[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, 2009

	millions of yen
ASSETS	
Cash and due from banks	¥605,089
Collateral related to securities borrowing transactions	280
Other monetary claims purchased	408,035
Trading assets	375,107
Monetary assets held in trust	348,840
Securities	2,174,198
Loans and bills discounted	5,876,910
Foreign exchanges	37,138
Leased receivable and leased investment assets	232,554
Other assets	1,125,768
Premises and equipment	50,964
Building	20,544
Land	9,667
Tangible leased assets	10,821
Construction in progress	105
Other tangible fixed assets	9,826
Intangible fixed assets	209,175
Software	29,099
Goodwill	132,952
Intangble leased assets	755
Intangible assets	44,791
Other intangible fixed assets	1,576
Deferred issuance expenses for debentures	161
Deferred tax assets	22,254
Customers' liabilities for acceptances and guarantees	675,225
Reserve for credit losses	(192,511)
[Total assets]	11,949,196
LIABILITIES AND EQUITY	
LIABILITIES:	
Deposits	¥6,012,455
Negotiable certificates of deposit	259,659
Debentures	675,567
Call money	281,513
Payable under repurchase agreements	53,805
Collateral related to securities lending transactions	569,566
Commercial paper	198
Trading liabilities	307,562
Borrowed money	1,012,324
Foreign exchanges	4
Short - term corporate bonds	11,500
Corporate bonds	266,489
Other liabilities	819,900
Accrued employees' bonuses	10,425
Accrued directors' bonuses	318
Reserve for employees' retirement benefits	18,219
Reserve for directors' retirement benefits	234
Reserve for losses on interest repayments	193,850
Reserve for losses on disposal of premises and equipment	7,559
Reserve for losses on litigation	3,662
Reserve under special law	4
Deferred tax liabilities	1,665
Acceptances and guarantees	675,225
[Total liabilities]	11,181,714
Equity:	
Shareholders' equity:	
Capital stock	476,296
Capital surplus	43,554
Retained earnings	152,855
Treasury stock, at cost	(72,558)
[Total shareholders' equity]	600,147
Net unrealized gain (loss) and translation adjustments:	
Unrealized gain (loss) on available-for-sale securities	(38,813)
Deferred gain (loss) derivatives under hedge accounting	(2,996)
Foreign currency translation adjustments	1,297
[Total net unrealized gain (loss) and translation adjustments]	(40,511)
Stock acquisition rights	1,808
Minority interests in subsidiaries	206,037
[Total equity]	767,481
[Total liabilities and equity]	¥11,949,196

Consolidated Statement of Operations

Shinsei Bank, Limited, and Consolidated Subsidiaries

From April 1, 2008 to March 31, 2009

	millions of yen
ORDINARY INCOME	
Interest income	¥303,421
Interest on loans and bills discounted	256,180
Interest and dividends on securities	37,997
Interest on call loans and bills discounted	883
Interest on receivables under resale agreements	7
Interest on collateral related to securities borrowing transactions	779
Interest on deposits with banks	1,887
Other interest income	5,685
Fees and commissions income	52,676
Trading profits	11,918
Other business income	211,588
Other ordinary income	22,071
Total ordinary income	601,677
ORDINARY EXPENSES	
Interest expenses	100,425
Interest on deposits	47,426
Interest on negotiable certificates of deposit	4,871
Interest on debentures	5,026
Interest on call money and bills discounted	4,897
Interest on payables under repurchase agreements	5
Interest on collateral related to securities lending transactions	2,650
Interest on commercial paper	0
Interest on borrowings	17,001
Interest on short-term corporate bonds	757
Interest on corporate bonds	11,509
Other interest expenses	6,278
Fees and commissions expenses	26,162
Trading losses	16,582
Other business expenses	244,914
General and administrative expenses	199,597
Amortization of goodwill	11,673
Amortization of intangible assets	5,880
Other general and administrative expenses	182,043
Other ordinary expenses	177,311
Provision of reserve for loan losses	124,973
Other ordinary expenses	52,338
Total ordinary expenses	764,993
NET ORDINARY LOSS	163,316
Special gains	100,947
Gains on disposal of premises and equipment	10,410
Recoveries of written-off claims	5,791
Gains from the cancellation of issued bond and other instruments	75,106
Other special gains	9,637
Special losses	56,684
Losses on disposal of premises and equipment	1,623
Amortization of goodwill	30,905
Impairment losses	1,456
Provision of reserve for losses on disposal of premises and equipment	3,900
Provision of reserve for losses on litigation	3,662
Provision of reserve for contingent liabilities from financial transactions	0
Other special losses	15,135
Loss before income taxes and minority interests	119,054
Income taxes (benefit) - current	3,466
Income taxes (benefit) - deferred	7,004
Total income taxes (benefit)	10,471
Minority interest in net income of subsidiaries	13,558
NET LOSS	¥143,084

Consolidated Statement of Changes in Equity

Shinsei Bank, Limited, and Consolidated Subsidiaries

From April 1, 2008 to March 31, 2009

	(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	43,558
Changes in amounts during the period	
Disposal of treasury stock	(4)
Total changes in amounts during the period	(4)
Balance at the end of the period	43,554
Retained earnings	
Balance at beginning of the period	302,535
Changes in amounts during the period	
Dividends from surplus	(5,773)
Net income (loss)	(143,084)
Decrease by exclusion of consolidated subsidiary	(822)
Total changes in amounts during the period	(149,680)
Balance at the end of the period	152,855
Treasury stock	
Balance at beginning of the period	(72,566)
Changes in amounts during the period	
Acquisition of treasury stock	(0)
Disposal of treasury stock	9
Total changes in amounts during the period	8
Balance at the end of the period	(72,558)
Shareholders' Equity	
Balance at beginning of the period	749,823
Changes in amounts during the period	
Dividends from surplus	(5,773)
Net income (loss)	(143,084)
Acquisition of treasury stock	(0)
Disposal of treasury stock	5
Decrease by exclusion of consolidated subsidiary	(822)
Total changes in amounts during the period	(149,676)
Balance at the end of the period	600,147

	(millions of yen)
Net unrealized gain (loss) and translation adjustments	
Unrealized gain (loss) on available-for-sale securities	
Balance at beginning of the period	(35,073)
Changes in amounts during the period	
Total changes in amounts during the period excluding capital stock (net)	(3,739)
Total changes in amounts during the period	(3,739)
Balance at the end of the period	(38,813)
Deferred gain (loss) on derivatives under hedge accounting	
Balance at beginning of the period	(1,057)
Changes in amounts during the period	
Total changes in amounts during the period excluding capital stock (net)	(1,938)
Total changes in amounts during the period	(1,938)
Balance at the end of the period	(2,996)
Foreign currency translation adjustments	
Balance at beginning of the period	1,872
Changes in amounts during the period	
Total changes in amounts during the period excluding capital stock (net)	(575)
Total changes in amounts during the period	(575)
Balance at the end of the period	1,297
Total net unrealized gain (loss) and translation adjustments	
Balance at beginning of the period	(34,258)
Changes in amounts during the period	
Total changes in amounts during the period excluding capital stock (net)	(6,253)
Total changes in amounts during the period	(6,253)
Balance at the end of the period	(40,511)
Stock acquisition rights	
Balance at beginning of the period	1,257
Changes in amounts during the period	
Total changes in amounts during the period excluding capital stock (net)	550
Total changes in amounts during the period	550
Balance at the end of the period	1,808
Minority interests in subsidiaries	
Balance at beginning of the period	248,437
Changes in amounts during the period	
Total changes in amounts during the period excluding capital stock (net)	(42,399)
Total changes in amounts during the period	(42,399)
Balance at the end of the period	206,037
Total equity	
Balance at beginning of the period	965,261
Changes in amounts during the period	
Dividends from surplus	(5,773)
Net income (loss)	(143,084)
Acquisition of treasury stock	(0)
Disposal of treasury stock	5
Decrease by exclusion of consolidated subsidiary	(822)
Total changes in amounts during the period excluding capital stock (net)	(48,103)
Total changes in amounts during the period	(197,779)
Balance at the end of the period	767,481

<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: 126 companies

Major companies;

APLUS Co., Ltd.

Showa Leasing Co., Ltd.

Shinki Co., Ltd.

