d'être!"

Toma Since I joined Shinsei Bank, I have always been thinking what the significance of our existence is, and I have wished to give shape to this. If we just do what other banks do, there is no meaning for us to exist, and we must therefore do something different from our competition. However, during the first three years under the First MTMP when our situation was shaky, we had to focus on eliminating the negative legacy and adjusting the discrepancy between our ideal and the existing organizational form. As a result, we were able to create a somewhat solid footing, and the underlying current of the Second MTMP is to clarify the meaning of our existence.

In the area of corporate loans, new business categories that match changes to the macro environment have been attracting attention such as healthcare, renewable energy, and new technology. While our borrowers therefore are constantly changing, banks on the other hand are not changing at all. When I was a General Manager of a bank branch, if small- and medium-sized companies came asking for a loan, branch staff members would first ask, "What can you offer as collateral?" I used to tell them not to ask about collateral first, but to start looking at what these companies were doing and how much money they would need to realize their objectives. However, this attitude has not changed yet.

"A bank should be a pacesetter for its customers!"

I think a bank needs to be a pacesetter who is enthusiastic about the technology or service its customer provides, and will provide loans once it is enthusiastic, and will not stop there but will continue to do business together. Customers with such advanced technology will expand into the global markets. I ask our employees to have a global perspective and always think about how such technology or service might take the world by storm.

Nozaki That is exactly the concept of projects.

"Points to be improved in the retail banking business"

Toma There are also many aspects that need to be improved in our retail business. Our housing loans have a large amount of assessment and are thus neither very flexible nor convenient. Credit assessment is of course necessary, but we may be providing services based on the "product out (or product-oriented)" concept, offering customers products that we want to sell.

Also, baby boomers have had a disastrous experience in the past due to the collapse of the Bubble Economy. We need to engage in businesses such as proposing an optimum, customized asset portfolio to people such as these. Some may say we cannot make much profit from this type of business, but I say we don't have to aim big. Instead, if we build a trusting relationship, we can sell our products, and we can make profit then. I always say that, bottom-line, we must stop proposing to our customers products and services that are convenient for us.

Nozaki Not only banks but also financial institutions in general haven't been able to shake off the "product out" concept. Unless you adopt the "market in (or market-oriented)" concept to offer products and services that are wanted by customers, we cannot say we have a customer-oriented business. With respect to corporate loans, there are now very few opportunities for bankers to share their customers' dreams. In particular, younger bankers will miss out experiencing the true dynamism of corporate finance if they don't have such experiences.

Important points of the Second MTMP: Creating synergies through the integration of operations

Nozaki Now, let's go back to the MTMP. Can you tell me if there are any points in the Second MTMP that you particularly want us to pay attention to?

Toma There are points in both the retail business and institutional business, but I will first talk about our retail business. Our retail business consists of three main operations. The first is retail banking, the second is installment sales credit, credit cards, and settlement services offered mainly by our consolidated subsidiary, APLUS Co., Ltd., and the third is consumer finance. Although these were in the same Group, they were run separately. I have always wondered why they were operated separately since I came to the Bank. There had been talk that these businesses would be operated using a bank model, but it wasn't actually happening.

Shinsei Bank Card Loan—Lake is currently using many advertisements using Nanao-san as their image character. Their website is excellent because they have accumulated experience. For instance, they say it attracts much more attention if there is a character advertising products rather than just having letters and photos on the screen. We never thought like that in the Bank. If you look at advertisements in bank branches, they are not easy to understand because there are so many things written on them.

I tell my staff that it is better to ask experts with experience to do these kinds of jobs. If we integrate such marketing methods among the three operations, it will greatly improve our efficiencies.

Nozaki You are saying, "Let people do what they can do well."

Toma We didn't use to think this way at all. That is why we decided to integrate these three operations. I would like to challenge what kind of synergies we can have as a result. Our target is to increase our core customers to 5 million. However, it is meaningless just to increase the number of accounts from the current 2.5 million to 5 million. It has to be achieved with substance. Our definition of core customers is the customers who can freely use services offered in these three major operations according to their needs.

We have nearly 10 million customers in our retail banking business, APLUS, and consumer finance altogether. If we integrate the three operations, cross-sell them, and create enticing incentives, we should be able to achieve 5 million core customers soon. Also, we will have more ideas. Cross-selling will rationalize our operations. Instead of forcing customers to come to us, if we can have 5 million customers choosing to use our products and services, this must be the truest form of customer satisfaction.

In our corporate banking business, we would like to provide financing to projects and cash flows instead of adopting the old-fashioned approach to lending. We would like to do this in newly emerging markets. We would like to focus on developing an entire industry that is to be born in the future.

In the U.K. there are many precedents of private finance initiatives (PFI) where private funds and technologies are used for the construction, maintenance, and management of public facilities. Much thought has been given to the structure for using PFIs, and they have a well developed legal system. We would like to bring something like this to Japan, and create a sound market to expand it.

Nozaki Certainly, PFI is actively used in the U.K., but they have a different legal structure, and in the case of Japan, laws on PFI haven't yet been developed. It might be a good idea if Shinsei Bank, together with the government, reforms PFI to make it easy to use.

Toma Because Shinsei Bank used to be a long-term credit bank, we had many discussions with the government about the structure of the financial market in the past. If we can be of any use in this sense, we would love to do that. We want to be pioneers. Because we can't beat other banks in terms of size, we need to focus on areas such as this.

Nozaki In other words, to gain the first-mover advantage, you probably would like to start from creating business. On the other hand, other banks are likely to turn their attention to growth areas such as renewable energy, medical services, and nursing care. What do you think is the strength of Shinsei Bank?

Toma It's our speed. I can say this with confidence. Also, we take the initiative, rather than passively waiting for business. I think we can easily compete with other banks using these strengths.

Nozaki I think Shinsei Bank runs very efficient operations. However, your networks and human resources seem smaller than those of other banks. In this situation, is there anything

that you can add to your management resources that would accelerate your organization's growth?

Toma As you pointed out, we are inferior to other banks in many aspects including networks and human resources. It means we can't do everything by ourselves. One of the elements that could make up for this situation is the creation of networks. For instance, we can cooperate with universities and think tanks. We are also putting much effort into creating cooperative relationships with regional banks.

I think there are currently two approaches to the economic rehabilitation of Japan. The first is deregulation, and the other is regional rehabilitation. For the latter, we launched the Fukushima Growth Industry Development Fund in October 2012. The original idea was to make a fund to invite companies in all types of industries to Fukushima Prefecture, instead of creating a kind of disaster recovery fund created by regional banks or megabanks. The fund's theme is for companies in all kinds of industries to merge together to create distinctive industrial clusters* in order to make an independent society. We would very much like to achieve this goal and to create a formula for success.

* A situation where industries are gathered in large areas with competitively advantageous industries as a core, through which develops a business environment in which new businesses are created one after another (from the website of the Ministry of Economy, Trade and Industry)

Nozaki Regional financial institutions may be concerned that their business opportunities might be snatched away if they do business with megabanks. In that sense, it may be easier for them to do business with Shinsei Bank. Looking back at the way you have made partnerships with regional financial institutions in the past, however, although you have engaged in the white label business where Shinsei Bank developed products and services such as structured deposits and offered them to regional financial institutions to market them to their retail and corporate customers under their own brands, you haven't conducted businesses where you shared problems faced by regional areas.

Toma Unfortunately, our Bank did not hold such a vision before.

I expect the next ten years will be a very tough time for regional banks. Their investment operations will continue to face a difficult environment if the situation stays as it is. In addition, we cannot say that the current situation where they can collect ample deposits, while having problems investing them, will continue in future. I think they need to strengthen and diversify their investment operations now while they have ample deposits, in order for them to establish their identity. For Shinsei Bank, we can perhaps suggest making investments together through our partnerships. I'm not sure how many regional banks will agree and get together with us, but if, for instance, we can form a partnership with 20 to 30 regional banks to

finance overseas projects using surplus funds, we should be able to get a reasonably good return on our investment.

As you said, they may feel more comfortable doing business with us, but I think we need to create a better track record helping them in their main business so that we can have long-term relationships.

For nurturing the uniqueness of Shinsei Bank

Nozaki If I may say something a little harsh, while Shinsei Bank proved that people who said that the former Long-Term Credit Bank of Japan wouldn't be able to do retail banking were wrong, I don't feel that Shinsei Bank's retail banking business today has the sense of excitement it first had back then. What do you think?

Toma In the summer of last year, we established a project team in the Retail Banking Sub-Group and presented them with problems from three viewpoints. First, are they listening to customers' opinions attentively? Second, what do customers want? And, third, what bottlenecks were there preventing front-line staff members from performing their duties efficiently? I asked them to discuss these issues and to propose improvement measures. Some of their proposals had a real sparkle, and this exercise changed the staff members' mindset that they could not change the environment in which they were in at the moment.

Additionally, this project team later engaged with the Retail Banking Sub-Group and Consumer Finance Sub-Group to further look into the same themes. There are opinions that we need to do something in partnership with outside players because we are small in size, from the viewpoint of integrating the three main operations of the retail business.

Nozaki It is good to have connections with outside players, and it is fundamental to question the common sense of bankers.

Toma I think it is good to be tested in the outside world. We will see the outcome of this experience in one to two years' time. Please look forward to the future development of Shinsei Bank.

Special Feature:

Areas of Business Focus of the Second Medium-Term Management Plan

Below are a part of Shinsei Bank's focus business areas, by Business Group, on the Second Medium-Term Management Plan.

Healthcare Finance

Institutional Group

The main business area of healthcare finance is the financing of medical institutions such as hospitals, nursing homes, and senior housing. In particular, there is strong growth potential in the financing of senior housing and nursing homes, and we believe it to be a business environment where the Bank can actively utilize our real estate securitization and financial technology expertise.

In Japan, there is a shortage of social infrastructure in the supply of senior housing and nursing homes. Due to the ageing of Japan's population, together with a falling birth rate it has become a pressing issue in the country to create mechanisms which attract investment funds and to provide diversified funding opportunities in order to facilitate the development of these facilities. In 2004, Shinsei Bank started offering healthcare financing as a component of the Real Estate Finance Division ahead of other banks, and subsequently established the Healthcare Finance Division in July 2010 as part of the strategy of the First Medium-Term Management Plan.

We have made efforts to create extended networks with leading healthcare facility operators all over Japan including both domestic and foreign investors, while building up a solid track record in providing non-recourse loans to healthcare facilities. In December 2012 and March 2013, we provided non-recourse loans to a "healthcare infrastructure fund" created by a local securities company for individual investors. In April 2013, we extended a 9.6 billion yen non-recourse loan—our largest financing for healthcare facilities to date—to a Singapore-based major medical service development company, signaling our intention to further increase our investment in healthcare facilities. Shinsei Bank will continue to actively promote the healthcare finance business as one of our unique business bases with the creation of the first REIT specializing in healthcare facilities in Japan in the near future as one of our goals.

Renewable Energy

Institutional Group

In fiscal year 2011, Shinsei Bank started engaging in the business of renewable energy, an area of strategic importance to the Bank identified in the Second Medium-Term Management Plan, and has appointed full-time staff members to this business area. We consider ourselves to be pioneers among Japanese banks in the area of domestic project finance for renewable energy.

In March 2013, we arranged project financing for the construction of large-scale solar (mega solar) power plants in the Eastern region of Hokkaido, and provided part of the project funds to large-scale solar power plants to be constructed by JAG Energy Co., Ltd. through non-recourse loans. In May 2013, we arranged project financing with a total value of approximately 10 billion yen for the construction of large-scale solar plants in the city of Mito and its surrounding areas in Ibaraki Prefecture by Japan Renewable Energy Co., Ltd., which was founded through capital investment by the Goldman Sachs Group.

In the past, financing for mega solar power plants tended to be in the form of corporate loans or the financing relied on the credit standing of the sponsor or concerned parties of the project even if they were in the form of project finance. The above projects arranged by Shinsei Bank, however, used a groundbreaking finance method in Japan where the concept of project finance is pushed to limit the repayment source to cash flows from the project.

Here at Shinsei Bank, we believe that investment in power plants for the local production and consumption of electricity will increase in the future centered on renewable energy. Given that there are strong needs to use project finance to raise investment funds for power plants, we will continue to actively promote our finance arrangement business for energy and infrastructure related projects in Japan in order to respond to the fundraising needs of project operators, as well as to actively contribute to the development of renewable energy in Japan.

Financial Institutions Business

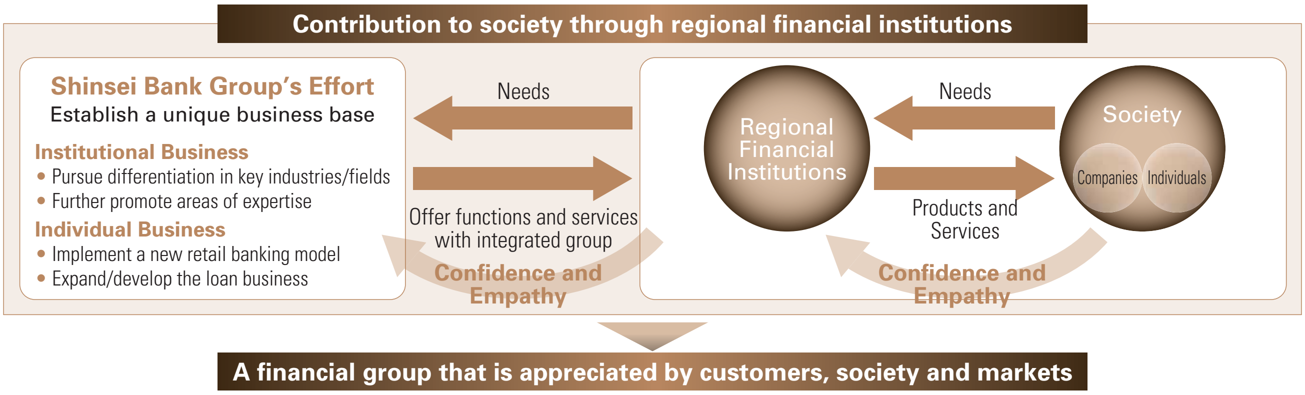
Global Markets Group

We will focus on "cooperation with regional financial institutions."

Shinsei Bank has had extensive transaction relationships over a long period of time with our financial institutional customers who span the country and are in nearly all business categories.

By combining our ability to develop products and services with the needs of our financial institutional customers including regional financial institutions, we have actively promoted our "white label" business where we provide our financial institutional customers with financial products and services such as structured deposits for them to market to their individual and corporate customers under their own brand. Furthermore, we offer Shinsei Bank Group functions for the expansion of businesses of financial institutional customers such as our guarantee business for unsecured retail loans provided by regional financial institutions. At the same time, we market financial products and services offered by our financial institutional customers, including insurance companies and securities companies, to our retail customers, in an effort to further our cooperation with financial institutional customers in various forms.

Going forward, we are committed to further enhancing cooperation with regional financial institutions, and in order to realize the full scale development of our Venture Banking Initiative (VBI), we will utilize all available resources of Shinsei Bank and its Group companies to respond to their wide-ranging business needs. Through unique initiatives of the Bank and its Group companies, we hope to contribute to regional development and the revitalization of companies and individuals, and become a financial group that is needed by society and markets.



Shinsei Step Up Program

Individual Group

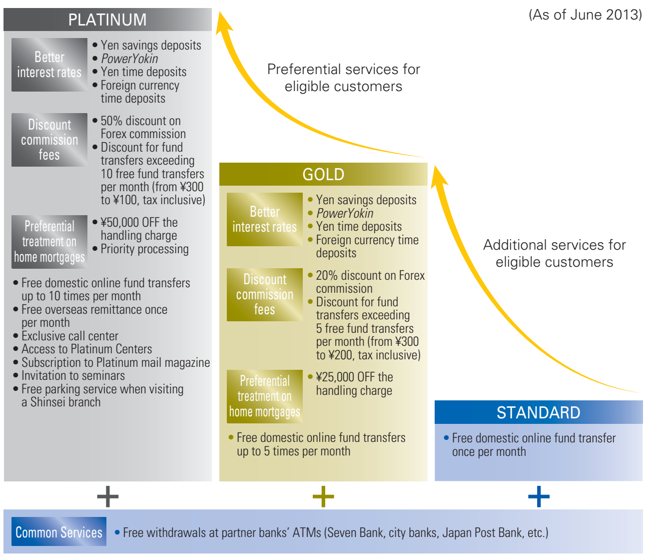
The basic strategy of our retail banking business is to "implement a new retail banking model to create 5 million core customers." At Shinsei Bank, "core customers" are defined as those who can freely use the products and services offered by the Shinsei Bank Group member companies according to their individual needs.

To drive this basic strategy forward, in June 2013, we revised the "Shinsei Step Up Program," which is offered to our comprehensive account *PowerFlex* customers, to include *Shinsei Bank Card Loan–Lake* and Shinsei APLUS Gold Card services as eligibility criterion options for the "Shinsei Gold" stage.

This has enabled customers using the comprehensive account *PowerFlex*, *Shinsei Bank Card Loan–Lake*, or Shinsei APLUS Gold Card to choose their "Shinsei Gold" stage eligibility criterion from a wider array of options ranging from asset management to borrowings.

We will continue revising financial products offered by the Shinsei Bank Group and reviewing the way our services are provided in cooperation with all our Group companies. This will allow our individual customers to use the financial products and services offered by the Shinsei Bank Group more conveniently according to changes in their needs and life cycle. We believe that these initiatives will help lead to the establishment of a business base of operations that will create 5 million core customers by the end of March 2016.

(As of June 2013)



* Please check Shinsei Bank's website on the details of the Shinsei Step Up Program including the eligibility requirements and available services for each stage.

Special Feature:

SUMMARY OF MAJOR EVENTS

2000	March	Launched as an innovative Japanese bank under new management and new ownership
	June	Changed name from The Long-Term Credit Bank of Japan, Limited (LTCB), to Shinsei Bank, Limited
2001	May	Commenced operations of Shinsei Securities Co., Ltd.
2003	April	Commenced operations of Shinsei Investment Management Co., Ltd.
2004	February	Listed the Bank's common shares on the First Section of the Tokyo Stock Exchange
	April	Converted the Bank's long-term credit bank charter to an ordinary bank charter
	May	Achieved one million retail accounts
	September	Acquired a controlling interest in APLUS Co., Ltd.
2005	March	Acquired a controlling interest in Showa Leasing Co., Ltd.
	May	Commenced operations of Shinsei International Limited
2006	July	Commenced resolution of public funds
2007	April	Achieved two million retail accounts
	December	Acquired a controlling interest in SHINKI Co., Ltd.
2008	January	Reached a mutual agreement with Seven Bank, Ltd. to share sales channels and develop products and services together
	February	Completed a tender offer bid for the Bank's common shares and a third-party allotment of new common shares of the Bank to the investor group led by J.C. Flowers & Co. LLC and affiliates
	September	Acquired GE Consumer Finance Co., Ltd. (Changed company name to Shinsei Financial Co., Ltd. on April 1, 2009)
2009	January	Launched *Shinsei Step Up Program*
	March	Concluded tender offer for the shares of common stock of SHINKI Co., Ltd.
	June	Opened first Shinsei Consulting Spots
		Launched *Two Weeks Maturity Deposit*
2010	June	Moved to a "Company with Board of Statutory Auditors" board model
	November	Announced business alliance with YES BANK LIMITED in Japan-India cross-border M&A business
		Formed business alliance with Baoviet Holdings to support Japanese institutional customers in the Vietnamese market
2011	January	Commenced operations at new head office (Nihonbashi Muromachi)
	March	Issued new shares through international common share offering
	September	Assisted The Daito Bank, Ltd. in arranging its first syndicated loan
	October	Commenced unsecured personal card loan service under the Lake brand
2012	March	Established VBI Promotion Division in the Institutional Group
	April	Added "Shinsei APLUS Gold Card" and "Shinsei APLUS Card" to credit card line-up
	July	Established venture fund targeting mobile entertainment companies with gumi Inc.
	September	Balance of *PowerSmart* Home Mortgages exceeded one trillion yen
	October	Invested in "Fukushima Growth Industry Development Fund"
		Issued Fourth Series of Unsecured Callable Subordinated Bonds
	November	Provided non-recourse loan for construction of lodgings for post-earthquake reconstruction workers in Miyagi Prefecture
2013	January	Participated in establishment of "Tokutei Mokuteki Gaisha Healthcare Infra Fund Kobe," which is privately placed real estate fund for individual investors where healthcare facilities constitute the underlying investment assets
	March	Started *Go Remit Overseas Remittance Service*
		Syndicated project finance for mega solar project in the Eastern area of Hokkaido
	April	Stopped issuing long-term credit debentures (public sales issues) and long-term credit debentures for workers' property accumulation (*Zaikei issue*)
		Established "Femto Growth Capital Investment Business Limited Liability Partnership" to invest in and provide support to early-stage companies in Japan's Internet sector
		Provided non-recourse loan for special purpose company set up by Singapore-based Healthway Medical Development to purchase healthcare facilities in Japan
	May	Arranged project finance for the construction of large-scale solar power plants in Mito city and Shirosato town in Ibaraki prefecture
		Issued unsecured callable subordinated bonds to retail investors in Japan
	June	Changed Shinsei Step Up Program to further improve convenience for the Shinsei Bank Group's unsecured card loan and credit card customers
	July	Formed Shinsei Principal Investments Group

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AT A GLANCE
Segment Data

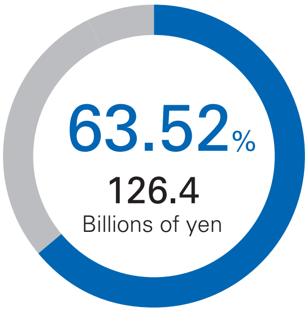
INDIVIDUAL GROUP

Major Business

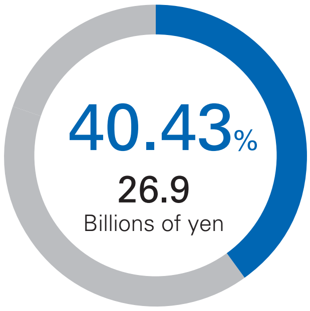
- Retail Banking
  - Deposit related products (saving deposits, time deposits, structured deposits, foreign currency deposits)
  - Asset management (consultation, mutual funds, annuity products)
  - Housing loans
- Consumer Finance
  - Unsecured personal loans (Shinsei Bank, Shinsei Financial, SHINKI)
  - Installment sales credit, settlement, credit cards (APLUS FINANCIAL)
  - Credit Guarantees (Shinsei Financial, APLUS FINANCIAL)

Contribution(Note)

Total Revenue



Ordinary Business Profit after Net Credit Costs



INSTITUTIONAL GROUP

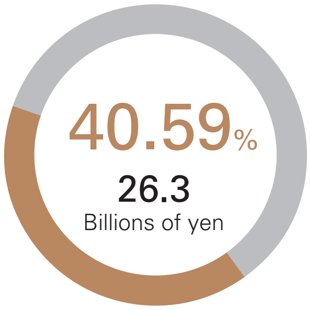
Major Business

- Corporate & Public Sector Finance
- Healthcare Finance
- Real Estate Finance
- Specialty Finance
- Corporate Restructuring
- Credit Trading
- Private Equity
- Advisory Services
- Leasing (Showa Leasing)
- Trust operations (Shinsei Trust & Banking)

Contribution(Note)

Total Revenue

Ordinary Business Profit after Net Credit Costs



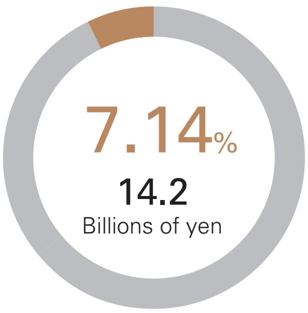
GLOBAL MARKETS GROUP

Major Business

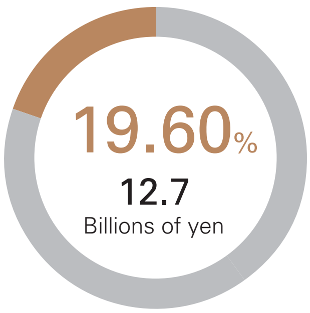
- Financial Institutions Business
- Markets
- Asset Management
- Wealth Management
- Securitization (Shinsei Securities)

Contribution(Note)

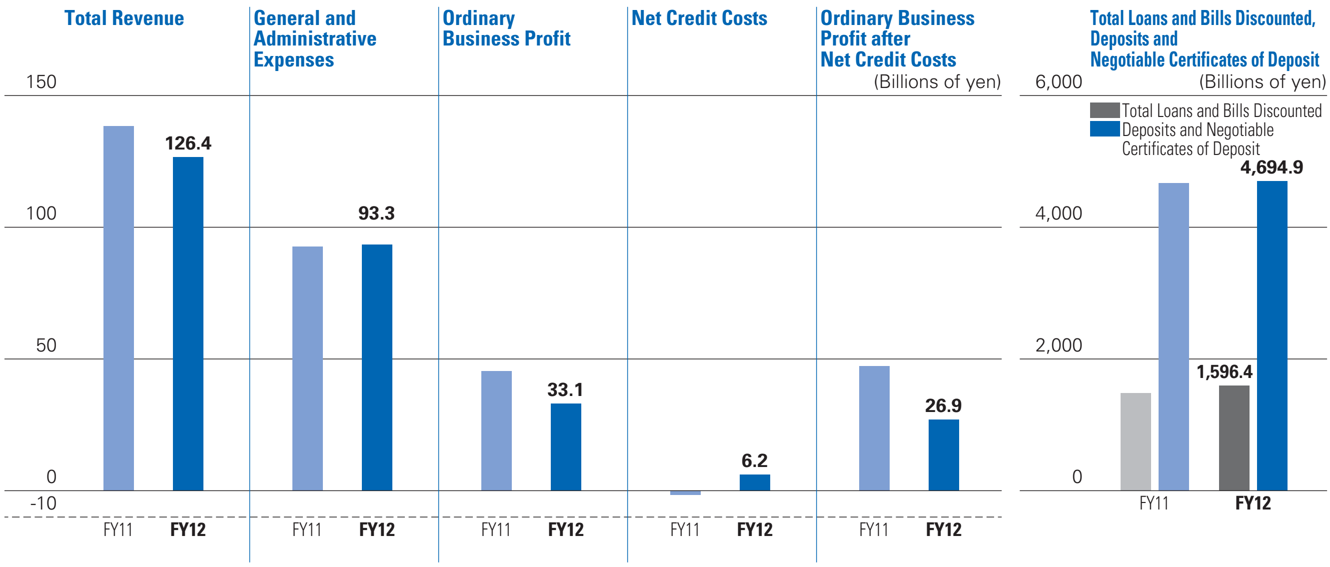
Total Revenue

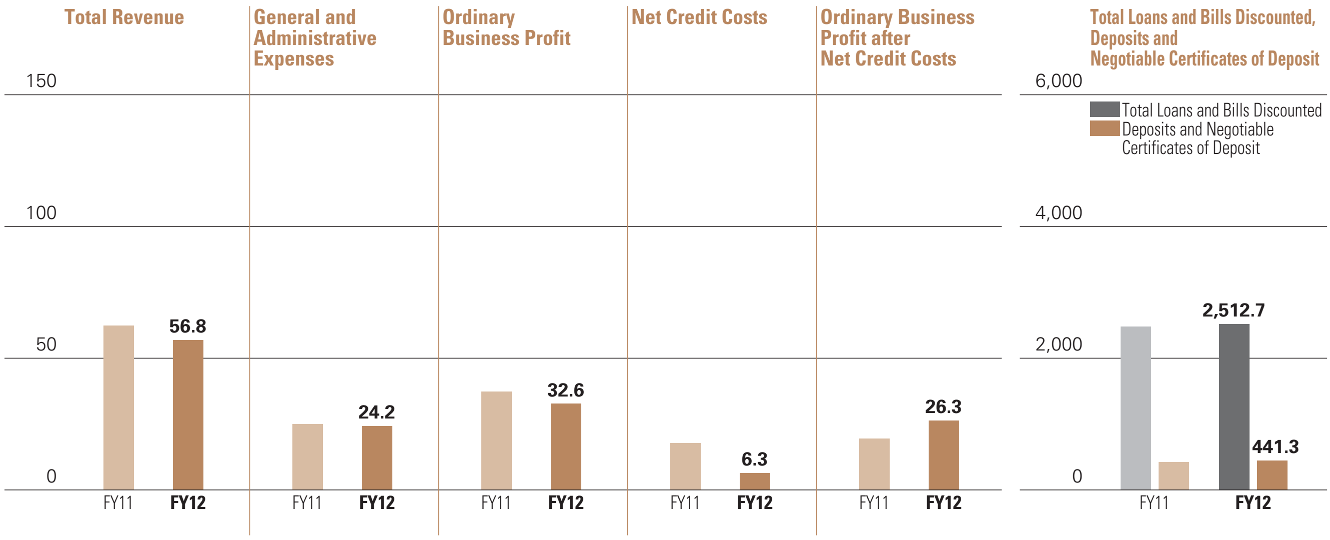


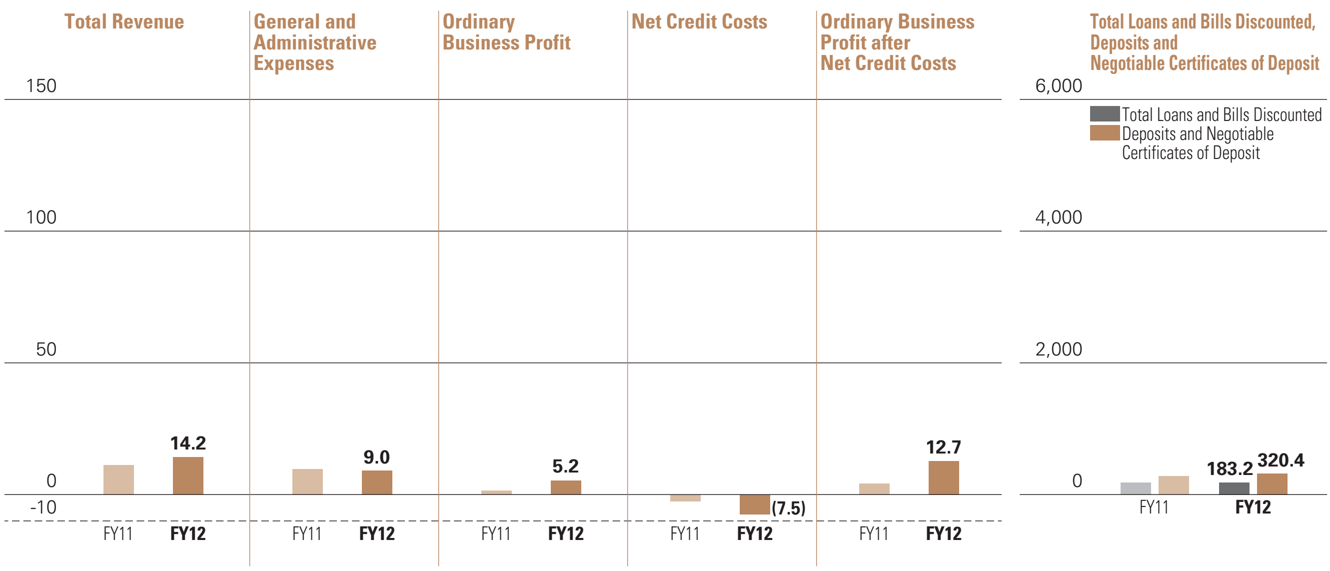
Ordinary Business Profit after Net Credit Costs



(Note) The percentage figures do not add up to 100 because Corporate/Other was negative.







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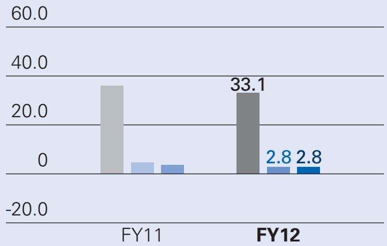
Explanations of Major Businesses

INDIVIDUAL GROUP

(Billions of yen)
Revenue
Ordinary Business Profit
OBP after Net Credit Costs

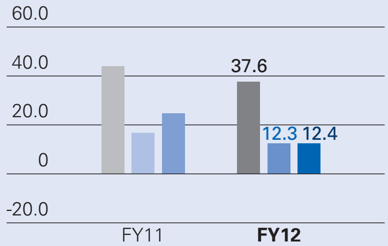
Retail Banking

Financial products and services for individual customers, such as yen/foreign currency deposits, structured deposits, mutual funds, brokerage service through an alliance partner, life/casualty insurance through alliance partners, and housing loans



Shinsei Financial and *Shinsei Bank Card Loan—Lake*

Unsecured personal loan business and credit guarantee services (Shinsei Financial and Shinsei Bank Card Loan—Lake)

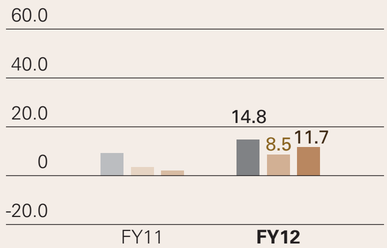


INSTITUTIONAL GROUP

(Billions of yen)
Revenue
Ordinary Business Profit
OBP after Net Credit Costs

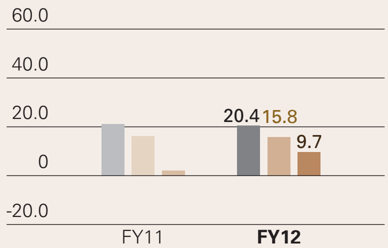
Institutional Business

Financial products and services for corporate and public sector customers (including healthcare finance and advisory services)



Structured Finance

Specialty finance business including real estate finance, M&A related finance and project finance, as well as corporate restructuring and trust business

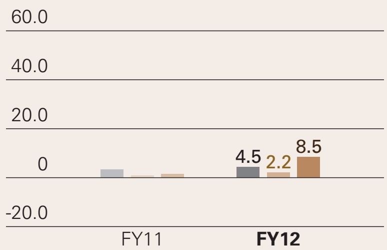


GLOBAL MARKETS GROUP

(Billions of yen)
Revenue
Ordinary Business Profit
OBP after Net Credit Costs

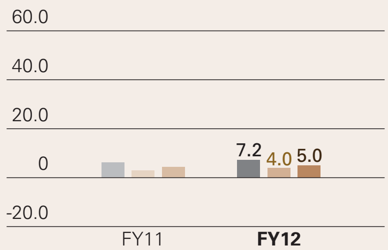
Financial Institutions Business

Provides financial solutions, such as investment management and managerial reinforcement, to financial institutional customers including regional financial institutions



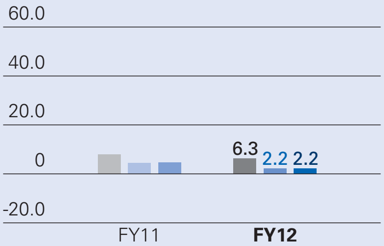
Markets

Foreign currency exchange, derivatives, equity, alternative investments, and other capital markets business



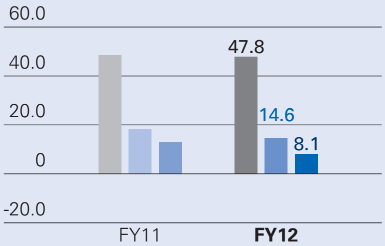
SHINKI

Unsecured personal loan business—brand name "NO LOAN"



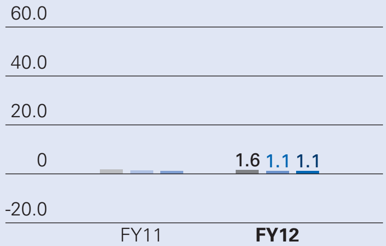
APLUS FINANCIAL

Installment sales credit, credit cards, credit guarantee services, loans, and settlement services



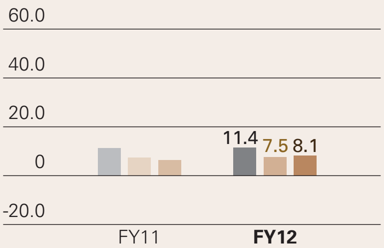
Other Businesses

Consumer Finance Sub-Group and Shinsei Property Finance which is engaged in real estate collateral finance



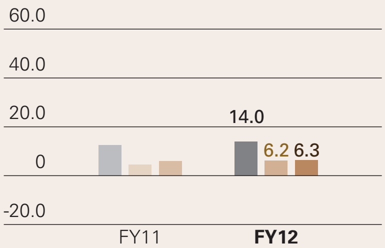
Principal Transactions

Credit trading—the business of trading various monetary claims—and private equity



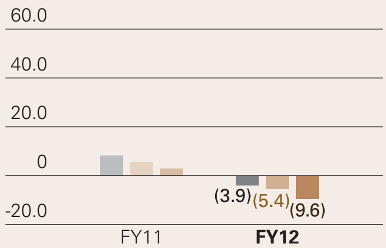
Showa Leasing

Leasing services for information equipment, industrial machinery, and machine tools as well as finance services such as installment sales credit



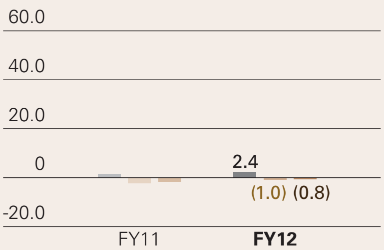
Other Businesses

Asset-backed investment and other products and services for corporate customers



Other Businesses

Shinsei Securities, asset management, and wealth management business



from left
Tetsuro Shimizu
Head of Retail Banking Sub-Group
Sanjeev Gupta
Senior Managing Executive Officer, Head of Individual Group
Masashi Yamashita
Managing Executive Officer, Deputy Head of Individual Group, Head of Consumer Finance Sub-Group

INDIVIDUAL GROUP

The Individual Group is comprised of: 1) the retail banking business handling deposits, investment trusts, insurance, and real estate loans, 2) *Shinsei Bank Card Loan—Lake* offering unsecured personal loan (UPL) services, 3) Shinsei Financial Co., Ltd. handling UPL and the credit guarantee operations, 4) SHINKI Co., Ltd. specializing in UPL, 5) APLUS FINANCIAL Co., Ltd. whose core business is the installment sales credit business and credit cards, and 6) Shinsei Property Finance Co., Ltd. that handles loans secured by real estate.

Business Environment and Challenges

Since the launch of the new retail banking business in 2001, Shinsei Bank has continued to offer innovative services to its individual customers including free ATM withdrawals and 24-hours-a-day, 365-days-a-year online banking services. Through these services, we have steadily expanded our retail customer base with the total number of accounts surpassing one million in 2004 and two million in 2007. As of the end of March 2013, the total number of retail accounts at Shinsei Bank stood at 2.7 million. In view of the recent business environment, we believe that it is the right time for us to promote measures to further expand our customer base.

The financial products and services offered by the Shinsei Bank Group to our individual customers have become more complex and diverse in comparison to 2001. In addition, given the intensifying competition with other banks that are catching up with us in recent years, we consider it an imperative task that Shinsei Bank Group provides products and services in an integrated manner in order for us to enhance the competitive advantage of our products and services and to expand our customer base.

Strategy

At Shinsei Bank, we define "core customers" as those who can freely use the products and services offered by the Shinsei Bank Group companies according to their individual needs. By making use of various resources of the Shinsei Bank Group, we will focus on expanding the core customer base by offering financial services including asset management, settlements, loans, and consulting in an integrated manner. At present, we have approximately 2.5 million customers who fall under the definition of core customers. We will mobilize the resources of the entire Group to promote various measures to double this number to 5 million by the end of March 2016.

As the first step towards this goal, in June 2013 we concluded a basic partnership agreement with Culture Convenience Club Co., Ltd., with which APLUS FINANCIAL Co., Ltd. already has a partnership, to provide information on our financial products and services to members of the "T Point*"—a shared point service operated by Culture Convenience Club. In the future, we will be considering the development and provision of new financial products that incorporate the T point service with the Shinsei Bank Group's financial products to T Members, starting with T Card members who hold APLUS issued T Cards with credit card functions, and through this the Shinsei Bank Group is looking to enlarge its core customer base.

Further, we will endeavor to improve our customer points of contact by strengthening linkages among our channels—branches, call centers, Internet, and mobile—while utilizing their respective characteristics, and by improving our consulting services at branches and call centers. In addition, we plan to introduce unique investment products and highly convenient services ahead of our competition in order to provide financial services that match the ever-changing needs and lifestyles of our customers. Through these measures, we aim to create a new retail banking model.

In our loan business, with a deeper understanding of our customer needs, we will endeavor to strengthen our housing loan features, establish our position as a reliable lender in the unsecured card loan market, increase the balance and range of purpose-specific loan products, and enlarge the credit guarantee business offered in cooperation with regional financial institutions, in an aim to further develop our entire loan business.

In our overseas business, we will consider using unsecured loans and installment sales credit in response to the increased needs for small funding from the expanding middle class in Asia, and look into our domestic customers' needs to manage their funds overseas.

* The "T Point" is a shared point service operated by Culture Convenience Club Co., Ltd. The service was launched in March 2003. As of May 31, 2013, the number of T Point members stood at 45.6 million, and 100 T Point partner companies offered the T Point service through a total of 58,000 shops throughout Japan.

Business Development in Fiscal Year 2012

Despite the larger loan balance, the Retail Banking Sub-Group's revenue decreased mainly due to smaller net interest income from deposits, including liquid deposits, due to the lower market interest rates. Revenue at the Consumer Finance Sub-Group also contracted mainly because of lower net interest income resulting from the reduction in loans at Shinsei Financial, SHINKI, and APLUS due to the impact of the Revised Money Lending Business Act and other factors. As a result, revenue of the Individual Group as a whole declined from 138.1 billion yen in fiscal year 2011 to 126.4 billion yen in fiscal year 2012. Expenses increased slightly from 92.6 billion yen in fiscal year 2011 to 93.3 billion yen in fiscal year 2012. As for net credit costs, the Individual Group posted 6.2 billion yen in fiscal year 2012 compared to a 1.7 billion yen gain in fiscal year 2011. However, the quality of loan assets at our consumer finance subsidiaries has improved, and the level of net credit costs remained low.

As a result of the above, ordinary business profit after net credit costs at the Individual Group shrank considerably from 47.2 billion yen in fiscal year 2011 to 26.9 billion yen in fiscal year 2012. Nonetheless, a much larger contribution to the Shinsei Bank Group's profitability was achieved given that while 32.8 billion yen was added to the reserve for interest refund losses in fiscal year 2011, no additional provisions were made in fiscal year 2012.

In our retail banking business, we offered a wide range of financial products including yen deposits, foreign currency deposits, structured deposits, structured bonds, investment trusts, and insurance products, in order to respond to asset management needs of our diverse customers. We also actively promoted the "*PowerSmart Home Mortgage*" which has unique product features.

For yen deposits, we ran a yen time deposit campaign from November 2012 to January 2013, which was popular amongst customers with a preference for low-risk investment options. In addition, we held a yen time deposit campaign offering a special interest rate from May to July 2013 in line with the summer bonus season, in an aim to steadily build up the deposit balance.

For foreign currency deposits, we started offering Chinese yuan, Brazilian real, and Turkish lira from June 2012, increasing the number of foreign currencies handled by the Bank to 13. Furthermore, we acquired from the U.K.-based Lloyds Banking Group its overseas remittance business in Japan and launched the "GoRemit Shinsei Overseas Remittance Service" in March 2013. We have also revised our "Free Foreign Exchange Commission Time" in which we offer free foreign exchange commissions for a specific currency at a specified time and date. Through these measures, we are striving to diversify options and improve the convenience of foreign currency asset management for our customers. As a result, we have increased our share in the foreign currency deposit balance of the banks operating in Japan.

In our housing loan business, we are strengthening products that have been well received in the past. For instance, to flexibly respond to the risk of our customers' changing life circumstances, we launched the "*PowerSmart Home Mortgage (Anshin Pack)*" in December 2012 combining the option to control the monthly repayment amount together with insurance in case a borrower requires a designated level of care. From June 2013, the *PowerSmart Home Mortgage* became available for home improvement needs together with an application for a housing loan. This has made the *PowerSmart Home Mortgage*, which offers flexible repayment options according to the borrower's lifestyle changes, available to a wider range of customers. After surpassing the one trillion yen mark for the first time at the end of September 2012, our housing loan balance continued increasing steadily to reach 1,091.6 billion yen as of the end of March 2013.

In our consumer finance business, the "*Shinsei Bank Card Loan—Lake*" service, the bank-based UPL business launched in October 2011 after the acquisition of a portion of Shinsei Financial's business, has developed steadily. As of March 31, 2013, the business had approximately 180,000 customers and an outstanding loan balance of 64.6 billion yen. In order to extend the reach of this service offering to customers who have latent needs for unsecured card loans, we reviewed the *Shinsei Bank Card Loan—Lake*'s product structure in December 2012 to increase the loan limit to 5 million yen while lowering the minimum lending rate to 4.5%. We also launched a smart phone site for making loan applications for the *Shinsei Bank Card Loan—Lake*.

APLUS FINANCIAL has been expanding and improving the businesses conducted by its subsidiaries including installment sales credit, credit cards, settlement services, and personal loans, and servicing, while promoting partnerships with outside players. The number of membership shops and usage amounts have both steadily increased for "APLUS Shopping Credit with T Points" launched in May 2011 under a tie-up arrangement between APLUS Co., Ltd. and T Point Japan Co., Ltd. Furthermore, APLUS introduced "APLUS Auto Credit with T Points" in July 2012 and "APLUS Rent Service with T Points" in November 2012, utilizing the T Point service as a strong feature to differentiate its products and services from its competitors. In the credit card business, APLUS formed a business alliance in July 2012 with the English Premier League's Manchester United Football Club and has started issuing credit cards for the Manchester United supporters in Japan.

Hitomi Sato
Senior Managing Executive Officer,
Head of Institutional Group

INSTITUTIONAL GROUP

The Institutional Group is comprised of: (1) the Institutional Business Sub-Group that provides private and public sector corporate customers with lending and other banking services, structured finance for real estate and other finance projects, as well as additional financial products and solutions, (2) the Principal Transaction Sub-Group that operates the credit trading and private equity businesses including Pre-IPO investments, (3) the VBI Promotion Division, (4) the advisory business, (5) the asset-backed investment business, and (6) the Shinsei Bank Group companies, including Showa Leasing and Shinsei Trust & Banking, that offer financial services to corporate customers.

Business Environment and Challenges

At the Institutional Group, we endeavor to provide financial services that will contribute to the growth of corporate customers and the creation of new industries in the face of a business environment undergoing major changes such as an ageing society with a falling birth rate. Additionally, we consider that it is essential for us to improve Shinsei Bank's distinctive value and competitiveness by not only catering to our existing customers' needs, but by identifying the needs of new customers and providing innovative solutions.

To achieve these goals in a continuous, Group-wide effort, the Group launched the Venture Banking Initiative ("VBI") last year. There are three key "pillars" of the VBI initiative which are: (1) develop an organizational structure and functions in response to the changing business environment; (2) pursue an expansion of the customer base by developing new transactions with private and public sector customers as well as adopting new business approaches by taking part in our customers' businesses as a bank with shared business risks and cooperating with regional financial institutions; and (3) improve the sophistication of our risk management and operations to support these efforts.

Strategies

We have enhanced the organizational structure of the Principal Transactions Sub-Group through measures such as divesting its operations to subsidiaries, in order that our divisions are better prepared to respond to market events and to improve customer service in cooperation with various outside partners. Additionally, in order to be able to respond accurately and flexibly to the rapidly changing business environment including social and economic trends and demographics, we have taken actions to enhance our capabilities through steps such as upgrading our consulting functions in the credit trading business and creating joint funds in the private equity investment business which have put us in a better position to undertake new initiatives and expand our business.

For corporate customers, we will improve our support for those who have true funding needs by combining traditional balance sheet finance with cash flow finance based on future cash flows of companies. In order to accomplish this, we needed to strengthen our total solution provision capabilities and we therefore consolidated the Structured Finance Sub-Group and Institutional Business Sub-Group in April 2013 into an integrated operational structure. This move was designed to further enhance the synergies of the operations in which we have experience and expertise such as project finance, real estate finance, and buy-out finance. We will actively engage in areas earmarked as strategically important in the Second Medium-Term Management Plan such as medical services and health care, renewable energy, start-up support, and corporate rehabilitation support by creating cross-sectional teams that utilize a diverse range of expertise that exists within the Bank.

The West Japan Business Department was created in the Institutional Business Division of the Osaka Branch in April 2013 in order to drastically improve our regional business promotion functions. Switching from the original single point structure centered on the Institutional Business Division to the East-West dual structure has enabled us to organize a framework for more flexible business promotion activities and for efficiently implementing the fully-fledged promotion of the VBI. In the areas of renewable energy-related project finance and health care finance where projects have been in the pipeline since the previous term, we are capitalizing on our network of regional financial institutions and are looking to create markets in response to regional needs in a manner consistent with regional development initiatives we are working on as part of the VBI.

To address market changes and various risks arising from these new initiatives, we will strengthen and develop an appropriate risk monitoring framework and systematically review and improve our existing operations in order to improve operational efficiency and productivity in a sustainable manner. For example, by working together with the Risk Management Group, we are organizing marketing/management standards and portfolio management to address real estate market condition risks, developing risk-sharing methods in the business participation approach, developing and upgrading our financial products, and creating a monitoring framework to include expanded product lines such as project finance.

Showa Leasing Co., Ltd. is expanding its business basis centered on areas of its strengths in order to capture earning opportunities through consulting services to its customers, promoting asset finance in areas such as the semiconductor, construction machinery, medical services, and airplane industries, and strengthening cooperation with leading suppliers. The company is also supporting its customers' overseas business expansion efforts and is stepping up cooperation with overseas partners.

Furthermore, Showa Leasing is cooperating with Shinsei Bank to improve the proposal function using its personal property valuation, management, and disposal abilities. To give a concrete example, we are promoting forward transactions in personal property collection utilizing the Bank's network of regional financial institutions in correspondence with the SME Financing Facilitation Act, and rejuvenation and refinancing projects in the healthcare area.

Business Development in Fiscal Year 2012

Net interest income in the Institutional Group rose from 27.2 billion yen in the previous fiscal year to 29.8 billion yen thanks to a steady expansion of the customer base as a result of efforts to increase new customers. Although overall revenue contracted from 62.3 billion yen in fiscal year 2011 to 56.8 billion yen in fiscal year 2012, this was partly attributable to the a one off reduction in non-core assets, which was included in non-interest income in the previous fiscal year. In core businesses that cater for our customers' needs, the Group's revenue increased and steady progress was made.

Despite the active investment of management resources into strategically important areas, expenses were down from 25 billion yen in fiscal year 2011 to 24.2 billion yen in 2012 due to improved operational efficiency in each business. Net credit costs significantly improved from 17.8 billion yen in fiscal year 2011 to 6.3 billion yen in fiscal year 2012, despite an increase in loan assets, as the credit standing of some large borrowers improved.

As a result of the above, ordinary business profit after net credit costs for the Institutional Group rose considerably from 19.4 billion yen in fiscal year 2011 to 26.3 billion yen in fiscal year 2012.

As part of our new initiatives in the renewable energy area in fiscal year 2012, we promoted a finance syndication business such as the arrangement of project finance for large-scale solar power plants constructed in the eastern part of Hokkaido in March 2013.

In regional development, we made an investment in October 2012 in the "Fukushima Growth Industry Development Fund"—a fund specializing in investing in the development of growth industries such as unlisted companies in Fukushima Prefecture. It made its first investment in CYBERDYNE Inc. in December 2012. In December 2012, we concluded a lending agreement for project finance to construct a gas-fired power station, which will create locally produced power for local consumption in the city of Sodegaura, Chiba Prefecture. On top of this, in March 2013, we organized project financing to construct large-scale solar power plants in the Eastern part of Hokkaido as our first mega solar project as the lead arranger. In May, we also arranged project financing for the construction of mega solar facilities in the city of Mito and Shirosato-machi in Ibaraki Prefecture. Both of these projects are for financing domestic mega solar projects whose repayment source is limited to project cash flows, which we believe is a revolutionary financing scheme.

In start-up support, we, jointly with gumi Inc., established a venture fund targeting mobile entertainment companies in July 2012. In January 2013, we joined a collaboration of investors including The Organization for Small & Medium Enterprises and Regional Innovation, Japan and four other business corporations to invest in "DCI Growth High-Technology Manufacturing Industry Development Fund" founded by Daiwa Corporate Investment Co., Ltd.

In July 2012, we entered into a comprehensive business alliance agreement with YES BANK, Ltd. an Indian commercial bank with which we had had a business alliance agreement in the M&A business, in order to strengthen our framework to support our corporate customers' expansion into Asia. In the healthcare finance business—one of the focus areas where we can utilize our uniqueness and strengths, we provided non-recourse loans to two private real estate investment funds for individual investors which invest in healthcare facilities. In April 2013, we granted a 9.6 billion yen non-recourse loan—our largest financing for healthcare facilities to date—to a special purpose company formed by Healthway Medical Development Private Limited, a major medical services development company in Singapore, to support their acquisition of 13 fee-paying senior homes in Japan. Through these activities, we are promoting our initiatives to create the first healthcare Real Estate Investment Trust (REIT) in Japan that will support, from the aspect of capital markets, the social infrastructure that underlies an ageing society with a falling birth rate.

Hironobu Satou
Managing Executive Officer,
Head of Global Markets Group

GLOBAL MARKETS GROUP

The Global Markets Group is comprised of: 1) the Financial Institutions Sub-Group that offers financial products and services to financial institution customers, 2) the Markets Sub-Group that engages in foreign exchange, derivatives, and other capital markets operations, and 3) other operations such as the asset management business, the wealth management business and Shinsei Securities.

Business Environment and Challenges

The new Abe administration, which took power in December 2012 made clear an economic revitalization policy which would see speedy implementation of measures aimed at ending the long-term deflationary trend and putting the Japanese economy on a path to recovery by implementing a bold monetary easing policy and development of a growth strategy to stimulate private-sector demand. This has led to a significant depreciation of the yen and a rise in share prices. While this has resulted in spurring long stagnated markets into action, it has also resulted in greater market volatility than before.

Keeping in mind such changes to the market environment, we will seek to provide our corporate and financial institution customers finely tuned, customer centric financial solutions by utilizing our advanced financial know-how and putting ourselves in the place of our customers.

Strategy

The Global Markets Group offers structured deposits, credit-linked loans, and other investment products to financial institution customers that face the challenge of managing their assets in the low interest rate environment. We also engage in the sale, purchase, and brokering of loans in cooperation with the Institutional Group.

Financial Institutions Sub-Group

In order to meet financial institutions' needs to accumulate assets under their management, we offer finely-tuned solutions that make the best use of our advanced financial expertise, and provide our customers with earnings opportunities while establishing our earnings base.

We are also continuing to promote our "White Label" business where our partner regional financial institutions sell structured deposits and other products developed by Shinsei Bank under their own brands.

Furthermore, by utilizing our network with regional financial institutions located throughout Japan, we would like to contribute to regional development together with regional financial institutions. Through this initiative, we aim to make contributions to regional development that are needed by our customers, regional communities, and markets from a long-term perspective, and to further develop transactions with regional financial institutions and to promote business cooperation with them by offering multi-faceted functions.

Markets Sub-Group

As part of our initiatives to expand our customer base, the Markets Sub-Group, in cooperation with business promotion sections in the Institutional Group, has been utilizing a solution for hedging foreign exchange risks as a tool to acquire new customers, and has seen success through this approach. We will continue to promote and develop this approach in fiscal year 2013 in order to create a stronger customer base.

We also offer products and services which utilize the changes in the market environment and regulation as a business opportunity. By doing so, we aim to create a structure that allows us to be the first bank to propose attractive products to our corporate and financial institution customers as well as retail customers.

At the same time, we endeavor to post stable profits by strictly managing the risk that is expected to increase as we expand the scope of our market transactions.

Asset Management Sub-Group

Investment trust sales have been rising partly due to higher share prices recorded since the end of fiscal year 2012. We will continue offering investment trust products to our retail banking customers as well as developing the private placement investment trust business for regional financial institutions and institutional investors. To that end, we need to further improve our product offering capabilities. We will therefore further enhance our capabilities to enable us to develop and offer unique products, instead of purchasing investment trust products from outside suppliers. We are making preparations for the introduction of the Nippon Individual Savings Account ("NISA") (Japanese ISA) system in collaboration with the Retail Banking Sub-Group in an aim to further expand our investment trust customer base.

In our wealth management business, which is a core business of the bank, we will enhance our structure. We will also improve our investment products offered to individual, high net-worth customers. Furthermore, our business promotion staff will visit our customers whose financial needs may not be limited to simple asset investments and provide them with finely tuned solutions to their diverse needs such as business succession.

Shinsei Securities

The arranging and marketing of securitized products, and selling structured bonds to individual customers through securities brokers is one of the major operations of Shinsei Securities. In the area of securitization, Shinsei Securities not only arranges and sells securitized products of housing loans or lease/installment claims, but also actively promotes the handling of non-traditional securitization products including the sale/purchase of original claims. Furthermore, we have been gathering momentum in our use of structured finance in a broad range of areas utilizing securitization techniques. We will thus endeavor to propose attractive products using our accumulated expertise in new areas such as renewable energy-related investments. In securities brokering, we will continue to monitor market trends in order to offer products suited to our customers' needs.

Business Development in Fiscal Year 2012

The Global Markets Group's revenue rose from 11.2 billion yen in fiscal year 2011 to 14.2 billion yen in fiscal year 2012. Expenses declined from 9.7 billion yen in fiscal year 2011 to 9.0 billion yen in fiscal year 2012 due to improvements in operational efficiency. Due to efforts to reduce non-core assets in the Bank, the Global Markets Group posted a 7.5 billion yen recovery of net credit costs, compared to a 2.6 billion yen recovery in fiscal year 2011 due to reversals of reserves and recoveries of written-off claims.

As a result of the above, the Global Markets Group's ordinary business profit after net credit costs significantly increased from 4.2 billion yen in fiscal year 2011 to 12.7 billion yen in fiscal year 2012.

The factors contributing to the larger revenue in fiscal year 2012 include increased efforts to sell credit-linked loans, promotion of the distribution business to financial institution customers such as the sale/purchase or brokering of public loans, and steady performance of loan and repo transactions with non-Japanese financial institutions.

Additionally, we enhanced our line-up of alternative products such as deposits and products for hedging foreign exchange risk in our offerings of asset management products in response to the risk-off environment resulting from the European sovereign debt crises in the first half of fiscal year 2012. Meanwhile, we used the online channel to introduce products with an excellent performance record in preparation of a risk-on environment. In the second half of fiscal year 2012, we implemented measures to raise the level of overall investment trust sales in view of the risk-on environment brought on by Abenomics. These included the introduction of a foreign sovereign bond fund that flexibly hedges foreign exchange risks and a three-storey fund that added a covered call and currency option to a REIT.

On January 22, 2013, we began offering to our financial institution customers a private placement investment trust investing in foreign sovereign bonds in partnership with Russell Investment Ltd., the Japanese subsidiary of the U.S.-based Russell Investment Group. Combined with the products we offer for wealth management, this has expanded our investment trust sales channel.

Meanwhile, we received the cooperation of Fukui Bank, Ltd. and Kiyo Bank, Ltd. in the implementation of our financial literacy program, "Money Connection®" and they will take the initiative to provide this program to high schools in their regions. "Money Connection®" is one of Shinsei Bank's corporate social responsibility initiatives. We will continue exploring the possibility of forming partnerships with throughout Japan to promote Money Connection® by making the most of our extended network of regional financial institutions.

Status of Initiatives for Regional Revitalization and Improvement of SME Management

In order to improve the management of Small- and Medium-sized Enterprises ("SME" or "SMEs") and achieve regional revitalization, the Institutional Group and the Global Markets Group are engaging in the initiatives described below, providing Shinsei Bank's specialized know-how and, depending on the case, cooperating with local banking institutions and the SME Business Rehabilitation Support Co-operative. In addition, the VBI Promotion Department is engaging in business with SMEs and local businesses which have promising technologies or business models, as well as business that will help revitalize regions such as earthquake reconstruction and new business areas as part of the Bank's area of focus. By providing multi-faceted solutions (management solutions) which satisfy needs for not only funding, but for human resources, and services such as business strategy planning and implementation support, the Bank aims to expand the scope of its business with SMEs that are undergoing growth and contribute to the development of new businesses that are created as a result of innovation.

Case Examples of Shinsei Bank Initiatives

• Cooperation with Local Banking Institutions and the SME Business Rehabilitation Support Co-operative

A SME involved in the transportation business with a foothold in Western Japan: With an excellent customer base of blue chip companies including major automobile parts manufacturers, the SME's core business was robust. But due to a failed attempted to diversify their business, the SME is currently engaged in drawing up a specialized local transportation business rehabilitation plan together with a local banking institution and cooperative agencies such as the SME Business Revitalization Support Co-operative. In an effort to further enhance the feasibility of the plan, while the SME is seeking financing arrangements from commercial banks, there was a consultation request to Shinsei Bank, and we are contemplating a financing proposal while working closely with the SME's existing financial institution.

A SME operating a traditional inn and hotels in Eastern Japan: While having been successful in consistently drawing in customers, debt had swelled as a result of borrowing and excessive investment, and the involved financial institution together with the SME Business Revitalization Support Co-operative are formulating a business revitalization plan. While they are seeking funding from commercial banks in order to implement the business plan, the drafting of the plan itself requires more time. Shinsei Bank was also consulted, and is considering a financing plan while working in close cooperation with the Co-operative agency.

• Business Rehabilitation Support through DIP (Debtor in Possession) Finance

A SME involved in the events business with a foothold in Eastern Japan: With a long business history, the SME has a customer base of over 1,000 companies all over the country and their core business is robust. However, their attempts to diversify their business by penetrating into new industries failed, resulting only in an increase in their debt, and they are currently aiming to revitalize their business through legal rehabilitation proceedings. A consultation on this matter was brought to Shinsei Bank by a lawyer familiar with the situation, and in order to further enhance the feasibility of the rehabilitation plan, the Bank is planning to support the SME by providing working capital as a frame through DIP finance secured by accounts receivables.

A SME involved in the entertainment business with a foothold in Eastern Japan: While having many employees and customers, the SME was aiming to revitalize its business through legal rehabilitation proceedings as it had found itself under a heavy debt load. A lawyer familiar with the situation came to Shinsei Bank for a consultation on the matter, and as a result, the Bank has decided to support the SME through DPI financing, and has provided a working capital frame in order to stabilize cash flows until the company is able to establish and approve a revitalization plan.

• Procuring a Sponsor for a Legally Bankrupt SME

A local middle-market company manufacturing and selling food products with a foothold in Western Japan: Longtime sluggish business performance combined with large losses in derivative transactions served as the trigger for the company to file for civil rehabilitation proceedings. Sales plummeted due to their damaged credit, and the company came face to face with the seriousness of their situation as their business ran deficits. It was expected that there would be difficulties in finding a sponsor, but Shinsei Bank found a general food trading company in Tokyo which had a track record of rehabilitating local, small to medium-sized food manufacturers as a sponsor candidate. Thanks to the enhancement in their credit and restructuring by the trading company, the middle-market company's business was promptly rehabilitated. Acting as a bridge between the middle-market company and the sponsor, Shinsei Bank contributed to fostering mutual trust and building consensus on the conditions assumed by the sponsor. As a result, the company's business was able to continue, maintaining the employment of approximately 80 employees.

• Business Matching

A SME dealing in the wholesale of Cookware in Western Japan: The President of the SME consulted Shinsei Bank for advice on the following business challenges their company faced: 1) diversify wholesale clients so as to not depend too heavily on their main customers; 2) enter into the retail business that directly connects with consumers; and 3) increase their business performance. In this case, Shinsei Bank assisted the SME in their efforts to improve, and successfully referred and contracted the company to dealings in a distinct business field, which is in addition to their main business routes. Additionally, the proposal of introducing new products which the company wishes to increases sales in to manufactures in addition to individual consumers has been highly praised, and adjustments are being made to realize this. Furthermore, the company hoped to implement a proposal by Shinsei Bank to introduce credit card and e-money payment terminals and point cards in order to enhance the appeal to customers and to strengthen data controls when opening retail shops. To help accomplish this, Shinsei Bank referred the company to a consumer credit company doing business with the Bank. The SME adopted our suggestion and referral, leading to the establishment of retail shops.

• Assisting in the Withdrawal from a Non-Core Business

A food manufacturing SME in Eastern Japan: The SME managed hotels near their home base. They consulted Shinsei Bank for advice on how to withdraw from the non-core business, hotel management, in order to strengthen their management base and concentrate management resources in the core business. An employee from Shinsei Bank's M&A section in charge of the hotel industry provided the SME with an explanation on circumstances and market situations specific to M&A in the hotel industry. Subsequently, Shinsei Bank demonstrated its strong track record of M&A transactions in the hotel business and its know-how while proposing detailed processes and solutions, and as a result, the Bank entered into an advisory agreement with the SME. After concluding the agreement, Shinsei Bank made full use of its diversified industry networks and quickly identified a party willing to acquire the hotel business, but also willing to accommodate the request of the SME that the hotel business would be continued and the employees of the hotels would be retained. As a result, the M&A deal for the SME was successfully closed.

GLOSSARY

ABI (Asset-backed Investment)
At Shinsei Bank, ABI refers to a former product program which included loans backed mainly with infrastructure, real estate, businesses, and business assets as collateral.

Advisory
Shinsei Bank's advisory business proposes solutions to meet customers' diverse needs in areas such as M&A, corporate restructuring, and fundraising in Japan and overseas.

ALM (Asset Liability Management)
ALM refers to the comprehensive management of the market risks and liquidity risks that exist in the Bank's balance sheet (i.e. assets and liabilities) as a result of its business operations. ALM aims to optimize interest rate income from the Bank's balance sheet and economic value by monitoring interest rate conditions and asset/liability duration, including off-balance items such as derivatives on the Bank's account, and adjusting for risks in assets/liabilities and derivatives transactions in consideration of the change in values of assets, liabilities, and periodical profits or losses due to market fluctuations.

Asset Management
In a broad sense, Asset Management refers to Shinsei Bank's overall asset management business, but in a narrower sense it refers to the investment trust business and investment advisory business. Shinsei Bank offers a variety of unique financial products and services for both institutional and individual (including high-net worth) customers, primarily through the Global Markets Group and the Individual Group (retail banking Business).

Business Incubation
Business Incubation offers not only loans and capital, but also management solutions such as human resources, supplementary functions, and business planning and strategy support to customers aiming to start, or customers who have recently started, a business.

Capital Markets Business
Capital Markets business refers to capital markets-related transactions, including derivatives and trading, in order to meet customer needs for investment, risk hedging, fundraising, etc.

CLO (Collateralized Loan Obligations)
CLOs are debt-collateralized securities with leveraged loans (LBO), corporate loans, and corporate bonds as the underlying assets.

Consolidated Capital Adequacy Ratio
The consolidated capital adequacy ratio is the ratio of "total capital" over "risk assets." "total capital" is obtained by subtracting "deductions" from the sum of basic items (Tier I)—mainly composed of equity capital—and supplementary items (Tier II)—composed of subordinated bonds and other debts.

Consolidated Net Income, Cash Basis Net Income
Cash basis net income is calculated by excluding impairment and amortization of goodwill resulting from acquisitions of subsidiaries and other intangible assets, net of tax benefits, from consolidated net income—and represents the bottom-line profit for the relevant fiscal year.

Credit Guarantee Business
Credit Guarantees represent a guarantee to repay a loan made by a partner financial institution on behalf of the borrower, in the case that the borrower becomes unable to make repayments, in return for a fee. In the Shinsei Bank Group, Shinsei Financial is focused on this business, offering comprehensive support to partner financial institutions including advice on advertising strategies and product design as part of its service.

Credit-linked Loan
Credit-linked Loans are structured loans which incorporate derivatives linked to the credit risk of a company other than Shinsei Bank (the borrower). They are offered as an investment product to customers.

Credit Trading
Credit Trading offers balance sheet optimization solutions, including purchase of loan receivables from current creditors or an investment in (purchase of) monetary claims held by the customer. Shinsei Bank also invests in monetary claims such as loans and leases sold in the secondary market for non-performing loans, aiming to make profits by securing a greater return than the initial investment through servicing or resale of the receivables.

Derivative
Derivative is a collective term referring to transactions that are derived from or linked to other underlying transactions such as interest rate, bond, foreign exchange, and equity transactions. They are also called "financial derivatives" since most of the transactions originate from financial products.

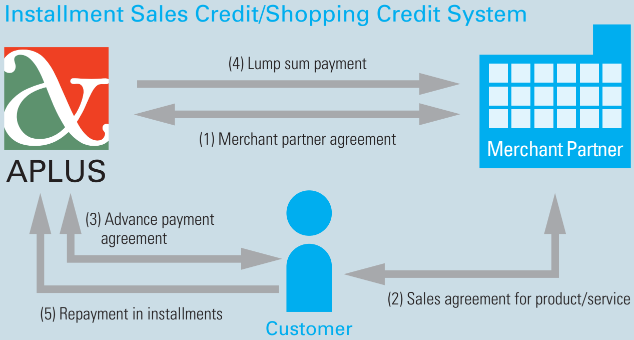
Exposure
Exposure refers to an amount of assets or an amount of money that is exposed to foreign exchange, price fluctuations or other risks as a result of loans and investments.

(Grey Zone) Interest Repayments
Prior to the interest rate reduction implemented as part of the revisions to the Money Lending Business Law, the interest rates on some consumer finance products offered by the Shinsei Bank Group's subsidiaries exceeded the upper limit stipulated by the Investment Law. Following a ruling by the Supreme Court in January 2006, customers who paid more than the upper limit stipulated by the Investment Law have been allowed to request a refund of the extra interest paid. Accordingly, consumer finance companies have recorded reserves in order to cover losses on (grey zone) interest repayments. However, losses from a portion of the "grey zone" interest repayment liabilities at Shinsei Financial are indemnified by GE under the purchase agreement made when Shinsei Bank acquired the company.

Healthcare Finance
Healthcare Finance refers to financing—primarily non-recourse loans—as well as financial advisory on management strategies and M&A for senior care facilities and nursing homes.

Installment Sales Credit (Shopping Credit)
Installment Sales Credit (Shopping Credit) is a service that allows customers to pay for goods or services in installments without using a credit card. Shinsei Bank group offers this service primarily through APLUS FINANCIAL.

Installment Sales Credit/Shopping Credit System



(1) APLUS concludes a merchant partner agreement with the merchant partner
(2) Customer purchases a product or a service from the merchant partner
(3) Customer applies to APLUS for installment sales credit
(4) APLUS pays the purchase price for the product/service as a lump sum to the merchant partner
(5) Customer repays the purchase price to APLUS in installments

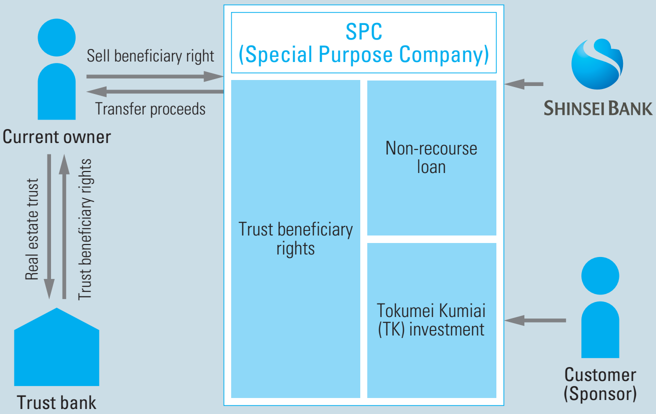
J-REIT
J-REIT stands for Japanese Real Estate Investment Trust.

LBO Finance (Leveraged Buyout Finance)
LBO finance is a type of M&A finance based on the assets or future cash flows of a company to be acquired. It is used when a company or an investment fund acquires another company. At Shinsei Bank, LBO Finance is included in Specialty Finance.

MBO Finance
MBO stands for Management Buyout. It is a type of LBO finance offered when a company's management buys its own company co-working with an investment fund and others. At Shinsei Bank, MBO Finance is included in Specialty Finance.

Net Credit Costs
Net credit costs are the sum of reserves for loan losses set aside (credit costs) according to the credit standing of borrowers, reversal (gains) of reserves for loan losses, and recoveries of written-off claims resulting from their disposal.

Non-recourse Loan
Non-recourse loans are loans for which repayment is made solely from the cash flows generated from specific businesses or assets (typically, but not always real estate), with no recourse to the sponsor.



Ordinary Business Profit (Loss)
Ordinary business profit (loss)—the indicator of profit (loss) from core business after expenses—is calculated by subtracting "expenses" from "total revenue." "Net credit costs" are excluded from this calculation.

Portfolio
A portfolio refers to a group of various components. An asset portfolio, for example, refers to a collection of various assets such as real estate, cash deposits, and equities.

Principal Transactions
Principal Transactions generally refer to a bank's proprietary investments. Shinsei Bank proactively makes proprietary investments in the Credit Trading and Private Equity businesses in order to meet customers' needs for corporate restructuring, business succession, and growth funds.

Private Equity
In general, Private Equity refers to privately-placed shares and shares that are not traded in stock exchanges or over-the-counter markets. Private equity investments can be classified into venture capital, which are investments in growing companies, and investments to acquire control of mature companies in order to implement restructuring. Shinsei Bank is proactively engaged in venture capital investments, investing in up to 5% of total shares with representative rights of customers planning a public share offering, as well as making buyout investments related to business divestments from mature companies.

Project Finance
Project Finance refers to loans to finance specific projects for which the principal source of repayment is the cash flow generated from the project itself. Project Finance is often used for medium-to-long term projects in energy, natural resources, and infrastructure. At Shinsei Bank, Project Finance is included in Specialty Finance.

Revised Money Lending Business Law
The key points of the Revised Money Lending Business Law which was enacted and issued in December 2006 are: (1) optimizing control of the money lending business (tightening entry requirements etc.), (2) reducing excessive lending (implementation of the designated credit bureau system and income-linked lending limitation), and (3) controlling the interest rate system (reducing the upper limit of the interest rate under the Investment Law to 20% p.a.). The Law was enforced in a phased manner and was fully enforced in June 2010.

Risk Weighed Assets
Risk weighed assets are an amount equivalent to the volume of "credit risk" and "market risk" of the Bank's assets/transactions and "operational risk" involving operational errors.

Ship Finance
Finance for the shipping industry. Shinsei Bank primarily provides shipping companies with funds for ship acquisition.

Specialty Finance
Specialty Finance at Shinsei Bank refers to M&A finance, LBO finance, project finance and other types of finance that focus on the cash flows and value generated by businesses and assets. It is a type of structured finance.

Structured Finance
Structured Finance refers to finance requiring special structures. In general, it takes the form of project finance or non-recourse finance which focuses on the cash flows or value generated by a specific project or asset. Shinsei Bank is primarily active in real estate finance, project finance, M&A finance, and corporate restructuring finance through the Structured Finance Sub-Group.

Syndicated Loan
Syndicated loans are loans provided jointly by a syndication of multiple financial institutions (lender group) based on a single loan agreement.

Treasury
Treasury is normally the function in a company which is responsible for ALM (asset and liability management). At Shinsei Bank, Treasury basically refers to the function (Sub-Group) responsible for cash flow management including collateral management, transactions through transfer pricing (FTP, the inter-office fund transfer price), issuance or buyback of (subordinated) corporate bonds, liquidity planning, management of overseas subsidiaries that issue capital securities, as well as ALM for the entire Group.

Wealth Management
Wealth Management refers to the financial services that Shinsei Bank offers to high-net worth customers. The Bank offers a variety of differentiated wealth management services tailored to customers' needs.

Management Structure

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DIRECTORS AND EXECUTIVES

As of July 1, 2013

BOARD OF DIRECTORS (6)

Shigeki Toma

Representative Director, President

Jun. 2010 Representative Director, President, Shinsei Bank, Limited (Current)
May 2010 Advisor, Shinsei Bank, Limited
Jun. 2007 Director, Isuzu Motors Limited
Nov. 2002 Executive Vice President and Director, Isuzu Motors Limited
Apr. 2002 Managing Executive Officer, Mizuho Corporate Bank, Ltd.
May 2001 Managing Executive Officer, The Dai-Ichi Kangyo Bank, Ltd.
Jun. 2000 Executive Officer, The Dai-Ichi Kangyo Bank, Ltd.
Apr. 1972 Joined The Dai-Ichi Kangyo Bank, Ltd. (Predecessor of Mizuho Bank, Ltd. and Mizuho Corporate Bank, Ltd.)

Yukio Nakamura

Representative Director, Deputy President

Apr. 2013 Representative Director, Deputy President, Chief of Staff, Head of Corporate Staff Group (Current)
Jun. 2010 Representative Director, Senior Managing Executive Officer, Head of Risk Management Group, Chief Risk Officer, Shinsei Bank, Limited
Oct. 2009 Managing Executive Officer, Executive Head of Institutional Business Sub-Group, Shinsei Bank, Limited
Jun. 2008 Statutory Executive Officer, Executive Head of Institutional Business Sub-Group, Shinsei Bank, Limited
Apr. 2007 General Manager, Risk Management Planning and Policy Division, Portfolio and Risk Management Division, Operational Risk Management Division, Shinsei Bank, Limited
Oct. 2000 General Manager, Risk Management Planning and Policy Division, Portfolio and Risk Management Division, Shinsei Bank, Limited
Apr. 1978 Joined The Long-Term Credit Bank of Japan, Ltd. (Predecessor of Shinsei Bank, Limited)

J. Christopher Flowers*1

Director,
Managing Director and Chief Executive Officer, J. C. Flowers & Co. LLC

May 2012 Member of the Supervisory Board, NIBC Holding N.V. (Current)
Sep. 2008 Chairman and Director, Flowers National Bank (Current)
Aug. 2007 Member of the Advisory Board, The Kessler Group (Current)
Nov. 2002 Managing Director and Chief Executive Officer, J.C. Flowers & Co. LLC (Current)
Mar. 2000 Director, Shinsei Bank, Limited (Current)
Dec. 1988 Partner, Goldman Sachs & Co.
Mar. 1979 Joined Goldman Sachs & Co.

