
【Reference】

Shinsei Bank, Limited
Investors Meeting 1HFY2004

(Appendix for Financials)

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* Includes comments regarding the effects of Aplus acquisition

Note: This material is the English translation of the material originally prepared in the Japanese language

Summary of Performance (Consolidated)

	As of or for the fiscal year ended March 31,			As of or for the fiscal year ended Sept 30,	
	2002	2003	2004	2003	2004
Results of Operations					
Net interest income	88.4	66.1	57.2	28.2	25.3
Non-interest income	31.3	41.6	66.3	33.3	47.3
Total revenue	119.8	107.7	123.5	61.5	72.6
General & administrative expenses	(69.5)	(69.7)	(70.1)	(34.1)	(39.2)
Credit recoveries (costs)	(1.0)	8.6	15.4	7.2	10.6
Income taxes & other	11.9	6.4	(2.4)	0.6	(3.3)
Net income	61.2	53.0	66.4	34.0	40.7

	(Yen)			(Yen)	
	2002	2003	2004	2003	2004
Per Share Data					
Fully diluted shareholders' equity	307.5	335.3	378.7	345.8	382.0
Diluted net income	30.2	26.2	32.7	16.8	21.2

	2002	2003	2004	2003	2004
Financial Ratios					
Tier1 capital ratio	10.7%	14.3%	16.2%	15.4%	8.0%
Capital adequacy ratio	17.0%	20.1%	21.1%	20.6%	11.8%
Return on common equity	21.5%	15.6%	17.0%	18.2%	18.9%
Return on equity (fully diluted)	10.2%	8.1%	9.4%	9.9%	10.9%
Return on assets	0.7%	0.7%	1.0%	1.0%	1.3%
Non-interest income / Total revenue	26.2%	38.6%	53.7%	54.1%	65.0%
General & administrative expense / Total revenue	58.0%	64.7%	56.8%	55.4%	54.0%

	<Non-Consolidated-Financial Revitalization Law>				
	2002	2003	2004	2003	2004
Problem Claims					
Non-performing claims / Total claims	20.0%	5.7%	2.8%	4.1%	2.0%
Coverage ratios for non-performing claims	83.8%	95.5%	99.0%	98.6%	98.3%

	As of March 31,			As of September 30,	
	2002	2003	2004	2003	2004
Balance Sheet Data					
Loan & bills discounted	4,801.9	3,502.3	3,047.0	3,277.4	3,074.6
Reserve for credit losses	(370.0)	(216.5)	(177.9)	(192.3)	(157.5)
Securities	1,462.2	1,770.9	1,483.2	1,520.3	1,339.8
Trading assets	443.9	361.1	635.0	597.9	443.6
Deferred tax assets (DTA)	17.6	18.4	22.8	23.2	7.4
Other	1,713.9	1,270.7	1,333.6	1,282.3	3,598.9
Total assets	8,069.5	6,706.9	6,343.7	6,508.8	8,325.3
Debentures	2,786.3	1,913.5	1,388.6	1,435.9	1,333.2
Deposits, including negotiable certificates of deposit	2,260.7	2,576.9	2,734.4	2,654.5	3,168.8
Other	2,398.9	1,536.5	1,490.7	1,717.1	3,059.6
Total liabilities and minority interests in subsidiaries	7,445.9	6,026.9	5,613.7	5,807.6	7,561.6
Shareholders' equity	623.5	679.8	730.0	701.2	763.7

<Non-Consolidated-Financial Revitalization Law>

	2002	2003	2004	2003	2004
Non-performing claims	1,113.6	233.2	97.3	154.2	73.7
Total claims	5,565.6	4,088.1	3,501.2	3,749.2	3,672.3
Amounts of coverage for non-performing claims					
Reserve for loan losses provided for non-performing claims	(294.5)	(98.7)	(57.4)	(76.8)	(51.0)
Collateral and guarantees	(638.8)	(124.0)	(38.8)	(75.2)	(21.4)

(billions of yen, except per share data and percentages)

Results of Operations (Non-consolidated)