Shinsei Financial Co., Ltd. (renamed from GE Consumer Finance Co., Ltd)

Shinsei Trust & Banking Co., Ltd.

Shinsei Securities Co., Ltd.

From this fiscal year, Shinsei Asset Management (India) Private Limited and 15 other companies are included as newly established subsidiaries, Shinsei Financial Co., Ltd. and 11 other companies (note) are included due to the acquisition of their equity interests, and KNE2 Loan GmbH and 4 other companies are included due to the gain of its controlling interest, Gabbro Limited is included due to the increase of its materiality.

Also, the followings are excluded during this fiscal year:

Shinsei Capital (USA), Ltd. and 5 other companies due to the dissolution, Showa Auto Rental and Leasing Co., Ltd. and SARL Service Co., Ltd. due to the sale of shares, YMS6 Co., Ltd. and 2 other entities due to the decrease of materiality, and Pan Shinpan Co., Ltd. due to its merger with Shinki Co., Ltd.

(note) On September 22, 2008, the Bank acquired Shinsei Financial Co., Ltd. (Shinsei Financial) and its 5 subsidiaries. Profits and losses attributed to the period after October 1, 2008 for these companies are included in the Consolidated Statement of Operation.

Shinsei Financial was renamed from GE Consumer Finance Co., Ltd. (GECF) on April 1, 2009.

(b) Unconsolidated subsidiaries: 99 companies

Major Company;

SL PACIFIC LIMITED.

SL PACIFIC LIMITED and other 68 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 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: 30 companies

Major Companies;

Hillcot Holdings Limited

Jih Sun Financial Holding Company Limited

Woori SB Tenth Asset Securitization Specialty Co., Ltd. and 2 other companies are newly established affiliates accounted for by the equity method from this fiscal year.

Shinsei Macquarie advisory Co., Ltd. is excluded from the scope of affiliates accounted for the equity method due to liquidation and Servicegesellschaft Kreditmanagement GmbH and Showa rental leasing Morioka Co., Ltd. are excluded due to the sale of the shares.

(c) Unconsolidated subsidiaries accounted for not applying the equity method: 99 companies

Major Company;

SL PACIFIC LIMITED

SL PACIFIC LIMITED and other 68 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 Corporation 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;

December 31	:	49 companies
January 31		1 company
February 28		3 companies
March 31	:	72 companies
September 30		1 company

(b) 9 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, liquidation 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 are stated at fair value at the end of the period (sales cost is determined by the moving-average method) and other non-marketable securities are stated at cost or amortized 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 Co., Ltd., Showa Leasing Co., Ltd., Shinki Co., Ltd., Shinsei Financial Co., Ltd, and their consolidated subsidiaries are as follows.

(i) APLUS 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
Maintenance component contracts	Straight-line	Subject to the remaining contract 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 ¥158,361 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 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 fiscal year.

10. Actuarial difference: 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.

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 established 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.

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. 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.

17. 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 Bank principally applied a "macro hedge" approach for interest rate derivatives used to manage interest rate risks, and its ALM activities based on the transitional treatment prescribed in Industry Audit Committee Report No. 15 issued by the JICPA prior to April 1, 2003. Deferred hedge losses and deferred hedge gains previously recorded on the balance sheet as a result of macro hedge accounting are being amortized as expenses or income over the remaining lives of the hedging instruments.

The unamortized balance of deferred hedge losses attributable to macro hedge accounting before the deduction of tax effect as of the consolidated balance sheet date was ¥4 million.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria 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.

18. Consumption Tax

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

19. Other significant items for the preparation of Consolidated Financial Statements

(a) Consolidated tax system

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

(b) 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.

(c) 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.

(d) 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.

Change in accounting policies

(Lease Accounting)

Previously, finance leases that do not deem to transfer ownership of the leased property to the lessee were accounted for as operating lease transactions. From this fiscal year, “Accounting Standard for Lease Transactions” (March 30, 2007; ASBJ Statement No.13) and “Practical Solutions for the Accounting Standard for Lease Transactions” (March 30, 2007; ASBJ Practical Solutions Report No.16) are applied as they are effective for periods beginning on or after April 1, 2008, under which leased properties are accounted for as if they were purchased.

The impact from this change on Consolidated Statement of Operation for the period is negligible.

(Lessee)

Depreciation of leased properties (and leased intangible assets) from finance lease transactions that do not deem to transfer ownership of the leased property to the lessee 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.

With regard to the finance lease transactions entered into prior to April, 2008 that do not deem to transfer ownership of the leased property to the lessee, leased assets are recognized at the amount of the remaining lease obligation as of the end of March 31, 2008 on the assumption that those assets were purchased at the beginning of this fiscal year.

(Lessor)

In connection to the finance lease transactions that do not deem to transfer ownership of the leased property to the lessee, previously recognized Leased assets (both tangible and intangible) presented in Premises and equipment and Intangible fixed assets are no longer recognized. Instead, Leased investment assets is recognized, along with Lease receivables for the finance lease transactions that deem to transfer ownership of the leased property.

For related revenues and expenses for the finance lease transactions that do not deem to transfer ownership of the leased property to the lessee are concerned, 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 increased by ¥10,220 million than it would be if this new accounting was applied retroactively to all finance lease transactions from the inception.

(Reclassification of Available-for-sale securities to held-to-maturity securities)

In accordance with “Tentative Solution on Reclassification of Debt Securities” (December 5, 2008, Practical Issue Task Force No.26), a part of foreign securities with high credit ratings classified as available-for-sale was reclassified to held-to-maturity securities on October 1, 2008. As a result, the amounts of securities and unrealized gain (loss) on available-for-sale securities on the consolidated balance sheet are larger by ¥8,598 million than they would be if no reclassification was made.

Supplementary information

(Change in the method of fair value measurement for a part of available-for-sale securities)

The fair value of floating rate Japanese government bonds used to be measured at their market prices. However, through considerations regarding the recent market environment, judgment has been made that current market prices are not appropriate as fair values. At the end of this fiscal year, the fair values of these bonds are measured at the values reasonably estimated by a broker dealer. As a result, the amounts of securities and unrealized gain (loss) on available-for-sale securities on the consolidated balance sheet are larger by ¥3,230 million than they would be if measured by the market prices.

The reasonably estimated values by a broker dealer is computed as the sum of discounted future cash flow based on the convexity-adjusted forward curve and zero-floor option value of floating rate Japanese government bonds. Major variables in that measurement methodology are the yield of government bonds and volatility of those yields.

Notes to Consolidated financial statements

（Consolidated Balance Sheet as of March 31, 2009）

1. The total net book value of equity investments in affiliates (Except for equity in consolidated subsidiaries) was ¥38,338 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 further pledged is ¥76,017 million, and that of being held by the Group at the consolidated balance sheet date is ¥54,083 million.

3. Loans and bills discounted held by the Bank and its subsidiaries include loans to bankrupt obligors and non-accrual delinquent loans, totaling ¥39,549 million and ¥178,540 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 ¥766 million and ¥4,318 million, respectively, at the consolidated balance sheet date.

4. Loans past due for three months or more of ¥5,917 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 ¥1,030 million at the consolidated balance sheet date.

5. Restructured loans of ¥59,669 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 ¥9,437 million are included in other assets.

6. The total amount of loans to bankrupt obligors, non-accrual delinquent loans, loans past due for three months or more, and restructured loans are ¥283,677 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 ¥15,552 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 ¥1,276 million.

8. The total principal amount of loans accounted for as a sale through loan participations was ¥50,839 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 ¥78,450 million.

9. Assets pledged as collateral are as follows:

Cash and due from banks	¥ 783 million
Monetary claims purchased	47,380
Trading assets	15,669
Securities	964,554
Loans and bills discounted	438,946
Leased receivables and leased investment assets	20,034

Other assets	842
Building	816
Land	581

Liabilities related to pledged assets are as follows:

Deposits	¥ 988 million
Call money	250,000
Payable under repurchase agreements	53,805
Collateral related to securities lending transactions	569,205
Commercial paper	198
Borrowed money	225,754
Corporate bonds	9,868
Other liabilities	24
Acceptances and guarantees	909

In addition, securities of ¥215,813 million are pledged as collateral for transactions, including exchange settlements, swap transactions and the substitution of margin on futures transactions.