Ernest M. Higa*1,3

Director,
Chairman and Chief Executive Officer, Higa Industries Co., Ltd.

Apr. 2011 Trustee, Japan Association of Corporate Executives (Current)
Mar. 2011 Chief Executive Officer, Wendy's Japan (Current)
Jun. 2010 Director, JC Comsa Corporation (Current)
Feb. 2010 Chairman and Chief Executive Officer, Higa Industries Co., Ltd. (Current)
May 2009 Board of Overseers, The Columbia Business School (Current)
Apr. 2008 Board Member, New Business Conference (Current)
Apr. 1983 President and Chief Executive Officer, Higa Industries Co., Ltd.
Apr. 1976 Joined Higa Industries Co., Ltd.

Shigeru Kani*1,3

Director,
Former Director, Administration Department, The Bank of Japan, Professor, Yokohama College of Commerce

Apr. 2006 Professor, Yokohama College of Commerce (Current)
Jun. 2004 Director, Shinsei Bank, Limited (Current)
Apr. 2002 Advisor, NEC Corporation
May 1999 Executive Managing Director, Tokyo Stock Exchange, Inc.
May 1996 Director, Administration Department, The Bank of Japan
May 1992 Executive Advisor and Senior Advisor to the Chairman, The Tokyo International Financial Futures Exchange (Predecessor of Tokyo Financial Exchange Inc.)
Apr. 1966 Joined The Bank of Japan

Jun Makihara*1,3

Director,
Chairman of the Board, Neoteny Co., Ltd.

Jun. 2011 Director, Shinsei Bank, Limited (Current)
Jun. 2006 Director, Monex Group, Inc. (Current)
Mar. 2005 Director, RHJ International SA (Current)
Jul. 2000 Chairman of the Board, Neoteny Co., Ltd. (Current)
Nov. 1996 Co-Head of the Equities Division and Co-Branch Manager, Goldman Sachs Japan Ltd.
Nov. 1992 Partner, Goldman Sachs & Co.
Sep. 1981 Joined Goldman Sachs & Co.

STATUTORY AUDITORS (3)

Shinya Nagata

Standing Statutory Auditor

Jun. 2012 Standing Statutory Auditor, Shinsei Bank, Limited (Current)
Oct. 2010 Executive Officer, General Manager, Financial and Regulatory Accounting Division, Shinsei Bank, Limited
Sep. 2010 Executive Officer, General Manager, Group Regulatory Accounting and Tax Division, General Manager, Group Financial Accounting Division, Shinsei Bank, Limited
Jun. 2010 General Manager, Group Regulatory Accounting and Tax Division, General Manager, Group Financial Accounting Division, Shinsei Bank, Limited
Sep. 2009 General Manager, Group Regulatory Accounting and Tax Division, Shinsei Bank, Limited
Apr. 2009 General Manager, Group Regulatory Accounting and Tax Division, General Manager, Group Financial Accounting Division, Shinsei Bank, Limited
Oct. 2006 General Manager, Group Regulatory Accounting and Tax Division, General Manager, Financial Projects Division, Shinsei Bank, Limited
Dec. 2001 General Manager, Financial and Regulatory Accounting Division, Shinsei Bank, Limited
Apr. 1981 Joined The Long-Term Credit Bank of Japan, Ltd. (Predecessor of Shinsei Bank, Limited)

Kozue Shiga*2,3

Statutory Auditor
Lawyer

Jun. 2010 Statutory Auditor, Shinsei Bank, Limited (Current)
Sep. 2009 Director, Toyoko Inn Co., Ltd. (Current)
Apr. 2007 Statutory Auditor, Tokushu Tokai Holdings Co., Ltd. (Predecessor of Tokushu Tokai Paper Co., Ltd.) (Current)
Oct. 2005 Partner, Shiraishi & Partners (Current)
Jun. 2002 Partner, Son Sogo Law Office
Aug. 1999 Established Shiga Law Office
Apr. 1998 Registered Daiichi Tokyo Bar Association
Apr. 1993 Prosecutor, Yokohama District Public Prosecutors' Office
Nov. 1967 Joined Japan Airlines Corporation

Tatsuya Tamura*2,3

Statutory Auditor
Former Executive Director, The Bank of Japan, and President, Global Management Institute, Inc.

Jun. 2010 Statutory Auditor, Shinsei Bank, Limited (Current)
Jun. 2008 Director, Autobacs Seven Co., Ltd. (Current)
Mar. 2003 Chairman, Japan Independent Directors Network (Predecessor of Japan Corporate Governance Network) (Current)
May 2002 President, Global Management Institute Inc. (Current)
Apr. 1996 Chairman, A.T. Kearney
Jan. 1992 Executive Director, The Bank of Japan
Apr. 1961 Joined The Bank of Japan

Fiscal Year 2012 Board of Directors meetings
Meetings: 6 Attendance: 100%

Fiscal Year 2012 Board of Statutory Auditors meetings
Meetings: 12 Attendance: 100%

*1 Outside Directors
*2 Outside Statutory Auditors
*3 "Independent director statement" (dokuritsu-yakuin todokede-sho) submitted to Tokyo Stock Exchange Inc.

EXECUTIVE OFFICERS (22)

Shigeki Toma
Representative Director, President,
Chief Executive Officer

Yukio Nakamura
Representative Director,
Deputy President, Chief of Staff,
Head of Corporate Staff Group,
General Manager,
Office of Financing Facilitation Management

Sanjeev Gupta
Senior Managing Executive Officer,
Head of Individual Group

Michiyuki Okano
Senior Managing Executive Officer,
Group Chief Information Officer,
Head of Banking Infrastructure Group

Hitomi Sato
Senior Managing Executive Officer,
Head of Institutional Group,
General Manager,
VBI Promotion Division

Shigeru Tsukamoto
Senior Managing Executive Officer,
Chief Financial Officer,
Head of Finance Group,
Head of Treasury Sub-Group

Norio Funayama
Managing Executive Officer,
Executive Officer in charge of Institutional Business,
General Manager, Osaka Branch

Yoshiaki Kozano
Managing Executive Officer,
Head of Principal Transactions Sub-Group

Hideyuki Kudo
Managing Executive Officer,
Chief Risk Officer,
Head of Risk Management Group

Toru Myochin
Managing Executive Officer,
Executive Officer in charge of Institutional Business,
General Manager,
Healthcare Finance Division

Hironobu Satou
Managing Executive Officer,
Head of Global Markets Group

Shinichirou Seto
Managing Executive Officer,
Executive Officer in charge of Institutional Business,
Head of Institutional Business Sub-Group,
General Manager,
Institutional Business Division

Masashi Yamashita
Managing Executive Officer,
Deputy Head of Individual Group,
Head of Consumer Finance Sub-Group

Akira Hirasawa
Executive Officer,
General Manager,
Portfolio and Risk Management Division

Yasunobu Kawazoe
Executive Officer,
General Manager,
Institutional Credit Management Division

Satoshi Koiso
Executive Officer,
General Manager,
Corporate Planning Division

Takahisa Komoda
Executive Officer,
General Manager,
Human Resources Division

Takako Masai
Executive Officer,
Head of Markets Research Department,
Markets Sub-Group

Yuji Matsuura
Executive Officer,
Head of Markets Sub-Group

Nozomi Moue
Executive Officer,
General Manager,
Structured Risk Management Division

Masayuki Nankouin
Executive Officer,
Head of Financial Control and Accounting Sub-Group

Eiji Shibazaki
Executive Officer,
Head of Financial Institutions Sub-Group

ORGANIZATION

As of July 1, 2013

Customers

- Board of Directors
- Chief Executive Officer
  - Internal Audit Division*2
- Executive Committee
- Office of Corporate Secretary*1
- Statutory Auditors
- Board of Statutory Auditors
- Office of Statutory Auditors

- Corporate Staff Group
  - Corporate Planning Division
    - (Research Department)
  - Human Resources Division
  - Investor Relations & Corporate Communications Division *3
  - Legal and Compliance Division
    - (Legal Department)
    - (Financial Crime Information Department)
  - Credit Assessment Division
  - General Services Division
  - Operations Management Division
    - (FATCA Management Department)
  - Office of Financing Facilitation Management
- Institutional Group
  - Institutional Business Sub-Group
    - (Corporate Customer Service Department)
    - Institutional Business Division
      - (West Japan Business Department)
  - Principal Transactions Sub-Group
    - (Credit Trading Department)
    - (Private Equity Department)
  - VBI Promotion Division
    - (VBI Planning Department)
    - (Business Incubation Department)
    - (Overseas Business Promotion Department)
  - Corporate Advisory Division
    - (Mergers and Acquisitions Department (Cross-Border))
    - (Mergers and Acquisitions Department)
    - (Asset Solutions Department)
  - Asset Backed Investments Division
  - Business Management Division *4
  - Corporate Banking Business Division I
  - Corporate Banking Business Division II
  - Corporate Banking Business Division III
  - Osaka Corporate Banking Business Division*8
  - Public Sector Finance Division
  - Healthcare Finance Division
    - (Structured Business Promotion Department)
  - Specialty Finance Division
    - (Project Finance Department)
    - (Shipping Finance Department)
  - Corporate Support Division
  - Real Estate Finance Division
  - Real Estate Business Division
  - Sapporo, Sendai, Kanazawa, Nagoya, Osaka, Hiroshima, Takamatsu and Fukuoka
- Global Markets Group *4
  - Global Markets Business Management Division
  - Markets Sub-Group
    - (Markets Research Department)
    - Trading Division
    - Markets Division
      - (Osaka Business Department)
    - Credit Products Division
  - Financial Institutions Sub-Group
    - Financial Institutions Business Division
    - Osaka Financial Institutions Business Division*8
  - Asset Management Sub-Group
    - (Asset Management Business Promotion Department)
    - (Asset Management Product Planning Department)
    - Wealth Management Division
    - Asset Management Products Division
- Individual Group
  - Consumer Finance Sub-Group
    - (Consumer Finance Operations Control Department)
    - Lake Business Division
      - (Application Service Center)
      - (Customer Service Center)
      - (Osaka Administration Management Center)
      - (Customer Relationship Department)
  - Retail Banking Sub-Group
    - Customer Service Division
      - (Customer Service Department)
    - Customer Development Division
    - Retail Sales and Distribution Division*5
      - Financial Centers*6
    - Retail Products Division
      - (Insurance Business Management Department)
      - (Overseas Remittance Business Department)
    - Loan Products Division
    - Retail Business Division
    - Retail Human Resources Development Division
    - Channel Management Division *7
      - (Fukuoka Call Center)
- Risk Management Group
  - Portfolio and Risk Management Division
  - Market Risk Management Division
  - Institutional Credit Management Division
  - Structured Risk Management Division
  - Individual Pillar Risk Management Division
  - Risk Management Planning and Policy Division
  - Operational Risk Management Division
- Finance Group *3
  - Financial Control and Accounting Sub-Group
    - Business Controlling Division
      - (J-SOX Program Department)
    - Financial and Regulatory Accounting Division
      - (IFRS Department)
    - Capital Markets and Treasury Product Control Division
  - Treasury Sub-Group
    - Treasury Funding Division
    - ALM Division
- Banking Infrastructure Group *7
  - Information Systems Risk Management Division*9
  - Banking Infrastructure Planning Division
  - Information Systems Development Division
  - Information Systems Operation Division
  - Operations Services Division

*1 Office of Corporate Secretary shall act as the secretariat for the Board of Directors and Executive Committee.

*2 Internal Audit Division shall report not only to CEO but also to Board of Statutory Auditors directly.

*3 Investor Relations & Corporate Communications Division shall report to Head of Finance Group for Investor Relations matters.

*4 Business Management Division shall report to Head of Global Markets Group.

*5 Incl. Chiba Annex and Urawa Annex

*6 Head Office, Sapporo, Sendai, Kanazawa, Omiya, Kashiwa, Tsudanuma, Tokyo, Ginza, Ikebukuro (incl. Kawaguchi Annex), Ueno, Kichijoji, Shinjuku, Roppongi Hills (incl. Omotesando Hills Annex), Hiroo, Futakotamagawa (incl. Jiyugaoka Annex), Hachioji, Machida, Yokohama (incl. Kawasaki Annex), Fujisawa (incl. Kamakura Annex), Nagoya, Kyoto, Umeda (incl. Takatsuki Annex, Senri-Chuo Annex, Nishinomiya-Kitaguchi Annex,Osaka Shiten nai Annex and Hankyu-Umeda Annex), Namba (incl. Sakai-Higashi Annex), Kobe (incl. Ashiya Annex), Hiroshima, Takamatsu, Fukuoka

*7 Channel Management Division shall report to Head of Banking Infrastructure Group.

*8 Osaka Corporate Banking Business Division and Osaka Financial Institutions Business Division shall report to GM of Osaka Branch.

*9 Information Systems Risk Management Division shall report to the management.

CORPORATE GOVERNANCE

Shinsei Bank has established a corporate governance framework as a "Company with a Board of Statutory Auditors" (*kansayakukai-setchi-gaisha*). This model aims to ensure appropriate managerial decision-making and business implementation in order to establish a corporate governance framework with sufficient organizational checking functions. We aim to achieve this through the following two key actions:

1) Consolidating business execution authorities and responsibilities in the Board of Directors; and

2) Assigning to statutory auditors and a Board of Statutory Auditors that are independent of the Board of Directors auditing duties that include auditing and monitoring of the Board of Directors.

In addition to this, we have adopted an Executive Officer system which ensures the flexibility of our day to day business execution.

Current Corporate Governance System

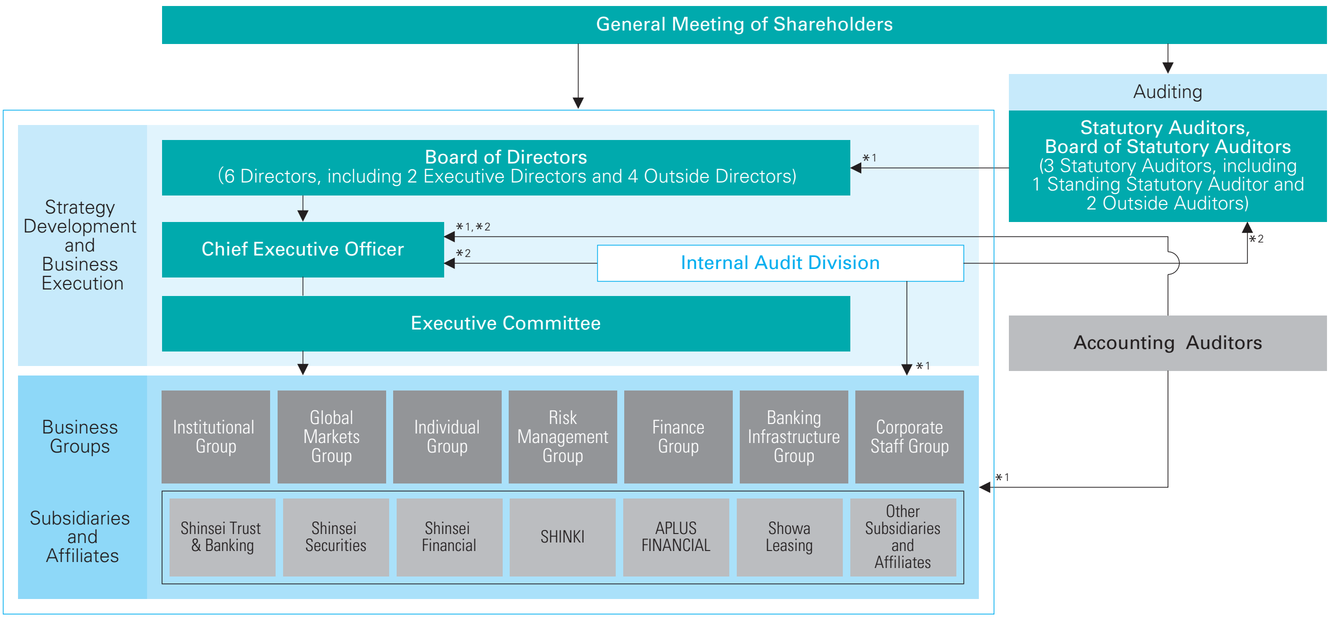
"Company with a Board of Statutory Auditors"

Since June 2010, Shinsei Bank has established a corporate governance framework as a "Company with a Board of Statutory Auditors" (kansayakukai-setchi-gaisha). The Board of Statutory Auditors is independent from the Board of Directors, and key functions include the oversight of day to day business execution and the supervision of the activities of the Board of Directors. The purpose of the Board of Statutory Auditors is to improve the ability of the Board of Directors to establish internal control systems, conduct risk management in order to improve the decision-making functions of management in determining its policies, and to strengthen audit functions. Through this framework, the Bank is making efforts to ensure the propriety of business execution while at the same time enabling flexible managerial decision-making in order to achieve a corporate governance framework that places an emphasis on checks and balances.

Board of Directors

The Board of Directors of the Bank, in addition to determining high level, long-term basic policies, oversees and evaluates executive management and business execution of Executive Directors. Through appropriate deliberation,

Corporate Governance System Chart (as of June 19, 2013)



*1 Audit *2 Report ■Business Groups ■Subsidiaries and Affiliates the Board is able to ensure the interests of shareholders and ensure the maintenance of a proper business system. As of June 19, 2013, the Board of Directors is composed of two inside Directors responsible for daily business execution and four outside Directors who have extensive experience and advanced expertise in areas such as domestic and overseas financial businesses, consumer business, and risk management. The four outside Directors, who make up the majority of the Board of Directors, play an important role in corporate governance by providing independent and objective opinions to management as well as supervising business execution by the President from an outsider's point of view. Through the incorporation of these neutral standpoints in decision making, the Bank is able to maintain transparency and objectivity in the determination of management policy.

Executive Committee and Executive Officers

Shinsei Bank has adopted the Executive Officer system in order to ensure flexible daily business execution. Through the implementation of this system, Executive Officers and Heads of Business Groups appointed by the Board of Directors are able to execute their operations in an efficient manner under the leadership of Executive Directors including the President. Additionally, with the approval of the Board of Directors, on June 19, 2013, the Bank established a 22 member Executive Committee consisting of Executive Directors including the President and Executive Officers who are Group Heads. Through the Executive Committee, the President is able to make decisions to execute business, allowing the Bank to improve the speed and efficiency of its business operations.

Additionally, in order to better deal with the expansion of the Bank's specialized offerings, we have established committees which are chaired by executives in charge of projects but draw on cross functional resources which will enable swift and appropriate responses to issues and opportunities that arise. Shinsei Bank's primary committees include ALM (Asset and Liability Management), Compliance, Risk Policy, Doubtful Debt, SME Loan, IT, BCM (Business Continuity Management), Basel II Steering, and Management Development Committees.

Transactions with Directors and Major Shareholders

In January 2008, a group of investors led by the influential J.C. Flowers & Co. LLC and affiliates completed a tender offer for common shares of Shinsei Bank. In February 2008, the allocation of stock to the same group of investors was completed, and as a result, this group of investors, with which Mr. Flowers is influential, became Shinsei Bank's largest shareholders. Even after the successful issuance of new shares through an international offering carried out in March 2011, this group of investors remains Shinsei Bank's largest shareholder.

In accordance with internal regulations, the Bank established a process for obtaining approval from the Board of Directors for transactions with parties related to the Bank that may involve a conflict of interest. Furthermore, in order to ensure the Bank's independence from major shareholders, as required by the Banking Law, the Bank ensured its compliance with the Bank Rule which requires the approval of the Board of Directors regarding transactions with major shareholders. The Bank also established adequate control frameworks to maintain and enhance the Board of Directors' checks functions over transactions with Directors and major shareholders, such as preparing a structure for the business execution side to verify transaction fairness, conflicts of interest and strengthening post-approval follow-up functions. The Bank prepared and implemented such frameworks to protect the interests of stakeholders based on objective criteria and decisions.

Ensuring Internal Control

In order to enable appropriate corporate governance, it is necessary to prepare a system that ensures proper supervision of internal audit and legal/compliance functions as well as a structure for monitoring business execution and decision-making centered on the Board of Directors. The implementation of an internal control system as required by the Corporation Act, and ensuring internal control so that financial statements comply with the accuracy requirements of the Financial Instruments and Exchange Law are also important elements of corporate governance. Even though internal control is the responsibility of management, the overall internal control system takes measures to ensure specific internal controls in each of the Groups that carry out actual operations. Basic policies on internal control systems to ensure appropriate and efficient daily operations are stipulated in our "Internal Controls and Regulations" which are approved by the Board of Directors who also periodically review the internal control system. The Internal Controls and Regulations require that the Board of Directors establish a framework in order to ensure effective audits by statutory auditors, and define the Subsidiaries and Affiliates Policy, the Information Security Policy, the Shinsei Bank Risk Management Policy, the Regulations of Business Execution, the Shinsei Bank Code of Conduct and the Internal Audit Policy as the basic rules in order to ensure appropriate, transparent and efficient operations of the Shinsei Bank Group as a whole. In addition, the Charter of Corporate Ethics prohibits relationships with anti-social organizations and establishes a framework to prevent various types of damage by such organizations and to ensure appropriate operations.

Statutory Auditors and Board of Statutory Auditors

As stated above, since June 2010, Shinsei Bank has adopted a corporate governance framework of a "Company with a Board of Statutory Auditors." The Board of Statutory Auditors of Shinsei Bank is composed of one full-time statutory auditor who has extensive business experience at Shinsei Bank and is knowledgeable in finance and accounting, and two outside statutory auditors who are highly specialized in legal affairs and corporate governance theory. The Board of Statutory Auditors is a body that is completely independent from the Board of Directors and it audits the Directors' execution of their duties.

The appointment of a full-time statutory auditor will permit full-time monitoring of the Bank's operations and access to detailed internal data, which in turn will make timely, appropriate responses to external changes possible and thereby enhance the audit function. By providing opinions from an independent and objective viewpoint at meetings of the Board of Statutory Auditors and the Board of Directors, the outside statutory auditors contribute to enhancing auditing activities.

The Statutory Auditors attend high level Bank meetings, such as meetings of the Board of Directors, review important documents, and undertake audits of their own, such as interviewing the Directors, the Executive Officers and the accounting auditor.

In addition to this, the statutory auditors utilize internal control sections, such as the Internal Audit Division, and staff of the Office of Statutory Auditors in order to systematically and efficiently audit the state of business execution at the Shinsei Bank Group as a whole, including Shinsei Bank and its subsidiaries.

Legal and Compliance Activities

The Legal and Compliance Division play a central role in our corporate governance.

Compliance Systems Organization

Shinsei Bank strongly believes that thorough compliance must be one of the most important management missions, and in order to do so have established a robust compliance system to help ensure sound and proper management that earns trust of society.

The Compliance Committee, the Legal and Compliance Division and individual compliance managers within various business and support units constitute the main elements of our compliance organization. The Compliance Committee, with our Chief of Staff as its chairman, examines and discusses important compliance matters. On the other hand, the Legal and Compliance Division plans various measures concerning compliance risk and implements these measures through central management.

Every division, department, and branch in the Bank also has a compliance manager to act as the point of contact for compliance-related matters. These managers' duties also include periodical reporting to the Legal and Compliance Division on compliance-related issues. This enables the Legal and Compliance Division to conduct Bank-wide monitoring of how various measures are being implemented as well as to provide centralized compliance guidance. Additionally, in order to be able to better respond to issues such as financial crimes (e.g. bank transfer scams), anti-money laundering regulations, antisocial forces, and for controlling legal matters, the Financial Crime Information Department and the Legal Department have been established as part of the Legal and Compliance Division.

Compliance Activities

Every year, we create a compliance program which promotes the development of regulations and training programs. We place a particular emphasis on the use of training as a tool to ensure the spread of compliance awareness, and in the case of important compliance issues we conduct training on an ongoing basis.

In addition to group training, we are also working to create an environment that maximizes the effectiveness of this training by introducing active e-learning courses and transmitting compliance e-mails.

Legal Supervision

Banks are required to comply with a wide variety of laws and regulations in their day-to-day business operations. Violations of any of these laws can have severe repercussions not only to our credibility and reputation as a financial institution, but to that of the overall banking system itself. In the case of individual transactions, there exists a risk that we may face unexpected claims for damages if our contracts are unreasonable or we act in poor faith during the process of negotiation leading up to contract execution. Prevention and proper management of these legal risks are a crucial function within the day to day operations of today's banks.

In order to mitigate these risks, Shinsei Bank has established a specialized section within its Legal and Compliance Division which presides over such legal affairs, including compliance with corporate and transactional laws, legal documentation and litigation supervision and through this specialized support, we aim to prevent and manage any legal risk.

Internal Audit

With the increased diversification and complexity of risks relating to banking, the management of risk is becoming increasingly important. It is the role of the internal audit to independently assess the effectiveness of risk management measures and internal controls. This, in turn, helps maintain and enhance our corporate governance.

The Internal Audit Division (IAD) of the Bank reports directly to the CEO as well as to the Board of Statutory Auditors. The IAD supports the CEO in his responsibilities for controlling business execution, and in particular for establishing an effective system of internal controls. The IAD provides independent and objective assessments of the effectiveness of risk management, control and governance processes; the reliability of information and information technology systems; and compliance with statutory, legal and regulatory requirements as well as internal policy and procedure requirements of the Bank, and provides solutions to management. The IAD also maintains a close relationship with the Board of Statutory Auditors and provides them with internal audit-related information.

The IAD is independent from all the organizations subject to internal audits, and from day-to-day operational activities and control processes including regular preventive and detective controls.

The IAD utilizes a risk-based audit approach and conducts a comprehensive risk assessment by combining a macro-risk assessment, which assesses risk from the perspective of the Banking Group as a whole, together with a micro-risk assessment, which assesses risk from an individual business level. Businesses or processes that are perceived to have relatively higher risk are prioritized in the allocation of audit resources.

In order to improve the effectiveness and efficiency of internal audit activities, it is important to gather relevant information about the business. To do so, the IAD has been enhancing off-site monitoring activities by attending key management meetings, reviewing internal control documents and holding regular meetings with senior management.

Comprised of the Business Audit Team, the IT Audit Team and the Quality Control and Planning Team, the IAD takes the initiative in developing our internal auditors' expertise, and in particular, strongly encourages them to obtain professional certifications such as the Certified Internal Auditor and Certified Information Systems Auditor qualifications.

While the IAD pursues the development and introduction of new audit techniques, it also recognizes the importance of maintaining its fundamental skills necessary to its duties in governance.

By receiving regular quality assessments by a third party organization on the IAD's internal audit activities, we are able to objectively identify opportunities for improvement. The IAD also involves Group subsidiaries' internal audit divisions in order to continuously improve its performance.

A MESSAGE FROM AN OUTSIDE DIRECTOR

Shigeru Kani
Professor, Yokohama College of Commerce

"Shinsei Bank will steadily move forward to bolster stable profitability."

Can you explain the role of the outside directors?

The role of outside directors is to oversee business management by executive officers. Central to this role is the so-called corporate governance. Naturally, we do not monitor the status of business execution round the clock. Our main activity is to put across our opinions on agenda items at the Board of Directors meetings.

How would you characterize the discussions at the Board of Directors meetings?

All Board members freely express their opinions at every meeting. Overall, I think our meetings are rich in content and have a sense of pressing importance. In addition to asking questions to executive officers, the outside directors state their opinions on agenda items, which leads to robust discussions. At Shinsei Bank's Board meetings, we express our opinions without reserve and have frank and honest discussions.

What issues do you, as an outside director, have to consider in discussions at the Board meetings?

The executive officers give one hundred percent of their energy every day in the field in order to improve the Bank's business results. The Bank's business is thus executed on site. However, it is also important for us to constantly check from a broader perspective and with some distance from the field whether the management is adopting the optimum strategy. This is exactly the role required of the outside directors. The outside directors therefore use their knowledge, which has been developed in their own field of expertise, to tell their honest opinions to the management.

What do you think is particularly important in performing your role as an outside director?

As I said earlier, the role of the outside directors is to oversee business management. It means we assume an important role in checking business execution so that the Bank's management does not move in the wrong direction and also of strengthening their incentives in order to improve the Bank's results. To achieve these, it is most important to maintain an appropriate risk-return balance. What I consider to be particularly important is to confirm that the Bank is constantly maintaining the basic management principle of taking appropriate risks while generating returns. In that sense, the outside directors need to avoid becoming too friendly with the management. I consciously create some distance from them so that I can become as exacting as possible.

Lastly, please tell us, as an outside director, what you would like to achieve in the future.

Having cleaned up its past negative legacy, Shinsei Bank is moving forward with all of its executive officers and employees having a strong sense of urgency to expand its customer base and to create a stable earnings base. Meanwhile, the environment surrounding the financial economy is about to change rapidly and enormously. In such a drastically changing environment, I would like to carefully monitor the Bank's business management situation by paying sufficient attention to risk management, so that the Bank will be able to steadily increase its earnings while expanding its customer base.

We would very much appreciate the continued support and guidance provided by our shareholders and all other stakeholders.

Financial Highlights
Message from the Management
Special Feature
Review of Operations
Management Structure
Corporate Governance
Data Section

RISK MANAGEMENT

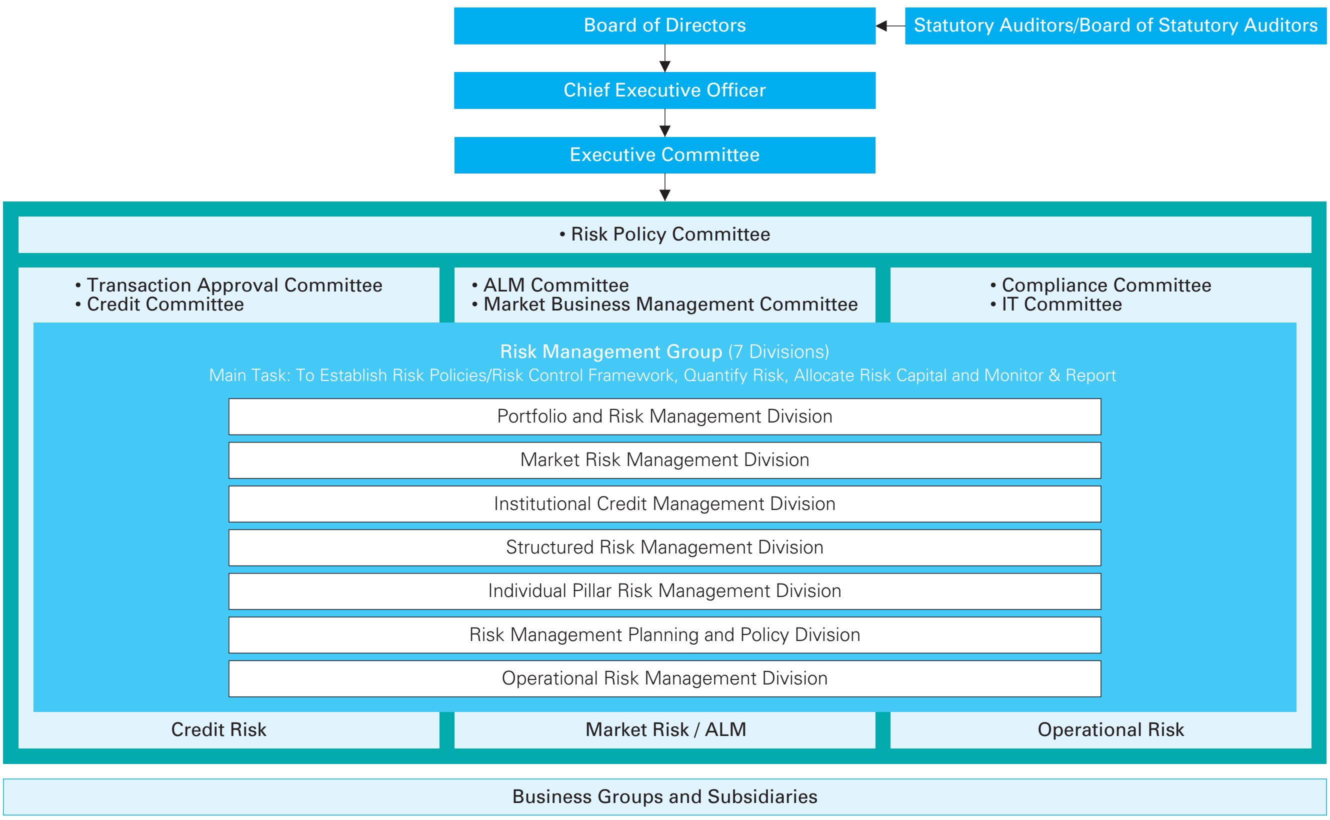
Shinsei Bank has identified risk management as one of its most important management issues and the Bank has already undertaken various measures to strengthen risk management frameworks. These include improvements of our various committees and further empowerment of their functions, and adoption of a strong governance structure for building a risk management function which is fully independent of other divisions and organizations in the Bank, but at the same time exercises real authority. We are continuing to further strengthen our risk management systems in order to ensure that they are able to function effectively.

The Risk Management Group regularly reports on the status of the portfolio and risk management frameworks in order to determine the appropriate direction to take going forward, and in order to enhance its communications with the Board of Directors. The personnel that make up the Risk Management Group are well versed in the various types of risk, which allows the department, from a risk management point of view, to evaluate each individual business and its business policies in order to make fast, appropriate decisions. In addition, in order to match our business expansion, we are working to improve our risk taking capabilities, continuously looking for ways to improve our portfolio management approach, as well as to develop systems in order to upgrade and improve the efficiency of, as well as to strengthen, each risk management framework.

Fiscal Year 2012 Overview

In the beginning of FY2012, we witnessed a rekindling of the sovereign debt crises in Europe, rising concerns of an economic slowdown in the U.S. and in the world economy. Within the Japanese market, we saw a stronger yen, stagnation of share prices, and indications of an economic downturn. However, in the second half of FY2012, government bond yields of the European countries experiencing fiscal crisis started to contract thanks to crisis prevention measures, and signs of an economic recovery began to appear in the U.S. In Japan the new Abe administration that was inaugurated in December 2012 announced the so-called "three arrows policy" which consists of a bold monetary easing policy, flexible fiscal policy, and a growth strategy to stimulate private investment. The new Bank of Japan (BOJ) administration under Governor Kuroda is

Risk Management System Chart (as of June 19, 2013)



determined to implement "a new phase of monetary easing both in terms of quality and quantity" with the goals of raising CPI by 2% in two years, doubling the monetary base, more than double the balance of its long-term Japanese government bond and ETF holdings, and increasing the average remaining maturity of its long-term Japanese government bond purchases by twofold or more. As a result of expectations of economic stimulus from these measures, the Japanese economy has seen some signs of recovery. Additionally, the number of corporate bankruptcies in FY2012 remained low despite the March 2013 expiration of the "SME Finance Facilitation Act" enacted in December 2009.

In these circumstances, regarding the state of the Bank's portfolio, our credit costs were low as deterioration of the creditworthiness of customers, including that of large borrowers, was limited. With respect to real estate-related loans centered on non-recourse loans, we maintained our management framework that adheres to conservative property assessment and increased the assessment frequency. At the same time we continued to reduce high-risk assets in an attempt to improve the quality of our exposure through asset replacement. In the consumer finance business, although the balance had been declining partly due to changes in the industry environment caused by factors such as the introduction of the total lending volume restriction in FY2010, the decline in the balance ceased and signs that it would increase became noticeable in the second half of FY2012. On the other hand, net credit costs, which had temporarily risen around the time of the introduction of the above-mentioned restriction, continued a downward trend in FY2012 as in the previous fiscal year thanks to the improved credit quality.

For the entire portfolio, credit costs shrank in FY2012 compared to the previous fiscal year, and due to an enlarging capital buffer the Bank's management stability increased as a result of the steady accumulation of shareholders' equity and the smaller risk volume resulting from reductions in proprietary account investments and other assets that cause fluctuations in the Bank's earnings.

Under the Second Medium-Term Management Plan starting in FY2013, Shinsei Bank seeks to establish a unique business base, increase revenues, and further improve financial fundamentals. Although there are signs of an upturn in the external environment, attention needs to be paid to risks such as the higher interest rates, drastic exchange rate fluctuations, the impact of price increases on consumption, the rekindling of the debt problems and the downturn of the economy in Europe, and the impact of Chinese economic trends as well as the possibility of worsening relations between Japan and China. The Risk Management Group will work to accurately understand the domestic and overseas environments, comprehend the risk profile of the Bank's existing portfolio from various perspectives using stress tests and other means, and share its view with management. Additionally, we will cooperate with the business promotion sections' initiatives in growth areas and the implementation of their business strategies, while exercising an appropriate checking function. We will organize and strengthen the risk management framework by adequately monitoring new assets and will flexibly review risk strategies as required.

Comprehensive Risk Management

Basic Concept of Risk Management Systems

Financial institutions are exposed to various risks, including credit risk, market risk, interest rate risk, liquidity risk, and operational risk.

In order to run highly profitable and stable operations, a financial institution must understand the basic challenges of risk management, namely, how to take and how to face these risks.

For this reason, there is a need for a function which monitors whether risks are taken in line with Bank-wide policies as well as individual operational policies, whether risks remain within appropriate limits, and whether they are adequately controlled by the respective sections in charge.

Achieving Comprehensive Risk Management

Shinsei Bank has established the "Shinsei Bank Risk Management Policy" as a basic management policy in order to recognize risks and implement proactive controls based on an understanding of the total risks faced by the Bank as a whole. Due to a fiercely competitive business environment and an evolving regulatory and market environment, the risks which Shinsei Bank faces are increasingly complex. Under such circumstances, the policy stipulates the fundamental principles of risk management including the risk culture within the Bank based on the experience of financial crisis.

Comprehensive risk management requires not only detailed monitoring of each risk involved in individual operations, but also an understanding of total bank-wide risks, and quantifying risks to the greatest extent possible based on analysis and insight into a bank's markets and customers. The Bank defines the "Risk Capital," which is an integrated control approach, and quantifies each risk category, namely (1) credit risk, (2) market risk, (3) interest rate risk, and (4) operational risk. In this way, our management capabilities and risk acquisition activities are controlled in an integrated manner by monitoring the Bank-wide risk volume and Group-specific capital attribution status.

At Shinsei Bank senior management has delegated certain risk management authority to specific committees including the "Risk Policy Committee," "Credit Committee," "Asset and Liability Management (ALM) Committee" and "Market Business Oversight Committee." With continuous improvement of the system and function in response to a changing environment, these committees are functioning effectively as committees responsible for making important risk judgments. The Risk Policy Committee involves the top management of the Bank (including the CEO, CFO, and CRO), who review business strategy alongside risk management policy in order to define appropriate and optimal risk taking for the Group.

Categories of Risk Capital

Risk Capital	Capital amount required as a cushion against unexpected economic losses. Unexpected Loss calculated by subtracting expected loss from estimated maximum loss of which time horizon is one year.
Credit Risk	Unexpected Loss calculated by subtracting expected loss from Credit VaR (Credit Value at Risk). Credit VaR is estimated maximum loss calculated by a simulation based on data including probability of default, exposure at default, and loss given default.
Market Risk	Estimated maximum loss from interest rate, foreign exchange and price change risk based on Market VaR (Market Value at Risk). Market VaR is calculated by a simulation based on data including position, volatility of risk factors, etc.
Interest Rate Risk	Estimated maximum loss from interest rate risk in banking account based on Interest Rate VaR (Interest Rate Value at Risk). Interest Rate VaR is calculated by a variance-covariance method based on data including sensitivity of fair market value when interest rates move 100 basis points.
Operational Risk	Estimated maximum loss based on Operational Risk VaR (Operational Risk Value at Risk). Operational Risk VaR is calculated by a simulation based on frequency and severity distributions which will be derived from internal loss records and scenario loss data.
Total Risk Capital	Amount calculated by subtracting effect of correlation across risk categories from simple sum of Risk Capital for each risk category.

Institutional Credit Risk Management

Credit risk is defined as the risk of loss due to a business partner defaulting on contractual debt obligations.

Our model for credit risk management focuses on securing adequate return on risk, avoiding excessive concentration in particular sectors or to particular obligors, and managing risk with an awareness of maximum loss amount from the credit portfolio.

Shinsei Bank has established a comprehensive "Credit Risk Policy" which defines specific policy on customer attributes, products, markets, industries and credit situations in order to determine whether risks should be taken or limited, and clarifies policies for credit provision operations and specific guidelines for credit risk management together with the "Credit Procedure," and each protocol system.

Credit risk management processes are largely divided into credit risk management for individual transactions and portfolio-based credit risk management, as described below.

Credit Risk Management for Individual Transactions

(1) ORGANIZATION & STRUCTURE

In principle, credit assessment is based on joint consultation by the Sales Promotion Division and the Risk Management Division (RMD) which is independent from the Sales Promotion Division. In order to ensure a transparent and strict evaluation process, the RMD has ultimate veto power, which results in the establishment of an effective system of checks on the Sales Promotion Division. The approval of each transaction is strictly managed, with each transaction being discussed by the Credit Committee and other relevant committees. Through the deliberations, the level of approval authority required is identified based mainly on the total exposure to the obligor group and their credit rating.

As for transactions that require discussions about financial, legal and/or compliance issues, a certain framework has established that the relevant transactions are discussed by the Transaction Approval Committee whose participants includes members of the divisions in charge of such issues so that the transactions can be assessed comprehensively and so that an appropriate decision can be made.

Among receivables that require caution, those that fall under a certain category determined by factors such as ratings, the Bank's exposure, and reserves, Shinsei Bank defensively manages the account, monitoring the obligor's business performance through the Doubtful Debt Committee. By deciding measures to handle such obligors in the future, Shinsei Bank is making efforts to minimize credit-related costs and to ensure soundness of assets.

(2) CREDIT RATING SYSTEMS

The following is an outline of the internal obligor rating system that the Bank uses for corporate exposures:

CHARACTERISTICS OF SHINSEI BANK'S OBLIGOR RATING SYSTEMS

- Increasing model accuracy and reflecting appropriate qualitative factors
- Benchmarked against external ratings
- Properly reflecting obligors' consolidated-basis accounting system
- Ensuring conformity with rating systems among industry classifications

Specifically, obligor ratings are determined by applying adjustments for qualitative factors to the model ratings calculated by our estimation models, which are based on external ratings. Obligor ratings shall be determined at the "Credit Rating Review Committee" in order to ensure objectivity and transparency. Moreover, we ensure consistency of obligor ratings with obligor categories based on the regulatory self-assessment requirements.

Obligor ratings are used in the standards of credit approval authority procedures and portfolio controls, and are the foundation for credit risk management.

In addition to the obligor ratings, the Bank also applies a facility rating system based on expected losses that incorporates elements such as collateral and/or guarantees, in order to assess obligor ratings and the credit status of individual transactions.

An obligor rating system and facility rating system similar to those adopted in the Bank have been introduced in the analysis of high value leasing receivables at Showa Leasing as well.

Portfolio-Based Credit Risk Management

(1) MONITORING ANALYSIS SYSTEM

It is essential that risks are diversified in terms of industries as well as ratings. This is done on a portfolio basis, which is an aggregation of transactions, and operations of individual transactions must be conducted based on appropriate risk analyses. At Shinsei Bank, the Portfolio and Risk Management Division undertakes risk analyses of portfolios, and monitors the segment-specific risk diversification status including industry classifications, ratings, products, and regions as well as rating fluctuations related to customers within the portfolios. The Division uses this information to provide reports to senior management and the CRO on a monthly as well as on an ad hoc basis.

(2) QUANTIFYING CREDIT RISK

Quantifying credit risk means measuring and assessing the likelihood of losses that may be incurred from changes in a customer's creditworthiness. The expected value of loss amount derived from the probability of default and collection ratios, an assumption based on past experiences and future outlook, are generally called "expected losses."

Losses that could be incurred in worst case scenarios and cannot be estimated based on past experiences are generally called "unexpected losses," and it is generally considered that risk capital can be quantified by measuring "unexpected losses."

Shinsei Bank utilizes a system for accurate measurement of risk capital which performs automatic measurement for credit risk based on data such as creditworthiness and the transaction type. By doing this, we are striving to contribute to sound portfolio management and resource allocation through the analysis of risk capital changes and profitability against risks. Also, reflecting measured expected losses and unexpected losses in loan spreads helps ensure appropriate risk-return for each transaction.

(3) CREDIT CONCENTRATION GUIDELINE

The credit concentration guideline is an upper limit guideline that was established as part of the framework to prevent the concentration of credit in a specific segment or specific customers/groups. Our credit concentration management framework consists of industry concentration guidelines and obligor group concentration guidelines, both of which are important segments, and in the event that credit concentration exceeds the guideline, reviews and countermeasures will be performed. These procedures are designed to prevent Shinsei Bank from being exposed to a crisis in the event our credit portfolio is affected by systemic shock or other extraordinary events.

Credit Risks Involved in Market-Related Transactions

Credit risks from market transactions, such as derivative transactions, are managed based on their fair value and estimations of future value fluctuations. Because the amount of risk associated with market transactions changes according to fluctuations in market rates after the transaction is traded, Shinsei Bank undertakes strict management of these transactions based on future value fluctuation forecasts.

Self-Assessments

As a result of introducing the "Prompt Corrective Action" system, financial institutions conduct self-assessment of their assets, such as loans, in order to adequately write off or set aside reserves.

Shinsei Bank has put in place a self-assessment system through which the Credit Assessment Division, which is independent from the business promotion and credit analysis sections, is the section ultimately responsible for assessment.

To be precise, the criteria and procedures for self-assessment adhere to the Financial Services Agency's "Inspection Manual for Deposit-Taking Institutions." In accordance with the outlined procedures, the business promotion section and the credit analysis section carry out the primary assessments and secondary assessments respectively, and final assessments are conducted by the Credit Assessment Division.

In the future, we will continue to strengthen and update systems in order to ensure obligor categories and categorizations are reviewed in a timely manner according to changes in the obligors' financial fundamentals. Through this, we seek to be able to mitigate the emergence of problem loans and to ensure the timely and accurate management of troubled loans.

Measures to Meet Basel Accord Requirements

In order to comply with the credit risk regulations under the Basel Accord, Shinsei Bank has adopted the F-IRB (Foundation Internal Ratings-Based) Approach. This framework ensures strict internal controls for our internal rating systems, the basis of credit risk management, through the execution of the design and operations of internal rating systems and parameter estimations such as probability of default. The results of the internal rating systems are reflected not only in credit risk management, but also in calculations of capital levels required under the regulations.

Individual Products Risk Management

Risk management for the consumer finance business covers the entire operations from application underwriting, credit management after contract conclusion, and through debt collections. The Individual Products Risk Management Division holds a risk performance review on a monthly basis with the participation of Shinsei Bank risk-related divisions, and provides advice on risk management policies and strategies to subsidiary employees responsible for risk management.

Risk divisions in subsidiaries carry out appropriate risk control through a statistical method that is based on initial credit scoring, credit control scoring, and collection strategy scoring using customer attribute data, credit bureau data, and transaction history data. These score cards are constantly monitored to maintain their accuracy and are updated on a regular basis.

Credit costs are extremely important in the profitability of the consumer finance business as a whole. For that reason, we analyze leading indicators of various factors that result in credit costs in order to recognize deterioration trends early on and make necessary improvements. We have separated these leading indicators into initial credit quality, portfolio quality, and debt collection quality and monitor each category every month. If we observe a deterioration trend, we take prompt actions to remedy the situation before it becomes serious.

In risk management, we do not merely look to evade losses, but to maximize profit and in order to do so we constantly look to ensure that we are employing the most appropriate risk strategy.

Market Risk Management

Market risk is the term that describes, as a whole, various market risk factors such as interest rates, FX rates, equities, and credit risk which can cause losses on the fair value of the balance sheet (including off balance sheet) through fluctuations.

Market Risk Management Policy

In order to be able to establish basic guidelines, frameworks, and rules necessary to perform risk management in our trading business, the Bank has established the "Trading Business Risk Management Policy and Procedure." The guidelines establish quantitative frameworks for risk management, and puts in place limits on acceptable levels of risk and losses, which are determined in management meetings.

Risk management and risk review of the Trading Business is overseen by the Marketplace Trading Oversight Committee. The Committee is responsible for the evaluation of market risk as a whole, and evaluates risks in the setting of individual limits, profit and loss risk, marketplace risk, and trends and products offered within customer businesses.

Risk management of assets and liabilities in banking accounts are performed in accordance with the "Asset Liability Management Policy for Banking Account." In addition to risk management on a daily basis, the ALM Committee meets on a monthly basis in order to provide management with timely and appropriate reports on topics such as interest rate risk, as well as to review and make decisions on ALM strategy and related topics.

Trading Book

The VaR method based on historical simulation has been adopted as the internal modeling method for general market risk since March 31, 2007 for Shinsei Bank and Shinsei Securities. The VaR is the maximum loss amount due to future price fluctuations, which is estimated statistically at a specific confidence level, assuming a specific position is held for a specific time horizon. In addition, we implement multi-faceted risk management using interest rate sensitivities. The VaR uses a 99% confidence level, 10 day holding period and an observation period of 250 days. See the table below.

The validity of the VaR model is verified through back testing, which examines how frequently actual daily loss exceeds daily VaR for a one-day holding period. The back testing results for fiscal year 2012 show that there was one day in which actual losses exceeded VaR on a consolidated basis. Additionally, we conduct stress tests on a weekly basis to understand our possible losses as a result of market stressors, and report the findings to senior management at the Market Business Management Committee meetings.

Please note that we have added Stressed VaR to the aforementioned VaR in order to comply with Basel capital requirements as of December 2011. Refer to the following table.

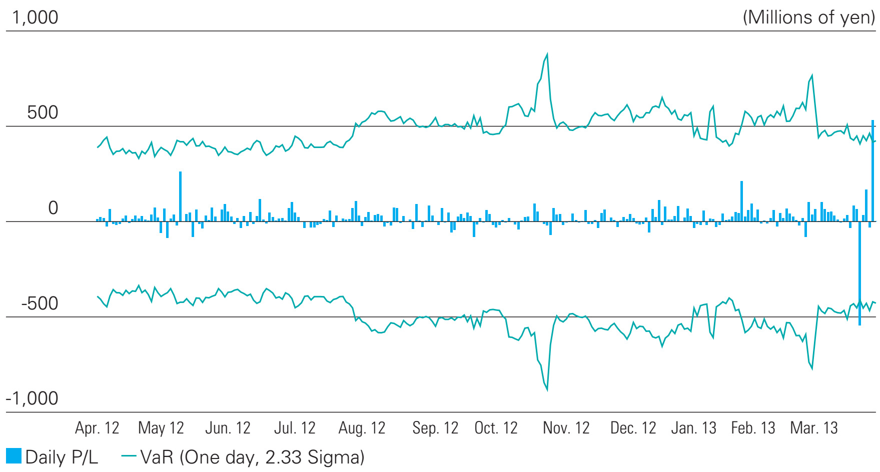
VaR data for Fiscal Year End, Maximum, Minimum and Average during the fiscal year 2011 and 2012

		Millions of yen			
		FY2011		**FY2012**	
		Consolidated	Non-Consolidated	**Consolidated**	**Non-Consolidated**
FYE VaR		1,230	1,180	**1,642**	**1,627**
FY	Maximum	3,961	3,869	**2,770**	**2,724**
	Average	2,395	2,266	**1,539**	**1,498**
	Minimum	1,052	1,019	**1,053**	**988**

Stressed VaR data for Fiscal Year End, Maximum, Minimum and Average during the fiscal year 2012

		Millions of yen	
		FY2012	
		Consolidated	**Non-Consolidated**
FYE VaR		**3,727**	**3,681**
FY	Maximum	**5,962**	**5,685**
	Average	**3,588**	**3,472**
	Minimum	**2,241**	**2,116**

VaR and Daily Profit and Loss (Back-Testing) (FY2012, Consolidated basis)



Back-Testing on the VaR Model Applied to the Trading ACCOUNT

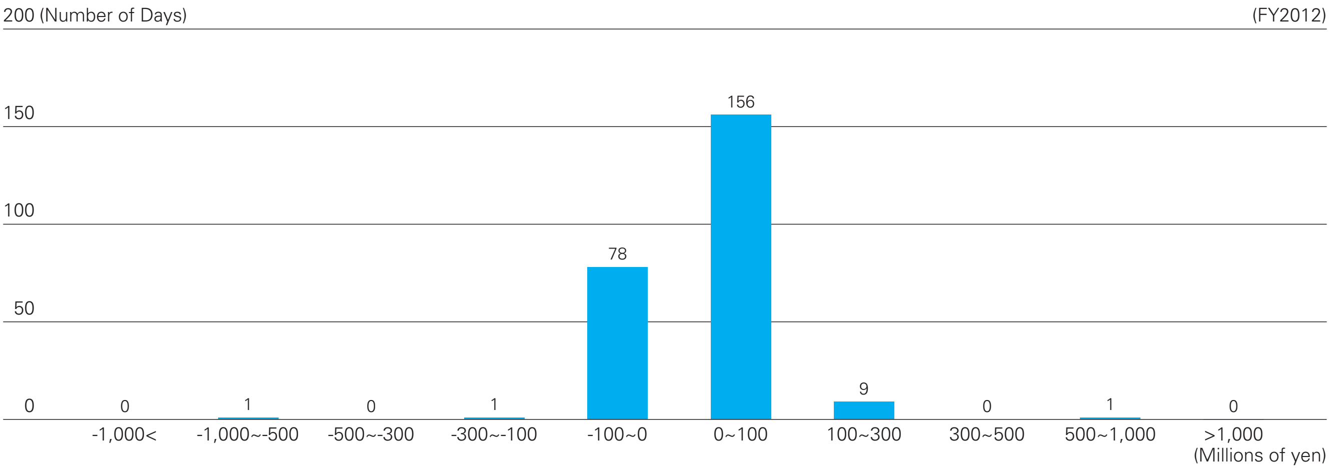
Back-testing involves comparing the actual losses to estimated VaR to confirm the reliability of the VaR method.

ASSUMPTIONS OF SHINSEI's VaR MODEL

Method: A historical simulation method

Confidence interval:	2.33 standard deviations
Confidence level:	99%
Holding period:	10 days
Observation days:	250 days
Coverage:	Trading account (except for customer margin)

Histogram of Daily Trading-Related Revenue



Banking Book

We manage banking book interest rate risk management appropriately using a ceiling limit of 100bpv, scenario analysis and NII (net interest income simulation) to evaluate the potential impact on assets and liabilities.

The following assumptions are used in interest rate risk management.

- Housing loan prepayments
  The Bank estimates interest rate risk using the cash flows derived from an internal hazard model for fixed rate hosing loans, taking into account factors such as prepayment behavior.
- Definition of core deposits
  Retail saving deposits and 2 week maturity deposits are regarded as core deposits, and the Bank determines the maturity of core deposits by customer criteria based on an internal model. We periodically review the parameters and model of the core deposit model.

See the table below for past interest rate sensitivity.

The change in economic values for applied interest rate shock of 2% in the banking book at the end of March 2013:

	Billions of yen	
	Consolidated	Non-Consolidated
JPY	¥ (73.3)	¥ (45.0)
USD	(0.7)	(0.7)
Other	(2.9)	(2.9)
Total	¥ (77.1)	¥ (48.8)

Basis point value (bpv) method:
The bpv method measures the risk of changes in value due to fluctuations in interest rates. For example, 100 bpv indicates the change in value when interest rates move 100 basis points (=1%). The table below sets forth the impact on the economic value of yen-denominated on-balance sheet and off-balance sheet items when interest rates change by 100 basis points.

Liquidity Risk Management

Liquidity risk management is implemented by the ALM Committee, through its approval of liquidity gap structure limits (limits for required funding amounts on a contract maturity basis) and minimum liquidity reserve levels. In addition, liquidity stress testing is performed monthly and reported to the ALM Committee.

Liquidity gap limits and minimum liquidity reserve level compliance is monitored daily by the Market Risk Management Division and is reported to management. The scenarios of stress tests, implemented by the Market Risk Management Division, are reviewed regularly to ensure their appropriateness at the ALM Committee.

The liquidity management framework, including this monitoring and testing, is defined by the "Cash Liquidity Risk Management Policy" and is periodically reviewed by the ALM Committee.

Operational Risk Management

1. Management of Operational Risk

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people, systems, or external events. Operational risk requires organization-wide management, because it is inherent in all business activity and is thus extensive.

In order to comprehensively manage operational risk, an Operational Risk Management Policy has been established to clarify the definitions of risk, our basic policy and system for risk management, and a framework for identifying, evaluating, monitoring, reporting and controlling/mitigating risk.

The Operational Risk Management Division, which is responsible for Group-wide operational risk management, evaluates, analyzes and reports on overall operational risks. Specific management divisions have been designated to monitor respective areas of risk, such as operational and administrative risk and systems risk. The Operational Risk Management Division and specific management divisions hold monthly meetings to share information on risk management issues and measures as well as to discuss how to manage the common elements across the risk areas including those of subsidiaries, thereby ensuring the effective management of operational risk.

Regarding quantification of operational risk, we have adopted the standardized approach for regulatory capital under the Basel Accord. At the same time, on the internal management level, we gauge potential internal risk scenarios by considering factors such as previous losses due to internal factors and the perception of risks by each business line. The findings that come out of these practices have been used as part of the overall risk capital system.

2. Management Administrative Risk and Systems Risk

Administrative and systems risk refers to the risk of incurring losses resulting from executives' or employees' failure to perform accurate clerical work, errors, or misconduct. Although we have expanded our retail banking and consumer finance businesses and developed our institutional banking business, we realize that appropriately addressing administrative and systems risk is of crucial importance in order to offer reliable services to our customers.

Shinsei Bank is committed to improving our operations, and in addition to having established guidelines including "Operations Guidelines" we are working to further improve our administrative flows and leadership.

When errors do occur, we try to prevent recurrences by compiling a database of such cases and analyzing the causes. We have been able to keep the reoccurrence of administrative errors to a minimum due to having thoroughly simplified our operations by taking steps such as switching to paperless administration, and from automation and mechanization.

We believe that the following three factors are crucial for our information systems strategy: security/reliability, flexibility and scalability. In particular, in 2012, we have focused on a more robust, secure and reliable information technology infrastructure in order to ensure the security of customers' transactions. To be specific, we have undertaken a reorganization of the Financial Infrastructure Division and as a result, the Systems Planning/Administrative Oversight Division, has been broken up into the Systems Risk Division, the Financial Infrastructure Planning Division, the Systems Develop Division, and the Systems Operation Division and have been able to improve the Bank's risk checking system. In addition, in order to further improve the quality of system development, a full analysis of systems risk was performed in order to detect problems and flaws in the system to develop appropriate countermeasures, which will help prevent failures of the system and fast recoveries.

We will continue to work to develop a robust system infrastructure that is safe and reliable, as well as secure in order to ensure that we are able to safely engage in transactions with our customers. We will also work to ensure that our system is flexible enough to be able to quickly react to the ever changing needs of our customers to provide them with new products and services that meet their needs.

Additionally, we will work continuously to obtain the qualification of ISO 27001 as an information security measure.

HUMAN RESOURCES AND CORPORATE SOCIAL RESPONSIBILITY (CSR)

"Talent" as an Engine for Growth

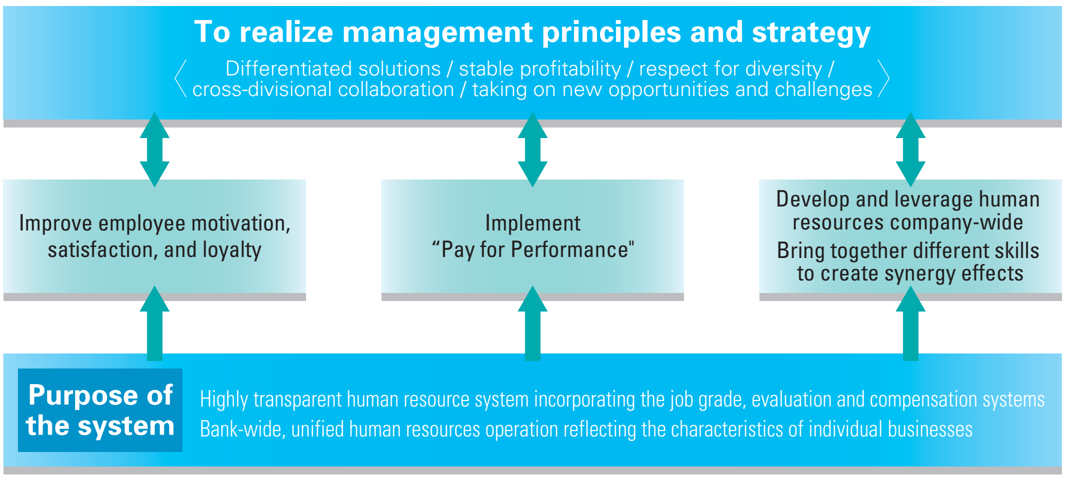
The basic strategies of our Second Medium-Term Management Plan starting in FY2013 is to achieve a new retail finance model for individual customers and through the implementation of "VBI," in order to support the growth of companies, industries, and regions for our corporate customers, as well as to provide assistance in order to strengthen and enhance their expertise. In today's world where the structure of economies and societies are rapidly changing, it is essential that we continue to differentiate ourselves even further from our competition in order to remain competitive and to develop into an institution which is appreciated by our customers, society, and the market. In order to be able to accomplish these goals, it is imperative that we be able to attract and develop the talented individuals who are able to put themselves in the position of our customers to be able to deliver excellent, high value-added solutions.

The Bank believes that talented individuals within the organization will be the driving force for delivering new financial services, pursuing a new Bank image, and responding to the widely varied requirements of our customers in a timely manner. We believe that through our ability to accomplish these things the Bank will become trusted as a cohesive unit which is able to respond to the multifaceted needs of our customers, which in turn will lead to the growth of the Bank.

A Personnel System in Line With our Management Principles

The management philosophy of Shinsei Bank is "to become a banking group that is sought out by our customers, contributes to the development of both domestic and international industrial economies, while maintaining stable profitability," "to become a banking group that values diverse talents and cultures and is constantly taking on the challenges presented by change," and "to become a trusted banking group that has highly transparent management, and values all stakeholders." In order to achieve our management principles and strategy, we have made revisions to our personnel system in April 2012 for the first time in approximately ten years.

The newly revised system includes a grade system in which the responsibilities and requirements for each grade have been redefined; an evaluation system that seeks to measure employee contributions not only in terms of short-term results but also includes an evaluation of efforts and processes that are aimed at mid- to long-term growth; and a compensation system that is based not on seniority or past results, but on an objective evaluation of each employee and his or her level of contribution to the organization. By establishing a highly transparent personnel system incorporating these three pillars, we are seeking to improve employee motivation and loyalty. The new system should also allow employees to demonstrate the best of their abilities, and thus maximize the organization's performance and increase overall corporate value.



Further Strengthening our Organization and Human Resources

By employing a business group-based organization that reflects the differences in the customer profile and characteristics of individual businesses, Shinsei Bank aims to develop professionals who have a deep understanding of their respective business fields. We also believe that it is important to develop and leverage human resources company-wide in order to encourage cross-divisional collaboration between our highly specialized staff who can deliver differentiated financial solutions and the highest value to our customers.

Based on this thinking, Shinsei Bank provides various types of training programs tailored to the development of skills or the career paths of our employees, including courses designed to provide a wide range of general financial knowledge or to hone specialized knowledge and skills for individual areas, as well as schemes that allow employees to study at graduate schools both in Japan and overseas. We also send our employees overseas for short-term training programs and encourage them to obtain qualifications.

From the last fiscal year, we have restructured our skills development programs for managerial staff with a special focus on strengthening their management capabilities with the aim of maximizing our organizational strength, and introduced a 360-degree feedback system to change the ways of thinking and actions of people at the level of General Manager or above. Additionally, as part of our multi-faceted human resources development measures, we provide our employees with opportunities to engage in cross-organizational business on a project basis, and transfer our human resources strategically across business groups and Group companies. At the same time, we encourage our people to utilize an internal job posting program to take charge of their own career development by taking on new challenges in different fields and utilizing the "self-declaration" system that allows employees to express their satisfaction level of and suitability to their respective current positions.

Shinsei endeavors to nurture our human resources using multi-faceted measures including volunteer activities conducted as part of training programs for new employees.

Leveraging Diversity

One of Shinsei Bank's greatest strengths is the diversity of our people in terms of age, gender, nationality and background. It is the creativity generated by this diverse set of people that has enabled us to launch groundbreaking services and business models, and we believe that this diversity is the source of our competitiveness.

Based on this idea, we routinely hire a number of new graduates to expand the ranks of employees from whom we expect our future leaders to emerge, while making mid-career hires in line with business needs, and as a result we are able to continue to preserve the strengths of our diverse corporate culture. Also, since its inception, Shinsei Bank has actively promoted the advancement of talented female employees by introducing a variety of support initiatives including child-care leave, flexible working hours, and the "Shinsei Women's Network," an initiative that encourages interaction between female colleagues in the workplace. As of March 31, 2013, the proportion of female managers at Shinsei Bank remains among the highest in our industry with women representing approximately 26% of all titled managers.

In our aging society with a smaller number of children and increasingly diversified lifestyles, we believe that respecting the differences and uniqueness of our employees and developing human resource development measures tailored to each individual's growth stage will help our employees make the best use of their abilities.

Shinsei Bank is committed to respecting the diversity of our people and will strive to reach new levels of organizational dynamism as we seek to provide completely new solutions to meet our customers' complex and ever-changing needs.

Contributing to Society

Our Approach

As part of our commitment to acting as a responsible corporate citizen and contributing to societal development, the Shinsei Bank Group actively promotes Corporate Philanthropic Initiatives. The Shinsei Bank Group promotes employee-driven activities aspiring to create a sustainable society together with our employees.

Our Focus

The Shinsei Bank Group aims to create a sustainable society by prioritizing our activities centered on the three themes of "nurturing the next generation," "the environment," and "disaster relief activities" after the Great East Japan Earthquake in 2011. The Shinsei Bank Group also continues to participate in charity runs and supports other activities that are strongly supported by our employees.

Nurturing the Next Generation
Support children, youth and physically and intellectually challenged people who create our future

Environment
Protect our earth and the environment we live in

Disaster Relief
Support the areas affected by the Great East Japan Earthquake

Contributing to Society: Nurturing the Next Generation

Financial Literacy Program "MoneyConnection®"

MoneyConnection® is Japan's first financial literacy program aimed at preventing young people from becoming NEETs (Not in Employment, Education or Training) by providing them with an opportunity to think about money, work and their own future. This is a workshop-based program that is targeted primarily at high school students. Shinsei Financial developed the program in 2006 in cooperation with Sodateage.net, a non-profit organization with a solid track record in NEET and youth support. From fiscal year 2012, Shinsei Bank has been running the program together with Sodateage.net as part of our CSR initiatives focusing on the theme of "nurturing the next generation." As a corporate sponsor, Shinsei Bank is supporting the program financially as well as promoting employee involvement by providing opportunities for Group employees to participate as facilitators where possible. MoneyConnection® received an Excellence Award in the "First Career Education Awards" program organized by the Japanese Ministry of Economy, Trade and Industry in 2010. As of March 31, 2013, the program has reached approximately 60,000 students from 613 schools throughout Japan.

A snapshot of the Program

Learning materials for MoneyConnection®

Shinsei Bank is collaborating with regional financial institutions to expand the geographical scope of MoneyConnection®. In September 2012, Shinsei Bank and Sodateage.net have signed a memorandum of agreement with the Fukui Bank, Ltd. ("Fukui Bank") in order to support Fukui Bank in delivering the program in Fukui prefecture. Fukui Bank began offering "financial literacy classes" in high schools in Fukui prefecture from December 2012. Furthermore, in May 2013, the Kiyo Bank, Ltd. ("Kiyo Bank") entered into a sponsorship agreement to strengthen the MoneyConnection® program in Wakayama Prefecture and Sennan City in Osaka. Kiyo Bank will be offering "financial literacy classes" in high schools in Wakayama Prefecture and Sennan City in Osaka by working with a non-profit organization, Career Facilitator Association, a certified organization that delivers the MoneyConnection® program in these areas. Shinsei Bank will continue to promote and strengthen the MoneyConnection® program in regional areas by looking for opportunities for collaboration with regional financial institutions.

(Table) Shinsei Bank Group Efforts to Support Areas Affected by the Great East Japan Earthquake: Disaster Relief Volunteer Activities

Fiscal Year	Activity Period		Place of Activity	Activity
2011	First Program	Jul. 2011	Ishinomaki City, Miyagi	Removal of mud from street gutters, cleaning photos damaged by the tsunami
	Second Program	Oct. 2011	Minamisanrikucho, Miyagi	Removal of debris
	Third Program	Nov. 2011	Minamisanrikucho, Miyagi	Removal of debris, assisting with work in the fishing industry
	Forth Program	Mar. 2012	Minamisanrikucho, Miyagi	Assisting with work in the fishing industry
2012	Fifth Program	Jul. 2012	Minamisanrikucho, Miyagi	Removal of debris, removal of mud from street gutters, organizing a mini-concert
	Sixth Program	Oct. 2012	Minamisanrikucho, Miyagi	Removal of mud from street gutters
	Seventh Program	Nov. 2012	Karakuwa Peninsula, Kesennuma City, Miyagi	Oyster farming experience at Karakuwa Peninsula
		Nov. 2012	Kamaishi City, Iwate	Clean-up of Katakishi Seashore of Otsuchi Bay

Contributing to Society: Disaster Relief

Volunteer Activities in Disaster Affected Areas

Since fiscal year 2011, employees from across the Shinsei Bank Group have taken part in volunteer activities in the Tohoku region of Japan to help support the areas affected by the Great East Japan Earthquake.

"Buggy Sisters" performing at a mini-concert held at Minamisanrikucho

The Bank organized seven disaster relief volunteer programs during the period from July 2011 to November 2012 in the disaster affected areas in Miyagi and Iwate Prefectures. A total of 208 Shinsei Bank Group employees participated in the seven activities held to date (Of these, three activities were conducted in fiscal year 2012, in which a total of 68 employees volunteered). Past activities mainly involved the removal of rubble, but we also engaged in other activities that were needed in the disaster affected areas such as removing mud from side ditches, assisting in the fish farming business, and holding a mini concert at a temporary housing site. Please refer to the table above for our past activities.

Internal Fundraiser to Donate Street Lamps for Temporary Housing

In May 2012, Shinsei Bank organized an internal fundraiser to erect street lighting in a temporary housing complex in Minamisanrikucho, Miyagi Prefecture. 186 Shinsei Bank Group employees made donations, raising a total of 2.04 million yen in total

A street lamp donated by the Shinsei Bank Group employees

(a donation amount enough for the purchase and installation of four LED solar-panel street lamps). Shinsei Bank donated the funds raised to Minamisanrikucho Council of Social Welfare in response to a request made by the Minamisanrikucho Disaster Volunteer Center, which is run by the Council. In July 2012, the four street lamps purchased with the donations from Shinsei Bank were installed at four temporary housing sites in the Utatsu and Tokura area that had the most urgent need for street lighting. Our contribution to Minamisanrikucho was followed by donations from many other companies, which led to the installment of 42 street lamps as of December 31, 2012.

Contributing to Society: Environment

Nature Protection Initiatives: Rice Terrace Conservation Volunteer Activity

A "Rice Terrace Conservation Volunteer Activity" organized by Shinsei Financial was held on May 15, 2013 in Jyuji, Tookamachi-shi, Niigata Prefecture and on November 14, 2012 in Asukamura, Nara Prefecture where 32 Group employees volunteered in Niigata and 38 Group employees volunteered in Nara. As part of the nature protection initiatives of the Shinsei Bank Group, we launched this activity jointly with NPO Tanada Network in fiscal year 2011. We have so far run activities in three places (Wakayama Prefecture, Nara Prefecture, and Niigata Prefecture). For the activity held in May 2013, volunteers cleaned the ditches of the rice terrace and in November 2012 and volunteers mowed grass to maintain the views of the villages.

Employee volunteers taking part in the rice terrace conservation volunteer activity

Our Commitment to Environmental Sustainability

Measures to Conserve Electricity and Reduce our Impact on the Environment

At Shinsei, we continue to work hard to conserve electricity in our head office through initiatives such as turning off lights in communal spaces and using motion sensors to control lighting in conference and reception rooms. In preparation for the summer season when electricity demand increases, Shinsei Bank is implementing additional measures to minimize the use of electricity, by reducing ceiling lighting in communal spaces in its head office by approximately 75%, and implementing the "cool biz" clothing and air conditioning policy. Shinsei Bank is stepping up efforts to reduce the environmental impact of our offices and work style after our relocation of the Shinsei Bank headquarters in January 2011 and the Meguro Production Center in February 2012 to an advanced energy-efficient building.

Environmental Impact Data

	Unit	FY2010	FY2011	FY2012
CO_2 Emissions	t	1,911.7	1,567.3	1,143.0
Electricity Usage	kWh	4,119,089	3,889,138	2,463,386
Gas Usage	m^3	15,773	0	0
Clean Water Usage	t	11,280	1,243	1,572

Notes: (1) CO_2 emissions data have been calculated according to "Guidelines for Calculating Specified Greenhouse Gas Emission Volume under the Total Emission Reduction Obligations and the Emission Trading Framework."
(2) Data are for all Shinsei Bank headquarter only (do not include affiliated companies).
(3) From January 2011, Shinsei Bank became a building tenant, therefore, clean water usage data does not include clean water usage for shared space.

Amount of Waste Generated / Recycling Rate

	Unit	FY2010	FY2011	FY2012
Waste Generated	t	386.24	194.27	217.82
Amount Recycled	t	216.09	118.48	95.10
Amount of Waste Disposal	t	170.15	75.79	122.68
Recycling Rate	%	55.95	60.99	43.68

Notes: (1) Waste generation data have been calculated according to data provided by building maintenance companies.
(2) Data are for all Shinsei Bank headquarter only (do not include affiliated companies).

Showa Leasing Assists Companies in the Introduction of Industrial Solar-Power Generation Systems

With the enactment of the "Feed in Tariff" (FIT) for renewable energy in July 2012, it is expected that renewable energy generation facilities will dramatically become more widespread. Under such circumstances, Showa Leasing entered into partnership with Fuji Furukawa Engineering & Construction Co., Ltd. ("Fuji Furukawa E&C") and launched a business assisting companies to introduce solar-power generation systems.

The main features of "*Anshin* Lease," the program for introducing industrial solar-power generation systems promoted by Showa Leasing in partnership with Fuji Furukawa E&C, are guaranteed output*1 and long-term maintenance. A company introducing a solar-power generation system will conclude a 15-year lease contract with Showa Leasing, while Fuji Furukawa E&C will provide installation and maintenance services for the system.

In fiscal year 2012, Showa Leasing concluded 10 "*Anshin* Lease" contracts, and the total output of the solar-power generation systems installed under the program reached 4,364kW. The annual guaranteed output is 4,475,527kWh, which is equivalent to the annual electricity use of approximately 1,250 households*2.

Showa Leasing will continue devoting its efforts to offer advanced and effective products and services in partnership with companies that have a high level of expertise, and support customers who are committed to promoting environmentally-friendly business operations.

*1 If electricity generated by the system is below the guaranteed output set at the time of concluding a contract, Showa Leasing will pay for the shortage.
*2 The calculation is based on the estimated power use of approximately 3,600kWh by a general household (see "Initiatives Concerning Consumer Protection Regarding Solar-Power Generation for Residential Properties" published on February 28, 2012 by the Agency for Natural Resources and Energy).

Photo provided by: Inageya Co., Ltd.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our consolidated and non-consolidated financial statements prepared in accordance with accounting principles generally accepted in Japan ("Japanese GAAP") for banks, including the notes to those financial statements, included elsewhere in this annual report. Except as otherwise indicated, the financial information in the following discussion is based on our consolidated financial statements.

The discussion below contains forward-looking statements regarding the intent, belief or current expectations of management with respect to our financial condition and future results of operations. In many cases, but not all, we use such words as "anticipate," "believe," "estimate," "expect," "intend," "plan," "probability," "risk" and similar expressions in relation to us or our management to identify forward-looking statements. These statements reflect our current views with respect to future events and are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those we currently anticipate or target. We do not intend to update these forward-looking statements.

In this section, except where the context indicates otherwise, "we" or "our" means Shinsei Bank, Limited and its subsidiaries and affiliates accounted for by the equity-method, and "Shinsei" or the "Bank" refers to Shinsei Bank, Limited alone.

Financial and operational data that are stated in multiples of ¥0.1 billion have been truncated. All percentages have been rounded to the nearest 0.1%.

OVERVIEW

Shinsei Bank, Limited is a diversified Japanese financial institution providing a range of financial products and services to both institutional and individual customers. Our business is organized around three business groups, the Institutional Group, the Global Markets Group and the Individual Group:

- As of April 1, 2011, We have implemented organizational changes as part of its efforts to achieve an even more appropriate provision of financial products and services that meet institutional customer needs, by building a more strategic and systematic business promotion structure. To better serve our customers, the Institutional Group focuses primarily on corporate and public sector finance and advisory business, while the Global Markets Group concentrates on financial markets business and serving financial institution clients. The Institutional Group consists of business promoted by the Bank and Showa Leasing Co., Ltd. (Showa Leasing).
- The Individual Group consists of the retail banking business and the consumer finance business. We continue to improve the quality of our retail banking services to suit customer needs through strengthening our housing loan business and expanding our branch network including Consulting Spots to efficiently develop asset management operations. In the consumer finance business, Shinsei launched an unsecured personal loan service from October 1, 2011, in addition to existing installment sales credit, credit card and settlement businesses through APLUS FINANCIAL Co., Ltd. (APLUS FINANCIAL), and an unsecured personal loan service through Shinsei Financial Co., Ltd. (Shinsei Financial) and SHINKI Co., Ltd (SHINKI).

