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[TRANSLATION]

TSE Stock code: 8303

Attachment

Consolidated Financial Statements

Financial Statements

Audit Reports

Consolidated Balance Sheet

Shinsei Bank, Limited, and Consolidated Subsidiaries

As of March 31, 2011

	millions of yen
ASSETS	
Cash and due from banks	¥452,751
Collateral related to securities borrowing transactions	10,388
Other monetary claims purchased	157,006
Trading assets	195,396
Monetary assets held in trust	253,688
Securities	3,286,382
Loans and bills discounted	4,291,462
Foreign exchanges	42,069
Leased receivable and leased investment assets	206,216
Other assets	794,798
Premises and equipment	50,099
Building	21,709
Land	8,805
Tangible leased assets	13,713
Construction in progress	655
Other tangible fixed assets	5,215
Intangible fixed assets	96,013
Software	25,044
Goodwill	49,526
Intangble leased assets	30
Intangible assets	20,521
Other intangible fixed assets	890
Deferred issuance expenses for debentures	182
Deferred tax assets	18,603
Customers' liabilities for acceptances and guarantees	575,700
Reserve for credit losses	(199,211)
[Total assets]	10,231,548
LIABILITIES AND EQUITY	
LIABILITIES:	
Deposits	¥5,436,640
Negotiable certificates of deposit	174,046
Debentures	348,270
Call money	160,330
Collateral related to securities lending transactions	269,697
Trading liabilities	147,787
Borrowed money	1,672,790
Foreign exchanges	39
Short-term corporate bonds	22,800
Corporate bonds	179,611
Other liabilities	569,362
Accrued employees' bonuses	8,084
Accrued directors' bonuses	38
Reserve for employees' retirement benefits	11,016
Reserve for directors' retirement benefits	285
Reserve for losses on interest repayments	43,199
Reserve under special law	1
Deferred tax liabilities	690
Acceptances and guarantees	575,700
[Total liabilities]	9,620,394
Equity:	
Shareholders' equity:	
Capital stock	512,204
Capital surplus	79,461
Retained earnings	55,087
Treasury stock, at cost	(72,558)
[Total shareholders' equity]	574,195
Accumulated other comprehensive income:	
Unrealized gain (loss) on available-for-sale securities	(15,225)
Deferred gain (loss) derivatives under hedge accounting	(10,197)
Foreign currency translation adjustments	(2,511)
[Total accumulated other comprehensive income]	(27,935)
Stock acquisition rights	1,413
Minority interests in subsidiaries	63,481
[Total equity]	611,154
[Total liabilities and equity]	¥10,231,548

Consolidated Statement of Income

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the fiscal years ended March 31, 2011

	millions of yen
ORDINARY INCOME	¥465,823
Interest income	207,137
Interest on loans and bills discounted	178,579
Interest and dividends on securities	23,857
Interest on call loans and bills discounted	103
Interest on collateral related to securities borrowing transactions	156
Interest on deposits with banks	296
Other interest income	4,144
Fees and commissions income	49,112
Trading profits	14,506
Other business income	180,209
Other ordinary income	14,856
ORDINARY EXPENSES	441,381
Interest expenses	50,475
Interest on deposits	33,950
Interest on negotiable certificates of deposit	595
Interest on debentures	2,392
Interest on call money and bills discounted	206
Interest on payables under repurchase agreements	2
Interest on collateral related to securities lending transactions	438
Interest on borrowings	7,098
Interest on short-term corporate bonds	222
Interest on corporate bonds	5,504
Other interest expenses	61
Fees and commissions expenses	23,080
Trading losses	2,857
Other business expenses	118,612
General and administrative expenses	158,459
Amortization of goodwill	8,371
Amortization of intangible assets	4,728
Other general and administrative expenses	145,360
Other ordinary expenses	87,895
Provision of reserve for loan losses	61,718
Other ordinary expenses	26,176
NET ORDINARY INCOME	24,441
Special gains	45,847
Gains on disposal of premises and equipment	124
Recoveries of written-off claims	14,854
Gains from the cancellation of issued bond and other instruments	29,486
Other special gains	1,382
Special losses	12,507
Losses on disposal of premises and equipment	677
Impairment losses	2,367
Other special losses	9,462
Income before income taxes and minority interests	57,782
Income taxes (benefit) - current	1,993
Income taxes (benefit) - deferred	5,229
Total income taxes (benefit)	7,223
Income before minority interests	50,558
Minority interests in net income of subsidiaries	7,908
NET INCOME	¥42,650

Consolidated Statement of Changes in Equity

Shinsei Bank, Limited, and Consolidated Subsidiaries

For the fiscal years ended March 31, 2011

	(millions of yen)
Shareholders' Equity	
Capital stock	
Balance at beginning of the period	**476,296**
Changes in amounts during the period	
Issuance of new shares	**35,907**
Total changes in amounts during the period	**35,907**
Balance at the end of the period	**512,204**
Capital surplus	
Balance at beginning of the period	**43,554**
Changes in amounts during the period	
Issuance of new shares	**35,907**
Total changes in amounts during the period	**35,907**
Balance at the end of the period	**79,461**
Retained earnings	
Balance at beginning of the period	**12,438**
Changes in amounts during the period	
Net income	**42,650**
Decrease by increase of consolidated subsidiary	**(0)**
Increase by decrease of consolidated subsidiary	**0**
Decrease by decrease of consolidated subsidiary	**(1)**
Total changes in amounts during the period	**42,649**
Balance at the end of the period	**55,087**
Treasury stock	
Balance at beginning of the period	**(72,558)**
Changes in amounts during the period	
Total changes in amounts during the period	–
Balance at the end of the period	**(72,558)**
Shareholders' Equity	
Balance at beginning of the period	**459,730**
Changes in amounts during the period	
Issuance of new shares	**71,815**
Net income	**42,650**
Decrease by increase of consolidated subsidiary	**(0)**
Increase by decrease of consolidated subsidiary	**0**
Decrease by decrease of consolidated subsidiary	**(1)**
Total changes in amounts during the period	**114,464**
Balance at the end of the period	**574,195**

Accumulated other comprehensive income	
Unrealized gain (loss) on available-for-sale securities	
Balance at beginning of the period	**1,398**
Changes in amounts during the period	
Total changes in amounts during the period excluding shareholders' equity (net)	**(16,624)**
Total changes in amounts during the period	**(16,624)**
Balance at the end of the period	**(15,225)**
Deferred gain (loss) on derivatives under hedge accounting	
Balance at beginning of the period	**(3,327)**
Changes in amounts during the period	
Total changes in amounts during the period excluding shareholders' equity (net)	**(6,870)**
Total changes in amounts during the period	**(6,870)**
Balance at the end of the period	**(10,197)**
Foreign currency translation adjustments	
Balance at beginning of the period	**(741)**
Changes in amounts during the period	
Total changes in amounts during the period excluding shareholders' equity (net)	**(1,770)**
Total changes in amounts during the period	**(1,770)**
Balance at the end of the period	**(2,511)**
Total accumulated other comprehensive income	
Balance at beginning of the period	**(2,669)**
Changes in amounts during the period	
Total changes in amounts during the period excluding shareholders' equity (net)	**(25,265)**
Total changes in amounts during the period	**(25,265)**
Balance at the end of the period	**(27,935)**
Stock acquisition rights	
Balance at beginning of the period	**1,672**
Changes in amounts during the period	
Total changes in amounts during the period excluding shareholders' equity (net)	**(259)**
Total changes in amounts during the period	**(259)**
Balance at the end of the period	**1,413**
Minority interests in subsidiaries	
Balance at beginning of the period	**176,221**
Changes in amounts during the period	
Total changes in amounts during the period excluding shareholders' equity (net)	**(112,740)**
Total changes in amounts during the period	**(112,740)**
Balance at the end of the period	**63,481**
Total equity	
Balance at beginning of the period	**634,954**
Changes in amounts during the period	
Issuance of new shares	**71,815**
Net income	**42,650**
Decrease by increase of consolidated subsidiary	**(0)**
Increase by decrease of consolidated subsidiary	**0**
Decrease by decrease of consolidated subsidiary	**(1)**
Total changes in amounts during the period excluding shareholders' equity (net)	**(138,264)**
Total changes in amounts during the period	**(23,800)**
Balance at the end of the period	**611,154**

<Policy for Preparation of Consolidated Financial Statements>

The definitions of subsidiaries and affiliates are based on the 8th paragraph of Article 2 of the Banking Act and Article 4-2 of the Banking Act Enforcement Order.

1. Scope of consolidation

(a) Consolidated subsidiaries: 121 companies

Major companies:

APLUS FINANCIAL Co., Ltd.
Showa Leasing Co., Ltd.
Shinki Co., Ltd.
Shinsei Financial Co., Ltd.
Shinsei Trust & Banking Co., Ltd.
Shinsei Securities Co., Ltd.

From this consolidated fiscal year, Shinsei Corporate Support Finance Co., Ltd. and 6 other companies are included as newly established subsidiaries and SL ROCKY LTD. is included due to its increased materiality.

Rock Limited and 5 other companies are excluded due to liquidation, Shinsei Business Finance Co., Ltd. is excluded due to merger into Showa Leasing Co., Ltd., Shinsei Asset Management (India) Private Limited is excluded due to the disposal of shares, and Shinsei Investments Ⅲ Limited and other 3 companies are excluded due to their decreased materiality.

(b) Unconsolidated subsidiaries: 84 companies

Major Company:

SL PACIFIC LIMITED

SL PACIFIC LIMITED and 64 other unconsolidated subsidiaries are primarily operating companies that undertake leasing business based on the Tokumei Kumiai system (silent partnerships). A Tokumei Kumiai’s assets, profits and losses virtually belong to each silent partner, and the Group does not have any material transactions with these subsidiaries. Therefore, these subsidiaries are excluded from consolidation pursuant to Article 63, Paragraph 1, Item 2 of the Companies Act.

Other unconsolidated subsidiaries are excluded from consolidation because they are not material to the financial condition or results of operations, such as assets, ordinary income, net income (our interest portion), retained earnings (our interest portion) and net deferred gains (losses) on hedges (our interest portion), of the Group.

2. Application of the equity method

(a) Unconsolidated subsidiaries accounted for by the equity method: none

(b) Affiliates accounted for by the equity method: 17 companies

Major Companies:

Comox Holdings Ltd.

Jih Sun Financial Holding Company, Limited

From this consolidated fiscal year, Comox Holdings Ltd. and Bosworth Run-off Limited are included due to the acquisition of their equity interests and Jih Sun Financial Holding Company, Limited is included due to the Bank's increased influential power.

Raffia Capital Inc. and 4 other companies are excluded due to liquidation, Hillcot Holdings Limited and UTI International (Singapore) Private Limited are excluded due to the disposal of shares, and Lamitta Ⅳ B.V. is excluded due to the Bank's decreased influential power.

(c) Unconsolidated subsidiaries accounted for not applying the equity method: 84 companies

Major Company:

SL PACIFIC LIMITED

SL PACIFIC LIMITED and 64 other unconsolidated subsidiaries are primarily operating companies that undertake leasing business based on the Tokumei Kumiai system (silent partnership). A Tokumei Kumiai's assets, profits and losses virtually belong to each silent partner, and the Group does not have any material transactions with these subsidiaries. Therefore, these subsidiaries are excluded from the scope of equity method pursuant to Article 69, Paragraph 1, Item 2 of the Companies Act.

Other unconsolidated subsidiaries are excluded from the scope of equity method because they are not material to the financial condition or results of operations, such as net income (loss) (our interest portion), retained earnings (our interest portion) and net deferred gains (losses) on hedges (our interest portion), of the Group.

(d) Affiliates accounted for not applying the equity method: none

3. End of the fiscal year of consolidated subsidiaries

(a) The fiscal year ending dates of consolidated subsidiaries are as follows:

March 31:	71 companies
July 31:	3 companies
December 31:	43 companies
February 28:	4 companies

(b) Except for 8 subsidiaries which are consolidated using their provisional financial statements as of March 31, those consolidated subsidiaries whose fiscal years end at dates other than March

31 are consolidated using their fiscal year end financial statements with appropriate adjustments made for significant transactions during the period from the ending dates of their fiscal years to March 31.

All yen amounts are rounded down to millions of yen.

Significant accounting policies

1. Valuation and revenue recognition of trading account activities

Trading account positions entered into to generate gains arising from short-term changes in interest rates, currency exchange rates or market prices of financial instruments and other market-related indices, or from price differences among markets, are included in trading assets and trading liabilities on a trade date basis. The profits and losses resulting from trading activities are included in trading profits and trading losses on a trade date basis.

Trading securities and monetary claims purchased for trading purposes are stated at market value at the consolidated balance sheet date and derivative financial instruments related to trading positions are stated at fair value based on estimated amounts that would be settled in cash if such positions were terminated at the consolidated balance sheet date.

Trading profits and trading losses include interest received and paid, the amounts of increases (decreases) in valuation gains (losses) for the fiscal year for securities and monetary claims, and the net change in valuation gains (losses) for the fiscal year using the estimated settlement prices assuming settlement in cash on the balance sheet date for derivatives.

In estimating fair values of derivative financial instruments related to trading positions, liquidity risks and credit risks are reflected.

2. Valuation of securities

(a) Securities for trading purposes (except those included in trading accounts) are carried at fair value (sales cost is determined by the moving-average method). Securities being held to maturity are carried at amortized cost using the moving average method. Investments in unconsolidated subsidiaries that are not accounted for by the equity method are carried at cost using the moving average method. Available-for-sale securities whose fair value can be reliably determined are carried at fair value at the consolidated balance sheet date (sales cost is determined by the moving average method) and available-for-sale securities whose fair value cannot be reliably determined are carried at cost using the moving average method. Unrealized gains (losses) on available-for-sale securities are directly recorded in equity.

(b) The values of securities included in monetary assets held in trust are determined by the same method as stated in (a) above.

3. Valuation of derivatives

Derivatives (except for those included in trading accounts) are carried at fair value.

4. Valuation of Other monetary claims purchased

Other monetary claims purchased and held for trading purposes (except for those included in trading accounts) are carried at fair value.

5. Depreciation of fixed assets

(a) Premises and equipment (excluding leased assets held by lessee)

Depreciation of buildings and computer equipment (including ATMs) other than personal computers in the category of equipment is computed principally using the straight-line method, and depreciation of other equipment is computed principally using the declining balance method. Principal estimated useful lives are as follows:

Buildings: 3 – 50 years

Others: 2 – 20 years

(b) Intangible assets other than goodwill (excluding leased assets held by lessee)

The amortization method and the amortization period of identified intangible assets recorded by applying the fair value method to the acquisitions of Showa Leasing Co., Ltd., Shinsei Financial Co., Ltd., and their consolidated subsidiaries are as follows:

(i) Showa Leasing Co., Ltd.

	Amortization method	Amortization period
Trade name	Straight-line	10 years
Customer relationship	Sum-of-the-years digits	20 years
Sublease contracts	Straight-line	Subject to the remaining contract years

(ii) Shinsei Financial Co., Ltd.

