Quarterly Consolidated Financial Statements and Notes

For the Three-Month Period Ended June 30, 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 June 30, 2011

(Millions of yen)

	March 31, 2011		June 30, 2011
ASSETS			
Cash and due from banks	¥ 452,751		¥ 371,416
Call loans	-		12,066
Collateral related to securities borrowing transactions	10,388		36,086
Other monetary claims purchased	157,006		135,857
Trading assets	195,396		210,703
Monetary assets held in trust	253,688		241,499
Securities	3,286,382		2,703,335
Loans and bills discounted	4,291,462	※1	4,214,022
Foreign exchanges	42,069		29,792
Lease receivables and leased investment assets	206,216		199,569
Other assets	794,798	※1,※2	779,518
Premises and equipment	50,099		50,584
Intangible assets	96,013	※3,※4	92,836
Deferred issuance expenses for debentures	182		172
Deferred tax assets	18,603		18,099
Customers' liabilities for acceptances and guarantees	575,700		570,959
Reserve for credit losses	(199,211)		(192,527)
[Total assets]	¥ 10,231,548		¥ 9,473,992
LIABILITIES AND EQUITY			
Liabilities:			
Deposits	¥ 5,436,640		¥ 5,469,222
Negotiable certificates of deposit	174,046		308,152
Debentures	348,270		329,720
Call money	160,330		140,321
Collateral related to securities lending transactions	269,697		468,068
Trading liabilities	147,787		160,419
Borrowed money	1,672,790		594,338
Foreign exchanges	39		13
Short-term corporate bonds	22,800		39,600
Corporate bonds	179,611		177,125
Other liabilities	569,362		538,796
Accrued employees' bonuses	8,084		2,354
Accrued directors' bonuses	38		12
Reserve for employees' retirement benefits	11,016		8,279
Reserve for directors' retirement benefits	285		212
Reserve for losses on interest repayments	43,199		36,028
Reserve under special law	1		1
Deferred tax liabilities	690		609
Acceptances and guarantees	575,700		570,959
[Total liabilities]	9,620,394		8,844,236
Equity:			
Shareholders' equity:			
Capital stock	512,204		512,204
Capital surplus	79,461		79,461
Retained earnings	55,087		70,598
Treasury stock, at cost	(72,558)		(72,558)
[Total shareholders' equity]	574,195		589,706
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities	(15,225)		(11,224)
Deferred gain (loss) on derivatives under hedge accounting	(10,197)		(11,387)
Foreign currency translation adjustments	(2,511)		(2,582)
[Total accumulated other comprehensive income]	(27,935)		(25,194)
Stock acquisition rights	1,413		1,364
Minority interests in subsidiaries	63,481		63,879
[Total equity]	611,154		629,756
[Total liabilities and equity]	¥ 10,231,548		¥ 9,473,992

Quarterly Consolidated Statements of Income

Shinsei Bank, Limited, and Consolidated Subsidiaries

For the three-month periods ended June 30, 2010 and 2011

(Millions of yen)

	June 30, 2010 (3 months)		June 30, 2011 (3 months)
ORDINARY INCOME	¥ 123,113		¥ 118,381
Interest income	58,365		42,635
Interest on loans and bills discounted	50,063		37,018
Interest and dividends on securities	6,696		5,179
Fees and commissions income	12,389		12,744
Trading profits	8,036		4,963
Other business income	40,796	※1	45,027
Other ordinary income	3,524	※2	13,009
ORDINARY EXPENSES	106,966		98,073
Interest expenses	13,763		11,356
Interest on deposits	9,719		7,464
Interest on borrowings	1,807		1,438
Interest on corporate bonds	1,103		1,436
Fees and commissions expenses	6,339		5,620
Trading losses	4,221		1,426
Other business expenses	26,792	※3	37,478
General and administrative expenses	40,524	※4	34,845
Other ordinary expenses	15,324	※5	7,346
NET ORDINARY INCOME	16,147		20,307
Extraordinary gains	4,013		197
Extraordinary losses	4,017		265
Income before income taxes and minority interests	16,142		20,238
Income taxes (benefit)	(245)		1,066
Income before minority interests	16,388		19,172
Minority interests in net income of subsidiaries	2,511		1,006
NET INCOME	¥ 13,877		¥ 18,165

