SHINSEI BANK

Back to Basics

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INTERIM REPORT 2009

SIX MONTHS ENDED SEPTEMBER 30, 2009

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 ¥12.1 trillion (US$135.7 billion) on a consolidated basis (as of September 2009) and a network of 39 outlets that includes 31 Shinsei Financial Centers and 8 Consulting Spots in Japan (as of December 2009). 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.

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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.

Back to Basics

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In fiscal year 2009, we are continuing to go back to basics, and striving to meet the needs of our customers. We are listening to our customers better and making sure we provide them with the right products and solutions to meet their needs.

FINANCIAL HIGHLIGHTS

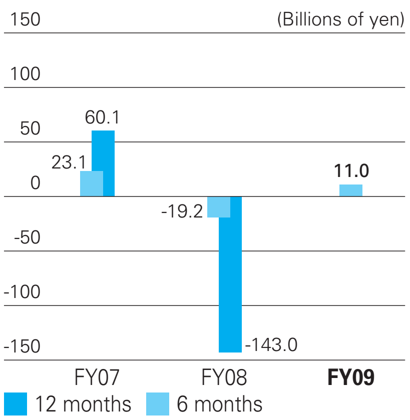
Shinsei Bank, Limited, and Consolidated Subsidiaries
Six months ended September 30, 2007, 2008 and 2009, and years ended March 31, 2008 and 2009*1

	Billions of yen				
	September 30 (6 months)			March 31 (12 months)	
	2007	2008	**2009**	2008	2009
For the fiscal year:					
Net interest income	¥ 56.5	¥ 70.5	**¥ 109.4**	¥ 137.7	¥ 202.9
Net fees and commissions	23.1	17.2	**10.9**	40.8	26.5
Net trading income (loss)	7.2	(0.9)	**3.1**	9.0	(4.6)
Net other business income (loss)	51.6	15.5	**30.5**	74.9	(41.7)
Total revenue	138.6	102.3	**154.0**	262.6	183.1
Net income (loss)	23.1	(19.2)	**11.0**	60.1	(143.0)
Cash basis net income (loss) *2	28.7	(14.3)	**20.2**	71.3	(97.0)
Balances at fiscal year-end:					
Loans and bills discounted	5,465.5	6,579.7	**5,469.9**	5,622.2	5,876.9
Total assets	12,423.4	12,446.2	**12,183.5**	11,525.7	11,949.1
Deposits and negotiable certificates of deposit	5,870.6	6,415.6	**7,046.5**	5,806.6	6,272.1
Debentures	686.5	748.2	**527.5**	662.4	675.5
Total liabilities	11,488.7	11,527.8	**11,383.5**	10,560.5	11,181.7
Total equity*3	934.6	918.4	**799.9**	965.2	767.4
Total liabilities and equity	¥ 12,423.4	¥ 12,446.2	**¥ 12,183.5**	¥ 11,525.7	¥ 11,949.1
	Yen				
Per share data:					
Common equity*3	¥ 352.71	¥ 338.12	**¥ 312.05**	¥ 364.35	¥ 284.95
Fully diluted equity*3,*4	354.04	338.12	**312.05**	364.35	284.95
Basic net income (loss)	15.72	(9.81)	**5.63**	38.98	(72.85)
Diluted net income	12.72	—	**—**	32.44	—
Dividends	—	—	**—**	2.94	—
Cash basis per share data:					
Basic net income	¥ 19.57	¥ (7.28)	**¥ 10.31**	¥ 46.31	¥ (49.39)
Diluted net income	15.77	—	**—**	38.50	—
	%				
Ratios:					
Return on assets*5	0.4	(0.3)	**0.2**	0.5	(1.2)
Cash basis return on assets	0.5	(0.2)	**0.3**	0.6	(0.8)
Return on equity (fully diluted)*3,*6	7.2	(5.6)	**3.8**	8.8	(22.4)
Cash basis return on equity (fully diluted)	8.9	(4.1)	**6.9**	10.5	(15.2)
Total capital adequacy ratio	12.40	10.48	**9.36**	11.74	8.35
Tier I capital ratio	7.62	6.41	**7.00**	7.37	6.02
Core Tier I capital ratio*7	4.08	4.62	**4.87**	5.52	4.03
Tangible common equity ratio*8	2.62	3.58	**3.47**	4.28	3.00

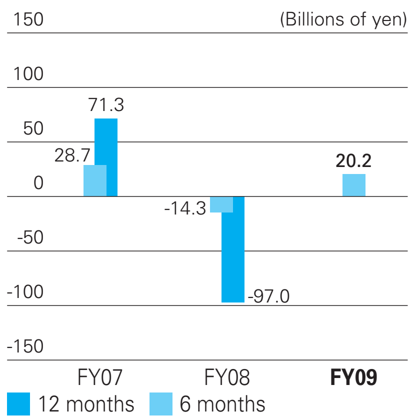
*1 Since all yen figures have been truncated rather than rounded, the totals do not necessarily equal the sum of the individual amounts.
*2 Cash basis net income is calculated by excluding impairment and amortization of goodwill and other intangible assets, net of tax benefit, from net income (loss) under Japanese Generally Accepted Accounting Principles (GAAP).
*3 As required by a new accounting standard published by the Accounting Standards Board of Japan (ASBJ), certain items which were previously presented outside of shareholders' equity are now presented as components of equity. Such items included stock acquisition rights, minority interests and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ended on or after May 1, 2006. Reclassification of the prior period amounts is not permitted under Japanese GAAP.
*4 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.
*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 Core Tier I capital ratio: Tier I, excluding preferred securities and preferred stock minus deferred tax assets (net) divided by risk weighted assets.
*8 Tangible common equity ratio: Net assets minus preferred stock, intangible assets and minority interests divided by total assets, excluding intangible assets.

EARNINGS

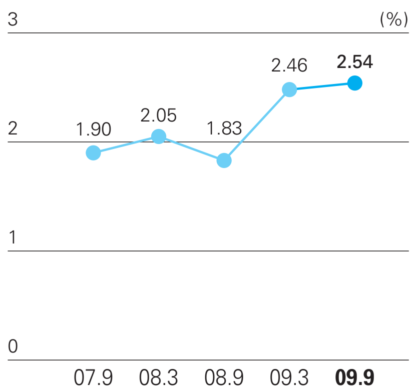
Net Income (Loss)



Cash Basis Net Income (Loss)

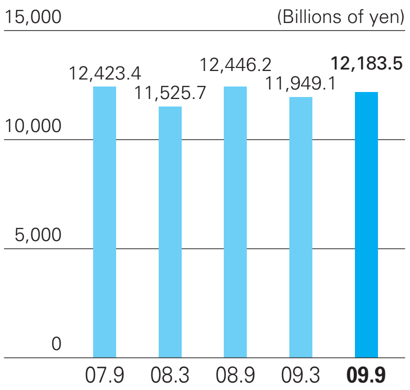


Net Interest Margin

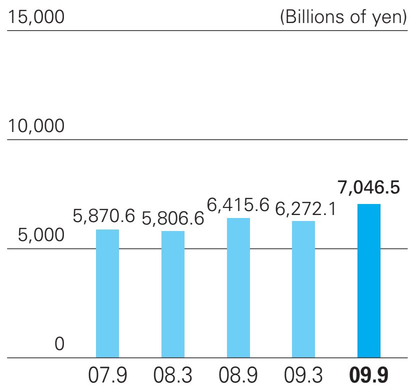


ASSETS AND LIABILITIES

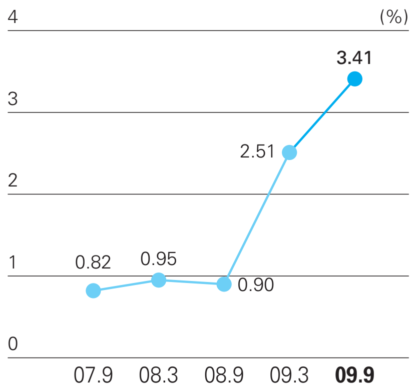
Total Assets



Deposits and Negotiable Certificates of Deposit

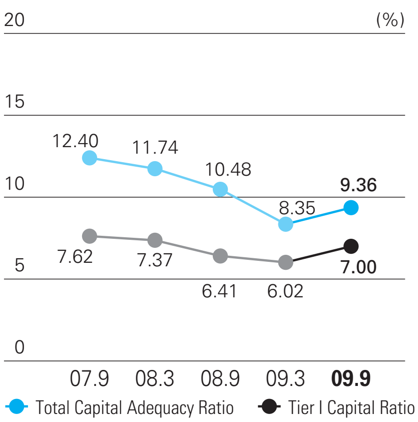


Ratio of Non-Performing Claims to Total Claims (Non-Consolidated)

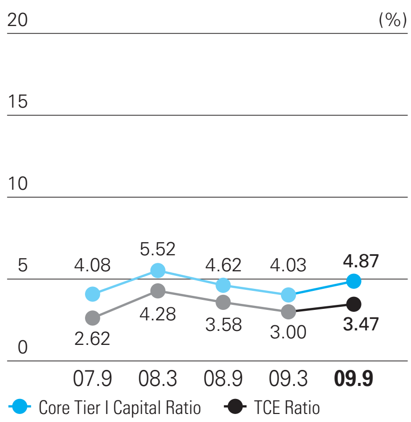


CAPITAL

Total Capital Adequacy Ratio and Tier I Capital Ratio



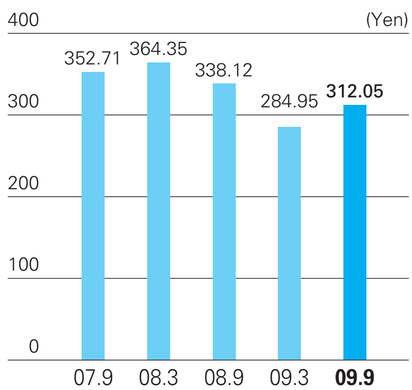
Core Tier I Capital Ratio*1 and Tangible Common Equity Ratio*2



*1 Core Tier I Capital Ratio: Tier I, excluding preferred securities and preferred stock minus deferred tax assets (net) divided by risk weighted assets.

*2 Tangible Common Equity Ratio: Net assets minus preferred stock, intangible assets and minority interests divided by total assets, excluding intangible assets.

Common Equity per Share



TO OUR SHAREHOLDERS, CUSTOMERS AND EMPLOYEES

Masamoto Yashiro
President and Chief Executive Officer

It is now a year since I returned to Shinsei Bank as president and chief executive officer last November. I believe Shinsei has emerged from the challenges of the past year a stronger, better balanced banking group with a clear focus on its key strengths.

In fiscal years 2007 and 2008 Shinsei Bank learned, to great cost, the dangers of pursuing profits in overseas markets without adequate risk controls. Upon my return as president and chief executive officer, I made it my mission to swiftly find solutions to the Bank's management problems and return it to a growth trajectory. Since then, we have gone back to basics in order to achieve this goal and I have implemented various initiatives to this end. We have optimized our organizational structure and staffing levels, and rigorously reduced costs across the Group. We have strengthened our Individual Group further and refocused on customer-driven business in the Institutional Group, while rebuilding a robust risk management framework. Finally, on the finance front, we have dealt decisively with legacy portfolios as we work to clean up our balance sheet, and enhanced both our capital and liquidity positions.

Each of these initiatives has made progress, and I am pleased to report that we are putting things right. We have returned to profitability and forecast positive full-year income and a dividend payment on common shares.

Our Institutional Group has made solid progress in restructuring its operations and renewed our commitment as a trusted financial intermediary for corporates, financial institutions and the public sector in Japan. Our Individual Group has performed steadily with retail banking continuing its positive momentum and steady results from our consumer finance operations. These businesses are supported by ample liquidity, an improving capital position and a newly empowered risk management system based on global standards.

Undoubtedly, we have benefited from the gradual return of stability to global markets. However, these achievements belong equally to our employees who have focused steadfastly on fulfilling our customers' needs. Going forward, it will be our customers' success that ultimately determines our own.

Fiscal Year 2009 Interim Period Highlights

In the first half of fiscal year 2009, we achieved net income of ¥11.0 billion. While it is still not commensurate with the true potential of the Shinsei Bank Group, this result does represent a ¥30.3 billion positive turnaround compared with the same period last fiscal year. Furthermore, it is a result achieved in spite of ongoing challenges in our operating environment and while cleaning up the legacies of past business strategies. I believe this result fully reflects the initiatives we have been pursuing over the past year, and I would like to update you on the progress we have made in our individual and institutional businesses, in risk management and in our capital and liquidity management.

1. Strengthening the Individual Group

As our Institutional Group continues working through its legacy assets to focus on customer-driven businesses, steady earnings contributions from the Individual Group have proved the sustainability of our two-pillar strategy.

Bottom-line profits from our retail banking operations are growing quarter-by-quarter. In the first half of fiscal year 2009 we have focused on building distribution capacity through cost-effective initiatives such as revamping our retail banking website and rolling out a new small-scale branch format called "Shinsei Consulting Spots." Specializing in asset management sales, the Consulting Spots are one element in a broader strategy to shift our focus from deposit-based interest income to fee-based income from sales of investment trusts and other asset management products. Over the last six months, we have also stepped up marketing activity for our *PowerSmart* mortgages, a low-risk business in Japan where our customer-friendly processing system is a powerful differentiator. The continued growth in retail banking accounts and assets under management demonstrates that our franchise is stronger than ever.

I believe our decision to acquire Shinsei Financial (formerly GE Consumer Finance) in September 2008 was an extremely significant move for Shinsei Bank. With an indemnity on the majority of its personal loan assets, and the advantage of wholly bank-owned status, Shinsei Financial commands a unique position in the challenging consumer finance space and continues to deliver steady income. As rigorous cost management becomes increasingly critical, we have moved forward with the integration of Shinki and Shinsei Financial in the first half of fiscal year 2009; Shinki has decided to close almost all of its unmanned branches and its customers will have access to Shinsei Financial's Lake ACM (automatic contract machine) network. Cost savings will be amplified once the two companies' head office functions also begin operating on a common platform powered by Shinsei Bank's low-cost IT infrastructure.

2. Refocusing on Customer-Driven Business in the Institutional Group

In the first half, the Institutional Group has made considerable progress in working through legacy assets and winding down loss-making proprietary operations, generating gains on strategic asset sales in the process. We are confident that we will begin fiscal year 2010 with a clean balance sheet, ready to refocus on customer-driven businesses.

We have continued to reduce our remaining overseas asset-backed investments and asset-backed securities, and minimized losses related to residual exposures. Going forward, the bulk of management resources will be channeled to our domestic client base, with overseas business limited to selected markets where we have deep experience, a physical presence and where the risk-adjusted returns are sufficiently attractive.

On the domestic front, we have maintained resources in our core competencies of basic banking, niche finance and client enabling businesses, such as leasing and trust banking. Although our overall loan balance has fallen, the profitability of our basic banking operations remains stable. While the Japanese real estate market demands ongoing vigilance, our expert team has reduced our domestic exposure in this market while working closely with customers to minimize credit costs. Looking ahead, we have established a dedicated unit for lending to small- and medium-sized enterprises (SME), and worked to renew our unique relationships as a business partner to regional financial institutions throughout Japan.

3. Rebuilding Risk Management

Under the leadership of a new chief risk officer, we have completed a total transformation of risk management at Shinsei. Over the past six months we have rewritten key risk documents, overhauled committee processes and placed more emphasis on forward-looking methodologies.

Emblematic of our new approach are the Risk Policy Committees we have held to study key business areas for the bank: SME lending, consumer credit and real estate finance. Bringing together the chief risk officer, the chief financial officer, the business heads and myself, these committees ensure that business strategy and risk appetite are properly aligned.

Despite a number of high-profile bankruptcies in recent months, I am pleased to report that we have not been materially impacted. We have seen credit costs fall year-on-year in the first half despite the inclusion of Shinsei Financial in this year's results, and our non-performing loan ratio also began to decline in the second quarter. While improvements in the economy have no doubt played their part, we are clearly reaping the benefits of a more intelligent, Group-wide and predictive approach to risk.

4. Improving Capital Ratios and Ample Liquidity

With a customer base of approximately 2.5 million account holders, retail banking has proven to be a reliable source of cost-effective funding throughout these turbulent times. As of September 30, 2009, Shinsei Bank held around ¥1.7 trillion in cash, cash equivalents and liquidity reserves on hand. We are now shifting our primary source of funding from our popular time deposit campaigns to the new two-week maturity deposit that offers customers an attractive interest rate and greater flexibility to manage matured time deposits or other funds.

Shinsei Bank has continued to focus on the quality rather than just the quantity of our capital amidst global deliberations over bank capitalization levels. We were an early adopter of the more sophisticated Foundation Internal Ratings Based Approach (F-IRB) based on the Basel II framework and have applied a conservative treatment of deferred tax assets (approximately only 3% of Tier I capital). Over the first half of fiscal year 2009, we made preparations to issue ¥9 billion of preferred securities in the third quarter, and increased tangible equity through strategic capital buybacks. In addition, improved market conditions have resulted in positive "other comprehensive income" (OCI) for the first time in over two years. As a result, all our capital ratios have risen with our Tier I capital ratio reaching 7.00% and a core Tier I capital ratio of 4.87% as of September 30, 2009.

Outlook for Second Half of Fiscal Year 2009

With improving earnings, asset quality and capital ratios, and a healthy liquidity position, Shinsei Bank approaches the second half of fiscal year 2009 with measured confidence. Our operating environment also shows glimmers of light. While the wage environment remains bleak, exports appear to be picking up and corporate and personal bankruptcies look set to decline. In the real estate market, vacancy rates show some signs of easing. Overall visibility, however, is still limited and we are choosing to err on the side of caution. Therefore, we have maintained our initial forecasts for consolidated cash basis* net income of ¥28.0 billion, consolidated reported basis net income of ¥10.0 billion and non-consolidated net income of ¥10.0 billion for the full fiscal year.

We have confronted some formidable challenges and overcome them to emerge stronger, wiser and more clearly focused than ever. Over the past six months, Shinsei Bank has proven its ability to deliver profits, generate capital and create value for shareholders - we currently forecast a dividend of ¥1.00 per common share for the full fiscal year, and the board and management are committed to growing shareholder value consistently over the medium- to long-term. We will do so in the same way that we have successfully returned to profitability - by devoting all our energy to serving our customers. For it is their success that should ultimately determine our own.

I would like to sincerely thank you, our shareholders, customers and employees, for your support and guidance.

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

December 2009

Masamoto Yashiro
President and Chief Executive Officer

Review of Operations

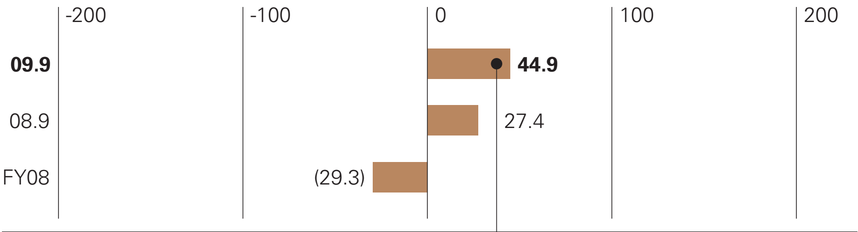
AT A GLANCE

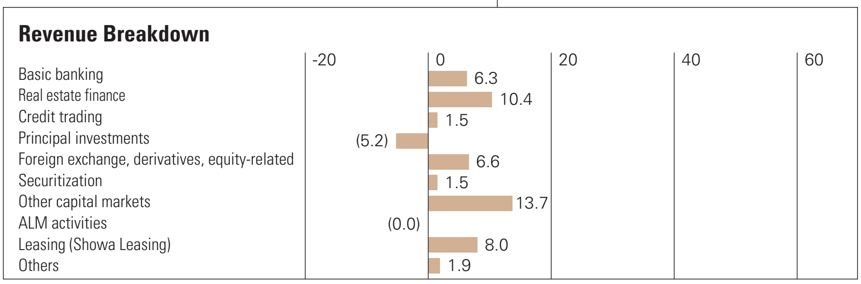
Institutional Group

The Institutional Group is engaged in a strategic transformation to position customers and their needs back at the center of our business model. We have terminated proprietary investment programs responsible for losses in recent years, continued to clean up our balance sheet, and exited or scaled down unprofitable businesses. Extensive restructuring has improved efficiency and reduced our expense base, but not at the cost of retaining key talent in our core competencies. The current economic environment demands continued vigilance. But with ample liquidity, we have the resources and expertise to support our customers through these testing times. And by aligning our success with theirs, we are confident of maintaining solid profitability in the mid-term.

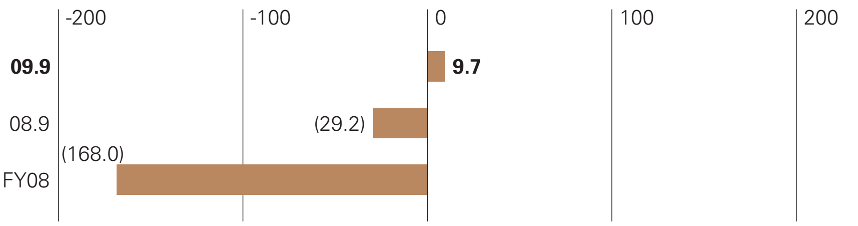
Total Revenue (Loss)

(Billions of yen)





Ordinary Business Profit (Loss) After Net Credit Costs

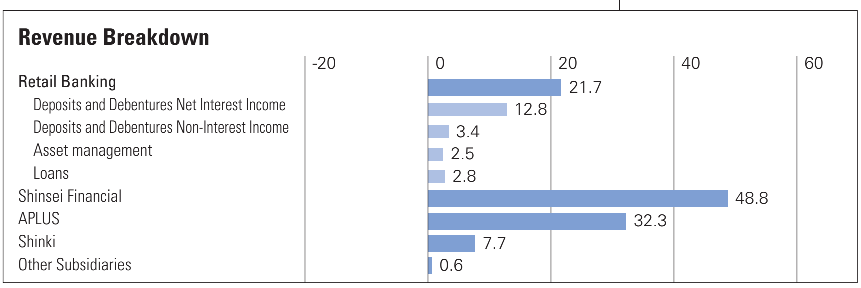


Individual Group

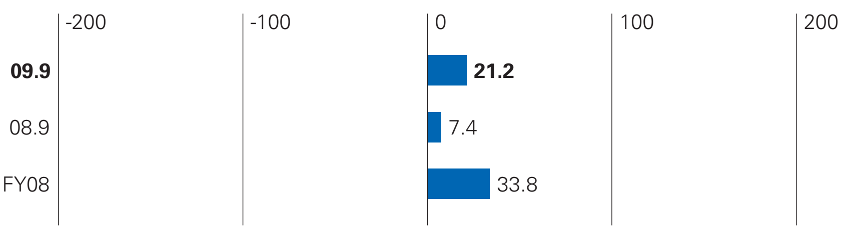
Combining the award-winning retail bank with our consumer finance subsidiaries, Shinsei's Individual Group brings innovative financial solutions to over 6 million active customers in Japan. Ever alert to changing customer needs, our retail bank is successfully shifting focus from deposits to asset management. A strong increase in assets under management has helped diversify revenue composition and proven the strength of our franchise. In consumer finance, "grey zone" interest refund claims remain high, although we have seen indications of a downward trend, underscoring the importance of the indemnity on our biggest consumer loan portfolio. We are accelerating the integration of Shinsei Financial and Shinki, both now wholly owned Group subsidiaries, to consolidate our position as a major player in the personal loan space. Positioning installment sales and settlement as strategic businesses, APLUS continues to shrink its cost base and unlock new revenue potential.

Total Revenue

(Billions of yen)



Ordinary Business Profit After Net Credit Costs



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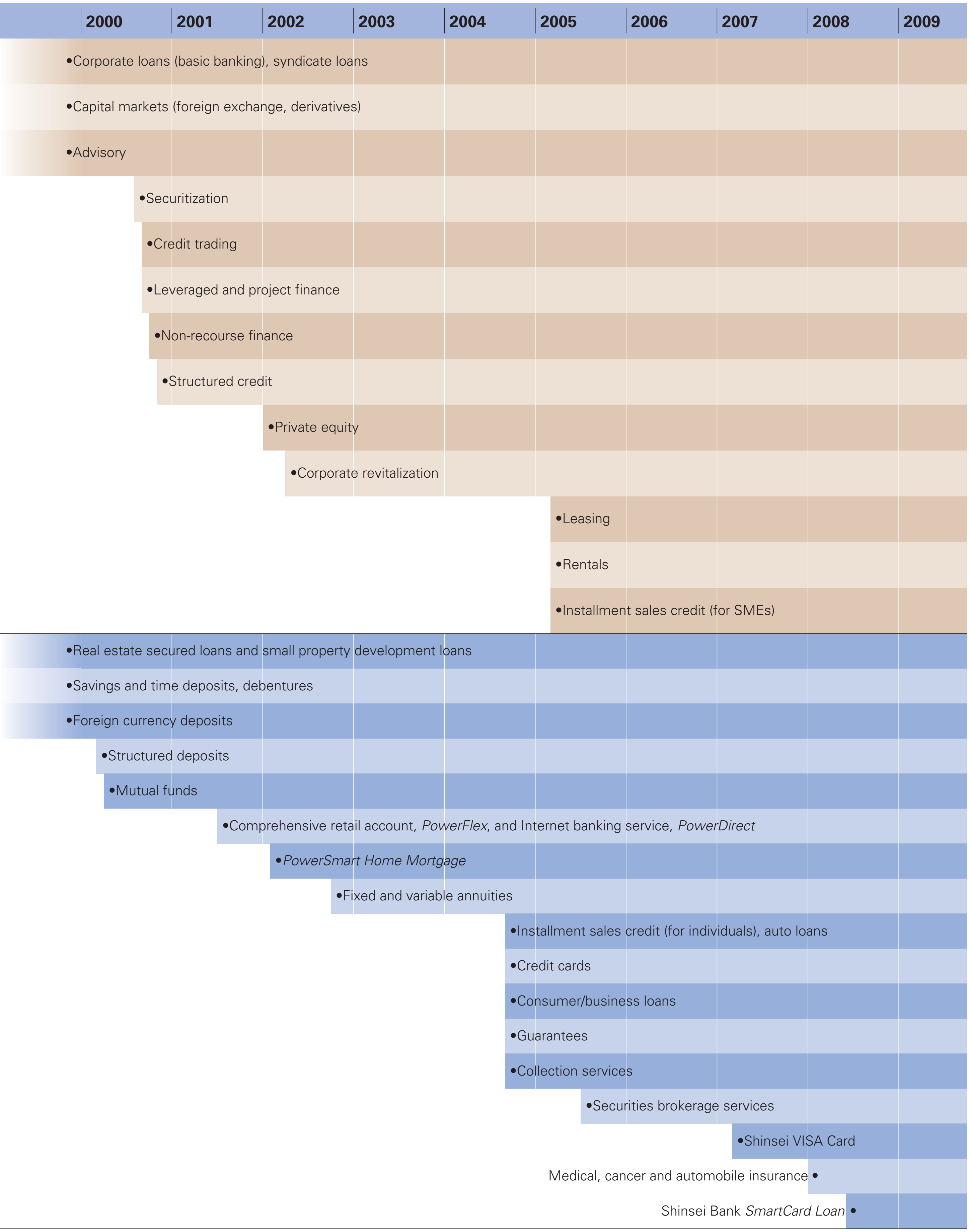
Review of Operations
Management Structure
Data Section

PRODUCT & SERVICE HISTORY



INSTITUTIONAL GROUP

The Institutional Group is engaged in a strategic transformation to position customers and their needs back at the center of our business model. We have terminated proprietary investment programs responsible for losses in recent years, continued to clean up our balance sheet, and exited or scaled down unprofitable businesses. Extensive restructuring has improved efficiency and reduced our expense base, but not at the cost of retaining key talent in our core competencies. The current economic environment demands continued vigilance. But with ample liquidity, we have the resources and expertise to support our customers through these testing times. And by aligning our success with theirs, we are confident of maintaining solid profitability in the mid-term.

Results

The Institutional Group comprises the Institutional Banking business and Showa Leasing.

The Institutional Group recorded a total revenue of ¥44.9 billion in the first half ended September 30, 2009, compared to a total revenue of ¥27.4 billion in the same period in fiscal year 2008. The increase was driven by a growing contribution from core businesses, even as we took some mark-downs and impairments on legacy assets.

Extensive restructuring in fiscal year 2008, coupled with stricter cost controls and cost reduction measures, resulted in general and administrative expenses of ¥22.5 billion in the Institutional Group, a ¥7.4 billion, or a 24.9%, decrease from the first half of the prior fiscal year. As a result, the Institutional Group showed an ordinary business profit of ¥22.3 billion in the first half of fiscal year 2009, compared with an ordinary business loss of ¥2.5 billion in the same period of the previous fiscal year. Lower net credit costs resulted in an ordinary business profit after net credit costs of ¥9.7 billion, compared with an ordinary business loss after net credit costs of ¥29.2 billion in the same period of fiscal year 2008.

Operating Environment

We have seen a tangible improvement in the operating environment in the first half of fiscal year 2009. We believe that liquidity pressures, in particular, have largely subsided due to massive fiscal support provided by national governments in major economies. However, there is still little solid economic data to warrant the recent rebounds in global stock markets, particularly in Japan where the economy still relies heavily on the export market. While loan demand in certain sectors such as SME (small- and medium-sized enterprises) and leveraged finance is picking up, our fee-earning products and services remain challenged. The domestic real estate market continues to deteriorate, although we see signs of bottoming-out, and the securitization and real estate-backed securities markets are still largely frozen. While we believe the worst is behind us, we expect that some residual volatility still lies ahead and a full-scale recovery in the economic environment will take time.

Challenges

The sustainability of the economic recovery, both in Japan and overseas, is the most significant challenge for the Institutional Group. Any dramatic drop in asset valuations would have negative consequences for all financial institutions in terms of current exposure, ongoing loan workout efforts and demand for financial services. Continued market dislocation, on the other hand, presents challenges for derisking our balance sheet of residual asset-backed investments (ABI) and asset-backed securities (ABS). Finally, despite the exit of major foreign players from the domestic real estate market, we have not seen as many new business opportunities as originally anticipated, and expect competition to intensify when market conditions improve.

The Institutional Group is taking a proactive approach to managing these issues. Relationship managers keep in close contact with our customers to understand their business environment and identify potential problems early on. Internally, we have aggressively reduced our cost base by eliminating excess capacity and improving efficiency while ensuring that we retain key talent. Our aim is to be fully prepared to shift resources back into new business acquisition as soon as the economic outlook becomes clearer.

Strategy

The Institutional Group is fully committed to its role as a trusted financial intermediary, providing risk capital and value-added financial solutions to customers primarily in the Japanese market. We aim to optimize risk-adjusted margins by capitalizing on our access to low-cost funding, ensuring "first-person" underwriting and developing client relationships that extend across multiple product and service categories.

Progress

Derisking our Balance Sheet and Managing Costs

Over the past six months, we have made proactive markdowns and credit reserves related to legacy portfolios, and believe we will be ready to begin fiscal year 2010 with a clean balance sheet. As of September 30, 2009, the balance of our overseas ABI/ABS (including CLOs) was approximately ¥180 billion, down from roughly ¥200 billion at March 31, 2009. Amidst difficult market conditions, we have continued to pursue opportunities to divest non-core assets, and in the first half of fiscal year 2009, for example, we were able to record a gain of ¥11.7 billion on the sale of a legacy CLO portfolio.

As part of a thoroughgoing business review, we have closed down or restructured unprofitable businesses, such as Alternative Investments and Wealth Management. A voluntary early retirement program has reduced staff numbers in the Institutional Group (excluding Showa Leasing) by approximately 25% and cut expenses to below pre-2005 levels. These actions have resulted in direct expense reductions of roughly ¥10 billion on a yearly basis compared to the peak level.

Ready for New Growth in Niche and Customer-Enabling Businesses

The drop in real estate prices, and the liquidity shortage real estate developers are experiencing have placed stress on our approximately ¥1 trillion real estate portfolio. However, our loan-to-value coverage and reserve recovery to date have been resilient enough to protect us against significant losses. This reflects the high quality and diversification of our portfolio, and our proactive negotiations with customers to improve the portfolio's credit profile. While we have scaled down new origination, our ability to weather these severe conditions is testimony to our experience in this market. We are confident that the business will continue to be a source of sustainable revenue in the future and have recently begun sourcing new opportunities.

Our capital markets capabilities are now geared to customer-oriented or internal business. While customer demand remains below normal levels, our experienced team has been actively working to expand the business and managing the prudent liquidity reserves built up through highly successful retail deposit campaigns.

In collaboration with Shinsei Securities, our Advisory business has stepped up efforts to promote its services to existing loan customers, especially in the regional financial institution sector. Amidst aggressive competition from major players, the Advisory team has won mandates to develop capital enhancement solutions for regional banks with Shinsei Securities providing *chukai* or brokerage services to place securities issued with retail customers.

Basic Banking and Lending — the Core of our Business

At the core of our institutional business, we have maintained resources and key talent in our Corporate Banking Divisions which serve a broad range of financial institution, corporate and public sector clients. These customer relationships, built over five decades of business in Japan, remain a core strength and extend far beyond the realm of day-to-day business. We were honored, for example, to have a number of long-term customers participate in Shinsei Bank's private offering of Tier I perpetual preferred securities in October 2009 – a key component of the Bank's capital improvement strategy.

In response to the demand for credit amongst smaller borrowers, in September 2009 we established a dedicated unit to promote new SME business and work closely with the Risk Management Group to ensure appropriate pricing for the risks we assume. In this sector, we also benefit greatly from a close working relationship with Showa Leasing, a consolidated subsidiary with 40 years of SME underwriting experience and steady profitability. Going forward, we intend to leverage our unique advantage as an independent and neutral institution in securing more business from our SME and financial institution customers.

INDIVIDUAL GROUP

Combining the award-winning retail bank with our consumer finance subsidiaries, Shinsei's Individual Group brings innovative financial solutions to over 6 million active customers in Japan. Ever alert to changing customer needs, our retail bank is successfully shifting focus from deposits to asset management. A strong increase in assets under management has helped diversify revenue composition and proven the strength of our franchise. In consumer finance, "grey zone" interest refund claims remain high, although we have seen indications of a downward trend, underscoring the importance of the indemnity on our biggest consumer loan portfolio. We are accelerating the integration of Shinsei Financial and Shinki, both now wholly owned Group subsidiaries, to consolidate our position as a major player in the personal loan space. Positioning installment sales and settlement as strategic businesses, APLUS continues to shrink its cost base and unlock new revenue potential.

Results

The Individual Group consists of the retail banking business as well as the subsidiaries Shinsei Financial, APLUS, Shinki and Shinsei Property Finance. Shinsei Financial was acquired on September 22, 2008 from GE Japan Holdings Corporation and its results have been incorporated in our consolidated financial results from October 1, 2008.

Total revenue increased 56.2% to ¥111.3 billion in the first half of fiscal year 2009, compared to ¥71.2 billion in the previous fiscal year. This was predominantly driven by the contribution of Shinsei Financial and further improvement in our retail banking operations, which offset lower revenues at APLUS and Shinki as they focus on lower risk customers. Ordinary business profit in the first half of fiscal year 2009 was up 96.4% to ¥47.3 billion, compared to ¥24.1 billion in the same period of the previous fiscal year. The increase in ordinary business profit reflected higher revenues for the reasons given above and lower expenses across all businesses on a normalized basis. Ordinary business profit after net credit costs was ¥21.2 billion for the first half of fiscal year 2009, compared to an ordinary business profit after net credit costs of ¥7.4 billion in the first half of the previous fiscal year, due primarily to the incorporation of Shinsei Financial within the Individual Group as well as the progress made in retail banking, net credit recoveries at Shinki, and cost reduction measures that offset lower profits at APLUS.

Operating Environment

Japanese consumers are still navigating uncertain economic times. Elevated levels of unemployment and rising numbers of bankruptcies have fueled uncertainty about job security and future prosperity. At the same time, however, we have seen demand for mutual funds rebound in our retail banking business, as customers seek to capitalize on the recent rallies in global stock markets. Competition remains fierce; banks and securities companies are seeking to tap into asset management demand through aggressive marketing efforts and new product development.

Conditions in the consumer finance industry remain severe with reduced consumer expenditure impacting sales finance revenues and auto financing. Consumer lenders without bank affiliation are struggling to secure liquidity against a backdrop of rising credit costs and continuing high levels of "grey zone" interest refund claims.

The Individual Group has responded by promoting asset management services and housing loans in our retail bank, while maintaining strict credit standards and leveraging our bank-affiliated status for funding and marketing activities in consumer finance operations.

Challenges

The ongoing economic uncertainty poses significant challenges in both retail banking and consumer finance.

Having returned to profitability, our greatest challenge in retail banking is sustaining our growth momentum in one of the world's most over-banked economies. We face continual pricing pressure from Internet-only competitors and our branch network is significantly smaller than our ubiquitous megabank rivals. However, we believe we still possess great growth potential if we stay committed to product innovation, focused on efficiency and dedicated to customer empowerment.

