Quarterly Consolidated Financial Statements and Notes

For the Nine-Month Period Ended December 31, 2011

*This is an English translation of quarterly consolidated financial statements and notes prepared in Japanese under JGAAP in accordance with Rule 12g3-2(b) under the U.S. Securities Exchange Act of 1934. The notes for the previous periods can be found in the respective documents from the previous fiscal year.

Shinsei Bank, Limited

(Code 8303, TSE First Section)

Quarterly Consolidated Balance Sheets

Shinsei Bank, Limited, and Consolidated Subsidiaries

As of March 31, 2011 and December 31, 2011

(Millions of yen)

	March 31, 2011		December 31, 2011
ASSETS			
Cash and due from banks	¥ 452,751		¥ 496,199
Receivables under resale agreements	-		15,032
Collateral related to securities borrowing transactions	10,388		29,248
Other monetary claims purchased	157,006		131,558
Trading assets	195,396		209,239
Monetary assets held in trust	253,688		274,140
Securities	3,286,382		1,895,514
Loans and bills discounted	4,291,462	※1	4,076,506
Foreign exchanges	42,069		24,688
Lease receivables and leased investment assets	206,216		195,700
Other assets	794,798	※1, ※2	729,359
Premises and equipment	50,099		52,170
Intangible assets	96,013	※3, ※4	86,066
Deferred issuance expenses for debentures	182		146
Deferred tax assets	18,603		15,475
Customers' liabilities for acceptances and guarantees	575,700		558,799
Reserve for credit losses	(199,211)		(185,275)
[Total assets]	¥ 10,231,548		¥ 8,604,572
LIABILITIES AND EQUITY			
Liabilities:			
Deposits	¥ 5,436,640		¥ 5,347,133
Negotiable certificates of deposit	174,046		179,456
Debentures	348,270		305,522
Call money	160,330		140,155
Collateral related to securities lending transactions	269,697		45,954
Trading liabilities	147,787		161,719
Borrowed money	1,672,790		457,942
Foreign exchanges	39		52
Short-term corporate bonds	22,800		63,000
Corporate bonds	179,611		163,752
Other liabilities	569,362		501,220
Accrued employees' bonuses	8,084		5,115
Accrued directors' bonuses	38		31
Reserve for employees' retirement benefits	11,016		7,053
Reserve for directors' retirement benefits	285		213
Reserve for losses on interest repayments	43,199		35,214
Reserve under special law	1		1
Deferred tax liabilities	690		439
Acceptances and guarantees	575,700		558,799
[Total liabilities]	9,620,394		7,972,778
Equity:			
Shareholders' equity:			
Capital stock	512,204		512,204
Capital surplus	79,461		79,461
Retained earnings	55,087		73,063
Treasury stock, at cost	(72,558)		(72,558)
[Total shareholders' equity]	574,195		592,170
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities	(15,225)		(6,913)
Deferred gain (loss) on derivatives under hedge accounting	(10,197)		(12,737)
Foreign currency translation adjustments	(2,511)		(2,809)
[Total accumulated other comprehensive income]	(27,935)		(22,459)
Stock acquisition rights	1,413		1,357
Minority interests in subsidiaries	63,481		60,725
[Total equity]	611,154		631,794
[Total liabilities and equity]	¥ 10,231,548		¥ 8,604,572

Quarterly Consolidated Statements of Income

Shinsei Bank, Limited, and Consolidated Subsidiaries

For the nine-month periods ended December 31, 2010 and 2011

(Millions of yen)