FINANCIAL SUMMARY FOR FISCAL YEAR ENDED MARCH 31, 2013

We recognized consolidated net income of ¥51.0 billion and consolidated cash basis net income of ¥60.4 billion for the fiscal year ended March 31, 2013, a significant increase as compared to ¥6.4 billion and ¥16.0 billion for the previous fiscal year, respectively. The fiscal year ended March 31, 2013 was the last year of the Bank's First Medium-Term Management Plan. In line with the Medium-Term Management Plan, potential losses including non core assets were significantly reduced, and continuous efforts were made to expand the customer base. As a result, the impact of non recurring factors was restricted, and the Bank's earning capacity became steady and firm, due to which the Bank's performance stabilized during the fiscal year ended March 31, 2013, and the net income target of ¥51.0 billion set in the Medium-Term Management Plan was achieved.

Total revenue amounted to ¥199.0 billion for the fiscal year ended March 31, 2013, including net interest income of ¥111.6 billion, a decrease as compared to ¥116.9 billion for the previous fiscal year. This was due to a reduction in non core assets and the declining balance of consumer finance loans on account of the ongoing effects of the revised Money-Lending Business Control and Regulation Law. However, the loan balance has increased during the fiscal year ended March 31, 2013, and quarterly net interest income has been trending stably. Non interest income was ¥87.3 billion for the fiscal year ended March 31, 2013, an increase as compared to ¥86.0 billion for the previous fiscal year. Regarding general and administrative expenses, we continued promoting operational efficiency. However, as we continued to expand our business base, the general and administrative expenses, excluding amortization of goodwill and intangible assets acquired in business combinations, were ¥130.9 billion for the fiscal year ended March 31, 2013, a slight increase as compared to ¥130.3 billion for the previous fiscal year. Net credit costs amounted to ¥5.5 billion. The institutional loan balance increased due to efforts to make new loan disbursements and additional provisions were recorded for real estate finance. However, large reserves for credit losses were not recorded as in

OVERVIEW (continued)

previous years, as a result of a reduction in non core assets aimed at limiting potential risks. In addition, collections on written-off claims were recorded. As a result, net credit costs improved as compared to ¥12.2 billion for the previous fiscal year.

In the Institutional Group, the rebuilding of the customer base and stabilization of earnings continues, as ordinary business profit after net credit costs of ¥26.3 billion was recorded for the fiscal year ended March 31, 2013, an increase as compared to ¥19.4 billion for the previous fiscal year, and performance remained stable. In the Global Markets Group, ordinary business profit after net credit costs of ¥12.7 billion was recorded for the fiscal year ended March 31, 2013, an increase as compared to ¥4.2 billion for the previous fiscal year. Revenue accumulation was steady, due to efforts made towards expansion of the customer base, and development and provision of products tailored to the needs of our customers. In addition, collections on written-off claims were recorded. In the Individual Group, revenue decreased as compared to the previous fiscal year due to the decrease in loan balance in the consumer finance business. However, as the pace of the decline in loan balance decreased, ordinary business profit after net credit costs of ¥26.9 billion was recorded for the fiscal year ended March 31, 2013.

Balance of loans and bills discounted increased from ¥4,136.8 billion as of March 31, 2012, to ¥4,292.4 billion as of March 31, 2013. This was mainly due to an increase in loans to institutional customers and housing loans. The pace of the decrease in the consumer finance loan balance slowed, and although marginal, the balance increased during the fourth quarter of the fiscal year ended March 31, 2013.

Net interest margin of 2.02% was recorded for the fiscal year ended March 31, 2013, a slight decrease as compared to 2.04% for the previous fiscal year. This was mainly due to the decrease in the balance of consumer finance loans bearing relatively high interest rates resulting in a decrease in the yield on interest-earning assets. However, time deposits bearing high interest rates sold in previous years reached maturity, and expenses on interest-bearing liabilities of deposits and negotiable certificates of deposit also decreased, which mitigated the decrease in the net interest margin.

Tier I capital and total capital increased due to the accumulation of consolidated net income and amortization of goodwill and intangible assets acquired in business combinations during the fiscal year ended March 31, 2013, which resulted in improvement of the total capital adequacy ratio and Tier I capital ratio on a consolidated basis, to 12.2% and 10.4%, respectively, as of March 31, 2013 compared to 10.3% and 8.8% as of March 31, 2012.

The ratio of non performing loans to total claims was 5.3%, a decrease compared to 6.7% as of March 31, 2012. The balance of non performing loans under the Financial Revitalization Law (non-consolidated) totaled ¥242.6 billion as of March 31, 2013, a decrease of ¥53.3 billion during the fiscal year ended March 31, 2013, mainly due to sales and collections of non performing loans etc.

SIGNIFICANT EVENTS

TAKE OVER OF OWNERSHIP OF A MAJORITY OF LLOYDS RETAIL BANKING SERVICES IN JAPAN

On June 12, 2012, Shinsei reached an agreement with Lloyds TSB Bank plc (“Lloyds TSB”) in which Lloyds TSB transferred ownership of its overseas remittance business, a significant part of Lloyds Banking Group’s retail banking services in Japan, to Shinsei, which was subject to the approval of the Financial Services Agency of Japan (FSA). The agreement follows Lloyds Banking Group’s decision to run down its retail banking services in Japan. Following the business transfer, Shinsei launched Go Remit Overseas Remittance Service as a new overseas remittance service for individual and business customers from March 4, 2013, further enhancing its remittance service offering.

ISSUANCE OF UNSECURED CALLABLE SUBORDINATED BONDS

On October 26, 2012, Shinsei issued unsecured callable subordinated bonds of ¥6.4 billion through a public offering in Japan, and on June 7, 2013, issued the unsecured callable subordinated bonds of ¥10.0 billion to retail investors in Japan.

SELECTED FINANCIAL DATA (CONSOLIDATED)

Shinsei Bank, Limited and Consolidated Subsidiaries
As of or for the fiscal years ended March 31, 2013, 2012, 2011, 2010 and 2009

	Billions of yen (except per share data and percentages)				
	2013	2012	2011	2010	2009
Statements of income data:					
Net interest income	**¥ 111.6**	¥ 116.9	¥ 156.6	¥ 207.9	¥ 202.9
Net fees and commissions	**19.1**	25.1	26.0	25.1	26.5
Net trading income (loss)	**20.0**	13.6	11.6	9.0	(4.6)
Net other business income (loss)	**48.1**	47.2	68.3	22.1	(41.7)
Total revenue	**199.0**	202.9	262.6	264.2	183.1
General and administrative expenses	**130.9**	130.3	145.3	170.8	182.0
Amortization of goodwill and intangible assets acquired in business combinations	**10.8**	11.9	13.0	20.9	17.5
Total general and administrative expenses	**141.7**	142.3	158.4	191.7	199.5
Net credit costs	**5.5**	12.2	68.3	112.2	129.0
Net business profit (loss) after net credit costs	**51.6**	48.3	35.8	(39.7)	(145.5)
Other gains (losses), net	**2.1**	(32.9)	21.9	(83.3)	26.4
Income (loss) before income taxes and minority interests	**53.8**	15.3	57.7	(123.0)	(119.0)
Current income tax	**0.5**	2.9	1.9	1.5	3.4
Deferred income tax	**(1.3)**	2.4	5.2	6.7	7.0
Minority interests in net income of subsidiaries	**3.5**	3.5	7.9	8.8	13.5
Net income (loss)	**¥ 51.0**	¥ 6.4	¥ 42.6	¥ (140.1)	¥ (143.0)
Balance sheet data:					
Trading assets	**¥ 287.9**	¥ 202.6	¥ 195.3	¥ 223.2	¥ 375.1
Securities	**1,842.3**	1,873.4	3,286.3	3,233.3	2,174.1
Loans and bills discounted	**4,292.4**	4,136.8	4,291.4	5,163.7	5,876.9
Customers' liabilities for acceptances and guarantees	**511.0**	562.6	575.7	623.7	675.2
Reserve for credit losses	**(161.8)**	(180.6)	(199.2)	(196.6)	(192.5)
Total assets	**9,029.3**	8,609.6	10,231.5	11,376.7	11,949.1
Deposits, including negotiable certificates of deposit	**5,457.5**	5,362.4	5,610.6	6,475.3	6,272.1
Debentures	**262.3**	294.1	348.2	483.7	675.5
Trading liabilities	**240.0**	176.0	147.7	177.8	307.5
Borrowed money	**719.2**	476.7	1,672.7	1,186.8	1,012.3
Acceptances and guarantees	**511.0**	562.6	575.7	623.7	675.2
Total liabilities	**8,345.6**	7,982.0	9,620.3	10,741.8	11,181.7
Common stock	**512.2**	512.2	512.2	476.2	476.2
Total equity	**683.6**	627.6	611.1	634.9	767.4
Total liabilities and equity	**¥ 9,029.3**	¥ 8,609.6	¥ 10,231.5	¥ 11,376.7	¥ 11,949.1
Per share data:					
Common equity(1)	**¥ 233.65**	¥ 212.67	¥ 205.83	¥ 232.72	¥ 284.95
Basic net income (loss)	**19.24**	2.42	21.36	(71.36)	(72.85)
Capital adequacy data:					
Total capital adequacy ratio	**12.2%**	10.3%	9.8%	8.4%	8.4%
Tier I capital ratio	**10.4%**	8.8%	7.8%	6.4%	6.0%
Average balance data:					
Securities	**¥ 2,014.3**	¥ 2,394.6	¥ 3,056.4	¥ 3,212.6	¥ 2,388.7
Loans and bills discounted	**4,246.2**	4,159.8	4,680.7	5,457.6	5,910.3
Total assets	**8,819.5**	9,420.6	10,804.1	11,662.9	11,737.4
Interest-bearing liabilities	**7,054.0**	7,237.5	8,507.2	9,354.5	9,303.7
Total liabilities	**8,163.8**	8,801.2	10,181.1	10,961.7	10,871.1
Total equity	**655.6**	619.4	623.0	701.2	866.3
Other data:					
Return on assets	**0.6%**	0.1%	0.4%	(1.2)%	(1.2)%
Return on equity(1)	**8.6%**	1.2%	8.5%	(27.6)%	(22.4)%
Ratio of deposits, including negotiable certificates of deposit, to total liabilities	**65.4%**	67.2%	58.3%	60.3%	56.1%
Expense-to-revenue ratio(2)	**65.8%**	64.2%	55.3%	64.6%	99.4%
Non performing claims, non-consolidated	**¥ 242.6**	¥ 295.9	¥ 279.5	¥ 333.0	¥ 145.8
Ratio of non performing claims to total claims, non-consolidated	**5.3%**	6.7%	6.8%	6.7%	2.5%
Net deferred tax assets	**¥ 16.3**	¥ 15.2	¥ 17.9	¥ 17.4	¥ 20.5
Net deferred tax assets as a percentage of Tier I capital	**2.7%**	2.8%	3.5%	3.5%	3.5%

Notes: (1) Stock acquisition rights and minority interests are excluded from equity.
(2) The expense-to-revenue ratio is calculated by dividing general and administrative expenses by total revenue.

RESULTS OF OPERATIONS (CONSOLIDATED)

SUPPLEMENTAL FINANCIAL DATA AND RECONCILIATIONS TO JAPANESE GAAP MEASURES

Shinsei Bank, Limited and Consolidated Subsidiaries

For the fiscal year ended March 31, 2013	Billions of yen (except per share data and percentages)
Amortization of goodwill and intangible assets acquired in business combinations	
Amortization of intangible assets acquired in business combinations	¥ 3.7
Associated deferred tax income	(1.4)
Amortization of goodwill	7.0
Total Amortization of goodwill and intangible assets acquired in business combinations, net of tax benefit	¥ 9.3
Reconciliation of net income to cash basis net income	
Net income	¥ 51.0
Amortization of goodwill and intangible assets acquired in business combinations, net of tax benefit	9.3
Cash basis net income	¥ 60.4
Reconciliation of basic net income per share to cash basis basic net income per share	
Basic net income per share	¥ 19.24
Effect of Amortization of goodwill and intangible assets acquired in business combinations, net of tax benefit	3.52
Cash basis basic net income per share	¥ 22.77
Reconciliation of return on assets to cash basis return on assets	
Return on assets	0.6%
Effect of Amortization of goodwill and intangible assets acquired in business combinations, net of tax benefit	0.1%
Cash basis return on assets	0.7%
Reconciliation of return on equity to cash basis return on equity	
Return on equity	8.6%
Effect of Amortization of goodwill and intangible assets acquired in business combinations, net of tax benefit	1.6%
Cash basis return on equity	10.2%
Reconciliation of return on equity to return on tangible equity	
Return on equity	8.6%
Effect of goodwill and intangible assets acquired in business combinations	2.5%
Return on tangible equity[1]	11.1%

Note: (1) Net income excludes Amortization of goodwill and intangible assets acquired in business combinations, net of tax benefit. Average equity excludes goodwill and intangible assets acquired in business combinations, net of associated deferred tax liability.

TOTAL REVENUE

We reported total revenue of ¥199.0 billion for the fiscal year ended March 31, 2013, which represents a slight decrease as compared to ¥202.9 billion for the previous fiscal year. While net interest income decreased due to the reduction in non core assets and the lower balance of consumer finance loans, non interest income increased as compared to the previous fiscal year.

NET INTEREST INCOME

A net interest income of ¥111.6 billion was recorded for the fiscal year ended March 31, 2013, a decrease of ¥5.2 billion from ¥116.9 billion recorded for the previous fiscal year. This was mainly due to compression of non core assets, and the lower balance of consumer finance loans. However, the rate of decline in consumer finance loans has slowed, and although marginal, the balance increased during the fourth quarter of the fiscal year ended March 31, 2013. In addition, a steady accumulation was recorded in loans for institutional customers and housing loans, resulting in an increase in the loan balance as of March 31, 2013. As a result, quarterly net interest income has been trending stably in the fiscal year ended March 31, 2013, although a decrease in the balance of consumer finance loans with higher interest rates had a considerable impact.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

NET REVENUE ON INTEREST-EARNING ASSETS

The table below shows the principal components of net revenue on interest-earning assets.

TABLE 1. INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES (CONSOLIDATED)

Billions of yen (except Yield/Rate)

	2013			2012		
Fiscal years ended March 31	**Average Balance**	**Interest**	**Yield/Rate**	Average Balance	Interest	Yield/Rate
Interest-earning assets:						
Loans and bills discounted	**¥ 4,246.2**	**¥ 128.5**	**3.03%**	¥ 4,159.8	¥ 140.3	3.37%
Lease receivables and leased investment assets/ installment receivables	**568.4**	**35.6**	**6.26**	545.6	36.6	6.72
Securities	**2,014.3**	**17.0**	**0.85**	2,394.6	17.8	0.74
Other interest-earning assets[1]	**420.8**	**2.2**	**n.m.[3]**	351.3	1.5	n.m.[3]
Total revenue on interest-earning assets (A)	**¥ 7,249.9**	**¥ 183.4**	**2.53%**	¥ 7,451.4	¥ 196.4	2.64%
Interest-bearing liabilities:						
Deposits, including negotiable certificates of deposit	**¥ 5,450.2**	**¥ 23.4**	**0.43%**	¥ 5,623.5	¥ 29.0	0.52%
Debentures	**281.5**	**0.9**	**0.35**	320.5	1.4	0.46
Borrowed money	**654.4**	**5.2**	**0.80**	647.2	5.5	0.86
Subordinated debt	**92.5**	**1.9**	**2.08**	94.5	1.7	1.86
Other borrowed money	**561.8**	**3.3**	**0.59**	552.7	3.8	0.69
Corporate bonds	**176.9**	**5.4**	**3.09**	170.1	5.7	3.38
Subordinated bonds	**153.7**	**5.0**	**3.30**	145.6	5.3	3.67
Other corporate bonds	**23.2**	**0.3**	**1.70**	24.5	0.4	1.67
Other interest-bearing liabilities[1]	**490.8**	**0.9**	**n.m.[3]**	476.0	0.9	n.m.[3]
Total expense on interest-bearing liabilities (B)	**¥ 7,054.0**	**¥ 36.1**	**0.51%**	¥ 7,237.5	¥ 42.8	0.59%
Net interest margin (A) - (B)	**—**	**—**	**2.02%**	—	—	2.04%
Non interest-bearing sources of funds:						
Non interest-bearing (assets) liabilities, net	**¥ (397.8)**	**—**	**—**	¥ (342.8)	—	—
Total equity excluding minority interest[2]	**593.7**	**—**	**—**	556.7	—	—
Total non interest-bearing sources of funds (C)	**195.8**	**—**	**—**	213.8	—	—
Total interest-bearing liabilities and non interest-bearing sources of funds (D) = (B) +(C)	**¥ 7,249.9**	**¥ 36.1**	**0.50%**	¥ 7,451.4	¥ 42.8	0.57%
Net revenue on interest-earning assets/ yield on interest-earning assets (A) - (D)	**—**	**¥ 147.2**	**2.03%**	—	¥ 153.5	2.06%
Reconciliation of total revenue on interest-earning assets to total interest income						
Total revenue on interest-earning assets	**¥ 7,249.9**	**¥ 183.4**	**2.53%**	¥ 7,451.4	¥ 196.4	2.64%
Less: Income on lease transactions and installment receivables	**568.4**	**35.6**	**6.26**	545.6	36.6	6.72
Total interest income	**¥ 6,681.4**	**¥ 147.8**	**2.21%**	¥ 6,905.7	¥ 159.7	2.31%
Total interest expenses	**—**	**36.1**	**—**	—	42.8	—
Net interest income	**—**	**¥ 111.6**	**—**	—	¥ 116.9	—

Notes: (1) Other interest-earning assets and other interest-bearing liabilities include interest swaps and funding swaps.
(2) Represents a simple average of the balance as of the beginning and the end of the fiscal years presented.
(3) n.m. is not meaningful.

Net revenue on interest-earning assets includes net interest income as well as revenue earned on lease receivables and leased investment assets and installment receivables. We consider income on lease transactions and installment receivables to be a component of interest income, while Japanese GAAP does not include income on lease transactions and installment receivables in net interest income. In our consolidated statements of income, income on lease transactions and installment receivables is reported in net other business income under Japanese GAAP.

The net interest margin decreased slightly to 2.02% for the fiscal year ended March 31, 2013, compared to 2.04% for the previous fiscal year.

This reflects the decrease in the yield on interest-earning assets caused by the lower balance of high-yield consumer finance loans. However, the decrease in the rate on interest-bearing liabilities caused by a decrease in the rate on deposits including negotiable certificates of deposit, from 0.52% for the

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

previous fiscal year to 0.43% for the fiscal year ended March 31, 2013, caused by relatively high-yield time deposits reaching maturity, which mitigated the decrease in the net interest margin.

Net revenue on interest-earning assets for the fiscal year ended March 31, 2013 was ¥147.2 billion, decreasing from ¥153.5 billion for the previous fiscal year.

While the total expense on interest-bearing liabilities decreased by ¥6.7 billion from ¥42.8 billion for the previous fiscal year to ¥36.1 billion for the fiscal year ended March 31, 2013, this was offset by a ¥13.0 billion decrease in total revenue on interest-earning assets. The decrease in total revenue on interest-earning assets was due to the lower yield on loans and bills discounted, and a decrease in the balance of securities.

NET FEES AND COMMISSIONS

Net fees and commissions were mainly from non recourse finance on domestic real estate, servicing fees in specialty finance and principal transactions, guarantee and other businesses operated by consumer finance subsidiaries, and sales of mutual funds and variable annuities. Net fees and commissions of ¥19.1 billion were recorded for the fiscal year ended March 31, 2013, as compared to ¥25.1 billion for the previous fiscal year, mainly due to the decrease in servicing fee income of subsidiaries, while fees increased from mutual funds and structured bonds in retail banking.

NET TRADING INCOME

The table below shows the principal components of net trading income.

TABLE 2. NET TRADING INCOME (CONSOLIDATED)

	Billions of yen		
Fiscal years ended March 31	**2013**	2012	% Change
Income from trading securities	**¥ 4.0**	¥ 0.2	1,861.9
Income from securities held to hedge trading transactions	**(2.5)**	(3.0)	16.4
Income from trading-related financial derivatives	**18.6**	16.5	13.1
Other, net	**(0.0)**	(0.0)	(349.1)
Net trading income	**¥ 20.0**	¥13.6	46.9

Net trading income includes revenues from derivatives with customer-driven transactions and those from proprietary trading. Net trading income of ¥20.0 billion was recorded for the fiscal year ended March 31, 2013, an increase of ¥6.3 billion as compared to ¥13.6 billion for the previous fiscal year.

NET OTHER BUSINESS INCOME

The table below shows the principal components of net other business income.

TABLE 3. NET OTHER BUSINESS INCOME (LOSS) (CONSOLIDATED)

	Billions of yen		
Fiscal years ended March 31	**2013**	2012	% Change
Net gain on monetary assets held in trust	**¥ 8.2**	¥ 8.1	1.7
Net gain on foreign exchanges	**(0.1)**	0.5	(133.9)
Net gain (loss) on securities	**4.3**	(3.3)	230.0
Net gain (loss) on other monetary claims purchased	**1.1**	1.4	(20.7)
Other, net	**(0.9)**	3.7	(126.2)
Income (loss) from derivatives for banking purposes, net	**(0.6)**	(1.0)	34.7
Equity in net income (loss) of affiliates	**(1.3)**	3.4	(138.2)
Gain on lease cancellation and other lease income (loss), net	**1.0**	(0.2)	562.7
Other, net	**(0.0)**	1.6	(100.4)
Net other business income before income on lease transactions and installment receivables, net	**12.5**	10.5	18.8
Income on lease transactions and installment receivables, net	**35.6**	36.6	(3.0)
Net other business income	**¥ 48.1**	¥ 47.2	1.9

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

Net other business income of ¥48.1 billion was recorded for the fiscal year ended March 31, 2013, an increase of ¥0.9 billion as compared to ¥47.2 billion for the previous fiscal year. Income on installment receivables of ¥25.2 billion was recorded, an increase as compared to ¥23.7 billion for the previous fiscal year, combining the amount at APLUS FINANCIAL which steadily increased, and the results at Showa Leasing. Income from monetary trust management at the principal transactions business, which focuses on credit trading, was recorded at ¥8.2 billion, at approximately the same level as the ¥8.1 billion recorded in the previous fiscal year. In ALM operations, net income from sales of Japanese national government bonds was recorded at ¥4.9 billion for the fiscal year ended March 31, 2013, an increase as compared to ¥1.8 billion for the previous fiscal year. On the other hand, income from leased assets was recorded at ¥10.3 billion, a decrease as compared to ¥12.9 billion.

In addition, the previous fiscal year included gains of ¥6.3 billion, net of withholding tax, on sales of foreign equities that had been classified as non core assets, ¥5.2 billion of impairment of major listed securities, ¥3.3 billion of impairment of bonds related to domestic real estate non recourse finance, and ¥1.5 billion of impairment of private equity investments. However, during the fiscal year ended March 31, 2013, no major gains on sales or impairments of securities were recorded; impairment of bonds related to domestic real estate non recourse finance of ¥2.5 billion, and impairment of private equity investments of ¥1.0 billion.

TOTAL REVENUE

Due to the factors described above, total revenue in the fiscal year ended March 31, 2013 was ¥199.0 billion, as compared with ¥202.9 billion for the previous fiscal year.

GENERAL AND ADMINISTRATIVE EXPENSES

The table below sets forth the principal components of general and administrative expenses.

TABLE 4. GENERAL AND ADMINISTRATIVE EXPENSES (CONSOLIDATED)

	Billions of yen		
Fiscal years ended March 31	**2013**	2012	% Change
Personnel expenses	**¥ 53.9**	¥ 53.4	0.9
Premises expenses	**19.4**	20.4	(4.8)
Technology and data processing expenses	**17.6**	17.2	2.0
Advertising expenses	**9.2**	9.1	0.6
Consumption and property taxes	**6.5**	6.3	2.1
Deposit insurance premium	**3.5**	4.6	(23.7)
Other general and administrative expenses	**20.6**	18.9	8.9
General and administrative expenses	**130.9**	130.3	0.5
Amortization of goodwill and intangible assets acquired in business combinations	**10.8**	11.9	(9.6)
Total general and administrative expenses	**¥ 141.7**	¥ 142.3	(0.4)

General and administrative expenses, excluding amortization of goodwill and intangible assets acquired in business combinations, were ¥130.9 billion for the fiscal year ended March 31, 2013, increasing slightly from ¥130.3 billion for the previous fiscal year. With the aim of expanding our customer base and stabilizing our earnings, we prioritized the allocation of management resources to relevant business areas while promoting business rationalization and streamlining by practicing strict expense management for each expense category.

Personnel expenses of ¥53.9 billion for the fiscal year ended March 31, 2013 increased slightly from ¥53.4 billion for the previous fiscal year. Although we have allocated additional personnel to relevant business areas with the aim of expanding our customer base and stabilizing our earnings, we ensured there was not any excessive increase in personnel expenses by implementing personnel expense streamlining across our businesses.

Non personnel expenses were ¥77.0 billion for the fiscal year ended March 31, 2013, almost at the same level of ¥76.9 billion for the previous fiscal year, as we have worked to rationalize expenses across all of our business lines through strict expense control discipline, while also enhancing our business infrastructure. Premises expenses of ¥19.4 billion for the fiscal year ended March 31, 2013 decreased from ¥20.4 billion for the previous fiscal year, reflecting our continuous efforts at expense streamlining. Technology and data processing expenses of ¥17.6 billion for the fiscal year ended March 31, 2013 increased from ¥17.2 billion for the previous fiscal year, mainly due to additional depreciation from capital expenditures related to system development. Advertising

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

expenses of ¥9.2 billion for the fiscal year ended March 31, 2013 were almost at the same level as compared to ¥9.1 billion for the previous fiscal year, as we have promoted advertising activities with the aim to expand our customer base in concurrence with lowering of respective unit costs. Consumption and property taxes of ¥6.5 billion for the fiscal year ended March 31, 2013 increased from ¥6.3 billion for the previous fiscal year due to the enhancement of business infrastructure including capital expenditures related to system development. Deposit insurance premium expenses of ¥3.5 billion for the fiscal year ended March 31, 2013 decreased from ¥4.6 billion for the previous fiscal year, mainly due to the reduction of the insurance premium rate. Other general and administrative expenses of ¥20.6 billion for the fiscal year ended March 31, 2013 increased from ¥18.9 billion for the previous fiscal year, including an increase in temporary staff expenses as we began operating a new IT system in parallel with the old system.

AMORTIZATION OF GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS

Amortization of goodwill and intangible assets acquired in business combinations associated with the acquisition of consumer and commercial finance companies totaled ¥10.8 billion for the fiscal year ended March 31, 2013 compared to ¥11.9 billion for the previous fiscal year. The lower amount is attributable to factors including the sum-of-the-years' digits method for amortization of goodwill and intangible assets acquired in business combinations related to Shinsei Financial. Amortization of goodwill and intangible assets acquired in business combinations of APLUS FINANCIAL was ¥0.8 billion for the fiscal year ended March 31, 2013 related to the amortization of goodwill for Zen-Nichi Shinpan, a subsidiary of APLUS FINANCIAL. Full impairment of goodwill and intangible assets for APLUS FINANCIAL was taken as of March 31, 2010.

TABLE 5. AMORTIZATION OF GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS (CONSOLIDATED)

	Billions of yen		
Fiscal years ended March 31	**2013**	2012	% Change
Shinsei Financial	**¥ 7.4**	¥ 8.5	(13.1)
SHINKI	**(0.3)**	(0.3)	0.0
APLUS FINANCIAL	**0.8**	0.8	(0.0)
Showa Leasing	**2.8**	2.9	(1.1)
Others	**0.0**	(0.0)	2,053.1
Amortization of goodwill and intangible assets acquired in business combinations	**¥ 10.8**	¥ 11.9	(9.6)

NET CREDIT COSTS

The following table sets forth the principal components of net credit costs.

TABLE 6. NET CREDIT COSTS (CONSOLIDATED)

	Billions of yen		
Fiscal years ended March 31	**2013**	2012	% Change
Losses on write-off or sales of loans	**¥ 8.4**	¥ 5.7	46.6
Net provision of reserve for loan losses:			
Net provision (reversal) of general reserve for loan losses	**(5.3)**	(5.9)	10.0
Net provision of specific reserve for loan losses	**19.1**	42.2	(54.7)
Net provision (reversal) of reserve for loan losses to restructuring countries	**—**	(0.0)	100.0
Subtotal	**13.7**	36.3	(62.0)
Net provision (reversal) of specific reserve for other credit losses	**(0.0)**	(17.2)	(99.9)
Other credit costs (recoveries) relating to leasing business	**(0.4)**	(1.6)	70.7
Recoveries of written-off claims	**(16.2)**	(10.8)	(49.9)
Net credit costs	**¥ 5.5**	¥ 12.2	(55.0)

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

The principal components of net credit costs are provisions or reversals of reserve for loan losses. In accordance with Japanese regulatory requirements, Shinsei maintains general and specific reserves for loan losses, a reserve for loans to restructuring countries, as well as a specific reserve for other credit losses. Certain of our subsidiaries, particularly Shinsei Financial, APLUS FINANCIAL, SHINKI and Showa Leasing, also maintain general and specific reserves for loan losses.

Net credit costs for the fiscal year ended March 31, 2013 of ¥5.5 billion were recorded, showing a significant improvement as compared to ¥12.2 billion for the previous fiscal year. We have been able to achieve this significant improvement because although the balance of loans and bills discounted increased due to accumulation of institutional business loans and housing loans, large reserves for credit losses were not recorded as in previous years as a result of reduction of non core assets aimed at limiting potential risks, and strict credit management. There was also an improvement in the credit-worthiness of some institutional accounts.

For the fiscal year ended March 31, 2013, recoveries of written-off claims were ¥16.2 billion, compared to ¥10.8 billion of recoveries of written-off claims for the previous fiscal year. This shows that the performance of ¥21.7 billion recorded for the fiscal year ended March 31, 2013 has improved as compared to ¥23.1 billion recorded for the previous fiscal year, even when excluding recoveries of written-off claims from net credit costs.

The recoveries of written-off claims for the fiscal year ended March 31, 2013 of ¥16.2 billion included ¥8.5 billion at Shinsei Bank (non-consolidated basis), ¥6.5 billion at Shinsei Financial, and ¥1.0 billion at SHINKI.

OTHER GAINS (LOSSES), NET

The table below sets forth the principal components of other gains (losses).

TABLE 7. OTHER GAINS (LOSSES), NET (CONSOLIDATED)

Fiscal years ended March 31	Billions of yen 2013	2012	% Change
Net gain (loss) on disposal of premises and equipment	**¥ 0.1**	¥ (0.5)	135.4
Pension-related costs	**(0.0)**	(0.3)	85.0
Gains on write-off of unclaimed debentures	**0.8**	1.2	47.3
Provision of reserve for losses on interest repayments	**—**	(32.8)	100.0
Impairment losses on long lived assets	**(0.9)**	(1.0)	16.1
Business restructuring cost	**—**	(0.0)	100.0
Gain on sale of subsidiary's stock	**0.4**	2.4	(81.8)
Other, net	**1.6**	(1.8)	138.6
Total	**¥ 2.1**	¥ (32.9)	106.6

Other gains of ¥2.1 billion were recorded for the fiscal year ended March 31, 2013, a significant improvement as compared to other losses of ¥32.9 billion for the previous fiscal year, which was mainly due to an absence of additional provisions of reserves for losses on interest repayments for the previous fiscal year, as provisions of reserves for losses on interest repayments of ¥32.8 billion were recorded.

INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS

As a result of the foregoing, income before income taxes and minority interests totaled ¥53.8 billion for the fiscal year ended March 31, 2013, as compared to ¥15.3 billion for the previous fiscal year.

INCOME TAXES (BENEFIT)

Current and deferred income taxes reflected a net income of ¥0.7 billion compared to a net expense of ¥5.3 billion for the previous fiscal year. For the fiscal year ended March 31, 2013, we recorded ¥0.5 billion of current income tax expense and ¥1.3 billion of deferred income tax income, which was impacted from tax reform as well. For the previous fiscal year, ¥2.9 billion of current income tax expense and ¥2.4 billion of deferred income tax expense were recorded.

MINORITY INTERESTS IN NET INCOME OF SUBSIDIARIES

Minority interests in net income of subsidiaries for the fiscal year ended March 31, 2013 were ¥3.5 billion. Minority interests in net income of subsidiaries largely reflect dividends accrued on perpetual preferred securities issued by the bank's subsidiaries, and minority interests in the net income of other consolidated subsidiaries for the fiscal year ended March 31, 2013. Minority interests in net income of subsidiaries for the fiscal year ended March 31, 2013 were the same as the ¥3.5 billion recorded for the previous fiscal year.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

TABLE 8. MINORITY INTERESTS IN NET INCOME OF SUBSIDIARIES (CONSOLIDATED)

Fiscal years ended March 31	Billions of yen 2013	2012	% Change
Dividends on preferred securities (hybrid Tier I capital) issued by foreign SPCs	**¥ 3.1**	¥ 3.0	1.6
Others	**0.4**	0.4	(14.5)
Minority interests in net income of subsidiaries	**¥ 3.5**	¥ 3.5	(0.6)

NET INCOME

We recognized a consolidated net income of ¥51.0 billion for the fiscal year ended March 31, 2013, compared to ¥6.4 billion for the previous fiscal year.

Consolidated cash basis net income for the fiscal year ended March 31, 2013 was ¥60.4 billion, compared to ¥16.0 billion for the previous fiscal year. The cash basis net income is calculated by excluding amortization and impairment of goodwill and intangible assets acquired in business combinations, net of tax benefit, from net income under Japanese GAAP.

RECONCILIATION FROM REPORTED-BASIS RESULTS TO OPERATING-BASIS RESULTS

In addition to analyzing our results of operations in the format used for our financial statements, which we refer to as the "reported-basis," our management also reviews our results on an "operating-basis" to assess each of our business lines and to measure our results against targeted goals. Operating-basis results are calculated by adjusting the reported-basis results principally for the amortization of goodwill and intangible assets acquired in business combinations, certain revenue items, amortization of net actuarial losses and lump-sum payments. In essence, the operating-basis results represent what we consider to be "core" business results and are in conformity with Japanese GAAP at the net income (loss) level. The following summary table provides a reconciliation between our results on a reported-basis and operating-basis.

TABLE 9. RECONCILIATION FROM REPORTED-BASIS RESULTS TO OPERATING-BASIS RESULTS (CONSOLIDATED)

	Billions of yen					
	2013			2012		
Fiscal years ended March 31	**Reported-basis**	**Reclassifications**	**Operating-basis**	Reported-basis	Reclassifications	Operating-basis
Revenue:						
Net interest income	**¥ 111.6**	**¥ —**	**¥ 111.6**	¥ 116.9	¥ —	¥ 116.9
Non interest income	**87.3**	**—**	**87.3**	86.0	—	86.0
Total revenue	**199.0**	**—**	**199.0**	202.9	—	202.9
General and administrative expenses[1]	**130.9**	**(2.3)**	**128.6**	130.3	(2.4)	127.9
Amortization of goodwill and intangible assets acquired in business combinations	**10.8**	**(10.8)**	**—**	11.9	(11.9)	—
Total general and administrative expenses	**141.7**	**(13.1)**	**128.6**	142.3	(14.3)	127.9
Net business profit/Ordinary business profit[3]	**57.2**	**13.1**	**70.3**	60.6	14.3	74.9
Net credit costs	**5.5**	**—**	**5.5**	12.2	—	12.2
Amortization of goodwill and intangible assets acquired in business combinations	**—**	**10.7**	**10.7**	—	11.9	11.9
Other gains (losses), net[1]	**2.1**	**(2.3)**	**(0.1)**	(32.9)	(2.4)	(35.4)
Income before income taxes and minority interests	**53.8**	**—**	**53.8**	15.3	—	15.3
Income taxes and minority interests	**2.7**	**—**	**2.7**	8.9	—	8.9
Net income	**¥ 51.0**	**¥ —**	**¥ 51.0**	¥ 6.4	¥ —	¥ 6.4

Notes: (1) Reclassifications consist principally of adjustments relating to lump-sum compensation and amortization of net actuarial gains or losses from general and administrative expenses to other gains (losses), net.
(2) Amortization of goodwill and intangible assets acquired in business combinations is reclassified under ordinary business profit after net credit costs.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

BUSINESS LINES RESULTS

Management monitors the performance of these business lines on an operating-basis. The business line discussion below covers the operating-basis ordinary business profit (loss) after net credit costs (recoveries).

TABLE 10. OPERATING-BASIS ORDINARY BUSINESS PROFIT (LOSS) AFTER NET CREDIT COSTS (RECOVERIES) BY BUSINESS LINE (CONSOLIDATED)

	Billions of yen		
Fiscal years ended March 31	**2013**	2012	% Change
Institutional Group:			
Net interest income	**¥ 29.8**	¥ 27.2	9.3
Non interest income	**27.0**	35.0	(22.7)
Total revenue	**56.8**	62.3	(8.7)
General and administrative expenses	**24.2**	25.0	(3.0)
Ordinary business profit	**32.6**	37.3	(12.5)
Net credit costs	**6.3**	17.8	(64.5)
Ordinary business profit after net credit costs	**¥ 26.3**	¥ 19.4	35.0
Global Markets Group:			
Net interest income	**¥ 2.9**	¥ 3.0	(3.0)
Non interest income	**11.2**	8.1	37.2
Total revenue	**14.2**	11.2	26.2
General and administrative expenses	**9.0**	9.7	(7.1)
Ordinary business profit	**5.2**	1.5	233.8
Net credit costs (recoveries)	**(7.5)**	(2.6)	(181.6)
Ordinary business profit after net credit costs (recoveries)	**¥ 12.7**	¥ 4.2	200.8
Individual Group:			
Net interest income	**¥ 84.4**	¥ 98.7	(14.5)
Non interest income	**42.0**	39.3	6.7
Total revenue	**126.4**	138.1	(8.4)
General and administrative expenses	**93.3**	92.6	0.7
Ordinary business profit	**33.1**	45.4	(27.0)
Net credit costs (recoveries)	**6.2**	(1.7)	450.4
Ordinary business profit after net credit costs (recoveries)	**¥ 26.9**	¥ 47.2	(43.0)
Corporate/Other[(1)]:			
Net interest income	**¥ (5.6)**	¥ (12.2)	54.2
Non interest income	**6.9**	3.4	103.6
Total revenue	**1.3**	(8.8)	115.6
General and administrative expenses	**2.0**	0.5	257.0
Ordinary business profit (loss)	**(0.6)**	(9.3)	93.1
Net credit costs (recoveries)	**0.5**	(1.0)	147.4
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ (1.1)**	¥ (8.2)	86.0
Total:			
Net interest income	**¥ 111.6**	¥ 116.9	(4.5)
Non interest income	**87.3**	86.0	1.5
Total revenue	**199.0**	202.9	(1.9)
General and administrative expenses	**128.6**	127.9	0.5
Ordinary business profit	**70.3**	74.9	(6.1)
Net credit costs	**5.5**	12.2	(55.0)
Ordinary business profit after net credit costs	**¥ 64.8**	¥ 62.7	3.4

Note: (1) Includes company-wide accounts, allocation variance of indirect expense and elimination amount of inter-segment transactions.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

INSTITUTIONAL GROUP

The Institutional Group consists of: 1) Institutional Business Sub-Group which provides financial products and services for the corporate and public sectors, 2) Structured Finance Sub-Group which includes businesses such as real estate finance and specialty finance, 3) Principal Transactions Sub-Group which covers credit trading and private equity business, 4) Showa Leasing and 5) Others including advisory business and asset-backed investment. From April 1, 2013 onwards, the Structured Finance Sub-Group will be integrated into the Institutional Business Sub-Group, as per the organizational changes.

TABLE 11. INSTITUTIONAL GROUP ORDINARY BUSINESS PROFIT (LOSS) AFTER NET CREDIT COSTS (RECOVERIES) BY BUSINESS (CONSOLIDATED)

	Billions of yen		
Fiscal years ended March 31	**2013**	2012	% Change
Institutional Business Sub-Group[1]:			
Net interest income	**¥ 10.1**	¥ 9.2	9.2
Non interest income	**4.7**	0.3	1,110.1
Total revenue	**14.8**	9.6	54.3
General and administrative expenses	**6.3**	6.9	(8.3)
Ordinary business profit	**8.5**	2.6	215.6
Net credit costs (recoveries)	**(3.2)**	1.4	(331.3)
Ordinary business profit after net credit costs (recoveries)	**¥ 11.7**	¥ 1.2	820.6
Structured Finance Sub-Group:			
Net interest income	**¥ 16.3**	¥ 16.9	(3.2)
Non interest income	**4.0**	4.1	(0.9)
Total revenue	**20.4**	21.0	(2.7)
General and administrative expenses	**4.6**	4.8	(4.0)
Ordinary business profit	**15.8**	16.2	(2.4)
Net credit costs	**6.0**	14.1	(57.1)
Ordinary business profit after net credit costs	**¥ 9.7**	¥ 2.0	374.0
Principal Transactions Sub-Group:			
Net interest income	**¥ 5.0**	¥ 4.5	10.1
Non interest income	**6.3**	6.6	(3.8)
Total revenue	**11.4**	11.2	1.9
General and administrative expenses	**3.8**	3.8	(1.1)
Ordinary business profit	**7.5**	7.3	3.4
Net credit costs (recoveries)	**(0.5)**	0.9	(157.5)
Ordinary business profit after net credit costs (recoveries)	**¥ 8.1**	¥ 6.4	26.7
Showa Leasing:			
Net interest income	**¥ (1.6)**	¥ (2.5)	37.5
Non interest income	**15.7**	15.0	4.4
Total revenue	**14.0**	12.4	13.1
General and administrative expenses	**7.8**	7.8	0.7
Ordinary business profit	**6.2**	4.6	33.8
Net credit costs (recoveries)	**(0.0)**	(1.3)	93.8
Ordinary business profit after net credit costs (recoveries)	**¥ 6.3**	¥ 6.0	4.8
Others[1]:			
Net interest income	**¥ (0.0)**	¥ (0.8)	92.3
Non interest income	**(3.8)**	8.8	(144.1)
Total revenue	**(3.9)**	7.9	(149.6)
General and administrative expenses	**1.5**	1.5	(0.6)
Ordinary business profit (loss)	**(5.4)**	6.4	(185.4)
Net credit costs	**4.1**	2.7	52.8
Ordinary business profit (loss) after net credit costs	**¥ (9.6)**	¥ 3.7	(359.4)
Institutional Group:			
Net interest income	**¥ 29.8**	¥ 27.2	9.3
Non interest income	**27.0**	35.0	(22.7)
Total revenue	**56.8**	62.3	(8.7)
General and administrative expenses	**24.2**	25.0	(3.0)
Ordinary business profit	**32.6**	37.3	(12.5)
Net credit costs	**6.3**	17.8	(64.5)
Ordinary business profit after net credit costs	**¥ 26.3**	¥ 19.4	35.0

Note: (1) Results for Advisory business is included in the Institutional Business Sub-Group, formerly shown in Others, in line with the organizational change on April 27, 2012.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

The Institutional Group business recorded net interest income of ¥29.8 billion for the fiscal year ended March 31, 2013, an increase from ¥27.2 billion for the previous fiscal year, as the progress made in rebuilding our customer base led to an increase in the loan balance. Non interest income was ¥27.0 billion for the fiscal year ended March 31, 2013, a decline from ¥35.0 billion for the previous fiscal year. However, the amount recorded for the previous fiscal year included gains of ¥6.3 billion, net of withholding tax, from sales of foreign equities categorized as non core assets.

Regarding sub-groups in the Institutional Group, the Institutional Business Sub-Group put effort into identifying new outlets for corporate lending and increasing the loan balance as well as strengthening relationships with existing customers, in order to rebuild our customer base. As a result, net interest income grew steadily to ¥10.1 billion for the fiscal year ended March 31, 2013 from ¥9.2 billion for the previous fiscal year. In addition, non interest income also increased to ¥4.7 billion for the fiscal year ended March 31, 2013 from ¥0.3 billion for the previous fiscal year which included ¥3.9 billion of impairment on listed shares.

The Structured Finance Sub-Group recorded total revenue of ¥20.4 billion for the fiscal year ended March 31, 2013, a decrease from ¥21.0 billion for the previous fiscal year. Reduction of non performing loans in real estate finance and new loan disbursements in specialty finance and other businesses led to higher quality asset replacement. As a result, revenue was almost at the same level as compared to the previous fiscal year.

The Principal Transactions Sub-Group recorded total revenue of ¥11.4 billion for the fiscal year ended March 31, 2013, an increase from ¥11.2 billion for the previous fiscal year. The performance continued to be stable mainly due to continued domestic credit trading operations efforts. In addition, ¥1.0 billion of impairment on private equity investment was recognized for the fiscal year ended March 31, 2013, compared to ¥1.5 billion for the previous fiscal year.

Total revenue at Others was a loss of ¥3.9 billion for the fiscal year ended March 31, 2013. Total revenue for the previous fiscal year included gains of ¥6.3 billion, net of withholding tax, from sales of foreign equities categorized as non core assets.

General and administrative expenses were ¥24.2 billion for the fiscal year ended March 31, 2013, marking a slight decrease from ¥25.0 billion for the previous fiscal year. This small decrease was due to the scale-down and exit from non core businesses and efficiency improvements in each business, while the group focused on areas where the Bank can demonstrate its strengths to improve profitability.

Net credit costs were ¥6.3 billion for the fiscal year ended March 31, 2013, a decrease from ¥17.8 billion for the previous fiscal year. This significant improvement of net credit costs reflects the absence of large credit reserves recorded in previous years, as a result of continued divestiture of non core assets to mitigate potential risks, and also an improvement in the creditworthiness of some accounts during the previous fiscal year in the Institutional Group, despite an increase in the loan balance due to an expansion of new financing and additional reserves for real estate finance.

As a result, the Institutional Group recorded an ordinary business profit after net credit costs of ¥26.3 billion for the fiscal year ended March 31, 2013, an increase from ¥19.4 billion for the previous fiscal year. In addition, we believe this performance to be relatively stable and steady, as there was limited impact of non recurring factors during the previous fiscal year, while net interest income increased in line with the increase in the loan balance.

Showa Leasing recorded ¥6.3 billion of ordinary business profit after net credit costs for the fiscal year ended March 31, 2013, a marginal increase as compared to ¥6.0 billion for the previous fiscal year. Total revenue recorded was ¥14.0 billion for the fiscal year ended March 31, 2013, an increase as compared to ¥12.4 billion for the previous fiscal year which included impairment recorded on equity holdings, however, due to net credit recoveries of ¥0 billion (¥85 million) for the fiscal year ended March 31, 2013, compared to recoveries of ¥1.3 billion for the previous fiscal year, and the gain in total revenue was mitigated by the drop in credit recoveries.

GLOBAL MARKETS GROUP

The Global Markets Group consists of: 1) Financial Institutions Sub-Group which provides financial products and services for financial institutions, 2) Markets Sub-Group which deals with foreign exchange, derivatives and other capital markets business, and 3) Others including asset management, wealth management, and Shinsei Securities' businesses.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

TABLE 12. GLOBAL MARKETS GROUP ORDINARY BUSINESS PROFIT (LOSS) AFTER NET CREDIT COSTS (RECOVERIES) BY BUSINESS (CONSOLIDATED)(1)

	Billions of yen		
Fiscal years ended March 31	**2013**	2012	% Change
Financial Institutions Sub-Group:			
Net interest income	**¥ 1.6**	¥ 1.4	10.3
Non interest income	**2.9**	1.9	54.7
Total revenue	**4.5**	3.3	35.5
General and administrative expenses	**2.3**	2.3	(1.4)
Ordinary business profit	**2.2**	1.0	119.4
Net credit costs (recoveries)	**(6.2)**	(0.4)	(1,180.3)
Ordinary business profit after net credit costs (recoveries)	**¥ 8.5**	¥ 1.5	461.7
Markets Sub-Group:			
Net interest income	**¥ 1.2**	¥ 1.1	11.5
Non interest income	**5.9**	5.1	16.7
Total revenue	**7.2**	6.2	15.8
General and administrative expenses	**3.1**	3.2	(1.9)
Ordinary business profit	**4.0**	2.9	35.2
Net credit costs (recoveries)	**(1.0)**	(1.4)	28.6
Ordinary business profit after net credit costs (recoveries)	**¥ 5.0**	¥ 4.4	14.1
Others:			
Net interest income	**¥ 0.1**	¥ 0.5	(73.4)
Non interest income	**2.3**	1.1	98.0
Total revenue	**2.4**	1.6	46.2
General and administrative expenses	**3.5**	4.1	(14.5)
Ordinary business profit (loss)	**(1.0)**	(2.4)	56.4
Net credit costs (recoveries)	**(0.2)**	(0.7)	66.8
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ (0.8)**	¥ (1.7)	52.0
Global Markets Group:			
Net interest income	**¥ 2.9**	¥ 3.0	(3.0)
Non interest income	**11.2**	8.1	37.2
Total revenue	**14.2**	11.2	26.2
General and administrative expenses	**9.0**	9.7	(7.1)
Ordinary business profit	**5.2**	1.5	233.8
Net credit costs (recoveries)	**(7.5)**	(2.6)	(181.6)
Ordinary business profit after net credit costs (recoveries)	**¥ 12.7**	¥ 4.2	200.8

Note: (1) Results for Treasury Sub-Group is included in Corporate/Other, formerly shown in the Global Markets Group, in line with the organizational change on July 1, 2012.

The Global Markets Group generated total revenue of ¥14.2 billion for the fiscal year ended March 31, 2013, an increase from ¥11.2 billion for the previous fiscal year. The total revenue improved because of continuous efforts to rebuild the customer base, as well as development and provision of financial products which meet customers' needs.

The Financial Institutions Sub-Group's total revenue was ¥4.5 billion for the fiscal year ended March 31, 2013, increasing from ¥3.3 billion for the previous fiscal year. The sub-group deepened cooperation with the Markets Sub-Group to reinforce its sales promotion efforts, and strived to provide various products and transactions in line with customers' needs. The strong performance reflects solid revenues from transactions with customers.

The Markets Sub-Group earned total revenue of ¥7.2 billion for the fiscal year ended March 31, 2013, increasing from ¥6.2 billion for the previous fiscal year. The volume of customer transactions for the previous fiscal year was low. However, the volume of customer transactions increased during the fiscal year ended March 31, 2013, and total revenue rose due to the sub-group's efforts to improve its business structure and enhance its capabilities to meet customers' needs.

Others earned total revenue of ¥2.4 billion for the fiscal year ended March 31, 2013, compared to ¥1.6 billion for the previous fiscal year.

The Global Markets Group recorded ¥9.0 billion of general and administrative expenses for the fiscal year ended March 31, 2013, a decrease from ¥9.7 billion for the previous fiscal year. Continuous cost rationalization was implemented across the group, while the allocation of resources to relevant business areas for rebuilding the customer base was prioritized. As a result, expenses decreased as compared to the previous fiscal year.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

Net credit recoveries of ¥7.5 billion were recorded for the fiscal year ended March 31, 2013, compared to recoveries of ¥2.6 billion for the previous fiscal year. The Global Markets Group has continued to reduce non core assets, recording a reversal of reserve for these assets and recoveries of written-off claims during the previous fiscal year. The group proceeded to collect on written-off claims and recorded recoveries of written-off claims during the fiscal year ended March 31, 2013 as well, thereby recording net credit recoveries.

As a result, the Global Markets Group recorded ¥12.7 billion of ordinary business profit after net credit costs for the fiscal year ended March 31, 2013, a significant increase from ¥4.2 billion for the previous fiscal year. This significant increase at the Global Markets Group is mainly due to the earnings derived from transactions with customers and continuous efforts to rebuild the customer base, in addition to recoveries of written-off claims being recorded.

INDIVIDUAL GROUP

The Individual Group consists of: 1) Retail Banking, 2) Shinsei Financial and Shinsei Bank Card Loan Lake ("Shinsei Bank Lake"), 3) SHINKI, 4) APLUS FINANCIAL, and 5) Others including Shinsei Property Finance Co., Ltd. and Consumer Finance Sub-Group.

TABLE 13. INDIVIDUAL GROUP TOTAL REVENUE BY PRODUCT/ENTITY (CONSOLIDATED)

	Billions of yen		
Fiscal years ended March 31	**2013**	2012	% Change
Retail Banking:	**¥ 33.1**	¥ 36.0	(8.3)
Deposits and Debentures Net Interest Income	**17.6**	21.3	(17.2)
Deposits and Debentures Non Interest Income[1]	**3.6**	4.1	(12.6)
Asset management	**4.3**	4.3	1.5
Loans	**7.4**	6.3	17.8
Shinsei Financial and Shinsei Bank Lake[2]	**37.6**	43.9	(14.4)
SHINKI	**6.3**	7.8	(19.1)
APLUS FINANCIAL	**47.8**	48.5	(1.5)
Others[3]	**1.6**	1.7	(8.4)
Total revenue	**¥ 126.4**	¥ 138.1	(8.4)

Notes: (1) Includes revenue from structured deposits of ¥3.1 billion and ¥5.2 billion for the fiscal year ended March 31, 2013 and 2012, respectively.
(2) Results for Shinsei Financial and Shinsei Bank Card Loan Lake (started on October 1, 2011) are combined on a management accounting basis from October 1, 2011.
(3) Includes Shinsei Property Finance and unallocated Consumer Finance Sub-Group financials.

The Individual Group's ordinary business profit after net credit costs decreased to ¥26.9 billion for the fiscal year ended March 31, 2013 compared to ¥47.2 billion for the previous fiscal year. Ordinary business profit after net credit costs of Shinsei Financial and Shinsei Bank Lake, SHINKI and APLUS FINANCIAL for the fiscal year ended March 31, 2013 were above their respective performance for the previous fiscal year.

RETAIL BANKING

Total revenue of Retail Banking decreased to ¥33.1 billion for the fiscal year ended March 31, 2013, from ¥36.0 billion for the previous fiscal year. Net interest income increased in tandem with the increase in the net loan balance due to a focus on new housing loan disbursements. However, net interest income from deposits including liquid deposits decreased due to prevailing low interest rates. As a result, net interest income decreased to ¥26.0 billion for the fiscal year ended March 31, 2013, from ¥29.1 billion for the previous fiscal year. Non interest income was ¥7.0 billion for the fiscal year ended March 31, 2013, as compared to ¥6.9 billion for the previous fiscal year. Non interest income was at the same level of the previous year, due to the efforts undertaken to accrue fee income from other investment products by developing and offering products which meet customer's needs, such as products with a limited risk range, despite the sale of structured yen deposits being temporarily discontinued.

Due to the implementation of various rationalization and efficiency measures, such as reconsidering the unit price for advertising or the impact of a substantial reduction of deposit insurance premium rates, general and administrative expenses decreased to ¥30.2 billion for the fiscal year ended March 31, 2013 compared to ¥31.3 billion for the previous fiscal year.

Net credit costs totaled ¥16 million for the fiscal year ended March 31, 2013, compared to ¥1.2 billion for the previous fiscal year. As a result, ordinary business profit after net credit costs was ¥2.8 billion for the fiscal year ended March 31, 2013, compared to ordinary business profit after net credit costs of ¥3.5 billion for the previous fiscal year.

SHINSEI FINANCIAL AND SHINSEI BANK CARD LOAN LAKE

Ordinary business profit after net credit costs of Shinsei Financial and Shinsei Bank Card Loan Lake was ¥12.4 billion for the fiscal year ended March 31, 2013, compared to ¥24.7 billion

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

for the previous fiscal year.

Total revenue was ¥37.6 billion for the fiscal year ended March 31, 2013, compared to ¥43.9 billion for the previous fiscal year, as the loan balance continued to decrease due to the ongoing effects of the revised Money-Lending Business Control and Regulation Law. However, the declining pace of the combined loan balances at Shinsei Financial and Shinsei Bank Card Loan Lake has slowed, due to the commencement of the Bank-based consumer finance business from October 2011, and although marginal, there has been an increase in the fourth quarter of the fiscal year ended March 31, 2013. Specifically, the loan balance decreased by ¥64.8 billion in the previous fiscal year, however the decrease was ¥16.6 billion for the first nine months ended December 31, 2012, and an increase of ¥2.3 billion was recorded for the fourth quarter of the fiscal year ended March 31, 2013 (after including the loan balance of the Bank's consumer finance business).

Consumer finance is expected to incur a certain amount of net credit costs due to the inherent nature of the business. However, we are implementing strict credit management and have established a strong structure for loan collections, while credit quality continues to improve due to the income-linked borrowing limitation regulation implemented in 2010. Combined with the decline in loan balance, this resulted in net credit recoveries of ¥0.1 billion for the fiscal year ended March 31, 2013. Also, the fact that net credit recoveries of ¥8.0 billion were recorded for the previous fiscal year reflects the impact of a significant decrease in the loan balance of the previous fiscal year.

SHINKI

Ordinary business profit after net credit costs of SHINKI was ¥2.2 billion for the fiscal year ended March 31, 2013, compared to ¥4.7 billion for the previous fiscal year. Similar to Shinsei Financial, SHINKI's total revenue also decreased due to the revised Money-Lending Business Control and Regulation Law. However, the rate of decline has slowed.

APLUS FINANCIAL

Ordinary business profit after net credit costs of APLUS FINANCIAL amounted to ¥8.1 billion for the fiscal year ended March 31, 2013, compared to ¥13.0 billion for the previous fiscal year. Net interest income decreased to ¥9.2 billion for the fiscal year ended March 31, 2013, compared to ¥12.5 billion for the previous fiscal year due to the decrease in loan balance following implementation of the revised Money-Lending Business Control and Regulation Law. However, non interest income increased to ¥38.5 billion for the fiscal year ended March 31, 2013, compared to ¥35.9 billion for the previous fiscal year due to the steady increase in volume in the installment sales credit and settlement business. General and administrative expenses increased to ¥33.2 billion for the fiscal year ended March 31, 2013, from ¥30.2 billion for the previous fiscal year, due to an increase in depreciation for technology, despite continued rationalization and efficient business processes. Net credit costs increased to ¥6.4 billion for the fiscal year ended March 31, 2013, from ¥5.2 billion for the previous fiscal year.

INTEREST REPAYMENT

With regard to reserves for losses on interest repayments, an additional provision of reserve of ¥32.8 billion was made for the previous fiscal year, no additional reserves were made in the fiscal year ended March 31, 2013. The usage of reserves for losses on interest repayment for the fiscal year ended March 31, 2013 decreased, compared to the previous fiscal year at Shinsei Financial, SHINKI and APLUS FINANCIAL.

Shinsei Financial's usage of reserves for losses on interest repayments and others amounted to ¥4.8 billion for the fiscal year ended March 31, 2013, from ¥7.7 billion for the previous fiscal year. Additional reserves were not made resulting in a total balance of ¥21.3 billion in reserves for losses on interest repayment as of March 31, 2013, compared to ¥26.2 billion as of March 31, 2012. Losses on interest repayment at Shinsei Financial have been recorded for the portion of the portfolio not covered by the GE Japan Holdings Co., Ltd. ("GE") indemnity included in the purchase agreement of Shinsei Financial from GE.

SHINKI's usage of reserves for losses on interest repayments amounted to ¥6.2 billion for the fiscal year ended March 31, 2013, from ¥11.0 billion for the previous fiscal year. Additional reserves were not made resulting in a total balance of ¥7.8 billion in reserves for losses on interest repayment as of March 31, 2013, compared to ¥14.0 billion as of March 31, 2012.

APLUS FINANCIAL and its consolidated subsidiaries' usage of reserves for losses on interest repayments amounted to ¥4.8 billion for the fiscal year ended March 31, 2013, from ¥6.4 billion for the previous fiscal year. Additional reserves were not made resulting in a total balance of ¥5.7 billion in reserves for losses on interest repayment as of March 31, 2013, compared to ¥10.6 billion as of March 31, 2012.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

TABLE 14. INDIVIDUAL GROUP ORDINARY BUSINESS PROFIT (LOSS) AFTER NET CREDIT COSTS (RECOVERIES) BY BUSINESS/SUBSIDIARY (CONSOLIDATED)

	Billions of yen		
Fiscal years ended March 31	**2013**	2012	% Change
Retail Banking:			
Net interest income	**¥ 26.0**	¥ 29.1	(10.8)
Non interest income	**7.0**	6.9	2.2
Total revenue	**33.1**	36.0	(8.3)
General and administrative expenses	**30.2**	31.3	(3.6)
Ordinary business profit	**2.8**	4.7	(39.3)
Net credit costs	**0.0**	1.2	(98.6)
Ordinary business profit after net credit costs	**¥ 2.8**	¥ 3.5	(18.6)
Shinsei Financial and Shinsei Bank Lake[1]:			
Net interest income	**¥ 40.9**	¥ 47.0	(13.0)
Non interest income	**(3.2)**	(3.0)	(7.1)
Total revenue	**37.6**	43.9	(14.4)
General and administrative expenses	**25.2**	27.2	(7.2)
Ordinary business profit	**12.3**	16.7	(26.1)
Net credit costs (recoveries)	**(0.1)**	(8.0)	98.5
Ordinary business profit after net credit costs (recoveries)	**¥ 12.4**	¥ 24.7	(49.6)
SHINKI:			
Net interest income	**¥ 6.9**	¥ 8.4	(18.4)
Non interest income	**(0.5)**	(0.6)	9.1
Total revenue	**6.3**	7.8	(19.1)
General and administrative expenses	**4.0**	3.4	17.3
Ordinary business profit	**2.2**	4.3	(48.5)
Net credit costs (recoveries)	**(0.0)**	(0.4)	88.8
Ordinary business profit after net credit costs (recoveries)	**¥ 2.2**	¥ 4.7	(52.1)
APLUS FINANCIAL:			
Net interest income	**¥ 9.2**	¥ 12.5	(26.5)
Non interest income	**38.5**	35.9	7.3
Total revenue	**47.8**	48.5	(1.5)
General and administrative expenses	**33.2**	30.2	9.8
Ordinary business profit	**14.6**	18.2	(20.1)
Net credit costs	**6.4**	5.2	24.8
Ordinary business profit after net credit costs	**¥ 8.1**	¥ 13.0	(38.0)
Others[2]:			
Net interest income	**¥ 1.4**	¥ 1.5	(10.4)
Non interest income	**0.1**	0.1	9.3
Total revenue	**1.6**	1.7	(8.4)
General and administrative expenses	**0.5**	0.3	38.2
Ordinary business profit	**1.1**	1.3	(20.5)
Net credit costs (recoveries)	**(0.0)**	0.2	(138.5)
Ordinary business profit after net credit costs (recoveries)	**¥ 1.1**	¥ 1.1	3.0
Total Individual Group:			
Net interest income	**¥ 84.4**	¥ 98.7	(14.5)
Non interest income	**42.0**	39.3	6.7
Total revenue	**126.4**	138.1	(8.4)
General and administrative expenses	**93.3**	92.6	0.7
Ordinary business profit	**33.1**	45.4	(27.0)
Net credit costs (recoveries)	**6.2**	(1.7)	450.4
Ordinary business profit after net credit costs (recoveries)	**¥ 26.9**	¥ 47.2	(43.0)

Notes: (1) Results for Shinsei Financial and Shinsei Bank Lake (started on October 1, 2011) are combined on a management accounting basis from October 1, 2011.
(2) Includes Shinsei Property Finance and unallocated Consumer Finance Sub-Group financials.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

TABLE 15. CORPORATE/OTHER ORDINARY BUSINESS PROFIT (LOSS) AFTER NET CREDIT COSTS (RECOVERIES) BY BUSINESS (CONSOLIDATED)

	Billions of yen		
Fiscal years ended March 31	**2013**	2012	% Change
Treasury Sub-Group[(1)]:			
Net interest income	**¥ (2.7)**	¥ (9.2)	70.8
Non interest income	**7.2**	3.1	129.1
Total revenue	**4.4**	(6.1)	173.4
General and administrative expenses	**1.2**	1.0	17.0
Ordinary business profit (loss)	**3.2**	(7.2)	144.9
Net credit costs	**-**	-	-
Ordinary business profit (loss) after net credit costs	**¥ 3.2**	¥ (7.2)	144.9
Corporate/Other (excluding Treasury Sub-Group)[(2)]:			
Net interest income	**¥ (2.8)**	¥ (2.9)	2.9
Non interest income	**(0.2)**	0.2	(176.6)
Total revenue	**(3.1)**	(2.6)	(15.6)
General and administrative expenses	**0.7**	(0.5)	249.2
Ordinary business profit (loss)	**(3.8)**	(2.1)	(77.6)
Net credit costs (recoveries)	**0.5**	(1.0)	147.4
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ (4.3)**	¥ (1.0)	(300.6)
Corporate/Other:			
Net interest income	**¥ (5.6)**	¥ (12.2)	54.2
Non interest income	**6.9**	3.4	103.6
Total revenue	**1.3**	(8.8)	115.6
General and administrative expenses	**2.0**	0.5	257.0
Ordinary business profit (loss)	**(0.6)**	(9.3)	93.1
Net credit costs (recoveries)	**0.5**	(1.0)	147.4
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ (1.1)**	¥ (8.2)	86.0

Notes: (1) Results for Treasury Sub-Group is included in Corporate/Other, formerly shown in the Global Markets Group, in line with the organizational change on July 1, 2012.
(2) Includes company-wide accounts, allocation variance of indirect expense and elimination amount of inter-segment transactions.

CORPORATE/OTHER

Corporate/Other includes company-wide accounts, allocation variance of indirect expense and elimination amount of inter-segment transactions. For the fiscal year ended March 31, 2013, ordinary business loss after net credit costs was ¥1.1 billion.

The Treasury Sub-Group, which governs the ALM for the Bank overall, was transferred to the Finance Group as part of organizational changes implemented on July 1, 2012, and its results are now included in the Corporate/Other segment. Treasury Sub-Group's total revenue was a profit of ¥4.4 billion for the fiscal year ended March 31, 2013, compared to a loss of ¥6.1 billion for the previous fiscal year. The sub-group holds liquidity reserves and Japanese national government bonds for ALM purposes and during the fiscal year ended March 31, 2013 the sub-group also traded Japanese national government bonds to facilitate liquidity management and earned sales gains at the same time. Net sales gains increased from ¥1.8 billion for the previous fiscal year to ¥4.9 billion for the fiscal year ended March 31, 2013.

RESULTS OF OPERATIONS (NON-CONSOLIDATED)

OVERVIEW

We disclose non-consolidated financial information in addition to our consolidated financial statements. As a recipient of public funds, we are required by the FSA to update and report on non-consolidated performance in relation to targets set forth in our Revitalization Plan on a quarterly basis and to publicly disclose that information semi-annually.

Shinsei recorded a net income for the fiscal year ended March 31, 2013 of ¥24.6 billion on a non-consolidated basis. Differences between the net incomes on a non-consolidated basis and consolidated basis are mainly because of the gains and losses from our consolidated subsidiaries, including Showa Leasing, Shinsei Financial, APLUS FINANCIAL and SHINKI, the gains and losses on our investment in our equity-method affiliate, Jih Sun Financial Holding Co., Ltd., and the dividends received from our major consolidated subsidiaries.

TABLE 16. COMPARISON OF TARGETS AND RESULTS FOR KEY MEASURES IN THE REVITALIZATION PLAN (NON-CONSOLIDATED)

Billions of yen (except percentages)

	2013		2012	
Fiscal years ended March 31	**Target**	**Actual**	Target	Actual
Net income	**¥ 22.0**	**¥ 24.6**	¥ 15.0	¥ 13.8
Total expenses (without taxes) (1)	**66.3**	**64.1**	64.0	59.1
Return on equity based on net business profit(2)	**4.7%**	**3.9%**	5.2%	5.1%

Notes: (1) Equals Shinsei's total general and administrative expenses excluding business taxes such as consumption tax.
(2) Equals net business profit (jisshitsu gyomu jun-eki), as such term is defined under "Supplemental Measures" below, divided by average total equity excluding stock acquisition rights.

SUPPLEMENTAL MEASURES

In addition to the reporting items set forth in our non-consolidated financial statements, the Banking Act of Japan requires us to disclose gross business profit *(gyomu sorieki)* on a non-consolidated basis. Furthermore, in the Japanese banking industry, net business profit *(jisshitsu gyomu jun-eki)* has traditionally been used as a measure of the profitability of core banking operations. We review these non Japanese GAAP performance measures in monitoring the results of our operations.

Gross business profit *(gyomu sorieki)* is the sum of:

- net interest income, which excludes interest expense related to investment in monetary assets held in trust;
- net fees and commissions, which includes net gain (loss) on monetary assets held in trust (in keeping with the definition of gross business profit in our revitalization plan);
- net trading income; and
- net other business income, which excludes net gain (loss) on monetary assets held in trust and on equity securities.

Net business profit *(jisshitsu gyomu jun-eki)* is gross business profit *(gyomu sorieki)* minus non-consolidated expenses, which corresponds to general and administrative expenses adjusted for certain items.

While these non Japanese GAAP business profit measures should not be viewed as a substitute for net income, management believes that these measures provide a meaningful way of comparing a number of the important components of Shinsei's revenues and profitability from year to year. The following table sets forth these supplemental financial data and corresponding reconciliations to net income under Japanese GAAP for the fiscal years ended March 31, 2013 and 2012.

RESULTS OF OPERATIONS (NON-CONSOLIDATED) (continued)

TABLE 17. SUPPLEMENTAL MEASURES (NON-CONSOLIDATED)

Fiscal years ended March 31	Billions of yen 2013	2012
Gross business profit (gyomu sorieki):		
Net interest income	**¥ 62.0**	¥ 70.3
Net fees and commissions[(1)]	**10.3**	18.0
Net trading income	**14.5**	13.4
Net other business income (loss)	**6.3**	(6.9)
Total gross business profit	**93.3**	94.8
Expenses[(2)]	**67.3**	62.6
Net business profit (jisshitsu gyomu jun-eki)	**25.9**	32.1
Net credit costs	**(1.2)**	10.9
Other, net[(3)]	**(1.5)**	(3.0)
Net operating income (keijo rieki)	**25.7**	18.1
Extraordinary income (loss)	**(2.3)**	(1.8)
Income before income taxes	**23.4**	16.2
Current income taxes (benefit)	**(0.7)**	0.1
Deferred income taxes	**(0.4)**	2.1
Net income	**¥ 24.6**	¥ 13.8

Notes: (1) Includes net gain (loss) on monetary assets held in trust of ¥5.1 billion in the fiscal year ended March 31, 2013 and ¥12.2 billion in the previous fiscal year.
(2) General and administrative expenses with certain adjustment.
(3) Excludes net gain (loss) on monetary assets held in trust.

CRITICAL ACCOUNTING POLICIES

GENERAL

Our financial statements are prepared in accordance with Japanese GAAP. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. In addition, certain accounting principles require significant judgment by management in applying complex accounting principles to individual transactions to determine the most appropriate accounting treatment. We have established procedures and processes to facilitate making the estimates and assumptions necessary to value assets and liabilities, record transactions and prepare the financial statements. On an ongoing basis, management evaluates its estimates and judgments, including those related to the valuation of assets and liabilities. Although actual results may differ from these estimates under different assumptions and conditions and future changes in the key assumptions could change future valuations and results, we have used the best information available at the time to make our estimates. Significant accounting policies are described in Note 2 to the Consolidated Financial Statements included in this annual report.

Management believes the following are our critical accounting policies. These policies were considered "critical" because:

- the estimates involved in these policies require us to make assumptions about matters that are uncertain at the time the estimates are made; and
- different estimates that we reasonably could have used in the current period, or changes in the accounting estimate that are reasonably likely to occur from period to period, could have a material impact on the presentation of our financial condition, or changes in our financial condition or results of operations.

RESERVE FOR CREDIT LOSSES

The reserve for loan losses, a separate component of the reserve for credit losses, is management's estimate of the credit losses to be incurred in the lending portfolio and is discussed in further detail in "—Financial Condition—Asset Quality and Disposal of Non Performing Loans of Shinsei." We establish a specific reserve, a general reserve and a reserve for loans to restructuring countries based on our self-assessment guidelines to absorb estimated credit losses in the lending portfolio.

A specific reserve is provided for claims against obligors in the legally bankrupt, virtually bankrupt and possibly bankrupt categories. For claims against obligors in the legally and virtually bankrupt categories, the unsecured, unguaranteed portion of the claim is written off or otherwise fully reserved because such portion is deemed unlikely to be collected. For claims against obligors in the possibly bankrupt category, a specific reserve is principally determined by estimating discounted future cash flows, other than in cases where it is difficult to reasonably estimate future cash flows.

A general reserve is provided for claims against normal obligors, as well as claims against need caution obligors (including substandard obligors). Shinsei applies the discounted cash flow method in calculating the amount of a general reserve for most of its claims against substandard obligors. The amount of the reserve for claims against normal obligors and claims against

CRITICAL ACCOUNTING POLICIES (continued)

need caution obligors (other than substandard obligors of Shinsei which are subject to the discounted cash flow method) is based on the total amount of, as well as the expected loss ratios for, claims against each category of obligor. Using the expected loss ratios, which are based on the historical loss ratios calculated in accordance with the pre-defined method in internal reserves guidelines, Shinsei reserves for the estimated amount of losses for the next three years for claims against substandard obligors, for the remaining term of the claims with respect to claims against normal obligors given ratings of 5A through 6C in Shinsei's credit ratings system and claims against need caution obligors other than substandard obligors or other need caution obligors, and for the next year for claims against normal obligors given ratings higher than 5A.

Shinsei reviews its classification of obligors quarterly, although every month it downgrades obligors whose financial condition has deteriorated based on the results of its self-assessment process. A reserve for loans to restructuring countries is provided for estimated losses on those loans due to political and economic conditions in the countries.

Estimating Shinsei's specific reserve for claims against obligors in the possibly bankrupt category and the general reserve for claims against obligors in the substandard category is subject to a number of significant judgments and uncertainties regarding discounted cash flows due to the changing financial conditions of the obligors and general economic conditions surrounding the obligors' business operations. In addition, because the secured portion of claims is not covered by a specific reserve, actual losses on such claims are also subject to significant judgments and uncertainties regarding the fair value of collateral. Estimating the general reserve for claims against obligors in the normal and other need caution categories could be affected by changes made by management in the methodologies used to calculate the migration analyses of obligors or the assumptions used in the calculation of the reserve. As a result, actual losses in the non performing loans portfolio could be greater or less than we have estimated. If the estimated credit losses are not enough to cover actual losses incurred from the ultimate disposition of the portfolio, it would result in additional write-offs or additional reserves in the future for the lending portfolio, increasing our reported total credit costs. If the estimate is in excess of actual losses, it would result in a reduction of our total credit costs.

APLUS FINANCIAL establishes loan loss reserves based on the historical loss ratio for delinquent and non delinquent accounts. The amount of reserves in the case of delinquent accounts primarily depends on the number of months for which a particular account is past due. In addition, APLUS FINANCIAL writes off the entire amount of any claims it deems uncollectible, either as a result of personal bankruptcy or otherwise. Shinsei Financial and SHINKI establish loan loss reserves in the same manner as APLUS FINANCIAL, and Showa Leasing establishes reserves on the basis of obligor classification in accordance with its self-assessment guidelines.

RESERVE FOR LOSSES ON INTEREST REPAYMENTS

On October 13, 2006, the Japanese Institute of Certified Public Accountants (the "JICPA") issued "Audit Guidelines on Consumer Finance Companies' Provisions for Possible Losses on Reimbursements of Excess Interest Payments," or the Guidelines. These guidelines stipulate that consumer and commercial finance companies make certain provisions for possible losses on reimbursements of excess interest payments and loan losses related to consumer finance loans extended at interest rates in excess of the maximum interest rate prescribed in the Interest Rate Restriction Act of Japan. The reserve is established in the amount of the estimated future reimbursement requests based on past experience. If any of the assumptions change due to changes in circumstances, an additional reserve could become necessary.

In addition, a reserve for losses on interest repayments of Shinsei Financial is calculated considering the terms stipulated in the share transfer agreement entered into by and between the Bank and the seller, GE, for the acquisition of Shinsei Financial, under which the sharing of interest repayment costs between the Bank and GE is determined.

VALUATION OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

We have various types of financial instruments in our trading and banking books. Pursuant to Japanese GAAP, we record some of our financial instruments at their fair values, which are measured based on market prices or third-party quotes or, if both are unavailable, our internal valuation methodologies.

Although we strive to follow market standards in making assumptions and determining scenarios necessary for these valuation methodologies, the outcomes of our methodologies could differ from those derived from other methodologies.

AVAILABLE-FOR-SALE SECURITIES

We record available-for-sale securities, both debt and equity, at their fair values except for securities whose fair value cannot be reliably determined, such as non marketable equity securities, etc. The net unrealized gains or losses on these securities are included in and presented as a separate component of equity.

Available-for-sale securities include some securities without readily obtainable market prices or quotes. These securities primarily consist of residual interests and debt investments in collateralized debt obligations as well as illiquid corporate bonds. We estimate the fair values of these securities based on histori-

CRITICAL ACCOUNTING POLICIES (continued)

cal data concerning market prices and quotes. In some cases, we determine fair value using internal valuation methodologies that are subject to complex assumptions, including those relating to scenarios, interest rates and volatility.

