

The Bank assumes no responsibility for this translation or for direct, indirect or any other forms or damages arising from the translations.

[TRANSLATION]

Shinsei Bank, Limited
TSE Stock code: 8303

Notice of the Annual General
Meeting of Shareholders for
the 16th Term

Date and Time:

Wednesday, June 22, 2016 at 10:00 a.m.
(Doors Open at 9:00 a.m.)

Place:

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

Index:

Notice of the Annual General Meeting of Shareholders for the 16th Term.....	p.1
Reference Materials.....	p.3
Business Report	p.11
Consolidated Financial Statements.....	p.43
Nonconsolidated Financial Statements..	p.46
Auditor's Report	p.50

Agenda Items:

1. Partial Amendment to the Article of Incorporation
2. Election of Seven (7) Directors
3. Election of One (1) Audit & Supervisory Board Member
4. Election of One (1) Substitute Audit & Supervisory Board Member

Instructions on Exercising Voting Rights

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

If you attend the Meeting in person

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

Date and Time: Wednesday, June 22, 2016 at 10:00 a.m.

(Doors Open at 9:00 a.m.)

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

Exercise of voting rights in writing via Voting Right Exercise Form

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

Deadline: Tuesday, June 21, 2016 by 5:00 p.m.

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

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

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

Deadline: Tuesday, June 21, 2016 by 5:00 p.m.

Image of
QR code

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

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

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

Procedures for Exercising Voting Rights via Internet

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

1. Voting rights can be exercised via Internet only by accessing the following website for exercising voting rights from a personal computer or cell phone.

Website for exercising voting rights: <http://www.web54.net>

2. When exercising voting rights via the Internet, you must enter the “Voting Rights Exercise Code” and “Password”, both of which are contained in the enclosed Form for Exercising Voting Rights. Please follow the instructions on the screen to vote in favor of or against the proposed items.

3. Shareholders may exercise their voting rights via the Internet until 5:00 p.m. on Tuesday, June 21, 2016. However, we urge shareholders to exercise their voting rights at their earliest convenience for the purpose of tallying voting rights.

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

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

6. Any costs incurred to access the website for exercising voting rights, such as Internet connection costs payable to a provider or telecommunication fees (telephone charges, etc.) shall be borne by the shareholder exercising the voting rights.

System Environment for Exercising Voting Rights via the Internet

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

1. Ability to access the website via the Internet.

2. In order to exercise voting rights using a personal computer, it is necessary to be able to use an Internet browser as well as software such as Internet Explorer 6.0 or higher from Microsoft®. It is necessary to have a hardware environment that allows for the use of the above internet browser and software.

3. In order to exercise voting rights via a cell phone, the cell phone must be a model that allows for 128bitSSL transmissions (encrypted transmissions). (For security purposes, the website is accessible only by models that allow for 128bitSSL transmissions (encrypted transmissions) so that some models, including smartphones, may not be able to access the website.)

(“Microsoft” is a trademark owned by the Microsoft Corporation in the United States and other countries.)

Inquiries concerning Exercising Voting Rights via the Internet

Please contact the following.

Shareholder List Administrator:

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

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

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

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

Any shareholder who has agreed to receive the notice of convocation by electromagnetic means, and who wishes to request that the Form for Exercising Voting Rights, etc. be delivered in written form, will be sent these written forms and documents. If any shareholder wishes such treatment, please contact the Hotline above.

The Bank assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translations.

[TRANSLATION]

TSE Stock code: 8303
June 01, 2016
4-3 Nihonbashi-muromachi 2-chome, Chuo-ku, Tokyo
Shinsei Bank, Limited

Notice of the Annual General Meeting of Shareholders for the 16th Term

Dear Shareholders,

Shinsei Bank, Limited wished to express its deepest condolences to all those affected by the 2016 Kumamoto Earthquake. We sincerely hope for a speedy recovery of the areas affected by the disaster.

We are pleased to invite you to the Annual General Meeting of Shareholders of Shinsei Bank, Limited (“the Bank”) for the 16th Term, which will be held as shown below.

If you are not able to attend the meeting in person, we encourage you to examine the accompanying reference materials below and exercise your voting right by either filling out the enclosed Form for Exercising Voting Rights and returning it to the Bank or by an electromagnetic method using the Internet, etc. In either case, please read the "Instructions on Exercising Voting Rights, etc." carefully and exercise your voting right, using either method, so that your vote is received by 5:00 p.m. on Tuesday, June 21, 2016.

Yours faithfully,

Hideyuki Kudo
Representative Director and President

Description of the Meeting

- 1. Date and Time:*** *Wednesday, June 22, 2016 at 10:00 a.m.*
Doors Open at 9:00 a.m.
- 2. Place:*** *Grand Hall, Nomura Conference Plaza Nihonbashi,*
6th floor, Nihonbashi Nomura Building
4-3 Nihonbashi-muromachi 2-chome, Chuo-ku, Tokyo

<p>As of this year the Bank will no longer provide the “café corner” in the venue of the Annual General Meeting of shareholders as it has in previous years. We apologize for any inconvenience this may cause and appreciate your understanding.</p>

3. Purposes:

Matters to be reported:

- 1. Report on the Business Report, Consolidated Financial Statements and the Results of the Audit of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board for the 16th Term (from April 1, 2015 to March 31, 2016).**
- 2. Report on the Financial Statements for the 16th Term (from April 1, 2015 to March 31, 2016).**

Matters to be voted on:

- Item1 : Partial Amendment to the Article of Incorporation**
- Item2 : Election of Seven (7) Directors**
- Item3 : Election of One (1) Audit & Supervisory Board Member**
- Item4 : Election of One (1) Substitute Audit & Supervisory Board Member**

END

Notes:

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

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

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

We are planning to disclose the Annual General Meeting of Shareholders for the 16th Term by posting media file(s) on the Bank's website at a later date for a certain period of time in order to enable shareholders who were unable to attend the meeting to view the images of the meeting. Images of individual shareholders who attended the meeting will not be shown.

(Agenda Items)

Item 1: Partial Amendment to the Article of Incorporation

1. Reason for amendment to the Articles of Incorporation

The enforcement of the “Act for Partial Revision of the Corporation Act” (Act No. 90 of 2014) has enabled the Bank to enter into an agreement for limitation of liabilities even with each of the Directors (excluding Executive Directors, etc.) and each of the non-Outside Audit & Supervisory Board Members. Accordingly, we will make necessary amendments to Article 23 (Limitation of Liabilities of Directors) and Article 30 (Limitation of Liabilities of Audit & Supervisory Board Members) so that appropriate human resources will be secured and these Directors and Audit & Supervisory Board Members will be able to fully demonstrate the roles expected of them.

We have already obtained the approval of each Audit & Supervisory Board Member concerning the amendment to Article 23 of the Articles of Incorporation.

2. Contents of amendments of the Articles of Incorporation.

The details of the amendments are as follows:

Amended parts are underlined.

Current Articles	Proposed Amendments
Article 23. (Limitation of Liabilities of Directors) (Omitted) 2. The Bank may enter into an agreement with <u>Outside Directors</u> , pursuant to Article 427, Paragraph 1 of the Corporation Act, which limits the maximum amount of their liabilities for damage regarding failure to perform their duties to an aggregate sum of the amounts prescribed in each item of Article 425, Paragraph 1 of the Corporation Act.	Article 23. (Limitation of Liabilities of Directors) (No Change) 2. The Bank may enter into an agreement with <u>Directors (excluding Executive Directors, etc.)</u> , pursuant to Article 427, Paragraph 1 of the Corporation Act, which limits the maximum amount of their liabilities for damage regarding failure to perform their duties to an aggregate sum of the amounts prescribed in each item of Article 425, Paragraph 1 of the Corporation Act.
Article 30. (Limitation of Liabilities of Audit & Supervisory Board Members) (Omitted) 2. The Bank may enter into an agreement with <u>Outside Audit & Supervisory Board Members</u> , pursuant to Article 427, Paragraph 1 of the Corporation Act, which limits the maximum amount of their liabilities for damage regarding failure to perform their duties to an aggregate sum of the amounts prescribed in each item of Article 425, Paragraph 1 of the Corporation Act.	Article 30. (Limitation of Liabilities of Audit & Supervisory Board Members) (No Change) 2. The Bank may enter into an agreement with <u>Audit & Supervisory Board Members</u> , pursuant to Article 427, Paragraph 1 of the Corporation Act, which limits the maximum amount of their liabilities for damage regarding failure to perform their duties to an aggregate sum of the amounts prescribed in each item of Article 425, Paragraph 1 of the Corporation Act.

Item 2: Election of Seven (7) Directors

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

Career summary of the candidates is as follows.

Name (Date of Birth)	Personal History/Positions and Responsibilities in the Bank and Important Concurrent Posts	Ownership (# of Shares)
1 Reappointed Hideyuki Kudo (September 1, 1963) <Attendance rate of BoD> 8/8 (100%)	1987 Y 4 M Joined The Dai-Ichi Kangyo Bank, Ltd. (Predecessor of Mizuho Bank, Ltd.) 2001 Y 5 M General Manager, Advisory Department No. II, Investment Banking Division, Mizuho Securities Co., Ltd. 2003 Y 8 M Director, Acquisition Group, Aetos Japan, LLC 2005 Y 5 M Managing Director 2006 Y 6 M Representative Director, President, MID Urban Development Co., Ltd. (Predecessor of Kanden Realty & Development Co., Ltd.) 2007 Y 1 M Vice Chairman 2007 Y 6 M Managing Director, Investments Division, Aetos Japan, LLC 2010 Y 9 M Managing Executive Officer, Deputy Head of Institutional Group, Shinsei Bank, Limited 2011 Y 4 M Managing Executive Officer, Head of Structured Finance Sub-Group 2013 Y 4 M Managing Executive Officer, Chief Risk Officer, Head of Risk Management Group 2015 Y 4 M Managing Executive Officer 2015 Y 6 M Representative Director, President, CEO (Current)	Common Shares 62,481
2 Reappointed Yukio Nakamura (September 5, 1954) <Attendance rate of BoD> 8/8 (100%)	1978 Y 4 M Joined The Long-Term Credit Bank of Japan, Ltd. (Predecessor of Shinsei Bank, Limited) 2000 Y 10 M General Manager, Risk Management Planning and Policy Division, Portfolio and Risk Management Division 2007 Y 4 M General Manager, Risk Management Planning and Policy Division, Portfolio and Risk Management Division 2008 Y 6 M Statutory Executive Officer, Executive Head of Institutional Business Sub-Group 2009 Y 10 M Managing Executive Officer, Executive Head of Institutional Business Sub-Group 2010 Y 6 M Representative Director, Senior Managing Executive Officer, Chief Risk Officers, Head of Risk Management Group 2013 Y 4 M Representative Director, Deputy President, Chief of Staff, Head of Corporate Staff Group 2015 Y 4 M Representative Director, Deputy President (Current)	Common Shares 13,989
3 Reappointed Outside J. Christopher Flowers (October 27, 1957) <Attendance rate of BoD> 8/8 (100%)	1979 Y 3 M Joined Goldman, Sachs & Co. 1988 Y 12 M Partner 2000 Y 3 M Director, Shinsei Bank, Limited (Current) 2002 Y 11 M Managing Director and Chief Executive Officer, J. C. Flowers & Co. LLC (Current) 2007 Y 8 M Member of the Advisory Board, The Kessler Group (Current) 2012 Y 5 M Member of the Supervisory Board, NIBC Holding N.V. (Current)	Common Shares 76,753,748
4 Reappointed Outside Ernest M. Higa (October 15, 1952) <Attendance rate of BoD> 7/8 (87%)	1976 Y 4 M Joined Higa Industries Co., Ltd. 1983 Y 4 M President and Chief Executive Officer 2008 Y 4 M Board Member, The Tokyo New Business Conference (Current) 2009 Y 5 M Board of Overseers, Columbia Business School (Current) 2010 Y 2 M Chairman and Chief Executive Officer, Higa Industries Co., Ltd. 2010 Y 6 M Director, JC Comsa Corporation (Current) 2011 Y 3 M Chief Executive Officer, Wendy's Japan (Current) 2013 Y 6 M Director, Shinsei Bank, Limited (Current) 2015 Y 4 M Chairman President & Chief Executive Officer, Higa Industries Co., Ltd. (Current)	Common Shares 14,295
5 Reappointed Outside Shigeru Kani (September 20, 1943) <Attendance rate of BoD> 8/8 (100%)	1966 Y 4 M Joined The Bank of Japan 1992 Y 5 M Executive Auditor and Senior Advisor to the Chairman, The Tokyo International Financial Futures Exchange (Predecessor of Tokyo Financial Exchange Inc.) 1996 Y 5 M Director, Administration Department, The Bank of Japan 1999 Y 5 M Executive Managing Director, Tokyo Stock Exchange, Inc. 2002 Y 4 M Advisor, NEC Corporation 2004 Y 6 M Director, Shinsei Bank, Limited (Current) 2006 Y 4 M Professor, Yokohama College of Commerce 2014 Y 4 M Specially Appointed Professor (Current)	Common Shares 129,697
6 Reappointed Outside Jun Makihara (January 15, 1958) <Attendance rate of BoD> 8/8 (100%)	1981 Y 9 M Joined Goldman, Sachs & Co. 1992 Y 11 M Partner 1996 Y 11 M Co-Branch Manager, Goldman Sachs Japan, Ltd. 2000 Y 7 M Chairman of the Board, Neoteny Co., Ltd. 2006 Y 6 M Director, Monex Group, Inc. (Current) 2011 Y 6 M Director, Shinsei Bank, Limited (Current) 2014 Y 9 M Director, Philip Morris International Inc. (Current)	Common Shares 200,000
7 Reappointed Outside Ryuichi Tomimura (February 17, 1959) <Attendance rate of BoD> 8/8 (100%)	1983 Y 10 M Joined IBM Japan, Ltd. 1991 Y 10 M General Manager, Network Integration Division, Recruit Co. Ltd. (Predecessor of Recruit Holdings Co., Ltd.) 1994 Y 1 M Managing Partner, Pricewaterhouse Consultant 2002 Y 10 M Managing Director, IBM Business Consulting Service KK Vice President, IBM Corporation Business Consulting Service, Asia Pacific 2004 Y 2 M Representative Director, Senior Executive Vice President, JAPAN TELECOM CO., LTD (Predecessor of Softbank Corp.) 2007 Y 12 M Representative Director, Managing Director, RHJ International Japan, Inc. 2010 Y 4 M Executive Vice President, Director, SIGMAXYZ Inc. (Current) 2012 Y 8 M Director, Plan•Do•See Inc. (Current) 2014 Y 6 M Audit & Supervisory Board Member, Shinsei Bank, Limited 2015 Y 6 M Director (Current)	Nil

Notes.

