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

[TRANSLATION]

TSE Stock code: 8303

# Attachment

## Consolidated Financial Statements

## Financial Statements

## Audit Reports

# Consolidated Balance Sheet

Shinsei Bank, Limited, and Consolidated Subsidiaries

As of March 31, 2010

| | millions of yen |
|---|---|
| ASSETS | |
| Cash and due from banks | ¥493,141 |
| Call loans | 19,129 |
| Collateral related to securities borrowing transactions | 2,801 |
| Other monetary claims purchased | 252,761 |
| Trading assets | 223,279 |
| Monetary assets held in trust | 292,227 |
| Securities | 3,233,312 |
| Loans and bills discounted | 5,163,763 |
| Foreign exchanges | 10,976 |
| Leased receivable and leased investment assets | 213,702 |
| Other assets | 863,272 |
| Premises and equipment | 52,154 |
| Building | 18,899 |
| Land | 9,134 |
| Tangible leased assets | 15,495 |
| Construction in progress | 1,091 |
| Other tangible fixed assets | 7,534 |
| Intangible fixed assets | 109,953 |
| Software | 25,216 |
| Goodwill | 57,844 |
| Intangble leased assets | 206 |
| Intangible assets | 25,249 |
| Other intangible fixed assets | 1,436 |
| Deferred issuance expenses for debentures | 176 |
| Deferred tax assets | 18,969 |
| Customers' liabilities for acceptances and guarantees | 623,786 |
| Reserve for credit losses | (196,642) |
| [Total assets] | 11,376,767 |
| LIABILITIES AND EQUITY | |
| LIABILITIES: | |
| Deposits | ¥6,190,477 |
| Negotiable certificates of deposit | 284,909 |
| Debentures | 483,713 |
| Call money | 310,487 |
| Payable under repurchase agreements | 8,430 |
| Collateral related to securities lending transactions | 548,479 |
| Trading liabilities | 177,835 |
| Borrowed money | 1,186,837 |
| Foreign exchanges | 17 |
| Short-term corporate bonds | 17,700 |
| Corporate bonds | 188,278 |
| Other liabilities | 619,201 |
| Accrued employees' bonuses | 8,842 |
| Accrued directors' bonuses | 126 |
| Reserve for employees' retirement benefits | 7,718 |
| Reserve for directors' retirement benefits | 244 |
| Reserve for losses on interest repayments | 70,088 |
| Reserve for losses on disposal of premises and equipment | 7,212 |
| Reserve for losses on litigation | 5,873 |
| Reserve under special law | 3 |
| Deferred tax liabilities | 1,547 |
| Acceptances and guarantees | 623,786 |
| [Total liabilities] | 10,741,812 |
| Equity: | |
| Shareholders' equity: | |
| Capital stock | 476,296 |
| Capital surplus | 43,554 |
| Retained earnings | 12,438 |
| Treasury stock, at cost | (72,558) |
| [Total shareholders' equity] | 459,730 |
| Net unrealized gain (loss) and translation adjustments: | |
| Unrealized gain (loss) on available-for-sale securities | 1,398 |
| Deferred gain (loss) derivatives under hedge accounting | (3,327) |
| Foreign currency translation adjustments | (741) |
| [Total net unrealized gain (loss) and translation adjustments] | (2,669) |
| Stock acquisition rights | 1,672 |
| Minority interests in subsidiaries | 176,221 |
| [Total equity] | 634,954 |
| [Total liabilities and equity] | ¥11,376,767 |

## Consolidated Statement of Operations

Shinsei Bank, Limited, and Consolidated Subsidiarie
From April 1, 2009 to March 31, 2010

| | millions of yen |
|---|---|
| ORDINARY INCOME | |
| Interest income | ¥283,581 |
| Interest on loans and bills discounted | 245,289 |
| Interest and dividends on securities | 30,560 |
| Interest on call loans and bills discounted | 114 |
| Interest on collateral related to securities borrowing transactions | 75 |
| Interest on deposits with banks | 210 |
| Other interest income | 7,331 |
| Fees and commissions income | 51,190 |
| Trading profits | 9,014 |
| Other business income | 208,085 |
| Other ordinary income | 14,471 |
| Total ordinary income | 566,343 |
| ORDINARY EXPENSES | |
| Interest expenses | 75,595 |
| Interest on deposits | 51,659 |
| Interest on negotiable certificates of deposit | 1,323 |
| Interest on debentures | 3,880 |
| Interest on call money and bills discounted | 297 |
| Interest on payables under repurchase agreements | 55 |
| Interest on collateral related to securities lending transactions | 637 |
| Interest on commercial paper | 1 |
| Interest on borrowings | 10,208 |
| Interest on short-term corporate bonds | 414 |
| Interest on corporate bonds | 6,517 |
| Other interest expenses | 598 |
| Fees and commissions expenses | 26,060 |
| Other business expenses | 170,405 |
| General and administrative expenses | 191,772 |
| Amortization of goodwill | 13,242 |
| Amortization of intangible assets | 7,685 |
| Other general and administrative expenses | 170,845 |
| Other ordinary expenses | 175,168 |
| Provision of reserve for loan losses | 95,433 |
| Other ordinary expenses | 79,734 |
| Total ordinary expenses | 639,002 |
| NET ORDINARY LOSS | 72,659 |
| Special gains | 34,711 |
| Gains on disposal of premises and equipment | 125 |
| Recoveries of written-off claims | 10,760 |
| Gains from the cancellation of issued bond and other instruments | 21,269 |
| Other special gains | 2,555 |
| Special losses | 85,140 |
| Losses on disposal of premises and equipment | 2,087 |
| Impairment losses on goodwill | 61,538 |
| Impairment losses on intangible assets | 11,857 |
| Other Impairment losses | 2,349 |
| Provision of reserve for losses on disposal of premises and equipment | 266 |
| Provision of reserve for losses on litigation | 2,210 |
| Other special losses | 4,830 |
| Loss before income taxes and minority interests | 123,089 |
| Income taxes (benefit) - current | 1,540 |
| Income taxes (benefit) - deferred | 6,713 |
| Total income taxes (benefit) | 8,254 |
| Minority interest in net income of subsidiaries | 8,807 |
| NET LOSS | ¥140,150 |

**Consolidated Statement of Changes in Equity**

Shinsei Bank, Limited, and Consolidated Subsidiaries

From April 1, 2009 to March 31, 2010

| | *(millions of yen)* |
|---|---|
| **Shareholders' Equity** | |
| Capital stock | |
| Balance at beginning of the period | 476,296 |
| Changes in amounts during the period | |
| Total changes in amounts during the period | — |
| Balance at the end of the period | 476,296 |
| Capital surplus | |
| Balance at beginning of the period | 43,554 |
| Changes in amounts during the period | |
| Total changes in amounts during the period | — |
| Balance at the end of the period | 43,554 |
| Retained earnings | |
| Balance at beginning of the period | 152,855 |
| Changes in amounts during the period | |
| Net loss | (140,150) |
| Decrease by increase of consolidated subsidiary | (0) |
| Decrease by decrease of consolidated subsidiary | (266) |
| Total changes in amounts during the period | (140,416) |
| Balance at the end of the period | 12,438 |
| Treasury stock | |
| Balance at beginning of the period | (72,558) |
| Changes in amounts during the period | |
| Acquisition of treasury stock | (0) |
| Total changes in amounts during the period | (0) |
| Balance at the end of the period | (72,558) |
| Shareholders' Equity | |
| Balance at beginning of the period | 600,147 |
| Changes in amounts during the period | |
| Net loss | (140,150) |
| Decrease by increase of consolidated subsidiary | (0) |
| Decrease by decrease of consolidated subsidiary | (266) |
| Acquisition of treasury stock | (0) |
| Total changes in amounts during the period | (140,416) |
| Balance at the end of the period | 459,730 |

| | |
|---|---|
| **Net unrealized gain (loss) and translation adjustments** | |
| Unrealized gain (loss) on available-for-sale securities | |
| Balance at beginning of the period | (38,813) |
| Changes in amounts during the period | |
| Total changes in amounts during the period excluding capital stock (net) | 40,211 |
| Total changes in amounts during the period | 40,211 |
| Balance at the end of the period | 1,398 |
| Deferred gain (loss) on derivatives under hedge accounting | |
| Balance at beginning of the period | (2,996) |
| Changes in amounts during the period | |
| Total changes in amounts during the period excluding capital stock (net) | (330) |
| Total changes in amounts during the period | (330) |
| Balance at the end of the period | (3,327) |
| Foreign currency translation adjustments | |
| Balance at beginning of the period | 1,297 |
| Changes in amounts during the period | |
| Total changes in amounts during the period excluding capital stock (net) | (2,038) |
| Total changes in amounts during the period | (2,038) |
| Balance at the end of the period | (741) |
| Total net unrealized gain (loss) and translation adjustments | |
| Balance at beginning of the period | (40,511) |
| Changes in amounts during the period | |
| Total changes in amounts during the period excluding capital stock (net) | 37,842 |
| Total changes in amounts during the period | 37,842 |
| Balance at the end of the period | (2,669) |
| **Stock acquisition rights** | |
| Balance at beginning of the period | 1,808 |
| Changes in amounts during the period | |
| Total changes in amounts during the period excluding capital stock (net) | (135) |
| Total changes in amounts during the period | (135) |
| Balance at the end of the period | 1,672 |
| **Minority interests in subsidiaries** | |
| Balance at beginning of the period | 206,037 |
| Changes in amounts during the period | |
| Total changes in amounts during the period excluding capital stock (net) | (29,816) |
| Total changes in amounts during the period | (29,816) |
| Balance at the end of the period | 176,221 |
| **Total equity** | |
| Balance at beginning of the period | 767,481 |
| Changes in amounts during the period | |
| Net loss | (140,150) |
| Decrease by increase of consolidated subsidiary | (0) |
| Decrease by decrease of consolidated subsidiary | (266) |
| Acquisition of treasury stock | (0) |
| Total changes in amounts during the period excluding capital stock (net) | 7,889 |
| Total changes in amounts during the period | (132,527) |
| Balance at the end of the period | 634,954 |

## <Policy for Preparation of Consolidated Financial Statements>

The definitions of subsidiaries and affiliates are based on the 8th clause of Article 2 of the Banking Law and the 2 of Article 4 of the Banking Law enforcement ordinance.

**1. Scope of consolidation**

(a) Consolidated subsidiaries: 125 companies

Major companies;

APLUS financial Co., Ltd. (renamed from APLUS 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, Aplus personal loan Co., Ltd and 6 other companies are included as newly established subsidiaries, SL astro Ltd is included due to the increase of its materiality.

Also, the followings are excluded during this fiscal year:

APLUS Business Service Co., Ltd. and other 4 companies due to dissolution, S. S. Solutions Co., Ltd. due to merger into Showa Leasing Co., Ltd., Chowa Tatemono Co., Ltd due to merger with Shinsei Business Services Co., Ltd, GC due to merger with NC Card Sendai, and Big Sky 2008-1 Special Purpose Company due to loss of substantial control

(note) APLUS financial Co., Ltd. was renamed from APLUS Co., Ltd along with the transition to the holding company on April 1, 2010.

(b) Unconsolidated subsidiaries: 88 companies

Major Company;

SL PACIFIC LIMITED.

SL PACIFIC LIMITED and other 66 unconsolidated subsidiaries are mainly operating companies who undertake lease business based on *Tokumei-kumiai* system and their assets and profits (losses) belong not to them or their parent company but to the silent partners substantially. Also, there is no material transaction with them. Therefore, they are excluded from the scope of consolidation pursuant to Article 63, Paragraph 1, Item 2 of the Corporation Act.