	Amortization method	Amortization period
Trade name	Straight-line	10 years
Customer relationship	Sum-of-the-years digits	10 years

In addition, goodwill and negative goodwill are amortized on a consistent basis primarily over 20 years. When there is no importance, the total amount is written off in the fiscal year during which they occurred.

Intangible assets other than the above-mentioned (excluding intangible leased assets) are amortized using the straight-line method. Capitalized software for internal use is amortized using the straight-line method based on the estimated useful lives (primarily 5 or 8 years) determined by the Bank and its consolidated subsidiaries.

(c) Leased assets (for lessee)

Depreciation of leased assets (both tangible and intangible) from finance lease transactions that do not deem to transfer ownership of the leased property to the lessee, which are included in "Premises and equipment" and "Intangible fixed assets," is computed using the straight-line method over the leasing period. Residual values of leased assets are the guaranteed value determined in the lease contracts or zero for assets without such guaranteed value.

6. Deferred charges

Deferred charges for the Bank are accounted for as follows:

(a) Stock issuance costs

Stock issuance costs are charged to expense as incurred.

(b) Deferred expenses for issuance of corporate bonds

Deferred expenses for issuance of corporate bonds are amortized using the straight-line method over the term of corporate bonds.

Corporate bonds are stated at their amortized costs using the straight-line method.

(c) Deferred expenses for issuance of debentures

Deferred expenses for issuance of debentures are amortized using the straight-line method over the term of debentures.

Formation costs and stock issuance costs of consolidated subsidiaries are charged to expense as incurred. Deferred expense for issuance of corporate bonds in consolidated subsidiaries are primarily recognized in other assets and amortized using the straight-line method over the term of corporate bonds.

7. Reserve for Credit Losses

The reserve for credit losses of the Bank and the domestic trust and banking subsidiary has been established as described below based on the predetermined internal rules for establishing the reserve.

For claims to obligors who are legally bankrupt (due to bankruptcy, special liquidation, etc.) or virtually bankrupt, a specific reserve is provided based on the amount of claims, after the charge-off stated below, net of amounts expected to be collected through the disposal of collateral or execution of guarantees.

For claims to obligors who are possibly bankrupt (that is, those that are not presently bankrupt but are very likely to go bankrupt in the future), except claims to obligors with larger claims than a predetermined amount as described below, a specific reserve is provided for the amount considered to be necessary based on an overall solvency assessment performed for the amount of claims, net of amounts expected to be collected through the disposal of collateral or execution of guarantees.

With regard to claims to possibly bankrupt obligors, restructured loans and certain claims for which the reserve has been provided based on the discounted cash flow method (as mentioned below) in previous fiscal years, provided that obligors' cash flows for debt service are reasonably estimable and the balance of claims to such obligors are at or larger than a predetermined amount, the reserve for credit losses is provided for the difference between the present value of estimated cash flows discounted at the contractual interest rates that have been determined prior to any concession on lending conditions and the carrying value of the claim (discounted cash flow method). For claims to obligors whose future cash flows are not reasonably estimable and the balance is at or larger than a predetermined amount, the reserve is provided by estimating the expected loss amount for the remaining term of the respective claims.

For claims other than those mentioned above, a general reserve is provided based on historical loan loss experience.

The reserve for loans to restructuring countries is provided based on the amount of expected losses due to the political and economic conditions in their respective countries.

All claims are assessed by business divisions based on the predetermined internal rules for self-assessment of asset quality. The Credit Assessment Division, which is independent from business divisions, conducts verifications of these assessments, and additional reserves may be provided based on the verification results.

The consolidated subsidiaries other than the domestic trust and banking subsidiary calculate the general reserve for “normal” and “caution, including substandard,” categories based on the actual historical loss ratio, and the specific reserve for the “possibly bankrupt,” “virtually bankrupt” and “legally bankrupt” categories based on estimated losses, considering the recoverable value.

For collateralized or guaranteed claims of the Bank and certain consolidated subsidiaries to obligors who are legally bankrupt or virtually bankrupt, the amount of claims exceeding the estimated value of collateral or guarantees, which is deemed uncollectible, has been charged off and totaled ¥190,876 million.

8. Accrued bonuses for employees

Accrued bonuses for employees are provided in the amount of the estimated bonuses which are attributed to this consolidated fiscal year.

9. Accrued bonuses for directors

Accrued bonuses for directors are provided in the amount of the estimated bonuses which are attributable to this consolidated fiscal year.

10. Reserve for employees’ retirement benefits

The reserve for employees’ retirement benefits is provided for the payment of employees’ retirement benefits based on the estimated amounts of the projected benefit obligation and the estimated value of pension plan assets as of the consolidated balance sheet date. The prior service cost and the actuarial difference are treated in the following manner:

Prior service cost:	Amortized using the straight-line method over the average remaining service period from the fiscal year of occurrence.
Actuarial difference:	Amortized using the straight-line method over the average remaining service period primarily from the fiscal year of occurrence.

The transitional unrecognized net retirement benefit obligation for the Bank of ¥9,081 million is being amortized using the straight-line method over 15 years.

11. Reserve for directors’ retirement benefits

The reserve for directors’ retirement benefits is provided for the payment of directors’ retirement benefits for certain consolidated subsidiaries based on estimated amounts of future payments attributable to this fiscal year.

12. Reserve for losses on interest repayments

The reserve for losses on interest repayments of consolidated subsidiaries is provided for possible losses on reimbursements of excess interest payments, in the amount of the estimated future reimbursement requests based on past experience.

The reserve for losses on interest repayments of Shinsei Financial is calculated considering the terms stipulated in the share transfer agreement entered into by and between the Bank and the GE Japan Holdings Co., Ltd. (“GE”) for the acquisition of Shinsei Financial, under which the sharing of interest repayment costs between the Bank and GE is determined.

13. Reserve under special law

The reserve under special law is a reserve for financial instruments transaction responsibilities and provided for contingent liabilities from brokering of securities transactions by a consolidated domestic subsidiary, in accordance with Paragraph 1 of Article 46-5 of the Financial Instruments and Exchange Act of Japan.

14. Revenue and expense recognition

(a) Revenue recognition for installment sales finance business

Revenue from shopping credit business is recognized primarily using installment bases as follows:

(Contracts based on add-ons)	
Installment credit	Sum-of-the-months digits method
Guarantees (lump-sum receipt of guarantee fee when contracted)	Sum-of-the-months digits method
Guarantees (installment of guarantee fee)	Straight-line method
(Contracts based on credit balances)	
Installment credit	Credit-balance method
Guarantees (lump-sum receipt of guarantee fee)	Credit-balance method

(Notes)

1. In “Sum-of-the-months digits method”, the commission amount regarded as revenue at the time of each installment payment is calculated by dividing the total commission amount by the number of installment payments.
2. In “Credit-balance method”, the commission amount regarded as revenue at the time of each installment payment is calculated by multiplying the respective outstanding principal by a certain ratio.

(b) Revenue recognition for leasing business

For the finance lease transactions that do not deem to transfer ownership of the leased property to the lessee, lease income is recognized based on lease payments for each of the leasing period, and lease cost is recognized as the amount that interest allocated for each period is deducted from the lease income.

With regard to finance lease transactions entered into prior to April 1, 2008, that do not deem to transfer ownership of the property to the lessee, leased investment assets are recognized at the amount of book values of those leased assets as of the end of March 31, 2008. As a result, income before income taxes and minority interests for this fiscal year for the consolidated subsidiary as a lessor has increased by ¥2,776 million, as compared to what would have been reported if the revised accounting standard was applied retroactively to all finance lease transactions.

(c) Revenue recognition for interest on consumer finance business

In certain Bank’s subsidiaries specialized in consumer finance business, accrued interest income is accrued at the lower of the amount determined using a rate permissible under the Interest Rate Restriction Law of Japan or the amount determined using rates on contracts with customers.

15. Translation of foreign currency denominated assets and liabilities

Foreign currency denominated assets and liabilities are translated into Japanese yen at the exchange rates as of the consolidated balance sheet date, except for investments in unconsolidated subsidiaries and affiliates that are translated at the relevant historical exchange rates.

Assets and liabilities of consolidated subsidiaries are translated at the exchange rates of the balance sheet date of each subsidiary.

16. Hedge accounting

(a) Hedge of interest rate risks

The bank applies the deferral hedge accounting for derivative transactions that meet the hedge accounting criteria for mitigating interest risks of the Bank’s financial assets and liabilities.

The Bank adopted portfolio hedging in accordance with Industry Audit Committee Report No. 24 issued by the Japanese Institute of Certified Public Accountants (the "JICPA"). Under portfolio hedging, a portfolio of hedged items such as deposits or loans with common maturities is matched with a group of hedging instruments such as interest rate swaps, which offset the effect of fair value fluctuations of the hedged items by identified maturities, and are designated as a hedge of the portfolio. The effectiveness of the portfolio hedge is assessed by each group.

With regard to instruments to hedge the exposure to variable cash flows of a forecasted transaction, the effectiveness of hedging is periodically assessed by the correlation of variable interest components of hedging hedged items and hedging instruments.

The interest rate swaps of certain consolidated subsidiaries which qualify for hedge accounting and meet specific matching criteria are not measured at fair value, but the net payments or receipts under the swap agreements are recognized and included in interest expenses or income.

(b) Hedge of foreign exchange fluctuation risks

The bank applies either deferral hedge accounting or fair value hedge accounting for derivative transactions for the purpose of hedging foreign exchange risk arising from financial assets and liabilities denominated in a foreign currency.

Under deferral hedge accounting, which is in accordance with “Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry” (Industry Audit Committee Report No. 25 of the JICPA), hedged items are identified by grouping the foreign currency-denominated financial assets and liabilities by currencies and designating derivative transactions such as currency swap transactions and forward exchange contracts as hedging instruments. Hedge effectiveness is reviewed by comparing the total foreign currency position of the hedged items and hedging instruments by currency.

The Bank also applies deferral hedge accounting or fair value hedge accounting to translation gains (losses) from foreign currency denominated available-for-sale securities (other than bonds denominated in foreign currencies) when such foreign currency exposures recorded as assets are hedged with offsetting foreign currency liabilities and the liabilities exceed the acquisition cost of such foreign currency assets.

(c) Inter-company and intra-company derivative transactions

Gains (losses) on inter-company and intra-company derivative hedging transactions between the trading book and the banking book are not eliminated since offsetting transactions with third parties are appropriately entered into in conformity with the non-arbitrary and strict hedging policy in accordance with Industry Audit Committee Reports No. 24 and No. 25. As a result, in the banking book, realized gains (losses) on such inter-company and intra-company transactions are reported in current earnings and valuation gains (losses) are deferred as assets or liabilities. On the other hand, in the trading book, realized gains (losses) and valuation gains (losses) on such inter-company and intra-company transactions are substantially offset with covering contracts entered into with third parties.

17. Consumption Tax

The National Consumption Tax and the Local Consumption Tax of the Bank and its domestic consolidated subsidiaries are excluded from transaction amounts.

18. Consolidated tax system

The consolidated corporation tax system is adopted by the Bank and some domestic consolidated subsidiaries.

Change in Accounting Policies

(Accounting Standard for Asset Retirement Obligations)

From this fiscal year, “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No.18, March 31, 2008) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No.21, March 31, 2008) are applied.

As a result, income before income taxes and minority interests for this fiscal year decreased by ¥4,122 million. Change in the amount of asset retirement obligations by the initial adoption of these standards is ¥5,554 million.

Change in presentation

(Consolidated Balance Sheet and Consolidated Statement Of Change In Equity)

“Net unrealized gain (loss) and translation adjustment” is replaced by “Accumulated other comprehensive income” from this fiscal year in accordance with the appended form of the “Banking Act Enforcement Ordinance” (Ordinance of the Ministry of Finance No.10, 1982) revised by the “Cabinet Office Ordinance on Partial Revision of the Banking Act Enforcement Ordinance” (Cabinet Office Ordinance No.5, March 25, 2011).

(Consolidated Statement of Income)

"Income before minority interests" is presented for this fiscal year in accordance with the appended form of the "Banking Act Enforcement Ordinance" (Ordinance of the Ministry of Finance No.10, 1982) revised by the "Cabinet Office Ordinance on Partial Revision of the Banking Act Enforcement Ordinance" (Cabinet Office Ordinance No.41, September 21, 2010).

Notes to consolidated financial statements

(Consolidated Balance Sheet as of March 31, 2011)

1. The total net book value of equity investments in affiliates (except for equity in consolidated subsidiaries) was ¥39,870 million.

2. With regard to the balance of securities held in relation to securities borrowing transactions with or without cash collateral and securities accepted as collateral based on derivative transactions, where the Group has the right to sell or pledge such securities without restrictions, the amount of being held by the Group at the consolidated balance sheet date is ¥24,964 million. In addition, ¥2,032 million of those securities were further pledged.

3. Loans and bills discounted include loans to bankrupt obligors and non-accrual delinquent loans, totaling ¥13,905 million and ¥317,951 million, respectively.

Included in loans placed on non-accrual status (because the ultimate collectability of either principal or interest is in doubt or a delay in payments of either principal or interest is judged to last for a certain period of time) are loans to bankrupt obligors, as defined in Article 96, Paragraph 1, Items 3 and 4 of the Order for Enforcement of the Corporation Tax Act (Cabinet Order No.97 of 1965).

Non-accrual delinquent loans are non-accrual loans other than loans to obligors in bankruptcy and loans for which interest payments are deferred in order to facilitate the rehabilitation of the obligor or to assist in the financial recovery of the obligors.

Installment receivables in other assets include claims to bankrupt obligors and non-accrual delinquent claims, totaling ¥430 million and ¥3,931 million, respectively, at the consolidated balance sheet date.

4. Loans past due for three months or more of ¥2,259 million are included in loans bills discounted.

Loans past due for three months or more are loans other than loans to bankrupt obligors and non-accrual delinquent loans for which the principal and/or interest is past due for three months or more.

Installment receivables in other assets include claims past due for three months or more totaling ¥426 million at the consolidated balance sheet date.

5. Restructured loans of ¥60,926 million are included in loans and bills discounted.

Restructured loans are loans other than loans of bankrupt obligors, non-accrual delinquent loans or loans past due for three months or more, on which concessions such as reduction of the stated interest rate, a deferral of interest payment, an extension of the maturity date, debt forgiveness, or other agreements which give advantages to obligors in financial difficulties have been grated to obligors to facilitate their rehabilitation.

Restructured installment receivables of ¥2,610 million are included in other assets.

6. The total amount of loans to bankrupt obligors, non-accrual delinquent loans, loans past due for three months or more, and restructured loans are ¥395,041 million..

The total installment receivables in other assets of claims to bankrupt obligors, non-accrual delinquent claims, claims past due for three months or more, and restructured claims are ¥7,399 million.

The amounts of claims mentioned in the Notes 3 through 6 above represent the gross receivable amounts prior to reduction of the reserve for credit losses.