IMPAIRMENT IN VALUE OF DEBT AND EQUITY SECURITIES

Available-for-sale debt and equity securities, and held-to-maturity debt securities are both exposed to the risk of decline in their fair values. If the decline in fair values of available-for-sale securities and held-to-maturity securities whose fair value can be reliably determined is deemed to be significant, impairment loss is recognized in the amortized/acquisition cost of the securities since the decline in fair values is deemed to be other than temporary. To determine whether an other-than-temporary impairment has occurred, we apply the following rule, which depends on the obligor classification of the security issuer based on our self-assessment guidelines:

Securities issued by "legally bankrupt," "virtually bankrupt" and "possibly bankrupt" obligors	The fair value of securities is lower than the amortized/acquisition cost
Securities issued by "need caution" obligors	The fair value of securities is 30% or more lower than the amortized/acquisition cost
Securities issued by "normal" obligors	The fair value of securities is 50% or more lower than the amortized/acquisition cost

See "—Financial Condition—Asset Quality and Disposal of Non Performing Loans—Self-Assessment Guidelines and Reserve Policies—Definition of Obligor Classifications," for the definition of each obligor classification.

For available-for-sale securities, whose fair value cannot be reliably determined, if the net asset value of a security has declined in excess of 50% of its acquisition cost, we deem the impairment to be other-than-temporary in principle.

FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING PURPOSES

Our trading book assets and liabilities consist of derivative financial instruments, securities, short-term money market investments and other monetary claims maturing within a short period of time.

In addition, we hold certain securities investments, such as foreign fund trusts and corporate bonds, financial assets backed by loans and receivables as well as mortgages included in securities, other monetary claims purchased and monetary assets held in trust that are not recorded in the trading book, but are held for trading purposes in the banking book. All of these trading-purpose assets and liabilities are booked at their fair values, and changes in value are reflected in our net income (loss). The fair values of trading-purpose assets that are traded actively in open markets are based on observable market prices of the same or similar securities and monetary claims.

When actively traded market prices are not available, we estimate the fair values of the assets and liabilities held for trading purposes using our internal valuation methodologies. These methodologies require us to use our judgment in both making assumptions regarding market parameters, such as swap rates for interest rate and currency swaps with longer maturities, as well as determining the required scenarios, such as future cash flow projections for financial assets underlying purchased monetary claims. In addition, we adjust the fair value estimates for derivative financial instruments to reflect credit and liquidity risks.

CREDIT TRADING ACTIVITIES

We are engaged in credit-trading activities in Japan and foreign countries, in which we purchase monetary claims such as loans, bonds, guarantees, receivables and lease receivables without intending to hold them to maturity. To recover our investment, we either collect on the claim, including through repayments, legal proceedings and discounted payoffs, or resell or securitize the claim. Claims purchased are recorded either in monetary assets held in trust or other monetary claims purchased, depending on the structure used for the purchase, and are principally measured at fair value. Fair value is estimated in the same way as it is for assets held for trading purposes. The internal valuation methodology we use to calculate the fair value of these claims primarily relies on a discounted cash flow method based on cash flow projections and implied discount rates. As estimations of future cash flows and discount rates are based on complex processes and contain an element of judgment, changes in assumptions could lead to different estimates of the fair value of monetary assets held in trust and other monetary claims purchased, which could in turn impact the related gain or loss amounts in our financial statements.

VALUATION OF DEFERRED TAX ASSETS

We record deferred tax assets for deductible temporary differences and tax loss carry-forwards and evaluate them in accordance with the guidelines of the JICPA. Under the JICPA guidelines for the valuation of deferred tax assets, if a company records a material amount of tax loss carry-forwards, in most cases, it is deemed difficult to reasonably estimate future "Taxable Income" (which, for the purpose of utilizing deferred tax assets, is treated as taxable income before adjustments for existing temporary differences and tax loss carry-forwards). If,

CRITICAL ACCOUNTING POLICIES (continued)

however, a company is able to reasonably estimate future Taxable Income for the next fiscal year, it may record deferred tax assets based on deductible temporary differences and tax loss carry-forwards to the extent that it is probable that those differences or carry-forwards would be used during the next fiscal year. In addition, the JICPA guidelines provide that a company with a material amount of tax loss carry-forwards could recognize deferred tax assets as realizable based on future Taxable Income, reasonably estimated, for up to the next five fiscal years if the tax loss carry-forwards had been incurred due to certain non recurring events, such as the restructuring of businesses, and there was not necessarily any significant doubt as to the company's ability to earn Taxable Income in the future.

As a result of Taxable Income (as defined in the previous paragraph) recorded in recent periods, we could have recorded deferred tax assets realizable based on a reasonable estimate of income for at least a part of the next five fiscal years if we would have demonstrated that we would record actual Taxable Income for the foreseeable future. We have evaluated the available evidence concerning our future Taxable Income and other possible sources of the realization of deferred tax assets, and have concluded that we should record deferred tax assets that are realizable only in the following fiscal year for Shinsei and most of its subsidiaries. We have recorded a valuation allowance to reduce deferred tax assets accordingly. The actual Taxable Income amount for the fiscal year ended March 31, 2014 may be different from our estimate, which would result in a larger or smaller amount of deferred tax assets that should have been recognized.

"Act for Partial Revision to the Income Tax Act, etc. in order to Build a Tax Framework in Response to Changes in the Structure of the Economic Society" (Law No. 114 for 2011) and "Act on Special Measures for Securing Financial Resources Required to Implement Actions for Recovery from the Great East Japan Earthquake" (Law No. 117 for 2011) were promulgated in December 2, 2011. Since the fiscal year beginning on or after April 1, 2012, the corporate tax rate has been reduced and the reconstruction special corporate tax has been imposed. In connection with this change, the effective statutory tax rate for calculating deferred tax assets and deferred tax liabilities has been changed from the existing 40.7% to 38.0% for temporary differences and tax loss carryforwards that are expected to be realized between the fiscal year beginning on April 1, 2012 and the fiscal year beginning on April 1, 2014; and to 35.6% for temporary differences and tax loss carryforwards that are expected to be realized in and after the fiscal year beginning on April 1, 2015. With these tax rate changes, deferred tax assets have decreased by ¥824 million and deferred tax liabilities have decreased by ¥162 million while unrealized gain (loss) on available-for-sale securities has increased by ¥30 million and income taxes-deferred have increased by ¥851 million.

Since the fiscal year beginning on or after April 1, 2012, the use of tax loss carryforwards has been limited to the equivalent of 80% of taxable income before deducting tax loss carryforwards. Due to this limitation, in the fiscal year ending on March 31, 2012, deferred tax assets decreased by ¥202 million and deferred tax liabilities increased by ¥291 million while income taxes-deferred increased by ¥494 million.

RESERVE FOR EMPLOYEES' RETIREMENT BENEFITS

Shinsei, APLUS FINANCIAL and Showa Leasing each have a non contributory defined benefit pension plan, and Shinsei Financial and certain of Shinsei's consolidated domestic subsidiaries have unfunded severance indemnity plans, which cover substantially all of our employees. A reserve for employees' retirement benefits is provided for the payment of employees' retirement benefits in future years. We follow guidelines for accounting for employees' retirement benefit plans issued by the JICPA and estimate the amounts of the projected benefit obligation and the fair value of pension plan assets at the end of the fiscal year using assumptions for the expected rate of return on plan assets and the discount rate.

We determine the expected rate of return on plan assets based on the targeted average long-term performance of the assets. Because assumptions regarding the rate of return on assets are affected by changing general economic and market conditions, we need to make significant judgments to determine appropriate assumptions underlying the estimate of long-term performance, which also impact the estimate of the reserve for employees' retirement benefits and net periodic retirement benefit cost.

We have selected the interest rate for Japanese government bonds with a maturity which is the closest to the period of time for effective settlement of the benefit obligation under the pension plan as the basis for the discount rate. If we become aware of information that leads us to determine that a different period for settling the benefit obligation is required, the discount rate could be changed accordingly, which may have an impact on the related amounts reported in our financial statements. Changing our methodologies for calculating the estimated settlement period would also affect our estimate of the discount rate and related amounts in our financial statements.

HEDGE ACCOUNTING

We follow guidelines issued by the JICPA regarding hedge accounting applicable to financial assets and liabilities exposed to a risk of change in fair value or cash flow. Derivative transactions that meet the hedge accounting criteria are primarily accounted

CRITICAL ACCOUNTING POLICIES (continued)

for under a deferral method whereby unrealized gains and losses are deferred in a separate component of equity until the gains and losses on the hedged items are realized.

We adopted portfolio hedging in accordance with Industry Audit Committee Report No.24 issued by the JICPA. Under portfolio hedging activities to mitigate the change in fair value, a portfolio of hedged items with common maturities such as deposits or loans is designated and matched with a group of hedging instruments such as interest rate swaps, which offset the effect of fair value fluctuations of the hedged items by identified maturities. The effectiveness of the portfolio hedging is assessed by each group.

As for portfolio hedging activities to fix the cash flows, the effectiveness is assessed based on the correlation between the base interest rate index of the hedged cash flow and that of the hedging instrument. The interest rate swaps of certain consolidated subsidiaries which qualify for hedge accounting and meet specific matching criteria are not measured at fair values, but the net payments or receipts under the swap agreements are recognized and included in interest expenses or income.

Shinsei applies either deferral hedge accounting or fair value hedge accounting in accordance with Industry Audit Committee Report No.25 of the JICPA to the derivative transactions that meet the hedge accounting criteria for mitigating foreign currency fluctuation risks of Shinsei's financial assets and liabilities such as fund swap and certain currency swap transactions. Fund swap transactions are foreign exchange swaps, and consist of spot foreign exchange contracts bought or sold and forward foreign exchange contracts sold or bought. Such transactions are contracted for the purpose of lending or borrowing in a different currency and converting the corresponding principal equivalents and foreign currency equivalents to pay and receive, whose amounts and due dates are predetermined at the time of the transactions, into forward foreign exchange contracts sold or bought. Under deferral hedge accounting, hedged items are identified by grouping the foreign currency-denominated financial assets and liabilities by currencies and designating derivative transactions such as currency swap transactions and forward exchange contracts as hedging instruments. Hedge effectiveness is reviewed by comparing the total foreign currency position of the hedged items and hedging instruments by currency.

In accordance with Industry Audit Committee Report No.25 of the JICPA, Shinsei also applies deferral hedge accounting and fair value hedge accounting to translation gains or losses from foreign currency assets of net investments in foreign nonconsolidated subsidiaries, affiliates and securities available for sale (other than bonds denominated in foreign currencies) when such foreign currency exposures recorded as assets are hedged with offsetting foreign currency liabilities and the liabilities exceed the acquisition cost of such foreign currency assets.

IMPAIRMENT OF LONG-LIVED ASSETS

We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Impairment losses on an asset or asset group establish a new cost basis for the assets. We evaluate our long-lived assets for impairment using our best estimates based on reasonable and supportable assumptions and projections. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of an asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

BUSINESS COMBINATIONS

For consolidated financial statement purposes, assets and liabilities of acquired subsidiaries are recorded primarily on the basis of their estimated fair values at the date of the acquisition.

We acquired controlling interests in APLUS FINANCIAL and Showa Leasing on September 29, 2004 and March 23, 2005, respectively. On December 13, 2007, we acquired a controlling interest in SHINKI, which was previously an affiliate, through the purchase of additional shares. On September 22, 2008, the Bank, together with APLUS FINANCIAL, acquired 100% of the controlling interest (equity and debt) in Shinsei Financial, and its subsidiaries.

In connection with the consolidation of APLUS FINANCIAL, Showa Leasing, SHINKI and Shinsei Financial, we recognized the assets (including intangibles) and liabilities of those entities primarily at their fair values. We used quoted market prices in active markets as the best evidence of fair value, where available. If quoted market prices were not available, the estimate of fair value was based on the best information available, including prices for similar assets and liabilities and the results using other fair value measurement methodologies. We adopted the following methodologies based on the nature of the assets and liabilities being valued and the availability of information:

- market approach: market transactions involving the sale of comparable assets;
- income approach: present value of earnings attributable to the asset.

As a result of fair value recognition, reserves for credit losses were offset with the corresponding loans or other assets.

We also recognized certain identifiable intangible assets in connection with the acquisition of Showa Leasing, Shinsei Financial and their consolidated subsidiaries, because they

CRITICAL ACCOUNTING POLICIES (continued)

were separable such as contractual or other legal rights. The identified other intangible assets consist of trade names and customer and/or merchant relationships, among others, which are valued using variations of the income approach and which are being amortized over various periods and using different methodologies depending on the nature of the asset. See Note 2 (C) to the Consolidated Financial Statements.

The excess of the purchase price over the fair value of the net assets acquired, including identified intangible assets, was recorded as goodwill and is being amortized on a consistent basis primarily over 20 years. The amortization period of 20 years is the maximum period allowed under Japanese GAAP and was determined based upon the Bank's business strategy. With regard to the acquisitions undertaken before April 1, 2010, accounted for under the previous accounting standard, when the purchase price was lower than the fair value of the net assets acquired, including identified intangible assets, the difference is recorded as negative goodwill and primarily amortized on a straight-line basis over 20 years, which is the maximum period allowed under the previous accounting standards. Any unamortized balances of identified other intangible assets and goodwill are subject to impairment testing periodically.

IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS

We conduct impairment testing for goodwill and intangible assets acquired in business combinations as a result of certain triggering events such as:

- An expectation of an operating loss or negative cash flow for two consecutive years;
- Impairment of underlying investment securities is recognized;
- A significant adverse change in the environment surrounding the business operations of the subsidiary, such as a change in the law which significantly impacts the business in a negative way; and
- Management decisions that could have an adverse effect on the value of goodwill and intangible assets acquired in business combinations

As the first step of the impairment test, we estimate the undiscounted future cash flows of the business. If the value of the undiscounted future cash flows is less than the book value of the net assets, including goodwill and intangible assets acquired in business combinations, of the business, it is determined that impairment exists and the next step of the impairment test is performed to measure the amount of impairment loss.

The next step of the impairment test compares the "value in use," which is calculated as the discounted value of future cash flows of the business, and the net asset book value which includes unamortized balances of goodwill and intangible assets acquired in business combinations. (i) Impairment loss for the total of goodwill and intangible assets acquired in business combinations, is recognized as an amount by which the net asset book value exceeds the "value in use." The fair value of intangible assets acquired in business combinations is determined in the same manner used to apply purchase accounting at the date of the initial acquisition, and (ii) the impairment loss on intangible assets acquired in business combinations, is determined as the difference between the fair value and book value. Finally the impairment loss on goodwill is calculated as (i) less (ii) above.

ASSET RETIREMENT OBLIGATIONS

Effective April 1, 2010, the Group has applied ASBJ Statement No.18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No.21 "Guidance on Accounting Standard for Asset Retirement Obligations."

Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability.

The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

See "(AD) NEW ACCOUNTING PRONOUNCEMENTS" in Note 2 "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES" to the Consolidated Financial Statements.

FINANCIAL CONDITION

TOTAL ASSETS

As of March 31, 2013, we had consolidated total assets of ¥9,029.3 billion, representing a 4.9% increase from March 31, 2012.

Our loans and bills discounted balance was ¥4,292.4 billion as of March 31, 2013. It increased by ¥155.6 billion compared to the balance of ¥4,136.8 billion as of March 31, 2012. The Institutional Group grew their balance of loans and bills discounted, due to efforts to make new loan disbursements, while housing loans increased in the Individual Group. On the other hand, we saw continued reduction of our non core assets, and a lower loan balance within our consumer finance business due to the impact of the revised Money-Lending Business Control and Regulation Law. However, the pace of decrease in the consumer finance loan balance has gradually become less pronounced, mainly due to the commencement of the Bank-based consumer finance business from October 2011. The loan balance within our consumer finance business has increased slightly on a quarterly basis in the fourth quarter of the fiscal year ended on March 31, 2013. The total loans and bills discounted increased due to an increase in core business loans and bills discounted which exceeded the negative factors.

SECURITIES

The following table sets forth the composition of our consolidated portfolio of trading securities in the banking book, available-for-sale securities and held-to-maturity securities as of March 31, 2013. As reflected below, 82.5% of the securities will mature during the next five years. The balance of securities as of March 31, 2013 was ¥1,842.3 billion, almost the same of ¥1,873.4 billion as of March 31, 2012. Over half of the investments in securities were consisted of Japanese national government bonds for ALM purposes, including liquidity reserves. In the course of portfolio management, the total balance of Japanese national government bonds was ¥1,337.3 billion as of March 31, 2013, as compared to ¥1,285.1 billion as of March 31, 2012.

TABLE 18. SECURITIES BY MATURITY (CONSOLIDATED)

Billions of yen

	As of March 31, 2013							
	One year or less	**Over one year to three years**	**Over three years to five years**	**Over five years to seven years**	**Over seven years to ten years**	**Over ten years**	**Unspecified term**	**Total**
Japanese national government bonds	**¥ 158.0**	**¥ 420.8**	**¥ 642.9**	**¥ 77.1**	**¥ 38.3**	**¥ —**	**¥ —**	**¥ 1,337.3**
Japanese local government bonds	**—**	**—**	**0.5**	**—**	**—**	**—**	**—**	**0.5**
Japanese corporate bonds	**64.0**	**68.5**	**29.5**	**21.6**	**—**	**—**	**—**	**183.6**
Japanese equity securities	**—**	**—**	**—**	**—**	**—**	**—**	**27.2**	**27.2**
Foreign bonds and other	**16.0**	**50.2**	**68.7**	**36.4**	**30.1**	**3.5**	**88.2**	**293.5**
Total securities	**¥ 238.1**	**¥ 539.6**	**¥ 741.8**	**¥135.1**	**¥ 68.4**	**¥ 3.5**	**¥ 115.4**	**¥ 1,842.3**

Billions of yen

	As of March 31, 2012							
	One year or less	Over one year to three years	Over three years to five years	Over five years to seven years	Over seven years to ten years	Over ten years	Unspecified term	Total
Japanese national government bonds	¥ 362.7	¥ 509.8	¥ 242.0	¥ 95.0	¥ 75.4	¥ —	¥ —	¥1,285.1
Japanese local government bonds	1.2	—	0.5	—	—	—	—	1.7
Japanese corporate bonds	129.3	81.5	36.4	3.8	—	—	—	251.0
Japanese equity securities	—	—	—	—	—	—	27.7	27.7
Foreign bonds and other	66.7	25.7	42.5	31.6	31.8	7.2	101.9	307.7
Total securities	¥ 560.0	¥ 617.0	¥ 321.5	¥ 130.6	¥ 107.3	¥ 7.2	¥ 129.6	¥1,873.4

FINANCIAL CONDITION (continued)

LOAN PORTFOLIO

As of March 31, 2013, loans and bills discounted totaled ¥4,292.4 billion. This represented 47.5% of total consolidated assets. Installment receivables of APLUS FINANCIAL, Showa Leasing and our other non bank subsidiaries are classified in our consolidated balance sheets as other assets, and are not reflected in our data on loans and bills discounted.

Most of our loan portfolio was originated by Shinsei and our domestic subsidiaries. Of loans we originated, loans to the finance and insurance industry and the real estate industry accounted for 31.1% of total loans as of March 31, 2013. Loans to the real estate industry consisted in part of non recourse and project finance loans. Loans to others of ¥1,768.1 billion as of March 31, 2013 included loans extended to Shinsei's retail banking, Shinsei Bank Lake, Shinsei Financial's, APLUS FINANCIAL's and SHINKI's individual customers amounting, in aggregate, to ¥1,561.3 billion.

TABLE 19. LOANS BY BORROWER INDUSTRY (CONSOLIDATED)

	Billions of yen (except percentages)			
As of March 31	2013		2012	
Domestic offices (excluding Japan offshore market account):				
Manufacturing	¥ 242.9	5.7%	¥ 244.5	6.0%
Agriculture and Forestry	0.2	0.0	0.3	0.0
Fishery	—	—	—	—
Mining, quarrying and gravel extraction	0.1	0.0	0.2	0.0
Construction	13.9	0.3	15.9	0.4
Electric power, gas, heat supply and water supply	124.8	3.0	48.6	1.2
Information and communications	31.7	0.8	39.9	1.0
Transportation, postal service	230.0	5.4	245.0	6.1
Wholesale and retail	74.4	1.8	86.0	2.1
Finance and insurance	720.0	17.0	694.7	17.2
Real estate	597.7	14.1	598.3	14.8
Services	314.2	7.4	307.5	7.6
Local government	114.0	2.7	139.5	3.5
Others	1,768.1	41.8	1,622.4	40.1
Total domestic (A)	¥ 4,232.7	100.0%	¥ 4,043.4	100.0%
Overseas offices (including Japan offshore market accounts):				
Governments	¥ 1.8	3.2%	¥ 2.0	2.2%
Financial institutions	0.8	1.5	1.0	1.1
Others	56.9	95.3	90.2	96.7
Total overseas (B)	¥ 59.7	100.0%	¥ 93.3	100.0%
Total (A+B)	¥ 4,292.4		¥ 4,136.8	

TABLE 20. OVERSEAS AND OFFSHORE LOANS BY REGION (NON-CONSOLIDATED)

	Billions of yen	
As of March 31	2013	2012
United States	¥ 8.3	¥ 40.2
Asset-backed investments in the U.S.	—	5.2
Europe	43.6	50.3
Asset-backed investments in Europe	18.5	27.6
Others	155.0	118.1
Total overseas and offshore loans	¥ 207.0	¥ 208.7
Total asset-backed investments	¥ 18.5	¥ 32.9

FINANCIAL CONDITION (continued)

LOAN MATURITY

The following table sets forth the composition of Shinsei's non-consolidated loan portfolio by type of interest rate and maturity as of the dates indicated. In the fiscal year ended March 31, 2013, the increase in total loans resulted from an increase in both variable-interest rate loans and fixed-interest rate loans.

TABLE 21. LOAN MATURITY (NON-CONSOLIDATED)

	Billions of yen	
As of March 31	**2013**	2012
Fixed-interest loans:		
One year or less[(1)]	**¥ —**	¥ —
Over one year to three years	**48.1**	57.5
Over three years to five years	**15.3**	35.9
Over five years to seven years	**153.3**	191.7
Over seven years	**589.9**	475.9
Indefinite term	**77.0**	28.9
Variable-interest loans:		
One year or less[(1)]	**¥ —**	¥ —
Over one year to three years	**839.4**	764.2
Over three years to five years	**624.6**	629.8
Over five years to seven years	**155.6**	131.7
Over seven years	**650.5**	627.2
Indefinite term	**50.7**	61.9
Total loans:		
One year or less	**¥ 1,019.7**	¥ 1,097.5
Over one year to three years	**887.5**	821.7
Over three years to five years	**640.0**	665.8
Over five years to seven years	**308.9**	323.4
Over seven years	**1,240.4**	1,103.2
Indefinite term	**127.7**	90.8
Total loans	**¥ 4,224.4**	¥ 4,102.6

Note: (1) Loans with maturities of one year or less are not broken down by type of interest rate.

ASSET QUALITY AND DISPOSAL OF NON PERFORMING LOANS OF SHINSEI

At March 31, 2013, 71.9% of our consolidated non performing loans as disclosed in accordance with the guidelines of the Japanese Bankers Association (JBA) were held by Shinsei and most of the remaining non performing loans were held by Shinsei Financial and APLUS FINANCIAL. This discussion of our asset quality presents information of Shinsei on a non-consolidated basis unless specified otherwise. In particular, non performing claims as defined in the Financial Revitalization Law are only disclosed on a non-consolidated basis, and therefore do not include non performing loans held by Shinsei Financial, APLUS FINANCIAL, Showa Leasing and SHINKI. For a discussion of the non performing claims of Shinsei Financial, APLUS FINANCIAL, Showa Leasing and SHINKI see "—Asset Quality of Shinsei Financial, APLUS FINANCIAL, Showa Leasing and SHINKI."

We classify our obligors and assess our asset quality based on our self-assessment guidelines developed in accordance with guidelines published by the FSA. We generally perform our self-assessment quarterly. The self-assessment process involves classifying obligors based on their financial condition and then categorizing claims against obligors in order of collection risk. Based on these classifications, we establish reserves and disclose our non performing loans and other claims using criteria specified in the Financial Revitalization Law. We also disclose our non performing loans under a format devised by the JBA for the disclosure of risk-monitored loans.

The following table compares the scope of each category of claim under the Financial Revitalization Law and each type of risk-monitored loan, as well as the obligor type to which they relate as of March 31, 2013:

FINANCIAL CONDITION (continued)

COMPARISON OF CATEGORIES OF OBLIGORS, CLAIMS UNDER THE FINANCIAL REVITALIZATION LAW AND RISK-MONITORED LOANS (NON-CONSOLIDATED)

(Billions of yen)

Obligor Classifications	Internal Ratings	Reserve Ratios for Borrowers Type	Claims Classified under the Financial Revitalization Law(2)(3)	Other	Risk-monitored Loans(2)
			Total loans and bills discounted: 4,224.4	Other 336.0	Total loans and bills discounted: 4,224.4
Legally bankrupt	9E	100.0% for unsecured portion	Claims against bankrupt and quasi-bankrupt obligors 38.6 (Amount of coverage, coverage ratio) (38.6*, 100.0%) *Amount of reserve for loan losses is –, collateral and guarantees is 38.6		Loans to bankrupt obligors 8.1
Virtually bankrupt	9D	100.0% for unsecured portion			Non accrual delinquent loans 211.2
Possibly bankrupt	9C	96.1% for unsecured portion	Doubtful claims 198.3 (Amount of coverage, coverage ratio) (190.9*, 96.3%) *Amount of reserve for loan losses is 72.9, collateral and guarantees is 118.0		
Need caution: Substandard	9B	36.9%(4) for unsecured portion	Substandard claims (loan account only) 5.6 (Amount of coverage, coverage ratio) (3.1*, 55.1%) *Amount of reserve for loan losses is 1.1, collateral and guarantees is 2.0		Loans past due for three months or more Restructured loans 5.6
Need caution: Other need caution	9A	5.5% for total claims	Normal claims 4,317.8		Normal 3,999.3
Normal	0A–6C	0.4% for total claims			
			Total non performing claims and ratio to total claims 242.6, 5.3% (Total amount of coverage, coverage ratio) (232.7*, 95.9%) *Total amount of reserve for loan losses is 74.0, collateral and guarantees is 158.6		Total risk-monitored loans and ratio to total loans and bills discounted 225.0, 5.3%

Notes: (1) Financial and operational data that are stated in multiples of ¥0.1 billion have been truncated. All percentages have been rounded to the nearest 0.1%.
(2) The Financial Revitalization Law requires us to classify and disclose "claims" which include, in addition to loans and bills discounted, foreign exchange claims, securities lent, private placement bonds guaranteed by Shinsei, accrued income and suspense payments in other assets, as well as customers' liabilities for acceptances and guarantees. By comparison, as for risk-monitored loans, the format devised by the Japanese Bankers' Association only classifies, and calls for disclosure of, certain loans and bills discounted.
(3) Shaded claims denoted claims that are considered to be non performing under the Financial Revitalization Law.
(4) The general reserve is calculated to total claims and contains the reserve to secured portion as well.

In October 2002, the FSA announced the "Program for Financial Revival" that has led to more stringent evaluations of claims. This program requires banks to use discounted cash flow analyses, among other measures, when providing loan loss reserves against major borrowers with substandard claims. Through the program, the FSA also sought greater scrutiny of the effect of recording large amounts of deferred tax assets on the quality of a bank's regulatory capital. We have exceeded the FSA's requirements for employing the discounted cash flow method, applying it to approximately 90%, by principal amount, and ¥500 million or more in outstanding balance, of our claims against substandard obligors and possibly bankrupt obligors, excluding non Japanese transactions and transactions with individuals as their future cash flows cannot be reasonably estimated.

FINANCIAL CONDITION (continued)

SELF-ASSESSMENT GUIDELINES AND RESERVE POLICIES

DEFINITION OF OBLIGOR CLASSIFICATIONS

OBLIGOR CLASSIFICATION	DEFINITION
Legally bankrupt *(hatan-saki)*	Obligors who have already gone bankrupt, from a legal and/or formal perspective.
Virtually bankrupt *(jisshitsu hatan-saki)*	Obligors who have not yet gone legally or formally bankrupt but who are substantially bankrupt because they are in serious financial difficulties and are not deemed to be capable of restructuring.
Possibly bankrupt *(hatan kenen-saki)*	Obligors who are not yet bankrupt but are in financial difficulties and are very likely to go bankrupt in the future because they are having difficulty implementing their management improvement plans. This includes obligors who are receiving ongoing support from financial institutions.
Need caution *(youchui-saki)*	Obligors who require close attention because there are problems with their borrowings, such as reduced or suspended interest payments, problems with fulfillment, such as substantial postponements of principal or interest payments, or problems with their financial position as a result of their poor or unstable business conditions. The term "need caution obligors" includes "substandard obligors" *(youkanri-saki)*, which refers to obligors with "substandard claims," that is, loans past due for three months or more or restructured loans. Claims against need caution obligors that are not substandard claims are sometimes referred to as "claims against other need caution obligors" *(sono ta youchui-saki)*.
Normal *(seijou-saki)*	Obligors whose business conditions are favorable and who are deemed not to have any particular problems in terms of their financial position.

DEFINITIONS OF CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW

CATEGORY	DEFINITION
Claims against bankrupt and quasi-bankrupt obligors *(hasan kosei saiken oyobi korera ni junzuru saiken)*	Claims against obligors under bankruptcy and similar claims, as provided for under the Bankruptcy Law, the Corporate Reorganization Law, the Civil Rehabilitation Law and similar laws.
Doubtful claims *(kiken saiken)*	Claims against obligors that are not yet in bankruptcy but have experienced deterioration in their financial condition and operating performance and for which there is a high probability of contractual defaults on principal and interest payments.
Substandard claims *(youkanri saiken)*	Loans past due for three months or more and restructured loans, excluding those categorized as claims against bankrupt and quasi-bankrupt obligors or doubtful claims.
Normal claims *(seijou saiken)*	Claims against obligors that are experiencing no particular problems with their financial condition or operating performance, other than claims in any of the three categories above.

DEFINITIONS OF CATEGORIES OF RISK-MONITORED LOANS

CATEGORY	DEFINITION
Loans to bankrupt obligors *(hatan-saki saiken)*	Loans to legally bankrupt obligors.
Non accrual delinquent loans *(entai-saki saiken)*	Loans to virtually bankrupt and possibly bankrupt obligors.
Loans past due for three months or more *(san-ka-getsu ijou entai saiken)*	Loans on which principal and/or interest are past due three months or more.
Restructured loans *(kashidashi jouken kanwa saiken)*	Loans with lending terms that have been changed in ways favorable to the borrower, including reducing interest rates, providing grace periods for repayment and forgiving a portion of the debt.

FINANCIAL CONDITION (continued)

RESERVE POLICIES

CLAIMS AGAINST OBLIGORS, AS CATEGORIZED UNDER SELF-ASSESSMENT GUIDELINES	RESERVE POLICY
Claims against legally and virtually bankrupt obligors	We either write off directly or make a provision for, in the specific reserve for loan losses, the full amount of the unsecured, unguaranteed portion of the claim.
Claims against possibly bankrupt obligors	For most claims against possibly bankrupt obligors, we make a provision in the specific reserve for loan losses in an amount calculated based on the discounted cash flow method. For the remaining claims, we make a provision to that reserve for the unsecured, unguaranteed portion of the claims in the amount of the product of that portion and the higher of 70% or the estimated loss ratio, based on historical losses on claims in this category, for the next three years.
Claims against substandard obligors	For most claims against substandard obligors, we make a provision in the general reserve for loan losses in an amount calculated based on the discounted cash flow method. For the remaining claims, we make a provision to that reserve for the estimated amount of losses over three years computed based on the expected loss ratio for claims in this category.
Claims against need caution obligors, other than claims against substandard obligors	We make a provision, in the general reserve for loan losses, for the estimated amount of losses over the average remaining term of the loans computed based on the expected loss ratio for claims in this category.
Claims against normal obligors	For claims against obligors rated 5A through 6C under our credit rating system, we make a provision, in the general reserve for loan losses, for the estimated amount of losses over the average remaining term of the loans computed based on the expected loss ratio for claims in this category. For the remaining claims, we make a provision to that reserve for the estimated amount of losses over a year computed based on the expected loss ratio for claims in this category.

CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW

Under the Financial Revitalization Law, Japanese banks categorize their total claims in four categories by reference to the nature of the relevant assets. In addition to loans and bills discounted, claims that are subject to disclosure under the Financial Revitalization Law include foreign exchange claims, securities lent, private placement bonds guaranteed by Shinsei, accrued income and suspense payments in other assets, as well as customers' liabilities for acceptances and guarantees.

DISCLOSURE OF CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW

Our current management team has consistently emphasized the monitoring of non performing loans. Shinsei's total amount of non performing claims as disclosed pursuant to the Financial Revitalization Law decreased by ¥53.3 billion, or 18.0%, to ¥242.6 billion, between March 31, 2012 and 2013. During the fiscal year ended March 31, 2013, claims against bankrupt and quasi-bankrupt obligors decreased from ¥49.1 billion to ¥38.6 billion, doubtful claims decreased from ¥245.2 billion to ¥198.3 billion, and substandard claims increased from ¥1.5 billion to ¥5.6 billion as a result of our self assessment. The ratio of non performing claims disclosed under the Financial Revitalization Law to total non-consolidated claims as of March 31, 2013 decreased to 5.3%, compared to 6.7% as of March 31, 2012.

Shinsei's claims against other need caution obligors, excluding substandard claims, totaled ¥196.0 billion as of March 31, 2013, a 33.3% decrease from ¥293.9 billion as of March 31, 2012. These include private placement bonds guaranteed by Shinsei and classified as claims against other need caution obligors. These claims represented 4.3% of total non-consolidated claims as of March 31, 2013, down from 6.6% as of March 31, 2012.

TABLE 22. CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW (NON-CONSOLIDATED)

Billions of yen (except percentages)

As of March 31	**2013**	2012
Claims against bankrupt and quasi-bankrupt obligors	**¥ 38.6**	¥ 49.1
Doubtful claims	**198.3**	245.2
Substandard claims	**5.6**	1.5
Total claims disclosed under the Financial Revitalization Law(1)	**242.6**	295.9
Normal claims and claims against other need caution obligors, excluding substandard claims	**4,317.8**	4,149.8
Total claims	**¥ 4,560.4**	¥ 4,445.7
Ratio of total claims disclosed under the Financial Revitalization Law to total claims	**5.3%**	6.7%

Note: (1) Total claims consists of loans and bills discounted, foreign exchange claims, securities lent, accrued interest income and suspense payments in other assets, as well as customers' liabilities for acceptances and guarantees.

FINANCIAL CONDITION (continued)

COVERAGE RATIOS

As of March 31, 2013, Shinsei's non-consolidated coverage ratios for claims classified under the Financial Revitalization Law, which for each category of claims is the total of collateral pledged against claims, guarantees for claims and reserve for loan losses, measured against total claims, were 100.0% for claims against bankrupt and quasi-bankrupt obligors, 96.3% for doubtful claims and 55.1% for substandard claims. For all claims classified under the Financial Revitalization Law, the coverage ratio was 95.9%, a decrease from 96.7% as of March 31, 2012.

Shinsei directly writes off, rather than reserves, the portion of claims against bankrupt and quasi-bankrupt obligors that are estimated to be uncollectible. In the fiscal years ended March 31, 2013 and 2012, ¥58.1 billion and ¥74.9 billion, respectively, of such claims were written off on a non-consolidated basis.

TABLE 23. COVERAGE RATIOS FOR NON PERFORMING CLAIMS DISCLOSED UNDER THE FINANCIAL REVITALIZATION LAW (NON-CONSOLIDATED)

Billions of yen (except percentages)

	Amount of claims	Amounts of coverage: Reserve for loan losses	Collateral and guarantees	Total	Coverage ratio
As of March 31, 2013:					
Claims against bankrupt and quasi-bankrupt obligors	**¥ 38.6**	**¥ —**	**¥ 38.6**	**¥ 38.6**	**100.0%**
Doubtful claims	**198.3**	**72.9**	**118.0**	**190.9**	**96.3**
Substandard claims	**5.6**	**1.1**	**2.0**	**3.1**	**55.1**
Total	**¥ 242.6**	**¥ 74.0**	**¥ 158.6**	**¥ 232.7**	**95.9%**
As of March 31, 2012:					
Claims against bankrupt and quasi-bankrupt obligors	¥ 49.1	¥ 3.6	¥ 45.4	¥ 49.1	100.0%
Doubtful claims	245.2	72.5	162.9	235.4	96.0
Substandard claims	1.5	0.4	1.1	1.5	99.0
Total	¥ 295.9	¥ 76.6	¥ 209.5	¥ 286.1	96.7%

CHANGES IN AMOUNT OF NON PERFORMING CLAIMS

The table below sets forth Shinsei's experience since March 31, 2011 with the removal of non performing claims and the emergence of new claims on a non-consolidated basis:

TABLE 24. CHANGES IN AMOUNT OF NON-PERFORMING CLAIMS (NON-CONSOLIDATED)

Billions of yen

	Substandard claims	Doubtful claims	Claims against bankrupt and quasi-bankrupt obligors	Total
Balance of non performing claims as of March 31, 2011	¥ 6.3	¥ 210.7	¥ 62.4	¥ 279.5
Claims newly added April 1, 2011 to March 31, 2012	0.7	59.5	1.4	61.7
Claims removed April 1, 2011 to March 31, 2012	(2.1)	(27.7)	(15.5)	(45.4)
Claims migrating between classifications April 1, 2011 to March 31, 2012	(3.4)	2.6	0.7	—
Net change	(4.8)	34.5	(13.3)	16.3
Balance of non performing claims as of March 31, 2012	¥ 1.5	¥ 245.2	¥ 49.1	¥ 295.9
Claims newly added April 1, 2012 to March 31, 2013	**3.7**	**3.1**	**1.2**	**8.0**
Claims removed April 1, 2012 to March 31, 2013	**(0.4)**	**(38.8)**	**(22.0)**	**(61.3)**
Claims migrating between classifications April 1, 2012 to March 31, 2013	**0.8**	**(11.1)**	**10.3**	**—**
Net change	**4.1**	**(46.9)**	**(10.4)**	**(53.3)**
Balance of non performing claims as of March 31, 2013	**¥ 5.6**	**¥ 198.3**	**¥ 38.6**	**¥ 242.6**

In the fiscal year ended March 31, 2013, ¥8.0 billion of claims were newly classified as substandard or worse, while Shinsei removed ¥61.3 billion of claims in these categories during the same period. Of the newly added non performing claims, ¥3.1 billion were classified as doubtful claims, and ¥3.7 billion were substandard claims.

For the fiscal year ended March 31, 2012, ¥61.7 billion of claims were newly classified as substandard or worse, while Shinsei removed ¥45.4 billion of claims in these categories during the same period.

FINANCIAL CONDITION (continued)

RESERVE FOR CREDIT LOSSES

The following table sets forth a breakdown of our total reserve for credit losses on a non-consolidated basis as of the dates indicated:

TABLE 25. RESERVE FOR CREDIT LOSSES (NON-CONSOLIDATED)

Billions of yen (except percentages)

As of March 31	2013	2012
General reserve for loan losses	**¥ 28.5**	¥ 39.6
Specific reserve for loan losses	**74.0**	77.6
Reserve for loans to restructuring countries	**0.0**	0.0
Subtotal of reserve for loan losses	**102.6**	117.2
Specific reserve for other credit losses	**3.9**	3.9
Total reserve for credit losses	**¥ 106.5**	¥ 121.1
Total claims[1]	**¥ 4,560.4**	¥ 4,445.7
Ratio of total reserve for loan losses to total claims	**2.3%**	2.6%
Ratio of total reserve for credit losses to total claims	**2.3%**	2.7%

Note: (1) Total claims consists of loans and bills discounted, foreign exchange claims, securities lent, accrued interest income and suspense payments in other assets, as well as customers' liabilities for acceptances and guarantees.

As of March 31, 2013 and 2012, Shinsei's total reserve for credit losses on a non-consolidated basis was ¥106.5 billion and ¥121.1 billion, respectively, constituting 2.3% and 2.7%, respectively, of total claims.

TABLE 26. RESERVE RATIOS BY BORROWERS' CATEGORY (NON-CONSOLIDATED)

Percentages

As of March 31		2013	2012
Legally and virtually bankrupt	(unsecured portion)	**100.0%**	100.0%
Possibly bankrupt	(unsecured portion)	**96.1%**	95.4%
Substandard	(unsecured portion)	**36.9%**	240.9%[1]
Need caution	(total claims)	**5.5%**	5.8%
	(unsecured portion)	**27.4%**	15.1%
Normal	(total claims)	**0.4%**	0.6%

Note: (1) The general reserve is calculated to total claims and contains the reserve to secured portion as well.

RISK-MONITORED LOANS

Consolidated risk-monitored loans decreased by 15.9% during the fiscal year ended March 31, 2013 to ¥312.8 billion. The decrease of ¥63.8 billion in non accrual delinquent loans during the period were primarily attributable to collection of non-consolidated loans.

The following tables set forth information concerning our consolidated and non-consolidated risk-monitored loans as of the dates indicated:

TABLE 27. RISK-MONITORED LOANS (CONSOLIDATED)

Billions of yen (except percentages)

As of March 31	2013	2012
Total loans and bills discounted	**¥ 4,292.4**	¥ 4,136.8
Loans to bankrupt obligors (A)	**20.5**	8.1
Non accrual delinquent loans (B)	**252.9**	316.7
Subtotal (A)+(B)	**¥ 273.4**	¥ 324.8
Ratio to total loans and bills discounted	**6.4%**	7.9%
Loans past due for three months or more (C)	**¥ 1.2**	¥ 1.7
Restructured loans (D)	**38.1**	45.3
Total risk-monitored loans (A)+(B)+(C)+(D)	**¥ 312.8**	¥ 371.9
Ratio to total loans and bills discounted	**7.3%**	9.0%
Reserve for credit losses	**¥ 161.8**	¥ 180.6

FINANCIAL CONDITION (continued)

TABLE 28. RISK-MONITORED LOANS (NON-CONSOLIDATED)

As of March 31	Billions of yen (except percentages) 2013	2012
Total loans and bills discounted	¥ 4,224.4	¥ 4,102.6
Loans to bankrupt obligors (A)	8.1	3.5
Non accrual delinquent loans (B)	211.2	263.3
Subtotal (A)+(B)	¥ 219.4	¥ 266.8
Ratio to total loans and bills discounted	5.2%	6.5%
Loans past due for three months or more (C)	¥ 1.1	¥ 0.7
Restructured loans (D)	4.5	0.8
Total risk-monitored loans (A)+(B)+(C)+(D)	¥ 225.0	¥ 268.4
Ratio to total loans and bills discounted	5.3%	6.5%
Reserve for credit losses	¥ 106.5	¥ 121.1

TABLE 29. RISK-MONITORED LOANS BY BORROWER INDUSTRY (NON-CONSOLIDATED)

As of March 31	Billions of yen 2013	2012
Domestic offices (excluding Japan offshore market account):		
Manufacturing	¥ 7.5	¥ 10.8
Agriculture and Forestry	—	—
Fishery	—	—
Mining, quarrying and gravel extraction	—	—
Construction	—	—
Electric power, gas, heat supply and water supply	—	—
Information and communications	2.1	—
Transportation and postal service	2.9	5.5
Wholesale and retail	—	—
Finance and insurance	41.9	43.7
Real estate	128.4	158.5
Services	28.2	26.2
Local government	—	—
Individual	4.1	3.6
Overseas yen loan and overseas loans booked domestically	9.4	19.9
Total domestic (A)	¥ 225.0	¥ 268.4
Overseas offices (including Japan offshore market accounts):		
Governments	¥ —	¥ —
Financial institutions	—	—
Commerce and industry	—	—
Others	—	—
Total overseas (B)	¥ —	¥ —
Total (A+B)	¥ 225.0	¥ 268.4

TABLE 30. RISK-MONITORED OVERSEAS AND OFFSHORE LOANS BY REGION (NON-CONSOLIDATED)

As of March 31	Billions of yen 2013	2012
United States	¥ —	¥ —
Asset-backed investments in the U.S.	—	—
Europe	5.9	16.1
Asset-backed investments in Europe	5.9	15.9
Others	3.5	3.7
Total overseas and offshore loans	¥ 9.4	¥ 19.9
Total asset-backed investments[1]	¥ 5.9	¥ 15.9

Note: (1) As of March 31, 2013, reserve for loan losses and collateral/guarantees for risk monitored loans related to asset-backed investments were ¥0.3 billion and ¥5.0 billion, respectively, and the coverage ratio was 91.6%.

ASSET QUALITY OF SHINSEI FINANCIAL, APLUS FINANCIAL, SHOWA LEASING AND SHINKI

Shinsei Financial, APLUS FINANCIAL, Showa Leasing and SHINKI classify their obligors and assess their asset quality based on the self-assessment guidelines developed in accordance with guidelines published by the FSA. They generally perform their self-assessment quarterly and at least semi-annually. Shinsei Financial's, APLUS FINANCIAL's, Showa Leasing's and SHINKI's assessments, where applicable, include, among other things, an assessment of credit extended to credit card customers as well as lease obligors, unsecured personal loans and customer guarantees.

The following tables set forth information concerning consolidated risk-monitored loans and risk-monitored installment receivables held by Shinsei, Shinsei Financial, APLUS FINANCIAL, Showa Leasing, SHINKI and other subsidiaries as of the dates indicated:

TABLE 31. RISK-MONITORED LOANS BREAKDOWN FOR LARGE ENTITIES (CONSOLIDATED)

	Billions of yen					
	Shinsei	Shinsei Financial	APLUS FINANCIAL	SHINKI	Other subsidiaries	Total
As of March 31, 2013:						
Loans to bankrupt obligors	**¥ 8.1**	**¥ 1.1**	**¥ 0.0**	**¥ 0.0**	**¥ 11.1**	**¥ 20.5**
Non accrual delinquent loans	**211.2**	**6.4**	**15.1**	**0.7**	**19.3**	**252.9**
Loans past due for three months or more	**1.1**	**0.0**	**0.0**	**—**	**0.0**	**1.2**
Restructured loans	**4.5**	**21.6**	**9.9**	**1.9**	**—**	**38.1**
Total	**¥ 225.0**	**¥ 29.2**	**¥ 25.1**	**¥ 2.7**	**¥ 30.5**	**¥ 312.8**
As of March 31, 2012:						
Loans to bankrupt obligors	¥ 3.5	¥ 1.1	¥ 0.1	¥ 0.0	¥ 3.3	¥ 8.1
Non accrual delinquent loans	263.3	7.8	15.8	1.1	28.5	316.7
Loans past due for three months or more	0.7	0.0	0.0	—	0.9	1.7
Restructured loans	0.8	29.6	11.4	3.2	0.2	45.3
Total	¥ 268.4	¥ 38.6	¥ 27.4	¥ 4.3	¥ 33.0	¥ 371.9

TABLE 32. RISK-MONITORED INSTALLMENT RECEIVABLES INCLUDED IN OTHER ASSETS (CONSOLIDATED)(1)

	Billions of yen				
	Shinsei Financial	APLUS FINANCIAL	Showa Leasing	Other subsidiaries	Total
As of March 31, 2013:					
Credits to bankrupt obligors	**¥ 0.0**	**¥ 0.1**	**¥ 0.0**	**¥ 0.1**	**¥ 0.2**
Non accrual delinquent credits	**0.0**	**4.8**	**4.3**	**0.2**	**9.3**
Credits past due for three months or more	**—**	**0.2**	**0.0**	**—**	**0.2**
Restructured credits	**0.0**	**1.0**	**0.0**	**—**	**1.1**
Total	**¥ 0.0**	**¥ 6.2**	**¥ 4.4**	**¥ 0.3**	**¥ 11.0**
As of March 31, 2012:					
Credits to bankrupt obligors	¥ 0.0	¥ 0.0	¥ 0.1	¥ 0.1	¥ 0.3
Non accrual delinquent credits	0.0	4.4	5.2	0.5	10.2
Credits past due for three months or more	—	0.2	0.0	—	0.3
Restructured credits	0.0	1.3	0.2	—	1.5
Total	¥ 0.0	¥ 6.0	¥ 5.6	¥ 0.7	¥ 12.5

Note: (1) Neither Shinsei nor SHINKI had any such installment receivables.

FUNDING AND LIQUIDITY

We continues to optimize its funding base through deposits from retail customers. Total deposits and negotiable certificates of deposit increased from ¥5,362.4 billion as of March 31, 2012 to ¥5,457.5 billion as of March 31, 2013. The retail deposits balance totaled ¥4,694.9 billion as of March 31, 2013, an increase of ¥32.5 billion compared to March 31, 2012. Retail Banking constitutes 86.5% of our total funding through customer deposits and debentures. The following table shows changes in the proportion of our overall funding represented by funds raised from deposits and debentures in our Retail and Institutional Banking businesses.

FINANCIAL CONDITION (continued)

TABLE 33. DIVERSIFICATION BY FUNDING TYPE (CONSOLIDATED)

As of March 31	Billions of yen 2013	2012
Retail deposits	**¥ 4,694.9**	¥ 4,662.4
Retail debentures[1]	**253.8**	268.5
Institutional deposits	**762.5**	700.0
Institutional debentures	**8.4**	25.6
Total	**¥ 5,719.8**	¥ 5,656.5

Note: (1) Excludes unclaimed matured debentures.

DEPOSITS

The following table sets forth the composition of our time deposits by remaining maturity as of the dates indicated:

TABLE 34. MATURITY SCHEDULE OF TIME DEPOSITS (CONSOLIDATED)

As of March 31	Billions of yen 2013	2012
Less than three months[1]	**¥ 1,487.0**	¥ 1,626.4
Three months or more, but less than six months	**184.9**	260.7
Six months or more, but less than one year	**548.3**	167.3
One year or more, but less than two years	**521.5**	609.5
Two years or more, but less than three years	**209.3**	464.6
Three years or more	**299.3**	164.0
Total	**¥ 3,250.5**	¥ 3,292.7

Note: (1) Less than three months includes time deposits that have matured but have not yet been paid.

DEBENTURES AND CORPORATE BONDS

The following table sets forth the composition of our debentures and corporate bonds by remaining maturity as of the dates indicated:

TABLE 35. MATURITY SCHEDULE OF DEBENTURES AND CORPORATE BONDS (CONSOLIDATED)

Debentures

Fiscal year ending March 31	Billions of yen
2014	¥ 45.5
2015	44.2
2016	56.8
2017	57.2
2018 and thereafter	58.5
Total	¥ 262.3

Corporate Bonds

Fiscal year ending March 31	Billions of yen
2014	¥ 1.5
2015	34.5
2016	61.1
2017	4.6
2018 and thereafter	72.3
Total	¥ 174.2

FINANCIAL CONDITION (continued)

OTHER

The securitization of loans and other assets is another component of our funding strategy. We will continue to explore additional issuance opportunities subject to market conditions.

CREDIT RATINGS

Our borrowing costs and ability to raise funds are impacted directly by our credit ratings and changes thereto. On August 24, 2011, Moody's downgraded Shinsei's long-term credit rating to Ba1, outlook "Negative" from Baa3, outlook "Stable" and Shinsei's short-term credit rating from Prime-3 to Not Prime. Shinsei's credit ratings as of July 1, 2013 are set forth in the table below:

TABLE 36. SHINSEI'S CREDIT RATINGS AS OF JULY 2013

Rating agency	Long-term	Short-term
Moody's	Ba1	Not Prime
Standard & Poor's	BBB+	A-2
JCR	BBB	J-2
R&I	BBB+	a-2

OTHER CONTRACTUAL CASH OBLIGATIONS

We use other contractual cash obligations for funding purposes. The following table sets forth a summary of our primary consolidated other contractual cash obligations as of March 31, 2013 and 2012:

TABLE 37. OTHER CONTRACTUAL CASH OBLIGATIONS (CONSOLIDATED)

	Billions of yen		
Payments due by period as of March 31, 2013	**One year or less**	**Over one year**	**Total**
Borrowed money	**¥ 390.0**	**¥ 329.2**	**¥ 719.2**
Lease obligations	**0.6**	**3.3**	**4.0**
Total	**¥ 390.7**	**¥ 332.5**	**¥ 723.2**

	Billions of yen		
Payments due by period as of March 31, 2012	One year or less	Over one year	Total
Borrowed money	¥ 217.9	¥ 258.7	¥ 476.7
Lease obligations	0.7	4.3	5.0
Total	¥ 218.6	¥ 263.1	¥ 481.8

FINANCIAL CONDITION (continued)

TAXATION

SCHEDULE OF TAX LOSS CARRYFORWARDS

As of March 31, 2013, Shinsei had ¥168.0 billion of tax loss carryforwards based on the consolidated corporate tax system.

TABLE 38. SCHEDULE OF TAX LOSS CARRY-FORWARDS

	Billions of yen	
Year tax loss carry-forwards generated/renewed	Amount	Date of expiry
Shinsei Bank		
March 31, 2009	¥ 107.4	March 31, 2018
March 31, 2011	20.0	March 31, 2020
March 31, 2012	16.7	March 31, 2021
March 31, 2013	23.8	March 31, 2022
Total	¥ 168.0	
APLUS FINANCIAL		
March 31, 2007	¥ 29.5	March 31, 2014
March 31, 2008	11.8	March 31, 2015
March 31, 2009	0.0	March 31, 2018
March 31, 2010	0.0	March 31, 2019
March 31, 2012	5.8	March 31, 2021
March 31, 2013	0.2	March 31, 2022
Total	¥ 47.4	
Shinsei Financial		
December 31, 2007	¥ 28.2	March 31, 2014
December 31, 2008	38.7	March 31, 2018
March 31, 2009	27.5	March 31, 2018
March 31, 2010	148.4	March 31, 2019
March 31, 2011	22.8	March 31, 2020
March 31, 2012	26.1	March 31, 2021
Total	¥ 291.9	
Showa Leasing		
March 31, 2008	¥ 0.3	March 31, 2015
March 31, 2009	0.0	March 31, 2018
March 31, 2010	0.1	March 31, 2019
Total	¥ 0.4	
SHINKI		
March 31, 2008	¥ 19.0	March 31, 2015
March 31, 2009	9.2	March 31, 2018
March 31, 2010	5.6	March 31, 2019
March 31, 2011	14.0	March 31, 2020
March 31, 2012	5.3	March 31, 2021
March 31, 2013	5.5	March 31, 2022
Total	¥ 58.8	

The table above sets forth a schedule of tax loss carryforwards of Shinsei Bank, APLUS FINANCIAL, Shinsei Financial, Showa Leasing and SHINKI as of March 31, 2013. Because APLUS FINANCIAL, Shinsei Financial, Showa Leasing and SHINKI are not wholly-owned subsidiaries, we are unable to include their results in our consolidated tax returns.

In the event that Shinsei, APLUS FINANCIAL, Shinsei Financial, Showa Leasing or SHINKI, as the case may be, generates less taxable income in a given fiscal year than the tax loss carryforward that will expire at year-end, the benefit of the unused portion of the expiring tax loss carryforward will be lost.

We record deferred tax assets for tax loss carryforwards and evaluate them in accordance with the JICPA guidelines. See "—Critical Accounting Policies— Valuation of Deferred Tax Assets" on pages 81-82.

CONSOLIDATED CORPORATE TAX SYSTEM

We have filed our tax returns under the consolidated corporate tax system since the fiscal year ended March 31, 2004. Under the consolidated system, we base corporate tax payments on the combined profits or losses of Shinsei and its wholly-owned domestic subsidiaries.

Showa Leasing and APLUS FINANCIAL have also adopted the consolidated corporate tax system beginning with the fiscal year ended March 31, 2007 and March 31, 2011, respectively.

FINANCIAL CONDITION (continued)

CAPITAL RESOURCES AND ADEQUACY

EQUITY

The following table sets forth a summary of our equity as of March 31, 2013 and 2012:

TABLE 39. EQUITY (CONSOLIDATED)

	Billions of yen (except percentages)	
As of March 31	**2013**	2012
Common stock	**¥ 512.2**	¥ 512.2
Capital surplus	**79.4**	79.4
Stock acquisition rights	**1.2**	1.3
Retained earnings	**107.2**	58.8
Treasury stock, at cost	**(72.5)**	(72.5)
Accumulated other comprehensive income:		
Unrealized gain (loss) on available-for-sale securities	**3.8**	(0.6)
Deferred gain (loss) on derivatives under hedge accounting	**(11.6)**	(11.7)
Foreign currency translation adjustments	**1.4**	(1.1)
Total	**¥ 621.3**	¥ 565.7
Minority interests	**62.3**	61.8
Total equity	**¥ 683.6**	¥ 627.6
Ratio of total equity to total assets	**7.6%**	7.3%

CAPITAL RATIOS

From the fiscal year ended March 31, 2007, the Basel II methodology has been adopted to calculate capital ratios. For credit risk, the Foundation Internal Ratings Based Approach (FIRB) has been applied. For operational risk, the Standardized Approach (TSA) has been adopted and the Internal Model Method has been used for market risk.

Our total capital adequacy ratio as of March 31, 2013 was 12.2%, compared with 10.3% as of March 31, 2012. Our Tier I capital ratio, or the ratio of Tier I capital to risk assets, increased from 8.8% as of March 31, 2012 to 10.4% as of March 31, 2013.

FINANCIAL CONDITION (continued)

TABLE 40. CAPITAL RATIOS (CONSOLIDATED)

Billions of yen (except percentages)

As of March 31	2013	2012
Basic items (Tier I):		
Common stock	**¥ 512.2**	¥ 512.2
Capital surplus	**79.4**	79.4
Retained earnings	**107.2**	58.8
Treasury stock, at cost	**(72.5)**	(72.5)
Expected income distribution	**(2.6)**	(2.6)
Unrealized loss on available-for-sale securities(1)	**—**	—
Foreign currency translation adjustments	**1.4**	(1.1)
Stock acquisition rights	**1.2**	1.3
Minority interests in subsidiaries	**60.1**	59.7
Preferred securities issued by foreign SPC	**57.5**	56.7
Goodwill	**(35.3)**	(41.9)
Intangible assets acquired in business combinations	**(12.4)**	(16.2)
Gain on sale of securitization	**(9.5)**	(9.7)
50% of expected loss provision shortfall	**(20.3)**	(30.2)
Total Tier I (A)	**608.8**	537.1
Step-up preferred securities	**24.0**	23.6
Supplementary items (Tier II):		
General reserve for loan losses	**8.9**	9.1
Perpetual preferred stocks	**—**	—
Perpetual subordinated debt and bonds	**29.3**	28.7
Non perpetual preferred stocks	**—**	—
Non perpetual subordinated debt and bonds	**140.4**	159.1
Total	**¥ 178.7**	¥ 197.0
Amount eligible for inclusion in capital (B)	**178.7**	197.0
Deduction (C)	**¥ 71.7**	¥ 107.2
Intentional capital investment to other financial institutions	**5.8**	6.1
Capital investment to affiliate companies	**39.1**	38.6
50% of expected loss provision shortfall	**20.3**	30.2
Expected losses on exposures under PD/LGD measures such as equities	**0.8**	1.4
Unrated securitization exposure	**5.5**	30.8
Exclusion from deductions	**—**	—
Total capital (D) [(A)+(B)-(C)]	**¥ 715.8**	¥ 626.9
Risk assets:		
On-balance sheet items	**¥ 4,443.3**	¥ 4,537.4
Off-balance sheet items	**807.5**	908.6
Market Risk(2)	**228.2**	268.8
Operational Risk(2)	**368.5**	387.5
Total (E)	**¥ 5,847.7**	¥ 6,102.5
Consolidated capital adequacy ratio (D) / (E)	**12.2%**	10.3%
Consolidated Tier I capital ratio (A) / (E)	**10.4%**	8.8%

Notes: (1) In accordance with Japanese FSA Notification Number 79 (issued in 2008 as a special treatment of the FSA Notification Number 19 issued in 2006), unrealized losses on available-for-sale securities were not included in the Tier I capital of Japanese banks that use a domestic standard for calculating capital adequacy ratios.
(2) Derived by multiplying the capital requirement by 12.5 (i.e., the reciprocal of the minimum capital ratio of 8%).

COMPOSITION OF TIER I CAPITAL

In March 2009, Shinsei executed an innovative securities exchange transaction in which investors holding APLUS FINANCIAL Class-D preferred shares, which were included in our Tier II capital, were given an opportunity to exchange their holdings for newly issued Shinsei hybrid Tier I securities. In connection with this securities exchange and with a new hybrid Tier I securities issuance, Shinsei issued ¥48.2 billion of new hybrid Tier I securities. Of this amount, ¥39.1 billion was placed with investors who exchanged their holdings of APLUS FINANCIAL Class-D preferred shares issued to new hybrid Tier I investors, in addition, ¥9.1 billion was issued to new hybrid Tier I investors. In connection with this securities exchange, Shinsei made an investment of ¥64.5 billion in APLUS FINANCIAL Class-H preference shares.

The issuance of hybrid Tier I securities domestically at attractive levels facilitated our strategy of selectively repurchasing our outstanding capital securities. In particular, we repurchased a total of ¥91.0 billion of our U.S. dollar and JPY denominated hybrid Tier I step-up and non step-up securities and recorded a gain of ¥24.9 billion in connection with these repurchases in the fiscal year ended March 31, 2011. On March 15, 2011 we issued 690,000,000 new shares of its common stock through an international offering. The capital raising was geared to strengthen the Bank's core capital (common equity Tier I) ahead of impending new capital regulations, enhance its credit posi-

FINANCIAL CONDITION (continued)

tion and support efforts to expand its customer base and stabilize earnings as it works towards sustainable growth. The amount of proceeds of ¥71.8 billion obtained from the international offering was used for general corporate purposes. This capital increase led to an increase of Tier I through an increase of the capital stock and the capital surplus.

PREFERRED SECURITIES ISSUED BY SUBSIDIARIES OUTSIDE JAPAN

On February 23, 2006, we issued $775.0 million of step-up non cumulative perpetual preferred securities. The dividend on the preferred securities is 6.418% for the initial ten years. In addition, on March 23, 2006, we issued $700.0 million of non step-up non cumulative perpetual preferred securities. The dividend on the non step-up perpetual preferred securities is 7.16% for the initial ten years. On December 14, 2010, we concluded a cash tender offer for these perpetual preferred securities.

On March 30, 2009, we issued ¥22.6 billion in step-up non cumulative perpetual preferred securities. The dividend on the preferred securities is 5.00% for the initial ten years. In addition, on March 30, 2009, we also issued ¥25.6 billion in non step-up non cumulative perpetual preferred securities. The dividend on the non step-up perpetual preferred securities is 5.50% for the initial ten years.

On October 2, 2009 we issued ¥9.0 billion of non step-up non cumulative perpetual preferred securities. The dividend on the preferred securities is 5.5% for the initial six years of ¥4.0 billion of preferred securities and floating rate (JPY base Libor+4.55%) of ¥5.0 billion of preferred securities.

The proceeds from the offerings of the preferred securities are recorded as minority interests in subsidiaries and counted towards Tier I capital. The amount of such proceeds which may be counted towards Tier I capital is constrained by the amount of other Tier I capital outstanding. Our ability to raise additional regulatory capital in this manner could be constrained in the future, including due to the Basel Committee's proposed changes to capital adequacy regulations.

COMPOSITION OF TIER II CAPITAL

During the fiscal year ended March 31, 2011, the composition of our Tier II capital changed significantly as a result of our repurchases of upper Tier II and lower Tier II subordinated bonds. Our principal buybacks included ¥8.4 billion in aggregate principal amount (£63.2 million at the date of repurchase) of our Sterling Notes. We also repurchased ¥40.1 billion in aggregate principal amount which consists of €342.8 million of our Euro Notes, at the date of repurchase. While the repurchases reduced the amount of Tier II securities outstanding, we recorded a gain of ¥4.5 billion in connection with the repurchase of our Tier II bonds, including the Sterling Notes and the Euro Notes.

In September 2010, we completed an exchange offer for two series of foreign currency denominated subordinated bonds. We recorded a gain of approximately ¥3.0 billion in connection with the exchange offers in the fiscal year ended March 31, 2011.

The principal components of our Tier II capital are subordinated debt and bonds. As of March 31, 2013, we had ¥153.7 billion of subordinated bonds, ¥153.2 billion of which were issued by Shinsei and ¥92.0 billion of subordinated debt from private lenders, ¥17.0 billion of which were perpetual loans. None of our current Tier II capital consists of public funds. The other major element of our Tier II capital is the general reserve for loan losses.

Tier II capital is subject to the limitation that it cannot exceed the amount of Tier I capital, and non perpetual subordinated debt and bonds amortized on a straight line basis in the remaining five years before maturity cannot exceed half of the amount of Tier I capital. Subject to those ceilings, the entire amount of perpetual and non perpetual subordinated debt and bonds can be included in Tier II capital as of March 31, 2013. The table below sets forth the amount of our subordinated debt and bonds, as well as the portion included in our Tier II capital:

TABLE 41. SUBORDINATED DEBT AND BONDS (CONSOLIDATED)

Billions of yen

As of March 31, 2013	Perpetual[1]	Perpetual included in Tier II	Non perpetual[1]	Non perpetual included in Tier II[2]	Total	Total included in Tier II[2]
Subordinated debt	**¥ 17.0**	**¥ 17.0**	**¥ 75.0**	**¥ —**	**¥ 92.0**	**¥ —**
Subordinated bonds	**12.3**	**12.3**	**141.3**	**—**	**153.7**	**—**
Total	**¥ 29.3**	**¥ 29.3**	**¥ 216.3**	**¥ 140.4**	**¥ 245.7**	**¥ 169.7**

Billions of yen

As of March 31, 2012	Perpetual[1]	Perpetual included in Tier II	Non perpetual[1]	Non perpetual included in Tier II[2]	Total	Total included in Tier II[2]
Subordinated debt	¥ 17.0	¥ 17.0	¥ 76.0	¥ —	¥ 93.0	¥ —
Subordinated bonds	11.7	11.7	133.9	—	145.7	—
Total	¥ 28.7	¥ 28.7	¥ 209.9	¥ 159.1	¥ 238.7	¥ 187.8

Notes: (1) Stated at par value.
(2) Non perpetual subordinated debt and bonds included in Tier II and total subordinated debt and bonds included in Tier II are not broken down by type of debt and bonds.

FINANCIAL CONDITION (continued)

Interest rates on ¥28.8 billion of our perpetual subordinated debt and bonds included in Tier II capital as of March 31, 2013 will increase between January 2013 and December 2015.

¥28.8 billion of our perpetual subordinated debt and bonds included in Tier II capital as of March 31, 2013 will become prepayable between January 2013 and December 2015. ¥0.5 billion of perpetual subordinated bonds are currently prepayable.

Interest rates on ¥2.0 billion of non perpetual subordinated debt as of March 31, 2013 will increase in September 2014. Interest rates on ¥5.0 billion of non perpetual subordinated debt as of March 31, 2013 has already increased due to step-up clause. Interest rates on the remaining ¥68.0 billion of non perpetual subordinated debt as of March 31, 2013 are fixed rates until maturity.

¥48.0 billion of non perpetual subordinated debt as of March 31, 2013 will become prepayable between June 2013 and September 2016.

Shinsei issued ¥50.0 billion of dated subordinated bonds for the first time as Shinsei, not LTCB, on March 25, 2005. These dated subordinated bonds cannot be repaid until maturity, on March 25, 2015, and bear interest at a fixed rate of 1.96%. Shinsei issued an additional ¥50.0 billion of dated subordinated bonds on October 31, 2005. These dated subordinated bonds cannot be repaid until maturity, on October 30, 2015, and bear interest at a fixed rated of 2.01%.

Shinsei issued €1.0 billion of step-up callable subordinated notes bearing interest at a fixed rate of 3.75% on February 23, 2006 (the Euro Notes). Interest rates on these notes were to be increased and the notes had an option to be prepayable, in February 2011. Although, on January 20, 2011, we decided to forego the call option for early redemption of these notes on the first callable date, February 23, 2011. The outstanding principal amount of the Euro Notes as of March 31, 2011 was €200 million.

In December 2009, Shinsei issued ¥5.0 billion of callable dated non perpetual subordinated bonds to retail investors bearing interest at a fixed rate of 3.4%.The maturity is December 28, 2017 and the bonds are redeemable at the principal amount prior to the maturity date, contingent upon approval by the FSA, on any coupon payment date falling on or after December 28, 2012.

In October 2012, Shinsei issued ¥6.4 billion of callable dated non perpetual subordinated bonds bearing interest at a fixed rate of 4.0%.The maturity is October 26, 2022 and the bonds are redeemable at the principal amount on October 26 2017, contingent upon approval by the FSA. In December 2012, Shinsei has called ¥5.0 billion of callable dated non perpetual subordinated bonds to retail investors.

OFF-BALANCE SHEET ARRANGEMENTS

We use off-balance sheet arrangements, including investments through special purpose entities, securitizations, lines and letters of credit, loan commitments and loan participations, in the ordinary course of business, including in our securitization and financing businesses, as well as to manage our own liquidity risk. The main purposes of such off-balance sheet arrangements are to develop our institutional banking business as well as to diversify our sources of liquidity. The following is a discussion of the principal off-balance sheet arrangements we use.

SECURITIZATION

We structure, arrange, distribute and service mortgage-backed securities and asset-backed securities both for third-parties and ourselves. Our securitization services utilize special purpose entities, which may be organized in the form of trusts, partnerships or corporations, mainly to protect the securitized assets from creditors of transferors even in bankruptcy. Assets securitized include commercial loans, residential mortgage loans, installment receivables and lease receivables.

REPACKAGING

One aspect of our securitization business involves our repackaging of assets purchased by special purpose entities that we establish into new financial instruments that represent undivided interests in the underlying assets. Repackaging the assets generally entails analyzing the cash flows from the underlying assets, using various means to rearrange the timing and order of cash flows, and then combining them with other cash flows to create new financial instruments that can be tailored to meet the demands of a broad range of investors.

Often the assets are repackaged into residual or subordinated interests, mezzanine interests and senior interests. The residual interests are the first to suffer any losses as a result of any decline in the value of the underlying financial assets, while the senior interests are structured to be the last to absorb such losses. In instances where we repackage assets on our own initiative, rather than for our customers, we generally retain the residual interests and either sell the senior or mezzanine interests immediately to third-parties or hold them temporarily before placing them with investors. Revenues on these transactions consist of gains on sales of the repackaged senior and mezzanine interests, transaction arrangement fees received from the originators of the assets, fees for underwriting the senior instruments, and returns on the residual interests.

The principal risk inherent in these repackagings is credit risk on the securitized financial instruments that is absorbed by the retained residual interests. We may record losses on the

FINANCIAL CONDITION (continued)

residual interests due to declines in the value of the underlying financial assets. We manage this credit risk through quarterly assessing our retained interests and providing valuation allowances for them based on those assessments, taking into consideration how much we believe we will be able to collect on the underlying assets. We generally transfer financial assets to special purpose entities on a "true sale" basis, which means that we would neither be entitled nor required to reacquire the financial assets so transferred.

ARRANGEMENT

We also securitize customers' assets on their behalf, drawing on our know-how and experience in establishing securitization vehicles tailored to accommodate clients' needs, analyzing cash flows from the financial assets, structuring them into classes of securitized interests, arranging credit enhancements and locating investors for the securities to be issued. We generally place the securities representing the senior interests from these transactions with third-party investors. We may choose, however, to acquire temporarily a portion of these senior securities for later sale and often structure financial arrangements, including repackaging, that enhance the liquidity of these senior securities in order to attract third-party investors. These securities are recorded in other monetary claims purchased and recorded at fair value.

Our revenue on these transactions consists of fees, generally fixed, for arranging the transaction and for underwriting the sale of the financial instruments. We typically record those fees as having been received at the completion of all arrangements for the customer.

On these transactions, we act as an arranger, an underwriter, a servicer, a trustee or an administrator, or combination of some of these roles, for our corporate customers. As our customers usually retain the residual interests and the related risk of loss on them, we are not exposed to risks of incurring losses inherent in such residual interests.

As of March 31, 2013 and 2012, we held ¥51.5 billion and ¥42.9 billion, respectively, of debt securities and residual interests from securitization transactions.

LOAN PARTICIPATIONS

We have sold or transferred participation interests in certain of our loans. Loan participation involves the original lender transferring economic interests in the loan to others, while the original lender retains title to the loan itself.

Under Japanese GAAP, where substantially all of the economic interest in and risks of the loans are transferred to the participants, the original lenders are not deemed to bear recourse obligations for the participating interests or to have any rights to repurchase such interests. As a result, the original lender may remove the loans from its balance sheet as if the loans were sold to the participants. Because substantially all of the economic interest and risks have been transferred to the participants, we believe that we are not taking any substantial economic risk on the portions of loans in which we have sold participating interests.

As of March 31, 2013 and 2012, the total principal amount of participation interests in loans transferred to third-parties removed from the loan account was ¥16.2 billion and ¥18.4 billion, respectively.

OFF-BALANCE SHEET ARRANGEMENTS TO EXTEND CREDIT, ACCEPTANCES AND GUARANTEES

We have off-balance sheet commitments to extend credit to customers up to certain predetermined amounts at current market rates, in consideration of which we receive fee income that is recorded on an accrual basis for the period of the commitments. The unfunded amounts of these commitments and established credit line of overdrafts were ¥3,802.0 billion and ¥4,026.2 billion as of March 31, 2013 and 2012, out of which the accounts with original agreement terms of less than one year or which were cancelable, were ¥3,636.3 billion and ¥3,806.5 billion as of March 31, 2013 and 2012, respectively.

In addition, we provide acceptances and guarantees, which include lines and letters of credit and guarantees on customers' borrowings from other creditors. These acceptances and guarantees require us to satisfy our customers' obligations in the event they fail to do so, although we would have a claim for reimbursement against them. Under Japanese GAAP for banks, these acceptances and guarantees are deemed to be both contingent assets and liabilities, and are recorded as both assets and liabilities in the principal amount of the acceptances and guarantees. We record the fees we earn from providing acceptances and guarantees on an accrual basis over the period of the acceptance or guarantee. As of March 31, 2013 and 2012, we had ¥511.0 billion and ¥562.6 billion, respectively, of outstanding acceptances and guarantees.

APLUS FINANCIAL extends credit in the form of guarantees. The most significant component of APLUS FINANCIAL's guarantee business is providing guarantees on installment shopping credit provided by other lenders to customers of APLUS FINANCIAL's partner merchants. APLUS FINANCIAL also offers collection guarantees for foreign automobile dealers. Off-balance sheet commitments and acceptances and guarantees increased as a result of our acquisition of APLUS FINANCIAL and the consolidation from September 30, 2004. As of March 31, 2013 and 2012, ¥495.0 billion and ¥548.1 billion of our outstanding acceptances or guarantees, respectively, were attributable to this guarantee business.

EXPOSURE TO SECURITIZED PRODUCTS AND RELATED INVESTMENTS

EXPOSURE TO SECURITIZED PRODUCTS AND RELATED INVESTMENTS

Tables 42 through 45 below set forth certain information regarding our exposure to securitized products and related investments as of March 31, 2012, as of September 30, 2012 and as of and for the fiscal year ended March 31, 2013. Table 46 provides definitions for the defined terms used in Tables 42 through 45.