1. The responsibilities in Shinsei Bank, Limited (hereinafter, “the Bank”) of the candidates for Directors who are currently Directors are described on page 30 of the Business Report.
2. The attendance rate to Board of Directors Meetings indicates the attendance rate to Meetings held during the period following the Annual General Meeting of Shareholders in June 2015, until April 30, 2016.
3. Those positions or posts of candidates for Directors written in their “Personal History/Positions and Responsibilities in the Bank and Important Concurrent Posts” section that do not contain the word “Current”, are positions the candidate has retired from and no longer occupies.
4. Candidates for Directors, namely, Mr. Hideyuki Kudo and Mr. Yukio Nakamura will be elected as Executive Directors at the Board of Directors meeting to be held after this General Meeting of Shareholders. They have the knowledge and experience to be able to carry out business management of a bank appropriately, fairly and efficiently.
5. Special interests between the Bank and a candidate:
 - (1) The Bank invests as a limited partner in J.C. Flowers II L.P. and J.C. Flowers III L.P. which are investment funds operated by JCF Associates II Ltd. and JCF Associates III Ltd., respectively, and advised by J.C. Flowers & Co. LLC (JCF), an investment advisory firm founded by Mr. J. Christopher Flowers, who serves as Managing Director and Chief Executive Officer.
 - (2) In January 2008, four investment vehicles advised by JCF acquired 358,456 thousand common shares of the Bank through a public tender offer and subsequently subscribed to a primary issue of an additional 117,647 thousand shares to strengthen the capital base of the Bank. In addition, in March 2011, the four investment vehicles and Mr. J. Christopher Flowers acquired in total 172,000 thousand common shares of the Bank through the Bank's international offering of newly issued shares, of which such parties currently retain 22,500 thousand shares. Mr. J. Christopher Flowers, a Director of the Bank, is the founder and Managing Director of JCF.
 - (3) The Bank has indirectly invested in NIBC Holding N.V. through an investment partnership advised by JCF. NIBC Holding N.V. is indirectly controlled by New NIB limited, of which Mr. J. Christopher Flowers commands 49% of voting rights.
 - (4) The Bank has indirectly invested in The Kessler Group which Mr. J. Christopher Flowers serves as Member of the Advisory Board through J.C. Flowers II L.P. mentioned above. J.C. Flowers II L.P. commands 25.5% of voting rights of The Kessler Group.
 - (5) Mr. Ryuichi Tomimura served as a representative director of RHJ International Japan, Inc. until his retirement from that position in June 2012. For the duration of his tenure at RHJ International Japan, Inc. and up until the present, there has been no capital or transactional relationship between the Bank and RHJ International Japan, Inc.
No special interests exist between any of the other candidates for Directors and the Bank.
6. Overview of the contents of the Agreement for Limitations on Liability concluded with Directors: Messrs. J. Christopher Flowers, Ernest M. Higa, Shigeru Kani, Jun Makihara and Ryuichi Tomimura among candidates for Directors have concluded an Agreement for Limitations on Liability with the Bank under Article 427, Paragraph 1 of the Corporation Act. Under this

agreement, liability of each of the Directors for any damage caused through neglect of their duties and responsibilities shall be limited. If the Bank suffers damage as a result of such neglect, the Outside Directors shall be liable up to the lowest maximum liability provided for in Article 425, Paragraph 1 of the Corporation Act, provided that there should be no willful misconduct or gross negligence involved in their duties and responsibilities. If the above-mentioned five candidates are re-elected as Directors, the Bank will continue the said Agreement for Limitations on Liability with them.

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

8. Matters concerning candidates for Outside Directors:

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

- ① Mr. J. Christopher Flowers is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management his experience and expertise in banking, finance and the financial services industry as a whole.
- ② Mr. Ernest M. Higa is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management his experience and deep insight of business for consumers.
- ③ Mr. Shigeru Kani is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management his discernment in the risk management area and his wide range of knowledge concerning banking operations.
- ④ Mr. Jun Makihara is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management his extensive knowledge of finance and his domestic and international experience.
- ⑤ Mr. Ryuichi Tomimura is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management his extensive experience and wide range of knowledge including information systems as a management executive and a consultant.

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

None

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

None

(4) The number of years since candidates for Outside Directors and for Audit & Supervisory Board Members who are currently Outside Directors became Outside Directors and Audit

Supervisory Board Members:

- ① As of the end of this General Meeting of Shareholders, Mr. J. Christopher Flowers will have been an Outside Director for fifteen years and three months in total.
 - ② As of the end of this General Meeting of Shareholders, Mr. Ernest M. Higa will have been an Outside Director for three years.
 - ③ As of the end of this General Meeting of Shareholders, Mr. Shigeru Kani will have been an Outside Director for twelve years.
 - ④ As of the end of this General Meeting of Shareholders, Mr. Jun Makihara will have been an Outside Director for five years.
 - ⑤ As of the end of this General Meeting of Shareholders, Mr. Ryuichi Tomimura will have been an Audit & Supervisory Board Member and Outside Director and for two years in total.
9. The Bank has submitted to the Tokyo Stock Exchange, Inc. an “independent director statement” (*dokuritsu-yakuin todokede-sho*) that Messrs. Ernest M. Higa, Shigeru Kani, Jun Makihara and Ryuichi Tomimura are independent directors (*dokuritsu-yakuin*).

Item 3: Election of One (1) Audit & Supervisory Board Member

We would like to seek approval to elect one person as an Audit & Supervisory Board Member, since Mr. Shinya Nagata will have completed his terms of office at the end of this Annual General Meeting of Shareholders.

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

Career summary of the candidate is as follows.

Name (Date of Birth)	Personal History/Positions in the Bank and Important Concurrent Post			Ownership (# of Shares)	
Reappointed Shinya Nagata (June 29, 1958)	1981	Y	4 M	Joined The Long-Term Credit Bank of Japan, Ltd. (Predecessor of Shinsei Bank Limited)	11,535
	2001	Y	12 M	General Manager, Financial and Regulatory Accounting Division	
	2006	Y	10 M	General Manager, Group Regulatory Accounting and Tax Division, General Manager, Group Financial Projects Division	
	2009	Y	4 M	General Manager, Group Regulatory Accounting and Tax Division, General Manager, Group Financial Accounting Division	
	2009	Y	9 M	General Manger, Group Regulatory Accounting and Tax Division	
	2010	Y	6 M	General Manger, Group Regulatory Accounting and Tax Division, General Manager, Group Financial Accounting Division	
	2010	Y	9 M	Executive Officer, General Manager, Group Regulatory Accounting and Tax Division, General Manager, Group Financial Accounting Division	
	2010	Y	10 M	Executive Officer, General Manager, Financial and Regulatory Accounting Division	
2012	Y	6 M	Audit & Supervisory Board Member (Current)		

Note: No special interests exist between the candidate for Audit & Supervisory Board Member and the Bank.

Item 4: Election of One (1) Substitute Audit & Supervisory Board Member

We received a notice from Mr. Kojiro Taima (the current Substitute Audit & Supervisory Board Member as a substitute for Audit & Supervisory Board Member who is not an Outside Audit & Supervisory Board Member) expressing his intention to decline the post of Substitute Audit & Supervisory Board Member at the end of this Annual General Meeting of Shareholders. As a result, the Board of Directors approved a resolution to the cancel his election as Substitute Audit & Supervisory Board Member at the end of this Annual General Meeting of Shareholders, with a consent of the Audit & Supervisory Board, in accordance with the resolution at the Annual General Meeting of Shareholders for the 14th Term.

Therefore, we would like to seek approval to elect one person as a Substitute Audit & Supervisory Board Member, pursuant to Article 329, Paragraph 3 of the Corporation Act, in order to prepare for the event that the number of Audit & Supervisory Board Members falls short of the number stipulated by law. Mr. Naohisa Aikawa is a candidate for Substitute Audit & Supervisory Board Member as a substitute for Audit & Supervisory Board Member who is not an Outside Audit & Supervisory Board Member. Until and prior to actually assuming office, the above election as Substitute Audit & Supervisory Board Member may be cancelled by a resolution of the Board of Directors and with a consent of the Audit & Supervisory Board.

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

Career summary of the candidate is as follows.

Name (Date of Birth)	Personal History and Important Concurrent Posts			Ownership (# of Shares)
Naohisa Aikawa (March 27, 1969)	1991	Y	4 M	Nil
	Joined The Long-Term Credit Bank of Japan, Ltd. (Predecessor of Shinsei Bank, Limited)			
	2006	Y	5 M	
	Deputy General Manager, Sendai Corporate Banking Business Unit, Sendai Branch			
	2008	Y	2 M	
Deputy General Manager, Compliance Division				
2011	Y	12 M	Deputy General Manager, Legal and Compliance Division	
2016	Y	4 M	General Manager, Office of Audit & Supervisory Board Members (Current)	

Note: No special interests exist between the candidate for Substitute Audit & Supervisory Board Member and the Bank.

END

(Translation)

(Attachment)

Business Report for the 16th Fiscal Year (From April 1, 2015 to March 31, 2016)

1. Current State of the Bank

(1) Business Development and Performance of the Group

[Principal Businesses of the Group]

The Shinsei Group, which consists of Shinsei Bank, Limited, 250 subsidiaries (comprised of 160 consolidated companies including APLUS FINANCIAL Co., Ltd., Showa Leasing Co., Ltd., Shinsei Financial Co., Ltd., Shinsei Principal Investments Ltd. and 90 unconsolidated subsidiaries) and 21 affiliated companies (comprised of 20 affiliates accounted for under the equity method including Jih Sun Financial Holding Company, Limited and 1 affiliate that is not accounted for under the equity method) as of March 31, 2016, provides a wide variety of financial products and services to institutional and individual customers through our Institutional Group, Global Markets Group and Individual Group. These groups consist of business segments which provide their respective financial products and services. Shinsei Bank, Limited, subsidiaries and affiliated companies are related to each segment as follows.

In the Institutional Group, the “Institutional Business” segment provides financial products, services and advisory services for corporations, public corporations and financial institutions, the “Structured Finance” segment provides real estate finance such as nonrecourse loans, corporate finance products and services for the real estate and construction industries, specialty finance, such as M&A finance, the “Principal Transactions” segment provides financial products and services related to credit trading and private equity services, and “Showa Leasing” segment primarily provides leasing related financial products and services.

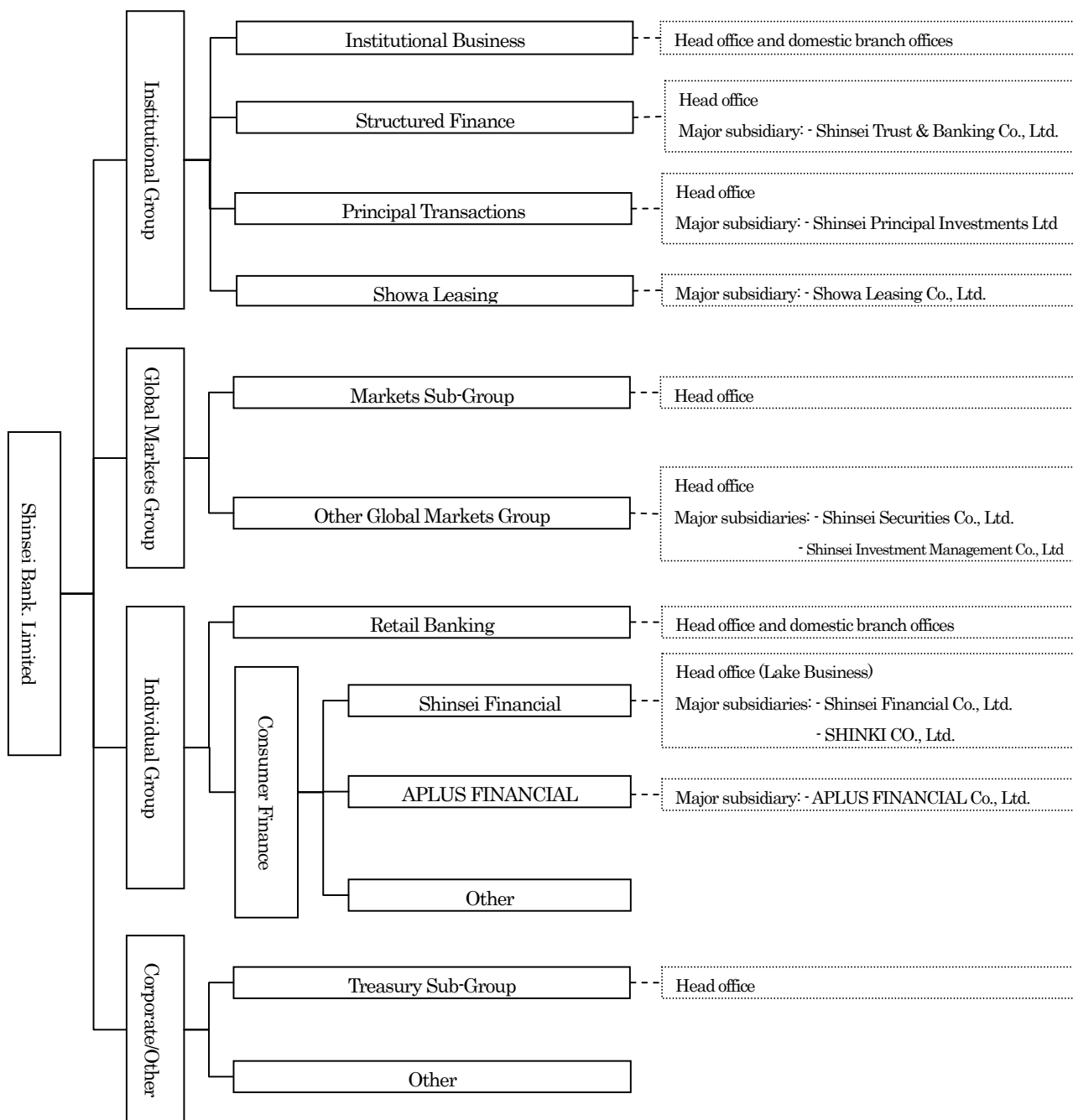
In the Global Markets Group, the “Markets Sub-Group” segment provides foreign exchange, derivatives, equity related and other capital markets services and the “Other Global Markets Group” segment provides the securities brokerage services of Shinsei Securities Co., Ltd., as well as the asset management and wealth management services.

In the Individual Group, the “Retail Banking” segment provides financial products and services for retail banking customers, the “Shinsei Financial” segment, through Shinsei Financial Co., Ltd. (hereinafter, “Shinsei Financial”), SHINKI CO., Ltd. and the Bank’s unsecured personal card loan business “Shinsei Bank Card Loan – Lake,” provides consumer finance services, and the “APLUS FINANCIAL” segment provides installment sales credit, credit cards, credit guarantee, loans and settlement services. Additionally, “Other” segment consists of profit and loss attributable to the Consumer Finance Headquarter and other subsidiaries.

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

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

(Translation)



(Translation)

[Financial and Economic Environment]

In fiscal year 2015, while weakness in some parts of the Japanese economy were observed such as private consumption being slow to recover from slump after the consumption tax hike in April 2014 and industrial production and exports being negatively affected by economic slowdowns in emerging countries led by China, overall the Japanese economy continued to experience a moderate recovery, with corporate profits being generally positive and a steady improvement in the employment situation.

