

Quarterly Consolidated Financial Statements and Notes

For the Nine-Month Period Ended December 31, 2013

*This is an English translation of quarterly consolidated financial statements and notes of Shinsei Bank, Limited (the "Bank") and its consolidated subsidiaries (collectively, the "Group") prepared in Japanese under JGAAP. Please note that this translation is provided for your reference and convenience only, pursuant to Rule 12g3-2(b) under the U.S. Securities Exchange Act of 1934. In the event of any discrepancy between the translation and the Japanese original, the Japanese original shall take precedence over this translation.

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

Quarterly Consolidated Balance Sheets

Shinsei Bank, Limited, and Consolidated Subsidiaries

As of March 31, 2013 and December 31, 2013

(Millions of yen)

	March 31, 2013	December 31, 2013
ASSETS		
Cash and due from banks	¥ 648,897	¥ 828,942
Call loans and bills bought	18,806	25,000
Receivables under resale agreements	78,507	53,216
Receivables under securities borrowing transactions	19,083	43,623
Other monetary claims purchased	112,318	111,382
Trading assets	287,907	301,989
Monetary assets held in trust	233,847	203,056
Securities	1,842,344	1,882,690
Loans and bills discounted	※1 4,292,464	※1 4,215,437
Foreign exchanges	33,857	31,986
Lease receivables and leased investment assets	203,590	215,730
Other assets	※1, ※2 770,905	※1, ※2 821,781
Premises and equipment	52,716	50,748
Intangible assets	※3, ※4 68,429	※3, ※4 59,075
Deferred issuance expenses for debentures	95	39
Deferred tax assets	16,339	18,974
Customers' liabilities for acceptances and guarantees	511,032	433,567
Reserve for credit losses	(161,810)	(143,019)
[Total assets]	¥ 9,029,335	¥ 9,154,223
LIABILITIES AND EQUITY		
Liabilities:		
Deposits	¥ 5,252,935	¥ 5,754,427
Negotiable certificates of deposit	204,600	199,790
Debentures	262,342	43,628
Call money and bills sold	170,094	120,000
Payables under repurchase agreements	—	5,254
Payables under securities lending transactions	47,069	59,037
Trading liabilities	240,099	262,584
Borrowed money	719,292	630,089
Foreign exchanges	174	325
Short-term corporate bonds	82,800	97,700
Corporate bonds	174,286	202,195
Other liabilities	630,759	581,198
Accrued employees' bonuses	7,604	5,464
Accrued directors' bonuses	54	47
Reserve for employees' retirement benefits	7,309	7,634
Reserve for directors' retirement benefits	245	115
Reserve for losses on interest repayments	34,983	39,201
Deferred tax liabilities	7	142
Acceptances and guarantees	511,032	433,567
[Total liabilities]	8,345,690	8,442,405
Equity:		
Shareholders' equity:		
Common stock	512,204	512,204
Capital surplus	79,461	79,461
Retained earnings	107,288	132,329
Treasury stock, at cost	(72,558)	(72,558)
[Total shareholders' equity]	626,395	651,437
Accumulated other comprehensive income:		
Unrealized gain (loss) on available-for-sale securities	3,825	2,825
Deferred gain (loss) on derivatives under hedge accounting	(11,605)	(8,525)
Foreign currency translation adjustments	1,475	1,716
[Total accumulated other comprehensive income]	(6,305)	(3,983)
Stock acquisition rights	1,238	1,222
Minority interests	62,315	63,142
[Total equity]	683,644	711,818
[Total liabilities and equity]	¥ 9,029,335	¥ 9,154,223

Quarterly Consolidated Statements of Income

Shinsei Bank, Limited, and Consolidated Subsidiaries

For the nine-month periods ended December 31, 2012 and 2013

(Millions of yen)