Line No.		1H FY2004	1H FY2003	(billions of yen) vs previous year change
1	Gross business profit (gyoumu sorieki) *	64.8	56.9	7.9
2	Net interest income	(25.5)	27.9	(2.4)
3	Net fees and commissions *	(19.6)	21.2	(1.6)
4	Net trading income	(14.4)	(0.7)	(15.1)
5	Net other business income	(5.1)	8.4	(3.3)
6	Total expenses	(35.5)	32.1	(3.4)
7	Personnel expense	14.3	13.9	0.4
8	Non-personal expense	19.2	16.8	2.4
9	Taxes	1.9	1.3	0.6
10	Net business profit (jishitsu gyoumu juneki) *	29.2	24.7	4.5
11	Gain (loss) on sales of equity securities and others	0.1	2.2	
12	Loss on write-off of loans	0.0	0.6	
13	Loss on sale of loans and other	-	-	
14	Provision of reserve for losses on sale of bonds	1.1	1.1	
15	Net operating income	24.6	22.3	2.3
16	Extraordinary income	11.0	10.4	
17	Loss on disposal of premises and equipments	(0.5)	(1.2)	
18	Net reversal gain of reserve for credit losses **	(11.5)	8.2	
19	Gain on collection from the write-off of loans	0.0	0.6	
20	Refund of Tokyo metropolitan government's bank tax	-	2.6	
21	Income before income taxes	35.6	32.7	
22	Current income taxes	(0.9)	(0.1)	
23	Deferred income tax (benefit)	(0.6)	1.0	
24	Net income	37.2	31.8	5.4
25				
26	Net reversal of general reserve	(9.6)	(6.1)	
27	Net provision of specific reserve	(1.8)	(2.1)	
28	Net reversal of loan losses to restructuring countries	0.0	(0.0)	
29	Net reversal gain of reserve for losses **	(11.5)	(8.2)	
30	Write-off of loans, Loss on sales of loans	0.0	0.6	
31	Provision of reserve for loss on sale of bonds	1.1	1.1	
32	Credit recoveries	(10.3)	(6.5)	(3.8)

* ~Includes income from monetary assets held in trust.
(1HFY2004: 15.5 billion yen, 1HFY2003: 15.6 billion yen)

**~Net reversal of reserve for loan losses is recorded as extraordinary income.
(1HFY2004: 11.5 billion yen, FY2003: 8.2 billion yen)

• Net Interest Income

- ✓ Average balance of interest earning assets decreased by approx. 0.5 trillion yen.
- ✓ Spread improved: Net interest spread 1.01% ⇒ 1.03%

• Net fees and commissions / Net other business income (loss)

- ✓ Represents revenue mainly from Investment banking business
- ✓ Net fees and commissions: income from monetary assets held in trust (15.5 billion yen), fees and commissions from securitization, non-recourse loans, investment trusts, annuity products and others

• Net trading income

- ✓ Income from margins against clients on the derivative portion of the extendable yen time deposit Powered One, offered from April 2004, was the contributor for the increase

• Total expenses

- ✓ Non-personal expenses such as advertising and branch related increased due to the actual profit contribution of retail banking division. Introduction of the new tax (gaikei hyojuun kazei) from FY2004 was a part of the increase.
- ✓ Expense / revenue ratio improved: 56.4% ⇒ 54.8%

• Net reversal gain of reserve for loan losses

- ✓ While increasing reserves for less credit worthy borrowers based on self-assessment with Financial Inspection Manual, the claims to borrowers in "Caution" category or below decreased, reserve ratio to normal obligors decreased (0.98% ⇒ 0.78%). Reversal of reserve was recorded accordingly.

• Deferred income tax (benefit)

- ✓ In FY2004, Shinsei Bank recorded deferred tax assets that are realizable in the next fiscal year. (From March 2004, Shinsei has adopted the consolidated taxation system)
- ✓ Due to the strong earning results and outlooks from the subsidiaries, a part of the DTA was provisioned: Deferred Income Tax (benefit) of 0.6 billion yen.

