



Interim Report

Six Months Ended September 30, 2001

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We would like to thank our customers and shareholders for their continuing support and encouragement in the first half of fiscal 2001, ending March 31, 2002.

We are pleased to present our *Interim Report* for the period under review.

Shinsei Bank has achieved steady progress in driving innovation in Japanese banking. As part of that effort, we exceeded initial projections in bolstering revenues and earnings and reinforcing our financial position during the term.

We will continue to meet new challenges as we strive to become a truly effective partner for all our customers.

January 2002

Shinsei Bank, Limited

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Forward-Looking Statements

This *Interim Report* contains statements that constitute forward-looking statements. These statements appear in a number of places in this *Interim Report* and include statements regarding our intent, belief, or current expectations and/or the current belief or current expectations of our officers with respect to the results of our operations and the financial condition of the Bank and its subsidiaries. Such statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Our forward-looking statements are not a guarantee of future performance and involve risks and uncertainties, and actual results may differ from those in such forward-looking statements as a result of various factors.

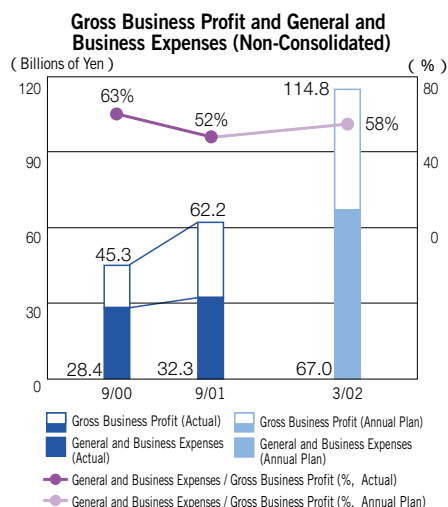
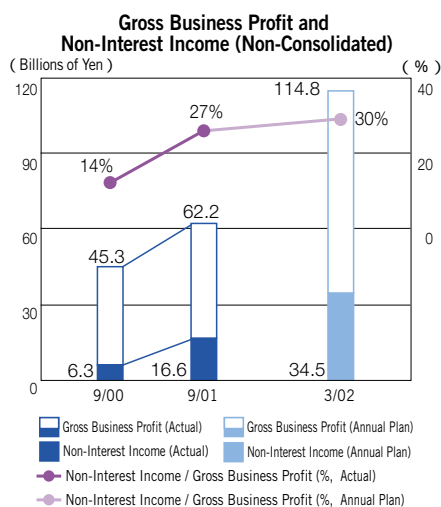
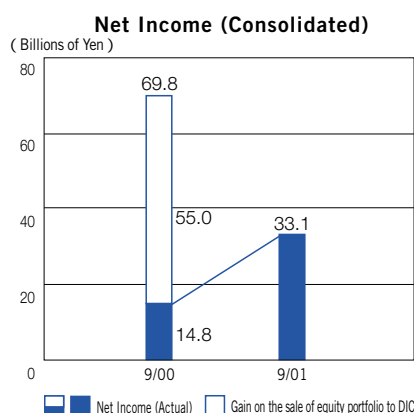
Summary of 2001 Events

2001 May	Commencement of operations by Shinsei Securities Co., Ltd.
June	Start of new retail banking services
July	Opening of Hibiya Branch (transfer of Otemachi Branch)
August	Extension of retail branch business hours to 7:00 p.m.
September	Extension of Post Office ATM operating hours (to 11:00 p.m. on weekdays; also open on holidays)
December	Commencement of ATM tie-up with IY Bank Co., Ltd.
	Opening of Roppongi and Meguro branches
	CLO program launched, ¥115 billion in securities issued

At a Glance

Operating Performance

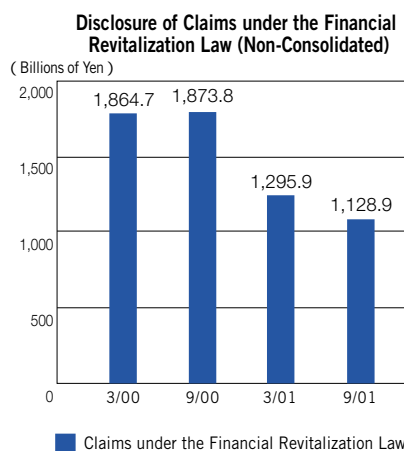
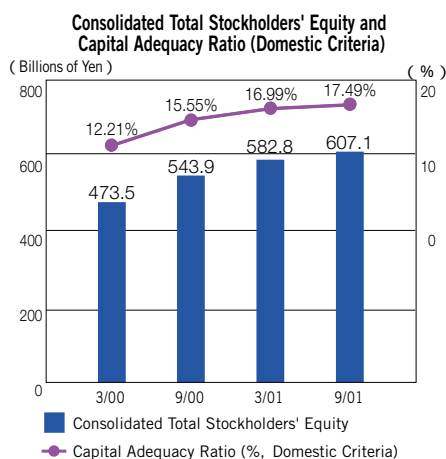
During the first half of the fiscal year ending March 31, 2002, Shinsei Bank successfully expanded its investment banking business. Excluding a non-recurring ¥55.0 billion gain on the sale of equity portfolio to the Deposit Insurance Corporation of Japan (DIC) from the net income for the first half of the fiscal year ended March 31, 2001, the Bank achieved an increase in consolidated net income in this interim period. The Bank also improved its profit structure by bolstering non-interest income and reducing the operating expenses ratio.



- Notes: 1. Gross business profit includes gain (loss) on money held in trust.
2. Planned figures refer to the *Plan for Restoring Sound Management* announced in August 2001.
3. Gain on the sale of equity portfolio to the DIC refers to a sale to the Deposit Insurance Corporation of Japan (DIC) carried out under the provisions of the Share Purchase Agreement at the launch of the new Bank.

Financial Position

The Bank is making the utmost effort to improve the soundness of its assets and strengthen its financial base. During the interim period, consolidated total stockholders' equity increased.



Message from the President

We are now in our second full year of operation since commencing business in March 2000 under new management. In accordance with the strategy set out at the launch of the new Bank, we have strengthened key strategic areas of our business while implementing an overhaul of the organization and infrastructure.

It is my pleasure to report on the interim financial results of the Bank for the six months ended September 30, 2001.

Consolidated net income for the first half of the fiscal year ending March 2002 totalled ¥33.1 billion. The corresponding figure for the first half of the fiscal year ended March 2001 was ¥69.8 billion, however, that result included a non-recurring ¥55.0 billion gain on the sale of equity portfolio to the Deposit Insurance Corporation of Japan (DIC). Excluding this non-recurring item, we have virtually more than doubled consolidated net income, from ¥14.8 billion to ¥33.1 billion. On a non-consolidated basis, the Bank posted an interim net income of ¥30.2 billion for the fiscal half-year, or approximately 80% of the fiscal year target of ¥37.8 billion specified in the *Plan for Restoring Sound Management* (the Plan). It has been our goal to bolster such non-interest income as fees and commissions earned by our investment banking operations to 30% of total income within three years of the launch of the Bank. I am pleased to say that during this interim period, we had already almost achieved that target.

The Bank's consolidated capital adequacy ratio (domestic criteria) stood at 17.49% as of September 30, 2001, a 0.50 percentage point improvement since March 31, 2001.

Our goal is to build a profitable and sound bank by expeditiously offering the products and services that best meet the needs of customers in Japan by leveraging our know-how in advanced financial technologies and our unique position as the first Japanese bank to commence operations with investment from leading European and North American financial institutions. To achieve this goal, we are expanding our capabilities and adding new services in two strategic areas—retail and investment banking. This move has significantly widened the scope of our operations, which historically had been limited to the issuance of bank debentures and credit extension to corporate customers. Thanks to the support of our customers and shareholders, we are able to report substantial progress in both of these areas.

Our new retail banking service commenced in June 2001. We launched a new type of comprehensive account called *PowerFlex*, through which our customers can conduct yen- and foreign currency-denominated savings transactions, as well as bank debenture and investment trust transactions. At the same time, we have significantly increased the number of transaction channels available to *PowerFlex* customers by adding such new service channels as Internet banking, a customer call center and automatic teller machines (ATMs), all of which are available 24-hours-a-day, 365-days-a-year. We are also in the process of converting our retail branches into *Shinsei Financial Centers*, a new type of banking space that goes beyond the traditional concept of retail banking.

