

For Immediate Release

Company Name: Shinsei Bank, Limited  
 Name of Representative: Shigeki Toma  
 President and CEO  
 (Code: 8303, TSE First Section)

## Shinsei Bank Reports Earnings for Fiscal Year 2011 Interim Period

*In second year of Medium-Term Management Plan; good performance and “back on the offensive”*

Tokyo (Thursday, November 10, 2011) – Shinsei Bank, Limited (“Shinsei Bank; “the Bank”), a leading diversified financial institution serving both institutional and individual customers in Japan, today announced a consolidated reported basis net income of 20.3 billion yen for the first half ended September 30, 2011, up 3.4 billion yen, and consolidated cash basis<sup>1</sup> net income of 25.6 billion yen, up 2.9 billion yen compared to the first half of the previous fiscal year. Furthermore, Shinsei Bank announced a non-consolidated net income of 4.5 billion yen in the first half of fiscal year 2011, down 4.7 billion yen on the same period of the previous fiscal year.

### Highlights

- While we recorded losses on the valuation of certain stocks in the second quarter of this fiscal year due to the downturn in financial markets, net income increased year-on-year as overall business performance was strong due to the following factors: 1) earnings power continues to grow stronger following the trend set in the previous fiscal year; 2) comprehensive cost reductions; and 3) lower net credit costs as a result of factors including progress with the disposal of non-core assets and improved asset quality in our consumer finance businesses.
- Signs of bottoming-out in the balance of operating assets, including overall loan balance, as a result of the following factors as well as our efforts to strengthen our customer franchise across all business lines: 1) decrease in loan balance has slowed in the consumer finance business; 2) steady progress in new disbursement of housing loans; 3) progress in new disbursement of real estate non-recourse finance; and 4) mid-market and SME borrower numbers have increased, and the loan balance to corporate customers recently turned positive.
- Made steady progress in stabilizing earnings base as we already achieved Medium-Term Management Plan targets for non-core asset disposal ahead of schedule and saw a decrease in non-recurring items
- Continued with higher quality asset replacement. As a result, NPL balance and ratio both decreased, resulting in an improvement in asset quality.
- Both consolidated total capital adequacy ratio and Tier I capital ratio improved significantly due to steady recording of net income and other factors. Continue to maintain ample liquidity position.

### President and CEO Statement

*“Both the institutional and individual businesses performed well in the first half of fiscal year 2011, as we go “back on the offensive” in the second year of our Medium-Term Management Plan, despite a challenging business environment highlighted by the downturn in financial markets reflecting the European debt crisis and unstable economic conditions both domestically and internationally,”* said Shigeki Toma, President and CEO of Shinsei Bank. *“The decrease in loan balance has also shown signs of bottoming out, and we believe that our efforts to rebuild the customer franchise are starting to bear fruit. To contribute to the development of a sound and healthy unsecured personal loan market, we launched full-scale unsecured card loan services under the Lake brand, offered directly by the Bank, on October 1, 2011, and the business’ performance has progressed very well thus far. Going forward, the Shinsei Bank Group will continue to leverage its unique strengths to exceed the expectations of customers and of society while devoting our utmost effort to improving corporate value.”*

### Consolidated Results Overview

- **Top-line revenues** down 50.0 billion yen to 105.6 billion yen, despite steady performance in core businesses, due to factors including lower interest income as a result of reduction of primarily non-core assets and lower loan balance in the consumer finance business, and lower non-interest income due to impairments recorded for certain securities caused by the downturn in financial markets and the absence of factors such as gains on repurchases of subordinated debt in the first half of fiscal year 2011, which were recorded in the first half of the previous fiscal year
- **Expenses** down 9.4 billion yen to 63.3 billion yen, reflecting continued intensive Group-wide rationalization, with lower personnel and non-personnel expenses
- **Net credit costs**<sup>2</sup> down significantly from 52.3 billion yen to 8.8 billion yen, as a result of prudent and conservative reserves recorded in the previous fiscal year and earlier, non-core asset disposal and significant decrease in net credit costs due to lower loan balance and improvement in loan quality in the consumer finance business. Even excluding the 5.9 billion yen in recoveries of written-off claims included from this fiscal year, net credit costs still down significantly to 14.7 billion yen
- **Consolidated net income** up 3.4 billion yen to 20.3 billion yen. Subsidiaries Shinsei Financial, Shinki and APLUS FINANCIAL, as well as Showa Leasing, have all posted profits
- **Non-consolidated net income** down 4.7 billion yen to 4.5 billion yen due to factors including losses on the valuation of

certain stocks in the second quarter of this fiscal year as a result of the downturn in financial markets

- **Total assets** at 8.9 trillion yen, down on March 2011 due mainly to the decrease in JGBs. However, the loan balance stands at 4.1 trillion yen as the decrease in overall loan balance has been smaller since March 2011 due to steady disbursement of institutional, housing and other loans at the Bank level, despite a decrease in loans at consumer finance subsidiaries

### Capital and Liquidity

- Total consolidated capital adequacy ratio at 10.46% and Tier I capital ratio at 8.74%, increasing 70 basis points and 98 basis points respectively on March 31, 2011, due to increase in Tier I capital as a result of steady recording of net income, as well as slightly lower risk-weighted assets (from 6.6 trillion yen to 6.2 trillion yen) despite decrease in Tier II capital due to lower amount eligible for inclusion in capital
- Balance of non-performing loans decreasing steadily for several consecutive quarters. Non-performing loan ratio at 5.96%, down 82 basis points on March 31, 2011, and coverage at industry high level of 97.0%
- Ample liquidity position of approx. 1.0 trillion yen of cash, cash equivalents and liquidity reserves as at September 30, 2011

### FY2011 Forecast

- While we made good progress towards our full year forecast, no revision to forecasts announced on May 12, 2011, of consolidated reported basis net income of 22.0 billion yen, consolidated cash basis<sup>1</sup> net income of 32.0 billion yen, and non-consolidated net income of 15.0 billion yen, as market conditions in Japan and overseas are expected to continue to be uncertain, making it very difficult to make a new full-year forecast based on rational estimates at this point in time.