Quarterly Consolidated Statements of Comprehensive Income

Shinsei Bank, Limited, and Consolidated Subsidiaries

For the three-month periods ended June 30, 2010 and 2011

(Millions of yen)

	June 30, 2010 (3 months)	June 30, 2011 (3 months)
Income before minority interests	¥ 16,388	¥ 19,172
Other comprehensive income	(11,503)	2,719
Unrealized gain (loss) on available-for-sale securities	(592)	3,983
Deferred gain (loss) on derivatives under hedge accounting	(3,093)	(1,189)
Foreign currency translation adjustments	(7,439)	(42)
Share of other comprehensive income in affiliates	(377)	(31)
Comprehensive income	¥ 4,885	¥ 21,891
(Breakdown)		
Attributable to:		
Owners of the parent	8,034	20,905
Minority interests	(3,149)	985

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 three-month period and the reasonably estimated effective tax rate for the fiscal year that includes the current quarterly period.

Supplementary Information

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

In conformity with the revised "Practical Guidelines on Accounting Standards for Financial Instruments" (JICPA Accounting Practice Committee Statement No.14), recoveries of written-off claims are included in “Other ordinary income” for the three-month period ended June 30, 2011. However, this treatment was not retroactively applied for the previous quarterly periods.

Notes to Quarterly Consolidated Financial Statements

(Quarterly Consolidated Balance Sheet as of June 30, 2011)

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

(Millions of yen)

Loans to bankrupt obligors	¥ 14,911
Non-accrual delinquent loans	295,692
Loans past due for three months or more	7,052
Restructured loans	58,775

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

(Millions of yen)

Credits to bankrupt obligors	¥ 392
Non-accrual delinquent credits	4,246
Credits past due for three months or more	529
Restructured credits	2,748

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

2. Installment receivables of ¥325,160 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	¥ 53,428
Negative goodwill	5,895
Net	¥ 47,532

4. "Intangible assets" includes ¥19,405 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 three-month period ended June 30, 2011)

1. "Other business income" includes revenue on lease transactions of ¥23,581 million.
2. "Other ordinary income" includes gain on sale of equity securities of ¥7,134 million, recoveries of written-off claims of ¥3,039 million and gain on monetary assets held in trust of ¥1,180 million.
3. "Other business expenses" includes costs on lease transactions of ¥19,771 million.
4. "General and administrative expenses" includes amortization of goodwill of ¥1,993 million and amortization of other intangible assets of ¥1,115 million that have been recognized by applying the purchase method to the acquisition of Showa Leasing Co., Ltd. and Shinsei Financial Co., Ltd. and their consolidated subsidiaries.
5. "Other ordinary expenses" includes provision of reserve for credit losses of ¥4,517 million, and loss on monetary assets held in trust of ¥80 million.

(Quarterly Consolidated Statement of Cash Flows)

Quarterly consolidated statement of cash flows for the three-month period ended June 30, 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)	¥ 2,442
Amortization of goodwill	1,993
Amortization of other intangible assets acquired in business combination	¥ 1,115

(Shareholders Equity)

1. Dividends paid during the three-month period ended June 30, 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 three-month period ended June 30, 2011, and from which the effective date is after June 30, 2011.