Balance Sheets (Non-consolidated)

Non-Consolidated Balance Sheets -- Assets

	(millions of yen)			
	Sep. 30, 2004	Mar. 31, 2004	Change	
	a	b	a-b	%
<<Assets>>				
Cash and due from banks	288,759	305,563	(16,804)	(5.5)%
Call loans	50,866	-	50,866	100.0%
Collateral related to securities borrowing transactions	146,333	18,121	128,212	707.5%
Other monetary claims purchased	67,987	91,286	(23,299)	(25.5)%
Trading assets	436,893	633,488	(196,595)	(31.0)%
Monetary assets held in trust	464,325	355,327	108,998	30.7%
Securities	1,396,928	1,508,204	(111,276)	(7.4)%
Loans and bills discounted	3,372,519	3,217,804	154,715	4.8%
Foreign exchanges	12,361	9,490	2,871	30.3%
Other assets	342,755	334,547	8,208	2.5%
Premises and equipment	26,170	24,123	2,047	8.5%
Deferred discounts on and issuance expenses for debentures	264	166	98	59.0%
Deferred tax assets	24,942	21,790	3,152	14.5%
Customers' liabilities for acceptances and guarantees	61,723	64,358	(2,635)	(4.1)%
Reserve for credit losses	(158,652)	(177,960)	19,308	(10.8)%
Total assets	6,534,178	6,406,313	127,865	2.0%
	Sep. 30, 2004	Mar. 31, 2004	Change	
	a	b	a-b	%
<<Liabilities>>				
Deposits	2,761,893	2,307,413	454,480	19.7%
Negotiable certificates of deposits	476,336	471,068	5,268	1.1%
Debentures	1,337,451	1,362,261	(24,810)	(1.8)%
Call money	173,397	112,559	60,838	54.0%
Payable under repurchase agreements	44,994	445,634	(400,640)	(89.9)%
Collateral related to securities lending transactions	-	29,275	(29,275)	(100.0)%
Trading liabilities	71,471	90,336	(18,865)	(20.9)%
Borrowed money	338,010	335,311	2,699	0.8%
Foreign exchanges	289	280	9	3.2%
Other liabilities	502,298	449,169	53,129	11.8%
Reserve for bonuses payable	3,774	6,971	(3,197)	(45.9)%
Reserve for retirement benefits	1,421	473	948	200.4%
Reserve for loss on disposition of premises and equipment	153	-	153	100.0%
Reserve for loss on sale of bonds	1,529	1,918	(389)	(20.3)%
Acceptances and guarantees	61,723	64,358	(2,635)	(4.1)%
Total liabilities	5,774,746	5,677,033	97,713	1.7%
<<Shareholders' equity>>				
Capital stock	451,296	451,296	-	-
Capital surplus	18,558	18,558	-	-
Additional paid-in capital	18,558	18,558	-	-
Retained earnings	286,160	252,308	33,852	13.4%
Legal reserve	5,512	4,823	689	14.3%
Undivided profit at term end	280,647	247,485	33,162	13.4%
Net income	37,296	65,320	(28,024)	(42.9)%
Net unrealized gains on securities available-for-sale, net of taxes	3,419	7,118	(3,699)	(52.0)%
Treasury stock, at cost	(2)	(1)	(1)	(100.0)%
Total shareholders' equity	759,431	729,280	30,151	4.1%
Total liabilities and shareholders' equity	6,534,178	6,406,313	127,865	2.0%

• Loans and bills discounted

- ✓ 1HFY2004 saw an increase in volume, ending the decreasing trend (+154.7 billion yen)
- ✓ Structured loans (i.e. non-recourse loans, asset-backed loans, leveraged finance) account for approx. 20% of loan balance.

• Securities

- ✓ Decreased near-term securities (maturity within 1 year) of Japanese local government bonds and corporate bonds (250 ⇒ 128 billion yen)
- ✓ JGB balance remain flat (868.3 ⇒ 863.0 billion yen)
- ✓ Other than long-term JGB for ALM management (341.0 billion yen, 2.96 average duration as of 2004/12), holds short-term or floating-rate JGBs with hedging price volatility.

• Monetary assets held in trust

- ✓ Mainly comprised of assets purchased through credit trading and the securitization business.
- ✓ Increased in 1HFY2004 mainly due to credit trading.