In addition, ¥1,339 million of margin deposits for futures transactions outstanding, ¥24,308 million of security deposits and ¥6,865 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 ¥5,596,451 million, out of which the amount with original agreement terms of less than one year or which are cancelable is ¥5,343,168 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 ¥404,702 million are included in other assets.

12. Accumulated depreciation on premises and equipments is ¥96,408 million.

13. Deferred gains on sales of real estate of ¥2,320 million are deducted from the acquisition cost of newly acquired 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	139,708 million
Negative goodwill	6,756
Net	132,952 million

16. Subordinated debt of ¥102,000 million is included in borrowed money.
17. Subordinated bonds of ¥196,278 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 ¥ 64,362 million.
19. Common shareholders' equity per share is ¥284.95
20. Retirement benefit obligations, etc, as of the end of this fiscal year is as follows:

Projected benefit obligations	¥	(83,323)	million
Plan assets (fair market value) (including benefit trust)		49,227	
Funded status		(34,096)	
Unrecognized obligation at transition		3,632	
Unrecognized net actuarial losses		21,297	
Unrecognized prior service cost (reduction of liabilities)		(3,403)	
Net amount accrued on the balance sheet		(12,569)	
Prepaid pension cost		5,649	
Reserve for retirement benefits		(18,219)	

The above projected benefit obligations include ¥9,271 million of special retirement benefits due to restructuring of businesses at Shinsei Financial Co., Ltd.

（Consolidated Statement of Operations for the Fiscal Year Ended March 31, 2009）

1. "Other business income" includes leasing revenue of ¥134,594 million.
2. "Other ordinary income" includes income on monetary assets held in trust of ¥15,414 million.
3. "Other business expenses" includes leasing cost of ¥118,021 million.
4. "Other ordinary expenses" includes write-off of investment in stocks of ¥12,762 million, loss on monetary assets held in trust of ¥10,279 million, and provision on reserve for interest repayment of ¥15,029 million.
5. "Other special gains" includes gain on sale of subsidiaries stocks of ¥8,226 million.
6. "Impairment on goodwill" in "special losses" is associated with investment in Aplus, which is in accordance with Report No.7 issued by the Framework Committee of the JICPA on March 29, 2007.
7. "Other impairment losses" include the impairment losses in Shinsei Financial by the following asset groups.

Location	Usage	Asset group	Amount (¥ million)
Personal loan, mortgage, card businesses	Buildings and installments, equipments in branches and ATMs	Building	438
		Other fixed assets	198
	Loan collection control system	Software	709
Total			1,346

Shinsei Financial determines the asset group based on the management segmentation.

Since though a careful consideration on the business environment, a decision has been made in the personal loan and mortgage businesses to close some of their branches and further shift to self-service stands, impairment loss is recognized down to the amount that are considered to be recoverable. The recoverable amount is mainly measured at its value-in-use, but not discounted as the expected period in use is short. With regard to the asset group for the card business, the recoverable amount is assumed to be zero since the card business has recognized operating losses consecutively.

8. "Other special losses" includes ¥9,271 million of special retirement benefits and ¥3,272 million of other expenses as a part of business restructuring at Shinsei Financial Co., Ltd..

9. Net loss per common share for this fiscal year is ¥72.85

10. 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, 2009)

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	96,436	4	13	96,427	
Total	96,436	4	13	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) Dividend paid during this fiscal year

Resolution	Type of shares	Total amount of dividend	Per share	Record date	Effective date
The Board of Director meeting on May 14,2008	Common shares	¥5,773 million	¥2.94	March 31, 2008	June 5, 2008

b) 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.

1. Trading securities (as of March 31, 2009)

	Carrying amount on balance sheet	Net unrealized gains (losses) recognized in the current fiscal year
Trading securities	¥51,083	(¥19,629)

2. Securities being held to maturity with readily determinable fair value (as of March 31, 2009)

(Millions of yen)

	Carrying amount	Fair value	Net unrealized gain(loss)	Gross unrealized gain	Gross unrealized loss
Japanese government bonds	¥229,197	¥231,079	¥1,881	¥1,881	-
Japanese corporate bonds	75,292	76,622	1,329	1,329	-
Other	58,208	51,513	(6,694)	1,904	8,598
Total	¥362,698	¥359,214	(¥3,483)	¥5,115	¥8,598

Note:

1. Fair value is based on the market prices or quotes as of the fiscal year end.
2. ”Gross unrealized gain” and “Gross unrealized loss” are components of “Net unrealized gain (loss)”.

3. Available-for-sale securities with readily determinable fair value (as of March 31, 2009)

(Millions of yen)

	Amortized cost	Carrying amount (fair value)	Net unrealized gain (loss)	Gross Unrealized gain	Gross unrealized loss
Equity securities	¥18,499	¥15,020	(¥3,478)	¥440	¥3,919
Domestic bonds:	¥1,012,634	¥1,011,926	(¥707)	¥1,231	¥1,939
Japanese government bonds	974,716	975,092	376	1,085	709
Japanese municipal bonds	1,712	1,749	37	37	-
Japanese corporate bonds	36,205	35,084	(1,121)	108	1,229
Other	¥299,102	¥273,146	(¥25,955)	¥1,937	¥27,893
Total	¥1,330,235	¥1,300,093	(¥30,142)	¥3,609	¥33,751

Note:

1. Fair value is based on the market prices or quotes as of the fiscal year end.
2. "Gross unrealized gain" and "Gross unrealized loss" are components of "Net unrealized gain (loss)".
3. "Other" mainly consists of foreign bonds.
4. The net unrealized gain (loss) on securities available for sale, net of taxes, included in net assets is (¥38,813) million, which consists of:
   - the above (¥30,142) million of net unrealized gain (loss) add up (¥171) million representing net unrealized gain (loss) attributable to our interests in investment business limited liability unions which are recorded as "Securities carried at cost"
   - the reduction of (¥8,463) million representing net unrealized loss on securities reclassified from available-for-sale to held-to-maturity securities.
   - the addition of ¥188 million of deferred tax asset
   - the addition of ¥34 million representing equivalent value of minority interests
   - the reduction of (¥258) million of the Bank's interest equivalent of unrealized loss on available-for-sale securities held by affiliates to which the equity method is applied.
5. 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 ¥36,193 million. To determine whether an other-than-temporary impairment has occurred, the Bank 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.

(Supplementary information)

The fair value of floating rate Japanese government bonds used to be measured at their market prices. However, through considerations regarding the recent market environment, judgment has been made that current market prices are not appropriate as fair values. At the end of this fiscal year, the fair values of these bonds are measured at the values reasonably estimated by a broker dealer. As a result, the amounts of securities and unrealized gain (loss) on available-for-sale securities on the consolidated balance sheet are larger by ¥3,230 million than they would be if measured by the market prices.

The reasonably estimated values by a broker dealer is computed as the sum of discounted future cash flow based on the convexity-adjusted forward curve and zero-floor option value of floating rate Japanese government bonds. Major variables in that measurement methodology are the yield of government bonds and volatility of those yields.

4. No Held-to-maturity securities was sold during the fiscal year (from April 1, 2008 to March 31, 2009)

5. Available-for-sale Securities sold during the fiscal year (from April 1, 2008 to March 31, 2009)

(Millions of yen)

Sales amounts	Gain on sale	Loss on sale
¥1,075,747	¥6,070	¥4,097

6. The balance and description of major securities whose fair value is not readily determinable (as of March 31, 2009)

(Millions of yen)

	Carrying amount on balance sheet
Held-to-maturity securities	3
Corporate bond	3
Available-for-sale securities	460,854
Equity securities	11,769
Japanese corporate bonds	332,552
Foreign securities	57,605
Other	58,926
Equity of unconsolidated subsidiaries and affiliates	33,188

7. Securities reclassified from available-for-sale to Held to maturity

Among the securities that were previously classified as available-for-sale, a part of the foreign bonds with high credit ratings was reclassified to held-to-maturity securities on October 1, 2008 by the fair value of ¥102,670 million as of that date. This reclassification was pursuant to the change in the investment policy based on the judgment that it has been difficult to sell these securities at their fair values under the extremely illiquid market condition for a certain period.

