

Quarterly Consolidated Financial Statements and Notes

For the Three Months Ended June 30, 2010

*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 June 30, 2010 and March 31, 2010

(Millions of yen)

	June 30, 2010	March 31, 2010
ASSETS		
Cash and due from banks	※2 ¥ 655,481	¥ 493,141
Call loans	13,928	19,129
Collateral related to securities borrowing transactions	5,152	2,801
Other monetary claims purchased	228,849	252,761
Trading assets	217,954	223,279
Monetary assets held in trust	281,950	292,227
Securities	※2 2,832,927	3,233,312
Loans and bills discounted	※1,※2 4,772,520	5,163,763
Foreign exchanges	17,412	10,976
Lease receivables and leased investment assets	※2 208,861	213,702
Other assets	※1,※2,※3 1,124,933	863,272
Premises and equipment	※2,※4 51,537	52,154
Intangible assets	※5,※6 106,045	109,953
Deferred issuance expenses for debentures	179	176
Deferred tax assets	17,299	18,969
Customers' liabilities for acceptances and guarantees	609,780	623,786
Reserve for credit losses	(197,728)	(196,642)
[Total assets]	10,947,087	11,376,767
LIABILITIES AND EQUITY		
Liabilities:		
Deposits	※2 ¥ 5,812,349	¥ 6,190,477
Negotiable certificates of deposit	284,103	284,909
Debentures	457,889	483,713
Call money	※2 180,463	310,487
Payables under repurchase agreements	-	8,430
Collateral related to securities lending transactions	※2 399,850	548,479
Trading liabilities	180,245	177,835
Borrowed money	※2 1,234,327	1,186,837
Foreign exchanges	185	17
Short-term corporate bonds	25,500	17,700
Corporate bonds	163,417	188,278
Other liabilities	※2 894,087	619,201
Accrued employees' bonuses	3,051	8,842
Accrued directors' bonuses	42	126
Reserve for employees' retirement benefits	7,048	7,718
Reserve for directors' retirement benefits	241	244
Reserve for losses on interest repayments	54,366	70,088
Reserve for losses on disposal of premises and equipment	66	7,212
Reserve for losses on litigation	-	5,873
Reserve under special law	3	3
Deferred tax liabilities	540	1,547
Acceptances and guarantees	※2 609,780	623,786
[Total liabilities]	10,307,562	10,741,812
Equity:		
Shareholders' equity:		
Capital stock	476,296	476,296
Capital surplus	43,554	43,554
Retained earnings	26,315	12,438
Treasury stock, at cost	(72,558)	(72,558)
[Total shareholders' equity]	473,607	459,730
Net unrealized gain (loss) and translation adjustments:		
Unrealized gain (loss) on available-for-sale securities	869	1,398
Deferred gain (loss) on derivatives under hedge accounting	(6,420)	(3,327)
Foreign currency translation adjustments	(2,960)	(741)
[Total net unrealized gain (loss) and translation adjustments]	(8,512)	(2,669)
Stock acquisition rights	1,598	1,672
Minority interests in subsidiaries	172,830	176,221
[Total equity]	639,524	634,954
[Total liabilities and equity]	¥ 10,947,087	¥ 11,376,767

Quarterly Consolidated Statements of Income

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the three months ended June 30, 2009 and 2010

(Millions of yen)

	June 30, 2009 (3 months)	June 30, 2010 (3 months)
ORDINARY INCOME		
Interest income	¥ 79,344	¥ 58,365
Interest on loans and bills discounted	68,382	50,063
Interest and dividends on securities	8,856	6,696
Fees and commissions income	12,475	12,389
Trading profits	4,304	8,036
Other business income	56,134	※1 40,796
Other ordinary income	3,385	※2 3,524
Total ordinary income	155,644	123,113
ORDINARY EXPENSES		
Interest expenses	21,874	13,763
Interest on deposits	13,998	9,719
Interest on borrowings	3,281	1,807
Interest on corporate bonds	2,059	1,103
Fees and commissions expenses	7,528	6,339
Trading losses	4,702	4,221
Other business expenses	35,280	※3 26,792
General and administrative expenses	50,584	※4 40,524
Other ordinary expenses	39,813	※5 15,324
Total ordinary expenses	159,784	106,966
NET ORDINARY INCOME (LOSS)	(4,140)	16,147
Extraordinary gains	12,608	※6 4,013
Extraordinary losses	1,067	※7 4,017
Income before income taxes and minority interests	7,400	16,142
Income taxes - current	382	263
Income taxes - deferred	(858)	(509)
Total Income taxes (benefit)	(475)	(245)
Income before minority interests	-	16,388
Minority interests in net income of subsidiaries	2,703	2,511
NET INCOME	¥ 5,172	¥ 13,877