In consumer finance, regulatory changes remain the single biggest challenge for all industry participants. However, Shinsei Financial stands apart from its peers, with a GE-guaranteed indemnity on the vast majority of its "grey zone" liabilities, and unique status as a wholly-owned subsidiary of a bank. We are confident that cost synergies generated through ongoing operational integration, coupled with active management of "grey zone" portfolios, access to low cost funding and the peace-of-mind afforded by bank affiliation, position us favorably to become the lender of choice among lowest risk borrowers.

Strategy

Retail Banking

In retail banking, we strive to be our customers' "Best Financial Advisor" and offer a competitive range of asset accumulation solutions for every life stage. By leveraging our customer-empowering, low-cost distribution platform, we plan to grow our share of the mass-affluent market and achieve a stable, diversified mix of net interest and fee-based income. Going forward, Shinsei Bank aims to capitalize on the renewed interest in asset management products, emphasizing our convenient on-line sales platform while gradually building out our physical presence through new, highly cost-effective Shinsei Consulting Spots (see box on page 15). We also plan to expand our mortgage business, where we offer customers a unique value proposition.

Consumer Finance

Shinsei's Individual Group is committed to becoming the leading provider of responsible consumer finance services in Japan. Our strategy centers around attracting lowest risk customers and maximizing cost efficiency to secure sustainable profits, while ensuring 100% compliance with regulatory changes.

Wholly-owned Shinsei Financial and Shinki focus on unsecured personal loans. Our subsidiary APLUS concentrates on installment sales credit, guarantee/settlement, and credit card businesses. Going forward, we will fund our consumer finance business primarily through low-cost deposits from our retail bank. We will also pursue further operational efficiency by introducing Shinsei Bank's low-cost and highly flexible IT infrastructure across businesses, and identifying areas where we can further consolidate functions and expenses.

Progress

Retail Banking

The end of our popular time deposit campaigns in June 2009 heralds the next stage in Shinsei's retail banking strategy. We are focused on growing fee-based revenue and interest-earning assets through providing optimal solutions to our approximately 2.5 million customers. As we continue to grow the business, we closely monitor our expense profile, and aim to keep costs and headcount largely flat going forward.

With the conclusion of our time deposit campaigns we have seen retail deposits begin to fall on a month-to-month basis after peaking in June 2009. This is in line with expectations and will contribute to a lower cost of funds for the Bank. On a total basis, the balance of assets under management has risen strongly from ¥6,047.2 billion at March 31, 2009 to ¥6,584.8 billion at September 30, 2009, reflecting not only the retail deposit growth until June, but also signs of renewed demand for mutual funds.

The growth of our assets under management is the result of a marketing strategy and product line-up in tune with customers' priorities. As risk appetite returned, we provided discounts on our foreign currency exchange rates as customers sought to take advantage of the yen's recent strength. This also helped sales of new foreign-currency denominated mutual funds, including two CTA*-based products introduced to meet demand for an investment vehicle that pursues absolute returns with limited vulnerability to market volatility. Most recently, we teamed up with UTI International (Singapore) Pvt. Ltd., Shinsei Bank's joint venture with UTI

Asset Management, to launch a new fund that offers investors the chance to profit from growth in the world's two major emerging markets: China and India.

We have also stepped up promotion of our *PowerSmart* housing loans, a business where our speedy and customer-friendly processing continues to differentiate us from other lenders. Competitive pricing in fiscal year 2009 has increased sales and we expect to see a return to growth in these low-risk assets in fiscal year 2010.

We are making this strategic shift from deposit gathering to asset and fee generation while maintaining steady customer growth. Account numbers continued to increase month-on-month throughout the first half of fiscal year 2009. Our innovative two week maturity deposit and newly introduced CTA* mutual fund products have clearly resonated with time deposit customers looking to manage matured funds, and encouraged them to develop their relationship with Shinsei further.

The *Shinsei Step Up Program* also continues to provide cost-effective incentives for new and existing customers to bring more of their business to the Bank, and we are actively considering new strategies to deepen customer engagement. While we remain committed to offering basic banking services at no or low cost, we are increasingly providing these on a preferential basis to our most active customers in order to rationalize costs. The Program is proving an effective way of communicating to customers the advantages of "stepping up" their relationship with Shinsei Bank.

*CTA: An acronym of Commodity Trading Advisor. CTAs use sophisticated, proprietary financial engineering and algorithms to trade primarily in futures, aiming to minimize risk and maximize return.

Shinsei Financial and Shinki

Wholly-owned Group subsidiaries, Shinsei Financial (formerly GE Consumer Finance) and Shinki, are joining forces to specialize in unsecured personal loans for low risk customers. Shinsei Financial contributed ¥9.0 billion in ordinary business profit after net credit costs in the first half of fiscal year 2009.

Shinsei Financial's Lake brand has continued to maintain a top position in new customer acquisition while keeping costs-per-application among the lowest of the top five players in the industry. Over a half of new applications are consistently from customers with no existing borrowing relationships reflecting its powerful brand, customer-focused marketing strategies and selective underwriting.

Shinki, on the other hand, has been strategically shrinking its loan portfolio to focus on "white zone" customers while aggressively pursuing cost reduction measures. Having segmented its portfolio by asset quality in March 2007, Shinki has successfully reduced the lower quality portion to approximately 17% of the total as at September 30, 2009. The company expects to achieve around a 50% reduction of these legacy assets by the end of the fiscal year.

We are forging ahead with the integration of these two complementary businesses which began with Shinsei Bank and Shinsei Financial's tender offer bid for Shinki's outstanding shares in March 2009. As a first step, Shinki will close almost all of its unmanned branches and its customers will have access to the Lake ACM (automatic contract machine) network. As we work towards integrating the two businesses' head office functions, Shinsei Financial is also proactively implementing Shinsei Bank's IT methodologies to achieve dramatic cost reductions.

APLUS

APLUS, a 69.7% owned consolidated subsidiary of Shinsei Bank, is a major provider of installment sales credit, guarantee/settlement, and credit card services. Faced with the challenges presented by a slowdown in consumer spending, APLUS has ramped up its business-to-business sales efforts under new leadership, focusing on quality rather than quantity to drive top line growth and further cut costs.

From April 2009, a newly established Business Promotion Center is harnessing company-wide sales resources to target major new accounts. As part of a new partnership with Porsche Financial Services Japan, APLUS released its first World MasterCard status credit card in September 2009. In addition to its successful auto financing business with BMW Japan Finance Corporation, this is another example of APLUS' potential to boost revenues by providing high value-added products to the affluent customer segment. In its settlement business, APLUS provides direct debit, convenience store payment collection and rent collection services to a growing number of corporate customers. In November 2008, APLUS launched the Japanese industry's first online direct debit service, and this is gathering further traction among companies looking to reduce costs and increase customer convenience.

At the same time, APLUS continues to review fees and interest rates across businesses, aiming to increase profitability while minimizing the impact on customers. In its credit card business, for example, APLUS is terminating issuance of under-used cards, while introducing new incentives to boost activation and usage rates on cards with greater potential.

Cost reduction remains a key priority. APLUS is collaborating closely with Shinsei Bank to make further progress in this area and various projects are already underway. The company is also striving to improve customer service, as well as minimize costs, through measures such as the implementation of a speedier, more efficient credit card issuing system that uses a module from the Bank's own ATM card issuing process.

Shinsei Consulting Spots

From June 2009, Shinsei Bank has begun rolling out new small-scale branches called "Shinsei Consulting Spots," strategically located in areas where we already have a loyal customer base but where our physical presence remains weak. Operating as satellites of existing Shinsei Financial Centers, the Consulting Spots offer easy access to experienced consultants and value-added products, and constitute an integral component of the retail bank's "Best Financial Advisor" strategy.

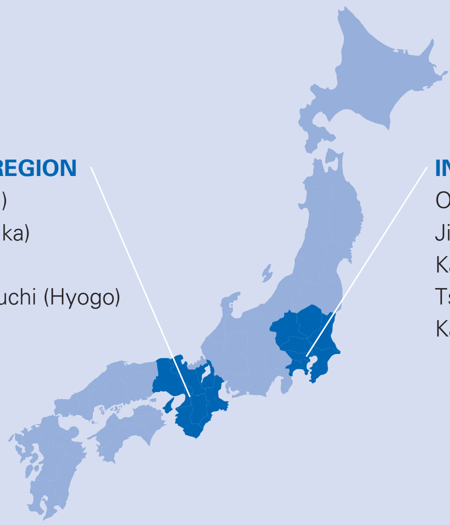
On the cost front, the Consulting Spots have been designed to break even in one year and payback quickly to ensure that the retail bank's expansion is self-funded and highly sustainable. On average, the Spots will be 50–100 m^2 in size, so that costs are dramatically lower than regular branches to lighten the environmental footprint, and both the initial investment and annual running costs have been reduced substantially, with minimal impact on the customer experience. To date, we have established eight Shinsei Consulting Spots (including conversions of existing outlets) and plan to open the ninth in Jiyugaoka (Tokyo) in February 2010.

Senri Chuo Consulting Spot opened in Osaka on June 1, 2009


A customer talks to staff at Senri Chuo Consulting Spot

IN THE KANSAI REGION

Senri Chuo (Osaka)
Sakai Higashi (Osaka)
Umeda (Osaka)
Nishinomiya Kitaguchi (Hyogo)



IN THE KANTO REGION

Omotesando (Tokyo)
Jiyugaoka* (Tokyo)
Kamakura (Kanagawa)
Tsudanuma (Chiba)
Kawaguchi (Saitama)

*Scheduled to open in February 2010.

DIRECTORS AND EXECUTIVES

As of December 1, 2009

BOARD OF DIRECTORS (11)

Masamoto Yashiro	Chairman of the Board, Representative Statutory Executive Officer, President, Chief Executive Officer, Shinsei Bank, Limited
Rahul Gupta	Director, Senior Managing Executive Officer, Chief Financial Officer, Shinsei Bank, Limited
J. Christopher Flowers*	Chairman, J. C. Flowers & Co. LLC
Yukinori Ito*	Former Senior Executive Director, The Export-Import Bank of Japan
Shigeru Kani*	Former Director, Administration Department, The Bank of Japan, Professor, Yokohama College of Commerce
Minoru Makihara*	Senior Corporate Advisor, Mitsubishi Corporation
Oki Matsumoto*	CEO, Monex Group, Inc.
Yasuharu Nagashima*	Lawyer
Nobuaki Ogawa*	Lawyer
Hiroyuki Takahashi*	Former Director, Japan Corporate Auditors Association
John S. Wadsworth, Jr.*	Advisory Director, Morgan Stanley

*Outside Directors

SENIOR ADVISOR (1)

Takashi Imai

Honorary Chairman, Nippon Steel Corporation

SENIOR ADVISOR (1)

Norito Ikeda

Senior Advisor, A.T. Kearney K.K.
Senior Advisor, Aozora Bank, Ltd.

COMMITTEE MEMBERSHIPS

NOMINATION COMMITTEE (4)

Minoru Makihara (Chairman)
J. Christopher Flowers
Oki Matsumoto
Masamoto Yashiro

AUDIT COMMITTEE (5)

Hiroyuki Takahashi (Chairman)
Yukinori Ito
Shigeru Kani
Yasuharu Nagashima
Nobuaki Ogawa

COMPENSATION COMMITTEE (3)

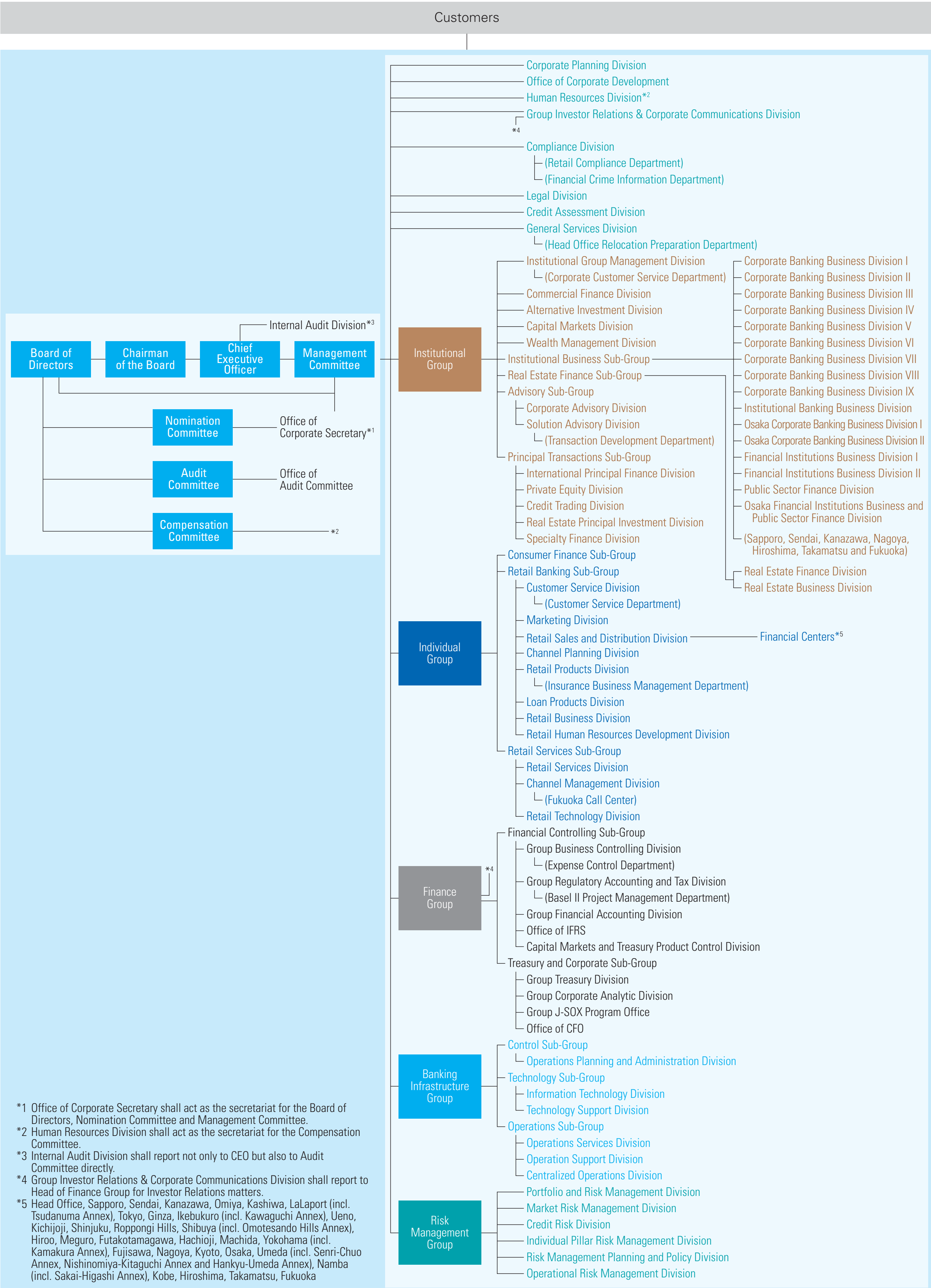
John S. Wadsworth, Jr. (Chairman)
J. Christopher Flowers
Minoru Makihara

STATUTORY EXECUTIVE OFFICERS (17)

Masamoto Yashiro	Representative Statutory Executive Officer, President, Chief Executive Officer
Masazumi Kato	Representative Statutory Executive Officer, Executive Vice President
Junzo Tomii	Representative Statutory Executive Officer, Executive Vice President
Michael Cook	Senior Managing Executive Officer, Head of Risk Management Group, Chief Risk Officer
Dhananjaya Dvivedi	Senior Managing Executive Officer, Group Chief Information Officer, Head of Banking Infrastructure Group
Rahul Gupta	Senior Managing Executive Officer, Chief Financial Officer
Sanjeev Gupta	Senior Managing Executive Officer, Head of Individual Group
Sang-Ho Sohn	Senior Managing Executive Officer, Head and Chief Executive of Institutional Group
Norio Funayama	Managing Executive Officer, Executive Head of Institutional Business Sub-Group
Yukio Nakamura	Managing Executive Officer, Executive Head of Institutional Business Sub-Group
Kazuya Fujimoto	Statutory Executive Officer, Head of Institutional Business Sub-Group
Michimasa Honda	Statutory Executive Officer, Head of Institutional Business Sub-Group
Takao Matsuzaki	Statutory Executive Officer, General Manager of Osaka Branch
Shigeru Oishi	Statutory Executive Officer, Head of Consumer Finance Sub-Group
Michiyuki Okano	Statutory Executive Officer, Head of Operations Sub-Group, Head of Retail Services Sub-Group
Yoshikazu Sato	Statutory Executive Officer, Head of Technology Sub-Group
Takashi Tsuchiya	Statutory Executive Officer, Head of Advisory Sub-Group

ORGANIZATION

As of December 1, 2009



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

*2 Human Resources Division shall act as the secretariat for the Compensation Committee.

*3 Internal Audit Division shall report not only to CEO but also to Audit Committee directly.

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

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

SUMMARY OF MAJOR EVENTS

2000	March	Launched as an innovative Japanese bank under new management and new ownership
	June	Changed name from The Long-Term Credit Bank of Japan, Limited (LTCB), to Shinsei Bank, Limited
2001	May	Commenced operations of Shinsei Securities Co., Ltd.
2003	April	Commenced operations of Shinsei Investment Management Co., Ltd.
2004	February	Listed the Bank's common shares on the First Section of the Tokyo Stock Exchange
	April	Converted the Bank's long-term credit bank charter to an ordinary bank charter
	May	Achieved one million retail accounts
	June	Converted to a Company with Committees board model
	September	Acquired a controlling interest in APLUS Co., Ltd.
2005	March	Acquired a controlling interest in Showa Leasing Co., Ltd.
	May	Commenced operations of Shinsei International Limited
2006	February	Issued USD-denominated preferred securities and EUR-denominated subordinated notes outside Japan
	July	Commenced resolution of public funds
	November	Partially cancelled Shinsei Bank common shares held as treasury stock
	December	Issued GBP-denominated perpetual subordinated notes
2007	April	Achieved two million retail accounts
	July	Launched new *Shinsei Platinum Services*
	August	Acquired and cancelled Series 3 Class-B preferred shares
	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
		Concluded an Operational Alliance Agreement with Towa Bank, Ltd.
	March	Acquired and cancelled Series 2 Class-A Preferred Shares pursuant to a request by shareholder
	April	Launched *Shinsei MobileDirect* mobile banking service
	June	Launched Shinsei Bank *SmartCard Loan* service
	September	Opened first joint ATM corner with Seven Bank, Ltd.
		Acquired GE Consumer Finance Co., Ltd. (Changed company name to Shinsei Financial Co., Ltd. on April 1, 2009)
2009	January	Launched *Shinsei Step Up Program*
	March	Concluded tender offer for the shares of common stock of SHINKI Co., Ltd.
		Issued JPY-denominated Tier I Preferred Securities
		Partially repurchased and cancelled USD Preferred Securities
		Received "Best Retail Bank in Japan" award from *The Asian Banker*
	June	Opened first Shinsei Consulting Spots
		Launched *Two Weeks Maturity Deposit*
	July	Announced agreement to merge with Aozora Bank, Ltd.
	September	Established Corporate Banking Business Division IX to promote SME business
	October	Issued JPY-denominated preferred securities

Data Section

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

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

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

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

OVERVIEW

Shinsei Bank, Limited is a leading diversified financial institution in Japan bringing innovative banking practices to the Japanese market. In June 2008 we reorganized our business around two business groups: an Institutional Group and an Individual Group. Our groups cover a broad range of products and customer segments which provide us with diversified revenues. We believe our unique history and business strategy have made us more global than local financial institutions in Japan and more local than foreign financial institutions having a presence in Japan.

Our focus is to grow sustainable revenues by offering innovative products and solutions to meet the needs of our customers. We have an innovative, customer-focused, two-group business model:

• The Individual Group consists of retail banking and our consumer finance subsidiaries. Shinsei's Individual Group brings innovative financial solutions to more than six million active customers in Japan. We continue to expand our product range and enhance consultative services for retail customers to better serve the needs of our customers, including mass-affluent and high net worth individuals. With the acquisition of GE Consumer Finance Co., Ltd. (GECF) in September 2008, we have achieved critical mass in terms of customer base, brand and distribution to take a leading position in consumer finance. This enables us to provide our customers with best-in-class financial products and services for every stage of their lives, serving them seamlessly as they move from loans to asset accumulation. GECF changed its company name to Shinsei Financial Co., Ltd. (Shinsei Financial) on April 1, 2009, and is hereinafter referred to as Shinsei Financial.
• The Institutional Group consists of our Institutional Bank and Showa Leasing Co., Ltd. (Showa Leasing). The Institutional Bank is organized around product specialists and relationship managers working closely together to leverage our long-standing customer relationships and to increase the number of products per customer. We serve mid-market companies, financial institutions, the public sector, financial sponsors and other institutional customers. Showa Leasing provides commercial finance to small- and medium-sized businesses.

FINANCIAL SUMMARY FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2009

We reported a consolidated net income of ¥11.0 billion for the first six months of fiscal year 2009, as compared to a net loss of ¥19.2 billion during the same period in the previous fiscal year. Profits grew despite a deferred tax asset (DTA) reversal of ¥4.6 billion, as we achieved growth in core businesses with higher top-line revenue, and lower normalized expenses and credit costs with the improvement of asset quality.

Consolidated cash basis net income for the first six months of fiscal year 2009 was ¥20.2 billion. This represents a positive turnaround of ¥34.5 billion compared to the consolidated cash basis net loss of ¥14.3 billion in the first half of the previous fiscal year. Cash basis net income is calculated by excluding amortization (and impairment) of goodwill and other intangible assets, net of tax benefit, from net income under Japanese GAAP.

GREY ZONE AND CREDIT RESERVES —SHINSEI FINANCIAL, APLUS AND SHINKI

The purchase agreement for the acquisition of Shinsei Financial included a provision for ¥225.4 billion for grey zone claims and also includes an indemnity from GE that provides protection for potential losses beyond ¥203.9 billion from the majority of the legacy accounts with grey zone interest exposure. For the six month period ended September 30, 2009, Shinsei Financial made grey zone refunds of ¥72.0 billion. As of September 30, 2009, Shinsei Financial's grey zone reserve balance amounted to ¥89.9 billion.

During the first six months of fiscal year 2009, APLUS Co., Ltd. (APLUS) recorded additional grey zone reserves for losses on interest repayments of ¥0.5 billion in connection with grey zone refunds recorded during this period. As of September 30, 2009, APLUS' grey zone reserve balance amounted to ¥8.3 billion.

During the first six months of fiscal year 2009, SHINKI Co.,Ltd. (Shinki) recorded additional grey zone reserves for losses on interest repayments of ¥8.4 billion. As of September 30, 2009, Shinki's grey zone reserve balance amounted to ¥21.2 billion.

GAIN ON REPURCHASE OF PREFERRED AND SUBORDINATED SECURITIES

During the first six months of fiscal year 2009, we booked a gain of ¥11.5 billion on the repurchase of our subordinated securities and the cancellation of associated swaps.

SIGNIFICANT EVENTS

MERGER WITH AOZORA BANK

On July 1, 2009, Shinsei Bank and Aozora Bank, Ltd. announced that the banks have agreed to a merger of equals (the "Merger"), subject to approval from shareholders (expected in 2010) and the relevant regulatory authorities and the satisfaction of certain other conditions. The banks received approvals from their respective Boards of Directors and executed an alliance agreement, dated July 1, 2009. The two banks established an Integration Committee and an Integration Advisory Group, and have proceeded with discussions and preparations towards the Merger, including the execution of a Merger Agreement.

The Merger is expected to create an independent financial institution and a platform that will deliver long-term, stable and sustainable earnings, providing value to all stakeholders. With a better balanced funding profile and stronger capital position, the Combined Bank will be more competitive and well positioned to act as an efficient and stable financial intermediary to a broader range of customers.

ISSUANCE OF PREFERRED SECURITIES

On October 2, 2009, we raised a total of ¥9.0 billion in capital through two private placements of preferred securities to a limited number of select institutional and corporate investors in Japan in order to strengthen Shinsei Bank's Tier I Capital. The securities are non-step up, non-cumulative perpetual preferred securities that qualify for inclusion in Tier I Capital as outlined under the Basel Capital Accord. The preferred securities are not convertible into common stock of Shinsei Bank.

RECEIPT OF A BUSINESS IMPROVEMENT ORDER

On July 28, 2009, Shinsei Bank received a Business Improvement Order ("Order") from the Financial Services Agency ("FSA") based on Article 20, Paragraph 2 of the Act on Emergency Measures for Early Strengthening of Financial Functions and Article 26, Paragraph 1 of the Banking Act.

In June 2007, Shinsei Bank received a Business Improvement Order from the FSA due to its financial performance falling substantially short of the targets for fiscal year 2006 set out in the Bank's Plan for Restoring Sound Management ("Revitalization Plan") that was agreed with the Japanese government. While we have implemented various measures to rebuild and strengthen our business since then, we recorded a net business loss of ¥65.3 billion and a net loss of ¥157.0 billion, both on a non-consolidated basis, in fiscal year 2008, due mainly to the deterioration of the market in the U.S., Europe and Japan, and a loss on our securities holding in APLUS. This performance fell far short of the targets set in the Revitalization Plan for fiscal year 2008, and as a result, the FSA issued the Order. We regret that the Bank was not able to meet its Revitalization Plan targets, and take this Order very seriously. In line with our new Business Improvement Plan, we will strive towards meeting our Revitalization Plan targets in the future.

SELECTED FINANCIAL DATA (CONSOLIDATED)

Shinsei Bank, Limited and Consolidated Subsidiaries

As of and for the six months ended September 30, 2009 and 2008, and as of and for the fiscal year ended March 31, 2009

	Billions of yen (except per share data and percentages)		
	Sept. 30, 2009 (6 months)	Sept. 30, 2008 (6 months)	Mar. 31, 2009 (1 year)
Statements of operations data:			
Net interest income	**¥ 109.4**	¥ 70.5	¥ 202.9
Net fees and commissions	**10.9**	17.2	26.5
Net trading income (loss)	**3.1**	(0.9)	(4.6)
Net other business income (loss)	**30.5**	15.5	(41.7)
Total revenue	**154.0**	102.3	183.1
General and administrative expenses	**88.0**	77.5	182.0
Amortization of goodwill and other intangible assets	**10.8**	5.7	17.5
Total general and administrative expenses	**98.8**	83.2	199.5
Net credit costs	**39.2**	41.6	129.0
Other gains, net	**4.1**	13.3	26.4
Income (loss) before income taxes and minority interests	**20.1**	(9.1)	(119.0)
Current income tax	**0.5**	2.4	3.4
Deferred income tax (benefit)	**3.3**	(0.5)	7.0
Minority interests in net income of subsidiaries	**5.1**	8.2	13.5
Net income (loss)	**¥ 11.0**	¥ (19.2)	¥ (143.0)
Balance sheets data:			
Trading assets	**¥ 253.0**	¥ 285.1	¥ 375.1
Securities	**3,282.2**	1,994.3	2,174.1
Loans and bills discounted	**5,469.9**	6,579.7	5,876.9
Customers' liabilities for acceptances and guarantees	**652.4**	695.5	675.2
Reserve for credit losses	**(198.6)**	(135.1)	(192.5)
Total assets	**12,183.5**	12,446.2	11,949.1
Deposits, including negotiable certificates of deposit	**7,046.5**	6,415.6	6,272.1
Debentures	**527.5**	748.2	675.5
Trading liabilities	**194.2**	178.9	307.5
Borrowed money	**800.2**	1,062.7	1,012.3
Acceptances and guarantees	**652.4**	695.5	675.2
Total liabilities	**11,383.5**	11,527.8	11,181.7
Capital stock	**476.2**	476.2	476.2
Total equity	**799.9**	918.4	767.4
Total liabilities and equity	**¥ 12,183.5**	¥ 12,446.2	¥ 11,949.1
Per share data:			
Common equity[1]	**¥ 312.05**	¥ 338.12	¥ 284.95
Basic net income (loss)	**5.63**	(9.81)	(72.85)
Capital adequacy data:			
Total capital adequacy ratio	**9.4%**	10.5%	8.4%
Tier I capital ratio	**7.0%**	6.4%	6.0%
Core Tier I capital ratio[2]	**4.9%**	4.6%	4.0%
Tangible common equity ratio[3]	**3.5%**	3.6%	3.0%
Average balance data:			
Securities	**¥ 3,197.3**	¥ 2,481.9	¥ 2,388.7
Loans and bills discounted	**5,558.4**	5,780.3	5,910.3
Total assets	**12,066.3**	11,986.0	11,737.4
Interest-bearing liabilities	**9,468.5**	9,617.4	9,303.7
Total liabilities	**11,282.6**	11,044.1	10,871.1
Total equity	**783.7**	941.8	866.3
Other data:			
Return on assets	**0.2%**	(0.3)%	(1.2)%
Return on equity[1]	**3.8%**	(5.6)%	(22.4)%
Ratio of deposits, including negotiable certificates of deposit, to total liabilities	**61.9%**	55.7%	56.1%
Expense-to-revenue ratio[4]	**57.1%**	75.7%	99.4%
Non-performing claims, non-consolidated	**¥ 181.6**	¥ 52.4	¥ 145.8
Ratio of non-performing claims to total claims, non-consolidated	**3.4%**	0.9%	2.5%
Net deferred tax assets	**¥ 18.4**	¥ 17.8	¥ 20.5
Net deferred tax assets as a percentage of Tier I capital	**3.1%**	2.9%	3.5%

Notes: (1) Stock acquisition rights and minority interests in subsidiaries are excluded from equity in calculating per share data.
(2) Core Tier I capital ratio: Tier I, excluding preferred securities and preferred stock minus deferred tax assets (net) divided by risk weighted assets.
(3) Tangible common equity ratio: Net assets minus preferred stock, intangible assets and minority interests divided by total assets, excluding intangible assets.
(4) The expense-to-revenue ratio is calculated by dividing general and administrative expenses for the periods presented by the total revenue for such period.

SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2009 COMPARED WITH SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2008

Shinsei Bank reported total revenue for the first half of fiscal year 2009 of ¥154.0 billion. This was ¥51.6 billion or 50.4% higher than the ¥102.3 billion total revenue recorded in the first half of fiscal year 2008.

Net interest income rose to ¥109.4 billion during the current period from ¥70.5 billion in the first half of fiscal year 2008. This increase was primarily driven by ¥51.0 billion in net interest income contribution from Shinsei Financial, which has been incorporated into our financial results from the third quarter of fiscal year 2008. We acquired Shinsei Financial from GE Japan Holdings Corporation on September 22, 2008, and hence it did not contribute to net interest income in the prior period.

Non-interest income increased to ¥44.6 billion in the current half versus ¥31.8 billion in the previous period. Our income from net fees and commissions declined to ¥10.9 billion during the current half from ¥17.2 billion during the first half of fiscal year 2008 due to the inclusion of Shinsei Financial customer ATM usage and other customer related fees of ¥2.6 billion in the current half, as well as due to the lower level of economic activity. We generated net trading income of ¥3.1 billion in the first half of fiscal year 2009 compared to incurring a net trading loss of ¥0.9 billion in the prior period.

Net other business income for the first half of fiscal year 2009 increased to ¥30.5 billion from ¥15.5 billion in the first half of fiscal year 2008. During the current half, we benefited from the global tightening of credit spreads and improved pricing of financial instruments. Major items included in net other business income are gains of ¥11.7 billion on the sale of collateralized loan obligations (CLOs) and ¥1.4 billion on the sale of corporate bonds. These gains were partially offset by ¥3.8 billion of losses on our equity method affiliate Jih Sun Financial Holding Co., Ltd. (Jih Sun). We incurred a loss on Jih Sun of ¥4.6 billion in the first quarter of fiscal year 2009, followed by a gain of ¥0.8 billion during the second quarter of fiscal year 2009 as Jih Sun returned to profitability. We further incurred mark-downs and impairments of ¥5.8 billion on our legacy Japanese real estate principal investments and ¥2.5 billion on asset-backed investments, asset-backed securities and European investments. During the first half of fiscal year 2008, we incurred ¥8.4 billion in losses on bonds incurred upon the bankruptcy of Lehman Brothers Holdings, Inc. (Lehman Brothers), as well as ¥15.7 billion of losses related to our holdings of asset-backed investments, asset-backed securities and European investments in the net trading loss and net other business income accounts.

General and administrative expenses (excluding amortization of goodwill and other intangible assets) during the first half of fiscal year 2009 were ¥88.0 billion, an increase of ¥10.4 billion or 13.5% compared to the first half of fiscal year 2008. This increase occurred as a result of the inclusion of Shinsei Financial's expenses from October 1, 2008. Excluding Shinsei Financial's direct expenses for the first half of fiscal year 2009, our expenses declined to ¥66.3 billion from ¥77.5 billion in the prior period, a decrease of ¥11.2 billion or 14.5% from the first half of fiscal year 2008. Excluding both Shinsei Financial's and Shinki's direct expenses for the first half of fiscal year 2009 for direct comparison purposes to the first half of fiscal year 2007, our expenses declined to ¥61.9 billion from ¥77.4 billion in the first half of fiscal year 2007, a decrease of 20.0% over the two year period. The reduction in expenses on a normalized basis reflects the results of the restructuring that we undertook in fiscal year 2008, as well as ongoing expense reduction initiatives that we have implemented in the current period. Our expense-to-revenue ratio was 57.1% for the first half of fiscal year 2009. This compares to an expense-to-revenue ratio of 75.7% in the first half of fiscal year 2008 and reflects the progress that we have made in reducing our expense base over the past twelve months. Prior period results were impacted by reduced revenues in fiscal year 2008 resulting from the bankruptcy of Lehman Brothers.

Amortization of goodwill and other intangible assets associated with the acquisition of consumer and commercial finance companies was ¥10.8 billion for the first half of fiscal year 2009 as compared with ¥5.7 billion in the first half of fiscal year 2008. The higher amounts reflect the amortization of goodwill and other intangible assets associated with our acquisition of Shinsei Financial, partially offset by a reduction in the amortization of goodwill and other intangible assets of APLUS as a result of APLUS' accelerated goodwill amortization taken at the end of fiscal year 2008.

Net credit costs of ¥39.2 billion for the first half of fiscal year 2009 were ¥2.4 billion lower compared to the first half of the prior fiscal year, despite the inclusion of Shinsei Financial's results for the current period. Current period results included net credit costs of ¥17.4 billion within Shinsei Financial, ¥11.7 billion within APLUS, ¥3.1 billion in net provisions associated with our holdings of domestic and overseas asset-backed investments, and ¥1.6 billion of net provisions for real estate non-recourse finance related loans. We also recorded ¥6.4 billion of credit recoveries within Shinki due to better collections within that business. First half fiscal year 2008 results were impacted by ¥18.6 billion of credit costs incurred for a loan to a subsidiary of Lehman Brothers.

Other gains of ¥4.1 billion largely included a gain of ¥11.5 billion on the repurchase of our subordinated debt and recoveries of written off claims within Shinsei Financial, Shinki and Shinsei Bank of ¥4.3 billion, which were partially offset by grey zone provisions of ¥8.4 billion at Shinki, ¥0.9 billion at Shinsei Financial and ¥0.5 billion at APLUS. The Shinsei Financial grey zone charges incurred during the first half of fiscal year 2009 were for the portion of the portfolio not covered by the GE indemnity included in the purchase of Shinsei Financial from GE. The first half of fiscal year 2008 results included a ¥7.2 billion gain on the sale of the Bank's Meguro Production Center, net of restoration and future relocation costs and a gain of ¥8.2 billion on the sale of Showa Auto Rental & Leasing.

Current and deferred income taxes reflected a net tax of ¥3.8 billion compared to a net tax of ¥1.8 billion in the first half of the prior fiscal year.

First half fiscal year 2009 results include a Shinsei Bank ¥4.6 billion charge for a reversal of deferred tax assets, compared to a charge for a deferred tax asset reversal of ¥0.8 billion in the first half of fiscal year 2008.

Minority interests in net income of subsidiaries for the first half of fiscal year 2009 amounting to ¥5.1 billion largely reflected dividends paid on perpetual preferred securities and minority interests relating to APLUS' preferred shareholders as well as minority interests in other subsidiaries.

The Bank recognized consolidated net income of ¥11.0 billion on a reported basis for the first half of fiscal year 2009, an increase of ¥30.3 billion as compared to the first half of fiscal year 2008, when we recorded a consolidated net loss of ¥19.2 billion.

Consolidated cash basis net income for the first half of fiscal year 2009 was ¥20.2 billion, an increase of ¥34.5 billion as compared to the first half fiscal year 2008 cash basis net loss of ¥14.3 billion. The cash basis net income is calculated by excluding amortization of goodwill and other intangible assets, net of tax benefit, from net income under Japanese generally accepted accounting principles (JGAAP).

Shinsei's non-performing loans (NPLs) balance under the Financial Revitalization Law totaled ¥181.6 billion as of September 30, 2009. NPLs were 3.41% of total claims outstanding at September 30, 2009 on a non-consolidated basis.

Our Tier I capital ratio was 7.0% and total capital adequacy ratio was 9.4% as of September 30, 2009, on a Basel II basis.