TABLE 42. BALANCE OF SECURITIZED PRODUCTS (BREAKDOWN BY REGION AND TYPE OF SECURITIES)[1] (NON-CONSOLIDATED)

Billions of yen

	Credit Ratings of Securities[2] (Mar 31, 2013) AAA	AA	A or lower	N/A	**Mar 31 2013 (a)**	Mar 31 2012 (b)	Change (a)-(b)	Sep 30 2012 (c)	Change (a)-(c)
RMBS	22%	3%	2%	73%	**¥ 33.0**	¥ 36.3	¥ (3.3)	¥ 34.8	¥ (1.7)
Japan	22%	3%	2%	73%	**33.0**	36.3	(3.3)	34.8	(1.7)
U.S.	—	—	—	—	**0.0[4]**	0.0	0.0	0.0	0.0
Europe	—	—	—	—	**—**	—	—	—	—
Other	—	—	—	—	**—**	—	—	—	—
CMBS	—	—	—	—	**¥ —**	¥ 0.0	¥ 0.0	¥ 0.0	¥ 0.0
Japan	—	—	—	—	**—**	0.0	(0.0)	0.0	(0.0)
U.S.	—	—	—	—	**—**	—	—	—	—
Europe	—	—	—	—	**—**	—	—	—	—
Other	—	—	—	—	**—**	—	—	—	—
CLO	17%	82%	0%	1%	**¥ 45.1**	¥ 41.6	¥ 3.5	¥ 38.9	¥ 6.1
Japan	—	—	—	—	**—**	—	—	—	—
U.S.	22%	77%	0%	2%	**35.0**	31.7	3.2	30.1	4.9
Europe	0%	100%	0%	0%	**10.0**	9.8	0.2	8.8	1.2
Other	—	—	—	—	**—**	—	—	—	—
ABS CDO (Resecuritized Products)	—	—	—	—	**¥ —**	¥ —	¥ —	¥ —	¥ —
Japan	—	—	—	—	**—**	—	—	—	—
U.S.	—	—	—	—	**—**	—	—	—	—
Europe	—	—	—	—	**—**	—	—	—	—
Other	—	—	—	—	**—**	—	—	—	—
Total	19%	48%	1%	32%	**¥ 78.1**	¥ 77.9	¥ 0.1	¥ 73.7	¥ 4.3
Japan	22%	3%	2%	73%	**¥ 33.0**	¥ 36.3	¥ (3.3)	¥ 34.8	¥ (1.7)
U.S.	22%	77%	0%	2%	**35.0**	31.7	3.2	30.1	4.9
Europe	0%	100%	0%	0%	**10.0**	9.8	0.2	8.8	1.2
Other	—	—	—	—	**—**	—	—	—	—
Securities					**¥ 45.1**	¥ 41.6	¥ 3.5	¥ 38.9	¥ 6.1
RMBS					**0.0[4]**	0.0	0.0	0.0	0.0
CMBS					**—**	0.0	(0.0)	0.0	(0.0)
CLO					**45.1**	41.6	3.5	38.9	6.1
ABS CDO					**—**	—	—	—	—
Other monetary claims purchased[3]					**33.0**	36.3	(3.3)	34.8	(1.7)
RMBS (Japan)					**33.0**	36.3	(3.3)	34.8	(1.7)
CMBS (Japan)					**—**	0.0	(0.0)	0.0	(0.0)
CLO (Japan)					**—**	—	—	—	—
ABS CDO (Japan)					**—**	—	—	—	—
Total					**¥ 78.1**	¥ 77.9	¥ 0.1	¥ 73.7	¥ 4.3

Notes: (1) The amount is the outstanding balance, after mark-downs and other comprehensive income (OCI) adjustments, at the end of each period. This table excludes securitized products backed by consumer loans, credit card loans, and other similar exposure to individuals.
(2) Based on ratings by S&P or ratings equivalent to S&P ratings matrix as of March 31, 2013. The "N/A" rating for Japanese RMBS represents senior portions of other monetary claims purchased for the purpose of warehousing for future securitization.
(3) Includes Japanese RMBS recorded as monetary assets held in trust of ¥5.1 billion as at March 31, 2013.
(4) Residual value

EXPOSURE TO SECURITIZED PRODUCTS AND RELATED INVESTMENTS (continued)

TABLE 43. SECURITIZED PRODUCTS RECORDED UNDER "SECURITIES" AND "OTHER MONETARY CLAIMS PURCHASED" AND OCI[1] (NON-CONSOLIDATED)

SECURITIES

	Billions of yen, %			
	As of March 31, 2013			
	Balance before Mark-to-Market Evaluation	**Market Value or Balance**	Unrealized Gains/Losses (OCI)	Price Increase (Decrease) Ratio (%)
Trading Securities		**¥ 0.5**		
RMBS (U.S.)		**0.0**[3]		
CLO (U.S.)		**0.5**		
Securities Being Held to Maturity with Readily Determinable Fair Value		**¥ 44.5**		
CLO (U.S.)		**34.5**		
CLO (Europe)		**10.0**		
Securities Available for Sale	¥ 0.0	**¥ 0.0**[3]	¥ 0.0	0.0
Other	0.0	**0.0**	0.0	0.0
Foreign Securities	0.0	**0.0**	0.0	0.0
Foreign Currency Denominated Foreign Corporate and Government Bonds	0.0	**0.0**	0.0	0.0
CLO	0.0	**0.0**	0.0	0.0
U.S.	0.0	**0.0**	0.0	0.0
Total		**¥ 45.1**		
RMBS		**0.0**[3]		
CLO		**45.1**		

OTHER MONETARY CLAIMS PURCHASED[2]

	Billions of yen, %			
	As of March 31, 2013			
	Balance before Mark-to-Market Evaluation	**Market Value or Balance**	Unrealized Gains/Losses (OCI)	Price Decline Ratio (%)
Trading Purposes		**¥ 7.7**		
RMBS (Japan)[2]		**7.7**		
Others	¥ 25.2	**¥ 25.3**	¥ 0.0	0.1
RMBS (Japan)	25.2	**25.3**	0.0	0.1
Total		**¥ 33.0**		
RMBS (Japan)		**33.0**		

RMBS, CMBS, CLO, ABS CDO Total		**¥ 78.1**		
Securities		**45.1**		
Other Monetary Claims Purchased		**33.0**		

Notes: (1) This table excludes securitized products backed by consumer loans, credit card loans, and other similar exposure to individuals.
(2) Includes Japanese RMBS recorded as monetary assets held in trust of ¥5.1 billion as at March 31, 2012.
(3) Residual value

EXPOSURE TO SECURITIZED PRODUCTS AND RELATED INVESTMENTS (continued)

TABLE 44. LBO, MONOLINE, SIV, ABCP (NON-CONSOLIDATED)

Billions of yen

	Mar 31, 2013 (a)	Mar 31, 2012 (b)	Change (a)-(b)	Sep 30, 2011 (c)	Change (a)-(c)
LBO[1][3]	**¥ 169.7**	¥ 198.1	¥(28.4)	¥ 183.9	¥ (14.2)
Japan	**167.7**[2]	195.8	(28.1)	182.0	(14.3)
U.S.	**1.4**	1.7	(0.3)	1.5	(0.1)
Europe	**—**	—	—	—	—
Other	**0.5**	0.4	0.1	0.5	0.0
(Breakdown by Industry Sector)					
Manufacturing	**11.1%**				
Information and Communications	**1.0%**				
Wholesale and Retail	**6.4%**				
Finance and Insurance	**13.0%**				
Services	**68.5%**				
Total	**100.0%**				

Notes: (1) The amount includes unfunded commitment line.
(2) As of March 31, 2013, unfunded commitment line (only domestic) is ¥3.0 billion.
(3) This table includes deals made through foreign SPCs, but classification is by risk location.

Monoline, SIV, ABCP

We have no exposure to Monoline, SIV, ABCP.

TABLE 45. CREDIT DEFAULT SWAPS (CDS) (NON-CONSOLIDATED)[1]

Billions of yen

	As of March 31, 2013							FY2012
	Nominal Amount		Fair Value		Netted Nominal Amount and Fair Value[2]			Realized profits (losses)
					Nominal Value	Fair Value		
	Protection (buy)	Protection (sell)	Protection (buy)	Protection (sell)		Protection (buy)	Protection (sell)	
Total	**¥ 442.5**	**¥ 447.5**	**¥(2.0)**	**¥ 1.6**	**¥ 410.1**	**¥(1.9)**	**¥ 1.4**	**¥ 1.6**
Japan	**375.1**	**379.0**	**(1.4)**	**1.1**	**348.2**	**(1.3)**	**1.0**	**1.7**
U.S.	**26.3**	**27.4**	**(0.2)**	**0.2**	**24.3**	**(0.2)**	**0.2**	**(0.0)**
Europe	**23.4**	**22.6**	**(0.1)**	**0.1**	**22.2**	**(0.1)**	**0.1**	**(0.0)**
Other	**17.5**	**18.3**	**(0.1)**	**0.1**	**15.2**	**(0.1)**	**0.1**	**0.0**

Notes: (1) Represents transactions under both banking book and trading book. The above table is based on provisional financial and operational data at the time of the financial results announcement and may differ slightly from the final data.
(2) Transactions which are netted with buy and sell.

EXPOSURE TO SECURITIZED PRODUCTS AND RELATED INVESTMENTS (continued)

TABLE 46. DEFINED TERMS FOR TABLES 42-45

Names	Definitions
RMBS	Residential mortgage-backed securities and other related assets, including beneficial interests backed by mortgage loans. Recorded in "trading securities," "securities available-for-sale" and "other monetary claims."
CMBS	Commercial mortgage-backed securities. Recorded in "securities available-for-sale" and "other monetary claims."
CLO	Collateralized loan obligations (CLO) mainly backed by LBO debt, corporate loans and high-yield securities. Recorded in "trading securities," "securities being held to maturity with readily determinable fair value," and "securities available-for-sale."
ABS CDO (Re-securitized Products)	CDO backed by asset-backed securities (ABS) such as RMBS. Recorded in "securities available-for-sale" and "other monetary claims."
LBO	Loans for leveraged buyout for acquisition finance including refinancing of past acquisitions.
Monoline	Monolines are insurance companies that insure against the risk of a bond or other security defaulting.
SIV	A structured investment vehicle (SIV) is a fund which borrows money by issuing short-term securities at low interest rates, then lends that money by buying long-term securities (such as securitization products) at higher interest rates, making a profit for investors from the difference.
ABCP	An asset-backed commercial paper (ABCP) conduit is a limited-purpose entity that issues CP to finance the purchase of assets or to make loans. Some asset types include receivables generated from trade, credit card, auto loan, auto, and equipment leasing obligors, as well as collateralized loan obligations (CLOs) and collateralized bond obligations (CBOs).
CDS	Credit default swap is a type of derivative in which the buyer receives credit protection by making periodic payments to a counterparty and the seller provides credit protection by giving the promise of a payoff if a third-party defaults.

CONSOLIDATED BALANCE SHEETS

Shinsei Bank, Limited, and its Consolidated Subsidiaries
As of March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
ASSETS			
Cash and due from banks (Notes 4, 23 and 37)	**¥ 648,897**	¥ 413,721	**$ 6,900,962**
Call loans (Note 37)	**18,806**	15,745	**200,000**
Receivables under resale agreements (Note 37)	**78,507**	18,362	**834,924**
Receivables under securities borrowing transactions (Note 37)	**19,083**	114,080	**202,956**
Other monetary claims purchased (Notes 5 and 37)	**112,318**	130,943	**1,194,495**
Trading assets (Notes 6, 23, 37 and 38)	**287,907**	202,675	**3,061,863**
Monetary assets held in trust (Notes 7, 23 and 37)	**233,847**	267,628	**2,486,945**
Securities (Notes 8, 23 and 37)	**1,842,344**	1,873,493	**19,593,161**
Loans and bills discounted (Notes 9, 23 and 37)	**4,292,464**	4,136,827	**45,649,951**
Foreign exchanges (Note 10)	**33,857**	18,896	**360,077**
Lease receivables and leased investment assets (Notes 23, 34 and 37)	**203,590**	197,432	**2,165,164**
Other assets (Notes 11, 23, 37 and 38)	**770,905**	686,716	**8,198,506**
Premises and equipment (Notes 12, 23 and 34)	**52,716**	54,131	**560,634**
Intangible assets (Notes 13 and 34)	**68,429**	81,053	**727,745**
Deferred issuance expenses for debentures	**95**	135	**1,012**
Deferred tax assets (Note 31)	**16,339**	15,834	**173,769**
Customers' liabilities for acceptances and guarantees (Note 22)	**511,032**	562,624	**5,434,786**
Reserve for credit losses (Note 14)	**(161,810)**	(180,633)	**(1,720,840)**
Total assets	**¥ 9,029,335**	¥ 8,609,672	**$ 96,026,110**
LIABILITIES AND EQUITY			
Liabilities:			
Deposits, including negotiable certificates of deposit (Notes 15, 23 and 37)	**¥ 5,457,535**	¥ 5,362,411	**$ 58,040,369**
Debentures (Notes 16 and 37)	**262,342**	294,139	**2,789,982**
Call money (Notes 23 and 37)	**170,094**	210,163	**1,808,934**
Payables under securities lending transactions (Notes 23 and 37)	**47,069**	148,590	**500,574**
Trading liabilities (Notes 17, 37 and 38)	**240,099**	176,044	**2,553,436**
Borrowed money (Notes 18, 23 and 37)	**719,292**	476,731	**7,649,605**
Foreign exchanges (Note 10)	**174**	11	**1,854**
Short-term corporate bonds (Note 37)	**82,800**	50,700	**880,570**
Corporate bonds (Notes 19, 23 and 37)	**174,286**	168,797	**1,853,517**
Other liabilities (Notes 20, 23, 37 and 38)	**630,759**	465,698	**6,708,063**
Accrued employees' bonuses	**7,604**	7,262	**80,875**
Accrued directors' bonuses	**54**	40	**577**
Reserve for employees' retirement benefits (Note 21)	**7,309**	7,027	**77,735**
Reserve for directors' retirement benefits	**245**	231	**2,612**
Reserve for losses on interest repayments	**34,983**	50,913	**372,042**
Reserve under special law	**0**	1	**3**
Deferred tax liabilities (Note 31)	**7**	626	**78**
Acceptances and guarantees (Notes 22, 23 and 37)	**511,032**	562,624	**5,434,786**
Total liabilities	**8,345,690**	7,982,014	**88,755,612**
Equity:			
Common stock (Note 25)	**512,204**	512,204	**5,447,246**
Capital surplus	**79,461**	79,461	**845,070**
Stock acquisition rights (Note 26)	**1,238**	1,354	**13,173**
Retained earnings	**107,288**	58,863	**1,140,999**
Treasury stock, at cost (Note 25)	**(72,558)**	(72,558)	**(771,655)**
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities (Note 8)	**3,825**	(674)	**40,682**
Deferred gain (loss) on derivatives under hedge accounting	**(11,605)**	(11,754)	**(123,427)**
Foreign currency translation adjustments	**1,475**	(1,117)	**15,689**
Total	**621,329**	565,779	**6,607,777**
Minority interests (Note 24)	**62,315**	61,877	**662,721**
Total equity	**683,644**	627,657	**7,270,498**
Total liabilities and equity	**¥ 9,029,335**	¥ 8,609,672	**$ 96,026,110**

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

CONSOLIDATED STATEMENTS OF INCOME

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the fiscal years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Interest income:			
Interest on loans and bills discounted	**¥ 128,636**	¥ 140,423	**$ 1,368,038**
Interest and dividends on securities	**17,028**	17,811	**181,091**
Interest on deposits with banks	**334**	370	**3,555**
Other interest income	**1,835**	1,116	**19,525**
Total interest income	**147,834**	159,722	**1,572,209**
Interest expenses:			
Interest on deposits, including negotiable certificates of deposit	**23,440**	29,039	**249,283**
Interest and discounts on debentures	**979**	1,478	**10,419**
Interest on other borrowings	**5,417**	5,750	**57,613**
Interest on corporate bonds	**5,467**	5,749	**58,147**
Other interest expenses	**845**	804	**8,986**
Total interest expenses	**36,149**	42,821	**384,448**
Net interest income	**111,685**	116,900	**1,187,761**
Fees and commissions income	**40,309**	46,915	**428,693**
Fees and commissions expenses	**21,134**	21,723	**224,759**
Net fees and commissions	**19,175**	25,191	**203,934**
Net trading income (loss) (Note 27)	**20,029**	13,635	**213,012**
Other business income (loss), net:			
Income on lease transactions and installment receivables, net	**35,604**	36,696	**378,655**
Net gain (loss) on monetary assets held in trust	**8,259**	8,121	**87,842**
Net gain (loss) on foreign exchanges	**(195)**	576	**(2,076)**
Net gain (loss) on securities	**4,317**	(3,322)	**45,915**
Net gain (loss) on other monetary claims purchased	**1,117**	1,408	**11,883**
Other, net (Note 28)	**(985)**	3,754	**(10,479)**
Net other business income (loss)	**48,118**	47,234	**511,740**
Total revenue	**199,009**	202,962	**2,116,447**
General and administrative expenses:			
Personnel expenses	**53,957**	53,488	**573,835**
Premises expenses	**19,481**	20,468	**207,188**
Technology and data processing expenses	**17,638**	17,296	**187,582**
Advertising expenses	**9,229**	9,172	**98,153**
Consumption and property taxes	**6,504**	6,369	**69,178**
Deposit insurance premium	**3,573**	4,684	**38,000**
Other general and administrative expenses	**20,602**	18,919	**219,104**
General and administrative expenses	**130,987**	130,399	**1,393,040**
Amortization of goodwill and intangible assets acquired in business combinations	**10,811**	11,955	**114,977**
Total general and administrative expenses	**141,798**	142,354	**1,508,017**
Net business profit (loss)	**57,210**	60,607	**608,430**
Net credit costs (Note 29)	**5,522**	12,267	**58,736**
Other gains (losses), net (Note 30)	**2,187**	(32,994)	**23,266**
Income (loss) before income taxes and minority interests	**53,875**	15,345	**572,960**
Income taxes (benefit) (Note 31):			
Current	**595**	2,925	**6,329**
Deferred	**(1,334)**	2,433	**(14,187)**
Net income (loss) before minority interests	**54,614**	9,986	**580,818**
Minority interests in net income of subsidiaries	**3,534**	3,555	**37,593**
Net income (loss)	**¥ 51,079**	¥ 6,430	**$ 543,225**
	Yen		U.S. dollars (Note 1)
Basic net income (loss) per common share (Note 32)	**¥ 19.24**	¥ 2.42	**$ 0.20**

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the fiscal years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Net income (loss) before minority interests	**¥ 54,614**	¥ 9,986	**$ 580,818**
Other comprehensive income (Note 33):			
Unrealized gain (loss) on available-for-sale securities	**4,266**	14,516	**45,370**
Deferred gain (loss) on derivatives under hedge accounting	**148**	(1,556)	**1,577**
Foreign currency translation adjustments	**2,889**	1,027	**30,730**
Share of other comprehensive income in affiliates	**794**	32	**8,454**
Total other comprehensive income	**8,098**	14,019	**86,131**
Comprehensive income	**¥ 62,713**	¥ 24,006	**$ 666,949**
Total comprehensive income attributable to:			
Owners of the parent	**¥ 58,319**	¥ 20,820	**$ 620,225**
Minority interests	**4,393**	3,185	**46,724**

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the fiscal years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Common stock:			
Balance at beginning of the year	**¥ 512,204**	¥ 512,204	**$ 5,447,246**
Balance at end of the year	**512,204**	512,204	**5,447,246**
Capital surplus:			
Balance at beginning of the year	**79,461**	79,461	**845,070**
Balance at end of the year	**79,461**	79,461	**845,070**
Stock acquisition rights:			
Balance at beginning of the year	**1,354**	1,413	**14,407**
Net change during the year	**(115)**	(58)	**(1,234)**
Balance at end of the year	**1,238**	1,354	**13,173**
Retained earnings:			
Balance at beginning of the year	**58,863**	55,087	**626,004**
Dividends	**(2,653)**	(2,653)	**(28,224)**
Net income (loss)	**51,079**	6,430	**543,225**
Changes by inclusion of subsidiaries (former non-consolidated subsidiaries)	**(0)**	(0)	**(5)**
Changes by exclusion of consolidated subsidiaries	**(0)**	(0)	**(1)**
Balance at end of the year	**107,288**	58,863	**1,140,999**
Treasury stock, at cost:			
Balance at beginning of the year	**(72,558)**	(72,558)	**(771,655)**
Balance at end of the year	**(72,558)**	(72,558)	**(771,655)**
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities:			
Balance at beginning of the year	**(674)**	(15,225)	**(7,171)**
Net change during the year	**4,499**	14,551	**47,853**
Balance at end of the year	**3,825**	(674)	**40,682**
Deferred gain (loss) on derivatives under hedge accounting:			
Balance at beginning of the year	**(11,754)**	(10,197)	**(125,004)**
Net change during the year	**148**	(1,556)	**1,577**
Balance at end of the year	**(11,605)**	(11,754)	**(123,427)**
Foreign currency translation adjustments:			
Balance at beginning of the year	**(1,117)**	(2,511)	**(11,881)**
Net change during the year	**2,592**	1,394	**27,570**
Balance at end of the year	**1,475**	(1,117)	**15,689**
Minority interests:			
Balance at beginning of the year	**61,877**	63,481	**658,060**
Net change during the year	**438**	(1,603)	**4,661**
Balance at end of the year	**62,315**	61,877	**662,721**
Total equity:			
Balance at beginning of the year	**627,657**	611,154	**6,675,076**
Net change in stock acquisition rights during the year	**(115)**	(58)	**(1,234)**
Dividends	**(2,653)**	(2,653)	**(28,224)**
Net income (loss)	**51,079**	6,430	**543,225**
Changes by inclusion of subsidiaries (former non-consolidated subsidiaries)	**(0)**	(0)	**(5)**
Changes by exclusion of consolidated subsidiaries	**(0)**	(0)	**(1)**
Net change in accumulated other comprehensive income during the year	**7,240**	14,389	**77,000**
Net change in minority interests during the year	**438**	(1,603)	**4,661**
Balance at end of the year	**¥ 683,644**	¥ 627,657	**$ 7,270,498**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the fiscal years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	**¥ 53,875**	¥ 15,345	**$ 572,960**
Adjustments for:			
Income taxes paid	**(696)**	(3,092)	**(7,410)**
Depreciation (other than leased assets as lessor)	**10,502**	10,130	**111,697**
Amortization of goodwill and intangible assets acquired in business combinations	**10,811**	11,955	**114,977**
Impairment losses on long-lived assets	**916**	1,092	**9,752**
Net change in reserve for credit losses	**(18,942)**	(11,946)	**(201,455)**
Net change in reserve for losses on interest repayments	**(15,930)**	7,714	**(169,419)**
Net change in other reserves	**656**	(4,873)	**6,985**
Interest income	**(147,834)**	(159,722)	**(1,572,209)**
Interest expenses	**36,149**	42,821	**384,448**
Investment (gains) losses	**(10,351)**	(3,714)	**(110,090)**
Net exchange (gain) loss	**(31,199)**	9,216	**(331,800)**
Net change in trading assets	**(85,231)**	(7,279)	**(906,424)**
Net change in trading liabilities	**64,055**	28,257	**681,221**
Net change in loans and bills discounted	**(153,821)**	128,328	**(1,635,881)**
Net change in deposits, including negotiable certificates of deposit	**95,124**	(247,047)	**1,011,640**
Net change in debentures	**(31,797)**	(54,131)	**(338,160)**
Net change in borrowed money (other than subordinated debt)	**243,287**	(1,182,159)	**2,587,340**
Net change in corporate bonds (other than subordinated corporate bonds)	**(2,510)**	(6,546)	**(26,700)**
Net change in interest-bearing deposits with banks	**8,776**	69,883	**93,339**
Net change in call loans, receivables under resale agreements, receivables under securities borrowing transactions and other monetary claims purchased	**54,104**	(113,809)	**575,395**
Net change in call money, payables under securities lending transactions, and short-term corporate bonds (liabilities)	**(109,491)**	(43,373)	**(1,164,434)**
Net change in foreign exchange assets and liabilities	**(14,798)**	23,144	**(157,380)**
Interest received	**149,077**	163,093	**1,585,430**
Interest paid	**(26,279)**	(39,870)	**(279,478)**
Net change in securities for trading purposes	**(49)**	438	**(523)**
Net change in monetary assets held in trust for trading purposes	**33,743**	31,937	**358,858**
Net change in lease receivables and leased investment assets	**(5,499)**	9,629	**(58,483)**
Other, net	**53,416**	3,307	**568,084**
Total adjustments	**106,189**	(1,336,616)	**1,129,320**
Net cash provided by (used in) operating activities	**160,065**	(1,321,270)	**1,702,280**
Cash flows from investing activities:			
Purchase of investments	**(8,634,681)**	(786,802)	**(91,829,008)**
Proceeds from sales of investments	**8,291,274**	1,278,910	**88,176,909**
Proceeds from maturity of investments	**423,914**	883,190	**4,508,287**
Purchase of premises and equipment (other than leased assets as lessor)	**(3,209)**	(5,944)	**(34,132)**
Purchase of intangible assets (other than leased assets as lessor)	**(4,249)**	(6,702)	**(45,196)**
Proceeds from sale of subsidiary's stocks	**14,588**	4,912	**155,143**
Other, net	**133**	1,006	**1,415**
Net cash provided by (used in) investing activities	**87,769**	1,368,571	**933,418**
Cash flows from financing activities:			
Proceeds from issuance of subordinated debt	**—**	38,600	**—**
Repayment of subordinated debt	**(1,000)**	(47,000)	**(10,635)**
Proceeds from issuance of subordinated corporate bonds	**6,349**	—	**67,526**
Payment for redemption of subordinated corporate bonds	**(5,000)**	—	**(53,175)**
Proceeds from minority shareholders of subsidiaries	**262**	91	**2,795**
Payment for capital returned to minority shareholders of subsidiaries	**(1,043)**	(760)	**(11,100)**
Dividends paid	**(2,653)**	(2,653)	**(28,224)**
Dividends paid to minority shareholders of subsidiaries	**(3,145)**	(3,297)	**(33,452)**
Net cash provided by (used in) financing activities	**(6,230)**	(15,019)	**(66,265)**
Foreign currency translation adjustments on cash and cash equivalents	**68**	43	**726**
Net change in cash and cash equivalents	**241,672**	32,324	**2,570,159**
Cash and cash equivalents at beginning of year	**332,798**	300,474	**3,539,281**
Cash and cash equivalents at end of year (Note 4)	**¥ 574,470**	¥ 332,798	**$ 6,109,440**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the fiscal years ended March 31, 2013 and 2012

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED

The accompanying consolidated financial statements of Shinsei Bank, Limited (the "Bank") and its consolidated subsidiaries (collectively, the "Group"), stated in Japanese yen, have been prepared on the basis of generally accepted accounting principles in Japan ("Japanese GAAP") and in accordance with the Banking Act of Japan (the "Banking Act"), and compiled from the consolidated financial statements prepared under the provisions set forth in the Financial Instruments and Exchange Act of Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, the accompanying notes include information that is not required under Japanese GAAP, but is presented herein for the convenience of readers.

The preparation of consolidated financial statements in conformity with Japanese GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

As permitted by the Financial Instruments and Exchange Act of Japan, yen amounts, except for per share amounts, are presented in millions of yen and are rounded down to the nearest million. As a result, the totals do not necessarily agree with the sum of the individual amounts.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥94.03 to U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on March 31, 2013. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATED

(A) PRINCIPLES OF CONSOLIDATION

The Group applies its consolidation scope using the control and influence concept. Under the control and influence concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated and those companies in which the Bank, directly or indirectly, is able to exercise significant influence over operations are accounted for by the equity method.

The numbers of subsidiaries and affiliates as of March 31, 2013 and 2012 were as follows:

	2013	2012
Consolidated subsidiaries	**186**	133
Unconsolidated subsidiaries	**83**	80
Affiliates accounted for by the equity method	**15**	15
Affiliates accounted for not applying the equity method	**0**	1

Unconsolidated subsidiaries are primarily operating companies that undertake leasing business based on the Tokumei Kumiai system (silent partnerships). Tokumei Kumiai's assets, profit and loss virtually belong to each silent partner but not to the operation companies, and the Group does not have any material transactions with these subsidiaries. Therefore, these subsidiaries are excluded from consolidation in order to avoid any material misunderstanding by the Bank's stakeholders.

Other unconsolidated subsidiaries are excluded from consolidation because they are immaterial to the financial condition or results of operations of the Group.

Major consolidated subsidiaries as of March 31, 2013 were as listed below:

Name	Location	Percentage ownership
APLUS FINANCIAL Co., Ltd.	Japan	95.0%
Showa Leasing Co., Ltd.	Japan	97.8%
Shinsei Financial Co., Ltd.	Japan	100.0%
SHINKI Co., Ltd.	Japan	100.0%
Shinsei Trust & Banking Co., Ltd.	Japan	100.0%
Shinsei Securities Co., Ltd.	Japan	100.0%

All significant inter-company transactions, related account balances and unrealized gains have been eliminated in consolidation. As of March 31, 2013, the fiscal year ending dates are March 31 for 140 subsidiaries, July 31 for 3 subsidiaries, September 30 for 2 subsidiaries, November 30 for 1 subsidiary, December 31 for 36 subsidiaries, January 31 for 1 subsidiary and February 28 for 3 subsidiaries. Except for 9 subsidiaries which are consolidated as of March 31 rather than their fiscal year ends, those consolidated subsidiaries whose fiscal years end at dates other than March 31 are consolidated using their fiscal year end financial statements with appropriate adjustments made for significant transactions that occurred during the period from the ending dates of their fiscal years to the date of the Group's consolidated financial statements.

Major affiliates accounted for by the equity method as of March 31, 2013 were as listed below:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) CONSOLIDATED

Name	Location	Percentage ownership
Comox Holdings Ltd.	Bermuda	49.9%
Jih Sun Financial Holding Co., Ltd.	Taiwan	35.5%

(B) BUSINESS COMBINATIONS

In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No.7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No.10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allowed companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (i) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed. (ii) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

Under the previous standard, the Group accounted for the acquisitions of APLUS FINANCIAL Co., Ltd. ("APLUS FINANCIAL"), Showa Leasing Co., Ltd. ("Showa Leasing"), SHINKI Co., Ltd. ("SHINKI"), Shinsei Financial Co., Ltd. ("Shinsei Financial") and their consolidated subsidiaries by the purchase method of accounting.

(C) GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS

The Bank recognized certain identifiable intangible assets in connection with the acquisition of Showa Leasing, Shinsei Financial and their consolidated subsidiaries, because they were separable such as contractual or other legal rights.

The identified intangible assets with amortization method and period are as listed below:

Showa Leasing

Identified intangible assets	Amortization method	Amortization period
Trade name and trademark	Straight-line	10 years
Customer relationship	Sum-of-the-years digits	20 years
Sublease contracts	Straight-line	Subject to the remaining contract years

Shinsei Financial

Identified intangible assets	Amortization method	Amortization period
Trade names and trademarks	Straight-line	10 years
Customer relationship	Sum-of-the-years digits	10 years

The excess of the purchase price over the fair value of the net assets acquired, including identified intangible assets, was recorded as goodwill and is being amortized on a consistent basis primarily over 20 years. The amortization period of 20 years is the maximum period allowed under Japanese GAAP and was determined based upon the Bank's business strategy.

With regard to the acquisitions undertaken before April 1, 2010, accounted for under the previous accounting standard, when the purchase price was lower than the fair value of the net assets acquired, including identified intangible assets, the difference is recorded as negative goodwill and primarily amortized on a straight-line basis over 20 years, which is the maximum period allowed under the previous accounting standard.

(D) IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS

The Bank conducts impairment testing for goodwill and intangible assets acquired in business combinations as a result of certain triggering events including:

- An expectation of an operating loss or negative cash flow for two consecutive years;
- Impairment of underlying investment securities is recognized;
- A significant adverse change in the environment surrounding the business operations of the subsidiary, such as a change in law which significantly impacts the business in a negative way;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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- Management decisions that could have an adverse effect on the value of goodwill and intangible assets acquired in business combinations.

As the first step of the impairment test, we estimate the undiscounted future cash flows of the business. If the value of the undiscounted future cash flows is less than the book value of the net assets, including goodwill and intangible assets acquired in business combinations, of the business, it is determined that impairment exists and the next step of the impairment test is performed to measure the amount of the impairment loss.

The next step of the impairment test compares the "value in use," which is calculated as the discounted value of future cash flows of the business, and the net asset book value which includes unamortized balances of goodwill and intangible assets acquired in business combinations. (i) Impairment loss for the total of goodwill and intangible assets acquired in business combinations, is recognized as an amount by which the net asset book value exceeds the "value in use." The fair value of intangible assets acquired in business combinations is determined in the same manner used to apply purchase accounting at the time of the initial acquisition, and (ii) the impairment loss on intangible assets acquired in business combinations, is determined as the difference between the fair value and book value. Finally, the impairment loss on goodwill is calculated as the residual calculated as (i) less (ii) above.

(E) TRANSLATION OF FOREIGN CURRENCY FINANCIAL STATEMENTS AND TRANSACTIONS

(a) The financial statements of consolidated foreign subsidiaries are translated into Japanese yen at exchange rates as of their respective balance sheet dates, except for equity, which is translated at historical exchange rates. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity in the accompanying consolidated balance sheets.

(b) Foreign currency accounts held by consolidated foreign subsidiaries are translated into the currency of the subsidiary at exchange rates as of their respective balance sheet dates.

(c) Foreign currency-denominated assets and liabilities of the Bank and consolidated domestic subsidiaries are translated into Japanese yen at exchange rates as of their respective balance sheet dates, except for investments in unconsolidated subsidiaries and affiliates which are translated at the relevant historical exchange rates.

(F) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and non-interest-bearing deposits.

(G) OTHER MONETARY CLAIMS PURCHASED

The components of other monetary claims purchased are principally loans held for trading purposes. Other monetary claims purchased held for trading purposes are recorded at fair value and unrealized gains and losses are recorded in other business income (loss), net.

(H) VALUATION OF TRADING ACCOUNT ACTIVITIES

Trading account positions entered into to generate gains arising from short-term changes in interest rates, currency exchange rates or market prices of financial instruments and other market-related indices, or from price differences among markets, are included in trading assets and trading liabilities on a trade-date basis.

Trading securities and monetary claims purchased for trading purposes are stated at market value and derivative financial instruments related to trading positions are stated at fair value based on estimated amounts that would be settled in cash if such positions were terminated at the end of the fiscal year, which reflects liquidity and credit risks.

Trading income and trading loss include interest received and paid during the fiscal year and unrealized gains and losses resulting from the change in the value of securities, monetary claims purchased, and derivatives between the beginning and end of the fiscal year.

(I) MONETARY ASSETS HELD IN TRUST

The components of trust assets are accounted for based on the accounting standards appropriate for each asset type. Instruments held in trust for trading purposes are recorded at fair value and unrealized gains and losses are recorded in other business income (loss), net. Instruments held in trust classified as available-for-sale are recorded at fair value with the corresponding unrealized gains and losses recorded directly in a separate component of equity.

Instruments held in trust classified as available-for-sale for which fair value cannot be reliably determined are carried at cost.

(J) SECURITIES

Securities other than investments in unconsolidated subsidiaries and affiliates are classified into three categories, based principally on the Group's intent, as follows:

Trading securities are securities held in anticipation of gains arising from short-term changes in market value and/or held for resale to customers. Trading securities are carried at fair value with corresponding unrealized gains and losses recorded in income (loss).

Securities being held to maturity are debt securities for which the Group has both the positive intent and ability to hold until maturity. Securities being held to maturity are carried at amortized cost determined by the moving average method.

Securities available for sale are securities other than trading securities and securities being held to maturity. Securities available for sale are carried at fair value with the corresponding unrealized gains and losses, net of applicable taxes, recorded directly in a separate component of equity. The cost of these securities upon sale is determined by the moving average method. Securities available for sale for which fair value cannot be reliably determined are carried at cost determined by the moving average method.

In addition, investments in unconsolidated subsidiaries and affiliates that are not accounted for by the equity method are carried at cost determined by the moving average method.

Individual securities, other than trading securities, are written down when a decline in fair value below the cost of such securities is deemed to be other than temporary.

(K) PREMISES AND EQUIPMENT

Premises and equipment are stated at cost less accumulated depreciation.

Depreciation of the Group's buildings and the Bank's computer equipment (including ATMs) other than personal computers is computed principally using the straight-line method, and depreciation of other equipment is computed principally using the declining-balance method. Principal estimated useful lives of buildings and equipment as of March 31, 2013 were as follows:

Buildings .... 3 years to 50 years
Equipment ..... 2 years to 20 years

Effective April 1, 2012, the Group applied the depreciation method based on the revised Corporation Tax Act to premises and equipment acquired on or after April 1, 2012 in accordance with the amendment of the Corporation Tax Act. The effect of this application on the consolidated statement of income for the fiscal year ended March 31, 2013 was immaterial.

(L) SOFTWARE

Capitalized software for internal use is depreciated using the straight-line method based on the Group's estimated useful lives (primarily 5 years).

(M) IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of an asset or asset group. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(N) DEFERRED CHARGES

Deferred issuance expenses for debentures and corporate bonds are amortized using the straight-line method over the term of the debentures and corporate bonds.

(O) RESERVE FOR CREDIT LOSSES

The reserve for credit losses of the Bank and the consolidated domestic trust and banking subsidiary has been established as described below based on the Bank's internal rules for establishing the reserve.

For claims to obligors who are legally bankrupt due to bankruptcy, special liquidation proceedings or similar legal proceedings ("legally bankrupt obligors") or to obligors who are effectively in similar conditions ("virtually bankrupt obligors"), a specific reserve is provided based on the amount of claims, after the charge-off stated below, net of amounts expected to be collected through the disposal of collateral or execution of guarantees.

For claims to obligors who are not yet bankrupt but are in financial difficulties and are very likely to go bankrupt in the future ("possibly bankrupt obligors"), except for claims to obligors with larger claims than a predetermined amount, a specific reserve is provided for the amount considered to be necessary based on an overall solvency assessment performed for the amount of claims net of amounts expected to be collected through the disposal of collateral or execution of guarantees.

With regard to claims to possibly bankrupt obligors, restructured loans and certain claims for which the reserve has been provided based on the discounted cash flow method (as mentioned below) in previous fiscal years, provided that obligors' cash flows for debt service are reasonably estimable and the balance of claims to such obligors are at or larger than a predetermined amount, the reserve for credit losses is determined as the difference between (i) relevant estimated cash flows discounted by the original contractual interest rate and (ii) the book value of the claim (discounted cash flow method). In case where it is difficult to reasonably estimate future cash flows, the reserve is provided based on expected loss amount for the remaining term of respective claims.

For other claims, a general reserve is provided based on historical loan loss experience.

For specific foreign claims, there is a reserve for loans to restructuring countries which has been provided based on losses estimated by considering the political and economic conditions in those countries.

All claims are assessed by business divisions based on the predetermined internal rules for self-assessment of asset quality. The Credit Assessment Division, which is independent from

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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business divisions, conducts verifications of these assessments, and additional reserves may be provided based on the verification results.

The consolidated subsidiaries other than the domestic trust and banking subsidiary calculate the general reserve for general claims based on the actual historical loss ratio, and the specific reserve for claims to possibly bankrupt obligors, virtually bankrupt obligors and legally bankrupt obligors based on estimated losses, considering the recoverable value.

For collateralized or guaranteed claims of the Bank and certain consolidated subsidiaries to legally bankrupt obligors or virtually bankrupt obligors, the amount of claims exceeding the estimated value of collateral or guarantees, which is deemed uncollectible, has been charged off and totaled ¥155,879 million (U.S.$1,657,762 thousand) and ¥165,992 million as of March 31, 2013 and 2012, respectively.

(P) ACCRUED BONUSES FOR EMPLOYEES AND DIRECTORS

Accrued bonuses for employees and directors are provided in the amount of the estimated bonuses which are attributable to each fiscal year.

(Q) RESERVE FOR EMPLOYEES' RETIREMENT BENEFITS

The Bank, APLUS FINANCIAL and Showa Leasing each have a noncontributory defined benefit pension plan, and Shinsei Financial and certain of the other consolidated domestic subsidiaries have unfunded severance indemnity plans, which cover substantially all of the Group's employees. The reserve for employees' retirement benefits is provided for the payment of employees' retirement benefits based on the estimated amounts of the projected benefit obligation and the estimated value of pension plan assets at the end of the fiscal year. Net actuarial gains and losses and prior service costs are amortized using the straight-line method over the average remaining service period primarily from the fiscal year of occurrence.

Effective April 1, 2000, the Bank adopted a new accounting standard for employees' retirement benefits and accounts for the liabilities for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The transitional unrecognized net retirement benefit obligation for the Bank of ¥9,081 million is being amortized using the straight-line method over 15 years.

(R) RESERVE FOR DIRECTORS' RETIREMENT BENEFITS

Retirement allowances for directors and statutory auditors are recorded to state the liability at the amount that would be required if all directors and statutory auditors retired at each balance sheet date.

(S) RESERVE FOR LOSSES ON INTEREST REPAYMENTS

The reserve for losses on interest repayments is provided for estimated losses on reimbursements of excess interest payments and loan losses related to consumer finance loans extended at interest rates in excess of the maximum interest rate prescribed in the Interest Rate Restriction Act of Japan. The reserve is established in the amount of the estimated future reimbursement requests based on past experience.

In addition, a reserve for losses on interest repayments of Shinsei Financial is calculated considering the terms stipulated in the share transfer agreement entered into by and between the Bank and the seller, GE Japan Holdings Co., Ltd. ("GE"), for the acquisition of Shinsei Financial, under which the sharing of interest repayment costs between the Bank and GE is determined.

(T) RESERVE UNDER SPECIAL LAW

The reserve under special law is provided for contingent liabilities from brokering of securities transactions in accordance with Paragraph 1 of Article 46-5 of the Financial Instruments and Exchange Act of Japan.

(U) ASSET RETIREMENT OBLIGATIONS

In March 2008, the ASBJ published the accounting standard for asset retirement obligations, ASBJ Statement No.18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations."

Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability.

The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

This standard was effective for fiscal years beginning on or after April 1, 2010. The Group applied this accounting standard effective April 1, 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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(V) STOCK OPTIONS

In December 2005, the ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to measure the cost of employee stock options based on the fair value at the date of grant and recognize compensation expense over the vesting period as consideration for receiving goods or services. In the consolidated balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised.

(W) LEASE TRANSACTIONS

In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions.

Effective April 1, 2008, the Bank and its consolidated subsidiaries applied the revised accounting standard for lease transactions.

(As lessee)

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the consolidated balance sheets.

Depreciation of lease assets from finance lease transactions that do not deem to transfer ownership of the lease property to the lessee is computed using the straight-line method over the leasing period. Residual values of lease assets are the guaranteed value determined in the lease contracts or zero for assets without such guaranteed value.

With regard to finance lease transactions entered into prior to April 1, 2008, that do not deem to transfer ownership of the leased property to the lessee, lease assets are recognized at the amount of lease obligations as of March 31, 2008.

(As lessor)

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information was disclosed in the note to the lessor's financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee be recognized as lease receivables, and that all finance leases that are not deemed to transfer ownership of the leased property to the lessee be recognized as leased investment assets.

In addition, depreciation of tangible leased assets as lessor for operating lease transactions is computed using the straight-line method over the leasing period assuming that residual values are the disposal price estimable at the end of the estimated leasing period.

Net income on each finance lease transaction is calculated on the basis of the internal rate of return of each transaction.

With regard to finance lease transactions entered into prior to April 1, 2008, that do not deem to transfer ownership of the leased property to the lessee, leased investment assets are recognized at the amount of book values of those leased properties as of March 31, 2008.

As a result of this transitional treatment, income before income taxes and minority interests increased by ¥1,009 million (U.S.$10,731 thousand) and ¥1,974 million for the fiscal years ended March 31, 2013 and 2012, respectively, as compared to what would have been reported if the revised accounting standard was applied retroactively to all finance lease transactions as lessor.

(X) INSTALLMENT SALES FINANCE AND CREDIT GUARANTEES

Fees from installment sales finance have principally been prorated over the respective installment periods by using the sum-of-the-months digits method, or by using the credit-balance method.

Fees from credit guarantees have been recognized either by the sum-of-the-months digits method, the straight-line method or the credit-balance method over the contract terms.

(Y) REVENUE RECOGNITION FOR INTEREST ON CONSUMER LENDING BUSINESS

Consolidated subsidiaries specialized in the consumer lending business accrued interest income at the balance sheet date at the lower of the amount determined by using a rate permissible under the Interest Rate Restriction Act of Japan or the amount determined by using rates on contracts with customers.

(Z) INCOME TAXES

Deferred income taxes relating to temporary differences between financial reporting and tax bases of assets and liabilities and tax loss carryforwards have been recognized. The asset and liability approach is used to recognize deferred income taxes.

The Bank files its corporate income tax return under the consolidated corporate tax system, which allows companies to base tax payments on the combined profits and losses of the Bank and its wholly-owned domestic subsidiaries.

A valuation allowance is recognized for any portion of the deferred tax assets where it is considered more likely than not that it will not be realized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

(AA) DERIVATIVES AND HEDGE ACCOUNTING

Derivatives are stated at fair value. Derivative transactions that meet the hedge accounting criteria are primarily accounted for using the deferral method whereby unrealized gains and losses are deferred in a separate component of equity until the gains and losses on the hedged items are realized.

(a) Hedge of interest rate risks

Derivative transactions that meet the hedge accounting criteria for mitigating interest rate risks of the Bank's financial assets and liabilities are accounted for using the deferral method. The Bank adopted portfolio hedging to determine the effectiveness of its hedging instruments in accordance with Industry Audit Committee Report No. 24 of the Japanese Institute of Certified Public Accountants (JICPA). Under portfolio hedging activities to mitigate the change in fair value, a portfolio of hedged items with common maturities such as deposits or loans is designated and matched with a group of hedging instruments such as interest rate swaps, which offset the effect of fair value fluctuations of the hedged items by identified maturities. The effectiveness of the portfolio hedging is assessed by each group.

As for portfolio hedging activities to fix cash flows, the effectiveness is assessed based on the correlation between the base interest rate index of the hedged cash flow and that of the hedging instrument.

The interest rate swaps of certain consolidated subsidiaries which qualify for hedge accounting and meet specific matching criteria are not measured at fair value, but the net payments or receipts under the swap agreements are recognized and included in interest expenses or income.

(b) Hedge of foreign exchange fluctuation risks

The Bank applies either deferral hedge accounting or fair value hedge accounting in accordance with Industry Audit Committee Report No. 25 of the JICPA to the derivative transactions that meet the hedge accounting criteria for mitigating foreign currency fluctuation risks of the Bank's financial assets and liabilities.

Fund swap transactions are foreign exchange swaps, and consist of spot foreign exchange contracts bought or sold and forward foreign exchange contracts sold or bought. Such transactions are contracted for the purpose of lending or borrowing in a different currency and converting the corresponding principal equivalents and foreign currency equivalents to pay and receive, whose amounts and due dates are predetermined at the time of the transactions, into forward foreign exchange contracts sold or bought.

Under deferral hedge accounting, hedged items are identified by grouping the foreign currency-denominated financial assets and liabilities by currencies and designating derivative transactions such as currency swap transactions, fund swap transactions and forward exchange contracts as hedging instruments. Hedge effectiveness is reviewed by comparing the total foreign currency position of the hedged items and hedging instruments by currency.

The Bank also applies deferral hedge accounting and fair value hedge accounting to translation gains or losses from foreign currency assets of net investments in foreign unconsolidated subsidiaries, affiliates and securities available for sale (other than bonds denominated in foreign currencies) when such foreign currency exposures recorded as assets are hedged with offsetting foreign currency liabilities and the liabilities equal or exceed the acquisition cost of such foreign currency assets.

(c) Inter-company and intra-company derivative transactions

Gains and losses on inter-company and intra-company derivative hedging transactions between the trading book and the banking book are not eliminated since offsetting transactions with third parties are appropriately entered into in conformity with the nonarbitrary and strict hedging policy in accordance with Industry Audit Committee Reports No. 24 and No. 25 of the JICPA. As a result, in the banking book, realized gains and losses on such inter-company and intra-company transactions are reported in current earnings and valuation gains and losses which meet the hedge accounting criteria are deferred. On the other hand, in the trading book, realized gains and losses and valuation gains and losses on such inter-company and intra-company transactions are substantially offset with covering contracts entered into with third parties.

(AB) PER SHARE INFORMATION

Basic net income (loss) per common share calculations represent net income (loss) available to common shareholders, divided by the weighted average number of outstanding shares of common stock during the respective fiscal year, retroactively adjusted for stock splits and reverse stock splits.

Diluted net income per common share calculations consider the dilutive effect of common stock equivalents, which include stock acquisition rights, assuming that stock acquisition rights were fully exercised at the time of issuance for those issued during the fiscal year and at the beginning of the fiscal year for those previously issued and outstanding at the beginning of the fiscal year.

(AC) ACCOUNTING CHANGES AND ERROR CORRECTIONS

In December 2009, the ASBJ issued ASBJ Statement No.24 "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No.24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) CONSOLIDATED

(a) Changes in Accounting Policies
When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.
(b) Changes in Presentation
When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.
(c) Changes in Accounting Estimates
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.
(d) Corrections of Prior-Period Errors
When an error in prior-period financial statements is discovered, those statements are restated.

(AD) NEW ACCOUNTING PRONOUNCEMENTS

Accounting Standard for Retirement Benefits

In May 2012, the ASBJ issued ASBJ Statement No. 26 "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25 "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by BAC in 1998 with an effective date of April 1, 2000 and the other related practical guidance and followed by partial amendments from time to time through 2009. Major changes are as follows:
(a) Treatment in the balance sheet
Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized under accumulated other comprehensive income in a separate component of equity, after adjusting for tax effects, and any resulting deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).
(b) Treatment in the statement of income and the statement of comprehensive income
The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.
(c) Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases
The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of the fiscal year beginning on or after April 1, 2013, and for (c) above are effective for the beginning of the fiscal year beginning on or after April 1, 2014, or for the beginning of the fiscal year beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of the fiscal year beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Bank expects to apply the revised accounting standard for (a) and (b) above from the end of the fiscal year beginning on April 1, 2013, and for (c) above from the beginning of the fiscal year beginning on April 1, 2014, and is in the process of measuring the effects of applying the revised accounting standard in future applicable periods.

3. BUSINESS COMBINATIONS CONSOLIDATED

On October 1, 2011, the Bank acquired a portion of the business operated by Shinsei Financial, a consolidated subsidiary of the Bank, in accordance with the business transfer agreement dated September 30, 2011.

(A) OUTLINE OF THE TRANSACTION

(a) Business to be transferred
A portion of the unsecured personal loan business operated by Shinsei Financial
(b) Date of business transfer
October 1, 2011

3. BUSINESS COMBINATIONS (CONTINUED)

CONSOLIDATED

(c) Overview and purpose of the transaction

Through the business transfer, the Bank acquired the Lake brand, the entire network of unmanned branches, ATMs, ACMs (automated contract machines), and a portion of other infrastructural assets relating to the unsecured personal loan business.

The Bank aims to improve its earnings power as well as to contribute to the development of a sound and healthy unsecured personal loan market, as one of the leading companies in the sector, by providing the service at the Bank, leveraging the Lake brand which has already achieved a certain level of recognition in the market.

(B) ACCOUNTING TREATMENT

In accordance with ASBJ Statement No. 21 "Accounting Standard for Business Combinations" and ASBJ Guidance No.10 "Guidance on Accounting Standard for Business Combinations and Business Divestitures," the Bank accounted for the transaction as business combinations involving entities or operations of entities under common control, which has been eliminated in the consolidated financial statements.

4. CASH AND CASH EQUIVALENTS

CONSOLIDATED

The reconciliation of cash and cash equivalents and cash and due from banks in the consolidated balance sheets as of March 31, 2013 and 2012 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Cash and due from banks	**¥ 648,897**	¥ 413,721	**$ 6,900,962**
Interest-bearing deposits included in due from banks	**(74,426)**	(80,923)	**(791,522)**
Cash and cash equivalents	**¥ 574,470**	¥ 332,798	**$ 6,109,440**

5. OTHER MONETARY CLAIMS PURCHASED

CONSOLIDATED

(a) Other monetary claims purchased as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Trading purposes	**¥ 66,965**	¥ 67,226	**$ 712,176**
Other	**45,352**	63,717	**482,319**
Total	**¥ 112,318**	¥ 130,943	**$ 1,194,495**

(b) The fair value and the unrealized loss which is included in net gain (loss) on other monetary claims purchased for trading purposes as of March 31, 2013 and 2012 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2013		2012		**2013**	
	Fair value	**Unrealized loss**	Fair value	Unrealized loss	**Fair value**	**Unrealized loss**
Trading purposes	**¥ 66,965**	**¥ 27,514**	¥ 67,226	¥ 20,052	**$ 712,176**	**$ 292,612**

6. TRADING ASSETS

CONSOLIDATED

Trading assets as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Trading securities	**¥ 25,786**	¥ 45,542	**$ 274,238**
Derivatives for trading securities	**2,060**	2,247	**21,918**
Securities held to hedge trading transactions	**1,901**	12,901	**20,220**
Derivatives for securities held to hedge trading transactions	**46,940**	33,845	**499,210**
Trading-related financial derivatives	**207,014**	108,138	**2,201,579**
Other	**4,202**	—	**44,698**
Total	**¥ 287,907**	¥ 202,675	**$ 3,061,863**

7. MONETARY ASSETS HELD IN TRUST

CONSOLIDATED

(a) Monetary assets held in trust as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Trading purposes	**¥ 98,282**	¥ 132,025	**$ 1,045,222**
Other	**135,565**	135,602	**1,441,723**
Total	**¥ 233,847**	¥ 267,628	**$ 2,486,945**

(b) The fair value and the unrealized loss which is included in net gain (loss) on monetary assets held in trust for trading purposes as of March 31, 2013 and 2012 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2013		2012		**2013**	
	Fair value	**Unrealized loss**	Fair value	Unrealized loss	**Fair value**	**Unrealized loss**
Trading purposes	**¥ 98,282**	**¥ 4,258**	¥ 132,025	¥ 6,637	**$ 1,045,222**	**$ 45,291**

(c) The carrying amount of monetary assets held in trust for other than trading purposes is the same as the acquisition cost as of March 31, 2013 and 2012.

8. SECURITIES

CONSOLIDATED

(a) Securities as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Trading securities	**¥ 662**	¥ 613	**$ 7,043**
Securities being held to maturity	**639,809**	658,558	**6,804,308**
Securities available for sale:			
Securities carried at fair value	**1,094,814**	1,092,393	**11,643,245**
Securities carried at cost whose fair value cannot be reliably determined	**65,959**	80,207	**701,478**
Investments in unconsolidated subsidiaries and affiliates	**41,099**	41,720	**437,087**
Total	**¥ 1,842,344**	¥ 1,873,493	**$ 19,593,161**

The above balances do not include securities held in connection with securities borrowing transactions with or without cash collateral, securities purchased under resale agreements or securities accepted as collateral for derivative transactions, where the Group has the right to sell or pledge such securities without restrictions. The balances of those securities as of March 31, 2013 and 2012 were ¥51,172 million (U.S.$544,209 thousand) and ¥87,441 million, respectively. In addition, ¥47,380 million (U.S.$503,887 thousand) and ¥11,066 million of those securities were further pledged as of March 31, 2013 and 2012, respectively.

The amount of guarantee obligations for privately-placed bonds (Paragraph 3 of Article 2 of the Financial Instruments and Exchange Act) included in securities as of March 31, 2013 and 2012 were ¥ 31,675 million (U.S.$336,866 thousand) and ¥45,008 million, respectively.

8. SECURITIES (CONTINUED)

CONSOLIDATED

(b) The amortized/acquisition cost and the fair values of securities (other than trading securities) as of March 31, 2013 and 2012 were as follows:

	Millions of yen							
	2013				2012			
	Amortized/ Acquisition cost	**Gross unrealized gain**	**Gross unrealized loss**	**Fair value**	Amortized/ Acquisition cost	Gross unrealized gain	Gross unrealized loss	Fair value
Securities being held to maturity:								
Japanese national government bonds	**¥ 584,863**	**¥ 4,542**	**¥ —**	**¥ 589,406**	¥ 585,601	¥ 5,302	¥ —	¥ 590,903
Japanese corporate bonds	**—**	**—**	**—**	**—**	22,834	259	—	23,094
Other	**54,945**	**4,822**	**0**	**59,768**	50,122	4,006	574	53,555
Total	**¥ 639,809**	**¥ 9,365**	**¥ 0**	**¥ 649,174**	¥ 658,558	¥ 9,568	¥ 574	¥ 667,553
Securities available for sale:								
Equity securities	**¥ 13,713**	**¥ 6,446**	**¥ 697**	**¥ 19,462**	¥ 14,313	¥ 5,547	¥ 602	¥ 19,258
Japanese national government bonds	**752,012**	**1,482**	**995**	**752,498**	698,357	1,973	769	699,562
Japanese local government bonds	**503**	**29**	**—**	**532**	1,738	46	—	1,785
Japanese corporate bonds	**184,967**	**778**	**2,072**	**183,673**	231,061	378	3,212	228,227
Other, primarily foreign debt securities	**136,713**	**4,437**	**522**	**140,628**	158,236	4,411	3,160	159,488
Total	**¥ 1,087,909**	**¥ 13,173**	**¥ 4,288**	**¥ 1,096,795**	¥ 1,103,707	¥ 12,358	¥ 7,744	¥ 1,108,321

	Thousands of U.S. dollars			
	2013			
	Amortized/ Acquisition cost	**Gross unrealized gain**	**Gross unrealized loss**	**Fair value**
Securities being held to maturity:				
Japanese national government bonds	**$ 6,219,966**	**$ 48,311**	**$ —**	**$ 6,268,277**
Japanese corporate bonds	**—**	**—**	**—**	**—**
Other	**584,342**	**51,290**	**2**	**635,630**
Total	**$ 6,804,308**	**$ 99,601**	**$ 2**	**$ 6,903,907**
Securities available for sale:				
Equity securities	**$ 145,839**	**$ 68,562**	**$ 7,422**	**$ 206,979**
Japanese national government bonds	**7,997,578**	**15,763**	**10,588**	**8,002,753**
Japanese local government bonds	**5,354**	**310**	**—**	**5,664**
Japanese corporate bonds	**1,967,114**	**8,278**	**22,041**	**1,953,351**
Other, primarily foreign debt securities	**1,453,932**	**47,190**	**5,557**	**1,495,565**
Total	**$ 11,569,817**	**$ 140,103**	**$ 45,608**	**$ 11,664,312**

Note: "Other, primarily foreign debt securities" includes other monetary claims purchased whose fair value can be reliably determined.

Individual securities (except for those whose fair value cannot be reliably determined), other than trading securities, are written down when a decline in fair value below the cost of such securities is deemed to be other than temporary. The amount written down is accounted for as an impairment loss. Impairment loss on such securities for the fiscal year ended March 31, 2013 was ¥2,748 million (U.S.$29,229 thousand), which consisted of ¥211 million (U.S.$2,246 thousand) for equity securities, ¥2,506 million (U.S.$26,658 thousand) for Japanese corporate bonds and ¥30 million (U.S.$325 thousand) for other securities.

Impairment loss on such securities for the fiscal year ended March 31, 2012 was ¥8,761 million, which consisted of ¥4,094 million for equity securities, ¥3,351 million for Japanese corporate bonds and ¥1,315 million for other securities.

To determine whether an other-than-temporary impairment has occurred, the Group applies the following rule, by the obligor classification of the security issuer based on the Group's self-assessment guidelines:

Securities issued by "legally bankrupt," "virtually bankrupt" and "possibly bankrupt" obligors	The fair value of securities is lower than the amortized/acquisition cost
Securities issued by "need caution" obligors	The fair value of securities is 30% or more lower than the amortized/acquisition cost
Securities issued by "normal" obligors	The fair value of securities is 50% or more lower than the amortized/acquisition cost

8. SECURITIES (CONTINUED)

CONSOLIDATED

"Legally bankrupt" obligors are those who have already gone bankrupt from a legal and /or formal perspective.
"Virtually bankrupt" obligors are those who have not yet gone legally or formally bankrupt but who are substantially bankrupt because they are in serious financial difficulties and are not deemed to be capable of restructuring.
"Possibly bankrupt" obligors are those who are not yet bankrupt but are in financial difficulties and are very likely to go bankrupt in the future.
"Need caution" obligors are those who require close attention because there are problems with their borrowings.
"Normal" obligors are those whose business conditions are favorable and who are deemed not to have any particular problems in terms of their financial position.

(c) Unrealized gain (loss) on available-for-sale securities as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Unrealized gain (loss) before deferred tax on:			
Available-for-sale securities	**¥ 8,885**	¥ 4,614	**$ 94,495**
The Group's interests in available-for-sale securities held by partnerships recorded as securities whose fair value cannot be reliably determined and other adjustments	**81**	(10)	**863**
Securities being held to maturity, reclassified from available-for-sale in the past, under extremely illiquid market conditions	**(4,976)**	(5,186)	**(52,922)**
Deferred tax liabilities	**(485)**	(177)	**(5,164)**
Unrealized gain (loss) on available-for-sale securities before interest adjustments	**3,504**	(761)	**37,272**
Minority interests	**(15)**	(6)	**(161)**
The Group's interests in unrealized gain (loss) on available-for-sale securities held by affiliates to which the equity method is applied	**335**	93	**3,571**
Unrealized gain (loss) on available-for-sale securities	**¥ 3,825**	¥ (674)	**$ 40,682**

(d) Available-for-sale securities sold during the fiscal year ended March 31, 2013 and 2012 were as follows:

	Millions of yen					
	2013			2012		
	Proceeds from sales	**Gains on sales**	**Losses on sales**	Proceeds from sales	Gains on sales	Losses on sales
Available-for-sale securities sold:						
Equity securities	**¥ 2,495**	**¥ 1,180**	**¥ 1**	¥ 1,901	¥ 1,256	¥ 22
Japanese national government bonds	**7,785,819**	**5,813**	**884**	1,043,509	1,887	81
Japanese local government bonds	**25,245**	**10**	**24**	27,176	20	18
Japanese corporate bonds	**34,422**	**203**	**8**	51,047	114	312
Other	**398,387**	**3,388**	**419**	109,273	7,662	215
Total	**¥ 8,246,370**	**¥ 10,596**	**¥ 1,338**	¥ 1,232,908	¥ 10,940	¥ 650

	Thousands of U.S. dollars		
	2013		
	Proceeds from sales	**Gains on sales**	**Losses on sales**
Available-for-sale securities sold:			
Equity securities	**$ 26,542**	**$ 12,551**	**$ 18**
Japanese national government bonds	**82,801,438**	**61,824**	**9,408**
Japanese local government bonds	**268,483**	**115**	**259**
Japanese corporate bonds	**366,078**	**2,166**	**94**
Other	**4,236,811**	**36,037**	**4,457**
Total	**$ 87,699,352**	**$ 112,693**	**$ 14,236**

9. LOANS AND BILLS DISCOUNTED

CONSOLIDATED

Loans and bills discounted as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Loans on deeds	**¥ 3,650,171**	¥ 3,481,830	**$ 38,819,220**
Loans on bills	**26,301**	26,192	**279,717**
Bills discounted	**8,942**	11,054	**95,102**
Overdrafts	**607,049**	617,750	**6,455,912**
Total	**¥ 4,292,464**	¥ 4,136,827	**$ 45,649,951**

(a) Risk-monitored loans

Loans and bills discounted include loans to bankrupt obligors of ¥20,577 million (U.S.$218,840 thousand) and ¥8,145 million as of March 31, 2013 and 2012, respectively, as well as nonaccrual delinquent loans of ¥252,916 million (U.S.$2,689,747 thousand) and ¥316,727 million as of March 31, 2013 and 2012, respectively.

Nonaccrual delinquent loans include loans classified as "possibly bankrupt" and "virtually bankrupt" under the Group's self-assessment guidelines.

In addition to nonaccrual delinquent loans as defined, certain other loans classified as "substandard" under the Group's self-assessment guidelines include loans past due for three months or more.

Loans past due for three months or more consist of loans for which the principal and/or interest is three months or more past due but exclude loans to bankrupt obligors and nonaccrual delinquent loans. The balances of loans past due for three months or more as of March 31, 2013 and 2012 were ¥1,258 million (U.S.$13,382 thousand) and ¥1,754 million, respectively.

Restructured loans are loans where the Group relaxes lending conditions, such as by reducing the original interest rate, or by forbearing interest payments or principal repayments to support the borrower's reorganization, but exclude loans to bankrupt obligors, nonaccrual delinquent loans or loans past due for three months or more. The outstanding balances of restructured loans as of March 31, 2013 and 2012 were ¥38,117 million (U.S.$405,373 thousand) and ¥45,321 million, respectively.

(b) Loan participations

The total outstanding amounts deducted from the loan account for loan participations as of March 31, 2013 and 2012 were ¥16,219 million (U.S.$172,488 thousand) and ¥18,441 million, respectively. This "off-balance sheet" treatment is in accordance with guidelines issued by the JICPA. The total amounts of such loans in which the Bank participated were ¥8,125 million (U.S.$86,412 thousand) and ¥7,891 million as of March 31, 2013 and 2012, respectively.

(c) Bills discounted

Bills discounted, such as bank acceptances bought, commercial bills discounted, documentary bills and foreign exchange contracts bought, are accounted for as financing transactions in accordance with Industry Audit Committee Report No. 24 issued by the JICPA, although the Group has the right to sell or pledge them without restrictions. The face amounts of such bills discounted held as of March 31, 2013 and 2012 were ¥9,092 million (U.S.$96,701 thousand) and ¥11,169 million, respectively.

(d) Loan commitments

The Bank and certain of its consolidated subsidiaries issue commitments to extend credit and establish credit lines for overdrafts to meet the financing needs of customers. The unfunded amounts of these commitments were ¥3,802,064 million (U.S.$40,434,594 thousand) and ¥4,026,211 million as of March 31, 2013 and 2012, out of which the amounts with original agreement terms of less than one year or which were cancelable were ¥3,636,321 million (U.S.$38,671,931 thousand) and ¥3,806,561 million as of March 31, 2013 and 2012, respectively. Since a large majority of these commitments expire without being drawn upon, the unfunded amounts do not necessarily represent future cash requirements. Many such agreements include conditions granting the Bank and its consolidated subsidiaries the right to reject the drawdown or to reduce the amount on the basis of changes in the financial circumstances of the borrower or other reasonable grounds.

In addition, the Bank obtains collateral when necessary to reduce credit risk related to these commitments.

10. FOREIGN EXCHANGES

CONSOLIDATED

Foreign exchange assets and liabilities as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Foreign exchange assets:			
Foreign bills bought	**¥ 150**	¥ 114	**$ 1,599**
Foreign bills receivable	**5,234**	8,133	**55,667**
Due from foreign banks	**28,473**	10,648	**302,811**
Total	**¥ 33,857**	¥ 18,896	**$ 360,077**
Foreign exchange liabilities:			
Foreign bills sold	**¥ 146**	¥ —	**$ 1,560**
Foreign bills payable	**25**	9	**268**
Due to foreign banks	**2**	2	**26**
Total	**¥ 174**	¥ 11	**$ 1,854**

11. OTHER ASSETS

CONSOLIDATED

Other assets as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Accrued income	**¥ 15,728**	¥ 16,300	**$ 167,275**
Prepaid expenses	**3,007**	2,888	**31,989**
Fair value of derivatives	**159,534**	81,914	**1,696,629**
Financial stabilization fund contribution	**—**	41,500	**—**
Accounts receivable	**89,344**	42,543	**950,168**
Installment receivables	**365,817**	347,935	**3,890,439**
Security deposits	**13,478**	13,269	**143,345**
Suspense payments	**21,312**	26,341	**226,659**
Margin deposits for futures transactions	**5,103**	5,383	**54,273**
Cash collateral paid for financial instruments	**16,718**	23,935	**177,795**
Other	**80,859**	84,702	**859,934**
Total	**¥ 770,905**	¥ 686,716	**$ 8,198,506**

Installment receivables in other assets as of March 31, 2013 and 2012 include credits to bankrupt obligors of ¥263 million (U.S.$2,802 thousand) and ¥368 million, nonaccrual delinquent credits of ¥9,372 million (U.S.$99,678 thousand) and ¥10,259 million, credits past due for three months or more of ¥261 million (U.S.$2,778 thousand) and ¥320 million, and restructured credits of ¥1,155 million (U.S.$12,286 thousand) and ¥1,564 million, respectively.

12. PREMISES AND EQUIPMENT

CONSOLIDATED

Premises and equipment as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Buildings	**¥ 30,406**	¥ 30,693	**$ 323,374**
Land	**7,286**	7,634	**77,494**
Tangible leased assets as lessor	**47,490**	48,047	**505,061**
Other	**20,410**	19,851	**217,065**
Subtotal	**105,595**	106,227	**1,122,994**
Accumulated depreciation	**(52,878)**	(52,096)	**(562,360)**
Net book value	**¥ 52,716**	¥ 54,131	**$ 560,634**

13. INTANGIBLE ASSETS

CONSOLIDATED

Intangible assets as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Software	**¥ 20,491**	¥ 22,766	**$ 217,927**
Goodwill, net:			
Goodwill	**40,655**	47,574	**432,365**
Negative goodwill	**(5,260)**	(5,623)	**(55,945)**
Intangible assets acquired in business combinations	**12,487**	16,262	**132,809**
Intangible leased assets as lessor	**3**	7	**39**
Other	**51**	65	**550**
Total	**¥ 68,429**	¥ 81,053	**$ 727,745**

14. RESERVE FOR CREDIT LOSSES

CONSOLIDATED

Reserve for credit losses as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Reserve for loan losses:			
General reserve for loan losses	**¥ 67,707**	¥ 80,949	**$ 720,060**
Specific reserve for loan losses	**90,195**	95,768	**959,222**
Reserve for loan losses to restructuring countries	**0**	0	**9**
Subtotal	**157,903**	176,718	**1,679,291**
Specific reserve for other credit losses	**3,906**	3,915	**41,549**
Total	**¥ 161,810**	¥ 180,633	**$ 1,720,840**

15. DEPOSITS, INCLUDING NEGOTIABLE CERTIFICATES OF DEPOSIT

CONSOLIDATED

Deposits, including negotiable certificates of deposit, as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Current	**¥ 12,734**	¥ 14,995	**$ 135,434**
Ordinary	**1,561,923**	1,485,682	**16,610,907**
Notice	**9,852**	12,711	**104,781**
Time	**3,250,536**	3,292,790	**34,569,139**
Negotiable certificates of deposit	**204,600**	178,084	**2,175,901**
Other	**417,888**	378,147	**4,444,207**
Total	**¥ 5,457,535**	¥ 5,362,411	**$ 58,040,369**

16. DEBENTURES
CONSOLIDATED

(a) Debentures as of March 31, 2013 and 2012 consisted of the following:

Issuer	Description	Issue	Maturity	Interest Rate (%)	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars 2013
Shinsei Bank, Limited	Five-year coupon debentures[1]	Apr. 2007 to Apr. 2013	Apr. 2012 to Apr. 2018	0.08 to 1.70	**¥ 260,442**	¥ 292,239	**$ 2,769,776**
	Coupon debentures, payable in Euroyen[2]	Sept. 2004 to Aug. 2005	Sept. 2014 to Aug. 2020	0.00 to 3.00[3]	**1,900**	1,900	**20,206**
	Total				**¥ 262,342**	¥ 294,139	**$ 2,789,982**

Notes: (1)This includes a series of five-year Long-Term Credit Debentures.
(2)This includes a series of Long-Term Credit Debentures issued under Euro Note Programme.
(3)The maximum and minimum rates under contracts are presented if the interest rates are not decided as of March 31, 2013 and 2012.

(b) Annual maturities of debentures as of March 31, 2013 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	**¥ 45,549**	**$ 484,419**
2015	**44,230**	**470,383**
2016	**56,810**	**604,177**
2017	**57,232**	**608,665**
2018 and thereafter	**58,518**	**622,338**
Total	**¥ 262,342**	**$ 2,789,982**

17. TRADING LIABILITIES
CONSOLIDATED

Trading liabilities as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars 2013
Derivatives for trading securities	**¥ 1,584**	¥ 1,589	**$ 16,850**
Derivatives for securities held to hedge trading transactions	**44,378**	39,649	**471,960**
Trading-related financial derivatives	**178,211**	86,746	**1,895,260**
Trading securities sold for short sales	**15,925**	48,058	**169,366**
Total	**¥ 240,099**	¥ 176,044	**$ 2,553,436**

18. BORROWED MONEY
CONSOLIDATED

(a) Borrowed money as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars 2013
Subordinated debt	**¥ 92,000**	¥ 93,000	**$ 978,411**
Other	**627,292**	383,731	**6,671,194**
Total	**¥ 719,292**	¥ 476,731	**$ 7,649,605**

(b) The weighted average interest rate applicable to the total balance of borrowed money as of March 31, 2013 was 0.82%.

18. BORROWED MONEY (CONTINUED) CONSOLIDATED

(c) Annual maturities of borrowed money as of March 31, 2013 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥ 390,045	$ 4,148,099
2015	63,758	678,068
2016	51,756	550,429
2017	54,444	579,017
2018 and thereafter	159,286	1,693,992
Total	¥ 719,292	$ 7,649,605

19. CORPORATE BONDS CONSOLIDATED

(a) Corporate bonds as of March 31, 2013 and 2012 consisted of the following:

Issuer	Description	Issue	Maturity	Interest Rate (%)	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars 2013
Shinsei Bank, Limited	Unsecured straight bonds, payable in Euroyen[1]	Apr. 2006 to Aug. 2009	Aug. 2012 to Sept. 2037	0.00 to 10.00[5]	¥ 4,951	¥ 5,551	$ 52,653
	Unsecured subordinated bonds, payable in Yen[2]	Mar. 2005 to Oct. 2012	Mar. 2015 to Oct. 2022	1.96 to 4.00	75,400	74,000	801,872
	Unsecured subordinated notes, payable in Euro[3]	Feb. 2006 and Sept. 2010	Feb. 2016 and Sept. 2020	2.171and 7.375	65,895	59,909	700,795
	Unsecured perpetual subordinated notes, payable in Euroyen[4]	Oct.2005	—	2.35 and 2.435	4,500	4,500	47,857
	Unsecured perpetual subordinated note, payable in Pounds Sterling	Dec.2006	—	5.625	7,380	6,767	78,487
Hotaka GK	Unsecured straight bond, payable in Yen	Dec. 2011	Dec. 2016	1.635	3,000	3,000	31,905
Marusei GK	Unsecured straight bond, payable in Yen	Jan. 2012	Dec. 2016	2.99143	500	500	5,317
Tsumagoi GK	Unsecured straight bond, payable in Yen	Apr. 2012	Jun. 2017	2.25	2,000	—	21,270
AMOne GK	Unsecured straight bond, payable in Yen	Jan. 2009	Feb. 2046	2.18	10,159	14,069	108,044
Shinsei Bank Finance N.V.	Unsecured perpetual subordinated bond, payable in Yen	Dec.1996	—	1.83229	500	500	5,317
	Total				¥ 174,286	¥168,797	$ 1,853,517

Notes: (1) This includes a series of straight bonds issued under Euro Note Programme.
(2) This includes a series of subordinated bonds, payable in Yen.
(3) This includes a series of subordinated notes, payable in Euro.
(4) This includes a series of perpetual subordinated notes issued under Euro Note Programme.
(5) The maximum and minimum rates under contracts are presented if the interest rates are not decided as of March 31, 2013 and 2012.

(b) Annual maturities of corporate bonds as of March 31, 2013 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥ 1,574	$ 16,746
2015	34,593	367,904
2016	61,137	650,187
2017	4,637	49,317
2018 and thereafter	72,343	769,363
Total	¥ 174,286	$ 1,853,517

20. OTHER LIABILITIES CONSOLIDATED

Other liabilities as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Accrued expenses	**¥ 70,732**	¥ 61,258	**$ 752,229**
Unearned income	**1,419**	3,788	**15,091**
Income taxes payable	**1,870**	2,130	**19,897**
Fair value of derivatives	**225,631**	142,223	**2,399,570**
Matured debentures, including interest	**12,085**	14,097	**128,525**
Trust account	**379**	7,526	**4,035**
Accounts payable	**137,113**	70,348	**1,458,191**
Deferred gains on installment receivables and credit guarantees	**29,865**	26,751	**317,613**
Asset retirement obligations	**8,001**	7,663	**85,100**
Deposits payable	**89,511**	91,595	**951,944**
Cash collateral received for financial instruments	**6,084**	1,311	**64,704**
Other	**48,064**	37,003	**511,164**
Total	**¥ 630,759**	¥ 465,698	**$ 6,708,063**

21. RESERVE FOR EMPLOYEES' RETIREMENT BENEFITS CONSOLIDATED

(a) The following table presents the funded status of the plans as of March 31, 2013 and 2012:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Projected benefit obligation	**¥ 78,730**	¥ 70,239	**$ 837,288**
Fair value of plan assets	**(66,455)**	(59,483)	**(706,753)**
Funded status (projected benefit obligation in excess of plan assets)	**12,274**	10,756	**130,535**
Unrecognized prior service cost	**2,495**	3,015	**26,536**
Unrecognized net actuarial losses	**(10,840)**	(9,742)	**(115,292)**
Unrecognized obligation at transition	**(1,210)**	(1,816)	**(12,878)**
Net amount accrued on the balance sheets	**2,717**	2,213	**28,901**
Prepaid pension cost included in other assets	**(4,591)**	(4,813)	**(48,834)**
Reserve for employees' retirement benefits	**¥ 7,309**	¥ 7,027	**$ 77,735**

The table includes benefit obligations of certain consolidated subsidiaries that calculate their obligations based on the full amount due to eligible employees as of the fiscal year-end.

(b) The following table provides the components of net periodic retirement benefit cost for the fiscal years ended March 31, 2013 and 2012:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Service cost	**¥ 3,135**	¥ 3,225	**$ 33,341**
Interest cost	**1,467**	1,463	**15,608**
Expected return on plan assets	**(1,395)**	(1,344)	**(14,839)**
Amortization of prior service cost	**(520)**	(520)	**(5,532)**
Amortization of net actuarial losses	**2,448**	2,521	**26,038**
Amortization of unrecognized obligation at transition	**605**	605	**6,439**
Other (primarily consists of extraordinary severance benefit)	**225**	754	**2,395**
Net periodic retirement benefit cost	**¥ 5,966**	¥ 6,705	**$ 63,450**

21. RESERVE FOR EMPLOYEES' RETIREMENT BENEFITS (CONTINUED) CONSOLIDATED

(c) Assumptions used in calculation of the above information were as follows:

	2013	2012
Discount rate	**0.98-1.75%**	1.40-2.20%
Expected rate of return on plan assets	**2.00-3.50%**	2.00-3.50%
Method of attributing the projected benefits to periods of service	**Straight-line basis**	Straight-line basis
Period of amortization of prior service cost	**5.00-14.74 years**	5.00-14.74 years
Period of amortization of net actuarial losses	**5.00-14.74 years**	5.00-14.74 years
Period of amortization of unrecognized obligation at transition	**15 years**	15 years

22. ACCEPTANCES AND GUARANTEES CONSOLIDATED

Acceptances and guarantees as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Guarantees	**¥ 511,032**	¥ 562,624	**$ 5,434,786**

23. ASSETS PLEDGED AS COLLATERAL CONSOLIDATED

Assets pledged as collateral and liabilities collateralized as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Assets pledged as collateral:			
Cash and due from banks	**¥ 165**	¥ 203	**$ 1,761**
Trading assets	**15,484**	33,915	**164,676**
Monetary assets held in trust	**4,171**	1,767	**44,363**
Securities	**872,770**	625,163	**9,281,831**
Loans and bills discounted	**121,584**	191,990	**1,293,041**
Lease receivables and leased investment assets	**84,140**	85,050	**894,830**
Other assets	**42,298**	32,278	**449,837**
Premises and equipment	**2,558**	—	**27,215**
Liabilities collateralized:			
Deposits, including negotiable certificates of deposit	**¥ 418**	¥ 568	**$ 4,445**
Call money	**170,000**	210,000	**1,807,934**
Payables under securities lending transactions	**43,945**	136,006	**467,356**
Borrowed money	**447,809**	172,673	**4,762,416**
Corporate bonds	**10,159**	14,069	**108,044**
Other liabilities	**2,483**	33	**26,407**
Acceptances and guarantees	**914**	920	**9,730**

In addition, ¥173,655 million (U.S.$1,846,806 thousand) and ¥364,798 million of securities as of March 31, 2013 and 2012, were pledged as collateral for transactions, including exchange settlements, swap transactions and replacement of margin for future trading.

