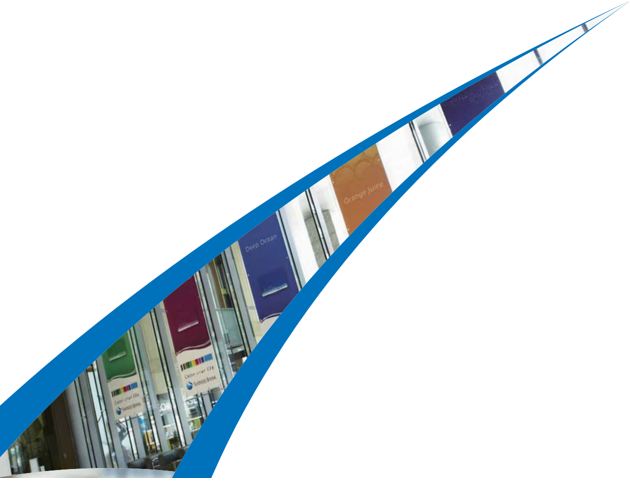
SHINSEI BANK



Gearing up for Growth

Interim Report 2012

Six months ended September 30, 2012

CONTENTS

Shinsei Bank is a leading diversified Japanese financial institution providing a full range of financial products and services to both institutional and individual customers. The Bank has total assets of ¥8.8 trillion (U.S.$114.6 billion) on a consolidated basis (as of September 2012) and a network of outlets throughout Japan. Shinsei Bank demands uncompromising levels of integrity and transparency in all its activities to earn the trust of customers, staff and shareholders. The Bank is committed to delivering long-term profit growth and increasing value for all its stakeholders.

Forward-Looking Statements

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

Gearing up for Growth

Fiscal year 2012, the final year of Shinsei Bank's Medium-Term Management Plan, is the year in which our true value is being tested. Financial institutions must take on an important role as new financial needs emerge from socioeconomic changes, and ongoing efforts are required to drive the post-earthquake recovery and revitalize regional economies in Japan. Shinsei Bank is committed to becoming a bank group with stable, long-term earnings power, which is truly valued by its customers, and grows alongside them. We are channeling all our energies into realizing this vision.

FINANCIAL HIGHLIGHTS

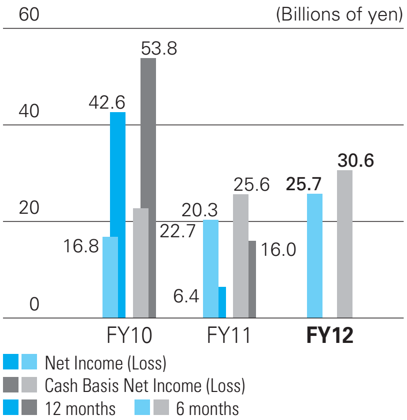
Shinsei Bank, Limited, and Consolidated Subsidiaries
Six months ended September 30, 2010, 2011 and 2012, and years ended March 31, 2011 and 2012*1

	Billions of yen				
	September 30 (6 months)			March 31 (12 months)	
	2010	2011	**2012**	2011	2012
For the fiscal year:					
Net interest income	¥ 86.1	¥ 60.7	**¥ 56.1**	¥ 156.6	¥ 116.9
Non-interest income	65.1	44.9	**47.9**	106.0	86.0
Net fees and commissions	12.2	13.8	**8.7**	26.0	25.1
Net trading income	7.1	6.5	**9.5**	11.6	13.6
Net other business income	45.6	24.4	**29.5**	68.3	47.2
Total revenue	151.3	105.6	**104.1**	262.6	202.9
General and administrative expenses	74.0	64.5	**64.7**	145.3	130.3
Net business profit	70.3	34.9	**33.6**	104.2	60.6
Net credit costs	52.3	8.8	**6.2**	68.3	12.2
Net business profit after net credit costs	18.0	26.1	**27.4**	35.8	48.3
Net income	16.8	20.3	**25.7**	42.6	6.4
Cash basis net income*2	22.7	25.6	**30.6**	53.8	16.0
Balances at fiscal year-end:					
Securities	2,639.9	2,220.1	**2,003.4**	3,286.3	1,873.4
Loans and bills discounted	4,604.4	4,125.5	**4,281.9**	4,291.4	4,136.8
Total assets	10,464.0	8,940.5	**8,882.5**	10,231.5	8,609.6
Deposits, including negotiable certificates of deposit	5,890.1	5,537.3	**5,374.6**	5,610.6	5,362.4
Debentures	425.2	313.1	**277.6**	348.2	294.1
Total liabilities	9,849.8	8,310.4	**8,235.2**	9,620.3	7,982.0
Total equity	614.1	630.1	**647.2**	611.1	627.6
Total liabilities and equity	¥ 10,464.0	¥ 8,940.5	**¥ 8,882.5**	¥ 10,231.5	¥ 8,609.6
	Yen				
Per share data:					
Common equity	¥ 232.54	¥ 214.07	**¥ 220.70**	¥ 205.83	¥ 212.67
Fully diluted equity*3	232.54	214.07	**220.70**	205.83	212.67
Basic net income	8.59	7.66	**9.70**	21.36	2.42
Diluted net income*4	—	—	**—**	—	—
Dividends	—	—	**—**	1.00	1.00
Cash basis per share data:					
Basic net income	¥ 11.57	¥ 9.67	**¥ 11.56**	¥ 26.96	¥ 6.05
Diluted net income	—	—	**—**	—	—
	%				
Ratios:					
Return on assets*5	0.3	0.4	**0.6**	0.4	0.1
Cash basis return on assets	0.4	0.5	**0.7**	0.5	0.2
Return on equity (fully diluted)*6	7.4	7.3	**8.9**	8.5	1.2
Cash basis return on equity (fully diluted)*7	11.7	10.3	**11.6**	12.4	3.2
Expense-to-revenue ratio	48.9	61.1	**62.2**	55.3	64.2
Total capital adequacy ratio	8.94	10.46	**11.71**	9.76	10.27
Tier I capital ratio	6.97	8.74	**9.77**	7.76	8.80
Risk weighted assets	7,180.8	6,203.3	**5,869.2**	6,653.7	6,102.5

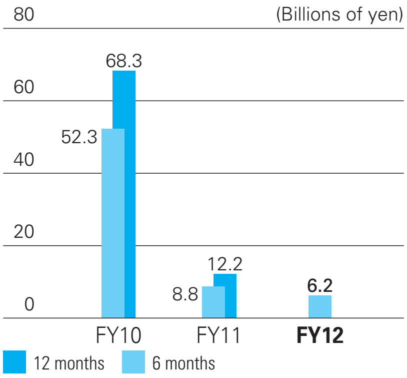
*1 Since all yen figures have been truncated rather than rounded, the totals do not necessarily equal the sum of the individual amounts.
*2 Cash basis net income is calculated by excluding impairment and amortization of goodwill and other intangible assets acquired in business combinations, net of tax benefit, from net income (loss) under Japanese Generally Accepted Accounting Principles (GAAP).
*3 Fully diluted equity per share is calculated by dividing equity at the end of the periods presented by the number of common shares that would have been outstanding had all securities convertible into or exercisable for common shares been converted or exercised with an applicable conversion or exercise price within the predetermined range at the end of the period.
*4 Per-share figures diluted net income are not shown as no dilutive shares exit.
*5 Return on assets is calculated by dividing net income (loss) by the average of total assets at the beginning and end of the period presented.
*6 Return on equity (fully diluted) is calculated by dividing net income (loss) by the average of fully diluted equity at the beginning and end of the period presented.
*7 Cash-basis return on equity (fully diluted) is calculated by dividing cash basis consolidated net income (loss) by the average of (total equity–goodwill–intangible assets acquired in business combinations (net of associated deferred tax liability)) at the beginning of the period and the same values at the end of period presented.

Earnings

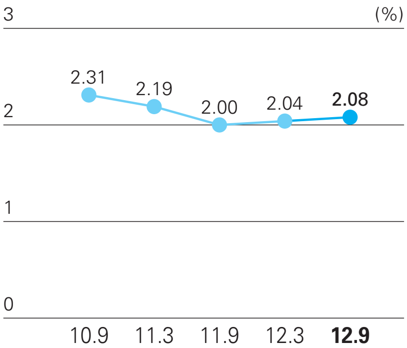
Net Income (Loss) and Cash Basis Net Income (Loss)



Net Credit Costs

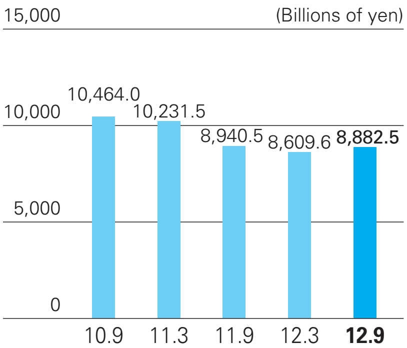


Net Interest Margin

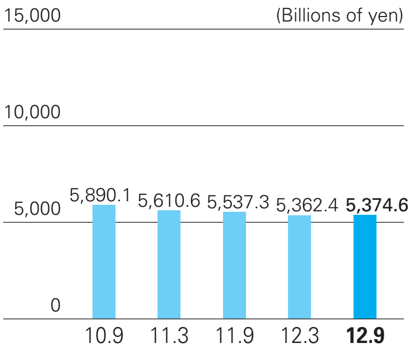


Assets and Liabilities

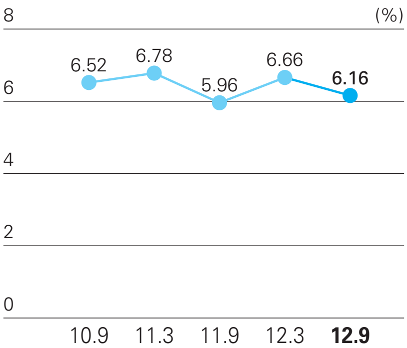
Total Assets



Deposits, including Negotiable Certificates of Deposit

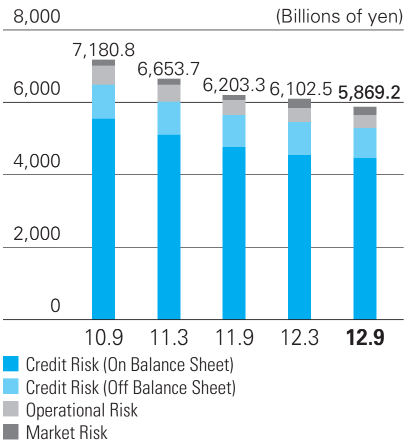


Ratio of Non-Performing Claims to Total Claims (Non-Consolidated)

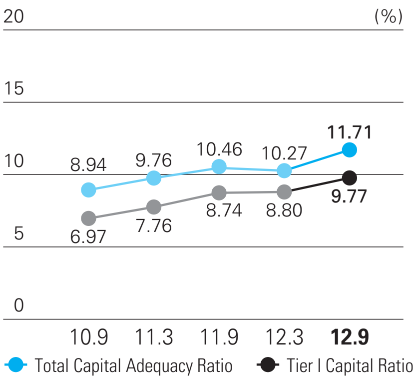


Capital

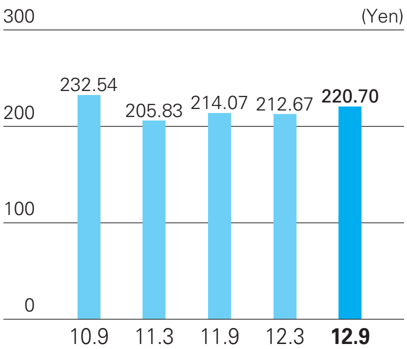
Risk Weighted Assets



Total Capital Adequacy Ratio and Tier I Capital Ratio



Common Equity per Share



TO OUR SHAREHOLDERS, CUSTOMERS AND EMPLOYEES

Shigeki Toma
President and
Chief Executive Officer

Fiscal year 2012 marks the final year of Shinsei Bank's Medium-Term Management Plan. While devoting all our energies to ensuring that we achieve our Plan targets, we are developing new business areas and striving to enhance our performance, as we work towards our vision of what the model financial institution should be. These new initiatives are beginning to bear fruit, and in this interim period we have produced a robust set of financial results that underscore the Bank's return to a stable earnings profile.

Against the backdrop of the deepening European sovereign debt crisis and other factors, the first half of fiscal year 2012 was characterized by an increasingly uncertain financial and economic outlook. In Japan, domestic industry is facing a critical turning point amidst a highly challenging operating environment, as symbolized by the difficulties in which major Japanese electronics manufacturers now find themselves. In addition, as the path to recovery after the Great East Japan Earthquake and nuclear power plan disaster still remains unclear, the role that Japanese financial institutions should play in nurturing the new industries and revitalizing the regional economies on which the country's future depends, is once again being called into question.

Shinsei Bank entered fiscal year 2012, the final year of our Medium-Term Management Plan, having resolved our legacy issues, and nearing the completion of our return to a stable earnings structure. On this foundation, we have worked proactively to heighten our performance in both institutional and individual businesses in the first half of this fiscal year.

In our institutional business, we are working on various projects to provide solutions to support the development of new business domains, and businesses that will lead to regional revitalization, including post-disaster recovery. We are also seeing tangible results from our efforts to rebuild our customer franchise, and the balance of our loans to institutional customers continues to show net growth. In our individual business, we are building out our housing loan operations, while *Shinsei Bank Card Loan—Lake*, the bank-based, unsecured personal loan service we launched in October 2011, is also growing well.

As a result of these efforts, we recorded ¥25.7 billion in consolidated net income for the first half of fiscal year 2012, which represents both a substantial increase on the ¥20.3 billion recorded in the same period of fiscal year 2011, and approximately 50% progress towards our Medium-Term Management Plan fiscal year 2012 consolidated net income target of ¥51.0 billion. We will continue to pursue stable earnings growth in the second half as we steadily work towards achieving our full-year net income target.

It is due entirely to the understanding and support of you, our shareholders and other stakeholders, that we have been able to generate these steady and stable earnings. Shinsei Bank remains committed to becoming a bank group with stable, long-term earnings power, which is truly valued by its customers, and grows alongside them.

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

December 2012

Shigeki Toma

President and Chief Executive Officer

OUR BUSINESS MODEL

Management Principles

- A banking group that has stable earnings power, is truly depended upon by customers and that contributes to the development of both domestic and international industrial economies
- A banking group that has built on its past experiences and history, values diverse talents and cultures and continually takes on new challenges
- A banking group that strives for transparent management, valued and trusted by all stakeholders, including customers, investors and employees

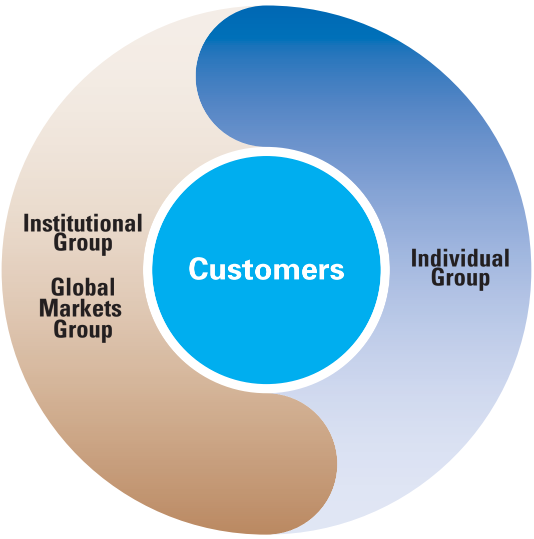
Medium-Term Goals*

Rebuilding the Customer Franchise and Establishing a Stabilized Earnings Base for the Mid- to Long-Term

Institutional Group
Global Markets Group

Concentrate Resources in Core Businesses

- Build customer-centric organization
- Actively promote corporate, financial institution and public sector businesses (such as loans and fee businesses)
- Improve ability to provide solutions and cross-selling
- Actively pursue specific sectors and areas where the Bank can leverage its specialties and uniqueness:
  - Healthcare Finance
  - Corporate Restructuring and others
- Consider new business opportunities in Asia
- Provide appropriate products and services to small- and medium-sized enterprises
- Enhance abilities of relationship managers, promote appropriate reallocation of the workforce and upgrade risk assessment capability
- Reduce divestible non-core business assets by 50%



Individual Group

Enhance Core Businesses

- Retail Banking
  - Stabilize funding base and promote lower funding costs
  - Expand housing loan business
  - Strengthen asset management business by expanding access points (Consulting Spots)
- Consumer Finance
  - Appropriate measures to comply with Money Lending Business Control and Regulation Law (MLBL)
  - Build a portfolio focused on profitability and strict credit assessment
  - Promote effective operations throughout the Group
- Explore synergy between retail banking and consumer finance operations

Strengths • Diversity • Tailor made solutions • High customer satisfaction • Swift decision making, agile execution	**Opportunities** • New customers • "Responsible consumer lending" • Niche businesses • Ever-changing lending and investment needs of customers
Weaknesses • Volatility of earnings • Smaller customer base	**Threats** • Fierce competition • Political, legislative and economic uncertainties

* Reflects revisions to original Medium-Term Management Plan announced on September 28, 2010, and organizational changes that became effective from April 1, 2011.

REVIEW OF OPERATIONS

AT A GLANCE

INSTITUTIONAL GROUP/ GLOBAL MARKETS GROUP

The Institutional Group focuses primarily on corporate and public sector finance and advisory business, while the Global Markets Group concentrates on financial markets business and serving financial institution clients

Major Business

Institutional Group

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

Global Markets Group

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

Major Subsidiaries

SHINSEI TRUST
SHINSEI SECURITIES
SHINSEI SERVICER
SHINSEI INVESTMENT MANAGEMENT
SHOWA LEASING CO.,LTD.

INDIVIDUAL GROUP

The Individual Group serves six million core customers in its retail banking, and unsecured personal loan, installment sales and other consumer finance businesses, offering products and services ranging from asset management to loans

Major Business

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

Major Subsidiaries and Services

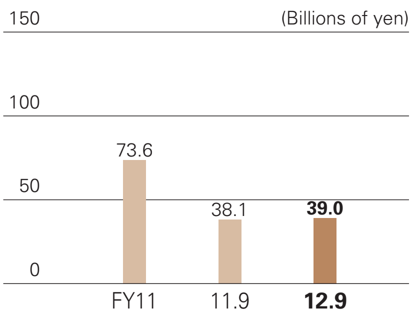
SHINSEI FINANCIAL

A Financial Venture
シンキ株式会社
Shinki Co.Ltd.

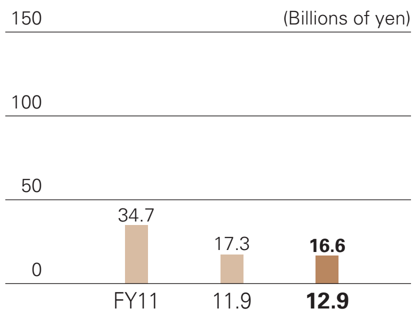
APLUS FINANCIAL

新生銀行 カードローン レイク
Shinsei Bank Card Loan—Lake

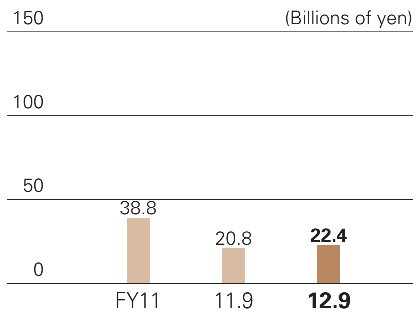
Total Revenue



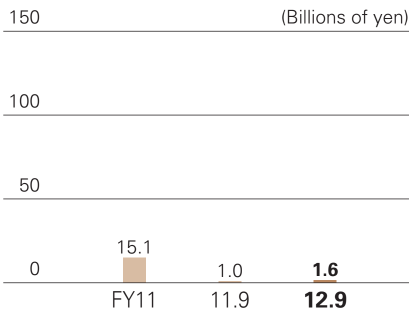
General and Administrative Expenses



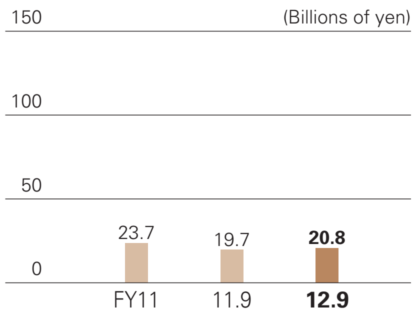
Ordinary Business Profit



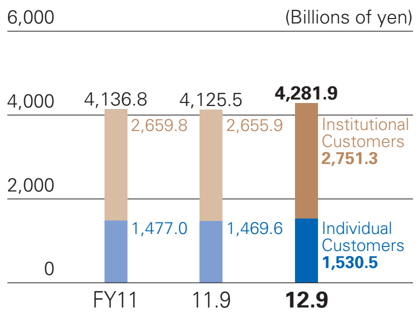
Net Credit Costs



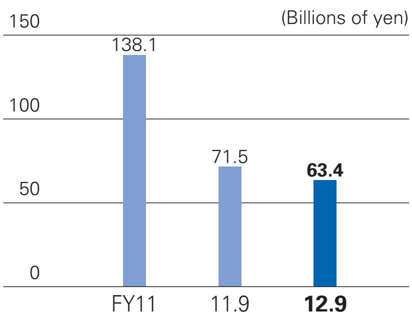
Ordinary Business Profit after Net Credit Costs



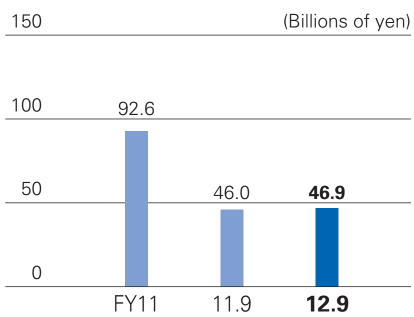
Total Loans and Bills Discounted



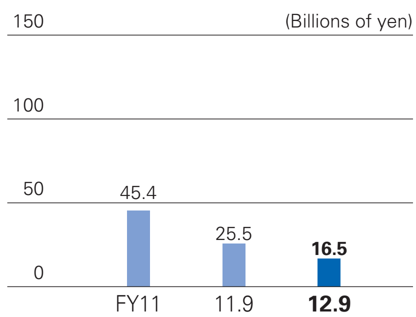
Total Revenue



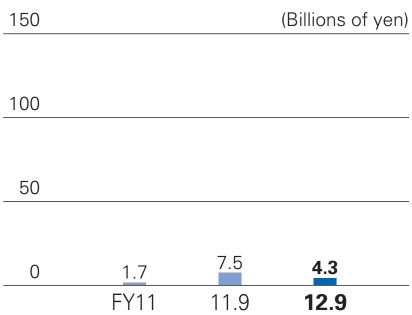
General and Administrative Expenses



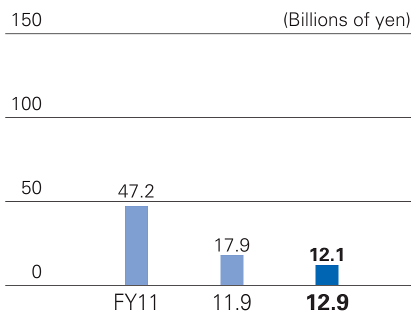
Ordinary Business Profit



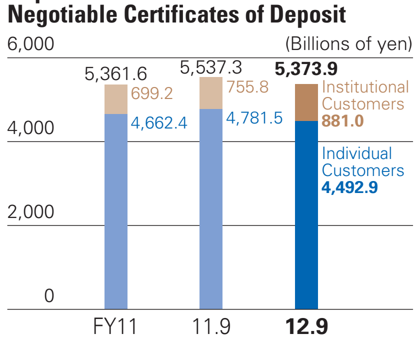
Net Credit Costs



Ordinary Business Profit after Net Credit Costs



Deposits and Negotiable Certificates of Deposit



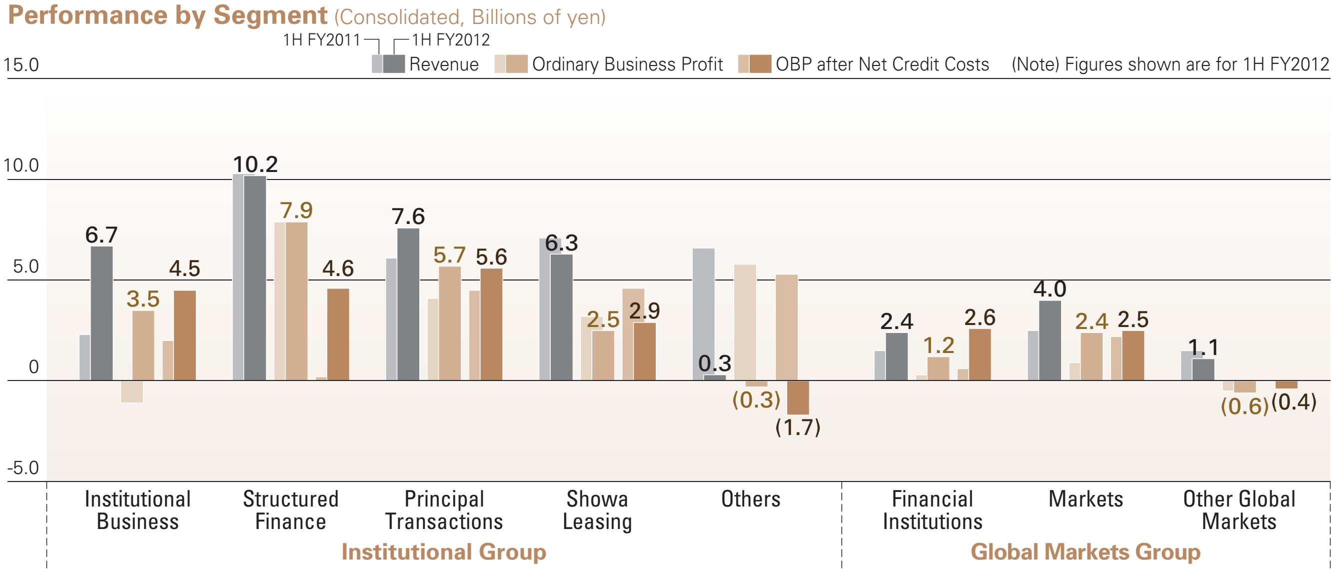
INSTITUTIONAL GROUP GLOBAL MARKETS GROUP

In our Institutional Group, which focuses primarily on corporate and public sector finance and advisory business, and the Global Markets Group, which concentrates on financial markets business and serving financial institution clients, we moved steadily towards achieving our Medium-Term Management Plan goals, making tangible progress in expanding the customer base and revitalizing our portfolio composition with high-quality assets. While the loan balance in our core customer-focused businesses has increased, the balance of our non-core assets has declined dramatically thanks to ongoing efforts in this area. At the same time, we are moving forward with new initiatives for the future. These include offering proactive support for emerging companies, regional revitalization and SMEs that are planning overseas expansion, seizing opportunities in project finance and other businesses in the Asia-Pacific region, and offering solutions for Japan's new growth industries.

Results

In the first half of fiscal year 2012, the Institutional Group's ordinary business profit after net credit costs was ¥16.1 billion, on par with the ¥16.8 billion recorded in the same period of the previous year. However, this result also represents the Group's achievement of a more stable and robust earnings structure, as non-recurring factors declined due to asset replacement, while net interest income increased in line with a growth in the loan balance in core businesses. The Global Markets Group recorded an ordinary business profit after net credit costs of ¥4.7 billion, rising from ¥2.9 billion for the first half of fiscal year 2011. This improved performance reflects the Group's efforts to increase the customer base further through timely provision of relevant products, despite a challenging operating environment.

Performance by Segment (Consolidated, Billions of yen)



* From the first half of fiscal year 2012, financial results for the Treasury Sub-Group have been transferred from the "Global Markets Sub-Group" to the "Corporate/Other" account.

OBP after Net Credit Costs (Consolidated, Billions of yen):

	1H FY2011	**1H FY2012**
Institutional Group	16.8	**16.1**
Global Markets Group	2.8	**4.7**

Strategy

Key Points of Institutional Business Strategy

- Expanding Client Franchise
  - Building customer base by continuously promoting new business development and strengthening consultancy for middle-market and SMEs
  - Further enhancing the provision of solutions for corporate, financial institutions and public sector customers by leveraging product development capabilities
  - Growing domestic and overseas assets in areas centered on infrastructure-related project finance
  - Enhancing asset management proposals for institutional customers
- Further Strengthening Shinsei's Distinctive Business Approach
  - Developing business incubation operations aimed at proactive engagement in new business domains and regional revitalization, and providing management solutions to growth companies, as part of VBI (Venture Banking Initiative)
  - Building internal infrastructure to promote Asia-related business
- Continuing reduction of non-core assets while building up high quality assets in core businesses
- Strengthening markets business

Operating Environment & Progress

Institutional Group

Institutional Business and Showa Leasing

Financial products and services for corporate and public sector customers, healthcare finance, ship finance, promotion of VBI, leasing business

In our Institutional Business, we provide a wide range of financial products and solutions tailored to customers' needs, in addition to basic banking services such as loans and deposits. As the result of continuing branch-wide efforts, the proportion of new customers amongst our total borrower base has grown, and we are steadily expanding our customer base as a whole. In public sector finance, we are working with new local government and extra-governmental organization customers, while proactively participating in loan tenders in collaboration with regional financial institution partners that are looking to grow their assets. Despite a slight decline in the public sector lending balance due to repayments from existing customers, our overall outstanding loan balance is growing as we build up our loan book with corporate clients.

In March 2012, we established the VBI Promotion Division to implement the Venture Banking Initiative, centered around the principle of contributing to the "growth of customers, the economy and society, and creating and enhancing new productivity" across the Institutional Group. This division is now fully operational and working on multiple projects that are providing support to companies with growth potential or that are in the process of changing their business model, as well as contributing to regional revitalization. Specific examples include the provision of loans and equity to a company that is developing technology to manufacture bio-fuel from non-edible raw materials, and companies with growth potential in the renewable energy sector. In the regional revitalization area, we have invested in a fund that aims to develop growth industries, including non-listed companies, in Fukushima prefecture. Following the introduction in July 2012 of a feed-in tariff mechanism for renewable energy in Japan, we expect to see growth in the mega-solar industry. In the second half of fiscal year 2012, we will work in collaboration with regional financial institutions to provide financing for renewable energy projects, including those that may not qualify for regular corporate loans, such as small-scale projects run by local people for their local area.

In Healthcare Finance, the Japanese Ministry of Land, Infrastructure, Transport and Tourism has set up a dedicated committee to investigate the introduction of healthcare REITs and preparations are moving ahead to build the framework necessary for the launch of such vehicles. In response, we are drawing on the industry network we have built up to draft plans to set up a healthcare REIT, while continuing to provide financing to this sector.

Showa Leasing continues to grow its customer base by expanding existing initiatives such as supplier alliances and environmental businesses including solar power generation financing schemes for corporate customers, alongside its traditional strengths in the leasing of industrial equipment and machine tools to the middle-market and SMEs.

Structured Finance

Real estate related non-recourse and corporate finance, M&A, project and other specialty finance, Corporate restructuring, Trust business

The real estate finance market remains dominated by restructuring needs. However, there is potential for growth in new financing needs as the increase in vacancy rates is beginning to slow, and a growing number of properties show signs of a bottom-out in rent levels. Amidst this environment, we have selectively engaged in new non-recourse lending, and stepped up lending to real estate companies and J-REITs, while continuing to dispose of non-performing claims. We have also participated in a project to provide accommodation for post-earthquake reconstruction workers, as we begin initiatives to assist the recovery process in the wake of the Great East Japan Earthquake. Going forward, we will look to expand our exposure to projects outside Japan as we aim for stable growth in the overall balance of our real estate related lending.

In Specialty Finance, while competition remained intense in the Japanese LBO market, we built up our track record in MBO financing for privatizing middle-market listed companies. In Project Finance, there is increasing demand for financing for mega-solar and other renewable energy projects, while the scale down of activity by foreign banks has led to increased funding demand for Japanese banks in overseas markets in the Asia-Pacific region in particular. In response, Shinsei established a dedicated Project Finance Department in June 2012 and we now aim to grow this business proactively in Japan and overseas, both organically through extending loans, and through selective asset purchases.

In Corporate Restructuring, disbursements are rising steadily, and as the Act Concerning Temporary Measures to Facilitate Financing for SMEs, etc. is set to expire by the end of fiscal

year 2012, we believe that there will be more opportunities for us to contribute in this area, as demand grows for financial institutions to provide management improvement and corporate restructuring solutions to their debtors.

Principal Transactions

Credit Trading, Private Equity

In Credit Trading, our domestic business faced a challenging operating environment as the historically low level of corporate bankruptcies means that there are fewer needs for assistance in non-performing loan disposal among financial institution customers. Amidst this environment, we have continued to deliver strong results through arranging special situation financing in collaboration with a subsidiary. In our overseas credit trading business, we are continuing to purchase distressed debt in the Korean market, where we see abundant investment opportunities going forward.

In Private Equity, we are seeing increasing demand for financing from venture companies in areas such as smartphones, social media (SNS) and cloud computing. Shinsei has partnered with gumi Inc. to establish a venture investment fund targeting mobile entertainment companies primarily in Asia, and we are actively pursuing opportunities to provide financing to growth sectors and to companies in preparations for IPOs. Going forward, we will also continue working on initiatives to meet the growing succession needs of SMEs.

Advisory

(included within "Institutional Business" in financial results)

Amidst a difficult operating environment, our Advisory business won various mandates to source sponsors for Japanese companies with restructuring needs. In addition to steadily building up our track record with successes including advisory on M&A deals for companies entering new business domains, we have worked proactively to develop overseas-related business for the second half of the fiscal year, including for cross-border M&A deals where we see increasing activity due to the ongoing strength of the yen. As part of our efforts to enhance our framework for supporting Japanese companies' overseas expansion, we also deepened our relationship with India's YES BANK, Limited, by concluding a comprehensive business alliance in July 2012, expanding the scope of the Japan-India cross-border M&A business alliance that we made in 2010.

Global Markets Group

Financial Institutions Business

Products and services for Financial Institutions

Amidst uncertain economic conditions both in Japan and overseas, due to the stagnant domestic economy, strong yen, and European sovereign debt crisis, our financial institution customers have tended towards risk aversion, while still facing difficulties in securing investment outlets. Approaching financial institutions as both customers and business partners, we worked closely with the Markets Sub-Group, to provide investment products such as structured loans, structured deposits and credit-linked loans, as well as buying, selling and brokering public sector loans. In addition to this business, going forward we will work to build up loan assets through specially structured lending, one of our strengths, and making timely proposals for lending opportunities that take into account market conditions or industry specific factors, as well as providing credit-linked loans, buying and selling loan assets and offering public sector financing opportunities for customers looking for new investment and balance sheet improvement solutions.

Markets

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

While the strong yen and slump in equity markets and interest rates has made for a challenging operating environment, we have continued to win new customers and outperform our results in the same period last fiscal year by focusing on currency exchange and credit related products such as credit-linked loans. In the second half of fiscal year 2012, we will closely monitor customers' needs to ensure we are providing timely products, while stepping up the support we offer to customers who are expanding overseas through our leading range of currency exchange products.

Asset Management

Investment trusts, Wealth management

Amidst low visibility conditions for investors, we saw a decline in the overall balance of our investment trusts, compounded by weak sales as a result of lower dividends on some of our top products. In response, we have continued to introduce new products attuned to the changing market environment, such as funds with a limited risk profile aimed at retail banking customers with maturing yen time deposits. Looking to the second half of fiscal year 2012 and beyond, we plan to introduce more appealing products targeted at retail banking customers, such as a foreign bond fund with a relatively low risk profile.

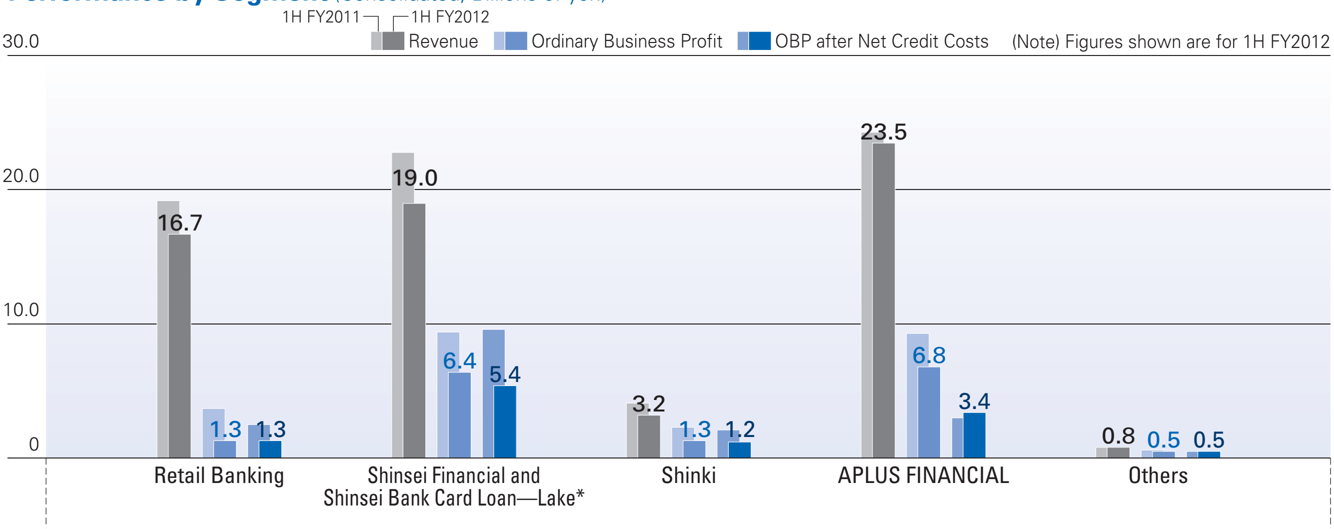
INDIVIDUAL GROUP

Shinsei Bank's Individual Group combines Shinsei's retail banking operations with the Bank and its major subsidiaries Shinsei Financial, Shinki and APLUS FINANCIAL's consumer finance operations to provide a wide range of financial products and services for the ever changing financial needs of our individual customers. In retail banking, although demand for investment products has been muted due to the European sovereign debt crisis and other factors, our housing loan business performed strongly and the outstanding loan balance exceeded ¥1 trillion as of September 30, 2012. The *Shinsei Bank Card Loan—Lake* business, which launched in October 2011, is also showing strong growth, and we are proactively communicating the service's convenience and peace-of-mind to our retail banking customers and other first-time users of unsecured personal loans.

Results

In the first half of fiscal year 2012, both net interest and non-interest income were down year-on-year in our retail banking operations due to factors including the prevailing low interest rate environment and the slump in financial markets. In our consumer finance operations, although net interest income decreased alongside the continuing decline in the overall loan balance as a result of the impact of the revised Money Lending Business Law ("MLBL"), non-interest income increased due primarily to the contribution from APLUS FINANCIAL. At the same time, net credit costs in our unsecured personal loan (UPL) operations also declined due to improvements in asset quality and the lower overall lending balance, as well as stronger credit management and collections. As a result, the Individual Group's ordinary business profit after net credit costs declined to ¥12.1 billion in the first half of fiscal year 2012, from ¥17.9 billion in the same period of fiscal year 2011.

Performance by Segment (Consolidated, Billions of yen)



* Results for Shinsei Financial and "Shinsei Bank Card Loan – Lake" (launched on October 1, 2011) in the Lake business are combined on a management accounting basis from the third quarter of fiscal year 2011.

OBP after Net Credit Costs (Consolidated, Billions of yen):

	1H FY2011	**1H FY2012**
Individual Group Total	17.9	**12.1**

Strategy

Retail Banking

- Enhancing our line-up of asset management products and consultation services to assist customers in finding the optimal financial solutions for their individual needs
- Further building out our business in housing loan products with unique features, such as guarantee fee waivers and a free-of-charge early repayment facility
- Offering a wide range of distinctive deposit products that contribute to stabilizing the Bank's funding base and lowering funding costs
- Strengthening Internet banking, call center and other convenient remote channels
- Continuing the roll-out of compact-sized outlets and modifying branch-based services in line with customer needs

Consumer Finance

- Acquiring new customers and building up loan assets through the launch of *Shinsei Bank Card Loan—Lake*
- Forging new partnerships with regional financial institutions in the unsecured personal loan guarantee business
- Continuing to grow high-quality assets in the installment sales credit and credit card businesses through differentiation, and strict management of credit costs and expenses

Operating Environment & Progress

Retail Banking

In retail banking, total account numbers continued to grow steadily, topping 2.65 million as of September 30, 2012. While the deposit balance declined year-on-year to ¥4.4 trillion, as time deposits sold in previous campaigns reached maturity, this also resulted in lower funding costs. Retail banking remains a stable source of funding for the Bank's operations, and a new yen time deposit campaign has been launched, running from October 2012 to January 2013.

In the first half of fiscal year 2012, uncertainty in global markets driven by factors such as the European sovereign debt crisis, dampened individual investors' sentiment and encouraged a trend towards risk aversion. As a result, sales of certain investment products, such as investment trusts, were slow. However, we still saw strong needs for financial products that aim to provide more stable investment opportunities such as fixed annuities and structured bonds (in our financial products intermediary business with Shinsei Securities). Competition in the housing loan market remains fierce amidst an ultra-low-interest environment. However, with the recovery in this market after the Great East Japan Earthquake, and refinancing needs from borrowers looking to reduce monthly repayments, sales of our housing loans were strong, and the outstanding balance topped ¥1 trillion yen as of September 30, 2012.

Buoyed by the enduring strength of the yen and other factors, we also saw an increase in the balance of our foreign currency deposits, particularly in U.S. dollar and Australian dollar accounts. In June 2012, we began handling the Chinese renminbi, Brazilian real and Turkish lira, and also reached an agreement with Lloyds TSB Bank plc ("Lloyds TSB") in which Lloyds TSB will transfer ownership of its overseas remittance business to Shinsei. Through this business transfer, which is subject to the approval of the Financial Services Agency of Japan, we aim to swiftly commence provision of a new overseas remittance service at Shinsei Bank. These initiatives are all part of our efforts to expand our range of foreign currency-related services for individual customers.

We have also worked to broaden our asset management line-up to meet diversifying customer needs, introducing new products that range from a fixed annuity which aims to provide stable returns, to an investment trust that aims for a high level of regular dividends. Additionally, in September 2012, we rolled out a facility that enables online review of reports and other documents that were previously mailed after investment trust transactions, via our Internet banking service, to further enhance customer convenience.

In our housing loan business, we continue striving to offer ever higher service standards both to potential new customers, and to customers considering refinancing, while increasing access points by expanding our network of Housing Loan Centers which offer face-to-face consultations. In December 2012, we launched a new housing loan product that allows customers to make provisions for possible changes in their lifestyle during the loan term, such as changes in their income or state of health. By adding this flexibility to respond to lifestyle changes to the original product's highly convenient features, we believe that we will be able to serve a wider range of customer needs while avoiding excessive competition on interest rates.

Through continually reviewing our branch network and the service offering at each branch in line with customer traffic, we are endeavoring to respond ever more flexibly to our customers' asset management needs. At the same time, we remain focused on staff development in order to increase satisfaction levels, particularly among retirement-age customers and other customers who prefer face-to-face consulting. In addition, we launched official Facebook and Twitter sites in June 2012 in order to expand our opportunities to provide information to customers.

Consumer Finance Business

In our consumer finance business, although operating conditions remain challenging due to factors such as full-scale implementation of the revised MLBL, there are clear signs of recovery in the market. The pace of decline in the overall balance of the Shinsei Bank Group's UPL has slowed, and we have seen good growth in new customer acquisition and loan balance for *Shinsei Bank Card Loan—Lake*, the bank-based UPL service which launched in October 2011. Meanwhile, disclosure claims, the leading indicator for "grey zone" interest repayment losses, continue



on a long-term declining trend. Following substantial additional provisioning made for interest repayments at consumer finance subsidiaries at the end of fiscal year 2011 in order to eradicate any so-called future "grey zone risks," we have made no new provisions in the first half of fiscal year 2012. In addition, our ongoing indemnification agreement with GE continues to limit the risks related to a portion of the "grey zone" interest repayment liabilities at Shinsei Financial.

Unsecured Personal Loans (UPL): *Shinsei Bank Card Loan—Lake* and Shinki

Following the transfer to Shinsei Bank of a portion of the UPL business previously operated by Shinsei Financial, the Bank launched the *Shinsei Bank Card Loan—Lake* service in October 2011. As of September 30, 2012, the business has 124,000 customers and an outstanding loan balance of ¥37.9 billion, showing steady performance in line with initial projections. Going forward, we will focus both on Lake's traditional customer profile, as well as looking to serve retail banking customers and other customers with latent UPL needs.

As part of efforts to attract retail banking customers, we are providing information on Lake via electronic direct mail, as well implementing initiatives such as displaying advertising on Seven Bank ATMs from April 2012, and running a campaign offering free funds transfers to other banks from Shinsei Bank *PowerFlex* accounts for first time Lake borrowers from September 2012.

Meanwhile, Shinki, which provides UPL under the NO LOAN brand, is also expanding its business, targeting customers who wish to borrow from a non-bank consumer finance company. As a result of these initiatives, we anticipate a rebound in the Group's overall unsecured personal loan balance in the near future, and plan to grow the business into an important contributor to profitability over the mid-to-long-term.

Shinsei Financial

Following the transfer of the Lake brand to Shinsei Bank in October 2011, Shinsei Financial now continues to serve its approximately 530,000 existing UPL customers while providing credit guarantee services for the *Shinsei Bank Card Loan—Lake* service and for other financial institutions. In the credit guarantee business, we have seen the balance of bank card loans rebound in fiscal year 2011 as regional financial institutions in particular ramp up their individual lending operations. Shinsei Financial currently has credit guarantee agreements with six regional financial institutions as of September 30, 2012 and is working with the Bank's financial institutions business to develop this business further in the future.

APLUS FINANCIAL

APLUS FINANCIAL, one of Japan's three largest listed *shinpan* (sales finance) companies, has continued to make steady progress in its three major businesses—installment sales credit, credit cards and settlement services—as it works towards its medium-term management plan vision of "becoming a *shinpan* company chosen by customers, supported by business partners, and fit for the new age," and breaking away from dependence on consumer finance loan income.