SUPPLEMENTAL FINANCIAL DATA AND RECONCILIATIONS TO JAPANESE GAAP MEASURES

Shinsei Bank, Limited and Consolidated Subsidiaries

For the six months ended September 30, 2009	Billions of yen (except per share data and percentages)
Amortization of goodwill and other intangible assets	
Amortization of other intangible assets	¥ 4.0
Associated deferred tax liability	(1.6)
Amortization of goodwill	6.7
Total amortization of goodwill and other intangible assets, net of tax benefit	¥ 9.1
Reconciliation of net income to cash basis net income	
Net income	¥ 11.0
Amortization of goodwill and other intangible assets, net of tax benefit	9.1
Cash basis net income	¥ 20.2
Reconciliation of basic net income per share to cash basis basic net income per share	
Basic net income per share	¥ 5.63
Effect of amortization of goodwill and other intangible assets, net of tax benefit	4.68
Cash basis basic net income per share	¥ 10.31
Reconciliation of return on assets to cash basis return on assets	
Return on assets	0.2%
Effect of amortization of goodwill and other intangible assets, net of tax benefit	0.1%
Cash basis return on assets	0.3%
Reconciliation of return on equity to cash basis return on equity	
Return on equity	3.8%
Effect of amortization of goodwill and other intangible assets, net of tax benefit	3.1%
Cash basis return on equity	6.9%
Reconciliation of return on equity to return on tangible equity	
Return on equity	3.8%
Effect of goodwill and other intangible assets[1]	5.6%
Return on tangible equity	9.4%

Note: (1) Net income excludes amortization of goodwill and other intangible assets, net of tax benefit. Average equity excludes goodwill and other intangible assets, net of associated deferred tax liability.

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

Billions of yen (except percentages)

	Six months ended September 30, 2009			Six months ended September 30, 2008		
	Average Balance	Interest	Yield/Rate	Average Balance[1]	Interest	Yield/Rate[1]
Interest-earning assets:						
Loans and bills discounted	¥ 5,558.4	¥ 130.2	4.67%	¥ 5,780.3	¥ 98.0	3.38%
Leased receivables and leased investment assets/ installment receivables	640.9	22.2	6.93	718.4	24.3	6.76
Securities	3,197.3	16.8	1.05	2,481.9	20.9	1.68
Other interest-earning assets[2]	724.7	4.3	n.m.[4]	1,074.0	5.4	n.m.[4]
Total revenue on interest-earning assets	¥ 10,121.4	¥ 173.7	3.42%	¥ 10,054.8	¥ 148.7	2.95%
Interest-bearing liabilities:						
Deposits, including negotiable certificates of deposit	¥ 6,842.2	¥ 28.7	0.84%	¥ 6,117.2	¥ 25.1	0.82%
Debentures	618.4	2.2	0.74	690.8	2.2	0.64
Borrowed money	932.9	6.0	1.29	1,132.9	8.6	1.52
Subordinated debt	102.0	0.5	1.17	108.0	0.7	1.41
Other borrowed money	830.9	5.4	1.30	1,024.9	7.8	1.54
Corporate bonds	252.1	3.7	2.94	409.0	7.3	3.57
Subordinated bonds	178.1	3.1	3.53	329.4	6.6	4.03
Other corporate bonds	74.0	0.5	1.53	79.6	0.6	1.65
Other interest-bearing liabilities[2]	822.6	1.2	n.m.[4]	1,267.2	10.5	n.m.[4]
Total expense on interest-bearing liabilities	¥ 9,468.5	¥ 42.0	0.89%	¥ 9,617.4	¥ 53.9	1.12%
Non-interest-bearing sources of funds:						
Non-interest-bearing (assets) liabilities, net	¥ 65.0	¥ —	—	¥ (253.7)	¥ —	—
Total equity excluding minority interest in subsidiaries[3]	587.9	—	—	691.1	—	—
Total interest-bearing liabilities and non-interest-bearing sources of funds	¥ 10,121.4	¥ —	—	¥ 10,054.8	¥ —	—
Net interest margin	—	—	2.54%	—	—	1.83%
Impact of non-interest-bearing sources	—	—	0.06	—	—	0.05
Net revenue on interest-earning assets/ yield on interest-earning assets	—	131.6	2.59%	—	94.8	1.88%
Reconciliation of total revenue on interest-earning assets to total interest income						
Total revenue on interest-earning assets	¥ 10,121.4	¥ 173.7	3.42%	¥ 10,054.8	¥ 148.7	2.95%
Less: Income on lease transactions and installment receivables	640.9	22.2	6.93	718.4	24.3	6.76
Total interest income	¥ 9,480.5	¥ 151.4	3.19%	¥ 9,386.4	¥ 124.4	2.66%
Total interest expenses	—	42.0	—	—	53.9	—
Net interest income	¥ —	¥ 109.4	—	¥ —	¥ 70.5	—

Notes: (1) Previous period figures for average balance and yield are adjusted to conform to recalculation of the average balance of securities.
(2) Other interest-earning assets and other interest-bearing liabilities include interest swaps and funding swaps.
(3) Represents a simple average of the balance at the end of the current period and the balance at the end of the previous period.
(4) n.m. is not meaningful.

Net revenue on interest-earning assets includes net interest income as well as revenue earned on the average balance of leased receivables and leased investment assets/installment receivables. We consider income on lease transactions and installment receivables to be a component of interest income, but Japanese GAAP does not include income on lease transactions and installment receivables in net interest income. Under Japanese GAAP, therefore, income on lease transactions and installment receivables is reported in net other business income in our consolidated statement of operations.

NET REVENUE ON INTEREST-EARNING ASSETS

Net revenue on interest-earning assets for the first half of fiscal year 2009 was ¥131.6 billion, an increase of ¥36.7 billion compared to the first half of the prior fiscal year. Total revenue on interest-earning assets increased by ¥24.9 billion and total expense on interest-bearing liabilities decreased by ¥11.8 billion in the first half of fiscal year 2009 from the first half of the prior fiscal year. The net yield on interest-earning assets was 2.59% in the first half of fiscal year 2009, compared with 1.88% for the first half of fiscal year 2008, an increase of 0.71%. The higher net yield reflects the higher volume and rates on our consumer finance assets, as well as lower interest expense due to lower subordinated bond interest expense as well as lower expense for other borrowed money and other interest-bearing liabilities.

NET FEES AND COMMISSIONS

Net fees and commissions mainly includes fees on non-recourse real estate finance, consumer finance related guarantees and other financing products and commissions on sales of asset management products. Net fees and commissions of ¥10.9 billion were earned in the first half of fiscal year 2009, a decrease of ¥6.3 billion or 36.8% compared to the first half of the prior fiscal year. The decline in net fees and commissions occurred due to the inclusion of Shinsei Financial customer ATM usage and other customer related fees of ¥2.6 billion in the current half, as well as lower fees, commissions and guarantee revenues earned due to the lower level of overall economic activity.

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, 2009	Six months ended September 30, 2008	% Change
Income from trading securities	¥ 1.9	¥ 1.8	4.3
Income (loss) from securities held to hedge trading transactions	1.9	(6.2)	131.1
Income (loss) from trading-related financial derivatives	(0.9)	3.3	(129.8)
Other, net	0.2	0.0	590.8
Net trading income (loss)	¥ 3.1	¥ (0.9)	415.2

Net trading income reflects revenues from customer driven transactions, such as option trading income, as well as transactions undertaken for trading purposes. During the first half of fiscal year 2009, net trading income showed a gain of ¥3.1 billion, compared to a loss of ¥0.9 billion in the first half of the prior fiscal year. The prior period net trading loss includes ¥3.6 billion of losses on Lehman Brothers bonds and related swaps. In the current period, we booked a gain of ¥0.5 billion on the sale of these bonds.

NET OTHER BUSINESS INCOME

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

TABLE 3. NET OTHER BUSINESS INCOME (CONSOLIDATED)

	Billions of yen		
	Six months ended September 30, 2009	Six months ended September 30, 2008	% Change
Income on monetary assets held in trust, net	¥ 0.2	¥ 4.2	(94.7)
Net gain (loss) on securities	12.0	(21.5)	155.9
Net gain (loss) on foreign exchange	5.2	(0.0)	35,095.2
Net gain (loss) on other monetary claims purchased	(3.8)	7.3	(153.0)
Other business income (loss), net(1)			
Income (loss) from derivatives for banking purposes, net	(0.9)	(0.9)	1.4
Equity in net income (loss) of affiliates	(4.3)	(0.2)	(1,575.6)
Gain on lease cancellation and other lease income (loss), net	(0.3)	0.8	(136.8)
Other, net	0.2	1.5	(84.4)
Net other business income (loss) before income on lease transactions and installment receivables, net	8.3	(8.7)	195.3
Income on lease transactions and installment receivables, net	22.2	24.3	(8.6)
Net other business income	¥ 30.5	¥ 15.5	96.2

Note: (1) Please see Note 27 on page 71 for details.

Net other business income for the first half of fiscal year 2009 was ¥30.5 billion. This included income of ¥22.2 billion from the lease transactions and installment receivables businesses of Showa Leasing, APLUS and Shinsei Financial. Excluding such income, net other business income for the first half of fiscal year 2009 showed a gain of ¥8.3 billion, an increase of ¥17.0 billion from the first half of the prior fiscal year. Major items included in net other business income are gains of ¥11.7 billion on the sale of collateralized loan obligations (CLOs) and ¥1.4 billion on the sale of corporate bonds. These gains offset ¥3.8 billion of losses on our equity method affiliate Jih Sun Financial Holding Co., Ltd., mark-downs and impairments of ¥5.8 billion on our legacy Japanese real estate principal investments and ¥2.5 billion on asset-backed investments, asset-backed securities and European investments. The first half fiscal year 2008 net other business loss includes ¥4.7 billion of losses on Lehman Brothers bonds.

TOTAL REVENUE

Due to the factors described above, total revenue in the six months ended September 30, 2009 was ¥154.0 billion, as compared with ¥102.3 billion in the six months ended September 30, 2008.

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, 2009	Six months ended September 30, 2008	% Change
Personnel expenses	¥ 34.2	¥ 30.5	12.2
Premises expenses	13.9	11.2	23.9
Technology and data processing expenses	12.3	11.5	6.9
Advertising expenses	6.1	4.2	43.9
Consumption and property taxes	4.7	3.4	37.4
Deposit insurance premium	2.1	1.9	12.8
Other general and administrative expenses	14.4	14.5	(1.0)
General and administrative expenses	88.0	77.5	13.5
Amortization of goodwill and other intangible assets	10.8	5.7	88.7
Total general and administrative expenses	¥ 98.8	¥ 83.2	18.7

From the fiscal year which commenced on April 1, 2006, amortization of goodwill and other intangible assets is recorded in total general and administrative expenses.

General and administrative expenses (excluding amortization of goodwill and other intangible assets) were ¥88.0 billion in the first half of fiscal year 2009, an increase of ¥10.4 billion or 13.5% compared to the first half of the prior fiscal year. Higher expenses were incurred as a result of our acquisition of Shinsei Financial from GE Japan Holdings Corporation on September 22, 2008 and the inclusion of Shinsei Financial's expenses from October 1, 2008. We continue to maintain strict expense discipline across our businesses. Excluding Shinsei Financial's direct expenses for the first half of fiscal year 2009, our expenses declined to ¥66.3 billion from ¥77.5 billion in the prior period, a decrease of ¥11.2 billion or 14.5% from the first half of fiscal year 2008. Excluding both Shinsei Financial's and Shinki's direct expenses for the first half of fiscal year 2009 for direct comparison purposes to the first half of fiscal year 2007, our expenses declined to ¥61.9 billion from ¥77.4 billion in the first half of fiscal year 2007, a decrease of 20.0% over the two year period.

Personnel expenses of ¥34.2 billion increased by ¥3.7 billion or 12.2% from the first half of the prior fiscal year. Despite the inclusion of Shinsei Financial's personnel expenses of ¥7.6 billion, we were able to largely limit our personnel expense increase though ongoing personnel expense reductions within other areas of our business as group employees decreased from 7,273 at September 2008 to 6,254 at September 2009, a reduction of more than 1,000 employees.

Non-personnel expenses rose to ¥53.7 billion compared to ¥46.9 billion in the first half of the prior fiscal year mainly due to the inclusion of Shinsei Financial expenses. Premises expenses and technology and data processing expenses increased mainly due to Shinsei Financial premises expenses and technology and data processing expenses. Advertising expenses were ¥1.8 billion higher than the last fiscal year reflecting the inclusion of Shinsei Financial's expenses offset by continued optimization of advertising activities in other Individual Group businesses. Consumption and property taxes were ¥1.2 billion higher mainly due to the inclusion of consumption and property taxes incurred by Shinsei Financial.

AMORTIZATION OF GOODWILL AND OTHER INTANGIBLE ASSETS

Amortization of goodwill and other intangible assets totaled ¥10.8 billion in the current period, compared to ¥5.7 billion in the first half of the prior fiscal year. The ¥5.0 billion net increase in amortization of goodwill and other intangible assets reflects our acquisition of Shinsei Financial on September 22, 2008 and associated amortization of goodwill and other intangible assets resulting from the acquisition, partially offset by a reduction in APLUS' amortization of goodwill and other intangible assets resulting from accelerated amortization of APLUS' goodwill at the end of fiscal year 2008.

TABLE 5. AMORTIZATION OF GOODWILL AND OTHER INTANGIBLE ASSETS (CONSOLIDATED)

	Billions of yen		
	Six months ended September 30, 2009	Six months ended September 30, 2008	% Change
Shinsei Financial	¥ 5.6	¥ —	—
APLUS	3.2	4.3	(24.3)
Shinki	0.3	0.4	(12.2)
Showa Leasing	1.4	1.4	6.3
Others	(0.0)	(0.4)	99.9
Amortization of goodwill and other intangible assets	¥ 10.8	¥ 5.7	88.7

NET CREDIT COSTS

The following table sets forth our net credit costs on a consolidated basis for the six months ended September 30, 2009 and 2008.

TABLE 6. NET CREDIT COSTS (CONSOLIDATED)

	Billions of yen		
	Six months ended September 30, 2009	Six months ended September 30, 2008	% Change
Losses on write-off or sales of loans	¥ 4.6	¥ 2.9	59.3
Net provision of reserve for loan losses:			
Net provision of general reserve for loan losses	12.2	18.4	(33.6)
Net provision of specific reserve for loan losses	23.1	22.1	4.3
Net provision (reversal) of reserve for loan losses to restructuring countries	(0.0)	(0.0)	(14.7)
Subtotal	35.4	40.6	(12.9)
Net provision (reversal) of specific reserve for other credit losses	(0.1)	(2.2)	93.7
Other credit costs (recoveries) relating to leasing business	(0.7)	0.3	(325.6)
Net credit costs	¥ 39.2	¥ 41.6	(5.9)

Note: Please see Note 28 on page 71 for details.

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

Net credit costs of ¥39.2 billion for the first half of fiscal year 2009 were ¥2.4 billion lower compared to the first half of the prior fiscal year, despite the inclusion of Shinsei Financial results for the current period. The decrease resulted primarily from higher prior period credit costs driven by ¥18.6 billion of credit costs incurred for a loan to a subsidiary of Lehman Brothers. In the current period, we incurred net credit costs of ¥17.4 billion within Shinsei Financial, ¥11.7 billion within APLUS, ¥3.1 billion in net credit costs associated with our holdings of asset-backed investments, and ¥1.6 billion of net credit costs for real estate non-recourse finance related loans.

OTHER GAINS, NET

Other gains of ¥4.1 billion largely included a gain of ¥11.5 billion on the repurchase of our subordinated debt and recoveries of written off-claims of ¥4.3 billion at Shinsei Financial, Shinki and Shinsei Bank, partially offset by grey zone provisions of ¥8.4 billion at Shinki, ¥0.9 billion at Shinsei Financial and ¥0.5 billion at APLUS. The Shinsei Financial grey zone charges incurred during the first half of fiscal year 2009 were for the portion of the portfolio not covered by the GE indemnity included in the purchase of Shinsei Financial from GE. The first half of fiscal year 2008 other gains include a ¥7.2 billion gain on the sale of the Bank's Meguro Production Center, net of restoration and future relocation costs and a gain of ¥8.2 billion on the sale of Showa Auto Rental & Leasing.

TABLE 7. OTHER GAINS, NET (CONSOLIDATED)

	Billions of yen		
	Six months ended September 30, 2009	Six months ended September 30, 2008	% Change
Net gain (loss) on disposal of premises and equipment	**¥ (1.5)**	¥ 9.7	(116.1)
Provision for losses on disposal of premises and equipment	**(0.0)**	(3.0)	99.0
Pension-related costs	**(0.2)**	—	—
Gain on write-off of unclaimed debentures	**0.1**	0.4	(75.7)
Recoveries of written-off claims	**4.3**	0.9	338.0
Gain on sale of subsidiary's stock	**—**	8.2	(100.0)
Provision of reserve for losses on interest repayments	**(9.9)**	(2.7)	(255.8)
Gain from the cancellation of issued bond and other instruments	**11.8**	—	—
Other, net	**(0.3)**	(0.2)	(32.4)
Total	**¥ 4.1**	¥ 13.3	(68.8)

INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS

As a result of the foregoing, income before income taxes and minority interests totaled ¥20.1 billion for the six months ended September 30, 2009, as compared to a loss before income taxes and minority interests of ¥9.1 billion in the same period in the previous fiscal year.

INCOME TAXES (BENEFIT)

Current and deferred income taxes reflected a net expense of ¥3.8 billion compared to a net expense of ¥1.8 billion in the first half of the previous fiscal year.

For the six months ended September 30, 2009, we recorded ¥0.5 billion in current income tax, mainly related to local income tax. We also recorded a deferred income tax expense of ¥3.3 billion, largely reflecting a reversal of deferred tax assets amounting to ¥4.6 billion by Shinsei Bank. This was partly offset by the tax benefit on the amortization of fair value adjustments to net assets and other intangible assets of ¥1.6 billion.

MINORITY INTERESTS IN NET INCOME OF SUBSIDIARIES

Minority interests in net income of subsidiaries for the first half of fiscal year 2009 amounting to ¥5.1 billion largely reflected dividends paid on perpetual preferred securities and minority interests relating to APLUS' preferred shareholders as well as minority interests in other subsidiaries. Lower APLUS preferred stock dividends were paid in the first half of fiscal year 2009 as a result of the redemption of APLUS' preferred securities which occurred during the fourth quarter of fiscal year 2008.

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

	Billions of yen		
	Six months ended September 30, 2009	Six months ended September 30, 2008	% Change
Dividends on preferred securities (hybrid Tier I capital) issued by foreign SPCs	**¥ 5.0**	¥ 5.2	(2.6)
Dividends on APLUS' preferred stock	**0.2**	1.6	(86.7)
Others	**0.0**	1.4	(106.6)
Minority interests in net income of subsidiaries	**¥ 5.1**	¥ 8.2	(37.3)

NET INCOME

The Bank recognized a consolidated net income of ¥11.0 billion for the first six months of fiscal year 2009, an increase of ¥30.3 billion, or 157.4%, as compared to the same period in the previous fiscal year.

We report both Japanese GAAP net income and cash basis net income in order to provide greater transparency and understanding of our underlying performance. Consolidated cash basis net income for the first six months of fiscal year 2009 was ¥20.2 billion, an increase of ¥34.5 billion, or 241.5%, as compared to the first half of the previous fiscal year. Cash basis net income is defined as Japanese GAAP net income adjusted to exclude the impairment and amortization of goodwill and other intangible assets, net of tax benefit, attributable to our consumer and commercial finance companies.

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 other intangible assets, certain revenue items, amortization of net actuarial losses and lump-sum payments. In essence, the operating-basis results represent what we consider to be core business results and are in conformity with Japanese GAAP at the net income level. The following summary table provides a reconciliation between our results on a reported and operating basis.

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

Billions of yen

	Six months ended September 30, 2009			Six months ended September 30, 2008		
	Reported-basis	Reclassifications	Operating-basis	Reported-basis	Reclassifications	Operating-basis
Revenue:						
Net interest income	¥ 109.4	¥ —	¥ 109.4	¥ 70.5	¥ —	¥ 70.5
Non-interest income[1]	44.6	11.8	56.4	31.8	0.0	31.8
Total revenue	154.0	11.8	165.8	102.3	0.0	102.3
General and administrative expenses[2]	88.0	(1.4)	86.5	77.5	(0.7)	76.7
Amortization of goodwill and other intangible assets	10.8	(10.8)	—	5.7	(5.7)	—
Total general and administrative expenses	98.8	(12.2)	86.5	83.2	(6.5)	76.7
Net business profit/Ordinary business profit[3]	55.1	24.1	79.3	19.1	6.4	25.5
Net credit costs	39.2	—	39.2	41.6	—	41.6
Amortization of goodwill and other intangible assets	—	10.8	10.8	—	5.7	5.7
Other gains, net[1][2]	4.1	(13.3)	(9.1)	13.3	(0.7)	12.6
Income (loss) before income taxes and minority interests	20.1	—	20.1	(9.1)	—	(9.1)
Income taxes and minority interests	9.0	—	9.0	10.0	—	10.0
Net income (loss)	¥ 11.0	¥ —	¥ 11.0	¥ (19.2)	¥ —	¥ (19.2)

Notes: (1) Reclassifications consist principally of adjustments relating to other business income between other gains (losses), net and non-interest income.
(2) 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.
(3) Ordinary business profit is derived after reclassifying certain items from net business profit.

BUSINESS LINES RESULTS

In June 2008 we reorganized our business around two business groups: an Institutional Group and an Individual Group. Our groups cover a broad range of products and customer segments which provide us with diversified revenues. In the six months ended September 30, 2009, ordinary business profit after net credit costs was ¥40.1 billion, as compared to ordinary business loss after net credit costs of ¥16.0 billion during the same period in the previous fiscal year.

Management monitors the performance of these business lines on an operating basis. The business line discussion below covers the operating-basis ordinary business profit (loss) after net credit costs (recoveries) of the two business lines and a third category of Corporate/Other.

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, 2009	Six months ended September 30, 2008[2]	% Change
Institutional Group:			
Net interest income	**¥ 20.1**	¥ 23.5	(14.6)
Non-interest income	**24.7**	3.8	537.6
Total revenue	**44.9**	27.4	63.5
General and administrative expenses	**22.5**	29.9	(24.9)
Ordinary business profit (loss)	**22.3**	(2.5)	989.1
Net credit costs	**12.6**	26.7	(52.6)
Ordinary business profit (loss) after net credit costs	**¥ 9.7**	¥ (29.2)	133.3
Individual Group:			
Net interest income	**¥ 89.9**	¥ 44.2	103.1
Non-interest income	**21.4**	27.0	(20.8)
Total revenue	**111.3**	71.2	56.2
General and administrative expenses	**63.9**	47.1	35.6
Ordinary business profit	**47.3**	24.1	96.4
Net credit costs	**26.1**	16.6	56.7
Ordinary business profit after net credit costs	**¥ 21.2**	¥ 7.4	185.5
Corporate/Other[1]:			
Net interest income (expense)	**¥ (0.6)**	¥ 2.6	(125.1)
Non-interest income	**10.3**	0.9	1,033.3
Total revenue	**9.6**	3.5	167.9
General and administrative expenses	**0.0**	(0.3)	120.4
Ordinary business profit	**9.5**	3.9	141.0
Net credit costs (recoveries)	**0.4**	(1.7)	123.1
Ordinary business profit after net credit costs (recoveries)	**¥ 9.1**	¥ 5.7	60.4
Total:			
Net interest income	**¥ 109.4**	¥ 70.5	55.1
Non-interest income	**56.4**	31.8	77.6
Total revenue	**165.8**	102.3	62.1
General and administrative expenses	**86.5**	76.7	12.7
Ordinary business profit	**79.3**	25.5	210.2
Net credit costs	**39.2**	41.6	(5.9)
Ordinary business profit (loss) after net credit costs	**¥ 40.1**	¥ (16.0)	349.4

Notes: (1) Corporate/Other largely includes results of equity and sub-debt finance activities, corporate level expenses and credit costs.
(2) Prior period has been adjusted to conform to current period presentation.

INSTITUTIONAL GROUP

TABLE 11. INSTITUTIONAL GROUP REVENUE BY PRODUCT (CONSOLIDATED)

	Billions of yen		
	Six months ended September 30, 2009	Six months ended September 30, 2008[1]	% Change
Institutional Group:			
Basic banking[2]	¥ 6.3	¥ 6.3	0.4
Real estate finance	10.4	12.0	(13.8)
Credit trading	1.5	9.8	(84.2)
Principal investments	(5.2)	0.6	(945.6)
Foreign exchange, derivatives, equity-related	6.6	(2.5)	358.4
Securitization	1.5	(7.0)	122.4
Other capital markets	13.7	(7.2)	291.1
ALM Activities	(0.0)	2.6	(103.5)
Leasing (Showa Leasing)	8.0	11.1	(27.9)
Others	1.9	1.5	20.9
Total revenue	¥ 44.9	¥ 27.4	63.5

Notes: (1) Prior period has been adjusted to conform to current period presentation.
(2) Basic Banking mainly consists of corporate loans, deposit and debentures revenue.

The Institutional Group consists of the Institutional Banking business and Showa Leasing. The Institutional Group business recorded total revenue of ¥44.9 billion in the first half of fiscal year 2009. This is ¥17.4 billion, or 63.5%, higher than the first half of fiscal year 2008 as we have begun to see a growing contribution from our core businesses despite ongoing mark-downs and impairments that we have taken within some of our Institutional Group businesses.

Basic Banking continues to make a steady contribution to our results and generated total revenue of ¥6.3 billion in the first half of fiscal year 2009, in line with the ¥6.3 billion generated in the first half of fiscal year 2008 despite the lower average balance of loans outstanding in the current period.

Our Real Estate Finance business generated revenue of ¥10.4 billion, a decrease of ¥1.6 billion or 13.8% compared to the first half of fiscal year 2008, due mainly to a lower average balance of loans as we have worked with our clients to refinance and pay down certain loans on our books.

Credit Trading generated ¥1.5 billion in total revenue in the first half of fiscal year 2009 due to mark-downs of certain international credit trading positions, mainly in Europe, a decrease of ¥8.2 billion from the first half of the prior fiscal year.

Principal Investments generated a loss of ¥5.2 billion compared to a gain of ¥0.6 billion in the first half of fiscal year 2008, as we took mark-downs and impairments of ¥5.8 billion on our legacy Japanese real estate principal investments. In addition, Principal Investments recorded ¥3.8 billion of losses on our investment in Jih Sun. We incurred a loss on Jih Sun of ¥4.6 billion in the first quarter of fiscal year 2009, followed by a gain of ¥0.8 billion during the second quarter of fiscal year 2009 as Jih Sun returned to profitability.

Foreign Exchange, Derivatives and Equity-Related Transactions showed a gain of ¥6.6 billion in the current half, up from a ¥2.5 billion loss recorded in the first half of the prior fiscal year. Positive revenue from foreign exchange, derivatives and equity-related transactions reflects our de-emphasis of proprietary trading begun in fiscal year 2008 as well as a return of client driven business that has occurred with the recovery in the credit markets during the current period.

Securitization recognized a gain of ¥1.5 billion during the first half of fiscal year 2009 as compared to a loss of ¥7.0 billion during the first half of fiscal year 2008.

Our Other Capital Markets businesses generated revenue of ¥13.7 billion for the current period including ¥11.7 billion of gains from the sale of CLOs and ¥1.4 billion in gains from the sale of corporate bonds, compared to a loss of ¥7.2 billion in the first half of the prior fiscal year.

TABLE 12. INSTITUTIONAL GROUP ORDINARY BUSINESS PROFIT (LOSS) AFTER NET CREDIT COSTS BY BUSINESS (CONSOLIDATED)[1]

	Billions of yen		
	Six months ended September 30, 2009	Six months ended September 30, 2008[2]	% Change
Institutional Banking:			
Net interest income	¥ 22.4	¥ 26.0	(14.1)
Non-interest income (loss)	14.4	(9.7)	247.7
Total revenue	36.8	16.3	126.1
General and administrative expenses	18.4	23.6	(21.8)
Ordinary business profit (loss)	18.3	(7.3)	351.2
Net credit costs	9.8	22.9	(56.9)
Ordinary business profit (loss) after net credit costs	¥ 8.5	¥ (30.2)	128.1
Showa Leasing:			
Net interest income (expense)	¥ (2.2)	¥ (2.5)	9.0
Non-interest income	10.3	13.6	(24.4)
Total revenue	8.0	11.1	(27.9)
General and administrative expenses	4.0	6.3	(36.2)
Ordinary business profit	3.9	4.8	(16.9)
Net credit costs	2.7	3.8	(27.1)
Ordinary business profit after net credit costs	¥ 1.2	¥ 1.0	21.3
Institutional Group:			
Net interest income	¥ 20.1	¥ 23.5	(14.6)
Non-interest income	24.7	3.8	537.6
Total revenue	44.9	27.4	63.5
General and administrative expenses	22.5	29.9	(24.9)
Ordinary business profit (loss)	22.3	(2.5)	989.1
Net credit costs	12.6	26.7	(52.6)
Ordinary business profit (loss) after net credit costs	¥ 9.7	¥ (29.2)	133.3

Notes: (1) Net of consolidation adjustments, if applicable.
(2) Prior period has been adjusted to conform to current period presentation.

In the first half of fiscal year 2009, Institutional Banking general and administrative expenses were ¥18.4 billion, a ¥5.1 billion or 21.8% decrease from the first half of the prior fiscal year. The decrease was largely due to the restructuring that we carried out during fiscal year 2008, as well as stricter cost controls and cost reduction measures enacted during the current period.

Net credit costs decreased to ¥9.8 billion in the current period from ¥22.9 billion in the prior period. Current period net credit costs included ¥3.1 billion of net credit costs related to our asset-backed investments portfolio and ¥1.6 billion of net credit costs related to our real estate non-recourse finance portfolio.

During the first half of fiscal year 2008, we recorded net credit costs of ¥18.6 billion incurred for a loan to a subsidiary of Lehman Brothers. As a result, Institutional Banking showed an ordinary business profit after net credit costs of ¥8.5 billion for the first half of fiscal year 2009, compared to an ordinary business loss after net credit costs of ¥30.2 billion in the first half of fiscal year 2008.

Showa Leasing's ordinary business profit after net credit costs increased to ¥1.2 billion for the first half of fiscal year 2009 from ¥1.0 billion in the first half of the prior fiscal year. While revenues have declined, in part due to our sale of Showa Auto Rental & Leasing at the end of the second quarter of fiscal year 2008, we have successfully reduced our expenses and credit costs for the period in line with the reduced revenue in this business.

INDIVIDUAL GROUP

The Individual Group consists of the Retail Banking business as well as the subsidiaries Shinsei Financial, APLUS, Shinki and Shinsei Property Finance. Shinsei Financial was acquired on September 22, 2008 from GE Japan Holdings Corporation and Shinsei Financial's results have been incorporated in our Results of Operations from the third quarter of fiscal year 2008. During the first half of fiscal year 2009, the Individual Group generated ordinary business profit after net credit costs of ¥21.2 billion compared to an ordinary business profit after net credit costs of ¥7.4 billion during the first half of the prior fiscal year. The improved ordinary business profit after net credit costs for the current half reflects the incorporation of Shinsei Financial within our Individual Group as well as higher ordinary business profit after net credit costs within our Retail Banking and Shinki businesses, offset by lower ordinary business profit after net credit costs within APLUS.

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

	Billions of yen		
	Six months ended September 30, 2009	Six months ended September 30, 2008	% Change
Retail Banking:	¥ 21.7	¥ 19.3	12.4
Deposits and Debentures Net Interest Income	12.8	10.1	27.0
Deposits and Debentures Non-Interest Income	3.4	2.7	25.1
Asset management	2.5	3.0	(16.9)
Loans	2.8	3.4	(15.3)
(Reference) Revenue from Structured Deposits	4.0	3.1	26.0
Shinsei Financial	48.8		
APLUS	32.3	38.8	(16.9)
Shinki	7.7	10.6	(27.6)
Other Subsidiaries	0.6	2.3	(72.4)
Total revenue	¥111.3	¥ 71.2	56.2

During the first half of fiscal year 2009, total Retail Banking revenue was ¥21.7 billion as compared to ¥19.3 billion during the first half of the prior fiscal year. The main sources of revenue were interest income from retail deposits, income from structured deposits and fees, net interest income from loan products, and fees from asset management products. During the current period, we generated net interest income of ¥16.0 billion compared to ¥12.7 billion during the first half of the prior fiscal year. The increase in net interest income comes primarily from increases in deposits and debentures net interest income and loans. Non-interest income declined slightly to ¥5.6 billion in the current period from ¥6.5 billion in the first half of the prior fiscal year as fees from asset management products decreased slightly with the lower level of retail customer activity in the marketplace. Retail Banking incurred general and administrative expenses of ¥17.7 billion during the first half of fiscal year 2009, a decrease of 5.9% as compared to the first half of the prior fiscal year. The business generated ordinary business profit after net credit costs of ¥4.0 billion for the first half of fiscal year 2009, as compared to an ordinary business profit after net credit costs of ¥0.3 billion during the first half of the prior fiscal year. The significantly improved ordinary business profit after net credit costs within Retail Banking reflects the steps that we have made to restructure our business and focus upon providing profitable products and services to our customer base.

For the first half of fiscal year 2009, Shinsei Financial generated total revenue of ¥48.8 billion, incurred general and administrative expenses of ¥22.3 billion and incurred net credit costs of ¥17.4 billion. As a result, Shinsei Financial's ordinary business profit after net credit costs was ¥9.0 billion for the current half.

For the first half of fiscal year 2009, APLUS generated total revenue of ¥32.3 billion, compared to ¥38.8 billion in the first half of the prior fiscal year. The decline in revenue was largely due to the slowdown in economic activity. The revenue shortfall was partially offset by lower general and administrative expenses and net credit costs. General and administrative expenses declined to ¥19.1 billion from ¥21.6 billion in the first half of the prior fiscal year, while net credit costs declined to ¥11.7 billion from ¥12.1 billion in the previous period. As a result, the business generated ordinary business profit after net credit costs of ¥1.4 billion in the first half of fiscal year 2009, compared to ¥5.0 billion in the first half of the prior fiscal year.

For the first half of fiscal year 2009, Shinki recorded total revenue of ¥7.7 billion and general and administrative expenses of ¥4.4 billion. Shinki recorded net credit recoveries of ¥3.4 billion, including ¥6.4 billion of credit recoveries due to better than forecast collections within that business. As a result, Shinki recorded an ordinary business profit after net credit costs of ¥6.7 billion. This compares to an ordinary business profit after net credit costs of ¥2.2 billion in the first half of fiscal year 2008.

Shinsei Financial's grey zone payments and write-offs amounted to ¥72.0 billion in the first half of fiscal year 2009. The Shinsei Financial purchase agreement from GE includes an indemnity from GE that provides protection for potential losses beyond ¥203.9 billion from the majority of the legacy accounts with grey zone interest exposure. The business made new grey zone related provisions of ¥0.9 billion for the non-indemnified portion, and as a result, the total balance of Shinsei Financial's grey zone reserves was ¥89.9 billion as of September 30, 2009, as compared to ¥161.0 billion as of March 31, 2009.

APLUS' grey zone payments and write-offs amounted to ¥3.2 billion in the first half of fiscal year 2009. The business made ¥0.5 billion in grey zone related provisions and the total balance of the grey zone reserve was ¥8.3 billion as of September 30, 2009, as compared to ¥11.0 billion as of March 31, 2009. APLUS made ¥2.7 billion of grey zone related provisions and made ¥3.6 billion in grey zone payments and write-offs in the first half of fiscal year 2008.

Shinki's grey zone payments and write-offs amounted to ¥9.0 billion in the first half of fiscal year 2009. The business made new grey zone related provisions of ¥8.4 billion. The total balance of the grey zone reserve was ¥21.2 billion as of September 30, 2009, as compared to ¥21.7 billion as of March 31, 2009. Shinki made no grey zone related provisions and made ¥7.6 billion in grey zone payments and write-offs in the first half of fiscal year 2008.

Other subsidiaries' financials mainly include the financial results of Shinsei Property Finance Co., Ltd.