Also, ¥5,103 million (U.S.$54,273 thousand) and ¥5,383 million of margin deposits for futures transactions outstanding, ¥13,478 million (U.S.$143,345 thousand) and ¥13,269 million of security deposits, ¥16,718 million (U.S.$177,795 thousand) and ¥23,935 million of cash collateral paid for financial instruments were included in other assets as of March 31, 2013 and 2012, respectively. And ¥4,473 million (U.S.$47,575 thousand) of guarantee deposits under resale agreements and repurchase agreements was included in other assets as of March 31, 2013.

24. PREFERRED SECURITIES ISSUED BY SUBSIDIARIES OUTSIDE JAPAN

CONSOLIDATED

The noncumulative perpetual preferred securities issued by the Bank's wholly owned subsidiaries outside Japan as of March 31, 2013 and 2012 were as follows:

Issuer	Issued date	Issue amount (in millions)	Dividend rate[1]	Floating dividend start date	Type	Redemption date at the issuer's option	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars 2013
Shinsei Finance (Cayman) Limited	Feb. 2006	U.S.$775	6.418%	Jul. 2016	step-up	Jul. 2016[2]	**¥ 2,844**	¥2,478	**$ 30,250**
Shinsei Finance II (Cayman) Limited	Mar. 2006	U.S.$700	7.16%	Jul. 2016	non step-up	Jul. 2016[3]	**1,616**	1,408	**17,187**
Shinsei Finance III (Cayman) Limited	Mar. 2009	¥19,000	5.5%	Jul. 2014	non step-up	Jul. 2014[2]	**15,600**	15,600	**165,905**
	Mar. 2009	¥20,100	5.0%	Jul. 2019	step-up	Jul. 2014[2]	**18,000**	18,000	**191,428**
Shinsei Finance IV (Cayman) Limited	Mar. 2009	¥2,500	5.0%	Jul. 2019	step-up	Jul. 2014[2]	**2,500**	2,500	**26,587**
	Mar. 2009	¥6,600	5.5%	Jul. 2014	non step-up	Jul. 2014[2]	**6,600**	6,600	**70,190**
Shinsei Finance V (Cayman) Limited	Oct. 2009	¥4,000	5.5%	Jul. 2015	non step-up	Jul. 2015[2]	**4,000**	4,000	**42,540**
	Oct. 2009	¥5,000	floating	—	non step-up	Jul. 2015[2]	**5,000**	5,000	**53,175**
Total							**¥ 56,160**	¥55,586	**$ 597,262**

Notes: (1) Fixed dividend rates shown in this column are to be changed to floating dividend rates on the dividend payment date shown in "Floating dividend start date" column.
(2) These preferred securities are redeemable on any dividend payment date shown in this column or thereafter, at a price equal to the liquidation preference together with any dividends otherwise payable, subject to the prior approval of the Financial Services Agency of Japan ("FSA").
(3) The preferred securities issued by Shinsei Finance II (Cayman) Limited are redeemable on dividend payment date shown in this column or on each dividend payment date falling at ten year intervals thereafter, at a price equal to the liquidation preference together with any dividends otherwise payable, subject to the prior approval of the FSA.

These preferred securities are accounted for as minority interests in the consolidated balance sheets.

25. EQUITY

CONSOLIDATED

The authorized number of shares of common stock as of March 31, 2013 was 4,000,000 thousand shares.

The following table shows changes in the number of shares of common stock.

	Thousands: Issued number of shares	Thousands: Number of treasury stock
Fiscal year ended March 31, 2012:		
Beginning of year	2,750,346	96,427
Increase	—	—
Decrease	—	—
End of year	2,750,346	96,427
Fiscal year ended March 31, 2013:		
Beginning of year	**2,750,346**	**96,427**
Increase	**—**	**—**
Decrease	**—**	**—**
End of year	**2,750,346**	**96,427**

25. EQUITY (CONTINUED)

CONSOLIDATED

Japanese banks are subject to the Companies Act of Japan (the "Companies Act") and the Banking Act. The significant provisions in the Companies Act and the Banking Act that affect financial and accounting matters are summarized below:

(a) Dividends
Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as: (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

The Bank meets all of the above criteria and its articles of incorporation prescribe the authority for dividend declaration by the Board of Directors.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitations and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act and the Banking Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock.

(b) Increases/decreases and transfer of common stock, reserve and surplus
The Banking Act requires that an amount equal to 20% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 100% of the common stock.

The Companies Act provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights
The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

26. STOCK ACQUISITION RIGHTS

CONSOLIDATED

The Bank issues stock acquisition rights as a stock option plan to directors, executive officers and employees of the Bank and its subsidiaries.

Stock acquisition rights provide eligible individuals (the "holders") with the right to purchase common stock of the Bank without any cash consideration at an exchange rate of one thousand common shares to one stock acquisition right. The amount of money to be paid upon exercising stock acquisition rights is the amount calculated by multiplying the payment amount per share (the "exercise price") by the number of common shares that can be purchased through the exercise of one stock acquisition right. Conditions are stipulated in the "Agreement on the Grant of Stock Acquisition Rights" entered into between the Bank and the holders to whom stock acquisition rights were allotted based on the resolution of the annual general meeting of shareholders and the meetings of the Board of Directors which resolves the issuance of stock acquisition rights subsequent to the shareholders' meeting.

In December 2005, the ASBJ issued "Accounting Standard for Stock Options" and related guidance, which requires companies to recognize compensation expense for stock acquisition rights based on the fair value at the date of grant and over the vesting periods for stock acquisition rights newly granted on and after May 1, 2006.

Income of ¥10 million (U.S.$107 thousand) was recognized for the fiscal year ended March 31, 2013, due to reversal of expenses associated with rights that were cancelled before vesting dates which exceeded compensation expense during the period. Net stock-based compensation expense was ¥11 million for the fiscal year ended March 31, 2012. Gains on unexercised and forfeited stock acquisition rights included in other gains (losses), net were ¥105 million (U.S.$1,127 thousand) and ¥69 million for the fiscal year ended March 31, 2013 and 2012, respectively. There were no stock acquisition rights issued during the fiscal year ended March 31, 2013 and 2012.

(a) Details of stock options

Stock options outstanding as of March 31, 2013 were as follows:

	Date of issuance	Total number of stock options (shares) at the issuance	Total number of holders at the issuance	Exercise period	Exercise price (Yen)	Fair value at the grant date (Yen)
1st	July 1, 2004	9,455,000	2,196	July 1, 2006-June 23, 2014	684	—
4th	June 1, 2005	250,000	1	July 1, 2006-June 23, 2014	551	—
5th	June 27, 2005	4,922,000	462	July 1, 2007-June 23, 2015	601	—
6th	June 27, 2005	2,856,000	40	July 1, 2007-June 23, 2015	601	—
7th	June 27, 2005	1,287,000	135	July 1, 2008-June 23, 2015	601	—
8th	June 27, 2005	561,000	35	July 1, 2008-June 23, 2015	601	—
9th	September 28, 2005	157,000	2	July 1, 2007-June 23, 2015	697	—
10th	September 28, 2005	53,000	2	July 1, 2008-June 23, 2015	697	—
13th	May 25, 2006	5,342,000	588	June 1, 2008-June 23, 2015	825	163 or 173
14th	May 25, 2006	3,027,000	31	June 1, 2008-June 23, 2015	825	163 or 173
15th	May 25, 2006	1,439,000	171	June 1, 2009-June 23, 2015	825	173 or 192
16th	May 25, 2006	331,000	19	June 1, 2009-June 23, 2015	825	173 or 192
17th	May 25, 2007	3,306,000	135	June 1, 2009-May 8, 2017	555	131 or 143
18th	May 25, 2007	1,480,000	26	June 1, 2009-May 8, 2017	555	131 or 143
19th	July 2, 2007	140,000	32	July 1, 2009-June 19, 2017	527	121 or 132
20th	May 30, 2008	2,830,000	124	June 1, 2010-May 13, 2018	416	158 or 169
21st	May 30, 2008	2,081,000	30	June 1, 2010-May 13, 2018	416	158 or 169
22nd	July 10, 2008	203,000	43	July 1, 2010-June 24, 2018	407	127 or 137
23rd	December 1, 2008	97,000	17	December 1, 2010-November 11, 2018	221	53 or 57

26. STOCK ACQUISITION RIGHTS (CONTINUED)

CONSOLIDATED

(b) Number of stock options and movement therein

Numbers of stock options and price information are as follows:

	1st	4th	5th	6th
Fiscal year ended March 31, 2012				
Nonvested (share)				
Outstanding at the beginning of the year	—	—	—	—
Granted during the year	—	—	—	—
Forfeited during the year	—	—	—	—
Vested during the year	—	—	—	—
Outstanding at the end of the year	—	—	—	—
Vested (share)				
Outstanding at the beginning of the year	5,069,000	250,000	2,329,000	1,544,000
Vested during the year	—	—	—	—
Exercised during the year	—	—	—	—
Forfeited during the year	156,000	—	110,000	—
Exercisable at the end of the year	4,913,000	250,000	2,219,000	1,544,000
Exercise price (Yen)	684	551	601	601
Weighted average stock price at the date of exercise (Yen)	—	—	—	—
Fiscal year ended March 31, 2013				
Nonvested (share)				
Outstanding at the beginning of the year	**—**	**—**	**—**	**—**
Granted during the year	**—**	**—**	**—**	**—**
Forfeited during the year	**—**	**—**	**—**	**—**
Vested during the year	**—**	**—**	**—**	**—**
Outstanding at the end of the year	**—**	**—**	**—**	**—**
Vested (share)				
Outstanding at the beginning of the year	**4,913,000**	**250,000**	**2,219,000**	**1,544,000**
Vested during the year	**—**	**—**	**—**	**—**
Exercised during the year	**—**	**—**	**—**	**—**
Forfeited during the year	**115,000**	**—**	**111,000**	**48,000**
Exercisable at the end of the year	**4,798,000**	**250,000**	**2,108,000**	**1,496,000**
Exercise price (Yen)	**684**	**551**	**601**	**601**
Weighted average stock price at the date of exercise (Yen)	**—**	**—**	**—**	**—**

	7th	8th	9th	10th
Fiscal year ended March 31, 2012				
Nonvested (share)				
Outstanding at the beginning of the year	—	—	—	—
Granted during the year	—	—	—	—
Forfeited during the year	—	—	—	—
Vested during the year	—	—	—	—
Outstanding at the end of the year	—	—	—	—
Vested (share)				
Outstanding at the beginning of the year	506,000	187,000	108,000	36,000
Vested during the year	—	—	—	—
Exercised during the year	—	—	—	—
Forfeited during the year	32,000	—	—	—
Exercisable at the end of the year	474,000	187,000	108,000	36,000
Exercise price (Yen)	601	601	697	697
Weighted average stock price at the date of exercise (Yen)	—	—	—	—
Fiscal year ended March 31, 2013				
Nonvested (share)				
Outstanding at the beginning of the year	**—**	**—**	**—**	**—**
Granted during the year	**—**	**—**	**—**	**—**
Forfeited during the year	**—**	**—**	**—**	**—**
Vested during the year	**—**	**—**	**—**	**—**
Outstanding at the end of the year	**—**	**—**	**—**	**—**
Vested (share)				
Outstanding at the beginning of the year	**474,000**	**187,000**	**108,000**	**36,000**
Vested during the year	**—**	**—**	**—**	**—**
Exercised during the year	**—**	**—**	**—**	**—**
Forfeited during the year	**23,000**	**17,000**	**—**	**—**
Exercisable at the end of the year	**451,000**	**170,000**	**108,000**	**36,000**
Exercise price (Yen)	**601**	**601**	**697**	**697**
Weighted average stock price at the date of exercise (Yen)	**—**	**—**	**—**	**—**

26. STOCK ACQUISITION RIGHTS (CONTINUED)

CONSOLIDATED

	13th	14th	15th	16th
Fiscal year ended March 31, 2012				
Nonvested (share)				
Outstanding at the beginning of the year	—	—	117,000	17,000
Granted during the year	—	—	—	—
Forfeited during the year	—	—	1,000	—
Vested during the year	—	—	116,000	17,000
Outstanding at the end of the year	—	—	—	—
Vested (share)				
Outstanding at the beginning of the year	2,390,000	1,797,000	415,000	20,000
Vested during the year	—	—	116,000	17,000
Exercised during the year	—	—	—	—
Forfeited during the year	154,000	—	19,000	—
Exercisable at the end of the year	2,236,000	1,797,000	512,000	37,000
Exercise price (Yen)	825	825	825	825
Weighted average stock price at the date of exercise (Yen)	—	—	—	—
Fiscal year ended March 31, 2013				
Nonvested (share)				
Outstanding at the beginning of the year	**—**	**—**	**—**	**—**
Granted during the year	**—**	**—**	**—**	**—**
Forfeited during the year	**—**	**—**	**—**	**—**
Vested during the year	**—**	**—**	**—**	**—**
Outstanding at the end of the year	**—**	**—**	**—**	**—**
Vested (share)				
Outstanding at the beginning of the year	**2,236,000**	**1,797,000**	**512,000**	**37,000**
Vested during the year	**—**	**—**	**—**	**—**
Exercised during the year	**—**	**—**	**—**	**—**
Forfeited during the year	**183,000**	**80,000**	**63,000**	**18,000**
Exercisable at the end of the year	**2,053,000**	**1,717,000**	**449,000**	**19,000**
Exercise price (Yen)	**825**	**825**	**825**	**825**
Weighted average stock price at the date of exercise (Yen)	**—**	**—**	**—**	**—**

	17th	18th	19th	20th
Fiscal year ended March 31, 2012				
Nonvested (share)				
Outstanding at the beginning of the year	188,000	56,000	48,000	326,000
Granted during the year	—	—	—	—
Forfeited during the year	—	—	—	71,000
Vested during the year	188,000	56,000	48,000	14,000
Outstanding at the end of the year	—	—	—	241,000
Vested (share)				
Outstanding at the beginning of the year	1,220,000	819,000	92,000	1,097,000
Vested during the year	188,000	56,000	48,000	14,000
Exercised during the year	—	—	—	—
Forfeited during the year	69,000	—	—	124,000
Exercisable at the end of the year	1,339,000	875,000	140,000	987,000
Exercise price (Yen)	555	555	527	416
Weighted average stock price at the date of exercise (Yen)	—	—	—	—
Fiscal year ended March 31, 2013				
Nonvested (share)				
Outstanding at the beginning of the year	**—**	**—**	**—**	**241,000**
Granted during the year	**—**	**—**	**—**	**—**
Forfeited during the year	**—**	**—**	**—**	**—**
Vested during the year	**—**	**—**	**—**	**241,000**
Outstanding at the end of the year	**—**	**—**	**—**	**—**
Vested (share)				
Outstanding at the beginning of the year	**1,339,000**	**875,000**	**140,000**	**987,000**
Vested during the year	**—**	**—**	**—**	**241,000**
Exercised during the year	**—**	**—**	**—**	**—**
Forfeited during the year	**115,000**	**70,000**	**—**	**54,000**
Exercisable at the end of the year	**1,224,000**	**805,000**	**140,000**	**1,174,000**
Exercise price (Yen)	**555**	**555**	**527**	**416**
Weighted average stock price at the date of exercise (Yen)	**—**	**—**	**—**	**—**

26. STOCK ACQUISITION RIGHTS (CONTINUED) CONSOLIDATED

	21st	22nd	23rd
Fiscal year ended March 31, 2012			
Nonvested (share)			
Outstanding at the beginning of the year	81,000	72,000	24,000
Granted during the year	—	—	—
Forfeited during the year	—	—	2,000
Vested during the year	—	—	—
Outstanding at the end of the year	81,000	72,000	22,000
Vested (share)			
Outstanding at the beginning of the year	194,000	116,000	35,000
Vested during the year	—	—	—
Exercised during the year	—	—	—
Forfeited during the year	73,000	—	3,000
Exercisable at the end of the year	121,000	116,000	32,000
Exercise price (Yen)	416	407	221
Weighted average stock price at the date of exercise (Yen)	—	—	—
Fiscal year ended March 31, 2013			
Nonvested (share)			
Outstanding at the beginning of the year	**81,000**	**72,000**	**22,000**
Granted during the year	**—**	**—**	**—**
Forfeited during the year	**78,000**	**—**	**—**
Vested during the year	**3,000**	**72,000**	**22,000**
Outstanding at the end of the year	**—**	**—**	**—**
Vested (share)			
Outstanding at the beginning of the year	**121,000**	**116,000**	**32,000**
Vested during the year	**3,000**	**72,000**	**22,000**
Exercised during the year	**—**	**—**	**—**
Forfeited during the year	**82,000**	**—**	**—**
Exercisable at the end of the year	**42,000**	**188,000**	**54,000**
Exercise price (Yen)	**416**	**407**	**221**
Weighted average stock price at the date of exercise (Yen)	**—**	**—**	**—**

(c) Measurement of the fair value of stock options

There were no stock options granted or whose fair value was changed due to the modification to the terms and conditions during the fiscal years ended March 31, 2013 and 2012.

(d) Method of determining the vested number of stock options

Incorporated only the actual forfeited options, as the reasonable estimate of future forfeitures is not determinable.

27. NET TRADING INCOME (LOSS) CONSOLIDATED

Net trading income (loss) for the fiscal years ended March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Income (loss) from trading securities	**¥ 4,007**	¥ 204	**$ 42,619**
Income (loss) from securities held to hedge trading transactions	**(2,569)**	(3,072)	**(27,325)**
Income (loss) from trading-related financial derivatives	**18,691**	16,525	**198,780**
Other, net	**(99)**	(22)	**(1,062)**
Total	**¥ 20,029**	¥13,635	**$ 213,012**

28. OTHER BUSINESS INCOME (LOSS), NET CONSOLIDATED

"Other, net" in other business income (loss), net, for the fiscal years ended March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Income (loss) from derivatives entered into for banking purposes, net	**¥ (1,288)**	¥ (1,057)	**$ (13,703)**
Equity in net income (loss) of affiliates	**(1,309)**	3,429	**(13,927)**
Gain on lease cancellation and other lease income (loss), net	**1,020**	(220)	**10,854**
Other, net	**592**	1,601	**6,297**
Total	**¥ (985)**	¥ 3,754	**$ (10,479)**

29. NET CREDIT COSTS CONSOLIDATED

Net credit costs for the fiscal years ended March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Losses on write-off or sales of loans	**¥ 8,468**	¥ 5,777	**$ 90,061**
Net provision (reversal) of reserve for loan losses:			
Net provision (reversal) of general reserve for loan losses	**(5,330)**	(5,924)	**(56,695)**
Net provision (reversal) of specific reserve for loan losses	**19,124**	42,237	**203,392**
Net provision (reversal) of reserve for loan losses to restructuring countries	**—**	(11)	**—**
Subtotal	**13,793**	36,302	**146,697**
Net provision (reversal) of specific reserve for other credit losses	**(8)**	(17,281)	**(88)**
Other credit costs (recoveries) relating to leasing business	**(498)**	(1,698)	**(5,297)**
Recoveries of written-off claims	**(16,233)**	(10,832)	**(172,637)**
Total	**¥ 5,522**	¥ 12,267	**$ 58,736**

30. OTHER GAINS (LOSSES), NET CONSOLIDATED

Other gains (losses), net for the fiscal years ended March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Net gain (loss) on disposal of premises and equipment	**¥ 183**	¥ (518)	**$ 1,952**
Pension-related costs	**(47)**	(317)	**(505)**
Gains on write-off of unclaimed debentures	**859**	1,232	**9,136**
Gains on write-off unclaimed payables on derivatives	**957**	—	**10,179**
Provision of reserve for losses on interest repayments	**—**	(32,885)	**—**
Impairment losses on long-lived assets	**(916)**	(1,092)	**(9,752)**
Business restructuring cost	**—**	(86)	**—**
Gain on sale of subsidiary's stock	**452**	2,488	**4,813**
Loss on retirement of software at APLUS FINANCIAL	**—**	(1,901)	**—**
Other, net	**699**	86	**7,443**
Total	**¥ 2,187**	¥ (32,994)	**$ 23,266**

30. OTHER GAINS (LOSSES), NET (CONTINUED)

CONSOLIDATED

Impairment losses on long-lived assets
For the fiscal year ended March 31, 2013, impairment losses on long-lived assets of ¥714 million (U.S.$ 7,595 thousand) were recognized by the Bank on the properties of the branches which were decided to be closed and the unused IT related properties, assuming their recoverable amount to be zero.

For the fiscal year ended March 31, 2012, impairment losses on long-lived assets of ¥898 million were recognized by the Bank on the annex of the branches which were decided to be closed and the unused IT related properties, assuming their recoverable amount to be zero.

31. INCOME TAXES

CONSOLIDATED

The Group is subject to a number of taxes based on income, such as corporate tax, inhabitant tax and enterprise tax, which, in the aggregate, resulted in normal effective statutory tax rates of approximately 38.0% and 40.7% for the fiscal years ended March 31, 2013 and 2012, respectively.

(a) A reconciliation of the normal effective statutory tax rate with the actual effective tax rate for the fiscal years ended March 31, 2013 and 2012 was as follows:

	2013	2012
Normal effective statutory tax rate	**38.0%**	40.7%
Increase (decrease) in taxes resulting from:		
Permanently tax-exempt income	**(0.3)**	(0.0)
Amortization and impairment of goodwill	**5.0**	20.4
Equity in net income/loss of affiliates	**0.9**	(9.1)
Other nondeductible expenses	**0.7**	0.5
Foreign tax	**0.1**	4.6
Change in valuation allowance	**(51.5)**	(340.2)
Effect of tax rate reduction	**—**	5.6
Expiration of tax loss carryforwards	**8.8**	316.7
Other	**(3.1)**	(4.3)
Actual effective tax rate	**(1.4%)**	34.9%

"Act for Partial Revision to the Income Tax Act, etc. in order to Build a Tax Framework in Response to Changes in the Structure of the Economic Society" (Law No. 114 for 2011) and "Act on Special Measures for Securing Financial Resources Required to Implement Actions for Recovery from the Great East Japan Earthquake" (Law No. 117 for 2011) were promulgated in December 2, 2011. Since the fiscal year beginning on or after April 1, 2012, the corporate tax rate has been reduced and the reconstruction special corporate tax has been imposed. In connection with this change, the effective statutory tax rate for calculating deferred tax assets and deferred tax liabilities has been changed from 40.7% to 38.0% for temporary differences and tax loss carryforwards that are expected to be realized between the fiscal year beginning on April 1, 2012 and the fiscal year beginning on April 1, 2014; and to 35.6% for temporary differences and tax loss carryforwards that are expected to be realized in and after the fiscal year beginning on April 1, 2015. With these tax rate changes, deferred tax assets decreased by ¥824 million and deferred tax liabilities have decreased by ¥162 million while unrealized gain (loss) on available-for-sale securities has increased by ¥30 million and income taxes-deferred have increased by ¥851 million for the fiscal year ended March 31, 2012.

Since the fiscal year beginning on or after April 1, 2012, the use of tax loss carryforwards has been limited to the equivalent of 80% of taxable income before deducting tax loss carryforwards. Due to this limitation, in the fiscal year ended on March 31, 2012, deferred tax assets decreased by ¥202 million and deferred tax liabilities increased by ¥291 million while income taxes-deferred increased by ¥494 million.

31. INCOME TAXES (CONTINUED)

CONSOLIDATED

(b) The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities, as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Deferred tax assets:			
Tax loss carryforwards	**¥ 215,070**	¥ 197,705	**$ 2,287,258**
Reserve for credit losses	**135,343**	156,784	**1,439,367**
Securities	**32,339**	38,362	**343,925**
Monetary assets held in trust	**15,545**	16,539	**165,329**
Reserve for losses on interest repayments	**12,467**	18,145	**132,596**
Deferred loss on derivatives under hedge accounting	**5,285**	5,299	**56,211**
Other	**43,656**	39,578	**464,285**
Subtotal	**459,709**	472,415	**4,888,971**
Valuation allowance	**(433,848)**	(446,257)	**(4,613,934)**
Total deferred tax assets	**25,861**	26,157	**275,037**
Offset with deferred tax liabilities	**(9,522)**	(10,322)	**(101,268)**
Net deferred tax assets	**¥ 16,339**	¥ 15,834	**$ 173,769**
Deferred tax liabilities:			
Temporary differences due to business combination (primarily related to identified intangible assets)	**¥ 4,861**	¥ 6,591	**$ 51,699**
Deferred gain on derivatives under hedge accounting	**1,759**	1,700	**18,714**
Asset retirement costs included in premises and equipment	**1,285**	1,333	**13,669**
Unrealized gain on available-for-sale securities	**485**	212	**5,164**
Other	**1,137**	1,112	**12,100**
Total deferred tax liabilities	**9,529**	10,949	**101,346**
Offset with deferred tax assets	**(9,522)**	(10,322)	**(101,268)**
Net deferred tax liabilities	**¥ 7**	¥ 626	**$ 78**

(c) The Bank has ¥168,044 million (U.S.$1,787,139 thousand) of tax loss carryforward related to corporate tax as of March 31, 2013. The schedule of tax loss carryforward and its expiration date are as follows:

	Amount		
Fiscal year ended March 31	Millions of yen	Thousands of U.S. dollars	Date of expiry
2009	¥ 107,458	$ 1,142,811	March 31, 2018
2011	20,019	212,910	March 31, 2020
2012	16,732	177,945	March 31, 2021
2013	23,834	253,473	March 31, 2022
Total	¥ 168,044	$ 1,787,139	

31. INCOME TAXES (CONTINUED) CONSOLIDATED

In addition, other significant tax loss carryforwards of major subsidiaries as of March 31, 2013 are as follows:

Subsidiary	Fiscal period ended	Millions of yen	Thousands of U.S. Dollars	Date of expiry
APLUS FINANCIAL	March 31, 2007	¥ 29,537	$ 314,132	March 31, 2014
	March 31, 2008	11,826	125,778	March 31, 2015
	March 31, 2009	2	31	March 31, 2018
	March 31, 2010	10	107	March 31, 2019
	March 31, 2012	5,855	62,270	March 31, 2021
	March 31, 2013	224	2,392	March 31, 2022
	Total	¥ 47,457	$ 504,710	
Shinsei Financial	December 31, 2007	¥ 28,268	$ 300,631	March 31, 2014
	December 31, 2008	38,731	411,900	March 31, 2018
	March 31, 2009	27,530	292,782	March 31, 2018
	March 31, 2010	148,459	1,578,857	March 31, 2019
	March 31, 2011	22,894	243,486	March 31, 2020
	March 31, 2012	26,107	277,647	March 31, 2021
	Total	¥ 291,991	$ 3,105,303	
Showa Leasing	March 31, 2008	¥ 373	$ 3,977	March 31, 2015
	March 31, 2009	18	196	March 31, 2018
	March 31, 2010	106	1,134	March 31, 2019
	Total	¥ 499	$ 5,307	
SHINKI	March 31, 2008	¥ 19,037	$ 202,465	March 31, 2015
	March 31, 2009	9,280	98,697	March 31, 2018
	March 31, 2010	5,605	59,609	March 31, 2019
	March 31, 2011	14,064	149,570	March 31, 2020
	March 31, 2012	5,345	56,854	March 31, 2021
	March 31, 2013	5,549	59,016	March 31, 2022
	Total	¥ 58,882	$ 626,211	

32. NET INCOME (LOSS) PER COMMON SHARE CONSOLIDATED

Diluted net income per common share for the fiscal year ended March 31, 2013 and 2012 are not disclosed because there is no effect from dilutive securities.

Basic net income (loss) per common share ("EPS") for the fiscal years ended March 31, 2013 and 2012 were as follows:

	Net income (loss) (Millions of yen)	Weighted average shares (Thousands)	EPS (Yen)	EPS (U.S. dollars)
For the fiscal year ended March 31, 2013:				
Basic EPS				
Net income (loss) available to common shareholders	**¥ 51,079**	**2,653,919**	**¥ 19.24**	**$ 0.2**
For the fiscal year ended March 31, 2012:				
Basic EPS				
Net income (loss) available to common shareholders	¥ 6,430	2,653,919	¥ 2.42	

33. OTHER COMPREHENSIVE INCOME

CONSOLIDATED

The components of other comprehensive income for the fiscal years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the fiscal year	¥ 9,140	¥ 7,296	$ 97,213
Reclassification adjustment to profit or loss	(4,567)	7,165	(48,571)
Amount before income tax effect	4,573	14,461	48,642
Income tax effect	(307)	55	(3,272)
Total	4,266	14,516	45,370
Deferred gain (loss) on derivatives under hedge accounting:			
Gains (losses) arising during the fiscal year	(2,947)	(4,799)	(31,341)
Reclassification adjustment to profit or loss	3,142	3,132	33,422
Amount before income tax effect	195	(1,667)	2,081
Income tax effect	(47)	111	(504)
Total	148	(1,556)	1,577
Foreign currency translation adjustments:			
Gains (losses) arising during the fiscal year	3,344	520	35,566
Reclassification adjustment to profit or loss	(454)	506	(4,836)
Amount before income tax effect	2,889	1,027	30,730
Income tax effect	—	—	—
Total	2,889	1,027	30,730
Share of other comprehensive income in affiliates:			
Gains (losses) arising during the fiscal year	737	32	7,839
Reclassification adjustment to profit or loss	57	—	615
Amount before income tax effect	794	32	8,454
Income tax effect	—	—	—
Total	794	32	8,454
Total other comprehensive income	¥ 8,098	¥ 14,019	$ 86,131

34. LEASE TRANSACTIONS

CONSOLIDATED

(A) FINANCE LEASE TRANSACTIONS

AS LESSEE

For finance lease transactions, where the ownership of the property is not deemed to transfer to the lessee.

(a) Lease assets are primarily buildings, tools, equipment and fixtures included in "Premises and equipment," and software included in "Intangible assets."

(b) Depreciation method is described in "(W) LEASE TRANSACTIONS" in Note 2 "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

AS LESSOR

(a) Breakdown of "Lease receivables and leased investment assets" as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Lease receivables	¥ 44,705	¥ 31,759	$ 475,441
Leased investment assets:			
Lease payment receivables	172,465	179,777	1,834,151
Estimated residual value	6,976	7,676	74,197
Interest equivalent	(20,817)	(21,988)	(221,389)
Other	259	206	2,764
Subtotal	158,884	165,672	1,689,723
Total	¥ 203,590	¥ 197,432	$ 2,165,164

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34. LEASE TRANSACTIONS (CONTINUED) CONSOLIDATED

(b) Lease payment receivables for "Lease receivables and leased investment assets as" of March 31, 2013 were as follows:

	Lease receivables		Leased investment assets	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Due within one year	**¥ 13,165**	**$ 140,011**	**¥ 55,972**	**$ 595,263**
Due after one year within two years	**11,156**	**118,649**	**42,518**	**452,180**
Due after two years within three years	**8,889**	**94,542**	**29,882**	**317,795**
Due after three years within four years	**6,567**	**69,848**	**19,394**	**206,260**
Due after four years within five years	**4,285**	**45,571**	**9,963**	**105,960**
Due after five years	**3,557**	**37,833**	**14,733**	**156,693**
Total	**¥ 47,621**	**$ 506,454**	**¥ 172,465**	**$ 1,834,151**

(B) OPERATING LEASE TRANSACTIONS

Noncancelable operating lease obligations as lessee and lease payment receivables as lessor as of March 31, 2013 and 2012 were as follows:

AS LESSEE

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Lease obligations:			
Due within one year	**¥ 4,011**	¥ 4,046	**$ 42,658**
Due after one year	**17,684**	21,021	**188,073**
Total	**¥ 21,695**	¥ 25,068	**$ 230,731**

AS LESSOR

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Lease payment receivables:			
Due within one year	**¥ 4,497**	¥ 3,832	**$ 47,834**
Due after one year	**19,099**	17,101	**203,126**
Total	**¥ 23,597**	¥ 20,934	**$ 250,960**

35. SEGMENT INFORMATION CONSOLIDATED

(A) SEGMENT INFORMATION

(a) DESCRIPTION OF REPORTABLE SEGMENTS

Our reportable segments are components of the Group about which separate financial information is available and such information is evaluated regularly by the Executive Committee in deciding how to allocate resources and in assessing performance.

The Group provides a wide variety of financial products and services to institutional and individual customers through our Institutional Group, Global Markets Group and Individual Group, respectively. These groups consist of operating segments which provide their respective financial products and services. The Institutional Group consists of the "Institutional Business Sub-Group," "Structured Finance Sub-Group," "Principal Transactions Sub-Group," "Showa Leasing" and "Other Institutional Group," and the Global Markets Group consists of the "Financial Institutions Sub-Group," "Markets Sub-Group," and "Other Global Markets Group" as reportable segments. The Individual Group consists of "Retail Banking Sub-Group," "Shinsei Financial" and "APLUS FINANCIAL." Also, the business and operations excluding any of the Institutional Group, the Global Markets Group, and the Individual Group are classified as the Corporate / Other. The "Treasury Sub-Group" in the Corporate / Other is a reportable segment.

In the Institutional Group, the "Institutional Business Sub-Group" provides financial products, financial services and advisory services for corporate banking business and public sector finance. The "Structured Finance Sub-Group" provides real estate finance,

35. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

such as nonrecourse 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. The "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 exchanges, derivatives, equity-related transactions and other capital markets transactions. The "Other Global Markets Group" consists of Shinsei Securities' businesses, 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 customers, the "Shinsei Financial" which consists of the business of Shinsei Financial Co., Ltd., SHINKI Co., Ltd. and "Shinsei Bank Card Loan - Lake" transferred from Shinsei Financial from October 1, 2011, provides consumer finance, and the "APLUS FINANCIAL" provides installment sales credit, credit cards, guarantees and settlement services. The "Other" consists of profit and loss attributable to the Consumer Finance Sub-Group and other subsidiaries. The profit and loss related to "Go Remit Overseas Remittance Service" that transferred from Lloyds TSB Bank plc, and that transfer process was finalized on March 1, 2013, is included in the "Retail Banking Sub-Group."

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

On April 27, 2012, we implemented organizational changes. In the institutional Group, the Advisory Sub-Group was abolished and the three divisions within it - the Corporate Advisory Division, Solution Advisory Division and Asset Solution Division - were integrated into a Corporate Advisory Division, newly established in the Institutional Business Sub-Group. Also, the organizational changes on July 1, 2012, the "Treasury Sub-Group" in the Global Markets Group was transferred to the Corporate / Other. As a result of these organizational changes, classification of reportable segments was changed, and "REVENUE, PROFIT (LOSS), ASSETS, LIABILITIES AND OTHER ITEMS BY REPORTABLE SEGMENTS" for the fiscal year ended March 31, 2012 is presented based on the new classification of reportable segments.

(b) METHODS OF MEASUREMENT FOR THE AMOUNTS OF REVENUE, PROFIT (LOSS), ASSETS, LIABILITIES AND OTHER ITEMS BY REPORTABLE SEGMENTS

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES," except for interest on inter-segment transactions and indirect expense.

Interest on inter-segment transactions is calculated using an inter-office rate. Indirect expense is allocated, based on the predetermined internal rule, to each reportable segment according to the budget which is set at the beginning of the fiscal year.

35. SEGMENT INFORMATION (CONTINUED) CONSOLIDATED

(c) REVENUE, PROFIT (LOSS), ASSETS, LIABILITIES AND OTHER ITEMS BY REPORTABLE SEGMENTS

	Millions of yen							
	Institutional Group					Global Markets Group		
Fiscal year ended March 31, 2013	Institutional Business Sub-Group	Structured Finance Sub-Group	Principal Transactions Sub-Group	Showa Leasing	Other Institutional Group	Financial Institutions Sub-Group	Markets Sub-Group	Other Global Markets Group
Revenue:	¥ 14,885	¥ 20,452	¥ 11,421	¥ 14,094	¥ (3,958)	¥ 4,571	¥ 7,213	¥ 2,458
Net Interest Income	10,110	16,365	5,022	(1,618)	(65)	1,603	1,256	135
Noninterest Income[1]	4,775	4,087	6,398	15,712	(3,893)	2,967	5,957	2,322
Expenses	6,379	4,635	3,844	7,860	1,536	2,310	3,197	3,520
Net Credit Costs (Recoveries)	(3,273)	6,063	(531)	(85)	4,151	(6,284)	(1,050)	(241)
Segment Profit (loss)	¥ 11,779	¥ 9,753	¥ 8,107	¥ 6,318	¥ (9,646)	¥ 8,545	¥ 5,066	¥ (820)
Segment Assets[2]	¥ 1,642,411	¥ 961,045	¥ 324,500	¥ 411,396	¥ 82,151	¥ 150,805	¥ 411,412	¥ 71,460
Segment Liabilities	¥ 374,033	¥ 66,825	¥ 7,347	¥ —	¥ 1,287	¥ 294,268	¥ 221,475	¥ 48,440
Includes:								
1. Equity in net income (loss) of affiliates	¥ —	¥ —	¥ 1,024	¥ —	¥ (2,333)	¥ (0)	¥ (0)	¥ —
2. Investment in affiliates	—	—	38,914	—	—	—	2,038	—
Other:								
Goodwill (Negative Goodwill):								
Amortization	¥ —	¥ —	¥ —	¥ 2,265	¥ —	¥ —	¥ —	¥ —
Unamortized balance	—	—	—	25,787	—	—	—	—
Intangible assets acquired in business combinations:								
Amortization	¥ —	¥ —	¥ —	¥ 630	¥ —	¥ —	¥ —	¥ —
Unamortized balance	—	—	—	2,989	—	—	—	—
Impairment losses on long-lived assets	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 0	¥ 5

	Millions of yen						
	Individual Group				Corporate/Other		
		Consumer Finance Sub-Group					
Fiscal year ended March 31, 2013	Retail Banking Sub-Group	Shinsei Financial	APLUS FINANCIAL	Other	Treasury Sub-Group	Other	Total
Revenue:	¥ 33,104	¥ 43,955	¥ 47,820	¥ 1,611	¥ 4,496	¥ (3,117)	¥ 199,009
Net Interest Income	26,005	47,842	9,223	1,412	(2,710)	(2,897)	111,685
Noninterest Income[1]	7,099	(3,887)	38,597	199	7,207	(219)	87,324
Expenses	30,236	29,367	33,203	503	1,263	763	128,624
Net Credit Costs (Recoveries)	16	(165)	6,497	(89)	—	515	5,522
Segment Profit (loss)	¥ 2,851	¥ 14,753	¥ 8,119	¥ 1,197	¥ 3,233	¥ (4,397)	¥ 64,862
Segment Assets[2]	¥ 1,098,444	¥ 353,379	¥ 936,575	¥ 44,018	¥ 1,380,689	¥ —	¥ 7,868,289
Segment Liabilities	¥ 4,948,811	¥ 4,010	¥ 495,053	¥ 150	¥ 9,304	¥ —	¥ 6,471,010
Includes:							
1. Equity in net income (loss) of affiliates	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ (1,309)
2. Investment in affiliates	—	—	—	—	—	—	40,953
Other:							
Goodwill (Negative Goodwill):							
Amortization	¥ 11	¥ 3,919	¥ 840	¥ (0)	¥ —	¥ —	¥ 7,036
Unamortized balance	409	6,622	2,581	(5)	—	—	35,394
Intangible assets acquired in business combinations:							
Amortization	¥ —	¥ 3,144	¥ —	¥ —	¥ —	¥ —	¥ 3,774
Unamortized balance	—	9,498	—	—	—	—	12,487
Impairment losses on long-lived assets	¥ 665	¥ 45	¥ 162	¥ —	¥ —	¥ 37	¥ 916

35. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

	Millions of yen							
	Institutional Group					Global Markets Group		
Fiscal year ended March 31, 2012	Institutional Business Sub-Group	Structured Finance Sub-Group	Principal Transactions Sub-Group	Showa Leasing	Other Institutional Group	Financial Institutions Sub-Group	Markets Sub-Group	Other Global Markets Group
Revenue:	¥ 9,649	¥ 21,030	¥ 11,211	¥ 12,463	¥ 7,980	¥ 3,373	¥ 6,231	¥ 1,681
Net Interest Income	9,254	16,904	4,563	(2,588)	(846)	1,454	1,126	507
Noninterest Income[1]	394	4,125	6,648	15,052	8,827	1,918	5,105	1,173
Expenses	6,954	4,826	3,886	7,804	1,544	2,342	3,261	4,119
Net Credit Costs (Recoveries)	1,415	14,145	924	(1,371)	2,717	(490)	(1,471)	(727)
Segment Profit (loss)	¥ 1,279	¥ 2,057	¥ 6,401	¥ 6,030	¥ 3,718	¥ 1,521	¥ 4,441	¥ (1,710)
Segment Assets[2]	¥ 1,644,472	¥ 954,835	¥ 326,407	¥ 392,542	¥ 141,447	¥ 121,864	¥ 367,322	¥ 81,415
Segment Liabilities	¥ 351,374	¥ 67,383	¥ 6,012	¥ —	¥ 5,640	¥ 249,742	¥ 124,931	¥ 81,182
Includes:								
1. Equity in net income (loss) of affiliates	¥ —	¥ —	¥ 125	¥ —	¥ 2,253	¥ —	¥ —	¥ 1,050
2. Investment in affiliates	—	—	3,762	—	34,989	—	—	3,003
Other:								
Goodwill (Negative Goodwill):								
Amortization	¥ —	¥ —	¥ —	¥ 2,265	¥ —	¥ —	¥ —	¥ —
Unamortized balance	—	—	—	28,052	—	—	—	—
Intangible assets acquired in business combinations:								
Amortization	¥ —	¥ —	¥ —	¥ 663	¥ —	¥ —	¥ —	¥ —
Unamortized balance	—	—	—	3,619	—	—	—	—
Impairment losses on long-lived assets	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 1	¥ 3

	Millions of yen						
	Individual Group				Corporate/Other		
		Consumer Finance Sub-Group					
Fiscal year ended March 31, 2012	Retail Banking Sub-Group	Shinsei Financial	APLUS FINANCIAL	Other	Treasury Sub-Group	Other	Total
Revenue:	¥ 36,091	¥ 51,778	¥ 48,531	¥ 1,758	¥ (6,122)	¥ (2,697)	¥ 202,962
Net Interest Income	29,147	55,506	12,546	1,576	(9,267)	(2,984)	116,900
Noninterest Income[1]	6,943	(3,728)	35,985	182	3,145	286	86,061
Expenses	31,366	30,717	30,232	364	1,079	(511)	127,988
Net Credit Costs (Recoveries)	1,221	(8,445)	5,206	231	—	(1,087)	12,267
Segment Profit (loss)	¥ 3,503	¥ 29,506	¥ 13,092	¥ 1,162	¥ (7,202)	¥ (1,097)	¥ 62,706
Segment Assets[2]	¥ 948,674	¥ 370,655	¥ 1,007,670	¥ 47,507	¥ 1,332,044	¥ —	¥ 7,736,861
Segment Liabilities	¥ 4,930,927	¥ 3,390	¥ 548,159	¥ 44	¥ 26,429	¥ —	¥ 6,395,219
Includes:							
1. Equity in net income (loss) of affiliates	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 3,429
2. Investment in affiliates	—	—	—	—	—	—	41,754
Other:							
Goodwill (Negative Goodwill):							
Amortization	¥ —	¥ 4,591	¥ 840	¥ (0)	¥ —	¥ —	¥ 7,697
Unamortized balance	—	10,541	3,363	(6)	—	—	41,951
Intangible assets acquired in business combinations:							
Amortization	¥ —	¥ 3,594	¥ —	¥ —	¥ —	¥ —	¥ 4,258
Unamortized balance	—	12,643	—	—	—	—	16,262
Impairment losses on long-lived assets	¥ 48	¥ 193	¥ —	¥ —	¥ —	¥ 845	¥ 1,092

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Thousands of U.S. dollars

Fiscal year ended March 31, 2013	Institutional Group					Global Markets Group		
	Institutional Business Sub-Group	Structured Finance Sub-Group	Principal Transactions Sub-Group	Showa Leasing	Other Institutional Group	Financial Institutions Sub-Group	Markets Sub-Group	Other Global Markets Group
Revenue:	$ 158,311	$ 217,509	$ 121,466	$ 149,890	$ (42,098)	$ 48,620	$ 76,717	$ 26,144
Net Interest Income	107,527	174,044	53,415	(17,210)	(694)	17,057	13,358	1,440
Noninterest Income[1]	50,784	43,465	68,051	167,100	(41,404)	31,563	63,359	24,704
Expenses	67,851	49,295	40,890	83,599	16,338	24,574	34,008	37,441
Net Credit Costs (Recoveries)	(34,816)	64,484	(5,652)	(910)	44,151	(66,833)	(11,172)	(2,569)
Segment Profit (loss)	$ 125,276	$ 103,730	$ 86,228	$ 67,201	$ (102,587)	$ 90,879	$ 53,881	$ (8,728)
Segment Assets[2]	$ 17,466,884	$ 10,220,624	$ 3,451,033	$ 4,375,162	$ 873,669	$ 1,603,798	$ 4,375,335	$ 759,972
Segment Liabilities	$ 3,977,809	$ 710,686	$ 78,137	$ —	$ 13,696	$ 3,129,512	$ 2,355,376	$ 515,165
Includes:								
1. Equity in net income (loss) of affiliates	$ —	$ —	$ 10,890	$ —	$ (24,816)	$ (1)	$ (0)	$ —
2. Investment in affiliates	—	—	413,853	—	—	—	21,682	—
Other:								
Goodwill (Negative Goodwill):								
Amortization	$ —	$ —	$ —	$ 24,090	$ —	$ —	$ —	$ —
Unamortized balance	—	—	—	274,242	—	—	—	—
Intangible assets aquired in business combinations:								
Amortization	$ —	$ —	$ —	$ 6,706	$ —	$ —	$ —	$ —
Unamortized balance	—	—	—	31,792	—	—	—	—
Impairment losses on long-lived assets	$ —	$ —	$ —	$ —	$ —	$ —	$ 4	$ 59

Thousands of U.S. dollars

Fiscal year ended March 31, 2013	Individual Group				Corporate/Other		
		Consumer Finance Sub-Group					
	Retail Banking Sub-Group	Shinsei Financial	APLUS FINANCIAL	Other	Treasury Sub-Group	Other	Total
Revenue:	$ 352,062	$ 467,464	$ 508,562	$ 17,136	$ 47,821	$ (33,157)	$ 2,116,447
Net Interest Income	276,564	508,802	98,086	15,017	(28,826)	(30,819)	1,187,761
Noninterest Income[1]	75,498	(41,338)	410,476	2,119	76,647	(2,338)	928,686
Expenses	321,557	312,325	353,121	5,350	13,437	8,122	1,367,908
Net Credit Costs (Recoveries)	178	(1,758)	69,096	(949)	—	5,486	58,736
Segment Profit (loss)	$ 30,327	$ 156,897	$ 86,345	$ 12,735	$ 34,384	$ (46,765)	$ 689,803
Segment Assets[2]	$ 11,681,847	$ 3,758,157	$ 9,960,391	$ 468,132	$ 14,683,495	$ —	$ 83,678,499
Segment Liabilities	$ 52,630,136	$ 42,652	$ 5,264,850	$ 1,604	$ 98,950	$ —	$ 68,818,573
Includes:							
1. Equity in net income (loss) of affiliates	$ —	$ —	$ —	$ —	$ —	$ —	$ (13,927)
2. Investment in affiliates	—	—	—	—	—	—	435,535
Other:							
Goodwill (Negative Goodwill):							
Amortization	$ 122	$ 41,681	$ 8,943	$ (5)	$ —	$ —	$ 74,831
Unamortized balance	4,360	70,430	27,449	(60)	—	—	376,421
Intangible assets aquired in business combinations:							
Amortization	$ —	$ 33,440	$ —	$ —	$ —	$ —	$ 40,146
Unamortized balance	—	101,017	—	—	—	—	132,809
Impairment losses on long-lived assets	$ 7,081	$ 488	$ 1,725	$ —	$ —	$ 395	$ 9,752

Notes: (1) "Revenue," which represents gross operating profit under our management reporting, is presented as a substitute for sales in other industries. "Revenue" is defined as the total of net interest income, net fees and commissions, net trading income and net other business income on the management reporting basis. "Revenue" represents income and related cost attributable to our core business.
(2) "Expenses" are general and administrative expenses deducting amortization of goodwill and intangible assets acquired in business combinations, amortization of net actuarial gains or losses of retirement benefit cost and lump-sum payments.
(3) "Net Credit Costs (Recoveries)" consists of provision/reversal of reserve for credit losses, losses on write-off/sales of loans and recoveries of written-off claims.
(4) "Segment Assets" consists of other monetary claims purchased, trading assets, monetary assets held in trust, securities, loans and bills discounted, lease receivables and leased investment assets, installment receivables, tangible leased assets, intangible leased assets and customer's liabilities for acceptances and guarantees.
(5) "Segment Liabilities" consists of deposits, including negotiable certificates of deposit, debentures, trading liabilities and acceptances and guarantees.
(6) Regarding assets and liabilities not allocated to each business segment, there are related revenue and expense items which are allocated to each business segment based on rational allocation method. For example, interest on other borrowings is considered a part of "Revenue" and included in segment income, although borrowed money is not allocated to each segment liabilities. In addition, depreciation is considered a part of "Expenses" and included in segment income, although premises and equipment excluding tangible leased assets and intangible assets excluding intangible leased assets are not allocated to each segment assets.
(7) Regarding our investment assets portfolio management view, we have transferred a part of affiliates accounted by the equity method in the fiscal year ended March 31, 2013. Jih Sun Financial Holding Co., Ltd. under the "Other Institutional Group" segment was transferred to the "Principal Transactions Sub-Group" segment in the Institutional Business Group, and also Comox Holdings Ltd. under the "Other Global Markets Group" segment was transferred to the "Markets Sub-Group" segment in the Global Markets Group.
(8) "Other"under the Corporate/Other includes company-wide accounts which are not included in our reportable segments, allocation variance of indirect expense and elimination amount of inter-segment transactions.

35. SEGMENT INFORMATION (CONTINUED) CONSOLIDATED

(d) RECONCILIATION BETWEEN THE SEGMENT INFORMATION AND THE CONSOLIDATED FINANCIAL STATEMENTS

(i) A reconciliation between total segment profit and income (loss) before income taxes and minority interests on the consolidated statements of income for the fiscal year ended March 31, 2013 and 2012 was as follows:

	Millions of yen		Thousands of U.S. dollars
Fiscal Year ended March 31	**2013**	2012	**2013**
Total segment profit	**¥ 64,862**	¥ 62,706	**$ 689,803**
Amortization of goodwill acquired in business combinations	**(7,024)**	(7,697)	**(74,709)**
Amortization of intangible assets acquired in business combinations	**(3,774)**	(4,258)	**(40,146)**
Lump-sum payments	**(2,374)**	(2,410)	**(25,254)**
Other gains (losses), net	**2,187**	(32,994)	**23,266**
Income (loss) before income taxes and minority interests	**¥ 53,875**	¥ 15,345	**$ 572,960**

(ii) A reconciliation between total segment assets and total assets on the consolidated balance sheets as of March 31, 2013 and 2012 was as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31,	**2013**	2012	**2013**
Total segment assets	**¥ 7,868,289**	¥ 7,736,861	**$ 83,678,499**
Cash and due from banks	**648,897**	413,721	**6,900,962**
Call loans	**18,806**	15,745	**200,000**
Receivables under resale agreements	**78,507**	18,362	**834,924**
Receivables under securities borrowing transactions	**19,083**	114,080	**202,956**
Foreign exchanges	**33,857**	18,896	**360,077**
Other assets excluding installment receivables	**405,087**	338,780	**4,308,067**
Premises and equipment excluding tangible leased assets	**33,754**	36,839	**358,978**
Intangible assets excluding intangible leased assets	**68,426**	81,046	**727,706**
Deferred issuance expense for debentures	**95**	135	**1,012**
Deferred tax assets	**16,339**	15,834	**173,769**
Reserve for credit losses	**(161,810)**	(180,633)	**(1,720,840)**
Total assets	**¥ 9,029,335**	¥ 8,609,672	**$ 96,026,110**

(iii) A reconciliation between total segment liabilities and total liabilities on the consolidated balance sheets as of March 31, 2013 and 2012 was as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31,	**2013**	2012	**2013**
Total segment liabilities	**¥ 6,471,010**	¥ 6,395,219	**$ 68,818,573**
Call money	**170,094**	210,163	**1,808,934**
Payable under securities lending transactions	**47,069**	148,590	**500,574**
Borrowed money	**719,292**	476,731	**7,649,605**
Foreign exchanges	**174**	11	**1,854**
Short-term corporate bonds	**82,800**	50,700	**880,570**
Corporate bonds	**174,286**	168,797	**1,853,517**
Other liabilities	**630,759**	465,698	**6,708,063**
Accrued employees' bonuses	**7,604**	7,262	**80,875**
Accrued directors' bonuses	**54**	40	**577**
Reserve for employees' retirement benefits	**7,309**	7,027	**77,735**
Reserve for directors' retirement benefits	**245**	231	**2,612**
Reserve for losses on interest repayments	**34,983**	50,913	**372,042**
Reserve under special law	**0**	1	**3**
Deferred tax liabilities	**7**	626	**78**
Total liabilities	**¥ 8,345,690**	¥ 7,982,014	**$ 88,755,612**

35. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

(B) RELATED INFORMATION

(a) INFORMATION BY SERVICES

Income regarding major services for the fiscal year ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
Fiscal Year ended March 31	**2013**	2012	**2013**
Loan Businesses	**¥ 144,869**	¥ 151,256	**$ 1,540,676**
Lease Businesses	**10,209**	13,112	**108,572**
Securities Investment Businesses	**21,345**	14,489	**227,007**

(b) GEOGRAPHICAL INFORMATION

(i) REVENUE

Revenue from external domestic customers exceeded 90% of total revenue on the consolidated statements of income for the fiscal year ended March 31, 2013 and 2012, therefore geographical revenue information is not presented.

(ii) PREMISES AND EQUIPMENT

The balance of domestic premises and equipment exceeded 90% of total balance of premises and equipment on the consolidated balance sheets as of March 31, 2013 and 2012, therefore geographical premises and equipment information is not presented.

(c) MAJOR CUSTOMER INFORMATION

Revenue to a specific customer did not reach 10% of total revenue on the consolidated statements of income for the fiscal year ended March 31, 2013 and 2012, therefore major customer information is not presented.

36. RELATED PARTY TRANSACTIONS

CONSOLIDATED

Related party transactions for the fiscal years ended March 31, 2013 and 2012 were as follows:

		Amount of the transaction			Balance at the end of fiscal year			
		Millions of yen		Thousands of U.S. dollars		Millions of yen		Thousands of U.S. dollars
Related party	Description of the transaction	**2013**	2012	**2013**	Account name	**2013**	2012	**2013**
Companies in which a majority of the voting rights is owned by directors (including their subsidiaries)								
J.C. Flowers II L.P.[1]	Receipt of management fee[2]	**¥ 89**	¥ 76	**$ 951**	Unearned income	**¥ —**	¥ 12	**$ —**
	Investment[3]	**161**	84	**1,717**	—	**—**	—	**—**
	Dividend	**878**	407	**9,345**	—	**—**	—	**—**
J.C. Flowers III L.P.[1]	Investment[4]	**426**	668	**4,534**	—	**—**	—	**—**
	Dividend	**362**	66	**3,854**	—	**—**	—	**—**

Notes: (1) The fund is operated by J.C. Flowers & Co. LLC, of which J. Christopher Flowers, a director of the Bank, serves as chairman.
(2) The management fee for assisting J.C. Flowers & Co. LLC in its sponsoring and serving as an investment advisor is determined based on proportion of the investment amounts by limited partners.
(3) The committed investment amounts are U.S.$200 million based on the limited partnership agreement.
(4) The committed investment amounts are U.S.$34,975 thousand based on the limited partnership agreement.

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

CONSOLIDATED

(A) GROUP POLICY FOR FINANCIAL INSTRUMENTS

The group conducts total financial service, primarily basic banking business and other financial services such as securities business, trust business, consumer finance business, and commercial finance business.

For conducting these businesses, the Bank obtains retail customer deposits as a long-term and stable source of funding. In addition, the Bank diversifies sources of funding by securitization of loans or other assets. Subsidiaries and affiliates also use borrowings from other financial institutions as one source of funding.

(B) NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

(a) Financial assets

The financial assets held by the Group are exposed to the following risks:

Loans and bills discounted

Loans and bills discounted, which are primarily provided to domestic institutional and individual customers, are exposed to customer's credit risk and risk of fluctuation in interest rates.

Securities

Securities primarily consist of bonds and stocks and other investments such as foreign securities and investment in partnerships. They are exposed to the risk of fluctuation in interest rates, foreign exchange rates, and prices in the bond/stock markets and in addition, credit risk arising from downgrading of issuer's credit rating, default, etc.

Other monetary claims purchased, Monetary assets held in trust

Other monetary claims purchased and Monetary assets held in trust consist of investments in various assets such as housing loans, non performing loans, and receivables in credit trading and securitization businesses, with a purpose of collection, sale, or securitization. There is a possibility that the Group's profits and losses and financial conditions will be badly affected if earnings from these assets are less than expected. These investments are exposed to risk of fluctuation in market size and price of these assets.

Lease receivables and leased investment assets, Installment receivables

Lease receivables, leased investment assets, and installment receivables held by consolidated subsidiaries are exposed to customer's credit risk and risk of fluctuation in interest rates.

(b) Financial liabilities

Financial liabilities of the Group are mainly deposits. In case of deterioration in the Group's financial position, sufficient funding would become difficult or more expensive ("liquidity risk").

By utilizing time deposits as an important Asset Liability Management (ALM) measure, the Bank is striving to diversify funding maturities and to disperse re-funding dates. Without solely relying on inter-bank funding, the Bank is aiming to cover its funding needs through core retail deposits and corporate deposits as well as capital.

(c) Derivative transactions

The Group enters into the following derivative transactions to provide products for customer needs, to maximize the profit of the Bank's own trading account and for asset and liability management, hedging transactions and other purposes.

(1) Interest rate related	Interest rate swap, Future contract, Interest rate option, and Interest rate swaption
(2) Currency related	Currency swap, Forward foreign exchange contract, Currency option
(3) Equity related	Equity index future, Equity index option, Equity option, and other
(4) Bond related	Bond futures, Bond future option
(5) Credit derivative	Credit default option, and other

Among the risks associated with derivative transactions, market risk, credit risk and liquidity risk are to be specially noted for risk management.

(1) Market Risk	Risk that losses are incurred associated with changes in the value of financial instruments from fluctuation in market price, as well as volatilities inherent in derivative instruments
(2) Credit Risk	Risk that losses are incurred associated with the counterparty defaulting on contractual terms
(3) Liquidity Risk	Risk that additional costs are incurred associated with closing out the position of the financial instrument held

To appropriately reflect the risk mitigation effect of derivative transactions to the consolidated financial statements, the Group adopts hedge accounting where risks in assets and liabilities of the Group are hedged by interest rate swap, currency swap, etc.

In hedge accounting, effectiveness of hedging is assessed based on the conditions determined in the accounting standards such as "Accounting Standard for Financial Instruments."

(C) RISK MANAGEMENT FOR FINANCIAL INSTRUMENTS

(a) Credit risk management

The Group's model for credit risk management focuses on securing adequate return on risk, avoiding excessive concentration in particular sectors or to particular customer groups, and managing the credit portfolio with an analysis of potential losses under a worst-case scenario.

Concrete policies and guidelines related to credit risk management of corporate business are clarified in the Group's detailed procedures, and credit risk management processes are roughly classified into credit risk management for individual transactions and portfolio-based credit risk management.

As for credit risk management for individual transactions, approval authority level is determined in accordance with transaction amount, aggregate credit exposure to obligor's group companies, credit rating and so on. The Group has an approval system in which the decisions are made jointly by the risk delegation holders of the business promotion division and the risk management divisions, and the final authority and decision rests with the risk management division.

On portfolio-based credit risk management, to diversify risks in terms of industries, ratings and customer groups, the Portfolio and Risk Management Division monitors the segment-specific risk diversification status and also rating fluctuations related to customers within the portfolios. The division uses this information to provide comprehensive reports to the Risk Policy Committee on a quarterly basis.

Credit risks in credit transactions are quantified based on the probability of default by obligor rating, loss given default, and unexpected loss ratio. In order to decrease credit risk of obligors, the Group secures collateral and guarantees for the protection of its claims, the values of which are checked more than once a year. Quasi credit risks involved in market transactions, such as derivative transactions, are controlled based on fair value and estimations of future value fluctuations.

As for credit risk management of the consumer finance business, risk management divisions of each subsidiary monitor leading indicators for quality of screening, quality of portfolio and performance of collection of claims monthly to recognize and tackle the aggravation of credit cost promptly. In case of any aggravation, the Group takes action to tackle it.

To take the risk strategy above, Individual Pillar Risk Management Division in the Bank holds monthly performance review, analyzes and monitors these leading indicators and advises the persons in charge of risk management of each subsidiary on their policies and strategies. The division does not merely avoid losses but also produces a balanced strategy with appropriate risk and return attributes and reports this business performance to the Risk Policy Committee quarterly.

(b) Market risk management

Market risks which are associated with changes in the value of financial assets and liabilities, including off-balance sheet transactions, from fluctuations in interest rates, foreign exchange rates, stock prices and other market-related indices, have an effect on our financial performance.

The Group manages market risk by segregating the overall balance sheet, including off-balance sheet transactions, into a trading book and a banking book. At the ALM Committee, the senior review and decision-making for the management mainly related to asset/liability management of the banking account are performed. At the Market Business Management Committee, the senior review and decision-making for the management of the trading account are performed.

The interest rate risk of the net asset and/or liability in the banking account which has interest rate sensitivity is managed by the ALM Committee based on "Asset Liability Management Policy for Banking Account."

The actual risk limits for asset/liability management of the trading account, such as the value-at-risk (VaR) method, are approved by the Executive Committee based on "Trading Business Risk Management Policy and Procedure." The Market Business Management Committee meets semi-monthly to review reports from the Market Risk Management Division and front office. The Market Risk Management Division is responsible for timely recognition, monitoring and reporting of market risk in both the Group's trading and banking accounts. In addition to reporting risk information to management, administrative divisions and front office units, the Market Risk Management Division carries out regular risk analyses and makes recommendations. Market risk of the balance sheet involved in the ordinary banking business operation is managed by the Treasury Sub-Group, and market risk involved in the trading transactions is managed by the Markets Sub-Group.

Market risk is managed by quantifying on a daily basis and making risk adjustment in response to market conditions.

Quantitative information on market risk is as follows:

(i) Financial instruments for trading purposes

The Group uses VaR for quantitative analysis on market risk of the "Trading assets," "Trading liabilities," trading securities in "Securities," and the trading purpose instruments in "Derivative instruments." For calculating VaR, the historical simulation method (holding period of 10 days, confidence interval of 99 %, and observation period of 250 business days) has been adopted.

The VaR in the Group's trading business as of March 31, 2013 and 2012 was ¥1,642 million (U.S.$17,465 thousand) and

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

¥1,229 million in the aggregate, respectively.

The Group conducts back testing to compare VaR calculated using the model with actual loss amounts. According to the result of back testing conducted, it is believed that the measurement model the Group uses is adequate enough accurately to capture market risk. It should be noted that VaR measures and calculates the amount of market risk at certain probability levels statistically based on historical market fluctuation, and therefore there may be cases where risk cannot be captured in such situations when market conditions are changing dramatically beyond what was experienced historically.

(ii) Financial instruments for other than trading purposes

The Group's main financial instruments which are impacted by interest rate risk, one of the major risk variables, includes "Call loans," "Receivables under resale agreements," "Receivables under securities borrowing transactions," "Other monetary claims purchased," "Monetary assets held in trust," bonds classified as securities being held to maturity or securities available for sale in "Securities," "Loans and bills discounted," "Lease receivables and leased investment assets," "Installment receivables," "Deposits, including negotiable certificates of deposit," "Debentures," "Call money," "Payables under securities lending transactions," "Borrowed money," "Short-term corporate bonds," "Corporate bonds" and interest rate swaps other than trading purposes in "Derivative instruments." As for these financial assets and liabilities, the Group uses the amount of impact on fair values which is calculated using a rationally expected fluctuation range of interest rates for one year from the fiscal year end for quantitative analysis to manage fluctuation risk of interest rates. The amount of such impact on fair values is calculated by categorizing the balance of these financial assets and liabilities according to the term of interest payments and using a certain fluctuation range of interest rates. Assuming all risk variables except for interest rate are constant, the Group estimated that fair value would decrease by ¥3,456 million (U.S.$36,759 thousand) and ¥247 million in case of an increase of the index interest rates by 10 basis points (0.10%) and would increase by ¥767 million (U.S.$8,164 thousand) and ¥478 million in case of a decrease by 10 basis points (0.10%), as of March 31, 2013 and 2012, respectively. Such amount of impact on fair value is calculated based on the assumption that all risk variables except for interest rate are constant, and correlation between interest rate and other risk variables is not taken into consideration. There is a possibility that interest rate changes beyond the rationally expected fluctuation range may cause an impact greater than the calculated amount.

(c) Liquidity risk management

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

In accordance with the "Cash Liquidity Risk Management Policy," the Bank has a structure to conduct two or more liquidity measurements and to secure available reserves over the net cumulative outflow forecasted in an emergency situation.

(D) CONCENTRATION OF CREDIT RISK

As of March 31, 2013, loans to the financial and insurance industry were approximately 17% of the total loans and bills discounted, and those to the real estate industry were approximately 14%, slightly less than 60% of which are nonrecourse loans for real estate.

As of March 31, 2012, loans to the financial and insurance industry were approximately 17% of the total loans and bills discounted, and those to the real estate industry were approximately 15%, more than 60% of which are nonrecourse loans for real estate.

(E) FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair values of financial instruments include the values calculated rationally in cases where no market price is available besides the value based on market price. Certain assumptions have been adopted for the calculation, so that the value calculated may not be the same when assumptions that differ from the Group's calculation are adopted.

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

Fair values of financial instruments as of March 31, 2013 and 2012 were as follows:

	Millions of yen					
	2013			2012		
	Carrying amount	**Fair value**	**Unrealized gain (loss)**	Carrying amount	Fair value	Unrealized gain (loss)
Assets:						
(1) Cash and due from banks	**¥ 648,897**	**¥ 648,897**	**¥ —**	¥ 413,721	¥ 413,721	¥ —
(2) Call loans	**18,806**	**18,806**	**—**	15,745	15,745	—
(3) Receivables under resale agreements	**78,507**	**78,948**	**440**	18,362	18,510	147
(4) Receivables under securities borrowing transactions	**19,083**	**19,083**	**—**	114,080	114,080	—
(5) Other monetary claims purchased						
Trading purposes	**66,965**	**66,965**	**—**	67,226	67,226	—
Other[1]	**44,338**	**44,640**	**301**	62,521	62,600	79
(6) Trading assets						
Securities held for trading purposes	**31,890**	**31,890**	**—**	58,444	58,444	—
(7) Monetary assets held in trust[1]	**233,714**	**238,291**	**4,577**	267,040	268,932	1,892
(8) Securities						
Trading securities	**662**	**662**	**—**	613	613	—
Securities being held to maturity	**639,809**	**649,174**	**9,365**	658,558	667,553	8,994
Securities available for sale	**1,094,814**	**1,094,814**	**—**	1,092,393	1,092,393	—
Equity securities of affiliates	**36,557**	**30,286**	**(6,271)**	21,745	19,785	(1,960)
(9) Loans and bills discounted[2]	**4,292,464**			4,136,827		
Reserve for credit losses	**(121,328)**			(140,609)		
Net	**4,171,136**	**4,248,691**	**77,555**	3,996,218	4,106,373	110,155
(10) Lease receivables and leased investment assets[1]	**199,177**	**200,125**	**947**	192,093	193,838	1,744
(11) Other assets						
Installment receivables	**365,817**			347,935		
Deferred gains on installment receivables	**(12,111)**			(11,840)		
Reserve for credit losses	**(10,819)**			(11,408)		
Net	**342,886**	**354,528**	**11,641**	324,686	340,682	15,996
Total	**¥ 7,627,249**	**¥ 7,725,806**	**¥ 98,557**	¥ 7,303,453	¥ 7,440,502	¥ 137,049
Liabilities:						
(1) Deposits, including negotiable certificates of deposit	**¥ 5,457,535**	**¥ 5,472,305**	**¥ (14,769)**	¥ 5,362,411	¥ 5,391,690	¥ (29,279)
(2) Debentures	**262,342**	**262,768**	**(426)**	294,139	295,192	(1,053)
(3) Call money	**170,094**	**170,094**	**—**	210,163	210,163	—
(4) Payables under securities lending transactions	**47,069**	**47,069**	**—**	148,590	148,590	—
(5) Trading liabilities						
Trading securities sold for short sales	**15,925**	**15,925**	**—**	48,058	48,058	—
(6) Borrowed money	**719,292**	**718,119**	**1,172**	476,731	475,280	1,450
(7) Short-term corporate bonds	**82,800**	**82,800**	**—**	50,700	50,700	—
(8) Corporate bonds	**174,286**	**171,091**	**3,194**	168,797	154,623	14,173
Total	**¥ 6,929,344**	**¥ 6,940,172**	**¥ (10,829)**	¥ 6,759,592	¥ 6,774,301	¥ (14,708)
Derivative instruments[3]:						
Hedge accounting is not applied	**¥ (17,733)**	**¥ (17,733)**	**¥ —**	¥ (25,567)	¥ (25,567)	¥ —
Hedge accounting is applied	**(16,521)**	**(16,521)**	**—**	(18,494)	(18,494)	—
Total	**¥ (34,255)**	**¥ (34,255)**	**¥ —**	¥ (44,062)	¥ (44,062)	¥ —

	Contract amount	**Fair value**	Contract amount	Fair value
Other:				
Guarantee contracts[4]	**¥ 511,032**	**¥ (4,460)**	¥ 562,624	¥ (4,101)

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

	Thousands of U.S. dollars		
	2013		
	Carrying amount	**Fair value**	**Unrealized gain (loss)**
Assets:			
(1) Cash and due from banks	**$ 6,900,962**	**$ 6,900,962**	**$ —**
(2) Call loans	**200,000**	**200,000**	**—**
(3) Receivables under resale agreements	**834,924**	**839,611**	**4,687**
(4) Receivables under securities borrowing transactions	**202,956**	**202,956**	**—**
(5) Other monetary claims purchased			
Trading purposes	**712,176**	**712,176**	**—**
Other[1]	**471,541**	**474,743**	**3,202**
(6) Trading assets			
Securities held for trading purposes	**339,156**	**339,156**	**—**
(7) Monetary assets held in trust[1]	**2,485,528**	**2,534,211**	**48,683**
(8) Securities			
Trading securities	**7,043**	**7,043**	**—**
Securities being held to maturity	**6,804,308**	**6,903,907**	**99,599**
Securities available for sale	**11,643,245**	**11,643,245**	**—**
Equity securities of affiliates	**388,788**	**322,093**	**(66,695)**
(9) Loans and bills discounted[2]	**45,649,951**		
Reserve for credit losses	**(1,290,321)**		
Net	**44,359,630**	**45,184,424**	**824,794**
(10) Lease receivables and leased investment assets[1]	**2,118,236**	**2,128,312**	**10,076**
(11) Other assets			
Installment receivables	**3,890,439**		
Deferred gains on installment receivables	**(128,806)**		
Reserve for credit losses	**(115,066)**		
Net	**3,646,567**	**3,770,373**	**123,806**
Total	**$ 81,115,060**	**$ 82,163,212**	**$ 1,048,152**
Liabilities:			
(1) Deposits, including negotiable certificates of deposit	**$ 58,040,369**	**$ 58,197,439**	**$ (157,070)**
(2) Debentures	**2,789,982**	**2,794,514**	**(4,532)**
(3) Call money	**1,808,934**	**1,808,934**	**—**
(4) Payables under securities lending transactions	**500,574**	**500,574**	**—**
(5) Trading liabilities			
Trading securities sold for short sales	**169,366**	**169,366**	**—**
(6) Borrowed money	**7,649,605**	**7,637,131**	**12,474**
(7) Short-term corporate bonds	**880,570**	**880,570**	**—**
(8) Corporate bonds	**1,853,517**	**1,819,542**	**33,975**
Total	**$ 73,692,917**	**$ 73,808,070**	**$ (115,153)**
Derivative instruments[3]:			
Hedge accounting is not applied	**$ (188,599)**	**$ (188,599)**	**$ —**
Hedge accounting is applied	**(175,705)**	**(175,705)**	**—**
Total	**$ (364,304)**	**$ (364,304)**	**$ —**

	Contract amount	**Fair value**
Other:		
Guarantee contracts[4]	**$ 5,434,786**	**$ (47,439)**

Notes: (1) Carrying amounts of Other monetary claims purchased, Monetary assets held in trust, and Lease receivables and leased investment assets are presented as the amount net of reserve for credit losses because they are immaterial.
(2) For consumer loans of ¥389,310 million (U.S.$4,140,277 thousand) and ¥463,248 million held by consolidated subsidiaries included in Loans and bills discounted, reserve for losses on interest repayments of ¥34,983 million (U.S.$372,042 thousand) and ¥50,913 million was recognized for estimated losses on reimbursements of excess interest payments as of March 31, 2013 and 2012, respectively.
(3) Derivative instruments include derivative transactions both in trading assets and liabilities, and in other assets and liabilities. Derivative instruments are presented as net of assets and liabilities and presented with ( ) when a liability stands on net basis.
(4) Contract amount for guarantee contracts presents the amount of "Acceptances and guarantees" on the consolidated balance sheets.

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

(Note 1) Valuation methodologies for financial instruments

Assets:

(1) Cash and due from banks

The fair values of due from banks with no maturities approximate carrying amounts. For due from banks with maturities, the fair values approximate carrying amounts because most of them are with short maturities of six months or less.

(2) Call loans and (4) Receivables under securities borrowing transactions

The fair values approximate carrying amounts because most of them are with short maturities of three months or less.

(3) Receivables under resale agreements

The fair values of the receivables under resale agreements with maturity of three months or less approximate carrying amounts because of their short term maturity. The fair values of the receivables under resale agreements with maturity of more than three months are determined by discounting contractual cash flows in case of the transactions with fixed interest rate, or expected cash flows based on the forward rate in case of the transactions with floating interest rate, using the risk free rate adjusted to account for credit risk (after consideration of collateral) with credit default swap (CDS) spreads etc. corresponding to internal credit rating of each borrower.

(5) Other monetary claims purchased

The fair values are measured at quoted prices from third parties, or determined using the discounted cash flow method.

(6) Trading assets

The fair values are measured at market prices or quoted prices from third parties, or determined using the discounted cash flow method.

(7) Monetary assets held in trust

The fair values are primarily determined using the discounted cash flow method based on the characteristics of the components of the entrusted assets.

(8) Securities

The fair values of marketable equity securities are measured at closing prices on exchanges. The fair values of bonds are measured at market prices or quoted prices from third parties, or determined using the discounted cash flow method.

(9) Loans and bills discounted

The fair values of loans and bills discounted with fixed interest rate are determined by discounting contractual cash flows, and the fair values of loans and bills discounted with floating interest rate are determined by discounting expected cash flows based on the forward rates, using the risk free rate adjusted to account for credit risk (after consideration of collateral) with CDS spreads etc. corresponding to internal credit rating of each borrower. The fair values of housing loans are determined by discounting expected cash flows at the rates that would be applied for the new housing loans with the same terms at the consolidated balance sheet date. The fair values of consumer loans are determined by discounting expected cash flows that reflect expected loss at the rates that consist of the risk free rate and certain costs, by a group of similar product types and customer segments.

For loans to obligors "legally bankrupt," "virtually bankrupt" and "possibly bankrupt," a reserve is provided based on the discounted cash flow method, or based on amounts expected to be collected through the disposal of collateral or execution of guarantees, so that the carrying amount net of the reserve is a reasonable estimate of the fair values of those loans.

(10) Lease receivables and leased investment assets

The fair values are primarily determined by discounting contractual cash flows at the rates that consist of the risk free rate, credit risk and certain costs, by a group of major product categories.

(11) Installment receivables

The fair values are primarily determined by discounting expected cash flows that reflect the probability of prepayment at the rates that consist of the risk free rate, credit risk and certain costs, by a group of major product categories.

Liabilities:

(1) Deposits, including negotiable certificates of deposit

The fair values of demand deposits, such as current deposits and ordinary deposits are recognized as the payment amount at the consolidated balance sheet date. The fair values of the deposits with maturity of six months or less approximate carrying amounts because of their short term maturity. The fair values of time deposits are determined by discounting the contractual cash flows at the rates that would be applied for the new contracts with the same terms at the consolidated balance sheet date.