In installment sales credit, a key business, APLUS FINANCIAL has continued to pursue transaction growth both in its core auto sales finance business as well as in other areas, for example, through ongoing efforts to grow its housing-related business including finance for products such as solar power generation systems and EcoCute energy-efficient water heating systems. In addition, following the launch in May 2011 of "APLUS Shopping Credit with T Points," in July 2012 the company introduced a new auto finance product that also rewards customers with T Points.*

In the credit card business, shopping transaction volumes have maintained the momentum showed in fiscal year 2011 and continue to grow amidst an expansion of the overall credit card shopping market. We are carefully managing the range of cards issued to improve profitability, while introducing new products such as the "Shinsei APLUS Gold Card" and "Shinsei APLUS Card" - jointly branded Shinsei Bank Group credit cards released in April 2012, and a Manchester United Football Club affiliate credit card released in July 2012.

In the settlement service business, we are working together with the Bank's Institutional Group to win new customers for our housing rent guarantee service. We are also working to increase transaction volumes for this service through initiatives such as the launch in November 2012 of a new product that rewards customers with T points.

* The T Point Loyalty Program is an integrated loyalty point program, operated by T point Japan Co., Ltd. ("T point Japan") which allows holders of a T card to accumulate T points when making purchases at participating retailers. Points can be redeemed across a spectrum of retailers including convenience stores and supermarkets. APLUS FINANCIAL has an alliance with T point Japan in the credit card business, where it offers the credit-enabled "T Card Plus" card.

Shinsei Bank Card Loan—Lake First Year Review

Steady growth in new customer acquisition and loan balance. Targeting new customer segment for further growth

The Launch of *Shinsei Bank Card Loan—Lake*

Just over one year after its launch on October 1, 2011, the bank-based *Shinsei Bank Card Loan—Lake* unsecured personal loan (UPL) service is showing steady growth both in new customer acquisition numbers and outstanding loan balance.

The Bank launched this service by acquiring the Lake brand, the entire network of unstaffed branches and automated contract machines (ACM) and Card Loan—Lake ATMs, and other assets necessary to operate the Lake UPL service from Shinsei Financial, a consolidated subsidiary.

In doing so, Shinsei Bank became the first bank in Japan to offer full-scale unsecured personal card loan services through a large-scale unstaffed branch network.

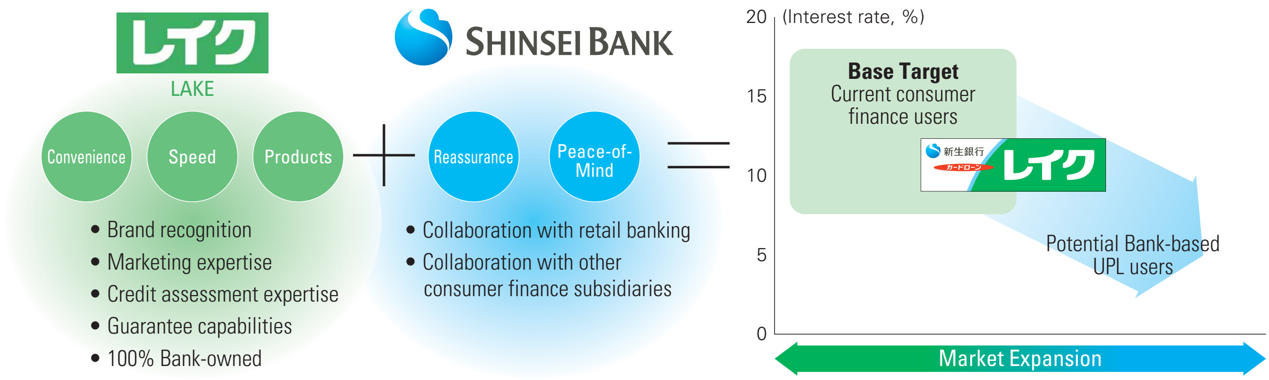
Through this initiative, Shinsei Bank aims to provide small-lot personal finance more smoothly and flexibly to individual customers, and to contribute to the development of a sound and healthy market as the leading bank in this sector.

The *Shinsei Bank Card Loan—Lake* logo

Market Trends and Shinsei Bank's Strategy

There are signs of a recovery in the consumer finance company UPL market, with a slow-down in the decline in loan balances, and year-on-year increases in monthly new customer numbers and loan disbursement. Meanwhile, the contraction in the bank-based UPL market has been comparatively smaller, and we expect to see growth in this market going forward.

Shinsei Bank's Medium-Term Business Development Image

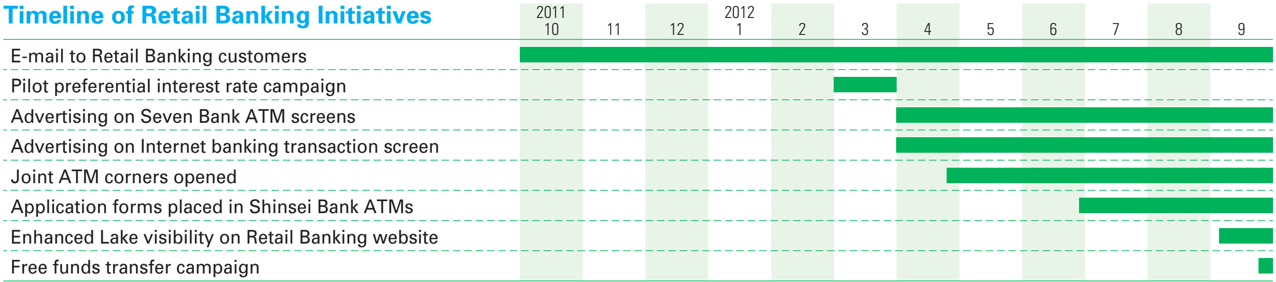


We believe that the launch of *Shinsei Bank Card Loan—Lake* allows us to serve a larger number of customers as the service combines the same speed and convenience provided until now by Shinsei Financial—including immediate loan disbursement, a no-branch-visit application process, fee-free usage of partner ATMs and a nationwide network of approximately 780 proprietary unstaffed branches—with the peace-of-mind and reassurance of bank service. Ultimately, we are aiming to create a new retail business domain by providing UPL services not only to current users, but also to potential borrowers who have legitimate financial needs but have not used UPL services before.

Collaboration with Retail Banking

In the new business' first year, we have focused on building out the *Shinsei Bank Card Loan—Lake* service and product offering with initiatives such as a new smartphone site and enhanced website contents for first-time customers. Alongside these efforts, we have also launched an intensive marketing campaign aimed at retail banking customers, centered around strategies to build awareness of *Shinsei Bank Card Loan—Lake* and special offers aligned with the needs of this customer segment.

Timeline of Retail Banking Initiatives



As a result of these efforts over the first year, we are now confident that there is a steady level of UPL needs among retail banking customers, and that we can expect a constant level of Lake applications from these customers going forward.

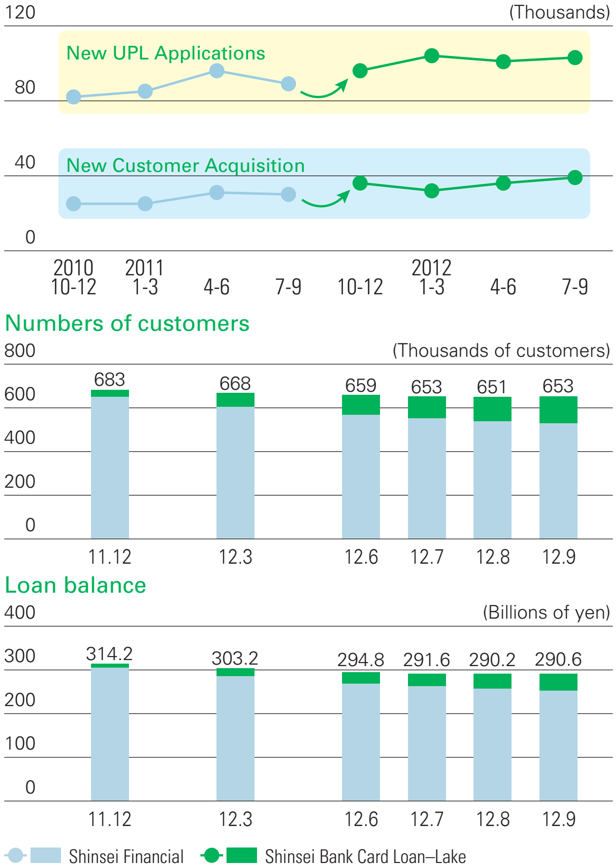
Accordingly, as of November 22, 2012, we have lowered the minimum interest rate for Lake loans from 9.0% to 4.5%, and increased the maximum credit line on new contracts from ¥2 million to ¥5 million in order to strengthen Lake's competitiveness vis-à-vis UPL offered by other banks. We believe that these changes will increase Lake's appeal both to Shinsei's retail banking customers and other customers wishing to use bank-based UPL.

Shinsei Bank Card Loan—Lake's Performance to Date

Since its launch in the second half of fiscal year 2011, *Shinsei Bank Card Loan—Lake* has shown a strong start across all service channels (Internet, call center, unstaffed branches etc.) with monthly application and new customer acquisition numbers consistently trending higher year-on-year. So far this new business model – a bank-based UPL service operated through a large-scale unstaffed network – is proving successful. While it is difficult to make direct comparisons with the service offered by Shinsei Financial, an analysis of customer behavior has shown that customers are now using Seven Bank ATMs with much greater frequency, and beginning to use Shinsei Bank ATMs too. There has also been growth in the number of new applications received via the Internet. Considering these trends, we believe that we will be able to win more business both from customers wishing to use a bank-provided UPL service, as well as from the traditional Lake customer profile.

Over the last few years, Shinsei Financial's total customer numbers and outstanding loan balance had been declining due to the effects of the revised Money-Lending Business Law and other factors. However, as efforts to improve customer retention rates at Shinsei Financial begin to bear fruit while *Shinsei Bank Card Loan—Lake* performs steadily, the combined loan balance showed growth for the first time in six years as of September 30, 2012 – albeit on a single-month basis. While we expect some fluctuation on a month-to-month basis, we are now aiming for a bottom-out in the combined loan balance by the end of fiscal year 2012.

Quarterly Trends in New UPL Applications and New Customer Acquisition, Customer Numbers, Loan Balance in UPL Business,



DIRECTORS AND EXECUTIVES

As of December 1, 2012

BOARD OF DIRECTORS (6)

Shigeki Toma	Representative Director, President
Yukio Nakamura	Representative Director, Senior Managing Executive Officer
J. Christopher Flowers*	Chairman, J.C. Flowers & Co. LLC
Shigeru Kani*	Former Director, Administration Department, The Bank of Japan, and Professor, Yokohama College of Commerce
Jun Makihara*	Chairman of the Board, Neoteny Co., Ltd.
Hiroyuki Takahashi*	Former Director, Japan Corporate Auditors Association

*Outside Directors

SENIOR ADVISOR (1)

David Morgan	Managing Director, Europe and Asia-Pacific, J.C. Flowers & Co. UK Ltd

ADVISOR (1)

Yuji Tsushima

STATUTORY AUDITORS (3)

Shinya Nagata	Standing Statutory Auditor
Kozue Shiga*	Lawyer
Tatsuya Tamura*	Former Executive Director, The Bank of Japan, and President, Global Management Institute Inc.

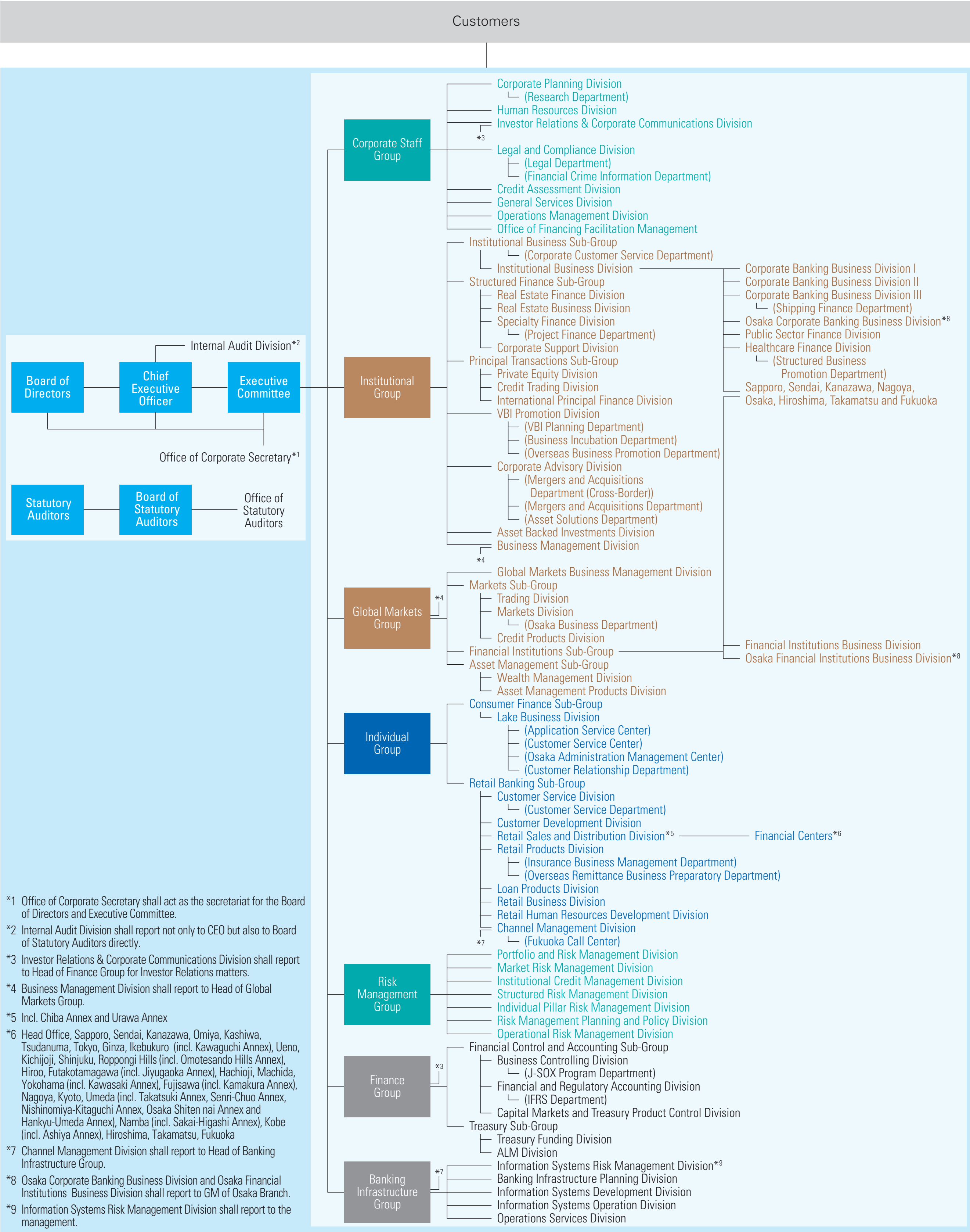
*Outside Statutory Auditors

EXECUTIVE OFFICERS (21)

Shigeki Toma	Representative Director, President, Chief Executive Officer
Yukio Nakamura	Representative Director, Senior Managing Executive Officer, Chief Risk Officer, Head of Risk Management Group
Sanjeev Gupta	Senior Managing Executive Officer, Head of Individual Group
Michiyuki Okano	Senior Managing Executive Officer, Group Chief Information Officer, Head of Banking Infrastructure Group
Hitomi Sato	Senior Managing Executive Officer, Head of Institutional Group, General Manager of VBI Promotion Division
Shigeru Tsukamoto	Senior Managing Executive Officer, Chief Financial Officer, Head of Finance Group, Head of Treasury Sub-Group
Norio Funayama	Managing Executive Officer, General Manager of Osaka Branch
Yoshiaki Kozano	Managing Executive Officer, Head of Principal Transactions Sub-Group
Hideyuki Kudo	Managing Executive Officer, Head of Structured Finance Sub-Group
Shinichirou Seto	Managing Executive Officer, Head of Institutional Business Sub-Group, General Manager of Institutional Business Division
Akira Watanabe	Managing Executive Officer, Head of Global Markets Group
Masashi Yamashita	Managing Executive Officer, Chief of Staff, Head of Corporate Staff Group
Souichirou Hasegawa	Executive Officer, General Manager of Office of Corporate Secretary
Akira Hirasawa	Executive Officer, General Manager of Portfolio and Risk Management Division
Yasunobu Kawazoe	Executive Officer, General Manager of Institutional Credit Management Division
Satoshi Koiso	Executive Officer, General Manager of Corporate Planning Division
Yuji Matsuura	Executive Officer, Head of Markets Sub-Group
Toru Myochin	Executive Officer, General Manager of Corporate Banking Business Division I, General Manager of Healthcare Finance Division
Masayuki Nankouin	Executive Officer, Head of Consumer Finance Sub-Group
Akimori Nomura	Executive Officer, Head of Financial Institutions Sub-Group
Hironobu Satou	Executive Officer, Head of Financial Control and Accounting Sub-Group, General Manager of Business Controlling Division

ORGANIZATION

As of December 1, 2012



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

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

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

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

*5 Incl. Chiba Annex and Urawa Annex

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

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

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

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

SUMMARY OF MAJOR EVENTS

2000	March	Launched as an innovative Japanese bank under new management and new ownership
	June	Changed name from The Long-Term Credit Bank of Japan, Limited (LTCB), to Shinsei Bank, Limited
2001	May	Commenced operations of Shinsei Securities Co., Ltd.
2003	April	Commenced operations of Shinsei Investment Management Co., Ltd.
2004	February	Listed the Bank's common shares on the First Section of the Tokyo Stock Exchange
	April	Converted the Bank's long-term credit bank charter to an ordinary bank charter
	May	Achieved one million retail accounts
	June	Converted to a Company with Committees board model
	September	Acquired a controlling interest in APLUS Co., Ltd.
2005	March	Acquired a controlling interest in Showa Leasing Co., Ltd.
	May	Commenced operations of Shinsei International Limited
2006	July	Commenced resolution of public funds
2007	April	Achieved two million retail accounts
	December	Acquired a controlling interest in SHINKI Co., Ltd.
2008	January	Reached a mutual agreement with Seven Bank, Ltd. to share sales channels and develop products and services together
	February	Completed a tender offer bid for the Bank's common shares and a third-party allotment of new common shares of the Bank to the investor group led by J.C. Flowers & Co. LLC and affiliates
	April	Launched *Shinsei Mobile Banking*
	September	Acquired GE Consumer Finance Co., Ltd. (Changed company name to Shinsei Financial Co., Ltd. on April 1, 2009)
2009	January	Launched *Shinsei Step Up Program*
	March	Concluded tender offer for the shares of common stock of SHINKI Co., Ltd.
	June	Opened first Shinsei Consulting Spots
		Launched *Two Weeks Maturity Deposit*
	October	Issued JPY-denominated preferred securities
	November	Issued non-dilutive subordinated bonds to retail investors
2010	March	Partially repurchased and cancelled Tier I preferred securities
	June	Moved to a "Company with Board of Statutory Auditors" board model
	November	Announced business alliance with YES BANK LIMITED in Japan-India cross-border M&A business
		Formed business alliance with Baoviet Holdings to support Japanese institutional customers in the Vietnamese market
		Established corporate restructuring investment subsidiary, Shinsei Corporate Support Finance Co., Ltd.
2011	January	Commenced operations at new head office
	March	Issued new shares through international common share offering
		Signed memorandum of understanding on business collaboration with Taiwanese equity-method affiliate, Jih Sun Financial Holding Co., Ltd.
	September	Corporate Support Division provided financing for Corona Kogyo Corporation's construction of factory in Vietnam
		Assisted The Daito Bank, Ltd. in arranging its first syndicated loan
	October	Commenced unsecured personal card loan service under the Lake brand
2012	March	Established VBI Promotion Division in the Institutional Group
	April	Added "Shinsei APLUS Gold Card" and "Shinsei APLUS Card" to credit card line-up
	June	Reached an agreement to take over overseas remittance business of Lloyds TSB Bank plc in Japan
	July	Established venture fund targeting mobile entertainment companies with gumi Inc.
	September	Balance of *PowerSmart* Home Mortgages exceeded one trillion yen
	October	Invested in "Fukushima Growth Industry Development Fund"
		Issued Fourth Series of Unsecured Callable Subordinated Bonds
	November	Provided non-recourse loan for construction of lodgings for post-earthquake reconstruction workers in Miyagi Prefecture

DATA SECTION

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

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

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

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

OVERVIEW

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

- To provide financial products and services that meet institutional customer needs by a strategic and systematic business promotion structure, the Institutional Group focuses primarily on corporate and public sector finance and advisory business, while the Global Markets Group concentrates on financial markets business and serving financial institution clients. The Institutional Group consists of business promoted by the Bank and Showa Leasing Co., Ltd. (Showa Leasing).
- The Individual Group consists of retail banking business and consumer finance business. We continue to improve the quality of our retail banking services to meet customer needs. In consumer finance business, Shinsei launched an unsecured personal loan service directly from the Bank on October 1, 2011, in addition to providing installment sales credit, credit card and settlement services through APLUS FINANCIAL Co., Ltd. (APLUS FINANCIAL), and unsecured personal loans through Shinsei Financial Co., Ltd. (Shinsei Financial) and Shinki Co., Ltd (Shinki).

FINANCIAL SUMMARY FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2012

We recognized consolidated net income of ¥25.7 billion and consolidated cash basis net income of ¥30.6 billion for the six months ended September 30, 2012, an increase as compared to ¥20.3 billion and ¥25.6 billion for the six months ended September 30, 2011, respectively. The current fiscal year is the last of our current Medium-Term Management Plan. Continuous efforts were made until now to expand the customer base which resulted in steady performance, and to reduce potential losses, including reduction of non-core assets, which meant that the impact of non-recurring factors has been limited. Meanwhile, steady progress has been made towards the attainment of our full year earnings forecast of ¥51.0 billion in consolidated net income.

Net interest income included in total revenue was ¥56.1 billion for the six months ended September 30, 2012, a decrease as compared to ¥60.7 billion for the six months ended September 30, 2011. This was due to an overall decrease in the loan balance in the fiscal year ended March 31, 2012. However, the loan balance has increased over the past three quarters, including the fourth quarter of the fiscal year ended March 31, 2012, and net interest income was almost at the same level of ¥56.1 billion recorded for the six months ended March 31, 2012. Non-interest income was ¥47.9 billion for the six months ended September 30, 2012, an increase as compared to ¥44.9 billion for the six months ended September 30, 2011. The income from transactions with our institutional customers increased, and income on sale of Japanese government bonds as part of ALM operations also contributed to non-interest income. General and administrative expenses, excluding amortization of goodwill and intangible assets acquired in business combinations, were ¥64.7 billion for the six months ended September 30, 2012, a slight increase as compared to ¥64.5 billion for the six months ended September 30, 2011, as we continued to expand our business base, while also promoting operational efficiency. Net credit costs decreased to ¥6.2 billion for the six months ended September 30, 2012 as compared to ¥8.8 billion for the six months ended September 30, 2011. The institutional loan balance and housing loan balance increased, and additional provisions of reserve for loan losses were recorded for real estate finance. However, reversal of the reserves from sales of non-performing loans and recoveries of written-off claims were also recorded. In consumer finance business, credit quality continued to improve and the loan balance decreased.

Ordinary business profit after net credit costs were positive for all business groups and contributed to the stability of our earnings. The Institutional Group recorded ordinary business profit after net credit costs of ¥16.1 billion for the six months ended September 30, 2012. By rebuilding the customer base and pursuing stabilization of earnings, the performance

OVERVIEW (CONTINUED)

remained stable. The Global Markets Group recorded ordinary business profit after net credit costs of ¥4.7 billion for the six months ended September 30, 2012, an increase as compared to ¥2.8 billion for the six months ended September 30, 2011. Total revenue accumulated steadily, due to efforts made towards expansion of the customer base, and development and provision of products tailored to the needs of our customers. The Individual Group recorded ordinary business profit after net credit costs of ¥12.1 billion for the six months ended September 30, 2012. Total revenue decreased as compared to the six months ended September 30, 2011 due to the decrease in loan balance in consumer finance business. However, the pace of the decline in loan balance slowed down.

Balance of loans and bills discounted increased from ¥4,136.8 billion as of March 31, 2012, to ¥4,281.9 billion as of September 30, 2012. This was mainly due to an increase in loans to institutional customers and housing loans, while the pace of decrease in the consumer finance loan balance slowed.

Net interest margin was 2.08% for the six months ended September 30, 2012, an increase as compared to 2.00% for the six months ended September 30, 2011. This was mainly due to maturities of deposits bearing relatively high interest rates sold in previous years resulting in reduction in cost of deposits and negotiable certificates of deposit, and a decrease in the balance of relatively low-yield Japanese government bonds.

Tier I capital and total capital increased due to accumulation of consolidated net income and amortization of goodwill and intangible assets acquired in business combinations over the six months ended September 30, 2012, which resulted in improvement of the total capital adequacy ratio and Tier I capital ratio on a consolidated basis, to 11.7% and 9.8%, respectively, as of September 30, 2012, compared to 10.3% and 8.8% as of March 31, 2012.

Balance of non-performing loans under the Financial Revitalization Law totaled ¥274.6 billion as of September 30, 2012, a decrease of ¥21.2 billion during the six months ended September 30, 2012, mainly due to sales and collections of non-performing loans. The ratio of non-performing loans to the balance of total claims improved from 6.7% as of March 31, 2012 to 6.2% as of September 30, 2012.

SIGNIFICANT EVENTS

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

On June 12, 2012, Shinsei reached an agreement with Lloyds TSB Bank plc (“Lloyds TSB”) in which Lloyds TSB will transfer ownership of its overseas remittance business, a significant part of Lloyds Banking Group’s retail banking services in Japan, to Shinsei, subject to the approval of the Financial Services Agency of Japan (FSA). The agreement follows Lloyds Banking Group’s decision to run down its retail banking services in Japan as part of initiatives to simplify its international presence. Through this business transfer, Shinsei will take over the customer base and outstanding service offering built up by Lloyds TSB, and aim to commence provision of a new overseas remittance service. Complementing Shinsei’s already well-established, customer-friendly foreign currency deposit services, the business transfer will further enhance the suite of foreign currency services for individual customers that Shinsei has been developing.

RECENT DEVELOPMENTS

ISSUANCE OF UNSECURED CALLABLE SUBORDINATED BONDS

On October 26, 2012, Shinsei issued unsecured callable subordinated bonds of ¥6.4 billion through public offering in Japan.

SELECTED FINANCIAL DATA (CONSOLIDATED)

Shinsei Bank, Limited and Consolidated Subsidiaries

As of and for the six months ended September 30, 2012 and 2011, and as of and for the fiscal year ended March 31, 2012

Billions of yen (except per share data and percentages)

	Sept. 30, 2012 (6 months)	Sept. 30, 2011 (6 months)	Mar. 31, 2012 (1 year)
Statements of income data:			
Net interest income	**¥ 56.1**	¥ 60.7	¥ 116.9
Net fees and commissions	**8.7**	13.8	25.1
Net trading income	**9.5**	6.5	13.6
Net other business income	**29.5**	24.4	47.2
Total revenue	**104.1**	105.6	202.9
General and administrative expenses	**64.7**	64.5	130.3
Amortization of goodwill and intangible assets acquired in business combinations	**5.6**	6.2	11.9
Total general and administrative expenses	**70.4**	70.7	142.3
Net credit costs	**6.2**	8.8	12.2
Other gains (losses), net	**0.5**	(0.3)	(32.9)
Income before income taxes and minority interests	**27.9**	25.7	15.3
Current income tax	**0.8**	1.6	2.9
Deferred income tax	**(0.4)**	1.7	2.4
Minority interests in net income of subsidiaries	**1.7**	1.9	3.5
Net income	**¥ 25.7**	¥ 20.3	¥ 6.4
Balance sheet data:			
Trading assets	**¥ 217.9**	¥ 239.1	¥ 202.6
Securities	**2,003.4**	2,220.1	1,873.4
Loans and bills discounted	**4,281.9**	4,125.5	4,136.8
Customers' liabilities for acceptances and guarantees	**550.2**	557.2	562.6
Reserve for credit losses	**(171.9)**	(184.3)	(180.6)
Total assets	**8,882.5**	8,940.5	8,609.6
Deposits, including negotiable certificates of deposit	**5,374.6**	5,537.3	5,362.4
Debentures	**277.6**	313.1	294.1
Trading liabilities	**158.2**	191.2	176.0
Borrowed money	**718.3**	547.2	476.7
Acceptances and guarantees	**550.2**	557.2	562.6
Total liabilities	**8,235.2**	8,310.4	7,982.0
Common stock	**512.2**	512.2	512.2
Total equity	**647.2**	630.1	627.6
Total liabilities and equity	**¥ 8,882.5**	¥ 8,940.5	¥ 8,609.6
Per share data:			
Common equity(1)	**¥ 220.70**	¥ 214.07	¥ 212.67
Basic net income	**9.70**	7.66	2.42
Capital adequacy data:			
Total capital adequacy ratio	**11.7%**	10.5%	10.3%
Tier I capital ratio	**9.8%**	8.7%	8.8%
Average balance data:			
Securities	**¥ 1,886.7**	¥ 2,762.0	¥ 2,394.6
Loans and bills discounted	**4,185.6**	4,220.3	4,159.8
Total assets	**8,746.1**	9,586.0	9,420.6
Interest-bearing liabilities	**6,791.5**	7,621.1	7,237.5
Total liabilities	**8,108.6**	8,965.4	8,801.2
Total equity	**637.4**	620.6	619.4
Other data:			
Return on assets	**0.6%**	0.4%	0.1%
Return on equity(1)	**8.9%**	7.3%	1.2%
Ratio of deposits, including negotiable certificates of deposit, to total liabilities	**65.3%**	66.6%	67.2%
Expense-to-revenue ratio(2)	**62.2%**	61.1%	64.2%
Non-performing claims, non-consolidated	**¥ 274.6**	¥ 254.4	¥ 295.9
Ratio of non-performing claims to total claims, non-consolidated	**6.2%**	6.0%	6.7%
Net deferred tax assets	**¥ 15.5**	¥ 15.6	¥ 15.2
Net deferred tax assets as a percentage of Tier I capital	**2.7%**	2.9%	2.8%

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

RESULTS OF OPERATIONS (CONSOLIDATED)

SUPPLEMENTAL FINANCIAL DATA AND RECONCILIATIONS TO JAPANESE GAAP MEASURES

Shinsei Bank, Limited and Consolidated Subsidiaries

For the six months ended September 30, 2012 — Billions of yen (except per share data and percentages)

Amortization of goodwill and intangible assets acquired in business combinations	
Amortization of intangible assets acquired in business combinations	¥ 1.9
Associated deferred tax income	(0.7)
Amortization of goodwill	3.6
Total amortization of goodwill and intangible assets acquired in business combinations, net of tax benefit	¥ 4.9
Reconciliation of net income to cash basis net income[1]	
Net income	¥ 25.7
Amortization of goodwill and intangible assets acquired in business combinations, net of tax benefit	4.9
Cash basis net income	¥ 30.6
Reconciliation of basic net income per share to cash basis basic net income per share	
Basic net income per share	¥ 9.70
Effect of amortization of goodwill and intangible assets acquired in business combinations, net of tax benefit	1.85
Cash basis basic net income per share	¥ 11.56
Reconciliation of return on assets to cash basis return on assets	
Return on assets	0.6%
Effect of amortization of goodwill and intangible assets acquired in business combinations, net of tax benefit	0.1%
Cash basis return on assets	0.7%
Reconciliation of return on equity to cash basis return on equity	
Return on equity	8.9%
Effect of amortization of goodwill and intangible assets acquired in business combinations, net of tax benefit	1.7%
Cash basis return on equity	10.6%
Reconciliation of return on equity to return on tangible equity	
Return on equity	8.9%
Effect of goodwill and intangible assets acquired in business combinations	1.7%
Return on tangible equity[2]	10.6%

Notes: (1) The cash basis net income is calculated by excluding amortization and impairment of goodwill and intangible assets acquired in business combinations, net of tax benefit, from net income under Japanese GAAP.
(2) Net income excludes amortization of goodwill and intangible assets acquired in business combinations, net of tax benefit. Average equity excludes goodwill and intangible assets acquired in business combinations, net of associated deferred tax liability.

TOTAL REVENUE

We reported total revenue of ¥104.1 billion for the six months ended September 30, 2012, which consists revenue of ¥52.0 billion for both the first quarter and the second quarter of the fiscal year commenced from April 1, 2012. This represents a slight decrease as compared to ¥105.6 billion for the six months ended September 30, 2011. However, it is an increase as compared to ¥97.3 billion for the six months ended March 31, 2012. Until March 31, 2012, revenue had fluctuated on a quarterly basis due to the impact of non-recurring factors. However, in the fiscal year commenced from April 1, 2012, a steady performance has been recorded for every quarter, due to continuous management of potential losses including reduction of non-core assets, alongside continuous expansion of the customer base, based on our current Medium-Term Management Plan.

NET INTEREST INCOME

Net interest income of ¥56.1 billion recorded for the six months ended September 30, 2012 was at the same level as ¥56.1 billion for the six months ended March 31, 2012. However, it was lower than ¥60.7 billion recorded for the six months ended September 30, 2011. This was mainly due to a reduction in non-core assets, and the lower balance of consumer finance loans, although the pace of decrease in consumer finance loans has slowed down. In addition, loans for institutional customers and housing loans increased during the six months ended September 30, 2012.

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RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

NET REVENUE ON INTEREST-EARNING ASSETS

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

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

Billions of yen (except Yield/Rates)

	Six months ended September 30, 2012			Six months ended September 30, 2011		
	Average Balance	**Interest**	**Yield/Rate**	Average Balance	Interest	Yield/Rate
Interest-earning assets:						
Loans and bills discounted	**¥ 4,185.6**	**¥ 64.7**	**3.08%**	¥ 4,220.3	¥ 72.5	3.43%
Lease receivables and leased investment assets/ installment receivables	**563.4**	**17.6**	**6.24**	544.0	18.6	6.83
Securities	**1,886.7**	**8.6**	**0.91**	2,762.0	9.7	0.70
Other interest-earning assets[1]	**376.5**	**0.8**	**n.m.[3]**	331.9	0.8	n.m.[3]
Total revenue on interest-earning assets (A)	**¥ 7,012.4**	**¥ 91.7**	**2.61%**	¥ 7,858.3	¥ 101.7	2.58%
Interest-bearing liabilities:						
Deposits, including negotiable certificates of deposit	**¥ 5,345.7**	**¥ 11.8**	**0.44%**	¥ 5,669.6	¥ 15.1	0.53%
Debentures	**289.2**	**0.5**	**0.38**	333.4	0.8	0.50
Borrowed money	**608.8**	**2.6**	**0.85**	814.4	2.9	0.72
Subordinated debt	**93.0**	**0.9**	**2.07**	96.1	0.7	1.66
Other borrowed money	**515.8**	**1.6**	**0.64**	718.3	2.1	0.59
Corporate bonds	**164.0**	**2.5**	**3.09**	168.4	2.8	3.35
Subordinated bonds	**140.2**	**2.3**	**3.40**	141.9	2.6	3.68
Other corporate bonds	**23.7**	**0.1**	**1.25**	26.5	0.2	1.56
Other interest-bearing liabilities[1]	**383.6**	**0.4**	**n.m.[3]**	635.1	0.6	n.m.[3]
Total expense on interest-bearing liabilities (B)	**¥ 6,791.5**	**¥ 17.9**	**0.53%**	¥ 7,621.1	¥ 22.3	0.59%
Net interest margin (A) - (B)	**—**	**—**	**2.08%**	—	—	2.00%
Non-interest-bearing sources of funds:						
Non-interest-bearing (assets) liabilities, net	**¥ (355.4)**	**—**	**—**	¥ (321.4)	—	—
Total equity excluding minority interest[2]	**576.4**	**—**	**—**	558.5	—	—
Total non-interest-bearing sources of funds (C)	**¥ 220.9**	**—**	**—**	¥ 237.1	—	—
Total interest-bearing liabilities and non-interest-bearing sources of funds (D) = (B) + (C)	**¥ 7,012.4**	**¥ 17.9**	**0.51%**	¥ 7,858.3	¥ 22.3	0.57%
Net revenue on interest-earning assets/ yield on interest-earning assets (A) - (D)	**—**	**¥ 73.8**	**2.10%**	—	¥ 79.3	2.01%
Reconciliation of total revenue on interest-earning assets to total interest income						
Total revenue on interest-earning assets	**¥ 7,012.4**	**¥ 91.7**	**2.61%**	¥ 7,858.3	¥ 101.7	2.58%
Less: Income on lease transactions and installment receivables	**563.4**	**17.6**	**6.24**	544.0	18.6	6.83
Total interest income	**¥ 6,448.9**	**¥ 74.1**	**2.29%**	¥ 7,314.2	¥ 83.1	2.27%
Total interest expenses	**—**	**17.9**	**—**	—	22.3	—
Net interest income	**—**	**¥ 56.1**	**—**	—	¥ 60.7	—

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

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

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

The net interest margin rose to 2.08% for the six months ended September 30, 2012, compared to 2.00% for the six months ended September 30, 2011. The rate on interest-bearing liabilities decreased mainly by a decrease in the rate on deposits including negotiable certificates of deposit, from 0.53% for the six months ended September 30, 2011 to 0.44% for the six months ended September 30, 2012. This reflects that relatively high-yield time deposits are maturing and prevailing interest rates are getting lower under the state of market. The yield on interest-earning assets increased by lower volume of securities, consisting mainly of low-yield Japanese government bonds. The net interest margin of 2.08% for the six months ended September 30, 2012 also showed improvement compared to the 2.04% recorded over the fiscal year ended March 31,2012.

Net revenue on interest-earning assets for the six months ended September 30, 2012 was ¥73.8 billion, decreasing from ¥79.3 billion for the six months ended September 30, 2011. This decrease was because total revenue on interest-earning assets decreased by ¥9.9 billion, due to reduction of non-core assets such as loans and securities, and a decrease in the balance of consumer finance loans and Japanese government bonds, which exceeded the ¥4.4 billion decrease in total expense on interest-bearing liabilities of ¥17.9 billion for the six months ended September 30, 2012 compared to ¥22.3 billion for the six months ended September 30, 2011.

NET FEES AND COMMISSIONS

Net fees and commissions were mainly from non-recourse finance on domestic real estate, servicing fees in specialty finance and principal transactions, guarantee and other businesses operated by consumer finance subsidiaries, and sales of mutual funds and variable annuities. Net fees and commissions was ¥8.7 billion for the six months ended September 30, 2012, as compared to ¥13.8 billion for the six months ended September 30, 2011, mainly due to the decrease in mutual funds related fees in retail banking, and decrease in servicing fee income of subsidiaries against the backdrop of the European debt crisis and other factors.

NET TRADING INCOME

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

TABLE 2. NET TRADING INCOME (CONSOLIDATED)

	Billions of yen		
	Six months ended September 30, 2012	Six months ended September 30, 2011	% Change
Income from trading securities	**¥ 1.5**	¥ 0.0	2,253.7
Income (loss) from securities held to hedge trading transactions	**(1.7)**	(2.7)	36.2
Income from trading-related financial derivatives	**9.8**	9.2	6.3
Other, net	**(0.0)**	0.0	(186.8)
Net trading income	**¥ 9.5**	¥ 6.5	46.3

Net trading income includes revenues from derivatives with customer-driven transactions and those from proprietary trading. Net trading income of ¥9.5 billion was recorded for the six months ended September 30, 2012, an increase of ¥3.0 billion compared to ¥6.5 billion for the six months ended September 30, 2011, mainly due to expansion of the customer base and an increase in customer-driven income.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

NET OTHER BUSINESS INCOME

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

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

Billions of yen

	Six months ended September 30, 2012	Six months ended September 30, 2011	% Change
Net gain on monetary assets held in trust	**¥ 4.7**	¥ 3.9	18.8
Net gain on foreign exchanges	**1.1**	1.7	(34.6)
Net gain (loss) on securities	**2.0**	(0.7)	388.2
Net gain on other monetary claims purchased	**1.2**	0.4	156.8
Other, net:			
Income (loss) from derivatives for banking purposes, net	**(0.4)**	(1.6)	74.5
Equity in net income of affiliates	**1.2**	1.0	20.8
Gain on lease cancellation and other lease income (loss), net	**0.4**	(0.4)	211.8
Other, net	**1.4**	1.3	10.8
Net other business income before income on lease transactions and installment receivables, net	**11.9**	5.8	104.3
Income on lease transactions and installment receivables, net	**17.6**	18.6	(5.4)
Net other business income	**¥ 29.5**	¥ 24.4	20.8

Net other business income increased to ¥29.5 billion for the six months ended September 30, 2012 from ¥24.4 billion for the six months ended September 30, 2011. Income on installment receivables were ¥12.2 billion, an increase as compared to ¥11.6 billion for the six months ended September 30, 2011, combining the amount at APLUS FINANCIAL which steadily increased, and the results at Showa Leasing. In the principal transactions business, income from monetary trust management were ¥4.7 billion, an increase as compared to ¥3.9 billion for the six months ended September 30, 2011. In ALM operations, net gains on sale of Japanese national government bonds were ¥2.5 billion for the six months ended September 30, 2012, an increase as compared to ¥0.8 billion for the six months ended September 30, 2011. On the other hand, income on leased assets were ¥5.4 billion, a decrease as compared to ¥6.9 billion for the six months ended September 30, 2011.

For the six months ended September 30, 2011, net other business income included gains of ¥6.3 billion, net of withholding tax, on sales of foreign equities that had been classified as non-core assets, ¥5.2 billion of impairment on major listed securities, ¥2.2 billion of impairment on bonds related to domestic real estate non-recourse finance, and ¥0.7 billion of impairment on private equity investments. For the six months ended September 30, 2012, no major gains on sales or impairments of securities were recorded, impairment of bonds related to domestic real estate non-recourse finance of ¥0.9 billion, and impairment on private equity investments of ¥0.6 billion, were limited.

GENERAL AND ADMINISTRATIVE EXPENSES

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

TABLE 4. GENERAL AND ADMINISTRATIVE EXPENSES (CONSOLIDATED)

Billions of yen

	Six months ended September 30, 2012	Six months ended September 30, 2011	% Change
Personnel expenses	**¥ 26.1**	¥ 26.6	(1.5)
Premises expenses	**9.9**	10.2	(3.3)
Technology and data processing expenses	**8.6**	8.3	3.2
Advertising expenses	**4.3**	4.4	(1.4)
Consumption and property taxes	**3.3**	2.8	15.9
Deposit insurance premium	**2.1**	2.3	(8.1)
Other general and administrative expenses	**10.0**	9.5	5.5
General and administrative expenses	**64.7**	64.5	0.4
Amortization of goodwill and intangible assets acquired in business combinations	**5.6**	6.2	(9.0)
Total general and administrative expenses	**¥ 70.4**	¥ 70.7	(0.4)

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

General and administrative expenses of ¥64.7 billion, excluding amortization of goodwill and intangible assets acquired in business combinations, for the six months ended September 30, 2012 represented a slight increase from ¥64.5 billion for the six months ended September 30, 2011, although we continued to promote efficient expense management. With the aim of expanding our customer base and stabilizing our earnings, we prioritized allocation of management resources to relevant business areas while promoting business rationalization and streamlining. This slight increase from the six months ended September 30, 2011 was largely due to depreciation from capital expenditures related to system development, although we continued strict expense management for each expense category.

Personnel expenses of ¥26.1 billion for the six months ended September 30, 2012 decreased from ¥26.6 billion for the six months ended September 30, 2011. Although, we have allocated additional human resource to the relevant business areas, personnel expenses decreased as a result of ongoing streamlining across our businesses.

Non-personnel expenses of ¥38.5 billion for the six months ended September 30, 2012 increased from ¥37.8 billion for the six months ended September 30, 2011. We have worked to rationalize expenses across all of our business lines through strict expense control discipline, but non-personnel expenses increased largely due to enhancement of business infrastructure. Premises expenses decreased from ¥10.2 billion to ¥9.9 billion for the six months ended September 30, 2011 and 2012, respectively, reflecting continuous efforts at expense streamlining. Technology and data processing expenses increased from ¥8.3 billion to ¥8.6 billion for the six months ended September 30, 2011 and 2012, respectively, mainly due to additional depreciation from system development related capital expenditures. Advertising expenses decreased slightly from ¥4.4 billion to ¥4.3 billion for the six months ended September 30, 2011 and 2012, respectively, as we have promoted advertising activities with the aim to expand our customer base in concurrence with lowering of respective unit costs. Consumption and property taxes increased from ¥2.8 billion to ¥3.3 billion for the six months ended September 30, 2011 and 2012, respectively, due to the enhancement of business infrastructure including system development related capital expenditures. Other general and administrative expenses increased from ¥9.5 billion to ¥10.0 billion for the six months ended September 30, 2011 and 2012, respectively, including an increase in temporary staff expenses as we began operating a new system in parallel with the old system.

AMORTIZATION OF GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS

Amortization of goodwill and intangible assets acquired in business combinations associated with the acquisition of consumer and commercial finance companies totaled ¥5.6 billion and ¥6.2 billion for the six months ended September 30, 2012 and 2011, respectively. The difference is mainly attributable to the sum-of-the-years' digits method applied for amortization of goodwill and intangible assets acquired in business combinations related to Shinsei Financial. Amortization of goodwill and intangible assets acquired in business combinations for APLUS FINANCIAL was ¥0.4 billion for the six months ended September 30, 2012, which is related to the amortization of goodwill for Zen-Nichi Shinpan Co., Ltd., a subsidiary of APLUS FINANCIAL. Full impairment of goodwill and intangible assets for APLUS FINANCIAL was taken as of March 31, 2010.

