

Unique Growing Speed & Action

A large, stylized blue wave graphic that curves from the bottom left towards the top right, filling the lower half of the page. The wave is composed of several overlapping, semi-transparent layers of blue, creating a sense of depth and movement.

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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 ¥8.9 trillion (U.S.\$90.9 billion) on a consolidated basis (as of September 30, 2013) 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.

The Shinsei Bank Group provides a wide variety of financial products and services to domestic institutional and individual customers through the "Institutional Group," the "Global Markets Group," and the "Individual Group."

Shinsei Bank, Limited

(AS OF SEPTEMBER 30, 2013)

Institutional Group

Head Office and domestic branch offices
 Major subsidiary: •Showa Leasing Co., Ltd.
 •Shinsei Trust & Banking Co., Ltd.
 •Shinsei Principal Investments Ltd.

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.

Forward-Looking Statements

This interim report contains statements that constitute forward-looking statements. These statements appear in a number of places in this interim 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.

Unique Growing Speed & Action

Shinsei Bank has made efforts to establish a distinctive business base, increase revenue, fundamentally improve the balance sheet, and, in line with the objectives of the Second Medium-Term Management Plan (MTMP), actively worked to expand undertakings in the Institutional and Individual Businesses in this fiscal period of the first year of the Second MTMP.

Going forward, we will continue to do our utmost to successfully achieve the objectives of the Second MTMP, as well as work to become a financial institution which is appreciated by customers, society, and markets.

FINANCIAL HIGHLIGHTS

Shinsei Bank, Limited, and its Consolidated Subsidiaries

Six months ended September 30, 2011, 2012 and 2013, and years ended March 31, 2012 and 2013*1

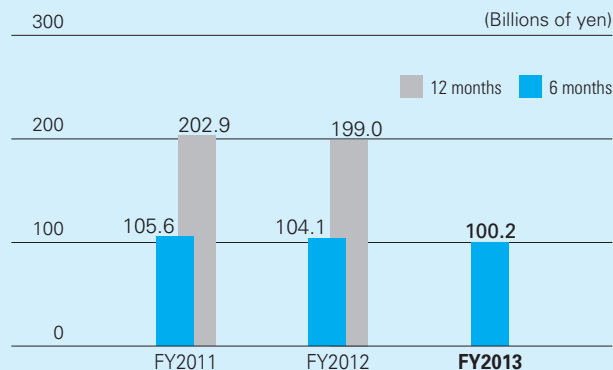
	Billions of yen				
	September 30 (6 months)			March 31 (12 months)	
	2011	2012	2013	2012	2013
For the fiscal year:					
Net interest income	¥ 60.7	¥ 56.1	¥ 55.0	¥ 116.9	¥ 111.6
Non-interest income	44.9	47.9	45.2	86.0	87.3
Net fees and commissions	13.8	8.7	11.6	25.1	19.1
Net trading income	6.5	9.5	6.9	13.6	20.0
Net other business income	24.4	29.5	26.5	47.2	48.1
Total revenue	105.6	104.1	100.2	202.9	199.0
General and administrative expenses	64.5	64.7	67.0	130.3	130.9
Net business profit	34.9	33.6	28.0	60.6	57.2
Net credit costs	8.8	6.2	0.3	12.2	5.5
Net business profit after net credit costs	26.1	27.4	27.7	48.3	51.7
Net income	20.3	25.7	27.2	6.4	51.0
Cash basis net income*2	25.6	30.6	31.7	16.0	60.4

*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).

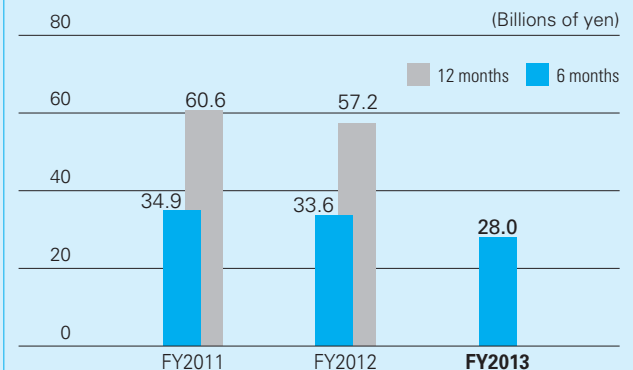
Total revenue

Total revenue—the indicator of gross profit—is composed of “Net interest income” such as interest from loans and “Non-interest income” such as fees from sales of investment products.



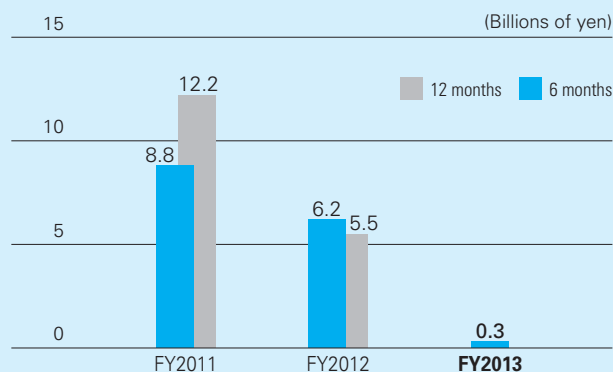
Net business profit

Net business profit—the indicator of profit (loss) from core business after expenses—is calculated by subtracting “expenses” from “total revenue.” “Net credit costs” are excluded from this calculation.



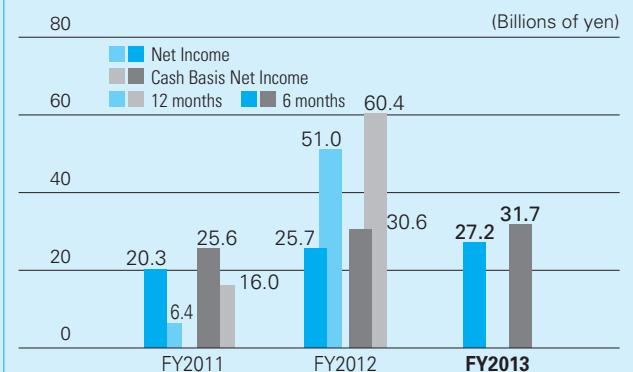
Net credit costs

Net credit costs are the sum of reserves for loan losses set aside (credit costs) according to the credit standing of borrowers, reversal (gains) of reserves for loan losses, and recoveries of written-off claims resulting from their disposal.



Consolidated net income, cash basis net income

Cash basis net income is calculated by excluding impairment and amortization of goodwill resulting from acquisitions of subsidiaries and other intangible assets, net of tax benefits, from consolidated net income—and represents the bottom-line profit for the relevant fiscal year.



	Billions of yen				
	September 30 (6 months)			March 31 (12 months)	
	2011	2012	2013	2012	2013
Balances at fiscal year-end:					
Securities	¥ 2,220.1	¥ 2,003.4	¥ 1,794.7	¥ 1,873.4	¥ 1,842.3
Loans and bills discounted	4,125.5	4,281.9	4,208.6	4,136.8	4,292.4
Total assets	8,940.5	8,882.5	8,905.5	8,609.6	9,029.3
Deposits, including negotiable certificates of deposit	5,537.3	5,374.6	5,753.4	5,362.4	5,457.5
Debentures	313.1	277.6	45.8	294.1	262.3
Total liabilities	8,310.4	8,235.2	8,198.5	7,982.0	8,345.6
Total equity	630.1	647.2	706.9	627.6	683.6
Total liabilities and equity	8,940.5	8,882.5	8,905.5	8,609.6	9,029.3

	Yen				
	September 30 (6 months)			March 31 (12 months)	
	2011	2012	2013	2012	2013
Per share data:					
Common equity	¥ 214.07	¥ 220.70	¥ 242.90	¥ 212.67	¥ 233.65
Fully diluted equity* ³	214.07	220.70	242.90	212.67	233.65
Basic net income	7.66	9.70	10.26	2.42	19.24
Diluted net income* ⁴	—	—	—	—	—
Dividends	—	—	—	1.00	1.00
Cash basis per share data:					
Basic net income	¥ 9.67	¥ 11.56	¥ 11.96	¥ 6.05	¥ 22.77
Diluted net income	—	—	—	—	—

	%				
	September 30 (6 months)			March 31 (12 months)	
	2011	2012	2013	2012	2013
Ratios:					
Return on assets* ⁵	0.4	0.6	0.6	0.1	0.6
Cash basis return on assets	0.5	0.7	0.7	0.2	0.7
Return on equity (fully diluted)* ⁶	7.3	8.9	8.6	1.2	8.6
Cash basis return on equity (fully diluted)* ⁷	10.3	11.6	10.7	3.2	11.1
Expense-to-revenue ratio	61.1	62.2	66.9	64.2	65.8
Total capital adequacy ratio	10.46	11.71	14.12	10.27	12.24
Tier I capital ratio	8.74	9.77	11.98	8.80	10.41
Risk weighted assets (billions of yen)	6,203.3	5,869.2	5,443.5	6,102.5	5,847.7

*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 exist.

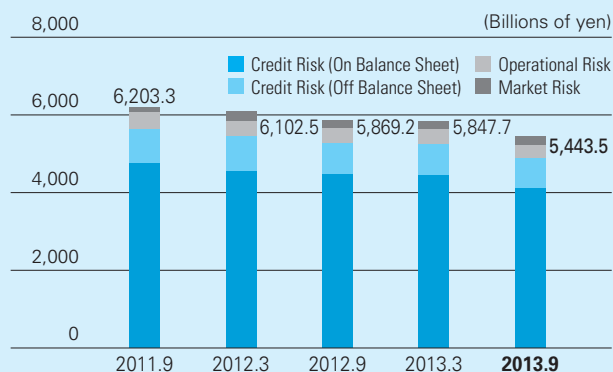
*⁵ Return on assets is calculated by dividing net income (loss) by the average of total assets at the beginning and end of the period presented.

*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.

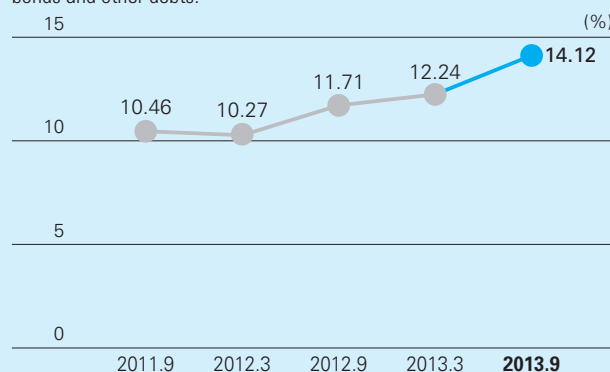
Risk weighed assets

Risk weighed assets are an amount equivalent to the volume of “credit risk” and “market risk” of the Bank’s assets/transactions and “operational risk” involving operational errors.



Consolidated capital adequacy ratio

The consolidated capital adequacy ratio is the ratio of “Total capital” over “Risk assets.” “Total capital” is obtained by subtracting “Deductions” from the sum of Basic items (Tier I)—mainly composed of equity capital—and Supplementary items (Tier II)—composed of subordinated bonds and other debts.



TO OUR SHAREHOLDERS, CUSTOMERS, AND EMPLOYEES



President and Chief Executive Officer **Shigeki Toma**

The Second MTMP has started from this fiscal year. In addition to working to achieve the goals set forth in the plan of the establishment of a distinctive business base, increasing revenues, and further improving financial structures, Shinsei Bank is actively engaging in new initiatives in order to improve the business performance of both the individual and institutional businesses. The business performance of the interim period recorded an increase compared to the same period last year, and marked a smooth start toward the full year target.

In this interim period of fiscal year 2013, the Japanese economy has slowly yet surely moved into a steady recovery, and with economic sentiment improving as a result of "Abenomics," a recovery of corporate and consumer spending, increases in public investment and housing construction, improvements in employment figures, a correction in the price of the yen, and improvements in exports due in part to an improvement in the US economy have been observed. In addition to new monetary easing measures and the promotion of fiscal policy, the Japanese Government and the Bank of Japan are now working to establish a growth strategy that will encourage private investment. However, there are concerns of economic downturns overseas and concerns over the effects of the looming consumption tax hike on the economy, and there remain many challenges which must be overcome for the economic recovery to become more firm.

Against this backdrop, Shinsei Bank has made efforts to establish a distinctive business base, increase revenue, fundamentally improve the balance sheet, and, in line with the objectives of the Second MTMP, actively worked to expand undertakings in the institutional and individual businesses in this interim period of the first year of the Second MTMP.

In the institutional business, the Bank has engaged in a wide range of initiatives, focusing on new industries such as renewable energy, as well as contributing to regional development by supporting the growth of businesses through business participation. In the individual business, the Bank Group has focused on expanding the line up of loan products such as housing loans, as well as worked to improve our products and services in order to increase the number of our "core customers."

As a result of the above, Shinsei Bank reported a consolidated net income of 27.2 billion yen for the first half of fiscal year 2013, an increase compared to the same period of fiscal year 2012 and a smooth progression toward this period's full year target of 48.0 billion yen. Additionally, the Bank's financial position has also strengthened steadily and the consolidated capital adequacy ratio (domestic bank standard) has risen to 14.12%. We believe, however, that it is necessary for us to double our efforts in order to grow the Bank's revenue, and in turn gross operating profit, to achieve the targets identified in the Second MTMP.

Our ability to have achieved such steady performance in this interim period has been made possible by the continued assistance and understanding of all of our stakeholders, and we would like to take this opportunity to express our heartfelt thanks for their continued support.

Going forward, we will continue to do our utmost to successfully achieve the objectives of the Second MTMP, as well as work to become a financial institution which is appreciated by customers, society, and markets.

We thank you for your patronage and ask for your continued guidance and support.

December 2013



Shigeki Toma
President and Chief Executive Officer

OVERVIEW OF THE SECOND MTMP

(FY2013–FY2015)

Basic strategy

In the Second MTMP, we will aim to integrate the management of both the individual business and the institutional business by combining and utilizing the customer base, networks, and financial functions held by the entire Shinsei Bank Group.

In the individual business, we will implement a new retail banking model to create 5 million “core customers” that are able to freely use the Shinsei Bank Group’s products and services that fit their needs. In the institutional business, we will be implementing our “VBI” model as part of our plan, where we will support the growth of businesses, industries and regions, as well as support our customers in strengthening and applying business expertise.

Individual Business: To implement a new retail banking model to grow our core customer base to 5 million
Institutional Business: To strengthen and utilize expertise to support the growth of companies, industries and regions by working together with customers

Implement a new retail banking model

- Provide products and services with a high level of customer satisfaction
- Strengthen consulting capabilities
- Promote cross selling

Individual Business

Expand/develop the loan business

- Expand housing loan products
- Establish a position in the unsecured card loan market as a trusted lender
- Expand unsecured card loan guarantee business

Pursue differentiation in key industries/fields

- Medical and healthcare
- Renewable energy
- New business/corporate rehabilitation support

Institutional Business

Further promote areas of expertise

- Rebuild the real estate portfolio
- Expand corporate revitalization business
- Utilize the regional financial institutions network
- Strengthen competency of capital market solutions, including sourcing function

Integrated
Group
Management

Targets

We have established the three targets: “establishing a unique business base,” “increasing revenues and further improving financial fundamentals,” and “becoming a financial group appreciated by customers and valued by society and markets.” Our financial targets are aimed at pursuing not only earnings in absolute amounts, but also high profitability and improving our financial soundness at the same time.

Targets

- Establishing a unique business base
- Increasing revenues and further improving financial fundamentals
- Becoming a financial group appreciated by customers and valued by society and markets

FY2015 Financial Targets

Growth	Net Income	70.0 BY
	Cash Basis* ¹ Net Income	76.0 BY
Profitability	RORA* ²	about 1.0%
	Expense-to-Revenue Ratio	50% level
	ROE	about 10%
Financial Stability	Common equity Tier I ratio* ³	about 7.5%
	NPL Ratio* ⁴	2% level

- We are targeting consolidated reported basis net income of 70.0 billion yen and consolidated cash basis*¹ net income of 76.0 billion yen in FY2015
- Our aim is not only the absolute amount of net income, but also to achieve a high level of profitability while enhancing the financial stability of our operations

*¹ Cash-basis figures are calculated by excluding amortization of goodwill and other intangible assets, net of tax benefit

*² Return on risk assets is calculated as net income divided by fiscal year end risk assets

*³ Basel III fully loaded basis

*⁴ Non-consolidated basis non-performing loan ratio

Review of Operations

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AT A GLANCE

Segment Data

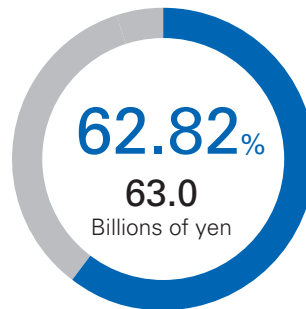
INDIVIDUAL GROUP

Major Business

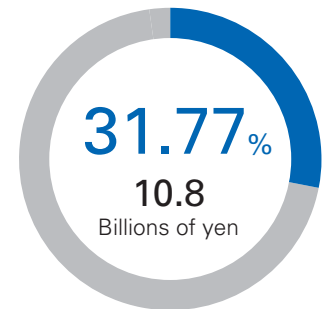
- Retail Banking
 - Deposit related products (saving deposits, time deposits, structured deposits, foreign currency deposits)
 - Asset management (consultation, mutual funds, annuity products)
 - Housing loans
- Consumer Finance
 - Unsecured personal loans (Shinsei Bank, Shinsei Financial, SHINKI)
 -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

Contribution^(Note)

Total Revenue



Ordinary Business Profit after Net Credit Costs



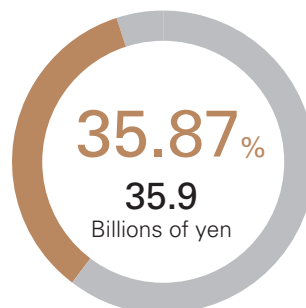
INSTITUTIONAL GROUP

Major Business

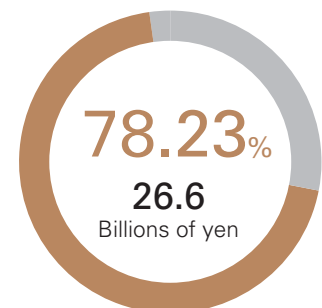
- Corporate & Public Sector Finance
- Healthcare Finance
- Real Estate Finance
- Specialty Finance
- Corporate Restructuring
- Credit Trading
- Private Equity
- Advisory Services
- Leasing (Showa Leasing)
- Trust operations (Shinsei Trust & Banking)

Contribution^(Note)

Total Revenue



Ordinary Business Profit after Net Credit Costs



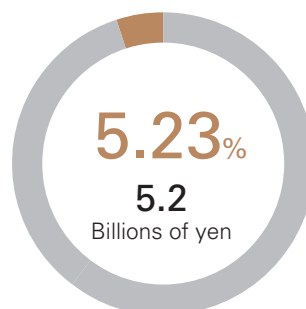
GLOBAL MARKETS GROUP

Major Business

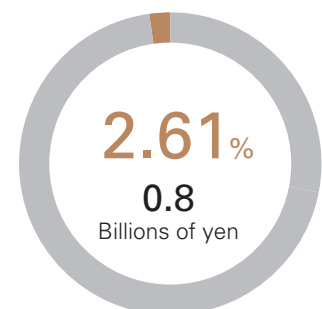
- Financial Institutions Business
- Markets
- Asset Management
- Wealth Management
- Securitization (Shinsei Securities)

Contribution^(Note)

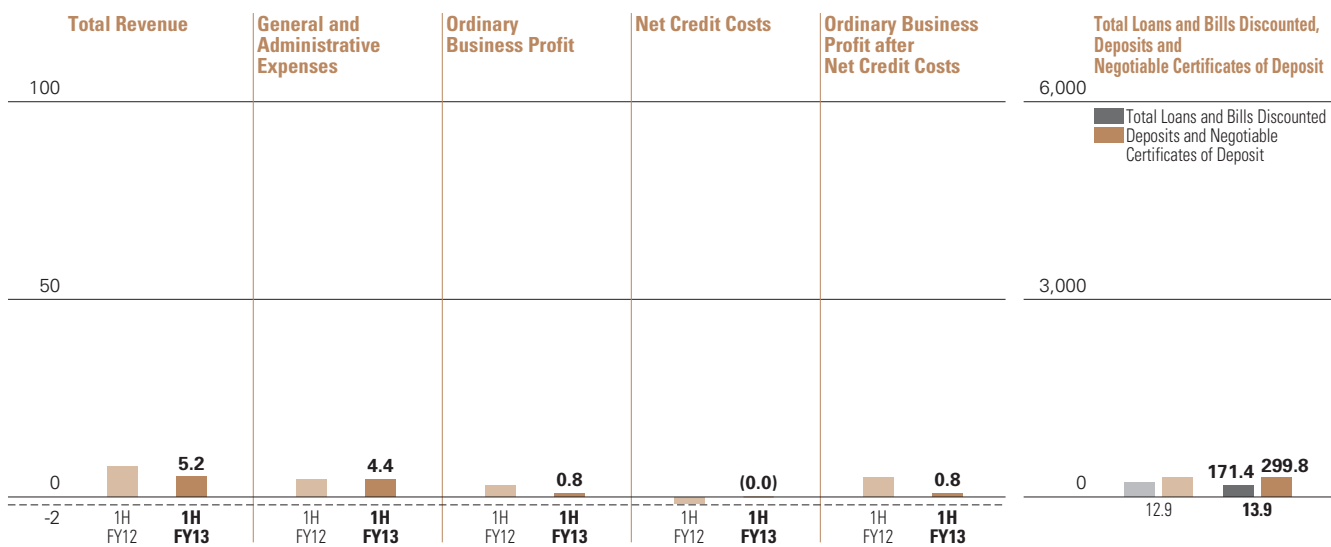
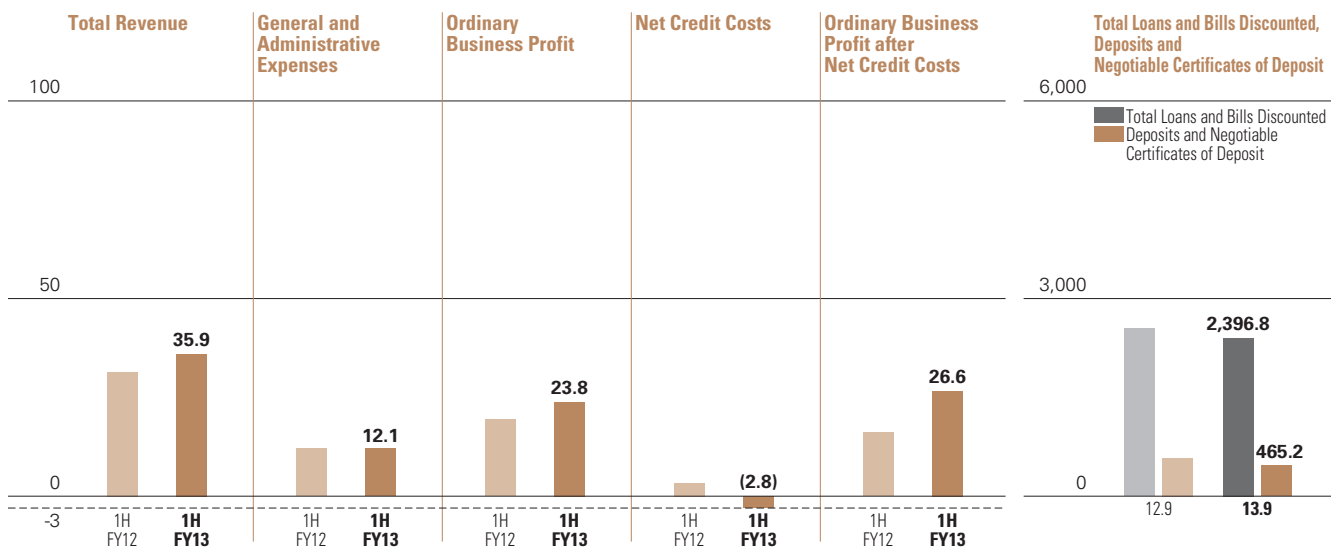
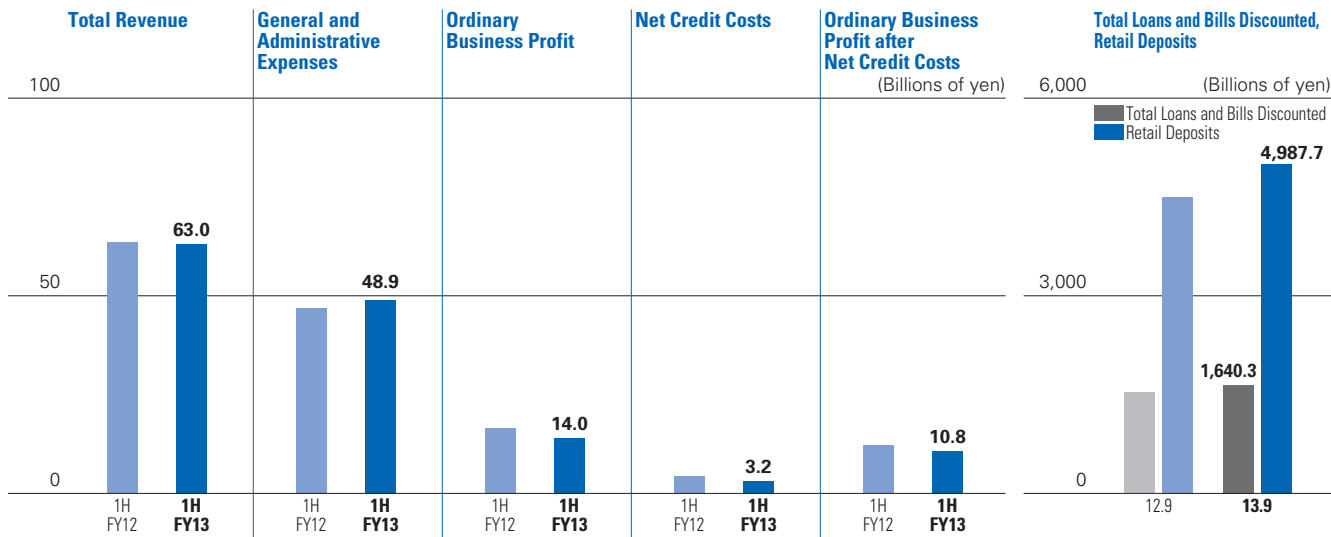
Total Revenue



Ordinary Business Profit after Net Credit Costs



(Note) The percentage figures do not add up to 100 because Corporate/Other was negative.



Financial Highlights

Message from Management

Overview of the Second MTMP

Review of Operations
At a Glance

Management Structure

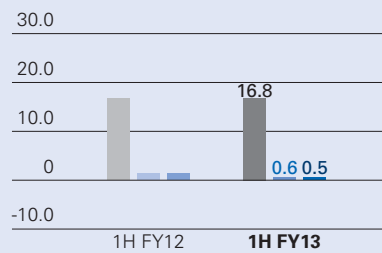
Data Section

Explanations of Major Businesses

INDIVIDUAL GROUP

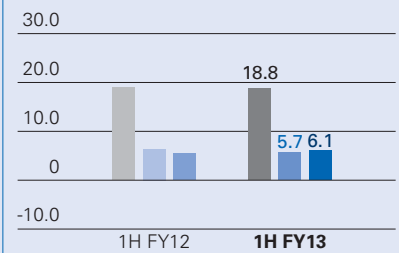
Retail Banking

Financial products and services for individual customers, such as yen/foreign currency deposits, structured deposits, mutual funds, brokerage service through an alliance partner, life/casualty insurance through alliance partners, and housing loans



Shinsei Financial and Shinsei Bank Card Loan—Lake

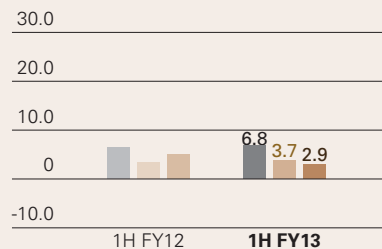
Unsecured personal loan business and credit guarantee services (Shinsei Financial and *Shinsei Bank Card Loan—Lake*)



INSTITUTIONAL GROUP

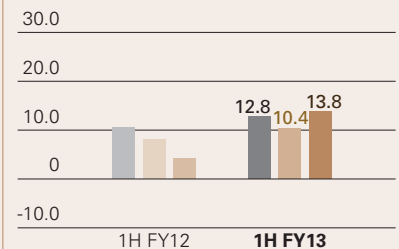
Institutional Business (excluding Structured Finance)

Financial products and services for corporate and public sector customers (including health-care finance and advisory services)



Institutional Business—Structured Finance

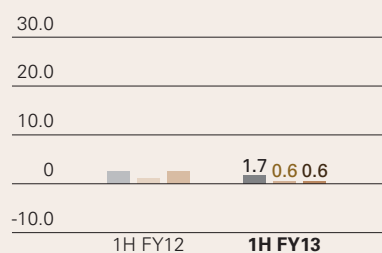
Specialty finance business including real estate finance, M&A related finance and project finance, as well as corporate restructuring and trust business



GLOBAL MARKETS GROUP

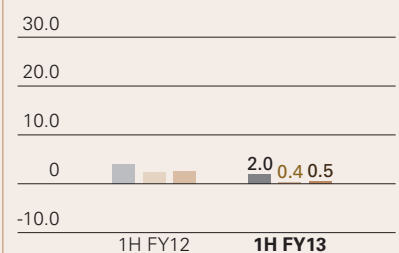
Financial Institutions Business

Provides financial solutions, such as investment management and managerial reinforcement, to financial institutional customers including regional financial institutions



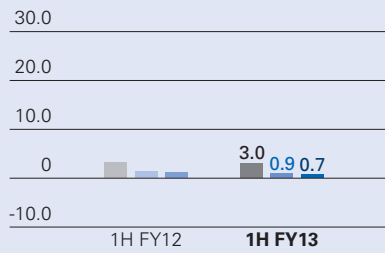
Markets

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



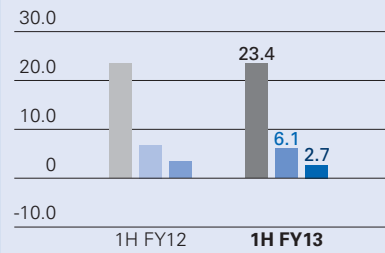
SHINKI

Unsecured personal loan business—brand name “NO LOAN”



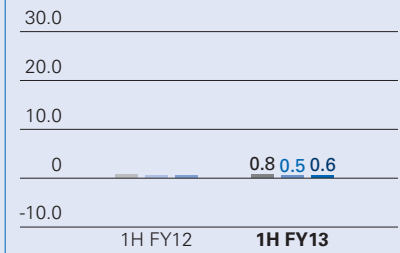
APLUS FINANCIAL

Installment sales credit, credit cards, credit guarantee services, loans, and settlement services



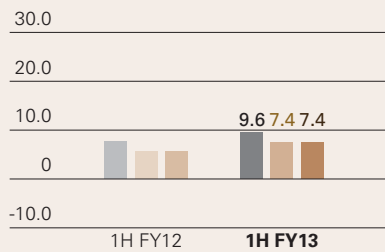
Other Businesses

Consumer Finance Sub-Group and Shinsei Property Finance which is engaged in real estate collateral finance



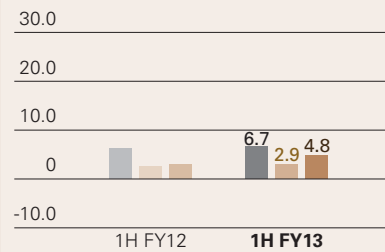
Principal Transactions

Credit trading—the business of trading various monetary claims—and private equity



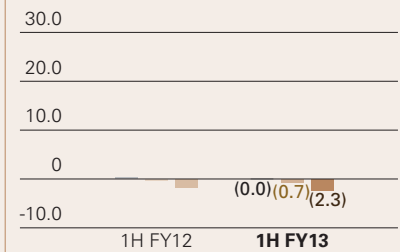
Showa Leasing

Leasing services for information equipment, industrial machinery, and machine tools as well as finance services such as installment sales credit



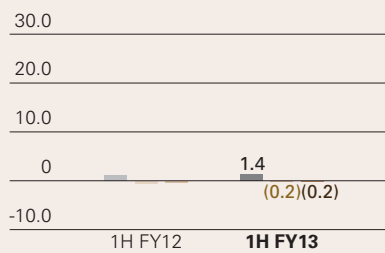
Other Businesses

Asset-backed investment and other products and services for corporate customers



Other Businesses

Shinsei Securities, asset management, and wealth management business



INDIVIDUAL GROUP

The Individual Group is comprised of: 1) the retail banking business handling deposits, investment trusts, insurance, and real estate loans, 2) *Shinsei Bank Card Loan—Lake* offering unsecured personal loan (UPL) services, 3) Shinsei Financial Co., Ltd. handling UPL and the credit guarantee operations, 4) SHINKI Co., Ltd. specializing in UPL, 5) APLUS FINANCIAL Co., Ltd. whose core business is the installment sales credit business and credit cards, and 6) Shinsei Property Finance Co., Ltd. that handles loans secured by real estate.

Business Environment and Challenges

Since the start of Shinsei Bank's new retail banking business in 2001, the Bank has continued to offer innovative services such as internet banking that is available 24 hours a day, 365 days a year and fee free ATM transactions. As a result, the Bank was able to grow the number of Shinsei Bank PowerFlex accounts to 1,000,000 accounts by 2004, and over 2,000,000 accounts in 2007. At the end of September 2013, the total number of accounts was about 2,730,000 and the Bank believes that, in light of recent developments in the business environment, it must make efforts to expand its customer base further.

Compared to 2001 when Shinsei Bank's retail business was launched, financial products and services offered by the Bank to individual customers have become more diverse. We believe that for the Bank to be able to expand its customer base, as well as increase the superiority of its products and services further in this increasingly competitive business environment, the Bank must be able to take action as a unified group in providing its products and services.

Strategy

The Bank identifies customers who utilize the products and services of the Bank freely to satisfy their needs as "core customers." Going forward, the Bank will put emphasis on growing the number of its core customers by utilizing its various resources to offer financial services such as management, settlement, investment, and consulting to its customers. There are currently about 2.5 million customers who fit the description of core customer, and the Bank will be executing various measures in an effort to double this number to 5 million by March 31, 2016.

As the first step toward this goal, the Bank has entered into a partnership with Culture Convenience Club Co., Ltd. (CCC), which already partners with APLUS, in June 2013 to introduce financial products and services to its "T Members" that utilize CCC's "T Point"* service. In the future, starting first with credit cards issued by APLUS that have T Point features, we will look to grow the number of the Shinsei Bank Group's core customers through the development and provision of new financial products and services that combine T Point services with the Shinsei Bank Group's financial products to T Point members. Also, we will strive to enhance the point of contact with customers by strengthening collaboration between the outlet, call center, internet, and mobile channels in a way that takes advantage of the strengths of each, as well as further improving consulting services in outlets and the call center. Additionally, in order to be able to provide financial services that meet the ever changing lifestyles and needs of our customers, we plan to introduce unique products and highly convenient services ahead of our competition, and we aim to build a new retail financial model through these measures.

In the loans business, we will also look to develop a deep understanding of customer needs, enhance our housing loan products and establish ourselves as a trusted lender in the unsecured personal loan market. Furthermore, we look to develop our loan business as a whole, expanding our guarantee business through cooperation with regional financial institutions and expanding our loan product line up and balance.

Regarding overseas expansion, we believe that there exist needs in small cash quantity loans in the Asia region given the growth of the middle class in the region, and we will consider the provision of unsecured personal loans and installment payments to satisfy these needs, as well as consider how to satisfy the overseas asset management needs of domestic customers.

* "T Point" is a shared point service that is run by Culture Convenience Club Co., Ltd. As of the end of June 2013, the service had 46.02 million members (active and unique), and there are 100 companies with 58,000 outlets that are T Point partners.

Business Performance for First Half of Fiscal Year 2013 Ended September

While new disbursements of housing loans continued to increase steadily, due to factors such as a slight decline in the consumer finance balance versus the same period of last fiscal year and a decline in market interest rates causing a decline in net interest income on deposits including deposits held for liquidity purposes, net interest income for the Individual Group was 41.5 billion yen in the first half of fiscal year 2013, a decline versus 43.0 billion yen in the same period of fiscal year 2012. However, the consumer finance loan balance has been on a growth trend since the fourth quarter of fiscal year 2012 and has increased from 41.3 billion yen in the second half of fiscal year 2012. In non-interest income, as a result of strong sales in investment products, as well as good turnover in the shopping credit business and the settlement business of APLUS FINANCIAL Co., Ltd., non-interest income was 21.4 billion yen for the first half of fiscal year 2013, an increase versus 20.3 billion yen for the same period of fiscal year 2012. As a result of the decrease in interest income and increase in non-interest income, revenue for the Individual Group for the first half of fiscal year 2013 was 63.0 billion yen, a decrease compared to 63.4 billion yen in the same period of fiscal year 2012.