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

**2. Application of the equity method**

(a) Unconsolidated subsidiaries accounted for using the equity method none

(b) Affiliates accounted for using the equity method: 22 companies

Major Companies;

Hillcot Holdings Limited

Jih Sun Financial Holding Company Limited

TYC Company Limited and other 3 companies are excluded from the scope of equity method applied affiliates due to liquidation, and SB-HSH Seed Holding Limited and 2 other companies are excluded due to the disposal of shares, and Pensions First Group LLP is excluded because Shinsei's influential power on it has been reduced.

(c) Unconsolidated subsidiaries accounted for not applying the equity method: 88 companies

Major Company;

SL PACIFIC LIMITED

SL PACIFIC LIMITED and other 66 unconsolidated subsidiaries and affiliates are mainly operating companies who undertake lease business based on Tokumei-kumiai system and their assets and profits (losses) belong not to them or their parent company but to the silent partners substantially. Also, there is no material transaction with them. Therefore, they are excluded from the scope of equity method pursuant to Article 69, Paragraph 1, Item 2 of Corporate Act.

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

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

**3. End of the fiscal year of consolidated subsidiaries**

(a) The ends of the respective fiscal year of consolidated subsidiaries are as follows;

| | | |
|---|---|---|
| March 31 | : | 67 companies |
| September 30 | | 1 company |
| December 31 | : | 52 companies |
| January 31 | | 1 company |
| February 28 | | 4 companies |

(b) 12 consolidated subsidiaries with fiscal year ending other than March 31 are consolidated using their provisional financial statements as of March 31.

The other consolidated subsidiaries are consolidated using their financial statements as of their respective fiscal year with appropriate adjustments for significant transactions occurred for the period between their respective fiscal year end and March 31.

**4. Valuation of assets and liabilities of consolidated subsidiaries**

Fair value method is accounted for the assets and liabilities of consolidated subsidiaries.

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 contract date basis.

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

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 stated at fair value (sales cost is calculated by the moving-average method). Securities being held to maturity are carried at amortized cost by the moving average method. Securities of subsidiaries and affiliated companies are stated at cost calculated by the moving-average method. Securities available-for-sale whose fair value is readily determinable or estimable are stated at fair value at the end of the period (sales cost is determined by the moving-average method) and securities whose fair value is hardly obtainable are stated at cost computed by the moving-average method. Unrealized gains (losses) on available-for-sale securities are included in Equity.

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

**3.** Valuation of Derivatives

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

**5.** Depreciation method of fixed assets

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

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

Buildings: 3 – 50 years

Others: 2 – 15 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 APLUS Financial Co., Ltd., Showa Leasing Co., Ltd., Shinki Co., Ltd., Shinsei Financial Co., Ltd, and their consolidated subsidiaries are as follows.

At the end of this consolidated fiscal year, impairment loss is recognized for all intangible assets associated with APLUS Financial Co., ltd, and Shinki Co., Ltd and their consolidated subsidiaries.

(i) APLUS Financial Co., Ltd.

| | Amortization method | Amortization period |
|---|---|---|
| Trade name and trademarks | Straight-line | 10 years |
| Customer relationship | Sum-of-years-digits | 10 years |
| Merchant relationship | Sum-of-years-digits | 20 years |

(ii) Showa Leasing Co., Ltd.

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

(iii) Shinki Co., Ltd.

| | Amortization method | Amortization period |
|---|---|---|
| Trade name | Straight-line | 10 years |
| Existing customer relationship | Sum-of-years-digits | 10 years |

(iv) Shinsei Financial Co., Ltd.

| | Amortization method | Amortization period |
|---|---|---|
| Trade name | Straight-line | 10 years |
| Existing customer relationship | Sum-of-years-digits | 10 years |

In addition, goodwill and negative goodwill are amortized in a consistent manner mainly 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 (mainly 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 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 that have guarantee on disposed value in the lease contract, and zero for assets without such guarantee.

**6.** Deferred Charges

Deferred charges for the Bank are accounted for the followings.

(a) Deferred expenses for issuance of bonds and notes

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

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

(b) 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 subsidiaries are expensed as incurred. Deferred expense for issuance of bonds and notes in consolidated subsidiaries are mainly recognized in other assets and amortized using the straight-line method over the term of bonds and notes.

**7.** Reserve for Credit Losses

A reserve for credit losses of the Bank and the domestic trust and banking subsidiary is provided as detailed below pursuant to the predetermined internal rules for providing such a 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 as 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 amounts 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 situation in their respective countries.

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

The consolidated subsidiaries other than the domestic trust bank calculate the general reserve for “normal” and “caution, including special supervision segment,” categories based on the specific actual past loss ratio, and the specific reserve for “possible bankruptcy,” “virtual bankruptcy” and “legal bankruptcy” categories based on estimated loss, considering the recoverable value.

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 the amount is ¥198,293 million.

**8.** Accrued Bonuses for Employees

Accrued bonuses for employees are provided for the payment of employees’ bonuses based on estimated amounts of future payments 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 Benefit

A reserve for retirement benefits is provided for the payment of employees’ retirement benefits as of the end of this fiscal year, based on the estimated amounts of the actuarial retirement benefit obligation, net of the estimated value of the pension assets as of the end of this fiscal year. 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 from the fiscal year of occurrence. |

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

(Change in Accounting policy)

From the end of this consolidated fiscal year, "Revised Accounting Standard for Employee retirement benefit No.3" (ASBJ Statement No.19, July 31, 2008) is applied. However, this does not have any impact on consolidated financial statements since the discount rates used are still the same as those previously used.

**11.** Reserve for Directors' Retirement Benefits

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

**12.** Reserve for Losses on Interest Repayments

A reserve for losses on interest repayments of consolidated subsidiaries is provided for possible losses arising from reimbursement of excess interest payments, based on the average period to maturity of the affected loans, an estimate of the percentage of such loan transactions that will be subject to a future refund request based on past experience and an estimate of the average amount to be refunded based on past experience.

A reserve for losses on interest payments for Shinsei Financial is calculated based on the terms stipulated in the share transfer agreement entered into by and between the Bank and the GE Japan Holdings Co., Ltd. (renamed from GE Japan Holdings GK) for the acquisition of Shinsei Financial, under which the sharing of interest repayment cost between the Bank and GE Japan Holdings Co., Ltd. is determined.

**13.** Reserve for losses on disposal of premises and equipment

A reserve for losses on disposal of premises and equipment is based on reasonable estimates mainly for the restoration cost associated with the planned relocation of the headquarters of the Bank and some of the consolidated subsidiaries and the Bank's Meguro financial center.

**14.** Reserve for losses on litigation

A reserve for losses on litigation is provided for possible future losses associated with outstanding lawsuits.

The litigation which the reserve was recognized for is settled out of court on April 8, 2010. On April 21, 2010, all the payable was settled and the reserve for losses on litigation is reversed at the same time. There is no impact on the net income (loss) on the following consolidated fiscal year.

**15.** Reserve under Special Law

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

**16.** Revenue and expense recognition

(a) Revenue recognition for credit business

Income from shopping credit business is calculated mainly using installment bases as follows:

(Contracts based on add-ons)

| | |
|---|---|
| Installment credit | Sum-of-the-month digits method |
| Guarantees (batch acceptance of guarantee fee when contracted) | Sum-of-the-month digits method |
| Guarantees (division acceptance of guarantee fee) | Straight-line method |

(Contracts based on charge on the declining balances)

| | |
|---|---|
| Installment credit | Credit-balance method |
| Guarantees (batch acceptance of guarantee fee) | Credit-balance method |

(Notes)

1. In "Sum-of-the-month digits method", the commission amount regarded as income 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 income 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 book values of those leased assets as of the end of March 31, 2008. As a result, loss before income taxes for this fiscal year for the consolidated subsidiary as a lessor has decreased by ¥2,525 million than it would be if this new accounting was applied retroactively to all finance lease transactions from the inception.

(c) Revenue recognition for interest on consumer finance business

In some of the Bank's subsidiaries conducting consumer finance business, accrued interest income at the balance sheet date 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.

**17.** 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 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 balance sheet date.

**18.** 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 which qualify for hedge accounting and meet specific matching criteria in some of the consolidated subsidiaries are not re-measured at market 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 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 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.

**19.** Consumption Tax

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

**20.** Consolidated tax system

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

**Change in Accounting Policies**

(Accounting for financial instruments)

From the end of this consolidated fiscal year, “Accounting Standard for financial instruments” (ASBJ Statement No.10, March 10, 2008) and “ASBJ Guidance for fair value disclosure of financial instruments” (ASBJ Guidance No.19, March 10, 2008) are applied. As a result, the amounts of securities is smaller by ¥7,248 million, other monetary claims purchased is smaller by ¥4,662 million, deferred tax liability is smaller by ¥606 million, unrealized gain (loss) on available-for-sale securities is smaller by ¥3,591 million, reserve for credit losses is smaller by ¥12,753 million, and Net ordinary loss and Loss before income taxes and minority interests are smaller by ¥5,041 million respectively than they would be if there were no changes.

**Supplementary information**

(Change in fair value measurement for available-for-sale securities)

The fair value of floating rate Japanese government bonds was measured at the reasonably estimated values at the end of the last consolidated fiscal year, because judgment was made that market prices were not appropriate as fair values considering the extreme market situation where significant difference existed between market price and theoretical price. However, as the difference has exited for more than 1 year, it is no longer relevant to see the market is under extreme situation. Thus from the end of this consolidated fiscal year, those bonds are measured at market prices. This change in fair value measurement makes the outstanding balance of securities and unrealized gain (loss) on available-for-sale securities smaller by ¥3,037 million.

**Notes to Consolidated financial statements**

（Consolidated Balance Sheet as of March 31, 2010）

**1.** The total net book value of equity investments in affiliates (Except for equity in consolidated subsidiaries) was ¥40,877 million.

**2.** With regard to the balance of securities held in relation to securities borrowing transactions with or without cash collateral, securities purchased under resale agreements 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 ¥36,301 million.

**3.** Loans and bills discounted held by the Bank and its subsidiaries include loans to bankrupt obligors and non-accrual delinquent loans, totaling ¥21,526 million and ¥346,705 million, respectively, at the balance sheet date.

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.

Installment receivables in other assets include claims to bankrupt obligors and non-accrual delinquent claims, totaling ¥1,043 million and ¥4,154million, respectively, at the consolidated balance sheet date.

**4.** Loans past due for three months or more of ¥2,739 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 ¥919 million at the consolidated balance sheet date.

**5.** Restructured loans of ¥61,369 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 ¥3,464million 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 ¥432,340 million which represent the contractual gross receivable balance prior to reduction of the reserve for credit losses.

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 ¥9,582 million which represent the contractual gross receivable balance prior to reduction of the reserve for credit losses.

**7.** Bills discounted, such as bank acceptances purchased, commercial bills discounted, documentary bills and foreign exchange contracts purchased, 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 are ¥5,937 million.

**8.** The total principal amount of loans accounted for as a sale through loan participations was ¥40,254 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 ¥33,357 million.

**9.** Assets pledged as collateral are as follows:

| | |
|---|---|
| Cash and due from banks | ¥ 876 million |
| Securities | 1,499,840 |
| Loans and bills discounted | 293,388 |
| Leased receivables and leased investment assets | 55,515 |
| Other assets | 436 |
| Building | 765 |
| Land | 1,121 |

Liabilities related to pledged assets are as follows:

| | |
|---|---|
| Deposits | ¥ 790 million |
| Call money | 310,000 |
| Payable under repurchase agreements | 8,430 |
| Collateral related to securities lending transactions | 548,479 |
| Borrowed money | 708,999 |
| Other liabilities | 24 |
| Acceptances and guarantees | 920 |

In addition, securities of ¥231,818 million are pledged as collateral for transactions, including exchange settlements, swap transactions and the substitution of margin on futures transactions.