	December 31, 2012 (9 months)	December 31, 2013 (9 months)
ORDINARY INCOME	¥ 281,615	¥ 280,864
Interest income	111,247	108,288
Interest on loans and bills discounted	97,365	93,880
Interest and dividends on securities	12,541	12,122
Fees and commissions income	29,921	33,263
Trading income	15,501	12,915
Other business income	※1 103,393	※1 105,677
Other ordinary income	※2 21,551	※2 20,719
ORDINARY EXPENSES	240,223	250,068
Interest expenses	27,018	25,713
Interest on deposits	17,306	16,239
Interest on borrowings	3,971	3,740
Interest on corporate bonds	3,976	4,558
Fees and commissions expenses	15,933	16,160
Trading losses	1,509	1,959
Other business expenses	※3 72,314	※3 73,776
General and administrative expenses	※4 105,376	※4 108,756
Other ordinary expenses	※5 18,071	※5 23,702
ORDINARY PROFIT	41,391	30,796
Extraordinary gains	561	144
Extraordinary losses	※6 1,233	※6 1,274
Income before income taxes and minority interests	40,720	29,666
Income taxes (benefit)	210	(337)
Income before minority interests	40,510	30,003
Minority interests in net income of subsidiaries	2,692	2,302
NET INCOME	¥ 37,817	¥ 27,701

Quarterly Consolidated Statements of Comprehensive Income

Shinsei Bank, Limited, and Consolidated Subsidiaries

For the nine-month periods ended December 31, 2012 and 2013

(Millions of yen)

	December 31, 2012 (9 months)	December 31, 2013 (9 months)
INCOME BEFORE MINORITY INTERESTS	¥ 40,510	¥ 30,003
OTHER COMPREHENSIVE INCOME	2,648	3,172
Unrealized gain (loss) on available-for-sale securities	(1)	(938)
Deferred gain (loss) on derivatives under hedge accounting	338	3,080
Foreign currency translation adjustments	1,590	970
Share of other comprehensive income in affiliates	720	60
COMPREHENSIVE INCOME	¥ 43,158	¥ 33,176

(Breakdown)

Attributable to:

Owners of the parent	¥ 40,120	¥ 30,023
Minority interests	3,038	3,152

(Accounting Method Specific to Quarterly Consolidated Financial Statements)

1. Income Taxes

Income taxes (benefit) are calculated based on income before income taxes and minority interests for the nine-month period ended December 31, 2013 and the reasonably estimated effective tax rate for the fiscal year ending March 31, 2014.

(Quarterly Consolidated Balance Sheets as of March 31, 2013 and December 31, 2013)

1. Risk-monitored loans included in “Loans and bills discounted” were as follows.

(Millions of yen)

	March 31, 2013	December 31, 2013
Loans to bankrupt obligors	¥ 20,577	¥ 13,057
Non-accrual delinquent loans	252,916	200,531
Loans past due for three months or more	1,258	1,145
Restructured loans	38,117	34,594
Total	¥ 312,869	¥ 249,329

Risk-monitored credits included in installment receivables in “Other assets” were as follows.

(Millions of yen)

	March 31, 2013	December 31, 2013
Credits to bankrupt obligors	¥ 263	¥ 553
Non-accrual delinquent credits	9,372	9,266
Credits past due for three months or more	261	292
Restructured credits	1,155	841
Total	¥ 11,052	¥ 10,954

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

2. Installment receivables included in “Other assets” were as follows.

(Millions of yen)

	March 31, 2013	December 31, 2013
Installment receivables	¥ 365,817	¥ 400,142

3. Goodwill and negative goodwill are offset and the net amounts are included in “Intangible assets.” The gross amounts were as follows.

(Millions of yen)

	March 31, 2013	December 31, 2013
Goodwill	¥ 40,655	¥ 35,446
Negative goodwill	5,260	4,988
Net	¥ 35,394	¥ 30,457

4. “Intangible assets” include intangible assets that have been recognized by applying the purchase method to the acquisition of certain consolidated subsidiaries.