Under such circumstances, through the approval of the Cabinet, the Japanese government revised its “Basic Policies on Economic and Fiscal Management and Reform” and the “Japan Revitalization Strategy” in June 2015, clarifying the government’s intent to enhance the profitability of corporations as well as to revise “bedrock regulations”, in order to facilitate an economic recovery. In October of the same year, an overall agreement was reached in negotiations regarding the Trans-Pacific Partnership (“TPP”) and in March 2016 the tax system was revised to reduce the effective corporate tax rate to below 30%. Additionally, the Bank of Japan (“BOJ”) continued its policy of extraordinary monetary easing measures, and in February 2016, in order to achieve its 2% Price Stability Target as early as possible, introduced a Negative Interest Rate Policy (“NIRP”), applying a rate of negative 0.1% to the portion of BOJ current account balances exceeding the historical average of each financial institution. Going forward, it is expected that the economy will continue to recover as the employment and income environments continue to improve, supported by the effects of the enactment of various government policies. However, there remain downside risks such as the possibility of economic downturns overseas, primarily in Asian emerging countries led by China and in countries with natural resources and volatility in financial markets such as the recent rapid strengthening of the yen. Additionally, attention should be given to the economic impact of the 2016 Kumamoto earthquake on the Japanese economy.

To provide an overview of the financial markets, regarding interest rate in Japan, both long-term and short-term interest rates continued to remain at low levels. In particular, interest rates reached new lows following the introduction of the NIRP by the BOJ and the long-term interest rate (10 year government bond yield) as of March 31, 2016 was approximately -0.05% (reduced approximately 0.4% compared to March 31, 2015). Next, regarding foreign exchange rates, the Japanese, U.S., and European central banks continue their monetary easing policies. In December 2015, the U.S. Federal Reserve Board reached the decision to increase market interest rates due to the recovery of the U.S. economy, and the yen had remained weak as a result of the U.S. moving to normalize its fiscal policy. But the yen was subsequently bought as a result of concerns of downturns in the global economy and the postponement of additional interest rate hikes, as of March 31, 2016, the exchange rate for one U.S. dollar was approximately 112 Japanese yen (appreciated approximately 7 yen compared to March 31, 2015). The Euro on the other hand, the yen had depreciated to the 140 Japanese yen to the Euro temporarily, primarily due to an increase in European Government Bond Yields. But the reemergence of the Greek debt crisis and additional easing measures by the European Central Bank resulted in a selloff of the Euro, and as of March 31, 2016, the exchange rate for one Euro was approximately 127 Japanese yen (appreciated approximately 1 yen compared to March 31, 2015). Finally, regarding the Nikkei Stock Average, the average remained on an upward trend from April through June 2015 due to the strong results of corporate profits, recovering above the 20,000 yen mark for the first time in nearly 15 years. But the average subsequently declined due to a slowdown in the Chinese economy and uncertainty concerning the global economy, and the Nikkei Stock Average on March 31, 2016 closed at 16,758.67 yen (decreased approximately 2,450 yen compared to March 31, 2015).

(Translation)

[Business Developments and Performances of the Group in Fiscal Year 2015]

Shinsei Bank has strived in its business undertakings to achieve its business objectives in the current fiscal year, the final year of the “Second Medium-Term Management Plan” which ran from April 1, 2013 to March 31, 2016. Initiatives which were undertaken in each business area are as follows:

(Institutional Business)

Working closely with its Group companies, the Bank has engaged in its business with corporate customers which includes the provision of financing and solutions to corporations, public corporations and financial institutions, the Structured Finance Business through which the Bank provides financing to real estate and projects, the Principal Transactions Business through which the Bank engages in the credit trading and private equity businesses, markets related business through which the Bank provides foreign exchange and derivatives services and the asset management business including the provision of investment trust services.

In the current fiscal year, in addition to engaging in efforts to differentiate the Bank by leveraging the functions, customer bases and networks with regional financial institutions of its Group companies in order to provide products and services to specific industries and fields in a targeted manner, the Bank has engaged in efforts to increase its initiatives in areas in which the Bank holds competitive strengths and has made proactive efforts to expand each business.

Regarding initiatives in strategic focus areas, in the area of healthcare finance, the Bank, together with five other companies including Kenedix Inc., established Japan Senior Living Investment Corporation, an asset management company, in order to manage a healthcare REIT which was listed on the Tokyo Stock Exchange in July 2015. In the area of renewable energy, the Bank is continuing to engage in the provision of project financing to solar, wind and wood biomass power generation businesses in cooperation with regional financial institutions as part of efforts to establish and nurture the domestic project finance market. In May 2015 the Bank concluded a project finance agreement to a Mega Solar business located in Hyogo Prefecture in collaboration with a regional financial institution. Regarding overseas project finance, the Bank has focused on engaging in prime projects primarily in the Asia, Oceania and Europe regions. Additionally, regarding Real Estate finance, the Bank has engaged in efforts to identify new prime lending opportunities, focusing not only on the risks of each loan request, but taking into account the conditions of the market as a whole. In May 2015 the Bank also purchased the real estate nonrecourse finance portfolio of GE Japan Co., Ltd. for a total of 65.0 billion yen (face value).

Regarding the Shinsei Principal Investments Group (“Shinsei PI Group”), which engages in the credit trading and private equity businesses, in addition to pursuing the exit strategies of current assets, has engaged in the provision of investments and loans aimed at unwinding unprofitable businesses and solutions aimed at resolving long standing accounts receivables to corporate clients, as well as its business succession and business change and discontinuation services. Regarding business succession services, the Bank expects demand for such services to grow and in July 2015 established the Business Succession Finance Division, enhancing the Shinsei Bank Group’s ability to provide such services.

Regarding business for corporates, the Bank has continued to engage in efforts to grow its customer base such as continuously gaining new customers promoting its derivatives related business. Specifically, the Bank has strengthened its marketing efforts based upon a customer segmentation which takes into account factors such as growth prospects and profitability, increasing the magnitude of individual transactions and deepening relationships with customers through cross-selling, and looks to increase its base of core corporate customers. Regarding business with financial institutions, the Bank has engaged in efforts to enhance and utilize its networks with regional financial institution customers as well as provide products and services which meet their various needs including fund management needs. In July 2015, the Bank established the Syndicated Finance Division as part of efforts to deepen relationships with regional financial institutions through the sale of loan assets and collaborative composition of syndicated loans. Additionally, in the area of markets related business, as a result of efforts to strengthen the Bank’s provision of solutions as part of efforts to gain new customers and deepen relationship with existing customers the Bank enjoyed strong sales of derivative transactions, primarily those associated with foreign exchange and interest risk hedging, to institutional clients. Regarding the asset

(Translation)

management business, in November 2015, in order to meet the diversifying asset management needs of regional financial institutions, initiated the sale of privately placed trusts investing primarily in U.S. municipal bonds newly created by Shinsei Investment Management Co., Ltd.

Regarding the Shinsei Bank Group Company Showa Leasing Co., Ltd., in addition to its core business of providing leasing services to mid-market and SME customers for industrial machinery and machine tools, focused on engaging in the provision of services in areas in which it holds expertise in such as the buying and selling of second hand machinery, property and debt secured lending, assisting in the adoption of environmentally friendly products and granting renewable energy related financing and the purchasing of long term care fee receivables (nursing remuneration factoring) whilst simultaneously strengthening its collaboration with the Bank. In the current fiscal year, Showa Leasing started the provision of bulk support services for the overseas relocation of factories and bulk property liquidation services associated with the relocation of factories for mid-market and SME customers. Additionally, Showa Leasing has continued to support the businesses of its financial institution partners, acting as the asset guarantee agency for Tokyo based Asset Based Lending by regional financial institutions.

(Individual Business)

Regarding businesses for individual customers, the Bank engages in its retail banking business and the consumer finance business operated through the Bank and its Group companies.

In fiscal year 2015, the Bank with its Group Companies has pursued the “growth of its business base and enhancement of profitability” by leveraging the various resources of the Shinsei Bank Group, and has focused on increasing the number of its customers able to freely utilize the products and services of the entire Shinsei Bank Group based upon their needs.

In its retail banking business, in the area of asset management products, in addition to continuing its efforts in yen and foreign currency deposits as well as the sale of investment trusts the Bank is enhancing its sale of insurance products. In the area of foreign currency deposits, the Shinsei Bank Group Company APLUS Ltd. (“APLUS”) began issuing the “Overseas Prepaid Card GAICA,” which can be used overseas for withdrawal of local currencies and the payment of goods as well as be linked to Shinsei Bank’s comprehensive account “PowerFlex,” in July 2015. Shinsei Bank will continue to leverage synergies with its Group Companies as a leader in the provision of foreign currency services and will look to further enhance its offering of foreign currency related products and services.

Regarding housing loans, due to the growth in demand among customers in metropolitan areas for the unique and highly value added product attributes of the “Shinsei Bank PowerSmart Housing Loan Anshin Pack W,” the Bank entered into a business alliance with TOKYU CORPORATION and its Group Companies and as of April 2015, began offering the “TOKYU Group Plan” which offers services such as the TOKYU GROUP’s after school service to the Anshin Pack W service lineup. Additionally, due to the introduction of the Negative Interest Rate Policy by the Bank of Japan, the Bank swiftly reduced its housing loan interest rate in February 2016, resulting in an increase in applications for the Bank’s housing loans and achieving a high level of customer satisfaction.

Through a business agreement with T Point Japan, Ltd., (“T Point Japan”) a subsidiary of Culture Convenience Club Co., Ltd. (“CCC”), the Bank has continued to launch reward programs and campaigns which offer “T Points” to the “T Members” of the shared point service “T Point” for the opening of the accounts at the Bank and the utilization of its products and services. This expansion in the Bank’s collaboration with T Point has yielded results in the acquisition of new customers and increasing the number of customer transactions, and starting in April 2016 the Bank has added investment trust and foreign exchange transactions to those eligible for T Points, increasing the opportunities for customers to earn points, as well as made it possible for customers opening accounts in branches to be eligible for earning T Points. Furthermore, the Bank is implementing a wide range of initiatives such as executing marketing strategies which utilize the big data of CCC and launching advertising campaigns with T Point affiliate companies.

Shinsei Bank’s customer service and the quality of its financial product lineup were recognized in the 11th Annual “Retail Banking Survey,” conducted jointly by Nikkei Inc. and Nikkei Research Inc., where the Bank was awarded first place overall out of all banks in Japan, marking the first time Shinsei Bank has received the

(Translation)

first place ranking. Additionally, the Bank has opened the Shibuya Branch in January 2016 and expanded the Nagoya Branch in February of the same year as part of efforts to enhance its business structure. Furthermore, the Bank has begun offering its ATM services through ATMs operated by Aeon Bank, Ltd. from March, 2016 and through station network ATMs “PatSat” operated by Station Network Kansai Co., Ltd. in major stations such as those operated by Hankyu Corporation in April 2016. The Bank will continue its efforts to provide products and services which meet the diverse needs of its customers.

Regarding the Bank’s consumer finance business, in “Shinsei Bank Card Loan – Lake,” (“Lake”), which has been operated through the Bank since October 2011, the Bank has leveraged a smartphone app launched for Lake and the brand concept and image character revision which took place in fiscal year 2014, and the average balance per customer and total number of customers have increased as a result. In November 2015, the Bank introduced “Shinsei Bank Smart Card Loan Plus,” a new consumer finance brand targeting customers of the Shinsei Bank Group with existing Shinsei Bank “PowerFlex” accounts, and by leveraging this brand as well as the brand of the Bank’s main unsecured loan product “Lake” and the “NoLoan” brand of the Shinsei Bank Group Company SHINKI Co., Ltd., Shinsei Bank is engaging in efforts to grow the topline revenues of its entire unsecured loan business. Additionally, at Shinsei Financial Co., Ltd. (“Shinsei Financial”), in addition to continuing to provide services for existing customers, the Group Company is focusing on growing its unsecured personal loan guarantee business through which it provides credit guarantees for unsecured personal loans to regional financial institutions, and in July 2015 Shinsei Financial concluded a guarantee business partnership agreement with The Shizuoka Bank Co., Ltd. to provide credit guarantees for Shizuoka Bank’s unsecured card loans. Regarding APLUS FINANCIAL, which engages in the credit card, shopping credit and settlements businesses, in its subsidiaries including APLUS, efforts to enlarge the scope of the business alliance with CCC, improving customer convenience and improving the efficiency of its business have been undertaken as part of efforts to expand the operations and improve profitability of all business lines. In November 2015, APLUS FINANCIAL also began offering the “Rental House Plan” product, a new loan product which can be utilized for expenses associated with moving into rental housing. Regarding the guarantee business for financial leases to business owners and corporations, APLUS FINANCIAL has entered into business alliances with The Tochigin Leasing Co., Ltd., a subsidiary of The Tochigi Bank Co., Ltd. and Tomato Leasing Co., Ltd., in December 2015 and February 2016, respectively.

Regarding Group-wide initiatives, in anticipation of the future growth of the consumer finance business, the head office functions of the 6 consumer finance subsidiaries were moved in order to facilitate the sharing of best practices amongst the companies.

Regarding overseas business expansion, Nippon Wealth Limited, a Restricted Licence Bank (“NWB”), a new financial institution that was established in order to offer asset management services to individual customers in Hong Kong, was granted a banking licence and a securities licence by the Hong Kong Monetary Authority, and NWB has commenced full operations in October 2015. In May 2015, Shinsei Property Finance Co., Ltd. entered into a business agreement with Tokyu Livable Inc., and Tokyu Housing Lease Co., Ltd. to offer secured real estate loans to customers residing in Hong Kong which can be utilized for the purchase of condominiums in Tokyo. Through these two initiatives, the Bank is accumulating expertise in its Hong Kong based asset management business. Furthermore, in February 2016 Shinsei Financial entered into a business agreement with JMT PLUS Company Limited, a group company of JAYMART Public Company Limited which is engaged in the sale of mobile phones and operation of shopping malls in Thailand, to provide basic system services necessary for engaging in consumer finance businesses such as installment sales and personal loans for the purchase of mobile phones.

(Translation)

(Financial Position)

In fiscal year 2015, our consolidated Basel III (domestic standard) core capital adequacy ratio was 14.20%, and has continued to be maintained at a sufficient level.

As a part of Shinsei Bank's efforts to identify the path to the repayment of public funds, a resolution to undertake the acquisition of treasury shares has been approved through a meeting of its Board of Directors held on May 11, 2016 in light of factors such as the Bank's current capital position, earnings capability and the per share values. The approval of this acquisition of treasury shares is in accordance with the Bank's Articles of Incorporation, pursuant to Article 459, Paragraph 1 of the Corporation Act. For a period of one year from May 12, 2016 (the acquisition period), the total number of treasury shares to be acquired by Shinsei Bank shall be up to 100 million treasury shares for a total amount of the acquisition price of not exceeding 10 billion yen. Through this acquisition of treasury shares, assuming the maintenance of capital at sufficient levels, Shinsei Bank aims to increase the per share values through the implementation of an appropriate capital policy.

(Response to the Earthquake)

In response to the Great East Japan Earthquake, employees from Shinsei Bank and Group companies have undertaken volunteer work in the affected areas. In this fiscal year, in addition to engaging in volunteer activities twice in areas affected by the disaster in Miyagi Prefecture, the Bank invited speakers from the Miyagi Prefecture Minami Sanriku and Higashi Matsushima Social Welfare Councils to give lectures in March 2016. In addition the Bank is continuing to support the disaster stricken areas through a wide range of activities aimed at contributing to recovery efforts such as providing donations raised through internal fundraisers to support summer festivals in Minami Sanriku in June 2015 and providing support for the installation of street lighting in Higashi Matsushima. Additionally, Shinsei Bank wishes to express its deepest condolences to all those affected by the Kumamoto earthquake in April 2016, and together with three Group Companies (Showa Leasing, APLUS FINANCIAL and Shinsei Financial), Shinsei Bank donated 10 million yen as the Shinsei Bank Group to the areas affected by the Kumamoto earthquake. Shinsei Bank will continue to strive to provide smooth access to financial services in order to help the areas affected by the disaster as quickly as possible.