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

	Billions of yen		
	Six months ended September 30, 2012	Six months ended September 30, 2011	% Change
Shinsei Financial	**¥ 3.9**	¥ 4.5	(12.1)
Shinki	**(0.1)**	(0.1)	0.0
APLUS FINANCIAL	**0.4**	0.4	0.0
Showa Leasing	**1.4**	1.4	(1.2)
Others	**(0.0)**	(0.0)	0.0
Amortization of goodwill and intangible assets acquired in business combinations	**¥ 5.6**	¥ 6.2	(9.0)

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RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

NET CREDIT COSTS

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

TABLE 6. NET CREDIT COSTS (CONSOLIDATED)

	Billions of yen		
	Six months ended September 30, 2012	Six months ended September 30, 2011	% Change
Losses on write-off or sales of loans	**¥ 3.2**	¥ 4.1	(21.4)
Net provision of reserve for loan losses:			
Net provision of general reserve for loan losses	**0.7**	4.0	(81.7)
Net provision of specific reserve for loan losses	**8.3**	7.4	11.6
Net provision (reversal) of reserve for loan losses to restructuring countries	**—**	(0.0)	100.0
Subtotal	**9.0**	11.5	(21.3)
Net provision (reversal) of specific reserve for other credit losses	**(0.0)**	—	—
Other credit costs (recoveries) relating to leasing business	**(0.4)**	(0.9)	52.6
Recoveries of written-off claims	**(5.6)**	(5.9)	5.3
Net credit costs	**¥ 6.2**	¥ 8.8	(28.9)

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

Net credit costs of ¥6.2 billion were recorded for the six months ended September 30, 2012, an improvement as compared to ¥8.8 billion for the six months ended September 30, 2011. The balance of loans and bills discounted increased, due to accumulation of institutional business loans and housing loans, and additional provisions of reserve for loan losses were recorded for real estate finance. However, reversal of the reserves from sales of non-performing loans, and recoveries of written-off claims were recorded. In consumer finance business, net provision of the reserve declined due to continuous improvement of credit quality and decrease in loan balance, while recoveries of written-off claims were also recorded, resulting in ¥4.4 billion of net credit costs for the six months ended September 30, 2012.

For the six months ended September 30, 2012, recoveries of written-off claims were ¥5.6 billion, compared to ¥5.9 billion for the six months ended September 30, 2011. Net credit costs excluding recoveries of written off claims for the six months ended September 30, 2012 has improved as compared to the six months ended September 30, 2011. Recoveries of written-off claims of ¥5.6 billion for the six months ended September 30, 2012 included ¥3.4 billion at Shinsei Financial, ¥1.6 billion at the Bank (non-consolidated) and ¥0.5 billion at Shinki.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

OTHER GAINS (LOSSES), NET

Other gains of ¥0.5 billion were recorded for the six months ended September 30, 2012, an improvement as compared to other losses of ¥0.3 billion for the six months ended September 30, 2011. Provisions of reserve for losses on interest repayment were recorded for ¥32.8 billion against future potential costs during the fiscal year ended March 31, 2012, and not recorded for the six months ended September 30, 2012.

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

	Billions of yen		
	Six months ended September 30, 2012	Six months ended September 30, 2011	% Change
Net gain (loss) on disposal of premises and equipment	**¥ 0.2**	¥ (0.1)	305.9
Pension-related costs	**(0.0)**	(0.0)	(168.4)
Gain on write-off of unclaimed debentures	**0.2**	0.7	(65.6)
Impairment losses on long-lived assets	**(0.1)**	(0.9)	81.1
Provision of reserve for losses on interest repayments	**—**	(0.8)	100.0
Other, net	**0.2**	0.7	(69.3)
Total	**¥ 0.5**	¥ (0.3)	249.1

INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS

As a result of the foregoing, income before income taxes and minority interests totaled ¥27.9 billion for the six months ended September 30, 2012, as compared to an income before income taxes and minority interests of ¥25.7 billion for the six months ended September 30, 2011.

INCOME TAXES (BENEFIT)

Current and deferred income taxes reflected a net expense of ¥0.3 billion for the six months ended September 30, 2012, as compared to a net expense of ¥3.4 billion for the six months ended September 30, 2011.

MINORITY INTERESTS IN NET INCOME OF SUBSIDIARIES

Minority interests in net income of subsidiaries were ¥1.7 billion for the six months ended September 30, 2012. Minority interests in net income of subsidiaries largely reflect dividends accrued on perpetual preferred securities issued by Shinsei's subsidiaries, and minority interests in the net income of other consolidated subsidiaries. Minority interests in net income of subsidiaries for the six months ended September 30, 2012 were almost the same as the ¥1.9 billion for the six months ended September 30, 2011.

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

	Billions of yen		
	Six months ended September 30, 2012	Six months ended September 30, 2011	% Change
Dividends on preferred securities (hybrid Tier I capital) issued by foreign SPCs	**¥ 1.5**	¥ 1.5	0.0
Others	**0.2**	0.3	(30.8)
Minority interests in net income of subsidiaries	**¥ 1.7**	¥ 1.9	(6.3)

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

NET INCOME

We recognized consolidated net income of ¥25.7 billion on a reported basis for the six months ended September 30, 2012, compared to consolidated net income of ¥20.3 billion for the six months ended September 30, 2011.

Consolidated cash basis net income for the six months ended September 30, 2012 was ¥30.6 billion, compared to cash basis net income of ¥25.6 billion for the six months ended September 30, 2011. The cash basis net income is calculated by excluding amortization and impairment of goodwill and intangible assets acquired in business combinations, net of tax benefit, from net income under Japanese GAAP.

RECONCILIATION FROM REPORTED-BASIS RESULTS TO OPERATING-BASIS RESULTS

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

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

Billions of yen

	Six months ended September 30, 2012			Six months ended September 30, 2011		
	Reported-basis	**Reclassifications**	**Operating-basis**	Reported-basis	Reclassifications	Operating-basis
Revenue:						
Net interest income	**¥ 56.1**	**¥ —**	**¥ 56.1**	¥ 60.7	¥ —	¥ 60.7
Non-interest income	**47.9**	**—**	**47.9**	44.9	—	44.9
Total revenue	**104.1**	**—**	**104.1**	105.6	—	105.6
General and administrative expenses[1]	**64.7**	**(0.9)**	**63.7**	64.5	(1.1)	63.3
Amortization of goodwill and intangible assets acquired in business combinations[2]	**5.6**	**(5.6)**	**—**	6.2	(6.2)	—
Total general and administrative expenses	**70.4**	**(6.6)**	**63.7**	70.7	(7.4)	63.3
Net business profit/Ordinary business profit[2]	**33.6**	**6.6**	**40.3**	34.9	7.4	42.3
Net credit costs	**6.2**	**—**	**6.2**	8.8	—	8.8
Amortization of goodwill and intangible assets acquired in business combinations[2]	**—**	**5.6**	**5.6**	—	6.2	6.2
Other gains (losses), net[1]	**0.5**	**(0.9)**	**(0.4)**	(0.3)	(1.1)	(1.5)
Income before income taxes and minority interests	**27.9**	**—**	**27.9**	25.7	—	25.7
Income taxes and minority interests	**2.1**	**—**	**2.1**	5.4	—	5.4
Net income	**¥ 25.7**	**¥ —**	**¥ 25.7**	¥ 20.3	¥ —	¥ 20.3

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

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

BUSINESS LINES RESULTS

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

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

Billions of yen

	Six months ended September 30, 2012	Six months ended September 30, 2011	% Change
Institutional Group:			
Net interest income	**¥ 14.5**	¥ 12.7	13.4
Non-interest income	**16.9**	19.7	(14.1)
Total revenue	**31.4**	32.5	(3.3)
General and administrative expenses	**12.0**	12.4	(3.3)
Ordinary business profit	**19.4**	20.0	(3.3)
Net credit costs	**3.3**	3.2	2.4
Ordinary business profit after net credit costs	**¥ 16.1**	¥ 16.8	(4.4)
Global Markets Group:			
Net interest income	**¥ 1.5**	¥ 1.5	2.3
Non-interest income	**6.0**	4.0	49.2
Total revenue	**7.6**	5.5	36.4
General and administrative expenses	**4.5**	4.8	(6.3)
Ordinary business profit	**3.0**	0.7	328.4
Net credit costs (recoveries)	**(1.7)**	(2.1)	20.0
Ordinary business profit after net credit costs (recoveries)	**¥ 4.7**	¥ 2.8	66.8
Individual Group:			
Net interest income	**¥ 43.0**	¥ 51.9	(17.1)
Non-interest income	**20.3**	19.5	4.0
Total revenue	**63.4**	71.5	(11.3)
General and administrative expenses	**46.9**	46.0	1.9
Ordinary business profit	**16.5**	25.5	(35.2)
Net credit costs	**4.3**	7.5	(41.8)
Ordinary business profit after net credit costs	**¥ 12.1**	¥ 17.9	(32.5)
Corporate/Other[(1)]:			
Net interest income	**¥ (2.9)**	¥ (5.5)	46.8
Non-interest income	**4.5**	1.5	195.7
Total revenue	**1.5**	(4.0)	139.2
General and administrative expenses	**0.2**	(0.0)	4,510.7
Ordinary business profit (loss)	**1.3**	(4.0)	133.1
Net credit costs	**0.2**	0.1	57.7
Ordinary business profit (loss) after net credit costs	**¥ 1.0**	¥ (4.1)	125.6
Total:			
Net interest income	**¥ 56.1**	¥ 60.7	(7.5)
Non-interest income	**47.9**	44.9	6.7
Total revenue	**104.1**	105.6	(1.5)
General and administrative expenses	**63.7**	63.3	0.7
Ordinary business profit	**40.3**	42.3	(4.7)
Net credit costs	**6.2**	8.8	(28.9)
Ordinary business profit after net credit costs	**¥ 34.0**	¥ 33.5	1.7

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

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

INSTITUTIONAL GROUP

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

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

	Billions of yen		
	Six months ended September 30, 2012	Six months ended September 30, 2011	% Change
Institutional Business Sub-Group[1]:			
Net interest income	**¥ 5.2**	¥ 4.3	20.2
Non-interest income	**1.5**	(2.0)	175.9
Total revenue	**6.7**	2.3	193.8
General and administrative expenses	**3.2**	3.4	(7.0)
Ordinary business profit (loss)	**3.5**	(1.1)	406.8
Net credit costs (recoveries)	**(0.9)**	(3.1)	69.2
Ordinary business profit after net credit costs (recoveries)	**¥ 4.5**	¥ 2.0	123.4
Structured Finance Sub-Group:			
Net interest income	**¥ 8.8**	¥ 8.5	3.0
Non-interest income	**1.4**	1.7	(20.8)
Total revenue	**10.2**	10.3	(1.1)
General and administrative expenses	**2.3**	2.4	(3.9)
Ordinary business profit	**7.9**	7.9	(0.2)
Net credit costs	**3.2**	7.7	(58.2)
Ordinary business profit after net credit costs	**¥ 4.6**	¥ 0.2	1,950.9
Principal Transactions Sub-Group:			
Net interest income	**¥ 1.9**	¥ 1.3	43.0
Non-interest income	**5.6**	4.7	20.5
Total revenue	**7.6**	6.1	25.6
General and administrative expenses	**1.9**	1.9	(3.3)
Ordinary business profit	**5.7**	4.1	39.4
Net credit costs (recoveries)	**0.0**	(0.3)	125.4
Ordinary business profit after net credit costs (recoveries)	**¥ 5.6**	¥ 4.5	26.1
Showa Leasing:			
Net interest income	**¥ (1.4)**	¥ (1.5)	9.1
Non-interest income	**7.7**	8.7	(10.4)
Total revenue	**6.3**	7.1	(10.7)
General and administrative expenses	**3.8**	3.8	(0.9)
Ordinary business profit	**2.5**	3.2	(22.3)
Net credit costs (recoveries)	**(0.3)**	(1.4)	74.6
Ordinary business profit after net credit costs (recoveries)	**¥ 2.9**	¥ 4.6	(38.0)
Others[1]:			
Net interest income	**¥ (0.1)**	¥ 0.0	(575.5)
Non-interest income	**0.5**	6.6	(92.0)
Total revenue	**0.3**	6.6	(94.0)
General and administrative expenses	**0.7**	0.7	4.8
Ordinary business profit (loss)	**(0.3)**	5.8	(106.3)
Net credit costs	**1.3**	0.5	169.7
Ordinary business profit (loss) after net credit costs	**¥ (1.7)**	¥ 5.3	(131.9)
Institutional Group:			
Net interest income	**¥ 14.5**	¥ 12.7	13.4
Non-interest income	**16.9**	19.7	(14.1)
Total revenue	**31.4**	32.5	(3.3)
General and administrative expenses	**12.0**	12.4	(3.3)
Ordinary business profit	**19.4**	20.0	(3.3)
Net credit costs	**3.3**	3.2	2.4
Ordinary business profit after net credit costs	**¥ 16.1**	¥ 16.8	(4.4)

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

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

The Institutional Group business recorded net interest income of ¥14.5 billion for the six months ended September 30, 2012, an increase from ¥12.7 billion for the six months ended September 30, 2011, as the progress made in rebuilding our customer base led to an increase in the loan balance. Non-interest income was ¥16.9 billion for the six months ended September 30, 2012, a decline from ¥19.7 billion for the six months ended September 30, 2011. However, the amount recorded for the six months ended September 30, 2011 included gains of ¥6.3 billion, net of withholding tax from sales of foreign equities categorized as non-core assets.

The Institutional Business Sub-Group put efforts into identifying new outlets for corporate lending and increasing the loan balance to rebuild our customer base. As a result, net interest income grew steadily to ¥5.2 billion for the six months ended September 30, 2012 from ¥4.3 billion for the six months ended September 30, 2011. In addition, non-interest income improved to a positive income of ¥1.5 billion for the six months ended September 30, 2012 from ¥2.0 billion of losses for the six months ended September 30, 2011 which included ¥3.9 billion of impairment on listed shares.

The Structured Finance Sub-Group recorded total revenue of ¥10.2 billion for the six months ended September 30, 2012, almost the same as ¥10.3 billion for the six months ended September 30, 2011. Divestitures of non-performing loans and new loan disbursements in real estate finance and in specialty finance led to higher quality asset replacement. While there was ¥2.2 billion of impairment on bonds related to real estate non-recourse finance for the six months ended September 30, 2011, this amount decreased to ¥0.9 billion for the six months ended September 30, 2012.

The Principal Transactions Sub-Group recorded total revenue of ¥7.6 billion for the six months ended September 30, 2012, an increase from ¥6.1 billion for the six months ended September 30, 2011. This strong performance was a result of profits realized in the credit trading business during the six months ended September 30, 2012. In addition, ¥0.6 billion of impairment on private equity investment was recognized for the six months ended September 30, 2012, compared to ¥0.7 billion for the six months ended September 30, 2011.

Others recorded total revenue of ¥0.3 billion for the six months ended September 30, 2012, compared to ¥6.6 billion for the six months ended September 30, 2011 which included gains of ¥6.3 billion, net of withholding tax, from sales of foreign equities as non-core assets.

General and administrative expenses were ¥12.0 billion for the six months ended September 30, 2012, marking a slight decrease from ¥12.4 billion for the six months ended September 30, 2011. This small decrease was due to the scale-down and exit from non-core businesses and efficiency improvements in each business, while the group focused on areas where we can demonstrate its strengths to improve profitability.

Net credit costs were ¥3.3 billion for the six months ended September 30, 2012, almost the same as ¥3.2 billion for the six months ended September 30, 2011. Despite continued divestiture of non-core assets to mitigate potential risks and collection from non-performing loans, net credit costs were at the same level as the six months ended September 30, 2011 in the Institutional Group. This reflects an increase in the loan balance due to an expansion of new financing, while real estate finance made additional reserves as a result of the economic slow-down.

As a result, the Institutional Group recorded an ordinary business profit after net credit costs of ¥16.1 billion for the six months ended September 30, 2012, almost the same level as ¥16.8 billion for the six months ended September 30, 2011. This result was relatively stable and steady, as there was less impact from non-recurring factors for the six months ended September 30, 2012, while net interest income increased in line with the increase in the loan balance.

Showa Leasing recorded ¥6.3 billion of total revenue for the six months ended September 30, 2012, a decrease from ¥7.1 billion for the six months ended September 30, 2011. Net credit recoveries were ¥0.3 billion for the six months ended September 30, 2012, compared to significant recoveries of ¥1.4 billion for the six months ended September 30, 2011. As a result, Showa Leasing recorded ¥2.9 billion of ordinary business profit after net credit costs for the six months ended September 30, 2012, compared to ¥4.6 billion for the six months ended September 30, 2011.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

GLOBAL MARKETS GROUP

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

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

Billions of yen

	Six months ended September 30, 2012	Six months ended September 30, 2011	% Change
Financial Institutions Sub-Group:			
Net interest income	**¥ 0.8**	¥ 0.7	14.4
Non-interest income	**1.6**	0.8	97.5
Total revenue	**2.4**	1.5	58.2
General and administrative expenses	**1.1**	1.1	0.5
Ordinary business profit	**1.2**	0.3	236.8
Net credit costs (recoveries)	**(1.3)**	(0.2)	(380.9)
Ordinary business profit after net credit costs (recoveries)	**¥ 2.6**	¥ 0.6	298.5
Markets Sub-Group:			
Net interest income	**¥ 0.6**	¥ 0.4	36.9
Non-interest income	**3.3**	2.0	66.8
Total revenue	**4.0**	2.5	61.0
General and administrative expenses	**1.6**	1.6	(0.6)
Ordinary business profit	**2.4**	0.9	172.1
Net credit costs (recoveries)	**(0.1)**	(1.3)	90.0
Ordinary business profit after net credit costs (recoveries)	**¥ 2.5**	¥ 2.2	16.2
Others:			
Net interest income	**¥ 0.0**	¥ 0.2	(85.2)
Non-interest income	**1.0**	1.2	(12.8)
Total revenue	**1.1**	1.5	(27.0)
General and administrative expenses	**1.7**	2.0	(14.6)
Ordinary business profit (loss)	**(0.6)**	(0.5)	(18.3)
Net credit costs (recoveries)	**(0.2)**	(0.5)	57.7
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ (0.4)**	¥ (0.0)	(1,862.9)
Global Markets Group[1]:			
Net interest income	**¥ 1.5**	¥ 1.5	2.3
Non-interest income	**6.0**	4.0	49.2
Total revenue	**7.6**	5.5	36.4
General and administrative expenses	**4.5**	4.8	(6.3)
Ordinary business profit	**3.0**	0.7	328.4
Net credit costs (recoveries)	**(1.7)**	(2.1)	20.0
Ordinary business profit after net credit costs (recoveries)	**¥ 4.7**	¥ 2.8	66.8

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

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

The Global Markets Group generated total revenue of ¥7.6 billion for the six months ended September 30, 2012, an increase from ¥5.5 billion for the six months ended September 30, 2011, when the financial markets were stagnant due to the European debt crisis and the Great East Japan Earthquake and there was a lower volume of customer transactions. In the six months ended September 30, 2012, markets had still not stabilized. However, the total revenue improved because of continuous efforts to rebuild the customer base as well as development and provision of financial products which meet customers' needs.

The Financial Institutions Sub-Group's total revenue was ¥2.4 billion for the six months ended September 30, 2012, increasing from ¥1.5 billion for the six months ended September 30, 2011. The sub-group deepened cooperation with the Markets Sub-Group to reinforce its sales promotion efforts, and strived to provide various products and transactions in line with customers' needs. The strong performance reflects solid revenues from transactions with customers.

The Markets Sub-Group earned total revenue of ¥4.0 billion for the six months ended September 30, 2012, increasing from ¥2.5 billion for the six months ended September 30, 2011. Financial markets were stagnant and there was a lower volume of customer transactions for the six months ended September 30, 2011. By contrast, for the six months ended September 30, 2012, the volume of customer transactions increased and total revenue rose because the sub-group improved its business structure and enhanced its capabilities to meet customers' needs.

Others earned total revenue of ¥1.1 billion for the six months ended September 30, 2012, compared to ¥1.5 billion for the six months ended September 30, 2011.

The Global Markets Group recorded ¥4.5 billion of general and administrative expenses for the six months ended September 30, 2012, a slight decrease from ¥4.8 billion for the six months ended September 30, 2011. Continuous cost rationalization was implemented by the overall group, while it prioritized the allocation of resources to relevant business areas to rebuild the customer base. As a result, expenses decreased slightly from the six months ended September 30, 2011.

Net credit recoveries of ¥1.7 billion were recorded for the six months ended September 30, 2012, compared to net credit recoveries of ¥2.1 billion for the six months ended September 30, 2011. The Global Markets Group has continued to reduce non-core assets and recorded a reversal of reserve for these assets and recoveries of written-off claims for the six months ended September 30, 2011. The group proceeded to collect on written-off claims and recorded recoveries of written-off claims for the six months ended September 30, 2012 as well, thereby recording net credit recoveries.

As a result, the Global Markets Group recorded ¥4.7 billion of ordinary business profit after net credit costs for the six months ended September 30, 2012, an increase from ¥2.8 billion for the six months ended September 30, 2011. The Global Markets Group main source of earnings is derived from transactions with customers and continuous efforts to rebuild the customer base are now bearing results.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

INDIVIDUAL GROUP

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

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

	Billions of yen		
	Six months ended September 30, 2012	Six months ended September 30, 2011	% Change
Retail Banking:	**¥ 16.7**	¥ 19.2	(13.3)
Deposits and Debentures Net Interest Income	**9.1**	11.3	(18.9)
Deposits and Debentures Non-Interest Income[1]	**1.9**	2.5	(23.3)
Asset management	**2.0**	2.3	(10.1)
Loans	**3.4**	3.1	12.9
Shinsei Financial and Shinsei Bank Lake[2]	**19.0**	22.8	(16.4)
Shinki	**3.2**	4.1	(22.4)
APLUS FINANCIAL	**23.5**	24.3	(3.2)
Others[3]	**0.8**	0.8	(9.9)
Total revenue	**¥ 63.4**	¥ 71.5	(11.3)

Notes: (1) Includes revenue from structured deposits of ¥1.9 billion and ¥2.8 billion for the six months ended September 30, 2012 and 2011, respectively.
(2) Results for the Shinsei Financial and "Shinsei Bank Card Loan-Lake" in the Lake business (started on October 1, 2011) are combined on a management accounting basis from October 1, 2011.
(3) Includes Shinsei Property Finance and unallocated Consumer Finance Sub-Group financials.

Individual Group's ordinary business profit after net credit costs was ¥12.1 billion for the six months ended September 30, 2012 compared to ¥17.9 billion for the six months ended September 30, 2011.

RETAIL BANKING

Total revenue of Retail Banking decreased to ¥16.7 billion for the six months ended September 30, 2012 from ¥19.2 billion for the six months ended September 30, 2011. Net interest income decreased to ¥13.1 billion for the six months ended September 30, 2012 from ¥15.3 billion for the six months ended September 30, 2011. This was mainly due to prevailing low interest rates resulting in a decrease in net interest income from deposits. Non-interest income also decreased to ¥3.5 billion for the six months ended September 30, 2012 from ¥3.9 billion for the six months ended September 30, 2011. The domestic and international markets were stagnant following the European debt crisis during the six months ended September 30, 2012. However, Retail Banking worked to minimize the decline in fee income from investment products by developing and offering products which meet customer's needs, such as products with a limited risk range.

Due to continued rationalization and efficient business processes, general and administrative expenses decreased slightly to ¥15.3 billion for the six months ended September 30, 2012 compared to ¥15.4 billion for the six months ended September 30, 2011.

Net credit recoveries totaled ¥31 million, which is less than ¥0.1 billion, for the six months ended September 30, 2012 compared to ¥1.2 billion for the six months ended September 30, 2011. As a result, ordinary business profit after net credit costs was ¥1.3 billion for the six months ended September 30, 2012 compared to ¥2.5 billion for the six months ended September 30, 2011.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

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

Billions of yen

	Six months ended September 30, 2012	Six months ended September 30, 2011	% Change
Retail Banking:			
Net interest income	¥ 13.1	¥ 15.3	(14.3)
Non-interest income	3.5	3.9	(9.4)
Total revenue	16.7	19.2	(13.3)
General and administrative expenses	15.3	15.4	(0.8)
Ordinary business profit	1.3	3.7	(64.7)
Net credit costs (recoveries)	(0.0)	1.2	(102.5)
Ordinary business profit after net credit costs (recoveries)	¥ 1.3	¥ 2.5	(45.7)
Shinsei Financial and Shinsei Bank Lake[1]:			
Net interest income	¥ 20.7	¥ 24.5	(15.7)
Non-interest income	(1.6)	(1.7)	6.5
Total revenue	19.0	22.8	(16.4)
General and administrative expenses	12.6	13.3	(5.4)
Ordinary business profit	6.4	9.4	(32.0)
Net credit costs (recoveries)	0.9	(0.2)	568.9
Ordinary business profit after net credit costs (recoveries)	¥ 5.4	¥ 9.6	(43.8)
Shinki:			
Net interest income	¥ 3.5	¥ 4.5	(21.2)
Non-interest income	(0.3)	(0.3)	4.6
Total revenue	3.2	4.1	(22.4)
General and administrative expenses	1.9	1.8	1.7
Ordinary business profit	1.3	2.3	(42.2)
Net credit costs	0.0	0.1	(65.1)
Ordinary business profit after net credit costs	¥ 1.2	¥ 2.1	(40.9)
APLUS FINANCIAL:			
Net interest income	¥ 4.9	¥ 6.7	(26.7)
Non-interest income	18.6	17.6	5.7
Total revenue	23.5	24.3	(3.2)
General and administrative expenses	16.6	15.0	11.3
Ordinary business profit	6.8	9.3	(26.4)
Net credit costs	3.4	6.2	(45.5)
Ordinary business profit after net credit costs	¥ 3.4	¥ 3.0	12.3
Others[2]:			
Net interest income	¥ 0.6	¥ 0.8	(13.1)
Non-interest income	0.1	0.0	18.6
Total revenue	0.8	0.8	(9.9)
General and administrative expenses	0.2	0.2	0.2
Ordinary business profit	0.5	0.6	(13.7)
Net credit costs (recoveries)	(0.0)	0.1	(121.4)
Ordinary business profit after net credit costs (recoveries)	¥ 0.5	¥ 0.5	7.8
Individual Group:			
Net interest income	¥ 43.0	¥ 51.9	(17.1)
Non-interest income	20.3	19.5	4.0
Total revenue	63.4	71.5	(11.3)
General and administrative expenses	46.9	46.0	1.9
Ordinary business profit	16.5	25.5	(35.2)
Net credit costs	4.3	7.5	(41.8)
Ordinary business profit after net credit costs	¥ 12.1	¥ 17.9	(32.5)

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

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

SHINSEI FINANCIAL AND SHINSEI BANK LAKE

The ordinary business profit after net credit costs of Shinsei Financial and Shinsei Bank Lake was ¥5.4 billion for the six months ended September 30, 2012 compared to ¥9.6 billion for the six months ended September 30, 2011. Total revenue was ¥19.0 billion for the six months ended September 30, 2012, compared to ¥22.8 billion for the six months ended September 30, 2011, as the loan balance continued to decrease due to the ongoing effects of the revised Money-Lending Business Control and Regulation Law. However, the pace of decrease in the combined loan balance at Shinsei Financial and Shinsei Bank Lake has slowed, due to the commencement of the Bank-based consumer finance business from October 2011. Specifically, although the combined loan balance decreased by ¥38.6 billion in the six months ended September 30, 2011, the decrease was limited to ¥14.1 billion for the six months ended September 30, 2012.

Consumer finance is expected to incur a certain amount of net credit costs due to the inherent nature of the business. However, we are implementing strict credit management and have established a strong structure for loan collections, while credit quality continues to improve due to the income-linked borrowing limitation regulation implemented in 2010. Combined with the large decline in loan balance, net credit recoveries of ¥0.2 billion were recorded for the six months ended September 30, 2011. However, the decrease in the loan balance was less pronounced in the six months ended September 30, 2012, and this resulted in net credit costs of ¥0.9 billion.

SHINKI

The ordinary business profit after net credit costs of Shinki was ¥1.2 billion for the six months ended September 30, 2012 compared to ¥2.1 billion for the six months ended September 30, 2011. Similar to Shinsei Financial, Shinki's total revenue also decreased due to the revised Money-Lending Business Control and Regulation Law. However, the pace of decrease has slowed.

APLUS FINANCIAL

The ordinary business profit after net credit costs of APLUS FINANCIAL increased to ¥3.4 billion for the six months ended September 30, 2012, compared to ¥3.0 billion for the six months ended September 30, 2011. Net interest income decreased to ¥4.9 billion for the six months ended September 30, 2012, compared to ¥6.7 billion for the six months ended September 30, 2011 due to the decrease in loan balance following implementation of the revised Money-Lending Business Control and Regulation Law. However, non-interest income increased to ¥18.6 billion for the six months ended September 30, 2012, compared to ¥17.6 billion for the six months ended September 30, 2011 due to the steady increase in volume in the installment sales credit and settlement business. Due to an increase in depreciation for system related assets, general and administrative expenses increased to ¥16.6 billion for the six months ended September 30, 2012 from ¥15.0 billion for the six months ended September 30, 2011 despite continued rationalization and efficient business processes. However, due to strict credit management, net credit costs decreased to ¥3.4 billion for the six months ended September 30, 2012 from ¥6.2 billion for the six months ended September 30, 2011.

INTEREST REPAYMENT

Provisions of reserve for losses on interest repayment of ¥32.8 billion were recorded against future potential costs during the fiscal year ended March 31, 2012, and no additional provisions for the reserve were recorded for the six months ended September 30, 2012. The usage of reserve for losses on interest repayment for the six months ended September 30, 2012 decreased compared to the six months ended September 30, 2011 in Shinsei Financial, Shinki and APLUS FINANCIAL.

Shinsei Financial's usage of reserve for losses on interest repayment and others amounted to ¥2.6 billion for the six months ended September 30, 2012 from ¥4.7 billion for the six months ended September 30, 2011. No additional provision of reserves was recorded and the outstanding balance of the reserve was ¥23.6 billion as of September 30, 2012 compared to ¥26.2 billion as of March 31, 2012. When the consumer finance business was purchased from GE, the purchase agreement included an indemnity from GE that provides protection on the purchased assets of Shinsei Financial against potential losses beyond ¥203.9 billion from the majority of the legacy accounts with interest repayment risk exposure.

Shinki's usage of reserve for losses on interest repayment amounted to ¥3.6 billion for the six months ended September 30, 2012 from ¥5.8 billion for the six months ended September 30, 2011. No additional provision of the reserve was recorded and the outstanding balance of the reserve was ¥10.3 billion as of September 30, 2012 compared to ¥14.0 billion as of March 31, 2012.

APLUS FINANCIAL's usage of reserve for losses on interest repayment amounted to ¥3.0 billion for the six months ended September 30, 2012 from ¥3.4 billion for the six months ended September 30, 2011. No additional provision of the reserve was recorded and the outstanding balance of the reserve was ¥7.5 billion as of September 30, 2012 compared to ¥10.6 billion as of March 31, 2012.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

CORPORATE/OTHER

The Corporate/Other consists of 1) Treasury Sub-Group which undertakes ALM related transactions and capital funding and 2) Others including company-wide accounts, allocation variance of indirect expense and elimination amount of inter-segment transactions.

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

	Billions of yen		
	Six months ended September 30, 2012	Six months ended September 30, 2011	% Change
Treasury Sub-Group[1]:			
Net interest income	**¥ (1.6)**	¥ (3.9)	57.7
Non-interest income	**4.3**	1.3	210.7
Total revenue	**2.6**	(2.6)	201.0
General and administrative expenses	**0.6**	0.5	14.9
Ordinary business profit (loss)	**1.9**	(3.1)	162.8
Net credit costs	**—**	—	—
Ordinary business profit (loss) after net credit costs	**¥ 1.9**	¥ (3.1)	162.8
Others[2]:			
Net interest income	**¥ (1.2)**	¥ (1.5)	18.7
Non-interest income	**0.2**	0.1	45.3
Total revenue	**(1.0)**	(1.4)	25.0
General and administrative expenses	**(0.3)**	(0.5)	30.1
Ordinary business profit (loss)	**(0.6)**	(0.8)	21.5
Net credit costs	**0.2**	0.1	57.7
Ordinary business profit (loss) after net credit costs	**¥ (0.9)**	¥ (1.0)	8.6
Corporate/Other:			
Net interest income	**¥ (2.9)**	¥ (5.5)	46.8
Non-interest income	**4.5**	1.5	195.7
Total revenue	**1.5**	(4.0)	139.2
General and administrative expenses	**0.2**	0.0	4,510.7
Ordinary business profit (loss)	**1.3**	(4.0)	133.1
Net credit costs	**0.2**	0.1	57.7
Ordinary business profit (loss) after net credit costs	**¥ 1.0**	¥ (4.1)	125.6

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

Treasury Sub-Group, which manages ALM for the Bank overall, was transferred to the Finance Group in organizational changes implemented on July 1, 2012, and its results are now included in the Corporate/Other. The Treasury Sub-Group's total revenue was a profit of ¥2.6 billion for the six months ended September 30, 2012, compared to a loss of ¥2.6 billion for the six months ended September 30, 2011. The sub-group holds liquidity reserves and Japanese government bonds for ALM purposes and during the six months ended September 30, 2012, the sub-group frequently traded Japanese government bonds to facilitate liquidity management and earned sales gains at the same time. The net sales gains increased from ¥0.8 billion for the six months ended September 30, 2011 to ¥2.5 billion for the six months ended September 30, 2012.

FINANCIAL CONDITION

TOTAL ASSETS

Consolidated total assets increased from ¥8,609.6 billon to 8,882.5 billion over the six months ended September 30, 2012.

Balance of our loans and bills discounted was ¥4,281.9 billion as of September 30, 2012, an increase of ¥145.0 billion from March 31, 2012. The Institutional Group and the Global Markets Group accumulated core business assets, due to the expansion of the customer base, while housing loans increased in the Individual Group. We saw continued reduction of our non-core assets, and a lower loan balance within our consumer finance business due to the impact of the revised Money-Lending Business Control and Regulation Law. However the pace of decrease in the consumer finance loan balance has gradually become less pronounced, mainly due to the commencement of the Bank-based consumer finance business from October 2011. This trend, together with the increase in core business loans and bills discounted offset the negative factors.

TABLE 16. LOANS BY BORROWER INDUSTRY (CONSOLIDATED)

Billions of yen (except percentages)

	As of September 30, 2012		As of September 30, 2011	
Domestic offices (excluding Japan offshore market account):				
Manufacturing	**¥ 234.6**	**5.6%**	¥ 246.9	6.1%
Agriculture and Forestry	**0.2**	**0.0**	1.2	0.0
Fishery	**—**	**—**	1.0	0.0
Mining, quarrying and gravel extraction	**0.2**	**0.0**	0.4	0.0
Construction	**16.8**	**0.4**	16.1	0.4
Electric power, gas, heat supply and water supply	**110.2**	**2.6**	37.6	0.9
Information and communications	**40.0**	**1.0**	34.9	0.9
Transportation, postal service	**232.4**	**5.5**	276.0	6.8
Wholesale and retail	**83.0**	**2.0**	80.2	2.0
Finance and insurance	**748.9**	**17.8**	680.0	16.8
Real estate	**614.8**	**14.7**	610.8	15.1
Services	**309.8**	**7.4**	310.8	7.7
Local government	**118.0**	**2.8**	140.9	3.5
Others	**1,687.2**	**40.2**	1,603.9	39.7
Total domestic (A)	**¥ 4,196.7**	**100.0%**	¥ 4,041.4	100.0%
Overseas offices (including Japan offshore market accounts):				
Governments	**¥ 1.9**	**2.3%**	¥ 2.1	2.6%
Financial institutions	**0.8**	**1.0**	1.1	1.4
Others	**82.3**	**96.7**	80.7	96.0
Total overseas (B)	**¥ 85.1**	**100.0%**	¥ 84.0	100.0%
Total (A+B)	**¥ 4,281.9**		¥ 4,125.5	

TABLE 17. OVERSEAS AND OFFSHORE LOANS BY REGION (NON-CONSOLIDATED)

Billions of yen

	As of September 30, 2012	As of September 30, 2011
United States	**¥ 44.0**	¥ 52.1
Asset-backed investments in the U.S.	**5.3**	4.6
Europe	**43.9**	33.5
Asset-backed investments in Europe	**22.3**	25.7
Others	**130.8**	101.5
Total overseas and offshore loans	**¥ 218.8**	¥ 187.2
Total asset-backed investments	**¥ 27.6**	¥ 30.4

Securities balance as of September 30, 2012 was ¥2,003.4 billion compared to ¥1,873.4 billion as of March 31, 2012. Over half of the investments in securities were consisted of Japanese government bonds for ALM purposes, including liquidity reserve. Increase in the balance of investments in securities during the six months ended September 30, 2012 was mainly due to the increase in the balance of Japanese national government bonds through portfolio management, resulting in a total balance of Japanese national government bonds of ¥1,476.1 billion as of September 30, 2012, as compared to ¥1,285.1 as of March 31, 2012.

FINANCIAL CONDITION (CONTINUED)

FUNDING AND LIQUIDITY

The table below shows changes in the proportion of our overall funding represented by funds raised from deposits and debentures in our Retail and Institutional Banking businesses. Shinsei continues to optimize its funding base through deposits mainly from retail customers.

TABLE 18. DIVERSIFICATION BY FUNDING TYPE (CONSOLIDATED)

Billions of yen

	As of September 30, 2012	As of September 30, 2011
Retail deposits	**¥ 4,492.9**	¥ 4,781.5
Institutional deposits	**881.7**	755.8
Retail debentures(1)	**260.9**	274.8
Institutional debentures	**16.7**	38.3
Total	**¥ 5,652.2**	¥ 5,850.5

Note: (1) Excludes unclaimed matured debentures.

TOTAL EQUITY

Total equity as of September 30, 2012 was ¥647.2 billion and included minority interests of ¥60.1 billion.

SUMMARY OF NON-CONSOLIDATED FINANCIAL RESULTS

We disclose non-consolidated financial information in addition to our consolidated financial statements. As a recipient of public funds, we are required by the FSA to update and report on non-consolidated performance in relation to targets set forth in our Revitalization Plan on a quarterly basis and to publicly disclose that information semi-annually. Shinsei recorded a net income of ¥15.6 billion on a non-consolidated basis for the six months ended September 30, 2012. Differences between the net income on a non-consolidated basis and consolidated basis are mainly because of the gains and losses from our consolidated subsidiaries, including Showa Leasing, Shinsei Financial, APLUS FINANCIAL and Shinki, the gains and losses on our investment in our equity method affiliate, Jih Sun Financial Holding Co., Ltd., and the dividends received from our major consolidated subsidiaries.

TABLE 19. SUPPLEMENTAL MEASURES (NON-CONSOLIDATED)

Billions of yen

	Six months ended September 30, 2012	Six months ended September 30, 2011
Gross business profit *(gyomu soerieki)* :		
Net interest income	**¥ 34.8**	¥ 29.3
Net fees and commissions(1)	**7.5**	9.4
Net trading income	**8.5**	6.7
Net other business income	**1.2**	(7.1)
Total gross business profit	**52.1**	38.3
Expenses(2)	**33.3**	27.4
Net business profit *(jisshitsu gyomu jun-eki)*	**18.7**	10.8
Other, net(3)	**(3.1)**	(2.5)
Net operating income *(keijo rieki)*	**15.6**	8.3
Extraordinary income (loss)	**(0.5)**	(1.3)
Income before income taxes	**15.1**	6.9
Current income taxes (benefit)	**(0.1)**	0.3
Deferred income taxes (benefit)	**(0.4)**	2.0
Net income	**¥ 15.6**	¥ 4.5

Notes: (1) Includes net gain (loss) on monetary assets held in trust of ¥5.1 billion and ¥6.4 billion for the six months ended September 30, 2012 and 2011, respectively.
(2) General and administrative expenses with certain adjustment.
(3) Excludes net gain (loss) on monetary assets held in trust.

FINANCIAL CONDITION (CONTINUED)

SUPPLEMENTAL NON-CONSOLIDATED MEASURES

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

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

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

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

While these non-Japanese GAAP business profit measures should not be viewed as a substitute for net income, management believes that these measures provide a meaningful way of comparing a number of the important components of Shinsei's revenues and profitability from year to year. The table on the previous page sets forth these supplemental financial data and corresponding reconciliations to net income under Japanese GAAP for the presented period.

ASSET QUALITY AND DISPOSAL OF NON-PERFORMING LOANS OF SHINSEI

At September 30, 2012, 72.2% of our consolidated non-performing loans as disclosed in accordance with the guidelines of the Japanese Bankers Association (JBA) were held by Shinsei and most of the rest were held by Shinsei Financial, APLUS FINANCIAL and Shinki. This discussion of our asset quality presents information of Shinsei on a non-consolidated basis unless specified otherwise. In particular, non-performing claims as defined in the Financial Revitalization Law are only disclosed on a non-consolidated basis, and therefore do not include non-performing claims held by Shinsei Financial, APLUS FINANCIAL, Showa Leasing and Shinki. For a discussion regarding the non-performing claims of Shinsei Financial, APLUS FINANCIAL, Showa Leasing and Shinki see Asset Quality of Shinsei Financial, APLUS FINANCIAL, Showa Leasing and Shinki.

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

CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW

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

DISCLOSURE OF CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW

Our current management team has consistently emphasized the monitoring of non-performing claims. Shinsei's total amount of non-performing claims as disclosed pursuant to the Financial Revitalization Law decreased ¥21.2 billion, or 7.2%, to ¥274.6 billion, between March 31, 2012 and September 30, 2012. During the six months ended September 30, 2012, claims against bankrupt and quasi-bankrupt obligors increased from ¥49.1 billion to ¥50.9 billion, and doubtful claims decreased from ¥245.2 billion to ¥220.9 billion, and substandard claims increased from ¥1.5 billion to ¥2.7 billion, as a result of our self assessment. The ratio of non-performing claims disclosed under the Financial Revitalization Law to total non-consolidated claims as of September 30, 2012 decreased to 6.2%, compared to 6.7% as of March 31, 2012.

Shinsei's claims against other need caution obligors, excluding substandard claims, totaled ¥255.3 billion as of September 30, 2012, a 13.1% decrease from ¥293.9 billion as of March 31, 2012, which included private placement bonds guaranteed by Shinsei classified as claims against other need caution obligors.

These claims represented 5.7% of total non-consolidated claims as of September 30, 2012, down from 6.6% as of March 31, 2012.

FINANCIAL CONDITION (CONTINUED)

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

(Billions of yen)

Obligor Classifications		Internal Ratings	Reserve Ratios for Borrowers Type	Claims Classified under the Financial Revitalization Law[2][3]		Risk-monitored Loans[2]
				Total loans and bills discounted: 4,264.1	Other 193.6	Total loans and bills discounted: 4,264.1
Legally bankrupt		9E	100.0% for unsecured portion	Claims against bankrupt and quasi-bankrupt obligors 50.9 (Amount of coverage, coverage ratio) (50.9*, 100.0%) *Amount of reserve for loan losses is 3.9, collateral and guarantees is 47.0		Loans to bankrupt obligors 5.3
Virtually bankrupt		9D	100.0% for unsecured portion			Non-accrual delinquent loans 241.7
Possibly bankrupt		9C	97.7% for unsecured portion	Doubtful claims 220.9 (Amount of coverage, coverage ratio) (213.7*, 96.7%) *Amount of reserve for loan losses is 70.2, collateral and guarantees is 143.5		
Need caution	Substandard	9B	83.0% for unsecured portion	Substandard claims (loan account only) 2.7 (Amount of coverage, coverage ratio) (2.1*, 78.3%) *Amount of reserve for loan losses is 0.8, collateral and guarantees is 1.3		Loans past due for three months or more Restructured loans 2.7
	Other need caution	9A	5.9% for total claims			
Normal		0A–6C	0.4% for total claims	Normal claims 4,183.1		Normal 4,014.2
				Total non-performing claims and ratio to total claims 274.6, 6.2% (Total amount of coverage, coverage ratio) (266.8*, 97.2%) *Total amount of reserve for loan losses is 74.9, collateral and guarantees is 191.8		Total risk-monitored loans and ratio to total loans and bills discounted 249.8, 5.9%

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

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FINANCIAL CONDITION (CONTINUED)

TABLE 20. CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW (NON-CONSOLIDATED)

Billions of yen (except percentages)

	As of September 30, 2012	As of September 30, 2011	As of March 31, 2012
Claims against bankrupt and quasi-bankrupt obligors	**¥ 50.9**	¥ 53.3	¥ 49.1
Doubtful claims	**220.9**	196.7	245.2
Substandard claims	**2.7**	4.3	1.5
Total claims disclosed under the Financial Revitalization Law[1]	**274.6**	254.4	295.9
Normal claims and claims against other need caution obligors excluding substandard claims	**4,183.1**	4,013.7	4,149.8
Total claims	**¥ 4,457.7**	¥ 4,268.1	¥ 4,445.7
Ratio of total claims disclosed under the Financial Revitalization Law to total claims	**6.2%**	6.0%	6.7%

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

COVERAGE RATIOS

As of September 30, 2012, non-consolidated coverage ratios for claims classified under the Financial Revitalization Law, which for each category of claims is the total of collateral pledged against claims, guarantees for claims and reserve for loan losses, measured against total claims, were 100.0% for claims against bankrupt and quasi-bankrupt obligors, 96.7% for doubtful claims and 78.3% for substandard claims. For all claims classified under the Financial Revitalization Law, the coverage ratio was 97.2%.

Shinsei directly writes off, rather than reserves, the portion of claims against bankrupt and quasi-bankrupt obligors that are estimated to be uncollectible. As of September 30, 2012, ¥68.9 billion of such claims were written off on a non-consolidated basis.