	December 31, 2010 (9 months)		December 31, 2011 (9 months)
ORDINARY INCOME	¥ 361,112		¥ 322,583
Interest income	161,514		121,772
Interest on loans and bills discounted	138,708		106,874
Interest and dividends on securities	17,895		13,777
Fees and commissions income	35,819		36,393
Trading profits	12,179		11,022
Other business income	137,799	※1	122,080
Other ordinary income	13,799	※2	31,314
ORDINARY EXPENSES	318,298		294,625
Interest expenses	38,672		33,079
Interest on deposits	26,415		22,306
Interest on borrowings	5,359		4,272
Interest on corporate bonds	3,853		4,228
Fees and commissions expenses	17,498		16,305
Trading losses	4,288		3,064
Other business expenses	81,923	※3	91,878
General and administrative expenses	120,338	※4	106,380
Other ordinary expenses	55,575	※5	43,917
NET ORDINARY INCOME	42,813		27,958
Extraordinary gains	39,928	※6	2,762
Extraordinary losses	6,436	※7	1,998
Income before income taxes and minority interests	76,306		28,721
Income taxes (benefit)	5,039		5,345
Income before minority interests	71,266		23,376
Minority interests in net income of subsidiaries	7,182		2,745
NET INCOME	¥ 64,083		¥ 20,630

Quarterly Consolidated Statements of Comprehensive Income

Shinsei Bank, Limited, and Consolidated Subsidiaries

For the nine-month periods ended December 31, 2010 and 2011

(Millions of yen)

	December 31, 2010 (9 months)	December 31, 2011 (9 months)
INCOME BEFORE MINORITY INTERESTS	¥ 71,266	¥ 23,376
OTHER COMPREHENSIVE INCOME	(33,715)	4,766
Unrealized gain (loss) on available-for-sale securities	(12,006)	8,277
Deferred gain (loss) on derivatives under hedge accounting	(9,280)	(2,539)
Foreign currency translation adjustments	(12,396)	(565)
Share of other comprehensive income in affiliates	(32)	(406)
COMPREHENSIVE INCOME	¥ 37,550	¥ 28,142
(Breakdown)		
Attributable to:		
Owners of the parent	¥ 40,785	¥ 26,106
Minority interests	(3,235)	2,036

Change in Scope of Consolidation or Application of the Equity Method

1. Important change in scope of consolidation

   From this quarterly period, Specialized Loan Servicing, LLC and six other companies are excluded from scope of consolidation due to the disposal of shares.

2. Important change in application of the equity method

   There is no important change.

Accounting Method Specific to Quarterly Consolidated Financial Statements

Income taxes

Income taxes (benefit) are calculated based on income before income taxes and minority interests for the nine-month period ended December 31, 2011 and the reasonably estimated effective tax rate for the fiscal year which includes the nine-month period ended December 31, 2011.

Supplementary Information

Accounting standard for accounting changes and error corrections

Effective April 1, 2011, the Statement No.24 “Accounting Standard for Accounting Changes and Error Corrections” and the Guidance No.24 “Guidance on Accounting Standard for Accounting Changes and Error Corrections,” which were issued by the Accounting Standards Board of Japan (ASBJ) on December 4, 2009, were applied.

In conformity with the revised Report No.14 "Practical Guidelines on Accounting Standards for Financial Instruments" issued by the Accounting Practice Committee of the Japanese Institute of Certified Public Accountants (JICPA), recoveries of written-off claims are included in “Other ordinary income” for the nine-month period ended December 31, 2011. However, retrospective application was not made for the nine-month period ended December 31, 2010.

Notes to Quarterly Consolidated Financial Statements

(Quarterly Consolidated Balance Sheet as of December 31, 2011)

1. Risk-monitored loans included in "Loans and bills discounted" are as follows:

(Millions of yen)

Loans to bankrupt obligors	¥12,741
Non-accrual delinquent loans	328,074
Loans past due for three months or more	1,576
Restructured loans	51,778

Risk-monitored loans included in installment receivables in "Other assets" are as follows:

(Millions of yen)

Credits to bankrupt obligors	¥ 292
Non-accrual delinquent credits	5,047
Credits past due for three months or more	336
Restructured credits	2,031

The amounts above represent outstanding balance before reduction of reserve for credit losses.

2. Installment receivables of ¥338,711 million are included in "Other assets."

3. Goodwill and negative goodwill are offset and the net amount is included in "Intangible assets." The gross amounts are as follows:

(Millions of yen)

Goodwill	¥ 49,499
Negative goodwill	5,714
Net	¥ 43,785

4. "Intangible assets" includes ¥17,264 million of other intangible assets that have been recognized by applying the purchase method to the acquisition of certain consolidated subsidiaries.