(Business Performance)

As a result of the preceding business developments, in the fiscal year ended March 31, 2016, Shinsei Bank reported a consolidated ordinary income of 375.7 billion yen (decreased 21.6 billion yen compared to the previous fiscal year), a consolidated ordinary expenses of 313.6 billion yen (decreased 10.6 billion yen compared to the previous fiscal year). As a result, the Bank recorded a consolidated ordinary profit of 62.0 billion yen (decreases 10.9 billion yen compared to the previous year) and a profit attributable to owners of parent of 60.9 billion yen (decreased 6.9 billion yen compared to the previous year). Additionally, segment profits of the Shinsei Bank Group on a management accounting basis totaled 72.3 billion yen (decreased 9.4 billion yen compared to the previous fiscal year).

On a business segment level, the Institutional Group, despite having recorded losses associated with the reassessment of a fund investment and the absence of significant dividend income from securities investments recorded in the previous fiscal year, due to successes in initiatives aimed at increasing the customer base and enhancing profitability as well as gains on the reversal of reserves for loan losses associated with the disposal of major nonperforming loans, recorded steady profits.

The Global Markets Group, while focusing on on-going initiatives aimed at increasing the customer base, engaged in efforts to develop and provide products which meet the needs of its customers in collaboration with other Groups, and while customer transactions, primarily derivative transactions, were strong, a major shift in market conditions resulted in a reduction in markets related transaction revenue, profits declined compared to the previous fiscal year.

(Translation)

Regarding the Individual Group, in Retail Banking, while having made active efforts to grow its various business lines, growth of revenue was nevertheless sluggish, and despite the efficiency of business operations having resulted in reductions in operating expenses, profits declined compared to the previous fiscal year.

In the Consumer Finance, due to factors such as the Lake business continuing to produce favorable results and APLUS FINANCIAL recording increases in transactions in its businesses such as shopping credit, revenue increased compared to the previous fiscal year, and while net credit costs increased as a result of the increase in outstanding loans, stable profits continued to be recorded.

Regarding reserves for losses associated with interest repayments (grey zone), it should be noted that an additional provision of 2.7 billion yen was made in the current fiscal year based upon a recalculation of future grey zone risk.

The “Corporate/Other” segment, due to the recording of strong earning on the sale of bonds such as government bonds in the ALM operations of the Treasury Sub-Group, improved profits compared to the previous fiscal year.

Each segment attained the following business results for the fiscal year ended March 31, 2016.

(Millions of yen)

	Fiscal 2015 (16th Fiscal Period)						
	Institutional Group				Global Markets Group		
	Institutional Business	Structured Finance	Principal Transactions	Showa Leasing	Markets Sub-Group	Other Global Markets Group	
Revenue	14,284	19,087	7,370	16,236	5,122	2,762	
Net Interest Income	10,228	12,789	4,545	Δ2,195	1,726	91	
Non-interest income	4,055	6,298	2,825	18,431	3,395	2,670	
Expense	10,461	5,577	5,190	8,547	3,471	4,029	
Net Credit costs (Recoveries)	694	Δ20,484	319	Δ404	Δ109	Δ277	
Segment Profit (loss)	3,127	33,994	1,860	8,093	1,760	Δ989	
	Individual Group				Corporate/Other		
	Retail Banking	Consumer Finance			Treasury Sub-Group	Other	Total
		Shinsei Financial	APLUS FINANCIAL	Other			
Revenue	27,005	59,133	51,789	1,379	11,554	874	216,602
Net Interest Income	21,581	61,208	6,882	1,123	4,372	Δ7	122,345
Non-interest income	5,424	Δ2,074	44,907	256	7,182	882	94,256
Expense	33,330	32,265	36,147	781	1,698	Δ935	140,566
Net Credit costs (Recoveries)	142	15,207	8,778	Δ130	-	Δ5	3,730
Segment Profit (loss)	Δ6,467	11,660	6,863	729	9,855	1,816	72,304

Note

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

(Translation)

[Challenges Facing the Shinsei Bank Group]

The Shinsei Bank Group formalized its Third Medium-Term Management Plan (hereinafter, “3rd MTMP”), a business plan which runs from April 1, 2016 to March 31, 2019, and identifies its business strategy going forward. As part of the creation of this plan, in accordance with its management principals, the Bank also clarified its “Medium to Long Term Vision,” in order to better pursue its goal of becoming a financial group which is truly needed by its customers. In its Medium to Long Term Vision the Bank recognizes that in order to establish a sustainable business model, it is essential that the Shinsei Bank Group fully utilizes its management resources. In order to accomplish this, the Bank Group will seek to develop and provide cutting edge products and services through our customers by truly integrating the customer bases, financial expertise and services of each Group company through “Group Integration” and pursue highly efficient operations by undertaking a periodic business review cycle at the Group level in order to achieve high productivity and efficiency. Through such efforts, the Shinsei Bank Group seeks to establish a unique positioning for itself with in the financial industry. The 3rd MTMP is the business plan that the Shinsei Bank Group will execute over the next three years in order to achieve the Bank’s Medium to Long Term Vision as early as possible, and the following measures and initiatives will be undertaken as part of the 3rd MTMP.

1. Overall Strategy of the Shinsei Bank Group

The overall strategy of the Shinsei Bank Group during the 3rd MTMP will focus on the undertaking of a “selection and concentration” of businesses in order to undertake an efficient allocation of management resources as well as establish Group management infrastructure which enables the Bank to flexibly respond to changes in order to facilitate the pursuit of efficiency and flexible business management.

(Creation of Value through Group Integration and “Selection and Concentration” of Businesses)

In order to meet the financial needs of underserved customers, the Shinsei Bank Group will undertake a reorganization of its businesses, products and services in order to provide to our customers optimized products and services which leverage the competitive advantages of the Bank and are optimized for their needs. In order to determine the priority of its businesses, the Bank has classified each business into one of the following four categories and will allocated management resources into areas with the highest growth expectations. Additionally, the Bank seeks to proactively engage in the creation of value for its customers through Group Integration.

- ◆ Growth Areas: Areas with high growth/profit expectations in which the Bank holds competitive advantages.
- ◆ Stable Revenue Areas: Areas in which the Bank will stably and selectively engage in without being involved excessive competition.
- ◆ Strategic Initiative Areas: Areas which are expected to deliver future growth and in which the Bank looks to create customer value through groundbreaking innovations.
- ◆ Curtailment Areas: Areas in which the market is expected to shrink or the Shinsei Bank Group lacks expertise.

Regarding individual businesses, the Shinsei Bank Group holds competitive strengths in unsecured personal loans and structured finance, a business area which includes real estate finance and project finance, and has designated these two business areas as growth areas. Going forward the Bank will proactively allocated even greater management resources than in the past in these two business areas.

The area of asset management consulting for individual customers, while only expected to be moderate, has been classified as a stable revenue area due to its importance to the Bank from its expected ability to deliver growth. The provision of markets solutions to institutional clients and the shopping credit business of APLUS FINANCIAL are also classified as stable revenue areas. Lending to institutional customers, while expected to continue generating stable revenues, is seeing a tightening of spreads and a continuation of high levels of

(Translation)

competition, and going forward the Bank will selectively evaluate and engage in loans taking into account factors such as geographic regions and the businesses.

Regarding strategic initiative areas which are expected to deliver future growth, businesses the Bank will engage in include business with regional financial institutions, the settlements business and the provision of solutions to SMEs, in addition to the business succession business which utilizes the expertise the Bank has accumulated in credit trading. The Bank views the realization of synergies as essential for the success of each of these businesses, and will proactively work to successfully realize Group Integration.

(Creation of Synergies through the Integration of Management Functions)

An integral part of the 3rd MTMP is the creation of a Group management framework which is capable of facilitating efforts by the entire Shinsei Bank Group to achieve flexible business management which is responsive to external business conditions and lean operations. In order to realize the creation of value through the “Selection and Concentration” of business and group integration, it is essential that the business infrastructure which serves as the foundation of the undertaking be well maintained and in addition to pursuing improvements in productivity and functionality and expense reductions, the Shinsei Bank Group will work to create infrastructure which naturally encourages collaboration as well as foster a cohesive corporate culture.

In order to facilitate the implementation of such efforts on a Group wide basis, the “Group Management Committee,” the members of which are comprised of the Chief Executives of key Group companies, was established in the second half of fiscal year 2015. From fiscal year 2016 onward project teams comprised of personnel from across the Group will be created according to each theme under the Group Management Committee. Additionally, in order to better facilitate the achievement of the 3rd MTMP Shinsei Bank has implemented the following organizational management framework changes effective April 1, 2016:

- 1) Abolished the Bank’s Group and Sub-Group Structures and introduced a business structure with Executives in charge of businesses in order to improve the Bank’s organization mobility;
- 2) Established the “Group Business Strategy Division” and “Group Organization Strategy Division” which are responsible for Group-wide business strategy and organizational strategy, respectively;
- 3) Restructured the Corporate Planning and Other Planning Functions.

2. Strengthening Risk Management and Corporate Governance and Ensuring Highly Transparent Management

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

Shinsei Bank employs a “Company with Audit & Supervisory Board” board model. The purpose of this corporate governance framework is to ensure appropriate managerial decision-making and business execution and to establish a corporate governance framework with sufficient organizational checks and balances functions. The Bank achieves this through the following two key actions:

- 1) Consolidation of business execution authorities and responsibilities in the Board of Directors, the highest decision-making authority, and while being subject to oversight by Outside Directors, establishing the broad direction of corporate strategy in meetings of the Board of Directors and creating an organizational environment which supports appropriate risk-taking by senior management; and
- 2) Assignment of audit responsibilities, including the auditing and monitoring of the Board of Directors, to Audit & Supervisory Board Members and an Audit & Supervisory Board that are independent of business execution and the Board of Directors.

Regarding the Bank’s corporate governance frameworks, in accordance with the “Corporate Governance Code” implemented by the Tokyo Stock Exchange in June 2015, the Bank is required to appoint at least two Outside Directors to a company’s Board of Directors. Shinsei Bank engages in management which emphasizes the oversight functions of Outside Directors, and in fiscal year 2015, had appointed two internal Directors as

(Translation)

well as five Outside Directors to its Board of Directors, resulting in a Board of Directors with a majority composition of Outside Directors. Furthermore, including the Bank's two Outside Audit & Supervisory Board members, Shinsei Bank has registers a total of six executives with the Tokyo Stock Exchange as independent executives. Additionally, the Bank has adopted an Executive Officer system in order to ensure flexible day to day business execution. Under this system, as well as the leadership of executive directors including the CEO, executive officers and executives in charges of businesses entrusted by the Board of Directors will execute their operations in an efficient manner. Furthermore, with approval from the Board of Directors, the Bank established an Executive Committee consisting of executive directors and executive officers who are executives in charge of businesses in order to enable swift and efficient business administration.

The Shinsei Bank Group intends to further enhance its legal compliance by strengthening its compliance system while giving ample consideration to customer protection in accordance with the Financial Instruments and Exchange Law (also known as J-SOX). While the Group is fully compliant with J-SOX, the Group will continue to improve its internal control systems and reinforce its audit functions. Additionally, as a listed company, the Group will continue to endeavor to perform disclosure in a timely, appropriate, and highly transparent manner for the benefit of investors.

Of the management infrastructure development initiatives necessary for the successful execution of the 3rd MTMP, Shinsei Bank recognizes that establishing a robust and stable IT system that operates smoothly is necessary for a financial institution which plays a role in social infrastructure and is recognized as an important management issue. The Bank is continuing efforts to ensure the smooth operation of its existing system through measures such as upgrading its backup center and hardware. Additionally, the Bank will upgrade its core business systems during the 3rd MTMP as part of efforts to ensure the stable operation of the Bank's systems.

3. Achievement of the Revitalization Plan

Shinsei Bank submitted a new "Plan for Restoring Sound Management" (the "Revitalization Plan") to the Financial Services Agency in February 2016. Taking into account the 3rd MTMP which was disclosed in January 2016, the Bank will work to implement measures aimed at establishing a sustainable business base, through which it seeks to further grow the financial Group. In the fiscal year ended March 31, 2016, the Bank recorded a nonconsolidated net business profit of 33.9 billion yen, same level as the target established in the Business Revitalization Plan, and a nonconsolidated net income of 41.5 billion yen, slightly decreased from the target established in the Business Revitalization Plan.

The Bank recognizes its expected role in fulfilling social responsibilities as a financial institution with public funds, and in addition to fulfilling these responsibilities, all employees of the Bank will work in unified manner toward the achievement of business revitalization.

Going forward we hope to enjoy your continued understanding and support.

Note

The description of item 3. does not include subsidiaries.

(Translation)

(2) Overview of Assets, Profit and Loss

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

	(Hundred millions of yen)			
	Fiscal 2012 (13th Fiscal Period)	Fiscal 2013 (14th Fiscal Period)	Fiscal 2014 (15th Fiscal Period)	Fiscal 2015 (16th Fiscal Period)
Ordinary income	3,860	3,752	3,973	3,757
Ordinary profit	544	441	730	620
Profit attributable to owners of the parent	510	413	678	609
Comprehensive income	627	491	813	526
Total equity	6,836	7,225	7,537	7,931
Total assets	90,293	93,211	88,898	89,287

Note

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

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

	(Hundred millions of yen)			
	Fiscal 2012 (13th Fiscal Period)	Fiscal 2013 (14th Fiscal Period)	Fiscal 2014 (15th Fiscal Period)	Fiscal 2015 (16th Fiscal Period)
Deposits	58,362	61,942	56,002	59,657
Time deposits	32,554	35,821	29,541	30,056
Other	25,808	26,120	26,461	29,601
Debentures (Long-Term Credit Bank Bond)	2,650	417	323	167
Corporate bonds (Excluding Long-Term Credit Bank Bond)	2,207	2,218	1,484	576
Loans and bills discounted	42,244	42,357	42,229	43,001
To individuals	11,565	13,040	13,976	14,694
To small- and medium-sized businesses	15,835	15,187	13,380	13,376
Other	14,842	14,129	14,872	14,930
Trading assets	2,589	2,350	2,791	3,118
Trading liabilities	2,262	2,065	2,591	2,913
Securities	22,826	19,778	18,637	16,038
Japanese national government bonds	13,373	11,267	9,908	7,480
Other	9,452	8,510	8,729	8,557
Total assets	83,076	84,867	78,726	78,576
Total equity	6,658	6,994	7,367	7,764
Domestic exchange transactions	194,947	203,852	205,739	237,472
	(Millions of dollars)	(Millions of dollars)	(Millions of dollars)	(Millions of dollars)
Foreign exchange transactions	10,969	11,042	10,166	8,710
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Ordinary profits	25,710	37,667	47,851	49,366
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Net income	24,656	36,454	45,740	41,566
	(yen)	(yen)	(yen)	(yen)
Net income per share	9.29	13.73	17.23	15.66

Notes

- Figures have been truncated to the unit stated in all amounts shown above.
- Deposits and other deposits include negotiable certificates of deposits.
- 'Long-Term Credit Bank Bond' represents a long-term credit bank bond, as classified in Item 5, paragraph 2, Article 2 of the Deposit Insurance Act.