(Millions of yen)

	March 31, 2013	December 31, 2013
Intangible assets acquired in business combinations	¥ 12,487	¥ 9,943

(Quarterly Consolidated Statements of Income for the nine-month periods ended December 31, 2012 and 2013)

1. In "Other business income," the following was included.

(Millions of yen)

	December 31, 2012 (9 months)	December 31, 2013 (9 months)
Leasing revenue	¥ 65,398	¥ 64,863

2. In "Other ordinary income," the following were included.

(Millions of yen)

	December 31, 2012 (9 months)	December 31, 2013 (9 months)
Recoveries of written-off claims	¥ 8,298	¥ 5,943
Gain on monetary assets held in trust	6,871	5,335

3. In "Other business expenses," the following was included.

(Millions of yen)

	December 31, 2012 (9 months)	December 31, 2013 (9 months)
Leasing cost	¥ 57,309	¥ 58,044

4. In "General and administrative expenses," the following were included.

(Millions of yen)

	December 31, 2012 (9 months)	December 31, 2013 (9 months)
Amortization of goodwill	¥ 5,363	¥ 4,934
Amortization of intangible assets acquired in business combinations ^(Note)	2,897	2,544

Note: represents amortization of intangible assets that have been recognized by applying the purchase method to the acquisitions of Showa Leasing Co., Ltd., Shinsei Financial Co., Ltd. and their consolidated subsidiaries.

5. In "Other ordinary expenses," the following were included.

(Millions of yen)

	December 31, 2012 (9 months)	December 31, 2013 (9 months)
Provision of reserve for losses on interest repayments	¥ -	¥ 13,639
Provision of reserve for credit losses	10,244	5,114

6. In "Extraordinary losses," the following was included.

(Millions of yen)

	December 31, 2012 (9 months)	December 31, 2013 (9 months)
Impairment losses on premises and equipment	¥ 680	¥ 1,076

(Quarterly Consolidated Statements of Cash Flows for the nine-month periods ended December 31, 2012 and 2013)

Quarterly consolidated statements of cash flows for the nine-month periods ended December 31, 2012 and 2013 were not prepared. Depreciation, including amortization of intangible assets other than those acquired in business combinations, and amortization of goodwill and intangible assets acquired in business combinations were as follows.

(Millions of yen)

	December 31, 2012 (9 months)	December 31, 2013 (9 months)
Depreciation (other than depreciation of leased assets as lessor)	¥ 7,871	¥ 7,580
Amortization of goodwill	5,363	4,934
Amortization of intangible assets acquired in business combinations	2,897	2,544

(Shareholders Equity)

Nine-month period ended December 31, 2012

1. Dividends paid

(Resolution)	Type of shares	Total amount	Per share amount	Record date	Effective date	Source of dividend
The board of directors meeting on May 8, 2012	Common stock	¥ 2,653 million	¥ 1.00	March 31, 2012	May 31, 2012	Other retained earnings

2. There was no dividend of which the record date belongs to the nine-month period ended December 31, 2012, and of which the effective date was after December 31, 2012.

Nine-month period ended December 31, 2013

1. Dividends paid

(Resolution)	Type of shares	Total amount	Per share amount	Record date	Effective date	Source of dividend
The board of directors meeting on May 8, 2013	Common Stock	¥ 2,653 million	¥ 1.00	March 31, 2013	May 30, 2013	Other retained earnings

2. There was no dividend of which the record date belongs to the nine-month period ended December 31, 2013, and of which the effective date was after December 31, 2013.

(Segment Information)

Nine-month period ended December 31, 2012

1. Revenue and profit (loss) by reportable segment

(Millions of yen)

	Institutional Group				Global Markets Group		
	Institutional Business Sub-Group	Principal Transactions Sub-Group	Showa Leasing	Other Institutional Group	Financial Institutions Sub-Group	Markets Sub-Group	Other Global Markets Group
Revenue:	¥ 25,179	¥ 8,723	¥ 9,817	¥ (122)	¥ 3,291	¥ 5,030	¥ 1,803
Net interest income	20,227	3,435	(1,677)	(219)	1,225	1,024	64
Non-interest income	4,951	5,287	11,494	97	2,065	4,005	1,739
Expenses	8,303	2,844	5,731	1,151	1,749	2,412	2,639
Net credit costs (recoveries)	1,343	(462)	(1,346)	1,664	(1,817)	(53)	(207)
Segment profit (loss)	¥ 15,532	¥ 6,341	¥ 5,432	¥ (2,937)	¥ 3,360	¥ 2,670	¥ (628)

(Millions of yen)

