

For Immediate Release

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Name of Representative: Thierry Porté
President and CEO
(Code: 8303, TSE First Section)

Shinsei Bank Announces Financial Results for First Quarter ended June 30, 2007 Consolidated Net Income of 31.2 Billion Yen marks Solid Return to Profitable Growth

Tokyo (July 30, 2007) --- Shinsei Bank, Limited ("Shinsei Bank") today announced reported net income of 31.2 billion yen on a consolidated basis for the first quarter of Fiscal Year 2007, ended June 30, 2007. This represents an increase of 62.6% over the 19.2 billion yen net income reported for the first quarter ended June 30, 2006. Consolidated cash basis net income for the first quarter of Fiscal Year 2007 was 33.9 billion yen, an increase of 9.4 billion yen as compared to the first quarter of the previous fiscal year.

"Shinsei Bank is off to a solid start in fiscal year 2007. We achieved robust revenue growth and managed our costs in a thoughtful and disciplined manner. The decisive actions taken during fiscal year 2006, including provisions and charges relating to our consumer finance business, have placed us in a strong position to return to profitable growth this fiscal year. Although uncertainties remain in the consumer finance industry, the performance of all our core business lines during the first quarter of fiscal year 2007 has been encouraging and is reflected in the financial results," said Thierry Porté, President and Chief Executive Officer of Shinsei Bank.

Highlights of Consolidated Financial Results for the First Quarter ended June 30, 2007¹

(All figures compared to results for the first quarter ended June 30, 2006)

- Total revenue grew 12.3% to 76.5 billion yen
- General and administrative expenses increased 0.2% to 37.3 billion yen
- Ordinary business profit increased 27.0% to 39.1 billion yen
- Expense-to-revenue ratio improved to 48.8% from 54.8%
- Net income increased 62.6% to 31.2 billion yen. Cash basis net income increased 38.5% to 33.9 billion yen
 - Diluted EPS increased 82.4% to 17.3 yen
 - Cash basis diluted EPS increased 55.4% to 18.8 yen
- Return on assets was 1.1%; on a cash basis 1.3%
- Return on equity (diluted) was 19.3%; on a cash basis (diluted) 21.0%
- Non-performing loans (non-consolidated) decreased 0.7 billion yen to 27.2 billion yen, representing 0.5% of total claims outstanding
- Tier I ratio was 7.9% and total capital adequacy ratio was 13.0% (Basel II basis)

¹ Management Accounting Basis

Income Statement: Robust revenue growth and controlled expenses

The consolidated results for the first three months of fiscal 2007 reflect strong performance in Institutional Banking, good progress at APLUS Co., Ltd. (APLUS) and steady results at Showa Leasing Co., Ltd. (Showa Leasing). The results also include gains from the sale of Life Housing Loan Co., Ltd. (LHL) of 10.4 billion yen, net of taxes.

Total revenue for the three months of fiscal year 2007 was 76.5 billion yen or 12.3% higher than in the first quarter of the previous fiscal year largely due to both interest and non-interest income growth in Institutional Banking.

General and administrative expenses for the first quarter 2007 were flat year over year at 37.3 billion yen as a result of continued expense control, especially in Retail Banking and at APLUS. Consequently, the expense-to-revenue ratio for the three months ended June 30, 2007, was 48.8% as compared to a ratio of 54.8% in the first quarter of fiscal year 2006.

The 5.7 billion yen increase in **net credit costs** to 9.5 billion yen for the first quarter of fiscal year 2007 is mainly due to higher credit provisions at APLUS compared to the first quarter of fiscal 2006 and lower net credit recoveries at Shinsei Bank (non-consolidated).

Amortization of goodwill and intangible assets associated with the acquisition of consumer and commercial finance companies was 3.0 billion yen for the three months ended June 30, 2007 as compared with 6.2 billion yen in the first quarter of the previous fiscal year. The decline largely relates to significant write-down of goodwill and intangible assets in fiscal year 2006.

Consolidated net income for the first three months of fiscal year 2007 was 31.2 billion yen, an increase of 12.0 billion yen, or 62.6%, as compared to the same period in the previous fiscal year.

Business Line Results

Institutional Banking: Rising loan demand and asset prices help drive strong performance

The Institutional Banking business continued to see an increase in demand for corporate and non-recourse loans, and ongoing increase in asset prices contributed to a strong performance in the credit trading business. Revenue was 33.6 billion yen for the first three months of the fiscal year, an increase of 37.4% over the same period in fiscal year 2006. Expenses were 12.5 billion yen, a 1.8 billion yen increase from the first quarter in the previous fiscal year, mainly due to new employees hired to support the expansion of the business. As a result, ordinary business profit for the first quarter of fiscal year 2007 was 21.1 billion yen, an increase of 7.3 billion yen, or 53.2%, as compared to the same period in the previous fiscal year.