¥227 million of margin deposits for futures transactions outstanding, ¥19,397 million of security deposits and ¥13,776 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 ¥5,306,934 million, out of which the amount with original agreement terms of less than one year or which are cancelable is ¥5,113,865 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 ¥347,845 million are included in other assets.

**12.** Accumulated depreciation on premises and equipments is ¥68,139 million.

**13.** Deferred gains on sales of real estate of ¥2,315 million are deducted from the acquisition cost of premises and equipments.

**14.** Tangible leased assets and Intangible leased assets for lessor are mainly 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 | 64,193 million |
| Negative goodwill | 6,349 |
| Net | 57,844 million |

**16.** Subordinated debt of ¥102,000 million is included in borrowed money.

**17.** Subordinated bonds of ¥162,965 million are included in corporate bonds.

**18.** The amount of guarantee obligations for privately-placed bonds (Financial Instruments and Exchange Law, Article 2, Paragraph 3), out of "bonds" included in the "Securities" category, stands at ¥48,283million.

**19.** Common shareholders' equity per share is ¥232.72

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

| | | | |
|---|---|---|---|
| Projected benefit obligations | ¥ | (72,473) | million |
| Plan assets (fair market value) (including benefit trust) | | 56,114 | |
| Funded status | | (16,359) | |
| Unrecognized obligation at transition | | 3,027 | |
| Unrecognized net actuarial losses | | 13,777 | |
| Unrecognized prior service cost (reduction of liabilities) | | (2,983) | |
| Net amount accrued on the balance sheet | | (2,538) | |
| Prepaid pension cost | | 5,179 | |
| Reserve for retirement benefits | | (7,718) | |

(Consolidated Statement of Operations for the fiscal year ended March 31, 2010)

**1.** "Other business income" includes leasing revenue of ¥109,836 million.

**2.** "Other ordinary income" includes income on monetary assets held in trust of ¥6,283 million.

**3.** "Other business expenses" includes leasing cost of ¥93,868 million.

**4.** "Other ordinary expenses" includes write-off of loans of ¥18,448 million, loss on monetary assets held in trust of ¥14,455 million, and provision on reserve for interest repayment of ¥29,656 million.

**5.** Impairment losses on Goodwill of ¥61,538 million and Impairment losses on intangible assets of ¥7,638 million are associated with the Bank's investment in its consolidated subsidiaries APLUS financial Co., Ltd (APLUS) and its consolidated subsidiaries. Impairment losses on intangible assets of ¥4,219 million is associated with the Bank's investment in its consolidated subsidiary Shinki Co., Ltd (Shinki). The impairment testing is conducted for the business of APLUS group and Shinki as a result of triggering circumstance which is the significant adverse impact on the profitability of their consumer finance business associated with the legislative changes regarding consumer loan interest rates that will fully take effect in the year 2010. For the calculation of "value in use" of APLUS group and Shinki businesses, discounted cash flow method with 5 year future cash flow projection and assumptions of 0.0% terminal growth rate, 13.0% discount rate for Aplus group, 20.0% discount rate for Shinki are used. All goodwill and intangible assets are written off as a result of the "value in use" calculated as above.

**6.** "Other impairment losses" include the impairment losses on premises and equipment in Shinki of ¥1,283 million.

Unused properties whose fair value declined significantly and assets that are planned to be disposed in consequence of IT integration in Shinki are written down to the amounts that are considered to be recoverable. Impairment losses comprise land of ¥104 million, other tangible fixed assets of ¥81 million, software of ¥1,097 million. The amounts that are considered to be recoverable are estimated based on the published land price and valuation for property tax.

**7.** Net loss per common share for this fiscal year is ¥71.36

**8.** Diluted net income per common share is not applicable as net loss is recognized for this fiscal year.

(Consolidated Statement of Changes in Equity for the fiscal year ended March 31, 2010)

**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 | — | — | 2,060,346 | |
| Total | 2,060,346 | — | — | 2,060,346 | |
| Treasury stock | | | | | |
| Common shares | 96,427 | 0 | — | 96,427 | |
| Total | 96,427 | 0 | — | 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) There is no dividend of which effective date is after the end of this fiscal year

(Financial Instruments)

1. Items on Financial Instrument Status

(1) Policy on Financial Instrument

Our bank group is comprised of our bank, subsidiaries and affiliates, and conducts banking business mainly and the business related to comprehensive financial service such as securities business, trust business, consumer finance business, and commercial finance business.

For conducting these businesses, we focus on funding by deposits from retail customers as a long-term and secure funding source. At the same time, we are intending to increase efficiency of funding cost by issuing bonds and to diversify funding source by liquidating loans and other assets. Our subsidiaries and affiliates are also funding with indirect finance from other financial institutions.

(2) Financial Instruments Category and Risks

The financial assets held by our bank group are exposed to the following risks:

[Loans]

Most of loans are the business loans to domestic customers and individuals and we are exposed to credit risks that losses are incurred from default on customer contract and interest rate change risks.

[Securities]

Our securities are mainly bonds and stocks and also foreign securities and investment to kumiai association are included. We suffer from interest rate risk, foreign exchange risk, risk of price changes in bond/stock market and in addition, credit risk that down grading of issuer's credit rating, default, and so on.

[Other investment (Monetary claim purchased, Monetary assets held in trust)]

We invest in various assets such as housing loans, non performing loans, and receivables in credit trading and securitization, and final objectives of our investment are collection, sale, or securitization. When profits from these assets go below expectation, it is possible to have a bad effect on profit/loss and financial position of our bank group. Also, there is a risk that results from investment activities will vary due to changes of market size and price of these assets which our bank group can obtain.

[Lease and lease investment asset, Other asset]

Lease, lease investment asset, and installment receivables which our subsidiaries have are exposed to credit risk derived from customers default as well as loans.

As of March 31, 2010, among obligors of loans which our bank group holds, real estate industry accounts for approximately 17% on a consolidated basis, approximately 70% among which are non recourse loans. In addition, as of the same date, the largest industry is financial and insurance industry which accounts for approximately 21% of the total.

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 targeting at covering funding from retail deposits and corporate deposits which become core as well as capital.

[Derivative transactions and objectives]
Our group makes the following derivative transactions, which are customer deals and their cover deals to provide products for customer needs, deals to maximize the profit of our own trading account, and deals for ALM, hedging and other purposes.

| | |
|---|---|
| (1) Interest rate related | Interest rate swap, future, option, and swaption |
| (2) Currency related | Currency swap, Forward, Currency option |
| (3) Stock related | Stock index future, Stock index option, OTC option of securities, and etc. |
| (4) Bond related | Bond future |
| (5) Credit derivative | Credit default option |

Among the risks associated with derivative transactions, market risk, credit risk, and liquidity risk are to be specially noted for risk management.
(1) Market Risk   Risk that losses are incurred associated with changes in the value of financial instruments from market-determined price mechanisms, as well as volatilities inherent in derivative instruments
(2) Credit Risk   Risk that losses are incurred when obligor or counterparty fail to meet its obligations as specified in a transaction agreement
(3) Liquidity Risk   Risk that additional costs are incurred to close out the position of financial instrument held

For reflecting risk mitigation effect by derivative transactions to financial statements more appropriately, we adopt hedge accounting where risks are hedged by interest rate swap, currency swap, and so on.
In hedge accounting, effectiveness of hedging is evaluated based on conditions determined in the standards such as "Accounting Standard of Financial Instruments".

(3) Management Systems 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 awareness of potential losses under a worst-case scenario. Concrete policies and guidelines are clarified in the "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 risk to customer's group companies, credit rating and so on. We have the system in which the decisions are taken jointly by the risk delegation holders of business promotion group and risk management group and the final authority and decision rest with risk management group.

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 default probability by obligor rating and loss ratio at default, expected loss ratio, and facility rating. In order to decrease credit risk of counterparty, we take 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 is the risk that changes in the value of financial instruments from fluctuations in bond prices, exchange rates, interest rates, stock prices, credit spreads and other market-determined price mechanism, have an effect on the value of balance sheet and cause losses.
We manage market risk by segregating the overall balance sheet, including off-balance sheet transactions, into a trading book and a banking book, and at the ALM Committee the senior review and decision-making for the management of all market risks related to asset/liability management are done.

"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 balance sheet involved in ordinary banking business operation is managed by Group Treasury Division, and more active market risk involved in trading transactions is managed by Capital Markets Division.

We manage market risk by quantifying on a daily basis and making risk adjustment in response to market conditions.

(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 the short-term liquidity gap structure limits and minimum liquidity reserve levels.

In accordance with “Cash Liquidity Risk Management Policy”, we have 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 case 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 the assumptions different from our calculation are adopted.

2. Fair Value information for financial instruments

The followings are the carrying amounts on the consolidated balance sheet, fair values and the differences between them for respective financial instruments as of March 31, 2010. Securities of which fair values are extremely difficult to be obtained, such as equity securities without readily available market price 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 | ¥493,141 | ¥493,141 | ¥— |
| (2) Call loans | 19,129 | 19,129 | — |
| (3) Collateral related to securities borrowing transactions | 2,801 | 2,801 | — |
| (4) Other monetary claims purchased (*2) | 251,665 | 251,733 | 67 |
| (5) Trading assets | | | |
| Securities held for trading purpose | 24,177 | 24,177 | — |
| (6) Monetary assets held in trust | 292,227 | 292,300 | 72 |
| (7) Securities | | | |
| Securities held for sale | 2,939 | 2,939 | — |
| Bonds held to maturity | 479,542 | 487,714 | 8,171 |
| Available for sale securities | 2,617,552 | 2,617,552 | — |
| (8) Loans and bills discounted (*1) | 5,163,763 | | |
| Reserve for credit losses | (142,817) | | |
| | 5,020,945 | 5,215,953 | 195,008 |
| (9) Leased receivables and leased investment assets (*2) | 208,729 | 213,735 | 5,006 |
| (10) Other assets | | | |
| Installment receivables | 347,845 | | |
| Deferred installment revenue | (11,923) | | |
| Reserve for credit losses | (11,485) | | |
| | 324,436 | 348,209 | 23,773 |
| Assets total | ¥9,737,288 | ¥9,969,388 | ¥232,099 |
| (1) Deposit | ¥6,190,477 | ¥6,286,732 | (¥96,254) |
| (2) Negotiable certificates of deposit | 284,909 | 285,029 | (120) |
| (3) Debentures | 483,713 | 487,061 | (3,347) |
| (4) Call money | 310,487 | 310,487 | — |
| (5) Payable under repurchase agreements | 8,430 | 8,430 | — |
| (6) Collateral related to securities lending transactions | 548,479 | 548,479 | — |
| (7) Borrowed money | 1,186,837 | 1,181,436 | 5,401 |
| (8) Corporate bonds | 188,278 | 168,909 | 19,368 |
| Liabilities total | ¥9,201,614 | ¥9,276,565 | (¥74,951) |

| | | | |
|---|---|---|---|
| Derivative instruments (*3) | | | |
| Hedge accounting is applied | ¥3,375 | ¥3,375 | ¥— |
| Hedge accounting is not applied | (38,324) | (38,324) | — |
| Derivative instruments total | (¥34,948) | (¥34,948) | ¥— |

| | Contract amount | Fair value |
|---|---|---|
| Other | | |
| Guarantee contract (*4) | ¥623,786 | (¥4,571) |

(*1) For consumer loans of ¥758,156 million held by consolidated subsidiaries included in Loans and bills discounted, reserve for losses on interest repayments of ¥70,088 million is recognized for possible losses arising from reimbursement of excess interest payments.