In December 2001, we entered into an alliance with IY Bank Co., Ltd., to provide Shinsei customers free of charge, 24-hour access to IY Bank's ATMs, located at 7-Eleven convenience stores and other locations. In the same month, we added two new branches, Roppongi and Meguro, to our branch network in the Tokyo metropolitan area. It is our strategy to enhance our branch network by adding small-sized retail branches at carefully selected locations.

In the investment banking operations, we have successfully expanded our business and are already enjoying significant profit contribution from these activities. We have achieved this contribution by hiring skilled specialists and the enhancement of certain product areas where other Japanese banks have not played major roles, such as securitization, acquisition finance including management buyouts (MBO), non-recourse real estate finance, loan trading and asset management. These product areas are expected to exhibit high growth in the Japanese market and, to cater to such needs, we will continue to enhance our product and operational capabilities.



In the Bank's existing strong business lines—serving the needs of corporate and financial institution customers—we have remodelled the organization with the aim of offering quick and appropriate responses to diverse customer needs and management issues by providing value-added products and services. Through this remodelling, we have increased the level of coordination among frontline relationship managers and divisions responsible for investment banking-related products.

In the corporate loan business area, we have reconstructed our risk management systems to make risk management even more rigorous and emphasize the balance between appropriate risk and return. In practice, we are concentrating on fostering close communications with our customers while ensuring the soundness of the Bank.

In the area of loans for small and medium-sized businesses, the Bank received a business improvement order from the Financial Services Agency in relation to the fact that the Bank was unable to meet the targets specified in the Plan. We regret this outcome. To ensure the Bank meets its targets in this area for the year ending March 31, 2002, we have established the SME (Small and Medium-Sized Enterprises) Committee, which I am chairing personally. We will make the greatest effort possible to meet our targets in this area, including the adoption of a range of specific measures.

As we enter the second year of the new century, changes affecting every aspect of our social and economic structures are anticipated to continue at an unprecedented speed. The environment faced by financial institutions is no exception, and we expect customer needs relating to financial services and products to become more diverse and complex.

To serve a range of customer needs, we will strive to meet the challenge of a changing environment and provide leading-edge products and services expeditiously. Through this we are aiming to be a truly beneficial partner for our customers.

As we work to attain these objectives, we appreciate your continuing support.

January 2002

Handwritten signature of Masamoto Yashiro.

Masamoto Yashiro
Chairman, President and CEO

Recent Developments at Shinsei Bank

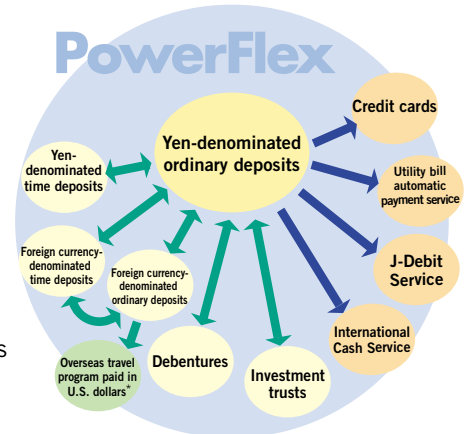
A New Start for Retail Banking

Shinsei Bank now provides its customers with significantly improved solutions—a rarity in Japan's retail banking market. We revisited what we offer—including products and services, branches and remote channels, and style of delivery—from a customer perspective and reflected the findings in our practices. We eliminated some Japanese common banking practices to increase customer satisfaction.



● **PowerFlex comprehensive customer account introduced**

In June 2001, we launched a new retail account called *PowerFlex*. This product allows customers to conduct yen- and foreign currency-denominated savings transactions and handle debenture and investment trust transactions with a single account. *PowerFlex* users can access our ATM network free of charge 24-hours-a-day, 365-days-a-year. Customers enjoy the Bank's services at any time through such other channels as a call center and Internet banking. They can also conduct domestic fund transfers through our Internet banking, free of charge, an advantage of our high-performance, low-cost IT system.



* *PowerFlex* customers can pay for JTB Group's overseas package tours directly from their U.S. dollar-denominated ordinary deposits.



● **ATM tie-up with IY Bank**

On December 17, 2001, the Bank launched an ATM alliance with IY Bank. As with Shinsei Bank's ATMs, *PowerFlex* customers can now use IY Bank ATMs at such locations as 7-Eleven stores 24-hours-a-day, 365-days-a-year without paying transaction fees.

The Bank's customers thus enjoy access to about 58,000 ATMs throughout Japan, including those available through agreements with other banks and the Postal Savings system.

● **International Cash Service inaugurated**

In August 2001, the Bank started an International Cash Service that enables customers to withdraw local currencies from cash dispensers (CDs) and ATMs overseas with their *PowerFlex* cash cards. Customers can use the service at about 650,000 CDs and ATMs in more than 120 countries through Visa International's PLUS—the world's largest ATM network. No charges are incurred by customers for card issuance, withdrawals or balance inquiries.

● **Shinsei Financial Centers**

We believe bank branches should be enjoyable and comfortable showrooms for comprehensive financial services, as opposed to the traditional concept that bank branches are merely venues for transactions. We have developed *Shinsei Financial Centers* that emphasize fun and comfort in banking activities. Beginning with the head office branch in June 2001, we plan to refurbish and transform all branches into *Shinsei Financial Centers* by the end of the next fiscal year.



Financial Center (Kobe Branch)

● **Retail branch business hours extended to 7:00 p.m.**

We extended business hours of most retail branches to 7:00 p.m. from August 2001, and that of the Hibiya Branch, from November 2001.

By eliminating the common practice in Japan of closing at 3:00 p.m. purely for a bank's convenience, our customers are now more empowered, having greater flexibility in their daily activity scheduling.



● **Roppongi and Meguro branches opened**

On December 3, 2001, we opened the Roppongi Branch—our first new branch since the rebirth of Shinsei Bank—followed by the Meguro Branch that began operations on December 25. In addition to reinforcing such remote channels as call centers and Internet banking, we plan to further enhance customer convenience by expanding our branch and ATM network through the launch of small retail sales outlets in metropolitan areas.



Financial Center (Meguro Branch)

Expansion of Investment Banking Services

Investment banking services are a key strategic area for Shinsei Bank. We have steadily increased our presence in this area through measures including recruitment of highly qualified specialists. As a result, investment banking activities contributed substantially to earnings. We anticipate significant growth opportunities in this business area in the Japanese market. We will continue to build our capabilities in this area.



What is a CLO?

A collateralized loan obligation (CLO) is a method of issuing securities backed by cash flows from a diverse loan pool. A master trust CLO allows new loans to be added to the loan pool from time to time. It avails flexible and low cost security issuance.

Shinsei Securities inaugurated

The wholly owned Shinsei Securities Co., Ltd., commenced operations in May 2001. As a wholesale securities house focused on fixed income transactions, this subsidiary helps its corporate customers with their funding and investment needs. It provides innovative financial products and services in such areas as distribution of securitized instruments, bond underwriting and structured bond origination and sales.

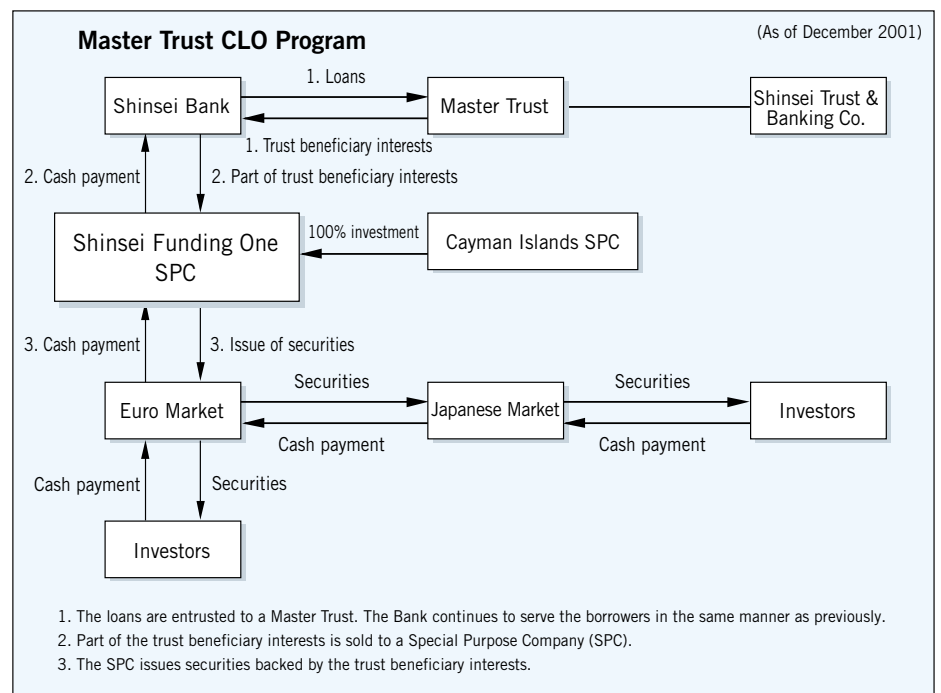
Daihyaku Mutual Life's home loans securitized

Shinsei Bank purchased home loans from Daihyaku Mutual Life Insurance Company and, in August 2001, securitized them in a ¥73.5 billion issue. This was achieved through our expertise in acquiring loans at an appropriate and transparent price. The deal also demonstrated our product development capabilities to create an optimal securitization structure for a particular type of asset. We will actively expand our businesses in this area.