Quarterly Consolidated Statements of Cash Flows

Shinsei Bank, Limited, and Consolidated Subsidiaries

For the three months ended June 30, 2009 and 2010

(Millions of yen)

	June 30, 2009 (3 months)	June 30, 2010 (3 months)
I. Cash flows from operating activities:		
Income before income taxes and minority interests	¥ 7,400	¥ 16,142
Depreciation (other than leased assets as lessor)	3,710	3,270
Amortization of goodwill	3,387	2,189
Amortization of intangible assets	2,000	1,233
Equity in net (income) loss of affiliates	5,132	(227)
Net change in reserve for credit losses	10,061	1,085
Net change in reserve for losses on interest repayments	(35,891)	(15,722)
Interest income	(79,344)	(58,365)
Interest expenses	21,874	13,763
Net (gain) loss on securities	-	(1,701)
Net exchange (gain) loss	413	15,782
Gains from the cancellation of issued corporate bonds and other instruments	(9,448)	(1,260)
Net change in trading assets	88,529	5,325
Net change in trading liabilities	(90,477)	2,410
Net change in loans and bills discounted	514,467	386,892
Net change in deposits	586,343	(378,128)
Net change in negotiable certificates of deposit	135,754	(806)
Net change in debentures	(53,988)	(25,824)
Net change in borrowed money (other than subordinated debt)	(132,955)	48,273
Net change in corporate bonds (other than subordinated corporate bonds)	7,007	(11,001)
Net change in deposits (other than non-interest-bearing deposits)	(11,935)	69,129
Net change in call loans	(19,690)	5,200
Net change in other monetary claims purchased	(3,050)	16,341
Net change in collateral related to securities borrowing transactions	(235,112)	(2,350)
Net change in call money	(118,842)	(138,454)
Net change in collateral related to securities lending transactions	29,326	(148,628)
Net change in short-term corporate bonds (liabilities)	12,000	7,800
Net change in net trust account	(4,921)	(5,350)
Interest received	79,238	55,061
Interest paid	(15,794)	(12,982)
Net change in securities for trading purposes	9,196	225
Net change in monetary assets held in trust for trading purposes	6,963	7,148
Net change in lease receivables and leased investment assets	8,274	4,840
Other, net	(51,629)	(56,725)
Subtotal	668,000	(195,409)
Income taxes paid	(2,573)	(521)
Net cash provided by (used in) operating activities	665,426	(195,931)
II. Cash flows from investing activities:		
Purchase of securities	(1,578,995)	(324,839)
Proceeds from sales of securities	285,227	696,337
Proceeds from maturity of securities	322,701	60,849
Investment in monetary assets held in trust	(7,543)	(5,685)
Proceeds from disposal of monetary assets held in trust	9,413	9,636
Purchase of premises and equipment (other than leased assets as lessor)	(1,337)	(1,973)
Proceeds from sales of premises and equipment (other than leased assets as lessor)	17	-
Purchase of intangible assets (other than leased assets as lessor)	-	(2,022)
Other, net	(3,092)	(145)
Net cash provided by (used in) investing activities	(973,609)	432,156
III. Cash flows from financing activities:		
Payment for redemption of subordinated corporate bonds	(13,392)	(2,797)
Proceeds from minority shareholders of subsidiaries	-	4
Repayments to minority shareholders	-	(276)
Dividends paid to minority shareholders of subsidiaries	(348)	(43)
Other, net	(122)	-
Net cash provided by (used in) financing activities	(13,863)	(3,113)
IV. Foreign currency translation adjustments on cash and cash equivalents	21	(17)
V. Net change in cash and cash equivalents	(322,024)	233,093
VI. Cash and cash equivalents at beginning of period	483,259	334,238
VII. Cash and cash equivalents at end of period	¥ 161,234	※1 ¥ 567,331