• Trading assets

- ✓ Decreased positions of trading purpose JGBs

• Deposits and Negotiable certificates of deposit

- ✓ Retail deposits increased from 1,578.5 billion yen to 1,972.5 billion yen. Mainly due to the increase of Powered One yen time deposit.

Problem Claims (Non-consolidated)

【Problem Claims (under Financial Revitalization Law)】

(billions of yen)

	Sep.30.04	Mar.31.04	Sep.30.03	Increase (decrease)	
				in 1H FY2004	in FY2004
Substandard claims	6.7	17.3	45.2	(10.6)	(38.5)
Doubtful claims	57.0	68.9	94.5	(11.8)	(37.4)
Claims against bankrupt and quasi-bankrupt obligors	10.0	11.1	14.6	(1.2)	(4.6)
Total (1)	73.7	97.3	154.2	(23.6)	(80.5)
Total claims (2)	3,672.3	3,501.2	3,749.2	171.1	(76.9)
(1)/(2)	2.01%	2.78%	4.11%	(0.77%)	(2.11%)
Claims to obligors in "Caution" category or below	167.4	224.5	301.9	(57.1)	(134.5)

【Reserve for Credit Losses】

(billions of yen)

	Sep.30.04	Mar.31.04	Sep.30.03	Increase (decrease)	
				in 1H FY2004	in FY2004
General	51.7	61.7	79.2	(10.0)	(27.5)
Specific	106.8	116.1	113.7	(9.3)	(6.9)
Reserve for loans to restructuring countries	0.0	0.0	0.0	0.0	0.0
Total	158.6	177.9	192.9	(19.3)	(34.3)

【Reserve Ratios】

		Sep.30.04	Mar.31.04	Sep.30.03
① Legally or Virtually Bankrupt Obligors	(out of unsecured portion of claims)	100.00%	100.00%	100.00%
② Possibly Bankrupt Obligors	(out of unsecured portion of claims)	97.04%	99.56%	99.07%
③ Substandard Obligors	(out of unsecured portion of claims)	93.04%	94.25%	86.85%
④ Caution Obligors	(out of unsecured portion of claims)	27.17%	25.72%	25.68%
(except for Substandard Obligors)	(out of total claims)	10.93%	11.91%	12.34%
⑤ Normal Obligors	(out of total claims)	0.78%	0.98%	1.02%

【Coverage Ratios as of September 2004】

(billions of yen, except percentages)

	Amount of claims	Amounts of coverage		Coverage ratios
		Reserve for loan losses	Collateral and guarantees	
Bankruptcy and Quasi-Bankruptcy	10.0	6.0	4.0	100.0
Doubtful	57.0	42.0	13.8	97.8
Substandard	6.7	3.0	3.7	100.0
Total	73.7	51.0	21.4	98.3

• Problem claims under Financial Revitalization Law

- ✓ Decreased by 23.6 billion yen to 73.7 billion yen (NPL ratio of 2.0%) because of repayments, assignments of claims.
- ✓ "Need caution" or below level decreased by 134.5 billion yen to 167.4 billion yen. Ratio of normal claims to total claims continues to remain at a high level of 94%.

• Reserve for credit loss / Reserve ratios

- ✓ Reserve for loan loss for problem claims (158.6 billion yen) based on Financial Revitalization Law is 51.0 billion yen.
- ✓ Reserve ratios for unsecured portion of claims on "possibly bankrupt obligors" and "substandard obligors" decreased compared to the ratios as of 2004/03.
- ✓ Reserve ratios for unsecured portions of claims on "caution obligors (except for substandard obligors)" increased compared to the ratios as of 2004/03.
- ✓ Reserve ratios for normal obligors decreased compared to the ratios as of 2004/03 as loan loss ratio improved. (0.98%⇒0.78%)

• Coverage ratios

- ✓ The coverage ratio for claims (73.7 billion yen) under Financial Revitalization Law, which is the total of collateral pledged against claims, guarantees for claims and reserve for loan losses, measured against total claims was 98% (the amount of coverage was 72.4 billion yen).