7. Bills discounted, such as bank acceptances bought, commercial bills discounted, documentary bills and foreign exchange contracts bought, are accounted for as financing transactions in accordance with Industry Audit Committee Report No.24 issued by the JICPA, although the Bank has the right to sell or pledge them without restrictions. The face amounts of such bills discounted held are ¥2,731 million.

8. The total principal amount of loans accounted for as a sale through loan participations was ¥28,854 million. This off-balance sheet treatment is in accordance with Report No. 3 issued by the Framework Committee of the JICPA on June 1, 1995.

Of the loan participation principal amount posted as loans to original obligors, the outstanding balance on the consolidated balance sheet was ¥15,366 million.

9. Assets pledged as collateral are as follows:

Cash and due from banks	¥	866	million
Monetary assets held in trust		1,752	
Securities		2,131,834	
Loans and bills discounted		315,268	
Leased receivables and leased investment assets		83,980	
Other assets		27,542	
Building		621	
Land		730	

Liabilities related to pledged assets are as follows:

Deposits	¥	1,752	million
Call money		160,000	
Collateral related to securities lending transactions		265,028	
Borrowed money		1,346,543	
Corporate bonds		17,816	
Other liabilities		26	
Acceptances and guarantees		922	

In addition, securities of ¥239,836 million are pledged as collateral for transactions, including exchange settlements, swap transactions and replacement of margin on future trading.

Also, ¥12,150 million of margin deposits for futures transactions outstanding, ¥15,984 million of security deposits and ¥11,819 million of cash collateral pledged for derivative transactions are included in other assets.

10. The Bank and certain of its consolidated subsidiaries issue commitments to extend credit and establish credit lines for overdrafts to meet the financing needs of their customers.

The unfunded amount of these commitments is ¥4,752,171 million, out of which the amount with original agreement terms of less than one year or which are cancelable is ¥4,604,262 million.

Since a large majority of these commitments expire without being drawn upon, the unfunded amounts do not necessarily represent future cash requirements. Many of such agreements include conditions granting the Bank and consolidated subsidiaries the right to reject the drawdown or to reduce the amount on the basis of changes in the financial circumstances of the borrower or other reasonable grounds.

In addition, the Bank obtains collateral when necessary to reduce credit risk related to these commitments.

11. Installment receivables of ¥330,485 million are included in other assets.

12. Accumulated depreciation on premises and equipment is ¥59,262 million.

13. Deferred gains on sales of real estate of ¥32 million are deducted from the acquisition cost of premises and equipment.

14. Tangible leased assets and Intangible leased assets for lessor are lease assets for the operating leases transactions.

15. Goodwill and Negative goodwill are set off and presented as "Goodwill" in intangible assets by the net amount. The gross amounts are the followings:

Goodwill	¥55,512 million
Negative goodwill	5,986
Net	¥49,526 million

16. Subordinated debt of ¥101,400 million is included in borrowed money.

17. Subordinated bonds of ¥149,944 million are included in corporate bonds.

18. The amount of guarantee obligations for privately-placed bonds (Financial Instruments and Exchange Act, Article 2, Paragraph 3), out of "Corporate bonds" included in the "Securities" category, stands at ¥43,585 million.

19. Common shareholders' equity per share is ¥205.83

20. Retirement benefit obligations, etc, as of the end of this fiscal year is as follows:

Projected benefit obligations	¥	(74,248)	million
Plan assets (fair market value) (including benefit trust)		57,591	
Funded status		(16,657)	
Unrecognized obligation at transition		2,421	
Unrecognized net actuarial losses		11,734	
Unrecognized prior service cost (reduction of liabilities)		(3,535)	
Net amount accrued on the balance sheet		(6,036)	
Prepaid pension cost		4,980	
Reserve for retirement benefits		(11,016)	

"Projected benefit obligation" includes ¥3,695 million of special retirement benefits as a part of business restructuring at Shinsei Financial Co., Ltd.

(Consolidated Statement of Income for the fiscal year ended March 31, 2011)

1. “Other business income” includes leasing revenue of ¥100,966 million.

2. “Other ordinary income” includes income on monetary assets held in trust of ¥5,994 million.

3. “Other business expenses” include leasing cost of ¥87,294 million.

4. “Other ordinary expenses” include loss on monetary assets held in trust of ¥724 million, and provision on reserve for interest repayment of ¥10,145 million.

5. “Impairment losses” include the impairment losses in the Bank and Shinsei Financial Co., Ltd. by the following asset groups.

Company name	Location	Usage	Asset group	Amount (Millions of yen)
Shinsei Bank, Limited	Tokyo, Chiba and Osaka	Branches	Building and Other tangible fixed assets	¥538
	Tokyo and Fukuoka	Assets for Information and Technology	Building, Other tangible fixed assets and Software	277
Shinsei Financial Co., Ltd.	7 places including Tokyo and Osaka , and 148 ATMs	Buildings and installments, equipments in old head office, branches and ATMs	Building and Other tangible fixed assets	439
	Hokkaido and Hiroshima	For rent and for sale	Building, Land and Other tangible fixed assets	420
Total				¥1,676

The Group determines the asset group based on the management segmentation. Also, Shinsei Financial Co., Ltd. recognizes the indication of impairment and measures impairment loss of the assets for rent and for sale one by one.

As a result of a careful consideration of the business environment and rent conditions of the branches, Shinsei Bank, Limited made a decision to close down some of the branches for the Individual Group (Retail Banking Sub-Group) and Institutional Group (Institutional Business Sub-Group), and segregated them as idle assets. In addition, some the common assets related to Information and Technology have also been segregated as idle assets. Impairment losses for these assets are recognized for total carrying values of the assets that are subject to disposal.

At Shinsei Financial Co., Ltd., as a result of business restructuring and response to shrinking of the market, a decision has been made in the personal loan business to close down some unmanned branches and dispose of owned buildings and commercial building for rent including the old head-office building significantly earlier than originally planned. As a result, impairment loss has been recognized down to the amount that is considered to be recoverable. Also, with regard to the assets for rent and for sale, because of significant declines in market value, impairment loss has been recognized down to the amount that is considered to be recoverable. The recoverable amount is measured at its net sale value calculated by a real estate appraiser.

In the above impairment loss amount, ¥1,325 million is for "Building," ¥249 million is for "Land," ¥72 million is for "Other tangible fixed assets," and ¥29 million is for "Software."

6. "Other special losses" includes the cumulative effect of ¥3,639 million recognized at the beginning of this consolidated fiscal year by applying "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21, March 31, 2008).

Also, "Other special losses" includes ¥3,936 million of special retirement benefits and ¥800 million of other expenses as a part of business restructuring at Shinsei Financial Co., Ltd.

7. Net income per common share for this fiscal year is ¥21.36

8. Diluted net income per common share is not applicable because existing potential common shares have no dilutive effect.

(Consolidated Statement of Changes in Equity for the fiscal year ended March 31, 2011)

1. The types and numbers of issued shares and treasury stock

(Unit: thousand shares)

	Number of shares as of the beginning of this period	Increase in number of shares during this period	Decrease in number of shares during this period	Number of shares at the end of this period	Note
Issued shares					
Common shares	2,060,346	690,000	―	2,750,346	
Total	2,060,346	690,000	―	2,750,346	
Treasury stock					
Common shares	96,427	―	―	96,427	
Total	96,427	―	―	96,427	

2. The stock acquisition rights

All of stock acquisition rights are Shinsei Bank's stock option.

3. The Bank's dividend is as follows;

a) No dividend was paid during this fiscal year.

b) Dividend of which effective date is after the end of this fiscal year

Resolution	Type of shares	Total amount of dividend	Source of dividend	Dividend per share	Record date	Effective date
The board of directors meeting on May 12, 2011	Common shares	¥2,653 million	Other retained earnings	¥1.00	March 31, 2011	June 2, 2011

(Financial instruments)

1. Items on financial instrument status

(1) Group policy for financial instruments

The Group is comprised of the Bank, subsidiaries and affiliates, and conducts total financial service, primarily basic banking business and other financial services such as securities business, trust business, consumer finance business, and commercial finance business.

For conducting these businesses, the Bank obtains retail customer deposits as a long-term and stable source of funding. In addition, the Bank maintains bond issuance as a cost effective source of funding and diversifies sources of funding by securitization of loans or other assets. Subsidiaries and affiliates are also use loans from other financial institutions as one source of funding.

(2) Nature and extent of risks arising from financial instruments

The financial assets held by the Group are exposed to the following risks:

[Loans and bills discounted]

Loans and bills discounted, which are primarily provided to domestic institutional and individual customers, are exposed to customer's credit risk and risk of fluctuation in interest rates.

[Securities]

Securities primarily consist of bonds and stocks, and other instruments such as foreign securities and investment in partnerships. They are exposed to risk of fluctuation in interest rates, foreign exchange rates, and prices in the bond/stock markets and in addition, credit risk arising from downgrading of issuer's credit rating, default, and etc.

[Other monetary claims purchased, Monetary assets held in trust]

Other monetary claims purchased and Monetary assets held in trust consist of investments in various assets such as housing loans, non performing loans, and receivables in credit trading and securitization businesses, with a purpose of collection, sale, or securitization. These investments are exposed to risk of fluctuation in market size and price of these assets.

[Lease receivables and leased investment assets, Installment receivables]

Lease receivables, leased investment assets, and installment receivables held by subsidiaries are exposed to customer's credit risk and risk of fluctuation in interest rates.

As of March 31, 2011, loans to the financial and insurance industry were approximately 17% of the total loans and bills discounted, and those to the real estate industry were approximately 14%, approximately 70% of which are non recourse loans for domestic real estate.

In our credit risk management, we monitor, on a portfolio basis, the diversification status of risks by segment, such as industry, credit rating, particular customer/group, and so on. Our concentration management framework consists of industry concentration guidelines and obligor group concentration guidelines, as well as effective review and countermeasures for matters outside the scope of the guidelines.

By utilizing time deposits as an important ALM measure, we are striving to diversify funding maturities and to disperse re-funding dates. Without solely relying on inter-bank funding, we are aiming to cover our funding needs through core retail deposits and corporate deposits as well as capital.

[Derivative transactions]

The Group enters into the following derivative transactions to provide products for customer needs, to maximize the profit of the Bank's own trading account, and for asset and liability management, hedging transactions and other purposes.

(1) Interest rate related	Interest rate swap, Future contract, Interest rate option, and Interest rate swaption
(2) Currency related	Currency swap, Forward foreign exchange contract, Currency option
(3) Equity related	Equity index future, Equity index option, Equity option, and other
(4) Bond related	Bond future
(5) Credit derivative	Credit default option

Among the risks associated with derivative transactions, credit risk, market risk, and liquidity risk are to be specially noted for risk management.

(1) Market Risk	Risk that losses are incurred associated with changes in the value of financial instruments from fluctuation in market price, as well as volatilities inherent in derivative instruments
(2) Credit Risk	Risk that losses are incurred associated with the counterparty defaulting on contractual terms
(3) Liquidity Risk	Risk that additional costs are incurred associated with closing out the position of the financial instrument held

To appropriately reflect the risk mitigation effect of derivative transactions to the consolidated financial statements, we adopt hedge accounting where risks in assets and liabilities of the Group are hedged by interest rate swap, currency swap, etc.

In hedge accounting, effectiveness of hedging is assessed based on conditions determined in the accounting standards such as "Accounting Standard of Financial Instruments."

(3) Risk management for financial instruments

(a) Credit risk management

Our model for credit risk management focuses on securing adequate return on risk, avoiding excessive concentration in particular sectors or to particular obligors, and managing the credit portfolio with an analysis of potential losses under a worst-case scenario. Concrete policies and guidelines are clarified in the "Core Group Credit Risk Policy," "Credit Procedures" and other procedures, and credit risk management processes are roughly classified into credit risk management for individual transactions and portfolio-based credit risk management.

As for individual transactions, approval authority level is determined by transaction amount, aggregate credit exposure to obligor's group companies, credit rating and so on. We have the approval system in which the decisions are made jointly by the risk delegation holders of the business promotion division and the risk management division and the final authority and decision rest with the risk management division.

On a portfolio basis, to diversify risks in terms of industries as well as ratings, the Portfolio and Risk Management Division monitors the segment-specific risk diversification status including industry classifications, ratings, specific customers/groups and also rating fluctuations related to customers within the portfolios. The Division uses this information to provide comprehensive reports to Risk Policy Committee on a quarterly basis.

Credit risks in credit transactions are quantified based on probability of default by obligor rating, loss given default, and unexpected loss ratio. In order to decrease credit risk of obligors, the Group secures collateral and guarantee for the protection of our claim, the value of which are checked more than once a year.

Credit risks involved in market transactions, such as derivative transactions, are controlled based on fair value and estimations of future value fluctuations.

(b) Market risk management
Market risk which is associated with changes in the value of financial instruments from fluctuations in bond prices, exchange rates, interest rates, stock prices, credit spreads and other market-related indices, has an effect on our financial performance.

The Group manages market risk by segregating the overall balance sheet, including off-balance sheet transactions, into a trading book and a banking book. At the ALM Committee, the senior review and decision-making for the management of all market risks related to asset/liability management are performed.

"Asset Liability Management Policy for Banking Account" manages the interest rate risk of asset and/or liability in banking account which has interest rate sensitivity.

The actual risk limits for asset/liability management as well as trading, such as the value-at-risk (VaR) method, are approved by the ALM Committee. The Market Risk Management Committee serves as an arm of the ALM Committee and meets weekly to review detailed market risk and liquidity risk reports from the Market Risk Management Division, which is responsible for the objective and timely recognition, monitoring and reporting of market risk in both our trading and banking operations. In addition to reporting risk information to management, administrative divisions and front office units, the Market Risk Management Division carries out regular risk analyses and makes recommendations. Market risk of the balance sheet involved in the ordinary banking business operation is managed by the Treasury Sub-Group, and market risk involved in the trading transactions is managed by the Markets Sub-Group.

Market risk is managed by quantifying on a daily basis and making risk adjustment in response to market conditions.

Quantitative information on market risk is as follows:

(i) Financial instruments for trading purpose
The Group uses VaR for quantitative analysis on market risk of the "trading assets," the securities held for trading purpose in "securities," and the financial instruments held for trading purpose in "derivative instruments." For calculating VaR, the Historical Simulation Method (holding period of 10 days, confidence interval of 99 %, and observation period of 250 business days) has been adopted.

The VaR in the Group's trading business as of March 31, 2011 is 3,784 million yen in total. The Group conducts back testing to compare VaR calculated using the model with actual loss amounts. According to the result of back testing conducted, it is believed that the measurement model the Group uses has enough accuracy to capture market risk. It should be noted that VaR measures the amount of market risk at certain probability levels statistically calculated based on historical market fluctuation, and therefore there may be cases where risk cannot be captured in such situations as when market conditions are changing dramatically beyond what can be expected.