However, under the situation where impairment of ¥50,728 million was recognized for a part of the securities reclassified to held-to-maturity securities at the end of this fiscal year with the worsened credit risk, the remaining value after the impairment of ¥19,666 million for those securities was reclassified again from held-to-maturity to available-for-sale securities.

As a result, the foreign bonds that were reclassified to held-to-maturity as of October 1, 2008, and are accounted for as held-to-maturity at the end of this fiscal year are as follows:

Securities reclassified from available-for-sale to held to maturity (as of March 31, 2009)

(Millions of yen)

	Fair value	Carrying amount	Net unrealized gain(loss)
Other (foreign debt securities)	¥38,757	¥47,356	¥(8,463)

(note) Prices obtained from a broker dealer are used as fair value above.

8. The redemption schedules for securities being held to maturity and available-for-sale securities with contractual maturity (as of March 31, 2009)

(Millions of yen)

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Bonds:	516,855	1,042,113	45,510	44,491
Japanese government bonds	439,175	685,222	35,401	44,491
Japanese municipal bonds	-	1,231	517	-
Japanese corporate bonds	77,680	355,659	9,591	-
Other	45,167	150,064	114,670	67,304
Total	¥562,022	¥1,192,178	¥160,181	¥111,795

（Monetary Assets Held in Trust）

1. Monetary assets held in trust for trading purposes (as of March 31, 20009)

(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	¥235,795	(¥6,936)

2. There are no monetary assets held in trust held to maturity (as of March 31, 2009)

3. Other monetary assets held in trust (other than trading purposes and held to maturity) (as of March 31, 2009)

(Millions of yen)

	Acquisition Cost	Carrying amount	Net Unrealized gain (loss)	Gross Unrealized gain	Gross Unrealized loss
Other monetary assets held in trust for other than trading purposes	¥113,045	¥113,045	—	—	—

Note:

1. Fair value is based on the market prices or quotes as of the fiscal year end.
2. ”Gross unrealized gain” and “Gross unrealized loss” are components of “Net unrealized gain (loss)”.

(Monetary Claims Purchased for Trading Purpose)

Monetary claims purchased for trading purpose (as of March 31, 2009)

(Millions of yen)

	Carrying amount (Fair Value)	Net unrealized gains (losses) included in current earnings
Monetary assets held in trust for trading purposes	¥212,130	(¥7,914)

(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 ¥ 636 million

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

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

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

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

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

	The 9th stock acquisition 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 Statutory Executive Officers: 14 Employees: 559		Statutory Executive Officers: 3 Employees: 28	
Number of options granted (Note1)	Common Shares: 2,854,000 shares	Common Shares: 2,488,000 shares	Common Shares: 1,522,000 shares	Common Shares: 1,505,000 shares
Grant date	May 25, 2006		May 25, 2006	
Vesting conditions	(Note: 2)		(Note: 2)	
Vesting period	From May 25, 2006 to June 1, 2008	From May 25, 2006 to June 1, 2009	From May 25, 2006 to June 1, 2008	From May 25, 2006 to June 1, 2009
Contractual period	From June 1, 2008 to June 23, 2015	From June 1, 2009 to June 23, 2015	From June 1, 2008 to June 23, 2015	From June 1, 2009 to June 23, 2015

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

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

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

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

	The 23rd stock acquisition 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 if the grantee leaves the company for certain reasons specified in the "Agreement on Granting Stock Acquisition Rights"

② 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	6,343,000	42,000	25,000	250,000
Vested during the period	-	-	-	-
Exercised during the period	-	-	-	-
Forfeited during the period	398,000	-	-	-
Exercisable at the end of the period	5,945,000	42,000	25,000	250,000

	5th	6th	7th	8th
Before vested (share)				
Outstanding at the beginning of the period	1,298,000	996,000	715,000	360,000
Granted during the period	-	-	-	-
Forfeited during the period	43,000	110,000	31,000	88,000
Vested during the period	1,255,000	886,000	314,000	139,000
Outstanding at the end of the period	-	-	370,000	133,000
After vested (Share)				
Outstanding at the beginning of the period	2,291,000	1,404,000	232,000	26,000
Vested during the period	1,255,000	886,000	314,000	139,000
Exercised during the period	-	-	-	-
Forfeited during the period	178,000	137,000	9,000	3,000
Exercisable at the end of the period	3,368,000	2,153,000	537,000	162,000

	9th	10th	11th	12th
Before vested (share)				
Outstanding at the beginning of the period	78,000	53,000	20,000	14,000
Granted during the period	-	-	-	-
Forfeited during the period	-	-	-	-
Vested during the period	78,000	27,000	20,000	7,000
Outstanding at the end of the period	-	26,000	-	7,000
After vested (Share)				
Outstanding at the beginning of the period	79,000	-	21,000	-
Vested during the period	78,000	27,000	20,000	7,000
Exercised during the period	-	-	-	-
Forfeited during the period	-	-	-	-
Exercisable at the end of the period	157,000	27,000	41,000	7,000

	13th	14th	15th	16th
Before vested (share)				
Outstanding at the beginning of the period	3,836,000	2,609,000	1,055,000	192,000
Granted during the period	-	-	-	-
Forfeited during the period	275,000	151,000	93,000	76,000
Vested during the period	2,116,000	2,022,000	5,000	-
Outstanding at the end of the period	1,445,000	436,000	957,000	116,000
After vested (Share)				
Outstanding at the beginning of the period	296,000	5,000	80,000	2,000
Vested during the period	2,116,000	2,022,000	5,000	-
Exercised during the period	-	-	-	-
Forfeited during the period	151,000	23,000	-	-
Exercisable at the end of the period	2,261,000	2,004,000	85,000	2,000

	17th	18th	19th	20th
Before vested (share)				
Outstanding at the beginning of the period	3,085,000	1,457,000	140,000	-
Granted during the period	-	-	-	2,830,000
Forfeited during the period	456,000	232,000	-	522,000
Vested during the period	373,000	712,000	-	10,000
Outstanding at the end of the period	2,256,000	513,000	140,000	2,298,000
After vested (Share)				
Outstanding at the beginning of the period	47,000	-	-	-
Vested during the period	373,000	712,000	-	10,000
Exercised during the period	-	-	-	-
Forfeited during the period	1,000	-	-	-
Exercisable at the end of the period	419,000	712,000	-	10,000

	21st	22nd	23rd
Before vested (share)			
Outstanding at the beginning of the period	-	-	-
Granted during the period	2,081,000	203,000	97,000
Forfeited during the period	446,000	-	-
Vested during the period	-	-	-
Outstanding at the end of the period	1,635,000	203,000	97,000
After vested (Share)			
Outstanding at the beginning of the period	-	-	-
Vested during the period	-	-	-
Exercised during the period	-	-	-
Forfeited during the period	-	-	-
Exercisable at the end of the period	-	-	-

b. Price information

	1st	2nd	3rd	4th
Exercise Price (yen)	684	646	697	551
Weighted average stock price at the date of exercise	721	739	-	-

	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
Exercise Price (yen)	555	555	527
Weighted average stock price at the date of exercise	-	-	-

	20th		21st	
Exercise period	From June 1, 2010 to May 13, 2018	From June 1, 2012 to May 13, 2018	From June 1, 2010 to May 13, 2018	From June 1, 2012 to May 13, 2018
Exercise Price (yen)	416		416	
Weighted average stock price at the date of exercise	-		-	
Fair value of the grant date	158	169	158	169

	22nd		23rd	
Exercise period	From July 1, 2010 to June 24, 2018	From July 1, 2012 to June 24, 2018	From December 1, 2010 to November 11, 2018	From December 1, 2012 to November 11, 2018
Exercise Price (yen)	407		221	
Weighted average stock price at the date of exercise	-		-	
Fair value of the grant date	127	137	53	57

(3) Measurement of the fair values of stock options

The following is the method to measure a fair value of stock options from 17th to 19th granted in this consolidated fiscal year

a) Used method: Black-Scholes option pricing model

b) Major inputs and variables to the model used

	20th		21st	
Exercise period	From June 1, 2010 to May 13, 2018	From June 1, 2012 to May 13, 2018	From June 1, 2010 to May 13, 2018	From June 1, 2012 to May 13, 2020
Expected volatility (Note 1)	40.8%	40.8%	40.8%	40.8%
Expected life (Note 2)	6Years	7Years	6Years	7Years
Expected dividends (Note 3)	2.94Yen/Share	2.94Yen/Share	2.94Yen/Share	2.94Yen/Share
Risk-free interest rate (Note 4)	1.424%	1.489%	1.424%	1.489%