(Segment Information)

1. Revenue and profit (loss) by reporting segment for the three-month period ended June 30, 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	¥ 2,715	¥ 4,774	¥ 1,631	¥ 3,436	¥ 7,749	¥ 720	¥ 904	¥ (1,302)	¥ 629
Net interest income	2,376	4,139	578	(913)	38	381	293	(1,857)	72
Non-interest income	338	634	1,053	4,349	7,710	339	610	555	556
Expenses	1,458	1,213	976	1,893	658	581	810	273	1,065
Net credit cost (recoveries)	(1,105)	2,003	134	(1,851)	398	255	(1,209)	-	(264)
Segment profit (loss)	¥ 2,361	¥ 1,556	¥ 520	¥ 3,394	¥ 6,692	¥ (116)	¥ 1,303	¥ (1,575)	¥ (172)

	Individual Group				Corporate / Other	Total
	Retail Banking Sub-Group	Consumer Finance Sub-Group				
		Shinsei Financial	APLUS FINANCIAL	Other		
Revenue	¥ 10,387	¥ 13,754	¥ 12,350	¥ 460	¥ (799)	¥ 57,410
Net interest income	8,117	14,991	3,414	420	(772)	31,279
Non-interest income	2,270	(1,237)	8,936	39	(27)	26,131
Expenses	7,859	7,666	7,262	90	(646)	31,163
Net credit cost (recoveries)	223	(326)	3,720	91	76	2,147
Segment profit (loss)	¥ 2,304	¥ 6,414	¥ 1,367	¥ 278	¥ (229)	¥ 24,099

（Notes）

1. "Revenue," which represents gross operating profit under our management reporting, is presented as a substitute for sales in other industries. "Revenue" is defined as the total of net interest income, net fees and commissions, net trading income, 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 our core business.

   Interest on inter-segment transactions is calculated using an inter-office rate. Indirect expense is allocated, based on the predefined rule, to each reporting 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. "Credit cost" includes 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/losses on Shinki.

5. “Corporate/Other” includes company-wide accounts including allocation variance of indirect expense and elimination amount of inter-segment transactions.

2. A reconciliation between the total segment profits and net ordinary income on the quarterly consolidated statement of income for the three-month period ended June 30, 2011

(Millions of yen)

Profit	Amount
Total segment profits	¥ 24,099
Amortization of goodwill	(1,993)
Amortization of other intangible assets	(1,115)
Lump-sum payments	(573)
Other	(110)
Net ordinary income on the quarterly consolidated statement of income	¥ 20,307

3. Change of Reporting Segment

(a) Change in classification of reporting segment during the three-month period ended June 30, 2011

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 growth businesses centered around institutional customers. To better serve our 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 the Global Markets Group concentrates on financial markets business and serving financial institution clients. As a result, classification of reporting segments for the three month period ended June 30, 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 businesses, which were previously included in the “Real Estate Finance Sub-Group” in the Markets and Investment Banking Group, as well as specialty finance (M&A finance) which was previously included in the “Principal Transactions Sub-Group,” and trust business which was 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 was 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 was previously included in the “Treasury Sub-Group” in the Markets and Investment Banking Group, and profit/loss on corporate equity financing which was previously included in “Corporate/Other.”

The “Other Global Markets Group” in the Global Markets Group includes Shinsei Securities which was 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 reporting segment

Previously, net credit costs consisted of provision/reversal of reserve for credit losses and losses on write-off/sales of loans. However, considering the revision of “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 “Net credit cost.”

As a result of this change, net credit costs decreased and segment profits increased by ¥93 million for the “Structured Finance Sub-Group,” by ¥22 million for the “Principal Transactions Sub-Group,” by ¥559 million for the “Other Markets Group,” by ¥23 million for the “Retail Banking Sub-Group,” by ¥2,320 million for “Shinsei Financial,” and by ¥19 million for “APLUS FINANCIAL,” for the three-month period ended June 31, 2011, compared to the amounts that would have been calculated under the previous treatment.