(ii) Financial instruments for other than trading purpose
The Group's main financial instruments which are impacted by interest rate risk, one of the major risk variables, includes "call loans and bills purchased," "collateral related to securities borrowing transactions, " "other monetary claims purchased," "monetary assets held in trust," "bonds classified as securities held for maturity or securities available for sale in "securities," "loans and bills discounted," "leased receivables and leased investment assets," "installment receivables," "deposits," "negotiable certificates of deposit," "debentures," "call money and bills sold," "payables under repurchase agreements," "borrowed money" and interest rate swaps other than trading purpose in "derivative instruments." As for these financial assets and liabilities, the Group uses the amount of impact on fair values for the next one year which is calculated using a rationally expected fluctuation range of interest rates for one year from the fiscal year end, for quantitative analysis to manage fluctuation risk of interest rate. The amount of such impact on fair values is calculated by categorizing the balance of these financial assets and liabilities in scope into appropriate periods according to interest dates of each and using a certain fluctuation range of interest rates. Assuming all risk variables except for interest rate are constant, the Group appreciates that, as of March 31, 2011, increase of index interest rates by 10 basis points (0.10%) will decrease fair value by 1,674 million yen, and its decrease by 10 basis points (0.10%) will increase the same by 1,926 million yen. Such amount of impact on fair values is calculated based on the assumption that all risk variables except for

interest rate are constant, and correlation between interest rate and other risk variables is not taken into consideration. There is a possibility that interest rate changes beyond the rationally expected fluctuation range may cause impact greater than the calculated amount.

(c) Liquidity risk management

The ALM Committee, which is the senior review and decision-making body for the management of liquidity risk, manages liquidity risk by establishing short-term liquidity gap limits and minimum liquidity reserve levels.

In accordance with the "Cash Liquidity Risk Management Policy," the Bank has a structure to conduct two or more liquidity measurements and to secure available reserves over the net cumulative outflow forecasted in an emergency situation.

(4) Supplement to the items on fair value of financial instruments

Fair value of financial instruments includes the value calculated rationally in cases where no market price is available, besides the value based on market price. Certain assumptions have been adopted for the calculation, so that the value calculated may be not the same when assumptions that differ from our calculation are adopted.

2. Fair value information for financial instruments

The following are the carrying amounts on the consolidated balance sheet, fair values and the differences between them for respective financial instruments as of March 31, 2011. Securities for which fair values are extremely difficult to obtain, such as equity securities without readily available market prices are not included in the table (refer (note 2)). Items that are not material are not included in the table.

(Millions of yen)

	Carrying amount	Fair value	Unrealized gain (loss)
(1) Cash and due from banks	¥452,751	¥452,751	¥ー
(2) Collateral related to securities borrowing transactions	10,388	10,388	ー
(3) Other monetary claims purchased			
Other monetary claims purchased held for trading purpose	105,345	105,345	ー
Other (*1)	50,736	50,850	114
(4) Trading assets			
Securities held for trading purpose	19,524	19,524	ー
(5) Monetary assets held in trust(*1)	253,529	255,448	1,918
(6) Securities			
Trading securities	1,051	1,051	ー
Securities being held to maturity	553,992	561,769	7,776
Securities available for sale	2,600,007	2,600,007	ー
Investments in affiliates	20,041	27,913	7,872
(7) Loans and bills discounted (*2)	4,291,462		
Reserve for credit losses	(140,368)		
	4,151,093	4,306,255	155,162
(8) Leased receivables and leased investment assets (*1)	200,826	205,230	4,403
(9) Other assets			
Installment receivables	330,485		
Deferred installment revenue	(12,244)		
Reserve for credit losses	(10,389)		
	307,852	328,812	20,960
Assets total	¥8,727,141	¥8,925,350	¥198,208
(1) Deposits	¥5,436,640	¥5,482,834	(¥46,193)
(2) Negotiable certificates of deposit	174,046	173,972	73
(3) Debentures	348,270	350,222	(1,952)
(4) Call money and bills sold	160,330	160,330	ー
(5) Collateral related to securities lending transactions	269,697	269,697	ー
(6) Borrowed money	1,672,790	1,661,932	10,858

(7) Corporate bonds	179,611	164,379	15,232
Liabilities total	¥8,241,388	¥8,263,369	(¥21,981)
Derivative instruments (*3) Hedge accounting is not applied Hedge accounting is applied	 (¥11,012) (11,046)	 (¥11,012) (11,046)	 — —
Derivative instruments total	(¥22,058)	(¥22,058)	—

	Contract amount	Fair value
Other Guarantee contracts (*4)	 ¥575,700	 (¥4,639)

(*1) Carrying amount of Other monetary claims purchased, Monetary assets held in trust, and Leased receivables and leased investment assets are presented as the amount net of reserve for credit losses, because they are immaterial.

(*2) For consumer loans of ¥578,276 million held by consolidated subsidiaries included in Loans and bills discounted, reserve for losses on interest repayments of ¥43,199 million is recognized for possible losses arising from reimbursement of excess interest payments.

(*3) Derivative instruments include derivative transactions both in trading assets and liabilities, and in other assets and liabilities. Derivative instruments are presented as net of assets and liabilities and presented with ( ) when a liability stands on net basis.

(*4) Contract amount for guarantee contracts presents the amount of “Acceptances and guarantees” on the consolidated balance sheet.

（Note 1） Valuation methodologies for financial instruments

Assets

(1) Cash and due from banks

The carrying amounts of due from banks with no maturities approximate fair values because they have no maturity. For due from banks with maturities, the carrying amounts approximate fair values because most of them have short maturities of 6 months or less.

(2) Collateral related to securities borrowing transactions

The carrying amounts approximate fair values because most of these instruments have short maturities of 3 months or less.

(3) Other monetary claims purchased

The fair values are measured at the quoted prices from third parties, or determined using the discounted cash flow method.

(4) Trading assets

The fair values of securities held for trading purposes are measured at observable market prices or quoted prices from third parties.

(5) Monetary assets held in trust

The fair values are determined using discounted cash flow method based on the characteristics of the components of the entrusted assets.

Remarks regarding holding purpose are included in notes for “monetary assets held in trust”.

(6) Securities

The fair values of marketable equity securities are measured at market prices. The fair values of bonds are measured at market prices or quoted prices from third parties, or determined using the discounted cash flow method.

Remarks regarding holding purpose of securities are included in notes for “securities”.

(7) Loans and bills discounted

The fair values of loans and bills discounted with fixed interest rate are determined by discounting contractual cash flows, the fair values of loans and bills discounted with floating interest rate are determined by discounting expected cash flows based on the forward rates, using the risk free rate adjusted to account for credit risk (after consideration of collateral) with CDS spreads etc. corresponding to internal credit rating. The fair values of housing loans are determined by discounting expected cash flows at the rates that would be applied for the new housing loans to same borrowers with same terms except for interest rates at the consolidated balance sheet date. The fair values of consumer loans are determined by discounting expected cash flows that reflect expected loss at the rates that consists of the risk free rate and the rates of certain costs, by group of similar product types and customer segments.

For loans to obligors “legally bankrupt,” “virtually bankrupt” and “possibly bankrupt,” a reserve is provided based on the discounted cash flow method, or based on amounts expected to be collected through the disposal of collateral or execution of guarantees, so that carrying amount net of the reserve as of the consolidated balance sheet date is a reasonable estimate of the fair values of those loans.

(8) Leased receivables and leased investment assets

The fair values of leased receivables and leased investment assets are primarily determined by discounting contractual cash flows at the rates that consist of the risk free rate, credit risk and the rates of certain costs, by group of major product categories.

(9) Installment receivables

The fair values of installment receivables are primarily determined by discounting expected cash flows that reflect the probability of prepayment at the rates that consist of the risk free rate, credit risk and the rates of certain costs, by group of major product categories.

Liabilities

(1) Deposits and (2) Negotiable certificates of deposit

The fair values of demand deposits, such as current deposits and ordinary deposits are recognized as the payment amount at the date of the consolidated balance sheet. The carrying amounts of the deposits with maturity less than 6 months approximate fair values, because of their short term maturity. The fair values of time deposits are determined by discounting the contractual cash flows at the rates that would be applied for new contracts with the same terms at the consolidated balance sheet date.

(3) Debentures and (7) Corporate bonds

The fair values of marketable corporate bonds are measured at the quoted market prices. The fair values of non-marketable corporate debentures and corporate bonds under the Medium Term Note program are determined by discounting expected cash flows at the actual average funding rates of corporate time deposits and debentures funded in the past 3 months of the consolidated balance sheet date.

The fair values of retail debentures are determined by discounting contractual cash flows at the actual funding rate of the latest issuance.

The fair values of step-up callable subordinated bonds are determined by discounting expected cash flows which reflect the probability of early redemption at the rates that consists of the risk free rate and the CDS spread of the Bank.

(4) Call money and bills sold and (5) Collateral related to securities lending transactions

The carrying amounts approximate fair values for Call money, Payable under repurchase agreements and Collateral related to securities lending transactions because most of these instruments are with short maturities of 3 months or less.

(6) Borrowed money

The fair values of borrowed money with fixed interest rates are primarily determined by discounting contractual cash flows (for borrowed money hedged by interest rate swaps which meets specific matching criteria, the contractual cash flows include the cash flows of the interest rate swaps), and the fair values of borrowed money with floating interest rates are determined by discounting expected cash flows on forward rates, at the rates that reflect the credit risk of the borrower.

The fair values of step-up callable subordinated borrowings are determined by discounting expected cash flows that reflect probability of early redemption at the rates that consist of the risk free rate and the CDS spread of the Bank.

<u>Derivative instruments</u>

The fair values of derivative instruments are measured at market prices or determined using discounted cash flow method or option pricing models.

<u>Others</u>

Guarantee contracts

The fair values of guarantee contracts are determined by discounting the amount of difference between the contractual cash flows and the expected cash flows that would be applied for the new same contract at the risk free rate.

(Note 2)

Financial instruments whose fair values cannot be reliably determined are as follows, and these are not included in the above (6) Securities.

（Millions of yen）

Category	Carrying amount
Equity securities without readily available market price （*1）（*2）	¥31,167
Investment in partnerships and others （*1）（*2）	80,122

Total	¥111,289

(*1) Equity securities without readily available market price are out of the scope of fair value disclosure because their fair values cannot be reliably determined. Investments in partnerships and others, the assets of which comprise equity securities without readily available market price, are out of the scope of fair value disclosure because fair values of those investments cannot be reliably determined.

(*2) In the fiscal year ended March 31, 2011, impairment losses on equity securities without readily available market price of ¥132 million, and on investment in partnerships and others of ¥1,333 million were recognized, respectively.

(Note 3) Monetary claims and securities with maturities by maturity

(Millions of yen)

	Less than 1 year	More than 1 year Less than 3 years	More than 3 year Less than 5 years	More than 5 years
Cash and due from banks	¥452,751	¥—	¥—	¥—
Collateral related to securities borrowing transactions	10,388	—	—	—
Other monetary claims purchased				
Other than trading purpose	8,914	3,943	10,062	28,740
Securities				
Held-to-maturity	106,846	175,953	220,000	56,477
Japanese national government bonds	70,000	153,000	220,000	—
Japanese corporate bonds	36,846	22,953	—	—
Other	—	—	—	56,477
Available-for-sale	1,079,568	1,066,982	285,637	158,031
Japanese national government bonds	968,456	737,700	201,200	110,000
Japanese local government bonds	—	1,243	—	500
Japanese corporate bonds	84,320	175,112	35,228	2,000
Other	26,790	152,927	49,209	45,531
Loans and bills discounted	939,194	878,395	642,535	1,336,489
Leased receivables and leased investment assets	69,858	89,381	32,207	14,680
Installment receivables	140,505	130,741	39,363	18,018
Total	¥2,808,024	¥2,345,395	¥1,229,804	¥1,612,435

(Note) The financial instruments whose cash flow cannot be estimated such as loans with credit risk categories of “legally bankrupt,” “virtually bankrupt” and “possibly bankrupt” are not included.

(Note 4) Corporate bonds, debentures and other liabilities by maturity

(Millions of yen)

	Less than 1 year	More than 1 year Less than 3 years	More than 3 year Less than 5 years	More than5 years
Deposits (*)	¥3,858,733	¥1,070,148	¥432,449	¥75,309
Negotiable certificates of deposit	174,046	—	—	—
Debentures	92,530	125,262	130,176	300
Call money and bills sold	160,165	165	—	—
Collateral related to securities lending transactions	254,697	15,000	—	—
Borrowed money	1,413,293	99,747	43,728	116,020
Corporate bonds	3,375	3,671	100,721	71,841
Total	¥5,956,842	¥1,313,996	¥707,076	¥263,471

(*) The cash flow of demand deposits is included in “Less than 1 year.”

（Securities）

Securities below include trading securities recorded in trading assets, and beneficiary interests included in other monetary claims purchased that are accounted for as securities.

1. Trading securities (as of March 31, 2011）

(Millions of yen)

	Unrealized gains (losses) included in net gain (loss)
Trading securities	(¥1,322)
Other monetary claims purchased for trading purpose	(¥23,296)

2. Securities being held to maturity whose fair value can be reliably determined (as of March 31, 2011）

(Millions of yen)

	Type	Carrying amount	Fair value	Unrealized gain(loss)
Fair value exceeds carrying amount	Japanese national government bonds	¥393,694	¥397,736	¥4,042
	Japanese corporate bonds	59,558	60,211	653
	Other	40,121	43,757	3,635
	Subtotal	493,373	501,705	8,331
Fair value does not exceed carrying amount	Japanese national government bonds	50,156	50,070	(86)
	Japanese corporate bonds	-	-	-
	Other	10,462	9,993	(468)
	Subtotal	60,619	60,063	(555)
Total		¥553,992	¥561,769	¥7,776

3. Available-for-sale securities (as of March 31, 2011）

(Millions of yen)

	Type	Carrying amount (Fair value)	Amortized/ Acquisition cost	Unrealized gain (loss)
Carrying amount exceeds cost	Equity securities	¥5,899	¥4,221	¥1,678
	Domestic bonds:	1,219,619	1,217,956	1,663
	Japanese national government bonds	1,152,269	1,151,386	882

	Japanese local government bonds	1,786	1,729	56
	Japanese corporate bonds	65,563	64,839	723
	Other	88,952	84,776	4,176
	Subtotal	1,314,472	1,306,954	7,518
Carrying amount does not exceed cost	Equity securities	8,954	13,469	(4,514)
	Domestic bonds:	1,085,389	1,093,265	(7,875)
	Japanese national government bonds	866,483	869,079	(2,595)
	Japanese local government bonds	-	-	-
	Japanese corporate bonds	218,905	224,185	(5,279)
	Other	219,572	223,755	(4,183)
	Subtotal	1,313,916	1,330,490	(16,573)
Total		¥2,628,388	¥2,637,444	(¥9,055)

(Note) The net unrealized gain (loss) on available-for-securities on the consolidated balance sheet consists of the following:

(Millions of yen)

Net unrealized gain (loss) before deferred tax on:	
Available-for-sale securities	(¥9,055)
Our interests in available-for-sale securities held by investment business limited partnerships that are recorded as securities whose fair value cannot be reliably determined and other adjustments	(67)
Securities reclassified from available-for-sale to held-to-maturity due to low liquidity in previous years	(5,922)
Less: Deferred tax liabilities	232
Net unrealized gain(loss) for available-for-sale securities before interest equivalent adjustments	(15,278)
Less: minority interests equivalent	4
The Bank’s interest equivalent in unrealized gain on available-for-sale securities held by affiliates to which the equity method is applied	57
Net unrealized loss on securities available-for-sale included in net assets	(¥15,225)

4. No Held-to-maturity securities was sold during the fiscal year

5. Available-for-sale Securities sold during the fiscal year (from April 1, 2010 to March 31, 2011)

(Millions of yen)

	Amount of sale	Gain on sale	Loss on sale
Equity securities	¥1,530	¥33	¥2
Domestic bonds:	1,767,845	8,839	962
Japanese national government bonds	1,701,469	8,685	717
Japanese local government bonds	25,459	16	37
Japanese corporate bonds	40,916	137	207
Other	101,150	13,776	131
Total	¥1,870,526	¥22,649	¥1,096

6. Securities for which impairment losses are recognized

Individual securities, other than trading securities, are written down when a decline in fair value below the cost of such securities is deemed to be other than temporary. The amount written down is accounted for as an impairment loss. Impairment losses on securities available-for-sale carried at fair value for the year ended March 31, 2011 is ¥ 6,416 million including ¥675 million for the equity securities, ¥4,716 million for the Japanese corporate bonds, ¥243 million for the other securities and ¥780 million for the other monetary claims purchased.