	22nd		23rd	
Exercise period	From July 1, 2010 to June 24, 2018	From July 1, 2012 to June 24, 2018	From December 1, 2010 to November, 11 2018	From December 1, 2012 to November, 11, 2018
Expected volatility (Note 1)	40.8%	40.8%	54.4%	54.4%
Expected life (Note 2)	6Years	7Years	6Years	7Years
Expected dividends (Note 3)	2. 94Yen/Share	2.94Yen/Share	2.94Yen/Share	2.94Yen/Share
Risk-free interest rate (Note 4)	1.199%	1.259%	0.889%	0.913%

Note:

1. Measured based on the historical stock price of the past 2 years (from May 2006 to May 2008 for 20th and 21st, from June 2006 to June 2008 for 22nd, from November 2006 to November 2008 for 23rd).
2. Estimated based on the assumption that the option is exercised at the mid point of the contractual period, as the reasonable estimate is difficult without enough data.
3. Based on the actual dividend for the fiscal year ended in March, 2008.
4. Used the yield of JGB with the maturity that is equivalent of expected life.

(4) 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, 2009

To the Board of Directors of
Shinsei Bank, Limited:

Deloitte Touche Tohmatsu

Designated Partner,
Engagement Partner,
Certified Public Accountant:

Yoriko Goto

Designated Partner,
Engagement Partner,
Certified Public Accountant:

Shigehiko Matsumoto

Designated 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, 2009 of Shinsei Bank, Limited (the "Bank") and consolidated subsidiaries, and the related statements of operations and changes in equity for the 9th fiscal year from April 1, 2008 to March 31, 2009. 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, 2009, 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, 2009

	millions of yen
ASSETS	
Cash and due from banks	411,999
Cash	7,261
Due from banks	404,738
Collateral related to securities borrowing transactions	131
Other monetary claims purchased	666,126
Trading assets	326,038
Trading securities	82
Securities related to trading transactions	19,532
Derivatives of securities related to trading transactions	22,506
Trading-related financial derivatives	283,822
Other trading assets	93
Monetary assets held in trust	573,032
Securities	2,626,047
Japanese national government bonds	1,204,254
Japanese local government bonds	1,749
Japanese corporate bonds	445,626
Equity securities	449,949
Other securities	524,466
Valuation allowance for investments	(3,370)
Loans and bills discounted	5,168,004
Loans on bills	245,836
Loans on deeds	4,112,826
Overdrafts	809,341
Foreign exchanges	37,138
Due from foreign banks	36,988
Foreign bills bought	150
Other assets	977,924
Prepaid expenses	2,322
Accrued income	18,432
Margin on futures transactions	143
Derivatives held in banking account	354,333
Deferred expenses for issuance of bonds and notes	220
Accounts receivable	480,843
Other assets	121,628
Premises and equipment	18,856
Buildings	13,357
Lease asset	11
Construction in progress	105
Other tangible fixed assets	5,381
Intangible assets	13,477
Software	13,428
Other intangible fixed assets	49
Deferred issuance expenses for debentures	161
Deferred expenses for issuance of debentures	161
Deferred tax assets	4,329
Customers' liabilities for acceptances and guarantees	12,556
Reserve for credit losses	(118,960)
[Total assets]	10,713,494

	millions of yen
LIABILITIES AND EQUITY	
Liabilities	
Deposits	6,637,831
Current accounts	495,461
Ordinary deposits	1,407,454
Notice deposits	15,289
Time deposits	4,451,725
Other deposits	267,899
Negotiable certificates of deposit	259,659
Debentures	676,767
Issuance of debentures	676,767
Call money	281,513
Payables under repurchase agreements	53,805
Collateral related to securities lending transactions	569,566
Trading liabilities	316,068
Derivatives of securities related to trading transactions	22,502
Trading-related financial derivatives	293,565
Borrowed money	425,371
Borrowed money	425,371
Foreign exchanges	226
Due to foreign banks	224
Foreign bills payable	1
Corporate bonds	402,453
Other liabilities	495,016
Income taxes payable	34
Accrued expenses	37,667
Unearned income	636
Suspense receipt on futures transactions	45
Derivatives held in banking account	408,967
Lease debt	11
Other liabilities	47,653
Accrued employees' bonuses	7,191
Reserve for retirement benefits	55
Reserve for losses on disposal of premises and equipment	6,911
Reserve for losses on litigation	3,662
Acceptances and guarantees	12,556
[Total liabilities]	10,148,658
Equity	
Shareholders' equity	
Capital stock	476,296
Capital surplus	43,558
Additional paid-in capital	43,558
Retained earnings	154,454
Legal reserve	11,035
Other retained earnings	143,418
Unappropriated retained earnings	143,418
Treasury stock, at cost	(72,558)
[Total shareholders' equity]	601,750
Net unrealized gain (loss)	
Unrealized gain (loss) on available-for-sale securities	(38,049)
Deferred gain (loss) on derivatives under hedge accounting	(672)
[Total net unrealized gain (loss)]	(38,722)
Stock acquisition rights	1,808
[Total equity]	564,836
[Total liabilities and equity]	10,713,494

Non-Consolidated Statement of Operation

Shinsei Bank, Limited

from April 1, 2008 to March 31, 2009

	millions of yen
ORDINARY INCOME	
Interest income	182,737
Interest on loans and bills discounted	109,886
Interest and dividends on securities	59,458
Interest on call loans	883
Interest on receivables under resale agreement	7
Interest on collateral related to securities borrowing transactions	727
Interest on deposits with banks	1,488
Other interest income	10,284
Fees and commissions income	18,963
Domestic and foreign exchange commissions income	1,244
Other fees and commissions income	17,718
Trading profits	5,277
Income from trading securities	0
Profits from trading-related financial derivatives	5,276
Other business income	16,956
Gains on foreign exchange	13,336
Gains on sales of bonds	3,321
Other business income - others	299
Other ordinary income	22,389
Gains on sales of equity securities and others	4,199
Gains on monetary assets held in trust	16,050
Other ordinary income - others	2,138
Total ordinary income	246,323
ORDINARY EXPENSES	
Interest expenses	96,368
Interest on deposits	47,548
Interest on negotiable certificates of deposit	4,871
Interest on debentures	5,026
Interest on call money	4,897
Interest on payables under repurchase agreements	5
Interest on collateral related to securities lending transactions	2,650
Interest on borrowings	5,268
Interest on corporate bonds	20,266
Interest on swaps	1,083
Other interest expenses	4,748
Fees and commissions expenses	13,415
Domestic and foreign exchange commissions expenses	1,756
Other fees and commissions expenses	11,658
Trading losses	10,968
Expenses on securities and trading-related financial derivatives	10,727
Other trading losses	240
Other business expenses	103,456
Losses on sales of bonds	3,529
Devaluation of investment bonds	80,763
Amortization of deferred expenses for issuance of debentures	74
Amortization of deferred expenses for issuance of corporate bonds	353
Losses on derivatives	2,837
Other business expenses - others	15,898
General and administrative expenses	81,741
Other ordinary expenses	105,234
Provision of reserve for loan losses	75,853
Losses on write-offs of loans	1,853
Losses on sales of equity securities and others	344
Losses on write-down of equity securities and others	11,549
Losses on monetary assets held in trust	10,279
Other ordinary expenses - others	5,353
Total ordinary expenses	411,184
NET ORDINARY INCOME (LOSS)	(164,860)
Special gains	76,948
Recoveries of written-off claims	1,104
Gain from the cancellation of issued bond	73,175
Other special gains	2,668
Special losses	63,487
Losses on dispositions of fixed assets	1,021
Provision of reserve for loss on disposal of premises and equipment	3,118
Provision of reserve for losse on litigation	3,662
Other special losses	55,684
Income before income taxes	(151,399)
Income taxes (benefit) - current	(4,184)
Income taxes (benefit) - deferred	9,833
Total income taxes	5,648
NET INCOME (LOSS)	(157,048)

Non-Consolidated Statement of Changes in Equity

Shinsei Bank Limited

For the fiscal years ended March 31, 2009

(millions of yen)