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

(*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 associated with derivative transactions, and presented with ( ) when a liability stands on net basis.

(*4) Contract amount for guarantee presents the amount of "Customers' liabilities for acceptances and guarantees" on the balance sheet.

（Note 1） Valuation methodology for financial instruments

Assets

(1) Cash and due from banks

The carrying amount is a reasonable estimate of fair value for due from banks with no maturity. For due from banks with maturities, carrying amount is used as a reasonable estimate of fair value because most of them are with short maturity of 6 months or less.

(2) Call loans, and (3) Collateral related to securities borrowing transactions

The carrying amount is a reasonable estimate of fair values for call loans because the maturity of these instruments is generally 3 months or less.

(4) Other monetary claims purchased

Fair values for other monetary claims purchased are measured based on third-party quotes, or discounted cash flow model.

(5) Trading assets

Fair values of derivative financial instruments and securities held for trading purposes are based on observable market prices or third party quotes. When market prices or quotes are not available, fair values are estimated using internal valuation methodologies such as discounted cash flow or option pricing model.

(6) Monetary assets held in trust

Fair values of monetary assets held in trusts are estimated using discounted cash flow method by looking through the characteristics of component of the entrusted assets.

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

(7) Securities

Fair values of equity securities that are traded in open markets are based on observable market prices. Fair values of bonds and other securities are based on observable market prices or quotes, and internal valuation methods such as discounted cash flow or option pricing model when actively traded market prices or quotes are not available.

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

(8) Loans and bills discounted

Contractual cash flow for loans with fixed interest rate and estimated cash flow based on forward rate for loans with floating interest rate are discounted using CDS or internally developed credit spread that corresponds to internal credit rating when CDS is not available in the market. Value of collateral is also considered. Fair value of housing loan is estimated by discounting the cash flow which reflects the prepayment by the rate that would be applied for the new origination. Fair value of consumer loan is estimated by cash flow that reflects expected loss discounted by the rates based on risk free rate, credit risk and certain costs, by group of similar product types and customer segments.

For loans whose credit risk categories are “legally and virtually bankrupt” and “possibly bankrupt”, the 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, carrying amount net of the reserve as of the consolidated balance sheet date is the reasonable estimate of the fair values of those loans.

(9) Leased receivables and leased investment assets

Fair values of leased receivables and leased investment assets are estimated as the discount of contractual cash flows by rates based on risk free rate, credit risk and certain costs, by group of major product categories.

(10) Other assets

In other assets, fair values of installment receivables are estimated as the discount of expected cash flow that reflects prepayment by rates based on risk free rate, credit risk and certain costs, by group of major product categories.

Liabilities

(1) Deposit, and (2) Negotiable certificates of deposit

For demand deposits, savings accounts that have no maturity and certain deposits with maturity of less than 6 months, the carrying amount is the reasonable estimate of fair value. The fair value of fixed-maturity certificate of deposit is estimated by discounting the contractual cash flow by the rates that would be applied for new deposits.

(3) Debentures, and (8) Corporate bond

Quoted market prices are used when available for corporate bond. For debenture or corporate bond under MTN program, fair value is estimated using the average rates of actual funding through corporate deposit and debenture in the past 3 months. Fair value of retail debenture is estimated using actual funding rate in the most recent month of the consolidated balance sheet date.

Fair value of callable subordinated debt is estimated by using the CDS spread for corresponding period that takes into account the probability of early redemption.

(4) Call money, (5) Payable under repurchase agreements and (6) Collateral related to securities lending transactions

The carrying amount is the reasonable estimate of fair value for call money, payable under repurchase agreements and collateral related to securities lending transactions, as the period to maturity is generally less than 3 months.

(7) Borrowed money

Contractual cash flow for borrowed money with fixed interest rate (when interest rate swap exception is applied to the long term borrowing, the contractual cash flow is based on the interest rate swap), and estimated cash flow based on forward rate for borrowed money with floating interest rate, are discounted by rates that reflect the credit risk of the borrower.

Fair value of callable subordinated borrowing is estimated by using the CDS spread for corresponding period that takes into account the exercise of call option.

Derivative transactions

The fair values of listed transactions represent the market prices and the fair values of over-the-counter transactions are calculated mainly by using the discounted present values or option pricing models.

Others

Guarantee

The fair value of guarantee is calculated by discounting the amount of difference between the contractual cash flow and the expected cash flow if the new contract was entered into.

(Note 2)

Financial instruments whose fair value is hardly obtainable are the followings, and these are not included in the above (7) securities.

（Millions of yen）

| Category | Carrying amounts |
|---|---|
| Equity securities without readily available market price （*1）(*2） | ¥52,846 |
| Investment in partnerships and others （*2）(*3） | 80,431 |
| Total | ¥133,277 |

（*1） Equity securities without readily available market price are out of the scope of fair value disclosure because fair values of them are hardly estimable.

（*2） In this consolidated fiscal year, impairment loss on equity securities without readily available market price of ¥889 million, that on investment in partnerships and others of ¥21,117 million were recognized.

(*3) Fair value disclosure does not include investments in partnerships and others, the assets of which comprise equity securities without readily available market price, because fair value of those investments are hardly estimable.

(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 |
|---|---|---|---|---|
| Other monetary claims purchased | ¥8,377 | ¥12,495 | ¥17,380 | ¥36,821 |
| Securities | | | | |
| Held-to-maturity | 91,000 | 129,799 | 203,000 | 63,058 |
| Available-for-sale security with maturity | 231,809 | 1,676,983 | 520,867 | 179,964 |
| Loans and bills discounted | 1,406,002 | 1,148,108 | 603,760 | 1,518,857 |
| Leased receivables and leased investment assets | 74,021 | 90,246 | 31,789 | 10,468 |
| Installment receivables | 182,085 | 109,897 | 26,422 | 17,737 |
| Total | ¥1,993,296 | ¥3,167,530 | ¥1,403,221 | ¥1,826,908 |

(*) The amounts whose maturity cannot be estimated such as loans with credit risk categories of “legally and virtually bankrupt” and “possibly bankrupt”, and no maturity is determined in the contract 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 |
|---|---|---|---|---|
| Deposit (*) | ¥4,263,025 | ¥948,334 | ¥901,767 | ¥77,350 |
| Negotiable certificates of deposit | 276,859 | 8,050 | - | - |
| Debenture | 173,441 | 175,648 | 133,423 | 1,200 |
| Borrowed Money | 878,655 | 139,238 | 27,253 | 141,690 |
| Corporate bond | 13,122 | 439 | 33,300 | 141,416 |
| 合計 | ¥5,605,103 | ¥1,271,711 | ¥1,095,744 | ¥361,657 |

(*) Demand deposit is included in “less than 1 year”.

(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 certificates included in other monetary claims purchased that are accounted for as securities.

1. Trading securities (as of March 31, 2010)

| | Net unrealized gains (losses) recognized in the current fiscal year |
|---|---|
| Trading securities | (¥3,600) |
| Other monetary claims purchased for trading purpose | (¥22,008) |

2. Securities being held to maturity with readily determinable fair value (as of March 31, 2010)

(Millions of yen)

| | Type | Carrying amount | Fair value | Net unrealized gain(loss) |
|---|---|---|---|---|
| Fair value exceeds carrying amount | Japanese government bonds | ¥353,322 | ¥357,982 | ¥4,659 |
| | Japanese corporate bonds | 70,432 | 71,823 | 1,390 |
| | Other | 44,665 | 47,898 | 3,233 |
| | Total | ¥468,420 | ¥477,705 | ¥9,284 |
| Fair value does not exceed carrying amount | Japanese government bonds | ¥- | ¥- | ¥- |
| | Japanese corporate bonds | - | - | - |
| | Other | 11,121 | 10,008 | (¥1,112) |
| | Total | ¥11,121 | ¥10,008 | (¥1,112) |
| Total | | ¥479,542 | ¥487,714 | ¥8,171 |

3. Available-for-sale securities (as of March 31, 2010)

(Millions of yen)

| | Type | Carrying amount (Fair value) | Cost | Net unrealized gain (loss) |
|---|---|---|---|---|
| Carrying amount exceeds cost | Equity securities | ¥6,896 | ¥5,702 | ¥1,193 |
| | Domestic bonds: | ¥1,585,022 | ¥1,578,594 | ¥6,428 |
| | Japanese government bonds | 1,543,717 | 1,537,668 | 6,048 |

| | | | | |
|---|---|---|---|---|
| | Japanese municipal bonds | 1,787 | 1,721 | 66 |
| | Japanese corporate bonds | 39,518 | 39,204 | 313 |
| | Other | ¥127,046 | ¥110,765 | ¥16,281 |
| | Total | ¥1,718,965 | ¥1,695,062 | ¥23,903 |
| Carrying amount does not exceed cost | Equity securities | ¥8,837 | ¥12,087 | (¥3,249) |
| | Domestic bonds: | ¥746,938 | ¥754,557 | (¥7,619) |
| | Japanese government bonds | 464,563 | 467,211 | (2,647) |
| | Japanese municipal bonds | - | - | - |
| | Japanese corporate bonds | 282,374 | 287,346 | (4,971) |
| | Other | ¥186,558 | ¥190,839 | (¥4,280) |
| | Total | ¥942,335 | ¥957,485 | (¥15,150) |
| Total | | ¥2,661,300 | ¥2,652,547 | ¥8,753 |

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

(Millions of yen)

| | |
|---|---|
| Net unrealized gain (loss) before deferred tax on: | |
| Available-for-sale securities | ¥8,753 |
| Our interests in available-for-sale securities held by investment business limited partnerships that are recorded as "Securities carried at cost" as the fair values of them are hardly obtainable | 103 |
| Securities reclassified from available-for-sale to held-to-maturity | (7,309) |
| Less: Deferred tax liabilities | ¥121 |
| Net unrealized gain(loss) for available-for-sale securities before interest equivalent adjustments | ¥1,424 |
| Less: minority interests equivalent | 0 |
| The Bank's interest equivalent in unrealized gain on available-for-sale securities held by affiliates to which the equity method is applied | (25) |
| Net unrealized gain on securities available-for-sale included in net assets | ¥1,398 |

(Supplementary information)

The fair value of floating rate Japanese government bonds was measured at the reasonably estimated values at the end of the last consolidated fiscal year, because judgment was made that market prices were not appropriate as fair values considering the extreme market situation where significant difference existed between market price and theoretical price. However, as the difference has exited for more than 1 year, it is no longer relevant to see the market is under extreme situation. Thus from the end of this consolidated fiscal year, those bonds are measured at market prices. This change in fair value measurement makes the outstanding balance of securities and unrealized gain (loss) on available-for-sale securities smaller by ¥3,037 million.

**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, 2009 to March 31, 2010)

(Millions of yen)

| | Amount of sale | Gain on sale | Loss on sale |
|---|---|---|---|
| Equity securities | ¥4,492 | ¥593 | ¥14 |
| Domestic bonds: | ¥1,284,114 | ¥5,626 | ¥68 |
| Japanese government bonds | 1,231,037 | 5,356 | 1 |
| Japanese municipal bonds | 20,865 | 6 | 29 |
| Japanese corporate bonds | 32,212 | 262 | 37 |
| Other | ¥185,963 | ¥22,334 | ¥457 |
| Total | ¥1,474,571 | ¥28,554 | ¥539 |

**6**. Securities reclassified from available-for-sale to Held to maturity due to the lack of liquidity

Securities outstanding in Held-to-maturity as of March 31, 2010, among the foreign debt securities reclassified from available-for-sale to held to maturity on October 1, 2008

(Millions of yen)

| | Fair value | Carrying amount | Net unrealized gain(loss) |
|---|---|---|---|
| Other (foreign debt securities) | ¥46,502 | ¥45,498 | (¥7,309) |

**7**. Securities for which impairment losses are recognized

If the decline in fair value of Available-for-sale Securities whose fair value is readily determinable or estimable is deemed to be significant, impairment loss is recognized in the book values of the securities since the decline in fair values is deemed to be other than temporary. Impairment loss recognized in this consolidated fiscal year is ¥47 million.

