

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

## Shinsei Bank Reports Positive Results for the Nine Months Ended December 31, 2010

*Significant upward revision of full year consolidated net income forecast due to strong performance*

Tokyo (Thursday, February 3, 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 64.0 billion yen for the nine month period ended December 31, 2010, up 41.8 billion yen, and consolidated cash basis<sup>1</sup> net income of 72.6 billion yen, up 36.9 billion yen on the same period of the previous fiscal year. Furthermore, Shinsei Bank announced a non-consolidated net income of 12.1 billion yen this fiscal year, up 5.9 billion yen compared to the same period of the previous fiscal year.

### Highlights

- Full year consolidated net income forecast revised upwards to 43.0 billion yen from the initial forecast of 12.5 billion yen, non-consolidated net income forecast maintained at 10.0 billion yen. Forecasting full year profit for first time in three fiscal years
- Revenues declined only slightly, despite a significant decrease in interest income as a result of reduced operating assets and lower lending rates in the consumer finance business. However, the decrease was largely offset by an improvement in earnings power as a result of steady implementation of operational strategy by each of our business groups, as well as an increase in gains on repurchase of preferred securities and subordinated debt. However, net income increased significantly due to comprehensive expense reductions and decrease in Individual Group credit costs
- Both total consolidated capital adequacy and Tier I capital ratios increased on March 31, 2010 due to an increase in net income and continued optimization of risk-weighted assets, despite a decrease in Tier I capital as a result of the repurchase of preferred securities (December 2010)

### President and CEO Statement

*“While we posted prudent and significant reserves against potential risks primarily in the second quarter of this fiscal year, in the nine month period ended December 31, 2010 we made steady progress towards posting positive net income on a consolidated and non-consolidated basis for the first time in three fiscal years, due in part to the recording of non-recurring profits related to capital management measures,”* said Shigeki Toma, President and CEO of Shinsei Bank. *“In our core institutional businesses, we have been ramping up efforts in new areas where we can leverage Shinsei Bank’s unique strengths and laying the foundation for our Asia strategy through business alliances to more appropriately meet the diverse needs of our customers. As a result, new customer numbers have increased compared to the same period of the previous fiscal year and borrower numbers also began to grow again as our efforts to “rebuild the customer franchise in Japan” have started to bear fruit. In the Individual Group, the retail banking business trended steadily, promoting an optimized funding base and efficient branch network expansion while maintaining its focus on providing high value-added products and services to meet the needs of our customers. The consumer finance business recorded sound results by focusing on profitability rather than scale, and enforcing strict expense and credit controls. While the business environment remains challenging and visibility poor, we will continue to implement measures to achieve the goals of our Medium-Term Management Plan.”*

### Consolidated Results Overview

- **Top-line revenues** down slightly (7.1 billion yen) to 242.1 billion yen as consumer finance subsidiaries’ interest income decreased significantly as a result of reduced operating assets and lower lending rates. This was in spite of an improvement in earnings power as a result of steady implementation of operational strategy and gains from the divestiture of non-core business assets in the Institutional Group and Markets and Investment Banking Group, as well as higher gains on repurchase of preferred securities and subordinated debt
- **Expenses** down 19.1 billion yen to 108.4 billion yen and expense-to-revenue ratio down to 44.8%, reflecting continuous Group-wide rationalization such as business right-sizing and lower IT costs following reviews of subsidiaries’ operations. Reduction achieved despite recording non-recurring costs related to headquarters relocation
- **Net credit costs** down 13.0 billion yen to 49.3 billion yen due to improved asset quality and collections in the Individual Group, despite posting additional reserves, primarily in the second quarter of this fiscal year, for the specialty finance<sup>2</sup> and domestic real estate non-recourse finance businesses in the Markets and Investment Banking Group
- **Consolidated net income** up 41.8 billion yen to 64.0 billion yen, due to lower amortization costs following the impairment of APLUS FINANCIAL goodwill and intangible assets at the end of last fiscal year, as well as the absence of additional grey zone provisions
- **Non-consolidated net income** up 5.9 billion yen to 12.1 billion yen, as gains from the buyback of preferred securities

and improvement in earnings power as a result of steady implementation of operational strategy and gains from the divestiture of non-core business assets in the Institutional Group and Markets and Investment Banking Group offset the loss of 31.7 billion yen incurred from the transfer of our holding of common shares in subsidiary APLUS FINANCIAL to subsidiary Shinsei Financial

### Liquidity and Capital

- Total consolidated capital adequacy ratio at 8.85% and Tier I capital ratio at 6.85%, both steady from September 30, 2010, as a result of higher retained earnings, and lower risk-weighted assets reflecting continued optimization of risk-weighted assets and a decrease in loan assets, despite a reduction in foreign currency-denominated capital securities due to buybacks and the impact of a strong yen
- While balance of non-performing loans decreased 12% on March 31, 2010, as a result of the clean up of our real estate portfolio, decrease in non-performing loan ratio remained marginal, dropping to 6.49%, as a result of decrease in overall loan balance. Coverage at industry high level of 96.2%
- Maintaining ample liquidity position with approximately 1.3 trillion yen of cash, cash equivalents and liquidity reserves as at December 31, 2010