	FY2008 (12 months)
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	
Dividends from surplus	
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	
Dividends from surplus	
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	**9,880**
Changes in amounts during the period	
Dividends of retained earnings	**1,154**
Total changes in amounts during the period	**1,154**
Balance at the end of the period	**11,035**
Other retained earnings	
Retained earnings carried forward	
Balance at beginning of the period	**307,395**
Changes in amounts during the period	
Dividends of retained earnings	**△ 6,928**
Net income	**△ 94,232**
Total changes in amounts during the period	**△ 101,161**
Balance at the end of the period	**206,233**
Total retained earnings	
Balance at beginning of the period	**317,276**
Changes in amounts during the period	
Dividends of retained earnings	**△ 5,773**
Net income	**△ 94,232**
Total changes in amounts during the period	**△ 100,006**
Balance at the end of the period	**217,269**

Treasury stock	
Balance at beginning of the period	△ 72,557
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	764,573
Changes in amounts during the period	
Dividends of retained earnings	△ 5,773
Net income	△ 94,232
Purchase of treasury stock	△0
Total changes in amounts during the period	△ 100,007
Balance at the end of the period	664,566
Net unrealized gain (loss) and translation adjustments	
Unrealized gain (loss) on available-for-sale securities	
Balance at beginning of the period	△ 35,024
Changes in amounts during the period	
Total changes in amounts during the period excluding capital stock (net)	△ 24,570
Total changes in amounts during the period	△ 24,570
Balance at the end of the period	△ 59,595
Deferred gain (loss) on derivatives under hedge accounting	
Balance at beginning of the period	1,896
Changes in amounts during the period	
Total changes in amounts during the period excluding capital stock (net)	△ 2,568
Total changes in amounts during the period	△ 2,568
Balance at the end of the period	△ 672
Total net unrealized gain (loss) and translation adjustments	
Balance at beginning of the period	△ 33,128
Changes in amounts during the period	
Total changes in amounts during the period excluding capital stock (net)	△ 27,139
Total changes in amounts during the period	△ 27,139
Balance at the end of the period	△ 60,267
Stock acquisition rights	
Balance at beginning of the period	1,257
Changes in amounts during the period	
Total changes in amounts during the period excluding capital stock (net)	550
Total changes in amounts during the period	550
Balance at the end of the period	1,808
Total equity	
Balance at beginning of the period	732,703
Changes in amounts during the period	
Dividends of retained earnings	△ 5,773
Net income	△ 94,232
Purchase of treasury stock	△0
Total changes in amounts during the period excluding capital stock (net)	△ 26,588
Total changes in amounts during the period	△ 126,596
Balance at the end of the period	606,106

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, which reflects liquidation and credit risks.

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.

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 are stated at fair value at the end of the fiscal year (sales cost is determined by the moving-average method) and other non-marketable securities are stated at cost or amortized 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.

Other monetary claims purchased and held for trading purposes (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 unconsolidated 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 ¥71,294 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, etc. of the issuers of the securities.

(c) Accrued Bonuses for Employees

Accrued employees bonuses 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.

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

A reserve for losses on disposal of premises and equipment is as the estimated amount of loss reasonably calculable with respect to expenses for the future relocation of 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.

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.

The Bank principally applied a "macro hedge" approach for interest rate derivatives used to manage interest rate risks, and its ALM activities based on the transitional treatment prescribed in Industry Audit Committee Report No. 15 issued by the JICPA prior to April 1, 2003. Deferred hedge losses and deferred hedge gains previously recorded on the balance sheet as a result of macro hedge accounting are being amortized as expenses or income over the remaining lives of the hedging instruments.

The unamortized balance of deferred hedge losses attributable to macro hedge accounting before the deduction of tax effect as of the balance sheet date was ¥4 million.

(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 policies

(Lease Accounting)

Previously, finance leases that do not deem to transfer ownership of the leased property to the lessee were accounted for as operating lease transactions. From this fiscal year, "Accounting Standard for Lease Transactions" (March 30, 2007; ASBJ Statement No.13) and "Practical Solutions for the Accounting Standard for Lease Transactions" (March 30, 2007; ASBJ Practical Solutions Report No.16) are applied as they are effective for periods beginning on or after April 1, 2008, under which leased properties are accounted for as if they were purchased.

The impact from this change on Statement of Operation for the period is negligible

With regard to the finance lease transactions entered into prior to April, 2008 that do not deem to transfer ownership of the leased property to the lessee, leased assets are recognized at the amount of the remaining lease obligation as of the end of March 31, 2008 on the assumption that those assets were purchased at the beginning of this fiscal year

(Reclassification of Available-for-sale securities to held-to-maturity securities)

In accordance with "Tentative Solution on Reclassification of Debt Securities" (December 5, 2008, Practical Issue Task Force No.26), a part of foreign securities with high credit ratings classified as available-for-sale was reclassified to held-to-maturity securities on October 1, 2008. As a result, the amount of securities and unrealized gain (loss) on available-for-sale securities on the balance sheet are larger by ¥8,598 million than they would be if no reclassification was made.

Change in presentation

Other receivable (prior year's balance was ¥39,519 million) which was included in "Other assets" is separately presented in this fiscal year as its balance exceeds the 1/100 of total assets.

Supplementary information

(Change in the method of fair value measurement for a part of available-for-sale securities)

The fair value of floating rate Japanese government bonds used to be measured at their market prices. However, through considerations regarding the recent market environment, judgment has been made that current market prices are not appropriate as fair values. At the end of this fiscal year, the fair values of these bonds are measured at the values reasonably estimated by a broker dealer. As a result, the amount of securities and unrealized gain (loss) on available-for-sale securities on the balance sheet are larger by ¥3,230 million than they would be if measured by the market prices.

The reasonably estimated values by a broker dealer is computed as the sum of discounted future cash flow based on the convexity-adjusted forward curve and zero-floor option value of floating rate Japanese government bonds. Major variables in that measurement methodology are the yield of government bonds and volatility of those yields.

Notes to Non-Consolidated financial statements

（Balance Sheet as of March 31, 2009）

1. The total net book value of equity investments in affiliates is ¥501,232 million.

2. 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 at the balance sheet date is ¥76,017 million, and that of being held by the Bank at the balance sheet date is ¥53,652 million.

3. Loans to bankrupt obligors and non-accrual delinquent loans of ¥23,943 million and ¥110,238 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 ¥3,732 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 ¥3,121 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 ¥141,035 million. The amounts of loans mentioned in the above Notes 3 through 6 respectively represent the gross receivable amount prior to 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, 2009 are ￥150 million.

8. The total principal amount of loans accounted for as a sale through loan participations is ¥50,839 million as of March 31, 2009. 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 ¥78,450 million as of March 31, 2009.

9. Assets pledged as collateral are as follows:

Cash and due from banks	¥ 10 million
Other monetary claims purchased	47,380
Trading assets	15,669
Securities	964,376
Loans and bills discounted	412,465
Other assets	395,266

Liabilities related to pledged assets are as follows:

Deposits, including negotiable certificates of deposits	¥ 988 million
Call money	250,000
Payables under repurchase agreements	53,805
Collateral related to securities lending transactions	569,205
Borrowed money	201,480
Other liabilities	24
Acceptances and guarantees	909

In addition, securities of ¥215,778 million are pledged as collateral for transactions, including exchange settlements, swap transactions and the substitution of margin on futures transactions.

¥7,904 million of security deposits and ¥6,811 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 ¥3,560,296 million, out of which the amount with original agreement terms of less than one year or which were cancelable was ¥3,297,311 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 ¥16,986 million.

12. Deferred gains on sales of real estate of ¥2,320 million are deducted from the acquisition cost of newly acquired premises and equipments.

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

14. Subordinated bonds of ¥ 374,858 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 ¥64,362 million.

16. Common shareholders' equity per share is ¥286.68.

17. Total monetary claims against affiliated companies stand at ¥1,168,572 million.

18. Total monetary liabilities against affiliated companies stand at ¥811,951 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, notwithstanding the provisions of Article 445, Item 4 of the Corporation Act (Amounts of Capital and Amount of Reserves), the following amount is accrued as capital surplus reserves or earned surplus reserves. Specifically, the amount of retained earnings to be decreased by such dividend payments multiplied by 1/5.