TABLE 14. INDIVIDUAL GROUP ORDINARY BUSINESS PROFIT (LOSS) AFTER NET CREDIT COSTS BY SUBSIDIARY (CONSOLIDATED)[1]

	Billions of yen		
	Six months ended September 30, 2009	Six months ended September 30, 2008[3]	% Change
Retail Banking:			
Net interest income	**¥ 16.0**	¥12.7	26.1
Non-interest income	**5.6**	6.5	(14.2)
Total revenue	**21.7**	19.3	12.4
General and administrative expenses	**17.7**	18.8	(5.9)
Ordinary business profit	**3.9**	0.4	747.6
Net credit costs (recoveries)	**(0.0)**	0.1	(129.7)
Ordinary business profit after net credit costs	**¥ 4.0**	¥ 0.3	1094.7
Shinsei Financial:			
Net interest income	**¥ 51.0**		
Non-interest income (loss)	**(2.1)**		
Total revenue	**48.8**		
General and administrative expenses	**22.3**		
Ordinary business profit	**26.4**		
Net credit costs	**17.4**		
Ordinary business profit after net credit costs	**¥ 9.0**		
APLUS:			
Net interest income	**¥ 14.0**	¥18.2	(23.1)
Non-interest income	**18.3**	20.6	(11.3)
Total revenue	**32.3**	38.8	(16.9)
General and administrative expenses	**19.1**	21.6	(11.5)
Ordinary business profit	**13.1**	17.2	(23.6)
Net credit costs	**11.7**	12.1	(3.3)
Ordinary business profit after net credit costs	**¥ 1.4**	¥ 5.0	(72.2)
Shinki:			
Net interest income	**¥ 8.2**	¥11.3	(27.3)
Non-interest income (loss)	**(0.5)**	(0.6)	22.7
Total revenue	**7.7**	10.6	(27.6)
General and administrative expenses	**4.4**	5.5	(19.2)
Ordinary business profit	**3.2**	5.1	(36.7)
Net credit costs (recoveries)	**(3.4)**	2.9	(219.0)
Ordinary business profit after net credit costs	**¥ 6.7**	¥ 2.2	202.5
Other Subsidiaries[2]:			
Net interest income	**¥ 0.5**	¥ 1.9	(70.8)
Non-interest income	**0.0**	0.3	(80.4)
Total revenue	**0.6**	2.3	(72.4)
General and administrative expenses	**0.1**	1.0	(83.0)
Ordinary business profit	**0.4**	1.2	(63.2)
Net credit costs	**0.4**	1.4	(69.1)
Ordinary business (loss) profit after net credit costs	**¥ 0.0**	¥ (0.1)	107.1
Total Individual Group:			
Net interest income	**¥ 89.9**	¥44.2	103.1
Non-interest income	**21.4**	27.0	(20.8)
Total revenue	**111.3**	71.2	56.2
General and administrative expenses	**63.9**	47.1	35.6
Ordinary business profit	**47.3**	24.1	96.4
Net credit costs	**26.1**	16.6	56.7
Ordinary business profit after net credit costs	**¥ 21.2**	¥ 7.4	185.5

Notes: (1) Net of consolidation adjustments, if applicable.
(2) Includes Shinsei Property Finance and unallocated Consumer Finance Sub-Group financials.
(3) Prior period has been adjusted to conform to current period presentation.

CORPORATE/OTHER

Corporate/Other primarily includes results of corporate treasury activities, inter-company adjustments, and corporate level expenses. For the six months ended September 30, 2009, ordinary business profit after net credit costs was ¥9.1 billion.

FINANCIAL CONDITION

TOTAL ASSETS

As of September 30, 2009, we had consolidated total assets of ¥12,183.5 billion, representing a 2.0% increase from March 31, 2009 and a 2.1% decrease from September 30, 2008. Our loans and bills discounted balance was ¥5,469.9 billion as at September 30, 2009 as compared to ¥5,876.9 billion as at March 31, 2009. The decrease mainly occurred due to a decline of ¥275.1 billion in our Institutional Group loans outstanding as we worked to reduce our Institutional Group loan exposures and risk assets during the current period. Corporate loans decreased 5.4% to ¥2,280.8 billion at September 30, 2009 compared to ¥2,409.8 billion at March 31, 2009, and the real estate finance balance decreased 9.8% to ¥745.1 billion at September 30, 2009 from ¥825.7 billion at March 31, 2009. Excluding non-recourse real estate loans, other real estate finance loans decreased from ¥180.9 billion to ¥134.7 billion, or approximately 25.6% during the half year period ended September 30, 2009.

Loans to others of ¥2,124.8 billion as of September 30, 2009 included loans extended to Shinsei's, Shinsei Financial's, APLUS' and Shinki's individual customers amounting in the aggregate to ¥1,752.9 billion.

TABLE 15. LOANS BY BORROWER INDUSTRY (CONSOLIDATED)

Billions of yen (except percentages)

	As of September 30, 2009		As of September 30, 2008	
Domestic offices (excluding Japan offshore market account):				
Manufacturing	¥ 257.2	4.8%	¥ 224.0	3.5%
Agriculture, Forestry	0.0	0.0	0.0	0.0
Fishery	2.6	0.1	2.8	0.1
Mining, quarrying, gravel extraction	3.2	0.1	4.6	0.1
Construction	9.3	0.2	15.3	0.2
Electric power, gas, heat supply and water supply	39.6	0.7	66.8	1.0
Information and communications	20.1	0.4	47.5	0.8
Transportation, postal service	313.9	5.8	362.9	5.6
Wholesale and retail	126.0	2.3	129.0	2.0
Finance and insurance	1,107.8	20.6	1,179.9	18.3
Real estate	929.8	17.3	1,270.0	19.7
Services	266.6	5.0	373.2	5.8
Local government	168.3	3.1	301.1	4.7
Others	2,124.8	39.6	2,460.9	38.2
Total domestic (A)	¥ 5,369.7	100.0%	¥ 6,438.5	100.0%
Overseas offices (including Japan offshore market accounts):				
Governments	¥ 1.5	1.6%	¥ 1.2	0.9%
Others	98.6	98.4	139.8	99.1
Total overseas (B)	¥ 100.1	100.0%	¥ 141.1	100.0%
Total (A+B)	¥ 5,469.9		¥ 6,579.7	

Note: Presentation of some industries has changed with the revision of the Japan Standard Industry Classification (November 2007).
The figures on September 30, 2008 were not adjusted as the impact from this change is negligible.

TABLE 16. OVERSEAS AND OFFSHORE LOANS BY REGION (NON-CONSOLIDATED)

Billions of yen

	As of September 30, 2009	As of September 30, 2008
United States	¥ 86.1	¥ 103.0
Asset-backed investments in U.S.	3.4	5.3
Europe	148.5	235.9
Asset-backed investments in Europe	106.0	175.4
Others	185.9	201.3
Total overseas and offshore loans	¥ 420.6	¥ 540.4
Total asset-backed investments	¥ 109.5	¥ 180.8

Note: "Asset-backed investments" is another term for the Asset-Backed Investments Program, one of our former product programs. Under this program, the loans backed mainly by collateral (including infrastructure related assets or equipments, real estate, business and operating assets) are referred to as "asset-backed investments" for disclosure purposes. For the asset-backed securities which we disclose as securitized products, please see table 30 "Balance of Securitized Products (Breakdown by Region and Type of Securities)" on page 44.

Securities balance as of September 30, 2009 amounted to ¥3,282.2 billion as compared to ¥2,174.1 billion as of March 31, 2009. This increase occurred largely due to purchases of Japanese government bonds for liquidity purposes, the balance of which increased to ¥2,339.0 billion at September 30, 2009 from ¥1,204.2 billion at March 31, 2009.

FUNDING AND LIQUIDITY

Shinsei Bank continues to optimize its funding base through deposits from retail customers. Total deposits and negotiable certificates of deposit increased from ¥6,272.1 billion at March 31, 2009 to ¥7,046.5 billion at September 30, 2009. The retail deposits balance totaled ¥5,557.0 billion at September 30, 2009, an increase of ¥534.0 billion compared to March 31, 2009. Retail Banking represents 77.3% of the Bank's total funding through customer deposits and debentures. The table below shows changes in the proportion of our overall funding represented by funds raised from debentures and deposits in our Retail and Institutional Banking businesses.

TABLE 17. DIVERSIFICATION BY FUNDING TYPE (CONSOLIDATED)

Billions of yen

	As of September 30, 2009	As of March 31, 2009[1]	As of March 31, 2008[1]	As of March 31, 2007[1]
Retail deposits	**¥ 5,557.0**	¥ 5,023.0	¥ 3,934.1	¥ 3,513.3
Retail debentures[2]	**296.4**	308.1	342.2	381.8
Institutional deposits	**1,489.4**	1,249.0	1,872.5	1,907.5
Institutional debentures	**231.1**	367.4	320.2	321.4
Total	**¥ 7,574.0**	¥ 6,947.6	¥ 6,469.0	¥ 6,124.2

Notes: (1) Prior period has been adjusted to conform to current period presentation.
(2) Excludes unclaimed matured debentures.

TOTAL EQUITY

Total equity as of September 30, 2009 was ¥799.9 billion and included minority interests in subsidiaries of ¥185.5 billion.

SUMMARY OF NON-CONSOLIDATED FINANCIAL RESULTS

We disclose non-consolidated financial information in addition to our consolidated financial statements. As a recipient of public funds, we are required by the FSA to update and report on Shinsei's 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 Bank recorded net income for the six months ended September 30, 2009 of ¥8.6 billion on a non-consolidated basis. Current results on a non-consolidated basis differ from our consolidated results primarily because our non-consolidated results do not include the net income or loss from our consolidated subsidiaries, including APLUS, Shinsei Financial, Shinki, and Showa Leasing nor do they include the loss from our share in the net loss of our equity method affiliate, Jih Sun Financial Holding Co., Ltd. During the current period, we recorded gains of ¥13.0 billion on the repurchase of our subordinated debt on a non-consolidated basis.

TABLE 18. OPERATING-BASIS RESULTS (NON-CONSOLIDATED)

Billions of yen

	Six months ended September 30, 2009	Six months ended September 30, 2008
Gross business profit *(gyomu soerieki)*[1]:		
Net interest income	**¥ 29.0**	¥ 37.8
Net fees and commissions[1]	**5.5**	13.2
Net trading income (loss)	**3.5**	(3.3)
Net other business income (loss)	**15.0**	(16.9)
Total gross business profit[1]	**53.1**	30.7
Total expenses	**34.6**	38.9
Net business profit (loss)[1][2] *(jisshitsu gyomu jun-eki)*	**18.5**	(8.2)
Other operating expenses, net[3]	**(15.1)**	(27.8)
Net operating income (loss) *(keijo rieki)*	**3.3**	(36.1)
Extraordinary income (loss)	**10.2**	(2.9)
Income (loss) before income taxes	**13.5**	(39.0)
Current income taxes (benefit)	**0.2**	(3.5)
Deferred income tax expense	**4.6**	0.8
Net income (loss)	**¥ 8.6**	¥ (36.3)

Notes: (1) Includes income from monetary assets held in trust of ¥2.5 billion in the six months ended September 30, 2009 and ¥7.5 billion in the six months ended September 30, 2008.
(2) Excludes provisions for or reversals of general reserve for loan losses.
(3) Excludes income from monetary assets held in trust.

SUPPLEMENTAL NON-CONSOLIDATED MEASURES

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

Gross business profit is the sum of:

- net interest income;
- net fees and commissions, which consist of:
  - fees on loans as well as on sales of asset management products,
  - other fee-based activities, and
  - income 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 includes, among other things, gains or losses on securities and foreign exchange.

Net business profit before general reserve for loan losses is gross business profit minus non-consolidated total expenses, which correspond to our consolidated general and administrative expenses.

While these business profit measures should not be viewed as a substitute for net income, management believes that these non-Japanese GAAP measures provide a meaningful way of comparing a number of the important components of Shinsei's revenues and profitability from year to year. The table on the previous page sets forth these supplemental financial data and corresponding reconciliations to net income under Japanese GAAP for the six months ended September 30, 2009 and 2008.

ASSET QUALITY AND DISPOSAL OF PROBLEM LOANS OF SHINSEI

At September 30, 2009, 56.3% of our consolidated problem 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 APLUS, Shinki and Shinsei Financial. This discussion of our asset quality presents information of Shinsei on a non-consolidated basis unless specified otherwise. In particular, problem claims as defined in the Financial Revitalization Law are only disclosed on a non-consolidated basis, and therefore do not include problem loans held by APLUS, Shinki and Shinsei Financial. For a discussion regarding the problem claims of APLUS, Showa Leasing, Shinki and Shinsei Financial see —"Asset Quality of Shinsei Financial, APLUS, Showa Leasing and Shinki."

We classify our obligors and assess our asset quality based on our self-assessment manual 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 problem loans and other claims using criteria specified in the Financial Revitalization Law. We also disclose our problem loans under a format devised by the JBA for the disclosure of risk-monitored loans.

CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW

Under the Financial Revitalization Law, Japanese banks categorize their 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 problem loans. Shinsei's total amount of problem claims as disclosed pursuant to the Financial Revitalization Law increased ¥35.7 billion, or 24.5%, to ¥181.6 billion, between March 31, 2009 and September 30, 2009. During the six months ended September 30, 2009, claims against bankrupt and quasi-bankrupt obligors increased from ¥83.2 billion to ¥116.2 billion, and doubtful claims decreased from ¥55.7 billion to ¥37.6 billion, and substandard claims increased from ¥6.8 billion to ¥27.8 billion, as a result of our self assessment. The ratio of non-performing claims disclosed under the Financial Revitalization Law to total non-consolidated claims as of September 30, 2009 increased to 3.4%, compared to 2.5% as of March 31, 2009.

Shinsei's other claims against need caution obligors, excluding substandard claims, totaled ¥290.3 billion as of September 30, 2009, a 14.5% decrease from ¥339.5 billion as of March 31, 2009, which included private placement bonds guaranteed by Shinsei classified as other claims against need caution obligors.

These claims represented 5.5% of total non-consolidated claims as of September 30, 2009, down from 5.8% as of March 31, 2009.

TABLE 19. CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW (NON-CONSOLIDATED)

	Billions of yen (except percentages)		
	As of September 30, 2009	As of September 30, 2008	As of March 31, 2009
Claims against bankrupt and quasi-bankrupt obligors	¥ 116.2	¥ 26.4	¥ 83.2
Doubtful claims	37.6	8.2	55.7
Substandard claims	27.8	17.8	6.8
Total claims disclosed under the Financial Revitalization Law(1)	181.6	52.4	145.8
Normal claims and claims against need caution obligors excluding substandard claims	5,144.0	5,787.6	5,669.7
Total claims	¥ 5,325.7	¥ 5,840.1	¥ 5,815.5
Ratio of total claims disclosed under the Financial Revitalization Law to total claims	3.4%	0.9%	2.5%

Note: (1) Total claims disclosed under the Financial Revitalization Law include loans and bills discounted, customers' liabilities for acceptances and guarantees and other exposures to or in respect of bankrupt and quasi-bankrupt obligors and doubtful claims, as well as loans and bills discounted classified as substandard claims.

COVERAGE RATIOS

As of September 30, 2009, Shinsei's 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, 88.5% for doubtful claims and 96.5% for substandard claims. For all claims classified under the Law, the coverage ratio was 97.1%.

Shinsei directly writes off, rather than reserves, the portion of claims against virtually and legally bankrupt obligors that are estimated to be uncollectible. In the six months ended September 30, 2009, ¥64.6 billion of such claims were written off on a non-consolidated basis.

TABLE 20. COVERAGE RATIOS FOR NON-PERFORMING CLAIMS DISCLOSED UNDER THE FINANCIAL REVITALIZATION LAW (NON-CONSOLIDATED)

	Billions of yen (except percentages)				
		Amounts of coverage			
	Amount of claims	Reserve for loan losses	Collateral and guarantees	Total	Coverage ratio
As of September 30, 2009:					
Claims against bankrupt and quasi-bankrupt obligors	¥ 116.2	¥ 4.8	¥ 111.4	¥ 116.2	100.0%
Doubtful claims	37.6	10.5	22.8	33.3	88.5
Substandard claims	27.8	2.2	24.6	26.8	96.5
Total	¥ 181.6	¥ 17.4	¥ 158.9	¥ 176.3	97.1%
As of September 30, 2008:					
Claims against bankrupt and quasi-bankrupt obligors	¥ 26.4	¥ —	¥ 26.4	¥ 26.4	100.0%
Doubtful claims	8.2	5.5	0.7	6.3	77.5
Substandard claims	17.8	5.5	2.0	7.6	42.7
Total	¥ 52.4	¥ 11.1	¥ 29.2	¥ 40.3	77.0%
As of March 31, 2009:					
Claims against bankrupt and quasi-bankrupt obligors	¥ 83.2	¥ —	¥ 83.2	¥ 83.2	100.0%
Doubtful claims	55.7	23.3	27.2	50.5	90.7
Substandard claims	6.8	1.6	4.4	6.1	90.0
Total	¥ 145.8	¥ 25.0	¥ 114.9	¥ 140.0	96.0%

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 21. RESERVE FOR CREDIT LOSSES (NON-CONSOLIDATED)

Billions of yen (except percentages)

	As of September 30, 2009	As of September 30, 2008
General reserve for loan losses	¥ 63.7	¥ 51.1
Specific reserve for loan losses	22.6	8.2
Reserve for loans to restructuring countries	0.0	0.0
Subtotal reserve for loan losses	86.4	59.4
Specific reserve for other credit losses	21.1	23.7
Total reserve for credit losses	¥ 107.5	¥ 83.2
Total claims[1]	¥ 5,325.6	¥ 5,840.1
Ratio of total reserve for loan losses to total claims	1.6%	1.0%
Ratio of total reserve for credit losses to total claims	2.0%	1.4%

Note: (1) Total claims include 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, 2009 and September 30, 2008, Shinsei's total reserve for credit losses on a non-consolidated basis was ¥107.5 billion and ¥83.2 billion, respectively, constituting 2.0% and 1.4%, respectively, of total claims as of each such date.

TABLE 22. RESERVE RATIOS FOR BORROWERS' CATEGORY (NON-CONSOLIDATED)

Percentages

		As of September 30, 2009	As of September 30, 2008
Legally and virtually bankrupt	(unsecured portion)	100.00%	100.00%
Possibly bankrupt	(unsecured portion)	75.54%	75.16%
Substandard	(unsecured portion)	85.38%	34.99%
Need caution	(total claims)	5.63%	7.14%
	(unsecured portion)	74.28%	34.04%
Normal	(total claims)	0.41%	0.33%

RISK-MONITORED LOANS

Consolidated risk-monitored loans increased by 89.5% during the six months ended September 30, 2009 to ¥315.0 billion.

During the period non-accrual delinquent loans added ¥127.4 billion and loans past due for three months or more added ¥24.8 billion, primarily due to the downgrading of Shinsei loans.

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

TABLE 23. RISK-MONITORED LOANS (CONSOLIDATED)

Billions of yen (except percentages)

	As of September 30, 2009	As of September 30, 2008
Loans and bills discounted	¥ 5,469.9	¥ 6,579.7
Loans to bankrupt obligors (A)	33.7	26.4
Non-accrual delinquent loans (B)	192.2	64.8
(A)+(B)	¥ 226.0	¥ 91.3
Ratio to total loans and bills discounted	4.1%	1.4%
Loans past due for three months or more (C)	¥ 26.4	¥ 1.5
Restructured loans (D)	62.5	73.4
Total risk-monitored loans (A)+(B)+(C)+(D)	¥ 315.0	¥ 166.2
Ratio to total loans and bills discounted	5.8%	2.5%
Reserve for credit losses	¥ 198.6	¥ 135.1

TABLE 24. RISK-MONITORED LOANS (NON-CONSOLIDATED)

	Billions of yen (except percentages)	
	As of September 30, 2009	As of September 30, 2008
Loans and bills discounted	¥ 4,922.8	¥ 5,660.1
Loans to bankrupt obligors (A)	20.1	18.4
Non-accrual delinquent loans (B)	129.4	16.1
(A)+(B)	¥ 149.5	¥ 34.5
Ratio to total loans and bills discounted	3.0%	0.6%
Loans past due for three months or more (C)	¥ 24.6	¥ 0.0
Restructured loans (D)	3.1	17.7
Total risk-monitored loans (A)+(B)+(C)+(D)	¥ 177.3	¥ 52.4
Ratio to total loans and bills discounted	3.6%	0.9%
Reserve for credit losses	¥ 107.5	¥ 83.2

TABLE 25. RISK-MONITORED LOANS BY BORROWER INDUSTRY (NON-CONSOLIDATED)

	Billions of yen	
	As of September 30, 2009	As of September 30, 2008
Domestic offices (excluding Japan offshore market account):		
Manufacturing	¥ 1.6	¥ 1.8
Agriculture, Forestry	—	—
Fishery	—	—
Mining, quarrying, gravel extraction	—	—
Construction	—	3.0
Electric power, gas, heat supply and water supply	—	—
Information and communications	0.5	0.6
Transportation, postal service	5.3	6.6
Wholesale and retail	0.0	0.0
Finance and insurance	46.5	6.7
Real estate	93.3	1.9
Services	1.1	4.0
Local government	—	—
Others	—	—
Individual	2.6	4.2
Overseas yen loan and overseas loans booked domestically	24.3	23.2
Total domestic (A)	¥ 175.5	¥ 52.4
Overseas offices (including Japan offshore market accounts):		
Governments	¥ —	¥ —
Financial institutions	—	—
Commerce and industry	1.7	—
Others	—	—
Total overseas (B)	¥ 1.7	¥ —
Total (A+B)	¥ 177.3	¥ 52.4

Note: Presentation of some industries has changed with the revision of the Japan Standard Industry Classification (November 2007).
The figures on September 30, 2008 were not adjusted as the impact from this change is negligible.

TABLE 26. RISK-MONITORED LOANS OF OVERSEAS AND OFFSHORE LOANS BY REGION (NON-CONSOLIDATED)

	Billions of yen	
	As of September 30, 2009	As of September 30, 2008
United States	¥ 7.2	¥ —
Asset-backed investments in U.S.(1)	0.4	—
Europe	18.7	23.1
Asset-backed investments in Europe(1)	17.2	23.1
Others	0.0	0.0
Total overseas and offshore loans	¥ 26.1	¥ 23.2
Total asset-backed investments(1)(2)	¥ 17.7	¥ 23.1

Notes: (1) "Asset-backed investments" is another term for the Asset-Backed Investments Program, one of our former product programs. Under this program, the loans backed mainly by collateral (including infrastructure related assets or equipment, real estate, business and operating assets) are referred to as "asset-backed investments" for disclosure purposes. For the asset-backed securities which we disclose as securitized products, please see table 30 "Balance of Securitized Products (Breakdown by Region and Type of Securities)" on page 44.
(2) As of September 30, 2009, reserve for loan losses and collateral/guarantees for risk monitored loans related to asset-backed investments were ¥2.9 billion and ¥11.9 billion, respectively, and the coverage ratio was 83.8%.

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

Shinsei Financial, APLUS, Showa Leasing and Shinki classify their obligors and assess their asset quality on a quarterly basis based on self-assessment manuals developed in accordance with guidelines published by the FSA. Shinsei Financial, APLUS, 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, Showa Leasing, Shinki and other subsidiaries as of the dates indicated:

TABLE 27. RISK-MONITORED LOANS BREAKDOWN FOR LARGE ENTITIES (CONSOLIDATED)

	Billions of yen					
	Shinsei	Shinsei Financial	APLUS	Shinki	Other subsidiaries	Total
As of September 30, 2009:						
Loans to bankrupt obligors	**¥ 20.1**	**¥ 5.2**	**¥ 0.0**	**¥ 0.0**	**¥ 8.2**	**¥ 33.7**
Non-accrual delinquent loans	**129.4**	**24.6**	**13.2**	**4.1**	**20.7**	**192.2**
Loans past due for three months or more	**24.6**	**0.7**	**0.7**	**—**	**0.3**	**26.4**
Restructured loans	**3.1**	**36.6**	**14.9**	**6.4**	**1.4**	**62.5**
Total	**¥177.3**	**¥ 67.2**	**¥ 28.9**	**¥ 10.6**	**¥ 30.8**	**¥315.0**
As of September 30, 2008:						
Loans to bankrupt obligors	¥ 18.4	¥ 1.4	¥ —	¥ 0.1	¥ 6.5	¥ 26.4
Non-accrual delinquent loans	16.1	14.9	11.0	4.7	17.9	64.8
Loans past due for three months or more	0.0	0.5	0.9	—	0.0	1.5
Restructured loans	17.7	31.6	17.3	6.2	0.2	73.4
Total	¥ 52.4	¥ 48.5	¥ 29.3	¥ 11.2	¥ 24.7	¥166.2
As of March 31, 2009:						
Loans to bankrupt obligors	¥ 23.9	¥ 5.6	¥ 0.0	¥ 0.1	¥ 9.8	¥ 39.5
Non-accrual delinquent loans	110.2	26.5	12.9	4.9	23.8	178.5
Loans past due for three months or more	3.7	0.7	0.8	0.0	0.5	5.9
Restructured loans	3.1	33.7	16.3	6.1	0.2	59.6
Total	¥141.0	¥ 66.6	¥ 30.2	¥ 11.2	¥ 34.4	¥283.6

TABLE 28. RISK-MONITORED INSTALLMENT RECEIVABLES INCLUDED IN OTHER ASSETS (CONSOLIDATED)(1)

	Billions of yen				
	APLUS	Showa Leasing	Shinsei Financial	Other subsidiaries	Total
As of September 30, 2009:					
Credits to bankrupt obligors	**¥ —**	**¥ 0.1**	**¥ 0.0**	**¥ 0.1**	**¥ 0.4**
Non-accrual delinquent credits	**0.5**	**1.9**	**0.4**	**0.9**	**3.8**
Credits past due for three months or more	**0.5**	**0.4**	**—**	**—**	**0.9**
Restructured credits	**3.1**	**7.2**	**0.0**	**0.0**	**10.4**
Total	**¥ 4.2**	**¥ 9.7**	**¥ 0.5**	**¥ 1.1**	**¥ 15.6**
As of September 30, 2008:					
Credits to bankrupt obligors	¥ —	¥ 0.5	¥ 0.0	¥ 0.0	¥ 0.6
Non-accrual delinquent credits	0.5	2.5	0.1	—	3.2
Credits past due for three months or more	0.5	1.1	—	—	1.6
Restructured credits	5.0	4.3	0.0	—	9.4
Total	¥ 6.1	¥ 8.6	¥ 0.1	¥ 0.0	¥ 15.0
As of March 31, 2009:					
Credits to bankrupt obligors	¥ 0.0	¥ 0.5	¥ 0.0	¥ 0.1	¥ 0.7
Non-accrual delinquent credits	0.5	2.2	0.4	1.0	4.3
Credits past due for three months or more	0.6	0.2	—	0.1	1.0
Restructured credits	4.1	5.1	0.0	0.1	9.4
Total	¥ 5.3	¥ 8.2	¥ 0.4	¥ 1.4	¥ 15.5

Note: (1) Shinsei and Shinki have no such installment receivables.

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, 2009 was 9.36%, compared with 10.48% as of September 30, 2008.

Our Tier I capital ratio, or the ratio of Tier I capital to risk assets, increased from 6.41% as of September 30, 2008 to 7.00% as of September 30, 2009. The increase in Tier I capital ratio at September 30, 2009 is largely due to the decrease of risk assets (mainly corporate exposures) during the period.

TABLE 29. CAPITAL RATIOS (CONSOLIDATED)

Billions of yen (except percentages)

	As of September 30, 2009	As of September 30, 2008
Basic items (Tier I):		
Capital stock	¥ 476.2	¥ 476.2
Common stock	476.2	476.2
Preferred stock	—	—
Capital surplus	43.5	43.5
Retained earnings	163.6	277.3
Treasury stock, at cost	(72.5)	(72.5)
Expected income distribution	—	—
Net unrealized losses on securities available-for-sale, net of taxes(1)	—	(58.6)
Foreign currency translation adjustments	0.8	0.8
Share warrant	1.5	1.5
Minority interests in consolidated subsidiaries	172.6	169.8
Preferred securities issued by foreign SPC	160.7	153.9
Consolidation goodwill	(125.3)	(146.5)
Other intangibles	(40.7)	(48.8)
Gain on sale of securitization	(11.1)	(14.6)
50% of expected loss provision shortfall	(17.1)	(14.6)
Total Tier I (A)	591.5	613.6
Step-up preferred securities	83.1	80.8
Supplementary items (Tier II):		
General reserve for loan losses	12.5	13.8
Perpetual preferred stocks	11.0	81.0
Perpetual subordinated debt and bonds	44.3	98.1
Non-perpetual preferred stocks	—	—
Non-perpetual subordinated debt and bonds	221.7	334.0
Total	¥ 289.6	¥ 527.0
Amount eligible for inclusion in capital (B)	289.6	499.8
Deduction (C)	¥ 89.6	¥ 110.8
Intentional capital investment to other financial institutions	8.6	14.9
Capital investment to affiliated companies	35.1	42.0
50% of expected loss provision shortfall	17.1	14.6
Expected losses on exposures under PD/LCD measures such as equities	1.1	0.3
Unrated securitization exposure	27.5	43.3
Exclusion from deductions	—	4.4
Total capital (D) [(A)+(B)-(C)]	¥ 791.5	¥ 1,002.6
Risk assets:		
On-balance sheet items	¥ 6,399.0	¥ 7,066.6
Off-balance sheet items	1,234.5	1,666.0
Market Risk(2)	355.8	369.3
Operational Risk(2)	459.8	456.8
Total (E)	¥ 8,449.2	¥ 9,558.9
Consolidated capital adequacy ratio (D) / (E)	9.36%	10.48%
Consolidated Tier I capital ratio (A) / (E)	7.00%	6.41%

Notes: (1) In accordance with Japanese FSA Notification Number 79 (issued in 2008 as a special treatment of the FSA Notification Number 19 issued in 2006), as of March 31, 2009, unrealized losses on securities available-for-sale were not included in the Tier I capital of Japanese banks that use a domestic standard for calculating capital adequacy ratios.
(2) Derived by multiplying the capital requirement by 12.5 (i.e., the reciprocal of the minimum capital ratio of 8%).

EXPOSURE TO SECURITIZED PRODUCTS AND RELATED INVESTMENTS

Tables 30 through 33 below set forth certain information regarding our exposure to the securitized products and related investments as of March 31, 2009, and as of and for the first half period ended September 30, 2009. Table 34 provides definitions for the defined terms used in Tables 30 through 33.

TABLE 30. BALANCE OF SECURITIZED PRODUCTS (BREAKDOWN BY REGION AND TYPE OF SECURITIES)(1) (NON-CONSOLIDATED)

Billions of yen

	Credit Ratings of Securities(2) (September 30, 2009)						
	AAA	AA	A or lower	N/A	Sep. 30, 2009 (a)	Mar. 31, 2009 (b)	Change (a)-(b)
RMBS	21%	7%	4%	67%	¥ 48.7	¥ 52.2	¥ (3.5)
Japan	22%	5%	4%	69%	47.5	49.3	(1.7)
U.S.	—	—	—	—	0.0	0.9	(0.9)
Europe	0%	100%	0%	0%	1.1	1.1	0.0
Other	—	—	—	—	—	0.8	(0.8)
CMBS(3)	0%	17%	83%	0%	¥ 19.4	¥ 19.4	¥ 0.0
Japan	0%	8%	92%	0%	13.1	13.1	0.0
U.S.	—	—	—	—	—	—	—
Europe	0%	0%	100%	0%	4.0	3.9	0.1
Other	0%	100%	0%	0%	2.2	2.3	(0.1)
CLO	31%	55%	12%	2%	¥ 62.7	¥ 69.1	¥ (6.3)
Japan	—	—	—	—	—	—	—
U.S.	19%	65%	13%	3%	47.5	53.2	(5.7)
Europe	73%	27%	0%	0%	13.9	14.5	(0.5)
Other	0%	0%	100%	0%	1.3	1.3	0.0
ABS CDO (Resecuritized Products)	0%	0%	37%	63%	¥ 4.9	¥ 7.9	¥ (3.0)
Japan(4)	0%	0%	37%	63%	4.9	7.9	(0.0)
U.S.	—	—	—	—	—	—	—
Europe	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—
Total	22%	30%	20%	27%	¥ 135.8	¥ 148.9	¥ (13.0)
Japan	16%	5%	24%	55%	¥ 65.6	¥ 70.4	¥ (4.8)
U.S.	19%	65%	13%	3%	47.5	54.2	(6.7)
Europe	53%	26%	21%	0%	19.1	19.6	(0.4)
Other	0%	63%	37%	0%	3.5	4.5	(1.0)
Securities					¥ 73.7	¥ 81.7	¥ (7.9)
RMBS					1.1	2.9	(1.7)
CMBS					9.8	9.5	0.2
CLO					62.7	69.1	(6.3)
ABS CDO					0.0	0.0	0.0
Other monetary claims purchased(5)					62.0	67.2	(5.1)
RMBS (Japan)					47.5	49.3	(1.7)
CMBS (Japan)					9.6	9.8	(0.2)
CLO (Japan)					—	—	—
ABS CDO (Japan)					4.9	7.9	(0.0)
Total					¥ 135.8	¥ 148.9	¥ (13.0)

Notes: (1) The amount is the outstanding balance, after mark-downs and other comprehensive income (OCI) adjustments, at the end of each period. This table excludes securitized products backed by consumer loans, credit card loans, and other similar exposure to individuals.
(2) Based on ratings by S&P or ratings equivalent to S&P ratings matrix as of September 30, 2009. The "N/A" rating for Japanese RMBS represents senior portions of other monetary claims purchased for the purpose of warehousing for future securitization.
(3) Breakdown of collateral: office building (48%), multi-family (34%), retail and shops (10%), hotel and others (8%)
(4) Backed by Japanese RMBS and CMBS and does not include subprime-related exposure.
(5) Includes Japanese RMBS recorded as monetary assets held in trust of ¥3.8 billion as at September 30, 2009.

TABLE 31. SECURITIZED PRODUCTS RECORDED UNDER "SECURITIES" AND "OTHER MONETARY CLAIMS PURCHASED" AND OCI[1] [NON-CONSOLIDATED]

SECURITIES

Billions of yen, %

	As of September 30, 2009			
	Balance before Mark-to-Market Evaluation	Market Value or Balance	Unrealized Gains/Losses (OCI)	Price Increase (Decrease) Ratio (%)
Trading Securities		¥ 2.3		
RMBS (U.S.)		0.0		
CLO (U.S.)		0.9		
CLO (Other foreign countries)		1.3		
Securities Being Held to Maturity with Readily Determinable Fair Value		¥ 44.5		
CLO (U.S.)		32.8		
CLO (Europe)		11.6		
Securities Available for Sale	¥ 18.7	¥ 26.9	¥ 8.1	43.5
Other	18.7	26.9	8.1	43.5
Foreign Securities	18.7	26.9	8.1	43.5
Foreign Currency Denominated Foreign Corporate and Government Bonds	15.0	23.3	8.2	54.7
RMBS	1.1	1.1	0.0	0.0
Europe	1.1	1.1	0.0	0.0
CMBS	6.5	6.2	(0.3)	(4.6)
Europe	3.8	4.0	0.1	4.0
Other foreign countries	2.6	2.2	(0.4)	(17.0)
CLO	7.3	15.9	8.5	116.6
U.S.	6.0	13.6	7.5	125.8
Europe	1.3	2.2	0.9	74.5
Yen-Denominated Foreign Corporate and Government Bonds	3.6	3.5	(0.1)	(2.9)
CMBS (Japan)	3.6	3.5	(0.1)	(2.9)
Securities		¥ 73.7		
RMBS		1.1		
CMBS		9.8		
CLO		62.7		

OTHER MONETARY CLAIMS PURCHASED[2]

Billions of yen, %

	As of September 30, 2009			
	Balance before Mark-to-Market Evaluation	Market Value or Balance	Unrealized Gains/Losses (OCI)	Price Increase (Decrease) Ratio (%)
Trading Purposes		¥ 17.3		
RMBS (Japan)[2]		14.2		
CMBS (Japan)		3.1		
Others	¥ 44.7	¥ 44.7	—	—
RMBS (Japan)	33.2	33.2	—	—
CMBS (Japan)	6.4	6.4	—	—
ABS CDO (Japan)	4.9	4.9	—	—
Total		¥ 62.0		
RMBS (Japan)		47.5		
CMBS (Japan)		9.6		
ABS CDO (Japan)		4.9		
RMBS, CMBS, CLO, ABS CDO Total		¥ 135.8		
Securities		73.7		
Other monetary claims purchased		62.0		

Note: (1) This table excludes securitized products backed by consumer loans, credit card loans, and other similar exposure to individuals.
(2) Includes Japanese RMBS recorded as monetary assets held in trust of ¥3.8 billion as at September 30, 2009.

EXPOSURE TO SECURITIZED PRODUCTS AND RELATED INVESTMENTS (continued)

TABLE 32. LBO, MONOLINE, SIV, ABCP (NON-CONSOLIDATED)

Billions of yen

	Sep. 30, 2009 (a)	Mar. 31, 2009 (b)	Change (a)-(b)
LBO[1]	**¥ 266.0**	¥ 291.7	¥ (25.7)
Japan	**252.2**[2]	278.6	(26.4)
U.S.	**2.8**	3.2	(0.4)
Europe	**—**	—	—
Other	**10.8**	9.8	1.0
(Breakdown by Industry Sector as of September 30, 2009)			
Manufacturing	**13.0%**		
Information and communications	**5.3%**		
Wholesale and retail	**9.3%**		
Finance and insurance	**54.2%**		
Services	**9.0%**		
Total	**100.0%**		

Notes: (1) The amount includes unfunded commitment line.
(2) As of September 30, 2009, the unfunded commitment line (only domestic) is ¥5.6 billion.