### FY2010 Forecast

- Full year consolidated reported basis net income forecast revised upwards from 12.5 billion yen to 43.0 billion yen, and consolidated cash basis<sup>1</sup> net income forecast revised upwards from 23.6 billion yen to 54.0 billion yen, significantly above the initial forecasts, due to our strong performance and non-recurring profits related to capital management measures
- In order to establish a stabilized earnings base for fiscal year 2011 and beyond, we will actively implement the following measures in the fourth quarter of this fiscal year to manage downside risks in an uncertain operating environment: 1) post additional reserves in our specialty finance<sup>2</sup> business and record credit costs in our real estate portfolio to accelerate the clean up of non-performing loans, 2) make additional grey zone provisions for consumer finance subsidiaries, and 3) record Group-wide, one-off restructuring costs. We also expect to record tax-related expenses by taking into consideration the ongoing discussions regarding a reduction of the corporate income tax rate in Japan. While we expect a net loss in the fourth quarter of this fiscal year due to the above measures, we forecast our full year earnings to be significantly above our initial forecast, putting us in line to post positive net income for the first time in three fiscal years
- Non-consolidated net income forecast maintained at initial forecast of 10.0 billion yen
- For more information, please refer to our press release announced today, entitled “Shinsei Bank Revises Earnings Forecasts Upwards for Fiscal Year 2010”

<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> Structured finance with a particular focus on corporate acquisition financing

### Highlights of Consolidated Financial Results

	(\$US in Millions <sup>2</sup> /JPY in Billions except per share amounts)			
	2010.4-12 \$US	2010.4-12	2009.4-12	Change %
Total Revenue	2,973.8	242.1	249.2	-2.9%
Net Interest Margin	2.28%	2.28%	2.52%	-
General and Administrative Expenses	1,331.5	108.4	127.6	-15.0%
Expense-to-Revenue Ratio	44.8%	44.8%	51.2%	-
Ordinary Business Profit	1,641.0	133.6	121.6	9.9%
Net Credit Costs	605.5	49.3	62.3	-20.9%
Cash Basis <sup>1</sup> Net Income	891.7	72.6	35.7	103.0%
Reported Basis Net Income	786.1	64.0	22.2	188.0%
Cash Basis <sup>1</sup> Diluted Net Income Per Share (\$US/JPY)	0.45	36.97	18.21	103.0%
Reported Basis Diluted Net Income Per Share (\$US/JPY)	0.40	32.63	11.32	188.0%
ROE (Fully Diluted and Annualized)	17.8%	17.8%	5.0%	-
Cash Basis <sup>1</sup> ROE (Fully Diluted and Annualized)	20.2%	20.2%	8.0%	-
ROA (Annualized)	0.8%	0.8%	0.3%	-
Cash Basis <sup>1</sup> ROA (Annualized)	0.9%	0.9%	0.4%	-
Total Revenue (non-consolidated)	1,122.7	91.4	82.2	11.1%
General and Administrative Expenses (non-consolidated)	561.3	45.7	51.8	-11.8%
Ordinary Business Profit (non-consolidated)	561.3	45.7	30.4	50.1%
Net Credit Costs (non-consolidated)	368.5	30.0	19.3	55.0%
Reported Basis Net Income (non-consolidated)	148.6	12.1	6.2	94.9%

	2010.12 \$US	2010.12	2010.3	Change %
Total Assets	128,094.8	10,428.2	11,376.7	-8.3%
Risk Assets	83,161.7	6,770.2	7,722.1	-12.3%
Risk Assets/Total Assets	64.9%	64.9%	67.9%	-
Diluted Equity Per Share (\$US/JPY)	3.11	253.49	232.72	8.9%
Total Capital Adequacy Ratio	8.85%	8.85%	8.35%	-
Tier I Capital Ratio	6.85%	6.85%	6.35%	-
Non-Performing Loan Ratio <sup>3</sup>	6.49%	6.49%	6.70%	-
Non-Performing Loan Coverage Ratio <sup>4</sup>	96.2%	96.2%	97.6%	-

<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 JPY 81.41 to \$1.00, which was the approximate exchange rate at December 31, 2010

<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 Nine Month Period Ended December 31, 2010

A conference call for investors will be held in Japanese/English, with consecutive interpretation, on Thursday, February 3, 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 4:00 PM on the same day. To download the "Third Quarter Financial Results 2010/12" please go to:

[http://www.shinseibank.com/investors/en/ir/financial\\_info/quarterly\\_results\\_2010/quarterly\\_results\\_2010.html](http://www.shinseibank.com/investors/en/ir/financial_info/quarterly_results_2010/quarterly_results_2010.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 10.4 trillion yen (US\$128.0 billion) on a consolidated basis (as of December 2010) and a network of 43 outlets that includes 30 branches and 13 annexes in 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>