The amount of earned surplus reserves to be accrued in connection with such dividend payments from retained earnings in this fiscal l year is ¥1,154 million.

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

Projected benefit obligations	¥	(52,724)	million
Plan assets (fair market value) (including benefit trust)		38,053	
Funded status		(14,671)	
Unrecognized obligation at transition		3,632	
Unrecognized net actuarial losses		15,785	
Unrecognized prior service cost (reduction of liabilities)		(2,675)	
Net amount accrued on the balance sheet		2,071	
Prepaid pension cost		2,127	
Reserve for retirement benefits		(55)	

21. Shinsei Financial Co., Ltd. (renamed from GE Consumer Finance Co., Ltd.), the Bank's 100% owned subsidiary, securitized its 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, 2009)

1. Earnings from transactions with affiliate companies

Total net interest income: ¥29,488 million

Total non-interest income: ¥1,785 million

Total earnings from “other operations and other ordinary transactions”: ¥1,680 million

Total earnings from “other transactions”: ¥2,483 million

Expenses from transactions with affiliate companies

Total net interest expense: ¥10,822 million

Total non-interest expense: ¥3,168 million

Total expenses from “other operations and other ordinary transactions”: ¥3,906 million

Total expenses from “other transactions”: ¥19,824 million

2. “Other special losses” includes impairment loss on investments in subsidiaries and affiliates of ¥55,684 million.

3. Net loss per common share for this fiscal year is ¥79.96

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 transactions to be disclosed.

(2) Subsidiaries and affiliates

(Millions of yen)

Attributes	Name of corporation or organization	Ratio of voting rights held (or ratio of own voting rights that are held by other parties)	Relation ship	Details of transaction (done in this fiscal year)	Transaction amount of this fiscal year (JPY million)	B/S account	Balance at the year end (JPY million)
Subsidiaries	APLUS Co., Ltd.	Direct holding 76.7%	Lending	Loan transaction (Note 1)	125,800	–	–
	Shinsei Financial Co. Ltd.	Direct holding 99.8% Indirect holding 0.2%	Lending	Loan transaction (Note 2)	574,737	Loans	76,400
				Purchase of beneficial interests (Note 3)	402,900	–	–
				Purchase of new stock issuance (Note 4)	110,000	–	–
	Shinsei Finance (Cayman) Ltd.	Direct holding 100%	Lending	Interest payment on subordinated bond (Note 5)	5,742	Corporate bonds	67,778
	Shinsei Finance Ⅱ (Cayman) Ltd.	Direct holding 100%	Lending	Interest payment on subordinated bond (Note 6)	5,962	Corporate bonds	58,053
	AMOne GK	Indirect holding [100%] (Note 7)	Lending	Transfer of beneficial interest (Note 8)	150,000	–	–
				Purchase of bond (Note 8)	150,000	Loans (note 9)	143,548
						Receivable (note 9)	3,535
	Pearl White One GK	Indirect holding [100%] (Note 7)	Lending	Transfer of beneficial interest (Note 10)	286,916	–	–
				Purchase of commercial paper (Note 10)	287,282	Receivable (note 9)	288,778
	Pearl White Two GK	Indirect holding [100%] (Note 7)	Lending	Transfer of beneficial interest (Note 11)	231,244	–	–
				Purchase of commercial paper (Note 11)	231,342	Loans (Note 9)	90,331

						Receivable (Note 9)	141,334
	Shinsei Trust & Banking Co., Ltd	Direct holding 100%	Deposit	Guarantee on Potential loss from trust assets	(Note 12)	–	–

Note:

1 The Bank purchased beneficial interests backed by the monetary claim in APLUS Co., Ltd. The transaction price was determined at a reasonable level according to the market conditions.

2 The lending is for the purpose of business operation. Also, the interest rate is determined at a reasonable level considering the market conditions and credit risk.

3 The Bank purchased beneficial interests backed by the consumer loans in Shinsei Financial Co. Ltd. The transaction price was determined at a reasonable level according to the market conditions.

4 The Bank purchased the 1,100,000 new stocks issued by Shinsei Financial Co., Ltd.

5 The bond is subordinated bonds. The bonds bear interests at the fixed rate per annum of 6.318% through July 2016, and floating rate with step-up callable thereafter.

6 The bond is subordinated bonds. The bonds bear interests at the fixed rate per annum of 7.06% through July 2016, and floating rate with step-up callable thereafter.

7 [100%] in "Ratio of voting rights held (or ratio of own voting rights that are held by other parties)" 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.

8 The Bank transferred beneficial interests backed by the housing loans of the Bank toAMOne GK, of which the Bank owns 100% share. The Bank then purchased all the bonds issued by AMOne GK, which is backed by the beneficial interests transferred from the Bank The transaction prices are at a reasonable level according to the market conditions.

9 The Balance Sheet account is presented by the original assets of the Bank.

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 ¥289,900 million of the bonds of ¥290,000 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 The Bank transferred senior beneficial interests backed by the loans of the Bank to Pearl White Two GK, of which the Bank owns 100% share. The Bank then purchased ¥234,900 million of the bonds of ¥235,000 million issued by Pearl White Two 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.

12 In relation to the securitization of the consumer loans in Shinsei Financial with Shinsei

Trust as a trustee (the balance of trust assets at the end of this fiscal year is ¥492,615 million), both of which the Bank's 100% owned subsidiaries, 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 the Shinsei Trust relating to the demand for refund of Excess Payment by the Obligor.

(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 (or ratio of own voting rights that are held by other parties)	Relationship	Details of transaction (done in this fiscal year)	Transaction amount of this fiscal year (JPY million)	B/S account	Balance at the fiscal year end (JPY million)
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)	216	Unearned revenue	26
				Investment (Note 3)	11,088	–	–
				Dividend	432	–	–
	J.C.Flowers III L.P. (Note 1)	–	Providing Service Concurrent Post	Investment (Note 4)	468	–	–
	NIBC Bank N.V. (Note 5)	–	–	Commitment line (Note 6)	13,009	–	–
	NIBC Bank Ltd (Note 7)	–	–	Loan participation (Note 8)	724	Loans	1,093
	Hillcot Holdings Limited (Note 9)	–	Concurrent Post	Redemption of investment (Note 9)	715	–	–

Note:

1 The fund is operated by J.C. Flowers & Co. LLC of which a director of the Bank, J. Christopher Flowers, 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 US$200 million based on the limited partnership agreement.

4 The committed investment amounts are US$99.95 million based on the limited partnership agreement.

5 NIBC Holding N.V. indirectly owns 100% of voting rights and J.C. Flowers & Co. LLC of

which a director of the Bank, J. Christopher Flowers, serves as chairman, substantially controls NIBC holding N.V.

6 Considering the market conditions, the transaction was concluded with the general terms and conditions that are identical to ones with independent third parties. The transaction amount indicated herein are established commitment line amounts.

7 NIBC Holding N.V. owns 100% of voting rights and J.C. Flowers & Co. LLC of which a director of the Bank, J. Christopher Flowers, serves as chairman, substantially controls NIBC holding N.V.

8 Considering the market circumstances, the transaction was concluded with the general terms and conditions that are identical to ones with independent third parties. Commitment line established is US$11 million and the transaction amount indicated herein is the amount of loan outstanding.

9 Investment in capital of Hillcot Holdings Limited, which a director of the Bank, J. Christopher Flowers owns the majority of the voting rights and an affiliate of the Bank, was redeemed.

(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	96,422	4	-	96,427	(Note)
Total	96,422	4	-	96,427	

Note:

1 The increase of 4 thousand shares is associated with the acquisition of treasury stocks that were less than the minimum unit.

2. The Bank's dividend is as follows;

Dividend paid during this fiscal year

Resolution	Type of shares	Total amount of dividend	Per share	Record date	Effective date
The Board of Directors meeting on 14 May,2008	Common stock	¥5,773 million	¥2.94	31 March, 2008	5 June,2008

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.