Expenses, as a result of actively implementing measures aimed at smoothly carrying out the Second MTMP, as well as efforts aimed at stabilizing operating systems, totaled 48.9 billion yen for the first half of fiscal year 2013, an increase compared to 46.9 billion yen in the same period of fiscal year 2012. Also, mainly as a result of improvements in the quality of loans

disbursed by consumer finance subsidiaries, credit costs for the first half of fiscal year 2013 were 3.2 billion yen, a further decline from 4.3 billion yen recorded in the same period of fiscal year 2012.

As a result of the aforementioned, ordinary business profit after net credit costs for the Individual Group for the first half of fiscal year 2013 was 10.8 billion yen, a decline versus 12.1 billion yen recorded in the same period of fiscal year 2012.

The Individual Group seeks to grow the number of its "core customers" by leveraging the functions and networks of the Shinsei Bank Group to provide customers with products and services that are even more convenient and attractive. As part of this undertaking, a collaborative campaign with Culture Convenience Club Co., Ltd., with which the Bank entered into a partnership in June of this year, was launched in September to provide T Points to members of T Point services who open accounts at the Bank or engage in deposit transactions, and in October a convenience store ATM usage campaign which awards T Points was also launched. We look to continue such initiatives in the future.

Regarding the Bank's ATM network, we have expanded the network beyond the Bank's ATMs, Seven Bank ATMs, and City Bank ATMs including Japan Post Bank by partnering with East Japan Railway Company ATMs and operators of ATMs in major convenience store chains such as LAWSON and FamilyMart. As a result, anyone with a Shinsei Bank cash card can now utilize one of about 96,000 network ATMs free of charge. In addition, *Shinsei Bank Card Loan—Lake* customers can now also utilize ATMs of convenience stores such as LAWSON and FamilyMart to borrow and repay loans, increasing the ATM network available to them to about 42,000 and making the service more convenient.

Regarding the internet channel, we have renewed the individual customer and *Shinsei Bank Card Loan—Lake* customer homepages, as well as a smartphone site for "APLUS Point Mall Plus," an internet shopping site run by APLUS Co., Ltd., a subsidiary of the Bank, for its credit card customers. We will continue to work to improve the services provided to customers and increase the convenience of our services.

Regarding the expansion of products and services, in order to meet the needs of customers who are looking to renovate a secondhand house when they purchase it or are looking to renovate their homes when they refinance their loans, we have started to simultaneously accept applications for "PowerSmart Housing Loans" as well as applications for loans for renovations from June of this year.

INSTITUTIONAL GROUP

The Institutional Group is comprised of: (1) the Institutional Business Sub-Group that provides private and public sector corporate customers with lending and other banking services, structured finance for real estate and other finance projects, as well as additional financial products and solutions, (2) the Principal Transaction Sub-Group that operates the credit trading and private equity businesses including Pre-IPO investments, (3) the VBI Promotion Division, (4) the advisory business, (5) the asset-backed investment business, and (6) the Shinsei Bank Group companies, including Showa Leasing and Shinsei Trust & Banking, that offer financial services to corporate customers.

Business Environment and Challenges

In this business environment which is undergoing major changes including the aging of the population and the low birth rate, we continue to work to contribute to the creation of new industries and the growth of corporate customers through the provision of financial services. We also look to not only meet the needs of our current customers, but to systematically work to acquire new customers and identify new needs. We believe that in order to accomplish this, we must enhance the value and competitiveness that only Shinsei Bank can provide.

In order to accomplish this, we have decided to promote the full scale, ongoing development of the "Venture Banking Initiative" that was started last year. The key components of the Initiative are:

- 1) The development of organizational structures and functions to enable adaptation to changes in the business environment;
- 2) The expansion of the customer base and transactions undertaken with public and private sector customers, and the introduction of innovations such as collaboration with local financial institutions and sharing business risk as a bank with customers; and
- 3) The improvement of risk controls and operations in order to be able to support the above undertakings.

Strategy

At the Principal Transactions Sub-Group, in an effort to enhance responses to changes in market conditions and to improve customer service that is performed through a variety of external partnerships, steps have been taken to strengthen our organization, including the establishment of subsidiaries for each of our businesses. In addition, in order to be able to respond swiftly and appropriately to changes taking place in the rapidly evolving business environment such as shifts in demographics and socio-economic trends, we are implementing measures such as enhancing our consulting capabilities in the credit trading business and establishing a joint fund in the private equity investment business, and we will continue to proactively pursue new initiatives and the development of business.

Also, by providing institutional customers with cash flow financing, which is based on future cash flows, in addition to traditional balance sheet financing, we believe we will be able to truly satisfy the capital needs of customers and support their growth. In order to accomplish this there was a need to enhance our ability to provide comprehensive solutions, and in order to accomplish this the Structured Finance Division and the Institutional Business Sub-Group were integrated in April 2013, creating an integrated operating structure. We will work to further enhance the synergies between businesses such as project finance, real estate finance, and buyout finance that are created through the varied experience and expertise from the various businesses. In strategic focus areas identified in the Second MTMP such as healthcare, renewable energy, business support, and business restructuring, we will proactively look to work in a way that draws on the capabilities of the entire bank.

In order to fundamentally strengthen regional sales, the Institutional Business Division West Japan Business Department was established within the Osaka Branch in April 2013. By

establishing a dual hub management oversight system, the Institutional Business Division will be better able to flexibly promote sales activities, while simultaneously ensuring a smoother full-scale deployment of the VBI. In addition to strengthening these functions and systems, the Osaka Branch has been relocated to the Osaka Fukoku Seimei Building in October 2013. In areas such as renewable energy project finance and healthcare finance, which are seeing much firmer results than before, we are utilizing the Bank's network with regional financial institutions to help meet the market needs of regional areas in addition to contributing to regional development through the VBI.

In addition to strengthening risk monitoring capabilities in order to be able to appropriately respond to risks associated with these new undertakings and changes in the market, we are analyzing and improving the efficiency and productivity of our existing businesses in order to be able to ensure sustainable organizational growth. We are now collaborating with the Risk Management Group to develop marketing and management standards and portfolio management that correspond with real estate market risk, risk sharing methods associated with the business participation method, the development and enhancement of financial products, as well as develop monitoring systems that are needed as a result of the expansion of product offerings such as project finance.

At Showa Leasing Co., Ltd. there are plans to expand the business base in areas where the company has business strengths with efforts being made in areas such as revenue capture opportunities through consulting for business partners, asset financing for semiconductors, construction equipment, medical equipment and airplanes, strengthening of partnerships with suppliers, strengthening of cooperation with overseas partners, and supporting the overseas expansion of customers.

Collaborative work is also being done with the Bank to enhance the sophistication of proposals that utilize personal property assessment, management, and disposal capabilities. Specific examples include the promotion of personal property acceptance contracts utilizing the Bank's network with regional financial institutions following the expiration of the Financial Facilitation Act, and the promotion of business rehabilitation and refinancing projects in the healthcare field.

Business Performance for First Half of Fiscal Year 2013 Ended September

In the Institutional Group, as a result of efforts made in the First MTMP to reestablish the customer base and stabilize earnings, net interest income in the first half of fiscal year 2013 was 14.8 billion yen, an increase compared to 14.5 billion yen in the same period of fiscal year 2012, and non-interest income for the first

half of fiscal year 2013 was 21.0 billion yen, an increase compared to 16.9 billion yen in the same period of fiscal year 2012. As a result, revenue for the Institutional Group was 35.9 billion yen for the first half of fiscal year 2013, an increase compared to 31.4 billion yen in the same period of fiscal year 2012.

Regarding expenses, as a result of the investment of management resources in strategic areas such as increasing headcount in strategic focus businesses and improving business infrastructure in order to strengthen profitability, total expenses of 12.1 billion yen were recorded for the first half of fiscal year 2013, a slight increase compared to 12.0 billion yen recorded in the same period of fiscal year 2012. Net credit costs, while continuing to promote the disposal of non-core assets in order to reduce inherent risk that was begun in the First MTMP, as a result of the implementation of various measures for enhanced risk management, a lack of provisioning of large reserves, as well as write backs of reserves for loan losses as a result of the sale of non performing loans, we saw net credit recoveries of 2.8 billion yen recorded for the first half of fiscal year 2013 compared to net credit costs of 3.3 billion yen in the same period of fiscal year 2012.

As a result of the aforementioned, ordinary business profit after net credit costs for the Institutional Group was 26.6 billion yen for the first half of fiscal year 2013, a large increase compared to 16.1 billion yen recorded for the same period of fiscal year 2012.

As for undertakings in the first half of fiscal year 2013, in the area of business establishment support, we established the "Femto Growth Capital Investment Business Limited Liability Partnership," which invests in and gives growth support to domestic, early stage internet companies, in April. In the first investment made through the Partnership, we underwrote the allocation of new shares to a third party for Piece of Cake Inc., a company which provides platform services for digital content products such as e-readers. In addition, in July we launched the "Create U" pilot project together with Nomura Research Institute. This project is targeted at people between the ages of 20 and 40 who have "social experience" and is designed to discover and nurture "innovators," people that are able to create new value. Shinsei Bank looks to support the utilization of revolutionary approaches that have not been used by traditional banks in order to support "innovators" who give birth to new ideas, and by having a central role in the realization of the ideas that are generated, the Bank looks to contribute to the resolution of social issues and the revitalization of society.

Additionally, in the renewable energy field, we were involved in project financing for the construction of mega solar projects in Mito City, Ibaraki Prefecture and Shari-gun, Koshimizu Cho, Hokkaido in May and August respectively. From the viewpoint of supporting local production local utilization projects, the Bank will continue to work actively to undertake project finance for renewable energy projects such as mega solar in the future.

GLOBAL MARKETS GROUP

The Global Markets Group is comprised of: 1) the Financial Institutions Sub-Group that offers financial products and services to financial institution customers, 2) the Markets Sub-Group that engages in foreign exchange, derivatives, and other capital markets operations, and 3) other operations such as the asset management business, the wealth management business and Shinsei Securities.

Business Environment and Challenges

Following the inauguration of the Abe administration in December 2012, due to bold monetary easing measures by the Bank of Japan together with expectations for Abenomics, a large correction was observed in the market with a significant correction in the price of the yen and a rise in stock prices, followed by market interest rates staying at a generally low level and the movement of the yen has remained in a boxed range. In addition, the situation of tight credit spreads has continued.

While the foreign exchange and interest rate related transactions are languishing a bit in these market conditions, we are continuing to promote our business by making finely tuned, customer centric proposals, utilizing the high level of financial expertise of the Bank, to our financial institution and corporate customers.

Strategy

In the Global Markets Group, we are pursuing the deepening of the solutions business, as well as strengthening partnerships with regional financial institutions. While striving to expand the provision of products and services, as well as strengthening our market solution capabilities including sourcing, we look to not only meet the asset management needs of regional financial institutions through the provision of investment products, but to support and cooperate with business development by providing the unique capabilities of the Shinsei Bank Group to our customers.

Financial Institutions Sub-Group

In addition to providing investment products such as structured deposits and credit linked loans to financial institution customers that are facing asset management difficulties in the low interest rate environment, we are also committed to working together with the institutional business in the buying, selling, and brokering of loans. In addition, in order to assist in the business development of our customers by utilizing the financial knowhow of the Shinsei Bank Group, we have been promoting initiatives such as the structuring support of asset based lending and cash flow finance in projects such as mega solar.

The Bank is also continuing its "White Label" business where partner regional financial institutions sell products such as structured deposits that are developed by the Bank under the brand of the regional financial institution.

Additionally, we would like to utilize our network with local financial institution customers across Japan to assist in regional development together with our customers. This approach aims to support our customers, local communities, and the market from a long-term point of view, and will continue to promote business collaboration and the deepening of business ties by providing support in a multifaceted manner.

Markets Sub-Group

As a part of its efforts to expand the customer base, the Markets Sub-Group has worked together with sales representatives of business corporations and, by offering foreign exchange risk hedging solutions, has been promoting business with both new and existing customers. We plan to further promote the development of new customers in fiscal year 2013 to establish an even more robust customer base.

Additionally, we are working to develop products and services, that are created upon changes in market conditions and regulations, as opportunities, and by doing so are creating a system that will allow us to provide attractive products ahead of our competition not only to corporate and financial institution customers, but individual customers as well.

Asset Management Sub-Group

The sales of investment trusts are on an upward trend, due in part to higher stock prices since the end of 2012. In addition to continuing to provide retail banking customers with investment trust products, we are working to expand the offerings of privately placed investment trusts to institutional and regional financial institution investors. In order to accomplish this, we must enhance our ability to provide products, and we are striving to develop and provide unique products. We are also promoting collaboration with the Retail Banking Sub-Group to support NISAs (Nippon Individual Savings Account) and by doing so look to further expand the investment trust customer base.

While we are enhancing systems in the wealth management business, as well as enhancing the provision of investment products to high net worth individuals, our sales representatives are working with our customers to satisfy the diverse needs of our customers that go beyond mere investment needs, such as business succession needs.

Shinsei Securities

The main duties of Shinsei Securities include the structuring and sales of securitized products and the sales of structured bonds to individual customers through securities brokers. In the securitized product business, we not only create and sell securitized products such as housing loan bonds and lease/installment sales bonds, but also actively engage in non-traditional securitized product transactions such as the buying and selling of underlying assets. By applying our securitization knowhow further, we are finding opportunities to extensively use structured finance, and will continue to work on proposing attractive products utilizing our expertise that we have cultivated in new areas such as renewable energy investment. Regarding the brokering of securities, we will continue monitoring market trends, and strive to provide products that meet the needs of our customers.

Business Performance for First Half of Fiscal Year 2013 Ended September

In the Global Markets Group, while progress was made in undertakings to expand the customer base through the provision of products and trading in line with the needs of customers, and a certain level of success was seen in establishing a distinctive business base, net revenue, as a result of market interest and exchange rates remaining in a boxed range as well as the tightening of credit spreads, customer and market transaction volume growth was sluggish, and net revenue of 5.2 billion yen was recorded in the first half of fiscal year 2013, a decline compared to 7.6 billion yen recorded in the same period of fiscal year 2012.

Expenses, while investing management resources in priority areas toward the expansion of the customer base, due to increases in efficiencies within each business, came in at 4.4 billion yen for the first half of fiscal year 2013, a decline versus 4.5 billion yen for the same period of fiscal year 2012.

In net credit costs, while a gain of 1.7 billion yen was recorded in the first half of fiscal year 2012 due to a large recovery of an amortized loan, a reversal of 0 billion yen (46 million yen) was recorded in the first half of fiscal year 2013.

As a result of the above, ordinary business profit after net credit costs for the Global Markets Group for the first half of fiscal year 2013 was 0.8 billion yen, a large decline versus 4.7 billion yen for the same period of fiscal year 2012.

As part of the Global Markets Group's efforts to enhance its asset management business for financial institutions, Shinsei Investment Management Co., Ltd. established the "Shinsei Invesco Bank Loan Fund," (available to qualified institutional investors only) an incremental privately placed investment fund, in September of this year. The Bank Group is enhancing its ability to provide solutions to regional financial institutions and major financial institutions such as insurance companies, and will continue launching new fund offerings, utilizing its risk management knowhow as well as a wide range of relationships that have been developed through the sales of financial debt.

Shinsei Bank, in an effort to strengthen the deployment of "MoneyConnection" (a basic financial education program that is implemented as part of the Bank's CSR activities) in Wakayama Prefecture and Sennan Ward of Osaka City, has entered into a sponsorship agreement with Kiyō Bank, Ltd. in May of this year. This partnership with Kiyō Bank is intended to support social contribution activities of regional financial institutions and, following the partnership established with Fukui Bank, Ltd. in fiscal year 2012, is the second such tie-up. Shinsei Bank will continue strengthening the deployment of MoneyConnection in regional areas while also considering the possibility of partnerships with regional financial institutions across the country.

Status of Initiatives for Regional Revitalization and Improvement of SME Management

In order to improve the management of Small- and Medium-sized Enterprises ("SME" or "SMEs") and achieve regional revitalization, the Institutional Group and the Global Markets Group are engaging in initiatives such as those described below, providing Shinsei Bank's specialized knowhow and, depending upon the case, cooperating with local financial institutions and the SME Business Rehabilitation Support Co-operative. In addition, the VBI Promotion Department is engaging in business with SMEs and local businesses which have promising technologies or business models, as well as businesses that will help revitalize regional economies such as earthquake reconstruction and new business areas as its area of focus. By providing multi-faceted solutions (management solutions) which satisfy needs for not only funding needs, but needs for human resources and services such as business strategy planning and implementation support, the Bank aims to expand the scope of its business with SMEs that are undergoing growth and contribute to the development of new businesses that are created as a result of innovation. For details of initiatives of the VBI Promotion Division, please refer to the "Review of Operations" of the "Institutional Group" (page 14).

Examples of Shinsei Bank Initiatives

• Examples of SME Management Support and Regional Development

R&D Company from an East Japan University: This company utilizes university research findings to develop and manufacture rehabilitation equipment for the disabled at subcontracted factories, which is then sold through distributors. Shinsei Bank, in addition to working together with the Bank's subsidiary to provide a range of sales financing products (long-term leases, and installment sales), has worked to provide access to the domestic market through the Bank's branches. By supporting the growth of this company, Shinsei Bank seeks to support the welfare equipment industry, as well as support the economic revitalization of the Tohoku Region where this University is located.

Wood Pellet Manufacturing and Wood Biomass Power Generation Business in West Japan: Shinsei Bank had been developing a relationship with this company from the initial stages of its establishment, and participated as an arranger in a syndicated loan to this business. In this project, Shinsei Bank worked with the region, which while having rich forest resources, had been unable to utilize them fully. By recommending a renewable energy business and providing solutions, the Bank was able to contribute to the revitalization of the local forestry industry. The Bank believes that this initiative was of deep significance to the local community, creating a system which allows for the manufacture and distribution of wood pellets which are used in biomass boilers for greenhouse cultivation by local farmers and horticulturalists, as well as encouraging the local production and utilization of wood through the promotion of boilers.

• Example of Management Improvement Support in SMEs

SME Engaged in Retail Trade in West Japan: This company boasts the industry leader position in terms of the number of product categories handled and has a high level of expertise in efficient outlet expansion and store operations. On the other hand, a complex funding structure existed among its group companies, making it difficult for the company to receive the support of banks in the form of funding for future business expansion. In this project Shinsei Bank took on a consulting role to this company which had been making efforts to increase the transparency of its group management, advising on changes to the structure of finances, measures on the unification of inter group loans, and the restructuring of subsidiaries. Additionally, Shinsei Bank gave inputs from a different point of view from their regular bank regarding the improvement of management and bank negotiations, and advised on the development of explanatory materials for the company's main bank.

• Example of Use of Equity for SMEs

Service Sector SME in East Japan: This company had a steady core business, however, due to its venture into an unrelated business in the past, found itself in possession of non-performing assets which were making refinancing difficult. Shinsei Bank enhanced the credit of this company by providing capital in exchange for preferred stock through a subsidiary of the Bank which engages in corporate revitalization support investment. As a result, the business conditions of the company stabilized as a result of resolving its financing issues, and the company is now being approached by other financial institutions, accomplishing its goal of reestablishing its relationship with the banking sector.

• Example of Collaboration with a Regional Financial Institution

Mid-Sized Credit Company for SMEs: This company was advancing its reduction of non-core assets, rebalancing its balance sheet, and rebuilding its core business under the initiative of its investors including shareholders and creditors. A major business challenge included the borrowing of funds to finance the repayment of debt held by investors in order to lower funding costs and the development of a funding route to get the restructuring of the company on track. Shinsei Bank, by utilizing its network with regional financial institutions, was able to fulfill a role as arranger of a loan for this company, introducing a credit union which was willing to lend the capital the company required.

• Example of Great East Japan Earthquake Reconstruction Assistance and Business Rehabilitation

General Construction Company in East Japan: With post earthquake reconstruction work underway in earnest, Shinsei Bank has increased credit lines to this company to fulfill an increased need for working capital as a result of increased sales as it assists in reconstruction and helping revitalize regions affected by the Great East Japan Earthquake. In the past this company had filed for civil rehabilitation proceedings and the reestablishment of dealings with banks had been a longstanding business challenge, and as a result of the company's dealings with Shinsei Bank, will be able to expect an expansion of their dealings with banks.

GLOSSARY

ABI (Asset-backed Investment)

At Shinsei Bank, ABI refers to a former product program which included loans backed mainly with infrastructure, real estate, businesses, and business assets as collateral.

Advisory

Shinsei Bank's advisory business proposes solutions to meet customers' diverse needs in areas such as M&A, corporate restructuring, and fundraising in Japan and overseas.

ALM (Asset Liability Management)

ALM refers to the comprehensive management of the market risks and liquidity risks that exist in the Bank's balance sheet (i.e. assets and liabilities) as a result of its business operations. ALM aims to optimize interest rate income from the Bank's balance sheet and economic value by monitoring interest rate conditions and asset/liability duration, including off-balance items such as derivatives on the Bank's account, and adjusting for risks in assets/liabilities and derivatives transactions in consideration of the change in values of assets, liabilities, and periodical profits or losses due to market fluctuations.

Asset Management

In a broad sense, Asset Management refers to Shinsei Bank's overall asset management business, but in a narrower sense it refers to the investment trust business and investment advisory business. Shinsei Bank offers a variety of unique financial products and services for both institutional and individual (including high-net worth) customers, primarily through the Global Markets Group and the Individual Group (retail banking Business).

Business Incubation

Business Incubation offers not only loans and capital, but also management solutions such as human resources, supplementary functions, and business planning and strategy support to customers aiming to start, or customers who have recently started, a business.

Capital Markets Business

Capital Markets business refers to capital markets-related transactions, including derivatives and trading, in order to meet customer needs for investment, risk hedging, fundraising, etc.

CLO (Collateralized Loan Obligations)

CLOs are debt-collateralized securities with leveraged loans (LBO), corporate loans, and corporate bonds as the underlying assets.

Consolidated Capital Adequacy Ratio

The consolidated capital adequacy ratio is the ratio of "total capital" over "risk assets." "Total capital" is obtained by subtracting "deductions" from the sum of basic items (Tier I)—mainly composed of equity capital—and supplementary items (Tier II)—composed of subordinated bonds and other debts.

Consolidated Net Income, Cash Basis Net Income

Cash basis net income is calculated by excluding impairment and amortization of goodwill resulting from acquisitions of subsidiaries and other intangible assets, net of tax benefits, from consolidated net income—and represents the bottom-line profit for the relevant fiscal year.

Credit Guarantee Business

Credit Guarantees represent a guarantee to repay a loan made by a partner financial institution on behalf of the borrower, in the case that the borrower becomes unable to make repayments, in return for a fee. In the Shinsei Bank Group, Shinsei Financial is focused on this business, offering comprehensive support to partner financial institutions including advice on advertising strategies and product design as part of its service.

Credit-linked Loan

Credit-linked Loans are structured loans which incorporate derivatives linked to the credit risk of a company other than Shinsei Bank (the borrower). They are offered as an investment product to customers.

Credit Trading

Credit Trading offers balance sheet optimization solutions, including the purchase of loan receivables from current creditors or an investment in (purchase of) monetary claims held by the customer. Shinsei Bank also invests in monetary claims such as loans and leases sold in the secondary market for non-performing loans, aiming to make profits by securing a greater return than the initial investment through servicing or resale of the receivables.

Derivative

Derivative is a collective term referring to transactions that are derived from or linked to other underlying transactions such as interest rate, bond, foreign exchange, and equity transactions. They are also called "financial derivatives" since most of the transactions originate from financial products.

Exposure

Exposure refers to an amount of assets or an amount of money that is exposed to foreign exchange, price fluctuations or other risks as a result of loans and investments.

(Grey Zone) Interest Repayments

Prior to the interest rate reduction implemented as part of the revisions to the Money Lending Business Law, the interest rates on some consumer finance products offered by the Shinsei Bank Group's subsidiaries exceeded the upper limit stipulated by the Investment Law. Following a ruling by the Supreme Court in January 2006, customers who paid more than the upper limit stipulated by the Investment Law have been allowed to request a refund of the extra interest paid. Accordingly, consumer finance companies have recorded reserves in order to cover losses on (grey zone) interest repayments. However, losses from a portion of the "grey zone" interest repayment liabilities at Shinsei Financial are indemnified by GE under the purchase agreement made when Shinsei Bank acquired the company.

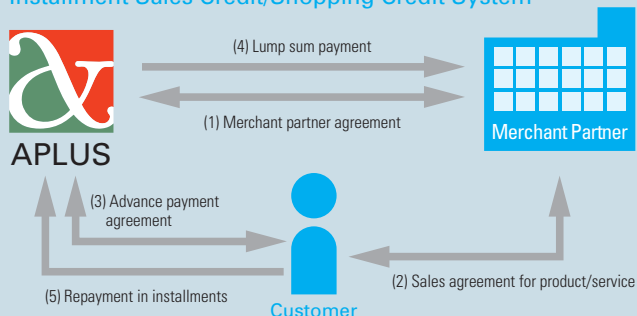
Healthcare Finance

Healthcare Finance refers to financing—primarily non-recourse loans—as well as financial advisory on management strategies and M&A for senior care facilities and nursing homes.

Installment Sales Credit (Shopping Credit)

Installment Sales Credit (Shopping Credit) is a service that allows customers to pay for goods or services in installments without using a credit card. Shinsei Bank group offers this service primarily through APLUS FINANCIAL.

Installment Sales Credit/Shopping Credit System



- (1) APLUS concludes a merchant partner agreement with the merchant partner
- (2) Customer purchases a product or a service from the merchant partner
- (3) Customer applies to APLUS for installment sales credit
- (4) APLUS pays the purchase price for the product/service as a lump sum to the merchant partner
- (5) Customer repays the purchase price to APLUS in installments

J-REIT

J-REIT stands for Japanese Real Estate Investment Trust.

LBO Finance (Leveraged Buyout Finance)

LBO finance is a type of M&A finance based on the assets or future cash flows of a company to be acquired. It is used when a company or an investment fund acquires another company. At Shinsei Bank, LBO Finance is included in Specialty Finance.

MBO Finance

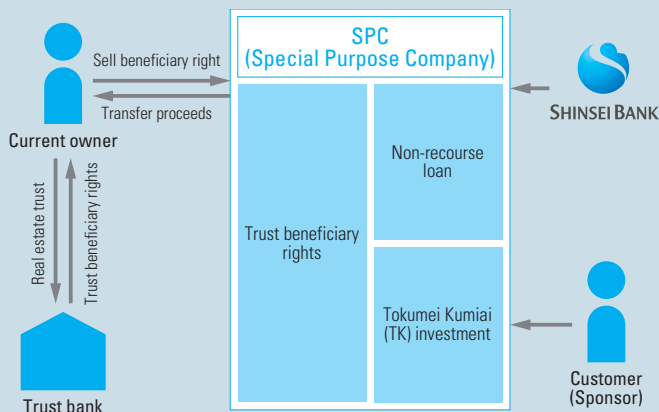
MBO stands for Management Buyout. It is a type of LBO finance offered when a company's management buys its own company co-working with an investment fund and others. At Shinsei Bank, MBO Finance is included in Specialty Finance.

Net Credit Costs

Net credit costs are the sum of reserves for loan losses set aside (credit costs) according to the credit standing of borrowers, reversal (gains) of reserves for loan losses, and recoveries of written-off claims resulting from their disposal.

Non-recourse Loan

Non-recourse loans are loans for which repayment is made solely from the cash flows generated from specific businesses or assets (typically, but not always real estate), with no recourse to the sponsor.

**Ordinary Business Profit (Loss)**

Ordinary business profit (loss)—the indicator of profit (loss) from core business after expenses—is calculated by subtracting “expenses” from “total revenue.” “Net credit costs” are excluded from this calculation.

Portfolio

A portfolio refers to a group of various components. An asset portfolio, for example, refers to a collection of various assets such as real estate, cash deposits, and equities.

Principal Transactions

Principal Transactions generally refer to a bank's proprietary investments. Shinsei Bank proactively makes proprietary investments in the Credit Trading and Private Equity businesses in order to meet customers' needs for corporate restructuring, business succession, and growth funds.

Private Equity

In general, Private Equity refers to privately-placed shares and shares that are not traded in stock exchanges or over-the-counter markets. Private equity investments can be classified into venture capital, which are investments in growing companies, and investments to acquire control of mature companies in order to implement restructuring. Shinsei Bank is proactively engaged in venture capital investments, investing in up to 5% of total shares with representative rights of customers planning a public share offering, as well as making buyout investments related to business divestments from mature companies.

Project Finance

Project Finance refers to loans to finance specific projects for which the principal source of repayment is the cash flow generated from the project itself. Project Finance is often used for medium-to-long term projects in energy, natural resources, and infrastructure. At Shinsei Bank, Project Finance is included in Specialty Finance.

Revised Money Lending Business Law

The key points of the Revised Money Lending Business Law which was enacted and issued in December 2006 are: (1) optimizing control of the money lending business (tightening entry requirements etc.), (2) reducing excessive lending (implementation of the designated credit bureau system and income-linked lending limitation), and (3) controlling the interest rate system (reducing the upper limit of the interest rate under the Investment Law to 20% p.a.). The Law was enforced in a phased manner and was fully enforced in June 2010.

Risk Weighed Assets

Risk weighed assets are an amount equivalent to the volume of “credit risk” and “market risk” of the Bank's assets/transactions and “operational risk” involving operational errors.

Ship Finance

Finance for the shipping industry. Shinsei Bank primarily provides shipping companies with funds for ship acquisition.

Specialty Finance

Specialty Finance at Shinsei Bank refers to M&A finance, LBO finance, project finance and other types of finance that focus on the cash flows and value generated by businesses and assets. It is a type of structured finance.

Structured Finance

Structured Finance refers to finance requiring special structures. In general, it takes the form of project finance or non-recourse finance which focuses on the cash flows or value generated by a specific project or asset. Shinsei Bank is primarily active in real estate finance, project finance, M&A finance, and corporate restructuring finance through the Structured Finance Sub-Group.

Syndicated Loan

Syndicated loans are loans provided jointly by a syndication of multiple financial institutions (lender group) based on a single loan agreement.

Treasury

Treasury is normally the function in a company which is responsible for ALM (asset and liability management). At Shinsei Bank, Treasury basically refers to the function (Sub-Group) responsible for cash flow management including collateral management, transactions through transfer pricing (FTP, the inter-office fund transfer price), issuance or buyback of (subordinated) corporate bonds, liquidity planning, management of overseas subsidiaries that issue capital securities, as well as ALM for the entire Group.

Wealth Management

Wealth Management refers to the financial services that Shinsei Bank offers to high-net worth customers. The Bank offers a variety of differentiated wealth management services tailored to customers' needs.

DIRECTORS AND EXECUTIVES

As of December 1, 2013

BOARD OF DIRECTORS (6)

Shigeki Toma	Representative Director, President
Yukio Nakamura	Representative Director, Deputy President
J. Christopher Flowers*	Managing Director and Chief Executive Officer, J. C. Flowers & Co. LLC
Ernest M. Higa*	Chairman and Chief Executive Officer, Higa Industries Co., Ltd.
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.

*Outside Directors

AUDIT & SUPERVISORY BOARD MEMBERS (3)

Shinya Nagata	Audit & Supervisory Board Member
Kozue Shiga*	Lawyer
Tatsuya Tamura*	Former Executive Director, The Bank of Japan, and President, Global Management Institute Inc.

*Outside Audit & Supervisory Board Members

EXECUTIVE OFFICERS (22)

Shigeki Toma	Representative Director, President and Chief Executive Officer
Yukio Nakamura	Representative Director, Deputy President, Chief of Staff, Head of Corporate Staff Group, General Manager, Office of Financing Facilitation Management
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, 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, Executive Officer in charge of Institutional Business, General Manager, Osaka Branch
Yoshiaki Kozano	Managing Executive Officer, Head of Principal Transactions Sub-Group
Hideyuki Kudo	Managing Executive Officer, Chief Risk Officer, Head of Risk Management Group
Toru Myochin	Managing Executive Officer, Executive Officer in charge of Institutional Business, General Manager, Healthcare Finance Division
Hironobu Satou	Managing Executive Officer, Head of Global Markets Group
Shinichirou Seto	Managing Executive Officer, Executive Officer in charge of Institutional Business, Head of Institutional Business Sub-Group, General Manager, Institutional Business Division
Masashi Yamashita	Managing Executive Officer, Deputy Head of Individual Group, Head of Consumer Finance Sub-Group
Akira Hirasawa	Executive Officer, General Manager, Portfolio and Risk Management Division
Yasunobu Kawazoe	Executive Officer, General Manager, Institutional Credit Management Division
Satoshi Koiso	Executive Officer, General Manager, Corporate Planning Division
Takahisa Komoda	Executive Officer, General Manager, Human Resources Division
Takako Masai	Executive Officer, Head of Markets Research Department, Markets Sub-Group
Yuji Matsuura	Executive Officer, Head of Markets Sub-Group
Nozomi Moue	Executive Officer, General Manager, Structured Risk Management Division
Masayuki Nankouin	Executive Officer, Head of Financial Control and Accounting Sub-Group
Eiji Shibazaki	Executive Officer, Head of Financial Institutions Sub-Group

SENIOR ADVISOR (1)

David Morgan	Managing Director, Europe and Asia-Pacific, J.C. Flowers & Co. UK Ltd
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ADVISOR (1)

Yuji Tsushima

ORGANIZATION

As of December 6, 2013

Financial Highlights

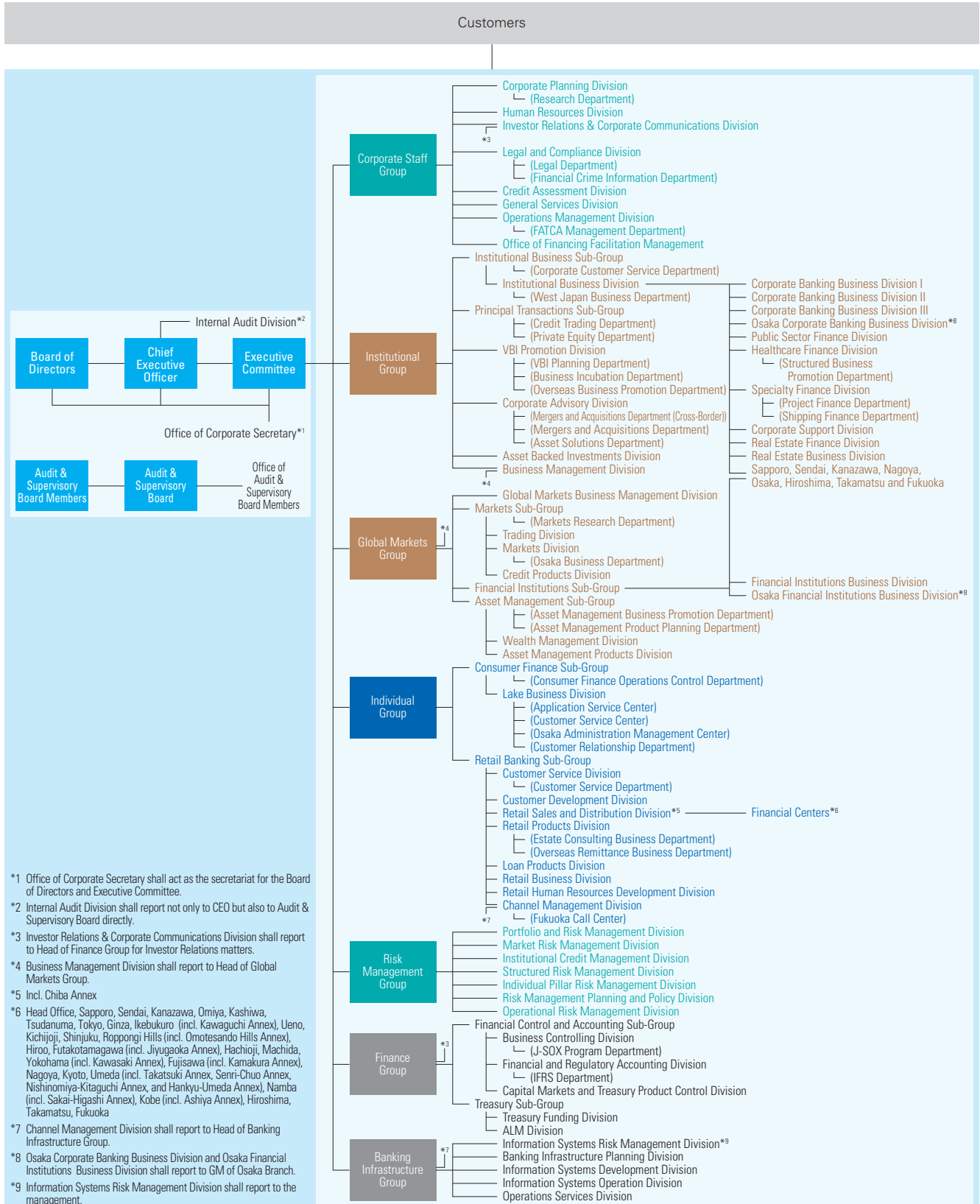
Message from Management

Overview of the Second MTMP

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Management Structure
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Data Section



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
	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
	September	Acquired GE Consumer Finance Co., Ltd. (Changed company name to Shinsei Financial Co., Ltd. on April 1, 2009)
2009	January	Launched <i>Shinsei Step Up Program</i>
	March	Concluded tender offer for the shares of common stock of SHINKI Co., Ltd.
	June	Opened first Shinsei Consulting Spots Launched <i>Two Weeks Maturity Deposit</i>
2010	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
2011	January	Commenced operations at new head office (Nihonbashi Muromachi)
	March	Issued new shares through international common share offering
	September	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
	July	Established venture fund targeting mobile entertainment companies with gumi Inc.
	September	Balance of <i>PowerSmart</i> 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

2013	January	Participated in establishment of "Tokutei Mokuteki Gaisha Healthcare Infra Fund Kobe," which is privately placed real estate fund for individual investors where healthcare facilities constitute the underlying investment assets
	March	Started <i>Go Remit Overseas Remittance Service</i> Syndicated project finance for mega solar project in the Eastern area of Hokkaido
April		Stopped issuing long-term credit debentures (public sales issues) and long-term credit debentures for workers' property accumulation (<i>Zaikei issue</i>)
		Established "Femto Growth Capital Investment Business Limited Liability Partnership" to invest in and provide support to early-stage companies in Japan's Internet sector Provided non-recourse loan for special purpose company set up by Singapore-based Healthway Medical Development to purchase healthcare facilities in Japan
May		Arranged project finance for the construction of large-scale solar power plants in Mito city and Shiro-sato town in Ibaraki prefecture
		Issued unsecured callable subordinated bonds to retail investors in Japan
June		Changed Shinsei Step Up Program to further improve convenience for the Shinsei Bank Group's unsecured card loan and credit card customers
July		Formed Shinsei Principal Investments Group
		Formed a business alliance with Culture Convenience Club Co., Ltd. to award T Points to users of Shinsei Bank's financial services Initiated a pilot project aimed at discovering and nurturing "Innovators" in collaboration with Nomura Research Institute, Inc.
August		Relocated the Osaka Branch in order to enhance business functions
		Arranged project financing for a mega solar project in Koshimizu, Shari District, Hokkaido Prefecture
September		Participated in a syndicated loan to a wood biomass power generation and wood pellet manufacturing business
October		Invested in Private Finance Initiative Promotion of Japan (public-private infrastructure fund)
		Entered ATM partnerships with "VIEW ALTTE" ATM, operated by East Japan Railway Company, and major convenience store chains such as LAWSON and FamilyMart

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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 interim consolidated 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% unless otherwise noted.