(2) Debentures and (8) Corporate bonds

The fair values of marketable debentures and corporate bonds are measured at market prices. The fair values of nonmarketable corporate debentures and corporate bonds under the Medium Term Note program are determined by discounting expected cash flows at the actual average funding rates of corporate time deposits and debentures funded in the past three months of the consolidated balance sheet date.

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

The fair values of retail debentures are determined by discounting contractual cash flows at the actual funding rate of the latest issuance.

The fair values of step-up callable subordinated bonds are determined by discounting expected cash flows which reflect the probability of early redemption at the rates that consist of the risk free rate and the CDS spread of the Bank.

(3) Call money and (4) Payables under securities lending transactions
The fair values approximate carrying amounts because most of them are with short maturities of three months or less.

(5) Trading liabilities
The fair values are measured at market prices.

(6) Borrowed money
The fair values of borrowed money with fixed interest rates are primarily determined by discounting contractual cash flows (for borrowed money hedged by interest rate swaps which meets specific matching criteria, the contractual cash flows include the cash flows of the interest rate swaps), and the fair values of borrowed money with floating interest rates are determined by discounting expected cash flows on forward rates, at the funding rates that reflect the credit risk of the borrower.

The fair values of step-up callable subordinated borrowings are determined by discounting expected cash flows that reflect the probability of early redemption at the rates that consist of the risk free rate and the CDS spread of the Bank.

(7) Short-term corporate bonds
The fair values approximate carrying amounts because most of them are with short maturities of six months or less.

Derivative instruments:
The fair values are primarily measured at closing prices on exchanges or determined using the discounted cash flow method or option pricing models.

Other:
Guarantee contracts
The fair values are determined by discounting the amount of difference between the original contractual cash flows and the expected cash flows that would be applied for the new contracts with the same terms at the risk free rate.

(Note 2) Carrying amount of the financial instruments whose fair value cannot be reliably determined

	Millions of yen		Thousands of U.S. dollars
As of March 31,	**2013**	2012	**2013**
Equity securities without readily available market price(1)(2)	**¥ 12,819**	¥ 27,762	**$ 136,338**
Investment in partnerships and others(1)(2)	**57,681**	72,420	**613,439**
Total	**¥ 70,501**	¥ 100,182	**$ 749,777**

Notes: (1) Equity securities without readily available market price are out of the scope of fair value disclosure because their fair values cannot be reliably determined. Investments in partnerships and others, the assets of which comprise equity securities without readily available market price, are out of the scope of fair values disclosure because fair values of those investments cannot be reliably determined.
(2) For the fiscal years ended March 31, 2013 and 2012, impairment losses on equity securities without readily available market price of ¥1,271 million (U.S.$13,526 thousand) and ¥3,172 million, and on investment in partnerships and others of ¥606 million (U.S.$6,453 thousand) and ¥1,524 million were recognized, respectively.

(Note 3) Maturity analysis for financial assets with contractual maturities

	Millions of yen			
As of March 31, 2013	Less than 1 year	More than 1 year Less than 3 years	More than 3 years Less than 5 years	More than 5 years
Due from banks	**¥ 645,350**	**¥ —**	**¥ —**	**¥ —**
Call loans	**18,806**	**—**	**—**	**—**
Receivables under resale agreements	**19,997**	**—**	**58,510**	**—**
Receivables under securities borrowing transactions	**19,083**	**—**	**—**	**—**
Other monetary claims purchased				
Other than trading purposes	**12,204**	**15**	**12,002**	**21,130**
Securities				
Held-to-maturity	**153,000**	**370,000**	**60,343**	**59,559**
Available-for-sale	**88,019**	**165,494**	**674,570**	**150,003**
Loans and bills discounted	**884,862**	**987,834**	**659,287**	**1,491,545**
Lease receivables and leased investment assets	**62,832**	**83,735**	**36,415**	**17,731**
Installment receivables	**156,700**	**141,341**	**37,886**	**18,512**
Total	**¥ 2,060,856**	**¥ 1,748,420**	**¥ 1,539,016**	**¥ 1,758,482**

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

As of March 31, 2013	Thousands of U.S. dollars Less than 1 year	More than 1 year Less than 3 years	More than 3 years Less than 5 years	More than 5 years
Due from banks	$ 6,863,237	$ —	$ —	$ —
Call loans	200,000	—	—	—
Receivables under resale agreements	212,667	—	622,257	—
Receivables under securities borrowing transactions	202,956	—	—	—
Other monetary claims purchased				
Other than trading purposes	129,795	159	127,646	224,718
Securities				
Held-to-maturity	1,627,140	3,934,914	641,745	633,407
Available-for-sale	936,077	1,760,015	7,173,990	1,595,275
Loans and bills discounted	9,410,430	10,505,530	7,011,455	15,862,440
Lease receivables and leased investment assets	668,214	890,520	387,277	188,577
Installment receivables	1,666,494	1,503,150	402,918	196,873
Total	$ 21,917,010	$ 18,594,288	$ 16,367,288	$ 18,701,290

Note: The financial instruments whose cash flow cannot be reliably estimated such as loans and bills discounted to obligors of "legally bankrupt," "virtually bankrupt" and "possibly bankrupt," and the financial instruments with no contractual maturity are not included in the tables above.

(Note 4) Maturity analysis for financial liabilities with contractual maturities

As of March 31, 2013	Millions of yen Less than 1 year	More than 1 year Less than 3 years	More than 3 years Less than 5 years	More than 5 years
Deposits, including negotiable certificates of deposit	¥ 4,423,476	¥ 724,975	¥ 220,597	¥ 88,486
Debentures	45,549	101,040	115,651	100
Call money	170,094	—	—	—
Payables under securities lending transactions	47,069	—	—	—
Borrowed money	390,045	115,515	115,991	97,739
Short-term corporate bonds	82,800	—	—	—
Corporate bonds	1,574	95,731	7,702	69,314
Total	¥ 5,160,610	¥ 1,037,263	¥ 459,942	¥ 255,640

As of March 31, 2013	Thousands of U.S. dollars Less than 1 year	More than 1 year Less than 3 years	More than 3 years Less than 5 years	More than 5 years
Deposits, including negotiable certificates of deposit	$ 47,043,249	$ 7,710,050	$ 2,346,028	$ 941,042
Debentures	484,419	1,074,560	1,229,940	1,063
Call money	1,808,934	—	—	—
Payables under securities lending transactions	500,574	—	—	—
Borrowed money	4,148,099	1,228,497	1,233,559	1,039,450
Short-term corporate bonds	880,570	—	—	—
Corporate bonds	16,746	1,018,091	81,916	737,154
Total	$ 54,882,591	$ 11,031,198	$ 4,891,443	$ 2,718,709

Note: The cash flow of demand deposits is included in "Less than 1 year."

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38. DERIVATIVE FINANCIAL INSTRUMENTS

CONSOLIDATED

(A) DERIVATIVE TRANSACTIONS TO WHICH HEDGE ACCOUNTING WAS NOT APPLIED

The fair values of derivatives on the consolidated balance sheets as of March 31, 2013 and 2012 are adjusted for credit risk by a reduction of ¥611 million (U.S.$6,506 thousand) and ¥784 million, respectively, and also adjusted for liquidity risk by a reduction of ¥2,025 million (U.S.$21,543 thousand) and ¥2,655 million, respectively.

Regardless of this accounting treatment, the reduction of those risks is not reflected in the fair values shown in the following tables.

(a) INTEREST RATE-RELATED TRANSACTIONS

Interest rate-related transactions as of March 31, 2013 and 2012 were as follows:

	Millions of yen							
	2013				2012			
	Contract/Notional principal				Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Futures contracts (listed):								
Sold	**¥ 3,280**	**¥ 2,325**	**¥ (3)**	**¥ (3)**	¥ 19,509	¥ 2,036	¥ (124)	¥ (124)
Bought	**7,693**	**2,335**	**(0)**	**(0)**	12,763	—	58	58
Interest rate options (listed):								
Sold	**—**	**—**	**—**	**—**	25,446	—	3	(2)
Interest rate swaps (over-the-counter):								
Receive fixed and pay floating	**5,600,527**	**4,558,713**	**176,626**	**176,626**	4,075,297	2,825,508	76,703	76,703
Receive floating and pay fixed	**5,125,244**	**4,099,234**	**(147,575)**	**(147,575)**	3,290,090	2,305,448	(49,855)	(49,855)
Receive floating and pay floating	**787,556**	**593,163**	**1,084**	**1,084**	713,713	611,966	147	147
Interest rate swaptions (over-the-counter):								
Sold	**1,083,435**	**723,154**	**(19,353)**	**4,353**	1,115,182	543,124	(32,234)	22
Bought	**1,453,978**	**1,124,526**	**15,002**	**1,886**	1,548,115	946,771	23,234	3,262
Interest rate options (over-the-counter):								
Sold	**115,090**	**92,907**	**(349)**	**368**	140,678	116,208	(447)	394
Bought	**106,049**	**101,049**	**183**	**(349)**	104,056	92,586	232	(273)
Total			**¥ 25,614**	**¥ 36,389**			¥ 17,718	¥ 30,333

	Thousands of U.S. dollars			
	2013			
	Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**
Futures contracts (listed):				
Sold	**$ 34,891**	**$ 24,735**	**$ (39)**	**$ (39)**
Bought	**81,815**	**24,842**	**(2)**	**(2)**
Interest rate options (listed):				
Sold	**—**	**—**	**—**	**—**
Interest rate swaps (over-the-counter):				
Receive fixed and pay floating	**59,561,071**	**48,481,480**	**1,878,401**	**1,878,401**
Receive floating and pay fixed	**54,506,485**	**43,594,970**	**(1,569,451)**	**(1,569,451)**
Receive floating and pay floating	**8,375,586**	**6,308,241**	**11,532**	**11,532**
Interest rate swaptions (over-the-counter):				
Sold	**11,522,231**	**7,690,682**	**(205,820)**	**46,295**
Bought	**15,462,923**	**11,959,231**	**159,553**	**20,061**
Interest rate options (over-the-counter):				
Sold	**1,223,974**	**988,060**	**(3,718)**	**3,922**
Bought	**1,127,822**	**1,074,648**	**1,950**	**(3,720)**
Total			**$ 272,406**	**$ 386,999**

Notes:

(1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income.

(2) The fair values of listed transactions represent the closing price on the Tokyo Financial Exchange and other exchanges. The fair values of over-the-counter transactions are calculated primarily by using the discounted cash flow method or option pricing models.

38. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(b) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions as of March 31, 2013 and 2012 were as follows:

Millions of yen

	2013				2012			
	Contract/Notional principal				Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Currency swaps (over-the-counter)	¥ 825,128	¥ 716,720	¥ (29,417)	¥ (29,417)	¥ 737,964	¥ 674,022	¥ (28,363)	¥ (28,363)
Forward foreign exchange contracts (over-the-counter):								
Sold	673,772	101,842	(22,475)	(22,475)	829,500	154,411	14,721	14,721
Bought	477,400	158,504	55,253	55,253	786,629	218,088	(3,489)	(3,489)
Currency options (over-the-counter):								
Sold	2,020,346	931,805	(49,338)	(5,205)	2,958,406	1,497,101	(24,106)	32,210
Bought	2,046,529	918,286	4,744	(32,024)	2,989,080	1,546,585	8,786	(36,377)
Total			¥ (41,233)	¥ (33,869)			¥ (32,451)	¥ (21,297)

Thousands of U.S. dollars

	2013			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Currency swaps (over-the-counter)	$ 8,775,159	$ 7,622,257	$ (312,857)	$ (312,857)
Forward foreign exchange contracts (over-the-counter):				
Sold	7,165,507	1,083,085	(239,025)	(239,025)
Bought	5,077,107	1,685,680	587,619	587,619
Currency options (over-the-counter):				
Sold	21,486,188	9,909,657	(524,713)	(55,361)
Bought	21,764,648	9,765,887	50,459	(340,573)
Total			$ (438,517)	$ (360,197)

Notes:

(1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income.

(2) The fair values are calculated primarily by using the discounted cash flow method or option pricing models.

38. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(c) EQUITY-RELATED TRANSACTIONS

Equity-related transactions as of March 31, 2013 and 2012 were as follows:

	Millions of yen							
	2013				2012			
	Contract/Notional principal				Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Equity index futures (listed):								
Sold	¥ 3,762	¥ —	¥ (19)	¥ (19)	¥ 381	¥ —	¥ (1)	¥ (1)
Bought	24,115	—	282	282	8,316	—	446	446
Equity index options (listed):								
Sold	384,365	161,525	(25,853)	(8,489)	309,961	56,550	(9,769)	397
Bought	373,268	141,975	23,188	4,848	216,569	70,075	6,016	(1,644)
Equity options (over-the-counter):								
Sold	168,569	74,685	(17,060)	(927)	345,501	162,548	(27,912)	617
Bought	194,060	80,077	23,634	6,649	386,420	179,440	22,101	(2,194)
Other (over-the-counter):								
Sold	28,399	18,400	(1,494)	(1,494)	26,397	16,400	(3,049)	(3,049)
Bought	119,347	118,997	729	729	123,906	122,456	7,647	7,647
Total			¥ 3,406	¥ 1,577			¥ (4,521)	¥ 2,218

	Thousands of U.S. dollars			
	2013			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Equity index futures (listed):				
Sold	$ 40,014	$ —	$ (210)	$ (210)
Bought	256,470	—	3,001	3,001
Equity index options (listed):				
Sold	4,087,685	1,717,803	(274,948)	(90,286)
Bought	3,969,677	1,509,890	246,608	51,560
Equity options (over-the-counter):				
Sold	1,792,722	794,271	(181,435)	(9,867)
Bought	2,063,812	851,621	251,346	70,712
Other (over-the-counter):				
Sold	302,021	195,682	(15,893)	(15,893)
Bought	1,269,249	1,265,527	7,758	7,758
Total			$ 36,227	$ 16,775

Notes:

(1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income.

(2) The fair values of listed transactions represent the closing price on the Tokyo Stock Exchange and other exchanges. The fair values of over-the-counter transactions are calculated primarily by using the discounted cash flow method or option pricing model.

38. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(d) BOND-RELATED TRANSACTIONS

Bond-related transactions as of March 31, 2013 and 2012 were as follows:

	Millions of yen							
	2013				2012			
	Contract/Notional principal				Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Bond futures (listed):								
Sold	**¥ 20,504**	**¥ —**	**¥ (92)**	**¥ (92)**	¥ 54,190	¥ —	¥ (57)	¥ (57)
Bought	**22,669**	**—**	**39**	**39**	43,301	—	15	15
Bond futures options (listed):								
Sold	**—**	**—**	**—**	**—**	70,725	—	(130)	1
Bought	**31,114**	**—**	**13**	**(10)**	42,375	—	49	(7)
Total			**¥ (39)**	**¥ (62)**			¥(122)	¥ (46)

	Thousands of U.S. dollars			
	2013			
	Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**
Bond futures (listed):				
Sold	**$ 218,067**	**$ —**	**$ (985)**	**$ (985)**
Bought	**241,087**	**—**	**423**	**423**
Bond futures options (listed):				
Sold	**—**	**—**	**—**	**—**
Bought	**330,899**	**—**	**139**	**(107)**
Total			**$ (423)**	**$ (669)**

Notes:

(1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income.

(2) The fair values of listed transactions represent the closing price on the Tokyo Stock Exchange and other exchanges.

(e) CREDIT DERIVATIVES TRANSACTIONS

Credit derivatives transactions as of March 31, 2013 and 2012 were as follows:

	Millions of yen							
	2013				2012			
	Contract/Notional principal				Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Credit default option (over-the-counter):								
Sold	**¥ 447,561**	**¥ 260,752**	**¥ 1,667**	**¥ 1,667**	¥ 691,161	¥ 359,011	¥ 29	¥ 29
Bought	**442,565**	**255,824**	**(2,075)**	**(2,075)**	613,664	345,929	(81)	(81)
Other (over-the-counter):								
Bought	**1,600**	**1,600**	**(2,435)**	**(835)**	1,600	1,600	(2,699)	(1,099)
Total			**¥ (2,843)**	**¥ (1,243)**			¥ (2,751)	¥ (1,151)

	Thousands of U.S. dollars			
	2013			
	Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**
Credit default option (over-the-counter):				
Sold	**$ 4,759,773**	**$ 2,773,078**	**$ 17,729**	**$ 17,729**
Bought	**4,706,645**	**2,720,665**	**(22,070)**	**(22,070)**
Other (over-the-counter):				
Bought	**17,016**	**17,016**	**(25,902)**	**(8,886)**
Total			**$ (30,243)**	**$ (13,227)**

38. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

Notes:

(1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income.
(2) The fair values are calculated primarily by using the discounted cash flow method.
(3) "Sold" stands for accepting credit risk and "Bought" stands for transferring credit risk.

(B) DERIVATIVE TRANSACTIONS TO WHICH HEDGE ACCOUNTING WAS APPLIED

(a) INTEREST RATE-RELATED TRANSACTIONS

Interest rate-related transactions which are accounted for using the deferral method as of March 31, 2013 and 2012 were as follows:

	Millions of yen					
	2013			2012		
	Contract/Notional principal			Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**	Total	Maturity over 1 year	Fair value
Interest rate swaps :						
Receive fixed and pay floating	**¥ 613,807**	**¥ 404,247**	**¥ 4,761**	¥ 633,265	¥ 605,865	¥ 4,525
Receive floating and pay fixed	**237,107**	**224,610**	**(14,555)**	290,968	268,023	(14,248)
Total			**¥ (9,793)**			¥ (9,722)

	Thousands of U.S. dollars		
	2013		
	Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**
Interest rate swaps :			
Receive fixed and pay floating	**$ 6,527,785**	**$ 4,299,133**	**$ 50,636**
Receive floating and pay fixed	**2,521,616**	**2,388,710**	**(154,793)**
Total			**$ (104,157)**

Notes:

(1) Most of the hedged items are interest-bearing assets and liabilities such as loans and bills discounted, securities available for sale (bonds) and deposits, including negotiable certificate of deposit.
(2) Interest rate swaps are primarily accounted for using deferral method in accordance with Industry Audit Committee Report No.24 of the JICPA.
(3) The fair values are calculated primarily by using the discounted cash flow method.

38. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

Interest rate swaps which meet specific matching criteria as of March 31, 2013 and 2012 were as follows:

	Millions of yen					
	2013			2012		
	Contract/Notional principal			Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**	Total	Maturity over 1 year	Fair value
Interest rate swaps :						
Receive floating and pay fixed	**¥ 1,450**	**¥ 250**	**¥ —**	¥ 7,750	¥ 1,450	¥ —

	Thousands of U.S. dollars		
	2013		
	Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**
Interest rate swaps :			
Receive floating and pay fixed	**$ 15,421**	**$ 2,659**	**$ —**

Notes:

(1) The hedged item is borrowed money.

(2) Interest rate swaps which meet specific matching criteria are accounted for as component of hedged borrowed money. Therefore, the fair value of those interest rate swaps is included in the fair value of borrowed money in fair value information shown in Note 37 "FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES."

(b) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions which are accounted for using the deferral method as of March 31, 2013 and 2012 were as follows:

	Millions of yen					
	2013			2012		
	Contract/Notional principal			Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**	Total	Maturity over 1 year	Fair value
Currency swaps	**¥ 33,333**	**¥ 9,446**	**¥ (6,727)**	¥ 51,981	¥ 20,477	¥ (8,772)

	Thousands of U.S. dollars		
	2013		
	Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**
Currency swaps	**$ 354,501**	**$ 100,461**	**$ (71,549)**

Notes:

(1) Most of the hedged items are foreign currency denominated loans and bills discounted, securities, deposits and foreign exchanges.

(2) Currency swap transactions are primarily accounted for using deferral method in accordance with Industry Audit Committee Report No.25 of the JICPA.

(3) The fair values are calculated primarily by using the discounted cash flow method.

38. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED) CONSOLIDATED

Forward foreign exchange contracts which meet specific matching criteria as of March 31, 2013 and 2012 were as follows:

	Millions of yen					
	2013			2012		
	Contract/Notional principal			Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**	Total	Maturity over 1 year	Fair value
Forward foreign exchange contracts	**¥ —**	**¥ —**	**¥ —**	¥ 62	¥ —	¥ (3)

	Thousands of U.S. dollars		
	2013		
	Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**
Forward foreign exchange contracts	**$ —**	**$ —**	**$ —**

Notes:
(1) Hedged item is other assets.
(2) Forward foreign exchange contracts which meet specific matching criteria are accounted for as component of the hedged items.

39. SUBSEQUENT EVENTS CONSOLIDATED

The following appropriation of retained earnings of the Bank for the fiscal year ended March 31, 2013 was approved at the meeting of the Board of Directors held on May 8, 2013;

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, common stock, ¥1.00 (U.S.$0.01) per share	**¥ 2,653**	**$ 28,224**

INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Shinsei Bank, Limited:

We have audited the accompanying consolidated financial statements of Shinsei Bank, Limited (the "Bank") and its consolidated subsidiaries (collectively, the "Group"), which comprise the consolidated balance sheets as of March 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements, all expressed in Japanese yen.

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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Group'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 Group's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Bank and its consolidated subsidiaries as of March 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Other Matter

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 13, 2013

Member of
Deloitte Touche Tohmatsu Limited

NON-CONSOLIDATED BALANCE SHEETS (UNAUDITED)

Shinsei Bank, Limited
As of March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note)
	2013	2012	2013
ASSETS			
Cash and due from banks	¥ 546,411	¥ 330,047	$ 5,811,030
Call loans	18,806	15,745	200,000
Receivables under resale agreements	78,507	18,362	834,924
Receivables under securities borrowing transactions	—	57,647	—
Other monetary claims purchased	198,768	210,693	2,113,886
Trading assets	258,902	156,661	2,753,406
Monetary assets held in trust	255,505	307,526	2,717,279
Securities	2,282,624	2,286,669	24,275,487
Valuation allowance for investments	(3,370)	(3,370)	(35,847)
Loans and bills discounted	4,224,433	4,102,638	44,926,449
Foreign exchanges	33,857	18,896	360,076
Other assets	476,920	450,254	5,071,999
Premises and equipment	19,600	21,471	208,445
Intangible assets	9,333	10,650	99,261
Deferred issuance expenses for debentures	95	135	1,012
Deferred tax assets	1,210	—	12,876
Customers' liabilities for acceptances and guarantees	12,566	11,600	133,644
Reserve for credit losses	(106,518)	(121,193)	(1,132,816)
Total assets	¥ 8,307,655	¥ 7,874,437	$ 88,351,111
LIABILITIES AND EQUITY			
Liabilities:			
Deposits, including negotiable certificates of deposit	¥ 5,836,251	¥ 5,788,219	$ 62,067,970
Debentures	265,042	296,839	2,818,696
Call money	170,094	210,163	1,808,934
Payables under securities lending transactions	28,377	91,805	301,790
Trading liabilities	226,202	127,697	2,405,641
Borrowed money	479,854	245,728	5,103,211
Foreign exchanges	368	184	3,921
Corporate bonds	220,713	212,235	2,347,263
Other liabilities	398,199	240,790	4,234,815
Accrued employees' bonuses	4,091	3,728	43,518
Deferred tax liabilities	—	1,265	—
Acceptances and guarantees	12,566	11,600	133,644
Total liabilities	7,641,761	7,230,258	81,269,403
Equity:			
Common stock	512,204	512,204	5,447,246
Capital surplus	79,465	79,465	845,112
Stock acquisition rights	1,238	1,354	13,173
Retained earnings:			
Legal reserve	12,097	11,566	128,654
Unappropriated retained earnings	139,126	117,654	1,479,592
Unrealized gain (loss) on available-for-sale securities	2,976	(1,031)	31,658
Deferred gain (loss) on derivatives under hedge accounting	(8,657)	(4,476)	(92,072)
Treasury stock, at cost	(72,558)	(72,558)	(771,655)
Total equity	665,893	644,178	7,081,708
Total liabilities and equity	¥ 8,307,655	¥ 7,874,437	$ 88,351,111

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥94.03=U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on March 31, 2013.

NON-CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Shinsei Bank, Limited
For the fiscal years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note)
	2013	2012	2013
Interest income:			
Interest on loans and bills discounted	¥ 67,116	¥ 64,073	$ 713,780
Interest and dividends on securities	26,144	42,800	278,042
Interest on deposits with banks	249	259	2,657
Other interest income	2,518	2,842	26,788
Total interest income	96,029	109,976	1,021,267
Interest expenses:			
Interest on deposits, including negotiable certificates of deposit	23,459	29,056	249,487
Interest and discounts on debentures	979	1,478	10,419
Interest on other borrowings	2,803	2,536	29,816
Interest on corporate bonds	8,381	8,613	89,139
Other interest expenses	271	393	2,888
Total interest expenses	35,895	42,078	381,749
Net interest income	60,133	67,897	639,518
Fees and commissions income	17,004	15,447	180,842
Fees and commissions expenses	11,865	9,673	126,183
Net fees and commissions	5,139	5,773	54,659
Net trading income	14,579	13,487	155,047
Other business income (loss), net:			
Net gain (loss) on monetary assets held in trust	5,178	12,245	55,068
Net gain (loss) on foreign exchanges	2,405	(1,313)	25,587
Net gain (loss) on securities	4,977	(4,049)	52,940
Net gain (loss) on other monetary claims purchased	(200)	82	(2,134)
Other, net	59	(175)	637
Net other business income (loss)	12,421	6,789	132,098
Total revenue	92,273	93,949	981,322
General and administrative expenses:			
Personnel expenses	23,551	22,347	250,467
Premises expenses	11,962	10,317	127,225
Technology and data processing expenses	7,657	7,843	81,433
Advertising expenses	5,392	3,701	57,346
Consumption and property taxes	3,212	3,521	34,166
Deposit insurance premium	3,573	4,684	38,000
Other general and administrative expenses	14,352	12,685	152,636
Total general and administrative expenses	69,701	65,101	741,273
Net business profit	22,571	28,847	240,049
Net credit costs	(1,256)	10,989	(13,364)
Other gains (losses), net	(421)	(1,614)	(4,483)
Income (loss) before income taxes	23,406	16,243	248,930
Income taxes (benefit):			
Current	(789)	163	(8,393)
Deferred	(460)	2,185	(4,893)
Net income (loss)	¥ 24,656	¥ 13,894	$ 262,216

	Yen		U.S. dollars (Note)
Basic net income (loss) per common share	¥ 9.29	¥ 5.23	$ 0.10

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥94.03=U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on March 29, 2013.

NON-CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

Shinsei Bank, Limited
For the fiscal years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note)
	2013	2012	2013
Common stock:			
Balance at beginning of the year	¥ 512,204	¥ 512,204	$ 5,447,246
Balance at end of the year	512,204	512,204	5,447,246
Capital surplus:			
Balance at beginning of the year	79,465	79,465	845,112
Balance at end of the year	79,465	79,465	845,112
Stock acquisition rights:			
Balance at beginning of the year	1,354	1,413	14,407
Net change during the year	(115)	(58)	(1,234)
Balance at end of the year	1,238	1,354	13,173
Retained earnings:			
Legal reserve:			
Balance at beginning of the year	11,566	11,035	123,009
Dividends	530	530	5,645
Balance at end of the year	12,097	11,566	128,654
Unappropriated retained earnings:			
Balance at beginning of the year	117,654	106,944	1,251,245
Dividends	(3,184)	(3,184)	(33,869)
Net income (loss)	24,656	13,894	262,216
Balance at end of the year	139,126	117,654	1,479,592
Unrealized gain (loss) on available-for-sale securities:			
Balance at beginning of the year	(1,031)	(15,346)	(10,971)
Net change during the year	4,008	14,314	42,629
Balance at end of the year	2,976	(1,031)	31,658
Deferred gain (loss) on derivatives under hedge accounting:			
Balance at beginning of the year	(4,476)	(4,452)	(47,612)
Net change during the year	(4,180)	(24)	(44,460)
Balance at end of the year	(8,657)	(4,476)	(92,072)
Treasury stock, at cost:			
Balance at beginning of the year	(72,558)	(72,558)	(771,655)
Balance at end of the year	(72,558)	(72,558)	(771,655)
Total equity			
Balance at beginning of the year	644,178	618,705	6,850,781
Net change in stock acquisition rights during the year	(115)	(58)	(1,234)
Dividends	(2,653)	(2,653)	(28,224)
Net income (loss)	24,656	13,894	262,216
Net change in unrealized gain (loss) on available-for-sale securities during the year	4,008	14,314	42,629
Net change in deferred gain (loss) on derivatives under hedge accounting during the year	(4,180)	(24)	(44,460)
Balance at end of the year	¥ 665,893	¥ 644,178	$ 7,081,708

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥94.03=U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on March 31, 2013.

BASEL ACCORD PILLAR III (MARKET DISCIPLINE) DISCLOSURE

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

QUALITATIVE DISCLOSURE

1. RANGE OF CONSOLIDATION

(1) DIFFERENCES BETWEEN COMPANIES WHICH BELONG TO A GROUP OF COMPANIES (CONSOLIDATED GROUP) SUBJECTED TO CALCULATION OF CAPITAL RATIOS BASED ON THE ACCORD'S ARTICLE 26 OR 38 AND COMPANIES INCLUDING RANGE OF CONSOLIDATION BASED ON RULE WITH REGARD TO WORD, FORMAT AND PLAN OF CONSOLIDATED FINANCIAL STATEMENT RULE (REFER TO MINISTRY OF FINANCE ORDINANCE NUMBER 28)

- There are no subsidiaries excluding from consolidated group as "Insurance subsidiaries" of the Accord's Article 26.2 in companies including range of consolidation based on Consolidated Financial Statement Rule.
- Non-consolidated subsidiaries based on Article 5 of Consolidated Financial Statement Rule are financial related corporations. Their holdings of capital are parts of deductions from capital in the calculation of the consolidated capital ratios.
- In accordance with the Accord's Article 38, the Bank Group's five foreign special purpose companies, which issued preferred securities, are included in the calculation of the non-consolidated capital ratio.

(2) NUMBER OF CONSOLIDATED SUBSIDIARIES AND NAME AND BUSINESS OF MAJOR CONSOLIDATED SUBSIDIARIES

i) Number of consolidated subsidiaries

As of March 31, 2013, there were 186 consolidated subsidiaries.

ii) Major consolidated subsidiaries

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

(3) NUMBER OF FINANCIAL AFFILIATES UNDER THE ACCORD'S ARTICLE 32 AND NAME AND BUSINESS OF MAJOR FINANCIAL AFFILIATES

As of March 31, 2013, there were no financial affiliates applied for proportional consolidation method.

(4) NUMBER OF UNCONSOLIDATED SUBSIDIARIES SUBJECTED TO DEDUCTIONS FROM CAPITAL BASED ON THE ACCORD'S ARTICLE 31.1.2. A TO C AND NAME AND BUSINESS OF MAJOR NON-CONSOLIDATED SUBSIDIARIES

As of March 31, 2013, there were 83 non-consolidated subsidiaries. 75 of these non-consolidated subsidiaries are subsidiaries of Showa Leasing Co., Ltd. The majority of the Showa Leasing subsidiaries are partnerships set up to accommodate leveraged leases.

(5) NUMBER OF COMPANIES WHICH DO NOT BELONG TO CONSOLIDATED GROUP BUT EXCLUSIVELY ENGAGE IN DEPENDENT BUSINESS OF ARTICLE 16.2.1.11 OR ARTICLE 16.2.1.12 OF BANKING ACT (ACT NUMBER 59 OF 1981) AND NAME AND BUSINESS OF MAJOR THOSE COMPANIES

As of March 31, 2013, there were no companies which did not belong to consolidated group but came under above Banking Act.

(6) SUMMARY OF RESTRICTIONS ON TRANSFER OF CASH AND CAPITAL IN CONSOLIDATED GROUP

As of March 31, 2013, there were no restrictions excluding restrictions under general regulations such as regulations on large-lot credit based on Banking Act.

2. TYPES OF CAPITAL INSTRUMENTS

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

QUALITATIVE DISCLOSURE (CONTINUED)

3. ASSESSMENT OF CAPITAL ADEQUACY OF THE BANK GROUP

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

The capital ratios remain at a sufficient level. The Bank will aim to stabilize management and strengthen its financial basis by improving profitability and enforcing appropriate measures led to strengthen capital basis taking market environment into consideration, although it is expected to increase risk assets following increase loans.

4. CREDIT RISK MANAGEMENT POLICIES AND PROCEDURES

CREDIT RISK MANAGEMENT SYSTEM

Credit risk is defined as the risk of loss due to a counterpart defaulting on contractual debt obligations. Our model for credit risk management focuses on securing adequate return on risk, avoiding excessive concentration in particular sectors or to particular obligors, and managing the risk with an awareness of maximum loss amount from credit portfolio.

To achieve these goals, the Bank defines the concrete policy regarding customer attributes to gain or control risks, products, markets, the type of industry and the form of transaction etc. in "Credit Risk Policy," and clarifies basic policies of credit operations and specific guidelines for credit risk management in this "Credit Risk Policy," "Credit Procedures" and other procedures. The credit risk management processes are roughly classified into credit risk management for individual transactions and portfolio-based credit risk management, as follows.

CREDIT RISK MANAGEMENT FOR INDIVIDUAL TRANSACTIONS

(1) Organization and Systems

In principle, a credit provision is consulted jointly by the sales promotion divisions and the risk management divisions that are independent from the sales promotion divisions. Thus the transparent and strict decision making process are secured and the framework to put a brake on the sales promotion division has been established. Each transaction is discussed and approved by the Credit Committee or other committees. The level of approval authority is decided based mainly on the total exposure to the obligor group and ratings, and the decision is made strictly.

As for transactions that require discussions about financial, legal and/or compliance issues, a certain framework has established: the relevant transactions are discussed by Transaction Approval Committee of which participants includes members of the divisions in charge of such issues so that the transactions can be assessed comprehensively and an appropriate decision can be made.

And among receivables that must be paid attention, for those that falls under a certain category decided by rating, the exposure, reserve, etc., the obligor's business performance are monitored by the Doubtful Debt Committee so that Shinsei is able to take preventive measures, and by deciding the measures to handle the obligor in future, Shinsei is making efforts to minimize credit-related costs and to ensure soundness of assets.

(2) Obligor Rating System

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

- Increasing model accuracy and reflecting appropriate qualitative factors
- Benchmarked against external ratings
- Ensuring conformity with rating systems among industry classifications

More specifically, obligor ratings are determined by applying adjustments with qualitative factors to the model ratings calculated by our estimation models, which are based on external ratings. Obligor ratings shall be determined at the "Credit Rating Review Committee" in order to ensure objectivity and transparency. Moreover, we ensure conformity of obligor ratings with obligor categories based on the regulatory self-assessment requirements.

Obligor ratings are used in the standards of credit approval authority procedures and portfolio controls, and are the foundation for credit risk management.

Furthermore, the Bank also applies a facility rating system based on expected losses that allows for improvement in the credit status, such as collateral and/or covenants, from the perspective of obligor ratings and the credit status of individual transactions.

An obligor rating system and facility rating system similar to those adopted in the Bank have been introduced for major customers of leasing receivables at Showa Leasing.

QUALITATIVE DISCLOSURE (CONTINUED)

(3) Pool Classification
The Bank assigns retail exposures to specific pools based on risk profile such as obligor characteristics and transaction characteristics that create reasonably homogeneous sub-portfolios. Major retail exposures to which pool classification is applied are housing loans of the Bank, installment credit receivables of APLUS and Zen-Nichi Shinpan, and small-lot leasing transactions of Showa Leasing.

PORTFOLIO-BASED CREDIT RISK MANAGEMENT

Controls must be carried out in such a way that risks are diversified in terms of industries and other criteria. This is done on a portfolio basis, which is an aggregation of transactions, and operations of individual transactions must be conducted based on appropriate risk analyses. At the Bank, Portfolio and Risk Management Division undertakes risk analyses of portfolios, and monitors the segment-specific risk distribution status including industry classifications, ratings, products and areas and also rating fluctuations related to customers within the portfolios. The Division uses this information to provide reports to senior management and the Chief Risk Officer on a monthly as well as ad hoc basis.

PRINCIPAL "CREDIT RISK MANAGEMENT STANDARDS"

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

These Standards contain "Basic Principles of the Internal Rating System for Credit Risk," and also provide the details of management policy and procedures in the form of specific rules for each group of exposures in the portfolio.

INTERNAL CONTROL ROLES AND RESPONSIBILITIES

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

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

(2) Senior Management Control/Oversight
Control and oversight for internal rating systems by senior management is defined in "Credit Risk Management Standards," and is performed in an appropriate manner.

(3) Audit Section
Internal Audit Division evaluates the Bank's internal rating system and ensures the system is in compliance with existing regulations.

APPLICATION OF THE INTERNAL RATING SYSTEM

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

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

(1) Corporate Exposure
Corporate exposure, financial institution exposure, and sovereign exposure are included. Basic standards and related detailed rules for design and operations of internal rating system, which are benchmarked against R&I rating and categorized as 0A, and 1A-9E, are applied. Corporate exposure includes Specialized Lending such as Non-Recourse Real Estate Loans, and Project Finance etc. using slotting criteria categorized as Strong, Good, Satisfactory, Weak, and Default. Specific rating standards are established for each type of finance.

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

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

ESTIMATION AND VALIDATION OF PARAMETERS

The approach for estimation and validation of parameters such as Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD) is set forth in "Credit Risk Management Standards." Ratings, pool classifications and estimated parameters are also used for internal control. Depending

QUALITATIVE DISCLOSURE (CONTINUED)

on the specific characteristics of the Bank Group's portfolios, the parameters used for internal control may differ from the parameters used in the course of calculating the regulatory capital ratio of the Bank Group. The existence of differences and the rationale for such differences is stated in the guidelines for parameter estimation and validation.

STRESS TESTS

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

RESERVE POLICY

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

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

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

For claims against obligors that are possibly bankrupt (that is, those that are not presently bankrupt but are likely to go bankrupt in the future), a specific reserve is provided for the amount considered to be necessary based on an overall solvency assessment performed for the amount of claims, net of amounts expected to be collected through the disposal of collateral or execution of guarantees.

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

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

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

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

Two portfolios in the Bank and two entities are currently evaluated using the Standardized Approach, and the F-IRB Approach will be applied at a future date as "roll-out" assets, to secure sufficient data observation periods. Expected IRB roll-out periods are as follows:

(1) Residential mortgages at the Bank: March end 2015 (prospect)
(2) SHINKI: March end 2014
(3) Shinsei Financial: March end 2014
(4) Card Loan Lake at the Bank: March end 2017

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

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

5. CREDIT RISK MITIGATION POLICIES AND PROCEDURES

(1) Policies and framework for mitigating credit risk

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

(2) Controls concerning overall methods to mitigate credit risk

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

(3) Eligible financial asset collateral

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

QUALITATIVE DISCLOSURE (CONTINUED)

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

(5) Eligible real estate collateral
Collateral types in this category include land and buildings, plants and foundations including industrial foundations.

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

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

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

(1) COUNTERPARTY RISK
Credit risk arising from market trading, such as derivatives, is controlled based on current fair value and estimation of future fair value volatility.

As the risk associated with market trade changes by market rate fluctuation after the trade, the Bank controls it based on estimation of future fair value volatility.

(2) ALLOCATION OF CREDIT LIMITS
Counterparty limits due to derivatives transactions are established based on counterparty's specific situation, and credit limits are managed as appropriate on both a counterparty limit basis, and total credit limit basis where counterparty limit is added to any other credit exposure for each obligor in order to reflect the Bank's overall exposure.

As risk embedded in market transactions changes with market movement, the Bank strictly manages its exposures using estimation of future market volatilities.

(3) CREDIT ENHANCEMENT BASED ON COLLATERAL AND RESERVES
Credit enhancement measures are taken to mitigate the Bank's concerns regarding certain obligors' credit quality as well as concentration risk in the Bank's portfolio.

The Bank follows the guidelines outlined in the ISDA Credit Support Annex (CSA), which has been accepted by many financial institutions. Reserves are calculated based on expected losses according to the counterparty's credit quality, and are taken into consideration in the mark-to-market process.

(4) POSSIBILITY OF THE BANK POSTING ADDITIONAL COLLATERAL DUE TO A DECLINE IN THE BANK'S CREDIT QUALITY
If the Bank's credit quality were to decline and be reflected as such in the assignment of lower external ratings, the Bank may be required to provide additional collateral to counterparties in transactions subject to the ISDA Credit Support Annex (CSA).

7. EQUITY RISK MANAGEMENT

The Bank's equity investments are mainly composed of strategic merger/acquisition or business alliance related transactions, which are approved by the Executive Committee, and investment business related transactions, which are approved by the Transaction Approval Committee (TAC).

The risk management methodologies for these investments are determined based on their investment types and purposes. Each risk is recognized and monitored appropriately by evaluating underlying assets/enterprise value. For securities that do not have fair market value, self assessment is conducted every quarter.

Investments in subsidiaries and affiliates are carried at cost determined by the moving average method. Available-for-sale securities are carried at fair value at the balance sheet date (cost of securities sold is determined by the moving average method) in principle, with the exception of those whose fair value cannot be reliably determined, which are carried at cost determined by the moving average method.

8. SECURITIZATION EXPOSURE RISK MANAGEMENT POLICIES AND CHARACTERISTICS

BANK RULES
The Bank manages securitization transactions as follows:

(1) Originator
For fundraising, mitigation of exposure concentration, transfer of credit risk and balance sheet management purposes, the Bank securitizes loans and the Bank's subsidiaries securitize financial assets such as credit card and consumer loan receivables.

As an originator, the Bank manages the credit risk of its securitized transactions using the assumption that original assets are maintained on its books. Since the purpose of these transactions

QUALITATIVE DISCLOSURE (CONTINUED)

includes acquiring funds, mitigating exposure concentration, transferring credit risk and managing the Bank's balance sheet, securitization transactions are a tool to control liquidity risk.

(2) Investor
In order to invest in assets whose credit risks are different from those of existing corporate exposure and to enhance the profit-earning opportunity, the Bank selectively invests in securitization transactions, including re-securitization as well as securitization defined as non-re-securitization as per Clause 2 a or b in Article 1 of Administrative Notice) which are backed by various financial products.

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

As a general rule, Risk Management Group which is fully independent from Business Groups, manages the risks arising from securitization exposure, and risk management/monitoring methodologies and risk taking/reduction policies are specified according to the types of products. Although the Bank does not actively intend to increase securitization exposure at this moment, aforementioned procedure defined in "4. Credit Risk Management and Procedures, Credit Risk Management of Specific Transactions" will be followed for new investments after specifying and recognizing the risk profile, product specifics, nature of underlying assets and structure including credit enhancement, etc.

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

Similarly, when financial assets such as credit card and consumer loan receivables originated by the Bank's subsidiaries are used as underlying assets for a securitization, the subsidiary serves as a servicer.

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

Securitized exposure includes various risk characteristics that are unique to each product, as well as the following general risk characteristics.

(a) Market risk
Market risk is the risk of changes in the market value of positions held, caused by changes in the securitization market environment or interest rates.
(b) Credit risk
Credit risk primarily refers to the risk of interest/dividends on positions held not paid as scheduled due to default of some or all of debtors of underlying assets. Moreover, credit risk includes the risk of default of parties participating in the structure, such as originator, servicer, and swap counterparty.
(c) Liquidity risk
Liquidity risk is the risk of failure to sell the positions held at appropriate prices in a short period of time.
(d) Exchange risk
Exchange risk is the risk of changes in exchange rates in relation to the positions held in which investments were made in foreign currencies.
(e) Legal risk
Legal risk is the risk of suffering disadvantages due to inappropriate legal structure.

PREPARATION AND MANAGEMENT STATUSES OF THE FRAMEWORK DEFINED IN CLAUSE 4-3 THROUGH CLAUSE 4-6 OF ARTICLE 249 OF ADMINISTRATIVE NOTICE ON CAPITAL ADEQUACY RULES (INCLUDING INSTANCES WHERE THE RELEVANT PROVISIONS ARE APPLIED *MUTATIS MUTANDIS* BASED ON CLAUSE 2 OF ARTICLE 254 AND CLAUSE 4-1 OF ARTICLE 302 OF ADMINISTRATIVE NOTICE ON CAPITAL ADEQUACY RULES): OVERVIEW

When the Bank acquires and monitors securitized exposures, outside ratings and their changes are closely watched as one of the effective indicators. Moreover, when the Bank assigns internal ratings, risk characteristics and structural characteristics are understood and future performance forecast is analyzed, without depending solely on outside ratings.

Investment decisions are made based on the results of such analysis and expected return. Even after an investment is made, various covenants and triggers are checked based on trustee reports and servicer reports. A continuous and regular monitoring framework is established whereby information on comprehensive risk characteristics and performance of securitized exposures and underlying assets is captured in a timely manner.

Risk capital is measured based on internal ratings assigned for each transaction. For investments in securities without a fair market value or its track record, risks are understood and controlled through self-assessments.

QUALITATIVE DISCLOSURE (CONTINUED)

In terms of the reporting, overall situation of the Bank's portfolio including the securitization exposure is reported to the senior management via the Risk Policy Committee etc on a monthly or a quarterly basis. The report includes information of exposure, risk quantification, change in the portfolio, and risk profiles.

POLICIES USING SECURITIZATION TRANSACTIONS FOR CREDIT RISK MITIGATION

The Bank is not using securitization transactions for credit risk mitigation.

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

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

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

Where no ratings are assigned by qualified rating agencies and no data are available for estimating the PDs and LGDs of original assets, the Bank's investment amount is deducted from the Bank's capital.

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

The amount of the general market risk of the market risk related to securitization exposures is calculated using the internal model approach. The amount of the specific risk of the market risk related to securitization exposures is calculated using the standardized approach.

TYPE OF SECURITIZATION-PURPOSE-CONDUITS FOR SECURITIZATION TRANSACTIONS OF THIRD PARTIES' ASSETS, AND WHETHER THE BANK HOLDS RELATED SECURITIZATION EXPOSURE

The Bank securitizes third parties' assets using "trust" as a part of its businesses. However, the Bank does not hold related securitization exposure.

NON-CONSOLIDATED SUBUSIDIARIES AND AFFILIATES WHO HOLD SECURITIZATION EXPOSURES RELATED TO THE BANK'S ORIGINATED SECURITIZATION TRANSACTIONS

No securitization exposures related to the Bank's originated securitization transactions are held by the Bank's non-consolidated subsidiaries and affiliates.

ACCOUNTING POLICY ADOPTED FOR SECURITIZATION TRANSACTIONS

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

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

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

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

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

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

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

SUMMARY OF INTERNAL VALUATION METHOD FOR SECURITIZATION

The Bank is not using the internal valuation method for securitization.

SIGNIFICANT CHANGES OF QUANTITATIVE INFORMATION

There are no significant changes of quantitative information.

9. MARKET RISK MANAGEMENT POLICIES AND PROCEDURES

a) POLICY AND PROCEDURE FOR RISK MANAGEMENT

(1) DEFINITION OF MARKET RISK

Market risk is the risk that makes loss by effect on balance sheet (including off balance sheet) fair value through fluctuations of various market risk factors in interest rates, FX rates, equities, and etc in trading businesses.

(2) MARKET RISK MANAGEMENT POLICY

For stipulating fundamental policies, frameworks and rules in trading businesses, the Executive Committee defines "Trading Business Risk Management Policy And Procedure." The Executive Committee also resolves qualitative limits of Value at Risk and Loss limit for the Bank and its Securities.

The Market Business Management Committee regularly controls market risk management and risk review of trading businesses. The Committee reviews individual limit settings, customer related business movement, profit and loss/market risk situation and inherent market products risk in the business as a whole and makes decision on risk management.

(3) MARKET RISK MANAGEMENT FRAMEWORK

We have established effective organizational framework for check and balance by making front office unit, back office unit and middle office management unit independent respectively. Each desk within the front office unit is assigned with limits.

Market Risk Management Division is responsible for the objective and timely recognition, monitoring and reporting of these market risks and carries out regular risk analysis and recommendations, as well as timely and appropriately providing management and front office unit.

(4) QUANTITATIVE MARKET RISK MANAGEMENT

The Bank is enhancing risk management by quantifying market risk, reporting it objectively, and making adjustments according to market situation on daily basis.

Market risk management is implemented by repetition of the following five-step process:

- First step : Construction of a transaction information database.
- Second step : Clarification of data according to the nature of the risk.
- Third step : Quantification of the risk based on the risk nature.
- Fourth step : Calculation and report of the overall risk.
- Fifth step : Appropriate adjustment and control based on the reported risk calculations.

To obtain a precise picture of the risk situation, transaction data must be accurate and complete. Measurement definitions must have clear rationale and valuation criteria such as rates and prices must be reliable. Market Risk Management Division is consistently responsible for risk measurement and its control stipulating its definitions and rules.

b) NAME OF METHODOLOGY FOR MARKET RISK MEASUREMENT

The internal-model method has been adopted for general market risk at market risk measurement and the standardized method for specific risk since March 31, 2007 for the Bank and Shinsei Securities. The standardized method is applied for FX related risks except Trading.

Market Risk Methodologies

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

c) ADEQUATE PRICING METHOD ACCORDING TO TRANSACTION PROFILE TAKING POSSIBILITIES INTO CONSIDERATION THAT ACTUAL HOLDING PERIOD MAY EXCEED EXPECTED HOLDING PERIOD

The VaR framework is using this 10-day for holding period. Market liquidity of all trading book's products are high enough, and we evaluate adequately the pricing according to the products profile including the independent price valuation process.

d) INTERNAL MODEL METHOD AND BACK-TESTING, STRESS-TESTING

The Bank and Shinsei Securities use a historical simulation VaR for internal model at general market risk measurement (a 99% confidential level, 10 day holding period, 250 observation days). Please refer to following table for VaR data.

(VaR data table) VaR amounts as calculated at the end of March 2013 together with the high, mean and low VaR in this fiscal year (99% confidence level, 10 day holding period).

QUALITATIVE DISCLOSURE (CONTINUED)

		Millions of yen	
		Consolidated	Non-consolidated
VaR at the end of year		1,642	1,627
through FY	High	2,770	2,724
	Mean	1,539	1,498
	Low	1,053	988

We have added Stress VaR to previous mentioned VaR for Basel capital requirement calculation since as of 2011 December end. Please refer to following table.

Stressed VaR amounts as calculated at the end of March 2013 together with the high, mean and low VaR in this fiscal year (99% confidence level, 10 day holding period).

		Millions of yen	
		Consolidated	Non-consolidated
Stressed VaR at the end of year		3,727	3,681
through FY	High	5,962	5,685
	Mean	3,588	3,472
	Low	2,241	2,116

The validity of the VaR is verified through back-testing etc., which examines how frequently actual daily loss exceeds VaR for a one-day holding period. The back-testing results for fiscal year 2012 show that the number of days in which loss amount exceeded VaR for a one-day holding period on a consolidated basis was one.

For complementing the Internal Model method and figuring out loss possibility at stress, the Bank implements stress testing on a weekly basis. And the stress test results are reported to the Market Business Management Committee and etc.

e) INTERNAL MODEL SUMMARY IN CASE THAT INCREMENTAL RISK IS MEASURED BY INTERNAL MODEL

Not applicable.

f) INTERNAL MODEL SUMMARY IN CASE THAT COMPREHENSIVE RISK IS MEASURED BY INTERNAL MODEL

Not applicable.

g) ASSUMPTIONS AND VALUATION METHOD FOR INTERNAL EVALUATION OF CAPITAL SUFFICIENCY ON MARKET RISK

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

10. LIQUIDITY RISK MANAGEMENT

Liquidity risk management is implemented by the ALM Committee, by its approval of liquidity gap structure limits (limits for required funding amount on contract maturity basis) and minimum liquidity reserve levels. In addition, liquidity stress test is implemented monthly and reported to the ALM Committee.

Liquidity gap limit and minimum liquidity reserve level compliance is daily monitored by Market Risk Management Division and reported to the management. On the liquidity stress test implemented by Market Risk Management Division stress scenarios are reviewed at the ALM Committee in periodical manner for its appropriateness.

Liquidity management framework, including these monitoring and test implement, is defined by the "Cash Liquidity Risk Management Policy" and is periodically reviewed.

11. BANKING BOOK INTEREST RATE RISK MANAGEMENT

a) Risk management policy and procedure

(1) Interest Rate Risk Management policy and procedure

The Bank's risk management of banking book assets and liabilities, which bears interest rate risk, is managed based on "Asset Liability Management Policy for Banking Account." In addition to daily risk monitoring, the ALM Committee meets on a monthly basis, in principle, in order to provide management with timely and appropriate reports on interest rate risk situation and etc., and reviews / makes decisions on ALM strategy and related topics.

Various limits are also set for ALM interest rate risks on assets and liabilities and monitored appropriately.

For banking book interest rate risk management, limits, scenario analysis and net interest income simulation are used for risk monitoring to evaluate the impact on assets and liabilities.

(2) Outlier criteria and stress scenarios

In the context of the outlier criteria for the second pillar of Basel Regulation, the Bank has adopted a 2% shift scenario. This measures fluctuation in the value of assets and liabilities on the banking book as a result of a 2% interest rate shock. This scenario is consistent with the 100bpv, which is used for internal control purposes.

(3) Calculation method for interest rate risk

Following assumptions are set for interest rate risk management.

QUALITATIVE DISCLOSURE (CONTINUED)

• Housing loan prepayments
The Bank estimates interest rate risk using the cash flows derived from an internal hazard model for housing loans, considering historical prepayment.

• Definition of core deposits
Retail saving deposits and 2 week maturity deposits are regarded as core deposits. The Bank has adopted an internal model for the maturity of core deposits and estimates maturities of ordinary deposits by customer criteria.

The parameters and models for core deposits are reviewed as timely and appropriately.

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

Consolidated subsidiaries' risks are managed under the supervision of the ALM Committee.

Interest rate risk at consolidated subsidiaries, which have interest rate-sensitive assets and liabilities, are calculated based on each subsidiary's interest rate risk management method .The Bank calculates interest rate risk on consolidated basis using them and conducts risk management by monitoring them.

The change in economic values for applied interest rate shock of 2% in the banking book at the end of March 2013:

	Billions of yen	
	Consolidated	Non-consolidated
JPY	¥(73.3)	¥(45.0)
USD	(0.7)	(0.7)
Other	(2.9)	(2.9)
Total	¥(77.1)	¥(48.8)

12. OPERATIONAL RISK MANAGEMENT POLICIES AND PROCEDURES

MANAGEMENT POLICIES AND PROCEDURES

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

(2) Operational Risk Management System
The Bank manages operational risk at multiple levels as follows:

• Management by business lines according to the nature of each business
• Cross-organizational management by designated management divisions for respective risk categories mentioned above (hereinafter "designated management divisions") and by the firm-wide management division of operational risk (hereinafter "firm-wide management division")
• Verification by Internal Audit Division on the appropriateness and effectiveness of the overall risk management system
• Based on reports and proposals, the Board of Directors etc. makes decisions on important items, including general rules and organizational changes related to operational risk management

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

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

Such identified and evaluated risks are reported to senior management by the designated management divisions and the firm-wide management division and are used in Risk Capital measurement for internal management purposes.

(3) "Operational Risk Management Standards"
"Operational Risk Management Standards" are a set of policies and procedures used to define the organizational framework, specific methods and processes for operational risk management. They are composed of the following:
• "Operational Risk Management Policy"
• Specific management rules
• Management rules at consolidated subsidiaries

QUALITATIVE DISCLOSURE (CONTINUED)

"Operational Risk Management Policy" is the highest set of rules on operational risk management. To ensure comprehensive and consistent operational risk management within the Bank Group, the Policy establishes risk definitions, governance and basic policies on operational risk management, and the basic framework for risk capture, evaluation, monitoring, reporting, control and mitigation.

Specific management rules include management standards and procedures for each respective operational risk category, and for new businesses and products.

Management rules at each consolidated subsidiary are composed of comprehensive rules on overall operational risk management and specific rules for respective operational risk categories. Consolidated subsidiaries establish, revise and repeal rules with the approval of their Board of Directors, according to their risk characteristics and specific internal controls. Their establishment, revision and repeal are subject to prior discussions with and after-the-fact reports to the Bank to ensure consistency with the Bank's risk management rules.

METHODOLOGY TO CALCULATE OPERATIONAL RISK UNDER BASEL REGULATION

The Standardized Approach is adopted by the Bank.

Amount of required capital for Operational Risk at the end of fiscal year 2012:

	Millions of yen	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
The Standardized Approach	¥ 29,487	¥ 13,797

QUALITATIVE DISCLOSURE (CONTINUED)

EXHIBIT: SUMMARY OF INTERNAL RATING SYSTEM

Type of Exposures		Shinsei Bank (Non-Consolidated) (a) Corporate Exposures, (b) Sovereign Exposures, (c) Exposures to Banks, and (d) Equity Exposures (Exposures to which Internal Rating and PD/LGD approach is applied)	Shinsei Bank (Non-Consolidated) (e) Specialized Lending
Type of Internal Rating Approaches to be Used		• Obligor rating based on the rating estimation model • Facility rating based on the obligor ratings/expected losses	Facility rating considering financial indices and risk assessment of assets and the business
Structure of Internal Rating System	Summary of Rating System	For corporate exposures, the Bank uses an internal obligor rating system with the following characteristics: • Increasing model accuracy and reflecting appropriate qualitative factors • Benchmarked against external ratings • Ensuring conformity with rating systems among industry classifications Obligor ratings are used in the standards of credit approval authority procedures and portfolio controls, and are the foundation for credit risk management. Furthermore, the Bank also applies a facility rating system based on expected losses that allows for improvement in the credit status, such as collateral and/or covenants, from the perspective of obligor rating and the credit status of individual transactions.	A rating system based on the transaction type is in place for special assets such as real-estate non-recourse loans and project finance whose interest payments and principal repayments are heavily dependent on the profit of assets and the business. Ratings for real-estate non-recourse loans are decided by adding qualitative adjustments to quantitative ratings based on the LTV. Ratings for project finance are decided by comprehensively considering financial indices such as DSCR and the assessment of each risk factor that has an impact on the operation of the project.
	Obligor Rating (Corporate) Facility Rating (Corporate)	**Obligor Rating** i) Model score: A quantitative model score is derived based on the financial data of a customer by applying a neural network model prepared by using external ratings as a benchmark. Financial data from "Nikkei Needs Financial Information" and "Shinsei Financial Analysis System Data" were used for calculation of model scores. ii) Verification of reliability of obligor financial data. iii) Overall adjustment: Unrealized profit or loss future financial projection, etc. Obligor ratings for Sovereign/Bank exposures are assigned based on specific rules as "Obligors Subject to Special Treatment." **Facility Rating** Derived on the basis of expected loss rate by taking into account the following factors. i) Probability of Default (PD) corresponding to an obligor rating/term of credit. ii) Loss Given Default (LGD) corresponding to the status of credit enhancement of a facility. Facility rating system is not implemented for equity exposures.	**Facility Rating** A facility rating which represents the size of the expected loss in each transaction is assigned under the aforementioned framework.
Usage of Various Estimated Values (Use Test)		Facility rating is derived and assigned based on Expected Loss (EL) calculated from the PD corresponding to the credit rating. EL using the foregoing PD is also applied to pricing. PDs are used for calculating and allocating Risk Capital. No specific pricing rule with PD/LGD Approach for Equity exposures.	In the rating system, a rating derived in accordance with the above is also used for credit assessment of a transaction.
Management of Internal Rating System and Validation Procedures	Management of Internal Rating System, and Rating Assignment Procedures	Portfolio and Risk Management Division (PRMD: Credit Risk Control Section) of the Bank is in charge of designing the rating system and ratings are assigned by the Credit Rating Review Committee. PRMD is in charge of estimation and validation of parameters. Internal Audit Division (IAD) of the Bank audits all these processes.	Credit Risk Management Section (CRMS) of the Bank and PRMD of the Bank are jointly in charge of the design and validation of the rating system. Ratings are assigned by the Credit Rating Review Committee or CRMS of the Bank depending on the transaction type. IAD audits all these processes.
	Validation Procedures	**Quantitative Validation** Model ratings and final credit ratings are validated in a manner as multifaceted as possible using Shinsei Bank data, Showa Leasing data and external databases. 1) Back Testing: using historical data, credit ratings goodness of fit, and Accuracy Ratio (AR) by segments, such as industry and sales scale, are validated. 2) Benchmarking: Comparison between internal and external ratings and mapping analysis are performed for the obligors with external ratings. **Qualitative Validation** Examinations of the newly defaulting obligors and rating transition analyses are conducted, and operations of individual assessments are examined.	Based on the type and actual default of transactions, back testing and rating transition analyses are conducted in order to verify the reasonability of the rating and appropriateness of the rating process.
Estimation of Parameters		PDs of corporate exposures are estimated by defining a default as the case obligor categorization under self assessment falls to sub-standard (9B) or lower, etc. The data used for estimation are as follows: 1) Characterization of the Bank's internal data: Observation period is from end of March 2001, and population is obligors with loan exposures in (a) - (c). 2) Estimated PD data of the population that is treated as the corporate exposures at Showa Leasing (observation period: from end of March 2003). 3) For obligors at 3 rank or higher where track record of default is scarce, the PDs are estimated based on cumulative default rates from internal data, corporate bond spreads and data published by external rating agencies. 4) For Sovereign exposures, estimated PD for 0A and 1A is 0.00% and 0.01% respectively for required regulatory capital calculation purposes.	Internal ratings are allocated to slotting criteria, and parameters are not estimated.

QUALITATIVE DISCLOSURE (CONTINUED)

EXHIBIT: SUMMARY OF INTERNAL RATING SYSTEM

Type of Exposures		Shinsei Bank (Non-Consolidated)	Showa Leasing
		(f) Purchased Residential Mortgage Exposures (A portion is classified as Purchased Other Retail Exposures)	(g) Exposures to Corporate, etc.
Type of Internal Rating Approaches to be Used		Pool classification by portfolio and by delinquency status	Obligor rating based on a rating estimation model Facility rating based on an obligor rating/ expected loss
Structure of Internal Rating System	Summary of Rating System	These exposures are housing loans originated by lenders other than the Bank, and purchased as portfolios by the Bank. Pools are classified on a portfolio basis and delinquency basis. Business purpose loans collateralized by real estate to retail customers are classified as purchased other retail exposures or purchased corporate exposures.	An obligor rating system has been introduced that is identical to the system used at the Bank. Facility ratings based on EL for each transaction are established.
	Obligor Rating (Corporate) Facility Rating (Corporate) Pool Classification (Retail)	**Pool Classification** Normal, Delinquent and Default pools are established for each portfolio.	**Obligor Rating** Same as (a) (b) and (c). **Facility Rating** The facility rating is established based on the EL of each transaction by reflecting the characteristics of risk profile of a transaction as well as the risk profile of an obligor.
Usage of Various Estimated Values (Use Test)		PDs and LGDs are used for calculating and allocating Risk Capital.	• The facility rating is assigned based on EL using PD corresponding to the credit rating. • EL using PD is also applied to pricing. • PDs are used for calculating and allocating Risk Capital.
Management of Internal Rating System and Validation Procedures	Management of Internal Rating System, and Rating Assignment Procedures	Credit Risk Management Section (CRMS) of the Bank is in charge of rating system design and pool assignment. CRMS of the Bank estimates/validates parameters with support by PRMD of the Bank. IAD audits all these processes.	PRMD of the Bank and Credit Risk Management Section (CRMS) of the Company are jointly responsible for the design of the rating system, and CRMS of the Company is in charge of rating assignment. PRMD of the Bank is in charge of the final approval process of parameter estimation and validation. Audit Division (AD) of the Company and IAD of the Bank jointly audit all these processes.
	Validation Procedures	**PD** Binominal test, comparison with track record of defaults in other housing loan portfolios. **LGD** Validation if estimated LGDs remain within a certain confidence level, and comparison with the track record of loss rate in other housing loan portfolios.	Same as (a) (b) and (c).
Estimation of Parameters		**Definition of Default** Any of the following: i) three month delinquency, ii) relaxation of terms and conditions, iii) legal bankruptcy, iv) payment in subrogation by guarantors, etc. **PD** PDs are estimated based on historical data of each purchased housing loan portfolio. Period before loan purchase is also included in data observation period. **LGD** LGDs are estimated based on historical data of each purchased housing loan portfolio. **EAD** EAD for on-balance sheet items is the outstanding balance of beneficiary interest in trust. EAD for off-balance sheet items is zero, since no undrawn amount exists.	Default is defined as any of the following: i) three month delinquency, ii) relaxation of terms and conditions, iii) legal bankruptcy, iv) Special Supervision or lower in self assessment of assets, etc. PD estimation process is same as (a) (b) and (c).

QUALITATIVE DISCLOSURE (CONTINUED)

EXHIBIT: SUMMARY OF INTERNAL RATING SYSTEM

		Showa Leasing	APLUS FINANCIAL, APLUS, APLUS PERSONAL LOAN, and Zen-Nichi Shinpan
Type of Exposures		(h) Other Retail Exposures	(i) Residential Mortgage/Qualifying Revolving Retail/Other Retail Exposures
Type of Internal Rating Approaches to be Used		Pool classification based on a matrix of obligor and transaction attributes and delinquency	Pool classification based on a matrix of obligor and transaction attributes and delinquency
Structure of Internal Rating System	Summary of Rating System	Small-lot lease receivables to corporate obligors in the Company are managed on a pool basis, and are treated as "retail" exposures. A credit rating is assigned to each obligor based on such factors as whether equity of obligor is listed or not, size of annual income, length of business history, credit score assigned by a credit agency. In addition, classification by type of asset leased is also implemented.	Main portfolio of the Group (APLUS FINANCIAL (including APLUS and APLUS PERSONAL LOAN), and Zen-Nichi Shinpan) is installment credit receivable, classified as other retail exposures. Credit is also extended through credit/loan cards, part of which are classified as qualifying revolving retail exposures. The Group retains but no longer originates housing loans. R-rating is assigned to each exposure of APLUS. R-ratings are risk grades based on obligor attributes, borrowing behavior information provided by credit information agencies and transaction history with the Company. For installment credit receivables, pool classification is also determined by type of asset being financed. For card exposures, card type, and situation of card utilization etc. is employed as criteria of pool classification. In APLUS FINANCIAL, a holding company, and APLUS and APLUS PERSONAL LOAN, subsidiaries, risks are managed comprehensively by APLUS FINANCIAL, as well as in each company, and major Credit Risk Management Standards, pool classification and parameter estimates are shared by these 3 companies. In Zen-Nichi Shinpan, which started adopting Foundation IRB from the end of March 2010, pool classification is established by portfolio such as installment credit receivables and card exposures.
	Pool Classification (Retail)	Criteria for pool classification are i) credit rating, ii) type of asset leased, and iii) obligor classification including delinquency.	Key criteria for pool classification are as follows: i) Obligor attributes such as R-rating ii) Transaction attributes such as type of assets financed for installment credit receivables, or situation of card utilization etc. for card exposures iii) Delinquency
Usage of Various Estimated Values (Use Test)		PDs and LGDs are used for calculating and allocating Risk Capital. For pricing purposes, PDs and LGDs, which are derived assuming that defaulted exposures do not recover to non-default status, are utilized.	PDs, LGDs and Credit Conversion Factors (CCFs) are used for calculating and allocating Risk Capital.
Management of Internal Rating System and Validation Procedures	Management of Internal Rating System, and Rating Assignment Procedures	CRMS of the Company and PRMD of the Bank are jointly in charge of the rating system design. Business Divisions/Branches of the Company assign exposures to pools, and CRMSs confirm and oversee pool assignment. CRMS and PRMD of the Bank jointly estimate and validate parameters, based on data provided by the Company. AD of the Company and IAD of the Bank jointly audit all these processes.	CRMS of the Group and PRMD of the Bank are jointly in charge of the rating system design. Business Divisions/Branches of the Group assign exposures to pools, and CRMS confirms and oversees pool assignment. CRMS and PRMD of the Bank jointly estimate and validate parameters, based on data provided by the Group. Internal Audit Section of the Group and IAD of the Bank jointly audit all these processes.
	Validation Procedures	**PD** Binominal test and verification of PDs and ratings goodness of fit. **LGD** Validation if estimated LGDs are remaining within a certain confidence level. **Pool Classification** Validation by Accuracy Ratio (AR).	**PD** Binominal test and verification of PDs and ratings goodness of fit. **LGD** Validation if estimated LGDs are remaining within a certain confidence level. **Pool Classification** Validation by Accuracy Ratio (AR).
Estimation of Parameters		**Definition of Default** Any of the following: i) three month delinquency, ii) relaxation of terms and conditions, iii) legal bankruptcy, iv) Special Supervision or lower in self assessment of assets, etc. **PD** PDs are estimated on the Company's historical data. **LGD** LGDs are estimated on the Company's historical data. **EAD** EAD for on-balance sheet items is defined as outstanding balance in compliance with U.S. Financial Accounting Standards Board (FASB). EAD for off-balance sheet items is zero, since no undrawn amount exists. **Data Observation Period** From April 2002 (from April 2005 for PD).	**Definition of Default** Any of the following: i) three month delinquency, ii) relaxation of terms and conditions, iii) legal bankruptcy, etc. **PD** PDs are estimated using the Group's historical data. **LGD** LGDs are estimated using the Group's historical data. **EAD** EAD for on-balance sheet items is the outstanding amount of principal plus uncollected commissions/interest/guarantee fee. EAD for off-balance sheet items is calculated by committed line amount of card exposures multiplied by Credit Conversion Factors (CCFs). CCFs are estimated for each card type, using historical data of the Group. **Data Observation Period** From April 2001 for installment credit receivables and card exposures of APLUS.

QUALITATIVE DISCLOSURE (CONTINUED)

SHINSEI BANK CORPORATE OBLIGOR RATING SYSTEM

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

QUANTITATIVE DISCLOSURE

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

Most of the 83 unconsolidated subsidiaries are special purpose companies (SPCs) or Limited Partnerships (LPs) for leverage leasing. As the economic risk associated with leveraged leasing has been hedged in these subsidiaries, the amount of invested equity is equal to applicable loss limits.

2. CAPITAL STRUCTURE

Please see "Management's Discussion and Analysis of Financial Condition and Results of Operations" "Capital Ratios" on page 99 for capital calculation details. The Bank was not required to deduct any excess deferred tax assets which banks are prohibited from including in their Tier I capital. The Bank has no Tier III capital.

3. CAPITAL ADEQUACY

AMOUNT OF REQUIRED CAPITAL FOR CREDIT RISK

(1) Portfolios under the Standardized Approach (SA)

Millions of yen

As of March 31	2013 Required capital amount (Consolidated)	2013 Required capital amount (Non-consolidated)	2012 Required capital amount (Consolidated)	2012 Required capital amount (Non-consolidated)
Shinsei housing loans	**¥ 35,324**	**¥ 35,324**	¥ 29,861	¥ 29,861
Shinsei bank card loans Lake	**3,900**	**3,900**	1,060	1,060
Subsidiaries of Showa Leasing	**1,057**	**—**	1,926	—
Shinsei Financial Group[1]	**20,988**	**—**	25,475	—
Other subsidiaries	**3,820**	**—**	4,456	—

Note: (1) APLUS FINANCIAL, APLUS, APLUS PERSONAL LOAN and Zen-Nichi Shinpan which are subsidiaries of Shinsei Financial Group adopt FIRB.

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

Millions of yen

As of March 31	2013 Required capital amount (Consolidated)	2013 Required capital amount (Non-consolidated)	2012 Required capital amount (Consolidated)	2012 Required capital amount (Non-consolidated)
Corporate (Excluding Specialized Lending)[1]	**¥ 183,548**	**¥ 170,826**	¥ 202,681	¥ 197,072
Specialized Lending[2]	**151,378**	**150,285**	193,899	192,271
Sovereign	**4,620**	**4,533**	5,906	5,874
Bank	**18,279**	**17,660**	20,799	19,854
Residential mortgages	**1,793**	**—**	2,507	—
Qualified revolving retails	**48,545**	**—**	50,604	—
Other retails	**138,052**	**—**	149,821	—
Equity	**11,212**	**133,633**	12,600	137,855
Regarded (Fund)	**27,544**	**20,764**	25,253	19,040
Securitization[3]	**36,421**	**42,890**	58,548	65,879
(Unrated securitization exposure)	**(15,115)**	**(15,115)**	(40,592)	(40,592)
Purchase receivables	**56,934**	**55,917**	56,956	56,956
Other assets	**6,416**	**2,485**	6,946	2,889
Total	**¥ 684,748**	**¥ 598,998**	¥ 786,525	¥ 697,695

Notes: (1) "Corporate" includes "Small and Medium-sized Entities."
(2) "Specialized Lending" refers to a claim whose source of recovery is solely dependent on the cash flow generated from a transaction such as a real estate non-recourse loan.
(3) "Securitization" includes a part of amounts based on the Standardized Approach.

