
【Reference】

Shinsei Bank, Limited
Investors Meeting FY2003

(Appendix for Financials)

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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,

Results of Operations	2002	2003	2004
Net interest income	88.4	66.1	57.2
Non-interest income	31.3	41.6	66.3
Total revenue	119.8	107.7	123.5
General & administrative expenses	(69.5)	(69.7)	(70.1)
Credit recoveries (costs)	(1.0)	8.6	15.4
Income taxes & other	11.9	6.4	(2.4)
Net income	61.2	53.0	66.4

Per Share Data	(Yen)		
Fully diluted shareholders' equity	307.5	335.3	378.7
Diluted net income	30.2	26.2	32.7

Financial Ratios	2002	2003	2004
Tier1 capital ratio	10.7%	14.3%	16.2%
Capital adequacy ratio	17.0%	20.1%	21.1%
Return on common equity	21.5%	15.6%	17.0%
Return on equity (fully diluted)	10.2%	8.1%	9.4%
Return on assets	0.7%	0.7%	1.0%
Non-interest income / Total revenue	26.2%	38.6%	53.7%
General & administrative expense / Total revenue	58.0%	64.7%	56.8%

Problem Claims	<Non-Consolidated~Financial Revitalization Law>		
Non-performing claims / Total claims	20.0%	5.7%	2.8%
Coverage ratios for non-performing claims	83.8%	95.5%	99.0%

As of March 31,

Balance Sheet Data	2002	2003	2004
Loan & bills discounted	4,801.9	3,502.3	3,047.0
Reserve for credit losses	(370.0)	(216.5)	(177.9)
Securities	1,462.2	1,770.9	1,483.2
Trading assets	443.9	361.1	635.0
Deferred tax assets (DTA)	17.6	18.4	22.8
Other	1,713.9	1,270.7	1,333.6
Total assets	8,069.5	6,706.9	6,343.7
Debentures	2,786.3	1,913.5	1,388.6
Deposits, including negotiable certificates of deposit	2,260.7	2,576.9	2,734.4
Other	2,398.9	1,536.5	1,490.7
Total liabilities and minority interests in subsidiaries	7,445.9	6,026.9	5,613.7
Shareholders' equity	623.5	679.8	730.0

<Non-Consolidated~Financial Revitalization Law>

Non-performing claims	1,113.6	233.2	97.3
Total claims	5,565.6	4,088.1	3,501.2
Amounts of coverage for non-performing claims			
Reserve for loan losses provided for non-performing claims	(294.5)	(98.7)	(57.4)
Collateral and guarantees	(638.8)	(124.0)	(38.8)

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

Results of Operations (Non-consolidated)

Line No.		(billions of yen)		
		FY2003	FY2002	vs previous year change
1	Gross business profit (gyoumu sorieki) *	111.5	108.9	2.6
2	Net interest income	57.7	75.9	(18.2)
3	Net fees and commissions *	37.5	47.6	(10.1)
4	Net trading income	2.1	2.8	(0.7)
5	Net other business income (loss)	14.0	(Note1) (17.5)	31.5
6	Total expenses	64.0	63.6	0.4
7	Personnel expense	27.8	29.0	(1.2)
8	Non-personal expense	33.6	32.0	1.6
9	Taxes	2.5	2.4	0.1
10	Net business profit (jisshitsu gyoumu juneki) *	47.4	45.2	2.2
11	Gain (loss) on sales of equity securities and others	5.5	(0.7)	
12	Loss on write-off of loans	0.5	0.3	
13	Specific reserve **	—	—	
14	Loss on sale of loans and other	—	1.4	
15	Provision of reserve for losses on sale of bonds	1.5	1.2	
16	Net operating income	44.8	38.0	6.8
17	Extraordinary income	21.3	13.6	
18	Loss on disposal of premises and equipments	(1.6)	(2.5)	
19	Net reversal gain of reserve for credit losses **	18.8	13.1	
20	Refund of Tokyo metropolitan government's bank tax	2.6	—	
21	Gain on returning the substituted pension fund	—	3.0	
22	Income before income taxes	66.1	51.7	
23	Current income taxes	(1.0)	0.0	
24	Deferred income tax (benefit)	1.9	(7.4)	
25	Net income	65.3	59.0	6.3
26				
27	Net reversal of general reserve	(19.8)	(70.9)	
28	Net provision of specific reserve	1.0	57.8	
29	Net reversal of loan losses to restructuring countries	(0)	(0)	
30	Net reversal gain of reserve for losses **	(18.8)	(13.1)	
31	Write-off of loans, Loss on sales of loans	0.5	1.8	
32	Provision of reserve for loss on sale of bonds	1.5	1.2	
33	Credit recoveries	(16.7)	(10.0)	(6.7)

* ~ Includes income from monetary assets held in trust.
(FY2003: 25.8 billion yen, FY2002: 33 billion yen)

**~Net reversal of reserve for loan losses is recorded as extraordinary income.
(FY2003: 18.8 billion yen, FY2002: 13.1 billion yen)

• Net Interest Income

- ✓ Average balance of interest earning assets decreased by approx. 1.7 trillion yen.
- ✓ Spread was unchanged: Net interest spread 1.06% ⇒ 1.07%

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

- ✓ Net fees and commissions: income from monetary assets held in trust (25.8 billion yen), fees and commissions from investment banking and asset management businesses (i.e. securitization, non-recourse loans, investment trusts, annuity products)
- ✓ Net fees and commissions and net other business income (loss) in aggregate that represents mainly revenue from investment banking business increased.