Changes in Basic Matters Concerning Preparation of Quarterly Consolidated Financial Statements

1. Change in the scope of consolidation

(a) Change in the scope of consolidated subsidiaries

From this quarterly period, Akagi Godo Kaisha is included in the scope of consolidation as a newly established subsidiary.

Also, Specialized Loan Servicing, Inc. is excluded from the scope of consolidation due to liquidation.

(b) Consolidated subsidiaries after the change

125 companies

2. Change in accounting policy

(Application of accounting standard for asset retirement obligations)

From this quarterly period, "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008) are applied.

As a result, income before income taxes and minority interests for the three months ended June 30, 2010 decreased by ¥3,634 million. Change in the amount of asset retirement obligations by the initial adoption of these standards is ¥5,192 million.

Simplified Accounting Treatment

1. Depreciation of fixed assets

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

2. Reserve for credit losses

For claims to obligors other than legally bankrupt or virtually bankrupt, possibly bankrupt and substandard obligors, for which specific reserve is provided, a general reserve is provided based on the expected loss ratio at the end of fiscal year ended March 31, 2010.

3. Judgment on the realizability of deferred tax assets

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

Specified Accounting Treatment Specific to Quarterly Consolidated Financial Statements

Income taxes

Income taxes for the period are computed as the product of the estimated effective tax rate for the fiscal year that includes the current quarterly period and the income before income taxes for the current quarterly period up to the end of the current quarter.

Changes in Presentation of Quarterly Consolidated Financial Statements

(Quarterly Consolidated Statement of Income)

“Income before minority interests” is presented for the three months ended June 30, 2010 in accordance with the “Cabinet Office Ordinance on Partial Revision of Regulations for Terminology, Forms and Preparation of Financial Statements” (Cabinet Office Ordinance No. 5, March 24, 2009) based on “Accounting Standards for Consolidated Financial Statements” (ASBJ No. 22, December 26, 2008).

(Quarterly Consolidated Statement of Cash Flows)

“Net (gain) loss on securities” (¥9,990 million gain for the three months ended June 30, 2009), which was included in “Other, net” under “Cash flows from operating activities,” is presented separately from this quarterly period ended June 30, 2010.

“Purchase of intangible assets (other than leased assets as lessor)” (¥3,029 million for the three months ended June 30, 2009), which was previously included in “Other-net” under “Cash flows from investing activities,” is presented separately from this quarterly period. “Proceeds from sales of premises and equipment (other than leased assets as lessor)” (¥1million for this quarterly period), which was previously presented separately, is included in “Other, net” as the amount is immaterial.

Notes to Quarterly Consolidated Financial Statements

(Quarterly Consolidated Balance Sheet as of June 30, 2010)

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

(Millions of yen)

Loans to bankrupt obligors	¥ 20,486
Non-accrual delinquent loans	334,476
Loans past due for three months or more	2,988
Restructured loans	61,007

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

(Millions of yen)

Credits to bankrupt obligors	¥ 922
Non-accrual delinquent credits	3,696
Credits past due for three months or more	810
Restructured credits	3,166

The above amounts represent the outstanding 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	¥ 871
Securities	1,330,182
Loans and bills discounted	168,114
Lease receivables and leased investment assets	51,069
Other assets	364
Premises and equipment	1,910

Liabilities related to pledged assets are as follows:

(Millions of yen)

Deposits	¥ 610
Call money	160,000
Collateral related to securities lending transactions	399,850
Borrowed money	796,961
Other liabilities	18
Acceptances and guarantees	917

In addition, securities of ¥231,536 million are pledged as collateral for transactions including exchange settlements and swap transactions, and as the margin for future

trading.