Capital Adequacy Ratio and Deferred Tax Assets

【Consolidated Capital Adequacy Ratio】

(billions of yen, except percentages)

	Sep.30.04	Mar.31.04	Sep.30.03	Increase (decrease)	
				in 1H FY2004	in FY2004
Tier1	486.5	720.3	691.2	(233.8)	(204.7)
Tier2	236.5	226.8	233.4	9.7	3.1
Deduction	(5.3)	(4.9)	(3.5)	(0.4)	(1.8)
Total capital	717.8	942.2	921.2	(224.4)	(203.4)
Risk assets	6,085.5	4,458.7	4,475.3	1,626.8	1,610.2
Consolidated capital adequacy ratio	11.79%	21.13%	20.58%	(9.34%)	(8.79%)
Tier1 capital adequacy ratio	7.99%	16.15%	15.44%	(8.16%)	(7.45%)

• CAR, Tier I ratio

- ✓ Recorded intangibles (identified intangibles and residual goodwill) for approx. 270 billion yen due to Aplus acquisition at the end of September, 2004. Under BIS rule, intangibles are deducted from Tier I. Thus, combined with the effect of increasing risk assets, CAR and Tier I ratios decreased to 11.79%, 7.99%, respectively.

【Deferred Tax Assets】

(Consolidated) (billions of yen, except percentages)

	Risk assets	Total capital	Deferred tax assets		Capital adequacy ratio
			Tier1	Tier2	
Sep.30.03	4,475.3	921.2	691.2	23.2	20.58%
Mar.31.04	4,458.7	942.2	720.3	22.8	21.13%
Sep.30.04	6,085.5	717.8	486.5	7.4	11.79%

• DTA (Net)

- ✓ Deferred tax liabilities (DTL) were recorded due to the identifiable intangible assets arose from Aplus acquisition. This results in reducing net DTA.
- ✓ Ratio of net deferred tax assets to Tier I decreased to 1.5%.

Basis of deferred tax assets calculation

- At the end of September 2004, Shinsei Bank recorded deductible temporary differences of approx. 220 billion yen and tax loss carryforwards of approx. 420 billion yen, those of which had occurred with additional reserves provided for non-performing loans during temporary nationalization.
- We continue to conclude that it would be appropriate to record deferred tax assets that are realizable only in the following year.
- We calculate deferred tax assets with consolidated taxation system adopted in FY2003.

1. Estimation of taxable income before adjustment based on FY2004 estimated earnings

(billions of yen)

Actual net business profit	65.5
Income before income taxes	67.0
Taxable income before adjustment (A)	68.5

Taxable income before adjustment in last 5 years is as follows [Non-consolidated]

(billions of yen)

FY1999	FY2000	FY2001	FY2002	FY2003
103.5	90.7	39.9	51.9	66.1

2. Deferred tax assets (net) as of 2004/9 [Non-consolidated]

(billions of yen)

Deferred tax assets	27.2
Deferred tax liabilities for net unrealized gains on securities available-for-sale	2.3
Deferred tax assets on the balance sheet	24.9

3. Ratio of deferred tax assets to Tier 1 [Consolidated]

(billions of yen)

	Sep.30.03	Mar.31.04	Sep.30.04
Deferred tax assets (net)	23.2	22.8	7.4
Tier1	691.2	720.3	486.5
Deferred tax assets (net) / Tier1 ratios	3.4%	3.2%	1.5%

Earning Forecast

【Consolidated】

(billions of yen)

	Forecast of FY2004		Actual of FY2003	
	1HFY2004		1HFY2003	
Net operating income	28.5	64.0	24.4	47.3
Net income	40.7	65.0	34.0	66.4

Cash basis Net income*

74.0

*Excludes goodwill and identifiable intangibles amortizations of Aplus

【Non-consolidated】

(billions of yen)

	Forecast of FY2004		Actual of FY2003	
	1HFY2004		1HFY2003	
Net business profit (jisshitsu gyomu jun-eki)*	29.2	56.0	24.7	47.4
Net operating income	24.6	52.0	22.3	44.8
Net income	37.2	66.0	31.8	65.3

*~based on the Bank's "revitalization plan"