(Note1) Includes 20 billion yen losses on U.S. bond portfolio

• Gains (loss) on sales of equity securities and others

- ✓ Gain: 5.68 billion yen, Loss: 0.17 billion yen

• 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 and reversal of reserve was recorded accordingly.

• Deferred income tax (benefit)

- ✓ In FY2003, Shinsei Bank recorded deferred tax assets that are realizable in the next fiscal year.
- ✓ Change in balance of deferred tax assets associated with reduction of effective tax rate (43.86% ⇒ 40.69%)

Balance Sheets (Non-consolidated)

Line No.	(billions of yen)		
	Mar.31, 2004	Mar.31, 2003	change
1	(Assets)		
2	3,217.8	3,673.1	(455.3)
3	9.4	10.2	(0.8)
4	1,508.2	1,768.0	(259.8)
5	355.3	176.6	178.7
6	633.4	356.4	277.0
7	91.2	127.0	(35.8)
8	18.1	1.9	16.2
9	-	0.5	(0.5)
10	305.5	242.7	62.8
11	334.5	495.4	(160.9)
12	24.1	21.9	2.2
13	0.1	0.1	0.0
14	21.7	18.3	3.4
15	64.3	87.5	(23.2)
16	(177.9)	(216.5)	38.6
17	6,406.3	6,763.7	(357.4)
18	(Liabilities)		
19	1,362.2	1,888.4	(526.2)
20	2,307.4	2,272.8	34.6
21	471.0	330.0	141.0
22	335.3	358.2	(22.9)
23	90.3	118.2	(27.9)
24	445.6	164.9	280.7
25	29.2	397.3	(368.1)
26	112.5	-	112.5
27	0.2	8.9	(8.7)
28	449.1	441.9	7.2
29	6.9	7.2	(0.3)
30	0.4	5.8	(5.4)
31	-	0.4	(0.4)
32	1.9	1.2	0.7
33	64.3	87.5	(23.2)
34	5,677.0	6,083.3	(406.3)
35	(Shareholders' equity)		
36	451.2	451.2	-
37	18.5	18.5	-
38	18.5	18.5	-
39	252.3	197.3	55.0
40	4.8	2.7	2.1
41	247.4	194.5	52.9
42	65.3	59.0	6.3
43	7.1	13.1	(6.0)
44	(0.0)	(0.0)	(0.0)
45	729.2	680.3	48.9
46	6,406.3	6,763.7	(357.4)

• Loans and bills discounted

- ✓ The decrease in FY2003 is mainly due to reduction of loans to less credit worthy customers.
- ✓ Structured loans (i.e. non-recourse loans, asset-backed loans, leveraged finance) account for approx. 20% of loan balance.

• Securities

- ✓ Japanese local government bonds (0.02 ⇒ 131.9 billion yen) 、 Japanese corporate bonds (86.6 ⇒ 246.8 billion yen)
- ✓ Decreased JGB balance for efficient ALM management (1,347.8 ⇒ 868.3 billion yen)
- ✓ Other than long-term JGB for ALM management (360.0 billion yen, 3.7 average duration as of the end of 2004/04) , 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 FY2003 mainly due to credit trading.

• Deposits and Negotiable certificates of deposit

- ✓ Retail deposits increased from 1,473.3 billion yen to 1,578.5 billion yen

• Net unrealized gains on securities available-for-sale, net of taxes

- ✓ Unrealized gains on securities available-for-sale of 12.0 billion yen, less deferred tax portion calculated with an effective tax rate (40.69%).

Problem Claims (Non-consolidated)

【Problem Claims (under Financial Revitalization Law)】

(billions of yen)

	Mar.31.04	Sep.30.03	Mar.31.03	Increase (decrease)	
				in 2H FY2003	in FY2003
Substandard claims	17.3	45.2	98.4	(27.9)	(81.2)
Doubtful claims	68.9	94.5	99.0	(25.6)	(30.1)
Claims against bankrupt and quasi-bankrupt obligors	11.1	14.6	35.7	(3.5)	(24.6)
Total ①	97.3	154.2	233.2	(56.9)	(135.9)
Total claims ②	3,501.2	3,749.2	4,088.2	(248.0)	(587.0)
①/②	2.8%	4.1%	5.7%	(1.3%)	(2.9%)
Claims to obligors in "Caution" category or below	224.5	301.9	482.3	(77.4)	(257.8)