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, the Institutional Group, the Global Markets Group and the 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 the retail banking business and the consumer finance business. We continue to improve the quality of our retail banking services to meet customer needs. In the consumer finance business, Shinsei launched an unsecured personal loan service directly through 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, 2013

We recognized consolidated net income of ¥27.2 billion for the six months ended September 30, 2013, ¥1.4 billion higher than ¥25.7 billion for the six months ended September 30, 2012. The fiscal year ending March 31, 2014 is the first year of our Second Medium-Term Management Plan, which was disclosed in March 2013. Results were robust, representing a 57% progression rate toward the full-year target of ¥48.0 billion set for the fiscal year ending March 31, 2014.

Total revenue was ¥100.2 billion for the six months ended September 30, 2013. Net interest income included in total revenue was ¥55.0 billion for the six months ended September 30,

2013, a decrease as compared to ¥56.1 billion for the six months ended September 30, 2012. This was due to the continuation of progress made in the First Medium-Term Management Plan at reducing noncore assets and due to the declining balance of consumer finance loans compared to the six months ended September 30, 2012, on account of the ongoing effects of the revised Money-Lending Business Control and Regulation Law, etc. However, the consumer finance loan balance has shifted to a growth trend since the fourth quarter of the fiscal year ended March 31, 2013, and the balance has continued to increase for the six months ended September 30, 2013. Non-interest income for the six months ended September 30, 2013 was ¥45.2 billion.

Regarding general and administrative expenses, excluding amortization of goodwill and intangible assets acquired in business combinations, ¥67.0 billion was recorded for the six months ended September 30, 2013, an increase compared to ¥64.7 billion for the six months ended September 30, 2012. This spending was the result of proactive allocation of management resources in areas necessary to expand our business base such as human resources and advertising.

Regarding net credit costs, there were no major provisions necessary as were recorded in the past due to efforts made at reducing underlying risk through the reduction in noncore assets. In addition, due to factors such as the reversal of reserves for loan losses upon the sale of nonperforming loans and improvements in loan quality in the consumer finance business, total net credit costs remained low at ¥0.3 billion, an improvement versus ¥6.2 billion recorded for the six months ended September 30, 2012.

Regarding performance of each business group, all groups continue to post steady ordinary business profits after net credit costs on and after the fiscal year ended March 31, 2013.

- In the Institutional Group, the expansion of the customer base continued with progress made in further differentiation of strategic areas aimed at strengthening earnings. Ordinary business profit after net credit costs was strong, increasing from ¥16.1 billion for the six months ended September 30,

OVERVIEW (CONTINUED)

2012, to ¥26.6 billion recorded for the six months ended September 30, 2013.

- The Global Markets Group continues to work to expand the customer base and to develop and provide products that meet the needs of customers. Ordinary business profit after net credit costs for the six months ended September 30, 2013 was ¥0.8 billion, down from ¥4.7 billion for the six months ended September 30, 2012 due to the combined effect of the absence of major collections on written-off claims, unlike the material impact recorded for the six months ended September 30, 2012, and sluggish growth of the total volume of market related-transactions.
- In the Individual Group, revenue decreased slightly as compared to the six months ended September 30, 2012 due to the declining balance of consumer finance loans on account of the ongoing effects of the revised Money-Lending Business Control and Regulation Law. However, the consumer finance loan balance shifted to a growth trend in the fourth quarter of the fiscal year ended March 31, 2013 and the balance has continued to grow for the six months ended September 30, 2013. Also, sales of investment products continued to be strong in the Retail Banking Business, and ordinary business profit after net credit costs of ¥10.8 billion was recorded for the six months ended September 30, 2013.

Balance of loans and bills discounted decreased from ¥4,292.4 billion as of March 31, 2013, to ¥4,208.6 billion as of September 30, 2013. In loans to individuals, housing loans continued to be strong, and the loan balance of consumer finance shifted to a growth trend in the fourth quarter of the fiscal year ended March 31, 2013, and the balance continued to grow for the six months ended September 30, 2013. On the other hand, there continues to be stiff competition to meet demand for financing in loans to institutional customers, and the balance has decreased somewhat due to collections on nonperforming loans.

Net interest margin was 2.03% for the six months ended September 30, 2013, a decrease as compared to 2.08% for the six months ended September 30, 2012. This was mainly due to the decrease in the balance of relatively high interest rate consumer finance loans resulting in a decrease in the yield on interest-earning assets compared to the six months ended September 30, 2012. However, a portion of high interest rate time deposits made in previous years have reached maturity, lowering expenses associated with interest-bearing liabilities such as deposits and negotiable certificates of deposit, which mitigated the decrease in the net interest margin. It should be noted that net interest margin has improved from 2.02% recorded for the fiscal year ended March 31, 2013.

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, 2013, which resulted in improvement of the total capital adequacy ratio and Tier I capital ratio on a consolidated basis, to 14.1% and 12.0%, respectively, as of September 30, 2013, compared to 12.2% and 10.4% as of March 31, 2013.

Balance of nonperforming loans under the Financial Revitalization Law totaled ¥201.9 billion as of September 30, 2013, a decrease of ¥40.6 billion during the six months ended September 30, 2013, mainly due to sales and collections of nonperforming loans. The ratio of nonperforming loans to the balance of total claims improved from 5.3% as of March 31, 2013 to 4.8% as of September 30, 2013.

SIGNIFICANT EVENTS**ESTABLISHMENT OF THE SHINSEI PRINCIPAL INVESTMENTS GROUP**

On July 1, 2013, the “Shinsei Principal Investments Group” was established through the integration of the consolidated subsidiaries Shinsei Principal Investments Ltd., Shinsei Corporate Investment Limited, Shinsei Investment & Finance Limited, and Shinsei Servicing & Consulting Limited, which come under the umbrella of Shinsei Principal Investments Ltd. In line with the fundamental strategy of the Second Medium-Term Management Plan commenced in April 2013, the Bank has decided to transfer the key functions of the credit trading and the private equity business from the Principal Transactions Sub-Group of the Bank to the Shinsei Principal Investments Group in order to further strengthen consolidated subsidiaries through restructuring with the aim of deploying a new financial solutions business. Through this restructuring, the Bank seeks to upgrade its ability to flexibly respond to the needs of customers, while at the same time maximizing the profit of our earnings.

ISSUANCE OF UNSECURED CALLABLE SUBORDINATED BONDS

On June 7, 2013, Shinsei issued unsecured callable subordinated bonds of ¥10.0 billion to retail investors in Japan. On December 6, 2013, Shinsei announced the issuance of unsecured callable subordinated bonds of ¥15.0 billion to retail investors in Japan.

SELECTED FINANCIAL DATA (CONSOLIDATED)

Shinsei Bank, Limited and its Consolidated Subsidiaries

As of and for the six months ended September 30, 2013 and 2012, and as of and for the fiscal year ended March 31, 2013

Billions of yen (except per share data and percentages)

	Sept. 30, 2013 (6 months)	Sept. 30, 2012 (6 months)	Mar. 31, 2013 (1 year)
Statements of income data:			
Net interest income	¥ 55.0	¥ 56.1	¥ 111.6
Net fees and commissions	11.6	8.7	19.1
Net trading income	6.9	9.5	20.0
Net other business income	26.5	29.5	48.1
Total revenue	100.2	104.1	199.0
General and administrative expenses	67.0	64.7	130.9
Amortization of goodwill and intangible assets acquired in business combinations	5.1	5.6	10.8
Total general and administrative expenses	72.2	70.4	141.7
Net credit costs	0.3	6.2	5.5
Other gains (losses), net	(0.1)	0.5	2.1
Income before income taxes and minority interests	27.6	27.9	53.8
Current income tax	1.8	0.8	0.5
Deferred income tax	(3.1)	(0.4)	(1.3)
Minority interests in net income of subsidiaries	1.6	1.7	3.5
Net income	¥ 27.2	¥ 25.7	¥ 51.0
Balance sheet data:			
Trading assets	¥ 318.1	¥ 217.9	¥ 287.9
Securities	1,794.7	2,003.4	1,842.3
Loans and bills discounted	4,208.6	4,281.9	4,292.4
Customers' liabilities for acceptances and guarantees	453.0	550.2	511.0
Reserve for credit losses	(143.9)	(171.9)	(161.8)
Total assets	8,905.5	8,882.5	9,029.3
Deposits, including negotiable certificates of deposit	5,753.4	5,374.6	5,457.5
Debentures	45.8	277.6	262.3
Trading liabilities	273.5	158.2	240.0
Borrowed money	619.3	718.3	719.2
Acceptances and guarantees	453.0	550.2	511.0
Total liabilities	8,198.5	8,235.2	8,345.6
Common stock	512.2	512.2	512.2
Total equity	706.9	647.2	683.6
Total liabilities and equity	¥ 8,905.5	¥ 8,882.5	¥ 9,029.3
Per share data:			
Common equity ⁽¹⁾	¥ 242.90	¥ 220.70	¥ 233.65
Basic net income	10.26	9.70	19.24
Diluted net Income	10.26	—	—
Capital adequacy data:			
Total capital adequacy ratio	14.1%	11.7%	12.2%
Tier I capital ratio	12.0%	9.8%	10.4%
Average balance data:			
Securities	¥ 1,937.4	¥ 1,886.7	¥ 2,014.3
Loans and bills discounted	4,264.8	4,185.6	4,246.2
Total assets	8,967.4	8,746.1	8,819.5
Interest-bearing liabilities	7,367.6	6,791.5	7,054.0
Total liabilities	8,272.1	8,108.6	8,163.8
Total equity	695.3	637.4	655.6
Other data:			
Return on assets	0.6%	0.6%	0.6%
Return on equity ⁽¹⁾	8.6%	8.9%	8.6%
Ratio of deposits, including negotiable certificates of deposit, to total liabilities	70.2%	65.3%	65.4%
Expense-to-revenue ratio ⁽²⁾	66.9%	62.2%	65.8%
Nonperforming claims, non-consolidated	¥ 201.9	¥ 274.6	¥ 242.6
Ratio of nonperforming claims to total claims, non-consolidated	4.8%	6.2%	5.3%
Net deferred tax assets	¥ 18.7	¥ 15.5	¥ 16.3
Net deferred tax assets as a percentage of Tier I capital	2.9%	2.7%	2.7%

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 its Consolidated Subsidiaries

For the six months ended September 30, 2013

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	¥ 1.7
Associated deferred tax income	(0.6)
Amortization of goodwill	3.4
Total amortization of goodwill and intangible assets acquired in business combinations, net of tax benefit	¥ 4.5
Reconciliation of net income to cash basis net income⁽¹⁾	
Net income	¥ 27.2
Amortization of goodwill and intangible assets acquired in business combinations, net of tax benefit	4.5
Cash basis net income	¥ 31.7
Reconciliation of basic net income per share to cash basis basic net income per share	
Basic net income per share	¥ 10.26
Effect of amortization of goodwill and intangible assets acquired in business combinations, net of tax benefit	1.69
Cash basis basic net income per share	¥ 11.96
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	8.6%
Effect of amortization of goodwill and intangible assets acquired in business combinations, net of tax benefit	1.4%
Cash basis return on equity	10.0%
Reconciliation of return on equity to return on tangible equity	
Return on equity	8.6%
Effect of goodwill and intangible assets acquired in business combinations	2.1%
Return on tangible equity ⁽²⁾	10.7%

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 ¥100.2 billion for the six months ended September 30, 2013, consisting of net interest income of ¥55.0 billion and non-interest income of ¥45.2 billion. This represented a decrease as compared to total revenue of ¥104.1 billion for the six months ended September 30, 2012. However, it was an increase as compared to ¥94.9 billion for the six months ended March 31, 2013, and represents a progression of approximately 47% to the target of ¥215.0 billion for the fiscal year ending March 31, 2014 established in the Second Medium-Term Management Plan. This was mainly due to the creation of fundamental frameworks from a financial and operational aspect being mostly complete, which resulted in almost no impact from non-recurring losses such as impairments.

NET INTEREST INCOME

Net interest income of ¥55.0 billion was recorded for the six months ended September 30, 2013, which represents a progression of approximately 48% to the target of ¥115.0 billion for the fiscal year ending March 31, 2014 established in the Second Medium-Term Management Plan. This was a decrease as compared to ¥56.1 billion for the six months ended September 30, 2012, mainly due to the reduction in noncore assets, and the lower balance of consumer finance loans. However, the consumer finance loan balance shifted to a growth trend in the fourth quarter of the fiscal year ended March 31, 2013 and continued to grow for the six months ended September 30, 2013, and the housing loan balance continued to grow. Net interest income for the Institutional Group was almost at the same level as that of the six months ended September 30, 2012.

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, 2013			Six months ended September 30, 2012		
	Average Balance	Interest	Yield/Rate ⁽⁴⁾	Average Balance	Interest	Yield/Rate ⁽⁴⁾
Interest-earning assets:						
Loans and bills discounted	¥ 4,264.8	¥ 62.7	2.94%	¥ 4,185.6	¥ 64.7	3.08%
Lease receivables and leased investment assets/ installment receivables	591.1	17.8	6.03	563.4	17.6	6.24
Securities	1,937.4	8.2	0.85	1,886.7	8.6	0.91
Other interest-earning assets ⁽¹⁾	421.4	1.5	n.m. ⁽³⁾	376.5	0.8	n.m. ⁽³⁾
Total revenue on interest-earning assets (A)	¥ 7,214.8	¥ 90.4	2.50%	¥ 7,012.4	¥ 91.7	2.61%
Interest-bearing liabilities:						
Deposits, including negotiable certificates of deposit	¥ 5,725.5	¥ 11.3	0.39%	¥ 5,345.7	¥ 11.8	0.44%
Debentures	85.2	0.1	0.28	289.2	0.5	0.38
Borrowed money	634.0	2.5	0.79	608.8	2.6	0.85
Subordinated debt	90.6	1.0	2.23	93.0	0.9	2.07
Other borrowed money	543.3	1.4	0.55	515.8	1.6	0.64
Corporate bonds	186.9	2.9	3.19	164.0	2.5	3.09
Subordinated bonds	166.9	2.8	3.43	140.2	2.3	3.40
Other corporate bonds	19.9	0.1	1.19	23.7	0.1	1.25
Other interest-bearing liabilities ⁽¹⁾	735.8	0.5	n.m. ⁽³⁾	383.6	0.4	n.m. ⁽³⁾
Total expense on interest-bearing liabilities (B)	¥ 7,367.6	¥ 17.5	0.47%	¥ 6,791.5	¥ 17.9	0.53%
Net interest margin (A) - (B)	—	—	2.03%	—	—	2.08%
Non-interest-bearing sources of funds:						
Non-interest-bearing (assets) liabilities, net	¥ (786.3)	—	—	¥ (355.4)	—	—
Total equity excluding minority interest ⁽²⁾	633.6	—	—	576.4	—	—
Total non-interest-bearing sources of funds (C)	¥ (152.7)	—	—	¥ 220.9	—	—
Total interest-bearing liabilities and non-interest-bearing sources of funds (D) = (B) + (C)	¥ 7,214.8	¥ 17.5	0.48%	¥ 7,012.4	¥ 17.9	0.51%
Net revenue on interest-earning assets/ yield on interest-earning assets (A) - (D)	—	¥ 72.9	2.02%	—	¥ 73.8	2.10%

Reconciliation of total revenue on interest-earning assets to total interest income

Total revenue on interest-earning assets	¥ 7,214.8	¥ 90.4	2.50%	¥ 7,012.4	¥ 91.7	2.61%
Less: Income on lease transactions and installment receivables	591.1	17.8	6.03	563.4	17.6	6.24
Total interest income	¥ 6,623.7	¥ 72.5	2.18%	¥ 6,448.9	¥ 74.1	2.29%
Total interest expenses	—	17.5	—	—	17.9	—
Net interest income	—	¥ 55.0	—	—	¥ 56.1	—

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.

(4) Percentages have been rounded from the third decimal place.

Net revenue on interest-earning assets includes net interest income as well as revenue earned on lease receivables, leased investment assets and installment receivables. However, while we consider income on lease transactions and installment receivables to be a component of interest income, Japanese GAAP does not recognize income on lease transactions and installment receivables as a component of net interest income. Therefore, in our interim consolidated statements of income, income on lease transactions and installment receivables is

reported in net other business income under Japanese GAAP.

Net interest margin of 2.03% was recorded for the six months ended September 30, 2013, compared to 2.08% for the six months ended September 30, 2012. This decrease was mainly due to factors such as the lower balance of relatively high-yield consumer finance loans compared to the six months ended September 30, 2012 resulting in a decrease in the yield on interest-earning assets. At the same time, rates on deposits including negotiable certificates of deposit have fallen from

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

0.44% for the six months ended September 30, 2012 to 0.39% for the six months ended September 30, 2013, due in part to the maturation of high-yield time deposits made in previous years. This, together with a reduction of interest rates on interest bearing liabilities, such as bonds due to declines in market interest rates, has softened the decrease in the net interest margin.

The revenue on interest-earning assets including leasing and installment accounts receivable for the six months ended September 30, 2013 was ¥72.9 billion, decreasing from ¥73.8 billion for the six months ended September 30, 2012. While the total expense on interest-bearing liabilities decreased by ¥0.4 billion from ¥17.9 billion for the six months ended September 30, 2012 to ¥17.5 billion for the six months ended

September 30, 2013, this was offset by an even larger decrease in total revenue on interest-earning assets of ¥1.3 billion.

NET FEES AND COMMISSIONS

Net fees and commissions consisted mainly of revenues 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 insurance products. Partly due to an increase in fees from mutual funds and structured bonds in retail banking, net fees and commissions was ¥11.6 billion for the six months ended September 30, 2013, increasing from ¥8.7 billion for the six months ended September 30, 2012.

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, 2013	Six months ended September 30, 2012	% Change
Income from trading securities	¥ 3.1	¥ 1.5	103.1
Income (loss) from securities held to hedge trading transactions	(0.8)	(1.7)	49.7
Income from trading-related financial derivatives	4.9	9.8	(50.1)
Other, net	(0.1)	(0.0)	(588.5)
Net trading income	¥ 6.9	¥ 9.5	(27.0)

Net trading income includes revenues from derivatives associated with customer transactions, as well as those from proprietary trading. Net trading income of ¥6.9 billion was recorded

for the six months ended September 30, 2013, a decline from ¥9.5 billion for the six months ended September 30, 2012.

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, 2013	Six months ended September 30, 2012	% Change
Net gain on monetary assets held in trust	¥ 3.7	¥ 4.7	(19.6)
Net gain on foreign exchanges	2.2	1.1	96.9
Net gain on securities	0.0	2.0	(97.6)
Net gain on other monetary claims purchased	0.9	1.2	(20.9)
Other, net:	1.6	2.8	(42.7)
Income (loss) from derivative transactions for banking purpose, net	0.2	(0.4)	166.4
Equity in net income of affiliates	0.9	1.2	(23.2)
Gain on lease cancellation and other lease income (loss), net	0.9	0.4	114.8
Other, net	(0.6)	1.4	(143.1)
Net other business income before income on lease transactions and installment receivables, net	8.7	11.9	(27.0)
Income on lease transactions and installment receivables, net	17.8	17.6	1.3
Net other business income	¥ 26.5	¥ 29.5	(10.1)

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

Net other business income of ¥26.5 billion was recorded for the six months ended September 30, 2013 as compared to ¥29.5 billion for the six months ended September 30, 2012. This was largely due to a loss of ¥1.4 billion incurred in the ALM business in the first quarter of the fiscal year ending March 31, 2014 on the sales of Japanese national government bonds made in order to avoid interest rate risk resulting from volatility in the market. However, income on lease transactions and installment receivables of ¥17.8 billion was recorded for

the six months ended September 30, 2013, a slight increase compared to the six months ended September 30, 2012, as well as profits of ¥1.7 billion were recorded with regard to equity securities, including the gain on sale of private equities, for the six months ended September 30, 2013, compared to a loss of ¥0.1 billion for the six months ended September 30, 2012, somewhat softening the impact of losses related to the sale of Japanese national government bonds.

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, 2013	Six months ended September 30, 2012	% Change
Personnel expenses	¥ 27.4	¥ 26.1	4.9
Premises expenses	9.7	9.9	(1.8)
Technology and data processing expenses	8.8	8.6	2.3
Advertising expenses	5.0	4.3	14.4
Consumption and property taxes	3.2	3.3	(3.3)
Deposit insurance premium	2.0	2.1	(3.8)
Other general and administrative expenses	10.6	10.0	5.5
General and administrative expenses	67.0	64.7	3.5
Amortization of goodwill and intangible assets acquired in business combinations	5.1	5.6	(8.9)
Total general and administrative expenses	¥ 72.2	¥ 70.4	2.5

General and administrative expenses of ¥67.0 billion, excluding amortization of goodwill and intangible assets acquired in business combinations, for the six months ended September 30, 2013 represented a slight increase from ¥64.7 billion for the six months ended September 30, 2012. This was a result of prioritized allocation of management resources in relevant business areas in order to be able to smoothly expand our customer base further and to enhance our profitability, both of which are major strategic targets established in the Second Medium-Term Management Plan.

Personnel expenses of ¥27.4 billion for the six months ended September 30, 2013 increased from ¥26.1 billion for the six months ended September 30, 2012. We are looking to allocate additional personnel to each business area in order to expand our customer base and enhance our profitability.

Non personnel expenses of ¥39.5 billion for the six months ended September 30, 2013 increased from ¥38.5 billion for the six months ended September 30, 2012, as we have worked to rationalize expenses across all of our business lines through strict expense controls, while also investing in enhancing in our business infrastructure. Premises expenses of ¥9.7 billion were recorded for the six months ended September 30, 2013, more or less flat as compared to the six months ended September 30,

2012, reflecting our continuing efforts to streamline expenses. Technology and data processing expenses of ¥8.8 billion were recorded for the six months ended September 30, 2013 almost at the same level of those for the six months ended September 30, 2012, and investments to stabilize our information technology infrastructure are becoming fully realized. Advertising expenses of ¥5.0 billion were recorded for the six months ended September 30, 2013, an increase from ¥4.3 billion for the six months ended September 30, 2012, as we have actively expanded advertising activities with the aim of expanding our customer base. While, consumption tax costs arising from capital expenditures related to stabilization of our information technology infrastructure are expected in the future, consumption and property taxes for the six months ended September 30, 2013 were ¥3.2 billion, almost the same level as compared to the six months ended September 30, 2012. Deposit insurance premium expenses of ¥2.0 billion were recorded for the six months ended September 30, 2013, almost at the same level for the six months ended September 30, 2012. This was due to the average balance of deposits, etc. that form the basis for calculating our deposit insurance premium, which did not fluctuate drastically and the insurance premium rate which did not change.

Other general and administrative expenses of ¥10.6 billion

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

were recorded for the six months ended September 30, 2013, an increase from ¥10.0 billion for the six months ended September 30, 2012, due in part to temporary staff expenses in order to stabilize operation of our information technology systems.

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 finance and commercial finance companies totaled ¥5.1

billion for the six months ended September 30, 2013, down from ¥5.6 billion for the six months ended September 30, 2012. This reduction 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, 2013, 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, 2013	Six months ended September 30, 2012	% Change
Shinsei Financial	¥ 3.4	¥ 3.9	(13.5)
SHINKI	(0.1)	(0.1)	0.0
APLUS FINANCIAL	0.4	0.4	2.2
Showa Leasing	1.4	1.4	(3.1)
Others	0.0	(0.0)	25,117.0
Amortization of goodwill and intangible assets acquired in business combinations	¥ 5.1	¥ 5.6	(8.9)

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, 2013	Six months ended September 30, 2012	% Change
Losses on write-off or sales of loans	¥ 1.7	¥ 3.2	(46.6)
Net provision of reserve for loan losses:			
Net provision of general reserve for loan losses	2.2	0.7	199.8
Net provision of specific reserve for loan losses	0.4	8.3	(94.9)
Net provision of reserve for loan losses to restructuring countries	—	—	—
Subtotal	2.6	9.0	(70.7)
Net provision of specific reserve for other credit losses	—	(0.0)	100.0
Other credit costs (recoveries) relating to leasing business	(0.0)	(0.4)	84.0
Recoveries of written-off claims	(3.9)	(5.6)	29.6
Net credit costs	¥ 0.3	¥ 6.2	(94.3)

The principal components of net credit costs are provision or reversal of reserve for loan losses. 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 ¥0.3 billion were recorded for the six

months ended September 30, 2013, as compared to net credit costs of ¥6.2 billion for the six months ended September 30, 2012. We were able to see an improvement in this area as large amount of provision of reserve for loan losses, as previous years, were not recorded due to the reduction in noncore assets aimed at limiting underlying risks, reversal of the reserve, and improvements in the credit quality of loans in our consumer finance operations.

For the six months ended September 30, 2013, recoveries of

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

written-off claims were ¥3.9 billion, compared to ¥5.6 billion for the six months ended September 30, 2012. Excluding recoveries of written-off claims, net credit costs have improved with ¥4.3 billion recorded for the six months ended September 30, 2013, an improvement compared to ¥11.9 billion recorded for the six months ended September 30, 2012.

Additionally, recoveries of written-off claims of ¥3.9 billion for the six months ended September 30, 2013 included ¥2.7 billion from Shinsei Financial, ¥0.5 billion from SHINKI, and ¥0.6 billion from Shinsei Bank (non-consolidated basis).

OTHER GAINS (LOSSES), NET

Other losses of ¥0.1 billion were recorded for the six months ended September 30, 2013, as compared to gains of ¥0.5 billion for the six months ended September 30, 2012. This was mainly due to ¥1.0 billion in impairment losses on fixed assets being recorded for the six months ended September 30, 2013, which were incurred due to the optimization of our branches and equipment to smoothly carry out the Second Medium-Term Management Plan.

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

	Billions of yen		
	Six months ended September 30, 2013	Six months ended September 30, 2012	% Change
Net gain (loss) on disposal of premises and equipment	¥ (0.1)	¥ 0.2	(160.6)
Pension-related costs	—	(0.0)	100.0
Gain on write-off of unclaimed debentures	0.5	0.2	95.7
Impairment losses on long-lived assets	(1.0)	(0.1)	(525.5)
Other, net	0.5	0.2	155.8
Total	¥ (0.1)	¥ 0.5	(120.2)

INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS

As a result of the foregoing, income before income taxes and minority interests totaled ¥27.6 billion for the six months ended September 30, 2013, as compared to ¥27.9 billion for the six months ended September 30, 2012.

INCOME TAXES (BENEFIT)

Current and deferred income taxes recorded a net benefit of ¥1.2 billion for the six months ended September 30, 2013, as compared to a net expense of ¥0.3 billion for the six months ended September 30, 2012.

MINORITY INTERESTS IN NET INCOME OF SUBSIDIARIES

Minority interests in net income of subsidiaries were ¥1.6 billion for the six months ended September 30, 2013. 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, 2013 were ¥1.7 billion, almost the same as the six months ended September 30, 2012.

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

	Billions of yen		
	Six months ended September 30, 2013	Six months ended September 30, 2012	% Change
Dividends on preferred securities (hybrid Tier I capital) issued by foreign SPCs	¥ 1.5	¥ 1.5	2.7
Others	0.0	0.2	(80.0)
Minority interests in net income of subsidiaries	¥ 1.6	¥ 1.7	(9.7)

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

NET INCOME

We recognized consolidated net income of ¥27.2 billion for the six months ended September 30, 2013, compared to consolidated net income of ¥25.7 billion for the six months ended September 30, 2012.

Consolidated cash basis net income for the six months ended September 30, 2013 was ¥31.7 billion, compared to ¥30.6 billion for the six months ended September 30, 2012. 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 accordance 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, 2013			Six months ended September 30, 2012		
	Reported-basis	Reclassifications	Operating-basis	Reported-basis	Reclassifications	Operating-basis
Revenue:						
Net interest income	¥ 55.0	¥ —	¥ 55.0	¥ 56.1	¥ —	¥ 56.1
Non-interest income	45.2	—	45.2	47.9	—	47.9
Total revenue	100.2	—	100.2	104.1	—	104.1
General and administrative expenses ⁽¹⁾	67.0	(1.2)	65.8	64.7	(0.9)	63.7
Amortization of goodwill and intangible assets acquired in business combinations ⁽²⁾	5.1	(5.1)	—	5.6	(5.6)	—
Total general and administrative expenses	72.2	(6.3)	65.8	70.4	(6.6)	63.7
Net business profit/Ordinary business profit ⁽²⁾	28.0	6.3	34.4	33.6	6.6	40.3
Net credit costs	0.3	—	0.3	6.2	—	6.2
Amortization of goodwill and intangible assets acquired in business combinations ⁽²⁾	—	5.1	5.1	—	5.6	5.6
Other gains (losses), net ⁽¹⁾	(0.1)	(1.2)	(1.3)	0.5	(0.9)	(0.4)
Income before income taxes and minority interests	27.6	—	27.6	27.9	—	27.9
Income taxes and minority interests	0.3	—	0.3	2.1	—	2.1
Net income	¥ 27.2	¥ —	¥ 27.2	¥ 25.7	¥ —	¥ 25.7

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 our 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, 2013	Six months ended September 30, 2012	% Change
Institutional Group:			
Net interest income	¥ 14.8	¥ 14.5	2.6
Non-interest income	21.0	16.9	24.3
Total revenue	35.9	31.4	14.3
General and administrative expenses	12.1	12.0	0.9
Ordinary business profit	23.8	19.4	22.6
Net credit costs (recoveries)	(2.8)	3.3	(186.1)
Ordinary business profit after net credit costs (recoveries)	¥ 26.6	¥ 16.1	65.6
Global Markets Group:			
Net interest income	¥ 1.9	¥ 1.5	26.9
Non-interest income	3.2	6.0	(46.0)
Total revenue	5.2	7.6	(31.1)
General and administrative expenses	4.4	4.5	(3.5)
Ordinary business profit	0.8	3.0	(72.4)
Net credit costs (recoveries)	(0.0)	(1.7)	97.3
Ordinary business profit after net credit costs (recoveries)	¥ 0.8	¥ 4.7	(81.4)
Individual Group:			
Net interest income	¥ 41.5	¥ 43.0	(3.6)
Non-interest income	21.4	20.3	5.4
Total revenue	63.0	63.4	(0.7)
General and administrative expenses	48.9	46.9	4.3
Ordinary business profit	14.0	16.5	(14.7)
Net credit costs	3.2	4.3	(25.8)
Ordinary business profit after net credit costs	¥ 10.8	¥ 12.1	(10.7)
Corporate/Other⁽¹⁾:			
Net interest income	¥ (3.3)	¥ (2.9)	(13.5)
Non-interest income	(0.5)	4.5	(112.9)
Total revenue	(3.9)	1.5	(349.8)
General and administrative expenses	0.3	0.2	45.8
Ordinary business profit (loss)	(4.2)	1.3	(424.1)
Net credit costs	0.0	0.2	(99.8)
Ordinary business profit (loss) after net credit costs	¥ (4.2)	¥ 1.0	(502.7)
Total:			
Net interest income	¥ 55.0	¥ 56.1	(2.0)
Non-interest income	45.2	47.9	(5.6)
Total revenue	100.2	104.1	(3.7)
General and administrative expenses	65.8	63.7	3.2
Ordinary business profit	34.4	40.3	(14.6)
Net credit costs	0.3	6.2	(94.3)
Ordinary business profit after net credit costs	¥ 34.0	¥ 34.0	0.1

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

INSTITUTIONAL GROUP

The Institutional Group consists of: 1) Institutional Business Sub-Group which provides financial products and services to corporate and public entities, and also provides structured finance businesses such as real estate finance and project finance, 2) Principal Transactions Sub-Group which covers credit trading and private equity business, 3) Showa Leasing and 4) Others including asset-backed investments.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

The Structured Finance Sub-Group was integrated into the Institutional Business Sub-Group in a reorganization on April 1, 2013. Also, on July 1, 2013, the Shinsei Principal Investments Group was formed through the restructuring of Shinsei Corporate Investment Limited, Shinsei Investment & Finance Limited, and Shinsei Servicing & Consulting Limited, which come under the umbrella of Shinsei Principal Investments Ltd. and the Bank has transferred the front office operations of the key functions of the Principal Transactions Sub-Group of the credit trading and the private equity businesses to its subsidiaries.

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

	Billions of yen		
	Six months ended September 30, 2013	Six months ended September 30, 2012	% Change
Institutional Business Sub-Group—Institutional Business⁽¹⁾:			
Net interest income	¥ 4.8	¥ 4.9	(1.3)
Non-interest income	1.9	1.5	24.7
Total revenue	6.8	6.4	4.9
General and administrative expenses	3.1	3.1	(0.3)
Ordinary business profit	3.7	3.3	9.9
Net credit costs (recoveries)	0.7	(1.7)	142.3
Ordinary business profit after net credit costs (recoveries)	¥ 2.9	¥ 5.1	(42.4)
Institutional Business Sub-Group—Structured Finance⁽¹⁾:			
Net interest income	¥ 8.8	¥ 9.1	(2.4)
Non-interest income	3.9	1.4	181.1
Total revenue	12.8	10.5	22.0
General and administrative expenses	2.4	2.4	(0.1)
Ordinary business profit	10.4	8.1	28.6
Net credit costs (recoveries)	(3.4)	3.9	(186.3)
Ordinary business profit after net credit costs (recoveries)	¥ 13.8	¥ 4.1	237.7
Principal Transactions Sub-Group:			
Net interest income	¥ 2.2	¥ 1.9	14.0
Non-interest income	7.3	5.6	29.4
Total revenue	9.6	7.6	25.4
General and administrative expenses	2.1	1.9	13.6
Ordinary business profit	7.4	5.7	29.3
Net credit costs	0.0	0.0	(45.9)
Ordinary business profit after net credit costs	¥ 7.4	¥ 5.6	30.6
Showa Leasing:			
Net interest income	¥ (1.3)	¥ (1.4)	5.0
Non-interest income	8.1	7.7	4.3
Total revenue	6.7	6.3	6.4
General and administrative expenses	3.8	3.8	0.4
Ordinary business profit	2.9	2.5	15.4
Net credit costs (recoveries)	(1.8)	(0.3)	(425.6)
Ordinary business profit after net credit costs (recoveries)	¥ 4.8	¥ 2.9	65.7
Others:			
Net interest income	¥ 0.1	¥ (0.1)	236.0
Non-interest income	(0.2)	0.5	(152.1)
Total revenue	(0.0)	0.3	(124.5)
General and administrative expenses	0.6	0.7	(19.5)
Ordinary business profit (loss)	(0.7)	(0.3)	(93.7)
Net credit costs	1.6	1.3	23.3
Ordinary business profit (loss) after net credit costs	¥ (2.3)	¥ (1.7)	(38.4)
Institutional Group:			
Net interest income	¥ 14.8	¥ 14.5	2.6
Non-interest income	21.0	16.9	24.3
Total revenue	35.9	31.4	14.3
General and administrative expenses	12.1	12.0	0.9
Ordinary business profit	23.8	19.4	22.6
Net credit costs (recoveries)	(2.8)	3.3	(186.1)
Ordinary business profit after net credit costs (recoveries)	¥ 26.6	¥ 16.1	65.6

Note: (1) Results for Shipping finance is included in "Institutional Business Sub-Group—Structured Finance," formerly shown in "Institutional Business Sub-Group—Institutional Business," in line with the organizational change on April 1, 2013.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

The Institutional Group business recorded total revenue of ¥35.9 billion for the six months ended September 30, 2013, an increase compared to ¥31.4 billion for the six months ended September 30, 2012, as the progress made during the First Medium-Term Management Plan towards rebuilding our customer base and stabilizing our profitability steadily began yielding results and led to a stronger performance. Net interest income was ¥14.8 billion for the six months ended September 30, 2013, an increase from ¥14.5 billion for the six months ended September 30, 2012. Non-interest income was ¥21.0 billion for the six months ended September 30, 2013, an increase from ¥16.9 billion for the six months ended September 30, 2012.