Billions of yen

	Sep. 30, 2009 (a)	Mar. 31, 2009 (b)	Change (a)-(b)
Monoline	**¥ —**	¥ 0.8	¥ (0.8)
Japan	**—**	—	—
U.S.	**—**	—	—
Europe	**—**	—	—
Other	**—**	0.8	(0.8)
SIV	**—**	—	—
ABCP	**—**	—	—

TABLE 33. CREDIT DEFAULT SWAPS (CDS) (NON-CONSOLIDATED)[1]

Billions of yen

	As of September 30, 2009							1HFY2009
	Notional Amount		Fair Value		Netted Notional Amount and Fair Value[2]			Realized profits (losses)
					Notional Amount	Fair Value		
	Protection (buy)	Protection (sell)	Protection (buy)	Protection (sell)		Protection (buy)	Protection (sell)	
Total	**¥ 1,012.4**	**¥ 1,011.4**	**¥ 42.1**	**¥ (32.4)**	**¥ 860.4**	**¥ 25.6**	**¥ (28.4)**	**¥ (10.3)**
Japan	**888.6**	**899.0**	**42.1**	**(33.6)**	**753.6**	**27.5**	**(29.7)**	**(9.9)**
U.S.	**56.4**	**50.9**	**1.2**	**(0.1)**	**46.9**	**(0.3)**	**0.0**	**0.3**
Europe	**31.2**	**26.8**	**(0.4)**	**0.6**	**26.4**	**(0.5)**	**0.6**	**(0.2)**
Other	**36.1**	**34.5**	**(0.8)**	**0.7**	**33.3**	**(0.9)**	**0.7**	**(0.5)**

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

TABLE 34. DEFINED TERMS FOR TABLES 30-33

Names	Definitions
RMBS	Residential mortgage-backed securities and other related assets, including beneficial interests backed by mortgage loans. Recorded in "trading securities," "securities available-for-sale" and "other monetary claims."
CMBS	Commercial mortgage-backed securities. Recorded in "securities available-for-sale" and "other monetary claims." We have no U.S. CMBS exposure.
CLO	Collateralized loan obligations (CLO) mainly backed by LBO debt, corporate loans and high-yield securities. Recorded in "trading securities," "securities being held to maturity with readily determinable fair value," and "securities available-for-sale."
ABS CDO (Re-securitized Products)	CDO backed by asset-backed securities (ABS) such as RMBS. Recorded in "securities available-for-sale" and "other monetary claims."
Subprime-Related	Subprime-related exposure refers to the total book value of securities whose underlying assets include U.S. subprime, Alt-A and/or second-lien loans. We have no subprime-related exposure as at September 30, 2009.
LBO	Loans for leveraged buyout for acquisition finance including refinancing of past acquisitions.
Monoline	Monolines are insurance companies that insure against the risk of a bond or other security defaulting. We have no exposure to Monoline as at September 30, 2009.
SIV	A structured investment vehicle (SIV) is a fund which borrows money by issuing short-term securities at low interest rates, then lends that money by buying long-term securities (such as securitization products) at higher interest rates, making a profit for investors from the difference. We have no exposure to SIVs.
ABCP	An asset-backed commercial paper (ABCP) conduit is a limited-purpose entity that issues CP to finance the purchase of assets or to make loans. Some asset types include receivables generated from trade, credit card, auto loan, auto, and equipment leasing obligors, as well as collateralized loan obligations (CLOs) and collateralized bond obligations (CBOs). We have no exposure to ABCP.
CDS	Credit default swap is a type of derivative in which the buyer receives credit protection by making periodic payments to a counterparty and the seller provides credit protection by giving the promise of a payoff if a third-party defaults.

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

Shinsei Bank, Limited, and Consolidated Subsidiaries
As of September 30, 2009 and 2008, and March 31, 2009

	Millions of yen			Thousands of U.S. dollars (Note 1)
	Sept. 30, 2009	Sept. 30, 2008	Mar. 31, 2009	**Sept. 30, 2009**
ASSETS				
Cash and due from banks (Notes 4 and 22)	**¥ 476,047**	¥ 278,461	¥ 605,089	**$ 5,302,964**
Call loans	**19,569**	199,000	—	**218,000**
Collateral related to securities borrowing transactions	**4,402**	19,057	280	**49,043**
Other monetary claims purchased (Notes 5 and 22)	**361,501**	454,635	408,035	**4,026,973**
Trading assets (Notes 6, 22 and 33)	**253,000**	285,162	375,107	**2,818,316**
Monetary assets held in trust (Note 7)	**329,130**	377,205	348,840	**3,666,371**
Securities (Notes 8 and 22)	**3,282,207**	1,994,372	2,174,198	**36,562,406**
Loans and bills discounted (Notes 9, 22 and 32)	**5,469,978**	6,579,707	5,876,910	**60,933,255**
Foreign exchanges (Note 10)	**12,775**	22,449	37,138	**142,316**
Lease receivables and leased investment assets (Notes 22 and 30)	**224,025**	252,628	232,554	**2,495,546**
Other assets (Notes 11, 22 and 33)	**1,023,735**	1,109,799	1,125,768	**11,403,978**
Premises and equipment (Notes 12, 22 and 30)	**55,838**	53,727	50,964	**622,022**
Intangible assets (Notes 13 and 30)	**197,468**	228,587	209,175	**2,199,719**
Deferred issuance expenses for debentures	**166**	153	161	**1,851**
Deferred tax assets	**19,887**	30,941	22,254	**221,537**
Customers' liabilities for acceptances and guarantees (Notes 21 and 22)	**652,445**	695,538	675,225	**7,267,969**
Reserve for credit losses (Note 14)	**(198,659)**	(135,150)	(192,511)	**(2,212,983)**
Total assets	**¥ 12,183,520**	¥ 12,446,276	¥ 11,949,196	**$ 135,719,283**
LIABILITIES AND EQUITY				
Liabilities:				
Deposits, including negotiable certificates of deposit (Notes 15 and 22)	**¥ 7,046,509**	¥ 6,415,628	¥ 6,272,115	**$ 78,495,150**
Debentures (Note 16)	**527,560**	748,262	675,567	**5,876,804**
Call money (Note 22)	**100,469**	480,870	281,513	**1,119,188**
Payables under repurchase agreements (Note 22)	**156,382**	—	53,805	**1,742,031**
Collateral related to securities lending transactions (Note 22)	**764,367**	485,292	569,566	**8,514,728**
Commercial paper (Note 22)	**99**	—	198	**1,108**
Trading liabilities (Notes 17 and 33)	**194,280**	178,912	307,562	**2,164,204**
Borrowed money (Notes 18 and 22)	**800,239**	1,062,712	1,012,324	**8,914,333**
Foreign exchanges (Note 10)	**9**	20	4	**107**
Short-term corporate bonds	**42,300**	90,100	11,500	**471,204**
Corporate bonds (Note 19)	**205,222**	407,416	266,489	**2,286,094**
Other liabilities (Notes 20, 22 and 33)	**745,833**	669,301	819,900	**8,308,272**
Accrued employees' bonuses	**6,141**	7,191	10,425	**68,410**
Accrued directors' bonuses	**72**	201	318	**812**
Reserve for employees' retirement benefits	**9,903**	9,521	18,219	**110,324**
Reserve for directors' retirement benefits	**180**	228	234	**2,012**
Reserve for losses on interest repayments	**119,512**	256,298	193,850	**1,331,319**
Reserve for losses on disposal of premises and equipment	**6,933**	7,291	7,559	**77,235**
Reserve for losses on litigation	**3,662**	—	3,662	**40,803**
Reserve under special law	**4**	4	4	**52**
Deferred tax liabilities	**1,426**	13,074	1,665	**15,895**
Acceptances and guarantees (Notes 21 and 22)	**652,445**	695,538	675,225	**7,267,969**
Total liabilities	**11,383,559**	11,527,868	11,181,714	**126,808,054**
Equity:				
Capital stock (Notes 24 and 25):				
Common stock	**476,296**	476,296	476,296	**5,305,748**
Capital surplus	**43,554**	43,554	43,554	**485,177**
Stock acquisition rights (Note 25)	**1,580**	1,507	1,808	**17,603**
Retained earnings	**163,651**	277,311	152,855	**1,823,010**
Unrealized gain (loss) on available-for-sale securities	**3,128**	(58,600)	(38,813)	**34,850**
Deferred gain (loss) on derivatives under hedge accounting	**(2,081)**	(2,779)	(2,996)	**(23,190)**
Foreign currency translation adjustments	**861**	832	1,297	**9,600**
Treasury stock, at cost (Note 24)	**(72,558)**	(72,558)	(72,558)	**(808,274)**
Total	**614,432**	665,564	561,443	**6,844,524**
Minority interests in subsidiaries (Note 23)	**185,528**	252,842	206,037	**2,066,705**
Total equity	**799,960**	918,407	767,481	**8,911,229**
Total liabilities and equity	**¥ 12,183,520**	¥ 12,446,276	¥ 11,949,196	**$ 135,719,283**

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

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the six months ended September 30, 2009 and 2008, and the fiscal year ended March 31, 2009

	Millions of yen			Thousands of U.S. dollars (Note 1)
	Sept. 30, 2009 (6 months)	Sept. 30, 2008 (6 months)	Mar. 31, 2009 (1 year)	Sept. 30, 2009 (6 months)
Interest income:				
Interest on loans and bills discounted	¥ 130,272	¥ 98,823	¥ 257,063	$ 1,451,185
Interest and dividends on securities	16,840	20,937	37,997	187,602
Interest on deposits with banks	103	1,523	1,887	1,156
Other interest income	4,237	3,167	6,472	47,202
Total interest income	151,455	124,451	303,421	1,687,145
Interest expenses:				
Interest on deposits, including negotiable certificates of deposit	28,747	25,167	52,297	320,232
Interest and discounts on debentures	2,290	2,232	5,026	25,519
Interest on other borrowings	6,179	12,525	21,899	68,841
Interest on corporate bonds	3,716	7,318	11,509	41,403
Other interest expenses	1,116	6,657	9,692	12,438
Total interest expenses	42,051	53,900	100,425	468,433
Net interest income	109,403	70,551	202,995	1,218,712
Fees and commissions income	24,941	28,888	52,676	277,835
Fees and commissions expenses	14,040	11,646	26,162	156,409
Net fees and commissions	10,900	17,242	26,514	121,426
Net trading income (loss) (Note 26)	3,125	(991)	(4,663)	34,821
Other business income (loss), net:				
Income on lease transactions and installment receivables, net	22,254	24,335	49,290	247,902
Income on monetary assets held in trust, net	226	4,291	5,134	2,528
Net gain (loss) on foreign exchanges	5,278	(15)	8,457	58,798
Net gain (loss) on securities	12,066	(21,582)	(106,921)	134,417
Net gain (loss) on other monetary claims purchased	(3,878)	7,323	6,446	(43,206)
Other, net (Note 27)	(5,357)	1,237	(4,150)	(59,685)
Net other business income (loss)	30,589	15,589	(41,742)	340,754
Total revenue	154,019	102,390	183,104	1,715,713
General and administrative expenses:				
Personnel expenses	34,284	30,569	72,252	381,917
Premises expenses	13,916	11,231	27,403	155,028
Technology and data processing expenses	12,306	11,515	24,489	137,091
Advertising expenses	6,175	4,292	12,516	68,798
Consumption and property taxes	4,716	3,431	8,204	52,539
Deposit insurance premium	2,193	1,944	3,888	24,430
Other general and administrative expenses	14,420	14,562	33,287	160,635
General and administrative expenses	88,013	77,547	182,043	980,438
Amortization of goodwill and other intangible assets	10,821	5,734	17,553	120,548
Total general and administrative expenses	98,835	83,281	199,597	1,100,986
Net business profit (loss)	55,184	19,109	(16,493)	614,727
Net credit costs (recoveries) (Note 28)	39,203	41,661	129,039	436,706
Other gains (losses), net (Note 29)	4,170	13,357	26,478	46,453
Income (loss) before income taxes and minority interests	20,151	(9,194)	(119,054)	224,474
Income taxes (benefit):				
Current	515	2,412	3,466	5,746
Deferred	3,381	(596)	7,004	37,674
Minority interests in net income of subsidiaries	5,190	8,274	13,558	57,822
Net income (loss)	¥ 11,062	¥ (19,284)	¥ (143,084)	$ 123,232
	Yen			U.S. dollars (Note 1)
Basic net income (loss) per common share (Note 34)	¥ 5.63	¥ (9.81)	¥ (72.85)	$ 0.06

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

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the six months ended September 30, 2009 and 2008, and the fiscal year ended March 31, 2009

	Millions of yen			Thousands of U.S. dollars (Note 1)
	Sept. 30, 2009 (6 months)	Sept. 30, 2008 (6 months)	Mar. 31, 2009 (1 year)	Sept. 30, 2009 (6 months)
Common stock:				
Balance at beginning of period	¥ 476,296	¥ 476,296	¥ 476,296	$ 5,305,748
Balance at end of period	476,296	476,296	476,296	5,305,748
Capital surplus:				
Balance at beginning of period	43,554	43,558	43,558	485,177
Disposal of treasury stock	—	(4)	(4)	—
Balance at end of period	43,554	43,554	43,554	485,177
Stock acquisition rights:				
Balance at beginning of period	1,808	1,257	1,257	20,141
Net change during the period	(227)	250	550	(2,538)
Balance at end of period	1,580	1,507	1,808	17,603
Retained earnings:				
Balance at beginning of period	152,855	302,535	302,535	1,702,742
Dividends paid	—	(5,773)	(5,773)	—
Net income (loss)	11,062	(19,284)	(143,084)	123,232
Changes by inclusion of subsidiaries (former non-consolidated subsidiaries)	(0)	—	—	(1)
Changes by exclusion of consolidated subsidiaries	(266)	(165)	(822)	(2,963)
Balance at end of period	163,651	277,311	152,855	1,823,010
Unrealized gain (loss) on available-for-sale securities:				
Balance at beginning of period	(38,813)	(35,073)	(35,073)	(432,362)
Net change during the period	41,941	(23,526)	(3,739)	467,212
Balance at end of period	3,128	(58,600)	(38,813)	34,850
Deferred gain (loss) on derivatives under hedge accounting:				
Balance at beginning of period	(2,996)	(1,057)	(1,057)	(33,378)
Net change during the period	914	(1,722)	(1,938)	10,188
Balance at end of period	(2,081)	(2,779)	(2,996)	(23,190)
Foreign currency translation adjustments:				
Balance at beginning of period	1,297	1,872	1,872	14,454
Net change during the period	(435)	(1,040)	(575)	(4,854)
Balance at end of period	861	832	1,297	9,600
Treasury stock, at cost:				
Balance at beginning of period	(72,558)	(72,566)	(72,566)	(808,273)
Purchase of treasury stock	(0)	(0)	(0)	(1)
Disposal of treasury stock	—	9	9	—
Balance at end of period	(72,558)	(72,558)	(72,558)	(808,274)
Minority interests in subsidiaries:				
Balance at beginning of period	206,037	248,437	248,437	2,295,175
Net change during the period	(20,509)	4,404	(42,399)	(228,470)
Balance at end of period	185,528	252,842	206,037	2,066,705
Total equity	¥ 799,960	¥ 918,407	¥ 767,481	$ 8,911,229

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 Consolidated Subsidiaries

For the six months ended September 30, 2009 and 2008, and the fiscal year ended March 31, 2009

	Millions of yen			Thousands of U.S. dollars (Note 1)
	Sept. 30, 2009 (6 months)	Sept. 30, 2008 (6 months)	Mar. 31, 2009 (1 year)	**Sept. 30, 2009 (6 months)**
Cash flows from operating activities:				
Income (loss) before income taxes and minority interests	**¥ 20,151**	¥ (9,194)	¥ (119,054)	**$ 224,474**
Adjustments for:				
Income taxes paid	**(2,498)**	(4,859)	(6,358)	**(27,836)**
Depreciation (other than leased assets as lessor)	**7,373**	6,337	15,158	**82,133**
Amortization of goodwill and other intangible assets	**10,821**	5,734	48,458	**120,548**
Impairment losses	**73**	1	1,456	**815**
Net change in reserve for credit losses	**6,148**	(10,732)	46,628	**68,488**
Net change in reserve for losses on interest repayments	**(74,337)**	(8,455)	(68,420)	**(828,089)**
Net change in other reserves	**(13,440)**	(6,666)	9,256	**(149,726)**
Interest income	**(151,455)**	(124,451)	(303,421)	**(1,687,145)**
Interest expenses	**42,051**	53,900	100,425	**468,433**
Investment (gains) losses	**(12,726)**	18,663	104,826	**(141,772)**
Net exchange (gain) loss	**8,638**	(9,541)	(5,594)	**96,231**
Gains from the cancellation of issued corporate bonds and other instruments	**(11,869)**	—	(75,106)	**(132,221)**
Net change in trading assets	**123,344**	30,125	(59,820)	**1,374,003**
Net change in trading liabilities	**(113,282)**	(26,098)	102,551	**(1,261,917)**
Net change in loans and bills discounted	**384,141**	(213,158)	439,904	**4,279,175**
Net change in deposits, including negotiable certificates of deposit	**773,992**	608,994	465,481	**8,621,946**
Net change in debentures	**(148,006)**	85,828	13,132	**(1,648,733)**
Net change in borrowed money (other than subordinated debt)	**(212,155)**	(35,914)	(77,753)	**(2,363,319)**
Net change in corporate bonds (other than subordinated corporate bonds)	**(12,110)**	(4,229)	(14,572)	**(134,910)**
Net change in interest-bearing deposits with banks	**21,279**	2,973	(18,445)	**237,040**
Net change in call loans, receivables under resale agreements, collateral related to securities borrowing transactions and other monetary claims purchased	**23,946**	(189,595)	55,911	**266,758**
Net change in call money, payables under repurchase agreements, collateral related to securities lending transactions, commercial paper and short-term corporate bonds (liabilities)	**147,034**	202,125	62,444	**1,637,906**
Net change in foreign exchange assets and liabilities	**24,368**	(4,615)	(19,321)	**271,452**
Interest received	**151,795**	126,484	307,784	**1,690,939**
Interest paid	**(30,252)**	(52,829)	(99,252)	**(337,004)**
Net change in securities for trading purposes	**10,468**	26,153	45,761	**116,619**
Net change in monetary assets held in trust for trading purposes	**15,711**	(6,402)	12,957	**175,019**
Net change in lease receivables and leased investment assets	**12,352**	2,266	22,799	**137,599**
Other, net	**17,311**	(51,321)	119,926	**192,840**
Total adjustments	**998,715**	420,714	1,226,799	**11,125,272**
Net cash provided by (used in) operating activities	**1,018,866**	411,519	1,107,745	**11,349,746**
Cash flows from investing activities:				
Purchase of investments	**(2,431,747)**	(1,512,134)	(2,814,469)	**(27,088,641)**
Proceeds from sales of investments	**850,429**	663,405	1,130,550	**9,473,424**
Proceeds from maturity of investments	**496,069**	776,679	1,316,087	**5,526,001**
Purchase of premises and equipment (other than leased assets as lessor)	**(2,094)**	(1,732)	(4,391)	**(23,330)**
Proceeds from sales of premises and equipment (other than leased assets as lessor)	**28**	19,357	19,598	**318**
Purchase of investments in subsidiaries	**(485)**	—	(70,405)	**(5,410)**
Payment for acquisition of new subsidiaries	**—**	(573,308)	(574,179)	**—**
Proceeds from sale of subsidiary's stocks	**—**	13,989	13,989	**—**
Other, net	**(6,072)**	(5,913)	(25,420)	**(67,641)**
Net cash provided by (used in) investing activities	**(1,093,872)**	(619,656)	(1,008,640)	**(12,185,279)**
Cash flows from financing activities:				
Repayment of subordinated debt	**—**	—	(6,000)	**—**
Payment for redemption of subordinated corporate bonds	**(18,362)**	(2,786)	(39,706)	**(204,551)**
Proceeds from minority shareholders of subsidiaries	**—**	1,480	50,247	**—**
Payment for capital returned to minority shareholders of subsidiaries	**(4,816)**	(329)	(6,143)	**(53,650)**
Dividends paid	**—**	(5,773)	(5,773)	**—**
Dividends paid to minority shareholders of subsidiaries	**(9,027)**	(12,245)	(14,349)	**(100,558)**
Purchase of treasury stock	**(0)**	(0)	(0)	**(1)**
Proceeds from sale of treasury stock	**—**	4	4	**—**
Net cash provided by (used in) financing activities	**(32,205)**	(19,651)	(21,721)	**(358,760)**
Foreign currency translation adjustments on cash and cash equivalents	**(1)**	(11)	(50)	**(13)**
Net change in cash and cash equivalents	**(107,212)**	(227,799)	77,332	**(1,194,306)**
Cash and cash equivalents at beginning of period	**483,259**	405,926	405,926	**5,383,306**
Cash and cash equivalents at end of period (Note 4)	**¥ 376,046**	¥ 178,127	¥ 483,259	**$ 4,189,000**

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

Note: Investments consist of securities and monetary assets held in trust for other than trading purposes.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the six months ended September 30, 2009 and 2008

1. BASIS OF PRESENTATION

CONSOLIDATED

The accompanying interim consolidated financial statements of Shinsei Bank, Limited (the "Bank") and its consolidated subsidiaries (collectively, the "Group"), stated in Japanese yen, have been prepared on the basis of generally accepted accounting principles in Japan ("Japanese GAAP") and in conformity with the Banking Law of Japan (the "Banking Law"), and compiled from the interim consolidated financial statements prepared under the provisions set forth in the Accounting Standards for Interim Consolidated Financial Statements (the Business Accounting Council, March 13, 1998) and the standards of 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 assets and liabilities at the date of the interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

The interim consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥89.77 to U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2009. 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 number of subsidiaries and affiliates as of September 30, 2009 and 2008 was as follows:

As of September 30,	2009	2008
Consolidated subsidiaries	125	116
Unconsolidated subsidiaries	92	105
Affiliates accounted for by the equity method	25	30

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

Other unconsolidated subsidiaries are excluded from consolidation because they are not material to the financial condition or results of operations of the Group.

Major consolidated subsidiaries as of September 30, 2009 were as listed below:

Name	Location	Percentage ownership
APLUS Co., Ltd.	Japan	69.7%
Showa Leasing Co., Ltd.	Japan	96.4%
Shinki Co., Ltd.	Japan	100.0%
Shinsei Trust & Banking Co., Ltd.	Japan	100.0%
Shinsei Financial Co., Ltd.	Japan	100.0%
Shinsei Securities Co., Ltd.	Japan	100.0%

All significant inter-company transactions, related account balances and unrealized gains and losses have been eliminated in consolidation. As of September 30, 2009, the six month period ending dates are September 30 for 70 subsidiaries, August 31 for 4 subsidiaries, July 31 for 1 subsidiary, June 30 for 49 subsidiaries, and March 31 for 1 subsidiary. Except for 9 subsidiaries which are consolidated as of September 30 rather than their end, those consolidated subsidiaries whose six month periods end at dates other than September 30 are consolidated using their six month period-end financial statements with appropriate adjustments made for significant transactions during the period from the ending dates of their six month periods to the date of the Group's interim consolidated financial statements.

Major affiliates accounted for by the equity method as of September 30, 2009 were as listed below:

Name	Location	Percentage ownership
Hillcot Holdings Limited	Bermuda	49.9%
Jih Sun Financial Holding Co., Ltd.	Taiwan	30.5%

(B) BUSINESS COMBINATION

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

The Group acquired 100% of the net assets of Shinsei Financial Co., Ltd ("Shinsei Financial") on September 22, 2008, and accounted for the acquisition by the purchase method of accounting. The related goodwill is being systematically amortized over 10 years.

(C) GOODWILL AND OTHER INTANGIBLE ASSETS

The Bank recognized certain identifiable intangible assets in connection with the acquisition of APLUS Co., Ltd. ("APLUS"), Showa Leasing Co., Ltd. ("Showa Leasing"), Shinki Co., Ltd. ("Shinki"), and Shinsei Financial, because they arose from contractual or other legal rights, or were separable.

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

APLUS CO., LTD.

Identified intangible assets	Amortization method	Amortization period
Trade name and trademarks	Straight-line	10 years
Customer relationship	Sum-of-the-years digits	10 years
Merchant relationship	Sum-of-the-years digits	20 years

SHOWA LEASING CO., LTD.

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

SHINKI CO., LTD.

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

SHINSEI FINANCIAL CO., LTD.

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. The unamortized balances of identified intangible assets and goodwill are subject to impairment testing.

When the purchase price is 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 Japanese GAAP.

(D) IMPAIRMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS

The Bank conducts impairment testing for goodwill and other intangible assets as a result of certain triggering events including:

- An expectation of an operating loss or negative cash flow for two consecutive years
- Impairment of underlying investment securities is recognized
- 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, the suspension of business due to sanction or adverse changes in the interest rate laws
- Management decisions that could have an adverse effect on the values of goodwill and other intangible assets.

As the first step of the impairment test, we estimate the undiscounted future cash flow value of the business as a grouping unit. If the value of the undiscounted future cash flows is less than the book value of the net assets, including goodwill and other intangible assets, 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 other intangible assets. Impairment loss for the total of goodwill and other intangible assets (A) is recognized as an amount by which the net asset book value exceeds the "value in use." The fair value of other intangible assets will be determined in the same manner used to apply purchase accounting at the time of the initial acquisition, and the impairment loss of other intangible assets (B) is determined as the difference between the fair value and book value. Finally, the impairment loss of goodwill is calculated as the residual calculated as (A) less (B) above.

In addition, Report No. 7 issued by the Accounting Practice Committee of the Japanese Institute of Certified Public Accountants ("JICPA") may require the recognition of accelerated amortization of goodwill if certain conditions are met, when the parent company recognizes impairment on its investment in the subsidiary on the parent company's non-consolidated financial statements.

(E) TRANSLATION OF FOREIGN CURRENCY FINANCIAL STATEMENTS AND TRANSACTIONS

(i) 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" in a separate component of equity in the accompanying interim consolidated balance sheets.

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

(iii) Foreign currency-denominated assets and liabilities and the accounts of overseas branches of the Bank and consolidated domestic subsidiaries are translated into Japanese yen at the 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 liquidation and credit risks.

Trading revenue and trading expenses 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 the end of the period.

(I) MONETARY ASSETS HELD IN TRUST

The components of trust assets are accounted for based on the standard 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 is not readily determinable are carried at cost.

(J) SECURITIES

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

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

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 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 is not readily determinable are carried at moving average cost or amortized cost determined by the moving average method.

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

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

On December 5, 2008, the ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 26, "Tentative Solution on Reclassification of Debt Securities." PITF No. 26 is effective immediately through March 31, 2010. PITF No. 26 permits an entity to reclassify certain debt securities when in rare circumstances the entity changes its accounting classification according to a change in the intended holding purpose and the securities meet the definition of a held-to-maturity category, if the case is:

(i) Trading debt securities can be reclassified to available-for-sale securities at their fair value on the date of reclassification and any difference between the carrying amount and the fair value will be charged to profit or loss.

(ii) Trading debt securities can be reclassified to held-to-maturity debt securities at their fair value on the date of reclassification and any difference between the carrying amount and the fair value will be charged to profit or loss.

(iii) Available-for-sale securities can be reclassified to held-to-maturity debt securities at their fair value on the date of reclassification and any difference between the amortized cost and the fair value will be recorded directly in a separate component of equity and will be amortized and charged directly to profit or loss over the period through the maturity date.

The Bank reclassified certain foreign bonds classified as available-for-sale securities to held-to-maturity at their fair value of ¥102,670 million as of October 1, 2008 because it would have been difficult to sell these securities at their fair values under the extremely illiquid market conditions that existed.

(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. Principal estimated useful lives of buildings and equipment as of September 30, 2009 were as follows:

Buildings .... 3 years to 50 years
Equipment ..... 2 years to 15 years

(L) SOFTWARE

Capitalized software for internal use is depreciated using the straight-line method based on the Group's estimated useful lives (mainly 5 or 8 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 the asset or asset group. The impairment loss is measured as the amount by which the carrying amount of an 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. No significant impairment loss was recognized for the six month periods ended September 30, 2009 and 2008.

(N) DEFERRED CHARGES

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

Consolidated subsidiaries' deferred issuance expenses for corporate bonds are primarily amortized using the straight-line method over the terms of the corporate bonds.

Formation costs and stock issuance costs of consolidated subsidiaries are charged to income as incurred.

(O) RESERVE FOR CREDIT LOSSES

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

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

For claims to obligors who are possibly bankrupt, 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.

The Bank applies the discounted cash flow method (the "DCF method") in calculating the loan loss reserve amounts for most of the claims against obligors categorized as possibly bankrupt or substandard under the self-assessment guidelines. Under the DCF method, the loan loss reserve is determined as the difference between (a) relevant estimated cash flows discounted by the original contractual interest rate and (b) the book value of the claim. In cases where it is difficult to reasonably estimate future cash flows, the Bank sets aside, as reserves, the product of the estimated loss ratios on the claims and either (A) the balance of the claims, in the case of claims against substandard obligors, or (B) the unsecured, unguaranteed portion of the claims, in the case of claims against possibly bankrupt obligors.

For other claims, the Bank provides a general reserve based on historical loan loss experience.

The historical loan loss ratio is calculated by taking the greater result from the following three calculation methods: (1) the average of three consecutive calculation periods defined to be the previous one year as from each fiscal year-end (0.5 year for the interim closing), (2) the average of three consecutive calculation periods defined to be the previous three years as from each fiscal year-end (2.5 years for the interim closing), or (3) the average of all calculation periods since 1998, the period for which records for loan losses have been maintained.

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 the self-assessment of asset quality. The Credit Assessment Division, which is independent from business divisions, conducts verifications of these assessments, and additional reserves may be provided based on the verification results.

The reserve for other credit losses primarily consists of a reserve taken on the Bank's contribution to an industry-wide fund set up to purchase and collect loans.

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

For collateralized or guaranteed claims of the Bank and certain consolidated subsidiaries to obligors who are legally bankrupt or virtually bankrupt, the amount of claims exceeding the estimated value of collateral or guarantees, which is deemed uncollectible, has been charged off and totaled ¥161,705 million (U.S.$1,801,332 thousand) and ¥138,903 million as of September 30, 2009 and 2008, 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, Showa Leasing, and Shinki each have a non-contributory defined benefit pension plan, and Shinsei Financial and certain of the other consolidated domestic subsidiaries have unfunded severance indemnity plans, which cover substantially all of the Group's employees. The reserve for employees' retirement benefits is provided for the payment of employees' retirement benefits based on the estimated amounts of the actuarial retirement benefit obligation net of the estimated value of pension assets. Net actuarial gains and losses and prior service costs are amortized using the straight-line method over the average remaining service period primarily from the period of occurrence.

Effective April 1, 2000, the Bank adopted a new accounting standard for employees' retirement benefits and accounts for the liabilities for retirement benefits based on the projected benefit obligations net of 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 corporate auditors are recorded to state the liability at the amount that would be required if all directors and corporate auditors retired at each balance sheet date.

(S) RESERVE FOR LOSSES ON INTEREST REPAYMENTS

The reserve for losses on interest repayments is provided for possible 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 Law in Japan. The amount of such reserve is calculated using the average period to maturity of the affected loans, an estimate of the percentage of such loan transactions that will be subject to a future reimbursement request based on past experience and an estimate of the average amount to be reimbursed 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 cost between the Bank and GE is determined.

(T) RESERVE FOR LOSSES ON DISPOSAL OF PREMISES AND EQUIPMENT

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

(U) RESERVE FOR LOSSES ON LITIGATION

The reserve for losses on litigation is provided in the amount of the estimated losses on litigation in progress.

(V) RESERVE UNDER SPECIAL LAW

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

(W) STOCK OPTIONS

On December 27, 2005, the ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised.

(X) LEASE TRANSACTIONS

Effective April 1, 2008, the Bank and its consolidated subsidiaries applied the revised accounting standard for lease transactions. Under the revised accounting standard, all finance lease transactions are to be capitalized.

(Lessee)

All finance lease transactions were capitalized recognizing lease assets and lease obligations in the balance sheet.

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

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

(Lessor)

All finance lease transactions that deem to transfer ownership of the leased property to the lessee are recognized as lease receivables, and all finance lease transactions that do not deem to transfer ownership of the leased property to the lessee are recognized as leased investment assets.

Lease revenue is recognized at the due date of each lease payment according to the lease contract and the cost and net income on each lease transaction is calculated on the basis of the internal rate of return.

With regards to finance lease transaction entered into prior to April 1, 2008, that do not deem to transfer ownership of the property to the lessee, leased investment assets are recognized at the book value of leased assets as of March 31, 2008.

As a result, income before income taxes and minority interests for the six months ended September 30, 2009 was increased by ¥1,383 million (U.S.$15,414 thousand) and loss before income taxes and minority interests for six months ended September 30, 2008 was increased by ¥10,973 million, as compared to what would have been if the revised accounting standard was applied retroactively to all the finance lease transactions.

(Y) INSTALLMENT SALES FINANCE AND CREDIT GUARANTEES

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

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 depending on the contract terms.

(Z) REVENUE RECOGNITION FOR INTEREST ON CONSUMER LENDING BUSINESS

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

(AA) 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 corporation tax system, which allows companies to base tax payments on the combined profits and losses of the Bank and its wholly-owned domestic subsidiaries.

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

(AB) DERIVATIVES AND HEDGE ACCOUNTING

Derivatives are stated at fair value. Derivative transactions that meet the hedge accounting criteria are primarily accounted for using a 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.

(i) 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. Prior to April 1, 2003, the Bank principally applied a "macro hedge" approach for interest rate derivatives used to manage interest rate risks and its ALM activities based on the transitional treatment prescribed in Industry Audit Committee Report No. 24 issued by the JICPA. Effective April 1, 2003, the Bank adopted portfolio hedging to determine the effectiveness of its hedging instruments in accordance with Report No. 24. 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 the 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.

Deferred hedge losses and deferred hedge gains previously recorded on the consolidated balance sheets as a result of macro hedge accounting before implementation of portfolio hedging are being amortized as interest expense or income over the remaining lives of the hedging instruments. The unamortized balances of deferred hedge losses attributable to macro hedge accounting, before deduction of tax benefit, as of September 30, 2009 and 2008 were ¥1 million (U.S.$13 thousand) and ¥8 million, respectively.

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.

(ii) Hedge of foreign exchange fluctuation risks
Fund swap and certain currency swap transactions are accounted for using either deferral hedge accounting or fair value hedge accounting in accordance with Industry Audit Committee Report No. 25 of the JICPA.

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 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 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 exceed the acquisition cost of such foreign currency assets.

(iii) Inter-company and intra-company derivative transactions
Gains and losses on inter-company and intra-company derivative hedging transactions between the trading book and the banking book are not eliminated since offsetting transactions with third parties are appropriately entered into in conformity with the non-arbitrary and strict hedging policy in accordance with Industry Audit Committee Reports No. 24 and No. 25. 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.

(AC) 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.

(AD) RECLASSIFICATIONS
Certain reclassifications have been made to the interim consolidated financial statements for the six months ended September 30, 2008 to conform to the presentation for the six months ended September 30, 2009.

3. ACQUISITION

CONSOLIDATED

Shinsei Financial Co., Ltd.

On September 22, 2008, the Bank, together with APLUS acquired 100% of the controlling interest (equity and debt) in Shinsei Financial Co., Ltd. ("Shinsei Financial"), which was renamed from GE Consumer Finance Co., Ltd., on April 1, 2009, a consumer finance company in Japan, and its subsidiaries. This acquisition was made in line with the Bank's business strategy to expand the Individual Group and pursue further synergy between its retail banking and consumer finance operations.

The purchase price reflects the following terms under which grey zone costs will be shared between the Bank and the Seller (GE).

– The Bank will take on the first loss from grey zone up to ¥201.5 billion
– Risk sharing between the Bank and the Seller (GE) for the loss from grey zone between ¥201.5 billion and ¥258.0 billion
– The Seller (GE) will cover the loss from grey zone beyond ¥258.0 billion

The Bank's maximum grey zone liability for assets subject to these terms is ¥203.9 billion. In connection with the investment in Shinsei Financial, on September 24, 2008, securitization of ¥402.9 billion (senior beneficial interest of ¥362.1 billion, rated A3 and mezzanine beneficial interest of ¥40.8 billion, rated Baa3) of Shinsei Financial's unsecured personal loan assets was implemented. The Bank purchased all of the senior and mezzanine beneficial interests issued by Shinsei Financial, which allows those assets to be funded directly through the stable retail deposits and other internal funding resources of the Bank. The securitization did not, however, impact Shinsei's consolidated financial statements as no portion of the beneficial interests was sold to a third party.

In connection with the acquisition, the Bank conducted a fair value review of Shinsei Financial's assets and liabilities, including intangible assets, for the purpose of preparing the consolidated balance sheet as of September 30, 2008 (deemed acquisition date). The excess of the purchase price over the fair value of assets acquired and liabilities assumed, including intangible assets is accounted for as goodwill. The following table is the summary of the fair value of the assets acquired and liabilities assumed, including intangible assets and goodwill as of September 30, 2008.