TABLE 21. COVERAGE RATIOS FOR NON-PERFORMING CLAIMS DISCLOSED UNDER THE FINANCIAL REVITALIZATION LAW (NON-CONSOLIDATED)

Billions of yen (except percentages)

		Amounts of coverage			
	Amount of claims	Reserve for loan losses	Collateral and guarantees	Total	Coverage ratio
As of September 30, 2012:					
Claims against bankrupt and quasi-bankrupt obligors	**¥ 50.9**	**¥ 3.9**	**¥ 47.0**	**¥ 50.9**	**100.0%**
Doubtful claims	**220.9**	**70.2**	**143.5**	**213.7**	**96.7**
Substandard claims	**2.7**	**0.8**	**1.3**	**2.1**	**78.3**
Total	**¥ 274.6**	**¥ 74.9**	**¥ 191.8**	**¥ 266.8**	**97.2%**
As of September 30, 2011:					
Claims against bankrupt and quasi-bankrupt obligors	¥ 53.3	¥ 3.6	¥ 49.7	¥ 53.3	100.0%
Doubtful claims	196.7	38.9	151.8	190.7	97.0
Substandard claims	4.3	1.7	1.0	2.7	62.8
Total	¥ 254.4	¥ 44.3	¥ 202.5	¥ 246.8	97.0%
As of March 31, 2012:					
Claims against bankrupt and quasi-bankrupt obligors	¥ 49.1	¥ 3.6	¥ 45.4	¥ 49.1	100.0%
Doubtful claims	245.2	72.5	162.9	235.4	96.0
Substandard claims	1.5	0.4	1.1	1.5	99.0
Total	¥ 295.9	¥ 76.6	¥ 209.5	¥ 286.1	96.7%

FINANCIAL CONDITION (CONTINUED)

RESERVE FOR CREDIT LOSSES

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

TABLE 22. RESERVE FOR CREDIT LOSSES (NON-CONSOLIDATED)

Billions of yen (except percentages)

	As of September 30, 2012	As of September 30, 2011
General reserve for loan losses	¥ 34.1	¥ 44.8
Specific reserve for loan losses	75.4	44.0
Reserve for loans to restructuring countries	0.0	0.0
Subtotal reserve for loan losses	109.6	88.9
Specific reserve for other credit losses	3.9	21.1
Total reserve for credit losses	¥ 113.5	¥ 110.1
Total claims(1)	¥ 4,457.7	¥ 4,268.1
Ratio of total reserve for loan losses to total claims	2.5%	2.1%
Ratio of total reserve for credit losses to total claims	2.5%	2.6%

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

As of September 30, 2012 and September 30, 2011, total reserve for credit losses on a non-consolidated basis was ¥113.5 billion and ¥110.1 billion, respectively, constituting 2.5% and 2.6%, respectively, of total claims.

TABLE 23. RESERVE RATIOS BY BORROWERS' CATEGORY (NON-CONSOLIDATED)

Percentages

		As of September 30, 2012	As of September 30, 2011
Legally and virtually bankrupt	(unsecured portion)	100.0%	100.0%
Possibly bankrupt	(unsecured portion)	97.7%	97.5%
Substandard	(unsecured portion)	83.0%	52.0%
Need caution	(total claims)	5.9%	3.7%
	(unsecured portion)	18.7%	12.9%
Normal	(total claims)	0.4%	0.7%

RISK-MONITORED LOANS

Consolidated risk-monitored loans decreased by ¥25.8 billion during the six months ended September 30, 2012 to ¥346.0 billion.

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

TABLE 24. RISK-MONITORED LOANS (CONSOLIDATED)

Billions of yen (except percentages)

	As of September 30, 2012	As of September 30, 2011
Total loans and bills discounted	¥ 4,281.9	¥ 4,125.5
Loans to bankrupt obligors (A)	18.9	14.9
Non-accrual delinquent loans (B)	284.6	274.1
Subtotal (A)+(B)	¥ 303.5	¥ 289.1
Ratio to total loans and bills discounted	7.1%	7.0%
Loans past due for three months or more (C)	¥ 1.7	¥ 1.7
Restructured loans (D)	40.8	54.9
Total risk-monitored loans (A)+(B)+(C)+(D)	¥ 346.0	¥ 345.9
Ratio to total loans and bills discounted	8.1%	8.4%
Reserve for credit losses	¥ 171.9	¥ 184.3

FINANCIAL CONDITION (CONTINUED)

TABLE 25. RISK-MONITORED LOANS (NON-CONSOLIDATED)

Billions of yen (except percentages)

	As of September 30, 2012	As of September 30, 2011
Total loans and bills discounted	¥ 4,264.1	¥ 4,060.8
Loans to bankrupt obligors (A)	5.3	6.5
Non-accrual delinquent loans (B)	241.7	216.2
Subtotal (A)+(B)	¥ 247.1	¥ 222.8
Ratio to total loans and bills discounted	5.8%	5.5%
Loans past due for three months or more (C)	¥ 0.7	¥ 0.7
Restructured loans (D)	1.9	3.5
Total risk-monitored loans (A)+(B)+(C)+(D)	¥ 249.8	¥ 227.1
Ratio to total loans and bills discounted	5.9%	5.6%
Reserve for credit losses	¥ 113.5	¥ 110.1

TABLE 26. RISK-MONITORED LOANS BY BORROWER INDUSTRY (NON-CONSOLIDATED)

Billions of yen

	As of September 30, 2012	As of September 30, 2011
Domestic offices (excluding Japan offshore market account):		
Manufacturing	¥ 7.4	¥ 3.2
Agriculture and Forestry	—	—
Fishery	—	—
Mining, quarrying and gravel extraction	—	—
Construction	0.0	—
Electric power, gas, heat supply and water supply	—	—
Information and communications	—	0.5
Transportation, postal service	2.9	—
Wholesale and retail	—	0.0
Finance and insurance	43.3	23.8
Real estate	151.6	183.0
Services	26.2	0.1
Local government	—	—
Individual	3.5	4.2
Overseas yen loan and overseas loans booked domestically	14.6	11.9
Total domestic (A)	¥ 249.8	¥ 227.1
Overseas offices (including Japan offshore market accounts):		
Governments	¥ —	¥ —
Financial institutions	—	—
Others	—	—
Total overseas (B)	¥ —	¥ —
Total (A+B)	¥ 249.8	¥ 227.1

TABLE 27. RISK-MONITORED OVERSEAS AND OFFSHORE LOANS BY REGION (NON-CONSOLIDATED)

Billions of yen

	As of September 30, 2012	As of September 30, 2011
United States	¥ —	¥ —
Asset-backed investments in the U.S.	—	—
Europe	11.2	11.9
Asset-backed investments in Europe	11.2	11.6
Others	3.3	0.0
Total overseas and offshore loans	¥ 14.6	¥ 11.9
Total asset-backed investments[1]	¥ 11.2	¥ 11.6

Notes: (1) As of September 30, 2012, reserve for loan losses and collateral/guarantees for risk monitored loans related to asset-backed investments were ¥4.2 billion and ¥6.4 billion, respectively, and the coverage ratio was 95.7%.

FINANCIAL CONDITION (CONTINUED)

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

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

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

TABLE 28. RISK-MONITORED LOANS BREAKDOWN FOR LARGE ENTITIES (CONSOLIDATED)

Billions of yen

	Shinsei	Shinsei Financial	APLUS FINANCIAL	Shinki	Other subsidiaries	Total
As of September 30, 2012:						
Loans to bankrupt obligors	**¥ 5.3**	**¥ 1.1**	**¥ 0.2**	**¥ 0.0**	**¥ 12.1**	**¥ 18.9**
Non-accrual delinquent loans	**241.7**	**6.6**	**15.1**	**0.9**	**20.0**	**284.6**
Loans past due for three months or more	**0.7**	**0.0**	**0.0**	**—**	**0.9**	**1.7**
Restructured loans	**1.9**	**25.4**	**10.6**	**2.4**	**0.2**	**40.8**
Total	**¥ 249.8**	**¥ 33.2**	**¥ 26.1**	**¥ 3.4**	**¥ 33.3**	**¥ 346.0**
As of September 30, 2011:						
Loans to bankrupt obligors	¥ 6.5	¥ 1.4	¥ 0.6	¥ 0.0	¥ 6.3	¥ 14.9
Non-accrual delinquent loans	216.2	10.3	10.3	1.8	35.2	274.1
Loans past due for three months or more	0.7	0.0	0.0	—	0.9	1.7
Restructured loans	3.5	34.8	12.6	3.9	0.0	54.9
Total	¥ 227.1	¥ 46.5	¥ 23.8	¥ 5.7	¥ 42.6	¥ 345.9
As of March 31, 2012:						
Loans to bankrupt obligors	¥ 3.5	¥ 1.1	¥ 0.1	¥ 0.0	¥ 3.3	¥ 8.1
Non-accrual delinquent loans	263.3	7.8	15.8	1.1	28.5	316.7
Loans past due for three months or more	0.7	0.0	0.0	—	0.9	1.7
Restructured loans	0.8	29.6	11.4	3.2	0.2	45.3
Total	¥ 268.4	¥ 38.6	¥ 27.4	¥ 4.3	¥ 33.0	¥ 371.9

TABLE 29. RISK-MONITORED INSTALLMENT RECEIVABLES INCLUDED IN OTHER ASSETS BREAKDOWN FOR LARGE ENTITIES (CONSOLIDATED)(1)

Billions of yen

	Shinsei Financial	APLUS FINANCIAL	Showa Leasing	Other subsidiaries	Total
As of September 30, 2012:					
Credits to bankrupt obligors	**¥ 0.0**	**¥ 0.0**	**¥ 0.0**	**¥ 0.1**	**¥ 0.2**
Non-accrual delinquent credits	**0.0**	**4.6**	**5.0**	**0.3**	**10.0**
Credits past due for three months or more	**—**	**0.2**	**0.0**	**—**	**0.2**
Restructured credits	**0.0**	**1.1**	**0.0**	**—**	**1.2**
Total	**¥ 0.0**	**¥ 6.1**	**¥ 5.2**	**¥ 0.4**	**¥ 11.8**
As of September 30, 2011:					
Credits to bankrupt obligors	¥ 0.0	¥ —	¥ 0.0	¥ 0.1	¥ 0.2
Non-accrual delinquent credits	0.0	0.5	3.2	0.5	4.3
Credits past due for three months or more	—	0.2	0.1	—	0.3
Restructured credits	0.0	2.1	0.2	—	2.4
Total	¥ 0.0	¥ 2.8	¥ 3.7	¥ 0.7	¥ 7.4
As of March 31, 2012:					
Credits to bankrupt obligors	¥ 0.0	¥ 0.0	¥ 0.1	¥ 0.1	¥ 0.3
Non-accrual delinquent credits	0.0	4.4	5.2	0.5	10.2
Credits past due for three months or more	—	0.2	0.0	—	0.3
Restructured credits	0.0	1.3	0.2	—	1.5
Total	¥ 0.0	¥ 6.0	¥ 5.6	¥ 0.7	¥ 12.5

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

FINANCIAL CONDITION (CONTINUED)

CAPITAL RATIOS

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

Our total capital adequacy ratio as of September 30, 2012 was 11.7%, compared with 10.5% as of September 30, 2011.

The main factors of reduction in risk assets are change of risk parameter of corporate and retail assets and upward credit rating changes of corporate loan assets, which resulted in further improvement of the Total capital adequacy ratio and Tier I capital ratio to 11.7% and 9.8%, as of September 30, 2012, respectively, compared to 10.5% and 8.7% as of September 30, 2011.

TABLE 30. CAPITAL RATIOS (CONSOLIDATED)

Billions of yen (except percentages)

	As of September 30, 2012	As of September 30, 2011
Basic items (Tier I):		
Common stock	**¥ 512.2**	¥ 512.2
Capital surplus	**79.4**	79.4
Retained earnings	**81.9**	72.7
Treasury stock, at cost	**(72.5)**	(72.5)
Expected income distribution	**—**	—
Unrealized loss on available-for-sale securities[1]	**—**	—
Foreign currency translation adjustments	**(2.5)**	(3.4)
Stock acquisition rights	**1.3**	1.3
Minority interests in consolidated subsidiaries	**59.6**	60.0
Preferred securities issued by foreign SPC	**56.5**	56.4
Goodwill	**(38.2)**	(45.5)
Intangible assets acquired in business combinations	**(14.2)**	(18.2)
Gain on sale of securitization	**(9.7)**	(9.6)
50% of expected loss provision shortfall	**(23.3)**	(33.7)
Total Tier I (A)	**573.8**	542.7
Step-up preferred securities	**23.4**	23.4
Supplementary items (Tier II):		
General reserve for loan losses	**8.7**	8.6
Perpetual preferred stocks	**—**	—
Perpetual subordinated debt and bonds	**28.4**	28.1
Non-perpetual preferred stocks	**—**	—
Non-perpetual subordinated debt and bonds	**149.1**	174.4
Total	**¥ 186.4**	¥ 211.2
Amount eligible for inclusion in capital (B)	**186.4**	211.2
Deduction (C)	**¥ 72.4**	¥ 105.0
Intentional capital investment to other financial institutions	**6.1**	6.0
Capital investment to affiliated companies	**36.7**	33.8
50% of expected loss provision shortfall	**23.3**	33.7
Expected losses on exposures under PD/LGD measures such as equities	**0.8**	0.9
Unrated securitization exposure	**5.2**	30.4
Exclusion from deductions	**—**	—
Total capital (D) [(A)+(B)-(C)]	**¥ 687.8**	¥ 648.8
Risk assets:		
On-balance sheet items	**¥ 4,458.7**	¥ 4,758.8
Off-balance sheet items	**820.0**	880.7
Market Risk[2]	**221.3**	145.8
Operational Risk[2]	**369.1**	417.8
Total (E)	**¥ 5,869.2**	¥ 6,203.3
Consolidated capital adequacy ratio (D) / (E)	**11.7%**	10.5%
Consolidated Tier I capital ratio (A) / (E)	**9.8%**	8.7%

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

EXPOSURE TO SECURITIZED PRODUCTS AND RELATED INVESTMENTS

EXPOSURE TO SECURITIZED PRODUCTS AND RELATED INVESTMENTS

Tables 31 through 34 below set forth certain information regarding our exposure to securitized products and related investments as of March 31, 2012, and as of and for six months ended September 30, 2012. Table 35 provides definitions for the defined terms used in Tables 31 through 34.

TABLE 31. BALANCE OF SECURITIZED PRODUCTS (BREAKDOWN BY REGION AND TYPE OF SECURITIES)(1) (NON-CONSOLIDATED)

Billions of yen

	Credit Ratings of Securities(2) (September 30, 2012)				As of Sep. 30, 2012 (a)	As of Mar. 31, 2012 (b)	Change (a)-(b)
	AAA	AA	A or lower	N/A			
RMBS	15%	0%	2%	83%	**¥ 34.8**	¥ 36.3	¥ (1.5)
Japan	15%	0%	2%	83%	**34.8**	36.3	(1.5)
U.S.	—	—	—	—	**0.0(4)**	0.0	0.0
Europe	—	—	—	—	**—**	—	—
Other	—	—	—	—	**—**	—	—
CMBS	—	—	—	—	**¥ 0.0(4)**	¥ 0.0	¥ 0.0
Japan	—	—	—	—	**0.0**	0.0	0.0
U.S.	—	—	—	—	**—**	—	—
Europe	—	—	—	—	**—**	—	—
Other	—	—	—	—	**—**	—	—
CLO	13%	86%	0%	1%	**¥ 38.9**	¥ 41.6	¥ (2.6)
Japan	—	—	—	—	**—**	—	—
U.S.	17%	82%	0%	1%	**30.1**	31.7	(1.6)
Europe	0%	100%	0%	0%	**8.8**	9.8	(0.9)
Other	—	—	—	—	**—**	—	—
ABS CDO (Resecuritized Products)	—	—	—	—	**¥ —**	¥ —	¥ —
Japan	—	—	—	—	**—**	—	—
U.S.	—	—	—	—	**—**	—	—
Europe	—	—	—	—	**—**	—	—
Other	—	—	—	—	**—**	—	—
Total	14%	45%	1%	40%	**¥ 73.7**	¥ 77.9	¥ (4.2)
Japan	15%	0%	2%	83%	**¥ 34.8**	¥ 36.3	¥ (1.5)
U.S.	17%	82%	0%	1%	**30.1**	31.7	(1.6)
Europe	0%	100%	0%	0%	**8.8**	9.8	(0.9)
Other	—	—	—	—	**—**	—	—
Securities					**¥ 38.9**	¥ 41.6	¥ (2.6)
RMBS					**0.0(4)**	0.0	0.0
CMBS					**—**	—	—
CLO					**38.9**	41.6	(2.6)
ABS CDO					**—**	—	—
Other monetary claims purchased(3)					**34.8**	36.3	(1.5)
RMBS (Japan)					**34.8**	36.3	(1.5)
CMBS (Japan)					**0.0(4)**	0.0	0.0
CLO (Japan)					**—**	—	—
ABS CDO (Japan)					**—**	—	—
Total					**¥ 73.7**	¥ 77.9	¥ (4.2)

Notes: (1) The amount is the outstanding balance, after mark-downs and other comprehensive income (OCI) adjustments, at the end of each period. This table excludes securitized products backed by consumer loans, credit card loans, and other similar exposure to individuals.
(2) Based on ratings by S&P or ratings equivalent to S&P ratings matrix as of September 30, 2012. The "N/A" rating for Japanese RMBS represents senior portions of other monetary claims purchased for the purpose of warehousing for future securitization.
(3) Includes Japanese RMBS recorded as monetary assets held in trust of ¥5.1 billion as at September 30, 2012.
(4) Residual value

EXPOSURE TO SECURITIZED PRODUCTS AND RELATED INVESTMENTS (CONTINUED)

TABLE 32. SECURITIZED PRODUCTS RECORDED UNDER "SECURITIES" AND "OTHER MONETARY CLAIMS PURCHASED" AND OCI[1] [NON-CONSOLIDATED]

SECURITIES

Billions of yen, %

	As of September 30, 2012			
	Balance before Mark-to-Market Evaluation	**Market Value or Balance**	Unrealized Gains/Losses (OCI)	Price Increase (Decrease) Ratio (%)
Trading Securities		**¥ 0.4**		
RMBS (U.S.)		**0.0**[3]		
CLO (U.S.)		**0.4**		
Securities Being Held to Maturity with Readily Determinable Fair Value		**¥ 38.5**		
CLO (U.S.)		**29.6**		
CLO (Europe)		**8.8**		
Securities Available for Sale	¥ 0.0	**¥ 0.0**[3]	¥ 0.0	0.0
Other	0.0	**0.0**	0.0	0.0
Foreign Securities	0.0	**0.0**	0.0	0.0
Foreign Currency Denominated Foreign Corporate and Government Bonds	0.0	**0.0**	0.0	0.0
CLO	0.0	**0.0**	0.0	0.0
U.S.	0.0	**0.0**	0.0	0.0
Securities		**¥ 38.9**		
RMBS		**0.0**[3]		
CLO		**38.9**		

OTHER MONETARY CLAIMS PURCHASED[2]

Billions of yen, %

	As of September 30, 2012			
	Balance before Mark-to-Market Evaluation	**Market Value or Balance**	Unrealized Gains/Losses (OCI)	Price Decline Ratio (%)
Trading Purposes		**¥ 7.9**		
RMBS (Japan)[2]		**7.9**		
Others	¥ 26.8	**¥ 26.9**	¥ 0.0	0.0
RMBS (Japan)	26.8	**26.9**	0.0	0.0
CMBS (Japan)	0.0	**0.0**[3]	0.0	0.0
Other Monetary Claims Purchased		**¥ 34.8**		
RMBS (Japan)		**34.8**		
CMBS (Japan)		**0.0**[3]		

Total		**¥ 73.7**		
Securities		**38.9**		
Other Monetary Claims Purchased		**34.8**		

Notes: (1) This table excludes securitized products backed by consumer loans, credit card loans, and other similar exposure to individuals.
(2) Includes Japanese RMBS recorded as monetary assets held in trust of ¥5.1 billion as at September 30, 2012.
(3) Residual value

EXPOSURE TO SECURITIZED PRODUCTS AND RELATED INVESTMENTS (CONTINUED)

TABLE 33. LBO, MONOLINE, SIV, ABCP (NON-CONSOLIDATED)

	Sep. 30, 2012 (a)	Mar. 31, 2012 (b)	Change (a)-(b)
	Billions of yen		
LBO[1][3]	**¥ 183.9**	¥ 198.1	¥(14.2)
Japan	**182.0**[2]	195.8	(13.8)
U.S.	**1.5**	1.7	(0.2)
Europe	**—**	—	—
Other	**0.5**	0.4	0.1
(Breakdown by Industry Sector as of September 30, 2012)			
Manufacturing	**10.9%**		
Information and communications	**1.1%**		
Wholesale and retail	**8.2%**		
Finance and insurance	**18.4%**		
Services	**61.4%**		
Total	**100.0%**		

Notes: (1) The amount includes unfunded commitment line.
(2) As of September 30, 2012, unfunded commitment line (only domestic) is ¥3.8 billion.
(3) This table includes deals made through foreign SPCs, but classification is by risk location.

Monoline, SIV, ABCP

We have no exposure to Monoline, SIV, ABCP.

TABLE 34. CREDIT DEFAULT SWAPS (CDS) (NON-CONSOLIDATED)[1]

	Billions of yen								
	As of September 30, 2012								Six months ended September 30, 2011
	Nominal Amount		Fair Value		Netted Nominal Amount and Fair Value[2]				
					Notional Value	Fair Value			Realized profits (losses)
	Protection (buy)	Protection (sell)	Protection (buy)	Protection (sell)		Protection (buy)	Protection (sell)		
Total	**¥ 554.3**	**¥ 584.9**	**¥ 4.2**	**¥ (4.4)**	**¥ 504.4**	**¥ 3.7**	**¥ (3.7)**		**¥ 1.1**
Japan	**474.7**	**503.9**	**4.9**	**(4.9)**	**431.7**	**4.5**	**(4.2)**		**1.2**
U.S.	**33.9**	**33.5**	**(0.2)**	**0.1**	**31.4**	**(0.2)**	**0.1**		**(0.0)**
Europe	**25.0**	**23.8**	**(0.1)**	**(0.0)**	**22.4**	**(0.1)**	**0.1**		**(0.0)**
Other	**20.6**	**23.5**	**(0.2)**	**0.2**	**18.6**	**(0.2)**	**0.2**		**0.0**

Notes: (1) Represents transactions under both banking book and trading book. The above table is based on provisional financial and operational data at the time of the financial results announcement and may differ slightly from the final data.
(2) Transactions which are netted with buy and sell.

EXPOSURE TO SECURITIZED PRODUCTS AND RELATED INVESTMENTS (CONTINUED)

TABLE 35. DEFINED TERMS FOR TABLES 31-34

Names	Definitions
RMBS	Residential mortgage-backed securities and other related assets, including beneficial interests backed by mortgage loans. Recorded in "trading securities," "securities available-for-sale" and "other monetary claims purchased."
CMBS	Commercial mortgage-backed securities. Recorded in "securities available-for-sale" and "other monetary claims purchased." We have no U.S. CMBS exposure.
CLO	Collateralized loan obligations (CLO) mainly backed by LBO debt, corporate loans and high-yield securities. Recorded in "trading securities," "securities being held to maturity" and "securities available-for-sale."
ABS CDO (Re-securitized Products)	CDO backed by asset-backed securities (ABS) such as RMBS. Recorded in "securities available-for-sale" and "other monetary claims purchased." We have no exposure to ABS CDO.
LBO	Loans for leveraged buyout for acquisition finance including refinancing of past acquisitions.
Monoline	Monolines are insurance companies that insure against the risk of a bond or other security defaulting. We have no exposure to Monoline.
SIV	A structured investment vehicle (SIV) is a fund which borrows money by issuing short-term securities at low interest rates, then lends that money by buying long-term securities (such as securitization products) at higher interest rates, making a profit for investors from the difference. We have no exposure to SIVs.
ABCP	An asset-backed commercial paper (ABCP) conduit is a limited-purpose entity that issues CP to finance the purchase of assets or to make loans. Some asset types include receivables generated from trade, credit card, auto loan, auto, and equipment leasing obligors, as well as collateralized loan obligations (CLOs) and collateralized bond obligations (CBOs). We have no exposure to ABCP.
CDS	Credit default swap is a type of derivative in which the buyer receives credit protection by making periodic payments to a counterparty and the seller provides credit protection by giving the promise of a payoff if a third-party defaults.

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

Shinsei Bank, Limited, and Consolidated Subsidiaries
As of September 30, 2012 and March 31, 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Sept. 30, 2012	Mar. 31, 2012	**Sept. 30, 2012**
ASSETS			
Cash and due from banks (Notes 3, 21 and 32)	**¥ 414,089**	¥ 413,721	**$ 5,346,541**
Call loans (Note 32)	**—**	15,745	**—**
Receivables under resale agreements (Note 32)	**38,387**	18,362	**495,636**
Receivables under securities borrowing transactions (Note 32)	**31,927**	114,080	**412,239**
Other monetary claims purchased (Notes 4 and 32)	**120,321**	130,943	**1,553,532**
Trading assets (Notes 5, 21, 32 and 33)	**217,941**	202,675	**2,813,964**
Monetary assets held in trust (Notes 6, 21 and 32)	**260,167**	267,628	**3,359,169**
Securities (Notes 7, 21 and 32)	**2,003,441**	1,873,493	**25,867,543**
Loans and bills discounted (Notes 8, 21 and 32)	**4,281,926**	4,136,827	**55,286,330**
Foreign exchanges (Note 9)	**22,729**	18,896	**293,468**
Lease receivables and leased investment assets (Notes 21, 30 and 32)	**196,966**	197,432	**2,543,147**
Other assets (Notes 10, 21, 32 and 33)	**771,535**	686,716	**9,961,718**
Premises and equipment (Notes 11, 21 and 30)	**55,023**	54,131	**710,437**
Intangible assets (Notes 12 and 30)	**73,907**	81,053	**954,255**
Deferred issuance expenses for debentures	**113**	135	**1,465**
Deferred tax assets	**15,789**	15,834	**203,861**
Customers' liabilities for acceptances and guarantees (Note 20)	**550,232**	562,624	**7,104,364**
Reserve for credit losses (Note 13)	**(171,964)**	(180,633)	**(2,220,333)**
Total assets	**¥ 8,882,534**	¥ 8,609,672	**$ 114,687,336**
LIABILITIES AND EQUITY			
Liabilities:			
Deposits, including negotiable certificates of deposit (Notes 14, 21 and 32)	**¥ 5,374,656**	¥ 5,362,411	**$ 69,395,177**
Debentures (Notes 15 and 32)	**277,624**	294,139	**3,584,568**
Call money (Notes 21 and 32)	**230,077**	210,163	**2,970,658**
Payables under securities lending transactions (Notes 21 and 32)	**139,404**	148,590	**1,799,932**
Trading liabilities (Notes 16, 32 and 33)	**158,216**	176,044	**2,042,823**
Borrowed money (Notes 17, 21 and 32)	**718,377**	476,731	**9,275,368**
Foreign exchanges (Note 9)	**16**	11	**216**
Short-term corporate bonds (Note 32)	**63,400**	50,700	**818,593**
Corporate bonds (Notes 18, 21 and 32)	**163,525**	168,797	**2,111,364**
Other liabilities (Notes 19, 21, 32 and 33)	**506,399**	465,698	**6,538,410**
Accrued employees' bonuses	**4,103**	7,262	**52,988**
Accrued directors' bonuses	**23**	40	**305**
Reserve for employees' retirement benefits	**7,179**	7,027	**92,704**
Reserve for directors' retirement benefits	**211**	231	**2,726**
Reserve for losses on interest repayments	**41,568**	50,913	**536,712**
Reserve under special law	**1**	1	**16**
Deferred tax liabilities	**275**	626	**3,559**
Acceptances and guarantees (Notes 20, 21 and 32)	**550,232**	562,624	**7,104,364**
Total liabilities	**8,235,295**	7,982,014	**106,330,483**
Equity:			
Common stock (Note 23)	**512,204**	512,204	**6,613,358**
Capital surplus	**79,461**	79,461	**1,025,977**
Stock acquisition rights (Note 24)	**1,301**	1,354	**16,801**
Retained earnings	**81,972**	58,863	**1,058,394**
Treasury stock, at cost (Note 23)	**(72,558)**	(72,558)	**(936,847)**
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities (Note 7)	**(1,073)**	(674)	**(13,866)**
Deferred gain (loss) on derivatives under hedge accounting	**(11,694)**	(11,754)	**(150,998)**
Foreign currency translation adjustments	**(2,569)**	(1,117)	**(33,179)**
Total	**587,043**	565,779	**7,579,640**
Minority interests (Note 22)	**60,195**	61,877	**777,213**
Total equity	**647,238**	627,657	**8,356,853**
Total liabilities and equity	**¥ 8,882,534**	¥ 8,609,672	**$ 114,687,336**

See accompanying "Notes to Interim Consolidated Financial Statements (Unaudited)," which are an integral part of these statements.

INTERIM CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the six months ended September 30, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Sept. 30, 2012 (6 months)	Sept. 30, 2011 (6 months)	**Sept. 30, 2012 (6 months)**
Interest income:			
Interest on loans and bills discounted	**¥ 64,738**	¥ 72,603	**$ 835,875**
Interest and dividends on securities	**8,618**	9,715	**111,277**
Interest on deposits with banks	**154**	219	**1,989**
Other interest income	**644**	584	**8,321**
Total interest income	**74,155**	83,123	**957,462**
Interest expenses:			
Interest on deposits, including negotiable certificates of deposit	**11,823**	15,180	**152,656**
Interest and discounts on debentures	**548**	829	**7,086**
Interest on other borrowings	**2,680**	3,009	**34,615**
Interest on corporate bonds	**2,542**	2,828	**32,830**
Other interest expenses	**365**	525	**4,719**
Total interest expenses	**17,961**	22,374	**231,906**
Net interest income	**56,194**	60,749	**725,557**
Fees and commissions income	**19,519**	25,146	**252,022**
Fees and commissions expenses	**10,771**	11,269	**139,077**
Net fees and commissions	**8,747**	13,876	**112,945**
Net trading income (loss) (Note 25)	**9,573**	6,542	**123,605**
Other business income (loss), net:			
Income on lease transactions and installment receivables, net	**17,626**	18,633	**227,584**
Net gain (loss) on monetary assets held in trust	**4,711**	3,965	**60,833**
Net gain (loss) on foreign exchanges	**1,164**	1,781	**15,034**
Net gain (loss) on securities	**2,032**	(705)	**26,238**
Net gain (loss) on other monetary claims purchased	**1,253**	488	**16,183**
Other, net (Note 26)	**2,804**	327	**36,213**
Net other business income (loss)	**29,592**	24,490	**382,085**
Total revenue	**104,107**	105,659	**1,344,192**
General and administrative expenses:			
Personnel expenses	**26,199**	26,607	**338,271**
Premises expenses	**9,942**	10,277	**128,368**
Technology and data processing expenses	**8,651**	8,383	**111,705**
Advertising expenses	**4,383**	4,444	**56,596**
Consumption and property taxes	**3,355**	2,894	**43,321**
Deposit insurance premium	**2,151**	2,342	**27,782**
Other general and administrative expenses	**10,078**	9,556	**130,130**
General and administrative expenses	**64,761**	64,506	**836,173**
Amortization of goodwill and intangible assets acquired in business combinations	**5,679**	6,244	**73,333**
Total general and administrative expenses	**70,441**	70,751	**909,506**
Net business profit (loss)	**33,666**	34,908	**434,686**
Net credit costs (Note 27)	**6,253**	8,801	**80,743**
Other gains (losses), net (Note 28)	**514**	(344)	**6,638**
Income (loss) before income taxes and minority interests	**27,926**	25,762	**360,581**
Income taxes (benefit):			
Current	**829**	1,699	**10,712**
Deferred	**(458)**	1,799	**(5,922)**
Net income (loss) before minority interests	**27,555**	22,262	**355,791**
Minority interests in net income of subsidiaries	**1,791**	1,911	**23,137**
Net income (loss)	**¥ 25,764**	¥ 20,350	**$ 332,654**

	Yen		U.S. dollars (Note 1)
Basic net income (loss) per common share (Note 29)	**¥ 9.70**	¥ 7.66	**$ 0.13**

See accompanying "Notes to Interim Consolidated Financial Statements (Unaudited)," which are an integral part of these statements.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the six months ended September 30, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Sept. 30, 2012 (6 months)	Sept. 30, 2011 (6 months)	**Sept. 30, 2012 (6 months)**
Net income (loss) before minority interests	**¥ 27,555**	¥ 22,262	**$ 355,791**
Other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities	**(534)**	7,714	**(6,900)**
Deferred gain (loss) on derivatives under hedge accounting	**59**	(2,672)	**765**
Foreign currency translation adjustments	**(1,342)**	(1,421)	**(17,337)**
Share of other comprehensive income in affiliates	**(271)**	(577)	**(3,499)**
Total other comprehensive income	**(2,088)**	3,042	**(26,971)**
Comprehensive income	**¥ 25,467**	¥ 25,305	**$ 328,820**
Total comprehensive income attributable to:			
Owners of the parent	**¥ 23,971**	¥ 24,519	**$ 309,506**
Minority interests	**1,495**	785	**19,314**

See accompanying "Notes to Interim Consolidated Financial Statements (Unaudited)," which are an integral part of these statements.

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the six months ended September 30, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Sept. 30, 2012 (6 months)	Sept. 30, 2011 (6 months)	**Sept. 30, 2012 (6 months)**
Common stock:			
Balance at beginning of the period	**¥ 512,204**	¥ 512,204	**$ 6,613,358**
Balance at end of the period	**512,204**	512,204	**6,613,358**
Capital surplus:			
Balance at beginning of the period	**79,461**	79,461	**1,025,977**
Balance at end of the period	**79,461**	79,461	**1,025,977**
Stock acquisition rights:			
Balance at beginning of the period	**1,354**	1,413	**17,491**
Net change during the period	**(53)**	(55)	**(690)**
Balance at end of the period	**1,301**	1,357	**16,801**
Retained earnings:			
Balance at beginning of the period	**58,863**	55,087	**760,015**
Dividends	**(2,653)**	(2,653)	**(34,266)**
Net income (loss)	**25,764**	20,350	**332,654**
Changes by inclusion of subsidiaries (former non-consolidated subsidiaries)	**(0)**	(0)	**(9)**
Changes by exclusion of consolidated subsidiaries	**—**	(0)	**—**
Balance at end of the period	**81,972**	72,783	**1,058,394**
Treasury stock, at cost:			
Balance at beginning of the period	**(72,558)**	(72,558)	**(936,847)**
Balance at end of the period	**(72,558)**	(72,558)	**(936,847)**
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities:			
Balance at beginning of the period	**(674)**	(15,225)	**(8,706)**
Net change during the period	**(399)**	7,736	**(5,160)**
Balance at end of the period	**(1,073)**	(7,489)	**(13,866)**
Deferred gain (loss) on derivatives under hedge accounting:			
Balance at beginning of the period	**(11,754)**	(10,197)	**(151,764)**
Net change during the period	**59**	(2,672)	**766**
Balance at end of the period	**(11,694)**	(12,870)	**(150,998)**
Foreign currency translation adjustments:			
Balance at beginning of the period	**(1,117)**	(2,511)	**(14,425)**
Net change during the period	**(1,452)**	(895)	**(18,754)**
Balance at end of the period	**(2,569)**	(3,406)	**(33,179)**
Minority interests:			
Balance at beginning of the period	**61,877**	63,481	**798,934**
Net change during the period	**(1,682)**	(2,847)	**(21,721)**
Balance at end of the period	**60,195**	60,633	**777,213**
Total equity:			
Balance at beginning of the period	**627,657**	611,154	**8,104,033**
Net change in stock acquisition rights during the period	**(53)**	(55)	**(690)**
Dividends	**(2,653)**	(2,653)	**(34,266)**
Net income (loss)	**25,764**	20,350	**332,654**
Changes by inclusion of subsidiaries (former non-consolidated subsidiaries)	**(0)**	(0)	**(9)**
Changes by exclusion of consolidated subsidiaries	**—**	(0)	**—**
Net change in accumulated other comprehensive income during the period	**(1,792)**	4,168	**(23,148)**
Net change in minority interests during the period	**(1,682)**	(2,847)	**(21,721)**
Balance at end of the period	**¥ 647,238**	¥ 630,116	**$ 8,356,853**

See accompanying "Notes to Interim Consolidated Financial Statements (Unaudited)," which are an integral part of these statements.

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INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the six months ended September 30, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Sept. 30, 2012 (6 months)	Sept. 30, 2011 (6 months)	**Sept. 30, 2012 (6 months)**
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	**¥ 27,926**	¥ 25,762	**$ 360,581**
Adjustments for:			
Income taxes paid	**(572)**	(1,873)	**(7,392)**
Depreciation (other than leased assets as lessor)	**5,228**	4,968	**67,509**
Amortization of goodwill and intangible assets acquired in business combinations	**5,679**	6,244	**73,333**
Impairment losses on long-lived assets	**171**	906	**2,215**
Net change in reserve for credit losses	**(8,567)**	(8,201)	**(110,624)**
Net change in reserve for losses on interest repayments	**(9,345)**	(13,264)	**(120,661)**
Net change in other reserves	**(3,035)**	(7,783)	**(39,195)**
Interest income	**(74,155)**	(83,123)	**(957,462)**
Interest expenses	**17,961**	22,374	**231,906**
Investment (gains) losses	**(4,955)**	(3,473)	**(63,977)**
Net exchange (gain) loss	**9,269**	18,126	**119,690**
Net change in trading assets	**(15,265)**	(43,798)	**(197,102)**
Net change in trading liabilities	**(17,827)**	43,459	**(230,184)**
Net change in loans and bills discounted	**(146,516)**	137,941	**(1,891,756)**
Net change in deposits, including negotiable certificates of deposit	**12,245**	(73,326)	**158,103**
Net change in debentures	**(16,514)**	(35,079)	**(213,227)**
Net change in borrowed money (other than subordinated debt)	**241,880**	(1,116,278)	**3,123,053**
Net change in corporate bonds (other than subordinated corporate bonds)	**110**	(8,064)	**1,421**
Net change in interest-bearing deposits with banks	**7,505**	67,609	**96,909**
Net change in call loans, receivables under resale agreements, receivables under securities borrowing transactions and other monetary claims purchased	**86,781**	(66,344)	**1,120,485**
Net change in call money, payables under securities lending transactions, and short-term corporate bonds (liabilities)	**23,427**	(45,928)	**302,484**
Net change in foreign exchange assets and liabilities	**(3,827)**	19,844	**(49,414)**
Interest received	**74,000**	86,652	**955,466**
Interest paid	**(14,658)**	(14,313)	**(189,264)**
Net change in securities for trading purposes	**89**	269	**1,157**
Net change in monetary assets held in trust for trading purposes	**18,121**	18,261	**233,978**
Net change in lease receivables and leased investment assets	**465**	8,692	**6,008**
Other, net	**(28,965)**	822	**(373,991)**
Total adjustments	**158,731**	(1,084,682)	**2,049,468**
Net cash provided by (used in) operating activities	**186,658**	(1,058,920)	**2,410,049**
Cash flows from investing activities:			
Purchase of investments	**(1,469,509)**	(583,988)	**(18,973,657)**
Proceeds from sales of investments	**1,034,918**	960,587	**13,362,414**
Proceeds from maturity of investments	**251,941**	645,786	**3,252,962**
Purchase of premises and equipment (other than leased assets as lessor)	**(1,906)**	(2,307)	**(24,617)**
Purchase of intangible assets (other than leased assets as lessor)	**(1,961)**	(3,758)	**(25,320)**
Proceeds from sale of subsidiary’s stocks	**14,264**	—	**184,171**
Other, net	**600**	1,507	**7,749**
Net cash provided by (used in) investing activities	**(171,652)**	1,017,826	**(2,216,298)**
Cash flows from financing activities:			
Proceeds from issuance of subordinated debt	**—**	38,600	**—**
Repayment of subordinated debt	**—**	(47,000)	**—**
Proceeds from minority shareholders of subsidiaries	**133**	4	**1,722**
Payment for capital returned to minority shareholders of subsidiaries	**(235)**	(482)	**(3,037)**
Dividends paid	**(2,653)**	(2,653)	**(34,266)**
Dividends paid to minority shareholders of subsidiaries	**(3,076)**	(3,157)	**(39,720)**
Net cash provided by (used in) financing activities	**(5,832)**	(14,689)	**(75,301)**
Foreign currency translation adjustments on cash and cash equivalents	**(27)**	(52)	**(352)**
Net change in cash and cash equivalents	**9,146**	(55,835)	**118,098**
Cash and cash equivalents at beginning of the period	**332,798**	300,474	**4,296,948**
Cash and cash equivalents at end of the period (Note 3)	**¥ 341,945**	¥ 244,638	**$ 4,415,046**

Note: Investments consist of securities and monetary assets held in trust for other than trading purposes.
See accompanying “Notes to Interim Consolidated Financial Statements (Unaudited),” which are an integral part of these statements.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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1. BASIS OF PRESENTATION OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS CONSOLIDATED

The accompanying interim consolidated financial statements of Shinsei Bank, Limited (the "Bank") and its consolidated subsidiaries (collectively, the "Group"), stated in Japanese yen, have been prepared on the basis of generally accepted accounting principles in Japan ("Japanese GAAP") and in conformity with the Banking Act of Japan (the "Banking Act"), and compiled from the interim consolidated financial statements prepared under the provisions set forth in the Accounting Standards for Interim Consolidated Financial Statements (the Business Accounting Council, March 13, 1998) and the Financial Instruments and Exchange Act of Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Certain reclassifications and rearrangements have been made to the interim consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, the accompanying notes include information that is not required under Japanese GAAP, but is presented herein for the convenience of readers.

The preparation of interim consolidated financial statements in conformity with Japanese GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

As permitted by the Financial Instruments and Exchange Act of Japan, yen amounts, except for per share amounts, are presented in millions of yen and are rounded down to the nearest million. As a result, the totals do not necessarily agree with the sum of the individual amounts.

The interim consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥77.45 to U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2012. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONSOLIDATED

(A) PRINCIPLES OF CONSOLIDATION

The Group applies its consolidation scope using the control and influence concept. Under the control and influence concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated and those companies in which the Bank, directly or indirectly, is able to exercise significant influence over operations are accounted for by the equity method.

The numbers of subsidiaries and affiliates as of September 30, 2012 and March 31, 2012 were as follows:

	September 30, 2012	March 31, 2012
Consolidated subsidiaries	**164**	133
Unconsolidated subsidiaries	**79**	80
Affiliates accounted for by the equity method	**14**	15
Affiliates accounted for not applying the equity method	**0**	1

Unconsolidated subsidiaries are primarily operating companies that undertake leasing business based on the Tokumei Kumiai system (silent partnerships). Tokumei Kumiai's assets, profit and loss virtually belong to each silent partner but not to the operation companies, and the Group does not have any material transactions with these subsidiaries. Therefore, these subsidiaries are excluded from consolidation in order to avoid any material misunderstanding by the Bank's stakeholders.

Other unconsolidated subsidiaries are excluded from consolidation because they are immaterial to the financial condition or results of operations of the Group.

Major consolidated subsidiaries as of September 30, 2012 were as listed below:

Name	Location	Percentage ownership
APLUS FINANCIAL Co., Ltd.	Japan	95.0%
Showa Leasing Co., Ltd.	Japan	97.0%
Shinsei Financial Co., Ltd.	Japan	100.0%
Shinki Co., Ltd.	Japan	100.0%
Shinsei Trust & Banking Co., Ltd.	Japan	100.0%
Shinsei Securities Co., Ltd.	Japan	100.0%

All significant inter-company transactions, related account balances and unrealized gains have been eliminated in consolidation. As of September 30, 2012, the six month period ending dates are September 30 for 122 subsidiaries, January 31 for 3 subsidiaries, February 28 for 1 subsidiary, March 31 for 1 subsidiary, May 31 for 1 subsidiary, June 30 for 32 subsidiaries, July 31 for 1 subsidiary, and August 31 for 3 subsidiaries. Except for 9 subsidiaries which are consolidated as of September 30 rather than their interim period ends, those consolidated subsidiaries whose six month periods end at dates other than September 30 are consolidated using their six month period-end interim financial statements with appropriate adjustments made for significant transactions during the period from the ending dates of their six month periods to the date of the Group's interim consolidated financial statements.

Major affiliates accounted for by the equity method as of September 30, 2012 were as listed below:

Name	Location	Percentage ownership
Comox Holdings Ltd.	Bermuda	49.9%
Jih Sun Financial Holding Co., Ltd.	Taiwan	30.3%

(B) BUSINESS COMBINATIONS

In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No.7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No.10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No.21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (i) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed. (ii) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

Under the previous standard, the Group accounted for the acquisitions of APLUS FINANCIAL Co., Ltd. ("APLUS FINANCIAL"), Showa Leasing Co., Ltd. ("Showa Leasing"), Shinki Co., Ltd. ("Shinki"), Shinsei Financial Co., Ltd. ("Shinsei Financial") and their consolidated subsidiaries by the purchase method of accounting, and accounted for negative goodwill, if any, to be systematically amortized to income over 20 years.

(C) GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS

The Bank recognized certain identifiable intangible assets in connection with the acquisition of Showa Leasing, Shinsei Financial and their consolidated subsidiaries, because they were separable such as contractual or other legal rights.

The identified intangible assets with amortization method and period are as listed below:

Showa Leasing

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

Shinsei Financial

Identified intangible assets	Amortization method	Amortization period
Trade names and trademarks	Straight-line	10 years
Customer relationship	Sum-of-the-years digits	10 years

The excess of the purchase price over the fair value of the net assets acquired, including identified intangible assets, was recorded as goodwill and is being amortized on a consistent basis primarily over 20 years. The amortization period of 20 years is the maximum period allowed under Japanese GAAP and was determined based upon the Bank's business strategy.

With regard to the acquisitions undertaken before April 1, 2010, accounted for under the previous accounting standard, when the purchase price was lower than the fair value of the net assets acquired, including identified intangible assets, the difference is recorded as negative goodwill and primarily amortized on a straight-line basis over 20 years, which is the maximum period allowed under the previous accounting standard.

(D) IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS

The Bank conducts impairment testing for goodwill and intangible assets acquired in business combinations as a result of certain triggering events including:

- An expectation of an operating loss or negative cash flow for two consecutive years;
- Impairment of underlying investment securities is recognized;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

- A significant adverse change in the environment surrounding the business operations of the subsidiary, such as a change in law which significantly impacts the business in a negative way;
- Management decisions that could have an adverse effect on the value of goodwill and intangible assets acquired in business combinations.

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

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

(E) TRANSLATION OF FOREIGN CURRENCY FINANCIAL STATEMENTS AND TRANSACTIONS

(a) The interim financial statements of consolidated foreign subsidiaries are translated into Japanese yen at exchange rates as of their respective interim balance sheet dates, except for equity, which is translated at historical exchange rates. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity in the accompanying interim consolidated balance sheets.

(b) Foreign currency accounts held by consolidated foreign subsidiaries are translated into the currency of the subsidiary at exchange rates as of their respective interim balance sheet dates.

(c) Foreign currency-denominated assets and liabilities of the Bank and consolidated domestic subsidiaries are translated into Japanese yen at exchange rates as of their respective interim balance sheet dates, except for investments in unconsolidated subsidiaries and affiliates which are translated at the relevant historical exchange rates.

(F) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and non-interest-bearing deposits.

