

For Immediate Release

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

### **Shinsei Bank Reports FY2007 First-Half Consolidated Financial Results (April 1-Sept 30, 2007)**

Tokyo (November 14, 2007) --- Shinsei Bank, Limited (Shinsei Bank), a leading diversified financial group, today announced net income of 23.1 billion yen on a consolidated basis for the first half of the fiscal year 2007, ended September 30, 2007, compared to net income of 38.8 billion yen reported in the first half of fiscal year 2006, ended September 30, 2006. Furthermore, consolidated cash basis\* net income for the first half of the fiscal year 2007 was 28.7 billion yen, compared to 47.6 billion yen in the first half of the previous fiscal year.

*“Shinsei Bank’s core business remained steady in the first half of fiscal year 2007. We maintained steady revenues despite mark-downs of our U.S. residential mortgages and the recognition of losses related to our consumer finance affiliate,” said Thierry Porté, president and CEO of Shinsei Bank. “Going forward, we have a clear strategy that will allow us to turn the current challenges into opportunities.” Ordinary business profit was also steady, Porté noted, with expenses increasing only slightly as Shinsei made investments to support future growth, primarily in the bank’s institutional and retail banking businesses. Net income was down, he said, as a result of higher net credit costs mainly associated with an increase in provisions related to the U.S. residential mortgage market.*

### **Highlights of Consolidated First Half Financial Results**

(Billions of U.S. dollars\*\*/JPY Billions except per share amounts)

	2007.4-9 \$US	2007.4-9	2006.4-9	Change %
<b>Revenue</b>	1.20	138.7	138.5	+0.2%
<b>General and Administrative Expenses</b>	0.67	77.3	75.7	+2.2%
<b>Expense-to-Revenue Ratio</b>	55.8%	55.8%	54.7%	-
<b>Ordinary Business Profit</b>	0.53	61.3	62.8	-2.3%
<b>Net Income</b>	0.20	23.1	38.8	-40.3%
<b>Cash Basis* Net Income</b>	0.24	28.7	47.6	-39.7%
<b>Diluted Net Income Per Share (\$US/JPY)</b>	0.11	12.72	19.54	-34.9%
<b>Cash Basis* Diluted Net Income Per Share (\$US/JPY)</b>	0.13	15.77	23.96	-34.2%
<b>ROE (Annualized)</b>	7.2%	7.2%	9.7%	-
<b>ROA (Annualized)</b>	0.4%	0.4%	0.8%	-
	<b>2007.9 \$US</b>	<b>2007.9</b>	<b>2007.3</b>	<b>Change %</b>
<b>Total Assets</b>	107.75	12,423.4	10,837.6	+14.6%
<b>Diluted Equity Per Share (\$US/JPY)</b>	3.07	354.04	355.09	-0.3%
<b>Total Capital Adequacy Ratio</b>	12.4%	12.4%	13.1%	-
<b>Tier I Capital Ratio</b>	7.6%	7.6%	8.1%	-
<b>Non-Performing Loan Ratio***</b>	0.82%	0.82%	0.53%	-

\* Cash basis figures are calculated by excluding amortization (and impairment) of goodwill and intangible assets, net of tax benefit

\*\* U.S. dollar amounts have been calculated at JPY 115.29 to \$1.00, which was the approximate exchange rate at September 30, 2007.

\*\*\* Non-performing loan ratio under the Financial Revitalization Law on a non-consolidated basis.

### **Balance Sheet: Continued growth while maintaining capital strength**

Shinsei Bank's **total assets** increased from 10,837.6 billion yen at March 31, 2007, to 12,423.4 billion yen at September 30, 2007. The increase was due to an increase in call loans, securities and loans and bills discounted. Call loans increased from 43.1 billion yen on March 31, 2007, to 736.1 billion yen on September 30, 2007. Securities increased from 1,854.6 billion yen to 2,368.5 billion yen due to a higher balance of corporate bonds, overseas securities and JGBs. Loans and bills discounted increased from 5,146.3 billion yen on March 31, 2007, to 5,456.5 billion yen as of September 30, 2007, due mainly to growth in demand for non-recourse and housing loans.

**Total deposits and negotiable certificates of deposit** increased 449.7 billion yen or 8.3% to 5,870.6 billion yen, compared to March 31, 2007. Shinsei Bank has been diversifying its funding sources through deposits from retail and institutional customers. The retail and institutional deposit balances stood at 3,563.9 billion yen and 2,306.6 billion yen, respectively, on September 30, 2007.

Shinsei Bank's **capital ratios** remained strong with a **Tier I ratio** of 7.6% and a **total capital adequacy ratio** of 12.4% on September 30, 2007, on a Basel II basis.

### **Income Statement: Steady revenues and controlled expenses**

The consolidated results for the first six months of fiscal 2007 reflect steady 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 10.3 billion yen, net of taxes.

**Total revenue** for the six months of fiscal year 2007 was 138.7 billion yen or 0.2% higher than in the first half of the previous fiscal year as higher net interest income, mainly due to the higher balance of loans, helped balance lower non-interest income. Non-interest income declined due mainly to mark-downs associated with our U.S. residential mortgage exposure, losses at our consumer finance affiliate and lower net trading income.

**General and administrative expenses** for the first half of fiscal 2007 increased 2.2% year on year to 77.3 billion yen as expenses required in the institutional and retail banking to support business growth were partly offset by continued expense rationalization and restructuring activities at APLUS. The expense-to-revenue ratio in the first half of this fiscal year was 55.8%, compared to a ratio of 54.7% in the first half of the previous fiscal year.