As of September 30, 2008	Millions of yen
Cash and due from banks	¥ 33,100
Securities	300
Loans	696,655
Other assets	40,283
Premises and equipment	11,443
Intangible assets (Including ¥27,077 million of intangible assets recognized through fair value review)	29,270
Deferred tax assets	15,870
Total assets acquired	826,923
Other liabilities	(31,334)
Reserve for losses on interest repayments	(222,936)
Deferred tax liabilities	(11,017)
Total liabilities assumed	(265,288)
Net assets acquired	561,635
Total consideration	597,701
Goodwill	36,066

Payment for acquisition of new subsidiary:

	Millions of yen
Subscription price of the shareholder rights	¥ 597,701
Cash and cash equivalent of Shinsei Financial	25,218
Payment for acquisition of new subsidiary	572,482

4. CASH AND CASH EQUIVALENTS — CONSOLIDATED

The reconciliation of cash and cash equivalents at the end of the period and cash and due from banks in the interim consolidated balance sheets as of September 30, 2009 and 2008 was as follows:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	2009	2008	2009
Cash and due from banks	¥ 476,047	¥ 278,461	$ 5,302,964
Interest-bearing deposits included in due from banks	(100,000)	(100,334)	(1,113,964)
Cash and cash equivalents at end of period	¥ 376,046	¥ 178,127	$ 4,189,000

5. OTHER MONETARY CLAIMS PURCHASED — CONSOLIDATED

(a) Other monetary claims purchased as of September 30, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	2009	2008	2009
Trading purposes	¥ 202,485	¥ 274,493	$ 2,255,600
Other	159,016	180,141	1,771,373
Total	¥ 361,501	¥ 454,635	$ 4,026,973

(b) The fair value and the unrealized loss which is included in income (loss) of other monetary claims purchased for trading purposes as of September 30, 2009 and 2008 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2009		2008		2009	
As of September 30,	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Trading purposes	¥ 202,485	¥ 12,492	¥ 274,493	¥ 5,533	$ 2,255,600	$ 139,161

6. TRADING ASSETS — CONSOLIDATED

Trading assets as of September 30, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	2009	2008	2009
Trading securities	¥ 10,346	¥ 17,751	$ 115,255
Derivatives for trading securities	11,701	18,782	130,355
Securities held to hedge trading transactions	18,584	67,062	207,018
Derivatives for securities held to hedge trading transactions	28,993	22,261	322,980
Trading-related financial derivatives	179,883	153,082	2,003,825
Other trading assets	3,490	6,220	38,883
Total	¥ 253,000	¥ 285,162	$ 2,818,316

7. MONETARY ASSETS HELD IN TRUST

CONSOLIDATED

(a) Monetary assets held in trust as of September 30, 2009 and 2008 consisted of the following:

As of September 30,	Millions of yen 2009	Millions of yen 2008	Thousands of U.S. dollars 2009
Trading purposes	¥ 220,083	¥ 255,155	$ 2,451,640
Other	109,046	122,049	1,214,731
Total	¥ 329,130	¥ 377,205	$ 3,666,371

(b) The fair value and the unrealized loss which is included in income (loss) of monetary assets held in trust for trading purposes as of September 30, 2009 and 2008 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2009		2008		2009	
As of September 30,	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Trading purposes	¥ 220,083	¥ 7,877	¥ 255,155	¥ 6,629	$ 2,451,640	$ 87,747

(c) The acquisition cost, which is the same as the book value, of monetary assets held in trust for the other than trading purposes as of September 30, 2009 and 2008 was ¥109,046 million (U.S.$1,214,731 thousand) and ¥122,049 million, respectively.

8. SECURITIES

CONSOLIDATED

(a) Securities as of September 30, 2009 and 2008 consisted of the following:

As of September 30,	Millions of yen 2009	Millions of yen 2008	Thousands of U.S. dollars 2009
Trading securities	¥ 6,892	¥ 36,969	$ 76,776
Securities being held to maturity	498,210	330,980	5,549,852
Securities available-for-sale:			
Marketable securities, at fair value	2,300,850	1,100,776	25,630,504
Amortized cost of securities whose fair value is not readily determinable	436,785	476,242	4,865,602
Investments in unconsolidated subsidiaries at cost and affiliates using the equity method	39,469	49,403	439,672
Total	¥ 3,282,207	¥ 1,994,372	$ 36,562,406

The above balances do not include securities held in relation to securities borrowing transactions with or without cash collateral, securities purchased under resale agreements or securities accepted as collateral based on 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, 2009 and 2008 were ¥43,047 million (U.S.$479,534 thousand) and ¥63,741 million, respectively. In addition, ¥17,846 million of those securities were further pledged as of September 30, 2008.

The amount of guarantee obligations for privately-placed bonds (Item 3 of Article 2 of the Financial Instruments and Exchange Act), out of bonds included in securities as of September 30, 2009 and 2008 were ¥50,320 million (U.S.$560,545 thousand) and ¥68,650 million, respectively.

8. SECURITIES (CONTINUED)

CONSOLIDATED

(b) The amortized cost and the fair value of marketable securities (other than trading securities) as of September 30, 2009 and 2008 were as follows:

	Millions of yen							
	2009				2008			
As of September 30,	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
Securities being held to maturity:								
Japanese national government bonds	¥ 373,367	¥ 4,581	¥ —	¥ 377,948	¥ 244,229	¥ 911	¥ 165	¥ 244,976
Japanese corporate bonds	70,367	1,594	—	71,961	75,215	641	4	75,853
Other	54,475	1,672	3,091	53,056	11,532	1,122	—	12,655
Total	¥ 498,210	¥ 7,847	¥ 3,091	¥ 502,966	¥ 330,977	¥ 2,676	¥ 169	¥ 333,484
Securities available-for-sale:								
Equity securities	¥ 18,228	¥ 1,471	¥ 3,223	¥ 16,476	¥ 22,127	¥ 776	¥ 5,653	¥ 17,250
Japanese national government bonds	1,958,413	7,260	3	1,965,670	557,902	273	5,173	553,003
Japanese local government bonds	1,716	66	—	1,782	1,708	26	—	1,734
Japanese corporate bonds	18,256	95	955	17,397	114,672	134	567	114,239
Other, mainly foreign debt securities	292,521	15,344	8,342	299,523	463,035	5,897	54,384	414,549
Total	¥ 2,289,136	¥ 24,238	¥ 12,524	¥ 2,300,850	¥ 1,159,446	¥ 7,109	¥ 65,778	¥ 1,100,776

	Thousands of U.S. dollars			
	2009			
As of September 30,	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
Securities being held to maturity:				
Japanese national government bonds	$ 4,159,156	$ 51,032	$ —	$ 4,210,188
Japanese corporate bonds	783,863	17,759	—	801,622
Other	606,833	18,629	34,437	591,025
Total	$ 5,549,852	$ 87,420	$ 34,437	$ 5,602,835
Securities available-for-sale:				
Equity securities	$ 203,055	$ 16,391	$ 35,909	$ 183,537
Japanese national government bonds	21,815,902	80,877	40	21,896,739
Japanese local government bonds	19,124	738	—	19,862
Japanese corporate bonds	203,372	1,065	10,639	193,798
Other, mainly foreign debt securities	3,258,564	170,934	92,930	3,336,568
Total	$ 25,500,017	$270,005	$139,518	$ 25,630,504

Individual securities are written down when a decline in fair value below the cost of such securities is deemed to be other than temporary. The amount written down is accounted for as an impairment loss. Impairment losses on marketable securities available-for-sale for the six months ended September 30, 2009 and 2008 were ¥36 million (U.S.$410 thousand) and ¥17,486 million, respectively.

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

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

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

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

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

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

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

The fair value of floating rate Japanese government bonds were previously measured at their market prices. However, after consideration of the recent market environment, a judgment has been made by management that current market prices are still not indicative of the fair values at the end of this interim period. Therefore, the fair values of these bonds as of September 30, 2009 were determined based on the values reasonably estimated by a broker dealer. As a result, securities, deferred tax liabilities and unrealized gain on available-for-sale securities were higher by ¥3,074 million (U.S.$34,247 thousand), ¥974 million (U.S.$10,861 thousand) and ¥2,099 million (U.S.$23,386 thousand), respectively, than they would have been if values were based on the market prices.

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

(c) Securities available-for-sale sold during the six months ended September 30, 2009 and 2008 were as follows:

	Millions of yen					
	2009			2008		
Six months ended September 30,	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
Securities available-for-sale sold	¥ 829,789	¥ 18,242	¥ 154	¥ 637,016	¥ 3,566	¥ 351

	Thousands of U.S. dollars		
	2009		
Six months ended September 30,	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
Securities available-for-sale sold	$ 9,243,508	$ 203,210	$ 1,722

(d) The book value (amortized cost) of securities being held to maturity and securities available-for-sale whose fair value was not readily determinable as of September 30, 2009 and 2008 was as follows:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	2009	2008	2009
Securities being held to maturity:			
Japanese corporate bonds	¥ —	¥ 3	$ —
Total	¥ —	¥ 3	$ —
Securities available-for-sale:			
Equity securities	¥ 11,501	¥ 15,941	$ 128,125
Japanese local government bonds	—	4	—
Japanese corporate bonds	321,847	324,493	3,585,249
Foreign securities	50,735	75,018	565,177
Other	52,699	60,784	587,051
Total	¥ 436,785	¥ 476,242	$ 4,865,602

(e) Reclassification of securities under extremely illiquid market conditions

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

Subsequent to this date, an impairment of ¥50,728 million was recognized for certain of these reclassified securities as a result of the worsening credit environment, and the value of such securities after impairment (¥19,666 million) was reclassified from held-to-maturity back to available-for-sale.

8. SECURITIES (CONTINUED)

CONSOLIDATED

The remaining foreign bonds that were reclassified to held-to-maturity on October 1, 2008, and are accounted for as held-to-maturity as of September 30, 2009 were as follows:

	Millions of yen		
	2009		
As of September 30,	Fair value	Amortized cost	Unrealized loss on available-for-sale securities
Other (foreign debt securities)	¥ 41,889	¥ 44,561	¥ 7,518

	Thousands of U.S. dollars		
	2009		
As of September 30,	Fair value	Amortized cost	Unrealized loss on available-for-sale securities
Other (foreign debt securities)	$ 466,632	$ 496,394	$ 83,748

Note: The fair values are quoted from external brokers.

(f) Redemption schedules for securities being held to maturity and available-for-sale as of September 30, 2009 and 2008 were as follows:

	Millions of yen							
	2009				2008			
As of September 30,	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Bonds:								
Japanese national government bonds	¥ 109,396	¥ 2,158,593	¥ 30,680	¥ 40,367	¥ 552,540	¥ 199,671	¥ 2,393	¥ 42,627
Japanese local government bonds	—	1,252	530	—	4	1,219	514	—
Japanese corporate bonds	62,570	337,920	9,121	—	119,507	382,534	11,909	—
Subtotal	171,966	2,497,766	40,332	40,367	672,052	583,425	14,817	42,627
Other	50,470	177,299	116,537	48,523	25,521	200,190	141,450	118,827
Total	¥ 222,436	¥ 2,675,066	¥ 156,869	¥ 88,890	¥ 697,573	¥ 783,615	¥ 156,267	¥ 161,455

	Thousands of U.S. dollars			
	2009			
As of September 30,	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Bonds:				
Japanese national government bonds	$ 1,218,629	$24,045,818	$ 341,772	$ 449,676
Japanese local government bonds	—	13,955	5,907	—
Japanese corporate bonds	697,005	3,764,297	101,607	—
Subtotal	1,915,634	27,824,070	449,286	449,676
Other	562,217	1,975,043	1,298,175	540,531
Total	$ 2,477,851	$29,799,113	$ 1,747,461	$ 990,207

9. LOANS AND BILLS DISCOUNTED

CONSOLIDATED

Loans and bills discounted as of September 30, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	2009	2008	2009
Loans on deeds	¥ 4,179,941	¥ 5,124,898	$ 46,562,786
Loans on bills	206,372	124,099	2,298,905
Bills discounted	1,485	1,624	16,548
Overdrafts	1,082,178	1,329,085	12,055,016
Total	¥ 5,469,978	¥ 6,579,707	$ 60,933,255

(a) Loans and bills discounted included loans to bankrupt obligors totaling ¥33,771 million (U.S.$376,204 thousand) and ¥26,488 million as of September 30, 2009 and 2008, respectively, as well as non-accrual delinquent loans totaling ¥192,269 million (U.S.$2,141,805 thousand) and ¥64,853 million as of September 30, 2009 and 2008, respectively.

Non-accrual delinquent loans included loans classified as “possibly bankrupt” and “virtually bankrupt” under the Bank’s self-assessment guidelines.

In addition to non-accrual delinquent loans as defined, certain

9. LOANS AND BILLS DISCOUNTED (CONTINUED)

CONSOLIDATED

other loans classified as "substandard" under the Bank's self-assessment guidelines include loans past due for three months or more.

Loans past due for three months or more consist of loans for which the principal and/or interest is three months or more past due but exclude loans to bankrupt obligors and non-accrual delinquent loans. The balances of loans past due for three months or more as of September 30, 2009 and 2008 were ¥26,406 million (U.S.$294,155 thousand) and ¥1,539 million, respectively.

Restructured loans are loans where the Group relaxes lending conditions, such as by reducing the original interest rate, or by forbearing interest payments or principal repayments to support the borrower's reorganization, but exclude loans to bankrupt obligors, non-accrual delinquent loans or loans past due for three months or more. The outstanding balances of restructured loans as of September 30, 2009 and 2008 were ¥62,581 million (U.S.$697,136 thousand) and ¥73,401 million, respectively.

(b) The total outstanding amounts deducted from the loan account for loan participations as of September 30, 2009 and 2008 were ¥45,892 million (U.S.$511,228 thousand) and ¥62,160 million, respectively. This "off-balance sheet" treatment was in accordance with guidelines issued by the JICPA. The total amounts of such loans in which the Bank participated were ¥79,230 million (U.S.$882,595 thousand) and ¥106,266 million as of September 30, 2009 and 2008, respectively.

(c) 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, 2009 and 2008 were ¥1,627 million (U.S.$18,126 thousand) and ¥1,772 million, respectively.

10. FOREIGN EXCHANGES

CONSOLIDATED

The assets and liabilities related to foreign currency trade financing activities of the Bank as of September 30, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	2009	2008	2009
Foreign exchange assets:			
Foreign bills bought	¥ 141	¥ 148	$ 1,577
Foreign bills receivable	1,215	6,257	13,542
Due from foreign banks	11,418	16,043	127,197
Total	¥ 12,775	¥ 22,449	$ 142,316
Foreign exchange liabilities:			
Foreign bills payable	¥ 6	¥ 18	$ 77
Due to foreign banks	2	2	30
Total	¥ 9	¥ 20	$ 107

11. OTHER ASSETS

CONSOLIDATED

Other assets as of September 30, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	2009	2008	2009
Accrued income	¥ 35,548	¥ 45,877	$ 395,998
Prepaid expenses	5,043	6,980	56,185
Fair value of derivatives	364,169	344,894	4,056,697
Financial stabilization fund contribution	70,239	70,239	782,433
Accounts receivable	44,295	115,864	493,432
Installment receivables	376,796	420,608	4,197,359
Security deposits	21,441	24,999	238,845
Suspense payments	24,323	20,019	270,951
Other	81,877	60,314	912,078
Total	¥ 1,023,735	¥ 1,109,799	$ 11,403,978

Installment receivables in other assets as of September 30, 2009 and 2008 included credits to bankrupt obligors totaling ¥444 million (U.S.$4,954 thousand) and ¥617 million, non-accrual delinquent credits totaling ¥3,816 million (U.S.$42,509 thousand) and ¥3,279 million, credits past due for three months or more of ¥987 million (U.S.$11,005 thousand) and ¥1,692 million, and restructured credits of ¥10,442 million (U.S.$116,329 thousand) and ¥9,482 million, respectively.

12. PREMISES AND EQUIPMENT

CONSOLIDATED

Premises and equipment as of September 30, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	2009	2008	2009
Buildings	¥ 27,602	¥ 28,151	$ 307,479
Land	9,589	9,795	106,820
Tangible leased assets	65,486	81,268	729,491
Other	24,311	23,763	270,821
Subtotal	126,989	142,978	1,414,611
Accumulated depreciation	(71,150)	(89,251)	(792,589)
Net book value	¥ 55,838	¥ 53,727	$ 622,022

13. INTANGIBLE ASSETS

CONSOLIDATED

Intangible assets as of September 30, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	2009	2008	2009
Software	¥ 29,572	¥ 30,029	$ 329,423
Goodwill, net			
Goodwill	132,733	153,405	1,478,594
Negative goodwill	(7,355)	(6,893)	(81,942)
Intangible assets acquired through acquisitions	40,768	48,810	454,147
Intangible leased assets	332	1,582	3,706
Other	1,417	1,653	15,791
Total	¥ 197,468	¥ 228,587	$ 2,199,719

14. RESERVE FOR CREDIT LOSSES

CONSOLIDATED

Reserve for credit losses as of September 30, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	2009	2008	2009
Reserve for loan losses:			
General reserve	¥ 120,438	¥ 82,060	$ 1,341,633
Specific reserve	57,057	29,295	635,601
Reserve for loans to restructuring countries	13	14	154
Subtotal	177,510	111,371	1,977,388
Specific reserve for other credit losses	21,149	23,779	235,595
Total	¥ 198,659	¥ 135,150	$ 2,212,983

15. DEPOSITS, INCLUDING NEGOTIABLE CERTIFICATES OF DEPOSIT

CONSOLIDATED

Deposits, including negotiable certificates of deposit, as of September 30, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	2009	2008	2009
Current	¥ 26,683	¥ 17,707	$ 297,240
Ordinary	1,333,913	1,347,126	14,859,239
Notice	15,847	10,945	176,536
Time	5,028,038	4,054,928	56,010,227
Negotiable certificates of deposit	378,641	744,479	4,217,903
Other	263,385	240,442	2,934,005
Total	¥ 7,046,509	¥ 6,415,628	$ 78,495,150

16. DEBENTURES

CONSOLIDATED

Debentures as of September 30, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	**2009**	2008	**2009**
Coupon debentures	**¥ 527,560**	¥ 748,262	**$ 5,876,804**

Annual maturities of debentures as of September 30, 2009 were as follows:

Year ending September 30	Millions of yen	Thousands of U.S. dollars
2010	¥ 128,932	$ 1,436,251
2011	163,174	1,817,697
2012	83,179	926,579
2013	83,130	926,041
2014 and thereafter	69,144	770,236
Total	¥ 527,560	$ 5,876,804

17. TRADING LIABILITIES

CONSOLIDATED

Trading liabilities as of September 30, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	**2009**	2008	**2009**
Derivatives for trading securities	**¥ 5,673**	¥ 17,578	**$ 63,202**
Derivatives for securities held to hedge trading transactions	**9,061**	5,862	**100,944**
Trading-related financial derivatives	**179,329**	155,471	**1,997,659**
Other trading liabilities	**215**	—	**2,399**
Total	**¥ 194,280**	¥ 178,912	**$ 2,164,204**

18. BORROWED MONEY

CONSOLIDATED

Borrowed money as of September 30, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	**2009**	2008	**2009**
Borrowings from the Bank of Japan and other financial institutions	**¥ 698,239**	¥ 954,712	**$ 7,778,096**
Subordinated debt	**102,000**	108,000	**1,136,237**
Total	**¥ 800,239**	¥ 1,062,712	**$ 8,914,333**

Annual maturities of borrowed money as of September 30, 2009 were as follows:

Year ending September 30	Millions of yen	Thousands of U.S. dollars
2010	¥ 461,982	$ 5,146,293
2011	87,444	974,098
2012	73,236	815,826
2013	24,955	277,991
2014 and thereafter	152,620	1,700,125
Total	¥ 800,239	$ 8,914,333

19. CORPORATE BONDS

CONSOLIDATED

Corporate bonds as of September 30, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	2009	2008	2009
Corporate bonds	¥ 36,940	¥ 80,689	$ 411,498
Subordinated bonds	168,282	326,726	1,874,596
Total	¥ 205,222	¥ 407,416	$ 2,286,094

In February 2006, the Bank issued €1.0 billion of step-up callable subordinated notes. The issue price was 99.486% of the principal amount. The notes bear interest at the fixed rate per annum of 3.75% through February 23, 2011, and at the floating rate per annum equal to three-month EURIBOR plus 1.95% thereafter. The notes are redeemable at the Bank's option in whole but not in part on any interest payment date on or after February 23, 2011, subject to the prior approval of the Financial Services Agency of Japan.

In December 2006, the Bank issued £400 million of step-up callable perpetual subordinated notes. The issue price was 99.669% of the principal amount. The notes bear interest at the fixed rate per annum of 5.625% through December 6, 2013, and at the floating rate per annum equal to the LIBOR for six-month deposits in British pounds plus 2.12% thereafter. The notes are redeemable at the Bank's option in whole but not in part on any interest payment date on or after December 6, 2013, subject to the prior approval of the Financial Services Agency of Japan.

During the fiscal year ended March 31, 2009, the Bank repurchased €391 million of step-up callable subordinated notes, and £214 million of step-up callable perpetual subordinated notes in open-market transactions and cancelled all of the repurchased notes.

During the six months ended September 30, 2009, the Bank repurchased €51 million of step-up callable subordinated notes, and £20 million of step-up callable perpetual subordinated notes in open-market transactions and cancelled all of the repurchased notes.

Annual maturities of corporate bonds as of September 30, 2009 were as follows:

Year ending September 30	Millions of yen	Thousands of U.S. dollars
2010	¥ 18,597	$ 207,173
2011	2,889	32,192
2012	591	6,592
2013	459	5,120
2014 and thereafter	182,683	2,035,017
Total	¥ 205,222	$ 2,286,094

20. OTHER LIABILITIES

CONSOLIDATED

Other liabilities as of September 30, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	2009	2008	2009
Accrued expenses	¥ 44,715	¥ 38,773	$ 498,109
Unearned income	1,171	1,742	13,049
Income taxes payable	1,180	3,298	13,146
Fair value of derivatives	391,451	313,095	4,360,605
Matured debentures, including interest	21,202	26,645	236,189
Trust account	7,092	7,135	79,009
Accounts payable	68,440	78,470	762,396
Deferred gains on installment receivables	32,023	37,251	356,732
Deposits payable	107,386	117,910	1,196,238
Other	71,169	44,978	792,799
Total	¥ 745,833	¥ 669,301	$ 8,308,272

21. ACCEPTANCES AND GUARANTEES

CONSOLIDATED

Acceptances and guarantees as of September 30, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	2009	2008	2009
Guarantees	¥ 652,445	¥ 695,538	$ 7,267,969

22. ASSETS PLEDGED AS COLLATERAL

CONSOLIDATED

Assets pledged as collateral and liabilities collateralized as of September 30, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	2009	2008	2009
Assets:			
Cash and due from banks	¥ 783	¥ 783	$ 8,723
Other monetary claims purchased	20,000	47,380	222,792
Trading assets	9,196	—	102,446
Securities	1,097,249	711,901	12,222,897
Loans and bills discounted	162,944	181,469	1,815,132
Lease receivables and leased investment assets	23,823	26,349	265,383
Other assets	876	939	9,766
Premises and equipment	1,927	2,361	21,473
Liabilities:			
Deposits, including negotiable certificates of deposit	¥ 927	¥ 1,596	$ 10,336
Call money	100,000	110,000	1,113,958
Payables under repurchase agreements	156,382	—	1,742,031
Collateral related to securities lending transactions	764,367	470,080	8,514,728
Commercial paper	99	—	1,108
Borrowed money	200,078	98,281	2,228,795
Other liabilities	17	—	196
Acceptances and guarantees	925	907	10,314

In addition, ¥230,266 million (U.S.$2,565,068 thousand) and ¥171,893 million of securities as of September 30, 2009 and 2008, were pledged as collateral for transactions, including exchange settlements, swap transactions and replacement of margin for future trading.

Also, ¥378 million (U.S.$4,219 thousand) and ¥281 million of margin deposits for futures transactions outstanding were included in other assets as of September 30, 2009 and 2008, respectively. In addition, ¥11,228 million (U.S.$125,075 thousand) and ¥4,485 million of cash collateral pledged for derivative transactions were included in other assets as of September 30, 2009 and 2008, respectively.

23. PREFERRED SECURITIES ISSUED BY SUBSIDIARIES OUTSIDE JAPAN

CONSOLIDATED

In February 2006, Shinsei Finance (Cayman) Limited, the Bank's wholly owned subsidiary, issued U.S.$775 million of step-up non-cumulative perpetual preferred securities. Dividends on the securities are payable on a non-cumulative basis annually in arrears at a rate of 6.418% until July 2016. After July 2016, dividends on the securities will be calculated at a floating rate of LIBOR plus 2.22%. On July 20, 2016 or any dividend payment date thereafter, Shinsei Finance (Cayman) Limited may redeem the securities at a price equal to the liquidation preference together with any dividends otherwise payable.

In March 2006, Shinsei Finance II (Cayman) Limited, the Bank's wholly owned subsidiary, issued U.S.$700 million of non-cumulative perpetual preferred securities. Dividends on the securities are payable on a non-cumulative basis annually in arrears at a rate of 7.160% until July 2016. After July 2016, dividends on the securities will be calculated at a floating rate of LIBOR plus 1.87%. On July 25, 2016 and on each dividend payment date falling at ten year intervals thereafter, Shinsei Finance II (Cayman) Limited may redeem the securities at a price equal to the liquidation preference together with any dividends otherwise payable.

On March 30, 2009, the Bank repurchased U.S.$100 million of non-cumulative perpetual preferred securities of Shinsei Finance (Cayman) Limited, and U.S.$121 million of non-cumulative perpetual preferred securities of Shinsei Finance II (Cayman) Limited in open-market transactions and cancelled all of the repurchased securities.

On March 30, 2009, Shinsei Finance III (Cayman) Limited, the Bank's wholly owned subsidiary, issued ¥39,100 million of non-cumulative perpetual preferred securities. Dividends on ¥19,000 million of the securities are payable annually in arrears at a rate of 5.50% until July 2014 and at a floating rate of LIBOR plus 4.56% after July 2014. Dividends on ¥20,100 million of the securities are payable annually in arrears at a rate of 5.00% until July 2019 and at a floating rate of LIBOR plus 4.70% after July 2019.

Also on March 30, 2009, Shinsei Finance IV (Cayman) Limited, the Bank's wholly owned subsidiary, issued ¥9,100 million of non-cumulative perpetual preferred securities. Dividends on ¥2,500 million of the securities are payable annually in arrears at a rate of 5.00% until July 2019 and at a floating rate of LIBOR plus 4.70% after July 2019. Dividends on ¥6,600 million of the securities are payable annually in arrears at a rate of 5.50% until July 2014 and at a floating rate of LIBOR plus 4.56% after July 2014.

These preferred securities are accounted for as minority interests in the consolidated financial statements of the Bank. The amounts recognized as minority interests for the six months ended September 30, 2009 and 2008 were ¥5,074 million (U.S.$56,525 thousand) and ¥5,210 million, respectively.

24. EQUITY

CONSOLIDATED

The authorized number of shares of capital stock as of September 30, 2009 was 4,000,000 thousand common shares.

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

	Thousands	
	Issued number of shares	Number of treasury stock
	Common stock	Common stock
Six months ended September 30, 2009:		
Beginning of year	**2,060,346**	**96,427**
Increase	**—**	**0**
Decrease	**—**	**—**
End of period	**2,060,346**	**96,427**
Six months ended September 30, 2008:		
Beginning of year	2,060,346	96,436
Increase	—	1
Decrease	—	(13)
End of period	2,060,346	96,424

25. STOCK ACQUISITION RIGHTS

CONSOLIDATED

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

Stock acquisition rights provide eligible individuals (the "holders") with the right to purchase common stock of the Bank without any 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") and 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.

On December 27, 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.

Net stock-based compensation expense was ¥336 million for the six months ended September 30, 2008. However, income of ¥15 million (U.S.$169 thousand) was recognized for the six months ended September 30, 2009, due to reversal of expenses associated with rights that were cancelled before vesting dates which exceeded compensation expense during the period. The amount of income that was recognized on unexercised and forfeited stock acquisition rights and included in other gains (losses), net was ¥212 million (U.S.$2,369 thousand) for the six months ended September 30, 2009. There were no stock acquisition rights issued during the six months ended September 30, 2009.

26. NET TRADING INCOME (LOSS)

CONSOLIDATED

Net trading income (loss) for the six months ended September 30, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
Six months ended September 30,	**2009**	2008	**2009**
Income (loss) from trading securities	**¥ 1,928**	¥ 1,849	**$ 21,484**
Income (loss) from securities held to hedge trading transactions	**1,932**	(6,219)	**21,532**
Income (loss) from trading-related financial derivatives	**(996)**	3,340	**(11,096)**
Other, net	**260**	37	**2,901**
Total	**¥ 3,125**	¥ (991)	**$ 34,821**

27. OTHER BUSINESS INCOME (LOSS), NET CONSOLIDATED

"Other, net" in other business income (loss), net, for the six months ended September 30, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
Six months ended September 30,	**2009**	2008	**2009**
Income (loss) from derivatives entered into for banking purposes, net	**¥ (919)**	¥ (932)	**$ (10,242)**
Equity in net income (loss) of affiliates	**(4,373)**	(261)	**(48,719)**
Gain on lease cancellation and other lease income (loss), net	**(311)**	846	**(3,469)**
Other, net	**246**	1,583	**2,745**
Total	**¥ (5,357)**	¥ 1,237	**$ (59,685)**

28. NET CREDIT COSTS (RECOVERIES) CONSOLIDATED

Net credit costs (recoveries) for the six months ended September 30, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
Six months ended September 30,	**2009**	2008	**2009**
Losses on write-off or sales of loans	**¥ 4,690**	¥ 2,945	**$ 52,254**
Net provision (reversal) of reserve for loan losses:			
Net provision (reversal) of general reserve for loan losses	**12,284**	18,487	**136,841**
Net provision (reversal) of specific reserve for loan losses	**23,136**	22,177	**257,727**
Net provision (reversal) of reserve for loan losses to restructuring countries	**(0)**	(0)	**(6)**
Subtotal	**35,419**	40,663	**394,562**
Net provision (reversal) of specific reserve for other credit losses	**(144)**	(2,285)	**(1,614)**
Other credit costs relating to leasing business	**(762)**	338	**(8,496)**
Total	**¥ 39,203**	¥ 41,661	**$ 436,706**

29. OTHER GAINS (LOSSES), NET CONSOLIDATED

Other gains (losses), net for the six months ended September 30, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
Six months ended September 30,	**2009**	2008	**2009**
Net gain (loss) on disposal of premises and equipment	**¥ (1,572)**	¥ 9,769	**$ (17,514)**
Provision for losses on disposal of premises and equipment	**(31)**	(3,039)	**(346)**
Pension-related costs	**(274)**	—	**(3,054)**
Gain on write-off of unclaimed debentures	**116**	477	**1,294**
Recoveries of written-off claims	**4,354**	994	**48,503**
Gain on sale of subsidiary's stock	**—**	8,226	**—**
Provision of reserve for losses on interest repayments	**(9,913)**	(2,786)	**(110,431)**
Gain from the cancellation of issued corporate bonds and other instruments	**11,869**	—	**132,221**
Other, net	**(378)**	(286)	**(4,220)**
Total	**¥ 4,170**	¥ 13,357	**$ 46,453**

30. LEASE TRANSACTIONS CONSOLIDATED

(a) Disclosures for finance lease transactions as of September 30, 2009 and 2008 are as follows:

AS LESSEE

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

(1) Leased assets are primarily tools, equipment and fixtures included in "Premises and equipment," and software included in "Intangible assets."

(2) Depreciation method is described in "(X) Lease Transactions" in "2. Summary of Significant Accounting Policies."

30. LEASE TRANSACTIONS (CONTINUED) CONSOLIDATED

AS LESSOR

(1) Breakdown of leased investment assets

As of September 30,	Millions of yen 2009	Millions of yen 2008	Thousands of U.S. dollars 2009
Leasing receivables	¥ 232,333	¥ 265,603	$ 2,588,096
Estimated residual value	10,042	11,229	111,865
Interest equivalent	(35,400)	(32,830)	(394,344)
Leased investment assets	¥ 206,975	¥ 244,001	$ 2,305,617

(2) Leasing receivables to be paid in future for "Lease receivables and leased investment assets"

	Lease receivables			Leased investment assets		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
As of September 30,	2009	2008	2009	2009	2008	2009
Due within one year	¥ 4,031	¥ 1,772	$ 44,913	¥ 84,241	¥ 95,197	$ 938,416
Due after one year within two years	3,874	1,783	43,156	61,904	75,072	689,594
Due after two years within three years	3,963	1,770	44,152	40,250	46,139	448,375
Due after three years within four years	3,159	1,913	35,190	23,166	25,819	258,068
Due after four years within five years	2,433	1,492	27,108	9,868	11,780	109,935
Due after five years	1,159	743	12,921	12,900	11,593	143,708
Total	¥ 18,621	¥ 9,476	$ 207,440	¥ 232,333	¥ 265,603	$ 2,588,096

(b) Non-cancelable operating lease obligations as lessee and future lease payment receivables as lessor as of September 30, 2009 and 2008 consisted of the following:

AS LESSEE

As of September 30,	Millions of yen 2009	Millions of yen 2008	Thousands of U.S. dollars 2009
Obligations:			
Due within one year	¥ 5,264	¥ 5,561	$ 58,648
Due after one year	6,607	5,755	73,600
Total	¥ 11,871	¥ 11,317	$ 132,248

AS LESSOR

As of September 30,	Millions of yen 2009	Millions of yen 2008	Thousands of U.S. dollars 2009
Future lease payment receivables:			
Due within one year	¥ 5,999	¥ 2,468	$ 66,833
Due after one year	14,130	4,899	157,405
Total	¥ 20,129	¥ 7,367	$ 224,238

31. SEGMENT INFORMATION CONSOLIDATED

(A) BUSINESS SEGMENT INFORMATION

The Group is engaged in banking and other related activities such as trust, securities and other businesses. Business segment information, however, has not been presented as the percentage of the other activities is not material to the banking business.

(B) GEOGRAPHIC SEGMENT INFORMATION

Since the proportion of business that the Group conducts in Japan exceeds 90% of operating income, geographic segment information is not presented.

(C) FOREIGN OPERATING INCOME

Foreign operating income is comprised of income from transactions at overseas branches and consolidated overseas subsidiaries. The composition of the volume of such transactions for the Group did not reach 10% of its operating income, therefore foreign operating income information is not presented.

32. OFF-BALANCE SHEET LENDING-RELATED FINANCIAL INSTRUMENTS CONSOLIDATED

The Bank and certain of its consolidated subsidiaries issue commitments to extend credit and establish credit lines for overdrafts to meet the financing needs of their customers. The unfunded amounts of these commitments were ¥5,839,578 million (U.S.$65,050,443 thousand) and ¥5,677,927 million as of September 30, 2009 and 2008, out of which the amounts with original agreement terms of less than one year or which were cancelable were ¥5,636,239 million (U.S.$62,785,334 thousand) and ¥5,387,808 million as of September 30, 2009 and 2008, respectively. Since a large majority of these commitments expire without being drawn upon, the unfunded amounts do not necessarily represent future cash requirements. Many of such agreements include conditions granting the Bank and consolidated subsidiaries the right to reject the drawdown or to reduce the amount on the basis of changes in the financial circumstances of the borrower or other reasonable grounds.

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

33. DERIVATIVE FINANCIAL INSTRUMENTS CONSOLIDATED

(A) INTEREST RATE-RELATED TRANSACTIONS

Interest rate-related transactions as of September 30, 2009 and 2008 were as follows:

	Millions of yen					
	2009			2008		
As of September 30,	Contract/Notional principal	Fair value	Unrealized gain (loss)	Contract/Notional principal	Fair value	Unrealized gain (loss)
Future contracts (listed):	¥ 70,206	¥ (93)	¥ (93)	¥ 160,903	¥ (4)	¥ (4)
Interest rate options (listed):	26,078	5	(24)	—	—	—
Interest rate swaps (over-the-counter):	11,759,750	57,365	57,365	11,334,995	23,687	23,687
Interest rate swaptions (over-the-counter):	3,703,069	(46,373)	(36,778)	4,968,768	(15,108)	(4,804)
Interest rate options (over-the-counter):	252,176	(231)	(422)	289,428	(206)	(71)
Total		¥ 10,673	¥ 20,046		¥ 8,367	¥ 18,805

	Thousands of U.S. dollars		
	2009		
As of September 30,	Contract/Notional principal	Fair value	Unrealized gain (loss)
Future contracts (listed):	$ 782,070	$ (1,042)	$ (1,043)
Interest rate options (listed):	290,500	64	(271)
Interest rate swaps (over-the-counter):	130,998,665	639,032	639,032
Interest rate swaptions (over-the-counter):	41,250,636	(516,582)	(409,701)
Interest rate options (over-the-counter):	2,809,145	(2,577)	(4,704)
Total		$ 118,895	$ 223,313

(1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income. Derivatives for which hedge accounting was adopted were excluded from the table.

(2) Fair Values:
The fair values of listed transactions represent the closing price on the Tokyo Financial Exchange and other exchanges at the interim consolidated balance sheet date. The fair values of over-the-counter transactions are calculated primarily by using the discounted present value or option pricing models.

The fair value estimates for derivatives as of September 30, 2009 and 2008 are adjusted for credit risk by reducing ¥1,683 million (U.S.$18,750 thousand) and ¥2,008 million, respectively, and also adjusted for liquidity risk by reducing ¥3,455 million (U.S.$38,488) and ¥5,025 million, respectively, although the amounts of those risks are not reflected in the fair value shown in the tables.

33. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(B) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions as of September 30, 2009 and 2008 were as follows:

	Millions of yen					
	2009			2008		
As of September 30,	Contract/Notional principal	Fair value	Unrealized gain (loss)	Contract/Notional principal	Fair value	Unrealized gain (loss)
Currency swaps (over-the-counter)	¥ 1,358,115	¥ (38,054)	¥ (38,054)	¥ 1,377,721	¥ (5,349)	¥ (5,349)
Forward foreign exchange contracts (over-the-counter):	2,997,295	18,838	18,838	4,120,890	19,587	19,587
Currency options (over-the-counter):	13,498,351	2,248	26,217	19,379,960	24,253	31,894
Total		¥ (16,967)	¥ 7,000		¥ 38,491	¥ 46,132

	Thousands of U.S. dollars		
	2009		
As of September 30,	Contract/Notional principal	Fair value	Unrealized gain (loss)
Currency swaps (over-the-counter)	$ 15,128,839	$ (423,914)	$ (423,914)
Forward foreign exchange contracts (over-the-counter):	33,388,614	209,849	209,849
Currency options (over-the-counter):	150,365,955	25,051	292,051
Total		$ (189,014)	$ 77,986

(1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income. Fund swap transactions and currency swap transactions for which hedge accounting was adopted in accordance with Industry Audit Committee Report No. 25 of the JICPA were excluded from the table.

(2) Fair Values:
The fair values are calculated primarily by using the discounted present values or option pricing models.

(C) EQUITY-RELATED TRANACTIONS

Equity-related transactions as of September 30, 2009 and 2008 were as follows:

	Millions of yen					
	2009			2008		
As of September 30,	Contract/Notional principal	Fair value	Unrealized gain (loss)	Contract/Notional principal	Fair value	Unrealized gain (loss)
Equity index futures (listed):	¥ 24,019	¥ (473)	¥ (473)	¥ 10,294	¥ (478)	¥ (478)
Equity index options (listed):	151,191	5,820	5,394	22,400	1,084	(368)
Equity options (over-the-counter):	124,626	6,158	2,584	503,221	2,944	(1,064)
Equity index swaps (over-the-counter):	1,000	68	68	1,000	116	116
Other (over-the-counter):	191,678	16,909	16,886	194,433	19,980	19,957
Total		¥ 28,484	¥ 24,460		¥ 23,648	¥ 18,163

	Thousands of U.S. dollars		
	2009		
As of September 30,	Contract/Notional principal	Fair value	Unrealized gain (loss)
Equity index futures (listed):	$ 267,570	$ (5,273)	$ (5,273)
Equity index options (listed):	1,684,204	64,843	60,094
Equity options (over-the-counter):	1,388,287	68,607	28,785
Equity index swaps (over-the-counter):	11,140	766	766
Other (over-the-counter):	2,135,220	188,361	188,111
Total		$ 317,304	$ 272,483

(1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income. Derivatives for which hedge accounting was adopted were excluded from the table.

(2) Fair Values:
The fair values of listed transactions represent the closing price on the Tokyo Stock Exchange and other exchanges at the interim consolidated balance sheet date. The fair values of over-the-counter transactions are calculated primarily by using the discounted interim present values or option pricing models.

(D) BOND-RELATED TRANSACTIONS

Bond-related transactions as of September 30, 2009 and 2008 were as follows:

	Millions of yen					
	2009			2008		
As of September 30,	Contract/Notional principal	Fair value	Unrealized gain (loss)	Contract/Notional principal	Fair value	Unrealized gain (loss)
Bond futures (listed):	¥ 13,704	¥ 8	¥ 8	¥ 22,689	¥ 77	¥ 77

	Thousands of U.S. dollars		
	2009		
As of September 30,	Contract/Notional principal	Fair value	Unrealized gain (loss)
Bond futures (listed):	$ 152,665	$ 98	$ 98

(1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income. Derivatives for which hedge accounting was adopted were excluded from the table.

(2) Fair Values:
The fair values of listed transactions represent the closing price on the Tokyo Stock Exchange and other exchanges at the interim consolidated balance sheet date.

(E) CREDIT DERIVATIVES TRANSACTIONS

Credit derivatives transactions as of September 30, 2009 and 2008 were as follows:

	Millions of yen					
	2009			2008		
As of September 30,	Contract/Notional principal	Fair value	Unrealized gain (loss)	Contract/Notional principal	Fair value	Unrealized gain (loss)
Credit default option (over-the-counter):	¥ 2,335,381	¥ 11,599	¥ 11,599	¥ 3,261,836	¥ 10,957	¥ 10,957

	Thousands of U.S. dollars		
	2009		
As of September 30,	Contract/Notional principal	Fair value	Unrealized gain (loss)
Credit default option (over-the-counter):	$ 26,015,166	$ 129,217	$ 129,217

(1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income. Derivatives for which hedge accounting was adopted were excluded from the table.

(2) Fair Values:
The fair values are calculated by using the discounted present values or other models.

34. NET INCOME PER COMMON SHARE

CONSOLIDATED

Diluted net income per share for the six months ended September 30, 2009 is not disclosed because there is no effect from dilutive securities.
Diluted net income per share for the six months ended September 30, 2008 is not disclosed because of the Group's net loss position.

Basic net income per common share ("EPS") for the six months ended September 30, 2009 and 2008 is 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, 2009:				
Basic EPS				
Net income (loss) available to common shareholders	**¥ 11,062**	**1,963,919**	**¥ 5.63**	**$ 0.06**
For the six months ended September 30, 2008:				
Basic EPS				
Net income (loss) available to common shareholders	¥ (19,284)	1,963,911	¥ (9.81)	

INTERIM NON-CONSOLIDATED BALANCE SHEETS (UNAUDITED)

Shinsei Bank, Limited
As of September 30, 2009 and 2008, and March 31, 2009

	Millions of yen			Thousands of U.S. dollars (Note)
	Sept. 30, 2009	Sept. 30, 2008	Mar. 31, 2009	**Sept. 30, 2009**
ASSETS				
Cash and due from banks	**¥ 307,591**	¥ 94,918	¥ 411,999	**$ 3,426,437**
Call loans	**19,569**	199,000	—	**218,000**
Collateral related to securities borrowing transactions	**4,125**	16,986	131	**45,951**
Other monetary claims purchased	**528,645**	559,155	666,126	**5,888,894**
Trading assets	**232,365**	240,326	326,038	**2,588,449**
Monetary assets held in trust	**544,966**	621,336	573,032	**6,070,700**
Securities	**3,729,688**	2,426,111	2,626,047	**41,547,161**
Valuation allowance for investments	**(3,370)**	(3,370)	(3,370)	**(37,548)**
Loans and bills discounted	**4,922,887**	5,660,152	5,168,004	**54,838,890**
Foreign exchanges	**12,775**	22,449	37,138	**142,316**
Other assets	**792,171**	514,072	977,924	**8,824,457**
Premises and equipment	**18,059**	19,707	18,856	**201,179**
Intangible assets	**12,753**	14,165	13,477	**142,067**
Deferred issuance expenses for debentures	**166**	153	161	**1,851**
Deferred tax assets	**413**	18,168	4,329	**4,610**
Customers' liabilities for acceptances and guarantees	**8,497**	11,321	12,556	**94,662**
Reserve for credit losses	**(107,569)**	(83,225)	(118,960)	**(1,198,278)**
Total assets	**¥ 11,023,737**	¥ 10,331,429	¥ 10,713,494	**$ 122,799,798**
LIABILITIES AND EQUITY				
Liabilities:				
Deposits, including negotiable certificates of deposit	**¥ 7,459,160**	¥ 6,509,444	¥ 6,897,491	**$ 83,091,912**
Debentures	**528,260**	748,962	676,767	**5,884,602**
Call money	**100,469**	480,870	281,513	**1,119,188**
Payables under repurchase agreements	**156,382**	—	53,805	**1,742,031**
Collateral related to securities lending transactions	**764,367**	485,292	569,566	**8,514,728**
Trading liabilities	**188,817**	181,926	316,068	**2,103,342**
Borrowed money	**336,148**	317,537	425,371	**3,744,557**
Foreign exchanges	**207**	257	226	**2,311**
Corporate bonds	**354,650**	513,351	402,453	**3,950,660**
Other liabilities	**496,047**	406,012	495,016	**5,525,759**
Accrued employees' bonuses	**3,743**	2,913	7,191	**41,698**
Reserve for employees' retirement benefits	**1**	1,059	55	**19**
Reserve for losses on disposal of premises and equipment	**6,829**	7,190	6,911	**76,073**
Reserve for losses on litigation	**3,662**	—	3,662	**40,803**
Acceptances and guarantees	**8,497**	11,321	12,556	**94,662**
Total liabilities	**10,407,246**	9,666,140	10,148,658	**115,932,345**
Equity:				
Capital stock:				
Common stock	**476,296**	476,296	476,296	**5,305,748**
Capital surplus	**43,558**	43,558	43,558	**485,222**
Stock acquisition rights	**1,580**	1,507	1,808	**17,603**
Retained earnings:				
Legal reserve	**11,035**	11,035	11,035	**122,933**
Unappropriated retained earnings	**152,021**	264,091	143,418	**1,693,459**
Unrealized gain (loss) on available-for-sale securities	**3,337**	(58,471)	(38,049)	**37,174**
Deferred gain (loss) on derivatives under hedge accounting	**1,219**	(171)	(672)	**13,588**
Treasury stock, at cost	**(72,558)**	(72,558)	(72,558)	**(808,274)**
Total equity	**616,491**	665,289	564,836	**6,867,453**
Total liabilities and equity	**¥ 11,023,737**	¥ 10,331,429	¥ 10,713,494	**$ 122,799,798**

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥89.77=U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2009.

INTERIM NON-CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

Shinsei Bank, Limited
For the six months ended September 30, 2009 and 2008, and the fiscal year ended March 31, 2009

	Millions of yen			Thousands of U.S. dollars (Note)
	Sept. 30, 2009 (6 months)	Sept. 30, 2008 (6 months)	Mar. 31, 2009 (1 year)	**Sept. 30, 2009 (6 months)**
Interest income:				
Interest on loans and bills discounted	**¥ 42,772**	¥ 57,697	¥ 110,770	**$ 476,466**
Interest and dividends on securities	**16,767**	22,958	59,458	**186,783**
Interest on deposits with banks	**27**	1,262	1,488	**303**
Other interest income	**8,617**	3,260	11,019	**96,000**
Total interest income	**68,184**	85,179	182,737	**759,552**
Interest expenses:				
Interest on deposits, including negotiable certificates of deposit	**28,778**	25,233	52,419	**320,576**
Interest and discounts on debentures	**2,290**	2,232	5,026	**25,519**
Interest on other borrowings	**1,987**	6,222	10,166	**22,140**
Interest on corporate bonds	**8,222**	12,055	20,266	**91,596**
Other interest expenses	**929**	5,924	8,488	**10,350**
Total interest expenses	**42,208**	51,668	96,368	**470,181**
Net interest income	**25,976**	33,511	86,368	**289,371**
Fees and commissions income	**7,948**	11,807	18,963	**88,547**
Fees and commissions expenses	**4,945**	6,147	13,415	**55,085**
Net fees and commissions	**3,003**	5,659	5,548	**33,462**
Net trading income (loss)	**3,541**	(3,343)	(5,690)	**39,448**
Other business income (loss), net:				
Income on monetary assets held in trust, net	**2,568**	7,595	5,770	**28,614**
Net gain (loss) on foreign exchanges	**2,907**	2,975	13,336	**32,392**
Net gain (loss) on securities	**13,278**	(20,033)	(103,884)	**147,912**
Net gain (loss) on other monetary claims purchased	**(289)**	70	(65)	**(3,222)**
Other, net	**(991)**	(118)	(4,574)	**(11,045)**
Net other business income (loss)	**17,473**	(9,510)	(89,416)	**194,651**
Total revenue (loss)	**49,995**	26,317	(3,190)	**556,932**
General and administrative expenses:				
Personnel expenses	**13,912**	15,022	33,137	**154,977**
Premises expenses	**5,022**	5,398	10,583	**55,952**
Technology and data processing expenses	**4,940**	5,586	10,715	**55,030**
Advertising expenses	**928**	860	1,649	**10,344**
Consumption and property taxes	**1,771**	1,739	3,452	**19,737**
Deposit insurance premium	**2,193**	1,944	3,888	**24,430**
Other general and administrative expenses	**7,294**	9,208	18,313	**81,263**
Total general and administrative expenses	**36,063**	39,760	81,741	**401,733**
Net business profit (loss)	**13,932**	(13,443)	(84,931)	**155,199**
Net credit costs (recoveries)	**8,462**	22,916	77,968	**94,271**
Other gains (losses), net	**8,082**	(2,696)	11,501	**90,035**
Income (loss) before income taxes	**13,551**	(39,056)	(151,399)	**150,963**
Income taxes (benefit):				
Current	**257**	(3,574)	(4,184)	**2,870**
Deferred	**4,691**	894	9,833	**52,256**
Net income (loss)	**¥ 8,603**	¥ (36,375)	¥ (157,048)	**$ 95,837**

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥89.77=U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2009.

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

Shinsei Bank, Limited
For the six months ended September 30, 2009 and 2008, and the fiscal year ended March 31, 2009

	Millions of yen			Thousands of U.S. dollars (Note)
	Sept. 30, 2009 (6 months)	Sept. 30, 2008 (6 months)	Mar. 31, 2009 (1 year)	**Sept. 30, 2009 (6 months)**
Common stock:				
Balance at beginning of period	**¥ 476,296**	¥ 476,296	¥ 476,296	**$ 5,305,748**
Balance at end of period	**476,296**	476,296	476,296	**5,305,748**
Capital surplus:				
Balance at beginning of period	**43,558**	43,558	43,558	**485,222**
Balance at end of period	**43,558**	43,558	43,558	**485,222**
Stock acquisition rights:				
Balance at beginning of period	**1,808**	1,257	1,257	**20,141**
Net change during the period	**(227)**	250	550	**(2,538)**
Balance at end of period	**1,580**	1,507	1,808	**17,603**
Retained earnings:				
Legal reserve:				
Balance at beginning of period	**11,035**	9,880	9,880	**122,933**
Transfer from unappropriated retained earnings	**—**	1,154	1,154	**—**
Balance at end of period	**11,035**	11,035	11,035	**122,933**
Unappropriated retained earnings:				
Balance at beginning of period	**143,418**	307,395	307,395	**1,597,622**
Appropriation:				
Transfer to legal reserve	**—**	(1,154)	—	**—**
Dividends paid	**—**	(5,773)	(6,928)	**—**
Net income (loss)	**8,603**	(36,375)	(157,048)	**95,837**
Balance at end of period	**152,021**	264,091	143,418	**1,693,459**
Unrealized gain (loss) on available-for-sale securities:				
Balance at beginning of period	**(38,049)**	(35,024)	(35,024)	**(423,860)**
Net change during the period	**41,387**	(23,447)	(3,025)	**461,034**
Balance at end of period	**3,337**	(58,471)	(38,049)	**37,174**
Deferred gain (loss) on derivatives under hedge accounting:				
Balance at beginning of period	**(672)**	1,896	1,896	**(7,488)**
Net change during the period	**1,892**	(2,067)	(2,568)	**21,076**
Balance at end of period	**1,219**	(171)	(672)	**13,588**
Treasury stock, at cost:				
Balance at beginning of period	**(72,558)**	(72,557)	(72,557)	**(808,273)**
Purchase of treasury stock	**(0)**	(0)	(0)	**(1)**
Balance at end of period	**(72,558)**	(72,558)	(72,558)	**(808,274)**
Total equity	**¥ 616,491**	¥ 665,289	¥ 564,836	**$ 6,867,453**

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥89.77=U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2009.

BASEL II PILLAR III (MARKET DISCIPLINE) DISCLOSURE

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

QUANTITATIVE DISCLOSURE

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

Most of the 92 unconsolidated subsidiaries are special purpose companies (SPCs) or Limited Partnerships (LPs) for leverage leasing. As the economic risk associated with leveraged leasing has been hedged in these subsidiaries, the amount of invested equity is equal to applicable loss limits.

2. CAPITAL STRUCTURE

Please see "Management's Discussion and Analysis of Financial Condition and Results of Operations"-"Capital Ratios" on page 43 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, 2009		As of March 31, 2009	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
Shinsei Home Loans	¥ 28,767	¥ 28,767	¥ 30,419	¥ 30,419
Subsidiaries of APLUS	7,260	—	6,873	—
Subsidiaries of Showa Leasing	1,552	—	1,836	—
Shinki	6,396	—	7,255	—
Shinsei Financial Group	43,960	—	48,165	—
Other subsidiaries	7,000	—	7,978	—

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

	Millions of yen			
	As of September 30, 2009		As of March 31, 2009	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
Corporate (Excluding Specialized Lending)(1)	¥ 191,528	¥ 203,628	¥ 223,852	¥ 222,871
Specialized Lending(2)	178,327	176,585	173,679	172,130
Sovereign	8,504	8,473	8,247	8,225
Bank	40,208	38,945	81,211	80,738
Residential mortgages	1,592	—	1,934	—
Qualified revolving retails	63,379	—	60,883	—
Other retails	139,153	—	141,768	—
Equity	22,804	145,722	25,562	155,308
Regarded (Fund)	31,460	23,934	40,290	32,959
Securitization(3)	84,736	81,446	100,700	103,750
(Unrated securitization exposure)	(38,678)	(38,529)	(57,109)	(56,816)
Purchase receivables	126,762	126,762	139,485	139,485
Other assets	7,250	2,822	7,687	3,319
Total	¥ 895,708	¥ 808,324	¥ 1,005,304	¥ 918,789

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, 2009		As of March 31, 2009	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
Market-Based Approach				
Simplified Method	**¥ 12,167**	**¥ 14,241**	¥ 16,974	¥ 20,543
PD/LGD Method	**9,851**	**129,806**	7,835	133,059
Grandfathering Rule	**784**	**1,675**	752	1,706
Total	**¥ 22,804**	**¥ 145,722**	¥ 25,562	¥ 155,308

AMOUNT OF REQUIRED CAPITAL FOR REGARDED-METHOD EXPOSURE UNDER IRB

Millions of yen

	As of September 30, 2009		As of March 31, 2009	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
Look Through	**¥ 3,177**	**¥ 3,177**	¥ 4,311	¥ 4,311
Revised Naivete Majority	**23,049**	**14,359**	28,303	19,343
Simplified [400%]	**3,288**	**4,679**	4,091	5,953
Simplified [1,250%]	**1,943**	**1,717**	3,582	3,350
Total	**¥ 31,460**	**¥ 23,934**	¥ 40,290	¥ 32,959

AMOUNT OF REQUIRED CAPITAL FOR MARKET RISK

Millions of yen

	As of September 30, 2009		As of March 31, 2009	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
The Standardized Approach				
(Specific Risk)	**¥ 17,666**	**¥ 17,252**	¥ 15,627	¥ 15,276
Interest rate risk	**6,430**	**6,068**	7,372	7,080
Equity position risk	**9**	**8**	11	—
FX risk	**11,226**	**11,176**	8,243	8,196
The Standardized Approach (General Market Risk)	**—**	**—**	—	—
The Internal Models Approach (IMA) (General Market Risk)	**10,797**	**10,037**	11,590	9,373

AMOUNT OF REQUIRED CAPITAL FOR OPERATIONAL RISK

Millions of yen

	As of September 30, 2009		As of March 31, 2009	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
The Standardized Approach	**¥ 36,788**	**¥ 15,989**	¥ 36,919	¥ 17,503

TOTAL CAPITAL ADEQUACY RATIO AND TIER I CAPITAL RATIO

	As of September 30, 2009		As of March 31, 2009	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Total capital adequacy ratio	**9.36%**	**12.15%**	8.35%	10.95%
Tier I capital ratio	**7.00%**	**9.48%**	6.02%	8.40%

TOTAL REQUIRED CAPITAL (DOMESTIC CRITERIA)

Millions of yen

	As of September 30, 2009		As of March 31, 2009	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Total required capital	**¥ 609,551**	**¥ 401,509**	¥ 682,667	¥ 455,731
Total risk assets x 4%	**¥ 337,970**	**¥ 312,535**	¥ 384,841	¥ 355,021

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, 2009				As of March 31, 2009			
	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	¥ 414,533	¥ 409,514	¥ —	¥ 5,018	¥ 401,806	¥ 398,633	¥ 0	¥ 3,172
Agriculture	3,208	3,208	—	—	3,232	3,232	—	—
Mining	4,258	4,258	—	—	4,622	4,622	—	—
Construction	28,277	28,241	36	—	41,861	41,824	36	—
Electric power, gas, water supply	53,726	53,638	35	51	61,921	61,832	35	53
Information and communication	45,399	45,399	—	—	72,137	72,137	—	—
Transportation	299,443	273,223	3,121	23,098	289,375	266,869	3,089	19,417
Wholesale and retail	199,984	199,441	—	543	209,922	209,430	—	491
Finance and insurance	1,352,854	1,234,423	48,821	69,609	1,515,365	1,341,945	71,334	102,085
Real estate	1,320,794	980,188	336,525	4,081	1,398,196	1,084,364	310,052	3,778
Services	493,995	452,584	37,634	3,776	630,928	521,593	98,272	11,063
Government	2,488,751	146,180	2,340,820	1,750	1,341,996	132,026	1,206,039	3,930
Individuals	2,975,489	2,974,675	—	813	3,168,307	3,167,542	—	765
Others	4,115	2,024	2,090	—	3,270	1,161	2,109	—
Domestic Total	9,684,833	6,807,003	2,769,085	108,744	9,142,945	7,307,217	1,690,969	144,757
Foreign	1,341,804	331,649	258,239	751,915	1,548,419	385,630	221,757	941,031
Consolidated Total	¥ 11,026,637	¥ 7,138,652	¥ 3,027,324	¥ 860,659	¥ 10,691,364	¥ 7,692,848	¥ 1,912,727	¥ 1,085,789
To 1 year	2,377,370	1,906,722	225,771	244,876	2,639,357	1,785,514	588,918	264,925
1 to 3 years	4,001,217	1,647,530	1,988,670	365,016	3,371,399	1,999,135	932,504	439,758
3 to 5 years	2,027,176	1,229,089	653,182	144,904	1,875,595	1,408,678	211,803	255,113
Over 5 years	1,658,420	1,396,153	156,404	105,861	1,796,086	1,496,027	174,067	125,991
Undated	962,452	959,156	3,296	—	1,008,925	1,003,491	5,433	—
Consolidated Total	¥ 11,026,637	¥ 7,138,652	¥ 3,027,324	¥ 860,659	¥ 10,691,364	¥ 7,692,848	¥ 1,912,727	¥ 1,085,789

Geographic, Industries or Maturity (Non-consolidated)

Millions of yen

	As of September 30, 2009				As of March 31, 2009			
	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	¥ 318,075	¥ 313,057	¥ —	¥ 5,018	¥ 307,025	¥ 303,852	¥ 0	¥ 3,172
Agriculture	2,600	2,600	—	—	2,700	2,700	—	—
Mining	3,600	3,600	—	—	3,988	3,988	—	—
Construction	9,152	9,152	—	—	22,232	22,232	—	—
Electric power, gas, water supply	53,531	53,444	35	51	61,067	60,978	35	53
Information and communication	23,562	23,562	—	—	47,831	47,831	—	—
Transportation	278,835	252,616	3,120	23,098	268,315	245,810	3,088	19,417
Wholesale and retail	128,231	127,687	—	543	132,269	131,777	—	491
Finance and insurance	1,814,298	1,665,838	48,821	99,638	1,881,274	1,692,401	71,337	117,534
Real estate	1,288,845	948,239	336,525	4,081	1,357,723	1,043,892	310,052	3,778
Services	442,438	400,703	37,762	3,973	546,001	426,743	108,195	11,063
Government	2,477,417	134,881	2,340,785	1,750	1,332,686	122,751	1,206,004	3,930
Individuals	821,917	821,104	—	813	874,684	873,918	—	765
Others	—	—	—	—	—	—	—	—
Domestic Total	7,662,507	4,756,487	2,767,051	138,969	6,837,800	4,978,880	1,698,714	160,206
Foreign	1,362,266	332,167	276,481	753,617	1,558,204	376,745	239,840	941,618
Bank Total	¥ 9,024,774	¥ 5,088,654	¥ 3,043,532	¥ 892,586	¥ 8,396,005	¥ 5,355,625	¥ 1,938,554	¥ 1,101,825
To 1 year	2,563,645	2,077,286	226,030	260,328	2,730,719	1,875,022	589,549	266,147
1 to 3 years	3,397,714	1,038,051	1,988,670	370,992	2,691,166	1,317,354	932,469	441,342
3 to 5 years	1,617,809	809,405	653,182	155,221	1,439,408	964,218	212,700	262,490
Over 5 years	1,306,594	1,025,903	174,646	106,044	1,440,815	1,108,258	200,710	131,845
Undated	139,010	138,008	1,002	—	93,896	90,772	3,123	—
Bank Total	¥ 9,024,774	¥ 5,088,654	¥ 3,043,532	¥ 892,586	¥ 8,396,005	¥ 5,355,625	¥ 1,938,554	¥ 1,101,825

Notes: (1) Including total exposure, operating assets and securitized original assets originated from these exposures, 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, 2009		As of March 31, 2009	
	Default Exposure		Default Exposure	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Manufacturing	¥ 3,809	¥ 1,646	¥ 4,370	¥ 1,625
Agriculture	73	—	5	—
Mining	5	—	16	—
Construction	410	35	2,173	1,661
Electric power, gas, water supply	—	—	1	—
Information and communication	608	582	742	585
Transportation	5,892	5,392	6,275	6,012
Wholesale and retail	3,992	39	998	193
Finance and insurance	59,499	59,456	69,595	69,587
Real estate	192,596	177,241	80,505	80,275
Services	10,093	1,720	6,418	2,041
Government	—	—	—	—
Individuals	163,939	5,188	167,126	6,794
Others	1,819	—	523	—
Domestic Total	442,739	251,303	338,752	168,776
Foreign	45,977	50,828	61,191	64,531
Total	¥ 488,716	¥ 302,132	¥ 399,944	¥ 233,308

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

Consolidated

Millions of yen

	As of September 30, 2009			As of March 31, 2009			As of September 30, 2008		
	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount
General	¥ 105,619	¥ 22,304	¥ 127,923	¥ 96,650	¥ 8,968	¥ 105,619	¥ 96,650	¥ (6,215)	¥ 90,434
Specific	261,108	(9,186)	251,922	145,679	115,428	261,108	145,679	61,273	206,952
Country	14	(1)	13	15	(1)	14	15	(0)	14
Total	¥ 366,741	¥ 13,119	¥ 379,860	¥ 242,345	¥ 124,396	¥ 366,741	¥ 242,345	¥ 55,056	¥ 297,402

Non-consolidated

Millions of yen

	As of September 30, 2009			As of March 31, 2009			As of September 30, 2008		
	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount
General	¥ 65,544	¥ (1,833)	¥ 63,711	¥ 57,903	¥ 7,641	¥ 65,544	¥ 57,903	¥ (6,717)	¥ 51,186
Specific	124,696	(16,191)	108,505	70,305	54,390	124,696	70,305	20,161	90,467
Country	14	(1)	13	15	(1)	14	15	(0)	14
Total	¥ 190,255	¥ (18,025)	¥ 172,230	¥ 128,224	¥ 62,031	¥ 190,255	¥ 128,224	¥ 13,444	¥ 141,668

Geographic (Consolidated)

Millions of yen

	As of September 30, 2009				As of March 31, 2009				As of September 30, 2008			
	Total	Reserve Amount			Total	Reserve Amount			Total	Reserve Amount		
		General	Specific	Country		General	Specific	Country		General	Specific	Country
Domestic	¥ 324,627	¥ 109,199	¥ 215,428	¥ —	¥ 317,446	¥ 97,042	¥ 220,404	¥ —	¥ 260,190	¥ 75,548	¥ 184,641	¥ —
Foreign	55,232	18,724	36,494	13	49,295	13,515	35,764	14	37,212	14,886	22,310	14
Total	¥ 379,860	¥ 127,923	¥ 251,922	¥ 13	¥ 366,741	¥ 110,557	¥ 256,169	¥ 14	¥ 297,402	¥ 90,434	¥ 206,952	¥ 14

Geographic (Non-consolidated)

Millions of yen

	As of September 30, 2009				As of March 31, 2009				As of September 30, 2008			
	Total	Reserve Amount			Total	Reserve Amount			Total	Reserve Amount		
		General	Specific	Country		General	Specific	Country		General	Specific	Country
Domestic	¥ 117,192	¥ 45,181	¥ 72,010	¥ —	¥ 140,171	¥ 52,104	¥ 88,067	¥ —	¥ 104,590	¥ 36,567	¥ 68,023	¥ —
Foreign	55,037	18,529	36,494	13	50,083	13,440	36,628	14	37,077	14,619	22,443	14
Total	¥172,230	¥ 63,711	¥ 108,505	¥ 13	¥ 190,255	¥ 65,544	¥ 124,696	¥ 14	¥ 141,668	¥ 51,186	¥ 90,467	¥ 14

QUANTITATIVE DISCLOSURE (CONTINUED)

Industries

Millions of yen

	As of September 30, 2009		As of March 31, 2009		As of September 30, 2008	
	Reserve Amount		Reserve Amount		Reserve Amount	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Manufacturing	¥ 8,942	¥ 2,954	¥ 7,731	¥ 3,045	¥ 6,144	¥ 2,795
Agriculture	94	18	80	20	26	18
Mining	131	21	101	21	101	26
Construction	1,896	386	2,777	1,382	3,886	2,771
Electric power, gas, water supply	178	169	190	180	245	234
Information and communication	1,502	527	1,518	619	1,452	310
Transportation	6,919	6,029	6,927	6,042	7,231	6,643
Wholesale and retail	5,002	882	4,639	1,122	4,451	1,086
Finance and insurance	23,183	30,885	33,840	41,857	24,606	28,332
Real estate	51,329	43,121	46,602	39,570	19,727	16,803
Services	15,410	3,545	29,515	19,270	26,370	17,161
Government	118	—	100	—	92	—
Individuals	187,726	6,411	161,302	5,681	141,090	4,557
Others	21,405	21,233	21,400	21,357	23,905	23,849
Foreign	55,232	55,037	49,295	50,083	37,212	37,077
Non-classified	785	—	719	—	855	—
Total	¥ 379,860	¥ 172,230	¥ 366,741	¥ 190,255	¥ 297,402	¥ 141,668

AMOUNT OF WRITE-OFFS

Industries

Millions of yen

	Six months ended September 30, 2009		Fiscal year ended March 31, 2009		Six months ended September 30, 2008	
	Amount of write-off		Amount of write-off		Amount of write-off	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Manufacturing	¥ 2	¥ —	¥ 99	¥ —	¥ 84	¥ —
Agriculture	—	—	—	—	—	—
Mining	—	—	—	—	—	—
Construction	632	625	11	0	8	0
Electric power, gas, water supply	—	—	—	—	—	—
Information and communication	45	—	35	—	—	—
Transportation	3	0	36	—	7	—
Wholesale and retail	210	147	67	—	14	—
Finance and insurance	1,824	1,824	725	725	725	725
Real estate	1,462	1,462	54	27	18	18
Services	166	27	211	—	197	146
Government	—	—	—	—	—	—
Individuals	61,137	329	67,718	39	60,006	24
Others	—	—	—	—	—	—
Foreign	—	—	3,370	3,370	2,703	2,703
Non-classified	0	—	—	—	—	—
Total	¥ 65,485	¥ 4,417	¥ 72,331	¥ 4,163	¥ 63,766	¥ 3,618

AMOUNT OF EXPOSURES UNDER SA (AFTER CREDIT RISK MITIGATION)

Millions of yen

	As of September 30, 2009				As of March 31, 2009			
	Consolidated		Non-consolidated		Consolidated		Non-consolidated	
	Rated	Unrated	Rated	Unrated	Rated	Unrated	Rated	Unrated
0%	¥ 412	¥ 10,406	¥ —	¥ —	¥ 35	¥ 11,365	¥ —	¥ —
10%	—	153	—	—	—	929	—	—
20%	81,722	12	—	—	105,670	12	—	—
35%	—	682,205	—	618,313	—	716,060	—	646,833
50%	4,040	22,238	—	855	6,888	21,681	—	271
75%	—	996,347	—	188,219	—	1,090,056	—	202,769
100%	921	152,954	—	1,516	525	156,500	—	1,605
150%	115	11,436	—	52	4	13,932	—	26
350%	—	—	—	—	—	—	—	—
Capital Deduction	—	—	—	—	—	—	—	—
Total	¥ 87,212	¥ 1,875,754	¥ —	¥ 808,958	¥ 113,123	¥ 2,010,539	¥ —	¥ 851,506

QUANTITATIVE DISCLOSURE (CONTINUED)

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

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

Millions of yen

	As of September 30, 2009		As of March 31, 2009	
	Amount of Exposure		Amount of Exposure	
Risk weight ratio	Consolidated	Non-consolidated	Consolidated	Non-consolidated
50%	¥ 224,810	¥ 224,017	¥ 157,733	¥ 157,733
70%	164,219	164,219	209,989	209,111
90%	18,004	18,004	63,328	63,328
115%	109,713	109,713	127,083	125,268
250%	161,251	155,401	171,827	167,493
0% (Default)	28,436	28,436	5,645	5,645
Total	¥ 706,436	¥ 699,794	¥ 735,607	¥ 728,581

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

Millions of yen

	As of September 30, 2009		As of March 31, 2009	
	Amount of Exposure		Amount of Exposure	
Risk weight ratio	Consolidated	Non-consolidated	Consolidated	Non-consolidated
70%	¥ 16,398	¥ 16,398	¥ 10,358	¥ 10,358
95%	65,204	65,204	85,696	85,696
120%	8,768	8,768	—	—
140%	23,681	23,681	39,438	39,438
250%	115,477	115,477	181,665	181,665
0% (Default)	74,246	74,246	25,326	25,326
Total	¥ 303,777	¥ 303,777	¥ 342,486	¥ 342,486

(3) Equity exposure under Market-Based Simplified Method

Millions of yen

	As of September 30, 2009		As of March 31, 2009	
Risk weight ratio	Amount Consolidated	Amount Non-consolidated	Amount Consolidated	Amount Non-consolidated
300%	¥ 191	¥ 31	¥ 5,259	¥ 5,147
400%	35,727	41,960	46,097	56,703
Total	¥ 35,919	¥ 41,992	¥ 51,356	¥ 61,851

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

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

Corporate (Consolidated)

Millions of yen (except percentages)

	As of September 30, 2009					As of March 31, 2009				
Credit rating	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)
0	0.03%	45.00%	24.20%	¥ 22,638	¥ —	0.04%	45.00%	29.96%	¥ 18,874	¥ 4,567
1	0.03%	45.00%	16.18%	39,405	22,650	0.04%	45.00%	26.47%	35,297	—
2	0.06%	44.91%	18.89%	163,380	42,552	0.07%	44.89%	21.40%	195,295	42,034
3	0.15%	44.92%	37.11%	516,453	68,953	0.14%	44.94%	34.10%	682,304	74,117
4	0.49%	44.94%	56.76%	827,954	87,608	0.40%	44.89%	50.08%	763,461	77,556
5	1.27%	44.88%	92.41%	233,440	32,456	1.00%	50.64%	93.18%	336,160	27,709
6	3.01%	45.30%	126.64%	314,762	8,297	3.32%	44.79%	132.25%	251,772	13,106
9A	12.20%	44.33%	205.24%	121,542	2,840	13.27%	44.81%	212.99%	192,710	17,184
Default	100.00%	44.56%	—	72,008	71	100.00%	47.89%	—	91,559	—

QUANTITATIVE DISCLOSURE (CONTINUED)

Sovereign (Consolidated)

Millions of yen (except percentages)

	As of September 30, 2009					As of March 31, 2009				
Credit rating	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)
0	0.00%	45.00%	—	¥ 3,011,527	¥ 7,500	0.00%	45.00%	—	¥2,051,781	¥ —
1	0.01%	45.00%	7.74%	55,342	35	0.04%	45.00%	21.02%	40,254	39
2	0.06%	45.00%	25.59%	113,155	2,291	0.07%	45.00%	31.42%	165,035	6,945
3	0.10%	44.97%	36.23%	152,998	15,997	0.10%	44.93%	30.01%	76,241	5,757
4	0.37%	45.00%	76.87%	2,344	1,096	0.40%	45.00%	75.54%	3,232	2,276
5	0.94%	45.00%	71.52%	5	1,256	0.74%	45.00%	71.00%	275	1,621
6	3.52%	45.00%	165.00%	0	—	3.64%	45.00%	166.24%	0	—
9A	12.20%	45.00%	190.33%	0	—	13.27%	45.00%	241.23%	983	—
Default	100.00%	45.00%	—	50	—	100.00%	45.00%	—	47	—

Bank (Consolidated)

Millions of yen (except percentages)