(**Quarterly Consolidated Statement of Income for the nine-month period ended December 31, 2011)**

1. “Other business income” includes revenue on lease transactions of ¥69,114 million.
2. “Other ordinary income” includes recoveries of written-off claims of ¥8,641 million, gain on sale of equity securities of ¥7,176 million, and gain on monetary assets held in trust of ¥6,704 million.
3. “Other business expenses” includes costs on lease transactions of ¥59,062 million.
4. “General and administrative expenses” includes amortization of goodwill of ¥5,863 million and amortization of other intangible assets of ¥3,256 million that have been recognized by applying the purchase method to the acquisition of Showa Leasing Co., Ltd. (“Showa Leasing”) and Shinsei Financial Co., Ltd. (“Shinsei Financial”) and their consolidated subsidiaries.
5. “Other ordinary expenses” includes provision of reserve for credit losses of ¥16,660 million, and provision of reserve for losses on interest repayments of ¥11,832 million.
6. “Extraordinary gains” includes gain on sale of subsidiary’s stocks of ¥2,247 million.
7. “Extraordinary losses” includes impairment losses on fixed assets of ¥906 million and loss on disposal of premises and equipment of ¥650 million.

(Quarterly Consolidated Statement of Cash Flows)

Quarterly consolidated statement of cash flows for the nine-month period ended December 31, 2011 was not prepared. Depreciation, including amortization of intangible assets other than those acquired in business combination, amortization of goodwill and other intangible assets acquired in business combination are as follows:

(Millions of yen)

Depreciation (other than depreciation of leased assets as lessor)	¥ 7,401
Amortization of goodwill	5,863
Amortization of other intangible assets acquired in business combination	3,256

(Shareholders Equity)

1. Dividends paid during the nine-month period ended December 31, 2011

(Resolution)	Type of shares	Total amount of dividend	Per share amount	Record date	Effective date	Source of dividend
The Board of Directors meeting on May 12, 2011	Common shares	¥2,653 million	¥1.00	March 31, 2011	June 2, 2011	Retained earnings

2. There is no dividend of which the record date belongs to the nine-month period ended December 31, 2011, and of which the effective date is after December 31, 2011.

(Segment Information)

1. Revenue and profit (loss) by reportable segment for the nine-month period ended December 31, 2011

(Millions of yen)

	Institutional Group					Global Markets Group			
	Institutional Business Sub-Group	Structured Finance Sub-Group	Principal Transactions Sub-Group	Showa Leasing	Other Institutional Group	Financial Institutions Sub-Group	Markets Sub-Group	Treasury Sub-Group	Other Global Markets Group
Revenue	¥ 5,003	¥ 16,080	¥ 9,269	¥ 10,512	¥ 8,376	¥ 2,136	¥ 3,081	¥ (4,514)	¥ 1,440
Net interest income	6,797	12,840	2,267	(2,056)	(273)	1,081	885	(7,011)	379
Non-interest income	(1,793)	3,240	7,002	12,569	8,649	1,055	2,195	2,496	1,061
Expenses	4,407	3,620	2,892	5,800	1,946	1,759	2,464	817	3,108
Net credit costs (recoveries)	(1,549)	10,372	(319)	(224)	813	(283)	(1,679)	-	(687)
Segment profit (loss)	¥ 2,145	¥ 2,087	¥ 6,696	¥ 4,936	¥ 5,616	¥ 660	¥ 2,295	¥ (5,332)	¥ (980)

