

Financial Statements and Notes
For the Three Months Ended June 30, 2009

*This is an English translation of quarterly 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.

Shinsei Bank, Limited
(Code 8303, TSE First Section)

Consolidated Balance Sheets

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

(Millions of yen)

	June 30, 2009	March 31, 2009
ASSETS		
Cash and due from banks	※2 ￥294,984	￥605,089
Call loans	19,690	—
Collateral related to securities borrowing transactions	235,393	280
Other monetary claims purchased	※2 415,311	408,035
Trading assets	※2 287,815	375,107
Monetary assets held in trust	339,432	348,840
Securities	※2 3,262,378	2,174,198
Loans and bills discounted	※1,※2 5,341,527	5,876,910
Foreign exchanges	11,949	37,138
Lease receivables and leased investment assets	※2 228,103	232,554
Other assets	※1,※2,※3 1,070,520	1,125,768
Premises and equipment	※2,※4 49,632	50,964
Intangible assets	※5,※6 203,572	209,175
Deferred issuance expenses for debentures	161	161
Deferred tax assets	25,353	22,254
Customers' liabilities for acceptances and guarantees	666,069	675,225
Reserve for credit losses	(202,572)	(192,511)
[Total assets]	12,249,324	11,949,196
LIABILITIES AND EQUITY		
Liabilities:		
Deposits	※2 ￥6,599,201	￥6,012,455
Negotiable certificates of deposit	395,414	259,659
Debentures	621,579	675,567
Call money	※2 155,500	281,513
Payables under repurchase agreements	※2 60,975	53,805
Collateral related to securities lending transactions	※2 598,892	569,566
Commercial paper	※2 99	198
Trading liabilities	217,085	307,562
Borrowed money	※2 879,550	1,012,324
Foreign exchanges	10	4
Short-term corporate bonds	23,500	11,500
Corporate bonds	236,425	266,489
Other liabilities	※2 805,018	819,900
Accrued employees' bonuses	3,865	10,425
Accrued directors' bonuses	40	318
Reserve for employees' retirement benefits	17,980	18,219
Reserve for directors' retirement benefits	237	234
Reserve for losses on interest repayments	157,958	193,850
Reserve for losses on disposal of premises and equipment	7,308	7,559
Reserve for losses on litigation	3,662	3,662
Reserve under special law	4	4
Deferred tax liabilities	1,487	1,665
Acceptances and guarantees	※2 666,069	675,225
[Total liabilities]	11,451,867	11,181,714
Equity:		
Shareholders' equity:		
Capital stock	476,296	476,296
Capital surplus	43,554	43,554
Retained earnings	157,761	152,855
Treasury stock, at cost	(72,558)	(72,558)
[Total shareholders' equity]	605,053	600,147
Net unrealized gain (loss) and translation adjustments:		
Unrealized gain (loss) on available-for-sale securities	(12,808)	(38,813)
Deferred gain (loss) on derivatives under hedge accounting	(3,568)	(2,996)
Foreign currency translation adjustments	1,728	1,297
[Total net unrealized gain (loss) and translation adjustments]	(14,648)	(40,511)
Stock acquisition rights	1,624	1,808
Minority interests in subsidiaries	205,428	206,037
[Total equity]	797,457	767,481
[Total liabilities and equity]	¥ 12,249,324	¥ 11,949,196

Consolidated Statements of Income

Shinsei Bank, Limited, and Consolidated Subsidiaries

For the three months ended June 30, 2009 and 2008

(Millions of yen)

	June 30, 2008 (3 months)	June 30, 2009 (3 months)
ORDINARY INCOME		
Interest income	¥ 60,773	¥ 79,344
Interest on loans and bills discounted	47,362	68,382
Interest and dividends on securities	11,106	8,856
Fees and commissions income	14,929	12,475
Trading profits	4,696	4,304
Other business income	56,856	※1 56,134
Other ordinary income	4,764	※2 3,385
Total ordinary income	142,020	155,644
ORDINARY EXPENSES		
Interest expenses	25,066	21,874
Interest on deposits	10,886	13,998
Interest on borrowings	4,238	3,281
Interest on corporate bonds	4,137	2,059
Fees and commissions expenses	5,622	7,528
Trading losses	1,918	4,702
Other business expenses	46,510	※3 35,280
General and administrative expenses	44,215	※4 50,584
Other ordinary expenses	10,888	※5 39,813
Total ordinary expenses	134,221	159,784
NET ORDINARY INCOME (LOSS)	7,798	(4,140)
Special gains	11,049	※6 12,608
Special losses	3,984	1,067
Income before income taxes and minority interests	14,863	7,400
Income taxes - current	2,061	382
Income taxes - deferred	(2,339)	(858)
Total Income taxes (benefit)	—	(475)
Minority interest in net income of subsidiaries	4,279	2,703
NET INCOME	¥ 10,863	¥ 5,172