(Translation)

(3) Employees on consolidated basis

	<u>End of this fiscal year</u>	<u>End of the previous fiscal year</u>
	Number of employees	
Institutional Group		
Institutional Business	279	291
Structured Finance	186	178
Principal Transactions	162	168
Showa Leasing	517	522
Global Markets Group		
Markets Sub-Group	72	68
Other Global Markets Group	135	139
Individual Group		
Retail Banking	750	702
Consumer Finance		
Shinsei Financial	1,026	1,019
APLUS FINANCIAL	1,427	1,383
Other	59	57
Corporate / Other		
Treasury Sub-Group	22	21
Other	721	752
Total	5,356	5,300

Note

These numbers include overseas local employees.

(4) Status of Main Offices of the Group

i. The Bank

1) Number of business offices

	<u>End of this fiscal year</u>		<u>End of the previous fiscal year</u>	
	(Annex)		(Annex)	
Hokkaido/Tohoku areas.....	2	(–)	2	(–)
Kanto area	18	(2)	19	(3)
(Tokyo)	(12)	(1))	(12)	(1))
Chubu area	3	(1)	2	(–)
Kinki area	9	(4)	9	(4)
Chugoku/Shikoku/Kyushu areas	3	(–)	3	(–)
Domestic total	35	(7)	35	(7)
Overseas	–	(–)	–	(–)
Grand total.....	35	(7)	35	(7)

Note

Unmanned branches for Lake business were installed at 761 locations by the end of this fiscal year.

2) Newly established business offices in this fiscal year

<u>Name of office</u>	<u>Address</u>
Shibuya Branch	1-14-16, Shibuya, Shibuya-ku, Tokyo
Head Office-Tama-plaza liaison office	2-4, Shinishikawa, Aoba-ku, Yokohama-shi, Kanagawa
Nagoya Branch-Sakae liaison office	3-1-1, Sakae, Naka-ku, Nagoya-shi, Aichi

(Translation)

3) List of agencies of the bank

None

4) Agent activities operated by the Bank

None

ii. Subsidiaries

1) Institutional Group

Main company name and main office location

<u>Company name</u>	<u>Name of office</u>	<u>Address</u>
Shinsei Trust & Banking Co., Ltd.	Head office	4-3, Nihonbashi-muromachi 2-chome, Chuo-ku, Tokyo
Shinsei Principal Investments Ltd.	Head office	9-7, Otemachi 1-chome, Chiyoda-ku, Tokyo
Showa Leasing Co., Ltd.	Head office	4-14, Koraku 1-chome, Bunkyo-ku, Tokyo

2) Global Markets Group

Main company name and main office location

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

3) Individual Group

Main company name and main office location

<u>Company name</u>	<u>Name of office</u>	<u>Address</u>
Shinsei Financial Co., Ltd.	Head office	12-8, Sotokanda 3-chome, Chiyoda-ku, Tokyo
SHINKI Co., Ltd.	Head office	12-8, Sotokanda 3-chome, Chiyoda-ku, Tokyo
APLUS FINANCIAL Co., Ltd.	Tokyo office	12-8, Sotokanda 3-chome, Chiyoda-ku, Tokyo

(5) Facility Investment of the Group

i. Total facility investment

<u>Business segment</u>	<u>(Millions of yen)</u> <u>Amount</u>
Shinsei Bank (Note 2).....	8,589
Subsidiaries	
Institutional Group.....	1,241
Global Markets Group.....	29
Individual Group.....	5,400
Corporate/Other.....	1
Total	15,262

Notes

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

2. This amount is the total amount invested in each business segment on a nonconsolidated basis.

ii. New establishment of important facilities

Developing more stable and robust IT infrastructures capable of supporting the management/business strategies, Shinsei Bank is updating the main business processing system. It will cost a total of over 20 billion yen and is scheduled to be completed in fiscal year 2017.

In addition, its subsidiaries promote appropriately to implement their systems necessary on business.

(Translation)

(6) Important Parent Company and Subsidiaries

i. Parent Company

None

ii. Subsidiaries

<u>Company Name</u>	<u>Address</u>	<u>Major business</u>	<u>Establishment date</u>	<u>Capital (millions of yen)</u>	<u>Percentage of voting rights of subsidiaries, etc. held by Shinsei Bank (%)</u>	<u>Other</u>
APLUS FINANCIAL Co., Ltd.	Osaka City Osaka	Consumer credit business	October 6, 1956	15,000	95.05 (91.80)	—
Showa Leasing Co., Ltd.	Bunkyo-ku, Tokyo	Leasing business	April 2, 1969	29,360	97.84	—
SHINKI Co., Ltd.	Chiyoda-ku, Tokyo	Consumer finance business	December 1, 1954	100	100.00 (100.00)	—
Shinsei Financial Co., Ltd.	Chiyoda-ku, Tokyo	Consumer finance business	June 3, 1991	100	100.00	—
Shinsei Trust & Banking Co., Ltd.	Chuo-ku, Tokyo	Trust business	November 27, 1996	5,000	100.00	—
Shinsei Securities Co., Ltd.	Chuo-ku, Tokyo	Securities business	August 11, 1997	8,750	100.00	—
Shinsei Principal Investments Ltd.	Chiyoda-ku, Tokyo	Financial instruments business	April 11, 2006	100	100.00	—

Notes

1. Fractions of amounts shown less than one million yen have been truncated.

2. Numbers included in parentheses in the "Percentage of voting rights of subsidiaries, etc. held by Shinsei Bank" column indicate indirect holdings.

3. Shinsei has 160 consolidated subsidiaries, including the major subsidiaries listed above, as well as 20 affiliated companies that are accounted for under the equity method.

(Translation)

Summary of Important Business Alliances

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

Commercial banks:

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

Trust and banking companies:

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

Others:

The Shoko Chukin Bank, Ltd.; Aozora Bank, Ltd.

2. The Bank offers cash withdrawal and depository services through the mutual use of ATMs under an alliance with Japan Post Bank Co., Ltd.
3. The Bank offers cash withdrawal and depository services through ATMs operated by Seven Bank, Ltd., AEON Bank, Ltd., Lawson ATM Networks, Inc., and E-net Co., Ltd. These ATMs are installed primarily in supermarkets and convenience stores.
4. The Bank offers ATM services through “VIEW ALTTE” ATMs which are located throughout East Japan Railway Company railway stations under a partnership agreement with Viewcard Co., Ltd. , and also “Patsat” ATMs installed in major stations in the Hankyu Railway and other railways under a partnership agreement with Station Network Kansai Co., Ltd. and The Senshu Ikeda Bank, Ltd.
5. The Bank offers automated local currency cash withdrawal services through overseas ATMs in the PLUS network under alliance relationships with Visa Worldwide.
6. The Bank is introducing financial products and services to “T Members,” who are the users of “T Points,” a loyalty program provided by Culture Convenience Club Co., Ltd., under a business alliance agreement with Culture Convenience Club Co., Ltd.
7. The Bank has an alliance with APLUS Co., Ltd., a consolidated subsidiary, and has been processing applications for the Shinsei APLUS Card and the Shinsei APLUS Gold Card, a credit card issued by APLUS Co., Ltd.
8. The Bank entered into an agreement on consignment of guarantee with Shinsei Financial Co., Ltd., a consolidated subsidiary, which acts as a guarantor for “Shinsei Bank Card Loan – Lake,” and “Shinsei Bank Smart Card Loan Plus , unsecured personal card loan services.
9. The Bank has entered into a business partnership agreement with Shinkin Central Bank and Shinkin Capital Co., Ltd to provide business succession support for Shinkin Bank customers.

(Translation)

10. The Bank has signed a business alliance agreement on business cooperation regarding business matching and lending with Military Commercial Joint-Stock Bank, a major commercial bank in Vietnam.
11. The Bank has concluded a business agreement with Forval Corporation on business development support for small-and medium-sized enterprises (SMEs) entering into countries belonging to the Association of Southeast Asian Nations (ASEAN).
12. The Bank has signed a comprehensive business alliance with YES BANK, Limited, an Indian commercial bank. The alliance covers information-sharing, business matching, syndications, lending, investment banking, trade finance, remittances, treasury operations and other business in collaboration with YES BANK, Limited.
13. The Bank has signed a memorandum of understanding on broad business cooperation in areas such as business matching, loans, trade finance, advisory, and provision of financial instruments with Jih Sun Financial Holdings Co., Ltd. a Taiwanese equity-method affiliate of the Bank.
14. The Bank has signed a memorandum of understanding on a business alliance concerning institutional business with RHB Bank Berhad, a major commercial bank in Malaysia as its strategic partner.
15. The Bank has signed a memorandum of understanding on a business alliance concerning institutional business with CIMB Bank Berhad, a major commercial bank in Malaysia, and CIMB Investment Bank Berhad.

(7) State of Business Transfer, etc.

- i. Significant Business Transfer, Merger and Splitting, New Establishment and Splitting
None
- ii. Significant Transfer of Business from Other Companies
None
- iii. Significant Acquisition or Disposal of Stock, Other Equities or Stock Acquisition Rights of Other Companies
None
- iv. Significant Succession of Rights and Obligations regarding Other Corporations' Business through Merger or Company Split
None

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

None

(Translation)

2. Matters Concerning Corporate Directors and Audit & Supervisory Board Members

(1) Corporate Directors and Audit & Supervisory Board Members

(As of March 31, 2016)

Name	Position(s)/ Responsibility(ies)	Important Concurrent Post(s)	Other(s)
Hideyuki Kudo	Representative Director, President and CEO	—	—
Yukio Nakamura	Representative Director, Deputy President	—	—
J. Christopher Flowers	Director (Outside)	Managing Director and Chief Executive Officer, J. C. Flowers & Co. LLC Member of the Advisory Board, The Kessler Group Member of the Supervisory Board, NIBC Holding N.V.	—
Ernest M. Higa	Director (Outside)	Chairman President & Chief Executive Officer, Higa Industries Co., Ltd. Chief Executive Officer, Wendy's Japan Director, JC Comsa Corporation Board of Overseers, Columbia Business School Board Member, The Tokyo New Business Conference	—
Shigeru Kani	Director (Outside)	Specially Appointed Professor, Yokohama College of Commerce	—
Jun Makihara	Director (Outside)	Outside Director, Monex Group, Inc. Outside Director, Philip Morris International Inc.	—
Ryuichi Tomimura	Director (Outside)	Executive Vice President, SIGMAXYZ Inc. Outside Director, Plan・Do・See Inc.	—
Shinya Nagata	Audit & Supervisory Board Member	—	Mr. Nagata has extensive experience in the operational area of financial control and accounting and has a considerable level of knowledge of matters of finance and accounting.
Michio Shibuya	Audit & Supervisory Board Member (Outside)	Certified Public Accountant Outside Audit & Supervisory Board Member, Business Brain Showa-Ota Inc.	Mr. Shibuya is qualified as a Certified Public Accountant and has a considerable level of knowledge of matters of finance and accounting.
Kozue Shiga	Audit & Supervisory Board Member (Outside)	Lawyer Outside Director, Tokushu Tokai Paper, Co., Ltd. Outside Director, Toyoko Inn Co., Ltd. Outside Director, Ricoh Leasing Company, Ltd.	—

Notes

1. Outside Directors Ernest M. Higa, Shigeru Kani, Jun Makihara and Ryuichi Tamura and Outside Audit & Supervisory Board Members Michio Shibuya and Kozue Shiga submitted an "independent director statement" (*dokuritsu-yakuin todokede-sho*) to the Tokyo Stock Exchange, Inc.
2. The Bank has adopted the Executive Officer system. As of March 31, 2016, there were 27 Executive Officers including those who also serve as Directors.

(Translation)

(2) Compensation for Corporate Directors and Officers

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

Classification	Number of payees	Compensation, etc.	Remarks
Directors	8 (Of whom, 1 has already resigned)	218 million yen	
Audit & Supervisory Board Members	4 (Of whom, 1 has already resigned)	43 million yen	
Total	12 (Of whom, 2 has already resigned)	261 million yen	

Notes

1. Figures have been truncated to the unit stated in all amounts shown above.
2. In the above categories, 3 Directors (of whom, 1 has already resigned) also work as Executive Officer.
3. The Bank does not pay performance-linked compensation to its Directors.
4. The 15th General Meeting of Shareholders held on June 17, 2015 adopted a resolution to set ceilings for the total amount of compensation, etc. paid to Directors at 180 million yen a year (including 60 million yen for outside Directors) and the 10th General Meeting of Shareholders held on June 23, 2010 adopted a resolution to set ceilings for the total amount of compensation, etc. paid to Audit & Supervisory Board members at 60 million yen a year. However, these amounts do not include salaries payable to Directors as the Bank's employees when they also work as the Bank's employees.
5. The Bank resolved at its Board of Directors meeting, held on May 12, 2015 to abolish of the retirement allowance plan for Officers and the introduction of equity remuneration type stock options to the Full-Time Directors was resolved at the 15th General Meeting of Shareholders held on June 17, 2015. Separately from the maximum remuneration stated above as 4, the 15th General Meeting of Shareholders held on June 17, 2015 adopted a resolution to set ceilings for allotment the Subscription Warrants not exceeding 50 million yen annually to the Full-Time Directors as equity remuneration type stock options.
6. Based on the resolution passed at the 15th General Meeting of Shareholders held on June 17, 2015 the total amount 90million yen of retirement allowances which was paid to the director who retired at the close of the Meeting and is to be paid to the existing Full-Time director due to the abolition of the retirement allowance plan for Officers is included in 'Compensation, etc.' in the table above.
7. The account payable of 2 million yen which is accrued from the beginning of the fiscal year till the resolution date as retirement allowances to Outside Directors and Audit & Supervisory Board members due to the abolition of the retirement allowance plan for Officers resolved at the 15th General Meeting of Shareholders held on June 17, 2015 is included in 'Compensation, etc.' in the table above.

(3) Agreement for Limitation on Liability

Name	Overview of Contents of Agreement for Limitation on Liability
J. Christopher Flowers Ernest M. Higa Shigeru Kani Jun Makihara Ryuichi Tomimura Michio Shibuya Kozue Shiga	The Outside Directors and the Outside Audit & Supervisory Board Members' liability for any damage caused through neglect of their duties and responsibilities shall be limited under Article 427, Paragraph 1 of the Corporation Act. If the Bank suffers damage as a result of such neglect, the Outside Directors and the Outside Audit & Supervisory Board Members shall be liable up to the lowest maximum liability provided for in Article 425, Paragraph 1 of the Corporation Act, provided that there should be no willful misconduct or gross negligence involved in their duties and responsibilities.