	As of September 30, 2009					As of March 31, 2009				
Credit rating	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)
0	0.03%	45.00%	17.12%	¥ 39,207	¥ 251	0.04%	45.00%	22.27%	¥ 36,045	¥ 251
1	0.03%	45.00%	25.88%	1	—	0.04%	45.00%	15.37%	4,790	37
2	0.06%	45.10%	21.36%	152,339	381,823	0.07%	45.09%	23.62%	111,179	372,533
3	0.13%	45.12%	31.55%	175,126	377,081	0.13%	45.00%	33.24%	129,406	267,011
4	0.35%	47.04%	54.04%	25,576	15,699	0.35%	45.56%	60.10%	79,535	129,957
5	1.14%	45.00%	81.72%	3,681	1,690	0.77%	45.00%	83.26%	11,810	137,523
6	3.45%	45.00%	160.11%	8,765	428	3.36%	45.00%	155.24%	8,332	660
9A	12.20%	45.00%	195.58%	3,471	46,196	13.27%	45.00%	208.08%	5,121	144,947
Default	—	—	—	—	—	100.00%	45.00%	—	852	—

Corporate (Non-consolidated)

Millions of yen (except percentages)

	As of September 30, 2009					As of March 31, 2009				
Credit rating	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)
0	0.03%	45.00%	24.20%	¥ 22,638	¥ —	0.04%	45.00%	29.53%	¥ 18,874	¥ 5,296
1	0.03%	45.00%	16.19%	39,228	22,842	0.04%	45.00%	27.37%	44,587	—
2	0.06%	44.91%	19.23%	150,914	42,552	0.07%	44.88%	21.64%	181,283	42,034
3	0.15%	44.92%	37.06%	509,956	68,953	0.15%	44.93%	34.02%	640,318	74,117
4	0.48%	44.96%	54.17%	1,142,218	128,516	0.39%	44.91%	48.45%	916,884	78,681
5	1.28%	44.84%	93.33%	171,448	32,456	1.08%	50.55%	93.94%	342,125	27,709
6	3.01%	45.35%	128.37%	269,354	8,297	3.39%	44.74%	136.13%	200,554	13,106
9A	12.20%	44.53%	197.55%	168,729	7,313	13.27%	44.81%	208.97%	194,607	17,184
Default	100.00%	44.51%	—	64,069	1,053	100.00%	47.89%	—	90,559	879

Sovereign (Non-consolidated)

Millions of yen (except percentages)

	As of September 30, 2009					As of March 31, 2009				
Credit rating	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)
0	0.00%	45.00%	—	¥ 2,991,419	¥ 7,500	0.00%	45.00%	—	¥2,045,285	¥ —
1	0.01%	45.00%	7.75%	55,151	35	0.04%	45.00%	21.06%	40,039	39
2	0.06%	45.00%	25.87%	110,561	2,291	0.07%	45.00%	31.49%	163,890	6,945
3	0.10%	44.97%	36.23%	152,997	15,997	0.10%	44.93%	30.01%	76,241	5,757
4	0.37%	45.00%	76.87%	2,344	1,096	0.40%	45.00%	75.54%	3,232	2,276
5	0.94%	45.00%	71.52%	5	1,256	0.74%	45.00%	71.00%	275	1,621
6	3.52%	45.00%	165.00%	0	—	3.64%	45.00%	166.24%	0	—
9A	—	—	—	—	—	13.27%	45.00%	241.23%	983	—
Default	100.00%	45.00%	—	50	—	100.00%	45.00%	—	47	—

QUANTITATIVE DISCLOSURE (CONTINUED)

Bank (Non-consolidated)

Millions of yen (except percentages)

	As of September 30, 2009					As of March 31, 2009				
Credit rating	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)
0	**0.03%**	**45.00%**	**19.39%**	**¥ 31,618**	**¥ 251**	0.04%	45.00%	24.05%	¥ 31,451	¥ 251
1	**0.03%**	**45.00%**	**25.88%**	**1**	**—**	0.04%	45.00%	15.37%	4,790	37
2	**0.06%**	**45.10%**	**21.39%**	**146,718**	**381,823**	0.07%	45.09%	23.74%	102,405	372,533
3	**0.12%**	**45.14%**	**33.18%**	**88,709**	**376,676**	0.13%	45.00%	37.21%	33,396	266,336
4	**0.30%**	**46.05%**	**49.19%**	**28,796**	**51,177**	0.32%	45.41%	54.76%	131,775	152,239
5	**1.33%**	**45.00%**	**97.95%**	**—**	**1,690**	0.77%	45.00%	83.27%	11,680	137,523
6	**3.49%**	**45.00%**	**163.54%**	**8,216**	**428**	3.53%	45.00%	162.98%	7,278	660
9A	**12.20%**	**45.00%**	**195.87%**	**826**	**46,196**	13.27%	45.00%	208.37%	639	144,947
Default	**—**	**—**	**—**	**—**	**—**	100.00%	45.00%	—	852	—

Note: LGD after credit risk mitigation

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

(Consolidated)

Millions of yen (except percentages)

	As of September 30, 2009				As of March 31, 2009			
Credit rating	PD	LGD	Risk Weight	Amount	PD	LGD	Risk Weight	Amount
0	**0.00%**	**90.00%**	**—**	**¥ 9**	0.04%	90.00%	300.00%	¥ 9
1	**—**	**—**	**—**	**—**	—	—	—	—
2	**0.06%**	**90.00%**	**200.02%**	**5,521**	0.06%	90.00%	200.02%	4,771
3	**0.18%**	**90.00%**	**200.23%**	**2,418**	0.16%	90.00%	239.17%	3,205
4	**0.41%**	**90.00%**	**269.81%**	**5,436**	0.40%	90.00%	270.55%	7,727
5	**1.67%**	**90.00%**	**399.76%**	**7,754**	1.09%	90.00%	334.56%	2,613
6	**2.62%**	**90.00%**	**419.39%**	**1,370**	3.64%	90.00%	332.49%	310
9A	**12.20%**	**90.00%**	**433.67%**	**8,043**	13.27%	90.00%	418.49%	7,434
Default	**100.00%**	**90.00%**	**—**	**503**	100.00%	90.00%	—	589

(Non-consolidated)

Millions of yen (except percentages)

	As of September 30, 2009				As of March 31, 2009			
Credit rating	PD	LGD	Risk Weight	Amount	PD	LGD	Risk Weight	Amount
0	**0.00%**	**90.00%**	**—**	**¥ 9**	0.04%	90.00%	300.00%	¥ 9
1	**—**	**—**	**—**	**—**	—	—	—	—
2	**0.06%**	**90.00%**	**200.02%**	**5,521**	0.06%	90.00%	200.02%	4,771
3	**0.19%**	**90.00%**	**200.00%**	**2,412**	0.16%	90.00%	239.07%	3,199
4	**0.44%**	**90.00%**	**296.58%**	**424,101**	0.35%	90.00%	296.62%	446,846
5	**1.67%**	**90.00%**	**399.77%**	**7,753**	1.09%	90.00%	334.60%	2,610
6	**2.32%**	**90.00%**	**449.43%**	**14,944**	2.10%	90.00%	440.79%	14,539
9A	**12.20%**	**90.00%**	**477.55%**	**24,072**	13.27%	90.00%	482.78%	22,327
Default	**100.00%**	**90.00%**	**—**	**734**	100.00%	90.00%	—	1,026

(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

Residential mortgage exposure

Millions of yen (except percentages)

	As of September 30, 2009							As of March 31, 2009						
						Undrawn Commitments							Undrawn Commitments	
Pool	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Amount	CCF	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Amount	CCF
Normal	**1.66%**	**50.10%**	**87.04%**	**¥ 15**	**¥ 12,565**	**¥ —**	**—**	1.97%	55.00%	106.36%	¥ 15	¥ 13,384	¥ —	—
Need caution	**80.31%**	**50.10%**	**115.10%**	**5**	**288**	**—**	**—**	81.11%	55.00%	121.57%	6	368	—	—
Default	**100.00%**	**50.10%**	**—**	**510**	**313**	**—**	**—**	100.00%	51.00%	—	428	307	—	—

Basel II Pillar III (Market Discipline) Disclosure
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Qualified revolving retail exposure

Millions of yen (except percentages)

	As of September 30, 2009							As of March 31, 2009						
						Undrawn Commitments							Undrawn Commitments	
Pool	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Amount	CCF	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Amount	CCF
Normal	**5.17%**	**85.83%**	**97.34%**	**¥ 129,772**	**¥ 19,833**	**¥ 2,714,644**	**0.73%**	5.64%	85.14%	104.24%	¥ 121,032	¥ 25,879	¥ 2,738,224	0.94%
Need caution	**77.41%**	**87.22%**	**157.00%**	**5,580**	**—**	**—**	**—**	80.28%	86.35%	139.14%	6,399	—	—	—
Default	**100.00%**	**87.23%**	**—**	**45,692**	**—**	**—**	**—**	100.00%	84.58%	—	42,101	—	—	—

Other retail exposure

Millions of yen (except percentages)

	As of September 30, 2009							As of March 31, 2009						
						Undrawn Commitments							Undrawn Commitments	
Pool	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Amount	CCF	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Amount	CCF
Normal	**2.35%**	**60.39%**	**72.98%**	**¥ 276,499**	**¥ 745,855**	**¥ —**	**—**	2.39%	60.57%	73.02%	¥ 295,625	¥ 773,649	¥ —	—
Need caution	**79.28%**	**60.31%**	**91.77%**	**7,045**	**4,691**	**—**	**—**	77.74%	60.14%	95.80%	6,301	4,152	—	—
Default	**100.00%**	**57.08%**	**—**	**94,121**	**1,319**	**—**	**—**	100.00%	57.20%	—	92,867	1,480	—	—

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

Millions of yen

	As of September 30, 2009	As of September 30, 2008
Results of actual losses (a)	**¥ 14,177**	¥ 23,616
Expected losses (b)	**12,416**	9,407
Differences ((b) - (a))	**(1,760)**	(14,208)

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, 2008 and 2009 for the Bank's non-default corporate exposure at the start of the twelve-month period, with expected losses calculated using estimated PD at the end of September 2009.

In the first half of fiscal year 2008, actual losses greatly exceeded the expected losses due to the credit cost increase caused by the bankruptcy of Lehman Brothers.

5. CREDIT RISK MITIGATION (CRM)

COVERED AMOUNT OF CRM BY COLLATERAL

FIRB

Millions of yen

	As of September 30, 2009		As of March 31, 2009	
	Eligible financial collateral	Other eligible FIRB collateral	Eligible financial collateral	Other eligible FIRB collateral
Corporate	**¥ 6,273**	**¥ 184,414**	¥ 8,549	¥ 181,033
Sovereign	**—**	**134**	—	160
Bank	**—**	**—**	—	—
Total	**¥ 6,273**	**¥ 184,548**	¥ 8,549	¥ 181,194

COVERED AMOUNT OF CRM BY GUARANTEE OR CREDIT DERIVATIVES

Millions of yen

	As of September 30, 2009		As of March 31, 2009	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
SA Exposures	**¥ —**	**¥ —**	¥ —	¥ —
IRB Exposures	**224,752**	**224,752**	219,457	219,457
Corporate	**61,678**	**61,678**	67,449	67,449
Sovereign	**87,783**	**87,783**	77,784	77,784
Bank	**75,291**	**75,291**	74,223	74,223
Residential mortgages	**—**	**—**	—	—
Qualified revolving retail	**—**	**—**	—	—
Other retail	**—**	**—**	—	—

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)
Zero
(5) Amount covered collateral
Zero
(6) EAD after CRM
Refer to below table

Millions of yen

	As of September 30, 2009		As of March 31, 2009	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Total amount of gross positive fair value	¥ 604,671	¥ 597,565	¥ 641,387	¥ 612,501
Amount of gross add-on	518,245	508,394	678,991	667,193
EAD before CRM	1,122,916	1,105,960	1,320,379	1,279,695
FX-related	619,755	621,691	630,693	631,404
Interest-related	245,101	245,133	259,561	276,757
Equity-related	65,316	71,558	31,024	80
Commodity-related	—	—	—	—
Credit derivatives	152,980	167,322	398,782	371,135
Others	254	254	317	317
Amount of net	211,645	213,118	163,713	177,551
EAD after net	911,271	892,841	1,156,666	1,102,143
Amount covered collateral	—	—	—	—
EAD after CRM	911,271	892,841	1,156,666	1,102,143

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

Millions of yen

	As of September 30, 2009		As of March 31, 2009	
Notional amount	Protection-buy	Protection-sell	Protection-buy	Protection-sell
Single name	¥ 696,872	¥ 754,612	¥ 792,504	¥ 939,898
Multi name	315,614	256,861	402,918	342,313

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

Millions of yen

	As of September 30, 2009		As of March 31, 2009	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Notional amount	¥ 17,362	¥ 17,362	¥ 11,227	¥ 11,227

7. SECURITIZATION

SECURITIZATION EXPOSURE ORIGINATED BY THE BANK GROUP

(1) Amount of original assets
Securitization by transfer of assets
Consolidated

Millions of yen

	As of September 30, 2009	As of March 31, 2009
Type of original assets	Amount of original asset	Amount of original asset
Residential mortgages	¥ 315,523	¥ 358,414
Consumer loans	55,189	114,777
Commercial real estate loans	168,331	161,193
Corporate loans	74,562	73,346
Others	35	12,979
Total	¥ 613,641	¥ 720,711

QUANTITATIVE DISCLOSURE (CONTINUED)

Non-consolidated

	Millions of yen	
	As of September 30, 2009	As of March 31, 2009
Type of original assets	Amount of original asset	Amount of original asset
Residential mortgages	¥ 315,523	¥ 358,414
Consumer loans	469,688	577,231
Commercial real estate loans	168,331	161,193
Corporate loans	74,562	73,346
Others	178,581	393,191
Total	¥ 1,206,686	¥ 1,563,377

Synthetic Securitization

Consolidated/Non-consolidated

	Millions of yen	
	As of September 30, 2009	As of March 31, 2009
Type of original assets	Amount of original asset	Amount of original asset
Corporate loans	¥ 30,100	¥ 30,100
Total	¥ 30,100	¥ 30,100

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

(2) Amount of default exposure including original assets

Securitization by transfer of assets

Consolidated

	Millions of yen	
	As of September 30, 2009	As of March 31, 2009
Type of original assets	Amount of Default	Amount of Default
Residential mortgages	¥ 5,615	¥ 8,117
Consumer loans	—	—
Commercial real estate loans	134,520	945
Corporate loans	30,171	30,773
Others	—	—
Total	¥ 170,307	¥ 39,836

Non-consolidated

	Millions of yen	
	As of September 30, 2009	As of March 31, 2009
Type of original assets	Amount of Default	Amount of Default
Residential mortgages	¥ 5,615	¥ 8,117
Consumer loans	—	—
Commercial real estate loans	134,520	945
Corporate loans	30,171	30,773
Others	—	—
Total	¥ 170,307	¥ 39,836

Synthetic Securitization

Consolidated/Non-consolidated

	Millions of yen	
	As of September 30, 2009	As of March 31, 2009
Type of original assets	Amount of Default	Amount of Default
Corporate loans	¥ —	¥ —
Total	¥ —	¥ —

QUANTITATIVE DISCLOSURE (CONTINUED)

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

Securitization by transfer of assets

Consolidated

	Millions of yen	
	As of September 30, 2009	As of March 31, 2009
Type of original assets	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ 10,336	¥ 23,627
Consumer loans	52,672	98,333
Commercial real estate loans	4,563	3,386
Corporate loans	57,539	58,273
Others	—	1,831
Total	¥ 125,111	¥ 185,452

Non-consolidated

	Millions of yen	
	As of September 30, 2009	As of March 31, 2009
Type of original assets	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ 10,336	¥ 23,627
Consumer loans	268,237	391,478
Commercial real estate loans	4,563	3,386
Corporate loans	57,539	58,273
Others	139,358	123,686
Total	¥ 480,035	¥ 600,452

Synthetic Securitization

Consolidated/Non-consolidated

	Millions of yen	
	As of September 30, 2009	As of March 31, 2009
Type of original assets	Amount of Exposure	Amount of Exposure
Corporate loans	¥ 16,996	¥ 15,608
Total	¥ 16,996	¥ 15,608

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

Securitization by transfer of assets

Consolidated

	Millions of yen			
	As of September 30, 2009		As of March 31, 2009	
Band of risk weight ratio	Amount	Required Capital amount	Amount	Required Capital amount
To 12%	¥ 30,828	¥ 189	¥ 31,469	¥ 193
Over 12% to 20%	6,387	108	19,687	333
Over 20% to 50%	—	—	—	—
Over 50% to 75%	1,407	66	14,465	700
Over 75% to 100%	15,049	1,172	26,800	2,007
Over 100% to 250%	39,052	5,103	68,971	7,515
Over 250% to 425%	19,885	5,071	24,056	6,764
Over 425%	12,500	6,625	—	—
Total	¥ 125,111	¥ 18,336	¥ 185,452	¥ 17,514

Non-consolidated

	Millions of yen			
	As of September 30, 2009		As of March 31, 2009	
Band of risk weight ratio	Amount	Required Capital amount	Amount	Required Capital amount
To 12%	¥ 435,924	¥ 4,240	¥ 80,825	¥ 615
Over 12% to 20%	8,887	150	372,865	6,323
Over 20% to 50%	—	—	—	—
Over 50% to 75%	—	—	70,079	3,566
Over 75% to 100%	3,291	279	44,189	3,747
Over 100% to 250%	14,867	2,429	15,000	1,368
Over 250% to 425%	4,563	1,470	17,491	5,222
Over 425%	12,500	6,625	—	—
Total	¥ 480,035	¥ 15,195	¥ 600,452	¥ 20,843

QUANTITATIVE DISCLOSURE (CONTINUED)

Synthetic Securitization

Consolidated/Non-consolidated

Millions of yen

Band of risk weight ratio	As of September 30, 2009 Amount	As of September 30, 2009 Required Capital amount	As of March 31, 2009 Amount	As of March 31, 2009 Required Capital amount
To 12%	¥ —	¥ —	¥ —	¥ —
Over 12% to 20%	—	—	—	—
Over 20% to 50%	16,996	586	15,608	289
Over 50% to 75%	—	—	—	—
Over 75% to 100%	—	—	—	—
Over 100% to 250%	—	—	—	—
Over 250% to 425%	—	—	—	—
Over 425%	—	—	—	—
Total	¥ 16,996	¥ 586	¥ 15,608	¥ 289

(5) 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, 2009 Consolidated	As of September 30, 2009 Non-consolidated	As of March 31, 2009 Consolidated	As of March 31, 2009 Non-consolidated
Residential mortgages	¥ 9,254	¥ 9,254	¥ 9,946	¥ 9,946
Consumer loans, installment receivables	202	84	342	84
Commercial real estate loans	0	0	0	0
Others	1,692	1,692	3,770	3,770
Total	¥ 11,149	¥ 11,031	¥ 14,060	¥ 13,801

(6) 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, 2009 Consolidated	As of September 30, 2009 Non-consolidated	As of March 31, 2009 Consolidated	As of March 31, 2009 Non-consolidated
Residential mortgages	¥ 548	¥ 548	¥ 784	¥ 784
Consumer loans, installment receivables	665	665	1,289	1,289
Commercial real estate loans	1,933	1,933	752	752
Others	30	—	1,278	1,241
Total	¥ 3,177	¥ 3,147	¥ 4,104	¥ 4,067

(7) Securitization exposure subject to early amortization

None.

(8) Summary of current year's securitization activities including amount of exposure securitized, and recognized gain/loss by original asset type

None.

(9) 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

Millions of yen

Type of original assets	As of September 30, 2009 Amount of Exposure	As of March 31, 2009 Amount of Exposure
Residential mortgages	¥ 13,271	¥ 16,466
Consumer loans	3,618	6,444
Commercial real estate loans	89,003	91,011
Corporate loans	62,020	68,367
Others	131,131	138,049
Total	¥ 299,045	¥ 320,339

QUANTITATIVE DISCLOSURE (CONTINUED)

Non-consolidated

	Millions of yen	
	As of September 30, 2009	As of March 31, 2009
Type of original assets	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ 13,271	¥ 16,466
Consumer loans	3,618	6,444
Commercial real estate loans	89,003	91,011
Corporate loans	62,020	68,844
Others	131,131	138,049
Total	¥ 299,045	¥ 320,816

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

Consolidated

	Millions of yen			
	As of September 30, 2009		As of March 31, 2009	
Band of risk weight ratio	Amount	Required Capital amount	Amount	Required Capital amount
To 12%	¥ 182,313	¥ 1,561	¥ 197,132	¥ 1,628
Over 12% to 20%	18,539	255	24,932	326
Over 20% to 50%	10,399	345	37,246	1,289
Over 50% to 75%	12,542	797	14,726	936
Over 75% to 100%	473	40	57	4
Over 100% to 250%	28,534	2,492	—	—
Over 250% to 425%	11,742	3,378	11,743	3,350
Over 425%	34,500	18,285	34,500	18,285
Total	¥ 299,045	¥ 27,156	¥ 320,339	¥ 25,821

Non-consolidated

	Millions of yen			
	As of September 30, 2009		As of March 31, 2009	
Band of risk weight ratio	Amount	Required Capital amount	Amount	Required Capital amount
To 12%	¥ 182,313	¥ 1,561	¥ 197,132	¥ 1,628
Over 12% to 20%	18,539	255	24,932	326
Over 20% to 50%	10,399	345	37,723	1,303
Over 50% to 75%	12,542	797	14,726	936
Over 75% to 100%	473	40	57	4
Over 100% to 250%	28,534	2,492	—	—
Over 250% to 425%	11,742	3,378	11,743	3,350
Over 425%	34,500	18,285	34,500	18,285
Total	¥ 299,045	¥ 27,156	¥ 320,816	¥ 25,835

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

	Millions of yen			
	As of September 30, 2009		As of March 31, 2009	
Type of original assets	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Residential mortgages	¥ 4,222	¥ 4,222	¥ 4,598	¥ 4,598
Consumer loans, installment receivables	—	—	—	—
Commercial real estate loans	4,144	4,144	3,625	3,625
Corporate loans	15,984	15,984	16,578	16,578
Others	—	—	14,142	14,145
Total	¥ 24,351	¥ 24,351	¥ 38,944	¥ 38,946

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

None.

8. MARKET RISK (UNDER INTERNAL MODEL APPROACH)

VaR AT THE END OF SEPTEMBER 2009 AND MARCH 2009 AND THE HIGH, MEAN AND LOW VaR

Millions of yen

	As of September 30, 2009		As of March 31, 2009	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
VaR at term end	¥ 3,582	¥ 3,382	¥ 3,629	¥ 2,934
VaR through this term				
High	7,654	6,390	7,654	6,454
Mean	3,861	3,231	3,878	3,252
Low	2,747	2,235	1,518	1,286

Concerning the back testing for trading account in FY2008, the actual daily loss exceeded the VaR twice.
In both cases, significant discrepancy with the VaR was generated, but this was due to the bankruptcy of Lehman Brothers.
For the six months ended September 30, 2009, 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, 2009		As of March 31, 2009	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Market-based approach				
Listed equity exposure	¥ 191	¥ 31	¥ 5,259	¥ 5,147
Unlisted equity exposure	35,727	41,960	46,097	56,703
PD/LGD method				
Listed equity exposure	17,767	30,616	10,639	35,872
Unlisted equity exposure	13,288	448,932	16,020	459,457

GAIN OR LOSS ON SALE OR DEPRECIATION OF EQUITY EXPOSURE

Millions of yen

	Six months ended September 30, 2009		Fiscal year ended March 31, 2009	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Gain (loss) on sale	¥ 1,840	¥ 1,526	¥ 2,048	¥ 3,854
Loss of depreciation	2,068	2,034	12,762	11,549

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, 2009		As of March 31, 2009	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Unrealized gain (loss)	¥ 1,103	¥ 1,108	¥ (2,575)	¥ (1,936)

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

Millions of yen

	As of September 30, 2009		As of March 31, 2009	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Equity to subsidiaries and affiliates	¥ —	¥ (2,977)	¥ —	¥ (6,645)

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

Millions of yen

	As of September 30, 2009		As of March 31, 2009	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Grandfathering rule (100% risk weight apply)	¥ 9,256	¥ 19,759	¥ 8,868	¥ 20,120

10. AMOUNT OF REGARDED EXPOSURE UNDER THE ACCORD ARTICLE 167

	Millions of yen			
	As of September 30, 2009		As of March 31, 2009	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Regarded exposure (fund)	**¥ 87,942**	**¥ 66,209**	¥ 110,082	¥ 88,935

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

The gain (loss) from an upward interest rate shock of 2% in the banking book is shown below:

	Billions of yen			
	As of September 30, 2009		As of March 31, 2009	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
JPY	**¥ (30.3)**	**¥ (11.5)**	¥ (5.3)	¥+31.2
USD	**(0.5)**	**(0.5)**	+1.2	+1.2
Others	**(0.1)**	**(0.1)**	(0.8)	(0.8)
Total	**¥ (31.0)**	**¥ (12.2)**	¥ (4.9)	¥+31.6

CORPORATE INFORMATION

SHINSEI BANK GROUP

AS OF SEPTEMBER 30, 2009

As of September 30, 2009, the Shinsei Bank Group consisted of Shinsei Bank, Limited, 217 subsidiaries (comprising 125 consolidated companies including APLUS Co., Ltd., Showa Leasing Co., Ltd. and Shinsei Financial Co., Ltd. and 92 unconsolidated subsidiaries) and 25 affiliated companies (affiliates accounted for using the equity method, such as Jih Sun Financial Holding Co., Ltd.). The Shinsei Bank Group is an integrated financial services group which engages principally in the banking business and conducts securities, trust and other businesses.

Shinsei Bank, Limited

- **Banking** — Head office and domestic branch offices
  Major subsidiaries: • APLUS Co., Ltd. • Showa Leasing Co., Ltd. • SHINKI Co., Ltd. • Shinsei Financial Co., Ltd.
- **Securities** — Major subsidiary: • Shinsei Securities Co., Ltd.
- **Trust business** — Major subsidiary: • Shinsei Trust & Banking Co., Ltd.
- **Other business** — Major subsidiaries: • Shinsei Investment Management Co., Ltd. • Shinsei Servicing Company

MAJOR SUBSIDIARIES AND AFFILIATES

AS OF SEPTEMBER 30, 2009

Name	Location	Main business	Capital (in millions)	Established (Acquired)	Equity stake held by Shinsei Bank and consolidated subsidiaries (%)	Equity stake held by Shinsei Bank	Equity stake held by consolidated subsidiaries of Shinsei Bank
Major Domestic Subsidiaries							
Shinsei Property Finance Co., Ltd.	Tokyo, Japan	Real estate collateral finance	¥ 2,750	1959.5	100.0%	100.0%	—%
Shinsei Information Technology Co., Ltd.	Tokyo, Japan	Information technology	100	1983.8	100.0	100.0	—
Shinseigin Finance Co., Ltd.	Tokyo, Japan	Finance	10	1993.1	100.0	100.0	—
Shinsei Trust & Banking Co., Ltd.	Tokyo, Japan	Trust banking	5,000	1996.11	100.0	100.0	—
Shinsei Securities Co., Ltd.	Tokyo, Japan	Securities	8,750	1997.8	100.0	100.0	—
Shinsei Servicing Company	Tokyo, Japan	Servicing business	500	2001.10	100.0	—	100.0
Shinsei Investment Management Co., Ltd.	Tokyo, Japan	Investment trust and discretionary investment advisory	495	2001.12	100.0	100.0	—
APLUS Co., Ltd.	Osaka, Japan	Installment credit	15,000	(2004.9)	69.7	69.7	—
Zen-Nichi Shinpan Co., Ltd.	Okayama, Japan	Installment credit	1,000	(2006.3)	97.3	—	97.3
Showa Leasing Co., Ltd.	Tokyo, Japan	Leasing	24,300	(2005.3)	96.4	96.4	—
SHINKI Co., Ltd.	Tokyo, Japan	Finance	16,709	(2007.12)	100.0	88.9	11.1
Shinsei Financial Co., Ltd.	Tokyo, Japan	Finance	66,518	(2008.9)	100.0	99.8	0.2
Major Overseas Subsidiaries							
Shinsei Bank Finance N.V.	Curaçao, Netherlands Antilles	Finance	$2.1	1976.3	100.0%	100.0%	—%
Shinsei International Limited	London, UK	Securities	£3	2004.9	100.0	100.0	—
Shinsei Finance (Cayman), Limited	Grand Cayman, Cayman Islands	Finance	$695	2006.2	100.0	100.0	—
Shinsei Finance II (Cayman), Limited	Grand Cayman, Cayman Islands	Finance	$594	2006.3	100.0	100.0	—
Shinsei Finance III (Cayman), Limited	Grand Cayman, Cayman Islands	Finance	¥ 39,113	2009.3	100.0	100.0	—
Shinsei Finance IV (Cayman), Limited	Grand Cayman, Cayman Islands	Finance	9,107	2009.3	100.0	100.0	—
Major Affiliates Accounted for Using the Equity Method							
Jih Sun Financial Holding Co., Ltd.	Taipei, Taiwan	Finance	NT$49,628	2002.2	30.4%	—%	30.4%
Raffia Capital Co., Ltd.	Tokyo, Japan	Private equity fund management	¥ 10	2002.7	50.0	50.0	—
Hillcot Holdings Limited	Hamilton, Bermuda	Holding company	$12,000	2002.11	49.9	49.9	—

STOCK INFORMATION

AS OF SEPTEMBER 30, 2009

Shares Outstanding and Capital

1,000 shares, millions of yen

Date	Shares outstanding		Capital		Capital surplus		Notes
	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

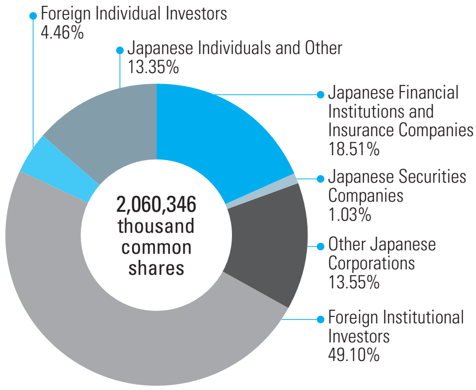
* Figure includes number of preferred shares outstanding

Largest Shareholders[(1)(2)]

Rank	Shareholders	Thousands of Common Shares	%
1	SATURN IV SUB LP (JPMCB 380111)	322,964	15.67
2	Deposit Insurance Corporation of Japan	269,128	13.06
3	THE RESOLUTION AND COLLECTION CORPORATION	200,000	9.70
4	SATURN JAPAN III SUB C.V. (JPMCB 380113)	110,449	5.36
5	SHINSEI BANK, LIMITED	96,427	4.68
6	J. CHRISTOPHER FLOWERS	91,297	4.43
7	SATURN V C.V. (JPMCB 380114)	70,708	3.43
8	GOLDMAN. SACHS & CO. REG	51,533	2.50
9	THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	45,598	2.21
10	UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT	42,582	2.06
11	JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT)	35,692	1.73
	Total	2,060,346	100.00

(1) As of September 30, 2009, a group of investors, including affiliates of J.C. Flowers & Co. LLC., holds 638,109,073 common shares or 32.5% of Shinsei's outstanding common shares, excluding treasury shares.
(2) As of September 30, 2009, in total, the Deposit Insurance Corporation and the Resolution and Collection Corporation hold 469,122,888 common shares or 23.9% of Shinsei's outstanding common shares, excluding treasury shares.

Breakdown of Shareholders



Foreign shareholder ownership ratio: 53.56%

EMPLOYEES

	Six months ended September 30, 2008	FY2008	**Six months ended September 30, 2009**
Consolidated			
Number of Employees	7,273	7,006	**6,254**
Non-Consolidated			
Number of Employees	2,381	2,259	**2,067**
Male	1,288	1,208	**1,115**
Female	1,093	1,051	**952**
Average age	38 years 2 months	38 years 6 months	**38 years 6 months**
Average years of service	9 years 1 month	9 years 7 months	**10 years 1 month**
Average monthly salary	¥503 thousand	¥495 thousand	**¥495 thousand**

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

NETWORK

DOMESTIC OUTLETS:	AS OF DECEMBER 1, 2009
39 outlets, including 31 Shinsei Financial Centers (head office and branches) and 8 Consulting Spots (annexes)	

HOKURIKU

Kanazawa Branch

KINKI

Kyoto Branch
Osaka Branch
Umeda Branch
Umeda Branch—Hankyu Umeda Annex
Umeda Branch—Senri Chuo Annex
Umeda Branch—Nishinomiya Kitaguchi Annex
Namba Branch
Namba Branch—Sakai Higashi Annex
Kobe Branch

CHUGOKU

Hiroshima Branch

SHIKOKU

Takamatsu Branch

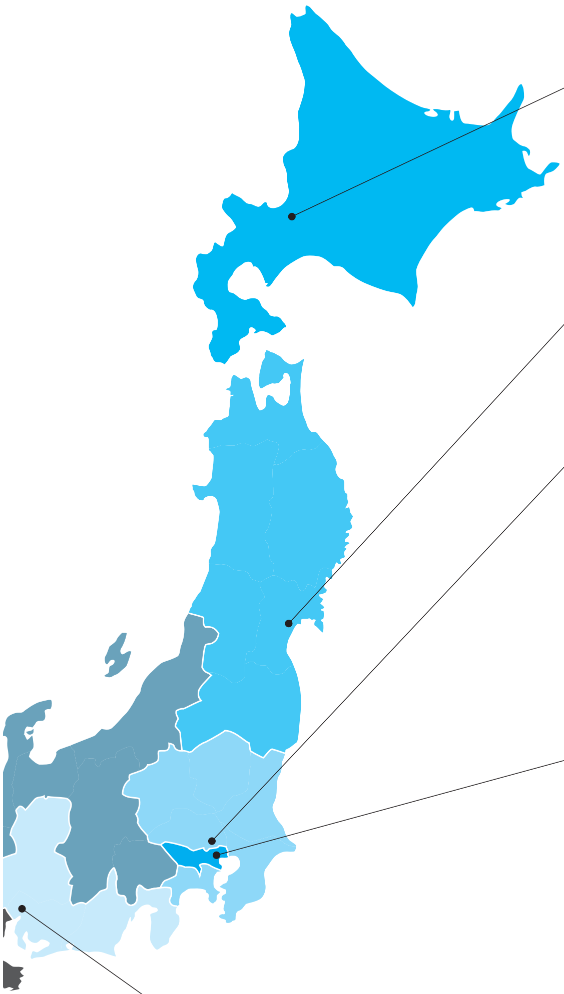
KYUSHU

Fukuoka Branch

DOMESTIC SUB-BRANCHES (ATM ONLY):	AS OF DECEMBER 1, 2009
Tokyo Metro stations	52 locations
Other train stations	10 locations
Other	80 locations

ACCESS TO SEVEN BANK, LTD. ATMS	AS OF DECEMBER 1, 2009
Access to Seven Bank, Ltd. ATMs	13,142 locations

AS OF DECEMBER 1, 2009



HOKKAIDO

Sapporo Branch

TOHOKU

Sendai Branch

KANTO (EXCEPT TOKYO)

Omiya Branch
Ikebukuro Branch—Kawaguchi Annex
Kashiwa Branch
Lalaport Branch
Lalaport Branch—Tsudanuma Annex
Yokohama Branch
Yokohama Branch—Kamakura Annex
Fujisawa Branch

TOKYO

Head Office
Tokyo Branch
Ginza Branch
Ikebukuro Branch
Ueno Branch
Kichijoji Branch
Shinjuku Branch
Roppongi Hills Branch
Shibuya Branch
Shibuya Branch—Omotesando Hills Annex
Hiroo Branch
Meguro Branch
Futakotamagawa Branch
Hachioji Branch
Machida Branch

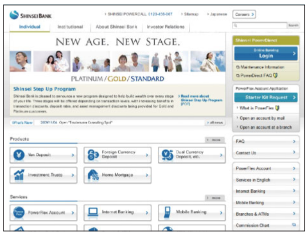
TOKAI

Nagoya Branch

WEBSITE

Our English and Japanese websites provide a wide range of information for individual and institutional customers, corporate data and investor relations.

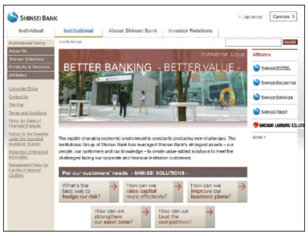
INDIVIDUAL



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.

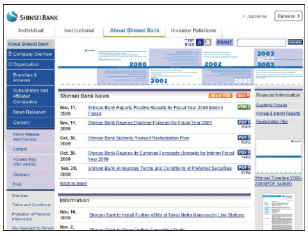
INSTITUTIONAL



http://www.shinseibank.com/institutional/en/

Our website for institutional customers provides information for our institutional customers on our products, services and solutions. It also contains details of our branches and affiliates.

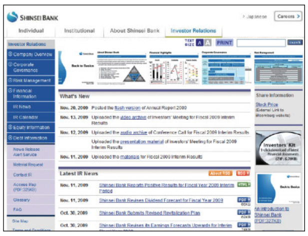
ABOUT SHINSEI BANK



http://www.shinseibank.com/investors/en/about/

This website provides information on our corporate profile, history and subsidiaries. It also contains news releases.

INVESTOR RELATIONS



http://www.shinseibank.com/investors/en/ir/

The Investor Relations website contains a company overview, information on corporate governance, financial information, IR news and IR calendar. It also provides equity- and debt-related information.

For further information, please contact:

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Shinsei Bank, Limited
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Tel: 81-3-5511-8303 Fax: 81-3-4560-1706 URL: http://www.shinseibank.com E-mail: Shinsei_IR@shinseibank.com

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