To determine whether an other-than-temporary impairment has occurred, the Bank applies the following rule by credit risk category of the security issuer based on the Bank's self-assessment guidelines:

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

"Legally bankrupt" obligors are those who have already gone bankrupt from a legal and/or formal perspective.

"Virtually bankrupt" obligors are those who have not yet gone legally or formally bankrupt but who are substantially bankrupt because they are in serious financial difficulties and are not deemed to be capable of restructuring.

"Possibly bankrupt" obligors are those who are not yet bankrupt but are in financial difficulties and are very likely to go bankrupt in the future.

"Need caution" obligors are those who require close attention because there are problems with their borrowings.

"Normal" obligors are those whose business conditions are favorable and who are deemed not to have any particular problems in terms of their financial position.

（Monetary assets held in trust）

1. Monetary assets held in trust for trading purposes (as of March 31, 2011)

(Millions of yen)

	Carrying amount (Fair Value)	Unrealized gains (losses) included in net gain (loss)
Monetary assets held in trust for trading purposes	¥163,963	（¥12,741）

2. There are no monetary assets held in trust held to maturity (as of March 31, 2011)

3. Other monetary assets held in trust other than trading purposes and held to maturity (as of March 31, 2011)

(Millions of yen)

	Carrying amount	Acquisition Cost	Unrealized gain (loss)	Gross Unrealized gain	Gross Unrealized loss
Other monetary assets held in trust	¥89,724	¥89,724	—	—	—

Note: “Gross unrealized gain” and “Gross unrealized loss” are components of “Unrealized gain (loss)”.

(Stock option)

The matters concerning the stock option are as follows.

(1) Expenses amount and accounting item related to stock options in this consolidated fiscal year

Other general and administrative expenses (¥ 34) million

(2) The amount recognized as revenue during this consolidated fiscal year because of the forfeiture due to the non-exercise ¥ 225 million

(3) Details of stock options vested during this consolidated fiscal year

	The 1st stock acquisition rights		The 2nd stock acquisition rights	
Number of grantees by category	Statutory Executive Officers: 11 Employees: 2,185		Employees: 3	
Number of options granted (Note1)	Common Shares: 5,343,000 shares	Common Shares: 4,112,000 shares	Common Shares: 82,000 shares	Common Shares: 79,000 shares
Grant date	July 1, 2004		October 1, 2004	
Vesting conditions	(Note: 2)		(Note: 2)	
Vesting period	From July 1, 2004 to July 1, 2006	From July 1, 2004 to July 1, 2007	From October 1, 2004 to July 1, 2006	From October 1, 2004 to July 1, 2007
Contractual period	From July 1, 2006 to June 23, 2014	From July 1, 2007 to June 23, 2014	From July 1, 2006 to June 23, 2014	From July 1, 2007 to June 23, 2014

	The 3rd stock acquisition rights		The 4th stock acquisition rights	
Number of grantees by category	Employees: 1		Statutory Executive Officers: 1	
Number of options granted (Note1)	Common Shares: 13,000 shares	Common Shares: 12,000 shares	Common Shares: 125,000 shares	Common Shares: 125,000 shares
Grant date	December 10, 2004		June 1, 2005	
Vesting conditions	(Note: 2)		(Note: 2)	
Vesting period	From December 10, 2004 to July 1, 2006	From December 10, 2004 to July 1, 2007	From June 1, 2005 to July 1, 2006	From June 1, 2005 to July 1, 2007
Contractual period	From July 1, 2006 to June 23, 2014	From July 1, 2007 to June 23, 2014	From July 1, 2006 to June 23, 2014	From July 1, 2007 to June 23, 2014

	The 5th stock acquisition rights		The 6th stock acquisition rights	
Number of grantees by category	Directors: 15 Statutory Executive Officers: 10 Employees: 437		Statutory Executive Officers: 5 Employees: 35	
Number of options granted (Note1)	Common Shares: 2,609,000 shares	Common Shares: 2,313,000 shares	Common Shares: 1,439,000 shares	Common Shares: 1,417,000 shares
Grant date	June 27, 2005		June 27, 2005	
Vesting conditions	(Note: 2)		(Note: 2)	
Vesting period	From June 27, 2005 to July 1, 2007	From June 27, 2005 to July 1, 2008	From June 27, 2005 to July 1, 2007	From June 27, 2005 to July 1, 2008
Contractual period	From July 1, 2007 to June 23, 2015	From July 1, 2008 to June 23, 2015	From July 1, 2007 to June 23, 2015	From July 1, 2008 to June 23, 2015

	The 7th stock acquisition rights		The 8th stock acquisition rights	
Number of grantees by category	Statutory Executive Officers: 8 Employees: 127		Statutory Executive Officers: 1 Employees: 34	
Number of options granted (Note1)	Common Shares: 678,000 shares	Common Shares: 609,000 shares	Common Shares: 287,000 shares	Common Shares: 274,000 shares
Grant date	June 27, 2005		June 27, 2005	
Vesting conditions	(Note: 2)		(Note: 2)	
Vesting period	From June 27, 2005 to July 1, 2008	From June 27, 2005 to July 1, 2010	From June 27, 2005 to July 1, 2008	From June 27, 2005 to July 1, 2010
Contractual period	From July 1, 2008 to June 23, 2015	From July 1, 2010 to June 23, 2015	From July 1, 2008 to June 23, 2015	From July 1, 2010 to June 23, 2015

	The 9th stock acquisition rights		The 10th stock acquisition rights	
Number of grantees by category	Employees: 2		Employees: 2	
Number of options granted (Note1)	Common Shares: 79,000 shares	Common Shares: 78,000 shares	Common Shares: 27,000 shares	Common Shares: 26,000 shares
Grant date	September 28, 2005		September 28, 2005	
Vesting conditions	(Note: 2)		(Note: 2)	
Vesting period	From September 28, 2005 to July 1, 2007	From September 28, 2005 to July 1, 2008	From September 28, 2005 to July 1, 2008	From September 28, 2005 to July 1, 2010
Contractual period	From July 1, 2007 to June 23, 2015	From July 1, 2008 to June 23, 2015	From July 1, 2008 to June 23, 2015	From July 1, 2010 to June 23, 2015

	The 13th stock acquisition rights		The 14th stock acquisition rights	
Number of grantees by category	Directors: 15 Statutory Executive Officers: 14 Employees: 559		Statutory Executive Officers: 3 Employees: 28	
Number of options granted (Note1)	Common Shares: 2,854,000 shares	Common Shares: 2,488,000 shares	Common Shares: 1,522,000 shares	Common Shares: 1,505,000 shares
Grant date	May 25, 2006		May 25, 2006	
Vesting conditions	(Note: 2)		(Note: 2)	
Vesting period	From May 25, 2006 to June 1, 2008	From May 25, 2006 to June 1, 2009	From May 25, 2006 to June 1, 2008	From May 25, 2006 to June 1, 2009
Contractual period	From June 1, 2008 to June 23, 2015	From June 1, 2009 to June 23, 2015	From June 1, 2008 to June 23, 2015	From June 1, 2009 to June 23, 2015

	The 15th stock acquisition rights		The 16th stock acquisition rights	
Number of grantees by category	Statutory Executive Officers: 12 Employees: 159		Employees: 19	
Number of options granted (Note1)	Common Shares: 749,000 shares	Common Shares: 690,000 shares	Common Shares: 170,000 shares	Common Shares: 161,000 shares
Grant date	May 25, 2006		May 25, 2006	
Vesting conditions	(Note: 2)		(Note: 2)	
Vesting period	From May 25, 2006 to June 1, 2009	From May 25, 2006 to June 1, 2011	From May 25, 2006 to June 1, 2009	From May 25, 2006 to June 1, 2011
Contractual period	From June 1, 2009 to June 23, 2015	From June 1, 2011 to June 23, 2015	From June 1, 2009 to June 23, 2015	From June 1, 2011 to June 23, 2015

	The 17th stock acquisition rights		The 18th stock acquisition rights	
Number of grantees by category	Directors: 12 Statutory Executive Officers: 13 Employees: 110		Statutory Executive Officers: 3 Employees: 23	
Number of options granted (Note1)	Common Shares: 1,691,000 shares	Common Shares: 1,615,000 shares	Common Shares: 747,000 shares	Common Shares: 733,000 shares
Grant date	May 25, 2007		May 25, 2007	
Vesting conditions	(Note: 2)		(Note: 2)	
Vesting period	From May 25, 2007 to June 1, 2009	From May 25, 2007 to June 1, 2011	From May 25, 2007 to June 1, 2009	From May 25, 2007 to June 1, 2011
Contractual period	From June 1, 2009 to May 8, 2017	From June 1, 2011 to May 8, 2017	From June 1, 2009 to May 8, 2017	From June 1, 2011 to May 8, 2017

	The 19th stock acquisition rights		The 20th stock acquisition rights	
Number of grantees by category	Directors and employees in subsidiaries: 32		Directors: 12 Statutory Executive Officers: 8 Employees: 104	
Number of options granted (Note1)	Common Shares: 86,000 shares	Common Shares: 54,000 shares	Common Shares: 1,445,000 shares	Common Shares: 1,385,000 shares
Grant date	July 2, 2007		May 30, 2008	
Vesting conditions	(Note: 2)		(Note: 2)	
Vesting period	From July 2, 2007 to July 1, 2009	From July 2, 2007 to July 1, 2011	From May 30, 2008 to June 1, 2010	From May 30, 2008 to June 1, 2012
Exercise period	From July 1, 2009 to June 19, 2017	From July 1, 2011 to June 19, 2017	From June 1, 2010 to May 13, 2018	From June 1, 2012 to May 13, 2018

	The 21st stock acquisition rights		The 22nd stock acquisition rights	
Number of grantees by category	Statutory Executive Officers: 1 Employees: 29		Directors and employees in subsidiaries: 43	
Number of options granted (Note1)	Common Shares: 1,049,000 shares	Common Shares: 1,032,000 shares	Common Shares: 121,000 shares	Common Shares: 82,000 shares
Grant date	May 30, 2008		July 10, 2008	
Vesting conditions	(Note: 2)		(Note: 2)	
Vesting period	From May 30, 2008 to June 1, 2010	From May 30, 2008 to June 1, 2012	From July 10, 2008 to July 1, 2010	From July 10, 2008 to July 1, 2012
Exercise period	From June 1, 2010 to May 13, 2018	From June 1, 2012 to May 13, 2018	From July 1, 2010 to June 24, 2018	From July 1, 2012 to June 24, 2018

	The 23rd stock acquisition rights	
Number of grantees by category	Directors and employees in subsidiaries: 17	
Number of options granted (Note1)	Common Shares: 54,000 shares	Common Shares: 43,000 shares
Grant date	December 1, 2008	
Vesting conditions	(Note: 2)	
Vesting period	From December 1, 2008 to December 1, 2010	From December 1, 2008 to December 1, 2012
Exercise period	From December 1, 2010 to November 11, 2018	From December 1, 2012 to November 11, 2018

Notes:

1. Stated in terms of the number of shares.
2. In principle, grantees must continue to be employed by the company during the service period. However, the right may be granted or forfeited if certain conditions specified in the "Agreement on Granting Stock Acquisition Rights" take place.

・Number of stock options and movements of them

Stock options that existed at any time during this consolidated fiscal year are covered. Number of stock options is stated in terms of the number of shares.

a. Number of Stock Options

	1st	2nd	3rd	4th
Non-vested (share)				
Outstanding at the beginning of the period	-	-	-	-
Granted during the period	-	-	-	-
Forfeited during the period	-	-	-	-
Vested during the period	-	-	-	-
Outstanding at the end of the period	-	-	-	-
Vested (Share)				
Outstanding at the beginning of the period	5,298,000	7,000	25,000	250,000
Vested during the period	-	-	-	-
Exercised during the period	-	-	-	-
Forfeited during the period	229,000	7,000	25,000	-
Exercisable at the end of the period	5,069,000	-	-	250,000

	5th	6th	7th	8th
Non-vested (share)				
Outstanding at the beginning of the period	-	-	261,000	109,000
Granted during the period	-	-	-	-
Forfeited during the period	-	-	69,000	-
Vested during the period	-	-	192,000	109,000
Outstanding at the end of the period	-	-	-	-
Vested (Share)				
Outstanding at the beginning of the period	2,693,000	1,921,000	428,000	128,000
Vested during the period	-	-	192,000	109,000
Exercised during the period	-	-	-	-
Forfeited during the period	364,000	377,000	114,000	50,000
Exercisable at the end of the period	2,329,000	1,544,000	506,000	187,000

	9th	10th	13th	14th
Non-vested (share)				
Outstanding at the beginning of the period	-	18,000	-	-
Granted during the period	-	-	-	-
Forfeited during the period	-	-	-	-
Vested during the period	-	18,000	-	-
Outstanding at the end of the period	-	-	-	-
Vested (Share)				
Outstanding at the beginning of the period	108,000	18,000	2,820,000	2,044,000
Vested during the period	-	18,000	-	-
Exercised during the period	-	-	-	-
Forfeited during the period	-	-	430,000	247,000
Exercisable at the end of the period	108,000	36,000	2,390,000	1,797,000

	15th	16th	17th	18th
Non-vested (share)				
Outstanding at the beginning of the period	317,000	17,000	669,000	165,000
Granted during the period	-	-	-	-
Forfeited during the period	113,000	-	231,000	85,000
Vested during the period	87,000	-	250,000	24,000
Outstanding at the end of the period	117,000	17,000	188,000	56,000
Vested (Share)				
Outstanding at the beginning of the period	431,000	20,000	1,162,000	881,000
Vested during the period	87,000	-	250,000	24,000
Exercised during the period	-	-	-	-
Forfeited during the period	103,000	-	192,000	86,000
Exercisable at the end of the period	415,000	20,000	1,220,000	819,000