In the Institutional Business Sub-Group, a sub-group under the Institutional Group, total revenue was ¥6.8 billion for the six months ended September 30, 2013, versus ¥6.4 billion for the six months ended September 30, 2012. Efforts continue to be made to identify new outlets for corporate lending and increasing the loan balance, with continuous cross selling, focusing on the development and provision of financial products and services tailored to the needs of our customers in order to further expand our client base. Structured Finance recorded total revenue of ¥12.8 billion for the six months ended September 30, 2013, as compared to ¥10.5 billion for the six months ended September 30, 2012. The increase was mainly due to fee income earned related to institutional real estate such as REITs and the undertaking of new credit in specialty finance.

The Principal Transactions Sub-Group recorded total revenue of ¥9.6 billion for the six months ended September 30, 2013, an increase from ¥7.6 billion for the six months ended September 30, 2012. The performance continued to be stable mainly due to continued domestic credit trading operations efforts, and ¥0.9 billion of capital gains on sales of private equity investments was also recorded. In addition, impairment on private equity investment was less than ¥0.1 billion for the six months ended September 30, 2013, which was ¥0.6 billion for the six months ended September 30, 2012.

Total revenue at Others of the Institutional Group was a loss less than ¥0.1 billion for the six months ended September 30, 2013, compared to again of ¥0.3 billion in total revenue for the six months ended September 30, 2012. The impact on the profit and loss is becoming limited due to continuous reduction of non-core assets.

General and administrative expenses were ¥12.1 billion for the six months ended September 30, 2013, an increase from ¥12.0 billion for the six months ended September 30, 2012. While the Group continued efforts to improve efficiency, expenses were up very slightly due to investment of management resources in strategic focus areas to increase headcount and to expand the business base in order to strengthen profitability.

Net credit recoveries of ¥2.8 billion were recorded for the six months ended September 30, 2013, as compared to net credit costs of ¥3.3 billion for the six months ended September 30, 2012. Net credit costs remained improved at the Institutional Group, as a large amount of provision of reserve for loan losses were not recorded due to reduction of noncore assets aimed at limiting potential risks in our First Medium-Term Management Plan. In addition, the creditworthiness of some accounts improved, and there were some reversals of reserve for loan losses due to the sale of nonperforming loans, resulting in an overall improvement in net credit costs of the Institutional Group.

As a result, the Institutional Group recorded an ordinary business profit after net credit costs of ¥26.6 billion for the six months ended September 30, 2013, an increase from ¥16.1 billion for the six months ended September 30, 2012.

Showa Leasing recorded ¥4.8 billion of ordinary business profit after net credit costs for the six months ended September 30, 2013, an increase as compared to ¥2.9 billion for the six months ended September 30, 2012. Total revenue was ¥6.7 billion for the six months ended September 30, 2013, steady as compared to ¥6.3 billion for the six months ended September 30, 2012. Net credit recoveries were ¥1.8 billion for the six months ended September 30, 2013, compared to ¥0.3 billion for the six months ended September 30, 2012, due to improvements in credit quality of loans and the progression of collections.

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 which covers asset management, wealth management, and Shinsei Securities' businesses.

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, 2013	Six months ended September 30, 2012	% Change
Financial Institutions Sub-Group:			
Net interest income	¥ 0.8	¥ 0.8	(2.6)
Non-interest income	0.8	1.6	(44.3)
Total revenue	1.7	2.4	(30.0)
General and administrative expenses	1.0	1.1	(10.9)
Ordinary business profit	0.6	1.2	(47.7)
Net credit costs (recoveries)	0.0	(1.3)	104.1
Ordinary business profit after net credit costs (recoveries)	¥ 0.6	¥ 2.6	(76.8)
Markets Sub-Group:			
Net interest income	¥ 1.1	¥ 0.6	71.0
Non-interest income	0.9	3.3	(72.3)
Total revenue	2.0	4.0	(48.6)
General and administrative expenses	1.6	1.6	(0.1)
Ordinary business profit	0.4	2.4	(80.5)
Net credit costs (recoveries)	(0.0)	(0.1)	61.5
Ordinary business profit after net credit costs (recoveries)	¥ 0.5	¥ 2.5	(79.6)
Others:			
Net interest income	¥ 0.0	¥ 0.0	(88.1)
Non-interest income	1.4	1.0	36.0
Total revenue	1.4	1.1	31.1
General and administrative expenses	1.7	1.7	(1.6)
Ordinary business profit (loss)	(0.2)	(0.6)	55.5
Net credit costs (recoveries)	(0.0)	(0.2)	78.1
Ordinary business profit (loss) after net credit costs (recoveries)	¥ (0.2)	¥ (0.4)	43.6
Global Markets Group:			
Net interest income	¥ 1.9	¥ 1.5	26.9
Non-interest income	3.2	6.0	(46.0)
Total revenue	5.2	7.6	(31.1)
General and administrative expenses	4.4	4.5	(3.5)
Ordinary business profit	0.8	3.0	(72.4)
Net credit costs (recoveries)	(0.0)	(1.7)	97.3
Ordinary business profit after net credit costs (recoveries)	¥ 0.8	¥ 4.7	(81.4)

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

The Global Markets Group generated total revenue of ¥5.2 billion for the six months ended September 30, 2013, compared to ¥7.6 billion for the six months ended September 30, 2012. The Group continued efforts to expand its customer base, as well as developing and providing financial products which meet customers' needs, however total revenue decreased due to sluggish growth in the total volume of customer transactions and market related-transactions.

The Financial Institutions Sub-Group's total revenue was ¥1.7 billion for the six months ended September 30, 2013, compared to ¥2.4 billion for the six months ended September 30, 2012. For the six months ended September 30, 2013, the Sub-Group promoted business alliances utilizing their well developed network with financial institutions, while striving to promote sales providing various products and transactions in line with customers' needs. However, growth in revenue from transactions with customers was sluggish, and total revenue decreased compared to the six months ended September 30, 2012.

The Markets Sub-Group similarly experienced sluggish growth in revenue from transactions with customers and market related transactions, and total revenue decreased to ¥2.0 billion for the six months ended September 30, 2013, a decline

from ¥4.0 billion for the six months ended September 30, 2012.

Total revenue at Others of the Global Markets Group was ¥1.4 billion for the six months ended September 30, 2013, an increase as compared to ¥1.1 billion for the six months ended September 30, 2012.

The Global Markets Group recorded ¥4.4 billion of general and administrative expenses for the six months ended September 30, 2013, compared to ¥4.5 billion for the six months ended September 30, 2012. While the allocation of resources to relevant business areas for rebuilding the client base was prioritized, continuous cost rationalization was implemented across the Group. As a result, expenses decreased slightly as compared to the six months ended September 30, 2012.

Net credit recoveries were less than ¥0.1 billion for the six months ended September 30, 2013, compared to net credit recoveries of ¥1.7 billion for the six months ended September 30, 2012. The Group's performance in this area in the six months ended September 30, 2012 was due to the collection of written-off claims and the recording of major credit recoveries.

As a result, the Global Markets Group recorded ¥0.8 billion of ordinary business profit after net credit costs for the six months ended September 30, 2013, compared to ¥4.7 billion for the six months ended September 30, 2012.

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. In addition, the foreign remittance service “GoRemit Shinsei Overseas Remittance Service” which was acquired from Lloyds TSB Bank on March 1, 2013, is included in Retail Banking.

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

	Billions of yen		
	Six months ended September 30, 2013	Six months ended September 30, 2012	% Change
Retail Banking:	¥ 16.8	¥ 16.7	0.7
Deposits and Debentures Net Interest Income	8.0	9.1	(12.9)
Deposits and Debentures Non-Interest Income	1.5	1.9	(20.8)
Asset management	2.7	2.0	32.7
Loans	4.5	3.4	29.5
Shinsei Financial and Shinsei Bank Lake ⁽¹⁾	18.8	19.0	(1.1)
SHINKI	3.0	3.2	(6.9)
APLUS FINANCIAL	23.4	23.5	(0.8)
Others ⁽²⁾	0.8	0.8	7.1
Total revenue	¥ 63.0	¥ 63.4	(0.7)

Notes: (1) Results for the Shinsei Financial and Shinsei Bank Lake in the Lake business (started on October 1, 2011) are combined on a management accounting basis.

(2) Includes Shinsei Property Finance and unallocated Consumer Finance Sub-Group financials.

Individual Group’s ordinary business profit after net credit costs was ¥10.8 billion for the six months ended September 30, 2013, compared to ¥12.1 billion for the six months ended September 30, 2012.

RETAIL BANKING

Total revenue of Retail Banking went from ¥16.7 billion for the six months ended September 30, 2012, to ¥16.8 billion for the six months ended September 30, 2013. Net interest income totaled ¥12.7 billion for the six months ended September 30, 2013, compared to ¥13.1 billion for the six months ended September 30, 2012. The disbursement of new housing loans remained strong, resulting in a net increase of the loan balance, and revenue also increased. However, net interest income from deposits including liquid deposits decreased due to a decline in market interest rates. As a result, overall net interest income decreased compared to the six months ended September 30, 2012. Non-interest income increased to ¥4.0 billion for the six months ended September 30, 2013, as compared to ¥3.5 billion

for the six months ended September 30, 2012. As a result of offering new products that meet the needs of customers in a timely manner, sales of investment products are progressing steadily and are continuing to grow from the six months ended March 31, 2013.

General and administrative expenses were ¥16.1 billion for the six months ended September 30, 2013, an increase as compared to ¥15.3 billion for the six months ended September 30, 2012, due to measures taken to smoothly carry out the Second Medium-Term Management Plan. However, we have implemented various rationalization and efficiency measures, such as reconsidering the unit price for advertising.

Net credit costs were ¥0.1 billion for the six months ended September 30, 2013. Net credit recoveries were less than ¥0.1 billion for the six months ended September 30, 2012. As a result, ordinary business profit after net credit costs was ¥0.5 billion for the six months ended September 30, 2013, compared to ¥1.3 billion for the six months ended September 30, 2012.

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, 2013	Six months ended September 30, 2012	% Change
Retail Banking:			
Net interest income	¥ 12.7	¥ 13.1	(3.1)
Non-interest income	4.0	3.5	14.9
Total revenue	16.8	16.7	0.7
General and administrative expenses	16.1	15.3	5.0
Ordinary business profit	0.6	1.3	(48.5)
Net credit costs (recoveries)	0.1	(0.0)	591.6
Ordinary business profit after net credit costs (recoveries)	¥ 0.5	¥ 1.3	(61.1)
Shinsei Financial and Shinsei Bank Lake⁽¹⁾:			
Net interest income	¥ 20.8	¥ 20.7	0.4
Non-interest income	(1.9)	(1.6)	(18.3)
Total revenue	18.8	19.0	(1.1)
General and administrative expenses	13.1	12.6	3.5
Ordinary business profit	5.7	6.4	(10.2)
Net credit costs (recoveries)	(0.4)	0.9	(143.1)
Ordinary business profit after net credit costs (recoveries)	¥ 6.1	¥ 5.4	14.1
SHINKI:			
Net interest income	¥ 3.3	¥ 3.5	(6.7)
Non-interest income	(0.2)	(0.3)	4.6
Total revenue	3.0	3.2	(6.9)
General and administrative expenses	2.0	1.9	8.0
Ordinary business profit	0.9	1.3	(28.3)
Net credit costs	0.1	0.0	362.5
Ordinary business profit after net credit costs	¥ 0.7	¥ 1.2	(41.1)
APLUS FINANCIAL:			
Net interest income	¥ 3.9	¥ 4.9	(20.6)
Non-interest income	19.4	18.6	4.5
Total revenue	23.4	23.5	(0.8)
General and administrative expenses	17.2	16.6	3.4
Ordinary business profit	6.1	6.8	(10.8)
Net credit costs	3.3	3.4	(0.6)
Ordinary business profit after net credit costs	¥ 2.7	¥ 3.4	(20.9)
Others⁽²⁾:			
Net interest income	¥ 0.7	¥ 0.6	4.5
Non-interest income	0.1	0.1	24.4
Total revenue	0.8	0.8	7.1
General and administrative expenses	0.3	0.2	28.1
Ordinary business profit	0.5	0.5	(2.0)
Net credit costs (recoveries)	(0.0)	(0.0)	(155.3)
Ordinary business profit after net credit costs (recoveries)	¥ 0.6	¥ 0.5	4.3
Individual Group:			
Net interest income	¥ 41.5	¥ 43.0	(3.6)
Non-interest income	21.4	20.3	5.4
Total revenue	63.0	63.4	(0.7)
General and administrative expenses	48.9	46.9	4.3
Ordinary business profit	14.0	16.5	(14.7)
Net credit costs	3.2	4.3	(25.8)
Ordinary business profit after net credit costs	¥ 10.8	¥ 12.1	(10.7)

Notes: (1) Results for Shinsei Financial and Shinsei Bank Lake in the Lake business (started on October 1, 2011) are combined on a management accounting basis.

(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 ¥6.1 billion for the six months ended September 30, 2013, compared to ¥5.4 billion for the six months ended September 30, 2012.

Total revenue was ¥18.8 billion for the six months ended September 30, 2013, compared to ¥19.0 billion for the six months ended September 30, 2012, as the loan balance continued to decrease due to the ongoing effects of the revised Money-Lending Business Control and Regulation Law. However, total revenue is up from ¥18.5 billion for the six months ended March 31, 2013. The combined loan balances at Shinsei Financial and Shinsei Bank Lake have grown since the fourth quarter of the fiscal year ended March 31, 2013, and the balance (total balance including consumer finance operations conducted within the Bank) has grown by ¥8.8 billion from March 31, 2013 to September 30, 2013.

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, and credit quality continues to improve due to the income-linked borrowing limitation regulation implemented in 2010. When including recoveries of written-off claims, net credit recoveries of ¥0.4 billion were recorded for the six months ended September 30, 2013, as compared to net credit costs of ¥0.9 billion recorded for the six months ended September 30, 2012.

SHINKI

The ordinary business profit after net credit costs of SHINKI was ¥0.7 billion for the six months ended September 30, 2013, compared to ¥1.2 billion for the six months ended September 30, 2012. Similar to Shinsei Financial, SHINKI's total revenue also decreased due to the revised Money-Lending Business Control and Regulation Law. However, the rate of decline has slowed.

APLUS FINANCIAL

The ordinary business profit after net credit costs of APLUS FINANCIAL amounted to ¥2.7 billion for the six months ended September 30, 2013, compared to ¥3.4 billion for the six months ended September 30, 2012. Net interest income as a part of total revenue decreased to ¥3.9 billion for the six months ended September 30, 2013, compared to ¥4.9 billion for the six months ended September 30, 2012 due to the decrease in the disbursement of loans following the implementation of the revised Money-Lending Business Control and Regulation Law. Non-interest income increased to ¥19.4 billion for the six months ended September 30, 2013, compared to

¥18.6 billion for the six months ended September 30, 2012, as a result of a steady increase in volume in the installment sales credit and settlement business. While continuing to pursue rationalization and efficient business processes, general and administrative expenses increased to ¥17.2 billion for the six months ended September 30, 2013, from ¥16.6 billion for the six months ended September 30, 2012, due to an increase in temporary staff expenses to ensure the stable operation of the IT system. Net credit costs were ¥3.3 billion for the six months ended September 30, 2013 compared to ¥3.4 billion for the six months ended September 30, 2012.

INTEREST REPAYMENT

While no provision of reserve for losses on interest repayments was recorded for the six months ended September 30, 2013 and 2012, respectively, the usage of the reserve for the six months ended September 30, 2013 has decreased compared to the six months ended September 30, 2012 at Shinsei Financial, SHINKI, and APLUS FINANCIAL.

Shinsei Financial's usage of reserve for losses on interest repayments and reversal of the reserve amounted to ¥2.2 billion for the six months ended September 30, 2013, compared to ¥2.6 billion for the six months ended September 30, 2012. No provision of the reserve was recorded for the six months ended September 30, 2013 and the outstanding balance of the reserve was ¥19.1 billion as of September 30, 2013, compared to ¥21.3 billion as of March 31, 2013. Losses on interest repayments at Shinsei Financial have been recorded for the portion of the portfolio not covered by the indemnity from GE Japan Holdings Co., Ltd. ("GE") included in the purchase agreement of Shinsei Financial.

SHINKI's usage of reserve for losses on interest repayments amounted to ¥2.4 billion for the six months ended September 30, 2013, compared to ¥3.6 billion for the six months ended September 30, 2012. No provision of the reserve was recorded for the six months ended September 30, 2013 and the outstanding balance of the reserve was ¥5.3 billion as of September 30, 2013, compared to ¥7.8 billion as of March 31, 2013.

APLUS FINANCIAL's and its consolidated subsidiaries' usage of reserve for losses on interest repayments amounted to ¥1.6 billion for the six months ended September 30, 2013, compared to ¥3.0 billion for the six months ended September 30, 2012. No provision of the reserve was recorded for the six months ended September 30, 2013 and the outstanding balance of the reserve was ¥4.1 billion as of September 30, 2013, compared to ¥5.7 billion as of March 31, 2013.

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, 2013	Six months ended September 30, 2012	% Change
Treasury Sub-Group:			
Net interest income	¥ (1.7)	¥ (1.6)	(2.9)
Non-interest income	(0.7)	4.3	(117.6)
Total revenue	(2.5)	2.6	(195.0)
General and administrative expenses	0.7	0.6	20.8
Ordinary business profit (loss)	(3.2)	1.9	(265.0)
Net credit costs	—	—	—
Ordinary business profit (loss) after net credit costs	¥ (3.2)	¥ 1.9	(265.0)
Others⁽¹⁾:			
Net interest income	¥ (1.6)	¥ (1.2)	(27.8)
Non-interest income	0.1	0.2	(12.5)
Total revenue	(1.4)	(1.0)	(35.5)
General and administrative expenses	(0.4)	(0.3)	(5.0)
Ordinary business profit (loss)	(1.0)	(0.6)	(53.8)
Net credit costs	0.0	0.2	(99.8)
Ordinary business profit (loss) after net credit costs	¥ (1.0)	¥ (0.9)	(10.6)
Corporate/Other:			
Net interest income	¥ (3.3)	¥ (2.9)	(13.5)
Non-interest income	(0.5)	4.5	(112.9)
Total revenue	(3.9)	1.5	(349.8)
General and administrative expenses	0.3	0.2	45.8
Ordinary business profit (loss)	(4.2)	1.3	(424.1)
Net credit costs	0.0	0.2	(99.8)
Ordinary business profit (loss) after net credit costs	¥ (4.2)	¥ 1.0	(502.7)

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

The Treasury Sub-Group's total revenue was a loss of ¥2.5 billion for the six months ended September 30, 2013, compared to a profit of ¥2.6 billion for the six months ended September 30, 2012. While the Treasury Sub-Group holds liquidity reserves and Japanese national government bonds for ALM

purposes, a loss of ¥1.4 billion was incurred on the sale of Japanese national government bonds which was conducted in order to avoid interest rate risk resulting from major fluctuations in the market in the first quarter of the fiscal year ending March 31, 2014.

RESULTS OF OPERATIONS (NON-CONSOLIDATED)

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 Financial Services Agency of Japan ("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 ¥15.5 billion on a non-consolidated basis for the six months ended September 30, 2013. 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 16. SUPPLEMENTAL MEASURES (NON-CONSOLIDATED)

	Billions of yen	
	Six months ended September 30, 2013	Six months ended September 30, 2012
Gross business profit (<i>gyomu sorieki</i>):		
Net interest income	¥ 37.5	¥ 34.8
Net fees and commissions ⁽¹⁾	6.0	7.5
Net trading income	2.5	8.5
Net other business income	1.7	1.2
Total gross business profit	47.8	52.1
Expenses ⁽²⁾	34.3	33.3
Net business profit (<i>jishitsu gyomu jun-eki</i>)	13.5	18.7
Other, net ⁽³⁾	1.2	(3.1)
Net operating income (<i>keijo rieki</i>)	14.7	15.6
Extraordinary income (loss)	(1.0)	(0.5)
Income before income taxes	13.6	15.1
Current income taxes (benefit)	(0.1)	(0.1)
Deferred income taxes (benefit)	(1.8)	(0.4)
Net income	¥ 15.5	¥ 15.6

Notes: (1) Includes net gain (loss) on monetary assets held in trust of ¥2.3 billion and ¥5.1 billion for the six months ended September 30, 2013 and 2012, respectively.

(2) General and administrative expenses with certain adjustment.

(3) Excludes net gain (loss) on monetary assets held in trust.

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 sorieki*) on a non-consolidated basis. Furthermore, in the Japanese banking industry, net business profit (*jishitsu 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 sorieki*) 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 (*jishitsu gyomu jun-eki*) is gross business profit (*gyomu sorieki*) 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 above sets forth these supplemental financial data and corresponding reconciliations to net income under Japanese GAAP for the presented period.

FINANCIAL CONDITION

TOTAL ASSETS

Consolidated total assets decreased from ¥9,029.3 billion to ¥8,905.5 billion over the six months ended September 30, 2013.

Balance of our loans and bills discounted was ¥4,208.6 billion as of September 30, 2013, compared to ¥4,292.4 billion as of March 31, 2013. Regarding the Institutional Group balance of loans and bills discounted, competition remains fierce in satisfying demand for capital, and the overall balance has declined as there were some recoveries of bad debts. However, in the Individual Group balance of loans and bills discounted,

the balance of housing loans has continued to steadily increase. The loan balance of our consumer finance business began growing from the fourth quarter of the fiscal year ended March 31, 2013 and the balance continued to increase in the six months ended September 30, 2013. In the Institutional Group, the customer base and the balance of corporate loans have begun to grow in the fiscal year ending March 31, 2014 due to newly established frameworks implemented as a part of the reorganization of the Group, and loans at the corporate banking business excluding healthcare finance has grown from ¥1,024.0 billion as of June 30, 2013, to ¥1,040.9 billion as of September 30, 2013.

TABLE 17. LOANS BY BORROWER INDUSTRY (CONSOLIDATED)

	Billions of yen (except percentages)			
	As of September 30, 2013		As of September 30, 2012	
Domestic offices (excluding Japan offshore market account):				
Manufacturing	¥ 206.5	5.0%	¥ 234.6	5.6%
Agriculture and Forestry	0.2	0.0	0.2	0.0
Fishery	—	—	—	—
Mining, quarrying and gravel extraction	0.1	0.0	0.2	0.0
Construction	13.9	0.3	16.8	0.4
Electric power, gas, heat supply and water supply	139.3	3.4	110.2	2.6
Information and communications	35.5	0.9	40.0	1.0
Transportation, postal service	214.2	5.2	232.4	5.5
Wholesale and retail	75.4	1.8	83.0	2.0
Finance and insurance	698.6	16.8	748.9	17.8
Real estate	561.7	13.5	614.8	14.7
Services	286.7	6.9	309.8	7.4
Local government	108.4	2.6	118.0	2.8
Others	1,816.1	43.7	1,687.2	40.2
Total domestic (A)	¥ 4,157.1	100.0%	¥ 4,196.7	100.0%
Overseas offices (including Japan offshore market accounts):				
Governments	¥ 1.6	3.3%	¥ 1.9	2.3%
Financial institutions	0.6	1.3	0.8	1.0
Others	49.0	95.4	82.3	96.7
Total overseas (B)	¥ 51.4	100.0%	¥ 85.1	100.0%
Total (A+B)	¥ 4,208.6		¥ 4,281.9	

TABLE 18. LBO (NON-CONSOLIDATED)

	Billions of yen		
	September 30, 2013 (a)	March 31, 2013 (b)	Change (a)-(b)
LBO ⁽¹⁾⁽³⁾	¥ 134.7	¥ 169.7	¥(35.0)
Japan	133.3 ⁽²⁾	167.7	(34.4)
U.S.	1.4	1.4	0.0
Europe	—	—	—
Other	—	0.5	(0.5)
(Breakdown by Industry Sector)			
Manufacturing	9.0%		
Information and communications	1.7%		
Wholesale and retail	5.9%		
Finance and insurance	16.3%		
Services	67.1%		
Total	100.0%		

Notes: (1) The amount includes unfunded commitment line.

(2) As of September 30, 2013, unfunded commitment line (only domestic) is ¥2.4 billion.

(3) This table includes deals made through foreign SPCs, but classification is by risk location.

FINANCIAL CONDITION (CONTINUED)

TABLE 19. OVERSEAS AND OFFSHORE LOANS BY REGION (NON-CONSOLIDATED)

	Billions of yen	
	As of September 30, 2013	As of September 30, 2012
United States	¥ 7.8	¥ 44.0
Asset-backed investments in the U.S.	—	5.3
Europe	26.0	43.9
Asset-backed investments in Europe	12.9	22.3
Others	152.3	130.8
Total overseas and offshore loans	¥ 186.2	¥ 218.8
Total asset-backed investments	¥ 12.9	¥ 27.6

Securities balance as of September 30, 2013 had declined to ¥1,794.7 billion, compared to ¥1,842.3 billion as of March 31, 2013, primarily due to the redemption of bonds associated with the disposal of nonperforming loans. However, holdings of U.S. treasuries have been increased in order to diversify securities held for ALM purposes to ¥56.5 billion as of September 30, 2013 compared to ¥38.5 billion as of March 31, 2013. Securities held include REITs, private equity investments and structured bonds that are invested in will continue to be assessed with ample consideration of the credit risks.

TABLE 20. DIVERSIFICATION BY FUNDING TYPE (CONSOLIDATED)

	Billions of yen	
	As of September 30, 2013	As of September 30, 2012
Retail deposits ⁽¹⁾	¥ 4,987.7	¥ 4,492.9
Institutional deposits	765.6	881.7
Retail debentures ⁽¹⁾⁽²⁾	44.0	260.9
Institutional debentures	1.8	16.7
Total	¥ 5,799.3	¥ 5,652.2

Notes: (1) In accordance with migration from Zaikei debentures to Zaikei deposits in April 2013, the amount of debentures as part of Retail debentures has been moved into Retail deposits.
(2) Excludes unclaimed matured debentures.

TOTAL EQUITY

Total equity as of September 30, 2013 was ¥706.9 billion and included minority interests of ¥61.1 billion.

ASSET QUALITY AND DISPOSAL OF
NONPERFORMING LOANS OF SHINSEI

At September 30, 2013, 71.1% of our consolidated nonperforming 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, nonperforming claims as defined in the Financial Revitalization Law are only disclosed on a non-consolidated basis, and therefore do not include nonperforming claims held by Shinsei Financial, APLUS FINANCIAL, Showa Leasing and SHINKI. For a discussion regarding the nonperforming claims of Shinsei Financial,

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.

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 nonperforming loans and other claims using criteria specified in the Financial Revitalization Law. We also disclose our nonperforming loans under a format devised by the JBA for the disclosure of risk-monitored loans.

FINANCIAL CONDITION (CONTINUED)

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 nonperforming claims. Shinsei's total amount of nonperforming claims as disclosed pursuant to the Financial Revitalization Law decreased ¥40.6 billion, or 16.8%, to ¥201.9

billion, between March 31, 2013 and September 30, 2013. During the six months ended September 30, 2013, claims against bankrupt and quasi-bankrupt obligors decreased from ¥38.6 billion to ¥33.6 billion, and doubtful claims decreased from ¥198.3 billion to ¥161.5 billion, and substandard claims increased from ¥5.6 billion to ¥6.7 billion, as a result of our self assessment. The ratio of nonperforming claims disclosed under the Financial Revitalization Law to total non-consolidated claims as of September 30, 2013 decreased to 4.8%, compared to 5.3% as of March 31, 2013.

Shinsei's claims against other need caution obligors, excluding substandard claims, totaled ¥157.0 billion as of September 30, 2013, a 19.9% decrease from ¥196.0 billion as of March 31, 2013, which included private placement bonds guaranteed by Shinsei classified as claims against other need caution obligors.

These claims represented 3.7% of total non-consolidated claims as of September 30, 2013, down from 4.3% as of March 31, 2013.

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:	Other	Total loans and bills discounted:	
Legally bankrupt	9E	100.0% for unsecured portion	4,139.9	106.0	4,139.9	
Virtually bankrupt	9D	100.0% for unsecured portion				Loans to bankrupt obligors 8.2
Possibly bankrupt	9C	95.3% for unsecured portion				Non-accrual delinquent loans 171.5
Need caution	Substandard	51.3% for unsecured portion				Loans past due for three months or more Restructured loans 6.7
	Other need caution	6.0% for total claims				
Normal	0A-6C	0.4% for total claims		4,044.0		Normal 3,953.4
			Total nonperforming claims and ratio to total claims 201.9, 4.8% (Total amount of coverage, coverage ratio) (192.9*, 95.5%) *Total amount of reserve for loan losses is 59.1, collateral and guarantees is 133.8		Total risk-monitored loans and ratio to total loans and bills discounted 186.5, 4.5%	

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 nonperforming under the Financial Revitalization Law.

FINANCIAL CONDITION (CONTINUED)

TABLE 21. CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW (NON-CONSOLIDATED)

	Billions of yen (except percentages)		
	As of September 30, 2013	As of September 30, 2012	As of March 31, 2013
Claims against bankrupt and quasi-bankrupt obligors	¥ 33.6	¥ 50.9	¥ 38.6
Doubtful claims	161.5	220.9	198.3
Substandard claims	6.7	2.7	5.6
Total claims disclosed under the Financial Revitalization Law ⁽¹⁾	201.9	274.6	242.6
Normal claims and claims against other need caution obligors excluding substandard claims	4,044.0	4,183.1	4,317.8
Total claims	¥ 4,245.9	¥ 4,457.7	¥ 4,560.4
Ratio of total claims disclosed under the Financial Revitalization Law to total claims	4.8%	6.2%	5.3%

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, 2013, 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, 96.0% for

doubtful claims and 62.9% for substandard claims. For all claims classified under the Financial Revitalization Law, the coverage ratio was 95.5%.

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, 2013, ¥63.0 billion of such claims were written off on a non-consolidated basis.

TABLE 22. COVERAGE RATIOS FOR NONPERFORMING CLAIMS DISCLOSED UNDER THE FINANCIAL REVITALIZATION LAW (NON-CONSOLIDATED)

	Billions of yen (except percentages)				
	Amount of claims	Amounts of coverage			Coverage ratio
		Reserve for loan losses	Collateral and guarantees	Total	
As of September 30, 2013:					
Claims against bankrupt and quasi-bankrupt obligors	¥ 33.6	¥ —	¥ 33.6	¥ 33.6	100.0%
Doubtful claims	161.5	57.2	97.8	155.0	96.0
Substandard claims	6.7	1.9	2.3	4.2	62.9
Total	¥ 201.9	¥ 59.1	¥ 133.8	¥ 192.9	95.5%
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 March 31, 2013:					
Claims against bankrupt and quasi-bankrupt obligors	¥ 38.6	¥ —	¥ 38.6	¥ 38.6	100.0%
Doubtful claims	198.3	72.9	118.0	190.9	96.3
Substandard claims	5.6	1.1	2.0	3.1	55.1
Total	¥ 242.6	¥ 74.0	¥ 158.6	¥ 232.7	95.9%

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 23. RESERVE FOR CREDIT LOSSES (NON-CONSOLIDATED)

	Billions of yen (except percentages)	
	As of September 30, 2013	As of September 30, 2012
General reserve for loan losses	¥ 28.0	¥ 34.1
Specific reserve for loan losses	58.4	75.4
Reserve for loans to restructuring countries	0.0	0.0
Subtotal reserve for loan losses	86.5	109.6
Specific reserve for other credit losses	3.9	3.9
Total reserve for credit losses	¥ 90.4	¥ 113.5
Total claims ⁽¹⁾	¥ 4,245.9	¥ 4,457.7
Ratio of total reserve for loan losses to total claims	2.0%	2.5%
Ratio of total reserve for credit losses to total claims	2.1%	2.5%

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, 2013 and September 30, 2012, total reserve for credit losses on a non-consolidated basis was ¥90.4 billion and ¥113.5 billion, respectively, constituting 2.1% and 2.5%, respectively, of total claims.

TABLE 24. RESERVE RATIOS BY BORROWERS' CATEGORY (NON-CONSOLIDATED)

	Percentages	
	As of September 30, 2013	As of September 30, 2012
Legally and virtually bankrupt (unsecured portion)	100.0%	100.0%
Possibly bankrupt (unsecured portion)	95.3%	97.7%
Substandard (unsecured portion)	51.3%	83.0%
Need caution (total claims)	6.0%	5.9%
(unsecured portion)	25.7%	18.7%
Normal (total claims)	0.4%	0.4%

RISK-MONITORED LOANS

Consolidated risk-monitored loans decreased by ¥50.6 billion during the six months ended September 30, 2013 to ¥262.2 billion.

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

TABLE 25. RISK-MONITORED LOANS (CONSOLIDATED)

	Billions of yen (except percentages)	
	As of September 30, 2013	As of September 30, 2012
Total loans and bills discounted	¥ 4,208.6	¥ 4,281.9
Loans to bankrupt obligors (A)	12.5	18.9
Non-accrual delinquent loans (B)	212.5	284.6
Subtotal (A)+(B)	¥ 225.0	¥ 303.5
Ratio to total loans and bills discounted	5.3%	7.1%
Loans past due for three months or more (C)	¥ 1.4	¥ 1.7
Restructured loans (D)	35.7	40.8
Total risk-monitored loans (A)+(B)+(C)+(D)	¥ 262.2	¥ 346.0
Ratio to total loans and bills discounted	6.2%	8.1%
Reserve for credit losses	¥ 143.9	¥ 171.9

FINANCIAL CONDITION (CONTINUED)

TABLE 26. RISK-MONITORED LOANS (NON-CONSOLIDATED)

	Billions of yen (except percentages)	
	As of September 30, 2013	As of September 30, 2012
Total loans and bills discounted	¥ 4,139.9	¥ 4,264.1
Loans to bankrupt obligors (A)	8.2	5.3
Non-accrual delinquent loans (B)	171.5	241.7
Subtotal (A)+(B)	¥ 179.8	¥ 247.1
Ratio to total loans and bills discounted	4.3%	5.8%
Loans past due for three months or more (C)	¥ 1.2	¥ 0.7
Restructured loans (D)	5.4	1.9
Total risk-monitored loans (A)+(B)+(C)+(D)	¥ 186.5	¥ 249.8
Ratio to total loans and bills discounted	4.5%	5.9%
Reserve for credit losses	¥ 90.4	¥ 113.5

TABLE 27. RISK-MONITORED LOANS BY BORROWER INDUSTRY (NON-CONSOLIDATED)

	Billions of yen	
	As of September 30, 2013	As of September 30, 2012
Domestic offices (excluding Japan offshore market account):		
Manufacturing	¥ 6.2	¥ 7.4
Agriculture and Forestry	—	—
Fishery	—	—
Mining, quarrying and gravel extraction	—	—
Construction	—	0.0
Electric power, gas, heat supply and water supply	—	—
Information and communications	1.9	—
Transportation, postal service	2.9	2.9
Wholesale and retail	0.2	—
Finance and insurance	41.6	43.3
Real estate	84.7	151.6
Services	28.2	26.2
Local government	—	—
Individual	4.4	3.5
Overseas yen loan and overseas loans booked domestically	16.0	14.6
Total domestic (A)	¥ 186.5	¥ 249.8
Overseas offices (including Japan offshore market accounts):		
Governments	¥ —	¥ —
Financial institutions	—	—
Others	—	—
Total overseas (B)	¥ —	¥ —
Total (A+B)	¥ 186.5	¥ 249.8

TABLE 28. RISK-MONITORED OVERSEAS AND OFFSHORE LOANS BY REGION (NON-CONSOLIDATED)

	Billions of yen	
	As of September 30, 2013	As of September 30, 2012
United States	¥ —	¥ —
Asset-backed investments in the U.S.	—	—
Europe	12.9	11.2
Asset-backed investments in Europe	12.9	11.2
Others	3.0	3.3
Total overseas and offshore loans	¥ 16.0	¥ 14.6
Total asset-backed investments ⁽¹⁾	¥ 12.9	¥ 11.2

Note: (1) As of September 30, 2013, reserve for loan losses and collateral/guarantees for risk monitored loans related to asset-backed investments were ¥1.9 billion and ¥9.8 billion, respectively, and the coverage ratio was 90.6%

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

	Billions of yen					
	Shinsei	Shinsei Financial	APLUS FINANCIAL	SHINKI	Other subsidiaries	Total
As of September 30, 2013:						
Loans to bankrupt obligors	¥ 8.2	¥ 1.2	¥ 0.1	¥ 0.0	¥ 2.8	¥ 12.5
Non-accrual delinquent loans	171.5	6.5	14.5	0.8	19.0	212.5
Loans past due for three months or more	1.2	0.0	0.0	—	0.1	1.4
Restructured loans	5.4	18.9	9.6	1.6	—	35.7
Total	¥ 186.5	¥ 26.7	¥ 24.3	¥ 2.4	¥ 22.1	¥ 262.2
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 March 31, 2013:						
Loans to bankrupt obligors	¥ 8.1	¥ 1.1	¥ 0.0	¥ 0.0	¥ 11.1	¥ 20.5
Non-accrual delinquent loans	211.2	6.4	15.1	0.7	19.3	252.9
Loans past due for three months or more	1.1	0.0	0.0	—	0.0	1.2
Restructured loans	4.5	21.6	9.9	1.9	—	38.1
Total	¥ 225.0	¥ 29.2	¥ 25.1	¥ 2.7	¥ 30.5	¥ 312.8

TABLE 30. 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, 2013:					
Credits to bankrupt obligors	¥ 0.0	¥ 0.1	¥ 0.2	¥ 0.1	¥ 0.5
Non-accrual delinquent credits	0.0	4.9	4.0	0.1	9.1
Credits past due for three months or more	—	0.2	0.0	—	0.2
Restructured credits	0.0	0.8	0.0	—	0.9
Total	¥ 0.0	¥ 6.2	¥ 4.3	¥ 0.2	¥ 10.8
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 March 31, 2013:					
Credits to bankrupt obligors	¥ 0.0	¥ 0.1	¥ 0.0	¥ 0.1	¥ 0.2
Non-accrual delinquent credits	0.0	4.8	4.3	0.2	9.3
Credits past due for three months or more	—	0.2	0.0	—	0.2
Restructured credits	0.0	1.0	0.0	—	1.1
Total	¥ 0.0	¥ 6.2	¥ 4.4	¥ 0.3	¥ 11.0

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, 2013

was 14.1%, compared with 11.7% as of September 30, 2012.