To determine whether an other-than-temporary impairment has occurred, the Group applies the following rule depending on the credit risk category the issuer of a security falls under based on the Bank’s internal rules for establishing the reserve for credit losses:

| | |
|---|---|
| Securities issued by “Legally and virtually bankrupt” obligors and “possibly bankrupt” obligors | The Fair value of a security is less than its book value |
| Securities issued by “need caution” obligors | The decline if fair value of a security is more than 30% of its book value |
| Securities issued by “normal” obligors | The decline in fair value of a security is in excess of 50% of its book value |

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

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

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

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

“Normal” is obligors 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, 2010)

(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 | ¥200,209 | (¥10,037) |

**2.** There are no monetary assets held in trust held to maturity (as of March 31, 2010)

**3.** Other monetary assets held in trust (other than trading purposes and held to maturity) (as of March 31, 2010)

(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 | ¥92,017 | ¥92,017 | — | — | — |

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

(Stock Option)

The matter concerning the stock option is as follows.

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

Other general and administrative expenses ¥ 94 million

(2) The amount recognized as revenue during this consolidated fiscal year because of the forfeiture due to the non-exercise ¥ 229 million

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

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

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

| | The 5th stock acquisition right | | The 6th stock acquisition right | |
|---|---|---|---|---|
| Number of grantees by category | Directors: 15<br>Statutory Executive Officers: 10<br>Employees: 437 | | Statutory Executive Officers: 5<br>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 right | | The 8th stock acquisition right | |
|---|---|---|---|---|
| Number of grantees by category | Statutory Executive Officers: 8<br>Employees: 127 | | Statutory Executive Officers: 1<br>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 right | | The 10th stock acquisition right | |
|---|---|---|---|---|
| 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 11th stock acquisition right | | The 12th stock acquisition right | |
|---|---|---|---|---|
| Number of grantees by category | Employees: 2 | | Employees: 2 | |
| Number of options granted (Note1) | Common Shares: 26,000 shares | Common Shares: 24,000 shares | Common Shares: 9,000 shares | Common Shares: 8,000 shares |
| Grant date | March 1, 2006 | | March 1, 2006 | |
| Vesting conditions | (Note:2) | | (Note:2) | |
| Vesting period | From March 1, 2006 to July 1, 2007 | From March 1, 2006 to July 1, 2008 | From March 1, 2006 to July 1, 2008 | From March 1, 2006 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 right | | The 14th stock acquisition right | |
|---|---|---|---|---|
| Number of grantees by category | Directors: 15<br>Statutory Executive Officers: 14<br>Employees: 559 | | Statutory Executive Officers: 3<br>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 right | | The 16th stock acquisition right | |
|---|---|---|---|---|
| Number of grantees by category | Statutory Executive Officers: 12<br>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 right | | The 18th stock acquisition right | |
|---|---|---|---|---|
| Number of grantees by category | Directors: 12<br>Statutory Executive Officers: 13<br>Employees: 110 | | Statutory Executive Officers: 3<br>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 right | | The 20th stock acquisition right | |
|---|---|---|---|---|
| Number of grantees by category | Directors and employees in subsidiaries and affiliates: 32 | | Directors: 12<br>Statutory Executive Officers: 8<br>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 right | | The 22nd stock acquisition right | |
|---|---|---|---|---|
| Number of grantees by category | Statutory Executive Officers: 1<br>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 right | |
|---|---|---|
| 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 existed 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 |
|---|---|---|---|---|
| Before 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 | - | - | - | - |
| After vested (Share) | | | | |
| Outstanding at the beginning of the period | 5,945,000 | 42,000 | 25,000 | 250,000 |
| Vested during the period | - | - | - | - |
| Exercised during the period | - | - | - | - |
| Forfeited during the period | 647,000 | 35,000 | - | - |
| Exercisable at the end of the period | 5,298,000 | 7,000 | 25,000 | 250,000 |

| | 5th | 6th | 7th | 8th |
|---|---|---|---|---|
| Before vested (share) | | | | |
| Outstanding at the beginning of the period | - | - | 370,000 | 133,000 |
| Granted during the period | - | - | - | - |
| Forfeited during the period | - | - | 107,000 | 24,000 |
| Vested during the period | - | - | 2,000 | - |
| Outstanding at the end of the period | - | - | 261,000 | 109,000 |
| After vested (Share) | | | | |
| Outstanding at the beginning of the period | 3,368,000 | 2,153,000 | 537,000 | 162,000 |
| Vested during the period | - | - | 2,000 | - |
| Exercised during the period | - | - | - | - |
| Forfeited during the period | 675,000 | 232,000 | 111,000 | 34,000 |
| Exercisable at the end of the period | 2,693,000 | 1,921,000 | 428,000 | 128,000 |

| | 9th | 10th | 11th | 12th |
|---|---|---|---|---|
| Before vested (share) | | | | |
| Outstanding at the beginning of the period | - | 26,000 | - | 7,000 |
| Granted during the period | - | - | - | - |
| Forfeited during the period | - | 8,000 | - | 7,000 |
| Vested during the period | - | - | - | - |
| Outstanding at the end of the period | - | 18,000 | - | - |
| After vested (Share) | | | | |
| Outstanding at the beginning of the period | 157,000 | 27,000 | 41,000 | 7,000 |
| Vested during the period | - | - | - | - |
| Exercised during the period | - | - | - | - |
| Forfeited during the period | 49,000 | 9,000 | 41,000 | 7,000 |
| Exercisable at the end of the period | 108,000 | 18,000 | - | - |

| | 13th | 14th | 15th | 16th |
|---|---|---|---|---|
| Before vested (share) | | | | |
| Outstanding at the beginning of the period | 1,445,000 | 436,000 | 957,000 | 116,000 |
| Granted during the period | - | - | - | - |
| Forfeited during the period | 124,000 | 109,000 | 184,000 | 77,000 |
| Vested during the period | 1,321,000 | 327,000 | 456,000 | 22,000 |
| Outstanding at the end of the period | - | - | 317,000 | 17,000 |
| After vested (Share) | | | | |
| Outstanding at the beginning of the period | 2,261,000 | 2,004,000 | 85,000 | 2,000 |
| Vested during the period | 1,321,000 | 327,000 | 456,000 | 22,000 |
| Exercised during the period | - | - | - | - |
| Forfeited during the period | 762,000 | 287,000 | 110,000 | 4,000 |
| Exercisable at the end of the period | 2,820,000 | 2,044,000 | 431,000 | 20,000 |

| | 17th | 18th | 19th | 20th |
|---|---|---|---|---|
| Before vested (share) | | | | |
| Outstanding at the beginning of the period | 2,256,000 | 513,000 | 140,000 | 2,298,000 |
| Granted during the period | - | - | - | - |
| Forfeited during the period | 612,000 | 143,000 | - | 294,000 |
| Vested during the period | 975,000 | 205,000 | 88,000 | 37,000 |
| Outstanding at the end of the period | 669,000 | 165,000 | 52,000 | 1,967,000 |
| After vested (Share) | | | | |
| Outstanding at the beginning of the period | 419,000 | 712,000 | - | 10,000 |
| Vested during the period | 975,000 | 205,000 | 88,000 | 37,000 |
| Exercised during the period | - | - | - | - |
| Forfeited during the period | 232,000 | 36,000 | - | - |
| Exercisable at the end of the period | 1,162,000 | 881,000 | 88,000 | 47,000 |

| | 21st | 22nd | 23rd |
|---|---|---|---|
| Before vested (share) | | | |
| Outstanding at the beginning of the period | 1,635,000 | 203,000 | 97,000 |
| Granted during the period | - | - | - |
| Forfeited during the period | 665,000 | 10,000 | 21,000 |
| Vested during the period | - | 10,000 | - |
| Outstanding at the end of the period | 970,000 | 183,000 | 76,000 |
| After vested (Share) | | | |
| Outstanding at the beginning of the period | - | - | - |
| Vested during the period | - | 10,000 | - |
| Exercised during the period | - | - | - |
| Forfeited during the period | - | - | - |
| Exercisable at the end of the period | - | 10,000 | - |

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 | 11th | 12th |
|---|---|---|---|---|
| Exercise Price (yen) | 697 | 697 | 774 | 774 |
| Weighted average stock price at the date of exercise | - | - | - | - |

| | 13th | 14th | 15th | 16th |
|---|---|---|---|---|
| Exercise Price (yen) | 825 | 825 | 825 | 825 |
| Weighted average stock price at the date of exercise | - | - | - | - |

| | 17th | 18th | 19th | 20th |
|---|---|---|---|---|
| Exercise Price (yen) | 555 | 555 | 527 | 416 |
| Weighted average stock price at the date of exercise | - | - | - | - |

| | 21st | 22nd | 23rd |
|---|---|---|---|
| Exercise Price (yen) | 416 | 407 | 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 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 7, 2010

To the Board of Directors of
Shinsei Bank, Limited:

Deloitte Touche Tohmatsu LLC

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

Seno Tezuka

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

Masahiro Ishizuka

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

Shigehiko Matsumoto

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

Junji Suzuki

Pursuant to the fourth clause of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated balance sheet as of March 31, 2010 of Shinsei Bank, Limited (the "Bank") and consolidated subsidiaries, and the related statements of operations and changes in equity for the 10th fiscal year from April 1, 2009 to March 31, 2010. 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, 2010, 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 Law.

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, 2010**

| | millions of yen |
|---|---|
| **ASSETS** | |
| Cash and due from banks | 310,022 |
| Cash | 7,601 |
| Due from banks | 302,421 |
| Call loans | 19,129 |
| Collateral related to securities borrowing transactions | 2,801 |
| Other monetary claims purchased | 621,271 |
| Trading assets | 211,020 |
| Trading securities | 13 |
| Derivatives of trading securities | 297 |
| Securities related to trading transactions | 13,836 |
| Derivatives of securities related to trading transactions | 45,258 |
| Trading-related financial derivatives | 151,468 |
| Other trading assets | 146 |
| Monetary assets held in trust | 463,467 |
| Securities | 3,674,523 |
| Japanese national government bonds | 2,361,568 |
| Japanese local government bonds | 1,787 |
| Japanese corporate bonds | 396,104 |
| Equity securities | 441,094 |
| Other securities | 473,968 |
| Valuation allowance for investments | (3,370) |
| Loans and bills discounted | 4,732,858 |
| Loans on bills | 146,526 |
| Loans on deeds | 3,784,780 |
| Overdrafts | 801,550 |
| Foreign exchanges | 10,976 |
| Due from foreign banks | 10,521 |
| Foreign bills bought | 454 |
| Other assets | 506,855 |
| Prepaid expenses | 1,877 |
| Accrued income | 15,160 |
| Margin on futures transactions | 205 |
| Suspense payment on futures transactions | 64 |
| Derivatives held in banking account | 240,223 |
| Deferred expenses for issuance of bonds and notes | 154 |
| Accounts receivable | 124,871 |
| Other assets | 124,298 |
| Premises and equipment | 17,890 |
| Buildings | 12,501 |
| Lease asset | 4 |
| Construction in progress | 1,091 |
| Other tangible fixed assets | 4,293 |
| Intangible assets | 11,891 |
| Software | 11,850 |
| Other intangible fixed assets | 40 |
| Deferred issuance expenses for debentures | 176 |
| Deferred expenses for issuance of debentures | 176 |
| Customers' liabilities for acceptances and guarantees | 11,266 |
| Reserve for credit losses | (102,213) |
| [Total assets] | 10,488,567 |