(Financial Instruments)

Fair values of financial instruments as of June 30, 2011

(Millions of yen)

	Carrying amount	Fair value	Unrealized gain (loss)
(1) Other monetary claims purchased (*1)	¥ 134,634	¥ 135,491	¥ 856
(2) Trading assets			
Trading securities	44,212	44,212	—
(3) Monetary assets held in trust (*1)	241,343	243,264	1,921
(4) Securities (*2)	2,595,756	2,611,313	15,556
(5) Loans and bills discounted (*3)	4,214,022		
Reserve for credit losses	(134,465)		
Net	4,079,557	4,225,355	145,798
(6) Lease receivables and leased investment assets (*1)	195,264	200,311	5,046
(7) Other assets			
Installment receivables	325,160		
Deferred gains on installment receivables	(11,917)		
Reserve for credit losses	(9,226)		
Net	304,016	324,761	20,745
(8) Deposits	5,469,222	5,507,526	(38,304)
(9) Negotiable certificates of deposit	308,152	308,060	91
(10) Debentures	329,720	331,477	(1,757)
(11) Trading liabilities			
Short position of trading securities	21,921	21,921	—
(12) Borrowed money	594,338	586,309	8,028
(13) Corporate bonds	177,125	166,629	10,496
(14) Derivative instruments (*4)			
Hedge accounting is not applied	¥ (11,366)	¥ (11,366)	¥ —
Hedge accounting is applied	(9,991)	(9,991)	—
Derivative instruments total	¥ (21,358)	¥ (21,358)	¥ —

(Millions of yen)

	Contract amount	Fair Value
Other		
Guarantee contracts (*5)	¥ 570,959	¥ (4,167)

(*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 ¥544,940 million held by consolidated subsidiaries included in loans and bills discounted, reserve for losses on interest repayments of ¥36,028 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 “Acceptances and guarantees” on the quarterly consolidated balance sheet.

（Note） Valuation methodology for financial instruments

(1) Other monetary claims purchased

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

(2) Trading assets

The fair values of trading securities, mainly bonds, are measured at observable market prices or quoted prices from third parties.

(3) Monetary assets held in trust

The fair values of monetary assets held in trust 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 market prices. 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. The fair values of housing loans are determined by discounting expected cash flows at the rates that would be applied for new housing loans to the same borrowers with the same terms, except for interest rates, 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 of lease receivables and leased investment assets 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 of installment receivables 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 cost, 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 the deposits with maturity less than six months 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 (13) Corporate bonds

The fair values of marketable debentures and corporate bonds are measured at the observed 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 of short positions of trading securities, mainly bonds, are measured at observable market prices or quoted prices from third parties.

(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 consist of the risk free rate and the CDS spread of the Bank.

(14) Derivative instruments

The fair values of derivative instruments are measured at market prices 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 beneficiary certificates included in other monetary claims purchased that are accounted for as securities.

1. Securities being held to maturity as of June 30, 2011

(Millions of yen)

	Carrying amount	Fair value	Unrealized gain (loss)
Japanese national government bonds	¥ 544,560	¥ 549,171	¥ 4,611
Japanese corporate bonds	56,142	56,659	517
Other	49,607	53,257	3,649
Total	¥ 650,309	¥ 659,088	¥ 8,778

2. Securities available for sale as of June 30, 2011

(Millions of yen)

	Amortized/ Acquisition cost	Carrying amount (fair value)	Unrealized gain (loss)
Equity securities	¥ 17,619	¥ 15,144	¥ (2,474)
Domestic bonds	1,691,137	1,688,271	(2,866)
Japanese national government bonds	1,410,528	1,411,290	762
Japanese local government bonds	1,732	1,790	58
Japanese corporate bonds	278,877	275,189	(3,688)
Other	234,860	234,818	(41)
Total	¥ 1,943,616	¥ 1,938,234	¥ (5,382)

(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 three-month period ended June 30, 2011 are ¥1,582 million, including ¥99 million for the equity securities and ¥1,483 million for the Japanese corporate bonds.