Japan's first Master Trust CLO program launched

Shinsei Bank launched a Master Trust CLO program to obtain better access to international capital markets, while also getting an additional diversified and stable source of funding.

The Bank entrusted around ¥1.4 trillion of its loan assets to the Master Trust CLO program. In December 2001, ¥115 billion in securities were issued, backed by a part of the trust beneficiary interests obtained by the Bank.



The securities were rated AAA by Standard & Poor's, Aaa by Moody's and AAA by Fitch. The Master Trust CLO program was also awarded the title of Japanese Securitization of the Year in 2001 by the well-known international financial journal, *International Financing Review*.

● Investment in BlueBay Asset Management

Shinsei Bank has invested in U.K.-based BlueBay Asset Management Ltd. along with Barclays Group as part of the Bank's growth in the asset management area.

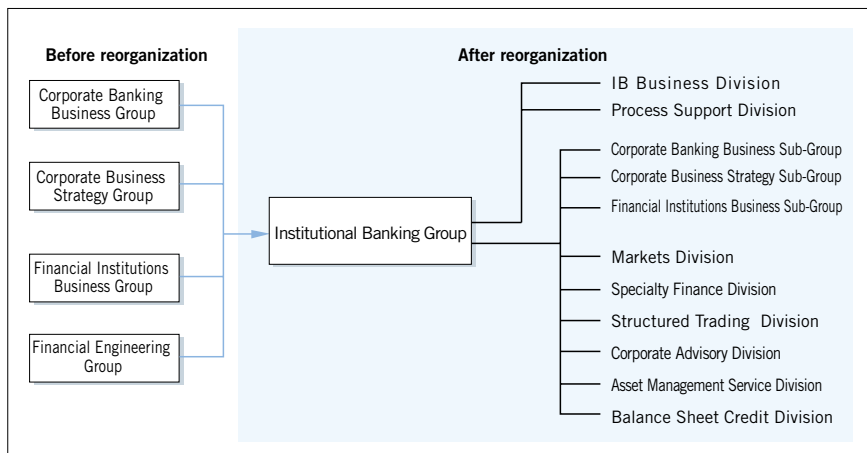
We will be the exclusive marketer in Japan for investment products and strategies provided by BlueBay Asset Management, which has superior asset management capabilities in the European corporate bond market.

We will cater to investor needs relating to the European corporate bond market, which has expanded rapidly since European currency integration.

● Institutional Banking Group established

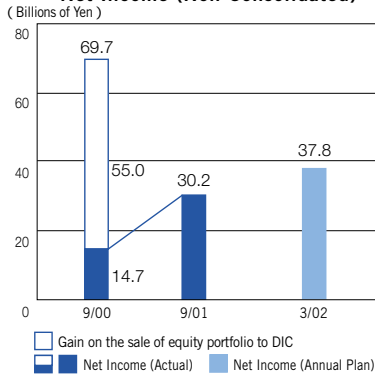
In January 2002, we established the Institutional Banking Group, integrating the Corporate Banking Business Group, the Corporate Business Strategy Group, the Financial Institutions Business Group and the Financial Engineering Group. The integrated Group covers corporate and institutional customers, as well as divisions responsible for corporate and investment banking financial products and services.

We developed an organizational structure to offer quick and appropriate responses to diverse customer needs and management issues. We will provide value-added products and services with greater coordination among frontline relationship managers and divisions responsible for investment banking-related products.



Summary of Performance

Net Income (Non-Consolidated)



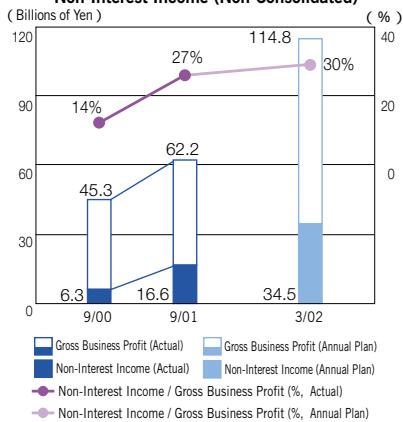
Net Income (Non-Consolidated)

For the first half of the fiscal year ending March 31, 2002, non-consolidated net income totalled ¥30.2 billion, a decrease from the previous corresponding period. During the half-year ended September 30, 2000, Shinsei Bank posted a ¥55.0 billion gain on the sale of equity portfolio to the DIC.

Non-consolidated interim net income, excluding this non-recurring item, increased 105%. Non-consolidated net income of ¥30.2 billion represents approximately 80% of the fiscal 2001 target of ¥37.8 billion, stated in the Bank's *Plan for Restoring Sound Management*.

Note: Gain on the sale of equity portfolio to the DIC refers to a sale to the Deposit Insurance Corporation of Japan (DIC) carried out under the provisions of the Share Purchase Agreement at the launch of the new Bank.

Gross Business Profit and Non-Interest Income (Non-Consolidated)



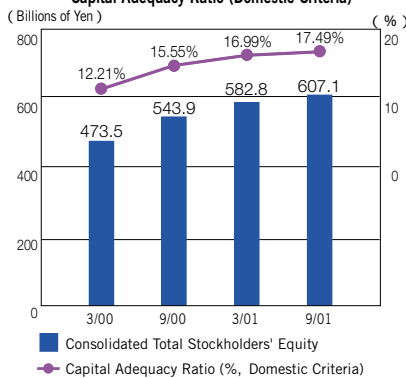
Ratio of Non-Interest Income to Gross Business Profit (Non-Consolidated)

Non-interest income accounted for a significantly higher proportion of gross business profit, at 27% on a non-consolidated basis.

The Bank aims to generate 30% of gross business profit from income other than net interest income, such as fees and commissions through investment banking operations and other non-funding businesses, within three years of the launch of the new Bank. During this interim period, the Bank almost reached this target.

Note: Gross business profit = Net interest income + Net fees and commissions + Net trading revenue + Net other income from operations + Gain (loss) on money held in trust

Consolidated Total Stockholders' Equity and Capital Adequacy Ratio (Domestic Criteria)

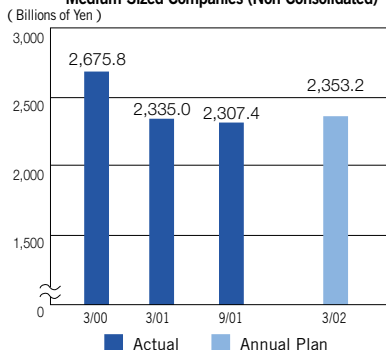


Consolidated Total Stockholders' Equity and Capital Adequacy Ratio (Domestic Criteria)

At the close of the term, consolidated total stockholders' equity was higher than a year earlier, at ¥607.1 billion.

The capital adequacy ratio, based on domestic criteria, was up 0.50 percentage point, to 17.49%.

Loans Outstanding to Small and Medium-Sized Companies (Non-Consolidated)*



Loans Outstanding to Small and Medium-Sized Companies (Non-Consolidated)

As of September 30, 2001, loans outstanding to small and medium-sized companies* stood at ¥2,307.4 billion, down ¥27.6 billion from six months earlier.

During the previous term, the Financial Services Agency issued a business improvement order to the Bank. This was in relation to the fact that the Bank was unable to meet its lending targets to small and medium-sized companies as part of its *Plan for Restoring Sound Management* during the fiscal year ended March 31, 2001.

The Bank responded to this order by making such lending a top priority and, accordingly, established the SME Committee, chaired by the Bank's president. Shinsei Bank has also formulated several aggressive policies as part of a drive to meet its goals for fiscal 2001.