| | millions of yen |
|---|---|
| **LIABILITIES AND EQUITY** | |
| **Liabilities** | |
| Deposits | 6,533,555 |
| Current accounts | 143,344 |
| Ordinary deposits | 1,662,382 |
| Notice deposits | 11,589 |
| Time deposits | 4,427,528 |
| Other deposits | 288,710 |
| Negotiable certificates of deposit | 290,909 |
| Debentures | 487,513 |
| Issuance of debentures | 487,513 |
| Call money | 310,487 |
| Payables under repurchase agreements | 8,430 |
| Collateral related to securities lending transactions | 548,479 |
| Trading liabilities | 176,668 |
| Derivatives of trading securities | 127 |
| Derivatives of securities related to trading transactions | 23,903 |
| Trading-related financial derivatives | 152,637 |
| Borrowed money | 811,100 |
| Borrowed money | 811,100 |
| Foreign exchanges | 222 |
| Due to foreign banks | 207 |
| Foreign bills payable | 15 |
| Corporate bonds | 342,518 |
| Other liabilities | 392,414 |
| Income taxes payable | 484 |
| Accrued expenses | 54,997 |
| Unearned income | 525 |
| Suspense receipt on futures transactions | 190 |
| Borrowed securities | 2,179 |
| Derivatives held in banking account | 297,766 |
| Lease debt | 4 |
| Other liabilities | 36,266 |
| Accrued employees' bonuses | 5,423 |
| Reserve for losses on disposal of premises and equipment | 7,011 |
| Reserve for losses on litigation | 5,873 |
| Deferred tax liability | 745 |
| Acceptances and guarantees | 11,266 |
| [Total liabilities] | 9,932,620 |
| **Equity** | |
| Shareholders' equity | |
| Capital stock | 476,296 |
| Capital surplus | 43,558 |
| Additional paid-in capital | 43,558 |
| Retained earnings | 106,809 |
| Legal reserve | 11,035 |
| Other retained earnings | 95,773 |
| Unappropriated retained earnings | 95,773 |
| Treasury stock, at cost | (72,558) |
| [Total shareholders' equity] | 554,105 |
| Net unrealized gain (loss) | |
| Unrealized gain (loss) on available-for-sale securities | 361 |
| Deferred gain (loss) on derivatives under hedge accounting | (192) |
| [Total net unrealized gain (loss)] | 168 |
| Stock acquisition rights | 1,672 |
| [Total equity] | 555,947 |
| [Total liabilities and equity] | 10,488,567 |

## Non-Consolidated Statement of Income

Shinsei Bank, Limited

**from April 1, 2009 to March 31, 2010**

| | millions of yen |
|---|---:|
| **ORDINARY INCOME** | |
| Interest income | 153,051 |
| Interest on loans and bills discounted | 86,463 |
| Interest and dividends on securities | 51,251 |
| Interest on call loans | 114 |
| Interest on collateral related to securities borrowing transactions | 75 |
| Interest on deposits with banks | 66 |
| Interest on swaps | 4,970 |
| Other interest income | 10,108 |
| Fees and commissions income | 16,937 |
| Domestic and foreign exchange commissions income | 1,097 |
| Other fees and commissions income | 15,840 |
| Trading profits | 7,892 |
| Revenue from securities and derivatives related to trading transactions | 4,457 |
| Profits from trading-related financial derivatives | 3,435 |
| Other business income | 31,442 |
| Gains on foreign exchange | 4,389 |
| Gains on sales of bonds | 25,788 |
| Other business income - others | 1,264 |
| Other ordinary income | 8,545 |
| Gains on sales of equity securities and others | 2,459 |
| Gains on monetary assets held in trust | 4,005 |
| Other ordinary income - others | 2,080 |
| Total ordinary income | 217,868 |
| **ORDINARY EXPENSES** | |
| Interest expenses | 77,918 |
| Interest on deposits | 51,714 |
| Interest on negotiable certificates of deposit | 1,323 |
| Interest on debentures | 3,880 |
| Interest on call money | 297 |
| Interest on payables under repurchase agreements | 55 |
| Interest on collateral related to securities lending transactions | 637 |
| Interest on borrowings | 2,943 |
| Interest on corporate bonds | 16,472 |
| Other interest expenses | 593 |
| Fees and commissions expenses | 9,843 |
| Domestic and foreign exchange commissions expenses | 1,550 |
| Other fees and commissions expenses | 8,292 |
| Trading losses | 186 |
| Losses on trading securities and derivatives | 82 |
| Other trading losses | 104 |
| Other business expenses | 22,531 |
| Losses on sales of bonds | 511 |
| Devaluation of investment bonds | 6 |
| Amortization of deferred expenses for issuance of debentures | 75 |
| Amortization of deferred expenses for issuance of corporate bonds | 114 |
| Losses on derivatives | 562 |
| Other business expenses - others | 21,260 |
| General and administrative expenses | 69,780 |
| Other ordinary expenses | 81,814 |
| Provision of reserve for loan losses | 36,146 |
| Losses on write-offs of loans | 16,351 |
| Losses on sales of equity securities and others | 13 |
| Losses on write-down of equity securities and others | 4,552 |
| Losses on monetary assets held in trust | 19,977 |
| Other ordinary expenses - others | 4,772 |
| Total ordinary expenses | 262,074 |
| **Net ordinary loss** | 44,205 |
| Special gains | 25,851 |
| Gains on dispositions fixed assets | 1 |
| Recoveries of written-off claims | 2,745 |
| Gain from the cancellation of issued bond and other instruments | 22,738 |
| Other special gains | 366 |
| Special losses | 20,955 |
| Losses on dispositions of fixed assets | 389 |
| Loss on impairment of fixed assets | 292 |
| Provision of reserve for loss on disposal of premises and equipment | 191 |
| Provision of reserve for losse on litigation | 2,210 |
| Other special losses | 17,871 |
| Loss before income taxes | 39,309 |
| Income taxes (benefit) - current | (34) |
| Income taxes (benefit) - deferred | 8,369 |
| Total income taxes | 8,334 |
| **Net loss** | 47,644 |

**Non-Consolidated Statement of Changes in Equity**

Shinsei Bank Limited

From April 1,2009 to March 31,2010

| | *(millions of yen)* |
|---|---|
| **Shareholders' Equity** | |
| Capital stock | |
| Balance at beginning of the period | 476,296 |
| Changes in amounts during the period | |
| Total changes in amounts during the period | — |
| Balance at the end of the period | 476,296 |
| Capital surplus | |
| Capital reserve | |
| Balance at beginning of the period | 43,558 |
| Changes in amounts during the period | |
| Total changes in amounts during the period | — |
| Balance at the end of the period | 43,558 |
| Total capital surplus | |
| Balance at beginning of the period | 43,558 |
| Changes in amounts during the period | |
| Total changes in amounts during the period | — |
| Balance at the end of the period | 43,558 |
| 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 | 143,418 |
| Changes in amounts during the period | |
| Net loss | (47,644) |
| Total changes in amounts during the period | (47,644) |
| Balance at the end of the period | 95,773 |
| Total retained earnings | |
| Balance at beginning of the period | 154,454 |
| Changes in amounts during the period | |
| Net loss | (47,644) |
| Total changes in amounts during the period | (47,644) |
| Balance at the end of the period | 106,809 |

| | |
|---|---|
| Treasury stock | |
| Balance at beginning of the period | (72,558) |
| Changes in amounts during the period | |
| Purchase of treasury stock | (0) |
| Total changes in amounts during the period | (0) |
| Balance at the end of the period | (72,558) |
| Shareholders' Equity | |
| Balance at beginning of the period | 601,750 |
| Changes in amounts during the period | |
| Net loss | (47,644) |
| Purchase of treasury stock | (0) |
| Total changes in amounts during the period | (47,644) |
| Balance at the end of the period | 554,105 |
| **Net unrealized gain (loss) and translation adjustments** | |
| Unrealized gain (loss) on available-for-sale securities | |
| Balance at beginning of the period | (38,049) |
| Changes in amounts during the period | |
| Total changes in amounts during the period excluding capital stock (net) | 38,411 |
| Total changes in amounts during the period | 38,411 |
| Balance at the end of the period | 361 |
| Deferred gain (loss) on derivatives under hedge accounting | |
| Balance at beginning of the period | (672) |
| Changes in amounts during the period | |
| Total changes in amounts during the period excluding capital stock (net) | 479 |
| Total changes in amounts during the period | 479 |
| Balance at the end of the period | (192) |
| Total net unrealized gain (loss) and translation adjustments | |
| Balance at beginning of the period | (38,722) |
| Changes in amounts during the period | |
| Total changes in amounts during the period excluding capital stock (net) | 38,890 |
| Total changes in amounts during the period | 38,890 |
| Balance at the end of the period | 168 |
| **Stock acquisition rights** | |
| Balance at beginning of the period | 1,808 |
| Changes in amounts during the period | |
| Total changes in amounts during the period excluding capital stock (net) | (135) |
| Total changes in amounts during the period | (135) |
| Balance at the end of the period | 1,672 |
| **Total equity** | |
| Balance at beginning of the period | 564,836 |
| Changes in amounts during the period | |
| Net loss | (47,644) |
| Purchase of treasury stock | (0) |
| Total changes in amounts during the period excluding capital stock (net) | 38,755 |
| Total changes in amounts during the period | (8,889) |
| Balance at the end of the period | 555,947 |

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 contract date basis..

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

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 stated at fair value (sales cost is calculated by the moving-average method). Securities being held to maturity are carried at amortized cost by the moving average method. Securities of subsidiaries and affiliated companies are stated at cost calculated by the moving-average method. Securities available-for-sale whose fair value is readily determinable or estimable are stated at fair value at the end of the fiscal year (sales cost is determined by the moving-average method) and other securities whose fair value is hardly obtainable are stated at cost computed by the moving-average method. Unrealized gains (losses) on available-for-sale securities are included in Equity.

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

**3.** Valuation of Derivatives

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

**5.** Depreciation method of fixed assets

(a) Premises and Equipment (excluding leased assets)

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

Buildings: 13 – 50 years

Others: 2 – 15 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 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 that have guarantee on disposed value in the lease contract, and zero for assets without such guarantee.

**6.** Deferred Charges

Deferred charges for the Bank are accounted for the followings.

(a) Deferred expenses for issuance of bonds and notes

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

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

(b) 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

A reserve for credit losses is provided as detailed below, pursuant to the predetermined internal rules for providing such a 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 situation in their respective countries.

All claims are assessed by business divisions and branches based on the predetermined internal rules for the self-assessment of asset quality. The Asset-Assessment management division, which is independent from business divisions and branches, conducts verifications of these assessments, and an additional reserve 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 the amount was ¥96,799 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 employees bonuses for employees are provided for the payment of employees' bonuses based on estimated amounts of future payments attributed to this fiscal year.

(d) Reserve for Retirement Benefits

A reserve for retirement benefits is provided for payment of employees' retirement benefits based on the estimated amounts of the actuarial retirement benefit obligation, net of the estimated value of pension assets as of the end of the fiscal year. 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.

(Change in Accounting policy)

From the end of this fiscal year, “Revised Accounting Standard for Employee retirement benefit No.3” (ASBJ Statement No.19, July 31, 2008) is applied. However, this does not have any impact on financial statements since the discount rate used is still the same as what was previously used.