The main factors of reduction in risk assets are change of the 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 14.1% and 12.0%, as of September 30, 2013, respectively, compared to 11.7% and 9.8% as of September 30, 2012.

TABLE 31. CAPITAL RATIOS (CONSOLIDATED)

	Billions of yen (except percentages)	
	As of September 30, 2013	As of September 30, 2012
Basic items (Tier I):		
Common stock	¥ 512.2	¥ 512.2
Capital surplus	79.4	79.4
Retained earnings	131.8	81.9
Treasury stock, at cost	(72.5)	(72.5)
Expected income distribution	—	—
Unrealized loss on available-for-sale securities ⁽¹⁾	—	—
Foreign currency translation adjustments	0.8	(2.5)
Stock acquisition rights	1.2	1.3
Minority interests in consolidated subsidiaries	60.5	59.6
Preferred securities issued by foreign SPC	57.7	56.5
Goodwill	(31.9)	(38.2)
Intangible assets acquired in business combinations	(10.7)	(14.2)
Gain on sale of securitization	(9.5)	(9.7)
50% of expected loss provision shortfall	(8.8)	(23.3)
Total Tier I (A)	652.5	573.8
Step-up preferred securities	24.2	23.4
Supplementary items (Tier II):		
General reserve for loan losses	8.9	8.7
Perpetual preferred stocks	—	—
Perpetual subordinated debt and bonds	27.6	28.4
Non-perpetual preferred stocks	—	—
Non-perpetual subordinated debt and bonds	141.8	149.1
Total	¥ 178.4	¥ 186.4
Amount eligible for inclusion in capital (B)	178.4	186.4
Deduction (C)	¥ 62.3	¥ 72.4
Intentional capital investment to other financial institutions	4.8	6.1
Capital investment to affiliated companies	41.7	36.7
50% of expected loss provision shortfall	8.8	23.3
Expected losses on exposures under PD/LGD measures such as equities	1.0	0.8
Unrated securitization exposure	5.7	5.2
Exclusion from deductions	—	—
Total capital (D) [(A)+(B)-(C)]	¥ 768.6	¥ 687.8
Risk assets:		
On-balance sheet items	¥ 4,098.0	¥ 4,458.7
Off-balance sheet items	776.1	820.0
Market Risk ⁽²⁾	219.8	221.3
Operational Risk ⁽²⁾	349.5	369.1
Total (E)	¥ 5,443.5	¥ 5,869.2
Consolidated capital adequacy ratio (D) / (E)	14.1%	11.7%
Consolidated Tier I capital ratio (A) / (E)	12.0%	9.8%

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%).

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries
As of September 30, 2013 and March 31, 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Sept. 30, 2013	Mar. 31, 2013	Sept. 30, 2013
ASSETS			
Cash and due from banks (Notes 3, 21, 22 and 33)	¥ 724,563	¥ 648,897	\$ 7,396,520
Call loans (Note 33)	—	18,806	—
Receivables under resale agreements (Note 33)	53,216	78,507	543,250
Receivables under securities borrowing transactions (Note 33)	51,557	19,083	526,313
Other monetary claims purchased (Notes 4, 21, 22 and 33)	99,839	112,318	1,019,187
Trading assets (Notes 5, 21, 33 and 34)	318,177	287,907	3,248,036
Monetary assets held in trust (Notes 6, 21 and 33)	211,031	233,847	2,154,261
Securities (Notes 7, 21, 22 and 33)	1,794,747	1,842,344	18,321,225
Loans and bills discounted (Notes 8, 21, 22 and 33)	4,208,627	4,292,464	42,962,716
Foreign exchanges (Note 9)	37,746	33,857	385,328
Lease receivables and leased investment assets (Notes 21, 31 and 33)	211,622	203,590	2,160,297
Other assets (Notes 10, 21, 22, 33 and 34)	754,598	770,905	7,703,127
Premises and equipment (Notes 11, 21 and 31)	49,956	52,716	509,966
Intangible assets (Notes 12 and 31)	61,870	68,429	631,590
Deferred issuance expenses for debentures	47	95	480
Deferred tax assets	18,800	16,339	191,923
Customers' liabilities for acceptances and guarantees (Note 20)	453,036	511,032	4,624,707
Reserve for credit losses (Note 13)	(143,925)	(161,810)	(1,469,231)
Total assets	¥ 8,905,513	¥ 9,029,335	\$ 90,909,695
LIABILITIES AND EQUITY			
Liabilities:			
Deposits, including negotiable certificates of deposit (Notes 14, 21 and 33)	¥ 5,753,456	¥ 5,457,535	\$ 58,732,707
Debentures (Notes 15 and 33)	45,867	262,342	468,223
Call money (Notes 21 and 33)	120,000	170,094	1,224,990
Payables under securities lending transactions (Notes 21 and 33)	60,216	47,069	614,709
Trading liabilities (Notes 16, 33 and 34)	273,508	240,099	2,792,048
Borrowed money (Notes 17, 21, 22 and 33)	619,344	719,292	6,322,417
Foreign exchanges (Note 9)	25	174	261
Short-term corporate bonds (Note 33)	107,900	82,800	1,101,470
Corporate bonds (Notes 18, 21, 22 and 33)	189,142	174,286	1,930,813
Other liabilities (Notes 19, 21, 33 and 34)	535,057	630,759	5,462,000
Accrued employees' bonuses	4,628	7,604	47,245
Accrued directors' bonuses	31	54	321
Reserve for employees' retirement benefits	7,521	7,309	76,785
Reserve for directors' retirement benefits	114	245	1,173
Reserve for losses on interest repayments	28,630	34,983	292,267
Deferred tax liabilities	56	7	575
Acceptances and guarantees (Notes 20, 21 and 33)	453,036	511,032	4,624,707
Total liabilities	8,198,537	8,345,690	83,692,711
Equity:			
Common stock (Note 24)	512,204	512,204	5,228,711
Capital surplus	79,461	79,461	811,167
Stock acquisition rights (Note 25)	1,222	1,238	12,481
Retained earnings	131,873	107,288	1,346,197
Treasury stock, at cost (Note 24)	(72,558)	(72,558)	(740,698)
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities (Note 7)	1,842	3,825	18,810
Deferred gain (loss) on derivatives under hedge accounting	(9,065)	(11,605)	(92,543)
Foreign currency translation adjustments	890	1,475	9,095
Total	645,871	621,329	6,593,220
Minority interests (Note 23)	61,103	62,315	623,764
Total equity	706,975	683,644	7,216,984
Total liabilities and equity	¥ 8,905,513	¥ 9,029,335	\$ 90,909,695

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 its Consolidated Subsidiaries
For the six months ended September 30, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Sept. 30, 2013 (6 months)	Sept. 30, 2012 (6 months)	Sept. 30, 2013 (6 months)
Interest income:			
Interest on loans and bills discounted	¥ 62,820	¥ 64,738	\$ 641,292
Interest and dividends on securities	8,238	8,618	84,100
Interest on deposits with banks	442	154	4,514
Other interest income	1,061	644	10,832
Total interest income	72,562	74,155	740,738
Interest expenses:			
Interest on deposits, including negotiable certificates of deposit	11,323	11,823	115,594
Interest and discounts on debentures	121	548	1,240
Interest on other borrowings	2,566	2,680	26,199
Interest on corporate bonds	2,992	2,542	30,553
Other interest expenses	504	365	5,153
Total interest expenses	17,509	17,961	178,739
Net interest income	55,053	56,194	561,999
Fees and commissions income	22,667	19,519	231,395
Fees and commissions expenses	11,010	10,771	112,399
Net fees and commissions	11,656	8,747	118,996
Net trading income (loss) (Note 26)	6,990	9,573	71,364
Other business income (loss), net:			
Income on lease transactions and installment receivables, net	17,862	17,626	182,347
Net gain (loss) on monetary assets held in trust	3,790	4,711	38,689
Net gain (loss) on foreign exchanges	2,293	1,164	23,408
Net gain (loss) on securities	47	2,032	490
Net gain (loss) on other monetary claims purchased	991	1,253	10,125
Other, net (Note 27)	1,606	2,804	16,401
Net other business income (loss)	26,592	29,592	271,460
Total revenue	100,293	104,107	1,023,819
General and administrative expenses:			
Personnel expenses	27,477	26,199	280,500
Premises expenses	9,766	9,942	99,695
Technology and data processing expenses	8,850	8,651	90,353
Advertising expenses	5,012	4,383	51,173
Consumption and property taxes	3,244	3,355	33,121
Deposit insurance premium	2,070	2,151	21,139
Other general and administrative expenses	10,635	10,078	108,569
General and administrative expenses	67,058	64,761	684,550
Amortization of goodwill and intangible assets acquired in business combinations	5,172	5,679	52,807
Total general and administrative expenses	72,231	70,441	737,357
Net business profit (loss)	28,061	33,666	286,462
Net credit costs (Note 28)	354	6,253	3,624
Other gains (losses), net (Note 29)	(103)	514	(1,057)
Income (loss) before income taxes and minority interests	27,603	27,926	281,781
Income taxes (benefit):			
Current	1,890	829	19,303
Deferred	(3,145)	(458)	(32,106)
Net income (loss) before minority interests	28,857	27,555	294,584
Minority interests in net income of subsidiaries	1,617	1,791	16,509
Net income (loss)	¥ 27,240	¥ 25,764	\$ 278,075
		Yen	U.S. dollars (Note 1)
Basic net income (loss) per common share (Note 30)	¥ 10.26	¥ 9.70	\$ 0.10
Diluted net income (loss) per common share (Note 30)	10.26	—	0.10

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 its Consolidated Subsidiaries
For the six months ended September 30, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Sept. 30, 2013 (6 months)	Sept. 30, 2012 (6 months)	Sept. 30, 2013 (6 months)
Net income (loss) before minority interests	¥ 28,857	¥ 27,555	\$ 294,584
Other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities	(1,923)	(534)	(19,639)
Deferred gain (loss) on derivatives under hedge accounting	2,540	59	25,933
Foreign currency translation adjustments	(332)	(1,342)	(3,391)
Share of other comprehensive income in affiliates	(1)	(271)	(13)
Total other comprehensive income	283	(2,088)	2,890
Comprehensive income	¥ 29,140	¥ 25,467	\$ 297,474
Total comprehensive income attributable to:			
Owners of the parent	¥ 27,213	¥ 23,971	\$ 277,801
Minority interests	1,927	1,495	19,673

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 its Consolidated Subsidiaries
For the six months ended September 30, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Sept. 30, 2013 (6 months)	Sept. 30, 2012 (6 months)	Sept. 30, 2013 (6 months)
Common stock:			
Balance at beginning of the period	¥ 512,204	¥ 512,204	\$ 5,228,711
Balance at end of the period	512,204	512,204	5,228,711
Capital surplus:			
Balance at beginning of the period	79,461	79,461	811,167
Balance at end of the period	79,461	79,461	811,167
Stock acquisition rights:			
Balance at beginning of the period	1,238	1,354	12,645
Net change during the period	(16)	(53)	(164)
Balance at end of the period	1,222	1,301	12,481
Retained earnings:			
Balance at beginning of the period	107,288	58,863	1,095,224
Dividends	(2,653)	(2,653)	(27,092)
Net income (loss)	27,240	25,764	278,075
Changes by inclusion of subsidiaries (former non-consolidated subsidiaries)	—	(0)	—
Changes by exclusion of consolidated subsidiaries	(0)	—	(10)
Balance at end of the period	131,873	81,972	1,346,197
Treasury stock, at cost:			
Balance at beginning of the period	(72,558)	(72,558)	(740,698)
Balance at end of the period	(72,558)	(72,558)	(740,698)
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities:			
Balance at beginning of the period	3,825	(674)	39,050
Net change during the period	(1,982)	(399)	(20,240)
Balance at end of the period	1,842	(1,073)	18,810
Deferred gain (loss) on derivatives under hedge accounting:			
Balance at beginning of the period	(11,605)	(11,754)	(118,475)
Net change during the period	2,540	59	25,932
Balance at end of the period	(9,065)	(11,694)	(92,543)
Foreign currency translation adjustments:			
Balance at beginning of the period	1,475	(1,117)	15,060
Net change during the period	(584)	(1,452)	(5,965)
Balance at end of the period	890	(2,569)	9,095
Minority interests:			
Balance at beginning of the period	62,315	61,877	636,134
Net change during the period	(1,211)	(1,682)	(12,370)
Balance at end of the period	61,103	60,195	623,764
Total equity:			
Balance at beginning of the period	683,644	627,657	6,978,818
Net change in stock acquisition rights during the period	(16)	(53)	(164)
Dividends	(2,653)	(2,653)	(27,092)
Net income (loss)	27,240	25,764	278,075
Changes by inclusion of subsidiaries (former non-consolidated subsidiaries)	—	(0)	—
Changes by exclusion of consolidated subsidiaries	(0)	—	(10)
Net change in accumulated other comprehensive income during the period	(26)	(1,792)	(273)
Net change in minority interests during the period	(1,211)	(1,682)	(12,370)
Balance at end of the period	¥ 706,975	¥ 647,238	\$ 7,216,984

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the six months ended September 30, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Sept. 30, 2013 (6 months)	Sept. 30, 2012 (6 months)	Sept. 30, 2013 (6 months)
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥ 27,603	¥ 27,926	\$ 281,781
Adjustments for:			
Income taxes paid	(911)	(572)	(9,307)
Depreciation (other than leased assets as lessor)	5,015	5,228	51,195
Amortization of goodwill and intangible assets acquired in business combinations	5,172	5,679	52,807
Impairment losses on long-lived assets	1,072	171	10,953
Net change in reserve for credit losses	(17,887)	(8,567)	(182,604)
Net change in reserve for losses on interest repayments	(6,352)	(9,345)	(64,849)
Net change in other reserves	(2,929)	(3,035)	(29,907)
Interest income	(72,562)	(74,155)	(740,738)
Interest expenses	17,509	17,961	178,739
Investment (gains) losses	(3,077)	(4,955)	(31,411)
Net exchange (gain) loss	(9,859)	9,269	(100,653)
Net change in trading assets	(30,270)	(15,265)	(309,010)
Net change in trading liabilities	33,409	(17,827)	341,051
Net change in loans and bills discounted	85,304	(146,516)	870,808
Net change in deposits, including negotiable certificates of deposit	295,916	12,245	3,020,784
Net change in debentures	(216,474)	(16,514)	(2,209,830)
Net change in borrowed money (other than subordinated debt)	(97,928)	241,880	(999,676)
Net change in corporate bonds (other than subordinated corporate bonds)	(1,871)	110	(19,106)
Net change in interest-bearing deposits with banks	(26,221)	7,505	(267,672)
Net change in call loans, receivables under resale agreements, receivables under securities borrowing transactions and other monetary claims purchased	27,417	86,781	279,888
Net change in call money, payables under securities lending transactions, and short-term corporate bonds (liabilities)	(11,846)	23,427	(120,928)
Net change in foreign exchange assets and liabilities	(4,037)	(3,827)	(41,216)
Interest received	71,935	74,000	734,337
Interest paid	(13,379)	(14,658)	(136,579)
Net change in securities for trading purposes	155	89	1,591
Net change in monetary assets held in trust for trading purposes	20,915	18,121	213,506
Net change in lease receivables and leased investment assets	(7,994)	465	(81,610)
Other, net	(67,347)	(28,965)	(687,502)
Total adjustments	(27,128)	158,731	(276,939)
Net cash provided by (used in) operating activities	474	186,658	4,842
Cash flows from investing activities:			
Purchase of investments	(530,471)	(1,469,509)	(5,415,188)
Proceeds from sales of investments	541,861	1,034,918	5,531,462
Proceeds from maturity of investments	39,167	251,941	399,829
Purchase of premises and equipment (other than leased assets as lessor)	(1,551)	(1,906)	(15,838)
Purchase of intangible assets (other than leased assets as lessor)	(2,065)	(1,961)	(21,085)
Proceeds from sale of subsidiary's stocks	—	14,264	—
Other, net	161	600	1,653
Net cash provided by (used in) investing activities	47,102	(171,652)	480,833
Cash flows from financing activities:			
Proceeds from issuance of subordinated debt	2,400	—	24,500
Repayment of subordinated debt	(5,000)	—	(51,041)
Proceeds from issuance of subordinated corporate bonds	9,901	—	101,075
Payment for redemption of subordinated corporate bonds	(500)	—	(5,104)
Proceeds from minority shareholders of subsidiaries	21	133	219
Payment for capital returned to minority shareholders of subsidiaries	(0)	(235)	(1)
Dividends paid	(2,653)	(2,653)	(27,092)
Dividends paid to minority shareholders of subsidiaries	(3,152)	(3,076)	(32,187)
Net cash provided by (used in) financing activities	1,015	(5,832)	10,369
Foreign currency translation adjustments on cash and cash equivalents	55	(27)	566
Net change in cash and cash equivalents	48,647	9,146	496,610
Cash and cash equivalents at beginning of the period	574,470	332,798	5,864,339
Cash and cash equivalents at end of the period (Note 3)	¥ 623,118	¥ 341,945	\$ 6,360,949

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)

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the six months ended September 30, 2013

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 accordance 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 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 conform 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 ¥97.96 to U.S.\$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2013. 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, 2013 and March 31, 2013 were as follows:

	September 30, 2013	March 31, 2013
Consolidated subsidiaries	184	186
Unconsolidated subsidiaries	86	83
Affiliates accounted for by the equity method	18	15
Affiliates accounted for not applying the equity method	1	0

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.

Besides the unconsolidated subsidiaries, there is a company which is not regarded as a subsidiary even though the Group owns the majority of its voting rights, because the objective for the Group to own its voting rights is merely to seek capital gain opportunities resulting from growth or restructuring of its business and the conditions of Item 4 of Paragraph 16 of the ASBJ Guidance No. 22, "Guidance on Determining a Subsidiary and an Affiliate," is met.

Major consolidated subsidiaries as of September 30, 2013 were as listed below:

Name	Location	Percentage ownership
APLUS FINANCIAL Co., Ltd.	Japan	95.0%
Showa Leasing Co., Ltd.	Japan	97.8%
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, 2013, the six month period ending dates are September 30 for 139 subsidiaries, January 31 for 3 subsidiaries, March 31 for 1 subsidiary, May 31 for 1 subsidiary, June 30 for

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

36 subsidiaries, July 31 for 1 subsidiary, and August 31 for 3 subsidiaries. Except for 8 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 that occurred 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, 2013 were as listed below:

Name	Location	Percentage ownership
Comox Holdings Ltd.	Bermuda	49.9%
Jih Sun Financial Holding Co., Ltd.	Taiwan	35.4%

(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 allowed 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 price 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.

(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:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

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

- 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.
- 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.
- 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,

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

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, 2013 were as follows:

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

(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 credit 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 experiencing financial difficulties and are very likely to go bankrupt in the future ("possibly bankrupt obligors"), except for 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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

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 ¥161,519 million (U.S.\$1,648,831 thousand) and ¥155,879 million as of September 30, 2013 and March 31, 2013, 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 noncontributory 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 the 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 an 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 audit & supervisory board members are recorded to state the liability at the amount that would be required if all directors and audit & supervisory board members 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) ASSET RETIREMENT OBLIGATIONS

In March 2008, the ASBJ published 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 adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

(U) 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 measure the cost of employee stock options based on the fair value at the date of grant and recognize compensation expense over the vesting period as consideration for receiving goods or services. In the consolidated balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised.

(V) 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.

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 ¥215 million (U.S.\$2,198 thousand) and ¥600 million for the six months ended September 30, 2013 and 2012, respectively, as compared to what would have been reported if the revised accounting standard was applied retroactively to all finance lease transactions as lessor.

(W) 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.

(X) 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.

(Y) 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(Z) 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 nonarbitrary 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.

(AA) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

(AB) ACCOUNTING CHANGES AND ERROR CORRECTIONS

In December 2009, the 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 following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.

(b) Changes in presentation

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.

(AC) NEW ACCOUNTING PRONOUNCEMENTS***Accounting Standard for Retirement Benefits***

In May 2012, the 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 an effective date of April 1, 2000 and the other related practical guidance and 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, is 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 any resulting

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 does 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 have not yet been 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.

(c) Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases

The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of the fiscal year beginning on or after April 1, 2013, and for (c) above are effective for the beginning of the fiscal year beginning on or after April 1, 2014, or for the beginning of the fiscal year beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of the 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 for (a) and (b) above from the end of the fiscal year beginning on April 1, 2013, and for (c) above from the beginning of the fiscal year beginning on April 1, 2014, and is in the process of measuring the effects of applying the revised accounting standard in future applicable periods.

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, 2013 and 2012 was as follows:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Cash and due from banks	¥ 724,563	¥ 414,089	\$ 7,396,520
Interest-bearing deposits included in due from banks	(101,444)	(72,144)	(1,035,571)
Cash and cash equivalents	¥ 623,118	¥ 341,945	\$ 6,360,949

4. OTHER MONETARY CLAIMS PURCHASED

CONSOLIDATED

(a) Other monetary claims purchased as of September 30, 2013 and March 31, 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2013	Mar. 31, 2013	Sept. 30, 2013
Trading purposes	¥ 52,793	¥ 66,965	\$ 538,927
Other	47,046	45,352	480,260
Total	¥ 99,839	¥ 112,318	\$ 1,019,187

(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, 2013 and March 31, 2013 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	Sept. 30, 2013		Mar. 31, 2013		Sept. 30, 2013	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Trading purposes	¥ 52,793	¥ 29,197	¥ 66,965	¥ 27,514	\$ 538,927	\$ 298,057

5. TRADING ASSETS

CONSOLIDATED

Trading assets as of September 30, 2013 and March 31, 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2013	Mar. 31, 2013	Sept. 30, 2013
Trading securities	¥ 62,764	¥ 25,786	\$ 640,718
Derivatives for trading securities	2,856	2,060	29,158
Securities held to hedge trading transactions	—	1,901	—
Derivatives for securities held to hedge trading transactions	82,143	46,940	838,540
Trading-related financial derivatives	170,413	207,014	1,739,620
Other	—	4,202	—
Total	¥ 318,177	¥ 287,907	\$ 3,248,036

6. MONETARY ASSETS HELD IN TRUST

CONSOLIDATED

(a) Monetary assets held in trust as of September 30, 2013 and March 31, 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2013	Mar. 31, 2013	Sept. 30, 2013
Trading purposes	¥ 77,367	¥ 98,282	\$ 789,784
Other	133,664	135,565	1,364,477
Total	¥ 211,031	¥ 233,847	\$ 2,154,261

(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, 2013 and March 31, 2013 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	Sept. 30, 2013		Mar. 31, 2013		Sept. 30, 2013	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Trading purposes	¥ 77,367	¥ 3,701	¥ 98,282	¥ 4,258	\$ 789,784	\$ 37,783

(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, 2013 and March 31, 2013.

7. SECURITIES

CONSOLIDATED

(a) Securities as of September 30, 2013 and March 31, 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2013	Mar. 31, 2013	Sept. 30, 2013
Trading securities	¥ 506	¥ 662	\$ 5,169
Securities being held to maturity	636,703	639,809	6,499,629
Securities available for sale:			
Securities carried at fair value	1,045,932	1,094,814	10,677,135
Securities carried at cost whose fair value cannot be reliably determined	67,143	65,959	685,417
Investments in unconsolidated subsidiaries and affiliates	44,461	41,099	453,875
Total	¥ 1,794,747	¥ 1,842,344	\$ 18,321,225

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, 2013 and March 31, 2013 were ¥27,633 million (U.S.\$282,086 thousand) and ¥51,172 million, respectively. In addition, ¥41,629 million (U.S.\$424,967 thousand) and ¥47,380 million of those securities were further pledged as of September 30, 2013 and March 31, 2013, 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, 2013 and March 31, 2013 were ¥26,697 million (U.S.\$272,539 thousand) and ¥31,675 million, respectively.

7. SECURITIES (CONTINUED)

CONSOLIDATED

(b) The amortized/acquisition cost and the fair values of securities (other than trading securities) as of September 30, 2013 and March 31, 2013 were as follows:

	Millions of yen							
	Sept. 30, 2013				Mar. 31, 2013			
	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	¥ 584,494	¥ 2,724	¥ —	¥ 587,219	¥ 584,863	¥ 4,542	¥ —	¥ 589,406
Other	52,209	4,210	—	56,419	54,945	4,822	0	59,768
Total	¥ 636,703	¥ 6,935	¥ —	¥ 643,639	¥ 639,809	¥ 9,365	¥ 0	¥ 649,174
Securities available for sale:								
Equity securities	¥ 13,807	¥ 7,448	¥ 475	¥ 20,780	¥ 13,713	¥ 6,446	¥ 697	¥ 19,462
Japanese national government bonds	743,234	5	2,921	740,319	752,012	1,482	995	752,498
Japanese local government bonds	502	24	—	527	503	29	—	532
Japanese corporate bonds	123,255	621	851	123,025	184,967	778	2,072	183,673
Other, primarily foreign debt securities	160,070	4,247	1,418	162,898	136,713	4,437	522	140,628
Total	¥ 1,040,871	¥ 12,346	¥ 5,666	¥ 1,047,551	¥ 1,087,909	¥ 13,173	¥ 4,288	¥ 1,096,795

Thousands of U.S. dollars

	Sept. 30, 2013			
	Amortized/ Acquisition cost	Gross unrealized gain	Gross unrealized loss	Fair value
Securities being held to maturity:				
Japanese national government bonds	\$ 5,966,664	\$ 27,817	\$ —	\$ 5,994,481
Other	532,965	42,982	—	575,947
Total	\$ 6,499,629	\$ 70,799	\$ —	\$ 6,570,428
Securities available for sale:				
Equity securities	\$ 140,954	\$ 76,036	\$ 4,854	\$ 212,136
Japanese national government bonds	7,587,127	52	29,818	7,557,361
Japanese local government bonds	5,133	250	—	5,383
Japanese corporate bonds	1,258,226	6,346	8,697	1,255,875
Other, primarily foreign debt securities	1,634,034	43,356	14,480	1,662,910
Total	\$ 10,625,474	\$ 126,040	\$ 57,849	\$ 10,693,665

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

Individual securities (except for 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, 2013 was ¥817 million (U.S.\$8,341 thousand), which consisted of ¥0 million (U.S.\$3 thousand) for equity securities, ¥810 million (U.S.\$8,276 thousand) for Japanese corporate bonds and ¥6 million (U.S.\$62 thousand) for other securities.

Impairment loss on such securities for the fiscal year ended March 31, 2013 was ¥2,748 million, which consisted of ¥211 million for equity securities, ¥2,506 million for Japanese corporate bonds and ¥30 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

7. SECURITIES (CONTINUED)

CONSOLIDATED

"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, 2013 and March 31, 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2013	Mar. 31, 2013	Sept. 30, 2013
Unrealized gain (loss) before deferred tax on:			
Available-for-sale securities	¥ 6,680	¥ 8,885	\$ 68,191
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	(13)	81	(139)
Securities being held to maturity, reclassified from available-for-sale in the past, under extremely illiquid market conditions	(4,342)	(4,976)	(44,332)
Deferred tax liabilities	(742)	(485)	(7,582)
Unrealized gain (loss) on available-for-sale securities before interest adjustments	1,580	3,504	16,138
Minority interests	(23)	(15)	(242)
The Group's interests in unrealized gain (loss) on available-for-sale securities held by affiliates to which the equity method is applied	285	335	2,914
Unrealized gain (loss) on available-for-sale securities	¥ 1,842	¥ 3,825	\$ 18,810

8. LOANS AND BILLS DISCOUNTED

CONSOLIDATED

Loans and bills discounted as of September 30, 2013 and March 31, 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2013	Mar. 31, 2013	Sept. 30, 2013
Loans on deeds	¥ 3,559,382	¥ 3,650,171	\$ 36,335,060
Loans on bills	25,831	26,301	263,690
Bills discounted	3,866	8,942	39,472
Overdrafts	619,547	607,049	6,324,494
Total	¥ 4,208,627	¥ 4,292,464	\$ 42,962,716

(a) Risk-monitored loans

Loans and bills discounted include loans to bankrupt obligors of ¥12,525 million (U.S.\$127,859 thousand) and ¥20,577 million as of September 30, 2013 and March 31, 2013, respectively, as well as nonaccrual delinquent loans of ¥212,549 million (U.S.\$2,169,762 thousand) and ¥252,916 million as of September 30, 2013 and March 31, 2013, respectively.

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

In addition to nonaccrual delinquent loans as defined, certain other loans classified as "substandard" under the Group'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 nonaccrual delinquent loans. The balances of loans past due for three months or more as of September 30, 2013 and March 31, 2013 were ¥1,466 million (U.S.\$14,971 thousand) and ¥1,258 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, nonaccrual delinquent loans or loans past due for three months or more. The outstanding balances of restructured loans as of September 30, 2013 and March 31, 2013 were ¥35,719 million (U.S.\$364,632 thousand) and ¥38,117 million, respectively.

8. LOANS AND BILLS DISCOUNTED (CONTINUED)

CONSOLIDATED

(b) Loan participations

The total outstanding amounts deducted from the loan account for loan participations as of September 30, 2013 and March 31, 2013 were ¥15,213 million (U.S.\$155,306 thousand) and ¥16,219 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 ¥8,134 million (U.S.\$83,044 thousand) and ¥8,125 million as of September 30, 2013 and March 31, 2013, 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, 2013 and March 31, 2013 were ¥3,943 million (U.S.\$40,260 thousand) and ¥9,092 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 ¥3,774,751 million (U.S.\$38,533,604 thousand) and ¥3,802,064 million as of September 30, 2013 and March 31, 2013, out of which the amounts with original agreement terms of less than one year or which were cancelable were ¥3,596,930 million (U.S.\$36,718,364 thousand) and ¥3,636,321 million as of September 30, 2013 and March 31, 2013, 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 its 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, 2013 and March 31, 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2013	Mar. 31, 2013	Sept. 30, 2013
Foreign exchange assets:			
Foreign bills bought	¥ 77	¥ 150	\$ 787
Foreign bills receivable	8,401	5,234	85,760
Due from foreign banks	29,268	28,473	298,781
Total	¥ 37,746	¥ 33,857	\$ 385,328
Foreign exchange liabilities:			
Foreign bills sold	¥ —	¥ 146	\$ —
Foreign bills payable	23	25	236
Due to foreign banks	2	2	25
Total	¥ 25	¥ 174	\$ 261

10. OTHER ASSETS

CONSOLIDATED

Other assets as of September 30, 2013 and March 31, 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2013	Mar. 31, 2013	Sept. 30, 2013
Accrued income	¥ 14,330	¥ 15,728	\$ 146,293
Prepaid expenses	4,060	3,007	41,448
Fair value of derivatives	128,401	159,534	1,310,756
Accounts receivable	92,533	89,344	944,603
Installment receivables	380,109	365,817	3,880,256
Security deposits	13,290	13,478	135,674
Suspense payments	19,995	21,312	204,122
Margin deposits for futures transactions	8,585	5,103	87,646
Cash collateral paid for financial instruments	18,498	16,718	188,835
Other	74,791	80,859	763,494
Total	¥ 754,598	¥ 770,905	\$ 7,703,127

Installment receivables as of September 30, 2013 and March 31, 2013 include credits to bankrupt obligors of ¥512 million (U.S.\$5,237 thousand) and ¥263 million, nonaccrual delinquent credits of ¥9,152 million (U.S.\$93,431 thousand) and ¥9,372

million, credits past due for three months or more of ¥299 million (U.S.\$3,053 thousand) and ¥261 million, and restructured credits of ¥932 million (U.S.\$9,519 thousand) and ¥1,155 million, respectively.