* As defined and adjusted in the Bank's *Plan for Restoring Sound Management*

Consolidated Financial Highlights

Shinsei Bank, Limited and Subsidiaries
For the Six Months Ended September 30, 2001 and 2000 and for the Year Ended March 31, 2001

	Billions of Yen			Millions of U.S. Dollars
	Sept. 30, 2001 (6 months)	Sept. 30, 2000 (6 months)	Mar. 31, 2001 (1 year)	Sept. 30, 2001 (6 months)
For the Fiscal Terms Ended				
Total Income	¥ 150.1	¥ 193.4	¥ 308.0	\$ 1,257
Total Expenses	116.7	123.3	217.0	977
Income before Income Taxes and Minority Interests	33.4	70.1	90.9	280
Net Income	33.1	69.8	90.4	278
Balances at the End of				
Total Assets	¥8,626.9	¥10,949.0	¥9,485.7	\$72,253
Loans and Bills Discounted	5,329.1	7,244.7	6,187.3	44,632
Securities	2,026.9	2,701.8	1,988.5	16,976
Cash and Due from Banks	400.8	525.8	477.4	3,357
Debentures	3,704.4	5,106.3	3,670.4	31,025
Deposits, Including NCDs	2,400.3	2,883.5	3,218.8	20,013
Total Stockholders' Equity	607.1	543.9	582.8	5,085
Per Common Share (in Yen and U.S. Dollars)				
Net Income	¥ 11.50	¥ 25.72	¥ 31.87	\$ 0.1
Cash Dividends:				
Common Stock	0.55	—	—	0
Preferred Stock:				
Series 2	6.50	—	—	0.05
Series 3	2.42	—	—	0.02
Total Stockholders' Equity	99.49	76.22	90.52	0.83
Ratio				
Risk-Weighted Capital Ratio (Domestic Criteria)	17.49%	15.55%	16.99%	

Non-Consolidated Financial Highlights

Shinsei Bank, Limited
For the Six Months Ended September 30, 2001 and 2000 and for the Year Ended March 31, 2001

	Billions of Yen			Millions of U.S. Dollars
	Sept. 30, 2001 (6 months)	Sept. 30, 2000 (6 months)	Mar. 31, 2001 (1 year)	Sept. 30, 2001 (6 months)
For the Fiscal Terms Ended				
Total Income	¥ 137.3	¥ 190.8	¥ 307.5	\$ 1,150
Total Expenses	106.9	121.0	216.0	896
Income before Income Taxes	30.3	69.8	91.4	254
Net Income	30.2	69.7	91.2	254
Balances at the End of				
Total Assets	¥9,053.5	¥11,477.2	¥10,051.2	\$75,826
Loans and Bills Discounted	5,447.7	7,240.9	6,183.5	45,626
Securities	2,045.2	2,741.4	2,052.4	17,130
Cash and Due from Banks	484.0	595.5	558.8	4,054
Debentures	3,585.2	4,916.0	3,483.9	30,027
Deposits, Including NCDs	2,586.5	2,931.7	3,302.8	21,663
Total Stockholders' Equity	598.9	538.5	577.4	5,016
Per Common Share (in Yen and U.S. Dollars)				
Net Income	¥ 10.43	¥ 25.67	¥ 32.17	\$ 0.09
Cash Dividends:				
Common Stock	0.55	—	—	0
Preferred Stock:				
Series 2	6.50	—	—	0.05
Series 3	2.42	—	—	0.02
Total Stockholders' Equity	96.45	74.23	88.54	0.81

Note: All U.S. dollar amounts above, presented solely for the reader's convenience, are translated at ¥119.40 = U.S.\$1.00, the rate of exchange prevailing on the Tokyo Foreign Exchange Market on September 28, 2001.

Financial Review

Summary of Consolidated Statements of Income and Balance Sheets

For the first half of the fiscal year ending March 31, 2002, Shinsei Bank posted consolidated interim net income of ¥33.1 billion. The corresponding figure for the interim period ended September 30, 2000 was ¥69.8 billion, however that result included a ¥55.0 billion gain on the sale of equity portfolio to the Deposit Insurance Corporation of Japan (DIC). Consolidated net income for the interim period ended September 30, 2000, excluding this gain, was ¥14.8 billion, which was substantially exceeded this year.

Consolidated net interest income for the interim period amounted to ¥46.1 billion, an increase of ¥7.5 billion compared with the corresponding period in the previous year. This ¥46.1 billion consisted of interest income of ¥84.6 billion, less interest expenses of ¥38.4 billion. This result reflects improvements in both the Bank's funding structure and lending spreads, which included redemption of interest-bearing bank debentures with relatively high interest rates issued in previous fiscal years and repayment of subordinated borrowings, as domestic interest rates remained relatively low.

Non-interest income, net, consisted of fees and commissions, trading revenue and other operating income, less expenses for fees and commissions and other operating expenses, also increased. A smooth start of such investment banking operations as securitization and specialty finance contributed to this increase.

General and administrative expenses increased ¥3.9 billion, to ¥33.8 billion. This increase was mainly a result of investments in new retail businesses and specialized staff, partially offset by savings in old operations and premises.

Total credit cost on a consolidated basis was ¥0.6 billion.

Among assets and liabilities, as of September 30, 2001, total assets amounted to ¥8,626.9 billion, or ¥858.7 billion lower than at March 31, 2001. Loans and bills discounted declined ¥858.2 billion compared with March 31, 2001, to ¥5,329.1 billion. This reflects a continued trend among major corporations to reduce bank borrowings as well as weak demand for capital expenditure-related finance. The Bank, on a non-consolidated basis, made a ¥353.0 billion disposal of problem assets through such means as assignment of loans to the DIC and negotiations with borrowers. This contributed to the decline of loans and bills discounted on a consolidated basis. Debentures increased ¥34.0 billion, to ¥3,704.4 billion,

almost the same as the March 31, 2001 figure. This was because redemptions of five-year interest-bearing debentures continued, while one- to three-year interest-bearing debentures were well subscribed by institutional investors. Deposits, including negotiable certificates of deposit (NCDs), decreased ¥818.5 billion compared with March 31, 2001, to ¥2,400.3 billion.

For the interim period under review, the Bank paid interim dividends at the rate of ¥0.55 per share of common stock, and half of the fiscal year amounts were paid at the prescribed levels for each series of preferred stock, aggregating ¥6.8 billion.

Consequently, total stockholders' equity increased ¥24.3 billion compared with March 31, 2001, to ¥607.1 billion at September 30, 2001.

Summary of Non-Consolidated Statements of Income and Balance Sheets

Non-consolidated interim net income totalled ¥30.2 billion. Excluding the ¥55.0 billion gain from the sale of equity portfolio to the DIC contained in non-consolidated net income of ¥69.7 billion posted for the previous interim period (as mentioned in the consolidated financial review), non-consolidated net income for the interim period ended September 30, 2001 increased 105%, from ¥14.7 billion.

Net interest income, on a non-consolidated basis, for the interim period amounted to ¥44.7 billion, a ¥5.8 billion increase from the corresponding period in the previous year. This consisted of interest income of ¥85.2 billion, less interest expenses of ¥40.5 billion. General and administrative expenses increased ¥3.1 billion, to ¥32.4 billion for the interim period.

Total credit cost on non-consolidated basis was ¥1.6 billion.

As of September 30, 2001, non-consolidated total assets amounted to ¥9,053.5 billion, or ¥997.6 billion lower than at March 31, 2001. This decline was the result of several factors, including a drop of ¥735.8 billion in loans and bills discounted, to ¥5,447.7 billion.

On the liabilities side, debentures fell ¥101.3 billion compared with March 31, 2001, to ¥3,585.2 billion on a non-consolidated basis. Deposits, including NCDs, decreased ¥716.2 billion compared with March 31, 2001, to ¥2,586.5 billion on a non-consolidated basis.

Total stockholders' equity, on a non-consolidated basis, at the end of the interim period amounted to ¥598.9 billion.

Asset Quality and Disposal of Problem Assets (Non-Consolidated)

Disclosure of Claims under the Financial Revitalization Law (Non-Consolidated)

The Bank's exposure, according to the disclosure criteria specified in the Financial Revitalization Law, as of September 30, 2001, was ¥1,128.9 billion, a reduction of ¥167.0 billion compared with March 31, 2001. Within this sum, bankrupt and quasi-bankrupt claims were down by over half, or ¥246.4 billion, compared with the previous fiscal year-end, to ¥226.4 billion, doubtful claims

were almost unchanged at ¥375.5 billion and substandard claims were up ¥73.9 billion, to ¥526.9 billion. As a result, the ratio of risk-monitored loans to total credit stood at 18.9% as of September 30, 2001, down 0.1 percentage point compared with the previous fiscal year-end.