	Individual Group				Corporate/Other		Total
	Retail Banking Sub-Group	Consumer Finance Sub-Group			Treasury Sub-Group	Other	
		Shinsei Financial	APLUS FINANCIAL	Other			
Revenue:	¥ 24,511	¥ 33,396	¥ 35,748	¥ 1,214	¥ 3,341	¥ (1,618)	¥ 150,316
Net interest income	19,706	36,216	7,174	1,059	(2,022)	(1,985)	84,229
Non-interest income	4,805	(2,819)	28,573	155	5,363	366	66,086
Expenses	23,007	21,859	24,820	368	970	(209)	95,649
Net credit costs (recoveries)	(22)	1,149	4,218	(72)	—	437	4,831
Segment profit (loss)	¥ 1,526	¥ 10,387	¥ 6,709	¥ 919	¥ 2,370	¥ (1,847)	¥ 49,835

(Notes)

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

Interest on inter-segment transactions is calculated using an inter-office rate. Indirect expense is allocated, based on the predefined rule, to each reportable segment according to the budget which is set at the beginning of fiscal year.

2. "Expenses" are general and administrative expenses deducting amortization of goodwill and other intangible assets acquired in business combinations, amortization of net actuarial gains or losses of retirement benefit cost and lump-sum payments.
3. "Net credit costs (recoveries)" consist of provision/reversal of reserve for credit losses, losses on write-off or sales of loans, and recoveries of written-off claims.
4. "Shinsei Financial" includes profit/loss on "Shinsei Bank Card Loan - Lake," the unsecured personal card loan business transferred from Shinsei Financial Co., Ltd. to Shinsei Bank, Limited on October 1, 2011, as well as profit/loss of SHINKI Co., Ltd.
5. "Other" under the Corporate/Other includes company-wide accounts which are not included in reportable segments, allocation variance of indirect expenses and elimination amount of inter-segment transactions.

2. Reconciliation between total segment profit and ordinary profit on the quarterly consolidated statement of income for the nine-month period ended December 31, 2012

(Millions of yen)

Profit	Amount
Total segment profit	¥ 49,835
Amortization of goodwill acquired in business combinations	(5,363)
Amortization of intangible assets acquired in business combinations	(2,897)
Lump-sum payments	(1,466)
Provision of reserve for losses on interest repayments	—
Other	1,283
Ordinary profit on the quarterly consolidated statement of income	¥ 41,391

Nine-month period ended December 31, 2013

1. Revenue and profit (loss) by reportable segment

(Millions of yen)

	Institutional Group				Global Markets Group		
	Institutional Business Sub-Group	Principal Transactions Sub-Group	Showa Leasing	Other Institutional Group	Financial Institutions Sub-Group	Markets Sub-Group	Other Global Markets Group
Revenue:	¥ 28,619	¥ 13,456	¥ 10,084	¥ 370	¥ 2,606	¥ 3,451	¥ 2,174
Net interest income	19,767	3,520	(2,018)	195	1,193	1,548	58
Non-interest income	8,852	9,936	12,103	175	1,413	1,902	2,115
Expenses	8,343	3,116	5,854	980	1,600	2,431	2,650
Net credit costs (recoveries)	(5,353)	15	(1,514)	1,664	60	19	(37)
Segment profit (loss)	¥ 25,629	¥ 10,324	¥ 5,744	¥ (2,274)	¥ 945	¥ 1,000	¥ (438)

(Millions of yen)

	Individual Group				Corporate/Other		Total
	Retail Banking Sub-Group	Consumer Finance Sub-Group			Treasury Sub-Group	Other	
		Shinsei Financial	APLUS FINANCIAL	Other			
Revenue:	¥ 24,812	¥ 34,643	¥ 35,658	¥ 1,312	¥ (2,868)	¥ (2,159)	¥ 152,162
Net interest income	19,184	37,651	5,770	1,123	(3,010)	(2,410)	82,574
Non-interest income	5,627	(3,007)	29,887	188	141	250	69,587
Expenses	24,206	22,832	26,009	500	1,171	(218)	99,478
Net credit costs (recoveries)	158	994	4,705	(68)	—	(5)	640
Segment profit (loss)	¥ 446	¥ 10,817	¥ 4,944	¥ 880	¥ (4,040)	¥ (1,935)	¥ 52,043

(Notes)

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

Interest on inter-segment transactions is calculated using an inter-office rate. Indirect expense is allocated, based on the predefined rule, to each reportable segment according to the budget which is set at the beginning of fiscal year.