Also, ¥274 million of margin deposits for futures transactions outstanding, ¥16,493 million of security deposits and ¥10,367 million of cash collateral pledged for derivative transactions are included in “Other assets.”

3. Installment receivables of ¥344,877 million are included in “Other assets.”
4. Accumulated depreciation on premises and equipment is ¥69,110 million.
5. 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	¥ 61,945
Negative goodwill	6,258
Net	¥ 55,687

6. “Intangible assets” include ¥24,015 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 months ended June 30, 2010)

1. "Other business income" includes leasing revenue on lease transactions of ¥26,214 million.
2. "Other ordinary income" includes income on monetary assets held in trust of ¥591 million.
3. "Other business expenses" includes leasing costs on lease transactions of ¥22,820 million.
4. "General and administrative expenses" includes amortization of goodwill of ¥2,189 million and amortization of other intangible assets of ¥1,233 million that have been recognized by applying the purchase method to the acquisition of Showa Leasing Co., Ltd., Shinsei Financial Co., Ltd. and their consolidated subsidiaries.
5. "Other ordinary expenses" includes provision of reserve for credit losses of ¥10,741 million, and loss on monetary assets held in trust of ¥11 million.
6. "Extraordinary gains" includes recoveries of written-off claims of ¥2,517 and gain from the cancellation of issued corporate bonds and other instruments of ¥1,260 million.
7. "Extraordinary losses" includes the cumulative effect of ¥3,554 million recognized at the beginning of this consolidated fiscal year by applying "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008)

(Quarterly Consolidated Statement of Cash Flows for the three months ended June 30, 2010)

1. The reconciliation between "cash and cash equivalents at end of period" and "cash and due from banks" in the quarterly consolidated balance sheet is as follows:

	(Millions of yen)
"Cash and due from banks"	¥ 655,481
<u>Interest bearing deposits included in "due from banks"</u>	<u>(88,149)</u>
"Cash and cash equivalents"	¥ 567,331

(Shareholders Equity)

1. The types and numbers of issued shares and treasury stock as of June 30, 2010

(Thousands of shares)

	Number of shares
Issued shares	
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 is no item to be disclosed.

(Segment Information)

(Supplementary information)

From this quarterly period, “Accounting Standard for Segment Information Disclosure of an Enterprise and Related Information” (ASBJ Statement No. 17, March 27, 2009) and “Guidance on Accounting Standard for Segment Information Disclosure and Related Information” (ASBJ Guidance No. 20, March 21, 2008) are applied.

1. Overview of Reporting Segments

Our reporting segments are components of Shinsei Bank and its subsidiaries and affiliates (Shinsei) about which separate financial information is available and such information is evaluated regularly by the Management Committee in deciding how to allocate resources and in assessing performance.

Shinsei provides a wide variety of financial products and services to institutional and individual customers in Japan through our Institutional Group and Individual Group, respectively. These groups consist of business segments which provide their respective financial products and services. The Institutional Group includes the “Institutional Business Sub-Group,” “Real Estate Finance Sub-Group,” “Principal Transactions Sub-Group,” “Foreign exchange, interest, credits and equities related transactions,” “ALM related transactions” and “Showa Leasing” as reporting segments. The Individual Group includes “Retail Banking Sub-Group,” “Shinsei Financial,” and “APLUS FINANCIAL.”

In the Institutional Group, the “Institutional Banking Sub-Group” provides financial products and services for corporate banking business, financial institutions business and public sector finance. The “Real Estate Finance Sub-Group” provides real estate finance, such as non-recourse loans, and financial products and services for the real estate and construction industries. The “Principal Transactions Sub-Group” provides financial products and services related to international principal finance, credit trading, real estate principal investment and specialty finance such as leveraged finance or acquisition finance. The Capital Markets Division includes two categories. One is “Foreign exchange, interest, credits, equity related transactions” that includes Shinsei Securities, who are engaged in foreign exchange, derivatives, equity trading, securitization, asset backed investment, and other capital markets transactions. Another is “ALM related transactions.” “Showa Leasing” mainly provides leasing related financial products and services. “Other Institutional Group” includes the alternative investment and trust business, wealth management, advisory service, and other products and services in the Institutional Group.