	Individual Group				Corporate / Other	Total
	Retail Banking Sub-Group	Consumer Finance Sub-Group				
		Shinsei Financial	APLUS FINANCIAL	Other		
Revenue	¥ 27,769	¥ 39,955	¥ 36,716	¥ 1,318	¥ (2,118)	¥ 155,028
Net interest income	22,378	42,735	9,807	1,174	(2,313)	88,692
Non-interest income	5,390	(2,779)	26,908	144	194	66,335
Expenses	23,390	23,242	22,616	255	(787)	95,536
Net credit costs (recoveries)	1,269	(2,990)	6,874	158	196	11,949
Segment profit (loss)	¥ 3,108	¥ 19,704	¥ 7,225	¥ 905	¥ (1,527)	¥ 47,542

（Notes）

1. “Revenue,” which represents gross operating profit under management reporting, is presented as a substitute for sales in other industries. “Revenue” is defined as the total of net interest income, net fees and commissions, net trading income, net other business income, net gain and loss on monetary assets held in trust and equity related transactions. “Revenue” represents income and related cost attributable to core business.

   Interest on inter-segment transactions is calculated using an inter-office rate. Indirect expenses are allocated, based on the predefined rule, to each reportable segment according to the budget which is set at the beginning of the fiscal year.
2. “Expenses” are general and administrative expenses deducting amortization of goodwill and other intangible assets, amortization of net actuarial gains or losses of retirement benefit cost and lump-sum payments.
3. “Net credit costs (recoveries)” consist of provision/reversal of reserve for credit losses, losses on write-off or sales of loans, and recoveries of written-off claims.

4. “Shinsei Financial” includes profit/loss on the unsecured personal card loan business which was transferred from Shinsei Financial to the Bank as of October 1, 2011, as well as profit/loss on Shinsei Financial and Shinki Co., Ltd.
5. “Corporate/Other” includes company-wide accounts which are not included in reportable segments, allocation variance of indirect expenses and elimination amounts of inter-segment transactions.

2. A reconciliation between total segment profit and net ordinary income on the quarterly consolidated statement of income for the nine-month period ended December 31, 2011

(Millions of yen)

Profit	Amount
Total segment profit	¥ 47,542
Amortization of goodwill	(5,863)
Amortization of other intangible assets	(3,256)
Lump-sum payments	(1,724)
Provision of reserve for losses on interest repayments	(11,832)
Other	3,092
Net ordinary income on the quarterly consolidated statement of income	¥ 27,958

3. Change of Reportable Segment

(a) Change in classification of reportable segment

As of April 1, 2011, the Group has implemented organizational changes as part of its efforts to achieve an even more appropriate provision of financial products and services that meet customer needs, by building a more strategic and systematic business promotion structure for the growth businesses centered around institutional customers. To better serve customers, the structure of the existing Institutional Group and Markets and Investment Banking Group has been reorganized into a newly defined Institutional Group and a newly established Global Markets Group. The Institutional Group focuses primarily on corporate and public sector finance and advisory business, while Global Markets Group concentrates on financial markets business and servicing financial institution clients.

As a result, classification of reportable segments for the nine-month period ended December 31, 2011 was changed as follows:

The “Structured Finance Sub-Group” in the Institutional Group includes real estate finance, such as non-recourse loans and financial services for construction and real estate industries, which was previously included in the “Real Estate Finance Sub-Group” in the Markets and Investment Banking Group, specialty finance (M&A finance) which was previously in the “Principal Transactions Sub-Group,” and trust business which was previously in the “Other Markets and Investment Banking Group.”

The “Principal Transactions Sub-Group” in the Institutional Group includes credit trading business which was previously included in the “Principal Transactions Sub-Group” in the Markets and Investment Banking Group.

The “Other Institutional Group” in the Institutional Group includes asset-backed investment and advisory service which were previously included in the “Other Markets and Investment Banking Group.”

The “Financial Institutions Sub-Group” in the Global Markets Group includes financial services for financial institutions which were previously included in the “Institutional Business Sub-Group” in the Institutional Group.

The “Markets Sub-Group” in the Global Markets Group includes foreign exchange, derivatives, equity trading and other capital markets transactions, which were previously included in the “Markets Sub-Group” in the Markets and Investment Banking Group.