(Translation)

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

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

Name	Concurrent Posts and Other Details	Relationship between the Bank and the company in question
J. Christopher Flowers	Managing Director and Chief Executive Officer (Executive Officer), J. C. Flowers & Co. LLC	Investors in private investment funds advised by J.C. Flowers & Co. LLC (JCF) are also investors in Shinsei through certain of the Bank's major shareholders that are also advised by JCF. The Bank has invested in private investment funds advised by JCF.
	Member of the Advisory Board, The Kessler Group	The Bank invests in The Kessler Group indirectly.
	Member of the Supervisory Board, NIBC Holding N.V.	The Bank invests in NIBC Holding N.V. indirectly.
Ernest M. Higa	Chairman President & Chief Executive Officer (Executive Officer), Higa Industries Co., Ltd.	The Bank has no particular transactions with Higa Industries Co., Ltd. including shareholdings, etc.
	Chief Executive Officer (Executive Officer), Wendy's Japan	The Bank has no particular transactions with Wendy's Japan including shareholdings, etc.
	Director, JC Comsa Corporation	The Bank has no particular transactions with JC Comsa Corporation including shareholdings, etc.
	Board of Overseers, Columbia Business School	The Bank has no particular transactions with Columbia Business School including shareholdings, etc.
	Board Member, The Tokyo New Business Conference	The Bank has no particular transactions with The Tokyo New Business Conference including shareholdings, etc.
Shigeru Kani	Specially Appointed Professor, Yokohama College of Commerce	The Bank has no particular transactions with Yokohama College of Commerce including shareholdings, etc.
Jun Makihara	Outside Director, Monex Group, Inc.	The Bank extends loans to Monex Group, Inc. The Bank has no other relationship, including shareholdings, etc.
	Outside Director, Philip Morris International Inc.	The Bank has no particular transactions with Philip Morris International Inc. including shareholdings, etc.
Ryuichi Tomimura	Executive Vice President (Executive Officer), SIGMAXYZ Inc.	The Bank has no particular transactions with SIGMAXYZ Inc. including shareholdings, etc.
	Outside Director, Plan·Do·See Inc.	The Bank has no particular transactions with Plan·Do·See Inc. including shareholdings, etc.
Michio Shibuya	Outside Audit & Supervisory Board Member, Business Brain Showa-Ota Inc.	The Bank has no particular transactions with Business Brain Showa-Ota Inc. including shareholdings, etc.
Kozue Shiga	Outside Director, Tokushu Tokai Paper, Co., Ltd.	The Bank has no particular transactions with Tokushu Tokai Paper, Co., Ltd. including shareholdings, etc.
	Outside Director, Toyoko Inn Co., Ltd.	The Bank has no particular transactions with Toyoko Inn Co., Ltd. including shareholdings, etc.
	Outside Director, Ricoh Leasing Company, Ltd.	The Bank has no particular transactions with Ricoh Leasing Company, Ltd. including shareholdings, etc.

(Translation)

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

Name	Term of Office	Participation in Meetings of Board of Directors etc.	Remarks at Meetings of Board of Directors etc. and Other Activities
J. Christopher Flowers	15 years as an Outside Director and 1 year as a Director (Non-executive)	Participated in all ten meetings of the Board of Directors held during this fiscal year	Provided timely and necessary remarks and advice on general agenda items and deliberations based upon his wide-ranging financial knowledge.
Ernest M. Higa	2 year 9 months	Participated in nine out of ten meetings of the Board of Directors held during this fiscal year	Provided timely and necessary remarks and advice on agenda items and deliberation based upon his extensive knowledge regarding business for consumers and his experience as an executive officer.
Shigeru Kani	11 years 9 months	Participated in all ten meetings of the Board of Directors held during this fiscal year	Provided timely and necessary remarks and advice on agenda items and deliberations in terms of risk management – his specialty.
Jun Makihara	4years 9 months	Participated in all ten meetings of the Board of Directors held during this fiscal year	Provided timely and necessary remarks and advice on general agenda items based upon his wide-ranging financial knowledge.
Ryuichi Tomimura	9 months as an Outside Director and 1 year as an Outside Audit & Supervisory Board Member	Participated in all ten meetings of the Board of Directors held during this fiscal year and all three meetings of the Audit & Supervisory Board held during this fiscal year before assuming Director's office in June 2015	Provided necessary remarks and advice on general agenda items and deliberations with extensive experience and wide range of knowledge including information system as a management executive and a consultant.
Michio Shibuya	9 months	Participated in all eight meetings of the Board of Directors and all nine meetings of the Audit & Supervisory Board held during this fiscal year after assuming office in June 2015	Provided necessary remarks and advice on agenda items and deliberations mainly from his special viewpoint as a certified public accountant and experienced outside auditor of other companies.
Kozue Shiga	5 years 9 months	Participated in all ten meetings of the Board of Directors and all twelve meetings of the Audit & Supervisory Board held during this fiscal year	Provided necessary remarks and advice on agenda items and deliberations mainly from her special viewpoint as a lawyer and experienced outside auditor and director of other companies.

(3) Compensation for Outside Directors and Outside Audit & Supervisory Board Members

	Number of payees	Compensation, etc. received from the Bank	Compensation, etc. received from the Bank's parent company
Total compensation, etc. for Outside Directors and Outside Audit & Supervisory Board Members	8persons (Of whom, 1 has already resigned)	69 million yen	—

Note

1. Figures have been truncated to the unit stated in all amounts shown above.
2. The Bank does not pay performance-linked compensation to its Directors.
3. In accordance with the resolution approved in the 15th Annual General Meeting of Shareholders held on June 17, 2015 to terminate the payment of retirement allowances to Outside Directors and Outside Audit & Supervisory Board Members, 1 million yen is included in the item "compensation, etc." in the table above for unpaid retirement allowances to Outside Directors and Outside Audit & Supervisory Board Members accrued during the period between the start of the fiscal year and the approval of the resolution.

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

None

(Translation)

4. Matters concerning Shares of the Bank

(1) The Number of Shares

- Aggregate number of shares authorized to be issued

4,000,000 (thousand shares)

- Aggregate number of shares issued

2,750,346 (thousand shares)

Note

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

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

37,824

(3) Major Shareholders

Shareholder's name	Investment in the Bank	
	Number of shares (thousand)	Shareholding percentage
SATURN IV SUB LP (JPMCB 380111)	323,680	12.19%
Deposit Insurance Corporation of Japan	269,128	10.14%
The Resolution and Collection Corporation	200,000	7.53%
SATURN JAPAN III SUB C.V. (JPMCB 380113)	110,449	4.16%
The Master Trust Bank of Japan ,Ltd. (Trust Account)	97,721	3.68%
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	82,374	3.10%
JAMES CHRISTOPHER FLOWERS 380603	76,742	2.89%
JP MORGAN CHASE BANK 380055	73,936	2.78%
JPMCB:CREDIT SUISSE SECURITIES EUROPE-JPY 1007760	73,736	2.77%
Japan Trustee Services Bank, Ltd. (Trust Account)	69,592	2.62%

Notes

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

2. *Shareholding percentages have been calculated by deducting treasury shares (96,429 thousand shares) from the denominator and rounding down to the second decimal place.*

3. *The Bank has been notified that the shares under the name "JAMES CHRISTOPHER FLOWERS 380603" are substantially held by Mr. J. Christopher Flowers, a director of the Bank.*

(Translation)

5. Stock Acquisition Rights of the Bank

(1) Stock acquisition rights of the Bank owned by the Directors, Outside Directors, and Audit & Supervisory Board Members of the Bank as of the end of the fiscal year ended March 31, 2016.

	17th Issuance of Stock Acquisition Rights	20th Issuance of Stock Acquisition Rights
Date of resolution at Board of Directors meeting	May 9, 2007	May 14, 2008
Issue date	May 25, 2007	May 30, 2008
Number of stock acquisition rights issued	3,306	2,830
Holdings by Directors (excluding Outside Directors)	-	-
Holdings by Outside Directors	20 / 2 persons	20 / 2 persons
Holdings by Audit & Supervisory Board Members	-	-
Class and number of shares that can be purchased through the exercise of stock acquisition rights	Common stock/ 1,224,000 shares (1,000 shares per stock acquisition right)	Common stock/ 1,139,000 shares (1,000 shares per stock acquisition right)
Per-share amount to be paid upon exercise of stock acquisition rights	555 yen	416 yen
Exercise period of stock acquisition rights	From June 1, 2009 to May 8, 2017	From June 1, 2010 to May 13, 2018
Conditions for exercising stock acquisition rights	<p>1) In case a Stock Acquisition Rights holder dies and his or her legal heir completes the succession procedures within a term fixed by the Bank, Stock Acquisition Rights may be inherited by the legal heir of the Stock Acquisition Rights holder.</p> <p>2) In principle, holders may exercise up to half of these rights between June 1, 2009 and May 31, 2011 (any amount less than one shall be rounded up). However, in certain cases as stipulated in the "Agreement on the granting of Stock Acquisition Rights," all stock acquisition rights may be exercised from the first day of the exercise period.</p> <p>3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other way.</p> <p>4) Other conditions shall be stipulated in the "Agreement on the granting of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the annual general meeting of shareholders for the sixth term and the Board of Directors meeting held on the day shown above.</p>	<p>1) In case a Stock Acquisition Rights holder dies and his or her legal heir completes the succession procedures within a term fixed by the Bank, Stock Acquisition Rights may be inherited by the legal heir of the Stock Acquisition Rights holder.</p> <p>2) In principle, holders may exercise up to half of these rights between June 1, 2010 and May 31, 2012 (any amount less than one shall be rounded up). However, in certain cases as stipulated in the "Agreement on the granting of Stock Acquisition Rights," all stock acquisition rights may be exercised from the first day of the exercise period.</p> <p>3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other way.</p> <p>4) Other conditions shall be stipulated in the "Agreement on the granting of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the annual general meeting of shareholders for the seventh term and the Board of Directors meeting held on the day shown above.</p>
Favorable terms	Stock Acquisition Rights that have been issued without charge.	

(2) Stock Acquisition Rights of the Bank issued to employees, etc. during the fiscal year ended March 31, 2015

None

(Translation)

6. Matters concerning the Bank's Independent Accounting Auditor

(1) The Bank's Independent Accounting Auditor

Name	Fees for This Fiscal Year (millions of yen)		Others
Deloitte Touche Tohmatsu LLC	Audit certification business	370	Business other than audit certification business includes research and reporting on internal control systems for capital adequacy ratios.
	Business other than audit certification business	89	
	Total fees	460	

Notes

1. Kazutoshi Kogure, Hidetaka Hayakawa, Hiroyuki Hamahara, and Akihiko Uchida are managing partners.
2. The audit certification business is the business that falls under Article 2, Paragraph 1 of the Certified Public Accountant Law.
3. The Audit & Supervisory Board gives consent, as set forth in Article 399, Paragraph 1 of the Corporation Act, to compensation for independent accounting auditors, after necessary examination of the details of their audit plans, execution of their duties of accounting audit, and the basis of calculation of compensation estimates.
4. Compensation for independent accounting auditors of the Bank and the consolidated subsidiaries of the Bank for this fiscal year is as follows.

Fees for This Fiscal Year (millions of yen)		
	Audit certification business	699
	Business other than audit certification business	91
Total fees		790

(2) Agreement for Limitation on Liability

None

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

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

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

In addition, the Audit & Supervisory Board's determine the agenda regarding the dismissal or non-reassignment of the independent accounting auditor to the General Meeting of Shareholders, if it is certain that the independent accounting auditor cannot exercise its duties properly or as otherwise demanded necessary And then the Board of Directors submits the Agenda to the General Meeting of Shareholders based on the Audit & Supervisory Boards' resolution.

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

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

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

None

(Translation)

8. Contents of Resolutions Concerning the Organization of a System to Ensure Business Relevance and Operational Status of the Said System

8-1. Outline of resolutions concerning a system to ensure business Relevance

To create a system for ensuring business relevance (internal control systems) as resolved by the Board of Directors pursuant to Article 362, Paragraph 4, Item 6 of the Companies Act and Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of Companies Act, we prescribe detailed rules in the “Internal Control Rules” and their related rules, and make resolutions at the Board of Directors meetings. “Executive directors” (*gyoumu-shikkou-torishimariyaku*) and Executive Officers are required to establish and operate internal control systems for the business areas they are responsible for, and all “executive directors” (*gyoumu-shikkou-torishimariyaku*), Executive Officers and employees of the Bank are required to observe such internal control systems. Furthermore, the Board of Directors periodically verifies the status of internal control systems and the Bank’s basic policy for building internal control systems. An outline of these activities is described below.

- (1) System for ensuring that the Bank’s directors and employees perform their duties in compliance with laws, regulations and the Articles of Incorporation (Article 362, Paragraph 4, Item 6 of the Companies Act; Article 100, Paragraph 1, Item 4 of the Ordinance for Enforcement of Companies Act)

We have established the “Shinsei Bank Code of Conduct” (the “Code of Conduct”) as a basis of the system to ensure that the Bank’s directors and employees perform their duties in compliance with laws, regulations, and the Articles of Incorporation. All officers and employees of the Bank are required to comply with it.

The Code of Conduct requires the Bank officers and employees to comply with the letter and spirit of all laws, regulations, and rules applicable to their duties at the Bank, and to follow internal procedures. In addition, it stipulates their obligation to report violations. The Code of Conduct also prescribes rules for respecting human rights, sincere and fair business activities, and behavior as an individual.

- (2) System for retaining and managing information related to the execution of duties by directors of the Bank (Article 100, Paragraph 1, Item 1 of the Ordinance for Enforcement of Companies Act)

We endeavor to retain and manage information related to the performance of duties by the Bank’s directors with due care required for each type of storage media in order to prevent information leakage. We also provide such information to the Audit & Supervisory Board Members of the Bank from time to time upon their request. In addition, we manage information regarding the performance of duties by the Bank’s directors and employees pursuant to the Information Security Policy established by the Bank.

The Information Security Policy recognizes information as important assets and requires appropriate management and protection of information assets.

- (3) Regulations and other systems concerning the management of risk of losses for the Bank (Article 100, Paragraph 1, Item 2 of the Ordinance for Enforcement of Companies Act)

We have established the Risk Management Policy to manage the risk of losses for the Bank and created a risk management system based on this Policy.

The Risk Management Policy prescribes the basic policy for comprehending and actively managing the sum of risks assumed by the Bank and the Bank Group. The Bank manages its risks by integrating the “macro approach” (distribution and evaluation of capital and resources by the management organ) and the “standardized business management framework” (a progressively decentralized transaction approval process). As the specific “business management framework”, the Policy provides for:

- ① Risk classifications such as credit risk, market risk, liquidity risk, operational risk, and investment risk;
- ② Composition, objectives, missions, and functions of various committee organizations corresponding to risks such as the Risk Policy Committee, Transaction Committee, Doubtful Debt Committee,

(Translation)

ALM Committee, Market Business Management Committee, and New Business and Product Committee; and

- ③ Functions, roles and responsibilities of the Divisions in charge of Integrated Risk Management and Credit Risk Management.

Moreover, we have established the Business Continuity Management Committee and various rules concerning the business continuity framework in order to continue important business operations and fulfill our responsibilities to customers and society as much as possible upon occurrence of large-scale disasters, accidents, or other events that disrupt our business activities.

- (4) System to ensure that the Bank's directors efficiently perform their duties and responsibilities (Article 100, Paragraph 1, Item 3 of the Ordinance for Enforcement of Companies Act)

We have adopted the Executive Officer system in order to ensure timely and efficient execution of daily business. Under the direction of "executive directors" (*gyoumu-shikkou-torishimariyaku*) headed by the Director and the President, "Executive Officers in charge" who are delegated authorities by the Board of Directors undertake operations for which they are responsible in accordance with the "Regulations of Business Execution."