	19th	20th	21st	22nd
Non-vested (share)				
Outstanding at the beginning of the period	52,000	1,967,000	970,000	183,000
Granted during the period	-	-	-	-
Forfeited during the period	-	361,000	563,000	2,000
Vested during the period	4,000	1,280,000	326,000	109,000
Outstanding at the end of the period	48,000	326,000	81,000	72,000
Vested (Share)				
Outstanding at the beginning of the period	88,000	47,000	-	10,000
Vested during the period	4,000	1,280,000	326,000	109,000
Exercised during the period	-	-	-	-
Forfeited during the period	-	230,000	132,000	3,000
Exercisable at the end of the period	92,000	1,097,000	194,000	116,000

	23rd
Non-vested (share)	
Outstanding at the beginning of the period	76,000
Granted during the period	-
Forfeited during the period	17,000
Vested during the period	35,000
Outstanding at the end of the period	24,000
Vested (Share)	
Outstanding at the beginning of the period	-
Vested during the period	35,000
Exercised during the period	-
Forfeited during the period	-
Exercisable at the end of the period	35,000

b. Price information

	1st	2nd	3rd	4th
Exercise Price (yen)	684	646	697	551
Weighted average stock price at the date of exercise	-	-	-	-

	5th	6th	7th	8th
Exercise Price (yen)	601	601	601	601
Weighted average stock price at the date of exercise	-	-	-	-

	9th	10th	13th	14th
Exercise Price (yen)	697	697	825	825
Weighted average stock price at the date of exercise	-	-	-	-

	15th	16th	17th	18th
Exercise Price (yen)	825	825	555	555
Weighted average stock price at the date of exercise	-	-	-	-

	19th	20th	21st	22nd
Exercise Price (yen)	527	416	416	407
Weighted average stock price at the date of exercise	-	-	-	-

	23rd
Exercise Price (yen)	221
Weighted average stock price at the date of exercise	-

(4) Measurement of the fair values of stock options

There is no stock option granted and changed their fair value by alteration of a condition in this consolidated fiscal year.

(5) Method of determining the vested number of stock options

Incorporated only the actual forfeited options, as the reasonable estimate of future forfeiture is difficult.

(TRANSLATION)

INDEPENDENT AUDITORS' REPORT

May 9, 2011

To the Board of Directors of
Shinsei Bank, Limited:

Deloitte Touche Tohmatsu LLC

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

Seno Tezuka

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

Masahiro Ishizuka

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

Shigehiko Matsumoto

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, 2011 of Shinsei Bank, Limited (the "Bank") and consolidated subsidiaries, and the related statements of income and changes in equity for the fiscal year from April 1, 2010 to March 31, 2011. These consolidated financial statements are the responsibility of the Bank's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Bank and consolidated subsidiaries as of March 31, 2011, and the results of their operations for the year then ended in conformity with accounting principles generally accepted in Japan.

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

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

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Non-Consolidated Balance Sheet
Shinsei Bank, Limited
As of March 31, 2011

	millions of yen
ASSETS	
Cash and due from banks	313,424
Cash	4,070
Due from banks	309,354
Collateral related to securities borrowing transactions	3,050
Other monetary claims purchased	408,701
Trading assets	182,828
Securities related to trading transactions	8,439
Derivatives of securities related to trading transactions	57,004
Trading-related financial derivatives	117,384
Monetary assets held in trust	360,976
Securities	3,701,794
Japanese national government bonds	2,462,569
Japanese local government bonds	1,786
Short-term corporate bonds	9,999
Japanese corporate bonds	348,613
Equity securities	392,029
Other securities	486,796
Valuation allowance for investments	(3,370)
Loans and bills discounted	3,973,251
Bills discounted	97
Loans on bills	30,785
Loans on deeds	3,310,759
Overdrafts	631,608
Foreign exchanges	42,069
Due from foreign banks	36,853
Foreign bills bought	128
Foreign bills receivable	5,088
Other assets	350,248
Prepaid expenses	1,498
Accrued income	12,715
Margin on futures transactions	12,136
Suspense payment on futures transactions	22
Derivatives held in banking account	182,476
Deferred expenses for issuance of bonds and notes	391
Other assets	141,007
Premises and equipment	18,236
Buildings	14,667
Lease asset	3
Construction in progress	655
Other tangible fixed assets	2,909
Intangible assets	9,987
Software	9,940
Other intangible fixed assets	47
Deferred issuance expenses for debentures	182
Deferred expenses for issuance of debentures	182
Deferred tax assets	1,894
Customers' liabilities for acceptances and guarantees	9,603
Reserve for credit losses	(114,877)
[Total assets]	9,258,002

	millions of yen
LIABILITIES AND EQUITY	
Liabilities	
Deposits	5,565,258
Current accounts	27,269
Ordinary deposits	1,551,305
Notice deposits	12,269
Time deposits	3,608,135
Other deposits	366,279
Negotiable certificates of deposit	174,046
Debentures	352,570
Issuance of debentures	352,570
Call money	160,330
Collateral related to securities lending transactions	265,028
Trading liabilities	144,375
Derivatives of trading securities	221
Derivatives of securities related to trading transactions	42,333
Trading-related financial derivatives	101,820
Borrowed money	1,405,648
Borrowed money	1,405,648
Foreign exchanges	218
Due to foreign banks	180
Foreign bills payable	37
Corporate bonds	222,268
Other liabilities	335,798
Income taxes payable	314
Accrued expenses	58,032
Unearned income	391
Suspense receipt on futures transactions	9,081
Derivatives held in banking account	234,744
Lease debt	3
Asset retirement obligations	4,003
Other liabilities	29,226
Accrued employees' bonuses	4,149
Acceptances and guarantees	9,603
[Total liabilities]	8,639,296
Equity	
Shareholders' equity	
Capital stock	512,204
Capital surplus	79,465
Additional paid-in capital	79,465
Retained earnings	117,980
Legal reserve	11,035
Other retained earnings	106,944
Unappropriated retained earnings	106,944
Treasury stock, at cost	(72,558)
[Total shareholders' equity]	637,091
Net unrealized gain (loss)	
Unrealized gain (loss) on available-for-sale securities	(15,346)
Deferred gain (loss) on derivatives under hedge accounting	(4,452)
[Total net unrealized gain (loss)]	(19,799)
Stock acquisition rights	1,413
[Total equity]	618,705
[Total liabilities and equity]	9,258,002

Non-Consolidated Statement of Income

Shinsei Bank, Limited

from April 1, 2010 to March 31, 2011

	millions of yen
ORDINARY INCOME	
Interest income	119,908
Interest on loans and bills discounted	70,796
Interest and dividends on securities	39,337
Interest on call loans	103
Interest on collateral related to securities borrowing transactions	147
Interest on deposits with banks	176
Interest on swaps	3,158
Other interest income	6,189
Fees and commissions income	13,846
Domestic and foreign exchange commissions income	1,045
Other fees and commissions income	12,801
Trading profits	13,543
Profits from trading-related financial derivatives	13,543
Other business income	27,612
Gains on foreign exchange	2,209
Gains on sales of bonds	20,413
Income from derivatives in banking account	1,722
Other business income - others	3,267
Other ordinary income	16,949
Gains on sales of equity securities and others	2,495
Gains on monetary assets held in trust	12,284
Other ordinary income - others	2,169
Total ordinary income	191,860
ORDINARY EXPENSES	
Interest expenses	52,528
Interest on deposits	33,986
Interest on negotiable certificates of deposit	595
Interest on debentures	2,392
Interest on call money	206
Interest on payables under repurchase agreements	2
Interest on collateral related to securities lending transactions	428
Interest on bills rediscounted	0
Interest on borrowings	2,184
Interest on corporate bonds	12,676
Other interest expenses	54
Fees and commissions expenses	9,841
Domestic and foreign exchange commissions expenses	1,488
Other fees and commissions expenses	8,353
Trading losses	2,926
Losses on trading securities and derivatives	1
Expenses on securities and trading-related financial derivatives	2,846
Other trading losses	78
Other business expenses	9,156
Losses on sales of bonds	1,025
Devaluation of investment bonds	5,142
Amortization of deferred expenses for issuance of debentures	83
Amortization of deferred expenses for issuance of corporate bonds	96
Other business expenses - others	2,808
General and administrative expenses	63,011
Other ordinary expenses	46,428
Provision of reserve for loan losses	35,106
Losses on write-offs of loans	5,130
Losses on sales of equity securities and others	215
Losses on write-down of equity securities and others	726
Losses on monetary assets held in trust	736
Other ordinary expenses - others	4,513
Total ordinary expenses	183,892
NET ORDINARY INCOME	7,968
Special gains	38,497
Gains on dispositions fixed assets	0
Recoveries of written-off claims	5,639
Gain from the cancellation of issued bond and other instruments	29,486
Other special gains	3,372
Special losses	34,341
Losses on dispositions of fixed assets	303
Loss on impairment of fixed assets	816
Other special losses	33,222
Income before income taxes	12,124
Income taxes (benefit) - current	(597)
Income taxes (benefit) - deferred	1,551
Total income taxes	954
NET INCOME	11,170

Non-Consolidated Statement of Changes in Equity

Shinsei Bank Limited

For the fiscal years ended March 31, 2011

	(millions of yen) FY2010 (12 months)
Shareholders' Equity	
Capital stock	
Balance at beginning of the period	**476,296**
Changes in amounts during the period	
Issuance of new stock	**35,907**
Total changes in amounts during the period	**35,907**
Balance at the end of the period	**512,204**
Capital surplus	
Capital reserve	
Balance at beginning of the period	**43,558**
Changes in amounts during the period	
Issuance of new stock	**35,907**
Total changes in amounts during the period	**35,907**
Balance at the end of the period	**79,465**
Total capital surplus	
Balance at beginning of the period	**43,558**
Changes in amounts during the period	
Issuance of new stock	**35,907**
Total changes in amounts during the period	**35,907**
Balance at the end of the period	**79,465**
Retained earnings	
Legal reserve for retained earnings	
Balance at beginning of the period	**11,035**
Changes in amounts during the period	
Total changes in amounts during the period	**-**
Balance at the end of the period	**11,035**
Other retained earnings	
Retained earnings carried forward	
Balance at beginning of the period	**95,773**
Changes in amounts during the period	
Net income	**11,170**
Total changes in amounts during the period	**11,170**
Balance at the end of the period	**106,944**
Total retained earnings	
Balance at beginning of the period	**106,809**
Changes in amounts during the period	
Net income	**11,170**
Total changes in amounts during the period	**11,170**
Balance at the end of the period	**117,980**

Treasury stock	
Balance at beginning of the period	**(72,558)**
Changes in amounts during the period	
Total changes in amounts during the period	**-**
Balance at the end of the period	**(72,558)**
Shareholders' Equity	
Balance at beginning of the period	**554,105**
Changes in amounts during the period	
Issuance of new stock	**71,815**
Net income	**11,170**
Total changes in amounts during the period	**82,985**
Balance at the end of the period	**637,091**
Net unrealized gain (loss) and translation adjustments	
Unrealized gain (loss) on available-for-sale securities	
Balance at beginning of the period	**361**
Changes in amounts during the period	
Total changes in amounts during the period excluding capital stock (net)	**(15,707)**
Total changes in amounts during the period	**(15,707)**
Balance at the end of the period	**(15,346)**
Deferred gain (loss) on derivatives under hedge accounting	
Balance at beginning of the period	**(192)**
Changes in amounts during the period	
Total changes in amounts during the period excluding capital stock (net)	**(4,260)**
Total changes in amounts during the period	**(4,260)**
Balance at the end of the period	**(4,452)**
Total net unrealized gain (loss) and translation adjustments	
Balance at beginning of the period	**168**
Changes in amounts during the period	
Total changes in amounts during the period excluding capital stock (net)	**(19,967)**
Total changes in amounts during the period	**(19,967)**
Balance at the end of the period	**(19,799)**
Stock acquisition rights	
Balance at beginning of the period	**1,672**
Changes in amounts during the period	
Total changes in amounts during the period excluding capital stock (net)	**(259)**
Total changes in amounts during the period	**(259)**
Balance at the end of the period	**1,413**
Total equity	
Balance at beginning of the period	**555,947**
Changes in amounts during the period	
Issuance of new stock	**71,815**
Net income	**11,170**
Total changes in amounts during the period excluding capital stock (net)	**(20,227)**
Total changes in amounts during the period	**62,758**
Balance at the end of the period	**618,705**

All yen amounts are rounded down to millions of yen.

Significant accounting policies

1. Valuation and revenue recognition of trading account activities

Trading account positions entered into to generate gains arising from short-term changes in interest rates, currency exchange rates or market prices of securities and other market-related indices, or from price differences among markets, are included in trading assets and trading liabilities on a trade date basis. The profits and losses resulting from trading activities are included in trading profit and trading losses on a trade date basis.

Trading securities and monetary claims purchased for trading purposes are stated at market value at the balance sheet date and derivative financial instruments related to trading positions are stated at fair value based on estimated amounts that would be settled in cash if such position were terminated at the balance sheet date.

Trading profits and trading losses include interest received and paid, the amounts of increases (decreases) in valuation gains (losses) for the fiscal year for securities and monetary claims, and the net change in valuation gains (losses) for the fiscal year using the estimated settlement prices assuming settlement in cash on the balance sheet date for derivatives.

In estimating fair values of derivative financial instruments related to trading positions, liquidity risks and credit risks are reflected.

2. Valuation of securities

(a) Securities for trading purposes (except those included in trading accounts) are carried at fair value (sales cost is determined by the moving average method). Securities being held to maturity are carried at amortized cost using the moving average method. Investments in subsidiaries and affiliates are carried at cost determined by the moving average method. Available-for-sale securities whose fair value can be reliably determined are carried at fair value at the balance sheet date (sales cost is determined by the moving average method) and securities whose fair value cannot be reliably determined are carried at cost using the moving average method. Unrealized gains (losses) on available-for-sale securities are directly recorded in equity.

(b) The values of securities included in monetary assets held in trust are determined by the same method as stated in (a) above.

3. Valuation of derivatives

Derivatives (except for those included in trading accounts) are carried at fair value.

4. Valuation of other monetary claims purchased

Other monetary claims purchased and held for trading purposes (except for those included in trading accounts) are carried at fair value.

5. Depreciation of fixed assets

(a) Premises and equipment (excluding leased assets)

Depreciation of buildings and computers equipment (including ATMs) other than personal computers in the category of equipment is computed using the straight-line method, and depreciation of other equipment is computed using the declining balance method. Principal estimated useful lives are as follows:

Buildings: 8 – 50 years

Others: 2 – 20 years

(b) Intangible assets

Amortization of intangible assets is computed using the straight-line method. Capitalized software for internal use is amortized using the straight-line method over the estimated useful lives (5 years).