The “Treasury Sub-Group” in the Global Markets Group includes ALM related transactions which were previously included in the “Treasury Sub-Group” in the Markets and Investment Banking Group, and profit/loss on capital funding which was previously included in “Corporate/Other.”

The “Other Global Markets Group” in the Global Markets Group includes Shinsei Securities’ businesses which were previously included in the “Markets Sub-Group” in the Markets and Investment Banking Group, and alternative investment, asset management and wealth management which were previously included in the “Other Markets and Investment Banking Group.”

(b) Significant changes in measurement method of revenue and profit (loss) by reportable segment

Previously, net credit cost consisted of provision/reversal of reserve for credit losses and losses on write-off/sales of loans. However, considering the revision of the “Practical Guidelines on Accounting Standards for Financial Instruments” (JICPA Accounting Practice Committee Statement No.14), recoveries of written-off claims, which are consistently expected especially in the consumer finance business, are included in the “Net credit cost.”

As a result of this change, net credit costs decreased and segment profits increased by ¥1 million for the “Institutional Business Sub-Group,” by ¥405 million for the “Structured Finance Sub-Group,” by ¥74 million for the “Principal Transactions Sub-Group,” by ¥20 million for the “Other Institutional Group,” by ¥417 million for the “Financial Institutions Sub-Group,” by ¥362 million for the “Markets Sub-Group,” by ¥559 million for the “Other Global Markets Group,” by ¥49 million for the “Retail Banking Sub-Group,” by ¥6,711 million for “Shinsei Financial,” and by ¥39 million for “APLUS FINANCIAL,” for the nine-month period ended December 31, 2011, compared to the amounts that would have been calculated under the previous treatment.

(Financial Instruments)

Fair values of financial instruments as of December 31, 2011

(Millions of yen)

	Carrying amount	Fair value	Unrealized gain (loss)
(1) Other monetary claims purchased(*1)	¥ 130,340	¥ 130,320	¥ (19)
(2) Trading assets			
Securities held for trading purposes	56,192	56,192	—
(3) Monetary assets held in trust(*1)	273,782	276,126	2,343
(4) Securities(*2)	1,794,532	1,799,892	5,359
(5) Loans and bills discounted(*3)	4,076,506		
Reserve for credit losses	(140,395)		
Net	3,939,110	4,036,259	100,148
(6) Lease receivables and leased investment assets(*1)	190,174	194,315	4,141
(7) Other assets			
Installment receivables	338,711		
Deferred gains on installment receivables	(11,722)		
Reserve for credit losses	(10,944)		
Net	316,044	333,142	17,098
(8) Deposit	5,347,133	5,378,660	(31,526)
(9) Negotiable certificates of deposit	179,456	179,432	23
(10) Debentures	305,522	306,785	(1,262)
(11) Trading liabilities			
Trading securities sold for short sales	26,628	26,628	—
(12) Borrowed money	457,942	456,283	1,659
(13) Short-term corporate bonds	63,000	63,006	(6)
(14) Corporate bonds	163,752	148,154	15,598
(15) Derivative instruments(*4)			
Hedge accounting is not applied	(19,098)	(19,098)	—
Hedge accounting is applied	(17,360)	(17,360)	—
Derivative instruments total	(36,458)	(36,458)	—

(Millions of yen)

	Contract amount	Fair Value
Other	¥ 558,799	¥ (2,749)

Guarantee contracts(*5)		

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

(*2) Equity securities without readily available market price and some of investments in partnerships and others are out of the scope of fair value disclosure because their fair values cannot be reliably determined.

(*3) For consumer loans of ¥483,464 million held by consolidated subsidiaries included in Loans and bills discounted, reserve for losses on interest repayments of ¥35,214 million is recognized for estimated losses arising from reimbursement of excess interest payments.

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

(*5) Contract amount for “Guarantee Contracts” presents the amount of “Acceptance and guarantees” on the quarterly consolidated balance sheet.

(Note) Valuation methodology for financial instruments

(1) Other monetary claims purchased

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

(2) Trading assets

The fair values are measured at market prices or quoted prices from third parties.