The "Regulations of Business Execution" provide for basic matters for ensuring efficient execution of duties and responsibilities of directors and others. These include: standards for the election and dismissal of "executive directors" (*gyoumu-shikkou-torishimariyaku*) and Executive Officers, compliance with laws and regulations, a good manager's duty of care and duty of loyalty, duty not to compete, prohibition of actions constituting a conflict of interest, duty of reporting to the Board of Directors, actions to be taken when there is a concern that significant damage may be incurred to the Bank, retention and management of information concerning the execution of duties, establishment of the Executive Committee (composed of "executive directors" and "Heads of Executive Officers in Charge" and established as a body to allow the President to make decisions on business execution matters) as a body for the President to make decisions on business execution, and the duties and authorities of "executive directors" (*gyoumu-shikkou-torishimariyaku*) and Executive Officers, among other things.

- (5) System to ensure business relevance of corporate groups consisting of the Bank and its subsidiaries (Article 362, Paragraph 4, Item 6 of the Companies Act; Article 100, Paragraph 1, Item 5 of the Ordinance for Enforcement of Companies Act)

To ensure our business operations are consistent with our overall management policies, business plans, risk management and compliance frameworks, we designate the Divisions in charge of each of our subsidiaries and affiliates and create a system for such Divisions to provide guidance on and manage overall management of the subsidiaries and affiliates. The Bank's subsidiaries and affiliates also receive guidance on their business management and are managed in accordance with the Subsidiaries and Affiliates Policy.

The purpose of the Subsidiaries and Affiliates Policy is to maximize our Group value by clarifying the following three responsibilities with respect to the management of our subsidiaries and affiliates:

- ① Supporting the subsidiaries and affiliates to show their autonomy, while ensuring that their initiatives are consistent with the Bank's overall strategy and directions;
- ② Instructing the subsidiaries and affiliates to manage risks, perform administrative operations, and achieve operational efficiency at the level that is achieved by the Bank; and
- ③ Ensuring that the subsidiaries and affiliates comply with rules (including firewall rules), maintain their reputation, and establish appropriate internal controls.

To achieve this goal, the Policy stipulates issues concerning instructions to and management of subsidiaries and affiliates such as the roles and responsibilities of the Divisions in charge of them and other relevant divisions within the Bank, items requiring approval of the Executive Committee, responsibilities of the subsidiaries and affiliates, responsibilities of the Bank's officers and employees in relation to the Bank's subsidiaries and affiliates, and other responsibilities of the Bank's officers and employees.

(Translation)

- (6) Matters concerning employees who are required to assist the Audit & Supervisory Board Members of the Bank in fulfilling their duties and responsibilities and matters concerning ensuring the effectiveness of instructions given by the Audit & Supervisory Board Members of the Bank to the said employees (Article 100, Paragraph 3, Items 1 and 3 of the Ordinance for Enforcement of Companies Act)

We have established the Office of Audit & Supervisory Board Members to assist the Audit & Supervisory Board Members of the Bank in the performance of audits, and stipulate that the employees belonging to the Office of Audit & Supervisory Board Members are the employees who should assist the Audit & Supervisory Board Members in fulfilling their duties and responsibilities (the “Assistants”). The Assistants have an obligation to comply with the directions and orders the Audit & Supervisory Board Members give them and to report to the Audit & Supervisory Board Members the results of their work.

- (7) Matters concerning the independence of the employees defined in the preceding paragraph from the Bank’s directors (Article 100, Paragraph 3, Item 2 of the Ordinance for Enforcement of Companies Act)

The Office of Audit & Supervisory Board Members directly reports to the Audit & Supervisory Board Members of the Bank, and is established as an organization independent from the Bank’s directors and their business lines. As such, the Office of Audit & Supervisory Board seeks prior approval from the Audit & Supervisory Board concerning the appointment, dismissal, reassignment and transfer of the Assistants and other important matters concerning employment. Furthermore, the Office seeks prior approval of the Audit & Supervisory Board when revising wages and other remuneration of the Assistants.

- (8) Systems listed below and other systems concerning reporting to the Audit & Supervisory Board Members of the Bank (Article 100, Paragraph 3, Item 4 of the Ordinance for Enforcement of Companies Act)

① Directors and employees of the Bank are, when they have found any fact that could cause significant damage to the Bank, required to report without delay to the Audit & Supervisory Board Members of the Bank the matters concerning such a fact and other matters prescribed by the Bank’s Board of Directors or Audit & Supervisory Board.

② Directors, Audit & Supervisory Board members, and employees of the Bank’s subsidiary are, when they have found any fact that could cause significant damage to the subsidiary of the Bank, required to report without delay to the Audit & Supervisory Board Members of the Bank the matters concerning such a fact and other matters prescribed by the Bank’s Board of Directors or Audit & Supervisory Board.

③ The directors and employees of the Bank and directors, Audit & Supervisory Board members, and employees of the subsidiary of the Bank who have received a report on matters prescribed in each of the preceding items are required to report such matters without delay to the Audit & Supervisory Board Members of the Bank.

④ In addition to the preceding items, the whistle-blowing system and reports made under the said system to the Audit & Supervisory Board Members of the Bank by directors and employees of the Bank, and directors, Audit & Supervisory Board members, and employees of the Bank’s subsidiaries are handled appropriately pursuant to the “Compliance Hotline Procedure.”

- (9) System to ensure that people who made a report under the preceding paragraph are not treated disadvantageously on the ground they made the said report (Article 100, Paragraph 3, Item 5 of the Ordinance for Enforcement of Companies Act)

We ensure that a person who makes a report that falls under the preceding paragraph is not treated disadvantageously in relation to his/her employment conditions and other matters on the ground that the said person made the said report.

- (10) Procedures for advance payment or refund of expenses incurred for the execution of duties by the Audit & Supervisory Board Members of the Bank and matters concerning the policy for handling other expenses or obligations incurred in the execution of such duties (Article 100, Paragraph 3, Item 6 of the

(Translation)

Ordinance for Enforcement of Companies Act)

When the Audit & Supervisory Board Members of the Bank have requested advance payment and so forth of expenses incurred in relation to the execution of their duties pursuant to each item of Article 388 of the Companies Act, we ensure that the Bank shall promptly process such expenses or obligations unless it is deemed that such expenses or obligations are unnecessary for the execution of the relevant duties by the Audit & Supervisory Board Members. Furthermore, the Audit & Supervisory Board Members of the Bank may, as necessary, hire outside experts at the expense of the Bank within the scope permitted by laws.

- (11) Other systems to ensure that audits by the Audit & Supervisory Board Members of the Bank are performed effectively (Article 100, Paragraph 3, Item 7 of the Ordinance for Enforcement of Companies Act)

Directors and employees of the Bank are required to cooperate with audits by the Audit & Supervisory Board Members and are not permitted to take actions that obstruct their audits.

- (12) Others

We declare in the “Charter of Corporate Ethics” resolved by the Board of Directors that we will take a firm and resolute stand against antisocial forces which threaten the order and security of our society, and that we will consistently prevent illegal interference by such antisocial forces and completely exclude and eliminate any relationships with antisocial forces.

In order to verify the effectiveness of the above-mentioned internal control systems, the Internal Audit Division conducts internal audits in accordance with the “Internal Audit Policy” determined by the Board of Directors with the approval of the Audit & Supervisory Board and President, and reports the audit results to the President and the Audit & Supervisory Board.

8-2.Outline of operational status of the system to ensure business Relevance

The major operational status in this fiscal year is as follows.

- (1) Status of activities to ensure that the Bank’s directors and employees perform their duties in compliance with laws, regulations and the Articles of Incorporation

All officers and employees of the Bank including the Representative Director receive training (e-learning) on the “Shinsei Bank Code of Conduct” and pledge their compliance with the Code each year. In addition, an external legal counsel attends the Board of Directors meetings so that when it is necessary to make judgment concerning matters related to compliance with laws, regulations and so forth, the counsel can be consulted as needed and in an appropriate manner. Furthermore, the Audit & Supervisory Board Members audit business execution by directors from the viewpoint of compliance with laws, regulations, and so forth.

For compliance-related issues, we appoint a Chief Compliance Officer and Compliance Officer in all the Divisions, Departments, and Branches to conduct monitoring.

We have a whistle-blowing system as an independent system from business execution lines. In addition to the Legal and Compliance Division, full-time Audit & Supervisory Board Members and external lawyers work as contact persons and keep the full-time Audit & Supervisory Board Members informed of any reports made to them and the details of the investigations conducted.

- (2) Status of activities for retaining and managing information related to the execution of duties of directors of the Bank

Pursuant to the Information Security Policy, we recognize information as our important assets and prepare and retain various types of information assets in a manner consistent with internal procedures stipulated in the Policy. We ensure that access to such information assets is controlled in accordance with

(Translation)

their characteristics and manage them appropriately. Furthermore, we regularly conduct self-checks of all Divisions, Departments, and Branches concerning information security and make efforts to improve any problems as needed.

(3) Status of activities for managing risk of losses for the Bank

We have established the Risk Management Policy and created a risk management system based on this Policy. Pursuant to the basic approach delineated in the Policy, we perform risk management through the Divisions responsible for integrated risk and credit risk, the Risk Policy Committee, Transaction Committee, Doubtful Debt Committee, ALM Committee, Market Business Management Committee, and New Business and Product Committee.

(4) Status of activities to ensure that the Bank's directors efficiently perform their duties and responsibilities

Our Board of Directors consists of seven directors including five outside directors. Three Audit & Supervisory Board Members, two of whom are outside Audit & Supervisory Board Members, also attend the Board meetings. The Board of Directors deliberates agenda items and oversees the Bank's business execution status and other issues through six regular meetings held each year and special meetings convened as necessary.

Executive Officers and Group Heads who are delegated authorities from the Board of Directors execute businesses for which they are responsible pursuant to the "Regulations of Business Execution" and under the directions given by "executive directors" (*gyoumu-shikkou-torishimariyaku*) headed by the Director and the President. In addition, the Executive Committee makes decisions when necessary.

Under this system, we develop Group-based Medium-Term Management Plans that cover a period of three fiscal years, and set annual plans/budgets and important management indicators (KPI: Key Performance Indicator) for each fiscal year to make the Medium-Term Management Plan more specific. The Bank's management review the process and progress status for achieving the Plan at the Business Performance Review (BPR) conducted three times a year.

(5) Status of activities to ensure business relevance of corporate groups consisting of the Bank and its subsidiaries

Pursuant to the Subsidiaries and Affiliates Policy, we have designated the Divisions in charge of each subsidiary and affiliate and have created a system where the Divisions in charge generally give guidance and manage the management of the subsidiaries and affiliates, while the Corporate Planning Division oversees overall management of the subsidiaries and affiliates. The relevant Divisions in the Bank report to the Executive Committee the business activities of the subsidiaries and matters concerning their governance every quarter and submit important matters concerning the management of the subsidiaries to the Executive Committee for its approval.

(6) Status of activities concerning employees, if any, who are appointed to assist the Audit & Supervisory Board Members of the Bank in performing their duties, and activities concerning independence of the said employees from directors

We have established the Office of Audit & Supervisory Board Members to assist the Audit & Supervisory Board Members of the Bank in the performance of audits. The Assistants who belong to the said Office report to the Audit & Supervisory Board Members the results of their work in accordance with the directions and orders given by the Audit & Supervisory Board Members.

(7) Status of activities concerning a system for the Bank's directors and employees to give reports to the

(Translation)

Audit & Supervisory Board Members and other systems for giving reports to the Audit & Supervisory Board Members, and activities to ensure that audits by the Audit & Supervisory Board Members are performed effectively

The Audit & Supervisory Board consists of three Audit & Supervisory Board Members including two outside Audit & Supervisory Board Members. As a general rule, the Audit & Supervisory Board holds a meeting every month where they receive reports on, discuss, and make resolutions for, important matters concerning audits. In addition, the Audit & Supervisory Board has regular meetings with the Representative Director and accounting auditors to exchange opinions on the current status of compliance and internal controls.

Full-time Audit & Supervisory Board Members attend various important committees including the Compliance Committee, and conduct interviews on the relevant Divisions and Branches including the Group member companies in an attempt to improve the effectiveness of audits.

(8) Status of activities to eliminate antisocial forces

We have established “Guidelines for Handling Antisocial Forces” and the Financial Crime Information Department in the Legal and Compliance Division oversees planning, promotion, and management concerning the measures to deal with antisocial forces, and liaises with external specialist organizations and mainly takes the measures described below in close collaboration with the General Services Division. As the measures to eliminate antisocial forces, we regularly perform screening checks to determine if our customers fall under antisocial forces before and after we start transactions with them. In addition, we include designated clauses on the elimination of relationships with antisocial forces in contracts, agreements and other documents we sign at the time of transactions.

9. Matters Concerning Accountants

None

10. Others

None

(Translation)

Consolidated Balance Sheet

Shinsei Bank, Limited, and Consolidated Subsidiaries

As of March 31, 2016

	Millions of yen
ASSETS	
Cash and due from banks	¥1,129,213
Receivables under securities borrowing transactions	4,243
Other monetary claims purchased	81,763
Trading assets	336,345
Monetary assets held in trust	255,526
Securities	1,227,859
Loans and bills discounted	4,562,923
Foreign exchanges	17,024
Lease receivables and leased investment assets	211,453
Other assets	799,420
Premises and equipment	48,781
Buildings	16,640
Land	3,336
Tangible leased assets as lessor	21,120
Construction in progress	382
Other premises and equipment	7,300
Intangible assets	48,897
Software	25,888
Goodwill	18,114
Intangible leased assets as lessor	1
Intangible assets acquired in business combinations	4,188
Other intangible assets	703
Assets for retirement benefits	2,394
Deferred issuance expenses for debentures	3
Deferred tax assets	14,050
Customers' liabilities for acceptances and guarantees	280,620
Reserve for credit losses	(91,732)
Total assets	¥8,928,789
LIABILITIES AND EQUITY	
Liabilities:	
Deposits	¥5,499,992
Negotiable certificates of deposit	301,001
Debentures	16,740
Call money and bills sold	40,000
Payables under repurchase agreements	23,779
Payables under securities lending transactions	118,139
Trading liabilities	294,326
Borrowed money	801,742
Foreign exchanges	75
Short-term corporate bonds	129,400
Corporate bonds	95,121
Other liabilities	380,458
Accrued employees' bonuses	8,419
Accrued directors' bonuses	77
Liabilities for retirement benefits	8,791
Reserve for reimbursement of debentures	2,903
Reserve for losses on interest repayments	133,695
Deferred tax liabilities	378
Acceptances and guarantees	280,620
Total liabilities	8,135,665
Equity:	
Shareholders' equity:	
Common stock	512,204
Capital surplus	79,461
Retained earnings	267,716
Treasury stock, at cost	(72,559)
Total shareholders' equity	786,823
Accumulated other comprehensive income:	
Unrealized gain (loss) on available-for-sale securities	11,911
Deferred gain (loss) on derivatives under hedge accounting	(14,770)
Foreign currency translation adjustments	362
Defined retirement benefit plans	(2,970)
Total accumulated other comprehensive income	(5,466)
Stock acquisition rights	512
Noncontrolling interests	11,254
Total equity	793,124
Total liabilities and equity	¥8,928,789

(Translation)

Consolidated Statement of Income

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the fiscal year ended March 31, 2016