In the Individual Group, the “Retail Banking Sub-Group” provides financial products and services for retail customers, “Shinsei Financial” provides consumer finance, and “APLUS FINANCIAL” provides installment sales credit, credit cards, guarantees and settlement services. “Other Individual Group” includes profit and loss attributable to the Consumer Finance Sub-Group and other subsidiaries and affiliates.

2. Revenue and profit (loss) by reporting segment for the three months ended June 30, 2010

(Millions of yen)

	Institutional Group						
	Institutional Business Sub-Group	Real Estate Finance Sub-Group	Principal Transactions Sub-Group	Capital Markets Div.		Showa Leasing	Other Institutional Group
				FX, interest, credits and equity related transactions	ALM related transactions		
Revenue	¥ 2,702	¥ 4,909	¥ 4,694	¥ 4,676	¥ 1,118	¥ 3,779	¥ 947
Expenses	1,800	860	1,615	2,494	203	2,001	1,088
Credit Cost (reversed)	(2,171)	4,931	548	(1,843)	-	521	101
Segment Profit(loss)	¥ 3,073	¥ (882)	¥ 2,531	¥ 4,026	¥ 914	¥ 1,257	¥ (243)

	Individual Group				Corporate / Other	Total
	Retail Banking Sub-Group	Consumer Finance Sub-Group				
		Shinsei Financial	APLUS FINANCIAL	Other Individual Group		
Revenue	¥ 11,001	¥ 20,177	¥ 14,127	¥ 348	¥ 2,012	¥ 70,497
Expenses	8,040	10,171	8,921	82	(790)	36,489
Credit Cost (reversed)	796	6,666	3,962	170	125	13,809
Segment Profit(loss)	¥ 2,164	¥ 3,339	¥ 1,243	¥ 95	¥ 2,677	¥ 20,198

(Note)

1. "Revenue," which represents gross operating profit under our management reporting, is presented as a substitute for the amount of sales in general business corporations. "Revenue" is defined as the total of net interest income, net fees and commissions, net trading income, net other business income, net profit and loss on monetary assets held in trust, and net equity related profit and loss. "Net" means here the difference between income and cost. This "net" income and profit or loss 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" is 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.
4. "Corporate/Other" includes company-wide accounts including profit/losses on equity financing, allocation variance of indirect expense and elimination amount of inter-

segment transactions.

3. Reconciliation between the total of "Segment profit" and "Net ordinary income" in the quarterly consolidated statement of income for the three months ended June 30, 2010

(Millions of yen)

Profit	Amount
Total of segments profits	¥ 20,198
Amortization of goodwill	(2,189)
Amortization of other intangibles	(1,233)
Temporary expenses	(611)
Gain from the cancellation of issued corporate bonds and other instruments	(1,260)
Other	1,243
Net Ordinary Income in Quarterly Consolidated Statement of Income	¥ 16,147

(Financial Instruments)

Fair values of financial instruments as of June 30, 2010

(Millions of yen)

	Carrying amount	Fair value	Net unrealized gain (loss)
(1) Other monetary claims purchased (*1)	¥227,801	¥228,120	¥319
(2) Trading assets	27,036	27,036	—
(3) Monetary assets held in trust	281,950	282,004	53
(4) Securities (*2)	2,709,107	2,718,462	9,355
(5) Loans and bills discounted (*3)	4,772,520		
Reserve for credit losses	(142,036)		
Net	4,630,484	4,814,530	184,046
(6) Deposit	5,812,349	5,897,451	(85,102)
(7) Negotiable certificates of deposit	284,103	284,202	(98)
(8) Debentures	457,889	460,958	(3,069)
(9) Borrowed money	1,234,327	1,225,418	8,909
(10) Corporate bonds	163,417	140,825	22,592
(11) Derivative instruments (*4)			
Hedge accounting is not applied	1,300	1,300	—
Hedge accounting is applied	(17,925)	(17,925)	—
Derivative instruments total	(16,625)	(16,625)	—

(*1) Other monetary claims purchased are presented as the amount net of reserve for credit losses which is immaterial.