11. PREMISES AND EQUIPMENT

CONSOLIDATED

Premises and equipment as of September 30, 2013 and March 31, 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2013	Mar. 31, 2013	Sept. 30, 2013
Buildings	¥ 30,294	¥ 30,406	\$ 309,257
Land	7,241	7,286	73,922
Tangible leased assets as lessor	44,413	47,490	453,388
Other	20,791	20,410	212,242
Subtotal	102,741	105,595	1,048,809
Accumulated depreciation	(52,785)	(52,878)	(538,843)
Net book value	¥ 49,956	¥ 52,716	\$ 509,966

12. INTANGIBLE ASSETS

CONSOLIDATED

Intangible assets as of September 30, 2013 and March 31, 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2013	Mar. 31, 2013	Sept. 30, 2013
Software	¥ 19,115	¥ 20,491	\$ 195,132
Goodwill, net:			
Goodwill	37,064	40,655	378,360
Negative goodwill	(5,079)	(5,260)	(51,848)
Intangible assets acquired in business combinations	10,720	12,487	109,437
Intangible leased assets as lessor	4	3	41
Other	45	51	468
Total	¥ 61,870	¥ 68,429	\$ 631,590

13. RESERVE FOR CREDIT LOSSES

CONSOLIDATED

Reserve for credit losses as of September 30, 2013 and March 31, 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2013	Mar. 31, 2013	Sept. 30, 2013
Reserve for loan losses:			
General reserve for loan losses	¥ 65,583	¥ 67,707	\$ 669,489
Specific reserve for loan losses	74,435	90,195	759,852
Reserve for loan losses to restructuring countries	0	0	8
Subtotal	140,019	157,903	1,429,349
Specific reserve for other credit losses	3,906	3,906	39,882
Total	¥ 143,925	¥ 161,810	\$ 1,469,231

14. DEPOSITS, INCLUDING NEGOTIABLE CERTIFICATES OF DEPOSIT

CONSOLIDATED

Deposits, including negotiable certificates of deposit, as of September 30, 2013 and March 31, 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2013	Mar. 31, 2013	Sept. 30, 2013
Current	¥ 14,602	¥ 12,734	\$ 149,064
Ordinary	1,579,086	1,561,923	16,119,706
Notice	11,893	9,852	121,408
Time	3,521,325	3,250,536	35,946,569
Negotiable certificates of deposit	209,088	204,600	2,134,422
Other	417,460	417,888	4,261,538
Total	¥ 5,753,456	¥ 5,457,535	\$ 58,732,707

15. DEBENTURES

CONSOLIDATED

(a) Debentures as of September 30, 2013 and March 31, 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2013	Mar. 31, 2013	Sept. 30, 2013
Coupon debentures	¥ 45,867	¥ 262,342	\$ 468,223

(b) Annual maturities of debentures as of September 30, 2013 were as follows:

Year ending September 30,	Millions of yen	Thousands of U.S. dollars
2014	¥ 5,483	\$ 55,975
2015	11,399	116,374
2016	14,960	152,721
2017	9,081	92,702
2018 and thereafter	4,942	50,451
Total	¥ 45,867	\$ 468,223

16. TRADING LIABILITIES

CONSOLIDATED

Trading liabilities as of September 30, 2013 and March 31, 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2013	Mar. 31, 2013	Sept. 30, 2013
Derivatives for trading securities	¥ 2,277	¥ 1,584	\$ 23,251
Derivatives for securities held to hedge trading transactions	77,228	44,378	788,367
Trading-related financial derivatives	147,128	178,211	1,501,923
Trading securities sold for short sales	46,874	15,925	478,507
Total	¥ 273,508	¥ 240,099	\$ 2,792,048

17. BORROWED MONEY

CONSOLIDATED

(a) Borrowed money as of September 30, 2013 and March 31, 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2013	Mar. 31, 2013	Sept. 30, 2013
Subordinated debt	¥ 89,400	¥ 92,000	\$ 912,617
Other	529,944	627,292	5,409,800
Total	¥ 619,344	¥ 719,292	\$ 6,322,417

(b) Annual maturities of borrowed money as of September 30, 2013 were as follows:

Year ending September 30,	Millions of yen	Thousands of U.S. dollars
2014	¥ 273,007	\$ 2,786,923
2015	85,360	871,381
2016	64,967	663,201
2017	63,453	647,751
2018 and thereafter	132,555	1,353,161
Total	¥ 619,344	\$ 6,322,417

18. CORPORATE BONDS

CONSOLIDATED

(a) Corporate bonds as of September 30, 2013 and March 31, 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2013	Mar. 31, 2013	Sept. 30, 2013
Subordinated bonds	¥ 170,403	¥ 153,675	\$ 1,739,523
Other corporate bonds	18,738	20,610	191,290
Total	¥ 189,142	¥ 174,286	\$ 1,930,813

(b) Subordinated bonds as of September 30, 2013 and March 31, 2013 consisted of the following:

Issuer	Description	Issue	Maturity	Interest Rate (%)	Millions of yen		Thousands of U.S. dollars
					Sept. 30, 2013	Mar. 31, 2013	Sept. 30, 2013
Shinsei Bank, Limited	Unsecured subordinated bonds, payable in Yen ⁽¹⁾	Mar. 2005 to Jun. 2013	Mar. 2015 to Jun. 2023	1.96 to 4.00	¥ 85,400	¥ 75,400	\$ 871,785
	Unsecured subordinated notes, payable in Euro ⁽²⁾	Feb. 2006 and Sept. 2010	Feb. 2016 and Sept. 2020	2.174 and 7.375	72,323	65,895	738,298
	Unsecured perpetual subordinated notes, payable in Euroyen ⁽³⁾	Oct. 2005	—	2.35 and 2.435	4,500	4,500	45,937
	Unsecured perpetual subordinated note, payable in Pounds Sterling	Dec. 2006	—	5.625	8,179	7,380	83,503
Shinsei Bank Finance N.V.	Unsecured perpetual subordinated bond, payable in Yen	Dec. 1996	—	1.83229	—	500	—
	Total				¥ 170,403	¥ 153,675	\$ 1,739,523

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, 2013 were as follows:

Year ending September 30,	Millions of yen	Thousands of U.S. dollars
2014	¥ 1,418	\$ 14,483
2015	34,359	350,749
2016	63,362	646,821
2017	6,517	66,536
2018 and thereafter	83,483	852,224
Total	¥ 189,142	\$ 1,930,813

19. OTHER LIABILITIES

CONSOLIDATED

Other liabilities as of September 30, 2013 and March 31, 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2013	Mar. 31, 2013	Sept. 30, 2013
Accrued expenses	¥ 75,138	¥ 70,732	\$ 767,031
Unearned income	1,254	1,419	12,804
Income taxes payable	2,896	1,870	29,568
Fair value of derivatives	193,200	225,631	1,972,235
Matured debentures, including interest	10,972	12,085	112,007
Trust account	334	379	3,418
Accounts payable	74,560	137,113	761,134
Deferred gains on installment receivables and credit guarantees	30,753	29,865	313,935
Asset retirement obligations	8,236	8,001	84,080
Deposits payable	101,967	89,511	1,040,908
Cash collateral received for financial instruments	1,868	6,084	19,070
Other	33,875	48,064	345,810
Total	¥ 535,057	¥ 630,759	\$ 5,462,000

20. ACCEPTANCES AND GUARANTEES

CONSOLIDATED

Acceptances and guarantees as of September 30, 2013 and March 31, 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2013	Mar. 31, 2013	Sept. 30, 2013
Guarantees	¥ 453,036	¥ 511,032	\$ 4,624,707

21. ASSETS PLEDGED AS COLLATERAL

CONSOLIDATED

Assets pledged as collateral and liabilities collateralized as of September 30, 2013 and March 31, 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2013	Mar. 31, 2013	Sept. 30, 2013
Assets pledged as collateral:			
Cash and due from banks	¥ 1,957	¥ 165	\$ 19,988
Other monetary claims purchased	1,953	—	19,943
Trading assets	58,789	15,484	600,139
Monetary assets held in trust	4,002	4,171	40,861
Securities	641,058	872,770	6,544,085
Loans and bills discounted	116,057	121,584	1,184,743
Lease receivables and leased investment assets	77,796	84,140	794,168
Other assets	44,045	42,298	449,629
Premises and equipment	2,422	2,558	24,725
Liabilities collateralized:			
Deposits, including negotiable certificates of deposit	¥ 916	¥ 418	\$ 9,354
Call money	120,000	170,000	1,224,990
Payables under securities lending transactions	57,131	43,945	583,211
Borrowed money	328,168	447,809	3,350,023
Corporate bonds	13,787	10,159	140,749
Other liabilities	2,223	2,483	22,698
Acceptances and guarantees	911	914	9,301

21. ASSETS PLEDGED AS COLLATERAL (CONTINUED)

CONSOLIDATED

In addition, ¥169,544 million (U.S.\$1,730,749 thousand) and ¥173,655 million of securities as of September 30, 2013 and March 31, 2013, were pledged as collateral for transactions, including exchange settlements, swap transactions and replacement of margin for futures transactions.

Also, ¥8,585 million (U.S.\$87,646 thousand) and ¥5,103 million of margin deposits for futures transactions outstanding,

¥13,290 million (U.S.\$135,674 thousand) and ¥13,478 million of security deposits, ¥18,498 million (U.S.\$188,835 thousand) and ¥16,718 million of cash collateral paid for financial instruments, and ¥2,551 million (U.S.\$26,042 thousand) and ¥4,473 million of guarantee deposits under resale agreements were included in other assets as of September 30, 2013 and March 31, 2013, respectively.

22. NONRECOURSE DEBTS

CONSOLIDATED

Nonrecourse debts in consolidated special purpose companies as of September 30, 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	Sept. 30, 2013		Sept. 30, 2013	
Nonrecourse debts:				
Borrowed money	¥	86,546	\$	883,486
Corporate bonds		13,787		140,749
Assets corresponding to nonrecourse debts:				
Cash and due from banks	¥	1,788	\$	18,259
Other monetary claims purchased		1,953		19,943
Securities		121,654		1,241,880
Loans and bills discounted		64,283		656,218
Other assets		4,606		47,025

Assets corresponding to nonrecourse debts included certain amount of "Assets pledged as collateral" in Note 21.

23. PREFERRED SECURITIES ISSUED BY SUBSIDIARIES OUTSIDE JAPAN

CONSOLIDATED

The noncumulative perpetual preferred securities issued by the Bank's wholly owned subsidiaries outside Japan as of September 30, 2013 and March 31, 2013 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, 2013	Mar. 31, 2013	Sept. 30, 2013	Sept. 30, 2013
Shinsei Finance (Cayman) Limited	Feb. 2006	U.S.\$775	6.418%	Jul. 2016	step-up	Jul. 2016 ⁽²⁾	¥ 2,963	¥ 2,844	\$ 30,250	
Shinsei Finance II (Cayman) Limited	Mar. 2006	U.S.\$700	7.16%	Jul. 2016	non step-up	Jul. 2016 ⁽³⁾	1,683	1,616	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	159,249	
	Mar. 2009	¥20,100	5.0%	Jul. 2019	step-up	Jul. 2014 ⁽²⁾	18,000	18,000	183,748	
Shinsei Finance IV (Cayman) Limited	Mar. 2009	¥2,500	5.0%	Jul. 2019	step-up	Jul. 2014 ⁽²⁾	2,500	2,500	25,521	
	Mar. 2009	¥6,600	5.5%	Jul. 2014	non step-up	Jul. 2014 ⁽²⁾	6,600	6,600	67,374	
Shinsei Finance V (Cayman) Limited	Oct. 2009	¥4,000	5.5%	Jul. 2015	non step-up	Jul. 2015 ⁽²⁾	4,000	4,000	40,833	
	Oct. 2009	¥5,000	floating	—	non step-up	Jul. 2015 ⁽²⁾	5,000	5,000	51,041	
Total							¥ 56,346	¥ 56,160	\$ 575,203	

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.

24. EQUITY

CONSOLIDATED

The authorized number of shares of common stock as of September 30, 2013 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, 2013:		
Beginning of period	2,750,346	96,427
Increase	—	—
Decrease	—	—
End of period	2,750,346	96,427
Six months ended September 30, 2012:		
Beginning of period	2,750,346	96,427
Increase	—	—
Decrease	—	—
End of period	2,750,346	96,427

25. 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.

(a) Stock-based compensation expenses for the six months ended September 30, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2013	Sept. 30, 2012	Sept. 30, 2013
General and administrative expenses	¥ —	¥ (10)	\$ —

(b) Amount of profit by non-exercise of stock options for the six months ended September 30, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2013	Sept. 30, 2012	Sept. 30, 2013
Other gains	¥ 16	¥ 43	\$ 164

There were no stock acquisition rights issued during the six months ended September 30, 2013 and 2012.

26. NET TRADING INCOME (LOSS)

CONSOLIDATED

Net trading income (loss) for the six months ended September 30, 2013 and 2012 consisted of the following:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Income (loss) from trading securities	¥ 3,146	¥ 1,549	\$ 32,124
Income (loss) from securities held to hedge trading transactions	(898)	(1,785)	(9,171)
Income (loss) from trading-related financial derivatives	4,901	9,832	50,035
Other, net	(159)	(23)	(1,624)
Total	¥ 6,990	¥ 9,573	\$ 71,364

27. OTHER BUSINESS INCOME (LOSS), NET

CONSOLIDATED

“Other, net” in other business income (loss), net, for the six months ended September 30, 2013 and 2012 consisted of the following:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Income (loss) from derivatives entered into for banking purposes, net	¥ 279	¥ (421)	\$ 2,857
Equity in net income (loss) of affiliates	973	1,268	9,942
Gain on lease cancellation and other lease income (loss), net	996	463	10,173
Other, net	(643)	1,493	(6,571)
Total	¥ 1,606	¥ 2,804	\$ 16,401

28. NET CREDIT COSTS

CONSOLIDATED

Net credit costs for the six months ended September 30, 2013 and 2012 consisted of the following:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Losses on write-off or sales of loans	¥ 1,756	¥ 3,290	\$ 17,929
Net provision (reversal) of reserve for loan losses:			
Net provision (reversal) of general reserve for loan losses	2,238	746	22,847
Net provision (reversal) of specific reserve for loan losses	425	8,337	4,343
Net provision (reversal) of reserve for loan losses to restructuring countries	—	—	—
Subtotal	2,663	9,084	27,190
Net provision (reversal) of specific reserve for other credit losses	—	(8)	—
Other credit costs (recoveries) relating to leasing business	(71)	(444)	(726)
Recoveries of written-off claims	(3,993)	(5,669)	(40,769)
Total	¥ 354	¥ 6,253	\$ 3,624

29. OTHER GAINS (LOSSES), NET

CONSOLIDATED

Other gains (losses), net for the six months ended September 30, 2013 and 2012 consisted of the following:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Net gain (loss) on disposal of premises and equipment	¥ (137)	¥ 227	\$ (1,407)
Pension-related costs	—	(37)	—
Gain on write-off of unclaimed debentures	517	264	5,278
Impairment losses on long-lived assets	(1,072)	(171)	(10,953)
Other, net	590	230	6,025
Total	¥ (103)	¥ 514	\$ (1,057)

IMPAIRMENT LOSSES ON LONG-LIVED ASSETS

For the six months ended September 30, 2013, impairment losses on long-lived assets of ¥1,072 million (U.S.\$10,947 thousand) were recognized by the Bank on the properties of some branches which were decided to be closed and some software assets of which use or development is ceased,

assuming their recoverable amount to be zero.

For the six months ended September 30, 2012, impairment losses on long-lived assets of ¥171 million 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.

30. NET INCOME (LOSS) PER COMMON SHARE

CONSOLIDATED

A reconciliation of the difference between basic and diluted net income (loss) per common share ("EPS") for the six months ended September 30, 2013 was 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, 2013:				
Basic EPS				
Net income (loss) available to common shareholders	¥ 27,240	2,653,919	¥10.26	\$ 0.10
Effect of dilutive securities				
Stock acquisition rights	—	3		
Diluted EPS				
Net income (loss) for computation	¥ 27,240	2,653,922	¥10.26	\$ 0.10

Basic EPS for the six months ended September 30, 2012 was as follows:

	Net income (loss) (Millions of yen)	Weighted average shares (Thousands)	EPS (Yen)
For the six months ended September 30, 2012:			
Basic EPS			
Net income (loss) available to common shareholders	¥ 25,764	2,653,919	¥ 9.70

Diluted EPS for the six months ended September 30, 2012 was not disclosed because there was no effect from dilutive securities.

31. 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 "(U) LEASE TRANSACTIONS" in Note 2 "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

31. LEASE TRANSACTIONS (CONTINUED)

CONSOLIDATED

AS LESSOR

(a) Breakdown of "Lease receivables and leased investment assets" as of September 30, 2013 and March 31, 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2013	Mar. 31, 2013	Sept. 30, 2013
Lease receivables	¥ 52,033	¥ 44,705	\$ 531,168
Leased investment assets:			
Lease payment receivables	173,479	172,465	1,770,921
Estimated residual value	6,806	6,976	69,480
Interest equivalent	(20,973)	(20,817)	(214,103)
Other	277	259	2,831
Subtotal	159,589	158,884	1,629,129
Total	¥ 211,622	¥ 203,590	\$ 2,160,297

(b) Lease payment receivables for "Lease receivables and leased investment assets" as of September 30, 2013 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	¥ 14,940	\$ 152,516	¥ 54,792	\$ 559,340
Due after one year within two years	12,910	131,799	41,958	428,323
Due after two years within three years	10,465	106,837	29,996	306,209
Due after three years within four years	7,448	76,037	19,711	201,224
Due after four years within five years	5,083	51,890	10,550	107,700
Due after five years	4,541	46,356	16,469	168,125
Total	¥ 55,389	\$ 565,435	¥ 173,479	\$ 1,770,921

(B) OPERATING LEASE TRANSACTIONS

Noncancelable operating lease obligations as lessee and lease payment receivables as lessor as of September 30, 2013 and March 31, 2013 were as follows.

AS LESSEE

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2013	Mar. 31, 2013	Sept. 30, 2013
Lease obligations:			
Due within one year	¥ 3,833	¥ 4,011	\$ 39,137
Due after one year	15,862	17,684	161,925
Total	¥ 19,696	¥ 21,695	\$ 201,062

AS LESSOR

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2013	Mar. 31, 2013	Sept. 30, 2013
Lease payment receivables:			
Due within one year	¥ 4,422	¥ 4,497	\$ 45,145
Due after one year	19,351	19,099	197,546
Total	¥ 23,773	¥ 23,597	\$ 242,691

32. 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," "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, real estate finance, such as nonrecourse 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. "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, "Shinsei Financial" which consists of the business of Shinsei Financial Co., Ltd., SHINKI Co., Ltd. and "Shinsei Bank Card Loan - Lake" transferred from Shinsei Financial on October 1, 2011, provides consumer finance, and "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 profit and loss related to "Go Remit Overseas Remittance Service" that was transferred from Lloyds TSB Bank plc on March 1, 2013, is included in the "Retail Banking Sub-Group."

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

On April 1, 2013, we implemented organizational changes. The "Structured Finance Sub-Group" in the Institutional Group was integrated into the "Institutional Business Sub-Group." As a result of this organizational change, 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, 2012 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 Note 2, "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 pre-determined internal rule, to each reportable segment according to the budget which is set at the beginning of the fiscal year.

32. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

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

Six months ended September 30, 2013	Millions of yen						
	Institutional Group				Global Markets Group		
	Institutional Business Sub-Group	Principal Transactions Sub-Group	Showa Leasing	Other Institutional Group	Financial Institutions Sub-Group	Markets Sub-Group	Other Global Markets Group
Revenue:	¥ 19,656	¥ 9,632	¥ 6,784	¥ (97)	¥ 1,710	¥ 2,089	¥ 1,444
Net Interest Income	13,777	2,268	(1,348)	178	813	1,149	5
Non-interest Income ¹	5,878	7,364	8,132	(275)	896	939	1,439
Expenses	5,534	2,159	3,847	617	1,045	1,612	1,742
Net Credit Costs (Recoveries)	(2,704)	49	(1,869)	1,664	55	(51)	(50)
Segment Profit (loss)	¥ 16,826	¥ 7,422	¥ 4,806	¥ (2,380)	¥ 609	¥ 528	¥ (247)
Segment Assets ²	¥ 2,433,303	¥ 300,679	¥ 419,844	¥ 81,315	¥ 155,345	¥ 389,858	¥ 95,529
Segment Liabilities	¥ 468,307	¥ 3,175	¥ —	¥ 1,091	¥ 269,620	¥ 223,622	¥ 83,903
Includes:							
1. Equity in net income (loss) of affiliates	¥ —	¥ 557	¥ —	¥ 431	¥ (13)	¥ (1)	¥ —
2. Investment in affiliates	—	42,109	—	—	—	2,108	—
Other:							
Goodwill (Negative Goodwill):							
Amortization	¥ —	¥ —	¥ 1,102	¥ —	¥ —	¥ —	¥ —
Unamortized balance	—	—	24,684	—	—	—	—
Intangible assets acquired in business combinations:							
Amortization	¥ —	¥ —	¥ 299	¥ —	¥ —	¥ —	¥ —
Unamortized balance	—	—	2,689	—	—	—	—
Impairment losses on long-lived assets	¥ 86	¥ —	¥ —	¥ —	¥ 39	¥ 5	¥ —

Six months ended September 30, 2013	Millions of yen						
	Individual Group				Corporate/Other		
	Retail Banking Sub-Group	Consumer Finance Sub-Group			Treasury Sub-Group	Other	Total
	Shinsei Financial	APLUS FINANCIAL	Other				
Revenue:	¥ 16,831	¥ 21,910	¥ 23,406	¥ 859	¥ (2,501)	¥ (1,433)	¥ 100,293
Net Interest Income	12,766	24,157	3,909	727	(1,741)	(1,610)	55,053
Non-interest Income ¹	4,065	(2,247)	19,497	132	(760)	176	45,239
Expenses	16,145	15,196	17,263	312	778	(415)	65,839
Net Credit Costs (Recoveries)	155	(231)	3,394	(58)	—	0	354
Segment Profit (loss)	¥ 530	¥ 6,945	¥ 2,749	¥ 606	¥ (3,280)	¥ (1,018)	¥ 34,098
Segment Assets ²	¥ 1,161,080	¥ 363,082	¥ 882,741	¥ 25,657	¥ 1,386,161	¥ —	¥ 7,694,599
Segment Liabilities	¥ 5,031,856	¥ 4,241	¥ 437,518	¥ 134	¥ 2,396	¥ —	¥ 6,525,868
Includes:							
1. Equity in net income (loss) of affiliates	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 973
2. Investment in affiliates	—	—	—	—	—	—	44,218
Other:							
Goodwill (Negative Goodwill):							
Amortization	¥ 70	¥ 1,802	¥ 429	¥ (0)	¥ —	¥ —	¥ 3,405
Unamortized balance	339	4,819	2,147	(5)	—	—	31,985
Intangible assets acquired in business combinations:							
Amortization	¥ —	¥ 1,468	¥ —	¥ —	¥ —	¥ —	¥ 1,767
Unamortized balance	—	8,030	—	—	—	—	10,720
Impairment losses on long-lived assets	¥ 474	¥ 21	¥ —	¥ —	¥ 5	¥ 440	¥ 1,072

32. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

	Millions of yen						
	Institutional Group				Global Markets Group		
	Institutional Business Sub-Group	Principal Transactions Sub-Group	Showa Leasing	Other Institutional Group	Financial Institutions Sub-Group	Markets Sub-Group	Other Global Markets Group
Six months ended September 30, 2012							
Revenue:	¥ 17,020	¥ 7,678	¥ 6,377	¥ 398	¥ 2,443	¥ 4,066	¥ 1,102
Net Interest Income	14,063	1,989	(1,419)	(131)	835	672	43
Non-interest Income ¹	2,956	5,689	7,797	529	1,607	3,394	1,058
Expenses	5,546	1,901	3,833	767	1,173	1,614	1,771
Net Credit Costs (Recoveries)	2,234	92	(355)	1,350	(1,357)	(132)	(229)
Segment Profit (loss)	¥ 9,239	¥ 5,684	¥ 2,900	¥ (1,719)	¥ 2,627	¥ 2,585	¥ (439)
Segment Assets ²	¥ 2,660,853	¥ 330,588	¥ 395,871	¥ 87,357	¥ 151,680	¥ 352,773	¥ 77,040
Segment Liabilities	¥ 578,108	¥ 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		
	Retail Banking Sub-Group	Consumer Finance Sub-Group			Treasury Sub-Group	Other	Total
Six months ended September 30, 2012							
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

Financial Highlights

Message from Management

Overview of the Second MTMP

Review of Operations

Management Structure

Data Section

Notes to Interim Consolidated Financial Statements (Unaudited)

32. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

Thousands of U.S. dollars

Six months ended September 30, 2013	Institutional Group				Global Markets Group		
	Institutional Business Sub-Group	Principal Transactions Sub-Group	Showa Leasing	Other Institutional Group	Financial Institutions Sub-Group	Markets Sub-Group	Other Global Markets Group
Revenue:	\$ 200,660	\$ 98,329	\$ 69,254	\$ (994)	\$ 17,458	\$ 21,331	\$ 14,747
Net Interest Income	140,648	23,155	(13,766)	1,820	8,309	11,737	53
Non-interest Income ¹	60,012	75,174	83,020	(2,814)	9,149	9,594	14,694
Expenses	56,495	22,047	39,274	6,306	10,673	16,460	17,789
Net Credit Costs (Recoveries)	(27,604)	510	(19,082)	16,996	565	(522)	(514)
Segment Profit (loss)	\$ 171,769	\$ 75,772	\$ 49,062	\$ (24,296)	\$ 6,220	\$ 5,393	\$ (2,528)
Segment Assets ²	\$ 24,839,764	\$ 3,069,415	\$ 4,285,877	\$ 830,086	\$ 1,585,801	\$ 3,979,772	\$ 975,188
Segment Liabilities	\$ 4,780,599	\$ 32,416	\$ —	\$ 11,147	\$ 2,752,356	\$ 2,282,789	\$ 856,505
Includes:							
1. Equity in net income (loss) of affiliates	\$ —	\$ 5,695	\$ —	\$ 4,406	\$ (143)	\$ (16)	\$ —
2. Investment in affiliates	—	429,866	—	—	—	21,523	—
Other:							
Goodwill (Negative Goodwill):							
Amortization	\$ —	\$ —	\$ 11,259	\$ —	\$ —	\$ —	\$ —
Unamortized balance	—	—	251,982	—	—	—	—
Intangible assets acquired in business combinations:							
Amortization	\$ —	\$ —	\$ 3,057	\$ —	\$ —	\$ —	\$ —
Unamortized balance	—	—	27,459	—	—	—	—
Impairment losses on long-lived assets	\$ 887	\$ —	\$ —	\$ —	\$ 400	\$ 52	\$ —

Thousands of U.S. dollars

Six months ended September 30, 2013	Individual Group				Corporate/Other		
	Retail Banking Sub-Group	Consumer Finance Sub-Group			Treasury Sub-Group	Other	Total
		Shinsei Financial	APLUS FINANCIAL	Other			
Revenue:	\$ 171,821	\$ 223,666	\$ 238,940	\$ 8,778	\$ (25,537)	\$ (14,634)	\$ 1,023,819
Net Interest Income	130,320	246,607	39,907	7,423	(17,777)	(16,437)	561,999
Non-interest Income ¹	41,501	(22,941)	199,033	1,355	(7,760)	1,803	461,820
Expenses	164,819	155,127	176,227	3,190	7,946	(4,243)	672,110
Net Credit Costs (Recoveries)	1,586	(2,362)	34,648	(602)	—	5	3,624
Segment Profit (loss)	\$ 5,416	\$ 70,901	\$ 28,065	\$ 6,190	\$ (33,483)	\$ (10,396)	\$ 348,085
Segment Assets ²	\$ 11,852,599	\$ 3,706,433	\$ 9,011,244	\$ 261,924	\$ 14,150,283	\$ —	\$ 78,548,386
Segment Liabilities	\$ 51,366,444	\$ 43,295	\$ 4,466,300	\$ 1,371	\$ 24,463	\$ —	\$ 66,617,685
Includes:							
1. Equity in net income (loss) of affiliates	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 9,942
2. Investment in affiliates	—	—	—	—	—	—	451,389
Other:							
Goodwill (Negative Goodwill):							
Amortization	\$ 719	\$ 18,404	\$ 4,385	\$ (3)	\$ —	\$ —	\$ 34,764
Unamortized balance	3,465	49,200	21,920	(54)	—	—	326,513
Intangible assets acquired in business combinations:							
Amortization	\$ —	\$ 14,986	\$ —	\$ —	\$ —	\$ —	\$ 18,043
Unamortized balance	—	81,978	—	—	—	—	109,437
Impairment losses on long-lived assets	\$ 4,846	\$ 223	\$ —	\$ —	\$ 52	\$ 4,493	\$ 10,953

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) "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.

32. 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, 2013 and 2012 was as follows:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Total segment profit	¥ 34,098	¥ 34,080	\$ 348,085
Amortization of goodwill acquired in business combinations	(3,335)	(3,680)	(34,046)
Amortization of intangible assets acquired in business combinations	(1,767)	(1,999)	(18,043)
Lump-sum payments	(1,289)	(987)	(13,158)
Other gains (losses), net	(103)	514	(1,057)
Income (loss) before income taxes and minority interests	¥ 27,603	¥ 27,926	\$ 281,781

(ii) A reconciliation between total segment assets and total assets on the interim consolidated balance sheets as of September 30, 2013 and 2012 was as follows:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Total segment assets	¥ 7,694,599	¥ 8,006,770	\$ 78,548,386
Cash and due from banks	724,563	414,089	7,396,520
Call loans	—	—	—
Receivables under resale agreements	53,216	38,387	543,250
Receivables under securities borrowing transactions	51,557	31,927	526,313
Foreign exchanges	37,746	22,729	385,328
Other assets excluding installment receivables	374,488	415,452	3,822,871
Premises and equipment excluding tangible leased assets	32,552	35,339	332,306
Intangible assets excluding intangible leased assets	61,866	73,900	631,549
Deferred issuance expense for debentures	47	113	480
Deferred tax assets	18,800	15,789	191,923
Reserve for credit losses	(143,925)	(171,964)	(1,469,231)
Total assets	¥ 8,905,513	¥ 8,882,534	\$ 90,909,695

(iii) A reconciliation between total segment liabilities and total liabilities on the interim consolidated balance sheets as of September 30, 2013 and 2012 was as follows:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Total segment liabilities	¥ 6,525,868	¥ 6,360,730	\$ 66,617,685
Call money	120,000	230,077	1,224,990
Payables under securities lending transactions	60,216	139,404	614,709
Borrowed money	619,344	718,377	6,322,417
Foreign exchanges	25	16	261
Short-term corporate bonds	107,900	63,400	1,101,470
Corporate bonds	189,142	163,525	1,930,813
Other liabilities	535,057	506,401	5,462,000
Accrued employees' bonuses	4,628	4,103	47,245
Accrued directors' bonuses	31	23	321
Reserve for employees' retirement benefits	7,521	7,179	76,785
Reserve for directors' retirement benefits	114	211	1,173
Reserve for losses on interest repayments	28,630	41,568	292,267
Deferred tax liabilities	56	275	575
Total liabilities	¥ 8,198,537	¥ 8,235,295	\$ 83,692,711

32. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

(B) RELATED INFORMATION**(a) INFORMATION BY SERVICES**

Income regarding major services for the six months ended September 30, 2013 and 2012 were as follows:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Loan Businesses	¥ 66,814	¥ 70,407	\$ 682,062
Lease Businesses	4,651	5,427	47,489
Securities Investment Businesses	8,286	10,650	84,589

(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, 2013 and 2012, 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, 2013 and 2012, 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, 2013 and 2012, therefore major customer information is not presented.

33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

CONSOLIDATED

Fair values of financial instruments as of September 30, 2013 and March 31, 2013 were as follows:

	Millions of yen					
	Sept. 30, 2013			Mar. 31, 2013		
	Carrying amount	Fair value	Unrealized gain (loss)	Carrying amount	Fair value	Unrealized gain (loss)
Assets:						
(1) Cash and due from banks	¥ 724,563	¥ 724,563	¥ —	¥ 648,897	¥ 648,897	¥ —
(2) Call loans	—	—	—	18,806	18,806	—
(3) Receivables under resale agreements	53,216	53,563	346	78,507	78,948	440
(4) Receivables under securities borrowing transactions	51,557	51,557	—	19,083	19,083	—
(5) Other monetary claims purchased						
Trading purposes	52,793	52,793	—	66,965	66,965	—
Other ⁽¹⁾	45,432	46,355	922	44,338	44,640	301
(6) Trading assets						
Securities held for trading purposes	62,764	62,764	—	31,890	31,890	—
(7) Monetary assets held in trust ⁽¹⁾	210,899	214,005	3,105	233,714	238,291	4,577
(8) Securities						
Trading securities	506	506	—	662	662	—
Securities being held to maturity	636,703	643,639	6,935	639,809	649,174	9,365
Securities available for sale	1,045,932	1,045,932	—	1,094,814	1,094,814	—
Equity securities of affiliates	38,775	30,587	(8,187)	36,557	30,286	(6,271)
(9) Loans and bills discounted ⁽²⁾	4,208,627			4,292,464		
Reserve for credit losses	(101,376)			(121,328)		
Net	4,107,251	4,169,020	61,768	4,171,136	4,248,691	77,555
(10) Lease receivables and leased investment assets ⁽¹⁾	207,728	207,443	(285)	199,177	200,125	947
(11) Other assets						
Installment receivables	380,109			365,817		
Deferred gains on installment receivables	(12,410)			(12,111)		
Reserve for credit losses	(10,277)			(10,819)		
Net	357,422	368,492	11,070	342,886	354,528	11,641
Total	¥ 7,595,547	¥ 7,671,224	¥ 75,677	¥ 7,627,249	¥ 7,725,806	¥ 98,557
Liabilities:						
(1) Deposits, including negotiable certificates of deposit	¥ 5,753,456	¥ 5,763,021	¥ (9,565)	¥ 5,457,535	¥ 5,472,305	¥ (14,769)
(2) Debentures	45,867	45,919	(52)	262,342	262,768	(426)
(3) Call money	120,000	120,000	—	170,094	170,094	—
(4) Payables under securities lending transactions	60,216	60,216	—	47,069	47,069	—
(5) Trading liabilities						
Trading securities sold for short sales	46,874	46,874	—	15,925	15,925	—
(6) Borrowed money	619,344	617,852	1,491	719,292	718,119	1,172
(7) Short-term corporate bonds	107,900	107,900	—	82,800	82,800	—
(8) Corporate bonds	189,142	190,438	(1,296)	174,286	171,091	3,194
Total	¥ 6,942,801	¥ 6,952,223	¥ (9,422)	¥ 6,929,344	¥ 6,940,172	¥ (10,829)
Derivative instruments ⁽³⁾ :						
Hedge accounting is not applied	¥ (23,765)	¥ (23,765)	¥ —	¥ (17,733)	¥ (17,733)	¥ —
Hedge accounting is applied	(12,254)	(12,254)	—	(16,521)	(16,521)	—
Total	¥ (36,020)	¥ (36,020)	¥ —	¥ (34,255)	¥ (34,255)	¥ —
	Contract amount	Fair value		Contract amount	Fair value	
Other:						
Guarantee contracts ⁽⁴⁾	¥ 453,036	¥ (3,311)		¥ 511,032	¥ (4,460)	

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33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

	Thousands of U.S. dollars		
	Sept. 30, 2013		
	Carrying amount	Fair value	Unrealized gain (loss)
Assets:			
(1) Cash and due from banks	\$ 7,396,520	\$ 7,396,520	\$ —
(2) Call loans	—	—	—
(3) Receivables under resale agreements	543,250	546,792	3,542
(4) Receivables under securities borrowing transactions	526,313	526,313	—
(5) Other monetary claims purchased			
Trading purposes	538,927	538,927	—
Other ⁽¹⁾	463,785	473,204	9,419
(6) Trading assets			
Securities held for trading purposes	640,719	640,719	—
(7) Monetary assets held in trust ⁽¹⁾	2,152,919	2,184,625	31,706
(8) Securities			
Trading securities	5,169	5,169	—
Securities being held to maturity	6,499,629	6,570,428	70,799
Securities available for sale	10,677,135	10,677,135	—
Equity securities of affiliates	395,828	312,248	(83,580)
(9) Loans and bills discounted ⁽²⁾	42,962,716		
Reserve for credit losses	(1,034,876)		
Net	41,927,840	42,558,393	630,553
(10) Lease receivables and leased investment assets ⁽¹⁾	2,120,549	2,117,632	(2,917)
(11) Other assets			
Installment receivables	3,880,256		
Deferred gains on installment receivables	(126,687)		
Reserve for credit losses	(104,916)		
Net	3,648,653	3,761,663	113,010
Total	\$ 77,537,236	\$ 78,309,768	\$ 772,532
Liabilities:			
(1) Deposits, including negotiable certificates of deposit	\$ 58,732,707	\$ 58,830,352	\$ (97,645)
(2) Debentures	468,223	468,756	(533)
(3) Call money	1,224,990	1,224,990	—
(4) Payables under securities lending transactions	614,709	614,709	—
(5) Trading liabilities			
Trading securities sold for short sales	478,507	478,507	—
(6) Borrowed money	6,322,417	6,307,193	15,224
(7) Short-term corporate bonds	1,101,470	1,101,470	—
(8) Corporate bonds	1,930,813	1,944,044	(13,231)
Total	\$ 70,873,836	\$ 70,970,021	\$ (96,185)
Derivative instruments ⁽³⁾ :			
Hedge accounting is not applied	\$ (242,601)	\$ (242,601)	\$ —
Hedge accounting is applied	(125,101)	(125,101)	—
Total	\$ (367,702)	\$ (367,702)	\$ —

	Contract amount	Fair value
Other:		
Guarantee contracts ⁽⁴⁾	\$ 4,624,707	\$ (33,806)

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 ¥361,641 million (U.S.\$3,691,723 thousand) and ¥389,310 million held by consolidated subsidiaries included in Loans and bills discounted, reserve for losses on interest repayments of ¥28,630 million (U.S.\$292,267 thousand) and ¥34,983 million was recognized for estimated losses on reimbursements of excess interest payments as of September 30, 2013 and March 31, 2013, 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.

33. 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 rate, or expected cash flows based on the forward rate in case of the transactions with floating interest rate, using the risk free rate adjusted to account for credit risk (after consideration of collateral) with credit default swap (CDS) spreads etc. corresponding to the 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 and mutual funds 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 rate are determined by discounting contractual cash flows, and the fair values of loans and bills discounted with floating interest rate are determined by discounting expected cash flows based on the forward rates, using the risk free rate adjusted to account for credit risk (after consideration of collateral) with CDS spreads etc. corresponding to internal credit rating 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 a 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 a 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 a 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.

33. 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 nonmarketable 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 latest actual funding rate.

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 are 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 rate 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 rate are determined by discounting expected cash flows based on forward rates, at the funding 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 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, 2013	Mar. 31, 2013	Sept. 30, 2013
Equity securities without readily available market price ⁽¹⁾⁽²⁾	¥ 12,751	¥ 12,819	\$ 130,173
Investments in partnerships and others ⁽¹⁾⁽²⁾	60,077	57,681	613,291
Total	¥ 72,829	¥ 70,501	\$ 743,464

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, 2013 and for the fiscal year ended March 31, 2013, impairment losses on equity securities without readily available market price of ¥27 million (U.S.\$286 thousand) and ¥1,271 million, and on investments in partnerships and others of ¥23 million (U.S.\$239 thousand) and ¥606 million were recognized, respectively.