Loans to borrowers requiring caution, which includes the substandard claims mentioned above, totalled ¥1,181.5 billion as of September 30, 2001, down ¥46.9 billion compared with the previous fiscal year-end.

Disclosure of Claims under the Financial Revitalization Law (Non-Consolidated)

	Millions of Yen		
	Sept. 30, 2001	Mar. 31, 2001	Change
For the Fiscal Terms Ended			
Bankrupt and Quasi-Bankrupt (A)	¥ 226,499	¥ 472,945	¥(246,446)
Doubtful (B)	375,538	370,088	5,450
Substandard (C)	526,919	452,950	73,969
Total (A)+(B)+(C)	¥1,128,957	¥1,295,983	¥(167,026)

Coverage Ratios

Coverage ratios for claims classified under the Financial Revitalization Law, which is the total of collateral pledged against claims, guarantees for claims and reserve for loan losses versus total claims as of September 30, 2001 were 100% for bankrupt and quasi-bankrupt, 92.01% for

doubtful and 71.56% for substandard. For all claims classified, the coverage ratio was 84.07%.

The Bank does not make direct write-offs of the portion of claims that are estimated to be uncollectible. However, if such write-offs were made at an estimated amount of ¥64.3 billion, the coverage ratio for all classified claims would be 83.1%.

Coverage Ratios for Nonperforming Claims Disclosed under the Financial Revitalization Law

	Millions of Yen				
	Amounts of Coverage				
	Amount of Claims	Reserves for Loan Losses	Collateral and Guarantees	Total	Coverage Ratios
Bankrupt and Quasi-Bankrupt	¥ 226,499	¥ 64,494	¥162,005	¥226,499	100.00%
Doubtful	375,538	110,145	235,375	345,520	92.01
Substandard	526,919	136,882	240,158	377,041	71.56
Total	¥1,128,957	¥311,521	¥637,539	¥949,061	84.07%

Definitions of Claims Classified under the Financial Revitalization Law

The asset quality of the following balance sheet items is assessed under the Financial Revitalization Law: loans and bills discounted, foreign exchange, securities lent, accrued income and suspense payment in other assets, and customers' liabilities for acceptances and guarantees. The quality of these assets is categorized as follows on the basis of the financial condition and operating performance of the obligor.

Bankrupt and Quasi-Bankrupt

Claims against obligors under bankruptcy or as provided for under the Bankruptcy Law, the Corporate Reorganization Law, the Corporate Rehabilitation Law, the Composition Law and similar laws and obligors in similar condition.

Doubtful

Claims against obligors that are not yet in bankruptcy but have experienced deterioration in their financial condition and operating performance and for which there is a high probability of contractual defaults on principal and interest payments.

Substandard

Past due loans three months or more and restructured loans, excluding those categorized as bankrupt, quasi-bankrupt or doubtful.

Normal

Claims against obligors that are experiencing no particular problems with financial condition or operating performance and excluding claims in the three categories just defined.

Disposal of Problem Assets during the Interim Period

During the fiscal half-year, ended September 30, 2001, reflecting the Bank's situation regarding problem assets, provisions of ¥0.8 billion each were made to the general reserve for loan losses and specific reserve for loan losses,

resulting in total provisions to reserves for loan losses for the interim period of ¥1.6 billion on a non-consolidated basis.

Consequently, total credit cost amounted to ¥1.6 billion, including disposals made from the general reserve for loan losses and disposals from the country risk reserve.

Provisions to the Reserve for Loan Losses for the Interim Period Ended September 30, 2001

	Millions of Yen Sept. 30, 2001
Provisions to Specific Reserve for Loan Losses	¥ 826
Provisions to General Reserve for Loan Losses	834
Reversal of Reserve for Loans to Restructuring Countries	(49)
Total, Net	¥1,611

Reserve for Loan Losses (Non-Consolidated)

As of September 30, 2001, the Bank's general reserve for loan losses was ¥220.0 billion, almost unchanged from the previous fiscal year-end, the specific reserve for loan losses was down ¥166.8 billion, to ¥176.6 billion, and the reserve for loans to restructuring countries was almost unchanged at ¥0.2 billion. Total reserves for loan losses

amounted to ¥397.0 billion, a reduction of ¥167.2 billion compared with the previous fiscal year-end. The ratio of reserves for loan losses to total credit stood at 6.65%.

During the interim period, a total of ¥168.7 billion was used for write-offs of problem assets.

Reserve for Loan Losses (Non-Consolidated)

	Millions of Yen		
	Sept. 30, 2001	Mar. 31, 2001	Change
General Reserve	¥220,078	¥220,455	¥ (377)
Specific Reserve	176,698	343,537	(166,839)
Reserve for Loans to Restructuring Countries	237	296	(59)
Total	¥397,014	¥564,290	¥(167,276)

Risk-Monitored Loans

The balance of risk-monitored loans on a non-consolidated basis stood at ¥1,059.7 billion, as of September 30, 2001, down ¥155.1 billion compared with March 31, 2001. Restructured loans increased ¥59.5 billion, to ¥499.6 billion, and past due loans three months or more increased ¥14.3 billion, to ¥27.2 billion. Past due loans

were up ¥31.2 billion, to ¥434.6 billion, and loans to borrowers in bankruptcy decreased ¥260.3 billion, to ¥98.2 billion.

The balance of risk-monitored loans on a consolidated basis at the end of the interim period stood at ¥1,058.8 billion, or almost the same level as the non-consolidated balance.

Risk-Monitored Loans (Non-Consolidated)

	Millions of Yen				
	Sept. 30, 2001	Change from Sept. 30, 2000	Change from Mar. 31, 2001	Sept. 30, 2000	Mar. 31, 2001
Loans to Borrowers in Bankruptcy	¥ 98,258	¥ (469,232)	¥(260,393)	¥ 567,490	¥ 358,651
Past Due Loans	434,606	(224,068)	31,289	658,674	403,317
Past Due Loans Three Months or More	27,231	5,021	14,378	22,210	12,853
Restructured Loans	499,688	(46,682)	59,591	546,370	440,097
Total	¥1,059,784	¥ (734,962)	¥(155,135)	¥1,794,746	¥1,214,919
Total Loans and Bills Discounted Outstanding	¥5,447,750	¥(1,793,211)	¥(735,835)	¥7,240,961	¥6,183,585

(Ratio to Total Loans and Bills Discounted)

Loans to Borrowers in Bankruptcy	1.8%	(6.0)%	(4.0)%	7.8%	5.8%
Past Due Loans	8.0	(1.1)	1.5	9.1	6.5
Past Due Loans Three Months or More	0.5	0.2	0.3	0.3	0.2
Restructured Loans	9.2	1.7	2.1	7.5	7.1
Total	19.5%	(5.3)%	(0.1)%	24.8%	19.6%

Risk-Monitored Loans (Consolidated)

	Millions of Yen				
	Sept. 30, 2001	Change from Sept. 30, 2000	Change from Mar. 31, 2001	Sept. 30, 2000	Mar. 31, 2001
Loans to Borrowers in Bankruptcy	¥ 98,260	¥ (469,232)	¥(260,393)	¥ 567,492	¥ 358,653
Past Due Loans	433,476	(224,623)	30,596	658,099	402,880
Past Due Loans Three Months or More	27,231	5,021	14,378	22,210	12,853
Restructured Loans	499,834	(46,695)	59,584	546,529	440,250
Total	¥1,058,804	¥ (735,528)	¥(155,833)	¥1,794,332	¥1,214,637
Total Loans and Bills Discounted Outstanding	¥5,329,108	¥(1,915,603)	¥(858,212)	¥7,244,711	¥6,187,320

(Ratio to Total Loans and Bills Discounted)

Loans to Borrowers in Bankruptcy	1.8%	(6.0)%	(4.0)%	7.8%	5.8%
Past Due Loans	8.1	(1.0)	1.6	9.1	6.5
Past Due Loans Three Months or More	0.5	0.2	0.3	0.3	0.2
Restructured Loans	9.4	1.9	2.3	7.5	7.1
Total	19.9%	(4.9)%	0.3%	24.8%	19.6%

Definitions of Risk-Monitored Loan Categories

Risk-monitored loan is the collective term referring to loans to borrowers in bankruptcy, past due loans, past due loans three months or more and restructured loans.