(c) Leased assets

Depreciation of leased assets (both tangible and intangible) from finance lease transactions that do not deem to transfer ownership of the leased property to the lessee, which are included in "Premises and equipment" and "Intangible fixed assets," is computed using the straight-line method over the leasing period. Residual values of leased assets are the guaranteed value for those assets determined in the lease contract or zero for assets without such guaranteed value.

6. Deferred charges

Deferred charges for the Bank are accounted for as follows:

(a) Stock issuance costs

Stock issuance costs are charged to expense as incurred.

(b) Deferred expenses for issuance of corporate bonds

Deferred expenses for issuance of corporate bonds are amortized using the straight-line method over the term of corporate bonds.

Corporate bonds are stated at their amortized costs using the straight-line method.

(c) Deferred expenses for issuance of debentures

Deferred expenses for issuance of debentures are amortized using the straight-line method over the term of debentures.

7. Translation of foreign currency-denominated assets and liabilities

Foreign currency-denominated assets and liabilities are translated into Japanese yen at the exchange rates prevailing at the balance sheet date, except for investments in subsidiaries and affiliates which are translated at the relevant historical exchange rates.

8. Reserves and accruals

(a) Reserve for Credit Losses

The reserve for credit losses has been established as described below based on the predetermined internal rules for establishing the reserve.

For claims to obligors who are legally bankrupt (due to bankruptcy, special liquidation, etc.) or virtually bankrupt, a specific reserve is provided based on the amount of claims, after the charge-off stated below, net of amounts expected to be collected through the disposal of collateral or execution of guarantees.

For claims to obligors who are possibly bankrupt (that is, those that are not presently bankrupt but are very likely to go bankrupt in the future), except claims to obligors with larger claims than a predetermined amount as described below, a specific reserve is provided for the amount considered to be necessary based on an overall solvency assessment performed for the amount of claims, net of amounts expected to be collected through the disposal of collateral or execution of guarantees.

With regard to claims to possibly bankrupt obligors, restructured loans and certain claims for which the reserve has been provided based on the discounted cash flow method (as mentioned below) in previous fiscal years, provided that obligors' cash flows for debt service are reasonably estimable and the balance of claims to such obligors are at or larger than a predetermined amount, the reserve for credit losses is provided for the difference between the present value of estimated cash flows discounted at the contractual interest rates that have been determined prior to any concession on lending conditions and the carrying value of the claim (discounted cash flow method). For claims to obligors whose future cash flows are not reasonably estimable and the balance is at or larger than a predetermined amount, the reserve is provided by estimating the expected loss amount for the remaining term of the respective claims.

For claims other than those mentioned above, a general reserve is provided based on historical loan loss experience.

The reserve for loans to restructuring countries is provided based on the amount of expected losses due to the political and economic conditions in their respective countries.

All claims are assessed by business divisions based on the predetermined internal rules for the self-assessment of asset quality. The Credit Assessment Division, which is independent from business divisions, conducts verifications of these assessments, and additional reserves may be provided based on the verification results.

For collateralized or guaranteed claims to obligors who are legally bankrupt or virtually bankrupt, the amount of claims exceeding the estimated value of collateral or guarantees, which is deemed uncollectible, has been charged off and totaled ¥90,278 million.

(b) Valuation allowance for investment

Valuation allowance for investment is set aside in amounts that are deemed to be necessary for possible losses on investments, in light of the financial status and other elements of the issuers of the securities.

(c) Accrued bonuses for employees

Accrued bonuses for employees are provided in the amount of the estimated bonuses which are attributed to this fiscal year.

(d) Reserve for retirement benefits

The reserve for retirement benefits is provided for payment of employees' retirement benefits based on the estimated amounts of the projected benefit obligation and the estimated value of pension plan assets as of the balance sheet date. The prior service cost and the actuarial difference are treated in the following manner:

Prior service cost:	Amortized using the straight-line method over the average remaining service period from the fiscal year of occurrence.
Actuarial differences:	Amortized using the straight-line method over the average remaining service period from the fiscal year of occurrence.

The transitional unrecognized net retirement benefit obligation of ¥9,081 million is being amortized using the straight-line method over 15 years.

9. Hedge accounting

(a) Hedge of interest rate risks

The bank applies the deferral hedge accounting for derivative transactions that meet the hedge accounting criteria for mitigating interest risks of the Bank’s financial assets and liabilities.

The Bank adopted portfolio hedging in accordance with Industry Audit Committee Report No. 24 issued by the Japanese Institute of Certified Public Accountants (the "JICPA"). Under portfolio hedging, a portfolio of hedged items such as deposits or loans with common maturities is matched with a group of hedging instruments such as interest rate swaps, which offset the effect of fair value fluctuations of the hedged items by identified maturities, and are designated as a hedge of the portfolio. The effectiveness of the portfolio hedge is assessed by each group.

With regard to instruments to hedge the exposure to variable cash flows of a forecasted transaction, the effectiveness of hedging is periodically assessed by the correlation of variable interest components of hedging hedged items and hedging instruments.

(b) Hedge of foreign exchange fluctuation risks

The bank applies either deferral hedge accounting or fair value hedge accounting for derivative transactions for the purpose of hedging foreign exchange risk arising from financial assets and liabilities denominated in a foreign currency.

Under deferral hedge accounting, which is in accordance with “Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry” (Industry Audit Committee Report No. 25 of the JICPA), hedged items are identified by grouping the foreign currency-denominated financial assets and liabilities by currencies and designating derivative transactions such as currency swap transactions and forward exchange contracts as hedging instruments. Hedge effectiveness is reviewed by comparing the total foreign currency position of the hedged items and hedging instruments by currency.

The Bank also applies deferral hedge accounting and fair value hedge accounting to translation gains or losses from foreign currency denominated investments in subsidiaries and affiliates and available-for-sale securities (other than bonds denominated in foreign currencies) when such foreign currency exposures recorded as assets are hedged with offsetting foreign currency liabilities and the liabilities exceed the acquisition cost of such foreign currency assets.

(c) Intra-company derivative transactions

Gains (losses) on intra-company derivative hedging transactions between the trading book and the banking book are not eliminated since offsetting transactions with third parties are appropriately entered into in conformity with the non-arbitrary and strict hedging policy in accordance with Industry Audit Committee Reports No. 24 and No. 25. As a result, in the banking book, realized gains (losses) on such intra-company transactions are reported in current earnings and valuation gains (losses) are deferred as assets or liabilities.

10. Consumption tax

The National Consumption Tax and the Local Consumption Tax are excluded from transaction amounts.

11. Consolidated tax system

The consolidated corporation tax system is adopted by the Bank and some domestic consolidated subsidiaries.

Change in accounting policy

(Accounting Standard for Asset Retirement Obligations)

From this period, “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No.18, March 31, 2008) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No.21, March 31, 2008) are applied.

As a result, income before income taxes for this fiscal year decreased by ¥1,443 million. Change in the amount of asset retirement obligations by the initial adoption of these standards is ¥2,057 million.

Change in presentation

Other receivables (¥19,517 million for this fiscal year), which was represented separately in the previous fiscal year, are included in “Other assets” in this fiscal year since its balance is below 1/100 of total assets.

Notes to Non-Consolidated financial statements

（Balance Sheet as of March 31, 2011）

1. The total net book value of equity investments in affiliates is ¥448,052 million.

2. With regards to the balance of securities held in relation to securities borrowing transactions with or without cash collateral, and securities accepted as collateral based on derivative transactions, where the Bank has the right to sell or pledge such securities without restrictions, the amount of being held by the Bank at the balance sheet date is ¥23,948 million.

3. Loans to bankrupt obligors and non-accrual delinquent loans of ¥7,263 million and ¥237,719 million, respectively, are included in loans and bills discounted.

Included in loans placed on non-accrual status (because the ultimate collectability of either principal or interest is in doubt or a delay in payments of either principal or interest is judged to last for a certain period of time) are loans to bankrupt obligors, as defined in Article 96, Paragraph 1, Subparagraphs 3 and 4 of the Enforcement Ordinance for the Corporation Tax Law (Ordinance No.97 of 1965).

Non-accrual delinquent loans are non-accrual loans other than loans to obligors in bankruptcy and loans for which interest payments are deferred in order to facilitate the rehabilitation of the obligor or to assist in the financial recovery of the obligors.

4. Loans past due for three months or more of ¥1,602 million are included in loans and bills discounted.

Loans past due for three months or more are loans other than loans to bankrupt obligors and non-accrual delinquent loans for which the principal and/or interest is past due for three months or more.

5. Restructured loans of ¥4,786 million are included in loans and bills discounted.

Restructured loans are loans other than loans to bankrupt obligors, non-accrual delinquent loans or loans past due for three months or more, on which concessions such as reduction of the stated interest rate, a deferral of interest payment, an extension of the maturity date, debt forgiveness, or other agreements which give advantages to obligors in financial difficulties have been granted to obligors to facilitate their rehabilitation.

6. The total amount of loans to bankrupt obligors, non-accrual delinquent loans, loans past due for three months or more and restructured loans is ¥251,372 million. The amounts of loans mentioned in the Notes 3 through 6 above represent the gross receivable amounts prior to reduction of the reserve for credit losses.

7. Bills discounted, such as bank acceptances bought, commercial bills discounted, documentary bills and foreign exchange contracts bought, are accounted for as financing transactions in accordance with Industry Audit Committee Report No. 24 of the JICPA, although the Bank has the right to sell or pledge them without restrictions. The face values of such bills discounted held as of March 31, 2011 are ¥225 million.

8. The total principal amount of loans accounted for as a sale through loan participations is ¥28,854 million as of March 31, 2011. This off-balance sheet treatment is in accordance with Report No. 3 issued by the Framework Committee of the JICPA on June 1, 1995.

Of the loan participation principal amount posted as loans to original obligors, the outstanding balance is ¥15,366million as of March 31, 2011.

9. Assets pledged as collateral are as follows:

Cash and due from banks	¥	10	million
Securities		2,131,714	
Loans and bills discounted		206,497	
Other assets		10,620	

Liabilities related to pledged assets are as follows:

Deposits	¥	1,752	million
Call money		160,000	
Collateral related to securities lending transactions		265,028	
Borrowed money		1,265,148	
Other liabilities		26	
Acceptances and guarantees		922	

Other than the above,, securities of ¥239,801million are pledged as collateral for transactions, including exchange settlements, swap transactions and the substitution of margin on futures transactions.

In addition, ¥6,692 million of security deposits and ¥10,275 million of cash collateral pledged for derivative transactions are included in other assets and ¥5,748 million of the cash reserve for the securitization of our subsidiary is included in monetary assets held in trust.

10. The Bank issues commitments to extend credit and establish credit lines for overdrafts to meet the financing needs of its customers. The unfunded amount of these commitments is ¥3,194,674 million, out of which the amount with original agreement terms of less than one year or which were cancelable was ¥3,039,298 million. Since a large majority of these commitments expire without being drawn upon, the unfunded amounts do not necessarily represent future cash requirements. Many of such agreements include conditions granting the Bank the right to reject the drawdown or to reduce the amount on the basis of changes in the financial circumstances of the borrower or other reasonable grounds.

In addition, the Bank obtains collateral when necessary to reduce credit risk related to these commitments.

11. Accumulated depreciation on premises and equipments is ¥11,235 million.

12. Deferred gains on sales of real estate of ¥32 million are deducted from the acquisition cost of premises and equipments.

13. Subordinated debt of ¥101,900 million is included in borrowed money.

14. Subordinated bonds of ¥ 211,016 million are included in corporate bonds.

15. The amount of guarantee obligations for privately-placed bonds (Financial Instruments and Exchange Act, Article 2, Paragraph 3), out of “bonds” included in the “Securities” category, stands at ¥43,585 million.

16. Common shareholders’ equity per share is ¥232.59.

17. Total monetary claims against affiliated companies stand at ¥582,014 million.

18. Total monetary liabilities against affiliated companies stand at ¥198,975 million.

19. According to the stipulations of Article 18 of the Banking Law, there is a limitation on dividend payments from retained earnings.

When dividends are paid out from retained earnings, Article 445, Item 4 of the Corporation Act (Amounts of Capital and Amount of Reserves) requires the amount of retained earnings to be decreased by such dividend payments multiplied by 1/5 to be accrued as capital surplus reserves or earned surplus reserves.

There is no dividend paid out during this fiscal year, no capital surplus reserves or earned surplus reserves are recognized.

20. Retirement benefit obligations, etc, as of the end of this fiscal year is as follows:

Projected benefit obligations	¥	(51,911)	million
Plan assets (fair market value) (including benefit trust)		44,528	
Funded status		(7,383)	
Unrecognized obligation at transition		2,421	
Unrecognized net actuarial losses		8,761	

Unrecognized prior service cost (reduction of liabilities)	(2,021)
Net amount accrued on the balance sheet	1,778
Prepaid pension cost	1,778

(Statement of Operation for the Fiscal Year Ended March 31, 2011)

1. Earnings from transactions with affiliate companies

Total net interest income: ¥24,763 million

Total non-interest income: ¥2,765 million

Total earnings from "other operations and other ordinary transactions": ¥417 million

Total earnings from "other transactions": ¥989 million

Expenses from transactions with affiliate companies

Total net interest expense: ¥7,596 million

Total non-interest expense: ¥2,495 million

Total expenses from "other operations and other ordinary transactions": ¥323 million

Total expenses from "other transactions": ¥35,801 million

2. "Other special gains" comprises gain on sale of equity securities of subsidiaries of ¥2,913 million.

3. "Loss on impairment of fixed assets" is impairment loss for the following asset group of the Bank.

Location	Usage	Asset type	Amount (million)
Tokyo, Chiba and Osaka	Branches	Building and Other tangible fixed assets	¥538
Tokyo and Fukuoka	Assets for Information and Technology	Building and Other tangible fixed assets, Intangible assets (Software)	¥277
		Total:	¥816

The Bank determines the asset group based on the management segmentation.

As a result of a careful consideration of the business environment and rent conditions of the branches, the Bank made a decision to close down some of the branches for Individual Group (Retail Banking Sub-Group) and Institutional Group (Institutional Business Sub-Group), and segregated them as idle assets. In addition, some of the common assets related to Information and Technology have also been segregated as idle assets. Impairment losses for these assets are recognized for total carrying values of the assets that are subject to disposal.

In the above impairment loss amount, ¥734 million is for "Building," ¥52 million is for "Other tangible fixed assets," and ¥29 million is for "Intangible assets (Software)."

4. "Other special losses" comprises impairment loss on investments in affiliates and partnerships of ¥171 million, loss on sale of equity securities of subsidiaries of ¥31,717 million and loss incurred from application of "Accounting Standard for Asset Retirement Obligations"(ASBJ Statement No.18, March 31,2008) and "Guidance on Accounting Standard for Asset Retirement Obligations"(ASBJ Guidance No.21, March 31,2008) of ¥1,303 million at beginning of this fiscal year.