1. Trading securities (as of March 31, 2009)

(Millions of yen)

	Carrying amount on balance sheet	Net unrealized gains (losses) recognized in the current fiscal year
Trading securities	¥37,335	(¥15,809)

2. Securities being held to maturity with readily determinable fair value (as of March 31, 2009)

(Millions of yen)

	Carrying amount	Fair value	Net unrealized gain (loss)	Gross unrealized gain	Gross unrealized loss
Japanese government bonds	¥229,197	¥231,079	¥1,881	¥1,881	¥—
Japanese corporate bonds	75,292	76,622	1,329	1,329	—
Other	58,208	51,513	(6,694)	1,904	8,598
Total	¥362,698	¥359,214	(¥3,483)	¥5,115	¥8,598

Note:

1 Fair value is based on the market prices or quotes as of the fiscal year end.

2 "Gross unrealized gain" and "Gross unrealized loss" are components of "Net unrealized gain (loss)".

3. Equity securities of subsidiaries and affiliates with readily determinable fair value (as of March 31, 2009)

(Millions of yen)

	Carrying amount	Fair value	Net unrealized gain (loss)
Equity securities of subsidiaries	¥25,870	¥19,224	(¥6,645)

4. Available-for-sale securities with readily determinable fair value (as of March 31, 2009)

(Millions of yen)

	Amortized cost	Carrying amount (fair value)	Net unrealized gain (loss)	Gross Unrealized gain	Gross unrealized loss
Equity securities	¥13,742	¥10,887	(¥2,855)	¥308	¥3,164
Domestic bonds:	1,015,220	1,014,589	(631)	1,324	1,955
Japanese government bonds	974,681	975,057	376	1,085	709
Japanese municipal bonds	1,712	1,749	37	37	—
Japanese corporate bonds	38,826	37,782	(1,044)	201	1,246
Other	293,592	267,642	(25,949)	1,937	27,887
Total	¥1,322,555	¥1,293,119	(¥29,436)	¥3,570	¥33,006

Note:

1 Fair value is based on the market prices or quotes as of the fiscal year end.

2 "Gross unrealized gain" and "Gross unrealized loss" are components of "Net unrealized gain (loss)".

3 "Other" mainly consists of foreign bonds.

4 The net unrealized gain (loss) on securities available for sale, net of taxes, included in net assets is (¥38,049) million, which consists of :the above (¥29,436) million of net unrealized gains (losses) add up (¥149) million representing net unrealized gains (losses) attributable to our interests in investment business limited liability unions which are recorded as "Securities carried at cost", and the reduction of (¥8,463) million representing net unrealized loss on securities reclassified from available-for-sale to held-to-maturity securities.

5 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 ¥34,987 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.

(Supplementary information)

The fair value of floating rate Japanese government bonds used to be measured at their market prices. However, through considerations regarding the recent market environment, judgment has been made that current market prices are not appropriate as fair values. At the end of this fiscal year, the fair values of these bonds are measured at the values reasonably estimated by a broker dealer. As a result, the amount of securities and unrealized gain (loss) on available-for-sale securities on the balance sheet are larger by ¥3,230 million than they would be if measured by the market prices.

The reasonably estimated values by a broker dealer is computed as the sum of discounted future cash flow based on the convexity-adjusted forward curve and zero-floor option value of floating rate Japanese government bonds. Major variables in that measurement methodology are the yield of government bonds and volatility of those yields.

5. There are no Held-to-maturity securities sold during the fiscal year (from April 1, 2008 to March 31, 2009).

6. Available-for-sale Securities sold during the fiscal year (from April 1, 2008 to March 31, 2009)

(Millions of yen)

	Sales amounts	Gain on sale	Loss on sale
Available-for-sale Securities	¥1,075,364	¥5,916	¥3,874

7. The balance and description of major securities whose fair value is not readily determinable (as of March 31, 2009)

(Millions of yen)

	Carrying amount on balance sheet
Equity securities of subsidiaries and affiliates	¥ 461,030
Equity securities of subsidiaries	460,437
Equity securities of affiliates	592
Available-for-sale securities	465,703
Equity securities	6,920
Japanese corporate bonds	332,552
Foreign securities	55,346
Other	70,883

8. Securities reclassified from available-for-sale to Held to maturity

Among the securities that were previously classified as available-for-sale, a part of the foreign bonds with high credit ratings was reclassified to held-to-maturity securities on October 1, 2008 by the fair value of ¥102,670 million as of that date. This reclassification was pursuant to the change in the investment policy based on the judgment that it has been difficult to sell these securities at their fair values under the extremely illiquid market condition for a certain period.

However, under the situation where impairment of ¥50,728 million was recognized for a part of the securities reclassified to held-to-maturity securities at the end of this fiscal year with the worsened credit risk, the remaining value after the impairment of ¥19,666 million for those securities was reclassified again from held-to-maturity to available-for-sale securities.

As a result, the foreign bonds that were reclassified to held-to-maturity as of October 1, 2008, and are accounted for as held-to-maturity at the end of this fiscal year are as follows:

Securities reclassified from available-for-sale to held to maturity (as of March 31, 2009)

(Millions of yen)

	Carrying amount	Fair value	Net unrealized gain(loss)
Other (foreign debt securities)	¥38,757	¥47,356	¥(8,463)

(note) Prices obtained from a broker dealer are used as fair value above.

9. The redemption schedules for securities being held to maturity and available-for-sale securities with contractual maturity (as of March 31, 2009)

(Millions of yen)

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Bonds:	¥518,053	¥1,042,078	¥ 47,008	¥ 44,491
Japanese government bonds	439,175	685,187	35,401	44,491
Japanese municipal bonds	—	1,231	517	—
Japanese corporate bonds	78,878	355,659	11,088	—
Other	45,353	195,628	116,234	64,431
Total	¥563,406	¥1,237,707	¥163,242	¥108,922

(Monetary Assets Held in Trust)

1. Monetary assets held in trust for trading purposes (as of March 31, 2009)

(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	¥448,187	(¥14,622)

2. There are no monetary assets held in trust held to maturity (as of March 31, 2009)

3. Other monetary assets held in trust (other than trading purposes and held to maturity) (as of March 31, 2009)

(Millions of yen)

	Acquisition Cost	Carrying amount	Net Unrealized gain (loss)	Gross Unrealized gain	Gross unrealized loss
Other monetary assets held in trust for other than trading purposes	¥124,845	¥124,845	—	—	—

Note:

1 Fair value is based on the market prices or quotes as of the fiscal year end.

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

（Other Monetary Claims Purchased for Trading Purpose）

Other monetary claims purchased for trading purpose（as of March 31, 2009）

(Millions of yen)

	Carrying amount (Fair Value)	Net unrealized gains (losses) included in the earnings of this fiscal year
Other Monetary Claims Purchased for trading purpose	¥15,063	(¥470)

（Deferred Tax）

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

Deferred tax assets (In million yen)	
Reserve for credit losses	77,723
Securities	69,212
Tax loss carryforwards	54,733
Net unrealized loss on securities available-for-sale	15,482
Net deferred loss on hedge	8,433
Valuation of monetary assets held in trust	5,949
Unearned dividends on monetary assets held in trust	3,686
Accrued employees' bonuses	2,926
Reserve for retirement benefit	2,855
Reserve for losses on disposal of premises and equipment	2,812
Other	20,755
Deferred tax assets sub-total	264,573
Valuation allowance	△246,740
Deferred tax assets total	17,832
Deferred tax liabilities	
Net deferred gain on hedge	13,503
Deferred tax liabilities total	13,503
Net deferred tax assets	4,329

(TRANSLATION)

INDEPENDENT AUDITORS' REPORT

May 7, 2009

To the Board of Directors of
Shinsei Bank, Limited:

Deloitte Touche Tohmatsu

Designated Partner,
Engagement Partner,
Certified Public Accountant:

Yoriko Goto

Designated Partner,
Engagement Partner,
Certified Public Accountant:

Shigehiko Matsumoto

Designated 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, 2009 of Shinsei Bank, Limited (the "Bank"), and the related statements of operations and changes in Equity for the 9th fiscal year from April 1, 2008 to March 31, 2009, 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, 2009, 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.

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(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 9th fiscal year (from April 1, 2008 to March 31, 2009). 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 Directors, etc. and from the Auditor – Deloitte Touche Tohmatsu – 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 on the "System for Ensuring the Appropriate Execution of Duties" (the matter listed in each item in Article 131 of the Corporate Calculation Rules) 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 Directors, etc. and the Auditor – Deloitte Touche Tohmatsu – 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, 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, are appropriate.

May 8, 2009

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.