2. "Expenses" are general and administrative expenses deducting amortization of goodwill and other intangible assets acquired in business combinations, amortization of net actuarial gains or losses of retirement benefit cost and lump-sum payments.
 3. "Net credit cost (recoveries)" consists of provision/reversal of reserve for credit losses, losses on write-off or sales of loans, and recoveries of written-off claims.
 4. "Shinsei Financial" includes profit/loss on "Shinsei Bank Card Loan - Lake," the unsecured personal card loan business transferred from Shinsei Financial Co., Ltd. to Shinsei Bank, Limited on October 1, 2011, as well as profit/loss of SHINKI Co., Ltd.
 5. "Other" under the Corporate/Other includes company-wide accounts which are not included in reportable segments, allocation variance of indirect expenses and elimination amount of inter-segment transactions.
2. Reconciliation between total segment profit and ordinary profit on the quarterly consolidated statement of income for the nine-month period ended December 31, 2013

(Millions of yen)

Profit	Amount
Total segment profit	¥ 52,043
Amortization of goodwill acquired in business combinations	(4,828)
Amortization of intangible assets acquired in business combinations	(2,544)
Lump-sum payments	(1,904)
Provision of reserve for losses on interest repayments	(13,639)
Other	1,669
Ordinary profit on the quarterly consolidated statement of income	¥ 30,796

3. Changes in reportable segments

Changes in classification of reportable segments

As a result of an organizational change on April 1, 2013, the "Structured Finance Sub-Group" was integrated into the "Institutional Business Sub-Group." In accordance with this organizational change, the classification of reportable segments has been changed.

"Revenue and profit (loss) by reportable segment" for the nine-month periods ended December 31, 2012 and 2013 on the above tables are presented based on the new classification of reportable segments.

(Financial Instruments)

Fair values of financial instruments as of March 31, 2013

(Millions of yen)

	Carrying amount	Fair value	Unrealized gain (loss)
(1) Other monetary claims purchased ^{(*)1}	¥ 111,304	¥ 111,605	¥ 301
(2) Trading assets			
Securities held for trading purposes	31,890	31,890	—
(3) Monetary assets held in trust ^{(*)1}	233,714	238,291	4,577
(4) Securities ^{(*)2}	1,771,843	1,774,937	3,093
(5) Loans and bills discounted ^{(*)3}	4,292,464		
Reserve for credit losses	(121,328)		
Net	4,171,136	4,248,691	77,555
(6) Lease receivables and leased investment assets ^{(*)1}	199,177	200,125	947
(7) Other assets			
Installment receivables	365,817		
Deferred gains on installment receivables	(12,111)		
Reserve for credit losses	(10,819)		
Net	342,886	354,528	11,641
(8) Deposits	5,252,935	5,267,724	(14,788)
(9) Negotiable certificates of deposit	204,600	204,580	19
(10) Debentures	262,342	262,768	(426)
(11) Trading liabilities			
Trading securities sold for short sales	15,925	15,925	—
(12) Borrowed money	719,292	718,119	1,172
(13) Short-term corporate bonds	82,800	82,800	—
(14) Corporate bonds	174,286	171,091	3,194
(15) Derivative instruments ^{(*)4} :			
Hedge accounting is not applied	(17,733)	(17,733)	—
Hedge accounting is applied	(16,521)	(16,521)	—
Derivative instruments total	(34,255)	(34,255)	—

(Millions of yen)

	Contract amount	Fair value
Other:		
Guarantee contracts ^{(*)5}	¥ 511,032	¥ (4,460)

(*1) Carrying amounts 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 are out of the scope of fair value disclosure because their fair values cannot be reliably determined.

(*3) For consumer loans of ¥389,310 million held by consolidated subsidiaries included in loans and bills discounted, reserve for losses on interest repayments of ¥34,983 million was recognized for estimated losses on reimbursements 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 net basis.