These disclosure categories do not take account of possible recoveries through the disposal of collateral pledged against such loans. Therefore, these figures are not meant to imply that the full amounts are uncollectible. Definitions of risk-monitored loans are as follows.

Loans to Borrowers in Bankruptcy

Loans to borrowers in bankruptcy are those loans for which interest is not being accrued, because payments of interest and/or principal have been in arrears for a substantial period or, for other reasons, the collection or payment of the principal and/or interest is deemed unlikely and for which at least one of the following circumstances is applicable:

- The borrower has requested protection under the provisions of the Corporate Reorganization Law and the Corporate Rehabilitation Law.
- The borrower has requested liquidation procedures under the Commercial Code of Japan or similar legal provisions.
- The borrower has begun liquidation/reorganization procedures under bankruptcy laws of a foreign country or under similar legal provisions.
- The borrower's transactions with the promissory note clearing-house in Japan have been suspended.

Past Due Loans

Past due loans are those loans for which interest is not being accrued, after the exclusion of loans to borrowers in bankruptcy and loans for which delays in interest payments have been granted with the objective of corporate restructuring or assisting the obligor.

Please note that from the fiscal year ended March 31, 2000, unpaid interest on loans classified in self-assessments under the criteria of the Financial Revitalization Law as loans to borrowers in bankruptcy, loans under quasi-bankruptcy or doubtful has not been accrued.

Past Due Loans Three Months or More

Past due loans three months or more are those loans for which principal or interest has not been received for a period of three months or more from the contractual payment date. This category excludes loans to borrowers in bankruptcy and past due loans as defined above.

Restructured Loans

Restructured loans are those loans for which the Bank has made certain concessions to borrowers with the objectives of restoring the soundness of their operations, including the reduction of interest, the granting of a grace period for interest and/or principal payments, the forgiveness of the Bank's claims or the employment of other measures favorable to the borrower. This category excludes loans to borrowers in bankruptcy, past due loans and past due loans three months or more as described above.

Definitions of Reserve for Loan Losses

The Bank makes provisions to the reserve for loan losses based on established criteria for write-offs and reserves according to the types of claims specified in the operating guidelines set forth by the Japanese Institute of Certified Public Accountants, as follows:

- For claims on borrowers in the normal and caution, including special supervision segment self-assessment categories, provisions are made to the general reserve for loan losses, based on the Bank's own historical experience of defaults.
- For claims on borrowers in the possible bankruptcy category, the expected amount of recoveries from collateral and guarantees is subtracted from the claim, and the portion of the remaining amount is made as a provision to the specific reserve for loan losses. Similarly, for claims on borrowers in the virtual bankruptcy and legal bankruptcy categories, the expected amount of recoveries from collateral and guarantees is subtracted from the claim, and the remaining amount is made as a provision to the specific reserve.

These provisions are made on the basis of self-assessments, which are performed by the operating unit in charge of the asset

and then audited by an asset-auditing section independent of the operating unit. Provisions to the reserve are based on the results of this review and auditing process.

Specific Reserve for Loan Losses

When it is clear that the collection of individual loans and other claims is likely to be impossible, the Bank makes provisions to the specific reserve for loan losses to provide for future losses.

When such claims appear likely to be uncollectible because of an application for commencement of bankruptcy proceedings under the Corporate Reorganization Law, or the obligor has shown negative net worth for an extended period, or other standards become applicable under tax laws, the Bank subtracts the amount of collateral or other coverage from the amount of the loan and is allowed to make provisions for the remainder on a nontaxable or taxable basis.

Reserve for Loans to Restructuring Countries

Provisions are made to the reserve for loans to restructuring countries to provide for losses expected due to political and economic conditions in the countries where the loans are outstanding.

Capital Adequacy Ratio

At the close of the term, the consolidated capital adequacy ratio, based on domestic criteria, was up 0.5 percentage point, to 17.49%, while the non-consolidated capital adequacy ratio, based on domestic criteria, was also up 0.72 percentage point, to 16.29%.

Capital Adequacy Ratio (Consolidated)

	Billions of Yen			
	Sept. 30, 2001 (Domestic Criteria)	Change from Mar. 31, 2001	Sept. 30, 2000 (Domestic Criteria)	Mar. 31, 2001 (Domestic Criteria)
(1) Tier I	¥ 589.1	¥ 29.5	¥ 544.0	¥ 559.6
(2) Tier II	450.8	(108.8)	544.0	559.6
45% of Unrealized Gains on Securities	—	—	—	—
General Loan Loss Reserves	37.1	(4.0)	43.7	41.1
Subordinated Debts, Hybrid Capital Instruments	413.6	(147.9)	615.4	561.5
Cutoff (Tier I Cap)	—	(43.0)	115.0	43.0
(3) Deductions (Double Gearing/Leveraging)	0.5	0.4	—	0.1
(4) Total Capital (1) + (2) – (3)	1,039.4	(79.6)	1,088.0	1,119.0
(5) Risk Assets	5,941.5	(644.5)	6,995.7	6,586.0
Total Capital Ratio (4)/(5) (%)	17.49%	0.50%	15.55%	16.99%

Consolidated Balance Sheets

Shinsei Bank, Limited and Subsidiaries
September 30, 2001, 2000 and March 31, 2001

	Millions of Yen		
	Sept. 30, 2001	Sept. 30, 2000	Mar. 31, 2001
ASSETS			
Cash and Due from Banks	¥ 400,856	¥ 525,861	¥ 477,482
Call Loans	88,527	458,570	276,000
Other Debt Purchased	33,322	17	18,555
Trading Assets	433,995	293,438	382,222
Money Held in Trust	71,560	49,425	96,477
Securities	2,026,953	2,701,842	1,988,518
Loans and Bills Discounted	5,329,108	7,244,711	6,187,320
Foreign Exchanges	11,085	15,534	10,771
Other Assets	403,978	252,666	409,708
Premises and Equipment	73,715	35,958	28,852
Deferred Discounts on and Issuance Expenses for Debentures	860	1,510	1,425
Deferred Tax Assets	30	—	30
Consolidation Adjustment Accounts	205	—	—
Customers' Liabilities for Acceptances and Guarantees	148,457	215,259	172,238
Reserve for Loan Losses	(395,662)	(845,744)	(563,891)
Total Assets	¥8,626,993	¥10,949,054	¥9,485,711
LIABILITIES, MINORITY INTERESTS IN SUBSIDIARIES AND STOCKHOLDERS' EQUITY			
Liabilities:			
Debentures	¥3,704,431	¥ 5,106,360	¥3,670,417
Deposits, Including NCDs	2,400,309	2,883,553	3,218,835
Call Money	40,032	89,000	255,200
Commercial Paper	—	—	62,000
Trading Liabilities	225,298	215,039	253,684
Borrowed Money	424,923	620,512	550,835
Foreign Exchanges	1,000	127	107
Other Liabilities	1,037,508	1,256,171	685,929
Reserve for Bonus Payment	4,724	—	—
Reserve for Retirement Benefits	21,413	18,902	19,612
Reserve for Loss on Disposition of Premises and Equipment	2,768	81	3,921
Other Reserve	—	0	—
Deferred Tax Liabilities	8,898	—	10,084
Acceptances and Guarantees	148,457	215,259	172,238
Total Liabilities	8,019,767	10,405,009	8,902,865
Minority Interests in Subsidiaries	29	60	—
Stockholders' Equity:			
Capital Stock:			
Common Stock	180,853	180,853	180,853
Preferred Stock	270,443	270,443	270,443
Capital Surplus	18,558	18,558	18,558
Earned Surplus	120,500	73,254	94,194
Net Unrealized Gain (Loss) on Securities Available-for-Sale,			
Net of Taxes	14,420	(1,023)	16,341
Foreign Currency Translation Adjustments	2,419	1,899	2,455
Treasury Stock, at Cost	(0)	(0)	(0)
Total Stockholders' Equity	607,196	543,985	582,846
Total Liabilities, Minority Interests in Subsidiaries and Stockholders' Equity	¥8,626,993	¥10,949,054	¥9,485,711

See Notes to Semi-Annual Consolidated Financial Statements.