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

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

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

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

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

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

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

(Monetary assets held in trust)

1. There are no monetary assets held in trust being held to maturity as of June 30, 2011.

2. Other monetary assets held in trust, for other than trading purposes and held-to-maturity, as of June 30, 2011

(Millions of yen)

	Amortized/Acquisition cost	Carrying amount	Unrealized gain (loss)
Other monetary assets held in trust	¥ 88,555	¥ 88,555	—

(Derivative transactions)

(a) Interest rate-related transactions as of June 30, 2011

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Future contracts	¥ 64,442	¥ (39)	¥ (39)
	Interest rate options	21,483	(5)	(5)
Over the counter	Forward contracts	—	—	—
	Interest rate swaps	7,245,617	25,327	25,327
	Interest rate swaptions	1,742,657	(11,493)	(697)
	Interest rate options	240,656	(190)	57
	Other	—	—	—
	Total	—	¥13,598	¥ 24,643

(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 June 30, 2011 are adjusted for credit risk by reducing ¥1,242 million, and also adjusted for liquidity risk by reducing ¥3,015 million. Regardless of these accounting treatments, these adjustments are not reflected in the fair values shown in each table down to (f) Credit related transactions.

(b) Currency-related transactions as of June 30, 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	¥ 722,150	¥ (30,144)	¥ (30,144)
	Forward foreign exchange contracts	1,618,940	12,347	12,347
	Currency options	8,422,412	(14,473)	1,983
	Other	—	—	—
	Total	—	¥ (32,269)	¥ (15,813)

(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 June 30, 2011

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Equity index futures	¥ 13,314	¥ 128	¥ 128
	Equity index options	399,991	10,507	(1,795)
	Equity options	—	—	—
Over the counter	Equity options	835,484	(4,984)	(480)
	Equity index swaps	—	—	—
	Other	141,858	7,287	7,287
	Total	—	¥ 12,939	¥ 5,141

(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 June 30, 2011

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Bond futures	¥24,483	¥ (64)	¥ (64)
	Bond futures options	33,639	(63)	(15)
Over the counter	Bond options	—	—	—
	Other	—	—	—
	Total	—	¥ (128)	¥ (80)

(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 June 30, 2011

There are no commodity derivatives transactions.

(f) Credit derivatives transactions as of June 30, 2011

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Over the counter	Credit default options	¥ 1,494,468	¥ 126	¥ 126
	Other	—	—	—
	Total	—	¥ 126	¥ 126

(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)

As of June 22, 2011, the Bank entered into a basic agreement with Shinsei Financial Co., Ltd. (Shinsei Financial), a consolidated subsidiary of the Bank, to take over a portion of business operated by Shinsei Financial. The transfer of operations is planned to be implemented on October 1, 2011, subject to the necessary approval of the relevant authorities.

1. Scope of business to be transferred

The scope of transfer is a portion of the unsecured personal loan business operated by Shinsei Financial, excluding assets and liabilities (including obligation of excess interest payments) relating to lending contracts made by Shinsei Financial in its capacity as a money-lender or counterparty status for such contracts

Through this transfer of business, the Bank will acquire 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, excluding assets and liabilities (including obligation of excess interest payments) relating to lending contracts made by Shinsei Financial in its capacity as a money-lender or counterparty status for such contracts.

2. Objective

The objective of this operation is to improve our earnings power as well as to contribute to the development of a sound and healthy market of the unsecured personal loan service, as one of the leading companies in the sector, by providing the service at the Bank level, leveraging the “Lake” brand which has already achieved a certain level of recognition among customers.

(Earnings per share information)

The calculation basis for net income for the three-month period ended June 30, 2011 is shown in the table below.

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

		Three-month period ended June 30, 2011 (April 1, 2011 to June 30, 2011)
Basic net income per common share for the three-month period	(Yen)	¥ 6.84
(Calculation basis)		
Net income for the three-month period	(Millions of yen)	¥ 18,165
The amount which is not attributable to common shareholders	(Millions of yen)	—
Net income from operations for the three-month period attributable to common shares	(Millions of yen)	¥ 18,165
The average number of common shares during the period	(Thousand of shares)	¥ 2,653,919