Consolidated Statements of Cash Flows

Shinsei Bank, Limited, and Consolidated Subsidiaries

For the three months ended June 30, 2009 and 2008

(millions of yen)

	June 30, 2008 (3 months)	June 30, 2009 (3 months)
I. Cash flows from operating activities:		
Income before income taxes and minority interests	¥ 14,863	¥ 7,400
Depreciation (other than leased assets as lessor)	3,212	3,710
Amortization of goodwill	2,060	3,387
Amortization of intangible assets	928	2,000
Equity in net (income) loss of affiliates	(432)	5,132
Net change in reserve for credit losses	(17,506)	10,061
Net change in reserve for losses on interest repayments	(4,906)	(35,891)
Interest income	-	(79,344)
Interest expenses	-	21,874
Net exchange (gain) loss	(13,078)	413
Gains from the cancellation of issued bond and other instruments	-	(9,448)
Net change in trading assets	44,325	88,529
Net change in trading liabilities	(46,061)	(90,477)
Net change in loans and bills discounted	(39,152)	514,467
Net change in deposits	194,636	586,343
Net change in negotiable certificates of deposit	107,853	135,754
Net change in debentures	22,167	(53,988)
Net change in borrowed money (other than subordinated debt)	(68,424)	(132,955)
Net change in corporate bonds (other than subordinated bonds)	(8,090)	7,007
Net change in deposits (other than non-interest-bearing deposits)	(55,088)	(11,935)
Net change in call loans	(313,342)	(19,690)
Net change in other monetary claims purchased	9,439	(3,050)
Net change in collateral related to securities borrowing transactions	(85,357)	(235,112)
Net change in call money	141,718	(118,842)
Net change in collateral related to securities lending transactions	715,122	29,326
Net change in short-term corporate bonds (liabilities)	27,700	12,000
Net change in net trust account	(1,482)	(4,921)
Interest received	58,445	79,238
Interest paid	(24,927)	(15,794)
Net change in securities for trading purposes	3,113	9,196
Net change in monetary assets held in trust for trading purposes	7,602	6,963
Net change in lease receivables and leased investment assets	8,281	8,274
Others, net	(115,818)	(51,629)
Subtotal	567,801	668,000
Income taxes paid	(4,964)	(2,573)
Net cash provided by (used in) operating activities	562,837	665,426
II. Cash flows from investing activities:		
Purchase of investments	(998,025)	(1,578,995)
Proceeds from sale of investments	60,619	285,227
Proceeds from maturity of investments	354,140	322,701
Investment in monetary assets held in trust	(10,328)	(7,543)
Proceeds from disposal of monetary assets held in trust	6,250	9,413
Purchase of premises and equipment (other than leased assets as lessor)	(1,081)	(1,337)
Proceeds from sale of premises and equipment (other than leased assets as lessor)	19,336	17
Others, net	(2,912)	(3,092)
Net cash provided by (used in) investing activities	(572,001)	(973,609)
III. Cash flows from financing activities:		
Payment for redemption of subordinated corporate bonds	(765)	(13,392)
Proceeds from minority shareholders of subsidiaries	749	-
Dividends paid	(5,773)	-
Dividends paid to minority shareholders of subsidiaries	(1,620)	(348)
Others, net	(88)	(122)
Net cash provided by (used in) financing activities	(7,498)	(13,863)
IV. Foreign currency translation adjustments on cash and cash equivalents	10	21
V. Net change in cash and cash equivalents	(16,651)	(322,024)
VI. Cash and cash equivalents at beginning of period	405,926	483,259
VII. Cash and cash equivalents at end of period	¥ 389,275	※ ¥ 161,234

Policy for Preparation of Quarterly Consolidated Financial Statements

1. Change in the scope of consolidation

(a) Change in the scope of consolidated subsidiaries

From this period, APLUS Personal Loan Co., Ltd. and APLUS Credit Co., Ltd. are included in the scope of consolidation as newly established subsidiaries.