	Millions of yen
ORDINARY INCOME	¥375,732
Interest income	140,739
Interest on loans and bills discounted	124,928
Interest and dividends on securities	13,300
Interest on call loans and bills bought	59
Interest on receivables under resale agreements	102
Interest on receivables under securities borrowing transactions	5
Interest on deposits with banks	1,119
Other interest income	1,224
Fees and commissions income	47,357
Trading income	8,598
Other business income	150,925
Other ordinary income	28,111
Recoveries of written-off claims	8,166
Other	19,945
ORDINARY EXPENSES	313,641
Interest expenses	18,394
Interest on deposits	8,212
Interest on negotiable certificates of deposit	224
Interest on debentures	24
Interest on call money and bills sold	120
Interest on payables under repurchase agreements	154
Interest on payables under securities lending transactions	181
Interest on borrowings	4,792
Interest on short-term corporate bonds	439
Interest on corporate bonds	2,877
Other interest expenses	1,367
Fees and commissions expenses	21,864
Trading losses	170
Other business expenses	100,883
General and administrative expenses	148,791
Amortization of goodwill	5,256
Amortization of intangible assets acquired in business combinations	2,161
Other general and administrative expenses	141,373
Other ordinary expenses	23,537
Provision of reserve for credit losses	10,802
Other	12,734
ORDINARY PROFIT	62,090
Extraordinary gains	1,714
Gain on disposal of premises and equipment	544
Other extraordinary gains	1,169
Extraordinary losses	987
Loss on disposal of premises and equipment	71
Impairment losses	636
Other extraordinary losses	279
Income before income taxes	62,817
Income taxes (benefit) - current	1,999
Income taxes (benefit) - deferred	(511)
Total income taxes (benefit)	1,488
Profit	61,329
Profit attributable to noncontrolling interests	378
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	¥60,951

(Translation)

Consolidated Statement of Changes in Equity

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the fiscal year ended March 31, 2016

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Total shareholders' equity
Balance at beginning of the year (Millions of yen)	¥512,204	¥79,461	¥209,419	(¥72,558)	¥728,526
Changes during the year					
Dividends			(2,653)		(2,653)
Profit attributable to owners of the parent			60,951		60,951
Purchase of treasury stock				(0)	(0)
Changes in ownership interest of the parent related to transactions with noncontrolling interests		(0)			(0)
Decrease by inclusion of consolidated subsidiaries			(0)		(0)
Net changes during the year excluding shareholders' equity					
Total changes during the year	—	(0)	58,297	(0)	58,296
Balance at end of the year (Millions of yen)	¥512,204	¥79,461	¥267,716	(¥72,559)	¥786,823

	Accumulated other comprehensive income					Stock acquisition rights	Noncontrolling interests	Total equity
	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total accumulated other comprehensive income			
Balance at beginning of the year (Millions of yen)	¥10,830	(¥11,501)	¥3,682	(¥515)	¥2,496	¥1,211	¥21,528	¥753,762
Changes during the year								
Dividends								(2,653)
Profit attributable to owners of the parent								60,951
Purchase of treasury stock								(0)
Changes in ownership interest of the parent related to transactions with noncontrolling interests								(0)
Decrease by inclusion of consolidated subsidiaries								(0)
Net changes during the year excluding shareholders' equity	1,080	(3,269)	(3,320)	(2,454)	(7,962)	(698)	(10,273)	(18,935)
Total changes during the year	1,080	(3,269)	(3,320)	(2,454)	(7,962)	(698)	(10,273)	39,361
Balance at end of the year (Millions of yen)	¥11,911	(¥14,770)	¥362	(¥2,970)	(¥5,466)	¥512	¥11,254	¥793,124

(Translation)

Nonconsolidated Balance Sheet

Shinsei Bank, Limited

As of March 31, 2016

	Millions of yen
ASSETS	
Cash and due from banks	¥1,049,396
Cash	5,046
Due from banks	1,044,350
Other monetary claims purchased	192,146
Trading assets	311,832
Derivatives for securities held to hedge trading transactions	25,885
Trading-related financial derivatives	285,946
Monetary assets held in trust	151,647
Securities	1,603,809
Japanese national government bonds	748,010
Japanese local government bonds	505
Japanese corporate bonds	68,513
Equity securities	384,254
Other securities	402,524
Loans and bills discounted	4,300,152
Bills discounted	368
Loans on bills	33,351
Loans on deeds	3,667,596
Overdrafts	598,835
Foreign exchanges	17,024
Due from foreign banks	15,427
Foreign bills receivable	1,596
Other assets	205,762
Prepaid expenses	2,037
Accrued income	8,129
Margin on futures transactions	4,217
Suspense payment on futures transactions	483
Derivatives held in banking account	98,943
Cash collateral paid for financial instruments	37,713
Deferred issuance expenses for corporate bonds	178
Other	54,059
Premises and equipment	17,813
Buildings	13,003
Construction in progress	62
Other premises and equipment	4,748
Intangible assets	13,572
Software	10,966
Goodwill	1,200
Leased assets	678
Other intangible assets	726
Prepaid pension cost	1,073
Deferred issuance expenses for debentures	3
Deferred expenses for issuance of debentures	3
Customers' liabilities for acceptances and guarantees	21,730
Reserve for credit losses	(28,282)
Total assets	¥7,857,682

(Translation)

	Millions of yen
LIABILITIES AND EQUITY	
Liabilities:	
Deposits	¥5,664,767
Current accounts	49,342
Ordinary deposits	2,133,046
Notice deposits	20,095
Time deposits	3,005,648
Other deposits	456,634
Negotiable certificates of deposit	301,001
Debentures	16,740
Issuance of debentures	16,740
Call money	40,000
Payables under repurchase agreements	23,779
Payables under securities lending transactions	116,409
Trading liabilities	291,356
Derivatives for securities held to hedge trading transactions	23,341
Trading-related financial derivatives	268,014
Borrowed money	374,827
Borrowed money	374,827
Foreign exchanges	75
Foreign bills payable	75
Corporate bonds	57,619
Other liabilities	162,635
Income taxes payable	748
Accrued expenses	23,595
Unearned income	692
Derivatives held in banking account	87,365
Cash collateral received for financial instruments	28,803
Asset retirement obligations	7,443
Other	13,987
Accrued employees' bonuses	4,511
Reserve for reimbursement of debentures	2,903
Deferred tax liabilities	2,873
Acceptances and guarantees	21,730
Total liabilities	7,081,231
Equity:	
Shareholders' equity:	
Common stock	512,204
Capital surplus	79,465
Additional paid-in capital	79,465
Retained earnings	264,216
Legal reserve	13,689
Other retained earnings	250,526
Unappropriated retained earnings	250,526
Treasury stock, at cost	(72,559)
Total shareholders' equity	783,327
Unrealized gain (loss) on available-for-sale securities	10,777
Deferred gain (loss) on derivatives under hedge accounting	(18,166)
Total net unrealized gain (loss) and translation adjustments	(7,389)
Stock acquisition rights	512
Total equity	776,450
Total liabilities and equity	¥7,857,682

(Translation)

Nonconsolidated Statement of Income

Shinsei Bank, Limited

For the fiscal year ended March 31, 2016

	Millions of yen
ORDINARY INCOME	¥176,230
Interest income	109,149
Interest on loans and bills discounted	80,384
Interest and dividends on securities	25,952
Interest on call loans	59
Interest on receivables under resale agreement	102
Interest on receivables under securities borrowing transactions	0
Interest on deposits with banks	1,049
Other interest income	1,601
Fees and commissions income	19,285
Domestic and foreign exchange commissions income	1,210
Other fees and commissions income	18,075
Trading income	5,031
Income from securities held to hedge trading transactions	361
Income from trading-related financial derivatives	4,670
Other business income	13,264
Gains on foreign exchange	5,596
Gains on sales of bonds	6,944
Income from derivatives held in banking account	453
Other	270
Other ordinary income	29,499
Net reversal of reserve for credit losses	17,119
Recoveries of written-off claims	3,505
Gains on sales of equity securities and others	1,293
Gains on monetary assets held in trust	4,493
Other	3,087
ORDINARY EXPENSES	126,863
Interest expenses	15,778
Interest on deposits	8,225
Interest on negotiable certificates of deposit	224
Interest on debentures	24
Interest on call money	120
Interest on payables under repurchase agreements	154
Interest on payables under securities lending transactions	171
Interest on borrowings	2,088
Interest on corporate bonds	3,403
Interest on swaps	1,347
Other interest expenses	19
Fees and commissions expenses	24,103
Domestic and foreign exchange commissions expenses	1,353
Other fees and commissions expenses	22,750
Trading losses	197
Other trading losses	197
Other business expenses	2,285
Losses on sales of bonds	1,191
Amortization of deferred issuance expenses for debentures	8
Amortization of deferred issuance expenses for corporate bonds	251
Other	833
General and administrative expenses	76,173
Other ordinary expenses	8,324
Losses on write-off of loans	498
Losses on sales of equity securities and others	3,606
Losses on write-down of equity securities and others	638
Losses on monetary assets held in trust	2
Provision for reimbursement of debentures	2,903
Other	675
ORDINARY PROFIT	49,366
Extraordinary gains	842
Gain on disposal of premises and equipment	0
Gain on liquidation of subsidiaries and affiliates	143
Other extraordinary gains	698
Extraordinary losses	7,374
Loss on disposal of premises and equipment	57
Impairment losses	480
Other extraordinary losses	6,836
Income before income taxes	42,834
Income taxes (benefit) - current	(618)
Income taxes (benefit) - deferred	1,886
Total income taxes (benefit)	1,268
NET INCOME	¥41,566

(Translation)
Nonconsolidated Statement of Changes in Equity
Shinsei Bank, Limited
For the fiscal year ended March 31, 2016

(Millions of yen)

	Shareholders' equity							Treasury stock, at cost	Total shareholders' equity
	Common stock	Capital surplus		Legal reserve	Retained earnings				
		Additional paid-in capital	Total capital surplus		Other retained earnings	Total retained earnings			
Balance at beginning of the year	¥512,204	¥79,465	¥79,465	¥13,158	¥212,144	¥225,303	(¥72,558)	¥744,415	
Changes during the year									
Dividends				530	(3,184)	(2,653)		(2,653)	
Net income					41,566	41,566		41,566	
Purchase of treasury stock							(0)	(0)	
Net changes during the year excluding shareholders' equity									
Total changes during the year	-	-	-	530	38,381	38,912	(0)	38,912	
Balance at end of the year	¥512,204	¥79,465	¥79,465	¥13,689	¥250,526	¥264,216	(¥72,559)	¥783,327	

	Net unrealized gain (loss) and translation adjustments			Stock acquisition rights	Total equity
	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Total net unrealized gain (loss) and translation adjustments		
Balance at beginning of the year	¥8,502	(¥17,395)	(¥8,893)	¥1,211	¥736,733
Changes during the year					
Dividends					(2,653)
Net income					41,566
Purchase of treasury stock					(0)
Net changes during the year excluding shareholders' equity	2,275	(771)	1,503	(698)	804
Total changes during the year	2,275	(771)	1,503	(698)	39,717
Balance at end of the year	¥10,777	(¥18,166)	(¥7,389)	¥512	¥776,450

INDEPENDENT AUDITOR'S REPORT

May 9, 2016

To the Board of Directors of
Shinsei Bank, Limited:

Deloitte Touche Tohmatsu LLC

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

Kazutoshi Kogure

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

Hidetaka Hayakawa

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

Hiroyuki Hamahara

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

Akihiko Uchida

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated balance sheet as of March 31, 2016 of Shinsei Bank, Limited (the "Bank") and its consolidated subsidiaries, and the related consolidated statements of income and changes in equity for the fiscal year from April 1, 2015 to March 31, 2016, and the related notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Bank and its consolidated subsidiaries as of March 31, 2016, and the results of their operations for the year then ended in accordance with accounting principles generally accepted in Japan.

Interest

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

INDEPENDENT AUDITOR'S REPORT

May 9, 2016

To the Board of Directors of
Shinsei Bank, Limited:

Deloitte Touche Tohmatsu LLC

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

Kazutoshi Kogure

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

Hidetaka Hayakawa

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

Hiroyuki Hamahara

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

Akihiko Uchida

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the financial statements, namely, the balance sheet as of March 31, 2016 of Shinsei Bank, Limited (the "Bank"), and the related statements of income and changes in equity for the 16th fiscal year from April 1, 2015 to March 31, 2016, and the related notes and the accompanying supplemental schedules.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Audit Opinion

In our opinion, the financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of the Bank as of March 31, 2016, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in Japan.

Interest

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

(Translation)

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

REPORT OF THE AUDIT & SUPERVISORY BOARD

The Audit & Supervisory Board of Shinsei Bank, Limited (hereinafter, the “Bank”) prepared this report, upon deliberation based on audit reports prepared by each Audit & Supervisory Board Member, in relation to the execution of duties by the Bank’s Directors during the 16th fiscal year (from April 1, 2015 to March 31, 2016).

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

(1) The Audit & Supervisory Board determined the audit policy, audit plan and assignment of audit duties, etc. and received reports from each Audit & Supervisory Board Member on the status and results of audits. Moreover, we received reports from Directors and the Accounting Auditor, etc. on the execution of their duties and requested explanations, as needed.

(2) In accordance with the audit policy, audit plan and assignment of audit duties, etc. determined by the Audit & Supervisory Board, each Audit & Supervisory Board Member made efforts to communicate with Directors, the internal audit section and other employees, etc., collect information and improve the audit environment, and conducted audits as follows:

A. At the same time, we investigated the status of the Bank’s business activities and assets by attending important meetings, including the Board of Directors meetings, receiving reports and requesting explanations, as needed, from Directors and employees, etc. on the execution of their duties, referring to important approval documents, etc. In addition, with respect to the Bank’s subsidiaries, we communicated and exchanged information with their Directors, Audit & Supervisory Board Members and so forth and received reports on their business, as needed.

B. With regard to the Board of Directors resolutions on the establishment of frameworks to ensure that the execution of duties by Directors mentioned in the business report complies with laws, ordinances and the Bank’s Articles of Incorporation as well as other frameworks that are necessary to ensure appropriate business activities by a corporate group consisting of a corporation and its subsidiaries as stipulated in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Corporation Act, and frameworks (internal control system) based on such resolutions, we received reports from Directors and employees, etc., on a regular basis, on the status of establishing and administering such frameworks and requested explanations and expressed opinions, as needed.

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

C. In addition, we monitored and examined whether the Bank’s Accounting Auditor was

maintaining its independence and conducting appropriate audits; received its reports on the status of the execution of its duties; and requested explanations, as needed. Moreover, we received from the Accounting Auditor a notice stating that the “System for Ensuring the Appropriate Execution of Duties” (matter listed in each item of Article 131 of the Corporate Calculation Rules) is in operation in line with the “Audit Quality Control Standards” (released on October 28, 2005 by the Business Accounting Council), etc. and requested explanations, as needed.

Based on the above process, we examined the Bank’s business report and its attached schedules, financial statements (balance sheet, income statement, statements of changes in equity, notes), schedules attached thereto, and consolidated financial statements (consolidated balance sheet, consolidated income statement, consolidated statements of changes in equity, consolidated notes) for the relevant fiscal year.

2. Results of the Audit

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

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

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

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

(3) Results of the audit of consolidated financial statements

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

May 10, 2016

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