(*2) Investments in partnerships and others, the assets of which comprise equity securities without readily available market price, are out of scope of fair value disclosure because fair value of those investments cannot be reliably determined.

(*3) For consumer loans of ¥719,378 million held by consolidated subsidiaries included in Loans and bills discounted, reserve for losses on interest repayments of ¥54,366 million is recognized for possible 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 associated with derivative transactions, and presented with () when a liability stands on a net basis.

(Note) Valuation methodology for financial instruments

(1) Other monetary claims purchased

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

(2) Trading assets

The fair value of securities, mainly bonds, held for trading purposes is measured at observable market price or quoted price from a third party.

(3) Monetary assets held in trust

The fair values of monetary assets held in trust are determined using the discounted cash flow 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 a third party, 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 value of loans and bills discounted with fixed interest rates is determined by discounting contractual cash flows, and the fair value of loans and bills discounted with floating interest rates is determined by discounting expected cash flows based on forward rates, using the risk-free rate adjusted to take account for credit risk (after consideration of collateral) with CDS spreads etc. corresponding to the internal credit rating. The fair value of housing loans is determined by discounting expected cash flows at the rates that would be applied for the new origination. The fair value of consumer loans is determined by discounting expected cash flows that reflect expected loss at the rates that consist of the risk-free rate and the rate of certain costs, by group of similar product types and consumer segments..

For loans to obligors "legally bankrupt," "virtually bankrupt" and "possibly bankrupt," the 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. Carrying value net of the reserve as of the quarterly consolidated balance sheet date is the reasonable estimate of the fair values of those loans.

(6) Deposits, and (7) Negotiable certificates of deposit

The fair values of demand deposits, such as current deposits and ordinary deposits are recognized as the payment at the date of the quarterly consolidated balance sheets. The carrying amounts of the deposits with maturity of less than 6 months approximate fair values, 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 contract on the same terms.

(8) Debentures, and (10) Corporate bonds

The fair value of marketable corporate bonds is measured at the quoted market price. The fair values of non-marketable debentures and corporate bonds under the Medium Term Note program are determined by discounting expected cash flows at the actual average funding rate of corporate time deposits and debentures funded in the past 3 months of the quarterly consolidated balance sheet date. The fair value of retail debentures is determined by discounting contractual cash flow at the actual funding rate in the most recent month of issuance.

The fair values of step-up callable subordinated bonds are determined by discounting cash flow which reflects the probability of early redemption at the rate that consists of the risk free rate and expected CDS spread.

(9) Borrowed money

The fair value of borrowed money with a fixed interest rate is primarily determined by discounting contractual cash flows (for the borrowed money hedged by the interest rate swap which meet specific matching criteria, the contractual cash flow includes the cash flow of the interest rate swap), and the fair value of borrowed money with a floating interest rate is determined by discounting expected cash flow based on forward rates, at the rates that reflect the credit risk of the borrower.

The fair value of step-up callable subordinated borrowing is determined by discounting expected cash flow that reflects the probability of early redemption at the rate that consists of the risk-free rate and CDS spread.

(11) Derivative instruments

The fair values of derivative instruments are measured at the market prices or determined using the discounted cash flow method or option pricing models.

(Securities)

Securities below include beneficiary certificates included in other monetary claims purchased that are accounted for as securities.

1. Securities being held to maturity whose fair value can be reliably determined as of June 30, 2010

(Millions of yen)

	Carrying amount	Fair value	Net unrealized gain (loss)
Japanese national government bonds	¥ 313,286	¥ 318,972	¥ 5,686
Japanese corporate bonds	69,465	70,728	1,263
Other	52,246	54,652	2,405
Total	¥ 434,998	¥ 444,353	¥ 9,355

2. Securities available-for-sale whose fair value can be reliably determined as of June 30, 2010

(Millions of yen)

	Acquisition / amortized cost	Carrying amount (fair value)	Net unrealized gain (loss)
Equity securities	¥ 17,964	¥ 14,178	¥ (3,786)
Domestic bonds:	1,996,330	1,999,148	2,817
Japanese national government bonds	1,670,106	1,676,534	6,427
Japanese local government bonds	1,723	1,800	76
Japanese corporate bonds	324,500	320,814	(3,686)
Other	288,281	296,512	8,231
Total	¥ 2,302,576	¥ 2,309,839	¥ 7,263

(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 securities available-for-sale carried at fair value for the three months ended June 30, 2010 is ¥254 million, including ¥199 million for the equity securities and ¥54 million for the debt securities.