34. 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, 2013 and March 31, 2013 are adjusted for credit risk by a reduction of ¥728 million (U.S.\$7,438 thousand) and ¥611 million, respectively, and also adjusted for liquidity risk by a reduction of ¥1,527 million (U.S.\$15,598 thousand) and ¥2,025 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, 2013 and March 31, 2013 were as follows:

	Millions of yen							
	Sept. 30, 2013				Mar. 31, 2013			
	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	¥ 39,745	¥ 6,895	¥ (24)	¥ (24)	¥ 3,280	¥ 2,325	¥ (3)	¥ (3)
Bought	17,776	6,042	18	18	7,693	2,335	(0)	(0)
Interest rate swaps (over-the-counter):								
Receive fixed and pay floating	5,764,173	4,658,960	139,759	139,759	5,600,527	4,558,713	176,626	176,626
Receive floating and pay fixed	5,321,691	4,281,517	(116,222)	(116,222)	5,125,244	4,099,234	(147,575)	(147,575)
Receive floating and pay floating	725,522	581,066	1,992	1,992	787,556	593,163	1,084	1,084
Interest rate swaptions (over-the-counter):								
Sold	959,302	679,780	(16,993)	5,934	1,083,435	723,154	(19,353)	4,353
Bought	1,548,748	1,314,804	12,794	(200)	1,453,978	1,124,526	15,002	1,886
Interest rate options (over-the-counter):								
Sold	114,026	51,432	(290)	424	115,090	92,907	(349)	368
Bought	101,525	62,244	137	(309)	106,049	101,049	183	(349)
Total			¥ 21,171	¥ 31,372			¥ 25,614	¥ 36,389

Thousands of U.S. dollars

	Sept. 30, 2013			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Futures contracts (listed):				
Sold	\$ 405,729	\$ 70,391	\$ (246)	\$ (246)
Bought	181,463	61,688	190	190
Interest rate swaps (over-the-counter):				
Receive fixed and pay floating	58,842,111	47,559,825	1,426,700	1,426,700
Receive floating and pay fixed	54,325,144	43,706,792	(1,186,427)	(1,186,427)
Receive floating and pay floating	7,406,316	5,931,674	20,336	20,336
Interest rate swaptions (over-the-counter):				
Sold	9,792,794	6,939,367	(173,471)	60,585
Bought	15,810,010	13,421,851	130,611	(2,051)
Interest rate options (over-the-counter):				
Sold	1,164,014	525,040	(2,968)	4,338
Bought	1,036,394	635,411	1,403	(3,163)
Total			\$ 216,128	\$ 320,262

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.

34. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(b) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions as of September 30, 2013 and March 31, 2013 were as follows:

Millions of yen

	Sept. 30, 2013				Mar. 31, 2013			
	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)	¥ 838,559	¥ 724,366	¥ (31,222)	¥ (31,222)	¥ 825,128	¥ 716,720	¥ (29,417)	¥ (29,417)
Forward foreign exchange contracts (over-the-counter):								
Sold	781,175	93,164	(18,765)	(18,765)	673,772	101,842	(22,475)	(22,475)
Bought	519,931	148,373	37,211	37,211	477,400	158,504	55,253	55,253
Currency options (over-the-counter):								
Sold	1,586,786	644,764	(33,672)	(2,677)	2,020,346	931,805	(49,338)	(5,205)
Bought	1,494,297	684,723	437	(26,427)	2,046,529	918,286	4,744	(32,024)
Total			¥ (46,011)	¥ (41,880)			¥ (41,233)	¥ (33,869)

Thousands of U.S. dollars

	Sept. 30, 2013			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Currency swaps (over-the-counter)	\$ 8,560,225	\$ 7,394,514	\$ (318,724)	\$ (318,724)
Forward foreign exchange contracts (over-the-counter):				
Sold	7,974,434	951,046	(191,559)	(191,559)
Bought	5,307,589	1,514,635	379,866	379,866
Currency options (over-the-counter):				
Sold	16,198,313	6,581,919	(343,741)	(27,328)
Bought	15,254,157	6,989,823	4,462	(269,778)
Total			\$ (469,696)	\$ (427,523)

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.

34. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(c) EQUITY-RELATED TRANSACTIONS

Equity-related transactions as of September 30, 2013 and March 31, 2013 were as follows:

	Millions of yen							
	Sept. 30, 2013				Mar. 31, 2013			
	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	¥ 18,555	¥ —	¥ 271	¥ 271	¥ 3,762	¥ —	¥ (19)	¥ (19)
Bought	4,021	—	(34)	(34)	24,115	—	282	282
Equity index options (listed):								
Sold	796,098	262,287	(50,726)	(15,766)	384,365	161,525	(25,853)	(8,489)
Bought	897,631	256,975	49,147	12,142	373,268	141,975	23,188	4,848
Equity options (over-the-counter):								
Sold	159,842	77,568	(26,200)	(10,914)	168,569	74,685	(17,060)	(927)
Bought	173,733	82,960	34,699	18,675	194,060	80,077	23,634	6,649
Other (over-the-counter):								
Sold	35,400	35,400	(989)	(989)	28,399	18,400	(1,494)	(1,494)
Bought	107,977	107,977	(330)	(330)	119,347	118,997	729	729
Total			¥ 5,836	¥ 3,054			¥ 3,406	¥ 1,577

Thousands of U.S. dollars

	Sept. 30, 2013			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Equity index futures (listed):				
Sold	\$ 189,415	\$ —	\$ 2,772	\$ 2,772
Bought	41,048	—	(353)	(353)
Equity index options (listed):				
Sold	8,126,769	2,677,496	(517,831)	(160,953)
Bought	9,163,249	2,623,265	501,709	123,958
Equity options (over-the-counter):				
Sold	1,631,709	791,834	(267,466)	(111,420)
Bought	1,773,518	846,883	354,221	190,647
Other (over-the-counter):				
Sold	361,372	361,372	(10,097)	(10,097)
Bought	1,102,261	1,102,261	(3,375)	(3,375)
Total			\$ 59,580	\$ 31,179

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.

34. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(d) BOND-RELATED TRANSACTIONS

Bond-related transactions as of September 30, 2013 and March 31, 2013 were as follows:

Millions of yen

	Sept. 30, 2013				Mar. 31, 2013			
	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	¥ 22,086	¥ —	¥ (82)	¥ (82)	¥ 20,504	¥ —	¥ (92)	¥ (92)
Bought	11,543	—	25	25	22,669	—	39	39
Bond futures options (listed):								
Sold	8,640	—	(12)	0	—	—	—	—
Bought	—	—	—	—	31,114	—	13	(10)
Total			¥ (69)	¥ (56)			¥ (39)	¥ (62)

Thousands of U.S. dollars

	Sept. 30, 2013			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Bond futures (listed):				
Sold	\$ 225,462	\$ —	\$ (841)	\$ (841)
Bought	117,841	—	256	256
Bond futures options (listed):				
Sold	88,199	—	(125)	6
Bought	—	—	—	—
Total			\$ (710)	\$ (579)

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.

34. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(e) CREDIT DERIVATIVES TRANSACTIONS

Credit derivatives transactions as of September 30, 2013 and March 31, 2013 were as follows:

Millions of yen

	Sept. 30, 2013				Mar. 31, 2013			
	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	¥ 317,424	¥ 261,058	¥ 3,027	¥ 3,027	¥ 447,561	¥ 260,752	¥ 1,667	¥ 1,667
Bought	328,928	262,060	(3,281)	(3,281)	442,565	255,824	(2,075)	(2,075)
Other (over-the-counter):								
Bought	1,600	1,600	(2,182)	(582)	1,600	1,600	(2,435)	(835)
Total			¥ (2,436)	¥ (836)			¥ (2,843)	¥ (1,243)

Thousands of U.S. dollars

	Sept. 30, 2013			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Credit default option (over-the-counter):				
Sold	\$ 3,240,346	\$ 2,664,945	\$ 30,905	\$ 30,905
Bought	3,357,779	2,675,181	(33,497)	(33,497)
Other (over-the-counter):				
Bought	16,333	16,333	(22,276)	(5,942)
Total			\$ (24,868)	\$ (8,534)

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.

34. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(B) DERIVATIVES TRANSACTIONS TO WHICH HEDGE ACCOUNTING WAS APPLIED

(a) INTEREST RATE-RELATED TRANSACTIONS

Interest rate-related transactions which are accounted for using the deferral method as of September 30, 2013 and March 31, 2013 were as follows:

	Millions of yen					
	Sept. 30, 2013			Mar. 31, 2013		
	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	¥ 831,085	¥ 329,491	¥ 3,374	¥ 613,807	¥ 404,247	¥ 4,761
Receive floating and pay fixed	246,900	227,606	(11,053)	237,107	224,610	(14,555)
Total			¥ (7,679)			¥ (9,793)

	Thousands of U.S. dollars		
	Sept. 30, 2013		
	Contract/Notional principal		
	Total	Maturity over 1 year	Fair value
Interest rate swaps:			
Receive fixed and pay floating	\$ 8,483,929	\$ 3,363,534	\$ 34,443
Receive floating and pay fixed	2,520,420	2,323,460	(112,835)
Total			\$ (78,392)

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.

34. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

Interest rate swaps which meet specific matching criteria as of September 30, 2013 and March 31, 2013 were as follows:

	Millions of yen					
	Sept. 30, 2013			Mar. 31, 2013		
	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	¥ 9,925	¥ 6,325	¥ —	¥ 1,450	¥ 250	¥ —
	Thousands of U.S. dollars					
	Sept. 30, 2013					
	Contract/Notional principal					
	Total	Maturity over 1 year	Fair value			
Interest rate swaps:						
Receive floating and pay fixed	\$ 101,317	\$ 64,567	\$ —			

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 33 "FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES."

(b) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions which are accounted for using the deferral method as of September 30, 2013 and March 31, 2013 were as follows:

	Millions of yen					
	Sept. 30, 2013			Mar. 31, 2013		
	Contract/Notional principal			Contract/Notional principal		
	Total	Maturity over 1 year	Fair value	Total	Maturity over 1 year	Fair value
Currency swaps	¥ 18,021	¥ 9,841	¥ (4,575)	¥ 33,333	¥ 9,446	¥ (6,727)
	Thousands of U.S. dollars					
	Sept. 30, 2013					
	Contract/Notional principal					
	Total	Maturity over 1 year	Fair value			
Currency swaps	\$ 183,971	\$ 100,461	\$ (46,709)			

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.

INTERIM NON-CONSOLIDATED BALANCE SHEETS (UNAUDITED)

Shinsei Bank, Limited

As of September 30, 2013 and March 31, 2013

	Millions of yen		Thousands of U.S. dollars (Note)
	Sept. 30, 2013	Mar. 31, 2013	Sept. 30, 2013
ASSETS			
Cash and due from banks	¥ 602,436	¥ 546,411	\$ 6,149,824
Call loans	—	18,806	—
Receivables under resale agreements	53,216	78,507	543,250
Other monetary claims purchased	191,928	198,768	1,959,257
Trading assets	256,012	258,902	2,613,440
Monetary assets held in trust	209,417	255,505	2,137,790
Securities	2,215,723	2,282,624	22,618,660
Valuation allowance for investments	(3,370)	(3,370)	(34,409)
Loans and bills discounted	4,139,960	4,224,433	42,261,746
Foreign exchanges	37,746	33,857	385,328
Other assets	224,277	476,920	2,289,480
Premises and equipment	18,455	19,600	188,394
Intangible assets	8,651	9,333	88,320
Deferred issuance expenses for debentures	47	95	480
Deferred tax assets	4,536	1,210	46,306
Customers' liabilities for acceptances and guarantees	11,346	12,566	115,828
Reserve for credit losses	(90,411)	(106,518)	(922,938)
Total assets	¥ 7,879,976	¥ 8,307,655	\$ 80,440,756
LIABILITIES AND EQUITY			
Liabilities:			
Deposits, including negotiable certificates of deposit	¥ 5,903,401	¥ 5,836,251	\$ 60,263,387
Debentures	45,867	265,042	468,223
Call money	120,000	170,094	1,224,990
Payables under securities lending transactions	—	28,377	—
Trading liabilities	228,820	226,202	2,335,855
Borrowed money	356,129	479,854	3,635,453
Foreign exchanges	224	368	2,296
Corporate bonds	238,291	220,713	2,432,538
Other liabilities	297,239	398,199	3,034,300
Accrued employees' bonuses	2,067	4,091	21,101
Acceptances and guarantees	11,346	12,566	115,828
Total liabilities	7,203,387	7,641,761	73,533,971
Equity:			
Common stock	512,204	512,204	5,228,711
Capital surplus	79,465	79,465	811,208
Stock acquisition rights	1,222	1,238	12,481
Retained earnings:			
Legal reserve	12,628	12,097	128,911
Unappropriated retained earnings	151,520	139,126	1,546,758
Unrealized gain (loss) on available-for-sale securities	625	2,976	6,389
Deferred gain (loss) on derivatives under hedge accounting	(8,520)	(8,657)	(86,975)
Treasury stock, at cost	(72,558)	(72,558)	(740,698)
Total equity	676,588	665,893	6,906,785
Total liabilities and equity	¥ 7,879,976	¥ 8,307,655	\$ 80,440,756

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥97.96=U.S.\$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2013.

INTERIM NON-CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Shinsei Bank, Limited
For the six months ended September 30, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note)
	Sept. 30, 2013 (6 months)	Sept. 30, 2012 (6 months)	Sept. 30, 2013 (6 months)
Interest income:			
Interest on loans and bills discounted	¥ 35,808	¥ 32,752	\$ 365,547
Interest and dividends on securities	16,700	17,634	170,484
Interest on deposits with banks	397	115	4,059
Other interest income	1,381	1,178	14,105
Total interest income	54,288	51,680	554,195
Interest expenses:			
Interest on deposits, including negotiable certificates of deposit	11,332	11,832	115,688
Interest and discounts on debentures	121	548	1,240
Interest on other borrowings	1,386	1,366	14,158
Interest on corporate bonds	4,556	4,011	46,511
Other interest expenses	173	84	1,767
Total interest expenses	17,570	17,844	179,364
Net interest income	36,718	33,836	374,831
Fees and commissions income	11,072	7,756	113,034
Fees and commissions expenses	7,429	5,363	75,847
Net fees and commissions	3,642	2,393	37,187
Net trading income (loss)	2,520	8,526	25,733
Other business income (loss), net:			
Net gain (loss) on monetary assets held in trust	2,362	5,139	24,115
Net gain (loss) on foreign exchanges	3,146	(1,240)	32,119
Net gain (loss) on securities	(7)	2,474	(72)
Net gain (loss) on other monetary claims purchased	10	(105)	102
Other, net	335	284	3,429
Net other business income (loss)	5,847	6,552	59,693
Total revenue	48,729	51,309	497,444
General and administrative expenses:			
Personnel expenses	11,863	11,151	121,109
Premises expenses	6,113	5,980	62,410
Technology and data processing expenses	3,654	3,844	37,309
Advertising expenses	2,971	2,647	30,338
Consumption and property taxes	1,607	1,640	16,409
Deposit insurance premium	2,070	2,151	21,139
Other general and administrative expenses	7,337	6,922	74,899
Total general and administrative expenses	35,619	34,339	363,613
Net business profit (loss)	13,110	16,969	133,831
Net credit costs (recoveries)	(960)	1,505	(9,800)
Other gains (losses), net	(416)	(341)	(4,247)
Income (loss) before income taxes	13,654	15,122	139,384
Income taxes (benefit):			
Current	(120)	(120)	(1,232)
Deferred	(1,804)	(456)	(18,419)
Net income (loss)	¥ 15,579	¥ 15,699	\$ 159,035

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥97.96=U.S.\$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2013.

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

Shinsei Bank, Limited

For the six months ended September 30, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note)
	Sept. 30, 2013 (6 months)	Sept. 30, 2012 (6 months)	Sept. 30, 2013 (6 months)
Common stock:			
Balance at beginning of the period	¥ 512,204	¥ 512,204	\$ 5,228,711
Balance at end of the period	512,204	512,204	5,228,711
Capital surplus:			
Balance at beginning of the period	79,465	79,465	811,208
Balance at end of the period	79,465	79,465	811,208
Stock acquisition rights:			
Balance at beginning of the period	1,238	1,354	12,645
Net change during the period	(16)	(53)	(164)
Balance at end of the period	1,222	1,301	12,481
Retained earnings:			
Legal reserve:			
Balance at beginning of the period	12,097	11,566	123,493
Dividends	530	530	5,418
Balance at end of the period	12,628	12,097	128,911
Unappropriated retained earnings:			
Balance at beginning of the period	139,126	117,654	1,420,233
Dividends	(3,184)	(3,184)	(32,510)
Net income (loss)	15,579	15,699	159,035
Balance at end of the period	151,520	130,169	1,546,758
Unrealized gain (loss) on available-for-sale securities:			
Balance at beginning of the period	2,976	(1,031)	30,388
Net change during the period	(2,350)	(292)	(23,999)
Balance at end of the period	625	(1,324)	6,389
Deferred gain (loss) on derivatives under hedge accounting:			
Balance at beginning of the period	(8,657)	(4,476)	(88,378)
Net change during the period	137	2,183	1,403
Balance at end of the period	(8,520)	(2,293)	(86,975)
Treasury stock, at cost:			
Balance at beginning of the period	(72,558)	(72,558)	(740,698)
Balance at end of the period	(72,558)	(72,558)	(740,698)
Total equity:			
Balance at beginning of the period	665,893	644,178	6,797,602
Net change in stock acquisition rights during the period	(16)	(53)	(164)
Dividends	(2,653)	(2,653)	(27,092)
Net income (loss)	15,579	15,699	159,035
Net change in unrealized gain (loss) on available-for-sale securities during the period	(2,350)	(292)	(23,999)
Net change in deferred gain (loss) on derivatives under hedge accounting during the period	137	2,183	1,403
Balance at end of the period	¥ 676,588	¥ 659,062	\$ 6,906,785

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥97.96=U.S.\$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2013.

BASEL ACCORD 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 86 non-consolidated subsidiaries are special purpose companies (SPCs) or Limited Partnerships (LPs) for leveraged 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 54 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, 2013		As of March 31, 2013	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
Shinsei housing loans	¥ 36,801	¥ 36,801	¥ 35,324	¥ 35,324
Shinsei bank card loans Lake	5,716	5,716	3,900	3,900
Subsidiaries of Showa Leasing	1,107	—	1,057	—
Shinsei Financial Group ⁽¹⁾	19,625	—	20,988	—
Other subsidiaries	4,165	—	3,820	—

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, 2013		As of March 31, 2013	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
Corporate (Excluding Specialized Lending) ⁽¹⁾	¥ 168,623	¥ 155,064	¥ 183,548	¥ 170,826
Specialized Lending ⁽²⁾	116,231	115,373	151,378	150,285
Sovereign	4,655	4,612	4,620	4,533
Bank	17,036	15,967	18,279	17,660
Residential mortgages	1,635	0	1,793	—
Qualified revolving retails	47,606	0	48,545	—
Other retails	130,694	0	138,052	—
Equity	11,881	134,103	11,212	133,633
Regarded (Fund)	27,450	20,175	27,544	20,764
Securitization ⁽³⁾	35,644	41,278	36,421	42,890
(Unrated securitization exposure)	(15,292)	(15,292)	(15,115)	(15,115)
Purchase receivables	47,956	47,312	56,934	55,917
Other assets	6,453	2,661	6,416	2,485
Total	¥ 615,870	¥ 536,548	¥ 684,748	¥ 598,998

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, 2013		As of March 31, 2013	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
Market-Based Approach				
Simplified Method	¥ 2,332	¥ 5,387	¥ 1,426	¥ 5,024
PD/LGD Method	8,977	127,301	9,270	127,195
Grandfathering Rule	572	1,414	514	1,414
Total	¥ 11,881	¥ 134,103	¥ 11,212	¥ 133,633

AMOUNT OF REQUIRED CAPITAL FOR REGARDED-METHOD EXPOSURE UNDER IRB

Millions of yen

	As of September 30, 2013		As of March 31, 2013	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
Look Through	¥ 3,469	¥ 3,469	¥ 3,085	¥ 3,085
Revised Naivete Majority	16,982	8,394	16,630	8,558
Simplified [400%]	633	1,954	533	1,835
Simplified [1,250%]	6,364	6,356	7,294	7,285
Total	¥ 27,450	¥ 20,175	¥ 27,544	¥ 20,764

AMOUNT OF REQUIRED CAPITAL FOR MARKET RISK

Millions of yen

	As of September 30, 2013		As of March 31, 2013	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
The Standardized Approach				
(Specific Risk)	¥ 1,086	¥ 917	¥ 1,491	¥ 1,228
Interest rate risk	594	580	810	797
Equity position risk	86	86	210	210
FX risk	365	250	243	220
Securitization risk	39	—	227	—
The Standardized Approach				
(General Market Risk)	—	—	—	—
The Internal Models Approach				
(IMA) (General Market Risk)	16,501	16,372	16,771	16,423

AMOUNT OF REQUIRED CAPITAL FOR OPERATIONAL RISK

Millions of yen

	As of September 30, 2013		As of March 31, 2013	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
The Standardized Approach	¥ 27,960	¥ 13,572	¥ 29,487	¥ 13,797

TOTAL CAPITAL ADEQUACY RATIO AND TIER I CAPITAL RATIO

	As of September 30, 2013		As of March 31, 2013	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Total capital adequacy ratio	14.12%	15.93%	12.24%	14.31%
Tier I capital ratio	11.98%	13.27%	10.41%	11.99%

TOTAL REQUIRED CAPITAL (DOMESTIC CRITERIA)

Millions of yen

	As of September 30, 2013		As of March 31, 2013	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Total required capital	¥ 332,176	¥ 267,941	¥ 374,531	¥ 302,731
Total risk assets x 4%	¥ 217,741	¥ 215,857	¥ 233,911	¥ 230,186

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, 2013				As of March 31, 2013			
	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	¥ 339,920	¥ 332,423	¥ 0	¥ 7,496	¥ 364,154	¥ 359,354	¥ 0	¥ 4,799
Agriculture	863	863	—	—	967	967	—	—
Mining	775	775	—	—	830	830	—	—
Construction	43,717	43,680	36	1	40,795	40,757	36	1
Electric power, gas, water supply	157,077	155,941	30	1,105	134,776	134,176	31	568
Information and communication	48,942	48,914	—	28	36,372	36,344	—	28
Transportation	233,246	230,055	2,136	1,053	249,011	235,287	2,160	11,563
Wholesale and retail	154,663	150,536	132	3,993	153,172	152,385	222	564
Finance and insurance	1,286,091	1,228,050	17,561	40,479	1,271,552	1,210,505	13,803	47,242
Real estate	701,278	567,670	131,844	1,764	788,987	597,733	189,636	1,616
Services	437,561	434,385	2,154	1,021	456,102	452,231	2,651	1,219
Government	1,417,168	91,827	1,325,340	—	1,431,154	93,260	1,337,894	—
Individuals	2,458,018	2,457,905	—	112	2,448,490	2,448,359	—	130
Others	8,152	8,152	0	—	8,215	8,215	—	—
Domestic Total	7,287,478	5,751,182	1,479,238	57,057	7,384,584	5,770,410	1,546,438	67,736
Foreign	706,156	356,159	133,947	216,049	711,180	407,714	120,130	183,335
Consolidated Total	¥ 7,993,634	¥ 6,107,342	¥ 1,613,186	¥ 273,106	¥ 8,095,765	¥ 6,178,125	¥ 1,666,568	¥ 251,071
To 1 year	1,463,048	1,041,187	341,870	79,990	1,429,694	1,138,863	229,293	61,537
1 to 3 years	1,891,476	1,407,032	391,992	92,452	2,089,682	1,470,025	534,358	85,297
3 to 5 years	2,271,809	1,512,603	727,960	31,245	2,313,481	1,532,782	748,870	31,828
Over 5 years	1,925,127	1,708,160	147,548	69,418	1,803,998	1,579,010	152,581	72,406
Undated	442,172	438,358	3,814	—	458,907	457,442	1,464	—
Consolidated Total	¥ 7,993,634	¥ 6,107,342	¥ 1,613,186	¥ 273,106	¥ 8,095,765	¥ 6,178,125	¥ 1,666,568	¥ 251,071

Geographic, Industries or Maturity (Non-consolidated)

Millions of yen

	As of September 30, 2013				As of March 31, 2013			
	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	¥ 273,331	¥ 265,834	¥ 0	¥ 7,496	¥ 300,427	¥ 295,628	¥ 0	¥ 4,799
Agriculture	205	205	—	—	236	236	—	—
Mining	247	247	—	—	268	268	—	—
Construction	13,686	13,685	—	1	12,569	12,568	—	1
Electric power, gas, water supply	156,867	155,731	30	1,105	134,586	133,985	31	568
Information and communication	34,833	34,805	—	28	21,755	21,726	—	28
Transportation	207,691	204,500	2,136	1,053	223,809	210,085	2,160	11,563
Wholesale and retail	82,155	78,029	132	3,993	80,680	79,892	222	564
Finance and insurance	1,499,847	1,432,073	34,143	33,630	1,506,775	1,437,510	31,509	37,755
Real estate	715,584	581,975	131,844	1,764	806,178	614,924	189,636	1,616
Services	364,378	360,032	2,046	2,299	389,125	384,440	2,729	1,955
Government	1,404,845	79,539	1,325,305	—	1,418,449	80,590	1,337,859	—
Individuals	1,078,738	1,078,625	—	112	1,009,761	1,009,630	—	130
Others	—	—	—	—	—	—	—	—
Domestic Total	5,832,413	4,285,286	1,495,640	51,486	5,904,623	4,281,488	1,564,150	58,984
Foreign	690,918	321,883	152,776	216,259	691,890	370,939	137,324	183,627
Bank Total	¥ 6,523,332	¥ 4,607,169	¥ 1,648,416	¥ 267,746	¥ 6,596,514	¥ 4,652,427	¥ 1,701,474	¥ 242,612
To 1 year	1,500,717	1,080,392	341,834	78,490	1,467,947	1,181,420	229,452	57,074
1 to 3 years	1,406,844	924,812	391,992	90,039	1,631,950	1,014,947	534,358	82,644
3 to 5 years	1,957,965	1,198,899	727,852	31,213	1,955,616	1,175,141	748,753	31,721
Over 5 years	1,586,412	1,352,032	166,377	68,002	1,475,214	1,234,268	169,774	71,170
Undated	71,392	51,032	20,359	—	65,784	46,650	19,134	—
Bank Total	¥ 6,523,332	¥ 4,607,169	¥ 1,648,416	¥ 267,746	¥ 6,596,514	¥ 4,652,427	¥ 1,701,474	¥ 242,612

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, 2013		As of March 31, 2013	
	Default Exposure		Default Exposure	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
	Manufacturing	¥ 10,896	¥ 6,989	¥ 20,723
Agriculture	12	—	22	—
Mining	—	—	—	—
Construction	1,690	90	2,221	91
Electric power, gas, water supply	—	—	—	—
Information and communication	2,013	1,983	2,198	2,183
Transportation	5,726	3,592	5,331	3,592
Wholesale and retail	1,140	238	1,037	230
Finance and insurance	58,664	58,653	59,718	59,706
Real estate	111,185	108,043	181,035	177,487
Services	31,244	29,503	31,016	29,052
Government	—	—	—	—
Individuals	143,794	7,113	142,751	6,380
Others	6,557	—	7,652	—
Domestic Total	372,928	216,208	453,708	295,101
Foreign	38,683	38,683	37,594	37,594
Total	¥ 411,611	¥ 254,891	¥ 491,303	¥ 332,695

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

Consolidated

Millions of yen

	As of September 30, 2013			As of March 31, 2013			As of September 30, 2012		
	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount
	General	¥ 67,707	¥ (2,124)	¥ 65,583	¥ 80,949	¥ (13,242)	¥ 67,707	¥ 80,949	¥ (3,129)
Specific	243,746	(12,378)	231,368	265,675	(21,929)	243,746	265,675	(8,451)	257,224
Country	0	—	0	0	—	0	0	—	0
Total	¥ 311,454	¥ (14,502)	¥ 296,952	¥ 346,625	¥ (35,171)	¥ 311,454	¥ 346,625	¥ (11,580)	¥ 335,045

Non-consolidated

Millions of yen

	As of September 30, 2013			As of March 31, 2013			As of September 30, 2012		
	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount
	General	¥ 28,522	¥ (496)	¥ 28,026	¥ 39,627	¥ (11,105)	¥ 28,522	¥ 39,627	¥ (5,497)
Specific	136,187	(10,729)	125,458	156,555	(20,368)	136,187	156,555	(8,212)	148,343
Country	0	—	0	0	—	0	0	—	0
Total	¥ 164,711	¥ (11,226)	¥ 153,485	¥ 196,183	¥ (31,472)	¥ 164,711	¥ 196,183	¥ (13,709)	¥ 182,474

Geographic (Consolidated)

Millions of yen

	As of September 30, 2013				As of March 31, 2013				As of September 30, 2012			
	Total	Reserve Amount			Total	Reserve Amount			Total	Reserve Amount		
		General	Specific	Country		General	Specific	Country		General	Specific	Country
Domestic	¥ 263,915	¥ 59,407	¥ 204,508	¥ —	¥ 276,111	¥ 61,640	¥ 214,471	¥ —	¥ 303,303	¥ 71,913	¥ 231,389	¥ —
Foreign	33,036	6,175	26,860	0	35,343	6,067	29,275	0	31,741	5,906	25,834	0
Total	¥ 296,952	¥ 65,583	¥ 231,368	¥ 0	¥ 311,454	¥ 67,707	¥ 243,746	¥ 0	¥ 335,045	¥ 77,820	¥ 257,224	¥ 0

QUANTITATIVE DISCLOSURE (CONTINUED)

Geographic (Non-consolidated)

Millions of yen

	As of September 30, 2013				As of March 31, 2013				As of September 30, 2012			
	Total	Reserve Amount			Total	Reserve Amount			Total	Reserve Amount		
		General	Specific	Country		General	Specific	Country		General	Specific	Country
Domestic	¥ 123,506	¥ 24,029	¥ 99,477	¥ —	¥ 132,950	¥ 24,926	¥ 108,023	¥ —	¥ 153,325	¥ 29,834	¥ 123,490	¥ —
Foreign	29,979	3,997	25,981	0	31,761	3,595	28,164	0	29,149	4,295	24,853	0
Total	¥ 153,485	¥ 28,026	¥ 125,458	¥ 0	¥ 164,711	¥ 28,522	¥ 136,187	¥ 0	¥ 182,474	¥ 34,130	¥ 148,343	¥ 0

Industries

Millions of yen

	As of September 30, 2013		As of March 31, 2013		As of September 30, 2012	
	Reserve Amount		Reserve Amount		Reserve Amount	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Manufacturing	¥ 10,837	¥ 6,971	¥ 12,551	¥ 8,227	¥ 14,794	¥ 9,862
Agriculture	31	—	46	—	30	—
Mining	16	7	15	5	23	13
Construction	1,452	142	1,587	119	1,930	185
Electric power, gas, water supply	402	402	276	276	187	187
Information and communication	622	384	1,105	105	1,271	213
Transportation	2,645	1,692	2,659	1,716	2,790	1,939
Wholesale and retail	2,585	820	2,326	777	2,579	773
Finance and insurance	16,124	19,167	16,874	19,676	25,908	28,177
Real estate	65,692	68,326	73,081	76,063	81,507	84,273
Services	19,759	16,219	20,799	16,777	23,587	18,670
Government	93	—	70	—	77	—
Individuals	135,377	5,465	135,960	5,078	139,344	4,902
Others	4,492	3,908	4,676	4,126	4,715	4,126
Foreign	33,036	29,979	35,343	31,761	31,741	29,149
Non-classified	3,780	—	4,079	—	4,555	—
Total	¥ 296,952	¥ 153,485	¥ 311,454	¥ 164,711	¥ 335,045	¥ 182,474

AMOUNT OF WRITE-OFFS

Industries

Millions of yen

	Six months ended September 30, 2013		Fiscal year ended March 31, 2013		Six months ended September 30, 2012	
	Amount of write-off		Amount of write-off		Amount of write-off	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Manufacturing	¥ 810	¥ 768	¥ 623	¥ 426	¥ 86	¥ —
Agriculture	5	—	—	—	—	—
Mining	—	—	—	—	—	—
Construction	44	—	170	23	135	80
Electric power, gas, water supply	—	—	—	—	—	—
Information and communication	347	—	52	—	40	—
Transportation	2	—	534	519	520	509
Wholesale and retail	27	—	235	—	126	—
Finance and insurance	382	382	943	943	371	371
Real estate	4,423	4,423	14,942	14,898	6,296	6,264
Services	111	—	378	21	127	—
Government	—	—	—	—	—	—
Individuals	10,766	20	30,379	80	14,474	13
Others	—	—	—	—	—	—
Foreign	423	423	5,107	5,107	3,682	3,681
Non-classified	—	—	0	—	—	—
Total	¥ 17,344	¥ 6,018	¥ 53,367	¥ 22,018	¥ 25,861	¥ 10,920

QUANTITATIVE DISCLOSURE (CONTINUED)

AMOUNT OF EXPOSURES UNDER SA (AFTER CREDIT RISK MITIGATION)

Millions of yen

	As of September 30, 2013				As of March 31, 2013			
	Consolidated		Non-consolidated		Consolidated		Non-consolidated	
	Rated	Unrated	Rated	Unrated	Rated	Unrated	Rated	Unrated
0%	¥ 11	¥ 1,360	¥ —	¥ —	¥ 184	¥ 1,598	¥ —	¥ —
10%	—	—	—	—	—	—	—	—
20%	101,128	30	—	—	80,212	0	—	—
35%	—	880,291	—	880,291	—	790,481	—	790,481
50%	346	7,528	—	1,421	434	7,025	—	1,426
75%	—	586,753	—	292,854	—	592,542	—	280,077
100%	299	66,399	—	1,657	277	68,431	—	1,483
150%	—	2,449	—	910	—	2,718	—	925
350%	—	—	—	—	—	—	—	—
Capital Deduction	—	—	—	—	—	—	—	—
Total	¥ 101,785	¥ 1,544,813	¥ —	¥ 1,177,134	¥ 81,109	¥ 1,462,797	¥ —	¥ 1,074,394

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

Risk weight ratio	As of September 30, 2013		As of March 31, 2013	
	Amount of Exposure		Amount of Exposure	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
50%	¥ 29,526	¥ 29,526	¥ 41,123	¥ 41,123
70%	107,626	102,495	89,411	84,379
90%	114,246	114,246	104,509	104,509
115%	60,540	60,540	48,748	48,748
250%	65,020	63,194	94,565	91,914
0% (Default)	97,628	97,628	108,363	108,363
Total	¥ 474,589	¥ 467,631	¥ 486,723	¥ 479,038

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

Millions of yen

Risk weight ratio	As of September 30, 2013		As of March 31, 2013	
	Amount of Exposure		Amount of Exposure	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
70%	¥ 6,718	¥ 6,718	¥ 12,333	¥ 12,333
95%	2,468	2,468	2,121	2,121
120%	1,038	1,038	3,473	3,473
140%	10,174	10,174	557	557
250%	10,095	10,095	60,778	60,778
0% (Default)	35,886	35,886	56,172	56,172
Total	¥ 66,382	¥ 66,382	¥ 135,437	¥ 135,437

(3) Equity exposure under Market-Based Simplified Method

Millions of yen

Risk weight ratio	As of September 30, 2013		As of March 31, 2013	
	Amount Consolidated	Amount Non-consolidated	Amount Consolidated	Amount Non-consolidated
	300%	¥ 2,570	¥ 2,507	¥ 492
400%	4,947	14,003	3,836	14,480
Total	¥ 7,518	¥ 16,510	¥ 4,329	¥ 14,922

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)

Credit rating	As of September 30, 2013					As of March 31, 2013				
	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)
0	—	—	—	¥ —	¥ —	—	—	—	¥ —	¥ —
1	0.03%	45.00%	16.16%	16,070	—	0.03%	45.00%	14.97%	17,880	—
2	0.06%	45.49%	26.81%	100,157	12,794	0.07%	44.98%	29.65%	123,018	13,691
3	0.11%	44.86%	33.18%	481,836	59,285	0.11%	45.01%	32.05%	492,888	65,076
4	0.28%	44.85%	49.07%	678,032	71,690	0.33%	44.83%	52.71%	573,682	83,576
5	0.99%	44.43%	82.08%	258,029	19,083	1.00%	44.47%	82.60%	284,655	26,110
6	3.25%	44.11%	124.04%	200,772	16,327	3.26%	44.08%	124.18%	217,150	14,217
9A	10.91%	44.83%	199.13%	140,618	17,082	10.50%	45.61%	195.75%	180,607	16,142
Default	100.00%	45.35%	—	80,992	1,424	100.00%	45.33%	—	90,687	67

Sovereign (Consolidated)

Millions of yen (except percentages)

Credit rating	As of September 30, 2013					As of March 31, 2013				
	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%	—	¥ 2,062,114	¥ 224	0.00%	45.00%	—	¥ 2,004,337	¥ 309
1	0.01%	30.62%	3.17%	25	—	0.01%	40.83%	3.61%	30	37
2	0.05%	45.00%	21.92%	157,385	750	0.05%	45.00%	21.32%	143,385	975
3	0.08%	44.92%	37.71%	46,081	—	0.09%	44.93%	36.30%	54,257	1,166
4	0.26%	54.86%	71.10%	2,772	—	0.29%	54.37%	76.29%	3,018	37
5	0.65%	45.00%	82.61%	—	128	0.71%	45.00%	83.83%	—	103
6	—	—	—	—	—	—	—	—	—	—
9A	—	—	—	—	—	10.50%	45.00%	179.31%	—	150
Default	100.00%	45.00%	—	15	—	100.00%	45.00%	—	15	—