Consumer and Commercial Finance: Gaining momentum following decisive actions to address industry changes

In the three months ended June 30, 2007, the business generated revenue of 31.3 billion yen, a decline of 0.4 billion yen, or 1.3%, as compared to first quarter in fiscal year 2006, largely due to some slowdown in the momentum of the consumer finance business. The revenue shortfall was fully offset by lower expenses at APLUS. As a result, the business generated ordinary business profit of 16.0 billion yen in the first quarter of fiscal year 2007, an increase of 1.3 billion yen from the same period in the previous fiscal year. Credit costs were higher at APLUS compared to the first quarter of fiscal 2006 following the impact of legislative and market changes in the consumer finance industry introduced in December 2006. As a result, ordinary business profit after credit costs was 3.4 billion yen in the first three months ended June 30, 2007, a decline of 2.4 billion yen compared to the first

quarter of fiscal year 2006. Grey Zone related payments during the quarter amounted to 1.1 billion yen. The business maintained Grey Zone claim reserves of 9.7 billion yen as at June 30, 2007. Showa Leasing's business momentum remained steady, generating ordinary business profit after credit costs, net of consolidation adjustments, of 3.4 billion yen during the first three months of fiscal year 2007.

On a stand-alone basis, APLUS' business transformation initiatives resulted in net income of 1.5 billion yen, for the three months ended June 30, 2007. Shinsei's consumer finance affiliate Shinki Co., Ltd. also posted a small profit during the first quarter of fiscal 2007.

Retail Banking: Continued growth in customer base and diversification of revenue mix

The business generated an ordinary business loss of 0.5 billion yen for the three months of fiscal year 2007, as compared to an ordinary business profit of 0.5 billion yen during the first quarter of previous fiscal year due to lower revenue from structured deposits. However, the share of upfront option income from structured deposits to total revenue has reduced significantly from 39.5% the same period a year ago to just 15.7% during the first quarter of fiscal 2007 as the business continues to diversify its revenue mix and increase its customer base. In the three months ended June 30, 2007, the Retail Banking business added more than 59,000 new *PowerFlex* retail accounts and now has over two million retail accounts. On May 7, 2007 the Bank opened a new branch, "Kashiwa Financial Center", in Kashiwa-city, Chiba Prefecture.

Balance Sheet: Continued growth while maintaining capital strength

Shinsei Bank's **loan balance** was 5,278.5 billion yen at the end of June 2007 as compared to 5,146.3 billion yen as at March 31, 2007. Loan growth during the first quarter of fiscal year 2007 was largely achieved in corporate loans, non-recourse real estate finance and retail housing loans. Corporate loans increased 3.0% to 3,073.8 billion yen, non-recourse real estate finance balance increased 7.1% to 823.8 billion yen and loans to retail customers, including lending to high net worth individuals, grew 9.1% or 58.0 billion yen to 697.6 billion yen.

Total deposits increased 121.0 billion yen or 2.2% to 5,542.0 billion yen in the first quarter ended June 30, 2007. Shinsei Bank has been diversifying its funding base through deposits from retail customers. The retail deposits balance, including high net worth customers, stood at 3,559.2 billion yen at June 30, 2007.

Shinsei's **capital ratios** during the first quarter of fiscal 2007 remained strong with a **Tier I ratio** of 7.9% and a **total capital adequacy ratio** of 13.0% as of June 30, 2007, on a Basel II basis.

Forecast for Fiscal Year 2007: Financial performance remains on track to achieve forecast

Excluding the one-time gains from the sale of LHL from both the first quarter results and full year consolidated net income forecast of 72.0 billion yen, net income for the first quarter of fiscal year 2007 represents 33.7% of the total net income forecast for this year. Though various risks, particularly those relating to our consumer finance business, may impact the Bank's results during the year, we consider that, based on the results of the first quarter, the Bank remains on track to meet its consolidated financial forecast for this fiscal year.

As a recipient of public funds, Shinsei Bank is required to update and report its non-consolidated performance in relation to targets set forth in the Revitalization Plan. Accordingly, the Bank is in the process of updating its biennial revitalization plan financial targets on a non-consolidated basis.

Shinsei Bank is a Japanese financial institution providing a full range of financial products and services to both institutional and retail customers based on a three pillar strategic business model comprising Institutional Banking, Consumer and Commercial Finance and Retail Banking. The Bank has total assets of US\$ 92 billion on a consolidated basis (as of March 2007) and a network of 30 Shinsei Bank branches 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 are available at <http://www.shinseibank.com/english/index.html>.