(e) Reserve for losses on disposal of premises and equipment

A reserve for losses on disposal of premises and equipment is based on reasonable estimates mainly for the restoration cost associated with the planned relocation of the headquarters of the Bank, and Meguro financial center.

(f) Reserve for losses on litigation

A reserve for losses on litigation is provided for possible future losses associated with outstanding lawsuits.

（Supplementary information）

The litigation which the reserve was recognized for is settled out of court on April 8, 2010. On April 21, 2010, all the payable was settled and this reserve is reversed at the same time. There is no impact on the net income (loss) on the following fiscal year.

**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 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 for financial instruments)

From the end of this fiscal year, "Accounting Standard for financial instruments" (ASBJ Statement No.10, March 10, 2008) is applied. As a result, the amount of securities is smaller by ¥ 9,544 million, other monetary claims purchased is smaller by ¥ 4,727 million, deferred tax liability is smaller by ¥ 616 million, unrealized gain (loss) on available-for-sale securities is smaller by ¥ 4,436 million, reserve for credit losses is smaller by ¥ 16,864 million, and Net ordinary loss and Loss before income taxes are smaller by ¥ 7,644 million respectively than they would be if there were no changes.

**Supplementary information**

(Change in fair value measurement for available-for-sale securities)

The fair value of floating rate Japanese government bonds was measured at the reasonably estimated values at the end of the last fiscal year, because judgment was made that market prices were not appropriate as fair values considering the extreme market situation where significant difference existed between market price and theoretical price. However, as the difference has exited for more than 1 year, it is no longer relevant to see the market is under extreme situation. Thus from the end of this fiscal year, those bonds are measured at market prices. This change in fair value measurement makes the outstanding balance of securities and unrealized gain (loss) on available-for-sale securities smaller by ¥3,037 million.

**Notes to Non-Consolidated financial statements**

（Balance Sheet as of March 31, 2010）

**1.** The total net book value of equity investments in affiliates is ¥494,211 million.

**2.** With regards to the balance of securities held in relation to securities borrowing transactions with or without cash collateral, securities purchased under resale agreements 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 ¥35,080 million.

**3.** Loans to bankrupt obligors and non-accrual delinquent loans of ¥11,129 million and ¥290,037 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 ¥2,027 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 ¥3,086 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 ¥306,281 million. The amounts of loans mentioned in the above Notes 3 through 6 respectively represent the gross receivable amount 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, 2010 are ¥454 million.

**8.** The total principal amount of loans accounted for as a sale through loan participations is ¥40,254 million as of March 31, 2010. 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 ¥ 33,357million as of March 31, 2010.

**9.** Assets pledged as collateral are as follows:

| | | |
|---|---|---|
| Cash and due from banks | ¥ 10 | million |
| Securities | 1,499,692 | |
| Loans and bills discounted | 291,413 | |
| Other assets | 107,898 | |

Liabilities related to pledged assets are as follows:

| | | |
|---|---|---|
| Deposits | ¥ 790 | million |
| Call money | 310,000 | |
| Payables under repurchase agreements | 8,430 | |
| Collateral related to securities lending transactions | 548,479 | |
| Borrowed money | 659,700 | |
| Other liabilities | 24 | |
| Acceptances and guarantees | 920 | |

In addition, securities of ¥231,783 million are pledged as collateral for transactions, including exchange settlements, swap transactions and the substitution of margin on futures transactions.

¥8,402 million of security deposits and ¥13,029 million of cash collateral pledged for derivative transactions are included in other assets.

**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 ¥3,377,426 million, out of which the amount with original agreement terms of less than one year or which were cancelable was ¥3,174,115 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 ¥18,603 million.

**12.** Deferred gains on sales of real estate of ¥2,315 million are deducted from the acquisition cost of premises and equipments.

**13.** Subordinated debt of ¥102,500 million is included in borrowed money.

**14.** Subordinated bonds of ¥ 327,344 million are included in corporate bonds.

**15.** The amount of guarantee obligations for privately-placed bonds (Financial Instruments and Exchange Law, Article 2, Paragraph 3), out of "bonds" included in the "Securities" category, stands at ¥48,283 million.

**16.** Common shareholders' equity per share is ¥282.22.

**17.** Total monetary claims against affiliated companies stand at ¥886,759 million.

**18.** Total monetary liabilities against affiliated companies stand at ¥405,720 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 is recognized.

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

| | | | |
|---|---|---|---|
| Projected benefit obligations | ¥ | (52,361) | million |
| Plan assets (fair market value) (including benefit trust) | | 42,891 | |
| Funded status | | (9,470) | |
| Unrecognized obligation at transition | | 3,027 | |

| | |
|---|---|
| Unrecognized net actuarial losses | 10,617 |
| Unrecognized prior service cost (reduction of liabilities) | (2,348) |
| Net amount accrued on the balance sheet | 1,825 |
| Prepaid pension cost | 1,825 |

**21.** Shinsei Financial Co., Ltd., Shinki Co., Ltd., the Bank's 100% owned subsidiaries, securitized their consumer loans with Shinsei Trust & Banking Co., Ltd. (Shinsei Trust) as a trustee.

In relation to transaction, the Bank accommodates a request by Shinsei Trust to act as an indemnifier, who shall indemnify Shinsei Trust if any liabilities could be imposed on or asserted against Shinsei Trust relating to the demand for refund of excess payment by the obligor The accommodation of this indemnification, however, is based on the Bank's firm belief that the probability of the occurrence of damages is minimal.

(Statement of Operation for the Fiscal Year Ended March 31, 2010)

**1.** Earnings from transactions with affiliate companies

Total net interest income: ¥30,594 million

Total non-interest income: ¥2,049 million

Total earnings from "other operations and other ordinary transactions": ¥2,513 million

Total earnings from "other transactions": ¥4,265 million

Expenses from transactions with affiliate companies

Total net interest expense: ¥10,621 million

Total non-interest expense: ¥2,455 million

Total expenses from "other operations and other ordinary transactions": ¥594 million

Total expenses from "other transactions": ¥14,891 million

**2.** "Other special losses" comprises impairment loss on investments in affiliates and partnerships of ¥7,387 million and loss on sale of equity securities of subsidiaries of ¥10,483 million.

**3.** Net loss per common share for this fiscal year is ¥24.26

**4.** Diluted net income per common share is not applicable as net loss is recognized for this fiscal year.

**5.** 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 (or held by the counter party) | Relation ship | Details of transaction (done in this fiscal year) | Transaction amount of this fiscal year | B/S account | Balance at the year end |
|---|---|---|---|---|---|---|---|
| Subsidiaries | APLUS FINANCIAL Co., Ltd. (former APLUS Co., Ltd.) (Note 1) | Direct holding 93.5% | Lending | Loan transaction (Note 2) | 74,404 | Loans | 120,000 |
| | | | | Purchase of beneficial interests (Note 3) | 729,928 | - | - |
| | Shinsei Financial Co., Ltd. | Direct holding 99.8% Indirect holding | Lending | Loan transaction (Note 2) | 165,195 | Loans | 152,000 |
| | | | | Purchase of beneficial interests (Note 4) | 128,656 | - | - |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | 0.2% | | Transfer of subsidiary stock (Note 5) | | | |
| | | | | Transfer proceeds | 3,040 | - | - |
| | | | | Loss from transfer | 10,480 | - | - |
| | AMOne GK | Indirect holding [100%] (Note 6) | Lending | Redemption of bond (Note 7) | 16,296 | Loans (Note 8) | 127,853 |
| | | | | | | Receivable (Note 8) | 2,934 |
| | Pearl White One GK | Indirect holding [100%] (Note 6) | Lending | Early Redemption of commercial paper (Note 9) | 289,900 | - | - |
| | | | | Transfer of beneficial interest (Note10) | 227,390 | - | - |
| | | | | Purchase of commercial paper (Note 10) | 227,587 | Loans (Note 8) | 122,943 |
| | | | | | | Receivable (Note 8) | 104,863 |
| | Pearl White Two GK | Indirect holding [100%] (Note 6) | Lending | Early Redemption of commercial paper (Note 11) | 234,900 | - | - |
| | Shinsei Trust & Banking Co., Ltd | Direct holding 100% | Deposit | Indemnity for potential loss from trust assets (Note 12) | - (Note 12) | - | - |

Note:

1. APLUS FINANCIAL Co., Ltd. was renamed from APLUS Co., Ltd along with the transition to the holding company on April 1, 2010.
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 claim in APLUS FINANCIAL Co., Ltd. The transaction price was determined at a reasonable level according to the market conditions. Out of the amount of the beneficial interests purchased, ¥452,128 million has been paid back within this fiscal year.

4. The Bank purchased beneficial interests backed by the monetary claim in Shinsei Financial Co., Ltd. The transaction price was determined at a reasonable level according to the market conditions.
5. The Bank transferred common stock of Shinki Co., Ltd. (number of shares: 8, percentage of ownership: 88.8%) to Shinsei Financial Co., Ltd. The transfer price was determined based on the price valuated by an independent third party.
6. 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, ownership share held by closely related party is provided.
7. This is the partial redemption of the bond issued for ¥150,000 million by AMOne GK in the previous fiscal year, all of which was purchased by the Bank.
8. The Balance Sheet account is presented by the original assets of the Bank.
9. This is the early redemption of the commercial paper issued by the Pearl White One GK in the previous fiscal year, ¥289,900 million of which was purchased by the Bank out of ¥290,000 million issued (face amount basis).
10. The Bank transferred senior beneficial interests backed by the loans of the Bank to Pearl White One GK, of which the Bank owns 100% share. The Bank then purchased all of the commercial paper of ¥230,000 million issued by Pearl White One GK, which are backed by the beneficial interests transferred from the Bank. The transaction prices are at a reasonable level according to the market conditions.
11. This is the early redemption of the commercial paper issued by the Pearl White Two GK in the previous fiscal year, ¥234,900 million of which was purchased by the Bank out of ¥235,000 million issued (face amount basis).
12. In relation to the securitization of the consumer loans of the Bank’s subsidiaries, Shinsei Financial Co., Ltd. and Shinki Co., Ltd., in which Shinsei Trust & Banking Co., Ltd. (“Shinsei Trust”) serves as a trustee, the Bank has accommodated a request by Shinsei Trust to act as an indemnifier, who shall indemnify Shinsei Trust if any liabilities could be imposed on or asserted against the Shinsei Trust relating to the demand for refund of excess payment by the obligor. The accommodation of this indemnification, however, is based on the Bank’s firm belief that the probability of the occurrence of damages is minimal. The total balance of trust assets at the end of this fiscal year is ¥398,301 million for Shinsei Financial Co., Ltd. and ¥53,936 million for Shinki Co., Ltd., respectively.

(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 Bank (or 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 the fiscal year end |
|---|---|---|---|---|---|---|---|
| Corporations and organizations in which the majority of the voting rights are held by major shareholders (individuals) or their family members (including subsidiaries of such corporations) | J.C.Flowers II L.P. (Note 1) | - | Providing service Concurrent post | Receipt of management fee (Note 2) | 138 | Unearned revenue | 22 |
| | | | | Investment (Note 3) | 104 | - | - |
| | | | | Dividend | 439 | - | - |
| | J.C.Flowers III L.P. (Note 1) | - | Providing service Concurrent post | Investment (Note 4) | 3,918 | - | - |
| | | | | Dividend | 4,172 | - | - |
| | NIBC Bank Ltd. (Note 5) | - | - | Loan participation (Note 6) | 257 | Loans | 1,001 |

Note:

1. The fund is operated by J.C. Flowers & Co. LLC of which J. Christopher Flowers, director of the Bank, serves as chairman.
2. The management fee is determined based on the proportion of investment amounts by limited liability partner.
3. The committed investment amounts are U.S.$200 million based on the limited partnership agreement.
4. The committed investment amounts are U.S.$99.95 million based on the limited partnership agreement.
5. 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.
6. 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 this 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 | 0 | - | 96,427 | (Note) |
| Total | 96,427 | 0 | - | 96,427 | |

Note: The increase of shares is associated with the acquisition of fractional share.