Bank (Consolidated)

Millions of yen (except percentages)

Credit rating	As of September 30, 2013					As of March 31, 2013				
	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%	13.82%	¥ 10,931	¥ —	0.03%	45.00%	13.83%	¥ 9,693	¥ —
1	0.03%	45.00%	25.88%	9	—	0.03%	45.00%	25.88%	13	—
2	0.07%	45.50%	24.23%	65,058	56,080	0.07%	45.81%	27.68%	47,389	71,659
3	0.10%	40.52%	23.32%	326,219	181,847	0.11%	38.33%	23.81%	371,726	132,891
4	0.34%	45.00%	61.65%	15,394	17,559	0.39%	45.00%	65.49%	21,663	18,046
5	0.95%	45.00%	79.88%	11,071	578	1.07%	45.00%	92.91%	8,210	1,571
6	3.63%	45.00%	160.06%	8,950	129	3.63%	45.00%	158.35%	9,607	230
9A	10.91%	45.00%	210.12%	405	44	10.50%	45.00%	189.93%	1,458	112
Default	100.00%	45.00%	—	88	—	100.00%	45.00%	—	93	—

Corporate (Non-consolidated)

Millions of yen (except percentages)

Credit rating	As of September 30, 2013					As of March 31, 2013				
	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)
0	—	—	—	¥ —	¥ —	—	—	—	¥ —	¥ —
1	0.03%	45.00%	16.16%	16,070	—	0.03%	45.00%	14.98%	17,864	—
2	0.06%	45.54%	28.13%	89,628	12,794	0.07%	44.98%	29.95%	119,057	13,691
3	0.10%	44.86%	33.25%	470,980	59,285	0.11%	45.01%	32.11%	479,782	65,076
4	0.29%	44.86%	47.71%	780,832	72,138	0.34%	44.86%	51.28%	702,820	85,104
5	1.13%	44.50%	82.04%	297,833	19,083	0.97%	44.32%	81.48%	218,352	26,110
6	3.39%	43.73%	128.25%	136,240	16,294	2.89%	44.20%	114.87%	256,338	13,776
9A	10.91%	44.78%	195.07%	103,058	17,389	10.50%	45.80%	197.88%	133,434	16,142
Default	100.00%	45.40%	—	71,485	1,739	100.00%	45.37%	—	80,361	382

QUANTITATIVE DISCLOSURE (CONTINUED)

Sovereign (Non-consolidated)

Millions of yen (except percentages)

Credit rating	As of September 30, 2013					As of March 31, 2013				
	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%	—	¥ 1,991,563	¥ 224	0.00%	45.00%	—	¥ 1,983,489	¥ 309
1	0.01%	30.62%	3.17%	25	—	0.01%	40.83%	3.61%	30	37
2	0.05%	45.00%	22.27%	152,596	750	0.05%	45.00%	22.10%	133,771	975
3	0.08%	44.92%	37.71%	46,081	—	0.09%	44.93%	36.30%	54,257	1,166
4	0.26%	54.86%	71.10%	2,772	—	0.29%	54.37%	76.29%	3,018	37
5	0.65%	45.00%	82.61%	—	128	0.71%	45.00%	83.83%	—	103
6	—	—	—	—	—	—	—	—	—	—
9A	—	—	—	—	—	10.50%	45.00%	179.31%	—	150
Default	100.00%	45.00%	—	15	—	100.00%	45.00%	—	15	—

Bank (Non-consolidated)

Millions of yen (except percentages)

Credit rating	As of September 30, 2013					As of March 31, 2013				
	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%	25.88%	¥ 3,726	¥ —	0.03%	45.00%	25.88%	¥ 3,310	¥ —
1	0.03%	45.00%	25.88%	9	—	0.03%	45.00%	25.88%	13	—
2	0.06%	45.54%	25.95%	56,195	56,080	0.06%	45.72%	27.41%	62,963	71,659
3	0.10%	40.07%	23.92%	279,826	181,817	0.11%	37.52%	24.45%	317,236	132,891
4	0.34%	45.00%	62.38%	8,558	25,674	0.37%	45.00%	60.40%	24,019	28,500
5	0.87%	45.00%	83.35%	6,721	578	0.99%	45.00%	99.23%	5,198	1,571
6	3.81%	45.00%	167.52%	7,979	129	3.84%	45.00%	167.69%	8,253	230
9A	10.91%	45.00%	211.66%	381	44	10.50%	45.00%	201.28%	505	112
Default	100.00%	45.00%	—	88	—	100.00%	45.00%	—	93	—

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)

Credit rating	As of September 30, 2013				As of March 31, 2013			
	PD	LGD	Risk Weight	Amount	PD	LGD	Risk Weight	Amount
0	—	—	—	¥ —	—	—	—	¥ —
1	—	—	—	—	—	—	—	—
2	0.06%	90.00%	200.00%	6,000	0.06%	90.00%	200.02%	4,391
3	0.11%	90.00%	200.00%	2,591	0.11%	90.00%	200.00%	1,751
4	0.28%	90.00%	236.51%	3,229	0.33%	90.00%	243.89%	2,437
5	1.06%	90.00%	343.38%	4,337	1.27%	90.00%	369.54%	5,233
6	3.30%	90.00%	308.08%	176	3.47%	90.00%	395.46%	306
9A	10.91%	90.00%	681.23%	7,853	10.50%	90.00%	657.05%	8,472
Default	100.00%	90.00%	—	236	100.00%	90.00%	—	19

(Non-consolidated)

Millions of yen (except percentages)

Credit rating	As of September 30, 2013				As of March 31, 2013			
	PD	LGD	Risk Weight	Amount	PD	LGD	Risk Weight	Amount
0	—	—	—	¥ —	—	—	—	¥ —
1	—	—	—	—	—	—	—	—
2	0.06%	90.00%	200.00%	6,000	0.06%	90.00%	200.02%	4,391
3	0.11%	90.00%	200.00%	2,570	0.11%	90.00%	200.00%	1,736
4	0.32%	90.00%	299.48%	382,438	0.35%	90.00%	299.66%	382,463
5	1.27%	90.00%	320.65%	9,304	1.29%	90.00%	372.44%	5,059
6	2.86%	90.00%	329.26%	53	2.21%	90.00%	302.99%	5,455
9A	10.91%	90.00%	683.43%	37,809	10.50%	90.00%	673.39%	38,167
Default	100.00%	90.00%	—	570	100.00%	90.00%	—	1,884

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)

Pool	As of September 30, 2013							As of March 31, 2013						
	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Undrawn Commitments Amount	CCF	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Undrawn Commitments Amount	CCF
Normal	1.25%	68.24%	89.92%	¥ 8,018	¥ 7,620	¥ —	—	1.38%	67.91%	94.41%	¥ 8,837	¥ 8,244	¥ —	—
Need caution	78.83%	49.60%	121.87%	4	217	—	—	78.45%	49.10%	122.64%	3	159	—	—
Default	100.00%	57.37%	—	270	102	—	—	100.00%	55.45%	—	261	106	—	—

Qualified revolving retail exposure

Millions of yen (except percentages)

Pool	As of September 30, 2013							As of March 31, 2013						
	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Undrawn Commitments Amount	CCF	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Undrawn Commitments Amount	CCF
Normal	2.83%	69.52%	52.00%	¥109,126	¥ 89,379	¥ 2,188,222	4.08%	2.90%	73.90%	54.88%	¥ 104,489	¥ 89,846	¥ 2,202,005	4.08%
Need caution	66.10%	79.28%	185.24%	834	—	—	—	66.20%	84.67%	200.00%	784	—	—	—
Default	100.00%	83.23%	—	40,518	—	—	—	100.00%	85.82%	—	39,727	—	—	—

Other retail exposure

Millions of yen (except percentages)

Pool	As of September 30, 2013							As of March 31, 2013						
	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Undrawn Commitments Amount	CCF	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Undrawn Commitments Amount	CCF
Normal	2.46%	57.87%	71.38%	¥ 330,609	¥ 620,971	¥ 7,851	1.25%	2.56%	58.85%	72.78%	¥ 331,405	¥ 656,682	¥ 173,193	1.23%
Need caution	74.67%	53.20%	93.80%	4,679	2,996	—	—	77.55%	53.90%	86.99%	6,082	2,630	—	—
Default	100.00%	56.71%	—	97,297	739	—	—	100.00%	57.42%	—	98,978	729	—	—

Note: LGD is shown after credit risk mitigation

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

Corporate, Sovereign & Bank (Non-consolidated)

Millions of yen

	12 months ended September 30, 2013	12 months ended September 30, 2012	12 months ended September 30, 2011
Results of actual losses (a)	¥ 1,674	¥ 23,399	¥ 2,371
Expected losses (b)	14,184	18,533	19,601
Differences ((b) - (a))	12,510	(4,865)	17,230

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, 2010, 2011 and 2012 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 2013.

QUANTITATIVE DISCLOSURE (CONTINUED)

The consolidated based comparative results of actual losses and expected losses as of September 30, 2013 are as below;

Corporate, Sovereign & Bank (Consolidated)

Millions of yen

	As of September 30, 2013
Results of actual losses (a)	¥ 2,135
Expected losses (b)	15,312
Differences ((b) - (a))	13,176

Retail (Consolidated)

Millions of yen

	As of September 30, 2013
Results of actual losses (a)	¥ 9,315
Expected losses (b)	22,319
Differences ((b) - (a))	13,003

5. CREDIT RISK MITIGATION (CRM)

COVERED AMOUNT OF CRM BY COLLATERAL

FIRB

Millions of yen

	As of September 30, 2013		As of March 31, 2013	
	Eligible financial collateral	Other eligible FIRB collateral	Eligible financial collateral	Other eligible FIRB collateral
Corporate	¥ 1,138	¥ 178,177	¥ 1,386	¥ 177,230
Sovereign	—	—	—	—
Bank	53,216	—	78,507	—
Total	¥ 54,355	¥ 178,177	¥ 79,894	¥ 177,230

COVERED AMOUNT OF CRM BY GUARANTEE OR CREDIT DERIVATIVES

Millions of yen

	As of September 30, 2013		As of March 31, 2013	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
SA Exposures	¥ —	¥ —	¥ —	¥ —
IRB Exposures	119,851	119,851	130,934	130,934
Corporate	6,394	6,394	9,780	9,780
Sovereign	58,457	58,457	66,154	66,154
Bank	55,000	55,000	55,000	55,000
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, 2013		As of March 31, 2013	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Total amount of gross positive fair value	¥ 543,956	¥ 558,368	¥ 552,248	¥ 568,972
Amount of gross add-on	241,621	239,186	216,688	211,363
EAD before CRM	785,578	797,554	768,937	780,336
FX-related	232,979	235,107	252,808	254,010
Interest-related	264,106	264,412	295,186	295,543
Equity-related	100,559	97,268	61,219	58,989
Commodity-related	—	—	—	—
Credit derivatives	187,845	200,679	159,685	171,755
Others	86	86	37	37
Amount of net	512,385	529,721	517,828	537,686
EAD after net	273,192	267,832	251,108	242,649
Amount covered collateral	—	—	—	—
EAD after CRM	273,192	267,832	251,108	242,649

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

	Millions of yen			
	As of September 30, 2013		As of March 31, 2013	
	Protection-buy	Protection-sell	Protection-buy	Protection-sell
Notional amount				
Single name	¥ 315,003	¥ 208,818	¥ 536,796	¥ 256,123
Multi name	76,245	46,285	122,084	64,083

- Non-consolidated

	Millions of yen			
	As of September 30, 2013		As of March 31, 2013	
	Protection-buy	Protection-sell	Protection-buy	Protection-sell
Notional amount				
Single name	¥ 266,683	¥ 257,138	¥ 345,041	¥ 358,917
Multi name	62,245	60,285	97,524	88,643

- (8) Notional amount of credit derivatives which cover exposures by CRM
None.

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

Type of original assets	As of September 30, 2013	As of March 31, 2013
	Amount of original asset	Amount of original asset
Residential mortgages	¥ 177,846	¥ 205,596
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	33,455	33,998
Others	—	—
Total	¥ 211,301	¥ 239,594

Non-consolidated

Millions of yen

Type of original assets	As of September 30, 2013	As of March 31, 2013
	Amount of original asset	Amount of original asset
Residential mortgages	¥ 177,846	¥ 205,596
Consumer loans	208,201	229,526
Commercial real estate loans	—	—
Corporate loans	33,455	33,998
Others	175,185	181,624
Total	¥ 594,688	¥ 650,745

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

Type of original assets	As of September 30, 2013	As of March 31, 2013
	Amount of Default	Amount of Default
Residential mortgages	¥ 4,643	¥ 4,783
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	26,355	26,898
Others	—	—
Total	¥ 30,998	¥ 31,681

Non-consolidated

Millions of yen

Type of original assets	As of September 30, 2013	As of March 31, 2013
	Amount of Default	Amount of Default
Residential mortgages	¥ 4,643	¥ 4,783
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	26,355	26,898
Others	—	—
Total	¥ 30,998	¥ 31,681

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 FY2013.

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

Type of original assets	As of September 30, 2013	As of March 31, 2013
	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ 68,001	¥ 78,071
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	25,015	25,015
Others	—	—
Total	¥ 93,017	¥ 103,086

Resecuritization

Millions of yen

Type of original assets	As of September 30, 2013	As of March 31, 2013
	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ 860	¥ 875
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
Total	¥ 860	¥ 875

Non-consolidated

Excluding Resecuritization

Millions of yen

Type of original assets	As of September 30, 2013	As of March 31, 2013
	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ 68,001	¥ 78,071
Consumer loans	135,500	152,100
Commercial real estate loans	—	—
Corporate loans	25,015	25,015
Others	144,519	151,285
Total	¥ 373,036	¥ 406,472

Resecuritization

Millions of yen

Type of original assets	As of September 30, 2013	As of March 31, 2013
	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ 860	¥ 875
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
Total	¥ 860	¥ 875

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

Band of risk weight ratio	As of September 30, 2013		As of March 31, 2013	
	Amount	Required Capital amount	Amount	Required Capital amount
To 12%	¥ 19,497	¥ 115	¥ 19,499	¥ 115
Over 12% to 20%	56,192	899	66,261	1,060
Over 20% to 50%	—	—	—	—
Over 50% to 75%	—	—	—	—
Over 75% to 100%	17,326	1,317	17,325	1,399
Over 100% to 250%	—	—	—	—
Over 250% to 425%	—	—	—	—
Over 425%	—	—	—	—
Total	¥ 93,017	¥ 2,332	¥ 103,086	¥ 2,575

Resecuritization

Millions of yen

Band of risk weight ratio	As of September 30, 2013		As of March 31, 2013	
	Amount	Required Capital amount	Amount	Required Capital amount
To 30%	¥ —	¥ —	¥ —	¥ —
Over 30% to 50%	492	16	501	16
Over 50% to 100%	367	20	373	20
Over 100% to 225%	—	—	—	—
Over 225% to 500%	—	—	—	—
Over 500%	—	—	—	—
Total	¥ 860	¥ 36	¥ 875	¥ 37

Non-consolidated

Excluding Resecuritization

Millions of yen

Band of risk weight ratio	As of September 30, 2013		As of March 31, 2013	
	Amount	Required Capital amount	Amount	Required Capital amount
To 12%	¥ 189,717	¥ 1,777	¥ 196,584	¥ 1,818
Over 12% to 20%	97,992	1,597	108,061	1,749
Over 20% to 50%	31,000	920	44,500	1,320
Over 50% to 75%	37,000	2,353	30,000	1,908
Over 75% to 100%	17,326	1,317	27,325	2,247
Over 100% to 250%	—	—	—	—
Over 250% to 425%	—	—	—	—
Over 425%	—	—	—	—
Total	¥ 373,036	¥ 7,965	¥ 406,472	¥ 9,044

Resecuritization

Millions of yen

Band of risk weight ratio	As of September 30, 2013		As of March 31, 2013	
	Amount	Required Capital amount	Amount	Required Capital amount
To 30%	¥ —	¥ —	¥ —	¥ —
Over 30% to 50%	492	16	501	16
Over 50% to 100%	367	20	373	20
Over 100% to 225%	—	—	—	—
Over 225% to 500%	—	—	—	—
Over 500%	—	—	—	—
Total	¥ 860	¥ 36	¥ 875	¥ 37

QUANTITATIVE DISCLOSURE (CONTINUED)

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

Millions of yen

Type of original assets	As of September 30, 2013		As of March 31, 2013	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Residential mortgages	¥ 9,522	¥ 9,522	¥ 9,555	¥ 9,555
Consumer loans, installment receivables	—	—	—	—
Commercial real estate loans	—	—	—	—
Others	—	—	—	—
Total	¥ 9,522	¥ 9,522	¥ 9,555	¥ 9,555

(9) 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, 2013		As of March 31, 2013	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Residential mortgages	¥ 5,357	¥ 5,357	¥ 4,953	¥ 4,953
Consumer loans, installment receivables	—	—	—	—
Commercial real estate loans	—	—	—	—
Others	—	—	—	—
Total	¥ 5,357	¥ 5,357	¥ 4,953	¥ 4,953

(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

Type of original assets	As of September 30, 2013		As of March 31, 2013	
	Amount of Exposure		Amount of Exposure	
Residential mortgages	¥ 2,853		¥ 3,439	
Consumer loans	—		—	
Commercial real estate loans	73,733		73,871	
Corporate loans	23,568		24,513	
Others	31,896		42,560	
Total	¥ 132,052		¥ 144,385	

Resecuritization

Millions of yen

Type of original assets	As of September 30, 2013		As of March 31, 2013	
	Amount of Exposure		Amount of Exposure	
Residential mortgages	¥ —		¥ —	
Consumer loans	—		—	
Commercial real estate loans	—		—	
Corporate loans	17,951		20,519	
Others	—		—	
Total	¥ 17,951		¥ 20,519	

QUANTITATIVE DISCLOSURE (CONTINUED)

Non-consolidated
Excluding Resecuritization

Millions of yen

Type of original assets	As of September 30, 2013	As of March 31, 2013
	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ 2,853	¥ 3,439
Consumer loans	—	—
Commercial real estate loans	73,733	73,871
Corporate loans	23,568	24,513
Others	31,896	42,560
Total	¥ 132,052	¥ 144,385

Resecuritization

Millions of yen

Type of original assets	As of September 30, 2013	As of March 31, 2013
	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ —	¥ —
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	17,951	20,519
Others	—	—
Total	¥ 17,951	¥ 20,519

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

Consolidated
Excluding Resecuritization

Millions of yen

Band of risk weight ratio	As of September 30, 2013		As of March 31, 2013	
	Amount	Required Capital amount	Amount	Required Capital amount
To 12%	¥ 50,169	¥ 308	¥ 63,127	¥ 386
Over 12% to 20%	8,149	103	7,386	93
Over 20% to 50%	—	—	—	—
Over 50% to 75%	—	—	—	—
Over 75% to 100%	—	—	—	—
Over 100% to 250%	37,115	6,562	37,195	6,997
Over 250% to 425%	27,117	5,987	27,176	6,140
Over 425%	9,500	4,660	9,500	4,660
Total	¥ 132,052	¥ 17,623	¥ 144,385	¥ 18,278

Resecuritization

Millions of yen

Band of risk weight ratio	As of September 30, 2013		As of March 31, 2013	
	Amount	Required Capital amount	Amount	Required Capital amount
To 30%	¥ 17,951	¥ 359	¥ 20,519	¥ 414
Over 30% to 50%	—	—	—	—
Over 50% to 100%	—	—	—	—
Over 100% to 225%	—	—	—	—
Over 225% to 500%	—	—	—	—
Over 500%	—	—	—	—
Total	¥ 17,951	¥ 359	¥ 20,519	¥ 414

QUANTITATIVE DISCLOSURE (CONTINUED)

Non-consolidated
Excluding Resecuritization

Millions of yen

Band of risk weight ratio	As of September 30, 2013		As of March 31, 2013	
	Amount	Required Capital amount	Amount	Required Capital amount
To 12%	¥ 50,169	¥ 308	¥ 63,127	¥ 386
Over 12% to 20%	8,149	103	7,386	93
Over 20% to 50%	—	—	—	—
Over 50% to 75%	—	—	—	—
Over 75% to 100%	—	—	—	—
Over 100% to 250%	37,115	6,562	37,195	6,997
Over 250% to 425%	27,117	5,987	27,176	6,140
Over 425%	9,500	4,660	9,500	4,660
Total	¥ 132,052	¥ 17,623	¥ 144,385	¥ 18,278

Resecuritization

Millions of yen

Band of risk weight ratio	As of September 30, 2013		As of March 31, 2013	
	Amount	Required Capital amount	Amount	Required Capital amount
To 30%	¥ 17,951	¥ 359	¥ 20,519	¥ 414
Over 30% to 50%	—	—	—	—
Over 50% to 100%	—	—	—	—
Over 100% to 225%	—	—	—	—
Over 225% to 500%	—	—	—	—
Over 500%	—	—	—	—
Total	¥ 17,951	¥ 359	¥ 20,519	¥ 414

(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, 2013		As of March 31, 2013	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Residential mortgages	¥ 41	¥ 41	¥ 79	¥ 79
Consumer loans, installment receivables	—	—	—	—
Commercial real estate loans	—	—	—	—
Corporate loans	371	371	528	528
Others	—	—	—	—
Total	¥ 412	¥ 412	¥ 607	¥ 607

(4) Credit risk mitigation for resecuritization exposure
None.

(5) 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

Type of original assets	Millions of yen	
	As of September 30, 2013	As of March 31, 2013
	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ 1,352	¥ 12,914
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
Total	¥ 1,352	¥ 12,914

Resecuritization

Type of original assets	Millions of yen	
	As of September 30, 2013	As of March 31, 2013
	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ 568	¥ 662
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
Total	¥ 568	¥ 662

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

Consolidated

Excluding Resecuritization

Band of risk weight ratio	Millions of yen			
	As of September 30, 2013		As of March 31, 2013	
	Amount	Required Capital amount	Amount	Required Capital amount
1.6%	¥ 1,352	¥ 21	¥ 12,914	¥ 206
4%	—	—	—	—
8%	—	—	—	—
28%	—	—	—	—
Total	¥ 1,352	¥ 21	¥ 12,914	¥ 206

Resecuritization

Band of risk weight ratio	Millions of yen			
	As of September 30, 2013		As of March 31, 2013	
	Amount	Required Capital amount	Amount	Required Capital amount
3.2%	¥ 568	¥ 18	¥ 662	¥ 21
8%	—	—	—	—
18%	—	—	—	—
52%	—	—	—	—
Total	¥ 568	¥ 18	¥ 662	¥ 21

(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 2013 AND MARCH 2013 AND THE HIGH, MEAN AND LOW VAR

	Millions of yen			
	As of September 30, 2013		As of March 31, 2013	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
VaR at term end	¥ 2,384	¥ 2,376	¥ 1,642	¥ 1,627
VaR through this term				
High	3,264	3,242	2,770	2,724
Mean	2,096	2,064	1,539	1,498
Low	1,291	1,275	1,053	988

STRESSED VAR AT THE END OF SEPTEMBER 2013 AND MARCH 2013 AND THE HIGH, MEAN AND LOW VAR

	Millions of yen			
	As of September 30, 2013		As of March 31, 2013	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
VaR at term end	¥ 3,193	¥ 3,150	¥ 3,727	¥ 3,681
VaR through this term				
High	4,314	4,249	5,962	5,685
Mean	3,301	3,233	3,588	3,472
Low	2,363	2,327	2,241	2,116

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, 2013		As of March 31, 2013	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Market-based approach				
Listed equity exposure	¥ 2,570	¥ 2,507	¥ 492	¥ 441
Unlisted equity exposure	4,947	14,003	3,836	14,480
PD/LGD method				
Listed equity exposure	13,825	13,705	14,157	14,031
Unlisted equity exposure	10,600	425,040	11,150	425,313

GAIN OR LOSS ON SALE OR DEPRECIATION OF EQUITY EXPOSURE

	Millions of yen			
	Six months ended September 30, 2013		Fiscal year ended March 31, 2013	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Gain (loss) on sale	¥ 1,773	¥ 1,770	¥ 3,142	¥ 3,024
Loss of depreciation	34	32	1,996	1,242

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, 2013		As of March 31, 2013	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Unrealized gain (loss)	¥ 6,914	¥ 4,796	¥ 5,831	¥ 4,444

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, 2013		As of March 31, 2013	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Grandfathering rule (100% risk weight apply)	¥ 6,748	¥ 16,681	¥ 6,071	¥ 16,674

10. AMOUNT OF REGARDED EXPOSURE UNDER THE ACCORD ARTICLE 167

	Millions of yen			
	As of September 30, 2013		As of March 31, 2013	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Regarded exposure (fund)	¥ 63,367	¥ 41,935	¥ 61,900	¥ 41,932

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, 2013		As of March 31, 2013	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
JPY	¥ (69.4)	¥ (38.5)	¥ (73.3)	¥ (45.0)
USD	(1.0)	(1.0)	(0.7)	(0.7)
Others	(2.8)	(2.8)	(2.9)	(2.9)
Total	¥ (73.2)	¥ (42.3)	¥ (77.1)	¥ (48.8)

CORPORATE INFORMATION

SHINSEI BANK GROUP

AS OF SEPTEMBER 30, 2013

As of September 30, 2013, the Shinsei Bank Group consisted of Shinsei Bank, Limited, 270 subsidiaries (comprising 184 consolidated companies including APLUS FINANCIAL Co., Ltd., Showa Leasing Co., Ltd. and Shinsei Financial Co., Ltd. and 86 unconsolidated subsidiaries) and 19 affiliated companies (18 affiliated companies accounted for using the equity method, such as Jih Sun Financial Holding Co., Ltd. and 1 affiliates accounted for not applying the equity method). The Shinsei Bank Group provides a wide variety of financial products and services to domestic institutional and individual customers through the "Institutional Group," the "Global Markets Group," and the "Individual Group."



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
Shinsei Principal Investments Ltd.	Tokyo, Japan	Financial instruments business* ¹
Shinsei Corporate Investment Limited	Tokyo, Japan	Investment* ¹
Shinsei Investment & Finance Limited	Tokyo, Japan	Finance* ¹
Shinsei Servicing & Consulting Limited	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	Financing for individuals and small businesses* ³
Shinsei Information Technology Co., Ltd.	Tokyo, Japan	Information technology* ⁴
Major Overseas Subsidiaries		
Shinsei International Limited	London, UK	Securities* ¹
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, 2012	FY2013	Six months ended September 30, 2013
Consolidated			
Number of Employees	4,848	4,863	4,991
Non-Consolidated			
Number of Employees	1,903	1,931	1,995
Male	1,047	1,063	1,112
Female	856	868	883
Average age	39 years 11 months	40 years 3 months	39 years 11 months
Average years of service	11 years 7 months	11 years 8 months	11 years 3 months
Average monthly salary	¥481 thousand	¥487 thousand	¥477 thousand

"Average monthly salary" includes overtime wages but excludes annual bonus.

AS OF SEPTEMBER 30, 2013

Equity stake held by Shinsei Bank and consolidated subsidiaries (%)

Capital (in millions)	Established	Acquired		Equity stake held by Shinsei Bank	Equity stake held by consolidated subsidiaries of Shinsei Bank
¥ 29,360	1969.4	2005.3	97.8%	97.8%	—%
5,000	1996.11	—	100.0	100.0	—
8,750	1997.8	—	100.0	100.0	—
495	2001.12	—	100.0	100.0	—
100	2006.4	2012.12	100.0	100.0	—
50	2012.11	—	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	3.5	91.4
15,000	2009.4	—	100.0	—	100.0
1,000	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%	—%
\$ 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\$ 30,991	2002.2	2006.7	35.4	—	35.4

NETWORK

DOMESTIC OUTLETS: [AS OF DECEMBER 7, 2013](#)
41 outlets (29 branches including head office, 12 annexes)

HOKURIKU

Kanazawa Branch

KINKI

Kyoto Branch

Osaka Branch

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

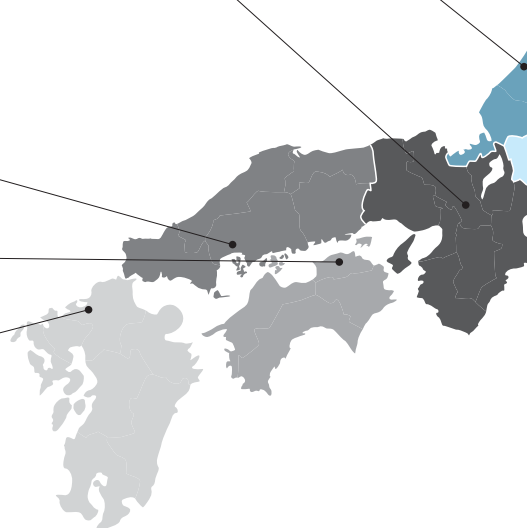
Hiroshima Branch

SHIKOKU

Takamatsu Branch

KYUSHU

Fukuoka Branch



DOMESTIC SUB-BRANCHES (ATM ONLY): [AS OF DECEMBER 7, 2013](#)

Tokyo Metro stations	40 locations
Other train stations	3 locations
Other	29 locations

SHINSEI BANK CARD LOAN—LAKE UNSTAFFED BRANCHES [AS OF DECEMBER 7, 2013](#)

Shinsei Bank Card Loan—Lake unstaffed branches	783 locations
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ACCESS TO SEVEN BANK, LTD. ATMS [AS OF DECEMBER 7, 2013](#)

Access to Seven Bank, Ltd. ATMs	17,390 locations
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AS OF DECEMBER 7, 2013

Financial Highlights

Message from Management

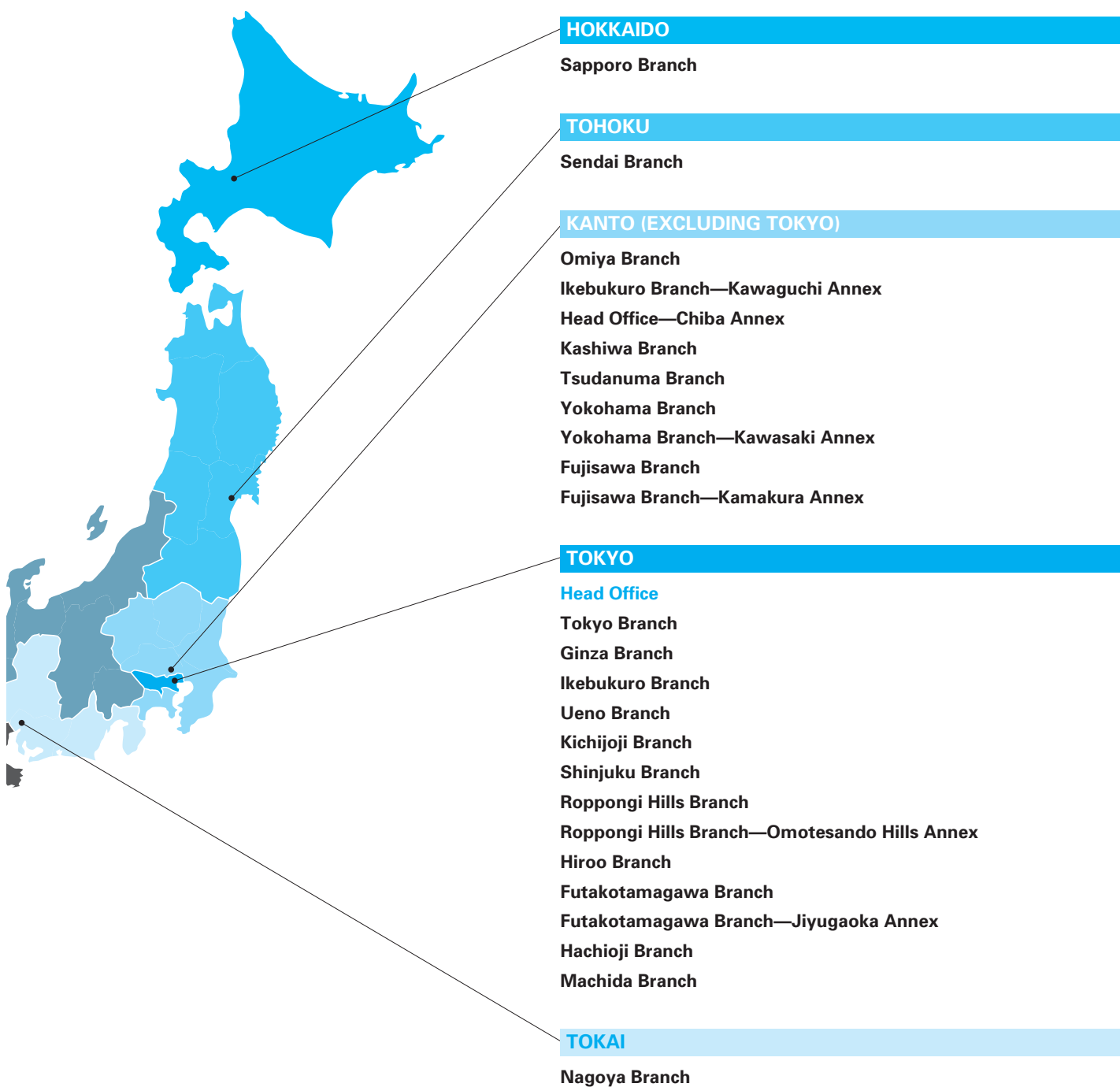
Overview of the Second MTMP

Review of Operations

Management Structure

Corporate Information

Data Section



STOCK INFORMATION

AS OF SEPTEMBER 30, 2013

Shares Outstanding and Capital

Date	1,000 shares, millions of yen						Notes
	Shares outstanding		Capital		Capital surplus		
	Change	Balance	Change	Balance	Change	Balance	
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

* Figures include number of preferred shares outstanding

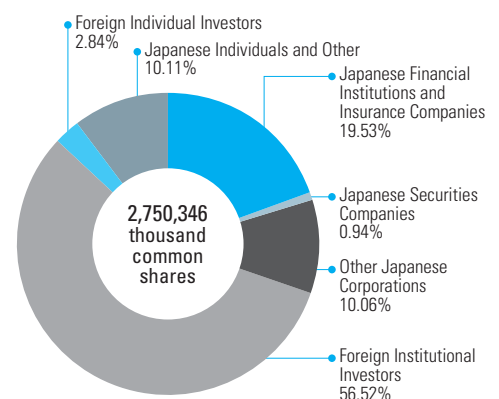
Largest Shareholders

Rank	Shareholders	Thousands of Common Shares	%
1	SATURN IV SUB LP (JPMCB 380111)	323,680	11.76
2	Deposit Insurance Corporation of Japan	269,128	9.78
3	THE RESOLUTION AND COLLECTION CORPORATION	200,000	7.27
4	SATURN JAPAN III SUB C.V. (JPMCB 380113)	110,449	4.01
5	THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	99,882	3.63
6	SHINSEI BANK, LIMITED	96,427	3.50
7	UBS SECURITIES LLC-HFS CUSTOMER SEGREGATED ACCOUNT	90,191	3.27
8	JP MORGAN CHASE BANK 380055	76,783	2.79
9	J. CHRISTOPHER FLOWERS	76,753	2.79
10	JAPAN TRUSTEE SERVICE BANK, LTD. (TRUST ACCOUNT)	73,711	2.68
11	STATE STREET BANK AND TRUST COMPANY	59,985	2.18
	Total (includes treasury shares)	2,750,346	100.00

(1) As of September 30, 2013, a group of investors, including affiliates of J.C. Flowers & Co. LLC., holds 553,663,517 common shares or 20.86% of Shinsei's outstanding common shares, excluding treasury shares.

(2) As of September 30, 2013, 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) "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.

RATINGS INFORMATION

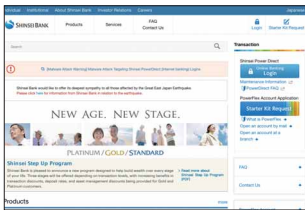
AS OF DECEMBER 5, 2013

	Long-Term (Outlook)	Short-Term
Moody's	Baa3 (Stable)	Prime-3
Standard and Poor's (S&P)	BBB+ (Stable)	A-2
Japan Credit Rating Agency (JCR)	BBB+ (Stable)	J-2
Rating and Investment Information, Inc. (R&I)	BBB+ (Positive)	a-2

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.

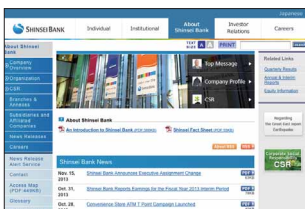
INSTITUTIONAL



<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.

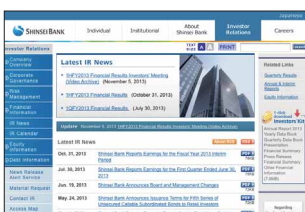
ABOUT SHINSEI BANK



<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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