Also, the following companies are excluded from the scope of consolidation: APLUS Business Service Co., Ltd. due to dissolution, S. S. Solutions Co., Ltd. due to merger into Showa Leasing Co., Ltd, and Big Sky 2008-1 Special Purpose Company due to loss of substantial control.

(b) Number of consolidated subsidiaries after the change in scope:

125 companies

2. Change in the application of the equity method

(a) Change in the scope of affiliates accounted for using the equity method

TYC Company Limited is excluded from the scope of equity method applied affiliates due to liquidation, and SB-HSH Seed Holding Limited and Indian Infrastructure Development Seed Asset Limited are also excluded due to the disposal of shares.

(b) Number of affiliates accounted for using the equity method after the change:

27 companies

3. Simplified accounting policies

(a) Depreciation of fixed assets

Depreciation of premises and equipment for which the declining-balance method is applied is computed as the amount attributable to each period based on the amount to be recognized for the consolidated fiscal year.

(b) Reserve for credit losses

For claims to obligors other than legally bankrupt or virtually bankrupt, possibly bankrupt and substandard, for which specific reserve is provided, a general reserve is provided based on the expected loss ratio at the end of the consolidated fiscal year ended March 31, 2009.

(c) Judgment on the realizability of deferred tax assets

In circumstances that no significant change is recognized in the status of timing differences since the end of the latest consolidated period, future earnings projection and the tax planning used at the end of the latest consolidated period are used as the basis for the judgment on the realizability of deferred tax assets.

4. Accounting policies specific to quarterly consolidated financial statements

(a) Income Taxes

Income taxes for the period is computed as the product of the estimated

effective tax rate for the fiscal year that includes the current quarter and the income (loss) before income tax for the period up to the end of this quarter.

5. Change in presentation of Quarterly Consolidated Financial Statements

(Quarterly Consolidated Statement of Cash Flows)

“Interest income” and “Interest expenses,” which had been aggregated into “Others, net” in “Cash flows from operating activities” in the first quarter of the previous consolidated fiscal year, are separately presented from this quarter. (“Interest income” and “Interest expenses” in the consolidated statement of cash flows for the first quarter in the previous fiscal year were ¥(60,733) million and ¥25,066 million, respectively.)

Notes to Quarterly Consolidated Financial Statements

(Quarterly Consolidated Balance Sheet as of June 30, 2009)

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

(Millions of yen)

Loans to bankrupt obligors	¥ 39,560
Non-accrual delinquent loans	213,286
Loans past due for three months or more	13,857
Restructured loans	61,675

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

(Millions of yen)

Claims to bankrupt obligors	¥ 482
Non-accrual delinquent claims	4,521
Claims past due for three months or more	1,162
Restructured loans	8,539

The above claims represent the contractual gross receivable balance before the reduction of the reserve for credit losses.

2. Assets pledged as collateral are as follows:

(Millions of yen)

Cash and due from banks	¥ 783
Other monetary claims purchased	47,380
Trading assets	18,068
Securities	896,231
Loans and bills discounted	194,576
Lease receivables and leased investment assets	17,961
Other assets	783
Premises and equipment	1,393

Liabilities related to pledged assets are as follows:

(Millions of yen)

Deposits	¥ 1,257
Call money	150,000
Payables under repurchase agreements	60,975
Collateral related to securities lending transactions	598,892
Commercial paper	99
Borrowed money	152,944
Other liabilities	24
Acceptances and guarantees	909

In addition, securities of ¥235,055 million are pledged as collateral for transactions, including exchange settlements, swap transactions and the substitution of margin on futures transactions.

Also, ¥187 million of margin deposits for futures transactions outstanding, ¥22,453 million of security deposits and ¥10,466 million of cash collateral pledged for derivative transactions are included in other assets.

3. Installment receivables of ¥393,316 million are included in other assets.
4. Accumulated depreciation on premises and equipment is ¥90,828 million.
5. Goodwill and negative goodwill are set off and included in intangible assets by the net amount. The gross amounts are as follows:

	(Millions of yen)
Goodwill	¥ 136,230
Negative goodwill	¥ 6,684
Net	¥ 129,545

6. Intangible assets include ¥42,791 million of intangibles that have been recognized by applying the fair value method to the acquisition of consolidated subsidiaries.