(*5) Contract amount for guarantee contracts presents the amount of "Acceptances and guarantees" on the consolidated balance sheets.

Fair values of financial instruments as of December 31, 2013

(Millions of yen)

	Carrying amount	Fair value	Unrealized gain (loss)
(1) Other monetary claims purchased ^{(*)1}	¥ 109,778	¥ 110,678	¥ 900
(2) Trading assets			
Securities held for trading purposes	52,284	52,284	—
(3) Monetary assets held in trust	203,056	206,155	3,098
(4) Securities ^{(*)2}	1,808,054	1,806,009	(2,045)
(5) Loans and bills discounted ^{(*)3}	4,215,437		
Reserve for credit losses	(99,615)		
Net	4,115,821	4,179,100	63,278
(6) Lease receivables and leased investment assets ^{(*)1}	211,744	211,379	(364)
(7) Other assets			
Installment receivables	400,142		
Deferred gains on installment receivables	(12,769)		
Reserve for credit losses	(10,414)		
Net	376,957	389,005	12,047
(8) Deposits	5,754,427	5,764,886	(10,459)
(9) Negotiable certificates of deposit	199,790	199,786	3
(10) Debentures	43,628	43,671	(43)
(11) Trading liabilities			
Trading securities sold for short sales	41,448	41,448	—
(12) Borrowed money	630,089	628,875	1,214
(13) Short-term corporate bonds	97,700	97,700	—
(14) Corporate bonds	202,195	205,583	(3,387)
(15) Derivative instruments ^{(*)4} :			
Hedge accounting is not applied	(21,947)	(21,947)	—
Hedge accounting is applied	(7,772)	(7,772)	—
Derivative instruments total	(29,719)	(29,719)	—

(Millions of yen)

	Contract amount	Fair value
Other:		
Guarantee contracts ^{(*)5}	¥ 433,567	¥ (2,562)

(*1) Carrying amounts of other monetary claims purchased, 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 are out of the scope of fair value disclosure because their fair values cannot be reliably determined.

(*3) For consumer loans of ¥350,127 million held by consolidated subsidiaries included in loans and bills discounted, reserve for losses on interest repayments of ¥39,201 million was recognized for estimated losses on reimbursements 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 net basis.

(*5) Contract amount for guarantee contracts presents the amount of "Acceptances and guarantees" on the consolidated balance sheets.

(Note) Valuation methodologies for financial instruments

(1) Other monetary claims purchased

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

(2) Trading assets

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

(3) Monetary assets held in trust

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

Notes on monetary assets held in trust for other than trading purposes are included in notes for "Monetary assets held in trust."

(4) Securities

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

Notes on securities being held to maturity and available for sale are included in notes for "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 internal credit rating of each borrower. The fair values of housing loans are determined by discounting expected cash flows at the rates that would be applied for the new housing loans with the same terms at the consolidated balance sheet date. The fair values of consumer loans are determined by discounting expected cash flows that reflect expected loss at the rates that consist of the risk free rate and certain costs, by a group of similar product types and customer segments.

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

(6) Lease receivables and leased investment assets

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

(7) Installment receivables

The fair values are primarily determined by discounting expected cash flows that reflect the probability of prepayment at the rates that consist of the risk free rate, credit risk and certain costs, by a 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 of six months or less approximate carrying amounts because of their short term maturity.

The fair values of time deposits are determined by discounting the contractual cash flows at the rates that would be applied for the new contracts with the same terms at the consolidated balance sheet date.

(10) Debentures and (14) Corporate bonds

The fair values of marketable debentures and corporate bonds are measured at market prices.

The fair values of nonmarketable 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 in 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 latest actual funding rates.

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

(11) Trading liabilities

The fair values are measured at market prices.

(12) Borrowed money

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

(13) Short-term corporate bonds

The fair values approximate carrying amounts because most of them are with short maturities of six months or less.

(15) Derivative instruments

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

Other:

Guarantee contracts

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

(Securities)

In addition to "Securities" on the quarterly consolidated balance sheets, the figures in the following tables include beneficiary interests included in "Other monetary claims purchased" that are accounted for in the same way as securities.