(G) OTHER MONETARY CLAIMS PURCHASED

The components of other monetary claims purchased are principally loans held for trading purposes. Other monetary claims purchased held for trading purposes are recorded at fair value and unrealized gains and losses are recorded in other business income (loss), net.

(H) VALUATION OF TRADING ACCOUNT ACTIVITIES

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

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

Trading income and trading loss include interest received and paid during the period and unrealized gains and losses resulting from the change in the value of securities, monetary claims purchased, and derivatives between the beginning and end of the period.

(I) MONETARY ASSETS HELD IN TRUST

The components of trust assets are accounted for based on the accounting standards appropriate for each asset type. Instruments held in trust for trading purposes are recorded at fair value and unrealized gains and losses are recorded in other business income (loss), net. Instruments held in trust classified as available-for-sale are recorded at fair value with the corresponding unrealized gains and losses recorded directly in a separate component of equity.

Instruments held in trust classified as available-for-sale for which fair value cannot be reliably determined are carried at cost.

(J) SECURITIES

Securities other than investments in unconsolidated subsidiaries and affiliates are classified into three categories, based principally on the Group's intent, as follows:

Trading securities are securities held in anticipation of gains arising from short-term changes in market value and/or held for resale to customers. Trading securities are carried at fair value with corresponding unrealized gains and losses recorded in income (loss).

Securities being held to maturity are debt securities for which the Group has both the positive intent and ability to hold until maturity. Securities being held to maturity are carried at amortized cost determined by the moving average method.

Securities available for sale are securities other than trading securities and securities being held to maturity. Securities available for sale are carried at fair value with the corresponding unrealized gains and losses, net of applicable taxes, recorded directly in a separate component of equity. The cost of these securities upon sale is determined by the moving average method. Securities available for sale for which fair value cannot be reliably determined are carried at cost determined by the moving average method.

In addition, investments in unconsolidated subsidiaries and affiliates that are not accounted for by the equity method are carried at cost determined by the moving average method.

Individual securities, other than trading securities, are written down when a decline in fair value below the cost of such securities is deemed to be other than temporary.

(K) PREMISES AND EQUIPMENT

Premises and equipment are stated at cost less accumulated depreciation.

Depreciation of the Group's buildings and the Bank's computer equipment (including ATMs) other than personal computers is computed principally using the straight-line method, and depreciation of other equipment is computed principally using the declining-balance method. The depreciation cost for the interim period is calculated by proportionally allocating the estimated annual cost to the interim period. Principal estimated useful lives of buildings and equipment as of September 30, 2012 were as follows:

Buildings .... 3 years to 50 years
Equipment ..... 2 years to 20 years

Effective April 1, 2012, the Group applied the depreciation method based on the revised Corporation Tax Act to premises and equipment acquired on or after April 1, 2012 in accordance with the amendment of the Corporation Tax Act. The effect of this application on the interim consolidated statement of income for the six-month period ended September 30, 2012 was immaterial.

(L) SOFTWARE

Capitalized software for internal use is depreciated using the straight-line method based on the Group's estimated useful lives (primarily 5 years).

(M) IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of an asset or asset group. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(N) DEFERRED CHARGES

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

(O) RESERVE FOR CREDIT LOSSES

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

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

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

With regard to claims to possibly bankrupt obligors, restructured loans and certain claims for which the reserve has been provided based on the discounted cash flow method (as mentioned below) in previous fiscal years, provided that obligors' cash flows for debt service are reasonably estimable and the balance of claims to such obligors are at or larger than a predetermined amount, the reserve for credit losses is determined as the difference between (i) relevant estimated cash flows discounted by the original contractual interest rate and (ii) the book value of the claim (discounted cash flow method). In case

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

where it is difficult to reasonably estimate future cash flows, the reserve is provided based on expected loss amount for the remaining term of respective claims.

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

For specific foreign claims, there is a reserve for loans to restructuring countries which has been provided based on losses estimated by considering the political and economic conditions in those countries.

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

The consolidated subsidiaries other than the domestic trust and banking subsidiary calculate the general reserve for general claims based on the actual historical loss ratio, and the specific reserve for claims to possibly bankrupt obligors, virtually bankrupt obligors and legally bankrupt obligors based on estimated losses, considering the recoverable value.

For collateralized or guaranteed claims of the Bank and certain consolidated subsidiaries to legally bankrupt obligors or virtually bankrupt obligors, the amount of claims exceeding the estimated value of collateral or guarantees, which is deemed uncollectible, has been charged off and totaled ¥162,556 million (U.S.$2,098,856 thousand) and ¥165,992 million as of September 30, 2012 and March 31, 2012, respectively.

(P) ACCRUED BONUSES FOR EMPLOYEES AND DIRECTORS

Accrued bonuses for employees and directors are provided in the amount of the estimated bonuses which are attributable to each period.

(Q) RESERVE FOR EMPLOYEES' RETIREMENT BENEFITS

The Bank, APLUS FINANCIAL and Showa Leasing each have a non-contributory defined benefit pension plan, and Shinsei Financial and certain of the other consolidated domestic subsidiaries have unfunded severance indemnity plans, which cover substantially all of the Group's employees. The reserve for employees' retirement benefits is provided for the payment of employees' retirement benefits based on the estimated amounts of the projected benefit obligation and the estimated value of pension plan assets at the end of period. Net actuarial gains and losses and prior service costs are amortized using the straight-line method over the average remaining service period primarily from the period of occurrence.

Effective April 1, 2000, the Bank adopted a new accounting standard for employees' retirement benefits and accounts for the liabilities for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The transitional unrecognized net retirement benefit obligation for the Bank of ¥9,081 million is being amortized using the straight-line method over 15 years.

(R) RESERVE FOR DIRECTORS' RETIREMENT BENEFITS

Retirement allowances for directors and statutory auditors are recorded to state the liability at the amount that would be required if all directors and statutory auditors retired at each balance sheet date.

(S) RESERVE FOR LOSSES ON INTEREST REPAYMENTS

The reserve for losses on interest repayments is provided for estimated losses on reimbursements of excess interest payments and loan losses related to consumer finance loans extended at interest rates in excess of the maximum interest rate prescribed in the Interest Rate Restriction Act of Japan. The reserve is established in the amount of the estimated future reimbursement requests based on past experience.

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

(T) RESERVE UNDER SPECIAL LAW

The reserve under special law is provided for contingent liabilities from brokering of securities transactions in accordance with Paragraph 1 of Article 46-5 of the Financial Instruments and Exchange Act of Japan.

(U) ASSET RETIREMENT OBLIGATIONS

In March 2008, the ASBJ published the accounting standard for asset retirement obligations, ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations."

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

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

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

This standard was effective for fiscal years beginning on or after April 1, 2010. The Group applied this accounting standard effective April 1, 2010.

(V) STOCK OPTIONS

In December 2005, the ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised.

(W) LEASE TRANSACTIONS

In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993.

Effective April 1, 2008, the Bank and its consolidated subsidiaries applied the revised accounting standard for lease transactions.

(As lessee)

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the consolidated balance sheets.

Depreciation of lease assets from finance lease transactions that do not deem to transfer ownership of the leased property to the lessee is computed using the straight-line method over the leasing period. Residual values of lease assets are the guaranteed value determined in the lease contracts or zero for assets without such guaranteed value.

With regard to finance lease transactions entered into prior to April 1, 2008, that do not deem to transfer ownership of the leased property to the lessee, lease assets are recognized at the amount of lease obligations as of March 31, 2008.

(As lessor)

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information was disclosed in the note to the lessor's financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee be recognized as lease receivables, and that all finance leases that are not deemed to transfer ownership of the leased property to the lessee be recognized as leased investment assets.

In addition, depreciation of tangible leased assets as lessor for operating lease transactions is computed using the straight-line method over the leasing period assuming that residual values are the disposal price estimable at the end of the estimated leasing period.

Net income on each finance lease transaction is calculated on the basis of the internal rate of return of each transaction.

With regard to finance lease transactions entered into prior to April 1, 2008, that do not deem to transfer ownership of the leased property to the lessee, leased investment assets are recognized at the amount of book values of those leased properties as of March 31, 2008.

As a result of this transitional treatment, income before income taxes and minority interests increased by ¥600 million (U.S.$7,757 thousand) and ¥1,118 million for the six months ended September 30, 2012 and 2011, respectively, as compared to what would have been reported if the revised accounting standard was applied retroactively to all finance lease transactions as lessor.

(X) INSTALLMENT SALES FINANCE AND CREDIT GUARANTEES

Fees from installment sales finance have principally been prorated over the respective installment periods by using the sum-of-the-months digits method, or by using the credit-balance method.

Fees from credit guarantees have been recognized either by the sum-of-the-months digits method, the straight-line method or the credit-balance method over the contract terms.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

(Y) REVENUE RECOGNITION FOR INTEREST ON CONSUMER LENDING BUSINESS

Consolidated subsidiaries specialized in the consumer lending business accrued interest income at the interim balance sheet date at the lower of the amount determined using a rate permissible under the Interest Rate Restriction Act of Japan or the amount determined using rates on contracts with customers.

(Z) INCOME TAXES

Deferred income taxes relating to temporary differences between financial reporting and tax bases of assets and liabilities and tax loss carryforwards have been recognized. The asset and liability approach is used to recognize deferred income taxes.

The Bank files its corporate income tax return under the consolidated corporate tax system, which allows companies to base tax payments on the combined profits and losses of the Bank and its wholly-owned domestic subsidiaries.

A valuation allowance is recognized for any portion of the deferred tax assets where it is considered more likely than not that it will not be realized.

(AA) DERIVATIVES AND HEDGE ACCOUNTING

Derivatives are stated at fair value. Derivative transactions that meet the hedge accounting criteria are primarily accounted for using the deferral method whereby unrealized gains and losses are deferred in a separate component of equity until the gains and losses on the hedged items are realized.

(a) Hedge of interest rate risks

Derivative transactions that meet the hedge accounting criteria for mitigating interest rate risks of the Bank's financial assets and liabilities are accounted for using the deferral method. The Bank adopted portfolio hedging to determine the effectiveness of its hedging instruments in accordance with Industry Audit Committee Report No.24 of the Japanese Institute of Certified Public Accountants (JICPA). Under portfolio hedging activities to mitigate the change in fair value, a portfolio of hedged items with common maturities such as deposits or loans is designated and matched with a group of hedging instruments such as interest rate swaps, which offset the effect of fair value fluctuations of the hedged items by identified maturities. The effectiveness of the portfolio hedging is assessed by each group.

As for portfolio hedging activities to fix cash flows, the effectiveness is assessed based on the correlation between the base interest rate index of the hedged cash flow and that of the hedging instrument.

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

(b) Hedge of foreign exchange fluctuation risks

The Bank applies either deferral hedge accounting or fair value hedge accounting in accordance with Industry Audit Committee Report No.25 of the JICPA to the derivative transactions that meet the hedge accounting criteria for mitigating foreign currency fluctuation risks of the Bank's financial assets and liabilities.

Fund swap transactions are foreign exchange swaps, and consist of spot foreign exchange contracts bought or sold and forward foreign exchange contracts sold or bought. Such transactions are contracted for the purpose of lending or borrowing in a different currency and converting the corresponding principal equivalents and foreign currency equivalents to pay and receive, whose amounts and due dates are predetermined at the time of the transactions, into forward foreign exchange contracts sold or bought.

Under deferral hedge accounting, hedged items are identified by grouping the foreign currency-denominated financial assets and liabilities by currencies and designating derivative transactions such as currency swap transactions, fund swap transactions and forward exchange contracts as hedging instruments. Hedge effectiveness is reviewed by comparing the total foreign currency position of the hedged items and hedging instruments by currency.

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

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

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

(AB) PER SHARE INFORMATION

Basic net income (loss) per common share calculations represent net income (loss) available to common shareholders, divided by the weighted average number of outstanding shares of common stock during the respective period, retroactively adjusted for stock splits and reverse stock splits.

Diluted net income per common share calculations consider the dilutive effect of common stock equivalents, which include stock acquisition rights, assuming that stock acquisition rights were fully exercised at the time of issuance for those issued during the period and at the beginning of the period for those previously issued and outstanding at the beginning of the period.

(AC) ACCOUNTING CHANGES AND ERROR CORRECTIONS

In December 2009, ASBJ issued ASBJ Statement No.24 "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No.24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(a) Changes in accounting policies

When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(b) Changes in presentations

When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.

(c) Changes in accounting estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(d) Corrections of prior-period errors

When an error in prior-period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior- period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

(AD) NEW ACCOUNTING PRONOUNCEMENTS

Accounting Standard for Retirement Benefits

In May 2012, ASBJ issued ASBJ Statement No.26 "Accounting Standard for Retirement Benefits" and ASBJ Guidance No.25 "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by BAC in 1998 with effective date of April 1, 2000 and the other related practical guidances, being followed by partial amendments from time to time through 2009. Major changes are as follows:

(a) Treatment in the balance sheet

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, are recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized under accumulated other comprehensive income in a separate component of equity, after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) Treatment in the statement of income and the statement of comprehensive income

The revised accounting standard would not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and yet to be recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

This accounting standard and the guidance are effective at the end of the fiscal year beginning on or after April 1, 2013 with earlier application being permitted from the beginning of fiscal year beginning on or after April 1, 2013. However no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Bank expects to apply the revised accounting standard from the end of the fiscal year beginning on April 1, 2013 and is in the process of measuring the effects of applying the revised accounting standard for the year ending March 31, 2014.

3. CASH AND CASH EQUIVALENTS
CONSOLIDATED

The reconciliation of cash and cash equivalents and cash and due from banks in the interim consolidated balance sheets as of September 30, 2012 and 2011 was as follows:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	**2012**	2011	**2012**
Cash and due from banks	**¥ 414,089**	¥ 329,447	**$ 5,346,541**
Interest-bearing deposits included in due from banks	**(72,144)**	(84,809)	**(931,495)**
Cash and cash equivalents	**¥ 341,945**	¥ 244,638	**$ 4,415,046**

4. OTHER MONETARY CLAIMS PURCHASED
CONSOLIDATED

(a) Other monetary claims purchased as of September 30, 2012 and March 31, 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2012	Mar. 31, 2012	**Sept. 30, 2012**
Trading purposes	**¥ 60,641**	¥ 67,226	**$ 782,982**
Other	**59,679**	63,717	**770,550**
Total	**¥ 120,321**	¥ 130,943	**$ 1,553,532**

(b) The fair value and the unrealized loss which is included in net gain (loss) on other monetary claims purchased for trading purposes as of September 30, 2012 and March 31, 2012 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	Sept. 30, 2012		Mar. 31, 2012		**Sept. 30, 2012**	
	Fair value	**Unrealized loss**	Fair value	Unrealized loss	**Fair value**	**Unrealized loss**
Trading purposes	**¥ 60,641**	**¥ 22,634**	¥ 67,226	¥ 20,052	**$ 782,982**	**$ 292,247**

5. TRADING ASSETS
CONSOLIDATED

Trading assets as of September 30, 2012 and March 31, 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2012	Mar. 31, 2012	**Sept. 30, 2012**
Trading securities	**¥ 33,087**	¥ 45,542	**$ 427,206**
Derivatives for trading securities	**1,940**	2,247	**25,055**
Securities held to hedge trading transactions	**26,274**	12,901	**339,245**
Derivatives for securities held to hedge trading transactions	**25,468**	33,845	**328,833**
Trading-related financial derivatives	**119,663**	108,138	**1,545,046**
Other	**11,507**	—	**148,579**
Total	**¥ 217,941**	¥ 202,675	**$ 2,813,964**

6. MONETARY ASSETS HELD IN TRUST — CONSOLIDATED

(a) Monetary assets held in trust as of September 30, 2012 and March 31, 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2012	Mar. 31, 2012	**Sept. 30, 2012**
Trading purposes	**¥ 113,904**	¥ 132,025	**$ 1,470,679**
Other	**146,263**	135,602	**1,888,490**
Total	**¥ 260,167**	¥ 267,628	**$ 3,359,169**

(b) The fair value and the unrealized loss which is included in net gain (loss) on monetary assets held in trust for trading purposes as of September 30, 2012 and March 31, 2012 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	Sept. 30, 2012		Mar. 31, 2012		**Sept. 30, 2012**	
	Fair value	**Unrealized loss**	Fair value	Unrealized loss	**Fair value**	**Unrealized loss**
Trading purposes	**¥ 113,904**	**¥ 6,901**	¥ 132,025	¥ 6,637	**$ 1,470,679**	**$ 89,104**

(c) The carrying amount of monetary assets held in trust for other than trading purposes is the same as the acquisition cost as of September 30, 2012 and March 31, 2012.

7. SECURITIES — CONSOLIDATED

(a) Securities as of September 30, 2012 and March 31, 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2012	Mar. 31, 2012	**Sept. 30, 2012**
Trading securities	**¥ 523**	¥ 613	**$ 6,759**
Securities being held to maturity	**653,915**	658,558	**8,443,064**
Securities available for sale:			
Securities carried at fair value	**1,249,188**	1,092,393	**16,128,968**
Securities carried at cost whose fair value cannot be reliably determined	**60,534**	80,207	**781,599**
Investments in unconsolidated subsidiaries and affiliates	**39,279**	41,720	**507,153**
Total	**¥ 2,003,441**	¥ 1,873,493	**$ 25,867,543**

The above balances do not include securities held in connection with securities borrowing transactions with or without cash collateral, securities purchased under resale agreements or securities accepted as collateral for derivative transactions, where the Group has the right to sell or pledge such securities without restrictions. The balances of those securities as of September 30, 2012 and March 31, 2012 were ¥28,671 million (U.S.$370,200 thousand) and ¥87,441 million, respectively. In addition, ¥22,274 million (U.S.$287,597 thousand) and ¥11,066 million of those securities were further pledged as of September 30, 2012 and March 31, 2012, respectively.

The amount of guarantee obligations for privately-placed bonds (Paragraph 3 of Article 2 of the Financial Instruments and Exchange Act) included in securities as of September 30, 2012 and March 31, 2012 were ¥45,601 million (U.S.$588,789 thousand) and ¥45,008 million, respectively.

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7. SECURITIES (CONTINUED)

CONSOLIDATED

(b) The amortized/acquisition cost and the fair values of securities (other than trading securities) as of September 30, 2012 and March 31, 2012 were as follows:

Millions of yen

	Sept. 30, 2012				Mar. 31, 2012			
	Amortized/ Acquisition cost	**Gross unrealized gain**	**Gross unrealized loss**	**Fair value**	Amortized/ Acquisition cost	Gross unrealized gain	Gross unrealized loss	Fair value
Securities being held to maturity:								
Japanese national government bonds	**¥ 585,232**	**¥ 5,247**	**¥ —**	**¥ 590,479**	¥ 585,601	¥ 5,302	¥ —	¥ 590,903
Japanese corporate bonds	**21,597**	**116**	**—**	**21,714**	22,834	259	—	23,094
Other	**47,085**	**3,986**	**342**	**50,729**	50,122	4,006	574	53,555
Total	**¥ 653,915**	**¥ 9,350**	**¥ 342**	**¥ 662,923**	¥ 658,558	¥ 9,568	¥ 574	¥ 667,553
Securities available for sale:								
Equity securities	**¥ 13,984**	**¥ 3,283**	**¥ 1,302**	**¥ 15,965**	¥ 14,313	¥ 5,547	¥ 602	¥ 19,258
Japanese national government bonds	**889,591**	**1,948**	**589**	**890,951**	698,357	1,973	769	699,562
Japanese local government bonds	**1,733**	**38**	**—**	**1,772**	1,738	46	—	1,785
Japanese corporate bonds	**217,098**	**885**	**2,305**	**215,677**	231,061	378	3,212	228,227
Other, primarily foreign debt securities	**136,146**	**3,419**	**2,119**	**137,445**	158,236	4,411	3,160	159,488
Total	**¥ 1,258,555**	**¥ 9,574**	**¥ 6,317**	**¥ 1,261,812**	¥ 1,103,707	¥ 12,358	¥ 7,744	¥ 1,108,321

Thousands of U.S. dollars

	Sept. 30, 2012			
	Amortized/ Acquisition cost	**Gross unrealized gain**	**Gross unrealized loss**	**Fair value**
Securities being held to maturity:				
Japanese national government bonds	**$ 7,556,261**	**$ 67,753**	**$ —**	**$ 7,624,014**
Japanese corporate bonds	**278,856**	**1,509**	**—**	**280,365**
Other	**607,947**	**51,471**	**4,425**	**654,993**
Total	**$ 8,443,064**	**$ 120,733**	**$ 4,425**	**$ 8,559,372**
Securities available for sale:				
Equity securities	**$ 180,566**	**$ 42,391**	**$ 16,817**	**$ 206,140**
Japanese national government bonds	**11,486,015**	**25,162**	**7,606**	**11,503,571**
Japanese local government bonds	**22,386**	**497**	**—**	**22,883**
Japanese corporate bonds	**2,803,083**	**11,427**	**29,774**	**2,784,736**
Other, primarily foreign debt securities	**1,757,860**	**44,150**	**27,371**	**1,774,639**
Total	**$ 16,249,910**	**$ 123,627**	**$ 81,568**	**$ 16,291,969**

Note: "Other, primarily foreign debt securities" includes other monetary claims purchased whose fair value can be reliably determined.

7. SECURITIES (CONTINUED) CONSOLIDATED

Individual securities (except those whose fair value cannot be reliably determined), other than trading securities, are written down when a decline in fair value below the cost of such securities is deemed to be other than temporary. The amount written down is accounted for as an impairment loss. Impairment loss on such securities for the six months ended September 30, 2012 was ¥1,210 million (U.S.$15,634 thousand), which consisted of ¥211 million (U.S.$2,726 thousand) for equity securities, ¥971 million (U.S.$12,543 thousand) for Japanese corporate bonds and ¥28 million (U.S.$365 thousand) for other securities.

Impairment loss on such securities for the fiscal year ended March 31, 2012 was ¥8,761 million, which consisted of ¥4,094 million for equity securities, ¥3,351 million for Japanese corporate bonds and ¥1,315 million for other securities.

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

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

"Legally bankrupt" obligors are those who have already gone bankrupt from a legal and/or formal perspective.
"Virtually bankrupt" obligors are those who have not yet gone legally or formally bankrupt but who are substantially bankrupt because they are in serious financial difficulties and are not deemed to be capable of restructuring.
"Possibly bankrupt" obligors are those who are not yet bankrupt but are in financial difficulties and are very likely to go bankrupt in the future.
"Need caution" obligors are those who require close attention because there are problems with their borrowings.
"Normal" obligors are those whose business conditions are favorable and who are deemed not to have any particular problems in terms of their financial position.

(c) Unrealized gain (loss) on available-for-sale securities as of September 30, 2012 and March 31, 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2012	Mar. 31, 2012	**Sept. 30, 2012**
Unrealized gain (loss) before deferred tax on:			
Available-for-sale securities	**¥ 3,257**	¥ 4,614	**$ 42,059**
The Group's interests in available-for-sale securities held by partnerships recorded as securities whose fair value cannot be reliably determined and other adjustments	**109**	(10)	**1,416**
Securities being held to maturity, reclassified from available-for-sale in the past, under extremely illiquid market conditions	**(4,562)**	(5,186)	**(58,909)**
Deferred tax liabilities	**(100)**	(177)	**(1,298)**
Unrealized gain (loss) on available-for-sale securities before interest adjustments	**(1,295)**	(761)	**(16,732)**
Minority interests	**0**	(6)	**3**
The Group's interests in unrealized gain (loss) on available-for-sale securities held by affiliates to which the equity method is applied	**221**	93	**2,863**
Unrealized gain (loss) on available-for-sale securities	**¥ (1,073)**	¥ (674)	**$ (13,866)**

8. LOANS AND BILLS DISCOUNTED

CONSOLIDATED

Loans and bills discounted as of September 30, 2012 and March 31, 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2012	Mar. 31, 2012	**Sept. 30, 2012**
Loans on deeds	**¥ 3,647,271**	¥ 3,481,830	**$ 47,091,949**
Loans on bills	**26,482**	26,192	**341,931**
Bills discounted	**7,415**	11,054	**95,748**
Overdrafts	**600,756**	617,750	**7,756,702**
Total	**¥ 4,281,926**	¥ 4,136,827	**$ 55,286,330**

(a) Risk-monitored loans

Loans and bills discounted include loans to bankrupt obligors of ¥18,918 million (U.S.$244,265 thousand) and ¥8,145 million as of September 30, 2012 and March 31, 2012, respectively, as well as non-accrual delinquent loans of ¥284,634 million (U.S.$3,675,076 thousand) and ¥316,727 million as of September 30, 2012 and March 31, 2012, respectively.

Non-accrual delinquent loans include loans classified as "possibly bankrupt" and "virtually bankrupt" under the Group's self-assessment guidelines.

In addition to non-accrual delinquent loans as defined, certain other loans classified as "substandard" under the Bank's self-assessment guidelines include loans past due for three months or more.

Loans past due for three months or more consist of loans for which the principal and/or interest is three months or more past due but exclude loans to bankrupt obligors and non-accrual delinquent loans. The balances of loans past due for three months or more as of September 30, 2012 and March 31, 2012 were ¥1,740 million (U.S.$22,468 thousand) and ¥1,754 million, respectively.

Restructured loans are loans where the Group relaxes lending conditions, such as by reducing the original interest rate, or by forbearing interest payments or principal repayments to support the borrower's reorganization, but exclude loans to bankrupt obligors, non-accrual delinquent loans or loans past due for three months or more. The outstanding balances of restructured loans as of September 30, 2012 and March 31, 2012 were ¥40,800 million (U.S.$526,803 thousand) and ¥45,321 million, respectively.

(b) Loan participations

The total outstanding amounts deducted from the loan account for loan participations as of September 30, 2012 and March 31, 2012 were ¥17,423 million (U.S.$224,964 thousand) and ¥18,441 million, respectively. This "off-balance sheet" treatment is in accordance with guidelines issued by the JICPA. The total amount of such loans in which the Bank participated were ¥5,194 million (U.S.$67,073 thousand) and ¥7,891 million as of September 30, 2012 and March 31, 2012, respectively.

(c) Bills discounted

Bills discounted, such as bank acceptances bought, commercial bills discounted, documentary bills and foreign exchange contracts bought, are accounted for as financing transactions in accordance with the Industry Audit Committee Report No. 24 issued by the JICPA, although the Group has the right to sell or pledge them without restrictions. The face amounts of such bills discounted held as of September 30, 2012 and March 31, 2012 were ¥7,858 million (U.S.$101,459 thousand) and ¥11,169 million, respectively.

(d) Loan commitments

The Bank and certain of its consolidated subsidiaries issue commitments to extend credit and establish credit lines for overdrafts to meet the financing needs of customers. The unfunded amounts of these commitments were ¥3,707,375 million (U.S.$47,867,982 thousand) and ¥4,026,211 million as of September 30, 2012 and March 31, 2012, out of which the amounts with original agreement terms of less than one year or which were cancelable were ¥3,561,648 million (U.S.$45,986,425 thousand) and ¥3,806,561 million as of September 30, 2012 and March 31, 2012, respectively. Since a large majority of these commitments expire without being drawn upon, the unfunded amounts do not necessarily represent future cash requirements. Many such agreements include conditions granting the Bank and 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.

9. FOREIGN EXCHANGES

CONSOLIDATED

Foreign exchange assets and liabilities as of September 30, 2012 and March 31, 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2012	Mar. 31, 2012	**Sept. 30, 2012**
Foreign exchange assets:			
Foreign bills bought	**¥ 442**	¥ 114	**$ 5,711**
Foreign bills receivable	**7,054**	8,133	**91,089**
Due from foreign banks	**15,231**	10,648	**196,668**
Total	**¥ 22,729**	¥ 18,896	**$ 293,468**
Foreign exchange liabilities:			
Foreign bills payable	**¥ 14**	¥ 9	**$ 185**
Due to foreign banks	**2**	2	**31**
Total	**¥ 16**	¥ 11	**$ 216**

10. OTHER ASSETS

CONSOLIDATED

Other assets as of September 30, 2012 and March 31, 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2012	Mar. 31, 2012	**Sept. 30, 2012**
Accrued income	**¥ 15,779**	¥ 16,300	**$ 203,739**
Prepaid expenses	**3,323**	2,888	**42,907**
Fair value of derivatives	**65,392**	81,914	**844,314**
Financial stabilization fund contribution	**—**	41,500	**—**
Accounts receivable	**189,944**	42,543	**2,452,474**
Installment receivables	**356,082**	347,935	**4,597,575**
Security deposits	**12,704**	13,269	**164,041**
Suspense payments	**20,418**	26,341	**263,631**
Margin deposits for future transactions	**4,666**	5,383	**60,255**
Cash collateral pledged for derivative transactions	**25,442**	23,935	**328,501**
Other	**77,781**	84,702	**1,004,281**
Total	**¥ 771,535**	¥ 686,716	**$ 9,961,718**

Installment receivables as of September 30, 2012 and March 31, 2012 include credits to bankrupt obligors of ¥261 million (U.S.$3,371 thousand) and ¥368 million, non-accrual delinquent credits of ¥10,076 million (U.S.$130,098 thousand) and ¥10,259 million, credits past due for three months or more of ¥280 million (U.S.$3,618 thousand) and ¥320 million, and restructured credits of ¥1,281 million (U.S.$16,543 thousand) and ¥1,564 million, respectively.

11. PREMISES AND EQUIPMENT

CONSOLIDATED

Premises and equipment as of September 30, 2012 and March 31, 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2012	Mar. 31, 2012	**Sept. 30, 2012**
Buildings	**¥ 30,846**	¥ 30,693	**$ 398,277**
Land	**7,356**	7,634	**94,982**
Tangible leased assets as lessor	**49,507**	48,047	**639,218**
Other	**19,991**	19,851	**258,123**
Subtotal	**107,701**	106,227	**1,390,600**
Accumulated depreciation	**(52,678)**	(52,096)	**(680,163)**
Net book value	**¥ 55,023**	¥ 54,131	**$ 710,437**

12. INTANGIBLE ASSETS CONSOLIDATED

Intangible assets as of September 30, 2012 and March 31, 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2012	Mar. 31, 2012	**Sept. 30, 2012**
Software	**¥ 21,306**	¥ 22,766	**$ 275,097**
Goodwill, net:			
Goodwill	**43,713**	47,574	**564,408**
Negative goodwill	**(5,441)**	(5,623)	**(70,264)**
Intangible assets acquired in business combinations	**14,263**	16,262	**184,161**
Intangible leased assets as lessor	**6**	7	**81**
Other	**59**	65	**772**
Total	**¥ 73,907**	¥ 81,053	**$ 954,255**

13. RESERVE FOR CREDIT LOSSES CONSOLIDATED

Reserve for credit losses as of September 30, 2012 and March 31, 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2012	Mar. 31, 2012	**Sept. 30, 2012**
Reserve for loan losses:			
General reserve for loan losses	**¥ 77,820**	¥ 80,949	**$ 1,004,782**
Specific reserve for loan losses	**90,236**	95,768	**1,165,097**
Reserve for loan losses to restructuring countries	**0**	0	**11**
Subtotal	**168,057**	176,718	**2,169,890**
Specific reserve for other credit losses	**3,906**	3,915	**50,443**
Total	**¥ 171,964**	¥ 180,633	**$ 2,220,333**

14. DEPOSITS, INCLUDING NEGOTIABLE CERTIFICATES OF DEPOSIT CONSOLIDATED

Deposits, including negotiable certificates of deposit, as of September 30, 2012 and March 31, 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2012	Mar. 31, 2012	**Sept. 30, 2012**
Current	**¥ 42,240**	¥ 14,995	**$ 545,390**
Ordinary	**1,510,083**	1,485,682	**19,497,524**
Notice	**10,693**	12,711	**138,072**
Time	**3,112,139**	3,292,790	**40,182,569**
Negotiable certificates of deposit	**316,436**	178,084	**4,085,693**
Other	**383,062**	378,147	**4,945,929**
Total	**¥ 5,374,656**	¥ 5,362,411	**$ 69,395,177**

15. DEBENTURES

CONSOLIDATED

(a) Debentures as of September 30, 2012 and March 31, 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2012	Mar. 31, 2012	**Sept. 30, 2012**
Coupon debentures	**¥ 277,624**	¥ 294,139	**$ 3,584,568**

(b) Annual maturities of debentures as of September 30, 2012 were as follows:

Year ending September 30,	Millions of yen	Thousands of U.S. dollars
2013	**¥ 57,478**	**$ 742,133**
2014	**43,247**	**558,386**
2015	**53,398**	**689,455**
2016	**62,068**	**801,404**
2017 and thereafter	**61,432**	**793,190**
Total	**¥ 277,624**	**$ 3,584,568**

16. TRADING LIABILITIES

CONSOLIDATED

Trading liabilities as of September 30, 2012 and March 31, 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2012	Mar. 31, 2012	**Sept. 30, 2012**
Derivatives for trading securities	**¥ 1,318**	¥ 1,589	**$ 17,029**
Derivatives for securities held to hedge trading transactions	**32,141**	39,649	**414,999**
Trading-related financial derivatives	**94,318**	86,746	**1,217,795**
Trading securities sold for short sales	**30,437**	48,058	**393,000**
Total	**¥ 158,216**	¥ 176,044	**$ 2,042,823**

17. BORROWED MONEY

CONSOLIDATED

(a) Borrowed money as of September 30, 2012 and March 31, 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2012	Mar. 31, 2012	**Sept. 30, 2012**
Subordinated debt	**¥ 93,000**	¥ 93,000	**$ 1,200,775**
Other	**625,377**	383,731	**8,074,593**
Total	**¥ 718,377**	¥ 476,731	**$ 9,275,368**

(b) Annual maturities of borrowed money as of September 30, 2012 were as follows:

Year ending September 30,	Millions of yen	Thousands of U.S. dollars
2013	**¥ 430,350**	**$ 5,556,492**
2014	**42,445**	**548,033**
2015	**56,696**	**732,037**
2016	**40,711**	**525,650**
2017 and thereafter	**148,173**	**1,913,156**
Total	**¥ 718,377**	**$ 9,275,368**

18. CORPORATE BONDS

CONSOLIDATED

(a) Corporate bonds as of September 30, 2012 and March 31, 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2012	Mar. 31, 2012	**Sept. 30, 2012**
Subordinated bonds	**¥ 140,294**	¥ 145,676	**$ 1,811,416**
Other corporate bonds	**23,231**	23,120	**299,948**
Total	**¥ 163,525**	¥ 168,797	**$ 2,111,364**

(b) Subordinated bonds as of September 30, 2012 and March 31, 2012 consisted of the following:

Issuer	Description	Issue	Maturity	Interest Rate (%)	Millions of yen		Thousands of U.S. dollars
					Sept. 30, 2012	Mar. 31, 2012	**Sept. 30, 2012**
Shinsei Bank, Limited	Unsecured subordinated bonds, payable in Yen[1]	Mar. 2005 to Dec. 2009	Mar. 2015 to Dec. 2017	1.96 to 3.40	**¥ 74,000**	¥ 74,000	**$ 955,455**
	Unsecured subordinated notes, payable in Euro[2]	Feb. 2006 and Sept. 2010	Feb. 2016 and Sept. 2020	2.268 and 7.375	**54,789**	59,909	**707,412**
	Unsecured perpetual subordinated notes, payable in Euroyen[3]	Oct. 2005	—	2.35 and 2.435	**4,500**	4,500	**58,102**
	Unsecured perpetual subordinated note, payable in Pounds Sterling	Dec. 2006	—	5.625	**6,505**	6,767	**83,991**
Shinsei Bank Finance N.V.	Unsecured perpetual subordinated bond, payable in Yen	Dec. 1996	—	1.88443	**500**	500	**6,456**
	Total				**¥ 140,294**	¥ 145,676	**$ 1,811,416**

Notes: (1) This includes a series of subordinated bonds, payable in Yen.
(2) This includes a series of subordinated notes, payable in Euro.
(3) This includes a series of perpetual subordinated notes issued under Euro Note Programme.

(c) Annual maturities of corporate bonds as of September 30, 2012 were as follows:

Year ending September 30,	Millions of yen	Thousands of U.S. dollars
2013	**¥ 1,746**	**$ 22,549**
2014	**1,555**	**20,082**
2015	**34,565**	**446,293**
2016	**57,139**	**737,757**
2017 and thereafter	**68,518**	**884,683**
Total	**¥ 163,525**	**$ 2,111,364**

19. OTHER LIABILITIES

CONSOLIDATED

Other liabilities as of September 30, 2012 and March 31, 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2012	Mar. 31, 2012	**Sept. 30, 2012**
Accrued expenses	**¥ 63,218**	¥ 61,258	**$ 816,253**
Unearned income	**3,745**	3,788	**48,356**
Income taxes payable	**2,252**	2,130	**29,077**
Fair value of derivatives	**116,499**	142,223	**1,504,192**
Matured debentures, including interest	**13,112**	14,097	**169,298**
Trust account	**349**	7,526	**4,513**
Accounts payable	**127,637**	70,348	**1,647,995**
Deferred gains on installment receivables and credit guarantees	**27,056**	26,751	**349,335**
Asset retirement obligations	**7,890**	7,663	**101,873**
Deposits payable	**100,573**	91,595	**1,298,556**
Other	**44,066**	38,315	**568,962**
Total	**¥ 506,399**	¥ 465,698	**$ 6,538,410**

20. ACCEPTANCES AND GUARANTEES CONSOLIDATED

Acceptances and guarantees as of September 30, 2012 and March 31, 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2012	Mar. 31, 2012	**Sept. 30, 2012**
Guarantees	**¥ 550,232**	¥ 562,624	**$ 7,104,364**

21. ASSETS PLEDGED AS COLLATERAL CONSOLIDATED

Assets pledged as collateral and liabilities collateralized as of September 30, 2012 and March 31, 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2012	Mar. 31, 2012	**Sept. 30, 2012**
Assets pledged as collateral:			
Cash and due from banks	**¥ 198**	¥ 203	**$ 2,567**
Trading assets	**50,085**	33,915	**646,684**
Monetary assets held in trust	**1,767**	1,767	**22,820**
Securities	**1,023,930**	625,163	**13,220,531**
Loans and bills discounted	**146,455**	191,990	**1,890,965**
Lease receivables and leased investment assets	**84,295**	85,050	**1,088,389**
Other assets	**41,321**	32,278	**533,531**
Premises and equipment	**2,695**	—	**34,808**
Liabilities collateralized:			
Deposits, including negotiable certificates of deposit	**¥ 494**	¥ 568	**$ 6,380**
Call money	**210,000**	210,000	**2,711,427**
Payable under securities lending transactions	**114,236**	136,006	**1,474,976**
Borrowed money	**460,008**	172,673	**5,939,421**
Corporate bonds	**12,280**	14,069	**158,554**
Other liabilities	**42**	33	**547**
Acceptances and guarantees	**917**	920	**11,846**

In addition, ¥208,540 million (U.S.$2,692,587 thousand) and ¥364,798 million of securities as of September 30, 2012 and March 31, 2012, were pledged as collateral for transactions, including exchange settlements, swap transactions and replacement of margin for futures transactions.

Also, ¥4,666 million (U.S.$60,254 thousand) and ¥5,383 million of margin deposits for futures transactions outstanding, ¥12,704 million (U.S.$164,041 thousand) and ¥13,269 millions of security deposits, ¥25,442 million (U.S.$328,501 thousand) and ¥23,935 million of cash collateral pledged for derivative transactions were included in other assets as of September 30, 2012 and March 31, 2012, respectively.

22. PREFERRED SECURITIES ISSUED BY SUBSIDIARIES OUTSIDE JAPAN

CONSOLIDATED

The non-cumulative perpetual preferred securities issued by the Bank's wholly owned subsidiaries outside Japan as of September 30, 2012 and March 31, 2012 were as follows:

Issuer	Issued date	Issue amount (in millions)	Dividend rate[1]	Floating dividend start date	Type	Redemption date at the issuer's option	Millions of yen		Thousands of U.S. dollars
							Sept. 30, 2012	Mar. 31, 2012	**Sept. 30, 2012**
Shinsei Finance (Cayman) Limited	Feb. 2006	U.S.$775	6.418%	Jul. 2016	step-up	Jul. 2016[2]	**¥ 2,342**	¥ 2,478	**$ 30,250**
Shinsei Finance II (Cayman) Limited	Mar. 2006	U.S.$700	7.16%	Jul. 2016	non step-up	Jul. 2016[3]	**1,331**	1,408	**17,187**
Shinsei Finance III (Cayman) Limited	Mar. 2009	¥19,000	5.5%	Jul. 2014	non step-up	Jul. 2014[2]	**15,600**	15,600	**201,420**
	Mar. 2009	¥20,100	5.0%	Jul. 2019	step-up	Jul. 2014[2]	**18,000**	18,000	**232,408**
Shinsei Finance IV (Cayman) Limited	Mar. 2009	¥2,500	5.0%	Jul. 2019	step-up	Jul. 2014[2]	**2,500**	2,500	**32,279**
	Mar. 2009	¥6,600	5.5%	Jul. 2014	non step-up	Jul. 2014[2]	**6,600**	6,600	**85,216**
Shinsei Finance V (Cayman) Limited	Oct. 2009	¥4,000	5.5%	Jul. 2015	non step-up	Jul. 2015[2]	**4,000**	4,000	**51,646**
	Oct. 2009	¥5,000	floating	—	non step-up	Jul. 2015[2]	**5,000**	5,000	**64,558**
Total							**¥ 55,373**	¥ 55,586	**$ 714,964**

Notes: (1) Fixed dividend rates shown in this column are to be changed to floating dividend rates on the dividend payment date shown in "Floating dividend start date" column.
(2) These preferred securities are redeemable on any dividend payment date shown in this column or thereafter, at a price equal to the liquidation preference together with any dividends otherwise payable, subject to the prior approval of the Financial Services Agency of Japan ("FSA").
(3) The preferred securities issued by Shinsei Finance II (Cayman) Limited are redeemable on dividend payment date shown in this column or on each dividend payment date falling at ten year intervals thereafter, at a price equal to the liquidation preference together with any dividends otherwise payable, subject to the prior approval of the FSA.

These preferred securities are accounted for as minority interests in the interim consolidated balance sheets.

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23. EQUITY

CONSOLIDATED

The authorized number of shares of common stock as of September 30, 2012 was 4,000,000 thousand shares.

The following table shows changes in the number of shares of common stock.

	Thousands	
	Issued number of shares	Number of treasury stock
Six months ended September 30, 2012:		
Beginning of period	**2,750,346**	**96,427**
Increase	**—**	**—**
Decrease	**—**	**—**
End of period	**2,750,346**	**96,427**
Six months ended September 30, 2011:		
Beginning of period	2,750,346	96,427
Increase	—	—
Decrease	—	—
End of period	2,750,346	96,427

24. STOCK ACQUISITION RIGHTS

CONSOLIDATED

The Bank issues stock acquisition rights as a stock option plan to directors, executive officers and employees of the Bank and its subsidiaries.

Stock acquisition rights provide eligible individuals (the "holders") with the right to purchase common stock of the Bank without any cash consideration at an exchange rate of one thousand common shares to one stock acquisition right. The amount of money to be paid upon exercising stock acquisition rights is the amount calculated by multiplying the payment amount per share (the "exercise price") by the number of common shares that can be purchased through the exercise of one stock acquisition right. Conditions are stipulated in the "Agreement on the Grant of Stock Acquisition Rights" entered into between the Bank and the holders to whom stock acquisition rights were allotted based on the resolution of the annual general meeting of shareholders and the meetings of the Board of Directors which resolves the issuance of stock acquisition rights subsequent to the shareholders' meeting.

In December 2005, the ASBJ issued "Accounting Standard for Stock Options" and related guidance, which requires companies to recognize compensation expense for stock acquisition rights based on the fair value at the date of grant and over the vesting periods for stock acquisition rights newly granted on and after May 1, 2006.

Income of ¥10 million (U.S.$131 thousand) was recognized for the six months ended September 30, 2012, due to reversal of expenses associated with rights that were cancelled before vesting dates which exceeded compensation expense during the period. Net stock-based compensation expense was ¥4 million for the six months ended September 30, 2011. Gains on unexercised and forfeited stock acquisition rights included in other gains (losses), net were ¥43 million (U.S.$559 thousand) and ¥59 million for the six months ended September 30, 2012 and 2011, respectively. There were no stock acquisition rights issued during the six months ended September 30, 2012 and 2011.

25. NET TRADING INCOME (LOSS) CONSOLIDATED

Net trading income (loss) for the six months ended September 30, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
Six months ended September 30,	**2012**	2011	**2012**
Income (loss) from trading securities	**¥ 1,549**	¥ 65	**$ 20,008**
Income (loss) from securities held to hedge trading transactions	**(1,785)**	(2,798)	**(23,055)**
Income (loss) from trading-related financial derivatives	**9,832**	9,248	**126,950**
Other, net	**(23)**	26	**(298)**
Total	**¥ 9,573**	¥ 6,542	**$ 123,605**

26. OTHER BUSINESS INCOME (LOSS), NET CONSOLIDATED

"Other, net" in other business income (loss), net, for the six months ended September 30, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
Six months ended September 30,	**2012**	2011	**2012**
Income (loss) from derivatives entered into for banking purposes, net	**¥ (421)**	¥ (1,656)	**$ (5,444)**
Equity in net income (loss) of affiliates	**1,268**	1,049	**16,377**
Gain on lease cancellation and other lease income (loss), net	**463**	(414)	**5,990**
Other, net	**1,493**	1,348	**19,290**
Total	**¥ 2,804**	¥ 327	**$ 36,213**

27. NET CREDIT COSTS CONSOLIDATED

Net credit costs for the six months ended September 30, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
Six months ended September 30,	**2012**	2011	**2012**
Losses on write-off or sales of loans	**¥ 3,290**	¥ 4,185	**$ 42,489**
Net provision (reversal) of reserve for loan losses:			
Net provision (reversal) of general reserve for loan losses	**746**	4,081	**9,640**
Net provision (reversal) of specific reserve for loan losses	**8,337**	7,470	**107,656**
Net provision (reversal) of reserve for loan losses to restructuring countries	**—**	(11)	**—**
Subtotal	**9,084**	11,540	**117,296**
Net provision (reversal) of specific reserve for other credit losses	**(8)**	—	**(107)**
Other credit costs (recoveries) relating to leasing business	**(444)**	(937)	**(5,738)**
Recoveries of written-off claims	**(5,669)**	(5,986)	**(73,197)**
Total	**¥ 6,253**	¥ 8,801	**$ 80,743**

28. OTHER GAINS (LOSSES), NET

CONSOLIDATED

Other gains (losses), net for the six months ended September 30, 2012 and 2011 consisted of the following:

Six months ended September 30,	Millions of yen 2012	Millions of yen 2011	Thousands of U.S. dollars 2012
Net gain (loss) on disposal of premises and equipment	**¥ 227**	¥ (110)	**$ 2,940**
Pension-related costs	**(37)**	(13)	**(478)**
Gain on write-off of unclaimed debentures	**264**	767	**3,412**
Impairment losses on long-lived assets	**(171)**	(906)	**(2,215)**
Provision of reserve for losses on interest repayments	**—**	(832)	**—**
Other, net	**230**	752	**2,979**
Total	**¥ 514**	¥ (344)	**$ 6,638**

Impairment losses on long-lived assets
For the six months ended September 30, 2012, impairment losses on long-lived assets of ¥171 million (U.S.$2,215 thousand) were recognized by the Bank on the properties of some unstaffed branches which were decided to be closed, assuming their recoverable amount to be zero.