(Quarterly Consolidated Statement of Operations for the three-month period ended June 30, 2009)

1. "Other business income" includes leasing revenue of ¥28,095 million.
2. "Other ordinary income" includes income on monetary assets held in trust of ¥1,418 million.
3. "Other business expenses" includes leasing cost of ¥23,923 million.
4. "General and administrative expenses" includes amortization of goodwill of ¥3,387 million and that of intangible assets of ¥2,000 million that have been recognized by applying the fair values method to the acquisition of consolidated subsidiaries, APLUS Co., Ltd., Showa Leasing Co., Ltd., Shinki Co., Ltd., Shinsei Financial Co., Ltd., and their consolidated subsidiaries.
5. "Other ordinary expenses" includes provision of reserve for loan loss of ¥24,592 million and loss on monetary assets held in trust of ¥1,294 million.
6. "Special gains" includes gain on retirement by purchase of corporate bonds of ¥9,448 million.

(Quarterly Consolidated Statement of Cash Flows for the three-month period ended June 30, 2009)

The reconciliation of the amount of "Cash and cash equivalents at end of period" to the balance of "Cash and due from banks" in the quarterly consolidated balance sheet is as follows:

	(Millions of yen)
"Cash and due from banks"	¥ 294,984
Interest bearing deposits included in "due from banks"	¥ (133,750)
"Cash and cash equivalents"	¥ 161,234

(Quarterly Consolidated Statement of Changes in Equity for the three-month period ended June 30, 2009)

1. The types and numbers of issued shares and treasury stock

(Thousands of shares)

	Number of shares at the end of the first quarter
Issued share	
Common shares	2,060,346
Total	2,060,346
Treasury stock	
Common shares	96,427
Total	96,427

2. Stock acquisition rights

All of the stock acquisition rights are Shinsei Bank's stock options.

3. Dividends

There are no items to be disclosed.

(Segment information)

(a) Business segment information (for the period from April 1, 2009 to June 30, 2009)

Shinsei Bank and its subsidiaries ("the Group") are engaged in banking and other related activities such as trust, securities and other businesses. Business segment information, however, is not presented as the percentage of the other activities is not material to the banking business.

(b) Geographic segment information (for the period from April 1, 2009 to June 30, 2009)

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

(c) Foreign operating income (for the period from April 1, 2009 to June 30, 2009)

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 does not reach 10% of its operating income, therefore foreign operating income information is not presented.

(Securities)

1. Securities being held to maturity with readily determinable fair value (as of June 30, 2009)

(Millions of yen)

	Carrying amount	Fair value	Net unrealized gain (loss)
Japanese government bonds	¥ 427,398	¥ 430,759	¥ 3,361
Japanese corporate bonds	75,330	76,878	1,548
Other	57,611	52,076	(5,535)
Total	¥ 560,341	¥ 559,715	¥ (625)

(Note) Fair value is based on the market prices or quotes as of the end of the first quarter of this fiscal year.

2. Available-for-sale securities with readily determinable fair value (as of June 30, 2009)

(Millions of yen)

	Amortized cost	Carrying amount (fair value)	Net unrealized gain (loss)
Equity securities	¥ 18,430	¥ 16,082	¥ (2,347)
Domestic bonds:	1,887,163	1,890,739	3,575
Japanese government bonds	1,867,723	1,872,099	4,375
Japanese municipal bonds	1,714	1,772	57
Japanese corporate bonds	17,725	16,867	(857)
Other	302,233	296,574	(5,658)
Total	¥ 2,207,827	¥ 2,203,396	¥ (4,430)

(Note)

1. Carrying amount is recorded at fair value based on the market prices or quotes as of the end of the first quarter of this fiscal year.
2. "Other" mainly consists of foreign bonds.
3. If the decline in fair value of available-for-sale securities with readily determinable fair value is deemed to be significant, impairment loss is recognized in the book values of the securities since the decline in fair values is deemed to be other than temporary. Impairment loss recognized in the first quarter of this consolidated fiscal year is ¥482 million. To determine whether an other-than-temporary impairment has occurred, the Bank applies the following rule depending on the credit risk category the issuer of a

security falls under based on the Bank's internal rules for establishing the reserve for credit losses:

Securities issued by "legally and virtually bankrupt" obligors and "possibly bankrupt" obligors	The fair value of a security is less than its book value
Securities issued by "need caution" obligors	The decline in fair value of a security is more than 30% of its book value
Securities issued by "normal" obligors	The decline in fair value of a security is in excess of 50% of its book value

"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 difficulty 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.