(3) Monetary assets held in trust

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

Information on monetary assets held in trust for other than trading purposes is included in the note on “Monetary assets held in trust.”

(4) Securities

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

Information on securities being held to maturity and available for sale is included in the note on “Securities.”

(5) Loans and bills discounted

The fair values of loans and bills discounted with fixed interest rate are determined by discounting contractual cash flows, and the fair values of loans and bills discounted with floating interest rate are determined by discounting expected cash flows based on the forward rates, using the risk free rate adjusted to account for credit risk (after consideration of collateral) with CDS spreads etc.

corresponding to the internal credit rating of each borrower. The fair values of housing loans are determined by discounting expected cash flows at the rates that would be applied for housing loans to the same borrowers with the same terms at the consolidated balance sheet date. The fair values of consumer loans are determined by discounting expected cash flows that reflect expected loss at the rates that consist of the risk free rate and certain costs, by group of similar product types and consumer segments.

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

(6) Lease receivables and leased investment assets

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

(7) Installment receivables

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

(8) Deposits and (9) Negotiable certificates of deposit

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

(10) Debentures and (14) Corporate bonds

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

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

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

(11) Trading liabilities

The fair values are measured at market prices.

(12) Borrowed money

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

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

(13) Short-term corporate bonds

The fair values of short-term corporate bonds with maturity of six months or less approximate carrying amounts because of their short term maturity. Otherwise, the fair values of short-term corporate bonds with maturity of more than six months are determined by discounting contractual cash flows at the rates that reflect the credit risk of the borrower.

(15) Derivative instruments

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

Other:

Guarantee contracts

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

(Securities)

Securities below include the beneficiary certificates which are included in "Other monetary claims purchased" and accounted for as securities.

1. Securities being held to maturity as of December 31, 2011

(Millions of yen)

	Carrying amount	Fair value	Unrealized gain (loss)
Japanese national government bonds	¥ 585,785	¥ 590,910	¥ 5,124
Japanese corporate bonds	23,002	23,331	328
Other	47,036	49,884	2,848
Total	¥ 655,824	¥ 664,126	¥ 8,301

2. Securities available for sale as of December 31, 2011

(Millions of yen)

	Amortized/ Acquisition cost	Carrying amount (Fair value)	Unrealized gain (loss)
Equity securities	¥13,302	¥13,157	¥(145)
Domestic bonds	952,161	951,363	(798)
Japanese national government bonds	713,280	714,422	1,141
Japanese local government bonds	1,736	1,788	51
Japanese corporate bonds	237,144	235,153	(1,991)
Other	171,470	170,466	(1,003)
Total	¥1,136,934	¥1,134,987	¥(1,947)

(Note)

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 available-for-sale securities carried at fair value for the nine-month period ended December 31, 2011 are ¥8,219 million, including ¥4,270 million for equity securities, ¥2,676 million for Japanese corporate bonds and ¥1,272 million for other securities.

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

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

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

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

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

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

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

(Monetary assets held in trust)

1. There are no monetary assets held in trust being held to maturity as of December 31, 2011.

2. Other monetary assets held in trust, for other than trading purposes and held-to-maturity, as of December 31, 2011

(Millions of yen)

	Amortized/ Acquisition cost	Carrying amount	Unrealized gain (loss)
Other monetary assets held in trust	¥ 136,949	¥ 136,949	—

(Derivative transactions)

(a) Interest rate-related transactions as of December 31, 2011

(Millions of yen)

	Contract type	Contract/ Notional principal	Fair value	Unrealized gain (loss)
Listed	Future contracts	¥ 42,616	¥ (59)	¥ (59)
	Interest rate options	88,363	9	(13)
Over the counter	Forward contracts	—	—	—
	Interest rate swaps	7,543,994	29,461	29,461
	Interest rate swaptions	2,489,804	(9,981)	883
	Interest rate options	213,297	(216)	228
	Other	—	—	—
	Total	—	¥19,213	¥ 30,500

(Note)

1. Derivatives included in the table above are measured at fair value and the unrealized gains and losses are recognized in income.
   Derivatives for which hedge accounting is adopted in accordance with Industry Audit Committee Report No.24 of JICPA are excluded from the table above.
2. The fair values of derivatives on the quarterly consolidated balance sheet as of December 31, 2011 are adjusted for credit risk by a reduction of ¥1,072 million, and also adjusted for liquidity risk by a reduction of ¥2,832 million. Regardless of this accounting treatment, the reduction of those risks is not reflected in the fair values shown in each table down to (f) Credit related transactions.