For the six months ended September 30, 2011, impairment losses on long-lived assets of ¥767 million were recognized by the Bank on the properties of the branches which were decided to be closed and the software assets that were segregated as idle assets in consequence of IT integration, assuming their recoverable amount to be zero.

29. NET INCOME (LOSS) PER COMMON SHARE

CONSOLIDATED

Diluted net income per share for the six months ended September 30, 2012 and 2011 are not disclosed because there is no effect from dilutive securities.

Basic net income (loss) per common share ("EPS") for the six months ended September 30, 2012 and 2011 were as follows:

	Net income (loss) (Millions of yen)	Weighted average shares (Thousands)	EPS (Yen)	EPS (U.S. dollars)
For the six months ended September 30, 2012:				
Basic EPS				
Net income (loss) available to common shareholders	**¥ 25,764**	**2,653,919**	**¥ 9.70**	**$ 0.13**
For the six months ended September 30, 2011:				
Basic EPS				
Net income (loss) available to common shareholders	¥ 20,350	2,653,919	¥ 7.66	

30. LEASE TRANSACTIONS CONSOLIDATED

(A) FINANCE LEASE TRANSACTIONS

AS LESSEE

For finance lease transactions, where the ownership of the property is not deemed to transfer to the lessee.

(a) Lease assets are primarily buildings, tools, equipment and fixtures included in "Premises and equipment," and software included in "Intangible assets."

(b) Depreciation method is described in "(W) LEASE TRANSACTIONS" in Note 2 "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

AS LESSOR

(a) Breakdown of "Lease receivables and leased investment assets" as of September 30, 2012 and March 31, 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2012	Mar. 31, 2012	**Sept. 30, 2012**
Lease receivables	**¥ 36,467**	¥ 31,759	**$ 470,847**
Leased investment assets:			
Lease payment receivables	**173,218**	179,777	**2,236,524**
Estimated residual value	**7,503**	7,676	**96,876**
Interest equivalent	**(20,438)**	(21,988)	**(263,899)**
Other	**216**	206	**2,799**
Subtotal	**160,499**	165,672	**2,072,300**
Total	**¥ 196,966**	¥ 197,432	**$ 2,543,147**

(b) Lease payment receivables for "Lease receivables and leased investment assets" as of September 30, 2012 were as follows:

	Lease receivables		Leased investment assets	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Due within one year	**¥ 10,821**	**$ 139,726**	**¥ 58,453**	**$ 754,728**
Due after one year within two years	**9,299**	**120,070**	**42,579**	**549,762**
Due after two years within three years	**7,293**	**94,176**	**29,769**	**384,366**
Due after three years within four years	**5,059**	**65,322**	**18,318**	**236,523**
Due after four years within five years	**3,397**	**43,869**	**9,774**	**126,208**
Due after five years	**2,950**	**38,095**	**14,323**	**184,937**
Total	**¥ 38,822**	**$ 501,258**	**¥ 173,218**	**$ 2,236,524**

(B) OPERATING LEASE TRANSACTIONS

Non-cancelable operating lease obligations as lessee and lease payment receivables as lessor as of September 30, 2012 and March 31, 2012 were as follows.

AS LESSEE

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2012	Mar. 31, 2012	**Sept. 30, 2012**
Lease obligations:			
Due within one year	**¥ 4,165**	¥ 4,046	**$ 53,789**
Due after one year	**19,352**	21,021	**249,872**
Total	**¥ 23,518**	¥ 25,068	**$ 303,661**

AS LESSOR

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2012	Mar. 31, 2012	**Sept. 30, 2012**
Lease payment receivables:			
Due within one year	**¥ 4,424**	¥ 3,832	**$ 57,127**
Due after one year	**18,760**	17,101	**242,230**
Total	**¥ 23,185**	¥ 20,934	**$ 299,357**

31. SEGMENT INFORMATION

CONSOLIDATED

(A) SEGMENT INFORMATION

(a) DESCRIPTION OF REPORTABLE SEGMENTS

Our reportable segments are components of the Group about which separate financial information is available and such information is evaluated regularly by the Executive Committee in deciding how to allocate resources and in assessing performance.

The Group provides a wide variety of financial products and services to institutional and individual customers through our Institutional Group, Global Markets Group and Individual Group, respectively. These groups consist of operating segments which provide their respective financial products and services. The Institutional Group consists of the "Institutional Business Sub-Group," "Structured Finance Sub-Group," "Principal Transactions Sub-Group," "Showa Leasing" and "Other Institutional Group," and the Global Markets Group consists of the "Financial Institutions Sub-Group," "Markets Sub-Group," and "Other Global Markets Group" as reportable segments. The Individual Group consists of "Retail Banking Sub-Group," "Shinsei Financial" and "APLUS FINANCIAL." Also, the business and operations excluding any of the Institutional Group, the Global Markets Group, and the Individual Group are classified as the Corporate / Other. The "Treasury Sub-Group" in the Corporate / Other is a reportable segment.

In the Institutional Group, the "Institutional Business Sub-Group" provides financial products, financial services and advisory services for corporate banking business and public sector finance. The "Structured Finance Sub-Group" provides real estate finance, such as non-recourse loans, financial products and services for the real estate and construction industries, specialty finance such as M&A finance, and trust business. The "Principal Transactions Sub-Group" provides financial products and services related to credit trading. The "Showa Leasing" primarily provides leasing related financial products and services. The "Other Institutional Group" consists of asset-backed investment and other products and services in the Institutional Group.

In the Global Markets Group, the "Financial Institutions Sub-Group" provides financial products and services for financial institutions business. The "Markets Sub-Group" is engaged in foreign exchanges, derivatives, equity-related transactions and other capital markets transactions. The "Other Global Markets Group" consists of Shinsei Securities' businesses, asset management, wealth management, and other products and services in the Global Markets Group.

In the Individual Group, the "Retail Banking Sub-Group" provides financial products and services for retail customers, the "Shinsei Financial" provides consumer finance, and the "APLUS FINANCIAL" provides installment sales credit, credit cards, guarantees and settlement services. The "Other" consists of profit and loss attributable to the Consumer Finance Sub-Group and other subsidiaries. The unsecured personal card loan business, "Shinsei Bank Card Loan - Lake," transferred from Shinsei Financial to the Bank from October 1, 2011, is included in the "Shinsei Financial" segment.

In the Corporate / Other, the "Treasury Sub-Group" is engaged in operations ALM and capital fund raising.

On April 27, 2012, we implemented organizational changes. In the institutional Group, the Advisory Sub-Group was abolished and the three divisions within it - the Corporate Advisory Division, Solution Advisory Division and Asset Solution Division - were integrated into a Corporate Advisory Division, newly established in the Institutional Business Sub-Group. Also, the organizational changes on July 1, 2012, the "Treasury Sub-Group" in the Global Markets Group was transferred to the Corporate / Other. As a result of these organizational changes, classification of reportable segments was changed, and "REVENUE, PROFIT (LOSS), ASSETS, LIABILITIES AND OTHER ITEMS BY REPORTABLE SEGMENTS" for the six months ended September 30, 2011 is presented based on the new classification of reportable segments.

(b) METHODS OF MEASUREMENT FOR THE AMOUNTS OF REVENUE, PROFIT (LOSS), ASSETS, LIABILITIES AND OTHER ITEMS BY REPORTABLE SEGMENTS

The accounting policies of each reportable segment are consistent to those disclosed in Note2, "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES," except for interest on inter-segment transactions and indirect expense.

Interest on inter-segment transactions is calculated using an inter-office rate. Indirect expense is allocated, based on the predetermined internal rule, to each reportable segment according to the budget which is set at the beginning of the fiscal year.

31. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

(c) REVENUE, PROFIT (LOSS), ASSETS, LIABILITIES AND OTHER ITEMS BY REPORTABLE SEGMENTS

	Millions of yen							
	Institutional Group					Global Markets Group		
Six months ended September 30, 2012	Institutional Business Sub-Group	Structured Finance Sub-Group	Principal Transactions Sub-Group	Showa Leasing	Other Institutional Group	Financial Institutions Sub-Group	Markets Sub-Group	Other Global Markets Group
Revenue:	¥ 6,788	¥ 10,231	¥ 7,678	¥ 6,377	¥ 398	¥ 2,443	¥ 4,066	¥ 1,102
Net Interest Income	5,236	8,827	1,989	(1,419)	(131)	835	672	43
Non-interest Income[1]	1,552	1,404	5,689	7,797	529	1,607	3,394	1,058
Expenses	3,227	2,318	1,901	3,833	767	1,173	1,614	1,771
Net Credit Costs (Recoveries)	(984)	3,219	92	(355)	1,350	(1,357)	(132)	(229)
Segment Profit (loss)	¥ 4,546	¥ 4,693	¥ 5,684	¥ 2,900	¥ (1,719)	¥ 2,627	¥ 2,585	¥ (439)
Segment Assets[2]	¥ 1,653,695	¥ 1,007,158	¥ 330,588	¥ 395,871	¥ 87,357	¥ 151,680	¥ 352,773	¥ 77,040
Segment Liabilities	¥ 514,661	¥ 63,446	¥ 6,040	¥ —	¥ 2,198	¥ 275,125	¥ 124,608	¥ 63,375
Includes:								
1. Equity in net income (loss) of affiliates	¥ —	¥ —	¥ 836	¥ —	¥ 429	¥ (10)	¥ 12	¥ —
2. Investment in affiliates	—	—	37,454	—	—	—	1,681	—
Other:								
Goodwill (Negative Goodwill):								
Amortization	¥ —	¥ —	¥ —	¥ 1,132	¥ —	¥ —	¥ —	¥ —
Unamortized balance	—	—	—	26,919	—	—	—	—
Intangible assets acquired in business combinations:								
Amortization	¥ —	¥ —	¥ —	¥ 315	¥ —	¥ —	¥ —	¥ —
Unamortized balance	—	—	—	3,304	—	—	—	—
Impairment losses on long-lived assets	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —

	Millions of yen						
	Individual Group				Corporate/Other		
		Consumer Finance Sub-Group					
Six months ended September 30, 2012	Retail Banking Sub-Group	Shinsei Financial	APLUS FINANCIAL	Other	Treasury Sub-Group	Other	Total
Revenue:	¥ 16,709	¥ 22,344	¥ 23,589	¥ 802	¥ 2,632	¥ (1,057)	¥ 104,107
Net Interest Income	13,169	24,302	4,924	695	(1,692)	(1,259)	56,194
Non-interest Income[1]	3,539	(1,958)	18,665	106	4,325	201	47,913
Expenses	15,376	14,597	16,699	243	644	(395)	63,773
Net Credit Costs (Recoveries)	(31)	1,033	3,413	(23)	—	258	6,253
Segment Profit (loss)	¥ 1,364	¥ 6,712	¥ 3,475	¥ 581	¥ 1,988	¥ (920)	¥ 34,080
Segment Assets[2]	¥ 1,026,505	¥ 354,115	¥ 993,941	¥ 46,305	¥ 1,529,736	¥ —	¥ 8,006,770
Segment Liabilities	¥ 4,753,858	¥ 3,695	¥ 536,261	¥ 40	¥ 17,416	¥ —	¥ 6,360,730
Includes:							
1. Equity in net income (loss) of affiliates	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 1,268
2. Investment in affiliates	—	—	—	—	—	—	39,136
Other:							
Goodwill (Negative Goodwill):							
Amortization	¥ —	¥ 2,127	¥ 420	¥ (0)	¥ —	¥ —	¥ 3,680
Unamortized balance	—	8,414	2,943	(5)	—	—	38,271
Intangible assets acquired in business combinations:							
Amortization	¥ —	¥ 1,684	¥ —	¥ —	¥ —	¥ —	¥ 1,999
Unamortized balance	—	10,958	—	—	—	—	14,263
Impairment losses on long-lived assets	¥ 169	¥ 1	¥ —	¥ —	¥ —	¥ 0	¥ 171

31. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

	Millions of yen							
	Institutional Group					Global Markets Group		
Six months ended September 30, 2011	Institutional Business Sub-Group	Structured Finance Sub-Group	Principal Transactions Sub-Group	Showa Leasing	Other Institutional Group	Financial Institutions Sub-Group	Markets Sub-Group	Other Global Markets Group
Revenue:	¥ 2,310	¥ 10,343	¥ 6,112	¥ 7,143	¥ 6,631	¥ 1,544	¥ 2,525	¥ 1,509
Net Interest Income	4,357	8,571	1,390	(1,560)	27	730	491	295
Non-interest Income[1]	(2,046)	1,772	4,721	8,704	6,603	814	2,034	1,213
Expenses	3,471	2,413	1,966	3,869	732	1,167	1,624	2,075
Net Credit Costs (Recoveries)	(3,196)	7,701	(363)	(1,400)	500	(282)	(1,324)	(543)
Segment Profit (loss)	¥ 2,035	¥ 228	¥ 4,508	¥ 4,674	¥ 5,397	¥ 659	¥ 2,225	¥ (22)
Segment Assets[2]	¥1,656,477	¥ 983,707	¥ 341,567	¥ 370,743	¥ 139,097	¥ 106,328	¥ 407,614	¥ 81,282
Segment Liabilities	¥ 335,638	¥ 59,494	¥ 4,711	¥ —	¥ 2,208	¥ 329,219	¥ 155,149	¥ 66,668
Includes:								
1. Equity in net income (loss) of affiliates	¥ —	¥ —	¥ (9)	¥ —	¥ 1,057	¥ —	¥ —	¥ 2
2. Investment in affiliates	—	—	3,849	—	31,446	—	—	1,828
Other:								
Goodwill (Negative Goodwill):								
Amortization	¥ —	¥ —	¥ —	¥ 1,132	¥ —	¥ —	¥ —	¥ —
Unamortized balance	—	—	—	29,184	—	—	—	—
Intangible assets acquired in business combinations:								—
Amortization	¥ —	¥ —	¥ —	¥ 332	¥ —	¥ —	¥ —	¥ —
Unamortized balance	—	—	—	3,951	—	—	—	—
Impairment losses on long-lived assets	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 1	¥ 3

	Millions of yen						
	Individual Group				Corporate/Other		
		Consumer Finance Sub-Group					
Six months ended September 30, 2011	Retail Banking Sub-Group	Shinsei Financial	APLUS FINANCIAL	Other	Treasury Sub-Group	Other	Total
Revenue:	¥ 19,272	¥ 27,024	¥ 24,368	¥ 890	¥ (2,606)	¥ (1,409)	¥ 105,659
Net Interest Income	15,365	29,111	6,715	800	(3,999)	(1,548)	60,749
Non-interest Income[1]	3,907	(2,087)	17,652	89	1,392	138	44,910
Expenses	15,496	15,282	15,008	243	561	(566)	63,345
Net Credit Costs (Recoveries)	1,263	(89)	6,263	107	—	164	8,801
Segment Profit (loss)	¥ 2,513	¥ 11,831	¥ 3,095	¥ 539	¥ (3,167)	¥ (1,007)	¥ 33,512
Segment Assets[2]	¥ 899,953	¥ 403,724	¥ 995,188	¥ 51,912	¥1,664,664	¥ —	¥8,102,262
Segment Liabilities	¥5,056,413	¥ 4,781	¥ 545,596	¥ 42	¥ 39,099	¥ —	¥6,599,023
Includes:							
1. Equity in net income (loss) of affiliates	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 1,049
2. Investment in affiliates	—	—	—	—	—	—	37,124
Other:							
Goodwill (Negative Goodwill):							
Amortization	¥ —	¥ 2,448	¥ 420	¥ (0)	¥ —	¥ —	¥ 4,001
Unamortized balance	—	12,562	3,784	(6)	—	—	45,524
Intangible assets acquired in business combinations:					—		
Amortization	¥ —	¥ 1,909	¥ —	¥ —	¥ —	¥ —	¥ 2,242
Unamortized balance	—	14,327	—	—	—	—	18,278
Impairment losses on long-lived assets	¥ 46	¥ 139	¥ —	¥ —	¥ —	¥ 716	¥ 906

31. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

Six months ended September 30, 2012	Thousands of U.S. dollars: Institutional Group: Institutional Business Sub-Group	Institutional Group: Structured Finance Sub-Group	Institutional Group: Principal Transactions Sub-Group	Institutional Group: Showa Leasing	Institutional Group: Other Institutional Group	Global Markets Group: Financial Institutions Sub-Group	Global Markets Group: Markets Sub-Group	Global Markets Group: Other Global Markets Group
Revenue:	$ 87,655	$ 132,104	$ 99,142	$ 82,350	$ 5,141	$ 31,545	$ 52,505	$ 14,232
Net Interest Income	67,606	113,973	25,683	(18,323)	(1,693)	10,789	8,680	566
Non-interest Income[1]	20,049	18,131	73,459	100,673	6,834	20,756	43,825	13,666
Expenses	41,672	29,937	24,549	49,497	9,909	15,146	20,843	22,871
Net Credit Costs (Recoveries)	(12,716)	41,569	1,192	(4,592)	17,433	(17,521)	(1,717)	(2,969)
Segment Profit (loss)	$ 58,699	$ 60,598	$ 73,401	$ 37,445	$ (22,201)	$ 33,920	$ 33,379	$ (5,670)
Segment Assets[2]	$ 21,351,776	$ 13,003,983	$ 4,268,407	$ 5,111,316	$ 1,127,925	$ 1,958,433	$ 4,554,856	$ 994,715
Segment Liabilities	$ 6,645,080	$ 819,195	$ 77,998	$ —	$ 28,391	$ 3,552,296	$ 1,608,895	$ 818,282
Includes:								
1. Equity in net income (loss) of affiliates	$ —	$ —	$ 10,797	$ —	$ 5,551	$ (135)	$ 164	$ —
2. Investment in affiliates	—	—	483,598	—	—	—	21,713	—
Other:								
Goodwill (Negative Goodwill):								
Amortization	$ —	$ —	$ —	$ 14,624	$ —	$ —	$ —	$ —
Unamortized balance	—	—	—	347,574	—	—	—	—
Intangible assets acquired in business combinations:								
Amortization	$ —	$ —	$ —	$ 4,070	$ —	$ —	$ —	$ —
Unamortized balance	—	—	—	42,668	—	—	—	—
Impairment losses on long-lived assets	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

Six months ended September 30, 2012	Thousands of U.S. dollars: Individual Group: Retail Banking Sub-Group	Individual Group: Consumer Finance Sub-Group: Shinsei Financial	Individual Group: Consumer Finance Sub-Group: APLUS FINANCIAL	Individual Group: Consumer Finance Sub-Group: Other	Corporate/Other: Treasury Sub-Group	Corporate/Other: Other	Total
Revenue:	$ 215,740	$ 288,503	$ 304,577	$ 10,363	$ 33,995	$ (13,660)	$ 1,344,193
Net Interest Income	170,040	313,784	63,582	8,985	(21,849)	(16,266)	725,557
Non-interest Income[1]	45,700	(25,281)	240,995	1,378	55,844	2,606	618,636
Expenses	198,535	188,479	215,620	3,148	8,323	(5,111)	823,418
Net Credit Costs (Recoveries)	(408)	13,350	44,079	(298)	—	3,341	80,743
Segment Profit (loss)	$ 17,613	$ 86,674	$ 44,878	$ 7,513	$ 25,672	$ (11,890)	$ 440,031
Segment Assets[2]	$ 13,253,783	$ 4,572,185	$ 12,833,331	$ 597,875	$ 19,751,273	$ —	$ 103,379,858
Segment Liabilities	$ 61,379,715	$ 47,719	$ 6,923,973	$ 518	$ 224,870	$ —	$ 82,126,932
Includes:							
1. Equity in net income (loss) of affiliates	$ —	$ —	$ —	$ —	$ —	$ —	$ 16,377
2. Investment in affiliates	—	—	—	—	—	—	505,311
Other:							
Goodwill (Negative Goodwill):							
Amortization	$ —	$ 27,466	$ 5,429	$ (4)	$ —	$ —	$ 47,515
Unamortized balance	—	108,645	38,000	(76)	—	—	494,143
Intangible assets acquired in business combinations:							
Amortization	$ —	$ 21,748	$ —	$ —	$ —	$ —	$ 25,818
Unamortized balance	—	141,493	—	—	—	—	184,161
Impairment losses on long-lived assets	$ 2,194	$ 20	$ —	$ —	$ —	$ 1	$ 2,215

Notes: (1) "Revenue", which represents gross operating profit under our management reporting, is presented as a substitute for sales in other industries. "Revenue" is defined as the total of net interest income, net fees and commissions, net trading income and net other business income on the management reporting basis. "Revenue" represents income and related cost attributable to our core business.

(2) "Expenses" are general and administrative expenses deducting amortization of goodwill and intangible assets acquired in business combinations, amortization of net actuarial gains or losses of retirement benefit cost and lump-sum payments.

(3) "Net Credit Costs (Recoveries)" consists of provision/reversal of reserve for credit losses, losses on write-off/sales of loans and recoveries of written-off claims.

(4) "Segment Assets" consists of other monetary claims purchased, trading assets, monetary assets held in trust, securities, loans and bills discounted, lease receivables and leased investment assets, installment receivables, tangible leased assets, intangible leased assets and customer's liabilities for acceptances and guarantees.

(5) "Segment Liabilities" consists of deposits, including negotiable certificates of deposit, debentures, trading liabilities and acceptances and guarantees.

(6) Regarding assets and liabilities not allocated to each business segment, there are related revenue and expense items which are allocated to each business segment based on rational allocation method. For example, interest on other borrowings is considered a part of "Revenue" and included in segment income, although borrowed money is not allocated to each segment liabilities. In addition, depreciation is considered a part of "Expenses" and included in segment income, although premises and equipment excluding tangible leased assets and intangible assets excluding intangible leased assets are not allocated to each segment assets.

(7) Regarding our investment assets portfolio management view, we have transferred a part of affiliates accounted by the equity method in the six months ended September 30, 2012. Jih Sun Financial Holding Co., Ltd. under the "Other Institutional Group" segment was transferred to the "Principal Transactions Sub-Group" segment in the Institutional Business Group, and also Comox Holdings Ltd. under the "Other Global Markets Group" segment was transferred to the "Markets Sub-Group" segment in the Global Markets Group.

(8) "Other" under the Corporate/Other includes company-wide accounts which are not included in our reportable segments, allocation variance of indirect expense and elimination amount of inter-segment transactions.

31. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

(d) RECONCILIATION BETWEEN THE SEGMENT INFORMATION AND THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(i) A reconciliation between total segment profit and income (loss) before income taxes and minority interests on the interim consolidated statements of income for the six months ended September 30, 2012 and 2011 was as follows:

	Millions of yen		Thousands of U.S. dollars
Six months ended September 30,	**2012**	2011	**2012**
Total segment profit	**¥ 34,080**	¥ 33,512	**$ 440,031**
Lump-sum payments	**(987)**	(1,161)	**(12,755)**
Amortization of goodwill and intangible assets acquired in business combinations	**(5,679)**	(6,244)	**(73,333)**
Other gains (losses), net	**514**	(344)	**6,638**
Income (loss) before income taxes and minority interests	**¥ 27,926**	¥ 25,762	**$ 360,581**

(ii) A reconciliation between total segment assets and total assets on the interim consolidated balance sheets as of September 30, 2012 and 2011 was as follows:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	**2012**	2011	**2012**
Total segment assets	**¥ 8,006,770**	¥ 8,102,262	**$ 103,379,858**
Cash and due from banks	**414,089**	329,447	**5,346,541**
Call loans	**—**	30,187	**—**
Receivables under resale agreements	**38,387**	—	**495,636**
Receivables under securities borrowing transactions	**31,927**	52,412	**412,239**
Foreign exchanges	**22,729**	22,201	**293,468**
Other assets excluding installment receivables	**415,452**	447,956	**5,364,142**
Premises and equipment excluding tangible leased assets	**35,339**	34,774	**456,284**
Intangible assets excluding intangible leased assets	**73,900**	89,480	**954,175**
Deferred issuance expense for debentures	**113**	159	**1,465**
Deferred tax assets	**15,789**	16,017	**203,861**
Reserve for credit losses	**(171,964)**	(184,330)	**(2,220,333)**
Total assets	**¥ 8,882,534**	¥ 8,940,569	**$ 114,687,336**

(iii) A reconciliation between total segment liabilities and total liabilities on the interim consolidated balance sheets as of September 30, 2012 and 2011 was as follows:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	**2012**	2011	**2012**
Total segment liabilities	**¥ 6,360,730**	¥ 6,599,023	**$ 82,126,932**
Call money	**230,077**	140,229	**2,970,658**
Payables under securities lending transactions	**139,404**	223,069	**1,799,932**
Borrowed money	**718,377**	547,252	**9,275,368**
Foreign exchanges	**16**	16	**216**
Short-term corporate bonds	**63,400**	43,600	**818,593**
Corporate bonds	**163,525**	163,603	**2,111,364**
Other liabilities	**506,399**	551,702	**6,538,410**
Accrued employees' bonuses	**4,103**	4,335	**52,988**
Accrued directors' bonuses	**23**	22	**305**
Reserve for employees' retirement benefits	**7,179**	7,085	**92,704**
Reserve for directors' retirement benefits	**211**	195	**2,726**
Reserve for losses on interest repayments	**41,568**	29,934	**536,712**
Reserve under special law	**1**	1	**16**
Deferred tax liabilities	**275**	381	**3,559**
Total liabilities	**¥ 8,235,295**	¥ 8,310,453	**$ 106,330,483**

31. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

(B) RELATED INFORMATION

(a) INFORMATION BY SERVICES

Income regarding major services for the six months ended September 30, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
Six months ended September 30,	**2012**	2011	**2012**
Loan Businesses	**¥ 70,407**	¥ 78,590	**$ 909,073**
Lease Businesses	**5,427**	7,047	**70,080**
Securities Investment Businesses	**10,650**	9,010	**137,515**

(b) GEOGRAPHICAL INFORMATION

(i) REVENUE

Revenue from external domestic customers exceeded 90% of total revenue on the interim consolidated statements of income for the six months ended September 30, 2012 and 2011, therefore geographical revenue information is not presented.

(ii) PREMISES AND EQUIPMENT

The balance of domestic premises and equipment exceeded 90% of total balance of premises and equipment on the interim consolidated balance sheets as of September 30, 2012 and 2011, therefore geographical premises and equipment information is not presented.

(c) MAJOR CUSTOMER INFORMATION

Revenue to a specific customer did not reach 10% of total revenue on the interim consolidated statements of income for the six months ended September 30, 2012 and 2011, therefore major customer information is not presented.

32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

CONSOLIDATED

Fair values of financial instruments as of September 30, 2012 and March 31, 2012 were as follows:

	Millions of yen					
	Sept. 30, 2012			Mar. 31, 2012		
	Carrying amount	**Fair value**	**Unrealized gain (loss)**	Carrying amount	Fair value	Unrealized gain (loss)
Assets:						
(1) Cash and due from banks	**¥ 414,089**	**¥ 414,089**	**¥ —**	¥ 413,721	¥ 413,721	¥ —
(2) Call loans	**—**	**—**	**—**	15,745	15,745	—
(3) Receivables under resale agreements	**38,387**	**38,686**	**299**	18,362	18,510	147
(4) Receivables under securities borrowing transactions	**31,927**	**31,927**	**—**	114,080	114,080	—
(5) Other monetary claims purchased						
Trading purposes	**60,641**	**60,641**	**—**	67,226	67,226	—
Other[1]	**58,404**	**58,741**	**336**	62,521	62,600	79
(6) Trading assets						
Securities held for trading purposes	**70,869**	**70,869**	**—**	58,444	58,444	—
(7) Monetary assets held in trust[1]	**259,869**	**263,477**	**3,607**	267,040	268,932	1,892
(8) Securities						
Trading securities	**523**	**523**	**—**	613	613	—
Securities being held to maturity	**653,915**	**662,923**	**9,008**	658,558	667,553	8,994
Securities available for sale	**1,249,188**	**1,249,188**	**—**	1,092,393	1,092,393	—
Equity securities of affiliates	**21,326**	**18,315**	**(3,010)**	21,745	19,785	(1,960)
(9) Loans and bills discounted[2]	**4,281,926**			4,136,827		
Reserve for credit losses	**(131,206)**			(140,609)		
Net	**4,150,719**	**4,264,674**	**113,955**	3,996,218	4,106,373	110,155
(10) Lease receivables and leased investment assets[1]	**192,289**	**193,219**	**929**	192,093	193,838	1,744
(11) Other assets						
Installment receivables	**356,082**			347,935		
Deferred gains on installment receivables	**(11,992)**			(11,840)		
Reserve for credit losses	**(11,142)**			(11,408)		
Net	**332,947**	**346,425**	**13,478**	324,686	340,682	15,996
Total	**¥ 7,535,100**	**¥ 7,673,705**	**¥ 138,605**	¥ 7,303,453	¥ 7,440,502	¥ 137,049
Liabilities:						
(1) Deposits, including negotiable certificates of deposit	**¥ 5,374,656**	**¥ 5,397,417**	**¥ (22,760)**	¥ 5,362,411	¥ 5,391,690	¥ (29,279)
(2) Debentures	**277,624**	**278,323**	**(698)**	294,139	295,192	(1,053)
(3) Call money	**230,077**	**230,077**	**—**	210,163	210,163	—
(4) Payables under securities lending transactions	**139,404**	**139,404**	**—**	148,590	148,590	—
(5) Trading liabilities						
Trading securities sold for short sales	**30,437**	**30,437**	**—**	48,058	48,058	—
(6) Borrowed money	**718,377**	**716,169**	**2,207**	476,731	475,280	1,450
(7) Short-term corporate bonds	**63,400**	**63,400**	**—**	50,700	50,700	—
(8) Corporate bonds	**163,525**	**154,830**	**8,695**	168,797	154,623	14,173
Total	**¥ 6,997,503**	**¥ 7,010,060**	**¥ (12,556)**	¥ 6,759,592	¥ 6,774,301	¥ (14,708)
Derivative instruments[3]:						
Hedge accounting is not applied	**¥ (15,558)**	**¥ (15,558)**	**¥ —**	¥ (25,567)	¥ (25,567)	¥ —
Hedge accounting is applied	**(16,255)**	**(16,255)**	**—**	(18,494)	(18,494)	—
Total	**¥ (31,813)**	**¥ (31,813)**	**¥ —**	¥ (44,062)	¥ (44,062)	¥ —

	Contract amount	**Fair value**	Contract amount	Fair value
Other:				
Guarantee contracts[4]	**¥ 550,232**	**¥ (4,483)**	¥ 562,624	¥ (4,101)

32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

	Thousands of U.S. dollars		
	Sept. 30, 2012		
	Carrying amount	Fair value	Unrealized gain (loss)
Assets:			
(1) Cash and due from banks	$ 5,346,541	$ 5,346,541	$ —
(2) Call loans	—	—	—
(3) Receivables under resale agreements	495,636	499,509	3,873
(4) Receivables under securities borrowing transactions	412,239	412,239	—
(5) Other monetary claims purchased			
Trading purposes	782,982	782,982	—
Other[1]	754,097	758,444	4,347
(6) Trading assets			
Securities held for trading purposes	915,030	915,030	—
(7) Monetary assets held in trust[1]	3,355,324	3,401,908	46,584
(8) Securities			
Trading securities	6,759	6,759	—
Securities being held to maturity	8,443,064	8,559,372	116,308
Securities available for sale	16,128,968	16,128,968	—
Equity securities of affiliates	275,358	236,481	(38,877)
(9) Loans and bills discounted[2]	55,286,330		
Reserve for credit losses	(1,694,080)		
Net	53,592,250	55,063,587	1,471,337
(10) Lease receivables and leased investment assets[1]	2,482,762	2,494,769	12,007
(11) Other assets			
Installment receivables	4,597,575		
Deferred gains on installment receivables	(154,844)		
Reserve for credit losses	(143,866)		
Net	4,298,865	4,472,893	174,028
Total	$ 97,289,875	$ 99,079,482	$ 1,789,607
Liabilities:			
(1) Deposits, including negotiable certificates of deposit	$ 69,395,177	$ 69,689,054	$ (293,877)
(2) Debentures	3,584,568	3,593,583	(9,015)
(3) Call money	2,970,658	2,970,658	—
(4) Payables under securities lending transactions	1,799,932	1,799,932	—
(5) Trading liabilities			
Trading securities sold for short sales	393,000	393,000	—
(6) Borrowed money	9,275,368	9,246,864	28,504
(7) Short-term corporate bonds	818,593	818,593	—
(8) Corporate bonds	2,111,364	1,999,098	112,266
Total	$ 90,348,660	$ 90,510,782	$ (162,122)
Derivative instruments[3]:			
Hedge accounting is not applied	$ (200,886)	$ (200,886)	$ —
Hedge accounting is applied	(209,882)	(209,882)	—
Total	$ (410,768)	$ (410,768)	$ —

	Contract amount	Fair value
Other:		
Guarantee contracts[4]	$ 7,104,364	$ (57,885)

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

(2) For consumer loans of ¥419,829 million (U.S.$5,420,648 thousand) and ¥463,248 million held by consolidated subsidiaries included in Loans and bills discounted, reserve for losses on interest repayments of ¥41,568 million (U.S.$536,712 thousand) and ¥50,913 million was recognized for estimated losses on reimbursements of excess interest payments as of September 30, 2012 and March 31, 2012, respectively.

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

(4) Contract amount for guarantee contracts presents the amount of "Acceptances and guarantees" on the interim consolidated balance sheets.

32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

(Note 1) Valuation methodologies for financial instruments

Assets:

(1) Cash and due from banks

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

(2) Call loans and (4) Receivables under securities borrowing transactions

The fair values approximate carrying amounts because most of them are with short maturities of three months or less.

(3) Receivables under resale agreements

The fair values of the receivables under resale agreements with maturity of three months or less approximate carrying amounts because of their short term maturity. The fair values of the receivables under resale agreements with maturity of more than three months are determined by discounting contractual cash flows in case of the transactions with fixed interest rates, or expected cash flows based on the forward rates in case of the transactions with floating interest rates, using the risk free rate adjusted to account for credit risk (after consideration of collateral) with credit default swap (CDS) spreads etc. corresponding to internal credit rating of each borrower.

(5) Other monetary claims purchased

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

(6) Trading assets

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

(7) Monetary assets held in trust

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

(8) Securities

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

(9) Loans and bills discounted

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

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

(10) Lease receivables and leased investment assets

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

(11) Installment receivables

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

Liabilities:

(1) Deposits, including negotiable certificates of deposit

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

32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

(2) Debentures and (8) Corporate bonds
The fair values of marketable debentures and corporate bonds are measured at market prices. The fair values of non-marketable corporate debentures and corporate bonds under the Medium Term Note program are determined by discounting expected cash flows at the actual average funding rates of corporate time deposits and debentures funded in the past three months of the interim consolidated balance sheet date.

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

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

(3) Call money and (4) Payable under securities lending transactions
The fair values approximate carrying amounts because most of them with short maturities of three months or less.

(5) Trading liabilities
The fair values are measured at market prices.

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

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

(7) Short-term corporate bonds
The fair values of short-term corporate bonds approximate carrying amounts because most of them are with short maturities of six months or less.

Derivative instruments:
The fair values are primarily measured at closing prices on exchanges or determined using the discounted cash flow method or option pricing models.

Other:
Guarantee contracts
The fair values are determined by discounting the amount of difference between the original contractual cash flows and the expected cash flows that would be applied for the new contracts with the same terms at the risk free rate.

(Note 2) Carrying amount of the financial instruments whose fair value cannot be reliably determined

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2012	Mar. 31, 2012	**Sept. 30, 2012**
Equity securities without readily available market price[1][2]	**¥ 25,307**	¥ 27,762	**$ 326,759**
Investments in partnerships and others[1][2]	**53,179**	72,420	**686,635**
Total	**¥ 78,487**	¥ 100,182	**$ 1,013,394**

Notes: (1) Equity securities without readily available market price are out of the scope of fair values disclosure because their fair values cannot be reliably determined. Investments in partnerships and others, the assets of which comprise equity securities without readily available market price, are out of the scope of fair values disclosure because fair values of those investments cannot be reliably determined.
(2) For the six months ended September 30, 2012 and for the fiscal year ended March 31, 2012, impairment losses on equity securities without readily available market price of ¥806 million (U.S.$10,418 thousand) and ¥3,172 million, and on investments in partnerships and others of ¥108 million (U.S.$1,404 thousand) and ¥1,524 million were recognized, respectively.

33. DERIVATIVE FINANCIAL INSTRUMENTS

CONSOLIDATED

(A) DERIVATIVES TRANSACTIONS TO WHICH HEDGE ACCOUNTING WAS NOT APPLIED

The fair values of derivatives on the interim consolidated balance sheets as of September 30, 2012 and March 31, 2012 are adjusted for credit risk by a reduction of ¥786 million (U.S.$10,150 thousand) and ¥784 million, respectively, and also adjusted for liquidity risk by a reduction of ¥2,481 million (U.S.$32,045 thousand) and ¥2,655 million, respectively.

Regardless of this accounting treatment, the reduction of those risks is not reflected in the fair values shown in the following tables.

(a) INTEREST RATE-RELATED TRANSACTIONS

Interest rate-related transactions as of September 30, 2012 and March 31, 2012 were as follows:

	Millions of yen							
	Sept. 30, 2012				Mar. 31, 2012			
	Contract/Notional principal				Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Futures contracts (listed):								
Sold	**¥ 11,562**	**¥ —**	**¥ (53)**	**¥ (53)**	¥ 19,509	¥ 2,036	¥ (124)	¥ (124)
Bought	**15,577**	**—**	**7**	**7**	12,763	—	58	58
Interest rate options (listed):								
Sold	**—**	**—**	**—**	**—**	25,446	—	3	(2)
Interest rate swaps (over-the-counter):								
Receive fixed and pay floating	**4,112,352**	**3,154,945**	**91,184**	**91,184**	4,075,297	2,825,508	76,703	76,703
Receive floating and pay fixed	**3,770,135**	**2,819,407**	**(60,704)**	**(60,704)**	3,290,090	2,305,448	(49,855)	(49,855)
Receive floating and pay floating	**761,390**	**609,290**	**1,874**	**1,874**	713,713	611,966	147	147
Interest rate swaptions (over-the-counter):								
Sold	**861,776**	**403,034**	**(14,494)**	**1,639**	1,115,182	543,124	(32,234)	22
Bought	**1,242,485**	**789,404**	**9,114**	**4,386**	1,548,115	946,771	23,234	3,262
Interest rate options (over-the-counter):								
Sold	**131,817**	**115,347**	**(354)**	**423**	140,678	116,208	(447)	394
Bought	**109,011**	**92,541**	**177**	**(359)**	104,056	92,586	232	(273)
Total			**¥ 26,751**	**¥ 38,398**			¥ 17,718	¥ 30,333

	Thousands of U.S. dollars			
	Sept. 30, 2012			
	Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**
Futures contracts (listed):				
Sold	**$ 149,293**	**$ —**	**$ (692)**	**$ (692)**
Bought	**201,129**	**—**	**101**	**101**
Interest rate options (listed):				
Sold	**—**	**—**	**—**	**—**
Interest rate swaps (over-the-counter):				
Receive fixed and pay floating	**53,096,864**	**40,735,251**	**1,177,337**	**1,177,337**
Receive floating and pay fixed	**48,678,318**	**36,402,942**	**(783,788)**	**(783,788)**
Receive floating and pay floating	**9,830,739**	**7,866,890**	**24,199**	**24,199**
Interest rate swaptions (over-the-counter):				
Sold	**11,126,879**	**5,203,808**	**(187,141)**	**21,168**
Bought	**16,042,420**	**10,192,439**	**117,679**	**56,631**
Interest rate options (over-the-counter):				
Sold	**1,701,970**	**1,489,316**	**(4,580)**	**5,466**
Bought	**1,407,508**	**1,194,854**	**2,287**	**(4,636)**
Total			**$ 345,402**	**$ 495,786**

Notes:

(1) Derivatives included in the tables above were measured at fair value and the unrealized gains and losses were recognized in income.

(2) The fair values of listed transactions represent the closing price on the Tokyo Financial Exchange and other exchanges. The fair values of over-the-counter transactions are calculated primarily by using the discounted cash flow method or option pricing models.

33. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(b) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions as of September 30, 2012 and March 31, 2012 were as follows:

	Millions of yen							
	Sept. 30, 2012				Mar. 31, 2012			
	Contract/Notional principal				Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Currency swaps (over-the-counter)	**¥ 677,341**	**¥ 601,389**	**¥ (32,353)**	**¥ (32,353)**	¥ 737,964	¥ 674,022	¥ (28,363)	¥ (28,363)
Forward foreign exchange contracts (over-the-counter):								
Sold	**697,697**	**95,002**	**26,459**	**26,459**	829,500	154,411	14,721	14,721
Bought	**627,432**	**152,931**	**(17,204)**	**(17,204)**	786,629	218,088	(3,489)	(3,489)
Currency options (over-the-counter):								
Sold	**2,201,834**	**1,015,166**	**(2,119)**	**39,140**	2,958,406	1,497,101	(24,106)	32,210
Bought	**2,234,742**	**1,057,314**	**(5,497)**	**(38,836)**	2,989,080	1,546,585	8,786	(36,377)
Total			**¥ (30,715)**	**¥ (22,794)**			¥ (32,451)	¥ (21,297)

	Thousands of U.S. dollars			
	Sept. 30, 2012			
	Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**
Currency swaps (over-the-counter)	**$ 8,745,535**	**$ 7,764,870**	**$ (417,734)**	**$ (417,734)**
Forward foreign exchange contracts (over-the-counter):				
Sold	**9,008,362**	**1,226,635**	**341,637**	**341,637**
Bought	**8,101,124**	**1,974,579**	**(222,136)**	**(222,136)**
Currency options (over-the-counter):				
Sold	**28,429,109**	**13,107,380**	**(27,372)**	**505,363**
Bought	**28,854,006**	**13,651,580**	**(70,976)**	**(501,445)**
Total			**$ (396,581)**	**$ (294,315)**

Notes:

(1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income.

(2) The fair values are calculated primarily by using the discounted cash flow method or option pricing models.

33. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED) CONSOLIDATED

(c) EQUITY-RELATED TRANSACTIONS

Equity-related transactions as of September 30, 2012 and March 31, 2012 were as follows:

Millions of yen

	Sept. 30, 2012				Mar. 31, 2012			
	Contract/Notional principal				Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Equity index futures (listed):								
Sold	¥ 269	¥ —	¥ 3	¥ 3	¥ 381	¥ —	¥ (1)	¥ (1)
Bought	13,160	—	78	78	8,316	—	446	446
Equity index options (listed):								
Sold	296,835	53,700	(8,160)	1,916	309,961	56,550	(9,769)	397
Bought	216,123	73,175	4,676	(3,762)	216,569	70,075	6,016	(1,644)
Equity options (over-the-counter):								
Sold	302,738	155,559	(21,435)	5,696	345,501	162,548	(27,912)	617
Bought	325,361	170,851	15,846	(6,711)	386,420	179,440	22,101	(2,194)
Other (over-the-counter):								
Sold	26,399	16,400	(3,315)	(3,315)	26,397	16,400	(3,049)	(3,049)
Bought	124,291	122,201	6,893	6,893	123,906	122,456	7,647	7,647
Total			¥ (5,412)	¥ 798			¥ (4,521)	¥ 2,218

Thousands of U.S. dollars

	Sept. 30, 2012			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Equity index futures (listed):				
Sold	$ 3,478	$ —	$ 40	$ 40
Bought	169,928	—	1,011	1,011
Equity index options (listed):				
Sold	3,832,608	693,351	(105,362)	24,740
Bought	2,790,484	944,803	60,379	(48,580)
Equity options (over-the-counter):				
Sold	3,908,831	2,008,514	(276,770)	73,554
Bought	4,200,918	2,205,953	204,609	(86,657)
Other (over-the-counter):				
Sold	340,852	211,750	(42,805)	(42,805)
Bought	1,604,797	1,577,812	89,010	89,010
Total			$ (69,888)	$ 10,313

Notes:

(1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income.

(2) The fair values of listed transactions represent the closing price on the Tokyo Stock Exchange and other exchanges. The fair values of over-the-counter transactions are calculated primarily by using the discounted cash flow method or option pricing model.

33. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(d) BOND-RELATED TRANSACTIONS

Bond-related transactions as of September 30, 2012 and March 31, 2012 were as follows:

Millions of yen

	Sept. 30, 2012				Mar. 31, 2012			
	Contract/Notional principal				Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Bond futures (listed):								
Sold	¥ 57,858	¥ —	¥ (48)	¥ (48)	¥ 54,190	¥ —	¥ (57)	¥ (57)
Bought	31,572	—	14	14	43,301	—	15	15
Bond futures options (listed):								
Sold	35,948	—	(35)	4	70,725	—	(130)	1
Bought	44,979	—	26	(33)	42,375	—	49	(7)
Total			¥ (42)	¥ (63)			¥ (122)	¥ (46)

Thousands of U.S. dollars

	Sept. 30, 2012			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Bond futures (listed):				
Sold	$ 747,047	$ —	$ (627)	$ (627)
Bought	407,646	—	188	188
Bond futures options (listed):				
Sold	464,157	—	(464)	63
Bought	580,751	—	348	(438)
Total			$ (555)	$ (814)

Notes:

(1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income.

(2) The fair values of listed transactions represent the closing price on the Tokyo Stock Exchange and other exchanges.

33. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(e) CREDIT DERIVATIVE TRANSACTIONS

Credit derivative transactions as of September 30, 2012 and March 31, 2012 were as follows:

Millions of yen

	Sept. 30, 2012				Mar. 31, 2012			
	Contract/Notional principal				Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Credit default option (over-the-counter):								
Sold	**¥ 584,455**	**¥ 259,743**	**¥ (4,475)**	**¥ (4,475)**	¥ 691,161	¥ 359,011	¥ 29	¥ 29
Bought	**553,828**	**270,992**	**4,194**	**4,194**	613,664	345,929	(81)	(81)
Other (over-the-counter):								
Bought	**1,600**	**1,600**	**(2,589)**	**(989)**	1,600	1,600	(2,699)	(1,099)
Total			**¥ (2,870)**	**¥ (1,270)**			¥ (2,751)	¥ (1,151)

Thousands of U.S. dollars

	Sept. 30, 2012			
	Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**
Credit default option (over-the-counter):				
Sold	**$ 7,546,227**	**$ 3,353,698**	**$ (57,788)**	**$ (57,788)**
Bought	**7,150,786**	**3,498,938**	**54,156**	**54,156**
Other (over-the-counter):				
Bought	**20,658**	**20,658**	**(33,436)**	**(12,777)**
Total			**$ (37,068)**	**$ (16,409)**

Notes:

(1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income.

(2) The fair values are calculated primarily by using the discounted cash flow method.

(3) "Sold" stands for accepting credit risk and "Bought" stands for transferring credit risk.

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33. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED) CONSOLIDATED

(B) DERIVATIVES TRANSACTIONS TO WHICH HEDGE ACCOUNTING WAS APPLIED

(a) INTEREST RATE-RELATED TRANSACTIONS

Interest rate swaps which are accounted for using the deferral method as of September 30, 2012 and March 31, 2012 were as follows:

	Millions of yen					
	Sept. 30, 2012			Mar. 31, 2012		
	Contract/Notional principal			Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**	Total	Maturity over 1 year	Fair value
Interest rate swaps :						
Receive fixed and pay floating	**¥ 605,245**	**¥ 605,245**	**¥ 5,193**	¥ 633,265	¥ 605,865	¥ 4,525
Receive floating and pay fixed	**256,753**	**237,804**	**(14,752)**	290,968	268,023	(14,248)
Total			**¥ (9,558)**			¥ (9,722)

	Thousands of U.S. dollars		
	Sept. 30, 2012		
	Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**
Interest rate swaps :			
Receive fixed and pay floating	**$ 7,814,656**	**$ 7,814,656**	**$ 67,061**
Receive floating and pay fixed	**3,315,083**	**3,070,423**	**(190,473)**
Total			**$ (123,412)**

Notes:

(1) Most of the hedged items are interest-bearing assets and liabilities such as loans and bills discounted, securities available for sale (bonds) and deposits, including negotiable certificates of deposit.

(2) Interest rate swaps are primarily accounted for using the deferral method in accordance with Industry Audit Committee Report No. 24 of the JICPA.

(3) The fair values are calculated primarily by using the discounted cash flow method.

33. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

Interest rate swaps which meet specific matching criteria as of September 30, 2012 and March 31, 2012 were as follows:

	Millions of yen					
	Sept. 30, 2012			Mar. 31, 2012		
	Contract/Notional principal			Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**	Total	Maturity over 1 year	Fair value
Interest rate swaps :						
Receive floating and pay fixed	**¥ 3,450**	**¥ 300**	**¥ —**	¥ 7,750	¥ 1,450	¥ —

	Thousands of U.S. dollars		
	Sept. 30, 2012		
	Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**
Interest rate swaps :			
Receive floating and pay fixed	**$ 44,545**	**$ 3,873**	**$ —**

Notes:

(1) The hedged item is borrowed money.

(2) Interest rate swaps which meet specific matching criteria are accounted for as a component of hedged borrowed money. Therefore, the fair value of those interest rate swaps is included in the fair value of borrowed money in fair value information shown in Note 32 “FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES.”

(b) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions as of September 30, 2012 and March 31, 2012 were as follows:

	Millions of yen					
	Sept. 30, 2012			Mar. 31, 2012		
	Contract/Notional principal			Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**	Total	Maturity over 1 year	Fair value
Currency swaps	**¥ 28,956**	**¥ 14,289**	**¥ (6,697)**	¥ 51,981	¥ 20,477	¥ (8,772)

	Thousands of U.S. dollars		
	Sept. 30, 2012		
	Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**
Currency swaps	**$ 373,873**	**$ 184,499**	**$ (86,470)**

Notes:

(1) Most of the hedged items are foreign currency denominated loans and bills discounted, securities, deposits, including negotiable certificates of deposits and foreign exchanges.

(2) Currency swap transactions are primarily accounted for using the deferral method in accordance with Industry Audit Committee Report No. 25 of the JICPA.

(3) The fair values are calculated primarily by using the discounted cash flow method.

33. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED) CONSOLIDATED

Forward foreign exchange contracts which meet specific matching criteria as of September 30, 2012 and March 31, 2012 were as follows:

	Millions of yen					
	Sept. 30, 2012			Mar. 31, 2012		
	Contract/Notional principal			Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**	Total	Maturity over 1 year	Fair value
Forward foreign exchange contracts	**¥ 29**	**¥ —**	**¥ (0)**	¥ 62	¥ —	¥ (3)

	Thousands of U.S. dollars		
	Sept. 30, 2012		
	Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**
Forward foreign exchange contracts	**$ 384**	**$ —**	**$ (2)**

Notes:

(1) The hedged item is other assets.

(2) Forward foreign exchange contracts which meet specific matching criteria are accounted for as component of the hedged items.

INTERIM NON-CONSOLIDATED BALANCE SHEETS (UNAUDITED)

Shinsei Bank, Limited
As of September 30, 2012 and March 31, 2012

	Millions of yen		Thousands of U.S. dollars (Note)
	Sept. 30, 2012	Mar. 31, 2012	**Sept. 30, 2012**
ASSETS			
Cash and due from banks	**¥ 301,181**	¥ 330,047	**$ 3,888,719**
Call loans	**—**	15,745	**—**
Receivables under resale agreements	**38,387**	18,362	**495,636**
Receivables under securities borrowing transactions	**—**	57,647	**—**
Other monetary claims purchased	**217,996**	210,693	**2,814,677**
Trading assets	**175,263**	156,661	**2,262,922**
Monetary assets held in trust	**282,258**	307,526	**3,644,402**
Securities	**2,425,348**	2,286,669	**31,315,018**
Valuation allowance for investments	**(3,370)**	(3,370)	**(43,521)**
Loans and bills discounted	**4,264,126**	4,102,638	**55,056,509**
Foreign exchanges	**22,729**	18,896	**293,468**
Other assets	**255,656**	450,254	**3,300,923**
Premises and equipment	**20,605**	21,471	**266,055**
Intangible assets	**9,453**	10,650	**122,058**
Deferred issuance expenses for debentures	**113**	135	**1,465**
Customers' liabilities for acceptances and guarantees	**10,923**	11,600	**141,042**
Reserve for credit losses	**(113,513)**	(121,193)	**(1,465,639)**
Total assets	**¥ 7,907,159**	¥ 7,874,437	**$102,093,734**
LIABILITIES AND EQUITY			
Liabilities:			
Deposits, including negotiable certificates of deposit	**¥ 5,509,341**	¥ 5,788,219	**$ 71,134,174**
Debentures	**280,324**	296,839	**3,619,430**
Call money and bills sold	**230,077**	210,163	**2,970,658**
Payables under securities lending transactions	**106,803**	91,805	**1,378,995**
Trading liabilities	**128,633**	127,697	**1,660,862**
Borrowed money	**489,978**	245,728	**6,326,381**
Foreign exchanges	**178**	184	**2,300**
Corporate bonds	**206,352**	212,235	**2,664,335**
Other liabilities	**281,510**	240,790	**3,634,734**
Accrued employees' bonuses	**1,745**	3,728	**22,538**
Deferred tax liabilities	**2,227**	1,265	**28,766**
Acceptances and guarantees	**10,923**	11,600	**141,042**
Total liabilities	**7,248,097**	7,230,258	**93,584,215**
Equity:			
Common stock	**512,204**	512,204	**6,613,358**
Capital surplus	**79,465**	79,465	**1,026,029**
Stock acquisition rights	**1,301**	1,354	**16,801**
Retained earnings:			
Legal reserve	**12,097**	11,566	**156,195**
Unappropriated retained earnings	**130,169**	117,654	**1,680,693**
Unrealized gain (loss) on available-for-sale securities	**(1,324)**	(1,031)	**(17,098)**
Deferred gain (loss) on derivatives under hedge accounting	**(2,293)**	(4,476)	**(29,612)**
Treasury stock, at cost	**(72,558)**	(72,558)	**(936,847)**
Total equity	**659,062**	644,178	**8,509,519**
Total liabilities and equity	**¥ 7,907,159**	¥ 7,874,437	**$102,093,734**

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥77.45=U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2012.

INTERIM NON-CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Shinsei Bank, Limited
For the six months ended September 30, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note)
	Sept. 30, 2012 (6 months)	Sept. 30, 2011 (6 months)	**Sept. 30, 2012 (6 months)**
Interest income:			
Interest on loans and bills discounted	**¥ 32,752**	¥ 32,116	**$ 422,889**
Interest and dividends on securities	**17,634**	16,056	**227,691**
Interest on deposits with banks	**115**	155	**1,487**
Other interest income	**1,178**	1,650	**15,215**
Total interest income	**51,680**	49,978	**667,282**
Interest expenses:			
Interest on deposits, including negotiable certificates of deposit	**11,832**	15,189	**152,781**
Interest and discounts on debentures	**548**	829	**7,086**
Interest on other borrowings	**1,366**	1,245	**17,645**
Interest on corporate bonds	**4,011**	4,247	**51,795**
Other interest expenses	**84**	354	**1,094**
Total interest expenses	**17,844**	21,868	**230,401**
Net interest income	**33,836**	28,110	**436,881**
Fees and commissions income	**7,756**	7,830	**100,153**
Fees and commissions expenses	**5,363**	4,863	**69,255**
Net fees and commissions	**2,393**	2,967	**30,898**
Net trading income (loss)	**8,526**	6,702	**110,095**
Other business income (loss), net:			
Net gain (loss) on monetary assets held in trust	**5,139**	6,444	**66,361**
Net gain (loss) on foreign exchanges	**(1,240)**	(1,554)	**(16,022)**
Net gain (loss) on securities	**2,474**	(2,780)	**31,953**
Net gain (loss) on other monetary claims purchased	**(105)**	120	**(1,366)**
Other, net	**284**	(1,065)	**3,679**
Net other business income (loss)	**6,552**	1,163	**84,605**
Total revenue	**51,309**	38,943	**662,479**
General and administrative expenses:			
Personnel expenses	**11,151**	10,873	**143,981**
Premises expenses	**5,980**	4,163	**77,221**
Technology and data processing expenses	**3,844**	3,776	**49,642**
Advertising expenses	**2,647**	471	**34,187**
Consumption and property taxes	**1,640**	1,352	**21,181**
Deposit insurance premium	**2,151**	2,342	**27,782**
Other general and administrative expenses	**6,922**	5,592	**89,385**
Total general and administrative expenses	**34,339**	28,572	**443,379**
Net business profit (loss)	**16,969**	10,370	**219,100**
Net credit costs	**1,505**	2,862	**19,438**
Other gains (losses), net	**(341)**	(524)	**(4,410)**
Income (loss) before income taxes	**15,122**	6,983	**195,252**
Income taxes (benefit):			
Current	**(120)**	379	**(1,561)**
Deferred	**(456)**	2,019	**(5,895)**
Net income (loss)	**¥ 15,699**	¥ 4,584	**$ 202,708**

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥77.45=U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2012.

INTERIM NON-CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

Shinsei Bank, Limited
For the six months ended September 30, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note)
	Sept. 30, 2012 (6 months)	Sept. 30, 2011 (6 months)	**Sept. 30, 2012 (6 months)**
Common stock:			
Balance at beginning of the period	**¥ 512,204**	¥ 512,204	**$ 6,613,358**
Balance at end of the period	**512,204**	512,204	**6,613,358**
Capital surplus:			
Balance at beginning of the period	**79,465**	79,465	**1,026,029**
Balance at end of the period	**79,465**	79,465	**1,026,029**
Stock acquisition rights:			
Balance at beginning of the period	**1,354**	1,413	**17,491**
Net change during the period	**(53)**	(55)	**(690)**
Balance at end of the period	**1,301**	1,357	**16,801**
Retained earnings:			
Legal reserve:			
Balance at beginning of the period	**11,566**	11,035	**149,342**
Dividends	**530**	530	**6,853**
Balance at end of the period	**12,097**	11,566	**156,195**
Unappropriated retained earnings:			
Balance at beginning of the period	**117,654**	106,944	**1,519,104**
Dividends	**(3,184)**	(3,184)	**(41,119)**
Net income (loss)	**15,699**	4,584	**202,708**
Balance at end of the period	**130,169**	108,344	**1,680,693**
Unrealized gain (loss) on available-for-sale securities:			
Balance at beginning of the period	**(1,031)**	(15,346)	**(13,319)**
Net change during the period	**(292)**	8,410	**(3,779)**
Balance at end of the period	**(1,324)**	(6,935)	**(17,098)**
Deferred gain (loss) on derivatives under hedge accounting:			
Balance at beginning of the period	**(4,476)**	(4,452)	**(57,805)**
Net change during the period	**2,183**	59	**28,193**
Balance at end of the period	**(2,293)**	(4,393)	**(29,612)**
Treasury stock, at cost:			
Balance at beginning of the period	**(72,558)**	(72,558)	**(936,847)**
Balance at end of the period	**(72,558)**	(72,558)	**(936,847)**
Total equity:			
Balance at beginning of the period	**644,178**	618,705	**8,317,353**
Net change in stock acquisition rights during the period	**(53)**	(55)	**(690)**
Dividends	**(2,653)**	(2,653)	**(34,266)**
Net income (loss)	**15,699**	4,584	**202,708**
Net change in unrealized gain (loss) on available-for-sale securities during the period	**(292)**	8,410	**(3,779)**
Net change in deferred gain (loss) on derivatives under hedge accounting during the period	**2,183**	59	**28,193**
Balance at end of the period	**¥ 659,062**	¥ 629,051	**$ 8,509,519**

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥77.45=U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2012.

BASEL II PILLAR III (MARKET DISCIPLINE) DISCLOSURE

This section describes the information consistent with the Japanese FSA Notification Number 15, based on Article 19.2.1.5.d of the Bank Law Enforcement Rule (Refer to Ministry of Finance Ordinance Number 10), herein referred to as Basel II Pillar III, issued on March 23, 2007. The Accord in this section refers to the Japanese FSA Notification Number 19, herein referred to as Basel II Pillar I, issued on March 27, 2006.

QUANTITATIVE DISCLOSURE

1. NAMES OF UNCONSOLIDATED SUBSIDIARIES WITH LOWER LEVEL OF CAPITAL THAN REQUIRED LEVEL OF ADEQUACY CAPITAL AND AMOUNT OF SHORTAGE

Most of the 79 non-consolidated subsidiaries are special purpose companies (SPCs) or Limited Partnerships (LPs) for leverage leasing. As the economic risk associated with leveraged leasing has been hedged in these subsidiaries, the amount of invested equity is equal to applicable loss limits.

2. CAPITAL STRUCTURE

Please see "Management's Discussion and Analysis of Financial Condition and Results of Operations" "Capital Ratios" on page 50 for capital calculation details. The Bank was not required to deduct any excess deferred tax assets which banks are prohibited from including in their Tier I capital. The Bank has no Tier III capital.

3. CAPITAL ADEQUACY

AMOUNT OF REQUIRED CAPITAL FOR CREDIT RISK

(1) Portfolios under the Standardized Approach (SA)

Millions of yen

	As of September 30, 2012		As of March 31, 2012	
	Required capital amount (Consolidated)	**Required capital amount (Non-consolidated)**	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
Shinsei housing loans	**¥ 31,899**	**¥ 31,899**	¥ 29,861	¥ 29,861
Shinsei bank card loans Lake	**2,287**	**2,287**	1,060	1,060
Subsidiaries of Showa Leasing	**1,049**	**—**	1,926	—
Shinsei Financial Group[1]	**22,993**	**—**	25,475	—
Other subsidiaries	**4,106**	**—**	4,456	—

Note: (1) APLUS FINANCIAL, APLUS, APLUS PERSONAL LOAN and Zen-Nichi Shinpan which are subsidiaries of Shinsei Financial Group adopt FIRB.

(2) Portfolios under the Internal Ratings-Based Approach (IRB)

Millions of yen

	As of September 30, 2012		As of March 31, 2012	
	Required capital amount (Consolidated)	**Required capital amount (Non-consolidated)**	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
Corporate (Excluding Specialized Lending)[1]	**¥ 193,963**	**¥ 185,262**	¥ 202,681	¥ 197,072
Specialized Lending[2]	**174,336**	**173,227**	193,899	192,271
Sovereign	**4,776**	**4,681**	5,906	5,874
Bank	**19,934**	**19,376**	20,799	19,854
Residential mortgages	**2,163**	**—**	2,507	—
Qualified revolving retails	**50,072**	**—**	50,604	—
Other retails	**142,773**	**—**	149,821	—
Equity	**10,749**	**134,304**	12,600	137,855
Regarded (Fund)	**25,769**	**20,079**	25,253	19,040
Securitization[3]	**37,494**	**44,973**	58,548	65,879
(Unrated securitization exposure)	**(15,007)**	**(15,007)**	(40,592)	(40,592)
Purchase receivables	**51,080**	**51,080**	56,956	56,956
Other assets	**6,530**	**2,537**	6,946	2,889
Total	**¥ 719,645**	**¥ 635,523**	¥ 786,525	¥ 697,695

Notes: (1) "Corporate" includes "Small and Medium-sized Entities"
(2) "Specialized Lending" refers to a claim whose source of recovery is solely dependent on the cash flow generated from a transaction such as a real estate non-recourse loan.
(3) "Securitization" includes a part of amounts based on the Standardized Approach.

QUANTITATIVE DISCLOSURE (CONTINUED)

AMOUNT OF REQUIRED CAPITAL FOR EQUITY EXPOSURE UNDER IRB

Millions of yen

	As of September 30, 2012		As of March 31, 2012	
	Required capital amount (Consolidated)	**Required capital amount (Non-consolidated)**	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
Market-Based Approach				
Simplified Method	**¥ 1,379**	**¥ 4,403**	¥ 3,384	¥ 6,437
PD/LGD Method	**8,893**	**128,488**	8,690	130,004
Grandfathering Rule	**476**	**1,412**	525	1,413
Total	**¥ 10,749**	**¥ 134,304**	¥ 12,600	¥ 137,855

AMOUNT OF REQUIRED CAPITAL FOR REGARDED-METHOD EXPOSURE UNDER IRB

Millions of yen

	As of September 30, 2012		As of March 31, 2012	
	Required capital amount (Consolidated)	**Required capital amount (Non-consolidated)**	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
Look Through	**¥ 1,982**	**¥ 1,982**	¥ 2,006	¥ 2,006
Revised Naivete Majority	**15,193**	**8,514**	17,891	10,550
Simplified [400%]	**792**	**1,792**	840	1,982
Simplified [1,250%]	**7,802**	**7,790**	4,513	4,501
Total	**¥ 25,769**	**¥ 20,079**	¥ 25,253	¥ 19,040

AMOUNT OF REQUIRED CAPITAL FOR MARKET RISK

Millions of yen

	As of September 30, 2012		As of March 31, 2012	
	Required capital amount (Consolidated)	**Required capital amount (Non-consolidated)**	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
The Standardized Approach				
(Specific Risk)	**¥ 1,709**	**¥ 1,682**	¥ 3,317	¥ 2,941
Interest rate risk	**1,347**	**1,343**	2,083	1,796
Equity position risk	**113**	**113**	61	61
FX risk	**248**	**224**	1,172	1,083
Securitization risk	**215**	**—**	84	—
The Standardized Approach				
(General Market Risk)	**—**	**—**	—	—
The Internal Models Approach				
(IMA) (General Market Risk)	**15,778**	**15,426**	18,108	17,699

AMOUNT OF REQUIRED CAPITAL FOR OPERATIONAL RISK

Millions of yen

	As of September 30, 2012		As of March 31, 2012	
	Required capital amount (Consolidated)	**Required capital amount (Non-consolidated)**	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
The Standardized Approach	**¥ 29,528**	**¥ 13,004**	¥ 31,001	¥ 12,202

TOTAL CAPITAL ADEQUACY RATIO AND TIER I CAPITAL RATIO

	As of September 30, 2012		As of March 31, 2012	
	Consolidated	**Non-consolidated**	Consolidated	Non-consolidated
Total capital adequacy ratio	**11.71%**	**14.08%**	10.27%	13.10%
Tier I capital ratio	**9.77%**	**11.74%**	8.80%	11.18%

TOTAL REQUIRED CAPITAL (DOMESTIC CRITERIA)

Millions of yen

	As of September 30, 2012		As of March 31, 2012	
	Consolidated	**Non-consolidated**	Consolidated	Non-consolidated
Total required capital	**¥ 383,985**	**¥ 313,162**	¥ 440,381	¥ 352,517
Total risk assets x 4%	**¥ 234,770**	**¥ 231,471**	¥ 244,100	¥ 236,945

QUANTITATIVE DISCLOSURE (CONTINUED)

4. CREDIT RISK EXPOSURE (EXCLUDING SECURITIZATION AND REGARDED EXPOSURE)

AMOUNT OF CREDIT RISK EXPOSURE

Geographic, Industries or Maturity (Consolidated)

Millions of yen

	As of September 30, 2012				As of March 31, 2012			
	Total	Amount of Credit Risk Exposure			Total	Amount of Credit Risk Exposure		
		Loans,etc.[1]	Securities[2]	Derivatives[3]		Loans,etc.[1]	Securities[2]	Derivatives[3]
Manufacturing	¥ 359,988	¥ 354,794	¥ 0	¥ 5,194	¥ 381,040	¥ 377,123	¥ 0	¥ 3,916
Agriculture	972	972	—	—	896	896	—	—
Mining	955	955	—	—	867	867	—	—
Construction	40,050	40,011	36	2	39,290	39,251	36	2
Electric power, gas, water supply	118,109	117,975	32	102	56,635	56,508	32	93
Information and communication	44,926	44,897	—	29	44,332	44,313	—	18
Transportation	255,114	235,738	2,423	16,953	265,951	245,798	3,201	16,951
Wholesale and retail	154,813	154,091	399	322	154,523	153,393	636	492
Finance and insurance	1,069,019	985,560	32,021	51,437	1,168,231	1,083,199	31,651	53,381
Real estate	819,019	598,263	219,603	1,153	824,828	592,350	231,583	894
Services	451,228	444,102	5,274	1,850	447,765	438,989	6,825	1,950
Government	1,572,737	94,781	1,477,956	—	1,405,929	118,978	1,286,948	1
Individuals	2,445,435	2,445,101	—	334	2,396,210	2,395,842	—	368
Others	8,987	8,986	0	—	14,053	9,125	4,927	—
Domestic Total	7,341,360	5,526,232	1,737,747	77,380	7,200,556	5,556,638	1,565,844	78,072
Foreign	661,256	362,070	113,662	185,523	676,910	334,497	135,915	206,497
Consolidated Total	¥ 8,002,616	¥ 5,888,303	¥ 1,851,409	¥ 262,903	¥ 7,877,466	¥ 5,891,136	¥ 1,701,760	¥ 284,569
To 1 year	1,519,554	1,112,814	336,378	70,362	1,945,261	1,300,580	575,599	69,081
1 to 3 years	2,289,951	1,487,485	723,138	79,328	2,102,315	1,397,602	595,452	109,259
3 to 5 years	1,902,180	1,314,407	542,004	45,767	1,634,789	1,254,768	330,965	49,055
Over 5 years	1,776,671	1,460,541	248,685	67,445	1,637,460	1,381,687	198,599	57,173
Undated	514,257	513,054	1,202	—	557,640	556,497	1,143	—
Consolidated Total	¥ 8,002,616	¥ 5,888,303	¥ 1,851,409	¥ 262,903	¥ 7,877,466	¥ 5,891,136	¥ 1,701,760	¥ 284,569

Geographic, Industries or Maturity (Non-consolidated)

Millions of yen

	As of September 30, 2012				As of March 31, 2012			
	Total	Amount of Credit Risk Exposure			Total	Amount of Credit Risk Exposure		
		Loans,etc.[1]	Securities[2]	Derivatives[3]		Loans,etc.[1]	Securities[2]	Derivatives[3]
Manufacturing	¥ 295,058	¥ 289,864	¥ 0	¥ 5,194	¥ 315,388	¥ 311,471	¥ 0	¥ 3,916
Agriculture	267	267	—	—	298	298	—	—
Mining	432	432	—	—	488	488	—	—
Construction	15,104	15,101	—	2	12,423	12,420	—	2
Electric power, gas, water supply	117,955	117,820	32	102	56,465	56,338	32	93
Information and communication	29,491	29,461	—	29	27,988	27,969	—	18
Transportation	234,632	215,255	2,423	16,953	249,689	229,536	3,201	16,951
Wholesale and retail	88,852	88,130	399	322	90,827	89,698	636	492
Finance and insurance	1,355,961	1,267,957	50,089	37,915	1,451,940	1,366,006	51,573	34,360
Real estate	835,012	614,256	219,603	1,153	839,211	606,733	231,583	894
Services	390,627	383,004	5,158	2,464	391,030	382,139	6,932	1,958
Government	1,561,400	83,479	1,477,921	—	1,393,381	106,466	1,286,913	1
Individuals	924,359	924,025	—	334	835,246	834,878	—	368
Others	—	—	—	—	—	—	—	—
Domestic Total	5,849,154	4,029,056	1,755,626	64,471	5,664,378	4,024,444	1,580,874	59,059
Foreign	650,233	337,602	126,887	185,744	664,919	307,872	150,308	206,739
Bank Total	¥ 6,499,388	¥ 4,366,658	¥ 1,882,514	¥ 250,215	¥ 6,329,298	¥ 4,332,316	¥ 1,731,182	¥ 265,798
To 1 year	1,608,324	1,208,878	336,343	63,102	2,027,823	1,388,838	575,835	63,149
1 to 3 years	1,828,017	1,029,678	723,138	75,200	1,611,605	917,059	595,417	99,129
3 to 5 years	1,498,712	911,417	541,887	45,407	1,265,482	892,215	325,908	47,358
Over 5 years	1,466,169	1,137,753	261,910	66,505	1,333,098	1,063,944	212,992	56,162
Undated	98,165	78,930	19,234	—	91,288	70,259	21,029	—
Bank Total	¥ 6,499,388	¥ 4,366,658	¥ 1,882,514	¥ 250,215	¥ 6,329,298	¥ 4,332,316	¥ 1,731,182	¥ 265,798

Notes: (1) Excluding purchased receivables
(2) Excluding equity exposures
(3) Credit equivalent amount basis

QUANTITATIVE DISCLOSURE (CONTINUED)

AMOUNT OF DEFAULT EXPOSURE BEFORE PARTIAL WRITE-OFF

Geographic, Industries

Millions of yen

	As of September 30, 2012		As of March 31, 2012	
	Default Exposure		Default Exposure	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Manufacturing	¥ 21,136	¥ 16,473	¥ 17,784	¥ 12,524
Agriculture	37	—	38	—
Mining	—	—	—	—
Construction	2,256	141	2,144	11
Electric power, gas, water supply	6	—	—	—
Information and communication	51	—	33	—
Transportation	5,517	3,592	7,681	5,532
Wholesale and retail	815	232	851	—
Finance and insurance	75,207	75,144	77,641	77,566
Real estate	209,888	204,937	223,661	218,702
Services	29,704	27,722	30,788	28,336
Government	—	—	—	—
Individuals	147,667	5,845	149,550	5,744
Others	8,286	—	8,875	—
Domestic Total	500,575	334,089	519,051	348,419
Foreign	35,326	35,326	40,830	40,830
Total	¥ 535,901	¥ 369,416	¥ 559,882	¥ 389,250

AMOUNT OF LOAN LOSS RESERVES (GENERAL, SPECIFIC AND COUNTRY RISK) BEFORE PARTIAL WRITE-OFF

Consolidated

Millions of yen

	As of September 30, 2012			As of March 31, 2012			As of September 30, 2011		
	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount
General	¥ 80,949	¥ (3,129)	¥ 77,820	¥ 102,752	¥(21,803)	¥ 80,949	¥ 102,752	¥ (5,830)	¥ 96,922
Specific	265,675	(8,451)	257,224	287,323	(21,648)	265,675	287,323	(15,719)	271,604
Country	0	—	0	12	(12)	0	12	(12)	0
Total	¥ 346,625	¥ (11,580)	¥ 335,045	¥ 390,087	¥(43,462)	¥ 346,625	¥ 390,087	¥(21,560)	¥ 368,527

Non-consolidated

Millions of yen

	As of September 30, 2012			As of March 31, 2012			As of September 30, 2011		
	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount
General	¥ 39,627	¥ (5,497)	¥ 34,130	¥ 48,379	¥ (8,752)	¥ 39,627	¥ 48,379	¥ (3,485)	¥ 44,894
Specific	156,555	(8,212)	148,343	156,764	(209)	156,555	156,764	(8,374)	148,390
Country	0	—	0	12	(12)	0	12	(12)	0
Total	¥ 196,183	¥ (13,709)	¥ 182,474	¥ 205,156	¥ (8,973)	¥ 196,183	¥ 205,156	¥(11,870)	¥ 193,286

Geographic (Consolidated)

Millions of yen

	As of September 30, 2012				As of March 31, 2012				As of September 30, 2011			
	Total	Reserve Amount			Total	Reserve Amount			Total	Reserve Amount		
		General	Specific	Country		General	Specific	Country		General	Specific	Country
Domestic	¥ 303,303	¥ 71,913	¥ 231,389	¥ —	¥ 313,108	¥ 75,880	¥ 237,228	¥ —	¥ 333,568	¥ 93,016	¥ 240,551	¥ —
Foreign	31,741	5,906	25,834	0	33,516	5,069	28,447	0	34,959	3,906	31,052	0
Total	¥ 335,045	¥ 77,820	¥ 257,224	¥ 0	¥ 346,625	¥ 80,949	¥ 265,675	¥ 0	¥ 368,527	¥ 96,922	¥ 271,604	¥ 0

QUANTITATIVE DISCLOSURE (CONTINUED)

Geographic (Non-consolidated)

Millions of yen

	As of September 30, 2012				As of March 31, 2012				As of September 30, 2011			
	Total	**Reserve Amount**			Total	Reserve Amount			Total	Reserve Amount		
		General	**Specific**	**Country**		General	Specific	Country		General	Specific	Country
Domestic	**¥ 153,325**	**¥ 29,834**	**¥ 123,490**	**¥ —**	¥ 163,748	¥ 35,289	¥ 128,458	¥ —	¥ 159,332	¥ 41,456	¥ 117,876	¥ —
Foreign	**29,149**	**4,295**	**24,853**	**0**	32,434	4,337	28,096	0	33,953	3,438	30,514	0
Total	**¥ 182,474**	**¥ 34,130**	**¥ 148,343**	**¥ 0**	¥ 196,183	¥ 39,627	¥ 156,555	¥ 0	¥ 193,286	¥ 44,894	¥ 148,390	¥ 0

Industries

Millions of yen

	As of September 30, 2012		As of March 31, 2012		As of September 30, 2011	
	Reserve Amount		Reserve Amount		Reserve Amount	
	Consolidated	**Non-consolidated**	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Manufacturing	**¥ 14,794**	**¥ 9,862**	¥ 19,937	¥ 14,320	¥ 14,799	¥ 9,230
Agriculture	**30**	**—**	41	—	69	2
Mining	**23**	**13**	23	14	81	10
Construction	**1,930**	**185**	1,925	41	1,771	94
Electric power, gas, water supply	**187**	**187**	107	106	144	143
Information and communication	**1,271**	**213**	1,543	285	1,751	311
Transportation	**2,790**	**1,939**	1,912	1,548	2,723	2,020
Wholesale and retail	**2,579**	**773**	2,780	839	3,304	748
Finance and insurance	**25,908**	**28,177**	29,325	32,487	23,353	26,891
Real estate	**81,507**	**84,273**	83,072	85,875	83,378	85,639
Services	**23,587**	**18,670**	26,286	19,326	13,788	6,651
Government	**77**	**—**	95	—	100	—
Individuals	**139,344**	**4,902**	134,961	4,975	162,279	6,351
Others	**4,715**	**4,126**	4,511	3,927	21,805	21,235
Foreign	**31,741**	**29,149**	33,516	32,434	34,959	33,953
Non-classified	**4,555**	**—**	6,585	—	4,214	—
Total	**¥ 335,045**	**¥ 182,474**	¥ 346,625	¥ 196,183	¥ 368,527	¥ 193,286

AMOUNT OF WRITE-OFFS

Industries

Millions of yen

	Six months ended September 30, 2012		Fiscal year ended March 31, 2012		Six months ended September 30, 2011	
	Amount of write-off		Amount of write-off		Amount of write-off	
	Consolidated	**Non-consolidated**	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Manufacturing	**¥ 86**	**¥ —**	¥ 570	¥ —	¥ 149	¥ —
Agriculture	**—**	**—**	17	—	0	—
Mining	**—**	**—**	—	—	—	—
Construction	**135**	**80**	135	—	106	—
Electric power, gas, water supply	**—**	**—**	—	—	—	—
Information and communication	**40**	**—**	81	—	13	—
Transportation	**520**	**509**	143	—	100	—
Wholesale and retail	**126**	**—**	621	28	301	—
Finance and insurance	**371**	**371**	3,950	3,950	3,950	3,950
Real estate	**6,296**	**6,264**	4,726	4,645	1,790	1,715
Services	**127**	**—**	722	—	346	—
Government	**—**	**—**	—	—	—	—
Individuals	**14,474**	**13**	54,481	58	27,313	13
Others	**—**	**—**	0	—	—	—
Foreign	**3,682**	**3,681**	5,275	5,275	0	0
Non-classified	**—**	**—**	—	—	—	—
Total	**¥ 25,861**	**¥10,920**	¥ 70,726	¥ 13,958	¥ 34,072	¥ 5,679

QUANTITATIVE DISCLOSURE (CONTINUED)

AMOUNT OF EXPOSURES UNDER SA (AFTER CREDIT RISK MITIGATION)

Millions of yen

	As of September 30, 2012				As of March 31, 2012			
	Consolidated		**Non-consolidated**		Consolidated		Non-consolidated	
	Rated	**Unrated**	**Rated**	**Unrated**	Rated	Unrated	Rated	Unrated
0%	**¥ 224**	**¥ 1,109**	**¥ —**	**¥ —**	¥ 69	¥ 2,027	¥ —	¥ —
10%	**—**	**—**	**—**	**—**	—	—	—	—
20%	**97,958**	**0**	**—**	**—**	127,445	0	—	—
35%	**—**	**738,068**	**—**	**738,068**	—	634,533	—	634,533
50%	**407**	**8,556**	**—**	**1,355**	464	8,331	—	1,214
75%	**—**	**564,275**	**—**	**221,069**	—	593,394	—	215,055
100%	**201**	**69,896**	**—**	**1,810**	210	84,195	—	1,750
150%	**—**	**2,338**	**—**	**483**	0	2,218	—	526
350%	**—**	**—**	**—**	**—**	—	—	—	—
Capital Deduction	**—**	**—**	**—**	**—**	—	—	—	—
Total	**¥ 98,792**	**¥ 1,384,244**	**¥ —**	**¥ 962,787**	¥128,190	¥ 1,324,700	¥ —	¥ 853,080

SPECIALIZED LENDING EXPOSURE UNDER SLOTTING CRITERIA AND EQUITY EXPOSURE UNDER MARKET-BASED SIMPLIFIED METHOD

(1) Specialized lending excluding high-volatility commercial real estate

Millions of yen

	As of September 30, 2012		As of March 31, 2012	
	Amount of Exposure		Amount of Exposure	
Risk weight ratio	**Consolidated**	**Non-consolidated**	Consolidated	Non-consolidated
50%	**¥ 31,674**	**¥ 31,674**	¥ 20,921	¥ 20,921
70%	**80,888**	**76,289**	55,596	53,525
90%	**67,284**	**67,284**	49,703	49,703
115%	**76,984**	**76,984**	81,629	81,629
250%	**108,116**	**105,315**	148,516	145,219
0% (Default)	**136,307**	**136,307**	153,493	152,425
Total	**¥ 501,254**	**¥ 493,855**	¥ 509,860	¥ 503,424

(2) Specialized lending for high-volatility commercial real estate

Millions of yen

	As of September 30, 2012		As of March 31, 2012	
	Amount of Exposure		Amount of Exposure	
Risk weight ratio	**Consolidated**	**Non-consolidated**	Consolidated	Non-consolidated
70%	**¥ 3,595**	**¥ 3,595**	¥ 3,657	¥ 3,657
95%	**10,806**	**10,806**	13,520	13,520
120%	**2,650**	**2,650**	—	—
140%	**—**	**—**	—	—
250%	**63,037**	**63,037**	62,845	62,845
0% (Default)	**65,959**	**65,959**	70,425	70,425
Total	**¥ 146,049**	**¥ 146,049**	¥ 150,449	¥ 150,449

(3) Equity exposure under Market-Based Simplified Method

Millions of yen

	As of September 30, 2012		As of March 31, 2012	
Risk weight ratio	**Amount Consolidated**	**Amount Non-consolidated**	Amount Consolidated	Amount Non-consolidated
300%	**¥ 381**	**¥ 336**	¥ 6,973	¥ 6,919
400%	**3,780**	**12,728**	4,746	13,789
Total	**¥ 4,161**	**¥ 13,064**	¥ 11,720	¥ 20,708

QUANTITATIVE DISCLOSURE (CONTINUED)

PORTFOLIOS UNDER IRB EXCLUDING THE AMOUNT OF EXPOSURES UNDER SA (AFTER CREDIT RISK MITIGATION)

(1) Estimated average PD, LGD, Risk Weight Ratio and Exposure at Default (EAD) (on-balance and off-balance) for Corporate, Sovereign and Bank exposure

Corporate (Consolidated)

Millions of yen (except percentages)

	As of September 30, 2012					As of March 31, 2012				
Credit rating	**PD**	**LGD**	**Risk Weight**	**EAD (on-balance)**	**EAD (off-balance)**	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)
0	**—**	**—**	**—**	**¥ —**	**¥ —**	0.03%	45.00%	21.69%	¥ 14,155	¥ —
1	**0.03%**	**45.00%**	**12.61%**	**13,013**	**—**	0.03%	45.00%	11.81%	35,742	34,800
2	**0.07%**	**44.03%**	**28.65%**	**161,967**	**14,232**	0.06%	44.53%	23.48%	94,959	42,059
3	**0.12%**	**44.97%**	**31.37%**	**535,047**	**64,637**	0.12%	44.97%	32.15%	533,944	88,246
4	**0.33%**	**44.86%**	**51.94%**	**537,591**	**71,954**	0.36%	44.88%	54.58%	472,451	54,894
5	**1.00%**	**44.30%**	**81.67%**	**289,686**	**19,133**	1.09%	44.39%	86.19%	265,476	21,562
6	**3.22%**	**43.86%**	**118.04%**	**157,832**	**11,738**	3.11%	43.87%	116.58%	169,693	22,537
9A	**10.50%**	**45.17%**	**199.79%**	**223,809**	**22,883**	10.77%	45.24%	199.96%	243,103	31,596
Default	**100.00%**	**45.08%**	**—**	**110,271**	**305**	100.00%	46.07%	—	113,021	753

Sovereign (Consolidated)

Millions of yen (except percentages)

	As of September 30, 2012					As of March 31, 2012				
Credit rating	**PD**	**LGD**	**Risk Weight**	**EAD (on-balance)**	**EAD (off-balance)**	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)
0	**0.00%**	**45.00%**	**—**	**¥ 1,959,186**	**¥ 276**	0.00%	45.00%	—	¥ 1,717,876	¥ 16
1	**0.01%**	**43.79%**	**4.47%**	**34**	**30**	0.01%	45.00%	3.80%	—	32
2	**0.05%**	**45.00%**	**20.73%**	**154,517**	**997**	0.07%	45.00%	23.67%	163,380	4,459
3	**0.09%**	**44.94%**	**37.20%**	**55,543**	**1,022**	0.10%	44.95%	36.91%	69,735	1,212
4	**0.29%**	**53.48%**	**76.92%**	**2,695**	**31**	0.32%	52.98%	82.68%	2,939	34
5	**0.71%**	**45.00%**	**85.86%**	**—**	**110**	0.76%	45.00%	84.81%	—	178
6	**3.89%**	**45.00%**	**138.41%**	**7,875**	**—**	3.84%	45.00%	119.62%	0	—
9A	**—**	**—**	**—**	**—**	**—**	10.77%	45.00%	227.11%	0	—
Default	**100.00%**	**45.00%**	**—**	**15**	**—**	100.00%	45.00%	—	15	—

Bank (Consolidated)

Millions of yen (except percentages)

	As of September 30, 2012					As of March 31, 2012				
Credit rating	**PD**	**LGD**	**Risk Weight**	**EAD (on-balance)**	**EAD (off-balance)**	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)
0	**0.03%**	**45.00%**	**11.65%**	**¥ 13,700**	**¥ —**	0.03%	45.00%	11.78%	¥ 13,106	¥ —
1	**0.03%**	**45.00%**	**25.88%**	**15**	**—**	0.03%	45.00%	25.88%	18	—
2	**0.06%**	**45.78%**	**25.37%**	**43,267**	**78,652**	0.07%	45.48%	23.48%	68,146	120,227
3	**0.11%**	**45.23%**	**31.22%**	**307,178**	**123,267**	0.12%	45.41%	29.86%	305,035	100,451
4	**0.39%**	**45.00%**	**66.47%**	**25,585**	**20,008**	0.44%	45.00%	66.08%	9,588	22,720
5	**1.06%**	**45.00%**	**90.19%**	**10,576**	**1,419**	0.87%	45.00%	74.11%	33,461	1,427
6	**3.73%**	**45.00%**	**161.84%**	**9,447**	**250**	3.69%	45.00%	165.20%	10,090	574
9A	**10.50%**	**45.03%**	**189.87%**	**1,790**	**30**	10.77%	45.02%	186.51%	1,979	232
Default	**100.00%**	**45.00%**	**—**	**71**	**—**	100.00%	45.00%	—	83	—

Corporate (Non-consolidated)

Millions of yen (except percentages)

	As of September 30, 2012					As of March 31, 2012				
Credit rating	**PD**	**LGD**	**Risk Weight**	**EAD (on-balance)**	**EAD (off-balance)**	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)
0	**—**	**—**	**—**	**¥ —**	**¥ —**	0.03%	45.00%	21.69%	¥ 14,155	¥ —
1	**0.03%**	**45.00%**	**12.63%**	**12,980**	**—**	0.03%	45.00%	11.82%	35,692	34,800
2	**0.06%**	**44.01%**	**28.86%**	**158,262**	**14,232**	0.06%	44.57%	24.83%	108,121	42,059
3	**0.12%**	**44.97%**	**31.37%**	**518,588**	**64,637**	0.12%	44.97%	32.08%	515,590	88,246
4	**0.35%**	**44.89%**	**50.64%**	**717,150**	**73,542**	0.38%	44.92%	53.43%	671,473	55,570
5	**0.98%**	**44.13%**	**80.31%**	**228,625**	**19,133**	1.09%	44.21%	85.75%	202,390	21,412
6	**2.76%**	**44.10%**	**107.72%**	**203,893**	**11,134**	2.87%	44.09%	108.37%	218,182	22,432
9A	**10.50%**	**45.21%**	**200.20%**	**180,438**	**22,883**	10.77%	45.28%	201.31%	204,790	31,618
Default	**100.00%**	**45.09%**	**—**	**100,276**	**620**	100.00%	46.18%	—	101,696	1,353

QUANTITATIVE DISCLOSURE (CONTINUED)

Sovereign (Non-consolidated)

Millions of yen (except percentages)

	As of September 30, 2012					As of March 31, 2012				
Credit rating	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)
0	0.00%	45.00%	—	¥ 1,891,260	¥ 276	0.00%	45.00%	—	¥ 1,706,167	¥ 16
1	0.01%	43.79%	4.47%	34	30	0.01%	45.00%	3.80%	—	32
2	0.06%	45.00%	21.45%	144,191	997	0.07%	45.00%	23.91%	160,180	4,459
3	0.09%	44.94%	37.20%	55,543	1,022	0.10%	44.95%	36.91%	69,733	1,212
4	0.29%	53.48%	76.92%	2,695	31	0.32%	52.98%	82.68%	2,939	34
5	0.71%	45.00%	85.86%	—	110	0.76%	45.00%	84.81%	—	178
6	—	—	—	—	—	—	—	—	—	—
9A	—	—	—	—	—	10.77%	45.00%	227.11%	0	—
Default	100.00%	45.00%	—	15	—	100.00%	45.00%	—	15	—

Bank (Non-consolidated)

Millions of yen (except percentages)

	As of September 30, 2012					As of March 31, 2012				
Credit rating	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)
0	0.03%	45.00%	14.02%	¥ 8,659	¥ —	0.03%	45.00%	13.98%	¥ 8,596	¥ —
1	0.03%	45.00%	25.88%	15	—	0.03%	45.00%	25.88%	18	—
2	0.06%	45.67%	25.54%	62,699	78,652	0.07%	45.48%	23.53%	66,416	120,227
3	0.11%	45.27%	33.41%	243,705	123,267	0.12%	45.46%	31.03%	260,755	100,432
4	0.37%	45.00%	59.17%	32,758	33,667	0.41%	45.00%	59.96%	14,293	30,604
5	1.00%	45.00%	99.93%	5,678	1,419	0.85%	45.00%	74.03%	30,954	1,427
6	3.84%	45.00%	167.68%	8,507	250	3.71%	45.00%	166.70%	9,797	574
9A	10.50%	45.12%	218.75%	355	30	10.77%	45.17%	221.40%	59	232
Default	100.00%	45.00%	—	71	—	100.00%	45.00%	—	83	—

Note: LGD after credit risk mitigation

(2) Estimated average PD, risk weight ratio and amount of exposure for equity exposure under PD/LGD method

(Consolidated)

Millions of yen (except percentages)

	As of September 30, 2012				As of March 31, 2012			
Credit rating	PD	LGD	Risk Weight	Amount	PD	LGD	Risk Weight	Amount
0	—	—	—	¥ —	0.00%	90.00%	—	¥ 1
1	—	—	—	—	—	—	—	—
2	0.06%	90.00%	200.02%	4,391	0.07%	90.00%	200.02%	4,781
3	0.11%	90.00%	200.00%	1,751	0.15%	90.00%	200.52%	2,290
4	0.33%	90.00%	243.89%	2,437	0.41%	90.00%	263.64%	2,564
5	1.27%	90.00%	369.54%	5,233	0.94%	90.00%	294.61%	2,448
6	3.47%	90.00%	395.46%	306	2.85%	90.00%	343.90%	665
9A	10.50%	90.00%	657.05%	8,472	10.77%	90.00%	651.78%	8,457
Default	100.00%	90.00%	—	19	100.00%	90.00%	—	701

(Non-consolidated)

Millions of yen (except percentages)

	As of September 30, 2012				As of March 31, 2012			
Credit rating	PD	LGD	Risk Weight	Amount	PD	LGD	Risk Weight	Amount
0	—	—	—	¥ —	0.00%	90.00%	—	¥ 1
1	—	—	—	—	—	—	—	—
2	0.06%	90.00%	200.02%	4,391	0.07%	90.00%	200.02%	4,781
3	0.11%	90.00%	200.00%	1,736	0.15%	90.00%	200.00%	2,279
4	0.35%	90.00%	299.66%	382,463	0.38%	90.00%	299.76%	382,645
5	1.29%	90.00%	372.44%	5,059	0.95%	90.00%	294.08%	2,227
6	2.21%	90.00%	302.99%	5,455	3.73%	90.00%	337.47%	5,814
9A	10.50%	90.00%	673.39%	38,167	10.77%	90.00%	678.72%	38,151
Default	100.00%	90.00%	—	1,884	100.00%	90.00%	—	3,827

QUANTITATIVE DISCLOSURE (CONTINUED)

(3) Estimated average PD, LGD, risk weight ratio, Exposure at Default (EAD) (on- and off-balance), amount of undrawn commitments and estimated average Credit Conversion Factors (CCF) of undrawn commitments for residential mortgage exposure, qualified revolving retail exposure and other retail exposure

(Consolidated)

Residential mortgage exposure

Millions of yen (except percentages)

	As of September 30, 2012							As of March 31, 2012						
						Undrawn Commitments							Undrawn Commitments	
Pool	**PD**	**LGD**	**Risk Weight**	**EAD (on-balance)**	**EAD (off-balance)**	**Amount**	**CCF**	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Amount	CCF
Normal	**1.37%**	**68.29%**	**94.38%**	**¥ 9,775**	**¥ 8,750**	**¥ —**	**—**	1.57%	69.29%	104.68%	¥ 10,723	¥ 9,393	¥ —	—
Need caution	**78.45%**	**49.10%**	**122.64%**	**4**	**231**	**—**	**—**	78.59%	52.40%	130.09%	3	168	—	—
Default	**100.00%**	**65.12%**	**—**	**519**	**112**	**—**	**—**	100.00%	67.49%	—	500	145	—	—

Qualified revolving retail exposure

Millions of yen (except percentages)

	As of September 30, 2012							As of March 31, 2012						
						Undrawn Commitments							Undrawn Commitments	
Pool	**PD**	**LGD**	**Risk Weight**	**EAD (on-balance)**	**EAD (off-balance)**	**Amount**	**CCF**	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Amount	CCF
Normal	**3.13%**	**74.18%**	**58.16%**	**¥ 103,526**	**¥ 89,263**	**¥ 2,312,043**	**3.86%**	4.21%	85.61%	83.17%	¥ 108,451	¥ 20,193	¥ 2,192,205	0.92%
Need caution	**70.25%**	**84.20%**	**181.03%**	**919**	**—**	**—**	**—**	71.48%	84.95%	182.68%	2,151	—	—	—
Default	**100.00%**	**84.14%**	**—**	**41,255**	**—**	**—**	**—**	100.00%	84.68%	—	41,706	—	—	—

Other retail exposure

Millions of yen (except percentages)

	As of September 30, 2012							As of March 31, 2012						
						Undrawn Commitments							Undrawn Commitments	
Pool	**PD**	**LGD**	**Risk Weight**	**EAD (on-balance)**	**EAD (off-balance)**	**Amount**	**CCF**	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Amount	CCF
Normal	**2.49%**	**58.38%**	**71.23%**	**¥ 326,239**	**¥ 706,012**	**¥ 159,505**	**1.19%**	2.56%	61.70%	75.98%	¥ 320,388	¥ 705,974	¥ 179,702	1.26%
Need caution	**77.65%**	**54.79%**	**87.89%**	**5,784**	**3,069**	**—**	**—**	79.87%	60.03%	88.85%	7,222	2,785	—	—
Default	**100.00%**	**57.86%**	**—**	**103,320**	**823**	**—**	**—**	100.00%	59.42%	—	102,848	590	—	—

Note: LGD is shown after credit risk mitigation

COMPARATIVE RESULTS OF ACTUAL LOSSES AND EXPECTED LOSSES FOR THE LAST THREE YEARS UNDER F-IRB APPROACH

Corporate, Sovereign & Bank (Non-consolidated)

	Millions of yen		
	As of September 30, 2012	As of September 30, 2011	As of September 30, 2010
Results of actual losses (a)	**¥ 23,399**	¥ 2,371	¥ 33,525
Expected losses (b)	**18,268**	19,247	13,838
Differences ((b) - (a))	**(5,130)**	16,876	(19,686)

The above matrix shows the results of default (downgrade below substandard) losses (increase of reserve, write-offs and loss on sale) for the twelve-month period ended September 30, 2009, 2010 and 2011 for the Bank's non-default corporate, sovereign and bank exposures at the start of the twelve-month period, with expected losses calculated using estimated PD at the end of September 2012.