(Supplementary information)

Concerning the fair value of floating rate Japanese government bonds, after consideration of the recent market environment, a judgment has been made that current market prices are still not indicative of the fair values at the end of the first quarter of this fiscal year. Therefore, the fair values of these bonds for the first quarter of this fiscal year are measured at the values reasonably estimated by a broker dealer. As a result, the balance of securities and unrealized gain (loss) on available-for-sale securities on the balance sheet are larger by ¥3,274 million than they would be if measured by the market prices.

The reasonably estimated values by a broker dealer is 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.

3. Securities reclassified from available-for-sale to held-to-maturity

The foreign debt securities that had been reclassified on October 1, 2008, and remain in held-to-maturity securities as of June 30, 2009 are as follows:

(Millions of yen)			
	Fair value	Carrying amount	Net unrealized gain (loss) on available-for-sale securities
Other (foreign debt securities)	¥ 40,352	¥ 47,039	¥ (8,161)

(Note) Fair values are quoted from external brokers.

(Monetary assets held in trust)

1. There are no monetary assets held in trust being held to maturity (as of June 30, 2009)
2. Other monetary assets held in trust (other than trading purposes and held-to-maturity) (as of June 30, 2009)

(Millions of yen)			
	Acquisition Cost	Carrying amount	Net Unrealized gain (loss)
Other monetary assets held in trust for other than trading purposes	¥ 110,600	¥ 110,600	—

(Note) Fair value is based on the market prices or quotes as of the end of the first quarter of this fiscal year.

(Derivative transactions)**(a) Interest rate related transactions (as of June 30, 2009)**

(Millions of yen)

	Contract type	Notional principal	Fair value	Unrealized gain (loss)
Listed	Future contracts	¥ 225,801	¥ (25)	¥ (25)
	Interest rate options	37,247	21	(5)
Over the counter	Future contracts	—	—	—
	Interest rate swaps	11,834,114	56,147	56,147
	Interest rate swaptions	4,372,000	(51,359)	(42,696)
	Interest rate options	201,357	(230)	(317)
	Other	—	—	—
	Total	—	¥ 4,553	¥ 13,101

(Note)

1. Derivatives included in the table are measured at fair value and unrealized gains (losses) are recognized in the statement of operations. 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 value estimates for derivatives are adjusted for credit risk and liquidity risk by reductions of ¥1,607 million and ¥4,461 million, respectively, although the amounts of those risks are not reflected in the fair values shown in each table down to (e) credit related transactions.

(b) Currency related transactions (as of June 30, 2009)

(Millions of yen)

	Contract type	Notional principal	Fair value	Unrealized gain (loss)
Listed	Forward foreign exchange contracts	—	—	—
	Currency options	—	—	—
Over the counter	Currency swaps	¥ 1,387,593	¥ (50,222)	¥ (50,222)
	Forward foreign exchange contracts	3,331,246	7,845	7,845
	Currency options	14,446,440	14,766	34,601
	Other	—	—	—
	Total	—	¥ (27,610)	¥ (7,774)

(Note) Derivatives included in the table are measured at fair value and unrealized gains (losses) are recognized in the statement of operations. 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, 2009)

(Millions of yen)

	Contract type	Notional principal	Fair value	Unrealized gain (loss)
Listed	Equity index futures	¥ 11,988	¥ 1,748	¥ 1,748
	Equity index options	96,920	5,290	2,892
	Equity options	—	—	—
Over the counter	Equity options	114,904	7,425	4,133
	Equity index swaps	1,000	77	77
	Other	191,408	16,368	16,345
	Total	—	¥ 30,910	¥ 25,197

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

(d) Bond related transactions (as of June 30, 2009)

(Millions of yen)

	Contract type	Notional principal	Fair value	Unrealized gain (loss)
Listed	Bond futures	¥ 4,533	¥ (18)	¥ (18)
	Bond futures options	—	—	—
Over the counter	Bond options	—	—	—
	Other	—	—	—
	Total	—	¥ (18)	¥ (18)

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

(e) Credit related transactions (as of June 30, 2009)

(Millions of yen)

	Contract type	Notional principal	Fair value	Unrealized gain (loss)
Over the counter	Credit default options	¥ 2,562,327	¥ 11,179	¥ 11,179
	Other	—	—	—
	Total	—	¥ 11,179	¥ 11,179

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

(Stock options)

The matter concerning the stock options vested for the period from April 1, 2009 to June 30, 2009 is as follows.

1. Expensed amount and account name related to stock options in the period are not presented because of immaterial impact on the quarterly consolidated financial statements.
2. No stock options were vested during this period.