<sup>1</sup> Cash-basis figures are calculated by excluding amortization and impairment of goodwill and other intangible assets, net of tax benefit

<sup>2</sup> From fiscal year 2011, recoveries of written off-claims are categorized to net credit costs according to Revision of Accounting Practice Committee Statement No.14 "Practical Guidelines on Accounting Standards for Financial Instruments" released on March 29, 2011. However, retroactive adjustments have not been made

### Highlights of Consolidated Financial Results

	(USD in Millions <sup>2</sup> /JPY in Billions except per share amounts)			
	2011.4-9 \$US	2011.4-9	2010.4-9	Change %
Total Revenue	1,378.0	105.6	155.6	-32.1%
General and Administrative Expenses	826.0	63.3	72.8	-13.0%
Expense-to-Revenue Ratio	60.0%	60.0%	46.8%	-
Ordinary Business Profit	552.0	42.3	82.8	-48.9%
Net Credit Costs	114.8	8.8	52.3	-83.2%
Cash Basis <sup>1</sup> Net Income	334.0	25.6	22.7	12.9%
Reported Basis Net Income	264.9	20.3	16.8	20.5%
Cash Basis <sup>1</sup> Diluted Net Income Per Share (\$US/JPY)	0.12	9.67	11.57	-16.4%
Reported Basis Diluted Net Income Per Share (\$US/JPY)	0.09	7.66	8.59	-10.8%
ROE (Annualized)	7.3%	7.3%	7.4%	-
Cash Basis <sup>1</sup> ROE (Annualized)	9.2%	9.2%	9.9%	-
ROA (Annualized)	0.4%	0.4%	0.3%	-
Cash Basis <sup>1</sup> ROA (Annualized)	0.5%	0.5%	0.4%	-
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Total Revenue (non-consolidated)	499.8	38.3	70.2	-45.5%
General and Administrative Expenses (non-consolidated)	357.5	27.4	30.0	-8.7%
Ordinary Business Profit (non-consolidated)	140.9	10.8	40.2	-73.0%
Net Credit Costs (non-consolidated)	36.5	2.8	31.3	-90.9%
Reported Basis Net Income (non-consolidated)	58.7	4.5	9.3	-50.8%
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	2011.9 \$US	2011.9	2011.3	Change %
Total Assets	116,671.0	8,940.5	10,231.5	-12.6%
Risk Assets	80,951.3	6,203.3	6,653.7	-6.8%
Diluted Equity Per Share (\$US/JPY)	2.79	214.07	205.83	4.0%
Total Capital Adequacy Ratio	10.46%	10.46%	9.76%	70 bps
Tier I Capital Ratio	8.74%	8.74%	7.76%	98 bps
Non-Performing Loan Ratio <sup>3</sup>	5.96%	5.96%	6.78%	-82 bps
Non-Performing Loan Coverage Ratio <sup>4</sup>	97.0%	97.0%	96.8%	-

<sup>1</sup> Cash-basis figures are calculated by excluding amortization and impairment of goodwill and other intangible assets, net of tax benefit

<sup>2</sup> U.S. dollar amounts have been calculated at JPY76.63 to \$1.00, which was the approximate exchange rate at September 30, 2011

<sup>3</sup> Non-performing loan ratio under the Financial Revitalization Law on a non-consolidated basis

<sup>4</sup> Non-performing loan coverage ratio under the Financial Revitalization Law on a non-consolidated basis = Reserve for loan losses and collateral and guarantees divided by amount of claims

### Conference Call for Investors on Earnings for the First Half ended September 30, 2011

A conference call for investors will be held in Japanese/English, with consecutive interpretation, on Monday, November 14, 2011, at 10:00 PM (Tokyo)/8:00 AM (EST)/1:00 PM (London)/2:00 PM (Continent). The presentation to be used for the conference call will be posted on Shinsei Bank's website after 3:30 PM on the same day. To download the "First Half Financial Results 2011/9" please go to: [http://www.shinseibank.com/investors/en/ir/financial\\_info/quarterly\\_results/index.html](http://www.shinseibank.com/investors/en/ir/financial_info/quarterly_results/index.html)

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*Shinsei Bank is a leading diversified Japanese financial institution providing a full range of financial products and services to both institutional and individual customers. The Bank has total assets of 8.9 trillion yen (US\$116.6 billion) on a consolidated basis (as of September 2011) and a network of outlets throughout Japan. Shinsei Bank demands uncompromising levels of integrity and transparency in all its activities to earn the trust of customers, staff and shareholders. The Bank is committed to delivering long-term profit growth and increasing value for all its stakeholders.*

*News and other information about Shinsei Bank is available at <http://www.shinseibank.com/english/index.html>*