Consolidated Statements of Income

Shinsei Bank, Limited and Subsidiaries
For the Six Months Ended September 30, 2001 and 2000 and for the Year Ended March 31, 2001

	Millions of Yen		
	Sept. 30, 2001 (6 months)	Sept. 30, 2000 (6 months)	Mar. 31, 2001 (1 year)
Income:			
Interest Income	¥ 84,610	¥124,569	¥211,468
Interest on Loans and Discounts	65,421	83,131	169,142
Interest and Dividends on Securities	9,978	5,834	16,141
Other Interest Income	9,210	35,604	26,184
Fees and Commissions	5,094	7,177	12,819
Trading Revenue	738	2,067	4,672
Other Operating Income	23,769	1,432	3,890
Other Income	35,915	58,232	75,167
Total Income	150,128	193,479	308,018
Expenses:			
Interest Expenses	38,495	86,052	125,624
Interest and Discounts on Debentures	25,440	47,268	82,809
Interest on Deposits and NCDs	3,259	4,377	13,376
Other Interest Expenses	9,795	34,407	29,439
Fees and Commissions	1,511	999	2,278
Other Operating Expenses	17,045	1,381	4,697
General and Administrative Expenses	33,893	29,955	63,899
Other Expenses	25,755	4,960	20,560
Total Expenses	116,702	123,348	217,060
Income before Income Taxes and Minority Interests	33,426	70,130	90,958
Income Taxes:			
Current	201	253	442
Deferred	—	—	56
Minority Interests in Net Income (Loss) of Subsidiaries	29	0	(6)
Net Income	¥ 33,195	¥ 69,876	¥ 90,464

See Notes to Semi-Annual Consolidated Financial Statements.

Consolidated Statements of Stockholders' Equity

Shinsei Bank, Limited and Subsidiaries
For the Six Months Ended September 30, 2001 and 2000 and for the Year Ended March 31, 2001

	Millions of Yen		
	Sept. 30, 2001 (6 months)	Sept. 30, 2000 (6 months)	Mar. 31, 2001 (1 year)
Common Stock:			
Balance at Beginning of Period	¥180,853	¥ 180,853	¥ 180,853
Balance at End of Period	180,853	180,853	180,853
Preferred Stock:			
Balance at Beginning of Period	270,443	48,443	48,443
Issuance of Preferred Stock	—	222,000	222,000
Balance at End of Period	270,443	270,443	270,443
Preferred Stock Subscription:			
Balance at Beginning of Period	—	240,000	240,000
Issuance of Preferred Stock	—	(240,000)	(240,000)
Balance at End of Period	—	—	—
Capital Surplus:			
Balance at Beginning of Period	18,558	281,413	281,413
Transfer to Deficit	—	(280,854)	(280,854)
Issuance of Preferred Stock	—	18,000	18,000
Balance at End of Period	18,558	18,558	18,558
Earned Surplus (Deficit):			
Balance at Beginning of Period	94,194	(277,125)	(277,125)
Transfer from Capital Surplus	—	280,854	280,854
Decrease Due to Addition of Consolidated Subsidiaries	—	(351)	—
Dividends Paid	(6,888)	—	—
Net Income	33,195	69,876	90,464
Balance at End of Period	120,500	73,254	94,194
Net Unrealized Gain (Loss) on Securities Available-for-Sale, Net of Taxes:			
Balance at Beginning of Period	16,341	—	—
Net Change during the Period	(1,921)	(1,023)	16,341
Balance at End of Period	14,420	(1,023)	16,341
Foreign Currency Translation Adjustments:			
Balance at Beginning of Period	2,455	—	—
Net Change during the Period	(35)	1,899	2,455
Balance at End of Period	2,419	1,899	2,455
Treasury Stock:			
Balance at Beginning of Period	(0)	(0)	(0)
Purchase of Treasury Stock	(0)	(0)	(0)
Balance at End of Period	(0)	(0)	(0)
Total	¥607,196	¥543,985	¥582,846

See Notes to Semi-Annual Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Shinsei Bank, Limited and Subsidiaries
For the Six Months Ended September 30, 2001 and 2000 and for the Year Ended March 31, 2001

	Millions of Yen		
	Sept. 30, 2001 (6 months)	Sept. 30, 2000 (6 months)	Mar. 31, 2001 (1 year)
I. Cash Flows from Operating Activities:			
Income before Income Taxes and Minority Interests	¥ 33,426	¥ 70,130	¥ 90,958
Depreciation	751	400	865
Consolidation Adjustment Accounts	949	—	—
Equity in Losses of Affiliates	21	45	82
Net Decrease in Reserve for Loan Losses	(168,228)	(20,774)	(302,608)
Net Increase in Reserve for Bonus Payment	4,724	—	—
Net Decrease in Reserve for Derivative-Related Credit Risk	—	—	(1,295)
Net Increase in Reserve for Retirement Benefits	1,800	3,389	4,100
Net (Decrease) Increase in Reserve for Loss on Disposition of Premises & Equipment	(1,152)	—	3,841
Net Decrease in Other Reserve	—	—	(0)
Interest Income	(84,610)	(124,569)	(211,468)
Interest Expenses	38,495	86,052	125,624
Net Gain on Securities Sold	(113)	(56,040)	(54,639)
Net Gain (Loss) on Money Held in Trust	(7,476)	483	(340)
Net Exchange Losses	(92)	1,393	11,930
Net (Gain) Loss on Sale of Premises and Equipment	(7,505)	482	2,589
Net (Increase) Decrease in Trading Assets	(51,772)	251,681	162,897
Net Decrease in Trading Liabilities	(28,385)	(62,836)	(24,192)
Net Decrease in Loans and Bills Discounted	858,212	470,754	1,528,145
Net (Decrease) Increase in Deposits, Including NCDs	(818,525)	106,037	441,318
Net Increase (Decrease) in Debentures	112,307	(1,565,788)	(2,997,923)
Net Increase (Decrease) in Borrowed Money (Other than Subordinated Debt)	42,163	(43,889)	(47,243)
Net Decrease in Due from Banks (Other than Deposits with the Bank of Japan)	59,642	395,865	479,624
Net Decrease (Increase) in Call Loans, Commercial Paper and Other Debt Purchased	172,705	(93,906)	70,125
Net (Increase) Decrease in Collateral under Securities Borrowing Transactions	(8,021)	100,109	100,109
Net (Decrease) Increase in Call Money and Commercial Paper	(277,167)	(156,706)	71,493
Net Increase (Decrease) in Collateral under Securities Lending Transactions	193,179	74,787	(707,692)
Net Increase in Payable Related to Trading Transactions	62,657	—	—
Net (Increase) Decrease in Foreign Exchange Assets	(313)	(1,240)	3,522
Net Increase (Decrease) in Foreign Exchange Liabilities	893	(143)	(163)
Net Increase in Net Trust Account	84,816	—	—
Interest Received	84,282	126,997	204,082
Interest Paid	(52,052)	(110,676)	(157,782)
Net Decrease (Increase) in Money Held in Trust	29,638	—	(94,455)
Others, Net	51,422	(261,334)	(236,127)
Subtotal	326,670	(809,293)	(1,534,618)
Income Taxes Paid	(1,313)	(852)	(618)
Net Cash Provided by (Used in) Operating Activities	325,356	(810,145)	(1,535,236)
II. Cash Flows from Investing Activities:			
Purchases of Securities	(1,374,405)	(4,798,296)	(7,192,332)
Proceeds from Sale of Securities	484,167	2,104,977	4,136,735
Proceeds from Redemption of Securities	842,476	2,849,111	3,996,997
Proceeds from Acquisition of New Subsidiary	—	—	1,118
Payment Related to Acquisition of New Subsidiary	(670)	—	—
Payment Related to Investing New Affiliate	(205)	—	—
Net Investment in Money Held in Trust	2,762	(49,909)	(1,681)
Purchase of Premises and Equipment	(59,838)	(1,067)	(1,238)
Proceeds from Sale of Premises and Equipment	15,065	—	6,332
Net Cash (Used in) Provided by Investing Activities	(90,646)	104,815	945,932
III. Cash Flows from Financing Activities:			
Payment on Subordinated Borrowings	(122,500)	(243,900)	(309,900)
Payment for Redemption of Subordinated Debts	(111,304)	(59,545)	(74,188)
Decrease of Issuance of Foreign Bonds	(11,000)	—	(3)
Dividends Paid	(6,888)	—	—
Net Cash Used in Financing Activities	(251,693)	(303,445)	(384,092)
IV. Net Decrease in Cash and Cash Equivalents	(16,983)	(1,008,775)	(973,396)
V. Cash and Cash Equivalents at Beginning of Period	67,302	1,040,698	1,040,698
VI. Increase in Cash and Cash Equivalents Due to Inclusion of Subsidiaries from Consolidation	—	—	0
VII. Cash and Cash Equivalents at End of Period	¥ 50,319	¥ 31,922	¥ 67,302

See Notes to Semi-Annual Consolidated Financial Statements.