(Earnings per share information)**1. Equity per share**

(Yen)

	The end of the latest consolidated fiscal year (March 31, 2009)	The end of the first quarter of this consolidated fiscal year (June 30, 2009)
Amount of net assets per share	¥ 284.95	¥ 300.62

2. Net income from operations per common share for the quarter

(Yen)

	Three months ended June 30, 2008 (April 1, 2008 to June 30, 2008)	Three months ended June 30, 2009 (April 1, 2009 to June 30, 2009)
Net income from operations per common share	¥ 5.53	¥ 2.63

(Note)

(a) Diluted net income from operations per share for the quarter is not presented because there are no potential common shares that have a dilutive effect.

(b) The calculation basis for net income from operations per common share for the quarter are as follows:

		Three months ended June 30, 2008 (April 1, 2008 to June 30, 2008)	Three months ended June 30, 2009 (April 1, 2009 to June 30, 2009)
Net income from operations per common share for the quarter			
Net income from operations for the quarter	(Millions of yen)	¥ 10,863	¥ 5,172
The amount which is not attributable to common shareholders	(Millions of yen)	—	—
Net income from operations for the quarter attributable to common shareholders	(Millions of yen)	¥ 10,863	¥ 5,172
The average common shares during the period	(Thousands of shares)	1,963,909	1,963,919

(Significant Subsequent Events)

For the three-month period from April 1, 2009 to June 30, 2009

(Execution of Alliance agreement on a merger with Aozora Bank)

On July 1, 2009, we agreed to a merger of equals with Aozora Bank, Ltd. ("Aozora Bank"), subject to approval from shareholders and the relevant regulatory authorities and the satisfaction of certain other conditions. On the same day, the banks executed an alliance agreement (the "Alliance Agreement"), which provides the basic framework including method of merger, merger ratio and other conditions.

Details are as follows:

1. Purpose of the merger

The purpose of the merger is to create a financial institution that will provide increased value for all stakeholders by attaining sufficient scale, strengthening our capital basis, as well as improving profitability. The combined bank will be more competitive with better balanced funding profile and stronger capital position, and will act as an efficient and stable financial intermediary to a broader range of customers.

2. Method of merger

The merger will be an absorption-type merger that is legally structured with Shinsei Bank as the surviving corporation and Aozora Bank as the dissolving corporation.

3. Allotment of shares on merger

Merger ratio will be set at one-to-one.

Accordingly, one (1) share of Shinsei Bank common stock will be allotted and delivered per one (1) share of Aozora Bank common stock, one (1) share of Shinsei Bank Class C preferred stock will be allotted and delivered per one (1) share of Aozora Bank Series 4 (Class A) preferred stock, and one (1) share of Shinsei Bank Class D preferred stock will be allotted and delivered per one (1) share of Aozora Bank Series 5 (Class C) preferred stock.

No shares of the stock of Shinsei Bank will be allotted and delivered for treasury shares held by Aozora Bank and shares of Aozora Bank common stock held by Shinsei Bank (if any). The merger ratio and the number of shares to be allotted will be appropriately adjusted in case of a stock combination or split, or other change in the number of outstanding shares of the common stock or preferred stock of Aozora Bank or Shinsei Bank.

4. Profile of Aozora Bank

As of March 31, 2009 (consolidation basis)

Major industry	Banking business
Paid in capital	¥ 419,781 million
Number of shares Issued	1,650,147,352 common shares 24,072,000 Series 4 preferred shares 258,799,500 Series 5 preferred shares
Ordinary Income	¥ 182,566 million
Ordinary loss	¥ 232,053 million
Net loss	¥ 242,553 million
Net assets	¥ 529,607 million
Total assets	¥ 6,077,330 million
Total liabilities	¥ 5,547,722 million
Loans and bills discounted	¥ 3,484,945 million
Deposits and debentures (incl. CD)	¥ 4,399,527 million
Number of employees	1,847
Branches (excl. ATM only locations)	20

5. Effective date of the merger

The effective date of the merger is tentatively scheduled for October 2010, which will be fixed as discussions between the banks proceed further and is subject to the completion of procedures necessary for the merger, including shareholder and regulatory approvals.

6. Other matters addressed in the Alliance Agreement

Based on the Alliance Agreement, the two banks will establish an Integration Committee and an Integration Advisory Group to discuss the matters to be determined, including new company name, and will proceed with discussions and preparations towards the merger, including the execution of a Merger Agreement.