1. Securities being held to maturity:

As of March 31, 2013

(Millions of yen)

	Carrying amount	Fair value	Unrealized gain (loss)
Japanese national government bonds	¥ 584,863	¥ 589,406	¥ 4,542
Other	54,945	59,768	4,822
Total	¥ 639,809	¥ 649,174	¥ 9,365

As of December 31, 2013

(Millions of yen)

	Carrying amount	Fair value	Unrealized gain (loss)
Japanese national government bonds	¥ 650,633	¥ 652,523	¥ 1,890
Other	54,063	58,732	4,668
Total	¥ 704,697	¥ 711,256	¥ 6,559

2. Securities available for sale:

As of March 31, 2013

(Millions of yen)

	Amortized/ Acquisition cost	Carrying amount (Fair value)	Unrealized gain (loss)
Equity securities	¥ 13,713	¥ 19,462	¥ 5,749
Domestic bonds	937,483	936,704	(778)
Japanese national government bonds	752,012	752,498	486
Japanese local government bonds	503	532	29
Japanese corporate bonds	184,967	183,673	(1,294)
Other	136,713	140,628	3,914
Total	¥ 1,087,909	¥ 1,096,795	¥ 8,885

As of December 31, 2013

(Millions of yen)

	Amortized/ Acquisition cost	Carrying amount (Fair value)	Unrealized gain (loss)
Equity securities	¥ 13,560	¥ 20,820	¥ 7,260
Domestic bonds	851,895	849,461	(2,434)
Japanese national government bonds	732,363	729,881	(2,481)
Japanese local government bonds	502	525	22
Japanese corporate bonds	119,029	119,053	24
Other	189,416	192,335	2,919
Total	¥ 1,054,872	¥ 1,062,617	¥ 7,745

(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 loss on available-for-sale securities carried at fair value for the fiscal year ended March 31, 2013 was ¥2,748 million, which consisted of ¥211 million for equity securities, ¥2,506 million for Japanese corporate bonds and ¥30 million for other securities.

Impairment loss on available-for-sale securities carried at fair value for the nine-month period ended December 31, 2013 was ¥817 million, which consisted of ¥0 million for equity securities, ¥810 million for Japanese corporate bonds and ¥6 million for other securities.

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 were no monetary assets held in trust held to maturity as of March 31, 2013 and December 31, 2013.
2. Monetary assets held in trust other than for trading purposes and held to maturity:

As of March 31, 2013 (Millions of yen)

	Acquisition cost	Carrying amount	Unrealized gain (loss)
Other monetary assets held in trust	¥ 135,565	¥ 135,565	—

As of December 31, 2013 (Millions of yen)

	Acquisition cost	Carrying amount	Unrealized gain (loss)
Other monetary assets held in trust	¥ 130,122	¥ 130,122	—

(Derivative transactions)

Fair values of derivatives are adjusted for credit risk and liquidity risk by directly deducting reasonably estimated reserves from relevant trading assets. The fair values of derivatives on the quarterly consolidated balance sheets as of March 31, 2013 and December 31, 2013 are adjusted for credit risk by a deduction of ¥611 million and ¥717 million, respectively, and also adjusted for liquidity risk by a deduction of ¥2,025 million and ¥1,319 million, respectively. Regardless of this accounting treatment, the deduction of those risks is not reflected in the fair values shown in the following tables.

(a) Interest rate-related transactions:

As of March 31, 2013

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Future contracts	¥ 10,973	¥ (3)	¥ (3)
	Interest rate options	—	—	—
Over the counter	Forward contracts	—	—	—
	Interest rate swaps	11,513,328	30,134	30,134
	Interest rate swaptions	2,537,414	(4,350)	6,239
	Interest rate options	221,139	(166)	18
	Other	—	—	—
Total		—	¥ 25,614	¥ 36,389

(Note) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income. Derivatives for which hedge accounting is adopted in accordance with Industry Audit Committee Report No.24 of the JICPA are excluded from the table above.