Note: Cash and cash equivalents consists of cash on hand, deposits with the Bank of Japan and non-interest-bearing deposits.

Notes to Semi-Annual Consolidated Financial Statements

1. Basis of Presentation

The accompanying semi-annual consolidated financial statements of Shinsei Bank, Limited (the "Bank"), and its subsidiaries, stated in Japanese yen, are prepared on the basis of accounting principles and practices generally accepted in Japan and in conformity with the Banking Law of Japan, and compiled from the semi-annual consolidated financial statements prepared under the standards of the Securities and Exchange Law of Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. Accordingly, the accompanying semi-annual consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Certain reclassifications and rearrangements have been made to present the accompanying semi-annual consolidated financial statements in a form which is familiar to readers outside Japan. In addition, certain information normally included in the notes to the financial statements is not presented in the accompanying semi-annual consolidated financial statements. Financial statements for prior periods were reclassified to conform to the presentation in the current period. Yen amounts have been rounded off to millions of yen and the totals do not necessarily agree with the sum of the individual amounts.

2. Consolidation

The Bank applied its consolidation scope using the control and influence concept. Under the control and influence concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are to be fully consolidated and those companies in which the Bank, directly or indirectly, is able to exercise significant influence over operations are to be accounted for by the equity method. All significant intercompany transactions, account balances and unrealized profits and losses have been eliminated in consolidation.

The number of subsidiaries and affiliates at September 30, and March 31, 2001 are as follows;

	Number of Companies		
	Sept. 30, 2001	Sept. 30, 2000	Mar. 31, 2001
Subsidiaries	16	8	13
Affiliates	3	5	3

3. Adoption of New Accounting Standard for Financial Instruments

Effective from April 1, 2001, *gensaki* transactions (securities purchased under resale agreements and securities sold under repurchase agreements) that are not for trading purposes have been accounted for as financing transactions, not as purchases and sales. This change is required based on the Accounting Standard for Financial Instruments issued by the Business Accounting Deliberation Council in January 1999.

However, there are no such transactions outstanding as of September 30, 2001.

4. Subsequent Event

- (a) On December 2, 2001, Enron Corp., of which the Bank holds its corporate bonds, filed a voluntary petition for relief under chapter 11 of the United States Bankruptcy Code. The outstanding balance of the securities available-for-sale as of September 30, 2001, is as follows;

Face amount:	\$40 million
Acquisition cost:	\$39 million (¥4,356 million)
Book value:	\$41 million (¥5,006 million)

The loss amount has not yet been determined.

- (b) The following interim dividends were paid upon resolution of the Board of Directors held on November 26th, 2001:

		Millions of Yen
Series 2 Preferred	(¥6.50 per share)	¥ 484
Series 3 Preferred	(¥2.42 per share)	1,452
Common	(¥0.55 per share)	1,494
Total		¥3,430

Non-Consolidated Balance Sheets

Shinsei Bank, Limited
September 30, 2001, 2000 and March 31, 2001

	Millions of Yen		
	Sept. 30, 2001	Sept. 30, 2000	Mar. 31, 2001
ASSETS			
Cash and Due from Banks	¥ 484,089	¥ 595,569	¥ 558,891
Call Loans	88,527	458,000	276,000
Commercial Paper and Other Debt Purchased	252	17	20
Trading Assets	627,426	526,274	596,450
Money Held in Trust	71,509	53,760	154,638
Securities	2,045,288	2,741,458	2,052,403
Loans and Bills Discounted	5,447,750	7,240,961	6,183,585
Foreign Exchanges	11,085	15,534	10,771
Other Assets	371,962	226,255	374,237
Premises and Equipment	16,476	35,608	28,482
Deferred Discounts on and Issuance Expenses for Debentures	660	1,030	1,062
Customers' Liabilities for Acceptances and Guarantees	285,581	428,819	378,993
Reserve for Loan Losses	(397,014)	(846,023)	(564,290)
Total Assets	¥9,053,596	¥11,477,268	¥10,051,246
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities:			
Debentures	¥3,585,264	¥ 4,916,096	¥ 3,483,957
Deposits, Including NCDs	2,586,560	2,931,785	3,302,808
Call Money	40,032	89,000	255,200
Commercial Paper	—	—	62,000
Trading Liabilities	444,226	469,109	491,856
Borrowed Money	536,561	829,470	773,458
Foreign Exchanges	1,039	161	142
Other Liabilities	937,861	1,255,614	692,113
Reserve for Bonus Payment	4,563	—	—
Reserve for Retirement Benefits	21,376	18,626	19,322
Reserve for Loss on Disposition of Premises and Equipment	2,693	—	3,844
Other Reserve	—	0	—
Deferred Tax Liability	8,898	—	10,084
Acceptances and Guarantees	285,581	428,819	378,993
Total Liabilities	8,454,658	10,938,684	9,473,781
Stockholders' Equity:			
Capital Stock:			
Common Stock	180,853	180,853	180,853
Preferred Stock	270,443	270,443	270,443
Capital Surplus	18,558	18,558	18,558
Earned Surplus	114,663	69,752	91,267
Net Unrealized Gain (Loss) on Securities Available-for-Sale, Net of Taxes	14,419	(1,023)	16,342
Total Stockholders' Equity	598,938	538,583	577,465
Total Liabilities and Stockholders' Equity	¥9,053,596	¥11,477,268	¥10,051,246

Non-Consolidated Statements of Income

Shinsei Bank, Limited
For the Six Months Ended September 30, 2001 and 2000 and for the Year Ended March 31, 2001

	Millions of Yen		
	Sept. 30, 2001 (6 months)	Sept. 30, 2000 (6 months)	Mar. 31, 2001 (1 year)
Income:			
Interest Income	¥ 85,269	¥123,561	¥214,418
Interest on Loans and Discounts	65,365	81,304	167,174
Interest and Dividends on Securities	10,174	7,623	21,953
Other Interest Income	9,729	34,634	25,291
Fees and Commissions	4,442	6,795	12,222
Trading Revenue	619	1,449	2,340
Other Operating Income	8,182	897	3,336
Other Income	38,808	58,166	75,235
Total Income	137,321	190,870	307,554
Expenses:			
Interest Expenses	40,521	84,649	126,599
Interest and Discounts on Debentures	22,312	41,431	72,246
Interest on Deposits and NCDs	5,032	5,211	16,296
Other Interest Expenses	13,175	38,007	38,056
Fees and Commissions	1,488	984	2,231
Other Operating Expenses	5,606	1,124	3,695
General and Administrative Expenses	32,433	29,257	63,163
Other Expenses	26,905	4,987	20,373
Total Expenses	106,954	121,003	216,063
Income before Income Taxes	30,367	69,866	91,490
Income Taxes	83	114	222
Net Income	¥ 30,283	¥ 69,752	¥ 91,267

Corporate Information

Established
1952

Fiscal Year
From April 1 to March 31

Paid-in Capital
¥451,296 million

Number of Shares Authorized
Common Stock:
5,000,000,000
Preferred Stock:
674,528,000

Number of Shares Issued
Common Stock:
2,717,075,212
Preferred Stock:
Series 2 74,528,000
Series 3 600,000,000

Number of Stockholders
4
Stockholders
New LTCB Partners C.V.
Deposit Insurance
Corporation of Japan
Resolution and Collection
Corporation
GGR Cayman L.P.
(As of September 30, 2001)

Network
Americas:
New York Representative
Office
Grand Cayman Branch
Shinsei Bank Finance N.V.
Domestic:
Head Office (Tokyo)
Sapporo Branch
Sendai Branch
Kanazawa Branch
Omiya Branch
Tokyo Branch
Ikebukuro Branch
Ueno Branch
Kichijoji Branch

Shinjuku Branch
Hibiya Branch
Roppongi Branch
Shibuya Branch
Meguro Branch
Hachioji Branch
Yokohama Branch
Fujisawa Branch
Nagoya Branch
Kyoto Branch
Osaka Branch
Umeda Branch
Namba Branch
Kobe Branch
Hiroshima Branch
Takamatsu Branch
Fukuoka Branch
(As of January 31, 2002)



SHINSEI BANK, LIMITED

1-8, UCHISAIWAICHO 2-CHOME, CHIYODA-KU, TOKYO 100-8501, JAPAN

For further information, please contact

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