【Reserve for Credit Losses】

(billions of yen)

	Mar.31.04	Sep.30.03	Mar.31.03	Increase (decrease)	
				in 2H FY2003	in FY2003
General	61.7	79.2	96.5	(17.5)	(34.8)
Specific	116.1	113.7	119.9	2.4	(3.8)
Reserve for loans to restructuring countries	0.0	0.0	0.0	0.0	0.0
Total	177.9	192.9	216.5	(15.0)	(38.6)

【Reserve Ratios】

		Mar.31.04	Sep.30.03	Mar.31.03
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)	99.56%	99.07%	96.52%
③ Substandard Obligors	(out of total claims)	32.09%	33.85%	35.40%
	(out of unsecured portion of claims)	94.25%	86.85%	78.97%
④ Caution Obligors	(out of total claims)	11.91%	12.34%	12.57%
(except for Substandard Obligors)	(out of unsecured portion of claims)	25.72%	25.68%	32.18%
⑤ Normal Obligors	(out of total claims)	0.98%	1.02%	0.83%

【Coverage Ratios as of March 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	11.1	6.0	5.1	11.1	100.0
Doubtful	68.9	44.5	23.5	67.9	98.6
Substandard	17.3	7.0	10.3	17.3	100.0
Total	97.3	57.5	38.8	96.3	99.0

• Problem claims under Financial Revitalization Law

- ✓ Decreased by 135.9 billion yen to 97.3 billion yen (NPL ratio of 2.8%) because of repayments, assignments of claims, debt forgiveness.
- ✓ "Need caution" or below level decreased by 257.8 billion yen to 224.5 billion yen. Ratio of normal claims to total claims increased to 94%.

• Reserve for credit loss / Reserve ratios

- ✓ Reserve for loan loss for problem claims based on Financial Revitalization Law is 57.5 billion yen.
- ✓ Reserve ratios for unsecured portion of claims on "possibly bankrupt obligors", "substandard obligors" and "caution obligors (except for substandard obligors)" increased compared to the ratios as of 2003/09.

• Coverage ratios

- ✓ The coverage ratio for claims 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 99.0% (the amount of coverage was 96.3 billion yen).

Capital Adequacy Ratio and Deferred Tax Assets

【Consolidated Capital Adequacy Ratio】

(billions of yen, except percentages)

	Mar.31.04	Sep.30.03	Mar.31.03	Increase (decrease)	
				in 2H FY2003	in FY2003
Tier1	720.3	691.2	659.8	29.1	60.5
Tier2	226.8	233.4	273.3	(6.6)	(46.5)
Deduction	(4.9)	(3.5)	(3.6)	(1.4)	(1.3)
Total capital	942.2	921.2	929.5	21.0	12.7
Risk assets	4,458.7	4,475.3	4,622.8	(16.6)	(164.1)
Consolidated capital adequacy ratio	21.13%	20.58%	20.10%	0.55%	1.03%
Tier1 capital adequacy ratio	16.15%	15.44%	14.27%	0.71%	1.88%

【Deferred Tax Assets】

【Consolidated】 (billions of yen, except percentages)

	Risk assets	Total capital	Tier		Deferred tax assets included in total capital	Capital adequacy ratio
			Tier1	Tier2		
Mar.31.03	4,622.8	929.5	659.8	273.3	18.4	20.10%
Mar.31.04	4,458.7	942.2	720.3	226.8	22.8	21.13%

Basis of deferred tax assets calculation

- At the end of March 2004, Shinsei Bank recorded deductible temporary differences of approx. 260 billion yen and tax loss carryforwards of approx. 430 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 FY2002.

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

(billions of yen)

Actual net business profit	60.0
Income before income taxes	66.0
Taxable income before adjustment (A)	66.5

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 2004/3 [Non-consolidated]

(billions of yen)

Deferred tax assets	22.6
Deferred tax liabilities for net unrealized gains on securities available-for-sale	4.8
Deferred tax assets on the balance sheet	21.7

3. Ratio of deferred tax assets to Tier1 [Consolidated]

(billions of yen)

	Mar.31.03	Sep.30.03	Mar.31.04
Deferred tax assets (net)	18.4	23.2	22.8
Tier1	659.8	691.2	720.3
Deferred tax assets (net) / Tier1 ratios	2.8%	3.4%	3.2%

Earning Forecast

【Consolidated】

(billions of yen)

	Forecast of FY2004		Actual of FY2003	
	1H FY2004		1H FY2003	
Net operating income	30.0	62.0	24.4	47.3
Net income	32.0	66.0	34.0	66.4

【Non-consolidated】

(billions of yen)

	Forecast of FY2004		Actual of FY2003	
	1H FY2004		1H FY2003	
Net business profit (jissuitsu gyomu jun-eki) *	29.0	60.0	24.7	47.4
Net operating income	29.0	60.0	22.3	44.8
Net income	32.0	66.0	31.8	65.3

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