(b) Currency-related transactions as of December 31, 2011

(Millions of yen)

	Contract type	Contract/ Notional principal	Fair value	Unrealized gain (loss)
Listed	Future foreign exchange contracts	—	—	—
	Currency options	—	—	—
Over the counter	Currency swaps	¥ 700,259	¥ (30,658)	¥ (30,658)
	Forward foreign exchange contracts	1,497,815	969	969
	Currency options	6,396,829	68	16,279
	Other	—	—	—
	Total	—	¥ (29,620)	¥ (13,408)

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

(c) Equity-related transactions as of December 31, 2011

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Equity index futures	¥ 10,040	¥ 66	¥ 66
	Equity index options	276,783	(3,410)	(2,233)
	Equity options	—	—	—
Over the counter	Equity options	755,352	(4,721)	(707)
	Equity index swaps	—	—	—
	Other	140,507	6,309	6,309
	Total	—	¥ (1,755)	¥ 3,435

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

(d) Bond-related transactions as of December 31, 2011

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Bond futures	¥34,351	¥ (60)	¥ (60)
	Bond futures options	56,520	(34)	1
Over the counter	Bond options	—	—	—
	Other	—	—	—
	Total	—	¥ (94)	¥ (59)

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

(e) Commodity derivatives transactions as of December 31, 2011

There are no commodity derivatives transactions.

(f) Credit derivatives transactions as of December 31, 2011

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Over the counter	Credit default options	¥ 1,341,371	¥ (204)	¥ (204)
	Other	1,600	(2,730)	(2,730)
	Total	—	¥ (2,935)	¥ (2,935)

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

(Business combination)

(Business combinations involving entities or operations of entities under common control)
On October 1, 2011, the Bank acquired a portion of the business operated by Shinsei Financial, a consolidated subsidiary of the Bank, in accordance with the business transfer agreement dated September 30, 2011.

1. Outline of the transaction

(a) Transferred business

A portion of the unsecured personal loan business operated by Shinsei Financial

(b) Date of business transfer

October 1, 2011

(c) Overview and purpose of the transaction

Through this transfer of business, the Bank acquired the Lake brand, the entire network of unmanned branches, ATMs, ACMs (automated contract machines), and a portion of other infrastructural assets relating to the unsecured personal loan business.

The Bank aims to improve its earnings power as well as to contribute to the development of a sound and healthy unsecured personal loan market, as one of the leading companies in the sector, by providing the service at the Bank, leveraging the Lake brand which has already achieved a certain level of recognition in the market.

2. Accounting treatment

In accordance with ASBJ Statement No.21 “Accounting Standard for Business Combinations” and ASBJ Guidance No.10 “Guidance on Accounting Standard for Business Combinations and Business Divestitures,” the Bank accounted for the transaction as a business combination involving entities or operations of entities under common control.

(Earnings per share information)

The calculation basis for net income for the nine-month period ended December 31, 2011 is shown in the table below.

Diluted net income per share is not presented because the existing potential common shares have no dilutive effect.

		Nine-month period ended December 31, 2011 (April 1, 2011 to December 31, 2011)
Basic net income per common share for the nine-month period	(Yen)	¥ 7.77
(Calculation basis)		
Net income for the nine-month period	(Millions of yen)	¥ 20,630
The amount which is not attributable to common shareholders	(Millions of yen)	—
Net income for the nine-month period attributable to common shares	(Millions of yen)	¥ 20,630
The average number of common shares during the period	(Thousand of shares)	2,653,919