As of December 31, 2013

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Future contracts	¥ 316,559	¥ 4	¥ 4
	Interest rate options	—	—	—
Over the counter	Forward contracts	—	—	—
	Interest rate swaps	11,922,857	23,139	23,139
	Interest rate swaptions	2,546,246	(2,107)	8,155
	Interest rate options	195,113	(131)	118
	Other	—	—	—
Total		—	¥ 20,904	¥ 31,418

(Note) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income. Derivatives for which hedge accounting is adopted in accordance with Industry Audit Committee Report No.24 of the JICPA are excluded from the table above.

(b) Currency-related transactions:

As of March 31, 2013

(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	¥ 825,128	¥ (29,417)	¥ (29,417)
	Forward foreign exchange contracts	1,151,172	32,778	32,778
	Currency options	4,066,876	(44,594)	(37,229)
	Other	—	—	—
Total		—	¥ (41,233)	¥ (33,869)

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

As of December 31, 2013

(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	¥ 875,461	¥ (29,931)	¥ (29,931)
	Forward foreign exchange contracts	1,622,438	23,379	23,379
	Currency options	3,083,615	(40,547)	(36,180)
	Other	—	—	—
Total		—	¥ (47,098)	¥ (42,731)

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

(c) Equity-related transactions:

As of March 31, 2013

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Equity index futures	¥ 27,878	¥ 262	¥ 262
	Equity index options	757,633	(2,664)	(3,641)
	Equity options	—	—	—
Over the counter	Equity options	362,629	6,573	5,721
	Equity index swaps	—	—	—
	Other	147,746	(764)	(764)
Total		—	¥ 3,406	¥ 1,577

(Note) Derivatives included in the table above were measured at fair value and unrealized gains and losses were recognized in income.

As of December 31, 2013

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Equity index futures	¥ 38,358	¥ (748)	¥ (748)
	Equity index options	1,726,086	636	531
	Equity options	—	—	—
Over the counter	Equity options	160,528	7,785	6,131
	Equity index swaps	—	—	—
	Other	159,677	(1,165)	(1,165)
Total		—	¥ 6,508	¥ 4,750

(Note) Derivatives included in the table above were measured at fair value and unrealized gains and losses were recognized in income.

(d) Bond-related transactions:

As of March 31, 2013 (Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Bond futures	¥ 43,174	¥ (52)	¥ (52)
	Bond futures options	31,114	13	(10)
Over the counter	Bond options	—	—	—
	Other	—	—	—
Total		—	¥ (39)	¥ (62)

(Note) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income.

As of December 31, 2013 (Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Bond futures	¥ 39,047	¥ (36)	¥ (36)
	Bond futures options	45,547	(29)	0
Over the counter	Bond options	—	—	—
	Other	—	—	—
Total		—	¥ (65)	¥ (35)

(Note) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income.

(e) There were no commodity derivatives transactions as of March 31, 2013 and December 31, 2013.

(f) Credit derivatives transactions:

As of March 31, 2013 (Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Over the counter	Credit default options	¥ 890,127	¥ (408)	¥ (408)
	Other	1,600	(2,435)	(835)
Total		—	¥ (2,843)	¥ (1,243)

(Note) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income.

As of December 31, 2013 (Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Over the counter	Credit default options	¥ 576,462	¥ (159)	¥ (159)
	Other	—	—	—
Total		—	¥ (159)	¥ (159)

(Note) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income.

(Per share information)

Basic and diluted net income per share ("EPS") and their calculation basis were as follows.

Diluted EPS for the nine-month period ended December 31, 2012 is not presented because the existing potential common shares have no dilutive effect.

		Dec. 31, 2012 (9 months)	Dec. 31, 2013 (9 months)
(1) Basic EPS	(Yen)	¥ 14.24	¥ 10.43
(Calculation basis)			
Net income	(Millions of yen)	¥ 37,817	¥ 27,701
The amount which is not attributable to common shareholders	(Millions of yen)	—	—
Net income attributable to common shares	(Millions of yen)	¥ 37,817	¥ 27,701
Weighted average number of common shares	(Thousands)	2,653,919	2,653,919
(2) Diluted EPS	(Yen)	—	¥ 10.43
(Calculation basis)			
Adjustment amount of net income	(Millions of yen)	—	—
Increase of the number of common shares	(Thousands)	—	3

(Subsequent event)

There is no material subsequent event to be presented.