5. Net gain per common share for this fiscal year is ¥5.59.

6. Diluted net income per common share is not applicable because existing potential common shares have no dilutive effect.

7. Significant related party transactions to be disclosed are as follows:

(1) Parent company and major corporate share holders

There is no significant transaction to be disclosed.

(2) Subsidiaries and affiliates

(Millions of yen)

Attributes	Name of corporation or organization	Ratio of voting rights held by the Bank	Relation-ship	Details of transaction (done in this fiscal year)	Transaction amount of this fiscal year	B/S account	Balance at fiscal year end
Subsidiaries	APLUS Co., Ltd.	Indirect holding 100%	Lending	Purchase of beneficial interests (Note 1)	148,323	-	-
	APLUS PERSONAL LOAN Co., Ltd.	Indirect holding 100%	Lending	Loan transaction (Note 2)	89,345	Loans	102,500
				Receipt of loan interests (Note 2)	467	Accrued income	1
	Shinsei Financial Co., Ltd.	Direct holding 100%	Lending	Loan transaction (Note 2)	151,136	Loans	115,000
				Receipt of loan interests (Note 2)	2,758	Accrued income	16
				Purchase of beneficial interests (Note 3)	141,191	-	-
				Transfer of subsidiary stock (Note 4)			
				Transfer proceeds	66,083	-	-
				Loss from transfer	31,717	-	-
	Pearl White One GK	Indirect holding [100%] (Note 5)	Lending	Early Redemption of commercial paper (Note 6)	227,587	-	-

Note:

1. The Bank purchased beneficial interests backed by the monetary claims in APLUS Co., Ltd. The transaction price was determined at a reasonable level according to the market conditions.
2. The lending is for the purpose of business operation. Also, the interest rate is determined at a reasonable level considering the market conditions. Transaction amount is the average balance during this fiscal year.
3. The Bank purchased beneficial interests backed by the monetary claims in Shinsei Financial Co., Ltd. The transaction price was determined at a reasonable level according to the market conditions.
4. The Bank transferred common stock of APLUS FINANCIAL Co., Ltd. (number of shares: 1,446,036,284, percentage of ownership: 94.9%) to Shinsei Financial Co., Ltd. The transfer price was determined based on the price at Osaka Stock Exchange where its stock is listed.
5. In “Ratio of voting rights held by the Bank (or held by the counter party),” [100%] is the share owned by the closely related party. The Bank does not own voting rights either directly or indirectly. However, the Bank has the right to exercise control over the entities, and ownership share held by closely related party is provided.
6. This is the early redemption of the commercial paper issued by the Pearl White One GK, all of which was purchased by the Bank out of ¥230,000 million issued (face amount basis).

(3) Fellow subsidiaries

Not applicable

(4) Directors and major individual shareholders

(Millions of yen)

Attributes	Name of corporation or organization	Ratio of voting rights held by the counter party	Relationship	Details of transaction (done in this fiscal year)	Transaction amount of this fiscal year	B/S account	Balance at fiscal year end
Director	J. Christopher Flowers	Directly held for 3.46%	-	Public offering of newly issued common stock (Note 1)	577	-	-
Corporations and organizations in which the majority of the voting rights are held by directors or their family members (including subsidiaries of such corporations)	Saturn I Sub (Cayman) Exempt Ltd. (Note 2)	Directly held for 1.08%	Concurrent post	Public offering of newly issued common stock (Note 1)	879	-	-
	Saturn Japan II Sub C.V. (Note 3)	Directly held for 1.04%	Concurrent post	Public offering of newly issued common stock (Note 1)	565	-	-
	Saturn Japan III Sub C.V. (Note 3)	Directly held for 4.87%	Concurrent post	Public offering of newly issued common stock (Note 1)	1,978	-	-
	Saturn IV Sub L.P. (Note 3)	Directly held for 17.20%	Concurrent post	Public offering of newly issued common stock (Note 1)	13,899	-	-
	J.C.Flowers II L.P. (Note 4)	-	Providing service Concurrent post	Receipt of management fee (Note 5)	116	Unearned revenue	19
				Investment (Note 6)	83	-	-
				Dividend	374	-	-
	J.C.Flowers III L.P. (Note 4)	-	Providing service Concurrent post	Investment (Note 7)	1,441	-	-
	NIBC Bank Ltd. (Note 8)	-	-	Loan participation (Note 9) Receipt of loan interests (Note 9)	- 27	Loans Accrued income	629 0

Note:

1. The Bank assigned J. Christopher Flowers and these investment vehicles as expected allottees in connection with the public offering of Bank's newly issued common stock.
2. The investment vehicle is represented by J. Christopher Flowers, director of the Bank, as a director.
3. The investment vehicle is represented by J. Christopher Flowers, director of the Bank, as a director of the ultimate general partner.
4. The fund is operated by J.C. Flowers & Co. LLC of which J. Christopher Flowers, director of the Bank, serves as chairman.
5. The management fee is determined based on the proportion of investment amounts by limited liability partner.
6. The committed investment amounts are U.S.$200 million based on the limited partnership agreement.
7. The committed investment amounts are U.S.$99.95 million based on the limited partnership agreement.
8. NIBC Holding N.V. owns 100% voting rights of NIBC Bank Ltd., and New NIB Limited, 49% of which is owned by J. Christopher Flowers, director of the Bank, indirectly controls NIBC Holding N.V.
9. Considering the market circumstances, the transaction was concluded with the general terms and conditions that are identical to ones with independent third parties. Drawdown under the loan participation facility was fully completed in previous fiscal year.

（Statement of Changes in Equity）

1. The types and number of treasury shares are summarized as follows:

(Unit: thousand shares)

	Number of shares as of the end of the previous fiscal year	Increase in number of shares during this fiscal year	Reduction in number of shares during this fiscal year	Number of shares at the end of this fiscal year	Note
Treasury stock:					
Common stock	96,427	-	-	96,427	
Total	96,427	-	-	96,427	

2. The Bank's dividend is as follows;

(1) No dividend was paid during this fiscal year

(2) Dividend of which effective date is after the end of this fiscal year

Resolution	Type of shares	Total amount of dividend	Source of dividend	Per share	Record date	Effective date
The Board of Director meeting on May 12, 2011 (planned)	Common shares	¥2,653 million	Other retained earnings	¥1.00	March 31, 2011	June 2, 2011

（Securities）

The estimated fair value and unrealized gains and losses for securities investments are as follows. Securities below include trading securities recorded in trading assets, and beneficiary interests included in other monetary claims purchased that are accounted for as securities.

1. Trading securities (as of March 31, 2011）

(Millions of yen)

	Unrealized gains (losses) included in net gains (losses)
Trading securities	(¥2,131)
Other monetary claims purchased for trading purpose	(¥846)

2. Securities being held to maturity whose fair value can be reliably determined (as of March 31, 2011）

(Millions of yen)

	Type	Carrying amount	Fair value	Unrealized gain (loss)
Fair value exceeds carrying amount	Japanese national government bonds	¥393,694	¥397,736	¥4,042
	Japanese corporate bonds	59,558	60,211	653
	Other	40,121	43,757	3,635
	Subtotal	¥493,373	¥501,705	¥8,331
Fair value does not exceed carrying amount	Japanese national government bonds	¥50,156	¥50,070	(¥86)
	Japanese corporate bonds	-	-	-
	Other	10,462	9,993	(468)
	Subtotal	¥60,619	¥60,063	(¥555)
Total		¥553,992	¥561,769	¥7,776

3. Equity securities of subsidiaries and affiliates (as of March 31, 2011）

Equity securities of subsidiaries and affiliates whose fair value cannot be reliably determined consist of the following:

	Carrying amount (millions of yen)
Equity securities of subsidiaries	¥440,326

Equity securities of affiliates	2,457
Total	¥442,783

4. Available-for-sale securities (as of March 31, 2011）

(Millions of yen)

	Type	Carrying amount (Fair value)	Amortized/ Acquisition cost	Unrealized gain (loss)
Carrying amount exceeds amortized/acquisition cost	Equity securities	¥2,459	¥1,798	¥661
	Domestic bonds:	¥1,229,618	¥1,227,953	¥1,664
	Japanese national government bonds	1,152,269	1,151,386	882
	Japanese local government bonds	1,786	1,729	56
	Short-term corporate bonds	9,999	9,997	1
	Japanese corporate bonds	65,563	64,839	723
	Other	¥85,718	¥81,337	¥4,380
	Subtotal	¥1,317,797	¥1,311,090	¥6,706
Carrying amount does not exceed amortized/acquisition cost	Equity securities	¥7,312	¥11,370	(¥4,058)
	Domestic bonds:	¥1,089,939	¥1,097,865	(¥7,925)
	Japanese national government bonds	866,448	869,044	(2,595)
	Japanese local government bonds	-	-	-
	Short-term corporate bonds	-	-	-
	Japanese corporate bonds	223,491	228,821	(5,329)
	Other	¥206,806	¥210,900	(¥4,094)
	Subtotal	¥1,304,058	¥1,320,136	(¥16,078)
Total		¥2,621,855	¥2,631,227	(¥9,371)

(Note1) Available-for-sale securities whose fair value cannot be reliably determined

	Carrying amount（Millions of yen）
Equity securities	¥6,664
Other	79,531
Total	¥86,195

These are not included in Available-for-sale securities, since obtaining the fair value is extremely difficult.

(Note2) Net unrealized gain (loss) on securities available for sale on the balance sheet consists of the following:

(Millions of yen)

Net unrealized gain (loss) before deferred tax on:	
Available-for-sale securities	(¥9,371)
Our interests in available-for-sale securities held by investment business limited partnerships that are recorded as securities whose fair value cannot be reliably determined	(52)
Securities previously reclassified from available-for-sale to held-to-maturity under extremely illiquid market conditions	(5,922)
Net unrealized gain (loss) on available-for-sale securities included in net assets	(¥15,346)

5. No held-to-maturity securities was sold during the fiscal year

6. Available-for-sale securities sold during the fiscal year (from April 1, 2010 to March 31, 2011)

(Millions of yen)

	Amount of sale	Gain on sale	Loss on sale
Equity securities	¥1,512	¥26	¥0
Domestic bonds:	¥1,767,845	¥8,839	¥962
Japanese national government bonds	1,701,469	8,685	717
Japanese local government bonds	25,459	16	37
Japanese corporate bonds	40,916	137	207
Other	¥101,143	¥13,776	¥91
Total	¥1,870,502	¥22,642	¥1,054

7. Securities for which impairment losses are recognized

Individual securities, other than trading securities, are written down when a decline in fair value below the cost of such securities is deemed to be other than temporary. The amount written down is accounted for as an impairment loss. Impairment losses on securities available-for-sale carried at fair value for the year ended March 31, 2011 is ¥6,540 million including ¥569 million for the equity securities, ¥4,716 million for the Japanese corporate bonds, ¥474 million for the other securities and ¥780 million for the other monetary claims purchased.

To determine whether an other-than-temporary impairment has occurred, the Bank applies following rule by credit risk category of the security issuer based on the Bank's self-assessment guidelines:

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

“Legally bankrupt” obligors are those who have already gone bankrupt from a legal and/or formal perspective.

“Virtually bankrupt” obligors are those who have not yet gone legally or formally bankrupt but who are substantially bankrupt because they are in serious financial difficulties and are not deemed to be capable of restructuring.

“Possibly bankrupt” obligors are those who are not yet bankrupt but are in financial difficulties and are very likely to go bankrupt in the future.

“Need caution” obligors are those who require close attention because there are problems with their borrowings.

“Normal” obligors are those whose business conditions are favorable and who are deemed not to have any particular problems in terms of their financial position.

（Monetary assets held in trust）

1. Monetary assets held in trust for trading purposes (as of March 31, 2011)

(Millions of yen)

	Carrying amount (Fair value)	Net unrealized gains (losses) included in earnings of this fiscal year
Monetary assets held in trust for trading purposes	¥272,198	（¥38,543）

2. There are no monetary assets held in trust held to maturity (as of March 31, 2011)

3. Other monetary assets held in trust (other than trading purposes and held to maturity) (as of March 31, 2011)

(Millions of yen)

	Carrying amount	Acquisition Cost	Net Unrealized gain (loss)	Gross Unrealized gain	Gross unrealized loss
Other monetary assets held in trust for other than trading purposes	¥88,778	¥88,778	—	—	—

Note: “Gross unrealized gain” and “Gross unrealized loss” are components of “Net unrealized gain (loss)”.

（Deferred Tax）

Breakdowns of deferred tax assets and deferred tax liabilities by reason of their occurrence are as follows:

	(Millions of yen)
Deferred tax assets	
Reserve for credit losses	¥83,535
Securities	60,700
Tax loss carryforwards	47,788
Valuation of monetary assets held in trust	15,683
Net unrealized loss on securities available for sale	5,532
Net deferred loss on hedge	5,357
Unearned dividends on monetary assets held in trust	5,311
Other	21,784
Deferred tax assets sub-total	¥245,693
Valuation allowance	(¥236,914）
Deferred tax assets total	¥8,779
Deferred tax liabilities	
Net deferred gain on hedge	¥5,842
Asset retirement costs	¥1,041
Deferred tax liabilities total	¥6,884
Net deferred tax assets	¥1,894

(TRANSLATION)

INDEPENDENT AUDITORS' REPORT

May 9, 2011

To the Board of Directors of
Shinsei Bank, Limited:

Deloitte Touche Tohmatsu LLC

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

Seno Tezuka

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

Masahiro Ishizuka

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

Shigehiko Matsumoto

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, 2011 of Shinsei Bank, Limited (the "Bank"), and the related statements of income and changes in equity for the 11th fiscal year from April 1, 2010 to March 31, 2011, and the accompanying supplemental schedules. These financial statements and the accompanying supplemental schedules are the responsibility of the Bank's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and the accompanying supplemental schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement and the accompanying supplemental schedules presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

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

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

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

REPORT OF THE BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors of Shinsei Bank, Limited (hereinafter, the "Bank") prepared this report, upon deliberation based on audit reports prepared by each Statutory Auditor, in relation to the execution of duties by the Bank's Directors during the 11th fiscal year (from April 1, 2010 to March 31, 2011).

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

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

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

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

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

In addition, we monitored and examined whether the Bank's Accounting Auditor was maintaining its independence and conducting appropriate audits; received its reports on the status of the execution of its duties; and requested explanations, as needed. Moreover, we received from the Accounting Auditor a notice stating that the "System for Ensuring the Appropriate Execution of Duties" (matter listed in each item of Article 131 of the Corporate Calculation Rules) is in operation in line with the "Audit Quality Control Standards" (released on October 28, 2005 by the Business Accounting Council), etc. and requested explanations, as needed. Based on the above process, we examined the Bank's financial statements (balance sheet, income statement, statements of changes in equity, notes), schedules attached thereto, and consolidated financial statements (consolidated balance sheet, consolidated income statement, consolidated statements of changes in equity, consolidated notes) for the relevant fiscal year.

2. Results of the Audit

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

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

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

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

(3) Results of the audit of consolidated financial statements

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

May 10, 2011

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

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