QUANTITATIVE DISCLOSURE (CONTINUED)

AMOUNT OF REQUIRED CAPITAL FOR EQUITY EXPOSURE UNDER IRB

Millions of yen

As of March 31	2013 Required capital amount (Consolidated)	2013 Required capital amount (Non-consolidated)	2012 Required capital amount (Consolidated)	2012 Required capital amount (Non-consolidated)
Market-Based Approach				
Simplified Method	**¥ 1,426**	**¥ 5,024**	¥ 3,384	¥ 6,437
PD/LGD Method	**9,270**	**127,195**	8,690	130,004
Grandfathering Rule	**514**	**1,414**	525	1,413
Total	**¥ 11,212**	**¥ 133,633**	¥ 12,600	¥ 137,855

AMOUNT OF REQUIRED CAPITAL FOR REGARDED-METHOD EXPOSURE UNDER IRB

Millions of yen

As of March 31	2013 Required capital amount (Consolidated)	2013 Required capital amount (Non-consolidated)	2012 Required capital amount (Consolidated)	2012 Required capital amount (Non-consolidated)
Look Through	**¥ 3,085**	**¥ 3,085**	¥ 2,006	¥ 2,006
Revised Naivete Majority	**16,630**	**8,558**	17,891	10,550
Simplified [400%]	**533**	**1,835**	840	1,982
Simplified [1,250%]	**7,294**	**7,285**	4,513	4,501
Total	**¥ 27,544**	**¥ 20,764**	¥ 25,253	¥ 19,040

AMOUNT OF REQUIRED CAPITAL FOR MARKET RISK

Millions of yen

As of March 31	2013 Required capital amount (Consolidated)	2013 Required capital amount (Non-consolidated)	2012 Required capital amount (Consolidated)	2012 Required capital amount (Non-consolidated)
The Standardized Approach (Specific Risk)	**¥ 1,491**	**¥ 1,228**	¥ 3,402	¥ 2,941
Interest rate risk	**810**	**797**	2,083	1,796
Equity position risk	**210**	**210**	61	61
FX risk	**243**	**220**	1,172	1,083
Securitization risk	**227**	**—**	84	—
The Standardized Approach (General Market Risk)	**—**	**—**	—	—
The Internal Models Approach (IMA) (General Market Risk)	**16,771**	**16,423**	18,108	17,699

AMOUNT OF REQUIRED CAPITAL FOR OPERATIONAL RISK

Millions of yen

As of March 31	2013 Required capital amount (Consolidated)	2013 Required capital amount (Non-consolidated)	2012 Required capital amount (Consolidated)	2012 Required capital amount (Non-consolidated)
The Standardized Approach	**¥ 29,487**	**¥ 13,797**	¥ 31,001	¥ 12,202

TOTAL CAPITAL ADEQUACY RATIO AND TIER I CAPITAL RATIO

As of March 31	2013 Consolidated	2013 Non-consolidated	2012 Consolidated	2012 Non-consolidated
Total capital adequacy ratio	**12.24%**	**14.31%**	10.27%	13.10%
Tier I capital ratio	**10.41%**	**11.99%**	8.80%	11.18%

TOTAL REQUIRED CAPITAL (DOMESTIC CRITERIA)

Millions of yen

As of March 31	2013 Consolidated	2013 Non-consolidated	2012 Consolidated	2012 Non-consolidated
Total required capital	**¥ 374,531**	**¥ 302,731**	¥ 440,381	¥ 352,517
Total risk assets x 4%	**¥ 233,911**	**¥ 230,186**	¥ 244,100	¥ 236,945

QUANTITATIVE DISCLOSURE (CONTINUED)

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

AMOUNT OF CREDIT RISK EXPOSURE

Geographic, Industries or Maturity (Consolidated)

Millions of yen

	2013				2012			
	Total	Amount of Credit Risk Exposure			Total	Amount of Credit Risk Exposure		
As of March 31		Loans,etc.[1]	Securities[2]	Derivatives[3]		Loans,etc.[1]	Securities[2]	Derivatives[3]
Manufacturing	¥ 364,154	¥ 359,354	¥ 0	¥ 4,799	¥ 381,040	¥ 377,123	¥ 0	¥ 3,916
Agriculture	967	967	—	—	896	896	—	—
Mining	830	830	—	—	867	867	—	—
Construction	40,795	40,757	36	1	39,290	39,251	36	2
Electric power, gas, water supply	134,776	134,176	31	568	56,635	56,508	32	93
Information and communication	36,372	36,344	—	28	44,332	44,313	—	18
Transportation	249,011	235,287	2,160	11,563	265,951	245,798	3,201	16,951
Wholesale and retail	153,172	152,385	222	564	154,523	153,393	636	492
Finance and insurance	1,271,552	1,210,505	13,803	47,242	1,168,231	1,083,199	31,651	53,381
Real estate	788,987	597,733	189,636	1,616	824,828	592,350	231,583	894
Services	456,102	452,231	2,651	1,219	447,765	438,989	6,825	1,950
Government	1,431,154	93,260	1,337,894	—	1,405,929	118,978	1,286,948	1
Individuals	2,448,490	2,448,359	—	130	2,396,210	2,395,842	—	368
Others	8,215	8,215	—	—	14,053	9,125	4,927	—
Domestic Total	7,384,584	5,770,410	1,546,438	67,736	7,200,556	5,556,638	1,565,844	78,072
Foreign	711,180	407,714	120,130	183,335	676,910	334,497	135,915	206,497
Consolidated Total	¥ 8,095,765	¥ 6,178,125	¥ 1,666,568	¥ 251,071	¥ 7,877,466	¥ 5,891,136	¥ 1,701,760	¥ 284,569
To 1 year	1,429,694	1,138,863	229,293	61,537	1,945,261	1,300,580	575,599	69,081
1 to 3 years	2,089,682	1,470,025	534,358	85,297	2,102,315	1,397,602	595,452	109,259
3 to 5 years	2,313,481	1,532,782	748,870	31,828	1,634,789	1,254,768	330,965	49,055
Over 5 years	1,803,998	1,579,010	152,581	72,406	1,637,460	1,381,687	198,599	57,173
Undated	458,907	457,442	1,464	—	557,640	556,497	1,143	—
Consolidated Total	¥ 8,095,765	¥ 6,178,125	¥ 1,666,568	¥ 251,071	¥ 7,877,466	¥ 5,891,136	¥ 1,701,760	¥ 284,569

Geographic, Industries or Maturity (Non-consolidated)

Millions of yen

	2013				2012			
	Total	Amount of Credit Risk Exposure			Total	Amount of Credit Risk Exposure		
As of March 31		Loans,etc.[1]	Securities[2]	Derivatives[3]		Loans,etc.[1]	Securities[2]	Derivatives[3]
Manufacturing	¥ 300,427	¥ 295,628	¥ 0	¥ 4,799	¥ 315,388	¥ 311,471	¥ 0	¥ 3,916
Agriculture	236	236	—	—	298	298	—	—
Mining	268	268	—	—	488	488	—	—
Construction	12,569	12,568	—	1	12,423	12,420	—	2
Electric power, gas, water supply	134,586	133,985	31	568	56,465	56,338	32	93
Information and communication	21,755	21,726	—	28	27,988	27,969	—	18
Transportation	223,809	210,085	2,160	11,563	249,689	229,536	3,201	16,951
Wholesale and retail	80,680	79,892	222	564	90,827	89,698	636	492
Finance and insurance	1,506,775	1,437,510	31,509	37,755	1,451,940	1,366,006	51,573	34,360
Real estate	806,178	614,924	189,636	1,616	839,211	606,733	231,583	894
Services	389,125	384,440	2,729	1,955	391,030	382,139	6,932	1,958
Government	1,418,449	80,590	1,337,859	—	1,393,381	106,466	1,286,913	1
Individuals	1,009,761	1,009,630	—	130	835,246	834,878	—	368
Others	—	—	—	—	—	—	—	—
Domestic Total	5,904,623	4,281,488	1,564,150	58,984	5,664,378	4,024,444	1,580,874	59,059
Foreign	691,890	370,939	137,324	183,627	664,919	307,872	150,308	206,739
Bank Total	¥ 6,596,514	¥ 4,652,427	¥ 1,701,474	¥ 242,612	¥ 6,329,298	¥ 4,332,316	¥ 1,731,182	¥ 265,798
To 1 year	1,467,947	1,181,420	229,452	57,074	2,027,823	1,388,838	575,835	63,149
1 to 3 years	1,631,950	1,014,947	534,358	82,644	1,611,605	917,059	595,417	99,129
3 to 5 years	1,955,616	1,175,141	748,753	31,721	1,265,482	892,215	325,908	47,358
Over 5 years	1,475,214	1,234,268	169,774	71,170	1,333,098	1,063,944	212,992	56,162
Undated	65,784	46,650	19,134	—	91,288	70,259	21,029	—
Bank Total	¥ 6,596,514	¥ 4,652,427	¥ 1,701,474	¥ 242,612	¥ 6,329,298	¥ 4,332,316	¥ 1,731,182	¥ 265,798

Notes: (1) Excluding purchased receivables
(2) Excluding equity exposures
(3) Credit equivalent amount basis

QUANTITATIVE DISCLOSURE (CONTINUED)

AMOUNT OF DEFAULT EXPOSURE BEFORE PARTIAL WRITE-OFF

Geographic, Industries

Millions of yen

As of March 31	2013 Default Exposure Consolidated	2013 Default Exposure Non-consolidated	2012 Default Exposure Consolidated	2012 Default Exposure Non-consolidated
Manufacturing	**¥ 20,723**	**¥ 16,375**	¥ 17,784	¥ 12,524
Agriculture	**22**	**—**	38	—
Mining	**—**	**—**	—	—
Construction	**2,221**	**91**	2,144	11
Electric power, gas, water supply	**—**	**—**	—	—
Information and communication	**2,198**	**2,183**	33	—
Transportation	**5,331**	**3,592**	7,681	5,532
Wholesale and retail	**1,037**	**230**	851	—
Finance and insurance	**59,718**	**59,706**	77,641	77,566
Real estate	**181,035**	**177,487**	223,661	218,702
Services	**31,016**	**29,052**	30,788	28,336
Government	**—**	**—**	—	—
Individuals	**142,751**	**6,380**	149,550	5,744
Others	**7,652**	**—**	8,875	—
Domestic Total	**453,708**	**295,101**	519,051	348,419
Foreign	**37,594**	**37,594**	40,830	40,830
Total	**¥ 491,303**	**¥ 332,695**	¥ 559,882	¥ 389,250

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

Consolidated

Millions of yen

As of March 31	2013 Start Amount	2013 Change Amount	2013 End Amount	2012 Start Amount	2012 Change Amount	2012 End Amount
General	**¥ 80,949**	**¥ (13,242)**	**¥ 67,707**	¥ 102,752	¥(21,803)	¥ 80,949
Specific	**265,675**	**(21,929)**	**243,746**	287,323	(21,648)	265,675
Country	**0**	**—**	**0**	12	(12)	0
Total	**¥ 346,625**	**¥ (35,171)**	**¥ 311,454**	¥ 390,087	¥(43,462)	¥ 346,625

Non-consolidated

Millions of yen

As of March 31	2013 Start Amount	2013 Change Amount	2013 End Amount	2012 Start Amount	2012 Change Amount	2012 End Amount
General	**¥ 39,627**	**¥ (11,105)**	**¥ 28,522**	¥ 48,379	¥ (8,752)	¥ 39,627
Specific	**156,555**	**(20,368)**	**136,187**	156,764	(209)	156,555
Country	**0**	**—**	**0**	12	(12)	0
Total	**¥ 196,183**	**¥ (31,472)**	**¥ 164,711**	¥ 205,156	¥ (8,973)	¥ 196,183

Geographic (Consolidated)

Millions of yen

As of March 31	2013 Total	2013 Reserve Amount General	2013 Reserve Amount Specific	2013 Reserve Amount Country	2012 Total	2012 Reserve Amount General	2012 Reserve Amount Specific	2012 Reserve Amount Country
Domestic	**¥ 276,111**	**¥ 61,640**	**¥ 214,471**	**¥ —**	¥ 313,108	¥ 75,880	¥ 237,228	¥ —
Foreign	**35,343**	**6,067**	**29,275**	**0**	33,516	5,069	28,447	0
Total	**¥ 311,454**	**¥ 67,707**	**¥ 243,746**	**¥ 0**	¥ 346,625	¥ 80,949	¥ 265,675	¥ 0

QUANTITATIVE DISCLOSURE (CONTINUED)

Geographic (Non-consolidated)

Millions of yen

As of March 31	2013 Total	2013 Reserve Amount General	2013 Reserve Amount Specific	2013 Reserve Amount Country	2012 Total	2012 Reserve Amount General	2012 Reserve Amount Specific	2012 Reserve Amount Country
Domestic	**¥ 132,950**	**¥ 24,926**	**¥ 108,023**	**¥ —**	¥ 163,748	¥ 35,289	¥ 128,458	¥ —
Foreign	**31,761**	**3,595**	**28,164**	**0**	32,434	4,337	28,096	0
Total	**¥ 164,711**	**¥ 28,522**	**¥ 136,187**	**¥ 0**	¥ 196,183	¥ 39,627	¥ 156,555	¥ 0

Industries

Millions of yen

As of March 31	2013 Reserve Amount Consolidated	2013 Reserve Amount Non-consolidated	2012 Reserve Amount Consolidated	2012 Reserve Amount Non-consolidated
Manufacturing	**¥ 12,551**	**¥ 8,227**	¥ 19,937	¥ 14,320
Agriculture	**46**	**—**	41	—
Mining	**15**	**5**	23	14
Construction	**1,587**	**119**	1,925	41
Electric power, gas, water supply	**276**	**276**	107	106
Information and communication	**1,105**	**105**	1,543	285
Transportation	**2,659**	**1,716**	1,912	1,548
Wholesale and retail	**2,326**	**777**	2,780	839
Finance and insurance	**16,874**	**19,676**	29,325	32,487
Real estate	**73,081**	**76,063**	83,072	85,875
Services	**20,799**	**16,777**	26,286	19,326
Government	**70**	**—**	95	—
Individuals	**135,960**	**5,078**	134,961	4,975
Others	**4,676**	**4,126**	4,511	3,927
Foreign	**35,343**	**31,761**	33,516	32,434
Non-classified	**4,079**	**—**	6,585	—
Total	**¥ 311,454**	**¥ 164,711**	¥ 346,625	¥ 196,183

AMOUNT OF WRITE-OFFS

Industries

Millions of yen

	FY2012 Amount of write-off Consolidated	FY2012 Amount of write-off Non-consolidated	FY2011 Amount of write-off Consolidated	FY2011 Amount of write-off Non-consolidated
Manufacturing	**¥ 623**	**¥ 426**	¥ 570	¥ —
Agriculture	**—**	**—**	17	—
Mining	**—**	**—**	—	—
Construction	**170**	**23**	135	—
Electric power, gas, water supply	**—**	**—**	—	—
Information and communication	**52**	**—**	81	—
Transportation	**534**	**519**	143	—
Wholesale and retail	**235**	**—**	621	28
Finance and insurance	**943**	**943**	3,950	3,950
Real estate	**14,942**	**14,898**	4,726	4,645
Services	**378**	**21**	722	—
Government	**—**	**—**	—	—
Individuals	**30,379**	**80**	54,481	58
Others	**—**	**—**	0	—
Foreign	**5,107**	**5,107**	5,275	5,275
Non-classified	**0**	**—**	—	—
Total	**¥ 53,367**	**¥ 22,018**	¥ 70,726	¥ 13,958

QUANTITATIVE DISCLOSURE (CONTINUED)

AMOUNT OF EXPOSURES UNDER SA (AFTER CREDIT RISK MITIGATION)

Millions of yen

	2013				2012			
	Consolidated		**Non—consolidated**		Consolidated		Non—consolidated	
As of March 31	**Rated**	**Unrated**	**Rated**	**Unrated**	Rated	Unrated	Rated	Unrated
0%	**¥ 184**	**¥ 1,598**	**¥ —**	**¥ —**	¥ 69	¥ 2,027	¥ —	¥ —
10%	**—**	**—**	**—**	**—**	—	—	—	—
20%	**80,212**	**0**	**—**	**—**	127,445	0	—	—
35%	**—**	**790,481**	**—**	**790,481**	—	634,533	—	634,533
50%	**434**	**7,025**	**—**	**1,426**	464	8,331	—	1,214
75%	**—**	**592,542**	**—**	**280,077**	—	593,394	—	215,055
100%	**277**	**68,431**	**—**	**1,483**	210	84,195	—	1,750
150%	**—**	**2,718**	**—**	**925**	0	2,218	—	526
350%	**—**	**—**	**—**	**—**	—	—	—	—
Capital Deduction	**—**	**—**	**—**	**—**	—	—	—	—
Total	**¥ 81,109**	**¥ 1,462,797**	**¥ —**	**¥ 1,074,394**	¥ 128,190	¥ 1,324,700	¥ —	¥ 853,080

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

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

Millions of yen

As of March 31	**2013**		2012	
	Amount of Exposure		Amount of Exposure	
Risk weight ratio	**Consolidated**	**Non-consolidated**	Consolidated	Non-consolidated
50%	**¥ 41,123**	**¥ 41,123**	¥ 20,921	¥ 20,921
70%	**89,411**	**84,379**	55,596	53,525
90%	**104,509**	**104,509**	49,703	49,703
115%	**48,748**	**48,748**	81,629	81,629
250%	**94,565**	**91,914**	148,516	145,219
0% (Default)	**108,363**	**108,363**	153,493	152,425
Total	**¥ 486,723**	**¥ 479,038**	¥ 509,860	¥ 503,424

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

Millions of yen

As of March 31	**2013**		2012	
	Amount of Exposure		Amount of Exposure	
Risk weight ratio	**Consolidated**	**Non-consolidated**	Consolidated	Non-consolidated
70%	**¥ 12,333**	**¥ 12,333**	¥ 3,657	¥ 3,657
95%	**2,121**	**2,121**	13,520	13,520
120%	**3,473**	**3,473**	—	—
140%	**557**	**557**	—	—
250%	**60,778**	**60,778**	62,845	62,845
0% (Default)	**56,172**	**56,172**	70,425	70,425
Total	**¥ 135,437**	**¥ 135,437**	¥ 150,449	¥ 150,449

(3) Equity exposure under Market-Based Simplified Method

Millions of yen

As of March 31	**2013**		2012	
Risk weight ratio	**Amount Consolidated**	**Amount Non-consolidated**	Amount Consolidated	Amount Non-consolidated
300%	**¥ 492**	**¥ 441**	¥ 6,973	¥ 6,919
400%	**3,836**	**14,480**	4,746	13,789
Total	**¥ 4,329**	**¥ 14,922**	¥ 11,720	¥ 20,708

QUANTITATIVE DISCLOSURE (CONTINUED)

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

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

Corporate (Consolidated)

Millions of yen (except percentages)

As of March 31	2013					2012				
Credit rating	**PD**	**LGD**	**Risk Weight**	**EAD (on-balance)**	**EAD (off-balance)**	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)
0	**—**	**—**	**—**	**¥ —**	**¥ —**	0.03%	45.00%	21.69%	¥ 14,155	¥ —
1	**0.03%**	**45.00%**	**14.97%**	**17,880**	**—**	0.03%	45.00%	11.81%	35,742	34,800
2	**0.07%**	**44.98%**	**29.65%**	**123,018**	**13,691**	0.06%	44.53%	23.48%	94,959	42,059
3	**0.11%**	**45.01%**	**32.05%**	**492,888**	**65,076**	0.12%	44.97%	32.15%	533,944	88,246
4	**0.33%**	**44.83%**	**52.71%**	**573,682**	**83,576**	0.36%	44.88%	54.58%	472,451	54,894
5	**1.00%**	**44.47%**	**82.60%**	**284,655**	**26,110**	1.09%	44.39%	86.19%	265,476	21,562
6	**3.26%**	**44.08%**	**124.18%**	**217,150**	**14,217**	3.11%	43.87%	116.58%	169,693	22,537
9A	**10.50%**	**45.61%**	**195.75%**	**180,607**	**16,142**	10.77%	45.24%	199.96%	243,103	31,596
Default	**100.00%**	**45.33%**	**—**	**90,687**	**67**	100.00%	46.07%	—	113,021	753

Sovereign (Consolidated)

Millions of yen (except percentages)

As of March 31	2013					2012				
Credit rating	**PD**	**LGD**	**Risk Weight**	**EAD (on-balance)**	**EAD (off-balance)**	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)
0	**0.00%**	**45.00%**	**—**	**¥ 2,004,337**	**¥ 309**	0.00%	45.00%	—	¥ 1,717,876	¥ 16
1	**0.01%**	**40.83%**	**3.61%**	**30**	**37**	0.01%	45.00%	3.80%	—	32
2	**0.05%**	**45.00%**	**21.32%**	**143,385**	**975**	0.07%	45.00%	23.67%	163,380	4,459
3	**0.09%**	**44.93%**	**36.30%**	**54,257**	**1,166**	0.10%	44.95%	36.91%	69,735	1,212
4	**0.29%**	**54.37%**	**76.29%**	**3,018**	**37**	0.32%	52.98%	82.68%	2,939	34
5	**0.71%**	**45.00%**	**83.83%**	**—**	**103**	0.76%	45.00%	84.81%	—	178
6	**—**	**—**	**—**	**—**	**—**	3.84%	45.00%	119.62%	0	—
9A	**10.50%**	**45.00%**	**179.31%**	**—**	**150**	10.77%	45.00%	227.11%	0	—
Default	**100.00%**	**45.00%**	**—**	**15**	**—**	100.00%	45.00%	—	15	—

Bank (Consolidated)

Millions of yen (except percentages)

As of March 31	2013					2012				
Credit rating	**PD**	**LGD**	**Risk Weight**	**EAD (on-balance)**	**EAD (off-balance)**	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)
0	**0.03%**	**45.00%**	**13.83%**	**¥ 9,693**	**¥ —**	0.03%	45.00%	11.78%	¥ 13,106	¥ —
1	**0.03%**	**45.00%**	**25.88%**	**13**	**—**	0.03%	45.00%	25.88%	18	—
2	**0.07%**	**45.81%**	**27.68%**	**47,389**	**71,659**	0.07%	45.48%	23.48%	68,146	120,227
3	**0.11%**	**38.33%**	**23.81%**	**371,726**	**132,891**	0.12%	45.41%	29.86%	305,035	100,451
4	**0.39%**	**45.00%**	**65.49%**	**21,663**	**18,046**	0.44%	45.00%	66.08%	9,588	22,720
5	**1.07%**	**45.00%**	**92.91%**	**8,210**	**1,571**	0.87%	45.00%	74.11%	33,461	1,427
6	**3.63%**	**45.00%**	**158.35%**	**9,607**	**230**	3.69%	45.00%	165.20%	10,090	574
9A	**10.50%**	**45.00%**	**189.93%**	**1,458**	**112**	10.77%	45.02%	186.51%	1,979	232
Default	**100.00%**	**45.00%**	**—**	**93**	**—**	100.00%	45.00%	—	83	—

Corporate (Non-consolidated)

Millions of yen (except percentages)

As of March 31	2013					2012				
Credit rating	**PD**	**LGD**	**Risk Weight**	**EAD (on-balance)**	**EAD (off-balance)**	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)
0	**—**	**—**	**—**	**¥ —**	**¥ —**	0.03%	45.00%	21.69%	¥ 14,155	¥ —
1	**0.03%**	**45.00%**	**14.98%**	**17,864**	**—**	0.03%	45.00%	11.82%	35,692	34,800
2	**0.07%**	**44.98%**	**29.95%**	**119,057**	**13,691**	0.06%	44.57%	24.83%	108,121	42,059
3	**0.11%**	**45.01%**	**32.11%**	**479,782**	**65,076**	0.12%	44.97%	32.08%	515,590	88,246
4	**0.34%**	**44.86%**	**51.28%**	**702,820**	**85,104**	0.38%	44.92%	53.43%	671,473	55,570
5	**0.97%**	**44.32%**	**81.48%**	**218,352**	**26,110**	1.09%	44.21%	85.75%	202,390	21,412
6	**2.89%**	**44.20%**	**114.87%**	**256,338**	**13,776**	2.87%	44.09%	108.37%	218,182	22,432
9A	**10.50%**	**45.80%**	**197.88%**	**133,434**	**16,142**	10.77%	45.28%	201.31%	204,790	31,618
Default	**100.00%**	**45.37%**	**—**	**80,361**	**382**	100.00%	46.18%	—	101,696	1,353

QUANTITATIVE DISCLOSURE (CONTINUED)

Sovereign (Non-consolidated)

Millions of yen (except percentages)

As of March 31	2013					2012				
Credit rating	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)
0	**0.00%**	**45.00%**	**—**	**¥ 1,983,489**	**¥ 309**	0.00%	45.00%	—	¥ 1,706,167	¥ 16
1	**0.01%**	**40.83%**	**3.61%**	**30**	**37**	0.01%	45.00%	3.80%	—	32
2	**0.05%**	**45.00%**	**22.10%**	**133,771**	**975**	0.07%	45.00%	23.91%	160,180	4,459
3	**0.09%**	**44.93%**	**36.30%**	**54,257**	**1,166**	0.10%	44.95%	36.91%	69,733	1,212
4	**0.29%**	**54.37%**	**76.29%**	**3,018**	**37**	0.32%	52.98%	82.68%	2,939	34
5	**0.71%**	**45.00%**	**83.83%**	**—**	**103**	0.76%	45.00%	84.81%	—	178
6	**—**	**—**	**—**	**—**	**—**	—	—	—	—	—
9A	**10.50%**	**45.00%**	**179.31%**	**—**	**150**	10.77%	45.00%	227.11%	0	—
Default	**100.00%**	**45.00%**	**—**	**15**	**—**	100.00%	45.00%	—	15	—

Bank (Non-consolidated)

Millions of yen (except percentages)

As of March 31	2013					2012				
Credit rating	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)
0	**0.03%**	**45.00%**	**25.88%**	**¥ 3,310**	**¥ —**	0.03%	45.00%	13.98%	¥ 8,596	¥ —
1	**0.03%**	**45.00%**	**25.88%**	**13**	**—**	0.03%	45.00%	25.88%	18	—
2	**0.06%**	**45.72%**	**27.41%**	**62,963**	**71,659**	0.07%	45.48%	23.53%	66,416	120,227
3	**0.11%**	**37.52%**	**24.45%**	**317,236**	**132,891**	0.12%	45.46%	31.03%	260,755	100,432
4	**0.37%**	**45.00%**	**60.40%**	**24,019**	**28,500**	0.41%	45.00%	59.96%	14,293	30,604
5	**0.99%**	**45.00%**	**99.23%**	**5,198**	**1,571**	0.85%	45.00%	74.03%	30,954	1,427
6	**3.84%**	**45.00%**	**167.69%**	**8,253**	**230**	3.71%	45.00%	166.70%	9,797	574
9A	**10.50%**	**45.00%**	**201.28%**	**505**	**112**	10.77%	45.17%	221.40%	59	232
Default	**100.00%**	**45.00%**	**—**	**93**	**—**	100.00%	45.00%	—	83	—

Note: LGD after credit risk mitigation

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

(Consolidated)

Millions of yen (except percentages)

As of March 31	2013				2012			
Credit rating	PD	LGD	Risk Weight	Amount	PD	LGD	Risk Weight	Amount
0	**—**	**—**	**—**	**¥ —**	0.00%	90.00%	—	¥ 1
1	**—**	**—**	**—**	**—**	—	—	—	—
2	**0.06%**	**90.00%**	**200.02%**	**4,391**	0.07%	90.00%	200.02%	4,781
3	**0.11%**	**90.00%**	**200.00%**	**1,751**	0.15%	90.00%	200.52%	2,290
4	**0.33%**	**90.00%**	**243.89%**	**2,437**	0.41%	90.00%	263.64%	2,564
5	**1.27%**	**90.00%**	**369.54%**	**5,233**	0.94%	90.00%	294.61%	2,448
6	**3.47%**	**90.00%**	**395.46%**	**306**	2.85%	90.00%	343.90%	665
9A	**10.50%**	**90.00%**	**657.05%**	**8,472**	10.77%	90.00%	651.78%	8,457
Default	**100.00%**	**90.00%**	**—**	**19**	100.00%	90.00%	—	701

(Non-consolidated)

Millions of yen (except percentages)

As of March 31	2013				2012			
Credit rating	PD	LGD	Risk Weight	Amount	PD	LGD	Risk Weight	Amount
0	**—**	**—**	**—**	**¥ —**	0.00%	90.00%	—	¥ 1
1	**—**	**—**	**—**	**—**	—	—	—	—
2	**0.06%**	**90.00%**	**200.02%**	**4,391**	0.07%	90.00%	200.02%	4,781
3	**0.11%**	**90.00%**	**200.00%**	**1,736**	0.15%	90.00%	200.00%	2,279
4	**0.35%**	**90.00%**	**299.66%**	**382,463**	0.38%	90.00%	299.76%	382,645
5	**1.29%**	**90.00%**	**372.44%**	**5,059**	0.95%	90.00%	294.08%	2,227
6	**2.21%**	**90.00%**	**302.99%**	**5,455**	3.73%	90.00%	337.47%	5,814
9A	**10.50%**	**90.00%**	**673.39%**	**38,167**	10.77%	90.00%	678.72%	38,151
Default	**100.00%**	**90.00%**	**—**	**1,884**	100.00%	90.00%	—	3,827

QUANTITATIVE DISCLOSURE (CONTINUED)

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

(Consolidated)

Residential mortgage exposure

Millions of yen (except percentages)

As of March 31	2013							2012						
						Undrawn Commitments							Undrawn Commitments	
Pool	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Amount	CCF	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Amount	CCF
Normal	1.38%	67.91%	94.41%	¥ 8,837	¥ 8,244	¥ —	—	1.57%	69.29%	104.68%	¥ 10,723	¥ 9,393	¥ —	—
Need caution	78.45%	49.10%	122.64%	3	159	—	—	78.59%	52.40%	130.09%	3	168	—	—
Default	100.00%	55.45%	—	261	106	—	—	100.00%	67.49%	—	500	145	—	—

Qualified revolving retail exposure

Millions of yen (except percentages)

As of March 31	2013							2012						
						Undrawn Commitments							Undrawn Commitments	
Pool	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Amount	CCF	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Amount	CCF
Normal	2.90%	73.90%	54.88%	¥ 104,489	¥ 89,846	¥ 2,202,005	4.08%	4.21%	85.61%	83.17%	¥ 108,451	¥ 20,193	¥ 2,192,205	0.92%
Need caution	66.20%	84.67%	200.00%	784	—	—	—	71.48%	84.95%	182.68%	2,151	—	—	—
Default	100.00%	85.82%	—	39,727	—	—	—	100.00%	84.68%	—	41,706	—	—	—

Other retail exposure

Millions of yen (except percentages)

As of March 31	2013							2012						
						Undrawn Commitments							Undrawn Commitments	
Pool	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Amount	CCF	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Amount	CCF
Normal	2.56%	58.85%	72.78%	¥ 331,405	¥ 656,682	¥ 173,193	1.23%	2.56%	61.70%	75.98%	¥ 320,388	¥ 705,974	¥ 179,702	1.26%
Need caution	77.55%	53.90%	86.99%	6,082	2,630	—	—	79.87%	60.03%	88.85%	7.222	2,785	—	—
Default	100.00%	57.42%	—	98,978	729	—	—	100.00%	59.42%	—	102,848	590	—	—

Note: LGD is shown after credit risk mitigation.

QUANTITATIVE DISCLOSURE (CONTINUED)

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

Corporate, Sovereign & Bank (Non-consolidated)

	Millions of yen		
	FY2012	FY2011	FY2010
Results of actual losses (a)	**¥ 2,006**	¥ 17,113	¥ 17,233
Expected losses (b)	**15,881**	18,291	20,174
Differences ((b) - (a))	**13,875**	1,178	2,941

The above matrix shows the results of default (downgrade below substandard) losses (increase of reserve, write-offs and loss on sale) for the fiscal years 2010, 2011 and 2012 for the Bank's non-default corporate exposure at the start of the fiscal year, with expected losses calculated using estimated PD at the end of March 2013.

The consolidated based comparative results of actual losses and expected losses as of March 31, 2013 are as below;

Corporate, Sovereign & Bank (Consolidated)

	Millions of yen
	FY2012
Results of actual losses (a)	**¥ 2,697**
Expected losses (b)	**16,277**
Differences ((b) - (a))	**13,579**

Retail (Consolidated)

	Millions of yen
	FY2012
Results of actual losses (a)	**¥ 9,807**
Expected losses (b)	**23,664**
Differences ((b) - (a))	**13,856**

5. CREDIT RISK MITIGATION (CRM)

COVERED AMOUNT OF CRM BY COLLATERAL

FIRB

	Millions of yen			
	2013		2012	
As of March 31	**Eligible financial collateral**	**Other eligible FIRB collateral**	Eligible financial collateral	Other eligible FIRB collateral
Corporate	**¥ 1,386**	**¥ 177,230**	¥ 7,253	¥ 153,196
Sovereign	**—**	**—**	—	—
Bank	**78,507**	**—**	—	—
Total	**¥79,894**	**¥ 177,230**	¥ 7,253	¥ 153,196

COVERED AMOUNT OF CRM BY GUARANTEE OR CREDIT DERIVATIVES

	Millions of yen			
	2013		2012	
As of March 31	**Consolidated**	**Non-consolidated**	Consolidated	Non-consolidated
SA Exposures	**¥ —**	**¥ —**	¥ —	¥ —
IRB Exposures	**130,934**	**130,934**	148,890	148,890
Corporate	**9,780**	**9,780**	9,339	9,339
Sovereign	**66,154**	**66,154**	80,833	80,833
Bank	**55,000**	**55,000**	58,717	58,717
Residential mortgages	**—**	**—**	—	—
Qualified revolving retail	**—**	**—**	—	—
Other retail	**—**	**—**	—	—

QUANTITATIVE DISCLOSURE (CONTINUED)

6. COUNTERPARTY CREDIT RISK OF DERIVATIVES

(1) Measurement of EAD
Current Exposure Method
(2) Total amount of gross positive fair value
Refer to below table
(3) EAD before CRM
Refer to below table
(4) Net of: (2) + amount of gross add-on - (3)
Refer to below table
(5) Amount covered collateral
Zero
(6) EAD after CRM
Refer to below table

Millions of yen

	2013		2012	
As of March 31	**Consolidated**	**Non-consolidated**	Consolidated	Non-consolidated
Total amount of gross positive fair value	**¥ 552,248**	**¥ 568,972**	¥ 583,383	¥ 594,860
Amount of gross add-on	**216,688**	**211,363**	253,278	239,097
EAD before CRM	**768,937**	**780,336**	836,661	833,958
FX-related	**252,808**	**254,010**	277,499	277,727
Interest-related	**295,186**	**295,543**	248,152	248,658
Equity-related	**61,219**	**58,989**	64,684	62,423
Commodity-related	**—**	**—**	—	—
Credit derivatives	**159,685**	**171,755**	246,247	245,070
Others	**37**	**37**	78	78
Amount of net	**517,828**	**537,686**	544,609	560,677
EAD after net	**251,108**	**242,649**	292,051	273,280
Amount covered collateral	**—**	**—**	—	—
EAD after CRM	**251,108**	**242,649**	292,051	273,280

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

Consolidated

Millions of yen

As of March 31	2013		2012	
Notional amount	**Protection-buy**	**Protection-sell**	Protection-buy	Protection-sell
Single name	**¥ 536,796**	**¥ 256,123**	¥ 587,696	¥ 401,199
Multi name	**122,084**	**64,083**	208,511	107,419

Non-consolidated

Millions of yen

As of March 31	2013		2012	
Notional amount	**Protection-buy**	**Protection-sell**	Protection-buy	Protection-sell
Single name	**¥ 345,041**	**¥ 358,917**	¥ 341,955	¥ 467,131
Multi name	**97,524**	**88,643**	146,071	112,219

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

Millions of yen

	2013		2012	
As of March 31	**Consolidated**	**Non-consolidated**	Consolidated	Non-consolidated
Notional amount	**¥ —**	**¥ —**	¥ 3,717	¥ 3,717

QUANTITATIVE DISCLOSURE (CONTINUED)

7. SECURITIZATION

SECURITIZATION EXPOSURE ORIGINATED BY THE BANK GROUP (CREDIT RISK)

(1) Amount of original assets

Securitization by transfer of assets

Consolidated

As of March 31	2013 (Millions of yen)	2012 (Millions of yen)
Type of original assets	**Amount of original asset**	Amount of original asset
Residential mortgages	**¥ 205,596**	¥ 276,110
Consumer loans	**—**	3,754
Commercial real estate loans	**—**	13,524
Corporate loans	**33,998**	34,009
Others	**—**	—
Total	**¥ 239,594**	¥ 327,397

Non-consolidated

As of March 31	2013 (Millions of yen)	2012 (Millions of yen)
Type of original assets	**Amount of original asset**	Amount of original asset
Residential mortgages	**¥ 205,596**	¥ 276,110
Consumer loans	**229,526**	292,768
Commercial real estate loans	**—**	13,524
Corporate loans	**33,998**	34,009
Others	**181,624**	184,353
Total	**¥ 650,745**	¥ 800,765

Note: Includes originally securitized assets originated by the Bank Group, even though the Bank Group had no exposure to these particular assets.

(2) Amount of default exposure including original assets

Securitization by transfer of assets

Consolidated

As of March 31	2013 (Millions of yen)	2012 (Millions of yen)
Type of original assets	**Amount of Default**	Amount of Default
Residential mortgages	**¥ 4,783**	¥ 5,118
Consumer loans	**—**	135
Commercial real estate loans	**—**	13,374
Corporate loans	**26,898**	26,909
Others	**—**	—
Total	**¥ 31,681**	¥ 45,536

Non-consolidated

As of March 31	2013 (Millions of yen)	2012 (Millions of yen)
Type of original assets	**Amount of Default**	Amount of Default
Residential mortgages	**¥ 4,783**	¥ 5,118
Consumer loans	**—**	—
Commercial real estate loans	**—**	13,374
Corporate loans	**26,898**	26,909
Others	**—**	—
Total	**¥ 31,681**	¥ 45,401

Note: Includes originally securitized assets originated by the Bank Group, even though the Bank Group had no exposure to these particular assets.

QUANTITATIVE DISCLOSURE (CONTINUED)

(3) Amount of assets held for securitization trade

None.

(4) Summary of current year's securitization activities

None.

(5) Amount of recognized gain/loss by original asset type during FY2012

None.

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

Securitization by transfer of assets

Consolidated

Excluding Resecuritization

Millions of yen

As of March 31	2013	2012
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ 78,071**	¥ 88,038
Consumer loans	**—**	3,754
Commercial real estate loans	**—**	—
Corporate loans	**25,015**	25,185
Others	**—**	—
Total	**¥ 103,086**	¥ 116,977

Resecuritization

Millions of yen

As of March 31	2013	2012
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ 875**	¥ 919
Consumer loans	**—**	—
Commercial real estate loans	**—**	—
Corporate loans	**—**	—
Others	**—**	—
Total	**¥ 875**	¥ 919

Non-consolidated

Excluding Resecuritization

Millions of yen

As of March 31	2013	2012
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ 78,071**	¥ 88,038
Consumer loans	**152,100**	199,800
Commercial real estate loans	**—**	—
Corporate loans	**25,015**	25,185
Others	**151,285**	149,860
Total	**¥ 406,472**	¥ 462,884

Resecuritization

Millions of yen

As of March 31	2013	2012
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ 875**	¥ 919
Consumer loans	**—**	—
Commercial real estate loans	**—**	—
Corporate loans	**—**	—
Others	**—**	—
Total	**¥ 875**	¥ 919

QUANTITATIVE DISCLOSURE (CONTINUED)

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

Securitization by transfer of assets

Consolidated

Excluding Resecuritization

Millions of yen

As of March 31	2013		2012	
Band of risk weight ratio	**Amount**	**Required Capital amount**	Amount	Required Capital amount
To 12%	**¥ 19,499**	**¥ 115**	¥ 19,667	¥ 116
Over 12% to 20%	**66,261**	**1,060**	76,228	1,219
Over 20% to 50%	**—**	**—**	—	—
Over 50% to 75%	**—**	**—**	—	—
Over 75% to 100%	**17,325**	**1,399**	12,987	1,037
Over 100% to 250%	**—**	**—**	7,943	1,103
Over 250% to 425%	**—**	**—**	—	—
Over 425%	**—**	**—**	151	99
Total	**¥ 103,086**	**¥ 2,575**	¥116,977	¥ 3,577

Resecuritization

Millions of yen

As of March 31	2013		2012	
Band of risk weight ratio	**Amount**	**Required Capital amount**	Amount	Required Capital amount
To 30%	**¥ —**	**¥ —**	¥ 526	¥ 13
Over 30% to 50%	**501**	**16**	—	—
Over 50% to 100%	**373**	**20**	392	21
Over 100% to 225%	**—**	**—**	—	—
Over 225% to 500%	**—**	**—**	—	—
Over 500%	**—**	**—**	—	—
Total	**¥ 875**	**¥ 37**	¥ 919	¥ 35

Non-consolidated

Excluding Resecuritization

Millions of yen

As of March 31	2013		2012	
Band of risk weight ratio	**Amount**	**Required Capital amount**	Amount	Required Capital amount
To 12%	**¥ 196,584**	**¥ 1,818**	¥ 212,728	¥ 1,912
Over 12% to 20%	**108,061**	**1,749**	143,728	2,364
Over 20% to 50%	**44,500**	**1,320**	46,600	1,917
Over 50% to 75%	**30,000**	**1,908**	32,500	2,067
Over 75% to 100%	**27,325**	**2,247**	21,800	1,792
Over 100% to 250%	**—**	**—**	5,526	884
Over 250% to 425%	**—**	**—**	—	—
Over 425%	**—**	**—**	—	—
Total	**¥ 406,472**	**¥ 9,044**	¥ 462,884	¥ 10,937

Resecuritization

Millions of yen

As of March 31	2013		2012	
Band of risk weight ratio	**Amount**	**Required Capital amount**	Amount	Required Capital amount
To 30%	**¥ —**	**¥ —**	¥ 526	¥ 13
Over 30% to 50%	**501**	**16**	—	—
Over 50% to 100%	**373**	**20**	392	21
Over 100% to 225%	**—**	**—**	—	—
Over 225% to 500%	**—**	**—**	—	—
Over 500%	**—**	**—**	—	—
Total	**¥ 875**	**¥ 37**	¥ 919	¥ 35

QUANTITATIVE DISCLOSURE (CONTINUED)

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

	Millions of yen			
As of March 31	**2013**		2012	
Type of original assets	**Consolidated**	**Non-consolidated**	Consolidated	Non-consolidated
Residential mortgages	**¥ 9,555**	**¥ 9,555**	¥ 9,740	¥ 9,740
Consumer loans, installment receivables	**—**	**—**	—	—
Commercial real estate loans	**—**	**—**	0	0
Others	**—**	**—**	—	—
Total	**¥ 9,555**	**¥ 9,555**	¥ 9,740	¥ 9,740

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

	Millions of yen			
As of March 31	**2013**		2012	
Type of original assets	**Consolidated**	**Non-consolidated**	Consolidated	Non-consolidated
Residential mortgages	**¥ 4,953**	**¥ 4,953**	¥ 15,279	¥ 15,279
Consumer loans, installment receivables	**—**	**—**	—	—
Commercial real estate loans	**—**	**—**	150	150
Others	**—**	**—**	—	—
Total	**¥ 4,953**	**¥ 4,953**	¥ 15,429	¥ 15,429

(10) Securitization exposure subject to early amortization

None.

(11) Credit risk mitigation for resecuritization exposure

None.

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

None.

SECURITIZATION EXPOSURE IN WHICH THE BANK GROUP INVESTS (CREDIT RISK)

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

Consolidated

Excluding Resecuritization

	Millions of yen	
As of March 31	**2013**	2012
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ 3,439**	¥ 4,225
Consumer loans	**—**	—
Commercial real estate loans	**73,871**	85,210
Corporate loans	**24,513**	21,482
Others	**42,560**	63,699
Total	**¥ 144,385**	¥ 174,617

Resecuritization

	Millions of yen	
As of March 31	**2013**	2012
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ —**	¥ —
Consumer loans	**—**	—
Commercial real estate loans	**—**	—
Corporate loans	**20,519**	17,792
Others	**—**	—
Total	**¥ 20,519**	¥ 17,792

QUANTITATIVE DISCLOSURE (CONTINUED)

Non-consolidated

Excluding Resecuritization

As of March 31	Millions of yen 2013	2012
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ 3,439**	¥ 4,225
Consumer loans	**—**	—
Commercial real estate loans	**73,871**	85,210
Corporate loans	**24,513**	21,482
Others	**42,560**	58,793
Total	**¥ 144,385**	¥ 169,711

Resecuritization

As of March 31	Millions of yen 2013	2012
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ —**	¥ —
Consumer loans	**—**	—
Commercial real estate loans	**—**	—
Corporate loans	**20,519**	17,792
Others	**—**	—
Total	**¥ 20,519**	¥ 17,792

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

Consolidated

Excluding Resecuritization

As of March 31	Millions of yen 2013		2012	
Band of risk weight ratio	**Amount**	**Required Capital amount**	Amount	Required Capital amount
To 12%	**¥ 63,127**	**¥ 386**	¥ 101,419	¥ 614
Over 12% to 20%	**7,386**	**93**	6,643	84
Over 20% to 50%	**—**	**—**	—	—
Over 50% to 75%	**—**	**—**	2,006	127
Over 75% to 100%	**—**	**—**	—	—
Over 100% to 250%	**37,195**	**6,997**	28,048	5,109
Over 250% to 425%	**27,176**	**6,140**	36,500	8,043
Over 425%	**9,500**	**4,660**	—	—
Total	**¥ 144,385**	**¥ 18,278**	¥ 174,617	¥ 13,978

Resecuritization

As of March 31	Millions of yen 2013		2012	
Band of risk weight ratio	**Amount**	**Required Capital amount**	Amount	Required Capital amount
To 30%	**¥ 20,519**	**¥ 414**	¥ 17,792	¥ 364
Over 30% to 50%	**—**	**—**	—	—
Over 50% to 100%	**—**	**—**	—	—
Over 100% to 225%	**—**	**—**	—	—
Over 225% to 500%	**—**	**—**	—	—
Over 500%	**—**	**—**	—	—
Total	**¥ 20,519**	**¥ 414**	¥ 17,792	¥ 364

QUANTITATIVE DISCLOSURE (CONTINUED)

Non-consolidated
Excluding Resecuritization

Millions of yen

As of March 31	2013		2012	
Band of risk weight ratio	**Amount**	**Required Capital amount**	Amount	Required Capital amount
To 12%	**¥ 63,127**	**¥ 386**	¥ 96,513	¥ 584
Over 12% to 20%	**7,386**	**93**	6,643	84
Over 20% to 50%	**—**	**—**	—	—
Over 50% to 75%	**—**	**—**	2,006	127
Over 75% to 100%	**—**	**—**	—	—
Over 100% to 250%	**37,195**	**6,997**	28,048	5,109
Over 250% to 425%	**27,176**	**6,140**	36,500	8,043
Over 425%	**9,500**	**4,660**	—	—
Total	**¥ 144,385**	**¥ 18,278**	¥ 169,711	¥ 13,949

Resecuritization

Millions of yen

As of March 31	2013		2012	
Band of risk weight ratio	**Amount**	**Required Capital amount**	Amount	Required Capital amount
To 30%	**¥ 20,519**	**¥ 414**	¥ 17,792	¥ 364
Over 30% to 50%	**—**	**—**	—	—
Over 50% to 100%	**—**	**—**	—	—
Over 100% to 225%	**—**	**—**	—	—
Over 225% to 500%	**—**	**—**	—	—
Over 500%	**—**	**—**	—	—
Total	**¥ 20,519**	**¥ 414**	¥ 17,792	¥ 364

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

Millions of yen

As of March 31	2013		2012	
Type of original assets	**Consolidated**	**Non-consolidated**	Consolidated	Non-consolidated
Residential mortgages	**¥ 79**	**¥ 79**	¥ 263	¥ 263
Consumer loans, installment receivables	**—**	**—**	—	—
Commercial real estate loans	**—**	**—**	—	—
Corporate loans	**528**	**528**	15,159	15,159
Others	**—**	**—**	—	—
Total	**¥ 607**	**¥ 607**	¥ 15,422	¥ 15,422

(4) Credit risk mitigation for resecuritization exposure

None.

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

None.

QUANTITATIVE DISCLOSURE (CONTINUED)

SECURITIZATION EXPOSURE IN WHICH THE BANK GROUP INVESTS (MARKET RISK)

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

Consolidated

Excluding Resecuritization

As of March 31	Millions of yen	
	2013	2012
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥12,914**	¥ 3,530
Consumer loans	**—**	—
Commercial real estate loans	**—**	—
Corporate loans	**—**	—
Others	**—**	—
Total	**¥12,914**	¥ 3,530

Resecuritization

As of March 31	Millions of yen	
	2013	2012
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ 662**	¥ 888
Consumer loans	**—**	—
Commercial real estate loans	**—**	—
Corporate loans	**—**	—
Others	**—**	—
Total	**¥ 662**	¥ 888

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

Consolidated

Excluding Resecuritization

As of March 31	Millions of yen			
	2013		2012	
Band of risk weight ratio	**Amount**	**Required Capital amount**	Amount	Required Capital amount
1.6%	**¥12,914**	**¥ 206**	¥ 3,530	¥ 56
4%	**—**	**—**	—	—
8%	**—**	**—**	—	—
28%	**—**	**—**	—	—
Total	**¥12,914**	**¥ 206**	¥ 3,530	¥ 56

Resecuritization

As of March 31	Millions of yen			
	2013		2012	
Band of risk weight ratio	**Amount**	**Required Capital amount**	Amount	Required Capital amount
3.2%	**¥ 662**	**¥ 21**	¥ 888	¥ 28
8%	**—**	**—**	—	—
18%	**—**	**—**	—	—
52%	**—**	**—**	—	—
Total	**¥ 662**	**¥ 21**	¥ 888	¥ 28

(3) Amount of securitization exposure targeted for comprehensive risk

None.

(4) Amount of securitization exposure which should be deducted from capital under the Accord Article 302.5.2

None.

QUANTITATIVE DISCLOSURE (CONTINUED)

8. MARKET RISK (UNDER INTERNAL MODEL APPROACH)

VAR AT THE END OF MARCH 2013 AND 2012 AND THE HIGH, MEAN AND LOW VAR

Millions of yen

	2013		2012	
As of March 31	**Consolidated**	**Non-consolidated**	Consolidated	Non-consolidated
VaR at term end	**¥ 1,642**	**¥ 1,627**	¥ 1,230	¥ 1,180
VaR through this term				
High	**2,770**	**2,724**	3,961	3,869
Mean	**1,539**	**1,498**	2,395	2,266
Low	**1,053**	**988**	1,052	1,019

STRESSED VAR AT THE END OF MARCH 2013 AND 2012 AND THE HIGH, MEAN AND LOW VAR

Millions of yen

	2013		2012	
As of March 31	**Consolidated**	**Non-consolidated**	Consolidated	Non-consolidated
VaR at term end	**¥ 3,727**	**¥ 3,681**	¥ 3,764	¥ 3,620
VaR through this term				
High	**5,962**	**5,685**	5,476	5,359
Mean	**3,588**	**3,472**	4,376	4,281
Low	**2,241**	**2,116**	3,764	3,620

There are no additional and comprehensive risks calculated.
The trading portfolio experienced no losses that exceeded the specified VaR threshold.

9. EQUITY EXPOSURE IN BANKING BOOK

BOOK VALUE AND FAIR VALUE

Millions of yen

	2013		2012	
As of March 31	**Consolidated**	**Non-consolidated**	Consolidated	Non-consolidated
Market-based approach				
Listed equity exposure	**¥ 492**	**¥ 441**	¥ 6,973	¥ 6,919
Unlisted equity exposure	**3,836**	**14,480**	4,746	13,789
PD/LGD method				
Listed equity exposure	**14,157**	**14,031**	10,129	10,129
Unlisted equity exposure	**11,150**	**425,313**	11,780	429,596

GAIN OR LOSS ON SALE OR DEPRECIATION OF EQUITY EXPOSURE

Millions of yen

	FY2012		FY2011	
	Consolidated	**Non-consolidated**	Consolidated	Non-consolidated
Gain (loss) on sale	**¥ 3,142**	**¥ 3,024**	¥ 8,617	¥ 8,602
Loss of depreciation	**1,996**	**1,242**	9,034	502

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

Millions of yen

	2013		2012	
As of March 31	**Consolidated**	**Non-consolidated**	Consolidated	Non-consolidated
Unrealized gain (loss)	**¥ 5,831**	**¥ 4,444**	¥ 5,332	¥ 5,101

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

None.

QUANTITATIVE DISCLOSURE (CONTINUED)

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

	Millions of yen			
	2013		2012	
As of March 31	**Consolidated**	**Non-consolidated**	Consolidated	Non-consolidated
Grandfathering rule (100% risk weight apply)	**¥ 6,071**	**¥ 16,674**	¥ 6,196	¥ 16,665

10. AMOUNT OF REGARDED EXPOSURE UNDER THE ACCORD ARTICLE 167

	Millions of yen			
	2013		2012	
As of March 31	**Consolidated**	**Non-consolidated**	Consolidated	Non-consolidated
Regarded exposure (fund)	**¥ 61,900**	**¥ 41,932**	¥ 61,299	¥ 43,010

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

Change in economic values from a 2% interest-rate shock on the banking book:

	Billions of yen			
	2013		2012	
As of March 31	**Consolidated**	**Non-consolidated**	Consolidated	Non-consolidated
JPY	**¥ (73.3)**	**¥ (45.0)**	¥ (11.1)	¥ (1.3)
USD	**(0.7)**	**(0.7)**	(2.8)	(2.8)
Others	**(2.9)**	**(2.9)**	(2.6)	(2.6)
Total	**¥ (77.1)**	**¥ (48.8)**	¥ (16.6)	¥ (6.8)

DISCLOSURE ITEMS CONCERNING REMUNERATION, ETC.

1. MATTERS CONCERNING THE SITUATION OF SETTING UP AN ORGANIZATIONAL STRUCTURE REGARDING REMUNERATION, ETC. FOR APPLICABLE OFFICERS AND EMPLOYEES OF SHINSEI BANK (GROUP)

(1) Scope of "Applicable Officers and Employees"
The scopes of "Applicable Officers" and "Applicable Employees" (collectively, "Applicable Officers and Employees") prescribed in the announcement on remuneration subject to disclosure are as shown below.

1) Scope of "Applicable Officers"
Applicable Officers refer to the Directors and Statutory Auditors of Shinsei Bank, excluding outside Directors and outside Statutory Auditors.

2) Scope of "Applicable Employees, etc."
At Shinsei Bank, "Applicable Employees, etc." who are subject to disclosure refer to the "persons who receive a large amount of remuneration, etc." and who have a material impact on business operation or the situation of assets of Shinsei Bank and its major consolidated subsidiaries, etc. among the officers and employees of Shinsei Bank and officers and employees of its major consolidated subsidiaries, etc., excluding Applicable Officers.

(a) Scope of "major consolidated subsidiaries, etc."
Major consolidated subsidiaries etc. refer to the subsidiaries that are independently mentioned in the business report and consolidated financial statements and which are important for the operation of the Shinsei Bank Group, taking into account the significance of their impact on the financial conditions and business results of the Shinsei Bank Group. More specifically, they refer to the following six companies. While there are three consolidated subsidiaries, etc. with total assets accounting for 2% or more of consolidated total asset, all of those three companies are included in the following six companies.

DISCLOSURE ITEMS CONCERNING REMUNERATION, ETC. (CONTINUED)

Shinsei Trust & Banking Co., Ltd.
Shinsei Securities Co., Ltd.
APLUS Financial Co., Ltd.
Showa Leasing Co., Ltd.
SHINKI Co., Ltd.
Shinsei Financial Co., Ltd.

(b) Scope of the "persons who receive a large amount of remuneration, etc."
The "persons who receive large remuneration, etc." refer to the persons who receive remuneration, etc. at the amount equal to or above the "average amount of remuneration paid to Applicable Officers (which was 40 million yen in the fiscal year reported)." In the fiscal year reported, there were five Applicable Employees who receive remuneration at the amount equal to or above the "average amount of remuneration paid to Applicable Officers."
With respect to lump-sum retirement allowances, the amount calculated by deducting from the amount of remuneration etc. the entire amount of the lump-sum retirement allowance and then adding the "amount obtained by dividing the lump-sum retirement allowance by the number of years of service" shall be deemed as the amount of remuneration, etc. for the relevant person in making judgment as to whether the said person is a "person who receives a large amount of remuneration, etc."

(c) Scope of the "persons who have a material impact on business operation or the situation of assets of the Shinsei Bank Group"
The "persons who have a material impact on business operation or the situation of assets of the Shinsei Bank Group" refer to the persons who, in their normal duties, execute transactions and manage matters which have a significant degree of impact on the business operation of Shinsei Bank, Shinsei Bank Group, and its major consolidated subsidiaries, etc. or who have a material impact on the situation of assets through losses incurred in transactions, etc. More specifically, these include the Executive Officers and persons in similar positions at Shinsei Bank, and Directors, Executive Officers, etc. of its major consolidated subsidiaries.
In the fiscal year reported, there were five Applicable Employees who fell under (b). All of them were considered to be "persons who have a material impact on business operation or the situation of assets of the Group."

(2) Determination of remuneration, etc. for Applicable Officers and Employees

1) Determination of remuneration, etc. of Applicable Officers
At Shinsei Bank, the General Meeting of Shareholders determines the total maximum amount of remuneration paid to its officers (for Directors: up to 180 million yen a year (of this amount, 50 million yen is for outside directors); for Statutory Auditors: up to 60 million yen a year). The allocation to each individual of the remuneration of Directors approved at the General Meeting of Shareholders is left to the discretion of the Board of Directors. The allocation to each individual of the remuneration for Statutory Auditors is left to the consultations among Statutory Auditors.

2) Determination of remuneration, etc. of Applicable Employees, etc.
Remuneration, etc. paid to employees of the Shinsei Bank Group is determined and paid under the remuneration system designed based on the management policy and human resources policy of Shinsei Bank and its major consolidated subsidiaries, etc. Such remuneration system is designed and documented by the Human Resources Divisions, etc. of Shinsei Bank and its major consolidated subsidiaries, etc., which are independent from business promotion groups. Furthermore, policies regarding salaries, etc. of Shinsei Bank's major consolidated subsidiaries, etc. are reported to the Human Resources Division of the Bank on a periodical basis for the said Division to check their contents.

2. MATTERS CONCERNING THE EVALUATION OF THE APPROPRIATENESS OF THE DESIGN AND APPLICATION OF THE SYSTEM RELATED TO REMUNERATION, ETC. FOR APPLICABLE OFFICERS AND EMPLOYEES OF SHINSEI BANK (GROUP)

(1) Policy on remuneration, etc.

1) Policy on remuneration, etc. for "Applicable Officers"
Remuneration for Applicable Officers of Shinsei Bank is determined at the Board of Directors attended by four outside Directors, Standing Statutory Auditors, and two outside Statutory Auditors, based on an appropriate evaluation of the responsibilities, and contributions to the Bank's performance, of each officer in his/her duties and sufficient discussions taking into account the Bank's business results, market standards, etc.

2) Policy on remuneration, etc. for "Applicable Employees, etc."
Remuneration for Applicable Employees of the Shinsei Bank Group is determined based on performance evaluation against individual targets which are broken down under the quantitative and qualitative business plan prepared with a medium- to long-term viewpoint. With its emphasis on both medium- and long-term quantitative targets and achievement against qualitative targets, our system enables evaluations that do not excessively rely on short-term results.

DISCLOSURE ITEMS CONCERNING REMUNERATION, ETC. (CONTINUED)

3. MATTERS CONCERNING CONSISTENCY BETWEEN THE SYSTEM FOR REMUNERATION, ETC. OF APPLICABLE OFFICERS AND EMPLOYEES OF SHINSEI BANK (GROUP) AND RISK MANAGEMENT AND THE LINKAGE BETWEEN REMUNERATION, ETC. AND BUSINESS RESULTS

When determining remuneration, etc. of Applicable Officers, the total amounts of remuneration payable to Directors and Statutory Auditors are each determined at the General Meeting of Shareholders, while the amount of remuneration, etc. payable to each Director and Statutory Auditor is determined at the Board of Directors or through consultations among Statutory Auditors, respectively. Furthermore, remuneration, etc. of Applicable Employees is determined taking into account the financial conditions, etc. of each member company of the Shinsei Bank Group.

While business results are taken into account in determining remuneration, etc. of Applicable Officers and Employees of the Shinsei Bank Group, the portion of performance-based remuneration, etc. paid to Applicable Officers and Employees is very small. Accordingly, we cannot say that our remuneration system is linked to performance. Also, our remuneration system will not have a negative impact on risk management.

4. MATTERS CONCERNING TYPES, TOTAL AMOUNT PAYABLE, AND PAYMENT METHOD OF REMUNERATION, ETC. FOR APPLICABLE OFFICERS AND EMPLOYEES OF SHINSEI BANK (GROUP)

Total amount of remuneration, etc. for Applicable Officers and Employees (from April 1, 2012 to March 31, 2013)
(For both consolidated / and non-consolidated bases)

Category	Number of people	Total amount of remuneration, etc. (in million yen)	Total amount of fixed remuneration	Basic remuneration	Stock option given as compensation	Other	Total amount of variable remuneration	Basic remuneration	Bonus	Other	Retirement allowance	Other
Applicable Officers (excl. outside officers)	4	144	128	128	0	0	13	0	13	0	3	0
Applicable Employees, etc.	5	400	365	167	10	188	10	0	10	0	25	0

Notes: (1) Because Applicable Employees, etc. only include employees of Shinsei Bank, the figures on consolidated and non-consolidated bases are the same.
(2) Applicable Officers include four people in total consisting of two fulltime Directors, one Standing Statutory Auditor, and one Standing Statutory Auditor who resigned during the fiscal year reported.
(3) The amount of remuneration paid to Applicable Officers includes remuneration paid during the fiscal year reported; that is, remuneration paid to them as employees before being appointed as officers and remuneration paid to them as employees after resigning as officers.
(4) The total amount of remuneration paid to fulltime officers (fulltime Directors and Standing Statutory Auditors), excluding remuneration paid when they were employees, was 120 million yen (including bonuses paid to Executive Officers). The average number of the payees during the year was three and the average amount of remuneration paid to fulltime officers was 40 million yen.
(5) Five people who received remuneration at or over 40 million yen as shown in the certificate of income and withholding tax were identified as Applicable Employees, etc. The table shows the amount of remuneration paid to these five people during the fiscal year reported (April 2012 to March 2013).
(6) Specific comments on the breakdown of remuneration are as below.
1) Fixed remuneration
• Stock option given as compensation
This refers to the amount posted as expenses during the fiscal year reported with respect to stock options granted in previous years.
• Other
This refers to the amount posted as the reserve during the fiscal year reported with respect to deferred remuneration based on contracts concluded in previous years and bonuses which payment is guaranteed.
2) Variable remuneration
• Bonuses
This refers to the bonuses paid during the fiscal year reported.
3) Retirement allowance
This refers to the amount posted as retirement benefit expenses (service cost) for applicable persons and severance pay during the fiscal year reported.
(7) The exercise periods of stock options granted as compensation are as shown below.

	Exercise period	
Shinsei Bank, Ltd. 1st Warrant	From July 1, 2006 to June 23, 2014	From July 1, 2007 to June 23, 2014
Shinsei Bank, Ltd. 5th Warrant	From July 1, 2007 to June 23, 2015	From July 1, 2008 to June 23, 2015
Shinsei Bank, Ltd. 6th Warrant	From July 1, 2007 to June 23, 2015	From July 1, 2008 to June 23, 2015
Shinsei Bank, Ltd. 7th Warrant	From July 1, 2008 to June 23, 2015	From July 1, 2010 to June 23, 2015
Shinsei Bank, Ltd. 8th Warrant	From July 1, 2008 to June 23, 2015	From July 1, 2010 to June 23, 2015
Shinsei Bank, Ltd. 13th Warrant	From June 1, 2008 to June 23, 2015	From June 1, 2009 to June 23, 2015
Shinsei Bank, Ltd. 14th Warrant	From June 1, 2008 to June 23, 2015	From June 1, 2009 to June 23, 2015
Shinsei Bank, Ltd. 15th Warrant	From June 1, 2009 to June 23, 2015	From June 1, 2011 to June 23, 2015
Shinsei Bank, Ltd. 16th Warrant	From June 1, 2009 to June 23, 2015	From June 1, 2011 to June 23, 2015
Shinsei Bank, Ltd. 17th Warrant	From June 1, 2009 to May 8, 2017	From June 1, 2011 to May 8, 2017
Shinsei Bank, Ltd. 18th Warrant	From June 1, 2009 to May 8, 2017	From June 1, 2011 to May 8, 2017
Shinsei Bank, Ltd. 20th Warrant	From June 1, 2010 to May 13, 2018	From June 1, 2012 to May 13, 2018

5. OTHER MATTERS THAT SHOULD BE REFERRED TO CONCERNING THE SYSTEM OF REMUNERATION, ETC. FOR APPLICABLE OFFICERS AND EMPLOYEES OF SHINSEI BANK (GROUP)

There is no applicable matter.

CORPORATE INFORMATION

SHINSEI BANK GROUP

AS OF MARCH 31, 2013

As of March 31, 2013, the Shinsei Bank Group consisted of Shinsei Bank, Limited, 269 subsidiaries (comprising 186 consolidated companies including APLUS FINANCIAL Co., Ltd., Showa Leasing Co., Ltd. and Shinsei Financial Co., Ltd. and 83 unconsolidated subsidiaries) and 15 affiliated companies (15 affiliated companies accounted for using the equity method, such as Jih Sun Financial Holding Co., Ltd.). The Shinsei Bank Group provides a wide variety of financial products and services to domestic institutional and individual customers through the "Institutional Group," the "Global Markets Group," and the "Individual Group."

Shinsei Bank, Limited

- Institutional Group
  - Head Office and domestic branch offices
  - Major subsidiary: •Showa Leasing Co., Ltd. •Shinsei Trust & Banking Co., Ltd. •Shinsei Servicing Company
- Global Markets Group
  - Head Office and domestic branch offices
  - Major subsidiaries: •Shinsei Securities Co., Ltd. •Shinsei Investment Management Co., Ltd.
- Individual Group
  - Head Office and domestic branches
  - Major subsidiaries: •Shinsei Financial Co., Ltd. •SHINKI Co., Ltd. •APLUS FINANCIAL Co., Ltd.

MAJOR SUBSIDIARIES AND AFFILIATES

Name	Location	Main business
Major Domestic Subsidiaries		
Showa Leasing Co., Ltd.	Tokyo, Japan	Leasing*1
Shinsei Trust & Banking Co., Ltd.	Tokyo, Japan	Trust banking*1
Shinseigin Finance Co., Ltd.	Tokyo, Japan	Finance*1
Shinsei Servicing Company	Tokyo, Japan	Servicing business*1
Shinsei Corporate Investment Limited	Tokyo, Japan	Investment*1
Shinsei Principal Investments Ltd.	Tokyo, Japan	Financial instruments business*1
Shinsei Securities Co., Ltd.	Tokyo, Japan	Securities*2
Shinsei Investment Management Co., Ltd.	Tokyo, Japan	Investment trust and discretionary investment advisory*2
Shinsei Financial Co., Ltd.	Tokyo, Japan	Finance*3
SHINKI Co., Ltd.	Tokyo, Japan	Finance*3
APLUS FINANCIAL Co., Ltd.	Osaka, Japan	Holding company*3
APLUS Co., Ltd.	Osaka, Japan	Installment credit*3
APLUS Personal Loan Co., Ltd.	Osaka, Japan	Finance*3
Zen-Nichi Shinpan Co., Ltd.	Okayama, Japan	Installment credit*3
Shinsei Property Finance Co., Ltd.	Tokyo, Japan	Real estate collateral finance*3
Shinsei Information Technology Co., Ltd.	Tokyo, Japan	Information technology*4
Major Overseas Subsidiaries		
Shinsei International Limited	London, UK	Securities*1
Shinsei Finance (Cayman), Limited	Grand Cayman, Cayman Islands	Finance*4
Shinsei Finance II (Cayman), Limited	Grand Cayman, Cayman Islands	Finance*4
Shinsei Finance III (Cayman), Limited	Grand Cayman, Cayman Islands	Finance*4
Shinsei Finance IV (Cayman), Limited	Grand Cayman, Cayman Islands	Finance*4
Shinsei Finance V (Cayman), Limited	Grand Cayman, Cayman Islands	Finance*4
Shinsei Bank Finance N.V.	Curaçao, Netherlands Antilles	Finance*4
Major Affiliates Accounted for Using the Equity Method		
Jih Sun Financial Holding Co., Ltd.	Taipei, Taiwan	Finance*1
Comox Holdings Ltd.	Hamilton, Bermuda	Holding company*2

*1 Institutional Group *2 Global Markets Group *3 Individual Group *4 Corporate/Other

EMPLOYEES

	2011	2012	**2013**
Consolidated			
Number of Employees	5,718	4,830	**4,863**
Non-Consolidated			
Number of Employees	1,907	1,895	**1,931**
Male	1,042	1,044	**1,063**
Female	865	851	**868**
Average age	40 years	40 years 6 months	**40 years 3 months**
Average years of service	11 years 8 months	12 years 1 months	**11 years 8 months**
Average monthly salary	¥493 thousand	¥489 thousand	**¥487 thousand**

"Average monthly salary" includes overtime wages but excludes annual bonus.

AS OF MARCH 31, 2013

Capital (in millions)	Established	Acquired	Equity stake held by Shinsei Bank and consolidated subsidiaries (%)		
				Equity stake held by Shinsei Bank	Equity stake held by consolidated subsidiaries of Shinsei Bank
¥ 29,360	1969.4	2005.3	97.8%	97.8%	—%
5,000	1996.11	—	100.0	100.0	—
50	1993.1	2000.9	100.0	100.0	—
500	2001.10	—	100.0	—	100.0
50	2012.11	—	100.0	100.0	—
10	2006.4	2012.12	100.0	100.0	—
8,750	1997.8	—	100.0	100.0	—
495	2001.12	—	100.0	100.0	—
91,518	1991.6	2008.9	100.0	100.0	—
28,619	1954.12	2007.12	100.0	—	100.0
15,000	1956.10	2004.9	95.0	3.0	91.9
15,000	2009.4	2009.4	100.0	—	100.0
1,000	2009.4	2009.4	100.0	—	100.0
1,000	1957.4	2006.3	100.0	—	100.0
2,750	1959.5	2002.3	100.0	100.0	—
100	1983.8	—	100.0	100.0	—
£ 3	2004.9	—	100.0%	100.0%	—%
$ 58	2006.2	—	100.0	100.0	—
$ 39	2006.3	—	100.0	100.0	—
¥ 33,613	2009.3	—	100.0	100.0	—
9,107	2009.3	—	100.0	100.0	—
9,008	2009.9	—	100.0	100.0	—
$ 2	1976.3	—	100.0	100.0	—
NT$ 29,452	2002.2	2006.7	35.5%	—%	35.5%
$ 16	2007.6	2010.8	49.9	49.9	—

NETWORK

DOMESTIC OUTLETS:	AS OF JULY 1, 2013
43 outlets (29 branches including head office, 14 annexes)	

HOKURIKU

Kanazawa Branch

KINKI

Kyoto Branch
Osaka Branch (for Institutional business only)
Umeda Branch—Osaka Shiten-nai Annex
Umeda Branch
Umeda Branch—Hankyu Umeda Annex
Umeda Branch—Senri Chuo Annex
Umeda Branch—Takatsuki Annex
Umeda Branch—Nishinomiya Kitaguchi Annex
Namba Branch
Namba Branch—Sakai Higashi Annex
Kobe Branch
Kobe Branch—Ashiya Annex

CHUGOKU

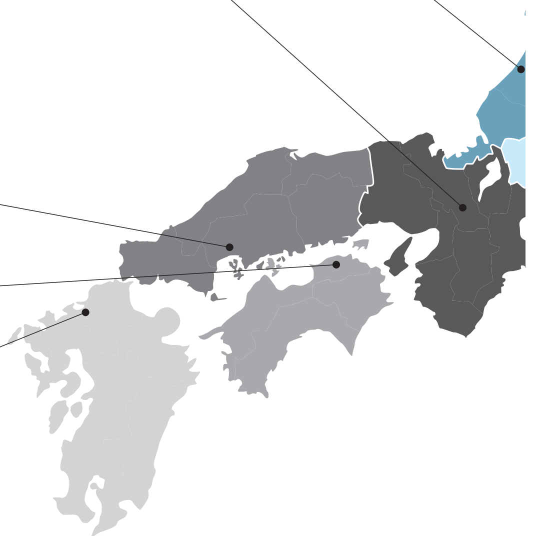
Hiroshima Branch

SHIKOKU

Takamatsu Branch

KYUSHU

Fukuoka Branch

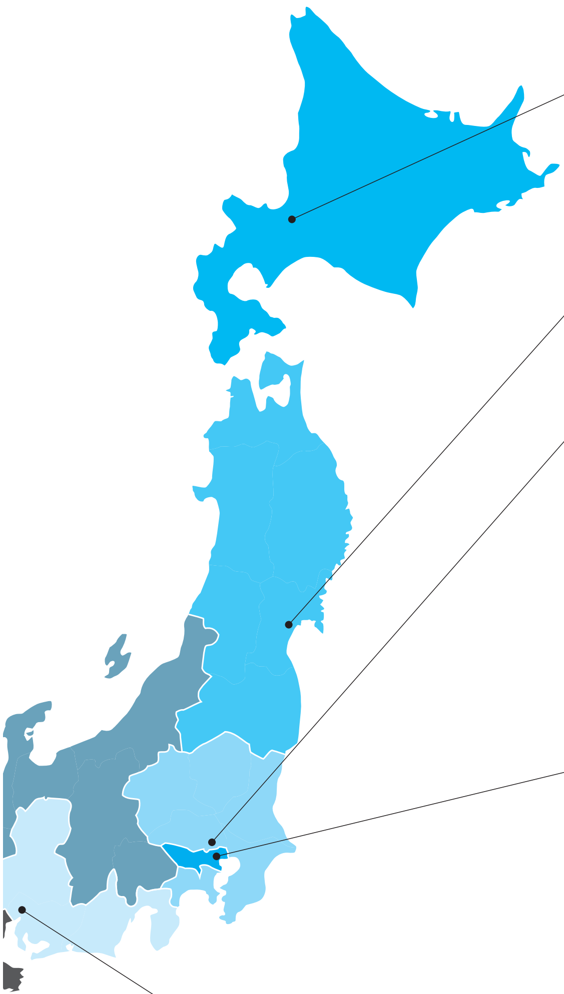


DOMESTIC SUB-BRANCHES (ATM ONLY):	AS OF JULY 1, 2013
Tokyo Metro stations	41 locations
Other train stations	8 locations
Other	30 locations

SHINSEI BANK CARD LOAN—LAKE UNSTAFFED BRANCHES	AS OF JULY 1, 2013
Shinsei Bank Card Loan—Lake unstaffed branches	785 locations

ACCESS TO SEVEN BANK, LTD. ATMS	AS OF JULY 1, 2013
Access to Seven Bank, Ltd. ATMs	16,803 locations

AS OF JULY 1, 2013



HOKKAIDO

Sapporo Branch

TOHOKU

Sendai Branch

KANTO (EXCLUDING TOKYO)

Head Office—Urawa Annex
Omiya Branch
Ikebukuro Branch—Kawaguchi Annex
Head Office—Chiba Annex
Kashiwa Branch
Tsudanuma Branch
Yokohama Branch
Yokohama Branch—Kawasaki Annex
Fujisawa Branch
Fujisawa Branch—Kamakura Annex

TOKYO

Head Office
Tokyo Branch
Ginza Branch
Ikebukuro Branch
Ueno Branch
Kichijoji Branch
Shinjuku Branch
Roppongi Hills Branch
Roppongi Branch—Omotesando Hills Annex
Hiroo Branch
Futakotamagawa Branch
Futakotamagawa Branch—Jiyugaoka Annex
Hachioji Branch
Machida Branch

TOKAI

Nagoya Branch

STOCK INFORMATION

AS OF MARCH 31, 2013

Shares Outstanding and Capital

1,000 shares, millions of yen

Date	Shares outstanding		Capital		Capital surplus		Notes
	Change	Balance	Change	Balance	Change	Balance	
July 29, 2003	(1,358,537)	2,033,065*	—	451,296	—	18,558	2-for-1 reverse share split for common shares Post reverse split common shares outstanding 1,358,537 thousand shares
July 31, 2006	(99,966)	1,933,098*	—	451,296	—	18,558	Use of call feature for Series 3 Class-B preferred shares Issuance of 200,033 thousand common shares Retirement of Series 3 Class-B preferred shares -300,000 thousand shares
November 16, 2006	(85,000)	1,848,098*	—	451,296	—	18,558	Cancellation of treasury shares (common) -85,000 thousand shares
August 1, 2007	(100,000)	1,748,098*	—	451,296	—	18,558	Mandatory acquisition of Series 3 Class-B preferred shares Issuance of 200,000 thousand common shares Retirement of Series 3 Class-B preferred shares -300,000 thousand shares
February 4, 2008	117,647	1,865,746*	25,000	476,296	25,000	43,558	Third party allocation of shares (common shares) Subscription price ¥425, par value ¥212.5
March 31, 2008	194,600	2,060,346	—	476,296	—	43,558	Use of call feature for Series 2 Class-A preferred shares Issuance of 269,128 thousand common shares Retirement of Series 2 Class-A preferred shares -74,528 thousand shares
March 15, 2011	690,000	2,750,346	35,907	512,204	35,907	79,465	New shares issued through International Offering (common shares) Subscription price ¥108, par value ¥52.04

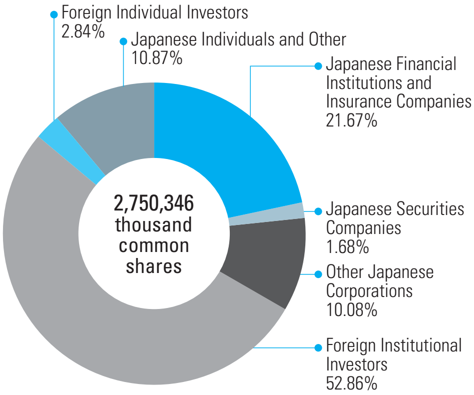
* Figures include number of preferred shares outstanding

Largest Shareholders

Rank	Shareholders	Thousands of Common Shares	%
1	SATURN IV SUB LP (JPMCB 380111)	342,840	12.46
2	Deposit Insurance Corporation of Japan	269,128	9.78
3	THE RESOLUTION AND COLLECTION CORPORATION	200,000	7.27
4	THE MASTER TRUST BANK OF JAPAN,LTD.(TRUST ACCOUNT)	115,453	4.19
5	SATURN JAPAN III SUB C.V. (JPMCB 380113)	110,449	4.01
6	SHINSEI BANK,LIMITED	96,427	3.50
7	JAPAN TRUSTEE SERVICE BANK,LTD. (TRUST ACCOUNT)	95,703	3.47
8	UBS SECURITIES LLC–HFS CUSTOMER SEGREGATED ACCOUNT	90,191	3.27
9	J.CHRISTOPHER FLOWERS	76,753	2.79
10	JP MORGAN CHASE BANK 380055	65,851	2.39
11	SSBT OD05 OMNIBUS ACCOUNT–TREATY CLIENTS	61,970	2.25
	Total (includes treasury shares)	2,750,346	100.00

(1) As of March 31, 2013, a group of investors, including affiliates of J.C. Flowers & Co. LLC., holds 575,355,807 common shares or 21.67% of Shinsei's outstanding common shares, excluding treasury shares.
(2) As of March 31, 2013,in total, the Deposit Insurance Corporation and the Resolution and Collection Corporation hold 469,128,888 common shares or 17.67% of Shinsei's outstanding common shares, excluding treasury shares.

Largest Shareholders

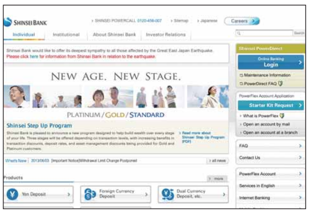


(1) "Japanese Financial Institutions and Insurance Companies" includes the Resolution and Collection Corporation.
(2) "Other Japanese Corporations" includes the Deposit Insurance Corporation.
(3) "Japanese Individuals and Other" includes treasury shares.

WEBSITE

Our English and Japanese websites provide a wide range of corporate data as well as information for individual and institutional customers, and investors.

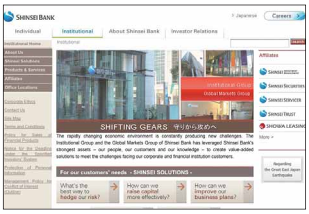
INDIVIDUAL



http://www.shinseibank.com/english/

The website for individual customers provides information on our comprehensive retail account, *PowerFlex*. Customers can log on to our Internet banking service, Shinsei *PowerDirect*, submit requests for information on *PowerFlex* and apply to open an account. Product offerings, campaigns, branch and ATM information, and detailed explanations on foreign currency deposits and investment trusts are covered here.

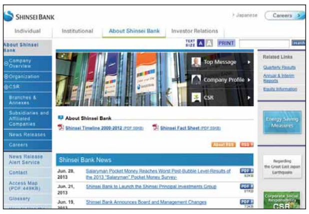
INSTITUTIONAL



http://www.shinseibank.com/institutional/en/

This website provides information on our products, services and solutions for institutional customers. It also contains details of our branches and affiliates.

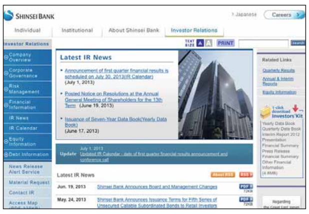
ABOUT SHINSEI BANK



http://www.shinseibank.com/investors/en/about/

This website provides information on our corporate and management profiles, history, subsidiaries as well as CSR initiatives. It also contains news releases.

INVESTOR RELATIONS



http://www.shinseibank.com/investors/en/ir/

The Investor Relations website contains a company and management overview, information on corporate governance, shareholders, financial information, IR news and an IR calendar. It also provides equity- and debt-related information.

For further information, please contact:

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