In the first half of fiscal year 2010, the actual losses greatly exceeded from the expected losses due to the additional credit cost with regard to the specialty finance.

QUANTITATIVE DISCLOSURE (CONTINUED)

The consolidated based comparative results of actual losses and expected losses as of September 30, 2012 are as below;

Corporate, Sovereign & Bank (Consolidated)

	Millions of yen
	As of September 30, 2012
Results of actual losses (a)	**¥ 24,541**
Expected losses (b)	**17,213**
Differences ((b) - (a))	**(7,327)**

Retail (Consolidated)

	Millions of yen
	As of September 30, 2012
Results of actual losses (a)	**¥ 9,475**
Expected losses (b)	**24,615**
Differences ((b) - (a))	**15,139**

5. CREDIT RISK MITIGATION (CRM)

COVERED AMOUNT OF CRM BY COLLATERAL

FIRB

	Millions of yen			
	As of September 30, 2012		As of March 31, 2012	
	Eligible financial collateral	**Other eligible FIRB collateral**	Eligible financial collateral	Other eligible FIRB collateral
Corporate	**¥ 6,719**	**¥ 169,440**	¥ 7,253	¥ 153,196
Sovereign	**—**	**—**	—	—
Bank	**—**	**—**	—	—
Total	**¥ 6,719**	**¥ 169,440**	¥ 7,253	¥ 153,196

COVERED AMOUNT OF CRM BY GUARANTEE OR CREDIT DERIVATIVES

	Millions of yen			
	As of September 30, 2012		As of March 31, 2012	
	Consolidated	**Non-consolidated**	Consolidated	Non-consolidated
SA Exposures	**¥ —**	**¥ —**	¥ —	¥ —
IRB Exposures	**140,050**	**140,050**	148,890	148,890
Corporate	**11,195**	**11,195**	9,339	9,339
Sovereign	**73,854**	**73,854**	80,833	80,833
Bank	**55,000**	**55,000**	58,717	58,717
Residential mortgages	**—**	**—**	—	—
Qualified revolving retail	**—**	**—**	—	—
Other retail	**—**	**—**	—	—

QUANTITATIVE DISCLOSURE (CONTINUED)

6. COUNTERPARTY CREDIT RISK OF DERIVATIVES

(1) Measurement of EAD
Current Exposure Method
(2) Total amount of gross positive fair value
Refer to below table
(3) EAD before CRM
Refer to below table
(4) Net of: (2) + amount of gross add-on - (3)
Refer to below table
(5) Amount covered collateral
Zero
(6) EAD after CRM
Refer to below table

Millions of yen

	As of September 30, 2012		As of March 31, 2012	
	Consolidated	**Non-consolidated**	Consolidated	Non-consolidated
Total amount of gross positive fair value	**¥ 509,197**	**¥ 529,912**	¥ 583,383	¥ 594,860
Amount of gross add-on	**222,240**	**213,107**	253,278	239,097
EAD before CRM	**731,437**	**743,019**	836,661	833,958
FX-related	**218,187**	**219,045**	277,499	277,727
Interest-related	**277,107**	**277,508**	248,152	248,658
Equity-related	**59,317**	**57,839**	64,684	62,423
Commodity-related	**—**	**—**	—	—
Credit derivatives	**176,807**	**188,609**	246,247	245,070
Others	**18**	**18**	78	78
Amount of net	**468,516**	**492,785**	544,609	560,677
EAD after net	**262,921**	**250,233**	292,051	273,280
Amount covered collateral	**—**	**—**	—	—
EAD after CRM	**262,921**	**250,233**	292,051	273,280

(7) Notional amount of credit derivatives which have counterparty risk

Consolidated

Millions of yen

	As of September 30, 2012		As of March 31, 2012	
Notional amount	**Protection-buy**	**Protection-sell**	Protection-buy	Protection-sell
Single name	**¥ 568,274**	**¥ 311,204**	¥ 587,696	¥ 401,199
Multi name	**174,797**	**84,008**	208,511	107,419

Non-consolidated

Millions of yen

	As of September 30, 2012		As of March 31, 2012	
Notional amount	**Protection-buy**	**Protection-sell**	Protection-buy	Protection-sell
Single name	**¥ 414,651**	**¥ 465,827**	¥ 341,955	¥ 467,131
Multi name	**139,677**	**119,128**	146,071	112,219

(8) Notional amount of credit derivatives which cover exposures by CRM

Millions of yen

	As of September 30, 2012		As of March 31, 2012	
	Consolidated	**Non-consolidated**	Consolidated	Non-consolidated
Notional amount	**¥ —**	**¥ —**	¥ 3,717	¥ 3,717

QUANTITATIVE DISCLOSURE (CONTINUED)

7. SECURITIZATION

SECURITIZATION EXPOSURE ORIGINATED BY THE BANK GROUP (CREDIT RISK)

(1) Amount of original assets

Securitization by transfer of assets

Consolidated

Millions of yen

	As of September 30, 2012	As of March 31, 2012
Type of original assets	**Amount of original asset**	Amount of original asset
Residential mortgages	**¥ 239,721**	¥ 276,110
Consumer loans	**—**	3,754
Commercial real estate loans	**6,649**	13,524
Corporate loans	**34,003**	34,009
Others	**—**	—
Total	**¥ 280,374**	¥ 327,397

Non-consolidated

Millions of yen

	As of September 30, 2012	As of March 31, 2012
Type of original assets	**Amount of original asset**	Amount of original asset
Residential mortgages	**¥ 239,721**	¥ 276,110
Consumer loans	**258,955**	292,768
Commercial real estate loans	**6,649**	13,524
Corporate loans	**34,003**	34,009
Others	**191,413**	184,353
Total	**¥ 730,743**	¥ 800,765

Note: Includes originally securitized assets originated by the Bank Group, even though the Bank Group had no exposure to these particular assets.

(2) Amount of default exposure including original assets

Securitization by transfer of assets

Consolidated

Millions of yen

	As of September 30, 2012	As of March 31, 2012
Type of original assets	**Amount of Default**	Amount of Default
Residential mortgages	**¥ 4,895**	¥ 5,118
Consumer loans	**—**	135
Commercial real estate loans	**6,499**	13,374
Corporate loans	**26,903**	26,909
Others	**—**	—
Total	**¥ 38,298**	¥ 45,536

Non-consolidated

Millions of yen

	As of September 30, 2012	As of March 31, 2012
Type of original assets	**Amount of Default**	Amount of Default
Residential mortgages	**¥ 4,895**	¥ 5,118
Consumer loans	**—**	—
Commercial real estate loans	**6,499**	13,374
Corporate loans	**26,903**	26,909
Others	**—**	—
Total	**¥ 38,298**	¥ 45,401

Note: Includes originally securitized assets originated by the Bank Group, even though the Bank Group had no exposure to these particular assets.

QUANTITATIVE DISCLOSURE (CONTINUED)

(3) Amount of assets held for securitization trade

None.

(4) Summary of current six months' securitization activities

None.

(5) Amount of recognized gain/loss by original asset type during the first six months of FY2012.

None.

(6) Amount of securitization exposure the Bank Group has by type of original assets

Securitization by transfer of assets

Consolidated

Excluding Resecuritization

Millions of yen

	As of September 30, 2012	As of March 31, 2012
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ 89,549**	¥ 88,038
Consumer loans	**—**	3,754
Commercial real estate loans	**—**	—
Corporate loans	**25,087**	25,185
Others	**—**	—
Total	**¥ 114,636**	¥ 116,977

Resecuritization

Millions of yen

	As of September 30, 2012	As of March 31, 2012
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ 898**	¥ 919
Consumer loans	**—**	—
Commercial real estate loans	**—**	—
Corporate loans	**—**	—
Others	**—**	—
Total	**¥ 898**	¥ 919

Non-consolidated

Excluding Resecuritization

Millions of yen

	As of September 30, 2012	As of March 31, 2012
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ 89,549**	¥ 88,038
Consumer loans	**173,900**	199,800
Commercial real estate loans	**—**	—
Corporate loans	**25,087**	25,185
Others	**159,757**	149,860
Total	**¥ 448,294**	¥ 462,884

Resecuritization

Millions of yen

	As of September 30, 2012	As of March 31, 2012
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ 898**	¥ 919
Consumer loans	**—**	—
Commercial real estate loans	**—**	—
Corporate loans	**—**	—
Others	**—**	—
Total	**¥ 898**	¥ 919

QUANTITATIVE DISCLOSURE (CONTINUED)

(7) Amount of securitization exposure and required capital the Bank Group has by risk weight ratio

Securitization by transfer of assets

Consolidated

Excluding Resecuritization

	Millions of yen			
	As of September 30, 2012		As of March 31, 2012	
Band of risk weight ratio	**Amount**	**Required Capital amount**	Amount	Required Capital amount
To 12%	**¥ 19,568**	**¥ 116**	¥ 19,667	¥ 116
Over 12% to 20%	**66,678**	**1,066**	76,228	1,219
Over 20% to 50%	**—**	**—**	—	—
Over 50% to 75%	**—**	**—**	—	—
Over 75% to 100%	**22,862**	**1,828**	12,987	1,037
Over 100% to 250%	**5,527**	**476**	7,943	1,103
Over 250% to 425%	**—**	**—**	—	—
Over 425%	**—**	**—**	151	99
Total	**¥ 114,636**	**¥ 3,488**	¥ 116,977	¥ 3,577

Resecuritization

	Millions of yen			
	As of September 30, 2012		As of March 31, 2012	
Band of risk weight ratio	**Amount**	**Required Capital amount**	Amount	Required Capital amount
To 30%	**¥ —**	**¥ —**	¥ 526	¥ 13
Over 30% to 50%	**514**	**17**	—	—
Over 50% to 100%	**383**	**21**	392	21
Over 100% to 225%	**—**	**—**	—	—
Over 225% to 500%	**—**	**—**	—	—
Over 500%	**—**	**—**	—	—
Total	**¥ 898**	**¥ 38**	¥ 919	¥ 35

Non-consolidated

Excluding Resecuritization

	Millions of yen			
	As of September 30, 2012		As of March 31, 2012	
Band of risk weight ratio	**Amount**	**Required Capital amount**	Amount	Required Capital amount
To 12%	**¥ 216,126**	**¥ 1,960**	¥ 212,728	¥ 1,912
Over 12% to 20%	**114,678**	**1,880**	143,728	2,364
Over 20% to 50%	**46,600**	**1,917**	46,600	1,917
Over 50% to 75%	**32,500**	**2,067**	32,500	2,067
Over 75% to 100%	**32,862**	**2,676**	21,800	1,792
Over 100% to 250%	**5,527**	**476**	5,526	884
Over 250% to 425%	**—**	**—**	—	—
Over 425%	**—**	**—**	—	—
Total	**¥ 448,294**	**¥10,979**	¥ 462,884	¥10,937

Resecuritization

	Millions of yen			
	As of September 30, 2012		As of March 31, 2012	
Band of risk weight ratio	**Amount**	**Required Capital amount**	Amount	Required Capital amount
To 30%	**¥ —**	**¥ —**	¥ 526	¥ 13
Over 30% to 50%	**514**	**17**	—	—
Over 50% to 100%	**383**	**21**	392	21
Over 100% to 225%	**—**	**—**	—	—
Over 225% to 500%	**—**	**—**	—	—
Over 500%	**—**	**—**	—	—
Total	**¥ 898**	**¥ 38**	¥ 919	¥ 35

QUANTITATIVE DISCLOSURE (CONTINUED)

(8) Amount of increase of capital by securitization (to be deducted from Tier I capital)

Millions of yen

	As of September 30, 2012		As of March 31, 2012	
Type of original assets	**Consolidated**	**Non-consolidated**	Consolidated	Non-consolidated
Residential mortgages	**¥ 9,715**	**¥ 9,715**	¥ 9,740	¥ 9,740
Consumer loans, installment receivables	**—**	**—**	—	—
Commercial real estate loans	**0**	**0**	0	0
Others	**—**	**—**	—	—
Total	**¥ 9,715**	**¥ 9,715**	¥ 9,740	¥ 9,740

(9) Amount of securitization exposure which should be deducted from capital under the Accord Article 247

Millions of yen

	As of September 30, 2012		As of March 31, 2012	
Type of original assets	**Consolidated**	**Non-consolidated**	Consolidated	Non-consolidated
Residential mortgages	**¥ 4,570**	**¥ 4,570**	¥ 15,279	¥ 15,279
Consumer loans, installment receivables	**—**	**—**	—	—
Commercial real estate loans	**150**	**150**	150	150
Others	**—**	**—**	—	—
Total	**¥ 4,720**	**¥ 4,720**	¥ 15,429	¥ 15,429

(10) Securitization exposure subject to early amortization
None.

(11) Credit risk mitigation for resecuritization exposure
None.

(12) Amount of credit risk asset of securitization under SA subject to the Accord Supplementary Provision 15
None.

SECURITIZATION EXPOSURE IN WHICH THE BANK GROUP INVESTS

(1) Amount of securitization exposure the Bank Group has by type of original asset
Consolidated
Excluding Resecuritization

Millions of yen

	As of September 30, 2012	As of March 31, 2012
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ 3,774**	¥ 4,225
Consumer loans	**—**	—
Commercial real estate loans	**82,826**	85,210
Corporate loans	**22,418**	21,482
Others	**50,633**	63,699
Total	**¥ 159,652**	¥ 174,617

Resecuritization

Millions of yen

	As of September 30, 2012	As of March 31, 2012
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ —**	¥ —
Consumer loans	**—**	—
Commercial real estate loans	**—**	—
Corporate loans	**16,944**	17,792
Others	**—**	—
Total	**¥ 16,944**	¥ 17,792

QUANTITATIVE DISCLOSURE (CONTINUED)

Non-consolidated

Excluding Resecuritization

Millions of yen

	As of September 30, 2012	As of March 31, 2012
Type of original assets	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ 3,774	¥ 4,225
Consumer loans	—	—
Commercial real estate loans	82,826	85,210
Corporate loans	22,418	21,482
Others	48,497	58,793
Total	¥ 157,516	¥ 169,711

Resecuritization

Millions of yen

	As of September 30, 2012	As of March 31, 2012
Type of original assets	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ —	¥ —
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	16,944	17,792
Others	—	—
Total	¥ 16,944	¥ 17,792

(2) Amount of securitization exposure and required capital for the Bank Group by risk weight ratio

Consolidated

Excluding Resecuritization

Millions of yen

	As of September 30, 2012		As of March 31, 2012	
Band of risk weight ratio	Amount	Required Capital amount	Amount	Required Capital amount
To 12%	¥ 76,972	¥ 468	¥ 101,419	¥ 614
Over 12% to 20%	6,108	77	6,643	84
Over 20% to 50%	—	—	—	—
Over 50% to 75%	1,966	125	2,006	127
Over 75% to 100%	—	—	—	—
Over 100% to 250%	65,104	13,281	28,048	5,109
Over 250% to 425%	—	—	36,500	8,043
Over 425%	9,500	4,660	—	—
Total	¥ 159,652	¥ 18,612	¥ 174,617	¥ 13,978

Resecuritization

Millions of yen

	As of September 30, 2012		As of March 31, 2012	
Band of risk weight ratio	Amount	Required Capital amount	Amount	Required Capital amount
To 30%	¥ 16,944	¥ 347	¥ 17,792	¥ 364
Over 30% to 50%	—	—	—	—
Over 50% to 100%	—	—	—	—
Over 100% to 225%	—	—	—	—
Over 225% to 500%	—	—	—	—
Over 500%	—	—	—	—
Total	¥ 16,944	¥ 347	¥ 17,792	¥ 364

QUANTITATIVE DISCLOSURE (CONTINUED)

Non-consolidated

Excluding Resecuritization

Millions of yen

Band of risk weight ratio	As of September 30, 2012 Amount	As of September 30, 2012 Required Capital amount	As of March 31, 2012 Amount	As of March 31, 2012 Required Capital amount
To 12%	**¥ 74,837**	**¥ 455**	¥ 96,513	¥ 584
Over 12% to 20%	**6,108**	**77**	6,643	84
Over 20% to 50%	**—**	**—**	—	—
Over 50% to 75%	**1,966**	**125**	2,006	127
Over 75% to 100%	**—**	**—**	—	—
Over 100% to 250%	**65,104**	**13,281**	28,048	5,109
Over 250% to 425%	**—**	**—**	36,500	8,043
Over 425%	**9,500**	**4,660**	—	—
Total	**¥ 157,516**	**¥ 18,600**	¥ 169,711	¥ 13,949

Resecuritization

Millions of yen

Band of risk weight ratio	As of September 30, 2012 Amount	As of September 30, 2012 Required Capital amount	As of March 31, 2012 Amount	As of March 31, 2012 Required Capital amount
To 30%	**¥ 16,944**	**¥ 347**	¥ 17,792	¥ 364
Over 30% to 50%	**—**	**—**	—	—
Over 50% to 100%	**—**	**—**	—	—
Over 100% to 225%	**—**	**—**	—	—
Over 225% to 500%	**—**	**—**	—	—
Over 500%	**—**	**—**	—	—
Total	**¥ 16,944**	**¥ 347**	¥ 17,792	¥ 364

(3) Amount of securitization exposure which should be deducted from capital under the Accord Article 247

Millions of yen

Type of original assets	As of September 30, 2012 Consolidated	As of September 30, 2012 Non-consolidated	As of March 31, 2012 Consolidated	As of March 31, 2012 Non-consolidated
Residential mortgages	**¥ 147**	**¥ 147**	¥ 263	¥ 263
Consumer loans, installment receivables	**—**	**—**	—	—
Commercial real estate loans	**—**	**—**	—	—
Corporate loans	**425**	**425**	15,159	15,159
Others	**—**	**—**	—	—
Total	**¥ 572**	**¥ 572**	¥ 15,422	¥ 15,422

(5) Credit risk mitigation for resecuritization exposure

None.

(6) Amount of credit risk asset of securitization under SA subject to the Accord Supplementary Provision 15

None.

QUANTITATIVE DISCLOSURE (CONTINUED)

SECURITIZATION EXPOSURE IN WHICH THE BANK GROUP INVESTS (MARKET RISK)

(1) Amount of securitization exposure the Bank Group has by type of original asset

Consolidated

Excluding Resecuritization

	Millions of yen	
	As of September 30, 2012	As of March 31, 2012
Type of original assets	**Amount of original asset**	Amount of original asset
Residential mortgages	**¥ 11,966**	¥ 3,530
Consumer loans	**—**	—
Commercial real estate loans	**—**	—
Corporate loans	**—**	—
Others	**—**	—
Total	**¥ 11,966**	¥ 3,530

Resecuritization

	Millions of yen	
	As of September 30, 2012	As of March 31, 2012
Type of original assets	**Amount of original asset**	Amount of original asset
Residential mortgages	**¥ 766**	¥ 888
Consumer loans	**—**	—
Commercial real estate loans	**—**	—
Corporate loans	**—**	—
Others	**—**	—
Total	**¥ 766**	¥ 888

(2) Amount of securitization exposure and required capital for the Bank Group by risk weight ratio

Consolidated

Excluding Resecuritization

	Millions of yen			
	As of September 30, 2012		As of March 31, 2012	
Band of risk weight ratio	**Amount**	**Required Capital amount**	Amount	Required Capital amount
1.6%	**¥ 11,966**	**¥ 191**	¥ 3,530	¥ 56
4%	**—**	**—**	—	—
8%	**—**	**—**	—	—
28%	**—**	**—**	—	—
Total	**¥ 11,966**	**¥ 191**	¥ 3,530	¥ 56

Resecuritization

	Millions of yen			
	As of September 30, 2012		As of March 31, 2012	
Band of risk weight ratio	**Amount**	**Required Capital amount**	Amount	Required Capital amount
3.2%	**¥ 766**	**¥ 24**	¥ 888	¥ 28
8%	**—**	**—**	—	—
18%	**—**	**—**	—	—
52%	**—**	**—**	—	—
Total	**¥ 766**	**¥ 24**	¥ 888	¥ 28

(3) Amount of securitization exposure targeted for comprehensive risk

None.

(4) Amount of securitization exposure which should be deducted from capital under the Accord Article 302.5.2

None.

QUANTITATIVE DISCLOSURE (CONTINUED)

8. MARKET RISK (UNDER INTERNAL MODEL APPROACH)

VAR AT THE END OF SEPTEMBER 2012 AND MARCH 2012 AND THE HIGH, MEAN AND LOW VAR

Millions of yen

	As of September 30, 2012		As of March 31, 2012	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
VaR at term end	¥ 1,458	¥ 1,446	¥ 1,230	¥ 1,180
VaR through this term				
High	1,833	1,819	3,961	3,869
Mean	1,381	1,338	2,395	2,266
Low	1,054	988	1,052	1,019

STRESSED VAR AT THE END OF SEPTEMBER 2012 AND MARCH 2012 AND THE HIGH, MEAN AND LOW VAR

Millions of yen

	As of September 30, 2012		As of March 31, 2012	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
VaR at term end	¥ 3,944	¥ 3,895	¥ 3,764	¥ 3,620
VaR through this term				
High	4,664	4,629	5,476	5,359
Mean	3,201	3,093	4,376	4,281
Low	2,241	2,117	3,764	3,620

There are no additional and comprehensive risks calculated.
The trading portfolio experienced no losses that exceeded the specified VaR threshold.

9. EQUITY EXPOSURE IN BANKING BOOK

BOOK VALUE AND FAIR VALUE

Millions of yen

	As of September 30, 2012		As of March 31, 2012	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Market-based approach				
Listed equity exposure	¥ 381	¥ 336	¥ 6,973	¥ 6,919
Unlisted equity exposure	3,780	12,728	4,746	13,789
PD/LGD method				
Listed equity exposure	11,541	11,439	10,129	10,129
Unlisted equity exposure	11,070	427,719	11,780	429,596

GAIN OR LOSS ON SALE OR DEPRECIATION OF EQUITY EXPOSURE

Millions of yen

	Six months ended September 30, 2012		Fiscal year ended March 31, 2012	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Gain (loss) on sale	¥ 917	¥ 915	¥ 8,617	¥ 8,602
Loss of depreciation	1,044	755	9,034	502

UNREALIZED GAIN OR LOSS WHICH IS RECOGNIZED ON BALANCE SHEET AND NOT RECOGNIZED ON PROFIT AND LOSS STATEMENT

Millions of yen

	As of September 30, 2012		As of March 31, 2012	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Unrealized gain (loss)	¥ 1,992	¥ 1,697	¥ 5,332	¥ 5,101

QUANTITATIVE DISCLOSURE (CONTINUED)

UNREALIZED GAIN OR LOSS WHICH IS NOT RECOGNIZED BOTH ON BALANCE SHEET AND ON PROFIT AND LOSS STATEMENT

None.

AMOUNT OF EQUITY EXPOSURE UNDER GRANDFATHERING RULE SUBJECT TO THE ACCORD SUPPLEMENTARY PROVISION 13

	Millions of yen			
	As of September 30, 2012		As of March 31, 2012	
	Consolidated	**Non-consolidated**	Consolidated	Non-consolidated
Grandfathering rule (100% risk weight apply)	**¥ 5,621**	**¥ 16,657**	¥ 6,196	¥ 16,665

10. AMOUNT OF REGARDED EXPOSURE UNDER THE ACCORD ARTICLE 167

	Millions of yen			
	As of September 30, 2012		As of March 31, 2012	
	Consolidated	**Non-consolidated**	Consolidated	Non-consolidated
Regarded exposure (fund)	**¥ 59,761**	**¥ 43,010**	¥ 61,299	¥ 43,010

11. INTEREST RATE RISK IN THE BANKING BOOK (IRRBB) - THE INCREASE/DECREASE IN ECONOMIC VALUE FOR UPWARD/DOWNWARD RATE SHOCKS ACCORDING TO MANAGEMENT'S METHOD FOR IRRBB

Change in economic values from a 2% interest-rate shock on the banking book:

	Billions of yen			
	As of September 30, 2012		As of March 31, 2012	
	Consolidated	**Non-consolidated**	Consolidated	Non-consolidated
JPY	**¥ (72.5)**	**¥ (47.1)**	¥ (1.1)	¥ (1.3)
USD	**(0.0)**	**(0.0)**	(2.8)	(2.8)
Others	**(2.9)**	**(2.9)**	(2.6)	(2.6)
Total	**¥ (75.4)**	**¥ (50.0)**	¥ (16.6)	¥ (6.8)

CORPORATE INFORMATION

SHINSEI BANK GROUP

AS OF SEPTEMBER 30, 2012

As of September 30, 2012, the Shinsei Bank Group consisted of Shinsei Bank, Limited, 243 subsidiaries (comprising 164 consolidated companies including APLUS FINANCIAL Co., Ltd., Showa Leasing Co., Ltd. and Shinsei Financial Co., Ltd. and 79 unconsolidated subsidiaries) and 14 affiliated companies (14 affiliated companies accounted for using the equity method, such as Jih Sun Financial Holding Co., Ltd.). The Shinsei Bank Group provides a wide variety of financial products and services to domestic institutional and individual customers through the "Institutional Group," "Global Markets Group" and "Individual Group."

Shinsei Bank, Limited

- Institutional Group
  - Head Office and domestic branch offices
  - Major subsidiary: •Showa Leasing Co., Ltd. •Shinsei Trust & Banking Co., Ltd. •Shinsei Servicing Company
- Global Markets Group
  - Head Office and domestic branch offices
  - Major subsidiaries: •Shinsei Securities Co., Ltd. •Shinsei Investment Management Co., Ltd.
- Individual Group
  - Head Office and domestic branches
  - Major subsidiaries: •Shinsei Financial Co., Ltd. •SHINKI Co., Ltd. •APLUS FINANCIAL Co., Ltd.

MAJOR SUBSIDIARIES AND AFFILIATES

Name	Location	Main business
Major Domestic Subsidiaries		
Showa Leasing Co., Ltd.	Tokyo, Japan	Leasing*1
Shinsei Trust & Banking Co., Ltd.	Tokyo, Japan	Trust banking*1
Shinsei Securities Co., Ltd.	Tokyo, Japan	Securities*2
Shinsei Investment Management Co., Ltd.	Tokyo, Japan	Investment trust and discretionary investment advisory*2
Shinseigin Finance Co., Ltd.	Tokyo, Japan	Finance*1
Shinsei Servicing Company	Tokyo, Japan	Servicing business*1
Shinsei Property Finance Co., Ltd.	Tokyo, Japan	Real estate collateral finance*3
APLUS FINANCIAL Co., Ltd.	Osaka, Japan	Holding company*3
APLUS Co., Ltd.	Osaka, Japan	Installment credit*3
APLUS Personal Loan Co., Ltd.	Osaka, Japan	Finance*3
Zen-Nichi Shinpan Co., Ltd.	Okayama, Japan	Installment credit*3
Shinsei Financial Co., Ltd.	Tokyo, Japan	Finance*3
SHINKI Co., Ltd.	Tokyo, Japan	Finance*3
Shinsei Information Technology Co., Ltd.	Tokyo, Japan	Information technology*4
Major Overseas Subsidiaries		
Shinsei International Limited	London, UK	Securities*1
Shinsei Bank Finance N.V.	Curaçao, Netherlands Antilles	Finance*4
Shinsei Finance (Cayman), Limited	Grand Cayman, Cayman Islands	Finance*4
Shinsei Finance II (Cayman), Limited	Grand Cayman, Cayman Islands	Finance*4
Shinsei Finance III (Cayman), Limited	Grand Cayman, Cayman Islands	Finance*4
Shinsei Finance IV (Cayman), Limited	Grand Cayman, Cayman Islands	Finance*4
Shinsei Finance V (Cayman), Limited	Grand Cayman, Cayman Islands	Finance*4
Major Affiliates Accounted for Using the Equity Method		
Comox Holdings Ltd.	Hamilton, Bermuda	Holding company*2
Jih Sun Financial Holding Co., Ltd.	Taipei, Taiwan	Finance*1

*1 Institutional Group *2 Global Markets Group *3 Individual Group *4 Corporate/Other

EMPLOYEES

	Six months ended September 30, 2011	FY2012	**Six months ended September 30, 2012**
Consolidated			
Number of Employees	5,476	4,830	**4,848**
Non-Consolidated			
Number of Employees	1,916	1,895	**1,903**
Male	1,059	1,044	**1,047**
Female	857	851	**856**
Average age	40 years 2 months	40 years 6 months	**39 years 11 months**
Average years of service	11 years 10 months	12 years 1 months	**11 years 7 months**
Average monthly salary	¥487 thousand	¥489 thousand	**¥481 thousand**

"Average monthly salary" includes overtime wages but excludes annual bonus.

AS OF SEPTEMBER 30, 2012

Capital (in millions)	Established	Acquired	Equity stake held by Shinsei Bank and consolidated subsidiaries (%)		
				Equity stake held by Shinsei Bank	Equity stake held by consolidated subsidiaries of Shinsei Bank
¥ 29,360	1969.4	2005.3	97.0%	97.0%	—%
5,000	1996.11	—	100.0	100.0	—
8,750	1997.8	—	100.0	100.0	—
495	2001.12	—	100.0	100.0	—
50	1993.1	2000.9	100.0	100.0	—
500	2001.10	—	100.0	—	100.0
2,750	1959.5	2002.3	100.0	100.0	—
15,000	1956.10	2004.9	95.0	3.0	91.9
15,000	2009.4	2009.4	100.0	—	100.0
1,000	2009.4	2009.4	100.0	—	100.0
1,000	1957.4	2006.3	100.0	—	100.0
91.518	1991.6	2008.9	100.0	100.0	—
28,619	1954.12	2007.12	100.0	—	100.0
100	1983.8	—	100.0	100.0	—
£ 3	2004.9	—	100.0%	100.0%	—%
$ 2	1976.3	—	100.0	100.0	—
$ 58	2006.2	—	100.0	100.0	—
$ 39	2006.3	—	100.0	100.0	—
¥ 33,613	2009.3	—	100.0	100.0	—
9,107	2009.3	—	100.0	100.0	—
9,008	2009.9	—	100.0	100.0	—
$ 16	2007.6	2010.8	49.9%	49.9%	—%
NT$ 27,748	2002.2	2006.7	30.3	—	30.3

NETWORK

DOMESTIC OUTLETS: AS OF DECEMBER 1, 2012

43 outlets (29 branches including head office, 14 annexes), 28 Shinsei Financial Centers (branches including head office), 12 Shinsei Consulting Spots (annexes and sub-branch), 9 Housing Loan Centers (head office/branches 8, annex 1) for the retail banking business

HOKURIKU

Kanazawa Branch

KINKI

Kyoto Branch
Osaka Branch (for Institutional business only)
Umeda Branch—Osaka Shiten nai Annex
Umeda Branch
Umeda Branch—Hankyu Umeda Annex
Umeda Branch—Senri Chuo Annex
Umeda Branch—Takatsuki Annex
Umeda Branch—Nishinomiya Kitaguchi Annex
Namba Branch
Namba Branch—Sakai Higashi Annex
Kobe Branch
Kobe Branch—Ashiya Annex

CHUGOKU

Hiroshima Branch

SHIKOKU

Takamatsu Branch

KYUSHU

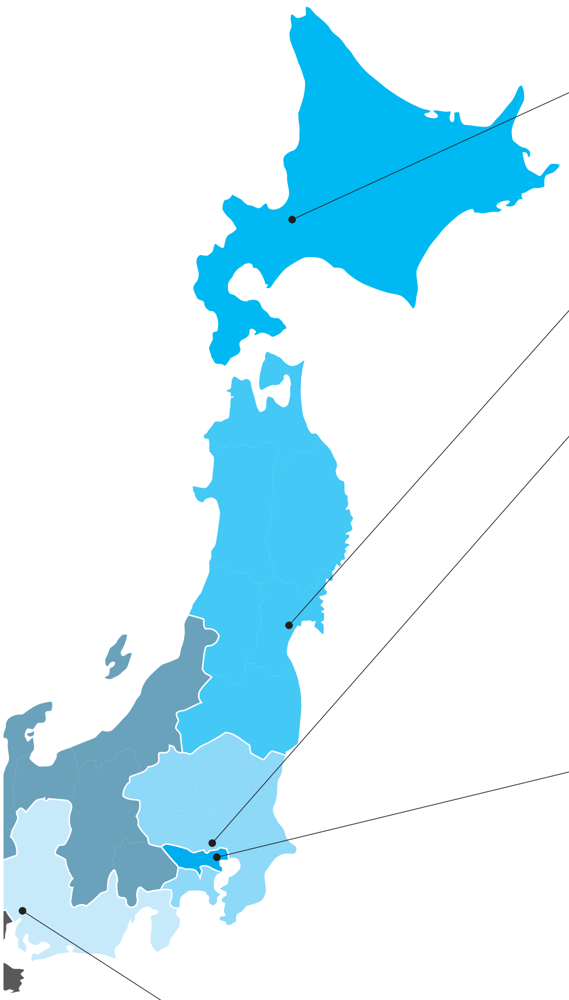
Fukuoka Branch

DOMESTIC SUB-BRANCHES (ATM ONLY):	AS OF DECEMBER 1, 2012
Tokyo Metro stations	41 locations
Other train stations	11 locations
Other	52 locations

SHINSEI BANK CARD LOAN—LAKE UNSTAFFED BRANCHES	AS OF DECEMBER 1, 2012
Shinsei Bank Card Loan—Lake unstaffed branches	784 locations

ACCESS TO SEVEN BANK, LTD. ATMS	AS OF DECEMBER 1, 2012
Access to Seven Bank, Ltd. ATMs	16,022 locations

AS OF DECEMBER 1, 2012



HOKKAIDO

Sapporo Branch

TOHOKU

Sendai Branch

KANTO (EXCEPT TOKYO)

Head Office—Urawa Annex
Omiya Branch
Ikebukuro Branch—Kawaguchi Annex
Head Office—Chiba Annex
Kashiwa Branch
Tsudanuma Branch
Yokohama Branch
Yokohama Branch—Kawasaki Annex
Fujisawa Branch
Fujisawa Branch—Kamakura Annex

TOKYO

Head Office
Tokyo Branch
Ginza Branch
Ikebukuro Branch
Ueno Branch
Kichijoji Branch
Shinjuku Branch
Roppongi Hills Branch
Roppongi Branch—Omotesando Hills Annex
Hiroo Branch
Futakotamagawa Branch
Futakotamagawa Branch—Jiyugaoka Annex
Hachioji Branch
Machida Branch

TOKAI

Nagoya Branch

STOCK INFORMATION

AS OF SEPTEMBER 30, 2012

Shares Outstanding and Capital

1,000 shares, millions of yen

	Shares outstanding		Capital		Capital surplus		
Date	Change	Balance	Change	Balance	Change	Balance	Notes
July 29, 2003	(1,358,537)	2,033,065*	—	451,296	—	18,558	2-for-1 reverse share split for common shares Post reverse split common shares outstanding 1,358,537 thousand shares
July 31, 2006	(99,966)	1,933,098*	—	451,296	—	18,558	Use of call feature for Series 3 Class-B preferred shares Issuance of 200,033 thousand common shares Retirement of Series 3 Class-B preferred shares -300,000 thousand shares
November 16, 2006	(85,000)	1,848,098*	—	451,296	—	18,558	Cancellation of treasury shares (common) -85,000 thousand shares
August 1, 2007	(100,000)	1,748,098*	—	451,296	—	18,558	Mandatory acquisition of Series 3 Class-B preferred shares Issuance of 200,000 thousand common shares Retirement of Series 3 Class-B preferred shares -300,000 thousand shares
February 4, 2008	117,647	1,865,746*	25,000	476,296	25,000	43,558	Third party allocation of shares (common shares) Subscription price ¥425, par value ¥212.5
March 31, 2008	194,600	2,060,346	—	476,296	—	43,558	Use of call feature for Series 2 Class-A preferred shares Issuance of 269,128 thousand common shares Retirement of Series 2 Class-A preferred shares -74,528 thousand shares
March 15, 2011	690,000	2,750,346	35,907	512,204	35,907	79,465	New shares issued through International Offering (common shares) Subscription price ¥108, par value ¥52.04

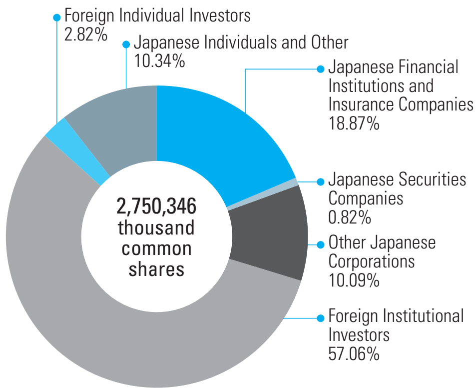
* Figure includes number of preferred shares outstanding

Largest Shareholders(1)(2)

Rank	Shareholders	Thousands of Common Shares	%
1	SATURN IV SUB LP (JPMCB 380111)	342,840	12.46
2	Deposit Insurance Corporation of Japan	269,128	9.78
3	THE RESOLUTION AND COLLECTION CORPORATION	200,000	7.27
4	GOLDMAN, SACHS & CO.REG	145,852	5.30
5	SATURN JAPAN III SUB C.V. (JPMCB 380113)	110,449	4.01
6	THE MASTER TRUST BANK OF JAPAN,LTD. (TRUST ACCOUNT)	97,849	3.55
7	SHINSEI BANK,LIMITED	96,427	3.50
8	J.CHRISTOPHER FLOWERS	76,753	2.79
9	UBS SECURITIES LLC–HFS CUSTOMER SEGREGATED ACCOUNT	70,777	2.57
10	JAPAN TRUSTEE SERVICE BANK,LTD. (TRUST ACCOUNT)	67,198	2.44
11	SSBT OD05 OMNIBUS ACCOUNT–TREATY CLIENTS	62,603	2.27
	Total (includes treasury shares)	2,750,346	100.00

(1) As of September 30, 2012, a group of investors, including affiliates of J.C. Flowers & Co. LLC., holds 575,355,807 common shares or 21.67% of Shinsei's outstanding common shares, excluding treasury shares.
(2) As of September 30, 2012,in total, the Deposit Insurance Corporation and the Resolution and Collection Corporation hold 469,128,888 common shares or 17.67% of Shinsei's outstanding common shares, excluding treasury shares.

Largest Shareholders(1)(2)

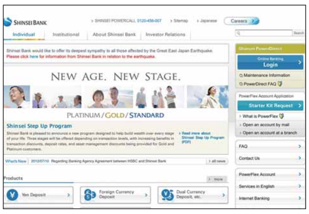


(1) "Japanese Financial Institutions and Insurance Companies" includes the Resolution and Collection Corporation.
(2) "Other Japanese Corporations" includes the Deposit Insurance Corporation.
(3) "Japanese Individuals and Other" includes treasury shares.

WEBSITE

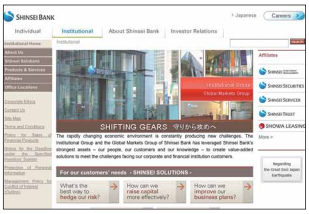
Our English and Japanese websites provide a wide range of corporate data as well as information for individual and institutional customers, and investors.

INDIVIDUAL



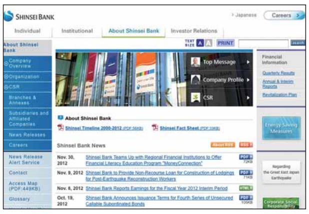
http://www.shinseibank.com/english/
The website for individual customers provides information on our comprehensive retail account, *PowerFlex*. Customers can log on to our Internet banking service, Shinsei *PowerDirect*, submit requests for information on *PowerFlex* and apply to open an account. Product offerings, campaigns, branch and ATM information, and detailed explanations on foreign currency deposits and investment trusts are covered here.

INSTITUTIONAL



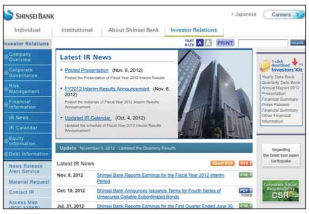
http://www.shinseibank.com/institutional/en/
This website provides information on our products, services and solutions for institutional customers. It also contains details of our branches and affiliates.

ABOUT SHINSEI BANK



http://www.shinseibank.com/investors/en/about/
This website provides information on our corporate and management profiles, history, subsidiaries as well as CSR initiatives. It also contains news releases.

INVESTOR RELATIONS



http://www.shinseibank.com/investors/en/ir/
The Investor Relations website contains a company and management overview, information on corporate governance, shareholders, financial information, IR news and an IR calendar. It also provides equity- and debt-related information.

For further information, please contact:
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Shinsei Bank, Limited
4-3, Nihonbashi-muromachi 2-chome, Chuo-ku, Tokyo 103-8303, Japan
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