The 25.4 billion yen increase in **net credit costs** to 30.7 billion yen for the first half of fiscal year 2007 was due mainly to higher credit provisions in our institutional banking business related to our exposure to the U.S. residential mortgage market and to a lesser extent due to higher credit costs in our consumer and commercial finance business.

**Amortization of goodwill and intangible assets** associated with the acquisition of consumer and commercial finance companies was 6.1 billion yen for the six months ended September 30, 2007, compared with 10.5 billion yen in the first half of the previous fiscal year. The decline largely relates to the significant write-down of goodwill and intangible assets at March 31, 2007.

As a result, **consolidated net income** for the first six months of fiscal year 2007 was 23.1 billion yen, compared to 38.8 billion yen in the same period of the previous fiscal year.

## **Business Line Results**

### **Institutional Banking: Steady loan demand and rising asset prices help drive strong performance**

The institutional banking business continued to see steady demand for corporate loans and stronger growth in non-recourse lending as an ongoing increase in asset prices contributed to a strong performance in the credit trading business.

Total revenue was 58.7 billion yen for the first six months of fiscal year 2007, an increase of 6.3% compared to the same period in fiscal year 2006, despite the recognition of mark-downs related to our exposure in the U.S. residential mortgage market. Ordinary business profit for the first half of fiscal year 2007 was 32.8 billion yen, compared to 33.3 billion yen in the same period of the previous fiscal year due to higher costs as we added employees to expand operations. Ordinary business profit after net credit costs (recoveries) declined from 50.5 billion yen in the first half of the previous fiscal year to 28.6 billion yen in the first half of this fiscal year due mainly to an increase in provisions associated with the U.S. residential mortgages market.

### **Consumer and Commercial Finance: Focusing on better quality customers**

Loans in the consumer and commercial finance business decreased from 424.9 billion yen on March 31, 2007, to 334.2 billion yen on September 30, 2007, due mainly to the sale of LHL in the first quarter of this fiscal year and to a lesser extent a lower balance of loans at APLUS due to the increased focus on quality white-zone customers.

Total revenue declined to 56.4 billion yen in the six months ended September 30, 2007, compared to 60.7 billion yen in the first half of fiscal year 2006, due mainly to the recognition of losses at our consumer finance affiliate Shinki Co., Ltd. (Shinki), an increased focus on higher quality white-zone customers in our consumer finance operations and the absence of revenues from LHL. The lower revenue was mainly offset by lower expenses at APLUS. As a result, the business generated ordinary business profit of 25.4 billion yen in the first half of fiscal year 2007, compared to 25.7 billion yen in the same period of the previous fiscal year. Higher net credit costs resulted in ordinary business profit after net credit costs of 0.5 billion yen in the first half of this fiscal year, compared to 5.5 billion yen in the same period of the previous fiscal year.

### **Retail Banking: Continued growth in customer base and diversification of revenue sources**

Retail loans outstanding, which mainly include housing loans, in the retail banking business, increased by 21.7% from 639.5 billion yen on March 31, 2007, to 778.3 billion yen as of September 30, 2007, mainly as a result of the increase in housing loan customers, who now total almost 32,000. Assets under management increased slightly on March 31, 2007, due to the steady balance of retail deposits and increases in mutual funds and variable annuities. Shinsei Bank now has over two million account holders.

Total revenue was 18.0 billion yen in the first half of this fiscal year compared to 19.5 billion yen in the same period of the previous fiscal year. Net interest income increased year on year, but non-interest income was lower due mainly to a decline in deposit-related option income related to structured deposits. The business recorded an ordinary business loss of 2.2 billion yen for the six months of fiscal year 2007, compared to an ordinary business profit of 0.1 billion yen during the same period of the previous fiscal year due to the lower revenues and higher expenses that resulted mainly from the expansion of distribution channels and growth in customer-driven transactions.

## **Forecast for Fiscal Year 2007: Revision**

On October 25, Shinsei Bank revised its forecast for net income from 72.0 billion yen to 62.0 billion yen for the fiscal year ending March 31, 2008. The revision was necessary due to the material impact on our earnings of mark-downs and provisions related to our exposure to the U.S. residential mortgage market and losses related to our consumer finance-related equity method affiliate Shinki.

For details on the first half results please access "FY2007 Interim Results Announcement" under the "Presentation" page of Shinsei Bank's Investor Relations website at:

[http://www.shinseibank.com/investors/en/ir/meeting/meeting\\_2007/presentations\\_2007.html#071114j](http://www.shinseibank.com/investors/en/ir/meeting/meeting_2007/presentations_2007.html#071114j)

Shinsei Bank will also hold a conference call in English on Thursday, November 15, 2007 at 10:00 PM (Tokyo)/8:00 AM (EST)/1:00 PM (London)/2:00 PM (Continent) to discuss the earnings announcement. Please access

<http://www.vcall.com/IC/CEPage.asp?ID=122295> to participate in the live Conference Call with on-screen slides and audio at the time shown above.

\*\*\*\*\*

*Shinsei Bank is a leading diversified 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\$107 billion on a consolidated basis (as of September 2007) and a network of 43 outlets that includes 36 Shinsei Financial Centers, 2 Platinum Centers and 5 BankSpots 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>.