**2.** The Bank's dividend is as follows;

(1) No dividend was paid during this fiscal year

(2) There is no dividend of which effective date is after the end of this fiscal year.

(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, 2010)

(Millions of yen)

| | Net unrealized gains (losses) recognized in the current fiscal year |
|---|---|
| Trading securities | (¥4,432) |
| Other monetary claims purchased for trading purpose | (¥852) |

**2.** Securities being held to maturity with readily determinable fair value (as of March 31, 2010)

(Millions of yen)

| | Type | Carrying amount | Fair value | Net unrealized gain(loss) |
|---|---|---|---|---|
| Fair value exceeds carrying amount | Japanese government bonds | ¥353,322 | ¥357,982 | ¥4,659 |
| | Japanese corporate bonds | 70,432 | 71,823 | 1,390 |
| | Other | 44,665 | 47,898 | 3,233 |
| | Total | ¥468,420 | ¥477,705 | ¥9,284 |
| Fair value does not exceed carrying amount | Japanese government bonds | ¥- | ¥- | ¥- |
| | Japanese corporate bonds | - | - | - |
| | Other | 11,121 | 10,008 | (¥1,112) |
| | Total | ¥11,121 | ¥10,008 | (¥1,112) |
| Total | | ¥479,542 | ¥487,714 | ¥8,171 |

**3.** Equity securities of subsidiaries and affiliates (as of March 31, 2010)

(Millions of yen)

| | Carrying amount | Fair value | Net unrealized gain (loss) |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Equity securities of subsidiaries and affiliates | ¥97,801 | ¥100,312 | ¥2,511 |

(note) Equity securities of subsidiaries and affiliates whose fair value is hardly obtainable

| | Carrying amount (millions of yen) |
|---|---|
| Equity securities of subsidiaries | ¥389,927 |
| Equity securities of affiliates | ¥589 |

These are not included in Equity securities of subsidiaries and affiliates, since obtaining fair values is extremely difficult.

**4.** Available-for-sale securities (as of March 31, 2010)

(Millions of yen)

| | Type | Carrying amount (Fair value) | Cost | Net unrealized gain (loss) |
|---|---|---|---|---|
| Carrying amount exceeds cost | Equity securities | ¥3,474 | ¥2,975 | ¥499 |
| | Domestic bonds: | ¥1,584,987 | ¥1,578,559 | ¥6,428 |
| | Japanese government bonds | 1,543,681 | 1,537,633 | 6,048 |
| | Japanese municipal bonds | 1,787 | 1,721 | 66 |
| | Japanese corporate bonds | 39,518 | 39,204 | 313 |
| | Other | ¥107,465 | ¥91,248 | ¥16,216 |
| | Total | ¥1,695,927 | ¥1,672,783 | ¥23,144 |
| Carrying amount does not exceed cost | Equity securities | ¥7,476 | ¥10,327 | (¥2,851) |
| | Domestic bonds: | ¥750,717 | ¥758,399 | (¥7,681) |
| | Japanese government bonds | 464,563 | 467,211 | (2,647) |
| | Japanese municipal bonds | - | - | - |
| | Japanese corporate bonds | 286,153 | 291,187 | (5,033) |
| | Other | ¥188,423 | ¥193,485 | (¥5,061) |
| | Total | ¥946,617 | ¥962,212 | (¥15,594) |
| Total | | ¥2,642,545 | ¥2,634,995 | ¥7,550 |

(Note1) Available-for-sale securities whose fair value is hardly obtainable

| | Carrying amounts (Millions of yen) |
|---|---|
| Equity securities | ¥6,791 |
| Other | 61,716 |
| Total | ¥68,507 |

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

(Note2) The 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 | ¥7,550 |
| Our interests in available-for-sale securities held by investment business limited partnerships that are recorded as “Securities carried at cost” as the fair values of them are hardly obtainable | 121 |
| Securities reclassified from available-for-sale to held-to-maturity | (7,309) |
| Less: Deferred tax liabilities | ¥- |
| Net unrealized gain on securities available-for-sale included in net assets | ¥361 |

(Supplementary information)

The fair value of floating rate Japanese government bonds was measured at the reasonably estimated values at the end of the last fiscal year, because judgment was made that market prices were not appropriate as fair values considering the extreme market situation where significant difference existed between market price and theoretical price. However, as the difference has exited for more than 1 year, it is no longer relevant to see the market is under extreme situation. Thus from the end of this fiscal year, those bonds are measured at market prices. This change in fair value measurement makes the outstanding balance of securities and unrealized gain (loss) on available-for-sale securities smaller by ¥3,037 million.

**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, 2009 to March 31, 2010)

(Millions of yen)

| | Amount of sale | Gain on sale | Loss on sale |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Equity securities | ¥3,663 | ¥254 | ¥0 |
| Domestic bonds: | ¥1,284,114 | ¥5,626 | ¥68 |
| Japanese government bonds | 1,231,037 | 5,356 | 1 |
| Japanese municipal bonds | 20,865 | 6 | 29 |
| Japanese corporate bonds | 32,212 | 262 | 37 |
| Other | ¥196,976 | ¥22,291 | ¥456 |
| Total | ¥1,484,755 | ¥28,172 | ¥525 |

**7.** Securities reclassified from available-for-sale to Held to maturity due to the lack of illiquidity

Securities outstanding in Held-to-maturity as of March 31, 2010, among the foreign debt securities reclassified from available-for-sale to held to maturity on October 1, 2008

(Millions of yen)

| | Fair value | Carrying amount | Net unrealized gain(loss) |
|---|---|---|---|
| Other (foreign debt securities) | ¥46,502 | ¥45,498 | ¥(7,309) |

**8.** Securities for which impairment losses are recognized

If the decline in fair value of Available-for-sale Securities with readily determinable fair value is deemed to be significant, impairment loss is recognized in the book values of the securities since the decline in fair values is deemed to be other than temporary. Impairment loss recognized in this fiscal year is ¥6 million.

To determine whether an other-than-temporary impairment has occurred, the Bank applies following rule depending on the credit risk category the issuer of a security fall under based on the Bank's internal rules for establishing the reserve for credit losses:

| | |
|---|---|
| Securities issued by "Legally and virtually bankrupt" obligors and "possibly bankrupt" obligors | The Fair value of a security is less than its book value |
| Securities issued by "need caution" obligors | The decline if fair value of a security is more than 30% of its book value |
| Securities issued by "normal" obligors | The decline in fair value of a security is in excess of 50% of its book value |

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

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

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

"Need Caution" is obligors who require close attention because there are problems with their borrowings.

"Normal" is obligors 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, 2010)

(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 | ¥368,864 | (¥32,459) |

**2.** There are no monetary assets held in trust held to maturity (as of March 31, 2010)

**3.** Other monetary assets held in trust (other than trading purposes and held to maturity) (as of March 31, 2010)

(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 | ¥94,602 | ¥94,602 | — | — | — |

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 (In million yen)

| | |
|---|---|
| Reserve for credit losses | ¥81,337 |
| Securities | 78,729 |
| Tax loss carryforwards | 41,683 |
| Valuation of monetary assets held in trust | 13,207 |
| Unearned dividends on monetary assets held in trust | 6,309 |
| Net deferred loss on hedge | 6,280 |
| Reserve for losses on disposal of premises and equipment | 2,853 |
| Other | 23,148 |
| Deferred tax assets sub-total | ¥253,549 |
| Valuation allowance | (¥244,090) |
| Deferred tax assets total | ¥9,459 |
| Deferred tax liabilities | |
| Net deferred gain on hedge | ¥10,204 |
| Deferred tax liabilities total | ¥10,204 |
| Net deferred tax liabilities | ¥745 |

(TRANSLATION)

**INDEPENDENT AUDITORS' REPORT**

May 7, 2010

To the Board of Directors of
Shinsei Bank, Limited:

Deloitte Touche Tohmatsu LLC

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

Seno Tezuka

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

Masahiro Ishizuka

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

Shigehiko Matsumoto

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

Junji Suzuki

Pursuant to the first item, second clause of Article 436 of the Companies Act, we have audited the financial statements, namely, the balance sheet as of March 31, 2010 of Shinsei Bank, Limited (the "Bank"), and the related statements of operations and changes in Equity for the 10th fiscal year from April 1, 2009 to March 31, 2010, 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, 2010, 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 Law.

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

***********

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

## REPORT OF THE AUDIT COMMITTEE

The Audit Committee of Shinsei Bank, Limited (the "Bank") audited the execution of duties by the Bank's Directors and Statutory Executive Officers during the $10^{th}$ fiscal year (from April 1, 2009 to March 31, 2010). The following report is based on the process and results of this audit.

### 1. Audit Process and Details

The Audit Committee monitored and examined the contents of Board of Directors resolutions concerning matters listed in Article 416, Paragraph 1, Item 1 "*ro*" and "*ho*" of the Corporation Act and the status of the Bank's system of internal controls created based on such resolutions. Furthermore, in accordance with the audit policy, audit plan, the assignment of audit duties and other matters determined by the Audit Committee, we investigated the state of the Bank's business activities and property by attending or having employees assisting in the duties of the Audit Committee attend important meetings, by receiving reports and requesting explanations as necessary from Directors, Statutory Executive Officers and so forth on matters concerning the execution of their duties, including internal control-related issues, by inspecting or having employees assisting in the duties of the Audit Committee inspect important decision-making documents and so forth. With respect to internal control over financial reporting, we were provided reports on internal control assessments and audit status from Statutory Executive Officers, 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 necessary.

In addition, we monitored and examined whether the Bank's Accounting Auditors were maintaining their independence and conducting appropriate audits; received their reports on the status of the execution of their duties; and requested explanations, as necessary. Moreover, we received from the Accounting Auditors a notice stating that the "System for Ensuring the Appropriate Execution of Duties" (the matter listed in each item in Article 131 of the Corporate Calculation Rules) is placed in operation in line with the "Audit Quality Control Standards" (released on October 28, 2005 by the Business Accounting Council) and requested explanations, as necessary.

Based on the above process, we examined the Bank's business report, financial statements (balance sheet, income statement, and statement of change in shareholders' equity etc.), the schedules attached thereto, and consolidated financial statements (consolidated balance sheet, consolidated income statement and consolidated statement of change in shareholders' equity etc.), for the relevant business 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 there is 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 and Statutory Executive Officers.

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 there is nothing came to our attention which should be pointed out concerning the execution of duties by Directors and Statutory Executive Officers in relation to the said internal control system.

With respect to internal control over financial reporting, we were provided reports from Statutory Executive Officers, etc. and the Auditor – Deloitte Touche Tohmatsu LLC – that no material weakness came to their attention as of the date of this audit report.

(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 Auditors, 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 Auditors, Deloitte Touche Tohmatsu LLC, are appropriate.

May 10, 2010

The Audit Committee of Shinsei Bank, Limited

| | |
|---|---|
| Hiroyuki Takahashi | (seal) |
| Yukinori Ito | (seal) |
| Nobuaki Ogawa | (seal) |
| Shigeru Kani | (seal) |
| Yasuharu Nagashima | (seal) |

Note: All five members of the Audit Committee are outside directors as stipulated in Article 2, Item 15 of the Corporation Act.