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

Bank's self-assessment guidelines:

Securities issued by "legally bankrupt," "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, 2010.
2. Other monetary assets held in trust, for other than trading purposes and held-to-maturity, as of June 30, 2010

(Millions of yen)

	Acquisition amortized cost	Carrying amount	Net Unrealized gain (loss)
Other monetary assets held in trust for other than trading purposes	¥ 88,888	¥ 88,888	—

(Derivative transactions)**(a) Interest rate-related transactions as of June 30, 2010**

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Future contracts	¥ 21,588	¥ (49)	¥ (49)
	Interest rate options	—	—	—
Over the counter	Forward contracts	—	—	—
	Interest rate swaps	7,487,950	41,553	41,553
	Interest rate swaptions	2,341,288	(39,247)	(28,813)
	Interest rate options	227,009	(273)	(660)
	Other	—	—	—
	Total	—	¥1,982	¥ 12,029

(Note)

1. Derivatives included in the table are measured at fair value and unrealized gains and losses are recognized in the quarterly consolidated 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 reducing ¥1,355 million and also adjusted for liquidity risk by reducing ¥3,202 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, 2010

(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	¥ 624,306	¥ (4,831)	¥ (4,831)
	Forward foreign exchange contracts	2,854,671	(6,756)	(6,756)
	Currency options	13,349,960	(2,547)	34,694
	Other	—	—	—
	Total	—	¥ (14,135)	¥ 23,107

(Note) Derivatives included in the table are measured at fair value and unrealized gains and losses are recognized in the quarterly consolidated 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, 2010

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Equity index futures	¥ 8,342	¥ (200)	¥ (200)
	Equity index options	271,594	1,966	1,961
	Equity options	—	—	—
Over the counter	Equity options	368,193	2,419	(673)
	Equity index swaps	1,000	27	27
	Other	185,006	12,629	12,667
	Total	—	¥ 16,842	¥ 13,783

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

(d) Bond-related transactions as of June 30, 2010

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Bond futures	¥ 2,819	¥(13)	¥ (13)
	Bond futures options	—	—	—
Over the counter	Bond options	—	—	—
	Other	—	—	—
	Total	—	¥(13)	¥ (13)

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

(e) Credit-related transactions as of June 30, 2010

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Over the counter	Credit default options	¥ 1,843,372	¥ 1,183	¥ 1,183
	Other	—	—	—
	Total	—	¥ 1,183	¥ 1,183

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

(Stock options)

The matters concerning the stock options vested for the period from April 1, 2010 to June 30, 2010

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

(Earnings per share information)

1. Equity per share

(Yen)

	The end of the first quarter of this consolidated fiscal year (June 30, 2010)	The end of the prior consolidated fiscal year (March 31, 2010)
Amount of net assets per share	¥ 236.82	¥ 232.72

2. Net income per common share for the quarter

(Yen)

	Three months ended June 30, 2009 (April 1, 2009 to June 30, 2009)	Three months ended June, 2010 (April 1, 2010 to June 30, 2010)
Basic net income per common share	¥ 2.63	¥ 7.06

(Note)

(a) Diluted net income per share is not presented because there is no dilutive effect.

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

		Three months ended June 30, 2009 (April 1, 2009 to June 30, 2009)	Three months ended June 30, 2010 (April 1, 2010 to June 30, 200)
Basic net income per common share for the quarter			
Net income for the three months period	(Millions of yen)	¥ 5,172	¥ 13,877
The amount which is not attributable to common shares	(Millions of yen)	—	—
Net income from operations for the three months period attributable to common shareholders	(Millions of yen)	¥ 5,172	¥ 13,877
The average number of common shares during the period	(Thousands of shares)	1,963,919	1,963,919